

USDA Foreign Agricultural Service

# GAIN Report

Global Agricultural Information Network

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**Date:** 8/16/2010

**GAIN Report Number:** FR9047

## France

**Post:** Paris

### **Rise in Wheat Prices Impacting French Bread Basket and Ag Policy**

**Report Categories:**

Agricultural Situation

Agriculture in the News

Grain and Feed

Trade Policy Monitoring

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**Report Highlights:**

The report reviews the domestic impacts and policy debate which have arisen as a result of the Russian drought and dramatic rise in wheat prices.

## **General Information:**

### **Market Impact**

The drought in the Russian Federation has sharply reduced their wheat export forecasts in the coming year from about 36 million to 16 million metric tons. In France, the largest European wheat producer, a spate of dry weather during the growing season impacted production only slightly. According to the national agricultural board, FranceAgriMer, soft wheat production is estimated down 3 percent from the record 2009 crop, to 35.2 million metric tons. With an estimated exportable surplus of 19.3 million metric tons, France is in a good position to supply markets hit by the Russian wheat export embargo. Meanwhile, wheat prices have risen 70 percent as a result, with FOB Rouen quotations rising from Euro130 per metric ton in early July to Euro 223.5 per metric ton on August 6.

### **Government Intervention**

While the price increase has been good tidings for grain producers, livestock and dairy producers have been vocal about the increase in their input costs. Dairy producers, pointing to low market prices, are now calling for special government assistance.

The baking industry lies at the end of the wheat marketing chain. According to some bakers, the price of flour has already risen 25 percent since the onset of the wheat price increase. However, the price of a baguette in France has not yet risen. The basic indicator remains at 90 centimes; but an increase of about 20 percent is expected in coming weeks. During the increase in world food prices in 2007-2008, baguette prices soared, but did not return to previous levels when prices collapsed. The value of wheat represents an estimated 5 to 7 percent of the bread value. Therefore, the fluctuation of wheat prices should not significantly impact bread retail prices.

There have been calls to regulate the price of agricultural products to “prevent them from being in the hands of speculators.” Activist José Bové, a member of the European Parliament for Europe Ecology, has stated that, “We cannot accept that agricultural prices may flare up, it takes a minimum price on products and also requires a maximum price.” Mr. Bové has requested from the French Minister of Agriculture, Bruno Le Maire, that the 5 billion Euros which are normally paid to grain producers, be used to support dairy farmers. Just this past April, roughly 10,000 French grain producers demonstrated their disenchantment toward the government’s policies and the decline in farm-gate prices by marching and driving tractors through the streets of Paris.

Since the increase in world agricultural prices in 2007-2008, and the price drop in 2009, the Government of France has persistently raised the issue of price volatility. France has argued that when speculation plays a role, price volatility will increase. It has expressed that one solution is to return to stronger market regulation and that only public intervention has served to cushion commodity price shocks. France is calling for risk management, “revenue insurance,” other regulatory tools to be adopted to stabilize producer revenue. Next year, France is reportedly planning to organize a meeting of agricultural ministers from G20 countries to discuss price volatility in agricultural commodities.

<b>France Top Soft Wheat Export Markets</b>		
Marketing Years 2008/09 - 2009/10 (Million Metric Tons)		
<b>Country</b>	<b>2008/2009</b>	<b>2009/2010</b>
Algeria	3.712	3.791
Italy	2.067	1.925
Belgium	1.461	1.813
Netherlands	1.729	1.729
Egypt	0.962	1.565
Morocco	2.027	1.230
Spain	0.972	0.941
Portugal	0.672	0.692
Yemen	0.294	0.621
Côte d'Ivoire	0.294	0.529

Source: Global Trade Atlas