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FOREIGN NEWS ON WHEAT

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THE GRAIN MARKET IN SOUTHERN SWEDEN

Our grain trade with southern Sweden shows a growing importance because of the increased demand for good quality wheat to mix with domestic wheat in making a high grade flour, according to a report received by the Foreign Service of the Bureau of Agricultural Economics from R. A. Boernstein, American Vice Consul at Malmo, Sweden. There has been a decided shift in the sources of supply from Russia and Germany before the war to United States and Canada during recent years. The flour milling industry has become organized on the basis of the large import trade and is concentrated in a small number of plants as a result of the substitution of steam and electricity for wind and water power, and the increase in the use of higher quality white flour. The export certificate plan in operation since July, 1926 has apparently raised the price received for domestic wheat and rye and stimulated exports. It does not seem likely that the export certificate plan will affect adversely the imports of qualities needed for blending purposes, particularly American and Canadian wheat.

Present conditions

A large surplus of bread and forage grains was formerly exported from Sweden, but the voluminous exports of American grain beginning about 1880 exercised a profound and adverse effect upon the Swedish grain trade. Present conditions indicate that although the trade has undergone a trying period of transition, it now manifests a growing importance. South Swedish mills, breweries, and yeast factories obtain their needs of domestic grain by purchase from competitive local dealers. However, the direct import of foreign grain was early undertaken by the mills themselves through the medium of agents, and since the close of the world war this practice has become even more pronounced. On the other hand, the growth of the animal industry has lead to increased activity on the part of grain dealers and agents in the importation of forage products. As an example may be cited the fact that in 1900 the Swedish imports of corn amounted to but 590,518 bushels as against 3,346,268 bushels in 1924.

As demand for foreign grain has increased, the direct importations have grown proportionately in volume, so that at the present time the Swedish grain trade is on as high a technical and commercial plane as that of neighboring countries. The high standard of business morality existing among Swedish grain dealers has won the entire confidence of foreign exporters. Large individual importations are the rule. The prompt and systematic dissemination of information as to conditions in foreign grain producing countries enables local brokers to follow the market closely.

The establishment in southern Sweden of agencies of foreign export firms has greatly facilitated direct contact between importers and exporters as the nearest agencies of this kind were formerly located in Copenhagen and Hamburg. To further accelerate distribution and maintain constant contact with purchasers, many of the larger wholesale dealers have appointed branch offices at strategic points through which local sales can be promptly effected.

#### Kinds of foreign wheat in demand

Foreign wheat usually sells on the local market in southern Sweden from 22 to 29 cents per bushel higher than the domestic variety. Western Manitoba wheat is said to be the variety generally preferred because of its glutinous properties which render it advantageous for blending with the soft Swedish wheat, according to Vice Consul Boernstein. However, owing to variations in quality that take place in world harvests from year to year, wheat from other localities such as Western United States, Argentina, etc. is often in great demand according to the results of analyses of gluten content.

American wheat is available at a more favorable time than the Canadian, as flour shipments from the south Swedish mills to northern Sweden are made principally by boat, and if too long delayed, the danger of the closing of the northern harbors by ice must be reckoned with. This year the northern ports were closed by ice earlier than usual and shipments to the North had to be made by the more expensive method of freight trains.

Briefly stated, certain foreign hard wheats are needed for blending with Swedish wheat in order to produce a flour that will absorb a higher percentage of water than pure domestic flour and hence give the bakers more bread for the quantity of flour used.

#### Grain crops in Sweden

Grain cultivation often suffers from the brevity of the summer and uneven temperature, the danger of frost constituting a frequent menace. This climate instability makes for crop variations from year to year. Production of grain crops the last two years are shown in the following table:

Crop	1926	1927
	<u>Bushels</u>	<u>Bushels</u>
Winter wheat ...:	10,579,251	9,844,000
Spring wheat ...:	1,783,705	1,444,000
Winter rye .....	22,459,559	18,275,000
Spring rye .....	865,424	665,000
Barley .....	14,868,879	12,472,000
Oats .....	86,057,250	78,895,000

The area devoted to grain cultivation has not increased proportionally with the acreage employed in growing root and forage crops. This is reported to be due to the fact that grain farming is attended by greater risk and is often unprofitable. There has been an increasing trend towards the production of forage crops to such an extent as to permit of exports to neighboring countries in good crop years.

#### Use of export certificates for grain

Export certificates for grain have been in use since July 26, 1926. At this time an ordinance was enacted to the effect that for every 100 kilograms of wheat and rye exported (3.7 bu. of wheat or 3.9 bu. of rye), but in quantities of not less than 500 kilos per shipment, the Swedish Government would, through its authorized officials, issue a so-called "Utforselbevis" or "Export Bounty", to individuals or firms exporting such products. Those documents entitle the exporter to import into Sweden a similar quantity of grain free of duty, or he can sell the certificates to the customs office at Stockholm, Swedish flour mills or grain importers for a sum equal to the amount of such duty less 2 per cent. Wheat, rye and barley are subject to an import duty of Swedish crowns 3.70 per 100 kilos (equivalent to 27 cents per bu. for wheat, 25 cents per bu. for rye, and 23 cents for barley). Oats are free from duty.

The use of export certificates is said to have resulted in a higher price to Swedish producers of wheat and rye during good and normal crop years than was formerly the case. At any rate, the price of Swedish wheat and rye has been higher in relation to world market prices, especially during the winter and autumn months, since the plan was inaugurated, states Vince Consul Boernstein. With regard to wheat, the price improvement can be estimated at 11 to 14 cents per bushel. This increase was not limited to the district surrounding the ports of export but extended to other production districts of the country.

#### Effect of export certificates on exports and imports of wheat

In the years immediately preceding the inauguration of the export certificate plan the exports of wheat and rye from Sweden were unimportant. Since that time they have increased considerably. The table on page 7 shows the exports of wheat from Sweden during 1925-26, 1926-27, and so far in 1927-28. It will be seen that exports in 1925-26, a year of a relatively good crop, were very small. In 1926 the crop was somewhat smaller but exports were much larger as a result of the export certificate plan. In spite of the poor wheat crop in 1927 the exports have been on a much higher level than in the years immediately preceding the inauguration of export certificates.

The use of export certificates does not seem to have caused any decrease in the importation of wheat. On the contrary, the Swedish trade statistics show that in 1926-27, the first year the plan operated, the imports were larger than in the preceding year. So far this season (1927-28) the imports have been on an even higher level, largely as a result of the poor 1927 Swedish crop. Foreign wheat, particularly

American and Canadian, is needed in Sweden for blending purposes and it does not seem likely that the export certificate plan will affect adversely the imports of the qualities needed.

SWEDEN: Imports of wheat grain, average 1909-13, annual 1925-27

Imported from	Average 1909-1913	1925	1926	1927 <u>a/</u>
	<u>Bushels</u>	<u>Bushels</u>	<u>Bushels</u>	<u>Bushels</u>
United States . . . .	412,000	2,941,842	2,903,042	
Germany . . . . .	2,023,000	1,391,832	1,265,752	
Canada . . . . .	27,000	1,641,357	1,045,854	
Russia (European) . . . .	2,390,000	0	653,588	
Denmark . . . . .	599,000	489,560	312,810	
Argentina . . . . .	487,000	1,011,598	299,186	
Australia . . . . .	53,000	830,443	108,572	
Great Britain . . . . <u>b/</u>	123,000	420,773	25,500	
Netherlands . . . . .	---	25,383	16,122	
Belgium . . . . .	85,000	30,015	7,348	
Norway . . . . .	---	375	369	
Other countries . . . .	572	52,556	369	
<b>Total . . . . .</b>	<b>6,199,572</b>	<b>8,835,734</b>	<b>6,637,512</b>	<b>6,652,257</b>

Sources: International Trade in Wheat and Wheat Flour, Trade Promotion Series No. 10, United States Department of Commerce. Sveriges Officiella Statistik Handel 1925 and 1926 and Sveriges In-och Utforsel, December 1927.

a/ Not given by countries.

b/ Includes Irish Free State.

#### Milling Industry

The modern tendency of the south Swedish mill industry has been toward concentration, and flour production is now in the hands of a relatively small number of large plants. This process of centralization is the result of the substitution of steam and electricity as power in place of wind and water and to a constant increase in the use of white flour, the manufacture of which demands the employment of more complicated and costly machinery than was used by the earlier millers.

The use of wheat flour in place of rye has constantly increased in conjunction with an uninterrupted rise in bread consumption. At the same time the difference between the price of wheat and rye has steadily diminished and by the addition of foreign wheat to the domestic variety a wheat flour of such high grade has been produced as to emphasize the difference in quality between wheat bread and rye bread. The per capita consumption of wheat flour has steadily risen during the past twenty years while rye meal consumption has remained practically stationary, at times evidencing an actual decrease.

Improved means of communication have contributed greatly to the process of centralization as well as new inventions in milling machinery. In order to hold transportation costs to a minimum, most of the large mills have been erected at seaports in the grain producing areas of southern Sweden, where there is a plentiful supply of domestic grain adjacent and importations of foreign grains can be economically handled.

During the last few decades imports of foreign wheat and other grains have increased. Domestic production has not kept pace with the growth of population and the consumption of wheat flour. Besides, it has been found that an improved wheat flour results from the addition of foreign hard wheats to the native stocks.

While in most normal years the Swedish rye crop is sufficient to meet domestic needs, even record wheat harvests do not suffice to cover the domestic demands. As a rule about one half of the wheat consumed within the country is imported from abroad. The Province of Scania is the granary of Sweden. Although comprising only about 4 per cent of the total area of the country and containing less than 15 per cent of its entire population, Scania normally produces approximately one half of the Swedish wheat crop and one fourth of the rye crop. These crops are not, however, susceptible of material increase and partly on this account as well as the taste of the public for flour made of foreign wheat, no extensive expansion of the south Swedish mill industry is to be anticipated in the immediate future.

The wheat flour industry may be regarded as having attained its full development, although much rye flour is still being ground in small mills which use wind and water as power. Much of this grinding is for the private use of nearby farmers. Had it not been for the initiative shown by the larger mills in producing a flour of approximately the same quality as the so-called "American" type, it seems certain that the annual importation of wheat flour would have reached much greater proportions, as the taste of the public for a porous, light bread made it necessary for the bakers to have a flour of more absorbent qualities than that previously produced by the small mills.

On numerous occasions labor conditions have been difficult in the milling industry. Heavy imports of American flour, German export bounties, and sudden fluctuations in prices caused occasional periods of depression. Government intervention became necessary during the war period but joint action on the part of the mills themselves for mutual protection made further intervention on the part of the Government unnecessary.

#### Storage facilities

The storage facilities suitable for the accommodation of foreign grains are to a large extent in the hands of the mill owners, as there are no other adequate private or public grain elevators at the seaports. There are a number of government warehouses at inland points in the grain growing districts but these cannot be economically used for foreign grains. A well informed local grain agent states that in the absence of practical storage facilities other than those of the mill owners, it is a mistake for foreign exporters to send shipments of grain to agents in this district

before sales have actually been completed. Such grain must be stored in the warehouse of the mill owners, whose handling charges are, it is stated, often so high as to make it unprofitable, for example to take out of the warehouse and reship it to purchasers in the more northern sections of the country. The agent often finds in the end that it is better for him to sell the grain to the owner of the mill at which it is stored at a relatively low price than to withdraw it for sale to a prospective northern customer.

Stores of foreign grain are said to be kept at a fairly constant level throughout the year, while domestic grain is chiefly on hand during the months following the harvest. The south Swedish farmer might avail himself of the inland grain warehouses for storing his crop in anticipation of a better price, but he is frequently unable to do so for economic reasons.

Swedish as well as imported grain is sometimes stored in granaries belonging to the mills in Malmo, Trelleborg, Ystad, Ahus, Kristianstad, Landskrona, Helsingborg, and Kalmar, several of which have storage capacity of as high as 10,000 tons. A mill owner states that the mills are not always in a position to accept all of the domestic production in normal times, which may be one of the reasons for the exportation which has taken place during the past two years. However, the use of export certificates has undoubtedly been the moving factor in this export business.

Sanction of the rebates provided for in these certificates is reported to have been the result of an official effort to provide relief for farmers who complained that they were too much in the hands of the mill owners at the time of the harvest when the market was, in a sense, customarily glutted with domestic grain. During the present crop year exportation is reported to have been relatively light even with the support of the export certificates. The grain harvest was not satisfactory owing to bad weather, and a number of other factors have influenced the market. Exports of the 1926 harvest were much heavier.

When the Malmo free harbor was begun in 1916, it was intended to include a modern, public grain elevator of large capacity, but the appropriations were not sufficient and the elevator was not built. As the taxes are already very high and there is a general demand for their reduction, the prospects are not bright for early construction of the building. Grain is sometimes stored in the ordinary warehouses at the free port but the facilities are not considered adequate or satisfactory. A granary is also located at the port of Landskrona.

SWEDEN: Imports and exports of wheat grain only, by months  
August 1925 - July 1928

Month and year	Imports	Exports
	<u>Bushels</u>	<u>Bushels</u>
1925-26		
August .....	811,815	4,056
September .....	610,074	4,078
October .....	501,082	163
November .....	628,684	20
December .....	566,973	3,693
January .....	383,939	4
February .....	282,285	4
March .....	461,717	604
April .....	377,538	140
May .....	454,077	7
June .....	544,595	1
July .....	572,614	456
Total ....	6,195,393	13,226
1926-27		
August .....	645,083	20,636
September .....	807,187	328,499
October .....	767,188	254,460
November .....	834,292	430,339
December .....	521,743	420,219
January .....	405,069	220,533
February .....	475,786	110,148
March .....	506,360	244,095
April .....	392,481	67,456
May .....	912,600	45,927
June .....	954,638	22,916
July .....	680,098	6,666
Total ....	7,902,525	2,171,894
1927-28		
August .....	774,087	4,263
September .....	1,049,173	147,712
October .....	875,694	175,071
November .....	772,032	103,891
December .....	911,345	37,156

Compiled from Sveriges In - och - Utforsel.