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French Bakers to Raise Baguette Prices After Wheat Costs Double
2011-01-16 23:30:30.0 GMT

By Rudy Ruitenberg

Jan. 17 (Bloomberg) -- "Liberty and baked bread" are all people really need, an old French proverb says. One of those is about to get more expensive as bakeries raise baguette prices to pass on surging grain costs.

"We have no choice," said Michel Galloyer, whose baguette was voted the best in Paris in 2010. "Wheat prices have exploded. We'll have to pass on 4 to 5 cents when flour prices start to rise, probably in February."

The French consume about 23 million baguettes a day -- more than 8 billion every year -- supplied by 33,000 bakeries and retailers such as Carrefour SA, the National Association of French Millers estimates.

Wheat prices almost doubled in the past 12 months on NYSE Liffe in Paris, with March-delivery wheat closing at 251 euros (\$336) a metric ton on Jan. 14, after a drought in Russia and floods in Canada and Australia wiped out crops. The dozen "Le Grenier à Pain" stores that Galloyer runs in Paris plan to raise the price of a baguette by 5 cents next month to 1.15 euros.

"We didn't see anything coming in June or July," said Galloyer, who supplies bread to the residence of President Nicolas Sarkozy. "That weighs on margins because we didn't raise the prices at first. I thought it would come down by January."

Since 2007, the price of a baguette at corner bakeries that dot French towns and cities has risen 6.3 percent, according to a study by Familles Rurales. At larger retailers, prices are up as much as 19 percent.

Angel's Flour

"Les Blés d'Ange," a bakery near the Luxembourg gardens on Paris's left bank, has marked up its "baguette de tradition" by 5 cents to 1.20 euros in response to costlier flour. The cost for a basic baguette was unchanged at 90 cents.

"We left the basic baguette unchanged and plan to keep it like that for now," said Chantal Hanotelle, owner of the bakery whose name means angel's flour. "If prices rise a lot from here, we're going to have to charge more."

As millers deplete their stocks of cheaper wheat, they'll have to start buying more expensive grain, Galloyer said.

Grain stocks in France are sufficient to meet domestic requirements until the next harvest, Xavier Beulin, the head of the French farmers association FNSEA, said on Jan. 13 after a meeting with Sarkozy.

Soaring wheat prices stem from "speculation," Galloyer said. "There is wheat," he said. "There's a lot in stock. In April or May prices will decrease."

Doubling Wheat

Every 30-euro increase for a ton of wheat raises the cost of flour in a 250-gram baguette by about 1 cent, said Valérie Mousquès-Cami, a spokeswoman for the millers association. Paris wheat futures have soared to 251 euros a ton, from 128.50 euros on Jan. 14, 2010.

"The doubling of the wheat price from a year ago would justify an increase of 4 cents," said Remi Haquin, a cereals specialist at the country's crops office FranceAgriMer, based on the outskirts of Paris.

Wheat in a baguette represents less than 10 percent of its cost, with energy expenses and salaries accounting for a greater part of the expenses, said Xavier Rousselin, the head of arable crops at FranceAgriMer.

Artisan bakers such as "Le Grenier à Pain" and "Les Blés d'Ange" make up about 60 percent of French bread sales, Familles Rurales estimates. About three-quarters of bread sold in France are baguettes, according to the millers association.

Clients have expressed concern about rising bread prices, said Hanotelle at "Les Blés d'Ange." Mills are already charging the bakery more for wheat flour even though they're often just depleting their stocks, she said.

'What Makes France'

Boulangerie Paul, which sells its bread through more than 360 outlets in France and 130 stores abroad, doesn't plan to raise baguette prices, according to a spokeswoman who declined to be identified.

Carrefour, France's largest retailer, cut its average baguette price by 1 cent to 41 cents last year, according to an e-mailed reply to questions. The Paris-based company raised the price by 4 cents to 43 cents after grain costs jumped at the end of 2007. Carrefour declined to comment on whether it will raise prices this year in response to higher wheat costs.

The daily consumption of bread in France has dropped to 120 grams from 900 grams in 1900, according to the millers' association. Still, bread remains a reference of the cost of living in France, said Philippe Chalmin, an economics professor at the University of Paris-Dauphine and an adviser to the government on food costs.

"The image of France is of the beret, the baguette and a bottle of red wine," Chalmin said. "It's a psychological indicator. It's what makes France France."

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