

HORIZON



**Forecast:
Agri-market outlook**

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Official disclaimer note:

It should be noted that this report is based on information currently available but still involves risks, variables and uncertainties. Agricultural markets are highly volatile, often unpredictable, and unforeseen factors can have a major impact on production and prices. Consequently, no guarantee is given to the accuracy of the outlooks, but they are simply put forward as our best estimates at the time of publication.

HORIZON



FOREWORD by Phil Bicknell

Only history will tell how our industry remembers 2018. Will it be noted for the weather – a prolonged winter and an incredibly dry summer? Or will it be the emergence of the Agriculture Bill – the first confirmation of the disappearance of direct payments and the indication of significant change in the policies that impact farming?

However 2018 is characterised in the long run, both weather and politics create tremendous uncertainty for the agricultural industry. With fodder prospects tight, some livestock and dairy farmers have already made decisions on stocking levels and those decisions will filter through to overall production. At the same time, the fodder situation has already influenced demand for cereals and will continue to do so in the months ahead.

On top of the practical and physical impacts, there's the politics. For example, a consequence of the USA's tariffs on steel imports from China is a punitive tariff on American soya exports to China, with knock-on impacts on international trade flows and global oilseeds markets. The result is that trade policy between the USA and China is a driver for any UK farmers growing oilseed rape as part of their rotation.

The big political issue, of course, is Brexit. Although, for some, Brexit fatigue set in long ago, there is also no avoiding the fact that it will have an impact on the agri-food industry. At the time of writing, our future trade relationship with the EU is dominating the headlines, with the prospect of a No Deal outcome still

a possibility. The following outlooks are based on the assumption a deal is concluded with the EU, so if there is any change in the core assumptions, we will revisit them. Subscribers to our sector newsletters and market roundups will be familiar with our regular analysis of new and emerging information.

The uncertainty associated with Brexit underlines the challenge of producing future outlooks or forecasts. We have already seen increased volatility in many agricultural commodity markets over the last decade, powered by the removal of protectionist measures and an increasing exposure to world supply and demand dynamics. Collectively, that means looking forward at our industry is far from straightforward. However, that should not mean we don't and, if anything, this uncertainty means looking ahead is even more crucial.

That is one reason why we are producing this briefing now. In an uncertain world, I hope AHDB's independence is both understood and valued. This outlook is based on the latest data available, combining feedback and insight from contacts across the agri-food industry with AHDB sector specialists' expertise. What follows is an examination of the factors affecting different sectors. Whether you're using it for business planning, aiming to understand the market dynamics or just interested in a flavour of what agriculture faces in the year ahead, I hope you find this publication useful and informative.

DAIRY MARKET OUTLOOK

Overview

Short term, GB farmgate prices are expected to continue to hold or rise slowly through the autumn due to the delayed relationship with market prices. However, after November we would expect farm prices linked to market returns to come under downward pressure, following on from the weakening commodity prices seen from early September. Farmers on cost-plus contracts, often aligned to retailers, may see their prices increase.

Production

European milk production was impacted by the hot, dry weather this summer, and concern over future milk volumes meant market prices rose higher than would have been expected.

Despite this concern, in reality, GB milk production actually held up reasonably well, with farmers supporting milk yields with silage and bought-in feed. However, there remains concern over the impact on future milk volumes. In particular, how short of silage farmers will be later in the year, how much feed they will need to buy in and at what cost. This will hit farmers' margins, which historically has led to a reduction in milk yields. How much of an impact we see will depend on how far out of kilter feed and milk prices move and how well stocked farmers find themselves for their feed requirements. There is also concern over fertility levels due to heat stress in the summer, but we won't know the impact of this for some time.

GB milk production (m litres)			
	2017–18	2018–19	2019–20
Apr	1,086	1,071	1,080
May	1,134	1,140	1,150
Jun	1,055	1,055	1,060
Jul	1,035	1,024	3,030
Aug	1,019	1,011	
Sep	984	990	
Oct	1,025	1,020	
Nov	1,000	985	
Dec	1,032	1,025	
Jan	1,038	1,035	
Feb	944	945	
Mar	1,057	1,080	
Year	12,408	12,381	

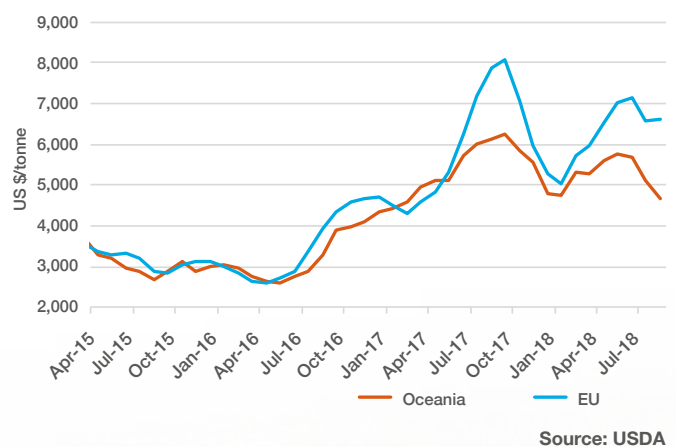
Forecast figures in red Source: AHDB

Brexit uncertainty was expected to encourage domestic demand for domestic supply. The results so far are mixed. Cheddar production has increased considerably in the UK, but imports have also increased. The trade deficit has worsened as Irish producers look to stockpile in the UK for use post-March 2019. Other manufacturers are also looking at contingency plans, including stockpiling ingredients, packaging and products.

Looking ahead, any reduction in milk production through the winter is likely to lead to reduced cheese making, putting pressure on already tight domestic supplies, but cheese imported in the run-up to Brexit could potentially fill the gap.

Trade

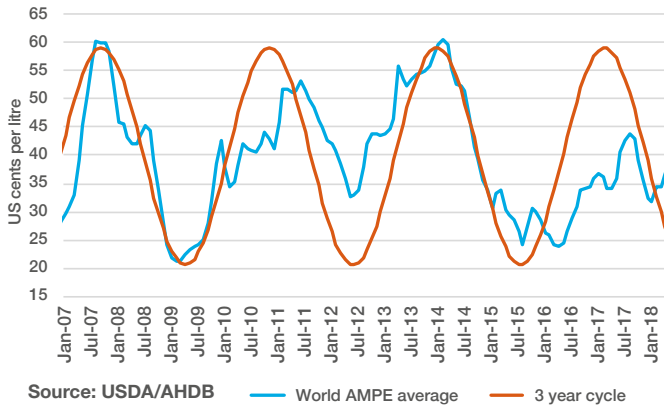
In the markets, UK butter prices increased by nearly £1,000 per tonne between March and May. For the first half of 2018, butter prices were running up year-on-year but didn't reach the highs of August and September 2017.



World wholesale butter prices

By September, butter prices in the EU averaged more than US\$2,000 per tonne above Oceania prices. EU butter is now uncompetitive on the world stage, with EU exports down and Oceania looking to export butter into the EU. Global prices are expected to move closer together over the coming months.

AHDB's Actual Milk Price Equivalent (AMPE) indicates the value of milk when producing butter and skimmed milk powder (SMP). In milk equivalent terms, global prices failed to reach a material peak in 2017. Previous peaks have been predominantly driven by SMP price increases. However, the high EU intervention stocks for SMP have prevented this happening.



World AMPE estimate (in US cents per litre)

By the end of October, the EU had sold nearly half of the skimmed milk powder (SMP) intervention stock, and this is slowly starting to ease pressure on the protein market. SMP prices had fallen through to April but improved marginally thereafter. Some SMP is heading for fat-filled milk powder (FFMP), where demand has picked up to counter the high cost of milk fats. FFMP is now commonplace in countries where whole milk powder (WMP) has become unaffordable.

SMP prices are unlikely to move significantly until more EU intervention stocks are cleared, which appears to be slowly happening. The concern is whether intervention stocks have just moved into private storage, and if so, how long they will remain there and still hold back the market.

A divergence in fat and protein markets has been developing for some time. Since 2000, butterfat has driven the overall increase in milk values. From 2015, butterfat has been more valuable than protein, in milk equivalent terms. In New Zealand, where that message is now getting through to farm payments, we will see changes to feed and genetics to deliver fat for the market. In the EU, buyers are still encouraging protein ahead of fat, which means the EU could get left behind.

Globally, while fat market prices remain historically high, alternatives such as fat-filled powders are likely to continue to grow. We will also continue to see food manufacturers value engineering recipes to reduce dairy fat content. This will bring the market closer into balance.

While trade is a major concern as we move towards the March 2019 Brexit deadline, so is lack of labour. The dairy industry has relied on foreign labour for many years, on-farm, in factories and for haulage. The lack of an affordable labour pool would push costs up, putting further pressure on margins throughout the chain.

Dairy consumption trends

Kantar Worldpanel usage reports dairy occasions as being in a long-term decline, driven by changing eating habits and declining in some key ‘host’ meals and drinks that feature dairy. This decline is unconscious with consumers rather than a rejection of dairy itself. For example, there is a reduction in hot-drinks occasions featuring milk, specifically a move away from tea with milk occasions. One of the most notable reductions has been with younger consumers (18–24 years old).

We anticipate milk consumption to remain fairly static in the short term. Growth in dairy alternatives alongside changing eating and drinking habits will be offset by household growth, easing milk volume pressures in the longer term.

The outlook for yogurts is for continued growth in the short term, helped by a heavy focus by consumers on health, which is showing no signs of easing. We expect continued pressure on butter and spreads, with the category impacted by changing eating habits, for example a reduction in the consumption of sandwiches. Butter has also seen significant price rises, placing further pressure on volumes if this continues.

Opportunities exist within the continued work in the industry to reinvigorate dairy’s relevance amongst younger consumers. Dairy products are generally consumed with a ‘host food’ or carrier, such as tea or bread, for example. Further benefits lie in working to partner dairy products closely with host foods showing signs of growth, such as porridge oats or coffee.

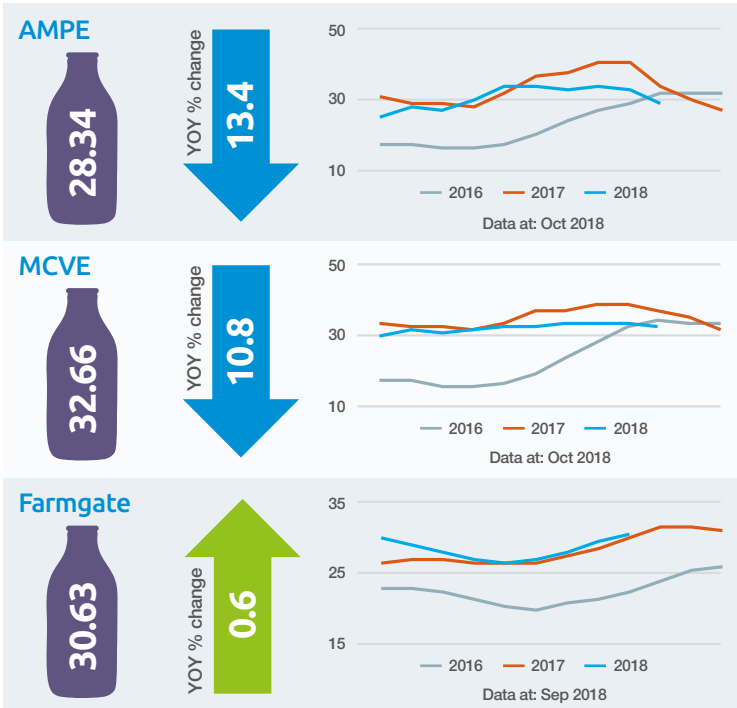
Please sign up for the latest dairy market newsletters, direct to your inbox by following the link below: dairy.ahdb.org.uk/sign-up-to-emails



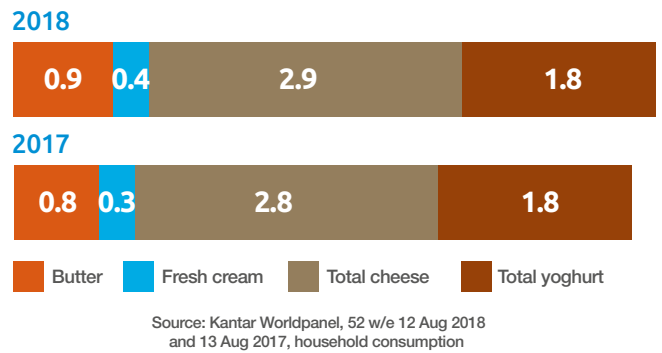
DAIRY AT A GLANCE

Autumn 2018

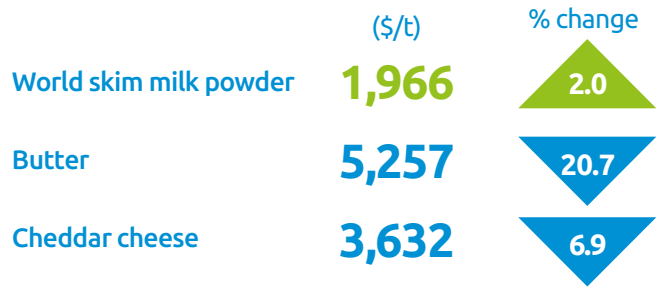
UK prices (ppl)



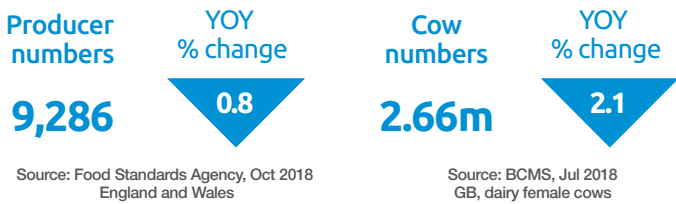
GB consumption (£bn)



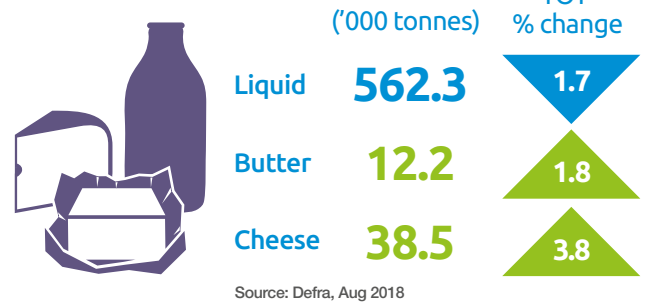
World wholesale prices



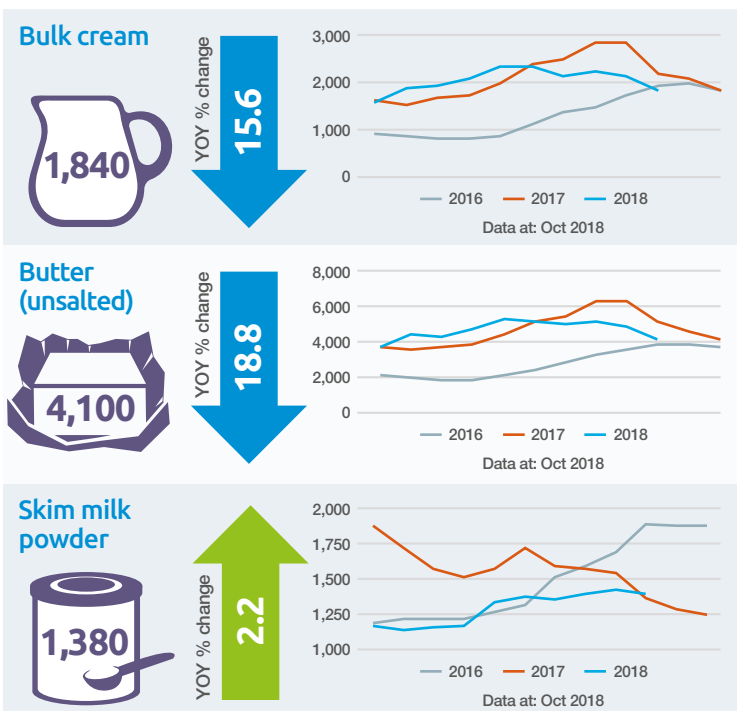
Farm data



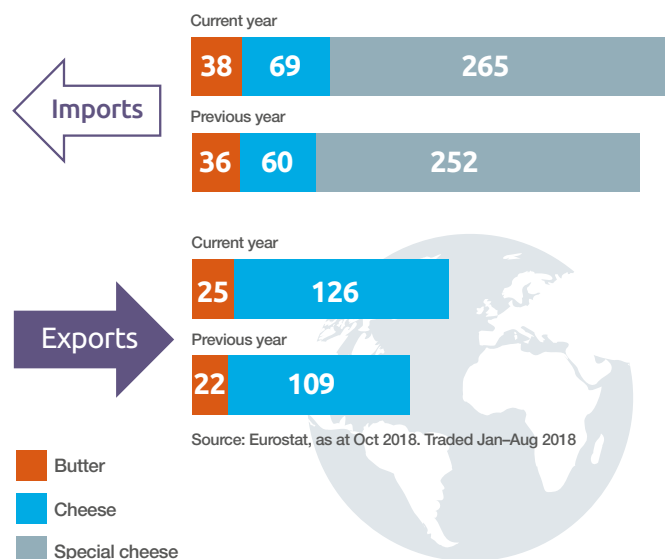
UK production



UK wholesale prices (£/t)



UK trade ('000 tonnes)



For more information go to dairy.ahdb.org.uk

PORK MARKET OUTLOOK

Overview

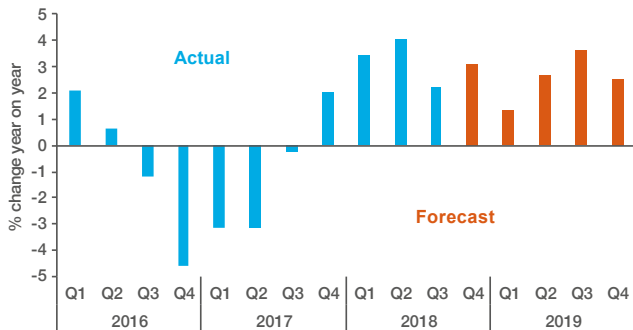
In 2019, UK pig meat production is expected to rise. However, supplies on the market could remain relatively stable, thanks to declining imports and export growth.

Production

AHDB believes the breeding herd has increased modestly over the past year. This is supported by increasing production of compound sow feed and reports of expansion from integrated outdoor herds in particular.

Physical performance has been challenged in 2018. High disease rates early in the year limited slaughter in Q3, while infertility during the hot weather will impact early 2019. Nonetheless, there is a general background of improving sow performance, so clean pig slaughterings are still likely to rise again next year, although potentially at a slightly slower rate than in 2018.

Carcase weights are expected to remain at or below year-earlier levels until next summer, with high feed costs suppressing a generally rising trend. As a result, production growth will be slightly behind slaughtering levels early next year. This may be emphasised by lower sow slaughterings, reflecting a slightly younger breeding herd.



Sources: Defra (actual), AHDB (forecasts)

Actual and forecast change in UK clean pig slaughterings

“ There is a general background of improving sow performance ”

With extra supplies of British pig meat on the market, a rise in demand will be required to support prices. However, retail pig meat sales remain subdued and within this the higher-value fresh pork segment is in decline.

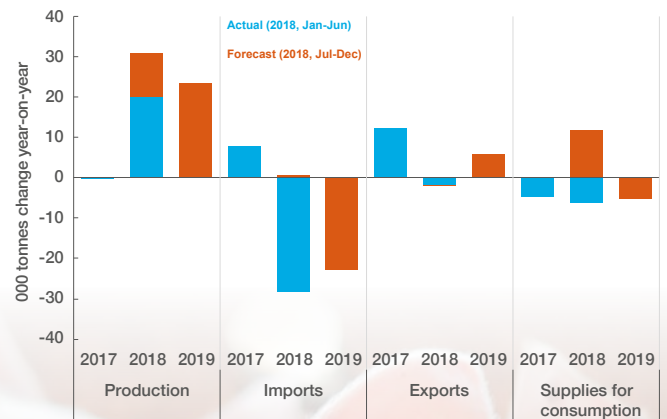
Trade

So far this year there has been a decline in pig meat imports, particularly in early 2018 when UK production growth was especially strong. While there is some uncertainty, it seems probable that imports will continue to decline as UK production expands. However, in the short term there may be some stockpiling prior to Brexit.

Falling Chinese demand has limited UK exports this year, so a small decline is anticipated for 2018 overall. Performance next year will depend, in part, on Chinese demand developments. Assuming some increase as a result of African Swine Fever affecting domestic production, export growth should be possible, provided the UK also maintains access to the EU.

Balancing all these factors, supplies available for consumption on the domestic market are forecast to be broadly stable again in 2019. Nonetheless, global pork production is expected to be higher next year, meaning prices could remain under pressure unless demand responds.

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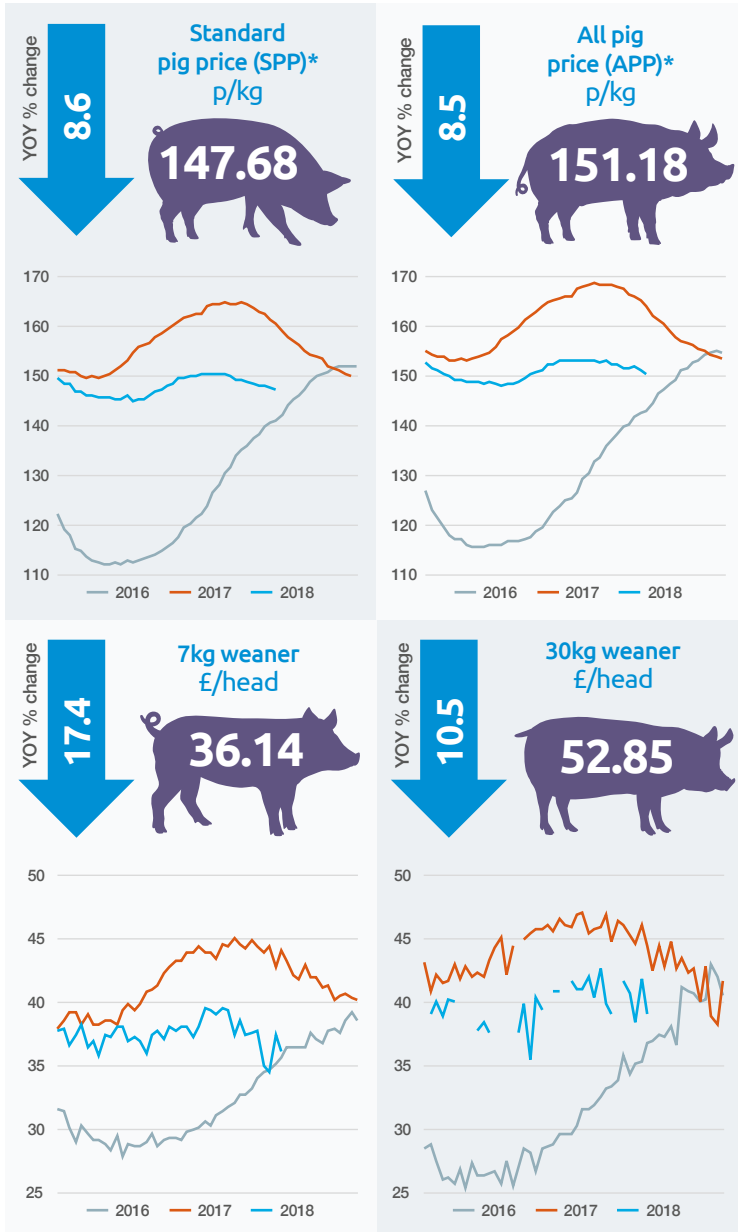
Sources: Defra, HMRC, AHDB Market Intelligence

Actual and forecast trends in UK pig meat supplies

PORK AT A GLANCE

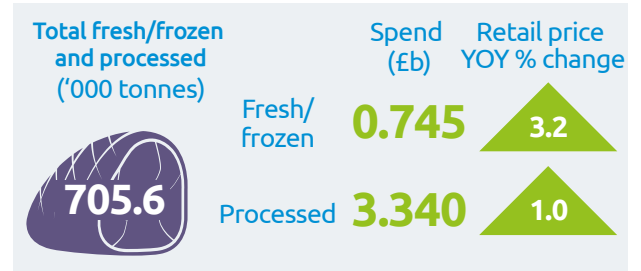
Autumn 2018

GB prices



Data at: Sep 2018, *EU spec

GB consumption



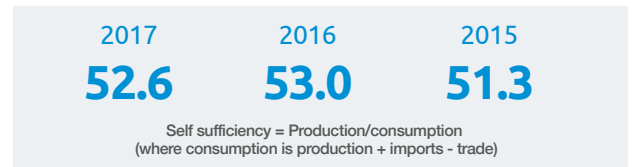
Source: Kantar Worldpanel, 52 w/e 9 Sep 2018, household consumption

UK slaughtering

	2016	2017	2018
Clean pigs	8,054,062	7,677,225	7,927,169
Sows and adult boars	198,117	176,895	195,328

Source: Defra, YTD Jan-Sep (Number of head)

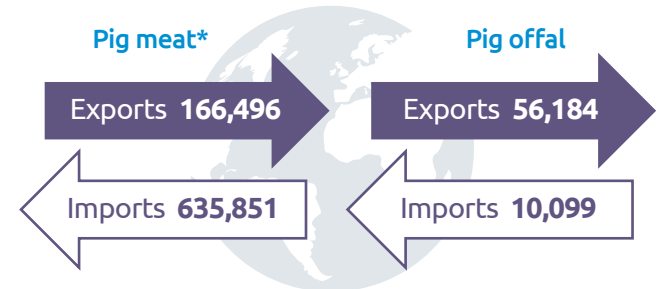
Self-sufficiency (%)



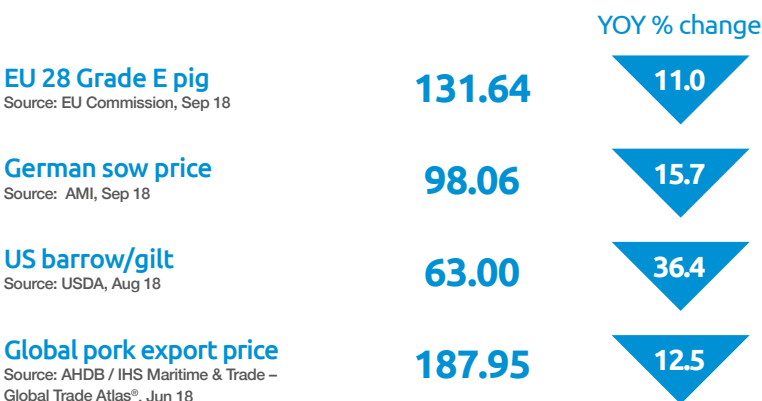
Self sufficiency = Production/consumption (where consumption is production + imports - trade)

Source: Defra, IHS Maritime & Trade – Global Trade Atlas®/HMRC, Statistics Germany, Agentic Tributaria, CSO Ireland, AHDB

UK trade (Tonnes)



International prices (p/kg deadweight)



Source: EU Commission, Sep 18

Source: AMI, Sep 18

Source: USDA, Aug 18

Source: AHDB / IHS Maritime & Trade – Global Trade Atlas®, Jun 18

UK trade (%) with the EU compared to the rest of the world



Source: IHS Maritime & Trade – Global Trade Atlas®/HMRC UK, as at Oct 2018. Traded Jan-Aug 2018

* Pig meat = Fresh/frozen pork, bacon, processed hams and sausage
Further publication of the trade data is prohibited, unless expressly permitted by IHS Maritime & Trade

For more information go to pork.ahdb.org.uk



BEEF MARKET OUTLOOK

Overview

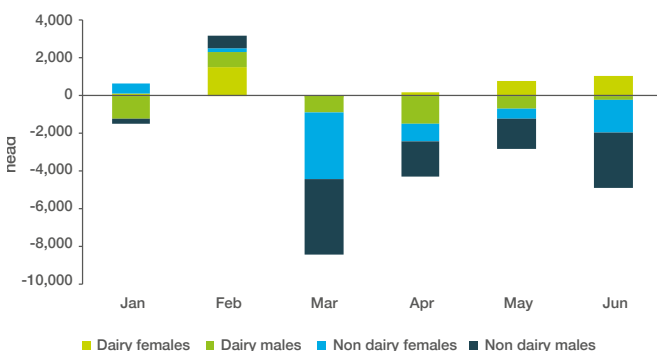
Breeding herd and registrations

The breeding herd has been in contraction for the last couple of years. This trend is set to continue into 2019. After a challenging year, on-farm deaths and slaughterings of cows have been higher than usual. Strong demand for manufacturing beef for much of 2018 has resulted in cow prices being supported, and as of September, over 30,000 head more cows have been slaughtered. As a result of this, the forecast is that the breeding herd in 2019 could decline by as much as 2%.

Dairy male registrations in 2017 were down around 30,000 head, but this was offset by an increase of 44,000 head of registrations from beef animals of both sexes. After beef replacements have been taken into account, heifers used to take the place of culled breeding females, prime supplies available from 2017 registrations should be similar to the previous year, which should translate into sufficient supplies during the early part of 2019. Poor calving conditions in 2018 may affect supplies available in the latter part of 2019 and into 2020.

Production

Prime cattle slaughter for 2018 is on track to finish at 1.98 million head. British Cattle Movement Service data for cattle numbers on the ground in July suggests that supplies for the start of 2019 are similar if not slightly elevated on 2018 levels. However, in the second half of the year supply may become limited as 2018 spring-born cattle become shorter in supply. For 2019 as a whole, prime cattle slaughterings are forecast to be similar, if not slightly lower, than 2018 numbers.

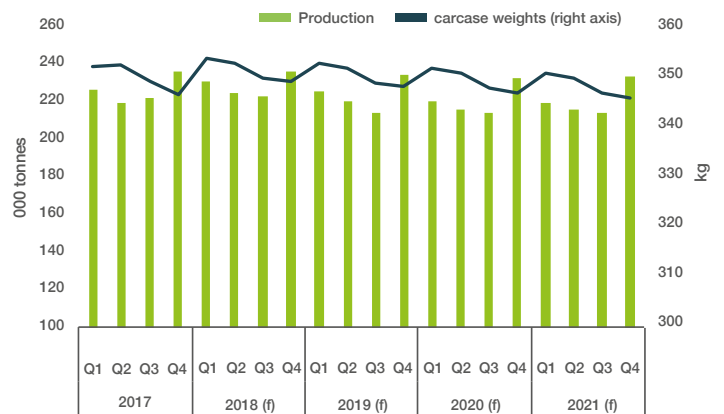


Source: BCMS

Calf registrations, year on year change 2018/17

Cow slaughter in 2018, at 484,000 head up until the end of September, has been particularly high. Herd stabilisation going into 2020 and fewer available replacements is expected to reduce the number of cows slaughtered in 2019. Numbers could potentially be similar to 2018 in the early part of the year if a combination of forage shortage and bad weather affects producers again. Cow slaughter for 2019 is expected to be around 610,000 head, more in line with typical levels.

As a result of similar prime cattle slaughterings and much fewer cow slaughterings, UK production in 2019 is expected to decline slightly on 2018 levels to just under 900,000 tonnes.



Source: Defra, AHDB

UK beef production forecast

Trade

Using the assumption that demand will remain fairly stable in 2019, reduced supplies available in the UK may have a slight impact on export volumes, which are expected to decline slightly in 2019. Irish production in 2019 is expected to be down slightly due to high numbers of calf exports in 2017 and 2018. This is expected to have an impact on Irish exports to the UK, declining slightly. However, this may present an opportunity for Polish beef to grow market share by exporting more to the UK.

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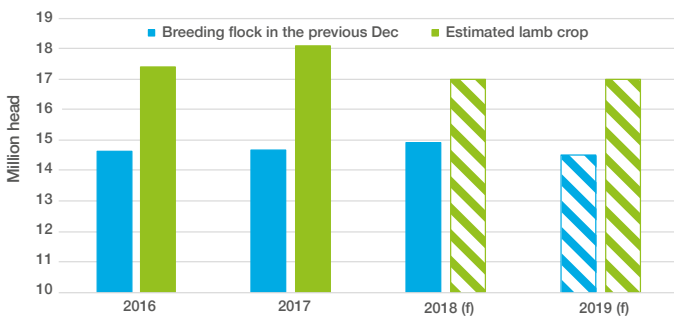
LAMB MARKET OUTLOOK

Overview

Severe weather in early 2018 made lambing hard for many, with reports of higher on-farm mortality and warm, dry conditions later brought challenges to finishing. These difficulties came about despite lambs usually doing well in warm conditions, as forage (both grass and preserved) was lacking both quality and quantity. Farmgate prices recorded some surprising trends this year, reaching record-breaking highs in April as the market reacted to a lack of new-season lambs, quickly moving back in line with year-earlier levels.

Production

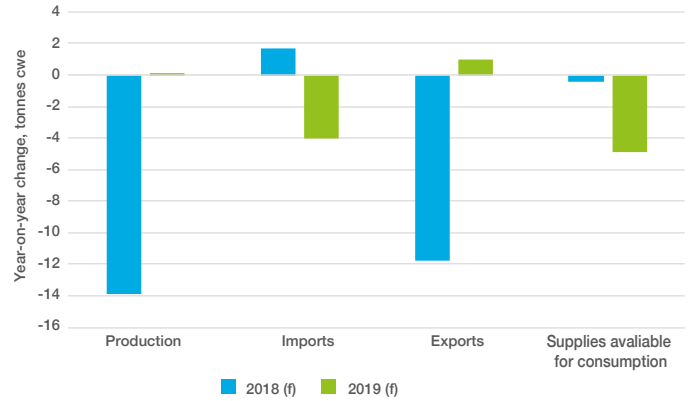
Coming into 2018, the UK breeding flock is believed to have increased slightly on year-earlier levels. However, conditions at lambing were very difficult for many, and the overall size of the lamb crop is estimated to have declined by around one million head to approximately 17 million. Due to high on-farm mortality in the spring, the size of the breeding flock this December is also forecast to fall. The size of the lamb crop in 2019 is expected to be similar to this year despite the decline in the number of breeding ewes, as lamb rear rates ought to recover slightly, although they may remain depressed compared with the five-year average.



Source: Defra, AHDB/LAA/IAAS, AHDB

UK breeding flock compared with estimated lamb crop

More old-season lambs were held over into 2018 than in 2017, largely due to the 2017 crop being the highest for many years. With the 2018 crop forecast to be so much smaller than previous crops, it is probably not surprising that fewer lambs are forecast to be held over into the first quarter of 2019. Overall, slaughterings in 2018 are forecast to be significantly down compared with 2017 and then stabilise in 2019. Seasonality of supply in 2019 is forecast to return to a more typical pattern.



Source: Defra, HMRC, AHDB

Actual and forecast trends in UK sheep meat supplies

The key influence on production both this year and next year is the weather. Lamb rear rates are unlikely to recover back to a five-year average next year, due to ewes being in suboptimal condition for tupping in the autumn. Feed prices are likely to have been higher for many farmers this year and forage supplies going into winter are believed to be below typical levels. Reports also indicate that there is a lack of available winter grass or feed crops. With this in mind, feed costs are likely to continue to be high over the coming months, with total demand for sheep feed increasing per head on last year's level.



Source: Defra

Year-on-year percentage change in UK sheep meat production

Trade

Globally, supplies available are likely to record little year-on-year change over the next 12 months. New Zealand production is forecast to decline slightly, although Australia is forecasting some small uplift. Demand in China is expected to remain strong, which may limit any increase in UK lamb imports, depending upon farmgate prices across the world. With UK production somewhat constrained based upon the weather this year, exports are forecast to record little change.

Red meat consumption trends

Meals containing protein returned to growth in 2018, but the majority of this growth has been fuelled by more occasions featuring chicken and fish, highlighting the competitive landscape for red meat. Data from Kantar Worldpanel has shown that volume sales of red meat are down 2.3% year-on-year, with beef, lamb and pork volume sales behind the same period last year. That said, there have been some pockets of growth, such as beef steaks (+5.1% year-on-year).

Despite the backdrop of negative press coverage for processed meat, volume sales of sausages, bacon and fresh burgers have all grown year-on-year. We expect a modest decline in primary red meat consumption

in the short term, with ongoing pressure from the gradual shift from traditional meat and two veg options (such as roast dinners) towards dish-based cuisines. There is further pressure from consumers looking to moderate consumption, often referred to as flexitarians. Kantar Worldpanel defines flexitarians more tightly as consumers cutting down on red meat for health reasons and sizes this group of people at 7% of the population. This outlook might be mitigated by the industry working to achieve a better fit for red meat within popular dish-based cuisines and clearly communicating the health benefits of red meat to counter any health concerns.

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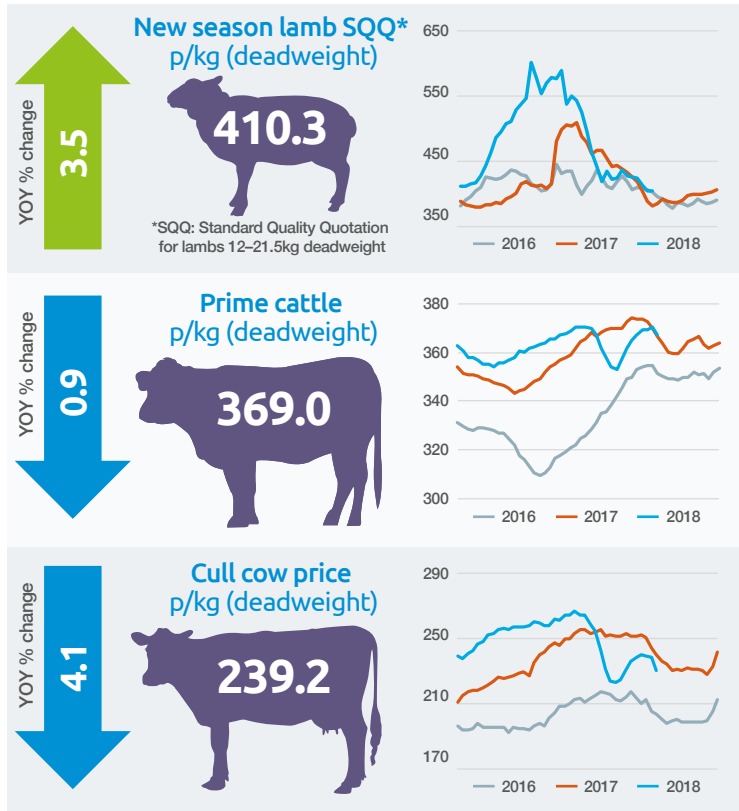
“ feed costs are likely to continue to be high over the coming months, with total demand for sheep feed increasing per head on last year’s level ”



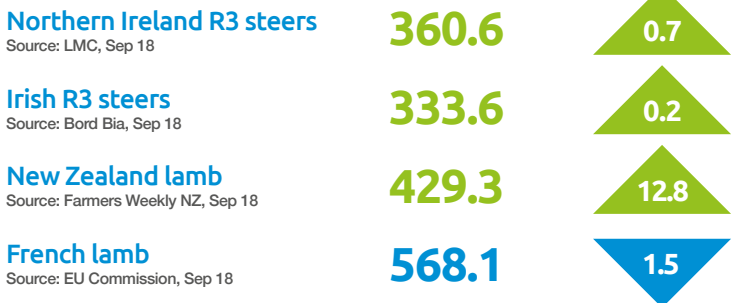
BEEF & LAMB AT A GLANCE

Autumn 2018

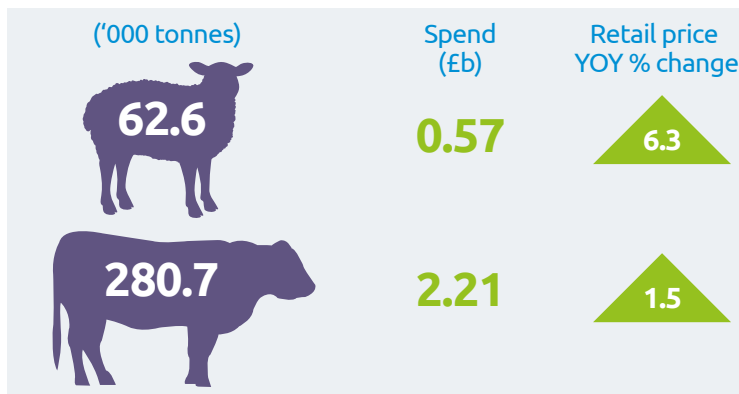
GB prices



International prices (p/kg deadweight)



GB consumption



UK slaughterings

	2016	2017	2018
Prime cattle	1,474,791	1,473,906	1,474,403
Cows	464,724	451,947	484,619
Sheep	9,251,985	9,443,722	9,106,377

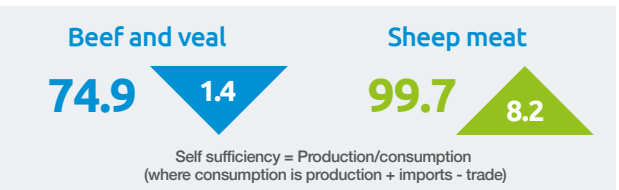
Source: Defra, YTD Jan–Sep (Number of head)

UK production ('000 tonnes)



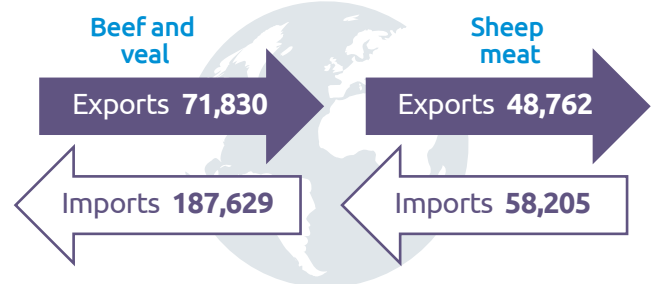
Source: Defra, YTD Jan–Sep 2018

Self-sufficiency (%)



Source: Defra, IHS Maritime & Trade – Global Trade Atlas@/HMRC, AHDB, 2017

UK trade (Tonnes)



UK trade (%) with the EU compared to the rest of the world



Source: IHS Maritime & Trade – Global Trade Atlas@/HMRC UK, as at Oct 2018. Traded Jan–Aug 2018, *Total fresh/frozen

Further publication of the trade data is prohibited, unless expressly permitted by IHS Maritime & Trade"

For more information go to beefandlamb.ahdb.org.uk

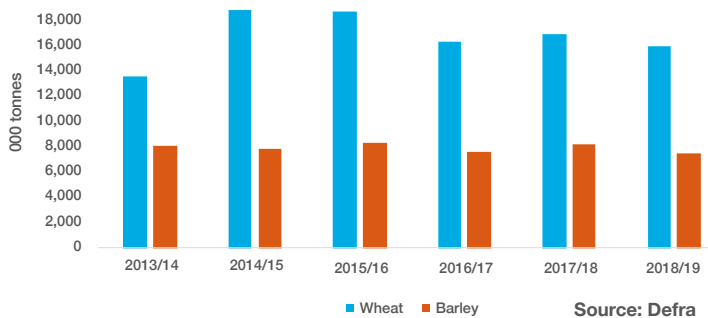
CEREALS MARKET OUTLOOK

Overview

'Variable' has been the word that best sums up the harvest of 2018. The impact growers suffered from this summer's hot, dry conditions largely depended on where in the country they farmed, when (and if) the rain fell and whether they were cultivating lighter lands or heavier soils.

Production and quality

While UK production was back this year, it was not to the same magnitude as some had feared. Wheat came in at 14.1 MT, 5% back on the previous year. Barley recorded a steeper drop – back 8% on the year, to 6.6 MT. However, variation has been marring the bigger picture. Much has been dependent on when (and if) rainfall hit, soil type and regionality. That said, the UK has fared better than its global competitors, with the dry, hot conditions affecting many global producers. Coupled with reduced production levels, ending stocks for the year for wheat and barley were at the lowest level recorded since 2013/14 and 2012/13 respectively.



UK wheat and barley production

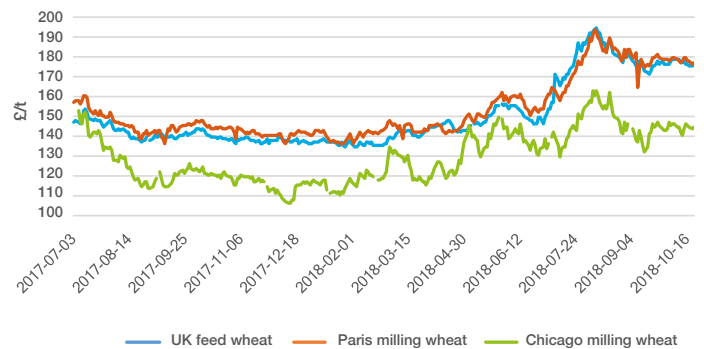
While we have seen large variations in yields this harvest, quality has generally held up – particularly for wheat. Indeed, the area of nabim Group 1 wheat meeting full specification this year is up 59% on last year's rain-affected crop. Anecdotal industry comments suggest the crop is performing well in baking tests, with strong gluten levels and good water absorption. However, there could be a potential North/South divide in the availability of quality wheat this season, with increased availability being recorded in the South East and South West, while the North is somewhat tighter.

Barley quality has been more of a challenge than wheat, with increased variability recorded. Elevated nitrogen levels have been seen, in addition to variability in specific weight and screening. This has created more of a challenge for the industry this year, as an even quality crop is required for more efficient malting.

Trade

Weather concerns resulted in a strong price reaction for wheat, especially in the EU. In addition, the extra requirement for animal feed lent further support to these prices. However, it must be remembered that global events shape the UK wheat price also. Recently, a drop back in prices has been observed. Currency fluctuations have likely been the main driver of this. Since early August, the Russian ruble has recorded marked declines against the US dollar. Given the importance of Russian wheat as one of the cheapest sources in the northern hemisphere, this has pulled down global wheat prices. Maize values have also had a bearish effect on the wheat price.

Strong declines in the currencies of major producers (peso and real), coupled with historically strong yields and production being forecast for South America, have impacted global grain prices. Should these maize yield forecasts be confirmed or threatened, the shift they cause to maize prices will be felt in wheat markets.



Global nearby wheat futures

At a UK level, it looks like we will have a tight year ahead for both wheat and barley. However, we do have some areas of uncertainty on the demand side of the equation. Firstly, looking at H&I (human and industrial) usage, we have the Vivergo shutdown to factor in. While this will have an impact on wheat demand in the region, this may not be as stark as originally feared. Why? Well, there are levels of uncertainty surrounding the volume of imported grain that was utilised by the facility, in conjunction with what capacity the plant was running at. Secondly, we have animal feed use. This year's weather has resulted in a challenging year for livestock producers – indeed, grain usage was 5% up in the first two months of the season. We expect to see more grain moving towards animal feed – the question is, which grain? There's an opportunity for more maize and less barley to be used in compound feeds – especially given domestic barley production is down.

Maize imports are already off to a strong start this season. Additionally, poultry placements are on the rise, driven by increasing consumer demand. There is a limit to the amount of grain other than wheat that can be included in poultry rations. Therefore, this increased demand is likely to keep overall wheat demand fairly static, largely offsetting any bioethanol demand. Lastly, there is milling demand. Recently, a processor has shut down a mill in the South. While this is not likely to affect national demand for milling wheat, a regional impact is possible. Southern grains may have to travel further afield to find a home, potentially impacting local pricing.

In summary, we are unlikely to see much stock recovery, especially for wheat. This should keep prices elevated relative to world levels. The AHDB Early Bird Survey will be published in November. This will give the first indications of planting and planting intentions for the season ahead.

“ We expect to see more grain moving towards animal feed ”

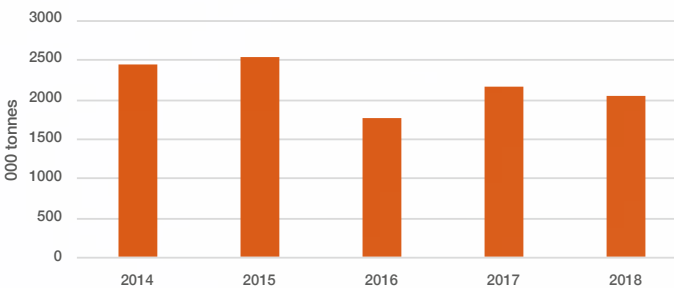
OILSEEDS MARKET OUTLOOK

Overview

Rapeseed markets have been affected by both the weather and political disputes over recent months.

Production and quality

Production was back 5% on the year, at just over 2 MT. This was despite an increase in the planted area. Yields have been back on the five-year average and were 11% down on last year. Soil type and region have largely dictated yield this year, with those on lighter lands being hard hit. Reports were that light soils were returning yields of 1.5–2 t/ha, while growers on heavier lands were recording 3.5–5 t/ha.



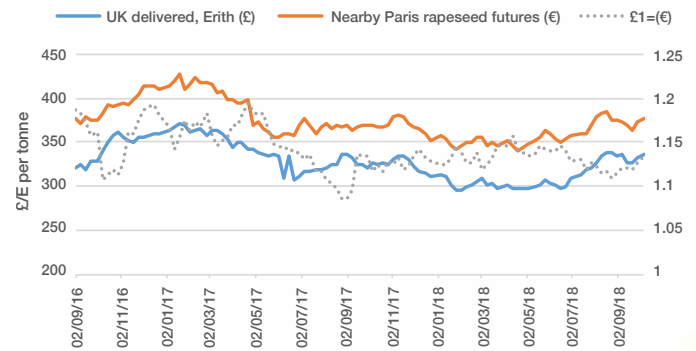
Rapeseed production

Source: Defra

Early in the harvest, there were occasional reports of low oil content, but most averaged 44% – only one percentage point back from last year. The dry, hot weather caused concerns over moisture levels. However, growers largely overcame these concerns by harvesting at night to preserve moisture or rehydrating the crop in stores.

Trade

In the past, a UK oilseed rape crop of close to 2 MT has limited exports or triggered higher imports. Moving to a net importer position might be expected to support prices. While markets did receive a boost after harvest, the relationship between UK and Paris futures has stabilised over recent weeks. Given this, and the difficult harvest experienced in the EU, what is preventing a runaway rally for rapeseed prices?



Source: AHDB, ECB

Rapeseed prices and pound/euro exchange rate

The answer to this lies with the broader supply glut in the oilseeds complex. Record global oilseeds inventories are expected in 2018/19, largely driven by an Argentine rebound and record US yields. The EU is importing a record volume of soya beans, predominantly from the US, who have redirected volumes due to the restrictions and tariffs placed on them by the Chinese market. Those EU crushers who can utilise soya beans, are. These factors have mitigated the impact of falling rapeseed volumes, thereby capping any price rises. Should the trade dispute end, or adverse weather in South America limit production, this could well give further support to the rapeseed price.

Looking forward to the coming season, the current supported price might suggest an increase in planted area could be recorded for rapeseed. However, there are other large concerns influencing planting decisions this year. Firstly, there has been very dry weather during the planting window. This has meant that the crop has struggled to become established in some regions and on some soil types.

This situation is also being played out on the Continent. Secondly, there is the issue of cabbage stem flea beetle. There have been reports that flea beetle damage is worse this year, exacerbated by beetles favouring the dry conditions. Some growers have reportedly considered abandoning the winter crop or spring cropping due to the impact of these negative factors. While we will have an early indication of planted area in November following the publication of the Early Bird Survey, should a significant proportion of growers decide to spring crop they will wait until after the winter to do so.



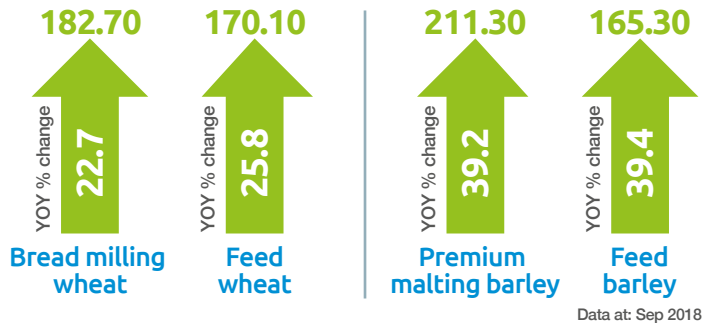
Cereals and oilseeds consumption trends

Traditional breakfast cereals have faced long-term volume challenges. An increasingly fast-paced way of life has resulted in a rise in convenience products for on-the-go consumption and a rise in out-of-home breakfast traffic. We anticipate further volume challenges for traditional breakfast cereals but opportunities for on-the-go breakfast products and healthier variants of traditional lines.

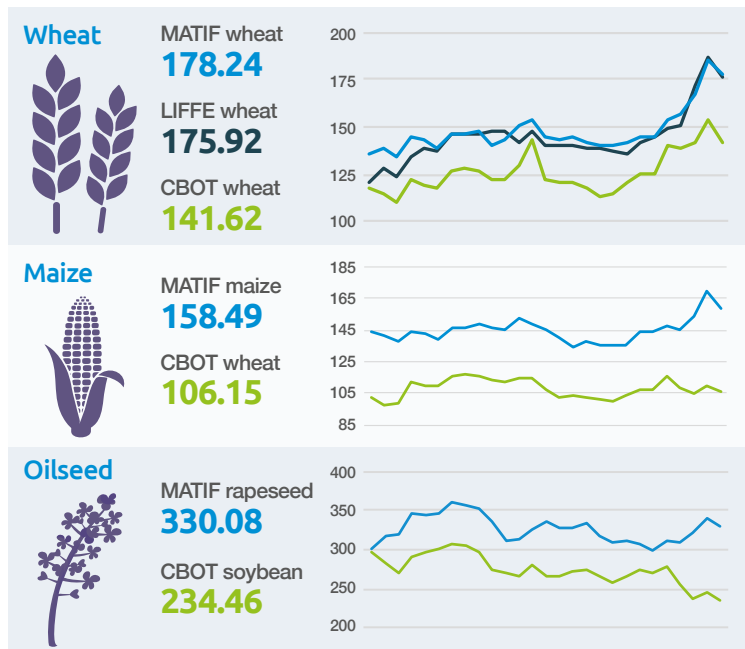
The overall number of traditional sandwiches eaten in the home has decreased over the past five years and, last year, volume sales of bread were down 1.3% year-on-year. We anticipate this trend to continue and for volumes to remain challenging. The industry is helping to offset this through new product development, with a greater variety of seeds and ancient grains. These have helped appeal to consumer interest in health, at the same time offering variety of taste and texture. The wider trends of health have further contributed to growth in 'healthier biscuits' – we anticipate this to continue as it helps consumers satisfy the desire to snack but also be healthy.

Please sign up to receive Grain Market Daily, by following this link cereals.ahdb.org.uk/sign-up-forms/grain-market-daily

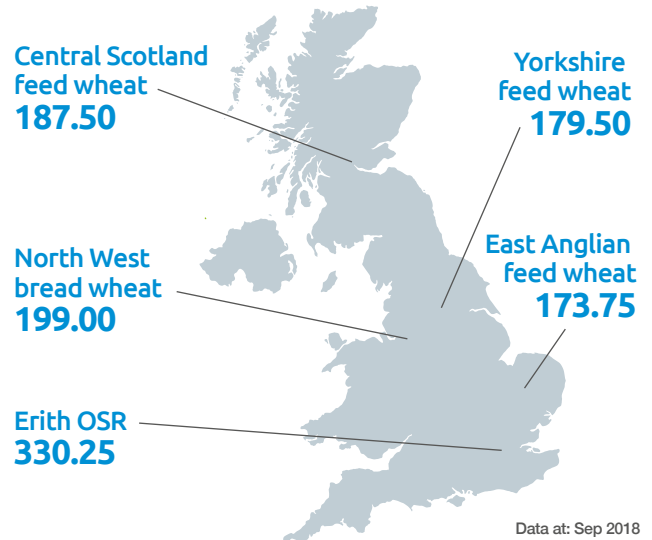
UK ex-farm prices (£/t)



Futures prices (£/t)



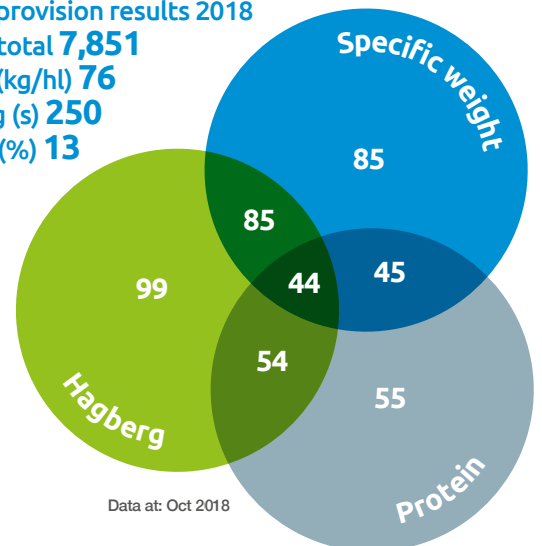
UK delivered prices (£/t)



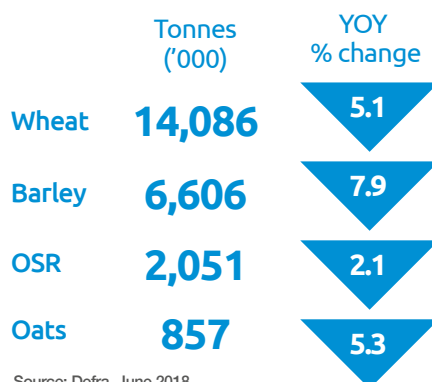
GB cereals quality survey

Second provision results 2018

Sample total **7,851**
Weight (kg/ha) **76**
Hagberg (s) **250**
Protein (%) **13**

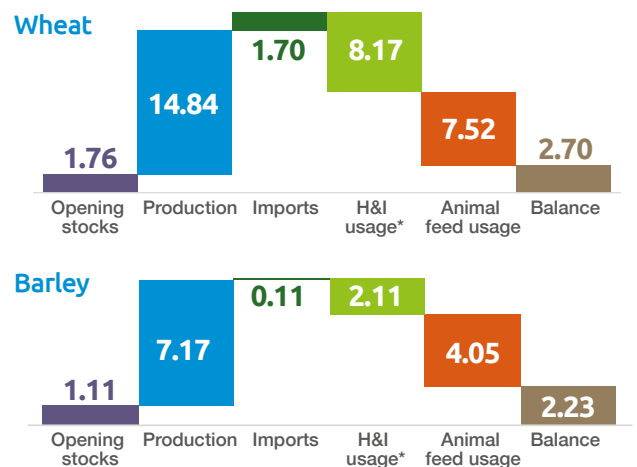


UK production



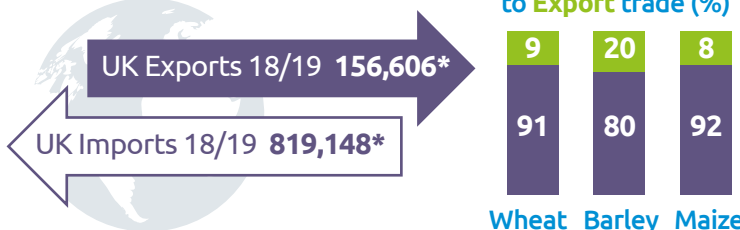
UK supply and demand

2017/18 End of season balance sheet (Mt)



UK trade (Tonnes)

UK Import trade compared to Export trade (%)



For more information go to cereals.ahdb.org.uk

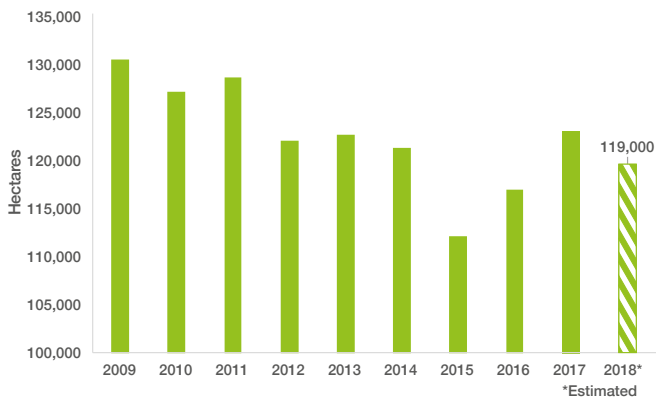
POTATOES MARKET OUTLOOK

Overview

This growing season has been characterised by extreme weather conditions, which have affected farmers to varying degrees depending on their regionality and access to irrigation.

Production and quality

Following a high production year and a well-supplied market in 2017, low potato prices provided little financial incentive for growers. As a result, the 2018 season saw plantings drop by 4% to 117,300 hectares. The challenging planting conditions of the wet, cold spring likely exacerbated this decision, in addition to delaying planting for many. This interruption had a knock-on effect on early harvest volumes.



Source: AHDB

GB potato planted area

However, the supply situation was mitigated to some degree by the volume of old crop still available. Indeed, by the end of March there was still 1.3 MT of old crop left in stores – 300,000 t more than the previous season.

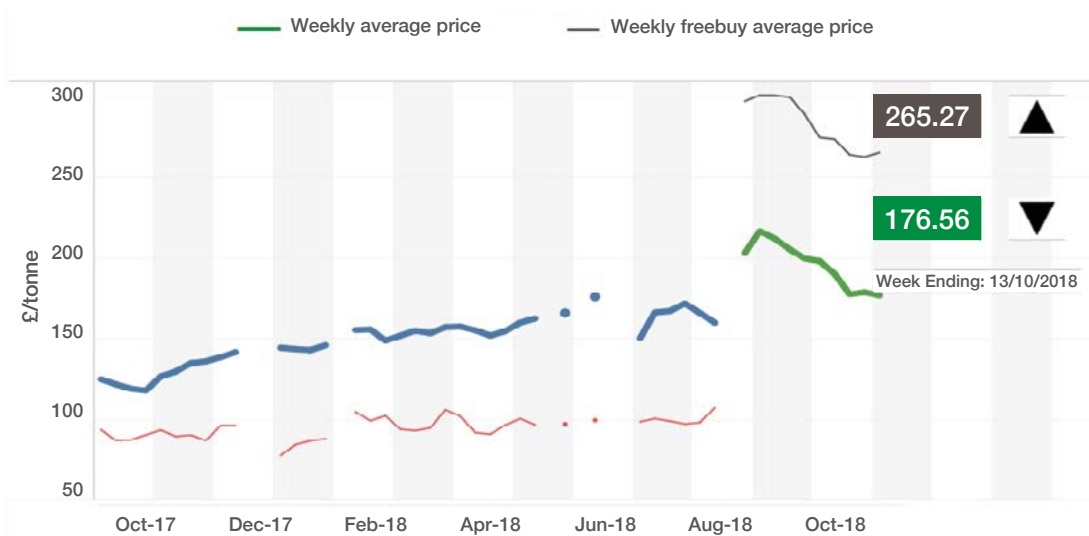
May saw a short window of favourable conditions, which resulted in an acceleration of crop emergence. However, this was largely halted when the hot, dry weather of the summer set in.

The ability to irrigate became crucial for many this season, and with only half of the planted area having access to irrigation, there were large variations in the weather impact. As the hot, dry conditions continued, irrigation systems were reported to be under pressure. Those crops not irrigated were often said to be suffering from underdeveloped canopies, increasing dry matter content and potential for reduced yields. When rain did come at the end of the summer, issues with secondary growth and skin finish emerged for many.

So how has the weather impacted production this season? With lifting still in progress, it is too early to tell for many. AHDB production figures for 2018 will be available in December/January and lifting progress reports in Potato Weekly are available now.

Trade

The challenging conditions this season have been felt in price reactions. Due to the large volume of old crop still in stores at the end of March, a smaller difference in price between the last of the old crop price and the beginning of the new crop price might have been expected. However, this season behaved differently. A combination of lateness of supply and industry concerns surrounding the size and availability of the new crop resulted in the 2018/19 season starting around £190/t higher than the end of the previous season. In addition, old crop was traded well into September, when typically it would have been used up by the end of July. Prices have started to fall back in recent weeks as main crop lifting begins in earnest, resulting in greater supplies available to the market.



2017/18 and 018/19 ex-farm price trends

Source: AHDB



What can we expect for the rest of the season? While a smaller crop is anticipated this year, there is also the potential for a much shorter season. This could alleviate some of the supply pressure. Packers could benefit, both from the ability to use old crop longer and from sourcing supplies from Scotland. Nearly half the area grown in Scotland is for packing and, reportedly, yields are faring much better north of the border. Chipping and processing markets may be under more pressure. There is a requirement for tubers with certain characteristics suitable for frying and these are anticipated to be suffering from a tighter supply situation. In order to mitigate this, processors have reportedly been looking to source from non-traditional markets, such as packing markets with sufficient dry matter. This could potentially cause a further tight supply situation in these markets, as competition for supply increases.

Potato consumption trends

Fresh potatoes have shown retail growth in the last year. According to Kantar Worldpanel, there was a 1.1% increase last year (52 weeks to end May 2018) in terms of volume sold and this is matched by a 2.2% increase over the last five years. This stabilisation and signs of recovery follow a long period of declining sales caused by changing eating habits. We would expect fresh potatoes consumption to remain stable in the short term, but in the long term the trend of reduced per capita consumption is likely to return at some stage. The category faces continued pressures from the long-term rise in dish-based cuisines and growth in rice, noodle and pasta-based dishes.

The crisps and chilled potatoes (such as pre-made mash) subcategories grew 6% and 4.2% respectively last year. We expect snacking (crisps) and chilled convenience categories to continue to perform well, driven by new product development focusing on reasons to purchase, such as convenience or exciting flavour combinations.

“ Fresh potatoes have shown retail growth in the last year ”

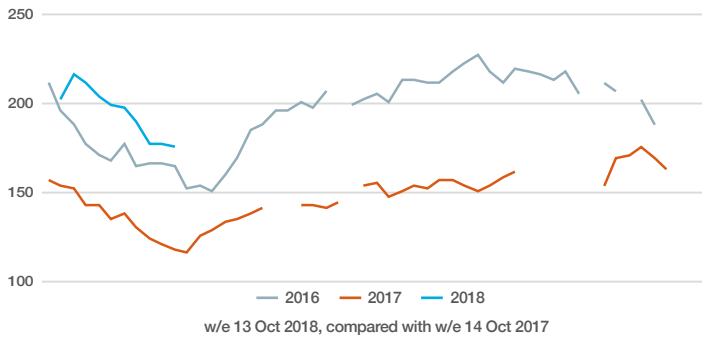
POTATOES AT A GLANCE

Autumn 2018

GB prices (£/t)



GB average WAPS prices (£/t)

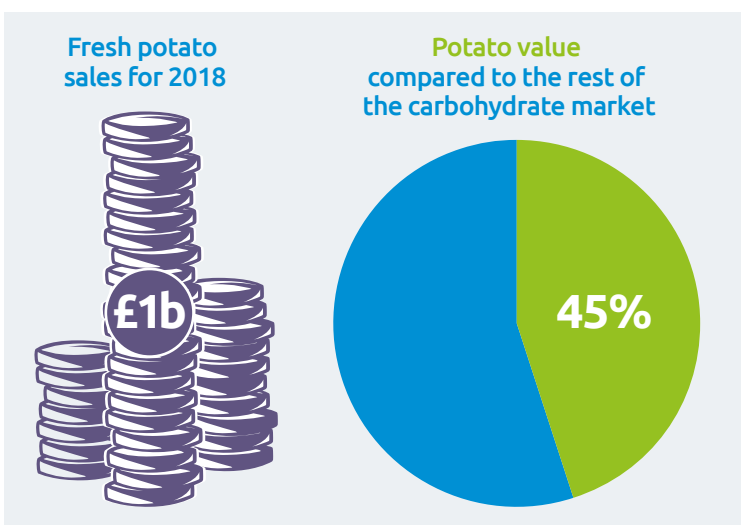


International prices (£/t)

	Oct 2018	YOY % change
Belgium Bintje Source: Belgapom, >335 grams underwater weight	175	557
France Processing RNM, Other Varieties >360 grams underwater weight, 35 mm+	228	412
Germany Fontane Source: REKA, 40 mm+	237	565

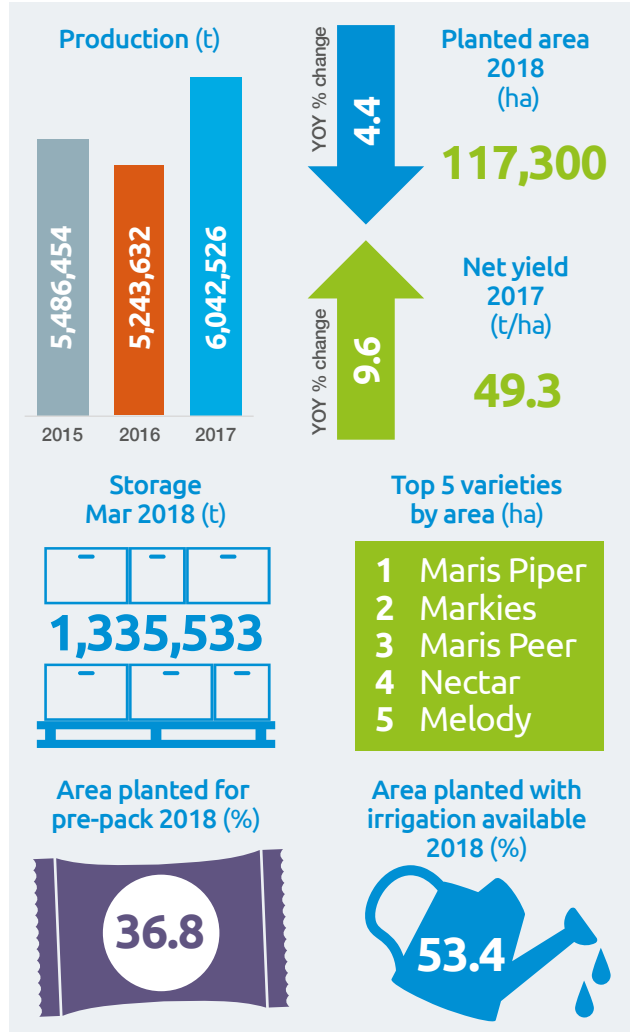
Data at: w/e 12 Oct 2018

GB consumption



Source: Kantar Worldpanel, 52 weeks w/e 12 Aug 2018

GB production



UK trade (Tonnes)



UK trade with the EU compared to the rest of the world (%)



Source: HMRC, as at Oct 2018. Traded 2018/19 crop year, year to date Aug.
*Total Fresh, Processing & Seed.

For more information go to potatodatacentre.ahdb.org.uk



CONSUMER TRENDS

Meeting the needs of the modern consumer

The consumer landscape is changing along with expectations. Modern lifestyles have led to more time pressures on consumers to prepare quick and convenient meal options. In 1980, the average time to prepare and cook an evening meal was 60 minutes. In 2016, this stood at 30 minutes. In particular, this has had an impact on meat categories such as roasting and stewing, where the preparation time is notably higher.

In reality, the desire to cook is often suppressed by hectic lifestyles and time pressures. There is clear evidence that less time is being spent in the kitchen preparing and cooking an evening meal.

Busy schedules are only one of a range of factors we see influencing meal choices. Larger structural changes, such as the growth in 1–2 person households and the popularity of ethnic meals for quick and easy dishes, are having a big impact.

There is desire to cook from scratch and the search for meal inspiration. However, modern lifestyles have made quick and easy meal options very attractive to consumers. Consumers are looking for food products to fit with their modern lifestyles, whether it's a meal idea or a single product. Those which offer a balance of health, taste and convenience are proving popular with consumers.

Health is having an influence on purchases

Health has become a key motivator for consumers' food choices. Research from Kantar Worldpanel has highlighted the tension between the growth in obesity as a social challenge and the growing interest in health. Twenty-seven per cent of the UK population is now obese and this costs the British economy £47 billion per year. These people aren't choosing healthy foods, they are more likely to drink sugary soft drinks and eat ready meals and takeaways. On the other hand, there is a real will to seek out healthier ways of living. Vegetarian meals are growing, more people are choosing to cut down on alcohol and 16% of the population now own a fitness tracker.

Enjoyment and practicality remain the key lynchpins for the majority of meal choices, but over the last year, health as a reason for choosing food has grown at a faster rate than both of these well-established motives and, according to Kantar Worldpanel, is up 14% on five years ago.

Targeting 'young consumers'

Consumers often retain the habits that they build up early on in life as they age. There is an argument that younger generations are living differently to the generations before them and it is therefore important that young consumers' needs and attitudes are understood. They will form an increasingly important sector of the grocery market and will ultimately become the older generation of the future. AHDB's research on young consumers was focused on those between the ages of 18 and 34 years old. It was clear that there are a wide range of factors which influence choices made by young consumers – a combination of practical and cultural dynamics which impact their eating habits.

Practical influences include time availability, money and specific dietary requirements. Cultural influences include ethical beliefs, nationality and widespread use of social media and portable technology. Modern technology provides a constant stream of information to users, increasingly making it difficult to distinguish between fact and fiction. This was found to cause distrust and confusion, particularly when mixed messages exist regarding what is and isn't healthy.

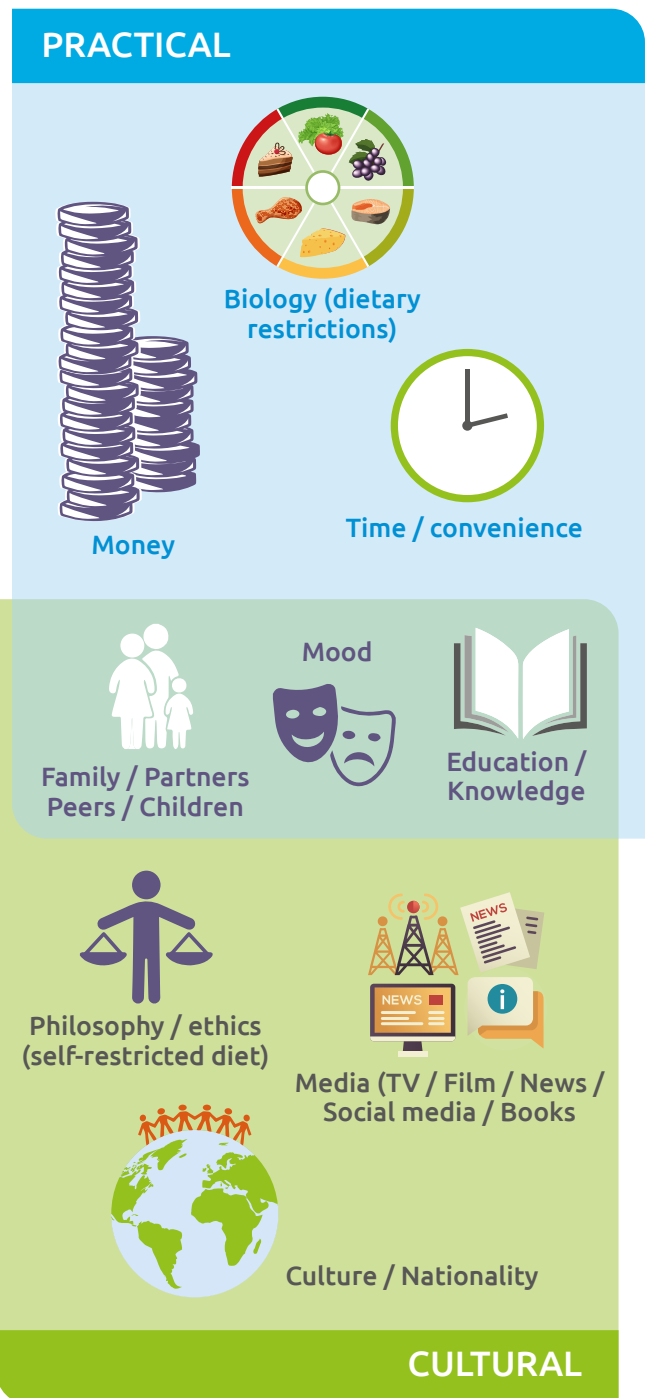
It was suggested that although many young people enjoy cooking and some would like to cook from scratch, many feel restricted by time or a lack of knowledge or confidence with cooking. Awareness of different health and lifestyle diets (such as clean eating or meat reduction) was high among people in this age group, although participation seemed relatively low.

Overall, it was highlighted that in order to communicate effectively with this audience it is important to promote product usability and utilise the social media channels which young people use.

AHDB's Retail and Consumer Insight team actively tracks, monitors and evaluates consumer behaviour. On the AHDB website you can sign up for our quarterly newsletter with access to our in-depth reports on the key consumer issues affecting the marketplace.

Sign up online

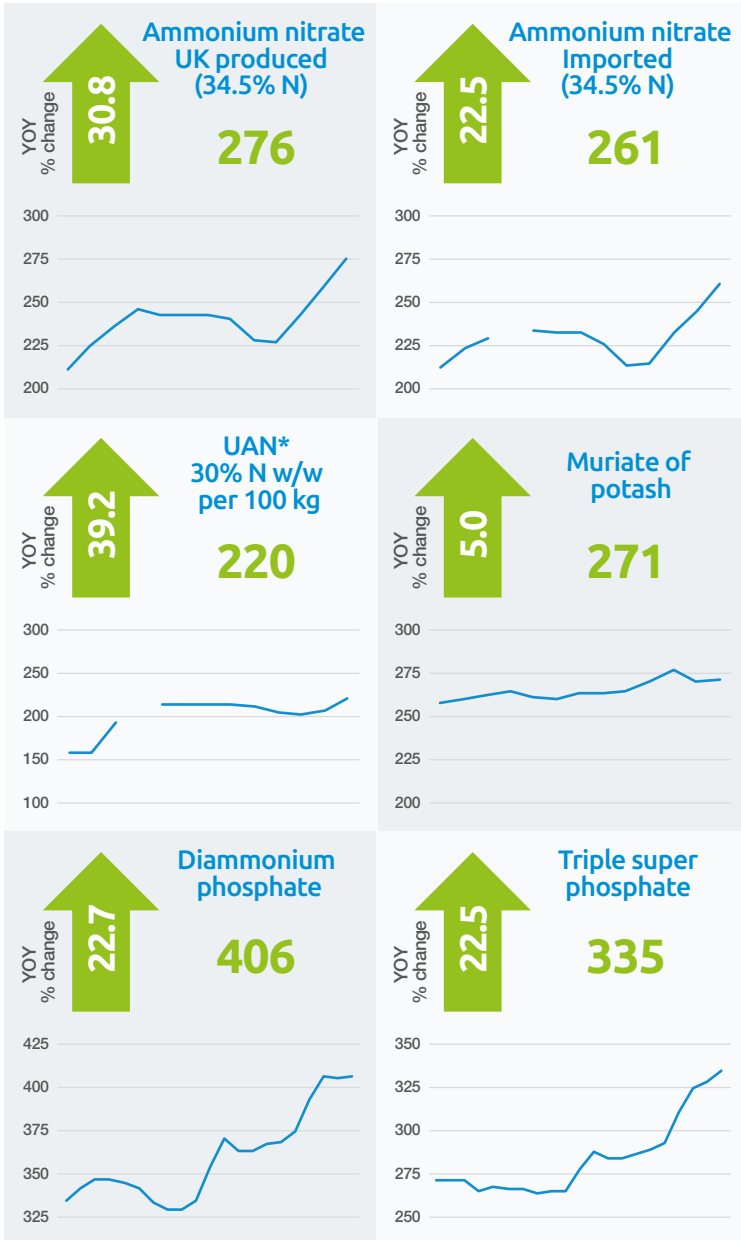
ahdb.org.uk/consumerinsight



FARM INPUTS AT A GLANCE

Autumn 2018

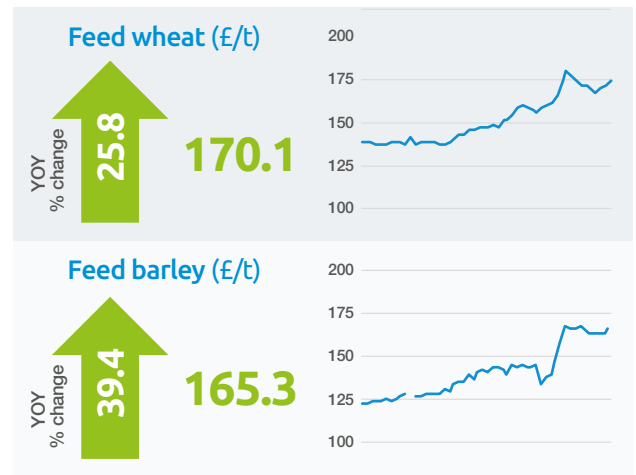
UK fertiliser prices (£/t)



UK feed ingredient prices

Feed ingredient	Sep 2018	YOY % change
Pelleted feed wheat (£/t)	186	57.0
Maize gluten (£/t)	203	34.2
Soyameal Hi-Pro (£/t)	306	8.8
Rapemeal UK (£/t)	221	36.4

UK ex-farm prices



Hay and straw prices

Hay/Straw	Sep 2018	YOY % change
Big bale hay (£/t)	94	88.0
Big sq. baled barley straw (£/t)	70	40.0
Big sq. baled wheat straw (£/t)	54	17.4

Source: British Hay & Straw Merchants' Association, England and Wales



Fuel prices (including duty)

Fuel	Sep 2018	YOY % change
Red diesel (p/l)	65.3	21.7
Diesel (p/l)	134.5	11.6
Crude oil (£/barrel)	59.1	47.3

Source: HMRC, Defra, OPEC, DECC

Power

Power	2017	YOY % change
Electricity (p/kWh)	10.6	4.2
Gas (p/kWh)	2.1	8.6

Source: BEIS. Average price of fuel purchased by non-domestic consumers (excluding climate change levy)

Currency (with six month trends)

£:€ **1.1384** £:US\$ **1.3097** US\$:€ **0.8692**



Source: European Central Bank, 18 Oct 2018

For more information go to ahdb.org.uk

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