Supply & Demand

29 January 2014

Key points

- UK wheat supply and demand remains finely balanced, with lower demand by Human & Industrial (H&I) consumers offsetting a decline in availability
- Demand for barley has increased for both animal feed and H&I, however, the surplus remains significantly higher than last year
- Maize imports have accelerated following initial delays with the animal feed sector the main recipient
- Forecast lower animal feed demand for oats and a conservative rate of exports suggest considerably higher end stocks

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Introduction

1. This release covers the second official estimates made by Defra of UK cereal supply and demand for 2013/14 (Appendix I). Comparisons are made in this note with the first estimates (27 Nov 2013). The next official review of the 2013/14 supply and demand will take place on 26 March.

2. Appendix 1 has been amended to split out Human & Industrial (H&I) and animal feed demand in the total cereals table for wheat, barley, maize and oats.

Wheat

3. **UK wheat availability is forecast at 15.737Mt**, 1% lower than November's estimate, mainly due to lower production. **UK wheat production** was reduced to 11.92Mt in the final Defra Crop Production Survey, 10% lower than 2012/13.

4. **Wheat imports are now estimated at 1.630Mt**, slightly higher than the 1.615Mt forecast in November, but 45% lower than 2012/13. According to HMR&C 1.180Mt of wheat was imported between July and November 2013, 14% more than the corresponding period in 2012/13, although the rate of imports decreased significantly in November. These estimates assume the declining trend will continue as millers return to home-grown supplies, but import pace for the rest of the season is susceptible to the regional price competitiveness of the UK against other origins.

5. **Wheat usage for Human and Industrial (H&I) consumption is estimated at 7.498Mt**, 307Kt lower than in November and 1% down on the year. This decline is due to lower flour and bioethanol production, which are not offset by marginally higher use by distillers and other users. A decline in flour production has been observed so far this season and is forecast to only slightly recover during the rest of the season. Some of the decline in wheat usage can be attributed to improved UK quality which has allowed flour extraction rates and home-grown wheat incorporation to move towards more typical levels.

6. **Bioethanol production** continues to be a large uncertainty for UK demand, but commercial conditions and operational performance to date currently support a lower forecast than that estimated in November.

7. **Total animal feed demand** was surprisingly strong in the early part of the season, with year-on-year growth reported. However, milder winter conditions compared with 2012/13, as well as better forage availability, are now weakening monthly grain demand. This is despite strength in the dairy and poultry sectors due to higher milk prices and chick placings. The poultry sector is showing a downward trend in use of feed produced by Integrated Poultry Units (IPUs), however this is more than offset by feed produced by retail compounders resulting in overall growth in the sector.

8. The amount of **wheat used in animal feed** has been increased by 100Kt from November's estimate to 6.003Mt. This is down 12% year-on-year, reflective of the wheat price premium over barley, maize and oats. Growth of barley in rations occurred fairly rapidly post-harvest but displacement of wheat by maize has only increased significantly in recent months. The

higher levels of maize inclusion are forecast to be sustained for the season but demand will be determined by price relationships and hence is challenging to forecast.

9. The **wheat availability and demand balance is now estimated at 1.880Mt**, 36% lower than in 2012/13, but marginally higher (42Kt) than the forecast in November as the decline in demand offsets the lower availability. With operating stock at 1.48Mt, surplus available for exports or free stock is slightly higher than November at 400Kt. To the end of November, HMR&C report that 167Kt had been exported.

Barley

10. A slight drop (10Kt) in the **barley production figure to 7.092Mt**, the final result of the Defra Crop Production Survey, has led to total barley availability dropping by the same amount to 8.154Mt. Compared with 2012/13, barley availability remains 22% higher.

11. Barley for H&I consumption is revised 40Kt higher than November's estimate to reach 1.897Mt, representing year-on-year growth of 3%. Usage data for between July and November 2013 revealed a 6% increase compared with July-November 2012, although the month-on-month increase between 2012 and 2013 was lower for November, and the growth rate is expected to be slower in the second half of the season.

12. A further 80Kt of barley is expected to be used in animal feed, compared with the estimate made in November, bringing the total for the season to 3.542Mt (8% higher year-on-year). Barley's discount to feed wheat is the underlying factor.

13. The barley supply and demand balance is now reduced to 2.529Mt, 130Kt lower than November's estimate, but still 83% higher compared with last season. With the operating stock requirement remaining at 713Kt, this means that the surplus available for export or to carry over as free stock now stands at 1.816Mt. Cumulative barley exports for the season to November are 636Kt, although the pace has subsequently decelerated as competition from the Southern Hemisphere harvest makes an impact.

Maize

14. As a result of higher demand estimates, maize imports are forecast at 1.726Mt, a 146Kt increase compared with November. As at November 2013, cumulative imports reached 739Kt for the season, with a steep increase seen in November. This shift occurred due to maize entering the UK following the initial harvest delays in France and Ukraine. Maize usage in animal feed is thus increased by 156Kt compared with November's estimate, bringing the total to 1.762Mt (13% higher than in 2012/13). A slight decline of 10Kt is seen for H&I consumption (which is now at 475Kt) compared with November's forecast

Oats

15. Oat availability is reduced by 11Kt from November's forecast to 1.069Mt as a result of the final results of the Defra Crop Production Survey showing production at 964Kt. Imports remain unchanged from November at 30Kt.

16. H&I demand is also unchanged at 505Kt, but consumption of oats in animal feed is decreased by 87Kt to 310Kt compared with the 397Kt forecast in November. Although the price of oats is competitive with other feed grains, increased use in animal feed is limited, to some extent, by technical practicalities. Nevertheless, oat consumption in animal feed is up 61% year-on-year.

17. The availability and demand balance, at 231Kt, is 76Kt higher than that forecast in November, with lower demand in animal feed more than offsetting the slight reduction in production. Compared with 2012/13, the oat balance is more than 2.5 times higher. Exports are reduced from 50Kt in November to 40Kt, as pace so far has been relatively lacklustre. End-season stocks are thus increased by 85Kt from November to reach 190Kt, 154% higher year- on-year.

Additional Data

18. Appendix II shows cumulative usage and trade data to end-November. This release and related information can be found at www.hgca.com/markets. Monthly cereal usage data can be found on the DEFRA website at www.defra.gov.uk/statistics/foodfarm/latest-statistical-releases.

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Appendix I

ANNUAL UK CEREAL SUPPLY AND DEMAND ESTIMATES (a)

(JULY - JUNE YEARS) | **Estimates made in January** | *000 tonnes*

Links connect to relevant Defra/AHDB/HGCA data pages

		WHEAT							BARLEY						
		2008/09 2012/13 average	2011/12 estimate	2012/13 estimate	2013/14 Nov-13	2013/14 Jan-14	Absolute change Nov-13	% change on 12/13	2008/09 2012/13 average	2011/12 estimate	2012/13 estimate	2013/14 Nov-13	2013/14 Jan-14	Absolute change Nov-13	% change on 12/13
(1)	Opening Stocks	1,907	1,537	1,495	2,186	2,186	0	46%	1,075	870	940	997	997	0	6%
(2)	Production	14,940	15,257	13,261	12,101	11,921	-180	-10%	5,816	5,494	5,522	7,102	7,092	-10	28%
(3)	Imports	1,480	908	2,944	1,615	1,630	15	-45%	149	156	235	65	65	0	-72%
(4)	**Total Availability**	**18,327**	**17,702**	**17,700**	**15,902**	**15,737**	**-165**	**-11%**	**7,040**	**6,520**	**6,697**	**8,164**	**8,154**	-10	22%
(5)	Human and Industrial Consumption	7,060	6,816	7,572	7,805	7,498	-307	-1%	1,750	1,820	1,834	1,857	1,897	40	3%
(5a)	(of which home grown)	5,943	6,135	5,723	6,240	6,018	-222	5%	n/a	n/a	n/a	n/a	n/a	*	*
(6)	Usage as Animal Feed (f)	6,512	6,471	6,835	5,903	6,003	100	-12%	3,216	2,779	3,272	3,462	3,542	80	8%
(6a)	(of which home grown)	6,204	6,259	6,064	5,553	5,533	-20	-9%	n/a	n/a	n/a	n/a	n/a	*	*
(6b)	(of which Compounders)	3,433	3,598	3,592	3,306	3,315	9	-8%	910	754	1,020	1,074	1,175	101	15%
(6c)	(of which Integrated Poultry Units)	1,553	1,606	1,505	1,400	1,370	-30	-9%	74	57	70	100	92	-8	31%
(7)	Seed	302	299	304	295	295	0	-3%	162	150	182	150	150	0	-18%
(8)	Other	74	76	66	61	61	0	-8%	29	27	28	36	36	0	29%
(9)	**Total Domestic Consumption**	**13,948**	**13,662**	**14,777**	**14,064**	**13,857**	**-207**	**-6%**	**5,157**	**4,776**	**5,316**	**5,505**	**5,625**	**120**	**6%**
(10)	**Balance (4) - (9)**	**4,379**	**4,040**	**2,923**	**1,838**	**1,880**	**42**	**-36%**	**1,883**	**1,744**	**1,381**	**2,659**	**2,529**	**-130**	**83%**
(11)	Exports (b)	2,377	2,545	737	-	-	*	*	761	804	384	-	-	*	*
(12)	Intervention Stocks (b)	-	-	-	-	-	*	*	31	-	-	-	-	*	*
(13)	**Commercial End-Season Stocks (b)**	**2,000**	**1,495**	**2,186**	**-**	**-**	*	*	**1,122**	**940**	**997**	**-**	**-**	*	*
(14)	(of which Estimated Operating stock requirement) (c)	n/a	1,397	1,450	1,450	1,480	30	2%	n/a	712	713	713	713	0	0%
(15)	(of which free stock) (d)	n/a	98	736	-	-	*	*	n/a	228	284	-	-	*	*
(16)	Surplus available for either export or free stock (10)-(14)	n/a	2,643	1,473	388	400	12	-73%	n/a	1,032	668	1,946	1,816	-130	172%

		MAIZE							OATS						
		2008/09 2012/13 average	2011/12 estimate	2012/13 estimate	2013/14 Nov-13	2013/14 Jan-14	Absolute change Nov-13	% change on 12/13	2008/09 2012/13 average	2011/12 estimate	2012/13 estimate	2013/14 Nov-13	2013/14 Jan-14	Absolute change Nov-13	% change on 12/13
(1)	Opening Stocks	104	111	149	216	216	0	45%	78	65	63	75	75	0	19%
(2)	Production	-	-	-	-	-	*	*	691	613	627	975	964	-11	54%
(3)	Imports	1,118	992	1,693	1,580	1,726	146	2%	44	57	109	30	30	0	-72%
(4)	**Total Availability**	**1,222**	**1,102**	**1,842**	**1,796**	**1,942**	**146**	**5%**	**813**	**735**	**799**	**1,080**	**1,069**	**-11**	**34%**
(5)	Human and Industrial Consumption	319	278	412	485	475	-10	15%	455	474	491	505	505	0	3%
(5a)	(of which home grown)	-	-	-	-	-	*	*	412	427	375	475	475	0	27%
(6)	Usage as Animal Feed	528	531	1,036	1,017	1,173	156	13%	212	164	192	397	310	-87	61%
(6a)	(of which home grown)	-	-	-	-	0	0	*	212	164	192	397	310	-87	61%
(7)	Seed	-	-	-	-	0	0	*	19	15	25	18	18	0	-28%
(8)	Other	114	114	114	114	114	0	0%	3	3	3	5	5	0	67%
(9)	**Total Domestic Consumption**	**961**	**923**	**1,562**	**1,616**	**1,762**	**146**	**13%**	**689**	**656**	**711**	**925**	**838**	**-87**	**18%**
(10)	**Balance (4) - (9)**	**261**	**179**	**280**	**180**	**180**	**0**	**-36%**	**124**	**79**	**88**	**155**	**231**	**76**	**162%**
(11)	Exportable surplus	31	30	64	50	50	0	-22%	44	16	13	50	40	-10	208%
(12)	**Commercial End-Season Stocks**	**104**	**149**	**216**	**130**	**130**	**0**	**-40%**	**80**	**63**	**75**	**105**	**190**	**85**	**154%**

		OTHER CEREALS *(e)*						
		2008/09 2012/13 average	2011/12 estimate	2012/13 estimate	2013/14 Nov-13	2013/14 Jan-14	Absolute change Nov-13	% change on 12/13
(1)	Opening Stocks	5	5	5	5	5	0	0%
(2)	Production	126	120	105	114	107	-7	2%
(3)	Imports	4	1	7	6	7	1	-7%
(4)	**Total Availability**	**135**	**126**	**117**	**125**	**118**	-7	1%
(5+6)	H&I and Animal Feed	121	111	109	117	109	-8	0%
(5a+6a)	(of which home grown)	116	110	102	111	104	-7	2%
(7)	Seed	3	3	3	3	3	0	0%
(8)	Other	-	-	-	-	-	*	*
(9)	**Total Domestic Consumption**	**124**	**114**	**112**	**120**	**112**	**-8**	**0%**
(10)	**Balance (4) - (9)**	**8**	**12**	**7**	**6**	**6**	**0**	**-14%**
(11)	Exportable surplus	1	7	0	0	0	0	0%
(12)	Intervention Stocks	0	0	0	0	0	0	0%
(13)	**Commercial End-Season Stocks**	**5**	**5**	**5**	**5**	**5**	**0**	**0%**

		TOTAL CEREALS						
		2008/09 2012/13 average	2011/12 estimate	2012/13 estimate	2013/14 Nov-13	2013/14 Jan-14	Absolute change Nov-13	% change on 12/13
(1)	Opening Stocks	3,169	2,587	2,652	3,479	3,479	-0	31%
(2)	Production	21,573	21,484	19,515	20,292	20,083	-209	3%
(3)	Imports	2,795	2,114	4,988	3,296	3,458	162	-31%
(4)	**Total Availability**	**27,537**	**26,185**	**27,155**	**27,067**	**27,020**	**-47**	**0%**
(5)	H&I (wheat, barley, maize, oats)	9,584	9,388	10,309	10,652	10,375	-277	1%
(6)	Animal Feed (wheat, barley, maize, oats)	10,569	9,945	11,335	10,779	11,028	249	-3%
(5+6)	Other cereals (H&I and Animal feed)	121	111	109	117	109	-8	0%
(7)	Seed	486	467	514	466	466	0	-9%
(8)	Other	220	220	211	216	216	0	2%
(9)	**Total Domestic Consumption**	**20,879**	**20,132**	**22,478**	**22,230**	**22,194**	**-36**	**-1%**
(10)	**Balance (4) - (9)**	**6,658**	**6,054**	**4,677**	**4,837**	**4,826**	**-11**	**3%**
(11)	Exports	3,214	3,402	1,198	-	-	*	*
(12)	Intervention Stocks	31	-	-	-	-	*	*
(13)	**Commercial End-Season Stocks**	**3,311**	**2,652**	**3,479**	-	-	*	*
(14)	Estimated Operating stock requirement (wheat & barley only)	n/a	2,109	2,163	2,163	2,193	30	1%
(15)	Free stock for wheat and barley	n/a	326	1,020	-	-	*	*
(16)	Surplus available for either export or free stock (all)	n/a	3,728	2,218	2,434	2,306	-128	4%

Source: DEFRA

(a) These are revised during the year. Figures rounded to the nearest 1000 tonnes
(b) Split of exports, intervention and total commercial end-season stocks only published for historical seasons
(c) 2011/12 new format: Estimated Operating Stocks Requirement is a calculated estimate of the minimum tonnage that users of grain require to get through to a point at which new crop can be utilised
(d) 2011/12 new format: Free stock is the stock available after both exports and estimated operating stock requirements have been fulfilled.
(e) Includes mainly rye, triticale, mixed grain and sorghum.
(f) 2012/13 new format: Animal feed usage has been split by sector. Note, other users are only included in the total.
(g) 2013/14 new format: For total cereals, H&I and animal feed usage for wheat, barley, maize and oats is split out
** Percentage change not meaningful*

APPENDIX II

CUMULATIVE MONTHLY STATISTICS
Usage of Cereals by Processors, Grain Fed on Farm, External Trade and Stocks

Situation as at end of November 2013 — **Thousand tonnes**

				2008/09 to 2012/13 Average	2008/09 21 weeks	2009/10 21 weeks	2010/11 21 weeks	2011/12 21 weeks	2012/13 21 weeks	2013/14 21 weeks	% Change 2013/14 on 2012/13	Actual Change 2013/14 on 2012/13
WHEAT												
(1) Usage	Human and	-Flour Millers	-imported	416	480	478	349	284	489	784	60%	295
(2)	Industrial		-home-grown	2172	2068	2019	2370	2163	2240	1858	-17%	-382
(3)	Processors		-Total	2588	2548	2497	2719	2447	2730	2643	-3%	-87
(4)		-Distillers		252	261	212	206	246	333	338	2%	5
(5)		-Others		-	67	70	-	-	-	-	-	-
(6)	Animal Feed Processors (a)			1180	1153	1142	1152	1198	1255	1260	0%	5
(7)	Poultry Integrated Units			633	604	611	653	650	645	591	-8%	-54
(8) Imports	From July (b)			580	505	582	415	367	1,031	1180	14%	149
(9) Exports	From July (b)			1159	1657	787	1644	1229	477	167	-65%	-310
(14)	Intervention	-Actual		0	0	0	0	0	0	0	*	0
(15)		-Projected		0	0	0	0	0	0	0	*	0
BARLEY												
(1) Usage	Maltsters/Distillers		-imported	-	-	-	-	-	-	-	-	-
(2)			-home-grown	-	-	-	-	-	-	-	-	-
(3)			-Total	697	723	634	673	720	735	776	6%	41
(4)	Animal Feed Processors (a)			320	291	302	362	290	356	394	11%	39
(5)	Poultry Integrated Units			34	43	39	29	30	30	30	1%	0
(6) Imports	From July (b)			58	47	43	62	70	70	39	-44%	-31
(7) Exports	From July (b)			372	390	404	398	386	280	636	127%	356
(11)	Intervention	-Actual		31	0	0	151	5	0	0	*	0
(12)		-Projected		31	0	0	151	5	0	0	*	0
MAIZE												
(1) Usage	Human and Industrial			-	135	131	-	-	-	-	-	-
(2)	Animal Feed Processors (a)			52	59	46	43	42	73	104	43%	32
(3) Imports	From July (b)			437	456	397	406	388	537	739	38%	202
OATS												
(1) Usage	Human and Industrial Processors			-	168	172	-	-	-	-	-	-
(2)	Animal Feed Processors (a)			29	22	27	44	25	27	36	31%	8
(3) Exports	From July (b)			26	66	13	35	10	5	9	81%	4

n/a - Not Available/Applicable (a) Great Britain only. (b) HM Customs/Intrastat

* Percentage changes not meaningful.

There were 53 weeks in the Statistical year 2010. In order to incorporate the change January 2010 was increased to a 5 week period compared to 4 weeks in 2009.
Note:This Appendix reflects the position as at 13 January 2014. The figures above may differ slightly from the most recent published data.

Survey data for GB Compounders and Cereals Usage by Millers, Brewers and Maltsters can be found using the following link:
https://www.gov.uk/government/organisations/department-for-environment-food-rural-affairs/about/statistics