HGCA

AHDB Agriculture & Horticulture DEVELOPMENT BOARD

Supply & Demand

26 March 2014

Key points

- Higher forecast imports provide some relief to the UK wheat supply and demand balance
- The barley surplus is forecast to be higher than initial estimates due to a slackening export pace, unless offset by increased feed demand
- Strong maize imports increase availability, with higher usage in animal feed and a larger stock carry-over expected
- Oat end-stocks are revised lower, mainly due to an increase in consumption as animal feed

Introduction

1. This release covers the third official estimates, made by Defra, of UK cereal supply and demand for 2013/14 (Appendix I). Comparisons are made in this note with the second estimates (29 Jan 2014) and 2012/13. The next official review of 2013/14 supply and demand will take place on 22 May.

Wheat

2. **An upward revision in wheat imports** brings the forecast for UK wheat availability to 15.907Mt, 1% higher than January's estimate.

3. **Wheat imports are now forecast at 1.800Mt**, compared with 1.630Mt estimated in January. This represents a year-on-year decline of 39%. The upward revision is based on the latest trade data, published by HMR&C, which revealed that cumulative imports between July 2013 and January 2014 reached 1.466Mt. The price competitiveness of imported milling wheat has been a factor, especially in the north of the country.

4. **At 7.400Mt, wheat usage for Human and Industrial (H&I) consumption is estimated slightly lower than January's forecast of 7.498Mt.** This change is mainly due to downward revisions for flour and ethanol production. Consistently lower flour production has been reported for each month of the season so far, compared with 2012/13. Flour production for July to January is 3% down on the year. Whereas, January's forecast allowed for a slight recovery in flour output it now seems unlikely that any lost ground will be made up.

5. **With no real improvement in ethanol producing margins,** estimated total grain use by UK bioethanol producers is maintained at a similar level to January. However, the proportion of maize processed is at higher levels, causing a slight decline for wheat. The latest usage data also shows wheat demand by distillers to be 2% lower year-on-year.

6. **Contrary to the improved weather and pasture conditions seen thus far,** animal feed demand remains close to usage seen in 2012/13. At 11.208Mt, the amount of wheat, barley, maize and oats used for animal feed is just 1% lower than the amount used in 2012/13. The persistence of relatively strong compound feed production in the dairy sector is the main influencing factor. Slight growth is forecast for the pig sector due to the increase in carcase weights which has been observed recently. Combined poultry and IPU (Integrated Poultry Unit) feed production remains flat with 2012/13 for July to January.

7. **Specifically for wheat, animal feed demand is estimated higher at 6.123Mt, compared with the 6.003Mt forecast in January.** This revision reflects the overall increase in the forecast for feed demand, as described above, rather than the expectation of a higher proportion of wheat entering feed rations. Year-on-year, wheat usage in animal feed is estimated to be 10% lower, to the benefit of other more price competitive grains.

8. **The wheat availability and demand balance is now estimated at 2.029Mt**, due to the increased availability. With operating stock set at 1.450Mt, this leaves a surplus of 579Kt to hold as free stock or export (149Kt higher than in January's forecast). HMR&C data shows that 270Kt of wheat

was exported between July 2013 and January 2014.

Barley

9. **Barley availability, at 8.174Mt, is revised 20Kt higher from January's estimates,** following an increase in imports to 85Kt. This is attributed to a larger than expected shipment revealed by January's trade data. Further imports of this size are not expected for the remainder of the season. Compared with 2012/13, barley availability is 22% higher.

10. At 1.892Mt, **barley demand from the H&I sector** is comparable with the 1.897Mt forecast in January. Usage of barley by brewers, maltsters and distillers (BMD) remains in line with the year-on-year growth estimated in January. For July to January, barley demand by BMD was 3% higher compared with the same time period in 2012/13.

11. Compared with January's forecast, **barley usage in animal feed is estimated 39Kt lower** at 3.503Mt. The amount of barley used as a proportion of total grains in GB compound animal feed reached 26.6% in January, and these levels are expected to be maintained for the remainder of the season. Year-on-year barley consumption in animal feed is forecast 7% higher, due to its discount to feed wheat this season.

12. **The barley supply and demand balance** is now 2.594Mt, 65Kt higher than January's forecast, helped by an increase in availability coupled with a reduction in demand. Compared with last season, the balance is 88% higher. With the operating stock requirement remaining at 713Kt, the surplus available to export or carry over as free stock is 1.881Mt. Barley exports for July to January totalled 848Kt. The deceleration in the export pace increases the likelihood of more barley being carried over as stock into the next season.

Maize

13. **Maize imports have been revised higher** to 2.010Mt from 1.726Mt in January. This reflects the high levels of imports seen for the season so far, with the latest trade data from HMR&C showing cumulative imports for July to January at 1.440Mt. Further large shipments are expected in February/March, with imports forecast to tail off later in the season.

14. **Maize demand for H&I consumption** is increased slightly by 5Kt from January's forecast to 480Kt, while usage for animal feed, is estimated 60Kt higher at 1.233Mt. The amount of maize as a proportion of grain used in GB compound animal feed reached 11% in January but these levels may not be maintained for the full season. Cross border trade of maize from the UK to the Republic of Ireland has been strong. Exports reached 158Kt by the end of January. Hence, maize exports are forecast at 218Kt, more than three times higher than the amount exported in 2012/13. Closing stocks are estimated at 180Kt, 50Kt higher than in the forecast made in January.

Oats

15. **Oat availability is now slightly higher** at 1.071Mt. With imports to end-January already at 30Kt, compared with 53Kt in 2012/13, the full season forecast has been increased to 38Kt.

16. **H&I demand is increased** by 10Kt to 515Kt, while animal feed consumption is revised higher by 39Kt to 349Kt. This reflects the general increase seen for animal feed, particularly fed on farm, with little difference seen in the proportion of oats used in compound feed compared with January.

17. **The availability and demand balance**, at 184Kt, is 47Kt lower than January's forecast, mainly due to the increase in demand, however, it is still more than double the balance in 2012/13. Exports have been reduced by 5kt to 35Kt, with 21Kt exported between July and January. End-season stocks are 41Kt lower compared with January's estimates.

Additional Data

18. Appendix II shows cumulative usage and trade data to end-January. 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 March

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 Jan-14	2013/14 Mar-14	Absolute change Jan-14	% change on 12/13	2008/09 2012/13 average	2011/12 estimate	2012/13 estimate	2013/14 Jan-14	2013/14 Mar-14	Absolute change Jan-14	% 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	11,921	11,921	0	-10%	5,816	5,494	5,522	7,092	7,092	0	28%
(3)	Imports	1,480	908	2,944	1,630	1,800	170	-39%	149	156	235	65	85	20	-64%
(4)	**Total Availability**	**18,327**	**17,702**	**17,700**	**15,737**	**15,907**	**170**	**-10%**	**7,040**	**6,520**	**6,697**	**8,154**	**8,174**	20	22%
(5)	Human and Industrial Consumption	7,060	6,816	7,572	7,498	7,400	-98	-2%	1,750	1,820	1,834	1,897	1,892	-5	3%
(5a)	(of which home grown)	5,943	6,135	5,723	6,018	5,900	-118	3%	n/a	n/a	n/a	n/a	n/a	*	*
(6)	Usage as Animal Feed (f)	6,512	6,471	6,835	6,003	6,123	120	-10%	3,216	2,779	3,272	3,542	3,503	-39	7%
(6a)	(of which home grown)	6,194	6,255	6,064	5,533	5,553	20	-8%	n/a	n/a	n/a	n/a	n/a	*	*
(6b)	(of which Compounders)	3,433	3,598	3,592	3,315	3,288	-27	-8%	910	754	1,020	1,175	1,227	52	20%
(6c)	(of which Integrated Poultry Units)	1,553	1,606	1,505	1,370	1,382	12	-8%	74	57	70	92	88	-4	26%
(7)	Seed	302	299	304	295	295	0	-3%	162	150	182	150	150	0	-18%
(8)	Other	74	76	66	61	60	-1	-9%	29	27	28	36	35	-1	25%
(9)	**Total Domestic Consumption**	**13,948**	**13,662**	**14,777**	**13,857**	**13,878**	**21**	**-6%**	**5,157**	**4,776**	**5,316**	**5,625**	**5,580**	**-45**	**5%**
(10)	**Balance (4) - (9)**	**4,379**	**4,040**	**2,923**	**1,880**	**2,029**	**149**	**-31%**	**1,883**	**1,744**	**1,381**	**2,529**	**2,594**	**65**	**88%**
(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	1,450	0	0%	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	400	579	179	-61%	n/a	1,032	668	1,816	1,881	65	182%

		MAIZE							OATS						
		2008/09 2012/13 average	2011/12 estimate	2012/13 estimate	2013/14 Jan-14	2013/14 Mar-14	Absolute change Jan-14	% change on 12/13	2008/09 2012/13 average	2011/12 estimate	2012/13 estimate	2013/14 Jan-14	2013/14 Mar-14	Absolute change Jan-14	% change on 12/13
(1)	Opening Stocks	104	111	149	216	216	0	45%	78	65	63	75	69	-6	10%
(2)	Production	-	-	-	-	-	*	*	691	613	627	964	964	0	54%
(3)	Imports	1,118	992	1,693	1,726	2,010	284	19%	44	57	109	30	38	8	-65%
(4)	**Total Availability**	**1,222**	**1,102**	**1,842**	**1,942**	**2,226**	**284**	**21%**	**813**	**735**	**799**	**1,069**	**1,071**	**2**	**34%**
(5)	Human and Industrial Consumption	319	278	412	475	480	5	17%	455	474	491	505	515	10	5%
(5a)	(of which home grown)	-	-	-	-	-	*	*	412	427	375	475	477	2	27%
(6)	Usage as Animal Feed	629	531	1,036	1,173	1,233	60	19%	213	164	198	310	349	39	76%
(6a)	(of which home grown)	-	-	-	0	0	0	*	213	164	198	310	349	39	76%
(7)	Seed	-	-	-	0	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**	**1,062**	**923**	**1,562**	**1,762**	**1,827**	**65**	**17%**	**690**	**656**	**717**	**838**	**887**	**49**	**24%**
(10)	**Balance (4) - (9)**	**160**	**179**	**280**	**180**	**399**	**219**	**43%**	**123**	**79**	**82**	**231**	**184**	**-47**	**124%**
(11)	Exportable surplus	31	30	64	50	218	168	241%	44	16	13	40	35	-5	169%
(12)	**Commercial End-Season Stocks**	**104**	**149**	**216**	**130**	**180**	**50**	**-17%**	**80**	**63**	**69**	**190**	**149**	**-41**	**116%**

		OTHER CEREALS *(e)*						
		2008/09 2012/13 average	2011/12 estimate	2012/13 estimate	2013/14 Jan-14	2013/14 Mar-14	Absolute change Jan-14	% change on 12/13
(1)	Opening Stocks	5	5	5	5	5	0	0%
(2)	Production	123	120	105	107	107	0	2%
(3)	Imports	4	1	7	7	7	0	0%
(4)	**Total Availability**	**132**	**126**	**117**	**119**	**119**	0	2%
(5+6)	H&I and Animal Feed	121	111	109	109	109	0	0%
(5a+6a	(of which home grown)	116	110	102	104	104	0	2%
(7)	Seed	3	3	3	3	3	0	0%
(8)	Other	-	-	-	-	-	*	*
(9)	**Total Domestic Consumption**	**124**	**114**	**112**	**112**	**112**	**0**	**0%**
(10)	**Balance (4) - (9)**	**8**	**12**	**5**	**7**	**7**	**0**	**40%**
(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 Jan-14	2013/14 Mar-14	Absolute change Jan-14	% change on 12/13
(1)	Opening Stocks	3,169	2,587	2,652	3,479	3,473	-6	31%
(2)	Production	21,570	21,484	19,515	20,084	20,084	0	3%
(3)	Imports	2,795	2,114	4,988	3,458	3,940	482	-21%
(4)	**Total Availability**	**27,534**	**26,185**	**27,155**	**27,021**	**27,497**	**476**	**1%**
(5)	H&I (wheat, barley, maize, oats)	9,584	9,388	10,309	10,375	10,287	-88	0%
(6)	Animal Feed (wheat, barley, maize, oats)	10,570	9,945	11,341	11,028	11,208	180	-1%
(5+6)	Other cereals (H&I and Animal feed)	121	111	109	109	109	0	0%
(7)	Seed	486	467	514	466	466	0	-9%
(8)	Other	220	220	211	216	214	-2	1%
(9)	**Total Domestic Consumption**	**20,981**	**20,132**	**22,484**	**22,194**	**22,284**	**90**	**-1%**
(10)	**Balance (4) - (9)**	**6,553**	**6,054**	**4,671**	**4,827**	**5,213**	**386**	**12%**
(11)	Exports	3,214	3,402	1,198	-	-	*	*
(12)	Intervention Stocks	31	-	-	-	-	*	*
(13)	**Commercial End-Season Stocks**	**3,311**	**2,652**	**3,473**	-	-	*	*
(14)	Estimated Operating stock requirement (wheat & barley only)	n/a	2,109	2,163	2,163	2,163	0	0%
(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	2,306	2,713	407	22%

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 January 2014 — **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	603	669	663	476	405	804	965	20%	161
(2)	Industrial		-home-grown	3037	2848	2882	3330	3056	3069	2781	-9%	-288
(3)	Processors		-Total	3640	3517	3545	3805	3461	3874	3747	-3%	-127
(4)		-Distillers		351	352	298	282	350	472	465	-2%	-8
(5)		-Others		-	78	80	-	-	-	-		
(6)	Animal Feed Processors (a)			1693	1679	1623	1638	1745	1782	1720	-3%	-61
(7)	Poultry Integrated Units			901	859	894	933	918	900	819	-9%	-80
(8) Imports	From July (b)			857	717	766	660	531	1,610	1466	-9%	-144
(9) Exports	From July (b)			1615	2357	1224	2122	1842	530	270	-49%	-260
(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	996	1029	897	966	1038	1049	1080	3%	31
(4)	Animal Feed Processors (a)			455	400	462	505	391	517	602	16%	84
(5)	Poultry Integrated Units			46	53	56	39	38	42	46	10%	4
(6) Imports	From July (b)			86	78	55	89	94	116	59	-49%	-57
(7) Exports	From July (b)			520	523	605	560	591	320	848	165%	527
(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			-	165	155	-	-	-	-	-	-
(2)	Animal Feed Processors (a)			76	76	67	61	61	114	185	62%	71
(3) Imports	From July (b)			656	596	532	655	562	933	1440	54%	507
OATS												
(1) Usage	Human and Industrial Processors			-	206	207	-	-	-	-	-	-
(2)	Animal Feed Processors (a)			43	35	43	60	35	42	62	45%	19
(3) Exports	From July (b)			31	72	20	45	12	7	21	201%	14

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 5 March 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