HGCA

AHDB Agriculture & Horticulture DEVELOPMENT BOARD

# Supply & Demand

*27 November 2013*

## Key points

- The UK wheat crop in 2013 was small due to the lower planted area, but improved quality means a higher proportion meets milling specifications. Tighter UK feed wheat availability supports demand for cheaper alternative grains.
- Despite greater use of barley by the animal feed sector, a strong export campaign is required to utilise the surplus generated by the largest UK barley crop in 15 years.
- Maize imports are forecast to continue at high levels as the relative price of the grain compared with wheat, makes it more competitive for use in animal feed and distilling.
- Some of the large UK oat crop is forecast to be used in animal feed but given the slow export pace to date, higher closing stocks are likely.

## Introduction

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

## Wheat

2. At 15.902Mt, UK wheat availability is almost 10% lower than in 2012/13, mainly due to the low output from the 2013 harvest, estimated at 12.101Mt from the Defra Crop Production Survey. Yield was estimated to be 10% higher than that obtained in 2012/13 but this was not enough to offset an 18% decline in planted area. Opening stocks are 46% higher at 2.186Mt as the high levels of imports last season contributed to supplies exceeding demand.

3. This year, wheat imports are forecast at 1.615Mt, against 2.944Mt shipped last season. The AHDB/HGCA Cereal Quality Survey revealed a return to pre-2012/13 grain quality meaning a higher proportion of domestic wheat has achieved milling specifications. Imports in the first quarter of the season were up 40% on 2012/13, at 829Kt, according to HMR&C but this pace is expected to slow in the coming months as millers decrease imported wheat usage back to more typical levels.

4. Wheat demand for Human & Industrial (H&I) consumption is estimated at 7.805Mt, representing a growth of 3% from the previous year. A return to normal flour extraction rates and weaker first quarter flour demand are offset by the start-up of both UK bioethanol plants in recent months. Continued growth in the distilling sector is expected to have less impact on wheat usage this season as plants with flexible feedstock may use maize.

5. Total grain use for feed is forecast to be 5% lower this season, as there is better forage availability and assuming more normal weather patterns continue. Modest increases are seen for poultry, pig and sheep numbers from a year ago with small declines in cattle numbers.

6. Wheat consumption for feed is forecast to be 14% lower than 2012/13 at 5.903Mt. The price premium of wheat to maize, barley and oats make the latter attractive options for feed in some regions.

7. The balance of availability and domestic consumption for 2013/14 is 37% lower than last season at 1.838Mt. After taking into account an operating stock requirement of 1.450Mt, 388Kt of wheat is available to be exported or held as free stock. Exports to end-September are reported at 44Kt by HMR&C.

## Barley

8. Provisional results from the Defra Crop Production Survey estimates 2013 barley production at a 15 year high of 7.102Mt, mainly due to a 21% increase in planted area. The high output and reasonable quality of the domestic crop means that imports are forecast to be considerably lower at 65Kt, compared to 235Kt last season. Imports to end-September totalled 26Kt. With opening stocks of 997Kt, UK barley

availability is estimated to be 8.164Mt, 22% higher than 2012/13.

9. H&I usage for barley is estimated to grow by less than 1% from 2012/13 to reach 1.857Mt. The malting sector is operating near full capacity hence growth is limited.

10. The amount of barley used in animal feed for this season is forecast 6% higher year-on-year at 3.467Mt. The estimated increase is supported by the surplus UK crop and discounted price to feed wheat.

11. The resulting balance of availability and domestic demand thus stands at 2.659Mt, an increase of 93% compared with 2012/13. With an operating stock requirement of 713Kt, this leaves 1.946Mt available to export or retain as free stock. Exports in the first quarter of 2013/14 have already reached 256Kt, two thirds of the full season total for 2012/13. However, competition for export business may increase when the Southern hemisphere harvest is complete.

### Maize

12. The 2012/13 maize balance has been revised to show imports of 1.693Mt, total demand of 1.842Mt and closing stocks of 216Kt. These changes follow investigations which support greater use of maize in animal feed and higher stock levels than previously shown.

13. For 2013/14, imports of maize are forecast at 1.580Mt, a 7% decline on the year. Imports to end-September totalled 368Kt. Maize was not used at high levels in feed rations during the summer but this is expected to change for the winter resulting in an estimated 1.017Mt being consumed as animal feed. An 18% increase is seen for H&I usage, bringing the total to 485Kt, due to greater distilling of the grain for both fuel and potable alcohol.

### Oats

14. The UK 2013 oat harvest was estimated at 975Kt in the Defra Crop Production survey, the largest crop in 40 years, and 56% higher than last season's output. Availability for 2013/14 is thus 35% higher year-on-year. An improvement in crop quality and high domestic output reduce import requirements which are now seen at 30Kt.

15. H&I usage is forecast at 505Kt, a 3% increase from last year, and demand for oats in animal feed is predicted to more than double to 397Kt.

16. Despite the large crop, exports are forecast at only 50Kt due to weak demand. Access to the export market will be a challenge particularly as Finland, the top EU oat producer, has also had a record crop this year. To end-September 7Kt had been exported. Oat closing stocks are forecast to increase 40% to 105Kt.

### Additional Data

17. Appendix II shows cumulative usage and trade data to end-September. 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 November** ***000 tonnes***

**Links connect to relevant Defra/AHDB/HGCA data pages**

| | | WHEAT | | | | | | BARLEY | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | 2008/09 2012/13 average | 2010/11 estimate | 2011/12 estimate | 2012/13 estimate | 2013/14 Nov-13 | % change on 12/13 | 2008/09 2012/13 average | 2010/11 estimate | 2011/12 estimate | 2012/13 estimate | 2013/14 Nov-13 | % change on 12/13 |
| (1) | Opening Stocks | 1,907 | 2,027 | 1,537 | 1,495 | 2,186 | 46% | 1,075 | 1,599 | 870 | 940 | 997 | 6% |
| (2) | Production | 14,940 | 14,878 | 15,257 | 13,261 | 12,101 | -9% | 5,816 | 5,252 | 5,494 | 5,522 | 7,102 | 29% |
| (3) | Imports | 1,480 | 1,001 | 908 | 2,944 | 1,615 | -45% | 149 | 125 | 156 | 235 | 65 | -72% |
| **(4)** | **Total Availability** | **18,327** | **17,906** | **17,702** | **17,700** | **15,902** | **-10%** | **7,040** | **6,976** | **6,520** | **6,697** | **8,164** | **22%** |
| (5) | Human and Industrial Consumption | 7,060 | 7,201 | 6,816 | 7,572 | 7,805 | 3% | 1,750 | 1,744 | 1,820 | 1,834 | 1,857 | 1% |
| (5a) | (of which home grown) | 5,943 | 6,418 | 6,135 | 5,723 | 6,240 | 9% | n/a | n/a | n/a | n/a | n/a | * |
| (6) | Usage as Animal Feed (f) | 6,358 | 6,144 | 6,471 | 6,835 | 5,903 | -14% | 3,216 | 3,419 | 2,779 | 3,272 | 3,462 | 6% |
| (6a) | (of which home grown) | 6,512 | 5,885 | 6,259 | 6,064 | 5,553 | -8% | n/a | n/a | n/a | n/a | n/a | * |
| (6b) | (of which Compounders) | 3,433 | 3,272 | 3,598 | 3,592 | 3,306 | -8% | 910 | 987 | 754 | 1,020 | 1,074 | 5% |
| (6c) | (of which Integrated Poultry Units) | 1,553 | 1,614 | 1,606 | 1,505 | 1,400 | -7% | 74 | 69 | 57 | 70 | 100 | 75% |
| (7) | Seed | 302 | 295 | 299 | 304 | 295 | -3% | 162 | 145 | 150 | 182 | 150 | -18% |
| (8) | Other | 74 | 74 | 76 | 66 | 61 | -8% | 29 | 26 | 27 | 28 | 36 | 29% |
| **(9)** | **Total Domestic Consumption** | **13,794** | **13,714** | **13,662** | **14,777** | **14,064** | **-5%** | **5,157** | **5,334** | **4,776** | **5,316** | **5,505** | **4%** |
| **(10)** | **Balance (4) - (9)** | **4,533** | **4,192** | **4,040** | **2,923** | **1,838** | **-37%** | **1,883** | **1,642** | **1,744** | **1,381** | **2,659** | **93%** |
| (11) | Exports (b) | 2,377 | 2,655 | 2,545 | 737 | - | * | 761 | 772 | 804 | 384 | - | * |
| (12) | Intervention Stocks (b) | - | - | - | - | - | * | 31 | - | - | - | - | * |
| **(13)** | **Commercial End-Season Stocks (b)** | **2,000** | **1,537** | **1,495** | **2,186** | **-** | * | **1,122** | **870** | **940** | **997** | **-** | * |
| (14) | (of which Estimated Operating stock requirement) (c) | n/a | 1,362 | 1,397 | 1,450 | 1,450 | 0% | n/a | 701 | 712 | 713 | 713 | 0% |
| (15) | (of which free stock) (d) | n/a | 175 | 98 | 736 | - | * | n/a | 169 | 228 | 284 | - | * |
| (16) | Surplus available for either export or free stock (10)-(14) | n/a | 2,830 | 2,643 | 1,285 | 388 | -70% | n/a | 941 | 1,032 | 668 | 1,946 | 191% |

| | | MAIZE | | | | | | OATS | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | 2008/09 2012/13 average | 2010/11 estimate | 2011/12 estimate | 2012/13 estimate | 2013/14 Nov-13 | % change on 12/13 | 2008/09 2012/13 average | 2010/11 estimate | 2011/12 estimate | 2012/13 estimate | 2013/14 Nov-13 | % change on 12/13 |
| (1) | Opening Stocks | 104 | 62 | 111 | 149 | 216 | 45% | 78 | 94 | 65 | 63 | 75 | 19% |
| (2) | Production | - | - | - | - | - | 0% | 691 | 685 | 613 | 627 | 975 | 56% |
| (3) | Imports | 1,118 | 1,015 | 992 | 1,693 | 1,580 | -7% | 44 | 18 | 57 | 109 | 30 | -72% |
| **(4)** | **Total Availability** | **1,222** | **1,077** | **1,102** | **1,842** | **1,796** | **-2%** | **813** | **797** | **735** | **799** | **1,080** | **35%** |
| (5) | Human and Industrial Consumption | 319 | 295 | 278 | 412 | 485 | 18% | 455 | 460 | 474 | 491 | 505 | 3% |
| (5a) | (of which home grown) | - | - | - | - | - | - | 412 | 445 | 427 | 375 | 475 | 27% |
| (6) | Usage as Animal Feed | 528 | 523 | 531 | 1,036 | 1,017 | -2% | 212 | 198 | 164 | 192 | 397 | 107% |
| (6a) | (of which home grown) | - | - | - | - | - | - | 212 | 198 | 164 | 192 | 397 | 107% |
| (7) | Seed | - | - | - | - | - | - | 19 | 17 | 15 | 25 | 18 | -28% |
| (8) | Other | 114 | 114 | 114 | 114 | 114 | 0% | 3 | 3 | 3 | 3 | 5 | 67% |
| **(9)** | **Total Domestic Consumption** | **961** | **932** | **923** | **1,562** | **1,616** | **3%** | **689** | **678** | **656** | **711** | **925** | **30%** |
| **(10)** | **Balance (4) - (9)** | **261** | **145** | **179** | **280** | **180** | **-36%** | **124** | **119** | **79** | **88** | **155** | **76%** |
| (11) | Exportable surplus | 31 | 34 | 30 | 64 | 50 | -22% | 44 | 54 | 16 | 13 | 50 | 285% |
| **(12)** | **Commercial End-Season Stocks** | **104** | **111** | **149** | **216** | **130** | **-40%** | **80** | **65** | **63** | **75** | **105** | **40%** |

| | | OTHER CEREALS *(e)* | | | | | |
|---|---|---|---|---|---|---|---|
| | | 2008/09 2012/13 average | 2010/11 estimate | 2011/12 estimate | 2012/13 estimate | 2013/14 Nov-13 | % change on 12/13 |
| (1) | Opening Stocks | 5 | 5 | 5 | 5 | 5 | 0% |
| (2) | Production | 126 | 131 | 120 | 105 | 114 | 9% |
| (3) | Imports | 4 | - | 1 | 7 | 6 | -14% |
| **(4)** | **Total Availability** | **135** | **136** | **126** | **117** | **125** | **7%** |
| (5+6) | H&I and Animal Feed | 121 | 128 | 111 | 109 | 117 | 7% |
| (5a+6a) | (of which home grown) | 116 | 128 | 110 | 102 | 111 | 9% |
| (7) | Seed | 3 | 3 | 3 | 3 | 3 | 0% |
| (8) | Other | - | - | - | - | - | 0% |
| **(9)** | **Total Domestic Consumption** | **124** | **131** | **114** | **112** | **120** | **7%** |
| **(10)** | **Balance (4) - (9)** | **8** | **5** | **12** | **7** | **6** | **-50%** |
| (11) | Exportable surplus | 1 | 0 | 7 | 0 | 0 | 0% |
| (12) | Intervention Stocks | 0 | 0 | 0 | 0 | 0 | 0% |
| **(13)** | **Commercial End-Season Stocks** | **5** | **5** | **5** | **5** | **5** | **0%** |

| | | TOTAL CEREALS | | | | | |
|---|---|---|---|---|---|---|---|
| | | 2008/09 2012/13 average | 2010/11 estimate | 2011/12 estimate | 2012/13 estimate | 2013/14 Nov-13 | % change on 12/13 |
| (1) | Opening Stocks | 3,169 | 3,787 | 2,587 | 2,652 | 3,479 | 31% |
| (2) | Production | 21,573 | 20,946 | 21,484 | 19,515 | 20,292 | 4% |
| (3) | Imports | 2,795 | 2,159 | 2,114 | 4,988 | 3,296 | -34% |
| **(4)** | **Total Availability** | **27,537** | **26,891** | **26,185** | **27,155** | **27,067** | **0%** |
| (5+6) | H&I and Animal Feed | 20,019 | 20,112 | 19,444 | 21,753 | 21,548 | -1% |
| (5a+6a) | (of which home grown) | 18,016 | 18,105 | 17,536 | 17,347 | 18,019 | 4% |
| (7) | Seed | 486 | 460 | 467 | 514 | 466 | -9% |
| (8) | Other | 220 | 217 | 220 | 211 | 216 | 2% |
| **(9)** | **Total Domestic Consumption** | **20,725** | **20,790** | **20,132** | **22,478** | **22,230** | **-1%** |
| **(10)** | **Balance (4) - (9)** | **6,812** | **6,102** | **6,054** | **4,677** | **4,837** | **3%** |
| (11) | Exports | 3,214 | 3,515 | 3,402 | 1,198 | * | * |
| (12) | Intervention Stocks | 31 | - | - | - | * | * |
| **(13)** | **Commercial End-Season Stocks** | **3,311** | **2,587** | **2,652** | **3,479** | ***** | ***** |
| (14) | Estimated Operating stock requirement (wheat & barley only) | n/a | 2,063 | 2,109 | 2,163 | 2,163 | 0% |
| (15) | Free stock for wheat and barley | n/a | 344 | 326 | 1,020 | * | * |
| (16) | Surplus available for either export or free stock (all) | n/a | 3,859 | 3,728 | 2,030 | 2,434 | 20% |

***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.*
** 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 September 2013** — **Thousand tonnes**

| | | | | 2008/09 to 2012/13 Average | 2008/09 13 weeks | 2009/10 13 weeks | 2010/11 13 weeks | 2011/12 13 weeks | 2012/13 13 weeks | 2013/14 13 weeks | % Change 2013/14 on 2012/13 | Actual Change 2013/14 on 2012/13 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **WHEAT** | | | | | | | | | | | | |
| (1) Usage | Human and | -Flour Millers | *-imported* | *253* | *307* | *314* | *220* | *175* | *248* | *577* | *132%* | *329* |
| (2) | Industrial | | *-home-grown* | *1307* | *1239* | *1225* | *1407* | *1316* | *1351* | *993* | *-27%* | *-358* |
| (3) | Processors | | -Total | *1560* | *1546* | *1539* | *1627* | *1490* | *1599* | *1570* | *-2%* | *-30* |
| (4) | | -Distillers | | *143* | *145* | *124* | *118* | *138* | *191* | *195* | *2%* | *4* |
| (5) | | -Others | | *41* | *40* | *41* | *42* | *41* | *41* | *48* | *17%* | *7* |
| (6) | Animal Feed Processors (a) | | | *695* | *652* | *689* | *693* | *696* | *744* | *771* | *4%* | *26* |
| (7) | Poultry Integrated Units | | | *385* | *361* | *374* | *398* | *398* | *395* | *369* | *-7%* | *-26* |
| (8) Exports | From July (b) | | | *570* | *723* | *441* | *862* | *537* | *289* | *44* | *-85%* | *-245* |
| (9) Imports | From July (b) | | | *345* | *315* | *387* | *213* | *218* | *590* | *829* | *40%* | *239* |
| (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 | *413* | *430* | *362* | *409* | *430* | *436* | *458* | *5%* | *22* |
| (4) | Animal Feed Processors (a) | | | *198* | *186* | *170* | *229* | *192* | *212* | *217* | *2%* | *5* |
| (5) | Poultry Integrated Units | | | *23* | *32* | *24* | *19* | *21* | *18* | *17* | *-2%* | *0* |
| (6) Exports | From July (b) | | | *219* | *215* | *263* | *222* | *191* | *203* | *256* | *26%* | *53* |
| (7) Imports | From July (b) | | | *33* | *30* | *31* | *24* | *42* | *39* | *26* | *-34%* | *-13* |
| (11) | Intervention | -Actual | | *32* | *0* | *0* | *151* | *8* | *0* | *0* | * | *0* |
| (12) | | -Projected | | *31* | *0* | *0* | *151* | *5* | *0* | *0* | * | *0* |
| **MAIZE** | | | | | | | | | | | | |
| (1) Usage | Human and Industrial | | | *78* | *81* | *83* | *76* | *73* | *77* | *90* | *17%* | *13* |
| (2) | Animal Feed Processors (a) | | | *34* | *44* | *27* | *27* | *24* | *47* | *65* | *40%* | *19* |
| (3) Imports | From July (b) | | | *221* | *227* | *213* | *221* | *203* | *242* | *368* | *52%* | *126* |
| **OATS** | | | | | | | | | | | | |
| (1) Usage | Human and Industrial Processors | | | *109* | *101* | *105* | *112* | *115* | *114* | *120* | *6%* | *6* |
| (2) | Animal Feed Processors (a) | | | *16* | *12* | *14* | *27* | *15* | *14* | *17* | *27%* | *4* |
| (3) Exports | From July (b) | | | *16* | *32* | *11* | *30* | *5* | *2* | *7* | *196%* | *5* |

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 26 November 2013. 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