HGCA

AHDB Agriculture & Horticulture DEVELOPMENT BOARD

Supply & Demand

26 March 2015

Key points

- Lower wheat demand coupled with higher imports suggests a larger surplus, however the magnitude of this will depend on the outcome of Defra's review of the opening stocks figure (see revisions below)
- Higher estimated barley demand suggests a slightly lower barley surplus
- Increased usage of maize in animal feed more than offsets the decline in H&I consumption, but higher imports mean a rise in closing stocks
- Oats availability up as a result of higher estimated imports, however higher demand means potential end season stocks are unchanged

Introduction

1. This release covers the third official estimates made by Defra of UK cereal supply and demand for 2014/15 (Appendix I). The next official review of the 2014/15 supply and demand will take place on 21 May.

Revisions

2. **The opening stocks figures are under review by Defra.** For wheat the opening stocks estimate of 1.96Mt is higher than Defra's stocks and usage surveys estimate of 1.53Mt. For maize the opening stocks estimate of 0.48Mt is higher than the surveys' estimate of 0.24Mt. A new method is being developed for the 2015/16 crop year that should put greater reliance on the stocks survey. Defra's Cereal Stocks Survey which provides a direct estimate of the opening stocks was reviewed and improved in 2013. In the interim we recommend using a range for the opening stocks of wheat and maize, ranging from the stocks survey estimates to the balance sheet estimates.

New evidence since last forecast

3. Usage survey data for December and January shows greater demand for animal feed than expected and forecasts have been increased. Total cereals usage (wheat, barley, maize and oats) in animal feed is increased by 0.08Mt to 11.19Mt, but remains 1% below 2013/14's final figure. While there is some growth forecast for pig and poultry feed demand, the relatively mild weather, good forage availability and earlier return to grass for cattle and sheep mean that less feed is likely to be required overall.

Forecasts of demand for biofuels have been revised down after the closure of the Ensus plant in February. Forecasts of animal feed in the spring have been revised down after mild weather in February and March. Wheat and maize imports in December and January were higher than expected. As a consequence the forecast of final stocks for wheat has been increased by 120Kt.

4. UK wheat imports are now forecast at 1.42Mt, 0.12Mt higher than January's estimates. HMR&C data showed that cumulative wheat imports until end January were 1.07Mt. The proportion of imported milling wheat used by UK millers has been higher than initially envisaged. As a result, **total wheat availability** is estimated at 19.43-19.98Mt.

5. Wheat demand by the Human & Industrial (H&I) sector is forecast at 7.80Mt, 0.19Mt below the previous estimates, but 5% higher year on year. Despite a strong start, UK bioethanol production has slowed, with one of the plants currently inactive and no firm indication of when it will recommence operations. Wheat consumption by the milling sector is largely unchanged from January's estimates, but demand for wheat in distilling is lower.

6. Wheat consumption in animal feed is estimated at 6.44Mt, 0.10Mt below January's forecast, but 5% higher year on year. The latest usage data shows that wheat lost some of its share in animal feed demand in December and January, as its price became less competitive against other cereals. In February and March, however, this price spread has narrowed in most of the UK so wheat is expected to regain some of its share.

7. The balance of availability and domestic consumption is forecast at 4.94-5.37Mt. By end-January, cumulative wheat exports were reported as 1.08Mt by HMR&C. After taking into account the operating stock of 1.50Mt, this leaves 2.36-2.79Mt to be exported or carried over as free stock.

Barley

8. **At 8.38Mt, barley availability remains unchanged with January's estimates.** By end-January 2015, 0.05Mt of barley had been imported (HMR&C).

9. **H&I usage of barley has been revised up slightly to 2.01Mt**, 9Kt higher than January's estimates. The forecast for total barley usage by UK brewers, maltsters and distillers (BMD) is maintained at 2% higher than in 2013/14.

10. **Barley demand in animal feed, at 3.39Mt, is 0.05Mt higher than January's estimate, but 3% lower than in 2013/14.** Barley secured a larger than expected share of animal feed demand in December and January as its price competitiveness against wheat increased.

11. **At 5.60Mt, the balance of availability and domestic consumption is 0.05Mt lower than January's estimate and 10% below the final 2013/14 figure.** By end-January, 0.81Mt of barley had been exported (HMR&C), 4% behind last year's pace. Taking this volume of exports and the operating stock requirement of 0.75Mt into account, 1.22Mt is available to export during the remainder of this season (February-June), or to carry over into 2015/16.

Maize

12. Compared with January's forecast, maize imports are revised 0.10Mt higher to 1.46Mt. HMR&C data revealed that cumulative maize imports reached 1.15Mt by end January. **Total availability is thus forecast at 1.70-1.94Mt.**

13. Maize demand by the H&I sector is estimated at 0.57Mt, 0.08Mt lower than January's forecast. The closure of one of the UK's bioethanol plants is mainly behind this revision. For animal feed, maize usage is increased from 0.94Mt in January to 1.07Mt. Maize consumption in compound feed production and by integrated poultry units was higher than expected in December and January as revealed by the latest Defra usage data. In N. Ireland, the current price premium of wheat over maize is also favouring further usage of maize.

14. The forecast closing stock for maize is approximately 0.22Mt-0.47Mt.

Oats

15. **Oats availability, at 1.02Mt, is 8Kt higher than the estimates made in January.** This is due to an upward revision of the import figure which is now forecast at 0.03Mt. By end-January, UK oat imports totalled 0.02Mt (HMR&C).

16. **H&I demand for oats has been revised slightly lower (3Kt) than January's estimate to 0.51Mt, bringing it back into line with 2013/14 usage.** This decline has been offset by an increase in oats used in animal feed production, which is now 6Kt higher compared with January's estimates, at 0.29Mt.

17. **The balance between availability and demand for oats is, therefore, 5Kt higher compared with January's estimates, at 0.20Mt.** By end-January, 0.05Mt of oats had been exported; as such exports are now expected at 0.06Mt, up 5Kt on January's estimates. This leaves an estimated 0.14Mt of oats to be carried over as free stock into 2015/16.

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)

Estimates made in March

000 tonnes

Defra is reviewing how it uses survey estimates to achieve consistent cereals balance sheet estimates. **Currently Defra estimates 2014/15 opening wheat and maize stocks as approximately 380-400Kt and 230-250Kt, respectively, above the results of the stocks survey published in August 2014. These opening stocks figures are under review and could impact the estimates for wheat and maize availability in 2014/15 and the figures highlighted in red in the table below.** Stocks survey estimates are published by Defra at https://www.gov.uk/government/statistics/cereal-stocks. Cereals balance sheets are published by the AHDB/HGCA on behalf of Defra at www.hgca.com/markets/supply-and-demand.aspx.

(JULY - JUNE YEARS)

Links connect to relevant Defra/AHDB/HGCA data pages

	WHEAT							BARLEY						
	2009/10 2013/14 average	**2012/13 estimate**	**2013/14 estimate**	**2014/15 Jan-15**	**2014/15 Mar-15**	**Absolute change Jan-15**	**% change on 13/14**	**2009/10 2013/14 average**	**2012/13 estimate**	**2013/14 estimate**	**2014/15 Jan-15**	**2014/15 Mar-15**	**Absolute change Jan-15**	**% change on 13/14**
(1) Opening Stocks	2,000	1,495	2,186	1,959	1,959	0	-10%	1,122	940	997	1,379	1,379	0	38%
(2) Production	13,879	13,261	11,921	16,606	16,606	0	39%	6,006	5,522	7,092	6,911	6,911	0	-3%
(3) Imports	1,663	2,956	2,209	1,300	1,417	117	-36%	140	235	100	85	85	0	-15%
(4) Total Availability	**17,542**	**17,712**	**16,316**	**19,865**	**19,982**	**117**	**22%**	**7,268**	**6,697**	**8,189**	**8,375**	**8,375**	**0**	**2%**
(5) Human and Industrial Consumption	7,178	7,572	7,423	7,992	7,798	-194	5%	1,795	1,844	1,960	1,997	2,006	9	2%
(5a) (of which home grown)	5,990	5,723	5,858	6,840	6,552	-288	12%	n/a	n/a	n/a	n/a	n/a	*	*
(6) Usage as Animal Feed (b)	6,400	6,847	6,153	6,545	6,443	-102	5%	3,294	3,263	3,495	3,348	3,393	45	-3%
(6a) (of which home grown)	5,965	6,064	5,453	6,348	6,223	-125	14%	n/a	n/a	n/a	n/a	n/a	*	*
(6b) (of which Compounders)	3,426	3,592	3,348	3,626	3,529	-97	5%	984	1,020	1,169	1,027	1,065	38	-9%
(6c) (of which Integrated Poultry Units)	1,529	1,505	1,381	1,466	1,417	-49	3%	75	70	86	43	50	7	-42%
(7) Seed	296	304	290	290	290	0	0%	162	182	162	162	162	0	0%
(8) Other	69	66	60	83	83	0	38%	30	28	35	35	35	0	0%
(9) Total Domestic Consumption	**13,942**	**14,789**	**13,926**	**14,910**	**14,614**	**-296**	**5%**	**5,281**	**5,317**	**5,652**	**5,542**	**5,596**	54	**-1%**
(10) Balance (4) - (9)	**3,600**	**2,923**	**2,390**	**4,955**	**5,368**	**413**	**125%**	**1,987**	**1,380**	**2,537**	**2,833**	**2,779**	**-54**	**10%**
(11) Exports (c)	1,759	737	431	-	-	*	*	830	384	1,158	-	-	*	*
(12) Intervention Stocks (c)	-	-	-	-	-	*	*	31	-	-	-	-	*	*
(13) Commercial End-Season Stocks (c)	**1,841**	**2,186**	**1,959**	**-**	**-**	*	*	**1,157**	**997**	**1,379**	**-**	**-**	*	*
(14) (of which Estimated Operating stock requirement) (d)	1,401	1,450	1,450	1,500	1,500	0	3%	707	713	713	750	750	0	5%
(15) (of which free stock) (e)	440	736	509	-	-	*	*	419	284	666	-	-	-	*
(16) Surplus available for either export or free stock (10)-(14)	2,199	1,473	940	3,455	3,868	413	311%	1,280	667	1,824	2,083	2,029	-54	11%

	MAIZE							OATS						
	2009/10 2013/14 average	**2012/13 estimate**	**2013/14 estimate**	**2014/15 Jan-15**	**2014/15 Mar-15**	**Absolute change Jan-15**	**% change on 13/14**	**2009/10 2013/14 average**	**2012/13 estimate**	**2013/14 estimate**	**2014/15 Jan-15**	**2014/15 Mar-15**	**Absolute change Jan-15**	**% change on 13/14**
(1) Opening Stocks	128	149	216	477	477	0	121%	79	63	69	166	166	0	139%
(2) Production	-	-	-	-	-	*	*	727	627	964	820	820	0	-15%
(3) Imports	1,403	1,693	2,394	1,363	1,464	101	-39%	49	109	46	22	30	8	-35%
(4) Total Availability	**1,531**	**1,842**	**2,610**	**1,840**	**1,941**	**101**	**-26%**	**855**	**799**	**1,079**	**1,008**	**1,016**	**8**	**-6%**
(5) Human and Industrial Consumption	479	522	664	647	572	-75	-14%	472	491	508	511	508	-3	0%
(5a) (of which home grown)	-	-	-	-	-	*	*	425	375	465	486	475	-11	2%
(6) Usage as Animal Feed	776	1,036	1,262	941	1,067	126	-15%	235	198	345	281	287	6	-17%
(6a) (of which home grown)	-	-	-	-	-	*	*	235	198	345	281	287	6	-17%
(7) Seed	-	-	-	-	-	*	*	19	25	19	19	19	0	1%
(8) Other (f)	4	4	4	4	4	0	0%	4	3	5	4	4	0	-20%
(9) Total Domestic Consumption	**1,259**	**1,562**	**1,930**	**1,592**	**1,643**	**51**	**-15%**	**729**	**717**	**877**	**815**	**818**	**3**	**-7%**
(10) Balance (4) - (9)	**272**	**280**	**680**	**248**	**298**	**50**	**-56%**	**125**	**82**	**202**	**193**	**198**	**5**	**-2%**
(11) Exportable surplus	69	64	203	45	75	30	-63%	34	13	36	55	60	5	67%
(12) Commercial End-Season Stocks	**203**	**216**	**477**	**203**	**223**	**20**	**-53%**	**91**	**69**	**166**	**138**	**138**	**0**	**-17%**

(a) These are revised during the year. Figures rounded to the nearest 1000 tonnes
(b) Animal feed usage has been split by sector. Note, other users are only included in the total.
(c) Split of exports, intervention and total commercial end-season stocks only published for historical seasons
(d) 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
(e) Free stock is the stock available after both exports and estimated operating stock requirements have been fulfilled
(f) 2014/15 new format: Maize demand in "Other food use" has been added to the H&I total for maize. This was previously included in the "Other" category
** Percentage change not meaningful*

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	OTHER CEREALS *(g)*						
	2009/10 2013/14 average	**2012/13 estimate**	**2013/14 estimate**	**2014/15 Jan-15**	**2014/15 Mar-15**	**Absolute change Jan-15**	**% change on 13/14**
(1) Opening Stocks	5	5	5	5	5	0	0%
(2) Production	119	105	107	131	131	0	22%
(3) Imports	2	7	3	3	3	0	0%
(4) Total Availability	**126**	**117**	**115**	**139**	**139**	**0**	**21%**
(5+6 H&I and Animal Feed	117	109	107	131	131	0	22%
(5a+ (of which home grown)	114	102	104	128	128	0	23%
(7) Seed	3	3	3	3	3	0	0%
(8) Other	-	-	-	-	-	-	*
(9) Total Domestic Consumption	**120**	**112**	**110**	**134**	**134**	**0**	**22%**
(10) Balance (4) - (9)	**6**	**5**	**5**	**5**	**5**	**0**	**0%**
(11) Exportable surplus	1	0	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						
	2009/10 2013/14 average	**2012/13 estimate**	**2013/14 estimate**	**2014/15 Jan-15**	**2014/15 Mar-15**	**Absolute change Jan-15**	**% change on 13/14**
(1) Opening Stocks	3,334	2,652	3,473	3,986	3,986	0	15%
(2) Production	20,730	19,515	20,084	24,468	24,468	0	22%
(3) Imports	3,258	5,000	4,752	2,773	2,999	226	-37%
(4) Total Availability	**27,322**	**27,167**	**28,309**	**31,227**	**31,453**	**226**	**11%**
(5) H&I (wheat, barley, maize, oats) (g)	9,923	10,429	10,555	11,147	10,884	-263	3%
(6) Animal Feed (wheat, barley, maize oats) (g)	10,705	11,344	11,255	11,115	11,190	75	-1%
(5a + Other cereals (H&I and Animal Feed)	117	109	107	131	131	0	22%
(7) Seed	480	514	474	474	474	0	0%
(8) Other	106	101	104	126	126	0	21%
(9) Total Domestic Consumption	**21,331**	**22,497**	**22,495**	**22,993**	**22,805**	**-188**	**1%**
(10) Balance (4) - (9)	**5,991**	**4,670**	**5,814**	**8,234**	**8,648**	**414**	**49%**
(11) Exports	2,694	1,198	1,828	-	-		*
(12) Intervention Stocks	31	-	-	-	-		*
(13) Commercial End-Season Stocks	**3,297**	**3,473**	**3,986**	-	-		*
(14) Estimated Operating stock requirement (wheat & barley only)	2,108	2,163	2,163	2,250	2,250	0	4%
(15) Free stock for wheat and barley	859	1,020	1,175	-	-	*	*
(16) Surplus available for either export or free stock (all)	3,883	2,507	3,651	5,984	6,398	414	75%

(g) Includes mainly rye, triticale, mixed grain and sorghum

Source: DEFRA

APPENDIX II

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

Situation as at end of January 2015 **Thousand tonnes**

	2009/10 to 2013/14 Average	2008/09 30 weeks	2009/10 31 weeks	2010/11 30 weeks	2011/12 30 weeks	2012/13 30 weeks	2013/14 30 weeks	2014/15 30 weeks	% Change 2014/15 on 2013/14	Actual Change 2014/15 on 2013/14
WHEAT										
(1) Usage Human and -Flour Millers *-imported*	*668*	*669*	*663*	*476*	*405*	*808*	*989*	*773*	*-22%*	*-217*
(2) Industrial *-home-grown*	*3019*	*2848*	*2882*	*3330*	*3056*	*3067*	*2761*	*3340*	*21%*	*579*
(3) Processors -Total	*3687*	*3517*	*3545*	*3805*	*3461*	*3875*	*3750*	*4113*	*10%*	*363*
(4) -Distillers	*374*	*352*	*298*	*282*	*346*	*453*	*491*	*474*	*-3%*	*-17*
(5) -Others	-	*91*	*92*	-	-	-	-	-	-	-
(6) Animal Feed Processors (a)	*1703*	*1679*	*1623*	*1638*	*1745*	*1782*	*1729*	*1768*	*2%*	*38*
(7) Poultry Integrated Units	*893*	*859*	*894*	*933*	*918*	*900*	*819*	*814*	*-1%*	*-6*
(8) Imports From July (b)	*1008*	*717*	*766*	*660*	*531*	*1612*	*1470*	*1070*	*-27%*	*-400*
(9) Exports From July (b)	*1198*	*2357*	*1224*	*2122*	*1842*	*530*	*270*	*1076*	*299%*	*806*
(14) Intervention -Actual	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*	*0*
(15) -Projected	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*	*0*
BARLEY										
(1) Usage Maltsters/Distillers *-imported*	-	-	-	-	-	-	-	-	-	-
(2) *-home-grown*	-	-	-	-	-	-	-	-	-	-
(3) -Total	*1010*	*1029*	*893*	*972*	*1043*	*1054*	*1086*	*1125*	*4%*	*39*
(4) Animal Feed Processors (a)	*492*	*400*	*462*	*505*	*391*	*515*	*588*	*569*	*-3%*	*-18*
(5) Poultry Integrated Units	*44*	*53*	*56*	*39*	*38*	*42*	*46*	*30*	*-34%*	*-16*
(6) Imports From July (b)	*82*	*78*	*55*	*89*	*94*	*116*	*59*	*54*	*-8%*	*-5*
(7) Exports From July (b)	*585*	*523*	*605*	*560*	*591*	*320*	*850*	*814*	*-4%*	*-35*
(11) Intervention -Actual	*35*	*0*	*62*	*106*	*5*	*0*	*0*	*0*	*	*0*
(12) -Projected	*37*	*0*	*140*	*40*	*5*	*0*	*0*	*0*	*	*0*
MAIZE										
(1) Usage Human and Industrial	-	*182*	*167*	-	-	-	-	-	-	-
(2) Animal Feed Processors (a)	*96*	*76*	*67*	*61*	*61*	*113*	*180*	*161*	*-11%*	*-19*
(3) Imports From July (b)	*824*	*596*	*532*	*655*	*562*	*933*	*1439*	*1151*	*-20%*	*-288*
(4) Exports From July (b)	*50*	*7*	*7*	*17*	*21*	*30*	*175*	*41*	*-77%*	*-135*
OATS										
(1) Usage Human and Industrial Processors	-	*237*	*241*	-	-	-	-	-	-	-
(2) Animal Feed Processors (a)	*48*	*35*	*43*	*60*	*35*	*42*	*62*	*58*	*-6%*	*-4*
(3) Exports From July (b)	*21*	*72*	*20*	*45*	*12*	*7*	*21*	*48*	*126%*	*27*

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 18 March 2015. 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

SOURCE: Defra Agricultural Statistics and Analysis, HM Customs and Excise/Intrastat, HGCA