HGCA

Supply & Demand

26 November 2014

AHDB Agriculture & Horticulture DEVELOPMENT BOARD

Key points

- The improved price competitiveness of wheat increases its attractiveness as a feed grain this season, but a strong export campaign will be required to avoid a large carry-over into 2015/16
- A large barley crop for the second consecutive year points to higher end-season stocks; with increased competition from wheat in animal feed demand, exports are key
- Maize imports and demand are forecast lower as wheat is expected to recapture market share
- The oats surplus is predicted to decline as overall demand is forecast to be greater

Introduction

1. This release covers the first official estimates made by Defra of UK cereal supply and demand for 2014/15 (Appendix I). Comparisons are made in this note with 2013/14 and also the AHDB/HGCA Early Balance Sheets (hereafter EBS) that were released on 13 October. The next official review of the 2014/15 supply and demand will take place on 28 January.

Wheat

2. **UK wheat availability is 19.880Mt, 22% higher compared with 2013/14**. A rebound in planted area (19% higher than in 2013/14), plus a record average yield of 8.6t/ha has led to the largest wheat harvest since 2008 which is provisionally estimated at 16.621Mt by the Defra Crop Production Survey. This represents a 4.700Mt increase in production compared with 2013/14. Opening stocks, at 1.959Mt, are 10% lower than in 2013/14.

3. **Wheat imports in 2014/15 are forecast at 1.300Mt, 41% lower compared with the previous season.** The latest AHDB/HGCA Cereal Quality Survey showed that this year's crop was one of quality as well as quantity, thus reducing the need for imports. While trade data from HMR&C reveals a strong level of imports for the first quarter of 2014/15 (607.8Kt), it is expected that these will decline now that a better idea of the size and quality of the crop has been obtained. Furthermore, usage data for September indicated a marked step-change in the proportion of home-grown wheat used by millers plus starch and bioethanol producers (81% compared with 69% in August).

4. **Human & Industrial (H&I) consumption of wheat is estimated at 7.810Mt, 5% higher compared with 2013/14**, but 124Kt lower than the amount estimated for the EBS. The latest cereals usage data indicates another year-on-year (July – September) decline in flour production (excluding starch and bioethanol production). In addition, the extraction rate for flour output is expected to be higher this season, meaning that less wheat will be required to produce the same amount of flour. However, lower demand from the milling sector is offset by higher usage by the UK's bioethanol plants which are currently working at improved rates compared with last season.

5. **Demand for total cereals in animal feed is forecast 1% lower in 2014/15 compared with last year**, based on the assumption of normal weather conditions. Lower milk and beef prices, plus good forage/silage availability are expected to reduce the need for further supplementary feeding. The cheaper price of cereals, however, is expected to encourage more grain fed on farm.

6. **Wheat consumption in animal feed is estimated at 6.721Mt, 9% higher year-on-year**. The increased price competitiveness of wheat against rival feed grains this season, places it in a favourable position to reclaim its market share in feed demand.

7. **The balance of availability and domestic consumption in 2014/15 is 4.976Mt, more than double that seen in 2013/14**. After taking into account the operating stock requirement of 1.500Mt, this leaves 3.476Mt to be exported or to be carried over to the next season as free stock. Exports to end-September are reported as 292.1Kt by HMR&C.

Barley

8. **Barley availability in 2014/15 is seen 4% higher compared with the previous season**. [Defra's Crop Production Survey](#) provisionally estimates the UK barley crop at 7.027Mt, which is only slightly lower than production in 2013/14. Higher opening stocks (1.379Mt) are largely responsible for the greater availability this season. Due to another large and good quality barley crop, imports are seen 5% lower at 95Kt. Imports to end-September totalled 29.0Kt (HMR&C).

9. **H&I consumption of barley is forecast at 2.005Mt, 2% higher, year-on-year**. This estimate is slightly higher (32Kt) than the amount projected for the EBS. The latest usage data published for September has shown that the higher usage of barley by brewers, maltsters and distillers has continued so far this season, although capacity could be a limiting factor for further growth.

10. **Barley usage in animal feed is forecast down 3% on 2013/14**, at 3.386Mt. Wheat is priced at more competitive levels in most parts of the UK so barley is expected to lose some market share in the feed market.

11. **The balance of availability and domestic demand is 5.588Mt, 1% lower than in 2013/14**. After the operating stock of 750Kt is taken into account, 2.163Mt is available to export or carry over into 2015/16. By end-September, 294.9Kt of barley had been exported (HMR&C), which is ahead of last year's pace.

Maize

12. **At 1.609Mt, maize availability is seen 38% lower compared with 2013/14, mainly due to a decline in imports**. The lower imports expected this season more than offset the increase in opening stocks for 2014/15, which are more than double the amount seen in 2013/14. Last season, a record amount of maize was imported and was primarily used in animal feed.

13. **Maize imports are forecast at 1.132Mt, 53% lower than 2013/14**. Imports until end-September totalled 301.1Kt. The more competitive price level of wheat this season implies lower demand for maize in animal feed, which is estimated 40% lower on the year at 757Kt. H&I consumption of maize is seen 10% lower at 600Kt.

Oats

14. **Opening stocks of oats are 139% higher compared with 2013/14, at 166Kt due to last year's large crop**. The [Defra Crop Production Survey](#) provisionally estimates UK oat production in 2014 at 828Kt. While this is 14% lower year-on-year, the crop is one of the largest in recent years and production is above the five-year average. Limited imports are thus expected and are forecast at 20Kt, less than half the amount seen in 2013/14. Total availability is 6% lower on the year at 1.014Mt.

15. **H&I demand is estimated at 515Kt, 1% higher year-on-year**, and oat consumption in animal feed is seen to be similar to 2013/14, at 345Kt. A larger decline is expected in compound feed use of oats, compared with fed on farm.

16. **At 188Kt, the balance between availability and demand is seen 7% lower**. Exports are forecast at 50Kt; by end-September, 15.6Kt had been exported (HMR&C). This implies that 138Kt of oats will be carried forward into 2015/16, 17% lower than the previous season but higher than the five year average.

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**					
	2009/10 2013/14 average	**2011/12 estimate**	**2012/13 estimate**	**2013/14 estimate**	**2014/15 Nov-14**	**% change on 13/14**	**2009/10 2013/14 average**	**2011/12 estimate**	**2012/13 estimate**	**2013/14 estimate**	**2014/15 Nov-14**	**% change on 13/14**
(1) Opening Stocks	2,000	1,537	1,495	2,186	1,959	-10%	1,122	870	940	997	1,379	38%
(2) Production	13,879	15,257	13,261	11,921	16,621	39%	6,006	5,494	5,522	7,092	7,027	-1%
(3) Imports	1,663	908	2,956	2,209	1,300	-41%	140	156	235	100	95	-5%
(4) Total Availability	**17,542**	**17,702**	**17,712**	**16,316**	**19,880**	**22%**	**7,268**	**6,520**	**6,697**	**8,189**	**8,501**	**4%**
(5) Human and Industrial Consumption	7,178	6,816	7,572	7,423	7,810	5%	1,795	1,820	1,844	1,960	2,005	2%
(5a) (of which home grown)	5,990	6,135	5,723	5,858	6,672	14%	n/a	n/a	n/a	n/a	n/a	*
(6) Usage as Animal Feed (f)	6,400	6,471	6,847	6,153	6,721	9%	3,294	2,779	3,263	3,495	3,386	-3%
(6a) (of which home grown)	5,965	6,255	6,064	5,453	6,510	19%	n/a	n/a	n/a	n/a	n/a	*
(6b) (of which Compounders)	3,426	3,598	3,592	3,348	3,567	7%	984	754	1,020	1,169	955	-18%
(6c) (of which Integrated Poultry Units)	1,529	1,606	1,505	1,381	1,476	7%	75	57	70	86	55	-36%
(7) Seed	296	299	304	290	290	0%	162	150	182	162	162	0%
(8) Other	69	76	66	60	83	38%	30	27	28	35	35	0%
(9) Total Domestic Consumption	**13,942**	**13,662**	**14,789**	**13,926**	**14,904**	**7%**	**5,281**	**4,776**	**5,317**	**5,652**	**5,588**	**-1%**
(10) Balance (4) - (9)	**3,600**	**4,040**	**2,923**	**2,390**	**4,976**	**108%**	**1,987**	**1,744**	**1,380**	**2,537**	**2,913**	**15%**
(11) Exports (b)	1,759	2,545	737	431		*	830	804	384	1,158		*
(12) Intervention Stocks (b)	-	-	-	-	-	*	31	-	-	-		*
(13) Commercial End-Season Stocks (b)	**1,841**	**1,495**	**2,186**	**1,959**			**1,157**	**940**	**997**	**1,379**		*
(14) (of which Estimated Operating stock requirement) (c)	1,401	1,397	1,450	1,450	1,500	3%	707	712	713	713	750	5%
(15) (of which free stock) (d)	440	98	736	509	-	*	419	228	284	666		*
(16) Surplus available for either export or free stock (10)-(14)	2,199	2,643	1,473	940	3,476	270%	1,280	1,032	667	1,824	2,163	19%

	MAIZE						**OATS**					
	2009/10 2013/14 average	**2011/12 estimate**	**2012/13 estimate**	**2013/14 estimate**	**2014/15 Nov-14**	**% change on 13/14**	**2009/10 2013/14 average**	**2011/12 estimate**	**2012/13 estimate**	**2013/14 estimate**	**2014/15 Nov-14**	**% change on 13/14**
(1) Opening Stocks	128	111	149	216	477	121%	79	65	63	69	166	139%
(2) Production	-	-	-	-	-	-	727	613	627	964	828	-14%
(3) Imports	1,403	992	1,693	2,394	1,132	-53%	49	57	109	46	20	-57%
(4) Total Availability	**1,531**	**1,103**	**1,842**	**2,610**	**1,609**	**-38%**	**855**	**735**	**799**	**1,079**	**1,014**	**-6%**
(5) Human and Industrial Consumption	479	388	522	664	600	-10%	472	474	491	508	515	1%
(5a) (of which home grown)	-	-	-	-	-	-	425	427	375	465	492	6%
(6) Usage as Animal Feed	776	531	1,036	1,262	757	-40%	235	164	198	345	288	-17%
(6a) (of which home grown)	-	-	-	-	-	*	235	164	198	345	288	-17%
(7) Seed	-	-	-	-	-	*	19	15	25	19	19	0%
(8) Other (h)	4	4	4	4	4	0%	4	3	3	5	4	-20%
(9) Total Domestic Consumption	**1,259**	**923**	**1,562**	**1,930**	**1,361**	**-29%**	**729**	**656**	**717**	**877**	**826**	**-6%**
(10) Balance (4) - (9)	**272**	**180**	**280**	**680**	**248**	**-64%**	**125**	**79**	**82**	**202**	**188**	**-7%**
(11) Exportable surplus	69	30	64	203	45	-78%	34	16	13	36	50	39%
(12) Commercial End-Season Stocks	**203**	**149**	**216**	**477**	**203**	**-57%**	**91**	**63**	**69**	**166**	**138**	**-17%**

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	OTHER CEREALS *(e)*					
	2009/10 2013/14 average	**2011/12 estimate**	**2012/13 estimate**	**2013/14 estimate**	**2014/15 Nov-14**	**% change on 13/14**
(1) Opening Stocks	5	5	5	5	5	0%
(2) Production	119	120	105	107	145	36%
(3) Imports	2	1	7	3	3	0%
(4) Total Availability	**126**	**126**	**117**	**115**	**153**	**33%**
(5+6 H&I and Animal Feed	117	111	109	107	145	36%
(5a+ (of which home grown)	114	110	102	104	142	37%
(7) Seed	-	3	3	3	3	0%
(8) Other	-	-	-	-	-	*
(9) Total Domestic Consumption	**117**	**114**	**112**	**110**	**148**	**35%**
(10) Balance (4) - (9)	**9**	**12**	**5**	**5**	**5**	**0%**
(11) Exportable surplus	1	7	0	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					
	2009/10 2013/14 average	**2011/12 estimate**	**2012/13 estimate**	**2014/15 estimate**	**2014/15 Nov-14**	**% change on 13/14**
(1) Opening Stocks	3,432	2,588	2,652	3,473	3,986	15%
(2) Production	20,724	21,484	19,515	20,084	24,621	23%
(3) Imports	3,397	2,114	5,000	4,752	2,550	-46%
(4) Total Availability	**27,552**	**26,186**	**27,167**	**28,309**	**31,157**	**10%**
(5) H&I (wheat, barley, maize, oats) (g)	9,923	9,498	10,429	10,555	10,930	4%
(6) Animal Feed (wheat, barley, maize oats) (g)	10,705	9,945	11,344	11,255	11,152	-1%
(5a + Other cereals (H&I and Animal Feed)	117	111	109	107	145	36%
(7) Seed	480	467	514	474	474	0%
(8) Other	106	110	101	104	126	21%
(9) Total Domestic Consumption	**21,331**	**20,131**	**22,497**	**22,495**	**22,827**	**1%**
(10) Balance (4) - (9)	**6,222**	**6,055**	**4,670**	**5,814**	**8,330**	**43%**
(11) Exports	2,698	3,402	1,198	1,828	-	*
(12) Intervention Stocks	31	-	-	-	-	*
(13) Commercial End-Season Stocks	**3,297**	**2,652**	**3,473**	**3,986**	-	*
(14) Estimated Operating stock requirement (wheat & barley only)	2,108	2,109	2,163	2,163	2,250	4%
(15) Free stock for wheat and barley	859	326	1,020	1,175	-	*
(16) Surplus available for either export or free stock (all)	3,583	3,940	2,502	3,646	6,075	67%

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
(h) 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*

APPENDIX II

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

Situation as at end of September 2014 | **Thousand tonnes**

	2009/10 to 2013/14 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	2014/15 13 weeks	% Change 2014/15 on 2013/14	Actual Change 2014/15 on 2013/14
WHEAT										
(1) Usage Human and -Flour Millers *-imported*	*309*	*307*	*314*	*220*	*175*	*248*	*587*	*410*	*-30%*	*-177*
(2) Industrial *-home-grown*	*1256*	*1239*	*1225*	*1407*	*1316*	*1351*	*984*	*1277*	*30%*	*293*
(3) Processors -Total	*1565*	*1546*	*1539*	*1627*	*1490*	*1599*	*1571*	*1687*	*7%*	*116*
(4) -Distillers	*153*	*145*	*124*	*118*	*138*	*180*	*206*	*206*	*0%*	*0*
(5) -Others	*43*	*40*	*41*	*42*	*41*	*41*	*48*	*43*	*-11%*	*-5*
(6) Animal Feed Processors (a)	*720*	*652*	*689*	*693*	*696*	*744*	*775*	*682*	*-12%*	*-93*
(7) Poultry Integrated Units	*387*	*361*	*374*	*398*	*398*	*395*	*369*	*355*	*-4%*	*-14*
(8) Imports From July (b)	*448*	*315*	*387*	*213*	*218*	*590*	*829*	*608*	*-27%*	*-221*
(9) Exports From July (b)	*435*	*723*	*441*	*862*	*537*	*289*	*44*	*292*	*558%*	*248*
(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	*421*	*430*	*361*	*411*	*433*	*438*	*460*	*480*	*4%*	*20*
(2) Animal Feed Processors (a)	*203*	*186*	*170*	*229*	*192*	*212*	*213*	*247*	*16%*	*34*
(3) Poultry Integrated Units	*20*	*32*	*24*	*19*	*21*	*18*	*17*	*19*	*11%*	*2*
(4) Imports From July (b)	*32*	*30*	*31*	*24*	*42*	*39*	*26*	*29*	*13%*	*3*
(5) Exports From July (b)	*227*	*215*	*263*	*222*	*191*	*203*	*258*	*295*	*14%*	*37*
(6) Intervention -Actual	*22*	*62*	*106*	*5*	*0*	*0*	*0*	*0*	*	*0*
(7) -Projected	*9*	*140*	*40*	*5*	*0*	*0*	*0*	*0*	*	*0*
MAIZE										
(1) Usage Human and Industrial	*80*	*81*	*83*	*76*	*73*	*77*	*90*	*100*	*11%*	*10*
(2) Animal Feed Processors (a)	*38*	*44*	*27*	*27*	*24*	*47*	*64*	*71*	*11%*	*7*
(3) Imports From July (b)	*253*	*227*	*213*	*221*	*203*	*242*	*386*	*301*	*-22%*	*-85*
(4) Exports From July (b)	*7*	*2*	*3*	*3*	*9*	*7*	*13*	*13*	*-3%*	*0*
OATS										
(1) Usage Human and Industrial Processors	*113*	*101*	*105*	*112*	*115*	*114*	*120*	*121*	*1%*	*1*
(2) Animal Feed Processors (a)	*17*	*12*	*14*	*27*	*15*	*14*	*17*	*22*	*28%*	*5*
(3) Exports From July (b)	*11*	*32*	*11*	*30*	*5*	*2*	*7*	*16*	*129%*	*9*

(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 11th November 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