AHDB Cereal & Oilseeds Early UK Supply and Demand Estimates 2015/16

1. ***Introduction –*** For the first time ever, UK wheat output has been in excess of 16Mt in two consecutive years. Allowing for the revision in end of season stocks, the combined wheat and barley surplus available for export or free stocks is estimated at 6.284Mt. Official HMRC data from 1 July to 31 August 2015 shows that wheat imports (both feed and milling) exceeded the volume of exports by 62Kt. Barley exports were 227Kt more than was imported.

Wheat

2. **Defra's provisional estimate for UK 2015 wheat production is 16.129Mt**, 2% lower than that estimated in the 2014/15 final balance sheet. 2015/16 represents the first time that UK wheat output has been in excess of 16Mt in two consecutive years. Despite an estimated 3% reduction to the GB wheat planted area (according to the 2015 AHDB Cereals & Oilseeds 2015 Planting Survey), higher than average reported yields have contributed to another large wheat crop. The full results of the 2015 UK cereals and oilseeds production survey, including area and yield information, will be published by Defra on 15 October.

3. **Imports** are forecast at 1.2Mt, a reduction of 27% year-on-year. Domestic demand is expected to be largely met by high supplies of relatively good quality wheat this season, reducing the need for imports. However, the level of imports required will depend on prevailing market conditions throughout the remainder of the season. During July and August, the UK imported 242Kt of wheat, substantially lower than the amount imported during the same period in recent years. Combined with high opening stocks of 2.426Mt, available supplies are forecast at 19.754Mt, up 1% compared with 2014/15.

4. **Human and Industrial (H&I) wheat usage** is forecast to decline by 9% to 7.098Mt, driven by lower anticipated demand for wheat from millers, the brewing, malting and distilling (BMD) sector and the bioethanol industry. Historically high specific weights, as indicated by AHDB Cereals & Oilseeds second provisional Cereal Quality Survey (CQS) results, suggest a higher flour extraction rate, meaning lower expected demand from millers. UK bioethanol demand is forecast to be significantly lower than last year, due to the prolonged inactivity of one of the plants, with no firm indication of when operations are likely to recommence. In addition, due to a general slowdown in demand and exports, wheat usage in distilling is anticipated to be lower, year-on-year.

5. **Animal feed demand** for cereals is forecast to be higher compared with last year, based on the assumption of similar weather conditions and forage availability. While the volume of total animal feed production is expected to be static to slightly lower, relatively cheaper grain prices are anticipated to increase cereals usage in animal feed production in 2015/16. The proportion of wheat used in feed rations is forecast to increase throughout this season, due to its current price competitiveness compared with other feed grains. Therefore, wheat usage is estimated at 7.176Mt, 1% higher than last season.

6. **The balance of availability and domestic consumption is 5.118Mt**, 753Kt (17%) higher than in 2014/15. The operating stock requirement for 2015/16 is estimated at 1.5Mt, unchanged from last year. This leaves an estimated 3.618Mt to export or hold as free stock, compared with 2.865Mt in 2014/15. A strong export campaign will be required this season to prevent another large carry-over of stocks into the next season. As always, caution should be taken when examining these figures at such an early stage of the season.

Barley

7. Defra provisionally estimates UK 2015 barley production at 7.281Mt, 5% higher than last year and, if realised, this will be the largest UK barley crop since 1997. GB barley area is estimated to have increased by 3%, year-on-year, with increases in England more than offsetting reductions in Scotland and Wales, as a consequence of CAP greening requirements and rotational considerations. Opening stocks are estimated to be 6% higher than last year, at 1.457Mt, and imports are expected to be 21% lower than last year, at 100Kt. Total available supplies are estimated at 8.838Mt, 5% higher year-on-year.

8. **H&I consumption** is forecast to decline by 3% to 1.885Mt, compared with last year. This forecast reduction is driven by expected lower usage by the BMD sector. Usage data for the first two months of this season has revealed reductions in barley demand by the BMD sector of 6%, compared with the same period last year. This trend is expected to continue throughout the season, with plant maintenance likely to restrict capacity.

9. **Animal feed usage** is forecast at a similar level to last year, at 3.315Mt. Despite overall anticipated static/lower animal feed production, as for wheat, increased cereals usage is expected. At present, the proportion of barley included in feed rations is relatively high, given the current price relationships for alternative feed grains. Based on the assumption that these price relationships will be maintained, barley demand in feed rations is expected to remain similar to last year.

10. **The balance of availability and domestic consumption is 3.436Mt**, 484Kt (16%) higher than in 2014/15. The estimated operating stock requirement is 770Kt, meaning that the surplus available for either export or free stock is estimated at 2.666Mt, 21% higher, year-on-year. Large UK barley exports will also be required, to prevent substantial stocks being carried over to next season.

11. The first official Defra balance sheet estimates, which will also include oats and maize, will be released on 25 November and will be updated by Defra throughout the rest of the season to reflect emerging information and market conditions.

Note to readers

12. This document provides commentary on the annual AHDB Cereal & Oilseeds Early Balance Sheets for UK wheat and barley, for the 2015/16 marketing season. These balance sheets are designed to provide the industry with information on the UK supply and demand position ahead of the official Defra balance sheets due to be published on 25 November. Production is based on provisional Defra wheat and barley data released on 9 October (click here). Comparisons are with both official survey figures and the final Defra 2014/15 supply and demand estimates, which for wheat, were adjusted via Defra's reliability scores method. Click on the links provided to read more on Defra's reliability method in a special MI Prospects article and the associated methodology paper.

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AHDB Early Cereal Supply and Demand Balance Sheets 2015/16

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	Wheat					Barley				
in '1000 Tonnes	**'13/14 [5]**	**'14/15 [5]**	**'15/16 [1]**	***Change on '14/15***	***% Change on '14/15***	**'13/14 [5]**	**'14/15 [5]**	**'15/16 [1]**	***Change on '14/15***	***% Change on '14/15***
Opening Stocks [6]	2,186	1,559	2,426	*867*	*56%*	997	1,379	1,457	*78*	*6%*
Production	**11,808**	**16,450**	**16,129**	***-322***	***-2%***	**7,092**	**6,911**	**7,281**	***370***	***5%***
Imports	2,191	1,643	1,200	*-443*	*-27%*	100	126	100	*-26*	*-21%*
Availability	**16,186**	**19,652**	**19,754**	***102***	***1%***	**8,189**	**8,416**	**8,838**	***422***	***5%***
Human and Industrial Consumption	7,461	7,820	7,098	*-722*	*-9%*	1,960	1,948	1,885	*-63*	*-3%*
of which home grown	*5,913*	*6,616*	*6,116*	*-500*	*-8%*	*n/a*	*n/a*	*n/a*	*-*	*-*
Animal Feed Consumption	6,372	7,084	7,176	*92*	*1%*	3,495	3,319	3,315	*-4*	*0%*
Seed	293	293	282	*-11*	*-4%*	162	162	166	*4*	*2%*
Other	66	91	81	*-10*	*-11%*	35	35	36	*1*	*3%*
Domestic Consumption	**14,192**	**15,287**	**14,636**	***-651***	***-4%***	**5,652**	**5,464**	**5,402**	***-62***	*-1%*
Balance	**1,994**	**4,365**	**5,118**	***753***	***17%***	**2,537**	**2,952**	**3,436**	***484***	***16%***
Exports [2]	434	1,939	-	-	-	1,158	1495	-	-	-
Intervention Stocks [2]	**-**	-	-	-	**-**	-	-	-	-	-
Commercial End-Season Stocks [2]	**1,559**	**2,426**	-	-	-	**1,379**	**1,457**	-	-	-
of which Estimated Operating Stocks Requirement [3]	*1,450*	*1,500*	*1,500*	*0*	*0%*	*713*	*750*	*770*	*20*	*3%*
of which Free Stocks [4]	*109*	*926*	**-**	-	-	*666*	*707*	-	-	-
Surplus available for either export or free stock	***544***	***2,865***	**3,618**	***753***	***26%***	***1,824***	***2,202***	***2,666***	***464***	***21%***

NB: These balance sheets have been produced by AHDB with support from Defra. The balance sheets should be viewed in conjunction with the official UK Cereals Supply and Demand balance sheets produced by Defra with support from AHDB, the first of which are to be released on November 25th.

Source: AHDB

1. Forecast using best information available on 9th October 2015

2. Split of exports, intervention and total commercial end-season stocks only published for historical seasons. For further details, see operating stocks methodology (footnote 3)

3. Estimated Operating Stocks Requirement calculated as [shown on the AHDB Cereals & Oilseeds website]

This 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

4. Free Stocks are those available after exports and operating stocks have been fulfilled; these will be estimated later in the season when stocks survey data is available

5. 13/14 and 14/15 are Defra estimates. Wheat figures for these years have been adjusted as per Defra's reliability scores method, read more in Defra's [Methodology Paper.]

6. Opening stocks for wheat in 2014/15 and 2015/16 are those calculated by Defra, after application of the reliability scores method.

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