Supply & Demand

25 May 2016

AHDB CEREALS & OILSEEDS

Key points

- Wheat balances could be reduced further by the end of the season if a strong export campaign is maintained and wheat feed inclusion increases in the last quarter
- Barley exports expected to hit 19-year high, with ending stocks down by a third year-on-year
- Total demand for maize has reduced, with imports 254Kt lower than last season.
- Oat balance remains 16% lower than 2014/15, driven by record human and industrial demand

Introduction

1. This release covers the third official estimates made by Defra of UK cereal supply and demand for the 2015/16 season ending in June (Appendix I). Comparisons are made in this note with 2014/15 and the second estimates for 2015/16 (published on 24 February 2016). The final balance sheet for 2015/16 supply and demand will be released in September 2016.

2. **Total UK animal feed production (GB & NI compounders and Integrated Poultry Units, IPU) for the first three quarters of this season recorded a decline of 1.4% compared to the same period in 2014/15, at 11.682Mt.** Increases in production for the pig, poultry and 'other' sectors were outweighed by declines in the cattle and sheep sectors. **The volume of cereals included in UK animal feed was down by 1.2% compared with Jul-Mar 2014/15.** The usage of other ingredients such as soyameal and field beans in GB compound feed has increased at the same time, counteracting further increases to cereals usage. Nevertheless, the later than normal spring and current market conditions are expected to encourage more mixed producers to feed cereals on farm this season. Therefore, demand for total cereals in UK animal feed production is forecast at 11.855Mt, 152Kt more than February's estimate and slightly higher than in 2014/15.

Wheat

3. **Wheat imports, forecast at 1.450Mt, are 196Kt higher than February's estimate**, in light of the latest trade data from HMRC. Cumulative (Jul-Mar) wheat imports totalled 1.246Mt (please note this figure is under review), 2% behind the same point last season (2014/15). Compared with 2014/15, full season imports are forecast 12% lower. **Total wheat availability is now estimated at 20.320Mt**, an increase of 196Kt on February's forecast and 3% up on the year.

4. **Human and Industrial (H&I) usage of wheat is forecast at 7.393Mt, 120Kt higher than February's estimate but 5% down on the year**. Since the February balance sheet update, Defra has updated its registry for the UK flour millers survey and as such wheat H&I usage has been adjusted upwards to take account of this change. The percentage share of home-grown wheat used for flour milling is expected to remain higher than last season, due to improved quality of this years crop, at the expense of imported wheat. Wheat demand from the Brewers, Maltsters and Distillers (BMD) sector is forecast to decline in line with usage data for the season to date. In mid-May CropEnergies AG, who own Ensus, announced that the bioethanol plant will reopen this summer after a prolonged period of closure. Given that Ensus has stated the plant will restart "in July at the latest", this is not expected to impact on forecast usage in this season's balance sheets (read more here).

5. **Wheat demand for animal feed production is forecast at 7.083Mt**, 62Kt up on February's estimate and similar to that in 2014/15. With the price spread between ex-farm feed wheat and feed barley narrowing in many areas since the start of March, more feed wheat is expected to be included in rations during the last quarter of the season (Apr-Jun).

6. **The balance of availability and domestic consumption in 2015/16 is estimated at 5.473Mt**, 9Kt higher than February's forecast and 25% higher year-on-year. Season to date (Jul-Mar) wheat exports totalled 1.987Mt, up 26% on the same period last season. **Full season exports are currently forecast at 2.750Mt, up 42% compared to 2014/15**, although this may be conservative with the current pace of exports. The price carry between old and new crop prices is believed to be incentivising producers and the trade to store crop into next season, storage capacity and cash flow prevailing. **Commercial end of season stocks are forecast at 2.500Mt** (including 1.500Mt operating stocks), 3% higher than last season.

Barley

7. Season to date (Jul-Mar) barley imports totalled 111Kt, an increase of 30% on the year (this figure is still under review). Taking account of the import pace so far, the **full season import forecast**

has been increased by 5Kt from February's forecast, to 125Kt, 1% lower than last season. Due to the increase in barley imports, **total availability is now forecast at 8.952Mt, 6% higher than in 2014/15.**

8. **H&I usage of barley is forecast at 1.818Mt**, 13Kt higher than February's forecast but down 7% on the year. A combination of plant maintenance and a reduction in demand have been contributing factors to the reduction in usage of barley from the BMD sector in 2015/16. As at end-March, cumulative usage of barley by the BMD sector was down by 6% on the year, as reductions in barley used for malting outweighed increases in barley used for brewing and distilling.

9. **Demand for barley in animal feed is estimated at 3.429Mt,** 77Kt higher than February's forecast and 4% up on the year. Since March, the price spread between ex-farm feed barley against feed wheat has discouraged barley use. Therefore, usage of the cereal in GB compound feed production in the final quarter of the season is expected to decline from the relatively high inclusions between July and March.

10. **The barley supply and demand balance is forecast at 3.491Mt**, a reduction of 85Kt compared with February's estimate but an increase of 18% on 2014/15. Barley exports (Jul-Mar) are at the highest level for this point in the season since 1996/97, at 1.553Mt. **Full season exports are forecast at 1.900Mt, 27% higher than 2014/15**. Commercial end season stocks are forecast at 1.009Mt, 31% lower year-on-year, taking account of the strength of the barley export campaign this season.

Maize

11. **2015/16 UK maize imports are forecast at 1.602Mt**, 50Kt higher than February's estimate but 14% lower than in 2014/15. July to March maize imports were 9% lower than the same period last year and the current pace is expected to reduce further towards the end of the season. Therefore, **total availability for this season is estimated at 1.911Mt**, 50Kt up on February's forecast but 10% lower on the year.

12. **H&I demand for maize is expected to decline, compared with February's forecast, by 23Kt to 439Kt, 22% less than 2014/15.** The main driver behind the decrease is reductions in usage by the BMD sector. In contrast, **usage of maize in animal feed production is forecast to increase by 18Kt from February's estimates to 1.109Mt**. This is driven by a rise in usage from the ruminant sector in GB and Northern Ireland, as well as an expected increase in the amount of maize fed on farm. However, the latest forecast remains lower than 2014/15, by 3%. Maize exports are forecast at 100Kt (87Kt by end-March), an increase of 5Kt from the last forecast and up 9% compared to 2014/15. **Commercial end of season stocks, at 259Kt, are up 50Kt compared with February's forecast** but down by 16% on the year, as the decrease in total availability outweighs the decrease in demand.

Oats

13. **As at the end of March, cumulative oat imports totalled 28Kt,** hence full season imports remain unchanged from February, at 35Kt (+6% year-on-year). Therefore, oat availability remains at 939Kt, down 8% on 2014/15.

14. **At 530Kt, oat usage in H&I consumption is 5Kt up on February's forecasts and 6% up on the year**. From Jul-Mar oat usage by millers was up by 8% on the year at 392Kt, with a similar pace expected to continue for the remainder of the season. Oats used in animal feed production is expected to decrease by 5Kt from February's forecast and by 26% on the year.

15. **Adjustments within the demand profile for oats mean that at 153Kt**, the oat balance remains at the same level as that estimated in February, down 16% compared to 2014/15. Full season exports are expected to reach 65Kt (62Kt as at end-March), 5Kt more than the previous forecast, however, 16% down year-on-year. As a result, commercial end of season stocks are forecast to reduce by 5Kt from February's estimate to 89Kt, down 16% on the year.

Additional data

16. Appendix II shows cumulative usage and trade data to end-March. This release and related information can be found at cereals.ahdb.org.uk/markets. Cereals usage data can be found on the Defra website at: https://www.gov.uk/government/organisations/department-for-environment-food-rural-affairs/about/statistics

For further information, please contact:
Brenda Mullan, AHDB Cereals & Oilseeds Acting Senior Analyst
e: brenda.mullan@ahdb.org.uk t: 024 7647 8862 m: 07815 001464

AHDB
Stoneleigh Park
Kenilworth
CV8 2TL
UK

T +44 (0)24 7647 8730
F +44 (0)24 7647 8904
cereals.info@ahdb.org.uk
www.cereals.ahdb.org.uk

Appendix I

DEFRA ANNUAL UK CEREAL SUPPLY AND DEMAND ESTIMATES (a)

Estimates made in May

000 tonnes

Defra have now completed a review of how it uses survey estimates to achieve consistent cereals balance sheet estimates. The outcome of the review was the introduction of the reliability scores method used to allocate identified residuals across the balance sheet as and when required. The allocation method was applied retrospectively to the wheat and maize balance sheets for 2013/14 and to the wheat balance sheet for 2014/15. Cereals balance sheets are published by AHDB Cereals & Oilseeds on behalf of Defra at http://cereals.ahdb.org.uk/markets/supply-and-demand.aspx.

(JULY - JUNE YEARS)

Links connect to relevant Defra/AHDB data pages

		WHEAT							BARLEY						
		2010/11 2014/15 average	2013/14 estimate**	2014/15 estimate**	2015/16 Feb-16	2015/16 May-16	Absolute change Feb-16	% change on 14/15	2010/11 2014/15 average	2013/14 estimate	2014/15 estimate	2015/16 Feb-16	2015/16 May-16	Absolute change Feb-16	% change on 14/15
(1)	Opening Stocks	1,761	2,186	1,559	2,426	2,426	0	56%	1,157	997	1,379	1,457	1,457	0	6%
(2)	Production	14,331	11,808	16,450	16,444	16,444	0	0%	6,054	7,092	6,911	7,370	7,370	0	7%
(3)	Imports	1,740	2,191	1,643	1,254	1,450	196	-12%	148	100	126	120	125	5	-1%
(4)	**Total Availability**	**17,832**	**16,186**	**19,652**	**20,124**	**20,320**	**196**	**3%**	**7,360**	**8,189**	**8,416**	**8,947**	**8,952**	**5**	**6%**
(5)	Human and Industrial Consumption (b)	7,374	7,461	7,820	7,273	7,393	120	-5%	1,863	1,960	1,948	1,805	1,818	13	-7%
(5a)	(of which home grown)	6,161	5,913	6,616	6,316	6,435	119	-3%	1,847	n/a	n/a	n/a	n/a	*	*
(6)	Usage as Animal Feed (c)	6,584	6,372	7,084	7,021	7,083	62	0%	3,252	3,495	3,304	3,352	3,429	77	4%
(6a)	(of which home grown)	6,095	5,635	6,635	6,721	6,588	-133	-1%	3,120	n/a	n/a	n/a	n/a	*	*
(6b)	(of which Compounders)	3,497	3,384	3,640	3,804	3,812	8	5%	1,001	1,169	1,077	1,102	1,128	26	5%
(6c)	(of which Integrated Poultry Units)	1,510	1,394	1,433	1,217	1,221	4	-15%	66	86	48	50	51	1	6%
(7)	Seed (d)	297	293	293	284	289	5	-1%	163	162	177	177	177	0	0%
(8)	Other	75	66	91	82	82	0	-10%	30	35	35	37	37	0	6%
(9)	**Total Domestic Consumption**	**14,329**	**14,192**	**15,287**	**14,660**	**14,847**	**187**	**-3%**	**5,309**	**5,652**	**5,464**	**5,371**	**5,461**	**90**	**0%**
(10)	**Balance (4) - (9)**	**3,503**	**1,994**	**4,365**	**5,464**	**5,473**	**9**	**25%**	**2,051**	**2,537**	**2,952**	**3,576**	**3,491**	**-85**	**18%**
(11)	Exports (e)	1,662	434	1,939	-	2,750	*	42%	923	1,158	1,495	-	1,900	*	27%
(12)	Intervention Stocks (e)	-	-	-	-	-	*	*	-	-	-	-	-	*	*
(13)	**Commercial End-Season Stocks (e)**	**1,841**	**1,559**	**2,426**	**-**	**2,500**	*****	**3%**	**1,129**	**1,379**	**1,457**	**-**	**1,009**	*****	**-31%**
(14)	(of which Estimated Operating stock requirement) (f)	1,432	1,450	1,500	1,500	1,500	0	0%	718	713	750	760	760	0	1%
(15)	(of which free stock) (g)	409	109	926	-	1,000	*	8%	411	666	707	-	249	*	-65%
(16)	Surplus available for either export or free stock (10)-(12)-(14)	**2,071**	**544**	**2,865**	**3,964**	**3,973**	**9**	**39%**	**1,333**	**1,824**	**2,202**	**2,816**	**2,731**	**-85**	**24%**
(17)	Residual (10)-(11)-(13) (i)					***223***	*****	*****					***582***	*****	*****

		MAIZE							OATS						
		2010/11 2014/15 average	2013/14 estimate**	2014/15 estimate	2015/16 Feb-16	2015/16 May-16	Absolute change Feb-16	% change on 14/15	2010/11 2014/15 average	2013/14 estimate	2014/15 estimate	2015/16 Feb-16	2015/16 May-16	Absolute change Feb-16	% change on 14/15
(1)	Opening Stocks	159	216	259	309	309	0	19%	92	69	167	105	105	0	-37%
(2)	Production	-	-	-	-	-	*	*	742	964	820	799	799	0	-3%
(3)	Imports	1,578	2,334	1,856	1,552	1,602	50	-14%	53	46	33	35	35	0	6%
(4)	**Total Availability**	**1,737**	**2,550**	**2,115**	**1,861**	**1,911**	**50**	**-10%**	**886**	**1,079**	**1,020**	**939**	**939**	**0**	**-8%**
(5)	Human and Industrial Consumption	512	679	566	462	439	-23	-22%	486	508	499	525	530	5	6%
(5a)	(of which home grown)	-	-	-	-	-	*	*	435	465	461	493	498	5	8%
(6)	Usage as Animal Feed	926	1,398	1,144	1,091	1,109	18	-3%	244	345	317	239	234	-5	-26%
(6a)	(of which home grown)	-	-	-	-	-	*	*	244	345	317	239	234	-5	-26%
(7)	Seed	-	-	-	-	-	*	*	19	19	18	18	18	0	0%
(8)	Other (h)	4	5	4	4	4	0	0%	4	5	4	4	4	0	0%
(9)	**Total Domestic Consumption**	**1,443**	**2,083**	**1,714**	**1,557**	**1,552**	**-5**	**-9%**	**753**	**877**	**838**	**786**	**786**	**0**	**-6%**
(10)	**Balance (4) - (9)**	**294**	**467**	**401**	**304**	**359**	**55**	**-11%**	**133**	**202**	**182**	**153**	**153**	**0**	**-16%**
(11)	Exportable surplus	86	208	92	95	100	5	9%	39	36	77	60	65	5	-16%
(12)	**Commercial End-Season Stocks**	**209**	**259**	**309**	**209**	**259**	**50**	**-16%**	**94**	**166**	**105**	**94**	**89**	**-5**	**-16%**

(a) These are revised during the year. Figures rounded to the nearest 1000 tonnes
(b) Defra updated the registry for the UK flour millers survey in spring 2016, the wheat H&I usage has been adjusted to take account of this change.
(c) Animal feed usage has been split by sector. Note, other users are only included in the total.
(d) Seed numbers have been updated based on a number of assumptions, calculated for the purposes of the balance sheet only
(e) Split of exports, intervention and total commercial end-season stocks only published for historical seasons
(f) 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
(g) Free stock is the stock available after both exports and estimated operating stock requirements have been fulfilled
(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
(i) The identified residual will be either taken account of by official statistics in the final balance sheet or allocated using the reliability scores method
** Percentage change not meaningful*
*** The 2013/14 balance sheets for wheat and maize and the 2014/15 balance sheet for wheat have been adjusted retrospectively as per Defra's reliability allocation method*

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		OTHER CEREALS (j)						
		2010/11 2014/15 average	2013/14 estimate	2014/15 estimate	2015/16 Feb-16	2015/16 May-16	Absolute change Feb-16	% change on 14/15
(1)	Opening Stocks	5	5	5	5	5	0	0%
(2)	Production	119	107	131	121	121	0	-8%
(3)	Imports	2	3	1	3	3	0	200%
(4)	**Total Availability**	**126**	**115**	**137**	**129**	**129**	**0**	**-6%**
(5+6)	H&I and Animal Feed	117	107	129	121	121	0	-6%
(5a+6a)	(of which home grown)	115	104	128	118	118	0	-8%
(7)	Seed	3	3	3	3	3	0	0%
(8)	Other	-	-	-	-	0	0	*
(9)	**Total Domestic Consumption**	**120**	**110**	**132**	**124**	**124**	**0**	**-6%**
(10)	**Balance (4) - (9)**	**6**	**5**	**5**	**5**	**5**	**0**	**0%**
(11)	Exportable surplus	1	0	0	0	0	0	*
(12)	Intervention Stocks	0	0	0	0	0	0	*
(13)	**Commercial End-Season Stocks**	**5**	**5**	**5**	**5**	**5**	**0**	**0%**

		TOTAL CEREALS						
		2010/11 2014/15 average	2013/14 estimate**	2014/15 estimate**	2015/16 Feb-16	2015/16 May-16	Absolute change Feb-16	% change on 14/15
(1)	Opening Stocks	3,174	3,473	3,369	4,302	4,302	0	28%
(2)	Production	21,246	19,971	24,312	24,734	24,734	0	2%
(3)	Imports	3,521	4,675	3,659	2,964	3,215	251	-12%
(4)	**Total Availability**	**27,940**	**28,118**	**31,340**	**32,000**	**32,251**	**251**	**3%**
(5)	H&I (wheat, barley, maize, oats) (h)	10,235	10,608	10,833	10,065	10,180	115	-6%
(6)	Animal Feed (wheat, barley, maize oats) (h)	11,007	11,611	11,849	11,703	11,855	152	0%
(5a +6a)	Other cereals (H&I and Animal Feed)	117	107	129	121	121	0	-6%
(7)	Seed	482	477	491	482	487	5	-1%
(8)	Other	113	111	134	127	127	0	-5%
(9)	**Total Domestic Consumption**	**21,953**	**22,914**	**23,435**	**22,498**	**22,770**	**272**	**-3%**
(10)	**Balance (4) - (9)**	**5,987**	**5,205**	**7,905**	**9,502**	**9,481**	**-21**	**20%**
(11)	Exports	2,711	1,837	3,603	-	4,815	*	34%
(12)	Intervention Stocks	-	-	-	-	-	*	*
(13)	**Commercial End-Season Stocks**	**3,277**	**3,368**	**4,302**	**-**	**3,861**	*****	**-10%**
(14)	Estimated Operating stock requirement (wheat & barley only)	2,150	2,163	2,250	2,260	2,260	0	0%
(15)	Free stock for wheat and barley	820	775	1,633	-	1,249	*	-24%
(16)	Surplus available for either export or free stock (all)	**3,838**	**3,042**	**5,655**	**7,242**	**7,221**	**-21**	**28%**
(17)	Residual (10)-(11)-(13) (i)					***805***		

(j) Includes mainly rye, triticale, mixed grain and sorghum **Source: DEFRA**
*** The 2013/14 balance sheets for wheat and maize and the 2014/15 balance sheet for wheat have been adjusted retrospectively as per Defra's reliability allocation method*

APPENDIX II

CUMULATIVE MONTHLY STATISTICS
Usage of Cereals by Processors, External Trade and Stocks

Situation as at end of March 2016 — **Thousand tonnes**

				2010/11 to 2014/15 Average	2008/09 39 weeks	2009/10 40 weeks	2010/11 39 weeks	2011/12 39 weeks	2012/13 39 weeks	2013/14 39 weeks	2014/15 39 weeks	2015/16 39 weeks	% Change 2015/16 on 2014/15	Actual Change 2015/16 on 2014/15
WHEAT														
(1)	Usage	Human and -Flour Millers	*-imported*	*871*	*872*	*820*	*590*	*520*	*1183*	*1149*	*914*	*707*	*-23%*	*-207*
(2)		Industrial	*-home-grown*	*3993*	*3682*	*3735*	*4316*	*3929*	*3807*	*3642*	*4270*	*4131*	*-3%*	*-139*
(3)		Processors	-Total	*4864*	*4553*	*4555*	*4906*	*4449*	*4990*	*4790*	*5183*	*4837*	*-7%*	*-346*
(4)		-Distillers		*531*	*451*	*397*	*381*	*471*	*602*	*619*	*584*	*463*	*-21%*	*-121*
(5)		-Others		*126*	*40*	*41*	*121*	*118*	*123*	*136*	*131*	*134*	*3%*	*3*
(6)		Animal Feed Processors (a)		*2246*	*2162*	*2093*	*2097*	*2302*	*2314*	*2192*	*2326*	*2472*	*6%*	*146*
(7)		Poultry Integrated Units		*1130*	*1119*	*1155*	*1207*	*1196*	*1150*	*1045*	*1055*	*894*	*-15%*	*-161*
(8)	Imports	From July (b)		*1310*	*931*	*920*	*808*	*665*	*2121*	*1681*	*1274*	*1246*	*-2%*	*-28*
(9)	Exports	From July (b)		*1420*	*2845*	*1734*	*2354*	*2230*	*582*	*353*	*1580*	*1987*	*26%*	*406*
(14)		Intervention -Actual		*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*	*0*
(15)		-Projected		*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*	*0*
BARLEY														
(1)	Usage	Maltsters/Distillers	*-imported*	-	-	-	-	-	-	-	-	-	-	-
(2)			*-home-grown*	-	-	-	-	-	-	-	-	-	-	-
(3)			-Total	*1364*	*1331*	*1172*	*1264*	*1353*	*1361*	*1414*	*1429*	*1346*	*-6%*	*-83*
(4)		Animal Feed Processors (a)		*670*	*527*	*641*	*651*	*499*	*669*	*786*	*746*	*773*	*4%*	*27*
(5)		Poultry Integrated Units		*50*	*64*	*72*	*50*	*46*	*54*	*63*	*38*	*38*	*1%*	*0*
(6)	Imports	From July (b)		*110*	*91*	*70*	*100*	*119*	*172*	*71*	*86*	*111*	*30%*	*26*
(7)	Exports	From July (b)		*788*	*663*	*818*	*664*	*719*	*351*	*1033*	*1175*	*1553*	*32%*	*379*
(11)		Intervention -Actual		*31*	*0*	*0*	*151*	*5*	*0*	*0*	*0*	*0*	*	*0*
(12)		-Projected		*31*	*0*	*0*	*151*	*5*	*0*	*0*	*0*	*0*	*	*0*
MAIZE														
(1)	Usage	Human and Industrial		*245*	*150*	*138*	*227*	*213*	*221*	*275*	*289*	*237*	*-18%*	*-53*
(2)		Animal Feed Processors (a)		*160*	*95*	*86*	*81*	*81*	*164*	*260*	*214*	*212*	*-1%*	*-3*
(3)	Imports	From July (b)		*1257*	*721*	*678*	*843*	*734*	*1277*	*1920*	*1513*	*1369*	*-9%*	*-143*
(4)	Exports	From July (b)		*72*	*10*	*9*	*28*	*26*	*37*	*192*	*77*	*87*	*13%*	*10*
OATS														
(1)	Usage	Human and Industrial Processors		*362*	*101*	*105*	*343*	*358*	*364*	*384*	*362*	*392*	*8%*	*30*
(2)		Animal Feed Processors (a)		*68*	*47*	*63*	*73*	*46*	*58*	*89*	*74*	*40*	*-46%*	*-34*
(3)	Exports	From July (b)		*34*	*77*	*27*	*47*	*14*	*9*	*32*	*70*	*62*	*-11%*	*-8*

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 16 May 2016. 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