

INTRODUCTION

The tables below show the 2020/21 AHDB early balance sheet estimates of wheat and barley. These estimates provide the first look of wheat and barley supply and demand for the season and show contrasting messages for both cereals. **While the barley balance is estimated to be substantial once again this season, driven by a rise in supply outweighing the increase in animal feed usage, the wheat balance sheet is set to be the tightest on records going back to 1999. This is due to a significant drop in total availability as a result of a large drop in production.**

WHEAT

Total availability of wheat in 2020/21 is estimated at 14.721Mt, 4.469Mt lower than 2019/20 levels, driven by a drop in production outweighing a rise in imports and opening stocks. At 10.133Mt, the [provisional Defra wheat production figure](#) for 2020 is 6.092Mt lower year on year and the smallest output recorded for the UK since 1981. A combination of a smaller crop, poorer quality and possible trade tariffs as of 1 January, has led to wheat imports being forecast at more than double that of 2019/20 at 2.150Mt.

While opening stocks are estimated to be over 500Kt higher on the year at 2.438Mt, it could be argued that there is scope for further increases in carry in stocks. As can be seen in the tables below, a residual was identified in 2019/20 of 886Kt for wheat. As [we mentioned at the end-September](#) when the [final 2019/20 balance sheet estimates](#) were released, some of the residual could possibly be attributed to the on farm stocks figure due to the data having a significant confidence interval. Therefore, if end-season stocks were higher, 2020/21 opening stocks would also be higher, which would lead to less of a reduction in overall supply.

Total domestic consumption of wheat is estimated to be 1.019Mt (7%) lower year on year in 2020/21 due to a projected fall in both human and industrial (H&I) and animal feed consumption. **H&I consumption of wheat is estimated to decline by 5% on the year largely driven by a reduction in usage in bioethanol, starch and to an extent distilling.** Compared to last season's estimates, it is assumed that the proportion of wheat used by the bioethanol industry will decrease, due its relative price and availability compared with maize. It has also been assumed that for these balance sheets Roquette will be ceasing production at the start of 2021, following an announcement in September.

While demand for wheat by flour millers is expected to remain relatively stable on the year, the proportion of home grown usage is forecast to decline. UK flour millers are expected to import more wheat this season, partly due to the smaller and poorer quality domestic crop, as well as reports of some importing a lot more before 1 January due to concerns around possible tariffs. With uncertainties around COVID-19 restrictions and Brexit, wheat usage by UK flour millers will be closely monitored throughout the season.

Usage of wheat in animal feed is expected to drop by 636Kt on the year to 6.802Mt, the lowest level since 2013/14. Demand by feed producers is expected to fall due to an overall drop in feed production, driven by a fall in poultry feed, as well as competition from barley and to an extent maize in certain regions. However, the majority of the decline in animal feed demand this year is driven by a cut in fed on farm usage. **The amount of wheat fed on farm this season is forecast to decline due to its relative price** – a producer can yield more by selling the grain than feeding it to livestock.

The wheat balance is estimated at 1.080Mt in 2020/21, which is around 75% lower than levels recorded in 2019/20, and the tightest balance on records going back 21 years. The small balance is due to a large reduction in supply outweighing a more modest decrease in demand this season.

Due to the size of the balance and the nature of this season, **an operating stocks or surplus figure have not been estimated for the wheat early balance sheet.** The [estimated operating stock requirement](#) was introduced in 2011/12 to give an estimate of the minimum tonnage processors require to get through from the start of the season (1 July) to the point at which the 'new' crop can be utilised. The surplus available for either free stock or exports is then held over and above the operating stocks requirement. Over recent years the operating stock requirement has been estimated at 1.5-1.6Mt.

The decision not to estimate an operating stock requirement for the 2020/21 wheat early balance sheet was made as this season is arguably very different to recent years due to the significantly smaller domestic crop. Therefore, it is assumed at this point in the season, with the tight domestic supply situation, processors will likely import more wheat at the very start of the 2021/22 season to meet requirements, rather than carrying stocks over.

As the current estimates stand, and if an operating stock requirement was estimated, then the balance sheet would show the surplus available for either export or free stock as a deficit. Alternatively, to mitigate a deficit wheat imports could be estimated at a higher level. However, this would go against industry expectations and the market.

Our key consideration when publishing the early balance sheet is to ensure that at this stage of the season **import requirements and domestic demand forecasts are clearly reported on evidence based assumptions.** If we were to go against this and report figures aimed to 'reset' the balance sheet to zero, then we would be reporting an incorrect view of the domestic market. Given the starkly lower domestic production and heightened uncertainty in global markets at the moment from the influence of weather and international demand, we do not want to be reporting figures that would cause undue volatility for all businesses in the domestic supply chain.

In light of this, the operating stocks requirement methodology is being reviewed in preparation for the first official UK cereal supply and demand estimates so that we can produce a clear picture of the domestic supply and demand for the entire season.

BARLEY

At 9.770Mt, total availability of barley in 2020/21 is 560Kt higher year on year, driven by an estimated rise in opening stocks and production. [Provisionally Defra](#) have forecast UK barley production for 2020 at 8.363Mt, 315Kt higher than year earlier levels and the highest output in 32 years. The rise in output is driven by a higher area planted to spring barley, outweighing a fall in winter barley area and overall yields.

Opening stocks of barley are estimated at 1.357Mt, 265Kt up on the year. However, similar to wheat a residual of -127Kt was identified in the end-season balance sheets for 2019/20. With the large confidence interval for on-farm stocks, some of this residual could be attributed to stocks. If this was the case, then 2020/21 opening stocks may be lower than the official data suggests.

Domestic consumption of barley in 2020/21 is forecast to increase by 511Kt year on year to 6.701Mt, driven by a rise in animal feed usage. H&I usage of barley in 2020/21 is expected to fall by 74Kt compared with 2019/20 to 1.706Mt. Usage by the brewing, malting and distilling sector is forecast to decline due to the impact of COVID-19 on out of home demand.

Barley usage in animal feed is expected to increase by 583Kt on the year to 4.725Mt, the highest level in over 20 years. Due to its relative price compared with wheat, the proportion of barley in compound feed and integrated poultry feed production is expected to be higher this season. However, it is capped somewhat by an overall decline in animal feed production. With feed barley at such a discount to feed wheat, the majority of the forecast increase in demand this season is driven by a significant rise in fed on farm usage.

The balance of barley supply and demand is estimated at 3.068Mt, 49Kt higher than in 2019/20. With an operating stocks requirement of 790Kt, this leaves 2.278Mt of barley to be either exported or carried over as free stock into 2021/22.

NOTES

This document provides commentary on the annual AHDB Early Balance Sheets for UK wheat and barley, for the 2020/21 marketing season. These balance sheets are designed to provide the industry with information on the UK supply and demand position ahead of the first official UK Cereals Supply and Demand Estimates, due to be published on 26 November 2020. Production is based on the provisional results from the [Defra Cereal and Oilseed Rape Production Survey](#). Comparisons are with both official survey figures and the 2019/20 end-season supply and demand estimates. As always, caution should be taken when examining these figures at such an early stage of the season.

For further information, please contact Millie Askew, Senior Analyst, AHDB Balance Sheet Team
E: millie.askew@ahdb.org.uk T: 024 7647 8969



AHDB EARLY CEREAL SUPPLY AND DEMAND BALANCE SHEETS 2020/21

July to June crop years

Thousand tonnes

	Wheat					Barley				
	2018/19	2019/20	2020/21	Change on 2019/20	% Change on 2019/20	2018/19	2019/20	2020/21	Change on 2019/20	% Change on 2019/20
Opening Stocks	1,718	1,911	2,438	527	28%	1,076	1,091	1,357	265	24%
Production	13,555	16,225	10,133	-6,092	-38%	6,510	8,048	8,363	315	4%
Imports	1,858	1,054	2,150	1,096	104%	70	70	50	-20	-29%
Availability	17,131	19,190	14,721	-4,469	-23%	7,657	9,210	9,770	560	6%
Human and Industrial Consumption	6,969	6,923	6,569	-354	-5%	1,901	1,781	1,706	-74	-4%
<i>of which home grown</i>	5,918	6,173	5,233	-940	-15%	n/a	n/a	n/a	n/a	n/a
Animal Feed Consumption	7,402	7,438	6,802	-636	-9%	3,582	4,142	4,725	583	14%
Seed	281	219	219	-	-	187	228	228	-	-
Other	68	81	51	-30	-37%	33	40	42	2	5%
Domestic Consumption	14,720	14,660	13,641	-1,019	-7%	5,703	6,191	6,701	511	8%
Balance	2,411	4,529	1,080	-3,449	-76%	1,954	3,019	3,068	49	2%
Exports ²	358	1,205	-	-	-	863	1,790	-	-	-
Intervention Stocks ²	-	-	-	-	-	-	-	-	-	-
Commercial End-Season Stocks ²	1,911	2,438	-	-	-	1,091	1,357	-	-	-
<i>of which Estimated Operating Stocks Requirement ³</i>	1,550	1,550	-	-	-	780	790	790	0	0%
<i>of which Free Stocks ⁴</i>	361	888	-	-	-	311	567	-	-	-
Surplus available for either export or free stock	720	2,093	-	-	-	1,174	2,356	2,278	-78	-3%
Residual	142	886	-	-	-	-	-127	-	-	-

Source: AHDB, Defra

These balance sheets have been produced by AHDB. The balance sheets should be viewed in conjunction with the official UK Cereals Supply and Demand Balance Sheets. The first official 2020/21 Balance Sheets are due to be released on 26 November 2020.

These are revised during the year. Figures rounded to the nearest 1000 tonnes. Due to rounding, totals may not agree with the sum of the individual items.

1. Forecast using best information available as at 23 October 2020

2. Split of exports, intervention and total commercial end-season stocks only published for historical seasons

3. 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

Estimated Operating Stocks Requirement calculated as shown [here](#)

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

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