Supply & Demand

24 February 2016

AHDB CEREALS & OILSEEDS

Key points

- Higher supplies plus lower demand for animal feed maintains a heavy wheat balance
- Another large barley harvest highlights the need for continued exports and use in feed
- Imports of maize to the UK expected to be at a four year low
- Human and industrial demand for oats forecasted at record high

Introduction

1. This release covers the second official estimates made by Defra of UK cereal supply and demand for 2015/16 (Appendix I). Comparisons are made in this note with 2014/15 and the first estimates for 2015/16 (published on 25 November 2015). The next official review of 2015/16 supply and demand is due to take place on 25 May 2016.

Wheat

2. **UK wheat availability is forecast at 20.124Mt**, up 304Kt compared with November's estimate, due to higher production and imports. **Final UK wheat production is estimated at 16.444Mt**, according to the final Defra Crop Production Survey, published on 17 December. This represents an increase of 273Kt on the provisional estimate and brings this season's production similar to last year's level.

3. **Wheat imports in 2015/16 are forecast at 1.254Mt**, marginally higher (31Kt), than previous estimates but 24% lower than in 2014/15. According to HM Revenue and Customs (HMRC), 933Kt of wheat was imported between July and December 2015, 3% less than the same period in 2014/15. AHDB is seeking further clarification on the accuracy on some of the data. The full season forecast also assumes the current import pace will slow in the second half of the season, based on Defra usage data and industry expectations.

4. **Wheat usage for Human and Industrial (H&I) consumption is estimated at 7.273Mt**, 97Kt higher than November's estimates but 7% down on the year. The upward revision on November's estimate reflects anticipated higher usage by Brewers Maltsters and Distillers (BMD) in the second half of the season, with some plants switching back to wheat from maize. Higher usage by the UK starch and bioethanol sectors has also been factored into these forecasts. Demand from millers remains similar to that previously forecast. The latest cereals usage data indicates that flour production by millers (excluding starch and bioethanol) between July and December remained steady compared with 2014/15. While the volume of total wheat milled has declined slightly, the proportion of home-grown wheat milled increased, at the expense of imported wheat. Offsetting some of the increase for industrial and BMD usage, is a reduction in wheat demand for Cereal Breakfast Foods (CBF) production.

5. **Total UK animal feed production (GB & NI compounders and Integrated Poultry Units, IPU) for the first six months of this season reported a 0.3% decrease compared with the same period in 2014/15**. Increases for the poultry, pig and 'other' sectors is offset by reductions in usage by the cattle and sheep sectors. The volume of cereals used as a proportion of all raw materials in UK animal feed is down slightly, compared with the same period in 2014/15. The use of other ingredients such as pulses and soyameal in GB animal feed has increased at the same time, offsetting some cereals demand. Therefore, **demand for total cereals in animal feed production is forecast at 11.703Mt, 1% lower than in 2014/15**.

6. **Within this, demand for wheat in animal feed production is forecast down 1% year-on-year**. This represents a reversal of the trend forecast in November (+2%), due to lower than expected wheat usage by GB and NI compounders, as well as IPU's. However, given the competitiveness of domestic feed wheat prices, compared with feed barley and imported maize, the inclusion of wheat is expected to remain relatively high throughout the remainder of the season. Current market conditions are also expected to encourage more wheat to be fed on farm this season.

7. **The balance of availability and domestic consumption is 5.464Mt, up 415Kt compared with November's estimate and 25% higher than 2014/15**. After taking account of the operating stock requirement of 1.500Mt, the surplus for either export or free stock equates to 3.964Mt. With exports to the end of December totalling 988Kt (HMRC), this leaves 2.976Mt available to either be exported during the second half of the season or to be carried into 2016/17.

Barley

8. **UK barley availability is forecast at 8.947Mt, up 114Kt on November's estimate, owing to increases in both production and imports**. UK barley production was revised up in Defra's final survey results in December, to 7.370Mt, 94Kt higher than the provisional estimate.

9. Given the stronger than anticipated pace of imports so far, **forecast barley imports have been revised up by 20Kt, to 120Kt**. HMRC trade data until end-December revealed cumulative barley imports of 93Kt, the highest at this point in the season in 17 years. The pace of barley imports has declined in recent months compared with that in July and August and a slower trend is expected to continue throughout the remainder of the season.

10. **At 1.805Mt, barley demand for H&I consumption is 54Kt lower than November's estimates and 7% down on the year**. Usage data for July-December revealed that barley demand has reduced by 6% year-on-year. While 15% more barley has been used in brewing and distilling; the malting sector, which makes up the majority of demand, reduced intake by 7% on the year. Industry information suggests that the outlook for the second half of the season will be similar to the trend to date and consequently the forecast for barley demand has been reduced compared with November's estimates.

11. **Animal feed demand for barley is up by 88Kt on the previous forecast, to 3.352Mt, 1% higher year-on-year**. Barley has been kept in animal feed rations at higher than expected levels by GB & NI compounders and IPU's. However, the discount of ex-farm UK feed barley over UK feed wheat prices has reduced from £15/t in July 2015 to around £6/t in February, which is close to the level at which barley could be reduced in rations.

12. **The barley supply and demand balance is 3.576Mt, 21% higher year-on-year** and 79Kt more than that estimated in November. The operating stocks requirement has been updated with the latest barley usage statistics and is now slightly higher, at 760Kt. This leaves 2.816Mt for either export or free stock. Taking account of exports to end-December of 870Kt, 1.946Mt is available for export during January-June or to be carried over into 2016/17.

Maize

13. **Total availability at 1.861Mt, despite being down by 12% on the year, is 237Kt higher than November's forecast due to strong imports**. HMRC trade data reports maize imports between July and December at 969Kt, the second highest on record for this stage of the season (behind 2013/14). Total season imports are now forecast at 1.552Mt, up 18% on November's estimate. This forecast assumes a slowdown in the pace of imports seen in the first half of the season, in line with industry expectations.

14. **H&I consumption of maize, at 462Kt, is 21Kt lower than November's estimate and down 18% on the year**. A reduction in maize usage by the BMD and CBF sector is behind the reduced forecast in this balance sheet. In contrast, usage of maize in animal feed is 208Kt higher than November's estimate, driven mainly by higher usage by NI compounders and greater than expected demand by GB compounders, as well as more assumed to be fed on farm.

Oats

15. **Oat availability is forecast at 939Kt, 8% down on the year** but 30Kt higher than November's estimate because of higher production and imports. Final crop estimates from Defra reported oat production at 799Kt, up 20Kt on the provisional estimates. Imports are revised up by 10Kt, to 35Kt, taking account of the strong pace of imports for the season so far.

16. **Total H&I oat usage is increased by 7Kt, to a record 525Kt, up 5% year-on-year**. Usage by oat millers for the first six months of 2015/16 was 9% higher than the same period in 2014/15 and production is expected to remain strong throughout the remainder of this season. Animal feed demand for oats is expected to be 25% lower than last year.

17. **The balance of availability and demand, at 153Kt, is forecast 16% lower than in 2014/15, but up by 5Kt on November's estimate** on account of higher availabilities offsetting increased demand. Exports are forecast at 60Kt. By the end of December, 44Kt of oats had been exported (HMRC). Forecast commercial end-season stocks remain unchanged at 94Kt, down 11% on the year.

Additional data

18. Appendix II shows cumulative usage and trade data to end-December. This release and related information can be found at cereals.ahdb.org.uk/markets. Monthly 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 February

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 Nov-15	2015/16 Feb-16	Absolute change Nov-15	% change on 14/15	2010/11 2014/15 average	2013/14 estimate	2014/15 estimate	2015/16 Nov-15	2015/16 Feb-16	Absolute change Nov-15	% 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	16,171	16,444	273	0%	6,054	7,092	6,911	7,276	7,370	94	7%
(3)	Imports	1,740	2,191	1,643	1,223	1,254	31	-24%	148	100	126	100	120	20	-5%
(4)	**Total Availability**	**17,832**	**16,186**	**19,652**	**19,820**	**20,124**	**304**	**2%**	**7,360**	**8,189**	**8,416**	**8,833**	**8,947**	**114**	**6%**
(5)	Human and Industrial Consumption	7,374	7,461	7,820	7,176	7,273	97	-7%	1,863	1,960	1,948	1,859	1,805	-54	-7%
(5a)	(of which home grown)	6,161	5,913	6,616	6,200	6,316	116	-5%	1,847	n/a	n/a	n/a	n/a	*	*
(6)	Usage as Animal Feed (b)	6,584	6,372	7,084	7,230	7,021	-209	-1%	3,252	3,495	3,304	3,264	3,352	88	1%
(6a)	(of which home grown)	6,095	5,635	6,635	6,980	6,721	-259	1%	3,120	n/a	n/a	n/a	n/a	*	*
(6b)	(of which Compounders)	3,497	3,384	3,640	4,019	3,804	-215	5%	1,001	1,169	1,077	1,019	1,102	83	2%
(6c)	(of which Integrated Poultry Units)	1,510	1,394	1,433	1,261	1,217	-44	-15%	66	86	48	45	50	5	4%
(7)	Seed	297	293	293	284	284	0	-3%	163	162	177	177	177	0	0%
(8)	Other	75	66	91	81	82	1	-10%	30	35	35	36	37	1	6%
(9)	**Total Domestic Consumption**	**14,329**	**14,192**	**15,287**	**14,771**	**14,660**	**-111**	**-4%**	**5,309**	**5,652**	**5,464**	**5,336**	**5,371**	**35**	**-2%**
(10)	**Balance (4) - (9)**	**3,503**	**1,994**	**4,365**	**5,049**	**5,464**	**415**	**25%**	**2,051**	**2,537**	**2,952**	**3,497**	**3,576**	**79**	**21%**
(11)	Exports (c)	1,662	434	1,939	-	-	0	*	923	1,158	1,495	-	-	0	*
(12)	Intervention Stocks (c)	-	-	-	-	-	0	*	-	-	-	-	-	0	*
(13)	**Commercial End-Season Stocks (c)**	**1,841**	**1,559**	**2,426**	**-**	**-**	**0**	*****	**1,129**	**1,379**	**1,457**	**-**	**-**	**0**	*****
(14)	(of which Estimated Operating stock requirement) (d)	1,432	1,450	1,500	1,500	1,500	0	0%	718	713	750	750	760	10	1%
(15)	(of which free stock) (e)	409	109	926	-	-	0	*	411	666	707	-	-	0	*
(16)	Surplus available for either export or free stock (10)-(12)-(14)	**2,071**	**544**	**2,865**	**3,549**	**3,964**	**415**	**38%**	**1,333**	**1,824**	**2,202**	**2,747**	**2,816**	**69**	**28%**

		MAIZE							OATS						
		2010/11 2014/15 average	2013/14 estimate**	2014/15 estimate	2015/16 Nov-15	2015/16 Feb-16	Absolute change Nov-15	% change on 14/15	2010/11 2014/15 average	2013/14 estimate	2014/15 estimate	2015/16 Nov-15	2015/16 Feb-16	Absolute change Nov-15	% change on 14/15
(1)	Opening Stocks	159	216	259	309	309	0	19%	92	69	167	105	105	0	-37%
(2)	Production	-	-	-	-	-	0	*	742	964	820	779	799	20	-3%
(3)	Imports	1,578	2,334	1,856	1,315	1,552	237	-16%	53	46	33	25	35	10	6%
(4)	**Total Availability**	**1,737**	**2,550**	**2,115**	**1,624**	**1,861**	**237**	**-12%**	**886**	**1,079**	**1,020**	**909**	**939**	**30**	**-8%**
(5)	Human and Industrial Consumption	512	679	566	483	462	-21	-18%	486	508	499	518	525	7	5%
(5a)	(of which home grown)	-	-	-	-	-	*	*	435	465	461	496	493	-3	7%
(6)	Usage as Animal Feed	926	1,398	1,144	883	1,091	208	-5%	244	345	317	221	239	18	-25%
(6a)	(of which home grown)	-	-	-	-	-	*	*	244	345	317	221	239	18	-25%
(7)	Seed	-	-	-	-	-	*	*	19	19	18	18	18	0	0%
(8)	Other (f)	4	5	4	4	4	0	0%	4	5	4	4	4	0	0%
(9)	**Total Domestic Consumption**	**1,443**	**2,083**	**1,714**	**1,370**	**1,557**	**187**	**-9%**	**753**	**877**	**838**	**761**	**786**	**25**	**-6%**
(10)	**Balance (4) - (9)**	**294**	**467**	**401**	**254**	**304**	**50**	**-24%**	**133**	**202**	**182**	**148**	**153**	**5**	**-16%**
(11)	Exportable surplus	86	208	92	45	95	50	3%	39	36	77	55	60	5	-22%
(12)	**Commercial End-Season Stocks**	**209**	**259**	**309**	**209**	**209**	**0**	**-32%**	**94**	**166**	**105**	**94**	**94**	**0**	**-11%**

(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*
*** 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 *(g)*						
		2010/11 2014/15 average	2013/14 estimate	2014/15 estimate	2015/16 Nov-15	2015/16 Feb-16	Absolute change Nov-15	% change on 14/15
(1)	Opening Stocks	5	5	5	5	5	0	0%
(2)	Production	119	107	131	246	121	-125	-8%
(3)	Imports	2	3	1	1	3	2	200%
(4)	**Total Availability**	**126**	**115**	**137**	**252**	**129**	**-123**	**-6%**
(5+6)	H&I and Animal Feed	117	107	129	244	121	-123	-6%
(5a+6a)	(of which home grown)	115	104	128	243	118	-125	-8%
(7)	Seed	3	3	3	3	3	0	0%
(8)	Other	-	-	-	-	-	*	*
(9)	**Total Domestic Consumption**	**120**	**110**	**132**	**247**	**124**	**-123**	**-6%**
(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						
		2010/11 2014/15 average	2013/14 estimate**	2014/15 estimate**	2015/16 Nov-15	2015/16 Feb-16	Absolute change Nov-15	% 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	24,472	24,734	262	2%
(3)	Imports	3,521	4,675	3,659	2,664	2,964	300	-19%
(4)	**Total Availability**	**27,940**	**28,118**	**31,340**	**31,438**	**32,000**	**562**	**2%**
(5)	H&I (wheat, barley, maize, oats) (g)	10,235	10,608	10,833	10,036	10,065	29	-7%
(6)	Animal Feed (wheat, barley, maize oats) (g)	11,007	11,611	11,849	11,598	11,703	105	-1%
(5a +6a)	Other cereals (H&I and Animal Feed)	117	107	129	244	121	-123	-6%
(7)	Seed	482	477	491	482	482	0	-2%
(8)	Other	113	111	134	125	127	2	-5%
(9)	**Total Domestic Consumption**	**21,953**	**22,914**	**23,435**	**22,485**	**22,498**	**13**	**-4%**
(10)	**Balance (4) - (9)**	**5,987**	**5,205**	**7,905**	**8,953**	**9,502**	**549**	**20%**
(11)	Exports	2,711	1,837	3,603	100	155	55	-96%
(12)	Intervention Stocks	-	-	-	-	-	*	*
(13)	**Commercial End-Season Stocks**	**3,277**	**3,368**	**4,302**	**307**	**307**	**0**	**-93%**
(14)	Estimated Operating stock requirement (wheat & barley only)	2,150	2,163	2,250	2,250	2,260	10	0%
(15)	Free stock for wheat and barley	820	775	1,633	-	-	0	*
(16)	Surplus available for either export or free stock (all)	**3,838**	**3,042**	**5,655**	**6,703**	**7,242**	**539**	**28%**

(g) 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 December 2015 **Thousand tonnes**

	2010/11 to 2014/15 Average	2008/09 26 weeks	2009/10 26 weeks	2010/11 26 weeks	2011/12 26 weeks	2012/13 26 weeks	2013/14 26 weeks	2014/15 26 weeks	2015/16 26 weeks	% Change 2015/16 on 2014/15	Actual Change 2015/16 on 2014/15
WHEAT											
(1) Usage Human and -Flour Millers -*imported*	596	582	576	421	349	651	904	656	488	-26%	-168
(2) Industrial -*home-grown*	2688	2489	2465	2889	2633	2682	2331	2908	2793	-4%	-115
(3) Processors -Total	3285	3071	3041	3310	2982	3332	3235	3564	3281	-8%	-283
(4) -Distillers	350	307	259	240	300	387	430	392	313	-20%	-80
(5) -Others	84	40	41	81	78	80	93	88	90	3%	2
(6) Animal Feed Processors (a)	1499	1437	1397	1419	1495	1536	1512	1534	1625	6%	91
(7) Poultry Integrated Units	762	742	751	806	796	785	714	706	612	-13%	-94
(8) Imports From July (b)	932	604	690	560	461	1337	1345	959	933	-3%	-26
(9) Exports From July (b)	1030	2004	1013	1920	1554	512	226	938	988	5%	50
(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	902	876	761	825	883	902	939	962	900	-6%	-62
(4) Animal Feed Processors (a)	442	347	381	439	343	442	493	492	488	-1%	-3
(5) Poultry Integrated Units	34	48	47	34	35	36	39	27	25	-8%	-2
(6) Imports From July (b)	69	62	50	79	83	89	46	47	93	99%	46
(7) Exports From July (b)	571	441	497	495	523	309	777	750	870	16%	120
(11) Intervention -Actual	33	0	11	150	5	0	0	0	0	*	0
(12) -Projected	29	0	11	130	5	0	0	0	0	*	0
MAIZE											
(1) Usage Human and Industrial	163	118	111	145	142	149	177	202	178	-12%	-24
(2) Animal Feed Processors (a)	96	68	57	53	52	93	141	142	139	-2%	-3
(3) Imports From July (b)	768	542	485	546	466	760	1127	938	969	3%	30
(4) Exports From July (b)	39	6	6	15	17	27	104	34	56	66%	22
OATS											
(1) Usage Human and Industrial Processors	116	101	105	112	115	114	120	118	125	6%	7
(2) Animal Feed Processors (a)	43	29	35	52	31	36	49	48	26	-46%	-22
(3) Exports From July (b)	21	69	17	40	11	6	10	40	44	12%	5

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 05 February 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, AHDB