AHDB Cereal & Oilseeds Early UK Supply and Demand Estimates 2016/17

Introduction – UK wheat and barley production in 2016 is provisionally estimated at the lowest level since 2013 and 2012, respectively. However, unlike previous years, this season's wheat crop in general, is of higher than average quality, giving rise to greater opportunity for more import displacement.

Wheat

1. **Defra's first estimate of 2016 UK wheat production is 14.467Mt.** An estimated 2% reduction to the area planted to wheat in GB (according to the AHDB Cereals & Oilseeds 2016 Planting Survey), combined with around average reported yields have contributed to the lower output levels in 2016/17. The full provisional results of the 2016 UK cereals and oilseeds production survey, including area and yield information, will be published by Defra on 13 October 2016.

2. **Imports** are forecast at 1.250Mt, lower than last year. Domestic demand is expected to be largely met by high supplies of above-average domestic quality wheat this season, reducing the need for imports. Furthermore, the recent sterling devaluation, following the result of the EU Referendum, has reduced the attractiveness of imported wheat.

3. **Total available supplies** are lower due to a reduction in output and expected imports this season, outweighing a higher level of opening stocks, with total available supplies estimated at 18.508Mt.

4. **Human and Industrial (H&I) wheat usage** is forecast to increase on the year to 7.915Mt, driven by increased wheat demand from millers and the bioethanol industry. Historically low specific weights, as indicated by the AHDB Cereals & Oilseeds second provisional Cereal Quality Survey (CQS) results, as well as anecdotally smaller grain sizes, suggest a lower flour extraction rate. While flour production this season is expected to remain static, more wheat is anticipated to be milled to achieve the same level of output. Additionally, UK bioethanol demand is forecast significantly higher this season, due to the reopening of one of the major plants in July 2016. Wheat usage by the brewing, malting and distilling industry (BMD) is expected to remain at comparable levels to 2015/16, due to relatively similar levels of production.

5. **Total animal feed demand** is forecast at 7.476Mt. While the volume of total animal feed production is expected to slightly increase this season, relatively cheaper grain prices compared to other ingredients are projected to increase cereals usage in animal feed production in 2016/17. Likewise, the proportion of wheat used in feed rations is forecast to increase, driven partly by increased demand from the poultry sector.

6. **The balance of availability and domestic consumption is 2.753Mt,** lower year on year. The operating stock requirement for 2016/17 is estimated at 1.560Mt. This leaves a surplus available for either export or free stock of 1.193Mt, which is a significant reduction on the previous season. This reflects the lower level of output this season and an expected increase in ethanol use. However, as always, caution should be taken when examining these figures at such an early stage of the season.

Barley

7. Defra's first estimate of 2016 UK barley production at 6.652Mt, is lower than last year and, if realised, will be the lowest output since 2012. Despite the GB barley area this season estimated to have increased on the year at 1.108Mha, reported lower than average winter barley yields outweighed average spring barley yields (according to ADAS's final harvest report), driving the overall decrease in output.

8. **Total available supplies** are forecast at 8.149Mt. Opening stocks are estimated to be lower than last year at 1.367Kt, and imports are expected to be less year on year, at 130Kt.

9. **H&I consumption** is expected at 1.864Mt. The forecast is driven by an expected increase in usage by the BMD sector. Although output from this sector is expected to remain relatively static, the anticipated reopening of a malting plant by the start of 2017 is expected to increase barley usage. Furthermore, projected smaller specific weights and grain sizes compared to last year suggests more barley may be used by the BMD sector in 2016/17.

10. **Total animal feed usage** is forecast at 3.458Mt on the back of anticipated higher poultry feed demand for wheat. However, the discount of UK ex-farm feed barley to feed wheat is currently around £15 - £17/t, which may encourage higher usage of barley later in the season in certain rations such as pig and ruminant feed and on-farm.

11. **The balance of availability and domestic consumption is 2.608Mt.** The estimated operating stocks requirement remains unchanged from last year at 760Kt, meaning the surplus available for either export or free stock is 1.848Mt, lower year on year, mainly driven by lower output this season. The mixed quality of this year's barley crop will largely dictate the balance between barley fed on farm and exports this season. However, as always, caution should be taken when examining these figures at such an early stage of the season.

12. The first official Defra balance sheet estimates, which will also include oats and maize, will be published on 23 November and will be updated by Defra/AHDB throughout the rest of the season to reflect emerging information and market conditions.

Note to readers

13. This document provides commentary on the annual AHDB Cereal & Oilseeds Early Balance Sheets for UK wheat and barley, for the 2016/17 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 23 November. Production is based on Defra's first estimates of UK wheat and barley production released on 6 October (click here). Comparisons are with both official survey figures and Defra's 2015/16 end of season 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 2016/17

in '1000 Tonnes	Wheat					Barley				
	'14/15 [5]	**'15/16 [5]**	**'16/17 [1]**	***Change on '15/16***	***% Change on '15/16***	**'14/15 [5]**	**'15/16 [5]**	**'16/17 [1]**	***Change on '15/16***	***% Change on '15/16***
Opening Stocks [6]	1,559	2,434	2,792	*358*	*15%*	1,379	1,497	1,367	*-130*	*-9%*
Production	16,361	16,508	**14,467**	***-2,041***	***-12%***	6,911	7,370	**6,652**	***-718***	***-10%***
Imports	1,669	1,509	1,250	*-259*	*-17%*	139	152	130	*-22*	*-15%*
Availability	**19,589**	**20,451**	**18,509**	***-1,942***	***-9%***	**8,429**	**9,019**	**8,149**	***-870***	***-10%***
Human and Industrial Consumption	7,832	7,356	7,915	*559*	*8%*	1,949	1,833	1,864	*31*	*2%*
of which home grown	*6,640*	*6,412*	*7,060*	*648*	*10%*	*n/a*	*n/a*	*n/a*	-	-
Animal Feed Consumption	6,995	7,097	7,476	*379*	*5%*	3,276	3,606	3,458	*-148*	*-4%*
Seed	292	282	283	*1*	*0%*	177	182	182	*0*	*0%*
Other	88	79	82	*3*	*4%*	35	37	37	*0*	*0%*
Domestic Consumption	**15,206**	**14,814**	**15,756**	***942***	***6%***	**5,437**	**5,658**	**5,541**	***-117***	*-2%*
Balance	**4,383**	**5,637**	**2,753**	***-2,884***	***-51%***	**2,992**	**3,361**	**2,608**	***-754***	***-22%***
Exports [2]	1,957	2,845	-	-	-	1,495	1,995	-	-	-
Intervention Stocks [2]	**-**	-	-	-	**-**	-	-	-	-	-
Commercial End-Season Stocks [2]	**2,426**	**2,792**	-	-	-	**1,497**	**1,367**	-	-	-
of which Estimated Operating Stocks Requirement [3]	*1,500*	*1,550*	*1,560*	*10*	*1%*	*750*	*760*	*760*	*0*	*0%*
of which Free Stocks [4]	*926*	*1,242*	**-**	-	-	*747*	*607*	-	-	-
Surplus available for either export or free stock	***2,883***	***4,087***	**1,193**	***-2,894***	***-71%***	***2,242***	***2,601***	***1,848***	***-754***	***-29%***

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 23rd.

Source: AHDB

1. Forecast using best information available on 7th October 2016

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. 14/15 and 2015/16 are Defra estimates.

6. Defra's reliability scores process was applied to the wheat balance sheet for 2014/15 and 2015/16 to apportion identified residuals. Read more in Defra's Methodology Paper.

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