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Report Highlights: Production of wheat for 2001/02 is forecast to decline significantly to around 13 MMT while barley production should increase slightly to 6.55 MMT. Imports of high quality wheat from the United States should continue to be robust in 2001/02 as millers use this wheat to blend with domestic wheat. The recent outbreak of foot-and-mouth disease (FMD) has introduced a major element of uncertainty for feed consumption in 2001/02.

Includes PSD changes: Yes
Includes Trade Matrix: Yes
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Executive Summary

Production of wheat for 2001/02 should fall to 13 MMT because of poor growing conditions while barley should increase to around 6.55 MMT because of a large increase in spring barley plantings.

Imports of wheat from the United States are forecast to be around 145,000 MT in 2001/02. Imports of high quality wheat should continue to be robust from the United States as millers use this wheat to blend with domestic wheat.

The recent outbreak of FMD has introduced a major element of uncertainty for feed consumption. We don't know how serious the FMD outbreak will be in the UK. Second, the UK Government will not allow restocking of an infected farm for a period of six months after the farm has been declared free of the disease.

Farmers continue to face some of the most serious financial problems in more than half a century. Low grain prices and reduced subsidy payments have resulted in drastically reduced farm incomes. According to the UK Government, total farm income declined 25 percent in 2000 and has declined by 69 percent since 1995.

Three to five year outlook: We are forecasting that grain production could increase slightly over the next five years. Farmers continue to plant higher value and better yielding varieties.

SECTION I. SITUATION AND OUTLOOK

Production

Wheat

The production estimate for 2000/01 remains at 16.7 MMT to correspond to the official UK Government estimate. We are forecasting that UK wheat production for 2001/02 will be 13 MMT, a sharp decrease from 2000/01, because of poor weather. According to the Home Grown Cereal Authority (HGCA), a record 469 mm of rain fell in England and Wales from September-November, 2000, making it the wettest autumn since 1766. While flooding in many parts of the country made headlines, farmers have also had a very difficult time planting winter wheat and barley.

Because of this extremely wet weather, wheat plantings were delayed in much of the country. In particular, plantings were slow in Scotland, Northern England and Northern Ireland. More progress was reported in Eastern England and the Midlands, the main growing areas for wheat in the UK. In addition, plantings have increased significantly since the beginning of the year with drier, colder weather. However, plantings are expected to be down significantly from the previous year.

Bread quality wheat continues to increase in the UK. There has been an increase in the use of new varieties, which gives farmers a premium without lowering yields.

Barley

We are estimating production for 2000/01 to be 6.49 MMT to correspond to official UK Government estimates. Production in 2001/02 is forecast to increase to around 6.55 MMT because of a large increase in spring barley plantings. Contacts in the trade point out that barley is generally evenly split between winter and spring barley plantings. However, because of the poor weather conditions in the fall and early winter, winter barley as well as winter wheat plantings were down. Thus, spring barley could increase by as much as 200,000 hectares. However, this increase in plantings will be offset by lower yields for spring barley compared to winter barley.

Pulses

Peas and beans are the two most important pulse crops grown in the UK. Although they have a number of important niche markets, most production is for livestock protein feed. According to UK Government estimates, production was around 744,000 MT in 2000, mostly destined for the feed industry. For 2001, a significant portion of unseeded winter grain acreage could be diverted to pulses if growing conditions and prices are favorable at the time of planting. Thus, production could be as high 800,000 MT in 2001.

Consumption

Wheat

Wheat consumption is estimated to be 13.066 MMT in 2000/01 and forecast to increase to 13.07 MMT in 2001/02. We are estimating human and industrial consumption for 2000/01 to be 6.792 MMT. Human and industrial consumption should increase slightly to around 6.795 MMT in 2001/2002. According to the Home-Grown Cereals Authority (HGCA), the UK starch and glucose sector is using more wheat and less corn because of the lower price of wheat, higher priced by-products, and domestic supplies have offset the lower starch yield from wheat.

We are estimating that feed usage to increase in 2000/01 to 6.274 MMT and increase marginally in 2001/02 to around 6.275 MMT. In the UK, grains generally account for between 30-50 percent of the raw materials used in animal feed. For the last several years, the trend in feed wheat usage had been up, reflecting the lower price of wheat and the improvement in its competitiveness against other ingredients. Barley is also being offered into intervention while feed wheat does not meet the intervention quality criteria, so it has to price itself into feed rations and other markets.

In addition, according to the trade, the poultry industry is a major user of wheat and demand for poultry products has increased because of the BSE scare in Europe. The prospects for the pig and dairy industries had also been improving. However, the recent outbreak of foot-and-mouth disease (FMD) has introduced a major element of uncertainty to the recovery of the livestock sector. We don't know how serious the FMD outbreak will be in the UK. Second, the UK Government will not allow restocking of an infected farm for a period of six months after the farm has been declared free of the disease.

Barley

Total domestic consumption for 2000/01 is estimated at 5.243 MMT to correspond to official UK Government estimates. Total domestic consumption is forecast to decline slightly in 2001/02 to 5.14 MMT. Feed barley usage has been depressed over the last few years as feed compounders have used more wheat in their rations due to attractive wheat prices and the increased demand for poultry feed, which has a higher wheat content than cattle feed. In fact, barley usage in poultry compound feed declined 30 percent over the last ten years. In addition, the outbreak of FMD has created uncertainty in the livestock sector, potentially lowering feed demand for barley

Human consumption should be 2.149 MMT in 2000/01. We are forecasting that human consumption will decline further in 2001/02 to 2.09 MMT. There has been a historical downward trend in human consumption because of efficiency gains; it now takes less barley to make the same amount of malt.

Pulses

According to the trade, pulses generally sell at a premium to cereals but at a discount to soymeal, reflecting their intermediate protein content. UK pea and bean prices are between 55 to 65 percent of soy prices, which reflects their protein content of 22 to 28 percent. The use of pulses in compound feed could increase subject to competitive prices compared to soymeal.

Trade

Wheat

Wheat imports for 2000/01 are estimated to be 1.015 MMT and are forecast to increase slightly in 2001/02 to 1.1 MMT. According to the trade, UK millers continue to import high quality North American wheat. Millers are mixing Canadian and U.S. wheat with English wheat to make high quality bread products.

We are estimating U.S. imports at 145,000 MT in 2000/01, an increase over 1999/2000. From July through December 2000, imports from the United States were 78,224 MT compared to 74,954 during the same time period in 1999.

We are forecasting U.S. wheat imports in 2001/02 to remain at 145,000 MT. According to the trade, U.S. prices have been more competitive than Canadian prices. Imports have also been helped by a zero duty on high quality wheat. The zero tariff has come about because of higher prices in U.S. dollar terms for quality wheat on the world market and the weakness of the euro against the U.S. dollar. Import, however, could be constrained in 2001/02 by the relatively high price of U.S. wheat.

Exports for 2000/01 are estimated to increase to around 4.5 MMT. UK prices have been competitive in the world market in feed wheat, with sales of 1.516 MMT from July-November 2000, compared to 1.05 MMT during the same time period in 1999. However, we are forecasting exports to fall to 1.8 MMT in 2001/02 because of the sharp decline in domestic production.

Barley

Imports for 2000/01 and 2001/02 should be around 80,000 MT. According to the trade, a UK beer producer has been importing a limited quantity of malting barley from the United States to produce U.S. style beer.

Exports should be around 1.4 MMT in 2000/01, and increase marginally in 2001/02 to 1.45 MMT because of the increase in production. The main markets should continue to be Spain, Portugal and Italy in the EU and Algeria and Saudi Arabia outside the EU.

Corn

Corn imports should continue to be around 1.45 MMT in 2000/01 and 2001/02. Imported corn is used mostly by the starch and glucose industry. France is the dominant supplier of corn to the UK, having overtaken the United States as a result of the import levy that disadvantaged U.S. corn.

Policy

Genetically Engineered Crops

In general, HMG is supportive of biotechnology. Nonetheless, HMG wants to proceed with caution and provide assurances through surveillance and monitoring. The Government is working with the industry group SCIMAC (The Supply Chain Initiative on Modified Agricultural Crops) on a controlled introduction into the UK of GE crops. On November 5, 1999, SCIMAC and HMG reached an agreement that there will be no widespread cultivation of GE crops until completion of the farm scale trials in 2003.

The SCIMAC measures include:(1) an industry wide code of practice establishing the monitoring and control at each stage of the supply chain; (2) formal agreements to ensure compliance with the code of practice, from the initial seed supply through to the harvested end product; (3) detailed on-farm management guidelines to ensure best practice in the production of GM crops; (4) a formalized program of inspection to ensure compliance; (5) random independent audit and review. Penalties for non-compliance will range from improvement notices through to withdrawal of access to technology.

In addition, the UK Government is working with the industry on a joint study that will look at the environmental implications of GE crops. The farm scale trials, involving 25 fields of 10 hectares each, began in the spring of 1999. GE rapeseed, fodder beet, and fodder maize are being grown along with standard rapeseed, fodder beet, and fodder maize over a four year period until 2003.

SECTION II. STATISTICAL TABLES

Wheat

PSD Table						
Country	United Kingdom					
Commodity	Wheat				(1000 HA)(1000 MT)	
	Revised	1999	Preliminary	2000	Forecast	2001
	Old	New	Old	New	Old	New
Market Year Begin		07/1999		07/2000		07/2001
Area Harvested	1847	1847	2086	2086	0	1700
Beginning Stocks	1589	1589	1497	1594	1747	1743
Production	14870	14886	16700	16700	0	13000
TOTAL Mkt. Yr. Imports	1150	1244	1050	1015	0	1100
Jul-Jun Imports	1150	1244	1050	1015	0	1100
Jul-Jun Import U.S.	140	141	141	145	0	145
TOTAL SUPPLY	17609	17719	19247	19309	1747	15843
TOTAL Mkt. Yr. Exports	3300	3135	4500	4500	0	1800
Jul-Jun Exports	3300	3135	4500	4500	0	1800
Feed Dom. Consumption	6106	6246	6295	6274	0	6275
TOTAL Dom. Consumption	12812	12990	13000	13066	0	13070
Ending Stocks	1497	1594	1747	1743	0	973
TOTAL DISTRIBUTION	17609	17719	19247	19309	0	15843

Wheat Export Trade Table

Export Trade Matrix			
Country	United Kingdom		

Commodity	Wheat		
Time period	1999/2000		2000/2001*
Exports for:			
U.S.		U.S.	
Others		Others	
EU	2380113	EU	1414885
South Korea	300464	Other	100891
Belarus	61105		
Cuba	118143		
Israel	150177		
Morocco	5815		
Nauru	2727		
Norway	4587		
Armenia	17118		
Russia	2454		
Total for Others	3042703	Total for Others	1515776
Others not Listed	4095	Others not Listed	
Grand Total	3046798	Grand Total	1515776

* July-November
Source: HGCA

Wheat Import Trade Table

Import Trade Matrix			
Country	United Kingdom		
Commodity	Wheat		
Time period	1999/2000		2000/01*

Imports for:			
U.S.	140528	U.S.	78224
Others		Others	
EU	627492	EU	243475
Australia	8087	Australia	370
Canada	478932	Canada	292112
Romania	302	Czech Republic	75
Czech Republic	50	Kazahstan	2940
Kazahstan	24		
Turkey	12		
Total for Others	1114899	Total for Others	538972
Grand Total	1255427	Grand Total	617196

* July-December
Source: HGCA

Barley

PSD Table						
Country	United Kingdom					
Commodity	Barley				(1000 HA)(1000 MT)	
	Revised	1999	Preliminary	2000	Forecast	2001
	Old	New	Old	New	Old	New
Market Year Begin		07/1999		07/2000		07/2001
Area Harvested	1178	1178	1128	1128	0	1180

Beginning Stocks	1621	1621	1596	1325	1556	1252
Production	6580	6581	6500	6490	0	6550
TOTAL Mkt. Yr. Imports	95	88	80	80	0	80
Oct-Sep Imports	95	88	80	80	0	80
Oct-Sep Import U.S.	22	22	20	20	0	20
TOTAL SUPPLY	8296	8290	8176	7895	1556	7882
TOTAL Mkt. Yr. Exports	1600	1658	1400	1400	0	1450
Oct-Sep Exports	1600	1658	1400	1400	0	1450
Feed Dom. Consumption	3000	3149	3100	3094	0	3050
TOTAL Dom. Consumption	5100	5307	5220	5243	0	5140
Ending Stocks	1596	1325	1556	1252	0	1292
TOTAL DISTRIBUTION	8296	8290	8176	7895	0	7882

Export Trade Matrix Table

Export Trade Matrix			
Country	United Kingdom		
Commodity	Barley		
Time period	1999/2000		2000/01 *
Exports for:			
U.S.		U.S.	
Others		Others	
EU	424901	EU	291278

Algeria	120053	Algeria	24725
China	16000	Cameron	970
Cyprus	74555	Cyprus	25483
Iran	52515	Iraq	34558
Israel	99772	Israel	7761
Morocco	187772	Morocco	76489
Saudi Arabia	360510	Saudi Arabia	213397
Tunisia	166893	Russia	17323
Jordon	70829	Poland	11675
Total for Others	1573800	Total for Others	703659
Others not Listed	58548	Others not Listed	
Grand Total	1632348	Grand Total	703659

* July-December
Source: HGCA

Import Trade Matrix Table

Import Trade Matrix			
Country	United Kingdom		
Commodity	Barley		
Imports for:	1999/2000		2000/01*
Imports for:			
U.S.	22138	U.S.	13235
Others		Others	
EU	77202	EU	12335

Argentina	2704		
Total for Others	79906	Total for Others	12335
Grand Total	102044	Grand Total	25570

* July-December
Source: HGCA

Corn

PSD Table						
Country	United Kingdom					
Commodity	Corn				(1000 HA)(1000 MT)	
	Revised	1999	Preliminary	2000	Forecast	2001
	Old	New	Old	New	Old	New
Market Year Begin		07/1999		07/2000		07/2001
Area Harvested	0	0	0	0	0	0
Beginning Stocks	0	40	0	37	0	26
Production	0	0	0	0	0	0

TOTAL Mkt. Yr. Imports	1300	1532	1300	1450	0	1450
Oct-Sep Imports	1300	1532	1300	1450	0	1450
Oct-Sep Import U.S.	0	0	0	0	0	0
TOTAL SUPPLY	1300	1572	1300	1487	0	1476
TOTAL Mkt. Yr. Exports	6	15	6	6	0	6
Oct-Sep Exports	6	15	66	6	0	6
Feed Dom. Consumption	100	298	100	289	0	280
TOTAL Dom. Consumption	1294	1520	1294	1455	0	1450
Ending Stocks	0	37	0	26	0	20
TOTAL DISTRIBUTION	1300	1572	1300	1487	0	1476

Import Trade Matrix Table

Import Trade Matrix			
Country	United Kingdom		
Commodity	Corn		
Time period	1999/2000		2000/01 *
Imports for:			
U.S.	5366	U.S.	3229
Others		Others	
EU	1052592	EU	437958
Argentina	259878	Argentina	112787
Canada	1207	Canada	469

South Africa	342	South Africa	150
Total for Others	1314019	Total for Others	551364
Others not Listed		Others not Listed	
Grand Total	1319385	Grand Total	554593

* July-December
Source:HGCA