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Report Highlights: Production of wheat for 2000/01 should increase to 16.7 MMT while barley production should fall to 6.1 MMT. Imports of high quality wheat from the United States should continue to be robust in 2000/01 as millers use this wheat to blend with domestic wheat. We are forecasting imports in 2000/01 from the United States to increase slightly over 1999/00 to 150,000 MT.

Includes PSD changes: Yes
Includes Trade Matrix: Yes
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EXECUTIVE SUMMARY

Production of wheat for 2000/01 should increase to 16.7 MMT while barley production should fall to 6.1 MMT as farmers return to normal planting levels.

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, on a per capita basis, real farm income has declined by 58 percent from 1995 to 1999.

Imports from the United States are forecast to be around 150,000 MT in 2000/01. Imports of high quality wheat should continue to be robust from the United States as millers use this wheat to blend with domestic wheat. In 1998/99, the UK imported 147,864 MT of U.S. wheat to mix with UK wheat to make high quality bread products. From July-November, 1999, imports from the United States were around 68,000 MT.

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

We are estimating that UK wheat production for 2000/01 will be 16.7 MMT, which is a sharp increase over 1999/00. Production was down in 1999/00 because of poor weather. Plantings have returned to historical levels for 2000/01 because of normal weather conditions. In addition, because agronomic reasons and the changes in Agenda 2000, some farmers have switched from rapeseed to wheat. 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.

The production estimate of 14.87 MMT for 1999/00 reflects official government estimates. However, many in the trade believe that wheat production is considerably greater than the estimate, ranging as high as 15.9 MMT. Planting for wheat was late in much of the country and rains in August during harvest hurt quality and quantity. In addition, the wet fall in 1998 forced some farmers to plant spring barley instead of winter wheat.

Barley

Production in 2000/01 is expected to decline to 6.1 MMT as farmers plant more wheat at the expense of barley. Production was higher than originally anticipated for 1999/00 because the wet weather in the fall of 1998 forced farmers to plant spring barley instead of winter wheat.

The production estimate for 1999/00 of 6.58 MMT reflects the official government estimate. Yields were greater than expected. Scotland produced a good quality crop, much of which is milling quality. However, Southern England suffered from low nitrogen levels and wide scale sprouting in the spring barley.

Consumption

Wheat

Total wheat consumption for 1999/00 is estimated at 13.150 MMT, up slightly from 1998/99. Feed use consumption should decline in 1999/00 over 1998/99. Cattle feed production should increase in 1999/00, reflecting a recovery in the cattle industry after the BSE crisis. However, industry contacts have stated that there has been a steady, gradual decline in compound feed production in dairy operations as dairy farmers become more efficient with forage use at the expense of compound feed use. Poultry feed production is running at levels below last year, a reflection of the high pound and cheap poultry meat imports. Pig feed production should also decline in 1999/00 because of the continued crisis in the pig industry. There has been a sharp decline in the pig population for over a year because of low prices and cheap pig meat imports due to the high pound. According to the trade, around 60 % of pig farmers are making negative net farm income.

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. While wheat usage is slightly lower for the first six months of 1999/00 compared with 1998/99, there should be a slight pick-up in wheat usage during the second half of 1999/00. 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.

Wheat usage under human and industrial consumption should increase slightly in 1999/00 to 6.9 MMT. According to the Home-Grown Cereals Authority (HGCA), UK millers have increased the proportion of domestic wheat they use in the grist. However, wheat usage by distillers continues to decline because of a downturn in demand for end-product and the higher spirit yield achievable from this seasons low protein wheat crop.

Domestic consumption should increase slightly in 2000/01 to 13.175 MMT as wheat for milling should increase moderately. However, domestic feed usage should continue to decline to around 6.15 MMT. Until recently, the poultry industry had been a growth industry, growing between two and three percent per year, and accounting for a significant amount of total wheat usage in the livestock sector. However, poultry feed production has been negatively impacted by cheap poultry meat imports caused by a strong pound. In addition, the pig industry, another major user of feed wheat, is in a severe economic crisis. Pig numbers have dropped in 1999 because of the financial crisis in the industry.

Barley

Total domestic consumption is expected to decline in 1999/00 to 5.1 MMT and to 5 MMT in 2000/01. 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.

We are estimating that human consumption will also decline in 1999/00 and 2000/01. 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.

Compound Feed Production in Great Britain (1,000 MT)

	1998/99 6 months Jul-Dec	1999/00 6 months Jul-Dec	% change
Cattle and Calf	1808	1957	7.6
Pig	1289	1165	-10.6
Poultry	1368	1362	-0.4
Other	461	441	-0.5
Total	4926	4925	

Source: The Ministry of Agriculture, Fisheries and Food (MAFF)

Feed Ingredient Usage in Great Britain (1,000 MT)

	1998/99 6 Months Jul-Dec	1999/00 6 Months Jul-Dec	% change
Wheat	1466	1456	-0.7
Barley	343	299	-14.6
Maize	48	44	-7.6
Oats	21	15	-39.2
Maize	48	44	-7.6
% wheat	78.1	80.2	2.8
% barley	18.3	16.5	-9.7
Total Raw material usage	5039	5054	0.3

Source: MAFF/Home Grown Cereals Authority

Trade

Wheat

Wheat imports for 1999/00 should be around 1.2 MMT. According to the trade, UK millers have imported a significant amount of high quality North American wheat thus far in 1999/00. Millers are mixing Canadian and U.S. wheat with English wheat to make high quality bread products. From July through November 1999, imports from the United States were around 68,000 MT. The lower quality European crop, the gradual lowering of import tariffs, and the preference some mills have for North American wheat are the reasons behind this increase.

Imports are forecast in 2000/01 to increase slightly to 1.3 MMT. U.S. wheat should continue to be even more attractive with the drop in the intervention price in July and the corresponding drop in the import duty. We are forecasting U.S. wheat imports to increase in 2000/01 to around 150,000 MT.

Exports for 1999/00 should be around 3.3 MMT and should increase to around 4.4 MMT in 2000/01 because of the increase in domestic production. Thus far in 1999/00, UK prices have been competitive in the world market in feed wheat, with sales to Eastern Europe, Cuba, Israel, North Africa and South Korea.

Barley

Imports for 1999/00 and 2000/01 should remain at 160,000 MT. Exports should be around 1.6 MMT in 1999/00 but drop to around 1.2 MMT in 2000/01 because of the decrease in production. The main markets should continue to be Spain, Portugal and Italy in the EU and Algeria, Norway and Saudi Arabia outside the EU. As of the end of November, around 535,000 MT of barley have been exported, mostly out of EU intervention.

Corn

Corn imports should continue to be around 1.4 MMT in 1999/00 and 2000/01. Imported corn is used mostly by the starch 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

Grain Intervention Criteria

The National Farmers Union (NFU) believes that the new standards agreed to by the EU Cereals Management Committee will greatly disadvantage UK wheat producers. The majority of UK wheat will remain excluded from intervention because it fails to meet a particular bread making requirement not used by any EU miller to assess bread making quality.

Agenda 2000

The UK agricultural industry is in broad agreement with the Government over Agenda 2000 proposals, particularly the cut in grain support payments.

Assured Combined Crops Scheme (ACCS)

The National Farmers' Union (NFU), which represents around 70 percent of farmers in England and Wales, is promoting an Assured Combinable Crops Scheme. The scheme combines an agreed production standard with independent verification. The purpose of the scheme, which is voluntary, is to demonstrate to purchasers and consumers that grains, oilseeds and protein crops are grown safely and responsibly. The scheme's protocol was launched in June of 1997 and verification began for the 1998/99 crop season.

ACCS membership has increased rapidly over the last several months as many millers, malsters and compounders have publically stated their intention to only accept grain from the assured market by harvest 2000. The scheme has around 9,000 members and officials expect 11,000 members by harvest 2000.

Consumer awareness of food safety concerns has increased after recent food scares related to BSE and E. Coli. The NFU believes that the scheme is necessary to safeguard consumer confidence and allow producers to demonstrate due diligence under the Food Safety Act.

Genetically Engineered Crops

The UK Government has repeatedly rejected calls to impose a moratorium on the planting of genetically engineered (GE) crops in the UK. 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	1998	Preliminary	1999	Forecast	2000
	Old	New	Old	New	Old	New
Market Year Begin		07/1998		07/1999		07/2000
Area Harvested	2045	2045	1847	1847	0	2160
Beginning Stocks	1500	1434	1500	1579	1500	1199
Production	15465	15470	14870	14870	0	16700
TOTAL Mkt. Yr. Imports	1486	1127	1600	1200	0	1300
Jul-Jun Imports	1486	1127	1600	1200	0	1300
Jul-Jun Import U.S.	126	148	140	140	0	150
TOTAL SUPPLY	18451	18031	17970	17649	1500	19199
TOTAL Mkt. Yr. Exports	3474	3330	3500	3300	0	4400
Jul-Jun Exports	3474	3330	3500	3300	0	4400
Feed Dom. Consumption	6300	6372	6200	6250	0	6150
TOTAL Dom. Consumption	13477	13122	12970	13150	0	13175
Ending Stocks	1500	1579	1500	1199	0	1624
TOTAL DISTRIBUTION	18451	18031	17970	17649	0	19199

Wheat Export Trade Table

Export Trade Matrix			
Country	United Kingdom		
Commodity	Wheat		
Time period	1998/99	Units:	1999/00 (As of Nov)
Exports for:			
U.S.		U.S.	
Others		Others	
Bel-Lux	74621	Bel-Lux	7399
Denmark	60746	Denmark	421
Ireland	339950	Ireland	99166
France	271898	France	81381
Germany	303958	Germany	49107
Italy	405146	Italy	16869
Netherlands	169520	Netherlands	170426
Portugal	237263	Portugal	102501
Spain	778706	Spain	125632
Sweden	14688	Sweden	275289
Bangladesh	224525		
Norway	34562		
Total for Others	2915583	Total for Others	928191
Others not Listed	380543	Others not Listed	106540
Grand Total	3296126	Grand Total	1034731

Wheat Import Trade Table

Import Trade Matrix			
Country	United Kingdom		
Commodity	Wheat		
Time period	1998/99	Units:	1999/00 (As of Nov)
Imports for:			
U.S.	147864	U.S.	68074
Others		Others	
Belgium	3200	Belgium	31
Denmark	19033	Denmark	18034
Ireland	50155	Ireland	18212
France	248237	France	174095
Germany	195806	Germany	69437
Netherlands	7002	Netherlands	1650
Spain	17150	Spain	3538
Australia	3810	Italy	6514
Canada	434034	Australia	4688
		Canada	248968
Total for Others	978427	Total for Others	545167
Others not Listed	725	Others not Listed	77848
Grand Total	1127016	Grand Total	623015

Barley

PSD Table						
Country	United Kingdom					
Commodity	Barley				(1000 HA)(1000 MT)	
	Revised	1998	Preliminary	1999	Forecast	2000
	Old	New	Old	New	Old	New
Market Year Begin		07/1998		07/1999		07/2000
Area Harvested	1255	1255	1178	1178	0	1090
Beginning Stocks	2069	2095	2521	1621	2336	1661
Production	6630	6630	6580	6580	0	6100
TOTAL Mkt. Yr. Imports	171	155	250	160	0	160
Oct-Sep Imports	250	155	250	160	0	160
Oct-Sep Import U.S.	24	0	0	0	0	0
TOTAL SUPPLY	8870	8880	9351	8361	2336	7921
TOTAL Mkt. Yr. Exports	1534	1891	2200	1600	0	1200
Oct-Sep Exports	1700	1891	2200	1600	0	1200
Feed Dom. Consumption	2515	3185	2515	3000	0	2950
TOTAL Dom. Consumption	4815	5368	4815	5100	0	5000
Ending Stocks	2521	1621	2336	1661	0	1721
TOTAL DISTRIBUTION	8870	8880	9351	8361	0	7921

Export Trade Matrix Table

Export Trade Matrix			
Country	United Kingdom		
Commodity	Barley		
Time period	1998/99	Units:	1999/00 (As of Nov)
Exports for:			
U.S.		U.S.	
Others		Others	
Bel-Lux	37944	Bel-Lux	5209
Ireland	63972	Ireland	2391
Finland	5298	Finland	9109
France	80335	France	2530
Germany	55637	Germany	8162
Greece	64490	Greece	11495
Italy	61992	Italy	25581
Netherlands	62065	Netherlands	13197
Portugal	98279	Portugal	33322
Spain	81451	Spain	69514
Algeria	113509	Algeria	30739
China	239809	Iran	26949
Cyprus	161336	Morocco	73715
Morocco	63591	Saudi Arabia	164875
Norway	20404	Syria	5000
Saudi Arabia	510977	Tunisia	47583
Tunisia	113963		
Syria	26044		
Total for Others	1861096	Total for Others	529371
Others not Listed	30120	Others not Listed	6044
Grand Total	1891216	Grand Total	535415

Import Trade Matrix Table

Import Trade Matrix			
Country	United Kingdom		
Commodity	Barley		
Time period	1998/99	Units:	1999/00
Imports for:			
U.S.		U.S.	
Others		Others	
Bel-Lux	110	Bel-Lux	5
Denmark	62484	Denmark	20622
Ireland	15816	Ireland	6256
France	17735	France	3187
Germany	30367	Germany	10
Netherlands	1537	Netherlands	99
Sweden	51		
Total for Others	128100		30179
Others not Listed	26774		7575
Grand Total	154874		37754

Corn

PSD Table						
Country	United Kingdom					
Commodity	Corn				(1000 HA)(1000 MT)	
	Revised	1998	Preliminary	1999	Forecast	2000
	Old	New	Old	New	Old	New
Market Year Begin		07/1998		07/1999		07/2000
Area Harvested	0	0	0	0	0	0
Beginning Stocks	0	21	0	0	0	0
Production	0	0	0	0	0	0
TOTAL Mkt. Yr. Imports	1551	1369	1550	1400	0	1400
Oct-Sep Imports	1550	1369	1550	1400	0	1400
Oct-Sep Import U.S.	1	0	0	0	0	0
TOTAL SUPPLY	1551	1390	1550	1400	0	1400
TOTAL Mkt. Yr. Exports	6	5	25	5	0	5
Oct-Sep Exports	25	5	25	5	0	5
Feed Dom. Consumption	100	125	100	100	0	100
TOTAL Dom. Consumption	1545	1385	1525	1395	0	1395
Ending Stocks	0	0	0	0	0	0
TOTAL DISTRIBUTION	1551	1390	1550	1400	0	1400

Import Trade Matrix Table

Import Trade Matrix			
Country	United Kingdom		
Commodity	Corn		
Time period	1998/99	Units:	1999/00
Imports for:			
U.S.	7697	U.S.	2790
Others		Others	
Bel-Lux	22633	Bel-Lux	82
Ireland	10686	Ireland	5728
France	960428	France	412042
Germany	2772	Germany	13
Netherlands	4589	Netherlands	6393
Spain	33183	Spain	1768
Argentina	321179	Argentina	107202
Hungary	4014	Hungary	497
South Africa	490	South Africa	256
Canada	612	Canada	
Total for Others	1360586	Total for Others	533981
Others not Listed	317	Others not Listed	15
Grand Total	1368600	Grand Total	536786