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United Kingdom

Grain and Feed

UK expects volatile grain market this season

2007

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Report Highlights:
The first MY2007/8 grain balance has been published by the UK Government. The tight world grain situation and reduced domestic crop sees the UK expecting greater volatility in grain usage and trade than in previous seasons. In particular, the high global grain prices are expected to be a key determinate in farmers seeking non-grain feed sources with the implication that this may improve the current low expectations on export availability.

Includes PSD Changes: No
Includes Trade Matrix: No
Annual Report
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[UK]

On November 7, 2007 the UK Government's Department for Environment, Food & Rural Affairs (Defra), in conjunction with the Home Grown Cereals Authority (HGCA), published its first supply and demand estimates for the MY2007/8 season[1]. Unsurprisingly, given the tight world grain situation and reduced domestic crop in the UK, the Defra/HGCA report expects greater volatility in grain usage and trade than in previous seasons. Trade reaction to the report has been muted, there being a general acknowledgement that these first estimates, while a fair reflection of current knowledge, may be subject to significant change as the season progresses and more information becomes available.

The Defra/HGCA report utilizes the official harvest numbers published by Defra in October (see GAIN UK7030). Final 2007 production numbers will be published next January. With the wheat crop down 9 percent and below average opening stocks, availability of wheat is estimated at just 16.3 MMT. This is 7 percent down on MY2006/7 despite an expectation of increased imports this season. For barley, at 6 MMT, availability is down 3 percent. Much of this reduction is due to the large fall in year–on-year opening stocks rather than the 2 percent decline in the size of the harvest.

	Wheat		**Barley**	
	2006/7	2007/8	2006/7	2007/8
Beginning stocks	1798	1856	887	779
Production	14735	13362	5239	5149
Imports	968	1045	110	108
Total Supply	**17501**	**16263**	**6236**	**6036**
Exports	2148	942	530	278
Feed	6777	6396	3051	3011
Food	6392	6695	1715	1737
Non-food/feed	328	342	161	159
Total Consumption	**15645**	**14375**	**5457**	**5185**
Ending Stocks	1856	1888	779	851

1. All data is in MMT
2. Defra/HGCA commodity definitions differ to those of USDA

Source: Defra/HGCA

For both wheat and barley, it is the demand side of the balance that is of most interest. For wheat, the increased food number is largely due to a new starch facility even though it is expected to run well below capacity this season given the very high wheat prices. Otherwise, little change is expected on the 2006/7 food numbers. It is the export and feed numbers where the real debate is occurring and much will come down to the availability, or otherwise, of reasonably priced alternate feedstock. The high grain prices mean that farmers are actively seeking non-grain feed sources. This has the potential to increase the availability of wheat and barley for export.

[1] UK Supply & Demand – November 2007 Update

Report Number	Title	Date Released
UK7030	UK wheat crop down 9 percent	10/12/2007
E47082	EU Grain Market Update for September 2007	09/13/2007
E47063	EU Grain Market Update for August 2007	7/25/2007
E47035	Grain and Feed Annual	5/4/2007