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United Kingdom

Grain and Feed

Update on the UK Wheat and Barley Situation

1998

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Report Highlights: We are decreasing our 1998/99 wheat and barley production forecasts because of lower than expected yields. We increased our forecast for wheat exports for 1998/99 because of good quality and competitive prices. However, we decreased our barley export number for 1998/99 because of increased competition.

Includes PSD changes: Yes
Includes Trade Matrix: No
Unscheduled Report
London [UK1], UK

WHEAT

PSD Table						
Country:	United Kingdom					
Commodity:	Wheat					
		1996		1997		1998
	Old	New	Old	New	Old	New
Market Year Begin		07/96		07/97		07/98
Area Harvested	1976	1976	2036	2036	2100	2100
Beginning Stocks	1994	1994	1952	1952	1777	1378
Production	16102	16102	15050	15050	16200	16000
TOTAL Mkt. Yr. Imports	792	792	1100	1272	750	750
Jul-Jun Imports	792	792	1100	1272	750	750
Jul-Jun Import U.S.	71	71	100	100	70	70
TOTAL SUPPLY	18888	18888	18102	18274	18727	18128
TOTAL Mkt. Yr. Exports	4592	4592	3425	3996	3800	4100
Jul-Jun Exports	4592	4592	3425	3996	3800	4100
Feed Dom. Consumption	5508	5508	6039	6039	6050	6050
TOTAL Dom. Consumption	12344	12344	12900	12900	12950	12950
Ending Stocks	1952	1952	1777	1378	1977	1078
TOTAL DISTRIBUTION	18888	18888	18102	18274	18727	18128

PRODUCTION

We lowered UK wheat production for 1998/99 to 16 MMT, which is still an increase of six percent over 1997/98. The crop is better than 1997 in both yield and quality. However, we lowered our production forecast because of lower than expected yields in the southwest of England and parts of the north of England.

TRADE AND STOCK LEVELS

We increased our export forecast for 1998/99 to 4.1 MMT. Exports of wheat should increase in 1998/99 over 1997/98. According to the trade, UK wheat is price competitive within the EU and of good quality. Spain, Portugal and Italy should continue to be the major markets for UK wheat. However, there may be a good chance to sell class two wheat to Holland, Belgium and Denmark due to the poorer quality German wheat crop.

For 1997/98, we increased imports to 1.272 MMT and increased exports to 3.996 MMT to reflect government data. Wheat exports were considerably higher than previous estimates. Export prospects were poor until the first part of 1998. However, as the UK wheat price fell after the New Year, UK wheat became more competitive in the EU. However, only 600,000 MT were exported to countries outside of the EU compared to

1.4 MMT in 1996/97. This loss of international markets contributed to a 13 percent decline of wheat exports from 1996/97 to 1997/98. According to the Home-Grown Cereals Authority (HGCA), aggressive marketing by the Australian Wheat Board displaced US wheat from traditional markets, such as China, and the United States competed more directly with UK wheat. Stocks were lowered for 1997/98 to reflect the increase in exports and stocks were lowered in 1998/99 to reflect the increase in exports as well as lower production.

BARLEY

PSD Table						
Country:	United Kingdom					
Commodity:	Barley					
		1996		1997		1998
	Old	New	Old	New	Old	New
Market Year Begin		07/96		07/97		07/98
Area Harvested	1267	1267	1328	1328	1270	1270
Beginning Stocks	884	884	1032	1032	1737	2168
Production	7780	7780	7850	7850	7350	7250
TOTAL Mkt. Yr. Imports	116	116	130	161	120	150
Oct-Sep Imports	116	116	130	161	120	150
Oct-Sep Import U.S.	34	34	34	34	34	34
TOTAL SUPPLY	8780	8780	9012	9043	9207	9568
TOTAL Mkt. Yr. Exports	2095	2095	1700	1300	1500	1200
Oct-Sep Exports	2095	2095	1700	1300	1500	1200
Feed Dom. Consumption	3375	3375	3318	3318	3250	3250
TOTAL Dom. Consumption	5653	5653	5575	5575	5500	5500
Ending Stocks	1032	1032	1737	2168	2207	2868
TOTAL DISTRIBUTION	8780	8780	9012	9043	9207	9568

PRODUCTION

We lowered our production estimate for 1998/99 to 7.25 MMT. The yields for winter barley were not as good as previously anticipated. The crop suffered from cold and wet conditions during the summer. Malting barley in Scotland was particularly hard hit because of poor growing conditions. Barley production is forecast to fall around eight percent in 1998/99 because of less plantings as farmers switched into more profitable crops such as rapeseed and lower yields caused by poor growing conditions.

TRADE AND STOCK LEVELS

Exports are expected to fall to around 1.2 MMT for 1998/99. The main markets should continue to be Spain, Portugal and Italy in the EU and Algeria, Norway and Saudi Arabia outside the EU. Even though the quality appears to be good in most of the UK, there will still be a lot of competition in markets outside the EU as Turkey and Australia vie for the traditional UK markets of the Middle East. Furthermore, many in the trade believe that the EU will not make big enough restitutions for the UK to compete in many of the world markets. The grain industry is still upset with the EU for not granting export restitutions earlier last year for sales to Saudi Arabia, a country the trade considers a traditional EU customer.

The EU is making available around 400,000 MT from intervention stocks from the UK for export outside the EU of which 174,000 MT has already been sold. According to trade contacts, however, this intervention barley will displace new crop barley in export markets. Thus, around 1.25 MMT could go into intervention this year, which could increase stocks to record levels.

We decreased exports in 1997/98 to 1.3 MMT to reflect official government figures. Exports outside the EU fell by almost 700,000 MT. Barley exports to countries outside the EU suffered because the EU granted less than half the barley grain export licences of the previous year. Over 1.2 MMT of UK barley was sold into intervention in 1997/98.

Imports were increased to 161,000 MT to correspond to official government numbers. UK barley imports in 1997/98 increased because of a poor UK harvest for malting barley. Most of the increase came from Denmark, France and Ireland. We are increasing our import forecast for 1998/99 to 150,000 MT. Similar to 1997/98, there could be a significant amount of malting barley imports, principally from Denmark and France, because of the poor malting barley crop in Scotland.