



MI Prospects



QE2 sails into Grain Markets

Recent weeks have seen the re-emergence of currency movements as an important driver of world grain markets. Over the last couple of months the anticipation of a second round of quantitative easing (known as QE2) to try and stimulate the US economy has seen the US dollar weaken. The announcement of QE2 at the start of November pushed the US dollar to its lowest levels against both the Euro and Sterling for 11 months. US grain and oilseed values rose in response as the weaker dollar makes US goods more competitive on export markets. However, with the longer-term effects of QE2 far from certain, a volatile US dollar may well remain a feature of grain markets over the coming months.

The US centric theme continues with concerns over US maize yields providing another source of volatility. The USDA lowered US maize yield estimates for the third month running in their November report on world supply and demand, further tightening the world maize supply and demand situation. Although the US maize harvest is approaching completion, many months remain until the Southern Hemisphere crops are realised, thus providing potential for further volatility.

A tight availability of quality wheat has been the main driver for wheat exports so far this season as importers seek to fill the gap left by the Russian export ban. With the US at a freight disadvantage, attention has focused on Europe.

Problems with Hagberg Falling Numbers in Germany have resulted in lower exports to non-EU destinations, but have seen more feed wheat being exported instead. In contrast, this year's increased availability of high quality French wheat has resulted in a strong export pace of French wheat. This has raised concerns over preserving supplies for the second half for the season. A similar situation is becoming apparent in the UK, where quality is also good and exports strong. As a result, despite the weaker US dollar UK and French futures prices continue to rise. Wheat prices try to maintain their premiums over a rising feed (maize) base price in order to balance export demand.

Looking forward, there have been concerns over the new wheat crop in the US but larger wheat plantings are anticipated around the world. The Early Bird Survey produced by Andersons on behalf of HGCA suggests that the UK will follow this pattern. The slow trickle of information on the new crop may have begun but there is still a long way to go and maize and currencies may well provide the key drivers in the near future.

Helen Plant 0247 647 8759

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Final UK Cereal Quality Results 2010

The final results of the 37th HGCA Cereal Quality Survey (CQS) are now available and confirm the provisional results of a much improved 2010 quality crop compared to last year and the three-year-average. However, the three-year-averages include the relatively poor quality seen in 2008.

Wheat

The average GB Hagberg Falling Number for wheat is 270s, slightly up by 7s on last season's 263s and 27s above the three-year-average of 243s. One has to bear in mind that the three-year-average contains the 2007 and 2008 crops when Hagberg values were quite poor. All regions except the East and South East saw an improvement in Hagbergs on last season, with the South West showing the greatest improvement on 2009, at 268s (209s in '09). All regions have Hagbergs above the three-year-averages (Table 1).

Results based on nabim groups show that the average Hagberg Falling Numbers for wheat in Group 1, 2, 3 have increased on 2009 and the three-year-averages to 307s, 306s and 239s respectively (Table 2). The greatest improvement was seen for Group 1 wheats, up 19s on 2009.

The average **protein content** for GB is 11.9%, an improvement on the 11.6% seen in 2009 and also on the three-year-average of 11.7%.

On a regional basis, the average protein content this year is higher than last year for all regions except the North and Scotland, with the highest protein content of 12.2% seen in the East and Midlands. The same trend is seen in comparison to the three-year-average except for the South East and South West where proteins remain unchanged from the three-year-average.

With respect to the GB average **specific weight** there is a slight increase of 0.1kg/hl on last season, at 77kg/hl. This year's average is also above the three-year-average of 76kg/hl. In all regions higher specific weights compared to last year were recorded apart from the East which was lower and the South East which remained unchanged from last year. The highest average specific weight of 78kg/hl was seen in the North.

This year's average GB **moisture content** is seen at 15.5%. This is higher than last year's 15% as the decrease in the South West could not offset the increases recorded in all other regions. Rain disrupted this year's harvest in August. Heavy rainfall was seen in the Eastern regions, explaining the relatively high moisture content of 16% in this part of the country.

Quality by wheat variety

Looking at specific varieties (Table 3), the results indicate that **Gallant** (a nabim Group 1 variety) has the highest average Hagberg Falling Number of 337s (296s in '09).

Table 1 Wheat Results by Region

	Hagberg Falling Number (Seconds)			
	2008	2009	2010	3-yr ave
GB	228	263	270	243
East	250	282	278	264
North	188	232	264	219
South East	252	293	278	266
South West	154	209	268	194
Midlands	239	241	256	235
Scotland	119	191	243	178
Protein Content % at d.m.				
GB	11.3	11.6	11.9	11.7
East	11.3	11.9	12.2	11.9
North	11.2	11.4	11.3	11.5
South East	11.6	12.0	12.0	12.0
South West	11.4	11.5	11.7	11.7
Midlands	11.2	11.5	12.2	11.6
Scotland	10.7	11.0	10.4	11.1
Specific Weight (kg/hl)				
GB	75.5	76.9	77.0	76.0
East	76.6	77.2	76.5	76.7
North	73.4	76.3	78.0	75.1
South East	75.9	77.4	77.4	76.6
South West	73.7	76.0	77.6	74.8
Midlands	76.2	76.2	77.0	75.8
Scotland	73.6	75.6	76.9	75.0

Source: HGCA, AHDB.

Table 2 Wheat Results by Nabim Group

	Nabim	2006	2007	2008	2009	2010	3-yr ave
Hagberg Falling Number	1	321	246	252	288	307	262
	2	306	259	258	303	306	273
	3	265	221	187	228	239	212
Protein	1	13.5	12.8	12.0	12.7	12.9	12.5
	2	12.7	12.4	11.5	12.0	12.3	12.0
	3	12.0	11.6	10.6	10.8	11.3	11.0
Specific Weight	1	76.2	76.3	76.6	77.8	77.9	76.9
	2	77.4	76.0	76.2	77.3	78.0	76.5
	3	75.6	75.1	74.1	76.0	76.2	75.0

Source: HGCA, AHDB.

Table 3 Wheat Analysis by Variety

Mean Values	nabim Goup	Hagberg F-Numbers		Protein Content		Specific Weight		Moisture Content	
		Seconds	sd*	% d.m	sd*	kg/hl	sd*	%	sd*
Solstice	1	302	53.77	12.8	0.91	77.9	2.69	15.8	1.98
Gallant	1	337	52.14	12.8	1.02	78.2	2.76	15.2	1.57
Hereward	1	302	78.27	13.6	1.01	79.2	2.40	15.3	1.49
All Group 1	1	307	57.29	12.9	0.97	77.9	2.78	15.7	1.91
Cordiale	2	328	55.78	12.6	1.04	78.8	2.50	15.3	1.64
Einstein	2	278	70.72	11.8	0.92	76.9	2.31	15.5	1.60
Battalion	2	268	82.18	12.0	0.92	75.9	2.89	15.5	1.82
All Group 2	2	306	68.12	12.3	1.09	78.0	2.71	15.4	1.63
Claire	3	254	74.97	11.3	0.89	76.0	2.50	15.0	1.56
Robigus	3	205	69.62	11.1	1.03	76.3	1.96	15.6	1.71
Scout	3	237	72.40	11.5	1.00	77.6	2.21	15.5	1.77
All Group 3	3	228	61.86	10.8	0.88	76.0	2.30	14.9	1.52
ukp	1 or 2	295	58.73	12.4	1.05	77.6	2.39	15.1	1.42
uks	3 or 4	217	61.25	10.7	0.90	76.0	2.24	14.9	1.44

* Standard Deviation.

Source: HGCA, AHDB.

Final UK Cereal Quality Results 2010 (cont.)

Its average protein content is also quite impressive at 12.8% (13%). Gallant's specific weight is seen at 78.2kg/hl (78kg/hl) this year and moisture content was recorded at 15.2% (16.1%), the lowest within the group. It is noteworthy that **Hereward**, also a nabim Group 1 wheat, displayed a higher protein content of 13.6% and also a higher specific weight of 79.2kg/hl.

The nabim Group 2 wheat **Cordiale** shows an average Hagberg of 328s (324s), a specific weight of 78.8kg/hl (78.3kg/hl), a protein content of 12.6% (12.3%) and a moisture content of 15.3% (15%).

Claire, a nabim Group 3 variety, shows an average Hagberg of 254s, up on last year's 241s; an average specific weight of 76kg/hl (76.3kg/hl), a protein content of 11.3% (10.9%) and 15% moisture content (14.7%).

Table 4 Barley Results by Region

	Specific Weight (kg/hl)			
	2008	2009	2010	3-yr ave
GB	65.8	66.3	67.0	65.4
East	67.1	67.1	67.5	66.1
Midlands	66.3	66.0	67.2	65.2
South East	66.9	67.1	67.6	65.8
South West	65.7	65.9	67.2	64.9
North	64.3	66.4	67.3	64.9
Scotland	64.6	64.9	65.5	65.1
	Nitrogen Content % d.m.			
GB	1.58	1.61	1.64	1.63
East	1.57	1.67	1.72	1.66
Midlands	1.60	1.64	1.76	1.67
South East	1.60	1.64	1.73	1.66
South West	1.56	1.60	1.70	1.63
North	1.60	1.67	1.74	1.68
Scotland	1.58	1.50	1.47	1.57

Source: HGCA, AHDB.

Barley

The barley results from the 2010 harvest also show an improvement on 2009 and the three-year-average with higher specific weight, nitrogen content and lower moisture content (Table 4).

The average GB **specific weight** is seen at 67kg/hl, higher than last year's 66.3kg/hl and also up on the three-year-average of 65.4kg/hl. The average **nitrogen content** is seen at 1.64%, which is also higher than last year's 1.61% and above the three-year-average of 1.63%.

The average barley **moisture content** for GB is seen at 15.6% compared to 16% last year and the three-year-average of 16.2%. The moisture content of barley in Scotland is seen to be relatively high at 17.3% compared to other regions, given wet harvest conditions.

However, this is lower than last year's 18.1% and the three-year-average of 17.7%.

Screening results show that 1.9% of grain passed through a 2.25mm sieve, which was higher than last year's 1.5% but lower than the three-year-average of 2.6%. In contrast, the percentage of grain retained by a 2.5mm sieve was seen at 94.1%, down on last year's 95% but up on the three-year-average of 92.7%.

Tipple, a popular spring barley variety shows an average specific weight of 67.1kg/hl (66.6kg/hl in '09), a nitrogen content of 1.7% (1.6%) and a moisture content of 15.1% (14.9%). Some 2.1% of grain passed through a 2.25mm sieve while 93.5% was retained by a 2.5mm sieve. For **pearl**, a winter barley variety, the average specific weight is seen at 68.5kg/hl (67.1kg/hl), the nitrogen content at 1.77% (1.71%) and the moisture content at 14.9% which was unchanged from last year. Some 1.4% (1.9%) passed through a 2.25mm sieve and 95.3% (96.6%) was retained by a 2.5mm sieve.

Concluding remarks

Traditionally, final GB CQS results have been known to show a significant drop in quality compared to the earlier provisional results particularly in years of late and wet harvests. However, this year, final results have not changed drastically from the earlier results, thus confirming an overall good 2010 quality for wheat and barley. The UK industry will welcome the improved quality with in particular millers expected to be able to increase their share of home-grown wheat this year. This may see imports of quality wheat falling from last year's level. This season's wheat imports are currently forecast 13% lower than in 2009/10. For barley, however, imports are expected to rise in 2010/11 compared to 2009 as this year's crop has remained 22% below last year's high output. The improved 2010 wheat quality in combination with currency-related price competitiveness of UK grain on European markets has also seen wheat leaving the country at an exceptionally fast pace. This has raised a questionmark whether adequate supplies for the latter part of the season will be available.

For all CQS results click [here](#).

Tosin Jack 0247 647 8762

Key Points

- Average Hagberg at 270s, protein at 11.9%
- Barley specific weight at 67kg/hl, N at 1.64%

French Wheat Quality 2010

The 2010 French wheat crop is reportedly of very good quality, with 27Mt of wheat being of good to excellent quality. Given problems with wheat crops in many other European countries, export interest for French wheat has been particularly strong this season so far.

France harvested 35.7Mt of wheat this year, which is only slightly below last year's 36.2Mt. This was despite a larger planted area and the result of lower average yield of 7.2t/ha (7.7t/ha in '09). Although growing and harvest conditions were challenging (too wet in some areas, too dry and hot in others), more than two-thirds of the 2010 wheat harvest is reportedly of good to very good quality.

Quality results

The quality results are based on two complementary surveys conducted by FranceAgriMer and ARVALIS; a varietal field survey based on 1,300 samples and a collection points survey based on 600 samples.

Table 1 2010 French Quality Criteria Averages

	2005	2006	2007	2008	2009	2010
Protein Content (% DM)	12.3	12.2	12.3	11.5	11.3	11.6
Specific Weight (kg/hl)	76.5	77.3	75.1	77.8	77.1	78.8
Hagberg >220s (% crop)	91%	97%	68%	97%	97%	99%
Moisture Content (%)	13.2	12.5	13.9	13.6	13.5	13.6

Quality assessed through two surveys based on 1,300 samples taken from fields and 600 samples from 200 coop / trade silos.

Table 2 French Wheat Specifications

Class	Protein (% MS)	Baking Strength	Hagberg (s)
E	≥ 12%	≥ 250	≥ 220
1	11 - 12.5%	160 - 250	≥ 220
2	10.5 - 11.5%	contractual	≥ 180
3	< 10.5%	unspecified	unspecified

Table 3 French Soft Wheat Production by Classification

Mt, %	2005	2006	2007	2008	2009	2010
Wheat Crop	34.9	33.3	30.8	36.9	36.2	35.7
E	26%	10%	12%	5%	2%	5%
1	60%	78%	46%	47%	50%	70%
2	11%	9%	22%	39%	38%	19%
3	3%	3%	19%	9%	10%	6%

Source: FranceAgriMer, ARVALIS.

The average **protein content** has increased on last year's 11.3% to 11.6%, but remains below the five-year average of 11.9% (Table 1). Regional differences were reported at between 10.5 and 13.3% with the highest proteins seen in the eastern regions and the lowest in Brittany and Lower Normandy where a high level of rainfall was recorded during August. Overall, 79% of the analysed wheat samples showed protein contents of above 11%. Some 28% were above 12% which is an improvement on last year's 14% and 2008's 25% share.

The average **specific weight**, at 78.8kg/hl, is also well above last year's 77.1kg/hl and higher than the five-year average of 76.8kg/hl. Some 73% of the analysed wheat showed specific weights above 78kg/hl.

Regional averages range from 76.9 to 81kg/hl. The regions with the lowest specific weights were Auvergne, Limousin, Lorraine and Nord-Pas-de-Calais.

Hagberg Falling Numbers are reportedly good again this year. Nearly all sampled wheats showed Hagbergs of at least 220s; some 47% had Hagbergs of between 300 - 345s (more than 50% in '09) and 40% were at / above 350s (16%).

The average **moisture content** of 13.6% was slightly higher than in 2009 (13.5%). Moisture levels of more than 14% occurred in only three (mainly northern regions) out of 20 regions.

The French wheat is divided into **four quality groups**: E, 1, 2 and 3. The specification for the different wheat classifications can be found in Table 2. According to this, 94% of the 2010 wheat crop would be graded as milling wheat, which would be above the previous three years' share. Of this, 27Mt are estimated to be of good to very good quality, including 2Mt of E wheat (1Mt in '09) and 25Mt of class 1 wheat (19Mt). Class 2 wheat production is estimated at 6.5Mt or 19% of the analysed samples; less than half of the 2009 output (Table 3). Instead, proportionally more class 1 wheat has been produced for harvest 2010, at 70% (50% '09). E wheats account for an estimated 5% this year, up on last year's 2% but below the 12% share seen in 2007. Breading varieties accounted for 92% of the 2010 wheat area.

Just 2Mt of wheat are intended for animal feed. However, analyst Strategie Grains estimates that some wheats may be downgraded to feed, given low proteins in some and low specific weights in other regions. The analyst therefore estimates French milling wheat production at 89% of total wheat production or 31.7Mt (29.7Mt in '09).

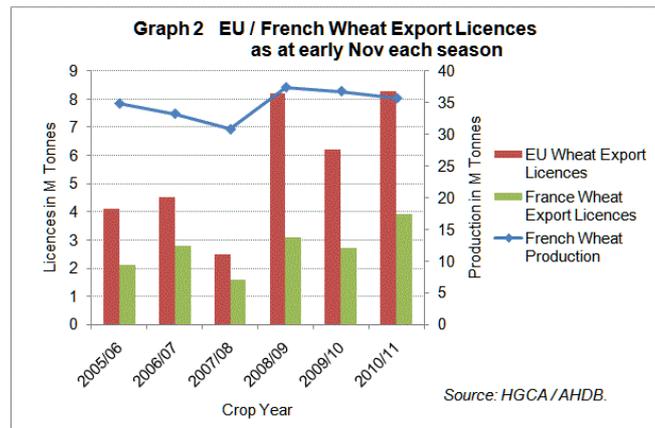
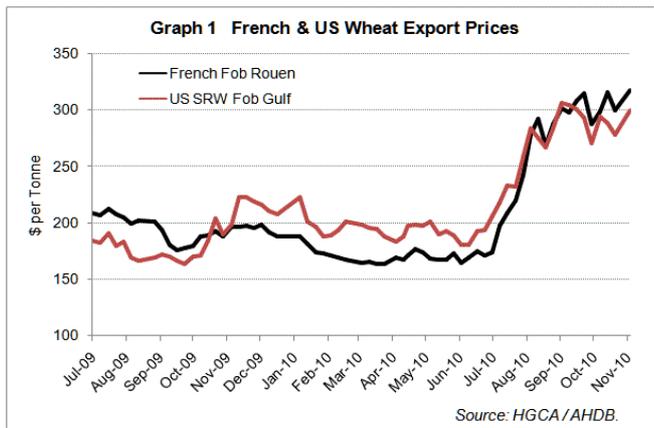
Table 4 French Wheat Supply and Demand

	M Tonnes			
	2007/08	2008/09	2009/10	2010/11 ¹⁾
Opening Stocks	2.44	2.59	4.23	3.35
Production	30.77	36.90	36.23	35.66
Imports	0.31	0.47	0.48	0.99
Supply	33.52	39.96	40.95	40.00
Demand	18.73	19.32	20.49	19.36
of which Human & Indus. Cons.	9.35	9.66	10.23	10.38
of which Animal Feed	8.34	8.60	9.20	7.90
Exports	12.22	16.41	17.11	18.37
of which to EU Countries	7.31	6.76	7.31	6.34
of which to non-EU Countries	4.91	9.65	9.80	12.04
Closing Stocks	2.59	4.23	3.35	2.27

1) Forecast.

Source: Strategie Grains.

French Wheat Quality 2010 (cont.)



French wheat & export markets

France is the biggest producer and exporter of wheat in the EU-27. Despite a slightly smaller harvested crop this year overall wheat supply is estimated similar to that of last season at 40Mt, since a relatively large amount of wheat has been carried over from 2009/10 (Table 4). While in previous years this large supply would have proved to be burdensome, markets are very different this season. The soaring wheat prices during harvest reflected concern over adequate wheat supply, as problems with regards to Black Sea grain became reality. In addition, neighbouring Germany harvested a much lower quality wheat crop this year compared to previous seasons.

This has seen increased export demand for French wheat in recent weeks. French export licences granted so far this season give a good indication of trade trends: The licences granted as at early November 2010 totalled 3.9Mt, well up on last year's equivalent of 2.7Mt (Graph 2). The consultant ODA reported that the port of Rouen has seen a 30% rise in volume traded during the first months of 2010/11 compared to 2009/10. Exports to traditional destinations of North Africa and the Middle East have been particularly strong, with 45% of Egypt's wheat purchases reportedly sourced from France and 35% from the US (ODA).

This is because French wheat has been competitive on international export markets particularly early in the season (Graph 1). Recently, however, the weakness of the US dollar has eroded some of the French price competitiveness on international markets.

But with global milling wheat supplies tight, (at least until Southern Hemisphere crops become available), and French freight cost advantage over the US for exports to the Middle East and North Africa, French wheat exports to non-EU destinations are projected to soar to over 12Mt this season (9.8Mt in '09/10) (Strategie Grains). Although exports to EU countries are forecast 1Mt below last year's total, they are still seen at a sizeable 6.3Mt. The forecast busy export campaign would lower French wheat closing stocks to an estimated 2.3Mt in 2010/11, 1Mt below last season and well below the 4.2Mt of 2008/09 and the lowest since 2003/04.

France appears to have produced sufficient quantity and quality wheat this season to fulfil domestic and a higher international demand. However, a slowing of the recent pace of exports seems to be necessary to ensure adequate supplies for the second half of this season.

Heike Hintze-Gharres

Key Points

- Average proteins higher at 11.6%
- 73% of wheat show specific weights above 78kg/hl
- Nearly all wheats have Hagbergs above 220s
- Two thirds of the crop of good to excellent quality
- Rapid pace of wheat exports early in the season

German Wheat Quality 2010

Unfavourable weather conditions during grain filling and harvest time have impacted on the quality of the 2010 German wheat crop. While overall proteins are higher than last year, more than 50% of the assessed samples show Hagbergs below 220s.

Germany harvested 23.9Mt of soft wheat this summer, down from 25.1Mt in 2009. This was despite the highest wheat area ever to have been planted in Germany at 3.3Mha (up 2.7%), but is the result of a 7.3% lower average yield of 7.3t/ha. Most of the wheat grown in Germany, at 99%, is winter wheat (23.7Mt in '10).

The Max-Rubner-Institut in Detmold (MRI) prepares two complimentary quality reports on the German winter wheat crop each year. The first is based on the country's 'specific harvest and quality assessment (BEE)' and gives a comprehensive overview of most of the important quality parameters. The second is based on samples delivered to mills and assesses milling and baking characteristics. Both evaluations suggest a very variable 2010 wheat quality.

Table 1 German Wheat Quality

	Harvest '06	Harvest '07	Harvest '08	Harvest '09	Harvest '10
Wheat Production (Mt)	22.4	20.9	26.0	25.2	23.9
Protein Content (% DM) ¹⁾	13.5	13.0	12.5	12.6	13.4
Sedimentation Value (ml) ¹⁾	46	47	45	44	46
Baking Volume (ml/100g)	691	696	684	676	694

¹⁾ based on 2,200 samples.

Source: MRI Detmold.

Table 2 German 2010 Wheat Quality by Classification¹⁾

	E-Wheat	A-Wheat	B-Wheat	C-Wheat ³⁾	EU-Wheat
% of total Winter Wheat ²⁾	11.3 (11.4)	43.8 (42.0)	23.7 (24.7)	11.4 (13.6)	7.0 (6.5)
Protein Content (% DM)	14.6 (14.3)	13.6 (13.1)	13.2 (12.2)	12.5 (11.6)	13.6 (13.3)
Sedimentation Value (ml)	63 (67)	49(53)	49 (43)	26 (25)	50 (55)
Hagberg Falling Number (s)	335 (356)	306 (351)	334 (312)	n/a	335 (339)
Baking Volume (ml/100g)	709 (718)	684 (647)	656 (593)	n/a	674 (671)

¹⁾ based on 190 selective milling wheat samples only.

Source: MRI Detmold.

²⁾ 2010 winter wheat crop estimated at 23.7Mt (down 4.8% on '09).

³⁾ based on 2,200 samples.

Note: Figures in brackets show 2009 data.

n/a not available.

The average **protein content** of the analysed wheat samples has risen to 13.4% (Table 1). This is well above last year's 12.6% and also above the 10-year average of 12.9%. The highest proteins were again recorded in the Eastern Länder of Thuringia and Mecklenburg-Pommern, which are main producers of winter wheat.

The **sedimentation value**, which is an indirect measure for protein quality, is, at 46ml, also above the previous year's average of 44ml and very slightly above the 10-year average of 45ml. However, lower values were recorded in mainly eastern and southern Länder; all other federal states show generally a similar or higher value compared to 2009.

The average **baking volume** in the Rapid-Mix-Test was 694ml/100g, which was also above last year's 676ml and higher than the 10-year average of 682ml.

While proteins and baking volumes are indicating an above-average quality crop, overall Hagbergs disappoint. **Hagberg Falling Numbers** indicate the effect of the starch-degrading enzyme alpha-amylase. The enzyme's activity increases before and during sprouting, and thus changes wheat's starch characteristic. And this appears to have happened during harvest in August. Due to the poor weather conditions, only half of the wheat crop had been harvested by August 20th. As a result, 54% of the analysed winter wheat samples did not reach the minimum of 220s required by the trade; around 35% of the samples remained below 120s, the lowest within the past 20 years. However, there are great regional differences. While in some eastern and southern states two-thirds of the samples did not reach the required minimum, other states had only one third of the samples below 220s. Click [here](#) for Hagberg graph.

German wheat is divided into **four quality groups**: E, A, B and C wheats. In addition, EU wheat, (varieties authorised in other member states), is grown in Germany. Most of the wheat grown in Germany is A wheat, followed by B wheat varieties. Cubus (A), Akteur (E), Dekan (B) and Hermann (C) are the most popular varieties.

The analysed 190 samples of quality wheat varieties (Table 2) show improved proteins but slightly lower protein quality and glutenindex. Hagbergs are lower than last year but fulfil milling requirements and appear to have not impacted on baking volumes.

In summary - The 2010 German wheat quality appears to be below average and very variable this year, depending when and where the wheat has been harvested. Although low Hagbergs clearly pose a challenge to millers this year, other good quality parameters indicate that with the right adjustments sufficient quality wheat should be available for the German milling / baking industry. However, suitable wheats may have to be sourced from further afield this year. This is reflected in the current strong premium for E wheat over B wheat, reportedly at EUR31/t (ex-farm) (AMI).

While good and homogeneous batches of quality wheat are certainly more difficult to find this year in Germany, a large amount of feed wheat is available instead. As a result, Germany has exported more feed wheat to neighbouring France, Belgium and the Netherlands this season so far compared to previous years. Often milling wheat (from France) has been imported in return. Strategie Grains forecast therefore less exports of German wheat to non-EU destinations this season at 2.7Mt (5.7Mt in '09/10), while German wheat exports to other EU countries are projected higher at 4.3Mt (3.8Mt).

Heike Hintze-Gharres

UK Cereal Supply and Demand

Defra released the first official estimates for UK cereal supply and demand for 2010/11 last week. These estimates followed the release of the HGCA Early Balance Sheets (EBS) on October 12th. The estimates are created from the best available information in mid-autumn but are subject to alteration as more information on usage, trade and stocks is released over the course of the season.

Wheat

For wheat, the estimates suggest that a tightening of the balance sheet is likely in 2010/11. Total **availability** is seen 2% down on 2009/10 since lower opening stocks and lower estimated imports more than compensate for the larger UK crop. The 2010 UK production is seen at 14.833Mt (Defra's provisional crop production survey). This is 5% above the 2009 crop since a 9% increase in area outweighed a small drop in yields. Estimated **imports** are seen down by 13% assuming that less high quality wheat imports will be necessary this season given this year's improved UK wheat quality. The import estimate may change later in the season as UK supplies before harvest become less abundant (Table 1).

Table 1 UK Cereal Supply and Demand Balance 2010/11

	Wheat				
	'05/06-'09/10 average	2008/09 estimate	2009/10 estimate	2010/11 estimate Sep 2010	% change on '09/10
Opening Stocks	2,030	1,720	2,756	1,859	-33
Production	14,828	17,227	14,076	14,833	5
Imports	1,192	1,305	1,241	1,085	-13
Total Availability	18,050	20,252	18,073	17,777	-2
Human and Industrial Consumption	6,642	6,836	6,855	7,580	11
(of which home grown)	5,589	5,627	5,792	6,574	14
Usage as Animal Feed	6,638	6,729	6,572	6,531	-1
Total Domestic Consumption¹⁾	13,639	13,973	13,787	14,475	5
Exports / Intervention	2,411	3,523	2,427	1,302	-46
Commercial End-Season Stocks	2,000	2,756	1,859	2,000	8
	Barley				
Opening Stocks	912	760	1,204	1,590	32
Production	5,725	6,144	6,668	5,205	-22
Imports	104	142	86	100	16
Total Availability	6,741	7,046	7,958	6,895	-13
Human and Industrial Consumption	1,715	1,769	1,625	1,662	2
(of which home grown)	n/a	n/a	n/a	n/a	n/a
Usage as Animal Feed	3,117	3,070	3,505	3,305	-6
Total Domestic Consumption¹⁾	5,014	5,030	5,334	5,131	-4
Exports / Intervention	721	812	1,189	757	-36
Commercial End-Season Stocks	1,007	1,204	1,435	1,007	-30

¹⁾ Includes seed and other uses.

* indicates less than 1% change.

Source: Defra.

On the **demand** side for wheat, the main change is an 11% increase in Human and Industrial consumption (H&I). The **H&I estimate** includes usage from a number of different sectors including millers, starch producers and bioethanol producers. However, the increase mainly reflects the expected rise in wheat usage for bioethanol production, since other users are expected to demand similar amounts of wheat in 2010/11 to that of 2009/10.

Animal feed usage of wheat is seen down by 1%, with less wheat expected to be fed-on-farm this season. The animal feed estimate was also 10,000t lower than that of the HGCA EBS, reflecting the fact that the Defra livestock number data have been taken into account.

The UK wheat **ending stock** figure will be kept at the previous five-season average of 2Mt until stock data is released by Defra in the Spring. This means that the UK **export estimate** is just over 1.3Mt, down 46% on last season and 10,000t lower than in the EBS. Export pace has been brisk so far this season with official estimates of 0.47Mt being shipped by end-August and market talk of over 1Mt expected by end-December. This would imply that either the export pace will slow in the second part of the season and / or that the UK may be importing and exporting wheat for a period of time to meet regional requirements.

Barley

Availability of barley in the UK is seen 13% lower than last season despite increased opening stocks and higher estimated imports. However, this is a result of a 22% lower UK crop compared to 2009 following a drop in planted area and lower yields.

With barley **H&I usage** (predominantly by UK Brewers, Maltsters and Distillers) seen up only 2% on 2009/10, the main change to overall barley demand is a 6% drop in barley usage for animal feed. This change reflects less barley being fed-on-farm which was reportedly high last season. It is also the result of a return to a more 'normal' split of barley in feed rations, after last season's high levels. Barley **ending stocks** are also set at the five-season average, leaving **exports** at an estimated 0.76Mt, up 48,000t on last season. Barley exports to-date have been promising, totalling 155,000t by end-August.

In conclusion - The wheat and barley balance sheets indicate a tightening of the UK market in 2010/11 compared to 2009/10. Thus it will be important to monitor monthly usage and trade data (via HGCA website and publications) to gauge the supply and demand situation of UK cereal markets throughout the season. The next official Defra balance sheets will be published on January 13th, which should give a clearer picture on this. However, it will clearly be more challenging for some UK cereal processors to obtain supplies during 2010/11 compared to previous years, especially towards the end of the season.

Michael Archer 0247 647 8763

Early Bird Survey UK Harvest 2011

Early GB planting intentions for harvest 2011 indicate a rise in wheat and oilseed rape areas, while the barley area is expected to fall slightly and oats by more.

The Early Bird Survey is a very early assessment of planting intentions for 2011 harvest throughout GB. It is undertaken by The Andersons Centre with the Association of Independent Crop Consultants (AICC). It examines cropping change on individual farms by examining agronomists' field records. Other than farmers themselves, agronomists are the first sector to have a good picture of drilling patterns.

The survey covered 227,000ha arable land, identifying the crop changes from 2010 to 2011 harvest on each farm. In total, 35 AICC members provided usable data with actual crop areas for the 2010 harvest and cropping plans for the same fields for 2011. The survey covered all GB regions, roughly in proportion to their cropped area. The survey is not a statistical exercise with stratifications etc, but in previous years has returned enviable accuracy. The percentage change from the survey is applied to the provisional UK June Survey data to give a forecast of crop areas for the 2011 harvest.

Results

The 2010 **wheat area** is seen rising 3% for harvest 2011, suggesting a UK wheat area of nearly 2Mha. This fits with seed merchants and other observers' anecdotes that good drilling conditions and high crop prices are encouraging autumn drilling.

Barley is showing a slight area fall, with winter barley 5% and spring barley 2% down. However, the spring area may depend on the contracts offered by maltsters in the spring.

The **oats** area is seen falling 12% in this survey, making it the third consecutive UK decline. At 113,000ha, it would be the lowest area since 2005.

The **oilseed rape** (OSR) area is seen 6% higher. Again, current high market prices and favourable drilling conditions have made winter OSR the most attractive combinable break crop for many farms. This implies an area of 678,000ha. Only once has the UK cropped this much OSR (and then with 80,000ha of set-aside OSR). This may be close to the rotational limit.

The **pulse area**, which fell by 7% last year, is forecast to continue falling with a hefty 20% decline back to about 168,000ha. Again, the focus on autumn drilling is leaving less land for spring crops and, with most farmers' fertiliser requirements covered for 2011, the rise in nitrogen price has come too late to encourage pulse drilling again.

Table 1 Early Bird Planted Survey for Harvest 2011

in '000 Hectares	June Survey	EBS	%Change
	National	Forecast	
All Wheat	1,931	1,984	103%
Winter Barley	382	361	95%
Spring Barley	541	533	98%
Oats	129	113	88%
Other Cereals (e.g. Triticale)	28	36	129%
Oilseed Rape (Spring & Winter)	637	678	106%
Other Oilseeds (e.g. Linseed)	43	35	81%
Pulses (all)	212	168	79%
Fallow Land	179	156	87%
Other Crops on arable land	1,927	1,913	99%
TOTAL	6,009	5,977	99%

The Andersons Centre.

Similar to last year, **other crops** grown on arable land (largely grass, stock-feed, potatoes, sugar-beet and vegetables) are almost unchanged.

The most uncertain figure in the survey appears to be the **fallow land** fall of 13%. Although a drop in fallow land is likely given the current market conditions, this is a large reduction when compared to previous years. While not impossible, it looks unlikely as even in high price years, some land remains fallow for agronomic, rotational or other reasons.

The results show a useful guide to cropping intentions for the 2011 harvest, but should be carefully interpreted. Given that the assessment was completed in October, planting patterns and intentions are provisional and may change, especially spring cropping plans.

Graham Redman

The Andersons Centre

01664 503 200

gredman@theandersonscentre.co.uk