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MI Prospects

Mixed Feelings

The current grain market situation stirs up mixed thoughts. **UK crop conditions are tentatively improving** allowing the UK farmer to be slightly more optimistic, or at least less pessimistic, than a few months ago. However, recent falls in grain markets are pressurising 2013 returns and forecast gross margins for 2013/14.

Grain markets do not respect costs of production in the UK, and hence a **price risk management strategy is critical to meeting business objectives**. The fourth review of seven typical marketing strategies for harvest 2013 shows that all have suffered from falling markets, but the extent depends on the level of exposure. Certainly, the vulnerability of the 'do nothing' or 'nerves of steel' approach is evident as this is now the worst performing strategy.

Of course, markets could go either way from here and Northern Hemisphere crops are being watched avidly as US wheat harvest has now started. One of the biggest crop risks is still a hot and dry July in the US Corn-Belt, but each week of favourable weather helps to ease market apprehension. US crop conditions improved for maize, wheat and soyabeans last week.

The Black Sea harvest has begun, while Southern Europe and North Africa have benefitted from good rains giving better yield potential. Although, for the latter, political issues and access to capital and inputs remain high on the agenda.

Looking ahead to autumn plantings, our **updated gross margin calculations show declines across all crops,** as lower fertiliser costs do not offset higher seed prices and lower Nov-14 futures prices. Milling and first feed wheat come out on top again, but the gap has closed between oilseed rape and second feed wheat so individual farm situations and rotations will drive decisions. The increasing likelihood of a late harvest, and the challenges this could present for early seed availability, are also issues to consider.

Information is critical to understanding where markets may move and the next source of potential volatility. The main report this week will be on **US planted areas** (released 5pm, UK time 28 June), of interest here will be the impact that a late maize planting season has had on final area. For the domestic market, the AHDB/ADAS crop development report will be out next week followed by AHDB/HGCA planting survey results in late July.

Charlotte Garbutt

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Wheat Pricing Strategies for 2013 (Part 4)

The change in market direction since early December has resulted in falling returns, and hence profit margins, in each of the wheat pricing strategies. However, the recent downturn has impacted returns in each strategy to varying degrees according to their respective exposure to market forces.

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Introduction

AHDB/HGCA launched an evolving demonstration of Price Risk Management in October 2012, monitoring a series of strategies from planting through to final sale of the 2013 harvest. Previous issues can be found in:

Prospects Vol 15 Issue 9 , Prospects Vol 15 Issue 14 , Prospects Vol 15 Issue 19

Why is risk management important?

Risk management focuses on minimising business exposure to uncertainty and unpredictable events. For an arable farmer, risk essentially starts once the crop has been planted. It is difficult – if not impossible – to know how the market will move before harvest as prices are often determined by factors beyond the farmer's control.

The extent to which farm profitability can be affected by external influences highlights the need to consider an appropriate pricing strategy as part of the overall farm business plan. An appropriate risk management strategy should meet individual needs and business objectives. In the event of a downturn in the market, a pricing strategy may aim to protect profit margins or to reduce the risk of further financial loss.

Bearing this in mind, AHDB/HGCA developed several strategies that might be used on a real farm. The strategies included a range of both forward and post-harvest sales, as well as the use of risk management tools such as options.

Current market trends

During the first three months of the demonstration (September–November), market prices significantly strengthened, peaking in early December at almost £200/t; an increase of almost £30/t in three months. Since then, prices have steadily fallen, dropping below September levels. As at 14 June, LIFFE Nov-13 wheat futures had dropped below the farm's budgeted costs of production of to £163.50/t (See Farm Assumptions in Prospects Vol 15 Issue 9).

The change in market direction since December has resulted in falling profit margins for all of the strategies. However, the market has impacted average returns in each strategy to varying degrees, according to their respective exposure to market influences. Some strategies have reduced the rate of decline through forward sales or the use of options, which provide a floor to the market.

Figure 1 Summary of returns and risks based on market values as at 14 June 2013

Strategy	Current Average Price (£/t)	Current Average Profit/ Loss (£/t)	Current ranking	Proportion of crop		
				Sold	Exposed to upside	Exposed to downside
Nerves of Steel	158.8	-9.1	6	0%	100%	100%
Steady	167.7	-0.2	3	42%	58%	58%
Average Joe's	169.5	1.6	2	50%	50%	50%
Full metal jacket	149.5	-18.4	7	100%*	100%	0%
The city boy	160.8	-7.1	5	75%**	75%	25%
Simplicity	166.4	-1.5	4	67%	33%	33%
Trigger happy	174.2	6.3	1	67%	33%	33%

**Covered by options*
***50% of forecasted production sold forward in September 2012 and covered by Options. 25 % sold forward in March 2013*

Source: AHDB/HGCA

"Nerves of Steel"

With all sales made post-harvest, this strategy has seen the largest fall in profit margins over the last six months. In December 2012, "Nerves of steel" was one of the highest ranked strategies, taking advantage of its 'do nothing' approach with all sales made post-harvest. By 14 June, this strategy was ranked sixth, with average losses of over £9/t.

This strategy is heavily exposed to changes in the market and, as such, has followed the downward trend. The first two weeks of June, in particular, with Nov-13 futures falling by over £10/t, have resulted in "Nerves of Steel" recording the largest fall in average profit of any strategy.

"Steady" & "Average Joe's"

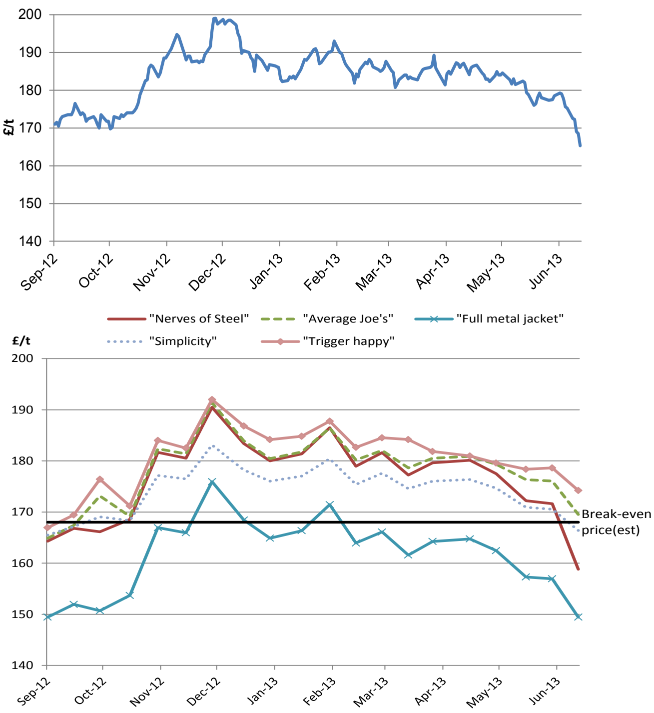
These two averaging strategies have followed similar trends since planting. "Steady" has tended to track below "Average Joe's" as a proportion of the crop was sold in September when ex-farm prices were below break-even costs.

Although the fall in market price since December has negatively impacted profit margins, both strategies have shown some resilience to the downside pressure as a result of regular sales.

Wheat Pricing Strategies for 2013 (Part 4)

Figure 2 a & b illustrates average price achieved for wheat sold (ex-farm) compared to Nov-13 wheat futures for selected strategies. Compared against "Nerves of Steel", these averaging strategies are managing to reduce the rate of decline as the market has fallen. As at end March, the price difference between "Nerves of steel" and "Average Joe's" was less than £1/t. By 14 June, "Average Joe's" was £10.7/t higher than "Nerves of Steel".

Figure 2 a) Nov-13 LIFFE wheat futures and b) Average ex-farm) price of selected strategies



Source: AHDB/HGCA

"Full metal jacket" & "The city boy"

These strategies incorporate the use of options. Both are currently ranked low, hindered by the additional cost of the option premiums. At the time of sale (September 2012), feed wheat prices were some of the lowest recorded over the period and below the budgeted costs of production. Furthermore, the additional cost of the options put further pressure on profit margins.

"Full metal jacket" has consistently recorded the lowest average price sold per tonne since September 2012. However, with 100% of the expected harvest sold and covered with an option, expected returns will not drop below £148.7/t (£171/t less £6/t basis and £16.3/t option premium). "Full metal jacket" is hence protected from any further fall in market value.

"The city boy" could still see a further reduction in average returns if the market continues to fall, as 25% of the crop will be sold post-harvest. However, with 50% of expected harvest covered by options and an additional 25% sold forward in March, average returns are less vulnerable than strategies which are more exposed to the market.

"Simplicity"

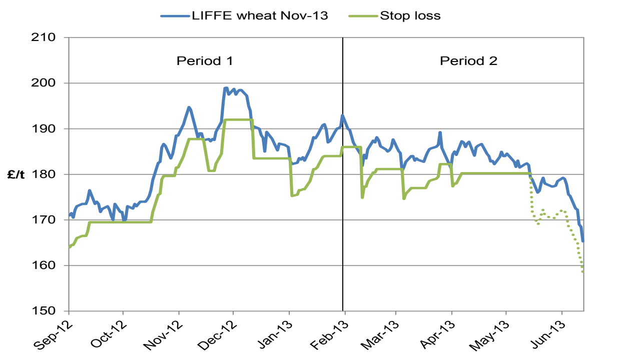
With two-thirds of the expected harvest sold forward, in September and June, only 33% of the crop remains exposed to market volatility. This strategy recently over-took "Nerves of steel" in average returns as forward sales have mitigated some of the downside pressure in the market.

"Trigger happy"

The floating stop-loss strategy has consistently ranked as the highest performing. It is only one of two strategies still achieving positive profit margins as at 14 June. All sales for the second period (February – September) have now been made as the strategy seeks to protect profit margins from falling markets. As such, "Trigger happy" is currently tracking the market price at a £7/t discount (Figure 3) . The third and final selling period will commence in October.

A third of the expected harvest remains exposed to market forces, but due to forward sales this strategy has managed to mitigate some of the risk of any further fall in the market. This strategy has shown a greater degree of resilience against falling prices compared to some others, particularly "Nerves of Steel". "Trigger happy" currently achieves an average price £15.4/t higher than "Nerves of Steel", up from £1.50/t in early December.

Figure 3 The "Trigger happy" strategy



Source:AHDB/HGCA

What next?

So, what if the market price continues to fall? All strategies with a higher proportion of crop still unsold will see a further fall in average returns but at a faster rate than those that have some forward sales and/or use of options. Alternatively, if the market trend changes and prices start to rise, these strategies will also see the quickest increase in profit margins.

The next update will be published in October 2013.

Autumn Gross Margins

Gross margin analysis forecasts for 2014 show a drop in margins across all crops due to higher seed prices and lower futures values. Lower fertiliser costs are more beneficial to high input crops such as milling wheat.

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Introduction

The UK 2012 wheat harvest was one of considerably lower yield and poorer quality. The weather events over last summer broke long term records with consequences for costs of production and gross margins in the UK. Fortunately, detrimental weather events in other parts of the world offered support to prices and ensured that for the majority of the last season prices have stayed above typical costs of production for UK wheat.

The previous two pages have covered price risk management strategies, of which a major part is knowing costs of production and at what level a profit can be made. This article focuses on estimated gross margins for crops to be sown in autumn 2014 to provide an indication of relative profitability for next season. These figures were compiled by AHDB in mid-June with support from the trade and information from the Agriculture Budgeting and Costing Book. While it is considered to be representative, it is not intended to replace custom gross margin forecasts which can take into account individual costs, yields and prices.

A reflection on 2013 gross margin forecasts made in July 2012

2012 was a difficult harvest year which made an impact across the supply chain; also, winter plantings were delayed.

Last year, the feed base price for Nov-13 futures was £158/t, this price increased throughout the autumn and winter, reaching £199/t in December. Despite subsequent declines, the price has not reached the £158/t used last year. Thus, there has been considerable opportunity to increase the base price compared with forecasts made in July 2012.

Throughout the winter, record pre-planting prices were seen, with Nov-13 futures only recently breaking below £180/t. This offered a strong incentive to plant but weather conditions prevented this. Hence, costs are likely to have increased significantly where there have been failed crops and re-drilling.

Assumptions:

- A return to more normal weather conditions and yields.
- Prices are based on futures prices for November 2014 delivery, with a discount to an ex-farm value. Wheat is discounted by £5/t. Oilseed rape prices have been converted into pounds Sterling, and then discounted to get back to an ex farm value. In previous years £10/t was used, but has been increased to £15/t.
- Ex farm **wheat** prices used are £155/t, with a £20/t premium for milling wheat.
- **Feed barley** is considered to be a discount of £15/t. This has been increased from £8/t last year to reflect the larger feed grain production expected in 2013/14, and subsequent increase in carry over.
- **Malting barley** premiums have been maintained at £30/t over feed barley.
- The **oilseed rape** bonus has been increased from £15/t to £17.50/t as this may better reflect the oil and admix bonus' growers are likely to achieve.

Fertiliser costs have decreased for a second consecutive year and the following values were used:

- Ammonium nitrate (AN): £266/t, down 9% from £335/t last year.
- Triple Super Phosphate (TSP): £333/t, down 12% from £380/t last year.
- Muriate of Potash (MOP): £325/t, down 3% from £335/t last year.

Figure 1 AHDB/HGCA Gross Margin forecast for 2014/15

£ / Hectare	2012 Gross margin forecast for 2013	Current gross margin forecast for 2014 crop	Change 2013-2014		Rank 2013 1=Best	Rank 2014 1=Best
First winter feed wheat	£963	£945	-18	-2%	2	2
Second winter feed wheat	£762	£757	-5	-1%	6	4
Group 1 milling wheat	£974	£965	-9	-1%	1	1
Winter feed barley	£686	£619	-67	-10%	7	7
Winter malting barley*	£810	£747	-63	-8%	5	6
Winter milling oats**	£817	£759	-58	-7%	4	3
Winter OSR	£835	£751	-84	-10%	3	5
Feed winter beans	£588	£514	-74	-13%	8	8

** Contract growing reccommended ** Contract growing essential* *Sources: The Agricultural and Costings Book (May 2013) / Trade / AHDB/HGCA*

Autumn Gross Margins

- Seed and fertiliser rates, yield estimates and chemical costs are sourced from the Agricultural Budgeting and Costing Book 76th edition (May 2013).
- The sale of straw has not been included, although for barley in particular, straw can be an additional income stream, and improve the gross margin. Growers are therefore advised be well informed on local markets and opportunities before deciding to bale.

Results

Gross margins are down for all crops compared to forecasts made in 2012. This is due to higher seed prices and lower futures prices which more than offset lower fertiliser costs.

Wheat

Group 1 **milling wheat** maintains its position as the crop with the highest gross margin, and stretches its gap to feed wheat, as milling wheat benefits more from cheaper nitrogen supplies than feed varieties. The forecast margin is down by £9/ha from 2012, to £965/ha.

First feed wheat has been affected by a 10% increase in seed costs from last year, as well as a £3/t reduction in futures prices. As a result, the margin is reduced by £18/ha to £945/ha. However, this still ranks second in the gross margin levels.

Second wheat has seen a smaller drop in margin, due to a larger increase in yields (0.1t/ha compared with 0.05t/ha for 1st feed and milling crops). The forecast margin has reduced from £762/ha to £757/ha.

Barley

Barley margins have experienced some downward pressure, as the discount to wheat and seed prices have increased. This has reduced feed barley's margin by 10% to £619/ha, from £686/ha forecast last year.

The anticipated increase in feed grain production for 2013/14 is likely to pressure feed grain prices through to the following season, and this might remove some of the feed base price support.

For malting barley, a £30/t premium has been included but this will be highly dependent on EU harvest quality. RMI Analytics recently reported that in the near term the spread between feed and malting barley is unsustainable.

Oilseed Rape

Although the Paris futures price is considerably lower than last year (€385/t compared with €443/t) the weakness in the Pound has helped negate some of the lower futures price. A slight increase in the oil and admix bonus is also included. Along with these, a yield increase of 0.1t/ha has been used, and the calculations show a small decrease in input costs by £3/ha.

Milling Oats

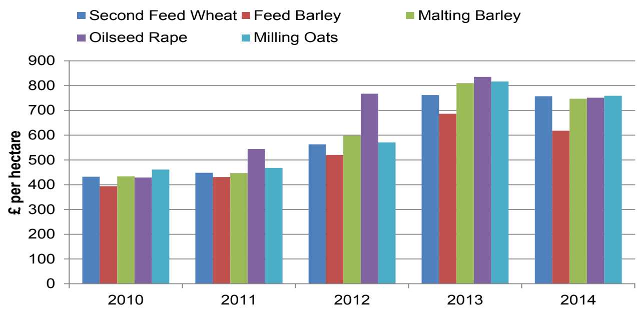
While milling oats margin has decreased by £58/ha, to £759/ha it has risen to the 3rd highest rank, above second wheat. This is likely to maintain the support for the oats area. The UK oat crop is likely to be larger this year than last due to a bigger spring area, which could then be expected to return to more average levels for 2014 harvest.

Winter Beans

The margin for winter beans has decreased by £74/ha to £514/ha as the crop was adversely affected by the rise in seed prices. With no nitrogen input, the crop was unable to benefit from the lower ammonium nitrate prices, and so the variable costs were disproportionately affected, rising more than £50/ha to £276/ha from £224/ha. By comparison, the next largest change in variable costs was a rise of £12/ha.

As always with beans, the gross margin analysis does not include any agronomic benefits such as weed control, residual nitrogen left in the soil, etc. These are much harder to quantify but are likely to be of value to the grower.

Figure 2 Gross Margin Comparisons



Closing Comments

Margins for 2014 harvest do not look as favourable as the forecasts for 2013 suggested last year, although much has happened from when the forecast was made till now. It is worth bearing in mind that 2012 was a year with unusual weather, particularly when cropping decisions were made. With the level of disruption to rotations, decisions might be made by looking into alternatives to initial crop intentions as part of a longer rotation. Gross margin analysis can help gauge the returns of different crops. However, it would be advisable that growers work out their margins, taking into account individual costs, markets and prices.

Key Points

- Margins for all crops are down, mainly due to lower prices for November-14 futures.
- However, gross margins are still historically high, providing planting incentives for growers
- Lower fertiliser costs have benefited some crops more than others.
- Markets are likely to remain volatile, so margins should be recalculated as the season unfolds.

North Africa Crop Update

Generally good rainfall in the North African region over the past year has led to expectations of improved yields in most of the countries for the 2013/14 crops. However, food security remains a highly sensitive political issue in this region and all the governments continue to pursue policies to increase domestic production of cereals in the future.

Sarah Nightingale, External Contributor

Introduction

North Africa is a significant importer of grains, as self-sufficiency remains an issue in the region. The grain harvest is nearing completion in the five countries (Algeria, Egypt, Libya, Morocco and Tunisia) of the region. Official production figures are yet to be released, but the USDA expects a large grain production increase in Morocco due to ample rainfall throughout most of the growing season. Algeria and Egypt are also expected to see an increase in production. However, Tunisia is estimated to produce less grain than last year due to a lack of rainfall in some areas. Consequently, total North African cereal production (excluding rice) is seen at 32.3Mt (27.7Mt, 2012/13) while import requirements are seen at similar levels to 2012/13.

Figure 1 Grain production forecasts for North Africa

	Wheat		Coarse Grains		Total Grains	
'000	12/13	13/14	12/13	13/14	12/13	13/14
Algeria	3,400	3,600	1,626	1,876	5,026	5,476
Egypt	8,500	8,800	6,860	6,660	15,360	15,460
Libya	112	112	98	98	210	210
Morocco	3,870	6,800	1,445	2,845	5,315	9,645
Tunisia	1,350	1,100	450	375	1,800	1,475
North Africa	**17,232**	**20,412**	**10,479**	**11,854**	**27,711**	**32,266**

Source: USDA

Algeria

Despite being the largest of the North African countries, the area of arable land is limited in Algeria. A similar area is estimated by the USDA to have been sown to cereals for the 2013 harvest as for 2012, at around 3.3Mha. Adequate soil moisture at planting time was reported, and good rainfall during the first four months of this year has led to expectations of above average yields. Wheat production is seen at 3.6Mt, up from the good crop of 2012 (3.4Mt). Coarse grain production is also seen up from 1.6Mt to 1.9Mt (of which 1.75Mt is barley).

The government of Algeria has been actively encouraging an increase in cereal production, through its Agricultural and Rural Renewal Policy. The policy focuses on improving management in the agriculture sector, developing more effective regulations and promoting the use of more modern technology and practices. It aims to increase the area of irrigated land from 1.1Mha to 1.6Mha by 2014 and to increase storage capacity by 1Mt to 6Mt. It has also encouraged the use of certified seed and provides economic and technical assistance to farmers along with incentives to improve yields.

Egypt

Although the USDA estimates a slight increase in **2013 wheat production** to 8.8Mt (8.5Mt in 2012), final production levels remain unclear due to serious economic and political problems. The Egyptian government announced earlier this year that the country would produce 9.5Mt of wheat and ceased imports in an effort to conserve dwindling foreign currency reserves. A 5% increase in procurement prices (to around $380 per tonne at current exchange rate) led to a slight increase in wheat plantings. However, farmers have reported severe problems in obtaining enough diesel, fertiliser and irrigation for their growing crops. The diesel shortage has also hampered the harvest which began in May and is due to finish by the end of this month.

While government statements remain positive about securing enough wheat for their subsidised bread programme, reports early in June suggested Egypt is actively seeking foreign assistance with its 2013/14 wheat supply. A French diplomatic source reported that the French government was considering a request from the Egyptian government for assistance in building grain silos in Egypt. Also reported was the possibility of storing French wheat bought by Egypt in France and an extended payment period for wheat sales of nine to twelve months from shipment.

Coarse grain production is seen slightly lower than last year by the USDA at 6.7Mt (6.9Mt). Of this total, maize (harvested in October/November) is expected to account for 5.6Mt (5.8Mt), sorghum 0.9Mt (0.9Mt) and barley 0.16Mt (0.16Mt). USDA reported a 10% increase in the area sown to maize in April, but high fertiliser prices and a shortage of crop protection products in the country are believed to have adversely affected yields this year.

Libya

Libya's production potential remains limited, and the country is expected to continue to rely on wheat, maize and barley imports for the 2013/14 season. FAO reports normal weather conditions for the 2013 grain crop and production is seen by the USDA at 210Kt, in line with last year, (112Kt of wheat and 98Kt of barley). The government, which is addressing the problems left over from the 2011 civil war, aims to increase cereal production to 0.8mt by 2020.

North Africa Crop Update

Morocco

Total cereal production in 2013/14 is estimated by the USDA to increase by 81%, compared to 2012, following well distributed rainfall throughout most of the growing season. In April the USDA estimated that the area sown to grain was 1.4% lower than last year with **wheat plantings** up 4.4% to 3.28Mha (2.24Mha of common wheat and 1.04Mha of durum). **Barley plantings** were down 10% to 1.69Mha. A government programme encouraged the use of certified seed by providing 40-60% of the cost, and has also aided the timely application of fertiliser and irrigation, where needed. Due to good weather conditions and improved cultivation techniques, total wheat production is put at 6.8Mt, up from 3.9Mt last year. This is expected to lead to a 39% decrease in wheat import requirements in 2013/14 (from 3.3Mt to 2.0Mt).

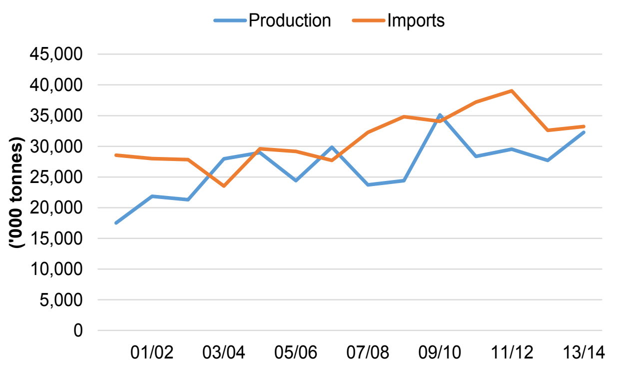
Coarse grain production is seen up from 1.4Mt to 2.8Mt with barley production seen more than doubling from 1.2Mt to 2.6Mt despite the smaller sown area. The EU MARS Bulletin for May reported that "*vegetation greenness is higher than average and canopy growth started earlier and lasted longer than average*". Thus, wheat and barley yields are forecast to increase by 51.2% and 99.5% respectively (compared to 2012).

Tunisia

According to the Tunisian government, the area sown to cereals for 2013/14 was around 1.4Mha, lower than the 1.5Mha intended due to insufficient rainfall during the sowing season in November/December. Rainfall during January to March helped crop establishment, but overall conditions have been dry and yields are seen below both last year's levels and the five-year average. **Total wheat production** (of which around 80% is durum) is seen down 18% to 1.1Mt, while barley production is seen down 17% to 375,000 tonnes. Wheat and maize imports are therefore seen slightly higher than in 2012/13 at 1.85Mt and 850Kt respectively. Barley imports are seen at 500Kt, the same level as last year.

In the longer term, the government aims to increase cereal production to 2.7Mt to achieve self-sufficiency. Policies in place to reach this goal include increasing the area of irrigated land, raising support prices and encouraging the use of certified seed. However, structural problems relating to the size and ownership of land as well as the distance between the main arable areas and the principle water reserves in the country, will continue to hamper developments in the country for some time.

Figure 2 Production and imports of cereals (excluding rice) in North Africa

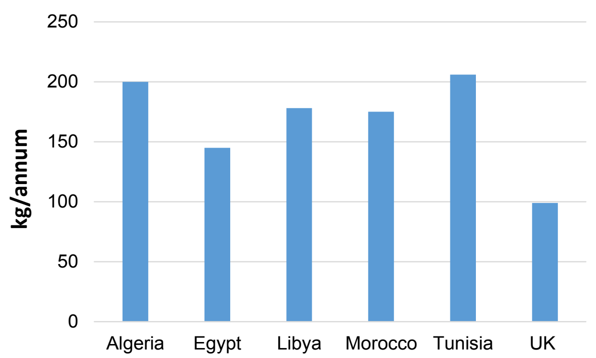


Source : USDA

Closing comments

Figure 3 shows that per capita usage of wheat remains amongst the highest in the world in this region. Following the civil unrest of 2011, food security remains a politically sensitive issue in all the North African countries. New governments in the region are trying to encourage domestic production in difficult economic circumstances. Generally good rainfall across the region in the past year has ensured an overall increase in production of cereals for 2013/14. This might impact on import requirements from the region.

Figure 3 Usage of wheat per capita in North Africa and UK in 2009



Source : FAO

Main Points

- North African cereal production seen up 17% to 32.3Mt
- Production recovery expected in Morocco
- Algeria and Egypt also expect larger crops
- Official expectations in Egypt may be higher than final outcome
- Dry conditions in Tunisia have led to area and yield decreases

Cereal Breakfast Trends

There has been a shift in consumer eating habits at breakfast over the last few years, impacted by a number of trends. As a result, traditional breakfast items such as bread and cereal face increasing competition.

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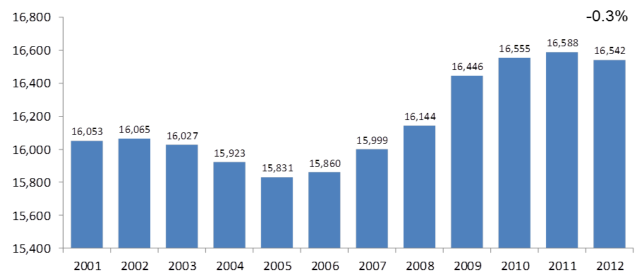
Introduction

With grains constituting part of the majority of breakfast foods, understanding breakfast trends provides insight on the demand pattern for the relevant grains. At the start of the recession, there was large growth for in-home breakfast consumption, as consumers tried to save money. This growth has since plateaued; with breakfast occasions in the 12 months November 2012 similar to the previous year at 16.5 billion.

Figure 1 In Home Breakfast Food: Millions of Meal Occasions (12 m/e November)



Source: Kantar usage

Changing breakfast habits

The desire to save money has impacted choice, as more people now choose filling items to get through to lunch without spending. There has also been growth for indulgent items as consumers look for small ways to treat themselves. Furthermore, consumers are less motivated by health. When money is tight, the perception that healthy products are more expensive reduces consumer interest. However, as consumer confidence rises, a return to health drivers is expected. The number of consumers choosing a product because they 'fancied a change' has also declined since 2009.

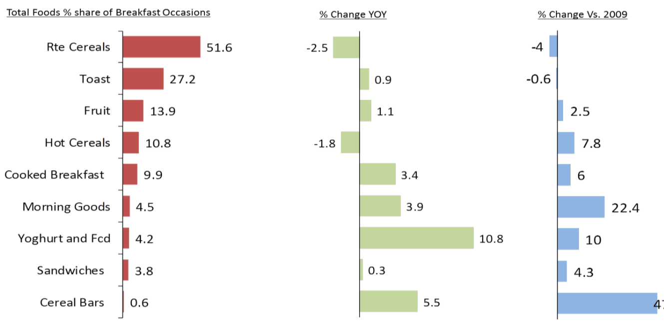
Convenience is highly valued as many consumers are 'time-poor' and lead busy lives. The evolution of **breakfast biscuit category** helps consumers fit breakfast in, and the success of porridge pots shows that consumers are prepared to pay more for formats that are quick and easy.

Breakfast cereals remain a staple at breakfast time, eaten by nine in ten consumers. **Ready to eat cereals** appear at 8.5 billion occasions (over half of all in-home breakfasts), which represents a 2.5% decline year-on-year, due to competition from the variety of other breakfast products on offer. However, the **hot cereals market** continues to strengthen, boosted by the health and value credentials of oats.

Health attributes are key in cereal choice, particularly fibre, wholegrain and sugar content. Over 55s have the lowest usage of cold cereals, which could hinder the market as the population ages. This group takes the most interest in the nutritional content particularly fibre, so cereals with added health credentials could stand to gain. (Mintel Breakfast Cereals-UK, Aug 2012).

Toast is eaten for breakfast regularly by 80% of adults, and in-home consumption has increased by 1% y-o-y. However, retail volume sales of bread have been in decline, due to a drop in the amount bought per trip, suggesting that consumers may be buying one variety that the whole family likes, in order to save money. Half of bread consumers report that they now freeze bread more often, to make it last longer, which could also be impacting sales (Mintel Breads and Baked Goods-UK, Jan 2012). **Morning goods (such as croissants, brioche)** have seen larger increases in consumption, with strong retail sales performance to match. These products benefit from their more indulgent positioning, at the expense of ready to eat cereals.

Figure 2 Kantar World Panel Usage: In Home Breakfast Consumption, November 2012



Source: Kantar Usage 12m/e November 2012

Over the last year, **there has been a growing trend for more consumers to eat breakfast out of the home**, despite a relatively sluggish foodservice market. Breakfast represents a cheaper meal to eat out of home, and growth is expected to continue. (NPD Crest 12 m/e, Mar 2013).

Concluding comments

There are still opportunities for cereal based products at breakfast both in the home and out, with breakfast being skipped less often than in previous years. Consumer demand for convenient and good value products will continue to determine product choice over the coming months as recessionary pressures continue to be top of consumers' minds.

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