



MI Prospects



Early Snapshot of 2014/15 - back to the Norm?

The **first USDA supply and demand report in two months** was a much awaited affair, but so far has seen relatively little volatility in response. Although there remain several areas to watch, the latest estimates largely reiterated record grain supplies and the potential for some stock recovery over 2013/14 – with increasing volumes harvested.

One of the areas to watch is demand, with signs of maize demand (at least for animal feed) being re-stimulated partly at the expense of wheat. The impending Argentine wheat harvest and growing conditions for newly planted maize crops across South America are also in focus.

The final results of the 2013 AHDB/HGCA Cereal Quality Survey confirm that for wheat and barley, quality returns to or even exceeds pre-2012 levels. For wheat, this means that the **UK quality compares favourably with France and Germany**, the EU's two major exporters, supporting the expectation that the UK's import requirements will switch from milling to feed grains.

Finding additional demand is the challenge after the **largest UK oat crop for 40 years** and strong competition on export markets. More insight into how supply will line up against demand will be provided by the first estimates from Defra on 27 November.

Tentatively, early information is **beginning to emerge on the prospects for harvest 2014/15**. Globally, the International Grains Council suggests that the wheat area could increase by 2% due to generally favourable planting conditions in the Northern Hemisphere, where planting is drawing to a close.

In the UK, the **Early Bird Survey provides an early snapshot of planting intentions for harvest 2014**, with a more typical pattern expected after the extremes of 2013. A larger wheat area and reduced spring plantings may be more typical but this leaves no place for complacency as it is global supply that will determine the ultimate price level.

Helen Plant

The first UK supply and demand estimates from Defra will be released on 27 November and available to download from www.hgca.com/markets with analysis in the next issue of Prospects.

In this issue...

Early Bird Survey of GB Cropping Intentions

Early GB planting intentions for the 2014 harvest suggest a sharp rise in the total GB, and so UK, wheat area from the 2013 harvest, whilst the area of spring barley, pulses and fallow land is expected to fall back nearer to previous levels.

Final 2013 Cereal Quality Survey (CQS) Results

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French and German 2013 Wheat Quality

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Oat Market Update

The 2013 UK oat crop is provisionally estimated at 957Kt, the largest since 1973 following a massive increase in spring oat plantings. Animal feed demand and export levels will be critical to balancing the crop, although the UK faces strong competition for exports from Finland and Sweden.

Early Bird Survey - 2013

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Introduction

The Early-Bird Survey (EBS) is undertaken each autumn to assess national cropping intentions. The survey is led by The Andersons Centre and involves the Association of Independent Crop Consultants (AICC).

A team of 35 agronomists took part in the survey to gather data from 280Kha of arable land across all regions of Great Britain to establish cropping changes on individual farms as a representation for the national change in cropping. The results from the survey in previous years have represented reasonably accurate forecasts of actual harvested areas.

Methodology

The survey is based on measuring cropping change from the harvest just finished, with the current growing season and plans for spring drilling. Each farm is individually selected as those with no net change to their arable area, or where there is change, it can be reconciled within the rotation. In other words, because the survey measures the percentage change of each crop, the total crop area has to remain unchanged overall. **Using the results from DEFRA's UK June Survey, it is possible to forecast UK crop areas for harvest 2014.**

Results

The results from the EBS are shown in Figure 1 and have been extrapolated onto the data from the UK June Survey to produce forecasted crop areas for the 2014 harvest. Winter drilling conditions have been excellent in most parts of the UK, the antithesis to the previous year. **Under these conditions, the UK tends to see a high proportion of autumn drillings with limited space remaining for spring cropping. This is the case this autumn too.** It is worth remembering that as many farmers did not end up with the rotation they initially planned, there are some issues with returning their farms back to their ideal rotations.

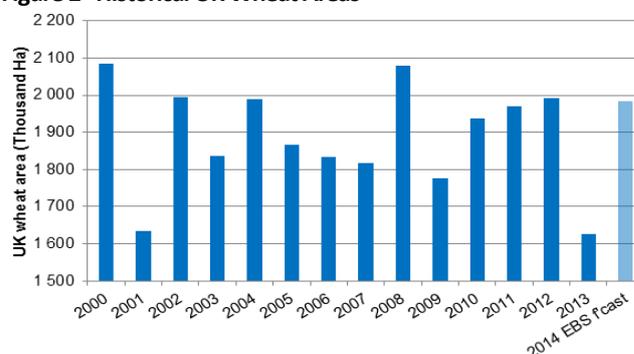
Figure 1 Early Bird Survey (EBS) Estimates of UK Crop Areas for Harvest

Thousand Hectares	DEFRA June Survey 2013	EBS Forecast 2013/14	Change
All Wheat	1,626	1,983	+22%
Winter Barley	313	484	+55%
Spring Barley	902	534	-41%
Oats	176	130	-26%
Other Cereals	26	13	-51%
OSR	715	740	+3%
Other Oilseeds	38	14	-62%
Pulses	148	145	-2%
Arable Fallow	255	164	-36%
Other Crops on Arable Land	565*	558	-1%

Wheat

The wheat area is forecast to increase by 22% to 1.98Mha (including spring wheat). This would be a high area of wheat comparable with the area of 2012 area, as depicted in Figure 2.

Figure 2 Historical UK Wheat Areas



Source: DEFRA, AHDB/HGCA, The Andersons Centre

The rebound in area for 2014 is the first step towards the UK returning to the wheat export market, after an absence of two seasons. To achieve this though, **reasonable weather will be needed to build both yield and quality** – something that cannot be assumed confidently given recent seasons. However, if this is achieved then UK wheat will have to increase its price competitiveness, not just to stimulate exports, but also to recapture demand in the domestic feed market, which is expected to be rationed this season (2013/14).

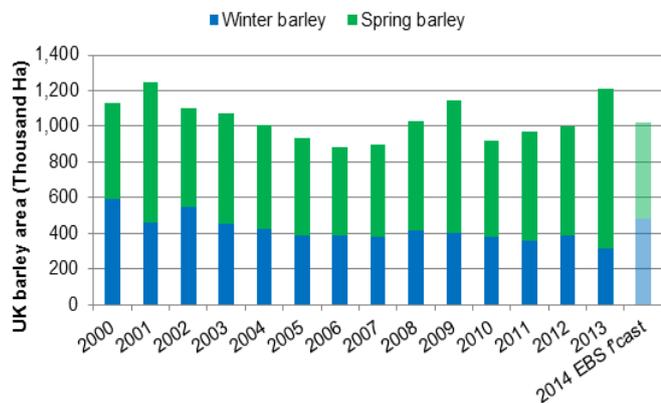
Barley

Excellent planting conditions also explain why **winter barley plantings are forecast to increase considerably, by 55%** to 484Kha. If correct, this would be the **highest winter barley area for a decade**. Whilst this figure seems slightly surprising, we note that a number of growers this year are considering a broader set of factors in their drilling plans above the financial margins. For example, the opportunity to extend the combining period is seen as more important than in recent years so could explain this barley area. Some of the newer varieties, which are high yielding feed varieties, are also being adopted by several growers.

Early Bird Survey - 2013

The **spring barley area** is forecast to be substantially lower, as expected, by more than 40% to 534Kha. This is within the tight range of areas in the years that followed a high area year such as 2001 to 2002 (555Kha) and 2009 to 2010 (539Kha).

Figure 3 Historical UK Barley Areas



Source: DEFRA, AHDB/HGCA, The Andersons Centre

Although the forecast total UK barley area is, as expected, sharply down on 2013, it is still the second highest since 2009. With a **renaissance of winter feed barley**, this could well present a challenge for the market. Technical limitations in the feed industry essentially put a cap on how much feed barley can be used domestically, meaning that **exports are likely to remain important**. This may well maintain a noticeable spread between feed wheat and barley prices, although possibly not as wide as experienced this season.

Oats

The **oat area is forecast down by 26%** still leaving a surprisingly high area of oats, although DEFRA's 2013 oat area of 176Kha is also considerably higher than most people expected. In 2012, the UK oat area was 122Kha.

Oilseed rape

The **oilseed rape area is showing a small increase of 3%** which, if the 2013 DEFRA figures are correct, would make it 740Kha. **If true, this would represent the second highest oilseed rape area ever cropped in the UK behind 2012 (756Kha).**

Pulses

Pulses are forecast to make a small reduction in area to 145Kha leaving an area still higher than recent years. This is, possibly again, due to farmers looking for ways to extend the harvest and drilling periods, and make more from other resources rather than simply land.

Other crops and fallow

Fallow land is seen reducing by 36% to 164Kha, back within the range of expected fallow land in years of good drilling conditions. This fallow includes environmental scheme land as well as land fallowed for other reasons.

Much land fallowed for agronomic purposes is actually grassed. An interesting point to note is that the DEFRA 2013 figures suggest the area that eventually remained fallow last season was only 255Kha, a snip more than the fallow land in 2009. This demonstrates the farmers' determination to have some kind of crop in the ground. By 1 June (the cut - off date for the DEFRA survey), there had been some weeks of excellent weather but some expected a greater fallowed area.

The area of other crops on arable land (potatoes, sugar beet, vegetables and forage crops) is almost unchanged. It is not examined in great detail so changes within these crop types are not identified.

Closing Comments

The survey represents a snapshot at a given point in time, so should be interpreted carefully. The reliability of the larger crops is greater, as are the winter crops since they are actual plantings compared with planting intentions. However, if this picture of crop areas is a reasonable guide to what will be harvested next summer, then the UK could have a large cereal crop and net wheat exports will be back on the agenda.

Key Points

- UK wheat area forecast to increase by 22% to 1.98Mha in 2014.
- Winter barley area to increase to the highest in a decade.
- The oat area is forecast to decline by 26% but still on the high side.
- The oilseed rape area is projected at the second highest on record, after 2012.

Final 2013 Cereal Quality Survey (CQS) Results

Following the publication of the two sets of provisional results, the final CQS results confirm that GB wheat and barley quality has recovered to pre-2012 levels.

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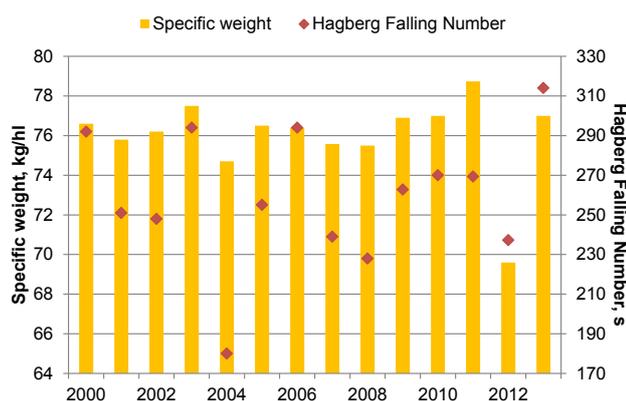
Introduction

The [final results of the AHDB/HGCA Cereal Quality Survey for 2013](#) were published on 7 November. There is little change between the final results and those published in October ([see Prospects Vol 16, Issue 8](#)), with the total data revealing an improvement in grain quality from 2012 and a recovery to levels seen prior to the poor results obtained in 2012.

Wheat

Results obtained from 64,176 wheat samples are presented in Figure 1. At 77.0 kg/hl, the **average specific weight** is slightly below the 2009-2011 average (77.5 kg/hl), but remains a marked improvement from 2012. Please note that for comparative purposes, the 2009-2011 average is a more accurate number to use as the 2010-2012 average is distorted by 2012's poor results. The **Hagberg Falling Number (HFN)** is considerably higher than the 2009-2011 average (267s) due to dry weather during harvest this year. At 314 seconds, **it is the third highest on records dating back to 1977** (334s, 1990 and 315s, 1989). Although the **average protein content** (12.2%) is lower year-on-year, it is above the 2009 - 2011 average (11.8%) and is, anecdotally, considered to have better functionality due to the presence of more gluten protein.

Figure 1 Final CQS Wheat Results



Source: AHDB/HGCA

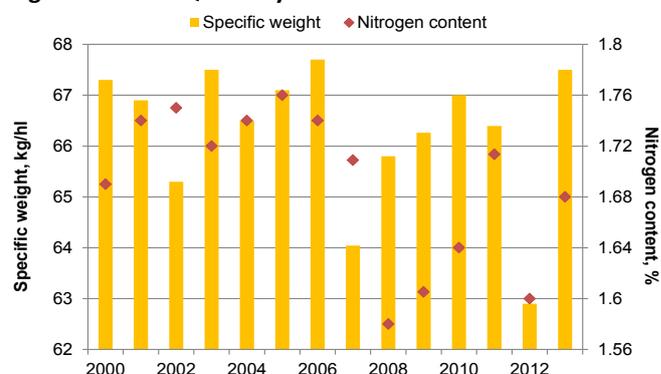
Quality results were generally consistent across all regions. The percentage of wheat samples meeting full specification for high quality bread wheat (76kg/hl, 250s, 13% protein) at 38% was similar to 2011 results (40%), and considerably higher than the 3% meeting these requirements in 2012. The higher proportion of milling quality wheat out of this year's lower crop suggests that feed wheat demand may be rationed.

Barley

The final results comprise 41,883 samples with spring barley accounting for 79% of all samples. The dominance of spring barley is not surprising as the planted area was higher than that in 2012. Generally, quality results for spring barley were marginally better than those obtained for winter barley across all regions. The majority of total barley samples were from Eastern England (28%) and Scotland (26%). **There was a strong bias for the Concerto variety in Scotland as it accounted for 56% of all samples analysed.**

Figure 2 shows that this year's barley specific weight stands at 67.5 kg/hl, a large improvement from 2012's final figure of 62.9 kg/hl, and **the highest recorded since 2006**. On a regional basis, average barley specific weights ranged from 66.4 kg/hl in Scotland to 68.2 kg/hl in South East England.

Figure 2 Final CQS Barley Results



Source: AHDB/HGCA

Nitrogen content, at 1.68%, is unchanged from the value recorded in the October release. Barley nitrogen content this year is higher than that in 2012 and is above the 2009-2011 average. The highest average nitrogen content was recorded in the Midlands (1.73%), with the lowest in Scotland (1.62%).

Screening results, at 1.7% for grain passing through a 2.25mm sieve and 94.4% for grain retained by a 2.5mm sieve, are just below the 2009-2011 average but are considerably better than 2012 results. Scottish screening results were the best for a given region.

Closing Comments

As supported by the final CQS 2013 results, GB grain quality has recovered to levels seen before 2012. GB **wheat** production in 2013 was the lowest since 2001, indicating that this year, the emphasis is on quantity rather than quality. On a purely domestic level, this would imply a support to prices, but the UK continues to operate as part of a global market, which is currently experiencing a downward price trend, due to large grain production forecasts.

The highlight for GB **barley** this year is both quality and quantity, as 2013 provided the largest UK crop in 15 years. On a global level, barley production is forecast to be the highest since 2009 (USDA). This paints a bearish picture and makes barley a more attractive option to feed wheat in GB this year, as supply of the latter is pressured by a higher proportion of milling quality wheat.

French and German 2013 Wheat Quality

The German wheat crop showed higher HFN but lower protein content compared to 2012. However, survey results suggest that German wheat remains the best quality wheat, based on comparable parameters with French and UK wheat.

Sarah Nightingale, External Contributor

Introduction

This article summarises the 2013 wheat quality survey results for both France and Germany. The **French publication**, “Qualité des blés français” was published by FranceAgriMer (a government agency) and ARVALIS – Institut de Végétale (a research institution financed and managed by producers). The **German results** were issued by the Max Rubner Institute (Federal Institute of Nutrition and Food). These publications give domestic and international buyers an indication on how the French and German wheat will perform in the various processes for which they are destined, plus the availability of the different quality classes this season.

French Wheat Quality

Despite difficult weather conditions from autumn 2012 through to the late spring in 2013, **French wheat production** is seen up from 35.6Mt in 2012/13 to 36.7Mt this season. As Figure 1 shows, a higher proportion (58%) of this year’s wheat harvest falls in the top two categories (E,1) classified as “superior” wheat. Overall, there is **increased availability of milling wheat** (Classes E,1 and 2) this year, amounting to 32.4Mt, up from 31.3Mt last year. The total quantity of “superior” grade wheat also increased to 21.1Mt in 2013 (18.5Mt, 2012) (Figure 2).

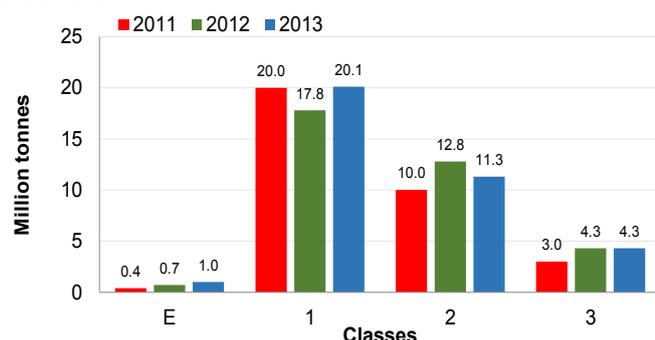
Figure 1 Official French Wheat Classes and Proportion of Production in each Class

Wheat Classes - Quality Parameters			% of Production in each Class			
	Protein	W	Hagberg	2011	2012	2013
E	≥ 12%	≥ 250	≥ 220	1	2	3
1	11-12.5%	160-250	≥ 220	60	50	55
2	10.5-11.5%	*	≥180	30	36	30
3	<10.5%	-	-	9	12	12

* Depending on contract

Source: France Agrimer, ARVALIS

Figure 2 Quantity of Common Wheat in each French Class, 2011 - 2013



Source: France Agrimer, ARVALIS

Figure 3 shows the results of the 2013 wheat quality survey compared with the previous two years’ results. **Average protein content** is a little lower this year at 11.2%. Relatively slow development of the crops due to excess rain last winter and the cold spring affected their ability to utilise the applied Nitrogen fertiliser. Regional averages within the country ranged from 10.4% to 12.2%. The **average specific weight** of 77.6 kg/hl has increased on 2012, this is attributed to the dry conditions at the end of the growing season allowing good grain fill. **A slight adjustment to the method of measuring specific weight means that this year’s results are not directly comparable with previous years.** However, the new adjustment resulted in slightly lower specific weight readings for wheat; thus, the increase over last year is probably a little larger than the 1.5 kg/hl shown in the table.

Figure 3 French Wheat Quality Survey Results

Quality Parameters	2011	2012	2013
Protein (% on DM basis)	11.5	11.4	11.2
Specific wt (kg/hl)	79.4	76.1	77.6
Moisture content (%)	13.7	13.4	13.5
Hagberg (% > 220 secs)	81%	72%	99%
Wet gluten content (%)	-	22.6	21
Gluten index (%)	-	81	83
W value	-	190	180
P/L	-	0.6	0.9

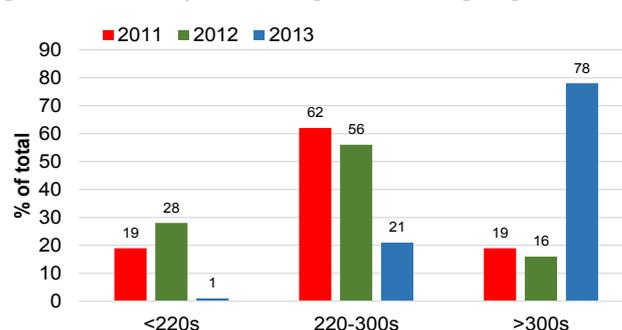
Source: France Agrimer, ARVALIS

Average moisture content, recorded as the grain entered the silos, is a little higher than last year at 13.5%. The country average is raised by samples taken in the regions bordering the English Channel where moisture content averages were higher than other regions, ranging between 14.0% and 14.6%.

With regard to protein quality, the average **wet gluten content** is a little lower than last year’s average. However, the average **gluten index** is slightly higher, indicating strong, elastic dough for millers. While 22% of samples last year had a gluten index of less than 70, only 7% of samples fell below 70 this year.

As Figure 4 shows, there are some very good **Hagberg** results this year. The dry summer and varietal choice meant that there was practically no germination problem prior to harvest and 99% of samples exceeded 220 seconds.

Figure 4 % of Samples meeting different Hagberg Criteria



Source: France Agrimer, ARVALIS

French and German 2013 Wheat Quality

The **Chopin Alveograph test** was carried out on flour from the French wheat samples which had a protein content of over 10.5% and Hagberg Falling Number (HFN) values of over 180s. The average W (baking strength of dough) value of the 485 samples tested was lower than last year's average, while the average P/L (dough strength and extensibility) ratio increased this year. Only 12% of the tested samples showed a P/L of less than 0.6 compared to 48% of samples last year. See the [HGCA website](#) for further explanation of the Chopin Alveograph test.

German Wheat Quality

As in France and the UK, the 2013 German wheat crop is characterised by **very good HFN values**. Over 98% of all wheat tested exceeded 220s. Bread wheat samples exhibited slightly **lower protein contents** (like France) and sedimentation values but higher gluten indices which resulted in larger baking volumes. Figure 5 shows the different quality groups for German wheat and the proportion of the 2013 wheat harvest in each of these categories. Figure 6 shows the average quality results of the three bread making classes of German wheat in 2013 compared to the results from 2012.

Figure 5 German Wheat Quality Groups and Proportion of 2013 Production in each Group

Quality Parameters	Quality group	Protein (% DM)	Sedimentation (ml)	RMT vol (ml/100g)	% of 2013 harvest
Elite wheat	E	14.1	56	713	9.4
Blending wheat	A	12.9	44	678	47.5
Bread wheat	B	12.1	37	628	21.8
From other EU MS	EU	12.7	46	-	10.8
Other	C	11.7	24	-	4.7
Unknown	Un-known	-	-	-	5.8
Total		12.8	43	672	100

Source: MRI, October 2013

Figure 6 Average Quality of German Breading Wheat by Class

	E-Varieties		A-Varieties		B-Varieties	
	2012	2013	2012	2013	2012	2013
Ash content (% DM)	1.62	1.67	1.57	1.62	1.60	1.62
Protein content (%DM)	14.5	14.1	13.4	13.1	12.5	12.3
Sedimentation value (ml)	68	60	55	49	38	39
Coarse meal gluten content (%)	30.8	28.5	28.2	26.6	26.4	24.2
Gluten index	82	93	76	85	72	87
HFN	330	351	325	359	266	326
Flour Yield (T-405) (%)	72.0	74.9	71.7	75.2	70.3	73.1
Water uptake (%)	59.2	59.8	60.0	60.9	58.8	60.0
Baking volume (ml/100g)	685	711	652	669	571	621

Source: MRI, October 2013

Comparison of UK, French and German wheat

Figure 7 shows the comparable quality parameters for UK, French and German wheat in 2013. All have high HFN results, indicating few sprouting problems for these wheats. German wheat generally has the highest protein and wet gluten content, followed by the UK. The strength of dough made from UK bread making wheat is also high as demonstrated by the W value, and is most likely to show more extensible properties than French wheat as indicated by the lower P/L values for both biscuit and bread wheats in the UK.

Figure 7 Comparison of UK, French and German 2013 Wheat Quality Results

	UK		French		German
	UKP	UKS	All	Biscuit	
Specific weight (kg/hl)	77.0		77.6		-
Hagberg (secs)	314		>300		352
Protein cont (% DM)	12.2		11.2		13.1
Moisture (%)	14.7		13.5		-
	UKP	UKS	All	Biscuit	-
Wet gluten content(%)	23.3	21.5	21	-	26.5
W value	220	82	180	97	-
P value	65	27	68	-	-
P/L	0.62	0.22	0.9	0.6	-
G	22.6	24.1	19.7	-	-

Source: AHDB/HGCA, France Agrimer, ARVALIS, MRI

Concluding Comments

The generally higher content of protein and wet gluten in German wheat indicates it is of greater value to the milling industry than UK and French wheat. UK wheat will therefore have to be priced accordingly to compete with German wheat on the export markets. The quality of UK wheat however compares favourably with wheat from the other two major north European producers, thus, UK millers are likely to meet more of their wheat requirements from the domestic market this year.

Key Points

- A greater proportion of the 2013 French wheat harvest meets the "superior" wheat quality specification, compared to 2012.
- As in France and the UK, the 2013 German wheat crop is characterised by very good HFN values.
- Results suggest German wheat quality is best but UK wheat quality compares favourably.

Oat Market Update

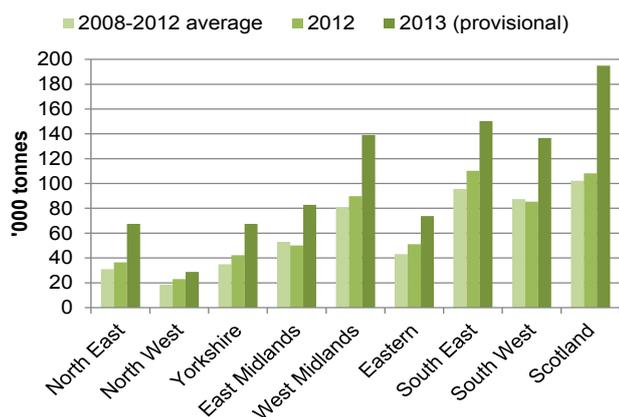
The 2013 UK oat crop is provisionally estimated at 957Kt, the largest since 1973 following a massive increase in spring oat plantings. Animal feed demand and export levels will be critical to balancing the crop, although the UK faces strong competition for exports from Finland and Sweden.

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The 2013 UK oat crop is provisionally estimated at 957Kt, up 55% from 2012 and the largest in 40 years. A massive increase in spring plantings after the difficult winter planting season in 2012 is the main reason behind the larger crop. The total UK oat area is estimated at 176Kha, versus 122Kha in 2012.

As shown in Figure 1, all regions with available data (excluding Northern Ireland and Wales) experienced increases in both planted area and production. Defra estimate the **2013 UK average yield at 5.5t/ha** up from 5.1t/ha last year but still slightly below the average of the previous five years (5.6t/ha).

Figure 1 UK Oat Production by Region



Source: Defra

While yields are reported to be lower than 2012 in the Eastern, North East and South East regions of England, this is more than offset by the higher area. In Scotland, the average yield is provisionally estimated at 6.1t/ha, just below the record of 6.3t/ha (2010) but considerably above 2012's 4.6t/ha (Scottish Government).

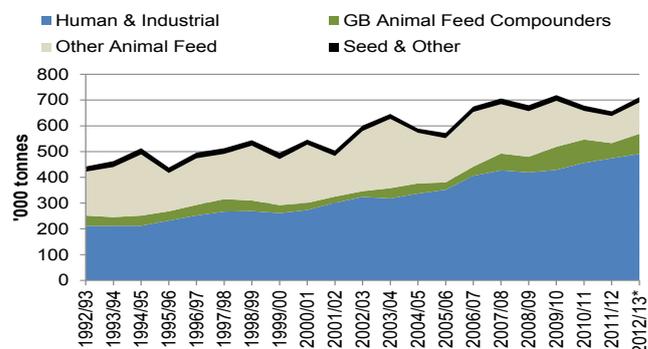
UK Demand

Although usage of oats within the UK has been on an upward trend over the past 20 years (Figure 2), the largest oat crop since 1973 still presents a considerable challenge.

The growth in demand in recent years has been driven by the **Human and Industrial (H&I)** sector - primarily food use, increasing by an average of 4% per year (2002-2012). Using 2012/13 H&I usage of 0.49Mt as a base, a 4% increase would equate to a further 20Kt of oats compared to an additional 348Kt of production. The first quarter's usage data for UK oat millers (July-

September) showed a 6% increase compared to 2012/13. The first forecast of the total 2013/14 demand will be published on 27 November.

Figure 2 UK Oats Usage



* under investigation

Source: Defra

For **animal feed demand**, oats need to compete with the largest barley crop since 1997 and the expected high volumes of imported maize. While the current price differentials suggest oats are trying to compete, incorporating three cereals in rations presents logistical challenges to feed compounders, which may limit the volumes used. In July to September 2013, **GB feed compounders** used 17.4Kt of oats, up from 13.8Kt in the same period in 2012. However, a far greater proportion of oats have historically been fed on farm than used by GB feed compounders (Figure 2), which is difficult to monitor.

The average **ex-farm price** for oat sales completed in the October 2013 for delivery in the same month was £114.20/t, compared to over £200/t a year earlier and reflects the higher volume of oats grown without a destination arranged. Over the same period, ex-farm oat prices were at a discount of £41.50 /t to feed wheat and £19.40/t to feed barley, compared premiums of more than £30/t and £47/t respectively a year earlier.

Trade levels

2013/14 is likely to have a different trade pattern, compared to the previous two seasons, which saw high levels of oat imports and limited exports (Figure 3). So far in 2013/14 (July – September) the UK has exported just under 7Kt of oats. While this is a considerable increase on the last two seasons, it is still much lower than 2010/11 (the last season the UK exported more oats than it imported).

Figure 3 UK Trade in Oats

000 tonnes	2010/11	2011/12	2012/13	2013/14
Exports				
July - September	30.0	5.4	2.3	6.9
Season total	53.0	16.1	12.9	n/a
Imports				
July - September	4.9	10.4	10.2	22.7
Season total	18.7	57.1	70.9	n/a

Source: HMR&C

Oat Market Update

Imports in July - September 2013 were also higher than in recent years. This reflects the relatively late start to the UK harvest (10% of the GB area cut by 13 August), as well as perhaps some 'insurance' against the unknowns both in terms of quality and quantity.

In the GB harvest round up for 2013, ADAS reported a range in the specific weights achieved ([click here for the report](#)) but suggested an average of around 52kg/hl. As this represents a significant improvement from the quality issues reported in 2012, it would be practical to expect **import levels to decline as the season progresses**. However, the level of exports will depend on the UK's ability to compete with the major European oat exporters, Finland and Sweden.

European oat production

Total EU-28 output is estimated at 7.92Mt – up 1% from 2012 with increases in production confirmed for both Finland and Sweden (Figure 4).

Figure 4 EU Oat Production - Selected Countries

000 tonnes	2011	2012	2013	% change
Finland	1,043	1,073	1,212	13.0%
Sweden	692	731	799	9.3%
Germany	627	757	626	-17.3%
Spain	1,079	681	939	37.9%
EU-28	7,809	7,848	7,922	0.9%

Source: Agricultural Ministries, IGC

Pre-harvest forecasts by the Agriculture Ministry suggest the **Finnish oat crop could reach 1.21Mt** in 2013, a 13% increase on 2012. This is supported by the results of a survey of farmers commissioned by VYR (Finnish Grain Association), which projects a crop of 1.25Mt, while the latest International Grains Council (IGC) estimate is slightly lower at 1.16Mt.

Despite some early reports suggesting a negative impact from dry weather conditions through June and July, quality is generally looking good. Initial estimates from Evira (Finnish Food Safety Authority) suggest **92% of the crop achieved a specific weight above 52kg/hl** and 29% above 58kg/hl. This is down from the excellent 2012 crop, when 96% had a specific weight above 52kg/hl with 59% above 58kg/hl but is still historically high.

The **Swedish crop** was forecast at 0.80Mt by Statistics Sweden in August, assuming 'normal' weather conditions going forward, 9% larger than 2012 and the **biggest crop since 2008**. This is supported by the recent IGC estimate of 0.83Mt. The first official post-harvest estimates for both Finland and Sweden are due later this month.

Germany harvested 626Kt of oats in 2013 according to provisional numbers from Destatis (Federal Statistics Office). While 17% lower than 2012, the crop is larger than the first estimate of 614Kt and the August forecast of 550Kt from the IGC. If confirmed, the 2013 crop would be similar in size to that of 2011/12 when Germany imported 294Kt of oats; last season imports totalled 275Kt. Germany has one of the largest oat milling industries in the European Union and the current crop estimate suggests the country may have increased import requirements this season but perhaps not as high as the initial forecast suggested.

Canada / EU Free Trade agreement

Over the next seven years, the situation in Canada is likely to become increasingly important for the EU and UK oat markets, following the recent free trade agreement. Currently there is a Eur 89/t duty on oats imported into the EU but following the agreement, this tariff will be reduced to zero over a seven year period. It is not yet clear how the removal of the duty will be implemented but when it is removed, there is potential to see increased volumes of Canadian oats arriving in the EU.

Concluding Comments

The 2013 UK crop is the largest for nearly 40 years and largely a consequence of the extreme weather conditions seen in late 2012. For oats not successfully delivered against contracts or without a destination allocated, prices have fallen sharply. This is both a consequence of the downward trend in global grain prices and a need to compete with the largest barley crop since 1997 for animal feed demand. A change in trade levels may also provide some assistance to balancing the crop but exports face tough competition from Finland and Sweden.

At this stage in the season, an accumulation of stocks seems likely but data on usage levels and the first estimates of UK supply and demand on 27 November should provide better clarity.

Key Points

- Largest UK oat crop for 40 years.
- Animal feed demand and exports are key areas to monitor.
- Larger crops for Finland and Sweden means tough competition in export markets.
- EU / Canada free trade agreement likely to impact trade levels going forward.