



MI Prospects



Analyst's Insight: Great Expectations

The oilseeds market is, potentially, looking at another record breaking year. Since the end of June, new crop soyabean prices have taken a nosedive, helped by news from the USDA that a record US area has been planted and that the old crop stock situation isn't as tight as feared. Add to this reports that the US soyabean crop is in the best condition in two decades, then relatively little pessimism towards production exists.

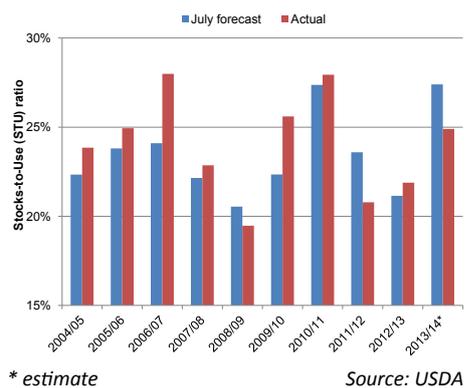
As soyabeans dominate the oilseed market, in terms of relative volumes, it's important to be aware of this sector as it will influence rapeseed prices. Although, it must be said that prospects for the EU rapeseed crop aren't looking bad either, with some forecasters expecting record output.

Anyway, back to soyabeans – the July supply and demand estimates from the USDA predict a considerable surplus of soyabeans in the US, and globally, in 2014/15, leading to higher stocks and, consequently, lower prices. The stocks-to-use (STU) ratio for US soyabeans is seen at 22.2%, considerably higher than last season's figure of 8% and the highest since 2006/07. At a global level, the soyabean STU ratio is forecast at a record 30.1%.

However, things can change - not only in terms of production numbers between now and the US harvest in November, but also in terms of demand throughout the coming season. Figure 1 compares the July USDA forecasts of global soyabean STU ratios over the past decade with the actual ratios for that year.

In most cases, the actual STU ratio was higher than that forecast in July, but in more recent years, the opposite has been true (especially in 2011 and 2013).

Figure 1 USDA July forecasts of global soyabean stocks-to-use ratio against actual



* estimate Source: USDA

Whether or not the forecast and reality align depends on a number of factors, including, the realisation of the expected output, domestic consumption and exports. Taking last year for, example, both global and US soyabean stocks for 2013/14, relative to demand, were expected to be higher in July than was eventually the case, due to stronger than expected exports to China.

So, while current expectations are great, there are a number of ways that both supply and demand can evolve. Even if a bumper crop is achieved, the demand situation will ultimately depend on price relativities (and, of course, the appetite of the Chinese).

Amandeep Kaur Purewal

GMO-Save the date
 HGCA's flagship Grain Market Outlook Conference will be held on 14 October 2014 at the QEII Conference Centre in Westminster.
 Further details will be available nearer the time.

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 2014/15 US wheat supplies are forecast 9.1% lower, year-on-year due to drought induced yield problems in the southern HRW states, and reduced acreage in the main SRW producing states. US wheat exports are currently forecast 24% down this season, meaning that the EU could overtake the US as the world's leading wheat exporter.

Biodiesel Update Part 1: Trends in UK biodiesel consumption

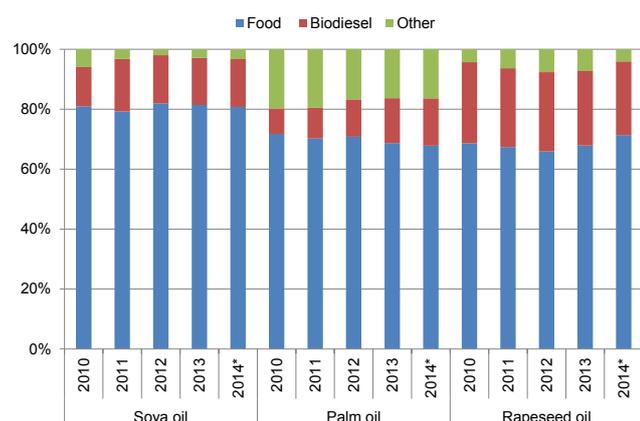
Whilst the use of vegetable oils in global biodiesel production has been increasing, for biodiesel consumed in the UK, the opposite trend has been true, mainly due to EU policy.

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10 July 2014

Introduction – why is biodiesel important?

For the three main vegetable oils (palm, soyabean and rapeseed) biodiesel accounts for a considerable portion of total demand, although the food sector remains the main consumption outlet (Figure 1).

Figure 1 Split between global vegetable oil demand



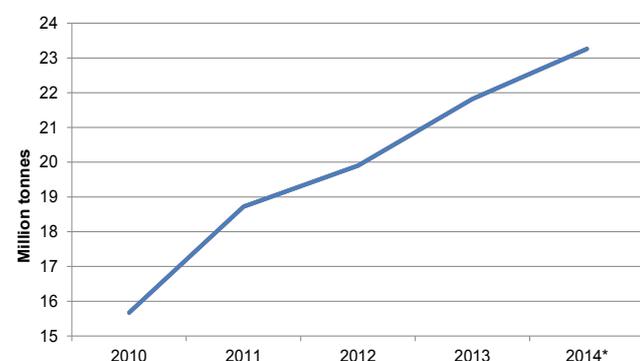
*Forecast

Source: USDA, Oil World

Around a quarter of total demand for rapeseed oil is for biodiesel production, higher than the other oils. Palm oil demand for biodiesel production, however, has shown the most growth. In 2014, almost 16% of total palm oil usage is estimated to be for biodiesel production, compared with just over 8% in 2010.

Global demand for soyabean, rapeseed and palm oils in biodiesel production has been growing steadily over the years, and is expected to reach 23.3Mt in 2014 (Figure 2), 6.6% higher, year-on-year.

Figure 2 Global vegetable oil (soyabean, rapeseed, palm) demand for biodiesel



*Forecast

Source: USDA, Oil World

This article is the first of two parts and examines biodiesel consumption patterns in the UK, focusing on usage in UK road transport fuel. A key point to note is that **the UK is a net importer of biodiesel**, with

imports over the past three years (2011-2013) averaging around 185Kt per year (Oil World).

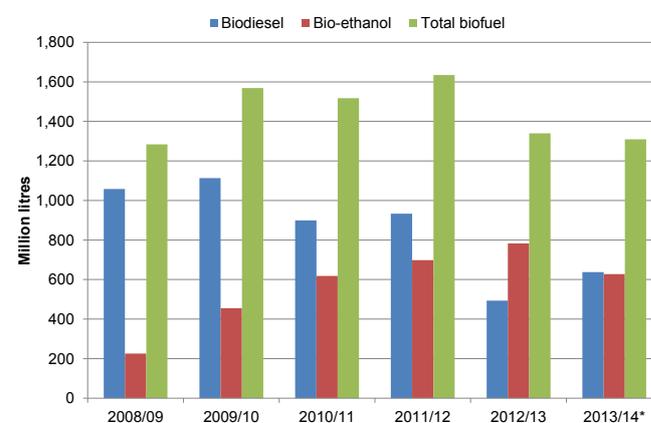
Decline in biodiesel in the renewable transport fuel mix

The Renewable Transport Fuel Obligation (RTFO) acts as a framework to assist the UK government in its aim to reduce greenhouse gas emissions from road vehicles. The incorporation of biofuels, such as bioethanol and biodiesel, is considered as one way to help achieve this objective.

The obligation period runs from April 15 to April 14 and started in 2008/09 (year 1). In 2008/09, the RTFO required 2.5% of total road transport fuel to comprise of biofuels. This figure has increased steadily over the years, with the RTFO for 2013/14 (year 6) and beyond, set at 4.75%.

Figure 3 illustrates the amount of biofuels used in UK road transport fuel since 2008/09 and reveals that, with the exception of 2013/14¹, the proportion of biodiesel has declined, whilst the share of bioethanol has increased. Please note that data for 2013/14 is not final and consists of data received by the Department Of Transport up until 15 March 2014.

Figure 3 Volume of biofuels used in UK road transport fuel



*2013/14 data is not final. It includes data from 15 April 2013 to 15 March 2014. The final data will be published in February 2015

Source: UK Department for Transport

Raw material usage

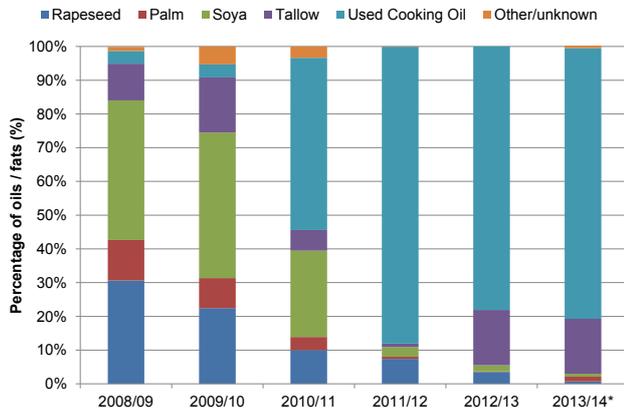
Biodiesel used in UK road transport fuel, over the years, has been produced from various oils and fats. Figure 4 depicts how the raw material, or feedstock, composition has evolved since 2008/09. The proportion of **biodiesel produced from virgin vegetable oils such as rapeseed, soyabean and palm, has declined, with more Used Cooking Oil (UCO) based biodiesel being consumed.**

This shift is mainly due to the Renewable Energy Directive (RED), implemented by the EU Commission, which allows 1 tonne of biodiesel produced from waste or recycled materials, such as UCO, to count as 2 tonnes of biodiesel towards the mandate. This means that **if biodiesel is produced from these waste materials, then only half as much needs to be produced**, compared with

Biodiesel Update Part 1: Trends in UK biodiesel consumption

if “fresh” vegetable oil was being used. Tallow (rendered animal fat from beef or mutton) also counts as a waste material. This policy has had a negative impact on vegetable oil demand for biodiesel production in the EU, and came into effect in the UK on 1 January 2012.

Figure 4 Feedstock origin of biodiesel used as UK road transport fuel

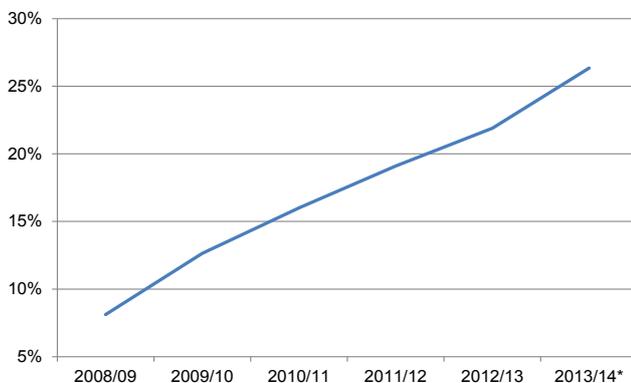


*2013/14 data is not final. It includes data from 15 April 2013 to 15 March 2014. The final data will be published in February 2015
Source: UK Department for Transport

As mentioned earlier, most of the biodiesel used in UK road transport fuel is imported. The main feedstocks used to produce biodiesel in the UK are rapeseed oil, UCO and tallow.

The overall proportion of rapeseed oil derived biodiesel fell between 2008/09 and 2013/14¹. However, the proportion of rapeseed-based biodiesel produced in the UK has increased from around 8% to just over 26% in 2013/14 (see figure 5). Germany and France are the main origins from where a sizeable amount of rapeseed derived biodiesel is imported.

Figure 5 Percentage of UK produced biodiesel (derived from rapeseed oil) in total rapeseed oil derived biodiesel used in UK road transport fuel



*2013/14 data is not final. It includes data from 15 April 2013 to 15 March 2014. The final data will be published in February 2015
Source: UK Department for Transport

UCO derived biodiesel is the main type of biodiesel used in UK road transport fuel, but the amount which originates from the UK has dropped to 31% in 2013/14¹ from 90% in 2008/09.

Concluding Comments

Biodiesel acts as an important source of global demand for vegetable oils. Consumption patterns for biodiesel in the UK, however, show a decline in the amount of virgin vegetable oil-derived biodiesel being consumed in transport fuel. This is primarily due to the RED, which promotes the use of waste materials, in biodiesel production and lowers the incentive to use virgin vegetable oils.

Looking forward, the EU Energy Council has agreed to limit biofuels made from food crops to 7% of all EU transport fuel made from renewable resources by 2020. Originally, up to 10% of food crop derived biofuels could be used, and the 7% limit is a compromise as the initial proposal was to cut this percentage to 5%. This agreement still needs to be approved by the EU parliament, with discussions expected later this year.

It appears from the latest consumption trends that demand for rapeseed oil to produce biodiesel used in UK road transport fuel is limited. However, the edible oils market looks more promising (see [Prospects Vol 16 Issue 7](#)). In contrast, on a global level, the use of vegetable oils in biodiesel production is growing, especially in emerging economies, and this provides an opportunity for providing price support to the vegetable oil sector. A global biodiesel update will be covered in Part 2, due to be published on 24 July.

Key Points

- Globally, biodiesel production is a considerable source of demand for the main vegetable oils
- In the UK, the amount of biodiesel used in UK road transport fuel has declined
- Rapeseed oil derived biodiesel used in UK transport fuel has declined to negligible levels, with waste material based biodiesel dominating the feedstock mix

¹ 2013/14 data is not final- It includes data from 15 April 2013 to 15 March 2014. The final data will be published in February 2015.

Planting and Variety Survey Results 2014

The results of this year's planting survey point to a greater wheat and lower barley area for harvest 2014, although final yields and quality will play a key role in final availabilities. If realised, a larger UK wheat crop would not only require the grain to regain its share in animal feed demand, but also, potentially, in export markets.

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15 July 2014

Introduction

This survey was made possible by the 3,763 growers across Great Britain who responded and AHDB – HGCA would like to express our gratitude to them. These growers provided details of the crop areas harvested in 2013 and their areas for harvest in 2014. The cumulative percentage changes for each crop in each region were applied to the final 2013 cropped areas from Defra, the Welsh Assembly and Scottish government to give the first post-planting estimates of the area for harvest 2014.

Total area

As widely expected, the survey showed a **rebound in winter cropping and a return to more typical levels of spring crop planting**. The total GB area of cereals and oilseed rape is estimated at 3.91Mha, up 6% from 2013. The main year-on-year changes are summarised below and the full results can be [downloaded here](#).

- GB wheat area estimated at 1.96Mha, up 22% from 2013
- Total barley plantings down 8%, at 1.09Mha, but 38% increase in winter barley area
- Oilseed rape area showing little change from 2013 at 719Kha
- GB oat area down 17% to 144Kha

Information from the survey suggests that the area planted to other arable crops and rotational fallow is sharply lower year-on-year but it not possible to quantify these numbers. The area dedicated to pulses is indicated to be 5% larger, year-on-year. When this change is applied to the Defra 2013 June Survey figure for the UK, this suggests a harvest 2014 area in the region of 155Kha – similar to 2011.

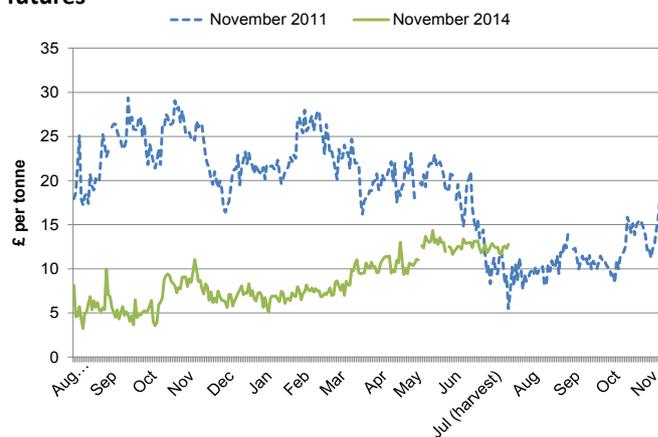
Wheat

The rebound in the GB wheat area **supports the UK's potential return to 'net-exporter' status in 2014/15** after two seasons of elevated import levels. However, it should be remembered that this is subject to not only final yields and quality, but also price.

As Figure 1 indicates, the UK feed wheat futures for November 2014 has recently returned to a larger discount to the equivalent Paris milling wheat futures contract, illustrating the growing confidence of the market that the UK will need to return to net-exporter status and thus require competitive pricing. However,

for much of the growing season, it was at much smaller discounts, reflecting the old-crop need to limit exports. This initial smaller discount, compounded by Sterling strengthening against the Euro, has also limited pre-harvest export sales, compared with 2011, the last time the UK was a net exporter of wheat.

Figure 1 UK feed wheat futures discount to Paris milling futures



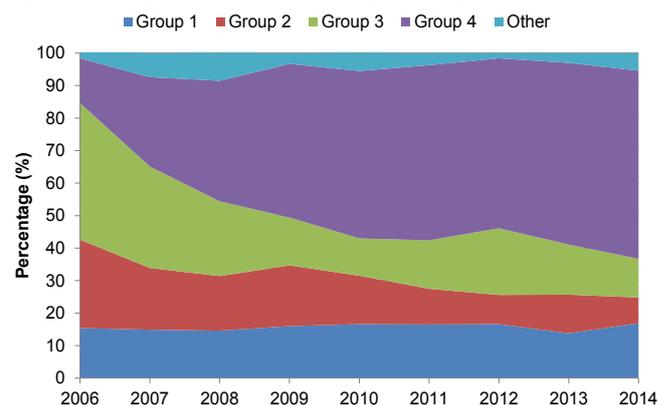
Source: AHDB-HGCA

Scottish wheat plantings at 109Kha are the strongest since 2011, when the Scottish area reached a new record of 115Kha. With relatively strong wheat areas also seen across northern England, the planting survey results support [analysis published on 22 May](#), that regional price relationships will return to more typical levels this season.

In contrast, while up on that for harvest 2013, the wheat area in the East of England and East Midlands remains below 2012 levels. Efforts to control black grass through cultural and rotational measures are likely to be part of the reason behind this pattern.

The **domination of nabim Group 4 varieties continues to grow** (Figure 2); now accounting for approximately 58% of the GB wheat area. These gains primarily come at the expense of Group 2 and 3 varieties, which have seen premiums squeezed over the past season. The strong Group 4 area, also points to a large feed wheat crop – although care must be taken not to generalise all Group 4 varieties as just feed varieties. Nonetheless, UK wheat will need to regain animal feed demand from barley and maize.

Figure 2 Proportion of GB area by nabim group



Source: AHDB / HGCA

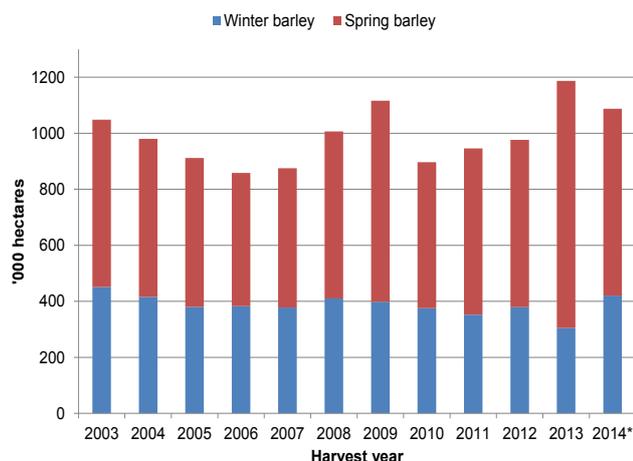
Planting and Variety Survey Results 2014

The area planted to Group 1 varieties appears to have recovered to pre-2013 levels, perhaps boosted by relatively strong milling premiums over the past two seasons. The average UK ex-farm premium for bread milling wheat over feed wheat was £26.40/t in 2012/13 and £18.60/t in 2013/14. However, it should be noted that anecdotal information from the trade suggests a lower level of Group 1 plantings than the survey. While this would have a bearing on the potential availability of UK milling wheat, final quality will be critical for the final availability.

Barley

Winter barley has seen renewed popularity for harvest 2014, **reaching the highest levels since 2003** (Figure 3). The introduction of new higher yielding varieties, as well as a desire to widen the harvest window and spread the workload, may be potential reasons for the increase. The opportunity for getting good establishment of subsequent oilseed rape crops (especially due to the suspension of seed treatments for harvest 2015) and the potential gross margin contribution from straw sales might also be factors.

Figure 3 GB barley area



AHDB-HGCA estimate

Source: Defra, AHDB-HGCA

The total spring barley area is sharply lower, year-on-year, with significant declines across most regions. On the contrary, in North Scotland spring barley area is estimated 1% higher than in 2013 but, overall, the Scottish spring area is down 7%. Given that Scotland accounts for 41% of the spring barley acreage in GB, with a strong bias towards malting varieties, this **suggests a tighter potential availability of malting barley** – though final quality will be critical.

Oilseed rape

The area of oilseed rape is relatively stable for harvest 2014, probably due to the crop's strong economic performance in recent history, but something that may well change for harvest 2015 due to falling prices and loss of key chemical inputs. While historically strong, the area is still some 36Kha below the 2012 record of 755Kha.

With an estimated 13% of the GB area, **DK-Cabernet remains the most widely grown variety for the fourth year running**, though the survey suggests that its share has dropped relative to last year's 16%. In second place is the hybrid variety, DK-Extrovert, with 9% of the area, while last year's second place, PR46W21, also a hybrid - drops down to third.

Oats

Although sharply down year-on-year, the GB oat area would still be above levels seen in some recent years and, anecdotally, above some expectations. In particular, the **oat area is estimated to remain historically strong in Scotland, the West Midlands and northern England**.

While prices for oats not grown on contract remain volatile, milling demand for oats continues to grow and is estimated to have exceeded 0.5Mt in 2013/14 – up 23% in the last 5 years. Milling demand growth, along with some farmers looking for an alternative second cereal may be part of the reason behind the GB oat area remaining historically strong.

Concluding comments

The results of this year's planting survey points to a greater wheat and lower barley area for harvest 2014, although **final yields and quality will play a key role in final availabilities**. If realised, a larger UK wheat crop would not only require the grain to regain its share in animal feed demand, but also, potentially, in export markets.

A return to more 'normal' winter and spring cropping levels after the extreme conditions for harvest 2013 is indicated for 2014. However, going forward, with a combination of policy changes, agronomic challenges and lower prices – the face of normal may be changing.

Key Points

- 22% increase in GB wheat area supports potential return to export markets
- Resurgence in popularity of winter barley
- Smaller oat and spring barley areas than 2013, but still historically large

Milling Wheat Update

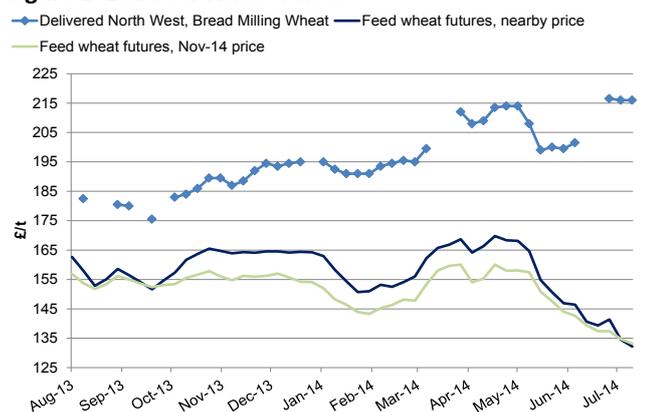
Recent expansion in UK milling wheat premiums has primarily been driven by tight old crop milling supplies. However, this recent trend is likely to be short term as the market awaits the arrival of harvest. With fresh supplies around the corner, new season premiums will be dependent on the quality of the new crop, rather than the tight availability which has driven the old crop pricing.

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17 July 2014

Expansion in old crop milling premiums

Tightening old crop supplies have supported the recent increase in milling wheat prices. In contrast, feed wheat prices have declined following the global trend and so the milling premiums have expanded considerably. By the end of June 2014 delivered North West milling wheat price premiums over the nearby feed wheat futures had reached £75.10/t, an increase of 119% since January 2014 (see Figure 1).

Figure 1 2014 UK Wheat Prices



Source: AHDB/HGCA

Availability and Production

The total amount of wheat imported between July 2013 and May 2014 was down 26% in comparison to the same period in 2012/13. Despite a noteworthy decrease from the previous season, levels were still considerably higher than previous levels seen in 'normal' years.

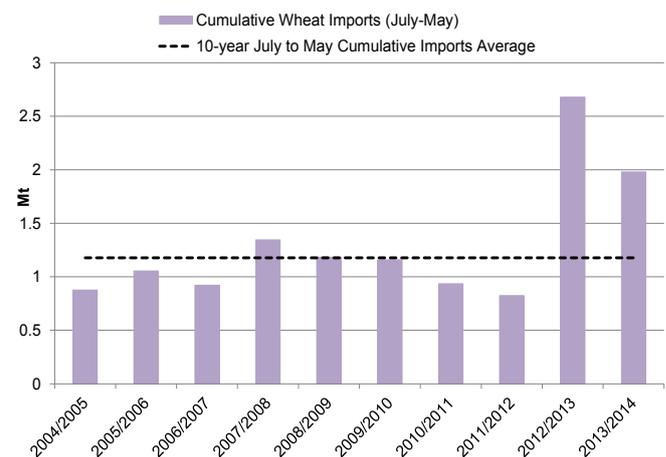
During the 2010/11 marketing season, cumulative wheat imports for July-June totalled 999.9Kt, and in 2011/12 totalled 906.7Kt. The ten year average for cumulative imports (Jul-May) is approximately 1Mt (see Figure 2).

The decline in wheat imports indicates that a larger amount of UK milling wheat has been used by millers in 2013/14. Defra data shows that by end-May, home-grown wheat accounted for 77% of all wheat milled this season – compared to 73% in total last season.

Although the quality of the 2013 crop was dramatically improved from 2012, the small wheat area for harvest 2013 has still limited the availability of milling wheat relative to previous years ([read more here](#)).

While May 2014 imports are up 58% from April - likely supported by the increase in premiums - the volume imported is still a decrease of 40% in comparison to May 2013 (HMR&C). Lower stocks held by flour millers (plus starch and bioethanol producers) at the end of May, along with the price premiums suggest that we are likely to see increased volumes of imports in both June and July data when released by HMR&C.

Figure 2 UK Wheat Imports



Source: HMR&C

New Season and New Crop

With the earliest UK wheat crops likely to be ready for harvest from mid-July ([read the latest ADAS crop report here](#)); **replenished supplies will soon be available.** Quality plays a critical role in establishing milling wheat availability and so premiums for the new season.

Weather throughout June and the beginning of July has been favourable, which could indicate a positive outlook for harvest. However, inconsistent and unpredictable weather conditions for the UK can have last minute effects on the quality of the crop. As a result, the **market will wait to see the quality at harvest before reacting.**

On 10 July, bread wheat delivered to the North West for November 2014 delivery was reported at £170.50/t – a premium to the UK feed wheat futures November 2014 contract of £38.30/t.

Concluding Comments

The current widening of the milling wheat price premium is unlikely to be a trend that lasts long into the 2014/15 marketing season as new crop supplies become available – quality depending.

It is likely that imports will remain strong into the beginning of the new crop season i.e. July, as the large domestic price premiums make it attractive for those millers that can use imported milling wheat, to do so. Levels of imports should be seen to decrease after harvest, as dependant on quality and final yields millers are likely to have access to replenished UK milling wheat supplies.

US Wheat Supply and Demand Review

2014/15 US wheat supplies are forecast 9.1% lower, year-on-year due to drought induced yield problems in the southern HRW states, and reduced acreage in the main SRW producing states. US wheat exports are currently forecast 24% down this season, meaning that the EU could overtake the US as the world's leading wheat exporter.

Sarah Nightingale, External contributor
22 July 2014

Introduction

The USA is currently forecast to lose its position as the top wheat exporter in 2014/15 due to low domestic supplies and competitive prices from Europe and the Black Sea region. This article discusses the outlook for US wheat supply and demand in 2014/15 within the context of some long-term trends identified in a recent [USDA report](#).

US wheat supply down 9.1%

Total US wheat supplies in 2014/15, currently forecast at 74.6Mt, down 9.1% compared to last season, with opening stocks at their lowest since 2008/09. Production is seen at its lowest level since 2006/07 and a decline in imports is expected (Figure 1).

Figure 1 Supply and Demand for US wheat by Class (Mt)

	Hard Red Winter (HRS)		Hard Red Springs (HRS)		Soft Red Winter (SRW)	
	13/14	14/15	13/14	14/15	13/14	14/15
Opening Stocks	9.34	6.40	4.49	4.60	3.37	3.10
Production	20.25	19.27	13.34	14.15	15.38	12.46
Imports	0.52	0.41	2.12	1.50	0.54	0.60
Total Supply	30.10	26.07	19.95	20.25	19.30	16.17
Domestic Use	11.49	12.06	8.63	7.97	8.46	6.97
Exports	12.22	8.98	6.72	7.08	7.76	3.81
End Stocks	6.40	5.03	4.60	5.20	3.10	5.39

	White		Durum		Total Wheat	
	13/14	14/15	13/14	14/15	13/14	14/15
Opening Stocks	1.71	1.36	0.63	0.60	19.54	16.05
Production	7.29	6.83	1.69	1.63	57.96	54.21
Imports	0.22	0.22	1.20	1.47	4.58	4.35
Total Supply	9.23	8.41	3.51	3.70	82.08	74.61
Domestic Use	3.18	2.88	2.10	2.26	33.86	32.14
Exports	4.65	4.08	0.82	0.54	32.16	24.49
End Stocks	1.36	1.44	0.60	0.90	16.05	17.97

Source: USDA (Figures may not sum due to rounding)

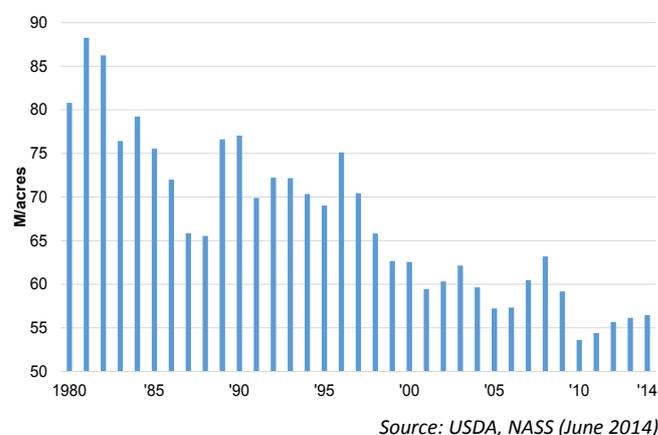
The decline in production comes despite a higher planted area of 22.9Mha, up 0.6% on last year, along with an estimated 2.4% increase in harvested area (due to a lower rate of abandonment). Overall yields are seen down, particularly in the Hard Red Winter (HRW) producing regions in the Southern Plains, which

experienced a severe drought throughout much of the growing season.

Winter wheat sowings were slightly lower than last year, with a large decline in Soft Red Winter (SRW) area, **but spring wheat area is up by about 10%.** The main Hard Red Spring (HRS) producing state of North Dakota saw a 16% increase in spring wheat sowings (as well as a large increase in winter sowings), as wheat was the best crop to follow on land which could not be planted last year due to the cold, wet spring. While durum plantings were also slightly higher in North Dakota, they were lower in all other producing states, and total area sown to durum at, 594.5Kha, is similar to last year's very low level.

The area sown to wheat in the US has been on a downward trend since the mid-1980's (Figure 2) mainly due to the increased profitability of other crops, particularly soybeans and maize. Both these crops have benefitted from technological developments (including biotechnology) which have improved their yielding capabilities. They have also seen a steady and sustained increase in demand. This is in contrast to US wheat, which saw a decline in domestic per capita demand in recent years, and increased competition on the international market, particularly from the Black Sea region.

Figure 2 Area sown to wheat in the USA 1980 to 2014



The USDA reported that 75% of the US winter wheat crop had been harvested by 20 July, in line with the five year average. While drought and very high temperatures affected the development of the HRW crop in the Southern Plains, rain came as harvest started, which hampered the harvesting of early wheat crops. The wet harvest in some areas appears to be having an effect on Hagberg numbers according to the US Wheat Associates Harvest Reports but test (specific) weights are satisfactory, and protein results are averaging 14% in line with last year's results. Generally, winter wheat crop conditions have been similar to those seen last year, with around 30% in good/excellent condition. States which were more severely affected by drought, such as Texas and Oklahoma, have seen a larger proportion of crops rated poor/very poor,

US wheat supply and demand review

but growing conditions have been much better in the northern states of Montana and South Dakota.

Overall, the HRW crop is seen about 1.0Mt lower this season, at 19.3Mt.

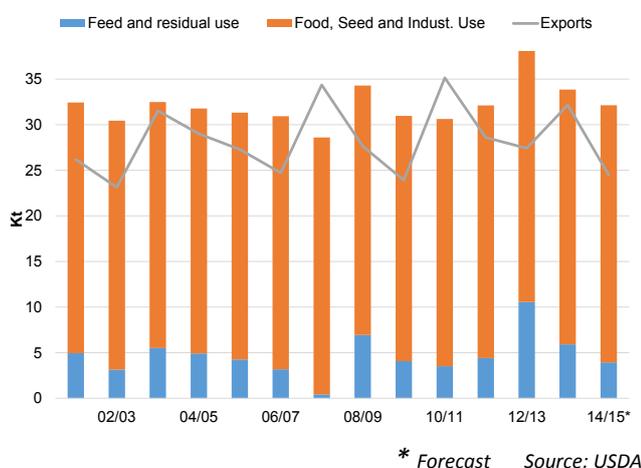
The SRW harvest is progressing rapidly and is nearly complete in Illinois and eastern states. The area sown to wheat in the main SRW states is lower than last year and a smaller crop of 12.5Mt, down from 15.4Mt, is expected. Growing conditions were mostly good for this crop and the effects of Hurricane Arthur, which hit the east coast in early July, are believed to be relatively minor for the wheat crops in Virginia and Maryland.

Harvesting has not yet begun for the spring wheat crops but they are developing ahead of last year's rate, and 70% of total spring wheat crops are reported to be in good or excellent condition as at 20 July – slightly up on a year ago. Latest USDA figures put HRS production up 6.1% to 14.2Mt and durum production at a similar level to last year at 1.6Mt.

Domestic use to decline on reduced feeding

The USDA projects **lower usage of wheat in domestic feed rations in 2014/15 due to an anticipated smaller crop and higher price premium of wheat over other feed grains**. Feed usage could be higher if the wet harvest in some areas is found to have affected quality, but test results to date do not currently indicate major quality issues. Final usage figures, however, will also depend on the quantity and quality of the US maize crop, which is currently reported to be progressing satisfactorily. There is no specific trend for feed usage of wheat in USA (Figure 3) as this depends on the relative competitiveness of all feed materials in any particular year.

Figure 3 Domestic usage and exports of US wheat 2001/02 to 2014/15



Domestic usage of wheat for food is projected slightly higher for 2014/15 at 28.2Mt (27.9Mt last season); per capita demand for wheat declined for some years after

2000, but appears to have now stabilised according to the Economic Research Service (ERS) of the USDA. An improvement in mill efficiency and flour extraction rates has been observed since 2008, which has helped to limit growth in overall food demand for US wheat. The USDA, in its medium term forecast, expects food usage to grow in line with population growth.

Lower US exports expected

US wheat exports are forecast to decline from 32.2Mt in 2013/14 to 24.5Mt in 2014/15. For the first time, **the EU could overtake the US as the principal wheat exporter due to another large crop and its proximity to major wheat importers**. The US share in world wheat exports is expected to decline from 19.6% in 2013/14 to 16.2% in 2014/15, reflecting a long-term trend. USDA baseline forecasts put wheat exports in the region of 27 to 30Mt over the next decade, but the US is seen to continue to lose its share of world exports to Black Sea and European countries during this period. Larger quantities of wheat imports into the US are forecast in the years ahead, particularly from Canada following the recent decommissioning of the Canadian Wheat Board.

Concluding comments

Another difficult growing season for many wheat farmers in the US has resulted in lower wheat supplies and a forecast reduction of 24% in exports for 2014/15. A relatively low level of stocks at the beginning of the season, at 16.1Mt, is seen to recover slightly to 18.0Mt by the end of 2014/15. Longer term USDA forecasts show a decline in production due to continued reduction of planted areas. The USDA's ERS, in its recent medium term forecasts, discusses the long-term challenges facing the US wheat sector, with an expected continuing lag in yield improvements compared to other crops, relatively stagnant domestic demand and increased competition in the export markets.

Key Points

- 2014/15 US wheat supplies expected 9.1% lower, year-on-year
- The US could lose its leading wheat exporter status to the EU in 2014/15
- There are long-term challenges facing the US wheat sector with regard to productivity and markets