

Analyst's Insight: A modern day commercial take on grain intervention

With grain prices setting multi-year lows, those with longer memories might well be donning rose tinted spectacles and remembering when the EU's intervention system would mop up surplus production, putting a price floor in the market.

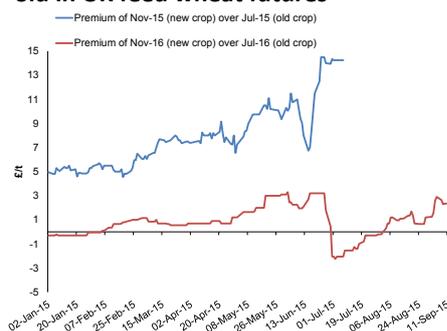
In 2015, EU funded grain intervention is highly unlikely, making the bottom of the market difficult to call. However, as we saw for the 2014 crop, the market is currently sorting the oversupply situation, i.e. the market is working and it's up to buyers and sellers alike to respond to the price signals on offer if they wish.

Essentially, we are talking about the price carry. It is very familiar that within a marketing season, the carry encourages owners of grain to hold the commodity in store and release onto the market at a rate which matches the pace of demand. Traditionally in the EU, this is all the market price carry had to do, with the intervention system smoothing surpluses and deficits between the seasons.

Now though, **the market carry has to not only smooth the release of grain within, but also across multiple marketing seasons.** [We saw this quite clearly for feed wheat in 2014](#) and the same principles apply 12 months later.

Figure 1, which shows the price premium for the new crop over the 2014 and 2015 crops, indicates much less of a carry incentive in this season than the last. Feed grains supplies across Europe are less heavy this year compared with 2014/15, when they depressed the spot market.

Figure 1 Premium of new crop over old in UK feed wheat futures



Source: AHDB

However, Figure 1 just considers the feed base price. For much of last season, bread milling premiums were historically quite high, so the pay-off for carrying quality wheat wasn't really there - not until the closing stages of the season. Now though, **much weaker premiums, on top of a positive feed wheat carry into the new season, might make carrying milling wheat a more attractive proposition.**

One of the key elements is that the spot market can become suspended from the forward. So, uncompetitive export prices don't necessarily mean that the market has to fall, just that ending stocks might grow. [This is the precise uncertainty that French wheat supply and demand faces.](#)

Finally, although the market will provide these opportunities, it remains down to the strategic ability of participants to take advantage of them, through the use of storage and cash resources rather than being slaves to the spot market. While very relevant to the immediate market situation, there is also a longer term dynamic; an inter-season carry is the only viable way the market can deal with large surpluses from years of plenty.

Jack Watts

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Does the USDA move the market?

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Isobel Robinson, Market Specialists team
Isobel.robinson@ahdb.org.uk, 02476 478863
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Introduction

The United States Department of Agriculture (USDA) publishes a monthly report that provides the World Agriculture Supply and Demand Estimates (WASDE). The WASDE report provides important information at both a global and local level, which often affects the direction of the market.

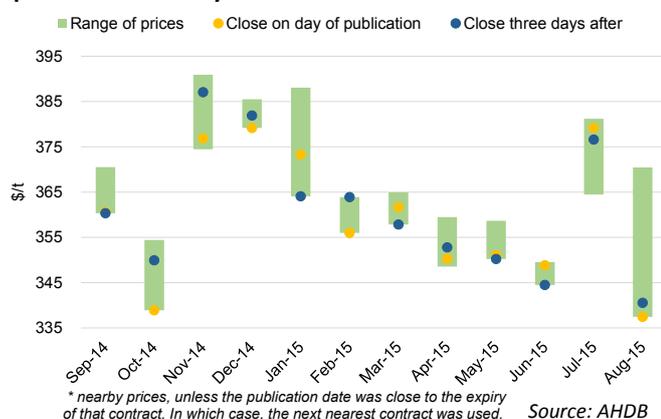
Soyabeans accounted for over two-thirds of global oilseed supplies in 2013/14 (USDA) and production is concentrated in relatively few countries. As a result, given the concentration of soyabean production relative to grains, it would be expected that changes to supply and demand forecasts for soyabeans would have the most noticeable impact on prices.

To investigate the impact of the reports, we looked at the nearby Chicago futures prices for soyabeans on the three days either side of each publication release over the past 12 months. When the publication date fell close to the end of a contract, the prices for the next contract month were used to reduce influences from factors which impact on prices at the end of a contract.

Short term volatility

Figure 1 shows the prices for Chicago soyabean futures around the WASDE publication day. From the graph it is clear that **short term volatility occurs regularly around the release date**.

Figure 1 Chicago soyabean futures prices* three days prior and three days after the release of each WASDE



Effects short lived?

Interestingly, all months considered showed some level of change, either before, during or after the report was published. The price trends around the report's release can generally be put into three categories;

- Moved before

Prices moved ahead of the report, but there was limited change in prices after the release date, suggesting that the changes in the report were in line with market expectations. July 2015 was a good example of this and is the only month in the last year to fall into this category.

- Moved after - and there was sustained change

Four months out of the past 12 saw a sustained change in the market direction, for example following the report in January 2015, after which prices moved lower. This suggests that the market shifted in response to a shift in supply and/or demand forecasts in the report.

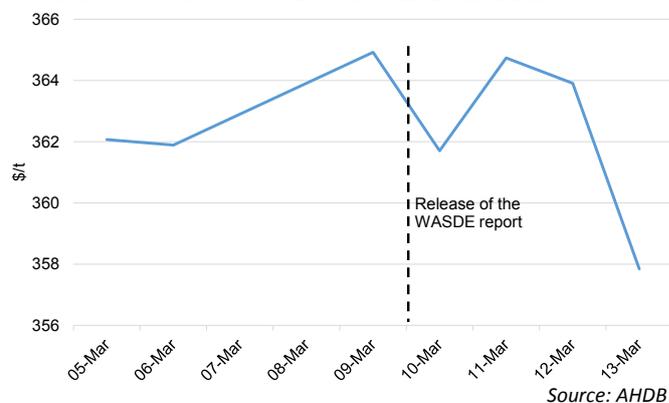
- Prices moved, but moved back

There appears to be a "blip" in prices; on the day of publication the price falls or increases dramatically but then returns back to the levels seen before the release in the following days. **This was the most common reaction - seen in seven out of the last 12 months.**

One example is March 2015 – shown in Figure 2.

This suggests that the report definitely had some effect on the market that particular day, but **perhaps the reaction was centred on how the report compared to expectations, rather than a shift in the fundamentals of supply and demand.**

Figure 2 Chicago soyabean (May-15) futures closing prices around the release of the 10 March 2015 WASDE



Concluding comments

Through looking more closely at price reactions to the release of the WASDE, it is apparent that there is definitely some short term volatility.

This volatility seems to suggest the USDA reports do move soyabean markets, though it is important to bear in mind that the report is only one factor and there may be additional reasons for why the markets moved at those times.

Furthermore, in seven months out of the past 12, prices reacted on the day of the report, only to move back the following day. As a result, the closing price on the actual day of release could be misleading and perhaps the prices on these days might have to be viewed with caution. It also points to the expectations for the report being as important to market reaction as the report itself.

Opportunity knocks for UK in Chinese barley market

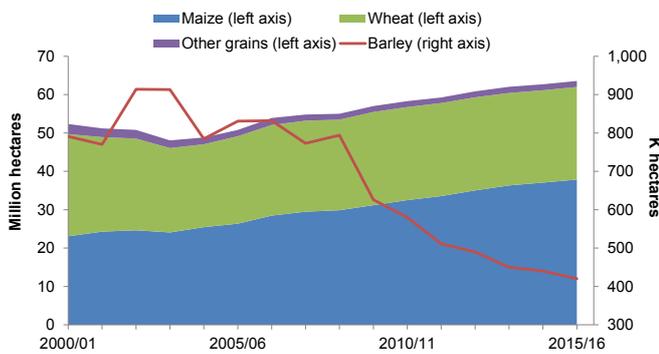
The UK is near to concluding a trade protocol agreement with China following an AHDB-hosted visit by its Plant Health Inspectors in June. Although the current economic turmoil in China has been in the headlines, there is better news for the barley sector amid fast-growing demand and the country's desire to engage more in trade.

Marsha Ribeiro, External Contributor
8 September 2015

Barley supply-demand balance

Figure 1 reveals that barley not only constitutes a tiny share of China's cereals area, but it has lost ground against the more profitable crops of maize and wheat. Unlike these crops, barley is not considered a strategic crop and receives no financial or other assistance in China. As a result, the Chinese barley area has steadily declined to around half its size in 2000/01.

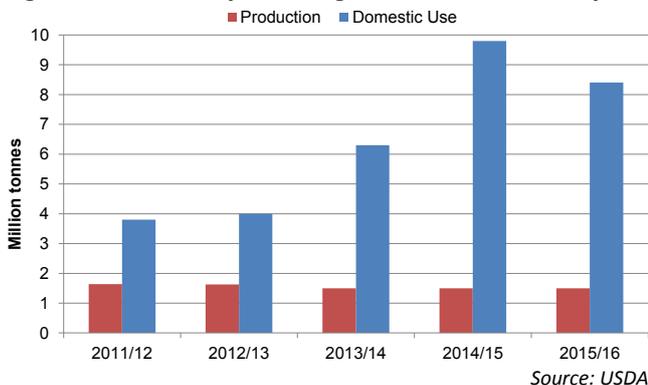
Figure 1 Barley in China steadily losing area to more profitable crops



Source: USDA

Domestic demand, meanwhile, has rapidly grown and so with production lagging (Figure 2), imports of between 7M and 8Mt were required last season. Much of this is higher quality barley, imported to produce the desired malt and sophisticated flavours increasingly sought after in the beer market. Notably, too, barley feed use has expanded fast and now exceeds or equals food, industrial and seed use volumes.

Figure 2 China's barley demand growth over the last five years



Source: USDA

Consumption trends of note

While Asia is driving the global beer market, China is the leading player. Chinese per capita beer consumption stands at 34.2 litres, against the world

average of 33 litres per capita. Not even a government anti-corruption and austerity programme to discourage hard liquor consumption, has deterred Chinese beer drinkers. Moreover, a greater adoption of western culture has influenced drinking habits beyond social occasions in the Asia Pacific as a whole.

Within the market itself, tastes have evolved to reflect a more discerning consumer with a higher disposable income. Mass-produced affordable local beers (such as Tsingtao and Yanjing) still capture over 93% of market share and this segment for the Asia Pacific, as a whole, is expected to show a healthy compound annual growth rate (CAGR) of 5% over the period from 2014 to 2020. These beers generally use malt of 'fair and average quality' and sometimes premium malts, depending on price. However, it is the premium beers, which although only comprising a 1.3% market share in China, have the strongest growth. The premium range of beers, combined, account for nearly 7% of the industry and some analysts put forecast CAGR over the next few years at an impressive rate of around 7%. These require imported premium malt and distinctive European flavours have proved popular.

China's imports of feed, livestock and meat products have also been on the rise. Historically, maize has been the feed ingredient of choice but a combination of high domestic prices, quality issues and rumoured mismanagement of state reserves has raised the attractiveness of other feed ingredients, including barley and sorghum. Furthermore, in November 2013, the country started to reject a number of US maize shipments en-route to China after finding a strain of GMO maize (MIR162) not approved for export. Although the ban has since been lifted, the fallout for maize helped improve the position of other feeds.

Unsurprisingly, amid these trends, China has looked to expand its list of 'approved' suppliers to diversify its food importer base and minimize risks from future trade disruptions.

China's trade policy

Access to China's grains market is strictly controlled. Strict non-tariff barriers are maintained on grounds of food safety and plant health and can include anti-dumping investigations, new exporter requirements, opaque approval processes and quarantine regulations. However, the emphasis is shifting in recognition of the country's need to facilitate agricultural imports to meet growing demand.

The state trading enterprise, the China National Cereals, Oils and Foodstuffs Corporation (COFCO) which dominates cereal trade transactions, has recently undertaken a series of foreign mergers and acquisitions. These are felt to be a sign it is seeking to improve the security of supply for agricultural products rather than with a view to market arbitrage. Indicative too are

Opportunity knocks for UK in Chinese barley market

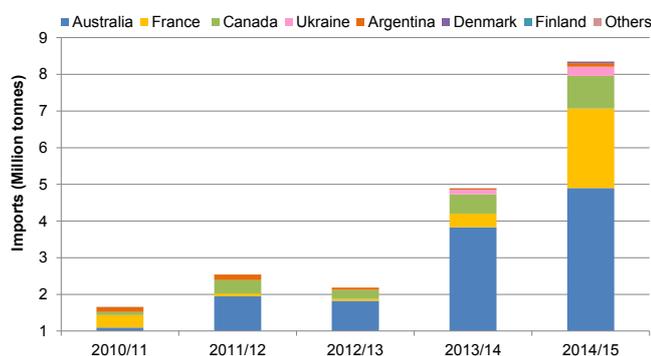
changes within the food and beverage market. Several big international beverage companies, including beer producers, have joined forces with the smaller local producers to consolidate their market share.

It is the General Administration of Quality Supervision, Inspection and Quarantine (AQSIQ), whose inspectors visited the UK, which provides import approvals, entry/exit inspections, food safety and certifications. In setting up new grain import protocols, AQSIQ requires safeguards exist to minimise foreign matter, weed seeds and other pests identified as a quarantine concern getting into consignments to China and that phytosanitary certifications accord with their requirements. In practice, countries with industry management plans stand a better chance of gaining approval.

Barley trade and the competitive landscape

Figure 3 reveals that China's barley imports since 2010/11 have seen a sharp increase. Notably, from 2010/11 to 2012/13, there were only four suppliers to the Chinese barley market but by 2014/15, Ukraine, Denmark and Finland emerged as new, albeit small, suppliers.

Figure 3 Established and new suppliers of barley to China



Source: USDA and Chinese Customs Data

Australia supplied around 4.9Mt of barley to China in 2014/15, some 60% of its imports. Last December, it renewed its protocol agreement with AQSIQ but it has had a trade protocol in place since 2003. Previous agreements were reviewed and rolled forward with little change. However, the latest iteration incorporates alterations to address the pests, weed seeds and diseases of quarantine concern. The signing of a China-Australia Free Trade Agreement in November 2014 also confers a significant advantage to Australia over competing suppliers by eliminating, with immediate effect, the 3% and 10% tariffs that would otherwise be due on barley and malt imports.

France, to date, remains the major European supplier and last season ranked second amongst China's barley import origins. In 2014/15, French barley exports to China totalled 2.2Mt. Finland is the latest European country to join France and Denmark with protocol agreements. The French and Danish agreements

stipulate that malting barley exports must be free of 10 and 22 named weeds to clear customs, respectively.

Ukraine and China signed a barley protocol agreement in 2013 and Ukraine became its fourth largest barley supplier in 2014/15, supplying 0.25Mt. However, last December, delivery problems arose and reportedly affected around 30% of the contracted barley volume.

Eight countries are listed as 'approved suppliers' to the Chinese barley market, and following AQSIQ's visit to the UK, prospects for the UK to be added to the list appear encouraging. Estimates for future market potential remain positive and China's desire to expand its sources of supply through new barley protocol agreements certainly bodes well.

Concluding remarks

When AQSIQ inspectors visited the UK in June for a compliance visit, AHDB and industry representatives demonstrated how assurance schemes, phytosanitary processes and farming practices, within a complex legislative framework, ensure food safety and quality product is maintained throughout the supply chain.

Undoubtedly, this helped parties provisionally agree the wording of the protocol document and all are hopeful that a formal signing could be imminent. If the outcome proves successful, trade estimates put the realistic potential for UK barley exports to China at approximately 150Kt, worth around £20 million per annum. Inevitably, this will depend on the competitiveness of UK barley against other origins. Nevertheless, access to an otherwise challenging but new market for barley would be a sizeable gain for the UK in coming years.

Key Points

- China's repositioning in the agricultural trade arena points to a greater level of engagement as it seeks greater security of supply
- China's desire to expand its sources of approved suppliers through new barley protocol agreements points to a promising outlook for barley trade
- Negotiations for a UK-China barley trade protocol are nearing the end game

Will rapeseed's premium persist?

Tighter global rapeseed supplies forecast for 2015/16 have resulted in both the seed and oil building a price premium against its counterparts. Based on the current outlook for this season, it's likely that the premium will at the very least be sustained, helping to shield rapeseed prices from the full bearishness of the global oilseeds market.

Amandeep Kaur Purewal, Market Specialists team
amandeep.kaur.purewal@ahdb.org.uk, 02476 478954
 10 September 2015

Introduction

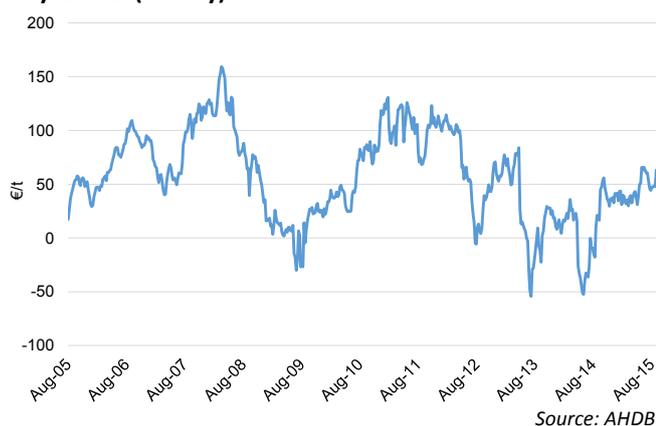
Recently, we looked at how rapeseed and soyabean prices diverged due to tighter old crop supplies of rapeseed in Europe, but an abundance of soyabeans in the Americas ([read more here](#)). Replenishment of EU rapeseed supplies with the 2015 harvest was expected to help prices converge. However, output of high oil yielding oilseeds, such as rapeseed and sunflower seed, in 2015/16 is likely to be considerably lower year on year ([read more here](#)).

In this article we look at how the soyabean/rapeseed price spread has developed, with the focus now on the new crop. The knock-on effect of lower rapeseed supplies on the vegetable oil market is also examined.

Rapeseed premium over soyabeans increases

In June 2015, Paris rapeseed futures prices climbed to over a €65/t premium over Chicago soyabeans – the highest since April 2013. Since then prices converged, narrowing the spread to €45/t, but last week, the price gap increased back over €60/t.

Figure 1 Premium of Paris rapeseed futures over Chicago soyabeans (nearby)



To put the current premium in context, Figure 1 shows the relative price spread between Paris rapeseed and Chicago soyabean futures since August 2005. The highest premium rapeseed commanded over soyabeans (ca €160/t) was in 2007/08. 2010/11 and 2011/12 were also high rapeseed price premium seasons.

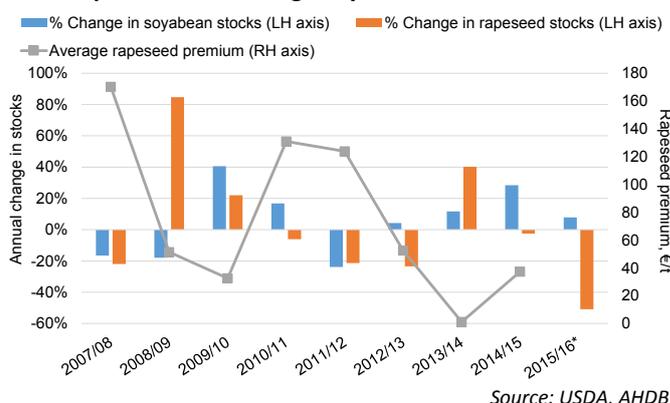
In order to get a better grasp of why the price spread has been wider in some seasons compared with others, we need to look at the overall supply and demand balance for those years. Comparing 2015/16 forecasts

against this may help provide a clue as to where we could see the premium this season.

Figure 2 plots the average annual price spread between Paris rapeseed and Chicago soyabean futures (grey line) against the year on year percentage change in global rapeseed and soyabean closing stocks (solid bars).

Although there isn't a perfect correlation, a general pattern is apparent (and not at all surprising); the price premium of rapeseed over soyabeans increases as rapeseed closing stocks decline relative to soyabeans.

Figure 2 Annual change in global soyabean and rapeseed closing stocks against annual average price premium of Paris rapeseed over Chicago soyabean futures



As shown in Figure 2, the exceptions to this pattern are 2009/10 and 2012/13:

- In 2009/10, the year on year increase in soyabean closing stocks was higher than that for rapeseed, so the average premium of rapeseed over soyabeans should have increased (based on the argument above) compared with the previous year. In reality, though, the average premium was lower. This may be due to the two major rapeseed importers, China and the EU, producing large crops and having lower import requirements. Chinese and EU rapeseed imports were 28% and 38% lower, year on year, in 2009/10 respectively. On the other hand, global soyabean trade increased in 2009/10, compared with 2008/09, mainly driven by Chinese imports increasing by 22% year on year.
- In 2012/13, the average premium of rapeseed over soyabeans fell year on year, despite the fact that rapeseed closing stocks were 23% lower than in 2011/12, while soyabean stocks were over 4% higher. This discrepancy may be due to soybean prices rocketing in 2012/13 (as the market feared the worst during the severe US drought), which led to lower demand.

For 2015/16, the latest USDA forecasts point to a 50% year on year drop in global rapeseed closing stocks, while an increase of 7.8% is expected for global soyabean closing stocks. Looking at Figure 2, the forecast decline in rapeseed stocks is the largest out of the previous years shown and so there is certainly potential for the current

Will rapeseed's premium persist?

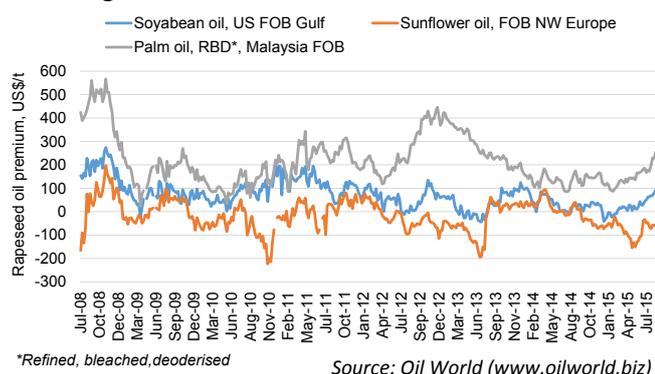
price premium of rapeseed over soyabeans to rise further. Just how much it could increase remains debateable and will depend on various factors throughout the season such as demand and overall market sentiment. However, as we have seen for 2009/10 and 2012/13, the expected increases or declines don't always pan out.

Rapeseed oil continues to build its premium

As global rapeseed production in 2015/16 is expected to decline, rapeseed oil supplies will also be lower this season. The premium of rapeseed oil over other vegetable oils since 2008/09 is plotted in Figure 3.

Since the end of June 2015, rapeseed oil's premium over soyabean oil has increased from around \$30/t to nearly \$110/t, the highest since December 2013. Rapeseed oil's premium over palm oil reached \$255/t at the end of August – the highest since July 2013. Rapeseed oil is usually at a discount to sunflower oil. Over the past few months, rapeseed oil's discount to sunflower oil has declined from just over \$100/t to around \$40/t

Figure 3 Rapeseed oil (Dutch, FOB ex mill) premium over other vegetable oils



Pressure from falling crude oil prices has contributed to an overall decline in vegetable oil prices recently, but the descent of rapeseed oil prices has not been as steep as for the other vegetable oils.

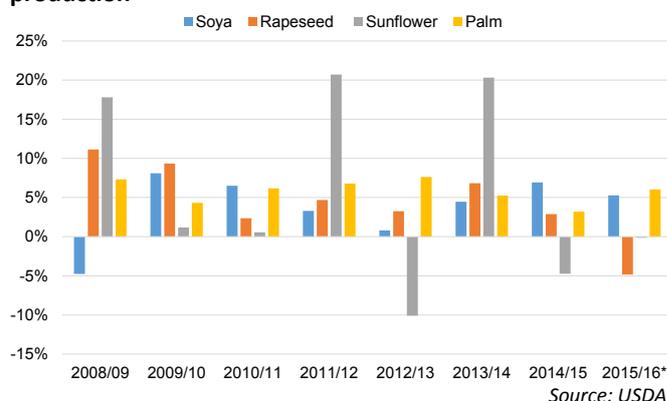
The USDA forecasts rapeseed oil production to fall by around 5% in 2015/16, compared with 2014/15 (Figure 4). If realised, this will be the first annual decline in rapeseed oil production since 2006/07 (when production fell by almost 2%).

This suggests that we can expect a higher average premium of rapeseed oil over other vegetable oils in 2015/16 compared with last year and maybe even the previous few seasons. As a result, rapeseed oil is likely to lose market share to cheaper oils such as soya and palm.

However, the impact of El Nino could change things. The World Meteorological Organisation recently announced that this year's phenomenon could be the strongest on record. If palm oil production in South East Asia is negatively impacted, we could see

a much tighter vegetable oil market and further shifts in price spreads.

Figure 4 Year on year change in global vegetable oil production



Closing Comments

While the forecast depletion of global rapeseed stocks in 2015/16 suggests that rapeseed may build a considerable price premium over soyabeans, examples from 2009/10 and 2012/13 have shown that this may not be the case.

Tightness in rapeseed supplies are also likely to increase the premium of rapeseed oil over other vegetable oils, which may impact demand as consumers switch to cheaper alternatives such as soya or palm oil. However, palm oil still has the threat of El Nino hanging over it. Potentially, then, there could be a situation where the vegetable oil market has to look towards soya oil to satisfy demand.

As soyabeans comprise around 80% meal and 20% oil, higher soya oil output will subsequently lead to more meal production as well. Unless meal demand increases in tandem, meal prices could come under pressure.

Although we have a better idea of 2015/16 global rapeseed production, soyabean output is still uncertain. Confirmation of the US soyabean harvest won't be available for another couple of months and South American plantings are yet to get into full swing. The level of demand (especially from China) will be a key factor throughout the season in helping to determine if rapeseed can sustain or indeed build on its current price premium.

Key Points

- The forecast of relative global rapeseed and soyabean stocks points to rapeseed commanding a considerable premium this season
- Tightness in rapeseed supplies are also likely to at least maintain the current premium of rapeseed oil over other vegetable oils
- Meal prices could come under pressure if the market has to increase its reliance on soya oil in order to satisfy demand

2015/16 barley outlook better than expected

Barley harvests are nearing completion across much of the Northern Hemisphere, giving rise to emerging quality information. Better than anticipated harvest results have resulted in uplifts to earlier 2015/16 output forecasts.

Brenda Mullan, Market Specialists team
brenda.mullan@ahdb.org.uk, 02476 478862
 15 September 2015

Introduction

Friday's USDA report revealed a brighter outlook for 2015/16 global barley output than had been the case a month earlier. The renewed forecasts took the barley outlook from a predicted year-on-year decline (in August), to a 4% increase compared with 2014/15. In recent weeks, some of the top producing countries have received better than expected harvest results, increasing production potential compared with initial estimates.

Favourable yield results in Europe and Black Sea Region

Better than expected results, particularly from Europe, Russia and Ukraine has led to uplifts for global barley production forecast for 2015/16.

France and Germany are the largest contributors to EU-28 barley output and harvest results for both countries have been favourable.

In Germany, good yields have led to Strategie Grains increasing German barley output forecasts by 600Kt compared with previous estimates, to 11.1Mt in 2015/16.

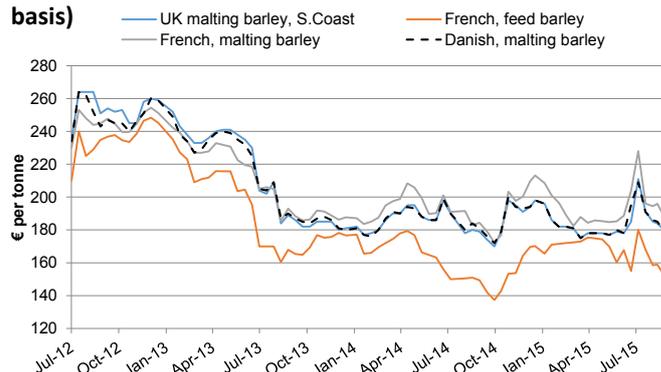
Total French barley production is forecast by FranceAgriMer at 12.4Mt, up from 11.7Mt in 2014/15. In addition, the share of French spring malting barley has been revised up from 63% to 66%, owing to good quality results. Strategie Grains' current forecast for **EU malting barley production equates to 12.7Mt, 160Kt higher than previously forecast.**

Harvest results have provided a more comfortable stocks situation and a loosening of the European barley balance sheet. The current forecast for EU barley production is 59Mt (International Grains Council), equal to that by Strategie Grains and slightly higher than the USDA's current forecast (58.6Mt).

Good yield results in Russia and Ukraine have helped offset lower planted areas, to some extent, leading to higher production estimates.

Harvest pressure and reports of encouraging yields across the EU and Black Sea regions has put pressure on prices, with barley prices following the trends for the wider grain markets. Figure 1 illustrates the recent sharp drop for EU malting barley export prices throughout the summer.

Figure 1 Feed and spring malting barley export prices (FOB basis)



Source: RMI

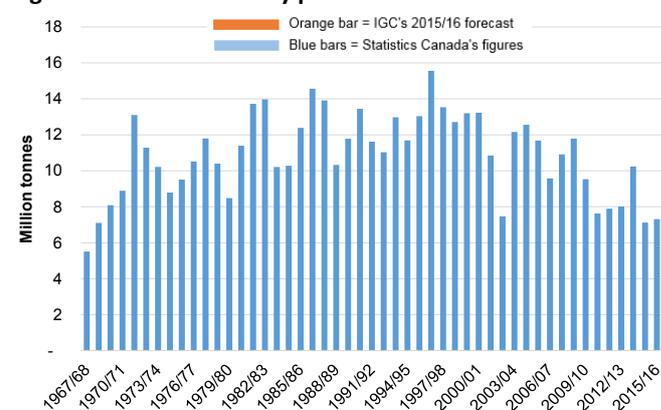
Canadian barley output could be lowest in 50 years

Field crops in Canada have had to battle against particularly dry and cold weather this year, which has raised concerns about yield potential and quality. However, cereals crops are less vulnerable to the freezing conditions that have been experienced, compared with the canola crop (which is expected to decline by 14% year on year).

Statistics Canada forecast that national barley yields will decline by 5% compared with last year, so production is forecast at 7.3Mt, only 2.6% higher than last year despite an 8% increase in the expected harvest area.

However, early harvest results have indicated variable quality, according to RMI Analytics, following their 2015 Canadian Crop Tour. The International Grains Council have a less optimistic view of Canadian barley output than Statistics Canada, predicting that the crop will decline to 6.5Mt in 2015/16. If the IGC's forecast is realised, this would be **the lowest Canadian barley production year in almost 50 years.** Figure 2 shows historical barley output numbers from Statistics Canada alongside the IGC's forecast for 2015/16.

Figure 2 Canadian barley production



Source: Statistics Canada and IGC

Threat of El Nino hasn't affected Australian barley output prospects

Despite the [underlying threat of El Nino's impact on Australian cereal crop production](#), the prospects for barley have improved. Favourable winter weather and a

2015/16 barley outlook better than expected

good outlook for spring rainfall in Australia has resulted in an uplift to the Australian Bureau of Agricultural and Resource Economics and Sciences (ABARES) barley production forecast by 4% on earlier estimates made in June. Barley production is now estimated at 8.6Mt, an 8% increase on 2014/15 production.

Argentina barley battles with floods

Argentine barley output is forecast to increase by 17% year on year in 2015/16 (USDA), due to a higher planted area, at the expense of wheat ([read more here](#)). However, **recent excessive rains which covered many of the key grain growing regions in Argentina are reported to have resulted in flooding and losses of planted areas.** According to the Buenos Aires Grain Exchange, in the South East province of Buenos Aires, where the majority of the Argentine barley crop is grown, losses are only reported to account for around 3% of the planted area. However, in some provinces, losses have accounted for up to 35% of the planted area.

Argentina is one of the only major global barley producers where a year-on-year increase in barley production is anticipated, so markets will remain focussed on this area when the Southern Hemisphere cereals harvests commence later in the season.

UK spring barley harvest progress well behind normal

The UK winter barley harvest is now finalised and ADAS estimates the average yield at 7.2-7.4 t/ha, 11-14% higher than the 10 year average of 6.5t/ha. UK winter malting barley yields are ranging between 6.0 t/ha and 9.0 t/ha, with ADAS reporting that **most malting crops are reaching specification and samples have good specific weights.**

On the other hand, the spring barley harvest, at 50% complete (as at 8 September) is well behind normal progress for this time of the year, owing to a late harvest start and heavy rain in late August–early September delaying progress. With half of the UK spring barley crop grown in Scotland, it is still too early to determine national yield estimates. On crops sampled so far, the majority of which relate to England and Wales (only an estimated 15% of the Scottish crop had been harvested as at 8 September), quality is reported to be average across a range of measures.

The provisional results from the [AHDB Cereal Quality Survey](#), published last week, suggest that **2015 could be another good year for barley quality.** The results revealed that higher specific weights and nitrogen content have been recorded compared with last year, in the first batch of samples analysed. However, the slow progress of the spring barley harvest means that the results are subject to a greater level of uncertainty

than in recent years. Samples from later harvested grain will be key to establishing the overall UK picture.

Figure 3 Provisional UK barley quality results

GB Barley to 31/08/15	2011	2012	2013	2014	Provisional 2015	Three-year average (excluding 2012)
Specific weight, kg/hl	66.4 (66.8)	62.9 (64.0)	67.5 (67.9)	66.3 (66.9)	67.2	66.7
Nitrogen content, %	1.71 (1.82)	1.6 (1.66)	1.68 (1.66)	1.53 (1.55)	1.58	1.64
Grain through 2.25mm sieve, %	1.4 (1.3)	3.6 (3.6)	1.7 (2.0)	1.4 (2.2)	1.7	1.5
Grain retained by 2.5mm sieve, %	95.8 (95.8)	89.8 (88.9)	94.4 (92.7)	96.1 (93.4)	93.8	95.4

1. Results in brackets are the first provisional estimates for that year
2. 2015 provisional estimates are based on 14,685 barley samples
3. For historic data visit <http://cereals.ahdb.org.uk/markets/survey-results.aspx>

Declines for barley demand in 2015/16

A downturn in global demand for beer has resulted in lower consumption forecasts for barley in 2015/16. In addition, the economic situation in China has sparked **uncertainty about demand for global barley**, as [China is a key export destination for malting barley](#).

While last year saw a decline in demand for barley from the UK malting and distilling sectors, Strategie Grains expect that consumption will increase in 2015/16, contributing to an overall rise (along with Belgium and France) for EU malting and distilling demand.

Conclusion

The outlook for global barley production appears to be more positive compared with earlier estimates. Steady European and Black Sea harvest progress, along with favourable yield reports have led to recent uplifts to production estimates. While a decline in Canadian output looks set to continue again this year, the outlook is brighter for Australian and Argentine supplies. A key watch point for markets in 2015/16 will be how much the events in the Chinese economy could influence the global barley supply and demand balance, both in terms of demand from feed and malting processors.

Key Points

- EU malting barley production pegged at 12.7Mt, 160Kt higher than previously estimated
- Early UK quality results are encouraging but later harvested grain key to overall picture
- The economic situation in China and a general downturn in world beer demand could influence global barley balances