

Overview

- Yield and planting data indicate a UK wheat crop of between 9.7 to 10.2Mt, down at least 6Mt (-37%) on 2019 – potentially the smallest crop since 1982.
- Initial quality data indicate a low protein domestic milling wheat crop, with potentially only 0.9Mt of breadmaking wheat meeting full quality specification, 51% lower than in 2019.
- Supply concerns are reflected in the price quotations for delivered UK bread wheat, which for September 2020 delivery stand at £215.00/tonne (North West), up £56.00/tonne (+35%) on the delivered September quotation in 2019.
- Uncertainty around the outcome of UK-EU trade negotiations have weakened the pound and the potential imposition of import tariffs is causing even greater supply uncertainty.

Supply

Poor planting and growing conditions resulted in a drastic reduction of the UK wheat area in 2020 at 1.363Mha, down 25% on the previous season (1.816Mha) and the five-year average (1.823Mha). The poor conditions were expected to impact yield and this is borne out in the initial data (AHDB harvest reports) suggesting an average UK winter wheat yield of 7.1-7.5t/ha, down 11% to 15% on the 5-year average of 8.4t/ha. It is worth noting that spring wheat yields are typically 76% those of winter wheat and as a significant proportion of the wheat area this year was drilled with spring wheats, it is likely that the true average yield figure will be lower than 7.1-7.5t/ha.

Combining the estimated average wheat yield with the wheat area figures gives a production estimate of 9.7 – 10.2Mt. This is significantly lower than the 2019 UK wheat production of 16.2Mt (-37 to -40%) and if realised, will be the largest year-on-year drop in wheat production since records began in 1893.

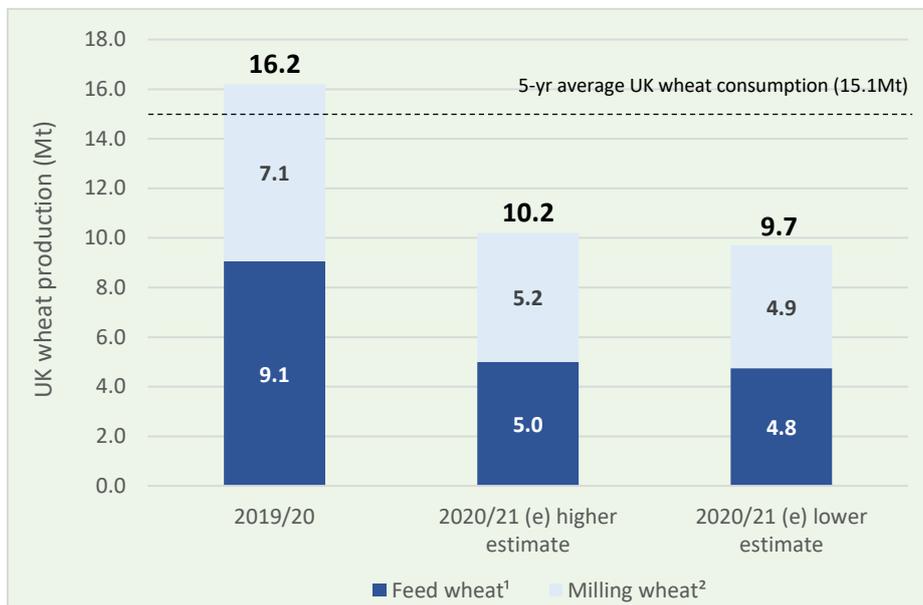


Figure 1. 2019 harvest production and 2020 production scenarios. (e) = estimate.

1. Assumed that all Group 4 varieties are destined for feed use.

2. Assumed that all Group 1-3 varieties are destined for milling use.

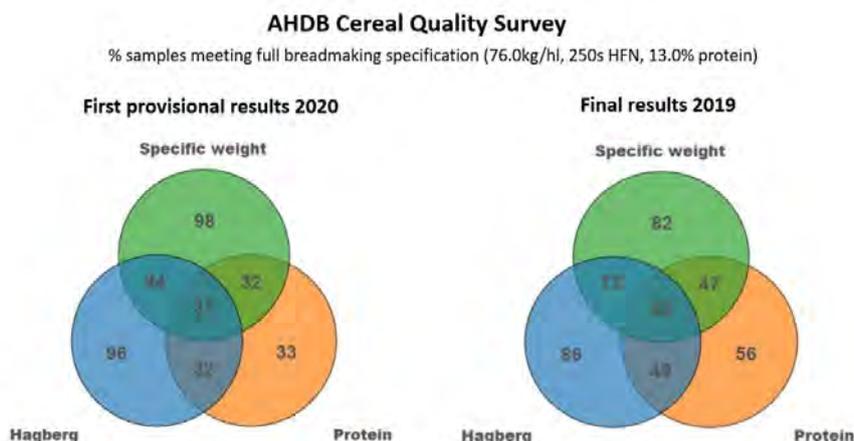
	2019/20	Higher estimate 2020/21 (e)	Lower estimate 2020/21 (e)
Wheat area (Mha)	1.816	1.363	1.363
Yield (t/ha)	9.0	7.5	7.1
Production (Mt)	16.2	10.2	9.7
Gp 1-3 variety proportion (%)	44.1%	51.0%	51.0%
Milling wheat production (Mt)	7.2	5.2	4.9

Despite a greater proportion of the wheat area planted with milling wheat varieties, the overall drop in area and poor yields will result in a significant reduction in milling wheat supply on the previous season, with a drop of at least 2.0Mt expected - equivalent to 50% of the average UK milling industry annual demand for UK wheat.

Quality

The UK harvest started with sunny weather allowing good progress to be made on wheat in the South East and East of England. However, wet weather in mid to late August delayed harvest across much of the North of England, reducing the quality of milling wheat left in fields.

The initial results of the AHDB cereal quality survey show that the quality of the 2020 wheat crop is significantly worse than that of 2019, with only 31% of Group 1 milling wheat varieties meeting the full breadmaking quality specification, compared to 42% in 2019. This is largely due to poor protein levels, but it is worth highlighting that samples harvested later will likely be of poorer quality than those harvested early, owing to the impact of wet weather on Hagberg Falling Numbers and grain specific weights. Once these are assessed and included in the dataset, it is likely that the proportion of samples meeting the specification will be even lower. Separately, bakers and millers both report inconsistent baking quality, indicating that the 2020 crop will be more technically challenging than in previous years.



Milling wheat availability

When assessing milling wheat availability for the season, supply and quality must be considered in tandem, as poor-quality milling wheat cannot be used by millers. Figure 2 combines quality and production data, to give an estimate of the availability of Group 1 milling wheat that meets the full breadmaking specification. The production figure is assumed to be at the mid-point of estimates for the 2020 season and the data show that, on the basis of the quality data gathered so far, the availability of full specification UK breadmaking wheat is only 0.86M tonnes, a drop of 0.91Mt (-51%) on the previous season.

	2018/19	2019/20	2020/21
Production (M tonnes)	13.56	16.23	9.95
% of plantings in Group 1	25%	26%	28%
Max availability of Group 1 wheat (M tonnes)	3.39	4.22	2.79
% of Group 1 meeting full specification	43%	42%	31%
Availability of full specification Gp 1 (M tonnes)	1.46	1.77	0.86

Figure 2. Milling wheat availability at full breadmaking specification (76.0kg/hl, 250s HFN, 13.0% protein)

The poor availability of UK wheat has been forecast for some time ([see previous nabim wheat market briefings](#)) and this has been reflected in the price of the crop. Figure 3 shows that the price of wheat has significantly risen year-on-year, with a steady increase throughout the season. At the same time last year, delivered breadmaking wheat prices (North West) were reported at £159.00/tonne, compared to £215.00/tonne in September 2020, an increase of £56.00/tonne (+35%). Concerns around securing domestic milling wheat are also reflected in the rise of the milling premium, now standing at approximately £30/tonne, one of its highest levels in recent years.

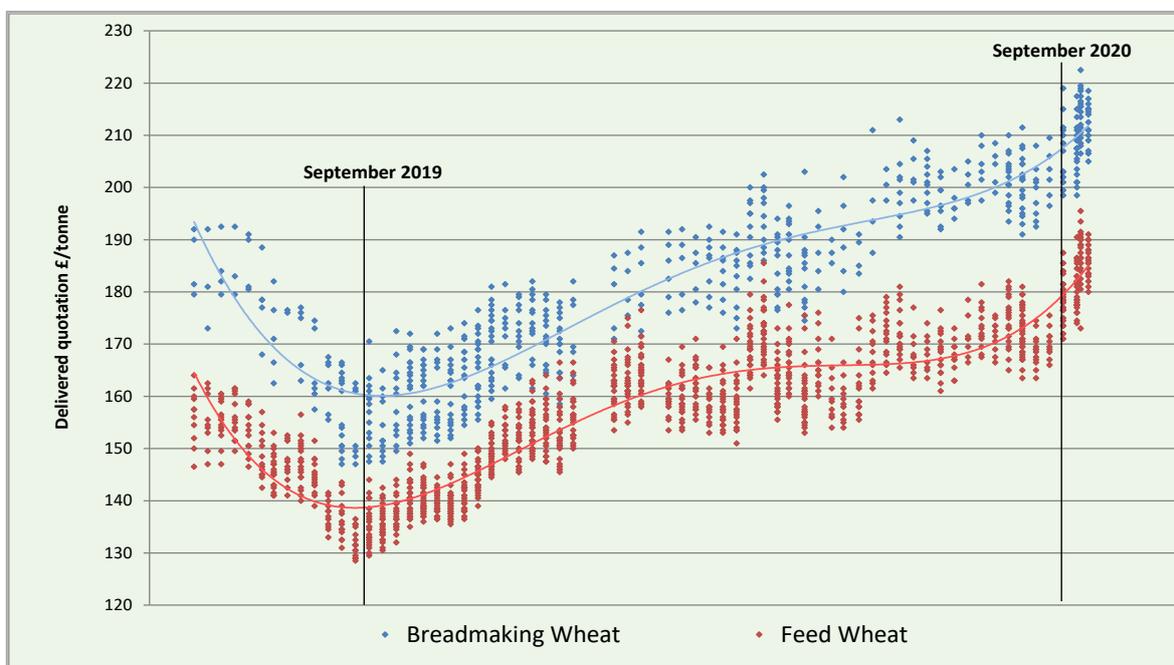


Figure 3. Delivered UK breadmaking and feed wheat quotations, as of 21.09.20. Source: AHDB.

Import uncertainty

Concern over domestic supply is not the only factor driving the UK wheat price higher. UK millers import high quality European wheat to substitute for domestic wheat in seasons where quality or availability is poor. As a member of the EU, this can be imported without paying a customs tariff. However, as UK-EU negotiations have continued without significant progress, the risk of a no-deal exit to the transition period has increased. Under the proposed UK Global Tariff, imports of European wheat would face a tariff of €79.00/tonne, which would render them unattractive to UK millers.

Uncertainty over EU trading arrangements are also impacting currency, with sterling significantly weakened by the recent failure to progress negotiations and the threat of a no-deal scenario looming. With UK wheat trading at or close to import parity (the price at which imported wheat is as competitive as the domestic crop), this has pushed wheat prices higher.

Summary

Poor quality and a domestic crop that looks to be the smallest since 1982 will significantly restrict the availability of domestic milling wheat in the 2020-21 season. The crop size coupled with uncertainty around the availability of European imports and weak sterling has lent significant support to UK wheat prices, now standing 35% higher than the same point in 2019.