

Economic woes dull harvest joys

HARVEST IS now concentrating on getting winter wheat cut and yields and quality both appear to be good, but there's still a long way to go for a final 'outcome'.

The stop start harvest has been caused by rain in my part of the Borders – August had 44 mm, or just under 2 inches of rain and, though surprisingly we've had two fewer inches of rain than last year to date, with a total of 387 mm, or 15.2 inches.

There's been some bitter winds on the economic front too. Early last week, we saw commodity and equity markets across the globe fall drastically due to serious concerns with the Chinese economy – though things settled down and stock markets recovered as the week progressed.

Both UK ex-farm feed wheat and feed barley spot prices reached their lowest values since 2010 in the week ending August 20. The average ex-farm UK feed wheat price was £104.10 per tonne, while the average feed barley price was a pretty dispiriting £93.70 per tonne.

Prices are under pressure from high global supplies and domestic carry-over. UK wheat stocks, excluding Scotland and Northern Ireland, were up 71% at the end of June, which represents a total of 994,000 tonnes compared to 378,000 tonnes in June, 2014 – or a six-year high.

UK barley stocks for England and Wales alone were 9% higher at 780,000 tonnes. With this year's harvest yields estimated to be above the 10-year national average, this can only push prices lower as forecasters estimate the UK's wheat yield at 8.3-8.6 tonnes/ha, compared to the 10-year average of 7.8 tonnes/ha.

This week we read of record yield of winter wheat in Lincolnshire at 16.5

THE GLEANER

SEP 5

tonnes/ha beating the previous top yield in New Zealand of 15.7 tonnes/ha, so it shows what the potential is given the right conditions, coupled with good management.

In Yorkshire, a yield of 7.2 tonnes/ha is also being claimed for a crop of winter oilseed rape so again there is huge potential if everything goes to plan.

With yield and quality of winter wheat harvested so far, this has seen milling premiums fall to around £12-£15/tonne over feed and barley has fallen as the UK is uncompetitive against Black sea barley. Also, malting barley prices are under pressure with a large exportable surplus trying to get a home overseas as well.

EU soft wheat exports for the year to date total 3.1m tonnes, compared to 3.8m tonnes last year at this time. Feed barley exports are up from 1.5m tonnes to 2.4m tonnes and maize imports are down from 1.9m tonnes to 1.3m tonnes.

The EU soft wheat crop is forecast to be 146m tonnes against 149m tonnes last year and global wheat and coarse grain production is forecast at 1988m tonnes compared to 2015m tonnes in 2014. Usage is put at 1985m tonnes compared to 1977m tonnes last year and end season stocks are set to increase to a 29-year high of 447m tonnes which is up 2m tonnes on last year.

The global wheat crop is expected to be around 720.3m tonnes which is 10m tonnes above the previous estimate in July and is on par with the record 2014/15 crop.

Prices are not being helped by the value of bread declining. In the 52 weeks ending June 21, 1.3m tonnes of bread was

sold in GB retailers which was similar to 2014. However, the retail price of bread was, on average, 5.5% cheaper than in the year ending June, 2014.

As a result of this, the value of bread sales in GB retail is down 5.9% over the same time period. In the year ending 2015, bread sales at British retailers were valued at £1.8bn.

UK beef supplies will remain tight for the rest of this year with production expected to fall by 2% to a total of 860,000 tonnes, but the longer term outlook is for more beef being produced.

The beef suckler herd in the UK is now at its lowest level since the late 1980s with 1.57m head of cattle. This means that in the past 10 years the number of cows in the country has fallen by more than 200,000.

However, the UK's dairy herd was up 4% in December, 2014, at 1.88m head which is not helping over production of milk and resulting poor returns to the dairy farmer.

Agriculture escaped the recession of 2008 and 2009 but now seems to be experiencing its own severe downturn. In the two years to May, 2015, the agricultural output index dropped by a huge 20.8%. For the same period, the input price index only fell by 10.6% which has seen a fall in turnover and income of many farm businesses.

In real terms, prices for all agricultural products are expected to decrease over the next 10 years. The main reason is that growth in production, helped by productivity growth and lower input prices, will outpace increases in demand.