- Crop prices cause biggest concern
- New 'world' barley variety

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Things can only get better – but will they?

THE GLEANER

AS WE enter a New Year it is time to reflect back on last year, but also to look at what might affect commodity prices for this coming season following on from what was a difficult 2015.

Due to various factors, which was caused by currency issues, weather, over-supply of commodities and not helped by lack of exports to reduce the carry-over into the next harvest season, the world has been awash with cereals and rapeseed.

Global grain supplies are less concentrated than they were 15 years ago. Wheat exports are now fairly evenly distributed between North America, the former Soviet Union (FSU) and Europe (EU). Total global wheat production has increased by nearly 150m tonnes since 2000/01, to a forecast 733m tonnes in 2015/16.

Worldwide, the trade in wheat has also grown and is forecast at 161m tonnes in 2015/16, up 59m tonnes compared with 15 years ago, but slightly down from the 2013/14 record of 166m tonnes.

Fifteen years ago, there was one dominant exporting region, now there are three. North America is the largest exporting region, but has gradually been losing ground, particularly to the FSU and the EU. This season, the share of global exports from the FSU is predicted to slightly exceed pre-2010 levels.

If these forecasts are realised, the FSU would provide a larger share of global exports, amounting to 28%, than North America for the first time. Together, North America, the FSU and the EU consistently supply about 70% of the world's wheat exports.

In terms of stocks, China holds the largest portion held by a single region or country. Around 30% of global wheat stocks were held in China for most of the last 15 years, a figure that has increased slightly in the last few years and is predicted to reach 39% in 2015/16.

Over recent years, barley and sorghum have become increasingly popular as livestock and poultry feed ingredients in China. In 2013, China turned to these alternative feed ingredients due to their affordability against maize but may reduce these imports in 2015/16.

The UK has recently signed a trade deal that will allow UK barley to be exported to China. That's important because global barley production for 2015/16 is forecast at 144.8m tonnes, which is 8% higher than the five-year average and 3% higher than last season.

Output in the EU, the biggest barley producer and exporter, is forecast to stay relatively similar to the previous season. Australia is forecast to produce 8.9m tonnes in 2015/16 despite previous weather concerns and will be an 11% increase year-on-year.

The UK has provisionally produced 7.28m tonnes of barley for 2015/16 and this is an increase of 365,000 tonnes on the year and, if confirmed, will be the largest UK barley crop since 1997.

In 2014/15, the UK exported the largest amount of barley in 15 years, with 43% of UK total barley exports to non-EU countries – the largest importer being Saudi Arabia. The UK barley surplus available for free stock or exports this season is forecast at 2.7m tonnes, which is 21% higher year-on-year. Large UK barley exports will again be required to prevent substantial stocks being carried into 2016/17.

With IUK barley sales recently breaking into the Chinese feed grain market, it will have to compete with France, Canada and Australia and, for example, Australia's exports of barley to China, which have increased by 82% over the last five years. UK barley will have to compete, not only with the established barley exporters, but also with US sorghum, in order to win Chinese business.

Longer term, in the UK more farmers are turning towards growing barley as it can be described as a lower risk crop to grow than wheat.

Improved gross margins for spring wheat, compared to spring barley, may increase the incentive to plant wheat in 2016. However, the incentive to plant spring malting barley has been maintained and is reflected in the proposed 10% increase in planted area this coming spring.

UK oat supplies in 2015/16 are forecast 11% lower than last season at 909,000 tonnes. At 25,000 tonnes, forecast imports would be down by 25% from last year and the lowest since 2010/11.

The balance available to be exported or carried over as stock into 2015/16 is forecast at 148,000 tonnes and it looks like an exportable tonnage of around 55,000 tonnes, compared to 77,000 tonnes in 2014/15.

Fuel prices are one area that has helped the cost of production on farm this past year and, currently, we are seeing Brent Crude oil prices falling to their lowest level since July, 2004 and last week oil was worth $36.88 per barrel, which will keep pressure on biodiesel and ethanol margins.

Having looked at global and UK commodities, it is worth taking time in the New Year to look more closely at the Scottish scene, where predictions of a bumper 2015 harvest have now been corrected by actuality. Scotland's cereal harvest was not the record breaker described by early official statistics and overall barley production fell by 9% and yields were 5% lower than was first thought. There was also a 4% drop in the area of cereals planted, due in part to crop diversification rules of the new CAP.

As a result, total Scottish cereal production fell by 4% to 3.1m tonnes, made up of almost 2m tonnes of barley and 1m tonnes of wheat. The revised yield estimate put the average overall yield for Scottish cereals at 7.0t/ha and were not as high as previously expected.

Cereal yields ranged from 5.9t/ha for spring barley to 9.3t/ha for wheat and oilseed rape yield was put at 4.1t/ha.

Spring barley saw a 9% fall over the year to 1.5m tonnes and oat production fell to 152,000 tonnes.

Winter barley and oilseed rape production increased on the year to 406,000 and 148,000 tonnes, respectively. Wheat production, at 1m tonnes, was the highest Scottish wheat production on record.

For next year, currency issues will still be a factor in commodity prices, as the US increases interest rates for the first time in many years – more immediately, payment of the Single Farm Payment would be most welcome for farmer's bank accounts and a nice way to kick off 2016.