

# Combinable crops

Wheat | Barley | Oats | Oilseed Rape | Malt



## Top 5 Export Markets for UK Cereals\*

1. Ireland £103,566,891
2. Netherlands £74,792,189
3. Spain £66,419,599
4. Belgium £33,493,682
5. Portugal £28,775,932

(average value 2017-2019) \*HScode10

## Domestic Production

1. Wheat – 14,872,333t
2. Barley – 7,242,333t
3. Rapeseed – 1,977,000t\*\*
4. Oats – 933,666t
5. Pulses – 239,322t
6. Rye – 73,702t

(average tonnage 2017-2019)

\*\* UK production of oilseed rape has almost halved in recent years due to loss of plant protection products. We are unlikely to regain that lost production to previous levels

With its maritime climate and relatively fertile soils, a variety of crops are grown across the UK. The amount of cereals and oilseeds available to export can vary from year to year depending on the crop and size of harvest but in years of surplus, the export market is necessary to balance the domestic market. Equally necessary for the domestic markets are imports of non GM feed to support our livestock sector. For certain crops like malting barley, the export market is always important. Each year, we roughly export 3% of the UK's domestic grain production. As a globally traded commodity, cereals prices fluctuate based on the availability and crop quality of major exporters, geopolitical tensions and supply chain issues. Haulage still remains an issue for exports where freight costs are expensive and port slots are difficult to secure. The occurrences of weather events can also play into the volatility of markets.

## Case Study

### Openfield

'In the last 3 years, the UK wheat crop has varied from 16.2Mmt to 9.66Mmt. Over the same time wheat imports have varied from 1-2.4Mmt and exports between 2.8-0.2Mmt. The UK barley crop size also varying from 6.5Mmt to 8.1Mmt over the last 3 years. Fluctuations in harvest size are largely driven by weather, price and policy uncertainty. In the UK, alongside strong domestic demand we have an inelastic wheat import need of around 1Mmt covering wheat types that currently not grown in the UK. The milling wheats we do grow account for around 80% of the milling wheat consumed domestically but can slip to 70% if harvest conditions are poor.

Many other grain producing countries can rely on reasonably constant good weather at harvest allowing them to constantly meet higher price premium specifications for milling and malting grades, but the vagaries of the UK weather mean the quality of UK grains can change from year to year; a prime malting barley or milling wheat crop a few weeks before harvest can be downgraded to feed by the time it is combined.

Premium crops can command premium prices domestically and on the export markets, but the world also needs feed grains which are priced very competitively. Global demand for feed grains is greatly affected by the livestock and industrial sectors and the price of alternative feedstuffs. As with all commercially, largely freely traded markets, global supply and demand and logistic costs control price and consumption. In a year with surplus grains, UK grains compete directly with other global cereal

exports whereas in a short crop year the UK is reliant on imports. Feed wheat and barley also have a direct competitor in the form of maize. A commodity not readily grown as a grain crop in the UK but is the worlds number one cereal by volume, competing directly for feed consumption in most markets subject to some indirect import restrictions. Furthermore, Maize tends to be a price regulator for most global feed commodities acting as a price guide to UK feed grains.

The annual uncertainty over UK crop size and quality add to the volatility in prices and relies on the trade to be an agile exporter or importer. In some years wheat imports have exceeded exports and any export trade been limited to nearby EU destinations in 3/4000mt size ships. Conversely in other years, when harvest is large and of good quality, the UK can load 60kmt ships heading for non-EU destinations such as Saudi Arabia, USA and Asia.

Global cereals face fewer trade barriers compared to other sectors but as weather extremes become more common, markets become more volatile, and restrictions on inputs and future land use plans are being felt more. The UK domestic market needs access to a safe consistent supply of cereals and farmers need to know there is a ready market for all grain and quality produced be that domestically or overseas. The art is to balance all the elements, and this relies consistently on the domestic UK grain supply chain knowing and understanding all the elements involved to keep the nations farmers, hauliers, storekeepers, consumers and ports flowing with what they want when they want it.'



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## Barley & Malt

Barley grain is mostly used as feed for animals, malt, and food for human consumption<sup>1</sup>. Production of grain is vital to support animal feed in the UK and overseas. Recently, we have seen consecutive years of growth in total tonnage of barley exported to destinations including Spain, Portugal, Algeria and Saudi Arabia.

Malt is the second largest use of barley across the world and in the UK, we grow high quality malting barley. UK maltsters buy around 1.8 million tonnes of barley every year, producing around 1.5 million tonnes of malt.<sup>2</sup> Malt is processed grain seeds, typically barley. Using varied production methods, UK malt takes form as dried barley grain full of sugar and starch, making it easier for brewers and distillers to use. For this reason, UK malt is a premium product, largely recognised for its quality and taste by its UK origin. Malt varieties range in flavour and colour and have contributed to developing the distinct flavour of British ale. The UK is a net exporter of malt predominantly to non-EU countries like Japan, the US, Thailand and Vietnam. We also export malt to countries in Africa, Australia, India, South America and across the Far East. These destinations very closely reflect the locations of 2018-2019 top beer producing countries, by output volume, in the world<sup>3</sup>. The UK malting industry is the third largest in the world. In particular, British maltsters provide malt to 14 of the largest 20 brewers in the world, as well as supplying the smallest micro-breweries. Looking prior to the pandemic, the export value of British beer to the US averaged roughly £122,926,815 between 2017 and 2018.

## Pulses<sup>4</sup>

With the recent fertiliser crisis and move to reduce crop carbon footprints, expanding business crop rotations to include pulse crops, supplying their own nitrogen requirement, and reducing the need for artificial fertiliser, would appear to offer opportunities for farmers and the environment. However, these crops are risky to grow with very varied outputs resulting from weather, pest, and disease pressure variations, so a strong market opportunity needs to be in place to support growers who take on the risk. Pulses such as field beans and peas can be used in various animal feed diets including pigs and cattle, but they can also be grown for human consumption, bringing nutritional benefits of high dietary fibre and complex carbohydrates. Pulses have long been a staple food of Middle Eastern and north African diets with tastes also developing further afield for products like pea paste and plant-based protein, however meeting the specification for human consumption for field beans and peas can often be difficult, so a wide-variety of strong market opportunities is needed. Developing strong reliable domestic and export markets for a range of specifications could allow growers the confidence to grow these unpredictable crops and widening their rotations.

## Value added products e.g. cereals, cakes etc.

Because of the UK's maritime climate, the "softer" milling wheat we produce tends to have a lower gluten content. The resulting flour is ideal for making cakes, biscuits and pastries or for mixing with higher gluten wheats that are typically imported to supplement UK produced milling wheat to make bread. This means there are great opportunities for UK manufacturers to maximise their use of UK wheat through sales of UK cakes, biscuits and pastries that are extremely popular in overseas markets looking to experience British taste. We can also supply countries like China with our milling quality wheat, who seek the softer wheats with lower gluten content for inclusion in their cakes, biscuits, dim sum and noodles. As a consequence, China's wheat imports surged to 4.2 million tonnes between 2019-2020 with forecasts for this to continue to grow. These are opportunities the UK can realise.

1. [au997e.pdf \(fao.org\)](#)

2. [UK Malting Industry - The Maltsters' Association of Great Britain](#)

3. [World-Beer-Production-2018-19.pdf \(ukmalt.com\)](#)

4. [Food Industry - Pulses UK](#)



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## Case Study

### Weetabix

The export business at Weetabix is c15% of total turnover and covers markets in Europe (including Ireland and covering EU & EEA countries), the Middle East, Africa, the Caribbean and select markets in Asia. c80% of our exports business comes from Europe with our Weetabix Biscuits being the leading brand supported by important contributions from the rest of the range. We have few sales in the Americas where our sister company Post Consumer Brands are based.

British brands, British produce, and UK's way of conducting business is looked on very favourably across the world and with very strong and iconic brands like Weetabix and Alpen, we see opportunities across the globe but in terms of sheer size, Europe remains the biggest.

We have seen healthy growth in mainland Europe in the past 12 months and expect to see this continue so long as there is no commercially significant regulatory divergence between our market rules in the UK and those of the host country. With country rules trumping EU rules in the post Brexit era, we find ourselves in compliance with EU rules at least for now but with divergence already beginning, it will potentially become more difficult to source raw materials and recipes compliant in the EU and GB markets. The challenge we find in Germany around fortification is a current and potentially business limiting one. Even when these types of challenges don't limit sales, they inevitably take additional resourcing to address, and undermine customer confidence.

We have also seen c1-2% increased costs to trade post Brexit from increased documentation and logistics costs. The tariff implication of sourcing from Europe and then bringing to UK for subsequent sale has meant we have had to design new ways of working which have made things more complex. We also now need to be critically aware of country of



origin of our raw and packing materials. We have had some restrictions in our ability to export tariff free on occasions when constituent raw material had European Origins and the resultant finished goods manufactured in UK could not be exported tariff free.

Staying on top of changes in EU/ in country rules and then subsequently managing our range to comply, presents the biggest risk. Government can help both by making it easy for business to understand regulatory changes in EU (and in individual European countries) and influencing local/ European legislation to prevent divergence.

Outside of Europe, we see a lot of opportunities in the Middle East, Africa and Asia but both trade and non-trade barriers present challenges. In Asia and North Africa the import duties are between 30% & 50% which makes local pricing very challenging. We also see frequent changes in rules around pack regulatory requirements from some Asian/ ME & African countries (Pakistan, Kingdom of Saudi Arabia, UAE, Kenya etc). This is more crippling than duties and brings business to halt. With export packs shared across a number of markets, implementing changes are costly and time consuming. Some of these markets also have forex challenges and market risk is a persistent constraint in expanding trade.

Any leverage government have in the degree of change and the grace period business get to comply with emerging regulations would be very useful.

