

Why it goes up and down - the Price of Wheat that is!

Peter Jones

2002 Harvest Report

World Wheat Harvest

Wheat conversations have lately been dominated by concerns regarding the availability, on a world scale, of high quality wheat. Drought during the planting season in the USA and Canada, followed by wet harvest conditions, wreaked the expected degree of havoc. With drought conditions reducing the expected crop in Australia, it is not a surprise that markets have moved dramatically higher.

The wheat crop in the USA is at a 30-year low; the Canadian bread wheat crop (at some 10 million tonnes) is the lowest since 1972; the Australian Crop is forecast to be smaller than the UK crop, at about 13 million tonnes. US wheat prices have risen by almost 70%, or more than £40 per tonne, since July. The Canadian Wheat Board has continuously downgraded the size and the quality of Canada's crop. The Board has temporarily withdrawn as a seller until more is known about the crop, but indicative prices are more than £60/te above those of last year.

The EU has proposed the imposition of a revised import regime from January 2003 which could limit the availability of imports from outside the EU and re-imposed a substantial tax.

Meanwhile only supplies of wheat from the Ukraine and Russia have prevented a significant increase in the world price of wheats of lower quality. It remains to be seen how much longer this supply can continue.

European Wheat Harvest

The heavy rain, which we experienced in the UK, also fell on mainland Europe.

Germany suffered very badly, with crop estimates being lowered by approximately 10% and a third to a half of the wheat has been downgraded to feed quality. This is a severe blow to millers, as Germany is an alternative source of the very high protein wheat normally supplied by Canada and the US.

Parts of France experienced some problems, but reports suggest that the crop is good in the main.

Typical Balance Sheet for European Union	
Carry in	10
Production	95
Imports	2
Supply	107
Human/Industrial	37
Animal Feed	42
Seed	4
Carry-out	10
Export	14 (4 flour/10 wheat)
Demand	107

UK Wheat Harvest

Prospects in the autumn were good, with plantings back up to just over 2 million hectares. A mild winter and optimal spring conditions led to the expectation of a bumper, good quality crop. Then, it rained in July and early August.

This resulted in lower than predicted yields (Crop production estimates range from 15.5 to 16.2 million tonnes) and reduced Hagberg Falling Number, in the East and North. Overall, protein content is down, by about 0.3%, whilst Hagberg Falling Number nationally is little better than last year. Whilst the saving grace may be seen as the magnitude of the crop, the problem lies in the fact that the torrential rain in July and August was extremely localised. As such, a crop in one field enjoyed good weather, whilst that in a field a mile away was subjected to a couple of inches of rain. On that basis, it is very difficult to determine what shortfall of quality wheat there may be. Without doubt, selection of the better quality wheats will be difficult and the alternative of using quality wheat from other parts of the World will be even more difficult, as described earlier.

Furthermore, due to the dramatic reduction in animal numbers the demand for wheatfeed (the co-product of milling used in animal feeds) has also significantly reduced. This has resulted in low prices for wheatfeed, which has the same effect on flour cost as an increase in wheat price.

UK Wheat Varieties

Group 1 varieties remain at about 20 % of the crop, with Malacca continuing to dominate and Hereward declining steadily. However, the popularity of Malacca, which tends to give low protein content is a key factor in reducing the overall Group 1 protein content.

Group 2 varieties, at only 12%, have not reversed the decline of recent years.

Group 3 soft biscuit varieties, account for more than half of the crop, with Claire, at 26% of the crop and Consort, at 21 %, dominating this Group.

Group 4 wheats, not suitable for the production of bread flours, account for the remaining 16% or so.

New Harvest Flour Quality and Performance

Summary

- In general baking performance of flour produced from all the major UK wheat varieties compares well with last year.
- Flour colour, at the same extraction rate, is similar to that obtained from last year's harvest. The Group I variety Malacca, which has traditionally exhibited a more yellow endosperm than other wheats appears to be less yellow this year.
- Mills are currently able to maintain existing water absorption levels for bakers flours.

- Hagberg Falling Numbers are likely to be a cause for concern this year, particularly in the North and the East, necessitating careful wheat selection.

Bread and Pizza

- The protein level of the new crop breadmaking wheat is about 0.2% down on last year, although there is considerable variability throughout the UK. Adjustments may be necessary to the protein specification of certain flours, although we are confident that baking performance will not be affected.

- Dough rheology is little changed from last year and we do not envisage any problems as far as bread / pizza manufacture is concerned.

- Average Hagberg Falling Numbers are similar to those found last year but show great variability across the country. Care in wheat and grist selection will be needed by millers to ensure that alpha amylase levels in their finished flours are not detrimental to product quality

- Indications for French breads are that new crop grists are baking well.

Biscuit and Wafer

- The average protein level of biscuit wheats from this harvest is 0.3% down on last year, however dough resistance and extensibility figures are satisfactory and as required by biscuit manufacturers. No major problems are envisaged.

Pastry

- We do not perceive any significant problems being encountered by manufacturers within this sector as a result of the new crop; Similar performance and colour to last year are expected.

Cake

· The wheats used in cake flour manufacture are of a similar quality to those used last year, except for the previously mentioned variable Hagberg Falling Numbers. However adjustments to the heat treatment levels can comfortably ensure consistent performance.

Steam Treated/Agglomerated

· The variable enzyme level of this year's UK crop means that the steam treatment applied to these flours may have to be adjusted compared with recent years. However we are confident that no change will be seen in the actual performance of steam treated flours.

Q. Laurie Pearson, Northampton

With our friends in France saying that they have produced 91% of their wheat to meet their bread quality standards, have you any comments?

A. No matter how good or bad the wheat crop, the French say they can supply the whole world with bread making wheat. They do have a better quality in terms of protein levels.

Q. Paul Heygate, Northampton

Are you sure that the Blacksea wheats will meet all the assurance standards that we want?

A. They won't meet any of the standards but as far as I am aware Blacksea wheats have not come into the UK. We have an Assurance Scheme (ACSC) in the UK. The farmers sign up to a club and they have to abide by a protocol and to keep records to demonstrate they have abided by that protocol and it is verified every year by an independent body that they have observed the protocol.

At that point they can use a sticker on the document for the wheat sent to the miller, who won't accept it unless it is under the scheme. This only covers domestic wheat.

It doesn't guarantee the wheat, it merely says that it has been produced in a process which is likely to make it acceptable. The reason we do this is for tracability. On Dec 5th we'll be visiting with the European farmers union because we need a scheme for Europe. It does not need to be rocket science because we have to make sure everyone can comply, but it is wonderful to see these schemes starting to show in Europe.