

UK Trade Discrepancies

Since the direct reporting of Intra-EU trade statistics ceased, there has been concern within the trade over the accuracy of the UK Trade Statistics. Last season (2004/05), there was continual concern by the GAFTA members and other trade representatives of the Market Information Cereal Committee (MICC) over this, and the potentially undermining effect this may have on the official UK cereal supply and demand balance sheet. The need for an HGCA export survey was endorsed by the GAFTA Exporter's Committee, Defra, and the MICC of HGCA.

Survey Methodology

At the start of August 2005, HGCA contacted 34 UK trading / shipping companies involved in the physical loading of wheat for export. Each company was asked to participate voluntarily in the survey to find out how much wheat (under Commodity Code 10011000, 10019091 and 10019099) they had actually exported by destination. There is a very small possibility that some relevant companies may not have been surveyed. However, there is considerable confidence that the respondents account for most all of the UK wheat exported.

The Results

HM Customs data place total UK wheat exports (both intra and extra-EU) at 3.13Mt in 2004/05. This compares to 2.81Mt wheat exports reported in the HGCA export survey, a difference of 0.32Mt (Table 1). The area of concern is over intra-EU wheat exports, with HM Customs placing this at 3.08Mt and the HGCA survey at 2.76Mt. This would suggest that there is a fundamental error on how UK

intra-EU cereal exports are being reported to and processed by HM Customs. This is potentially having a knock-on-effect on the official UK wheat balance sheet, which has historically used the HM Customs figure.

When the trade results are analysed in further detail there are some significant differences in the destination of UK wheat. It would appear that HM Customs is overstating UK wheat exports to France and Germany and understating UK wheat exports to Portugal and Spain (Graph 1).

The possible reason for these discrepancies arises from string trading. An example of this is where a shipment of wheat is sold by a UK company to a French company that is VAT registered in the UK, and then the shipment is exported. This bears the risk that both the UK and French company report this shipment to HM Customs, and thus double counting the volume of wheat being exported.

Implications

There is clearly something amiss in the way UK wheat exports are currently being reported and processed by HM Customs on the intra-EU side. This is supported by the fact that the extra-EU wheat export number from HM Customs and HGCA are so close. This is not to say that this is anyone's particular fault. The key is that by using the HM Customs figure in the UK wheat balance sheet, there would be an overstatement of exports by some 0.32Mt in 2004/05 which would have a profound impact on the validity of the UK wheat balance sheet.

UK Wheat Balance Sheet for 2004/05

In August, Defra published the August revision of the UK wheat supply and demand estimates for 2004/05. The main change from the June estimates have occurred in the wheat import and export numbers (Table 2).

A revision was made to the UK wheat import figure, with the HM Customs number falling short of imported wheat usage and stocks, as recorded by Defra surveys of UK flour millers and port storage facilities. This has resulted in UK wheat imports being increased on the June estimate by 0.054Mt to 0.994Mt.

Table 1 Key Data Comparisons

	HM Customs	HGCA Survey	Difference
Total	3,129	2,808	321
EU	3,080	2,758	322
Non-EU	49	50	-1
France	315	18	297
Germany	89	2	87
Portugal	367	530	-163
Spain	1,740	1,769	-29

Source: HM Customs & HGCA

On the export side, the HGCA export survey number has been incorporated into the balance sheet. There is a downward revision to the wheat export number from the June forecast balance sheet of 0.171Mt to 2.808Mt. Taking into account end-June results from the Defra on-farm stocks and ports cereal stocks survey, it was appropriate to add this to the closing stock figure, which, taking into account other changes in the balance sheet, results in UK wheat closing stocks rising on June by 0.181Mt to 2.01Mt.

For the Future

HGCA has written a Trade Reporting Guide with the backing of GAFTA and HM Customs. The aim is to explain how the HM Customs Trade Reporting system works (i.e. how to correctly fill in Intra-Stat returns), so as to try and minimise reporting errors and make the process as clear and simple as possible. Once completed (currently with HM Customs being checked) we propose to send it to all UK grain traders and exporters to highlight who should be reporting what and how.

There is the issue that UK wheat exports for 2005/06 have already commenced, and so it is proposed that a request is made to all UK

traders and exporters to check, and if necessary, amend their HM Custom numbers retrospectively once the Trade Reporting Guide has been distributed.

HGCA would like to thank everyone who has helped in this whole process not only for their time and co-operation but also for the speed of it. We believe this process is for the benefit of the UK cereal industry as a whole and hope to improve the accuracy of future UK Trade Statistics.

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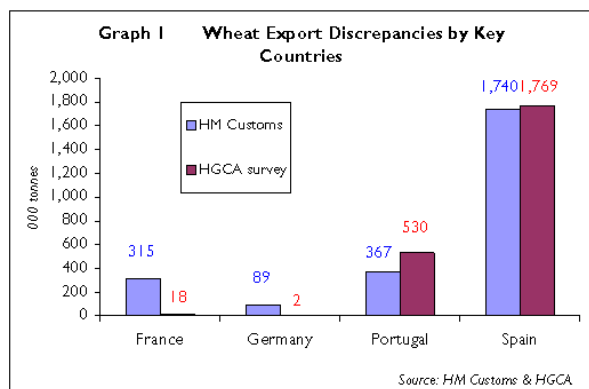


Table 2 Annual UK Wheat Supply and Demand Estimates

	1999/00 2003/04 average	2003/04 estimate	2004/05 June 2005	2004/05 Aug 2005	% change on 03/04
(1) Opening Stocks	1,904	2,036	1,885	1,885	-7%
(2) Production	14,681	14,288	15,473	15,473	8%
(3) Imports	1,189	894	940	994	11%
(4) Total Availability	17,775	17,218	18,298	18,352	7%
(5) Human and Industrial Consumption	6,355	6,279	6,289	6,298	*
(5a) (of which home grown)	5,423	5,467	5,351	5,348	-2%
(6) Usage as Animal Feed	6,535	6,491	6,828	6,853	6%
(6a) (of which home grown)	6,270	6,214	6,819	6,850	8%
(7) Seed	300	281	280	280	*
(8) Other	73	71	93	93	31%
(9) Total Domestic Consumption	13,264	13,122	13,490	13,534	3%
(10) Balance (4) - (9)	4,511	4,096	4,808	4,818	18%
(11) Exports	2,544	2,211	-	-	-
(12) Intervention Stocks	1	-	-	-	-
(13) Exports / Intervention Stocks (b)	2,545	2,211	2,979	2,808	27%
(14) Commercial End-Season Stocks	1,967	1,885	1,829	2,010	7%

Source: Defra.

Key Points

- HM Customs wheat export number 0.32Mt too high
- Issue of double counting
- Could affect validity of UK supply and demand if used
- Defra opted to use HGCA export survey figure
- Net result is for UK wheat closing stocks to be over 2Mt