

The harvest of two tales

Or a tale of two harvests!

The tail end of the 2009 crop saw prices of grain, including malting barley, at low levels with very little spark in the market. There were mutterings that prices would rise later in the season but the allegedly high carry in stocks seemed to weigh heavy on a lazy market.

by **Alan Ridealgh**
Muntons plc

And it was lazy. High carry in stocks of malting barley from one season to another are a fallacy. They do not happen. Commentators seem to think malting barley is a commodity in isolation; it is not, it is part of the grain continuum, a balance and something that was one thing easily becomes another. So it went as feed. Yes, I concede, there may have been some additional carry over, mainly in maltster's stores. This reflected either low usage levels over the winter of 2009/10 or a tactical policy decision to buy a little more when prices looked attractively low. But not much in the overall scheme of things.

Explosive reaction

So, when problems started to arise around the world with crops, initially concentrated on the drought in Russia, the scene was set for an explosive reaction. Then, one by one, each growing area of cereals in the world began to report problems. Initially concerned with the wheat supply this centre of attention later transferred to barley and then corn. And malting barley? Well at less than 1% of the world's cereals; other than the odd maltster, who really cares? It's now a minority crop. This was perfectly illustrated when for a short while feed barley was trading at higher prices than malting barley. Many maltsters did not enter the harvest market this year and so the malting barley that was available went as feed.

No risk

Farmers were delighted to make over £150/tonne for feed barley with no risk. Very quickly any surplus began to disappear. We will run out of barley this year. I really never thought I would ever write that statement. It is not that there will be nothing there, just none available; it is all earmarked so we shall run out of barley. Hence my opening statement that we have a two year market scenario - a harvest of two years. The 2011 harvest will start with a reduced carry in. I will let the reader interpret the likely effect.



The UK winter barley quality was a cut above the spring barley – but not by much (see tables).

UK Barley Balance Supply and Demand – the 2009 surplus will be key

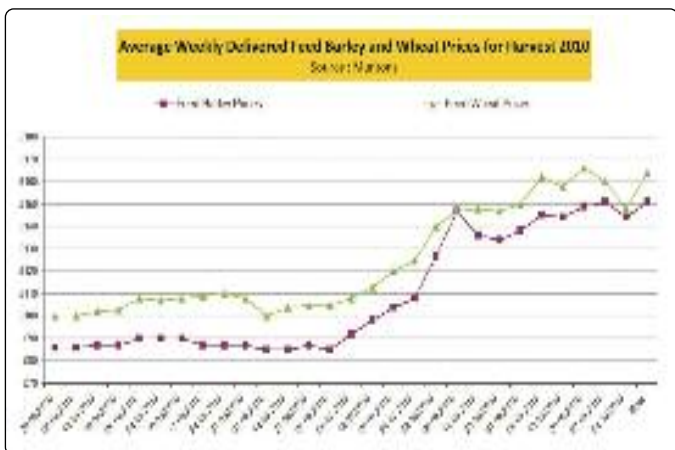
'000 tonnes	2008/9	2009/10	2010/11
Opening Stocks	760	1,204	1,590
Production	6,144	6,675	5,205
Imports	142	86	100
Availability	7,046	7,965	6,895
Domestic Demand	5,030	5,341	5,179
H&I	1,769	1,625	1,662
Feed	3,070	3,512	3,321
Exports and Closing Stocks	2,016	2,624	1,716

Source: DEFRA/AHDB/HGCA

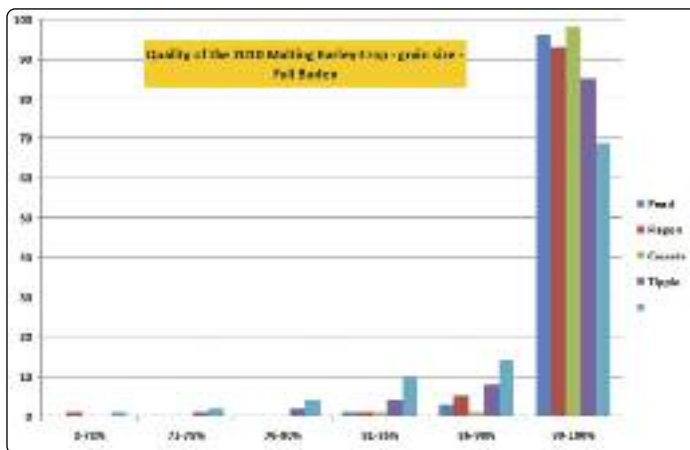
GB Barley Quality – provisional results weighted toward English crop

	3-yr average	2009 Provisional*	2009 final	2010 Provisional**
Winter				
Specific weight (kg/hl)	65.8	66.8	66.6	67.8
Nitrogen (% dm)	1.71	1.67	1.69	1.74
Screenings through 2.25mm (%)	2.4	1.3	1.2	1.4
Screenings retained 2.5mm (%)	92.9	96.2	96.1	95
Spring				
Specific weight (kg/hl)	65.2	66.9	66.2	67.5
Nitrogen (% dm)	1.60	1.58	1.57	1.59
Screenings through 2.25mm (%)	2.7	1.7	1.7	2.3
Screenings retained 2.5mm (%)	92.6	94.2	94.7	92.2

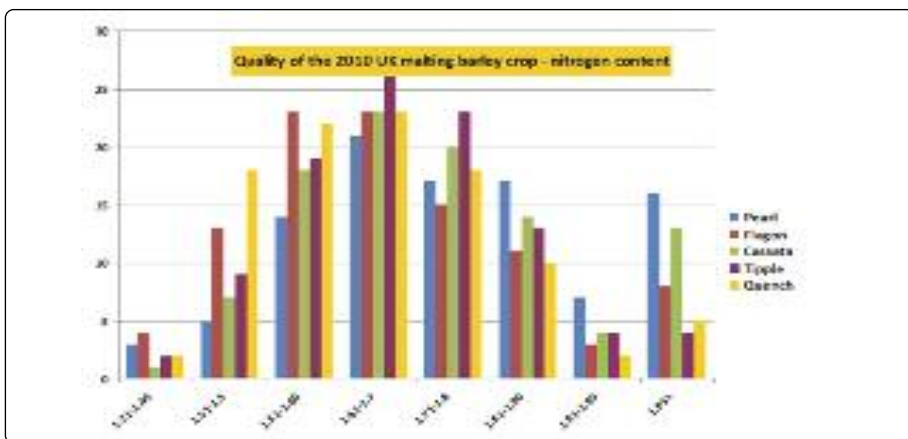
*Provisional results based on 10,955 samples **Provisional results based on 11,608 samples
Source: AHDB/HGCA



Average weekly delivered feed barley and wheat prices.



Quality of the 2010 Malting Barley Crop – grain size – full barley.



Quality of the 2010 Malting Barley Crop – nitrogen content %.



We will need all the help we can to get a good crop next year as the area of malting barley declines once again.

Indeed, looking at the usual DEFRA barley balance table and incorporating provisional information from the HGCA Early Balance Sheet as shown in the table accompanying this article shows a worrying situation. If the UK exports only the same amount of barley – feed and malting – as last year, then our carry into 2011 is at an all time low. In fact virtually nil. This of course puts pressure on the 2011 crop in terms of yields with even a good year not being sufficient! So why as I write is there a discount of £40/tonne between the two years? I will wager by the time you read this, hedge funds or speculators of some sort will have eroded that difference.

It is not possible to consider malting barley or indeed barley in isolation. In an excellent paper presented at a conference open to all in October 2010 – at which there were many food manufacturers but hardly a brewer or distiller – Jack Watts, Senior Analyst with AHDB – Agriculture and Horticulture Development Board (read HGCA) – expertly set out the story for all to see.

Jack’s initial summary was:

- A host of weather events impacted on wheat crops around the world.
- The world lost its cheapest source of wheat.
- Early expectations of a quiet season faded.
- Wheat went it alone without the wider commodities.
- Fund buying interest returned.
- The result? – Wheat price up 50% plus.

The next stage was to see all other agricultural commodities join in as supply and demand began their classic reaction. Price.

The key, of course, is to look forward. Again, to quote Jack Watts, the world has not run out of wheat, just cheap wheat. Weather has been the primary driver – and this certainly is not a factor that is finished yet!

Jacks conclusions were starkly simple:

- The markets will be volatile.
- Price risk management is no longer optional. I would add for malting barley that:
- Supply risk management is also no longer optional.

Bad news continued

Nothing stands still. Bad news continued including poor crops in Canada, particularly of

Frontier Crop Gross Margin – Harvest 2011

	Winter 1st Feed Wheat	Winter Group 1 Solstice	Winter Feed Barley	Winter Malting Barley	Winter Rape+ (inc Oil Bonus)	Spring Wheat Milling	Spring Malting Barley	Peas M'fat
Projected November Price	£130	£148	£120	£145	£340	£148	£154	£270
Projected Yield/Hectare	9.0	8.5	7.3	6.7	3.5	6.7	6.5	4.0
Total Output /Hectare	£1,170	£1,258	£876	£972	£1,190	£992	£1,001	£1,080
Seed	£50	£50	£50	£58	£52	£95	£60	£175
Fertiliser	£210	£235	£177	£173	£215	£170	£140	£75
Crop Protection	£200	£210	£176	£170	£185	£108	£100	£100
Total Variable Costs/Hectare	£460	£495	£403	£401	£452	£373	£300	£350
Gross Margin /Hectare	£710	£763	£473	£571	£738	£619	£701	£730

Source : Frontier Agriculture

malting barley. The suggestion was made that there was virtually no malting barley of traditional quality. This means that the internal Canadian maltsters will adapt accordingly but malting barley exports are likely to be nil. Only days later, problems with the crops in Australia surfaced and again the outlook for malting barley appeared cloudy, especially in Western Australia. So if anyone wants traditional quality malting barley from beyond their normal supply routes, my goodness will they have difficulties!

I am pleased to report however that in general barley quality in the UK was excellent. The accompanying charts graphically illustrate this. There were some germination problems with the last 30% of the Spring crop, mainly in Scotland as bad weather set in through late August and September. Nitrogen ranges were acceptable and grain size good but with a slightly higher level of screenings than the last couple of years but nothing serious. I think that the UK again probably has the best malting barley in the world.

Cassata, a relatively new winter barley, performed extremely well and looks set to be

popular as Pearl fades on its agronomic achievements and Flagon loses maltster support in some areas. Tipple was again incredibly consistent, what an improvement on the spring barleys of old. Quench and Concerto gave further rise to optimism and we all look forward to seeing commercial quantities of Propino.

The new high yielding spring barleys are our last hope Obi-Wan! Please browse that table showing gross margins of the popular agricultural crops. Farmers ask “why grow barley other than spring malting barley?” And it is hard to disagree. Price and yield are of course critical but the die is cast.

As the subject of carbon footprint becomes more prominent – and I refer the reader to an article in the October *B&DI* on the subject by my colleague, Dr Nigel Davies. Don't miss it – it makes for thought provoking reading.

So as we drift from one harvest already in the barn to another yet to be realised I can't help reflecting that Jack Watts is right, the key is to make sure the supply chain is secure and where possible hedged in some way. But price is one thing; supply is another. ■

Another tale of two crops

The barley scene in North America

The 49th Parallel, the degree of latitude which divides the United States and Canada along their shared border through North America's breadbasket, would virtually mirror a line that divides the quality of the 2010 malting barley crop. One area would see a near repeat of last year's excellent conditions and quality, which were some of the best on record. The other would see one of its worst malting barley crops in a decade.

by **Derek Prell**

Malteurop North America

United States

The US crop, with the exception of some northern areas in Montana, was by far the better crop of the two. Earlier and drier planting weather allowed most of the growing areas to get off to a good start. Ample (and sometimes too much) moisture, combined with average temperatures, allowed the crop to develop and mature nicely. The bulk of the crop was harvested in short order during July and August ahead of the rain systems which would have been detrimental to crop quality. Yields and quality were excellent for most US barley this year, but production is down on reduced plantings. The USDA shows yields at 3.93 MT/Ha (same as last year) and total production of only 3.925 million MT (vs 4.949 million last year). According to the American Malting Barley Association survey, varieties Tradition (38%) and Lacey (29%), both 6-rows, lead the way in the eastern growing area while varieties in the western growing area are led by 2-rows Metcalfe (21%), Moravian 69 (11%), and Conrad (11%).

It is interesting to note the average yields in 2010, while equalling the record set in 2009, do not necessarily represent superior growing conditions or improved varieties. But rather, it represents a trend of the malting industry



Harvest in the UK was eventually completed but bad weather delayed the final result.