

BARLEY REPORT

The roller coaster careers on



Malting barley has always been known as a fairly volatile commodity, the last three years have proved that point fairly dramatically. Now we are in this extreme cycle and with weather becoming so extreme and unpredictable, it is hard to see where stability is going to come from. Brewers talk about closer ties with maltsters and farmers but apart from some forward thinking regional brewers-who are keen to protect and retain their supply chain-large brewers seem to be happy to take their chances and ride the roller coaster. Some have shown that if contracts are not advantageous to them they demand re-negotiation anyway.

The main reason for the dramatic downturn in price last year was three-fold; a 30% increase in spring barley plantings caused by the very wet autumn of 2008, a huge reduction in beer consumption worldwide caused by the global recession and a world barley harvest where just about every malting barley producing nation had a bumper crop-almost unheard of. The upshot was, as we all know, large over supply, large stocks of expensive malt and a 6 million tonne crop of barley ended up in intervention stores across Europe with malting barley trading at a derisory premium.

In 2007 we were told that the 1mt shortfall in malting barley would take up to 3 years to correct itself. Last year we were told that the 1.5mt over supply of malting barley would take at least 2 years to work out of the system. Well the weather and a mass exodus from growing barley by growers across Europe have put pay to that and we are looking at a very tight malting barley supply and demand situation around the globe.

Looking back briefly at the 2010 harvest, the chalk soils of the south of England proved once again why they are so reliable at growing both winter and spring malting barley, as did soils along the western fringes of the UK as they saw more in the way of rainfall. The eastern counties and Scotland have not fared so well, yields have been disappointing and nitrogen's have been far higher than the south and west, Yorkshire and Aberdeenshire have come off particularly badly.

Once again we had to endure the annual monsoon in August and we calculate that at least 15% of the spring barley crop was still out in the field. It is frightening to see just how quickly these modern varieties fall apart in wet weather; their lack of dormancy takes them from being barely fit to being completely wrecked in a matter of days.

As you know the main reason for the huge price shock we have seen since early July is the devastation caused to the Russian harvest by extreme drought and then wildfires. Very wet conditions in Germany and Poland wrecking both their malting barley and milling wheat crops have further tightened the availability of sound malting barley. The wet weather then reduced both the Scottish and Danish crops, the upshot of which has been a significantly lower tonnage of sound malting barley available for export.

So looking forward to the rest of this season and the implications for the 2011-2012 season... Demand for feed barley looks set to stay strong even in the light of intervention releases in 2011. The availability of sound, good quality, low screening, and low nitrogen barley is limited. Therefore, as in 2007, maltsters will evaluate and use lower quality barley and brewers in turn will accept lower quality, lower extract malt. This makes a mockery of the standards set in the 2009-2010 season and the subsequent high levels of rejection. This scenario only adds to farmers' disillusionment with malting barley production and has led many to look for alternatives. Export demand will be strong for both malting and feed barley with Russia estimated to require around 600,000 tonnes. The smaller than usual Canadian crop has been decimated by late frosts and wet weather at harvest so their export potential is also reduced. To add to the scenario, the barley crop in Western Australia is reduced due to drought, the crop in Eastern Australia is good but has recently endured potentially damaging levels of rain in places.

When you analyse the UK balance sheet it looks like we will have a carryover in to next year of less than 100,000 tonnes of malting barley-that is without counting on a high level of rejections due to poor storage. The high level of break crop area harvested in 2010, high subsequent rape drillings and a relatively open autumn all point to a lower than usual spring barley area again.

Current forward prices for next year are in excess of £150/t and will continue to take their lead from increasing demand as we emerge from recession, weather conditions in producing nations and the pricing structure that develops for UK wheat and barley as we go into and emerge from the winter. All in all it looks like the volatility is here to stay but at least malting barley values are a reflection of the effort and risk involved.

If you have any queries regarding anything on this report please do not hesitate to give either me a call or email me at: Jonathan.Arnold@Robin-Appel.com

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Moisture Levels in Stored Grain

Once again we have the scenario whereby grain in store has re-absorbed moisture and is now sitting at levels in excess of what many growers think they are. This is, in part, due to inaccurate moisture meters but also to the fact that crops were baked dry prior to harvest and have never stabilised in store. Please monitor your moistures carefully and regularly and feel free to bring samples in to check against our static infratec machine or we will come and take samples.

Malting Barley Meeting

In conjunction with Syngenta we are holding this years' malting barley meeting slightly earlier than last years, we will send an invitation to you shortly but please make a date in your diary for the 9th December again at The Hampshire Golf Club, Andover. We have some great speakers with Peter Crisford agreeing to return to discuss the last few months and look ahead to the next few, Jack Watts of the HGCA will give us a global backdrop on feed markets and we will also be able to discuss new varieties and some new fungicides.

Malting Barley Competition

We are again running the competition after 2 successful years and would urge you to get involved, the winner receives a beer brewed out of their barley, malted at Warminster and brewed to an agreed recipe, bottle labels designed by the winning grower. The engraved silver trophy will be presented to the winner at the aforementioned malting barley meeting. For more information, please see the enclosed flyer. The closing date is Friday 26th November.

2011 Varieties

Two new varieties are being backed for 2011 and have both done well this year. You will find herewith a summary of all the current varieties worth considering next year. We will be in contact with you in due course to discuss the 2011 harvest.

We have plenty of seed of all varieties grown by Messrs Monk, Hall and Swain, cut pre-rain and therefore of the highest quality. Do not be alarmed by reports that spring seed will run out-it won't with us.

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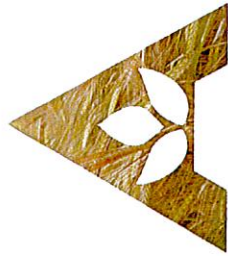
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"CORN MAY FEED THE WORLD, BARLEY MAKES IT HAPPY"

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2011 Spring Malting Barley varieties



Variety	Breeder	Approval	Plus	Minus	Comments
Tipple	NFC Syngenta	Full	High Yield Low grain nitrogen Good agronomics Accepted everywhere	low dormancy=prone to sprouting low grain nitrogen Not accepted for distilling	No.1 variety in UK (85% of UK industry purchases 2009) International demand Need to cut it as soon as you can
Quench	NFC Syngenta	Full	High Yield Good agronomics No.1 variety in mainland Europe Good export demand	Prone to splitting in 2009	Faired very well in 2008 but poorly in 2009-all down to adverse weather at ripening. Timing related not varietal Performed very well again in 2010. Some large trading houses will not accept it-don't let that put you off! Very robust variety and popular in west country, now being outclassed by Concerto
Westminster	Nickersons	Full	Excellent agronomics Dormant=less pre-germ Large grain size Very high malt extract	Limited malting demand Tall strawed	
Propino	NFC Syngenta	Provisional	Extremely high yield Good agronomics Earlier to harvest Good maltster interest for both domestic & export market	Yet another new variety	Appears to be quicker to convert into malt thereby speeding up conversion process, will be popular variety Expect Full approval in June 2011 Bred from Tipple & Quench
Concerto	Nickersons	Full (inc distilling)	Optic replacement Suits brewing & distilling robust & very high yields Very large grain size	Tall strawed	Looks very promising with zero GN to suit distilling market In 3rd year of trials in France, could export. First pan European variety not bred by NFC Syngenta
Optic	NFC Syngenta	Full (inc distilling)	Tried & tested	Waning demand Prone to brackling	A stalwart variety but now being phased out Really time to wave it goodbye
Golden Promise	Braun	No	Niche market Added value	Required at very low nitrogen levels Lower yield Travels to Yorkshire to be malted	Still in use by some real ale brewers and whiskey distillers Developed by advanced plant breeding technology back in the 1970's