

Crop Bulletin May 2011

To all growers of Malting Barley

We have used words such as rollercoaster, extraordinary and volatile quite a bit over the last few months if not years and it is tempting to now use some stronger adjectives to describe what is happening currently. My last bulletin focused on the risks of a dry season and the fallibility of supply and demand spreadsheets when assessing a malting barley market that is so dependent on spring barley. At our malting barley conference last winter we gave warning of potential for prices to rise if there was a problem with barley supply. Well that problem is now with us in no uncertain terms with the dry weather having damaged potential yield across Europe. Below is a quick summary of current global situation as we see it.

East Anglia

No serious rain since February and many spring barley crops sown in to less than ideal conditions following late, wet sugar beet harvest. Many crops were therefore poorly established and the lack of rain has exacerbated the situation, therefore spring barley crops from Norfolk, through Suffolk and into Essex looking very poor. Predictions are for yield losses of between 25-50%. There are reports of crops being cut for forage to redeem some value from them.

Scotland

Crop drilled into good conditions and has had rain fairly consistently, other than parts of the borders and Morayshire look very promising at this stage. Acreage of feed barley varieties sown is up, thereby decreasing volume of malting barley.

Rest of UK

Nowhere has escaped the dry weather although parts of central southern England and the West Country have benefited from rains since middle of March. 14mm on the 18th March and 35-40mm on the 6th & 7th May have ensured continued growth. However crops look better from the road than they do standing in them. Lack of tiller numbers and 'bolting crops' will lead to inevitable yield losses. Final quantity and quality hangs in the balance and depends on the weather over the next 4-6 weeks.

Denmark

Crop well drilled and established but now needing rain. Viewed as 3% up on last year so no significant rise. Latest reports indicate crops suffering from lack of rain. This crop is vital to global supply.

France

Both winter and spring barley need rain and showing serious signs of drought stress, malting barley output has been cut by 30% already. An overall increase of about 9% on 2010 but this now lost in yield decreases. High nitrogen crops could further diminish tonnage available and a distinct possibility.

Continued overleaf...

Germany

Very small crop, again very dry and in need of rain. Roughly same area drilled as 2010.

Canada

Worlds 3rd biggest exporter, barley crop going in late which could result in late harvest and potential frost damage, situation needs monitoring. Could be larger area as late drilling favours barley over canola.

Australia

Dry in the West and now very dry again in the East. Growers look to have favoured wheat over barley and therefore potential crop being downgraded already.

Add to the mix the unknown damage caused by very dry weather in China and reports of dry weather in Ukraine & Russia and you can see where the rally in the market has come from. The upshot is that at long last malting barley has resumed a significant premium over not only feed wheat but also feed barley-as we have said many times, if there is no decent premium over feed wheat, malting barley production will go down. So a low barley area throughout Europe has been the result of poor premiums leaving the reduced area seriously exposed to a weather problem. We now have that in no uncertain terms and against this backdrop we have increasing world malt demand. An early harvest is now on the cards but before that the weather over the next few weeks is critical. We will need a good balance between sunlight and rainfall to balance quality and achieving some sort of yield. Fingers crossed.

Becky Hopkinson née Bourne

I am delighted to report that someone has had the sense and luck to take Becky on as their wife, so on a delightful day in late April, Becky married Jonathan Hopkinson and is therefore now Mrs Becky Hopkinson, we wish them every success together. They are taking a delayed honeymoon to watch rugby in New Zealand in the autumn (subject to permission!).

Forward Sales

As with last year an awful lot of malting barley has been sold forward and with the prospect of decreased yields some farmers will have committed a higher percentage than they had planned. To the vast majority this message will not apply but sadly last year we had a few instances of people 'mislaying' contracts or disputing what they had agreed to sell. When you sell grain it must be right on the day otherwise you would not do it and therefore when we sell it on to maltsters etc we have to honour that sale as they will have sold malt on to brewers. If therefore you feel you need to clarify any points please do so prior to harvest in order that we all know where we are when you have cut the crop.

2012

Volatility abounds and will not relent as long as global weather is so extreme. The recent rally in 2011 prices has caused 2012 to firm alongside it. Therefore both winter and spring barley look very good options for next year and would encourage you to look at their gross margins as they compare very favourably with wheat. Look out for SY Venture in winter barley trials. Please give me a call to discuss contract /forward pricing options.

Trials

Once again we have some interesting spring barley trials at Roundwood Estate, Micheldever courtesy of Jon Harley. We are planning two visits to these and will let you have dates in due course.

This year will be about the 5th testing year for malting barley in succession, the 3rd very dry spring in 5 years and increasing disillusionment in E Anglia means that the area sown to spring barley may remain tight, it seems to me that the malting barley over the next few years could prove to be a very profitable cropping option.

If you have any queries regarding anything on this bulletin please do not hesitate to give either me a call on 01489 897108 or email me at: Jonathan.Arnold@Robin-Appel.com