

Extraordinary Times

The last few years will be remembered as one of the most extraordinary periods in the history of malting barley production. From the global shortage caused by large crop failures in 2007 to huge world crops and ensuing surplus from the 2009 harvest, the market has been highly volatile and unpredictable. Only 12 months ago disillusioned farmers responded to leading industry commentators telling us that there was no way prices or premiums of malting barley could rise because of high world stocks and maltsters being covered right through to harvest 2011. The decimation of the Russian harvest followed by extremely wet weather in Germany and Eastern Europe put a huge hole in the supply side argument. It then rained throughout the Danish and Canadian harvest (already reduced due to poor growing conditions) and to put the last nail in world barley supplies, drought in parts of Western Australia and rain in Eastern Australia lowered their potential bumper harvest.

So in conclusion, what we were told would be a fairly uninteresting season right up to early July, has turned out to be anything but. The main reason behind the volatility? Extreme global weather. It never ceases to amaze me how all the theoretical predictions on malting barley fails to take into account the weather a) during the growing season and b) at harvest, which can decimate our new, non-dormant varieties. Growing malting barley is not for the faint hearted and should be kept in the hands of professional growers on the right soil types. More important than this, it has to reward the grower for taking on the risk. If it doesn't, growers will vote with their feet (a la 2010) and we are left with the type of vulnerable market we have today.

It is true to say that many larger brewers have taken out longer term contracts with maltsters based on historic and unsustainable malting barley values, no doubt barley has been hedged against lower values and some longer term farm contracts have been done. But in the longer term brewers have to wake up to the fact that malting barley is no 'run of the mill' crop to grow and farmers need support from end users to stick with it. We are involved in some interesting initiatives on this front which look to elevate the status of malting barley-we will keep you posted.

Global Demand

Recently it has become apparent that world demand for both whiskey and beer is showing signs of recovery from the effects of the global recession. A good example of this is the potentially huge Russian market. Before the global recession beer consumption in Russia was running at 80 litres per capita, the downturn and tax rises dropped this figure by nearly 50%. It has since recovered back to 65L/head per year and is set to go to 100L.

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Problems on the supply side globally have led to the rally in prices and premiums, these price rises are being fed through to consumers more so in the northern hemisphere where harvests were hit harder, the southern hemisphere is also experiencing some strong growth demand. However it is important to guard against complacency as soaring costs of beer in pubs (in excess of £3.50/pint), pub closures running at 35+ per week and the production of non-malt beer will all negate demand, the European beer market is still in steady decline.

The situation in Scotland is extremely encouraging as recent legislation protecting the status of 'Scotch Whisky' will serve to protect domestic production of malt and malting barley. Exports of Scotch whisky rose 12% last year, worth some £2.8bn; exports to China have increased by 46% in the last year alone. Whilst big companies continue to invest heavily in distilleries to meet expanding demand it is interesting to note that over 20 new craft distilleries have opened in the last 10 years. Increased global demand will require increased barley supplies to Scotland and with new, large wheat demand in the North East it bodes well for southern based malting barley production. Beer demand in to countries like India and China is also set to soar as is demand in Latin America. So, barring another dip into global recession, the demand prospects for malting barley look very promising. Not all countries beer styles will require or indeed be able to afford the top quality malting barley grown in the southern half of the UK, but given our global reputation for high quality malt and malting barley, we will be able to create new markets around the globe.

2011 Prospects

The huge slump in prices seen post the 2009 harvest were due, in the main, to a) huge drop in global malt demand caused by global recession and b) a 20%+ increase in malting barley plantings caused by the wet autumn of 2008. If anything the reverse of both these scenarios is true of the current situation. World demand for beer and whiskey looks like recovering at a good pace and due to a dry autumn of last year plantings of wheat/rape etc are all up. Plantings of winter barley in Europe are down and within that figure it is my belief that winter malting barley is down across Europe as well. Therefore how big will the 2011 malting barley harvest be?

As always it is only conjecture and will depend upon soil conditions as we approach planting time from mid Feb onwards.² The current forward price of malting barley shows an extremely good premium and at average yields an output greater than any other spring crop. The premium is there to encourage growers to plant it after all. However many growers are disillusioned with the crop and will go for a less risky option. Break crop prices are also at record highs and will facilitate a wheat crop in 2012 and other options such as red wheat and spring oats also show good returns. The current thinking is that with large areas of sugar beet still in fields in East Anglia the English area could increase by 2-3%, the Scottish area could be up by 5% (it needs to be!). In Europe increases will be of the same level. So really it will be all about how the European crops fair from the time they are drilled through to harvest. My bet is the extreme weather patterns we have seen recently will continue throughout the coming growing season and the market, which will be on 'bare boards' as we go into the 2011 harvest will react in the same extreme manner.

It is worth noting that last year was a very dry one, ground water levels are low and few if any winterbournes are running. I am told that 1976 was so dry because 1975 was a very dry year as well..... Another factor worth watching.

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Varieties

Concerto and Propino are the two newest varieties to come into large commercial production for 2011, both did well in 2010 and with large areas due to go in for 2011 it will be interesting to see how they fare.

Shuffle and Panther will be worth watching as well as they have some interesting traits. We will have some interesting trials this year in Hampshire where all these varieties will be on show as well as some other interesting additions.

All spring barley seed will be on farm in the next couple of weeks. Your seed rates have all been calculated using TGW and are printed on the seed order.

Malting Barley Competition

The 2010-2011 malting barley competition was won this year by Stephen Horn who farms at Droxford in Hampshire. Stephen has been growing malting barley to a very high standard for many years and it was only a matter of time before he won the award. His sample of Quench grown at Stocks Farm was truly exceptional as was the standard of entries this year, a sure sign that at last we had some good harvest weather.

Second place in this year's competition was Tim Parrett at Manor Farm near Fareham in Hampshire with a cracking sample of Tipple and third went to Jon Harley at the Charles Church Partnership, Micheldever, Hampshire with a great sample of Quench. This is the second time in three years that Jon Harley has been placed in the competition.

We will run the competition again this year and would encourage you to register your interest.

The MAGB (Maltsters Association of Great Britain) are looking to run a national competition this year involving the growing crop, storage, quality of sample and overall management. We will be receiving details on this soon and would urge you to get involved as it will help to up the whole profile of malting barley and the level of management required to produce a successful crop.

Harvest 2012

Although a long way from planning your 2012 harvest it is worth mentioning that the demand for winter malting barley is set to expand and as a crop that spreads harvest, provides straw and a good early entry for oilseed rape. Quick harvest movement locally is also a viable option aiding both storage space and cash flow.

Spring malting barley values are currently promising for 2012; do please give me a call to discuss marketing options.

Values for malting barley are back where they belong so please do everything in your power to get your crops sown well, grown well and stored well. We will do our best to keep you abreast of the market, keep an eye on world weather and keep drinking beer.

Good luck for 2011.

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