



2014 MALTING BARLEY CROP REPORT



Ian L. Ward

October 2014

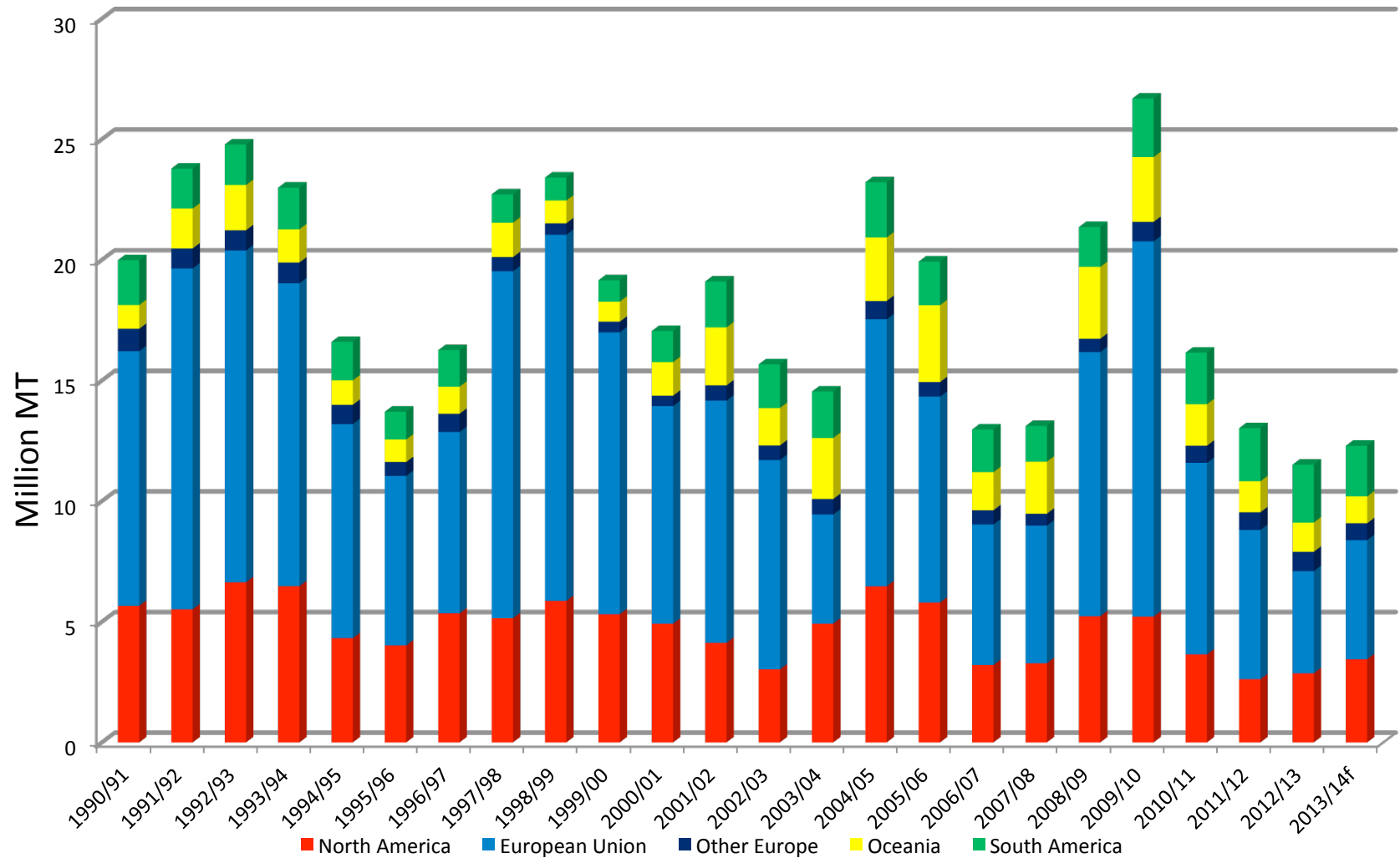


Topics to be discussed

- 2014 Barley Growing Season & Harvest
 - Europe
 - North America
 - Global Summary
- Conclusions & Outlook



Global Ending Stocks 2013 / 2014





2014 Highlights

- Modest carry in stocks
- Good growing and harvest conditions in most of EU
- Average growing conditions in Canada and USA
- Very poor harvest conditions across US and Canada
- Quality from EU generally good
- Quality issues expected in North American barley
- More rain needed in Australia



Europe Barley Headlines

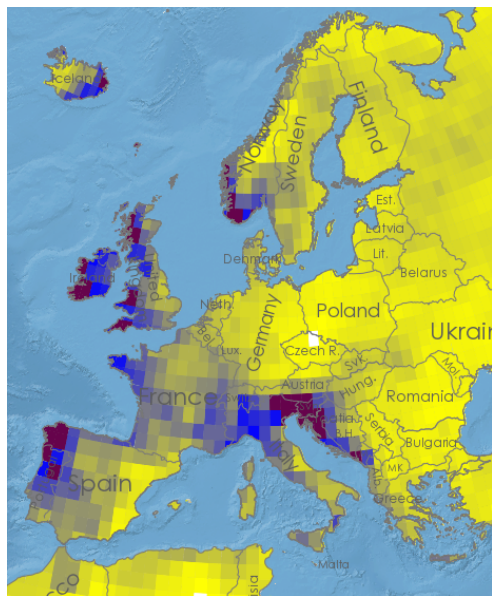
- Seeded area up across Europe except UK
- Good starting moisture and benign growing conditions
- Good harvest conditions in UK especially
- Rains in France and Central Europe during harvest
- Yields generally up especially UK & Germany
- Production up – Near record harvest in Russia & Ukraine
- Excellent quality from UK some concerns of Fusarium from France



2014 European Growing Conditions

February

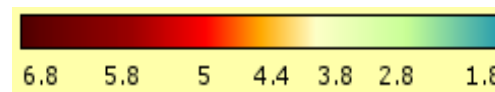
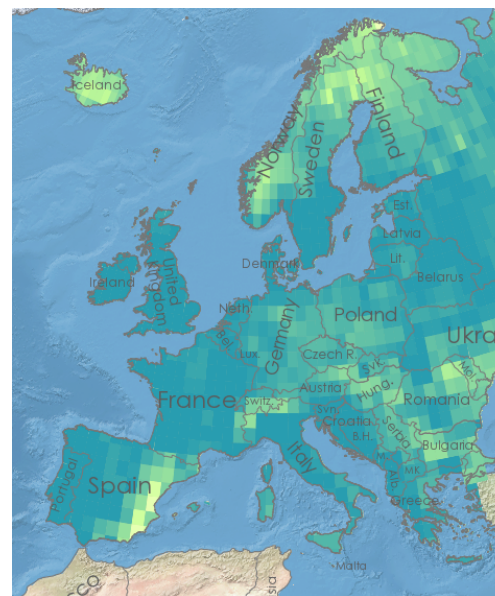
Rainfall



Drier

Wetter

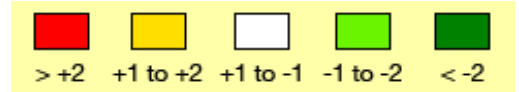
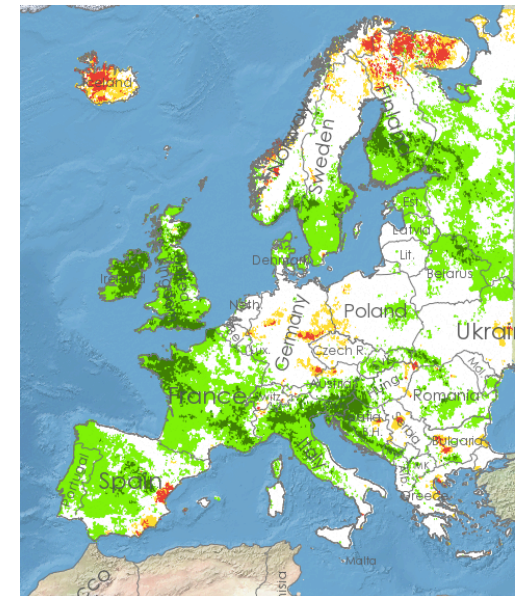
Soil Moisture



Drier

Wetter

Soil Moisture Anomaly



Drier

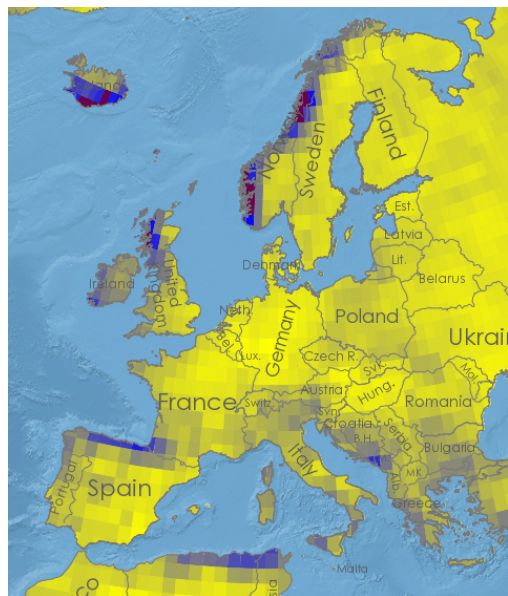
Wetter



2014 European Growing Conditions

March

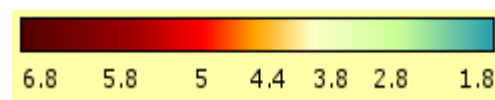
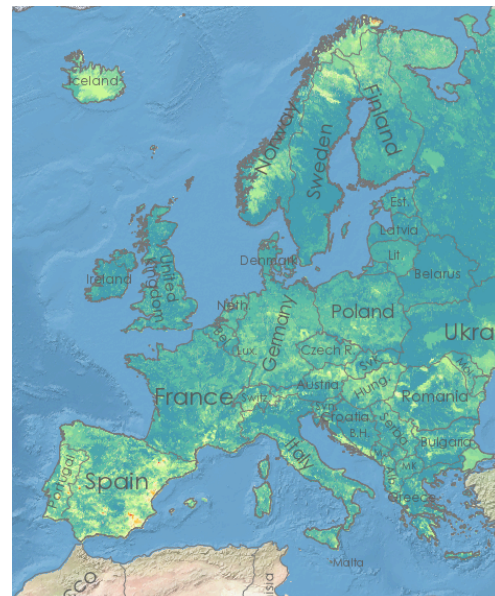
Rainfall



Drier

Wetter

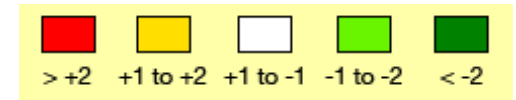
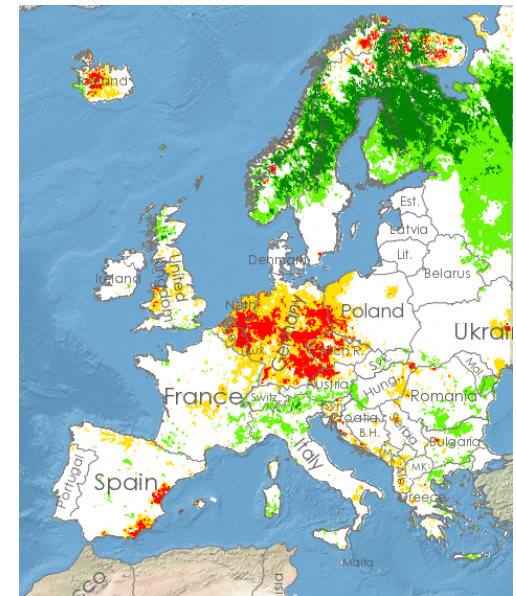
Soil Moisture



Drier

Wetter

Soil Moisture Anomaly



Drier

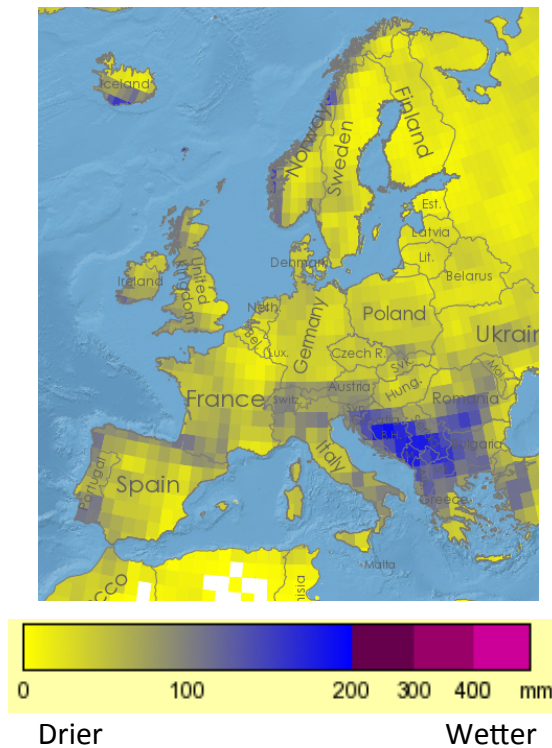
Wetter



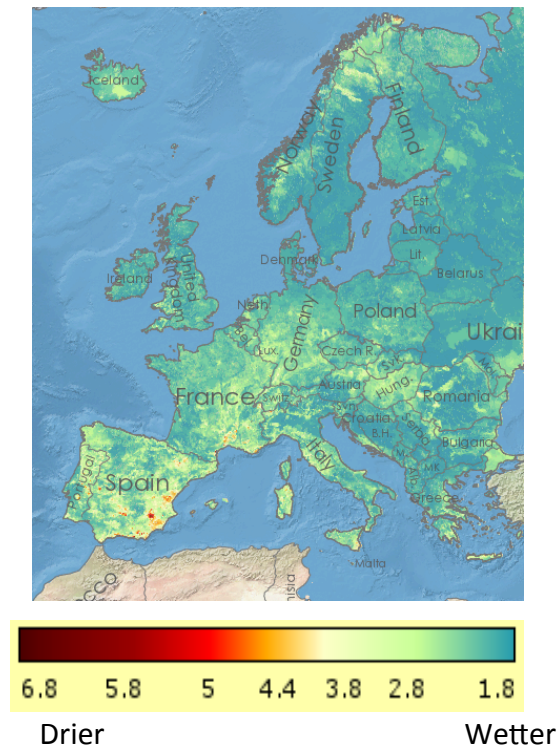
2014 European Growing Conditions

April

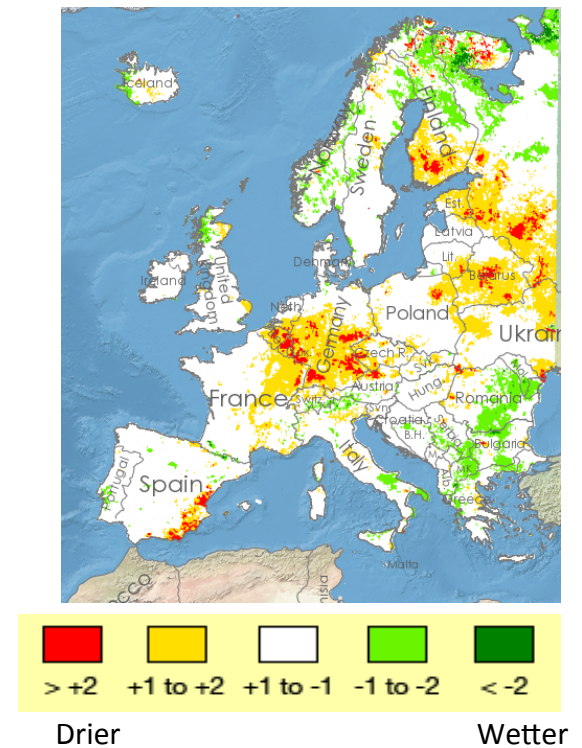
Rainfall



Soil Moisture



Soil Moisture Anomaly

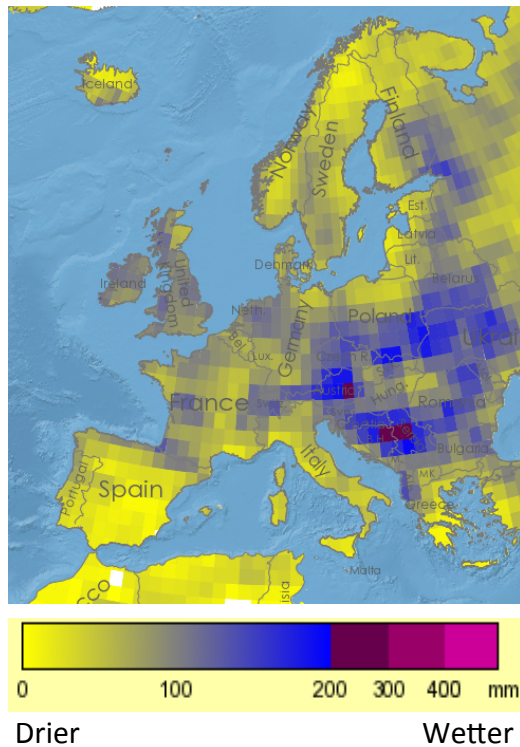




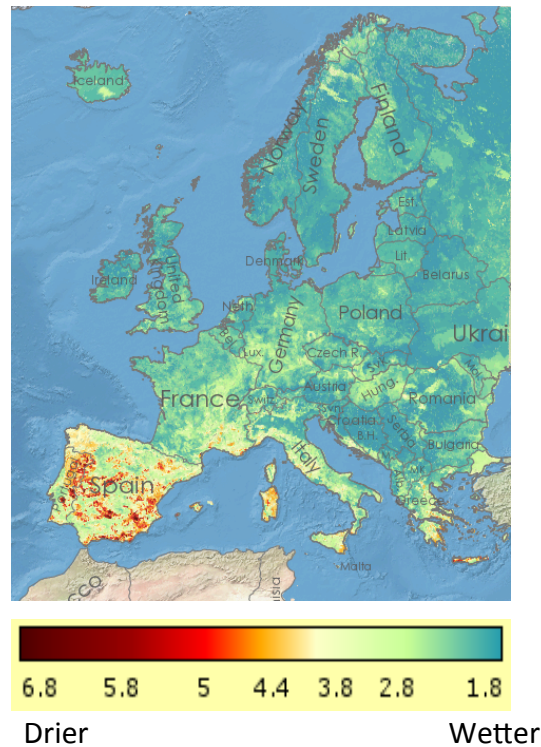
2014 European Growing Conditions

May

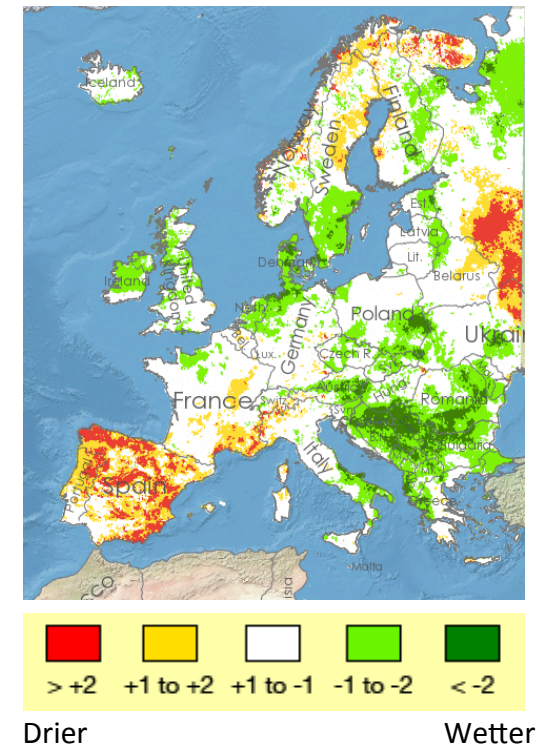
Rainfall



Soil Moisture



Soil Moisture Anomaly

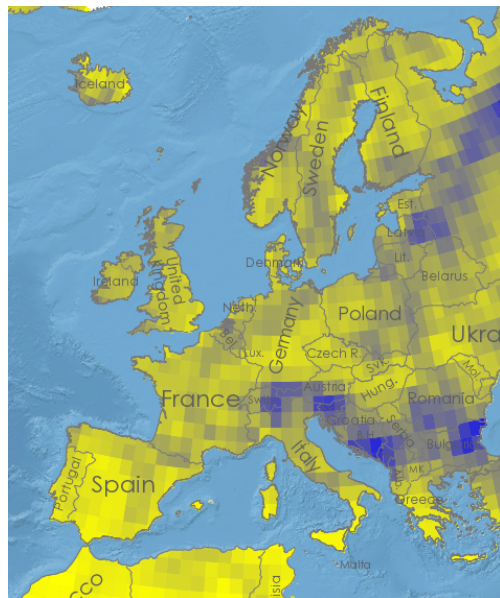




2014 European Growing Conditions

June

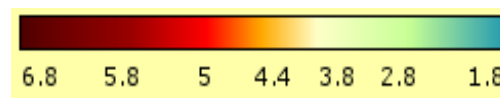
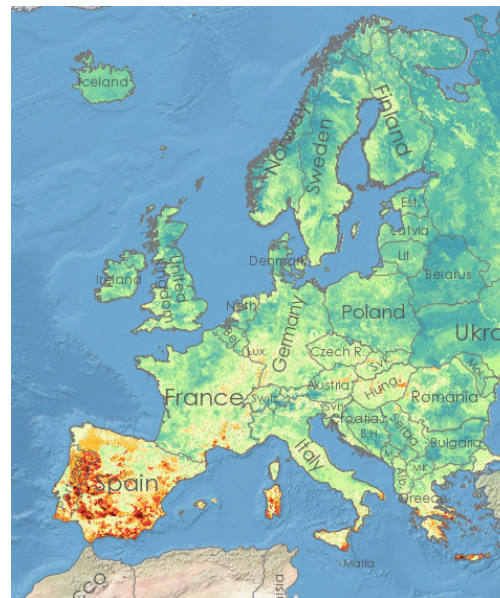
Rainfall



Drier

Wetter

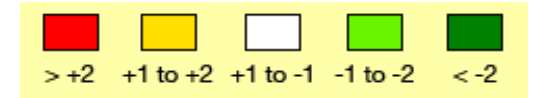
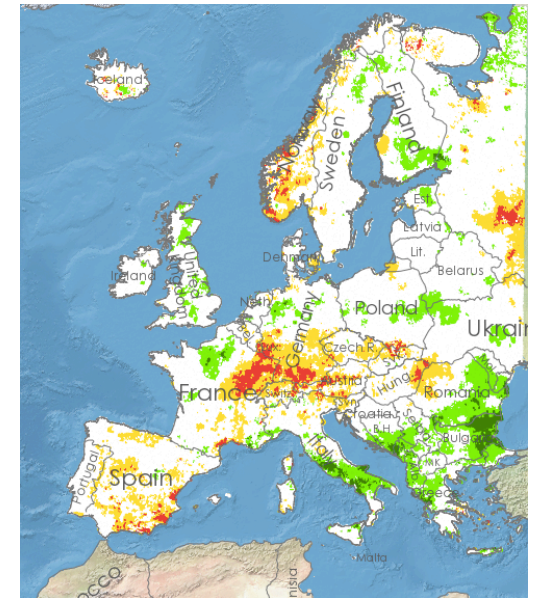
Soil Moisture



Drier

Wetter

Soil Moisture Anomaly



Drier

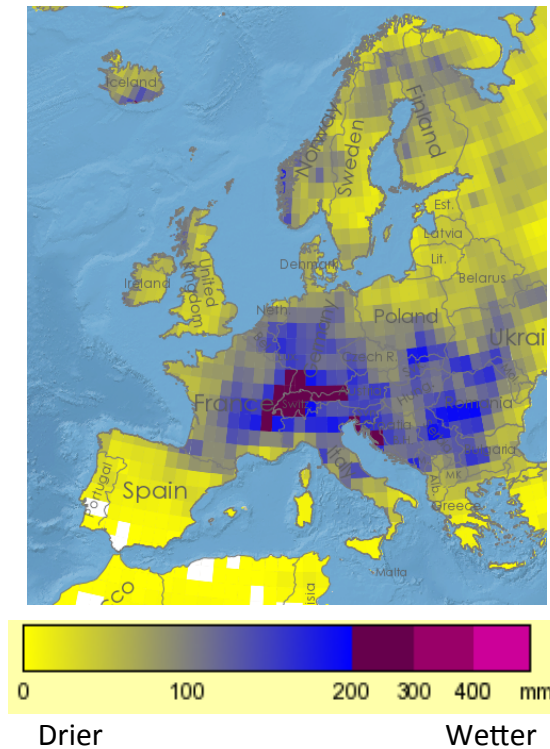
Wetter



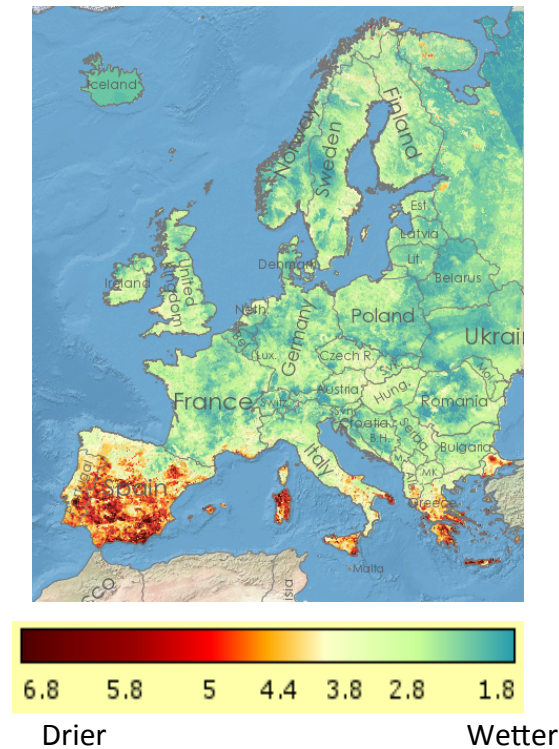
2014 European Growing Conditions

July

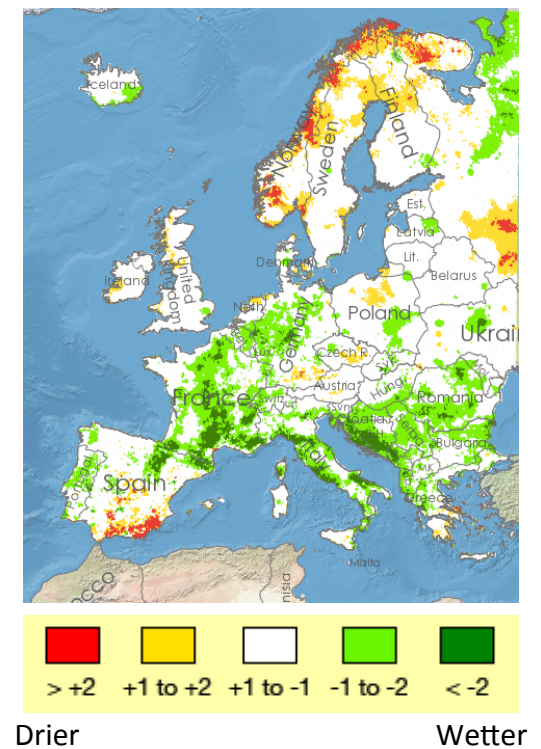
Rainfall



Soil Moisture



Soil Moisture Anomaly

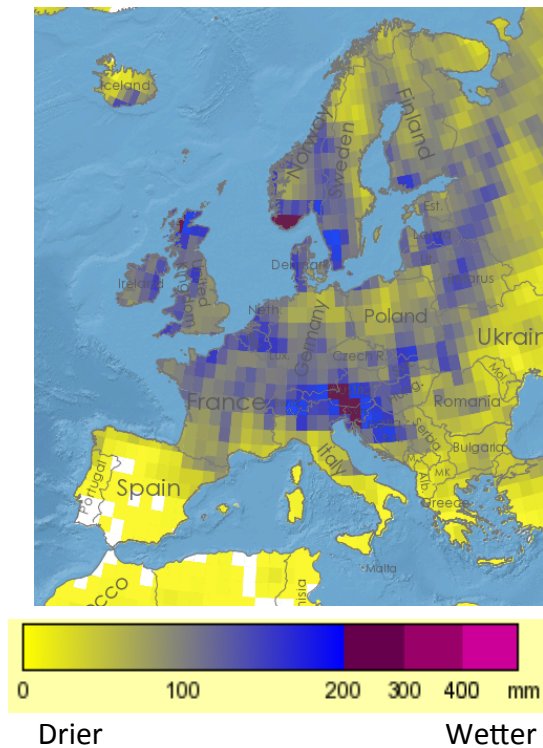




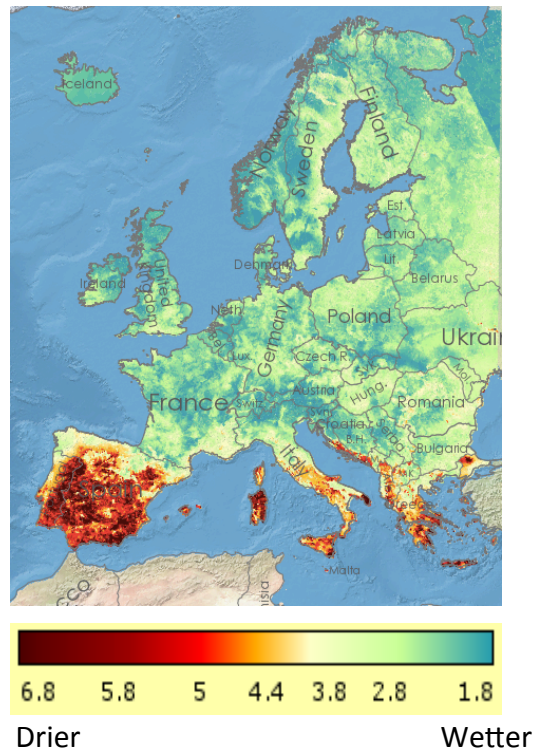
2014 European Growing Conditions

August

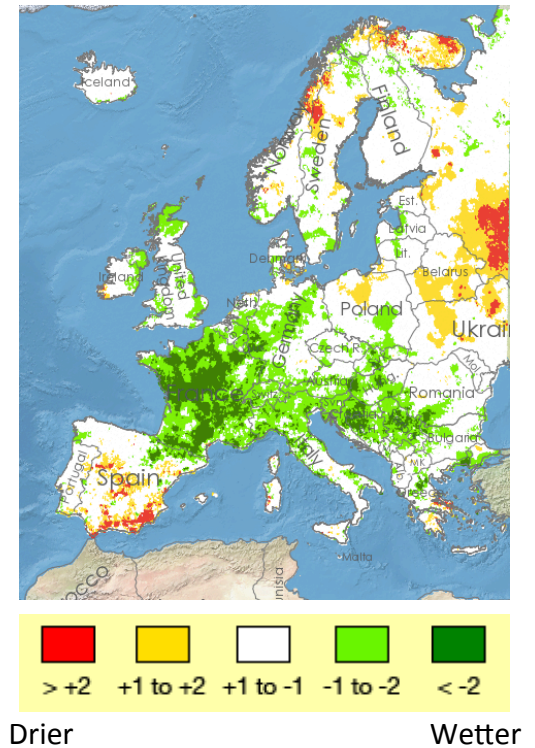
Rainfall



Soil Moisture



Soil Moisture Anomaly

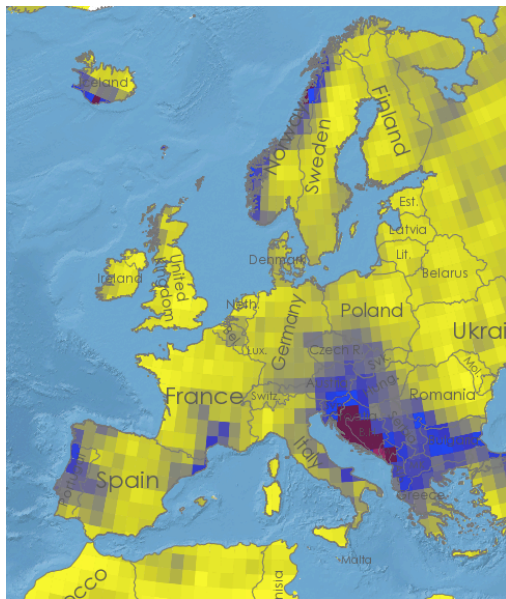




2014 European Growing Conditions

September

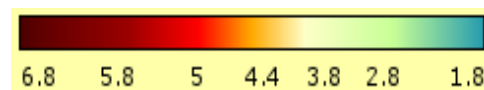
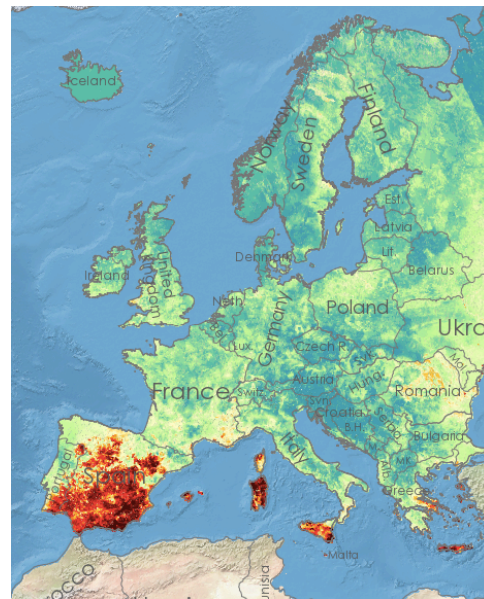
Rainfall



Drier

Wetter

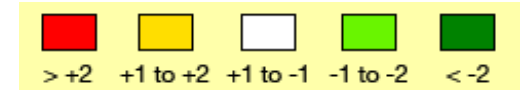
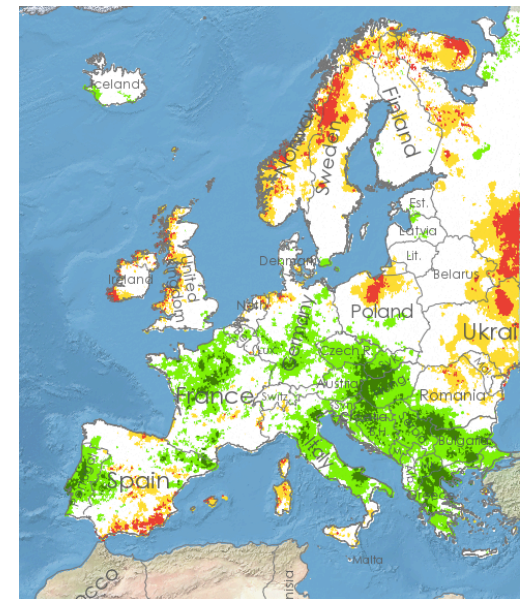
Soil Moisture



Drier

Wetter

Soil Moisture Anomaly



Drier

Wetter

Area x 1000 Ha, Production x 1000 MT Source Eurostat

Area x 1000 Ha, Production x 1000 MT Source USDA FAS

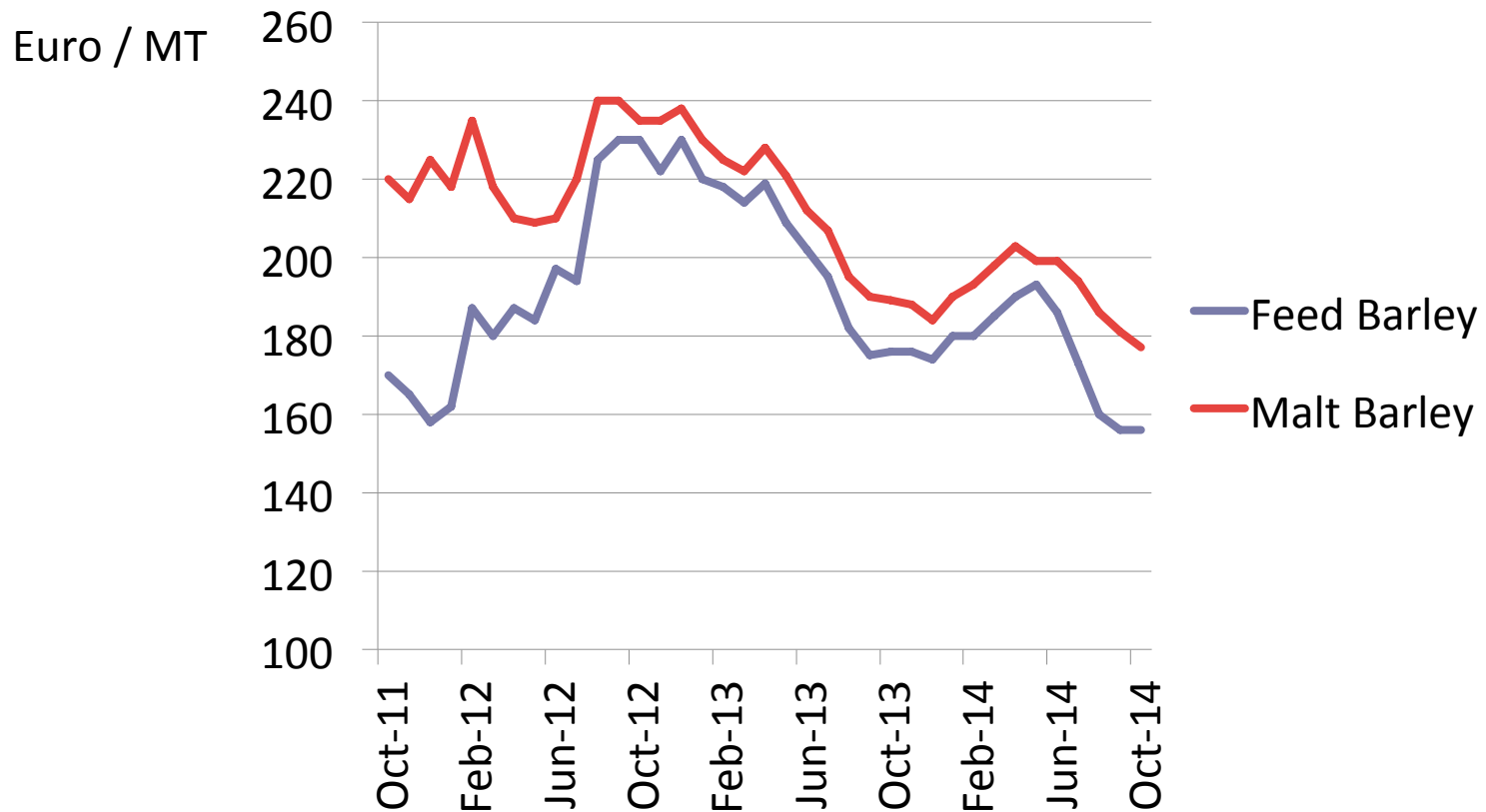


EU Malting S/D Balance 2014

	2014 Est. Malt Production	Barley Demand	Spring Supply	Winter Supply	Balance 2014
Belgium	757	900	30		-870
France	1,460	1,700	1,800	1,800	+1,900
Germany	2,100	2,200	1,350	50	-800
Ireland	120	160	160		0
Netherlands	328	390	110		-280
UK	1,600	1,930	1,830	600	+500
Denmark	275	325	1,325		+1,000
Total NW EU	6,355	7,140	5,280	2,450	+450
Total EU	9,197	11,635	9,495	2,605	+645
Volume x 1000 MT Source: HM Gauger.					



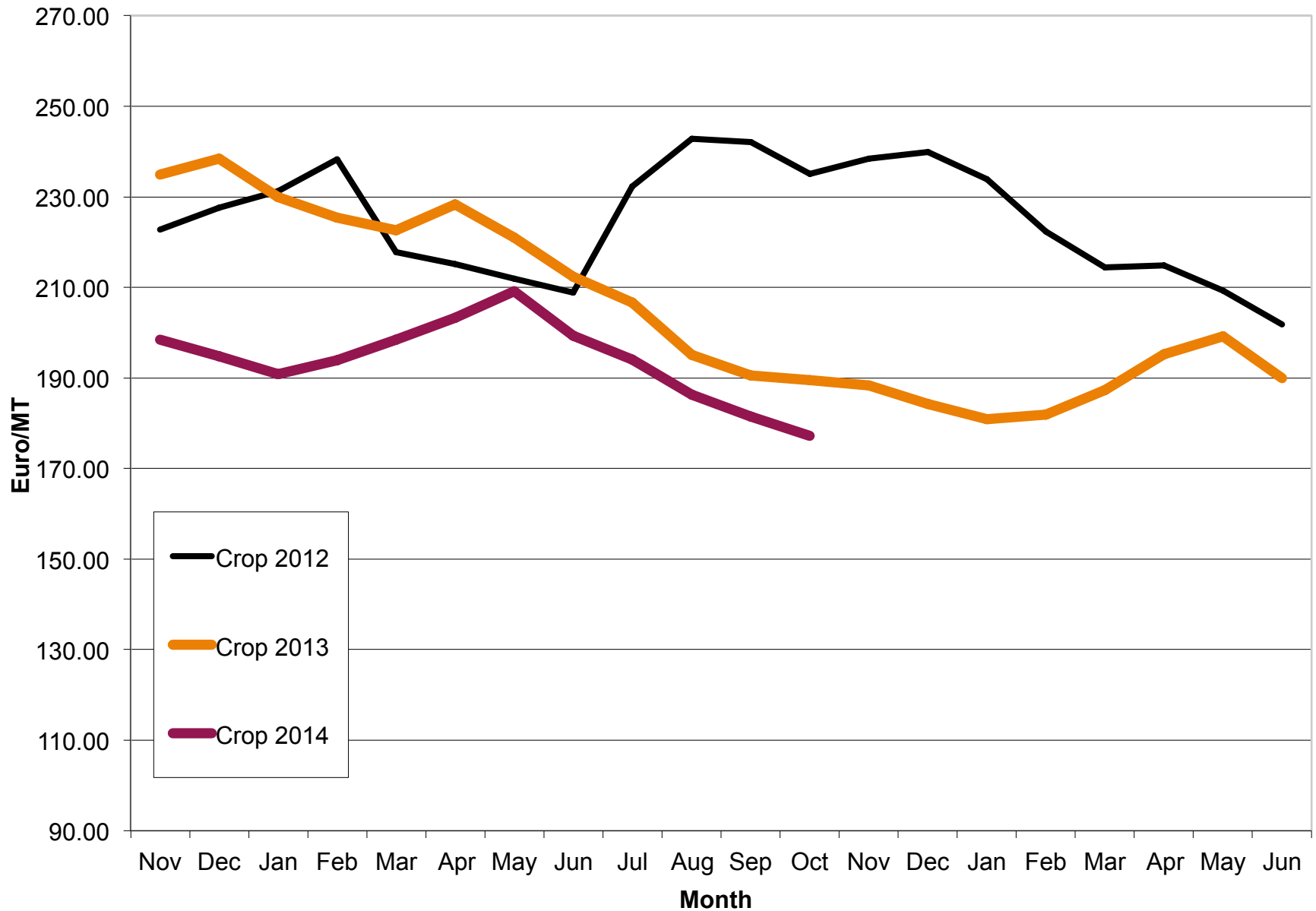
Feed to Malting Price Spread



Gap has widened modestly in recent months as prices have fallen
Given North American crop malting premium expected to widen

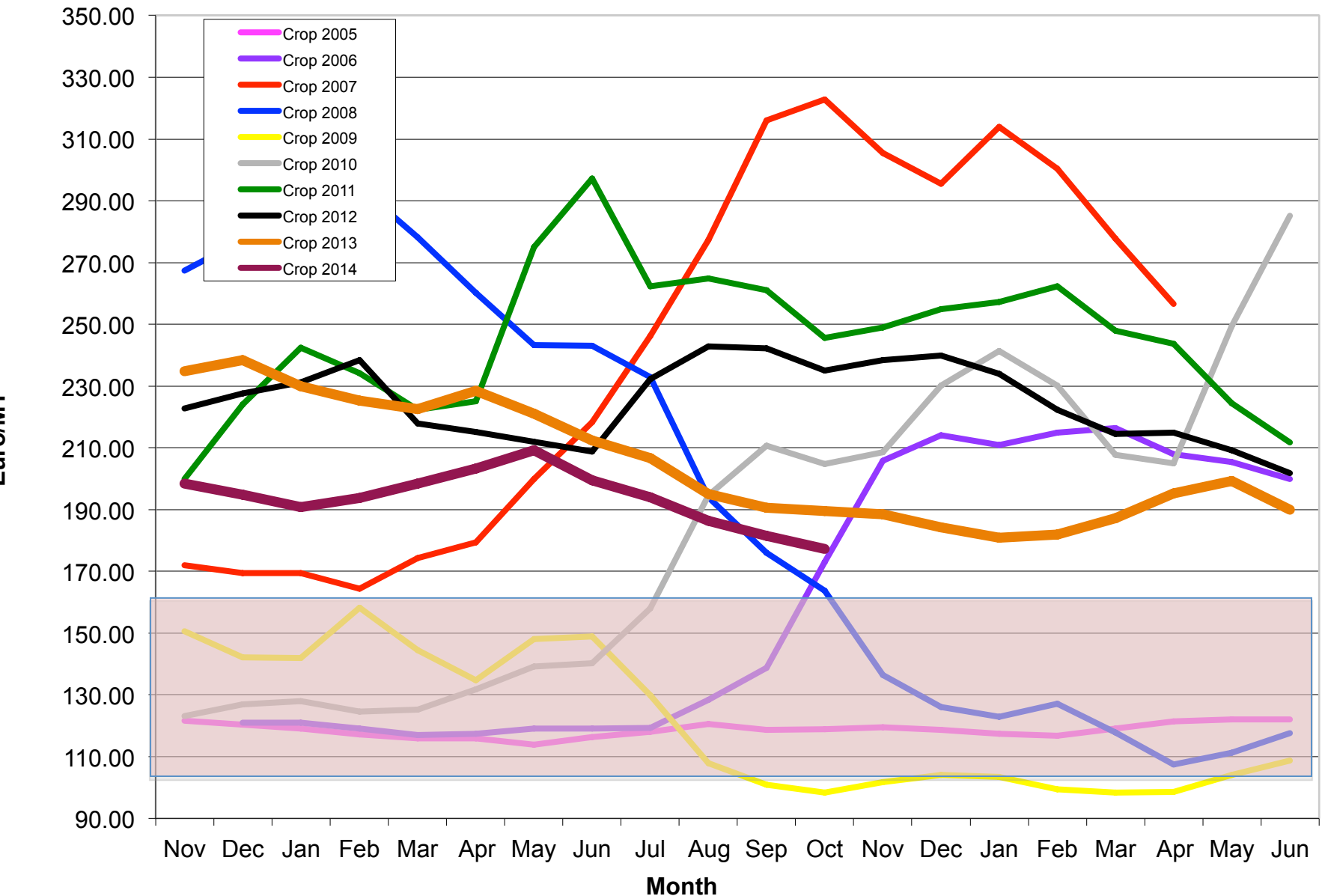


Evolution of Barley Pricing 2013-14





Evolution of Barley Pricing 2014





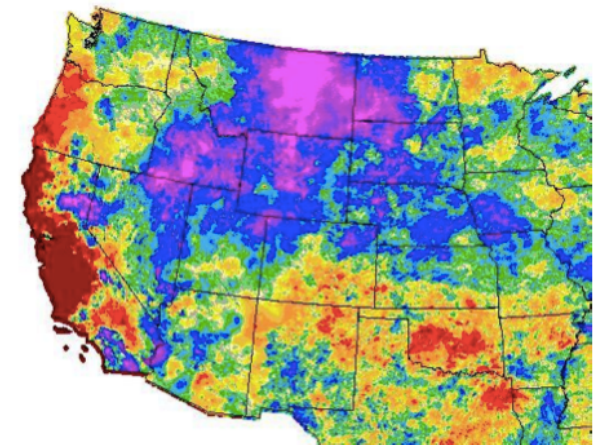
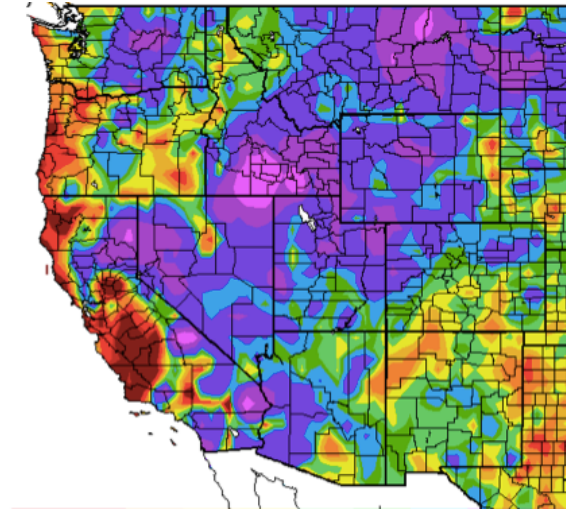
US Barley Headlines

- Production down 17% from 2013
- Seeding conditions fair to good – ahead of 2013
- By end of June, 68% of crop was reported good to excellent
- Storms in August produces poor to very poor harvest conditions in Western 2 row areas



US Harvest Conditions

- 10-15% of crop harvested under good conditions
 - August 5th & 6th Excessive rains in ID
 - Up to 500% of normal rainfall in two week period
 - On and off rains hamper harvest from then on
-
- About half the crop harvested under fair conditions in MT & ND
 - August 21st & 22nd Storms hit MT & Western ND hard
 - Lighter systems hamper remainder of harvest





Area x 1000 acres Production x 1000 bushels Source USDA
As of Sept 30th 2014



2014 US Crop Assessment

- High harvest moistures reducing storage ability
- Widespread sprout damage in West
- Moderate sprout damage Midwest & Fusarium
- Midwest dormancy extended
 - Dilemma for maltsters when to malt it.
- Processing aids may be required to produce malt with reasonable brewhouse performance?

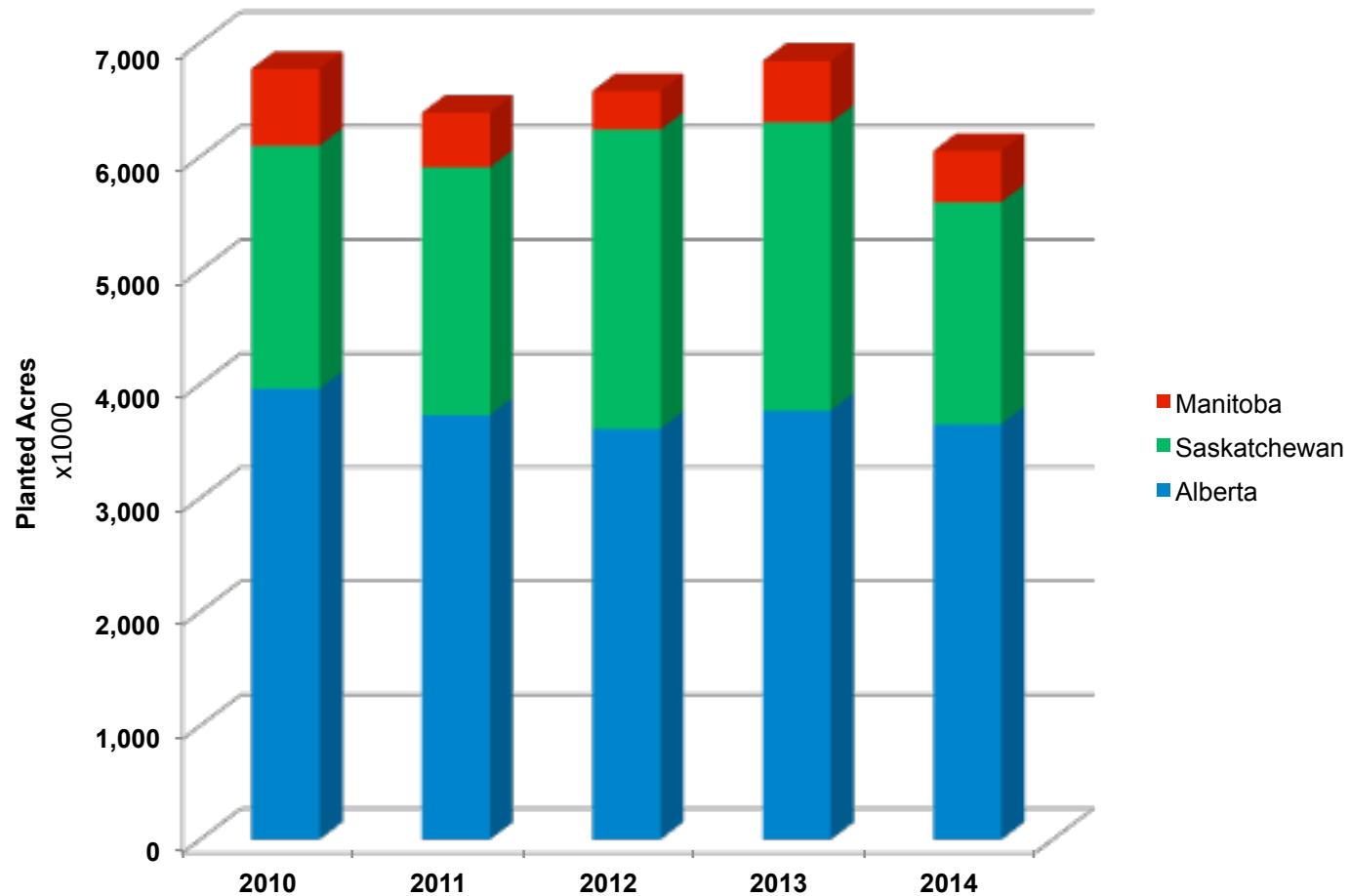


2014 Canadian Barley Headlines

- Seeded Acreage down 16% compared to 2013 and 20% to 2012
- Wet and cool start to the season – delayed seeding
- Average growing season
- Hot dry July – higher proteins
- Extremely poor harvest conditions
- Frost & sprout damage

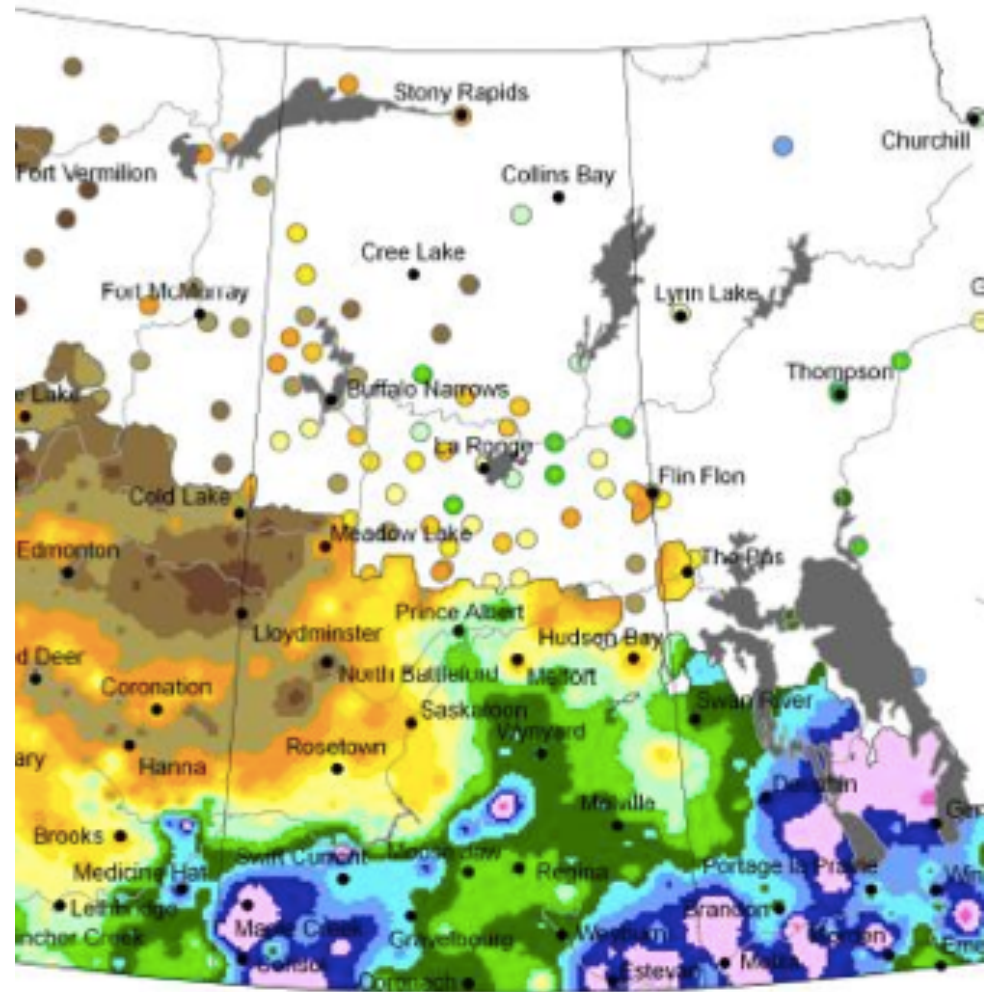


Western Canada Seeded Acreage





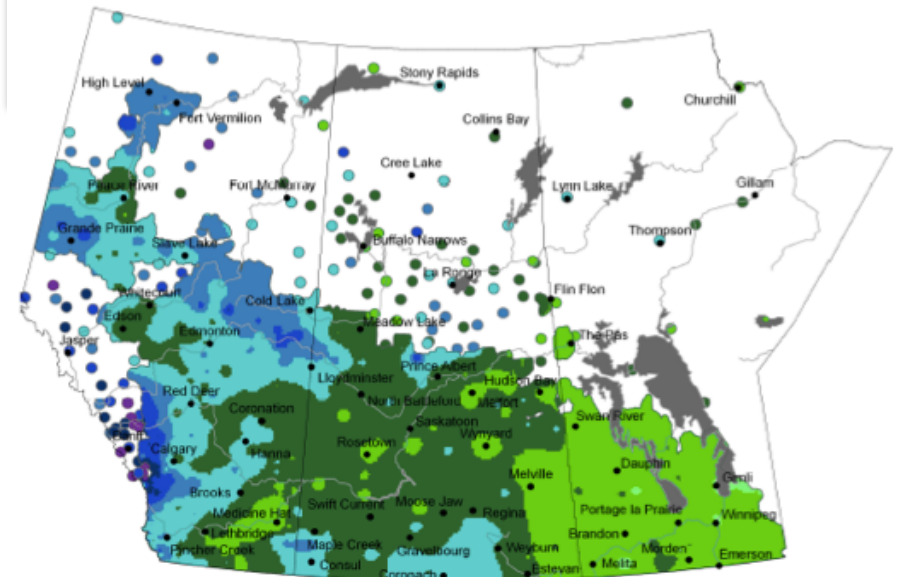
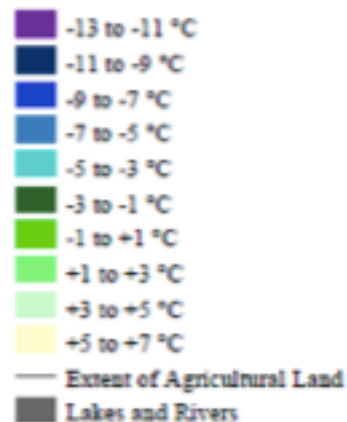
0 mm
 0 - 5 mm
 5 - 10 mm
 10 - 15 mm
 15 - 20 mm
 20 - 25 mm
 25 - 30 mm
 30 - 40 mm
 40 - 50 mm
 50 - 60 mm
 60 - 70 mm
 70 - 80 mm
 80 - 90 mm
 90 - 100 mm
 100 - 125 mm
 125 - 150 mm
 150 - 200 mm
 > 200 mm
 — Extent of Agricultural Land
 — Lakes and Rivers





Early Snow and Rain damages crops

Freezing and early snow affects the Western Prairies





Canadian Barley Production

Canadian barley areas and production 2012,2013,and 2014									
	Seeded			Harvested			Yield		
	2012	2013	2014	2012	2013	2014	2012	2013	2014
Alberta	3,610	3,770	3650	3,400	3,300	2,915	1.30	1.66	1.42
Manitoba	340	540	450	505	400	280	1.21	1.66	1.50
Saskatchewan	2,625	2,530	1,950	2,460	2,370	1,725	0.97	1.46	1.20
Total Canada	7,405	7,083	5,949	6,797	6,554	5,727	1.17	1.58	1.33
Area x 1000 Acres Source Statcan									

Decline in seeded area and sharp decline in harvested acreage.
 Decrease in yields across the prairies expected to be underestimated
 at this stage
 Total harvest expectation less than 7 Million MT



2014 Canadian Crop Assessment

- Protein up on average 0.5% to 1% from 2013 crop 11.5 – 12%
- Extracts likely down 0.5 – 1.0% 80-81%
- Sprout and frost damage will lead to higher beta-glucans >120ppm
- Malt quality could be similar to the 2010 crop
- Variable modification likely
- Processing choices by maltsters critical



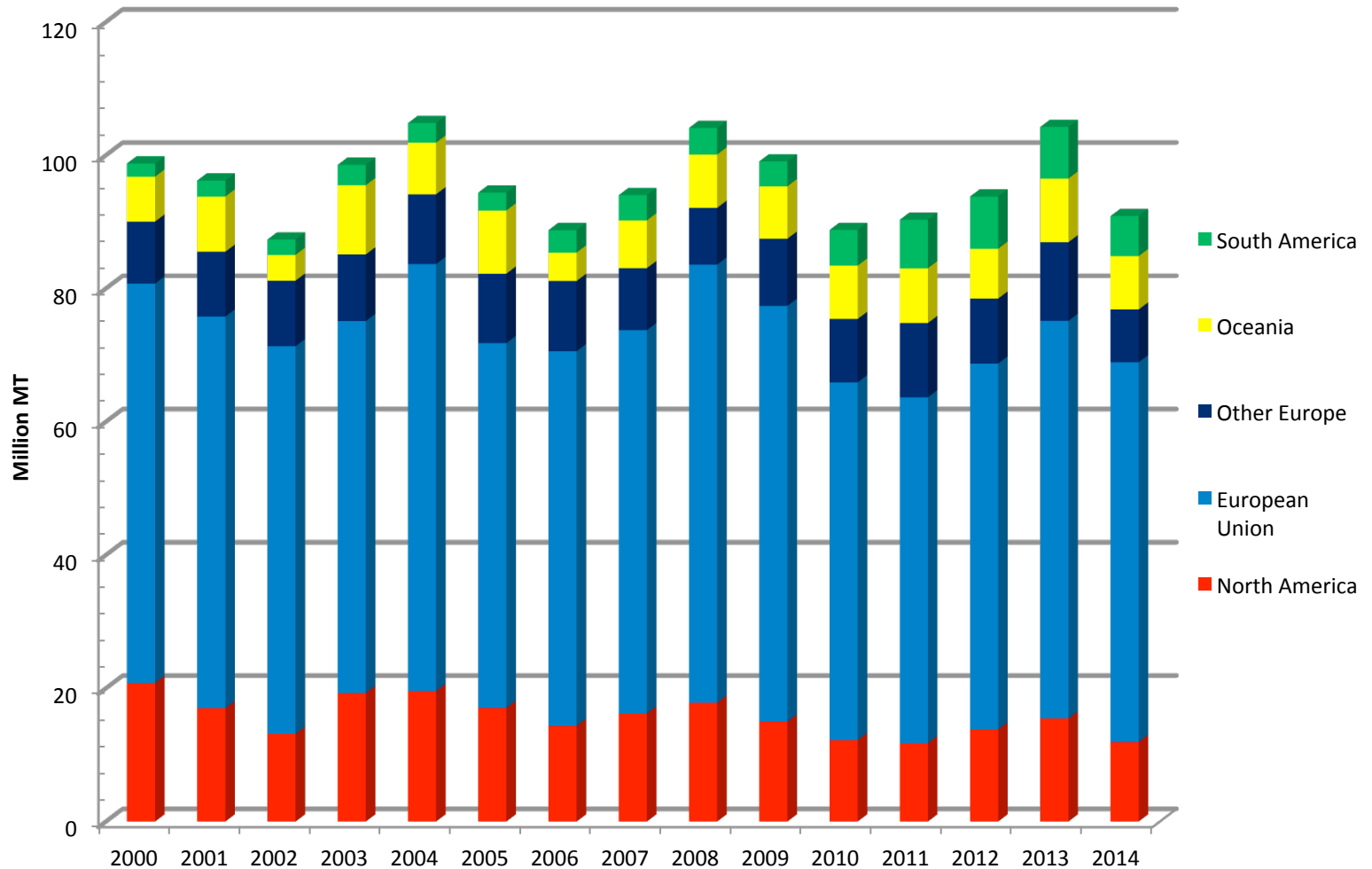
Global Barley Production 2014

World Barley Production X 1000 MT	2012/2013	2013/2014	2014/2015 Prj. Sep	2014/2015 Prj. Oct
USA	4,800	4,720	4,200	3,930
Australia	7,470	9,550	8,000	7,600
Canada	8,010	10,250	7,200	7,200
China	1,630	1,500	1,550	1,550
EU	54,900	59,640	56,980	59,260
Russia	13,950	15,390	18,500	19,500
Ukraine	6,940	7,560	9,000	9,400
WORLD TOTAL	129,840	145,240	136,190	139,120
Source USDA FAS				



Global Barley Production

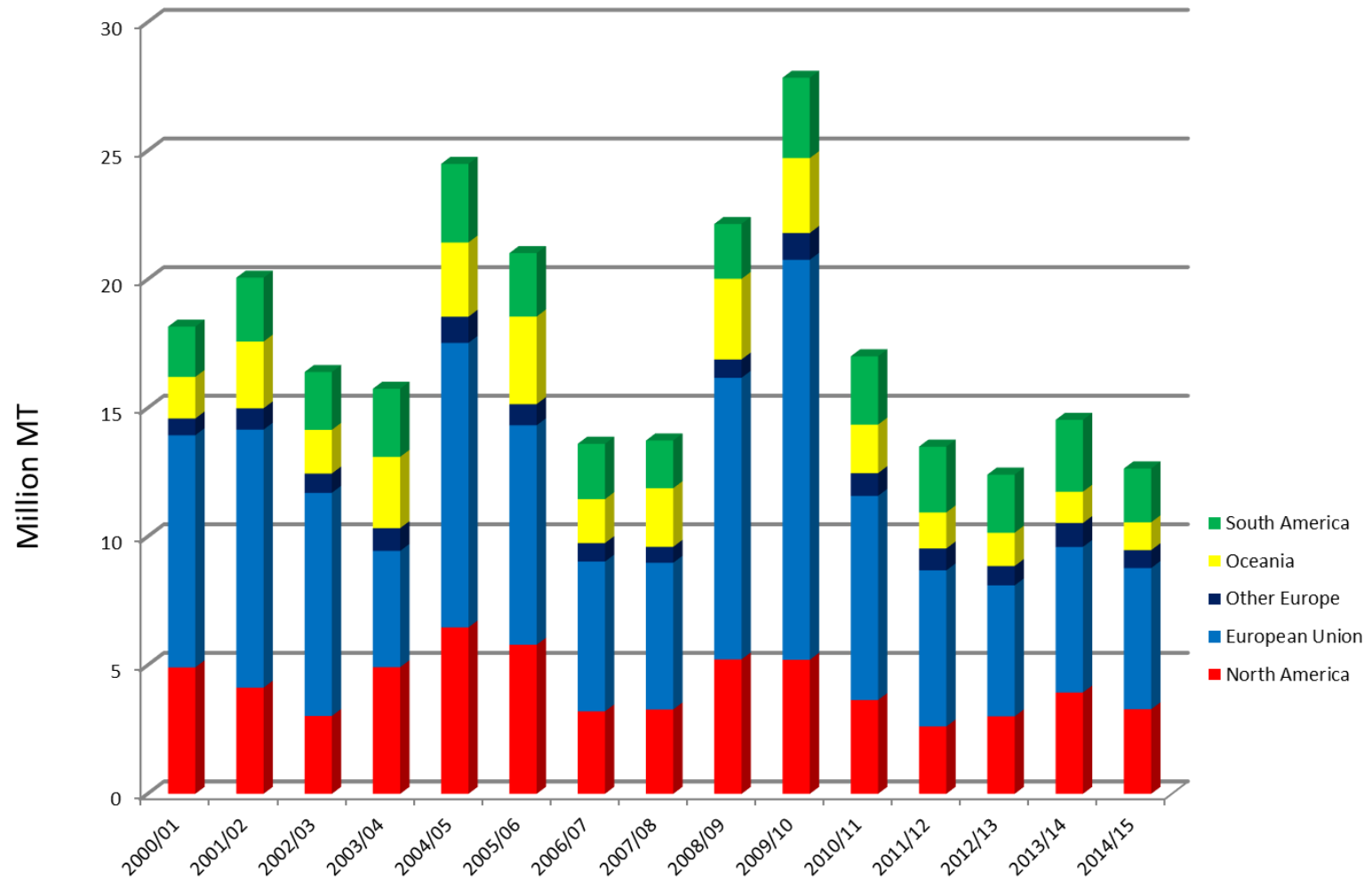
Barley Production - Malt Barley Producers





Global Ending Stocks 2014 / 2015

Barley Ending Stocks - Malt Barley Producers





Malt Economics

The price of malt depends largely upon three components:

- Barley Cost
 - S & D determines return per acre to grower
 - Weather conditions
 - Alternative crops
- Utility & Transportation Costs
 - Crude Petroleum & Natural Gas Markets
- Malt House Gross Margin
 - S & D balance determines return to maltster



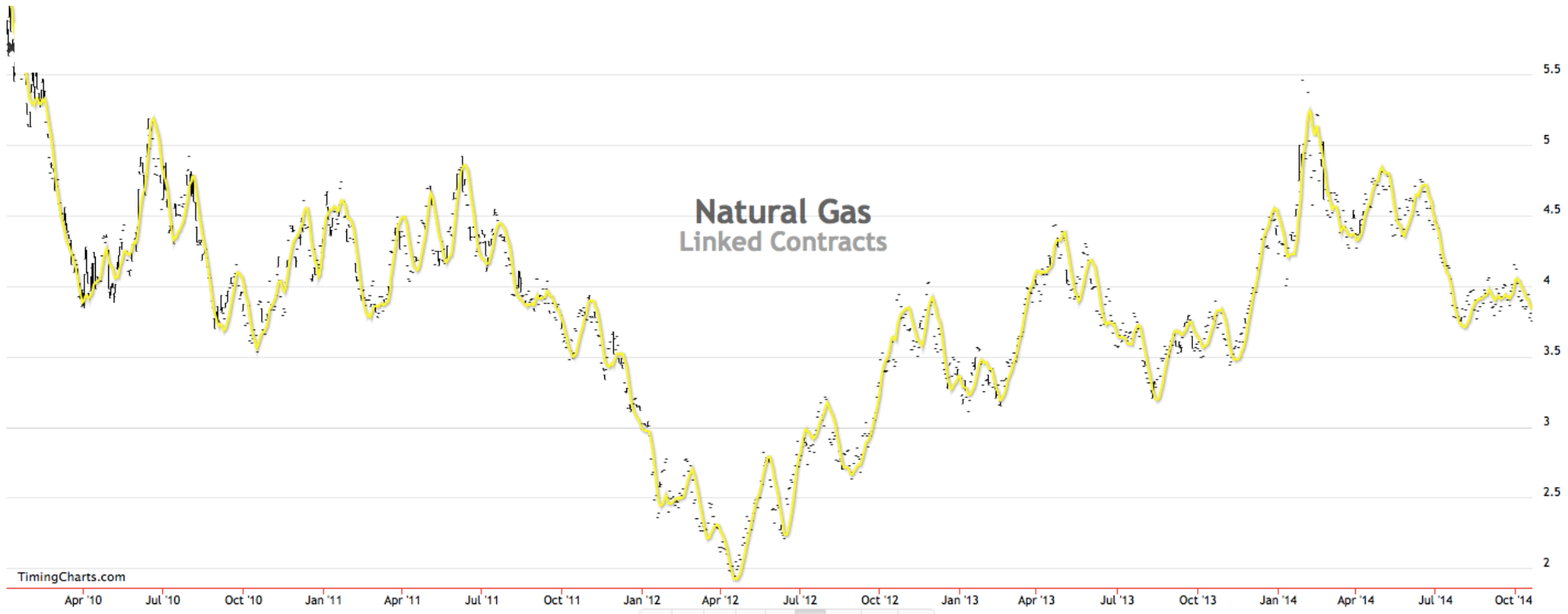
Wheat Minneapolis 5 Years



Malt Quality Barley now totally disconnected from the grain markets since availability of quality barley is restricted in a plentiful wheat and corn market

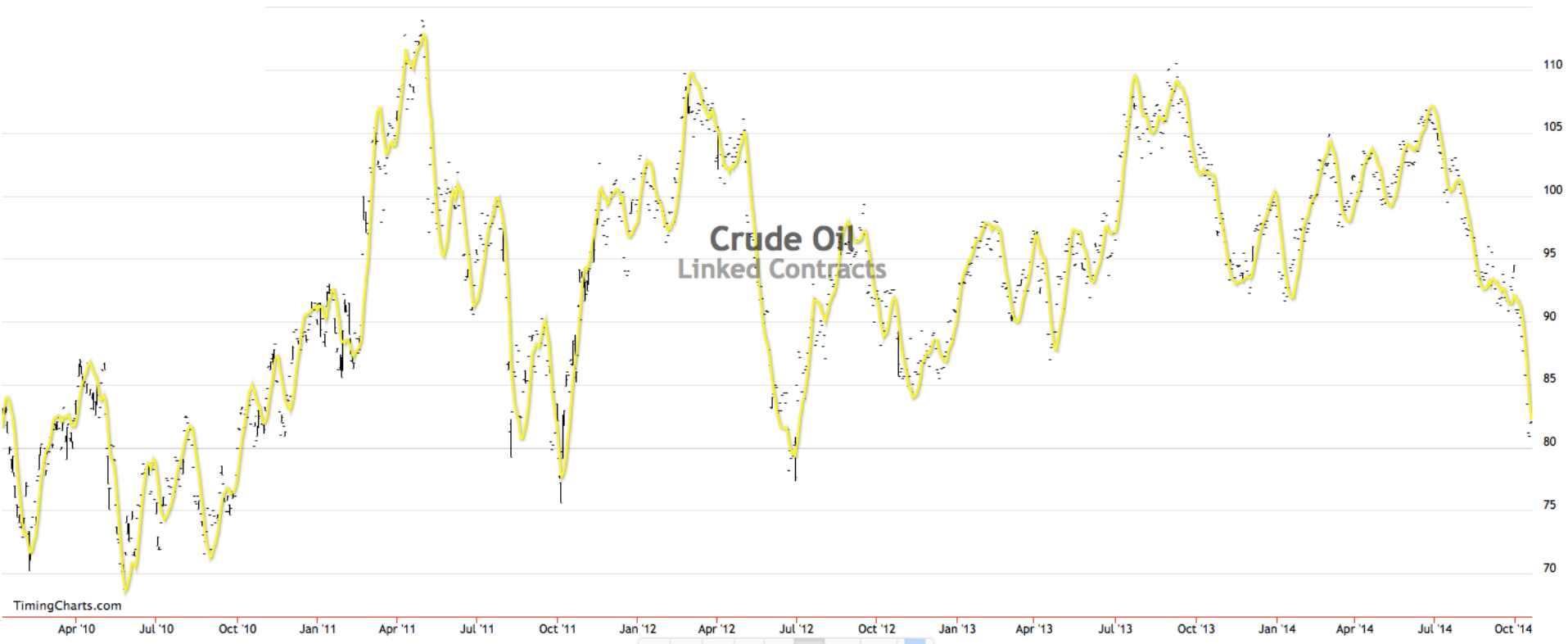


Cost of Natural Gas





Cost of Crude Oil

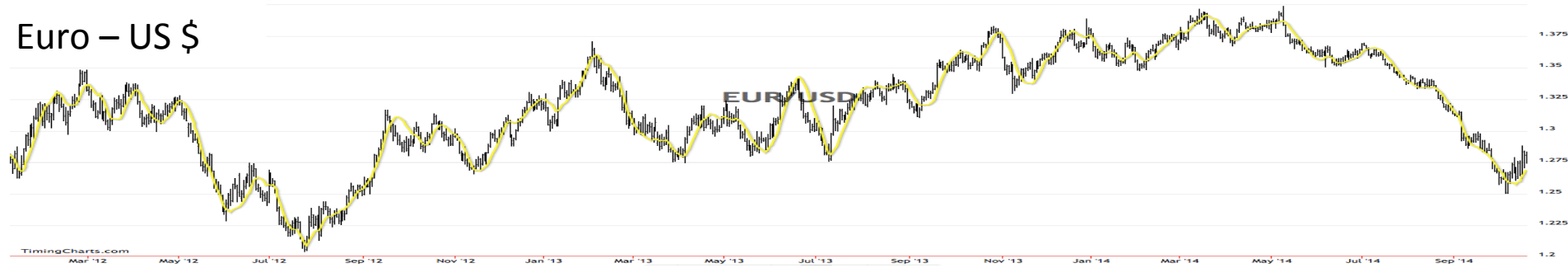


Declining crude values of late should eventually trickle into transportation cost declines

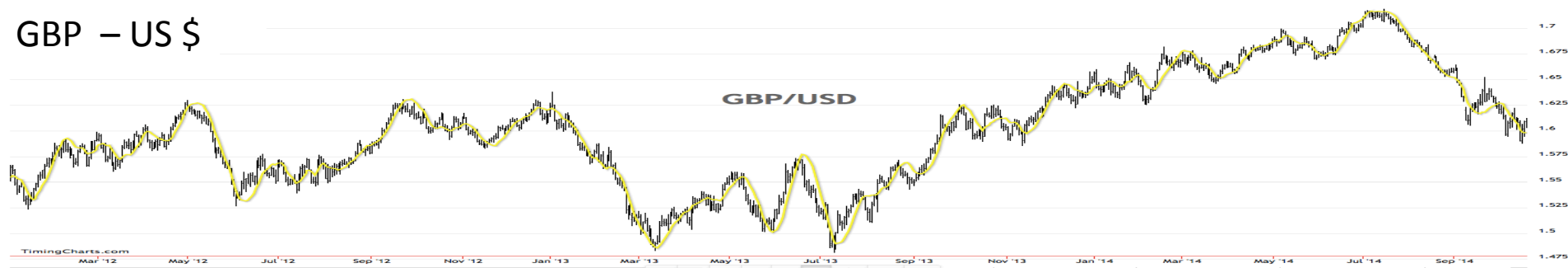


Currency Matters

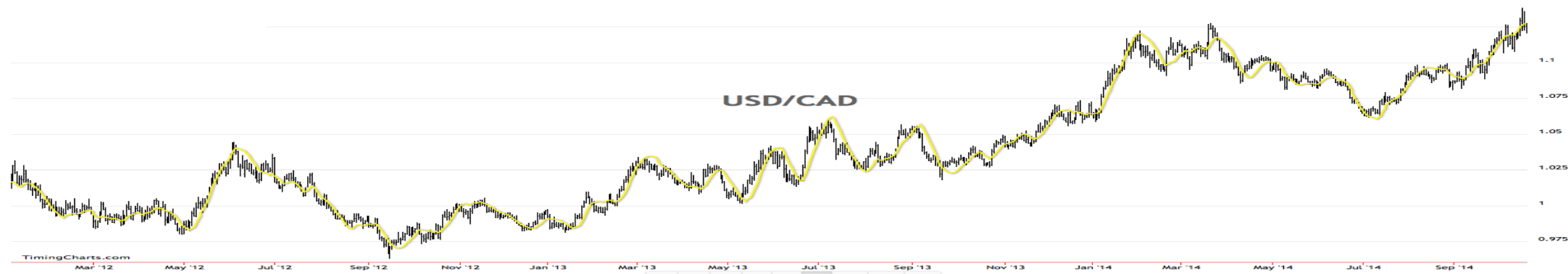
Euro – US \$



GBP – US \$



US \$ - CAN \$





2014 Situation

- Good conditions in malting barley regions of Europe
- Average growing conditions in US & Canada ruined by rain and snow at harvest
- Maltsters importing grain from EU?
- Expect high proteins and beta glucan from North American crops



Conclusions & Considerations 2013

- Barley costs off the highs
- Opportunity for spot buys?
- Canadian 2 row quality good similar to 2011
- Good quality from EU
- US production held average to good quality
- Fuel prices off the lows
- Currency markets relatively stable
- Despite the decline in barley price most trades were concluded at the highs and so brewers might not be able to take advantage.
- Ending Stocks rebuilt some but not significantly
- Weaker barley prices now will present difficulties in placing producer contracts
- Surpluses are not sufficient to predict continued price declines indeed EU pricing has recovered
- Climate Change increases volatility



Conclusions & Considerations 2014

- European crops good
- Crude oil price declining
- Dollar gaining value against major currencies.
- European malt attractive for Eastern seaboard or smaller brewers?
- Poor crop in North America mitigated only partially by carry in stocks
- Prepare for higher proteins & high beta glucan
- Entire US and Canadian malting industry affected by poor crop
- Flexibility in malt specs will be required

Select Ingredients



BSGTM

CraftBrewing