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Volume 3, Issue 2
February 24, 2010

IDAHO BARLEY NEWSBRIEF

Inside this issue:

Idaho barley check-off dollars at work… IBC co-sponsoring barley insurance/ risk management sessions:

Presented by Premier Insurance and IBC -

- **March 9 – 8:30 am at Trails Inn in Ashton, lunch will be served.**
- **March 10 – 8:30 am at Meridian Center, 310 N. Meridian St., Blackfoot, lunch will be served.**

Presented by Mountain States Insurance and IBC -

- **March 11 – 8:00 am at Geyser View Restaurant, Soda Springs, breakfast will be served.**

Grain Market Outlook - big crops and soft demand pressure prices

Big 2009 malting barley crops in North America coupled with soft beer demand - domestic beer sales down 2.2% - are pressuring malting barley prices this year. This weak fundamental picture is true for other grains as well, particularly wheat, as carryover stock levels have increased by double digits for both barley and wheat, while export competition has intensified. This dramatic shift in stock levels from the past couple years has been driven largely by a substantial increase in grain production in the Black Sea region (Russia and Ukraine), which is expected to remain a formidable competitor in the future.

What lies ahead for Marketing Year 2010/11?

On Feb. 19 USDA released its first forecast for the new marketing year…

- **Barley -** U.S. barley acres remain steady at 3.6 million.
- **Wheat -** U.S. wheat acres decline 5.3 million to 53.8 million, with winter wheat acres down 6 million to lowest level since 1913. U.S. production pegged at 1.945 billion bu, down 12%, and ending stocks down 4% to 940 million bu, but 2nd highest level in last 10 years.
- **Corn -** U.S. corn acres increase by 2.5 million to 89 million acres. Production pegged at new record 13.16 billion bu and ending stocks down 4% to 1.654 billion bu

Ag Canada issued its 2010/11 Grain Outlook on Jan 28...

- **Barley -** Canadian seeded area is forecast to fall 3% with production down marginally. Domestic feed demand will continue to decline due to smaller livestock numbers and competition from DDGs.
- **Wheat -** Seeded area (excluding durum) is forecast to increase marginally but production down 2%.

Policy Watch

Free Trade Agreements await congressional action

Colombia Trade Promotion Agreement was signed on April 12, 2006, but has not yet been approved by Congress due to concerns over treatment of labor leaders in that country. This FTA sets tariffs for U.S. wheat, barley and malt at zero immediately, compared to current tariffs as high as 60-80%.

Colombia imports 1.35 million metric tons of wheat and more 200 thousand metric tons of barley annually. During the past five years, Colombia has imported on average between 600 to 800 thousand metric tons of U.S. wheat each year, representing the second largest U.S. agricultural export item to Colombia. However, we have seen our wheat market share slip from 65% to less than 30% in this important South American market.

To date, Colombia has not imported U.S. barley but their large brewing industry has shown strong interest in U.S. malting barley and malt. The tariff advantage granted to the U.S. under this agreement should create an opening for U.S. barley in this expanding market.

U.S. Grains Council plots 2011 global marketing strategies

At a recent International Marketing Conference in Mexico, the U.S. Grains Council finalized its 2011 global market development plans to promote U.S. barley, corn and sorghum in more than 60 markets around the world. One of the highlights of the conference was a keynote speech by Christopher Langholz, president of Cargill AgHorizons, who told an audience of nearly 200 attendees that the Council continues to play a significant role in expanding trade opportunities for U.S. farmers.

Acknowledging the ongoing balancing act between managing supply and demand, he emphasized the need to focus on promoting demand creation to unlock the full potential of the U.S. ag supply chain. “The last 10 percent of demand sold effectively determines the price on 100 percent of supply. If the 1.3 billion bushel corn carry out of 2008 would have been 500 million bushels higher or lower, it would have had a significant effect on the price,” Langholz said, adding that the role of exports is critical. “Exports are a way to get us those extra, critical cents per bushel,” he said. “We want demand that we can see coming — and be able to produce for it.”

Langholz discussed five tangible ways to increase U.S. corn exports:

• **Pursue an Active Trade Policy Agenda**. Langholz said that approvals on pending free trade agreements are fundamental to expanding U.S. ag exports. “Market access and free trade are priorities for Cargill and, by extension, for our customers. We want to see the passage of pending trade agreements, and the removal of existing trade barriers,” he said.

• **Re-invest in U.S. Export Infrastructure**. “The United States has a competitive advantage with the farm-to-market river system,” said Langholz. “We need to invest in our U.S. inland waterways. Keeping that system well-functioning and efficient is key for long-term success.”

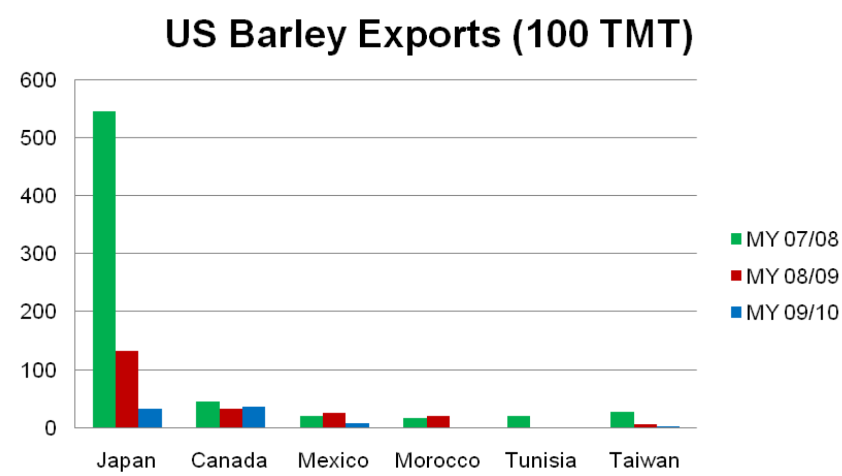
• **Champion Greater Use of Biotechnology**. “We continue making inroads on acceptance of biotechnology, but still face many challenges. Ag biotechnology is thoroughly researched and regulated … we see it as a powerful tool that may help raise living standards around the world. Modern-day biotechnology practices make it possible to maximize crop yields and grow crops in areas of the world that were never before possible,” he said. “Ultimately, we must respect consumer choice by serving the needs of our food and feed manufacturing customers with the full range of grains and oilseeds on the market today.”

• **Adaptability and Capability of U.S. Supply System**. Langholz said the United States has significant market advantage due to unparalleled capabilities such as combination vessels, fast loading, credible governmental inspection service and flexibility in standardized contract terms. "Our system can accommodate specific customer needs better than our competitors. Having a system that can separate things out to customer specifications gives us a greater opportunity to influence purchasers," he said.

• **Basic Market Development in the Right Sectors**. Langholz said, "This is what the Council does best. Do more of what you're doing."

"This is not a theoretical exercise," he concluded. "No other country in the world has the infrastructure and production capabilities of the United States … we need to increase exports as much as possible. Cargill believes in the mission of the Council and, as a charter member, has witnessed its successes over the past 50 years. We look forward to the next 50 years."

U.S. barley exports face significant challenges



- **Total U.S. barley exports are pegged at a historic low of only 100 TMT (about 5 million bushels).**
- **Feed barley exports to Japan are down sharply from last year,** with U.S. share now projected at only 2% compared to 42% last year.
- **The USGC will focus its 2011 resources on a few key areas with growth potential** - expand food barley demand in Japan and Taiwan and strengthen ties with Latin American brewing companies where beer demand is growing faster than the U.S. market. This is consistent with the IBC's focus on malting barley export markets in Mexico, Colombia and Peru.

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Free Trade Agreements, continued from page 2

South Korea Free Trade Agreement was concluded on April 1,2007 but also awaits congressional action. The KORUS Agreement removes all tariffs on U.S. wheat immediately. Korea is a large and important market for U.S. wheat. Our current market share is 50%, down from 100% prior to the 1980s. The zero bound duty under this FTA should enable U.S. producers to capture a larger share of South Korea's wheat imports in the future. **Market access for barley is more limited, but KORUS establishes two initial zero-duty tariff rate quotas (TRQs) for U.S. barley, which creates an initial market opening:**

- 9 thousand metric ton TRQ for malting barley and malt with 2% annual growth and phased out after 15 years.
- 2.5 thousand metric ton TRQ for other barley (tariff lines 1003.00.9010, 1003.00.9020) with 2% annual growth and phased out after 15 years.