IDAHO BARLEY
R·E·P·O·R·T
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IBC seeks grower input in 2008-09

To commemorate its 20th anniversary, the IBC set an ambitious program this past year to reach out to our barley growers. We held nearly 20 grower meetings and townhall sessions across the state and will continue an aggressive outreach effort in 2009.

IBC members emphasized many themes during these sessions, including grower feedback on new strategic directions that the board is pursuing to keep the Idaho barley industry competitive well into the future. We also shared some budget challenges facing the IBC as a result of declining acreage (down 32% during the past 20 years) and rising program costs due to the normal inflationary pressures.

On the next page you will see a graphical presentation of the IBC budgets for the past two years as well as recent acreage trends. ***These budget concerns are very real, and have prompted the board members to ask growers to give them authority to set the barley assessment at a rate up to 4 cents per hundredweight (currently fixed in state law at 2 cents/Cwt.). However, before seeking legislative approval for a flexible assessment rate, the IBC is committed to holding a referendum to allow all barley growers to vote on this proposal.*** We had originally planned to hold this referendum in early 2009, but we have postponed the vote in order to collect more information from growers. In the meantime, the IBC will continue tightening its belt – just as its growers do – in this challenging budget environment.

Looking ahead to 2009

Current IBC priorities include:

- **Continuing to offer risk management education** – On tap in early 2009 are two **Farm Business Management Schools** being offered cooperatively by the University of Idaho Cooperative Extension and Idaho Barley Commission. Dates are January 13 in Lewiston and January 14 in Idaho Falls (more details at www.idahobarley.org).
- **Collecting current barley cost of production data** – these data are

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IBC invests in innovative computerized tools to help growers with production and marketing decisions

Herbicide Resistance / Persistence Tracking System to be unveiled in early 2009

A first-of-its-kind computer based herbicide record keeping program for soil persistence and herbicide resistant weeds allowing users to ***track herbicide use based on mode of action (weed resistance) and soil persistence*** will soon to be available to Idaho grain producers. It was developed by a team of weed research scientists at the University of Idaho based in Moscow and Twin Falls and was funded by the Idaho Barley Commission.

In addition to being a powerful herbicide selection tool, this new program will also serve as record keeping for state department of agriculture required pesticide application data. Users will begin by choosing a crop, planting date, herbicide, and application date for a specific field (see screen below). When herbicides from the same group number are chosen in the subsequent year, the herbicide is displayed in yellow. When herbicides from the same group number are chosen in three or more subsequent years, the herbicide is displayed in red.

As subsequent crops are entered, the program will determine if the rotational restriction has been met for the previously used herbicides. If time between the previous herbicides and the chosen crop is shorter than the label specifies, the crop will be displayed in orange.

Users view an alphabetically ordered list of herbicides with corresponding group numbers and labeled plantback restrictions for crops grown in small grain systems. This information may be printed if desired. Rainfall and soil pH restrictions are included for some herbicides. Fill in boxes allow the users to record EPA registration number, wind speed, air temperature, and adjuvants are entered in a separate drop-down box. The comment area will automatically include information on rotational restrictions and resistant weed potential. Anything the user wishes to add is entered into the comment area.

Information is recorded for each grower field. Once a field is entered, it is stored and displayed. The user may click on a field or type in new selections. Users may display and print all information. Information can be changed and edited which allows for corrections and for the program to be used as a planning tool. **The program should be available for farmer use by February 15, 2009.**

Cutting edge computer tools to fine tune grain marketing strategies

In many respects, agriculture is a riskier business than most due to considerable uncertainties about weather, markets and government regulations. Clearly, sustained profitability requires producers to have a strategic plan to manage these risks and to help soften the impact of lower yields, higher costs, lower prices or a combination of all. A good tool available to producers is the ***Strategic Risk Management Process or SRMP*** designed by a RightRisk Education Team, which is comprised of experienced

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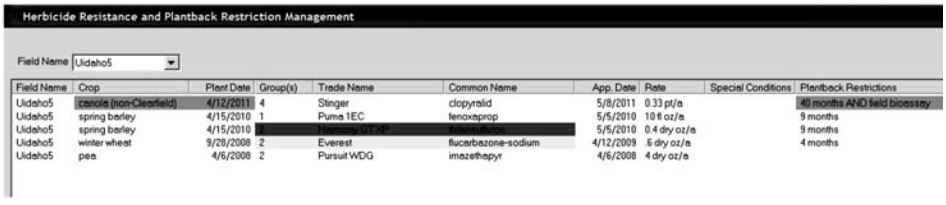
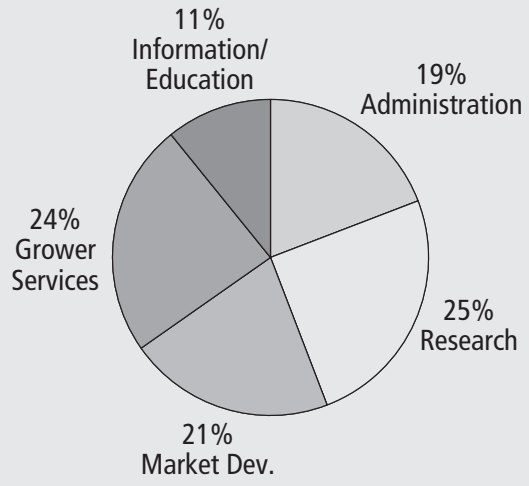
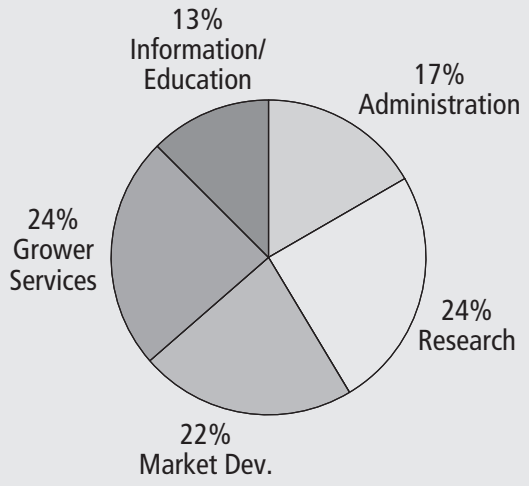


IBC Operating Budget

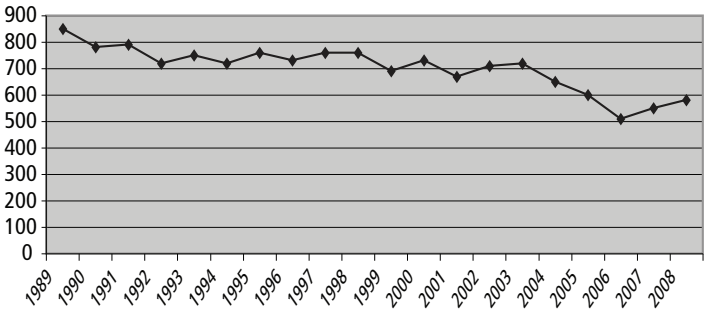
FY 2008/09 – $445,196



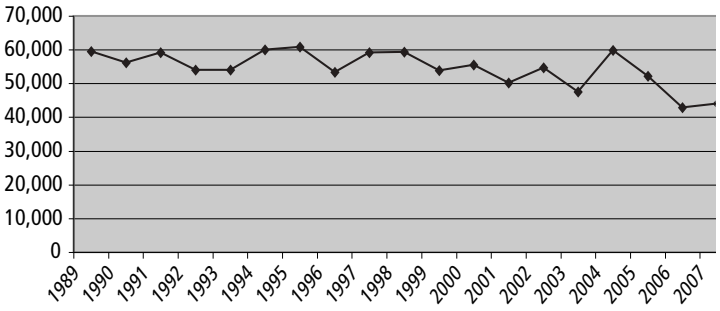
FY 2007/08 – $453,697



Idaho Barley Acreage (000 acres)



Idaho Barley Production (000 bu)



IBC invests in innovative computerized tools

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extension ag economists from several western U.S. land grant colleges who understand the special challenges facing our producers.

RIGHTRISK™
www.RightRisk.org

The RightRisk team's comprehensive risk management program includes a Web site (**www.rightrisk.org**), the SRMP 10-step risk management program, an extensive risk management library, and a realistic risk-simulation program called *AgSurvivor*. Last year, the Idaho Barley Commission teamed up with the RightRisk economists to craft a ***specific Idaho grain and livestock risk simulation game known as Mountain View Farms***. Although we are currently making additional improvements to this on-line risk tool, Idaho producers can visit the website **www.agsurvivor.com** and select the Mountain View Farms game.

Mountain View Farms is a dryland grain farming operation in southeastern Idaho. The farm typically grows 300 acres of contracted malt barley, 500 acres of feed barley, and 1200 acres of winter wheat. The farm also runs 100 head of mother beef cows that typically calve in March- April with weaned calves sold in October.

Looking ahead to 2009

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shared with barley contractors to justify a competitive contract offer.

- **Continue working with the USDA Risk Management Agency and private insurance companies on improvements to barley crop insurance** – Idaho has been on the forefront of helping make improvements to feed and malting barley crop insurance. For example, we were the first state to work with Farm Bureau Insurance Co. on the development of Barley Revenue Assurance (available on feed barley in 2001 and malting barley in 2003). Up next, will be intensive efforts to develop an improved feed barley price discovery calculation for the new Combo insurance product that will be offered in 2011. We also continue to work with RMA on the development of an innovative Enhanced Price insurance product for barley.

Diversifying Idaho Barley Markets

A report card on IBC's market development investments during the past 20 years

During its 20 years, the IBC has invested heavily in diversifying markets for our barley crops. Building on these efforts, the IBC has currently targeted several exciting value-added strategic initiatives that should broaden our market customer base for our high quality malting barley while exploiting new markets and uses for malting, food and feed barleys. Here is a ***round-up of our Idaho Barley Marketing Initiatives*** and directions for the future.

Strengthening Idaho malting contracts and exploring new malting barley export channels.

- In the past 6 years we worked with state and industry leaders on the doubling of the Anheuser Busch malt plant in Idaho Falls from 8 to 16 million bushels malt and the construction of the new Grupo Modelo malt plant at about 7 million bushels.
- We are working with Great Western Malting Co. on targeting export opportunities for their malt production at Pocatello, ID and Vancouver, WA.
- We are working with Mexico's second largest brewing company, FEMSA CCM, on contracting Idaho malting barley for direct shipment to Mexico.
- We are working with the SABMiller conglomerate on potential malting barley sales to their Colombian and Peruvian malt plants.
- We are leading the effort to develop new winter malting barley varieties that will boost our productivity and allow us to compete in world markets. So far, USDA ARS barley breeders at Aberdeen have released two winter malting varieties – Charles in 2006 and Endeavor in 2008. Charles received approval from the American Malting Barley Association in December 2008.
- Recent brewing mergers involving Anheuser Busch and Coors Brewing Company are expected to change the Idaho malt contracting landscape, but we see future opportunities for Idaho growers and we will be working closely with the new company managers to exploit these high value markets.

Maintaining domestic and export feed barley markets.

- IBC has conducted more than a decade of research evaluating the feed efficiency of Idaho feed barley varieties in beef and dairy cattle rations. Our high test weight barleys perform very well compared to corn in overall nutrient content and feed to gain ratios.
- IBC works directly with consulting animal nutritionists to convey these research findings and underscore the importance of using Idaho barley in local dairy rations.
- IBC developed and implemented the Idaho Prime program in 1994 to educate customers and end users on the benefits of feeding heavy test weight barleys and to achieve premiums in local feed markets.
- IBC is an active member of the U.S. Grains Counci (USGC), our international marketing organization based in Washington, D.C., with 10 overseas offices, to market the advantages of PNW two-row feed barley. As a result of these trade servicing efforts and the Japanese government's implementation of a liberalized import scheme known as Simultaneous Buy Sell, the U.S. dramatically increased its share of the Japanese feed barley imports, nearly doubling our exports in the first year of SBS operation (1999) and we have captured about 45% market share in the two most recent marketing years.
- An Idaho barley grower travels to Japan annually with the USGC to meet our largest feed barley import customers.

Spear-heading new value added markets for human food uses.

- Organized two national food barley summits in Minneapolis (1998) and Aberdeen, ID (2006) to examine the scientific research on the health benefits of barley and to discuss new food product development efforts underway by major food companies. Another national forum is scheduled January 30, 2009 in Sacramento to be chaired by Idaho Barley Commissioner Dan Mader.
- The 1998 meeting chaired by an Idaho grower led to the successful petition and approval of a heart health claim by the US Food and Drug Administration in 2006. This claim is based on barley's level of water soluble beta-glucan fiber.
- Engaged in joint venture with Westbred LLC, a private grain genetics company in Bozeman, MT, to accelerate seed production of new food barley varieties with higher levels of the desirable fiber.
- Invested in new food barley variety development collaboration between breeders at ARS Aberdeen and Oregon State University, with an emphasis on winter food barley commercialization.
- Funded a feasibility analysis of an innovative barley fractionation plant to separate the higher value fiber and protein, leaving the starch for other food and ethanol uses.
- Facilitated the first-ever sale of Idaho food barley to the leading Japanese food barley processor in 2007, followed by additional contract production in 2008.
- Participated in the Idaho Governor's Trade Mission to Taiwan in fall 2008 to develop food barley markets in Taiwan.

Pushing scientific innovations in new feed uses for aquaculture.

- Since 1996, IBC has been working with UI and ARS fish scientists and local fish feed manufacturers to create new barley varieties and processing techniques that will allow barley to be used as a key ingredient in fish feed diets.
- According to the United Nations' Food and Agricultural Organization, aquaculture is the fastest growing livestock sector in the world, growing at a rate of 7-8% in the past decade (now about 6%/year). Fish meal is the most common fish diet ingredient, but availability and cost is becoming prohibitive for fish farmers, creating a need for cost-effective alternatives.
- Southcentral Idaho is home to the largest concentration of trout farms in the U.S., as well as two major fish feed manufacturers, and has a large barley production base to draw from, making this new diversification effort a win-win for fish farmers and their neighboring grain farmers.
- The most recent effort is focusing on the development of a barley fractionation plant in Buhl, ID, which will separate high value barley protein for fish feed and use the remaining starch for small-scale ethanol production. A final engineering study is currently being completed.

In the next Idaho Barley Report, we will provide a report card on IBC's research investments during the past 20 years.

Global Grain Market Outlook will remain very volatile with possible upside potential in the New Year

Since mid September, U.S. commodity markets have been largely dominated by negative outside market influences, including a rising U.S. dollar, a collapse in crude oil prices, sharply lower equity markets, and a general lack of investor confidence. These negative influences, coupled with a substantial increase in world grain production this year, have completely reversed the grain market outlook for this year.

Clearly, world grain fundamentals have dramatically changed from a year ago: World barley production is projected to be 15% higher and ending stocks 49% higher. Overall coarse grains (includes corn and barley) are projected to be 2% higher while ending stocks are expected to jump 6%.

Right now, U.S. barley exports are expected to be about half of what they were a year ago due to stronger competition from the EU, Black Sea region and Canada.

In recent import tenders, the U.S. has struggled to compete in the Japanese market – our largest export market for the past five years – because of larger supplies from Canada and Australia.

World malting barley prices also have trended lower due to good production in the EU, Canada and Australia, as well as slowing demand for malt ingredients.

If commodity markets can be decoupled from outside market influences, most analysts believe that the long term bullish fundamentals in coarse grains will provide upside price potential this winter, particularly as the 2009 acreage battle begins.

All signals indicate, however, that extreme volatility is likely to continue through the year.

USDA's December 11 S&D Projections for MY 08/09

BARLEY

World barley production is projected to be up 15% to 153.7 MMT. US production increased 13% to 5.2 MMT.

World barley supplies also are projected to be up 15% to 155 MMT, and US supplies are 10% higher at 6.7 MMT.

World barley trade is expected to increase by 4% to 19.2 MMT. US exports are projected to fall by 50% to .45 MMT, due to greater competition from Australia, Canada and Black Sea region.

World barley consumption is projected to increase 6% to 144 MMT, and US usage is expected to increase 18% to 5.2 MMT.

World barley carryover stocks are estimated to jump 49% to 27 MMT, while US carryout is projected to decrease by 1% to 1.5 MMT.

COARSE GRAINS

- World coarse grain production is projected to increase by 2% to 1,097 MMT. The US crop dropped 8% to 323.8 MMT.
- World coarse grain supplies are expected to increase by 3% to 1,253 MMT, but US supplies are expected to decrease 5% to 368.9 MMT.
- World coarse grain trade is expected to decrease 15% to 107.5 MMT. US exports are expected to decrease 27% to 49.8 MMT.
- World coarse grain consumption is pegged to increase by 2% to 1,088 MMT. US usage is expected to increase by 2% at 280.7 MMT.
- World coarse grain carryover stocks are estimated to increase by 6% to 166 MMT, while US stocks are expected to decrease by 7% to 41.9 MMT.

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