

IBC sponsors Grain Marketing Workshops on Nov. 3 in Rexburg and Ashton

7:30 am (includes breakfast) – 1:00 pm
at the AmericInn in **Rexburg**
(1098 Golden Beauty Drive)

12:00 pm (includes lunch) – 5:00 pm
at the Community Center in **Ashton**
(Main Street)

Program includes:

- Pre & Post Host Harvest Marketing Strategies – Edward Usset, Univ. of Minnesota, St. Paul, MN
- Current Grain Marketing Outlook – Clark Johnston, JC Management Co., Clearfield, UT
- Using UI Web-based Financial Management Tools – Ben Eborn, UI extension faculty for Teton Co., Driggs

Advance registration is free, by calling 208-334-2090 or emailing kolson@idahobarley.org. On-site registration fee will be \$10.

IBC leads national campaign for new barley crop insurance policy for 2010

The USDA Risk Management Agency is finalizing a new barley insurance policy option for malting and food barley (Specialty Type) that should be available throughout Idaho in 2010, based on a proposal developed by the Idaho Barley Commission and Great Western Malting Co. in late 2006. Specialty types of barley – malting, food and certified malting/food seed – **will be insured under this new option for overall production loss with the insured value based on actual production contract prices** (the traditional Malt Barley Endorsement quality losses will not be covered).

IBC's malting barley export initiative pays off

A major initiative by the IBC to expand malting barley markets has resulted in an expansion of Idaho malting barley sales to Mexico. FEMSA CCM, the second largest brewing company in Mexico, based in Monterrey, contracted about 2,000 metric tons (92,000 bu) directly with eastern Idaho growers in 2009. CCM advised the IBC in late September that their malting barley purchasing program in Idaho and North Dakota will expand significantly in the next years. More details inside on the Mexican beer market.

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IDAHO BARLEY R·E·P·O·R·T

IDAHO BARLEY COMMISSION • BOISE, ID • 208-334-2090

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Twenty years of investing in Idaho barley competitiveness

A personal message from Idaho Barley Commission board members Ron Elkin, chairman and barley grower from Buhl; Dwight Little, eastern ID commissioner and grower from Teton; Dan Mader, north ID commissioner and grower from Genesee; and Clay Kaasa, industry representative and manager of barley contracting for Great Western Malting Co, Blackfoot...

The Idaho Barley Commission will hold a producer referendum during the first two weeks of November 2009 on the following question: **Do you favor giving the IBC authority to establish a flexible Idaho barley check-off at a rate not to exceed 1.9 cents per bushel (4 cents per hundredweight)?**

The **Idaho barley assessment has been fixed at .9 cent per bushel** (2 cents per hundredweight) since the commission was formed in 1988. Declining production combined with the rising cost of doing business has forced the IBC to draw down its operating reserves in the past three years. **We continue to tighten the belt at the request of our growers, but we believe it may be necessary at some point in the future to adjust the check-off rate in order to continue making strategic investments to keep barley competitive in Idaho, particularly in the areas of market diversification, research on rising costs and pest and disease threats and addressing serious state and federal policy issues.**

We have visited with hundreds of growers at more than 30 town hall meetings, grower appreciation events and research field days that we have held across the state in the past two years. We can assure you that we take our growers' concerns and ideas very seriously and we will continue to put fiscal responsibility first and foremost in our commission business. **We also can pledge to you that if a flexible assessment rate is put into place – as proposed in this referendum – we will NOT raise your assessment unless our reserves are drawn down further.**

Here are some recent highlights of IBC strategic investments paying dividends for Idaho barley producers...

GROWER SERVICES

NEW – We are sponsoring two **grain marketing & risk management workshops in Rexburg and Ashton** on Nov. 3, 2009. Since 2001, we have sponsored more than 40 risk management workshops reaching more than 1,300 grain producers.

NEW – We pioneered a new **Specialty Type Barley Crop Insurance policy** that will be available in 2010 to cover malting and food barley at actual contract prices.

NEW – We created a **grain marketing computer simulation tool** (Mountain View Farms) available online at www.agsurvivor.com.

MARKET EXPANSION

NEW – We helped establish **direct malt barley contracts with a second Mexican brewing company** – FEMSA CCM – in 2009. This contracting effort is poised to grow substantially in the next three years.

NEW – We helped facilitate the **first-ever food barley contracts** in both northern Idaho (Japanese market) and eastern Idaho (domestic market). We have launched consumer promotions to emphasize the health benefits of consuming barley, including lowering cholesterol, reducing heart disease, managing diabetes and weight control.

NEW – We facilitated an in-depth investigation of converting the Caldwell potato-waste ethanol plant that was shut down this spring into a **barley fractionation/ethanol facility**. A Montana company is engaged in a final due diligence analysis of this state-of-the-art project.

RESEARCH

We are facing **significant cutbacks in both state and federal research dollars which could seriously curtail future barley research**. Your check-off dollars will become even more important leverage to maintain variety development and pest/disease research programs.

NEW – We funded the development of a first-of-its kind computerized **Herbicide Persistence & Resistance Tracking System** created by UI

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Reshaping Idaho's malting barley landscape

In the past year, most of Idaho's major malting and brewing customers have either changed ownership or have formed joint ventures with other industry competitors, which is consistent with the global consolidation trend in both the malting and brewing sectors that began more than seven years ago. The latest consolidation involves Great Western Malting Co., a long-time leading buyer of Idaho malting barley with contracts in both southern and northern Idaho.



GREAT WESTERN MALTING CO. IS SOLD TO GRAINCORP –

- Great Western Malting Co, which is part of United Malt Holdings (UMH), has been sold to GrainCorp of Australia, the second largest agribusiness listed on the Australian Stock Exchange. UMH is the world's 4th largest malt manufacturer with 14 malt plants in the U.S., Canada, UK and Australia, producing about 1.2 million metric tons of malt annually.
- Great Western Malting Co. has been a leading buyer of Idaho malting barley for more than 40 years and can trace its history back to 1934 when its original malt plant in Vancouver, WA was established by Northwest

brewers to ensure that they had a local high quality supply of malt ingredients.

- Its new owner – GrainCorp – is headquartered in Sydney, Australia and operates more than 280 grain receiving and storage facilities in Queensland, New South Wales and Victoria and provides bulk commodity export and import services at 9 port terminals along the Australian east coast.



ANHEUSER-BUSH INBEV BECOMES WORLD LARGEST BEER MANUFACTURER –

- A merger of the second and third largest brewers in July 2008 created the world's largest brewing conglomerate with more than \$36 billion in annual revenues, based in Leuven, Belgium.
- St. Louis remains the North American headquarters of ABI and home of flagship Budweiser and Bud Light beer brands.
- Anheuser Busch currently operates 12 breweries and 3 malt plants in the U.S., including their 16 million bushel malt plant in Idaho Falls, ID.
- AB continues to be the largest buyer of Idaho barley, offering annual grower contracts across the state.
- First half 2009 sales are down 0.2% in the U.S. market, down 6.5% in Western Europe and up 7% in Brazil.



MILLER COORS MERGER STRENGTHENS COMPETITIVE POSITION IN U.S. BEER MARKET –

- A joint venture of Miller Brewing and Coors, the second and third largest brewers in the U.S. market, was finalized July 1, 2008. The combined company now has about 30% share of the U.S. market.
- MillerCoors operates six barley storage facilities, including one in Burley, ID; one malting facility in Golden, CO; and nine breweries stretching from California to Georgia.
- MillerCoors is one of the top four buyers of Idaho malting barley, offering direct contracts to Magic Valley growers.
- First half 2009 sales are down 0.8% in the U.S. market, due to a decline in Miller Lite. However, sales of Coors Light and Keystone Light remain strong.

BOTH MEXICAN BREWING COMPANIES ARE NOW CONTRACTING FOR IDAHO MALTING BARLEY –



GRUPO MODELO

- Mexico's largest brewer created an Idaho subsidiary, GModelo Agriculture Inc., in 2004 to contract about 5 to 6 million bushels of 2-row barley annually from Idaho producers to process at their Idaho Falls malt plant. This malt is shipped to Mexico.
- Grupo Modelo saw first half 2009 domestic beer sales increase 2.3% while their exports fell 5.3%. They operate seven breweries across Mexico.
- Corona is the top imported beer sold in the U.S.



FEMSA CCM

- In 2009, Cerveceria Cuauhtemoc Moctezuma began contracting directly with eastern Idaho growers. This barley is being shipped to Monterrey, Mexico this fall.
- Based on the first year's success, CCM's contract program is expected to grow substantially in the next two to three years.
- CCM's first half 2009 domestic beer sales declined 4.6%, while their exports increased 2.3%. They have 6 breweries in Mexico and 8 in Brazil.
- CCM's Tecate brand is the 4th largest imported beer brand sold in the U.S.

WORLD BEER MARKET CONTINUES TO EXPERIENCE A CHALLENGING ECONOMIC ENVIRONMENT –

unlike recent years' growth rates that averaged 4.8% during the period 2003-07, analysts are now projecting less than 1% global growth rate in 2009. In fact, several markets have reported lower production in the first half of 2009 - U.S. sales down .06%, German down 5% and Russian down 6.8%. The exception has been strong growth reported for China (up 6%), which is the world's largest beer market, and Brazil (up 5%), now the world's 4th largest market. Asia has risen to become the most dynamic growth market for beer, with long-term growth rates projected in the 7-8% range, compared to average global growth of 4%. U.S. beer sales increased 0.5% in 2008, compared to a global growth rate of 1.6%.

2009 IDAHO BARLEY CROP HIGHLIGHTS –

USDA/NASS' Sept. 30 summary –

- 510,000 harvested acres, down 13%
- 48,450,000 bushels, down 3%
- 78% of Idaho acres were planted to malting types (66.6% 2-row and 11.4% 6-row)
- Leading varieties were Conrad, Metcalfe, Moravian 69, Harrington and Merit.

National Barley Growers Association endorses pending bilateral trade agreements

– NBGA submitted supportive comments to the US Trade Representative in response to the USTR's official call for comments on the pending bilateral trade pacts with Colombia and South Korea. NBGA emphasized that the trade deal with Colombia could open doors to future malting barley and malt sales to our South American neighbor. Colombia is the largest importer of malting barley in Latin America. Historically Colombia has applied stiff tariffs as high as 80% on barley and malt imported from outside of the Andean and Mecosur trading regions. The pending Free Trade Agreement with Colombia would immediately eliminate tariffs on U.S. barley and malt. NBGA stressed that it was vitally important to enact the Colombian trade pact soon, since Canada successfully concluded its own bilateral free trade deal with Colombia taking tariffs to zero on Canadian barley and malt.

NBGA also indicated its support for the pending free trade agreement with South Korea, although this trade deal will only provide limited duty free access for U.S. barley products. Specifically the South Korean deal will establish two separate tariff-rate quotas or TRQs:

- 9 thousand metric ton TRQ for malting barley and malt with 2% annual growth; phased out over 15 years;
- 2.5 thousand metric ton TRQ for other barley tariff lines with 2% annual growth; phased out over 15 years.

NBGA believes these two TRQs represent an important starting point for positioning future U.S. barley sales, particularly in the emerging food barley sector.

Congress is not expected to consider these two bilateral trade agreements until next winter at the earliest due to a very busy congressional calendar this fall.

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IBC releases BMP guidelines for growing winter malting barley

The IBC and University of Idaho have released a new publication on best management recommendations for growing a new winter malting barley variety – **Charles** – that has shown great promise in the milder growing areas of the Magic Valley and Northern Idaho. IBC projects that production of Charles will more than double in Idaho in the next year based on current demand signals from our major malting brewing customers. This new publication can be found on-line at www.idahobarley.org.

University of Idaho College of Agricultural and Life Sciences (CALs) faces severe budget cuts and likely closure of the barley foundation seed program at Teton

– At the start of this fiscal year (July 1), the UI CALs faced a \$3.2 million cut in funding for its statewide Research and Extension programs. The College proposed meeting this initial budget reduction by:

- Elimination of a minimum of 20 vacant positions
- 25% cut in travel
- 50% cut in graduate student stipends
- Restructuring three R&E Centers in Sandpoint, Parma and Teton by transferring existing research to other UI CALs facilities.

PNW Farmers Cooperative carves out barley marketing niche in Northern Idaho

Dan Mader, IBC commissioner and grower from Genesee, has led a five year campaign to boost the competitiveness of barley in northern Idaho, an area of the state where barley acres have slipped in recent years. "Barley's decline is due to a number of factors," says Mader, "but the bottom line for growers is net return per acre. To keep barley competitive in this part of the state will require a strategic focus on value added opportunities in malting barley exports, food barley and increased productivity that will be possible through an expansion of winter barleys," concluded Mader.

PNW Farmers Cooperative, headquartered in Genesee, ID, agrees with Mader's assessment and has already begun leading the way by parlaying their region's unique strengths in quality production and export freight advantages to capture several niche markets. Barley is not a new venture for the PNW Coop, which is a leading handler of wheat, barley and pulses in the Palouse region, but they agree that specialization will become increasingly important to ensure barley remains a viable crop in the region.

Working closely with the IBC, the PNW Coop initiated the region's first food barley contracts with a major Japanese buyer in 2008. According to Sam White, PNW's chief operating officer and lead grain merchandiser, "we

CALS learned in late September that it now faces a 4-6% rescission within the current budget year due to a shortfall in state tax receipts, which means an additional reduction of \$1-1.5 million in Research and Extension funds. These cuts will affect every research discipline and every agricultural sector – some more than others – and college administrators have challenged all of its industry partners, including the IBC, to work more closely with the College on a new public-private funding strategy to ensure critical research programs can continue. Without an immediate infusion of industry funding, we can expect to see the Teton R&E Center closed by the end of December, requiring a move and possible reconfiguration of our long-time barley foundation seed program.

took some risk venturing into a new segment of the barley market that was still in its infancy, but we felt there was a chance to capture greater value for our local growers. We were pleased with the initial results, and despite slow sales this year we remain excited about the future growth potential in both Asian and domestic markets."

PNW Coop also is focusing on opportunities in winter malting barley and feed barley exports. PNW has achieved success in recent years selling containerized feed barley to several Asian markets, including Taiwan, South Korea and the Philippines.

Sam White sees many advantages in growing barley in northern Idaho, including lower cost of production, good rotation for cleaning up the soils and ease of harvest. But he acknowledged that "barley faced strong headwinds in our region this year because of a very favorable revenue insurance guarantee for wheat, which couldn't be matched by barley. But that may have been an anomaly, as the wheat revenue guarantee has now dropped from \$8.98/bu to \$5.55/bu in 2010. Barley can be viable again but it still comes down to economic return to the grower," White concluded.

Fortunately, PNW Coop will continue to do its part to keep barley competitive by seeking out value-added barley markets for their northern Idaho growers.

PNW Farmers Cooperative was created on June 1, 2008, from a merger of Genesee Union Warehouse, which can trace its roots back to 1909, and Whitman County Growers in eastern Washington. PNW Coop is a leading merchandiser of soft white, hard red spring, hard red winter and cub wheats; barley; peas; lentils; garbanzos and mustards. It exceeded its first year combined financial expectations as a result of its diversified grain and pulse handling and processing operations.

Marketing Year 2010 Global Grain Market Outlook

Current Market Outlook – U.S. and world grain market prices have fallen about 30% since early summer because of better than expected output and rising carryover stocks, particularly for wheat. Highlights include:

- World barley production down 7% (U.S. down 14%), usage up 2% (U.S. down 2%) and carryover down 11% (U.S. down 9%). The EU and U.S. malting barley crops were bigger than expected and overall quality was excellent, leading to a build-up of inventories and downward pressure on global barley prices.
- World wheat production up 8% (U.S. down 13%), usage up 2% (U.S. up 1%) and carryover up 11% (U.S. up 11%).
- World corn production up 6% (U.S. up 7%), usage up 3% (U.S. up 6%) and carryover down 4% (U.S. down 4%).

FACTORS TO WATCH –

- Southern Hemisphere wheat crops are progressing better than had been expected due to recent timely rains that have generally stabilized both the Australian and Argentine crops. Argentine wheat plantings, however, were reported to be 40% lower, while Australian acreage was estimated to be record high.
- While USDA is projecting a record high national average corn yield, a hard freeze was expected to blanket the Midwest starting October 8 which will end the growing season for a late maturing crop and likely shave the top off of these lofty yield projections.
- Chinese corn crop also is expected to fall significantly this year due to drought conditions, which will accelerate a drawdown in global corn stocks and potentially spark upward price movement later this season.
- Early projections indicate that U.S. winter wheat plantings could fall 4% due to lower prices.

• Outside market influences are expected to be generally positive as we move through this marketing year. In particular, traders expect investment monies to continue to flow back

into commodities as a hedge against inflationary pressures, potentially giving a lift to prices this winter.

U.S. GRAIN SUPPLY & DEMAND – USDA, Oct. 9, 2009 (million bu)						
	BARLEY		CORN		WHEAT	
	2008-09	2009-10	2008-09	2009-10	2008-09	2009-10
Harvested Acres (mln)	3.8	3.1	78.6	80.0	55.7	50.4
Carryin	68	89	1,624	1,695	306	667
Production	239	207	12,101	12,954	2,500	2,184
Imports	29	30	15	10	127	110
Total Supply	337	325	13,740	14,660	2,932	2,961
Food, seed & industrial	169	170	4,945	5,475	1,004	1,033
Ethanol			3,675	4,200		
Feed	66	60	5,250	5,350	246	235
Exports	13	15	1,850	2,200	1,015	950
Total usage	248	245	12,045	13,025	2,265	2,218
End stocks	89	80	1,695	1,635	667	743
Stocks to use	35.9%	32.7%	14.1%	12.6%	29.5%	33.5%

WORLD GRAIN SUPPLY & DEMAND – USDA, Oct. 9, 2009 (million metric tons)						
	BARLEY		CORN		WHEAT	
	2008-09	2009-10	2008-09	2009-10	2008-09	2009-10
Carryin	19.7	30.6	130.3	144.7	122.6	169
Production	153.9	142.9	789.4	794.1	682.3	663.7
Total Supply	173.6	173.5	919.7	938.8	804.9	832.7
Export trade	18.9	17.6	78.8	85.7	138.8	122.9
Total Usage	143.1	146.3	775.1	799.6	635.8	646.1
Carryout	30.6	27.2	144.7	139.1	168.9	186.6
Stocks / Use	21.4%	18.6%	18.7%	17.4%	26.6%	28.9%

Twenty years of investing in Idaho barley competitiveness *continued from front page*

weed scientists that will help growers select and track herbicide use based on mode of action and soil persistence to help avoid weed resistance and crop rotation problems. This system is now available for north Idaho crop rotations at www.cals.uidaho.edu/herbicide-management and is under final development for southern Idaho rotations.

NEW – Two **new food barley varieties are scheduled for release from the ARS barley variety development program at Aberdeen this year.** Other recent variety releases include North America's only winter malting barley varieties – Charles and Endeavor – and several feed barleys – Tetonia, Lenatah, Criton, and Creel.



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