



BMBRI Triennial Meeting
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Malt Barley Production Contracting

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Canada

- ▶ The end of the CWB monopoly and the after effects:
- ▶ Pros
 - ▶ 1. We can contract barley and ship it to any destination- domestic, to the US, Mexico or off-shore without price differential. The domestic market normally paid a premium.
 - ▶ More transparent market.
 - ▶ 2. Farmers can contract their barley for early delivery or wait for harvest, this year waiting was profitable. Feed barley is trading at \$ 5.25 + fob the yard.
 - ▶ 3. Buyers can bid for variety specific (premium or discount)
 - ▶ 4. The trade can take the carryover to zero if we choose.
 - ▶ 5. Combo shipments.

Canada

Cons:

1. Liquidity is sluggish, it is difficult to buy a cargo, companies are concerned about being short. Farmers are not sellers, especially in an inverted market. The CWB was always a seller.
- ▶ 2. We need to send the farmers good pricing signals early in order that they consider malt barley in their rotation. Otherwise, they can seed other crops.
- ▶ 3. Financial risks for the companies, in the CWB world, there were no financial risks especially in trades to China. The CWB bought basis FOB Vancouver.
- ▶ 4. Farmers have to assume the quality risk for malt barley that they contract, if they do not make specifications, they have financial costs. Prior they would commit their production to the Pool Account, if their crop did not make specifications they had zero financial obligations (like an Act of God clause)
- ▶ 5. It will take sometime for the farmers and the trade to feel comfortable trading malt barley in this open environment.

Contracting

- ▶ We contract for 2 specific areas-
- ▶ Montana- we concentrate our contracting program in southern Alberta, in the Lethbridge area, for delivery to our plants in northern Montana, Conrad and Fairfield.
- ▶ Direct farmer contracts-all of the barley is transported by truck
- ▶ Varieties: 2 row Merit 57 or Metcalfe.
- ▶ Act of God clause

- ▶ Fargo/Moorhead
- ▶ Direct farmer contact- from Saskatchewan and Manitoba
- ▶ Producer Car loading
- ▶ Some tonnage is shipped through a facility in Northgate, Sask.
- ▶ Varieties: 2 row Metcalfe & Meredith
- ▶ Promote best practices

China and Mexico

- ▶ China- we conclude this business with the large commercial companies.
- ▶ We have the option of buying from Argentina, Europe, and Australia.
- ▶ ABI buys 2 row varieties only.

- ▶ Mexico- we are the owners of Modelo and they import malt from the US. Some years, due to weather problems, in Mexico, they purchase malt barley from Canada and the US.
- ▶ This business is done by rail, the two enter points are Laredo or Eagle Pass.
- ▶ They import mostly 2 row malt barley, however, the option to import 6 row is available from North Dakota.

Best practices

- ▶ Selecting the correct variety.
- ▶ Soil testing to obtain a gauge on the fertility requirements.
- ▶ Certified seed.
- ▶ Seeding rate.
- ▶ Use of proper fertility (affects the protein level)
- ▶ Crop rotation practices.
- ▶ No desiccants.
- ▶ Good storage practices.

BCC Initiatives

- 1. innovation and research
 - 2. promoting best crop production practices
 - 3. support market development
 - 4. increasing market access.
 - 5. improve understanding and communication within the barley value chain
 - It is paramount that as an industry we promote the malt varieties, the best practices, best prices, need to be contracting as soon as possible.
 - We should look at multi year contracts.
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Thank You



Questions