Barley Bulletin

North Dakota Barley Council

Minnesota Barley

Volume 1 ~ WINTER 2010

Chairman's Corner

By Louis Arnold

North Dakota Barley Council • District I Council Representative

Trends – a word with which we are all familiar. Trends impact us on a daily, monthly, yearly, and lifelong basis. Our farming operations experience trends in the prices we pay for inputs, the cost of renting and buying land, and the selling price of our crops and livestock. These inter-related trends impact the mix of crops we plant, which in turn impacts the number of acres planted on state and national levels. Barley is evolving into a specialty crop, and thus will be impacted by many trends in malting, brewing, and utilization as an ingredient in human food products.

This issue of the Barley Bulletin focuses on trends. Production, price, farm policy, research, risk management, relationships, communications, and barley utilization are all experiencing trends. The Barley Council continues to monitor these trends and implement directions to stay abreast of the various trends impacting barley.

Inside this issue:

Have a safe & happy Spring!

Production Trends

Nationally, barley production has been trending downward for the past 20 years. In recent times (2001 to 2009), barley acres have decreased from approximately 4.9 million acres nationally to 3.5 million acres.

U. S. BARLEY PRODUCTION
SOURCE: USDA-NASS
UNITS: ENGLISH

Year	Total Planted Acres	Total Harvested Acres	Yield Bu/Acre	(bushels) Production	($/bushel) Price	Value of Production
2001	4,951,000	4,273,000	58.1	248,329,000	$2.22	$535,110,000
2002	5,008,000	4,123,000	55.0	226,906,000	$2.72	$605,635,000
2003	5,348,000	4,727,000	58.9	278,283,000	$2.83	$755,140,000
2004	4,527,000	4,021,000	69.6	279,743,000	$2.48	$698,184,000
2005	3,875,000	3,269,000	64.8	211,896,000	$2.45	$505,962,000
2006	3,452,000	2,951,000	61.1	180,165,000	$2.85	$498,691,000
2007	4,018,000	3,502,000	60.2	210,110,000	$4.02	$834,954,000
2008	4,246,000	3,779,000	63.6	240,193,000	$5.15	$1,208,173,000
2009	3,567,000	3,113,000	73.0	227,323,000	NA	NA

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Chairman's Corner—Production Trends

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This downward trend has been caused by a number of factors, including but not limited to: 1) increased production of corn in non-traditional areas resulted in a shift in livestock feeding from barley to corn; 2) increased efficiency in malting and brewing, thus requiring less barley; 3) increased competition in the international marketplace, which resulted in loss of U. S. market share in key regions of the world (such as Japan and Saudi Arabia).

North Dakota still maintains its rank as the largest barley producing state. Acreage and production have experienced a cyclical trend in recent years, with wide swings in acreage over the past 10 years.

PRODUCTION TRENDS FOR NORTH DAKOTA BARLEY

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Yield										
--Bushels per acre	55	55	45	60	62	54	49	56	56	70
--Kilograms per hectare	2,956	2,956	2,419	3,225	3,333	2,903	2,634	3,010	3,010	3,763
Area Planted										
--Acres	1,900,000	1,500,000	1,600,000	2,050,000	1,600,000	1,200,000	1,100,000	1,470,000	1,650,000	1,210,000
--Hectares	769,500	607,500	648,000	830,250	648,000	486,000	445,500	595,350	668,250	490,050
Area Harvested										
--Acres	1,770,000	1,450,000	1,300,000	1,980,000	1,480,000	1,060,000	995,000	1,390,000	1,540,000	1,130,000
--Hectares	716,850	587,250	526,500	801,900	599,400	429,300	402,975	562,950	623,700	457,650
Production										
--Bushels	97,350,000	79,750,000	58,500,000	118,800,000	91,760,000	57,240,000	48,755,000	77,840,000	86,240,000	79,100,000
--Metric Tonnes	2,119,568	1,736,369	1,273,700	2,586,592	1,997,859	1,246,267	1,061,526	1,694,784	1,877,674	1,722,217

North Dakota barley production has been impacted by similar trends. Biotechnology advancements in other crops have resulted in a shift to higher yielding crops (e. g. corn) in traditional barley areas. North Dakota barley has experienced a trend in barley production shifting from east to west.

Farm Policy Trends

Farm program support for most crops has been trending downward. Many growers recall the Food Security Act of 1985, and the significant safety net that was in place. The last two farm programs have provided a glimpse into the future. Congress is becoming more urbanized, farms are becoming larger, and farm program support is going to be different.

Barley received modest increases in farm program support in the 2007 farm bill, namely:

- Loan Rate: increased from $1.85 per bushel to $1.95 per bushel for all barley.
  The increase will occur in 2010.
- Target Price: increase from current level of $2.24 per bushel to $2.63 per bushel in 2010.
- Direct Payment: remains at $0.24 per bushel, with reductions starting in 2008.

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Chairman's Corner—Farm Policy Trends

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Early discussions for the 2012 farm bill are beginning in Washington DC. The federal budget will be constrained, which will make funding for production agriculture difficult. The trend will be a reduction (and likely an elimination) of direct payments, with an increasing trend to focus on improved risk management products for crop insurance.

Research Trends

The alliance of the Barley Council with NDSU has resulted in the delivery of barley varieties that continue to perform well as barley production shifts from eastern to western North Dakota. Stellar and Pinnacle are two recent releases that have performed well. The development of varieties requires highly integrated research inclusive of genetics, plant pathology, agronomics, and market acceptance. Barley variety development currently utilizes traditional plant breeding techniques, largely due to the reluctance of the malting and brewing industry to accept varieties developed utilizing biotechnology. Corn and soybeans continue to experience rapid growth in yield, quality, and adaptability through advancements in biotechnology. Wheat is now evaluating the use of biotechnology. Barley will follow at a guarded pace.

Federal funding for barley research remains relatively stable. Federal funding needs to remain stable to maintain the foundation of research necessary for barley development. Private sector investment in barley is also needed.

Risk Management Trends

The evolution of more sophisticated contracting programs has initiated a trend in more acres of malting barley being produced under contract. The malting industry has provided growers with flexibility in pricing, and in general this trend has been positive. Contracting programs for malt barley continue to trend toward increased refinement on quality parameters, storage, and delivery.

The need for crop insurance products reflective of the risks growers must manage will be trending from simplistic actual production history (APH) insurance products to more sophisticated revenue and margin coverage projects. This will likely be a focal point of the 2012 farm bill.

Relationship Trends

The trend toward consolidation in the malting and brewing industry is defining the business relationship between growers and end users. Historically, growers have sold barley to the malting industry, sometimes directly, and other times via their local elevator. This trend is likely to continue. However, barley quality parameters are trending toward increased strictness, and thus the relationship between the brewer and the grower will become more important.

Likewise, feed barley buyers in Japan have relationships with Canada, Australia, Ukraine, China, and potentially other suppliers. The United States will need to maintain a trend of increased relationship development with its foreign customers in order to maintain market share.

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Chairman's Corner—Communications Trends
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Communications Trends

The internet has revolutionized the flow of information. The trend from "pen and paper" communications to more electronic media will continue to increase. Email, text messages, web sites, Face Book, and Twitter provide a combination of mechanisms for growers to receive information in real time. This trend will continue to evolve, and will impact the way we receive and react to information.

Barley Utilization Trends

Specialization appears to be the trend for barley utilization. Maltsters and brewers are requiring specific quality parameters from barley varieties based upon their needs. Feed barley buyers are seeking clean, plump barley for utilization in pet food and livestock rations. Barley is a key ingredient in the development of nutrient dense livestock feeds. Buyers of barley for human food are seeking higher content of beta glucans for heart health. Each of these trends will focus on procurement of high quality barley at a competitive price.

Barley Council Trends

The Barley Council monitors trends that impact barley production, barley growers, and barley end users. The Council then focuses on pathways to positively impact the various trends. Addressing these trends requires a team effort and direct grower involvement. Council actions on the various trends discussed in this edition include but are not limited to the following:

- Market Development: the Council promotes the utilization of North Dakota barley in the domestic and international market place through a number of inter-related activities.
  - Jim Broten, director for Barley Council district 3, served as chairman of the board of directors for the U. S. Grains Council from 2008 – 2009, and continues to serve in an advisory capacity. The efforts of the U. S. Grains Council and the North Dakota Barley Council were evident in 2007 and 2008, during which time the U. S. captured nearly 50% of the Japan feed barley market. This allowed North Dakota growers to receive prices for feed barley in the range of $4.00 to $6.00 per bushel. In 2009, Australia, Canada, and Ukraine captured market share in Japan, which reduced purchases from the United States. Trade is cyclical and long term in nature. The Council continues to foster long term relationships with Japanese buyers.
  - Wayne Narum (director for district 5) worked with U. S. Grains Council in assessing market potential for malting barley in Latin America. Market intelligence is critical to establishing sales. Regions in the Caribbean hold potential for utilization of North Dakota barley, while regions of South America (e. g. Chile) are more likely to procure barley from Australia.
  - The Council continues to host trade teams from Japan (each year in August), and other countries to provide education and promote utilization of North Dakota barley.

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Chairman's Corner—Barley Council Trends

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- North Dakota Barley Council is collaborating with Minnesota to promote the utilization of 6 row barley in China for malting and brewing. Jim Broten and Marv Zutz (Minnesota Barley) traveled to China in November 2009 to provide education on barley production and procurement to the Chinese malting and brewing industry.
- Doyle Lentz (Barley Council vice chair and director for district IV) and Mark Seastrand (director for district 2 and U. S. Grains Council board member) provided education to the malting and brewing industry in the Dominican Republic in November 2009 as part of a conference developed by the U. S. Grains Council. The DR is increasingly interested in non-European barley.

- Malting and Brewing: Louis Arnold (director for district I and chair of the council), attended the Master Brewers Association of the Americas (MBAA) to present the business of barley from the growers perspective. Many professionals in the malting and brewing industry do not realize the variety of crops available to growers in North Dakota, nor do they understand the fact that each crop enterprise must be profitable to the grower. There is a trend toward building more direct relationships between the grower and the end user, which is critically important given the fact that many end users have no direct tie to production agriculture. Educational efforts of this nature are important to the long term viability of barley.

- Farm Policy: Richard Groven (past council director for district 2) served as president of National Barley Growers Association (NBGA) from 2007 – 2009. The 2007 farm bill was a key issue for barley growers at this time. Barley received some modest gains, but it became clear through the farm bill negotiation process that the urbanization of Congress is resulting in less direct support for barley (and a host of other crops). Richard directed the initiation of a strategic plan for NBGA to focus on crop insurance, farm policy, industry relations, biotechnology, and trade. This plan provided the foundation for NBGA to focus on key areas necessary to keep barley viable.

- Research, Development, and Education: the Barley Council continues to invest targeted activities that support barley utilization. The council supports a number of projects, including but not limited to:
  - Barley variety development at NDSU (under the direction barley breeder Dr. Richard Horsley).
  - Livestock nutrition research at the Carrington Research Extension Center (under the direction of Dr. Vern Anderson).
  - Nitrogen fertilizer research at the Carrington Research Extension Center (under the direction of Paul Hendrickson).
  - Barley seedling disease management at the Langdon Research Extension Center (under the direction of Scott Halley).
  - Market research and development in alliance with the U. S. Grains Council to evaluate market potential and promote barley utilization in the international market place.
  - Institute of Barley and Malt Science (IBMS) at NDSU (under the direction of Dr. Paul Schwarz).
  - Barley food product promotion and utilization through the National Barley Foods Council.
  - Farm policy development through support of the National Barley Growers Association.

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Chairman's Corner—Barley Council Trends

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- Risk Management: the Barley Council has addressed risk management in two general mechanisms. First, Council directors and their fellow growers have worked directly with the malting industry to develop contracting programs that have price flexibility and address the needs of growers. Second, the Council works to achieve incremental improvement for crop insurance. Crop insurance will become more sophisticated, and the Council is implementing data collection and management procedures to assist in the development of future programs. Specific projects in crop insurance include:

    - 508h Amendment: the Council has been active in supporting the North Dakota Grain Growers Association to amend section 508h of the Agricultural Risk Protection Act (ARPA). The amendment to this section of ARPA allows growers to have voice in the development of novel crop insurance products, and provides greater flexibility for growers and insurance developers to work together to meet the risk management needs of producers. The amendment to section 508h was successfully included in the farm bill, and will be utilized in insurance product development.

    - Revenue Assurance: although RA has been available to malt barley producers (at malt barley prices) in all other barley states, this product was not available to North Dakota growers. Growers that utilize RA for barley in North Dakota could do so, but at a feed barley price. The Barley Council worked with USDA-RMA to include malt barley RA in North Dakota, which was available in 2009.

    - Price Data: the North Dakota Barley Council tracks weekly malt and feed barley prices for several locations across North Dakota. This data proved to be very useful. When RMA released the 2008 price election of $2.80 per bushel, the weekly price data was forwarded to RMA to request an increase in the price election to be more reflective of market conditions. The result was an increase to $4.50 per bushel.

    - Disaster Assistance: inclusion of a permanent disaster title in the farm bill is critical for growers. The Council hosted numerous meetings with key USDA and Congressional staff to help guide the mechanics of the calculations and assist in providing a growers perspective to the importance of the program.

- Relationships: Market development, variety development, risk management, farm policy, and utilization – all of these require the development of professional relationships. The Council works directly across all facets of the barley industry to build the relationships necessary to maintain a viable barley industry.

- Communications: the Council is in the initial stages of implementing more rapid deployment of information via internet, email, and text message delivery services. The Council recognizes the increasing trend in electronic communications, and is thus exploring appropriate and cost effective technologies.

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Chairman's Corner—Future Trends

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Future Trends

Keeping barley viable requires a long term commitment to research, development, and education at the production, processing, and marketing levels. The Barley Council strives to maintain a balanced effort in each of these areas. Barley will continue to be impacted by numerous trends, and the Council continues to monitor and respond to these trends.

North Dakota Barley Council Calendar

DATE	EVENT
--April 13-15, 2010	Barley Biotech Breeding Conference, Alberta, Canada.
--April 19-21, 2010	North Central Risk Management Education Advisory Council, Kansas City.
--May 18-20, 2010	International Grain Forum, Yalta, Ukraine.
--July 2010	North Dakota Barley Council Summer County Rep Meeting.
--June 15-19, 2010	Master Brewers Association, Providence.
--July 18-21, 2010	U.S. Grains Council 50th Annual Board of Delegates Meeting, Boston.
--July 24-28, 2010	6th Canadian Barley Symposium.

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North Dakota Barley Council

505 40th Street SW Suite E
Fargo ND 58103-1184

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North Dakota Barley Council Calendar

DATE	EVENT
--January 5, 2010	Lake Region Roundup, Devils Lake.
--January 10, 2010	N.D. Grain Growers Association Board of Directors Meeting, Mandan.
--January 12-13, 2010	Crop Insurance Meeting, Fargo.
--January 17-19, 2010	N.D. Grain Dealers Association Convention, Fargo.
--January 18-20, 2010	Crop Margin Coverage Meeting, Billings.
--January 20-22, 2010	North Central Risk Management Advisory Council, Omaha.
--January 25-29, 2010	KMOT Ag Expo, Minot.
--February 4, 2010	ND Ag Products Utilization Committee, Bismarck.
--February 13-17, 2010	U.S. Grains Council 7th International Marketing Conference Meeting.
--February 18-19, 2010	USDA Ag Outlook Forum, Arlington.
--February 20-24, 2010	National Barley Growers Association Winter Meeting, Washington, DC.
--March 6-10, 2010	National Barley Improvement Committee Meeting, Washington, DC.
--March 11, 2010	N.D. Ag Coalition Meeting, Mandan.
--March 15-19, 2010:	U.S. Grains Council Meeting, Ohio.
--March 23, 2010	District V Election, Elks Lodge, Dickinson.
--March 24, 2010	District I Election, Durum House, Cando.
--March 25, 2010	N.D. State Barley Show, Osnabrock.