



## **Crisp Malting Group Ltd – Crop 2017 update**

### **Introduction**

As we enter 2017, the malting industry's attention is beginning to focus on crop 2017, with growers finalising their spring planting intentions. Against a background of what was potentially a very large EU 2016 spring barley crop, the crop will probably only outturn sufficient malting barley to meet domestic EU demand (due to the impact on the supply/demand balance of the losses in the French crop). As a result, there is unlikely to be any significant carryover of crop 2016 EU malting barley into the new marketing year, which is a major factor in the continued high malting premium for both crop 2016 and crop 2017. However, above average crops in the Southern hemisphere mean that the global malting barley supply/demand balance for 2017 looks a lot more comfortable than after the Northern hemisphere harvest.

### **Crop 2017 - EU**

Early trade estimates were for a small (2-3%) increase in the total EU spring barley area and a stable winter malting barley area. This would give a theoretical increase in EU spring malting barley production from 9.2 MT in 2016 to 9.4MT in 2017 and a return to a 'normal' EU supply of winter malting barley. However within the estimates, a significant (15%+) increase in UK spring plantings is predicted, based on the AHDB 'Early Bird' survey of UK growers planting intentions taken in September 2016. Since then, ideal autumn sowing conditions throughout the EU have led to higher winter cereal plantings than forecast back in September. The December AHDB Planting Survey results will be available next month and will give a more reliable guide to the area available for spring planting in the UK. We can expect some revisions from elsewhere in the EU in the near future.

### **Crop 2017 – UK**

Within the UK we can already make some predictions for crop 2017 malting barley production based on seed sales, grower interaction and anecdotal evidence from the domestic trade.

Winter barley plantings based on seed certifications are likely to be down on crop 2016; however the proportion of certified malting varieties has actually increased slightly inferring an actual area similar to 2016. Crop 2016 produced insufficient winter malting barley due to the overall poor quality of the crop to meet the traditional UK demand (except Maris Otter). As a consequence it has required aggressive contracting by maltsters with growers to try and stabilise potential production to meet ongoing brewing customer requirements. A significant factor in this is that the new winter feed varieties can yield up to 15% more than the malting varieties which in turn can now be matched in yield by some modern

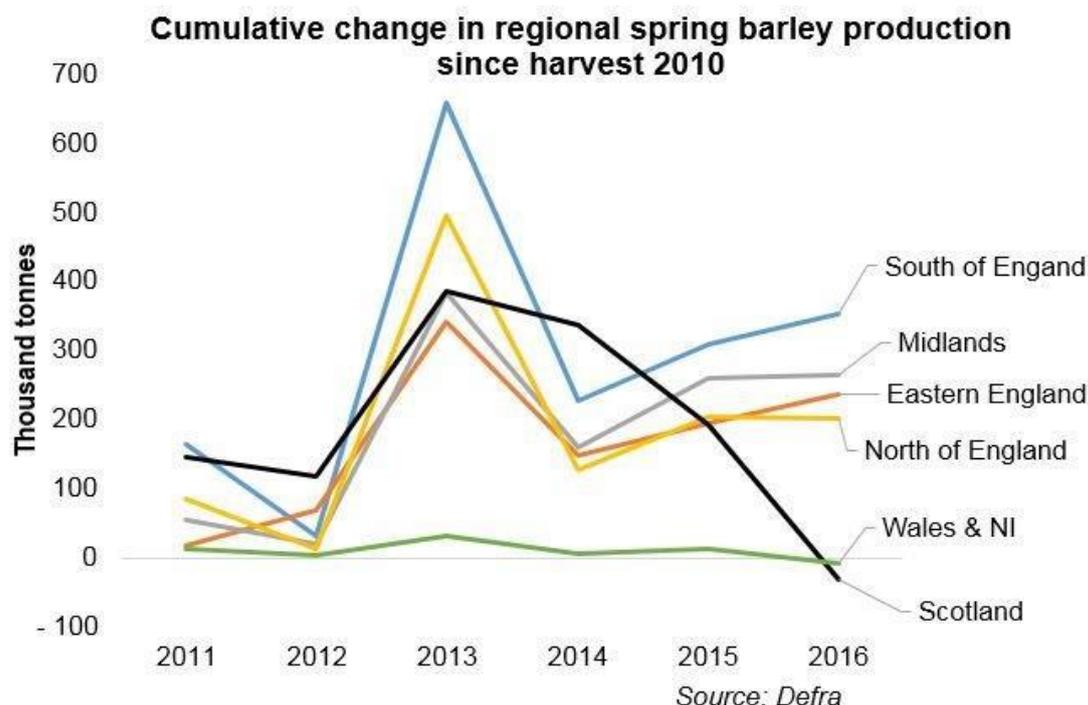
spring varieties, which also cost less to grow. Crisp have been at the forefront of re-establishing seed and barley production of Flagon whilst also introducing the new variety Craft to a select group of growers.

As highlighted already in the overall EU estimates, the prediction of the AHDB 'Early Bird' survey was a huge 18% increase in UK spring barley plantings! As noted this is now not going to be the situation, but more importantly this headline grabbing number should have come with a couple of significant caveats: firstly the increase was all forecast for England & Wales, with virtually all sources actually predicting a decline in the spring barley area in Scotland due to the effects of higher winter plantings in south and central Scotland and the continuing impact of the '3 -Crop Rule'; secondly, a large part of the predicted increase in England plantings are going to be in non-traditional malting barley growing areas and by growers using the crop for cultural purposes (blackgrass suppression) rather than aiming to produce malting barley.

The major spring varieties in England will be Propino, Concerto and Planet (IBD approved for brewing 2016) with its significant yield improvement for growers.

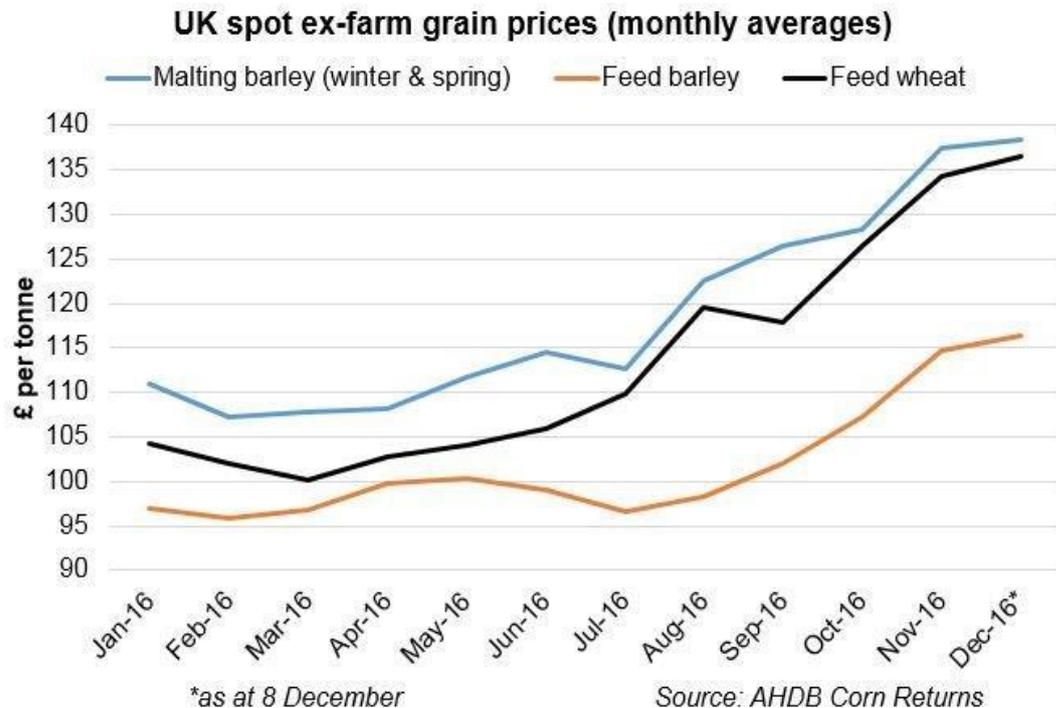
Scotland will remain heavily dependent on Concerto for crop 2017, but with yields up to 15% below the newest feed and malting varieties, growers are looking for an alternative. Some may go down the feed route if malting premiums are not attractive enough whilst others will grow some Ovation, or more likely Laureate (due to complete IBD trials this spring). Whatever the actual plantings consist of, with a potential area lower than 2016 (the lowest since 1998), Scotland needs a high yielding, high quality crop to avoid the necessity of the movement of significant quantities of malting barley from England or the continent. The graph below is a vivid illustration of the developing production issue in Scotland

The consequence of the combination of the above and the open autumn is more likely to be a smaller than recent Scottish spring barley crop, perhaps not sufficient to meet Scottish malting capacity, and an English spring crop of reasonable quantity but potentially very variable quality with potentially some varietal marketing issues.



## Markets

At present crop 2017 malting barley values are heavily influenced by the crop 2016 market, even trading at a small premium reflecting a lack of farmer selling. From a UK perspective the collapse in sterling post the BREXIT vote is responsible for the present malting barley prices and the significant increase in Crop 2016 values over crop 2015. The graph below demonstrates the effect.



Crop 2017 spring malting barley prices have trended downwards by around €10 since the beginning of September 2016 (€190 to €180 FOB basis October 2017), however due to the volatility of sterling over the last 4 months, forward prices in sterling are only down £4.00 and have traded in a range of £150.00 - £165.00 over that period as sterling moved up and down. With demand for English winter malting barley likely to exceed supply unless the crop is a very good one, winter prices are only at a small discount to spring prices. In Scotland, with a large quantity of pre-harvest contracts based on wheat futures ex farm harvest values for distilling quality barley look (at present) to be higher than in the previous few crops as the market moves from surplus to potential deficit.

