



Crisp Malting Group Ltd – Crop 2017 update

Introduction

With the completion of spring barley planting in Europe, attention is now focussed on the potential production from the coming harvest with traders trying to establish supply and demand numbers, through a combination of planted areas, forecast yields (difficult given the current weather conditions), carryover stocks from 2016 crop and forecast demand from the malting industry against a background of flat demand from the world brewing and distilling industries.

Crop 2017 – Spring Barley

The area planted to spring barley in the major EU malting barley producing countries is forecast to be slightly up on last year (2%). If there is not a major weather issue in any of these countries (for example France in 2016), then the EU could theoretically produce a surplus of spring malting barley approaching 1 million tonnes. At present prospects are good in Scandinavia and reasonable in Germany, whilst France and UK both need rain. If the dryness persists the potential EU surplus will quickly diminish as both yields and quality will be impacted.

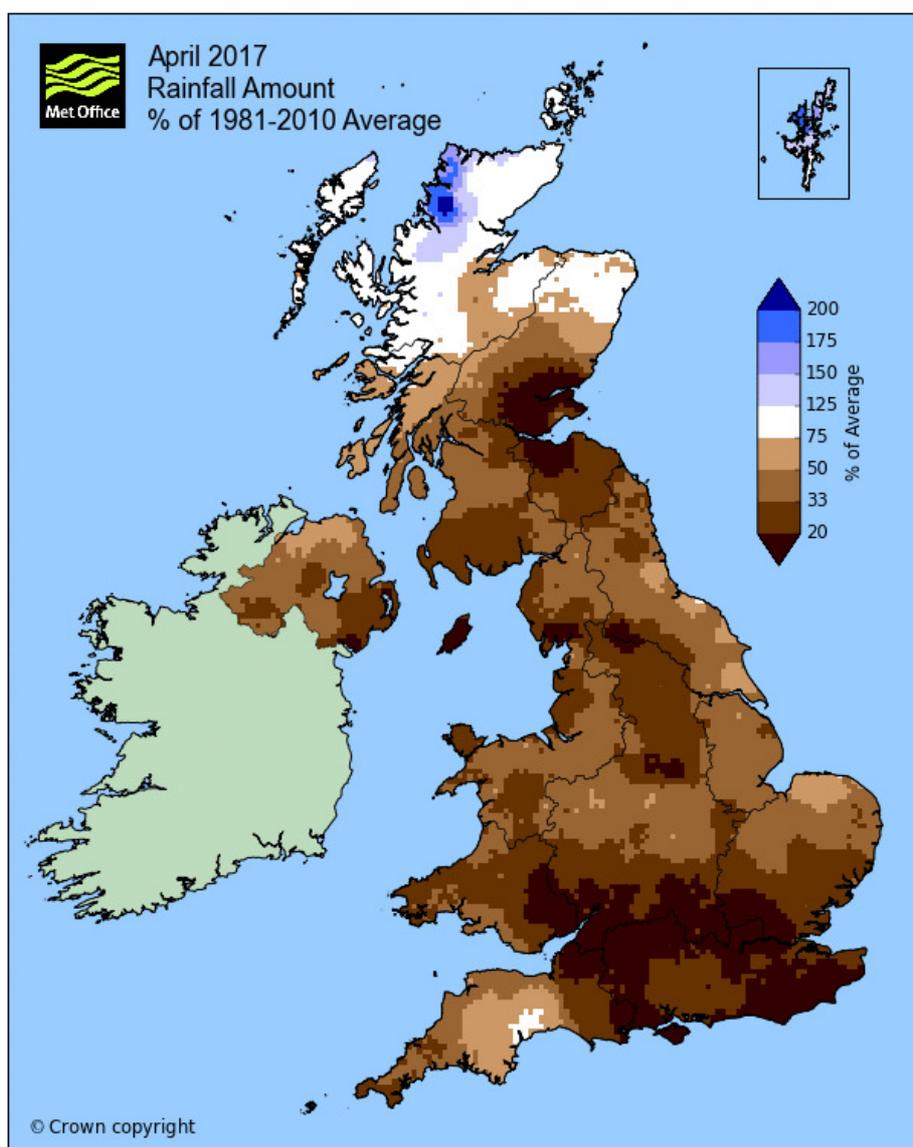
<i>'000 ha</i>	2016 Area	2017 Area
UK	683	725
Denmark	597	585
France	441	460
Germany	341	345

Crop 2017 – UK

Within the UK, the additional spring barley area is in England and is in non-traditional malting barley production areas, primarily heavy, blackgrass infested soils. The area in Scotland is likely to be similar to last year. It is therefore unlikely that the UK exportable surplus of spring barley will be much different from 2016 crop as much of the additional area is likely to produce feed barley even though the seed sown is of malting varieties (particularly RGT Planet). In Scotland, with no carryover stocks, a high yielding, good quality crop is needed if domestic malting demand is to be covered given the continuing low planted area.

Following on from a wet start to 2017 which delayed spring planting in England, crops in general look well; however a very dry April, with only 47% of the long term average rainfall, is likely to have had some impact on the yield potential of the winter sown crops. Spring barley crops will also soon start to be impacted if they do not receive significant rainfall, particularly in the south of England. The first crops to suffer will be those sown on the heavier non-traditional land where establishment was already patchy. At present it appears that the spring crops in coastal Norfolk have the best potential as they have received reasonable rainfall in the past 2 weeks.

In Scotland spring barley in general looks better than this time last year, when there were still fields to drill! Again lack moisture will soon become an issue particularly in the central belt; late uptake of nitrogen fertilizer could also impact on the final grain nitrogen and corn size.

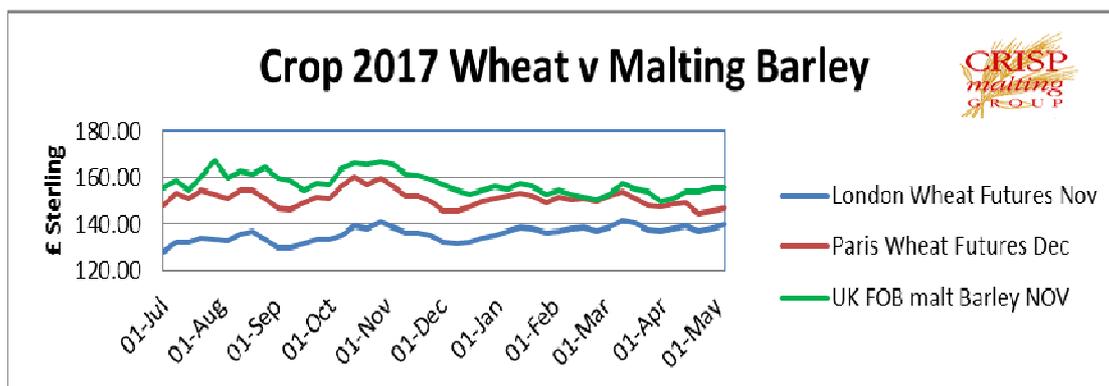


Looking at the variety split for crop 2017, the stand out figure is the dramatic increase in market share of RGT Planet, though a proportion of this is actually being grown as feed. The reduction in Concerto's market share is in England whilst the advance of Laureate in both England and Scotland bodes well for the overall supply of zero GN distilling barley in the expectation that the variety receives full approval from IBD for brewing and distilling later this month. Propino remains the standard for brewing barley with its widespread acceptance from maltsters and brewers both in UK and further afield.

<i>% of area</i>	Crop 2016	Crop 2017	Difference
Propino	28.7	27.1	-1.6
RGT Planet	8.6	20.2	+11.6
Concerto	19.4	16.3	-3.1
Laureate	1.3	7.6	+6.3
KWS Irina	8.5	6.4	-2.1

Markets

Malting barley values have firmed in recent days as the trade has entered a 'weather' market, driven mainly by the lack of rainfall in France and UK. A lack of sellers from these origins in particular is coinciding with attempts by international brewers to fix barley volumes on LTAs. The malting barley market is also receiving support from the wider grain markets which are showing high levels of volatility as witnessed by a sharp rise in US wheat prices following heavy rainfall and snow in the mid-west last weekend.



Bob King

5th May 2017