

Barley Price and Profitability for 2009. Outlook and "Look – Out"

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Objectives

- Review historical statistics.
 - Production trends.
 - Price trends.
- Review market factors and their impact on price and production.
- Provide an overview of contracting options for barley in 2009.
- Barley Council projects and efforts.

Planting Trends

- United States – Area Planted (Acres)
 - 2006: 3,452,000 acres
 - 2007: 4,020,000 acres
 - 2008: 4,234,000 acres
- U. S. planting is trending upward.
 - Supplies from 2003 – 2005 have been depleted.

Planting Trends (NASS Data)

STATE	2006	2007	2008
Idaho	530,000	570,000	600,000
Maryland	50,000	45,000	45,000
Minnesota	105,000	130,000	130,000
Montana	770,000	900,000	860,000
North Dakota	1,100,000	1,470,000	1,650,000
Oregon	55,000	63,000	60,000
Washington	200,000	235,000	190,000

Harvested Acres (NASS data)

STATE	2006	2007	2008
Idaho	510,000	550,000	580,000
Maryland	32,000	34,000	35,000
Minnesota	90,000	110,000	110,000
Montana	620,000	720,000	740,000
North Dakota	995,000	1,390,000	1,540,000
Oregon	42,000	53,000	45,000
Washington	190,000	225,000	185,000

Production Trends (NASS Data)

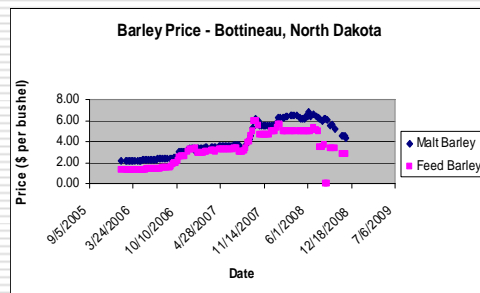
- United States
 - 2006: 180,165,000 bushels
 - 2007: 211,825,000 bushels
 - 2008: 239,498,000 bushels
- Reasons for upward trend
 - Depletion of stocks from 2003 – 2005.
 - Large production years.
 - Higher corn prices.
 - Barley was substituted for feed.

Production Trends (NASS Data)

Bushels Produced

STATE	2006	2007	2008
Idaho	42,840,000	44,000,000	49,880,000
Maryland	2,784,000	2,856,000	3,150,000
Minnesota	54,000	6,160,000	7,150,000
Montana	31,000,000	31,680,000	37,740,000
North Dakota	48,755,000	77,840,000	86,240,000
Oregon	2,436,000	2,491,000	2,250,000
Washington	11,970,000	13,500,000	10,545,000

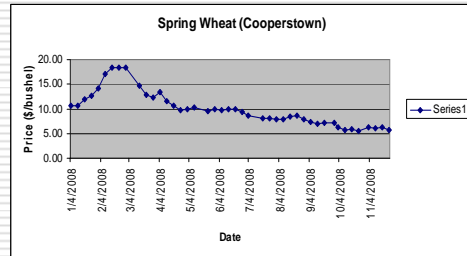
Price Trends (NDBC Data)



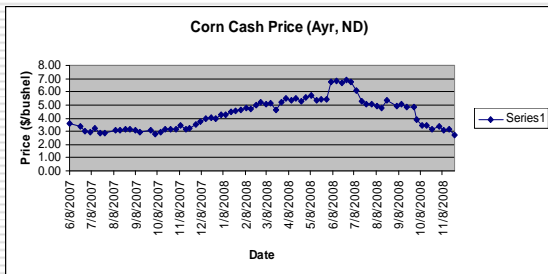
Changes from Year to Year

- Malt Barley Cash Price
 - November 2006: \$3.00 per bushel
 - November 2007: \$5.50 per bushel
 - November 2008: \$4.30 per bushel
- Feed Barley Cash Price
 - November 2006: \$2.60 per bushel
 - November 2007: \$4.70 per bushel
 - November 2008: \$2.80 per bushel

Spring Wheat Cash Price Trend



Corn Cash Price Trend



Market Factors

- Australia
 - Drought conditions in 2006 – 2007 resulted in short supply.
 - Could not deliver on contracts to Japan.

Market Factors (Cont'd)

- Japan
 - Increased purchases of feed barley from U. S. in second half of 2006 and throughout 2007.
 - Largely due to lack of supply from Australia.
 - Continued to purchase from the U. S. in 2008.
 - Major impact on barley production.

Japan Feed Barley Purchases

- July – December 2006
 - Over 250,000 metric tons purchased from U. S.
- 2007 Purchases from U. S.
 - April: 21,000 MT (153,000 total tender).
 - June: 60,000 MT (204,180 total tender).
 - August: 74,000 MT (116,400 total tender).
 - October: 154,680 MT (183,990 total tender).
 - December: 132,000 MT (249,875 total tender).
 - Total: Over 440,000 MT purchased from U. S.
- 2008: Approximately 250,000 Metric Tons.

Barley Production Costs

SUMMARY OF COST AND RETURNS FOR MALTING BARLEY REGION: CENTRAL NORTH DAKOTA

ITEM	2005	2006	2007	2008
Yield	51	55	55	55
Price	\$2.16	\$2.21	\$3.14	\$5.00
Gross Return	\$110.16	\$121.55	\$172.70	\$275.00
Variable Costs	\$65.29	\$73.90	\$75.10	\$95.00
Gross Margin	\$44.87	\$47.65	\$97.60	\$180.00

Data from 2005 - 2007 is from NDSU Extension Service Crop Budgets
The estimate for 2008 is based upon general percentage increases
in variable input costs and contract price offerings.

Barley Profitability

- ND Farm Business Management Records
- 5 Year Average (2003 – 2007)
- Return over Variable Costs
 - Barley: \$82.50 per acre.
 - OSF: \$78.08 per acre.
 - Soybeans: \$75.52 per acre.
 - Spring Wheat: \$71.94 per acre.
 - Corn: \$74.33 per acre.

Barley Contracts in 2009

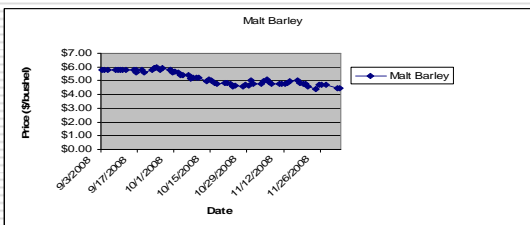
- Contracts are available for both malt and feed barley.
- Higher prices can sometimes make contracting difficult.
- Key considerations for contracting.
 - Price.
 - Discount schedule.
 - Storage and delivery.
 - Act of God Clause.

Malt Barley Contract Components

- Price
 - Most pricing is tied to a company directed price formula.
 - Based upon a percentage of the wheat futures market.
 - Other factors are subjectively considered.
 - Price of other commodities.
 - Input costs.
 - Prices changing on a daily basis.
 - Grower can lock in a price on a fixed number of bushels.

Malt Barley Contract Price Trend

- Prices for 2009 Production.



Malt Barley Contracts (cont'd).

- Storage payments
 - The contract may require growers to store the production.
- Storage periods.
 - Harvest until March (June?) 2010.
- Storage payment period.
 - October 2009 – March 2010.
 - September – delivery (indefinite).
- Storage payment range.
 - In the area of \$0.04 per bushel per month.

Malt Barley Contracts (cont'd).

- Production
 - Most contracts are production based.
 - Grower can sign a contract to confirm a fixed number of bushels at a given date.
 - Can have different production quantities at different prices.
 - Example.
 - 5,000 bushels at \$4.50 per bushel.
 - 10,000 bushels at \$4.75 per bushel.
 - Grower has some flexibility.
 - Some contracts require legal description of where acres are planted.

Malt Barley Contracts

- Additional considerations.
 - Local delivery.
 - Some malting companies are working with local elevators. Contact your local elevator to see if there is a program available.
 - Discount schedule.
 - Evaluate for probability of achieving the top grade.
 - Act of God clause.

Feed Barley Contracts

- Japan will continue to purchase barley from the U. S. in 2009.
- Feed barley contracts are relatively straight forward.
 - Anticipated pricing in the area of \$2.50 to \$3.00 per bushel for 2009.
- Contracts are typically for bushels.
- Act of God clause is desirable.

Barley Outlook for 2009

- Anticipating increase in acres.
 - Growers considering shifting to more barley and less corn in fringe corn production areas.
- Japan expected to purchase feed barley.
- Malt barley requirements are stable.

Barley "Look Out" for 2009

- Malting Barley
 - Quality I (environmental influences).
 - Contract specifications.
 - Feed Barley
 - Export market volatility.
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Barley Council Projects

- Crop Insurance
 - Secured amendment to Ag Risk Protection Act (ARPA).
 - Growers have a voice in insurance development.
 - Margin coverage.
 - Insure the gross margin.
 - Price derivation
 - Currently tied to corn.
 - Seeking a "stand alone" formula.
 - Future farm programs are likely to focus more on risk management.
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Barley Council Projects (cont'd)

- Crop Enterprise Analysis
 - Advanced enterprise budgeting.
 - For growers, malting firms, lenders.
 - Estimated launch in late 2009.
 - Detailed view of barley production costs and associated risks.
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Barley Council Projects (cont'd)

- Market Development
 - Feed barley to Japan.
 - Malt barley (retain domestic market).
 - Market Intelligence
 - Providing potential buyers with production trends, price trends, and product availability.
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Barley Council Projects (cont'd)

- Support variety development
 - Stellar – ND.
 - Rawson.
 - Pinnacle.
- Livestock nutrition.
 - Barley & DDGS.

Barley Utilization

- Malting
 - Approximately 90% of varieties planted in ND are targeted to the malt industry.
 - Selection rate is about 60%.
 - Varies from year to year.
- Feed
 - Depends on the price of corn.
 - Solid export market in Japan.
- Human Food
 - High beta-glucan types for heart health.

Summary Comments

□ ND Production Trends.

	2003	2004	2005	2006	2007	2008
Yield						
--Bushels per acre	60	62	54	49	56	56
--Kilograms per hectare	3,225	3,333	2,903	2,634	3,010	3,010
Area Planted						
--Acres	2,050,000	1,600,000	1,200,000	1,100,000	1,470,000	1,650,000
--Hectares	830,250	648,000	486,000	445,500	595,350	668,250
Area Harvested						
--Acres	1,980,000	1,480,000	1,060,000	995,000	1,390,000	1,540,000
--Hectares	801,900	599,400	429,300	402,975	562,950	623,700
Production						
--Bushels	118,800,000	91,760,000	57,240,000	48,755,000	77,840,000	86,240,000
--Metric Tonnes	2,586,592	1,997,859	1,246,267	1,061,526	1,694,784	1,877,674

Summary Comments

- Malt Barley Contracts
 - Busch Agricultural Resources Inc., West Fargo, ND.
 - Cargill Malt, Spiritwood, ND.
 - Rahr Malting, Taft, ND.
 - Local elevators.
- Barley grower organization can provide contact information.

Summary Comments

- NDSU Crop Budgets
 - Excellent source of information for planning.
 - Questions?
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