

Press Release: February 17, 2009

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Domestic Demand for Malting Barley Increasing

There is good news for US barley growers, many of whom have wondered what impact recent consolidation in the brewing industry would have on US barley markets. The fact is, US beer production has increased in the last three years (figure 1), just as the use of malting barley by brewers has increased (figure 2).

US Beer Sales

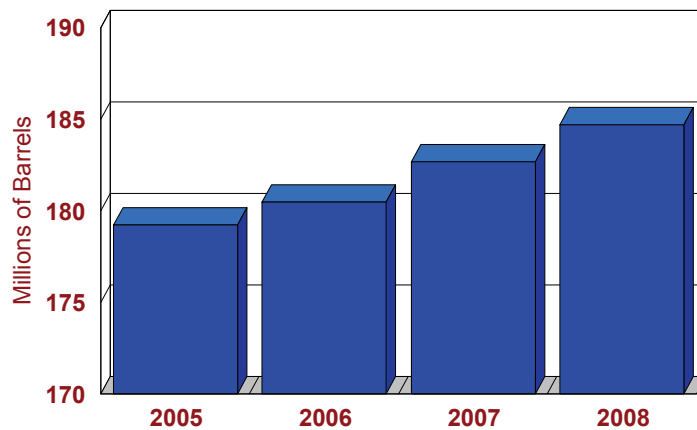


Figure 1. US Beer Sales

Source: Beer Institute

Malt Used by US Brewers

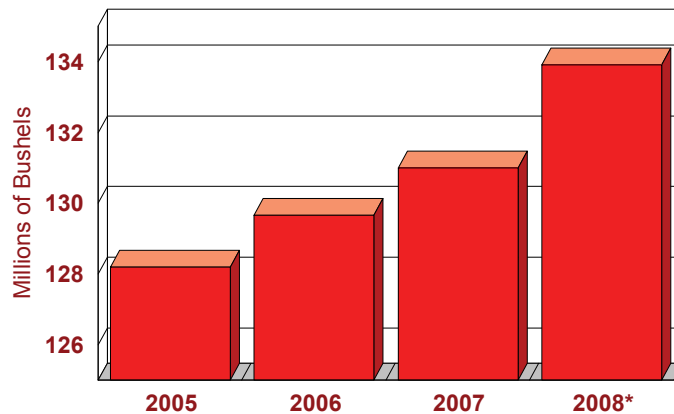
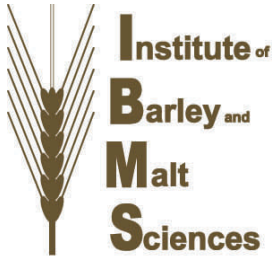


Figure 2. Malt Use by US Brewers

Source: Alcohol & Tobacco Tax & Trade Bureau



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Page 2

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The use of malt by US brewers slowly declined over the last 20 years, reaching a low of just over 128 million bushels in 2005 according to the *Alcohol and Tobacco Tax and Trade Bureau*. The increasing production of low calorie beers was largely responsible for this decline. But the good news is that the amount of malting barley used for brewing began to increase in 2006 and 2007, and the trend appears to have continued in 2008.

Domestic brewers have continued to rely on US barley producers despite a dramatic decline in barley acres. "US acreage has declined over 50% in the last 20 years, but the industry continues to source the vast majority of its malting barley needs from US growers" says Scott Heisel of the American Malting Barley Association. As acreage declined, a higher and higher percentage of the US crop was used for malting and brewing. Approximately 54% of the barley used domestically (2004-2008 average) has gone to the production of beer (figure 3). Twenty years ago, the major use of barley in the US was to feed livestock. As acreage and production have decreased, the use of barley for feed, and barley exports have declined, but its use by brewers has been more stable.

Domestic Use of Barley in the US 2004-2008 Average

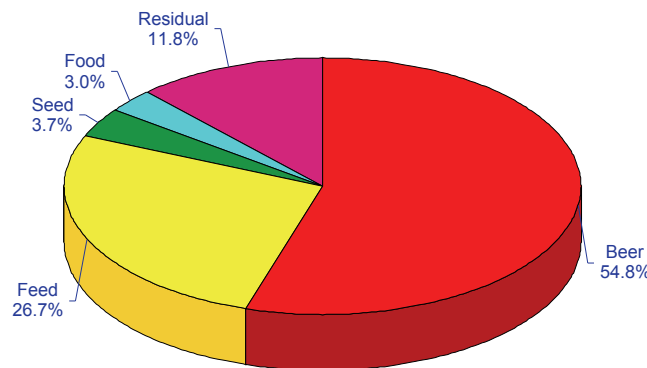


Figure 3. Domestic Use of Barley in the US
 Source: USDA World Agricultural Outlook Board

The demand for malting barley contributes to its profitability in North Dakota according to 2009 crop budgets developed by North Dakota State University (NDSU) Agricultural Extension Service. Compared to spring wheat, durum, corn, soybeans, canola and sunflowers for oil, malting barley posts the highest per acre return in three of six western crop budget regions and is second in the other three western regions. It comes in third next to soybeans and durum in the three regions to the east and southeast. NDSU 2009 crop budgets can be accessed at <http://www.ag.ndsu.edu/pubs/ecguides.html>.