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Chew it or Brew it - The Barley (R)evolution I

Developments in the Global Barley Market

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Summary

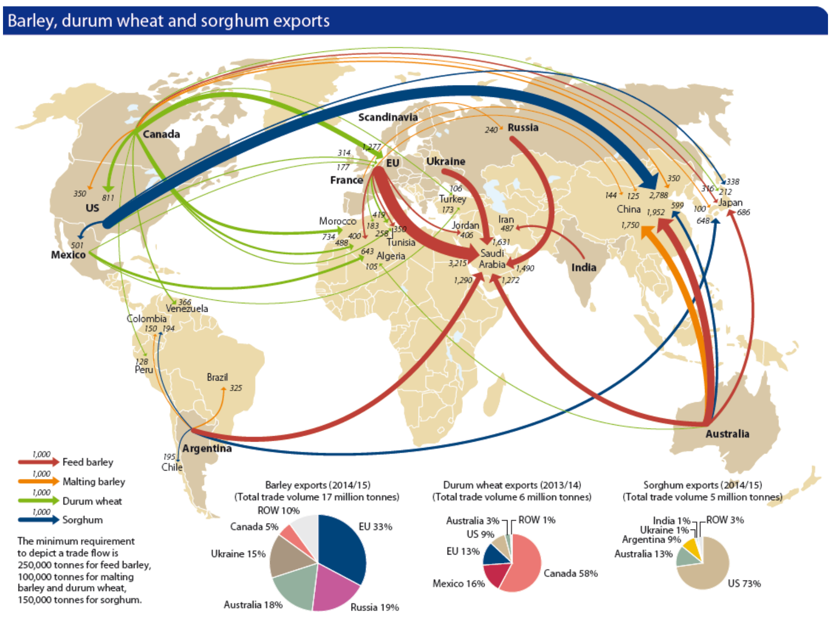
- Global barley production to rise further, despite a continued decline in area
- Malting barley and malt trade will rise further to satisfy the growing brewing sector in the developing world
- The malt industry will continue to heavily depend on trade, both of malting barley and malt

Global barley production

The global barley sector has undergone significant change over the last decade. Under 20% of global barley production is used for malting, with the vast majority used in feed. Strong competition from other, often higher-yielding, crops has been a key driver for decline in barley acreage. Since 2006, the global barley area declined by 14%, with key exporters in North America and Ukraine cutting their acreage by 30% to 40%. Even the three largest producers EU, Russia, and Australia are cutting area—by 11% to 13%. Argentina's success story of rising barley plantings over the past decade has also reversed significantly since the liberalisation of wheat exports—although barley acreage is still about twice as high as ten years ago, it has fallen by about 50% from the record high in 2012/13.

On a global scale, improvements in yield have resulted in a 10% rise in production in the last decade and trade has increased by 80%—not so much because Saudi Arabia (the largest barley importer in the world) increased its buying by one-third, but because China increased its imports fivefold, to 5m-8m tonnes. Feeding is a key reason for the increased Chinese demand, but the large domestic beer market also plays its role.

Figure 1: Global trade flows of malting and feed barley, 2014/15



Source: Rabobank 2016

The demand side: feed, food, malting or industrial

On the demand side, the EU is the largest player, accounting for about 35% to 40% of global demand (55m tonnes). However, demand from the EU is not increasing as it is in many other exporting countries, such as Australia or Russia. In Canada and Ukraine demand even declined. While in the large import nations, Saudi Arabia and China, further growth could be noted. The question then remains for what purposes the barley is used?

Feeding accounts for 70% of global demand, but the growth rate of barley feeding over the last decade, at only 12%, fell well behind that of corn feeding, which rose by 30%. Besides feeding, seeding, and some small industrial use, mainly in the EU, malting is the other key outlet.

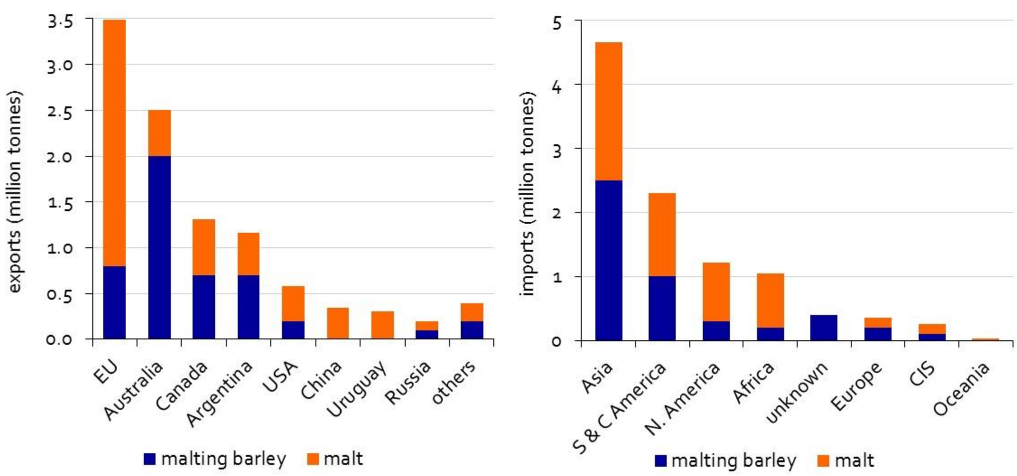
Malting barley demand is supported by an increase in brewing, especially in developing countries, as well as by an expanding craft beer sector that uses a higher malt content in their brews (read more in A Revolution is Brewing), and by rising malt demand for whisky and food. About 25m tonnes of malting barley are used globally per year to produce 20m tonnes of barley malt, of which the EU uses almost 40%.

Global trade of malting barley and malt

To produce quality malt in the consumption regions of the world, about 4.5m tonnes of malting barley is traded around the world, with Australia shipping 2m tonnes, the EU almost 1m tonnes, and Argentina and Canada 0.7m tonnes each. China is the largest importer, absorbing 60% of the trade flows, followed by Latin America, and the US.

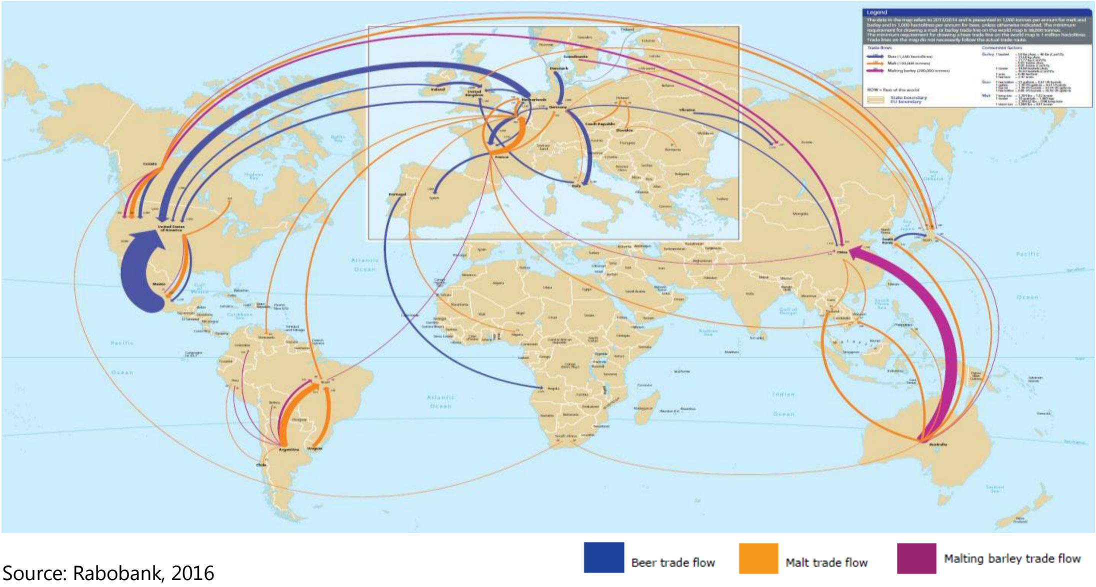
In addition, 5.6m tonnes of malt or 28% of global production are also traded, with the EU being the largest exporter, accounting for 2.7m tonnes, and the likes of Argentina, Australia, and Canada each shipping out about 0.5m tonnes per year. The prime destination markets for malt are in Asia, importing about 2m tonnes—led by Japan, Vietnam, and Thailand. South America imports 1.3m tonnes, with Brazil as the largest importer. Followed by 1.2m tonnes to North America, where Mexico and the US each import about 40% of that volume. African imports also add up to more than 0.8 m tonnes.

Figure 2: Exports and imports of malting barley and malt for 2015/16



Source: IGC, Rabobank 2018

Figure 3: Global trade flows of beer, malting barley and malt, 2014/15



Source: Rabobank, 2016

In the next article of this series we will review the global malt industry.

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