

AWB flags 'strong' demand for malting barley

AWB highlighted the squeeze in the malting barley market, flagging "strong" demand for the grain even as it warned over reduced supplies in Australia, the main southern hemisphere producer.

The Australian grain handler said that the country's supply of malting barley was "clearly down" thanks to the downpours which have delayed the east coast harvest, leaving crops bumper on quantity set to prove well below average on quality.

"The drought in Western Australia has cut barley production generally in that state and while crops in eastern Australia are still yielding well, any malting varieties that were ripe when soaked have not fared very well," Mitch Morison, the general manager commodities at AWB, said.

However, "underlying demand is strong" even though Australian malting barley was "a little expensive at present for the world market". The competitiveness of Australian exports has suffered from the strength of the Australian dollar.

"Prices have rallied as marketers have moved to fill their malt positions," Mr Morison added.

Buyer compromises?

The comments came as AWB hiked by Aus\$45 a tonne to up to Aus\$365 (\$361, E275, £232) a tonne its forecast for returns from its malting barley pools in 2010-11.

The estimate for feed barley returns was kept unchanged at, at best, Aus\$275 a tonne.

And they followed mounting concerns over malting barley supplies following the downgrades to the Australian crop, which many malsters had been betting on to replenish pipelines and keep prices down.

The Canadian Wheat Board, the grain marketing giant, on Friday warned that "Australia will be able to supply the market with limited malting barley exports this year", adding that buyers may have to settle for lower quality than they had hoped for.

"Selection criteria will have to be altered to help increase overall supplies."

The board added that Australia's hardship "further tightens the overall malting-quality barley supply for the 2010-11 marketing year, which should support malting barley prices".

In Canada, which also suffered a wet harvest, "total selectable barley supplies are significantly lower than the last few years", the CWB said, forecasting that "there will be a limited volume of 2010-11 malting barley left to market".

Beet effect

In Europe, prices made "small gains" last week, with Australia's setbacks helping to support higher European values on a free-on-board basis, according to Openfield, the UK farm co-operative.

However, the group flagged the potential for increased UK sowings, thanks in part to winter crop plantings being held back by sugar beet harvest delays which have left crop in the ground longer than farmers intended.

"The recent weather in the UK has precluded many from completing [the] sugar beet harvest with some growers still with 50% remaining," Openfield said.

Frontier Ag rated 2011 crop barley "a sell" given its discount of just £5-6 a tonne over this year's crop.

This was a "remarkably small discount bearing in mind all the quality issues we have had around the world this year", the UK grain merchant said.

"Our advice here is for growers to keep dribbling tonnage away over the next few months."

Agrimony