Enterprise Profile – Barley

Prepared by Macquarie Franklin Pty Ltd

The Tasmanian barley industry

For over half a century, barley has been the main cereal crop produced in Tasmania but in recent years this dominance has been challenged by increased plantings of wheat. It is grown for both feed grain and for malting. Each year around 30,000 tonnes of barley are produced in Tasmania with a farm-gate value of around $8 million. While this represents almost half of the value of cereals produced in the state it is still less than one per cent of the value of Tasmania's overall agricultural production.

Tasmanian Barley Industry 2009-10

Area	8,800 ha
Production	29,000 t
Yield	3 t/ha
No. Farms	200

Source: ABS 7121.0

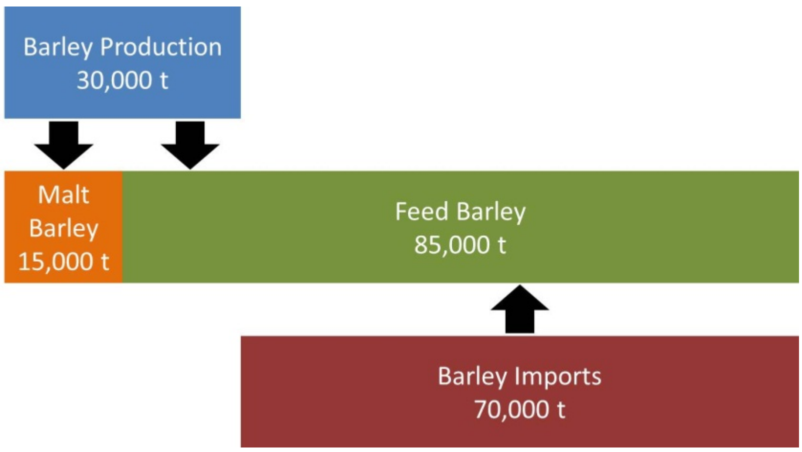
Current market for Tasmanian barley

While animal feed is the dominant use of barley in Tasmania, most producers aim to produce malting barley as this attracts a price premium. The price premium offered for malting barley aims to encourage adequate supplies of the required quality. Product requirements for malting barley are more specific than for feed barley with a critical factor being even-quality grain to ensure consistency during processing.

Specific protein levels are also a critical processing requirement. During malting, the protein level affects the rate at which grain changes from barley to malt. During the brewing process, too much protein causes haze formation in beer, while too little increases the risk of undernourishing the yeast.

Local breweries are the main market for malting barley with smaller amounts also used in the production of whiskey. Each year Cascade and Boags breweries consume around 14,000 to 15,000 tonnes of malting barley between them, all of which is sourced from within the state (Figure 1).

Figure 1: Production, Consumption and Import of Barley in Tasmania



Source: Macquarie Franklin Estimate, Tasmanian Agricultural Producers, ABS

Feed barley can be produced from barley that fails to meet malting standard, with the price set by the import price of feed barley from the mainland. The mainland price for feed barley is in turn set by the grain prices in international markets.

Due to economies of scale and the lower price received by mainland growers, barley can be shipped to Tasmania and still be price competitive with the Tasmanian crop. This is especially so for container loads of barley, which appear to have a cost advantage over bulk shipments due to the different treatment under the Tasmanian Freight Equalisation Scheme.

Intensive livestock producers are able to substitute feed barley for other grains in their feed rations, and so prices are affected by barley's close substitution with those other grains. In Tasmania there is a preference for barley over wheat as an animal feed, yet wheat is still a close substitute for barley and relative prices are an important factor in demand.

Trends in consumer behaviour

The domestic demand for malting barley is limited to local breweries. The volume of beer produced in Tasmania doubled during the last decade, in line with the increased demand for premium beers. A continuation of this trend would increase the demand for locally produced malting barley.

The volume of feed barley imported into Tasmania is large relative to the volume of state production. This suggests that feed barley import replacement would be the most likely use for increased domestic barley production. This shortage in Tasmania's domestic feed barley supply may increase with anticipated dairy industry growth.

Alternative markets for Tasmanian barley

The main barley variety grown in Tasmania is Gairdner, which is used for malting as well as for animal feed. Specific feed barley varieties with higher yields and lower protein content have been developed in other states. In regions where it is available, the planting of feed barley varieties has increased over time alongside the expansion of intensive animal industries.

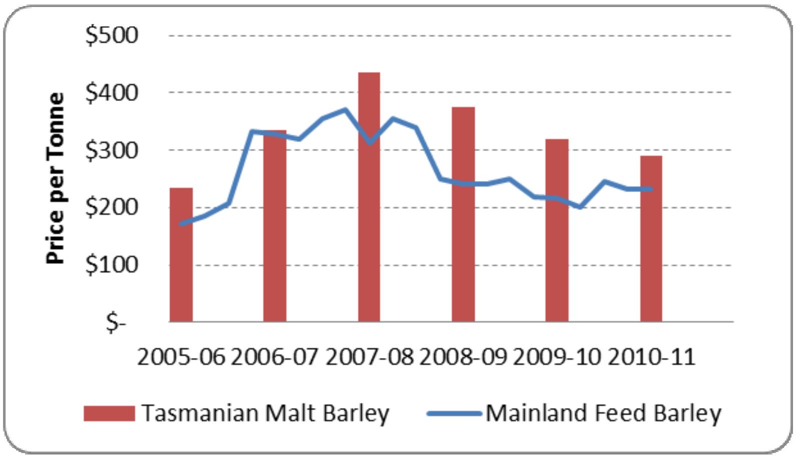
The supply of imported barley into Tasmania is usually malting variety barley that has failed to meet malting specifications and the high protein content of these varieties is favoured by Tasmanian intensive animal producers. This suggests that it should be possible for increased plantings of the current barley variety in Tasmania to replace some feed barley imports from the mainland. However, competitively priced mainland supplies of feed barley will continue to place pressure on local producers.

Price trends and future market outlook

Following a price peak in 2007-08, the price of barley has pulled back to a level consistent with the long run average (Figure 2). This trend is similar to the price of other major cereal grains worldwide over the same period.

In 2010-11 the farm-gate price received for malting grade barley was around $290 per tonne. The premium for malting barley is generally around $60 to $70 per tonne.

Figure 2: Malting and Feed Grade Barley Price Trend



Source: Macquarie Franklin; ABARES

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