

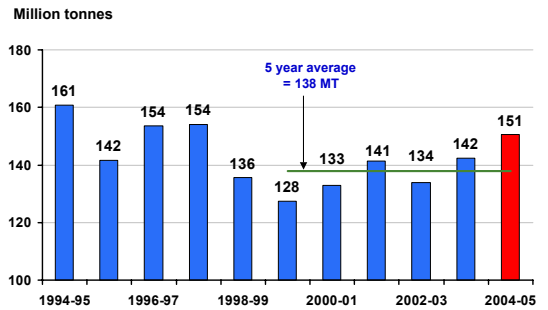
WBG/WCWGA Convention, Canmore  
FEBRUARY 17, 2005

## Overview of Global Barley Markets

Bob Cuthbert  
Senior Marketing Manager  
Barley/Products  
Canadian Wheat Board

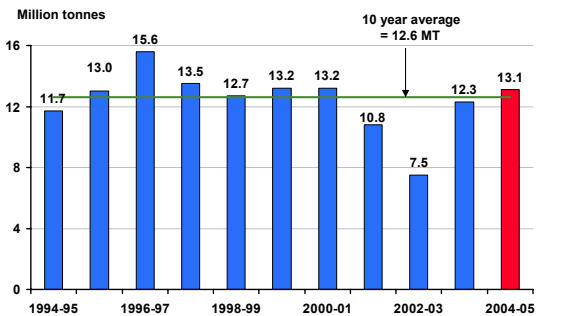


## World barley production



CWB

## Canada barley production



CWB

## Canadian barley supply/disposition

	2002-03	2003-04	2004-05F
- million tonnes -			
Carryin	2.050	1.475	2.100
Production	7.490	12.325	13.180
Total supply	9.795	13.795	15.280
Domestic use	7.375	9.330	10.300
Exports	0.950	2.470	1.580
Feed	0.015	0.780	0.200
Malting	0.305	0.975	0.700
Malt	0.635	0.715	0.680
Carryout	1.475	2.000	3.400

CWB

## Key malting barley market factors

- Global trade forecast 0.5 MT higher in 2004-05, at 4.0 MT, due to recovery in Chinese demand.
- Large barley crop in EU - plenty of malting barley, however prices are uncompetitive on global market.
- Significant quality issues in Canada and Australia have reduced export supplies.
- High freight rates are negative for FOB values.
- China's custom clearances have been strong to date this year.

CWB

## Selectable supply of malting barley in Western Canada

	2001	2002	2003	2004
Total Barley production	9.7	6.2	11.4	12.56
2R production	5.0 (51%)	3.8 (62%)	6.2 (54%)	6.79 (54%)
Selectable	1.8 (36%)	0.7 (17%)	1.9 (31%)	1.7
6R production	1.3 (13%)	1.1 (17%)	1.3 (11%)	0.9 (7%)
Selectable	0.4 (32%)	0.2 (16%)	0.5 (38%)	.10
Total Selectable	2.2	0.8	2.4	1.8

CWB

### 2004 Selections ('000 tonnes)

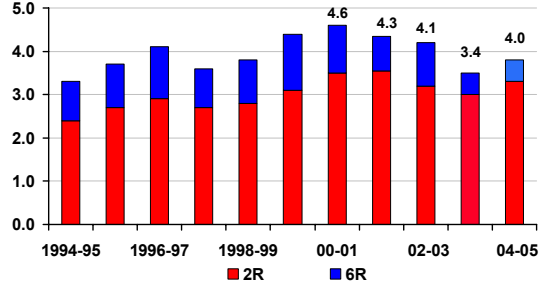
#### Two Row

Metcalfe	870 (50%)
Kendall	270 (15%)
Harrington	270 (15%)
Copeland	204 (12%)
Stein	57 (3%)
Merit	58 (3%)
<u>Other Two Row</u>	<u>31 (2%)</u>
<b>Total Two Row</b>	<b>1,760 (domestic need: 950)</b>



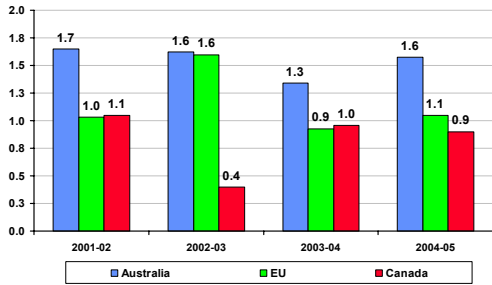
### World malting barley trade

Million tonnes



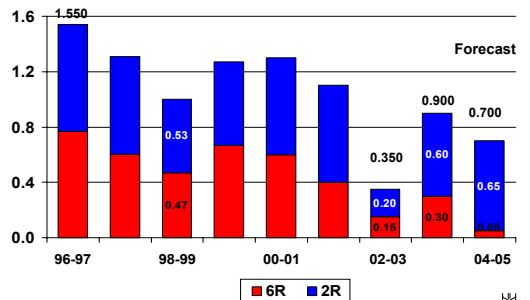
### World malting barley exporters

Million tonnes



### Canadian malting barley exports

Million tonnes



### major Canadian malting barley markets ('000 tonnes)

	1997-01	2002-03	2003-04
Canada	1,070	570	981 (90% 2R)
U.S.A.	600	200	420 (58% 6R / 42% 2R)
China	470	43	460 (96% 2R)
S. Africa	20	85	71 (2R Metcalfe)
South America	12	0	124 (2R Metcalfe)
Japan	42	30	22 (B1602 / 2R)
Mexico	51	4	22 (90% 2R)
<b>Total</b>	<b>2,265</b>	<b>932</b>	<b>2,100</b>

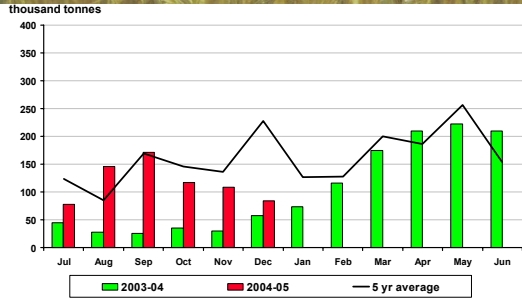


### 2004-05 Malting Barley Sales ('000 tonnes)

	Two Row	Six Row
Canada	950	68
U.S.A.	40	25
China	535	
S. Africa	25	
South America	40	
Japan	10	17
Mexico		10
<b>Total</b>	<b>1,600</b>	<b>120</b>



## China's monthly barley imports



## Canada's Malt Capacity ('000 barley tonnes)

	1990	2003
<b>Canada Malting Co.</b>	460	580
Calgary		310
Thunder Bay		170
Montreal		100
<b>Prairie Malt</b>	115	300
<b>International Malting Co.</b>	90	115
<b>Rahr Malting Canada Ltd.</b>	n/a	170
<b>Total</b>	665	1,165

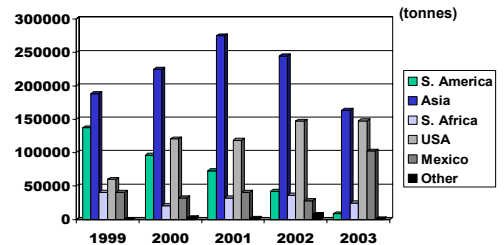


## Declining Malt Use in Japan

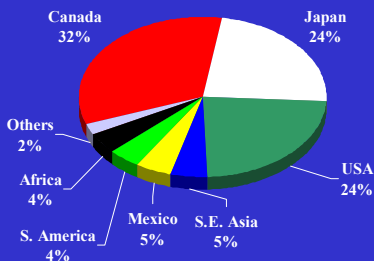
- Japan was dominantly Canada's largest international malt customer
- Japan malt imports are down 20% since 1998
- Reason: In Japan the alcohol tax on beer is 4 times that of hard liquor, such as Shochu.
  - Alcohol tax is a function of malt usage in beer, which highly favors the production of Happoshu (which uses only 25% malt).
- In Canada the alcohol tax is the same for all liquor.
- Canada also hurt by quality problems in 2002



## Canadian Malt Exports by Destination



## Canadian Malt Markets 2004

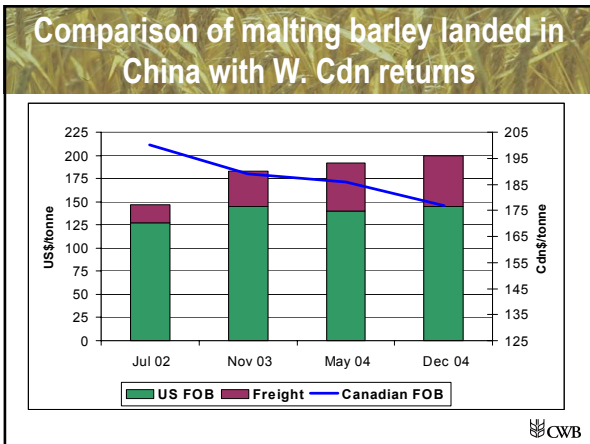
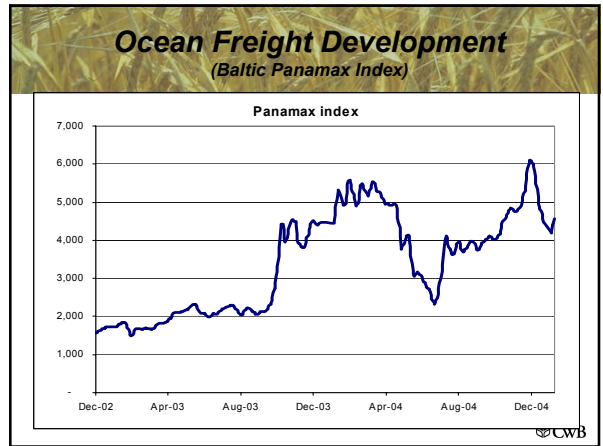
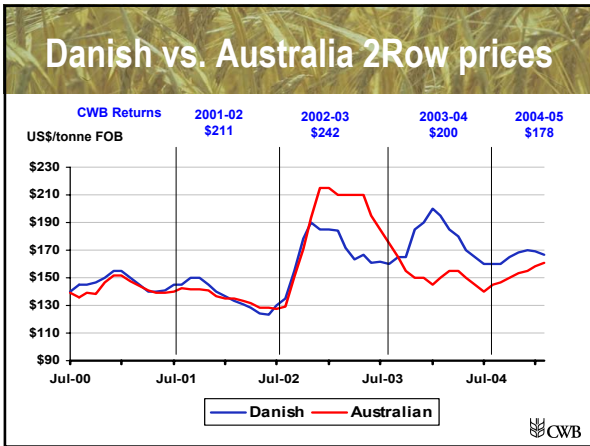


## Declining Malt Use in Canada/USA

1993 - 2003 Canadian Beer Sales:

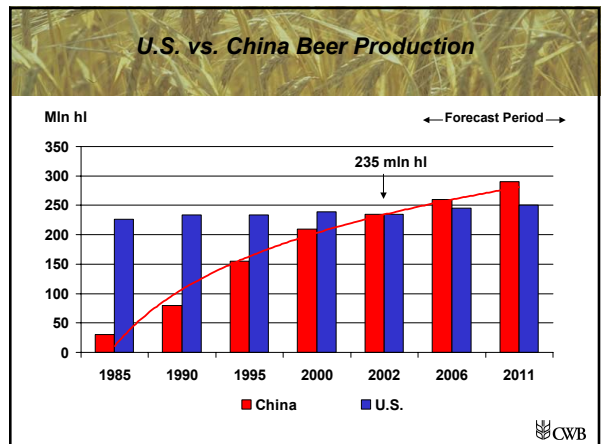
- Total 10 year growth : +10.6%
  - Imported beer ~ +424% (from 2.5% to 9.7% of total)
  - Domestic beer ~ +2.4% (from 97.5% to 90.3% of total)
- Average annual growth in beer sales: 1%
- Canada beer production flat
- Trend towards less malt use/bbl



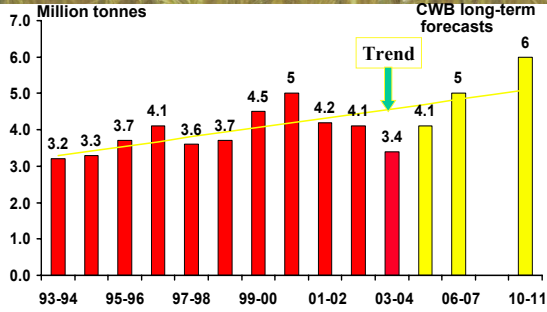


- ### Summary of Canadian 2004-05 Situation
- Slightly above average production
  - adverse weather reduced selectable supplies
  - 2004-05 pool size estimated at 1.7 MT
  - 700,000 exports to all destinations
  - 500,000 tonnes to China
  - Canada will have few stocks for shipment after March, 2005 until new crop available
- CWB

- ### Summary and Outlook
- Limited supplies of malting barley should keep prices firm at current levels
  - The world will be starting next year with low malting barley stocks
  - An easing of freight rates would be beneficial for Canada
- CWB



## World Malting Barley Trade



CWB

## Long-Term Outlook for Canadian Malting Barley

- continued development of superior two row varieties
- annual barley production likely to stay near 12-13 MT
- malting barley varieties 65% or more of total seeded area
- increasing production and selection rates with superior, higher yielding new varieties
- increased available two row supplies for domestic malting and for bulk export
- CMBTC to provide technical assistance and advice on Canadian malting barley - a service unequaled by our competitors

CWB



Questions or Comments?

CWB