

Australian barley market opportunities towards 2030

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Key words

Barley, malting, feed, beer, market diversity, India, Vietnam, China, 2030

Take home messages

- It is important that Australian barley growers have access to a diversity of markets to reduce reliance on a single dominant buyer. The importance of this has been emphasised by the imposition of anti-dumping and countervailing duties on Australian barley exported to China
- Over the next decade Australia will need to maintain and grow its presence in important markets outside China. Users of barley in these markets including Vietnam, India, Japan, South Korea, China, Saudi Arabia, Middle Eastern nations, Iran, Thailand, Philippines, Indonesia, South America and the Sub Saharan Africa require information about Australian barley characteristics, functionality, and new varieties. The Australian industry will need to make breeding and classification decisions accounting for the needs of brewers and maltsters in these markets
- Development and presentation of information packages that reinforce the quality, value and fit of Australian feed barley to suit specific regions and animal types will support greater overseas use of Australian barley in monogastric and ruminant rations
- Towards 2030, China will remain the largest malting barley importer globally by a large margin and Australian barley quality already is well suited to Chinese requirements. There is substantial mutual benefit for the Chinese to remain informed of Australia's barley offering and for the Australian industry to continue to understand the evolving Chinese malting and brewing needs.

Background

The Australian Export Grains Innovation Centre (AEGIC) has examined a range of barley markets to provide insights to the Australian barley industry on their current and future barley needs. A summary of key findings is presented below. The full report can be download from the AEGIC website.

Key findings

Vietnam's growing beer consumption creates new opportunities

- Beer production will increase by a modest 2 to 3 per cent per annum to 2030. This will continue to create strong demand for imported malt and malting barley
- A forecast increase of Vietnam's malting capacity towards 2030, will see malting barley imports increase to about 330,000 mt, nearly double that required in 2019
- Malt imports will be needed to supplement domestic malt production as it adjusts to keep pace with rising demand
- Smaller opportunities may exist for feed barley, but this will be opportunistic and dependent on the price relativity against corn as the major feed ingredient.

Indian maltsters purchase more malting barley

- India is likely to continue to produce barley that is better suited to feed rather than malting use. India's downward trend in barley production is likely to continue, necessitating increased imports of malting barley

- The market for beer is expanding and it will capture an increasing market share over time as consumers move away from higher alcohol beverages like spirits to lower alcohol beverages like beer
- By 2030 India is likely to import 450,000 to 650,000 mt of malting barley with the Australian industry well positioned to supply a significant share of the imports.

Japan's demand for high quality food and feed barley will remain

- Demand for malt in Japan is unlikely to change substantially over the next decade
- Intense competition amongst Japanese breweries in the stagnant market is driving innovation in the sector to make more effective use of lower cost ingredients. This may provide opportunities for Australian and other cheaper origin malt to gain market share at the expense of higher priced Canadian alternatives
- Increasing health-consciousness is a robust and durable trend in Japan. Australia's export grains sector could position itself to gain advantage from this trend. An example is the growing health interest in barley beta-glucan for its health benefits
- Japan's requirement for a small amount of barley for specialised shōchū manufacture will continue to provide a high value opportunity
- Australia's historic position of holding a high market share in Japan's feed barley imports will need to be supported through high quality and competitive pricing against EU (European Union) and Black Sea competitors.

Malt is the main game in South Korea

- Towards 2030, South Korea provides more opportunity for Australian exports of malt than malting barley, but limited growth in Korean beer consumption constrains market prospects
- Opportunities for Australian feed barley in the South Korean feed market are likely to remain limited. South Korean feed manufacturers favour wheat over barley as a cereal feed.

China remains important to Australia's barley industry

- If tariff free access is restored, Australia will face increased pressure for a share of the Chinese malting market from other barley exporting countries, particularly Canada, Europe Argentina and potentially Ukraine and Russia in the feed market, as the volume of barley available for export from these countries grows
- China will remain the dominant market for malting barley towards 2030, with imports expected to remain at current levels within the range of 2 to 3 mmt per annum
- Over the next decade Chinese barley imports may increase by up to 2.1 mmt but the increase will be mostly feed barley, and strongly affected by government policies directed at other feed grains, particularly corn.

Saudi Arabia's demand for feed barley is declining but remains significant

- The Saudi Arabian government continues its endeavours to increase the use of domestically processed compound feed instead of imported raw barley. However, there remains a degree of resistance to this change, particularly amongst politically influential Bedouin livestock users who maintain the historical practice of direct feeding unprocessed barley to their livestock.
- If China continues to impose high tariffs on Australian barley, then Saudi Arabia is the only destination capable of utilising the volume displaced by Chinese barriers.

Other Middle East nations and Iran

- Other Middle East nations: including Kuwait, United Arab Emirates, Qatar, and Oman have historically used Australian barley for feeding livestock. Increasing demand across the Middle East and Iran will continue to be primarily serviced by Black Sea origins and Argentina. When Australian barley is cost competitive in the Saudi Arabian government tender, it is generally cost competitive into many of these markets.

Thailand's feed barley use is an ongoing opportunity

- Thailand's feed industry is an ongoing opportunity for Australian feed barley, when it is price competitive against their domestic crops like corn, or when there is a gap between domestic corn production and animal feed requirements.

Indonesia and Philippines present new feed options

- As incomes and populations increase in Indonesia and the Philippines, feed demand will grow strongly to service growing meat consumption. Currently, government policies in both countries protect domestic corn producers against cheaper corn imports. Imported barley may be price competitive against higher priced domestic corn and could be an effective feed ingredient if local feed millers become familiar with its use.

South America

- Malting barley use and malting capacity in South America will continue to grow with barley sourced mainly from within the region (principally Argentina). Supply disruptions caused by adverse production conditions (floods and droughts) coupled with volatile government policies may shift production incentives away from barley, and so may offer occasional opportunities for Australian exports.

Sub Saharan Africa

- Although South Africa is increasingly self-sufficient in barley, production volatility due to drought may provide occasional opportunities
- Smaller opportunities may arise in countries such as Ethiopia. Some Australian malt is already being supplied to this market.

Australia

- Towards 2030 Australia's barley production could increase to 13 mmt per annum from a current long term average of 9 mmt
- Domestic malting barley use is likely to remain relatively stable around 1.5mmt annually towards 2030
- Domestic feed consumption is likely to increase from 1.5mmt to 1.8mmt with increased use mostly in eastern Australia.

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