

No 2 2021 Issue

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Sourcing News Letter

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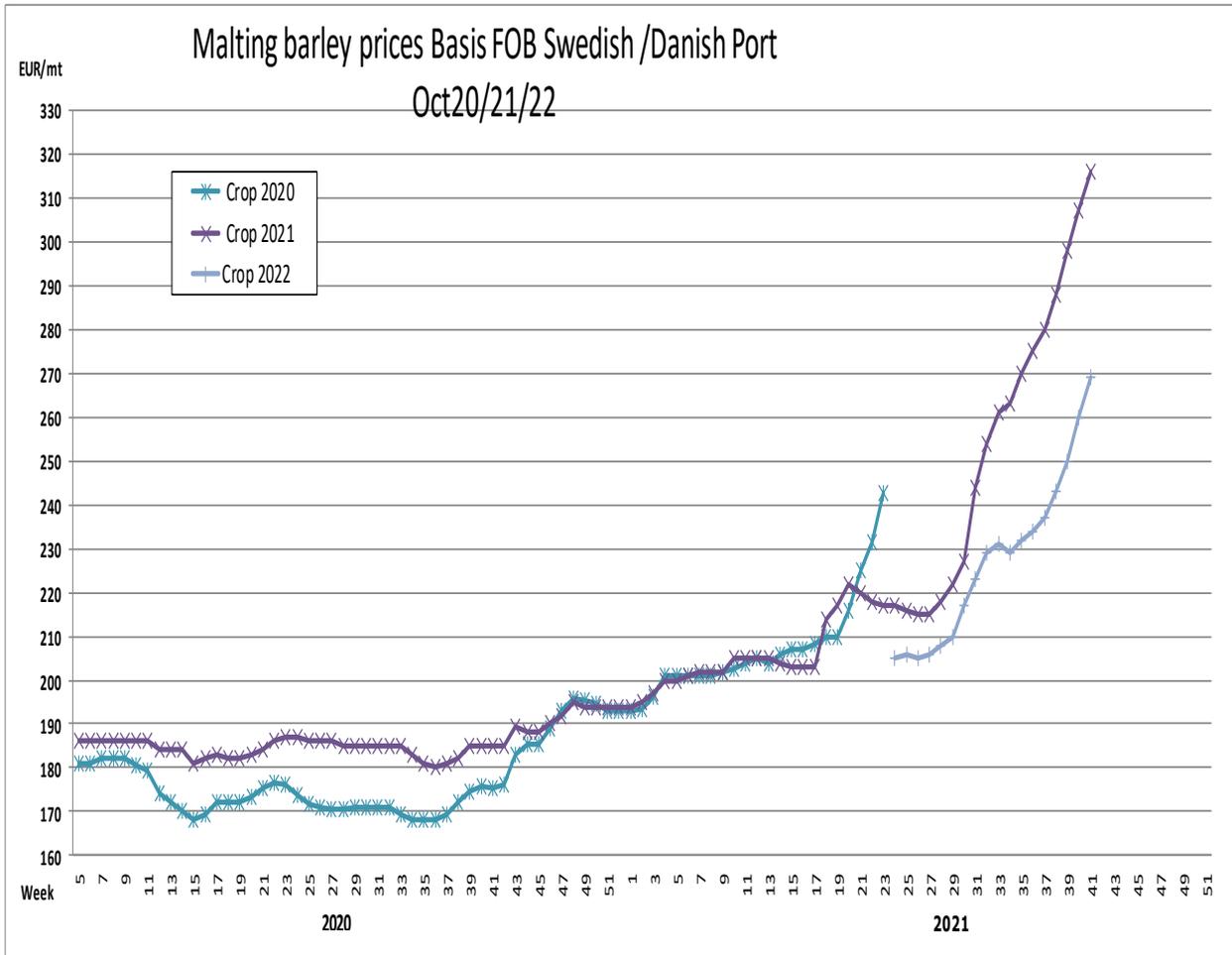
View from the bridge

Crop outcome in the Scandinavian, Baltic and Polish region has been a very mixed bag this year, mainly due to weather patterns throughout the whole season. In **Denmark**, there is an overall good quality. Barley has had a reasonable growing season but still not optimal and farmers managed to harvest most of the malting barley before major rains came in August. What is observed is yields are down by 5-7% vs 5 year average, protein is well within usable range, overall health is good, there is virtually no dormancy, screenings are somewhat more mixed this year both on total % above 2,5 mm but also the distribution between 2,8 mm and 2,5 mm. **Sweden** needs to be split into 2: firstly South Sweden (Skaane) had a similar start to Denmark but there a drought period was experienced in May / June which was not seen in Denmark and that had an effect on multiple parameters. Just like in Denmark, yields are down and screenings are similar to Denmark, with also no dormancy. However, protein levels here are much more mixed with a lot of barley being in the protein range of 12 – 12,5% and also some barley below, i.e. in

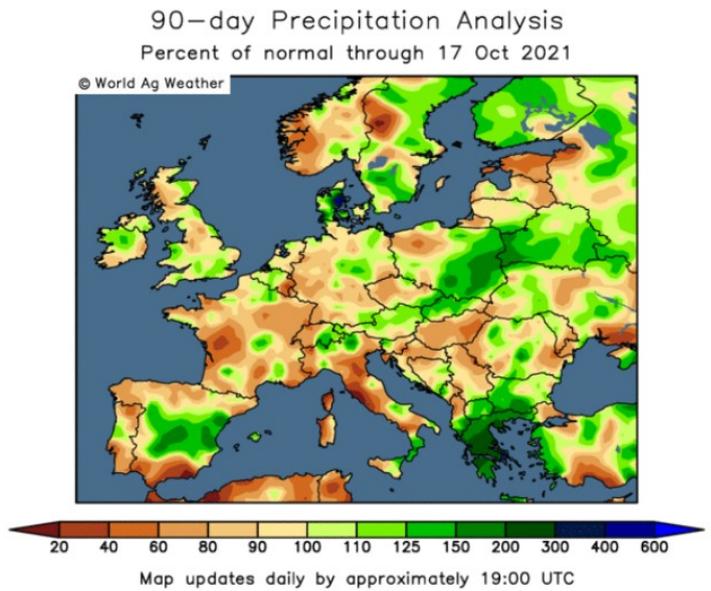
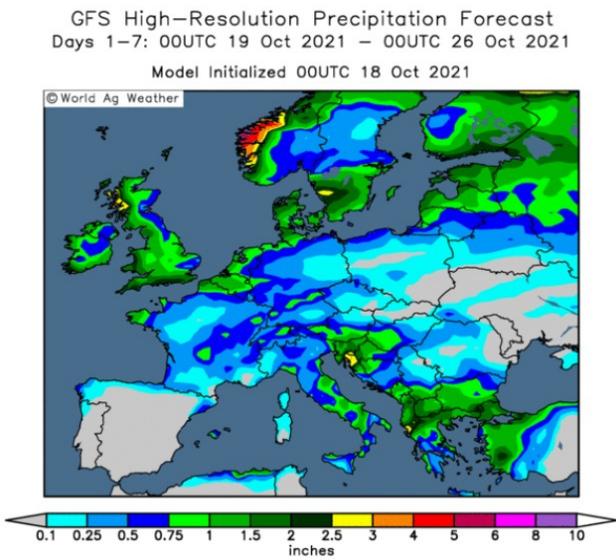
the range of 11,4-11,7% which represents a challenge. In Mid Sweden the spring was extremely wet and, in some areas, sowing was only possible end May/early June, which of course has had an influence on yields just like in South Sweden. Protein level tends to be a little lower, screenings are acceptable, dormancy is still there but barley seems to be healthy and should be ready shortly for process. In **Poland**, a mixed harvest was also witnessed. Weather was delaying the harvest of both winter and spring barley. During the season, the mixture of a rainy/cold and hot/dry weather has impacted the crop a lot. This resulted in lower yields (more than 7% down vs 5-year average) with acceptable protein level and very mixed screenings (but on very low side from many areas). A certain share of the late harvested barley has been rejected because of moulds. **Lithuania** pretty much mirrors Poland with a wet spring that delayed the sowing, followed by good conditions and then a 3-week drought in July which all in all affected the crop: yields are lower than the 5-year average, with a very wide protein range is (from 10 to 13%). Just like the rest, Screenings

are closer to 90% above 2,5 mm which is down by 2 to 3% compared to the previous average. Also, some harvested barley was rejected due to mouldy kernels. In **Finland**: such a season has not been witnessed since the mid 1980'ties, with a very wet spring leading to late sowings and then a warm and dry spell for 8 weeks followed by rain during harvest time that stressed the barley to the extreme. Yields are mixed but all on the low side, with some only harvesting 50% compared to normal years. Protein levels are above 12% in most cases, whereas screenings do not seem to have been affected that much as most sample shows in 90% above 2,5 mm. Nevertheless, it will be a challenging season in Finland as most crops have been affected so grain export will be limited this crop year.



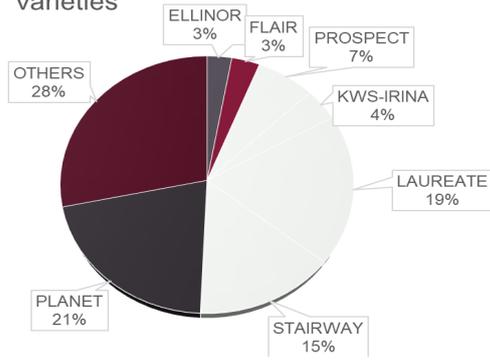


Rain Forecast EU and Received Precipitation:



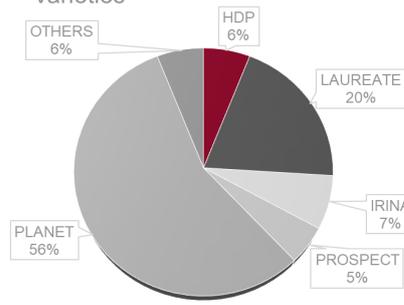
Denmark

Varieties



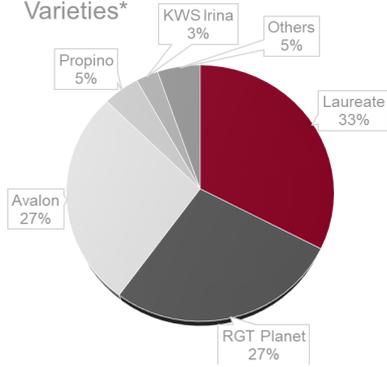
Sweden

Varieties

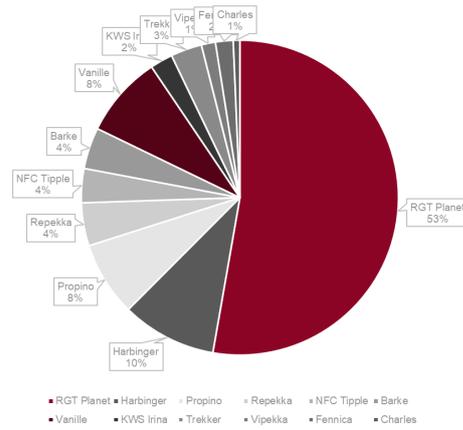


Lithuania

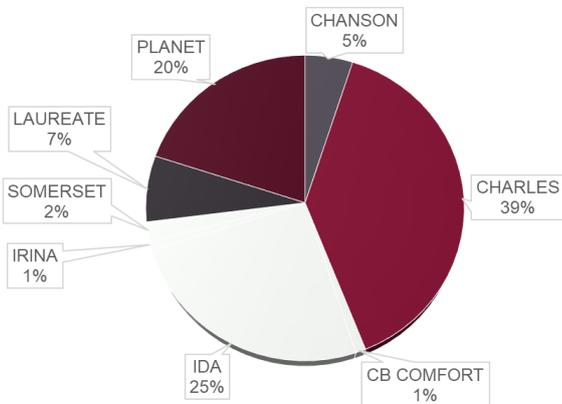
Varieties*



Finland



Poland



Where do we go from here ?

So where do we go from here, difficult to say in a year where France is exporting to China as normal, UK has left EU leading to more difficult import from them, multiple regions in EU challenged by either quantity or quality— even some both. Canada / USA hit by drought not seen in last 30—40 years, a global demand picking up post Covid19 and a growing demand for feeding the world on proteins, raising energy costs across multiple global regions—well some would call it the perfect storm which I find it difficult to argue against, nevertheless in the eye of the storm there is no storm so let me bring my **personal** views to how we overcome the storm:

1. Do we have enough malting barley to serve the global demand—my guess is yes but currently not optimal from a logistic and legislative point of view (Argentine and Australian barley to EU would challenge us on phytosanitary side and import taxes).

2. Will the supply chain need to accept compromises on quality—yes but that has been done before with low impact on beer quality in the end.

3 Will the market sort out the price scenario—yes it has always eventually found a way to settle a season.

4 Will increased fertilizer prices impact the farmers choice for crop 2022—for some yes and it will be a positive impact for unsown areas, but in certain regions the fall has given optimal conditions for winter crop sowings so we might not see a huge increase in malting barley areas but still believe there will have positive news in the spring for the global supply.

A lot to digest after some calm years in malting barley and we have not seen the end yet, but as said I do believe the market will find a way through also this season.

Best regards

Jacob