

Paper 19

EXPORT MARKETING OF BARLEY — SOCIETY'S VIEWPOINT

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INTRODUCTION

The most important market for New Zealand barley is within this country - for malting or stock feed. Exports amount to less than 25% of our national production and until last year the export market was difficult to service due to export restrictions. These restrictions have now been removed, and we have a more sensible arrangement whereby local users of barley are now paying prices aligned to the international market. The overseas market is therefore of great interest to farmers and it is the export market I propose to discuss.

COMMODITY MARKETING

In looking at marketing barley, we must first recognise the distinction between marketing what is essentially a commodity which is traded under internationally recognised terms and quality conditions, and the marketing of many of our other agricultural products which are essentially foodstuffs or fibres with specific end uses and markets. While it is generally recognised that good marketing of most agricultural products requires a considerable effort in product promotion, sales back-up, and control over volume and direction of shipments, with barley we are selling under very different conditions. We supply a tiny proportion of the vast international coarse grain market which has a good deal of interchangeability between grains. This enormous trade is conducted by relatively few international companies, all operating on very low margins but providing a most efficient system of communication and a comprehensive coverage of the market.

Marketing of barley then is a matter of slotting into the international system, reading the market in an intelligent manner, making reasoned decisions on when to sell, and then measuring up to the standards required in quality and delivery.

SPECIFICATIONS

The marketing of malting barley does however mean more attention to customers' requirements, as maltsters are looking for more specific qualities, among which cultivar is particularly important, and may need smaller shipments to match their malt-house capacity. Barley is sold by quality specifications, the most import being bushel weight and moisture content. Also of importance is the physical appearance of the grain, with a bright colour being preferred.

Sales are mainly F.O.B., with the buyer responsible for providing the vessel under terms agreed in the sale contract. Bonuses are earned by the seller in the form of dispatch money, if a ship is loaded more rapidly than the agreed daily rate, while demurrage is charged in the event of a vessel taking longer to load than agreed in the terms of the sale contract.

In trading New Zealand barley, we are selling in competition with the major exporters such as Canada, Australia, and the United States, who are also the price setters. These countries are able to assemble large tonnages and can service large vessels with high daily loading rates. New Zealand barley has been discounted by buyers against Australian barley, for several reasons. One is the cost of shipping; New Zealand barley may be involved in a longer journey to its destination, and loading rates at our ports will be lower; but part of this discount relates to quality, and New Zealand has not helped the image of our barley by quoting a relatively low specification, despite the fact that in most seasons, and especially in the case of the recent harvest, our barley would be as good as that offered by Australia.

PROSPECTS

The international price of barley is set largely by the price of United States corn (maize), which is of far greater

importance in volume, and which for many users is interchangeable with barley. However there are some end uses where corn cannot be substituted for barley and for this reason barley will frequently command a premium over corn.

The future for barley as an export crop is sound. Although we are competing with major grain producers such as Australia and Canada with their large-scale grain growing, their enormous silo complexes, and sophisticated ship-loading equipment, I believe we do have a good deal going for us as barley exporters. The crop fits in well with our farming patterns, on livestock farms following a winter feed crop, or on arable farms as a useful crop in an intensive rotation. On irrigated country in Canterbury and North Otago and in the rich grain-growing region of South Otago and Southland our yields are amongst the highest in the world. We have a simple and efficient system of storing the crop on-farm until it is required at a export port, thus eliminating the split-haul and overheads involved in consolidation points

Although we cannot offer the very large shipments available from major grain exporters, we have demonstrated this year that shipments of 20,000 tonnes or greater are feasible. This sort of tonnage is popular with buyers who do not have the facilities to handle larger cargoes, and there is plenty of shipping of that size available. We have certain advantages in supplying the international market at a time of year when there is often little other barley available — the Australian harvest is finished two to three months ahead of ours, while the next Northern Hemisphere crop is still six months away.

Because grain is regarded as a "raw material" by importing countries, it is not subject to the sort of quantitative restrictions that apply in many countries to many of our other agricultural products such as meat and dairy products. Barley also has the distinction of being one of the few exports of any sort that leaves this country without any subsidy or export incentive built into the price. Farmers as taxpayers should appreciate this.

However if we are to export profitably then we need to

trade efficiently, and to the farmers' best advantage. Nine hundred farmers have joined the South Island Barley Society because they felt that in the past the trade was not always conducted efficiently, nor were prices always set with the farmers' interests at heart. Our members have proved that they are willing to accept the vagaries of the international market providing they are receiving the full return for their crop. The society is now able to offer the degree of specialisation and expertise to exploit all the opportunities in the market, while keeping the costs of selling down to the level expected in the very competitive international grain trading arena. We have also been flattered by the fact that our belief in offering farmers the opportunity to participate fully in the international market is now shared by other New Zealand traders.

We must of course be constantly looking to increase our competitiveness as barley producers. We will do this by seeking to improve our efficiency on the farm, to ensure that average yields move closer to optimum. The newly-found glamour of the barley crop has certainly stimulated interest in that direction, with barley now receiving more intensive management, along with the very welcome attention of scientists.

Internal transport costs are important. Even though we enjoy considerable advantages against other suppliers to the international grain trade in terms of distance from farm to port, our internal freight costs are disastrously high by world standards. Keeping the costs at a manageable level will be a continuing challenge to producers and carriers.

Finally we must have efficient port facilities, certainly tailored to our modest needs, but supplying the level of service required. We are fortunate that at the Port of Timaru we have a well balanced complex in terms of storage and loading facilities, but we must ensure that our New Zealand disease of rapidly increasing costs is not allowed to infect port charges.

Given increasing yields and attention to holding costs, there is a bright future for the continued viability of barley as an export crop.