

Paper 21

MARKETING DISCUSSION

McFadden: Are the Barley Society and the Merchants' Consortium competitors, or are they complementary to each other?

Robertson: That is a difficult one. I think the answer is that the Barley Society and the merchants are both complementary in a competitive situation. Any institution is only as good as its competitors. What we have done, from the Barley Society's point of view, is to introduce competition so that new systems and institutions can develop. So I think it is important that we have competition, and the Barley Society is part of this.

However, we must recognise that the New Zealand barley trade is extremely small by world standards. So there must be scope for the exporters of this small amount of barley to get together. And although there has been tension over the last two years, I foresee increasing occasions of co-operation. But I'm certainly not suggesting that there will be collaboration over price. We will maintain a competitive situation when it comes to that.

Smith: Mr Robertson's comments are obviously based on the fact that he is a farmer. As a merchant, I must admit we are both competing for a share of the New Zealand feed barley crop, and so competing with each other. The Society has certainly made the trade re-think its buying rather than its marketing strategies, which is evident in contracts offered this year. I think it's good that the Barley Society have introduced a competitive aspect. There may be times however, if production drops off, when there are regrets that there are two marketing organisations within New Zealand. But as long as we have adequate grain to export individually, we have no problems. If we get to the stage where we have a cargo and half each and are not able to talk, we are in trouble. I would certainly hope we will be able to lick our wounds and get down to talks, if and when the time comes.

Zwart: The question is, can export societies and the merchants survive together? I think they can, as long as we have increased production. If one of the organisations is forced out of the industry, I don't think we should feel too badly, as long as they are prepared to step back in, if all is not well in the future. It is the farmers' responsibility to maintain a watch on the handling and processing side of the industry.

Kearney: I'll begin by saying I think both Mr Robertson and Mr Smith are wrong, because they are thinking only in terms of feed barley. There are varieties of barley for malting which yield as well as any barley grown in New Zealand. They can provide a premium by way of additional payment to the grower, more money from overseas, and future market possibilities. We are wrong in not taking advantage of these extras. Another point, I don't see an increased market for malting barley in New Zealand.

Bull: Dr Zwart made the comment that there were some co-operatives starting to accumulate funds. I presume this is to see the growers through lean periods?

Robertson: We do have a small retention. Last year, when our price was to the grower, it was \$180 in the hand. Three dollars was retained for working capital. Our philosophy has been that in periods of buoyant sales, when prices are high, the farmer himself can best make use of this money, and if he wishes, lay down reserves for lean years. It is not wise for an industry to create reserves, especially in times of high inflation.

PROSPECTS

Thompson: The picture Dr Zwart has given us is pessimistic. Barley doesn't look a very good crop to the farmer. I think he is being too gloomy. Things must improve, surely?

Zwart: Well, I hope so. I would like to think the picture I'm presenting is realistic rather than pessimistic. If we are going to become involved with these exports, in highly unstable world markets, we must all recognise, for example, that this coming year barley will be priced lower. The U.S. Department of Agriculture and other international organisations have spent a lot of time and money to help you understand that. But the hopeful part is that we do know that the U.S. Government is providing a floor in the international market.

McFadden: Could we establish that we are talking about export in relation to future tonnage, and that there are not recognisable opportunities internally for any significant increases?

Zwart: That's a thorny one. It would seem that the logical areas for expansion in New Zealand are in increased livestock feeding, or, the point Mr Kearney raised, increased production of malt within this country for export. My personal feeling is that we

have a reasonable future developing markets for feed products from New Zealand. Think about it; we deal with a lot of overseas countries that sell livestock products. The projections are that international livestock food demands will increase in the EEC and countries such as Japan, where there are highly protected livestock industries. Perhaps the only way New Zealand can capitalise on this increased demand for meat products is by selling them livestock feed. There may also be potential for developing sophisticated feed products in New Zealand for export — a long shot at the moment.

Kearney: The major exporting maltsters are Canada, Australia, and the EEC, and they are all supported in some degree. If you chuck us downstairs, you'll only have a domestic market, but if you support our industry till it gets going, we will be all right. We can take about 30-40% more premium barleys than at present. I don't think it's fair that New Zealand beer-drinkers should support the suppliers any more than they are doing.

HANDLING AND PROCESSING

Robertson: I don't wish to take issue with Mr Kearney, but I'd like to say that what has plagued our agricultural industry has been costs between the farmer and the consumer. When we are dealing with grain we have the advantage of offering a minimum of processing. Perhaps it is not in the national interest to produce something that is basically a raw material, but I think it has a place in our economy. Once we start production of animal feed or whatever, we have the prospect of local cost-inflation pricing us right off the market. Number one priority is to export barley and let someone else process it. For instance, we have been shipping barley this year to the Middle East, which has a developing meat industry with a need for a grain feed. They don't have much bulk storage so barley must be taken there in bags. Because bagging in New Zealand is too expensive, the bulk barley is bagged in Singapore, then shipped to Saudi Arabia. If our costs of bagging are so far behind what can be done in Singapore, there would appear to be a great potential for disaster in getting into processing.

CULTIVARS

H.C. Smith: I'd like to ask Ted Smith to say something on the technology of new cultivars — the malting ones obviously depend on having superior quality. And does he think there is a possibility of exporting seed?

E.G. Smith: As far as seeds are concerned, we have only been involved in multiplication of new cultivars for re-exporting to the U.K. The volume isn't great. Whether we can build on that I'm not sure; we have high freight expenses. With the malting aspect, as

commercial people we are looking at developing or introducing newer and better higher-yielding cultivars, suitable for both feed and malting. If we can achieve this we will be in the market, internal or export. It is a big priority, and as far as the malting cultivars are concerned, we must appease our local maltsters before we can convince ourselves we've got something good.

MAIZE V. BARLEY

McFadden: Dr Zwart, is maize a more saleable commodity than barley? If so, would we be better off exporting maize, rather than substituting maize for barley?

Zwart: That's not an easy question. Certainly there is a lot more corn involved in the international grain trade than barley, but it is felt that in some cases barley might have more specialised uses.

Robertson: At present barley is commanding a premium of about \$20/tonne over U.S. corn, so we are better off exporting barley. In fact the maize industry has a considerable problem. Their prices are kept up artificially by contracting mechanisms. If there is a surplus, they levy the maize growers to support exports. This year they have a stabilisation fund of about \$1.2 million, that will be cut by having to export a surplus at prices considerably below what we're getting.

AUSTRALIA

Q: Are there any relative figures on the costs of producing barley in New Zealand compared with Australia?

Robertson: I think the fact that we farmers are continuing to grow barley at these prices, shows we have a place in the market, and we have a number of advantages over the Australians. Our yields per hectare are higher, we produce at a different time — October, November, December — and we slot into the international marketing three months later. Although we haven't Australia's incredible scale, and our transport charges may be high by world standards, the hauls from farm to port are relatively short. When we are discussing premiums we should decide which product we mean. A great deal of Australian barley is a malting cultivar called Clipper. So, already the Australians are \$20 ahead of us, simply because they are selling malting barley with a premium. With other similar barleys the premium is below \$20, and 12 months ago it was considerably less — between \$5 and \$10. It depends on the market. The Australians are nearer the Middle East and have advantages in servicing that market. But we receive a discount between \$5 and \$10 on an historical basis under Australian crops, and we must always remember the \$20 premium which is there for malting barley.

MALTING EXPORTS

Gallagher: I agree with Mr Kearney's suggestion that there may be a market for exporting malting cultivars from this country, but the cultivars must be consistent. I'm sure if we could make sizeable shipments of any cultivar that West European maltsters were equipped to handle, there would be a market opening.

McFadden: I take it that moving into this field requires a lot of planning?

Robertson: Quite definitely. Planning is needed with a small production. It is difficult to segregate a shipload of a special cultivar, and shiploads of malting barley from New Zealand in the past have normally been of a mixture.

Kearney: Any barley we have shipped has been pure shipments of Zephyr.

Coles: It is not possible in New Zealand to have a schedule of cultivars which are currently acceptable for malting. It's probably easier to say that there are some cultivars grown here that no one in their right mind would try to malt. There are other cultivars that may find a buyer for malting somewhere in the world.

Royds: Could we open up the question of cultivars?

Kearney: The only ones suitable for malting in New Zealand are the ones we buy — Triumph, Zephyr and Mata.

Robertson: Well, as a producer, I feel that malting quality is a very personal and subjective thing.

Different maltsters have different preferences. We've got to be careful about not imposing a lot of decisions on farmers. The farmer has to be left to decide what he is going to grow. There are many more barleys malted around the world than the list Mr Kearney gave us.

Smith: I'm convinced we have too many cultivars in New Zealand. We have a very competitive situation, but I think it is the buyer's prerogative to buy what he wants, and the grower's to grow what he wants.

Zwart: If we are going to talk about quality, we must be prepared to operate differentials. People measuring quality must become more precise.

Robertson: If farmers consider the \$20 premium reasonable for malting barley, it may be a possibility.

Zwart: Would that have to be an identified cultivar.

Robertson: Yes, and it would become easier if it was internationally recognised, like Maris Otter.

Kearney: But you have to have yield. If you haven't, I'm not sure the premium is going to make up the difference.

McFadden: I'm interested in the views of this group on malt. If true expansion in barley is associated with export, and we are such small fish in the world feed market, what are the prospects of doing the malt thing well, establishing a reputation quality-wise, and carving a special niche for New Zealand?

Kearney: That's part of our plan now. We've only been exporting for two years and our malt has been very favourably received. One, because we have good barley; two, because we make good malt.