Idaho Barley Commission
821 W. State Street
Boise, ID 83702
208-334-2090

Volume 1, Issue 4

July 25, 2008

IDAHO BARLEY NEWSBRIEF

Inside this issue:

IBC's new board members
Reshaping the U.S. brewing industry
Value of export market development programs
Farm Bill implemented
Idaho barley crop report
U.S. / Idaho energy issues

Idaho Barley Commission has two new members

The IBC has two new board members, effective July 1. The new eastern Idaho (District III) commissioner is Dwight Little, a 4th generation grain, hay and cattle producer from Teton, ID. Dwight replaces Evan Hayes, Soda Springs, who served from 2002-2008.

The new industry Representative is Clay Kaasa, area manager for Great Western Malting Co. in Blackfoot. Clay replaces Steve Balster, BARI, who served from 2002-08.

Mega-mergers are reshaping the U.S. brewing industry, bringing potential changes to Idaho's malting barley contracts

By now most of us have heard the news that the world's second largest brewing conglomerate known as InBev, which resulted from a 2004 merger of Belgium's largest brewer, Interbrew, and Brazil's largest brewer, AmBev, will buy Anheuser Busch, America's largest brewing company.

Anheuser Busch is the single largest buyer of Idaho barley, so this mega-merger has understandably raised questions about the future viability of AB's malting barley contract program in Idaho. Although there is no certainty whether the new company - **Anheuser - Busch InBev** - will continue its successful contracting program or rely more heavily on open market purchases, there are several reasons to think the contracting program will remain intact. **For now, Idaho growers can be reassured that the company will honor its 2008 contracts and is making final preparations for its 2009 contract program, expected to be rolled out in early September.**

Again, we believe there are several good reasons why the new company will maintain AB's successful malting barley contract program ...

- InBev paid a significant premium to purchase Anheuser Busch (as much as 40% over the average stock trading value during the past year), so it makes no sense for the new company to dismantle its vital American infrastructure and jeopardize reliable barley sources which have helped assure AB's long-time financial success.
- InBev has repeatedly stated that it sees significant opportunities to market AB's flagship brands - Budweiser and Bud Light - internationally where beer markets are expanding rapidly.
- Worldwide supplies of quality malting barley/malt remain very tight, after two consecutive years of reduced production and growing demand in many developing markets. And these critical raw materials are projected to remain tight in the foreseeable future, meaning that the new company will be competing with the other major brewing companies around the world for limited barley supplies. In our view, AB's domestic barley procurement program will become increasingly valuable to the new company.

More on page 3

MARKET BUZZ -

Value of export development programs measured - According to a study conducted by Informa Economics, the impact of the U.S. Grains Council's export market development programs is worth $658 million to U.S. feed grain farmers this year, up from $591.7 million in 2007.

This analysis showed that the total return on investment in market development is $32.87 annually for each dollar invested by Council members, including the Idaho Barley Commission.

The U.S. Grains Council is a private, non-profit partnership between farmers and agribusinesses committed to building and expanding international markets for U.S. barley, corn, sorghum and their co-products. The Council is headquartered in Washington, D.C. and has nine overseas offices.

Policy Watch . . . 2008 farm bill implemented

From the Idaho Grain Producers Association…

With some old fashioned blood, sweat, and tears, Congress passed into law a new five-year federal Farm Bill. The bill, finalized in June, provides growers with a strong safety net, streamlines conservation programs, and establishes a permanent disaster assistance fund.

Iowa State Univ.'s Center for Agricultural & Resource Development has created a new tool available that allows producers to calculate whether the new Acreage Crop Revenue Election (ACRE) is a good option in lieu of traditional countercyclical support payments. This ACRE calculator can be found at **www.card.iastate.edu/ag_risk_tools/acre/**

The USDA has already begun implementing several provisions of the new law. Barley growers will benefit from a higher target price / counter-cyclical supports, continued access to direct payments, and an optional statewide crop revenue program (ACRE). Familiar conservation programs, including the CRP, EQIP, and CSP, are continued and streamlined to better serve producers. The newly-enacted "Supplemental Revenue Assistance" (SURE) program will provide growers with a reliable source of federal assistance to protect against drought and other weather-related events.

To voice the priorities of Idaho's barley growers to congressional leaders, the IGPA joined forces with the Idaho Barley Commission and national industry leaders. While not all priorities were included in the final law, Idaho's congressional leaders did an outstanding job representing Idaho barley growers. As the provisions of the new Farm Bill mature, please contact the IGPA with any problems, suggestions, or comments.

IBC hosts July 11 field day at ARS barley test plots located on Clark Kauffman farm's in Filer, ID. Featured in front are Ron Elkin, IBC chairman (left) and barley breeder Dr. Don Obert, ARS, Aberdeen. Photo taken by Cindy Snyder, Magic Valley Ag Weekly.

Reshaping the U.S. brewing industry, continued

InBev - Anheuser Busch merger facts...

- On July 13, the two companies agreed to InBev's offer to pay $52 billion to purchase Anheuser Busch at $70 per share.
- This merger of the world's #2 and #3 brewers by volume will create a combined company with more than $36 billion in annual revenues.
- Anheuser Busch currently operates 12 breweries and 3 malt plants in the U.S. InBev has promised to keep all breweries open.
- St. Louis will remain the North American headquarters and global home of flagship Budweiser.
- The new company is expected to gain traction in the Chinese market, where beer manufacturing has been experiencing annual growth in 7-10%.

Miller and Coors merge...

Meanwhile, Miller and Coors have merged their domestic brewing operations (effective July 1) into a new company known as MillerCoors LLC.

The new combined company will be headquartered in Chicago.

A plus for Idaho, this merger will give Coors access to available brewing capacity at Miller facilities to expand production of its popular Coors Light and Blue Moon brands. This could lead to increased malting barley contracting in the future.

Crop residue burning tool to be available Sept. 2 -

According to IGPA, which led a year-long fight to restore the field burning tool, new open burning rules will be in effect on Sept. 2. Growers can begin registering their fields with the DEQ on August 1.

Federal judge reinstates haying and grazing on CRP acreage

- In a turn-around move, U.S. District Judge John Coughenour issued a favorable ruling on July 24 that allows USDA's CRP haying and grazing for critical feed use (CFU) that was announced in May to move forward.

While the ruling places no acreage restriction on the CFU effort as was sought by the National Wildlife Federation, the judge ruled that the haying and grazing would have to end earlier than was proposed by USDA.

2008 Idaho Barley Crop Outlook –

USDA/NASS' July 11 crop estimate -

- 520,000 harvested acres, down 5%
- 40,560,000 bushels, down 8%
- 84% headed (July 21) compared to 99% last year and 90% for five-year average.
- 76% rated good/excellent (July 21)

1988-2008
Celebrating 20 Years of Service to Idaho Barley Producers

Round-up of National and State Energy Issues

Several important energy issues are on the front burner this summer. These issues include:

- **EPA is expected to rule on whether or not to grant the state of Texas' petition for a 50% waiver of the Renewable Fuels Standard (RFS), which mandates blending at least 9 billion gallons of ethanol in 2008, expanding to 36 billion gallons by 2022.** The ruling was expected on July 24, but has been delayed until early August to give EPA adequate time to respond to the more than 15,000 comments submitted from interested parties across the country.
- U.S. Congress is considering legislation to further regulate energy futures markets. S. 3268, the Energy Speculation bill is on the Senate floor this week. It contains both good and bad provisions.
- U.S. Congress may consider potential cuts to current U.S. ethanol subsidies, including the Renewable Fuels Standard or blending mandate; 46 cent/gallon blender's tax credit for grain ethanol ($1.01 for cellulosic ethanol); and 54 cent/gallon import tariff.
- A report was released on July 16 entitled "**Securing Idaho's Energy Future: The Role of Energy Efficiency and Natural Resources,"** which lays out steps Idaho legislative leaders can take to increase renewables' share of Idaho's $3.7 billion energy market . The goal is to increase renewables' share from the current 20% to 50% by 2025 to help protect Idaho's economy from rising energy costs and keep more dollars circulating in the local economy. The full report can be downloaded at **www.harvestcleanenergy.org/IdahoEnergy.**

On July 21, gasoline prices averaged $4.10 in Rocky Mountain states, up more 35% from last year. Diesel prices were $4.71, up 58%.

Idaho congressional leaders weigh in on energy solutions to rising energy costs…

From Senator Mike Crapo - There are no easy answers for today's pain at the pump. Solutions are anything but simple, and multiple efforts must be undertaken simultaneously. Aggressive exploration, research and development and conservation measures enacted now will generate beneficial energy supply changes over time.

I co-sponsored the Gas Price Reduction Act of 2008 (GPRA) because it provides a range of policy answers to the problem of high fuel costs. GPRA includes deep sea exploration off the Pacific and Atlantic coasts; oil shale exploration in Colorado, Utah and Wyoming; support for research and development efforts of batteries for electric vehicles; and funding for the Commodity Futures Trading Commission to help it better review and enforce commodity market rules and regulations and increase transparency of these markets.

We've had encouraging nuclear energy developments. The 2005 Energy Bill provides loan guarantees, production tax credits and risk insurance to the first few nuclear reactors built. The Department of Energy is expected to receive $900 million for its nuclear energy program this year. The Idaho National Lab (INL) is involved in research on the Next Generation Nuclear Plant, and $196 million is slated for this program at INL.

From Congressman Mike Simpson -

A long-term energy solution will require:

- Allowing greater, environmentally-responsible exploration and development of domestic sources of oil and natural gas.
- Investing significant resources in renewable and alternative sources of energy, including cellulosic ethanol, hydrogen, fuel cells, electric and hybrid vehicles, coal gasification and oil shale.
- Implementing more aggressive government oversight of oil and gas companies and consider changes to their tax treatments to encourage moving record profits into alternative energy development.
- Limiting the amount of oil we put into the strategic oil reserve when oil prices are high and target potential releases from the reserve to agricultural and trucking sectors.
- Advancing new nuclear technologies, which would not only produce electricity but could provide the heat necessary to produce hydrogen, convert coal to gasoline and extract shale oil.
- Changing the way we consume energy, providing better information to consumers and incentives for reduce use.