

Beer price increase won't make farmers rich any time soon

Alberta Barley Commission

CALGARY, AB – Recent news reports on the impact of malt barley prices on the price of beer don't tell the full story, say farmers.

"Erratic growing conditions around the province – from the drought in the Peace Country to excess rain and a late harvest in Southern Alberta mean that most barley growers didn't have a bumper crop last year," explains Commission Chair Matt Sawyer, who farms near Acme, Alberta.

"The good news is that

some farmers harvested high-quality malt barley despite the weather conditions.

"Barley growers are also affected by world markets. The drought in Russia and the Ukraine, as well as the drought and wet weather conditions in different regions of Australia, means the world markets are looking for malt barley. If we'd had a great crop in Western Canada, or were expecting one in 2011, this might be bigger news for farmers."

The ability to consistently grow malting quality barley is why many

malt barley growers contract their crop to a malting company before it's harvested.

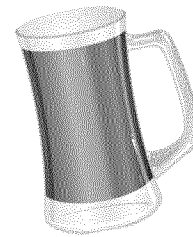
This system provides them with a guaranteed market for their crop – and also works to insulate both sides from the highs and lows of weather conditions.

"It's a supply and demand system," says Sawyer. "The unfortunate part for farmers is that in years like this one, the price goes up when there is little to sell. The opposite is also true: when farmers have a lot to sell, the price drops."

In 2010, the price of barley fell by over \$1.00 from the previous year. This year's predicted high of \$7.34 per bushel is an increase of over \$3.00 from the 2010 price, but only \$2.00 over the 2009 price.

"Beer prices don't go down when the price of barley goes down," says Eric Nielsen, a barley grower from Hussar, Alberta.

"It's frustrating that



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there's such a disconnect from the urban to the rural. It looks like we'll be making more money and that's not how the system works. Depending on the growing conditions, we might get a better price next year, but we're not making an exceptional profit this year."

In Canada, the return for the farmer averages out to less than a penny for each bottle of beer sold, or \$0.0062.

Industry reports show that up to 51 per cent of the cost of a bottle of beer at retail is actually paid as taxes to the government – and that the costs of the ingredients in beer make up just 15 per cent of the remainder of that cost.

"In the big picture, beer prices are more likely to go up based on packaging materials, taxation and transportation costs," says Commission CEO

Mike Leslie.

"We're all feeling the crunch due to high gas and oil prices, and those costs also factor into the cost of the end product.

"To suggest farmers are getting rich off an increase in the price of beer is not accurate."

"If one accepts the 51 per cent taxation figure, as noted on the Brewers Association of Canada's web site, the one making the most profit from a beer price hike is the government."