



July 6, 2001

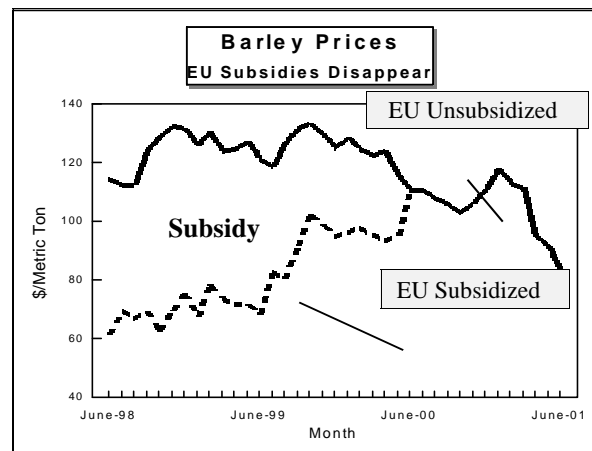
## U.S. Still Struggles in Changing Global Barley Market

### Summary

U.S. feed barley still faces stiff competition despite the elimination of subsidies by the EU and favorable global market conditions.

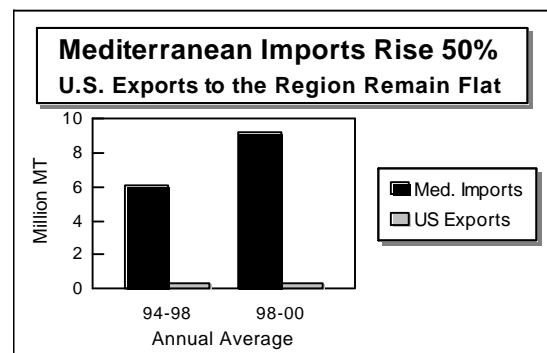
### EU slashes subsidies

For years the EU has used its geopolitical position and outrageous subsidies to supply 80-90 percent of the Mediterranean areas' feed barley market - which for all intents and purposes constitutes the world feed barley market. Those subsidies sometimes ran well over a hundred dollars a ton, and were often worth more than the price of the grain itself. But, with budgetary constraints and international pressures, the Commission instituted major reforms to its Common Agricultural Policy beginning in 1993, which have slashed support prices by over 40%. Domestic prices consequently have fallen in line with world markets, and the need for export subsidies is gone. The EU has not subsidized barley exports in over a year.



### And global market conditions are favorable

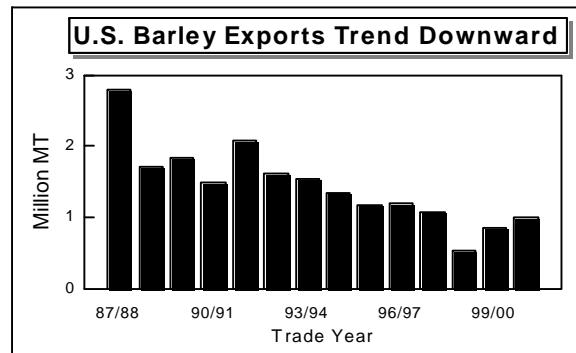
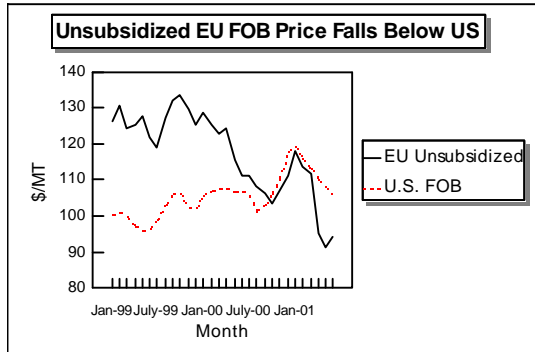
In recent years, North African and Middle Eastern countries have had significant drought-related production losses which necessitated a 50% jump in barley import needs, or almost 3 million MT per year. Drought also limited the supplies of smaller exporting countries in eastern Europe and the Black Sea region, which allowed the EU to charge \$10-\$15 per ton more than last year. At about \$135 per ton delivered to Mediterranean markets, barley was



much more expensive than corn, despite its inferior feed value. However, corn is not generally fed to camels, sheep and goats in these markets.

**But, US exports constrained by transportation costs**

One would expect the combination of strong import demand, higher prices, and the absence of EU subsidies to provide ideal market conditions for expanded U.S. exports - but it doesn't. U.S. exports to that region were virtually unchanged because internal transportation costs are prohibitive and continue to place U.S. barley at a comparative disadvantage. With the cost of moving barley from North Dakota to the U.S. west coast at about \$45/ton, and another \$25/ton to move it to the Mediterranean, U.S. producers continue to find it difficult to compete given prevailing costs of production.



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