



# RISE OF THE MALT

The demand for premium quality malts has increased exponentially over the last two years, driven by a sharp rise in microbrewery start-ups across the UK, according to experts.

Field of plenty: Malt barley production has been strong



“

As an industry we are being pushed by craft brewers and microbreweries to come up with more interesting malts using different cereals such as oats, rye and wheat, all of which offer a different colour and flavour ”

James Fawcett, Thomas Fawcett & Sons

**S**uch has been the growth of the global craft brewing industry that specialist maltsters have been struggling to keep up with a demand fuelled by Brexit and the weakening pound. However, because maltsters are currently unwilling to contract to export destinations until they know what's happening with tariffs after Brexit, EU export estimates are zero.

Added to that, competition is intense with larger commercial maltsters producing between 250,000 to 500,000 tonnes of malt per year, have suffered as a result of the big breweries making cut backs looking to break into this market and many have set up their own microbreweries.

And with the malt ingredients market expected to increase at a compound annual growth rate of almost seven percent by 2020, according to industry estimates, as brewers use different malt extracts to create new and innovative styles of beer, the uptake will only get greater.

“The craft and microbrewery scene has really become a global phenomenon over the last couple of years with new brewers setting up in the UK, Ireland, continental Europe, North America, Asia and Australia,” said James Fawcett, chairman



Positive outlook: James Fawcett

and managing director of Thomas Fawcett & Sons. “Because a lot of these smaller microbreweries don't necessarily have the technical wherewithal to blend the kind of malts they want, demand for high quality product has increased considerably over the last year.

“This has been good news for the specialist maltsters, but now we are seeing the big guys trying to get into the microbrewery market as well.”

Fawcett added that Brexit had helped companies who export, particularly to Europe and North America, because of the weakening pound, and he predicted that exports will increase this year because of the favourable exchange rate and UK malts' global reputation.



Piling up: Grain in a germination vessel



On the move: Barley being transferred to the germination vessel



Increasing demand: Robin Appel

“The trouble is a lot of these small brewers are pushing so hard for cheaper malt prices that maltsters are turning away from them and going after more lucrative markets like distilleries”

Robin Appel

#### Sales/exports

Britain is currently the biggest malts exporter to the US and the second biggest exporter to Japan, with new markets opening in Spain, Italy and Portugal, as well as China and Japan in recent times as more countries seek to reproduce authentic English style IPAs.

The UK typically exports 200,000 to 250,000 tonnes of malting barley per year to other EU countries, with 250,000 to 300,000 tonnes estimated from the 2018 crop, according to Bairds Malt.

The current estimate for this year's crop, however, is zero with none of the maltsters willing to contract to export destinations until they know what is happening with tariffs after the UK has left the EU.

If there are no tariffs then Bairds Malt estimates the tonnage exported will be similar to 2018 levels.

Frances Brace, a spokesman for Crisp Malting Group, said that demand from brewers had grown for English pale ale malts, particularly traditional varieties like Maris Otter, which was first developed 53 years ago, in addition to maltier varieties such as Mild, Vienna and Munich.

“Maris Otter is the Rolls Royce of barley malts and has won a disproportionate number of awards for the amount that is produced every year,” she said. “Added to that, it is now exported to over 20 countries worldwide.”

In the UK, however, it's a different story.

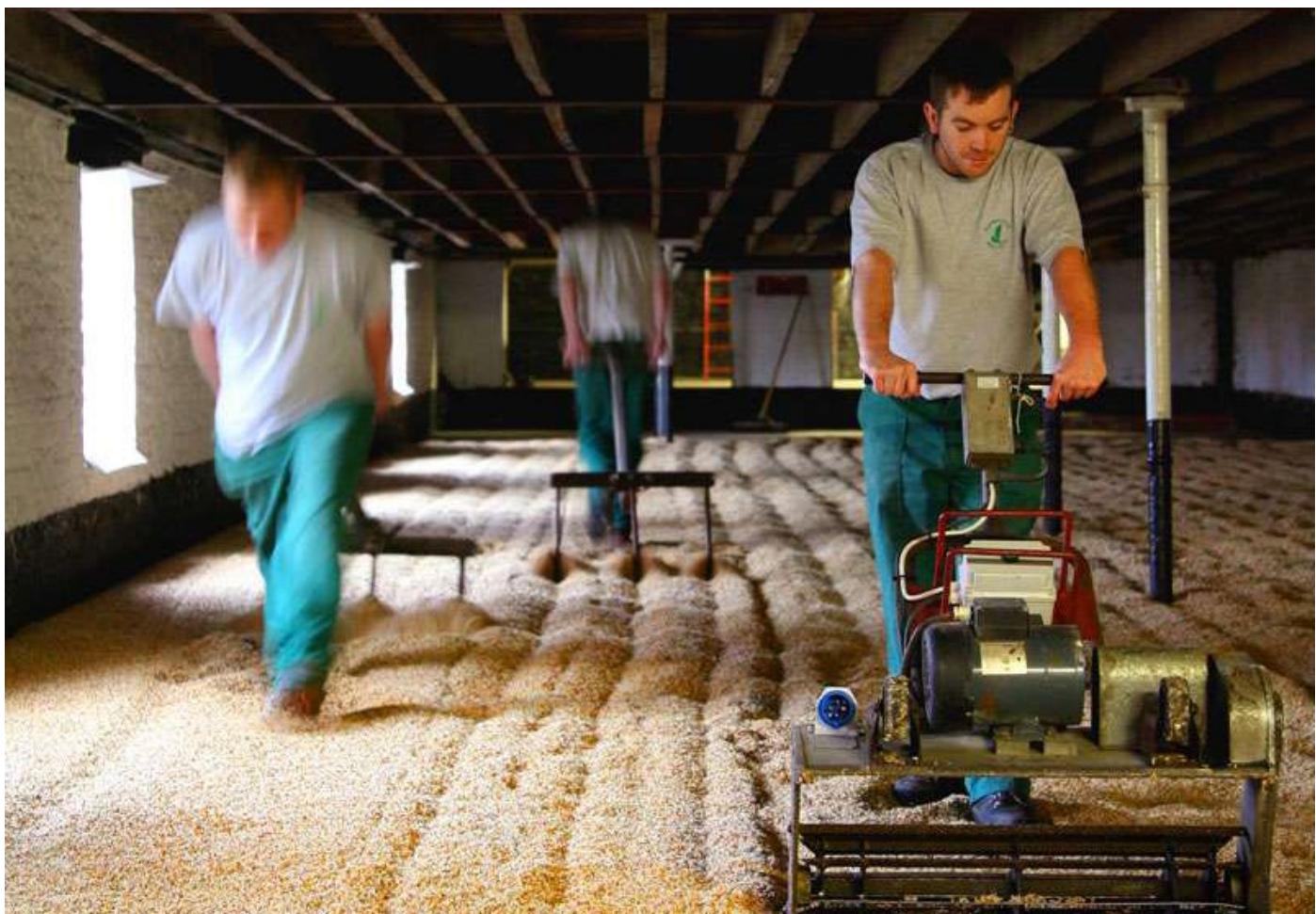
Robin Appel, managing director of Robin Appel Ltd and chairman of Warminster Maltings, said that volume sales for the brewing industry were in decline, with distilleries taking a larger market share.

“The trouble is a lot of these small brewers are pushing so hard for cheaper malt prices that maltsters are turning away from them and going after more lucrative markets like distilleries,” he said. “Added to that, most small brewers don't really have an appreciation of what barley variety is in their malt or the vagaries of producing it – all they care about is the price.”

#### Production/yields

Brian Hickman, production manager at Thomas Fawcett & Sons, said that UK barley stocks were relatively low due to a poor harvest in 2018 resulting from a hot summer after a wet and prolonged spring.

“The resulting short growing season and very hot summer resulted in low yields and



Britain's oldest working maltings: Warminster Maltings



The finished product: Malt stocks

generally high nitrogen in the grain for the spring barley," he said. "This, together with the shortage of hay and straw, had the effect of increasing prices for all cereals."

Hickman added that winter barley had fared better than the spring variety.

Heritage varieties such as Maris Otter also withstood the impact of the weather better than the more modern ones like Venture, he said.

"Although the grain size was generally smaller than the previous year, the 2018 Maris Otter was the pick of the crop with good low nitrogen levels," he said. "It is a variety that was deliberately bred to brew good cask beer with, and that is what it is still achieving today and is very popular amongst many of our craft brewer customers."

"Similarly, Golden Promise is the spring barley equivalent."

UK maltsters, meanwhile, are likely to buy about 1.9 million tonnes of malting barley

from the 2019 crop, which will be used by the UK malting industry to produce 1.5m tonnes of malt, according to the Maltsters' Association of Great Britain (MAGB).

Of this capacity, the UK brewing sector is expected to use 31%, just behind the Scottish distilling industry at 49%, according to industry estimates, said the MAGB.

#### Competition

Britain is the third largest malts producer in the world, behind the US and Germany. British maltsters also provide malt to 14 of the 20 largest global brewers.

Its biggest competitors, Fawcett said, were from Europe, particularly German malts that are more suited to German style pilsners.

Meanwhile, Asia Pacific is the fastest growing regional market for malt ingredients, fuelled by the growing demand for beer and other alcoholic drinks, he added.



Growth chamber: A germination box

#### New malting processes

At the cutting edge of new technology has been the introduction of micro-malting units in the craft brewing sector. One such company that offers this service is Malting Box, which malts the grains according to brewers' specifications and then boxes it in bespoke batch sizes and delivers it to them.

It enables brewers to specify, control and experiment with the variety they use to brew to create their own unique local malt in the process.

For those who want to do it themselves, the company also supplies three scalable ranges of craft malting equipment.

#### New varieties

Given the rise in craft and microbreweries, Fawcett said that demand had also increased for new types of malt.

"As an industry we are being pushed by craft brewers and microbreweries to come up with more interesting malts using

different cereals such as oats, rye and wheat, all of which offer a different colour and flavour," he said. "So we have had to adapt to this rapidly changing marketplace by producing new types of malt."

Brace added that there has also been a renaissance in the use of heritage barley malts with brewers increasingly looking for more original ingredients and flavours.

"The whole market is becoming increasingly more fragmented as brewers try to be more experimental and add different flavours and colours to their beers," she said. "And it's not just the traditional brewing community where this demand is coming from, now we are seeing more people coming over from the food industry, marketing and IT, all bringing new ideas with them."

Varieties such as Chevalier are also making a revival, she added.

Tim Stonehouse, group malt sales director at Muntons, said that craft brewers were



Against the grain: The current estimate for exports of this year's crop of malting barley is zero because of uncertainty over tariffs post-Brexit

“

Distilleries are investing heavily right now in new infrastructure and they are already starting to command the market share. It's only a matter of time before brewers become the second class citizens

”

Brian Hickman,  
Thomas Fawcett & Sons

also driving demand for gluten-free malt, while organic malt was making a return, not to mention opportunities in the low and non-alcohol market.

Among the Institute of Brewing and Distilling's newly-approved spring varieties were Concerto, KWS Irina, Laureate, RGT Planet and Propino, while Chanson, LG Diablo and RGT Asteroid have all received provisional approval.

Winter varieties Flagon, Venture and Craft have also been granted approval and Electrum provisional approval.

#### **Future outlook**

The global demand forecast for additional malting barley is expected to rise by more than 3.5m tonnes by 2025, driven by increased demand for food, feed and energy crops, according to industry experts.

Appel, however, warned that malt demand will eventually outstrip supply, as a result of distilleries ramping up their capacity and

the food industry increasingly using it as a sugar substitute.

“Distilleries are investing heavily right now in new infrastructure and they are already starting to command the market share,” he said. “It's only a matter of time before brewers become the second class citizens.”

Hickman, though, believes that the UK malts market for breweries will continue to remain competitive.

“There are new breweries being established but equally there are casualties and amalgamations taking place,” he said. “The most successful brewers are those who are passionate about what they are doing and invest in quality malt to brew their beers with.”