

Terminal

BARLEY BUYING SURVEY

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The North Dakota Agricultural Experiment Station recently published an article "How Does the Local Elevator Determine a Price for Malting Barley," (Bimonthly Bulletin, Vol. XVII, No. 1, Sept.-Oct. 1954) in which the local elevators' practices and procedures for buying malting barley from farmer patrons are described. As a further step, a survey has been conducted at the Minneapolis Grain Exchange of the practices used by those who sell or buy barley for the various firms operating at the Minneapolis Grain Exchange. Also included in the survey were buyers who operate at the Milwaukee and Chicago markets. The primary purpose of this survey is to acquaint the country elevator managers, farmers and others in the trade with the fundamentals and variations in market quotations, barley selling and buying practices and other basic trade factors. Barley trade fundamentals, particularly malting barley, must be known and understood before the marketing problems of barley can be fully appreciated. Many of the questions asked of the terminal sellers and buyers were questions that have been raised by local elevator managers and farmers concerning buying practices at the Exchange.

Persons interviewed in the survey were commission firm representatives (sellers), order buyers, merchandisers, and malt house buyers, as well as buyers who purchase directly for a processing firm.

One of the questions often raised at the local elevator is, What do the quotation terms of Choice to Fancy, Good, Medium, and Low Grade Barley mean? It appears that these trade terms interject a certain degree of uncertainty or lack of understanding among the trade as to the exact composition of these particular classes. The survey indicates that even the buyers do not all agree as to the specific make-up of these classes. Consensus among the sellers and buyers as to the composition of these classifications follows:

Choice to Fancy

1. Acceptable varieties of unmixed malting barley delivered in carlots.
2. Fully ripe, evenly matured, plump kernels of uniform size, with 50 per cent or more of plump kernels remaining on a 6/64 sieve and with less than 5 per cent of thin or undersize kernels passing through a 5/64 sieve.
3. Bright, clean, sound, mellow (i.e. not hard or steely) barley free from heat, frost, or weather damage, blight, mold, live or dead weevils, or other damage, with at least 95 per cent of the kernels sound.

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4. Uniform moisture content, not higher than 13.5 per cent, but preferably not higher than 13 per cent.
5. Not over 5 per cent of skinned and broken kernels.
6. Uniform and vigorous germination, 95 per cent or better.
7. Test weight usually should be 45 pounds per bushel or better.

(Several buyers indicated that Choice to Fancy barley must be the plumpest, brightest acceptable variety available for each crop. Other buyers indicated that their end product of the barley they purchased might not be influenced by some of the above factors, hence their specifications for Choice to Fancy barley might not be as rigid as those of other buyers.)

Good

Same as Choice to Fancy except that the plump kernel specifications may be lowered somewhat.

Medium

Same as Choice to Fancy except that color may be darker than that of Good provided it does not affect germination, slightly more tolerance on moisture content, skinned and broken kernels may exceed 5 per cent but shall not exceed 7 per cent.

Low Grade

Includes mixed varieties, low test weight, thin kernels, poor color, weathered or stained barley, high moisture content, heavy mixtures of other grains including wild oats, high percentage of skinned and broken kernels and barley with blight or gray mold. Not acceptable for malting barley.

Many people have wondered which area originates the best barley, and which receives the best prices at the terminal market. The sellers and buyers at the terminal markets (Minneapolis, Milwaukee and Chicago) indicate that the barley which originates in northern Minnesota and the Red River Valley of North Dakota frequently receives top price. Other areas may also receive high prices.

Responses to the question as to whether there are stations from which buyers prefer *not* to buy indicated that the only stations the buyers tended to avoid were those stations where the quality of the crop was poor or stations where poor loading practices were evident. "Plugging" of cars (concealing small amounts of poor barley in a car of good barley) was the poor loading practice most frequently mentioned by the buyers.

All the buyers indicated that they change their quality specifications for barley from time to time within the season, from season to season within the year, and from year to year, also because of and in accordance with varying crop conditions. The condition and quality of the barley may change as the season progresses, therefore the quality specifications must be changed to fit barley coming onto the market. The sellers' replies were all in accord with the buyers' opinions on this point.

When asked if their quality specifications were the same as other buyers in the market, the answers were generally affirmative, with the qualification that individual companies do not know in detail the quality specifications of other firms. The quality of

barley required by one firm is governed largely by the type of product that they are engaged in processing or selling. Some buyers place greater emphasis than others on kernel plumpness and uniformity.

The next question asked of the barley sellers and buyers was, "In order to obtain the highest possible price at the terminal market, what factors and practices do you think are the most important to a country elevator manager in his buying of barley from the farmer?" The replies to this question were generally in the same vein, with greater emphasis on some points by a few of the buyers. The sellers and buyers felt that the country elevator manager should know the barley **varieties** grown by farmer patrons and should use all necessary precaution to segregate his barley according to **variety** and important quality factors such as kernel plumpness and color, keep bright separate from weathered, and so on. The use of the recommended sieves (6/64 for determining plumpness and 5/64 for determining amount of thin) were also strongly advocated by some of the buyers. Other quality factors which should be watched were soundness, moisture content, skinned and broken kernels, blight and heat damage. Separate binning should be practiced whenever possible. The use of a barley pearler was strongly advised as an aid to the manager in detecting heat damage, sick germs, and mixtures of blue and white aleurone varieties.

A question concerning factors and practices most important to a country elevator manager when preparing barley for shipment or sale at the terminal market brought many different, yet similar, replies. Replies included suggestions that good quality barley be separated from poor quality barley and cleaned; that mixing of **varieties** or types of barley be avoided, that the various stages of discoloration be kept separate; that barley of high and low moisture content not be mixed, and that plump and thin kernel barley or heavily stained and bright barley not be mixed. Care in loading and loading practices again was mentioned by many sellers and buyers.

The fact that many North Dakota elevator managers have reported sometimes receiving substantially different prices for carlots of malting barley of similar quality when there has been no apparent change in the terminal price was called to the attention of the buyers, who were then asked, "How do you account for the apparent inconsistency?" The majority of those interviewed stated that not all buyers like the same kind of barley, that what may have appeared to be similar barley to the country elevator manager may not be similar to another sample in all respects, that the human element enters into the buying process, and that the value of a particular sample is just a matter of opinion at the moment a buyer happens to be looking at the sample. Therefore, many factors can enter into just what the buyer pays for a given carlot of barley.

As an example, suppose a car of barley arrives at the terminal early in the morning and the sample of the car is not taken to the

floor of the exchange until mid-morning. If the market is slow, as is sometimes the case, those cars will not receive the same price as the car which arrived in the terminal the previous afternoon when sellers and buyers had ample time to evaluate it.

When asked if they thought it economically feasible for a country elevator manager to allocate the bin space necessary to facilitate the drying, blending, or mixing of barley to enhance the price at the terminal market, many of the buyers indicated that they do not want barley that has been blended or mixed in the country. Other buyers doubted whether adequate facilities were available to do it by the correct procedure and manner. On the other hand most of the sellers interviewed appear to be of the opinion that the country elevator manager might be better off in most cases if he did prepare his shipment by blending or mixing, providing the practice would create a uniform sample.

The Malting Barley Improvement Association, Milwaukee, Wis., has published a booklet entitled "Farmers' and Shippers' Guide to Premiums for High Quality Malting Barley." When the buyers were asked if widespread use of this booklet would eliminate the apparent haphazard buying and selling procedures of malting barley, the replies were all "Yes." However, several sellers indicated that if the country elevator manager would use "common sense" they could handle their barley satisfactorily. By "common sense" these replies indicated that the country elevator manager should use similar procedures to those used for handling wheat or other major crops and also follow the instructions of their commission agents.

When sellers and buyers were asked if they felt there is a lack of understanding between the various segments of the malting barley trade, due in part to the lack of a common language, both "Yes" and "No" answers were received. Apparent lack of clarification of aleurone color may be a contributing factor at present. For example, Montcalm having a blue aleurone and Kindred having a white aleurone are both considered "mellow" barley when grown in a favorable season and under favorable environmental conditions. There are also some differences of opinion about federal grades and the role they play. Federal grades obviously do not give all the information that buyers seek. Therefore, the quotations expressed by federal grade standards do not give a complete or true picture of relative value of the sample. This is especially true of malting barley.

When sellers and buyers were asked if a different method of quotations could be developed and used for barley, they indicated that it would be difficult to make changes that would be satisfactory to all those in the trade.

The sellers and buyers were then asked if they thought the federal grades for barley could be revised to include non-grade quality specifications now used by the malting barley industry and thus have malting barley grades that could be used and understood by all segments of the trade. If "Yes," how can this be accom-

plished; or "No," what are the reasons? Most of them answered "No," with some qualifications or reservations. The major point that the sellers and buyers felt would be an aid to all segments of the trade was the plump kernel test and the thin kernel test using the 6/64 sieve for plumpness and the 5/64 sieve for thin or undersized barley rather than the 4 $\frac{7}{8}$ /64 sieve as under present federal regulations. Some thought that variety should enter into the grade. Others suggested some chemical or technical tests which would aid in determining the grade. Many buyers indicated, however, that even if the federal grades for malting barley were revised they still would buy on sample.

"What role would you say federal grade standards play in the malting barley picture?" was the next question asked. Many sellers and buyers answered "None." Others feel that the federal grades for malting barley provide certain necessary information which facilitates the trading of malting barley. Federal grades point out moisture, soundness, percentage of thin or undersized kernels, excess of skinned and broken kernels, etc. This undoubtedly is a valuable aid to all segments of the trade.

Many sellers and buyers feel that the country elevator managers hold the key to continued success and improvement in the barley trade. It is up to this sector of the trade to become the "masters" of barley buying so that they can reflect the buying at the terminal market and therefore carry these practices to the farmer. The local elevator manager is dependent on the farmer. Therefore he must be as successful as possible in the handling of grain. This means that he must not only have the respect of the farmers but also the respect of the trade at the terminal market.

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