MAGB lunch London 6.11.18.

Firstly, a quick introduction for those in the room who do not know me. I am the son of a British Flour Miller. The family business was originally King Flour Mills in Ellesmere Port which then became Wilson King in Liverpool. I was sent to France to learn my trade but never went back. I have worked for the Soufflet Group in France for 43 years. I worked as a Grain Trader for 17 years before being appointed Commercial Director of the Malting Division in 1992.

I have been involved with Euromalt for many years starting as Chairman of the Barley Committee and then the Trade Committee before becoming President in 2006. I am now at the end at my career and will retire shortly.

I am a British European. At my age, in my opinion, it is impossible to be British without a touch of nostalgia. History and both wars played an integral part of my upbringing which may no longer be the case today. But nostalgia should not prevent appreciating the present and looking forward, or trying to look forward, to the future.

I was invited here in 2010, again as Euromalt's President and a friend kindly sent me a copy of the speech I gave on that day. Not much has changed but at the same time everything has changed. I will try not repeat myself but then there are many here in the room who were probably not here in 2010.

Julian once asked me how the Brexit was perceived by fellow Europeans. I think that the answer to that is probably – it depends who you are talking to. If you are talking to the man on the street then the answer would probably be that he doesn’t care, doesn’t have an opinion or that they were simply very surprised by the result. Then you have the business community which itself is obviously divided into two factions. There are those who have invested in the U.K. and now find themselves with a serious problem. Then there are those who have set out to reap the spoils. There are many of these. This approach may be simplistic but unfortunately probably very true. I shall try to give a simple summary on the Brexit issue. Then I shall try to be a little more positive and ask ourselves what Euromalt does today and how we see the future of the MAGB within Euromalt.

Of course, we must start with the Brexit.

On the 23rd of June 2016, 37,42% of the U.K. electorate voted ‘leave’ in the referendum. This was, what the leading Brexiteers call today, a democratic result.

What do Brazil and Belgium have in common? In both countries participation in a democratic electoral process is mandatory. There are others. There can be, as is the case in Brazil, quite harsh penalties for those who do not vote. One can argue for and against this system but it does have the advantage of giving results that are truly democratic and representative.

When I look back I have always asked myself why the age of the voting population in the U.K. referendum was not redefined to be in line with what was at stake. Why wasn't the minimum age reduced to 16 and above all, why was there not a maximum age limit? Why was the population of over 60 years allowed to participate? It's not their future that is at stake and their voting intention can often be tainted by nostalgia rather than the interest of the country. But that's not democratic. Why did the Government refuse to allow expats to vote? One can also ask why was the majority of only more than 50% used when so much was at stake?

There are certainly many other E.U. countries where the population may also have voted to leave on such terms, if they were offered the possibility. This is probably because a large proportion of the voting population does not necessarily understand what is at stake.

To begin with, I would like to try to put things in perspective. Population data seemed like a good way to start.

	Population data July 2017	
World	7 405 107 650	
China	1 379 302 771	18,63%
India :	1 281 935 911	17,31%
E.U. 28	510 056 011	6,89%
E.U. 27	444 714 828	6,01%
U.S.A.	326 625 791	4,41%
Indonesia	260 580 739	3,52%
Russia	147 252 419	1,99%
U.K. :	65 341 183	0,88%
E.U. 28	510 056 011	
Germany	82 162 000	16,11%
France	66 661 621	13,07%
U.K.	65 341 183	12,81%
Italy	60 665 551	11,89%
Spain	46 438 422	9,10%
Poland	37 967 209	7,44%
Sub total	359 235 986	70,43%
E.U. 27	444 714 828	
Germany	82 162 000	18,48%
France	66 661 621	14,99%
U.K.	0	0,00%
Italy	60 665 551	13,64%
Spain	46 438 422	10,44%
Poland	37 967 209	8,54%
Romania	19 759 968	4,44%
Netherlands	16 979 120	3,82%
Sub total	330 633 891	74,35%
Others	114 080 937	25,65%

The population data makes interesting reading. With a population of slightly more than 510 million the E.U. 28 accounts for 6,89% of the World's population and that puts us at number three behind China and India. But we are not a single political entity. We are however the World's largest Free Trade Zone and probably the only one that works correctly. There is no other equivalent.

The rules within the NAFTA zone, as we have recently seen, can be modified by the U.S.A when they deem necessary and free movement of the population simply does not exist. The MERCOSUR is also neither a Free Trade Zone nor a zone that allows for freedom of movement for the populations of its different members. Personally, I would argue that it is not in the interest of Russia or the USA to see a strong and unified E.U. To deduct that they were involved in influencing the U.K. Brexit vote would of course just be pure speculation.

On its own the U.K. represents a mere 0,88% of the World's population. This is a small number. The new E.U. 27 would have a population of almost 445 million. This is still a big number and would represent 6% of the World's population.

From a personal point of view, when I was young, I had no intention of leaving the U.K. It just so happened that I was offered a job in a foreign country, France. I could accept the offer because the U.K. was part of the E.U. Now I am about to retire and still holding an E.U. British passport that could soon become worthless. Because I admire all that the E.U. has managed to do for Europe, I have no choice but to ask for another passport, a French passport. I am not alone. I don't have any Irish relations unfortunately! This is something that I had never even thought about prior to the U.K. referendum.

Today, however, I simply do not want to take the risk of having my movement within the E.U. restricted because I may be the owner of a third country passport.

I am today, deeply saddened by what has happened.

Many Europeans are mystified by the attitude of the U.K. Press but also the U.K. Government. They seem to have reversed the roles. The very sad situation in which we find ourselves today has been created by the U.K. and not by the E.U. The U.K. decision to leave has a huge cost for the E.U, in both time and money as officials try to untie everything. But you still read in the press that if there has been no agreement so far, then it's the fault of Brussels and that the E.U. is punishing the U.K. What the tabloid press, and some officials, don't seem to realise is that the E.U. cannot change its fundamental rules just because a country wants to leave.

I remind you that the 4 pillars of freedom of movement in the E.U. zone are Labour/Services/Goods/Capital. In the Chequers proposal, the U.K. is currently refusing to abide by the Labour pillar but also, apparently, services, in the event of a Soft Brexit. This is what is referred today as 'Cherry picking'. I am not sure that I understand the labour issue. Surely wouldn't the U.K. NHS be in great difficulty without the help of E.U. citizens?

What also astonishes the European Press is that fact that, even if it may not be true, the U.K. Government, for the past two years, seems to have been far more concerned about trying to keep the Conservative Party and hence the Government together, instead of concentrating all their efforts on the enormous task at hand.

Then there is the problem of Ireland and, as usual, the problem of money. Here also the U.K.'s reaction is not easy to understand. The Irish problem is a very tricky one because today the whole Irish status quo is based on the Good Friday Agreement, which has the full support of the Irish Republic and of course the E.U. The language being used by the U.K. Government today in current negotiations concerning the future of Ireland, is apparently a little vague. If the U.K. does leave the E.U. and accepts no border controls in N. Ireland, does this mean that the door is opening for a United Ireland?

When I read that the U.K. is seeking to conclude a trade agreement with the USA after the Brexit it makes me wonder. Do they realise that any agreement with the USA would rarely be mutually beneficial? There are quite a few of us in this room who deal with the USA and export quite large volumes of malt. We all know that the FDA can make life extremely complicated for our business.

When there are discussions between the E.U. and the U.S.A., Brussels knows very well that the U.S.A can use defensively the food safety controls. At the last audit, that my own company had to deal with, the FDA sent an expert on salmon farming! We needed a lot of patience. If the E.U. has not been able to get around this aspect, how will the U.K. do it on its own?

On the same subject, I am not sure if the public in the U.K. knows that there are about 36 trade agreements that exist between the E.U. and 60 different countries. None of the existing FTAs embrace fully free agricultural trade. If, and when, the U.K. leaves the E.U. then the U.K. will lose access to all those agreements. This means that they will all have to be renegotiated one by one which could take years. What weight will the U.K. carry in such negotiations?

To add to the FTA issues the U.K. Government has recently admitted that the post Brexit negotiations with the WTO have failed. The U.K. will no longer be a member of the WTO once the Brexit is completed. This means that once the U.K. has left the E.U. it will have to start new negotiations for WTO membership. That could be extremely lengthy and complicated. This is potentially a very serious issue. Certain countries could take advantage to slow things down, using their right to table 'their concerns'.

Then, just for the fun, because the U.K. is a member state of the E.U., the E.U. has given full support to the U.K. in the dispute concerning sovereignty of the Falkland Islands. Once the U.K. has left the E.U. will that support still be there? Please keep in mind that the E.U. is currently negotiating an FTA with the MERCOSUR.

As a U.K. maltster, we are extremely worried by what we are reading about the future of British agriculture in the post Brexit era. It would seem, from first impressions, that the U.K. Government is not concerned, or has no time, for the future of British agriculture. Perhaps I am mistaken. It would appear that the Government's objective is to look for cheap imports from wherever for short term financial gains rather than worry about long term dangers of being wholly dependent on imported food. They will make life difficult for U.K. producers asking them to be greener than green, whilst turning a blind eye to what happens in China or the U.S. What will happen to all the on-going work on sustainable and potentially expensive, local supply chains if the Government doesn't care?

When the U.K. joined the E.U., Flour Millers were using almost only imported N. American wheat. Locally produced milling wheat was said to be of poor quality. Things changed. N. American imports became too costly in a protected market.

ACAs (Accession Compensatory Amounts) were introduced to soften the change in price levels for the consumer in the new member states. At first U.K. millers turned to the E.U. for their milling wheat imports and then, gradually, switched to more and more locally grown wheat as new varieties arrived. I have seen today certain bakers proudly proclaim that their bread is made from British wheat. In fact, today about 85% of the milling wheat used by British Flour Millers is homegrown. Tomorrow that could end and we may go a full a circle back to the sixties or perhaps a repeat of the Repeal of the Corn Laws?

If history repeats itself, perhaps the barley growers will have less to worry about than wheat growers. In the years that followed the U.K. becoming a member of the E.U., the barley acreage plunged and was replaced by wheat. Will that be reversed?

Enough on the Brexit, but to try to finish on an optimistic note, the U.K. can withdraw the Article 50 at any time prior to the end of March 2019. If they don't well I can imagine that future generations may never forgive certain politicians for what is happening.

I have tried to give a quick summary of the facts but my opinions are of course personal. I hope I have not offended any Brexiteers, if there are any in the room.

Now to move on to the subject of Euromalt.

Today Euromalt represents the E.U. malting industry. Its members are National Associations and not individual companies. 11 countries have National Associations, 17 do not. Of these 17, 6 do not have a malting industry. The E.U. authorities rarely have the time, nor the wish, to talk to National Associations or individual companies. Euromalt's main function is therefore to promote and to protect, as best as is possible, our industry's interests and make sure we stay on the radar in Brussels. We must anticipate decisions that could be made which would affect our business, either directly or indirectly.

To start with here are some figures:

In 2017 the total E.U. 28 malting capacity was about 9,67 m tons. Euromalt membership totals 8,63 m tons or 89,25% of the total E.U. capacity. The total E.U. malting capacity that is controlled by maltsters who are not Euromalt members is 1,04 m tons of which the majority is in Germany (NB : Avangard Russia – 340.000t). The remainder are to be found in new member states.

The U.K. accounts for 1,65 m tons or 19,12% of the Euromalt volume and 17,10% of the total E.U. malting capacity.

Just for your guidance, today the total World malting capacity is about 25,60 m tons so Euromalt represents a third of the World's capacity.

Because we are always talking about money, for those of you who are interested, our yearly budget is about 211.000euros, which equates to about 0,024euros/t of our capacity. This is, in my opinion, a very modest figure when considering what is at stake.

In the past one of Euromalt's key functions was lobbying for malt export refunds. That is now ancient history. Today Euromalt has three main key functions: PR or keeping our industry on the radar in Brussels, trade issues (getting ourselves involved in FTAs) and finally, perhaps the most important one, technical issues. The technical issues have become one of the most important functions of Euromalt simply because of the importance of environmental and food safety policies that dominate our life today. We do not just lobby on issues that concern directly our industry. A lot of time is also spent on supply chain lobbying, whether upstream or downstream. Upstream lobbying means that we get very involved in issues that could impact supplies of our raw material, malting barley. Good examples of this are PPPs and mycotoxins. Downstream we lobby with brewers on subjects such as heavy metals or chemical residues.

The PR aspect of our Association has undoubtedly been made easier with the recent growth in popularity of Craft Beers here in the E.U. The public has become more educated.

Only a very few years ago in the Netherlands, a survey was conducted during which the public was asked simply 'What do you make beer with?'. The majority of the replies were 'with hops'. Things have changed a little and labelling on beers has also helped. You see more and more of the majors proudly proclaiming that their beer is made only from water, malt & hops.

This is extremely important for our industry. I have calculated that in 1998, the average malt usage recipe on a worldwide basis was about 12,00kgs/hl. Today we are at about 10,40kgs/hl. The growth in China is, of course, the main reason but not only. If we had stayed at 12kgs/hl then we would be consuming about 3,00 million tons more malt today. It is true that the downwards trend seems to have been reversed and we are now creeping back up. The alarm bells that were ringing in 2010 because of 'no malt' enzyme beer seem to have stopped ringing.

Euromalt is very much involved in ensuring that E.U. malt is not forgotten in all the FTA negotiations. The current negotiations are on-going with the MERCOSUR. The E.U. is by far the World's largest malt exporter. This is sometimes not as obvious as it seems because there is no such thing as E.U. malt. It is French or Belgium or German or British etc. The E.U. exports about 2,20/2,50 million tons of malt every year, which equates to about 24% of our total capacity. Exports are therefore an essential part of our business.

Total World malt trade : 3.407.600 tons.
Of which :
Total E.U. malt exports : 2.438.600 tons
Of which :
France : 707.000 tons (29,00%)
Belgium : 516.300 tons (21,00%)
Germany : 387.000 tons (15,85%)
U.K. : 200.800 tons (8,20%)
& of which
Soufflet : about 590.000t (24,20% of E.U.)
Australia : 575.800 tons
Canada (excl NAFTA) : 213.542 tons

The World's leading malt exporters on a country by country basis in 2017.						
		exports	as a % of	capacity	imports	net exp/imp
1.	France	1 074 352	75,08%	1 431 000	55 509	1 018 843
2.	Belgium	716 724	86,75%	826 200	185 732	530 992
3.	Canada	640 863	78,63%	815 000	83 422	557 441
4.	Australia	580 584	69,78%	832 000	5 000	575 584
5.	Germany	545 988	25,30%	2 158 000	169 909	376 079
6.	Argentina	522 427	59,03%	885 000	1 930	520 497
7.	U.S.A.	461 398	17,46%	2 642 500	421 764	39 634
8.	China	389 339	7,26%	5 365 000	108 800	280 539
9.	Uruguay	355 544	90,93%	391 000	0	355 544
10	Czech Rep.	227 600	39,84%	571 300	9 674	217 926
11.	U.K.	222 479	13,46%	1 653 000	92 480	129 999
12.	Netherlands	205 635	56,96%	361 000	318 764	-113 129

Concerning the technical aspects of our business, Euromalt has a very active Technical Committee. The work done by this committee has become more and more important and is certainly vital when it comes to protecting our interests.

The main objective of this committee is to ensure that we keep an eye on what Brussels is doing when it comes to legislation that can concern our industry, directly or indirectly. This means, for example, such things as mycotoxin levels and chemical residues, but not only. We are now also confronted by other issues such as sustainability, carbon footprints, barley variety breeding methods and PEF to name but a few.

There has however been one radical change in our business during the past 5/6 years and that is the strength of public opinion which has been amplified by the social network. This has become a major concern and we are still trying to learn how to deal with it. PPPs are well and truly in the line of fire. It's funny because we, humans, but also animals, are allowed to use chemicals to safeguard our health but not plants. Why? The public, most of whom live in cities, don't seem to realise that plants also have health problems.

The recent example of the debate, if you can call it a debate, concerning the glyphosate problem has been an eye opener for many of us. In this debate, it started off as question of scientific evidence and then counter evidence which, it is true, left us all more and more confused. What we have seen however, is the rise of opinions that are not based on any data but just emotions.

The result is that there is no debate because opinions based on emotions are almost impossible to counter. Debates become quickly sterile. Glyphosate is an example but there will, unfortunately, be many others in the future. Euromalt has made a point of being neutral in these discussions. We are stuck in the middle between our suppliers, the farmers, and our clients, the brewers or distillers. Our communication will always be that we respect the existing E.U. rules and regulations. Unfortunately, this is in fact where our problems begin. Take for example the glyphosate problem. There are official MRLs for all the chemicals that we are using today in our supply chain and that includes glyphosate. In Germany our clients, the brewers, have bowed to emotional pressure from various NGOs and set their own MRLs for glyphosate that have nothing to do with the official E.U. level. This has become a problem for U.K. and Danish malting barley exporters and has created a lot of confusion in day to day malting barley trading. The problem stems from the fact that farmers in these countries like to, or must, use glyphosate when there is a wet summer and a large percentage of secondary growth.

One of the rallying calls of the Brexiteers was the weight of European Bureaucracy. Since the company that I work for became a British Maltster and a member of the MAGB, we have often been surprised at the complexity of the British system.

I have often said, jokingly, that we get more messages in a month from the MAGB than we do from the French Malting Association in a year. On the continent, despite the mounting pressure on various subjects such as Carbon Footprints and Food Safety, we have always had a policy of getting on with the job. This can be, to a certain extent, explained by history. Both the MAGB and the MALZERBUND in Germany are National Associations in countries with strong beer cultures. For the U.K. there is the also the distilling market. France has no such history and our business is geared up for export? with the domestic market accounting for barely 19% of the total production capacity.

This can create different viewpoints on certain subjects, which is always interesting.

Concerning the future, whatever it holds, the position of Euromalt today has been made clear at previous meetings. We value enormously the participation and contribution of the MAGB to all the work done by Euromalt. The MAGB has always been one of the driving forces in Euromalt and it would be pity if we must part company. Obviously for the interim period there is no problem for the MAGB to stay as a member. What happens afterwards may depend on what status the U.K. has outside the E.U. Should the MAGB ask to stay as a member of Euromalt at the end of the interim period, then we would need to change our statutes, which I do not think should be too much of an issue.

I do, however, have one little doubt and that is, what happens if there is no agreement with the E.U. and a hard Brexit? It's hard to imagine, but the U.K.'s position would be one of a third country on our doorstep that is no different to Russia or Ukraine. What will our members say then?

I hope that I have not been too long but I have always been passionate about our industry. It will, nevertheless, be sad to retire in a World that I do not recognise and whose country I feel, has taken the wrong decision.

Nicholas King. 6.11.18