

15th Australian Barley Technical Symposium 2011



Consolidation of global brewing and the barley value chain

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A subsidiary of SABMiller plc

Consolidation of global brewing and the barley value chain

1. SABMILLER HISTORY

2. SAB TODAY

3. THE RISK

4. SUSTAINABLE DEVELOPMENT IN EMERGING MARKETS

5. Other Brewing Materials

6. SABMILLER The Future

7. MALTING BARLEY THE FUTURE

1.SABMILLER THE HISTORY

- **1895:** The South African Breweries Limited (SAB)
listing on the London Stock Exchange
- **1897:** SAB becomes the first industrial company to be listed on the Johannesburg Stock Exchange
- **1898:** Company begins producing Castle lager, which becomes a phenomenal success
- **1950:** The head office is moved from London to Johannesburg.
- **1956:** SAB acquires Ohlsson's Cape Breweries and United Breweries,
90 percent of the domestic market.
- **1970:** SAB is reincorporated in South Africa

SABMILLER THE HISTORY

- **1990:** Dismantling of apartheid begins.
- **1993:** International expansion into emerging markets begins with the purchase of majority control of Dreher Breweries, the largest brewer in Hungary.
- **1994:** SAB enters the Chinese beer market through a joint venture with **China Resources Enterprise Limited**.
- **1997:** Two-year program of divesting noncore assets begins.
- **1999:** **SAB relocates headquarters to London, reincorporates as South African Breweries plc;**
- **2000:** Company buys its first brewery in **India**.

SABMILLER THE HISTORY

- 2002: SAB acquires Miller Brewing Company, the number two U.S. beer maker, from Philip Morris Companies Inc. for \$3.48 billion in stock; company renames itself SABMiller plc.
- 2003: Company makes its first major investment in Western Europe, purchasing a 60 percent stake in Birra Peroni S.p.A., Italy's number two brewer.
- 2001 Honduras
- 2005 Bavaria
- Argentina

SABMILLER THE HISTORY AFRICA

History 1910-2009

- 1910** South Africa Breweries (SAB) invests in Zimbabwe (then Rhodesia) with the formation of Rhodesian Breweries.
- 1951** Rhodesian Breweries invests in a new brewery in Ndola, Zambia.
- 1973** SAB establishes breweries in Botswana and Angola.
- 1976** SAB acquires Swaziland Breweries.
- 1994** SAB is invited to revitalise the beer industry in Tanzania – a joint venture with that country's government – and to re-enter beer markets of Zambia, Mozambique and, later, Angola.
- 2001** A pan-African strategic alliance with the Castel Group offers the opportunity to invest in promising new African markets and the benefits of scale economies.

SABMILLER THE HISTORY AFRICA

2004

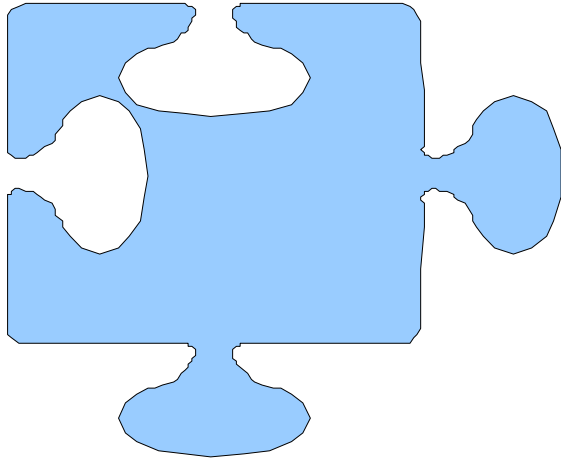
The company gains entry to Morocco and Algeria through a joint venture with Castel.

2009

SABMiller Africa acquires the maheu beverage portfolio in Zambia including 'Super Maheu No.1', a non-alcoholic maize drink available in a variety of flavours.

Following the success of its initiative to convert locally grown barley into brewing malt, SABMiller plc announces construction of a maltings plant in UGANDA NIGERIA, GHANA,

SABMILLER THE HISTORY



Australia 2011

- .SABMiller announces that Pacific Beverages has commenced brewing at its US\$105 million state of the art Bluetongue brewery in Warnervale, New South Wales, Australia
- .Hostile bid for Fosters

2.SABMILLER TODAY

SABMiller is one of the world's leading brewers, with more than 200 beer brands and some 70,000 employees in over 75 countries. We are also one of the world's largest bottlers of Coca-Cola products



Trading Barley and Malt in SABMiller

- Malting Capacity 846 000t
- Malt Requirements 1,5mill tonnes

3.SABMILLER TODAY

Principal risks

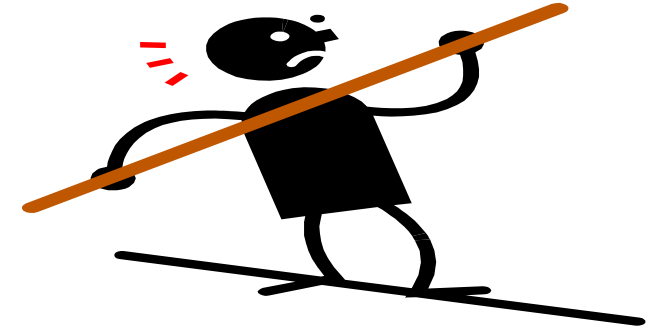
Volatility in the price of raw materials

Specific Context

- Prices of our key raw materials remain highly volatile
- The level of volatility is increasing

Possible Risks SABMiller faces

- Failing to manage price volatility
- Not obtaining an adequate supply of brewing and packaging raw materials at competitive prices



Principal risks

Possible Impact

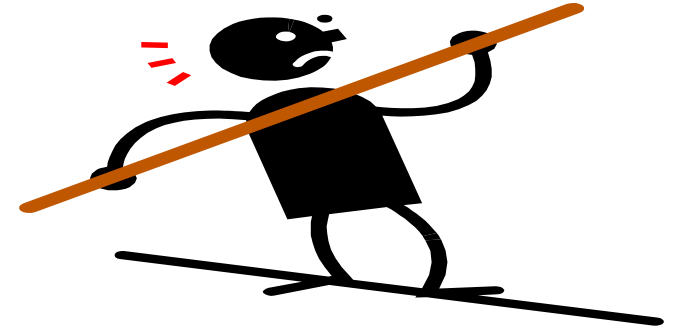
Lower profitability and occasional supply disruption

Mitigation

- Developing a strategic sourcing and procurement capability.
- Further developing our understanding of raw material price risks and our risk management approach.
- Contractual agreements with suppliers covering multiple time horizons, combined with an active hedging programme.
- Programmes to support development of local sourcing for certain key commodities, such as barley, in Africa, India and Latin America.

Associated Strategic Priorities

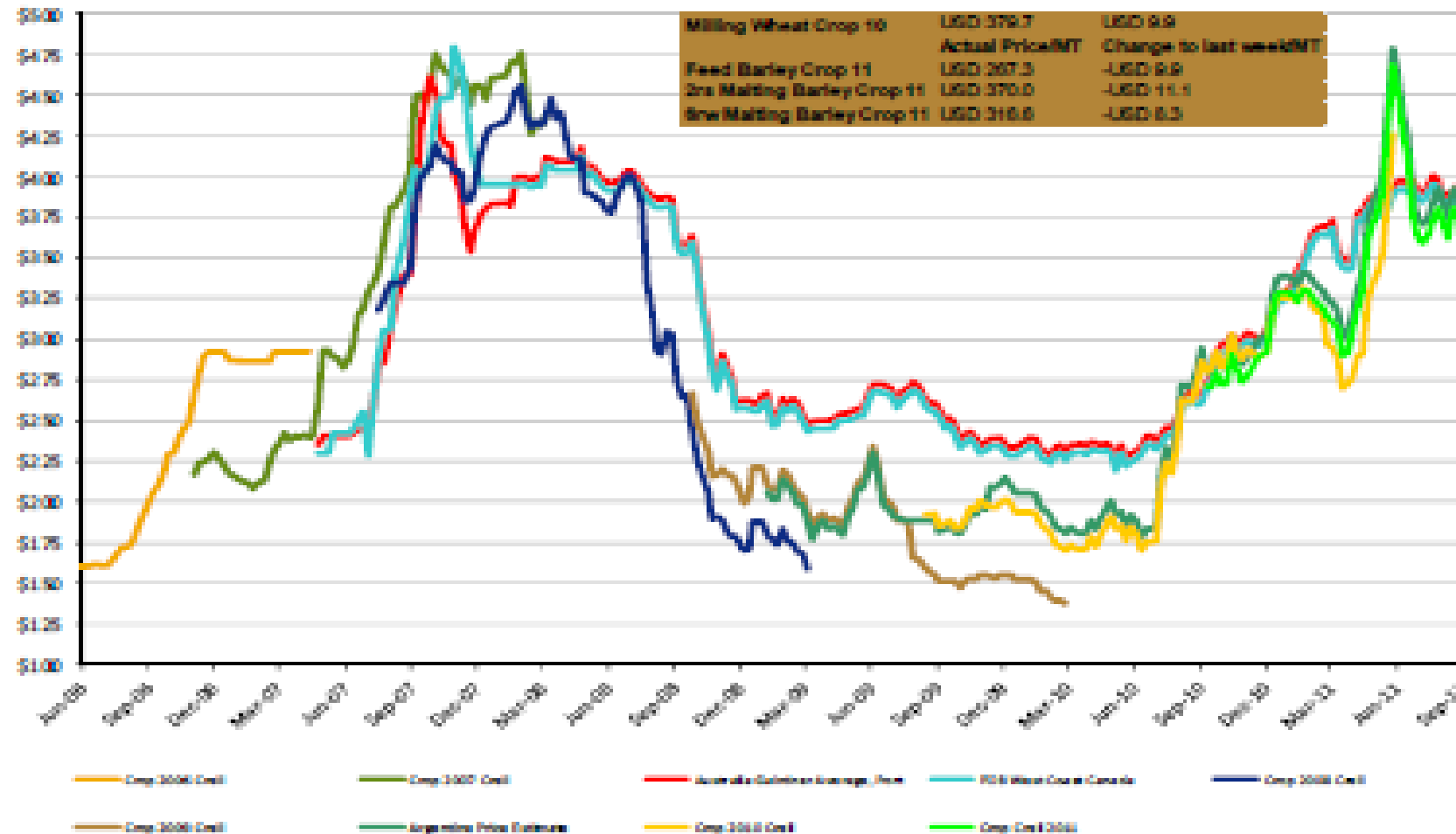
- Constantly raising the profitability of local businesses, sustainably
- Leveraging our skills and global scale



Barley Prices

Market September 2011 in USD - Barley

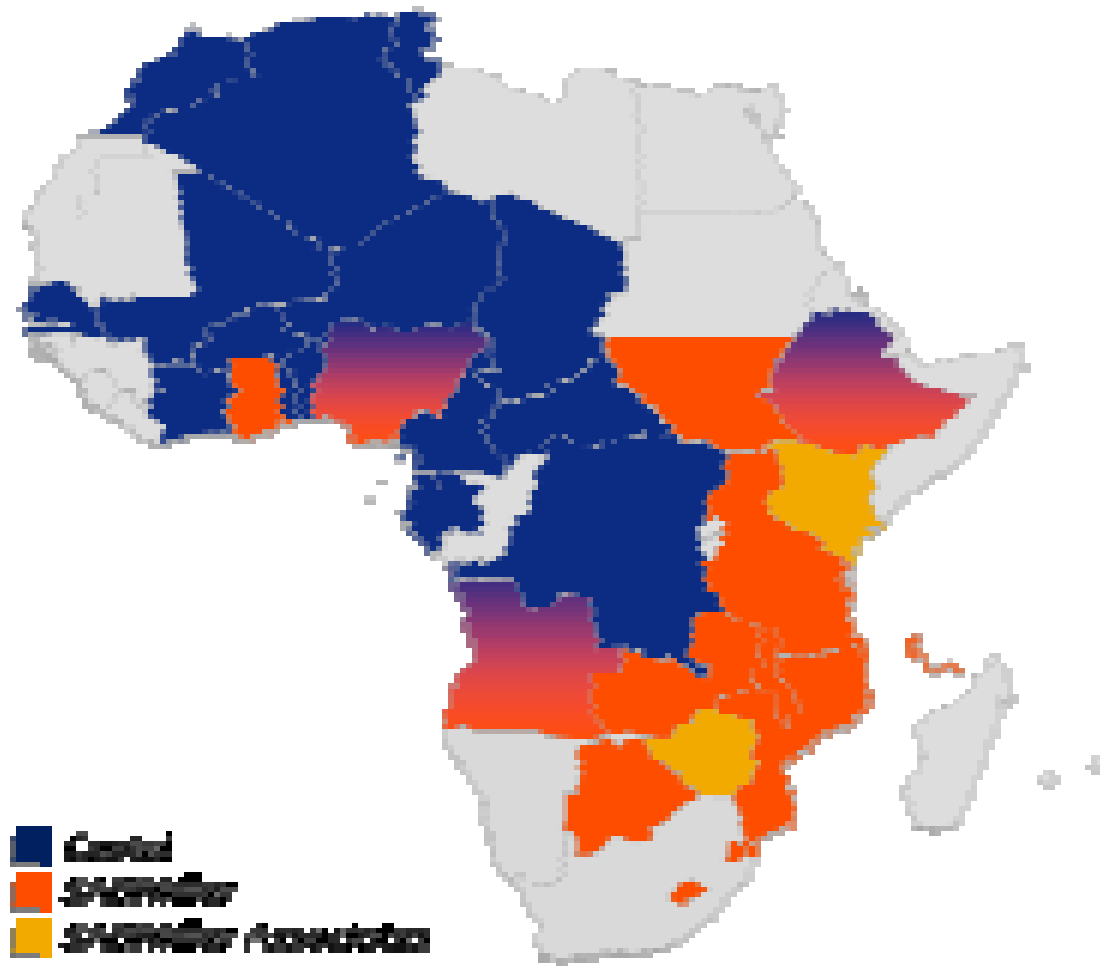
Trinity
Procurement



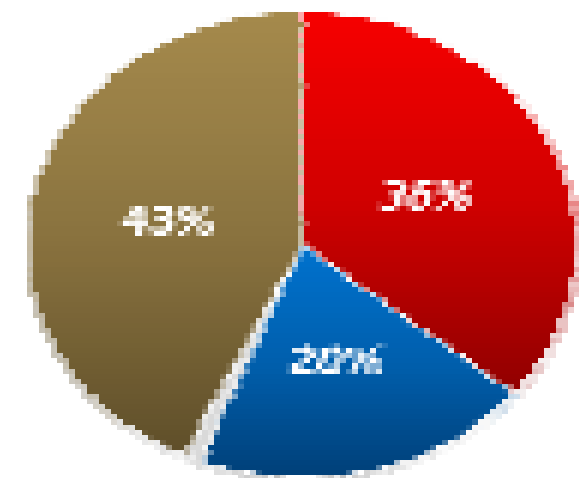
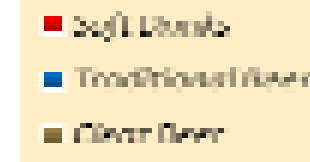
Note: Barley price FOB Oat approx EUR15/MT discount to FOB Antwerp

SABMILLER TODAY SUSTAINABLE DEVELOPMENT AFRICA

- Managed operations in 17 countries
- Castel operations in 22 countries
- SABMiller and Castel
 - Coca-Cola bottlers in 20 of their 36 countries

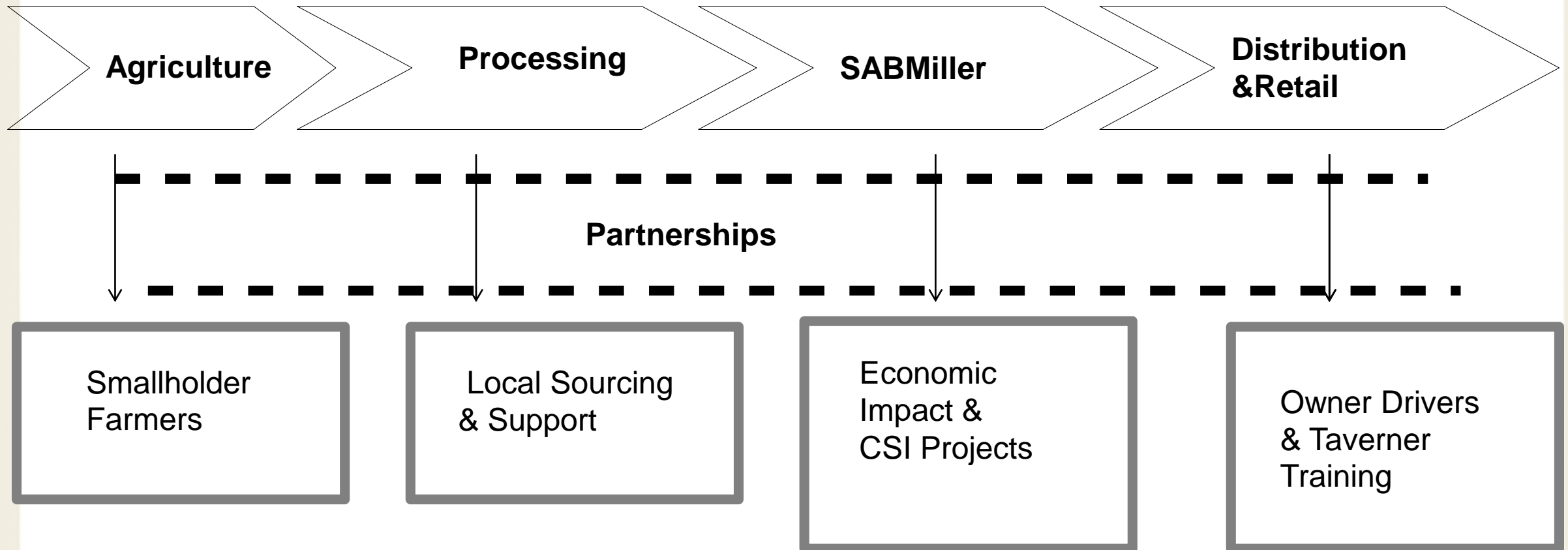


SABMiller volumes 27m* HL



*excluding per capita share of associate volume

SABMiller Enterprise Development



SABMILLER AFRICA TODAY

■ Halve the Price of Beer in Africa

- Beer remains a relative luxury purchase

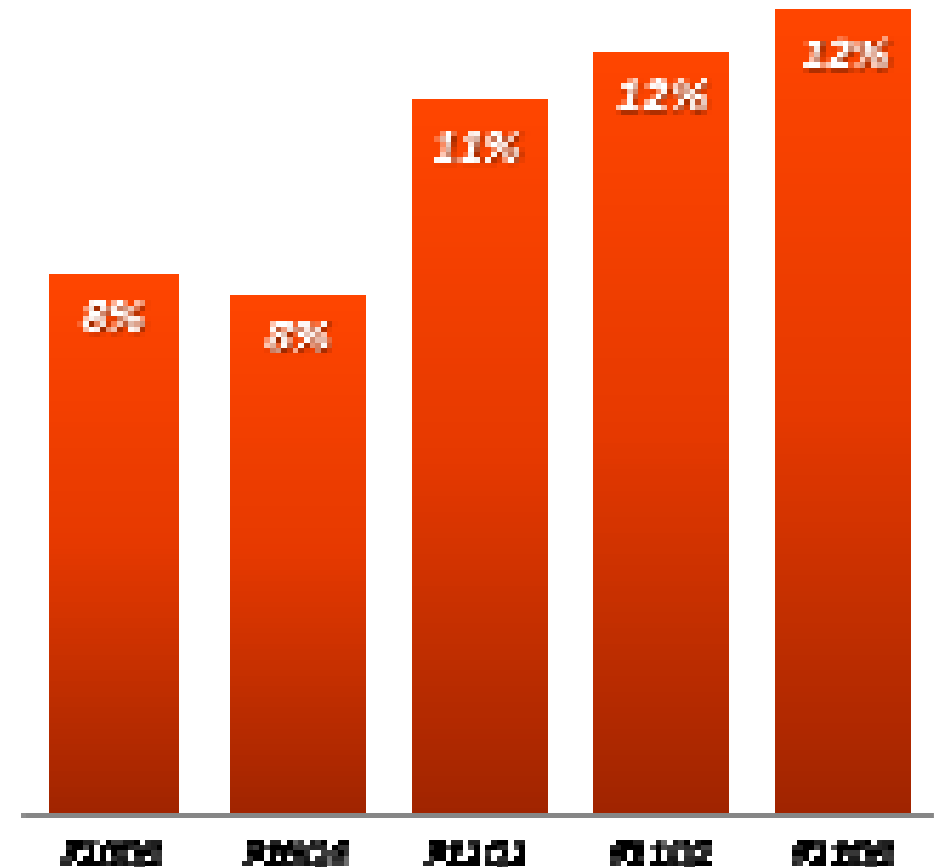
■ Double the Price of Beer in Africa

- Premiumization and differentiation to better serve aspirational consumer needs

■ Go farming!

- Protect 'Licence to trade' through sustainable local sourcing
- COGS benefits

SABMiller Africa Lager volumes
Consistent quarterly growth year on year



* Growth rates include Delta, Castel and Associates; F10Q1 and Q2 +1.0% and +1.0% respectively

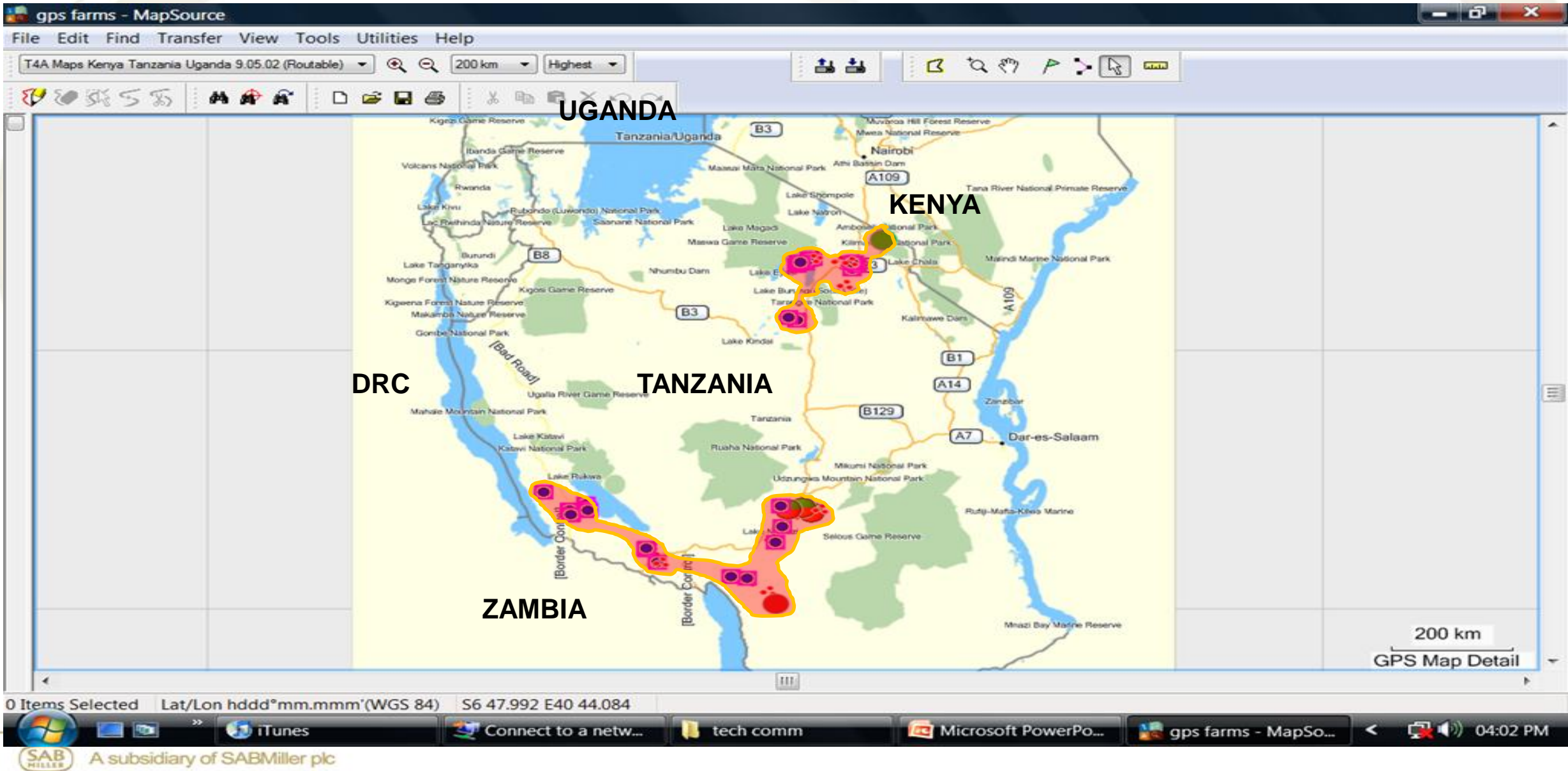
SABMILLER TODAY SUSTAINABLE DEVELOPMENT AFRICA

Malt Supply Kwekwe, Moshi and Uganda
Imports from Europe

Economic Brand Materials
Unmalted Sorghum
Sugar
Malted Barley
Barley
Cassava

Malting Barley

Barley growing areas in Tanzania



TANZANIA BARLEY INDUSTRY



BACKGROUND INFORMATION

- .One 11 000 ton Malting Plant in Moshi near Mount Kilimanjaro.**
- .Since 1998 only in one year enough barley was grown to keep malting running for the whole year (1999)**
- .2 Main growing areas:**
 - .North near Mount kilimanjaro and Ngorongoro crater.**
 - .Southern Highlands near Zambia border**
 - .Both areas high altitude required for colder climates**
 - .North areas more risky in terms of rainfall patterns and poor farm management practices (no or low fertiliser levels and planting by hand broadcasting resulting variable depth of planted seed and resulting in low yields (see graph)**

BACKGROUND INFORMATION

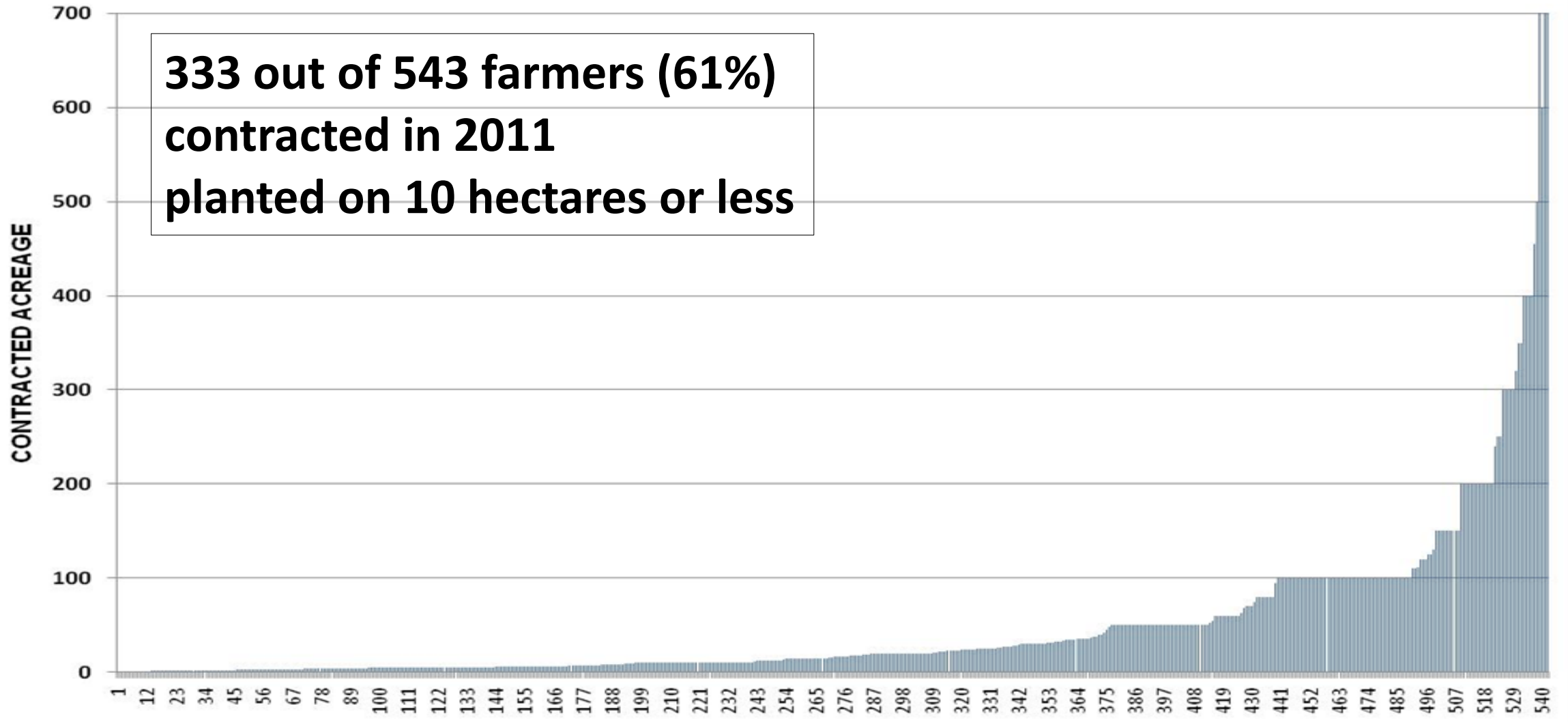
- .Southern Highland area more consistent rainfall but low soil pH levels.**
- Lime costs can be more than 30% of variable input costs.**
- .Distance of some farms in the South to Malting plant up to 1 400 kilometers**
- .Started developing this region to supplement barley supply to Moshi and to build a second Malting plant in the South (Mbeya)**
- .Both areas use a combination of both low and high tech equipment. Over 90% of farmers do planting by hand broadcasting resulting variable depth of planted seed and resulting in low yields**
- .Yields: 0.5 tons -- 3 tons per hectare**
- .333 farmers of the 543 contracted farmers (61%) in 2011 grew barley on 10 hectares or less**



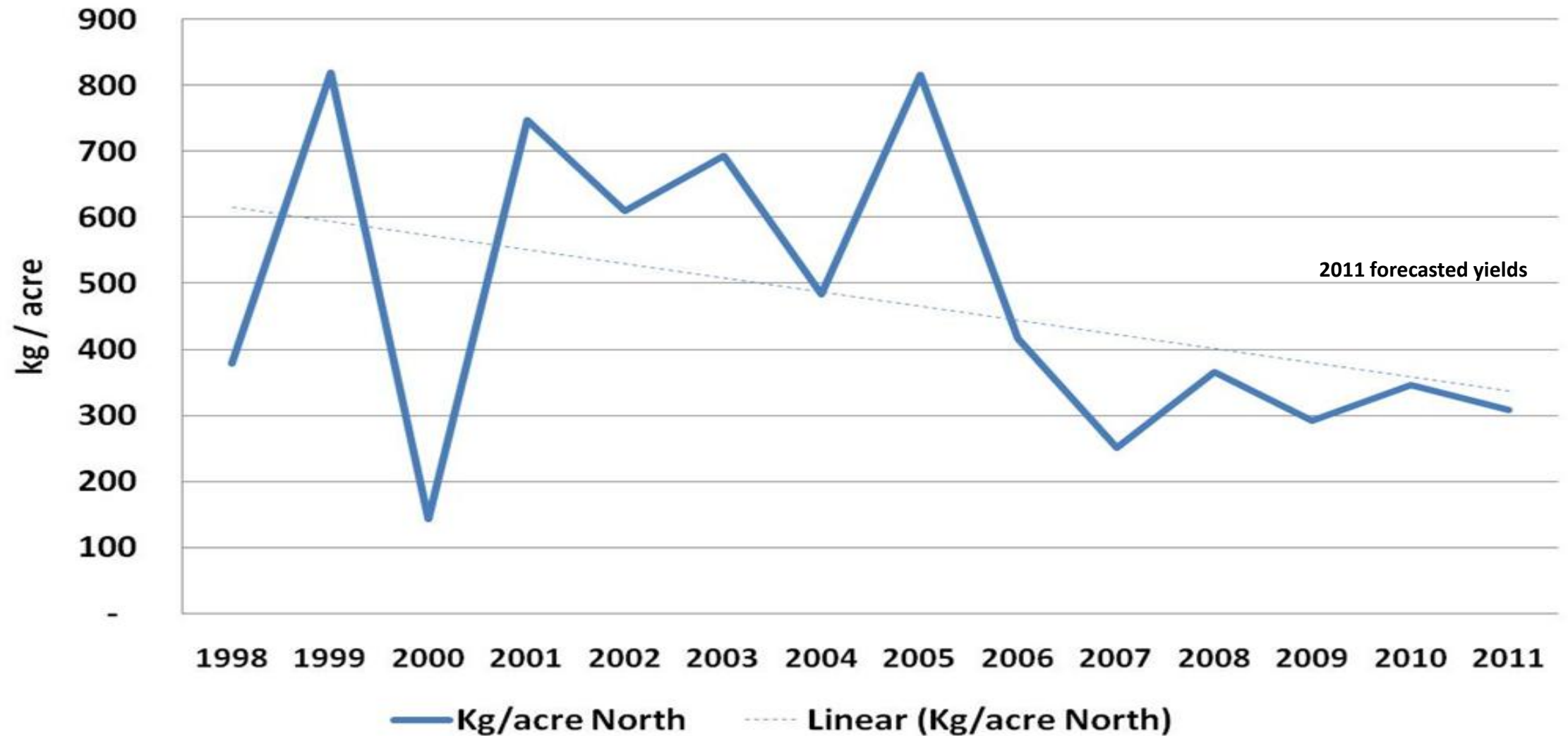
**USING BOTH LOW TECH AND
HIGH TECH TECHNOLOGY**



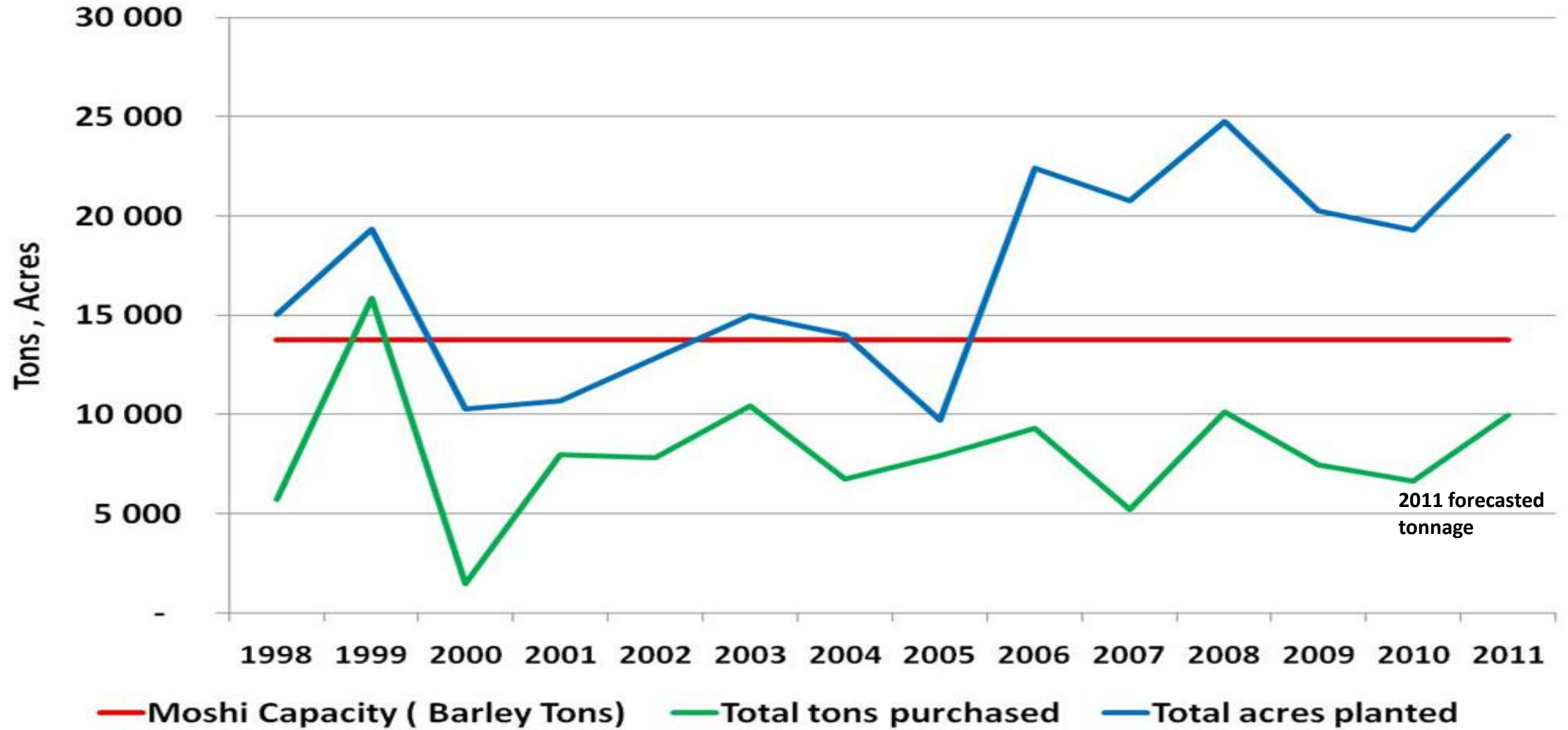
ACREAGE PROFILE OF INDIVIDUAL FARMERS - 2011 TANZANIA BARLEY CROP



Tanzania
Malting barley - Historic yields (Kg/acre)



Tanzania malting barley - Acres planted and tons delivered

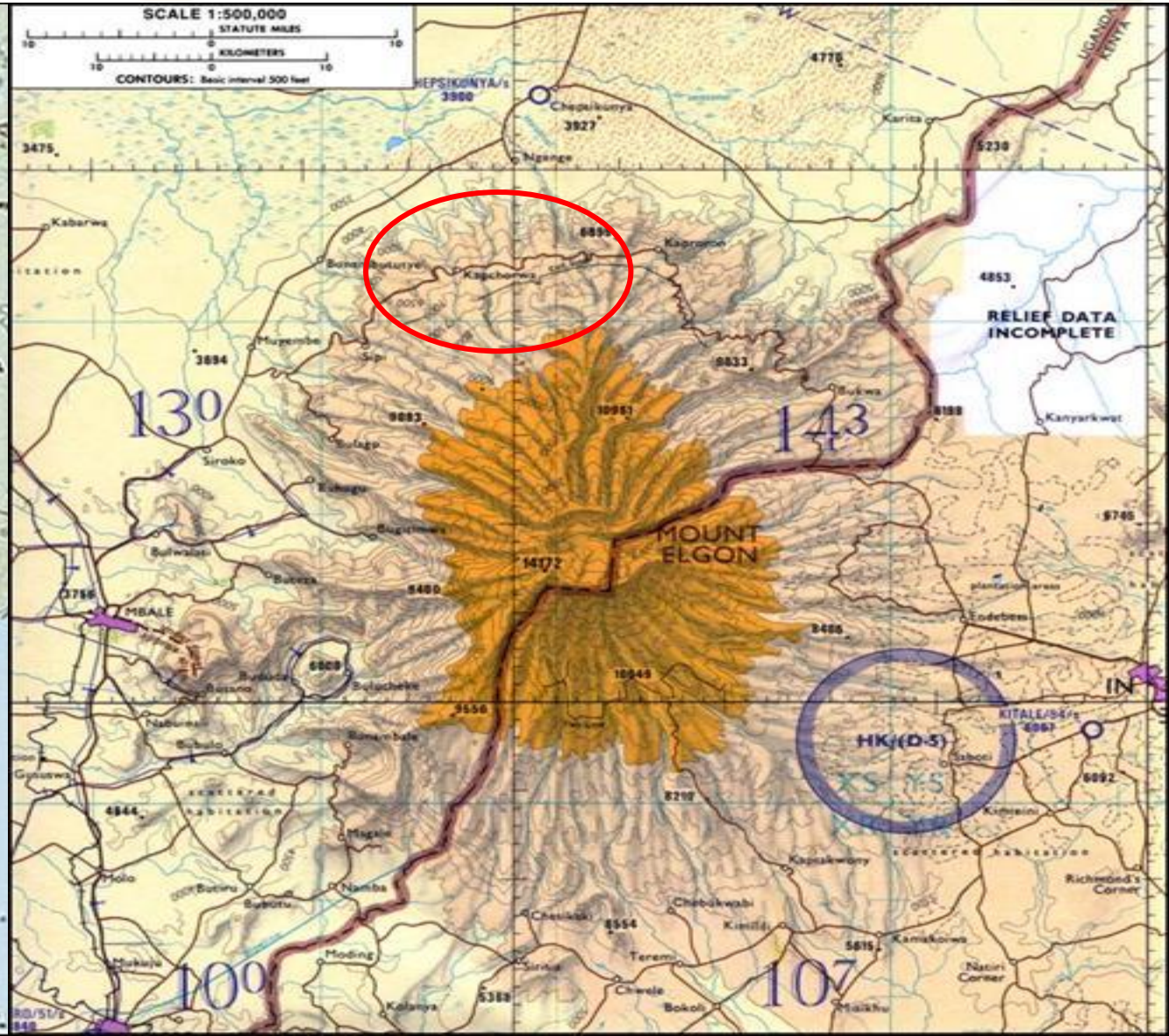
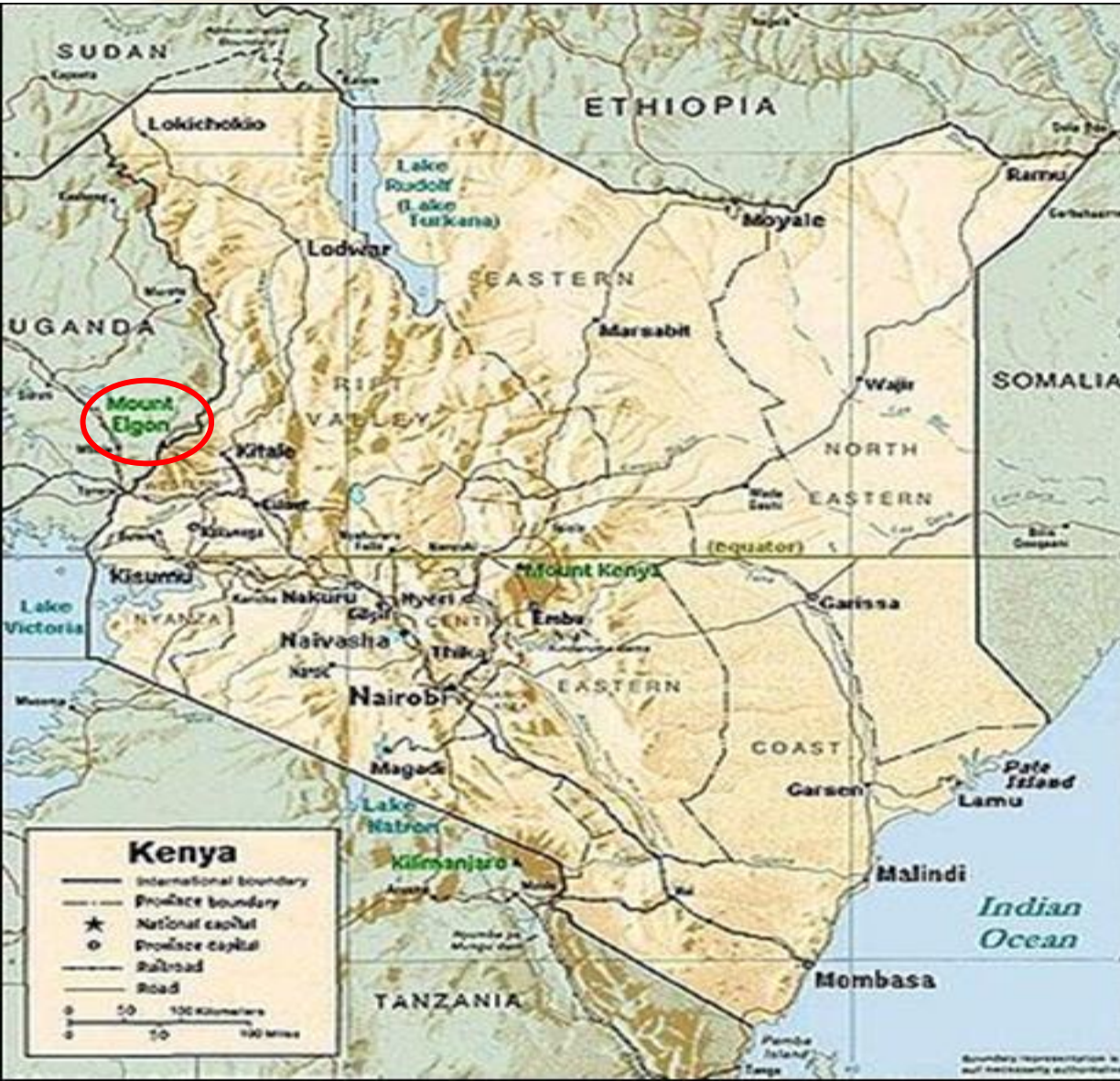


Tanzania



BARLEY GROWING AREA

EASTERN UGANDA - KAPCHORWA



**In Uganda, being close to the equator, many farmers have to plant barley high up in the mountains on one to 5 acre plots
The barley is cut with sickles and brought down in bags on the back of donkeys where after it is then threshed by hand**



A barley field in the South West of Uganda

1 – 5 Acre Barley “Gardens” on slopes of Mount Elgon
More Yellow “Gardens” = Barley



Market Available Smallholder Equipment



http://www.bcshop.com/sickle_bar_mower.htm



<http://www.chinaharvester.com.cn/>

Problems with Barley Growing

Fertilisation, weed control, seeding, too early harvesting



NGUSO “Model Garden”

**Weed Control + Fungal Control
Nitrogen Fertilisation Applied**

**Inputs supplied and applications monitored by
Technical Centre**

Excellent yield potential !



Nile Breweries Extension Officers Training

27 May 2011



1 – 5 Acre Barley “Gardens” on slopes of Mount Elgon
More Yellow “Gardens” = Barley



**Zambia most if not all malting barley is grown under irrigation by
“commercial” farmers**



SABMILLER SUSTAINABLE DEVELOPMENT

South Africa

The Taung Barley Farmers Scheme in the Northern Cape was launched by SAB in 1994 as a means of encouraging enterprise development.

1500 Ha barley under irrigation

GMO free maize

>150 farmers

- **Sustainable development**
- **Colombia Barley**
- – Cereal and local farmer programs
100,000 new jobs
- – Small business development

ARGENTINA

- – Barley Variety Trials

The India Model

Hub and Spoke system

Commercial Farmer

Subsistence Farmer

SABMILLER SUSTAINABLE DEVELOPMENT INDIA



Other Crops for Brewing?

Affordable segment

Local premium

Regional premium



CASSAVA

- Mocambique
- Sudan

In partnership with FARM-Africa, we have also engaged with 2,000 smallholder farmers to introduce a local sourcing programme to grow cassava which will provide the ingredients we need to brew beer. We estimate that approximately 15,600 people within our value chain could benefit as a result over the next three years

SABMILLER TODAY

Sorghum: Brewing with locally produced materials to provide low cost products



Sugar: Brewing with locally produced materials to provide low cost products

Trading Barley and Malt in SABMiller

Trinity

- Futures
- Economy of scale
- Longer term contracts
- Supplier partnering

Trading Barley and Malt in SABMiller

Malt Requirements

- > 200 brands
- 21 parameters
- Several specifications
- Solution?

Trading Barley and Malt in SABMiller

Malt Requirements

- 5 parameters
- Classified LFM, LFM, HFM
- Barley Specifications

Trading Barley and Malt in SABMiller

Barley Imports

- Quality Journey
- 15 years with Toepfer
- Germination **Germination Germination**
- Average vs rail truck



SABBI

New Varieties

Erica, Nemesia, Puma , Coctail

S5, S6 and S9

Challenge is to deliver on malting and brewhouse throughput

7.Malt and Beverage, Malting Barley THE FUTURE

Malt & Beverage

Demand growth still continuing

By 2010 global demand for malt is expected to increase by 27% to reach 19 Mt and world trade to expand by 8%.

Most demand growth for malting barley and malt during the next five years will be in countries with rapidly expanding beer production, eg China (18% growth), Russia and Eastern Europe (17% growth), South America (17% growth) and Africa (21% growth).

A few major groups dominate the brewing industry worldwide and this impacts on the drivers for malt demand.

Chinese consumption of barley has risen by 15% in the last four years with imports rising from 1.8Mt to 2.2Mt during that period.

Malt and Beverage, Malting Barley THE FUTURE

Supply of Malt and Malt Barley

Increased malt capacity to meet forecast increases in demand.

Availability of more reliable malting barley varieties and more success with malting barley crops will ensure sufficient malt specification barley is produced.

Farmer attitudes to risk of growing malting barley varieties versus feed varieties an issue.

Barley pricing and competitive crops

Malt and Beverage, Malting Barley THE FUTURE

Increased barley and malt production by Russia and the Ukraine are likely to force the European Union to market malt to global breweries currently investing in China.

GROWTH AND SUPPLY FOR ASIA

Canadian look-alikes for the world market

Stockfeed and ethanol demands

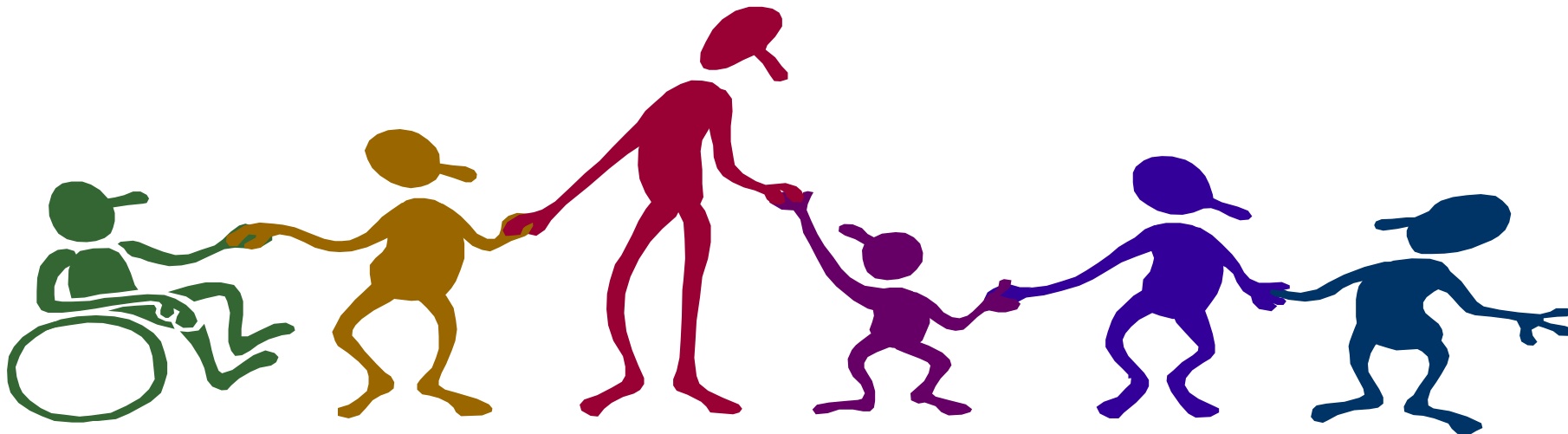
Other brewing materials

Competitive alcoholic drinks

Anti alcohol lobby

SABMILLER TODAY

- SABMiller has become one of the world's leading brewers by building successful local businesses. The decisions we take every day affect not only our own success, but also have a tangible impact on local economies, communities and the environment.



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