

Chinese barley industry overview

The 15th Australian Barley Technical Symposium

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Supertime Development Limited
China

Quality after the end of single desk barley marketing in the world

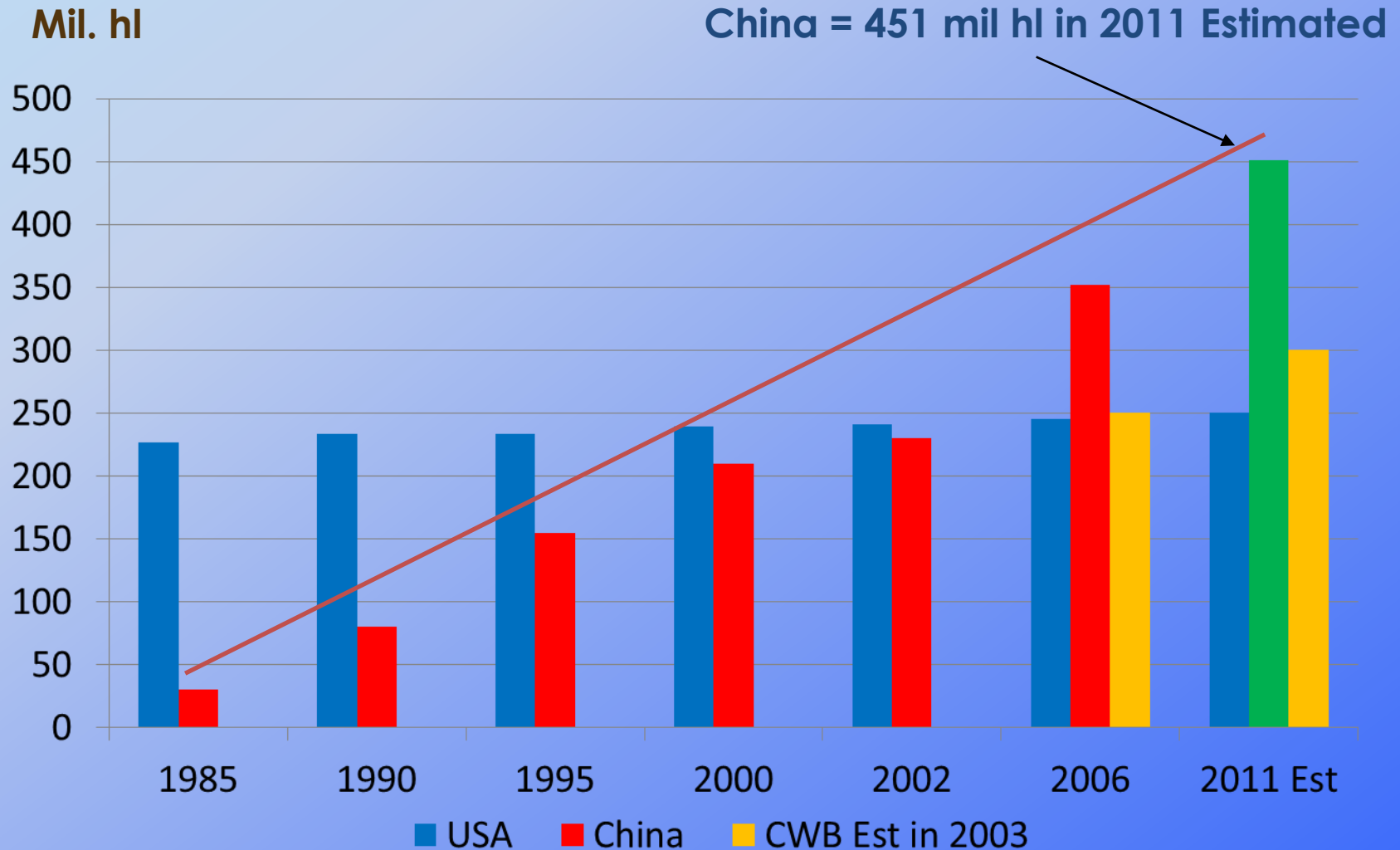
The barley quality will be strictly related to
economic

No more over specifications, only buy what you
needed

Part 1

The Brewing Industry in China

Comparison of China and USA beer production



China Beer Production in mln hl

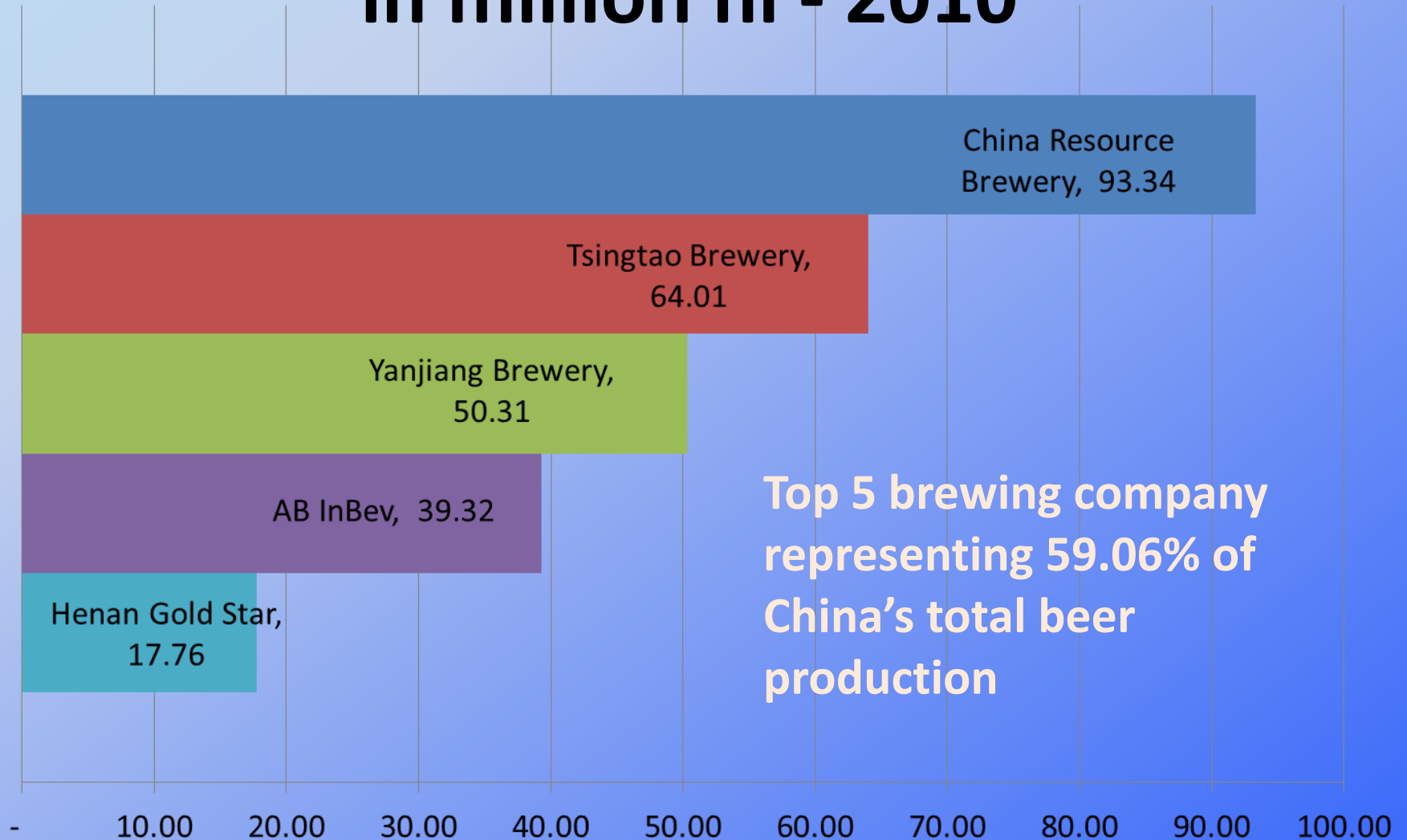


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Beer Market Share

Segment	Popular	Near-Prem.	Prem.	S-P/I
Share of Industry	93.4%	5.0%	1.3%	0.3%
Segment Trend	+5.1%	+2.1%	+9.6%	-1.6%
Barrels (mm Bbls)	182.77	9.7	2.6	0.6
<p>Others 64.2% (117.3)</p> <p>Suntory Gold 0.82% (0.08)</p> <p>Suntory 0.8% (1.53)</p> <p>Zhujiang Brand 2.5%(4.6)</p> <p>Zhujiang Total 2.8% (5.1)</p> <p>LION GROUP 5.6% (10.2)</p> <p>CREB 7% (12.8)</p> <p>Yanjing Brand 4.2% (7.8)</p> <p>Yanjing 9.1% (16.7)</p> <p>Yanjing Owned 4.9% (8.9)</p> <p>Tsingtao Shandong 0.8% (1.4)</p> <p>Tsingtao 10.5% (19.1)</p> <p>Tsingtao Owned 9.7% (17.7)</p>		Others 31.0% (3.0)	Others 20.1% (0.5)	Others 12.5%
		Tiger 0.4% (0.1)	Corona 10.8% (0.07)	
		Carlsberg 6.3% (0.2)		
		San Miguel 6.8% (0.18)		
		Pabst 9.3% (0.9)	Tsingtao Premiums 12.5% (0.33)	
		Zhujiang GD 9.8% (0.95)		
		Kingway 13.4% (1.3)		
		Tsingtao 27.8% (2.7)	Budweiser 49.9% (1.3)	Heineken 65.0% (0.4)
				Bud Ice 11.6% (0.07)

Major Breweries Production in million hl - 2010

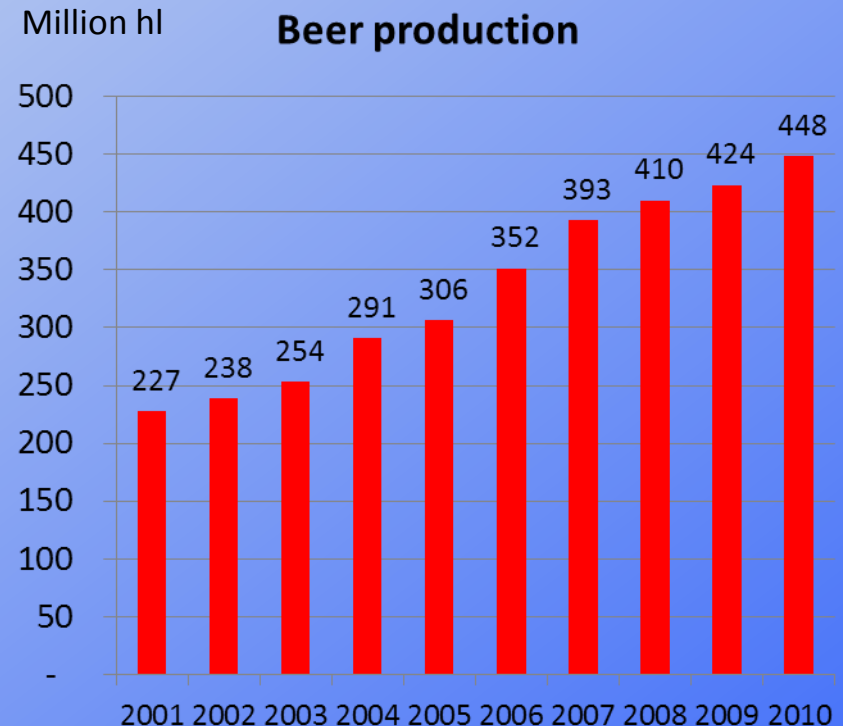
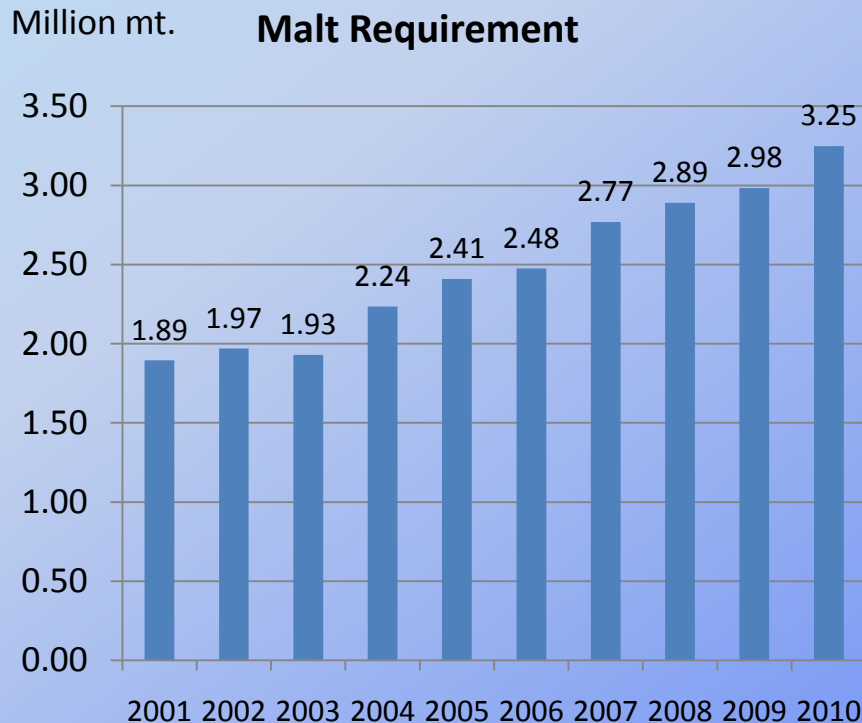


Part 2

The Malting Industry in China

Chinese malt market

1. China's malt requirement 3.25 million mt..



2. Year 2010 China produced 44.83 million mt.. of beer, required 3.25 million mt.. of malt, among them 2.9 million was supplied by the commercial maltsters.

China Malting capacity

Company	Total Capacity -Mt 2011	Market %
Supertime Malting	1,000,000	19.01%
Cofco Malting	800,000	15.21%
Beidahuang Malting	300,000	5.70%
Dalian Xingze Malting	280,000	5.32%
Chende Sihai Malting	260,000	4.94%
Jiangsu Longken Malting	200,000	3.80%
Qingdao Brewery	200,000	3.80%
Chunlei Malting	200,000	3.80%
Yanjing Brewery	200,000	3.80%
Muogao Malting	170,000	3.23%
Huanghe Malting	150,000	2.85%
Others	1,500,000	28.52%
Total	5,260,000	100.00%

(Those in red are breweries'
malting plants)

Source: China brewing Industry

World's Major maltsters

Major Commercial Malting Companies 2010

GROUPE MALTEUROP	United States			Canada			Australia/NL			France			Germany			Spain/Portugal			Ukraine			Poland		Russia		China		2,154
	200	115	200	82	72	90	236	82	56	36	100	100	60	160	60	100	42	55	110	65	120	73						
GROUPE SOUFFLET	France										Russia		Poland		Czech Rep				Romania	Ukraine	Serbia	1,801						
	90	70	150	59	49	52	115	82	72	53	110	110	100	100	95	48	80	28	100	150	68	4						
CARGILL INC	United States			Canada			Belgium		France		Spain		Germany		Holland		Argentina			Russia		1,513						
	400		90	215		105	75	90	88	70	100		240		100													
GRAIN CORP	United States		Canada				Australia				United Kingdom				1,188													
	121	92	250		125	75	100	35	35	85	30	57	55	45	35	35												
BOORT/AEREAL	United Kingdom			Ireland		Belgium				France		Hungary		Croatia	China	1,166												
	175	58	48	60	94	66	90	310	160	65	55	45																
SUPERTIME	China										955																	
	300		200	100	70	80	100	35	100																			
RUSKY SOLO	Germany			Russia				857																				
	130	70	56	80	120	120	120	140																				
COPCO	China										760																	
	360		320	80																								
JOE WHITE MALTINGS	Australia								610																			
	200	110	96	80	45	30	29	1																				
RAHR MALTING	United States			Canada		510																						
	370		140																									
GLOBAL MALT	Germany				Poland		390																					
	105	80	60	25	40	90																						
VIKING MALT	Finland	Sweden	Ukraine	302																								
	72	170	60																									
SIMPSON MALT	United Kingdom			285																								
	235		50																									
CRISP MALTING GROUP	United Kingdom			242																								
	110	40	92	90	90																							
HOLLAND MALT	Netherlands			240																								
	110	130																										
IREKS	Germany		Australia		221																							
	80	82	64	45																								
CURST MALT	Germany			200																								
	60	85	55																									
AGROMALTE	Brazil		200																									
	200																											
MUNTONS	United Kingdom		170																									
	75	95																										
HEINE	Germany		160																									
	85	75																										
FUGLSANG	Denmark		155																									
	107	48																										
MALTERIA DO VALE	Brazil		125																									
	125																											
RAISIO GROUP	Finland		105																									
	105																											
BEST MALZ	Germany		93																									
	50	43																										
RHEIN-MAIN MALT	Germany		86																									
	48	38																										
WAEYERMANN	Germany		75																									
	55	20																										

North America

Australia

W. Europe


South America

CEEC/Russia

China

Other

shaded cells represent planned or under-construction capacity.



RAHR MALTING CO.

	North America
	Australia
	W. Europe
	South America
	CEEC/Russia
	China
	Other

shaded cells represent planned or under-construction capacity



Supertime Development Limited (Malting Plants Locations)



The malt market and recent changes

The malt capacity utilization is about 65%

The customers are in the driver's seat for the foreseeable future

Between a rock and hard place

Malt market: beating us to beat down malt price

Barley market: beating us to beat up the barley price

Operational efficiency

Maltsters look inward to drive hard in cost cutting, efficiency in operations to ensure their survival. (6 Sigma)

Government gives a helping hand

Profit Tax is zero for malting industry in China starting 2010

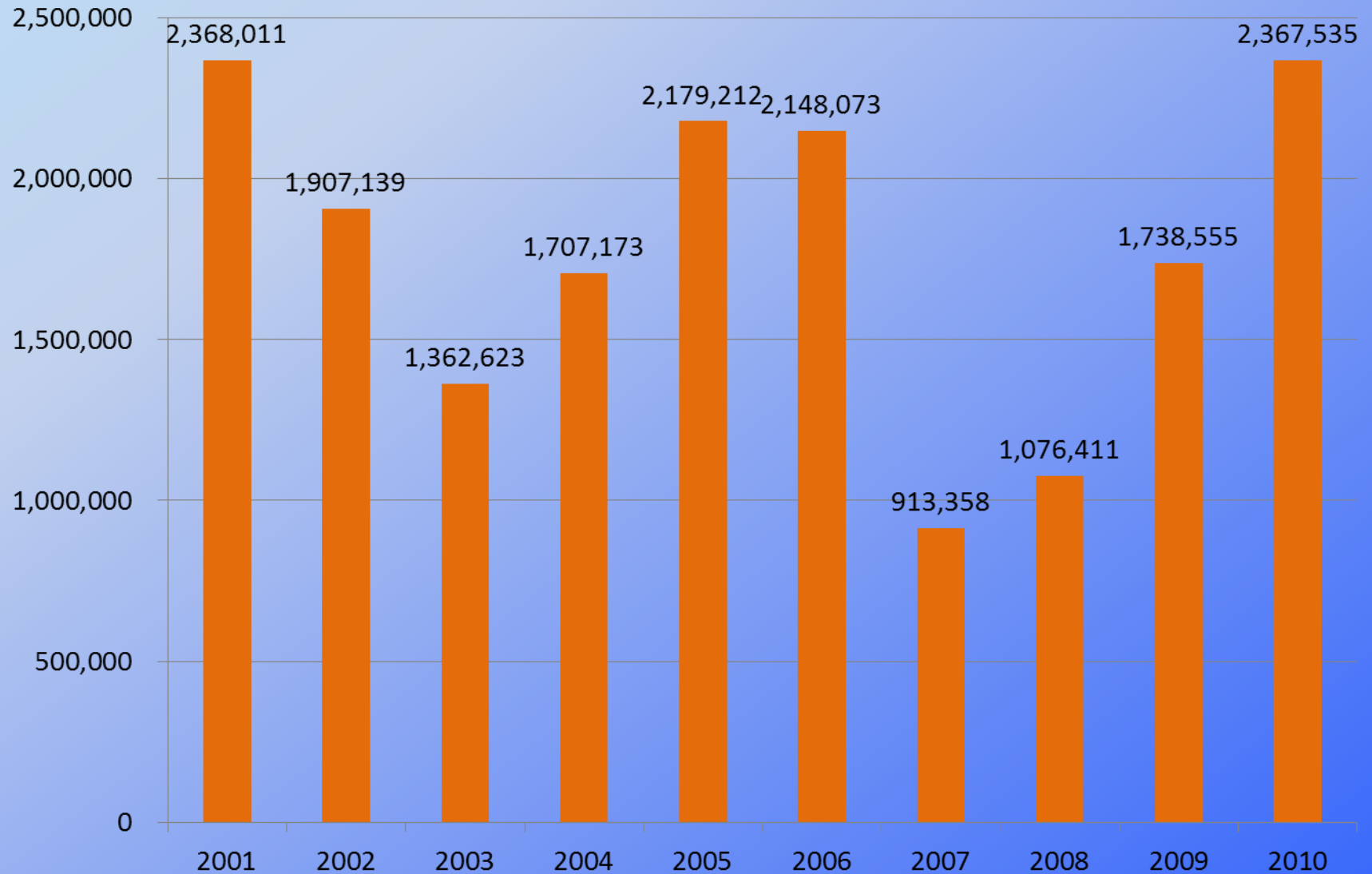
Low Grade barley

Utilization of low grade barley to make malt

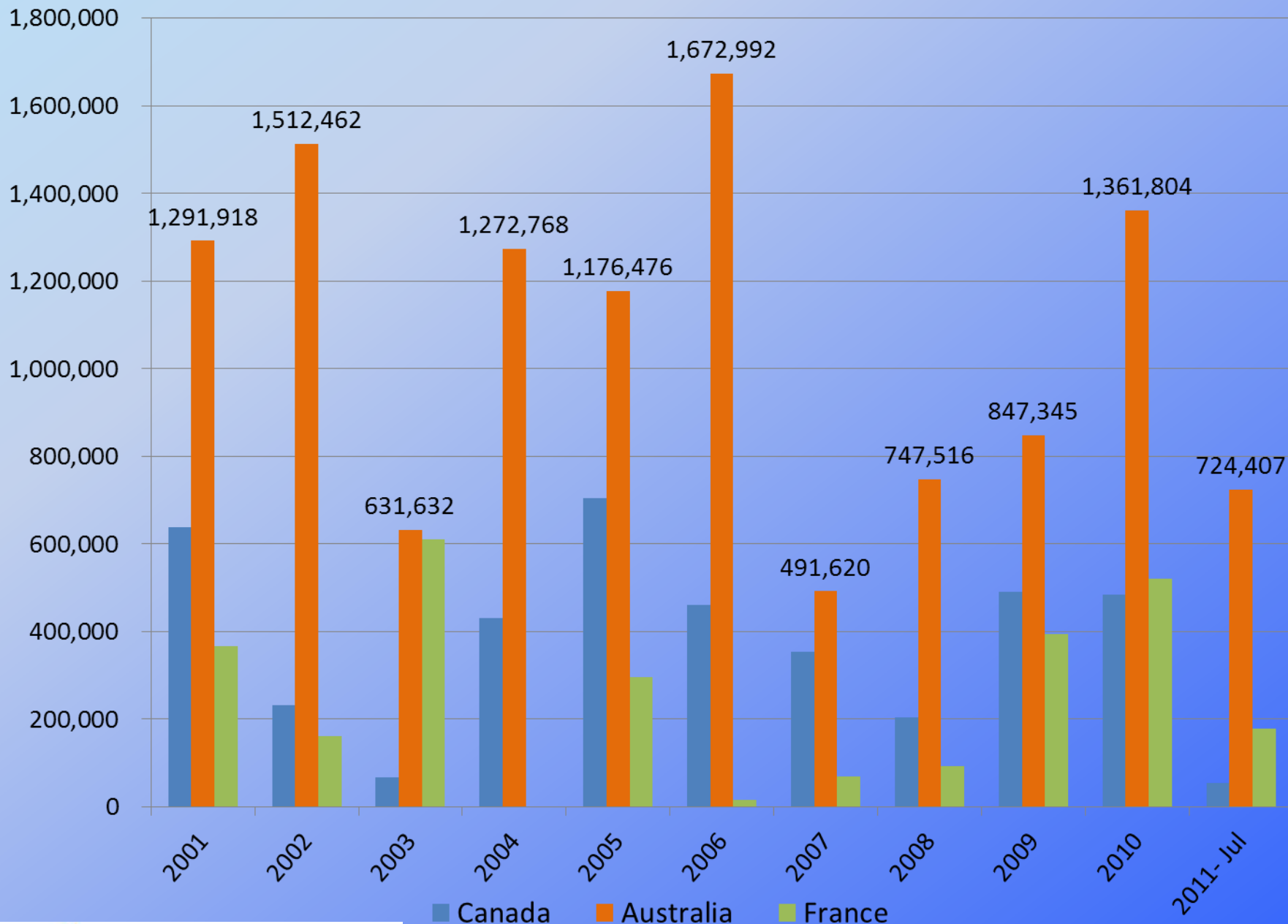
Part 3

The Malting Barley Market in China

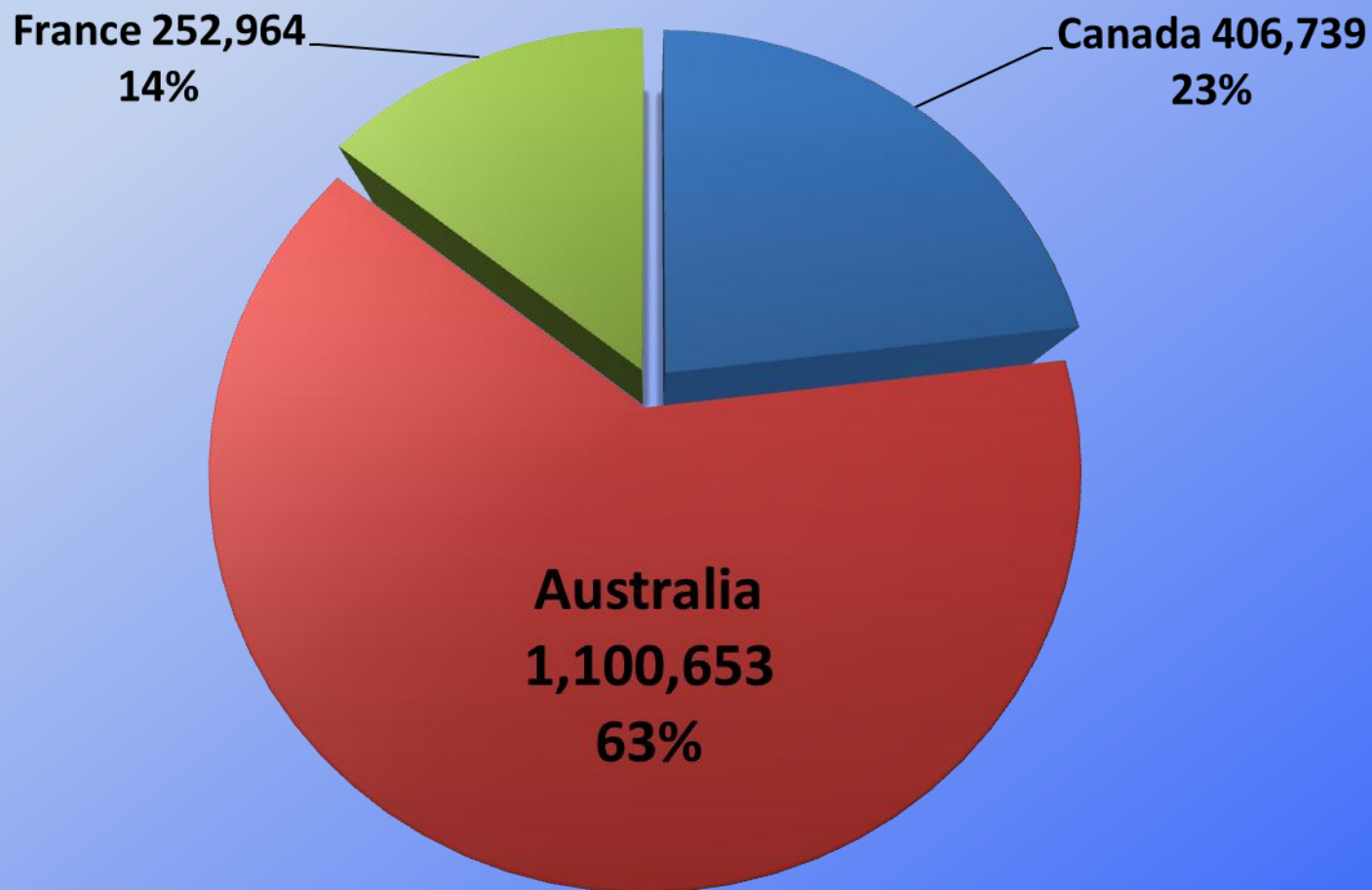
Total Barley import



Australian Barley to China



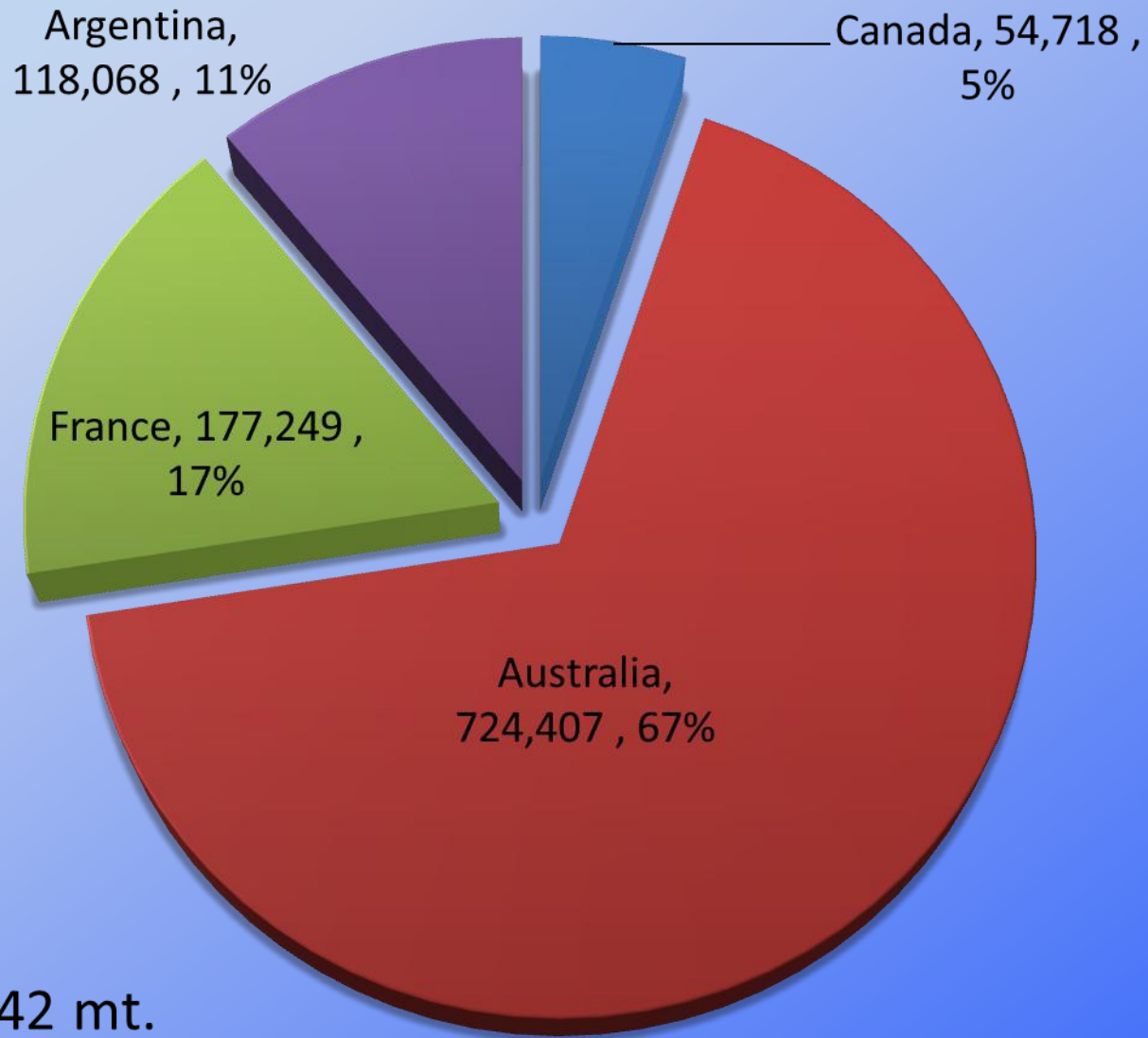
10 Years' Average by Country of origins 2001 to 2010



(mt.)

2011 Jan to July Import

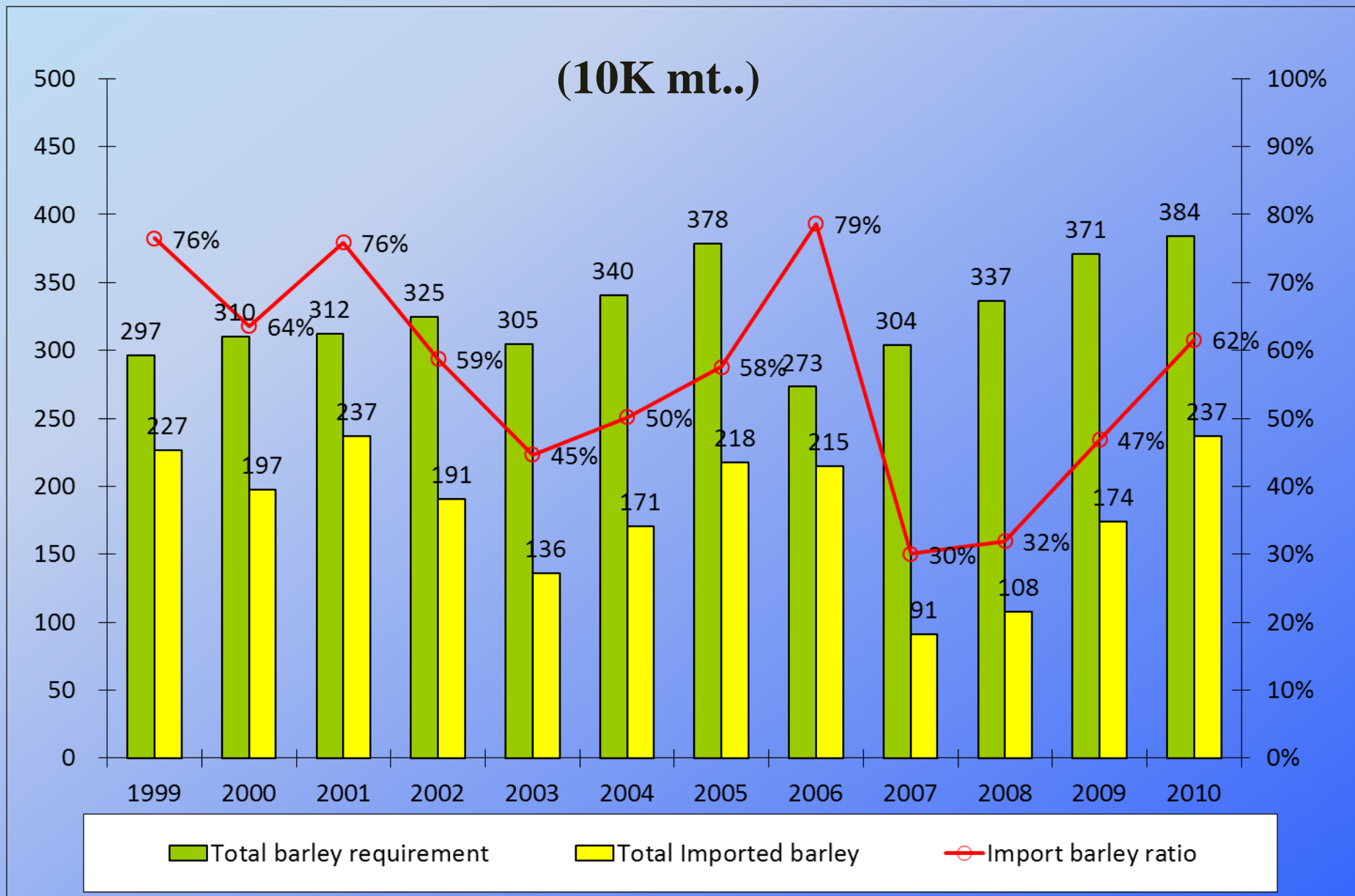
**NEW ENTRY TO
THE CHINA
MARKET**



Total 1,074,442 mt.

(mt.)

Origins of barley used in China



Local barley risks

- 1) **quality risk**
- 2) **financial risk** (your barley is not your barley)
- 3) **storage risk** (usually if not 100% paid, it is mostly paid, if the specs. go down, as at the buyers account)
- 4) **timing risk**...usually all barley are bought at the harvest period.
- 5) **transportation risk** (Freight from northwest easily over RMB 300 (almost us\$50)).

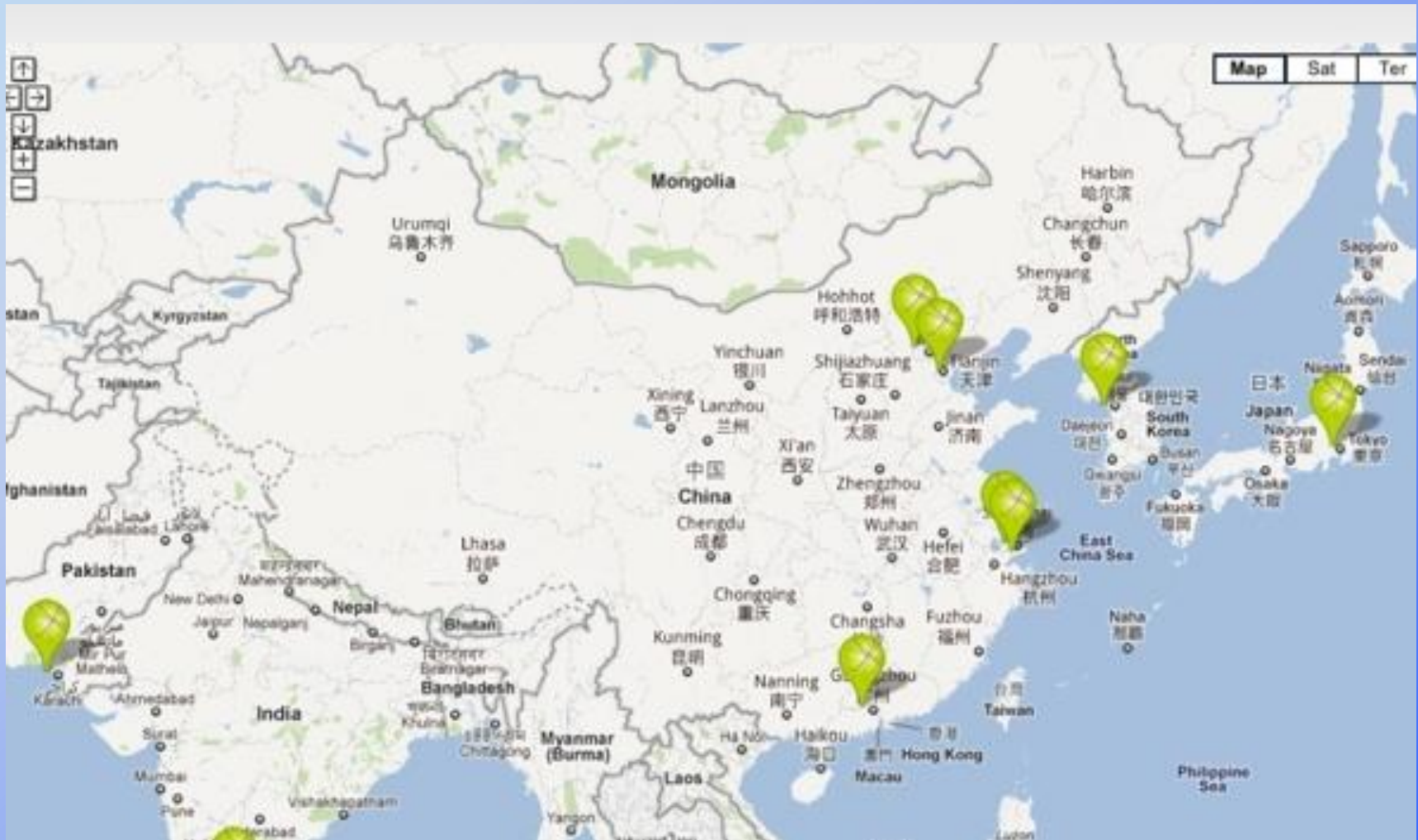
Australia Barley Production and Malting Barley Export

in mln metric tons



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Widely use of Enzymes for beer production



Barley Quality after single desk

Post single desk period

The barley quality will be strictly related to economic. Suppliers will provide to customers whatever quality being requested.

Who will control the barley quality.

We have to address this quality issue.

Waiting for the last shoe to drop

Canada with CWB, they still maintain a very strict specifications for barley export to China.

	<u>2010</u>	<u>2011</u>
Barley production (Kt)	9,517	7,605
Malting barley (Kt)	2,000	950
Export to China (Kt)	<u>500</u>	<u>55</u>



DANGER

**Who is going to control the
barley quality for export ?**

***Who control the
export quality?
the answer
likely to be!***

trader's
conscience



Issues that we should look at

- Is there going to be any export restrictions in Australia for **barley specs**?
- Will Chinese government imposes some quality requirement as they have done so to the Argentinean agreement?
- Will lower grade sales to China reduce the return of malt 1 or replacing the Chinese local barley (a new market for Australian barley) ?
- How to ensure Chinese end users are not misrepresented of the Australian barley specifications?

Conclusions

- Australia will always be Chinese major suppliers in barley.
- Compete with yourself, or others going to compete with you.
- Find the right market strategy for the FAQ and low grade barley.

HOPE WE ALL DO THE RIGHT THINGS AND BRING
THE GROWERS A POSITIVE RETURN FOR THEIR
HARD WORK.



Thank you!