Chinese barley industry overview

The 15th Australian Barley Technical Symposium

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GDH YST 永顺泰麦芽集团有限公司
SUPERTIME DEVELOPMENT LIMITED

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China

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

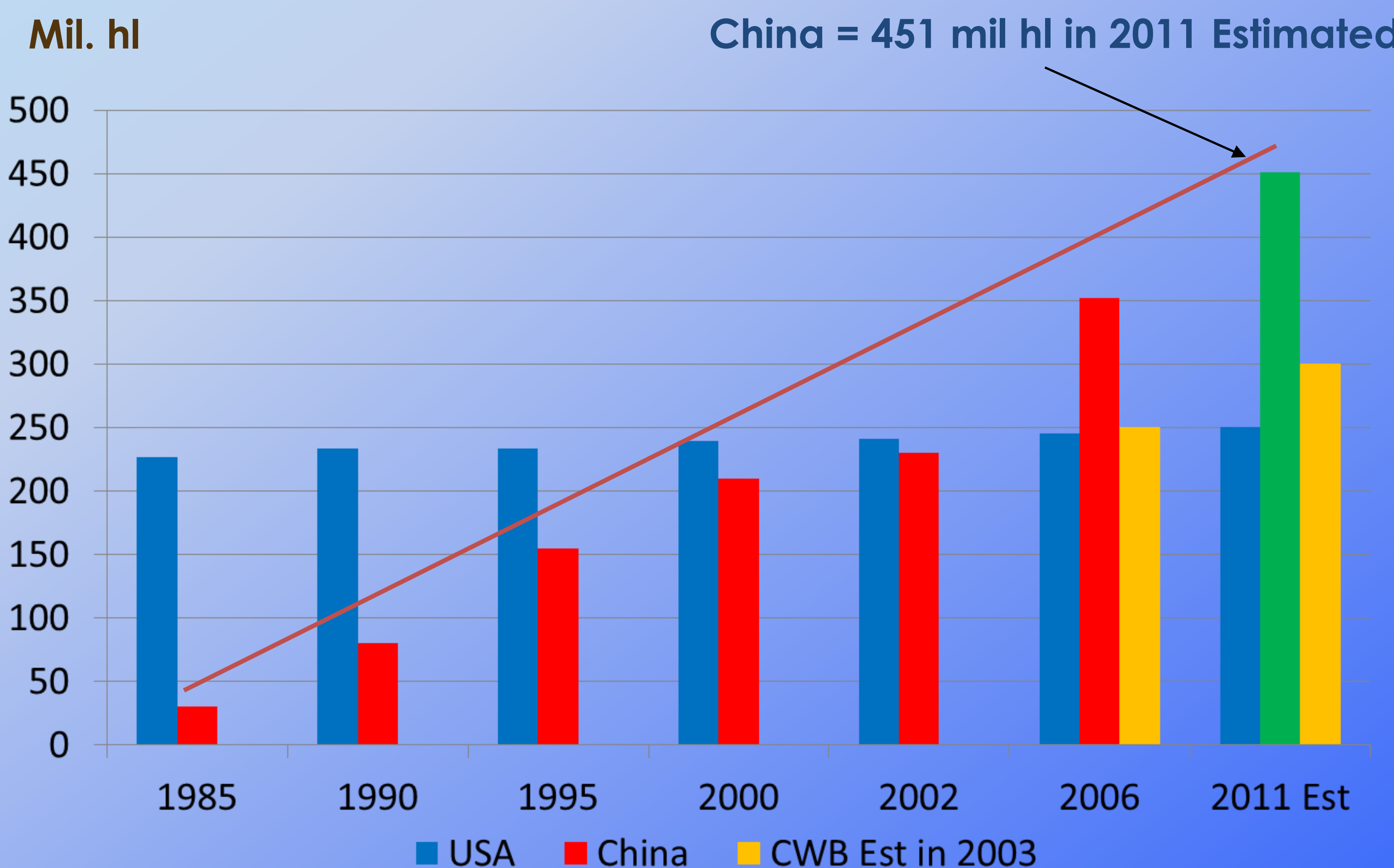
The barley quality will be strictly related to economic

No more over specifications, only buy what you needed

Part 1

The Brewing Industry in China

Comparison of China and USA beer production



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Source: Canadian Wheat Board 2003 estimate REVISED


China Beer Production
in mln hl
500.0
450.0
400.0
350.0
300.0
250.0
200.0
150.0
100.0
50.0
0.0
205.0
220.0
227.0
235.6
254.0
291.0
306.2
351.5
393.1
410.3
423.6
448.3
1999 2000 2001 2002 2003 2004 2005 2006 2007 2008 2009 2010e
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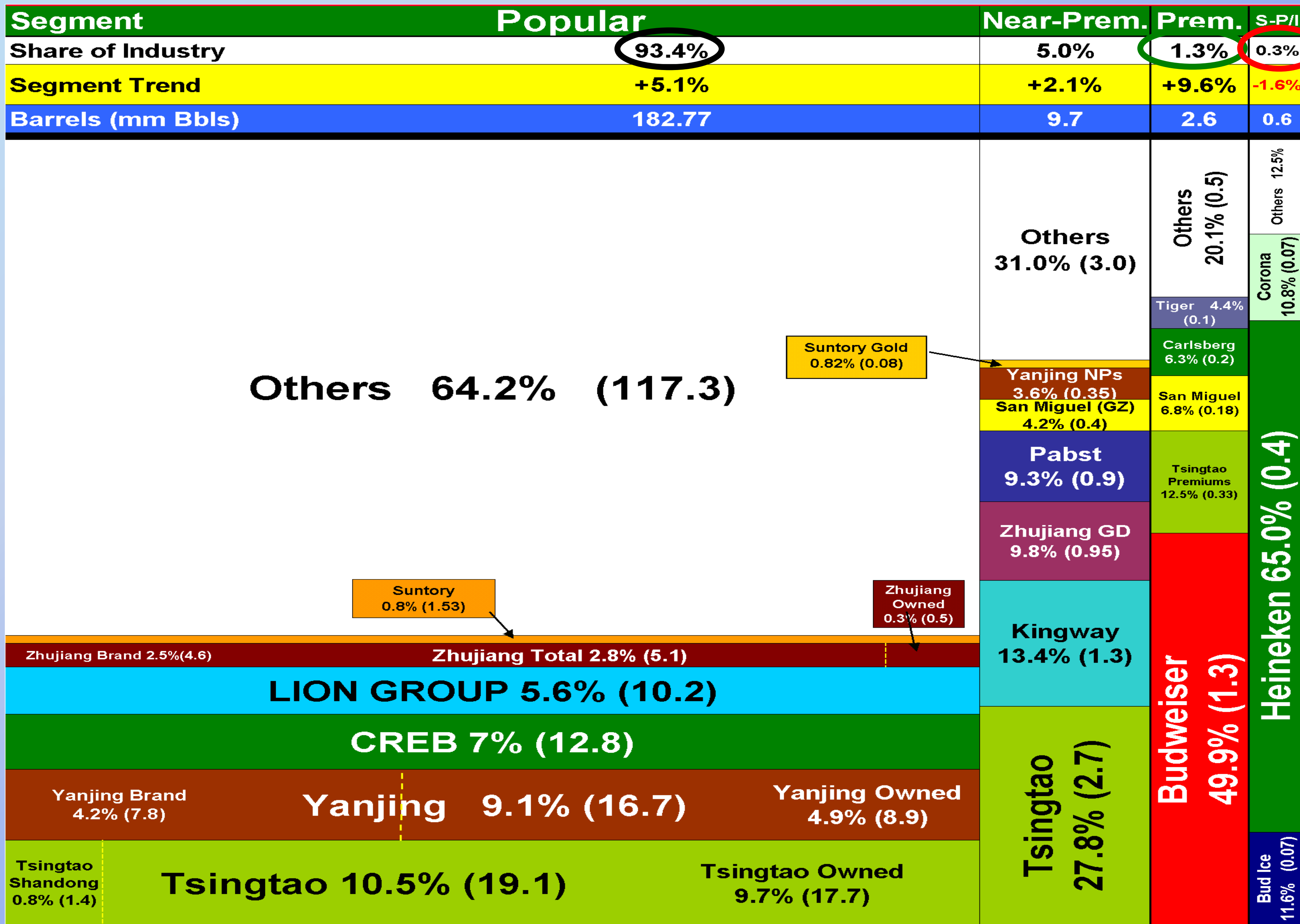
Beer Market Share



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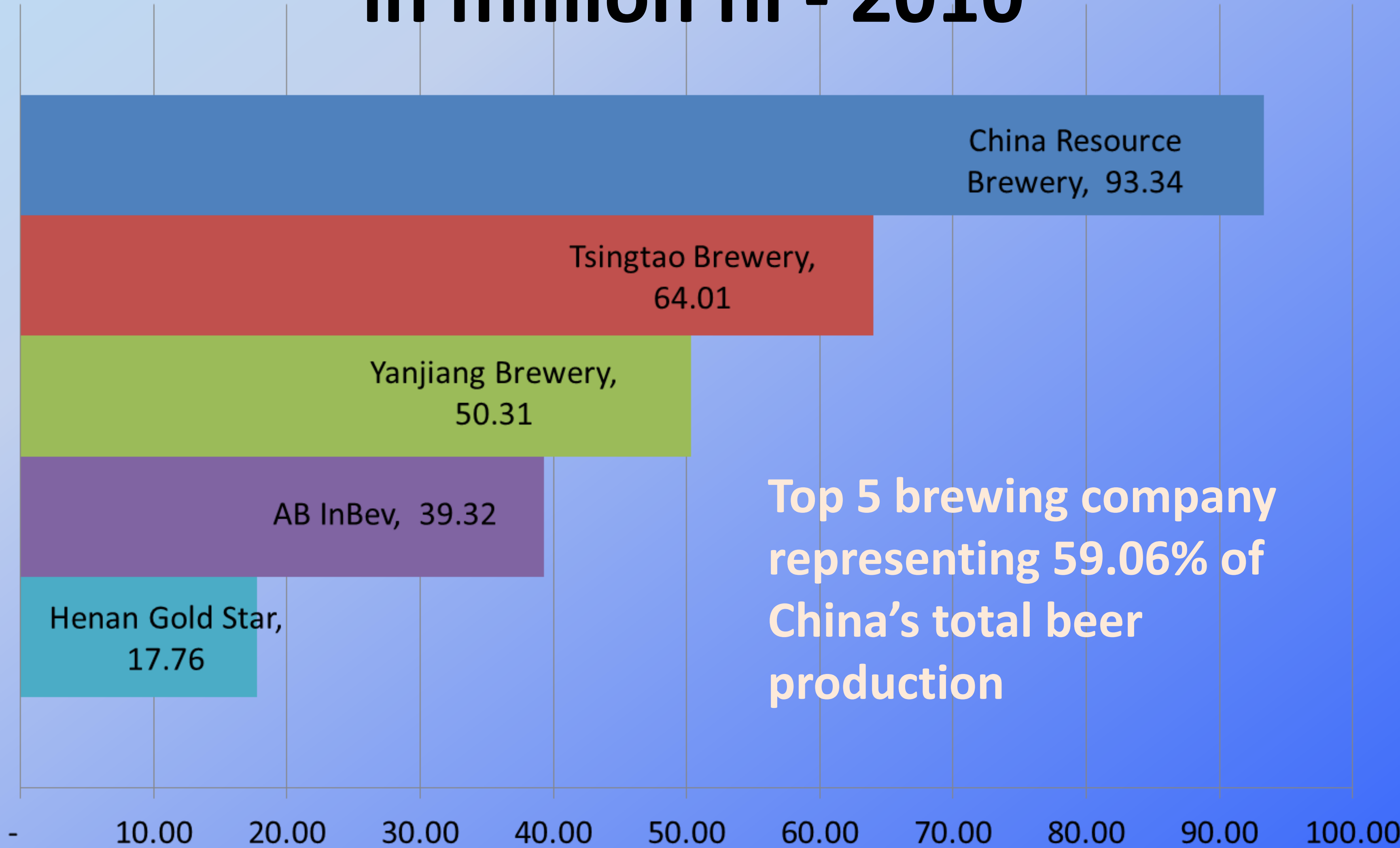
-- Source: Anheuser-Busch International (Wuhan) Brewery

Major Breweries Production in million hl - 2010



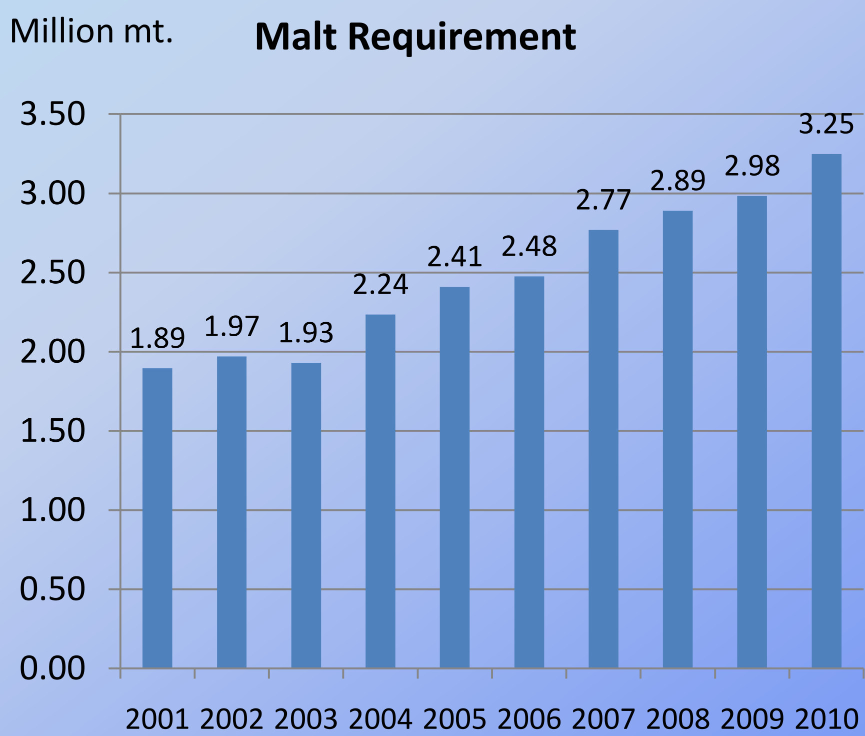
Top 5 brewing company representing 59.06% of China's total beer production

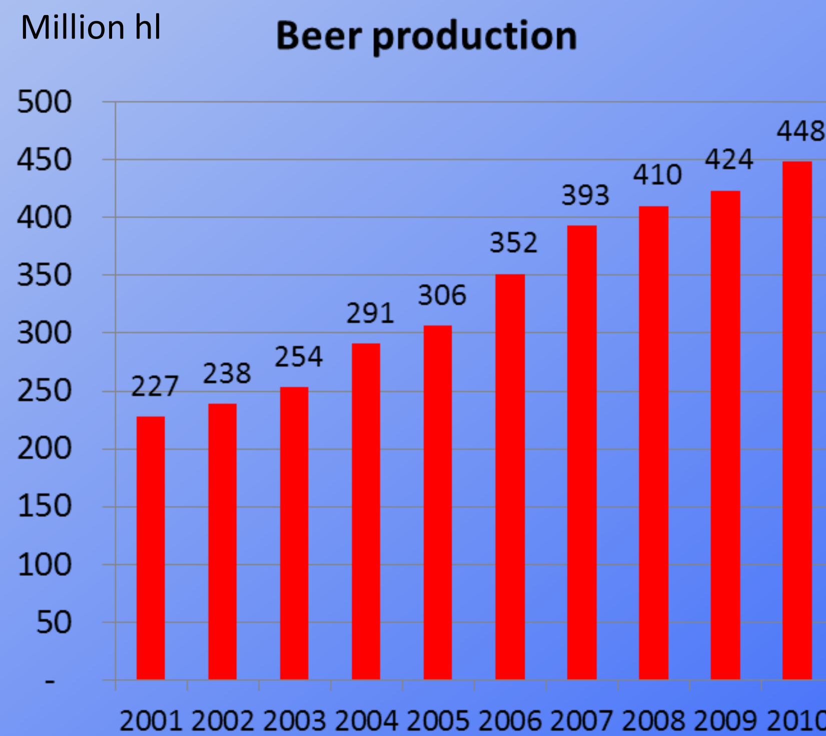
*Part **2***

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.

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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

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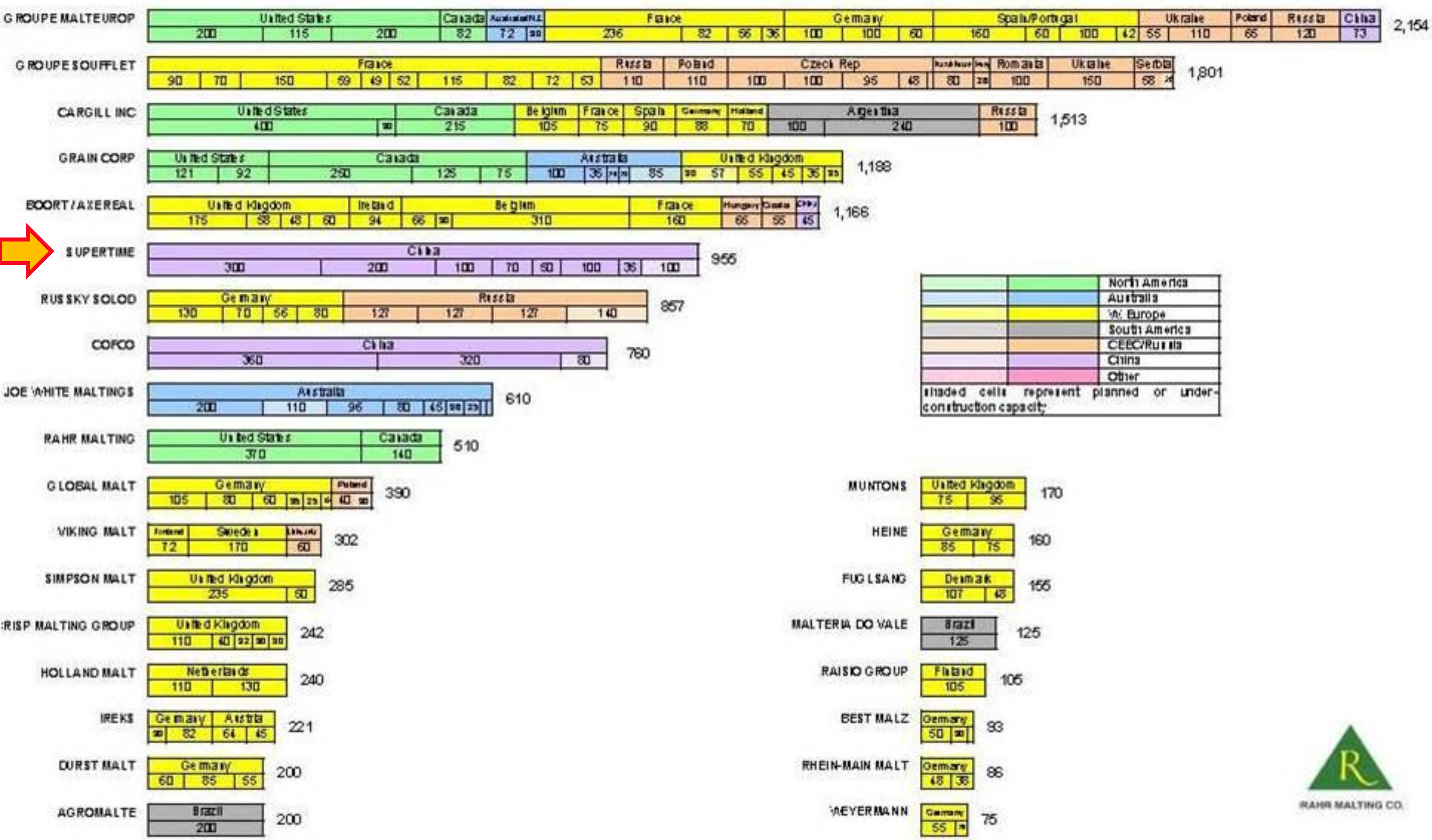
World's Major maltsters

Major Commercial Malting Companies 2010



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

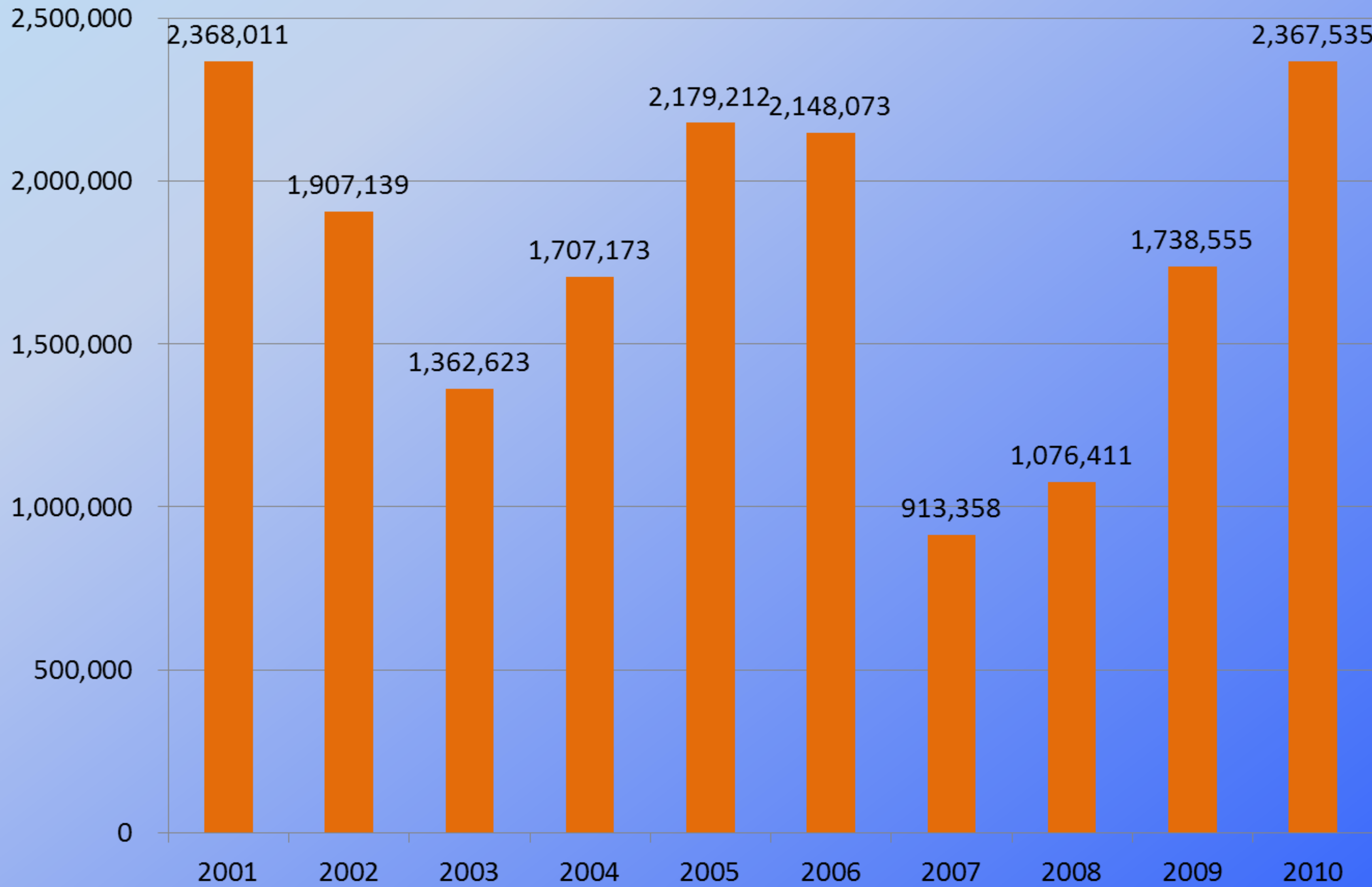
Low Grade barley

Utilization of low grade barley to make malt

Part 3

The Malting Barley Market in China

Total Barley import



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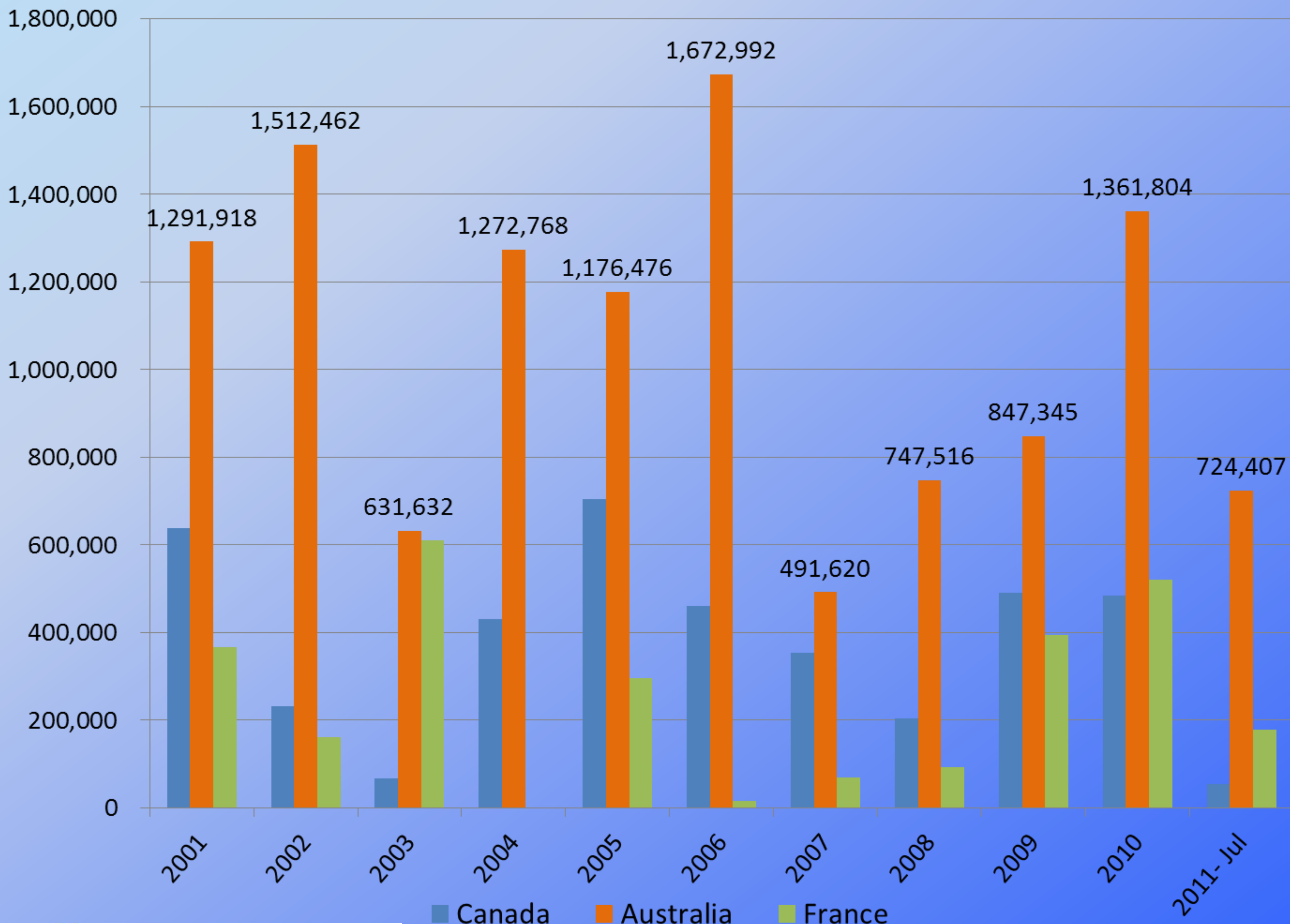
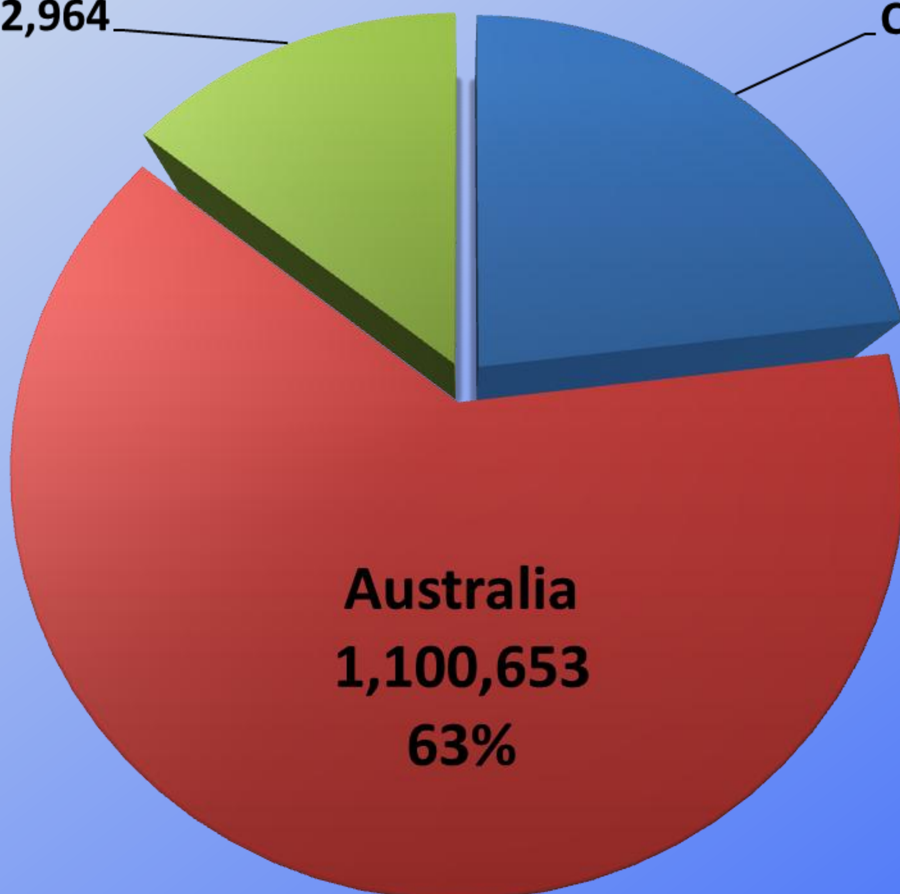
Australian Barley to China



10 Years' Average by Country of origins 2001 to 2010



(mt.)

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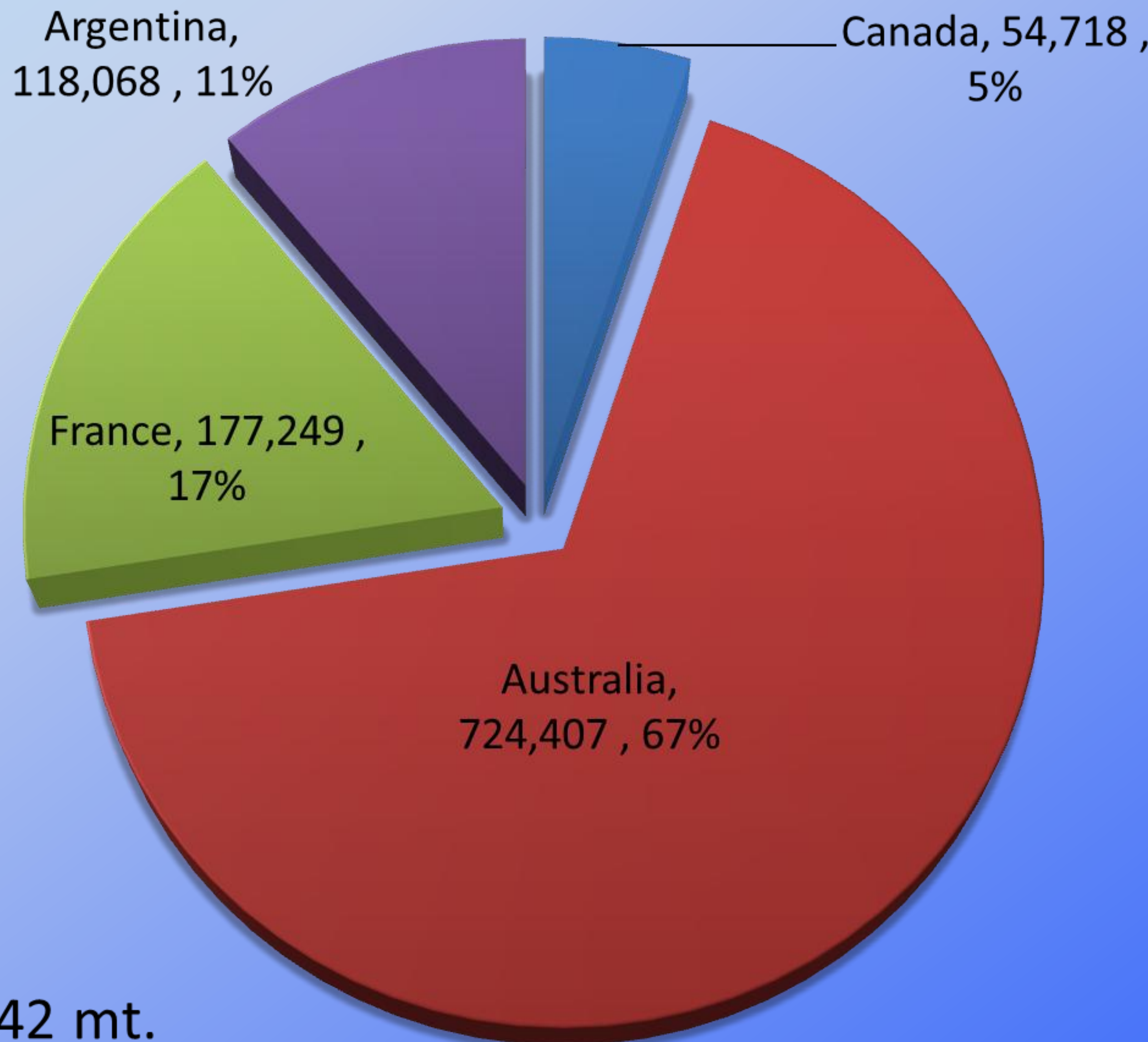
2011 Jan to July Import

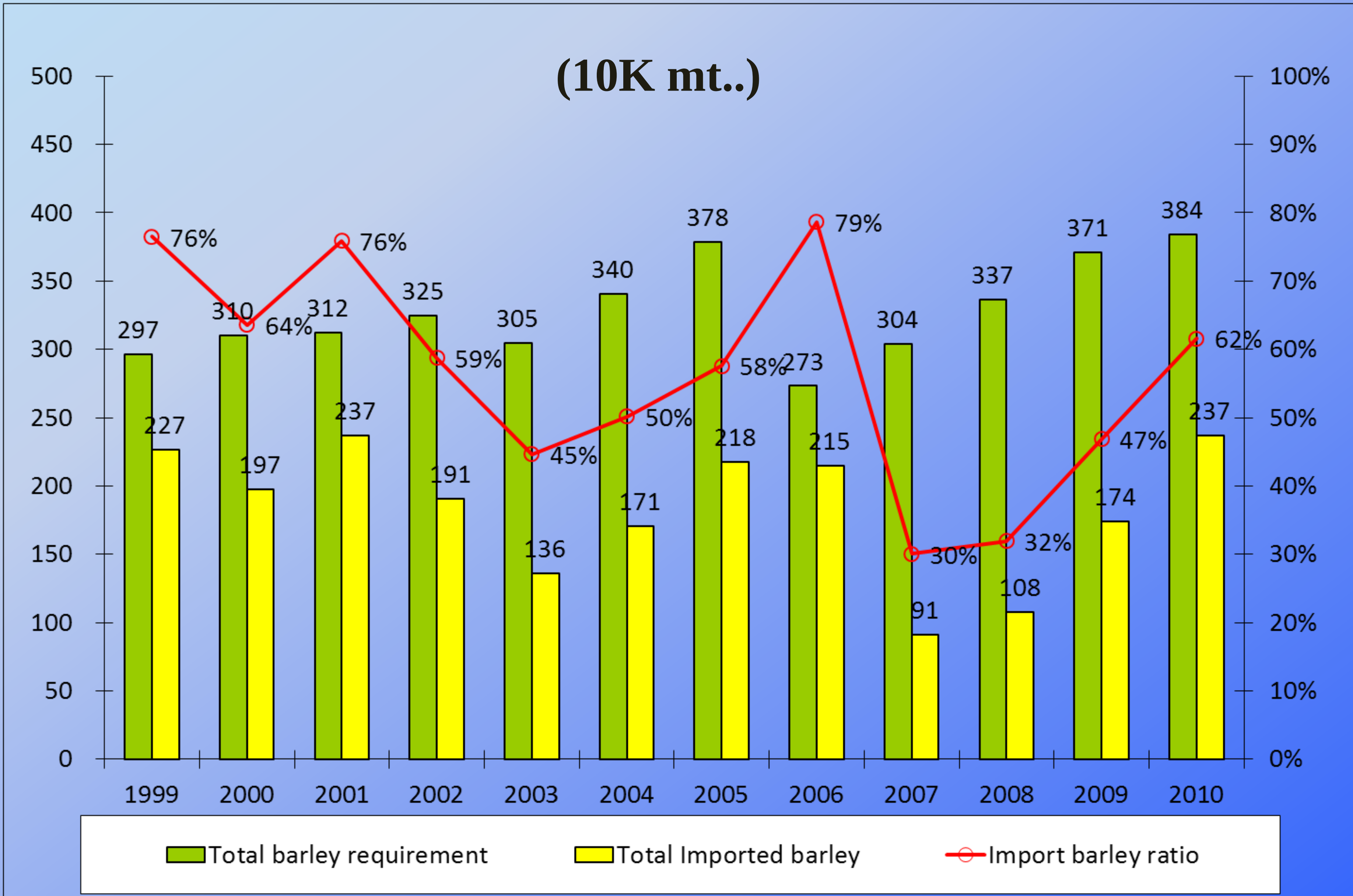
NEW ENTRY TO THE CHINA MARKET



Total 1,074,442 mt.

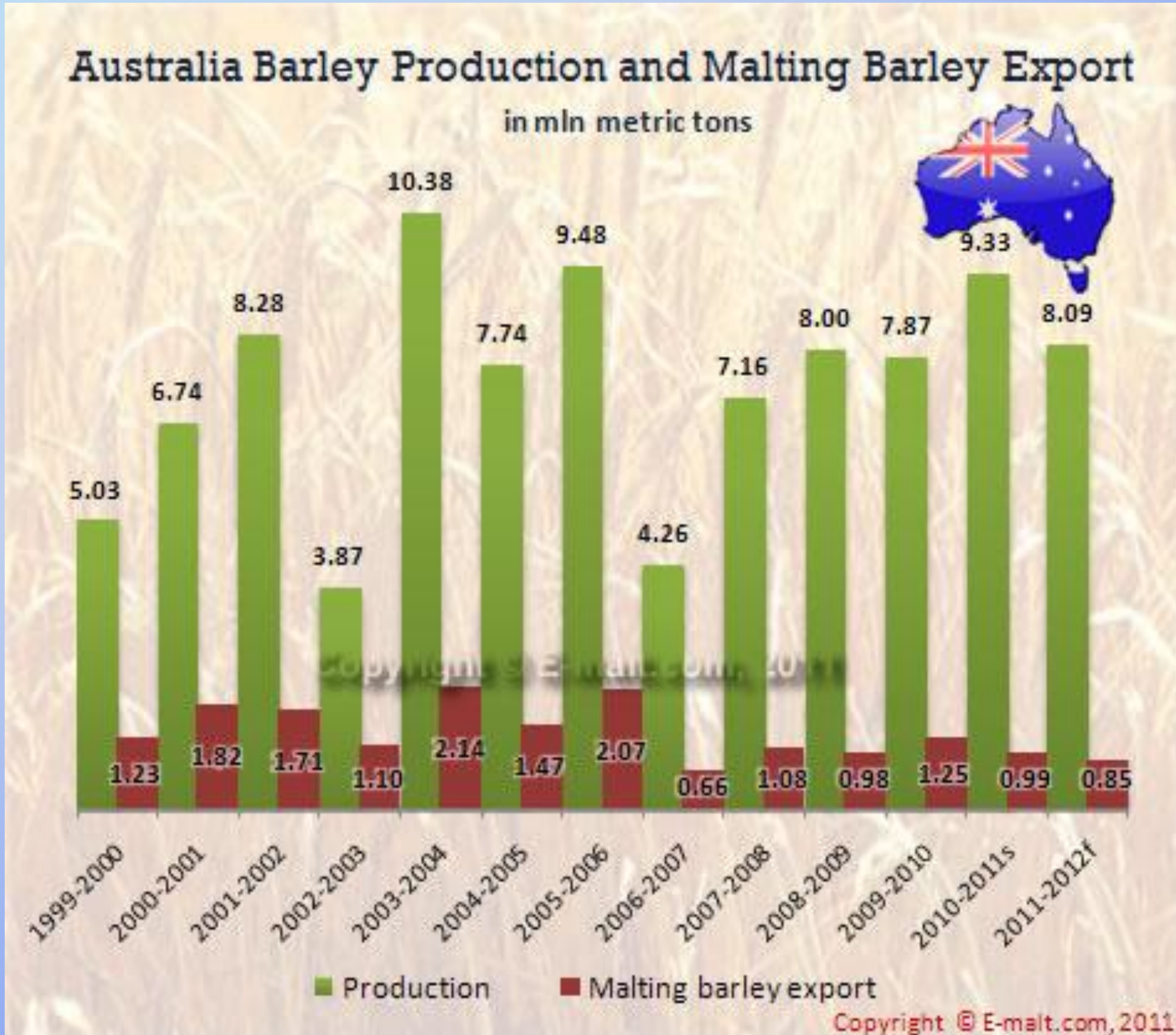
(mt.)

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
10.38
9.48
9.33
8.28
7.74
8.00
7.87
8.09
6.74
7.16
5.03
3.87
4.26
1.23
1.82
1.71
1.10
2.14
1.47
2.07
0.66
1.08
0.98
1.25
0.99
0.85
1999-2000
2000-2001
2001-2002
2002-2003
2003-2004
2004-2005
2005-2006
2006-2007
2007-2008
2008-2009
2009-2010
2010-2011s
2011-2012f
Production
Malting barley export
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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.

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

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!