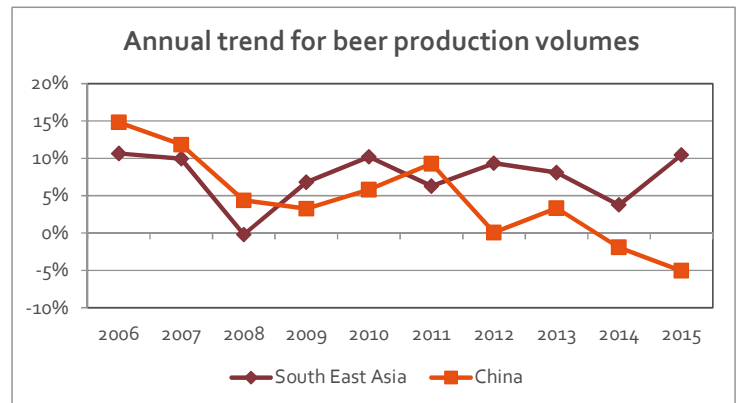
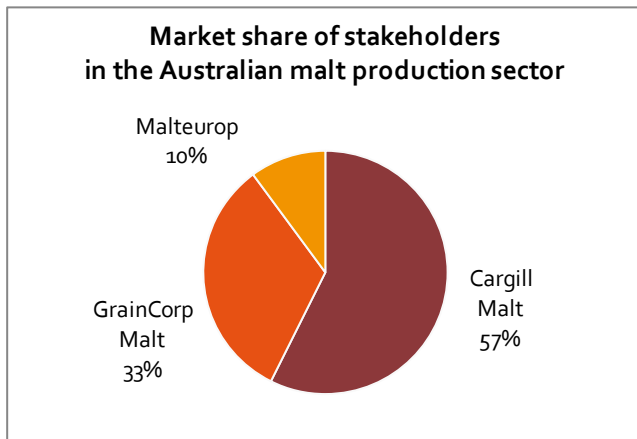




Unigrains – In Brief

A reshaping of the Australian malt sector?



Source: Unigrains, based on information from Barth Reports and D. Huvet Consulting

An announcement...

- Interflour, a flour milling joint venture, owned 50/50 by CBH, the west Canadian cereal cooperative, and food company Indofood, part of the Indonesian family conglomerate Salim, inaugurated its first malt production facility in Vietnam on 5 July, via its subsidiary Intermalt. This plant has production capacity of 110,000 metric tons of malt and was made possible by a \$70 million investment. It will use barley produced by CBH member farmers and will supply the country's main brewers, including Heineken Vietnam.

And a rumour...

- Its new chairman has only just been named but listed group GrainCorp, the largest grain transport and storage business in eastern Australia, is now subject to speculation on its future. A pension fund consortium is apparently interested in taking over all the group's infrastructure assets, meaning GrainCorp will be able to negotiate its cereal, malt and oilseed assets at better market value, even if that means being bought out by a foreign operator.
- GrainCorp is a global challenger on the malt market, positioned behind the top three – Malteries Soufflet, Malteurop and Cargill Malt – with malt production capacity of 1.3 MT, after the sale of its German business last May. Australia accounts for 21% of its total malt production.



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Unigrains' opinion

In light of these two events, our thoughts are as follows:

- Firstly, if GrainCorp's malt business was sold to a foreign operator, the Australians would no longer be active in the domestic malt production sector. However, this is still only a rumour and nothing has been confirmed for now. It is worth remembering that ADM made a failed attempt to get hold of GrainCorp, in which it had a minority stake, in 2013 and then, three years later, ADM got rid of its shares in the group altogether. In addition, GrainCorp is performing very well financially, boosted by a bumper 2016 harvest. The acquisition price would no doubt reflect this.
- Secondly, CBH, a newcomer to the malt sector, has opted for a different strategy: it processes in the region of consumption, preferring to transport barley rather than malt and working in partnership with a firm already present in the flour sector in the main Southeast Asian countries.

While Chinese and Japanese beer production is falling, the output of the Southeast Asian countries, although still relatively low at just 100 Mhl, is enjoying strong growth. This amounts to malt requirements of 1 MT.

Vietnam is one of the largest producers in the region, with close to 50 Mhl and growth of an average 13% a year over the last ten years, boosted by domestic consumption. In addition, with the private port built by Interflour, Intermalt will be able to export malt to neighbouring countries. Intermalt has capacity of 110 KT or approximately 10% of the region's market, and thus stands as a new rival for existing operators, especially those exporting from Australia and Europe.