

Business Standard

BEER IN TOP GEAR - II

Barley farming the next big thing

BEVERAGES *Carlsberg and Tiger beer manufacturers are said to be exploring tie-ups with Pepsi's contract farmers for barley cultivation*

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Barley, the key ingredient in brewing that perfect pint of beer, has for long been used mainly as animal fodder. But with the entry of several international manufacturers into the Indian beer market, which is growing at 15-18 per cent a year, barley cultivation is slated to become the next big opportunity. The international brands are betting big on the premium beer segment that's growing at a healthy 30-40 per cent and has led to an increase in the demand for malt barley.

Both South Asia Breweries, the makers of Carlsberg, and Asia-Pacific Breweries, the makers of Tiger beer are said to be exploring tie-ups with Pepsi's contract farmers for barley cultivation. Other MNCs may follow suit. Clearly, the international beer manufacturers, which started operations in India by importing the malt, are now mulling getting into barley cultivation since importing is proving expensive. "Growing the barley type (minimum 2.2 mm grain size) suited for brewing will govern the competition in the beer market in



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the future," says a liquor industry observer.

Already, the market leader United Breweries sources its barley from North India. "Barley is bought via the auction market. UB has a contract farm area of 10,000 acres in Punjab where the in-house developed two-row barley (VJM 315) is cultivated. We also work with Pepsi which, through its contract farming initiatives in the northern part of the country, supplies us the two-row barley," said Kalyan Ganguly, president & managing director, United Breweries Ltd (UBL). Two kinds

of barley are used by the beer industry — the conventional six-row barley and the two-row barley, which has an ideal protein content of 9.5 to 11 per cent.

SABMiller India sources its barley from Rajasthan and Haryana. While it has a contract farming agreement with HAFED, in Rajasthan, it has a barley project called 'Sanjhi Unnati', for which it has tied up with an NGO, Morarka Foundation. The objective of the programme is to help distribute government certified seeds and to educate existing barley farmers about best practices to help

them improve their quality and yields. "We provide farmers value for the right product hence farmers choose to work with us," says Sundeep Kumar, director (corporate affairs & communication), SABMiller India. SABMiller's focus on better quality barley also arises out of its growing premium beer business. With increasing demand for barley (it is the most commonly malted grain because of its high enzyme content) by the brewers, the crop prices have shot up by 20 per cent to touch Rs 1,200 per quintal from Rs 900 per quintal during

the January-May period.

According to the Ministry of Agriculture, the total domestic food grain production is estimated at 219 million tonnes for 2007-08. Out of this, barley production accounts for a meagre 1.33 million tones.

According to Karvy Comtrade's 'Barley Outlook Report', in India, during 2007-08, the area brought under barley cultivation was around 0.77 million ha and production was estimated at 1.31 million tonnes. The total consumption estimated to be 1.31 million tonnes is equal to the production.