

THE ECONOMIC TIMES

UB, rivals (beer) belly up to Pepsi for barley



Cola Giant Looks To Become Major Supplier To Breweries

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NEW DELHI

AT LONG last, looks like My Can will taste as good as your pitcher what with Pepsi poised to become a major supplier of quality barley to the many breweries dotting the country.

The cola giant has already signed a three-year exclusivity contract with Vijay Mallya's UB for the high-grade two-row barley it sows in Rajasthan's arid Sriganganagar and Hanumangarh areas, which is now into its second year. But the acute crisis of the main ingredient in the froth is driving many players to look at Pepsi barley as a viable option.

While UB's competition—South Asia Breweries

(Carlsberg, Palon), Asia-Pacific Breweries (Heineken, Tiger) and SAB-Miller (Foster's, Castle)—is knocking on Pepsi's door, UB, with a 46% marketshare, will not let go in a hurry. Industry is seeing this as Pepsi's first step towards acquiring the 'cola-to-beer' tag, especially with the easing of excise laws and high import duties. Asked if that was the case, PepsiCo India exports EVP Amit Bose denied the direct foray into beer, but confirmed that this was the first for PepsiCo globally to be a beer industry supplier.

PepsiCo has initiated collaborative farming in Rajasthan for high-quality barley cultivation. Pepsi partners 1,200 farmers, covering over 10,000 acres.

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## Farmers on high after better prices

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And it is looking at upping acreage with the burgeoning demand.

"Earlier, farmers used to grow wheat instead of barley since the latter was a last-option crop. Wheat gave them immunity with a minimum support price, which barley never gave. Moreover, whatever little barley they grew, was used as cattle-feed or selling it to the market at Rs 4/kg," elaborates Mr Bose.

UB Group, the country's leading spirits company with a major focus on the brewery (beer) and alcoholic beverages industry, approached PepsiCo India last year to source high-quality barley for its beer brand, Kingfisher, thus ensuring a ready market to the farmers for their produce. "There was an acute shortfall in barley until a year ago. We foresaw the crisis and tied up with Pepsi. As of now, Pepsi has an exclusivity clause with us and we would like to review it positively," says UB malting operations divisional VP RK Jindal.

Meanwhile, the competition is queuing up. "For Carlsberg, we've to import quality malt for consistency and the prices are high. There's a shortage when it comes to quality barley and we're looking at options," claims Pradeep Gidwani, MD of South Asia Breweries, which has also approached Pepsi. Malt-grade barley has wider applications in the field of food, beverages, breweries and pharmaceuticals. In 2006-07, India produced approximately 1,220 thousand metric tonnes of barley, most of which were used for cattle feed.

Under its barley initiative in Rajasthan, PepsiCo provides high-quality seeds, technical know-how and packaging practices assistance to farmers, positively impacting their yield and income. Pepsi has also introduced two new high-yield varieties of malt barley seeds. The results are already showing. A farmer who used to earn maximum Rs 4/kg is now able to sell his produce for around Rs 9-10/kg.

Pepsi enables farmers in Rajasthan to grow two-row barley as "it is the best variety to get good malting quality". India follows the six-row method, but two-row is the preferred choice world over. "We have been approached by brands like Heineken, Foster's and Carlsberg since they want quality barley for premium beer but our exclusivity with UB is coming in the way," says Mr Bose.

Unlike other winter crops, barley needs less water and is more tolerant to salinity and alkaline conditions than other crops. It is, therefore, of significance in areas where it is impossible to grow wheat crop, owing to unsuitable soil and insufficient irrigation. Geographically, Pepsi's chosen area, Rajasthan, complements the conditions. In Pepsi-speak, 'Yeh Hi Hai Right Choice, Baby (Hic)'