

SOUTH AUSTRALIAN

Food Centre

Case Study ABB Grain Ltd



Focus: Information flow

This case study summarises how the information flow between ABB Grain Ltd and Japanese brewer Sapporo Breweries has fostered a strong brand and long-term benefits for both companies, as well as for South Australian barley growers.

Introduction

ABB Grain is a leading Australian agribusiness with a multi-faceted operation and international focus. ABB Grain accumulates grain from across Australia, and trades in all grain commodities.

A key market for the company is its malting barley. ABB Grain's malting division, Joe White Maltings, is one of the world's largest producers of malt with the capacity to produce more than 500,000 tonnes per annum.

For the past 25 years, Joe White Maltings has supplied malt to Japanese brewery Sapporo Breweries Ltd. A close relationship has developed between ABB Grain and Sapporo during this time.

The Japanese market is a demanding one. Consumers are increasingly conscious of food safety issues and want to know the 'who, what and where' behind the foods they consume.

Sapporo has worked closely with ABB Grain and its barley growers to ensure a steady supply of 'clean green' malting barley for its quality beer range.

Business overview

Sapporo Breweries prides itself on producing quality beers that meet stringent brewing standards.

In recent years, traceability has become an important marketing point for Sapporo.

Eight years ago, in close consultation with ABB Grain, Sapporo set up a Collaborative Contract Farming System (CCFS). The program requires participating barley growers to keep a crop 'diary' that charts chemical and fertiliser use, and reports on crop progress and previous paddock use.

The program is overseen by regular visits from Sapporo fieldsman Ken Oogushi and his protégé Wataru Saito at pre-seeding and pre-harvest stages.

The information garnered by the CCFS program is used to determine the carbon footprint for beer production. This is another important marketing point for Sapporo, which is the first brewery in the world to show CO₂ emissions on each can of beer.

Up to 40 SA growers have been involved in the traceability program over the last four seasons and two malting barley varieties are approved under the system – Gairdner and Flagship.

Sapporo has conducted a barley breeding program in Australia for the past 15 years and is continually evaluating promising new malting barley varieties.

Key to the success of the traceability program has been a steady information flow and the open and transparent communication between ABB Grain and Sapporo.

How to move forward?

ABB Grain and Sapporo have helped each other move forward and grow during their 25-year relationship.

The close and open working relationship between Joe White Maltings and Sapporo has also allowed the companies to face, and overcome, challenges together.

Joe White Maltings and Sapporo have been able to maintain their long-term relationship thanks to consistently providing a quality product.

The businesses have strengthened their working relationship over the years by developing a strong technical bond.

In the early stages of their working relationship, Joe White Maltings introduced one of its barley breeders to the Australian barley growing scene.

In turn, Sapporo developed a collaborative research and breeding program at the University of Adelaide's Waite campus.

In 2000, Sapporo in collaboration with Joe White Maltings and the University of Adelaide released the Lofty Nijo malting barley variety. For several years ABB Grain offered Australian growers a premium for growing Lofty Nijo, which in turn was malted by Joe White's for export to Japan.



Where to go for help and advice?

Joe White Maltings and Sapporo have a unique relationship.

After 25 years together, they have made it their business to know and understand the challenges each face, so they can overcome them together.

For example, Sapporo's quality assurance program has involved educating South Australian barley growers about the Japanese brewer's traceability requirements and their customers' keen regard for food history knowledge.

Similarly, ABB Grain has educated Sapporo about the particular challenges Australian barley growers face with drought and the fluctuating seasons.

In essence, the two organisations often turn to each other for assistance and advice. They also utilise the relationships they have developed with other organisations.

For example, Joe White Maltings used its existing relationship with the Waite Institute to instigate the investigation of new barley varieties. Sapporo and the Waite Institute took over from there, working together on developing new varieties.

Joe White Maltings and Sapporo say they have much in common in a cultural sense. The key leaders in both organisations have worked hard to smooth the path of a new generation of leaders.

Joe White Maltings says the goodwill between the two companies, and the level at which they communicate and transfer information has been a key to their dual ongoing success.

Value chain specifics?

The CCFS was introduced in direct response to Japanese consumers' keen regard for food knowledge.

As a result of the program, all the raw materials found in beer – barley, hops and any other adjuncts – are now traceable from the farmer through to the bottle.

Sapporo is believed to be the first brewery in the world to develop a 'paddock to bottle' traceability model.

ABB Grain says Sapporo's initiative has helped it to develop its own traceability system. This has been a huge bonus for ABB Grain as it believes traceability will become the way of the future for food and beverage production.

Barley growers contracted to ABB Grain and Sapporo benefit from having a guaranteed buyer for their barley crop.

Joe White Maltings generally malts the barley and then ships the malt to Sapporo to utilise in the production of fine beers. On occasions, ABB Grain has also supplied Sapporo with barley for the brewer to malt itself.

What have they learned?

The key lesson ABB Grain has learned from its relationship with Sapporo is that traceability is critical – not only to their ongoing future, but across the greater food production landscape.

Even though the CCFS was initiated by Sapporo, ABB Grain says it has benefited from being involved. However, there have been challenges along the way. For example, finding and maintaining growers willing to be part of the program, collecting the growers' diaries, trying to decipher their handwriting and translating the information to send to Sapporo.

ABB Grain says while the process is not a simple one, what they have learned from it has been invaluable and will serve the business well in the future.

ABB Grain will seek to streamline the practice in the future, perhaps developing the diaries into an electronic, on-line format.

Sapporo is also keen to see a reduction in the use of chemicals and carbon footprint in the barley growing process in the future.

Critical success factors?

ABB Grain and Sapporo say critical to the success of their venture has been the strong, personal relationship they share. Information is shared in a transparent and timely fashion, while personal and business relationships are continually developed.

Attention to detail, particularly in relation to malt production, barley cultivation and storage, has also been a key factor in their success.

Joe White Maltings creates special CCFS malts for Sapporo, so the latter can create unique, premium beers that set them apart from their competitors. ABB Grain sees those raw materials as being critical to the success of Sapporo's new, premium brands.

Challenges?

Having traceable grain involves carefully planned logistics, and this has been a key challenge for ABB Grain. The logistics can be quite complex: identifying suitable sites to grow the barley, organising suitable storage, transporting the barley to Joe White Maltings' plants and segregating it from its other malting barley before processing it through their malting plants.

Other challenges are presented by nature. Below average spring rainfall, for example, can result in decreased barley yields and as a consequence reduced availability. Too much rain at harvest time can also compromise or downgrade barley quality.

Attention to detail in terms of optimising malt quality is critical for ABB Grain to ensure consistency of output.

ABB Grain is pleased that despite the challenges the company has been thrown, it has been able to consistently satisfy the requirements of Sapporo by supplying relatively uniform Pilsner malt and special malt quality over the last four years of the CCFS program.

What does this case study show?

The ABB Grain/Sapporo study shows that ultimately, if people across a number of organisations feel comfortable with each other, are open about their needs and wants, and ensure a quality information flow, it is possible to achieve an enduring, long-term relationship – even during tough times.

The value of that, as ABB Grain has discovered, is that you can supply the same company for 25 years and look forward to continuing to supply them for another 25 years in an ever-increasing competitive brewing market.

The next step?

The future is very exciting for ABB Grain and Sapporo. The barley breeding program is ongoing and expects to announce some exciting developments in the future.

Joe White Maltings is confident that as Sapporo continues to develop new brands, it will be ready to assist with appropriate new malt products.

Behind every new premium beer brand produced by Sapporo will be a team of proud staff from ABB Grain and Joe White Maltings.

Food in SA – A snapshot

Food is vital to South Australia's economy.

The agrifood industry currently contributes \$11.5 billion to the state's economy each year – and accounts for 145 000 South Australians jobs.

The majority of South Australian food industry businesses are small to medium operators.

Agrifood products contribute approximately 25% of exports from South Australia. Wine exports add a further 25%.

South Australia's major export markets are Japan, USA and Hong Kong - with products such as Meat, Seafood, Fruit and Cheese on tables and kitchens worldwide.

Under the South Australian Food Plan – which underpins the future development and growth of the State's food sector – a key target is to increase the value of finished foods by 8% per year.

