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Expansion of North American malt production capacity to support customers and craft sector growth

GrainCorp is pleased to announce a significant expansion of malt production capacity at its Great Western Malting facility in Pocatello, Idaho. The project will increase capacity at Pocatello by 120,000 tonnes, bringing the total annual malting capacity of the facility to 220,000 tonnes.

GrainCorp Managing Director & CEO Mark Palmquist said a significant proportion of the new capacity would be underpinned by long term supply agreements and relationships with major customers. The balance of the capacity would enable GrainCorp to increase its exposure to sustained demand growth from the North American craft brewing sector.

"We are very excited about the opportunities for GrainCorp Malt arising from the ongoing growth in demand for malt, particularly from craft brewers," Mr Palmquist said.

"The craft sector in the United States has been growing consistently at 10-15% per annum over recent years and is expected to make up 20% of that country's beer market in the next five years. The fact that craft beer consumes larger quantities of malt per litre also means that existing malting capacity is under some pressure.

"It is pleasing that we are in a position to take advantage of this step-change opportunity which extends our growth within the Malt group. Investing in our supply chain, supporting customer growth and positioning ourselves to capture further value within the craft beer sector is perfectly aligned with our focus on building out the more reliable earnings streams within our business," Mr Palmquist said.

President of GrainCorp Malt Greg Friberg said that GrainCorp had strong connections with North American major and craft brewers through its Great Western Malting, Canada Malting Company and Country Malt Group businesses.

"Building our capacity at Pocatello makes sense on a number of levels," Mr Friberg said. "Idaho is one of the most reliable sources of quality malting barley in North America and Great Western Malting has developed very close relationships with Idaho malting barley growers over 30 years. Freight and utility costs are competitive and the plant is well located to key target markets.

"We have strong customer demand and support; a group of engaged and dedicated employees who are very passionate about the industry; and good positive working relationships with the community, Bannock Development Corporation and the City of Pocatello. Pocatello Mayor Brian Blad and his team have been instrumental in getting this project brought to Pocatello." Mr Friberg said.

GrainCorp will invest approximately US\$75 million (AUD\$95 million) in the project, funded from cash flow and debt facilities and spread evenly over FY16 and FY17. Construction works are expected to commence in the third quarter of 2015, subject to receiving planning and local regulatory approvals. Completion is expected around the middle of calendar year 2017.

The project is expected to generate returns above GrainCorp's historical hurdle rate of 12%.

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