

Steve Rockhold

Director

Brewing Materials Procurement

MBAA Rocky Mountain District

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Brewing Materials Procurement

We are a dedicated team that is passionate about the beer business and strive to deliver:

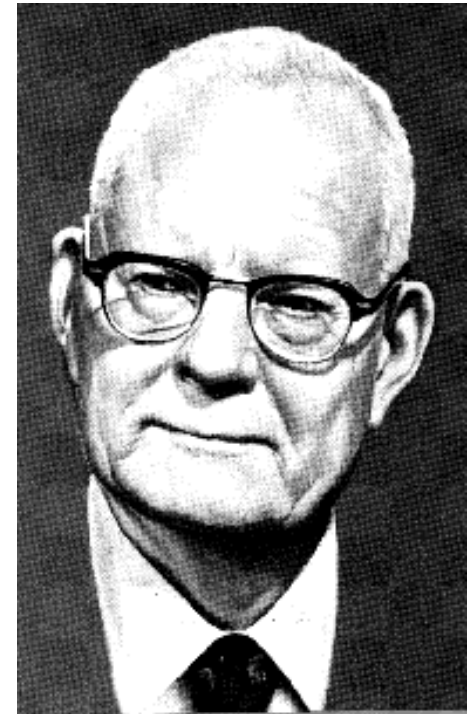
- Best materials for our breweries in the safest manner
- Highest quality materials as defined by our customers
- Right materials at the right time to service our customers
- Deliver the highest total value materials as determined through Total Cost of Ownership

We procure and sell:

- **Barley**
- **Malt**
- **Hops**
- **Liquid Adjunct – Dextrose/Maltose**
- **Wheat**
- **Oats**
- **Spices**
- **Flavorings, Colorings, Special ingredients**
- **Diatomaceous Earth**
- **Enzymes**
- **Filter Clothes/Aids**
- **Malt Sales**
- **Sales of Co-Products**
- **Energy**

We focus on quality because:

- Downtime/delays due to lack of material availability
- Scrap
- High inventories
- Increased freight costs to expedite shipments
- Poor ingredients usually result in having to use more material



**These practices are much in line with another “Total Cost of Ownership” guru;
*William Edwards Deming***

Deming is widely credited with improving production in the United States during World War II, although he is perhaps best known for his work in Japan. There, from 1950 onward he taught top management how to improve design (and thus service), product quality, testing and sales (the last through global markets) through various methods, including the application of statistical methods.

In the 1970s, Dr. Deming's philosophy was summarized by some of his Japanese proponents with the following 'a'-versus-'b' comparison:

- (a) When people and organizations focus primarily on quality, defined by the following ratio,
quality tends to increase and costs fall over time.
- (b) However, when people and organizations focus primarily on **costs**, costs tend to rise and quality declines over time.

Suppliers

The relationships that we cultivate with our suppliers result in better quality, better service, better technical support, more innovative ideas and continued right pricing.

Barley

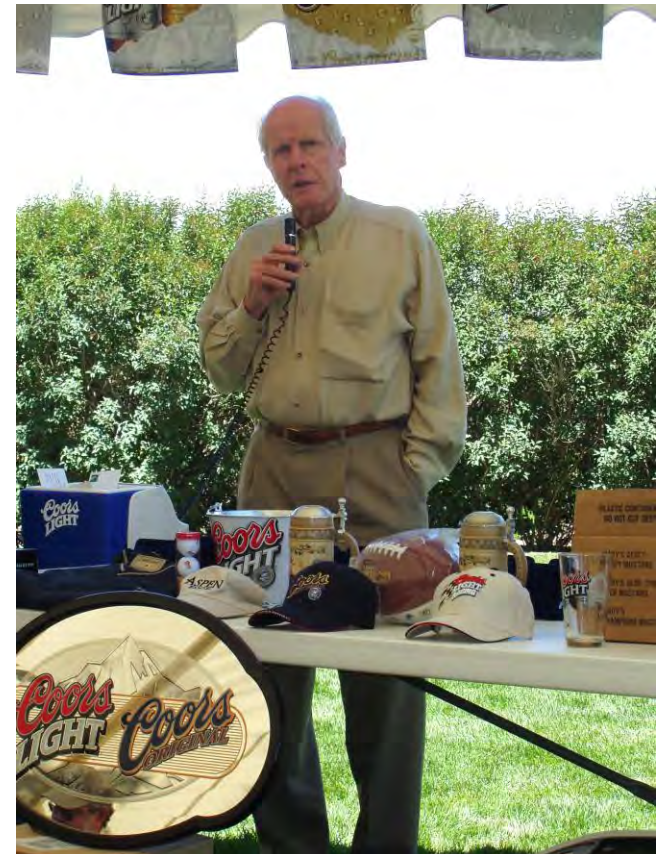
The key to procuring great barley is having great supplier partners, our barley growers!



What is value in our supply chain?

For Coors, it starts with **barley**. We have to have a high quality, safe, consistent, identity preserved, supply of barley to make high quality malt. That in turn is used to make our unique Rocky Mountain style beers.

“I really think, my dear friends, that one of the reasons that we have prevailed and so many breweries haven’t, is that we focused our full efforts and our full intentions on producing a quality product. I think some of you have heard me say this before, that barley is to beer as grapes are to wine. You cannot make a good wine out of bad grapes and you can’t make a good beer out of bad barley. You can make a terrible beer out of good barley, that’s easy to do. But at least start right.”– Bill Coors (2004 Center, Colorado, Barley Field Days)



The MillerCoors Direct Barley Program

From a handful of barley seeds...

The starting seeds for the Coors malt barley program came from Moravia. Due to an excellent supply and favorable economy, Coors purchased a quantity of malt from R. Karsten Ltd. In Prague, Czechoslovakia. Contained in one of the letters from R. Karsten Ltd. was a small sample of that seasons Moravian barley crop.

John Ulrich, a Loveland, CO farmer, planted those seeds in his fathers garden in 1939. Coors officials approved seed increases over the next 5 years until enough of the crop was ready for malting. Results of those malt trials were favorable, and in 1945, the first Coors beer was brewed with local malt. By 1946, other farmers were recruited and the Coors Barley Program was born.

The MillerCoors Direct Barley Program

- **Today, MillerCoors direct contracts barley with approximately 800 growers in Colorado, Wyoming, Montana and Idaho.**
- **MillerCoors owns 6 barley elevators with over 25 million bushels of storage capacity.**
- **Coors Brands family continues to be one of the few brand families in the US that direct contracts 100% of its malt barley needs and uses 100% domestically produced barley.**

The MillerCoors Direct Barley Program

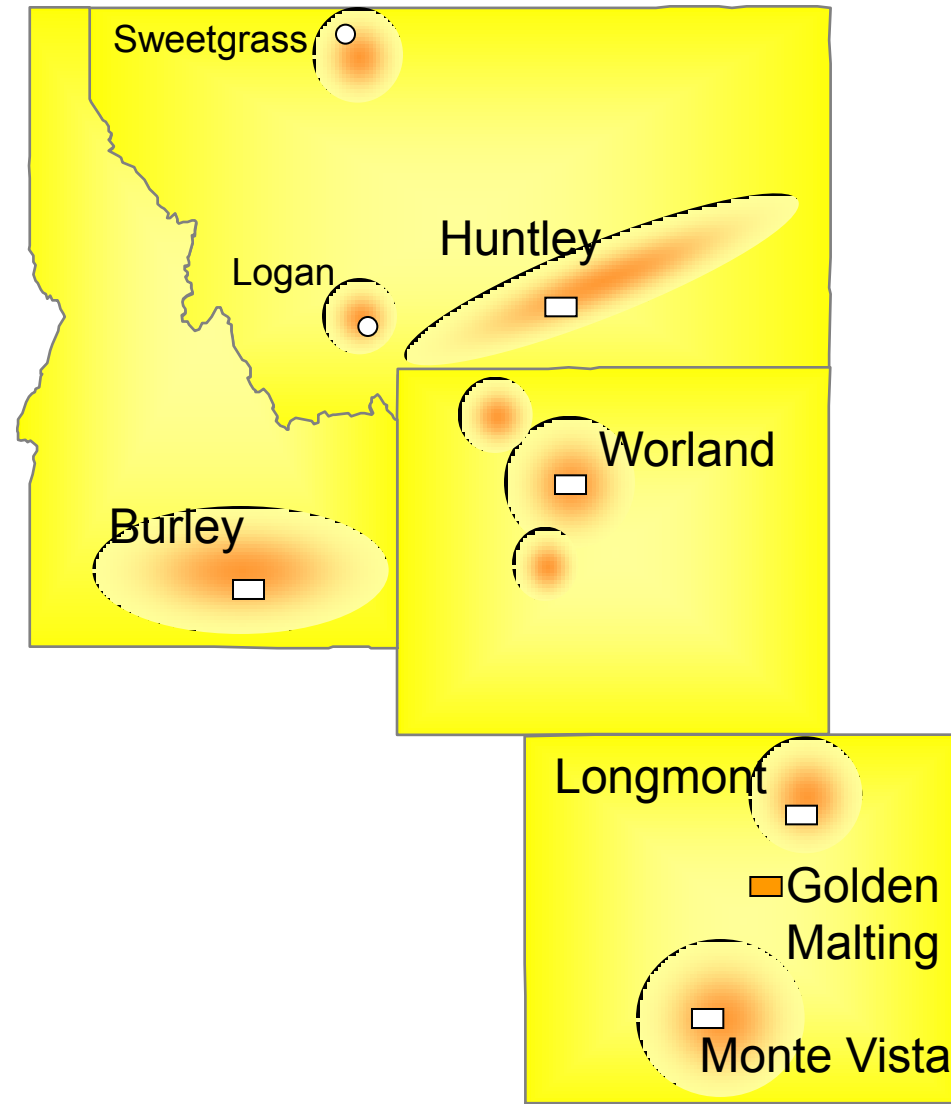
Several key factors in the legacy Coors Barley Program have been recognized as contributing to the success of the company and the program for the past 70+ years. They are:

- Specific Growing Areas for barley with favorable environmental conditions***
- Two-Row Barley***
- Internal Barley Breeding Program***
- Agronomist/Farmer Relationship***
- Barley Elevator Facilities and People***

Grower Direct Barley Growing Regions

Location...Location...Location

- ***Higher elevations***
- ***Low rainfall & humidity***
- ***Usually adequate irrigation water***
- ***Warm days & Cool nights***



The MillerCoors Direct Barley Program

Two-Row Barley

- *Coors brand has steadfastly stood with a preference for the traditional European two-row malting barley varieties for their unique smooth beer flavor, high yield potential, and high quality.*
- *Two-row barley is preferred over traditional six-row for its ability to yield plumper kernels, thus yielding higher amounts of malt extract.*
- *Two-row barley is also more consistent in performance when it reaches the malt houses due to its more even germination.*

The MillerCoors Direct Barley Program

Barley Breeding Program



MillerCoors operates research facilities in Burley, Idaho and Center, Colorado and continues to make advances in barley genetics. MillerCoors is also an AMBA member, utilize that organizations barley development capabilities as well. Our recent varieties have been bred to include such traits as:

- Resistance to stress including: Lodging (plant falling over), protein response, thinning of kernels, disease, and even pests such as the Russian Wheat Aphid.***
- Physical Characteristic improvements have been made in malt extract yield, malting times, bushel/acre yields, and specialized trait breeding.***

Since the beginning of the program, legacy Coors has bred over 100 different strains of the Moravian line, as well as several other commercial varieties. Only the best get used to make Coors beer!

The MillerCoors Direct Barley Program

Agronomist/Farmer Relationship

- Six expert agronomists consult with over 800 growers on barley best management practices.
- Search for the WIN / WIN with growers
- Barley must compete for highly productive irrigated acres
- Leverage our relationship to get acres, manage the cost, maximize quality, long term sustainability
- Scorecarding (Quality & Delivery) over 5 Year period optimizes grower base quality





Barley Field Days

We educate and reward our barley growers annually. This is also our opportunity to show the company commitment to the business and growers.



The MillerCoors Direct Barley Program

MillerCoors Barley Elevators



- Capacities to receive barley at harvest
- Aeration, temperature control conditioning
- Cleaning on receiving and shipping



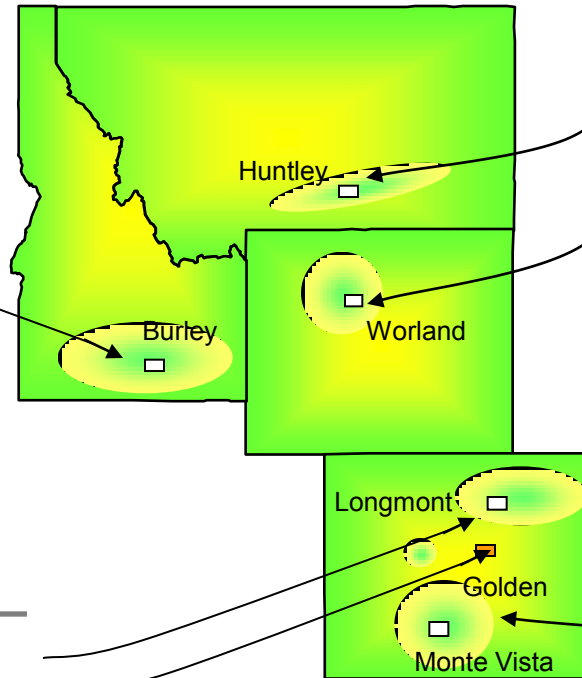
Brewing Materials Barley Field Staff

Idaho

Lbs processed 300,000,000
Acres 50,000
Growers 250
160 Miles across Region

Montana / Wyoming

Lbs processed 225,000,000
Acres 40,000
Growers 250
335 Miles between areas in MT
130 Miles between areas in WY



Northern Colorado

Lbs processed 70,000,000
Acres 12,000
Growers 120
250 Miles between areas in Region

Southern Colorado

Lbs processed 200,000,000
Acres 35,000
Growers 160
120 Miles across Region

25 people operate 6 grain elevators in 6 different locations

4 Regional Managers support both elevator operations and agronomists

15 Operational personnel that operate the facilities on a regular basis

5 Technical Agronomists that contract, advise, purchase annual barley needs

The MillerCoors Direct Barley Program

High Expectations

Coors has the highest standards in the industry which the barley must meet in order to be purchased. The 5 major standards are:

- *Plumpness*
- *Color*
- *Protein*
- *Moisture*
- *Damaged and Diseased Kernels*



**Loads are weighed, tested,
and either accepted or
rejected at the scale**



The MillerCoors Direct Barley Program

The Next Step...

- *After the barley is accepted, it is cleaned, stored, and conditioned in the elevator bins.*
- *As demand dictates, barley is shipped from the 5 outlying storage elevators to the McIntyre Elevator in Golden, Colorado, or too 3rd party malt suppliers.*
- *There the barley is staged for steeping into the malt house.*

So does this all work in our new MillerCoors world?

- *Leverage the best of both companies*
- *Seek to find and leverage the best practices*
- *Maintain quality as defined by consumers (brand) and stakeholders*
- *Optimize our brewing material supply networks*
- *Good decisions always based on Total Cost of Ownership*

Hops



MillerCoors hop program:

Very similar process, values, objectives as our barley program.



MillerCoors hop procurement program

- We utilize a combination of direct grower contracts, grower marketing associations, and hop merchants to procure our hops from around the world.



Hopsteiner

BARTH-HAAS GROUP

Hop Research Center
Hüll



- We also utilize public and private breeding programs for varietal development.

OSU Oregon State University

WASHINGTON STATE
UNIVERSITY
EXTENSION

HortResearch
Rangahau Ahumāra

Hop Selection Team

Each batch of hops used in Coors family brands are hand selected to assure that only the choicest hops meeting the specifications are purchased and used to make our beers.



Direct from the Grower



We recognize and reward our top hop growers annually.

We also find ourselves involved in fun, unique, projects that build on our passion for beer!



THE BEER

Colorado Native is a hand crafted lager that celebrates the joys of life in Colorado.

Hold up a pint of *Colorado Native* and drink in its amber lager color, brought to life with pale and caramel malts from our famous Moravian 2-row barley. We painstakingly balanced its malt character against select Chinook, Centennial and Cascade hops to create a perfectly balanced, full-flavored beer. A lager yeast fermentation gives *Colorado Native* a slight fruitiness, complementing a citrus aroma note from a late kettle hop addition. Everything then comes together to deliver a clean taste and dry finish that is very drinkable by itself, or paired with your favorite foods.

Colorado Native is brewed with three hop varieties: Chinook, Centennial and Cascade. As with our barley, the San Luis Valley is also home to many of our hops. We started our hops rhizomes in organic peat pots in Golden and then transferred them to the San Luis Valley. **Many of our hops are picked by hand from the Western Slope and from the property of friends and family.** By handpicking our hops we eliminate machine bruises. Carefully tended and nurtured, the plump cones of our hops balance our malt's sweetness and are added as an extra finishing step to give Colorado Native its special flavor notes. From the first sip to the final pour, its homegrown taste is a crisp, clean reminder of why it is so good to call Colorado home.

Keys to our Success



- We are passionate about the beer business

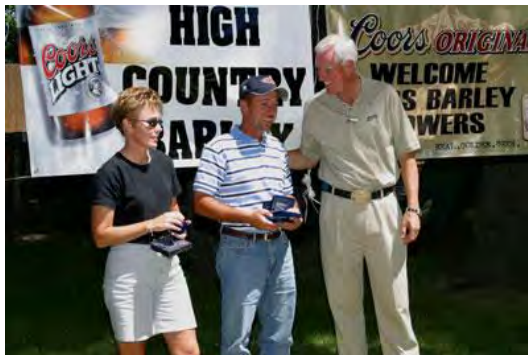
"We see ourselves as a high-potential new company with a unique foundation of great beer brands and 288 years of brewing experience and heritage."

Pete Coors
Chairman, MillerCoors

- We care foremost that our people are safe



- We strive to procure the highest quality materials by working in partnership with our suppliers to deliver the right materials at the right time to service our customers



- We deliver the highest total value through Total Cost



Brewing Materials:

Great Ingredients, Great Facilities, Great Processes, and Great People, results in Great Beer! "Prost!"

