

Malt Ingredients Market



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Global Outlook

According to Markets and Markets, the global malt extracts and ingredients market is estimated to account for \$17.6 billion in 2020 and is projected to reach \$20.4 billion by 2025, recording a CAGR of 3.0% during the forecast period. The market is primarily being driven by the growing demand for craft beers and natural sweeteners and the increasing consumption of alcoholic drinks across the globe. Another impetus for the growth of this market is the widespread usage of malt ingredients in food products.

Industry opportunities include the increasing demand for all-natural food products and the rising demand for ready-to-eat and packaged food. One restraint facing the industry is the entry of local players in the market who are known to offer low cost products and thus appeal to a much broader customer base.

The report explained, “Malt is mainly produced from barley. However, wheat, rye, sorghum and oats are also some of the sources of malt. Barley malt is mainly used to produce beer, whiskey, malt vinegar and malted milk. Barley is one of the most popular and traditional sources for malt ingredients due to its high-protein content and ease of malting. This is due to the extensive use of barley in the beer industry and the rising awareness of the health benefits of barley-based beverages. These factors are expected to prove positive for the barley segment during the forecast period.”

Europe is projected to witness the highest growth in the malt extracts and ingredients market during the forecast period. Europe’s growth is attributed to the increasing awareness of people about healthy dietary habits. The key factors driving growth in the European region are the increase in the consumption of beer and the rise in craft breweries. Additionally, the use of malts in food and non-alcoholic beverage applications is projected to drive the growth of the European malt extracts and ingredients market.



Non-Alcoholic Beverages and Food Sector

The non-alcoholic beverages sector of the malt ingredients market is expected to grow faster than the other segments, with a projected CAGR of more than 7% in the next few years, according to a report by Technavio.

Malt ingredients are used widely in light malt-based non-alcoholic soft drinks, non-alcoholic beers and malt-based hot drinks. Moreover, the malt-based compounds do not require any special expertise or technology for brewing and are quite popular in markets where the demand for alcohol-free beverages that have the taste and flavour of beer is high.

The food sector currently occupies a small but important portion of the malt ingredients market, where it is used as a natural source of flavour, sweetness and colour, while acting as a humectant. Malt ingredients are also used in various baked products, breakfast cereals, cookies, saltine crackers and related products.

The growing demand for malt ingredients in the food sector due to the rise in consumer preference for packaged and convenience foods is expected to have a positive impact on the global malt ingredients market during the next few years. Also, increasing health-consciousness has resulted in consumers avoiding food products that have chemicals and artificial elements, thereby positively influencing the demand for malt ingredients

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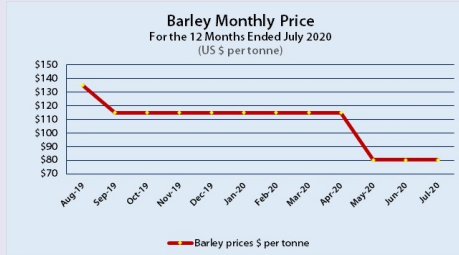


Fig 1 Barley Monthly Price



... The USDA estimates that the world barley production for 2020/2021 will be 154.2 million tonnes



Speciality Malts Segment Growth



Specialty malt is characterised by low enzymatic activities and is used to enhance flavour, impart colour and grant functionalities to baked goods, cereals, cookies, bars and many other bakery products. Additionally, speciality malts provide non-alcoholic beverages their unique flavour and characteristics. Barley is a major raw material used in the manufacturing of speciality malts, although, rye, corn, rice and wheat are also used.

The rising adoption of malt as a natural sweetener and additive and its increasing usage in the pharmaceutical industry has increased the demand for speciality malt. As a result, Markets and Markets projects the speciality malt segment to account for a higher market share during the forecast period from 2020 to 2025. Research Report Insights predicts the total global consumption of speciality malts will increase at a CAGR of 5.7% through 2026.

Additional factors that are expected to propel the market for speciality malts are the increasing consumption of craft beer and the growing number of independent breweries. There has also been an increase in R&D pertaining to improving the functionality of speciality malts which is expected to further propel the speciality malt market in future.



Barley Prices

According to data portal Index Mundi, prices of barley have decreased by 47% during the 12 months ended July 2020, with particularly sharp declines seen in September 2019 and May 2020.

World barley production last year was 156.1 million tonnes, according to the United States Department of Agriculture ("USDA"). The USDA estimates that the world barley production for 2020/2021 will be 154.2 million tonnes, which would represent a 1.2% decrease in barley production around the globe compared to last year. Europe is expected to produce the largest share with an estimated 62.8 million tonnes, followed by Russia with 17.5 million tonnes.

Regarding the forecast for global grain production for 2020/2021, the International Grains Council ("IGC") stated, "As projected [grain] supplies are more than ample to meet anticipated demand, the first build-up of global stocks in four years is expected, placed 20 million tonnes higher year-on-year at 635 million tonnes. This includes increases for wheat and barley."



Microbreweries and Amateur Brewers

A recent trend in the malt ingredients industry is that malt producers are increasingly catering to newer segments such as microbreweries and amateur brewers.

Malt producers are also responding positively to the new requirements of the craft beer industry. All of this means offering smaller quantities, as most of the new breweries are still relatively scaled down and do not need deliveries by the tonne. These smaller quantities also serve the brewing giants, who use them for testing purposes



Applications in Convenience Foods

The growth in rate of consumption of processed and convenience food products, primarily in the emerging markets such as countries in the Asia Pacific region, is contributing significantly to the rising sales of malt ingredients. Various factors such as rise in consumer awareness regarding the health benefits of malt ingredients and the wide range of applications in food

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industry are driving market growth. Going forward, experts expect this trend to gain further prominence, opening up additional opportunities for players in this industry.

Economic Impact of Coronavirus

Undoubtedly, coronavirus is a black swan event – something that happens once in a century. Its spread has left businesses around the world counting costs, with many investors fearing the spread of coronavirus will pose an insurmountable challenge to the economic growth of all major countries across the globe. Almost every industry has been affected, with governments scrambling to somehow arrest the economic decline. Central banks in more than 50 countries, including the US Federal Reserve and the Bank of England have cut interest rates to try to strengthen their economies. Furthermore, most countries have announced unprecedented stimulus packages in the hopes of reviving their economy.

Effect on Global Demand

Restaurants, cinemas and shops around the world have emptied, while flights, road traffic and energy use have fallen steeply. Oil prices have plummeted leading to oil producers slashing outputs.

The retail industry has been hit hard. Lockdowns in many major economies have been in place until the middle of May 2020, with only essential shops being allowed to open which has meant huge losses for retailers, leading to many retailers shutting up shop.

It is clear now that the spread of coronavirus has led to a decline in global consumer spending, the heart of global economic activity. Moreover, employee layoffs in various industries are becoming increasingly common, in many cases on a large scale. This will lead to further pullback in consumer spending, at least in the near future, exacerbating the economic impact of coronavirus.

Food and Beverage Sector

Regarding the impact of coronavirus on the global demand for grain, the IGC stated, “Food usage is expected to rise at close to the long-term pace...however, while foodservice sectors are reopening in many countries, the outlook for overall use remains uncertain because of the potential for further coronavirus-related disruptions in the year ahead as well as a weak economic outlook, which could curb demand growth.”

Will Surman, Director of Public Affairs & Communications of FoodDrinkEurope explained, “Usually, EU consumers spend approximately one-third of their food and drink budget in restaurants, bars and cafés and so it follows that the hospitality sector has been particularly hard hit due to the COVID-19 pandemic. Thousands of companies, in particular micro-enterprises and SMEs, are struggling to survive, while others face insolvency.”

When asked about the long-term implications of COVID-19, Surman highlighted, “The multiplication of online shopping seems to be here to stay. Consumers are also looking to prioritise local products and businesses will be looking at their supply chains to see how they can shorten them while maintaining the quality and affordability of their products.”

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Cautious but Increasing Optimism

As major economies gradually emerge out of lockdown, not all is doom and gloom. The most recent McKinsey Global Survey on the economy suggests increasing optimism. Executives report ever-more-positive expectations for company demand and profitability—two months after reporting record pessimism on both fronts—and for their countries' economic prospects.

While executives' views on company profits remain more negative than positive, the share expecting increased profitability has grown. Respondents are more likely to expect customer demand will increase than decrease; two months ago, the opposite was true.

By industry, more than half of respondents in retail and in high tech and telecom expect demand to rise. Retail executives also report a much more optimistic view on demand since the April 2020 survey, as do those in capital projects and infrastructure.

When asked about the economy's future, respondents were cautiously but increasingly optimistic. Fifty-one percent said the world economy will be better six months from now, a share that has grown throughout 2020. Similarly, one-half of respondents expect conditions in their home economies to improve; in May, 43 percent said so, up from 36 percent in April and 26 percent in March.

Global Economic Forecast

Labelling the projected decline in global economic activity as the “Great Lockdown,” the International Monetary Fund (“IMF”) released an updated forecast recently. The IMF concluded that the global economy would experience its “worst recession since the Great Depression, surpassing that seen during the global financial crisis a decade ago.”

The IMF estimated in its baseline projection that the global economy could decline by 4.9% in 2020, before growing by 5.4% in 2021; global trade was projected to fall in 2020 by 11.9% and oil prices were projected to fall by 41%. Furthermore, the IMF forecast reflects an estimated larger decline in consumption than previously assumed as consumers curtail spending to increase their savings and the effects on economic activity of social distancing. The IMF also stated that many countries were facing a multi-layered crisis that included a health crisis, a domestic economic crisis, falling external demand, capital outflows and a collapse in commodity prices.

Advanced economies as a group were forecast to experience an economic contraction in 2020 of 8.0% of GDP, with the US economy also projected by the IMF to decline by 8.0%, about four times the rate of decline experienced in 2009 during the financial crisis. The rate of economic growth in the Euro area was projected to decline by 10.2% of GDP, while most developing and emerging economies were projected to experience a decline in the rate of economic growth of 3.0%, reflecting tightening global financial conditions and falling global trade and commodity prices.

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