



We are committed to working closely with our supply chain partners in order to achieve a sustainable value chain with long-term benefits for all our stakeholders.

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Group Supply Chain Policies Manager

## Agriculture

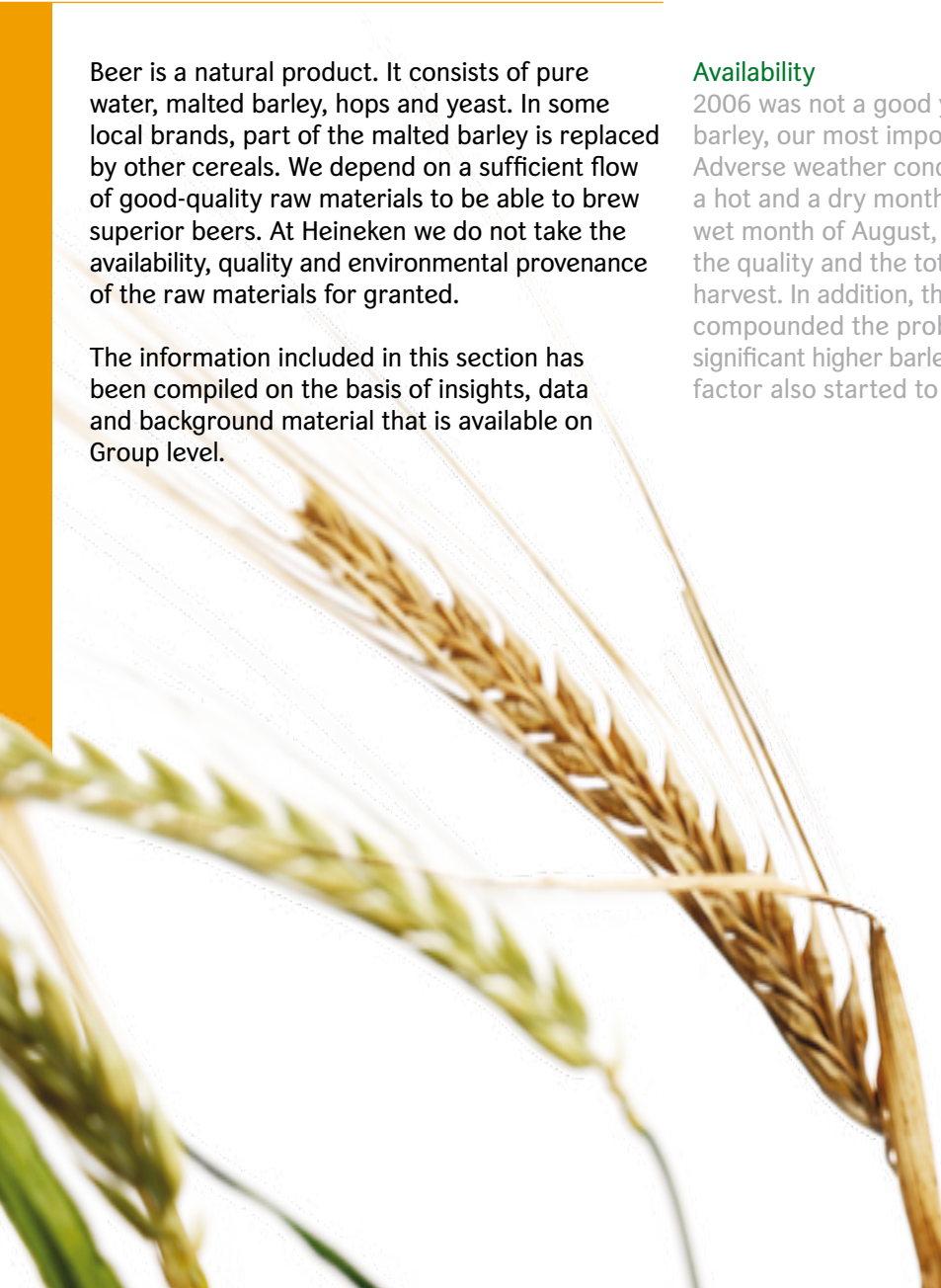
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Beer is a natural product. It consists of pure water, malted barley, hops and yeast. In some local brands, part of the malted barley is replaced by other cereals. We depend on a sufficient flow of good-quality raw materials to be able to brew superior beers. At Heineken we do not take the availability, quality and environmental provenance of the raw materials for granted.

The information included in this section has been compiled on the basis of insights, data and background material that is available on Group level.

### Availability

2006 was not a good year for the production of barley, our most important agricultural ingredient. Adverse weather conditions in Europe, specifically a hot and a dry month of July and an extremely wet month of August, significantly lowered both the quality and the total quantity of the barley harvest. In addition, the poor harvest in Australia compounded the problem, which resulted in significant higher barley and malt prices. Another factor also started to influence the price and





availability of barley – the growing demand for biofuels. Tax relief and government subsidies have made the cultivation of agricultural products for biofuels an interesting proposition for arable farmers. In addition, quality demands for grains grown for fuels are less stringent than when grown for human consumption, offering farmers the advantage of achieving a good price for lower grade produce.

Obviously, we share concerns about global warming, CO<sub>2</sub> emissions and fossil fuel depletion, but we are worried about these developments. The surface areas of agriculture currently in use in moderate climates continue to be reduced by urbanisation and growing infrastructure. Significant increases in demand for certain crops will increase pressure on their price.

In the longer term, we anticipate an increase in partial crop failures due to climate change along with continuing price increases due to demand for biofuels, the growth in world population and continuing economic development.

Through our own maltings and suppliers we stimulate the increase of yields in developing countries. We know that geographically there are significant differences in yield: one hectare of land in France typically delivers approximately 6.5 tonnes of barley, whereas one hectare in Russia only yields approximately 1.8 tonnes.

This means that there are significant opportunities for improvement in this area. Investing in the production of better yields outside Western Europe will better balance the risk of partial crop failures.

To reach our objectives, a professional and well-developed malting sector is of key importance: the maltster is the link between the agricultural sector and our company. In Russia and Romania, where well-developed malting sectors were originally unavailable, we have entered into discussion with our local business partners. As a result, state-of-the-art malting plants have been established to support local farmers by providing training and assistance in the selection of the right crop varieties. We have also agreed to temporarily increase financial support for local maltsters involved in these projects in order to co-finance their activities.

#### Food safety in the supply chain

Throughout its existence, Heineken has endeavoured to provide consumers with safe, premium quality beer. The safety and quality of our beers starts with the selection of our brewing ingredients. All of these are subject to periodic testing.

We maintain uniform maximum tolerance values for the contamination of raw materials by pesticides, heavy metals, mycotoxins, benzene