



ICOS National Conference Managing Risk in Co-operative Businesses

The Global Risk Environment for Food Firms

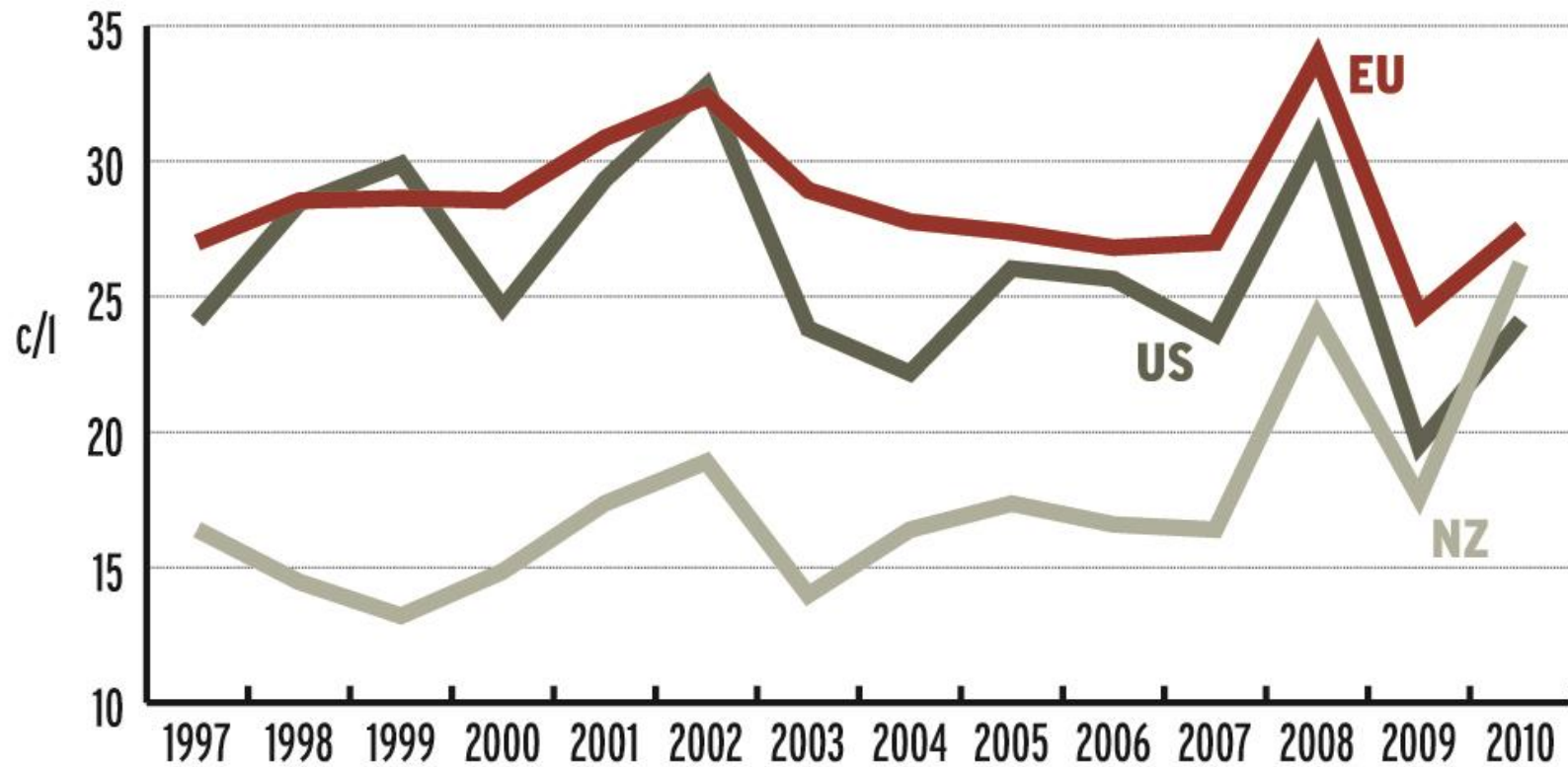
Matthew Dempsey, Chairman & Chief Executive, The Agricultural Trust

25th November 2013, Killeshin Hotel, Portlaoise

Milk Prices

Figure 1

Milk prices EU, Us and NZ since 1997 (c/l)



Production Costs, Interest and Borrowings – NZ\$ and Ireland



| | NZ | Southland Ireland | |
|----------------------------|-----------|------------------------------|------|
| Production costs \$/kg | | 3.46 / 3.70 | 3.73 |
| Average Debt Level \$kg/ms | 21 | 24 | 7 |
| Interest cost % | 7 | 7 | 3.5 |

The Special Ones

Are special needs being met?



The shape of things to come

'We have seen the shape of things to come,' writes Brian Morrissey in this special Farm IT supplement

PLUS 17 pages of top farming classifieds



• IFA President John Dillon led a 3,000 strong sugar beet protest in Mallow on Sunday last to reject the EU sugar proposals. He is pictured with Jim O'Regan, chairman of the Sugar Beet Committee, and growers as they neared Irish Sugar.

PICTURE: Tony O'Gorman

TOP STORIES

Factory prices vary by €143 per head

The price that a farmer receives for the same animal varied by as much as €143 per head for animals killed in early November, according to an Irish Farmers Journal analysis. **pages 3**

NEWS

3,000 demand sugar beet survival

Over 3,000 farmers turned out in Mallow on Sunday to demand that the Irish Government save Ireland's beet growing industry in crucial talks in Brussels this week. **page 9**

DOWN TO BUSINESS WITH

Fonterra goes global as NZ expansion slows
 Pat O'Keeffe talks with New Zealand dairy farmer Henry Van Der Heyden, chairman of Fonterra, a co-op that controls 40% of internationally traded dairy product. **page 10**

AGRIBUSINESS

Greencore's turbulent times

Greencore had a difficult year in 2005 and there are more very awkward issues ahead. Preliminary results just announced for the year to September show a good performance on its consumer foods side which lifted overall operating profits and margins. This wing of the business lifted group profit before tax by 6.4% to a credible €77.7 million. **page 14**

MILK MARKETING

Dairygold top on payout and constituents

In the September League Dairygold returns the highest actual payout price at 29.25c/l (104.65p/g). They are also tops for total constituents returning a magnificent 4.07% butter fat and 3.56% protein. **pages 28 to 29**

MACHINERY

Italian show throws up a few surprises

Agritechnica might be Europe's highest-profile mainstream farm machinery showcase, but the Italian EDMA show claims to cover an even wider spectrum — not just conventional farm machines but much else besides. **pages 34 to 37**

The recommended retail price of the Irish Farmers Journal in the Republic of Ireland is €2.00

Sugar wipeout!

By Paul Mooney

AgriBusiness

A fierce battle looks set to get underway between farmers and Greencore Sugar over the €145 million compensation available for the ending of beet growing and sugar production in Ireland.

This will be the outcome if — as looked likely last night — EU farm ministers this morning agree a reform of the EU sugar regime involving drastic price cuts.

Despite pressure from Ireland and 10 other member states, EU Farm Commissioner

Mariann Fischer Boel refused to substantially moderate her proposal for a 39% cut.

Unless she was forced into a last minute about-turn in Brussels last night (Wednesday) on this key point, growers face a beet price as low as €25 per tonne, which is below their cost of production.

Irrespective of the exact final price agreed, Commissioner Fischer Boel has relented to key demands of Ireland and other member states that part of the Restructuring Scheme money should go to growers. She proposed that:

- at least 10% of the funding

would go directly to growers and contractors

- an additional top-up of 15% — worth up to €109.50 per tonne of quota in year one — to help regional diversification.

Last night a number of member states, including Ireland, were expected to demand that these terms be further improved.

The 15% top-up funding, which would be worth a maximum €21 million to Ireland if all beet quota was renounced, would be spent in line with rural development rules or as a State Aid.

IFA president John Dillon,

who led a delegation to Brussels to monitor the talks, said that if sugar production was made non-viable in Ireland, then all of the aid should go to growers.

"The proposal that just 10% of the Restructuring Fund would go to growers is completely unacceptable. It would be untenable and indefensible for Agriculture Minister Mary Coughlan to preside over €180m of EU compensation being paid to Greencore," he said.

Greencore had 'milked' Irish Sugar for hundreds of millions in profits since they got the company from the Government in 1991, he claimed.



Dectomax At Housing. Well Worth It.

Flexible hoose and worm dosing at housing, or up to five weeks pre-housing, to protect your cattle until Spring. What's more, Dectomax Pour-on offers you lice-free cattle - guaranteed*

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LONG-PROTECTING

DECTOMAX™

Pour-On

THE JOURNAL

ANYONE SEEN THE BUILDER?

We visit one of Ireland's many unfinished housing estates - 20 years after work began on the project



JOURNAL 3



ANIMAL HEALTH
 How to keep your stock in shape

PLUS 19 pages of top farming classifieds

THE END
GREENCORE PULLS PLUG ON BEET INDUSTRY
 FULL REPORT: BACK PAGE



Photo: Jack Caffrey

IN FOCUS Divorce in Ireland

It is 10 years since divorce was introduced and, in that time, over 18,000 couples have gone their separate ways. Farm families are not immune and it is an issue that is uppermost in the minds of parents considering handing over a farm to a son or daughter. **Page 8-9**

NEWS

Minister to open up quota trading

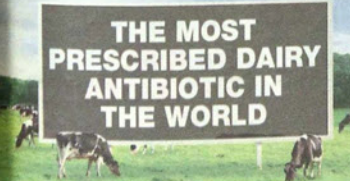
The quota system is set for a major overhaul after the Minister for Agriculture Mary Coughlan announced that from 1 April 2007 she intends to move to a more open market system of transferring quotas. **Page 3**

Single Farm Payments form 26




The recommended retail price of the Irish Farmers Journal in the Republic of Ireland is €2.10

THE MOST PRESCRIBED DAIRY ANTIBIOTIC IN THE WORLD



EXCENEL RTU
 Sterile Suspension

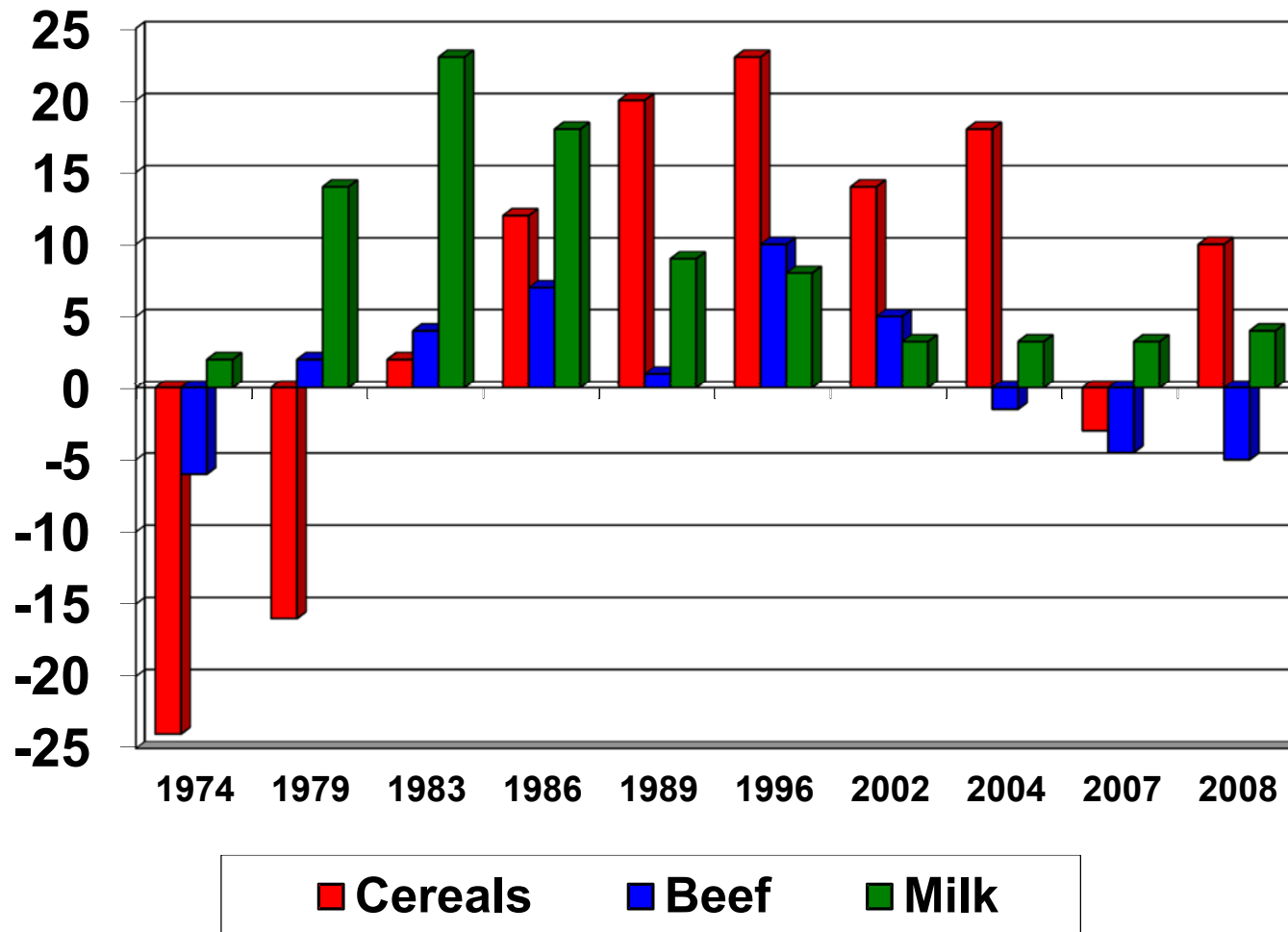


IT ACTS ON THE ANIMAL - NOT ON THE MILK

Pfizer Animal Health

- High cure rates in Foul in the Foot, Cattle Pneumonia and Metritis
 - Broader spectrum than tylosin and no resistance unlike oxytet or pen & strep
 - 7 doses in one bottle*
 - Uniquely targets infections - not valuable milk
 - Save up to €40 of milk per bottle of Excenel RTU*
 - The No. 1 choice for dairy professionals in Ireland, Europe and the World*
- Seek advice from your veterinary surgeon. Further information available from Pfizer Animal Health, a Division of National Digital Park, Clonsilla Business Campus, Clonsilla, Co. Wick. Excenel RTU contains antibiotic tetracycline (TTC). *Based on 40kg animal treated. †Based on cost of milk. ‡Based on 100kg milk yield with 100g of antibiotic. With price 1.00 per litre. © Pfizer Animal Health.

Self – Sufficiency EU (+ or – 100%)



C'MON MUNSTER

We talk to the Hayes and Leamy families and Munster legend Moss Keane ahead of Saturday's Heineken Cup Final in Cardiff



J3

PLUS 19 pages of top farming classifieds



BRAZIL UNCOVERED

An Irish Farmers Journal investigation in Brazil has revealed the reality of the country's beef production and provides compelling evidence for a total EU ban on Brazilian imports. Our investigative trip, undertaken in conjunction with the IFA, found:



● **Foot and Mouth controls are completely inadequate:** In an exclusive interview, Professor Augusto Pinto, an adviser to the Agriculture Minister in Brazil and a world authority on Foot and Mouth disease, raises serious issues.



● **Traceability and movement controls are non-existent:** Branding is the only method of group identification on the majority of farms. Serious concerns have also been raised about the validity of the traceability system in Argentina.



● **Recent expansion in beef production in Brazil is causing huge environmental damage:** Through a process of 'slash and burn' over the past 10 years an area of rainforest twice the size of Portugal has been cleared to provide grazing land.



● **Immense social costs:** Landless people have been evicted from farms. They are now forced to live in poverty along Brazil's roadways. It is estimated that there are now 24,000 people living in these conditions in one state alone.

» For the full story see our exclusive four-page special Page 16-19

Checklog for REPS and farm grants
 With a 31 December deadline for Farm Waste Management Scheme applications and the REPS 3 scheme expected to start in November, a serious backlog of work is now arising from regional offices. **Page 4-5**

glanbia
 Glanbia shareholders vent anger **Page 7**

DAIRYING
Co-ops paying for water - why?
 The best dairy producing countries changed to discounting for volume 30 years ago. They pay less for water. Irish co-ops have not yet changed. They continue to send the wrong signal. **Page 22**

FARM BUILDINGS
Sheep housing - the spec
 When considering taking advantage of the Farm Waste Management Scheme in relation to sheep housing it is vital to consider firstly the type of housing your sheep require. **Page 28-29**

TILLAGE
Leather-jackets wreak havoc
 It is a very bad year for leather-jackets, with fields up and down the country coming under pressure from them and their widespread occurrence is helping explain continued crow activity. **Page 32**



The recommended retail price of the Irish Farmers Journal in the Republic of Ireland is €2.10



FLUKE CAN COST YOU €30 PER INFECTED ANIMAL!

A recent study estimated that 64% of herds are infected with fluke.¹ So treat with TRODAX® it's fast working and kills adult, immature and even resistant strains of liver fluke.³

Merial Animal Health Ltd. CH19 5TG, UK. © TRODAX is a registered trademark of Merial Ltd. © Merial 2006. All rights reserved. For further information call the Merial Customer Support Centre on 1800 783783. Read packaging before use. TRODAX contains nitroxyfiphenol. Legal Category LPI.

References: 1. Seaman R et al 2003. Ecological Assessment of Livestock Diseases in Great Britain. 2. Selim-Begovic et al June 2005. Vet Record 729-731. 3. Cole & Stafford 2001. Vet Record 148: 723-724.

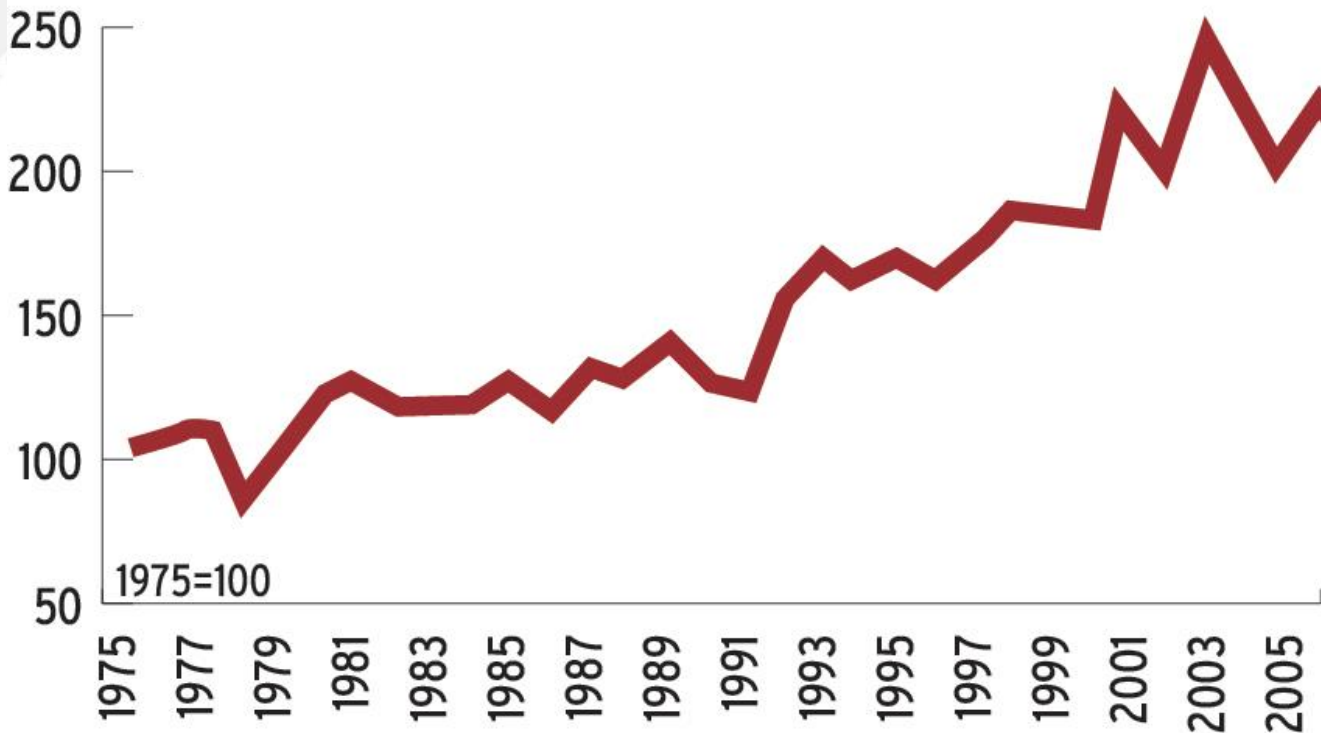


KILLS FLUKE FAST

Brazil - Increase in corn yield

Figure 2

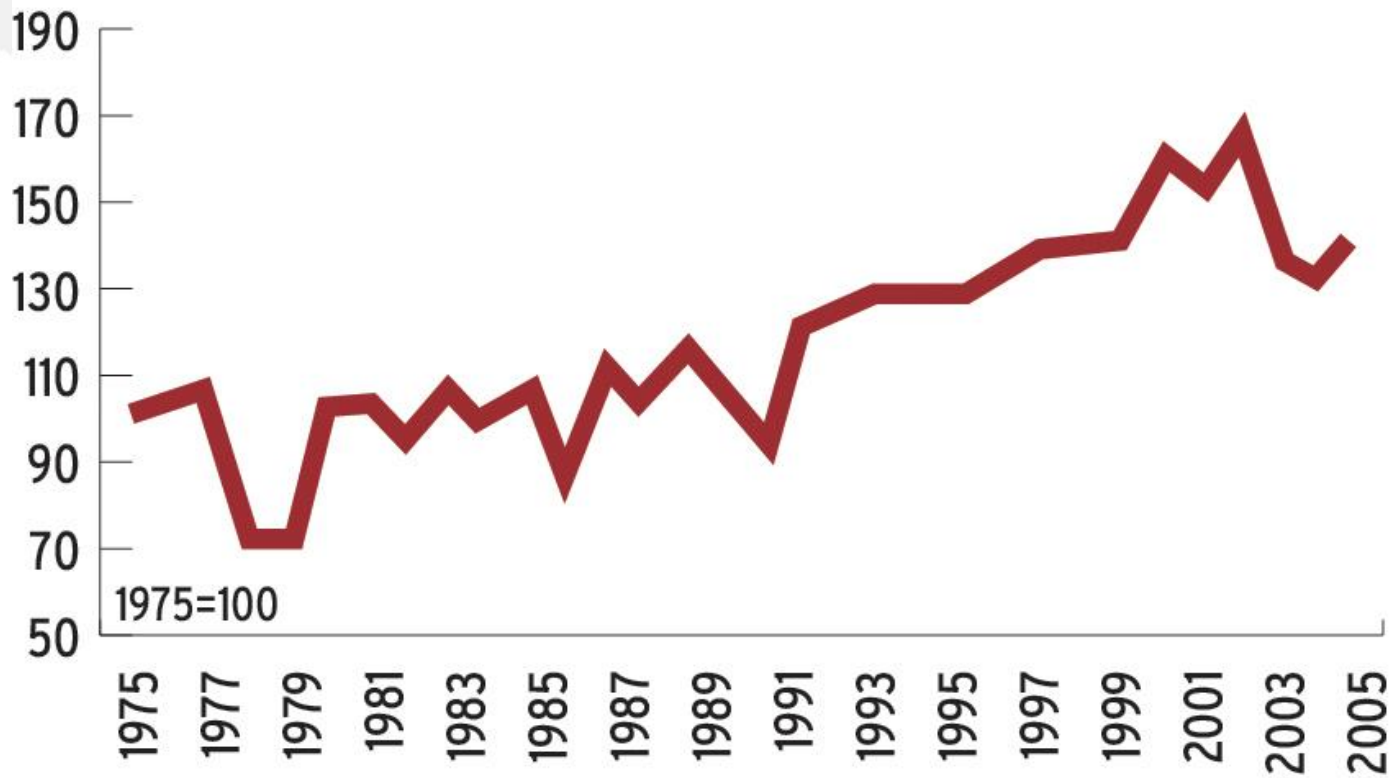
Increase in corn yield



Brazil - Increase in soybean yield

Figure 3

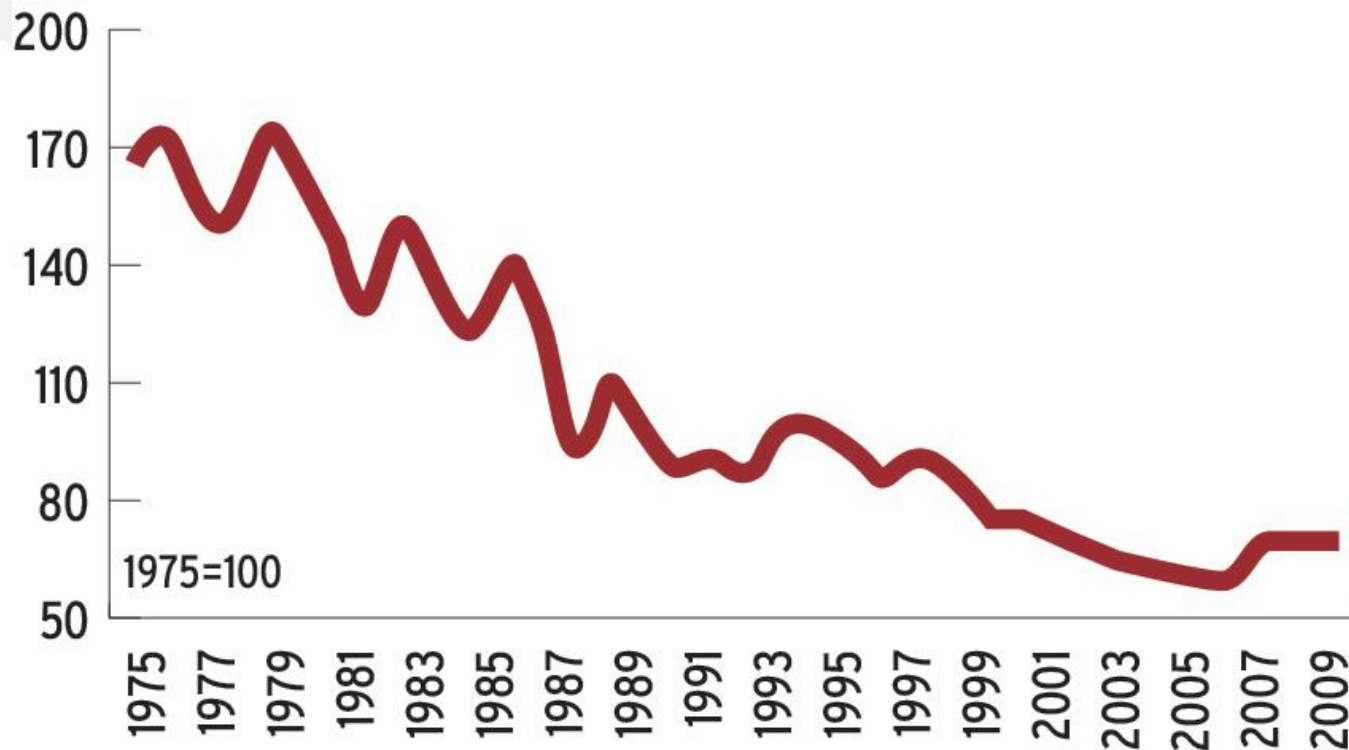
Increase in soybean yield



Brazil - Food basket real prices (Jan 1975 – Apr 2010)

Figure 5

Food basket: real prices, Jan 1975-Apr 2010



From food scarcity to world exporter



MATT DEMPSEY
 EDITOR

Focus and science deliver for Brazil

At the recent Forum for the Future of Agriculture

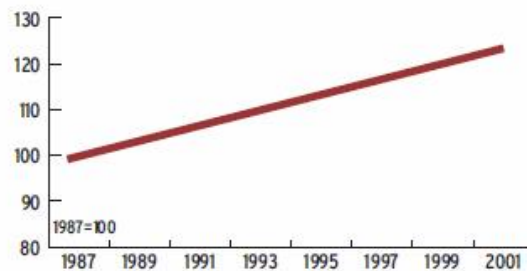
in Brazil's Cerrado. Up to 10 years ago this vast savannah region of 70 million hectares (almost 200 million acres) was effectively barren and useless. What has been achieved here has dramatically reduced food imports and reduced prices for food to Brazil's own population. In a recent article in *The Economist* magazine, the transformation has been termed 'miraculous'.

Brazil is the only country to have caught up and surpassed in many commodities the great temperate breadbaskets of the US,



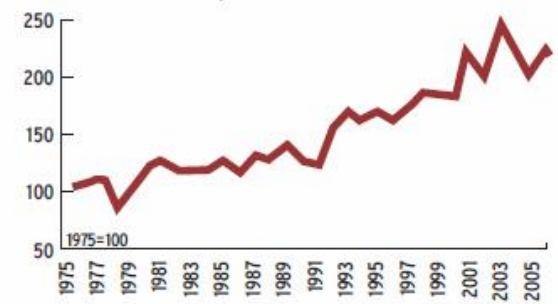
Previously barren land has been totally transformed.

Figure 1
 Increase in beef cattle kill out weight



tonnes to over 60m tonnes. productivity.

Figure 2
 Increase in corn yield



Increasing milk production of wheat so that we can

WIN this MAZDA 626DHL worth £15,340 see page 21

IRISH FARMERS JOURNAL

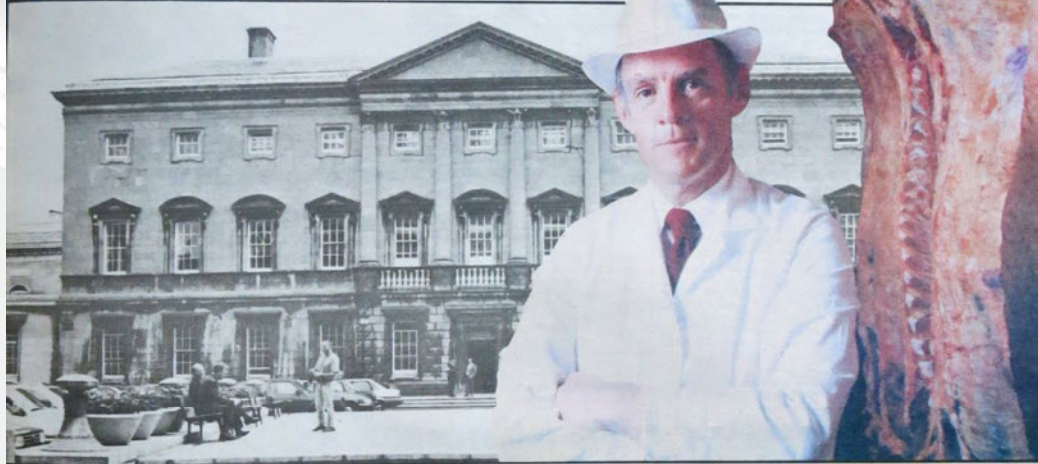
THE VOICE OF IRELAND'S BIGGEST INDUSTRY

THIS WEEK IN YOUR JOURNAL

- Beef Prices to hold P3
- Dairygold Merger Confirmed P4
- Latest on Goodman Crisis P6 and 10
- Letters P12
- Machinery News P14
- The importance of Quality Seed P16
- Cost and Profit of Reseeding P19
- Diversification the way forward P22
- Pollution control dominates building P24
- British beef Market Flooded P30
- GATT and the Irish Farmer P33



Vol. 42 No. 34 September 1, 1990 Price 70p (inc. tax)
THE NATIONAL FARMING NEWSPAPER



Pictures: Steve Treacy

Goodman on the brink

THE APPOINTMENT of an examiner by the High Court today Thursday seems inevitable following the statement of the financial affairs of the Goodman International Group by the Minister for Industry and Commerce, Des O'Malley in the Dail this week.

It now seems likely that with the sheer size of the financial problems facing the group, substantial sales of assets of the group will take place on a phase basis under the possible control of the examiner. The impact of the current Goodman crisis on the beef trade is likely to be reduced significantly in the absence of an autumn APS this year which normally condenses the peak slaughtering period into 10 weeks at most. This year the killing period is likely to be over 20 weeks.

With Larry Goodman locked in a battle between the financial institutions for survival it remains unclear at this stage whether Larry Goodman himself would be able to buy back some of the plants. It has been estimated that it would take almost £45 million to service the existing stated level of debt.

Report by Paul Meade

While the existence of such a high level of unsecured short term loans of almost £460 million which is repayable on demand remains a constant threat to the future of the organisation, farmers can continue to do business with all the company's outlets provided payment continues to be made on the day of slaughter, bank drafts have been given in some cases.

The IFA is seeking protection for producers trading with the Goodman group once an examiner has been appointed. Alan Gillis, IFA president said that it was the legitimate right of farmers supplying cattle to Goodman plants to continue to be paid on the day as has been normal practice and that IFA wants to ensure that farmers supplying stock will not be exposed to any risk of non-payment.

In addition to the short term loans, the Goodman group is liable for bank guarantees of £200 million. The group's problems are very evident from the financial statement which shows that the meat side of the Goodman lent almost £203 million to the

non-meatside of the business, of which only £90 million is recoverable at this stage. The loss of £113 million has been allocated to the non meat related activities including the share dealing which the Goodman group entered into. The use of Section 84 loans as a form of cheap finance has been estimated by the Company to be £40 million saving almost £10 in interest per year.

The meat side of the operation is evidently very profitable but that the level of the Iraq debts placed a heavy burden on the company. The Minister also stated financial details relating to the balance sheet of December 1989 which do not have any provision for the Iraq debts. While the Iraqis have been slow to pay in the past, the imposition of the UN sanctions have prevented any further payments being made.

The BSE status of UK meat has also added to the financial problems of the group with thousands of tonnes of beef purchased and paid for from other companies to fill world wide contracts. This beef is now worth less than the initial price paid for it and has accumulated significant storage costs in the meantime. It is understood that Goodman has upwards of 1,700

Continued page two ⇨

Ridect Pour-on

Dead easy fly control

Ridect is a trademark of Beecham Group p.l.c.
(Ridect contains Permethrin 4% w/v)

Ridect Pour-On is:

- QUICK - 10 seconds to treat a cow.
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- NON-IRRITANT - suitable for all cattle from 1 week old.

BEECHAM Animal Health
Long Mile Road, Dublin 12.
BEECHAM MAKE ANIMAL HEALTH THEIR BUSINESS

Projected Prices in 2012

OECD



- **Milk** 22.11 cent / ltr
- **Soft Wheat** €106 / tonne
- **Barley** €100 / tonne
- **Beef R3** €2.50 / kg d.wt
- **Sheep** €3.84 / kg d.wt
- **Pigs** €1.29 / kg d.wt

Irish Beef
An expanding
portfolio of high-end
retail and foodservice
businesses



Global Risks

•Health breakdown:

- Dioxin
- Melanine
- Horsemeat
- Deliberate or fraud by someone else

•Degree of sensitivity:

- Baby food
- Well off consumers

•Reputational

- Credit – abrupt withdrawal of all credit facilities**

•Financial:

- China experience – Danone / Starbucks
- US:
 - Tesco, Midland / HSBC
 - No cattle traceability
- Sweden – salmonella / indirect heating

Global Risks



•Technology and market shifts:

- Glanbia in US cheese market
- Tetra pack – glass bottles
- No home delivery
- EU self sufficiency in cereals – Dutch – CAP influence

•Regulatory shift:

- Below cost selling
- Size of supermarkets
- Dismantlement of milk boards
- Shift in German attitudes to oil seed rape business for bioenergy

•Quality Control Breakdown

- Input / quality assurance – brand promises:
 - Bord Bia – no sludge
 - AA / DNA traceback
 - Diageo insistence with Boortmalt

•Differing standards:

- US hormones / GM / BST – even Angel Dust

•Tax changes:

- Argentinean export tax – so cheap, meat for poultry

Global Risks



- **Subsidy Changes:**

- Influencing output – suckler scheme, so sexed semen by factories

- **War:**

- Goodman on the brink headline
- Brand resilience

- **BSE:**

- Only getting back in now since 1996 – US lifting ban recently

- **Supplier:**

- Customer boycott – eg Little Red Tractor

- **Basic price volatility** with long manufacturing lead-in times:

- Irish Dairy Board – end of 2008– interview with B Smith – wrong call

- **Forecasts** – can be hopelessly wrong – eg, OECD

- **Relative price shifts** – examples: Italy and UK beef

- **Trade shifts** – everything but arms – triumph of politics over economics / sugar collapse

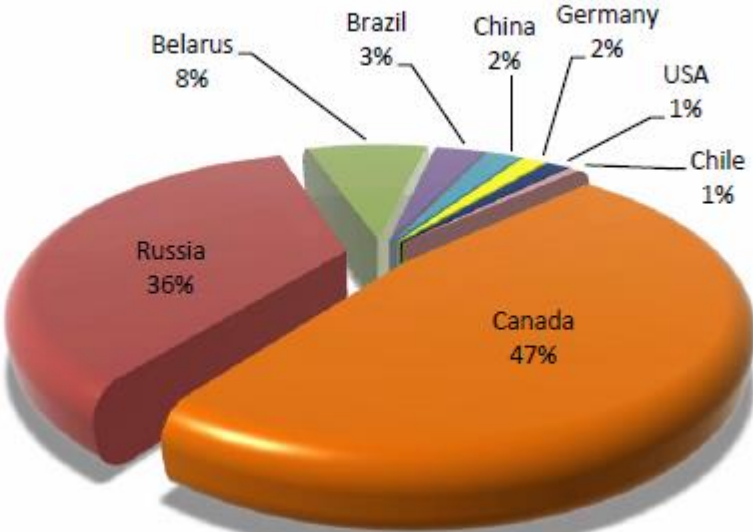
Global Risks



The final point I want to make is the risk, indeed it may not be just a risk, but is a fact of life of the pricing power of the great input suppliers and output processors. For example, this is a slide of the world's phosphate reserves. There is enough phosphate in Morocco and the West Sahara, at current usage rates to last over 2,000 years while Potash reserves in Russia and Canada, at current rates would last for 600 years. There is not a scarcity but the reality of cartel behaviour. The great fertilizer companies and there are only a few of them, have seen their market capitalisation advance in multiples in recent years. They have learned well from OPEC and this is how farmers' purchasing power has declined in for example, the case of wheat.

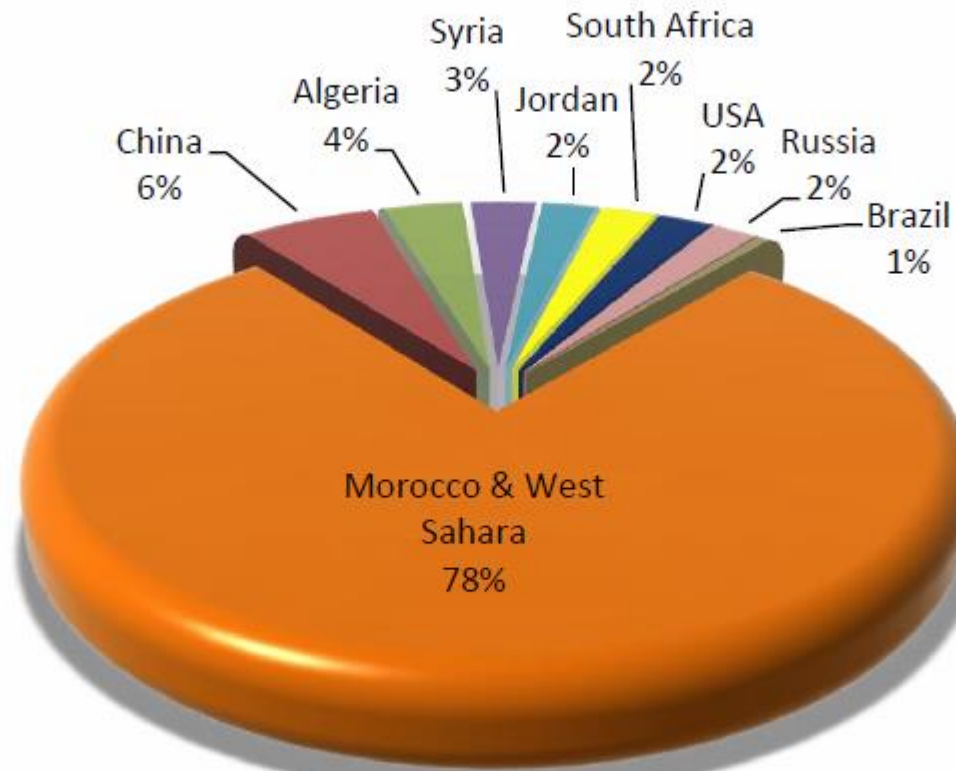
Global Potassium Reserves

Figure 4.7 Global potassium reserves (Source: USGS, 2011)



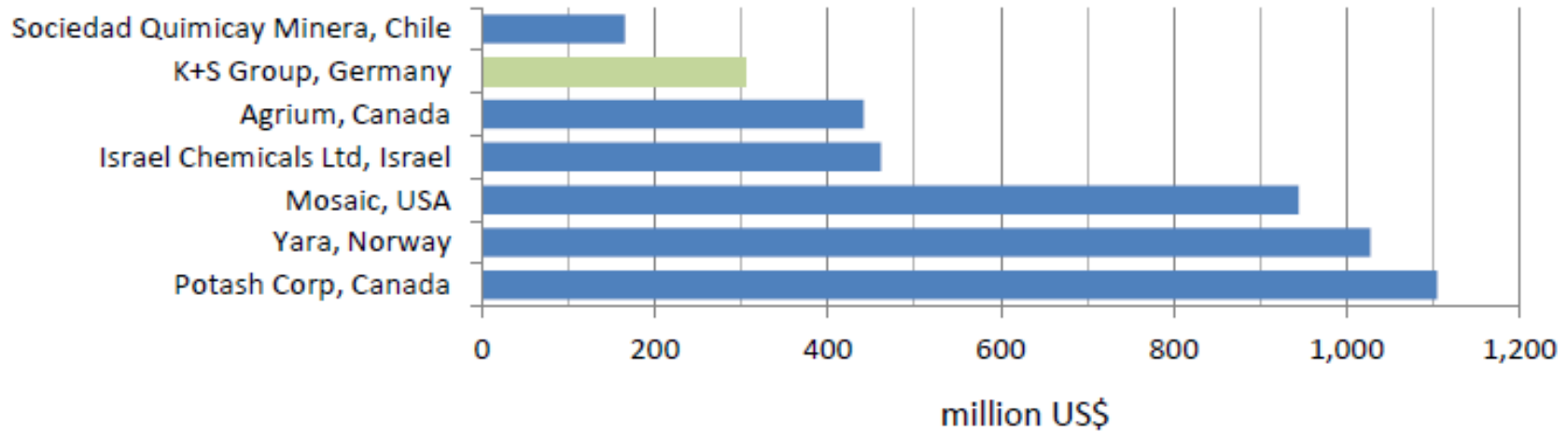
Phosphate Reserves

Figure 4.4 World's phosphate rock reserves (Source: USGS, 2011)



Net Annual Income of world's top fertilizer companies

Figure 2.21 Net annual income of world's top fertilizer TNCs in 2007
(Source: ETC Group, 2008)



Wheat / Oil Exchange Rate 1950 - 2012

The voice of Ireland's farming industry

SL

| Year | Bushel of Wheat US\$ | Barrel of Oil US\$ | Bushels per Barrel (Ratio) |
|-------------|----------------------|--------------------|-------------------------------|
| 1950 | 1.89 | 1.71 | 1 |
| 1960 | 1.58 | 1.85 | 1 |
| 1970 | 1.49 | 1.79 | 1 |
| 1975 | 4.06 | 11.45 | 3 |
| 1980 | 4.70 | 35.71 | 8 |
| 1985 | 3.70 | 27.37 | 7 |
| 1990 | 3.69 | 22.99 | 6 |
| 1995 | 4.82 | 17.20 | 4 |
| 1999 | 3.05 | 17.98 | 6 |
| 2001 | 3.45 | 24.33 | 7 |
| 2003 | 3.98 | 28.89 | 7 |
| 2004 * | 4.20 | 36.00 | 9 |
| 2012 | 8.80 | 110.00 | 12 |

Source: FAO Statistics Online Database

* Author's estimates based on April wheat & oil futures price for 2004



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The Global Risk Environment for Food Firms

Matthew Dempsey, Chairman & Chief Executive, The Agricultural Trust

25th November 2013, Killeshin Hotel, Portlaoise