How can Producers Manage Volatility when Purchasing Inputs

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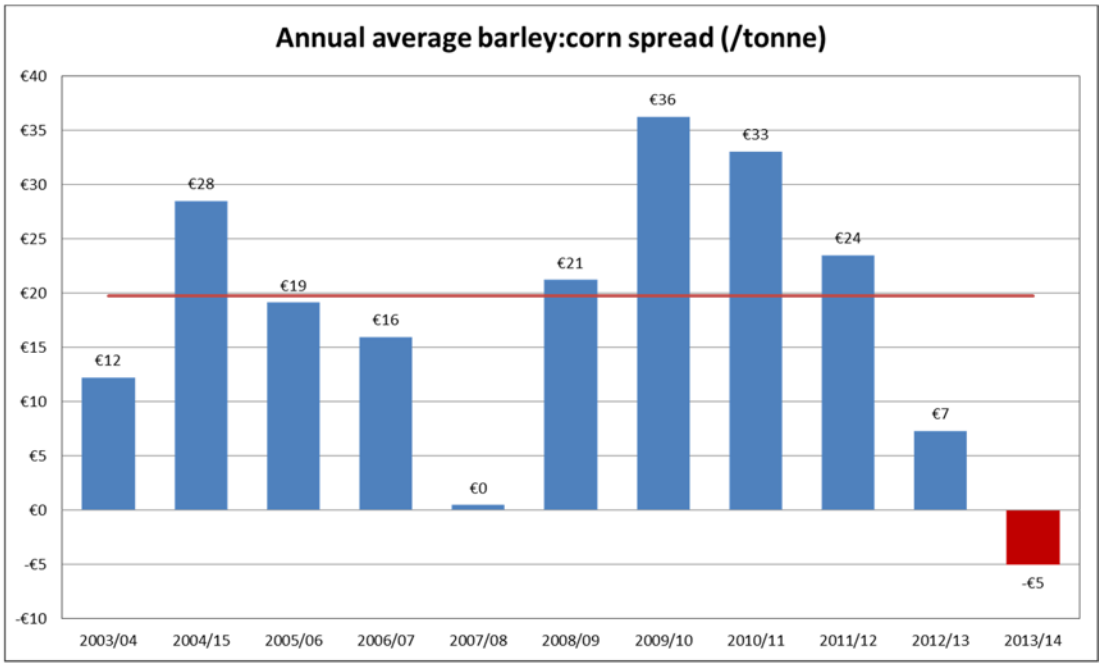
What is the risk? Grain price movements:

- As a net importer Irish grain prices are driven by international grain prices
- This exposes us to many influences:
  - Global weather, funds, China, US ethanol

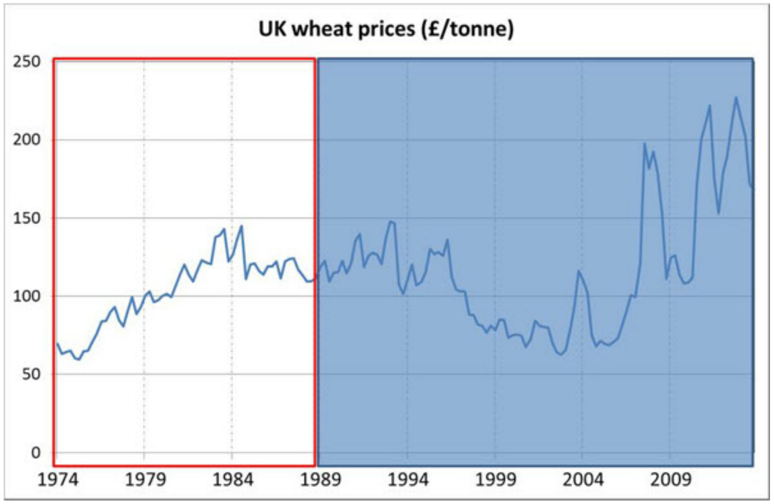
What is risk? Backing the wrong horse:



- As a feed industry we have to also position ourselves to optimise the cheapest feed sources, this too entails risk

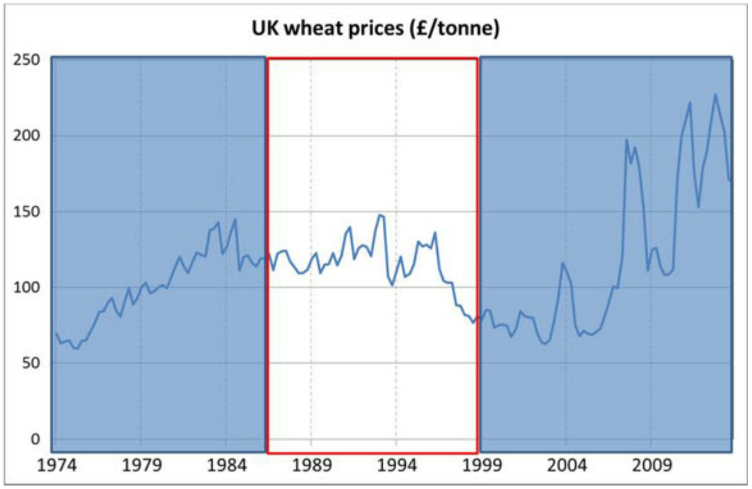
How the feed industry has evolved:

- Pre McSharry reforms of CAP: 1970's and 80's
  - Lower volatility
  - Intervention supports prices
  - Wide range of feed ingredient options
  - Lower regulation
  - More extensive form of farming but a good deal of EU supported on-farm development
  - Irish co-op structure begins to consolidate
  - Production based supports



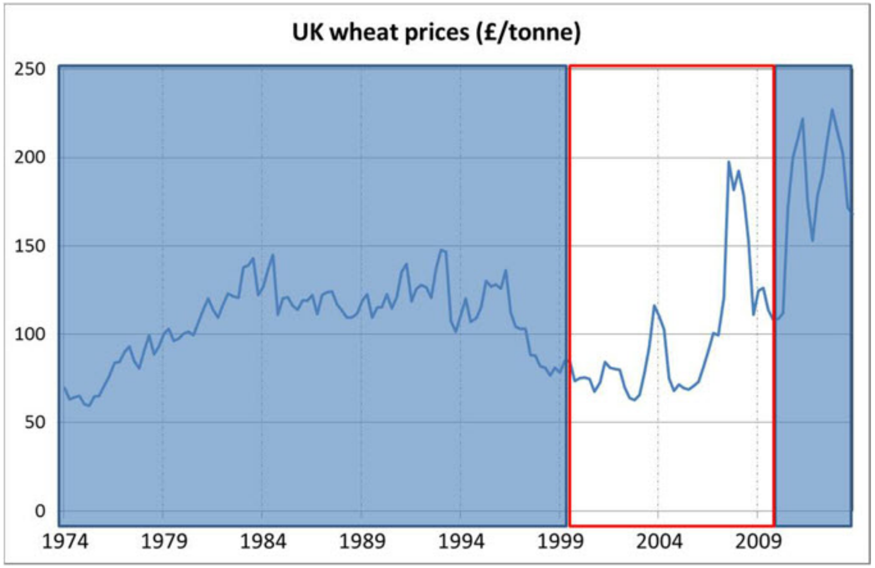
How the feed industry has evolved:

- Post McSharry reforms of CAP: 1990's
  - Steady decline in prices with more open markets and efficient production
  - Relatively low volatility
  - Globalisation of grain markets
  - Increasing hygiene and environmental regulation
  - Intensification of agriculture
  - Investment in food industry intensifies
  - China growth and population increases
  - Energy prices volatility increases with Gulf war
  - Little/no forward trading



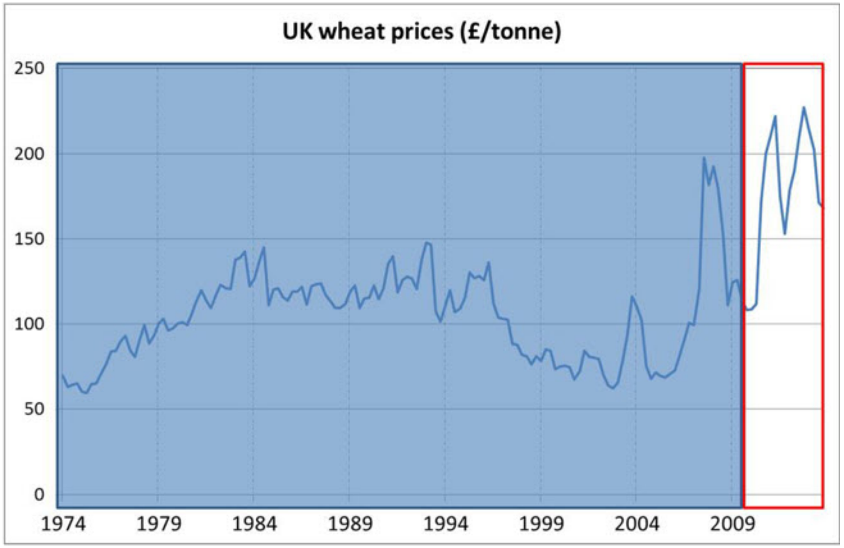
How the feed industry has evolved:

- The new millennium: the 00's
  - Global grain prices decline to multi-year lows
  - GM technology becomes commercialised
  - Global market place
  - Increasing hygiene and GMO regulation
  - Development of third country agriculture and grain production
  - Phytosanitary and GMO rules reduce the ingredient range
  - Further development of domestic food industry: dairy product exports
  - Biofuel industry develops in US and Brazil in response to low farm incomes, climate change and fuel security
  - Little/no forward trading



How the feed industry has evolved:

- The new millennium: recent year the 10's
  - Super volatility persists
  - GM and non-GM markets disrupt supply chains
  - China dominate demand
  - Increasing hygiene and GMO regulation
  - South America and Black sea dominate supply
  - Range of products decreases and by-product scarcity creates supply chain issues
  - Agriculture dominate exports and domestic economy
  - Biofuel demand plateaus
  - Forward trading develops



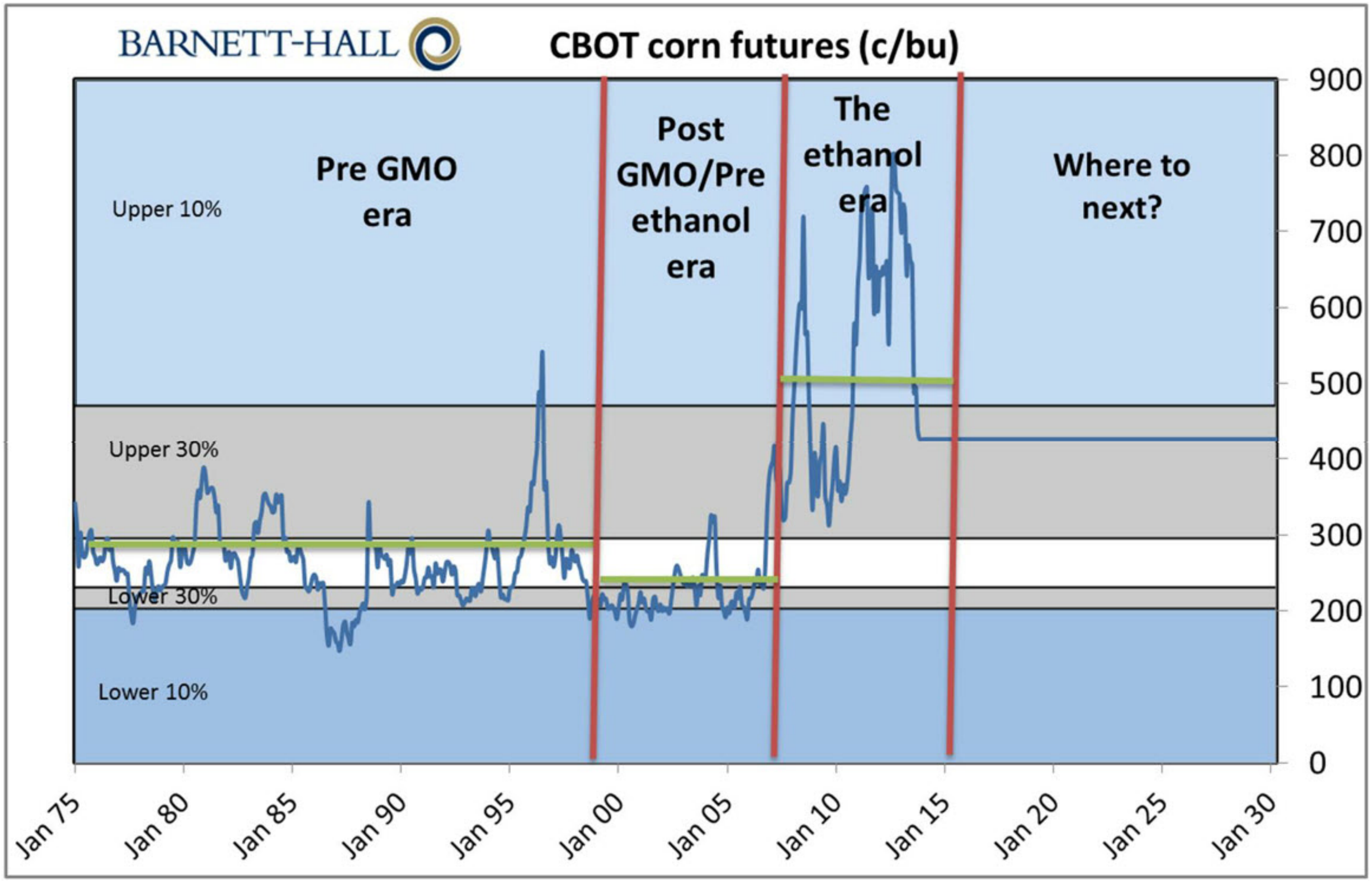
Forward selling: lessons learned

- Understand your cost base
- Do not oversell
- Stay informed
- Have price targets in mind (that reflect costs/returns) and stick to them
- Do not be too greedy
- Respect contract/quality specs.

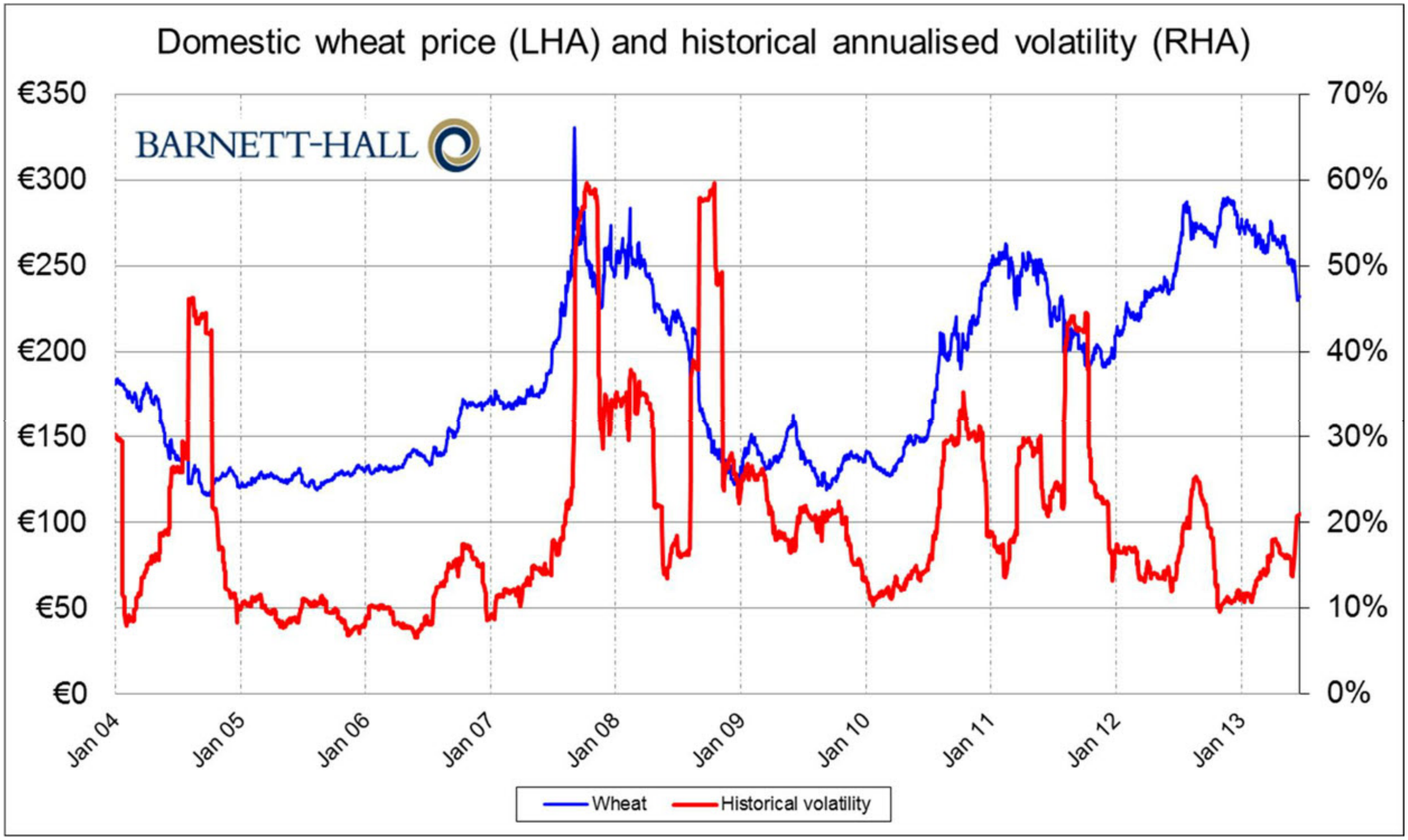
Forward buying: lessons learned

- Understand your cost base
- Stay informed
- Have price targets in mind (that reflect costs/returns) and stick to them
- Do not be too greedy
- Respect contract/quality specs.
- Average up/average down
- Security of supply as important as price in many cases

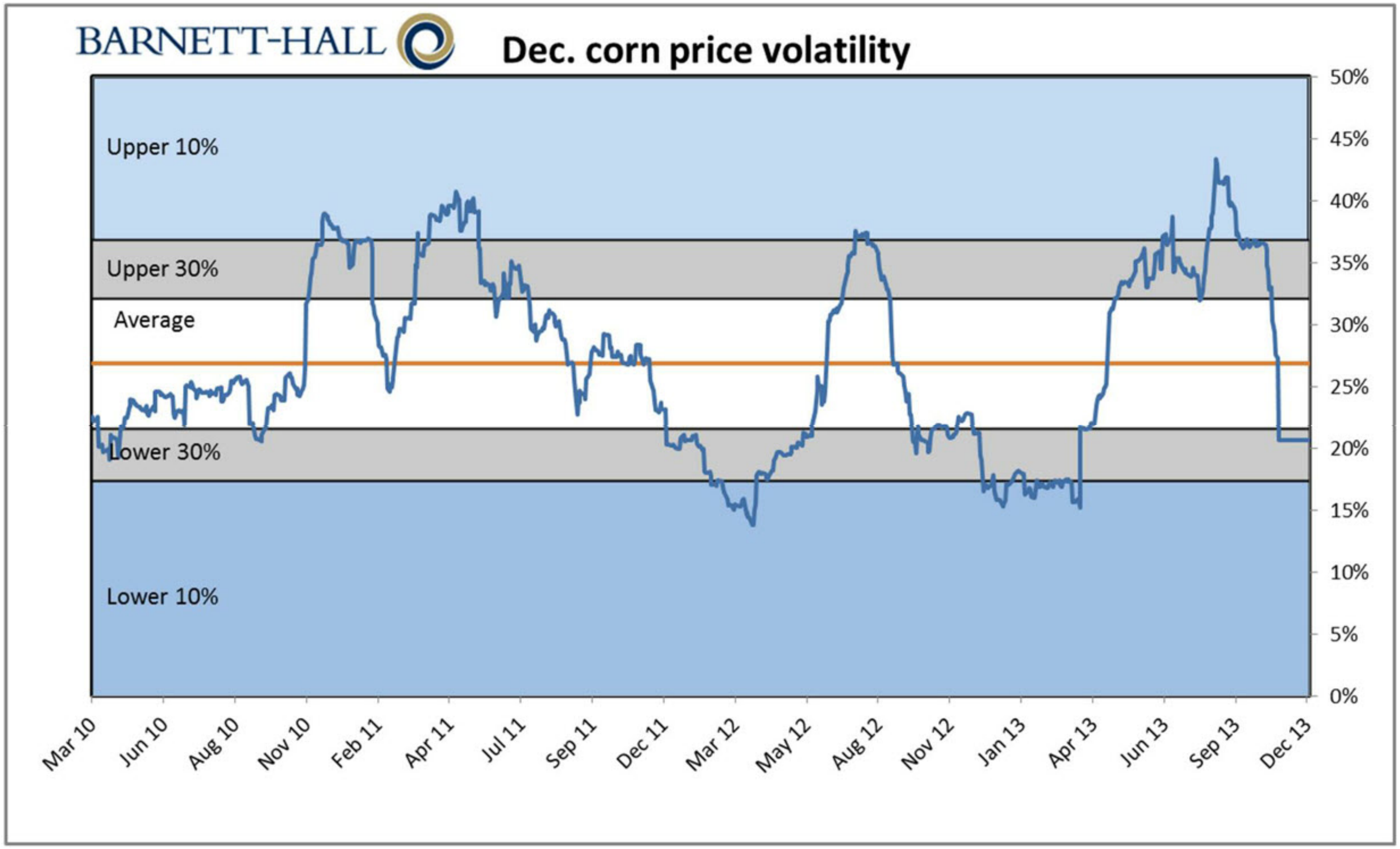
Long term corn price evolution and macro factors



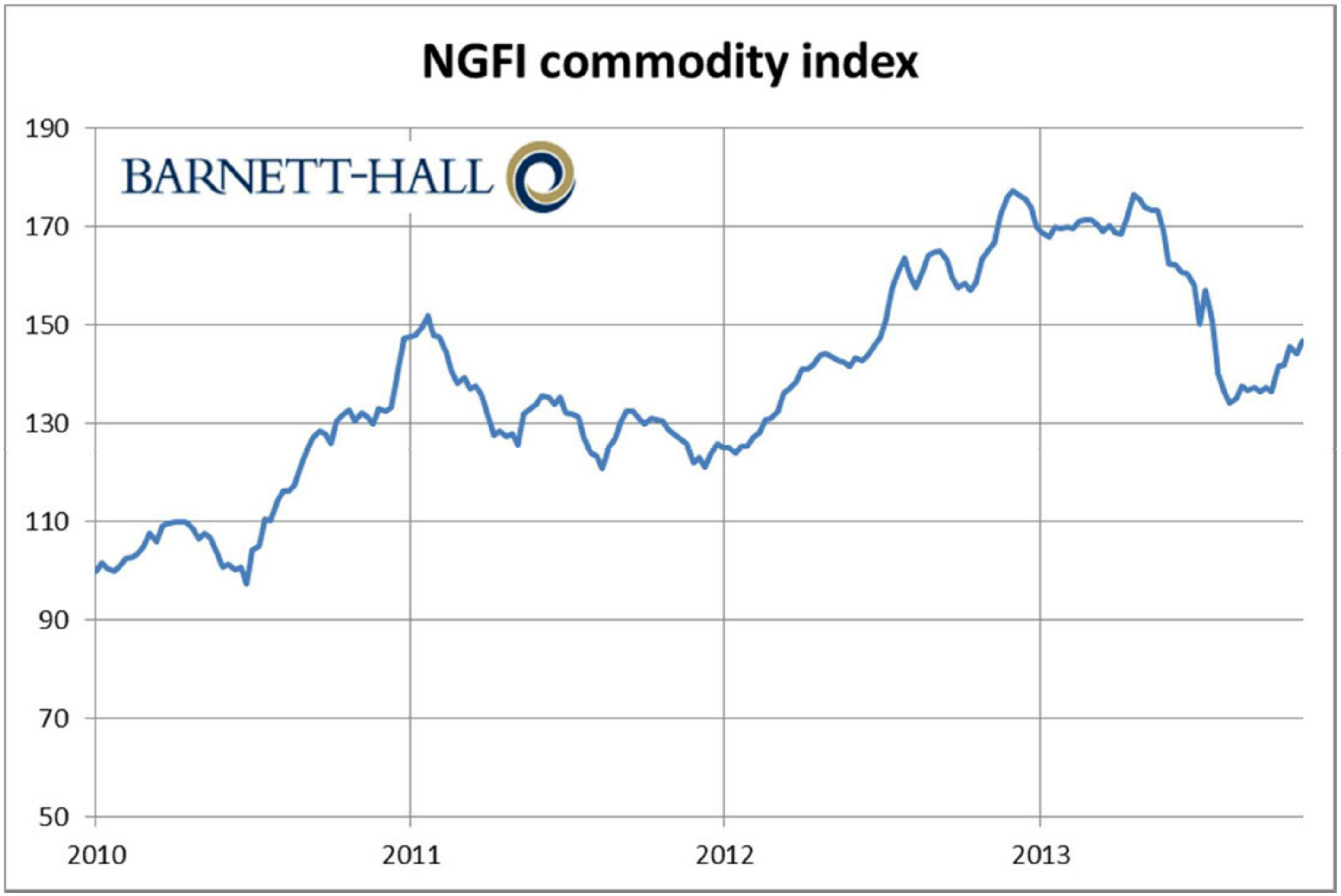
Domestic wheat price volatility: peaked in 07/08 crop cycles



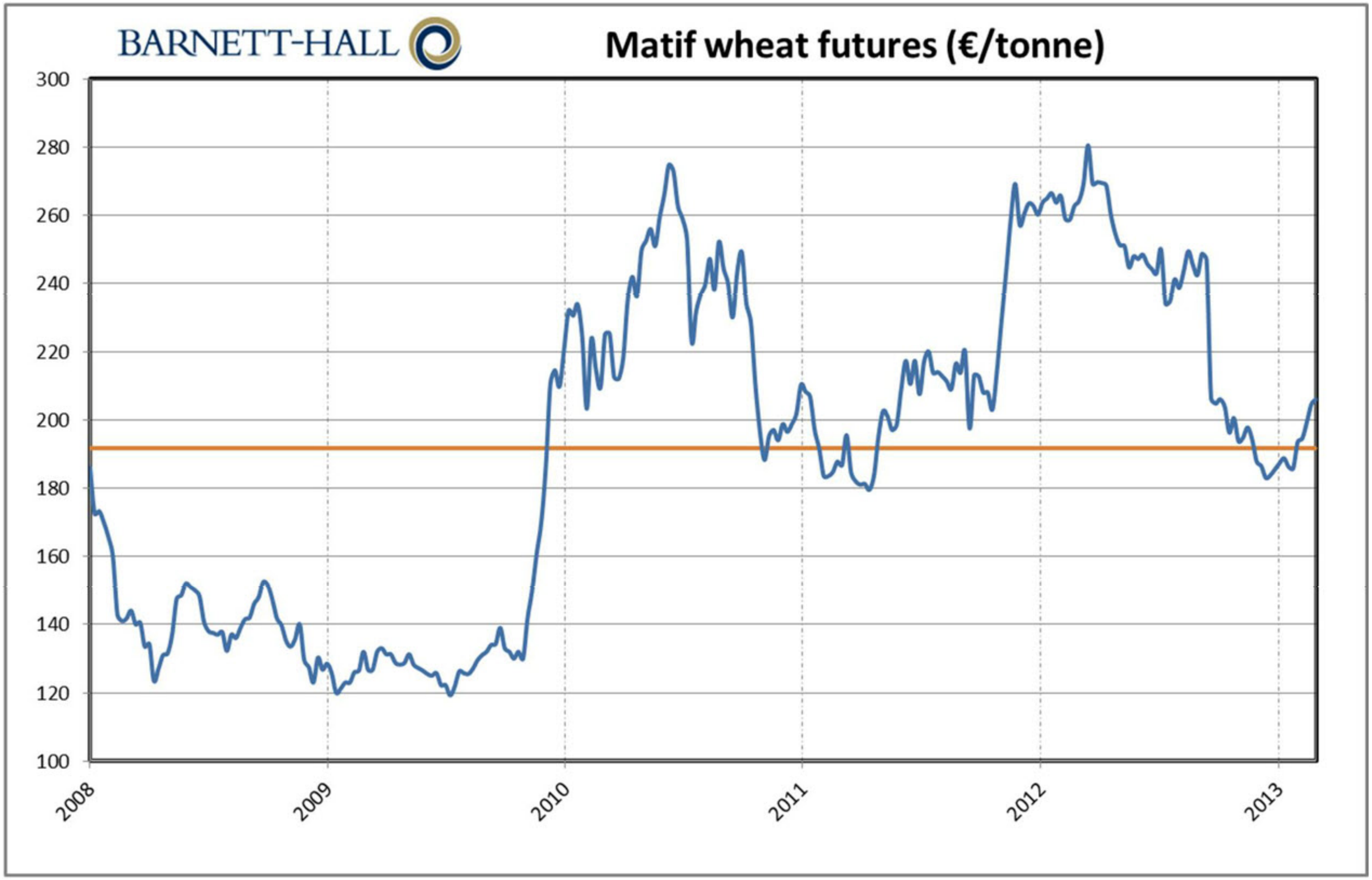
Corn price volatility: currently relatively low



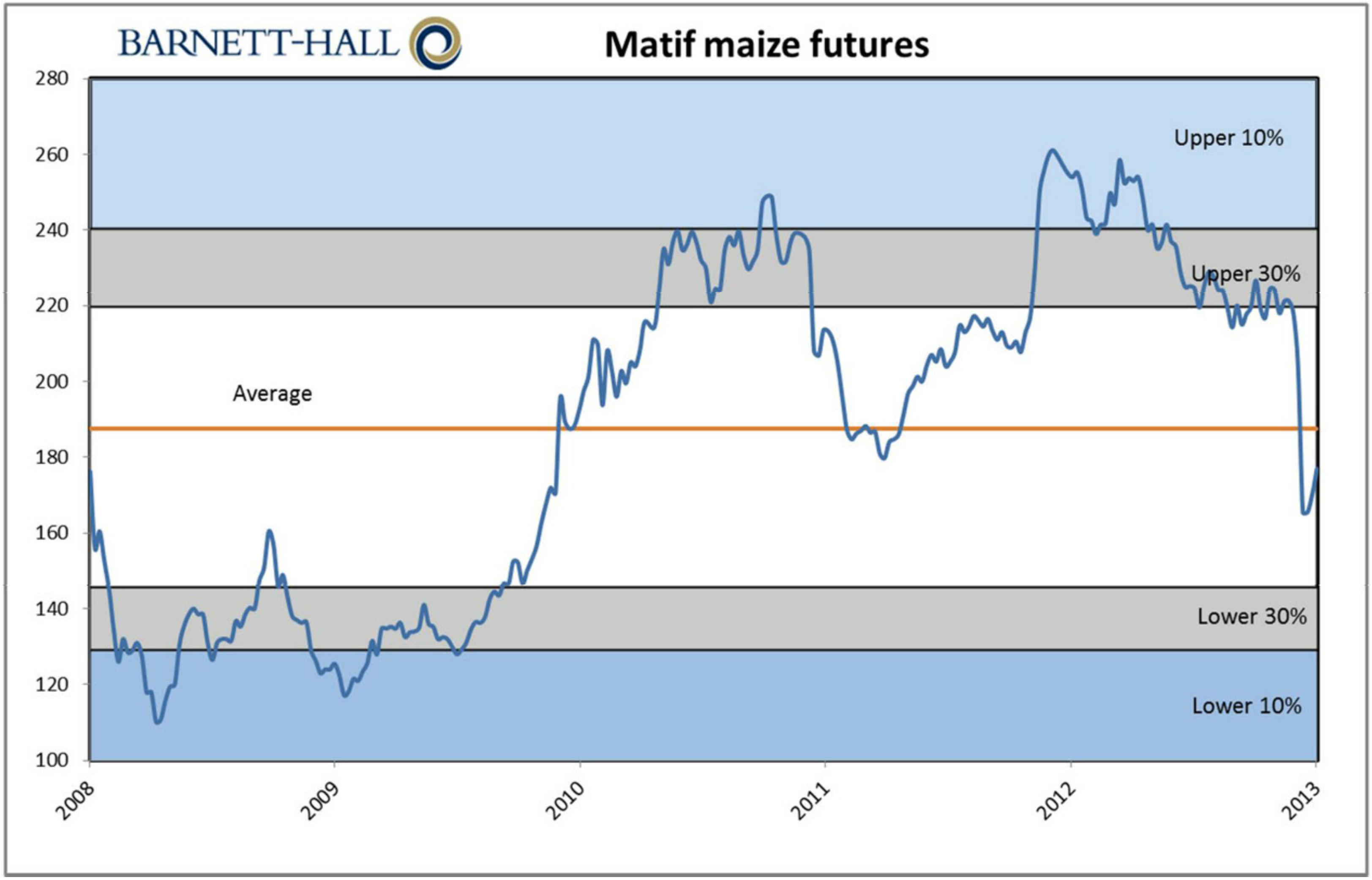
NGFI's not immune to volatility either



Wheat at 5 year average



Maize below 5 year average



So where to now?

- The feed industry has evolved to assist in helping farmers manage their risk:
  - Forward selling of wheat, barley and rapeseed by farmers
  - Forward buying of