

Chairman's Message



Colum McDonnell
National Chairman
IFA Grain Committee

Commodity prices are turning the corner after a very sharp and severe downturn the world over. Grain prices, which have been on the floor for the last 10 months, have begun to lift in recent weeks both for old and new crop. **New crop dried wheat for Oct/Dec delivery is trading in a price range of €156 -€165/t, a premium of €8 to €20/t over old crop.**

Extreme price volatility is now a feature of commodity markets as the EU and other main players move away from market supports. Family farms, because of the low margin nature of the business, cannot survive these boom / bust cycles. The EU urgently needs to look again at how market supports can be used to minimise extreme volatility and ensure price stability

Last year, inflated prices for fertiliser and seed coupled with the worst harvesting conditions for 50 years seriously eroded profits. **This season, sustained pressure and direct intervention by IFA** has saved farmers tens of millions of Euros by ensuring that falling international fertiliser prices were passed back directly to farmers.

The promotion of Farm-to-Farm trading of grain through **iFarm.ie** has seen a dramatic increase in the volume of cereal, particularly rolled, traded inter-farm. The **development of alternative market outlets for processed cereals** provides much needed competition for grain, particularly at harvest.

The continued development of the **iFarm.ie** website will **facilitate the further expansion of farm-to-farm trade of cereals.**

Unnecessary regulations are imposing additional costs on growers. **IFA is campaigning for the lifting of the “the green cover / ban on winter ploughing” requirement, as it is impacting negatively**

Smaller World Harvest Driving Price Recovery

Weather and its impact on crop development will be one of the key factors influencing buyer and investor sentiment and price volatility over the coming weeks, as crops in Europe enter their most critical phase. Recent rains have improved crop prospects in Russia and China, while unfavourable weather in the US and EU has caused concern. Wet weather in the US delayed spring milling wheat plantings, and dry weather in Eastern EU has stressed crops and may reduce yields. Romania is forecasting a 3mt (40%) reduction in wheat production because of drought.

The International Grains Council is forecasting a world grain harvest of 1.721

billion tonnes for the 2009/10 campaign, 3.4% lower than its estimated 2008-09 figure. World grain carry-over stocks in 2009-10 are expected to be 328mt, down 15mt from 343mt in 2008-09. On the wheat front, global production is expected to fall by 37mt, from 688mt to 651mt. Worldwide recession is impacting negatively on wheat consumption, which is expected to come in 9mt below production, leading to an increase in closing stocks to 171mt. World maize corn stocks are expected to fall 16% in 2009/10 to 118mt compared with 2008-09. The largest stock fall will be in the US.

Table 1. World Grain Production Estimates 2009/10

Wheat	2005/06	2006/07	2007/08 (est)	2008/09 (forecast)	2009/10 (forecast)
Production	621	598	609	688	651
Trade	110	111	110	122	112
Consumption	625	611	614	642	642
Stocks	135	122	116	162	171
5 major exporters	53	38	26	47	53
Maize	2005/06	2006/07	2007/08 (est)	2008/09 (forecast)	2009/10 (forecast)
Production	696	708	787	783	778
Trade	79	87	101	79	83
Consumption	700	724	771	773	791
Stocks	132	115	132	142	129
Total Cereals	2005/06	2006/07	2007/08 (est)	2008/09 (forecast)	2009/10 (forecast)
Production	1604	1585	1687	1784	1727
Trade	215	222	239	230	221
Consumption	1617	1627	1681	1719	1732
Stocks	319	277	284	349	344
5 Major Exporters	143	99	91	122	121

Source: International Grains Council

on crop yield and crop margins without any environmental justification.

Strong lobbying by the National Grain Committee ensured that the **extreme position** proposed by EU's Environment Committee in relation to new legislation **on the use of plant protection products was rejected**

IFA is hosting **two major grain conferences on Wednesday July 8 in the Curragh, Co Kildare at 10am and Fermoy, Co Cork at 5pm.** Nick Oakhill, Senior Grain Trader with Glencore Grain and Jaime Nolan Miralles, Risk Management Consultant with FC Stone are among the guest speakers. (See attached booking form for further details)

Farmers! Maximise your price this harvest - Explore alternative marketing options.

1. Farm-to-farm sale through **iFarm.ie** as wholecrop, caustic, crimped, dry rolled, rolled or whole cereal.
2. Drying and storage with local merchant / farmer.
3. Forward selling when market price meets expectations.
4. Sign up to our grain price text messaging service by calling Nathalie / Eleanor at 01 4500266

EU and Irish Arable Crop Production Down

Closer to home, EU arable crop production is expected to fall by 22mt from 312mt to 290mt. German grain production is expected to decline by 5.4% due to a combination of lower yields (- 4%) reduced sowings (-1.5% or 100,000ha). The French cereal area is down by 1.8%, wheat which accounts for over half the nation's cereal output is down by 2.8% to 4.9 million ha while corn area fell 2.2% to 1.7 million ha. Their barley area grew 0.5% to 1.8 million ha.

Table 2: EU27 Grain Production Figures (MT)

	2004	2005	2006	2007	2008 est.	2009 F
Wheat	134	124	117	112	140	129
Barley	64	55	56	58	66	61
Corn	68	61	52	48	62	59
Oats	9.1	7.9	7.7	8.8	8.79	8.5

Irish production is set to fall by over 650,000 to 700,000t to 1.84mt giving us the smallest harvest since 1998. Wheat tonnes will be back by an estimated 340,000t, barley by 260,000t and oats by 60,000t. Winter wheat sowings were the main casualty of the wet backend, with pre X-mas back on average by 50%.

Table 3: Irish Production Figures ('000t)

	2002	2003	2004	2005	2006	2007	2008 est.	2009F
Wheat	868	794	1,020	840	806	684	1,050	710
Barley	963	1,198	1,330	1,060	1,137	1,130	1,300	1,042
Oats	133	155	150	113	145	157	150	92
Total	1,964	2,147	2,500	2,013	2,088	1,971	2,500	1,844

Reduced inputs impacting negatively on yield

While all the main players are forecasting world grain production to fall by 56 to 60mt this harvest they may have underestimated the impact that dramatically reduced fertiliser use will have on crop yields. Poor global financial returns from the 2008/09-harvest and restricted credit lines have resulted in reduced crop sowings and inputs as farmers moved to scale back costs.

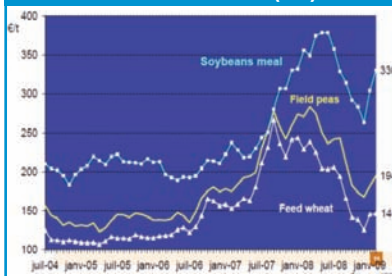
Inflated fertiliser prices have seen world use fall by over 22%, while Irish and EU use is down by over 30%. This will have a considerable negative impact on yield and has not been fully factored in by market commentators. Longer term depleted soil nutrient reserves coupled with less than ideal-growing conditions will see crops come in well below the five-year average. Ultimately lower production and poorer yields are likely to be price-supportive for the crop.

Market prices volatile but climbing

The dramatic downturn in grain prices over the last 10 months was driven by a number of factors not least the fact that the 2008/09 harvest was the world's largest. This coupled with the impending financial crises fuelled a dramatic change in sentiment towards grains from the investment community. The mass sell off of futures grain contracts by speculative investors such as hedge and pension funds accelerated the price fall to a level that was not sustainable. Rapidly escalating input prices, especially for fertiliser, has focused farmers' minds. Marginal land has been removed from production, key inputs have been cut and this is already impacting on the potential grain supply and price for the 2009/10 harvest.

Malting markets are staging a slow recovery as reduced demand from brewers and distillers alike hinders progress. French prices have risen by €30/t to €154/t since February but are still €60 to €70/t off last season's highs. Numerous meetings have been held with the malsters but current offers would not cover production costs.

EU Pea, Soya Bean Meal & Feed Wheat Price Movements (€/t)



Investor sentiment & rising freight rates driving price

In recent weeks investor sentiment towards crude oil and soft commodities such as grain and soya beans had been bullish, however in recent days profit taking by fund buyers after recent gains has seen spot and future prices declining some what. New crop wheat prices in early June for Jan / Mar '09 delivery (East Coast) had moved out over €180/t before falling back to €160/t in recent days. Recovering freight rates have also helped to push up imported prices. The Baltic Dry Index, which is a weighted average for dry bulk freight, had climbed to record highs above 11,700 points around this time last year before crashing with the global economy to a low under 800 points in November 2008. The index has made some recovery in recent weeks and is now at approximately 3,000 points.

Table 2. Indicative Spot & Forward Irish Grain Prices

Barley	
June	€135.00
July-Aug	€140.00
Sept-Dec	€148.50
Jan-Mar	€153.50
Wheat	
June	€140.00
July	€144.00
OC Aug	€147.00
NC UK Aug/Sept	€152.00
Oct-Dec	€156.00
Jan-Apr	€161.00

Russia and Ukraine now key exporters.

Ukraine harvested 53.3mt of grain in 2008 compared with 29mt in 2007. It expects to export 26mt of grain in the current marketing year, July '08-June '09, compared to 21.8mt in the previous season. (11.2mt of wheat, 5.8mt of barley and 4.6mt of corn). In Russia wheat exports from July '08-April '09 were running at 15.9mt up 37.4% on the previous campaign. The Russian Government's ambition is make the Black Sea to create the spearheading a proposal.

Drummonds Sale Almost Complete

The completion of the sale of Drummonds by Greencore to the Liffey Mills / Grassland consortium is imminent. It honours a commitment given by Greencore to IFA last February to sell the business as a going concern. The Northeast is an important grain-producing region. This is a welcome move and represents a significant up-scaling of Liffey's grain assembly and storage, merchandising and feed milling business.



Fintan Conway and Colum McDonnell outside Greencore HQ

“Running Low on Fodder” Boosts Farm-to-Farm Grain Sales

The IFA “Running on Low on Fodder” campaign, targeted at livestock producers and promoting a switch to more cost effective rolled cereal based diets, increased farm-to-farm grain sales this spring. The continued switch by livestock farmers to farm-to-farm purchased grain over the last few year's is providing much needed competition for grain, particularly at harvest.



Sean Breen Digeco Systems, Tom Shine & IFA President Pdraig Walshe “Crimping Grain”

IFA Price Campaigns Driving Down Production Costs

A sustained campaign and direct market intervention by IFA ensured that falling wholesale fertiliser prices were passed back to farmers saving growers tens of millions of euros.

Early season quotes from the trade for €360 to €380/t for CAN, €400 to €440/t for granular urea and €600/t for 10's were off the wall and forced many growers to scale back production. Prices were successfully forced back to €330/t, CAN prices were slower to move but have dropped today to around to €170/t.

This year's IFA price survey shows that growers who shopped around have made enormous price savings. A close on 50% reduction in the winter wheat area (sown pre X-mas) has resulted in a dramatic fall off in the demand for fungicides.

While the manufacturers' initial intentions were to lift prices by 3% to 5%, competition among a number of players, in a bid to hold onto market share, has resulted in significant price reductions particularly for purchasing groups and volume users. This was particularly evident in the wheat **fungicide market**. **The arrival of a number** of generic epoxyconazole products on the market saw prices fall as low as €25/lt.

Wild oat herbicides prices have also fallen significantly with the appearance of a parallel imports competing against Axial. Keenest quotes have fallen to around the €84/lt excl. vat.

On the seed front there were attempts to hold prices at around the €530 to €550/t mark. The IFA seed survey clearly showed that **Irish seed could be purchased for €450 to €460/t** while imported seed could be purchased for €440/t delivered farm.

Full details of all price surveys are available on www.IFARM.IE

Green Cover / Ban on Winter Ploughing Must be Lifted

Under the EU's nitrates directive **the requirement to establish a green cover is a voluntary measure and Ireland has been the only country in the EU to insist on its implementation** on 100% of non cropped stubbles over the winter.

The measure has severely restricted normal workflows on tillage farms and delayed ploughing and sowing. This in turn is leading to increased costs, extra cultivations, and poorer crop establishment and is impacting negatively on yields and margins.

IFA is actively campaigning to have the ban on winter ploughing removed in order to restore competitiveness. In the **UK tillage farmers are actively encouraged** to winter plough their stubbles particularly where compaction is a problem and are not required to establish an over winter green cover in nitrate vulnerable zones



SKILLNET Grain Market Outlook - Maximising Returns in a Volatile Market

This conference will look at the basic grain supply / demand fundamentals for the 2009/10 crop marketing year. Given the current uncertainties in financial markets it is essential for growers to gain a better understanding of the various factors at play beyond the farm gate that affect price. The influx of speculative hedge and pension funds into agricultural commodity markets has increased grain price volatility that has been a feature of the last two marketing campaigns and shows little sign of abating for the coming season. The conference will also examine price risk management strategies used by UK and US farmers. It will also take a look at managing finances in the current economic climate.

The Key speakers includes:

- Nick Oakhill, Senior Grain Trader, **Glencore Grain, UK Ltd**
- Jaime Nolan Miralles, Risk Management Consultant, **FC Stone**
- Shane Harrington and Maeve Ryan, Area Development Officers, **IFAC Accountants**

Glencore International AG is one of the world's largest suppliers of a wide range of commodities including agricultural products and raw materials to manufacturers and processors. They are the largest grain brokers in the UK.

FC Stone is one of the largest commercial grain brokerage firms in the world, providing commodity risk management, hedging and complete marketing services to grain business, traders, processors and end-users.

IFAC is the largest Farm Accountancy Practice in the country and the 11th largest accountancy practice in Ireland, providing specialist advice to farmers. They are recognised as the leading farm tax experts.

Both conferences will be held on Wednesday, 8th July:

1. The Stand House Hotel, The Curragh, Co.Kildare 10am – 1pm
2. The Mart Conference Centre, Fermoy, Co. Cork 5pm – 8pm

Registration Form (to be returned no later than 3rd July)

Name: _____

Address: _____

Tel: _____ Mobile: _____

E-mail: _____

CONFERENCE FEE:

IFA Members €10 Non – IFA Members €50

IFA Membership No: _____

Conference places are limited, please book early.

Return the completed registration form with payment to
IFA Skillnet, Irish Farm Centre, Bluebell, Dublin 12.

For registration by phone or queries, please contact Nathalie Corway or Eleanor Ryan 01 4500266

The IFA Skillnet is funded by member companies and the Training Networks Programme, an initiative of Skillnets Ltd. supported by the National Training Fund.



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