



1,450 Farmers & 1,300 employees
1 billion litres of milk & £440 million turnover



Key goal



To be a profitable dairy processor paying a competitive and sustainable milk price



Dromona
Cullybackey



Pennybridge
Ballymena



Technical Centre
Ballymena



United Feeds
Belfast



Dale Farm House
Belfast



Mullins
Kilrea



Rowan Glen
Dunfries and Galloway



Dunmanbridge
Cookstown



Kendal
Cumbria



Fivemiletown Cheese



Ash Manor
Wrexham



United Feeds



a taste for l



Vertically integrated Coop

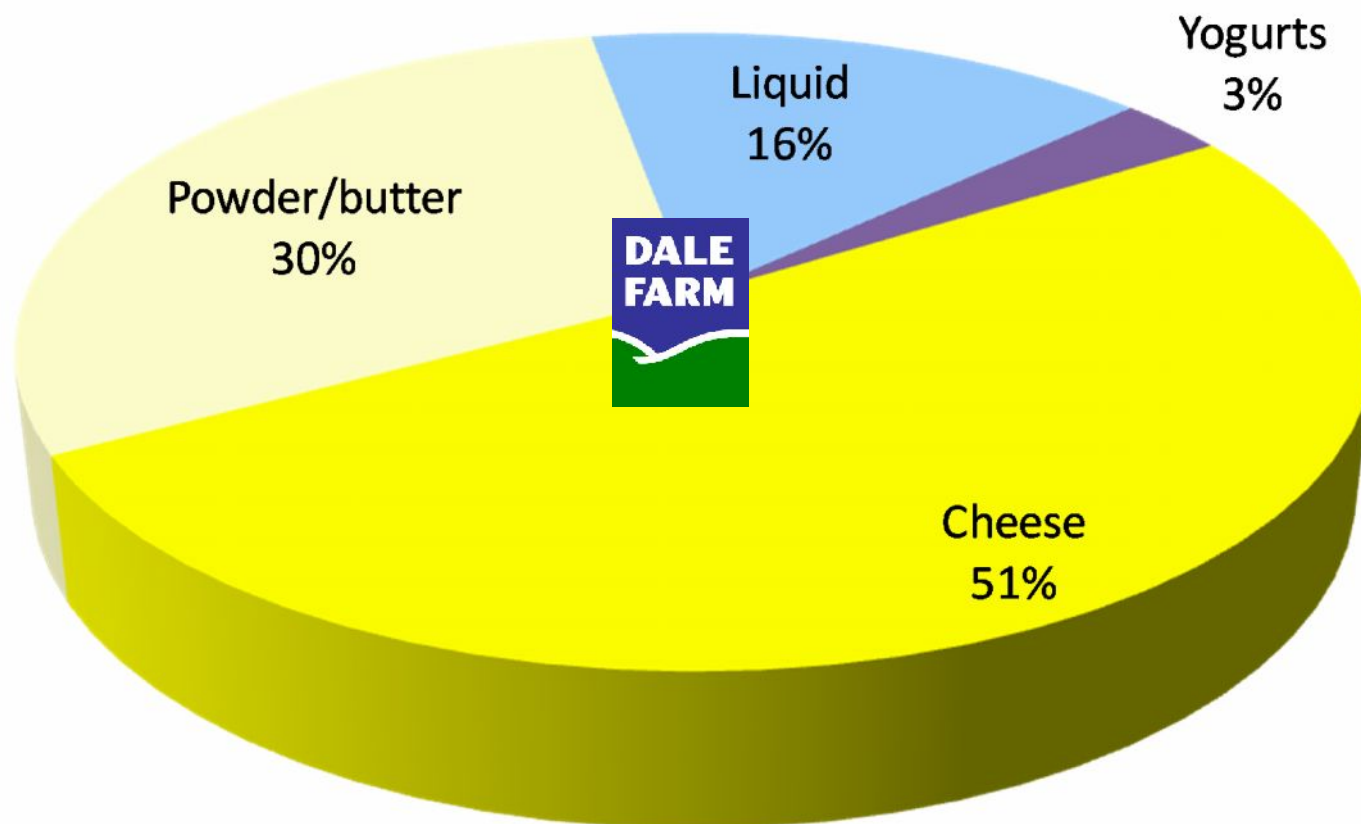


One integrated supply chain from animal feed & farm inputs through to consumer products & food ingredients



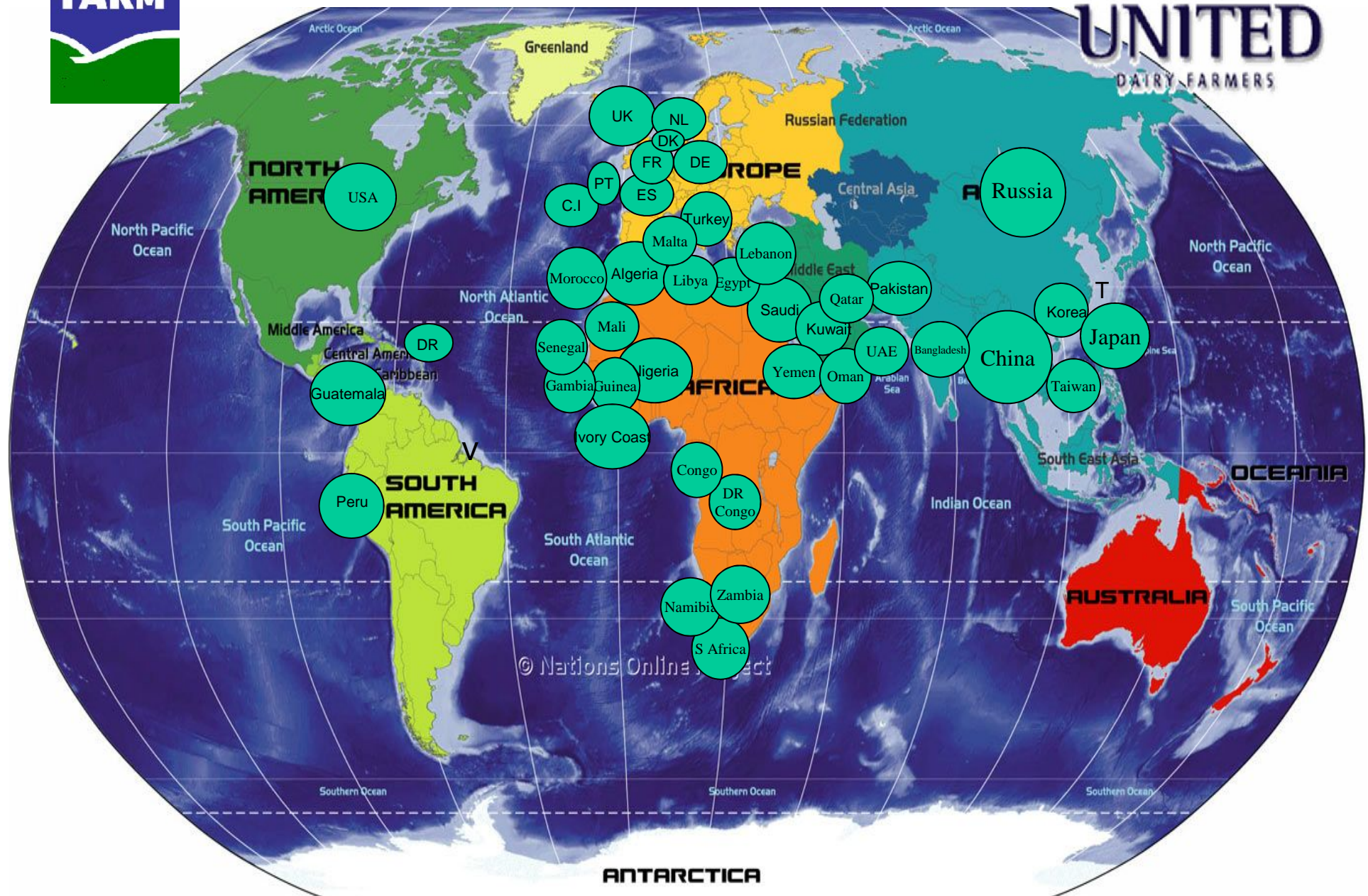


Milk processed





Major UK Exporter





Key exporting region

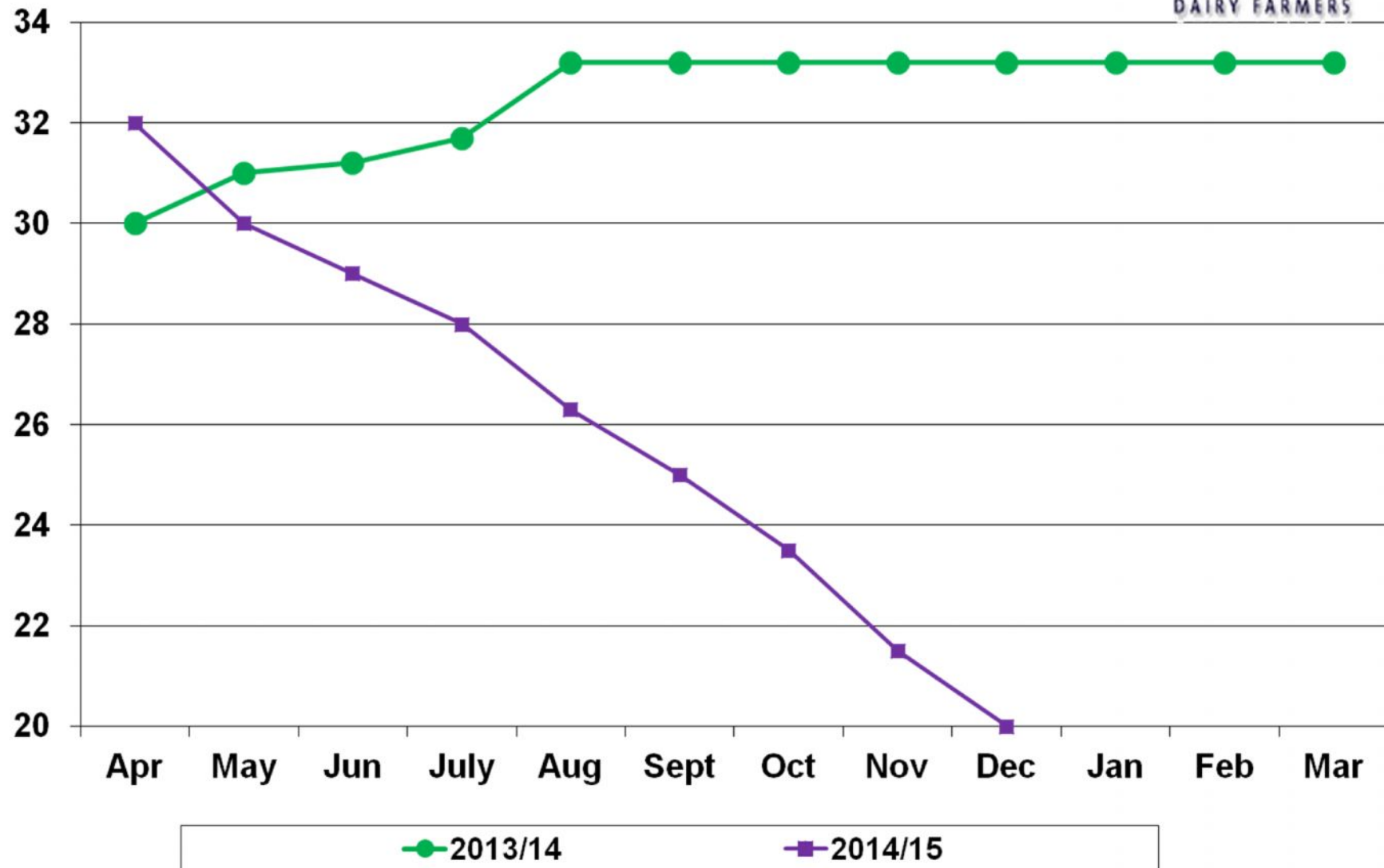


Northern Ireland selling over 80% of dairy output to external markets

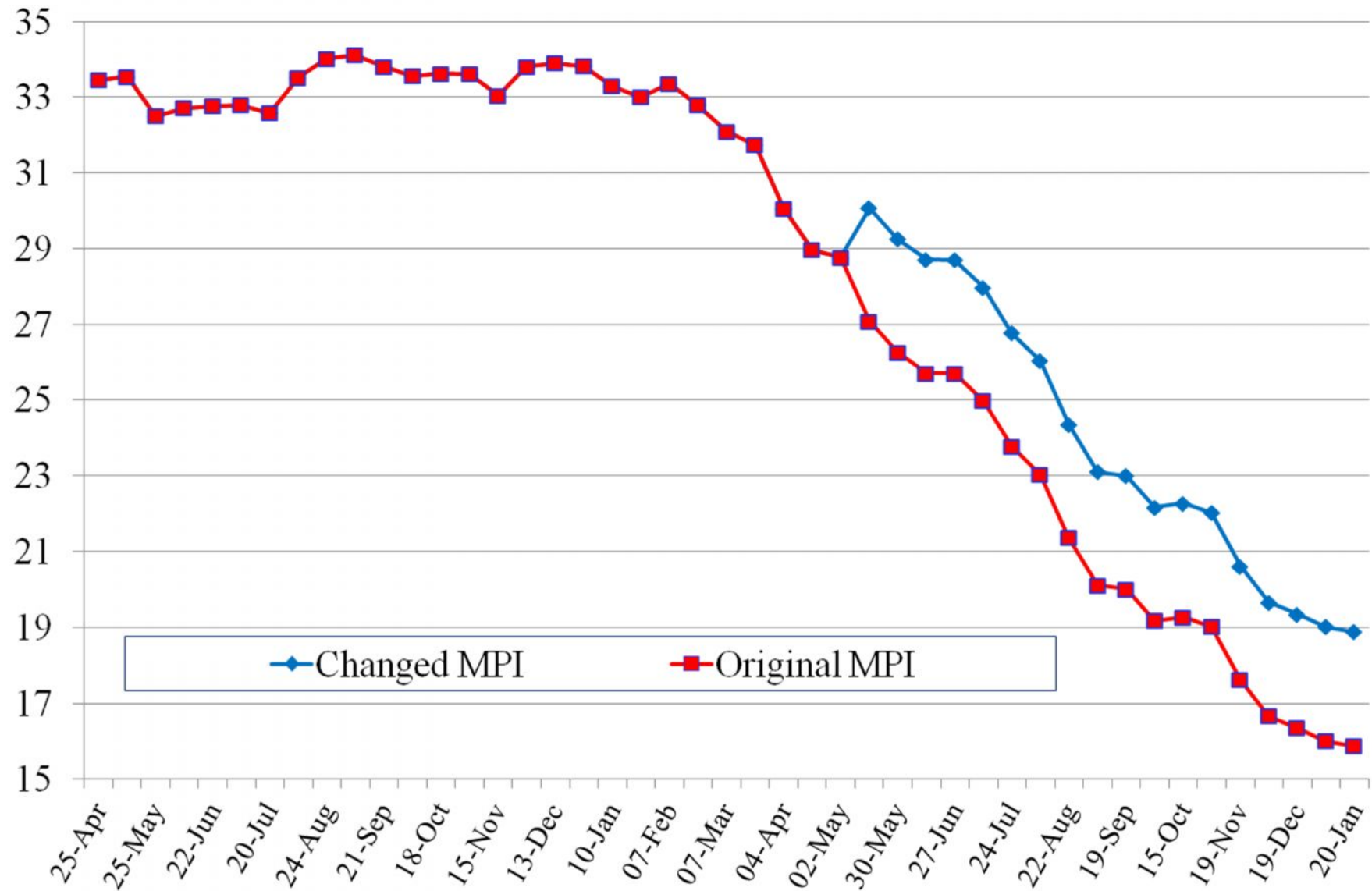
Normally first affected by fall in international markets

Where we are today the rest of Europe will eventually follow

United Base Milk Prices (ppl)



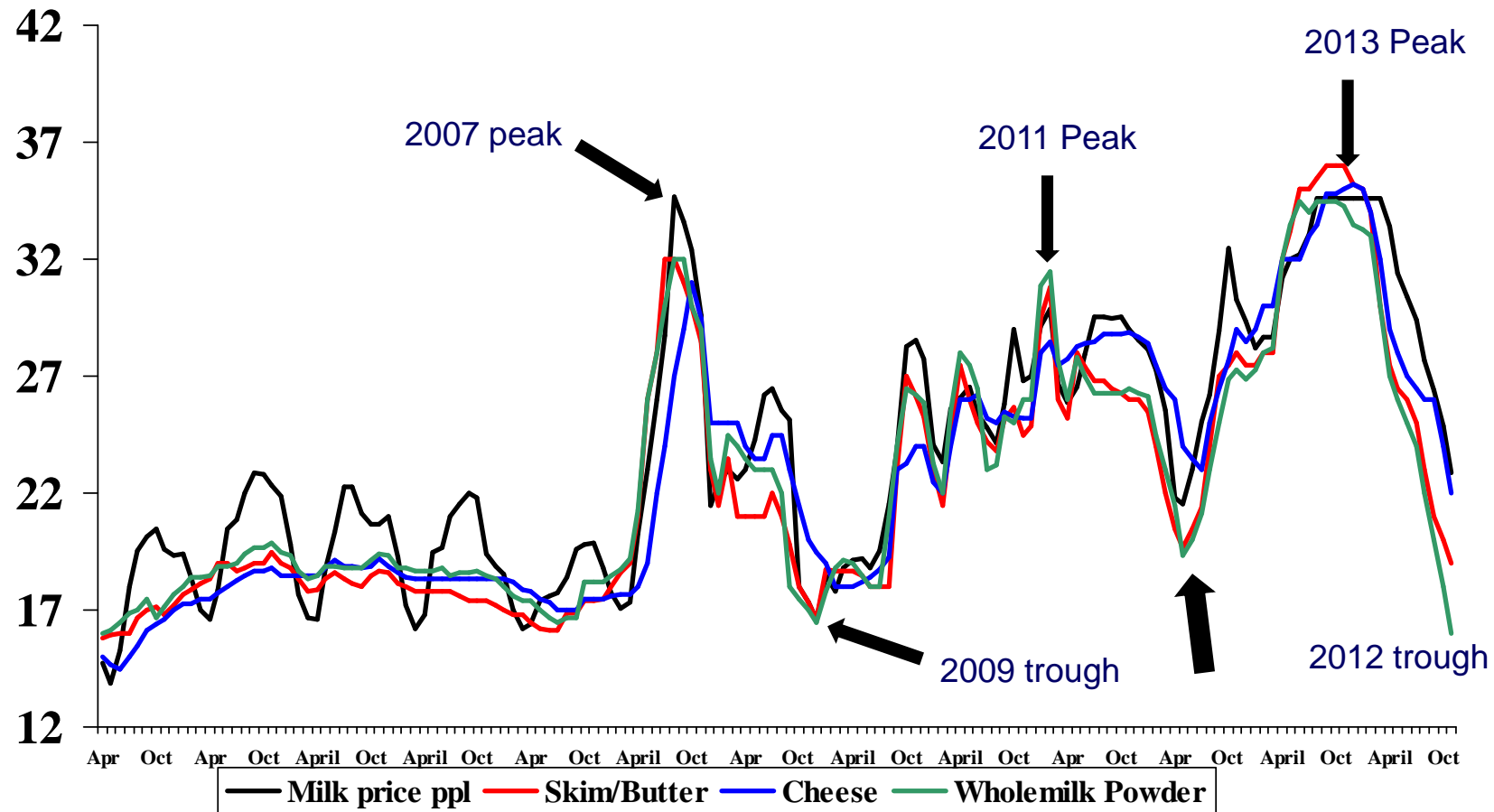
UFU MPI



The Dairy Cycle

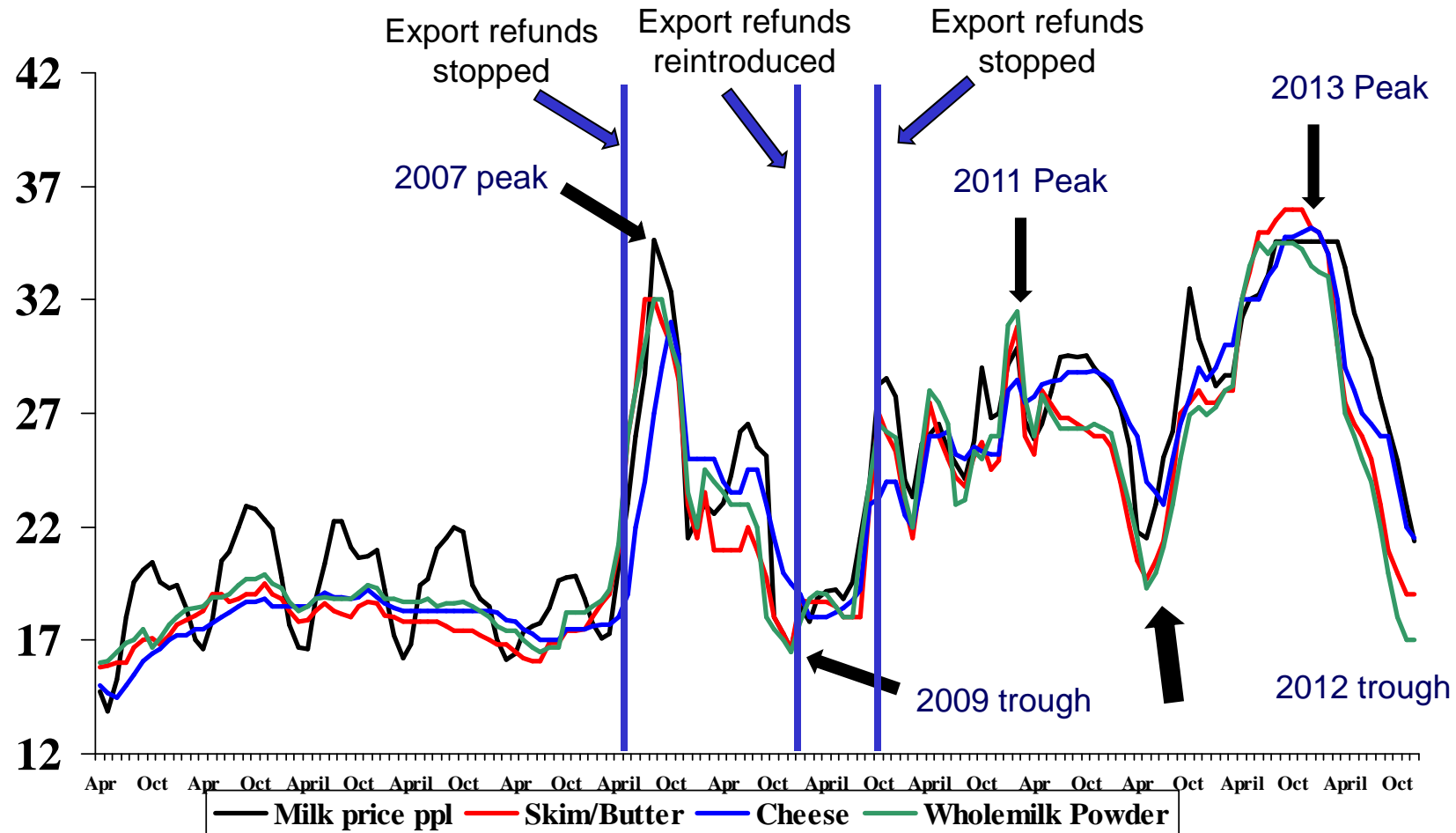


Market Returns vs. Milk Price



United milk price set by farmer board based on market returns & income

Market Returns vs. Milk Price

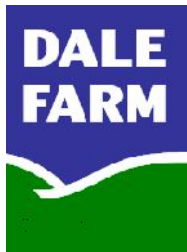


United milk price set by farmer board based on market returns & income

Post Refunds & Quotas

*Effective EU policy is that
milk price
is the main control
over output*

Dairy cycle normally milk supply led



Price Transmission getting faster

Spot commodity markets



Food Ingredients



Food Service



Consumer Products



Post Refunds & Quotas

Risk of greater volatility

- *Less restraint on milk supply growth*
- *Price will be main control over supply*
- *Price signals/transmission essential*
- *Contracts can dampen price transmission*
- *Contracts therefore need to control output*



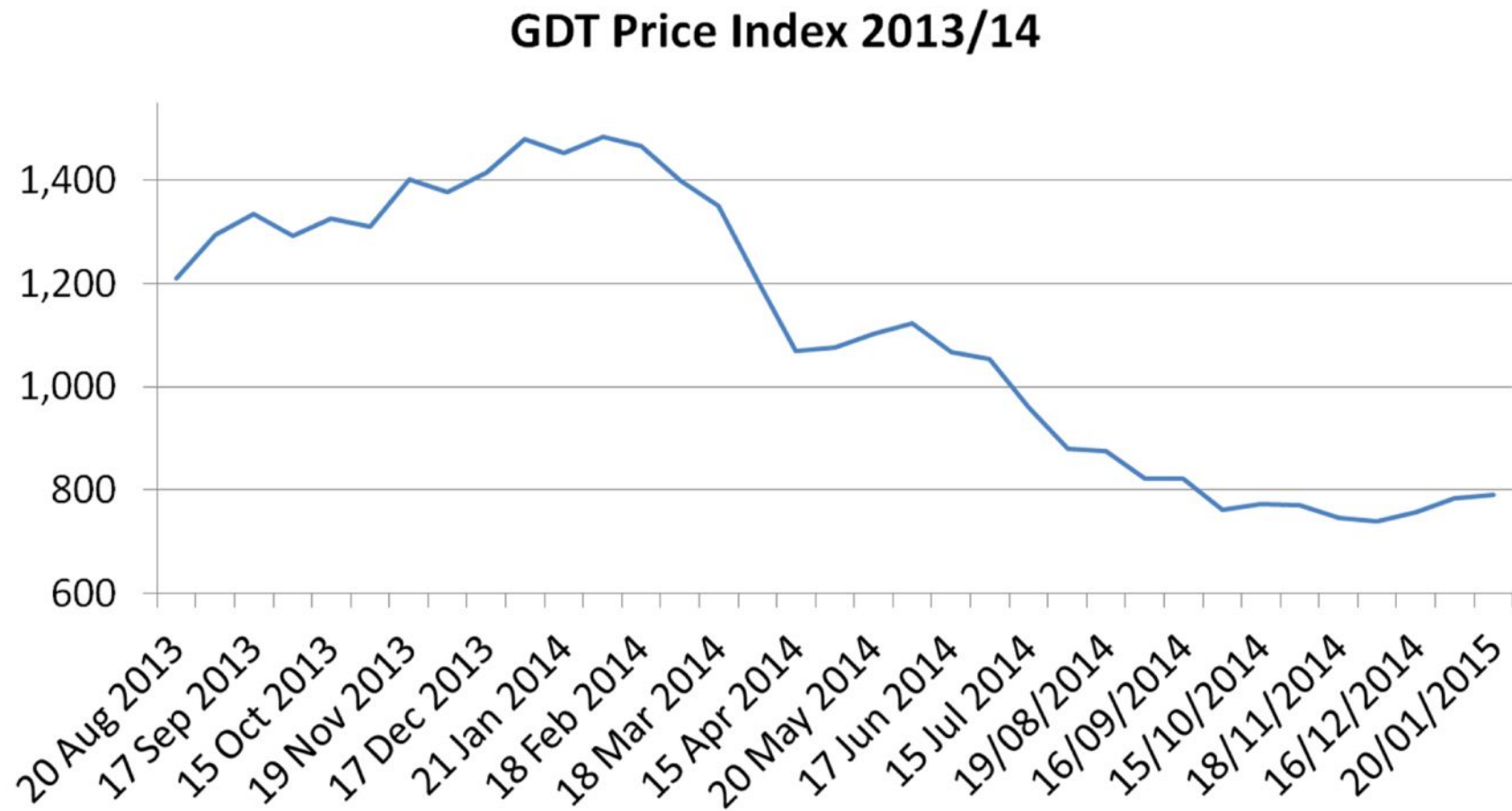


Dairy package in UK



- Voluntary code of practice, all the main buyers have signed up, largely 1 year contracts with break clauses
- Little move towards setting up Producer Organisations (PO) - only 6 groups of farmers considering registration
- Protected designation of origin (PDO) and Protected Geographical Indications (PGI) - no major take up
- Setting up on Inter Branch Organisations not happened because of range of organisations already in existence

Global Dairy Trade



Global Milk supply surged – 2014 YTD

- NI +9.4% YTD to December
- UK +8.3% YTD to December
- RoI +5.0% YTD to November
- France +6.6% YTD to October
- Germany +4.1% YTD to October
- EU +4.9% YTD to October
- US +2.5% YTD to November
- New Zealand +10.5% YTD to October
- Australia +4.3% YTD to November

Too much milk - World Supply is well ahead of demand

Growth slowing but still strong

- NI +8.8% in November
- UK +4.7% in November
- RoI +3.7% in October
- France +2.5% in October
- Germany +2.3% in October
- EU +3.4% in October
- US +3.4% in November
- New Zealand +4.5% in October
- Australia +3.0% in November

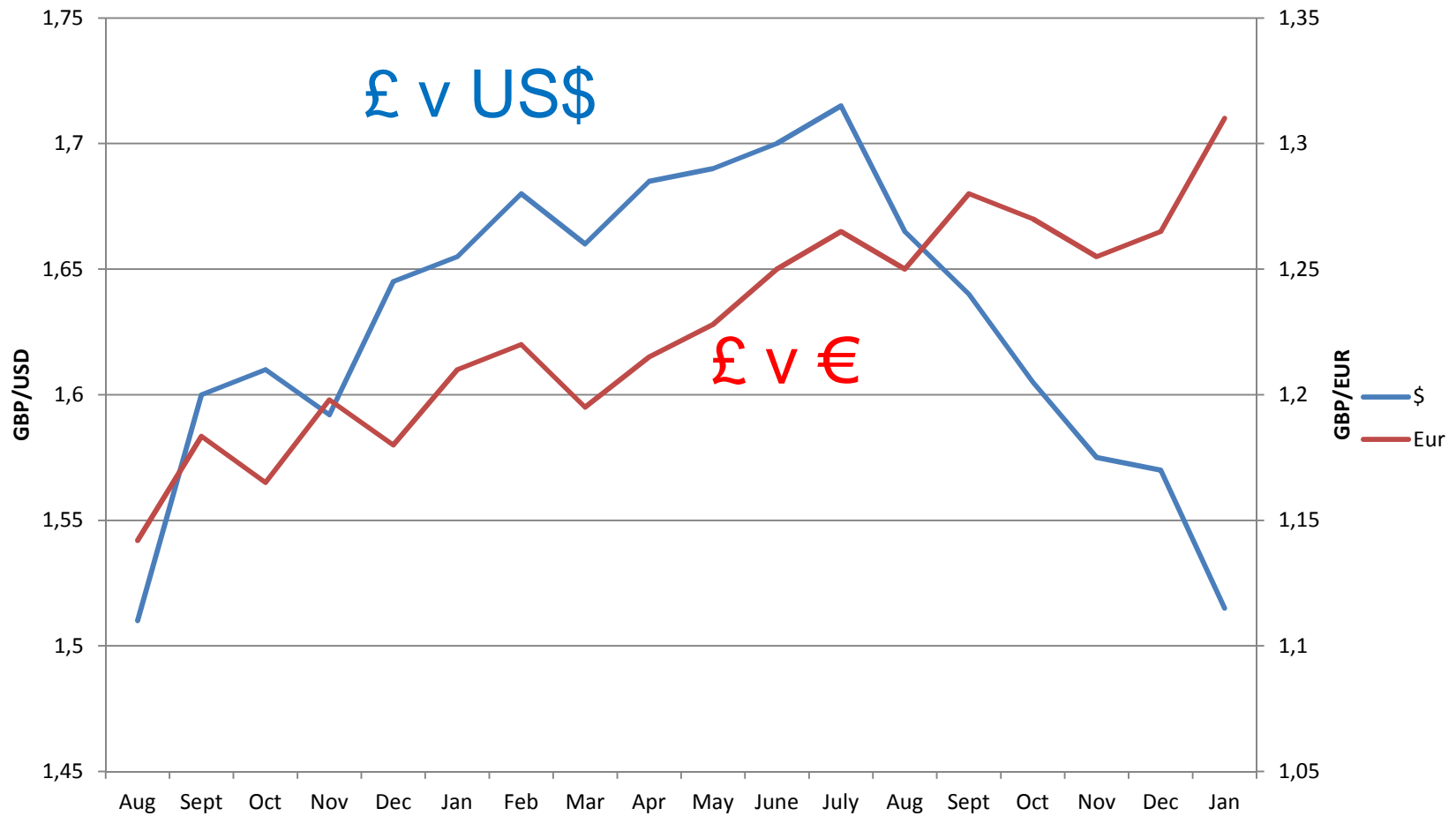
We have to be globally competitive

- EU has dairy surplus
- 11% of current output is exported

*Any future growth in dairy output will likely
have to be exported*

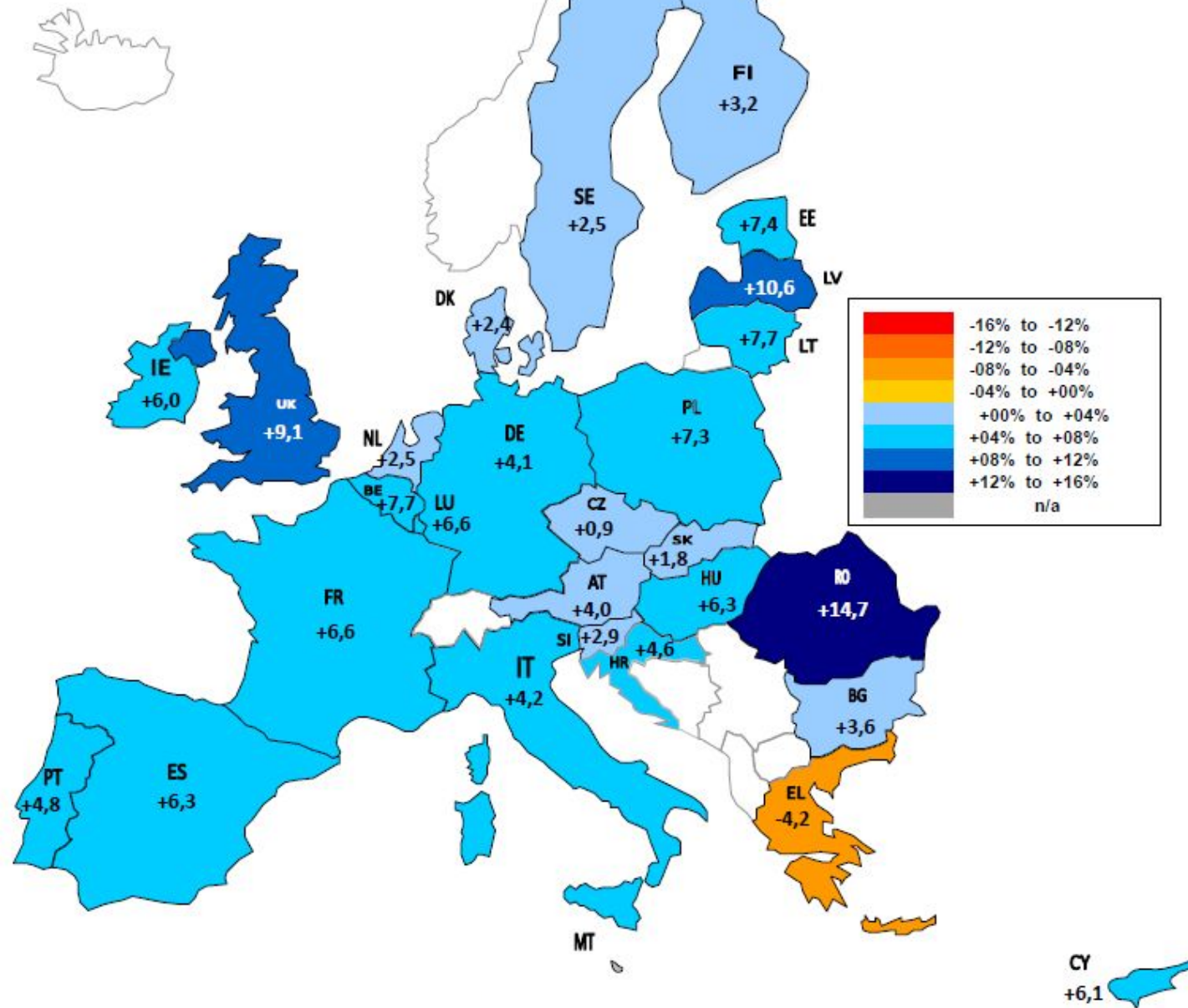


Also Currency Volatility



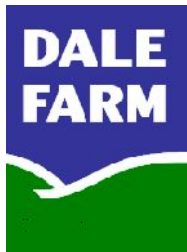
EU Milk Deliveries compared to last period (in %)

[Jan - Oct 2014 / Jan - Oct 2013]



EU Countries likely to grow the most post quotas

Ireland
Germany
Holland
Poland
Denmark
Austria
Belgium
Italy





Making things better



- Develop transparent EU dairy futures market
- Develop new export markets to replace lost Russian business
- Develop preferential trade agreements with key partners
e.g. New Zealand & China
- Encourage longer term integrated supply chain contracts
farmers - processors – end customer
- Legislation on below cost selling of dairy products
- Increase intervention price to more realistic level to create a
market floor
- US Margin protection arrangement???



The Challenge ahead

Economic sustainability

Creating a successful future together

