



Financial Crisis; Impact On Agribusiness – Sources And Solutions

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Long term drivers in F&A markets little affected by economic crisis



Next agricultural commodity boom is coming, but when?



Supply factors

- Low inventory levels
- Lower margins throughout the F&A value chain
- Short-term focus
- Less investments
- High vulnerability to adverse weather
- Available agricultural land

Commodity price

Demand factors

- Food demand elasticity low → economic crisis does not affect food demand in developed countries
- GDP will continue to grow in China and India → ongoing shift in diet from rice to meat and dairy
- Biofuels not affected by financial crisis → driven by government policy



Impact of the Financial Crisis on the F&A Value Chain



	Farm inputs	Primary production	Trade	Processing	Retail
Customers	Drop in demand	Drop in demand	Increased volatility	Product realignment Trading down	Branded vs own label Trading down
Pricing	Fertiliser prices followed commodity Prices Competitive position affected by FX swings	Less positive price outlook Price hedging more difficult	More expensive hedging	Margin squeeze	Price competition
Finance		More restricted credit available from banks	Lower availability working capital Increased counterparty default risk	Lower availability of credit Tougher terms of trade	Lower availability of credit
Strategy	Consolidation	Differs by segment	Risk management	Increased focus on sourcing strategy	Pricing-led

How can companies in the feed-to-food chain respond to the crisis? (1)



Focus

- Back to core business - F&A
- Efficient capital usage
- Tailor products
- Strategic alliances

Close risk monitoring

- Stick close to clients and suppliers
- Control and manage risks
- Sourcing policies

Conservative financing model

- Lower leverage
- Diversify funding sources
- Cash flow projections

Spot opportunities

- Product innovation
- Sustainability

Employee motivation

- Informing staff/ provide direction and trust



Thank you

