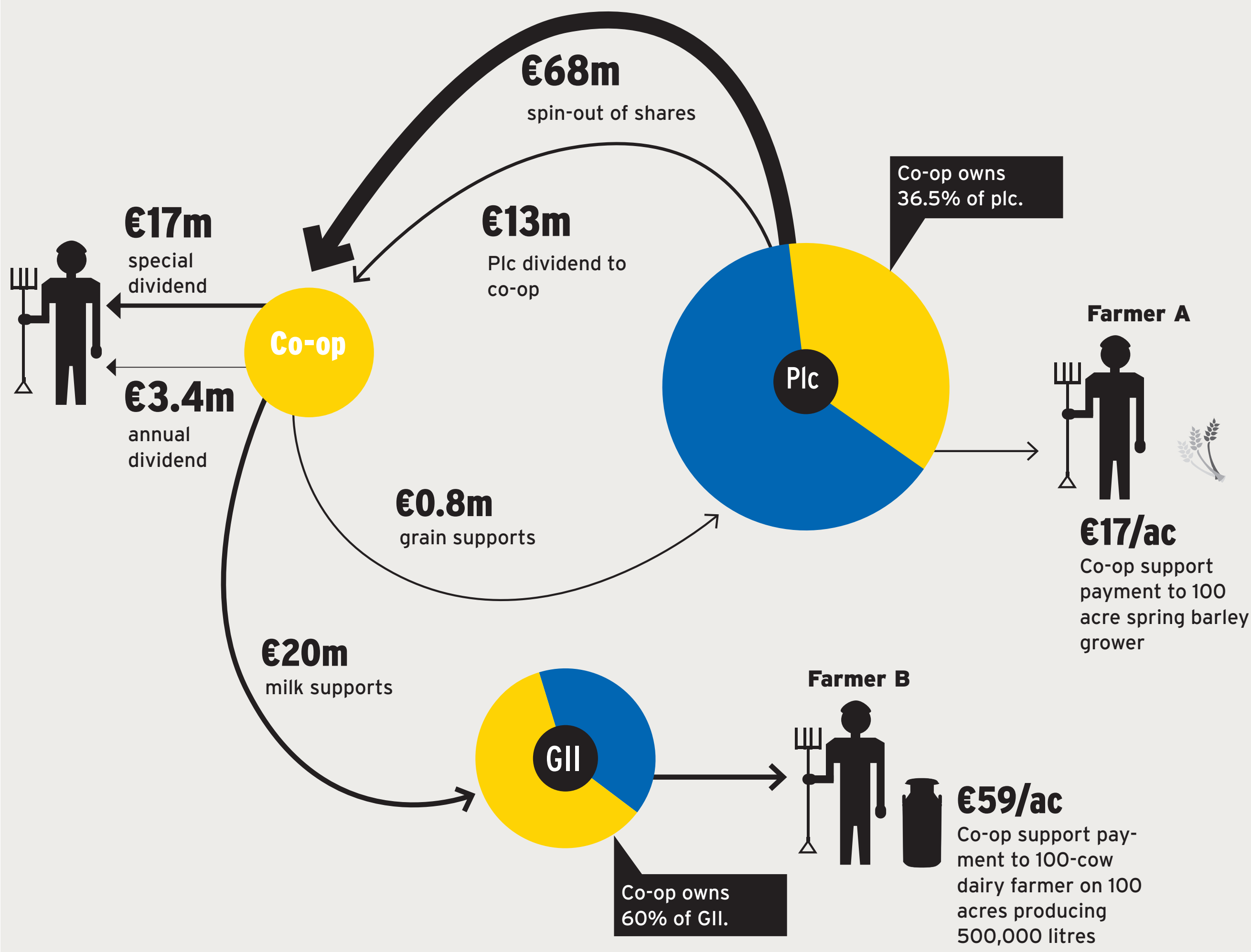
## How the Glanbia price support model works




## An inequitable policy? Difference between supports to grain and dairy farmers

To best explain this, take two typical farmers who each own 100 acres and are co-op members. Farmer A is a 100-acre spring barley grower, uses 35t of fertiliser and supplies 300t of grain. Farmer B is a 100-cow dairy farmer producing 500,000 litres, uses 100t of feed and 80t of fertiliser.

Taking co-op rebates for fertiliser and feed (€5/t) and the bonuses for milk and grain (1c/l and €5/t) this amounts to €1,675 for Farmer A (tillage) and €5,900 for Farmer B (dairy). This means the dairy farmer is getting €59/acre – four times the amount of the tillage farmer at only €17/acre. This raises the question of the fairness of this policy.

Glanbia is clear and says it wants to reward the loyal active farmer. However, in true co-op ethos, all members are equal and one member equals one vote.

Furthermore, GII's policy on milk supply agreements (MSAs) and linkages to co-op membership is difficult to justify. While MSA protects all parties including farmers, is it reasonable to expect that a co-op member should only get his share of plc cashflows if he has signed an MSA with a joint venture company?

Kerry co-op pays out the Kerry Group plc dividend in a cheque every year to each shareholder. This is treated by farmers as a different source of income and a return on an investment that is directly related to the shareholding held in the co-op. However, the drawback is it has ended up that down through the years, many of the shares are now not owned by active members/dairy farmers. Another key difference is that Kerry dairy farmers don't own or control their dairy processing arm. But looking at the recent milk price performance at GII, farmers may question what is the advantage of owning one? Is it time Glanbia removed the complexity around prices and simply paid the shareholder his share of the dividends or asset sales by means of a cheque each year?