
W&R BARNETT TRADING

6th November 2012

FAO Stella McArdle
Room 243,Parliament Buildings
Ballymiscaw, Stormont
Belfast, BT4 3XX

Dear Ms McArdle,

REFERENCE : Farming Crisis Letter 24th October 2012

Further to your letter dated 24th October 2012, please find attached our evidence submission.

Yours Sincerely



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Submission of Information to the Committee for Agriculture and Rural Development

Date: 6th November 2012

Reference: Letter 24th October 2012, Crisis in Farming

On behalf of W&R Barnett Trading Ltd

Background

W&R Barnett Trading Ltd is a commodity trading business based in Belfast. It has remained a family business from its foundation in 1896, and is committed to supporting the Northern Irish feed industry with supply of raw materials from around the world. We buy and ship approximately 500 thousand tonnes of dry feed ingredients into the Northern Ireland feed market. Our customers are compounders, blenders and merchants who sell straights to the agricultural sector. We operate in a competitive market with major global competitors including ADM a large US conglomerate (www.adm.com) with local subsidiary Arkady Feed Ltd, and European Trade house Cefetra BV (www.cefetra.com) with German based Co-Op group Baywa (www.baywa.com) as shareholders, operating as local subsidiary Cefetra Ltd. Local competitors include Comex McKinnon (www.comex-mckinnon.ie) and James Tolland & Co.

Our Business Model

We have built, over the years, a global network to buy raw materials for the Northern Irish animal feed industry in high volume. We manage the logistics to ensure continuous supply to our customers, and offer prices on a daily basis which reflect the international price of commodities. The changing dynamic of the volatile and competitive market we operate in has dramatically increased the risk of this low margin business.

We not only supply the physical raw materials to our customers but we also provide market information and purchasing advice to support our customers to make buying decisions. This is becoming more important to our customers and more difficult to do as the market experiences increasing volatility.

Over the past five years particular trends have supported feed material prices globally

- Growth of developing nations such as China and India,
- Industrial demand for grain and oilseeds as a feedstock for bioenergy
- Fund investment in Agricultural commodities

This year particular fundamentals have further supported the market. Crop failure in USA, where, having suffered the worst drought since 1956, crop conditions for maize and soya were compared to 1988 the worst recorded crop year. Harvests brought some intermediary relief but low global stocks remain a concern. Grain harvests were delayed locally with poor weather (drought followed by heavy rains) causing quality problems. And Russian and Ukrainian wheat suffered hot dry conditions such that resultant losses were estimated near to the exportable surplus last year which has caused Ukraine to introduce an export ban for mid-November.

Credit and Working Capital Implications

The credit terms provided to our customers are time based rather than value. The nature of time based terms combined with rising commodity prices have meant we are extending higher credit to our customers. The impact of the poor weather over the summer has seen unseasonal demand for summer feed circa +9% July/September vs YAG (source DARD), which has kept the pressure on our customers at a time when their feed bill would normally abate and provide an opportunity to reduce debt. Combining our debtors with the increased cost of raw material purchases our working capital requirements have increased (this is estimated at approximately 150% increase at peak versus one year ago). We continue to finance this to prevent having to reduce credit terms offered to our customers. It is becoming increasingly challenging for the industry, in the current banking environment, to stand over the existing credit with raw material levels at the unprecedented high prices currently being experienced.