



A new raw materials boom?

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25.11.2010



2007/08

Skrur opp prisene

Høye kornpriser også i 2008

Dyrere mat med biodrivstoff

"Vi får vänja oss vid att maten blir dyrare"

Varsler dyrere supper og spaghetti
Kraftfôret blir dyrere

Bönder pressar Arla till nya prishöjningar

Food bills climb as commodity prices surge

DYRERE

ASIA battles with surging food costs

Pasta panic strikes Italy

Tørken truer på Ganges-plataet

Svindende kornlagre fører til dyrere mat

Klandrer høye priser for dårlig resultat

World food price rises set to hit consumers

OECD slams biofuels subsidies for sparking food price inflation

Record price for wheat as bad weather prompts inflation fears

Ekspertane trur på høge prisar

Galopp på råvarepriser

Matpris-
byks etter
harde for-
handlinger

slår igennem i butik

Økte matpriser
nepper til å unngå

Cargill chief in warning over biofuels boom

Mat er den nye oljen

Prishopp på vanlige matvarer fra februar

Wheat price surge increases inflation fears

Long period of rising food prices forecast



ORKLA
Brands

2010

NORGESGRUPPEN:
**Spår mangel
på matvarer**



More farming can stop food crisis

- **Fears of crisis in global food supply**

Ban on wheat exports sends global prices skyrocketing

Food price rises renew fears of riots

Strides om matkrisen

Tid for bønner

Production must rise to banish hunger

Sugar prices soar to 30-year high

Traders warn of further volatility in sugar prices

Rått spill om neste års råvarepriser

Ukraine export curbs bolster corn and wheat

”Ligger an til en perfekt storm



Dårlige kornavlinger gjør sitt til at ølprisene vil stige, ifølge Carlsberg. FOTO: TONY MEEVILLE/SCAM

Høy kornpris gir dyrere øl



Kraftig prisoppgang på mais og hvete

[illegible]

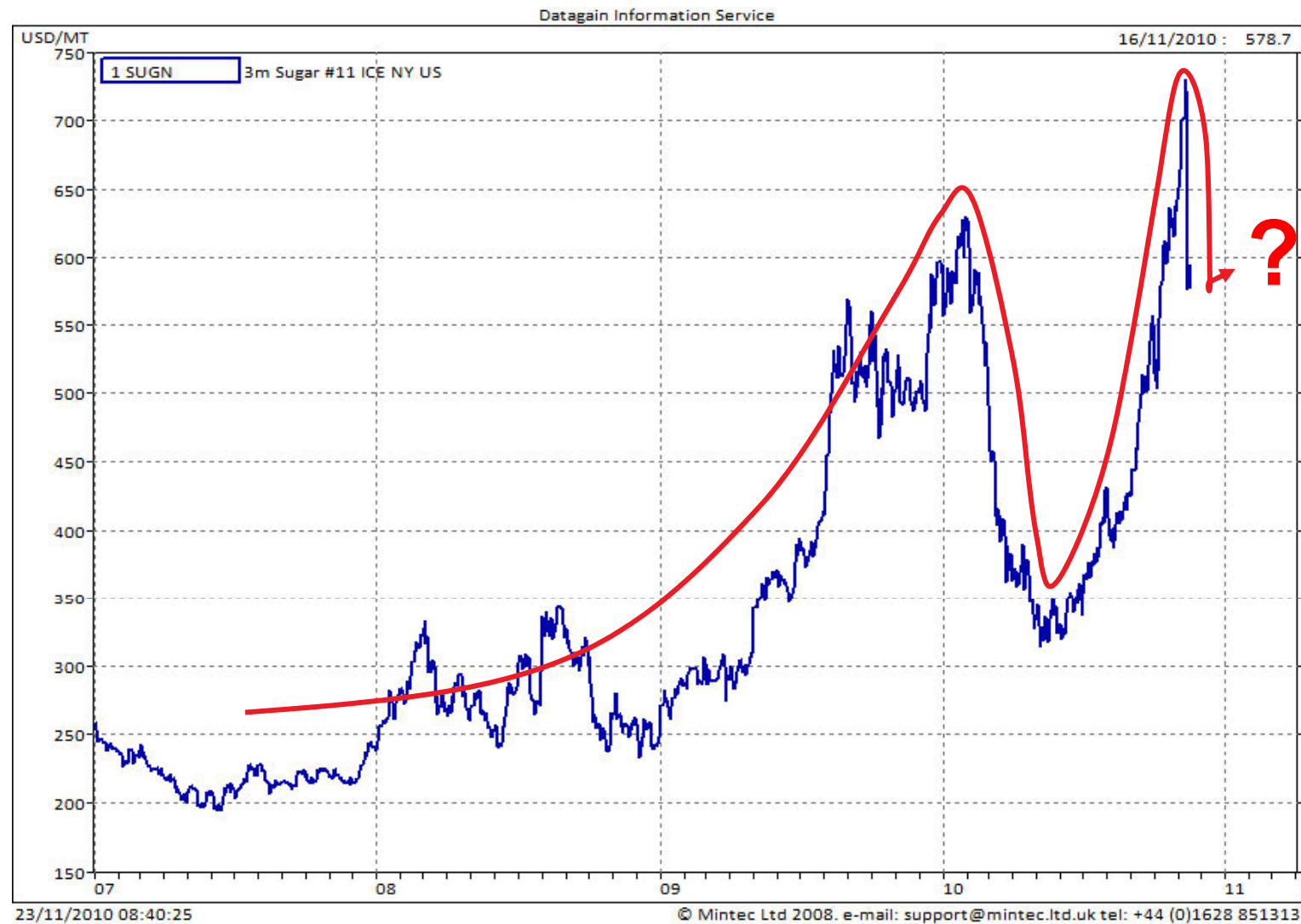
Enter code name 35, your high school, and a home town from 1930s maps. **Score records** **Disks of knowledge** **Photo APF**

Figure 1 consists of four charts illustrating the impact of the 2008-2009 global financial crisis on the UK economy. The top-left chart shows UK Sales (current price, £b) from January 2008 to September 2009, with a sharp decline from approximately 16 to 12. The top-right chart shows UK Sales (constant price, £b) from 1970 to 2010, with a long-term upward trend and a dip in 2009. The bottom-left chart shows UK Sales (constant price, £b) by sector from 1970 to 2010, with Retail and Wholesale trade showing significant growth. The bottom-right chart shows UK Sales (constant price, £b) by sector from 1970 to 2010, with Retail and Wholesale trade showing significant growth.

Venter nye kraftige prishopp

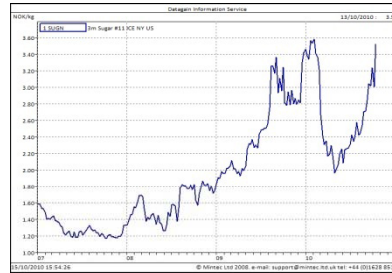
As high as an elephant's eye

Here we go again ...?

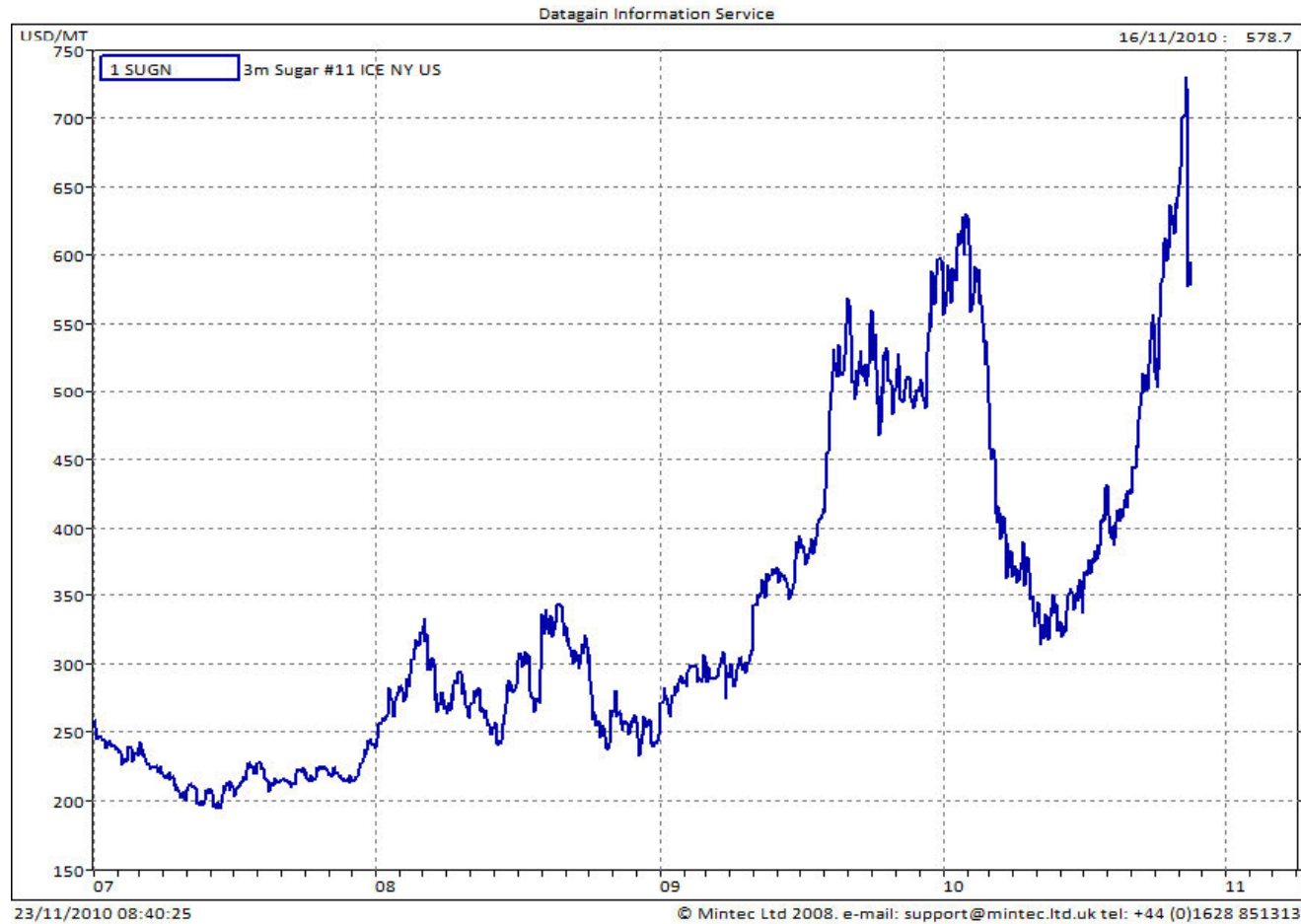


Outline

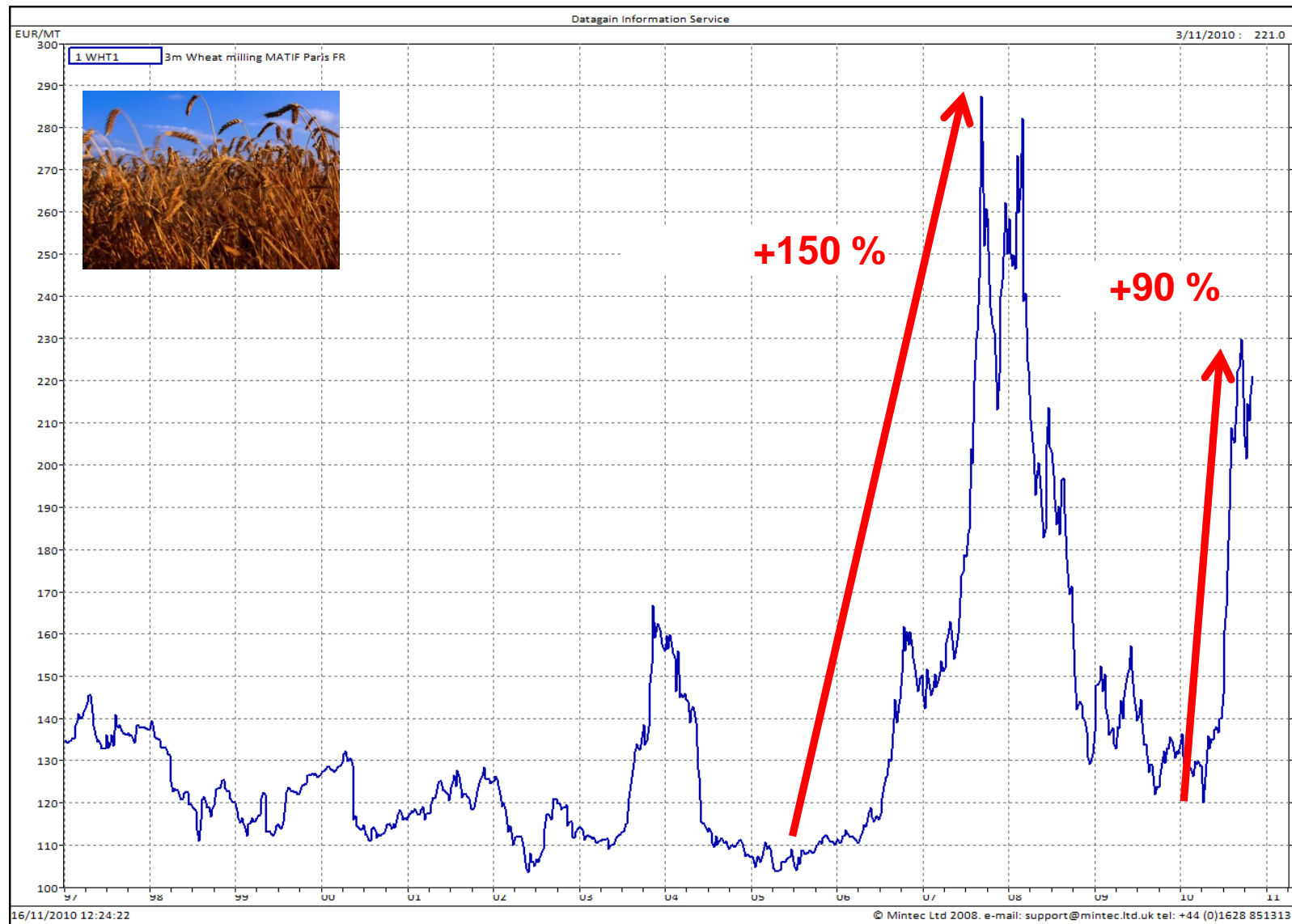
- What has happened?
- Why is it happening?
- What will happen in the future?
- A Norwegian perspective
- How is Orkla tackling this situation?



What has happened?



Wheat price movements



Sugar price movements



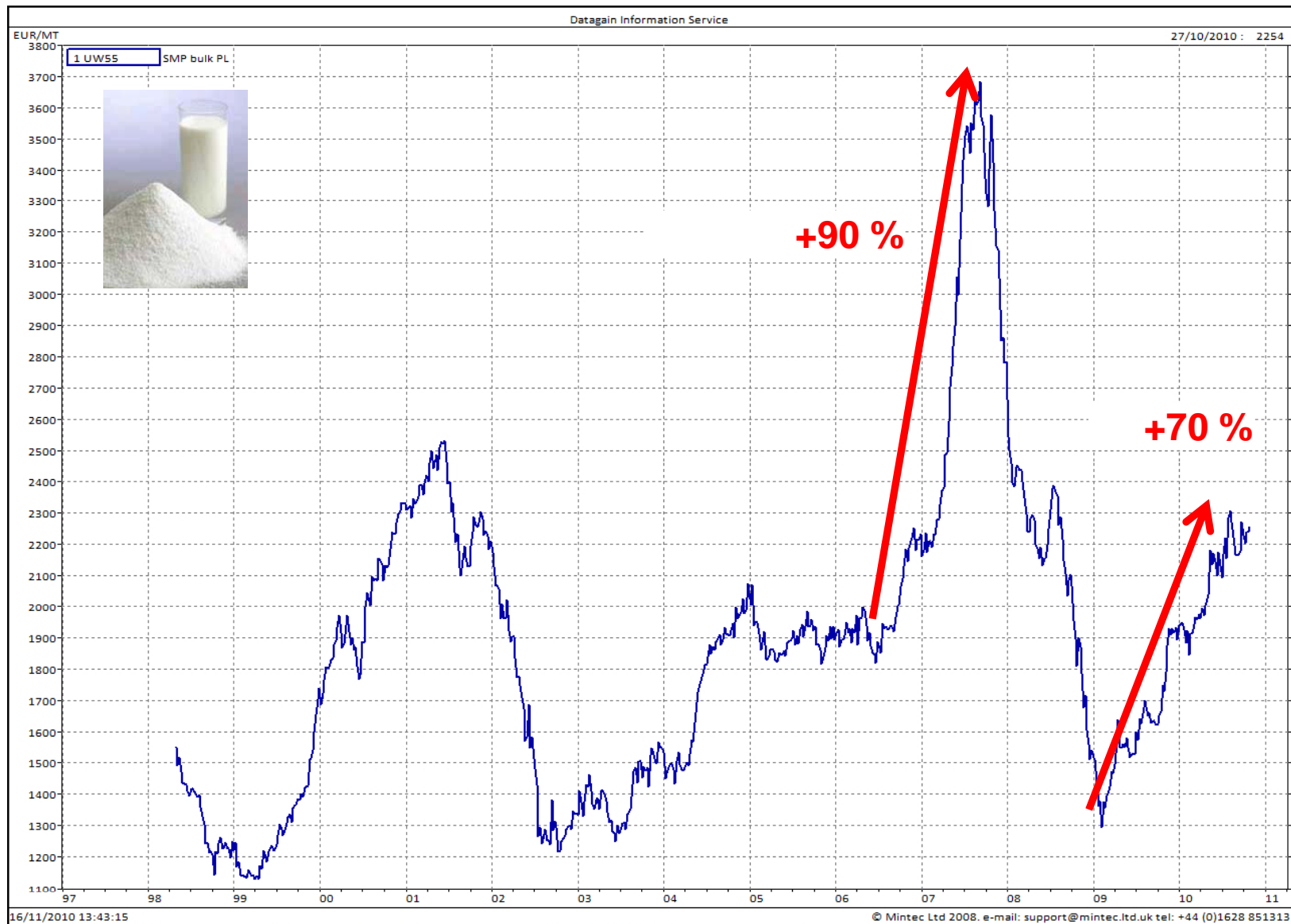
Palm oil price movements



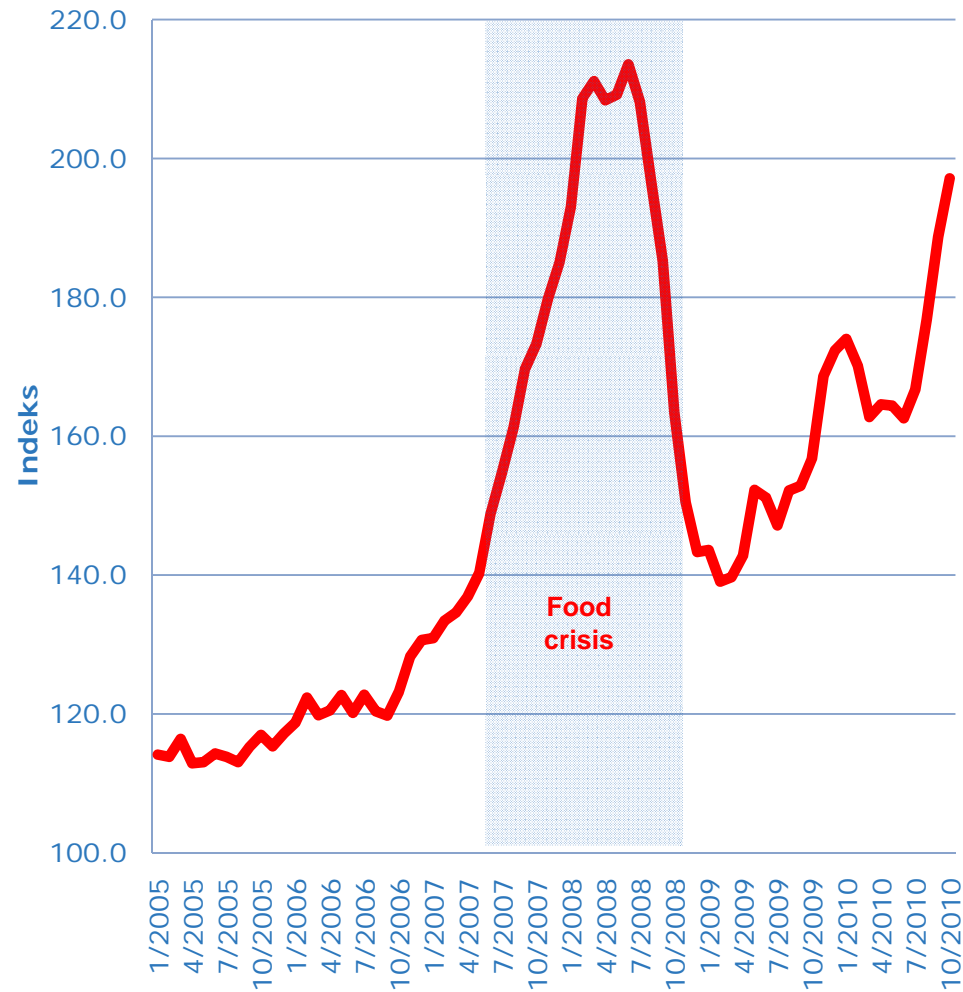
Cocoa bean price movements



Skim milk powder price movements



FAO Food Price Index



The FAO Food Price Index is a commodity price index (meat, dairy products, cereals, vegetable oils, sugar)

Why is it happening?



Why is it happening?

**This makes prices
rise**

**This makes prices
fall**

Demand



Supply



Why is it happening?

	This makes prices rise	This makes prices fall
Demand	 <p><i>China, India – new high-growth economies</i></p> <p><i>Energy prices</i></p> <p><i>Climate – policy, bioenergy</i></p>	 <p><i>Substitution, especially between meat and vegetables</i></p> <p><i>Financial crisis</i></p>
Supply	 <p><i>Disasters – in 2007, Australia (wheat), 2010: Russia, Ukraine (wheat)</i></p> <p><i>Protectionism – Russia, Ukraine...</i></p>	 <p><i>Productivity growth, Output, intensity</i></p> <p><i>Cultivated land area – potential, but uncertain</i></p>

Source: NILF



Protectionism and trade war?

Grain export bans create a fresh crop of problems

News analysis

Government controls are adding to agricultural price volatility, writes Javier Blas

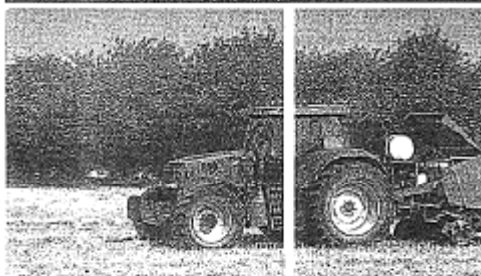
As economists and central bankers fret about the risk of Japanese-style deflation in the west, commodity traders are warning of a very different phenomenon: "agflation".

Amid supply shortages and panic buying across the globe, prices for cotton, sugar and wheat have spiralled to multi-year highs this week, pushing up sharply the costs of materi-

action. By restricting their exports, producing nations aim to keep local markets well supplied and cap local prices. In that way, they keep a lid on social and political unrest. But the curbs have tightened international supplies, pushing up prices on global markets and distorting trade flows. Importing nations, fearful of being unable to secure what they need, could respond by hoarding supplies, further driving up prices.

The US Department of Agriculture said this week that controls on cotton exports by India, the world's second-largest exporter, had raised concerns about its reliability as supplier. The result was

Could panic buying lead to 'agflation'?



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UTENRIKS

På vei mot en ødeleggende handelskrig

Forebygge: Stillehavsgruppen Apec tror at fri handel skal hindre nye kriser. Mye står og faller på forholdet mellom Kina og USA.

Valutakrangel: – Hvis de ikke klarer å danse tango sammen, vil det skape nye problemer for verdenshandelen, sier direktøren ved Peterson-instituttet.

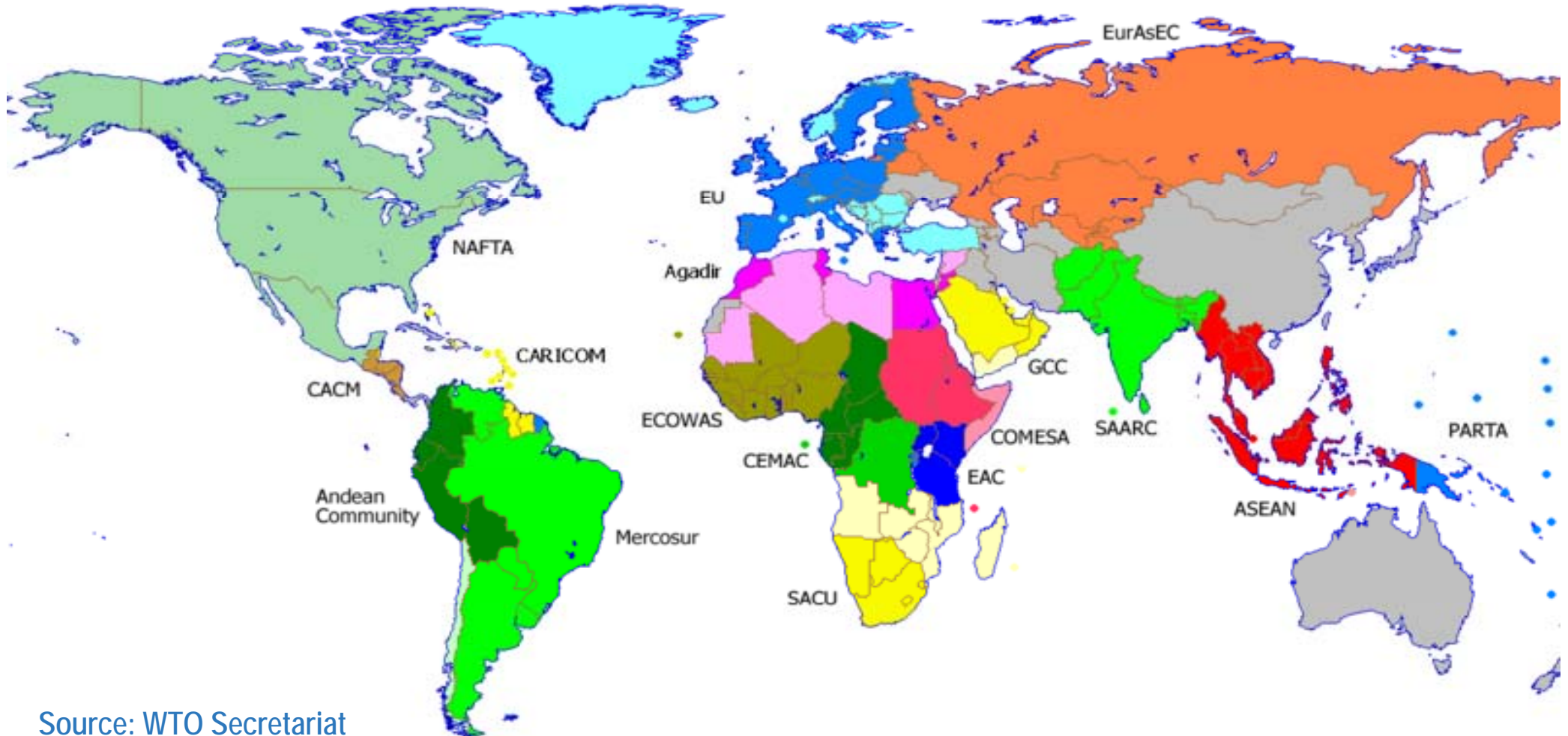


Financial Times 11 November 2010

Dagens Næringsliv 15 November 2010

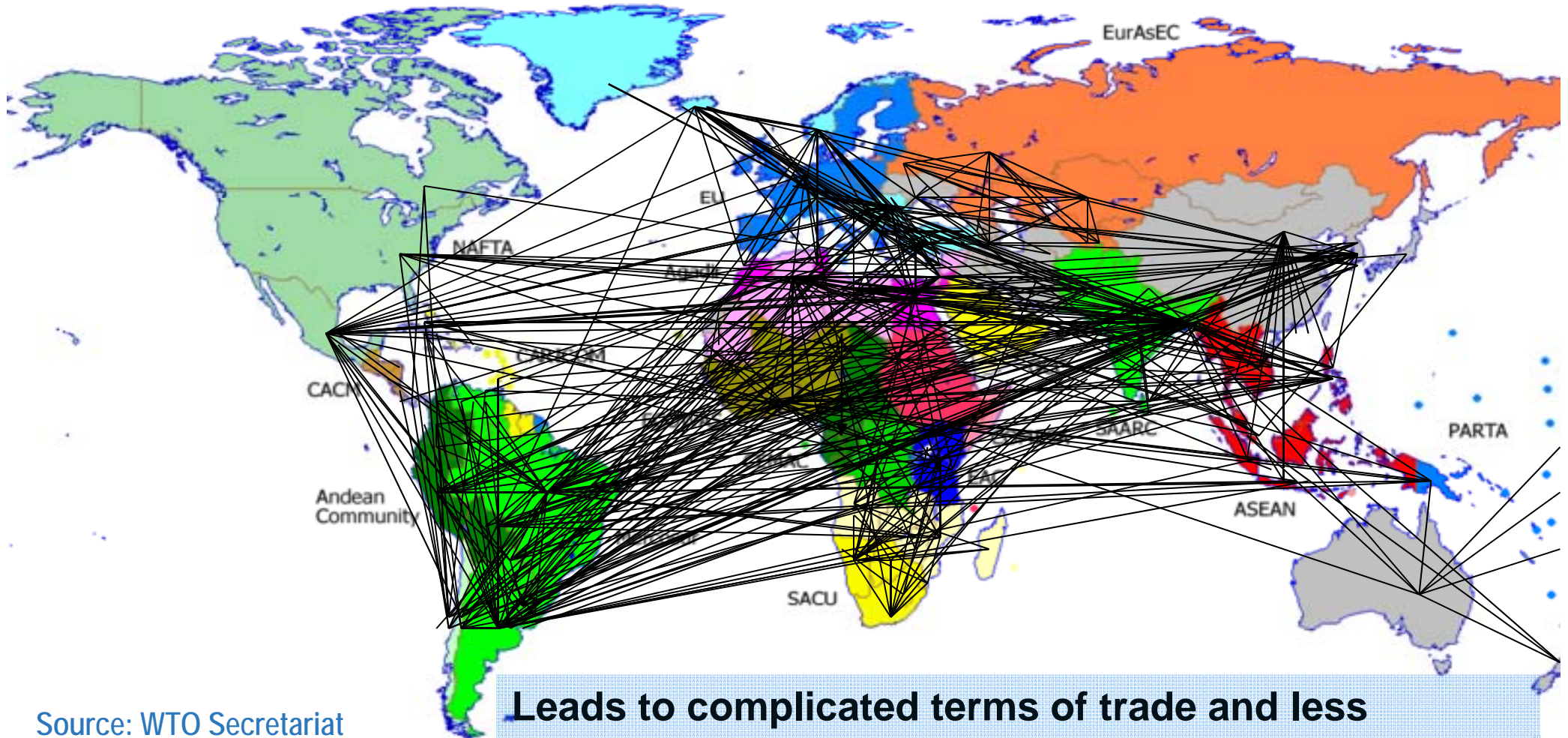
No new WTO agreement yet ...

Trade blocks increasingly important ...



Source: WTO Secretariat

The alternative to a new WTO agreement ... and other regional trade agreements ("the spaghetti bowl")



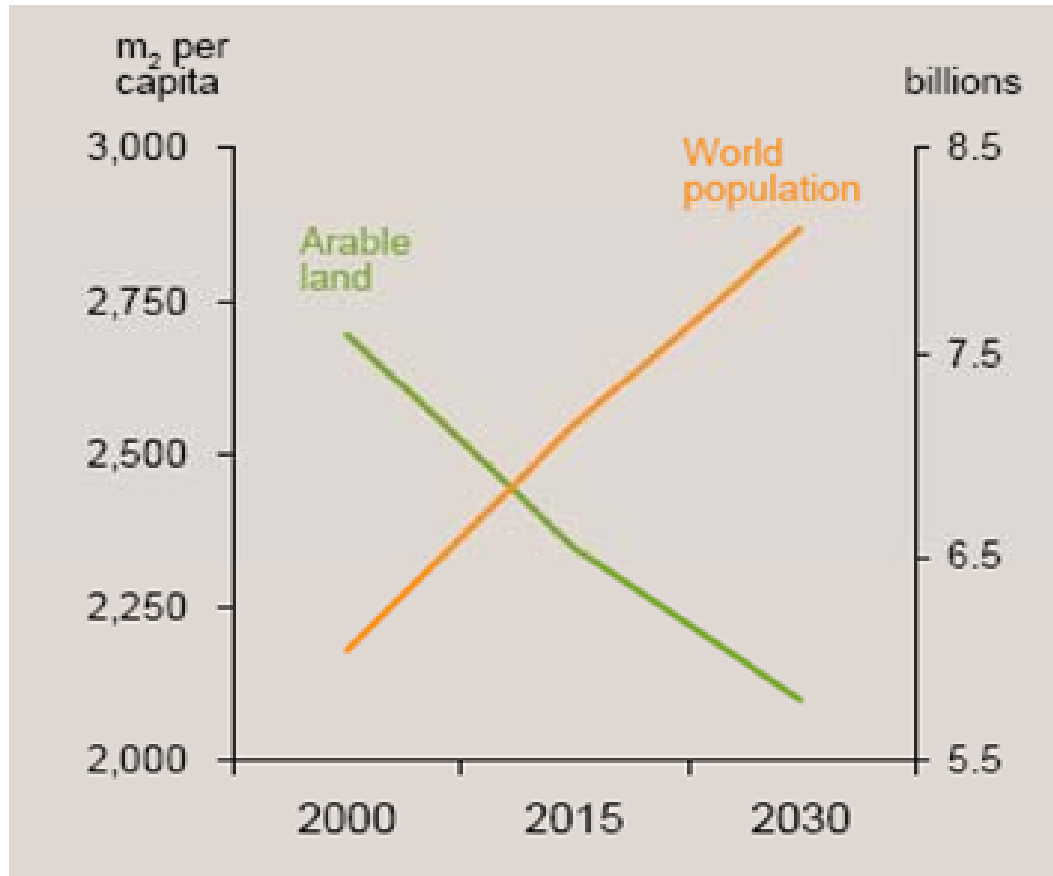
Source: WTO Secretariat

Leads to complicated terms of trade and less predictability. The principle of "survival of the fittest" applies.

What will happen in the future?



Food production must be increased, using less arable land per capita



- The global population will exceed 8 billion in 2030
- Global farmland can be increased by max. 7%
- Significant reduction in arable land per capita

Disagreement on adjustments

NORGESGRUPPEN:
Spår mangel
på matvarer



Sverre Leiro (CEO NorgesGruppen):

- In emerging economies that currently export large volumes, the population will gradually demand more of the raw materials themselves.
- This may lead not only to higher prices, but also to the scarcity of certain goods.
- This applies to cereals, oil, berries and vegetables.

Vareknapphet? Ikke før Norge er i krig og kysten **minelagt**, sier økonomiprofessor Ole Gjølberg.

Professor avviser matkrise



Ole Gjølberg (Professor of Finance, UMB):

- Scarcity? There is a scarcity of all economic goods.
- Low global food prices have led to low production, which then drives prices up when crops or markets fail.
- Many countries can significantly increase their production.

What will happen in the future?

- The increase in prosperity in Asia represents a "shift"; "rich people eat more than poor people"
- There is underlying population growth – more mouths to feed
- Supply-side adjustments will be made – more land will be cultivated, production will be adapted and new technology will be introduced, but climate changes and increased energy needs create uncertainty
- Raw material prices will remain high for the next 10 years
- Significant price fluctuations
 - Stronger connection between the energy and raw materials markets
 - Large institutional investors in the futures market
 - Reduced inventories
 - Extreme weather
 - Trade measures/protectionism on the part of individual countries





Dårlige kornavlinger gjør sitt til at ølprisene vil stige, ifølge Carlsberg.

FOTO: TONY MELVILLE/SCANPIX

Høy kornpris gir dyrere øl

INSIDE THIS WEEK: TECHNOLOGY QUARTERLY

The Economist

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The world's best and worst schools
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THE END OF CHEAP FOOD

36 UTENRIKS

ONSDAG 10. NOVEMBER 2010 DAGENS NÆRINGSLIV

Frykter opptøyer i Egypt

Matkrise: En ny global matkrise kan bli resultatet av økende matvarepriser og flere naturkatastrofer.

Reprise? I Egypt frykter de nå en reprise av situasjonen i 2008, da høye matpriser førte til voldelige opptøyer.

MAKROKONOMI

Egypt er verdens største importør av hvete. Dramatisk prisoppgang på hvete og en rekke andre matvarer gjør at både myndighetene og FN frykter en repetisjon av situasjonen fra sensommeren 2008. Da førte opptøyer i utkanten av hovedstaden Kairo til voldelige sammenstøt med opprørspoliti, som igjen resulterte i skader og dødsfall. Blant annet ble en liten gutt skutt og drept av politiet.

Sårbar situasjon
Egypt er i en meget sårbar og vanskelig situasjon, fastslår

Egypt



- Muslinsk republikk.
- 80 millioner innbyggere, mest i araber verden.
- Hosni Mubarak (82, president siden 1981).
- Regnes som det mest innflytelsesrike landet i araber verden.
- Viktig transportledd mellom Suezkanalen.
- 35.000 kroner (2009) i brutte nasjonalprodukt (BIP) per innbygger. (Jlka en tiendel av Norge)



KENNETH LUND
KAIRO
ELIN HØYLAND
(FOTO)

Fatima Hachem ved FNs Food and Agriculture Organization (FAO) i Kairo.

Egypt har nemlig ikke nok bønder til å fø sine 80 millioner innbyggere selv, og er helt avhengig av import.

Fra kontorene i den egyptiske hovedstaden analyserer og vurderer Hachem og en håndfull andre FN-eksperter ikke bare matvaresituasjonen. De kommer også med risikovurderinger når det gjelder eventuelle konsekvenser av matmangel.

Tidligere i høst kalte FAOs hovedkvarter i Roma inn til krisemøte. Det kom etter at Russland brøt nedla fullstendig eksportforbud på hvete, etter tørke og skogbranner i sommer, noe som igjen sendte prisene på hvete og andre basisvarer rett i taket.

Hachem mener situasjonen ikke er like dramatisk som under matvarekrisen vinteren 2007-2008. Men det kan fort forverre seg.

Det er blitt mye mer aggressivt, og det ubalanserte lite vil få det tettere til. Det har alt vært noen episoder, sier Hachem.

Ikke bare hvete
Når FN besøker et lite matmarked sentralt i Kairo er det fortsatt idyll, og ingen av torghandlerne vil gå med på at prisene er for høye.



GULROTTER. Terghandler Mahmoud i Kairo sier han kun har friske og rimelige gulrotter. Prisen er rundt to kroner kiloen.



FRYKT. Libanesiske Fatima Hachem hos FAO i Kairo er redd for matvarekrise og økte matpriser kan føre til voldelige opptøyer i Egypt.

Hachem sier matvareprisene har steget jevnt de siste to årene, og bare de siste tre månedene er prisene på enkelte matvarer doblet. Samtidig er Egypt hardt rammet av finanskrisen.

Hun forteller at myndighetene

- Kjøpekraften er kraftig redusert. Lønningene er lavere, mange er blitt arbeidsledige, og samtidig stiger prisene på alt, sier Hachem.

Hun forteller at myndighetene



Hachem sier matvareprisene har steget jevnt de siste to årene, og bare de siste tre månedene er prisene på enkelte matvarer doblet. Samtidig er Egypt hardt rammet av finanskrisen.

Hun forteller at myndighetene

Nærmer seg toppen igjen
Matvarer og hvete på Chicagobørsen siste tre år.



2008 Dagbladet Næringslivet/STATISTISKE DATA

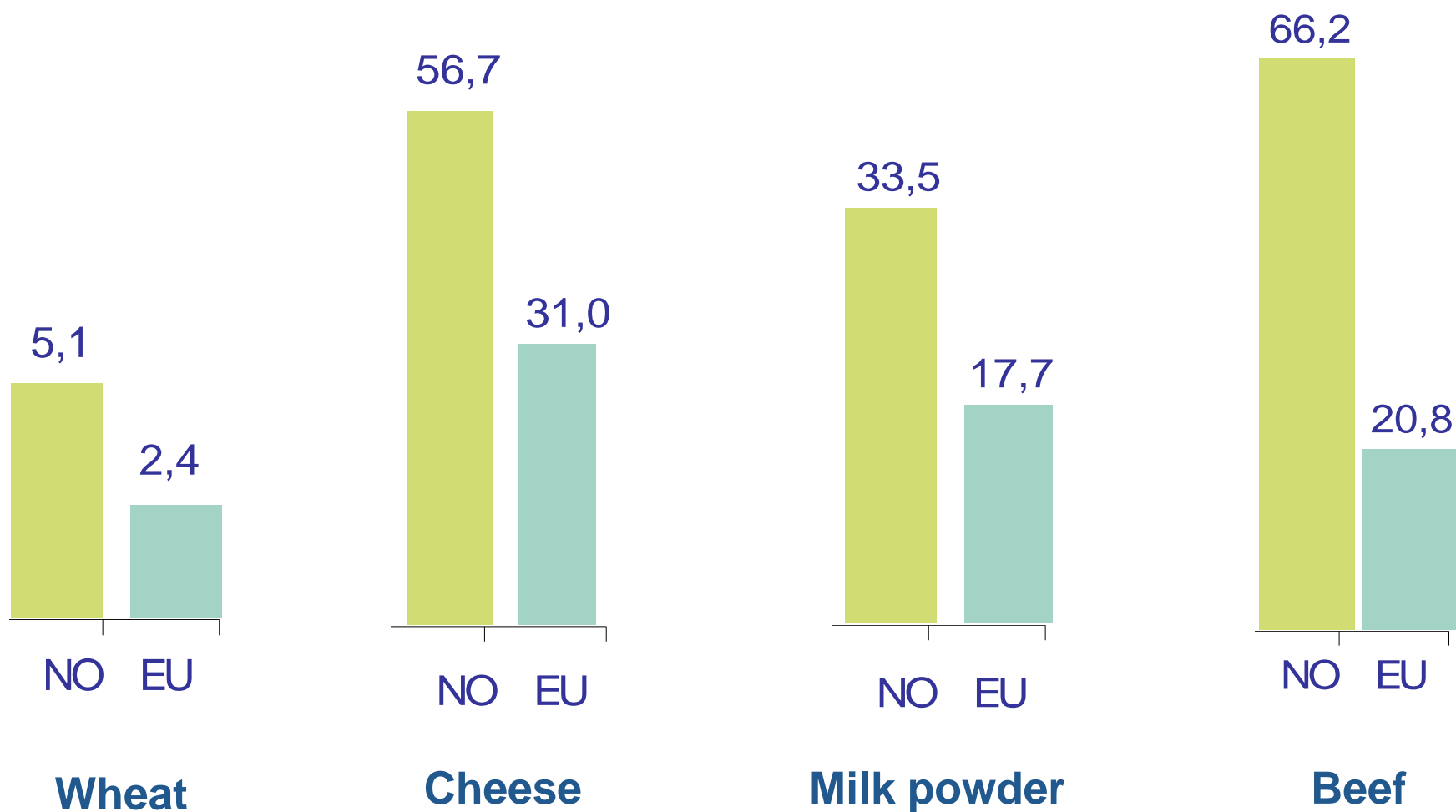
A Norwegian perspective



Norwegian import protection

High tariff	Moderate tariff (Non-Annex I)	Low/no tariff
<div>meat</div> <div>dairy products</div> <div>cereals</div> <div>potato products</div> <div>Norwegian vegetables, fruit and berries</div>	<div>bakery goods</div> <div>pizzas/pies</div> <div>jams</div> <div>saucers</div> <div>chocolate</div> <div>ice cream</div>	<div>fish</div> <div>beer/soft drinks</div> <div>tropical products</div> <div>sugar</div>

Differences in raw material prices Norway – EU NOK per kg (2009)



How is Orkla tackling this situation?



Orkla Brands' 10 largest raw material categories 2009



Fruit and berries



Sugar



Tomato paste



Meat



Cocoa



Vegetable oils



**Flour, cereals and
baking mixes**



Spices, herbs, etc.



Fish, seafood



Cheese

Orkla's exposure

Total raw material costs for Orkla Brands		Raw material costs for Orkla Brands Norway	
Consumption 2009 (NOK)	Share purchased by Orkla Brands Norway	Consumption 2009 (NOK)	Share Norwegian raw materials
NOK 6.5 bn	37 %	NOK 2.4 bn	56 %

Concerns food-based raw materials

- Orkla Brands companies follow developments closely
- We spend time on trade and business policy. This is essential to understanding the significance of this policy for raw material price trends.
- Our ambition is to obtain compensation for higher raw material prices in the finished goods market





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