

Developing Relationships Up and Down the Supply Chain

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Background to McCain

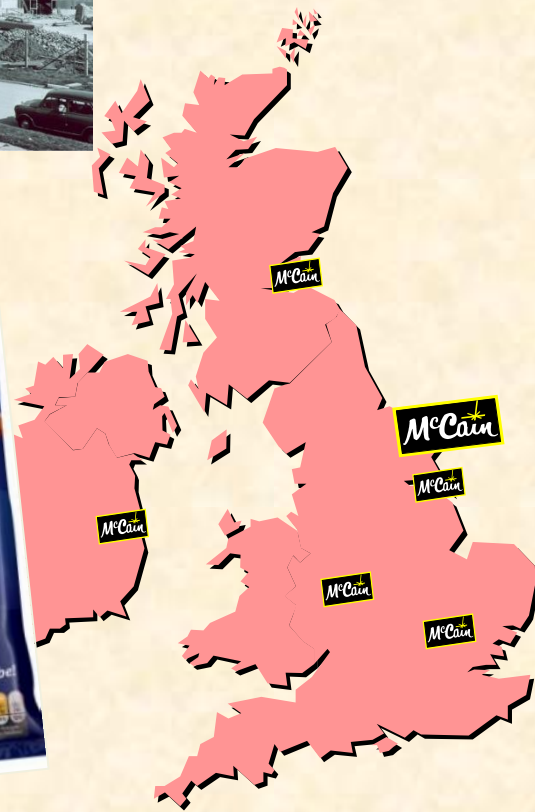
Worldwide
1957



GB
1968



2011



2011

Up the Supply Chain

- Building Markets
- Diversification
- Relevant Differentiation
- Delivering Value to Customers and Consumers
- Innovation

1978



1985



1997



2006



2012



Down the Supply Chain...

McCain Potato Supply Strategy

- Long term view
- Predominantly forward contract based
- UK sourced
- First class food safety & traceability.
- Vertically integrated and aligned supply chain - seed to DC
- Leverage scale
- Economically and environmentally sustainable
- At best economic cost

..... Best achieved through Long Term Partnerships



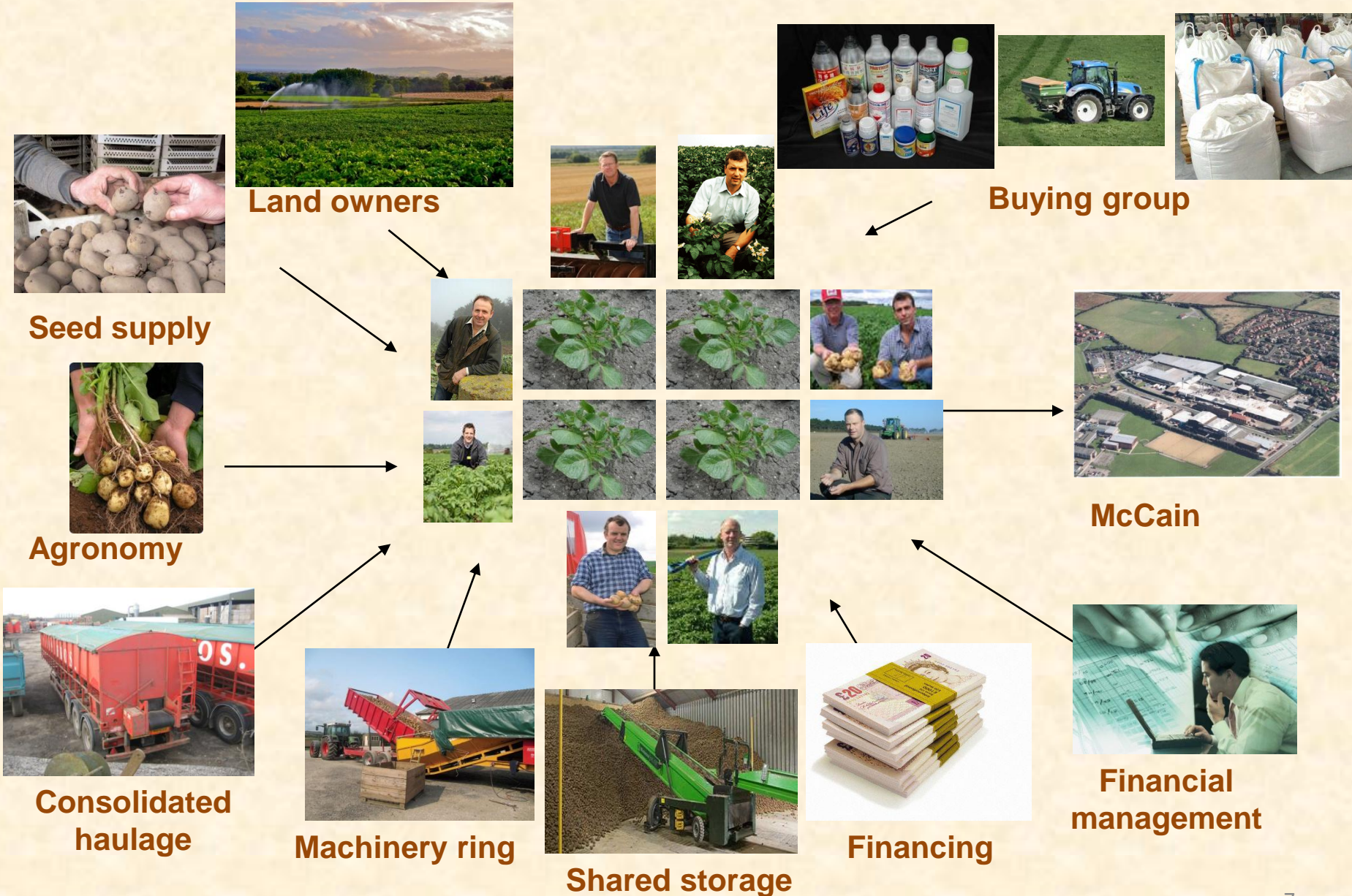
Challenges Current & Future

- **Managing volatility**
- **Security of Supply**
- **Risk v Reward – Alternative Crops**
- **Skills Retention**
- **Driving economic and environmental sustainability**
- **Effectively manage through directives & legislation**

McCain Grower Groups

- **Started 2003**
- **9 Groups – geographically spread**
- **20,000 – 60,000 tonnes**
- **10 – 25 members, self selected**
- **Limited Companies**
- **Directors – Grower members**
- **Full time Manager/Co-ordinator**

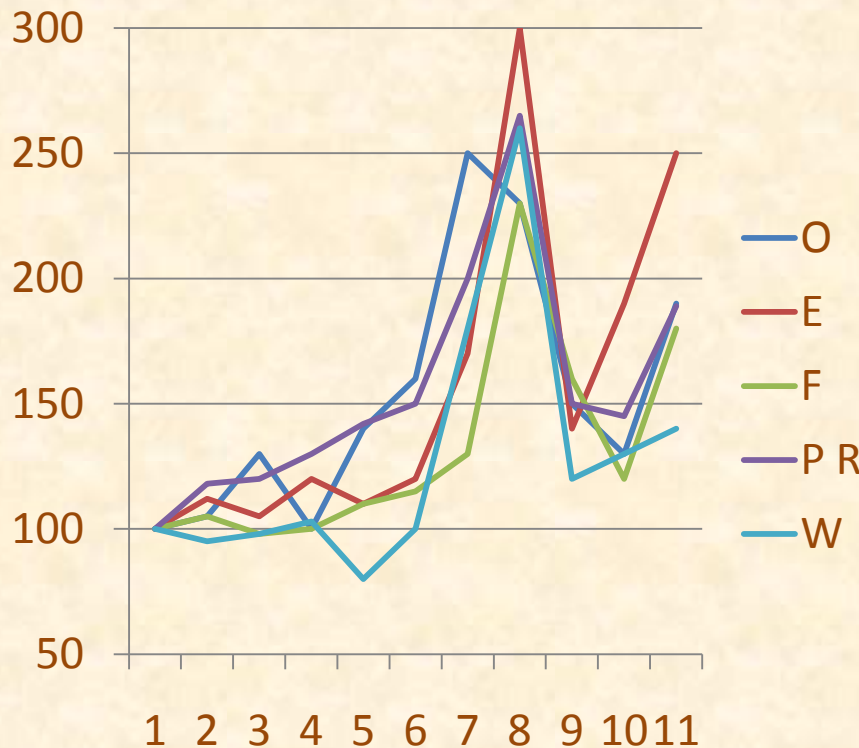
The Collaborative Model - Grower Groups



Managing longer term contracts

- Indexation model introduced to measure movement of potato growing costs

Commodity Index



McCain ups growers' pay 26% to safeguard supply

Richard Ford

McCain is expected to increase the amount it pays its potato growers by up to 26% in a move that will prompt a major shake-up of farmgate potato prices.

The Grocer understands the manufacturer will issue the revised contracts in the next fortnight.

McCain is thought to have drawn up the new contracts in an effort to safeguard its British supply and avoid the spiralling cost of imports.

The anticipated 25% to 26% hike in payments would force other potato processors to follow suit, predicted one McCain potato supplier.

"This will definitely shake the industry up a bit," he said.

The increases were a direct result of McCain's com-

mitment, which was made in summer 2007, to source 100% British potatoes for its chips, he said.

"Now they've said it's 100%-British product, they have got to look after us better," he added.

National Farmers' Union horticulture board chairman Richard Hirst said that

a 25% increase would demonstrate McCain recognised the increased cost pressures growers currently faced.

An increase made economic sense for the company given the weak performance of the pound against the euro, which had made importing foreign

potatoes more expensive, he added.

Although McCain refused to confirm the changes to its supply contracts, it stressed that they were designed to give growers confidence in a long-term partnership with the company.

"McCain is committed to UK agriculture and has for many years worked closely with UK growers, ensuring sustainable, high-quality potatoes essential for McCain products," said corporate affairs director Bill Bartlett.

The NFU said that it did not anticipate a correspondingly high increase in the shelf price of McCain products.

"I've always said that within the retail price there's an opportunity for prices not to go up, but for growers to get a little bit more," said Hirst.



McCain has publicly stated its backing for British potatoes

Grocer – 13/12/08

