

PROCEEDINGS OF THE GREEN IRELAND CONFERENCE

Kilkenny Castle, 16-18 June 2006

Full proceedings may be found at www.gmfreeireland.org/conference

VINCENT CLEARY • Speech

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Vincent Cleary is the Managing Director of **Glenisk Organic Ireland**.

See their website at www.glenisk.com for details.

Glenisk Organic Ireland is our leading and fastest growing organic dairy brand, renowned for its locally-produced milk and yogurt products including goat's milk. Its average price paid to local Farmers is the highest in Europe.

Glenisk was one of the main co-sponsors of the Green Ireland Conference.

The day after this event, Glenisk announced its new €7 million partnership deal with Stonyfield Europe, which is 80% owned by France's Groupe Danone, and 20% owned by the US organic firm Stonyfield Farm.

This is the transcript of a video recording of Vincent's speech, slightly edited for clarity.

The single footnote reference may be found on page 4.

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Thank you Michael. for having me here. You'll be happy to hear that I have only a very short presentation. I came in support of the GM-free Ireland awareness campaign. Brody [Sweeney] assures me he's a better public speaker, so I'm going to leave him plenty of time.

We're a family business in Co. Offaly. We've been involved in organics since the mid 1990's. My late father set up Glenisk in 1987 - he was 64 - which was a bold move. He had a family farm, and a small milk business at that time, which he had set up in 1980. He basically mortgaged the farm, he also had 14 children, so he was a brave man!

I have tried continuously to get the point home to my siblings that they should be a bit bolder in business. So we're reaping his initial endeavours.

Our late father passed away in 1995, and we took over the running of the business. As a family he had left three entities: he had the family farm, the milk business, and the yogurt business. And his will was structured in a way that there was a lot of cross-ownership. We tried to run all of these businesses like a committee, and most committees don't work, so within a year we were losing money as a company; and the best piece of advice that was ever given to us was by our accountants telling us to close the business immediately.

So with that, the other siblings bailed out very quickly, and we were left the business, and were allowed to structure it as we saw fit.

That brought us into organics. I had lived in Germany for a number of years; I saw how organics and alternative food businesses were starting to take off on the continent, so the first thing we did was to start enlisting organic farmers from the country. We had three at the beginning. We have over 50 farmers supplying us now, on both sides of the Border.

Our business is divided into four categories. I'm not at liberty to give you the details, but suffice it to say that next Monday we are making a significant announcement. I have a gagging order as it were on me, but we're taking on a strategic partner, and that is going to be announced on Monday [1].

We are centrally located in Ireland, which has worked very well for us over the years. As Kate [Carmody] facing the Atlantic beside Ballybunion down in Kerry will testify, our trucks are there; we also have farmers in Wexford, and we consider ourselves a 32-County movement.

Interestingly enough, during the week there was an article about some biotech company getting approval from the EU on a blood-clotting agent that can be extracted from genetically modified goat's milk. So as 10% of our business is from (non-GM) Irish goats, we might have a battle in retaining some of our farmers if that is permitted in this country. But you can rest assured that none of our goats are genetically modified!

Our mission in life is pretty simple. This is something I wrote on the back of a cigarette box about ten years ago. It's just that we strive for excellence - as Brody [Sweeney] will as well. Like anybody in business today - especially the food business, and especially this new generation of food producers - we're listening to our consumers.

Our consumers are saying "No" to factory farming and genetically modified foods. So who are we to question our consumers?

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Interestingly enough as well, when I was doing a bit of research to give me some stats for today, I saw that 71% of the British population are against GM foods, whereas the British Government for some reason is one of the strongest vocal pro voices for GM foods in Europe. The same applies to the Irish Government. If they listen more to their voters, we wouldn't be

having this discussion today. It would be accepted that Europe is against GM foods, as European consumers are against GM foods.

We have about 6% of the yogurt business in this country. After announcing our deal next Monday, within three years we hope to be the largest yogurt maker in this country, and therefore Ireland will have a first insofar as the indigenous leader in the manufacture of yogurt products will be producing an organic and hence also a GM-free product as well.

So we have ambitious plans, and my apologies that I can't go into them, but we are linking up with an organic partner, and they are going to bring major changes to our company.

I'm proud to say that we have yet to refuse a farmer coming in to our fold. As Kate [Carmody] will testify, when we heard of her organic status, I clocked the distance of 211 miles from Kate's door to our location in Offaly. I know there is an issue about food miles, but we always aspire to filling our milk tanker before it gets back to our yard. So distance is no problem to us, and never will be.

I want to show you one slide here on the drivers for health foods that are pushing the growth in the supermarkets:

Food scares, including GMOs: one of the first questions that a child will come up with as a two- or three-year old is "Why Mammy, why this, why that?" I think as adults and as the populace in general, we should be asking, "Where is the necessity for GM foods?" Why do we need them? There is a level of ignorance, and I include myself in this, as to why all of this is happening. Why do we need GM foods?

I can assure you that there are significant markets to be tapped, on a global basis, for non-GM foods.

I can assure you that there are significant markets to be tapped, on a global basis, for non-GM foods. And I think that Europe will eventually stand up to the US who are probably the leaders in genetically modified organisms, and will stand up to the Monsantos of this world and so on, and say "Our consumers are saying 'no' so therefore we, as good governments, are saying 'no' as well".

Some of the mega-drivers, particularly in the yogurt business, and in food in general:

Health, obviously; Food plus (the Actimels of this world who are promoting that you'll never have a cold again, or whatever);

Food minus (non-fat, no sugar); and then there's the category of natural or pure products, which we aspire to fall into - vegetarian, organic. Organic fits most of these criteria;

Convenience snacking - Brody [Sweeney] would know more about that; Indulgence / pleasure: yes, yogurt evolved in this country anyway. On the continent it has always been a part of the staple diet, whereas in Ireland it was seen it was seen as a treat, a pleasure, an indulgence (and I commend Yoplait when they first came in to Ireland with their yogurt), and a certain part of the market seems to be going back that way as well.

Product presentation: we take a lot of grief on our packaging. We're aspiring to best practice; it's not very easy when you're a small company dealing with multinationals and you have to basically take what they have on offer. But it's our aspiration anyway.

This is what the experts basically tell us about our brand, and we like to think that these are the core truths driving our brand: 100% organic, higher natural and taste factors. Industry standards, such as those of Danone or Yoplait, all have high sugar content. We have about 50% less sugar than our competitors; sometimes this works for us, sometimes it doesn't as to a certain extent we are informed that our product is more bitter than our competitors'. Strawberries [which feature prominently in Glenisk's yogurt range] are naturally quite a bitter so sugar helps, but we try to limit it.

We like to think we're an ethical company and try to portray this image to our consumers.

Tesco recently lowered our retail prices by about 15% with the abolition of the legislation on low-cost selling, which they are legally quite entitled to do. It has created a bit of stir, it hasn't hit the media, but I'm not quite sure whether to welcome it - that we were the guinea pig in any imminent price wars - but it's having a positive effect. It's obviously bringing more consumers into the organic category.

I would think with organic foods, our target consumers are probably the same as those generally or specifically interested in GM-free food products: young mothers with young children; young educated females; foodies; and environmentalists.

Regarding the future: this morning I was asked by a farmer who rang me up, "Where will organics be in five years time?" And I said, "It will be bigger and better!" And he said, "What if it doesn't, what if the bubble bursts?" And I said "Well why are you making this phone call to me in the first place?"

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And on that happy note, thank you!

NOTES:

1. On 19 June 2006, Glenisk announced its new €7 million partnership deal with Stonyfield Europe, which is 80% owned by France's Groupe Danone, and 20% owned by the US organic firm Stonyfield Farm. The Cleary family will hold 63% of the equity in the company, and continue the management of the company.

Gary Hirshberg, chairman and CEO of Stonyfield Farm, is to oversee the running of the business, which will operate as an independent entity within Danone's fresh dairy products business line.

Glenisk reported sales growth of over 10% in 2005.

Franck Riboud, chairman and CEO of Danone, commented: "The European market for organic dairy products is growing but it remains a fairly discreet presence. With Stonyfield Europe, we hope to capitalize on the success and unique expertise of Stonyfield Farm to speed up its development."

Gary Hirshberg, chairman and CEO of both Stonyfield Farm in the US and Stonyfield Europe, said: "I am particularly proud that our first initiative in Europe has been an investment in Glenisk, a company that is a pacesetter for organic food in Europe. Our aim in this is to help Glenisk beef up capacity and find new sales openings. It is also a first step in the process of Stonyfield Europe's own development."

Glenisk said it would be launching a range of new probiotic yogurt drinks using Irish Organic Milks and natural flavors in June 2006.