aic
agricultural industries confederation

Agribusiness 2017

Driving today's agricultural revolution

Creating world class innovation & solutions for UK agriculture

Tom Hind
Chief Strategy Officer, AHDB

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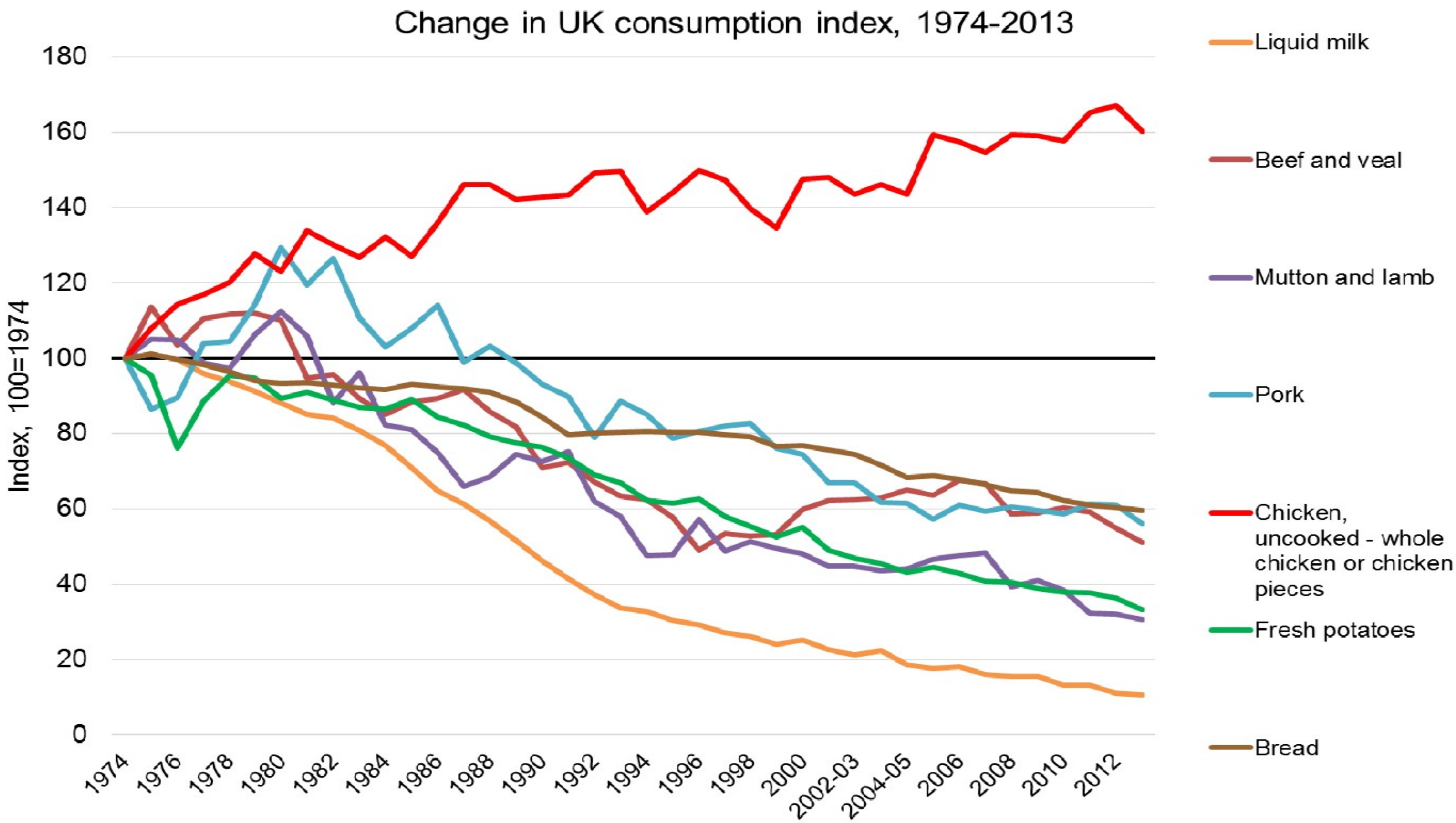
Inspiring the industry…

- …to succeed in a rapidly changing world
- Transformation of AHDB – new internal structure
- Bringing the organisation to look & feel as one
- Because by working as one we can bring greater value to the whole farming & food industry

Setting the scene:
The factors that inform our thinking

1. The customer



Source: Defra Family Food Survey

Importance of convenience –pressure on meals with longer cook/preparation time

Time taken to prepare & cook main meal

1980

60

minutes

2015

31

minutes

Top 3 meals & average prep time

1. Sandwich

10 mins

2. Pizza

24 mins

3. Roast Dinner

76 mins

Source: Kantar Worldpanel Usage

Kantar Worldpanel Usage; 52 w/e 29 March '15
Individual Meal Occasions (m)
In Home Lunch, Teatime & Evening Meal (GB Plate)

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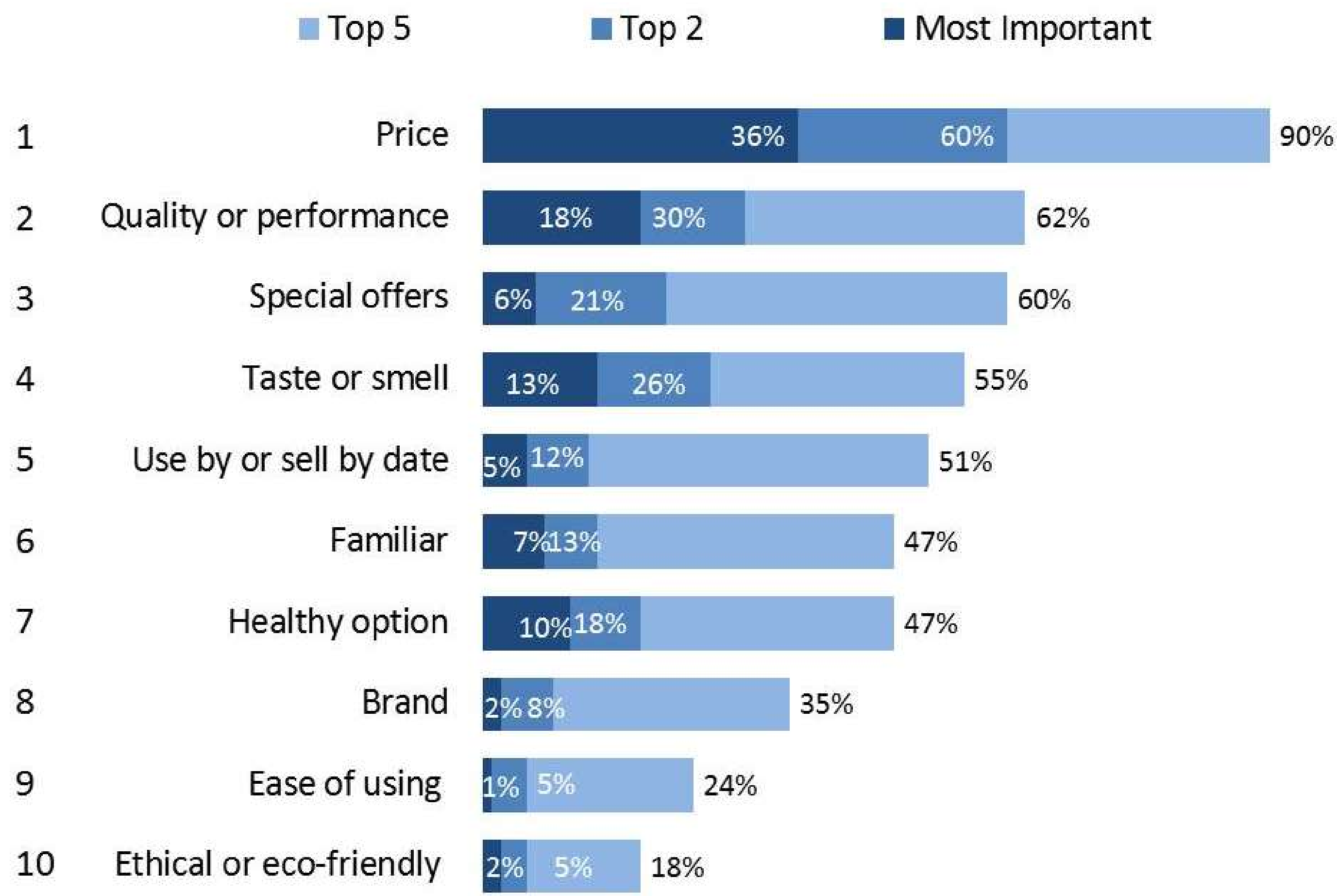
Price remains the key driver of product choice



Source: IGD ShopperVista Jun 15

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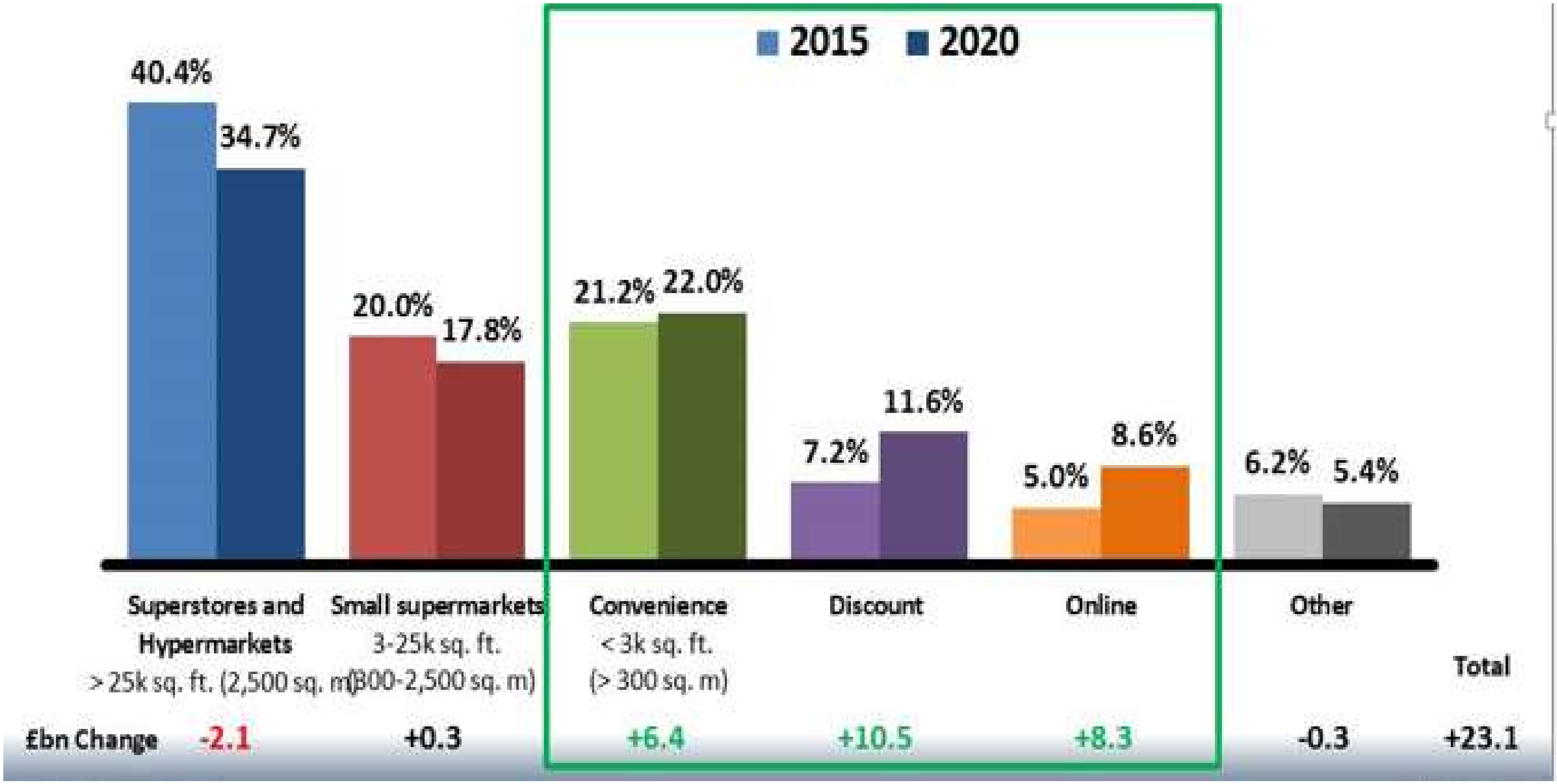
Consumer behaviour is reshaping retail landscape



Source: IGD Retail Analysis June 2015

Implications of consumer trends

- Market will remain fiercely competitive - success depends on understanding customer and competing
- Competition will drive further consolidation
- Reshaping of supply chains - move to ‘end to end’ partnerships
- New routes to market

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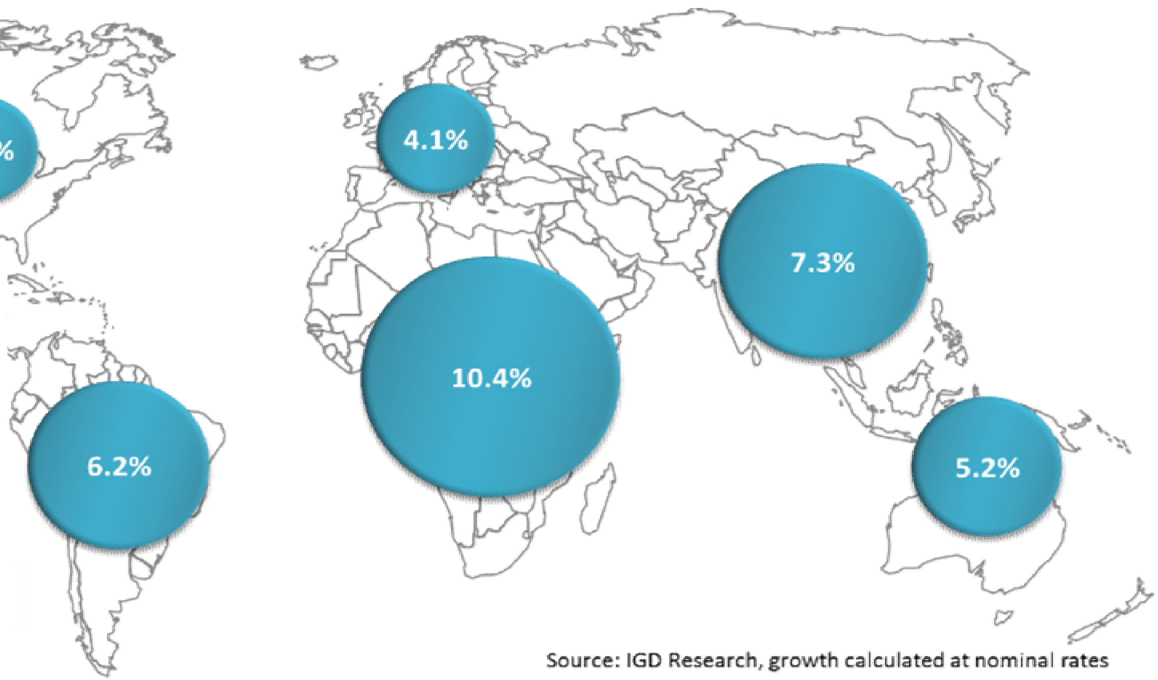
Growing opportunities at home & especially abroad

Grocery market growth forecast for Asia, Africa & Middle East 2015-20



Source: IGD Research, growth calculated at nominal rates

GROWTH IN GLOBAL MIDDLE CLASSES	2009 No of people (m)	2009 Global Share (%)	2030 No of people (m)	2030 Global share (%)	Middle class growth trend
North America	338	18%	322	7%	
Europe	664	36%	680	14%	
Central and South America	181	10%	313	6%	
Asia-Pacific	525	28%	3228	66%	
Sub-Saharan Africa	32	2%	107	2%	
Middle East and North Africa	105	6%	234	5%	
World	1845	100%	4884	100%	

2. Impact of Brexit

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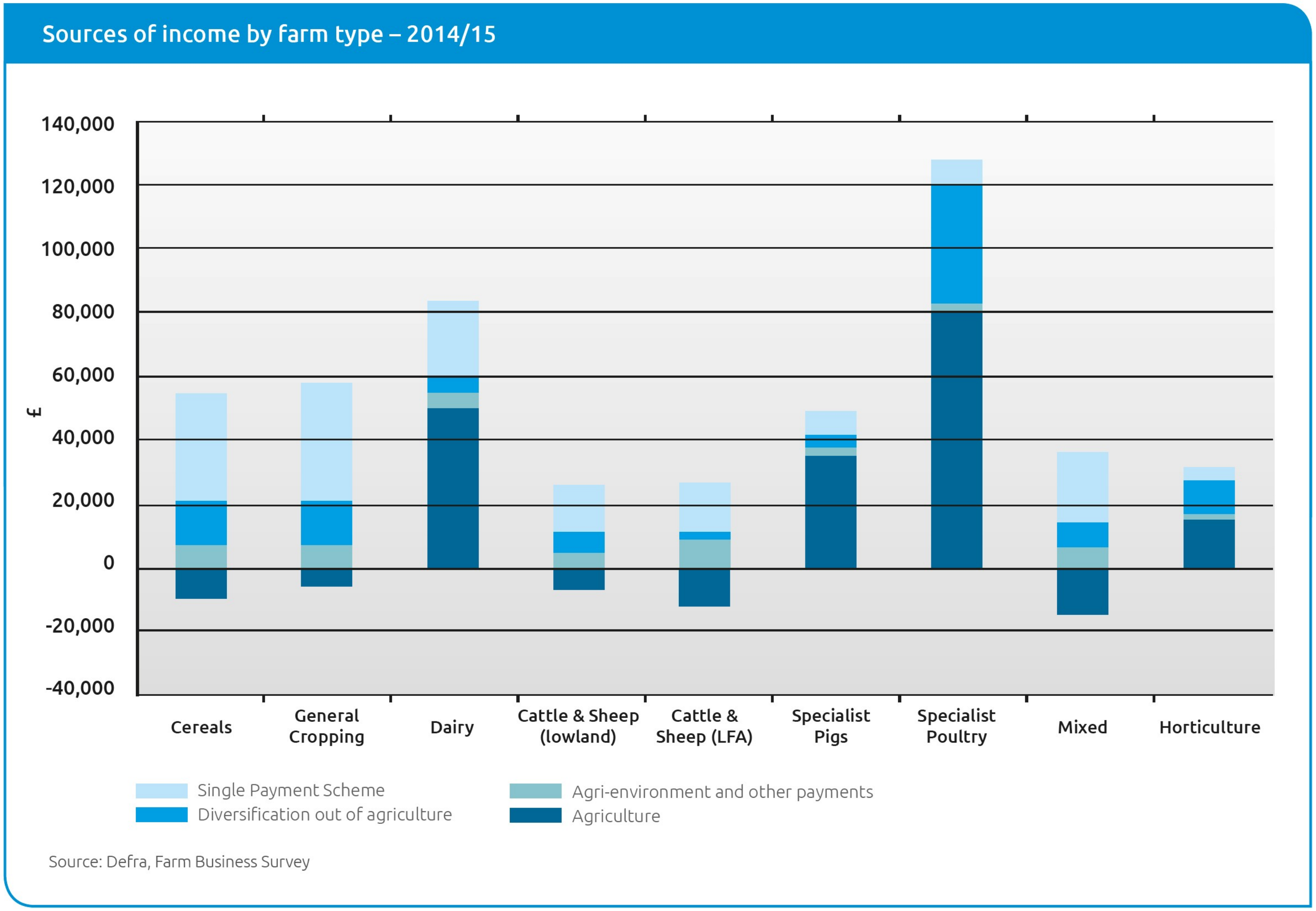
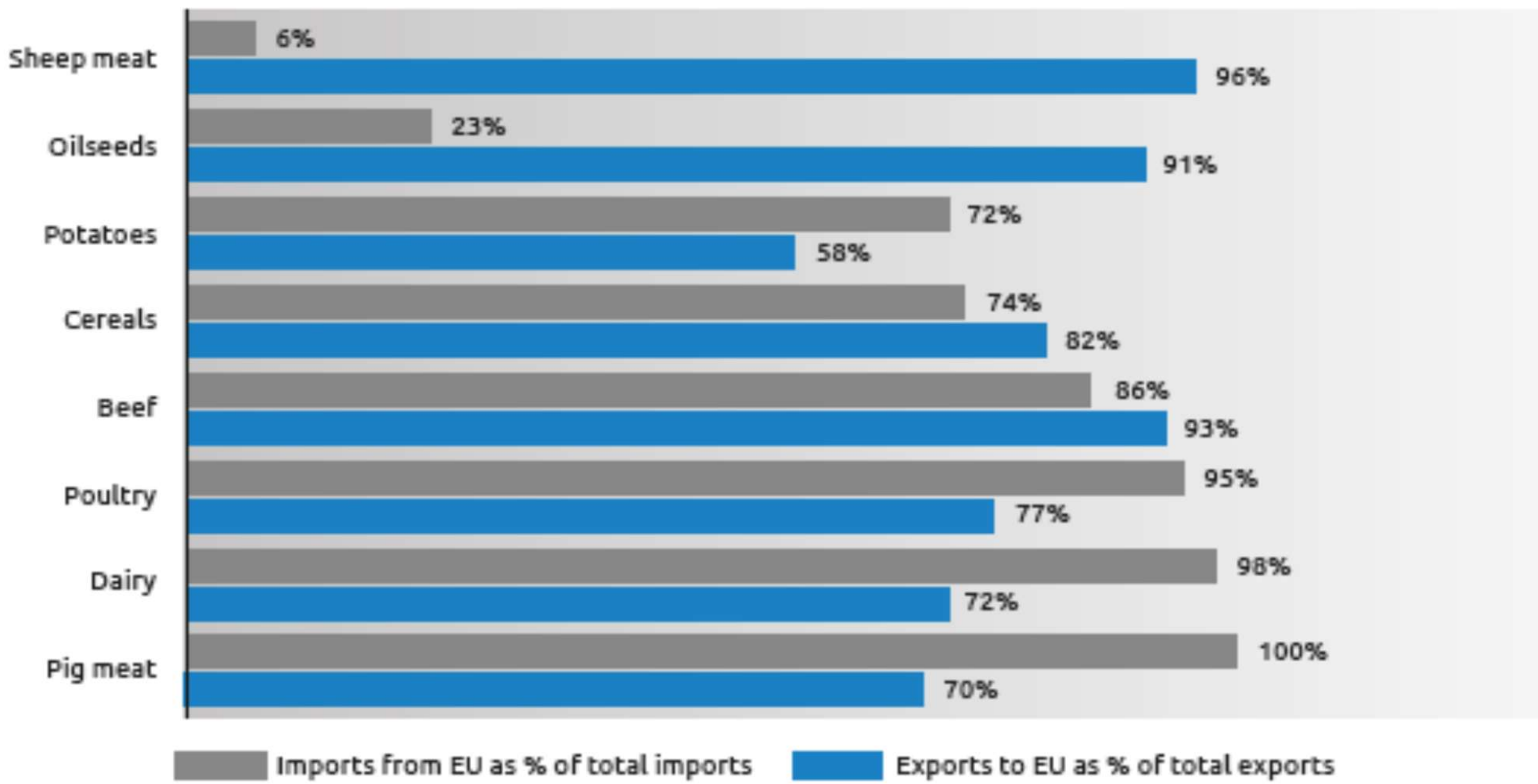
Farm incomes heavily dependent on support



UK agricultural trade v heavily dependent on EU



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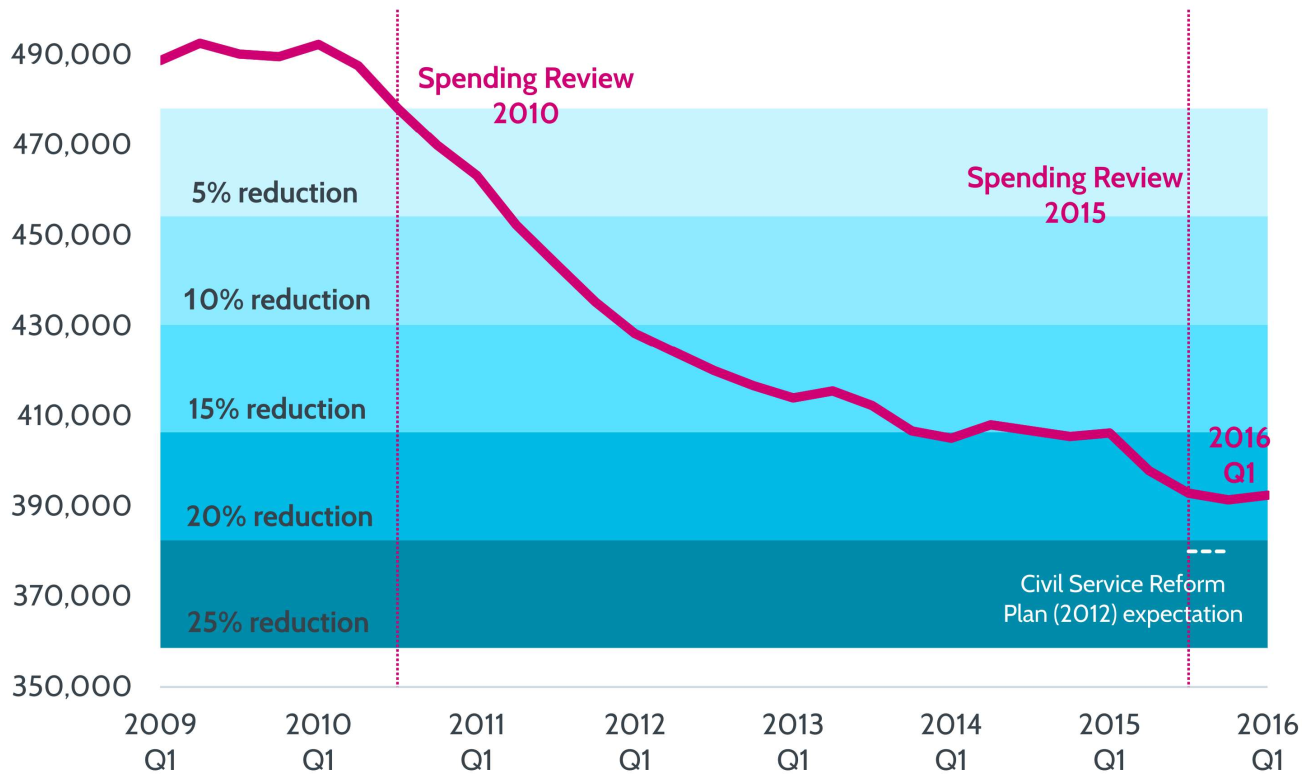
Yet an underlying paradox…..

Civil service staff numbers, March 2009 to March 2016



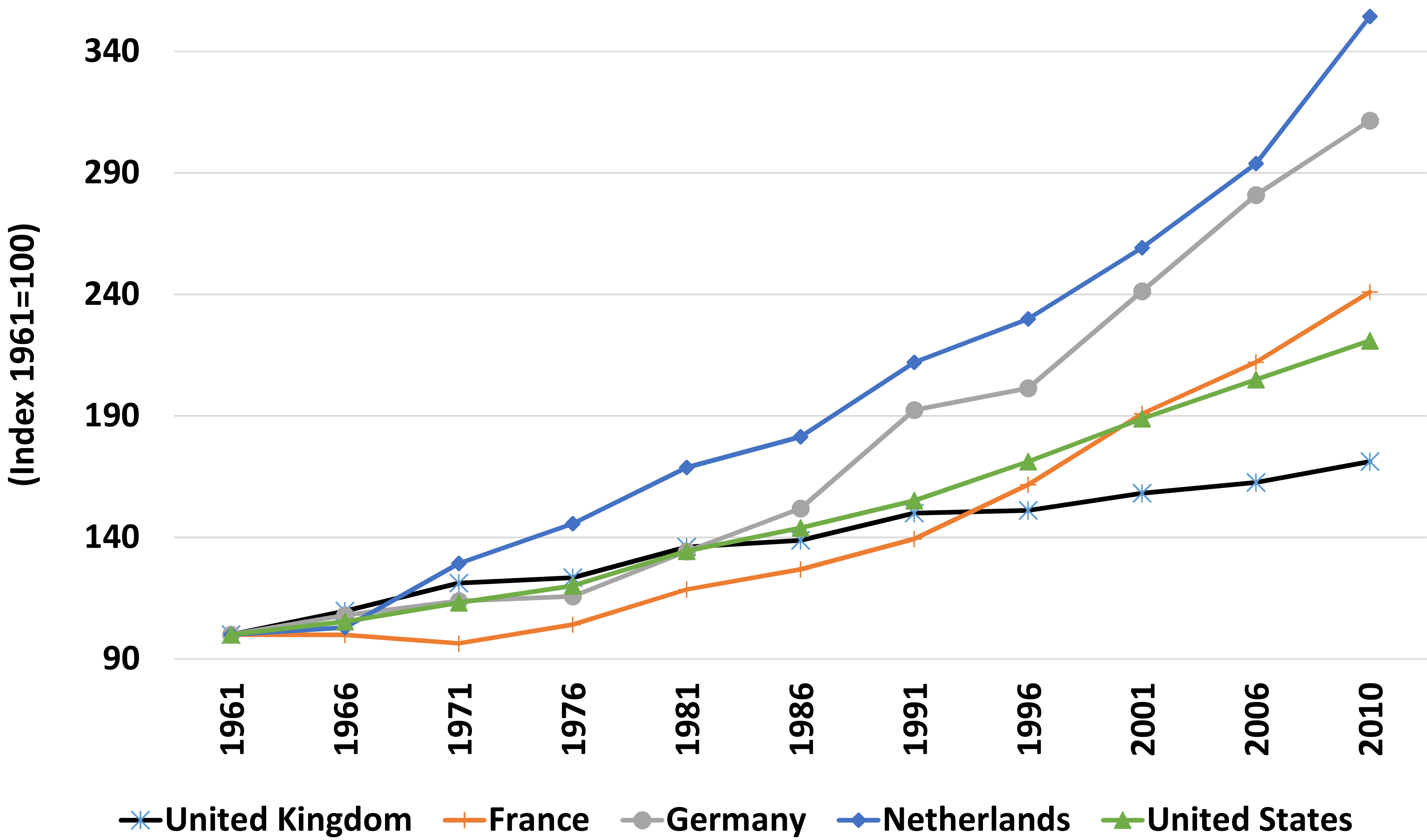
Source: Institute for Government analysis of Office for National Statistics (ONS) Public Sector Employment Data (Table 9), Q1 2009 to Q1 2016

Clouds of uncertainty….

Likelihood is =

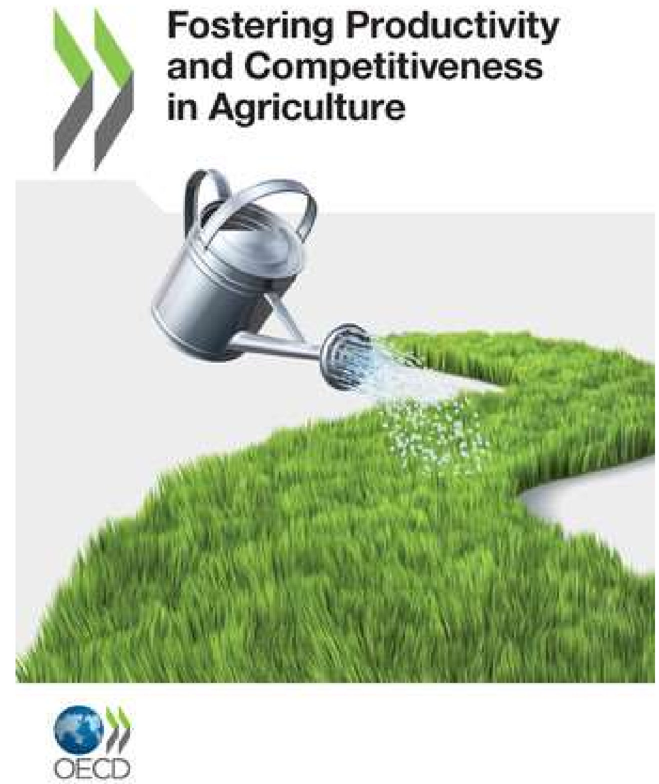
- A more ‘liberal’ trading environment & more competition
- Less direct income support
- Fewer burdens BUT more onus on industry to find its own solutions

3. Agricultural productivity

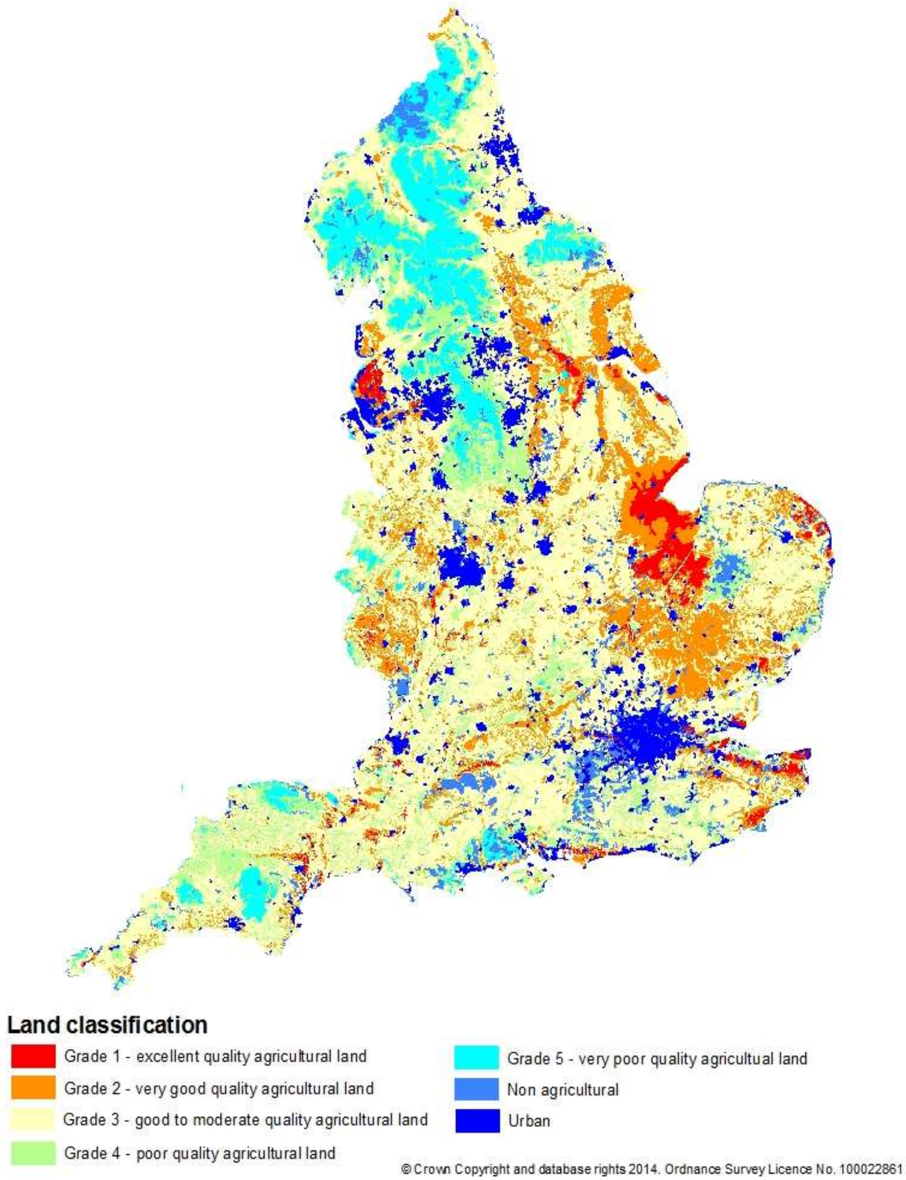


What drives agricultural productivity growth?

- Natural Environment
- Policy
- Wider economic environment
- Ideas i.e R&D expenditure
- Education & skills
- Diffusion of best practice



Natural environment



- UK/ England has mix of land types
- Climate is relatively benign
- No obvious/ fundamental challenge around natural constraints esp in England

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Table 1: CAP Pillar 1

Member State	Direct Payments (Existing Legislation) Per Hectare Per Annum (1)	Average 2014-20 Direct Payments Per Hectare Per Annum (2)
Malta	€ 696	€ 672
Netherlands	€ 457	€ 418
Belgium	€ 435	€ 399
Italy	€ 404	€ 374
Greece	€ 384	€ 359
Cyprus	€ 372	€ 346
Denmark	€ 363	€ 339
Slovenia	€ 325	€ 307
Germany	€ 319	€ 302
France	€ 296	€ 283
Luxembourg	€ 275	€ 269
Ireland	€ 271	€ 262
Austria	€ 262	€ 254
Hungary	€ 260	€ 251
Czech Republic	€ 257	€ 249
Spain	€ 229	€ 231
Finland	€ 237	€ 230
Sweden	€ 235	€ 229
United Kingdom	€ 229	€ 224
Bulgaria	€ 233	€ 218
Poland	€ 215	€ 213
Slovakia	€ 206	€ 206
Portugal	€ 194	€ 199
Romania	€ 183	€ 182
Lithuania	€ 144	€ 176
Estonia	€ 117	€ 166
Latvia	€ 95	€ 159
Scotland	€ 130	Circa € 125 - € 135 (3)

Sources (1) http://register.consilium.europa.eu/pdf/en/11/st12/st12734.en11.pdf
(2) Member State National Ceilings from Annex II of the latest draft of the Direct Payment Regulation (Brussels, 25 September 2013); Area is 2009 potentially eligible area from http://register.consilium.europa.eu/pdf/en/11/st12/st12734.en11.pdf
(3) Scottish Government estimates based on UK's allocation.

Notes (i) All figures are calculated in current (cash) prices. (ii) Croatia is excluded from the table as there is no data available on the potential eligible area for direct payments. (iii) The allocations are averaged over the 2014-2020 period, they do not show the final ceilings for the year 2020 where all Member States will receive a minimum of €196 per hectare.

Scottish Government 2013

Support policies:

Is the UK disadvantaged?

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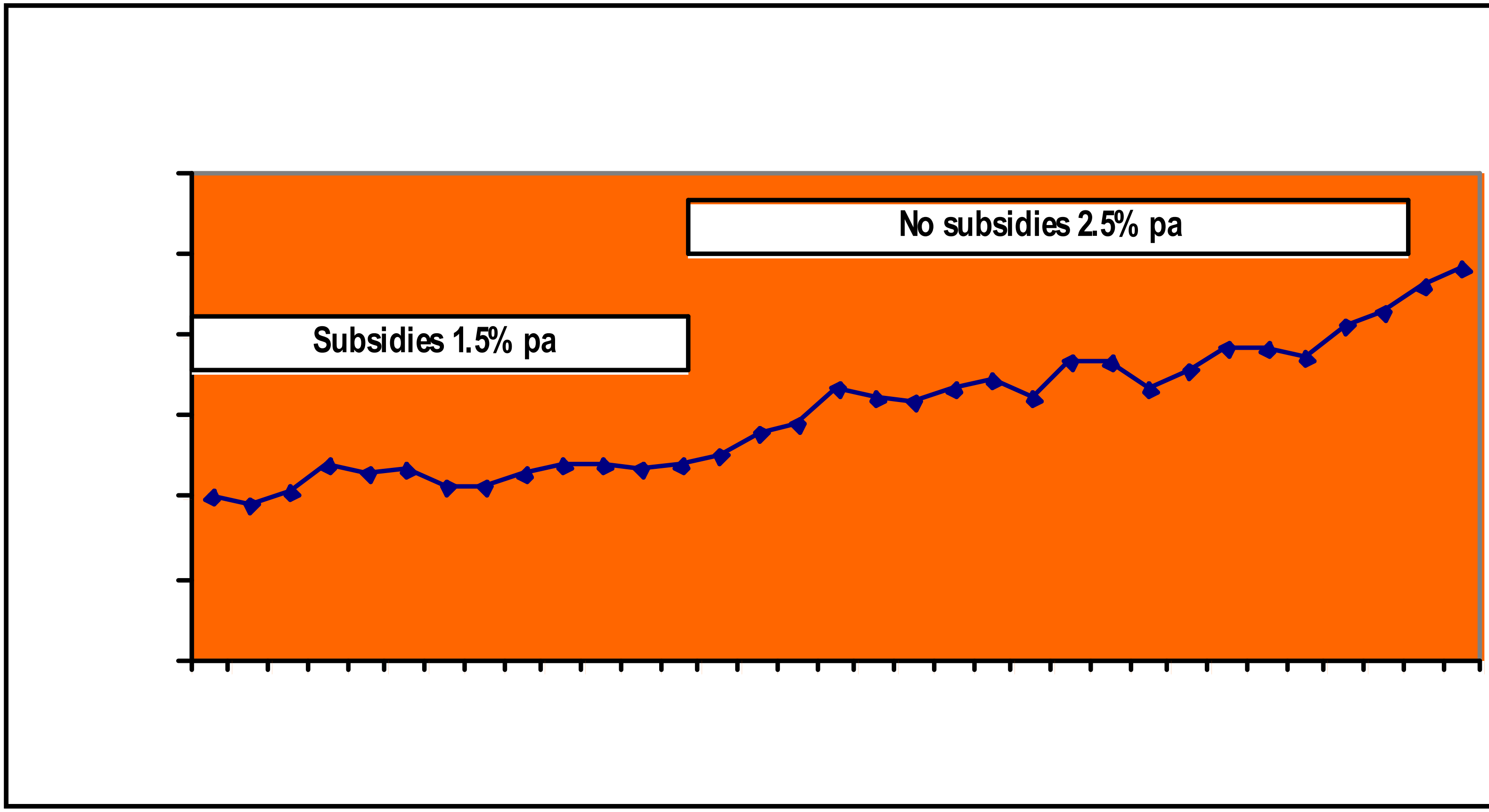
Productivity growth may be inverse to support – as experience of NZ highlights



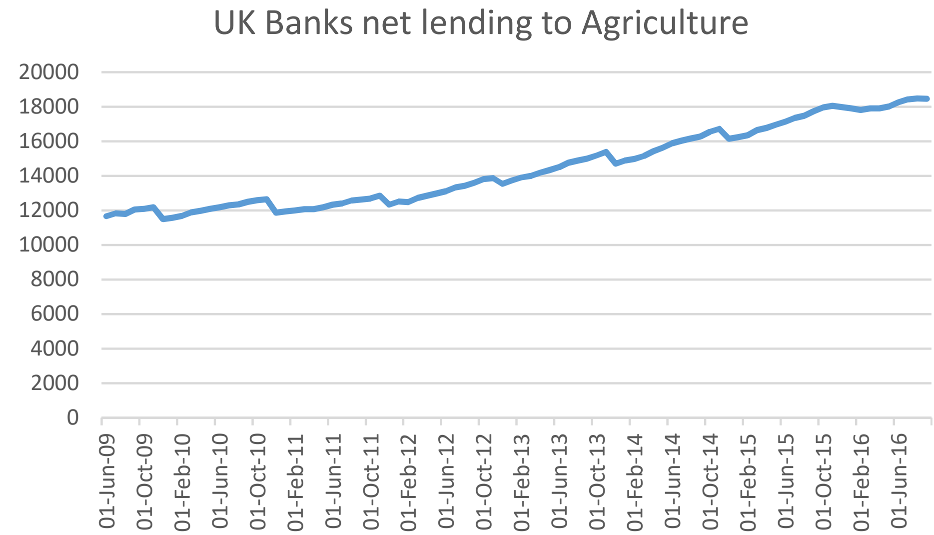
New Zealand TFP 1972-2005 (source: Lattimore (2006)

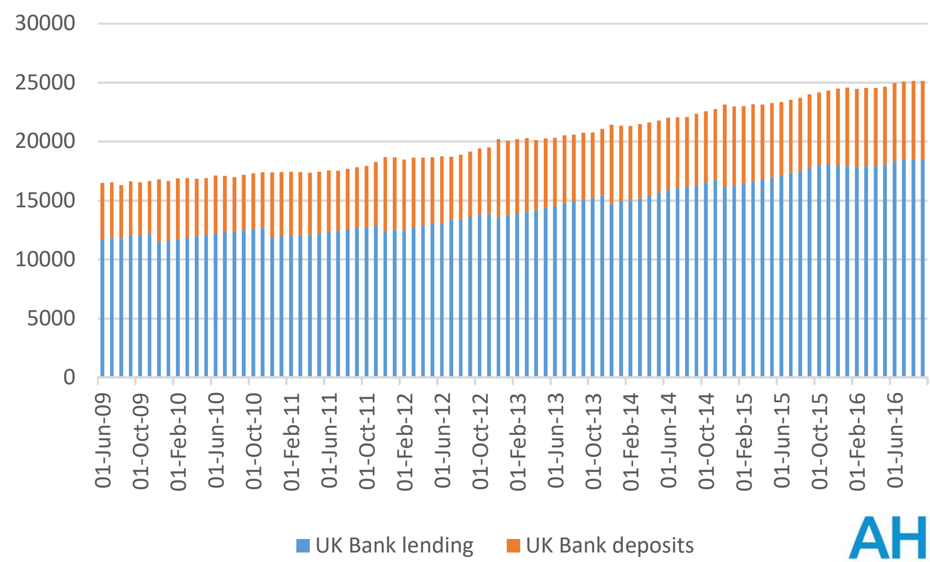
Wider economic environment

These include:

- Macro-economic indicators eg growth, household income etc
- Access to finance
- Regulatory burdens & costs of doing business
- Labour market
- Competition

None of these indicate a barrier unique to UK!





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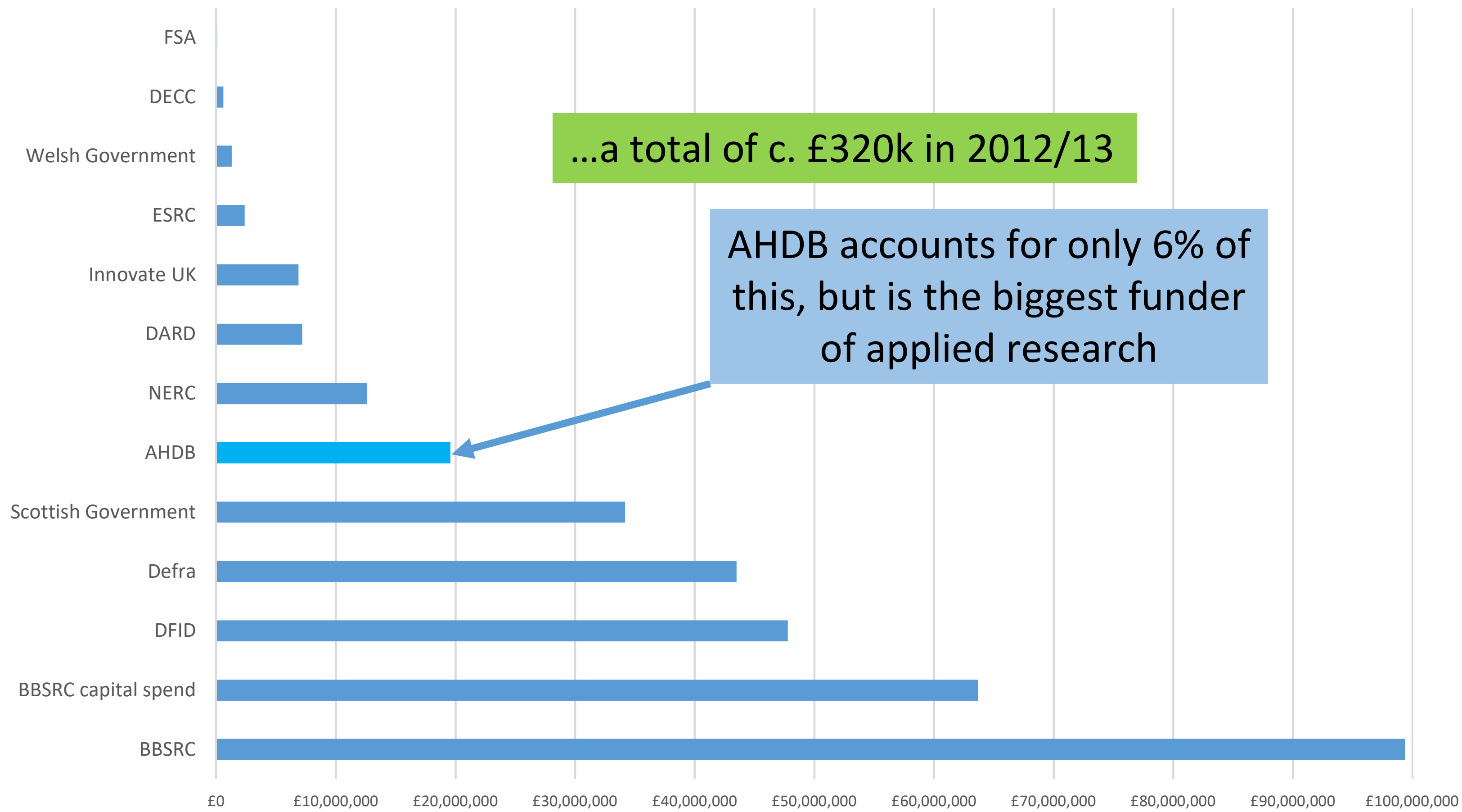
Investment in R&D



UK Annual Public Funding of Ag/Hort Sciences 2012/13

Source: Agri-Tech Leadership Council

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NB: private funders spent >£400 million on ag/hort research in 2012/13

The UK's R&D Paradox – suggests its not how much that's invested, but where & how……

	Data year	Total R&D spend ($m 2005 PPP)	private % of R&D total	Total R&D % Agricultural GVA	Average TFP growth 1981-2002
UK	2009	599	27%	5.8%	0.7%
US	2009	6,600	64%	4.5%	2.0%
Ireland	2010	95 (public only)	N/A	4.4%	2.0%
Netherlands	2005	311	23%	2.3%	1.0%
France	2007	327	25%	1.0%	1.6%

R&D spend and productivity:

Sources: R&D data from OECD, GVA from OECD and Eurostat, TFP from Ball et al (2006), USDA and Defra

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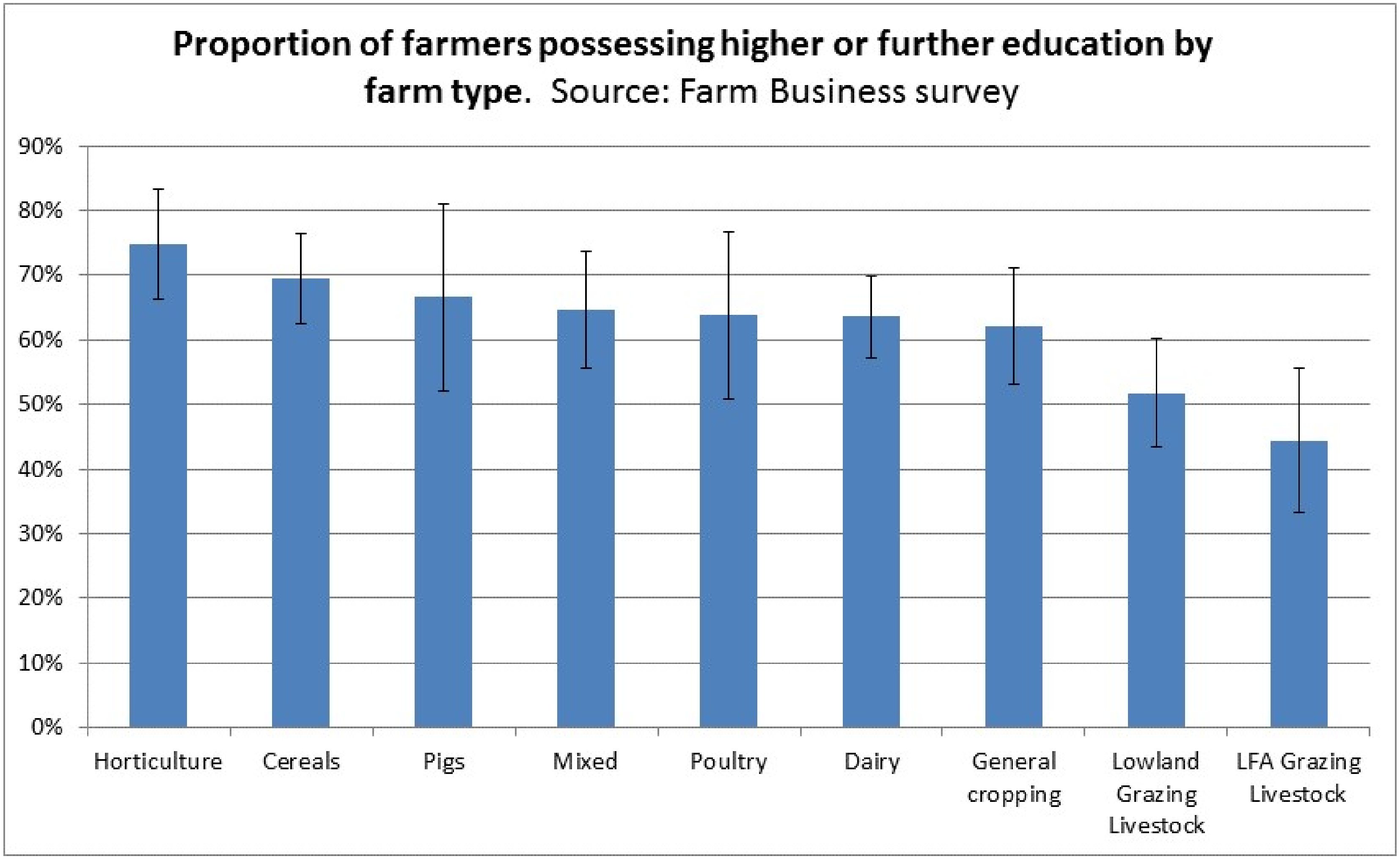
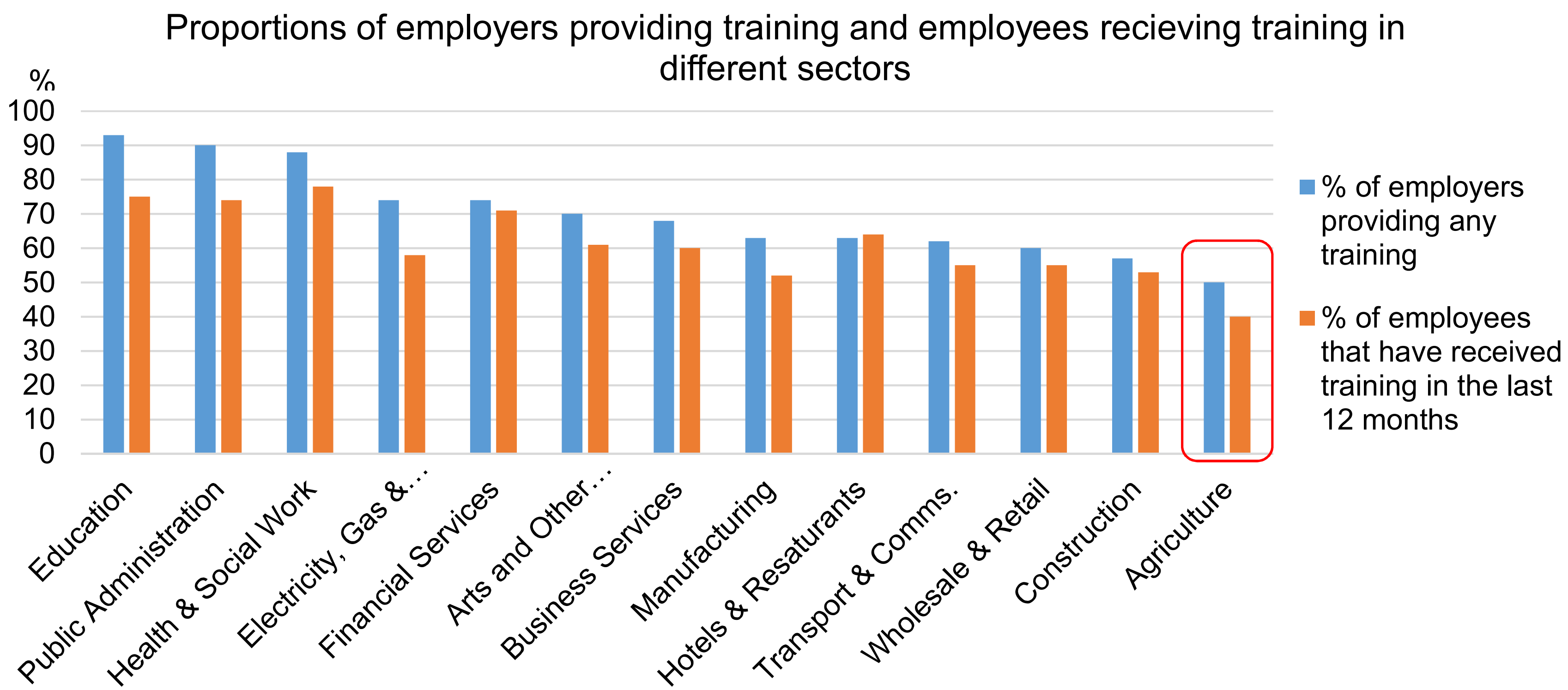
Education & Skills



Investment in skills & training



- Only 50% of employers provide training (the lowest of any sector)
- Only 41% of staff have received training (also the lowest)
- The amount of training equated to 5.4 days per person trained (the second lowest)
- Only 14% provide management training (the lowest by far – second lowest was 25% in construction)

Source – UK Commission for Employment & Skills

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Percentage of farm managers who have undertaken some formal training is lower in UK than key competitors

	2013	2013 (Under 35s)
Germany	68%	63%
France	62%	77%
Netherlands	72%	84%
United Kingdom	32%	48%

Source: Eurostat, EU Farm Structure Surveys

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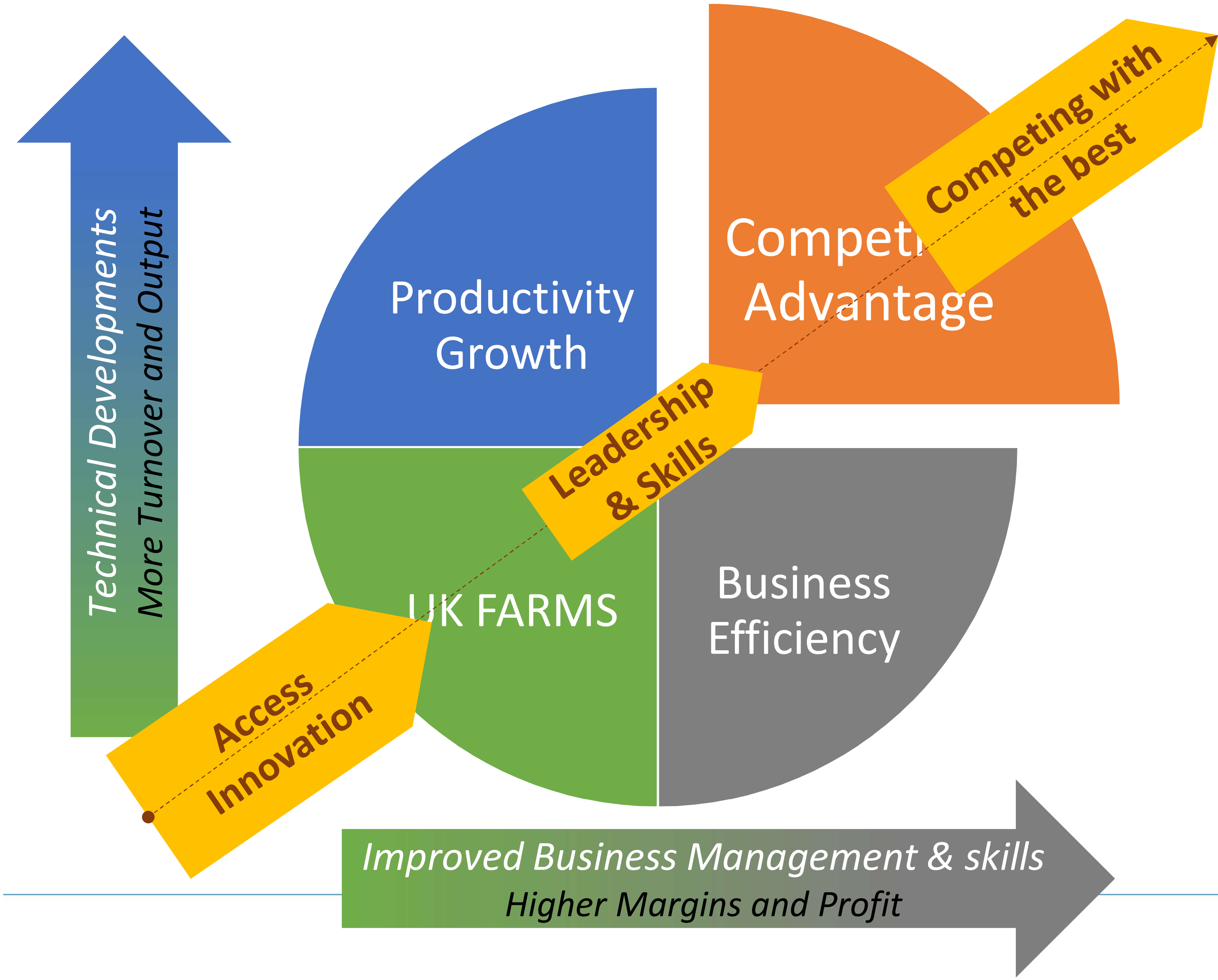
Diffusion of best practice

- Fragmentation of knowledge exchange mechanisms
- "Improved knowledge exchange is a big opportunity for UK farms, by facilitating the transfer of information to those who can use it.
- There is an opportunity to augment [the role of UK levy bodies]
- The public and private sectors both have obligations & key roles to play"

How does this inform our strategy?

Addressing the productivity challenge



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AHDB Strategy 2017-2020

Some of the key elements

- Understand and harness the critical drivers of competitiveness and productivity
- Focus on the drivers we can influence – pace of innovation, acquisition of new skills
- Help join up the supply chain – eg animal feed
- Be more influential in driving R&D agenda
- Join up the KE landscape

Conclusions

What does this mean for AIC?

- We can't do this on our own – you guys matter!
- Help us champion the competitiveness/ productivity agenda
- AIC members are a critical vehicle for addressing KE challenge
- We need a new partnership. Help us understand where we can make the biggest difference

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