

SEVEN YEARS TO CHANGE

INCREMENT

THE ECONOMIC IMPACT AT THE FARM GATE

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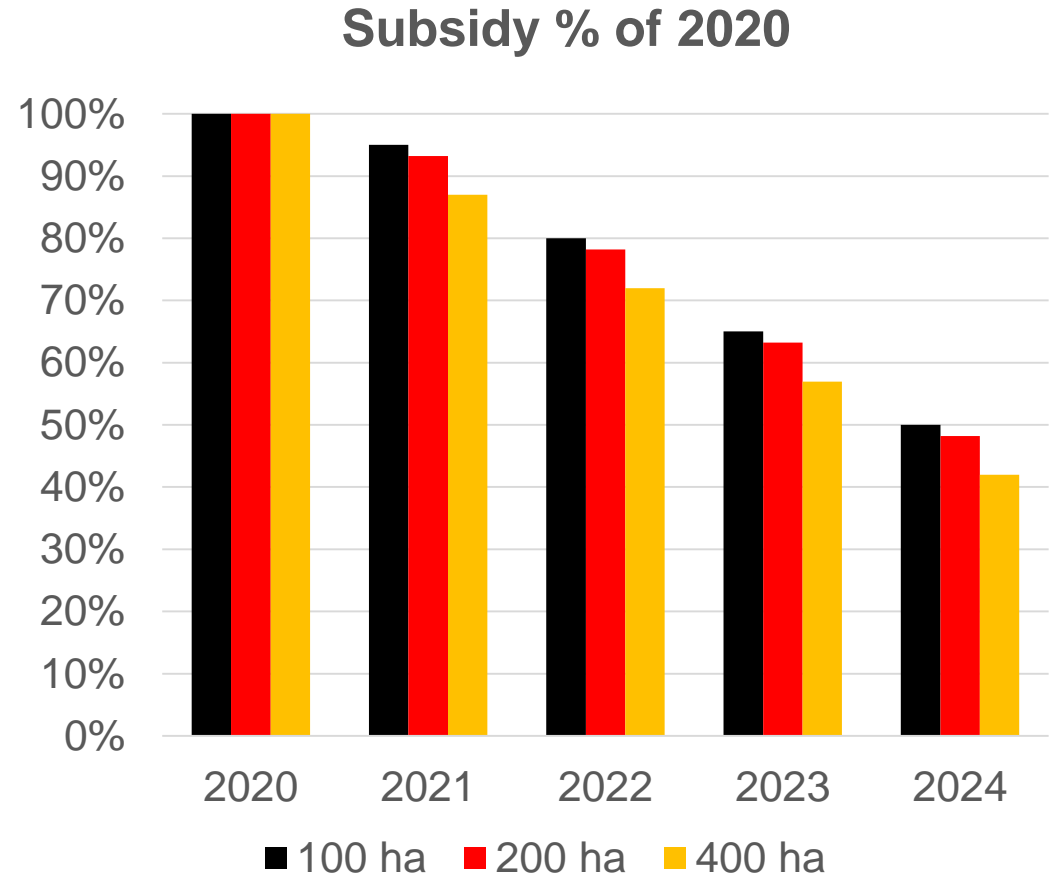
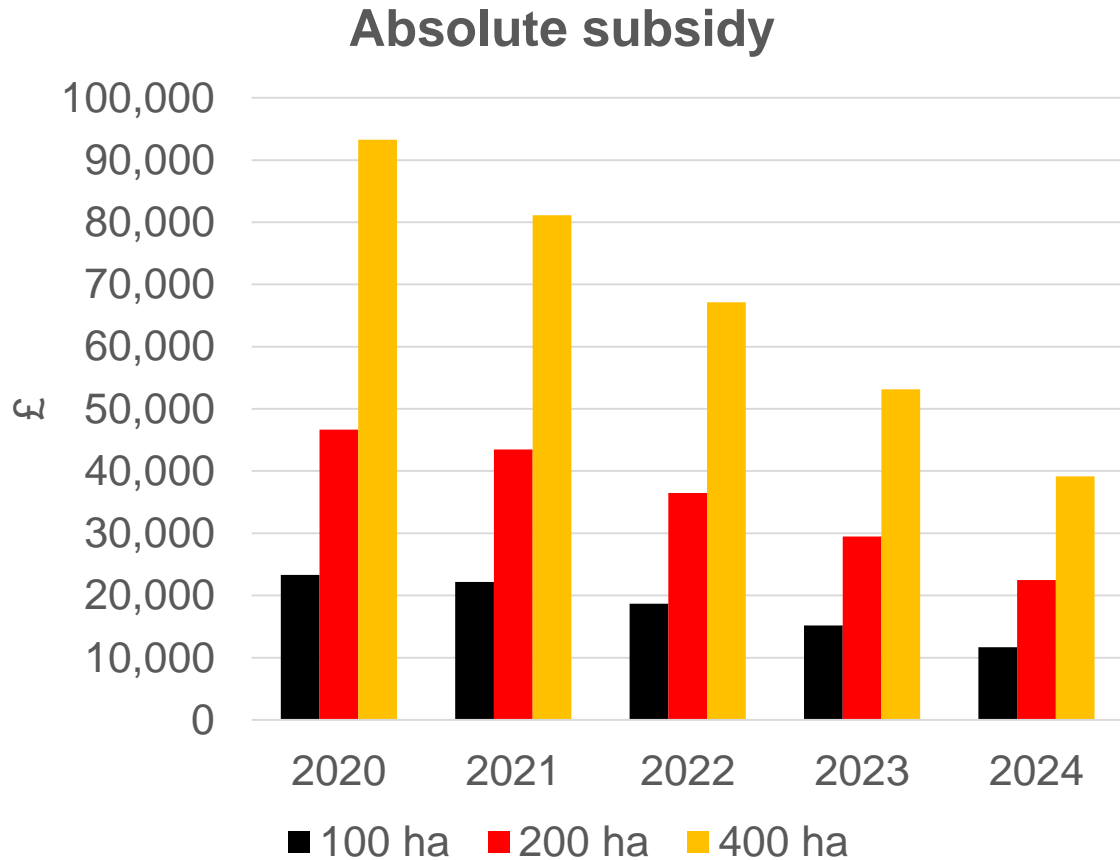
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Summary

- Impact of policy change
- Initial response
- Strategic response

Subsidy

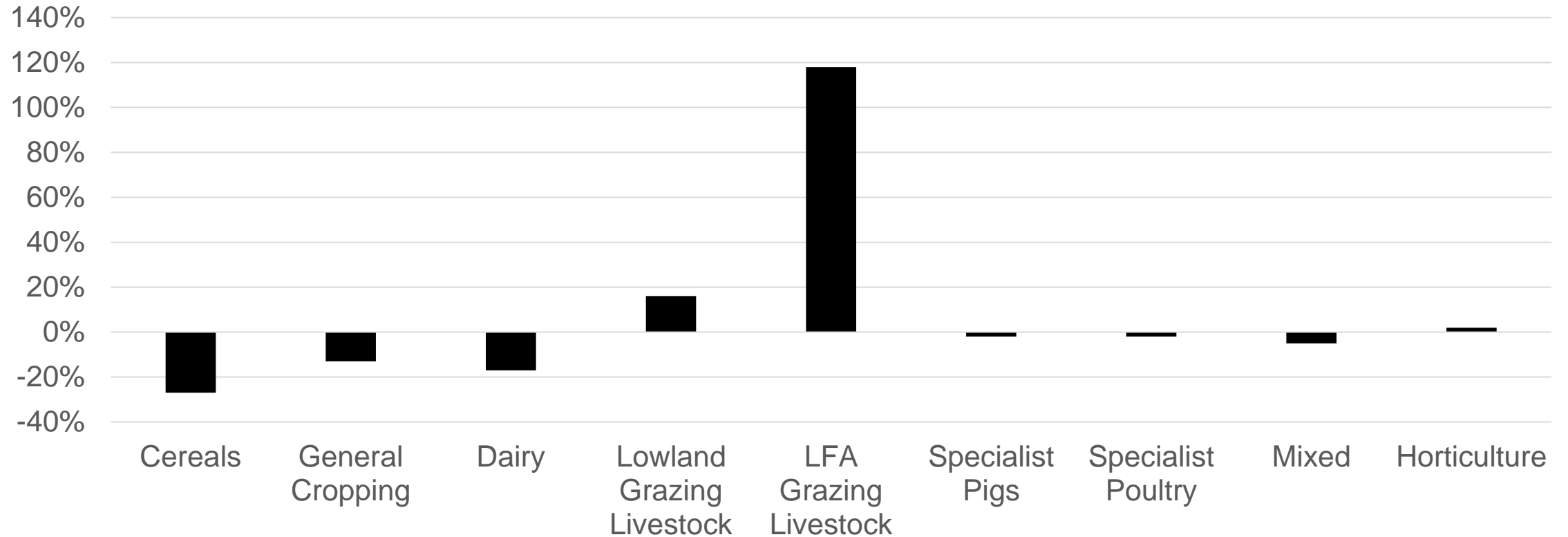


Announced October 2019 but slower farmers have now understood

Estimated% fall in Net Farm Income following loss of subsidy



Farm Business Income – Following Redistribution of Pillar 2



And it goes on...

- Trade deals
- Additional constraints on export to the nearest market
- Rules of Origin
- Food standards

Stage 1 changes

Subsidy has created the farm business

Farms/farmers tend to:

- Be over manned
- Be over mechanised
- Lack self confidence
- Lack market focus
- Avoid risk
- Professional relationships are social

Initial response to low subsidy:

- Rent reduction
- Investment holiday
- Reduction in employees
- Low risk diversification options (potentially increasing subsidy dependency)
- Off farm employment
- New toys
- More litigious

Magic doesn't exist

Technology is only a small part of the solution for the farmer and mainly an opportunity for the provider

Return on commodity production is too small to justify a lot of investment even for a 5% improvement in profit

However every producer needs a relationship with someone who understands technology and genetics

Trade barriers and protection

Food safety

Contribution of agriculture to economy

1. IS THE BUSINESS WORTH MORE AS A GOING CONCERN THAN THE SUM OF ITS ASSETS?

2. IS THE MOST BEING MADE OF THE EXPERTISE, CAPITAL AND ASSETS?
3. HOW BIG IS THE MANAGEMENT CONTRIBUTION TO PROFIT? COULD THE TIME BE USED MORE EFFECTIVELY?

4. WHAT MAKES THE BUSINESS SPECIAL?

Change

Passive Change

...is generally easy with fewer social consequences or lifestyle change and low risk.

Change is presented to the business

Active Change

...requires imagination energy and determination and will often mean breaking away from the crowd and sometimes requires a change in social relationships.

Change is identified by the business

Play to strengths:

Know the industry:

- **Food trends**
- Free from
- Personalised Food
- Low greenhouse gas
- Provenance
- Health attributes

Flavourings and aromatics

Primary processing

Harvesting development

Storage technology

Logistics

Consultants

1. Recognise strengths
2. Is form filling your skill?
3. Is being a nice person enough?
4. How confident are you in understanding:
 1. Investment appraisal
 2. Policy
5. Do you invest in research (inside AND outside the industry)?
6. Do you understand the technology available?
7. Do you push outside your comfort zone to find more to offer?

Conclusion

- There will be vast change over the next seven years
 - Short term reaction
 - Longer term reaction
- Identify strategic advantages and invest to develop these
 - But never forget the immediate opportunities
- Consultants need to work to be part of the solution and create opportunities
 - Passive change
 - Active change



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