

# Stronger Links in Farming: Redefining agricultural relationships in unpredictable times

## The State of UK Agriculture

Agriculture in the UK is in a state of uncertainty, with more and more farmers and agribusinesses having to rethink their strategies in order to best meet the challenges facing the industry. For many British farmers, circumstances mean they've had to focus on "surviving" rather than "thriving". Is this the right approach? Despite the turbulent times, innovation and growth are possible. Experts are clear that British farmers are well-positioned to grow their businesses, even with a chaotic Brexit. What's needed is a change in perspective.

This paper will examine the attitudes and solutions around one perspective in particular: the need for a strong and efficient farming supply chain, examined from the farmer's perspective. Currently, many farmers are somewhat wary or lack trust in the supply chain infrastructure – and not entirely without reason.

It's time to end the image of a supply chain merely being a provider and begin to forge stronger partnerships. For farmers, this is about trusting in and developing their own business. It's about harnessing your target market and securing your margins.

In an ideal world, if you've secured your sale and income stream, why wouldn't you establish your input costs and crystallise your margin? Why would you base decisions in the hope of a better sale price and not factor in reduced costs through a professional, strategic procurement service. Quite simply, this is gambling in all but name. Short-term gains may happen but are fleeting. The house always wins, eventually.

Different sectors have shifted their thinking and operations to meet the needs of a changing world and reduce the element of risk in their business. To survive – and thrive – it's essential that British farmers begin to do the same: consider their business and how they can create certainty and growth.

## The Supply Chain: Partners Not Providers

In 2015, the Economist released its analysis on productivity in the construction industry.<sup>1</sup> Although not focused on agriculture, the conclusions drawn are apt. Productivity continues to be a hindrance for individual businesses: *"Improving productivity at the industry level will require changes in the expectations and behaviours of all stakeholders, including clients, policymakers, and supply-chain partners as well as the contracting community itself."*

The lessons here translate to farming: while individual businesses can achieve great things, there is always a ceiling to growth and outreach. Partnership with others doesn't just offer greater resources, but the scope for more intricate solutions. Simply put, supply chains can do more than provide an individual farm business with, for example, products at fair pricing. They can solidify a farm's role as a key player, as something more than a strong business in its own right. It's possible for those farms who actively seek supply chain partnerships to unlock greater value.

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<sup>1</sup> <https://perspectives.eiu.com/strategy-leadership/rethinking-productivity-across-construction-industry/white-paper/rethinking-productivity-across-construction-industry>, 2015

Supply chain collaboration offers a wide number of benefits to British farmers, including:

- Better deals on commodities
- Insight into markets and trends for better decision-making
- Maximised speed and efficiency
- Reduced operational costs
- Simpler and intuitive administration and invoicing

Uncertainty and risk will always exist for those working in commodity food production due to the nature of markets and trends. To strengthen your own farm business, it's important to align yourself with a robust supply chain. This is not investing in some unknown third-party; it's investing in your own business for the long-term, not relying on sporadic short-term gains. A Deloitte survey<sup>2</sup> of roughly 1,000 supply chain executives concluded that businesses which engaged with their suppliers were 38% more likely to achieve or surpass their expectations in cost reductions. For farmers, this can translate to a huge financial benefit.

Farming has a long and proud history in the UK. That doesn't need to change, but it's necessary to recognise how a small adjustment of mindset can benefit all parties. Ultimately, no farm business can possibly arrange and negotiate with suppliers to the same level of a robust supply chain – it's just not possible.

As we see the rapid development of precision ag technology, farmers are now in a position of power more than ever, by capturing and owning their own source of data. Despite this, many farms still make the fundamental error of stockpiling that data, creating massive data siloes which, ultimately, do not produce further value.

By securely sharing that data with supply chain partners, it's possible to access advice that is bespoke, actionable, and valuable. This partnership is more than just placing orders or using a service – it's about treating supply chain partnerships with respect and understanding the mutual benefits that are possible with engagement.

In short, reconsider the supply chain as it relates to farming. Instead of trying to source as cheaply as possible from multiple sources, invest in a robust partnership that can deliver extended benefits in the long-term. Create the opportunity to influence the supply chain, become an important part of it, collaborate to improve outcomes and ensure experience and expertise is leveraged at every stage.

## **WE NEED TO TALK ABOUT BREXIT**

British farming is currently hampered by uncertainty. Whether due to weather conditions or input costs, most farms are – statistically speaking – losing money once basic payment scheme contributions are deducted. According to government figures, total income for mixed farms is expected to fall by 10%, with livestock farming performing much worse.<sup>3</sup>

Underscoring all of this is Brexit. Leaving the European Union has resulted in acute uncertainty for British farmers, with very little clarity on what the next few years hold.

It's impossible to speculate on what exactly will happen but, assuming we leave the EU as expected, British farmers will no longer be under the Common Agricultural Policy (CAP). This has subsidised farming in EU states since 1962, and the extent to which the government will continue this approach is unclear. A straight continuation of subsidies is unlikely, and if implemented they will likely be far more focussed on public good outcomes, such as environmental stewardship and air quality.

For many, this is the loss of a key safety net. For others, this will stimulate greater competition and efficiency between farms, in a drive to promote better service and quality. Regardless, change in some form is coming, and with it comes both risks and opportunities.

Minette Batters – President of the NFU – recently offered a passionate reminder of the need for innovation in the face of Brexit in her speech to the 2019 Norfolk Farmer's Conference: "We live in extraordinary times. Never before has the business of farming faced such uncertainty... This is a time of enormous risk, but it's also about change and opportunity. It's right and proper that we plan for our future."

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<sup>2</sup> 2012 survey by Deloitte, in conjunction with ASQ, Institute for Supply Management, and Corporate Responsibility Officer Association: [https://deloitte.wsj.com/cfo/files/2013/07/supplier\\_collaboration.pdf](https://deloitte.wsj.com/cfo/files/2013/07/supplier_collaboration.pdf)

<sup>3</sup> [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/783549/fbs-businessincome-statsnotice-28feb19b.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/783549/fbs-businessincome-statsnotice-28feb19b.pdf)

At this same conference George Freeman, Member of Parliament for Mid-Norfolk, flagged technology's role in driving productivity, and called for a greater focus on precision farming over reliance on cheap labour. Despite Mr Freeman's scepticism towards the government's strategy, he outlined his view that breakthroughs in traceability and improved productivity signal a huge opportunity for the industry: "British agriculture, with innovation, could be at the heart of a very exciting British bioscience and bioeconomy sector."

Leading voices in the agricultural community are clear: Brexit is a huge unknown, but opportunities do exist. Asked what businesses can do to remain competitive post-Brexit, Johnathon Marshall, Partner at business advisors PwC had this to say: "My recommendation for a "no regrets" decision that all businesses can make now is to know your supply chain."

Brexit fatigue may be inescapable, but the way forward is clear: align yourself with strong partners, able to negotiate the best deals possible, and it's possible to adapt and flourish in a post-Brexit UK.

## Partnership in Action

For Andrew Murdo, Farm Manager at Wroxham Home Farm, the requirements for a strong supply partnership are clear:

*"The biggest issue when working with other businesses in the supply chain is being able to trust them to deliver what we need competitively," says Mr Murdo. "We need that trust – to know we're getting the best deals consistently and reliably. To spend all day phoning around looking for prices would be ridiculous. If we need something, we ring AF, and they're generally best in price every time. This frees up time, meaning we can spend more energy and attention where it matters: on getting the work done and ensuring strong results on farm."*

### Wroxham Home Farm in numbers

- 2250 ha
- 200ha of potatoes
- 200 ha of OSR
- 450ha of winter barley
- 200ha spring barley
- 250ha wheat
- 50ha beans
- 140ha sugar beet

In addition to the planned purchase offering to minimise disruption and ensure consistent pricing, Mr Murdo has also been able to make use of additional benefits, such as a regular account review and electronic invoicing.

*"The electronic invoicing system works well – it saves tedious trawling through millions of bits of paper," says Mr Murdo.*

*"Ultimately the partnership and strategic support that we receive lets us focus on our own business, which is what we want to be doing."*

*"Stronger links in the supply chain doesn't have to mean we're in each other's pockets. Working with AF means a consistent support and service that we require. Why waste time and resources doing everything on your own when you can build a connection that ultimately delivers more value for your business?"*

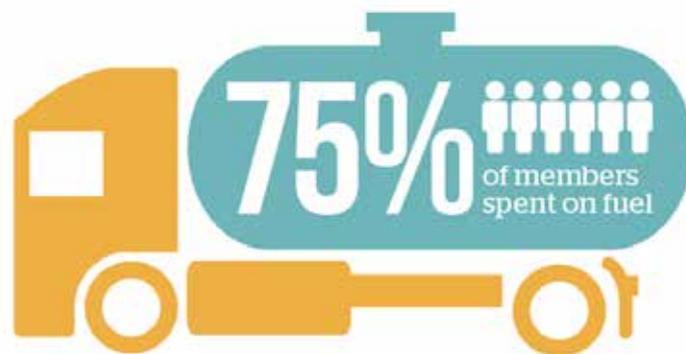
## OPPORTUNITIES

Despite stark uncertainty and potential challenges facing the industry, demand for quality food production will only increase in the future. By 2050, projections from the UN's Food and Agriculture Organization show a global population of 9.1 billion, which would necessitate an increase in global food production of 70%.<sup>4</sup> Quality food production is still essential and will only become more important.

British farmers are well-placed to seize these opportunities by rethinking their business strategies and embracing a new way of working with supply chain partners. As support mechanisms focus on new objectives collaboration can give British farmers a competitive edge, driving a new age of efficiency and growth.

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<sup>4</sup> "The future of food and agriculture: Trends and challenges", Food and Agriculture Organization of the United Nations, 2017



## AF in Numbers

The AF Group is always working to deliver better outcomes for our members. In the last financial year:

- 75% of members spent on fuel
- 45% of members spent on crop protection
- Sourced 200k tonnes of fertiliser
- Sourced 14k tonnes of seed
- 2.3 million litres of liquid fuel were forward fixed for pricing
- 15k tonnes of feed were forward fixed for pricing
- 15k mobile contracts managed
- 5k fixed-line services managed
- 8k energy sites managed
- £789k Direct Rebates
- £572k Price Adjustments
- £300k Discretionary rebates
- £1.6m total value returned to members

The AF Group is proud to serve British farmers and will continue to deliver value for all members.

Interested in securing your supply chain?

Visit <https://www.theafgroup.co.uk/membership> or contact us direct to speak to someone that can help Tel: 01603 881 881

## About AF

AF are the nationwide agricultural buying group that empowers its members with the latest market insight, buying information, and industry advice for managing their businesses.

Our SERV values - **Service, Excellence, Responsibility and Value** – are at the core of everything we do, ensuring we provide a professional and member-focused service. Our blend of industry knowledge and expert market insight enable us to provide our members with informed and practical advice that leads to intelligent and profitable business decisions.