



Agribusiness 2020

**New Horizons for the
UK Agri-food supply chain**

**The outlook for the
global and UK
economies
and impact on
UK agriculture**

Allan Wilkinson
Head of Agriculture
HSBC

#agribiz2020



Agribusiness 2020

November 13 2019

The outlook for the global and UK economy and impact on UK agriculture



HSBC 

RESTRICTED



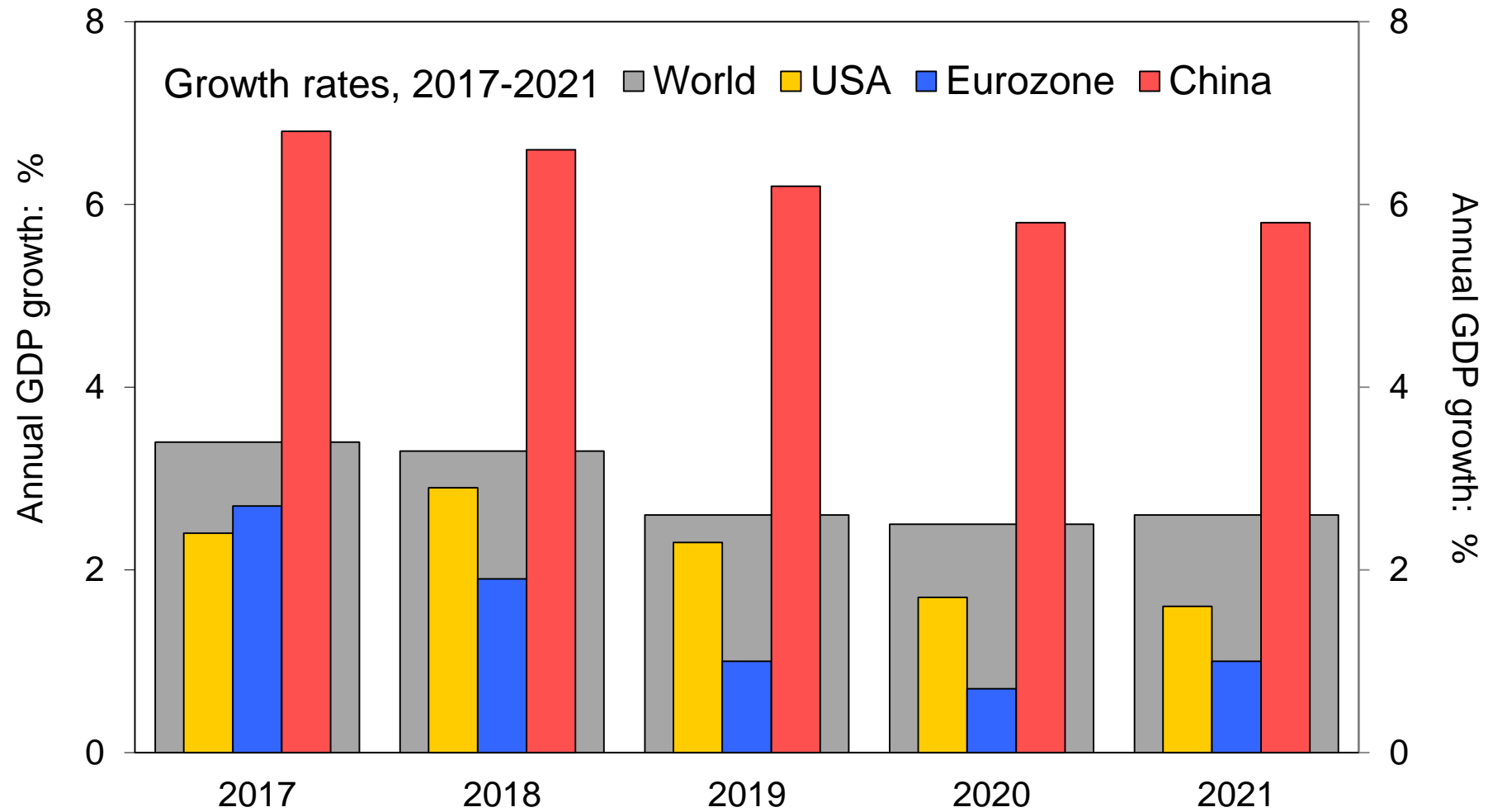
Topics

Our take on the Industry

- 
- i. General economic trends
 - ii. Farming today – Brexit?
 - iii. Consumer trends and implications for farming
 - i. Sustainability
 - ii. Health
 - iv. Where could current trends take us?
 - i. Opportunities
 - ii. Threats

The Global Economy

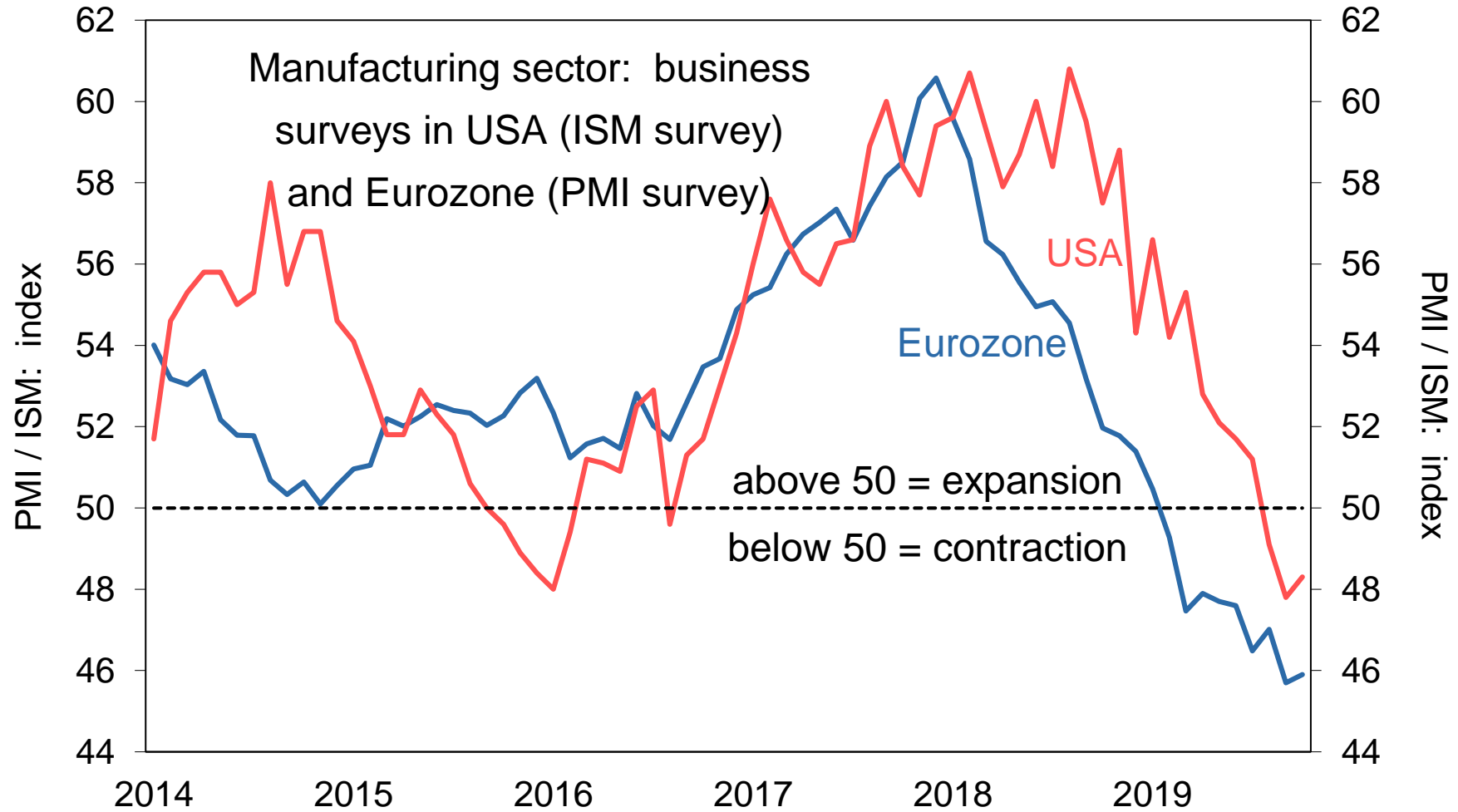
Self-inflicted wounds



Source: HSBC Global Research

Global Manufacturing

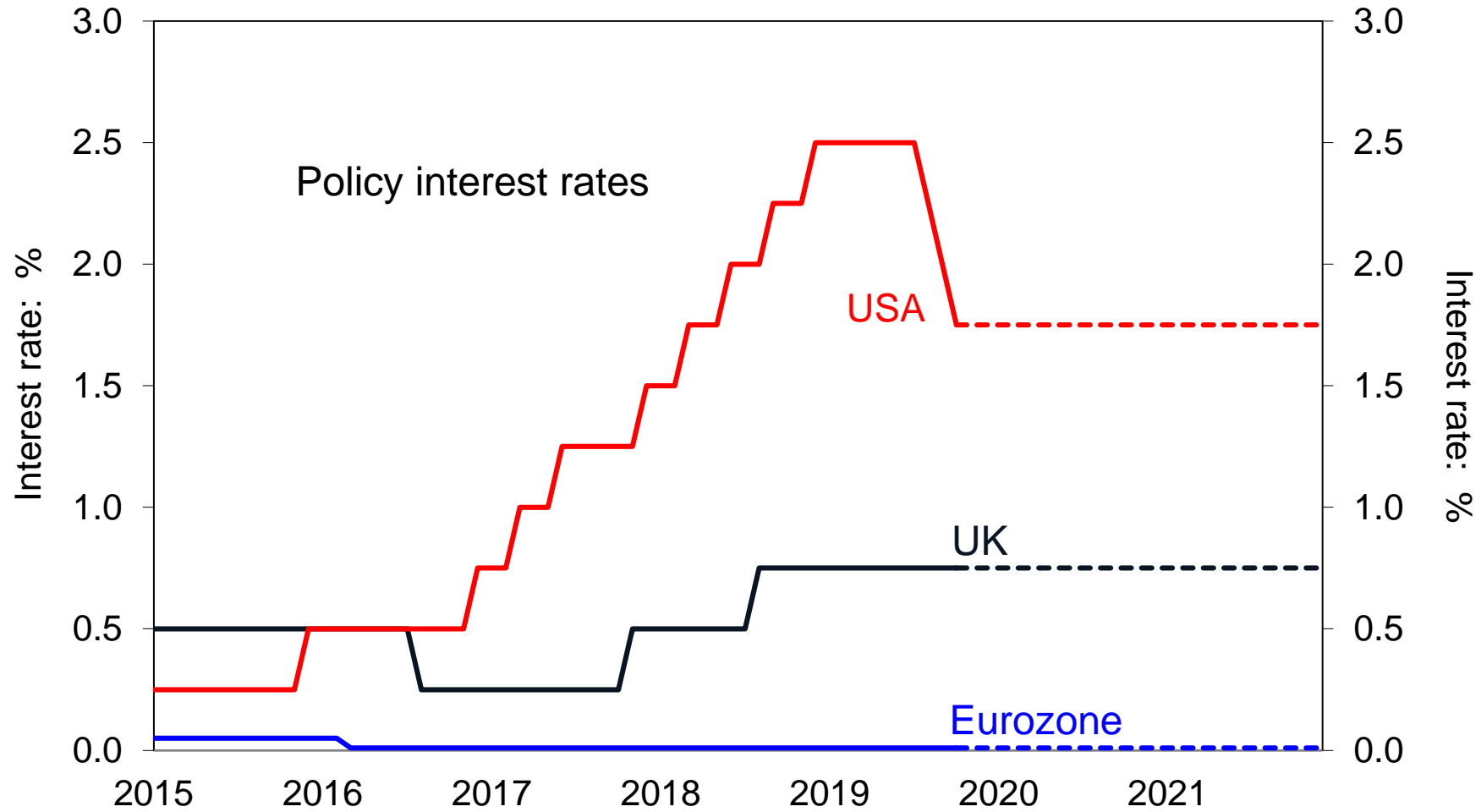
Broad downturn



Source: IHS Markit

Interest Rates

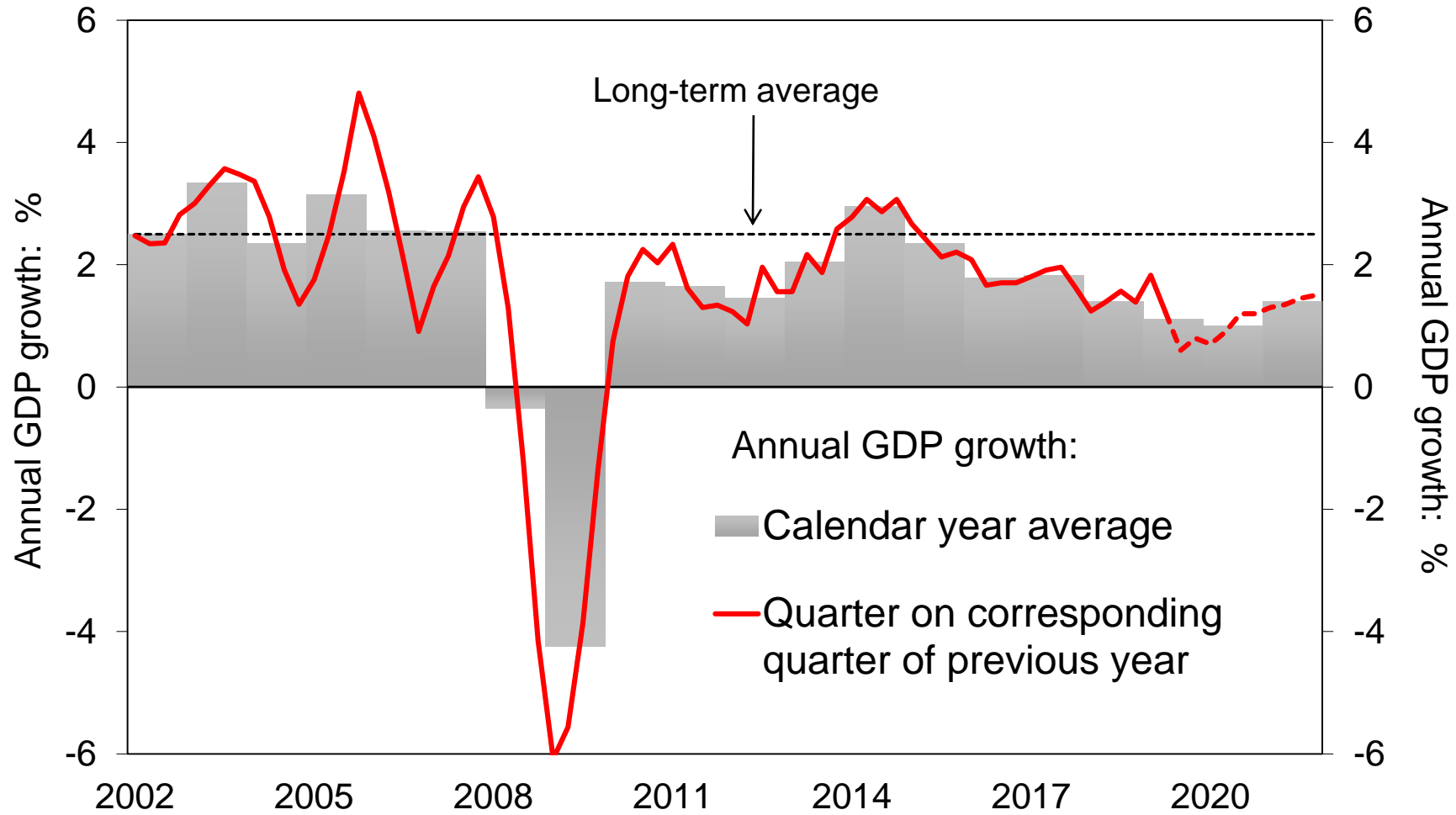
Lower than expected – “cut if you can” theme



Source: Thomson Datastream ; HSBC

GDP Growth

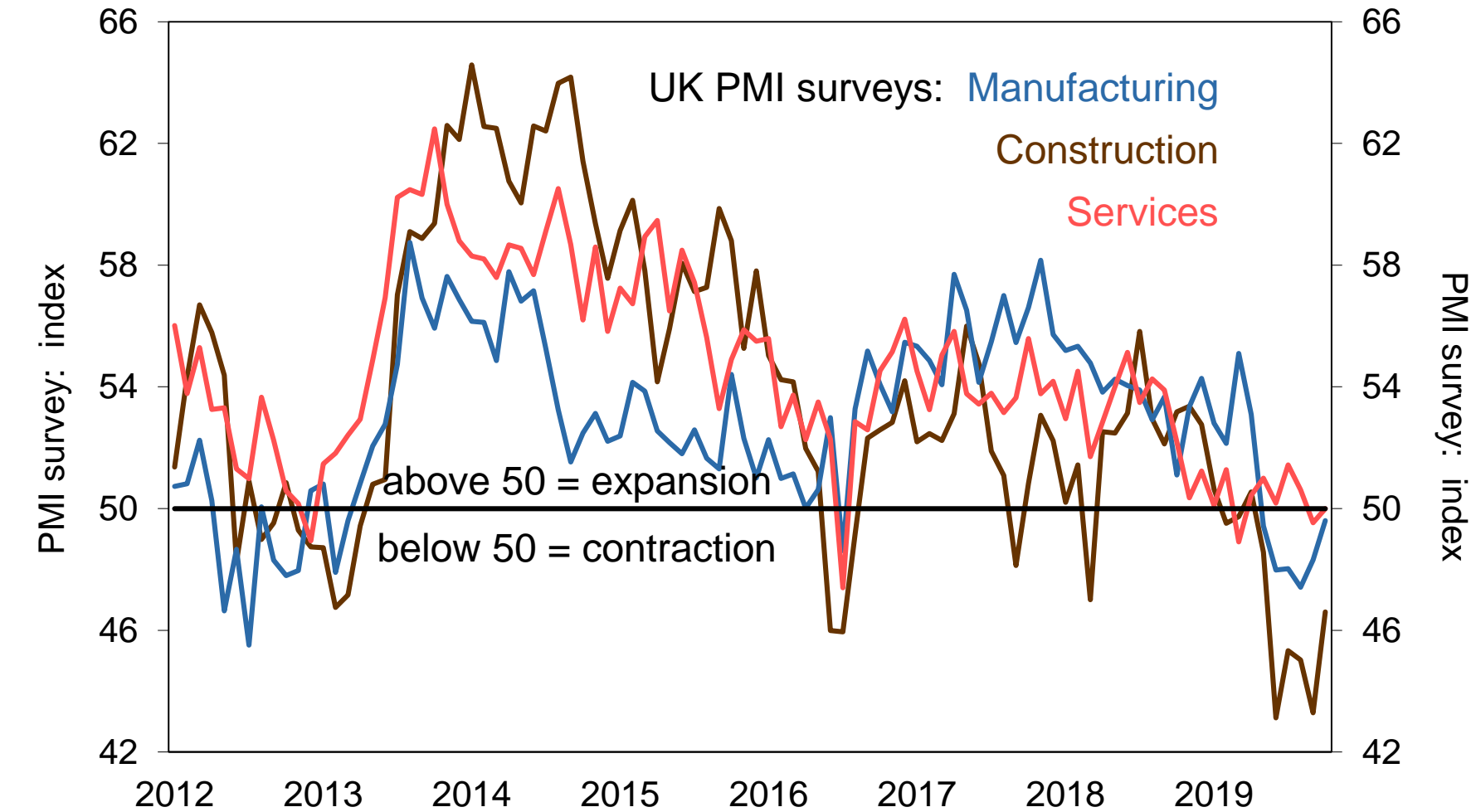
Slowing down – almost to a crawl



Source: ONS / HSBC

PMI Surveys

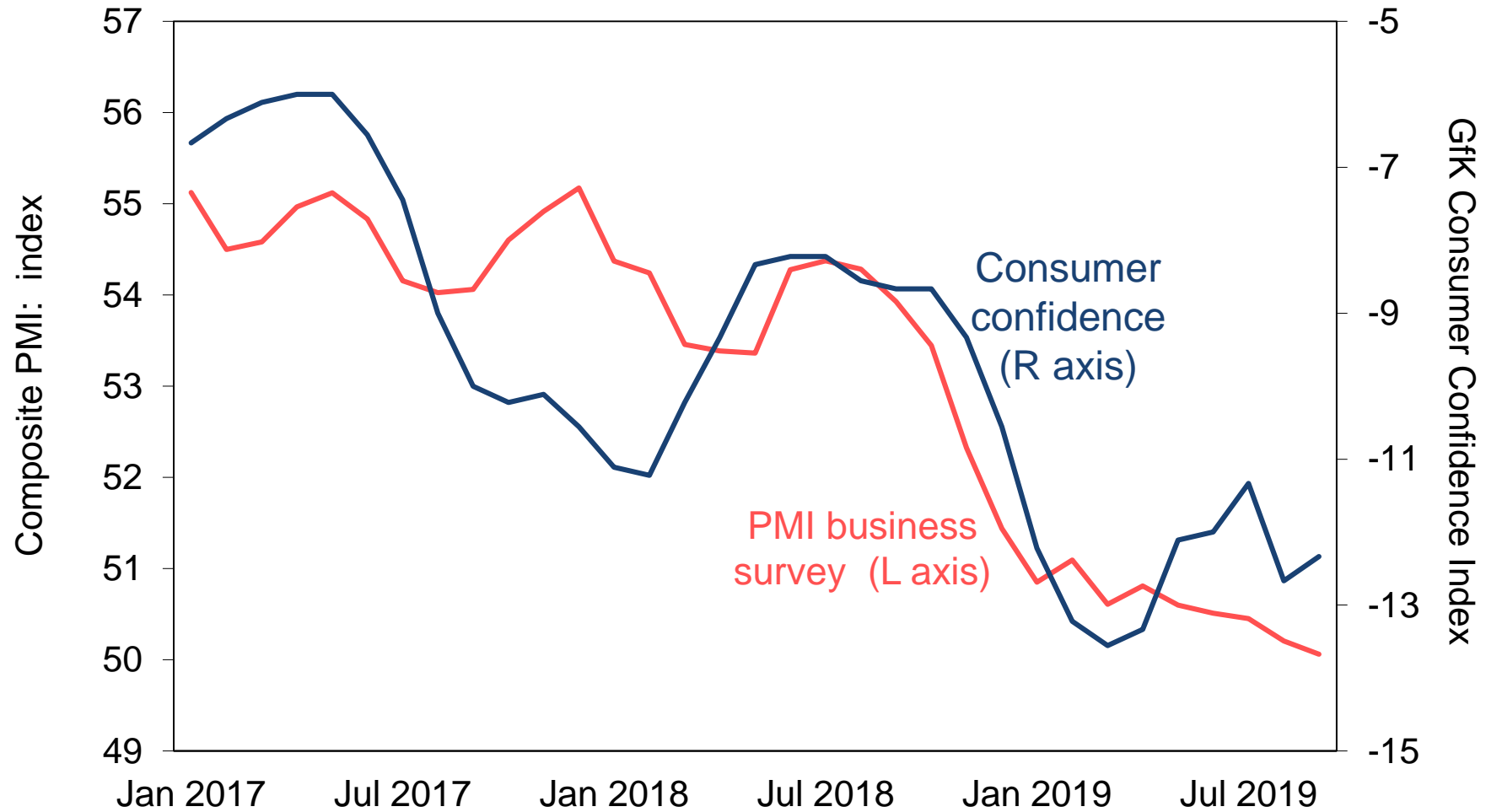
The service sector has slowed too



Source: IHS Markit

Consumer Confidence

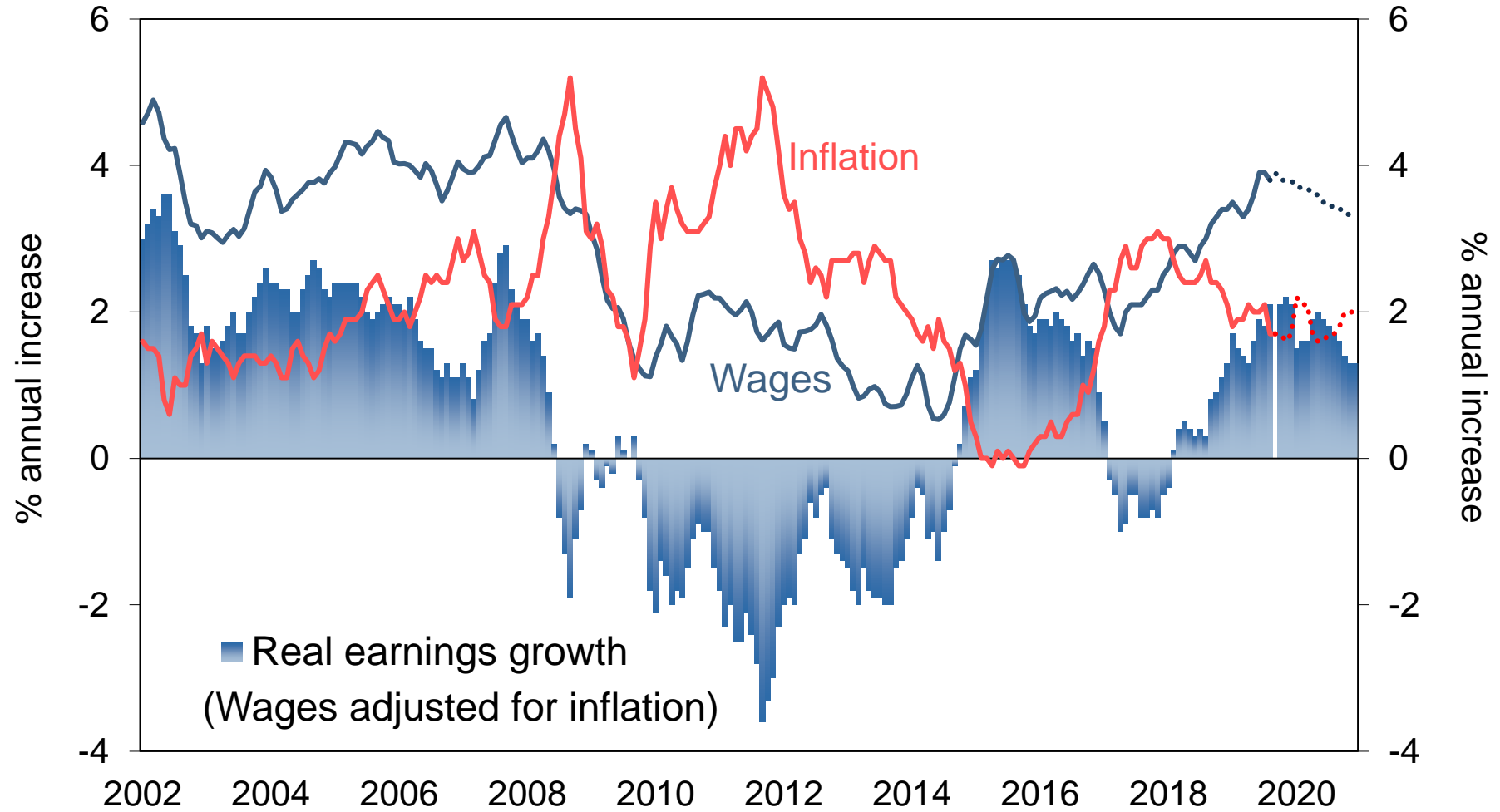
Brexit uncertainty weighing down



Source: IHS Markit / GfK

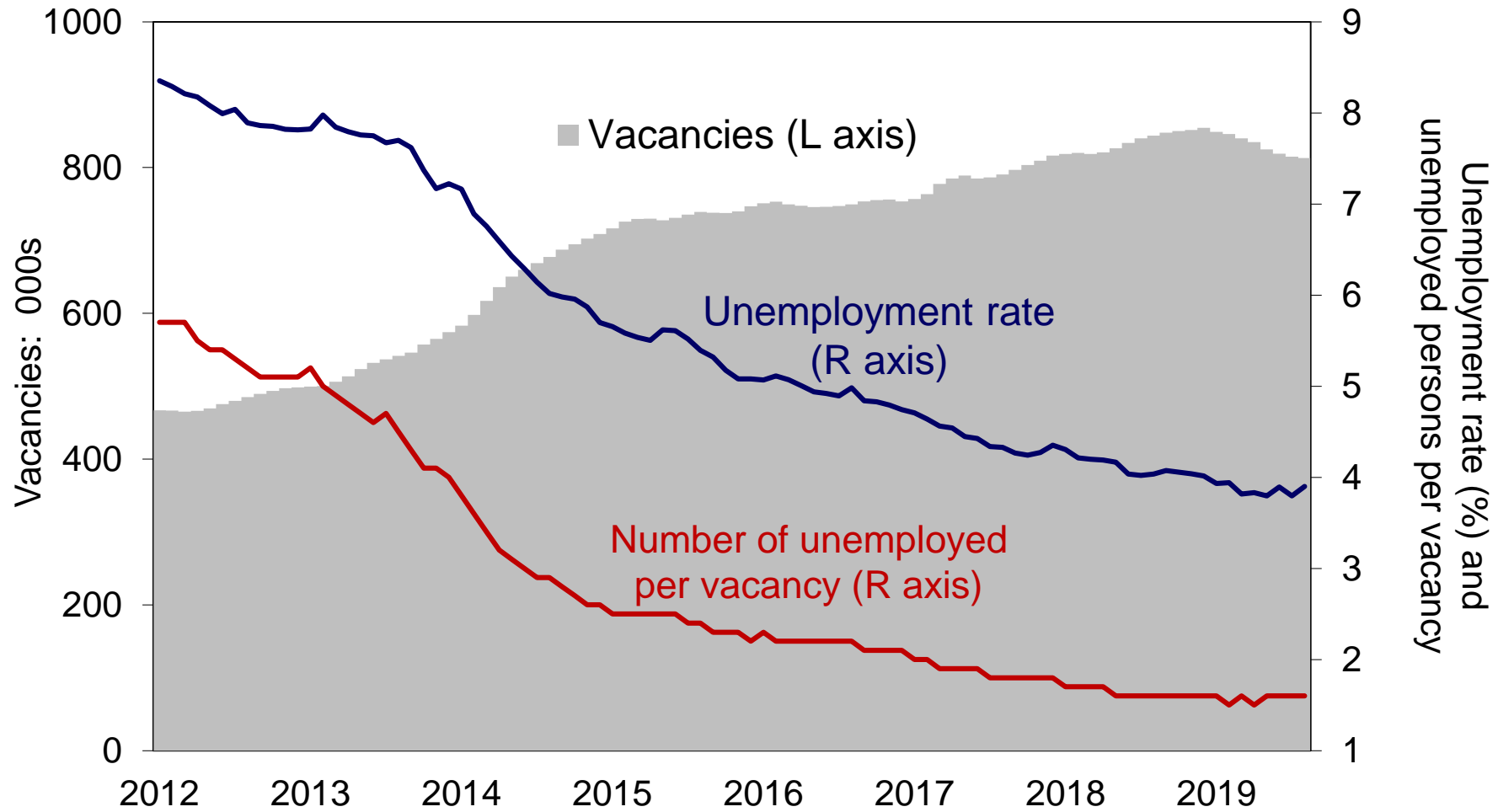
Disposable Income

Yet real income is growing strongly



Source: ONS / HSBC

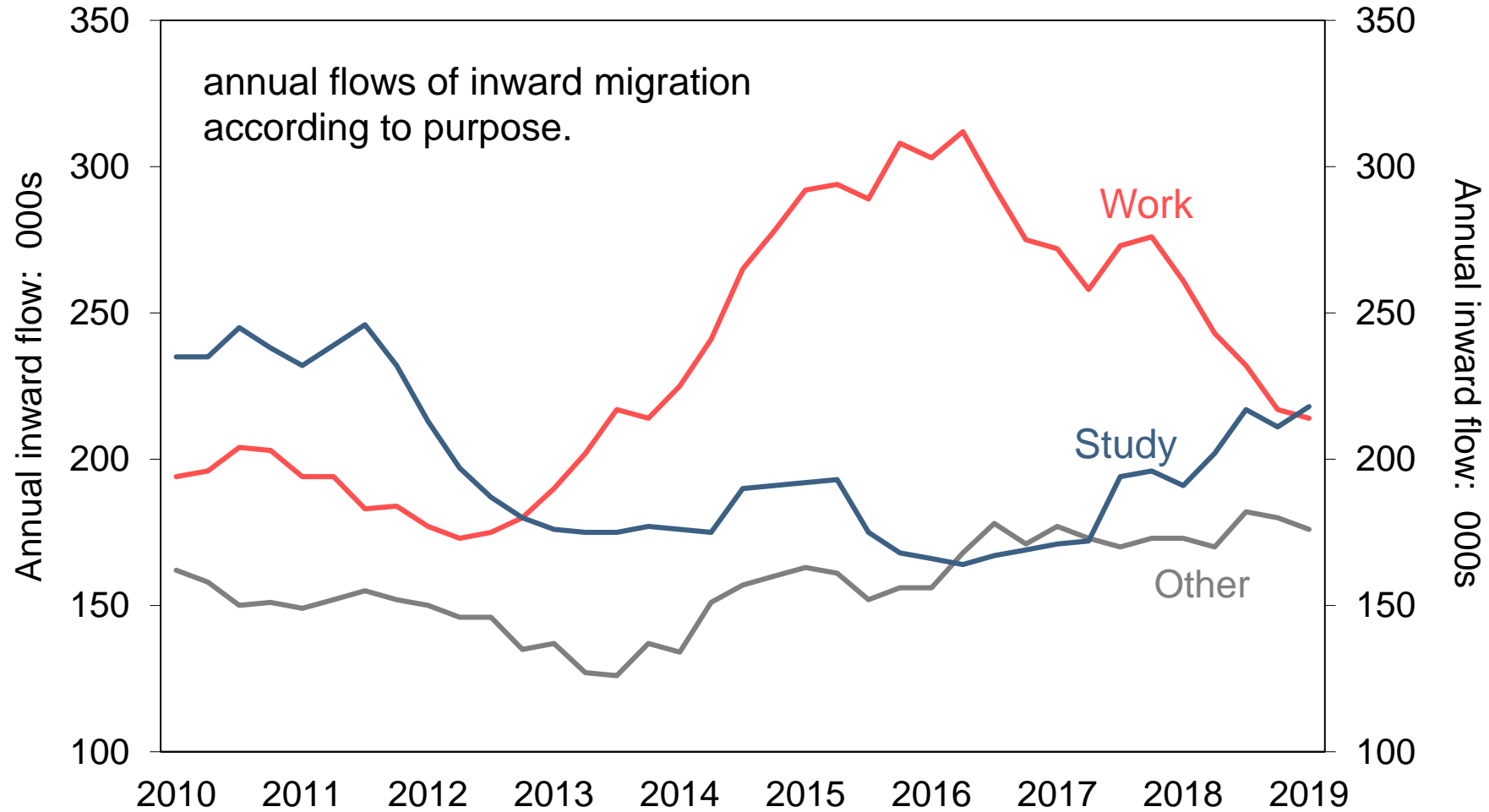
The Labour Market Remains very tight



Source: ONS

The Labour Market

And fewer are coming to the UK to work



Source: ONS

HSBC's Agrifoods

Total Factor Productivity – UK compared to similar Agricultural economies

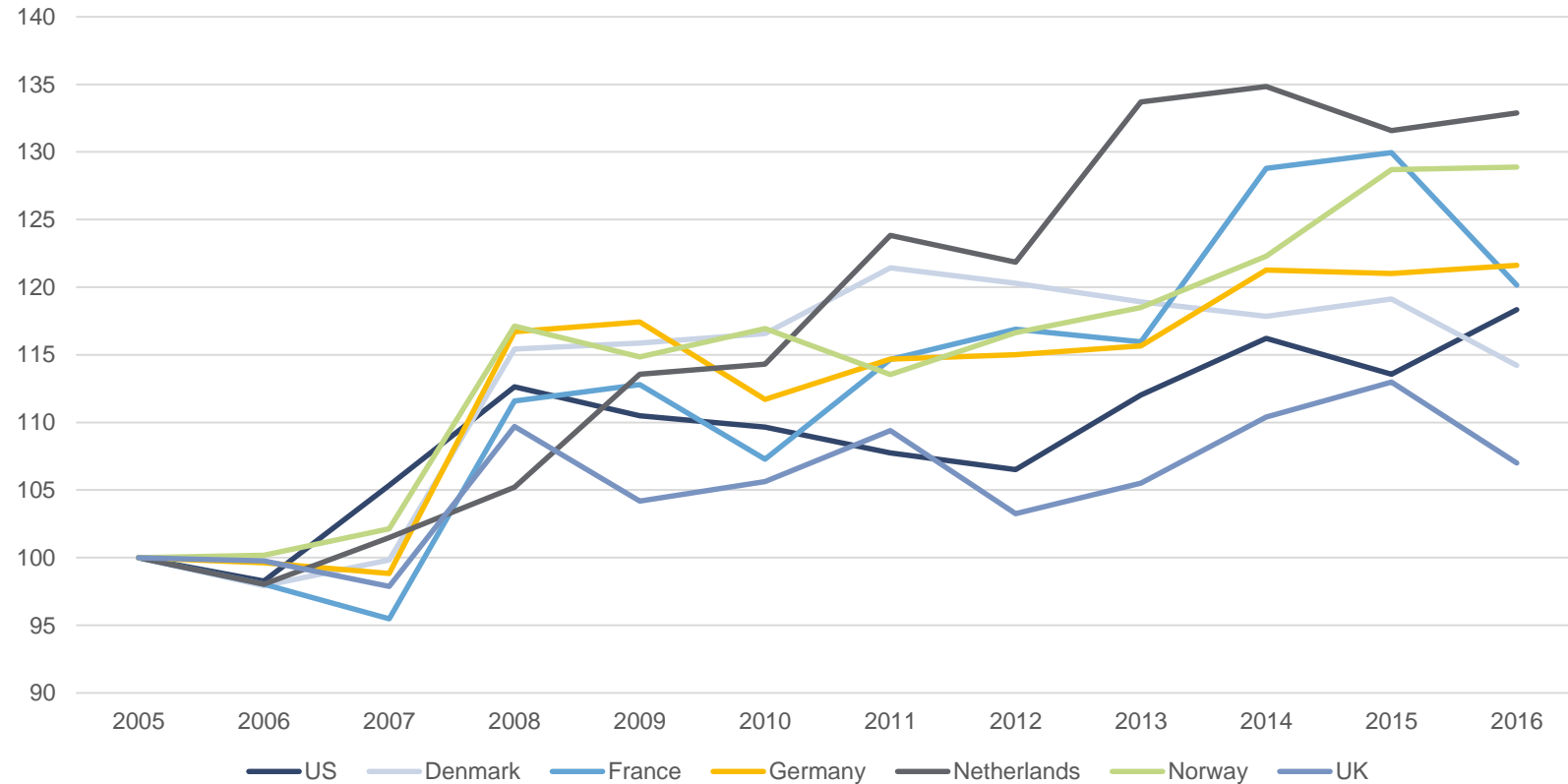
Farming Productivity

The UK agricultural industry has tremendous potential, with some of the world's best farmers and growers.

However, productivity growth in agriculture and horticulture has failed to keep up with that of our major competitors. If our rate of growth had kept pace with the US since 2000, the contribution of UK farming to the rural economy would have been £4.3 billion higher by 2013.

the rate of growth in TFP in the UK has fallen behind that of many of our major competitors, averaging 0.9 per cent per year as opposed to 3.5 per cent in the Netherlands, and 3.2 per cent in the USA.

Total Factor Productivity in Agriculture annual growth



Total Factor Productivity (TFP)* annual growth 2005-2016

*TFP refers to the portion of output not explained by the amount of labour and capital input used in production

Farm Incomes and Direct Support

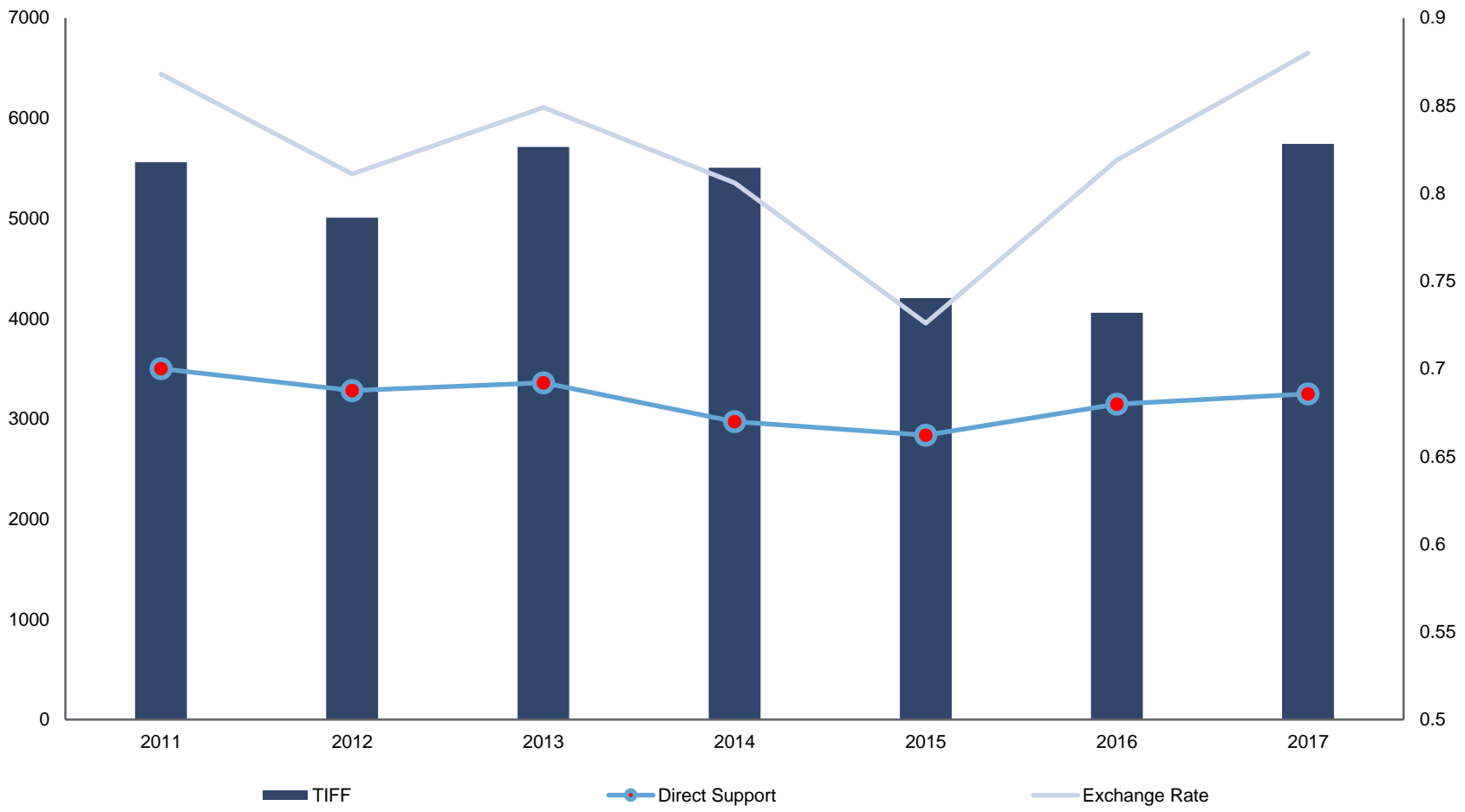
Post-Brexit subsidies likely to be reduced

The chart opposite shows Total Income from Farming and Direct Support to farmers on the left axis in millions of pounds and the annual average exchange rate vs the Euro on the right axis

Total Income from Farming is estimated to be 41% higher in real terms in 2017 which is an increase of GBP1,683m to GBP5,743m (in real terms)

Direct support given has been fairly stable over the last decade in real terms although the exchange rate has moved

Total Income from Farming compared to Direct Support – (£m)



Source: DEFRA, HSBC

General trends we see in Food and Drink 2019

Our take on the Industry

Consumer Trends

- The continuing rise of convenience. The UK as a bellwether for the rest of Europe?
- A level of intolerance to plastics, and waste in general, not seen before, and only likely to increase. Immense focus on alternatives as part of overall technology revolution imminent
- Increasing influence of Millennials, as witnessed by the accelerating trends towards sustainability and vegetarianism/veganism

Producer Trends

- Food companies connecting directly to consumers, e.g. Pepsi buying Sodastream and Coke Cola buying Costa Coffee
- Smaller players and start-ups dealing directly with customers and selling internationally from the start
- Increasing focus on standards and short rigorous supply chains. Food safety and other scares are expected to be on the increase in future

A Farming Revolution?

The way we grow, process and consume food is set to change

Drivers

- Scarcity of resources – the UN estimates the world population we will be 10 billion in 2050
- This will translate into a 60% increase in global food demand
- Urbanisation – expected to grow from 54% in 2014 to 66% in 2050
- Consumer demand – sustainability and health

Solutions

- Vertical Farming, algae aquaculture, insect farms and lab-grown food
- Biological solutions – Crispr, and other tech advancements
- A delayed digitalisation – IoT, taking advantage of big data, and AI

Sustainability

The traditional model seem unable to accommodate the growing population

Traditional Model

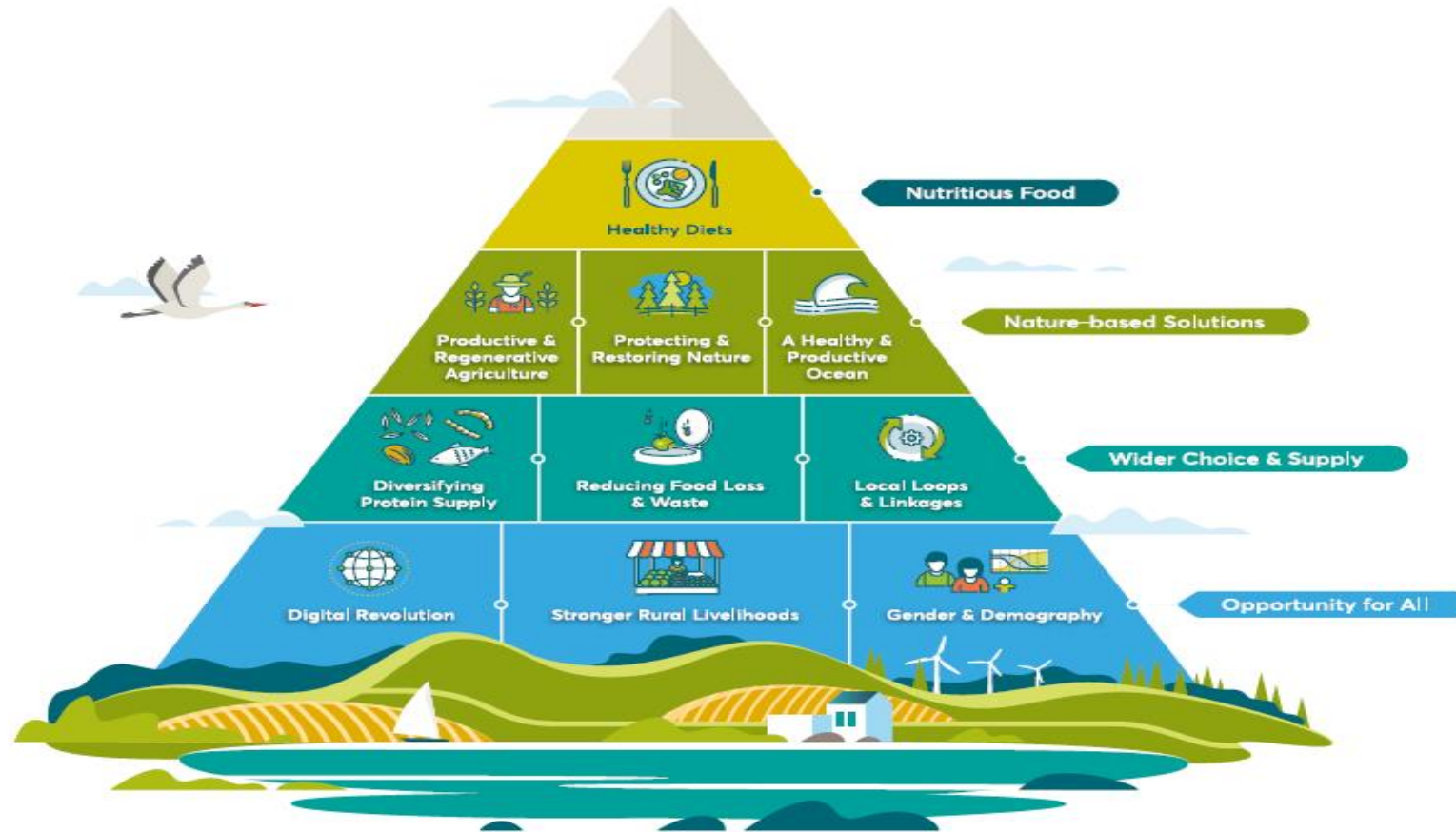
- Has been linked to a number of environmental costs such as:
 - Loss of biodiversity
 - Bee death
 - Soil health
- The UN states that global food production accounts for 40% of land use, 30% of GHG and 70% of freshwater consumption
- The UN FAO believes that 25% of global farmland has been rated highly degraded and another 44% as moderately or slightly degraded

How does the future look?

- EAT/Lancet Commission on Food, Planet, Health
- Organic vs non-organic
- Tech and education

Sustainability

Growing Better: Ten Critical Transitions to Transform Food and Land Use



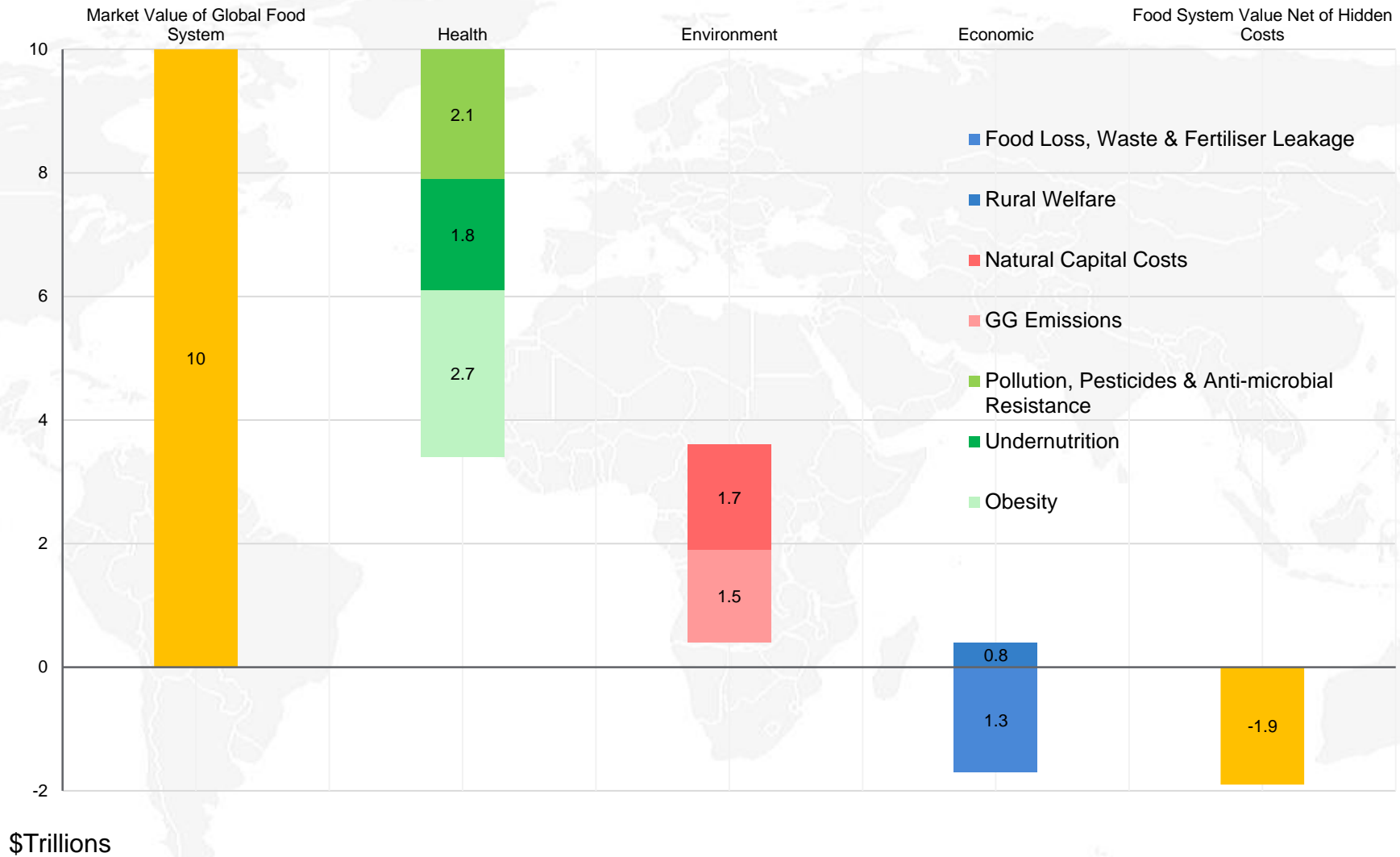
 **Economic Prize**
\$5.7 trillion economic prize by 2030 and \$10.5 by 2050 based on avoided hidden costs

 **Investment Requirements**
\$300-\$350 billion required each year for the transformation of food and land use systems to 2030

 **Business Opportunity**
\$4.5 trillion annual opportunity for businesses associated with the ten critical transitions by 2030

Sustainability

The Hidden Costs of Food Production Exceeds Current Market Value

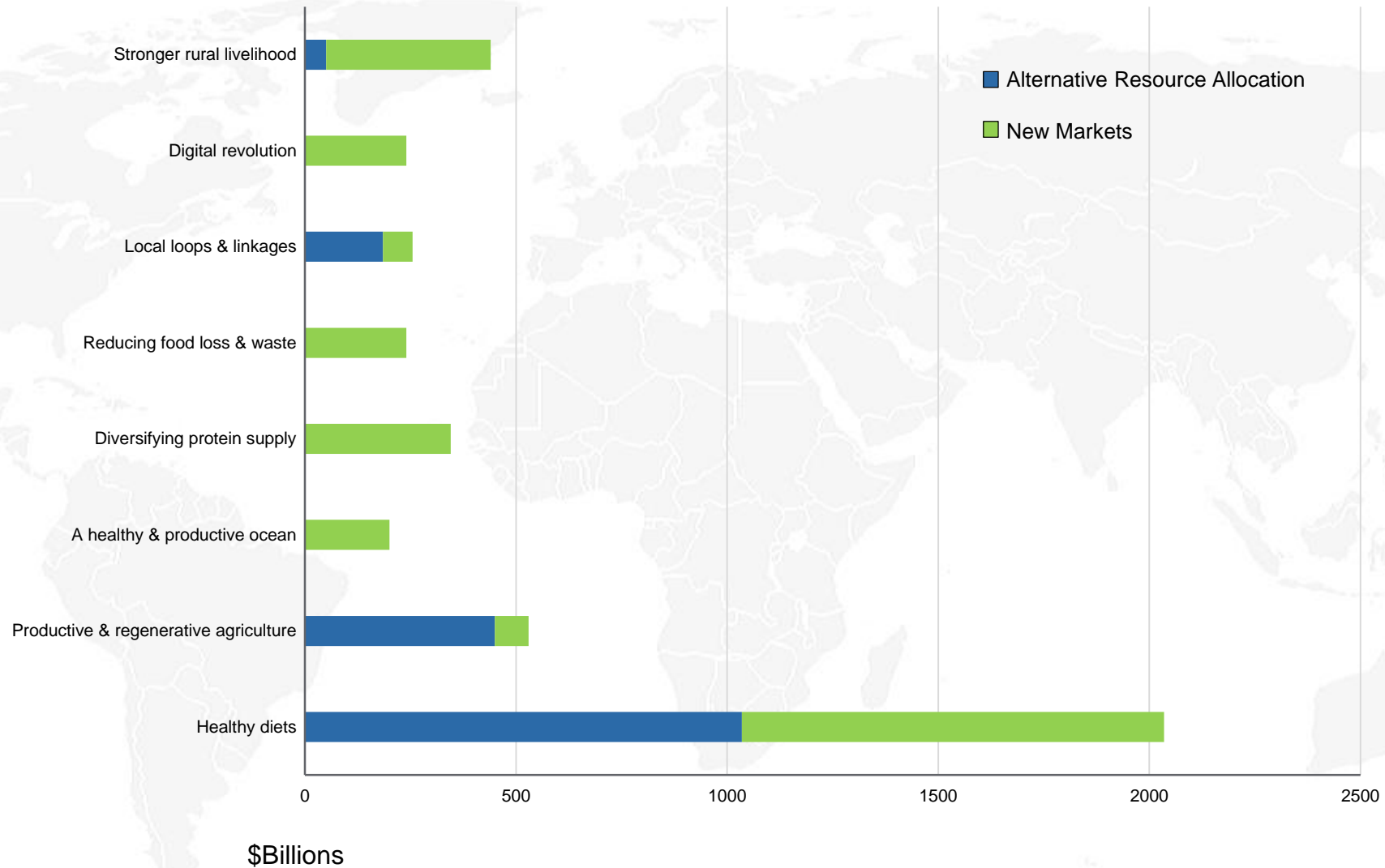


Source: Food and Land Use Coalition

RESTRICTED

Business Opportunities

Total of \$4.5 trillion with the transitions required*



Source: Food and Land Use Coalition
* = As defined by the Food and Land Use Coalition



Agribusiness 2020

New Horizons for the UK Agri-food supply chain

Thanks to our sponsors

GOLD



SILVER



BRONZE



#agribiz2020

