



Agribusiness 2017

Driving today's
agricultural revolution



**Innovation in
agriculture and
agribusiness**

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*National Strategy Director
Barclays Agriculture*



Barclays Agriculture

AIC Conference – November 2016

Oliver McEntyre
National Agricultural Strategy Director, Barclays

Barclays Outlook On The Industry



ENOUGH MILK FOR EVERYONE IN
THE **UK** TO HAVE MILK ON THEIR
BREAKFAST CEREAL FOR

231 DAYS



ENOUGH EGGS
TO GO AROUND
THE M25

SIX TIMES

STRAWBERRIES
THAT WEIGH THE
SAME AS



1,035

DOUBLE DECKER
BUSES



3 BILLION
DOUBLE STACKED
BEEF BURGERS

Industry Headwinds



Headwinds

- **£/Euro exchange rates**
 - weaker £ = expensive imports & making UK produce more cheaper to export
- **Farmgate prices**
 - Flat, but recovering for most produce
- **Customer confidence**
 - Farmers reluctant to invest/expand in difficult markets
- **Political/PR Campaigns (incl. Brexit)**
 - Uncertainty around Brexit implications
- **Market Perception of Barclays Ag**
 - Need to maintain our position within the market – supporting the industry

Two 2016 Key Dates

23rd June



23rd
September

UK Bank Lending Figures



Debt Up
4.0%

- **Drawn Debt**
£18.186 billion
- **Credit Balances**
£6.352 billion



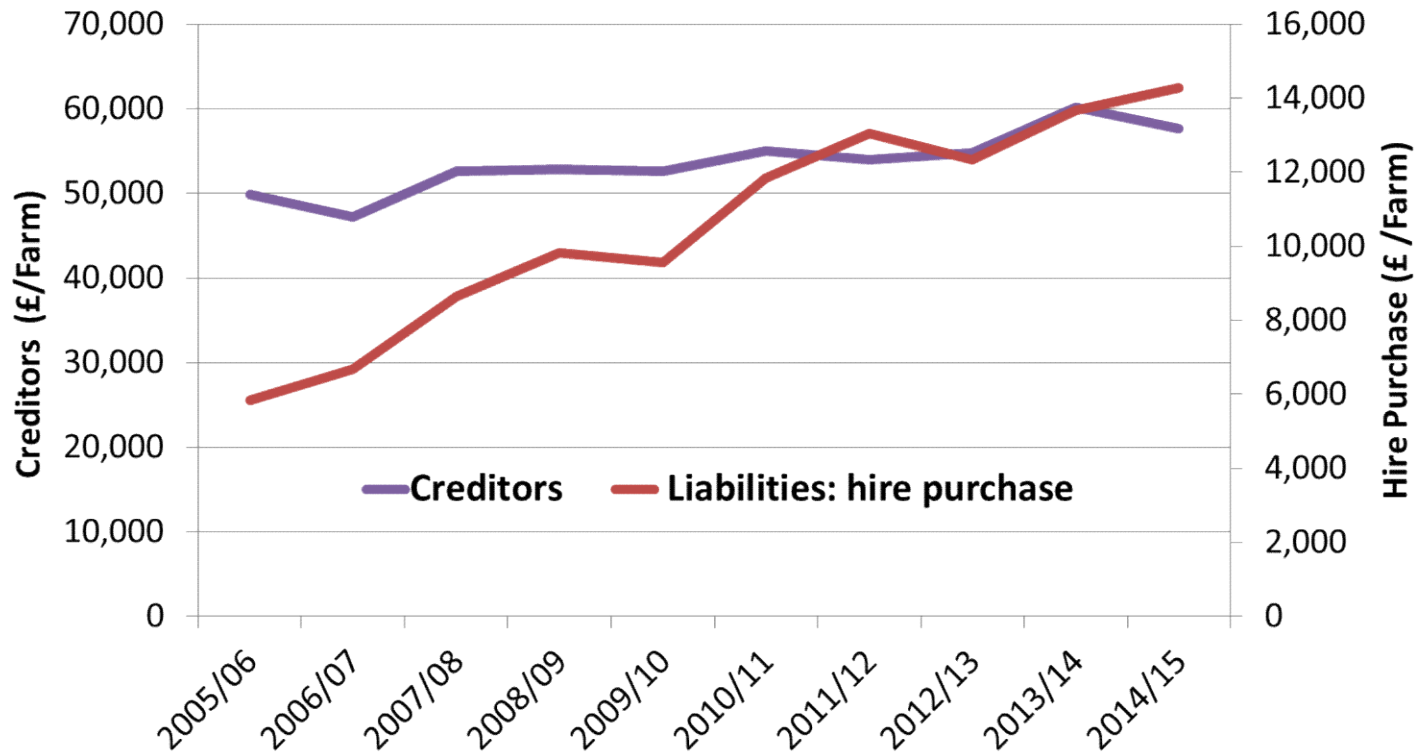
Credit Up
5.6%

UK Ag: c. £210 + billion of land and building assets
c. £18 billion of debt

Source: Bank of England, Sept 2016

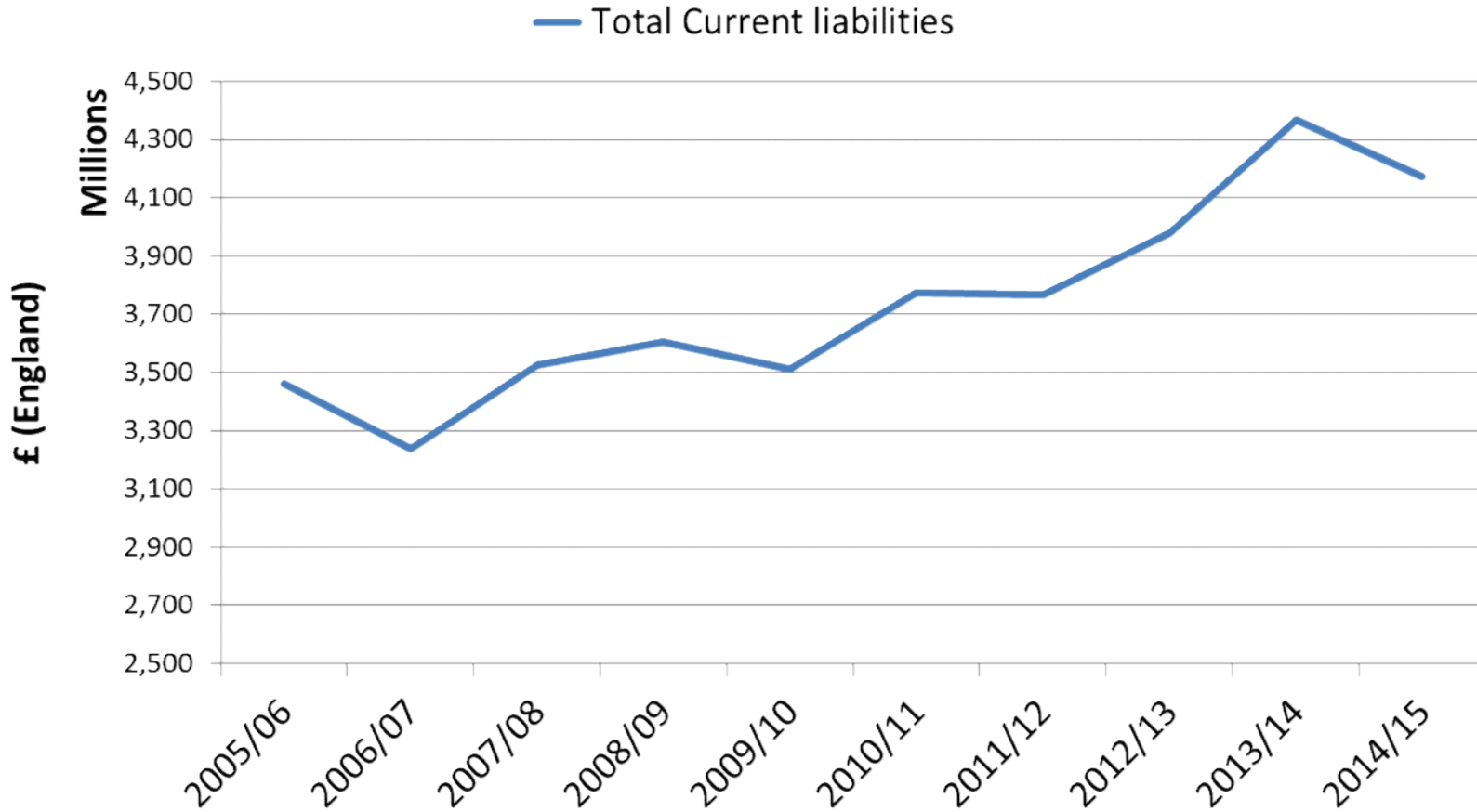
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Trade Creditors UK Agriculture



Source: The Farm Business Survey- Cambridge University

Trade Creditors UK Agriculture



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Back to Banking – Lending Basics

- C** Character *(Management)*
- A** Ability *(Management)*
- M** Management *(Management)*
- P** Purpose *(Basic Information)*
- (Basic Information)* **A** Amount
- (Serviceability)* **R** Repayments
- (Security)* **I** Insurance

The 3 Cs of Lending



- Communication
- Clarity
- Confidence

Does UK Agriculture 'strip fit' ?

Supply Chain

Finance



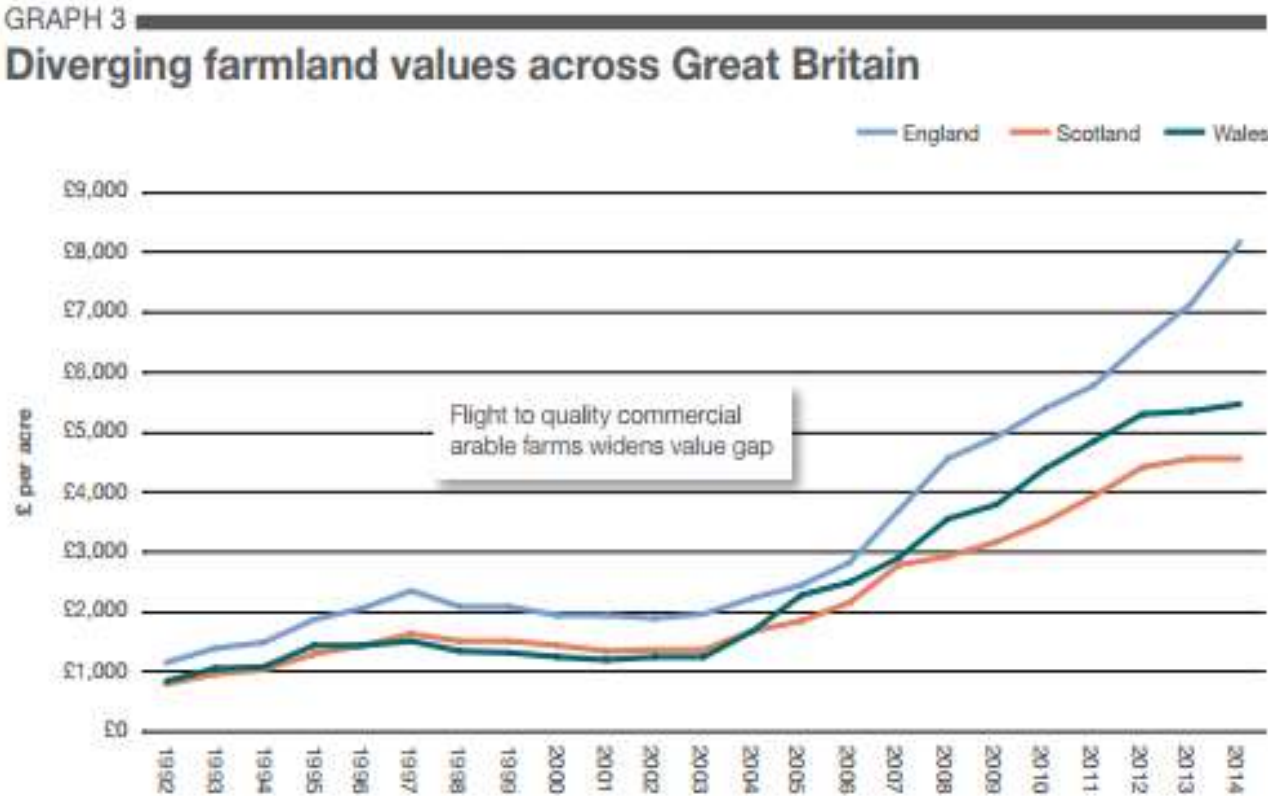
Producers



Retailers

Processors

Land Price



Only 40% of farmland was bought by farmers in the last 12 months. The other 60% is bought by investors. Savills research, 2016

Source: Savills Research

Focus on Profitability

Think **margin** not yields
Good yield doesn't always equal margin



What is the cost of production?

Contract / Location /
Succession

‘Top 25% Dairy Farmers achieve a 45% higher gross margin per cow than the bottom 25%. Even with current prices that’s £450 more per cow per year’ *RBR Press Release, July 2015*

Succession: Empowerment is Vital

It demonstrates to the next generation they are trusted

It allows the current generation to step back

And the next generation to step forward



Top 25% invests ⁽¹⁾

74% more on machinery, equipment and technology

21% more on general improvements

60% more on buildings

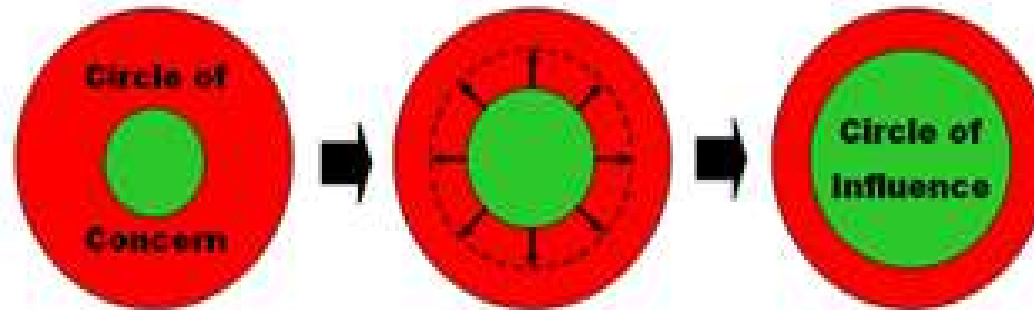
Compared to the bottom 25% ⁽¹⁾



Source: The Farm Business Survey- Cambridge University
(1) Refers to percentage based on financial performance

Adopting a Proactive Focus

Adopting a Proactive Focus



Reactive Focus

You focus the majority of your time and energy on your concerns and problems. You don't take responsibility for your own situation.

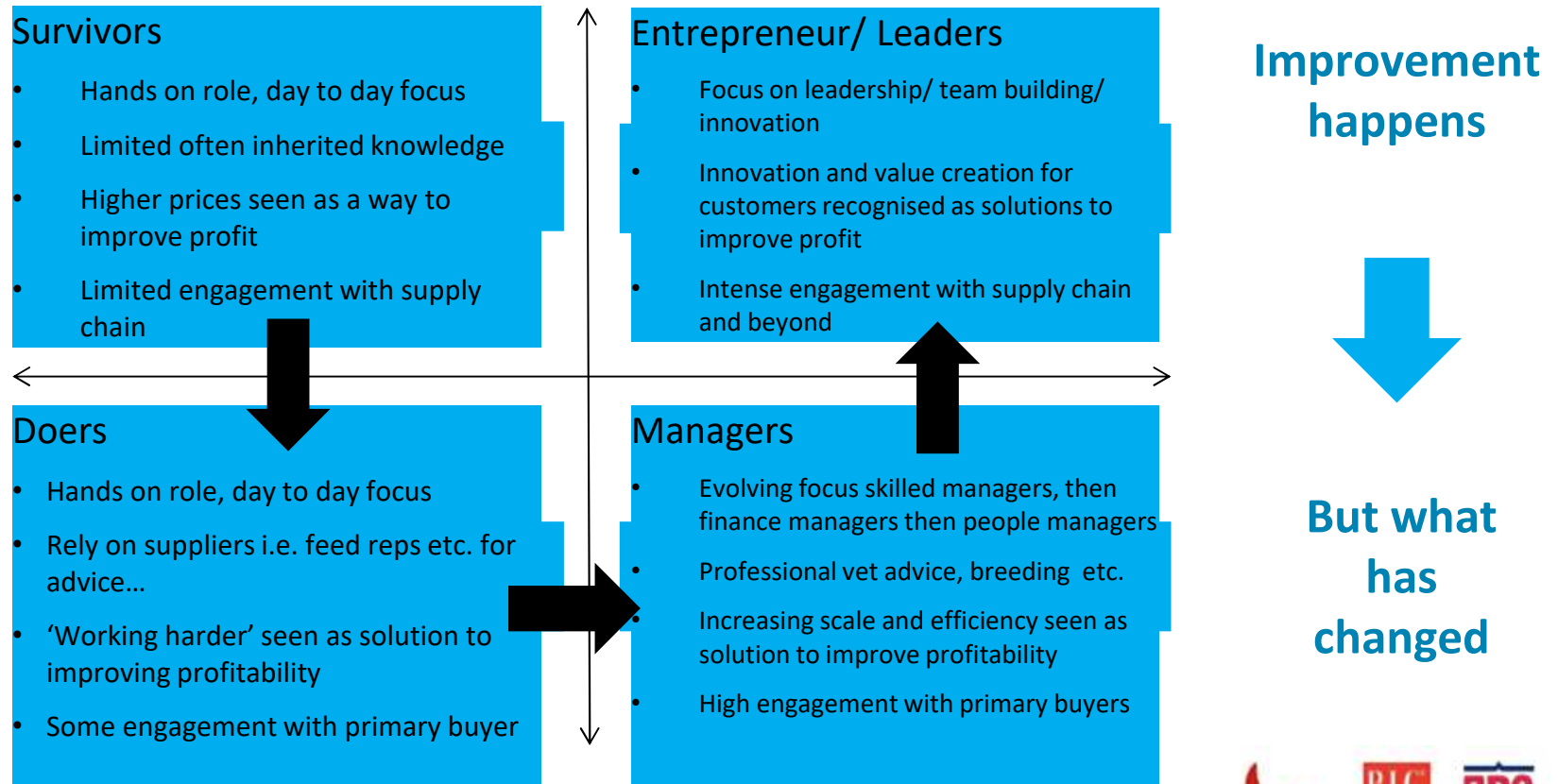
Changing Your Focus

You choose to redirect your time and energy. You begin focusing on those things within your control, and you start making a difference.

Proactive Focus

You devote the majority of your time and energy to changing what is in your control. Your life improves and you stop blaming others.

Human Capital Development Model



Source: Promar International

Non Confidential

Opportunities for UK Agriculture

Food Production:

- Increasing global but more importantly UK population/investment/expansion

“Man has many problems, but a hungry man just has one”

John Halick (1925 – 2011) USDA

Renewable Energy:

- Still Demand

Diversification:

- Changes to planning process

A New Agri-Tech Revolution:

- Development and use of new technological innovations

(Satellites/ Robotic Milking / Hydroponics)



Sustainable Development Goals



Source : <https://sustainabledevelopment.un.org/>

How are we Doing?

Overall ranking and Strengths

- Overall: the UK ranks 15th out of 34 countries across all dimensions of the SDG Index. The UK is among the top third for eleven of the 34 indicators in this study and in the top five for six indicators. For seven indicators the country finds itself among the bottom third, and in the bottom five for two.
- Strengths: The UK has a commendably low rate of domestic material consumption. The UK government is also among the five most generous in development assistance, giving 0.7 percent of GNI. It is also among the best-performing OECD countries for air quality and wastewater treatment.

Weaknesses

- UK's performance on goal 7, which calls for universal access to affordable, reliable, sustainable and modern energy, is unsatisfactory. The country comes second-last for renewable energy, with just 3.2 percent of total energy consumption coming from renewable sources.
- On goal 2 (which calls for improved nutrition and sustainable agriculture) UK only manages 27th place, with high levels of nitrogen and phosphorous used in farming which are harming the environment.
- The country also has an alarmingly high rate of obesity, with one in four Britons affected, compared to just one in ten in Switzerland or Norway.
- UK comes in 29th for its **income gap** between rich and poor

Barclays Agriculture

open for business

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