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Media statement

Ten major trends impacting on the future of agribusiness

By Dr John Purchase, chief executive: Agbiz

The traditional agricultural business model is changing for various reasons, and this requires new thinking and strategies from leaders in agribusiness. Agribusinesses are challenged with meeting the growing demand for food, fibre and beverages, while at the same time balancing economic, environmental and even social realities and responsibilities.

Currently, agribusiness is evolving from more local and regional business models to a far more expanded and even multinational business model. Inevitably, such development raises increasing interest from larger corporations, state agencies and the public.

Changing environment

Various factors and trends play a role in this changing environment, posing complex **challenges** to business leaders in agriculture, such as:

- How to gain and improve market access and market share.
- How to ensure a reliable provision and supply of commodities.
- How to correctly interpret and adapt to mega trends.
- How to adjust to greater socio-economic and political uncertainty, and to manage it.
- Where to operate in the value chain, and in which ones.
- How to create organisational and operational capacity to support new strategies.
- How to diversify or specialise with regard to commodities and activities.

There are several factors that to a greater or lesser extent impact on the agribusiness environment, depending on the nature of the agribusiness.

The following ten factors and trends, in no particular order, will determine the future of agribusiness:

1. Local and international **consumer trends** in respect of the demand for food, fibre and beverages are constantly changing. There has for example been a massive movement away from simple starch products as a staple food, to a much more animal protein-based diet over the last decade, not only in South Africa, but also globally.
2. The emergence of **consumer activism** with regard to labelling, safe and nutritious food, and responsible food production.

3. **Rate and scope of technological development and change** in many areas, including precision farming, genetic modification, food processing technology, automation and so forth. Science-driven productivity improvement is essential to ensure that competitiveness is continuously enhanced. It consequently drives international competitiveness and food security by decreasing food prices and making food more affordable.
4. **Increasing regulation of the agro-food complex** to protect consumers and the environment. Of great importance is the trend of mergers and amalgamations in a bid to cut overhead costs and ensure regulatory compliance, thus becoming more competitive on the one hand, while on the other hand preventing an increase of business concentration in accordance with competition legislation.
5. **Climate change** and the management of environmental risks, such as droughts.
6. The need for improved and more transparent **communication** with all stakeholders, including clients, shareholders and others, and in doing so offering greater value.
7. **Sustainable utilisation of water and land as critical natural resources** for production, and even the sun and wind for renewable energy supply.
8. **Trade agreements** and the abuse of non-tariff barriers in cross-border trade, such as sanitary and phytosanitary measures. It is often said that the wars of the future will be trade wars. Growing protectionism under President Trump in the United States, as well as in certain European countries, confirms these statements.
9. Ability to analyse so-called '**big data**' and to utilise it as business intelligence in an effort to strive for greater effectiveness.
10. **Skilled personnel** and especially managers to create a competitive advantage and, in so doing, operate more efficiently and competitively in the market.

Agricultural businesses must strive to become much more effective, thereby creating a competitive advantage. In addition, the principles of economic, environmental and social sustainability must be pursued throughout. It is often said that a well-fed person has many problems, but that a hungry person has only one. Food security and inclusivity are goals we all have to strive for.

ENQUIRIES:

Dr John Purchase

Agbiz CEO

Tel: +27 12 807 6686

Cell: +27 82 441 2308

E-mail: john@agbiz.co.za