

A woman with blonde hair, wearing a dark jacket and a purple scarf, is smiling and holding a small green plant with roots. She is standing in a green field under a cloudy sky. The background shows a rolling green hillside.

**“AHDB’s Monitor Farm programme demonstrates that profitable and sustainable growers tend to be those who are on top of their costs”**



# AHDB Cereals & Oilseeds

**The cereals and oilseeds industry continues to face physical and financial challenges that must be managed to remain sustainable. In general terms we can categorise the challenges, and opportunities, into four broad areas that interact with one another.**

## **Encouraging productivity**

The UK produces about 1% of the world's grains and oilseeds which means it has no ability to affect global prices. Only local price premiums for quality and slightly higher domestic prices for logistical reasons create any deviation from global prices.

AHDB's Monitor Farm programme demonstrates that profitable and sustainable growers tend to be those who are on top of their costs and who use that information to make informed decisions.

They also have good access to the right machinery, well thought through marketing plans and a good understanding of what their supply chain customers need.

AHDB believes there is greater opportunity for growers to improve regardless of their current productivity level. AHDB's focus will remain on the key areas of managing resources efficiently, realising genetic potential, driving precision technology into practice, honing business and technical skills and building sustainable soil health.

## **Stimulating competitiveness**

There is growing evidence to suggest UK grain is less competitive than it could be in both the international and domestic market. The industry needs to have a good understanding of UK competitiveness at the headline level, but then also within different production cost centres such as labour, machinery, inputs etc. This is invaluable as it will inform where

efforts need to be made to improve competitiveness at the production cost level.

Other industries have improved their competitiveness by ensuring their supply chains are aligned and waste is removed wherever possible. Supply chain businesses also need to understand the limitations on growers and manage their chains to accommodate that.

Well operated supply chains not only increase the profitability and sustainability for the member businesses but are also much more able to deal with volatility and resilience in the light of diminishing direct support payments. Alignment in supply chains is a new priority for AHDB Cereals & Oilseeds.

At the time of writing few details are clear on the impact of Brexit. However, there is some agreement on the direction of travel

and scenario planning is taking place. This strategy takes this into account, in particular through a 'get fit quick' principle, that there is value in helping the industry prepare for change even without clarity at the end point.

### Raising demand

In a domestic market which uses well-established consumer brands for cereals and oilseed products, AHDB can best add value in work areas such as educating the next generation of consumers, countering negative health claims and supporting the industry in dealing with specific consumer issues such as contaminants.

Brexit may mean the industry needs to focus on more international market development. AHDB has a role to play in removing hurdles to trading with new markets, keeping existing markets informed of harvest progress and providing some support to UK exporting companies where relevant.

### Driving value from volatility and resilience

Cereal and oilseed markets have just come through a decade of extreme volatility and the industry should expect to continue to see annual variation in price, cost and margin throughout the supply chain over the next 10 years.

Direct payments and underlying assets have traditionally offered resilience, but going forward these two avenues may be less useful to the industry as a whole.

AHDB can support the industry to take a long term business view in a physical sense in terms of management of rotations and diseases, and in a financial sense through the provision of better data and information.

### Key priorities

**Deliver a step change** in driving productivity through a greatly enhanced KE programme

**Ramp-up the information available to growers** on soils, break crops and animal feed needs, focusing on rotations in the light of diminishing access to chemical actives

**Focus on whole supply chains to improve their efficiency** for the benefit of levy payers, with a particular spotlight on feed chains

**Identify and provide access to alternative export markets post Brexit**

**Ensure industry has sufficient data for planning needs** in the light of Defra potentially withdrawing from this area

In delivering its objectives, AHDB will be embarking on some areas of activity that it has not been engaged in recently. These include

- On-farm/field scale trialling of research outputs to demonstrate their value to the industry, with clear linkage to levy payer need and regional or local effects
- Coordination of UK KE delivery and wider use and of non-AHDB R&D data
- Increase the influence AHDB has on the direction of R&D on behalf of the levy payer
- Engage supply chains to remove waste for the benefit of levy payer profitability
- Focus on feed supply chains to promote the production of the 'right' grains and oilseeds
- Drive value from volatility, not just minimise the negative impact
- Understand sustainability, particularly soil health and encourage it in grower planning



## ***AHDB Strategic Priority 1: Inspiring British farming and growing to be more competitive and resilient***

**AHDB Cereal & Oilseeds' objective is to improve the international performance of UK industry through supporting the development of more competitive supply chains.**

It is supply chains and not individual businesses that increasingly compete globally and their efficient operation increases their competitiveness. The businesses within them then stand to profit more, provided there is equitable distribution of the benefits. Good communication within the supply chain is key to this. Supply chains are also better able to deal with volatility than individual businesses and AHDB can aid the development of this.

**Target:** 50% of all growers are marketing through specific supply chains by 2020.

### ***Activity 1.1: Collect data on the cost of production and delivery for wheat, barley and maize in key competitor countries***

If the UK is to compete globally then it needs to know where competitor countries are able to reduce their costs compared to the UK. This will help AHDB target its resources to best effect.

### ***Activity 1.2: Actively encourage more communication across businesses within supply chains, to improve the international performance of the UK industry***

It is supply chains and not individual businesses that increasingly compete globally and their efficient operation increases their competitiveness. Good communication within the supply chain and managing volatility is key to this and AHDB can play a role here.

### ***Activity 1.3: Improve communications in the feed supply chain to help growers understand feed-specific requirements***

The UK livestock sector relies on wheat as a sustainable feed source. UK feed wheat prices are heavily influenced by global factors impacting on maize and other feed grains. UK feed wheat needs to compete for domestic demand, replacing imports and reducing the need to export it.

The structure of the market needs to adapt to make sure the crops grown are meeting changing demand.



**Activity 1.4: Improve grower understanding and use of specific buying/ growing contracts**

Buying and selling on spot markets is a gamble that is unlikely to lead to maximum profit. Buyers are increasingly looking to secure supplies through contracts and growers need to be able to use contracts to maximise their profits. Demonstration of the benefits will help promote this.

**Activity 1.5: Actively drive value from volatility by demonstrating how this and managing risk can be included in business planning**

Volatility is having an increasingly negative impact on UK cereal and oilseed businesses and with the growing exposure to full global market forces, the effects will increase. However, volatility can also be an opportunity.

**Activity 1.6: Demonstrate the value of individual agri-chemical products and the likely impact of their loss**

The loss of chemical actives has major impacts on production, particularly where alternatives do not exist. There is a need to identify which chemical actives are at risk over the next three years and provide evidence to lobbying organisations to support their activity in this area.

**Activity 1.7: Demonstrate oilseed rape's agronomic potential on the following cereal crop through the collection and use of farm performance data**

Oilseed rape value has substantially diminished, meaning there is currently an imbalance between the crop's "risk versus reward" balance, which has forced a drop in planted area. Oilseed rape is likely to remain one of the UK's riskiest mainstream crops to grow due to cost and agronomic characteristics. This will include understanding why Germany demonstrates consistently higher yields.

**Activity 1.8: Research into drivers of spring barley quality and provide more data to growers on suitability for the farm and market**

The UK spring barley area is growing, but domestic demand is static. Exports could be important to balance the UK market but there are differences between European and UK requirements, such as the crop's suitability for brewing and distilling markets. The dominance of only a few varieties means there is an increased risk to output and quality if one breaks down.

**Activity 1.9: Assess and address the extent of the need to rebalance regional grain markets in the UK**

The grain market in some regions of the UK, especially for wheat, is very heavily reliant on domestic demand with limited export opportunities. When regional demand declines such as in Scotland in recent years and/or production rises, the market is often unable to re-balance easily.

## **AHDB Strategic Priority 2: Accelerating innovation and productivity growth through coordinated R&D and KE**

**AHDB Cereal & Oilseeds' objective is to improve grower management of costs of production and marketing returns.**

Improved productivity underpins the sector's ability to grow and be profitable. It also enables the sector to better cope with volatility, attract investment and respond to sustainability drivers.

**Target:** 50% of growers know by 2020 what it costs to produce a tonne of grain or oilseeds.

### **Activity 2.1: Build growers' business profitability and resilience through good business planning**

Managing input costs and effective marketing are the only options for growers to improve profitability in a marketplace operating under global prices. Scope exists to increase the number of growers costing, benchmarking and using sophisticated marketing plans and longer-term planning.

### **Activity 2.2: Introduce on farm / farm scale trialling as part of the KE programme**

The adoption of innovation is being held back by growers unsure of the suitability for their business, often through lack of on-farm evidence and regional relevance. More on-farm/farm scale evidence is needed of the outputs from research.

### **Activity 2.3: Continue to develop the Recommended Lists to deliver to grower needs**

While the Recommended List remains key to AHDB's work, it must remain relevant to grower needs, which are changing. Brexit may well drive further changes away from maximum yield towards higher quality, and lower inputs.

### **Activity 2.4: Drive greater awareness of variety choice through more regional and local activity in conjunction with the Recommended Lists**

Managing input costs is critical to profitability. The wide range of varieties on offer presents growers with the opportunity to minimise production costs while maximising the returns by producing what the market wants.

### **Activity 2.5: Collect more financial and yield information on rotational crops and communicate in ways to support grower choice**

Rotations present a way of both increasing productivity and managing pests and diseases. This may be a way to respond to increasing pressure on using chemical treatments. The availability of information on rotations, especially economic information is in short supply as is on-farm trial data to support claims for various rotational options.

### **Activity 2.6: Continue to develop AHDB's fungicide performance programme**

New races of diseases continue to occur, as well as existing ones developing resistance to existing chemicals. AHDB provides a key service in monitoring, assessing and recommending the best treatments for plant fungal diseases.

### **Activity 2.7: Monitor crop diseases during the growing season and inform the industry**

Growers need up-to-date information to be forewarned of the likelihood of diseases in their crops to allow them time to prepare treatment regimes.



### **AHDB Strategic Priority 3: Helping the industry understand and deliver what consumers will trust and buy**

AHDB Cereal & Oilseeds' objective is to manage reputational issues on the domestic market and maximise the demand for UK cereals and oilseeds overseas.

The presence of non-UK markets both supports prices by reducing UK stocks in periods when domestic supply exceeds demand and provides alternative, higher value markets for some specialist grains that are easier to produce in the UK. Brexit may also generate a need and provide an opportunity for the UK to explore and develop new markets.

**Target:** Enable access to all relevant markets and bring awareness of UK cereals and oilseeds to the main buyers in those markets.

#### **Activity 3.1: Deliver reputation and issues management for the industry by maintaining an issues management capability**

Individual supply chains are equipped to deal with specific market issues, but may not be able to deal with wider industry reputation management issues. AHDB can take a leading role in coordinating stakeholders and supply chains in responding to specific media issues.

#### **Activity 3.2: Raise awareness of food production with the next generation of consumers through AHDB's existing cross sector education and nutrition programmes**

The UK market is where the majority of products produced from domestic cereals and grains will be sold. AHDB's evidence-based education and nutrition programmes can help support promotional programmes delivered by manufacturers.

#### **Activity 3.3: Raise awareness of quality milling wheats and malting barleys in existing and potential overseas markets to differentiate the UK's offering from competitors**

Opportunities exist for greater returns to the industry from exports of quality milling wheat and barley to both existing and potential markets. AHDB will work with exporting businesses to achieve this.

#### **Activity 3.4: Deliver competitive market advantages for commodity-traded exports by identifying the benefits of buying from the UK**

If UK grain cannot compete on price for commodity traded products, then it needs to explore other competitive market advantages. These could include securing preferred supplier status in domestic and overseas markets through consistent quality, farm assurance or transport reliability.

#### **Activity 3.5: Facilitate access to potential overseas markets**

Phytosanitary and trade agreements are required before product can be traded into a market. AHDB is uniquely placed to facilitate these post Brexit.

## **AHDB Strategic Priority 4: Delivering thought leadership and horizon scanning**

**AHDB Cereal & Oilseeds' objective is for knowledge generation to become totally focused on relevant industry needs and take industry engagement with AHDB to a new level.**

Better informed businesses are able to respond to both opportunities and threats more quickly, driving improved resilience in the sector.

**Target:** By 2020 AHDB's handbook of good farm business will have the same status within the industry as the Recommended Lists.

### **Activity 4.1: Drive KE through coordination of national delivery and fast implementation of R&D outputs**

Grower attitudes to risk and the fact growers are time poor means they need to understand how innovation can deliver for their business. Increasing the visibility of, and helping mitigate potential risks around new innovation will encourage improved grower uptake.

### **Activity 4.2: Facilitating greater industry involvement in R&D and KE projects by acting as a conduit for the needs of industry back to delivery bodies**

Uptake of innovation and best practice in the industry is too slow. Involving industry and commercial companies where appropriate will help ensure outputs are fit for purpose. This will help grower perceptions of the relevance and value of these to their businesses.

### **Activity 4.3: Replace some trade and usage data collection which Defra could potentially reduce**

Information is power. Data quality behind industry trends is critical to both industry decision making and is an area where AHDB can add value. At a time when public investment in agricultural data is being scrutinised, the industry needs to identify where the value in data is and what its priorities are. At the time of writing Defra is signalling it intends to reduce its commitment to data collection in the cereals and oilseeds sector.

### **Activity 4.4: To help facilitate change, move AHDB Cereals and Oilseeds' market intelligence into thought leadership**

Improvements in industry performance come from the way individual businesses react to change. The supply side and processors are more adept at this and growers need to do the same. To help drive better business decisions, AHDB MI needs to focus on extracting best value from the data and deliver top quality insight.



## **Activity to phase out, divest or reduce investment in for 2017 - 2020**

### **Activity: Cereals and oilseeds specific education/schools activity**

Cereals and oilseeds production on farm is far removed from many of the products purchased in store. It is proposed AHDB Cereals & Oilseeds buys into AHDB's general education programmes and reduces its focus on bespoke activity for the cereal and oilseed sector.

### **Activity: Cereals and oilseeds specific diet and health activity other than issues management**

Cereals and oilseeds play a positive role in diet and health but this is often better captured by those working closely to consumers. There is limited value which can be added in this area and it is proposed AHDB Cereals and Oilseeds buys into AHDB's general nutrition programmes and reduces its focus on bespoke activity for the sector.

### **Activity: Consumer activity other than issues management**

Consumers rarely purchase cereals and oilseeds or the first products of them. In many consumer products, the cereals and oilseeds element is either not very visible or not a major constituent of the product. It is less clear where AHDB can add value in this area. For bread, cakes, breakfast cereals etc, these are often brand marketed and the brand owners have far greater opportunity to promote the products.

### **Activity: Pre-breeding research and development**

This area of work is long term, high risk and expensive and is already covered by organisations such as the Biotechnology and Biological Sciences Research Council (BBSRC). Compared to the impact AHDB can have on the industry through funding more near market research, this is seen as a low priority for AHDB which will aim to retain influence in this area without co-funding.



### **Electronic Grain Passport**

*A programme is under consideration for moving from a paper to an electronic grain passport. At the time of writing, trade associations are considering whether to adopt the programme based on a recently trialled pilot. At this point no decision has been made on its future.*

## How AHDB Cereals & Oilseeds will invest

The proposed budget comprises the allocation of AHDB Cereals & Oilseeds levy income across the AHDB delivery functions.

These charts are indicative and show how expenditure will change over the next three years. Levy rates will stay the same for 17/18 and there is no intention for levy rates to change in the final two years of the strategy. Any changes to levy rates would be subject to industry consultation. Current levy rates can be found on page 88.

### Key points to note are:

- Market intelligence activity increases to accommodate greater data collection and analysis  
Supply chain integration work also grows to support the development of enhanced benefit from efficient supply chain operations
- With a finite income, spend has been reduced in R&D (which currently carries an allocation for KE) and market development, which is at the end of a reducing programme of activity. Export development and stakeholder communications remain broadly unchanged.



