THE AGRIBUSINESS CONSULTANCY PROFESSION IN 2020

CHRIS GARLAND

PIC KELLOGG RURAL LEADERSHIP PROGRAMME: 2005

Contents

Executive Summary

The agribusiness consultancy profession has undergone significant change since the early 1980's.

An early finding in this investigation is that the profession has evolved largely in reaction to changes in the industry. There has been very little proactive change. There hasn't been a lot of leadership. Sole traders and small consultancy firms are currently not well equipped to service the needs of clients over the next 15 years. The size, the ownership structure, the technical requirements and the external demands on our clients are going to change rapidly between now and 2020.

The successful agribusiness consultant of tomorrow will have to acquire new skill sets. The services required by the farm business of 2020 will most effectively be provided by a "team servicing" approach rather than by one individual.

As well as acquiring new skills, agribusiness consultancy firms face challenges to their own business planning and practice management. The "future-proofed" consultancy business will have a defined growth and marketing strategy that will be well resourced and implemented. It will practice what it preaches to its clients. It will take a pro-active role in anticipating industry trends and in coaching its clients to succeed in that business environment.

The agribusiness consultancy profession must accept a leadership role in defining best practice for tomorrow's industry.

Introduction

All businesses need to engage in some form of strategic planning. The agribusiness consultancy profession has not been great at looking ahead to the needs of its clients. Instead it has tended to react to clients' needs. As a result, many agribusiness consultancy firms are not well structured or sufficiently resourced to meet the future needs of their clients.

This investigation sets out to ask the questions: -

1. What will the farming environment look like in 2020?
2. What changes will have taken place in business size and ownership, technology, management systems, market requirements, environmental compliance and social structure?
3. What new challenges will agribusiness consultants face in this new environment?
4. What improvements should agribusiness consultants be making to their businesses in order to meet these challenges?

The author has practiced as an agribusiness consultant for the last 25 years, and is a director of one of the larger consultancy firms in the country. The objective of this project is to provide a basis for strategic planning for our business, and for the wider profession.

In order to create a vision for the industry in 2020, I interviewed a number of key figures in the industry that, by virtue of their position and intellect, could offer a perspective on the future. Having built this vision of the industry fifteen years from now, I was able to identify the challenges that would face the agribusiness consultancy profession in that era, and make recommendation as to how these challenges could be met. I conclude that agribusiness consultants will not only have to acquire new skill sets to adequately service their clients, they will also have to develop more effective practice management and growth strategies.

The individuals whom I interviewed for their opinion on the agribusiness consultancy profession and for their perspective on the future were chosen because they represented a sector in the industry and because they were likely to see the "big picture".

Those interviewed: -

Roger Aitken	Past chairman, Pastoral Management Group; Farmer, Taihape
David Brownrigg	Managing Director: Brownrigg Agriculture, Hawkes Bay
Baker & Associates	Peer review with author's business partners
John Gardner	Senior Lecturer: Ag/Hort faculty Massey University, Palmerston North
Chris Kelly	CEO: Landcorp, Wellington
Bruce Koller	Director: Nimmo Bell &Co, Wellington
Kevin Lowe	Managing Director: Rimanui Farms Ltd, Auckland
Dr Warren Parker	CEO Landcare Research. Formerly Chief Operating Officer, Science AgResearch Limited)
Mike Peterson	Director Meat & Wool NZ; Farmer, Hawkes Bay
Prof Caroline Saunders	Professor of Trade and Environmental Economics Commerce Division Lincoln University
Prof. Keith Woodford	Professor of Farm Management and Agribusiness Lincoln University

While there was a degree of common ground in the visions that these individuals had for the industry in 2020, there was significant variation in individuals' perspectives. Interviewees were asked a standard set of questions on the current role of agribusiness consultants and on their outlook for the industry. A copy of these questions appears in Appendix 1.

In this report, the current status of the agribusiness consultancy profession is outlined incorporating the views of the interviewees and review with my peers.
The current strengths, weaknesses, opportunities and threats to the profession are summarised in a SWOT analysis.

Drawing on the views of these interviewees I was able to synthesise a vision as to what the sheep, beef and deer farming industries might look like in 15 years' time.

This vision is set out under the headings: TECHNOLOGY, LAND OWNERSHIP / BUSINESS OWNERSHIP, GOVERNANCE AND, MANAGEMENT FUNCTION, HUMAN RESOURCE, MARKET CONDITIONS, ENVIRONMENTAL COMPLIANCE, AND SOCIO-ECONOMIC CHANGE AND CLIMATE CHANGE

I must emphasis that my synthesis of this vision is only one version of what the future might look like. Therefore the conclusions I have drawn from the evaluation of this vision should be judged in that context. A different vision would provide a different evaluation.

I would like to take this opportunity to thank those who have assisted in the completion of this project: those whom I interviewed as mentioned above; Rob Davison from the Meat & Wool NZ Economic Service; and various individuals whose views I have sought on a personal basis. I would also like to thank the Wairarapa-Wellington branch of the NZ Institute of Primary Industry Management, which has provided a grant to assist with the preparation of this study.

PROFILE OF AGRIBUSINESS CONSULTANTS: 2005

Definition

An agribusiness consultant (AC) is a rural professional who, in an advisory capacity, is contracted to add value to a rural business.
An AC typically holds a tertiary qualification in agricultural science and/or commerce.
Unlike the legal and accountancy professions, the conduct of ACs is not governed by statute. Employer groups and voluntary professional organisations like the NZ Institute of Primary Industry Management (NZIPIM) have their own "codes of conduct" and disciplinary measures to which members subscribe.

Traditionally ACs have been the true general practitioners, adding value to businesses in disciplines ranging from animal, soil and plant husbandries, to financial planning and accounting and strategic planning in its widest sense.

The roles and skill base of ACs have changed over recent rears, and look likely to change more rapidly in the future.

Recent History

In the early 1980's there were approximately 350 practicing ACs in the country.
These were largely employed by government agencies such as MAF and by the Dairy Board. These services were provided free to the client. A number of consultants were also engaged in private practice, either self-employed or employed by "Farm Improvement Clubs".

The late 70's and early 80's was a period of strong productivity growth in the agricultural sector. Export prices were relatively buoyant and the pastoral industry enjoyed considerable government assistance in the form of concessional lending terms, price supplementation and tax relief. There was a strong emphasis on stocking rates, productivity and export growth.

The AC's role in this era was to provide technical support and financial planning.

It was only the "private consultants" that operated with a wider brief that encompassed asset planning and succession planning.

The rural landscape and the role of ACs changed dramatically in the mid-80's when farm subsidies and most forms of assistance were removed in the first wave of economic reform under the Labour Government elected in 1984.

The viability of many pastoral businesses became somewhat marginal from the period 1985-1992. High inflation, high interest rates, the removal of price support and an appreciating exchange rate put severe pressure on the industry. This was a period of rapid change and insecurity for the farming industry.

ACs came under pressure like everyone else. Government-based advisory services were commercialised in 1986. Consultants had to charge for services that hitherto had been supplied free. Many consultants left government agencies and set up in private practice (including the author). Many consultants left the industry.

ACs who practiced their profession over the late 80's and early 90's survived a major test of their ability to add value, in an environment where their clients had difficulty affording professional fees. The emphasis was on survival. ACs developed a strong sense of risk management during this era. The same regard for risk management does not exist in modern day consultants.

The period 1992 to 2000 was one of recovery and growth in the industry.
After considerable restructuring, viability recovered and property values more than doubled over this period.
From 2000 to 2005, the industry has undergone one of the most rapid expansions in profitability and asset value ever seen.

The Contemporary Agribusiness Consultant

Although no census has been taken, the number of practicing ACs in the country has probably dropped from 350 in the early 1980's to around 200 today. Of these, the majority would be in

private practice, with another large proportion employed by industry groups like Dexcel and FarmRight.

The NZIPIM membership survey of 1999 found that median age of ACs was 49. Only 17% of ACs were younger than 40. Fifty-three percent of consultants were working on their own in sole practice, 31% were in a larger firm, 11% were in a partnership and 5% were part of some loose network.

Compared to the early 80's, modern day ACs are generally: -

- Older
- Fewer in number
- Possess a much wider skill base
- More polarised either in specialisation or holistic approach
- Have a more aggressive approach to business growth
- Dealing with more educated and sophisticated clients
- Are more mobile and effective in their delivery
- Play a more integral role in their clients' businesses

SWOT ANALYSIS

(The following is a summary of the strengths, weaknesses, opportunities and treats to the AC profession as perceived by those whom I surveyed)

Strengths

- Valued by the contemporary industry
- Independent
- Professional
- Broad skill base
- People-focused in an otherwise technological world
- Offer discipline and accountability
- Offer an objective viewpoint
- Good models and tools
- Well connected and networked
- Offer independent benchmarking
- Greater viability of clients' businesses, especially at scale
- Strength of conglomerates (e.g. AgFirst Consultants, FarmRight)

Weaknesses

- Not sufficiently accountable for outcomes
- Not sufficiently integrated into individual businesses
- Too generic ("farm approach" vs. "strategic approach")
- Insufficient collaboration and sharing of IP between consultancy groups
- Poor recruitment and retention of staff
- Insufficiently mobile / adaptive
- Lack of "shareholder value" in a consultancy business
- Not visionary/proactive enough
- Insufficient appreciation of environmental compliance and resource management.
- Lack of "holistic" approach to the business.
- Lack of a "team approach" to multi-disciplines.
- Lack of a global perspective (markets, politics, economic forces, consumer trends)

- Insufficient understanding of the disciplines and issues of governance of medium-to-large scale businesses.
- Not strong on succession or off-farm investment (asset management)
- Not a strong customer focus (export food sector & requirements)
- Not a strong focus on sustainability issues (water management, nutrient management, food safety, resource compliance, biosecurity)
- Too many small-scale (sole trader) businesses with no succession plan.
- Revenue limited by chargeable hours x charge-out rate.
- Independence (conflict of interest limits potential business growth/associations)
- Insufficient investment into "continuing education".

Threats

- Competition from trading banks and quasi-consultants (converted vets).
- Competition in "information brokerage" from internet and other sources
- Becoming less affordable to smaller scale (<$300,000 turnover) businesses.
- Potential for conflict of interest (exclusivity and confidentiality of relationship)
- Higher value placed on intellectual property.
- Less willingness among successful businesses to share their IP
- Reluctance/inability to recognise the change in customer requirements.
- Reluctance to continue upskilling (related to age demographics?).
- Poor recruitment levels and business sustainability
- Poor adoption of skill-sets to add value to clients in 2020

Opportunities

- Adopting a global perspective
- Brokering contracts
- Facilitating good business governance
- Asset management vs. farm management
- Adopting a more holistic approach
- Developing multi-skilled practices

- Supplying independent, customised advice
- Adopting more formal practice management
- Promoting facets of emotional intelligence
- Adopting a leadership role in environmental compliance, good governance, market compliance, and in enhancing the public image of agriculture.

A VISION FOR AGRICULTURE IN 2020

A vision for the sheep, beef and deer industry in 2020 has been created through the compilation of views from those whom I interviewed.
This vision is described under the following headings:

Technology
Land and Business Ownership
Governance
Management Systems
Human Resource
Markets
Environmental Compliance
Socio-economic change
Climate Change

Technology

Biotechnology will be provide major advances in agricultural science

Stem cell science will develop new animal remedies such as enlarged mammary glands.

Nanotechnology, e.g. miniature devices installed in the blood supply to provide constant health diagnostics.

Synthetic biology, e.g. rearrange rumen activity to reduce greenhouse gas emissions.

Gene marking and marker-assisted selection will accelerate the breeding up of desirable traits e.g. "Loinmax"(eye muscle area), "Invergene" (fecundity), or internal parasite resistance.

Less Reliance on Hydrocarbons	A change to alternative sources of power, including solar, wind, wave and plant-derived fuels. Biofuels such as oilseed rape and willow may become viable crops for the arable sector. Emphasis on low carbon emissions, and crops and practices that generate carbon credits.
Satellite tracking of crops and pastures	Crop yields and crop health assessed via satellite. Pasture covers, weed and pest levels monitored by satellite.
Superior decision support tools	Weather forecasting, plant and animal disease diagnosis, crop and animal health status, quality analysis and traceability become easier to implement. Gene markers make it easier to select for positive traits and against negative traits.
More private R & D funding vs. public good	Larger scale businesses are able to fund their own R & D, creating competitive edge and point of difference. Smaller businesses miss out?
Rate of change will increase	In 1990 we didn't have: - Internet into every home Sky TV Mobile phones and palm PC's Quad motorbikes GPS-assisted fertiliser application Competitive edge is partly determined by rate of adoption.
Extracts become more valuable than primary products	Extracts from traditional meat, fibre and milk become more valuable than the products. E.g. foetal blood extracts, human pharmaceuticals derived from modified milk production, Keratec extract from wool protein.

Advances in human health technology add value to agricultural industry	E.g. Tb, metabolic and abortion disease control, internal parasite control.
Continued shift in value away from farm production to processing and marketing	Further processing, QA, product extracts, animal welfare codes, environmental codes and product differentiation become the more critical technical issues than on-farm production.

Land Ownership / Business Ownership

Historical trends continue?	In the 15 years since 1990, the number of commercial sheep, beef and deer farming properties throughout the country has decreased from 19,600 to 15,200. The average size of these properties has increased from 3415 ha to 4125 ha. (Meat and Wool New Zealand Economic Service data) Extrapolating these trends over the next 15 years suggests that in 2020, there will be 28% fewer commercial farming properties (10800) with an average size of 4835 ha (+17%). *It is the author's belief that the rate of amalgamation and business growth has been much stronger in the last 5 years and that farm businesses of 2020 will be substantially fewer and larger than indicated by the extrapolation above.*
Growing pressure to amalgamate, convert or subdivide	Sheep beef and deer properties will be pulled in two directions. Traditional-sized farms in more remote localities will face

	pressure to get bigger / amalgamate through the need for economies of scale. Traditional-sized farms that are better located will come under more pressure to change their land use, either to more competitive farming enterprises or into residential use. Environmental pressure will see more marginal farming land "retired" for remedial/restorative purposes.
Larger family farming business likely to dominate	A trend to corporate-style land ownership is not seen as inevitable. Investment by non-farmers into agricultural companies is not seen as a popular option because such investors are deterred by the poor liquidity, poor return on capital and the exposure to risks not evident in other sectors (weather and biosecurity). Because they are better adapted to business risk, the most likely scenario is that successful, family-farming entities will become the dominant force in land ownership and control.
Greater number of stakeholders	The shareholding of these large-scale family businesses may comprise more than two generations of family members, as well as non-family shareholders who are also involved in a management role. Multiple ownership in the form of Maori Incorporations and trusts fall into this category. There is a huge potential for productivity gains within some Maori land holdings, which, if captured, would turn these entities into dominant players in the industry.
Novel ownership structures	Larger scale and multi-shareholding will require that these farming entities adopt different ownership structures.

The company structure, in combination perhaps with a family trust, appears to be the favoured scenario.
Such a structure must allow for tradability of shares and good governance.
Joint ventures and equity share arrangements may be more common in 15 years time, although currently they are being given more profile than they deserve.

Asset Management vs Farm Management

Significant amounts of capital will be represented by the value of land holdings.
More wealth will be created out of owning the land than from farming the land.
Utilisation of latent equity in these properties for leverage into other investments will become more common.
Management of the investment for purposes other than farming will be explored more thoroughly.

Diversification of the asset base

The intensive capital nature of farming means that succession planning has become more difficult.
A farming business will no longer be able to hold "all its eggs in one basket".

The successful farm business in 2020 is therefore likely to have a far more diverse asset base.

e.g.: -Residential property
Commercial property
Processing company shares
Carbon credit portfolio
Share portfolio
Small business
Offshore investment (currency hedge)
Tourism

Shift in value away from land

The broad global trend is for an increasing portion of a business's value to be represented by non-tangible assets, e.g. brands, human resource, entertainment, tourism, hospitality.

Agriculture in NZ has bucked this trend.

There has been a steady centralisation of capital into land values.

Over the next 15 years, value may shift away from the land asset for the number of reasons: -

- Biosecurity threat (e.g. drench resistance)
- Public access issues
- Water rights
- Value of processing/marketing company shares
- Value of carbon credits and carbon trading
- QA certification
- Nutrient accounting and restrictions
- Regulatory influence
- Waste, effluent management

Dominance of larger operators

The larger businesses will come to dominate the industry in areas such as: -

- Cost of supplies
- Procurement of custom R & D
- Market dynamics – the value chain
- Attracting human resource and management talent
- Adoption of technology
- Setting terms of trade

Greater range of enterprises in one business

Larger businesses will encompass a greater range in land type and land use.
A single business may comprise: -

- Breeding enterprise
- Finishing enterprise
- Further processing
- Dairy support
- Viticulture
- Arable
- Tourism
- Adventure/lifestyle
- Conservation estate

Off-shore involvement

As the resources of land, labour and capital become more limiting within NZ, we will see more NZ agribusinesses become established offshore.
This will require new skill sets, communication, marketing, accounting and governance structures.

Concomitantly a greater slice of New Zealand farming businesses will include offshore ownership.
This investment from offshore is more likely to drive the trend away from traditional farming land use and into alternative enterprises as mentioned above.

More leasing and alternative forms of tenure

Due to excess supply over demand, land values are rapidly losing relativity to productive value.
In order to facilitate business expansion, alternative forms of tenure with less capital commitment will be required.
The gap in profitability between the average and the top 20% of farm businesses is growing.
This gap will widen in the event of an economic downturn.

In this scenario, many landowners will derive more net income from leasing their land out, than from farming it themselves!

It appears likely that lease tenure, and similar arrangements such as sharefarming and equity share, will become more common.

Governance and Management Functions

New skill sets and management divisions required in farming businesses in 2020

- Resource management and environmental compliance
- Water management (compliance, water harvesting and budgeting, effluent management)
- Nutrient management (nutrient budgeting)
- Q A and food safety (compliance on-farm, guarantee of "credence attributes")
- Biosecurity (management for drench resistance, maintaining isolation from infectious diseases and pests)
- Contractual arrangements (suppliers, contractors, processors)
- Monitoring, reporting and accounting to shareholders
- Public relations (access, recreation, effluent)
- Traceability and audit
- Human resource management
- Information technology
- Education programmes
- Risk management (forex, climate, market price, biosecurity)
- Carbon budget

- R & D (private and public)

Team relationships

The business of 2020 will have formed much stronger alliances with suppliers, professionals, contractors and processors. Successful businesses will have fostered a "team approach" whereby these parties will have bought into the culture, the ethos and the strategic plan of those businesses.
Greater loyalty and commitment will be expected of all parties.

"Less is more"

In order to carry out the management functions of 2020 there are going to have to be new skill sets and structures in place.

Avoiding layers of management that don't add value

Most of the compliance functions identified, however, do not add direct value to the business.
There is a major challenge to agribusiness to manage this compliance without adding excessive cost.
Functions will be contracted out wherever possible.
Full company board structures (with their associated reporting, accountability and timeframe costs) will be avoided in favour of less formal "advisory boards".

An "advisory board" may comprise the CEO, a representative of the stakeholders, the banker, consultant and accountant and marketing representative.
It might meet once or twice a year but the ultimate control held by the CEO (likely to be the primary stakeholder).

This is where private farming companies will have an advantage over public companies.

The new "Manager"

The increased size and complexity of businesses in 2020 suggests that new management roles will be necessary.
The new management function listed above will have to be merged into one discipline.

A CEO role will become more common.
This position should be contestable (an issue for private family businesses).
The function of the CEO will be to maintain the strategic plan, oversee implementation of policy and to manage the compliance functions outlined above.

Some degree of impartiality will be an attribute for this position. Objective measurement will have to replace personal judgement.

Systemisation and automation

The demands of scale and efficiency will dictate that operations will have to become more systemised.
The functions that most lend themselves to systemisation include: -

- Monitoring
- Recording
- Reporting
- Repetitive tasks
- Financial analysis and benchmarking
- Supply management

The handling of stock and the harvesting of product will become more automated, e.g. stock handlers, conveyor belts, and indoor handling facilities.

Change management	The farm businesses in 2020 that have a competitive edge will be those that have been receptive to change and have developed an adaptive management style. This is a major challenge for an industry that is typically conservative and tends toward repetition of function. This is a leadership issue
Less generic, more customised	Successful businesses in 2020 will more in competition with each other. Production functions within businesses will be more specialised and more customer focused. Certification, QA and reliability of supply will dictate eligibility to participate in niche markets. A large part of the management function will be in establishing and maintaining a point of difference.
Integrated supply chain	Contractual supply will dominate. There will be more producer participation in the supply chain (by virtue of scale and volume). The manager will have an active interest in the processing, and marketing of product, as well as assimilating customer feedback and managing compliance.

Human Resource

Replacement of labour with capital	Labour-saving devices and improvements to infrastructure will reduce dependence on full-time labour. Greater use of automated stock handling devices (conveyor belts, electronic drafting, mechanical wool harvesting,

	devices for slow-release animal health treatments). Closer subdivision, satellite yards, improved access, self-opening gates, all-weather handling facilities. Robots for close-quarter work. Remote sensing (via satellite) and monitoring of stock and pasture condition to replace the human judgement function with objective measurement. Consequently, lower average skill base can achieve the same quality of output.
Greater use of contractors	Only internal stock movements may be managed by permanent staff.
Fewer full-time employees	All yard work and intensive stock handling may be carried out by specialist contractors (drenching, dipping, shearing, drafting, etc). Size, scale and quality of infrastructure will dictate the availability and efficiency of contractors.
Competition for qualified management staff	The quality of the manager will become the point of difference in a farm business. This multi-disciplined management resource will become highly sought after and well remunerated.
More power to employees	Following recent trends under socialist governments, the rights of employees will become even more extensive and compliance costs more onerous.
Less family involvement	Though the farm might be family owned, the businesses of 2020 will have fewer family members / stakeholders working in them. There will be less tolerance among employees of poor leadership and less willingness to compromise short-term income for long-term business growth.

Market Conditions

EU compliance standards become mandatory for NZ?

Appendix 1 outlines the proposed criteria for compliance with EUREPGAP criteria for livestock farming. EUREPGAP certification is currently voluntary in the EU but is gaining wide support among retailers. Thirty one European retail groups now stipulate EUREPGAP compliance.

Note the following: -

- Individual animal identification
- Identification of origin of all feedstuffs
- Written veterinary animal health plans
- Regular sample tests for prohibited substances
- Provisions taken to minimise neonatal mortality

EU quality standards will become NZ's quality standards within 10 years if we are to maintain access to these markets.

Shift in demand for commodities away from EU and North America

Demand for commodity products will shift away from the EU and North America to India, Asia and Latin America. With this will come different prices structures, terms of trade and commodity specifications.

Different consumer demand in EU and North America

Affluent countries will seek "personalised diets" that are tailored to their preference and fully compliant to food safety, environmental and animal welfare standards. The food experience will be more about health, sustainability and well being than nutrition.

Global markets – borderless	Multinational companies will have full control over the movement of product across borders, the processing of product at least-cost, and the delivery of product in full and on time. Competitive advantages in producer countries will diminish further, especially in the case of commodities.
Trade barriers will remain	Countries will resist the international pressure for reduced trade barriers as long as possible. There is a strong political agenda to protect local food producers. Economic Blocks will continue to grow in size and power.
Incentives for compliance?	There will have to be greater differentiation on price and market access before NZ sheep; beef and deer farmers invest in full compliance standards. Once this occurs, a major culture shift will have to take place before the commitment to QA will meet the required standard. This is another very important issue of leadership facing the industry.
Dominance of fixed-price contracts and penalties for "out of spec" product.	The "spot market" will be a thing of the past. Fixed-price and minimum specification contracts will be the dominant terms of trade. These contracts will require supply in full and on time. There will be a significant management function committed to producing and delivering on these terms.

Environmental Compliance

A man's farm is no longer his castle

NZ will inevitably follow trends in the UK and Europe where the public and the customer have an increasing say in what happens within the farm boundary.

A farm business may be able to resist the public's influence but not that of the customer.
Ultimately they become one and the same.

Farmers can expect increased regulation in the areas of: -

- Water use and water management
- Effluent disposal
- Nutrient use and nutrient management
- Animal health and welfare
- Pest and disease control (herbicide / pesticide use)
- Biosecurity
- Genetic modification
- Recreational access
- Land use affecting significant flora and fauna
- Visual and noise pollution

True cost of resources

Farmers use 70% of the world's water.
They are the largest users and the largest wasters of this resource.
To date, water has been free to use.
By 2020, the water itself will most certainly have a price on it. This will have a direct impact on the cost of production and place a large onus on efficient and profitable use of that resource.

Accounting for Carbon

The NZ government has "backed off" direct taxing of farmers for greenhouse gas emissions.

Under proposed legislation, owners of renewable forests are to be spared the potential liability of forest harvesting in exchange for the compulsory relinquishing of the carbon credits attached to post-1990 forests.

If the Kyoto protocol is supported by government through to the second commitment period, it is unlikely that the NZ tax payer will be prepared to continue "footing the bill" for methane and nitrous oxide emissions produced by the pastoral sector. Well before 2020, farmers would be made accountable for the carbon emissions from their business.

Science vs. perception

The nutrient run-off and Kyoto protocol debates are good examples of where public perception and assumption have dominated decision-making – in the absence of good science to quantify the debate.

Over the next 15 years, farmers are going to face increasing challenges to their right to use natural resources. Between now and 2020, there will have to be strong leadership and a strong commitment to R & D to support farmers' position on an objective, scientifically proven platform.

Socio-Economic Change

Different farming ethos

By 2020 there will have been a significant change in the way farmers perceive their industry and their reasons for doing business.

The weight of responsibility to care for the land and the people who work on it will be far greater.
The responsibility to achieve an acceptable return on a large amount of capital will be greater.
There will be more stakeholders to answer to.
Farming will no longer is a lifestyle, a healthy outdoor activity with an income to subsidise it.
It will be a profit-orientated business with significant "wealth" attached to it.

Next generation slower to step up to the mark

The operational business of farming will continue to be less attractive to the next generation, especially in their early years.
Greater incomes will be achieved in other professions.

By 30-40 years of age however, sons and daughters may take a stronger interest in participating in the management and governance of the property.
Succession plans will therefore have to take a different form.
The business may be more dependent on non-family members to run the operational side of the business.
This may require extending shareholding to these non-family members to increase their sense of ownership in the business.

Political and social representation

A recent survey in the state of Victoria (Aust.) revealed the following trend in rural: urban populations: -

In 1920 there were 20 Victorian citizens for every farm
In 1970 there were 50 " " " "
In 2005 there were 175 " " " "
In 2020 there will be 400 Victorian citizens for every farm

Farmers are simply becoming outnumbered.
Their political influence is diminishing,
As fewer and fewer members of the public have any connection with farming (professionally or socially), there is less empathy with farming role in society.

The Challenge

By 2020, the farming industry needs to have re-positioned itself in the public's perception as a source of good nutrition, and a place of healthy living, entertainment and well being.

Climate Change

Greater extremes in climate events mean businesses will have to develop their own contingencies

In the last two years, the country has experienced a number of severe climate events.
These include widespread flooding in the Lower North Island in February 2004.
A major rainfall / flooding event in the Bay of Plenty in July 2004.
More flooding in the Wairarapa in August 2004.
An Eastern Bay of Plenty flood in May 2005.

The February 2004 flooding event caused widespread losses to private property, crops, pastures, roading infrastructure and internal infrastructure on farms.
The government flood relief package will eventually pay out around $60M in flood claims to farmers.
The actual cost of the losses and restoration work will be ten times this amount.
It is unlikely that governments will be able to offer this

type of support in the future, especially with these events becoming more common.
Some risks will become more difficult to insure privately (bridges, stock, internal fences).

Farming businesses will have to build contingencies into their own businesses to cope with future losses.
These contingencies may comprise re-locating access and building infrastructure away from vulnerable areas.
It may involve incorporating stocking, forestation and cropping policies that offer more flexibility in the event of extreme climatic events.
It may involve building some cash liquidity into the business. A contingency fund that can be called upon to allow rapid restoration of business in the event of a climatic disaster.
This contingency should be part of any 10-year business plan.

RECOMMENDATIONS FOR AGRIBUSINESS CONSULTANTS IN 2020

Here I have identified the challenges that I believe will face the Agribusiness Consultancy profession in 2020.
The general recommendations made by my survey respondents are identified separately from those that I have arrived at personally.

(a) GENERAL RECOMMENDATIONS

Skill Sets

Global perspective

Agribusiness consultants will have to adopt a truly global view of their industry.
The focus must shift from on-farm micro-management to a more holistic, consumer-oriented perspective.
This should be achieved by: -

- Making a point of travelling to countries that represent NZ's consumer base on a 5-yearly basis.

- Reading widely and keeping abreast of the economic, social and political trends that affect NZ's consumer markets.

Establishing contacts in consumer markets and maintaining strong networks with those contacts.

Environmental compliance

ACs are in a key position to facilitate practical environmental compliance.
The relationship between landowners and environmentalists desperately needs an "honest broker". It also needs good leadership.

ACs are in a position to be objective about compliance issues. This will become particularly important in the negotiation of resource consents.

They understand the practical implication of these measures and have scientific training on which to base recommendations.
ACs are in a position to promote "best practice" and to accept a public relations role in this area and provide an element of leadership.
The challenge is to reconcile environmental stewardship with commercial viability.

Brokering contracts

Contractual arrangements between farmers and suppliers become a far greater part of the business. ACs can play an important role in brokering arrangements with: -

- Technology suppliers
- Compliance agencies
- Breeders and finishers
- Contractors
- Staff
- Shareholders
- Joint venture parties
- Lessors/lessees

This brokering role would involve creating workable templates and promoting best practice.

Asset management

The wealth of the client will be determined by how well their asset is managed, not how well the farm is managed. ACs must take a holistic view of the business, separating the farm operational function from the asset management function.
Any review should address the KPI's of the balance sheet as well as the P & L account.

Diversification of the asset base should be part of the agenda. An AC will have to make it his/her business to be familiar with alternative investments and able to identify opportunities for that investment.
This approach will often constitute part of the succession planning function.

Holistic Approach

What might previously have been called the "whole-farm approach".
Farm businesses will become more reliant on an independent agent to provide the "big picture" view of their business:

- How are they performing against their peers?
- How best to integrate a multi-enterprise business?
- What's the strategic direction of the business?
- What industry trends and issues are likely to impact on this business?

Most industry professionals tend to specialise in one aspect of the business, e.g. tax, agronomy, fertiliser, animal health.

The holistic approach should be one of the main points of difference that sets the consultancy profession apart.

Practice Issues

Multi-skilled practice

One-man practices will have great difficultly servicing the needs of the medium-to-large scale farming business in 2020.
The consultancy needs of a farming business in 2020 will likely extend from resource consent compliance to information technology, human resource management to strategic planning.
It is most likely that this "package" consultancy will be best delivered by a multi-skilled team.

ACs have the choice of growing their own business to accommodate this skill base or to out-source those skills on behalf of their client.

Leadership

There was a strong feeling from those whom I interviewed that it is the profession's role to identify the FUTURE objectives of farming businesses.
To be facilitators of strategic planning to achieve those objectives and to specify KPI's along the way.
There are a number of examples of industry developments that will require this form of leadership from ACs: -

- Environmental compliance
- Nutrient budgeting
- Sustainable farming practices
- Good governance
- The globalisation of agriculture
- Market compliance
- Enhancing the public image of farming

It was suggested that ACs should avoid high profile political advocacy roles. This is not what their clients want to see, nor would it be helpful for their professional image.

The quality of leadership required of ACs is that of a catalyst. This involves using their knowledge, their reputation and their vision to inspire others to grow sound, profitable businesses.

(b) PERSONAL RECOMMENDATIONS

Skill Sets

Emotional Intelligence

Having participated in the Kellogg course the author has become more aware of the value and importance of emotional intelligence.

Successful ACs probably already have high levels of emotional intelligence, but don't understand its significance or its potential.
ACs should actively develop the following qualities in themselves and in their staff: -

<u>Self Management</u>
Trustworthiness
Optimism
Adaptability
Achievement focus
Initiative
<u>Relationship Management</u>

Leadership
Change catalyst
Conflict management
Team work / collaboration

These qualities should be promoted in team-building sessions and given recognition in employment reviews

Structures and Systems vs. Individuals

AC's have tended to tailor their service to individual business owners. They have taken pride in forming strong relationships at a personal level.
The business of 2020 is going to be more focused on structures and systems rather than on personal relationships.
There will be fewer individuals with absolute power in a business.
The business will more likely be the "client" of the future, not an individual. AC's of 2020 will have to embrace this culture change.

The Logistics of Scale

The majority of AC's would currently be servicing businesses of between 5000-15,000 su.
The challenging and exciting farm businesses of 2020 are likely to be considerably larger. These businesses will be challenged by issues of maintaining high productivity and efficiency on a large scale.
AC's of 2020 will need to have developed skill sets capable of adding value at larger scale and understand the logistics of operating at this level.

Practice Issues

Business Governance

As businesses grow in size, so will the need for skills and resources in human resource management, logistics, monitoring and reporting, accountability and strategic planning.
Farm businesses and farm owners generally don't recognise the need for formal governance structures.

The challenge to ACs is to: -

- Ensure that a growing business recognises the

need to grow its governance function at the same time.

- Encourage the strategic planning function by providing impartial input and structure.
- Establish realistic and measurable KPI's.
- Tailor monitoring, reporting and accountability functions to that particular business.
- Maintain a focus on the outcomes of good governance, not on the process.

Independent, customised advice

Over the next 15 years, the role of AC's is going to be challenged by competition from: -

- Specialist "consultancy" from merchandise suppliers (fertiliser, seed, agrichemicals)
- Growth of global information sources (internet)
- Being involved in strategic alliances (livestock breeders, supply arrangements to meat companies, etc.)

It is vital that the consultancy profession maintains a strong point of difference.
An essential point of difference is likely to be that of commercial independence.
A client has to be able to approach an AC with the knowledge that that AC has no vested interest in any advice given and that client confidentiality will be respected.

The second important "point of difference" that must be maintained by ACs is the ability to deliver customised advice.
Customising advice requires that the AC take full account of: -

health advisors and processors/marketers of produce. This "preferred supplier" arrangement would have to be managed in such a way that the client's best interests were served at all times and that vested interest and preferential relationships were fully declared.

Exclusivity

I believe ACs will face growing challenge in conflict of interest.

As they work with clients in growing their businesses and establishing the competitive edge of those businesses, the proprietors of those businesses are becoming less inclined to share that intellectual property with others.

Already, some clients are demanding exclusive rights to AC's IP. ACs are being asked to sign confidentiality agreements to protect the IP they have helped to build for the client.

Some ACs have been "absorbed" into the management structure of their client's business and effectively left the field of consulting.

In the future, ACs may have to establish the terms and conditions of their engagement before commencing a consultancy contract.

There will have to be a clear distinction between what is generic advice and what is customised advice. I would see ACs developing generic templates for disciplines such as governance, traceability, QA, HR management and time management, which can be customised at an individual client level.

That customisation becomes the IP that stays with the client.

Practice Management and Business Growth

ACs run the risk of working too much "in" the business and not enough "on" the business.
Day-to-day clients' needs are serviced but the strategy of the Consultancy business is neglected.
Opportunities to grow existing businesses and to develop new businesses are not explored because there isn't the time, resources or vision.
Larger scale practices could contemplate employing a Practice Manager.

The Practice Manager will be charged with: -

- Facilitating and implementing the firm's business strategy
- Developing new business
- Resourcing new business
- Promoting new business
- Implementing the business plan

Growth is not being limited by the demand for services; it is being limited by the lack of business planning.

Remuneration

If an AC's fees are linked directly to an hourly rate, then those fees will always be limited by the number of hours that person can work in a year.

Leverage

Robert Kyosaki's (author of "Rich Dad Poor Dad") definition of financial success is when one's passive income exceed one's income derived from personal effort.
This doesn't mean that all ACs should invest in

commercial property; it means that all consultancy practices should be looking for leverage off products that are not directly dependent on time input.
For example: -

- Workshops
- Media (Videos, Books, CD's)
- Newsletters
- Bureaus
- Templates
- In-line supply management contracts

These activities require a one-off input from the AC and might thereafter be serviced by support staff, thus providing leverage on that development time.

Leadership

Best Practice

I have come to the conclusion that the most effective leadership role that an AC can have in the future industry is to **identify and promote "best practice"**
To act as a catalyst by moving about the industry, encouraging innovation, independently quantifying the value of best practice and promoting that practice for the good of the industry.
All industries need their hero's, whether they are people or ideas.
Agribusiness consultants should be in the business of promoting hero's.

Public Relations

The gap in understanding between urban and rural populations has grown wider, both in NZ and overseas.

Contention over public access, nutrient runoff, foreshore and seabed ownership, food safety and animal welfare codes has forced this gap wider.

There is a paradox that NZ trades under a "clean and green" image when there is only a weak public conscience to maintain a clean and green environment, either in our cities or on our farms.

If NZ is to maintain this strong point of difference in its trade, the whole of the NZ public will need to "buy into" this image.

The public will only take ownership of this image if they can develop a greater affinity for what happens on our farms.

Agribusiness consultants have a responsibility as rural professionals to promote an objective and balanced view of the environmental and social impact of our farming systems.

The "Wise use of Nitrogen on Hill Country" national series of trials is an example of responsible science. Agribusiness consultants are at the forefront of this work.

There has been too much emotive, ill-informed conjecture surrounding nitrogen use in farming systems.

This study sets out to quantify the environmental impact of nitrogen use on hill country and is committed to promoting best practice.

This work should form the basis of an objective public perception of nutrient use in the environment.

Author's Note

This research paper has sought to create a vision as to what an industry will look like in the near future and to the identify challenges that will face agribusiness professionals operating in that industry.

Whether or not this vision becomes a full reality, this exercise has alerted the author to some changes that appear inevitable and to many opportunities that will arise from those changes. It has forced my colleagues and I to "lift our heads above the parapet" and do some strategic thinking beyond the day-to-day matters of our operation.

I trust that those who read this report find that their personal views are challenged in some way and that their strategic planning in enhanced as a result.

Chris Garland
October 2005

References

Hall & Kuiper	Commercialisation & privatisation of agricultural extension: Journal of Production Agriculture V.11,1
Hall, Morriss & Kuiper	Privatisation of Agricultural Extension in NZ: Implications for the Environment and Sustainable Agriculture: Journal of Sustainable Agriculture Vol.14 (1) 1999
Various	Proceedings of Nuffield International Conference; Rotorua February 2005.
Dr Warren Parker	New and emerging technologies shaping the future of farming (in-house paper Queensland Biosciences Precinct)
Dr Warren Parker	The Next Decade: Global events provide new opportunities and challenges for NZ agriculture. Presentation to NZIPIM conference 2003.

Appendix 1

Chris Garland:
Kellogg Rural Leadership Programme 2005

INTERVIEW QUESTIONNAIRE

Objective

To answer the question:

"What will the sheep, beef and deer industry look like in 2020"

Qualification

The ancillary question is: -

What will the challenges to agribusiness consultants be in 2020?

I am particularly interested in the leadership role that agribusiness consultants should be taking in anticipation of likely demands from the industry.

Questions

I would be grateful if you could jot down some notes under the headings provided in these three questions; -

Question 1

The Strengths and Weaknesses of Agribusiness Consultants in Today's Environment

Strengths

Weaknesses

Question 2

What will be different about the sheep, beef and deer industry in 2020?

(Please comment under specific areas)

Technology

	Consultants Role?

Land Ownership/Business Ownership

	Consultants Role?

Business Size & Scale

	Consultants Role?

Business Governance

	Consultants Role?

Management Systems

	Consultants Role?

Livestock Policies / Numbers

	Consultants Role?

Staff

	Consultants Role?

Market Compliance

	Consultants Role?

Environmental Compliance

	Consultants Role?

Regulation

	Consultants Role?

Other?

	Consultants Role?

Question 3

What specific skills will agribusiness consultants need to acquire by 2020?

Skills

Question 4

What leadership roles should Agribusiness consultants be taking in this future industry?

Leadership

Appendix 3

(EXTRACT FROM EUREPGAP QA PROTOCOL FOR LIVESTOCK FARMING

Nº	Control Point	Compliance Criteria	Level
5 . 6	**LIVESTOCK HEALTH**		
5 . 6 . 1	All farms with stock enterprises must have a named veterinary surgeon or practice. Veterinary visits must take place on at least an annual basis or more frequently if required to by the enterprise specific modules of this manual.	Records (invoices / statements) of routine veterinary visits by a surgeon or practice. Cross reference with Cattle and Sheep 6.6.1, Dairy 7.5.1, Pigs 8.8.3.3 and Poultry 9.8.3.1. No N/A.	Major Must
5 . 6 . 2	With the assistance of the named veterinary surgeon, is a written Veterinary Health Plan (VHP) formulated and implemented; reviewed and updated at least annually? Does this identify: · Disease prevention strategies (including cultural controls). · Major diseases known or thought to be present. · Treatments to be administered for regularly encountered conditions. · Recommended vaccination protocols. · Recommended parasite controls. · The requirement for any in feed / water medication. The review must also address: · Herd performance. · Stock environment. · Biosecurity. · workers competence / training needs? Additional requirements may be included in the sector specific modules.	A written veterinary health plan covering the required areas, reviewed and updated annually with sign off by a veterinary surgeon. See EUREPGAP example template when available. Cross check with 7.4.2 for dairy, 8.8.3, 8.8.4, 8.12.1 for pigs, 9.4.4, 9.5.3.9, 9.8.3 and 9.10 for poultry. No N/A.	Major Must
5 . 6 . 3	Are livestock suffering ill health or injury separately identified and do they receive immediate adequate attention including the attendance of a veterinary surgeon if necessary?	Visual assessment and workers to demonstrate awareness. No N/A.	Major Must
5 . 6 . 4	Each farm must be equipped with suitable facilities to isolate sick or injured livestock.	Visual assessment. No N/A.	Major Must
5 . 6 . 5	Are medicines for treatment used only when necessary or when prescribed by a veterinary surgeon or for preventative purposes (e.g. worming)?	Workers to demonstrate awareness at interview. No N/A.	Major Must
5 . 6 . 6	Are withdrawal periods for veterinary medicines known and are they strictly adhered to? Are any livestock subsequently sold to another farm before the withdrawal period has expired, accompanied by written confirmation of the nature and date of treatment and the date that the withdrawal period will be completed? Any such livestock must be clearly marked and readily identified as having been treated.	Visual assessment and workers to demonstrate awareness at interview. Check for recent treatments in medicine administration records and view stock for identification. No N/A.	Major Must
5 . 6 . 7	Any treatment that involves a surgical operation to any livestock must be carried out by a competent stockman and/or vet.	Workers to demonstrate awareness at interview. No N/A.	Major Must
5 . 6 . 8	All veterinary equipment must be clean and properly maintained.	Visual assessment. Cleaning must be carried out according to equipment instructions.	Major Must

Nº	Control Point	Compliance Criteria	Level
5 . 6 . 9	Does each farm have a written procedure for locating and dealing with needles which have broken during any procedure and remain in an animal? Does the procedure ensure that any needle broken in this way cannot enter the food chain? Is any animal involved in a broken needle incident marked and not slaughtered for human consumption prior to the expiry of the withdrawal period for the medication administered at the time?	Written procedure available and applied by personnel using needles. View stock concerned for identification if available. Check records to make sure that stock do not go to slaughter for human consumption prior to completion of withdrawal procedure. Cross check with 6.8.5 pig module. No N/A except for poultry.	Major Must
5 . 6 . 10	Are used needles and sharp instruments safely disposed of in a 'Sharps Box' which itself is disposed of in a responsible manner and in compliance with local legislation?	Workers to demonstrate awareness. No N/A.	Minor Must
5 . 6 . 11	When dealing with the slaughter/culling of casualty stock, are humane principles observed?	Workers to demonstrate awareness of technique to be used. Legislation must be followed where it exists. No N/A.	Minor Must
5 . 6 . 12	Does farmer demonstrate both understanding of hygiene practices and implement practices suitable to the farm?	Workers to demonstrate awareness at interview. No N/A.	Major Must
5 . 6 . 13	Is the climate within the housing (air circulation, temperature, gas concentrations and dust content) kept at levels that do not adversely affect livestock health? Relevant guidelines on temperature and gas concentrations must be adhered to. (Specific requirements are outlined in the enterprise-specific modules of this standard).	Workers to demonstrate awareness of requirements and climate in housing visually assessed to meet requirements.	Minor Must
5 . 6 . 14	Do all farms take part in a screening and improvement programme for appropriate zoonotic pathogens?	Check that farms participate in external screening programmes.	Recom.
5 . 6 . 15	Do all farms notify the relevant competent authority of any disease where required to do so by law, and as a minimum those stipulated by the O.I.E.?	Check that farms participate and has notified wherever required to do so. As a minimum the diseases stipulated as notifiable by the O.I.E. must be notified. If Poultry on farm, salmonella must be covered (cross check point 9.2.9, 9.3.1.8 poultry). No N/A.	Major Must
5 . 6 . 16	Are chosen breeds stress stable and chosen to have sufficient tolerance to important pests and diseases?	Breeds appropriate to conditions should be used.	Recom.
5 . 6 . 17	Are livestock at all times treated and handled in such a way as to protect them from pain, injury and disease?	Visual assessment and workers to demonstrate awareness at interview. No N/A.	Major Must
5 . 6 . 18	Are dogs kept under control at all times and prevented from causing livestock distress?	Visual assessment and workers to demonstrate awareness at interview. No dogs in Dairy parlour or Poultry sheds, cross check with points 7.6.2.1, 7.6.2.3, and 9.9.3.	Recom.