

PRICEWATERHOUSECOOPERS 

**Agribusiness 2010**

**The path to profit**



**Agribusiness Association  
of Australia**

**Presented by  
Graham Correy**



# Agenda

- 1. Background to model development**
- 2. Potential futures**
- 3. A new direction for agribusiness**
- 4. The way forward**







## **1. Background to model development**

2. Potential futures

3. A new direction for agribusiness

4. The way forward

# Agribusiness.....what does it look like

AREAS	TRADITIONAL AGRICULTURE
• Consumer	Output recipient 
• Products	Mass production
• Quality Control	Minimum industry standards
• Business Relationships	Vertical - unidimensional
• Investment	Low/under capitalised
• Farm Focus	Diversification 
• Market Focus	Geographic oriented
• Level Of Co-operation	Low
• Raw Price Variations	Large 
• Cashflow	Inconsistent/unreliable
• Product Volumes	Regular surplus/shortage
• Product Availability	Inconsistent (seasonal/cyclical/irregular)
• Information Transfer	Low 
• Adoption Of Technology	Low
• Industry structure	Large number of small players

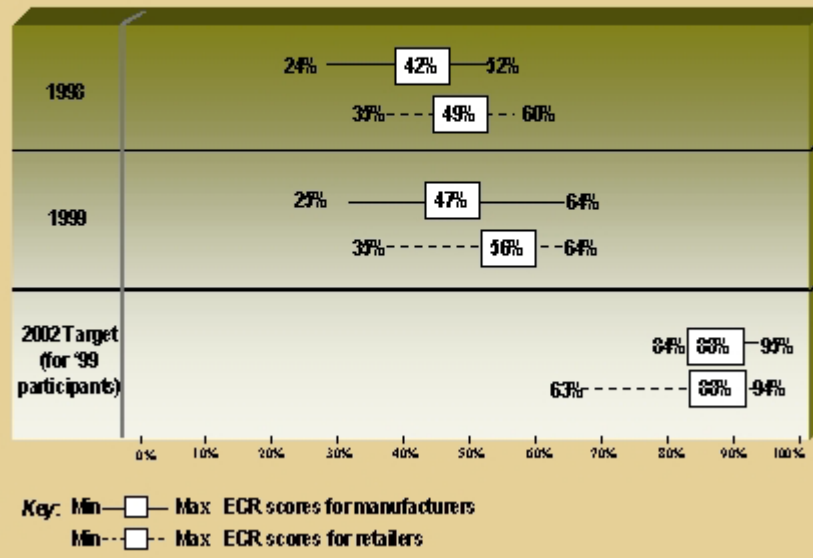
# The ECR system

Timely, accurate, paperless information flow



Smooth, continual product flow matched to consumption

# ECR implementation relies on information






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## Key global shapers

### Consumer

- the extent of the move towards a ‘freer’ lifestyle (‘casualisation’)
- consumer expectations in relation to the quality and safety of products
- the consumer is seeking broader opportunities and choices to assist and/or enhance their lifestyle
- changing demand patterns resulting from demographic shifts
- adoption and evolution of branding





## Key global shapers (cont.)

### **Technology**

- E-commerce - allowing consumers direct access to suppliers

### **Environmental**

- increase in environmental responsibility for government and business community

## Key shapers of future agribusiness

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### **Technology**

- use of genetic engineering in product development, yield improvements, disease control

## Key shapers of future agribusiness

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### **Economic/Political**

- removal of trade barriers
- extent of government withdrawal from industry
- operation of world food safety and hygiene standards
- role and number of industry bodies
- development of regional co-operatives



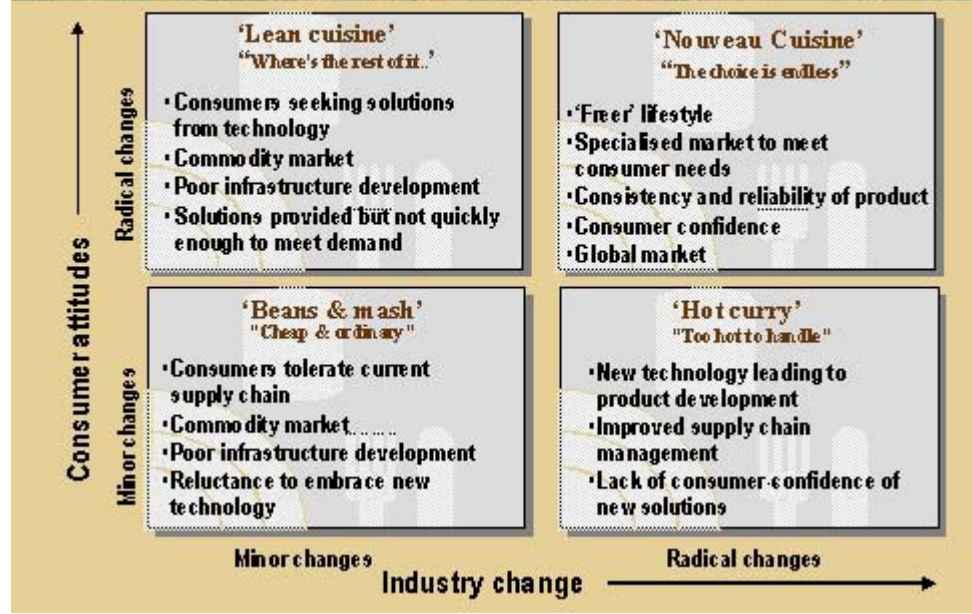
## Key shapers of future agribusiness (cont.)

### Environmental

- land management practices to ensure sustainable agricultural production
- climatic factors (seasonal conditions)
- control and monitoring of pesticides and micro-organisms within and across industries
- waste reduction and disposal



# Four potential scenarios






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# Agribusiness 2010.....what it will look like

AREAS	TRADITIONAL AGRICULTURE	AGRIBUSINESS 2010
• Consumer	Output recipient 	Product determinant 
• Products	Mass production	Specialised
• Quality Control	Minimum industry standards	Tailorised
• Business Relationships	Vertical - unidimensional	Vertical & horizontal multidimensional
• Investment	Low/under capitalised	High 
• Farm Focus	Diversification 	Specialised
• Market Focus	Geographic oriented	Consumer oriented
• Level Of Co-operation	Low 	High 
• Raw Price Variations	Large	Small
• Cashflow	Inconsistent/unreliable	Consistent for flow and amount
• Product Volumes	Regular surplus/shortage	Produced to order
• Product Availability	Inconsistent (seasonal & erratic in demand)	Consistent
• Information Transfer	Low 	High 
• Adoption Of Technology	Low	High
• Industry structure	Large number of small players	Small number of larger players



## A new direction for agribusiness


- **Globalisation**

Organisations with global visibility, mindset and capabilities targeting global consumer segments

- **Consumer Interface**

This is changing to increasing consumer demand for the 'anything, anytime, anywhere' concept





## A new direction for agribusiness (cont.)

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- **Strengthening individual businesses and business relationships**

There is a decline in the role of broad-based industry groups and associations

- **Developing information-based alliances**

Both within and outside agribusiness

# The wool industry has a future - a vision to 2005

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Driven by consumer needs and fibre competitiveness

Coordinated effort to:

↓ costs  
↑ productivity  
↑ demand



Willingness to embrace  
innovation and  
structural reform

Strategic "value chain"  
alliances linked via a  
common language

New wool selling/logistics  
system with widespread use  
of risk management tools



Decision making based  
on total objective  
measurement

A Confident Industry Attractive To Investors and Sustainable During  
Economic Downturns



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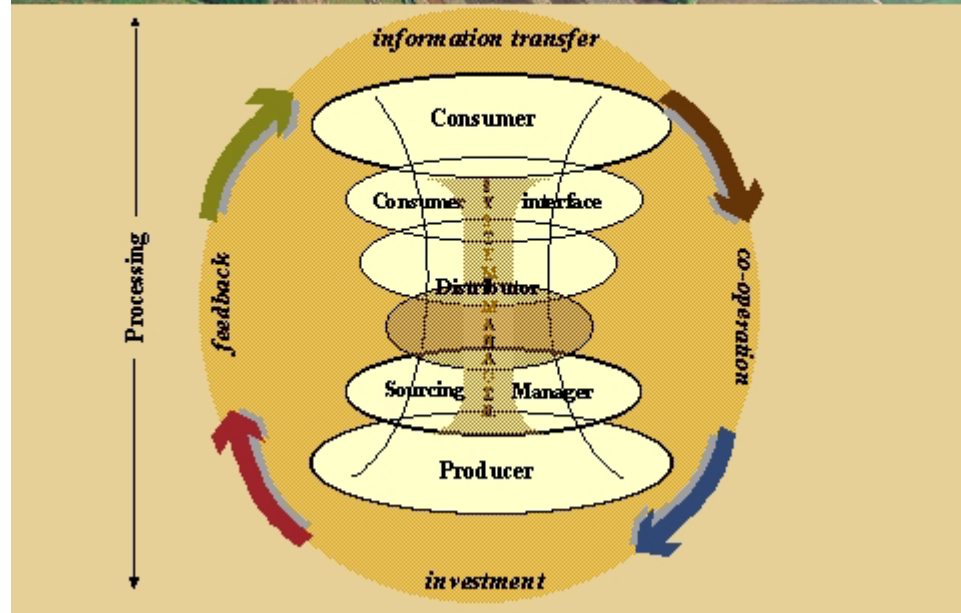


## The way forward

### **How to ensure investment and growth?**

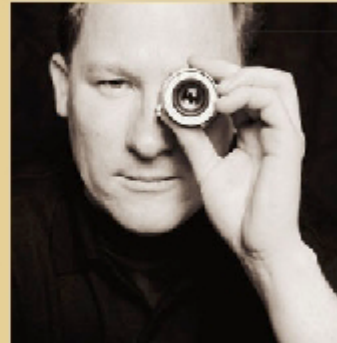
- Target consumer requirements (time, place, type, quality, safety)
- Establish definitive product requirements
- Identify appropriate channels/systems for sourcing and distribution
- Ensure availability and quality of product
- Establish contracts with producers to supply product
- Improve communication along supply chain
- Establish channel (system manager) managers

# A new operational model is needed



## What does a System Manager do?

- Generate and manage consumer knowledge
- Guide product specification & development
- Source product
- Ensure consistency to market
- Ensure quality control
- Initiate marketing activities & consumer security/confidence



## What does a System Manager do? (cont.)

- Identify processing needs and locations
- Identify processing needs and locations
- Specify and develop infrastructure needs
- Identify and formulate alliances
- Ensure channel communication
- Guide technology developments
- Secure/encourage channel investment
- Control costs, increase revenues



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