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# Farming in the 2020 Norfolk Rural Economy

Norfolk Farming Conference  
11<sup>th</sup> February 2016

Martin Collison

# The Norfolk Farming Economy

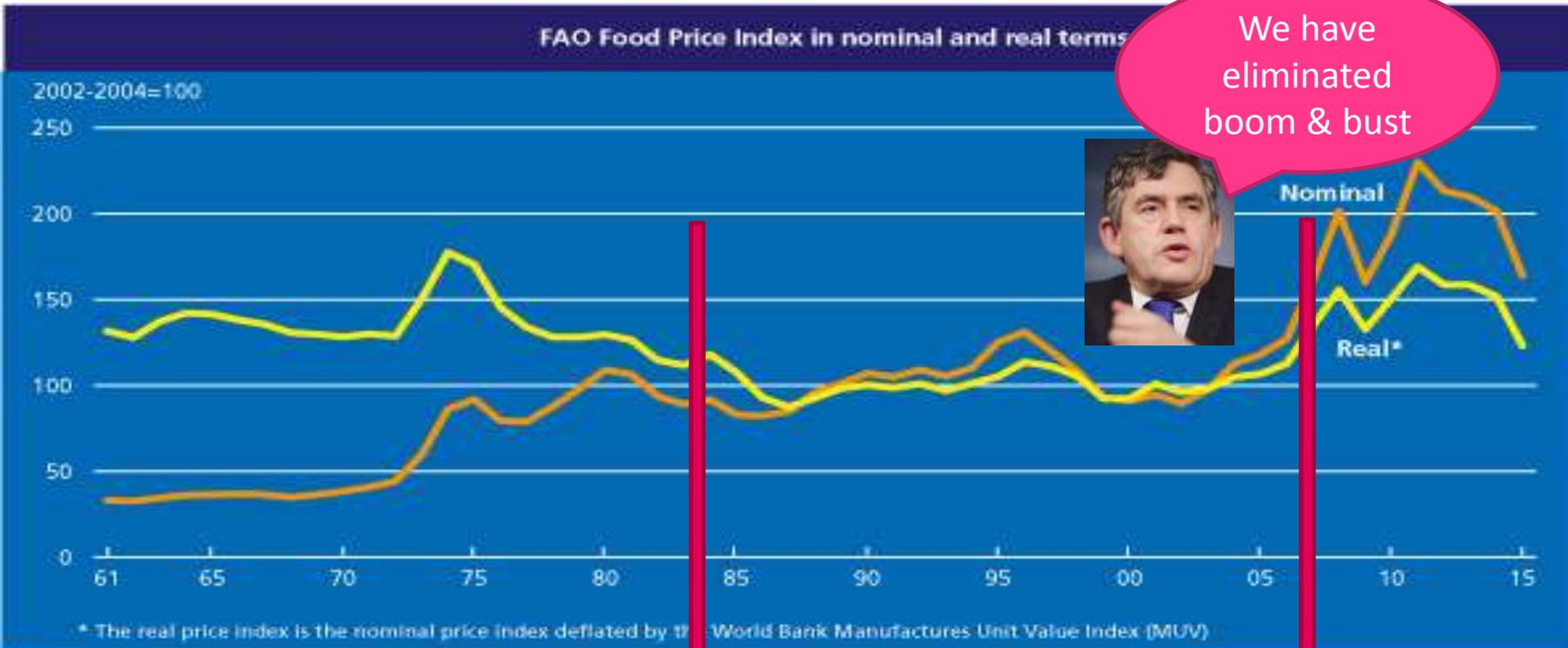
Pretty depressing at present:

- Low prices
- Cost pressures
- BPS delays
- Erratic weather
- EU uncertainty ...

***So is there any reason for optimism in looking forward  
to the Norfolk farming  
or wider rural economy in 2020?***

# Global Food Prices

United Nations Food & Agric Organisation (FAO) Food Prices 1960-



**1960-'84: variability but high prices, long term slow downward trend**

**1985-2006: relative stability, but low prices**

**'07- higher prices, but volatility**

# Chart 1. Larger fluctuations are observed in food and energy prices more recently

International food and oil price indices, 2002-2004=100



Martin's prediction



Sources: FAO.

# Way forward to the 2020s

So if volatility is the new norm ..... what is the answer?

Is it time to:

1. Manage the risk within farming, if so how?
2. Manage this ***risk within the wider food chain***, if so how?
3. Or ***diversify to exploit opportunities*** in the rural economy?

Every farm has to make its own call, i.e. what balance of these options to use ... I will concentrate on the 2<sup>nd</sup> & 3<sup>rd</sup> options today

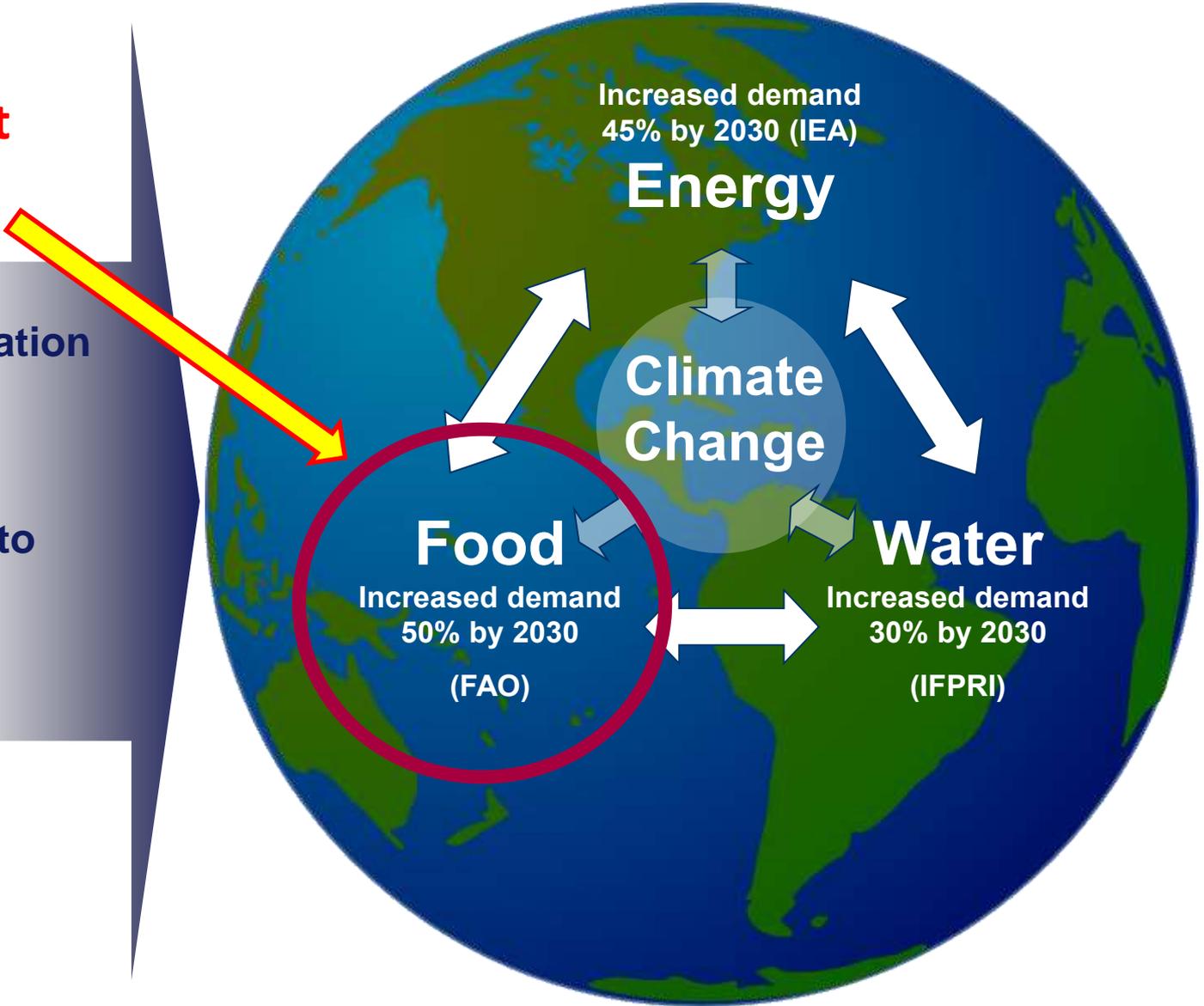


# Professor Sir John Beddington alerted us to... the “Perfect Storm...”

**Notice this  
says ‘food’ not  
agriculture**

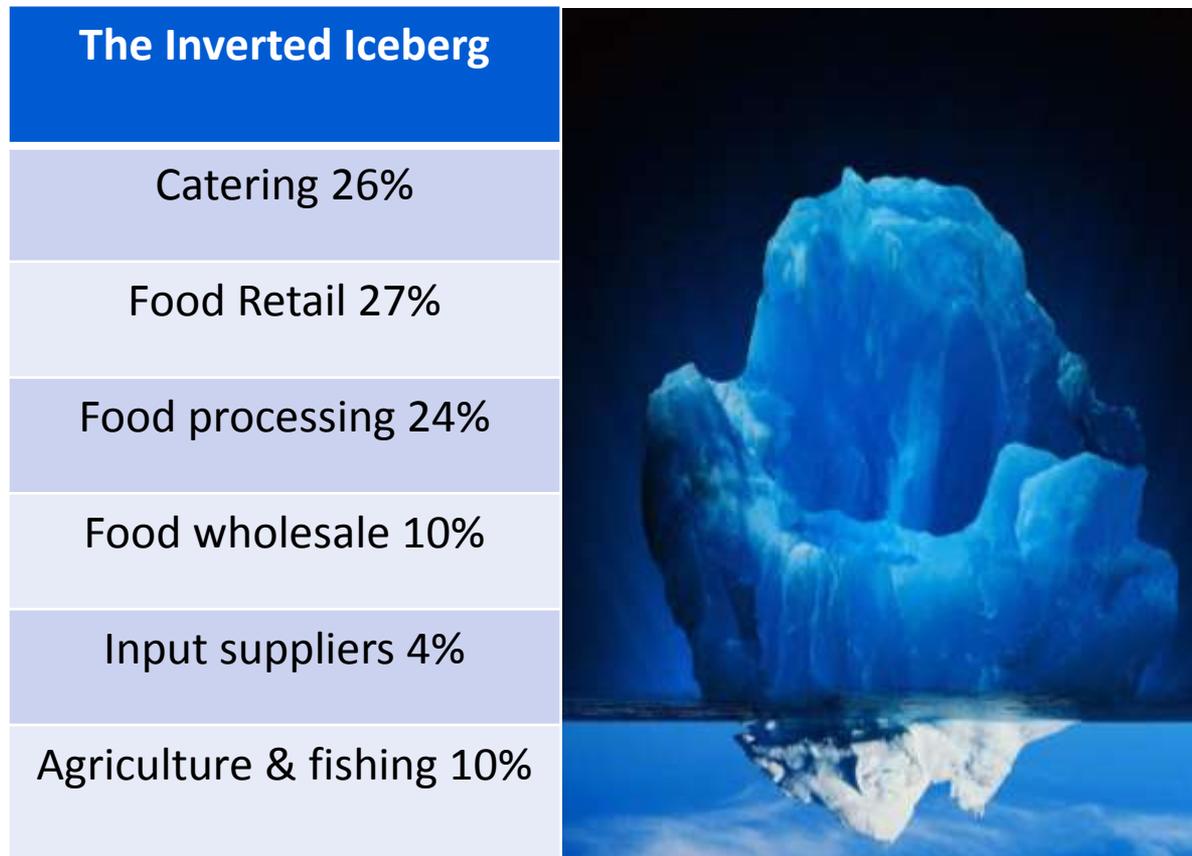
1. Increasing population
2. Increasing urbanisation
3. The rightful goal to alleviate poverty
4. Climate Change

**Putting food  
security into  
context**



# Importance of Food in the UK Economy

Defra (2015) Agriculture in the UK 2014



Approximately

For Every £1 of GVA  
(Gross Value Added) in  
agriculture there is:

A further £4 in food  
processing, logistics &  
supply industries

&

A further £5 in  
food retail & catering

UK food & drink sales are over £200bn per year, it is:

- the **UK's largest manufacturing sector**
- & the **UK's largest retail sector**

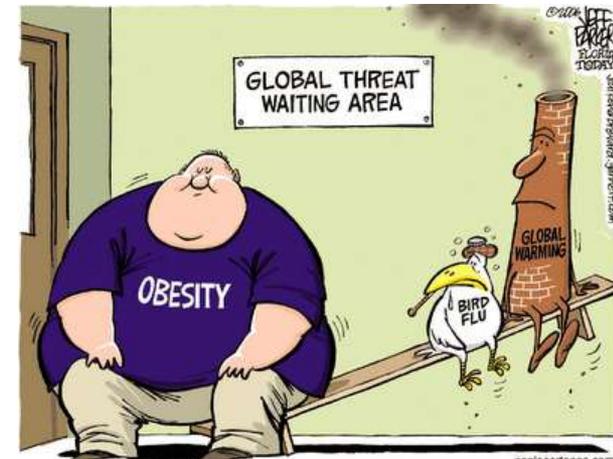
# The Consumer is King

Consumer change is all around us in the food sector:

- In 30 years UK per capita soft drinks consumption ↑ over 275%
- .... per capita milk consumption ↓ 20% (Food Trends, DEFRA)
- In rural China 1980-2010 per capita:
  - meat consumption ↑ 170%
  - poultry ↑ 1,500%



UK pub food over the last 40 years



# The Consumer is King

The major changes are global & consumers are:

- Wealthier – 1.5billion middle class households by 2020 (x3 since 2000)
- More informed & connected
- More segmented (fragmenting markets)
- Interested in new food experiences (New Product Development rates growing)
- Food is an expression of culture, but also increasingly theatre & experience



# The Food Opportunity

The major changes are global & consumers are/will be:

- Wealthier – eat out more, pay for convenience, health etc.
- More interested in provenance ... but global trade in food is also growing: should we focus on the UK or global markets?

Our response & opportunity:

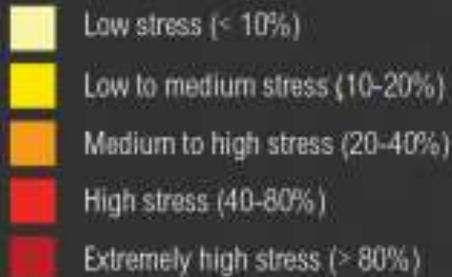
- Most of the value is beyond the farm gate (this will continue to grow) ⇒ so add value, trade & market our products
- As a high cost producer we need to concentrate on higher value products & wealthy consumers

# Water

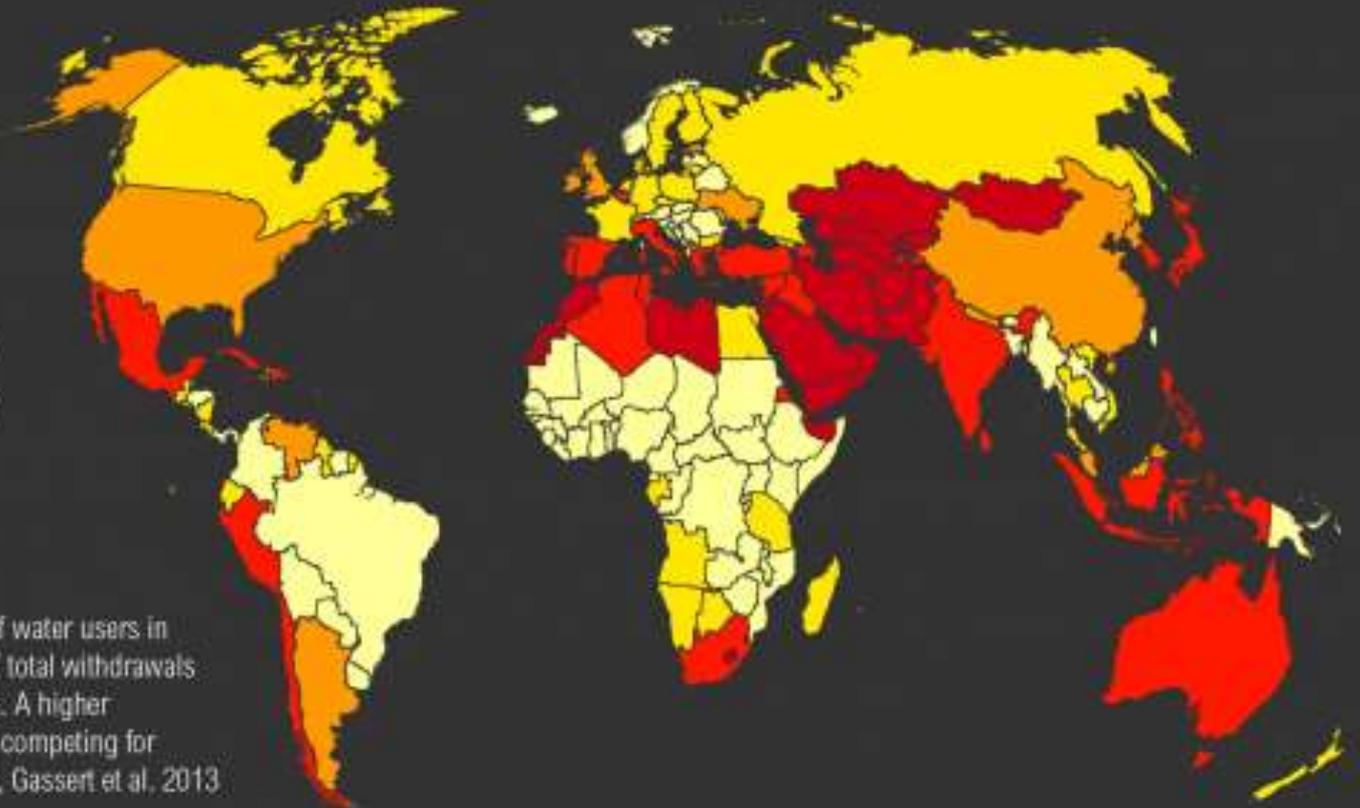
Fresh water will run out before food does in many parts of the World ... global need to manage water more effectively

## WATER STRESS BY COUNTRY

ratio of withdrawals to supply



This map shows the average exposure of water users in each country to water stress, the ratio of total withdrawals to total renewable supply in a given area. A higher percentage means more water users are competing for limited supplies. Source: WRI Aqueduct, Gassert et al. 2013



# Water & Climate Opportunity

Temperature rise comes later .... in the short term, the big challenge is water, if we can address this in Norfolk it could be a competitive advantage ...

- Central Spain water rights in some areas reduced by 60%
- 47% global population in water stressed areas by 2035
- UK imports 38% of its food ... **but 62% of the water footprint** of its food consumption (much of which is from countries which are more water stressed than the UK)

# What do we need to do?

- Secure farm water rights in abstraction reform – must show we are water efficient (Norfolk =  $\frac{1}{3}$  water/tonne of food as globally)
- Anglian Water's Water Resources East Anglia, chaired by Henry Cator, looking at multi-sector water supplies to 2040
- Should IDBs be renamed *Internal Water Management Boards & cover all UK land* (with farmer leadership) .... unite with Water Abstractor Groups, help government solve 'the water problem'
- Capture & store more water on farm & in the soil & then use it more efficiently

**Get it right & it will help us compete in a water stressed World**

# Agri-tech

The growth of precision & research led innovation in:

- Genetics
- Machines, automation
- Sensors, data collection & analysis
- Environmental impact reduction

Global agricultural output (FAO 2012) £2,385 billion

- **UK = 1% of global agriculture** = output of £24bn (DEFRA 2013)

Global R&D spend on agriculture = £23billion (ASTI 2008 inflated)

- **UK spending** ~ £1billion (public & private) = **4% of global R&D**

# Technology



‘Rio Tinto says the self-drive fleet have superior fuel usage, tyre life & maintenance costs’

BBC News 19<sup>th</sup> Nov 2014

300 tonnes, operated from a control centre 1,500 miles away

Garford Robocrop – robotic weeders (Lincolnshire) weed between individual plants



But, what about:

- Urban, enclosed farming systems
- Sensors collected more data in 2 years than in the history of mankind up to this point (‘Data Explosion’ – Cisco)
- 4G signals will cover 90% of the UK land area by 2017 – what will 4G allow us to do on farm?

# Norwich Research Park



- NRP attracts over £100m of research investment per annum
- Hosts 3 out of 8 national BBSRC institutes
- UEA, top 20 University, turnover of £255m & 14,500 students
- The Norfolk & Norwich UH, turnover £480m, 6,500 staff
- Project 26: Centrum building, access & parking, ICT & services
- JIC leading a £12.5m doctoral training programme
- A new national £75m Centre for Diet & Health is due to be opened in 2017 – a partnership between IFR, UEA & NNUH

**= 'NRP' employs 12,000 (2,700 scientists) turnover of £900m**

**⇒ Challenge is using this to our advantage**

# Norfolk Rural Economy

(Norfolk Rural Development Strategy 2014-2020)

The Rural Economy has fewer jobs (44%) than resident popn (53%)

But, economic mix similar to urban, every district (inc. Norwich):

- 26-30% employed in the public sector (projected to fall)
- 33-40% in building, wholesale/retail, transport, **hospitality**
- 4-6% in arts, entertainment & **recreation**

The big differences between urban & rural Norfolk economy are:

- Rural **more manufacturing** – Breckland 14% jobs (Norwich 6%)
- Rural more primary industry: **farming** & energy (coastal growth?)
- Urban more professional/business services (fastest growth)

# The Leisure Economy

(Cool Tourism report 2014)

<b>Visitors</b>	<b>Total spend (£1.94billion):</b>
<ul style="list-style-type: none"><li>• 3million staying visitors, 13.6million nights, £600m</li><li>• 36.1million day visitors, £1,300m</li><li>• 54,900 jobs supported</li></ul>	<ul style="list-style-type: none"><li>• food &amp; drink ~ £698m (36%)</li><li>• shopping ~ £536m (28%)</li><li>• travel ~ £266m (14%)</li><li>• attractions ~ £234m (12%)</li><li>• accommod<sup>n</sup> ~ £208m (10%)</li></ul>



# Leisure Economy Opportunities

Visiting Norfolk attractions - top 5 reasons for visiting:

- Coast/beaches 68%
- Countryside 52%
- Shopping 46%
- Outdoor attractions 40%
- Food & drink attractions 32%

Farming options:

- Accommodation and activities
- Food and drink



# The Silver £ in Norfolk

- Norfolk has a rapidly ageing population – mainly in rural areas
- Older age profile than cities, by 2026 retired population:
  - will increase by over 40% in all rural districts
  - over 85 age group will rise by up to 77% in some districts
- Food & recreation demand will grow, eating out strongest in the over 50s
- Driverless cars
- Use of adaptive technology increases with ageing
- Remote medicine market & ICT use grows
- Different housing needs



# The Silver £ in Norfolk

Martin's back of envelope calculations for the whole of Norfolk:

Assumptions: used ONS population projections for Norfolk; 2007 spend data per person by age and a 2% yearly inflation rate for spending/head

Age group	Population			Total spending power £m (estimated to nearest £100m)		
	2012	2026	2037	2012	2026	2037
50-64	169,000	185,000	172,000	2,200	3,200	3,700
65-74	103,000	114,000	135,000	1,100	1,600	2,400
75+	92,000	140,000	170,000	<b>800</b>	<b>1,600</b>	<b>2,500</b>
Total for over 50 age group	<b>364,000</b>	<b>438,000</b>	<b>478,000</b>	<b>4,200</b>	<b>6,500</b>	<b>8,600</b>

# Living Wage

Wage cost pressures:

- Change from minimum wage to living wage of £9 by 2020
- Increase in NI as a result
- Pension auto-enrolment typically 3% of wage
- ⇒ for employers paying minimum wage ~ 40% cost rise by 2020
- Farming has some minimum wage staff, but there are proportionately more in food processing, catering & food retail
- Catering & food retail will want to share the pain with farmers ... by passing pressure back down the line
- Staff on higher rates (probably up to £12/hour, £25k/year) will want to maintain a differential

# Living Wage Opportunity

Resolution Foundation 2016 – Norwich is the most affected city in the UK: 32% will get a pay rise by 2020 due to the Living Wage

⇒ Many Norfolk workers will have more money to spend ...

Every area of the UK is going to be subject to the wage cost pressures this creates – those who respond will take market share

I expect to see more automation in food processing in 5 years than since 1990 (Germany has 4x as many food robots relative to sales)

The challenge is innovation, adopting technology & promoting labour efficiency – all things Norfolk farming is good at

Our ambition must be for Norfolk farmers, the origin of the agricultural revolution, to be at the forefront of growth in the rural economy

Thank you for listening

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