

**When you are in deep, deep trouble, say nothing, and  
try to look inconspicuous**



# What do we do?



- Think of us as a central purchasing department for 1700 farms, estates and associated businesses.
- Buying Office is the hub of our activities – seen by most members as an extension to their own office
- Staffed by 22 industry professionals and support staff with relevant professional qualifications who are in the market every day for products an individual may only source occasionally
- Accounts Office is as important to our members – single VAT invoice, with checked copy invoices attached collected by DD and BACS payment to supplier. Electronic invoices from our system in our members system will be launched this year.

# Roots and Shoots

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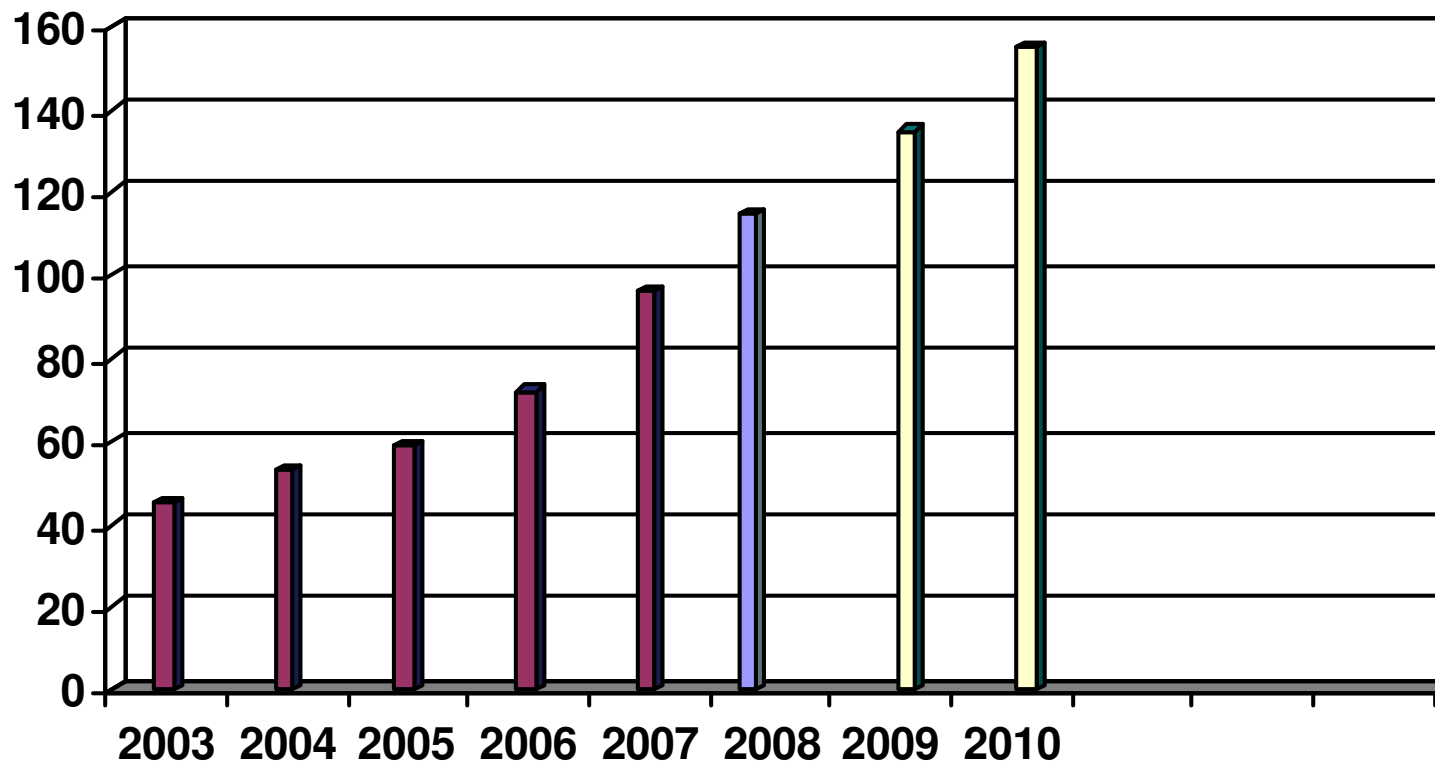


- Merger of Loddon Farmers and Mid Norfolk Farmers
- Turnover to 31<sup>st</sup> January 2008 was £96.3m
- **Set Objectives.....**
- Build Turnover – to strengthen negotiating position
- Contain costs – to show a broadly break even position
- Do this without compromising service to members

# Turnover 2003 - 2010



£m



# Scale !!!

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**If Tesco was a farmer it would have:**

- **5.8 million hectares**
- **7 billion litres milk quota**
- **5.6 million cattle**
- **14 million layers**
- **50 million broilers**
- **17 million sheep**
- **And a workforce of 75,000**

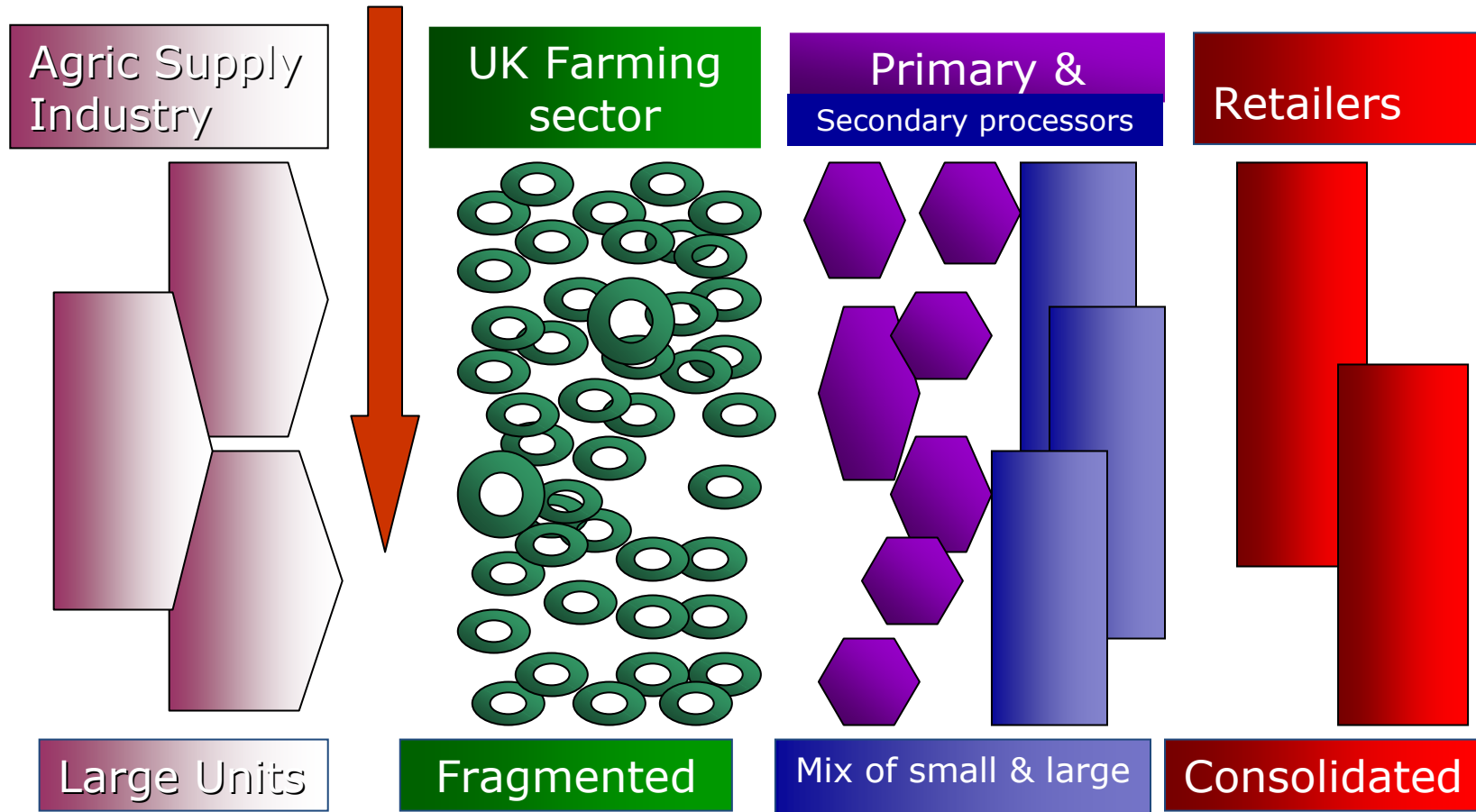
# Purchasing Inputs



- Principal – if you buy a larger quantity you get a better price!
- What scale is needed to achieve the best price?
  - Concentration of UK agric supply industry
  - Split of product and service
  - Ability to deliver commitment & volume
  - Planned purchasing

# Industry Context

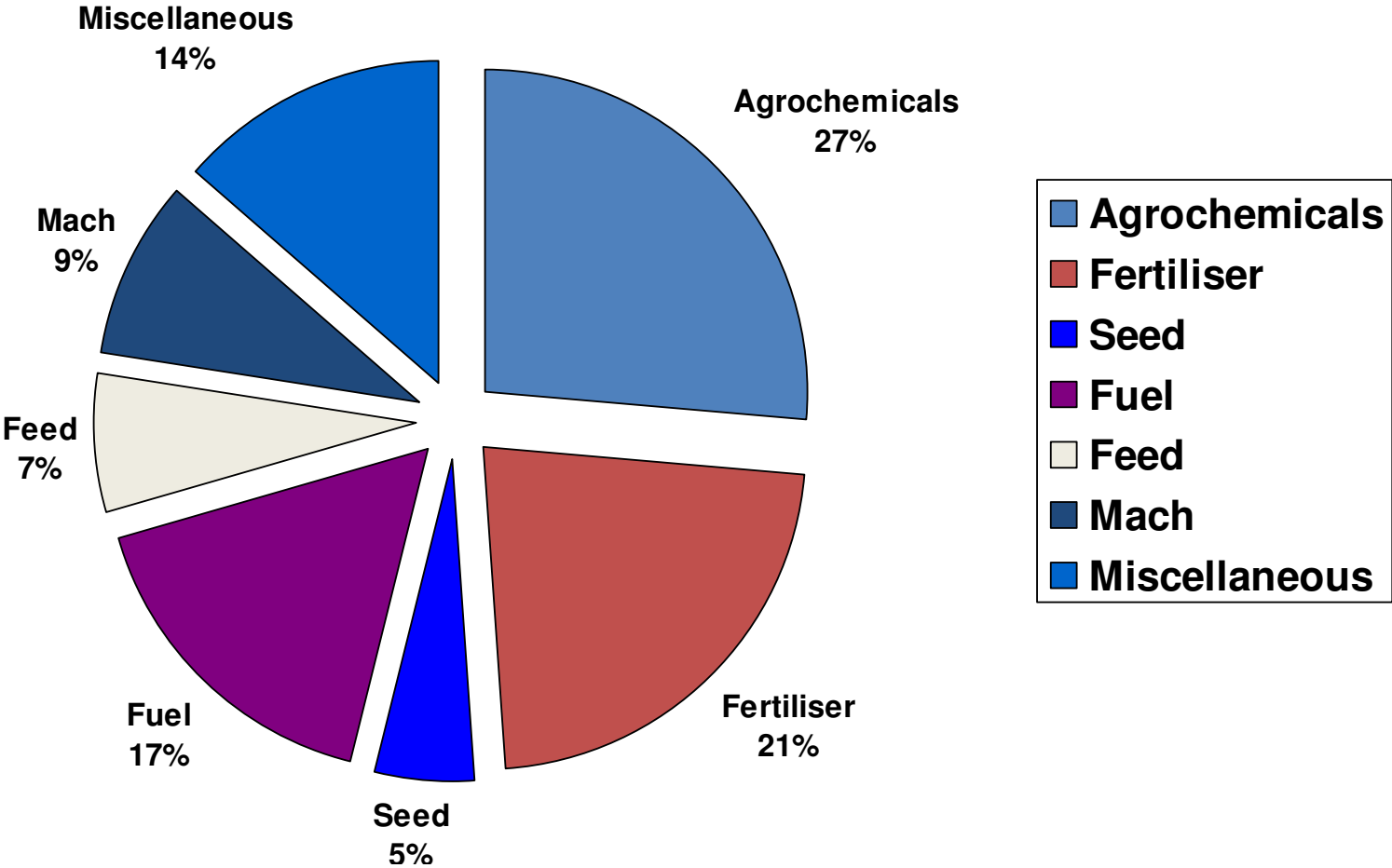
## ASI & Farm Interface



# Product Turnovers -2007



Percentage split of £115m products sourced in 2007



# The main driver – member benefits:

*Benchmarking results over the past 6 months:*

**Fuel** – **gas oil** between 1.44 and 4.12 ppl

- **kero** between 1.88 and 2.66 ppl

**Fertiliser** – between £2 and £17.55 per tonne

**Agchem** – between 4.8% and 26.66%

**Machinery parts** – between 4.1% and 44.4%

**Building materials** – between 28% and 61%

**Mobile phones** – between 20% and 74%

**Healthcare** – between 22% and 45%

# A rising storm of input prices??



# AF Ag Inflation Index

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Anglia Farmers are just about to formally launch the Ag Inflation Index. It is intended to reflect the changing expenditure of farming and is a weighted average of 9 cost centres.

Overall AF Ag Inflation Index for a “typical” Norfolk farm

Annual (Oct 2006 and Oct 2007) is **7.08%**

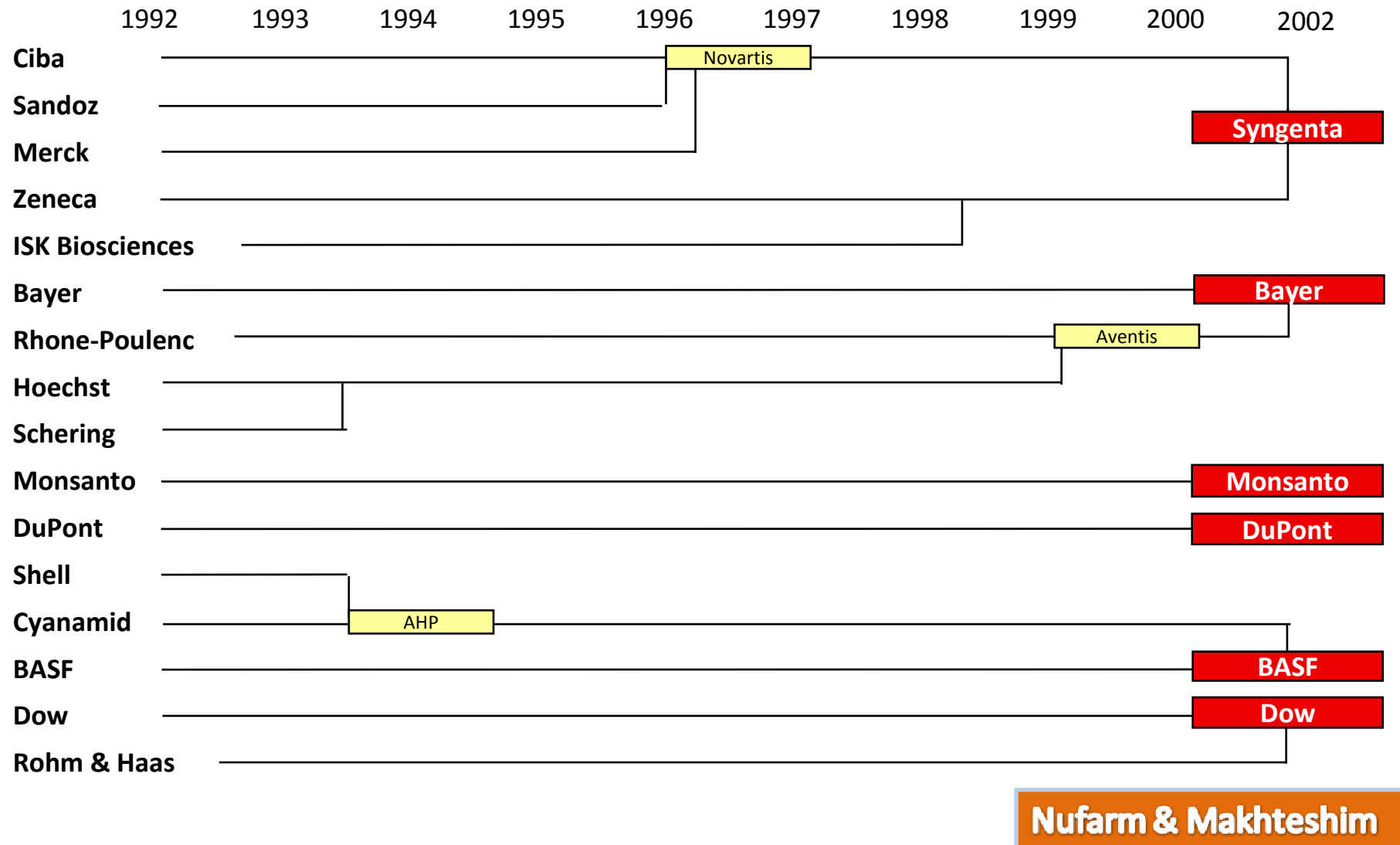
By enterprise:	Cereals	5.62%
	Potatoes	8.56%
	Sugar Beet	3.62%
	Dairy	9.00%

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# AGROCHEMICAL OUTLOOK

# Global Agrochemical Industry Consolidation



# A US Agrochemical Distributor Store ...



.....they also stock agrochemicals!



*Driver for the future of Bayer CropScience is its well-stocked pipeline*

*“Bayer CropScience plan to align its research even more closely with the needs of the new agricultural economy. Limited agricultural land, the steady growth of the world’s population and the impact of climate change are threatening the supply of agricultural products and leading to shortage-driven prices for major commodities”*

AF are engaging at this level





# Agrochemical Outlook

- The UK market for agrochemicals for 2007 was worth about £370m set to grow 10% this year.
- With more crop in the ground for 2008 there will be pressure on supply (both physical and distribution) of product with increased demand.
- Pricing for 2008 is still very slow to emerge. Indications show that on average there could be increases of between 3 - 8%.
- Products will be very tight this season (especially growth regulators) – and early ordering and planning ahead is essential, not only for supply reasons but also for better terms.

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# FERTILISER OUTLOOK

# Fertiliser 2007/08

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1. UK market: major changes with the formation of Growhow UK Ltd following JV of Kemira Growhow and Terra Nitrogen. UK AN prices continued to rise and supply rather than price became the key driver. Prices moved from circa £150 - £280.
2. Demand & Supply - Extra plantings and the removal of set a side created greater demand on UK supplies. Suppliers withdrawing from markets almost daily as they struggled to secure forward raw materials.
3. Global Demand - potash demand estimated to have risen to over 27m tonnes driven by Asia & South America. Phosphate demand estimated to have risen to over 38 m tonnes. As global prices rise this is pushing up straights, PK and NPK pricing to unprecedented levels.
4. Lack of imported AN from Bulgaria, Lithuania, Poland and Russia due to supplying their own domestic markets. Global demand for UAN pushed prices to record levels.

# Fertiliser 2008/09

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1. Growhow UK are investing £15million to increase AN production at Ince & Billingham. They are keen to implement a more structured market for 2008-9 and will work on allocated volumes – removes the early season “free for all”. Market predicted to be 2 million tonnes.
2. Phosphate & Potash could be the price front-runner in place of AN as prices continue to rise. Supplies will again be very tight.
3. Urea market being driven by increased planting in the Americas & India in particular. Extra 800,000 tonnes of production in Egypt but likely for use in their domestic market. Too early to predict whether this could be a urea year.

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# FUEL OUTLOOK

# Gas Oil Prices – last 5 years (\$/tonne)



# Brent Crude



# Fuel Outlook

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- Ensure you have storage capacity to take product in the supply window.
- Keep in touch with the market – phone AF.
- Looking at longer term solutions:
  - Bunker storage of up to 5m litres
  - Risk management and hedging options

# Outlook for exchange Rates



Just in time strategy of  
purchasing could prove unwise.



## *New input supply chain*

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- *Past - Generally has been orders on the day*
- Forecasting - we are increasingly conscious of the benefits to the supply chain forward planning
- By collating bulk orders from our members prior to usage time - we are able to go to suppliers with large volumes
- Co-ordinated approach with requirement forms and cropping / livestock information

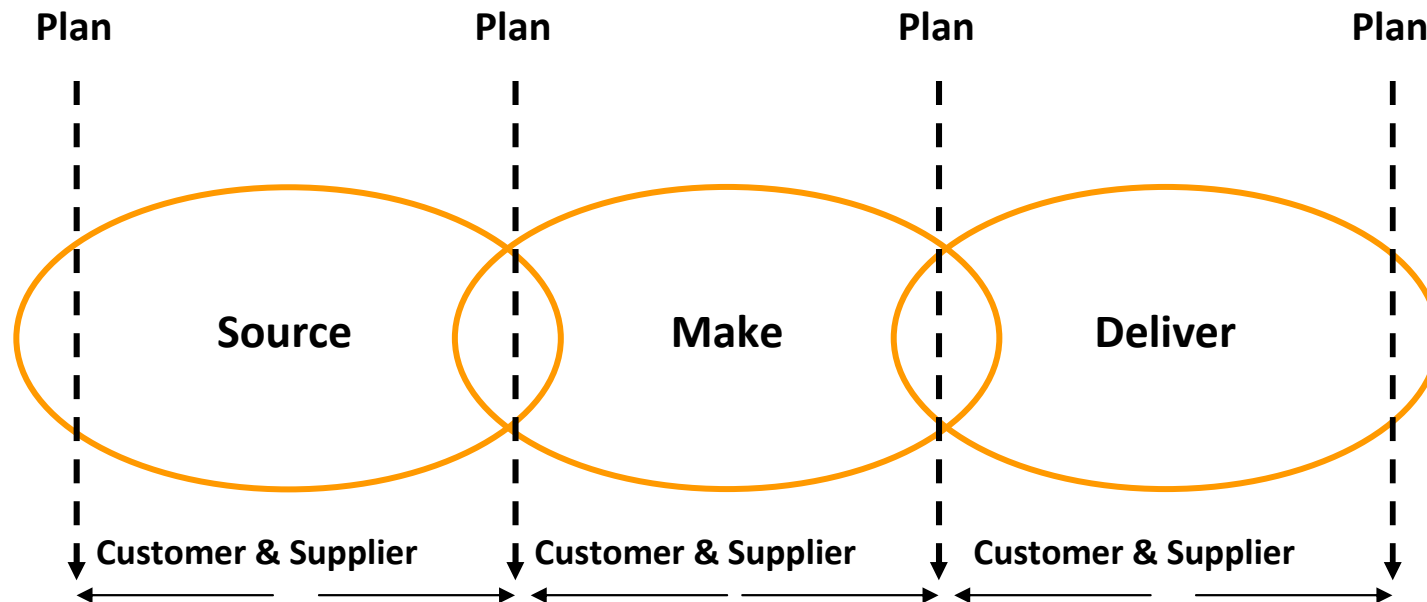
# Triple-A Supply Chain



1. **Agility** – Respond to short-term changes in demand or supply quickly.
2. **Adaptability** – Adjust supply chain design to accommodate market changes.
3. **Alignment** – Establish incentives for supply chain partners to improve performance of the entire chain.

**Collaborative Planning and Management –  
how do we measure up?**

# Triple A Supply Chain – the holy grail of supply chain management is not just high speed and low cost



# AF – Our 5 Main Challenges

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- **Concentration of global agricultural supply industry**
- **Split of product and service**
- **Understand all the markets we source from**
- **Ability to deliver commitment & volume with confidentiality**
- **Planned purchasing – matching demand to supply**

# *Developing Excellence in Agricultural Purchasing*

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