



As
transformation
invades
the farm,
agribusinesses
rise to the
challenge
of disruption

If agribusinesses are to feed the world, transformation will be an industry-wide imperative

Over the last century, the agribusiness industry has undergone massive evolution from an insular, commodity-oriented industry to a value-added global supply chain. Universal shifts in demographics, production technology and trade dynamics continue to drive change and compel agribusinesses leaders to respond. In the Transformative Age, the agribusiness industry, like many others, is anything but stable, and winners and losers have yet to be determined. In fact, for many leaders, the process of recognizing the need for change and identifying the right questions to ask creates more discord than direction. We believe the following two questions are critical starting points for agribusiness leaders to prepare for winning in the market. By addressing where tomorrow's industry profit pools may lie and critically examining how your customer journeys link to profitable opportunities, we believe agribusiness leaders will be empowered to position their firms to win in the Transformative Age.

What are you doing today to capture tomorrow's shifting profit pools?

As agribusiness leaders navigate tomorrow's global agribusiness market, they will need to examine the fluctuation of their profit pools and determine how to remain relevant. The ways of working and major product categories of many agribusinesses have not changed significantly for decades, but that's no longer the case. As a result, many leaders may be unfamiliar or unaware of how the distribution of revenues



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and profits is shifting across their end-to-end industry value chain. Having an astute understanding of the current and future industry profit pool can enable market-winning actions and bring clarity to a firm's transformation and strategy agenda.

Agribusiness executives might first consider identifying and quantifying the source and extent of their current industry profit pool and examining what forces may create shifts or new centers of profit. Disruptions in value chain flows, consumer preferences, industry governance structures and market dynamics are thought-provoking topics to examine first. A potential next step would be deploying red-team and blue-team ideations or scenario planning to test potential outcomes and a firm's readiness for those changes. These simulations would explore potential operating models, as well as new capabilities and resources that would support growth and provide greater agility.

How is your organization preparing to serve future customer experiences?

As agribusiness executives identify current and future state profit pools, whether in expanded or niche markets, they will also need to examine their customer experiences and reinforce current sources of profit. For example, livestock feed providers, sensing the growing shift to free range and slow-growth broiler chickens, will need to come up with new ways to deliver products that are relevant to chicken growers and processors pursuing this market. This may even require businesses leaders to design entirely new customer experiences, while others may simply extend current activities.

Agribusinesses should consider the following when discussing future state customer experiences:

- ▶ *What is your current state customer experience?*
The livestock feed company, for example, needs to consider whether its current product portfolio is relevant to farmers. Will chickens raised on a range need additional health services or welfare support in addition to their traditional mixed feed rations? Beyond revamping products and services for new consumer trends, agribusinesses also need to map how all direct and indirect activities in their organization link to full customer experiences from finance to IT, marketing to operations. This process can highlight how business processes can be improved to support new customer experiences by looking across all their interactions to find pain points and potential service gaps. For example, if organic produce continues to increase in demand and smaller farms struggle to realize a profit at the farm gate, this might be the best time for those smaller operators to start taking the steps to become organic farmers. This shift will require agribusinesses to rethink how they provide financing and agronomic advice, which could include expanding pest and disease management services.
- ▶ *How are your customers changing?*
As the agricultural industry continues to see significant changes in consumer-buying behaviors, workforce demographics and technological innovation, keeping ahead of consumer changes can be the make-or-break point for many of today's leaders. For example, 23% of farmers purchased inputs such as feed and seed online in 2017, up from 16% in 2013.

This has significant implications for brick-and-mortar retail operations and for supplier selection at the farm gate.

- ▶ *How are you proactively testing new and innovative customer experience activities?*

Prototyping new customer experiences opens the door for micro-testing before widespread launch to the full enterprise. In many cases, this can accelerate innovation and propel successful new activities to implementation. Examining what may be tested may require examining how all end-to-end processes align more closely with your future customer's needs and buying behaviors. For example, livestock genetics suppliers may build dedicated client-customer teams to execute new genetic line development and launches. A food firm may deploy agile development and testing for new product offerings on accelerated hyper-cycles to expand its portfolio.

As consumption grows, agribusiness will be challenged to respond in new and innovative ways to meet demand. The rising middle class in developing countries and shifting global production flows will compel industry leaders to reconsider how they execute day-to-day business and fundamentally shift the long-term arc of the industry. New profit pools and ever-evolving customer experiences will require novel ways of working, partnering and thinking. Preparing today for tomorrow's industry environment is and will continue to be an imperative for global agribusiness leaders.

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