Talking Points: The Global Farmers Master Class

Bridging the Gap Between Farmer and Consumer

RaboResearch
Food & Agribusiness
far.rabobank.com

Nicholas Fereday
Executive Director
+1 347 215 4158

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In this edition, I report back from Rabobank's Global Farmers Master Class in Brazil, where the influence of the consumer loomed large. On this touchy subject, the biggest takeaway by far was the similarity of concerns expressed by these farmers with those of other players in the food system, from global agri-food processors to Big Food companies. These included:

1. The "greatest challenge – the disconnect between farm and fork." It isn't just folk in corporate HQs who are scratching their heads over today's consumer and how best to respond. Everyone senses the gap is widening between food producers and the general public, but what can be done?

2. The search to add value. A question as old as the hills: "How can I make what I grow more valuable?"

3. The shift toward plant-based foods. Plant-based food, the topic that has launched a million news articles this year, is causing waves at the farmgate too. To date, the threats presented by this fast-growing market seem more pressing than realizing the potential opportunities.

In short, farmer's lives are becoming more complex, and we are asking to them to juggle a lot of balls: feed the world, preserve the land, stay competitive, be profitable, oh and keep the consumer happy too.

The Global Farmers Master Class

Last month, I was very fortunate to spend a week in Brazil, where I met with many clients, including those attending Rabobank's biennial Global Farmers Master Class in the state of Mato Grosso (a state that puts the 'large' in large-scale commodity farming). The Master Class program began in 2012, and this year, under the stewardship of Bart IJntema and his stellar team, an inspiring group of 40 entrepreneurial farmers from across the world gathered to share knowledge, discuss the challenges and opportunities they face, and hear from many of Rabobank's experienced crew.

I had the honor of addressing them on, yes you guessed it, the consumer in the context of a not unambitious subject – the future of food. (I only had a couple of hours with this lively group, so, not surprisingly, I left a few things out). As part of their preparation for the event, these Global Farmers were asked to share their hopes and fears for the future. Specifically, they were asked, "What do you see as your greatest opportunities and challenges for the future?" In addition to shared concerns over succession planning, other common themes that emerged included: the costs and challenges of ever increasing environmental regulatory demands, how to maintain or return to farm profitability, as well as the opportunities around feeding a growing world population.

After spending some time hanging out with this global group, as well as reading through their responses, what struck me the most was the similarity of the themes and anxieties about the consumer with those of their peers throughout the food system. Let's discuss some of these interrelated themes.

1. The "Greatest Challenge – the Growing Disconnect Between Farm and Fork."

The widening gap between the farmer and the consumer was front of mind for many, with one describing it as the "greatest challenge." There were a number of questions along the lines of "What is the best way to respond to changes in consumer demand?" In fact, many in the group had experienced first-hand the impact of changing consumer tastes, with one noting how "the demand for healthy food" flows all the way back along the supply chain. Others highlighted the cultural divisions in society between rural and urban areas and urban dwellers' perceived lack of knowledge about agriculture, as well as their lack of appreciation for agriculture's importance to the economy and society. Sadly, this led to some in the group fearing they were oftentimes being labeled as the 'bad guys' and, as a result, were losing their social license to operate.

Although not a solution to these issues, it was of some comfort to the group to point out that anyone connected to the world of 'Big Food' also knew a thing or two about being labeled the 'bad guy.' For their part, Big Food companies have been wrestling with similar issues for many years and are now on a mission to try to reconnect and understand their consumers better. One can literally quote any one of the CEOs from the large food & beverage companies on the need to get ever closer to the consumer. Common CEO sound bites talk to how their companies are "transforming their portfolios" and trying to be "evermore consumer centric" and to understand their consumers "at the granular level." Some talk to the need to "put the consumer first in our innovation," and even to "know our consumers almost as much as they know themselves."

So, for both farmers and food companies, the consumer is proving to be a common headache. Arguably, it is worse for farmers, who have to add another layer of complexity to their already busy lives by having to find ways to understand the consumer better or, as one put it, to have an understanding of the "increasing demand for products that consumers can identify with." None of this is easy, and we are asking farmers to juggle a lot of balls: feed the world, preserve the land, stay competitive, be profitable, and keep the consumer happy.

But with common headaches come common goals too perhaps, especially as corporations are also looking to reinvent themselves over issues like sustainability. Big Food companies need farmers to help reach these goals. For example, the Unilever Sustainable Living Plan necessitates a big focus on sustainable sourcing if they are to meet their goal of halving their environmental footprint by 2030. Similarly, PepsiCo has talked about how they want to become a better company and really make a positive impact on the planet. Part of this includes a commitment to sustainable agriculture "to advance farming practices to optimize crop yields, respect human rights, improve farmer livelihoods, and secure supply as part of our aim to build a more sustainable food system." An open door for farmers? After all, as one farmer noted, "we have to be better as farmers around environmental stewardship and then be able to convey our story to urban consumers."

The importance of social media to storytelling and getting one's message (and produce via e-commerce) directly out to consumers also seemed a positive way forward, in part a recognition that "consumers have become more knowledgeable, more interested in food, especially healthy food." But it's also a way to "counter unscientific views on agricultural products or systems," especially those of "small minority groups with a loud voice" on social media intent on misconstruing "the motivations of the wonderful people" involved in agriculture.

2. The Search to Add Value

The search to add value to shake off the shackles of commoditization and avoid a price race to the bottom came through loud and clear, with folk asking variations of "How can farmers create more added value to earn a better standard of living?" In global commodity markets, where farmers are essentially price takers, the frustration over the lack of control was deep. This led to interesting conversations about responding to the consumer with strategies that would de-commoditize their often unprofitable commodity crops, such as customizing their products, exploring niche products, and certification schemes to differentiate themselves through sustainable and/or organic farming practices facilitated by Rabobank's organic transition loan offering. As one attendee said, "I see a great opportunity to keep up with coffee consumption trends in emerging countries, such as Brazil and China, and this means customizing the product according to the need and profile of the client." The use of technology to capture quality control information along the supply chain was also touted as a way to "turn what have traditionally been bulk products into high-value niche products." Not wanting to dampen the excitement around such projects, it is, however, important to recognize niche markets are, by definition, small, and there is not enough room for everyone to play in these markets. It is a great idea. But it cannot be a great idea for everyone, or it becomes another commodity. For others, the ambition was greater than being a niche player. "For the future, I want to produce safe and healthy food on an industrial level."

Farmers are not alone in facing these challenges. At the other end of the food system, food companies are facing a similar task and are trying to add value to their products through (in consumer speak) 'premiumization'. This can take many forms: investing in new brands to help reshape their portfolios, such as the move toward snacking and the transition to 'better-for-you'; branding and packaging innovations to improve the shopping experience; growing e-commerce capabilities; improving the quality of the ingredients; or using novel ingredients to align with current trends and buzzwords, such as natural, organic, and gluten-free. In short, the search to add value straddles the whole food system.

3. The Shift Toward Plant-Based Foods

Out of all the consumer trends we discussed, the "cultural shift" toward plant-based foods was the most heated. Despite growing global meat demand, the emergence of "alt meat, lab meat, artificial proteins, faux meat, etc." left many asking again, "What does it mean for us?" and worried that "the challenge will be lab grown products taking market share." Three quick points on this topic:

1. Don't panic! Growing fast but still small. Although it seems the world, or fast food restaurants at least, have gone mad for veggie burgers, the market remains miniscule relative to the wider meat industry, which continues to grow. As my colleagues wrote recently in Rabobank's Global Animal Protein Outlook 2020, "for consumers, it appears 'more' means more total protein. Contrary to expectations, the growing interest in alternative proteins has added to total protein consumption." Although alternative proteins are growing at double digits (16% year on year in the US), "animal protein consumption has been stable, or up slightly, in the EU and US in recent years." It is still early days, and "the substitution effect is not yet clear in the consumption data" (i.e. would meat consumption have risen faster without plant-based products?)

2. Lab grown is a ways away. There seemed to be a lot of confusion about this, with some thinking it was imminent. As I told the group, an expert speaking on this subject at the Good Food Institute's recent conference estimated that the likelihood of finding price-competitive lab grown meat (or cultivated meat, as the industry now likes to call itself) readily available in your local supermarket is optimistically 10 to 20 years away. That is not to say novel forms of protein will not play a greater part in the global protein market in the future, but it is going to take time. And the lesson of the introduction of other alternative ingredients is that they never take over the whole market they are trying to replace (see July's Talking Points).

3. Looking to the opportunity. Although it is often hard to see beyond the threat of these new forms of competition, Berry Marttin, Executive Board Member at Rabobank, reminded the group "it as an opportunity also." In the same way that the consumer-led gluten-free trend kicked open the door to providing the market with a whole world of alternative grains, such as quinoa, so too will consumer demand for plant-based foods create new opportunities for pulses, such as pea protein and other crops. Take the ahiflower for example.[1] What was once considered a weed in the United Kingdom and Europe is now being touted as the next new superfood that 'out-fishes' fish in terms of essential fatty acids (one acre of ahiflower produces as much omega rich oil as 40,000 sardines). We are back to where we started with the search to add value.

[1] *Lithospermum arvense*

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Nicholas Fereday	Executive Director	nicholas.fereday@rabobank.com +1 347 215 4158

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