AHDB PESTLE Analysis and Outcomes 2012/13

Background

AHDB Objectives are:

i. Deliver value for money for Levy Payers in everything we do
ii. Improve efficiency and productivity in the industry to help levy payers have thriving businesses
iii. Improve marketing in the industry to help profitability and customer awareness
iv. Improve services that the industry provides to the community
v. Improve ways in which the industry contributes to sustainable development

PESTLE

In our 2011 planning process (for 2012/13), we have considered the key challenges and opportunities facing the UK agriculture and horticulture industry through a PESTLE analysis. (Political, Economic, Sociological, Technological, Legislative and Environmental). Given that the six commodity sectors we work with are affected by the factors listed below to varying extents, we provide a brief description of the impact in the short-term and long-term.

As part of the strategy setting process, the PESTLE challenges have been considered in the light of the relatively limited levy resources available with which to address them, and the degree to which any AHDB levy-funded intervention could produce a tangible benefit for levy payers. This has led to a ranking of the factors (High, Medium or Low), for each sector. The Outcome desired by AHDB/sectors and the amount of resources allocated to each area will be as follows:

High: This is a key priority for the success of the industry/sector. Adequate resources will be allocated to this area so that AHDB (sectors) have a national influence and impact in this area e.g., the average efficiency of the industry improves, Government policy uses evidence provided by AHDB, etc. Failure to have an impact in these areas will result in failure to meet our corporate objectives.

Medium: This is an area which we will monitor, remain engaged with and, where resources permit, undertake activity which will have a positive impact on the industry. This activity may be more localised (geographically or within a limited part of the industry) than for high priority areas, but there will always be a well-substantiated reason based on a cost benefit analysis for devoting resources to delivering expected outcomes.

Low: This is something which we will bear in mind when undertaking medium and high priority activities to see if we can have a positive impact on this area in some way at minimal cost or use of resources.

This PESTLE analysis is a planning tool (at a single point in time) and occasionally significant changes can occur quickly which will result in changes to the activities of AHDB, even though the PESTLE has not been formally reviewed.

	Impact Short-Term	Impact Long-Term	Implication for meeting the objectives of AHDB	Priority
Political				
Green Government/Climate Change Mitigation will seek reduction in GHG emissions The Coalition Government has stated it wishes to be the greenest Government ever. Government sees economic opportunity for the UK from the development of new markets for low emission products and services supported by investment in innovation. The 2008 Climate Change Act requires GHG emission reductions of 80% by 2050 and the UK Government and devolved administrations continue to review how this will be achieved and over what timescale. A Voluntary Action Plan (GHGAP) to achieve GHG emission reductions from agriculture has been developed by organisations representing the industry (including AHDB), with Defra support.	The Government will want see evidence of progress towards the uptake of practices designed to reduce the GHG emissions from agriculture and horticulture. This should be a win/win in most cases as increased competitiveness through greater efficiency boosts profits and invariably reduces GHG emissions per unit of production.	It is unlikely that agriculture and horticulture will ever be able to reduce emissions by 80%. However, as time proceeds, the relative proportion of UK GHG originating in primary food production will increase as the rest of the economy "decarbonises". The spotlight on agriculture will become more intense and moves to introduce measures designed to effect dietary change can be anticipated.	AHDB needs to maintain the focus (including via the GHGAP) on supporting industry (supply chain) competitiveness while ensuring evidence is forthcoming to demonstrate the link between competitiveness (efficiency) and GHG emissions reduction[1](e.g. through reducing waste). At the same time, AHDB will need to work to ensure that Government and the public understand the limitations to reducing emissions in the agricultural sectors as compared to other sectors of the economy. AHDB will need to determine the irreducible minimum emissions from a highly competitive and efficient industry. The opportunity will be taken to demonstrate convincingly that importation from less efficient regions will be detrimental to the global objective of mitigating global climate change.	**Key AHDB cross-cutting outcome:** BPEX: H DairyCo: H EBLEX: H HGCA: M Potato Council: H HDC: M

[1] Please note that straightforward actions such as planting more trees can make a positive contribution to reducing GHG levels.

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Global food security concerns due to population and economic growth is moving up the political agenda The global price spikes of recent years, and subsequent challenge for many in the world to afford food, has brought the issue of food security high up on the political agenda. Growing global demand for food is not quite being met by the growth in supply in years of poor weather and hence we experience higher prices which will stimulate increased investment in producing more food.	The short-term implication is that UK farmers will benefit from higher prices and consumers experience higher inflation. With higher cereal prices meat prices are likely to increase around the world, although lags in price rises may cause difficulties for producers. If transport costs continue to rise then fresh produce prices will rise as, due to seasonality requirement, some fresh produce will need to be imported.	The UK may not be able to guarantee to purchase food from other suppliers to fulfil any significant reduction in self-sufficiency. It is likely that the needs of the urban poor will trump the needs of the rural population and exporters will attempt to keep prices down through export taxes and export bans at times of crisis. If demand for meat continues to increase in developing countries then the challenge will not be stimulating demand but producing enough.	We need to increase the competitiveness and productivity of UK agriculture in order to: • Increase profitability, • Reduce GHG emissions, • Support food security	**Key AHDB cross-cutting outcome** BPEX: L DairyCo: M EBLEX: M HGCA: H Potato Council: H HDC: M
Food labelling policy will require more information on pack Current proposals on food information for consumers and ongoing discussions about assurance schemes relating to welfare, origin and quality may bring changes for labelling rules. Labelling cannot be used to compensate for a lack of competitiveness in mainstream markets. There must be a genuine Unique Selling Point that a majority of consumers will actually pay for to achieve more value through labelling.	Labelling and category management (in some sectors) is currently confused. Clear and more consolidated labelling may provide better information to consumers about what they are buying. However, it is unlikely that this will have a significance change on consumer buying habits in the short-term.	Clear labelling will only have an impact on the market if consumers value the attribute being clearly identified by the label. One can anticipate aspects of sustainability will start to emerge as components of food labelling and assurance.	AHDB needs to ensure that its marketing activities[2] and consumer communication activities support clear labelling to consumers. AHDB should also remain close to, and engaged with, initiatives to label food in accordance with specific criteria, e.g. sustainability, country of origin, health.	**Key AHDB cross-cutting outcome** BPEX: M DairyCo: L EBLEX: M HGCA: L Potato Council: H HDC: L

[2] In sectors where these activities exist labelling is considered important and activity takes place to work with retailers and policy makers to encourage clear labelling.

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Land use priority tradeoffs between different policy initiatives and markets There is increasing pressure on land use – for food, for fuel, for biodiversity/recreation/ amenity uses. There is a complex interaction between these factors. For example, there may be pressure to set aside land on all farms but this may mean unproductive land has to be used for food production rather than more productive land. It may be better for some farms to be utilised to their maximum, whilst less productive land is used to meet other objectives such as conservation of valued landscapes and biodiversity. The concept of "Sustainable Intensification" may be able to provide dual economic and environmental benefits from increasing the efficiency with which production systems are managed and natural resources are valued.	Policies could be established, e.g. through CAP Reform, biofuels, biodiversity, etc., that do not support optimal land use. With a multitude of policies and incentives there is the potential for perverse incentives and unintended consequences to arise.	Over the long-term this should become less of a problem as the science is clarified, allowing more accurate policy decisions to be taken which are more likely to achieve the desired outcomes. This should allow a more stable set of incentives, markets and policies to exist.	AHDB needs to ensure that there is better understanding of agricultural systems amongst policy makers, including the environmental impact of the biofuels industry on land use change, both direct and indirect. There will be a need to provide information to reconcile the conflict between a requirement for more food production and the need to reduce GHG emissions. This will require a systems-based approach, better data and a need to quantify trade-offs in the way land is used.	**Key AHDB cross-cutting outcome** BPEX: L DairyCo: L EBLEX: L HGCA: L Potato Council: M HDC: L

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National Ecosystem Assessment/EU biodiversity/Environment White Paper could lead to conflicts with GHG reduction The launch of the National Ecosystem Assessment (June 2011) presented a comprehensive statement about the delivery of "Ecosystem Services" from terrestrial and aquatic habitats in the UK. Among these, "Enclosed Farmland" represents by far the largest single area and the report will likely influence the way such things as Environmental Stewardship schemes are configured in the future. At the same time, the publication of the Government's Natural Environment White Paper has signalled the Government's priorities and policies towards conservation of biodiversity and management of other natural resources. These two publications are likely to inform and influence the Government's negotiations under CAP reform with regard to funds from Pillar 2 for positive management of the farmed environment.	The short-term impact of these publications is difficult to judge but there are undoubtedly going to be conflicts with other environmental policies such as the reduction in GHG emissions. How these might be reconciled is already the subject of a short Defra-funded pilot project which involves several AHDB Divisions. The most likely impact will be on changes to the operation of Environmental Stewardship Schemes and attempts to quantify the economic value of certain "Ecosystem Services" may have ramifications for the direction of Government investment and the onus placed on land-owners to meet new standards of environmental management.	In the longer-term, one can presume that the so-called "Ecosystem Approach" could come to prevail significantly on Government thinking and policy making. This places consideration of long-range, difficult to quantify impacts on a par with short-term economic costs and benefits in the context of policy making and political decision taking. The essence is to ensure that "natural capital" is not eroded and that short-term gain is not at the expense of long-term benefit in terms of delivering essential system functions. The target to eliminate peat could have a substantial impact on the horticultural industry.	AHDB will need to adopt a longer range, systems-based approach to its strategic thinking about the way agricultural productivity is sustained and the relationships between different components of agricultural systems. AHDB may need to strengthen working partnerships with non-traditional agencies such as NERC and the EA as well as being prepared to engage in programmes of knowledge exchange which enable levy payers to gain advantage from possible shifts in policy directions.	**Key AHDB cross-cutting outcome:** BPEX: H DairyCo: M EBLEX: L HGCA: L Potato Council: M HDC: M

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Biofuel policy on a global basis will provide an alternative demand for food/fuel and useful by products A large proportion of the worlds grains (and edible oils) are used in the production of fuel (estimated to be 40% of the US Maize crop in 2010/11). As long as supply can increase to meet the demand for both food and fuel then this should not have a huge impact on price. However, if stocks are low due to increasing biofuel demand and supply struggles to keep up then supply shocks will lead to price spikes. There is even a view that you could keep cereals prices from spiking by lowering biofuel inclusion rates in years of low cereals supply, although whether this would work would depend on the oil-cereal price ratio.	Supply is struggling to keep up with world demand meaning there are low global grain stocks and price spikes are likely whenever there is a supply shock (e.g. poor weather) to the system. Prices will also be at a slightly higher level as less productive land will be used to produce grain. There is an increasing supply of by products for use in animal feed requiring different rationing practices.	The policy decisions on biofuel inclusion rates and the potential development of 2^{nd} and 3^{rd} generation biofuels will potentially have a massive impact on demand for grains and oils.	The best way for farmers to deal with this area is to be as competitive as possible in their production costs and recognise that some of the demand is policy led and hence could change overnight. AHDB needs to provide the KT and MI services to assist farmers and industry in doing these things. Differentiation in the market for grain products of customised quality for particular markets (food, feed, fuel) may become an important driver for research.	**Key AHDB cross-cutting outcome** BPEX: L DairyCo: L EBLEX: L HGCA: H Potato Council: L HDC: L
Joining up agricultural support activities will be a focus of future policy initiatives There is increasing desire within the industry to see advice services to farmers undertaken in a more co-ordinated way. Currently there are many sources of information and advice (e.g. CSF advisors, RDP-funded activities, etc.) which can be confusing and time-consuming for farmers, growers and the supply chain to investigate. In addition, it is unlikely that all the information is delivered in a best practice manner and it may even be contradictory as it often is not holistic and focuses on achieving one outcome with limited consideration of knock-on impacts in other areas.	The short-term implication is that farmers will continue to be confused by the multiplicity of advice and information sources and some of the effort is likely to be wasted as it does not operate to best practice models.	More co-ordinated and consistent support and advice to farmers (operating to best practice) would probably support faster improvements in performance across the supply chain, both in terms of competitiveness and environmental performance.	AHDB need to engage with its colleagues in the agricultural sector (particularly publicly funded) and investigate how best to work with them to co-ordinate as much as possible (without losing the benefits of specialisation) for the benefit of the agricultural and horticultural industries and supply chains.	**Key AHDB cross-cutting outcome** BPEX: L DairyCo: H EBLEX: H HGCA: M Potato Council: H HDC: M

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Economic				
Public Sector Cuts/Economic Recovery will reduce Defra funding The current difficult financial situation within the UK has two main affects on agriculture. The primary one is the value of sterling relative to the euro and dollar, and secondly the funding available to support agriculture e.g. through R&D, etc. The Coalition is committed to reducing the structural deficit in public finances. As part of this Defra is reducing its resource budget by 29% over the next few years which will include a 33% cut in administration. Combined with cuts in public funding in the devolved Governments this will probably have a major impact on the scale of assistance provided to agriculture and horticulture.	The poor economic situation is leading to a lower exchange rate which is probably having a far greater positive impact on agricultural profitability than any reduction in Government support. There is less money available from the Government to support agriculture and horticulture. However, R&D spending has been maintained in nominal terms in the Coalition's budget. There may be loss of industry knowledge and expertise from Defra/Scottish Government/Welsh Government (SG/WG). Industry and industry organisations are being encouraged to take on aspects of delivery work (and some costs) previously undertaken by Defra/SG/WG and/or their Executive Agencies.	In the long term it is likely that the UK economy will recover compared to today, which could increase the value of sterling and reduce prices to farmers (in Sterling terms).	There will be increasing pressure on AHDB to undertake delivery work for Defra/SG/WG (possibly some which is Government funded and some which is not). AHDB needs to ensure that it only delivers what levy payers need and if this coincides with Defra/SG/WG's needs then there is a win-win. Farmers in profitable sectors should use this period of increased profitability to improve their competitiveness for the long-term through appropriate investment. AHDB should provide information to support the industry in robustly challenging cost recovery exercises to make sure they are based on the most efficient ways of undertaking the activity.	**Key AHDB cross-cutting outcome:** BPEX: M DairyCo: M EBLEX: M HGCA: M Potato Council: H HDC: M
Competitive pressure increases due to high commodity prices Higher prices for agricultural products are likely to increase investment in infrastructure and potentially bring more suppliers to the world market increasing competition to produce food.	In the short-term high prices will increase profitability in many sectors. However, these can also reduce competiveness if the higher profits are invested in the wrong way – e.g. more expensive production systems.	Being sufficiently competitive will determine future profitability, and will also support reduced GHG emissions, therefore being able to compete with whoever else is trying to access the same market is crucial for future success.	AHDB needs to continue and possibly increase its efforts to support farm and supply chain competitiveness, e.g. through R&D, KT, co-ordinated benchmarking and advice services. Part of being competitive is about ensuring the industry has developed the right products for its markets and developed the appropriate export markets for its products.	**Key AHDB cross-cutting outcome:** BPEX: H DairyCo: H EBLEX: H HGCA: H Potato Council: H HDC: H

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Volatility/Speculation in commodity markets is likely to persist The recent spikes in commodity prices have been driven by supply not being able to keep up with demand, with the volatility created by a supply shock linked to poor weather causing low production. Combined with low stock levels, the lower production has led to high prices as buyers seek to secure the supplies they need. It appears that the price spikes have been driven by fundamentals although speculators may be exacerbating the height of the high (and low). With CAP support mechanisms continuing to be reduced (or with prices well above support levels in markets which are supported) it is likely that prices will continue to be volatile for farmers and the supply chain.	Volatility is worse now than in the very recent past, but historically it has been just as high if not higher. CAP provided greater stability on prices in the past few decades. In the short-term, the impact of volatility is huge swings in profitability for farmers and a significant risk management challenge for the supply chain. This risks destabilising markets and supply chains e.g. pig production falls more than is economically rational because of the slowness of the pig price to respond to higher cereal prices. Cereal farmers produce "barn filler" varieties rather than the quality of wheat the market wants, etc.	To manage volatility, supply chains will develop to secure supplies . More integration of supply chains is likely with risk and reward more fairly shared if the chains work well. In addition, stocks levels will need to be considered and possibly increased to increase price stability.	AHDB needs to provide Market Intelligence for farmers (and the supply chain where appropriate), support the development of long-term supply chain relationships where price mechanisms can be used to stabilise prices, and provide information and training on risk management and the use of futures and options to manage risks.	**Key AHDB cross-cutting outcome:** BPEX: H DairyCo M EBLEX: M HGCA: H Potato Council: H HDC: L
Supply chain pressures will continue and Grocery Adjudicator will come in to existence To maintain a competitive edge retailers continue to press for high quality food products but at low cost, potentially creating conflict in the supply chain. The challenge is to foster more extensive collaboration and supply chain integration which continues to ensure supply chains become more competitive whilst undue pressure is not put on suppliers. This is challenging because some pressure is needed in supply chains in order to maximise competitiveness. However, too much leads to lower than optimal investment eventually leading to higher costs and lower consumer choice. The new adjudicator may help supply chains to work more optimally.	Short-term decisions to put pressure on the supply chain can lead to lower consumer choice and efficiency through lack of confidence to invest and huge swings in prices and supply as the market over reacts in both directions.	Lack of supply chain co-ordination will lead to less consumer choice and less investment as the industry is not confident of making a return on the investment.	AHDB should promote the development of integrated supply chains that reduce volatility and meet consumer demands and increase efficiency. One of the ways that this can be done is through the better exchange of information up and down the supply chain which can lead to more optimal matching of market supply and demand.	**Key AHDB cross-cutting outcome:** BPEX: H DairyCo: H EBLEX: M HGCA: H Potato Council: M HDC: M

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Population Growth leading to Export Opportunities The world population is growing and getting wealthier, with the emergence of more significant economic power in Asia, Russia, and South America having an increasing impact on the world market. This wealthier and large population will require more food, energy and water and if supply increases slower than demand then prices for all these three factors will increase. More food will need to be produced from less inputs. With increased wealth there is a dietary transition which results in more consumption of animal protein and less consumption of traditional staple foods. This results in global competition for plant-derived protein as animal feed but also provides an export market opportunity.	Price levels for agricultural products will be higher than in the past (albeit volatile) if supply does not keep up with the continuous increase in demand. There will be demand for alternative uses of land and increasing costs associated with producing food due to higher priced energy and water.	The level of technological innovation and increase in the ability to more efficiently produce food and energy and manage water will determine price levels. The ability to remain competitive, using the latest technology is key.	Increasing demand globally, particularly in the East provides opportunities for exports for our industries. Government has stated that exports have a key role to play in the recovery of the UK economy. Export of agricultural products has been identified as an important part of this. There is opportunity for AHDB to co-ordinate and deliver Government agricultural export activity through it's sector divisions. AHDB should focus on supporting market access and the development of export opportunities for both food and technical know-how. AHDB should maintain relationships with key UK/Scottish and Welsh Government agencies and departments to support our industries export efforts. In addition, the pressure on energy costs, etc, mean that efficiency of production will be key from a competitiveness and GHG reduction point of view. AHDB KT services will become increasingly important.	**Key AHDB cross-cutting outcome:** BPEX: H DairyCo: M EBLEX: H HGCA: H Potato Council: H HDC: L
Input Costs such as fertiliser and feed remain high Producers/growers and processors in all sectors face increasing input costs, such as energy, fertilisers, animal feed, etc. These are not likely to fall because the price of oil, gas and mined minerals will continue to increase due to demand, and potentially reducing supply. In addition, producers will need to consider the management of nitrogen, phosphorus and other nutrients following the revision of the Fertiliser Recommendations and implementation of the Nitrates Directive and investigation of potential diffuse pollution.	Higher input costs will reduce potential farm profitability. Closer monitoring and control of inputs will mean greater optimisation will be needed.	Higher input costs will encourage lower and more efficient usage of inputs. This should lead to fewer negative environmental impacts. It will also lead to less waste. The exact amount of inputs will always be determined by the ratio of the input cost and the product price, with higher prices leading to more inputs being used.	AHDB needs to help farmers understand what the optimal level of inputs is at different price levels in order to maximise efficient use of inputs whilst avoiding any diffuse pollution.	**Key AHDB cross-cutting outcome:** BPEX: H DairyCo: H EBLEX: H HGCA: H Potato Council: H HDC: H

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Labour and Skills shortages likely to persist Restriction on immigration has caused some problems in some agricultural sectors/supply chains and with an ageing workforce there is increasing concern within the industry and Government over the sustainability of producers over the next decade. Attracting young people with entrepreneurial skills into farming and agricultural supply chains will be crucial to the future of agriculture and horticulture. There are many initiatives springing up in response to this challenge but they are largely not joined-up and are not part of delivering an overall strategy. It is important to note that the changing structure of the farming industry and supply chains, with consolidation constantly occurring, means that the future supply of good employees is probably the key part of this challenge. In addition, in some sectors there is potential for increased mechanisation and IT to reduce labour requirements.	Lack of skilled labour will lead to lower productivity and competitiveness than would otherwise be the case. In addition, Governments may regulate and inspect more closely if farming cannot demonstrate and prove a high level of professionalism and proficiency.	As per the short-term impact, although increased mechanisation and use of IT may substitute for labour in some sectors.	AHDB has a role to support the development of the complimentary range of practical, management and entrepreneurial skills through its KT activities and funding PhD programmes. In addition, AHDB should play its part in establishing greater professionalism through the industry e.g. through CPD and/or skills/professional registers. AHDB should actively participate in the BBSRC-funded Advanced Training Partnerships that will support three HEI consortia led by: Nottingham, RVC and IBERS. AHDB should ensure that sectors are aware of new technology and its costs and benefits so that they can adopt it as soon as possible where beneficial e.g. Precision Farming	**Key AHDB cross-cutting outcome:** BPEX: H DairyCo: H EBLEX: H HGCA: M Potato Council: M HDC: M

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Sociological				
Mainstream diet changes as consumers are encouraged to eat a more sustainable and healthy diet, whilst budgetary pressures remain There are several driving factors towards changing mainstream diets: General messages towards 'encouraging people to eat a healthy and sustainable diet' are moving towards encouraging eating less meat and dairy and more fruit and vegetables through a balanced plate approach. The economy and inflation have encouraged some consumers to trade down. Although there has been a drop in eating out it seems reasonable to assume these trends will increase again as the economy recovers.	Keeping costs of food down in the short-term will be very important and a large driver of the food market making it a very competitive market place in which to operate.	It is possible that per capita consumption of meat and similar products will fall in the UK, although global consumption will increase. Producing food that is perceived as good for the environment and healthy will be a positive sales strategy for the future. Providing food in formats that suits convenience and catering will also be an increasing trend in the market as the market returns to pre recession trends.	AHDB needs to ensure levy payers are aware of the likely changes in consumer habits so that they can meet them.[3] AHDB should help to ensure that what a sustainable diet comprises is well defined through its research and educational activities. Please see Farming Image row for a key linked area.	**Key AHDB cross-cutting outcome:** BPEX: M DairyCo: L EBLEX: M HGCA: L Potato Council: H HDC: L
Protein Feed Sources from non EU sources face criticism There is increasing awareness of the fact that the EU imports significant amounts of vegetable protein for animal feed (primarily soya and maize) and there is increasing scrutiny of the sustainability of the systems of production employed in South America. In particular, close to 100% of imported protein is likely to be from GM varieties of soya bean and maize.	Concern over imported soya from non sustainable sources or global competition for supplies may lead to lower consumption of meat due to concerns about environmental impacts or simply increases in price.	As transport costs increase with oil costs, and animal feed prices increase minimising the use of imported protein will be important to the image and profitability of EU livestock production.	AHDB will need to develop a clear long-term strategy for the sustainable supply of protein to UK livestock sectors. This is likely to require a reconsideration of the use of animal protein as well as the development of differentiated and integrated supply chains. AHDB should support research into alternative sources of protein which can be grown in the EU and promote the uptake of those sources on farm.	**Key AHDB cross-cutting outcome:** BPEX: M DairyCo: M EBLEX: H HGCA: M Potato Council: L HDC: L

[3] For those sectors where exports are limited by volume/value ratios, and are more focused on the domestic market e.g. Potatoes there will be a need to be even more proactive in supporting the industry in the domestic market to increase the value of the product, and move it away from commoditisation.

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Niche/Alternative Markets could grow but will be limited and vulnerable to over supply There are a number of alternative/niche markets for supply chains to exploit. These include: • Local, greener, food mile type markets • Non-food uses (such as in biofuels) • Health benefits A small number of consumers have become more aware of environmental sustainability in the food supply chain and engage with issues such as local food, "greener food", large farms, GM technology, organic, etc. While still a small minority overall, this group has many influential members who can affect public policy and affect the direction of the private/public sector. The development of broad-acre crops for non-food uses is on the increase globally as a means of substituting for fossil-fuel derived feedstock. Plant derived materials for manufacture, fibres, fine and bulk chemicals, energy and pharmaceuticals are all in this mix.	Significant additional niche market opportunities will remain limited in the current economic climate. Niche markets are exactly that – small opportunities for a few producers – not for the majority of the producers in the market place. As the markets are small, over supply, leading to low prices is always a potential problem. As renewable "green" materials become competitive in price with oil-derived products, the market for feedstock will grow and the competition between land for food and non-food crops may intensify.	Opportunities for additional niche markets may emerge. The long- term prospects for local food, "greener" food, slow food, organic, etc., will be determined by the price of food relative to the rest of the economy/ earnings. If food is expensive these niche markets will be very small. If food is cheap these markets will grow. As renewable "green" materials become competitive in price with oil-derived products, the market for feedstock will grow and the competition between land for food and non-food crops may intensify.	New opportunities for producers and supply chains may emerge. AHDB should approach this area on a market failure basis, and only undertake activity that is not being done by commercial players. Where appropriate AHDB can provide some advice and information to those levy payers want to access alternative/niche markets but AHDB needs to focus on supporting competitiveness not niche market development as this will have the greatest potential impact. Much of AHDB's information and services will be relevant for all producers whether mainstream or niche.	**Key AHDB cross-cutting outcome:** BPEX: M DairyCo: L EBLEX: L HGCA: L Potato Council: L HDC: L

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Farming Image in mind of consumers confused by conflicting media coverage There are many mixed messages about farming being relayed to mainstream consumers. On the one hand consumers tend to be supportive of farmers but, there continues to be a lack of trust, confusion and scepticism by some consumers over large herds/farms, modern disease and pest control, GM crops, cloning, TB control, GHG emissions from agriculture, etc. The industry could do more to engage with consumers and policy makers and help them understand about modern farming. In addition, farming must be prepared to consider whether all of its practices which we are familiar with on a day by day basis are appropriate in the modern world. To do this, consumers must be engaged with actively and constantly.	If there is not a good understanding of farming then consumers and politicians may have knee-jerk reactions without examining the evidence base. This could impede the development of UK farming.	If UK agriculture is not able to become more competitive, either UK consumers will have higher food prices than elsewhere in the world and/or we will export our food production to countries where new technology is more readily accepted. Consumers will then have little option but to purchase food produced in ways that contravene UK regulations, (an example of this would be the export of the UK pig industry to the rest of the EU).	AHDB needs to help ensure that the policy makers in the UK/EU, mainstream consumers (and future consumers through educational activities) have a good and balanced understanding of modern agriculture and the evidence/information they need in the format they need it in. AHDB should work with global colleagues to gather the information and evidence needed for this activity. AHDB should work with others in the industry to promote the farming and growing industries e.g. through Open Farm Sunday and our educational activities.	**Key AHDB cross-cutting outcome:** BPEX: L DairyCo: H EBLEX: M HGCA: L Potato Council: H HDC: L

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Technological				
Genomic Technology is becoming more accepted elsewhere in the world Genomic technology offers many potential benefits to agriculture and horticulture. There is increasingly renewed interest in the benefits of biotechnology, including GM, diagnostics to support conventional breeding, genotype based diets and cloning, etc, as a route to improving production efficiency/yield/human health. Concern exists around these technologies for several reasons including the fear of the unknown, the monopolistic control of these technologies by large multinationals and the lack of public science involvement. This leads policy makers and the public to be concerned that profit is the only motive and concern that safety or animal welfare may be given secondary consideration.	The benefits from genetic and genomic technologies globally have been considerable in a few traded crops (maize, soya, cotton and oilseeds). The momentum is likely to increase as demand grows. The productivity of those crops has increased enormously in recent years by comparison with so-called "orphan crops" such as wheat. The EU continues to be resistant to the introduction of GM crops but the uptake and impact of genomic selection and other new technologies is likely to have rapid impact.	New technology brings the best hope of the significant step changes in productivity needed to feed a growing world population. The inability of EU/UK to access and adopt new technology will seriously hamper the ability of the EU and UK to compete with other countries and be profitable.	AHDB needs to ensure the industry and policy makers understand the pros and cons of new technologies and the opportunity costs of not being an early adopter. The involvement of more publicly-funded scientific activity in product development is probably crucial if new technologies are going to receive wider public acceptance in the EU.	**Key AHDB cross-cutting outcome** BPEX: M DairyCo: H EBLEX: H HGCA: H Potato Council: H HDC: M

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Lack of applied R&D and KT as Government reduce funding There is a need for technical research and knowledge exchange/transfer to maintain competitiveness and to respond to the need to reduce GHG emissions as well as minimise waste, increase resource use efficiency and counter threats from pathogens and parasites of livestock and diseases, pests and weeds of crops. There is growing concern about the need to increase the level and reach of Research and Knowledge Exchange (both publicly-funded and industry-funded) that is clearly directed towards the resolution of major challenges in order to increase longer-term productivity on a sustainable basis – sustainable intensification.	There are shortages of capability in the science base with the erosion of some key disciplines, such as soil science, animal nutrition, weed science, crop pathology, etc. Also, the age structure of the science base is problematic and there are issues of succession for some areas of applied science of relevance to agriculture/ horticulture.	In the long- term the lack of applied science and KT focus will inexorably lead to the weakening of the competitive position of UK agriculture and lower profits.	AHDB must act as the knowledge house for the sectors it works for, bridging the gap between scientists, policy makers, industry and farmers and work with policy makers to ensure there is adequate funding of applied R&D and KT. We must work to preserve the whole pipeline of research, from strategic to applied, to KT. We must also access knowledge from around the world in order overcome the lack of indigenous researchers. Funding of this area and leveraging funding from other sources must be a key priority for AHDB. The KT part of this area is at least as important as the R&D area as R&D without effective KT is worthless.	**Key AHDB cross-cutting outcome:** BPEX: H DairyCo: M EBLEX: H HGCA: H Potato Council: H HDC: H

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Crop and Animal Performance is slowing after the post war boom There has been a slow down in the increase in productivity in many sectors in recent years. This is for a variety of reasons – low profitability, less investment in applied R&D and KT, lack of focus on improving production levels. Much of the financial incentives, technical advice and support, implementation of new varieties of crops, etc., ended when supply of food in the EU exceeded demand. With the expected increase in world demand for food, the EU and UK has an opportunity to scale-up productivity. One issue in keeping productivity up is the availability of pesticides. This comes to three issues: Consumer attitudes (see farming image), legislative (see 'Legislative') and finally resistance/new pesticides.	Lack of improvement in productivity will lead to lower profitability and greater competition from other countries whose productivity is improving. More expensive pesticides which don't have resistance problems are needed to control pests and diseases.	Greater environmental damage, greater food insecurity and less profitability in the UK agricultural and horticultural sector than in other parts of the world. Lack of pesticides that are effective is inherently unsustainable – methods should be developed to make pest and disease control more sustainable.	AHDB must work with partners to ensure the UK productivity increases at least as fast as competitors. This will involve working with policy makers to ensure policies do not hinder productivity, supply chains to ensure the incentives exist and through KT with farmers to improve business management and technical performance. AHDB should support the development of sustainable methods of disease and pest control which can be used to maintain yields at current levels.	**Key AHDB cross-cutting outcome:** BPEX: H DairyCo: M EBLEX: H HGCA: H Potato Council: M HDC: H
Uptake of IT/Precision Farming is patchy across and within agricultural sectors There is a poor understanding and uptake of ICT performance-based measurement tools, and precision farming techniques and technology, within some sectors. With increasing growth in ICT applications used for supply chain operations there is increasing potential for producers to gain efficiencies in supply chain co-ordination. The rate of change in electronics, information technology and sensors will continue to be very rapid. In the next 25 years, this may result in miniaturised biosensors actively monitoring crops and animals and controlling highly targeted inputs for water, nutrition, crop protection etc	If farmers and growers do not (or cannot) take up new technology their productivity will not keep up with competitors and profitability will suffer. In addition, greater precision can mean less waste and less bystander exposure, etc.	As for short-term.	AHDB will need to support the uptake of this technology through communicating its value and benefits in order to meet our competitiveness and environmental objectives and also to improve the image of farming with consumers and policy-makers.	**Key AHDB cross-cutting outcome:** BPEX: M DairyCo: M EBLEX: M HGCA: M Potato Council: M HDC: H

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Legislative				
Trade Negotiations under WTO are not complete. Bilateral trade deals are emerging The WTO has aspirations to complete the Doha round by the end of 2011. In the absence of a multilateral trade deal, bilateral trade agreements will continue to influence global trade flows in the short to medium-term. Mercosur talks have resumed. This will be of serious concern to EU beef producers, as Argentina and Brazil may look for greater European access.	The increase in average world commodity prices to above EU prices in many sectors has reduced the potential impact of this free trade in many products (cereals, dairy) whilst in others remains crucially important (beef, sheep, pigs).	Increased access to EU markets for meat products would probably lead to significant pressure on UK/EU farmers.	AHDB needs to provide the industries with information on the likely market impacts of any agreements. AHDB needs to ensure the industries are as competitive as possible in the markets in which they operate in order to maintain profitability. AHDB should promote trade based on equivalent sanitary and phytosanitary standards.	**Key AHDB cross-cutting outcome:** BPEX: M DairyCo: L EBLEX: H HGCA: L Potato Council: M HDC: L
EU GM/Novel Foods/Pesticide legislation is not as responsive as many other parts of the world The approach to GM and other new food production technologies from the EU is crucial to the uptake of these technologies. Legislation could prevent or delay the uptake of technologies widely in use in other parts of the world and also discourage the development of technology specifically suited to EU/UK climatic and production conditions.	As per the long-term impacts.	The UK/EU agricultural and horticultural industries are falling behind the competitiveness of other countries because they cannot use the same technology. This could increase the cost of food for consumers, increase GHG emissions and possibly export our industries to other countries with standards that would not be allowed in the EU.	AHDB should help the scientific community ensure that policy makers have the evidence and information that they need to make informed choices.	**Key AHDB cross-cutting outcome:** BPEX: M DairyCo: L EBLEX: L HGCA: H Potato Council: H HDC: H

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CAP Reform will change the policy background including the greening of Pillar 1 Several sectors continue to adjust to the post-2005 support structure and the removal of direct production subsidies. Further detailed proposals to change the CAP are expected in late 2011, following the communication from the EU regarding the likely future shape of CAP in December 2010. The changes to CAP will be within the context of the forthcoming wider negotiations on the EU budget framework post-2013. The key development is likely to be "greening" of Pillar I. This is likely to mean that farmers have to undertake additional actions to receive their Single Farm Payment.	Limited impact in the next few years before the new CAP systems are brought in to place.	The precise details of CAP Reform will affect the entire industry. However, until the details are known it is not possible to determine the full effects. What "greening" actually entails will determine the effect on the industry – which could be significant or could equally be less so. However, it is important to note that the need for a common market and competitiveness are key, which if not supported by CAP Reform may lead to disadvantage to parts of EU agriculture.	AHDB needs to work with the farming unions to explain to farmers and the supply chain what the impacts may be and ensure that policy makers have the information they need access to ensure that the outcome they want is likely to be achieved by the measures they propose to put in place.	**Key AHDB cross-cutting outcome:** BPEX: L DairyCo: M EBLEX: H HGCA: H Potato Council: M HDC: L
Compliance with Legislation is becoming more costly By complying with a wide range of environmental and other food regulations, producers are increasingly bearing higher costs of compliance. With growing concerns over environmental protection and food safety the EU will be continuing to focus on food hygiene/safety and animal welfare/disease regulations. An example of this is the reduction in the number of pesticides due to adoption of new legislation, which entered into force in June 2011. The potential impact of other EU plant health/sustainable use policy measures currently under review (pesticide residues, Sustainable Use Directive, Water Framework Directive, etc) will, in due course, impact on all producers.	As new regulations come in famers and industry have to understand them and implement them. This takes time and money to do so. The implementation of the recommendations of red tape task force may help to mitigate some of the historic legislative perverse outcomes and gold plating.	Higher standards in the EU that importers do not have to also meet will simply result in EU consumers consuming food that would not be allowed to be produced in the EU and the exporting of the industry to other countries. Any more stringent regulations in the EU must be compensated for by the introduction of payments to farmers, or import controls on food stuffs not produced in the same way if the regulations are not to be self-defeating.	AHDB should ensure that policy makers have the evidence and information that they need to make informed choices. AHDB needs to work with industry organisations to engage with policy makers and regulators over the implementation of regulations, including 'horizon scanning' regarding new regulations and taking a pre-emptive approach to EU proposals.	**Key AHDB cross-cutting outcome:** BPEX: H DairyCo: M EBLEX: M HGCA: M Potato Council: M HDC: H

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Environmental				
Climate Change adaptation will be required in the EU Adapting to climate change will becoming increasingly important across many parts of the world as global average temperature increases, changing the climate. Farmers will need to review cropping and production choices and methodologies. In particular, weather "windows" may change in timing, sometimes with positive results – e.g. a longer growing season, sometimes not – e.g. new pests get a foothold in UK due to a more favourable climate.	Limited – the weather is likely to have more of an impact than climate change in the UK.	As the UK is expected to be one of the countries least affected by Climate Change in the modelling that has been carried out, adaptation is less of a priority than mitigation. However, as we are less likely to be severely impact, the importance of the UK as a food producer is likely to increase. Changes to the climate may require some adaptation, but as changes take place slowly the industry will adapt steadily, e.g. changing the timing of operations, etc.	AHDB needs to ensure that the potential increase in importance of the UK as a food producer is understood by stakeholders and policy makers, with particular reference to the land use trade off and food security issues[4].	**Key AHDB cross-cutting outcome:** BPEX: L DairyCo: L EBLEX: H HGCA: L Potato Council: M HDC: M
Water Management is an emerging priority Fresh water availability is one of the key global challenges. However, most of the UK is reasonably well-supplied for most of the time in most years. The exception is the densely populated and drier SE of England where there is less water per capita than in Morocco. Farmers in the dry SE often have limited extraction capability and certain crops (sugar beet, potatoes, vegetables) are reliant on irrigation. Horticulture in the SE is also constrained by the availability of water at certain times in most years. The substantial issue in the UK is water management around pollution and waste control – coping with the Water Framework Directive and related legislation. The sustainable use of water is a growing concern as indicated in the Water Framework Directive and will probably affect attitudes to food production in the long-term.	Ensure that those crops that require irrigation can be irrigated by investing in water storage and distribution. Ensure that NVZ and other regulations are complied with.	Concerns about "embedded" water could lead to lower consumption of meat products, but could also provide a boost to home produced foods where water is more abundant than in many other countries and production systems are based on grass from natural rainfall – potentially providing a competitive advantage. For UK products which are heavily dependent on irrigation, there is a need for studies of comparative sustainability in terms of yields per m^3 extracted water relative to imported product. There may be re-distribution patterns of crop production based on water availability.	AHDB needs to ensure that the industry has the evidence it needs to demonstrate that water use is often needed for efficient crop production. This means policy makers can have the information and evidence they need when they are developing policies and regulations. We can also ensure consumers understand the situation regarding water in UK produced products.	**Key AHDB cross-cutting outcome:** BPEX: M DairyCo: M EBLEX: H HGCA: M Potato Council: H HDC: H

[4] The role of trees and plants in public spaces and gardens to help mitigate the effects of climate change through temperature reduction, rainfall buffering, etc should be promoted.

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Managing natural resources like soil will be increasingly important Managing the natural resources (such as soil) associated with production is important for both ensuring competitiveness and productivity and ensuring consumers views of farming are positive. Particular issues include pesticides and their impact on natural resources (which is covered in other areas), soil management, and peat usage.	Poor management of natural resources such as soil and peat will lead to poor consumer views of farming and lower productivity if we allow soils to degrade	As per short-term.	AHDB should ensure that farmers are provided with information on consumers and policy makers attitudes towards farming practices so that they can take them in to account when making decisions. In addition, AHDB should ensure farmers have access to the best practice advice about how to manage soils and reduce peat usage.	**Key AHDB cross-cutting outcome:** BPEX: H DairyCo: M EBLEX: H HGCA: H Potato Council: H HDC: H
Environmental trade-offs between land uses See item under ‘Political’.				