

New Entrants Gathering

“Opportunities for Growth”

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World Population Grows

The population passed through 7 billion in 2012.....and is forecast to exceed **9 billion by 2050**

That's a population expanding at a rate of 200,000 per day!!

Agricultural Area per Person

A SHRINKING FIELD

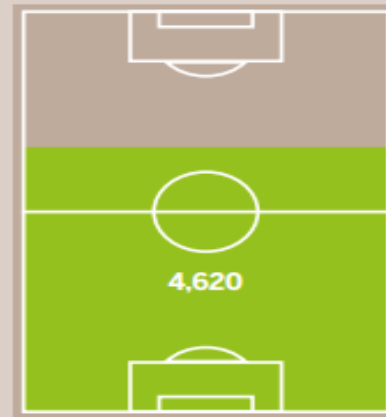
Agricultural area per person, in square metres
Compared with 1 football field = 7,140 square metres

■ Developed countries

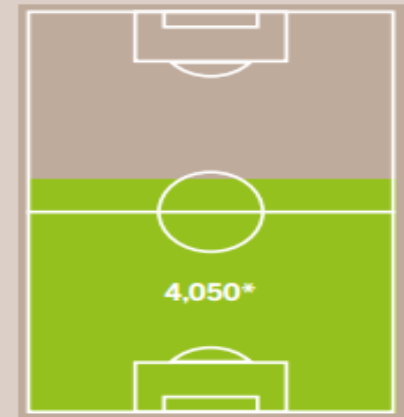
■ Developing countries



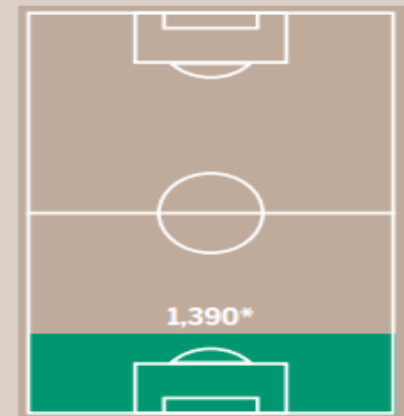
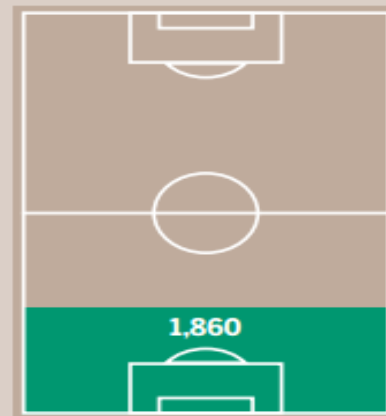
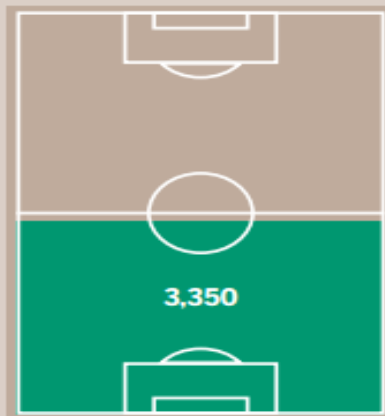
1960



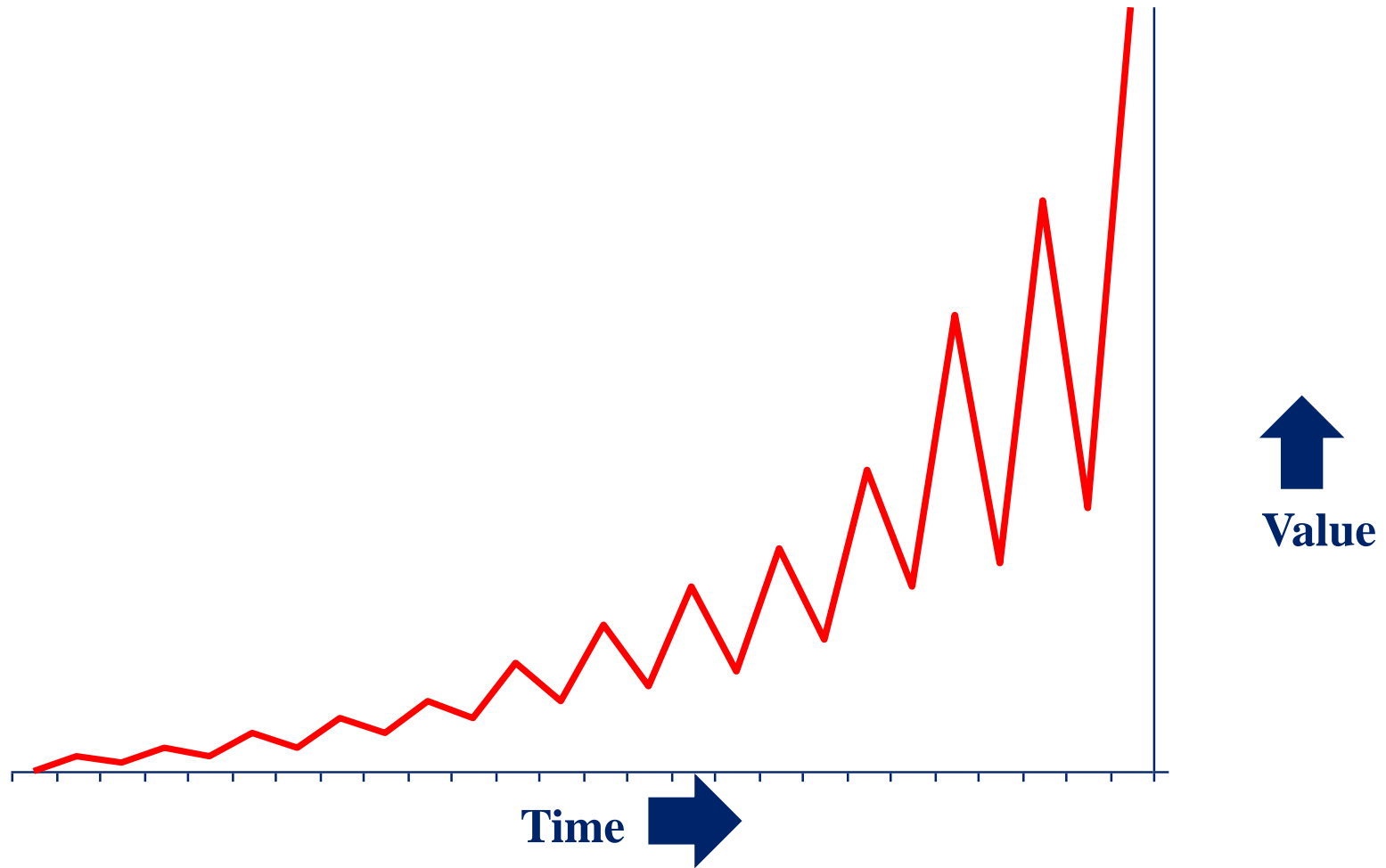
2008



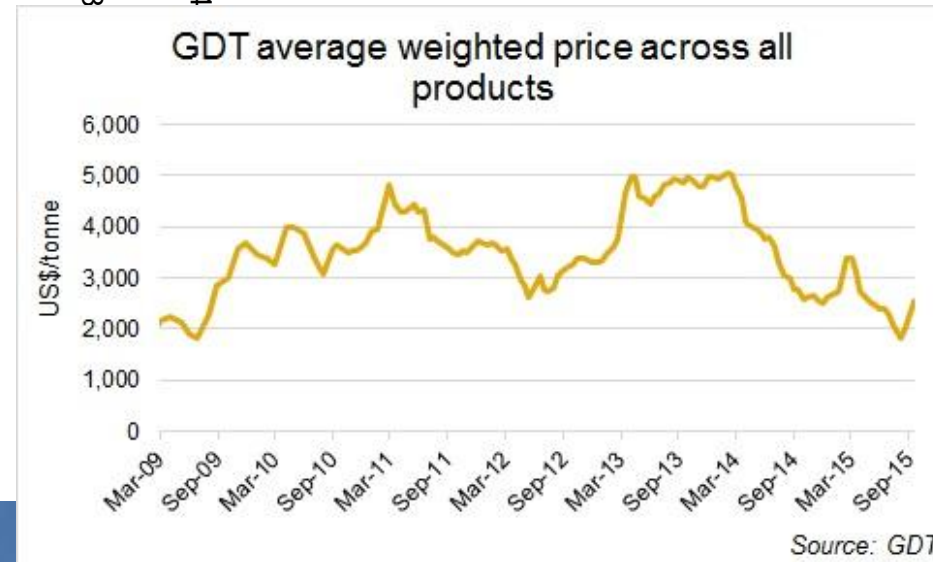
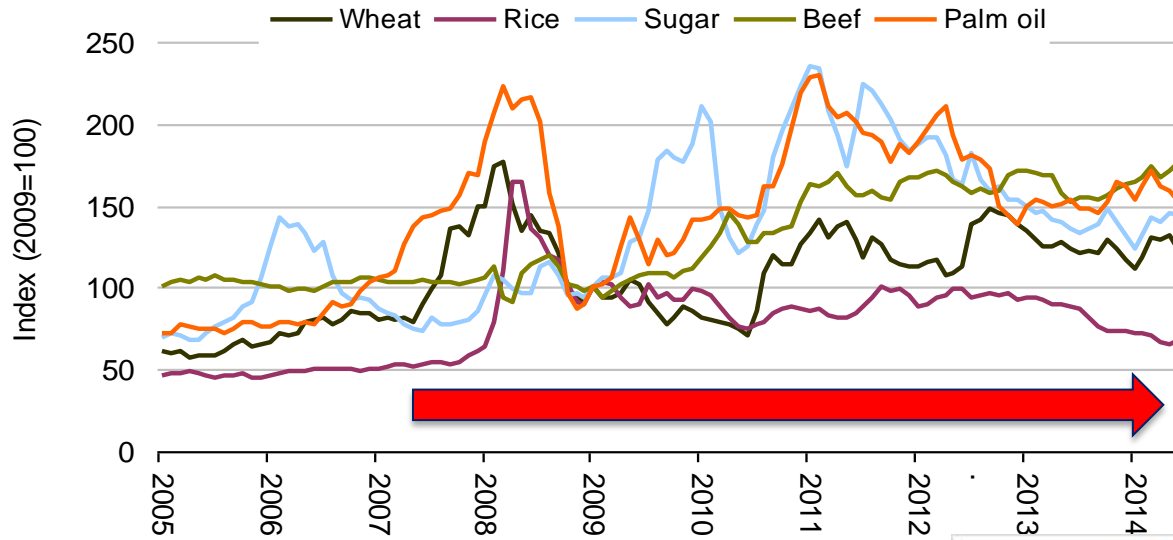
2050



Growth BUT Volatility



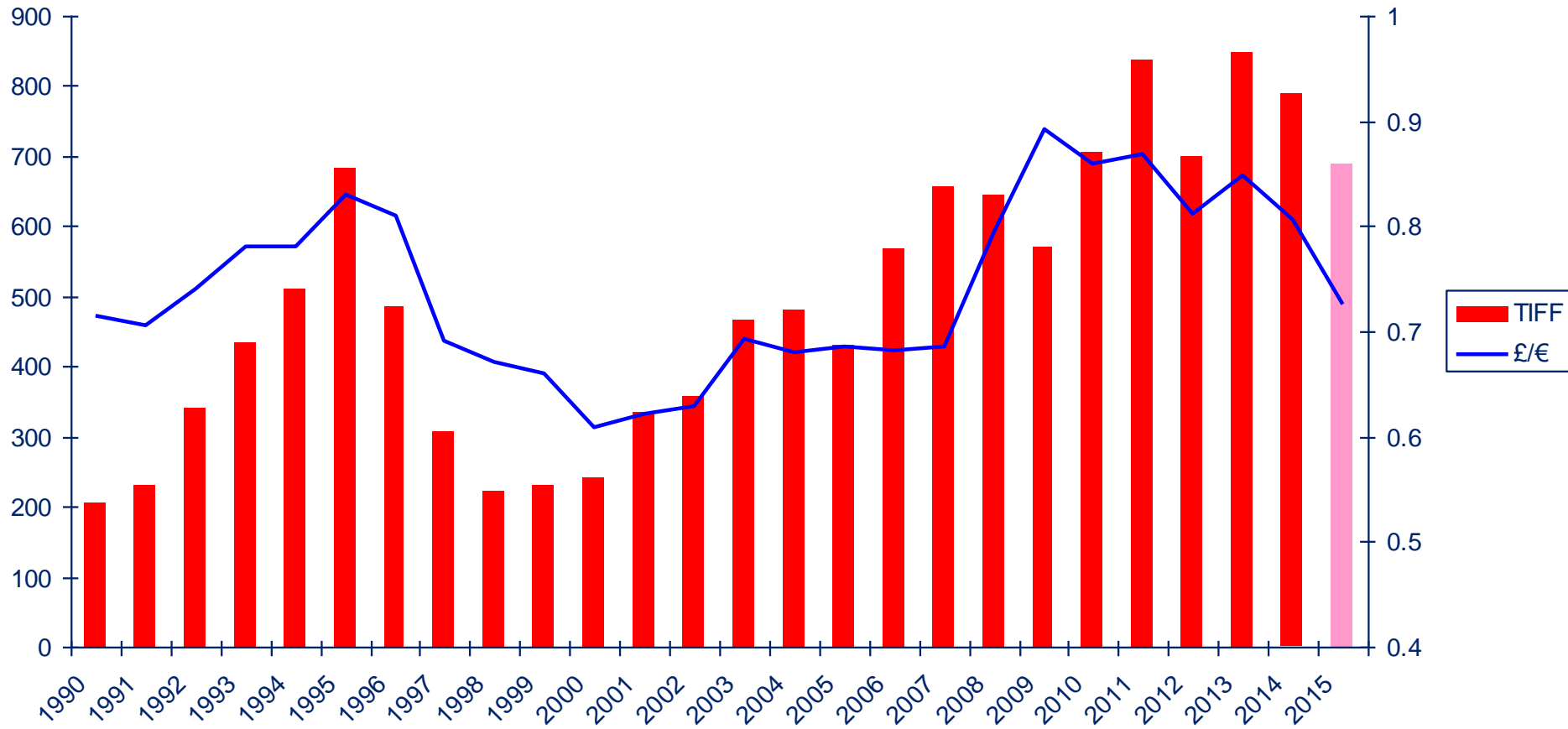
The new world - Volatility



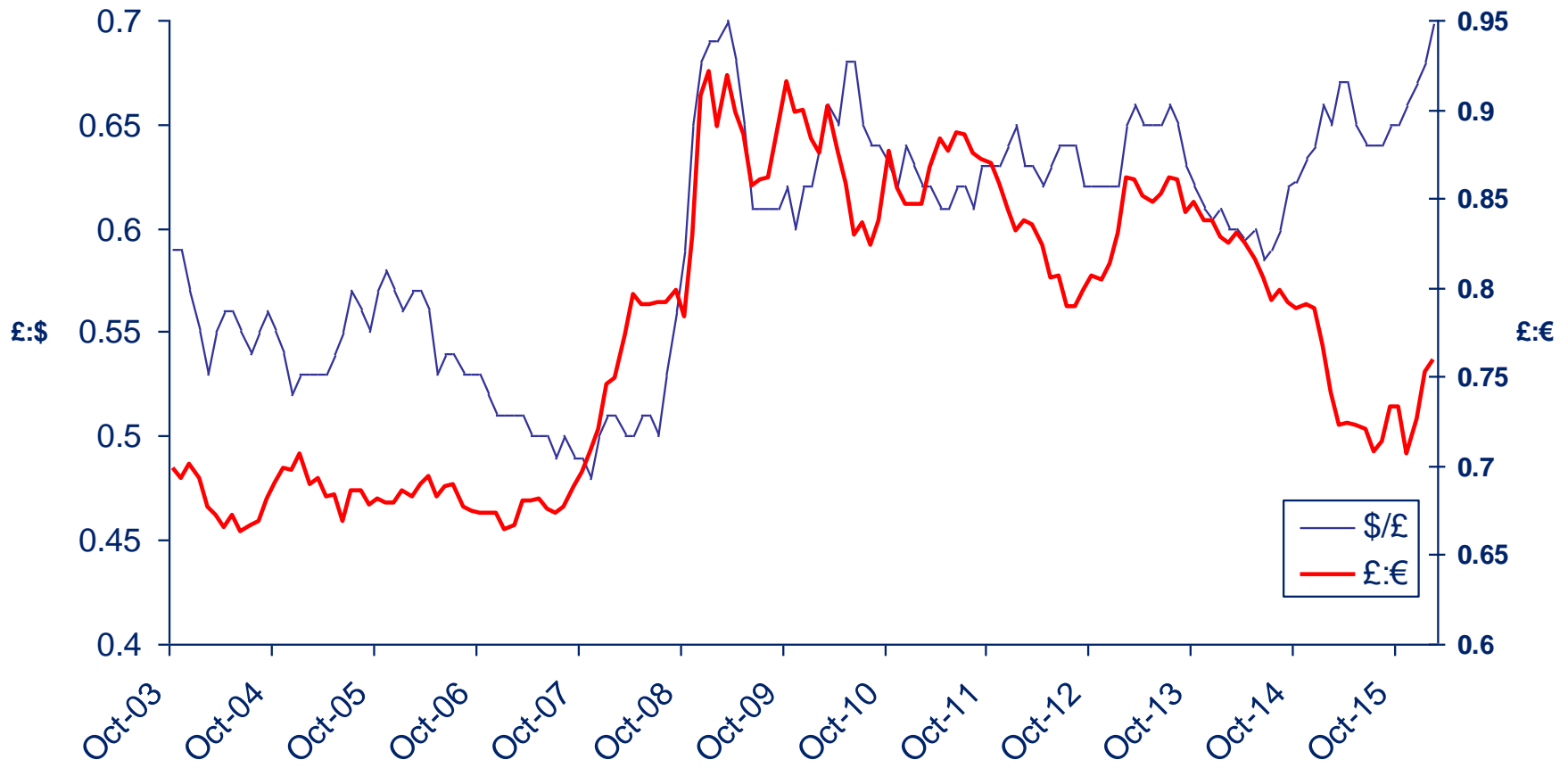
2016 – Commodity Prices

Commodity Prices February 2016 vs February 2015			
Cattle	342p/kgdwt	-30p	-8 % (-5%)
Sheep	397p/kgdwt	-32p	-7% (+4%)
Pigs	120p/kgdwt	-22p	-15% (-16%)
Cereals (Wht)	£102/t	-£16	-14% (-18%)
Cereals (Bar)	£96/t	-£20	-17% (-10%)
Potatoes	£154/t	-£39	+34% (-24%)
Milk (November)	24.20p/l	-4.54p	-16% (-16%)

Total Income From Farming (TIFF) Scotland against Sterling: Euro Exchange Rate

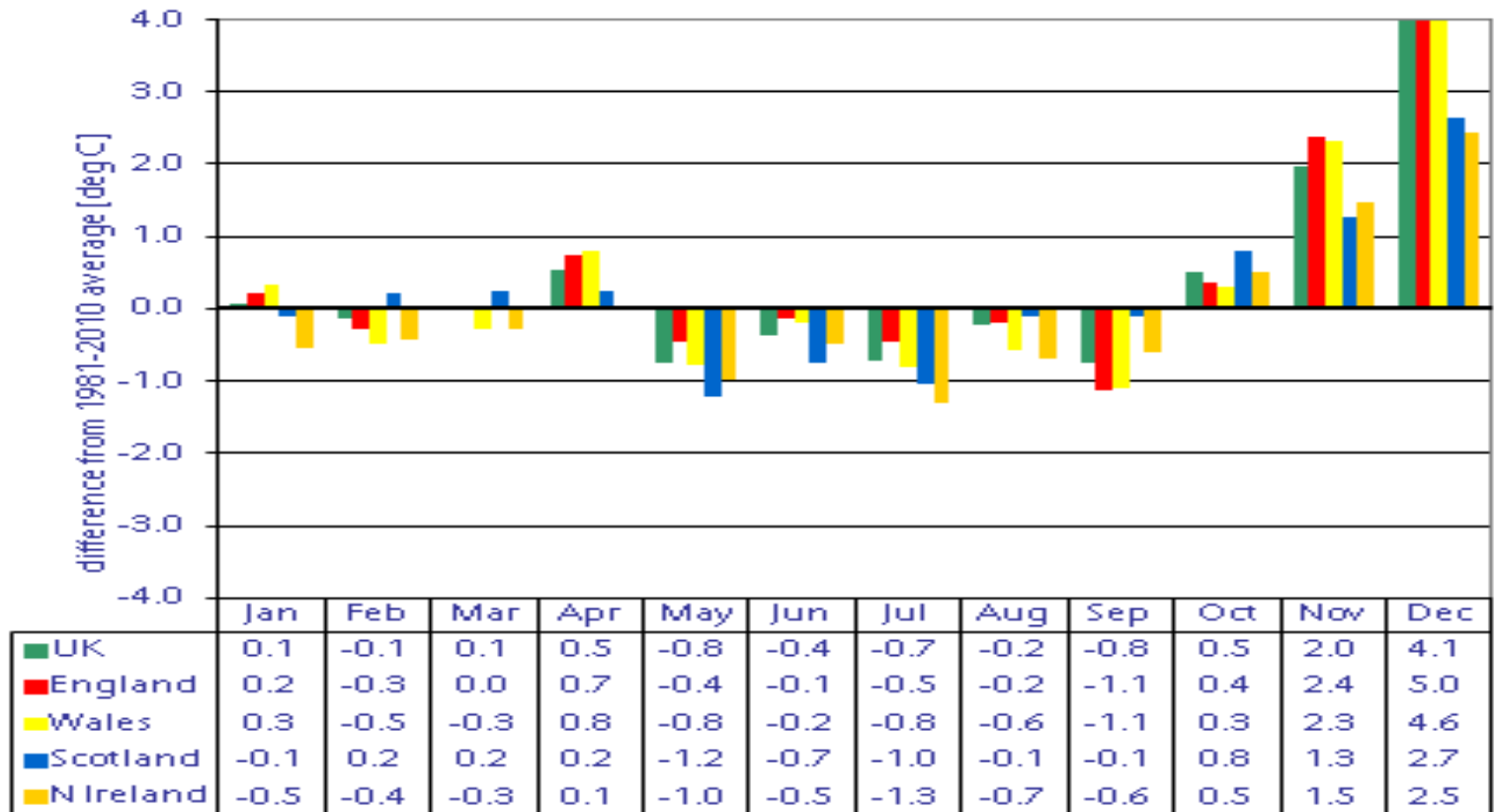


Historic Exchange Rate



Temperature 2015

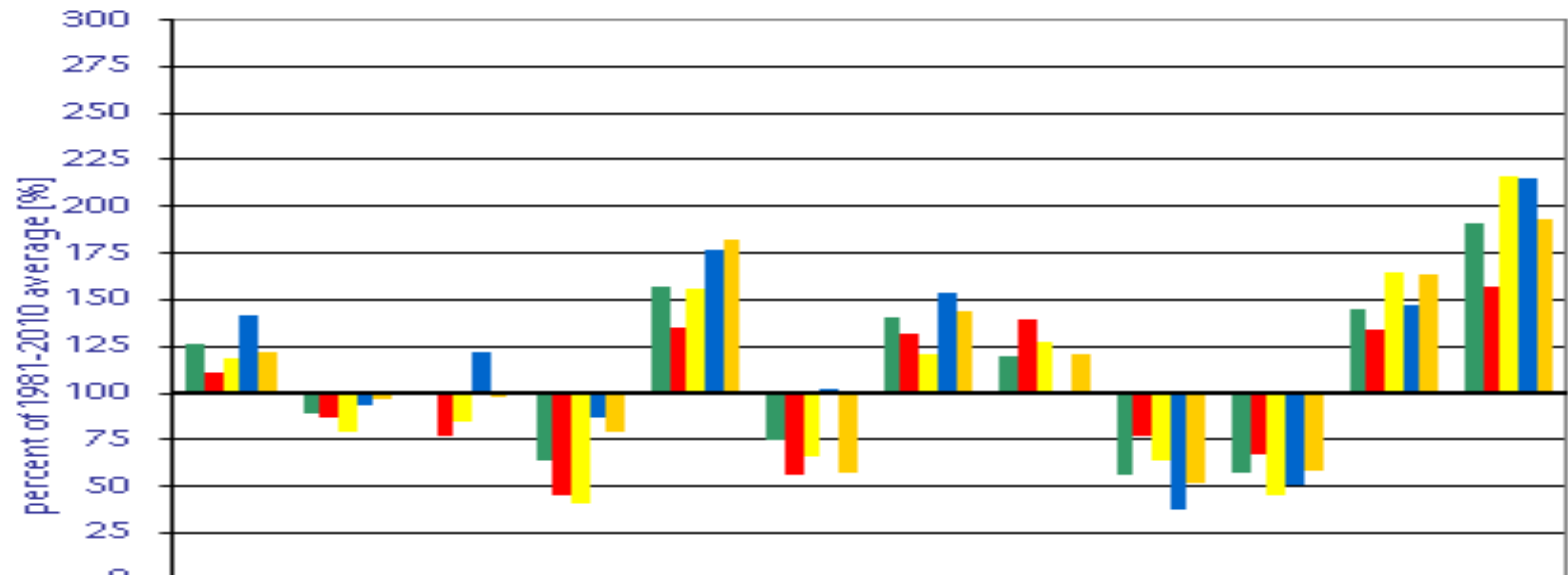
Mean temperatures (1981-2010) anomalies for 2015



Source : Met Office

2015 Rainfall

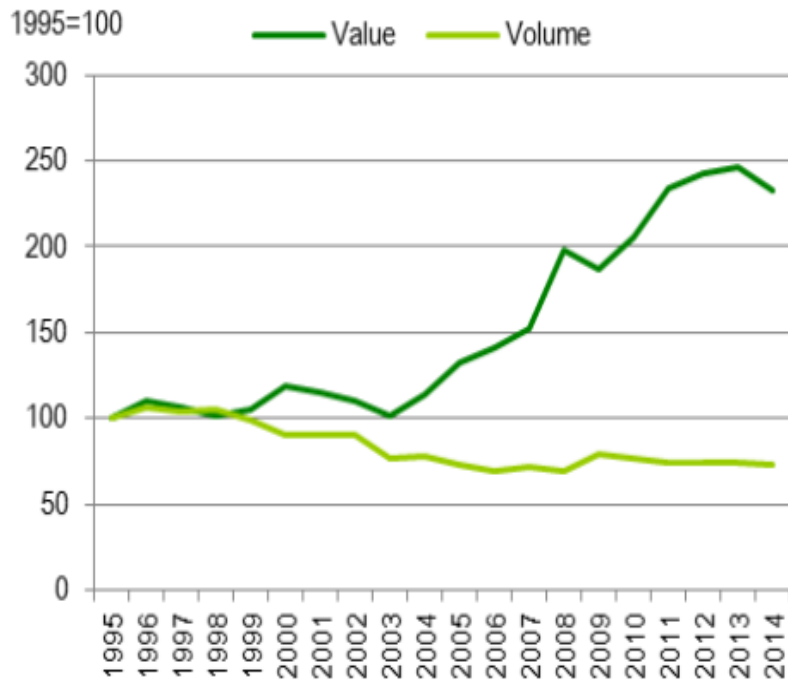
Rainfall (1981-2010) anomalies for 2015



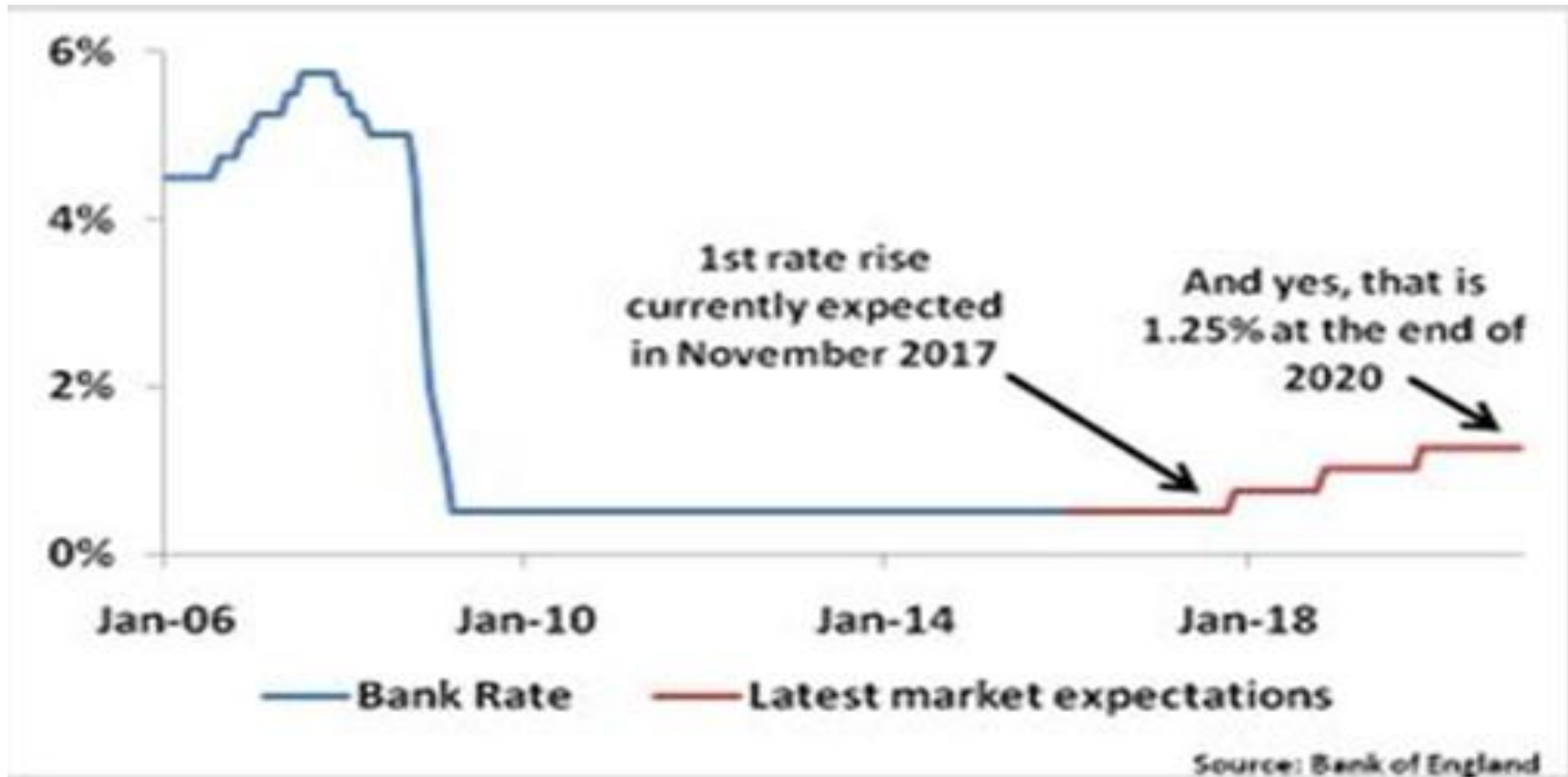
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
UK	127	89	100	64	157	75	140	120	56	57	145	191
England	110	87	77	45	135	56	131	140	77	68	134	157
Wales	119	79	84	41	156	66	121	127	64	45	165	217
Scotland	142	93	122	87	177	103	153	99	37	50	147	215
N Ireland	122	97	98	79	183	57	144	120	52	59	164	193

Source : Met Office

Energy Index for Value and Volume

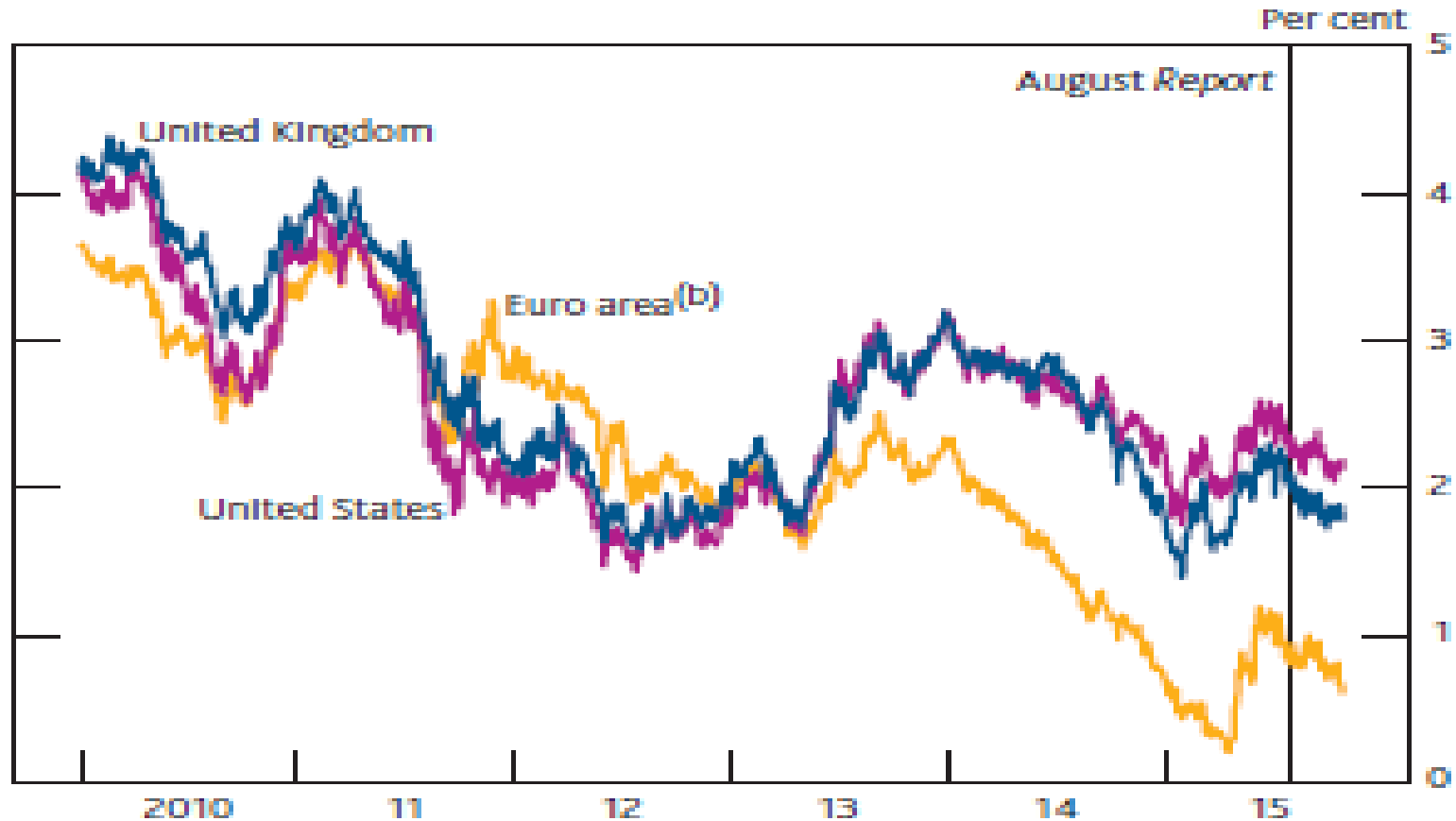


Latest Bank Rate Forecasts



Longer term interest rates have been falling since late 2013

International ten-year government bond yields(a)



Sources: Bloomberg and Bank calculations.

Bloomberg, Bank of England

Differentiate between 'good' and 'bad' costs.....



The New Norm

Volatility

=

Risk / Opportunity

What is Risk?

“possibility of loss”

Variability in net worth - often resulting from variability in income or expenditure

The Problem with Risk

People tend to be risk averse

Risk reduces incentives for investment and therefore retards economic growth

Sources of Risk in Agriculture

Yield variability

- weather, pest, disease

Price volatility

- supply/demand shock, exchange rate movement.....

Variability in cost of inputs

- Interest rate risk

Changes in government regulation or support

“Ignorance”

Is risk always bad?

Risk is often positively related to returns

stock market -v- savings account

Entrepreneurship is about taking risks

**“In business our objective is not to
eliminate risk but to manage it”**

Risk Management in Business

Key part of farm business management

but....

Managing risk can be costly - low risk and high returns seldom go together

and....

Individuals have different risk tolerances

therefore....

Risk management is about choosing the enterprises and management strategies which conform to your risk and return objectives

Risk Management Strategies

■ Loss control

taking steps to reduce the likelihood or magnitude of loss

■ Transfer

pay another party to take part of the risk

■ Retention

self insurance

“These are not mutually exclusive, but can be costly”

Risk Management Strategies

■ Loss control

inputs (irrigation, varietal choice, pest control)

diversification (enterprises, geography....)

Off-Farm Income

■ Transfer

life, liability, disability insurance

crop/stock insurance

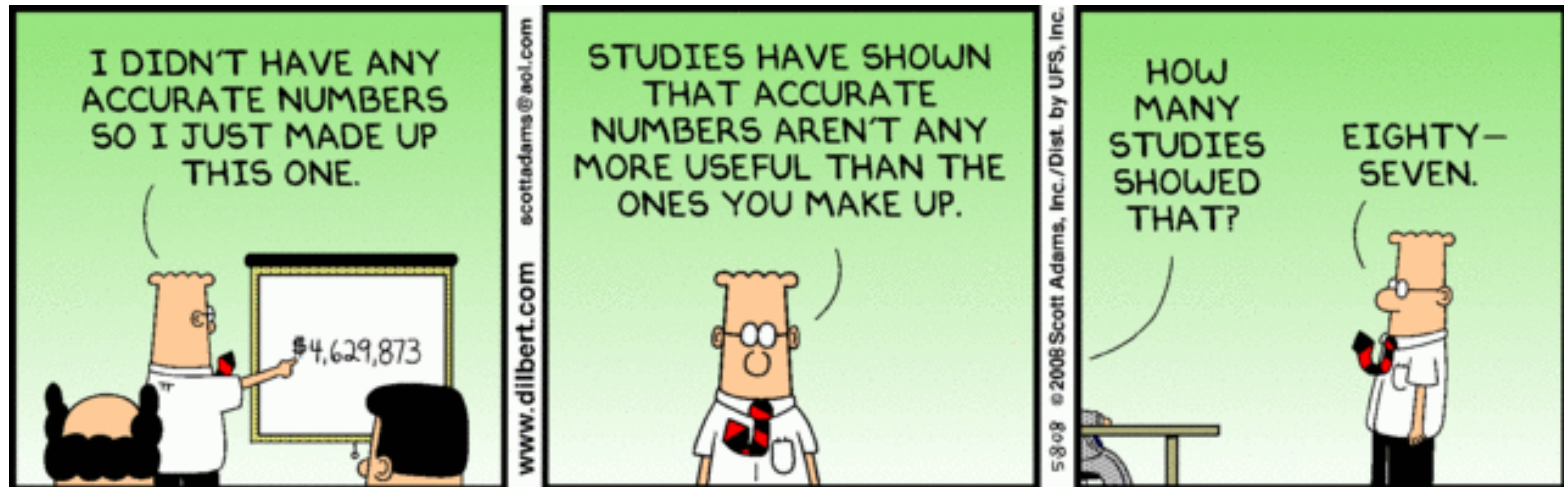
forward contracting

cost/price hedging

■ Retention

Capital reserves (reduced debt, liquid assets)

Risk management relies on having accurate data.....



Weighing up the 'risks'

- small acreage (and/or poor land)
 - technically inefficient
 - big spenders
 - heavy borrowers
-
- + fair acreage (and/or good land)
 - + technically efficient
 - + good cost control
 - + owner occupier

In summary.....

- **Recognise the risk**

- **Manage the risk**

 - Training/qualifications

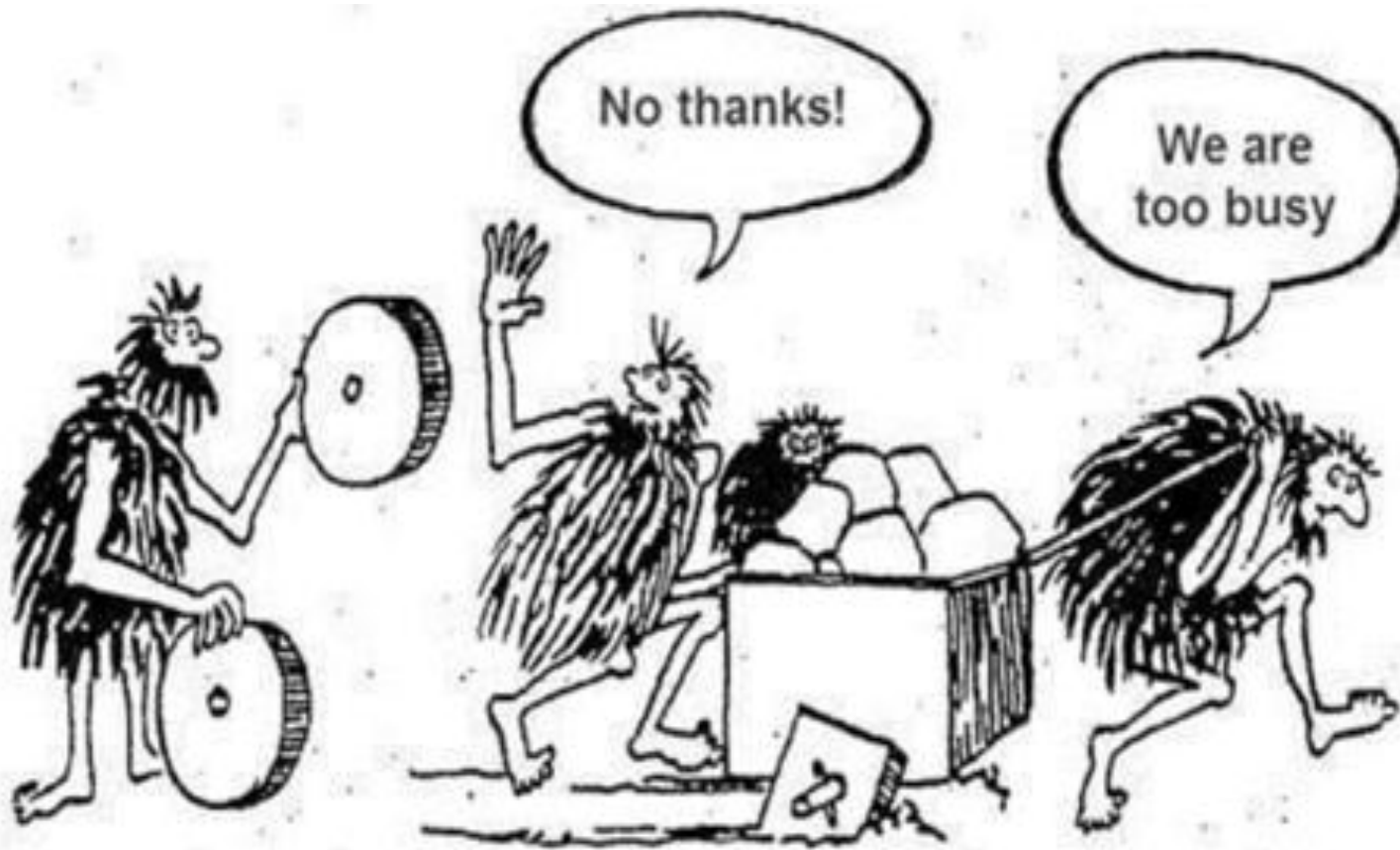
 - Experience

 - Business Plan

 - Sensitivity Analysis

 - Potential Exit Strategy

Don't be the busy fool!



Thank you

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