

A background image showing a vast green agricultural field under a bright blue sky with scattered white clouds. A semi-transparent green-to-blue gradient box is overlaid in the center, containing the title text.

Annual Review and Outlook 2018-19: Agriculture Trading

30 JANUARY 2019

Activity was characterised by market change in 2018, with the increasing spread of digitalization and continued pressure to reduce operational costs.

Global agricultural markets showed signs of improvement in 2018 after several years of weak results, however this did not prevent the industry from undergoing another year of organizational change. Recruitment activity, particularly in the front office, was low in 2018, with companies continuing to consolidate, cut costs, and drive efficiencies through the value chain. One interesting trend caused by this environment has been that of traders seeking career stability in risk-management roles at consumer-packaged-goods companies. Growth in hiring activity was largely concentrated in companies looking for talent with digital skills, and we expect this trend to continue in 2019.

Digitalisation has been having noticeable effects on the trading environment, with yield and trade data that was once the preserve of a select group now available to anyone with the right subscriptions. Live price and weather data accessible by smartphone make it easier for farmers to sell every bushel, and email and social networks give them more information to support decisions. The trends flowing from this situation in 2018 also included smaller merchant groups diversifying into secondary commodities that offer more trading opportunity.

The growth of interest in digital has also been affecting the hiring space more directly, with companies employing more graduates and senior leaders with digital skills in 2018 as talent markets emerge around the increasing deployment of 'ag tech' and the Internet of Things. Roles that would once have been filled by candidates with pure agricultural science backgrounds are now being offered to graduates with expertise in engineering, coding, robotics and data science. This trend is expected to develop further in 2019 as agricultural firms move deeper into the 'fourth industrial revolution' of data-driven operations.

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The spread of new technology is driving innovation in academia, as well as in the start-ups that big companies are now looking to support and incubate. We saw significant growth in the corporate venturing and development space in 2018, with around \$4.7bn invested globally. Investment is expected to grow rapidly in the coming years, with a particular focus on areas including improving yields, connecting producers and consumers, improving traceability and increasing the health and nutritional benefits of food. Personnel in this nascent sector are having to be sourced from a variety of different sectors including private equity, private venture capital but also individuals with corporate venture experience from more mature industries.

Industry consolidation drove organizational re-structuring and executive leadership changes at several leading agri houses in 2018, with both Louis Dreyfus and Bunge having made CEO changes towards the year end. In a market where the only certainty is uncertainty, we expect 2019 will bring continued disruption to the sector, as companies strive to position themselves for future success.



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