E-commerce in Ag Retail
An Update

2019 Farmer Cooperatives Conference

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To live is to change,
and to be perfect
is to have changed often.

St. John Henry Newman

Outline

- Broader Context
- Farmer Use
- Competitive Landscape
- Things to Watch

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Broader Context

- Technology is the **how to your what and why**

- The what and why has not really changed
  - Why: Meet farmers needs
  - What: Provide farmers with inputs

- E-commerce: *One* technology to better meet farmers' changing needs

Broader Context: Global, Cross-Industry

TOP ONLINE CATEGORY PURCHASING

% Global Consumers Claimed Purchasing, 2018

FASHION	61%
TRAVEL	59%
BOOKS & MUSIC	49%
IT & MOBILE	47%
EVENT TICKETS	45%

ONLINE PURCHASING – TOP 3 CATEGORIES BY REGION

% Global Consumers Claimed Purchasing, 2018

ASIA PACIFIC	
TRAVEL	70%
FASHION	69%
IT & MOBILE	55%

NORTH AMERICA	
TRAVEL	55%
BOOKS & MUSIC	55%
FASHION	54%

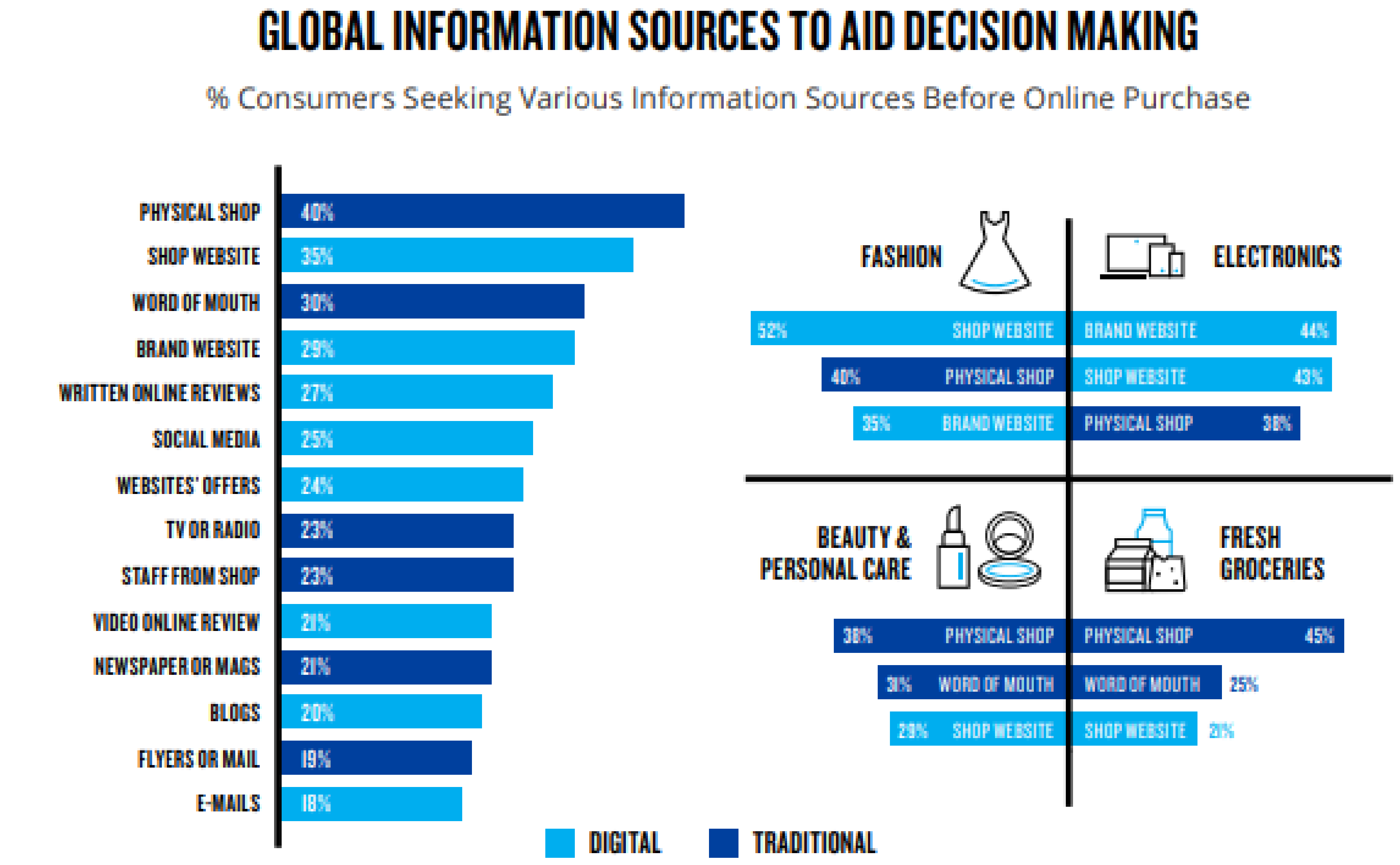
WESTERN EUROPE	
TRAVEL	62%
FASHION	57%
BOOKS & MUSIC	54%

EASTERN EUROPE	
FASHION	53%
TRAVEL	44%
EVENT TICKETS	44%

AFRICA & MIDDLE EAST	
FASHION	38%
TRAVEL	38%
IT & MOBILE	31%

LATIN AMERICA	
TRAVEL	47%
FASHION	44%
BOOKS & MUSIC	41%

Source: Nielsen



Source: Nielsen

Source: Nielsen Connected Commerce Global Survey 2018

Broader Context in Ag: What is Changing?

1. Technology is more available and cheaper than ever

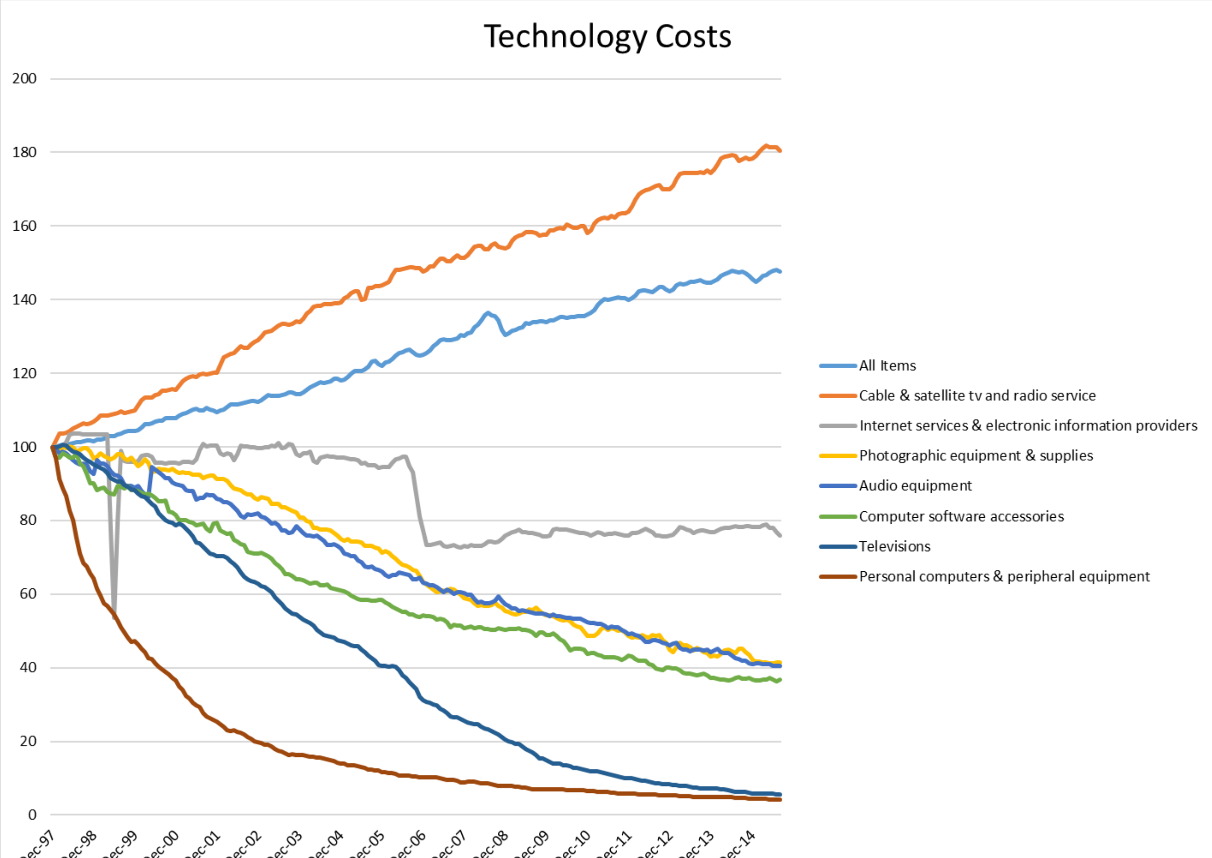
2. The farmer and the farm is changing

3. Agricultural economy remains stressed

Broader Context in Ag: What is Changing?

1. Technology is better and cheaper than ever
   - Enabling farmers to …
     1. Obtain information about anything and
     2. Communicate with anyone
     3. At lightning speed.

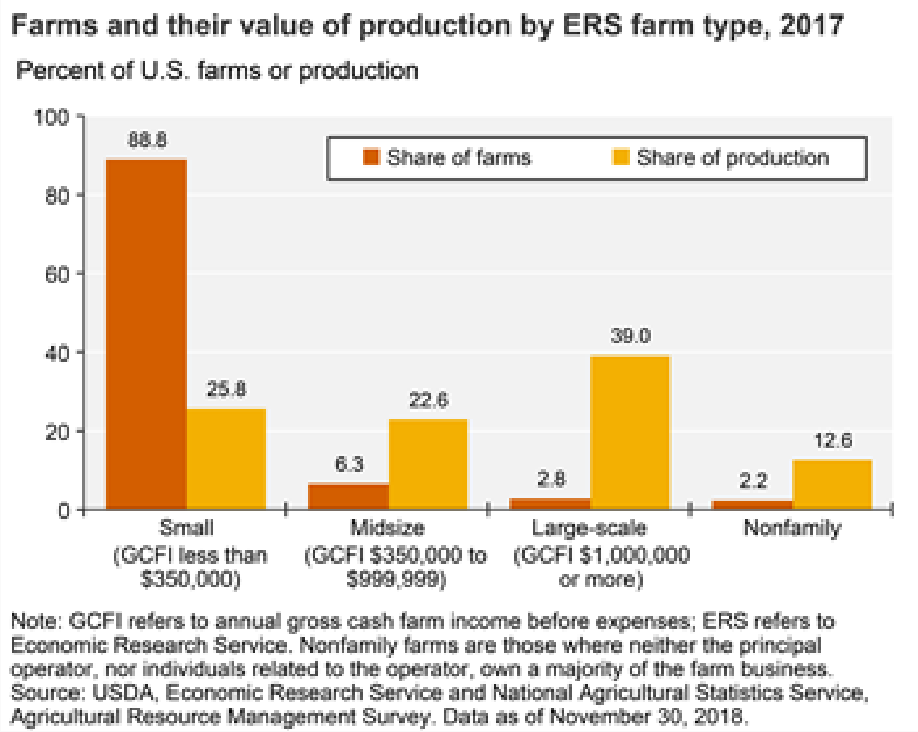
Source: Reuters; SpaceX

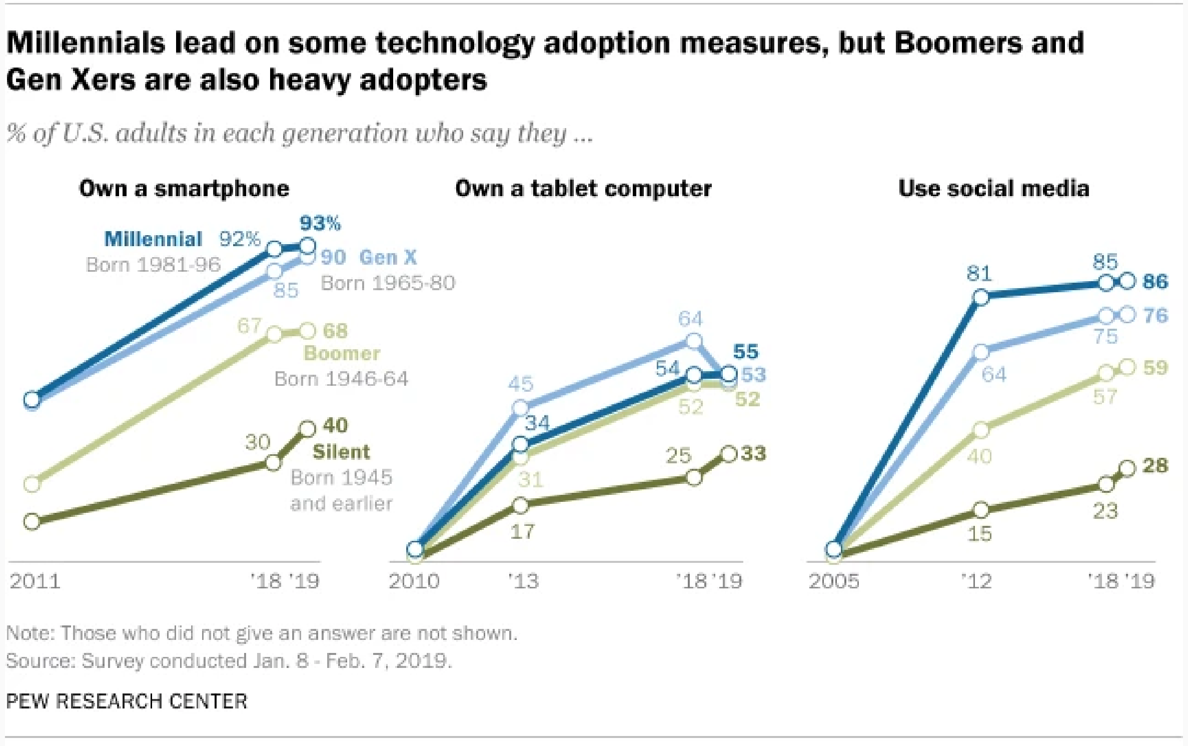


Source: U.S. BLS

Broader Context in Ag: What is Changing?

2. The farmer and the farm is changing
   - New needs & preferences as size, capabilities, and core competencies change
   - New preferences with a new generation



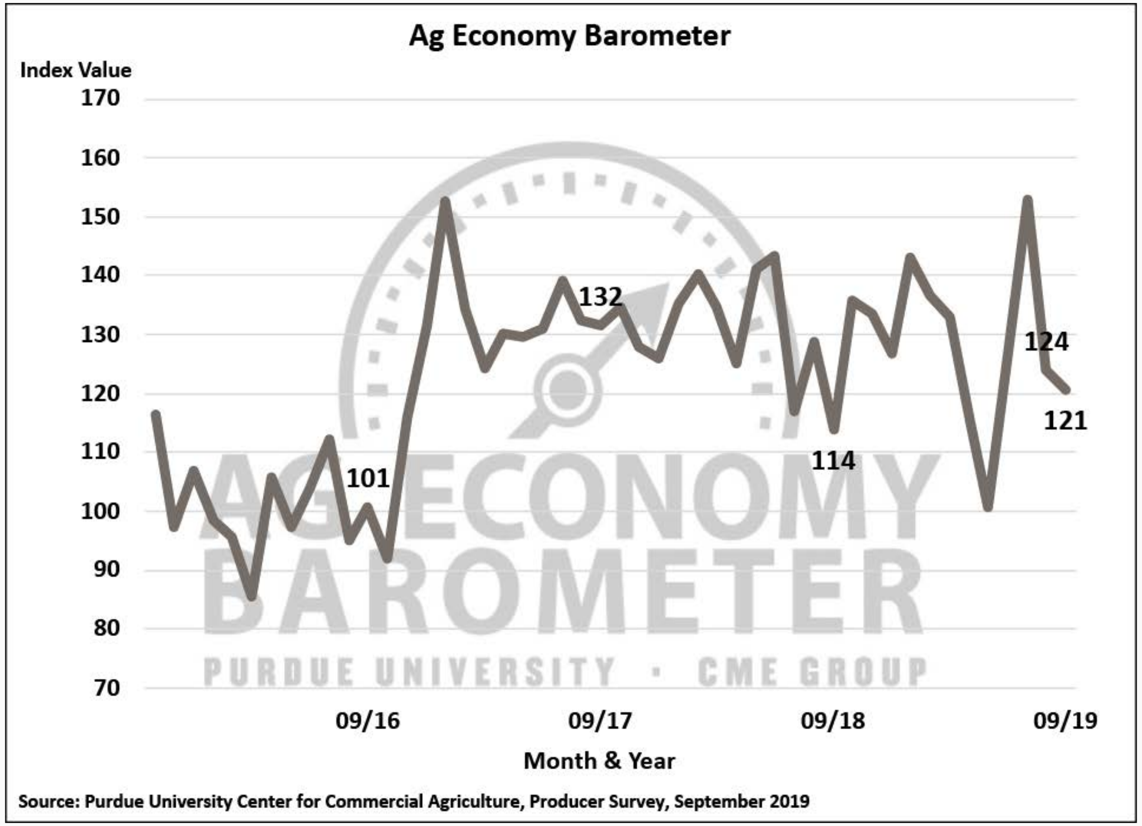


Broader Context in Ag: What is Changing?

3. Agricultural economy remains stressed

- *Seeking out lower cost inputs*

- 85% of respondents to an AgPro survey stated that the #1 reason they buy inputs online is lower prices



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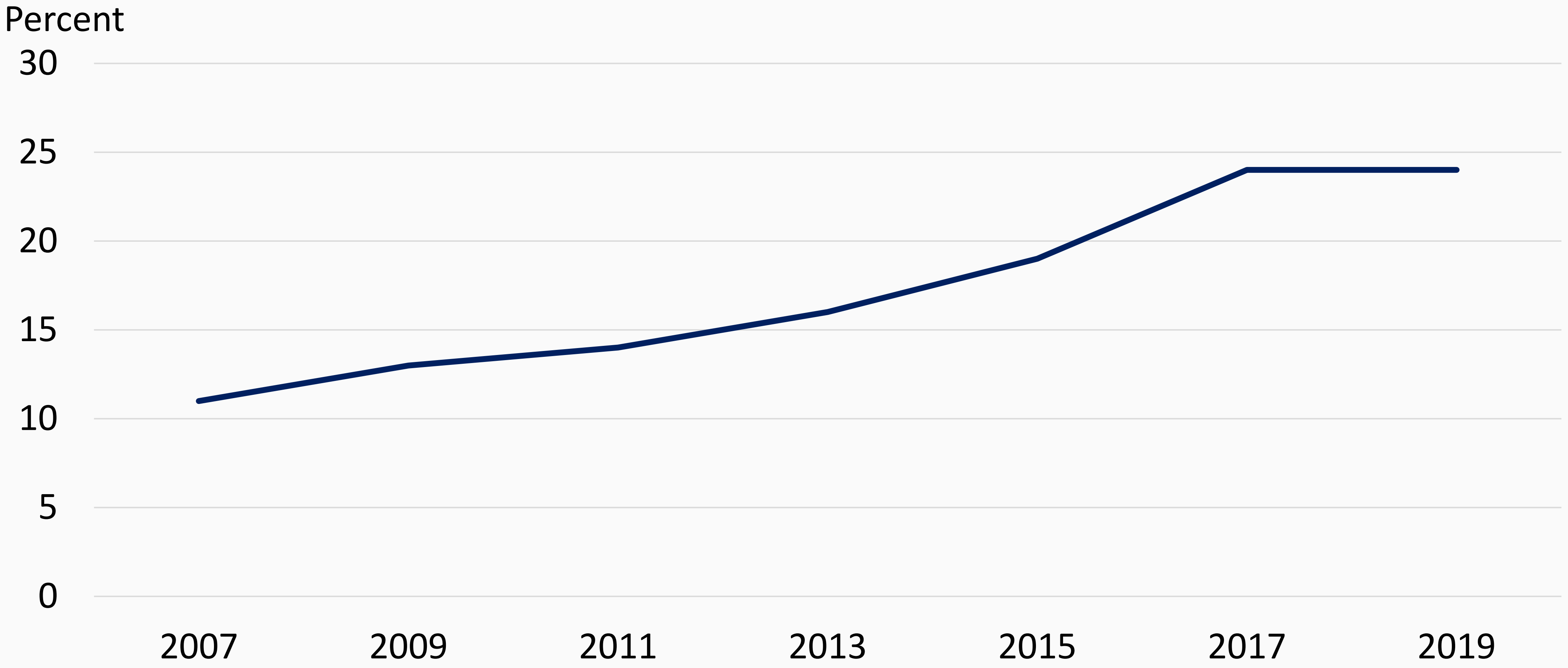
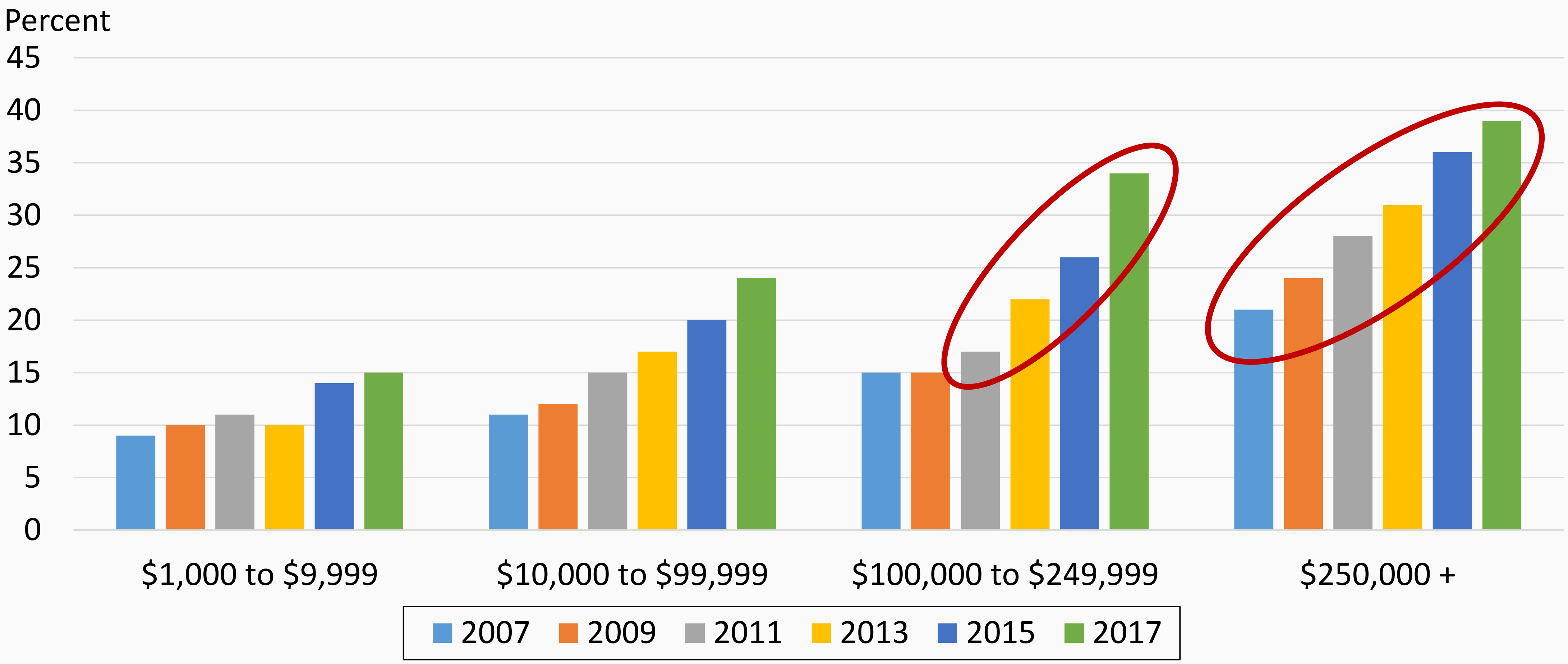
Farmer Use: Farms Purchasing Inputs Online
All U.S. Farms



Source: USDA NASS

Farmer Use: Farms Purchasing Inputs Online
By Economic Class



Source: USDA NASS

Farmer Use: Potential Short-term Limitations

- Available product
  - Manufacturer agreements
- Ease of use
  - Quality of experience
  - **Especially the mobile interface**
- Internet access

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Competitive Landscape

- Two *helpful* categories that *(over-)*simplify the situation
  - **Disruptors**
    - Examples: FBN, AgVend, HarvestPort
    - Various models
      - Be an ag retailer
      - Connect buyers and sellers
      - Provide data and advice
  - **Traditional Ag Retailers (Trads)**
    - Examples: CommoditAg, Nutrien Ag Solutions
    - Main model is for e-commerce to be another sales platform for their offerings
- Reality?
  - Overlap between these categories and models
  - Unique combinations within each company and platform

Competitive Landscape: *Helpful (Over-)*Simplification

Disruptors

- Strength = Technology
  - They excel at operating platforms
- Weakness = Short track record
  - Not that it is a bad track record
  - But, uncertainty/unknown can be a hurdle for many producers

Trads

- Strength = Incumbent
  - Existing customer relationships
  - Operational know-how
  - Infrastructure in-place
- Weakness = Incumbent
  - Required to change
  - Change requires new things
    - Skills, processes, software, …
  - Change will require investment

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Things to Watch

1. **Omni-channel interaction**
2. **Service provision choices**
3. **Business model structure**

Things to Watch

1. **Omni-channel strategies**
   - E-commerce is just one channel or avenue to interact with farmers
   - Virtual communication has been commonplace for years
     - Calls, emails, texts
   - Growth will occur via more features and a unified platform
     - Chat, video calls, online service scheduling, and e-commerce component
2. Service provision choices
3. Business model structure

Things to Watch

1. Omni-channel strategies
2. **Service provision choices**
    - Bundle with products or separate them out?
    - Tiered approach to service (implicit vs explicit)
    - What service will disruptors provide?
3. Business model structure

Things to Watch

1. Omni-channel strategies
2. Service provision choices
3. **Business model structure**
    - Various disruptor models – Which succeeds and provides most value?
    - Various trad models
        - Variability in success and value creation
        - Private vs cooperative strategies
        - In-house vs separate entities

Conclusions

- Drivers of change in e-commerce are here to stay.
- E-commerce use will likely increase in the years to come.
- Three things to watch: Omni-channel, service, and business structure.
- **Remember that the what and the why cannot be lost for the how.**

Questions

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