Analysing agriculture

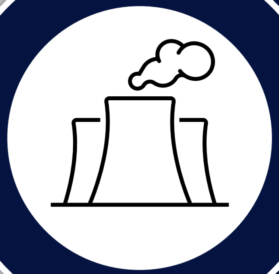
Customer Survey Results
2023

Key takeaways

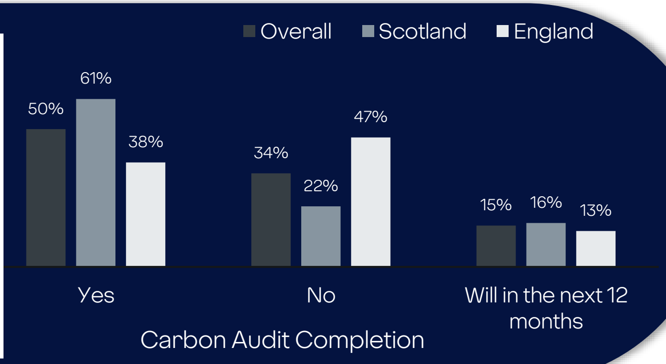
Carbon audits	• **Half of businesses have carried out a carbon audit in the last 12 months and there continues to be significantly more focus on them in Scotland than in England.** • 61% of businesses have conducted one in the last 12 months in Scotland compared to 38% in England. (This trend has been maintained since last year's study when it was 46% vs 21%). • Carbon audits have been deemed useful in business planning by half of owners.	• **Almost 4 in 10 (39%) business owners intend on planting trees as part of their carbon reduction plans.** • Conversely, nearly half (45%) have said that they don't plan to plant any trees.
Technology and investment	• **More businesses invested in new technology in the last 12 months than previously expected (51%, up from an expected 39% in 2022).** • For next year's investments, over half (54%) will need VM's support. Financial assistance with day-to-day farming is where VM's support is required the most.	• **Automation and equipment has seen the most investment in the last 12 months, and indeed will see the most in the next 12 months.** • Precision farming saw the second most and will also see the second most next year.
Diversification	• **A quarter (26%) of businesses have diversified in the last 6 months, with holiday lets and property rentals being the two most popular ways.** • Other ways owners have expanded their businesses include investing in solar and wind renewable technologies in order to reduce energy costs and to provide energy for holiday lets, while a lower number are expanding into building property.	• **More owners (78%) want to remain in the agriculture industry than those considering leaving (22%).** • Reluctance to leave farming is due to sheer enjoyment of the work and family pride and heritage. Some also feel ready to meet the challenges on the horizon. • Those considering leaving cite reasons such as approaching retirement age and little appetite being in the family for the next generation to pick up the mantle, as well as having a poor work/life balance and feeling unvalued by society.
Impacts of Covid & Brexit	• **The impacts of Covid are lessening over time, with 71% of businesses now confirming they are no longer being impacted (down from 65% in the 2022 study).** • The majority (77%) have not felt it necessary to future-proof their operations against future major events. • Negative impacts include the rising cost of living, inflation and higher interest rates, as well as labour shortages and supply chain disruptions.	• **Half of our agriculture customers' businesses have suffered negatively to varying degrees, with more based in England suffering than those in Scotland.** • Over a third (37%) expect that farming will be worse now that the UK has fully left the EU. • Almost a third (30%) aren't sure yet as to the effects of Brexit. • The biggest concern owners have over Brexit is the resulting increased operational costs for business inputs, which has been compounded by a weak Pound.
ESG	• **Awareness of ESG has remained stable since 2022's study at almost half (47%), however there is now more awareness in England than in Scotland, which is the opposite results of the last survey.** • Employee health and wellbeing remains the biggest priority for our businesses, followed by reducing climate emissions, tailored government subsidies, local community integration and restoring eco-systems.	• **Confidence in having the tools to tackle employee health and wellbeing is waning since 2022 with 72% of owners confident this year compared to 77% last year.** • Confidence in tackling all other ESG factors has reduced, apart from reducing climate emissions.

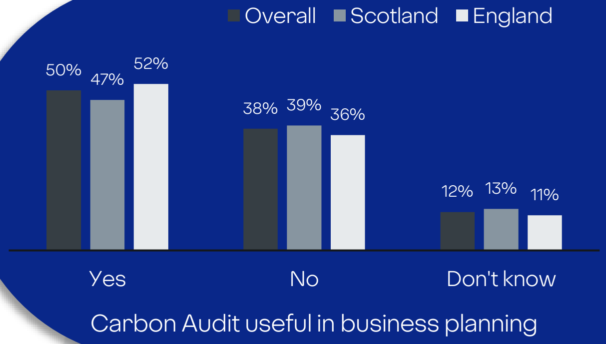
Source: VM Customer Research, Bespoke Confirmit Study, May 2023 [N=319]

Carbon emissions and audits

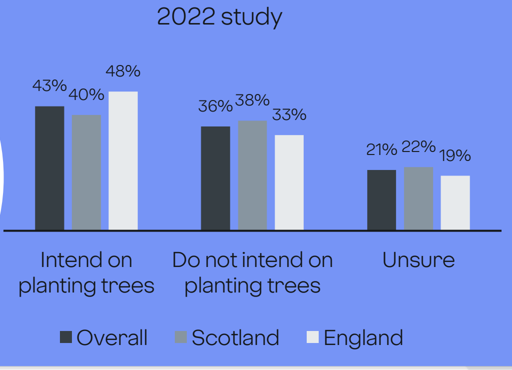


- **Half of businesses have carried out a carbon audit in the last 12 months and there continues to be significantly more focus on them in Scotland than in England – 61% of businesses have conducted one in the last 12 months in Scotland compared to 38% in England. (This trend has been maintained since last year's study when it was 46% vs 21%).**
- Over a third (34%) have not completed one in the last year, however this figure increases to almost half (47%) when looking at England in isolation.
- Intention to conduct a carbon audit in the next year is broadly similar at a UK and regional level.

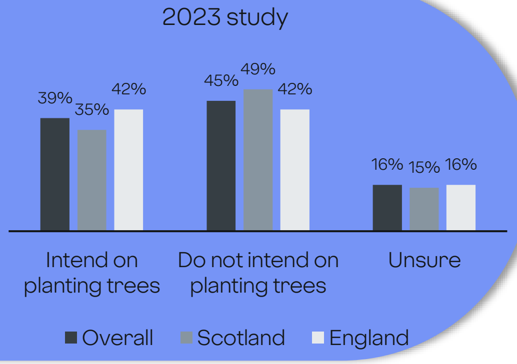




- **Perceived usefulness of carbon audits in relation to business planning was also broadly similar at a national and regional level.**
- However England businesses saw a marginally higher level of usefulness (52% vs 47%) while slightly more businesses based in Scotland (39% vs 36%) failed to see how they can be used.
- Over a quarter (26%) of businesses have been asked by their customers to provide evidence of their efforts to reduce emissions. This is more prevalent in England, with 30% of owners having been asked for this evidence compared to only 22% in Scotland.



- **Year on year, the intention to plant trees as part of their carbon reduction plans has fallen slightly from 43% in 2022 to 39% in 2023.**
- However, overall trends have remained constant when comparing the breakdown between Scotland and England in the last and current studies.
- Like in the previous study, more businesses in England (42%) intend on planting trees than in Scotland (35%).



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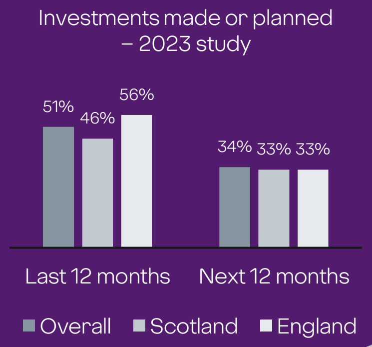
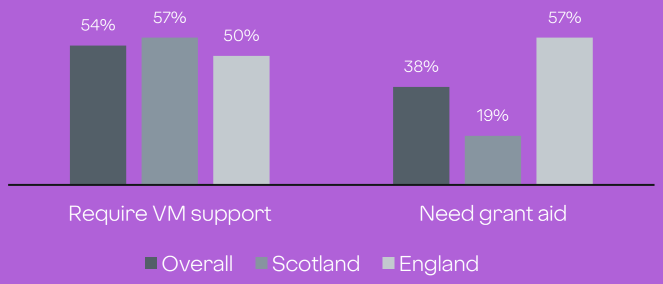
Source: VM Customer Research, Bespoke Confirmit Study, May 2023 [N=319]

Technology, investment and funding

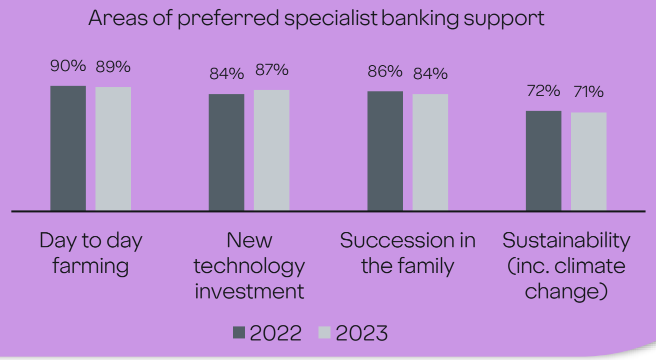
- **More businesses invested in new technology in the last 12 months than they originally anticipated, going from an expected 39% in 2022's study to an actual 51% in 2023's.**
- There was a reversal between England and Scotland in 2023, with more owners investing in the former than the latter, compared to 2022.
- Future investment is broadly the same between both countries.





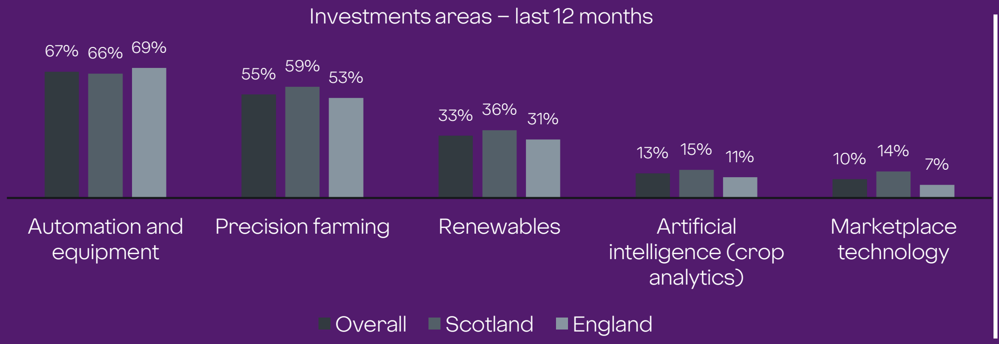
- **Over half (54%) of owners will be looking for VM's support with their new investment (stable with last year's 54%), with slightly more demand in Scotland than in England.**
- Over a third (38%) will also be subject to the businesses securing a grant aid.
- Like last year, this is more of a requirement in England (57% compared to 19% in Scotland).

- **Assistance running their business on a day-to-day basis remains the area where owners would like the most specialist banking support, albeit this has slightly reduced since last year's study by 1-point.**
- Having support with 'new technology investment' has moved to being the second most preferred area in the current study, while help with 'succession in the family' has dropped to third.

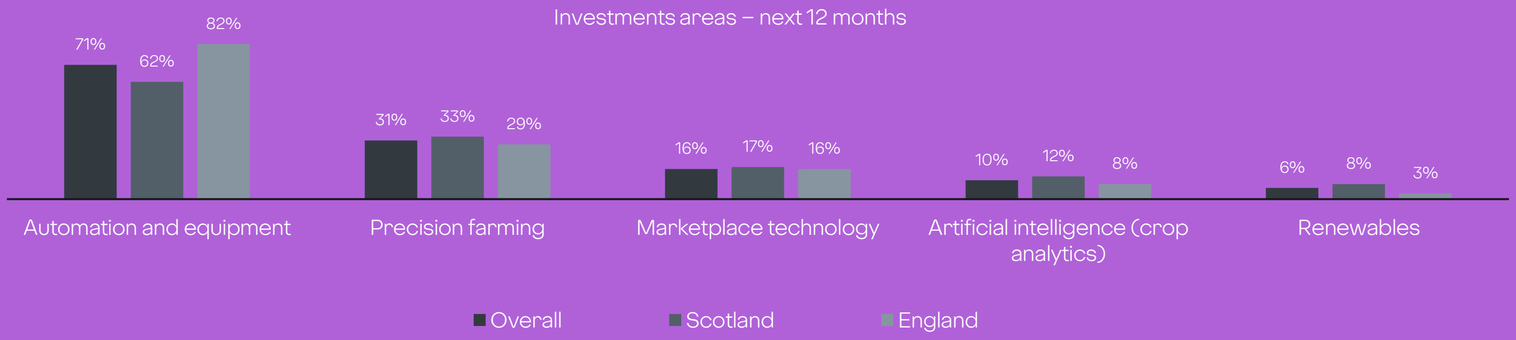


Source: VM Customer Research, Bespoke Confirmit Study, May 2023 [N=319]

Areas of investment



- **Overall, and for both England and Scotland, automation and equipment saw the biggest investment in the last 12 months, followed by precision farming.**
- The other areas were also broadly similar between a UK and regional level.
- Other areas of investment were misting systems, battery storage for PV panels and plug-in hybrid vehicle, feed additives and bud break and bio stimulants.



- **Of those businesses looking to invest over the course of the next year, automation and equipment will remain a key focus area, however it will be given significantly more priority in England (82%) than in Scotland (62%).**
- Other areas will see similar levels of investment at both a UK and regional level. Planned investment in renewables has reduced substantially compared to actual investment in the last 12 months.
- Other priorities will be battery storage for existing PV systems, tyre inflation system, energy usage reduction (invertors on motors) and controlled environment farming.

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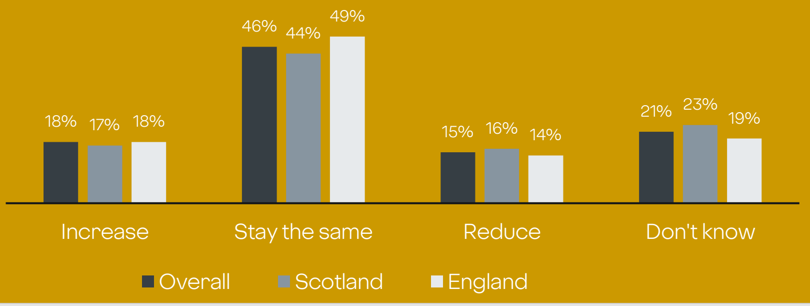
Source: VM Customer Research, Bespoke Confirmit Study, May 2023 [N=319]

Agricultural policy and rising costs

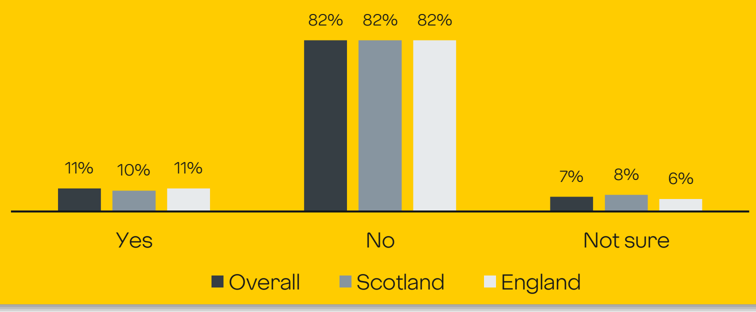
Expected impact of agricultural policy changes on land farmed

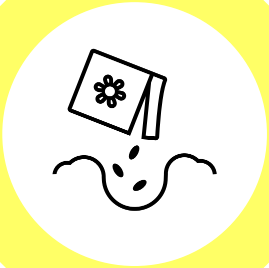


- **Nearly half of respondents (46%) don't expect to change the amount of land they farm over the next 3 years due to amendments to agricultural policy.**
- Once again, regional answers broadly reflect answers at a national level.
- Almost 1 in 5 (18%) expect that the amount of land they farm will actually increase, while a slightly lower proportion (15%) anticipate that it will decrease.
- Over 1 in 5 (21%) aren't currently sure what will happen.

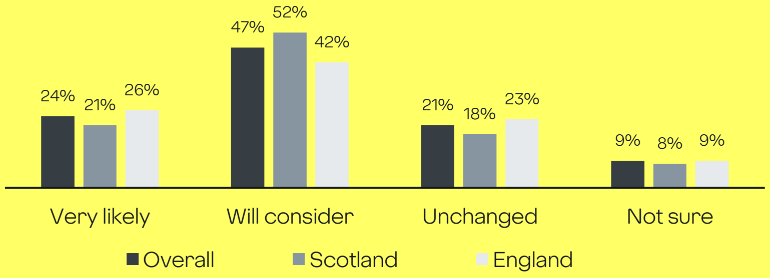
- **Business owners across the UK do not believe that recent higher input costs are actually being reflected in farm gate prices.**
- Only 1 in 10 (11%) think that these higher costs are taken into account.
- Most owners have made up their minds about farm gate prices; the jury is out for only a small proportion (7%).

Are higher input costs reflected in farm gate prices?





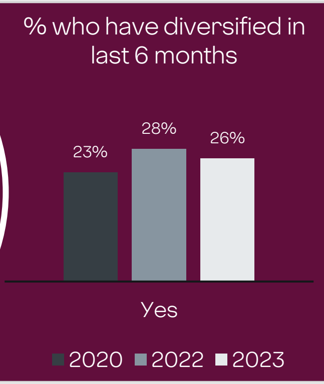
Likelihood of production reduction if farm gate prices do not reflect higher input costs



- **Business owners in England are more likely to reduce their production rates if higher input costs fail to be included in farm gate prices (26% vs 21% in Scotland).**
- Businesses based in Scotland will take a more measured approach, with over half (52%) stating that they will consider reducing production, compared to those in England (42%).
- Just over 1 in 5 (21%) expect production rates to remain the same (although closer to a quarter (23%) in England will continue producing at the same level, while it is 18% in Scotland).

Source: VM Customer Research, Bespoke Confirmit Study, May 2023 [N=319]

Diversification / Should I stay, or should I go?



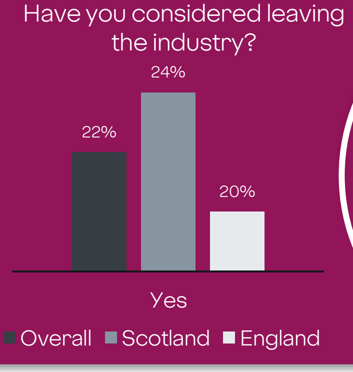
- **The proportion of businesses that have diversified in the last 6 months has broadly remained the same since last year's study at approximately a quarter (26%).**
- Taking advantage of the expanding 'stay-cation' market, providing holiday lets is the most popular way for businesses to diversify, as well as just renting out various unused farm buildings and commercial units.
- Others have expanded into solar and wind renewable technologies in order to reduce energy costs and to provide energy for holiday lets, while a lower number are expanding into building property, horse liveries, farm shops and to a lesser extent battery storage, AD feedstocks and new animal breeds.

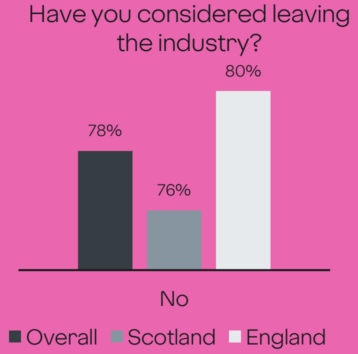
- **More than 1 in 5 (22%) businesses have considered leaving the industry in light of the significant changes happening in Agriculture. This figure become almost 1 in 4 (24%) when looking solely at Scottish businesses and falls to exactly 1 in 5 (20%) for those based in England.**
- The most common reason to consider leaving is due to owners' age and their proximity to retirement. Families are also changing and there is also a concern of having no expected succession in place.
- Previously years' losses, rising costs, increased red tape, feeling unvalued by society and a lack of government support are taking their toll and owners are feeling stressed and have a poor work/life balance.

"I am in my 60s and do have to look at all options."

"if my children were not interested I would sell up. because the hours you work do not reflect the income you receive compared to normal paid jobs."

"Feeling unvalued and exploited. High workload and stress with financial uncertainty."





- **Leaving the industry hasn't crossed the minds of over three quarters (78%) of owners. 8 in 10 (80%) in England are happy to stay in agriculture, while that figure is just over three quarters (76%) in Scotland.**
- The main reason people cite for staying in the industry is just the sheer enjoyment and job satisfaction they get, while others mention farming is their family heritage and that their children are enthusiastic to continue it and are ready to rise to the challenges.
- They also have belief in the industry itself and are committed to it.

"We have been farmers and landowners of the same land for more than 500 years we are not about to stop now."

"Enjoy and take great pride in what we do and produce."

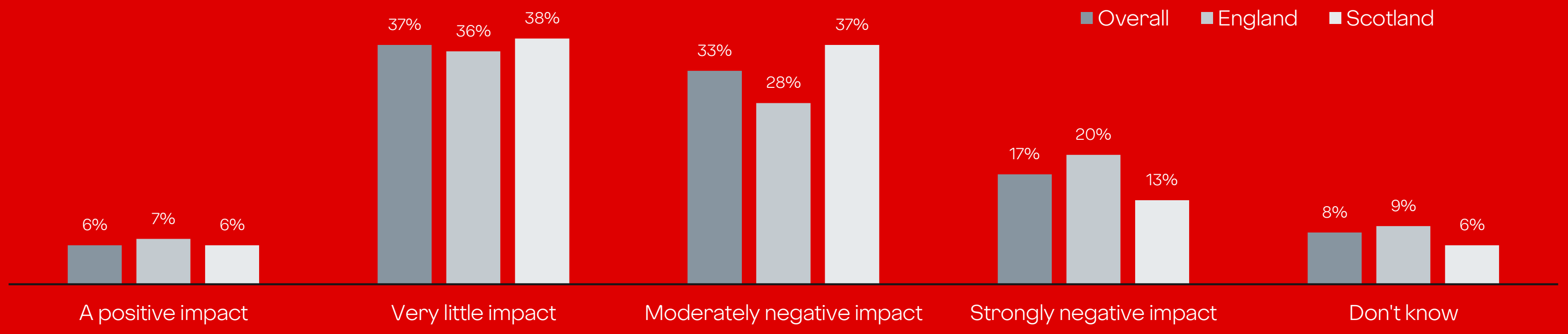
"Significant changes in agriculture is nothing new. Agriculture goes through turbulent times, but you just have to deal with it by keeping costs down, but not to the extent that it affects productivity. There will always be a market for food, and that is part of the reason i have not considered leaving the industry."

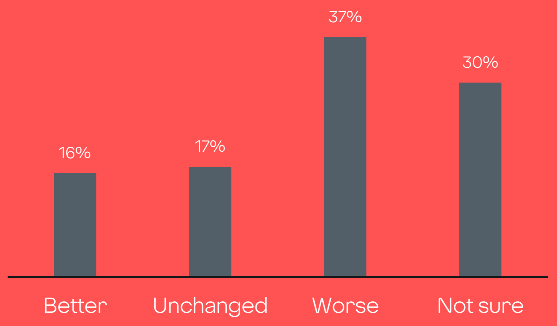
Source: VM Customer Research, Bespoke Confirmit Study, May 2023 [N=319]

Impact of Brexit

- While any positive impacts of Brexit have been seen by only a small proportion of respondents (6%), half (50%) have watched as it has negatively impacted their business to varying degrees.
- Despite positivity being in short supply, those businesses who have seen very little impact from Brexit still account for almost 4 in 10 (37%). A small number (8%) are unable to say whether they've been impacted or not.

- More people in England feel they've experienced strong negative impacts of Brexit than in Scotland, however more Scottish business owners have felt moderately negative effects than their counterparts in England.
- A similar proportion in both countries say they have felt very little impact (36% in England and 38% in Scotland).
- The positive effects account for a small amount in both countries, 6% in Scotland and 7% in England.





- The outlook is quite bleak for many people, with almost 4 in 10 (37%) saying that UK farming will be worse now that the country has left the EU.
- Almost 1 in 5 (17%) think that Brexit will not impact UK farming, while a similar amount (16%) expects prospects to be better.
- However, the jury is still out for almost a third (30%), with those respondents not sure if UK farming will either prosper, remain unchanged or become worse.

MONEY

Source: VM Customer Research, Bespoke Confirmit Study, May 2023 [N=319]

The Brexit cons

- **The biggest concern owners have over Brexit is the resulting increased operational costs for business inputs, which has been compounded by a weak Pound.**
- A close second is that businesses are now expecting substantially less government support in lieu of losing EU help, which is more focussed on the environment rather than farming.
- Businesses are continuing to find it difficult to secure the labour that they need due to no freedom of movement.
- Importing and exporting issues are also being experienced, with some finding it difficult to move goods and parts in and out of the EU.

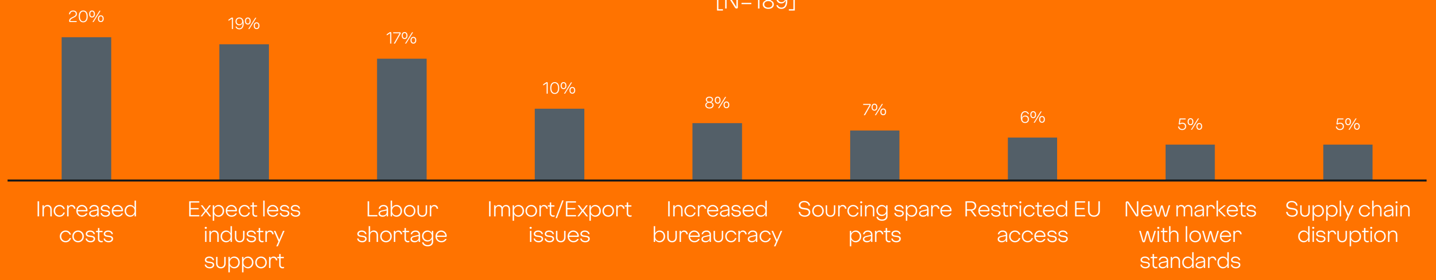
"Increased price of inputs, fertiliser& chemicals."

"Reduced income from BPS. Subsidies are aimed more at environmental schemes than food production."

"It has become very difficult to source the labour we require."

"I import machine parts from Germany. Used to take 3 days now it is 2 weeks with added administration."

Top Brexit concerns
[N=189]



- As a result, there is a perception of increased bureaucracy and paperwork which is time consuming.
- Businesses are also finding it difficult to source (and receive) spare parts for their operations from abroad, while others are seeing an impact due to complex border checks.
- Competition has increased, but not always for the benefit of UK businesses as new markets can have lower standards than the UK, with lower priced goods. Some also mention experiencing supply chain issues.

"Import and export paperwork and systems are time consuming and costly."

"Sourcing spare parts is taking longer."

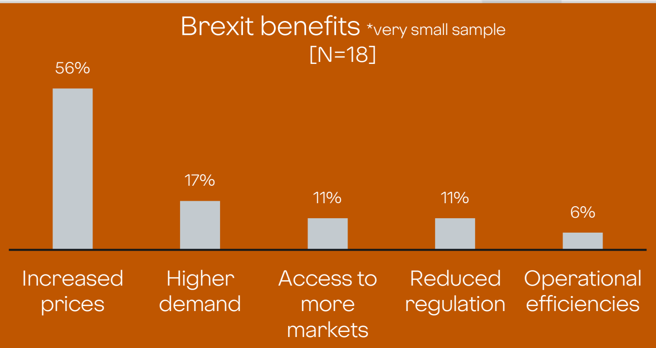
"Our main customer saw a 20% reduction in sales due to the loss of exports to Europe."

"Exposed us to world markets which other producers who don't have the same welfare standards as we do. Reduced our influence on the largest markets on our doorstep."

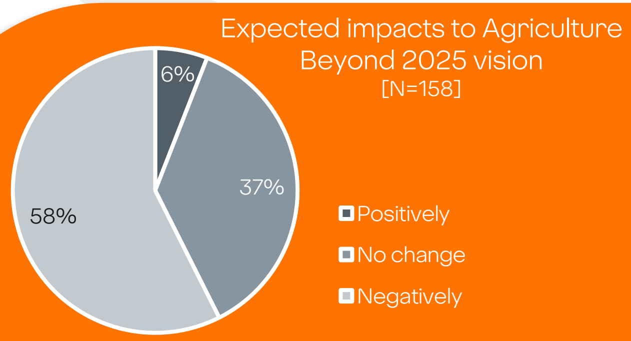
"Getting parts and products that used to be available next day is taking slightly longer. When a tractor breaks down the parts are no longer here at 7am next morning so that tractor can be down for a few days."

Source: VM Customer Research, Bespoke Confirmit Study, May 2023 [N=319]

The Brexit pros and future government support

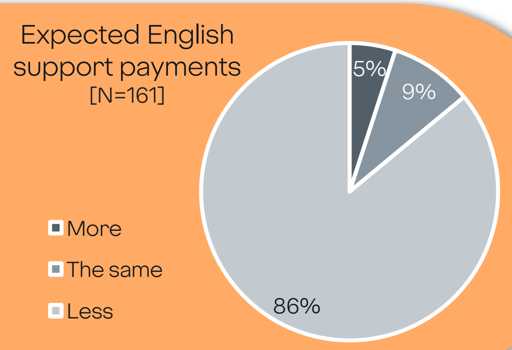


- **Very few businesses have seen positives to their operations as a result of Brexit, the most common one being the ability to charge higher prices due to reduced competition from lower imports.**
- Others have witnessed higher consumer demand because of a focus on British products coupled with fewer EU goods.
- Some have also said that Brexit has created access to new markets as well as having less regulation to comply with.
- Lack of subsidies has forced the creation of efficiencies to help drive productivity.



- **Over half (58%) of business owners in Scotland expect the Scottish Government's "Agriculture Beyond 2025" vision to impact them negatively, while over a third (37%) expect no real changes to their operations. Only 6% anticipate positive effects.**
- The biggest expectation is that the Scottish Government is pivoting towards "green-washing policies" and the environment, as opposed to food security and agricultural practices. They expect less direct support and that any support will be directionless and fragmented which will stunt growth. Political leaders are not seen as competent and knowledgeable.
- Positive sentiment is on sustainable farming, while some are just hoping for the best.

- **Sentiment towards future support is more negative in England than in Scotland:**
    - Almost 9 in 10 (86%) business owners in England expect any future support payments from Westminster will be less than they currently receive, with only 5% expecting larger payments and less than 1 in 10 (9%) thinking they will remain the same.

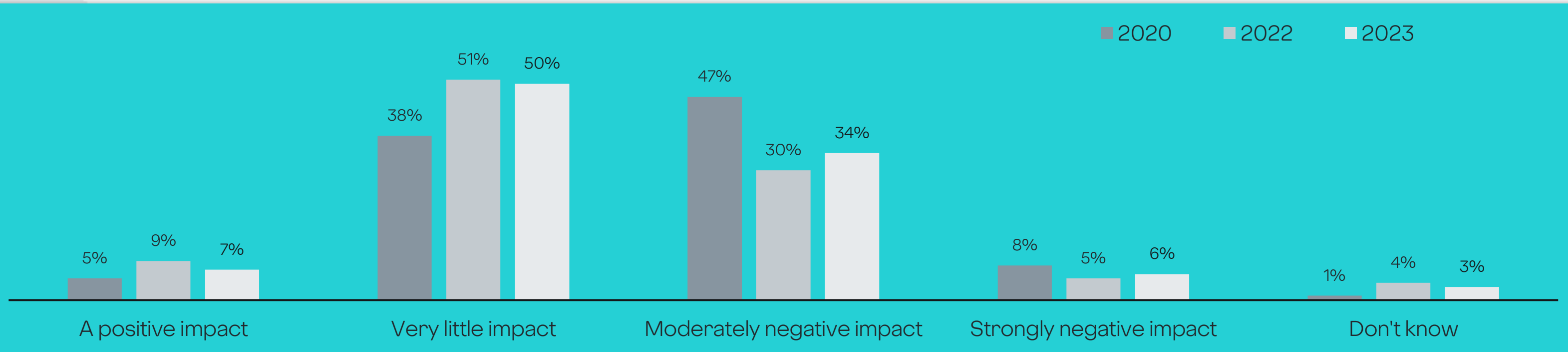


Source: VM Customer Research, Bespoke Confirmit Study, May 2023 [N=319]

Impact of the Covid-19 pandemic

- The effects of Covid continue to lessen over time – almost three quarters (71%) of businesses are no longer being impacted by it. This is an increase from 65% in 2022 and 57% in 2020.
- Over three quarters (77%) of respondents have not felt it necessary to alter their farming operations to become more future-proof against major events that they have no control over.

- While half of respondents said that the pandemic had very little impact on their business, 4 in 10 (40%) did see some negative effects.
- Fortunately, only 6% saw strongly negative impacts, and just over a third (34%) suffered moderately.



- Negative impacts were primarily the rising cost of living, inflation and interest rate increases, followed by labour shortages and disruptions to supply chains.

"Prices of goods & equipment mainly - tight supply due to, initially Covid has meant prices on equipment has gone up by up to 50% but not come down since."

- Positive impacts were seen to be increased consumer demand (due to home baking/eating at home), the ability to charge higher prices, and the pandemic shining a spotlight on the issue of food security.

"Generally more home cooking and buying meat from butchers and not supermarkets."

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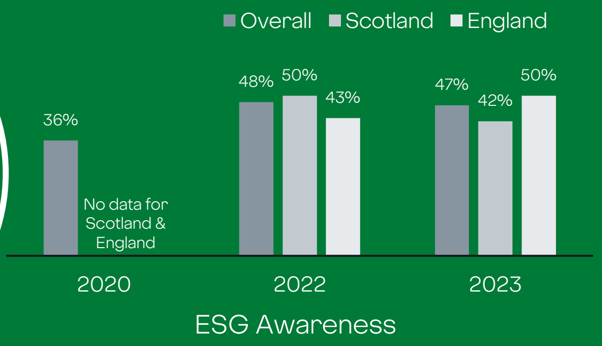
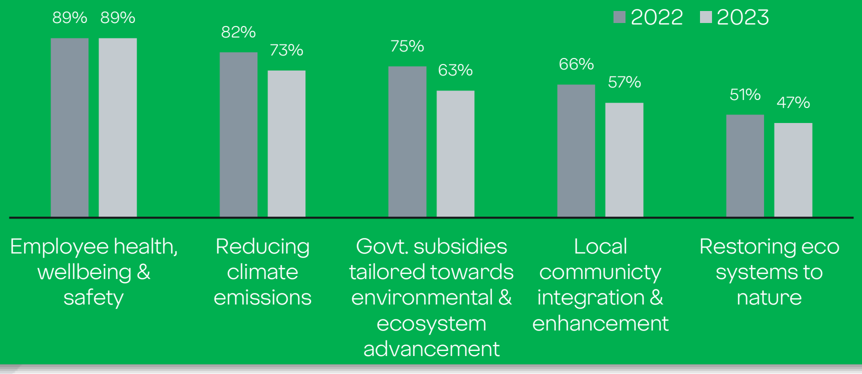
Source: VM Customer Research, Bespoke Confirmit Study, May 2023 [N=319]

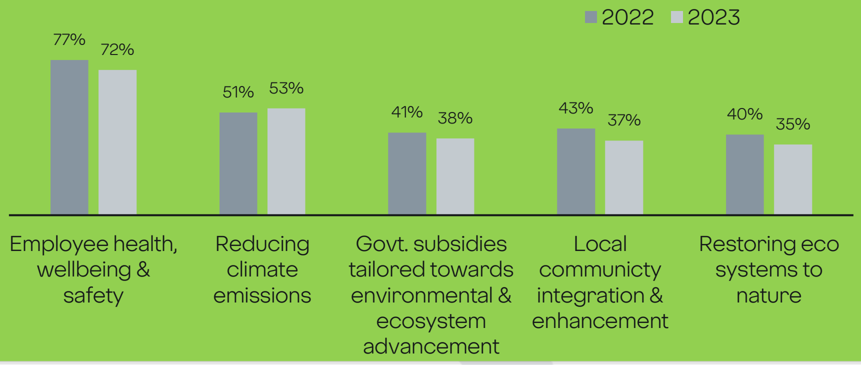
ESG awareness, importance and capabilities



- **Overall UK ESG awareness has almost remained static since 2022, with it dropping slightly, by 1-point to 47%.**
- There is now more awareness of ESG in England, after going from 43% in 2022 to 50% in the latest study.
- Conversely, awareness in Scotland has dipped, reducing from 50% in 2022 to 42% in 2023.

- **The biggest priority for businesses across the UK remains the health, wellbeing and safety of their employees, with 89% once again saying that this is either 'fairly' or 'very' important to improving sustainability.**
- All other ESG factors have seen their perceived level of importance fall since 2022, although they each remain in the same order of priority.





- **When it comes to how confident our customers are in terms of having the knowledge and tools required to improve each of the ESG factors, almost three quarters (72%) of them are either 'fairly' or 'very' confident in currently being able to improve their employees' health, wellbeing and safety. However this is a 5-point reduction since last year.**
- Confidence in their ability to improve the other ESG factors is considerably lower and all but the 'reducing climate emissions' factor have seen falls since 2022.

Source: VM Customer Research, Bespoke Confirmit Study, May 2023 [N=319]

Thanks