



Key Messages and Q&A – Farmers Loans

KEY MESSAGES

- From February 1st 2010, farms and fisheries can join *The Big Business Refit* using interest-free loans from the Carbon Trust, which are designed to pay for themselves through direct energy savings. Once the loans are repaid, savings go straight to the bottom line.
- Farmers will be able to apply for loans from February 1st 2010. If Farmers would like any further information on the loans before this date, we recommend that you visit www.carbontrust/loans. Farmers cannot apply in advance for the loans, but if they call 01865 885846 to register their name and contact details, we will call them back to discuss their application once the loans are available.
- By switching equipment now using the loans available, farmers across the UK can be expected to collectively cut around £4 million off their annual energy bills and make British farming more profitable, and competitive.
- On average, farmers can expect to save around £4,000 per year off their energy bills by replacing inefficient equipment.
- The loans scheme is open to around 25,000 farmers; from this the Carbon Trust expects to help around 1,000 farmers with the funding available. The loans are first come, first served.
- Farms which replace old equipment now will be in a far better position come the end of the recession, since their cost base will be lower than competitors and, with energy saving equipment in place, they'll be more efficient.
- Low carbon farming responds to the rising tide of carbon conscious shoppers, and helps retain the UK's capacity to produce food in the future.
- To find out more about the *Big Business Refit* visit www.bigbusinessrefit.co.uk

SOUNDBITES

- "Farmers and land managers look after around 70% of England's land, their approach to the environment, is therefore crucial to delivering key environmental objectives."
- "Mitigation of carbon emissions can make a valuable contribution to our climate goals, and farmers need to exploit every opportunity to reduce them."

- “The recession has focused all businesses on cost, but instead of shelving green strategies, farmers are harnessing energy efficiency as a key way to drive out unnecessary cost from the bottom line.”
- “A ‘make do and mend’ approach to key equipment is costing British businesses £3 billion a year in unnecessary energy bills.”
- “By replacing old equipment for new, and reducing energy use, farms can make their way on the road to recovery.”

QUESTIONS AND ANSWERS

Q. Why is *The Big Business Refit* needed?

Many farms are using outdated and inefficient equipment, from grain drying machines to milk cooling machines. This machinery wastes energy, causing unnecessarily high energy bills.

Q. How many farmers do you plan to help?

The scheme is open to around 25,000 farmers, but we expect to help 1,000 with the funding available. The loans fund is available on a ‘first come first served’ basis, so we are calling on farmers to use the money to make key equipment replacements to improve their efficiency.

Q. Are the loans open to fisheries, as well as agricultural, and livestock farmers?

Yes, fisheries will also be able to apply for interest-free loans from the Carbon Trust from 1st February 2010.

Q. Why is the Carbon Trust calling on farms to refit their premises with new equipment?

UK farms could save around £4 million per year by replacing old, inefficient equipment with newer, more efficient models. In a recession most farms don’t have the money to replace old equipment, so the Government has provided £100m in interest-free loans as a stimulus to help businesses to achieve these savings, whilst also dramatically decreasing the UK’s carbon footprint.

Q. Why should farms focus on energy efficiency in a recession?

Fluctuating energy prices means tackling the amount of energy used is a great way to realise savings, without affecting your normal business operations. In the case of farming, installing energy efficiency measures, like controls can actually improve productivity and competitiveness.

Q. Which equipment will farmers be able to use the loans to replace?

Examples of energy efficiency upgrades which the Carbon Trust loans will fund include:

- **Thermal screens**, used in greenhouse horticulture, typically cost up to £20,000, and can save over £10,000 / 100 tonnes of CO₂ annually.

- **Milk cooling** accounts for one third of the energy consumption of dairy farms. New systems cost £3,000, and saves up to £1,000 / 6 tonnes of CO2 a year.
- **Insulation** used in field horticulture crop stores, typically costs around £17,000, and saves up to £10,000 / 50 tonnes of CO2 a year.
- Upgrading **heating and ventilation controls**, in livestock farms, typically costs £3,000, and saves over £4,000 / 23 tonnes of CO2 a year.
- **Grain drying humidity controls**, used in arable farming, typically costs £3,000, and saves around £1,500 / 10 tonnes of CO2 a year.

Q. What's the minimum/maximum loan amount that farmers can borrow?

Farmers can borrow between £3,000 and £20,000.

Q. Other businesses can receive up to £500,000 for equipment replacements through the loans scheme. Why is only £20,000 per farmer being made available?

Due to current legislation around state aid for farmers, legally the maximum loan amount that can be offered to each farmer is £20,000. In circumstances where equipment costs more than £20,000, farmers can use the loans scheme as part payment and look to other sources of finance to make up the short fall.

Based on the energy saving equipment available, the Carbon Trust believes that a £20,000 investment in equipment can provide significant energy savings. In fact, more than half of the loans offered this year were lower than £20,000.

Q. In the Low Carbon Transition Plan, £30,000 was mentioned as the amount that would be available to farmers, why has the amount now changed to £20,000?

The loans are subject to strict state-aid regulations. Determining the maximum of state aid available depends on numerous macro-economic factors. There is however, potential for well over a thousand farmers to apply for interest-free loans, and we expect that more than half of the energy saving projects that farmers can apply for funding for, will be fully covered by loans.

Q. How long does the loans process take?

A provisional offer is provided within 24 hours, and the entire loans process can be completed within 10 working days. The Carbon Trust offers a range of support and advice to make the process as smooth and easy as possible, as well as an independent Energy Saving Assessment (ESA) so that you can be sure that the piece of equipment you choose is fit for purpose.

Q. Do I really need to replace my equipment in order to save money – can't I just maintain what I have?

We announced in April this year, that £2.5bn in energy savings is accessible to businesses through simple energy efficiency practices, including good maintenance of equipment. However, once businesses start using equipment past its useful lifetime, it starts haemorrhaging energy.

The next step on the journey to energy efficiency is to identify old, inefficient equipment and replace it with new equipment, in order to dramatically reduce cost and carbon emissions.

Q. Why shouldn't farms just ensure they maintain the equipment they already have to avoid getting into debt?

No two farms are the same in their equipment usage, and maintenance and regular assessments of equipment is essential for increasing efficiency - all farms should endeavor to do this. However, the return on investment on equipment decreases over time, whilst the efficiency of new equipment continually increases.

So, it's crucial for farms to identify when their equipment is past its useful lifetime. If there is any uncertainty about whether your equipment is energy efficient, we offer free surveys in order to assess equipment as part of an energy efficiency plan, which will determine if equipment replacement is needed, and how much money it could save.

Q. Why are they being announced more than three months before the loans are being made available?

In order to get the systems in place to offer loans to farmers, without interfering with existing state aid legislation for 2009, we have factored in a three month set-up period. We feel that the loans provide a real opportunity for farmers. So, in the lead time between this announcement and the availability of loans, we aim to ensure that the message is spread as far as possible across the UK, and to allow farmers time to identify their old equipment, so that when the scheme launches they can apply straightaway.

Q. How many farmers will be able to benefit from this scheme?

The loans fund available is expected to help approximately 1,000 save around £4m off their annual energy costs. The loans fund is available on a 'first come first served' basis, so we are calling on all farms to use the money to make key equipment replacements to improve their efficiency.

Q. The £100m was announced in the last budget, why have farmers only just become eligible?

The new funding has been provided to help the farming sector to meet the carbon reduction aims laid out the Government's Low Carbon Transition Plan. In the plan, the Government announced a target to reduce agricultural greenhouse gas emissions by 3 million tonnes of CO2 equivalent annually by 2020. Using the loans to upgrade old equipment, or purchase renewable energy technologies, the Carbon Trust hopes to help farmers to cut their emissions by 25,000 tonnes of CO2 each year.

Q. The NFU already offer farmers access to loans, how is this scheme different?

Carbon Trust loans are interest free. This means equipment investments can be made at no cost, so payback periods can be justifiably longer. Also, paying for equipment with an interest-free loan means vital equipment purchases can be made without additional debt, or increase to overdraft.

Q. How big is the impact of carbon in farming compared to other sectors?

The farming sector is currently responsible for around 11% of carbon emissions generated by UK businesses.

Q. What else does the Carbon Trust do in the farming sector?

The Carbon Trust is part of the Rural Climate Change Forum, which was established in 2005 to together the key organisations with an interest in the agriculture, forestry and land management sector. The Forum:

- helps to raise awareness of climate change among farmers and land managers,
- acts as a catalyst and coordinator of work on climate change in the rural sector,
- advises Defra on policies to ensure the sector plays a full part in mitigating and adapting to climate change,
- advises on research priorities to build a stronger evidence base on reducing greenhouse gas emissions from agriculture and managing the impacts of a changing climate.
- and engages with international counterparts in the agriculture, forestry and land management sectors

The work of the Forum is central to the climate change elements of Defra's Farming for the Future Programme.

In terms of dairy farming, footprinting work by Sainsbury's and the Carbon Trust supported the work of the [Sainsbury's Dairy development group](#), which seeks to help farmers reduce their carbon emissions and save money. The Carbon Trust footprinting team is also working with Dairy UK to produce an industry wide [footprinting guide](#).

As a result of its work with the Carbon Trust, Cadbury discovered that 60% of the carbon footprint of Dairy Milk chocolate was from the milk. The company therefore [initiated a pilot programme](#) working with dairy farmers in Selkley Vale in Wiltshire and Gloucestershire, providing practical advice to help farmers reduce emissions.