



Royal Bank
of Scotland

Royal Bank Agriculture

Partnering with farmers and the food production industry for a secure and sustainable agricultural sector



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Foreword: Minette Batters, President of The National Farmers' Union



The UK needs to decide what it wants from the agricultural sector and the clock is ticking. The rhetoric of successive governments that we are a wealthy country, and we can just import our food, this must be exposed as naïve in the extreme.¹

The consequence of the Russian invasion of Ukraine, and post-lockdown supply chain disruptions has contributed to increases in agri-inflation, which is hovering at around 18.7% today.²

According to our latest survey, 40% of beef farmers and 36% of sheep farmers are planning to reduce the numbers in their herds, with input prices cited as the core reason.³ Egg production has hit its lowest level with one billion fewer eggs being produced compared to 2019, while the production of tomatoes and cucumbers is expected to fall to the lowest level since records began in 1985.⁴

The cost of labour has also increased, placing more strains on balance sheets, and farmers are grappling with the spread of avian flu and bovine tuberculosis.

The combination of these challenges is having a real impact and the impact in England is amplified by abrupt support payment reductions, forcing farmers to re-evaluate their enterprise and, regrettably, their long-term future as food producers in some circumstances. Andersons estimated in June 2021 that the number of full-time UK farm businesses will drop from about 54,000 to just 42,300 by 2030 – a fall of 11,700 businesses or around 20%.⁵

However, in this report, it is pleasing to see the wider value chain coming together to support the industry to weather the current storms and innovate for the future. But we must not lose sight of the need for the sector to transition to net zero. The transition is key for farming to continue to be productive, profitable, and sustainable long into the future. This is not simply a challenge for farmers but in our collective national interest.

1 Minette Batters, President of The National Farmers' Union, Speech to Annual Conference, 2023.
2 The Andersons Centre, Inflation update, 2023.
3 Ibid.
4 Ibid.
5 The Anderson Centre, Inflation Briefing, 2023.



In 2019 we published our ambition of the sector reaching net zero greenhouse gas (GHG) emissions across the whole of agriculture in England and Wales by 2040.⁶ In practice, this means investment in soil regeneration, improvements in resource use and biodiversity. It also means the increased use of new technology and data to understand crop yields and investments to improve water quality. Today, only 16% of bodies of water in England are designated as ‘good’ quality, but the target is to reach 100% by 2027.⁷ It is only through a healthy and sustainable environment that farmers can succeed.

“Farmers are Britain’s working conservationists”.⁸

Ultimately, the Government needs to decide what it wants from the UK’s rural economy. It is clear the British people believe our sector to be of huge value. I’m grateful to the nearly 500,000

people who have joined the Back British Farming campaign, and over a million who have backed NFU’s campaign on food standards. These stakeholders see the value in our sector, which employs nearly four million people across the UK. It is worth nearly £120 billion to the UK economy and is responsible for looking after 71% of the UK’s iconic landscapes.⁹

Currently, British farmers produce 60% of the UK’s food supply, part of which is exported. With the many challenges set against the industry, that figure is at risk of declining, exposing UK consumers to international supply chains at a point in time where these are increasingly at risk.¹⁰ Events over the last few months have brought concerns that have long been held by farmers and the industry into the public consciousness, namely that the UK is too exposed to global supply chains when it comes to food production.

The industry, stakeholders, the British public and the Government need to come together to create a plan for the sector and the future of food production. Private finance needs to play a pivotal role in backing British farming, not just for today, but for the future transition. I am pleased to see a greater emphasis being placed on stakeholders across the food production system and it is working in partnership that will help drive solutions to the problems our sector faces for future prosperity of British farming. I congratulate Royal Bank on demonstrating the value of this approach.

About The National Farmers’ Union (NFU)

The NFU represents more than 46,000 farming and growing businesses. Our purpose is to champion British agriculture and horticulture, to campaign for a stable and sustainable future for British farmers and to secure the best possible deal for our members.

We strive to protect and promote British farm life and give our members a voice now and in the future.

6 The National Farmers’ Union, Achieving net zero: Farming’s 2040 goal, 2021.

7 Department for the Environment, Food and Rural Affairs, The Environmental Improvement Plan, 2023.

8 Minette Batters, President of The National Farmers’ Union, Speech to Annual Conference, 2023.

9 The National Farmers’ Union, British Farming: Inspiring a Nation, 2022.

10 Department for Environment, Food and Rural Affairs, United Kingdom Food Security Report 2021: Theme 2: UK Food Supply Sources, 2021.

Executive summary

- The farming sector today is facing a number of critical economic challenges. Agri-inflation is close to 20% and farming inputs have risen by 50% from 2019. This is the perfect storm for the industry – supply constraints, the pandemic, agri-inflation and the need to decarbonise.
- NatWest Group is proud to have stood behind the sector for nearly 300 years, and is looking to continue that support for the coming decades to meet these challenges. In total, NatWest Group have made available £6.7 billion for the whole sector to invest in the transition, including £1.25 billion to support farmers with current agri-inflation pressures and to fund climate and sustainability projects.
- With the impacts of climate change and global food demand, international supply chains are only likely to become more uncertain. Shortages in supermarkets, the pandemic and the war in Ukraine have already shown the fragility of global supply chains, and the risk that over-dependence on these pose.
- Food security and food production should be seen as strategic by the Government and stakeholders. NatWest Group believe that the UK must secure its supply chains, bring all aspects of the value chain together, invest to support farmers to ensure a resilient, net zero, nature positive food system is possible.

The whole UK food system needs to take a strategic, rather than isolated, approach to solving problems.





- The sector is at a turning point. In order for the industry to be sustainable and our food production systems to be resilient, the sector needs to transition. Currently, around 10% of greenhouse emissions come from the agricultural sector, but through natural solutions and capital this can be reduced and our rural environment revived.
- At the start of 2023, NatWest Group was awarded the Sustainable Market Initiative's (SMI) Terra Carta Seal. We are proud that our desire to create sustainable markets, and our passion for nature, people and the planet underpins our purpose.
- Farmers across the UK (82%) want to embrace the long-term challenge and invest in their sustainable future and transition their sector.¹¹ It is clear that sustainability and productivity go hand in hand, and a successful business is a sustainable one.
- NatWest Group has announced a target of £100 billion of climate and sustainable funding and financing by 2025 across a range of sectors. To date, we have provided £32.6 billion of that target. This includes a range of measures for farmers, with the aim of supporting sustainable agriculture. As this report shows, NatWest Group is working across the value chain to help find solutions to these challenges.
- Interested parties across food and farming systems, including banking and government, need to collaborate and reach a consensus on a common language or set of measures the farming industry can be assessed against to ensure long-term UK food security and sustainability. A common baseline of sustainability data empowers farmers to communicate farm-level outcomes across the food and farming sector which could meet the needs of multiple industry stakeholders (e.g. retailers, food processors, certifiers, government, finance) all at the same time.
- At Royal Bank we're currently exploring how we can use the Global Farm Metric Framework and an aligned assessment to support farmers. The framework enables farmers to understand the social, economic and environmental sustainability of their system in a way that is robust, holistic and independent of farming models. A link to receive updates on the Global Farm Metric can be found [here](#).
- We think a sustainable, profitable and productive agricultural sector is possible, where productivity and sustainability are not mutually exclusive ambitions. But to achieve this, the whole sector and government need to come together and create a plan for the future to ensure a sustainable food system for the benefit of the UK. We believe this can be achieved through partnerships and aligned, joined up thinking across the sector. This report demonstrates what is possible and what more can be achieved.



¹¹ NatWest News Release, Soaring agriculture costs hinder farmers' climate ambition, 99% see costs rise above inflation, 2022.



Reflections on the agricultural sector: Alison Rose DBE, CEO NatWest Group



The UK agricultural sector is at a turning point, facing higher costs, declining domestic production, supply chain issues, inflation and what many see as the daunting challenge of net zero. We need to speed up efforts to make the agricultural sector a strategic asset for

the economy in the face of long-term concerns about the UK's food security. We need to take a team sport approach and bring together the whole production industry.

Today, the UK produces 60% of its domestic food consumption by economic value, part of which is exported. This means just under half of the actual food on plates is produced in the UK, compared to the mid-1980s when this figure stood at 78%.^{12 13}

The industry faces a set of critical economic challenges driven by agri-inflation, on top of other cost pressures all businesses are facing, from energy to wages. Last year, according to NatWest Group research, 70% of farmers surveyed saw their energy bills rise above inflation.¹⁴ Farmers since 2019 have also seen a rise in the costs of energy (79%), feed (57%) and fertiliser (169%) – in total, more than 50% for key inputs.¹⁵

The combination of these pressures is negatively impacting agricultural businesses across the UK. This is a trend that fundamentally threatens the future resilience of the UK's food production system. We need to speed up efforts to make the agricultural sector a strategic asset for the economy and the UK's food security.

The UK agriculture sector is trying to transition to become more sustainable, greener and productive. As it stands, the sector produces around 10% of UK greenhouse gases and for many decades we have seen nature loss lead to soil erosion and a decline in biodiversity.¹⁶ In addition, the increasing unpredictability of weather systems in the UK is affecting crop yields, production levels, and business viability. I commend the work of The National Farmers' Union to support farmers to make this transition.

12 Department for Environment Food & Rural Affairs, United Kingdom Food Security Report 2021: Theme 2: UK Food Supply Source, 2021.

13 How can the UK be more self-sufficient in food? | Analysis & Features | The Grocer.

14 NatWest Group, Climate Related Disclosures, 2023.

15 Minette Batters, The National Farmers' Union Conference Speech, 2023.

16 UK Climate Change Committee 2022 Progress Report, 2022.



As a bank, it is our ambition to help finance the transition to a resilient, net zero, nature positive food system. We have put climate at the heart of our purpose. We are the first major UK bank to have our sector emissions reductions targets validated by the Science Based Targets initiative (SBTi), and we are focused on developing our Climate Transition Plans. Addressing these challenges, however, will require working at pace and approaching the challenge as a team sport with everyone playing their part. In the short term, NatWest Group has taken actions to help our customers with agri-inflation pressures and sustainability projects. Last year, we confirmed a £1.25 billion lending package for farmers to deal with agri-inflation and fund climate and sustainability projects. This has taken our total lending capacity to the agriculture sector to over £6.7 billion.¹⁷

This funding is to help the industry deal with increasing input costs and aims to create more sustainable ways of working. To further support customers, Royal Bank froze charges and tariffs on Business current accounts for 12 months from August 2022, as well as reducing interest rates on its range of Small Business Loans up to £40,000, by between 0.5% and 1.35% dependent on term and amount.

Looking ahead, we need to ensure that there is a real partnership in place between the public and private sector to help unlock the challenge of our lifetime. What we're hearing loud and clear is that these short-term measures aren't enough to help farmers make the necessary changes. We have found that 82% of Royal Bank's agricultural customers felt a sense of frustration or guilt at not being able to act on climate change.



¹⁷ NatWest Group, Climate Related Disclosures, 2023.

¹⁸ Ibid.



We do recognise that the transition is complicated, and farmers need more information on how this can be achieved. That is why we believe a useful tool for farmers could be the Global Farm Metric (GFM). This tool establishes a common language and a baseline of data for sustainability which has the potential to strengthen and align existing metrics of the food and farming industry. We are supporting the digitisation of the GFM, as it will make it easier for farmers to measure and track the climate changes and their practice's impact on the natural environment.¹⁸

NatWest Group is driven by our purpose which focuses on **climate** and addressing the challenges to achieve net zero, **enterprise** where we are finding ways to remove barriers for business growth, and **learning**, to help us and our customers improve together. That's why we're publishing this report, to signpost how our different business interventions and new data tools combine and can contribute towards a sustainable future for farming and a secure domestic food production industry.

It is only through partnerships that we can achieve our ambition, and it is only through aligned systems thinking that we can make a difference. As this report outlines, we're proud to be working with organisations such as WWF-UK, Google and McCain Foods. Our partnership with McCain Foods will be delivering a market-first collaboration to help build the right incentive structures to help suppliers with the cost of the transition, paving the way for other industry players to follow suit.

We have stood behind UK farmers for nearly 300 years, and our approach now is to stand by the farmers, and the wider industry, to invest in their transition. The agricultural sector is at an inflection point as the current economic and climate vulnerabilities crystallise. It is clear that more work will be needed to understand and help farmers adjust to the changing trends in consumer demands, the climate challenges and how to enhance natural capital over the coming decades.



The challenge: Food production and supply chain resilience

Through our financing solutions, long-term partnerships and our business services, we are confident we can help create the modern, productive, sustainable and strategically secure agricultural industry that will benefit the UK's future. We are committed to working with the whole food sector to establish the future vision for the industry.

In the UK and across the world, the accelerated pace of climate change, the global Covid-19 pandemic and population growth have placed additional pressure on the resilience of food supply systems. In the UK, these events have exposed the fragility of domestic production, and as the impact of climate change increases, yields and production levels will worsen. The shortage of tomatoes in the winter of 2022–2023 is another example of global supply chain fragility due to bad weather in Spain and Morocco.

It is critical that the UK agricultural sector picks up the pace and transitions towards a sustainable model that is flexible and dynamic.

This transition is key, not just because of the UK's commitment to net zero, but also because having a sustainable sector is key for the UK's food security supply and ultimately good for investment returns. Alongside reducing carbon emissions, it means investment in regenerating soils, increasing biodiversity and restoring ecosystems to rebuild natural capital for the benefit of wider society. Creating a healthy and resilient natural environment will enable farmers to achieve the transition.

The World Bank has estimated that by 2050 demand for food will have increased across the globe by 70%.¹⁹ The UK population reached 67.1 million in mid-2020 and is projected to grow to 69.2 million in 2030 and 71.0 million in 2045. With global and domestic populations increasing the resulting demand for food is only going one way. The UK needs to improve its domestic supply, instead of relying on ever increasing imports and potentially unstable global supply chains.

A noteworthy example of the risks to global supply chains is water security. In 2018, the UK imported £14 billion worth of fruit and vegetables. Over half of that value comes from areas where water is scarcer than in the UK. Spain, where climate change and poor water infrastructure is hampering agriculture's efforts to produce food, exports nearly £2 billion worth of produce to the UK.²⁰

¹⁹ The World Bank, Briefing: Agriculture Finance & Agriculture Insurance, 2022.

²⁰ Savills Research Article, Exporting responsibility, 2019.



Although UK farmers may need to increase total food output to tackle growing consumption and demand trends, there is growing recognition that there are alternative ways to improve national and international food security. By cutting down on waste (current estimates indicate that up to 40% of food produced is wasted between farm, fridge, and fork), eating differently (reducing our reliance on grain fed meat from intensive livestock systems), and eating slightly less (in line with current dietary recommendations).

It is through transitioning businesses into sustainable models, that investors can generate long-term value and the sector can rise to meet the challenges we face.

Food security in the UK and net zero are not conflicting ideas. The UK can move towards a sustainable agricultural sector while securing its domestic supply chains. In a world where food demands continue to increase, this issue should be seen as a strategic imperative for government and industry stakeholders. Recent experiences in the UK and globally should be seen as proof points of this concern, and the future climate and environmental challenges are only likely to compound the real issue of food production in the UK.

At least \$80 billion of global investment each year will be needed to meet the future food supply challenges.²¹ In the UK, the Climate Change Committee estimated that investment of £1.5 billion per year by 2035 will be required for the transition.²² Its March 2023 Progress Report highlighted the urgency of action required following extreme weather events in 2022.²³

It is clear the UK financial sector, working in partnership with government and other actors, needs to support the agricultural sector. In the near term, that means helping with the current economic challenges, while over the long term providing investment to enable the sector to transition. This will create modern, sustainable and productive businesses which are increasing biodiversity and restoring ecosystems to protect natural capital.

The UK food production system needs to be seen as a strategic industry, and one of vital importance to the security of the UK. Private finance must be part of driving that change. It is through transitioning businesses that investors can generate long-term value and the sector can rise to meet the challenges we face for the benefit of the UK and its people.

21 The World Bank, Briefing: Agriculture Finance & Agriculture Insurance, 2022.

22 The Climate Change Committee, Sixth Carbon Budget, 2020.

23 The Climate Change Committee, Progress in adapting to climate change 2023 Report to Parliament, 2023

The role of NatWest Group and finance

Ian Burrow, Head of Agriculture

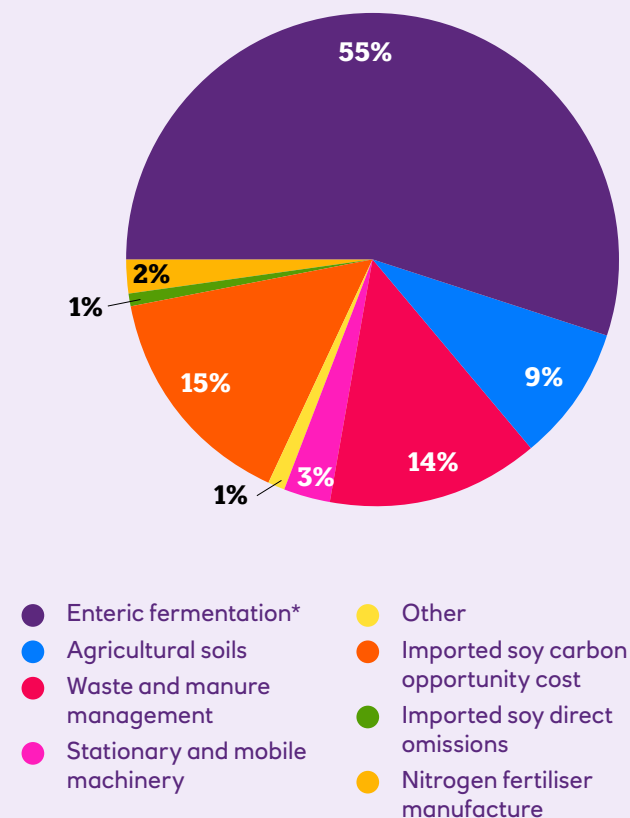
“The role of Royal Bank Agriculture is to provide practical business solutions and information for farmers as they make investment decisions. Our funding solutions support a wide range of business models, from traditional to innovative farming, and the agritech that increasingly supports these businesses. Our insight is specifically designed with the aim of helping farmers to navigate challenges such as agri-inflation, climate change, diversification as well as improving biodiversity and enhancing natural capital. We provide support via access to our national specialist sector relationship managers and a network of industry bodies, valuers, land agents and technical experts.”

As part of NatWest Group’s overall £100 billion climate and sustainable funding and financing target, we are also seeking to incentivise the transition across a range of business models to support sustainable agriculture, while we continue to provide investment that meets our customer needs.²⁴ This includes shorter-term funding solutions and working capital during fallow years as farmers transition their businesses, and production or profitability potentially dips during the process.

“Our relationship managers and frontline teams, including our credit sanctioners and risk teams, are working closely with our agriculture customers to understand the challenges they face and work with them in finding ways to overcome these challenges via innovative funding solutions.”

²⁴ NatWest Group, Climate Related Disclosures, 2023.

Figure 1: Sources of agricultural emissions
(including Scope 3 at GWP20 (2018)
Total = 132.3 MtCO2e)



Source: WWF-UK – Land of Plenty, February 2022: CCC’s Sixth Carbon Budget and Report for WWF-UK by Eunomia/Innovation for Agriculture (IfA)

*Enteric fermentation is the digestive process of converting sugars into simple molecules for absorption into the bloodstream, which produces methane as a by-product.



The power of collaboration for systems change



“Interaction, coordination and collaboration are critical to finding the right solutions to bring about powerful change at pace.”

Alison Rose, DBE
CEO, NatWest Group

NatWest Group is a founding partner of the Sustainable Markets Initiative, which aims to drive a coordinated global effort to help the private sector accelerate the transition to a sustainable future. It was launched by the former Prince of Wales at the World Economic Forum 2020 Annual Meeting in Davos, and under the mandate of the Terra Carta.

NatWest Group were awarded The Terra Carta Seal, in recognition of the commitment the bank has placed on a sustainable future that puts nature, people, and the planet at the heart of the economy.

Under the mandate of the Terra Carta, the Sustainable Markets Initiative (SMI) encourages three major market transformations:

- 1. A dramatic shift in corporate strategies and operations**
- 2. A reformed global financial system**
- 3. An enabling environment that attracts investment and incentivises action**





To see change at scale we have to make farming more sustainably a ‘no-brainer’ for the farmer. At the request of the Sustainable Markets Initiative, the Agribusiness Task Force was formed to identify what the private sector can do to achieve this. The Task Force’s findings were published in *Scaling Regenerative Farming: An Action Plan Report*, which can be found [here](#). The report highlighted the need to address the short-term drop in profitability associated with moving to a regenerative system and noted the key things the food system needs to work on collectively in order to do that – the Big Five.

With the support of the Sustainable Markets Initiative, NatWest Group convened leaders from across the agriculture ecosystem at SMI’s Terra Carta Action Forum at COP27 to discuss how best to make progress on the Big Five. The subsequent report *A Springboard to Sustainable Recovery: A Forum for Action, COP27 Transitioning the Agricultural Ecosystem* can be found [here](#). Three interlinked themes came

out of the discussion: measurement is needed to create a common language; policy needs to support the transition; and finance is critical to enable the transition. Progress on these will take time, but a key takeaway for NatWest Group is that the process of change requires a team sport approach, with the whole sector working in partnership.

NatWest Group will lead by example by continuing to work with the SMI Agribusiness Task Force to understand how the risk and cost of transition, which currently all sits with the farmer, can be shared with food system players and government to scale finance into sustainable agriculture and make it more commercially attractive to farmers.

THE BIG FIVE

- 1. Agree common metrics for environmental outcomes**
- 2. Build farmers’ income from environmental outcomes**
- 3. Create mechanisms to share the cost of farmers’ transition**
- 4. Ensure government policy rewards farmers for transition**
- 5. Source differently to share costs across value chains**



Interventions

NatWest Group working across our supply chain with McCain Foods

Find out more about the partnership [here](#)



What's the challenge?

Climate change and nature loss threaten the long-term viability of farming practices, and companies are realising that in order to affect change, solutions need to tackle supply chains in their entirety.

In the agricultural industry, many farmers are lacking the tools and capital to invest in sustainable practices for the long term, so new solutions are needed for major businesses to support suppliers to make the change.



What are we doing?

We are working with food manufacturers and suppliers to drive sustainable agriculture through incentive structures to help farmers address the short-and medium-term costs of the transition to regenerative farming.

One example is our partnership with McCain Foods through Lombard, and enabled by our Agricultural Sector coverage teams via Green Asset Finance. Together we have developed a programme which offers preferential payment terms and financial support to enable farmers to transition to more regenerative farming equipment. The programme offered by Lombard will be matched by McCain Foods to support their farmers to adopt regenerative agriculture practices.

This partnership forms part of a number of ways McCain Foods is working alongside its growers to support the transition to regenerative agriculture practices, which also includes cover crop grants, free wildflower seeds, and free soil health checks. This partnership will support McCain Foods and its farmers as they work together to implement regenerative agriculture practices across 100% of their potato acreage by 2030.



What needs to happen next?

We intend to learn as we progress this partnership, with a view to expanding via similar initiatives as well as exploring how we can embed further financial solutions into the broader supply chain.



Interventions

NWG supporting the Global Farm Metric

Find out more about the Global Farm Metric [here](#)

What's the challenge?



“With almost half of the world’s habitable land now farmed, much of our biodiversity, climate and future health depends on the transition to more sustainable and regenerative food and farming systems - but this is not happening fast enough. Slowing us down is confusion amongst the farming and investment community about the agricultural practices which really deliver positive outcomes. If we all use the same framework to evaluate and monitor the sustainability impacts on land use, in conjunction with a holistic assessment that recognises the interconnectedness of farming systems with nature and community, we will give farmers the tools with which to drive the solution and the investment community the evidence to support this.”

Patrick Holden, CEO & Founder of the Sustainable Food Trust

“As one of the leading banks supporting agriculture businesses in the UK and a founding partner of the Global Farm Metric, it’s great news that this next step with Anthesis is being taken. The tech innovator will work with the Sustainable Food Trust to ensure that the open-source platform can support multiple sustainability data requests, improving transparency and delivering meaningful insights to farmers. Royal Bank will continue to bring expert insights from the financial sector to support the development of the Global Farm Metric.”

James Close, Head of Climate Change at NatWest Group

What are we doing?



Launched in 2020 by the Sustainable Food Trust, the Global Farm Metric (GFM) is a framework designed to align existing metrics in the food and farming industry around a holistic view of farm-level sustainability. Its mission is to enable the creation of a common language for sustainability that drives collective action for nature, climate and health while reducing duplication of data and effort for farmers. The framework takes a “whole system” approach to sustainability, including farming outputs, the farming system and the natural systems supporting the farm.

Following calls for action from farmers, government and retailers we are partnering with the Sustainable Food Trust and Anthesis, the world’s largest group of dedicated sustainability experts, to develop a GFM digital assessment platform that hopes to play a crucial role in measuring and sharing the sustainability of farming and food production and enabling others to adopt the framework.

Our partnership is one of a broad set of interventions SFT is making to accelerate the adoption of the GFM in partnership with food processing companies, retailers, and customer-facing brands.

What needs to happen next?



The whole banking industry, agri-food sector and, in particular, the Government need to collaborate and provide the right incentives for farmers and the supply chain to adopt a common language of measurement, tracking outcomes, in order to manage the process of building positive impacts that will ensure long-term UK food security and sustainability.

To support this journey, a set of UK trials will take place throughout 2023. These trials will help us to understand our customers’ needs, aiding the development of incentivised products and services to encourage uptake of the framework and drive positive action needed.

Putting these incentive structures in place will require a tight-knit, collaborative approach between industry stakeholders.

To that end, trials this year aim to test and build on the Global Farm Metric’s capability to meet the needs of multiple stakeholders, and ultimately demonstrate that the tool has the potential support the transition needed in the industry to ensure long-term UK food security and sustainability.



NatWest
Group

Interventions

Our lending support

Find out more about our lending support [here](#)



What's the challenge?

The UK agricultural sector is facing a set of critical challenges – from inflation running at around 20% and price hikes in the region of 200% for fertiliser, gas and fuel, to a raft of other cost pressures on feed, electricity, and seeds.

As farmers look to make the changes needed to work towards a net zero, nature positive economy, that improves natural capital and biodiversity, they need more support to help them manage their businesses in short term, which is vital to the UK's future food security.

“We want to provide the financial means and accessibility for farmers to pursue their climate ambitions while also offering support options during the current industry challenges of high agri-inflation. Addressing climate change and reducing environmental impact is a key issue for farmers, so we're working to remove the barriers and help the sector make changes now, which will save money and safeguard businesses in the long term”

Ian Burrow, Head of Agriculture at NatWest



What are we doing?

Last year, NatWest Group confirmed a £1.25 billion lending package for farmers to support them with the current economic and sustainability challenges. Now our, total lending capacity to the agriculture sector stands at over £6.7 billion.

This capital will be deployed through a range of measures including short-term loans, asset finance, and increased overdraft limits seeking to help the industry deal with increasing input costs.

Alongside these measures, we have provided capital repayment holidays where the business only needs to pay the interest on a loan for an agreed period, reducing the amount due each month. Lombard's green loans aim to help eligible UK businesses to finance investments.

In some cases we also froze all business charges for at least 12 months from last August, and reduced interest rates on its range of Small Business Loans up to £40,000 by between 0.5% and 1.35% dependent on the term and amount.



What needs to happen next?

Research by Royal Bank has shown that SMEs require personalisation when it comes to financing, and the rollout of green loans will help the bank to better understand the needs of business owners in the agricultural space.

We will consolidate these lessons and build out a bigger picture of how providers of finance can best support farmers and other agricultural business owners to make the case that long-term investment in their business, although challenging, is the right thing to do.

If we take a one team approach, collaborating with farmers, the Government, food processors, manufacturers, retailers, NGOs and sector experts, we can stimulate demand and deploy the capital effectively to drive the industry forward towards a more secure and sustainable sector.



Interventions

Green Asset Finance

Lombard, part of NatWest Group, helps drive a green future by providing businesses with the support they need to invest in sustainable assets as we all make the transition to a low-carbon economy and build a greener future. Green Asset Finance is specifically available for zero emission vehicles and other assets which may help a business be more sustainable.

We know many businesses feel unprepared to make the transition to sustainable practices, which is why we offer Green Asset Finance with no arrangement fees, to support companies like Newhay and GH Dean & Co Ltd. to demonstrate industry-leading practice.

Case Study #1: Newhay

- Newhay is a leading producer of natural animal feed, and with the support of our financing, the company has been able to purchase new hay drying equipment transforming its business operations.
- Not only did this enable the company to increase its production by 66%, it also saved nearly £50,000 in fuel costs. Furthermore, it will lead to a significant reduction in the company's carbon footprint.



Case Study #2: GH Dean & Co Ltd

- GH Dean and Co is a family business specialising in arable, grassland for sheep, apples, pears and cherries.
- First established in 1920, the business today aims to be a leader in conservation and self-sufficiency.
- With our backing, the business has been able to diversify its on-farm income, including through microgreens. We have also supported the business in a solar deal to help it generate as much of its own energy as possible.
- By taking these measures, GH Dean and Co has opened the door to a direct sales arm, with the potential to sell products directly into restaurants, food halls and specialist retailers.

NatWest Group Green Asset Finance is available to over 18s which meets the NatWest Group Climate and Sustainable Finance Inclusion Criteria for your business size. Security may be required. Fees (other than arrangement fees) may apply. Available to UK customers for business purposes only. Available for borrowing over £25,000 and less than £10 million. Subject to status, eligibility and approval. Finance provided by Lombard.



Interventions

Green Loans

Case study #3: Falside Farm

- St Andrews Farmhouse Cheese Company based at Falside Farm in The East Neuk of Fife, is a family run, award-winning producer of cheese. The Stewart family have been custodians of Falside Farm since the 1930s, and dairy has been at the heart of their operation since the start. To give the family more time to develop and expand their top-quality range of cheese, the farm reached out to Royal Bank of Scotland (part of NatWest Group) to support with the purchase of a new robotic milking system, which leads to better quality conditions for milking cows.
- The business is now also benefitting from an increase in the production of raw milk from its herd of Friesian Holstein cows, and this combined with time savings will allow the Stewarts to explore further steps to reduce the impact of operations on the climate over time. By taking this step, St Andrews Farmhouse Cheese Company has secured its long-term viability, ensuring that the next generation of farmers inherit a sustainable business.

Green Loans with no arrangement fee are open to applications from eligible UK businesses with an annual turnover of less than £25m (other than for eligible UK Real Estate Finance businesses for whom alternative eligibility criteria may apply) who are seeking to take out a loan to acquire assets that fall within the eligible list developed by the bank and subject to review and change on an ongoing basis. Security may be required. Fees (other than arrangement fees) may apply. Over 18s only. Subject to status, eligibility and approval. Business use only. Any property or asset used as security may be repossessed or forfeited if you do not keep up repayments on any debt secured on it. Failure to comply with the terms of the loan agreement could lead to an event of default under the loan and (depending on their terms) may also impact other facilities of the borrower. Terms apply. It should be noted that loans without an arrangement fee, via propositions other than Green Loans, may in certain circumstances be available.





Interventions

Convening the sector alongside WWF-UK

What's the challenge?



In light of competing economic pressures, the case for farmers to invest into changing their agricultural practices to be more sustainable is difficult. We need to identify how governments, financial institutions, food companies and farmers can share the cost and risks of the transition. This process requires coordination and collaboration across the food system.

Farmers should be rewarded for achieving environmental outcomes and this requires agricultural support payments to create a compelling price signal that would de-risk financial capital to cover the upfront and operational costs of transition for farmers. It also requires the market to source differently and pay farmers that achieve environmental outcomes a green premium. To ensure the incentives are in place to achieve environmental outcomes, the whole food system needs to adopt a common set of metrics to ensure consistency and high impacts. This coordination and collaboration can identify new financing instruments and business models that ensures the food system is both economically and environmentally sustainable in the long run.

What are we doing?



In April 2023 Royal Bank and WWF-UK co-hosted a workshop with a mix between government (DEFRA, DBT and HM Treasury), finance, food companies (retailers and manufacturers), farming organisations, and NGOs.

The participants were experts within these organisations with responsibility for developing and implementing sustainable agriculture practices.

The workshop focused on: (i) agreement on how fiscal payments need to be structured to unlock private finance, and (ii) practical interventions to support farmers, including the adoption of common metrics and incentives for farmers to collect data.

What needs to happen next?



Moving the industry forward will require continuing to work alongside the government to identify further opportunities where private finance can accelerate action across the country.

Drawing on our engagement in England, we will look to engage with the Scottish, Welsh and Northern Ireland governments on their agricultural programmes.

Beyond this we see an opportunity for coordination and collaboration across the food system to find a possible scheme whereby farmers are rewarded when they achieve environmental outcomes to the scale and ambition needed for the UK to achieve its net zero and nature positive targets. This is an idea the WWF-UK is looking to explore through our various partnerships.



Interventions

Leveraging technology with Google Cloud



What's the challenge?

When it comes to helping farmers make changes to their practices, having the right tools and platforms to measure data is critical. The ability to measure and analyse data helps build a more comprehensive understanding of impacts and risks. But at the moment this access is unequal, hindering progress towards the goal of all farmers being able to report on a common set of metrics.



What are we doing?

Royal Bank recently worked with Google Cloud to explore the use of its satellite data archive in conjunction with Climate Engine's SpatiaFi software platform. The work has allowed us to understand the role that geospatial data can play in capturing key climate-related data points for our agriculture customers.

Through linking defined fields and property to a customer's registered address, not only will this help Royal Bank with its climate reporting obligations, e.g. the EU Taxonomy and Taskforce on Nature-related Financial Disclosures (TNFD), but it will support our customers' own climate and nature data collection. This data will allow farmers to build a tailored picture of the challenges facing them, from flood and drought risks to biodiversity at a field-specific level.



What needs to happen next?

We are now working with Google Cloud to explore further opportunities and use cases, to understand the ways in which this data can support Royal Bank and its customers. For example, we can foresee the data playing an important role in the development of products and services which help customers track and respond to key areas of risk on their farms.

We are also exploring the role that the data could play in streamlining the use of other important tools, such as the Global Farm Metric. As we continue to make progress, we commit to sharing what we learn via groups like The TNFD Forum, as we work towards a unified picture of nature-related risk management and disclosure.



Looking to the future: a whole systems approach to food and farming



**Paul Thwaite, CEO,
Commercial and Institutional,
NatWest Group**

This report has shown a snapshot of the work that NatWest Group, our customers and partners across the economy are taking to support the transition to a more secure, sustainable food system. Our ambition is to go even further, and we continue to look ahead to bring more solutions for our customer and the wider food sector.

The challenge cannot be tackled by just one bank, one sector or one country. Individual farmers are part of a larger whole, and agriculture is itself part of our wider food ecosystem. Supply chains and markets are across national boundaries – meaning that food manufacturers, transporters, retailers and the consumers all play a critical role in reframing the UK’s view of agriculture towards a sustainable and secure food system. Partnership, collaboration and knowledge sharing across sectors and value chains is key. A true farm to fork strategy must encompass all of these actors or efforts here will prove futile.

If we get the collaboration, measurement and policy right, the finance will flow.

As set out in this report, the industry is at a crossroads, and should not be left to deal with these issues alone. These must be shared by the entire value chain. The action required to bring this change about rests on a number of key ingredients:

The agricultural sector should be classified as a critical strategic industry, with a clear government strategy that reflects the holistic food system and set out a long-term vision for the industry. This is not government’s responsibility alone, and a taskforce from across the value chain should be convened to provide practical solutions and market incentives to support action.

A common set of metrics that defines the environmental outcomes farmers need to achieve must be adopted across the food system: from farms to food manufacturers to retailers. We think The Global Farm Metric provides just such an option.



Farmers need to be financially rewarded for achieving these outcomes. Government, finance and industry need to work together to design a regime that gives farmers the confidence to make capital investments and adopt sustainable practices.

Other actors within the wider food system, such as retailers and manufacturers, should also support this effort, by offering favourable procurement and payment terms to farmers who make this transition.

The finance sector must play its role, and there is a distinct opportunity to drive these outcomes. Royal Bank will continue to work with government, industry and farmers to provide targeted support across the food system in a way that is comprehensive and scalable, by seeking to deploy finance at preferable rates for investments in sustainable outcomes, and new and innovative products to incentivise action, such as carbon credits and biodiversity credits.

We want to help enact the real, long-term changes needed to provide this crucial and ever-evolving industry with a sustainable and thriving future.

The empty shelves we have seen during 2023, speaks to a vulnerable system where all the supply chain components are not working in harmony. If we are to avoid more of the same headlines over the coming years, as our food system faces volatility and makes the shift to a more sustainable footing, we need to embed a clear strategy that future proofs our entire food system.



**Healthy soils
are critical to
the UK and help
ensure we are
able to produce
healthy,
sustainable
and productive
yields.**