

## Chapter 59

# The Effect of Farmer Capacities, Farm Business Resources and Perceived Support of Family, Friends and Associational Networks on Intentions to Invest in Renewable Energy Ventures in the UK

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### ABSTRACT

*The specific role of farmers and their actual or potential involvement with RE adoption and the wider community is potentially important but has not been addressed by research. This research carried out a postal survey of 2000 (response rate of 20.1%) farmers in the West Midlands region of the UK to investigate some of the factors affecting farmers' intentions to invest in RE production and associated enterprises. Multivariate linear regressions showed that the farmer's level of education, level of farm diversification, land tenancy status and farm business turnovers were the most important factors affecting intentions. It also emerged that perceived support of family, friends and associational networks was a significant positive influence on farmer's investment intentions. The policy implications for these results are discussed.*

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## BACKGROUND

Due to declines in traditional agricultural support in the European Union (EU), production and income alternatives for farmers seem necessary (Ilbery et al., 2009). According to Domac et al (2005a) and Domac et al (2005b) renewable energy (RE) production has the potential to contribute towards job creation and farm business growth and sustainability. The government is looking to rural entrepreneurs to contribute towards achieving the country's energy and climate change targets through the adoption of RE enterprises (DECC, 2010a; DECC, 2010b). The RE roadmap lays out governments priorities with regards to the potential contribution of RE to energy security and climate change mitigation and strongly argues that timely investments are needed to ensure that RE effectively contributes towards shielding the country from fossil fuel price fluctuations and reaching the target of 80% reduction in greenhouse gas emissions by 2050 (DECC, 2011b). It is very likely that the eminent review of the Common Agricultural Policy of the EU (CAP) will continue to emphasise the important role of the farm sector in increasing the value of agricultural production to the provision of social welfare services such as rural sustainable development, environmental protection, climate change mitigation and adaption (Convery et al., 2012).

The ability of farmers to start new activities on farms has been an important area of research within agricultural research (Carter, 1998; Carter, 2001; Chang & Boisvert, 2009; Damianos & Skuras, 1996; Davis et al., 1997; Alsos et al., 2003; Vesala et al., 2007). One major motivation for studies in this area has been to provide understanding of the reasons why farmers start new enterprises in general or why they switch to new enterprises. According to Windle and Rolfe (2005) this type of research is important if policy makers wish to predict the speed of restructuring in industries that have been affected by external or internal pressures. Secondly, such information

is necessary to assist policy makers to develop packages to support the restructuring processes and may also assist in the reallocation of resources to support new venture creation processes or to help mitigate negative impacts. Understanding why farmers start new enterprises is relevant if predictions need to be made about the rate of take up (or not) of some technologies (Jones, 2006).

An indication of the extent to which farmers will need to be involved in RE is provided by the UK Government's Biomass Strategy (DEFRA, 2007). This requires the cultivation of 350,000 hectares of biomass by 2020 from a base area of under 16,000 hectares in 2010 (Sherrington & Moran, 2010). According to Thornley and Cooper (2008) this is unlikely to happen unless there is an appropriate policy framework to enhance deployment. The timeline for the evolution of RE policy in the UK is presented in Table 1. Past research has argued that this framework has tended to change too often creating an uncertain environment for potential investors (Slade et al., 2009).

*Table 1. A timeline of key policy instruments in the UK*

Year	Policy initiative
1989 1997	Deregulation and Non Fossil Fuel Obligation (NFFO) set Government encouragement for biofuels
1998	Investment subsidies
2001	Carbon tax
2002	Renewables Obligation
2002	Capital grants
2007	UK biomass strategy
2010	Feed in tariffs (FITs)
2011	Renewable heat incentive (RHI)
2011	Renewable energy road map
2011	Consultation to review the 2007 UK biomass strategy
2012	Review of the FITs

Source: Adapted from Thornley and Cooper, 2008 p. 908 and DECC, 2010a, DECC 2010b, DECC 2011a, DECC 2011b, Department for Energy and Climate Change, 2012.

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