

# LARGE COMMERCIAL PRODUCER SURVEY

2021 THEMES REPORT



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**In 1993, the Purdue University Center for Food and Agricultural Business research team began conducting the Large Commercial Producer (LCP) survey with 2021 marking its seventh iteration.**

# OVERVIEW

The study is designed to understand the preferences of large-scale producers when interacting with agricultural salespeople, retailers, lenders and manufacturers. It also establishes a valuable understanding of commercial producers' decision-making processes and how these processes have changed over time. The 2021 survey was conducted January-April and collected data from approximately 1,900 U.S. producers of: corn/soybean, wheat/barley, cotton, fruit/nut/vegetable, dairy, hogs and cattle across the nation.

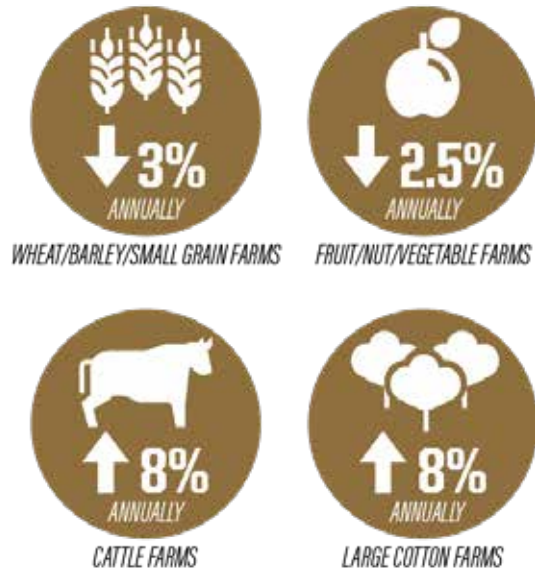
In addition to surveying farmers, the center conducted an agricultural retailer portion in order to better understand the gaps in retailers' perception of the key success factors and buying preferences of their largest customers. The ag retailer survey collected data from over 800 agricultural retailers.

## PRODUCERS' GROWTH EXPECTATIONS AND BUSINESS STRATEGY

### GROWTH EXPECTATIONS

The LCP survey results show annual growth expectations are fairly modest for crops with wheat/barley/small grains and fruit/nut/vegetable producers anticipating shrinking or shifting to other crops. The cattle segment has significant growth aspirations among livestock producers.

These growth expectations represent respondents' mindset toward growth more so than an accurate forecast of the shifts in farm size and product mixes. The growth mindset of the producer helps us better understand their strategies and preferences, providing a picture of where producer buying preferences may be shifting in the future.



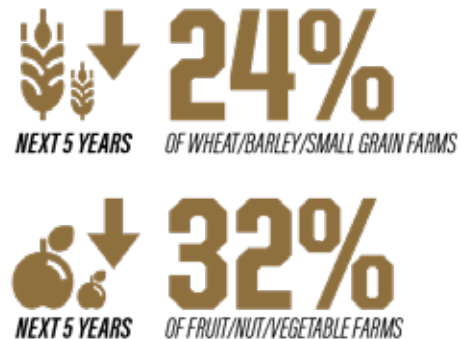
### CONSOLIDATION

Twelve percent of crop farms in the dataset anticipate moving to the largest grower segment from a smaller segment.

**This significant movement to larger sized farms is a reflection of the continued growth mindset for many producers and has broad implications for how agribusinesses will serve the farmer of the future.**

In general, as farms grow in size and sophistication, their needs for products, services, advice and other external relationships change. Understanding which producers are growing and how their needs are evolving will be key to maintaining a supplier of choice position for many agribusinesses.

### SHIFTING & SHRINKING OPERATIONS



### CONTINUING CONSOLIDATION



## PRODUCERS' GROWTH EXPECTATIONS AND BUSINESS STRATEGY

### MANAGEMENT STRATEGIES

As discussed, growth is often a primary motivation for producers. To grow, a producer must be profitable to sustain continued growth. At the highest level, a producer has five main factors they can manage to impact profitability: cost; production (yield); land, equipment and facilities; output price; and people. All producers use these five factors to some degree, and the degree to which they use them indicates their overall management strategy. Understanding this can help agribusinesses create stronger relationships with producers.

The results indicate Cost Management and Production Management are the major drivers for all types of producers. These strategies reflect the fact producers tend to focus on factors in which they have the most control.

#### MOST CONTROLLABLE DRIVERS



# 67%

RANKED **COST MANAGEMENT** 1ST OR 2ND



# 53%

RANKED **PRODUCTION MANAGEMENT** 1ST OR 2ND

Larger, more sophisticated operations gravitate toward People Management as a key driver of success, as do dairy and fruit/nut/vegetable operations. This is not surprising as larger farms take more people to get jobs done, and dairy and specialty crops generally require more labor than other sectors. People Management strategies are ranked first or second for 49% of fruit/nut/vegetable and 47% of dairy operations. In fact, the continued pressure on labor issues in agriculture may partially explain the survey results showing slower/shrinking growth aspirations of dairy and specialty crop segments.



**LARGER OPERATIONS,  
DAIRY AND FRUIT/NUT/VEGETABLE**  
RANKED **MANAGING PEOPLE** 3RD

When relating growth expectations and management strategies, we see crop farms that anticipate positive future growth place more weight on Cost Management and Output Prices and less weight on Production Management compared to no/negative growth farms, suggesting a more profit maximizing approach to decision-making (10% less weight on Production Management and 14% more weight on Costs Management and Output Prices). Livestock farms that anticipate future growth tend to place more emphasis on physical asset management than no/negative growth farms, suggesting a focus on animal environment and land management as critical drivers to success. This is not to say cost and productivity management are not most important — indeed they are, but these factors are the same for all farmers. What differentiates the growing group of livestock farms is asset management. We suspect this is likely driven by both concerns for animal welfare requirements and the extensive land use for the cattle segment.



## DIFFERENCES IN PRODUCER STRATEGY SEGMENT BUYING PREFERENCES

We conducted an analysis of how producers with different management strategies differ across various buying preferences, including price sensitivity, the types of information they value in sales interactions, and their views of the value propositions offered by retailers. The table below summarizes the main differences observed across the management strategy types (a farmer would be in this strategy type if it was their top ranked strategy).

	Yield	People	Assets	Output Price
Price Sensitivity	↑	↑		↑
Value of Information				
Saving Money	↓	↓	↓	↓
Product Information	↑	↑	↑	↑
Retailer Value Proposition				
Differences in Services		↑		↓
Differences in Information		↑		
Relationship with the Salesperson	↑	↑		

## AGRIBUSINESS VIEWS OF THE STRATEGY SEGMENT PREFERENCES

As mentioned, a survey was also conducted with agribusiness professionals who serve the main crop segments across the U.S. The survey presented many of the same questions, asking them to indicate how they believed their large producers would respond. Below is a table showing how the majority of the agribusiness group viewed the buying preferences of farmers that use each of the different management strategies.

	Cost	Yield	People	Assets	Output Price
Price Sensitivity					
Brand	↑		↓	↑	↑
Retailer	↑	↓	↓	↑	
Quality of Services	↓	↓	↓	↓	
Quality of Information			↓		
Relationship with Salespeople					↑

# PRODUCERS' GROWTH EXPECTATIONS AND BUSINESS STRATEGY

## Implications for Agricultural Input Providers

Many agribusinesses indicated the desire to become a trusted advisor to their key producers. A trusted advisor is integrally involved in the customer's business. To be integrally involved is to truly understand the customer's business and to be a person the business seeks out for advice beyond the products/services you offer. Building this sort of relationship requires four key areas of knowledge: product expertise, customer knowledge, domain knowledge and business acumen.

Insights from the data results suggest agribusinesses must focus on gaining a key understanding of producers' strategies if they seek to move from a tactical relationship to a strategic relationship or to the level of a true trusted advisor. The graph below summarizes the key activities and features of the tactical, strategic and trusted advisor relationships.



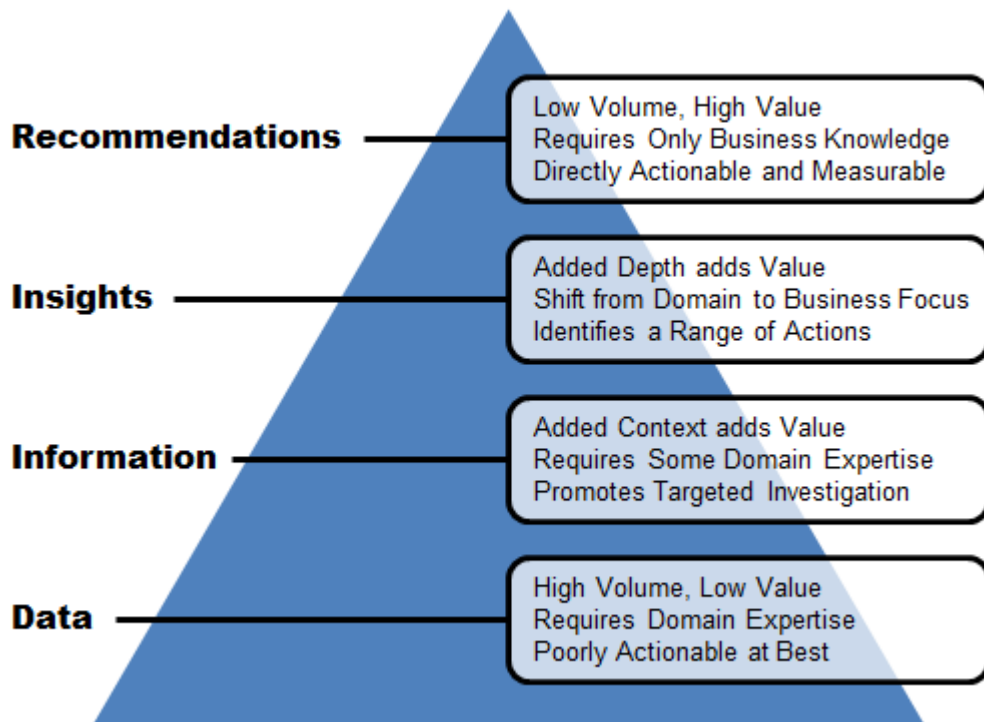
### To become a true trusted advisor, you must:

- Remind your customers you are the go-to person whenever they have questions or issues.
- Be able to give objective input when your customers are looking for advice or want to brainstorm.
- Position the value of your product and solution based on specific challenges your customer faces and show how they will give them a competitive advantage.
- Remember to act as a partner, not just a vendor selling something. Understand their business needs, goals and definition of success.



# CONCLUSION

The producer of tomorrow is aggressively seeking growth opportunities utilizing a business strategy that is tailored to their unique skills and situation. As an agribusiness seeks to grow with these customers, they should position themselves to be a strategic or trusted partner with these businesses. The 2021 LCP survey suggests producers that want these relationships with their suppliers are seeking insights and recommendations that are just as tailored to their unique situation as their choice of management strategy. As a trusted advisor, agribusinesses must focus on moving up the impact pyramid shown below. They must go beyond sharing data and information about their products and focus more on the insights and implications of all the tools and resources they can bring to help key customers achieve their goals and aspirations in the unique way they choose to win in the marketplace.



## PRODUCERS' BUYING BEHAVIORS AND PREFERENCES

### IMPORTANCE OF PRODUCT ATTRIBUTES

Farmers were asked their preference of Product Performance, Price or Relationship with a Salesperson when purchasing inputs. This question was asked for seed, fertilizer, crop protection, capital equipment for crops, animal health, animal feed nutrition, genetics and capital equipment for livestock. The results show 80% of farmers ranked Product Performance the top attribute when purchasing seed. When asked about crop protection, Product Performance was cited by 57% of farmers as the top attribute. While Product Performance is the dominant attribute for crop protection, Price is increasing in importance year-over-year. The result for fertilizer was different, as 55% of farmers ranked Price as the top attribute, indicating farmers are increasingly seeing fertilizer as a commodity. Product Performance is the top attribute for all livestock products and capital equipment for both crops and livestock as well.

The results from the ag retailer survey indicated agribusiness employees underestimate Product Performance and overestimate Supplier Relationship and Price across all product categories.

### DEALER/RETAILER ATTRIBUTES

Price is the most important attribute when selecting a dealer/retailer with Service Quality being second. Large farms rank Price as more important than their smaller counterparts; additionally, large farms place less of an emphasis on the location of a dealer.

Looking at the ag retailer survey results, agribusiness employees selected Service Availability and Service Quality as the most important attributes when selecting a dealer/retailer, followed by Relationship with Salespeople and Past Experience.

### PRODUCT ATTRIBUTES

#### MOST IMPORTANT ATTRIBUTE



PRICE

FERTILIZER  
55%



PRODUCT PERFORMANCE

SEED  
80%

CROP PROTECTION  
57%

ANIMAL HEALTH  
65%

ANIMAL FEED NUTRITION  
60%

GENETICS  
70%

CAPITAL EQUIPMENT  
50%

### DEALER & RETAILER ATTRIBUTES

#### THREE MOST IMPORTANT ATTRIBUTES



74%

PRICE



51%

SERVICE QUALITY



45%

PAST EXPERIENCE WITH SUPPLIER

## LOYALTY TO BOTH BRANDS AND DEALERS/RETAILERS

The survey results show, overall, farmers are more loyal to dealers/retailers than to brands, except for seed and animal genetics products (Table 1). Agribusiness employees underestimated both brand and dealer/retailer loyalty for all products.

		BRAND LOYALTY	DEALER/RETAILER LOYALTY
CROP PRODUCERS	Seed	68%	65%
	Crop protection	41%	51%
	Fertilizer	37%	52%
LIVESTOCK PRODUCERS	Animal Feed	47%	52%
	Animal Health	37%	46%
	Animal Genetics	53%	43%

Table 1. Loyalty to Brands and Dealers/Retailers

### Large farms have loyalty to both retailers and brands of products.

They are also more likely to switch for a 5% discount. In comparing this with the ag retailer survey, agribusiness employees accurately predicted loyalty and switching behavior of farmers.



## INTUITIVE VS. ANALYTICAL DECISION-MAKING

Seventy-two percent of farmers identified themselves as analytical decision-makers, which has been a slow shift from intuitive decision-making when looking at year-over-year data.



## IMPLICATIONS FOR RETAILERS AND MANUFACTURERS

### Farmers are becoming more analytical.

- Decisions are not made in a vacuum.
- Solutions may be unique to the farmer.
- Can you be everything to everyone?

### There is a steady change in preferences.

- Agribusiness employees overestimate relationship and price.
- Training will be key in the future.

### Technology is changing how we do business.

- It provides insights into customers and interactions with business partners.

## PRODUCER ONLINE PURCHASING PREFERENCES

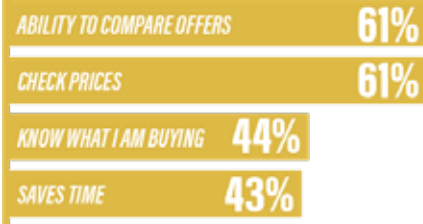
### ONLINE SHOPPING CURRENT TRENDS

The 2021 LCP survey data shows 58% of larger farmers have purchased farm input/s online. Of those farmers, more than one-third (38.1%) regularly purchase some items or as many as they can online. Additionally, 24.4% of those farmers have purchased from more than five online retailers.



### ONLINE SHOPPING BENEFITS AND DETERRENENTS

When asked about the benefits of online shopping, farmers ranked the Ability to Compare Offers (61%) in the top three benefits of purchasing online. The Ability to Check Prices was also ranked in the top three at 61%.



Large farmers rated Price more highly (62.1%) than Comparisons (55.1%), and they rated Saving Time higher than any other group as one of the top three benefits (51.5%). Saving Time was also ranked as one of the top three benefits of online shopping by 43.8% of commercial producers and 38.5% of mid-size producers.



With respect to deterrents of online shopping, 68% of farmers cited Returns and Warranties in the top three deterrents for buying online — far more than any other area.

Twenty-five percent of online shoppers cited Not Having to Talk to Anyone as one of the top three benefits of shopping online; however, 39% of buyers cited this same factor as a deterrent. Considering the high number of farmers citing Returns and Warranties as a large deterrent, it seems having someone to yell at if something goes wrong is more important than having someone to help make a decision. This rings less true for larger farmers at only 26% (compared to 43% for commercial farmers and 40% for mid-size), as they likely feel they will be able to get attention either way. Crop farmers are more concerned about not having anyone to talk with (40%) than livestock farmers (27%).



## ONLINE SHOPPING FUTURE TRENDS

Finally, younger farmers tend to be more certain about their use of online purchasing in the future. Eighty-three percent of the youngest generation (Gen Z), 60.4% of the next oldest generation (Millennials) and 64.7% of the next oldest generation (Gen X) say they will make the same amount of online purchases or more in the future. For large farms, 56.8% say they will purchase the same amount or grow their online purchasing.

Eighty-eight percent of farmers and 94% of retailers say online purchasing will stay the same or grow. Fifty-seven percent of retailers believe Not Talking to Anyone is holding back online purchases, while 43% believe it is Delivery. When comparing these results to the farmer survey, farmers don't consider these issues to be as big of a concern. Half of farmers don't know online purchasing is even available, and 25% of them even consider Not Talking to Anyone as a benefit. Some retailers may overvalue the benefits they deliver to farmers (or, as importantly, farmers may undervalue them and might miss them if they were removed).

### Implications for Farmers

- Be able to put a dollar value on every step in the buying process.
- Expect to pay less for products but more for information and services as transactions for some products are disaggregated.
- Assess the risk and return associated with analyzing data, including staying current.
- Consider efficiencies of expertise.

*WILL PURCHASE SAME AMOUNT OR MORE ONLINE*



**65%**  
OF GEN X FARMERS



**60%**  
OF MILLENNIAL FARMERS



**83%**  
OF GEN Z FARMERS

### Implications for Agricultural Input Providers

- Be able to put a dollar value on what you bring at every step in the buying process.
- Identify segments of farmers by their preferences in the buying experience.
- Find efficiencies in marketing versus sales, which includes online parts of the experience.
- Innovate new value offerings for other parts of the farmer's journey.

## SALESPEOPLE AND INFORMATION PREFERENCES

### INFORMATION PREFERENCES

The LCP survey results suggest providing farmers insight into how to maximize profits is a powerful strategy when approaching them, as 75% ranked Maximizing Profit as first or second most important to them during their purchases, followed by Saving Money (69%) and Product Options (56%).



Product Options is likely the least popular option among farmers as they may feel they're already aware of their options; however, information preferences tend to vary according to farm size and education level. For this reason, salespeople should pay attention to who they are approaching. For instance, larger farms care less about Product Options and more about Saving Money, but more educated farmers want to know more about Product Options.

In the ag retailer survey results, retailers undervalue Options for Saving Money and somewhat overvalue Information about Product Options. They also overvalue Advice on Maximizing Profits but understand its importance. Fourteen percent of farmers rank Information about Saving Money higher than retailers do, and 11% of farmers rank Information on Maximizing Profits lower than retailers. Additionally, 74% of farmers select Price in the top three attributes of a retailer. While retailers are fairly good at predicting farmer preferences, there may be a blind spot relating to the value of what benefits the farmer most.

### WHY CONTACT A SALESPERSON?

The survey results show that the top reason most farmers (56%) contact a salesperson is when they need to buy something. The other reasons such as need for advice from salespeople is low, especially among younger farmers. The younger the farmer, the more interested they are in lower prices; therefore, salespeople must be thinking about what kind of value they bring to farmers.

#### TOP REASON FARMERS CONTACT A SALESPERSON



*FARMERS WITH A GRADUATE DEGREE RANKED PRODUCT OPTIONS MOST IMPORTANT, FOLLOWED BY MAXIMIZING PROFITS, AND SAVING MONEY*



*SALESPEOPLE SHOULD MOVE BEYOND EXPLAINING PRODUCT OPTIONS AND PROVIDE INFORMATION AND INSIGHTS FOR MAXIMIZING PROFIT*

## FARMER PERCEPTION OF DEALERS/RETAILERS

Relationship with Salespeople, Quality of Services, and Quality of Information seem to be strong differentiating factors among retailers. Product Differences and farmers feeling like they Know More than their Retailer are ranked lowest, with an average ranking of 5.4 and 4.8, respectively. The results indicate that more educated farmers see bigger differences between suppliers in terms of Quality of Information, and younger farmers believe they know more than suppliers.

### STRONG DEALER/RETAILER DIFFERENTIATION FACTORS AVERAGE SENTIMENT FROM 1 "STRONGLY DISAGREE" TO 9 "STRONGLY AGREE"



## SALESPERSON ATTRIBUTES

Credibility was the number one salesperson attribute for farmers (38%), far surpassing Reliability (27%). Farmers ranked Caring as last (13%) and Relationships as second to last (22%); however, simply because Caring is ranked at the bottom, this is certainly not a reason or recommendation for salespeople to stop caring. They could try but would likely not get far. Retailers also ranked Credibility

as the number one salesperson attribute, coming in a bit lower at 32% than farmers' ranking of 38%. When comparing farmer and retailer results, it is apparent that retailers have a very accurate sense of how farmers view seller attributes with two exceptions. Farmers care more about Credibility than retailers believe, and farmers also seem somewhat less concerned about Confidentiality than retailers perceive (but this doesn't mean it wouldn't be an issue and isn't something that should be overlooked).

### Implications for Farmers

Be clear about where you need products, services and information.

- Expect to pay for those separately.
- Work on efficiencies.
- Reward relevant service innovation.

### Implications and Questions for Retailers and Manufacturers

- It's easy to say price isn't everything, but sensitivity to it seems to be rising. Is this an objection for salespeople to handle or an imperative for organizations to consider around the value they create?
- Is there an opportunity to charge for knowledge, and what are the implications of this model?
- Understand the experiences and motivations of others.
  - » Do this not only for the purpose of marketing, but for serving.
  - » Get better at communicating inward, not just outward.
  - » Include the channel and farmers in developing strategies.

## PRODUCER TECHNOLOGY ADOPTION AND DATA USE

### DATA AND TECHNOLOGY USAGE

Both data technology usage and farm data collection are significantly higher among large commercial operations than the national average, highlighting the importance of scale in data technology adoption and use. Eighty-seven percent of corn/soybean farms from the LCP survey use yield mapping technology versus 31% of corn farms, according to the nationally representative 2016 ARMS. Seventy-three percent of LCP corn/soybean farms use VRT versus 25% of corn farms nationwide (2016 ARMS). Scale effects are largest for advanced technologies (e.g., crop and soil sensors, precision irrigation systems and drones/UAVs).

#### POPULAR DATA TECHNOLOGY USE



##### YIELD MAPPING TECH

**87%**

OF CORN/SOY FARMS  
(BASED ON 2021 LCP DATA)

VS.

**31%**

OF CORN FARMS NATIONWIDE  
(BASED ON 2016 ARMS DATA)



##### VARIABLE RATE TECH

**73%**

OF CORN/SOY FARMS  
(BASED ON 2021 LCP DATA)

VS.

**25%**

OF CORN FARMS NATIONWIDE  
(BASED ON 2016 ARMS DATA)

### DATA TECHNOLOGY BENEFITS

Most farms that collect data do so for reasons related to profitability and improved decision-making. Profitability was cited by 91% of data collectors as a benefit of collecting data and Improved Farm Management Decisions was cited by 87% as a benefit. Over half of data collectors cite Reduced Inputs as a reason for collecting data; however, this does not necessarily equate to reduced environmental impact. Monitoring Environmental Indicators (e.g., nutrient runoff or carbon sequestration) is low, and Monitoring Environmental Quality is not a common reason for collecting data. This presents challenges for carbon markets and other sustainability programs.

#### TOP REASONS CITED TO COLLECT DATA



**91%**

PROFITABILITY



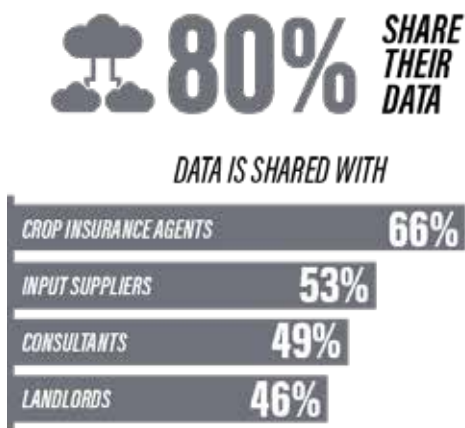
**87%**

IMPROVED DECISION-MAKING

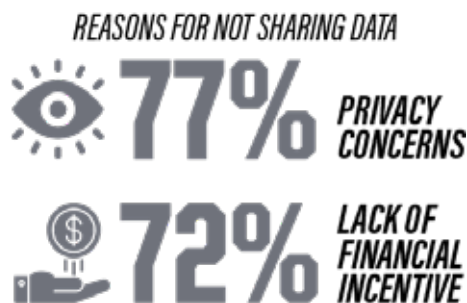


## DATA SHARING TRENDS

Data sharing is common among large commercial operations. Eighty percent of data-collecting farms share their data with at least one off-farm third party. The most common third-party is Crop Insurance Agents (66%), followed by Landlords (46%), Input Suppliers (53%) and Consultants (49%). Sharing data with “downstream” parties (e.g., grain elevators and certification groups) is rare, suggesting that data sharing adds value within the farm gate but not beyond. Large operations are more likely to share data for reasons of Certification, Sustainability and Compliance with laws.



For those who do not share their farm data, Privacy Concerns were the primary reason. Other common responses were a Lack of Financial Incentive to share data, a Fear of Data Being Misused and the Potential Loss of a Market Advantage. This indicates that privacy concerns could be addressed by focusing on aligning incentives and ensuring data security.



## Implications for Agricultural Input Providers

The survey results suggest the farm of the future will be large in scale and managed by younger operators with higher educational attainment who are actively engaged with farm data and technology. Therefore, ag input/service providers must play the role of trusted advisor, partnering with operators to address specific problems using technology.

Service providers should help farmers discover the value of data use and technology, as many farmers cannot “price” their data reliability. They need to advise them on how to make data more impactful in order to enhance profitability. Separating data-driven recommendations from input sales is key to building trust with producers.

In order for service providers to facilitate data sharing, they must treat data sharing as transactional, ensure data privacy protections and establish data ownership (e.g., Ag Data Transparent). Ultimately, data sharing with service providers must serve the farm’s broader data/tech system.

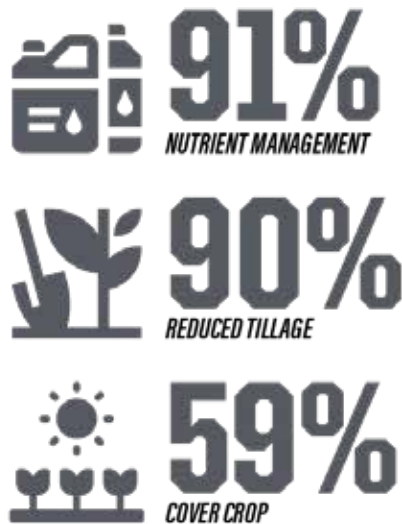


## SUSTAINABILITY AND CONSERVATION PRACTICE ADOPTION

The primary means of attaining sustainability in food production has been through agricultural best management practices (BMPs) adoption among farmers. The LCP survey results show the three most widely adopted practices are Nutrient Management, Reduced Tillage and Cover Crops, and less popular practices are Conversion to Perennial Crops, Buffer Strips, Terraces, etc.

Best management practices adoption reveals little variation across farm sizes or types and farmer age or education, except that Gen Z shows strong interest in adopting BMPs in the future if they have not already. Cotton and fruit/nut/vegetable farmers are much more likely to use cover crops on their entire farms, while wheat/barley/small-grain farms are most likely to discontinue. Commodity producers are significantly more likely to implement reduced tillage on their whole farm, whereas specialty crop farmers are more likely to implement on only a portion of their acreage.

### CURRENTLY ADOPTING CONSERVATION PRACTICES



Comparing the ag retailer survey with the farmer survey, we found a few interesting insights from the retailer perspective. Retailer employees were accurate at assessing use of widely used and less popular conservation practices; however, they underestimate the current adoption of conservation

practices for all practices. They cited 60% for Nutrient Management, 49% for Reduced Tillage and 26% for Cover Crop. Retailers expect large increases in conservation adoptions in the next five years for the top three most widely used practices.

The main reasons farmers adopt conservation practices are Future Productivity, Government Incentives, Environmental Concerns and Cost Reduction. The top reasons for not adopting are Concern over Profits, Financial Incentives, Poor Experiences and Insufficient Resources. These results are remarkably consistent regardless of farm size, farmer age/education, etc. Ag retailer employees ranked Productivity (53%), Financial Resources (45%) and Insufficient Resources (36%) as farmers' top three barriers for adopting practices.



The top three incentives that would induce farmers to adopt conservation practices are Cost-Sharing, Price Premiums for Sustainable Output and Risk Sharing (e.g., insurance). Current conservation programs offer cost-sharing, but few, if any, offer price premiums or risk sharing.

Farm Inputs and Machinery/Equipment were cited by 90% and 84% of farmers, respectively, as top investments they need to make to adopt practices, followed by Data Collection and Analysis (38%), Nutrient Management Plan (23%), Consultant (13%) and Software Licenses (6%).

## LARGEST INVESTMENTS

 **90%** *FARM INPUTS*

 **84%** *MACHINERY & EQUIPMENT*

When considering the role of retailers in helping farmers adopt conservation practices, retailers do not actively promote conservation practices, but farmers indicated they are a trusted source of information. Seven percent of farmers stated their retailers actively bring awareness to and promote new conservation practices for their adoption, while half of farmers (51%) affirmed their retailers would help them adopt conservation practices if they asked for services related to that practice, and 42% stated their retailers don't/wouldn't help them.

### RETAILER ROLE

 **42%** *RETAILER DOESN'T PROMOTE*

 **51%** *TRUSTED SOURCE OF INFORMATION*

## Implications for Retailers and Manufacturers

- Farmers are doing a lot in the conservation space, and agribusinesses seem to understand their needs.
- Financial assistance is key to adoption.
  - » Existing conservation programs may be limited in how they incentivize conservation.
  - » There are opportunities for better targeting non-traditional participants via new incentives such as green insurance.
- Many farmers are willing to accept advice from retailers on conservation practices.
  - » There are many opportunities for playing the role of a trusted advisor.

