

10.0 ENVIRONMENTAL SCAN

What is an environmental scan? Essentially this is a scan of a range of factors which are external to the firm. This involves considering trends and events which could impact on the wider industry of which the firm is part, or directly on the firm itself. Having done this, it is a matter of defining what these changes may mean – positive or negative, and altering the strategy of the firm accordingly.

There are a number of factors that can be incorporated within this environmental scan. The most common has the acronym PESTE:

Political

There are a number of subcomponents to this:

- (i) **International politics** – for example who is at war with whom, who has just signed a trade agreement, which country has just increased/decreased subsidies, who has just banned imports/exports of a particular commodity, etc.
- (ii) **Government** – what are the rules and regulations under which your industry/firm operate? What is the government thinking? What are the opposition parties thinking? Government rules and regulations are probably the major factor (other than perhaps the weather), which will affect your business. Most government policy, and changes around this, are discussed for months if not years ahead. You need to be aware of this.
- (iii) **Industry** – industry specific rules and regulations that directly affect your business, e.g. Clean Streams Accord.

Economic

This covers the range of economic factors which will (or may) be influencing your business. Examples would include:

- Interest rates
- Inflation
- Payouts and schedules
- Costs of inputs
- GDP growth – is the country on a boom or bust, or just ticking along
- Exchange rate
- Taxation rates
- Population growth rate
- Consumer confidence

Societal

Societal factors are all about fads and fashion, what's hot/what's not. This is more than just fashion – includes what people are eating, what they are reading, what they are listening to on the radio, what they are watching on TV.

It also includes more serious aspects, such as religion, trends in education, people's general lifestyle choices.

For example, what was society's reaction to the media publicity surrounding the euthanasia of bobby calves with a hammer? What are the short, medium and long term impacts?

Technology

This is all about the rate of technological change and new technologies, and the impact they have – lighter, stronger, faster. This covers a wide range of factors:

- The Internet
- E-commerce
- Mobile phones
- Social Media
- Rotary cowsheds
- Automatic cup removers
- Robotic milkers
- Electric fences
- Walk over weighing
- Anesthetic drench
- Weather stations
- Drones
- Accounting Software

Environmental

This covers the range of environmental factors which are of increasing importance to farming, and include:

- Effluent management
- Nutrient discharges
- Sediment loss
- Greenhouse gas emissions
- Energy consumption
- Water usage

There are some variations on PESTE, for example:

(i) PESTEL, where the “L” stands for **Legal**:

This covers the range of rules and regulations which the firm operates under (and could potentially be covered under Political), for example:

- Employment law
- Health and safety
- Agri-chemical registration
- Product safety

(ii) PESTTG, where “T” stands for **Mega Trends**:

This covers world-wide societal trends such as:

- Increased security (law and order/terrorism).
- Demographics – most societies, especially in western countries are ageing rapidly. Plus many people are living longer.
- Health – many people are looking for healthier diets, while many people are becoming more obese.

And where the “G” stands for Globalisation;

This relates to the shrinking of the world via such technologies as the internet and e-commerce, as well as trade deals between countries. This means that the competition is as likely (or even more likely) to be someone on the other side of the world as another domestic firm.

An environmental scan therefore requires an evaluation across all these factors to try and identify factors which may impact on your firm in some way. In a number of instances, an issue may fit under two or more factors, e.g. environmental regulation could go under either Political or Environment. This is not critical – as long as the issue is captured somewhere.

Having done this, it is a matter of deciding how to adjust your farming system to take advantage of these factors, or at least minimise any adverse impacts. So the next step is to take account of where your business (i.e. the farm) is sitting, and make adjustments accordingly.

This can be summarised as follows:

Figure 1: PESTE Outcome

