



27 November 2014

Total Income from Farming 2013 – 2nd estimate, United Kingdom

This release presents the second estimate of Total Income from Farming for the United Kingdom and the aggregate balance sheet for the United Kingdom for 2013. Total Income from Farming is the income to those with an entrepreneurial interest in the agricultural industry, typically farmers and partners, while the balance sheet estimates the net worth of the industry. Revisions may have been made to previous years.

Key points:

- Total Income from Farming is estimated to have risen between 2012 and 2013 by 15% (£743 million) in real terms, to £5,638 million.
- Total Income from Farming per annual work unit (AWU) of entrepreneurial labour (farmers and other unpaid labour) is estimated to have risen by 16% in real terms to £29,145 in 2013.
- In 2012 Total Income from Farming and Total Income from Farming per AWU of entrepreneurial labour were negatively affected by the poor weather. In 2013 they have both recovered and are above the levels seen in 2011. Compared to 2011 Total Income from Farming is 2.3% higher while Total Income from Farming per AWU of entrepreneurial labour is 2.9% higher.
- In December 2013 the net worth of the agricultural industry was £255 billion, a £27 billion increase on 2012, largely driven by an increase in land values due to a rise in land prices.

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Long term trends (in real terms)

When looking at longer term trends we use real term values. This is where previous year's data is raised to take account of inflation so the values are comparable.

Total Income from Farming recovered from the fall seen in 2012 and is 2.3% higher than the 2011 total. Total Income from Farming is now around two and three quarters higher (174%) than it was in 2000, but is still around a fifth less than the peak of 1995.

Total Income from Farming per AWU of entrepreneurial labour has performed better than Total Income from Farming owing to a decline in the number of farmers and other unpaid workers. Total Income from Farming per AWU of entrepreneurial labour is now over three times higher (211%) than it was in 2000 and just 2.0% lower than the peak of 1995.

Figure 1 and table 1 show the trends in Total Income from Farming and Total Income from Farming per AWU of entrepreneurial labour over the last 20 years.

Figure 1 Agricultural industry income trends in the UK (in real terms)

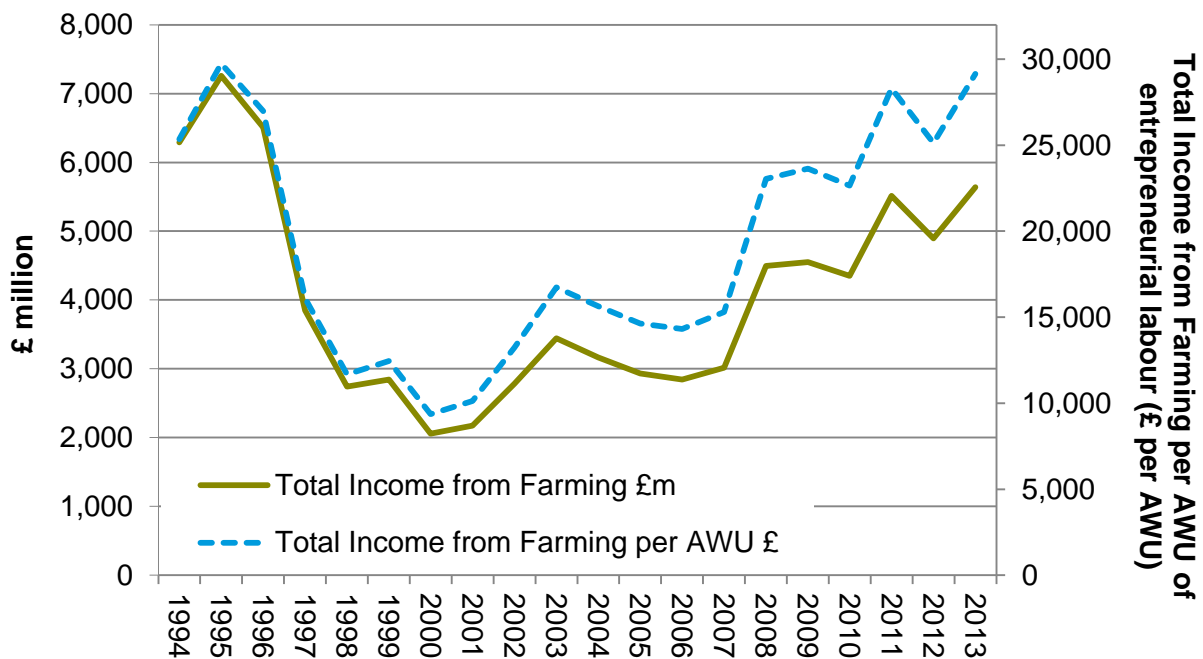


Table 1 Total Income from Farming and Total Income from Farming per annual work unit (AWU) of entrepreneurial labour in real terms: United Kingdom 1994 to 2013

	Total Income from Farming (£ million)	Year-on-year change	Total Income from Farming per AWU (£)	Year-on-year change
1994	6,292		25,351	
1995	7,261	15%	29,744	17%
1996	6,511	-10%	26,988	-9%
1997	3,850	-41%	16,095	-40%
1998	2,744	-29%	11,668	-28%
1999	2,842	4%	12,457	7%
2000	2,059	-28%	9,360	-25%
2001	2,173	6%	10,123	8%
2002	2,785	28%	13,243	31%
2003	3,445	24%	16,741	26%
2004	3,165	-8%	15,646	-7%
2005	2,930	-7%	14,634	-6%
2006	2,846	-3%	14,318	-2%
2007	3,018	6%	15,300	7%
2008	4,496	49%	23,035	51%
2009	4,549	1%	23,641	3%
2010	4,349	-4%	22,654	-4%
2011	5,513	27%	28,316	25%
2012	4,895	-11%	25,120	-11%
2013	5,638	15%	29,145	16%

Aggregate Agricultural Accounts: production and income accounts: main findings in current price

The following commentary refers to table 2 detailed production and income accounts from the aggregate agricultural accounts. Values are expressed in current prices, i.e. based on prices in the year in question.

Headline figures

In 2013 Total Income from Farming rose by £823 million to £5,638 million, a 17% increase on 2012. The key contributors to the change were the increases in: milk by £504 million; potatoes by £282 million; poultry by £250 million and barley by £214 million. This was somewhat offset by an increase of £671 million in animal feed and a £245 million decrease in the value of oilseed rape.

Gross value added at basic price, which identifies agriculture's contribution to the Gross Domestic Product (GDP), rose by £763 million to £9,418 million, an 8.8% increase. Gross value added at basic price is the total value of outputs (plus any product related subsidies) less the value of intermediate consumption

Output

Overall output of crops rose by £436 million to £9,399 million, a rise of 4.9%.

This largest contributor to this increase was potatoes whose value rose by £282 million to £1,012 million. In 2012 production was down the result of a difficult harvest due to the poor weather and growing conditions, this led to fewer stocks at the end of 2012 and reduced supplies at the start of 2013 whilst demand remained stable. In 2013 a return to a more typical season saw the potato harvest back to more normal levels and stocks replenished by the end of the year. Overall in 2013, potato prices rose by 21% due to reduced supply whilst the increase in stocks saw the overall volume of potatoes increase by 14% compared to 2012. There are revisions to the potato data from 2011, please see revision section for details.

Cereals were a mixed picture in 2013. The value of wheat fell for the second year in a row by £64 million to £2,091 million. Although there was an increase in wheat yield overall production was down 12% as the area harvested was 19% less than in 2012. The quality of the wheat crop was better than 2012 which was a factor in the overall price increase of 10%.

In contrast the value of barley was up £214 million to £1,134 million. There were increased plantings of spring barley as there were difficulties in sowing autumn crops due to the wet weather / poor soil conditions at the end of 2012. The increased supplies of both malting and feed barley saw the price of barley fall by 4.1% in comparison to 2012. However the increased volumes of barley saw the overall value increase by 23% in 2013.

The value of oilseed rape fell by £245 million to £741 million as both price and volume fell in 2013. Both yield (3.0 tonnes / hectare) and harvested area (715 thousand hectares) of oilseed rape were down in 2013. Prices for oilseed rape were still relatively strong in 2013 but lower than the high prices seen in 2012.

Overall the total output of livestock rose by £1,109 million to £14,240, a rise of 8.4%.

The key contributor to this rise was milk whose value increased by £504 million to £4,271 million. This was a result of the high prices seen throughout the year. The average price of milk in 2012 was 28.1 pence per litre (ppl) compared to 31.6 ppl in 2013. The higher prices were due to increased demand from processors as the global demand for milk products rose in 2013.

The output of livestock products for meat remains a strong performer.

The value of poultry meat continues to rise and increased by £250 million to £2,325 million in 2013. This was due to higher prices and a small increase in the output of poultry meat. The price increase reflected the additional production costs incurred, particularly the cost of poultry feed.

The pig meat value rose by £143 million, to £1,282 million and as with poultry price was a key contributor to the increase in value. High prices were seen in 2013 as supplies were tight, the modest increases in output were offset by increased exports and lower imports.

The value of cattle meat rose by £98m to £2,889 million driven by higher prices as production fell.

Sheep meat production was higher in 2013, after the disruption to marketing experienced in 2012 which resulted in the value of output recovering slightly to £1,036 million.

Intermediate consumption

The value of intermediate consumption rose by £912 million to £16,484million.

The rise in intermediate consumption is primarily due to a £671 million increase in animal feed. A cold start to 2013 led to a lack of early grass / fodder growth so cattle and sheep needed additional animal feed when they were turned out in spring. The increase in milk prices saw farmers use extra rations to maintain milk production. There was also an increase in the number of pigs (9.0%) and poultry (1.6%) which required additional feed. The additional demand for animal feed saw the price of animal feed rise by 6.2%.

There was a 21% increase in the value of seeds to £760 million. This was due to increased plantings, notably the increased area in spring barley. The wet harvest in 2012 along with the higher demand for seed in 2013 saw the price of seeds increase by 12% in 2013.

The value of plant protections products fell by £54 million to £878 million. This was due to a reduction in use most notably the use of fungicide. The reduction in fungicide use was mainly due to the reduced areas of wheat and oilseed rape.

Compensation of employees

There was an increase of £33 million to compensate employees in 2013. This was due to an increase in pay partially offset by a decrease in the number of employees. The total compensation to employees in 2013 was £2,388 million.

Other subsidies on production

The increase in subsidies is largely due to the change in the exchange rate between the pound and the Euro. Subsidies rose by £22 million to £3,271 million. One off payments made to farmers hit by the severe weather in the spring, including the collection and disposal of fallen stock aid, adverse weather aid and fodder scheme payments are included here.

Consumption of Fixed capital

Overall consumption of fixed capital fell by £120 million to £3,875. The fall in livestock numbers saw the consumption of fixed capital for livestock fall by £55 million and there were also falls in both the consumption of buildings and equipment, £44 million and £21 million respectively.

Table 2 Aggregate Agricultural Accounts: Current price production and income accounts for the United Kingdom

£ million	Calendar years			
	2010	2011	2012	2013
1 Output of cereals	2271	3207	3193	3390
of which: wheat	1668	2305	2155	2091
barley	536	804	920	1134
oats	63	93	113	159
2 Output of industrial crops	1051	1523	1356	1180
of which: oilseed rape	674	1110	986	741
protein crops	127	103	98	123
sugar beet	197	251	227	270
3 Output of forage plants	189	186	146	217
4 Output of vegetables and horticultural products	2240	2272	2323	2423
of which: fresh vegetables	1243	1225	1273	1326
plants and flowers	997	1047	1051	1097
5 Output of potatoes (including seeds)	622	754	731	1012
6 Output of fruit	585	604	573	598
7 Output of other crop products incl. seeds	436	471	640	578
Total crop output (sum 1-7)	7393	9018	8962	9399
8 Output of livestock	7306	8169	8646	9168
primarily for meat	6108	6904	7242	7752
of which: cattle	2154	2573	2792	2889
pigs	978	1070	1139	1282
sheep	979	1149	1020	1036
poultry	1799	1904	2075	2325
gross fixed capital formation	1198	1265	1404	1417
of which: cattle	714	631	877	878
pigs	8	8	8	6
sheep	295	413	316	337
poultry	181	213	203	195
9 Output of livestock products	3973	4387	4485	5072
of which: milk	3329	3738	3767	4271
eggs	561	559	662	718
Total livestock output (8+9)	11279	12556	13131	14240
10 Other agricultural activities	927	1039	1039	1069
11 Inseparable non-agricultural activities	990	1026	1074	1174
12 Output (at market prices) (sum 1 to 11)	20589	23639	24206	25882
13 Total subsidies (less taxes) on product	29	28	20	20
14 Gross output at basic prices (12+13)	20618	23666	24227	25902

continued

Table 2: Aggregate Agricultural Accounts: Current price production and income accounts for the United Kingdom (continued)

£ million	Calendar years			
	2010	2011	2012	2013
Intermediate consumption				
15 Seeds	640	660	629	760
16 Energy	1216	1371	1420	1450
of which: electricity and fuels for heating	357	369	386	385
motor and machinery fuels	859	1002	1033	1064
17 Fertilisers	1339	1589	1523	1511
18 Plant protection products	762	809	933	878
19 Veterinary expenses	405	410	426	450
20 Animal feed	4085	4505	4889	5560
of which: compounds	2255	2622	2876	3291
straights	1387	1374	1448	1574
feed produced & used on farm	443	508	564	695
21 Total maintenance	1367	1442	1466	1507
of which: materials	846	900	903	937
buildings	520	541	563	570
22 Agricultural services	927	1039	1039	1069
23 FISIM	154	176	191	163
24 Other goods and services	2787	3011	3057	3136
25 Total intermediate consumption (sum 15 to 24)	13 682	15 010	15 572	16 484
26 Gross value added at market prices (12-25)	6908	8628	8634	9398
27 Gross value added at basic prices (14-25)	6936	8656	8655	9418
28 Total consumption of Fixed Capital	3430	3814	3995	3875
of which: equipment	1445	1589	1691	1670
buildings	840	864	901	858
livestock	1145	1362	1403	1348
cattle	679	791	875	866
pigs	8	8	8	7
sheep	291	358	300	269
poultry	167	205	220	206
29 Net value added at market prices (26-28)	3478	4814	4639	5522
30 Net value added at basic prices (27-28)	3506	4842	4660	5543
31 Other taxes on production	-111	-121	-121	-118
32 Other subsidies on production	3471	3484	3249	3271
33 Net value added at factor cost (30+31+32)	6866	8205	7788	8696
34 Compensation of employees	2215	2335	2355	2388
35 Rent	366	373	426	451
36 Interest	167	165	192	219
37 Total income from farming (33-34-35-36)	4118	5332	4814	5638

Description of Total income from Farming

Total Income from Farming is income generated by production within the agriculture industry including subsidies and represents business profits and remuneration for work done by owners and other unpaid workers. It excludes changes in the values of assets, including stocks, due to price changes but includes non-agricultural activities such as further processing or tourist activities where these cannot be separated from the agricultural business. It is the preferred measure of aggregate income for the agricultural industry conforming to internationally agreed national accounting principles required by the UK National Accounts and by Eurostat.

Total Income from Farming per Annual Work Unit (AWU) of entrepreneurial labour is a related measure. It expresses Total Income from Farming in terms of AWU of entrepreneurial labour input. An AWU of entrepreneurial labour input corresponds to the input of one person with an entrepreneurial interest in the farm business who is engaged in agricultural activities on a full-time basis over an entire year. AWU are used rather than the number of individuals so to take account of part-time and seasonal work.

Total Income from Farming is designed to show the performance of the whole of the agricultural industry. A measure of farm incomes, Farm Business Income, designed to compare performance across different types of farming, is available in the publication Farm Accounts in England on the GOV.UK website at:

<https://www.gov.uk/government/collections/farm-business-survey>.

Definitions and explanations

Annual work unit:	the input of one person in the farm business who is engaged in agricultural activities on a full-time basis over an entire year.
Basic prices:	market prices plus directly paid subsidies that are linked to the production of specific products.
Current prices:	the value based on prices during the reference year.
Entrepreneurial labour:	the input of people who have an entrepreneurial interest in the farm business, e.g. farmers and other unpaid workers, usually expressed in annual work units.
Gross output:	the total value of output by producing enterprises.
Intermediate consumption:	the goods and services used as inputs in the productive process, e.g. feed, and fertiliser.
Real terms:	the value adjusted for inflation.
Total Income from Farming:	income to those with an entrepreneurial interest in the agricultural industry.

Aggregate balance sheet for the United Kingdom agricultural industry

The aggregate balance sheet for agriculture values the total assets and liabilities at the end of each calendar year and estimates the total net worth of the industry. Net worth is estimated to be £255 billion in December 2013. This shows a £27 billion increase on 2012, largely driven by a £ 24 billion increase in the estimate of the value of land, principally driven by a 13% rise in land prices.

Table 3 Aggregate balance sheet for the United Kingdom agricultural industry

£ million	As at December each year			
	2010	2011	2012	2013
At current prices				
Assets				
Fixed (a):				
Land	175 806	188 695	198 322	223 280
Buildings, plant, machinery and vehicles	21 884	23 374	24 079	24 816
Breeding livestock	6 813	8 603	7 570	8 274
Total fixed	204 503	220 673	229 971	256 370
Current:				
Trading livestock	3 305	4 030	4 022	4 179
Crops and stores	3 506	4 021	4 053	3 955
Debtors, cash deposits	6 107	6 286	6 085	6 245
Total current	12 917	14 337	14 160	14 379
Total Assets	217 420	235 009	244 131	270 749
Liabilities (b)				
Long and medium term:				
AMC, SASC (c)	1 469	1 621	1 762	1 761
Building Societies and Institutions	1 017	1 247	1 346	958
Bank loans	4 324	5 127	5 719	5 620
Family Loans	537	454	491	617
Other	18	20	35	20
Total long and medium term	7 365	8 469	9 353	8 977
Short term:				
Leasing	80	81	82	82
Hire purchase	1 039	1 271	1 309	1 226
Trade Credit	1 912	2 323	2 482	2 477
Bank overdrafts	2 846	2 566	2 527	2 801
Other	106	72	62	54
Total short term	5 983	6 312	6 462	6 641
Total Liabilities	13 349	14 781	15 815	15 618
Net worth	204 071	220 229	228 316	255 132

Revisions

Over time, as more data becomes available, estimates will be revised and forecasts replaced, for example intermediate consumption and other costs data estimated for the April publication will, in November, be replaced with the Farm Business Survey data.

In this edition an improved method of estimating potatoes for human consumption has been introduced covering the value and quantity of output of main crop ware potatoes from 2011. The new method is based on merchant returns on potatoes purchased for human consumption. This replaces the previous method which relied too heavily on measurements of end year stocks and was found to be inadequate in explaining the unusual production pattern seen in 2013. The potato data for 2011 and 2013 have been revised. The result being in 2011 the value of potatoes increased by £37million to £754 million (5%) and in 2013 increased by 73 million to £1,012 million (8%). There was little change to the value of potatoes in 2012.

Animal feed data has changed back to 2000 due to errors found when the straight feed data was reviewed. Values in previous notices understated the value of animal feed by 0.02% to 1.6%. The value for 2000 is revised upwards by 1.5% from £2,245 million to £2,279 million whilst the value for 2012 is increased by 0.4% from 4,868 million to £4,889 million.

An improved method of estimating seed usage has been used for 2012 and 2013 to reflect the unusual weather conditions towards the end of 2012 and additional planting requirements of 2013. The result being in 2012 the value of seeds was revised down by 6.8% from £675 million to £629 million.

Total Income from Farming is sensitive to small percentage changes in the values of outputs and intermediate consumption. A combination of a revision downwards in output and revision upwards in intermediate consumption leads to more sizeable revisions in percentage terms to Gross Value Added and Total Income from Farming.

The aggregate balance sheet has changed back 2003 due errors found in the calculation of assets and liabilities. An improved method for estimating land values has been introduced which resulted in a 0.1% and 2.4% increase in land value.

Table 4 Revisions made to the 2013 aggregate agricultural account between April 2014 and November 2014

	1st estimate Apr 14	2nd estimate Nov 14	Revision from 1st estimate
Gross output (£m)	25 715	25 902	0.7%
Intermediate consumption (£m)	16 492	16 484	0.0%
GVA (£m)	9 222	9 418	2.1%
NVA at factor cost (£m)	8 514	8 696	2.1%
TIFF (£m)	5 464	5 638	3.2%

Summary quality report

A summary quality report for this statistical release can be found on the GOV.UK website at <https://www.gov.uk/government/organisations/department-for-environment-food-rural-affairs/series/aggregate-agricultural-accounts>.

This is an overview note which is not release specific but will be reviewed and updated at regular intervals. It pulls together key qualitative information on the various dimensions of quality as well as providing a summary of methods used to compile the output. It relates to estimates of Total Income from Farming and aim to provide users with information on usability and fitness for purpose of these estimates.

Quality Assurance

Defra has in place quality assurance processes to check the accuracy and reliability of the aggregate agricultural accounts that includes:

- Ongoing review of methods employed in the calculation of the accounts.
- Assessment of the quality of the estimates of components of the accounts with internal experts.
- Discussion of components of the accounts with external experts.
- Quality assessments made by Eurostat, the statistical office of the European Union.

Development areas

Defra statisticians carry out a continuous review of methods employed in making estimates of the production and income accounts. This may lead to revisions to data series owing to improvements in methods in addition to the use of later information.

Planned future development include a review of rent data and methodology as well as a more detailed review of the potato data and methodology

Main users and uses of the aggregate agricultural accounts

The aggregate agricultural accounts are used in conjunction with other economic information to:

- Monitor the productivity and competitiveness of the farming industry.
- Inform policy decisions and to help monitor and evaluate current policies relating to agriculture in the UK by Government and in the European Union by the European Commission.
- Inform stakeholders of the performance of the agricultural industry.
- Inform research into the economic performance of the agricultural industry.
- Total Income from Farming sets the context when looking at a number of policies; the agricultural industry contributes around £5.6 billion to the national economy and

accounts for about 0.5% of national Gross Domestic Product. It is most relevant to policies relating to Common Agricultural Policy reform and the competitiveness of farming.

User engagement

As part of our ongoing commitment to compliance with the Code of Practice for Official Statistics (<http://www.statisticsauthority.gov.uk/assessment/code-of-practice/index.html>), we wish to strengthen our engagement with users of these statistics and better understand the use made of them and the types of decisions that they inform. Consequently, we invite users to make themselves known, to advise us of the use they do, or might, make of these statistics, and what their wishes are in terms of engagement. Feedback on this notice and enquiries about these statistics are also welcome.