Department for Environment Food & Rural Affairs

11 December 2014

Farm Accounts in England – Results from the Farm Business Survey 2013/14

This release provides further detail behind the income results published on 30th October 2014. The results are sourced from the 2013/14 Farm Business Survey (which covers the 2013 harvest). Figures are for March/February years with the most recent year shown therefore ending February 2014. The results examine farm incomes, outputs and costs for farm types, farm sizes and regions.

Data on the income of farm businesses is used in conjunction with other information on the agricultural sector to help inform policy decisions (e.g. Reform of Pillar 1 and Pillar 2 of Common Agricultural Policy) and to help monitor and evaluate current policies relating to agriculture in the United Kingdom. It also informs wider research into the economic performance of the agricultural industry. The data are provided to the EU as part of the Farm Accountancy Data Network (FADN) and are also used widely by the industry for benchmarking purposes.

Forecasts of income by farm type for the year ending February 2015 and covering the 2014 harvest will be published in January 2015. These can be found at https://www.gov.uk/government/collections/farm-business-survey#documents

Key results

- Average Farm Business Income fell on cereals, general cropping, mixed and grazing livestock farms in 2013/14 but increased on dairy, specialist pig and specialist poultry farms.
- For the cropping sector, the wet autumn of 2012 continued to influence profitability. Drilling was disrupted, leading to increased areas of lower yielding spring crops harvested in 2013. Crop prices were also lower due to weakening global markets.
- On dairy farms, the increased income was driven by a higher milk price (14% higher than in 2012/13) and increased production (8% higher than in 2012/13).
- Average incomes fell on grazing livestock farms (lowland and LFA). The cold, late spring following the wet autumn of 2012 led to higher feed costs and lower output from the sheep enterprises. In the LFA, output from beef was also lower than in 2012.
- The 2013 Single Payment was, on average, unchanged compared to the previous year. The impact of the weaker exchange rate was offset by the introduction of financial discipline.

Enquiries to: Selina Matthews, Department for Environment, Food and Rural Affairs, Area 1A, Nobel House, 17 Smith Square, London SW1P 3JR. Tel: ++ 44 (0)20 7238 3274, email:FBS.queries@defra.gsi.gov.uk

Background

Farm Accounts in England is the primary publication from the Farm Business Survey. It provides information on farm incomes, outputs and costs for the various farm types, farm sizes, regions and economic performance.

The main income measure used is Farm Business Income. For non-corporate businesses, Farm Business Income represents the financial return to all unpaid labour on the farm (farmers and spouses, non-principal partners and their spouses and family workers) and on all their capital invested in the farm business, including land and buildings. For corporate businesses it represents the financial return on the shareholders' capital invested in the farm business. Farm Business Income is essentially the same as Net Profit, which, as a standard financial accounting measure of income, is used widely within and outside agriculture.

Further information on the Farm Business Survey covering survey methodology, accuracy and reliability can be found in the survey details section of this publication.

Detailed tables covering income, outputs and costs can be found here. Enterprise level gross margins are also provided.

Revisions

We have revised some of the income figures that were published on 30th October 2014. For 2013/14, the revisions are due to the receipt of updated survey data affecting cereal and mixed farm types. For 2009/10 and 2010/11 we have recalculated the results using the revised poultry weighting framework previously applied from 2011/12. This removes the discontinuity, improving the comparability of the survey results.

Table 1: Revisions to average Farm Business Income (£ per farm)

	As published on 30th October		Updated weighting framework for poultry		As published on 30th October	Updated on 11th December
At current prices	**2009/10**	**2010/11**	**2009/10**	**2010/11**	**2013/14**	**2013/14**
Cereals	42,000	84,800	43,200	84,100	49,500	49,600
General Cropping	66,500	111,700	67,800	110,200	67,600	67,600
Dairy	59,000	66,200	59,000	65,800	87,800	87,800
Grazing Livestock (Lowland)	29,000	21,400	28,600	21,300	15,100	15,100
Grazing Livestock (Less Favoured Area)	26,000	21,300	27,500	21,800	14,500	14,500
Specialist Pigs	75,500	44,400	70,300	44,300	65,200	65,200
Specialist Poultry	72,500	68,200	91,300	72,700	157,200	157,200
Mixed	33,000	50,900	32,400	50,300	29,500	29,600
Horticulture	66,500	48,000	61,100	48,400	33,900	33,900
All Types	**44,000**	**57,300**	**44,700**	**57,000**	**43,100**	**43,100**

Detailed results

Figures are for March/February years with the most recent year shown, therefore ending February 2014. This covered the **2013** harvest and includes the Single Farm Payment due in the 2013/14 accounting year.

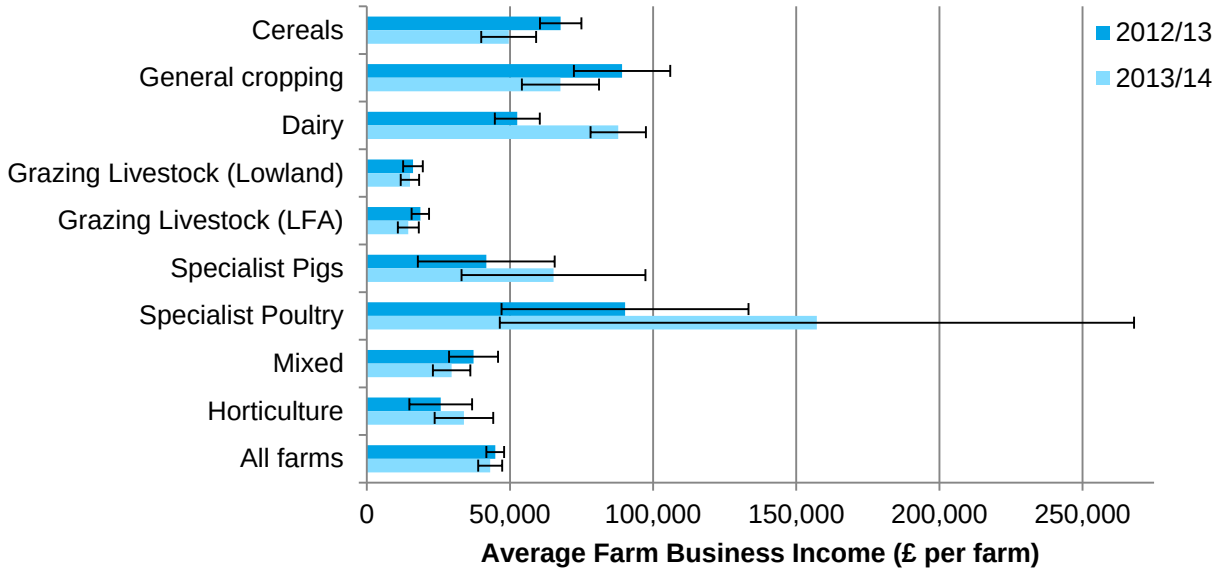
1 Overview across all farm types

Average Farm Business Income across all farm types was £43,100 in 2013/14, 4% lower than in 2012/13. The extremely wet weather in 2012 continued to have an impact on both arable and grazing livestock incomes as cropping patterns were disrupted for the 2013 harvest, fodder supplies were depleted and livestock productivity compromised. The spring of 2013 was cold with heavy snow falls, delaying turnout, adding more pressure to feed bills and increasing livestock mortality. However higher milk prices had a positive impact on the dairy sector, whilst profitability on specialist pig and poultry farms increased via higher output.

The value of the Single Payment was broadly unchanged compared to 2012/13. The increase in the value of payments due to the exchange rate was offset by the introduction of financial discipline of approximately 2.5% by the EU. Across all farm types the Single Payment accounted for around half of average Farm Business Income in 2013/14, similar to the previous year.

Figure 1 shows average Farm Business Income by farm type together with 95% confidence intervals as error bars. These show the range of values that may apply to the figures. Further details on accuracy or results can be found here.

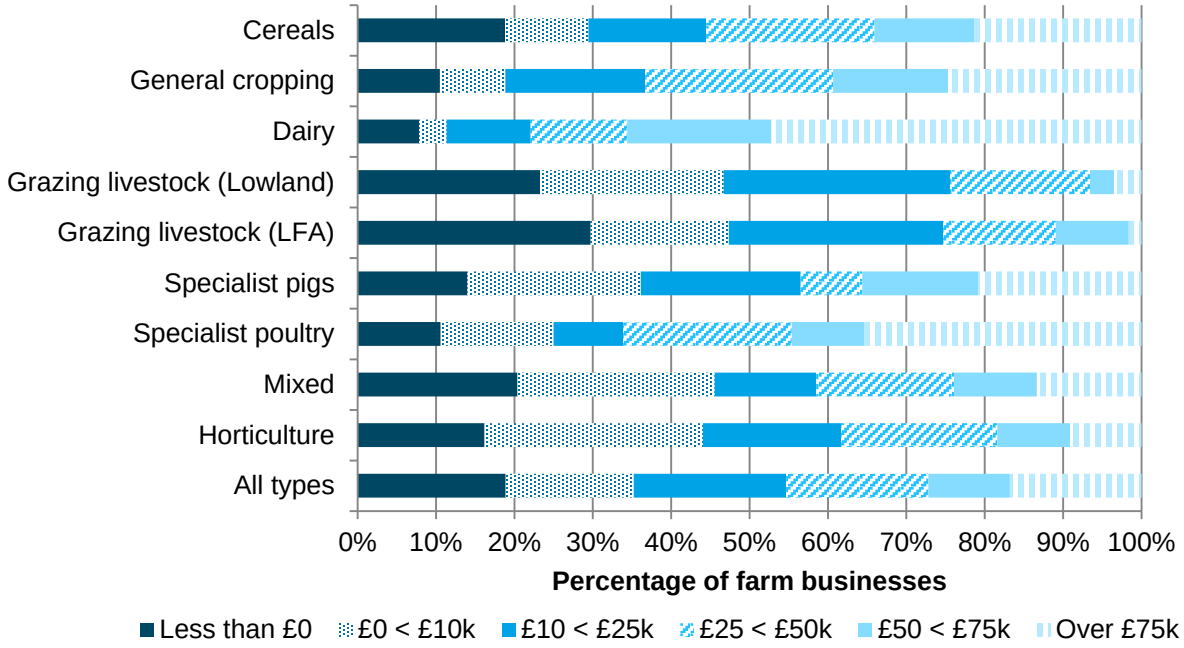
Figure 1: Average Farm Business Income by farm type with 95% confidence intervals, England 2012/13 and 2013/14



The 95% confidence limits are shown as ranges around the averages. For more guidance on how to interpret these results, please see *Accuracy and reliability of results* in the Technical Note at the end of this Notice.

Farm Business Income varies both between (Figure 1) and within farm types (Figure 2). The variation in incomes within farm types reflects a number of factors such as size, location, soil type etc. Within some farm types there is also a wide range of agricultural activities undertaken; e.g. horticulture includes specialist glasshouse farms, specialist fruit, specialist hardy nursery stock and market garden vegetable producers who may experience large differences in their production costs and outputs.

Figure 2: Distribution of Farm Business Income by farm type, 2013/14



Source: Farm Business Survey, England

In the arable sector (cereals and general cropping farms) over a third of farms made more than £50,000 although a similar proportion of cereal farms (29%) made less than £10,000. Dairy farms had the lowest proportion of farms failing to generate a profit (8%) whilst two thirds made more than £50,000. A quarter of grazing livestock farms failed to make a profit in 2013/14 whilst a similar proportion made more than £25,000. Very few grazing livestock farms (3%) had incomes of more than £75,000. Although there was a fall in the number of pig farms failing to make a profit (14% in 2013/14 compared to 26% in 2012/13) the proportion of farms with incomes of less than £10,000 was broadly unchanged at around a third. For horticulture and mixed farms, around 40% generated an income of £25,000 or more.

2 Weather

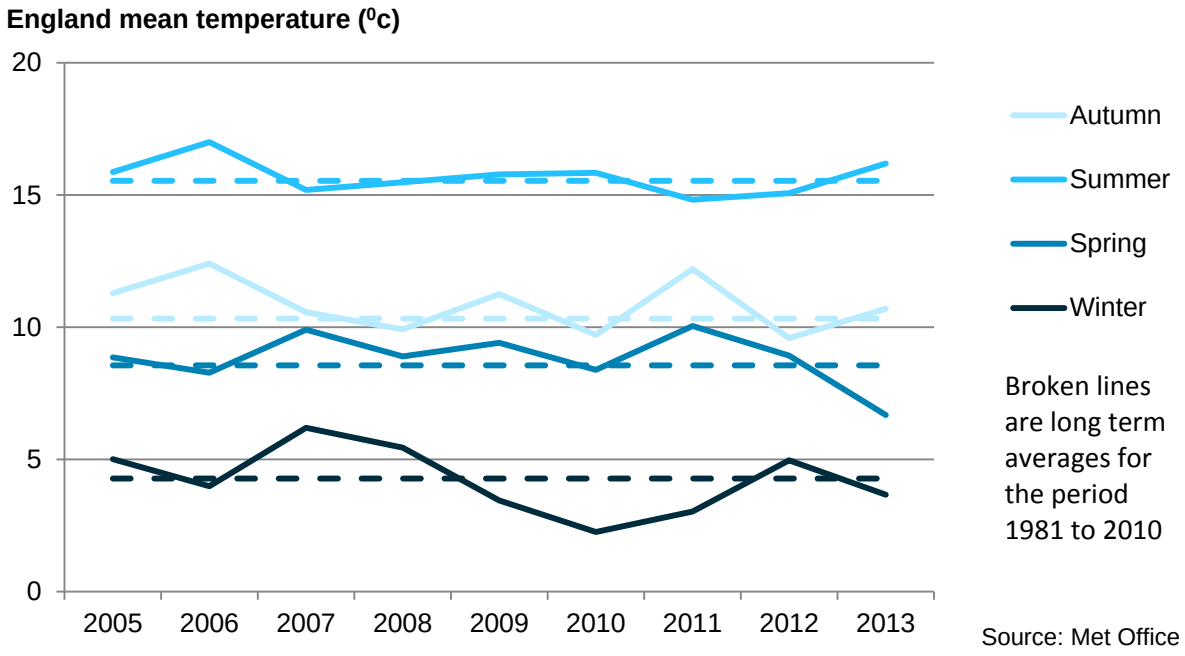
Temperatures were below average[1] in autumn 2012 (Figure 3) but rainfall tended to be above average, particularly in September and November, although there were marked regional variations. The wet weather (Figure 4) meant that some farmers struggled to drill

[1] Where average temperature and rainfall are referred to these relate to the period 1981-2010.

crops on heavy land and the late 2012 harvest also delayed seed availability for drilling 2013 crops.

Figure 3: Mean temperature (^{0}C), England 2005 - 2013

Seasons: Winter=Dec-Feb, Spring=Mar-May, Summer=June-Aug, Autumn=Sep-Nov

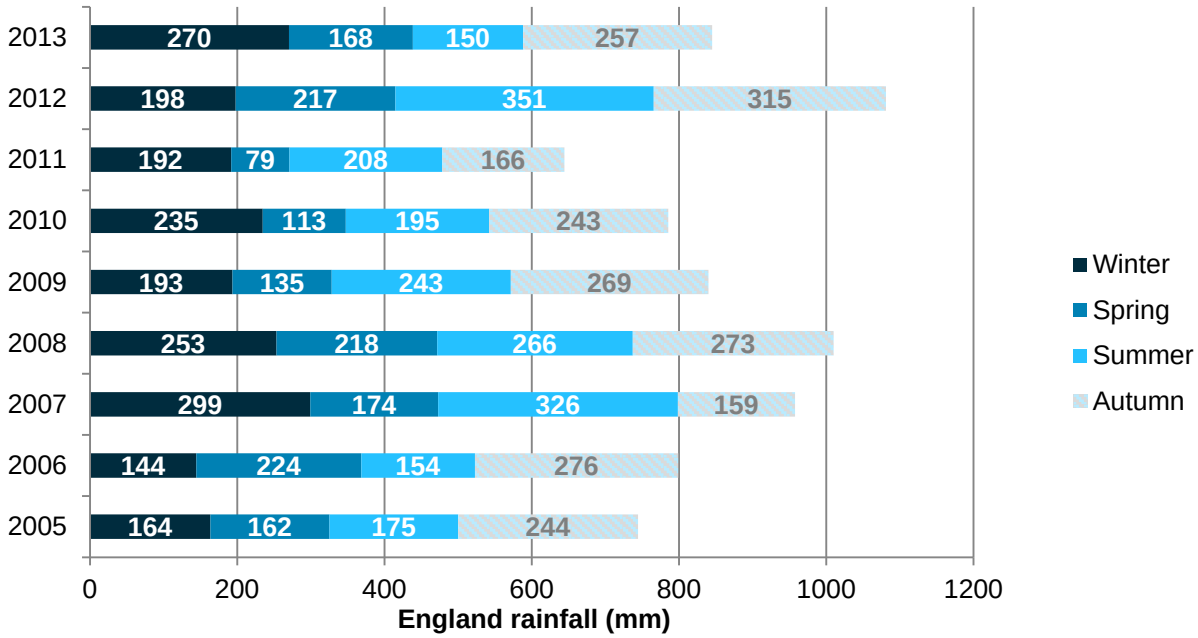


Source: Met Office

Source: Met Office

Figure 4: Rainfall in England (mm), 2005 – 2013

Seasons: Winter=Dec-Feb, Spring=Mar-May, Summer=June-Aug, Autumn=Sep-Nov



Source: Met Office

The winter months were cold with below average temperatures, notably in early December, mid to late January, and the latter part of February. December 2012 was the wettest since 1999, with considerable disruption from flooding events in the run up to Christmas. A period of widespread snowfall occurred across much of the country from mid to late January, causing considerable disruption. There were high mortality rates for sheep as a result of snowfalls and liver fluke infestations.

Spring 2013 saw below average temperatures throughout March, April and May. This was the coldest spring recorded since 1962. March was a dry month in the north and west while April was dry across much of England. May was wetter than average. Late season snowfalls occurred in certain areas during late March and early April. Turnout of livestock was late, with many farmers having to purchase expensive fodder crops, concentrate and straight feeds. The establishment of spring sown crops and the recovery of poorly established winter sown crops were hampered by the cold spring.

The summer months were warmer than average, with a prolonged heat wave in July. Summer 2013 was drier than average, with parts of southern and south-west England and East Anglia receiving less than half the average rainfall. The harvest began slightly later than usual (due to crop ripeness), but weather conditions were generally favourable and a period of 10-12 days of warm and settled weather in late August, coincided with peak crop maturity of wheat and spring barley across the country, resulting in very rapid progress with few delays.

Autumn 2013 saw temperatures slightly above average. October was a wet month, the wettest since 2000. The St Jude's Storm brought heavy rain and damaging winds to southern parts of England. Favourable weather conditions during the autumn enabled good establishment of winter cereal and oilseed rape crops for the 2014 harvest.

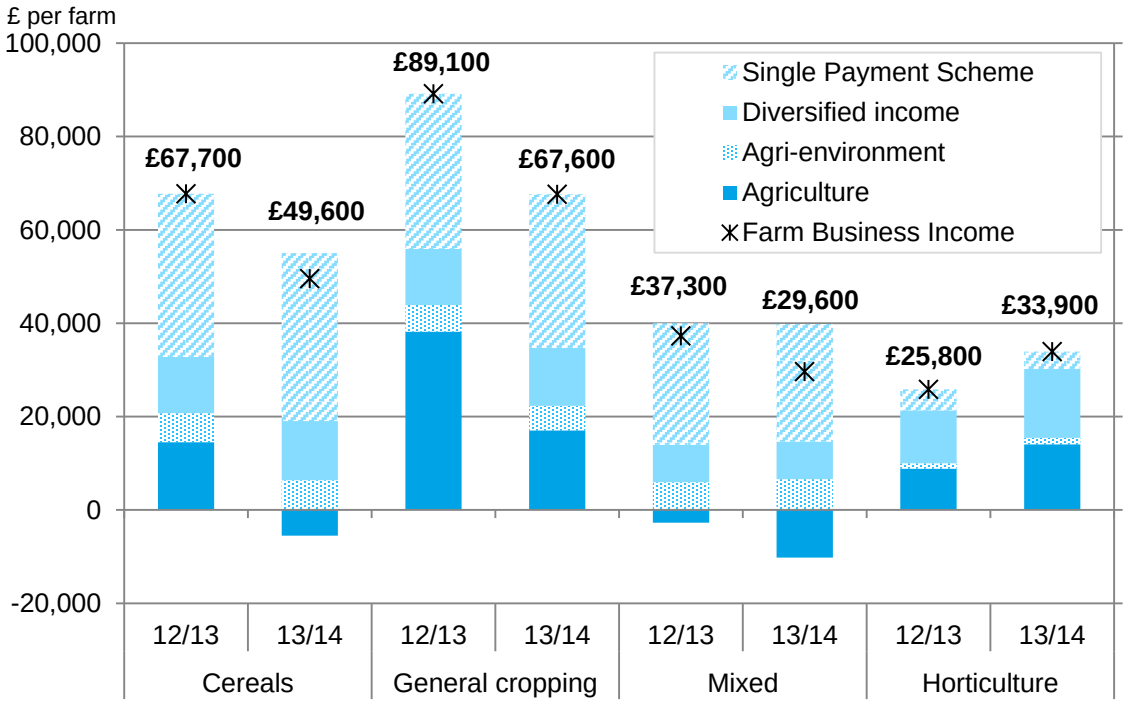
3 Results by Farm Type

The following section provides detailed results for each farm type. Where table numbers are referred to in the text, these can be found within the spreadsheet at: https://www.gov.uk/government/statistics/farm-accounts-in-england-201314

Farm Business Income can be considered as comprising income from four different 'segments' (i.e. cost centres) of the business: agriculture, agri-environment, diversification and the single payment. However, as the methodology[2] to allocate costs to each of these segments involves a degree of estimation, results should be interpreted with caution.

[2] Details of this methodology can be found at https://www.gov.uk/farm-business-survey-technical-notes-and-guidance#fbs-documents

Figure 5: Average Farm Business Income for cropping farms, broken down by cost centres 2012/13 and 2013/14



Source: Farm Business Survey, England
The figures in bold above each column are the average Farm Business Income per farm. Farm Business Income can be lower than the total height of the bars where average income from agriculture is below zero.

3.1 Cereal farms

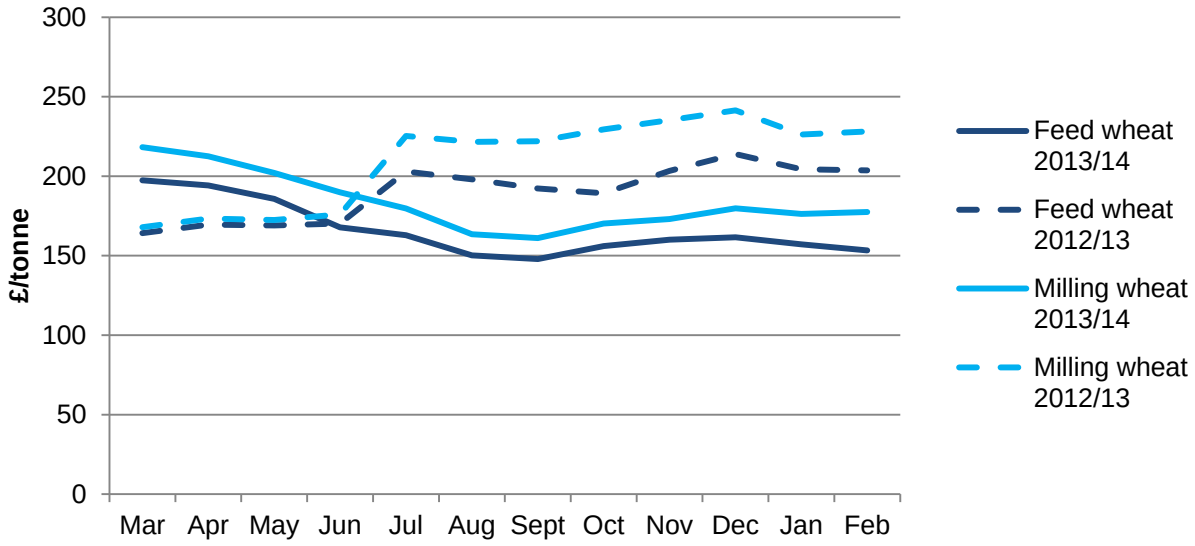
In 2013/14 average Farm Business Income fell by 27% to £49,600 per farm. This was primarily due to a 5% fall in agricultural output combined with a 4% increase in costs (see Table 5.2). Despite increased yields (Table A) the lower output reflects the reduced area from the major crops on this farm type (winter wheat, winter barley, winter oilseed rape) following the wet autumn of 2012 which disrupted drilling on many farms. These were replaced by lower yielding spring crops (see Table 6.1). In addition, cereal and oilseed prices fell (see Table 11) as global supplies recovered due to record harvests around the world. Whilst variable costs fell, particularly for fertiliser and agrochemicals, fixed costs increased, notably for labour and machinery (depreciation and running costs).

Table A: Average Crop yields, 2009-2013

	Yield (tonnes per hectare)				
Crop	2009	2010	2011	2012	2013
Wheat (England)	7.9	7.6	7.7	6.7	7.4
Barley (England)	5.9	5.7	5.6	5.7	5.9
Oilseed rape (England)	3.5	3.5	4.0	3.4	3.1
Potatoes (UK)	44.3	43.8	43.2	31.3	40.8
Sugar beet (England)	74.0	55.1	75.4	60.7	72.1

Source: Defra

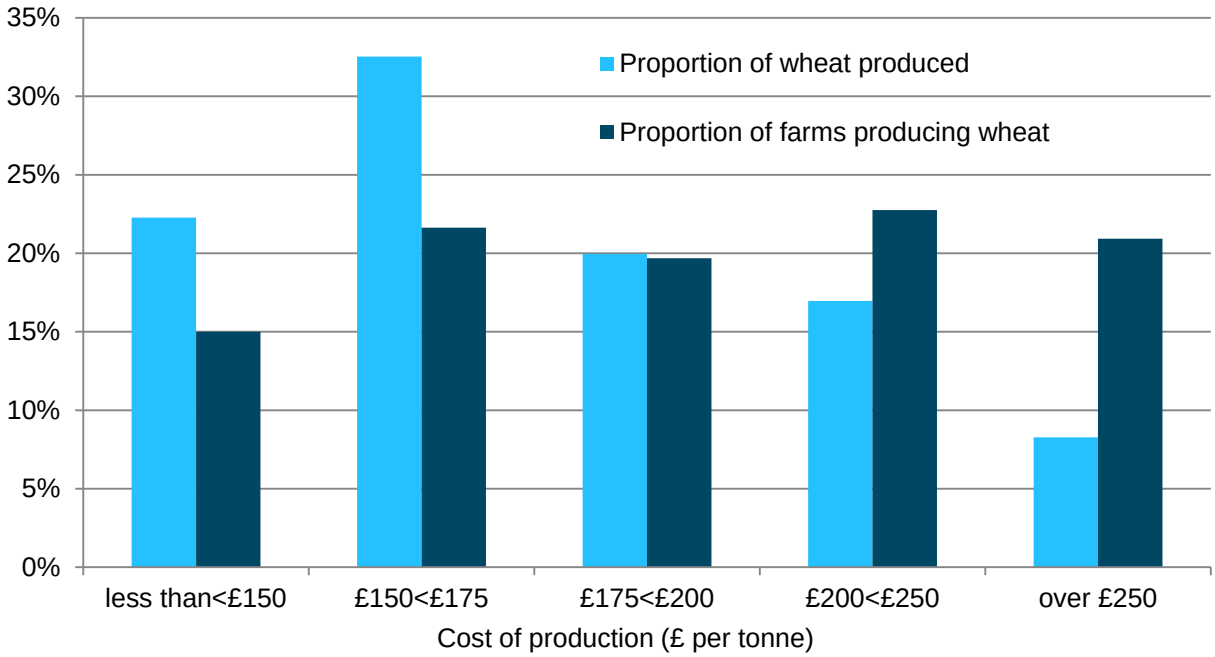
Figure 6: Average wheat prices, March 2012 to February 2014



Source: Defra

Figure 7 shows the proportion of wheat grown in England for the 2013 harvest within different bands of production costs[3]. The average production cost for all wheat grown was approximately £180/tonne whilst the average selling price was just over £163 per tonne.

Figure 7: Proportion of wheat produced by cost of production[3], 2013 harvest



Source: Farm Business Survey, England

[3] The costs are on a full economic basis including an imputed charge for any unpaid labour (including that of the farmer and spouse), as well as an imputed rental charge for owner occupied land. The value of any straw has been deducted from the costs so that the data presented here relates to the grain element of the enterprise. Note also that this analysis covers spring and winter wheat and includes organic and in-conversion wheat.

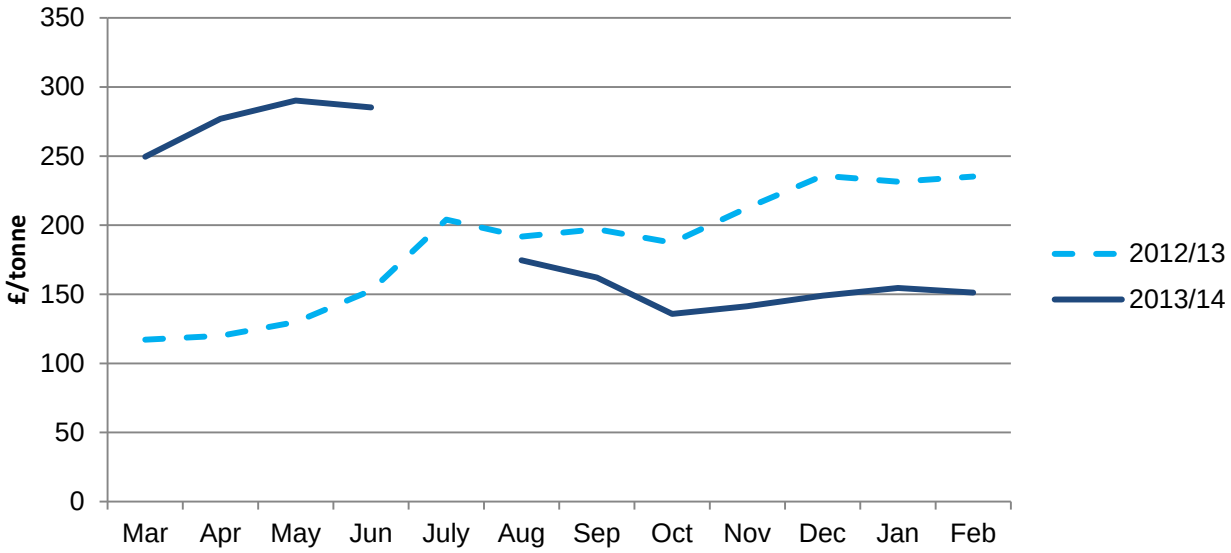
Around 20% of growers either broke even or made a positive return from wheat in 2013/14. The average cost of production of all wheat grown was just under £200/tonne for the 2012 harvest whilst the average selling price was approximately £180 per tonne. In that year just over 25% of wheat growers covered their costs of production.

3.2 General cropping farms

Average incomes on general cropping farms fell by almost a quarter to £67,600 (see Table 5.3). Agricultural output fell by 6% driven by the reduced output of winter crops combined with a fall in output from potatoes and other crops. Sugar beet output increased by 28% due to both higher yields and prices but despite higher yields for potatoes a substantial fall in prices led to a lower output (18%) for the 2013 crop. Average gross margins increased by 21% to £1,237 per hectare for sugar beet and fell by 29% to £3,589 per hectare for main crop potatoes (see Table 14.1). Total input costs on general cropping farms were broadly similar to 2012/13 with lower values for fertilisers and agrochemicals offsetting higher seed, machinery and rent costs (see Table 5.4).

Average Farm Business Income for the lowest 25% of performers (based on the ratio of outputs to inputs[4]) in 2013/14 was minus £3,200 compared to an average of £145,400 for the highest 25% of performers (see Table 7.4). For the low performers the share of Farm Business Income from agriculture was also negative (-£29,300).

Figure 8: Average potato maincrop prices, UK - March 2012 to February 2014



There are no prices available for July 2013.
Source: Potato Weekly, British Potato Council

[4] For a detailed definition see http://webarchive.nationalarchives.gov.uk/20130315143000/http://www.defra.gov.uk/statistics/foodfarm/farmmanage/fbs/aboutfbs/datacollection/

3.3 Mixed farms

Average incomes on mixed farms fell by 20% between 2012/13 and 2013/14 to £29,600 (Table 5.15). Overall, agricultural output increased by 5% on these farms; output from pig and broiler enterprises increased substantially but this was partially offset by lower output from the cropping enterprises. Input costs increased by 8% with a number of items showing large increases, particularly feed and to a lesser extent machinery costs. On average mixed farms failed to generate a positive return from agriculture and by performance group only the highest 25% of performers made an average profit from the farming activities (Table 7.16).

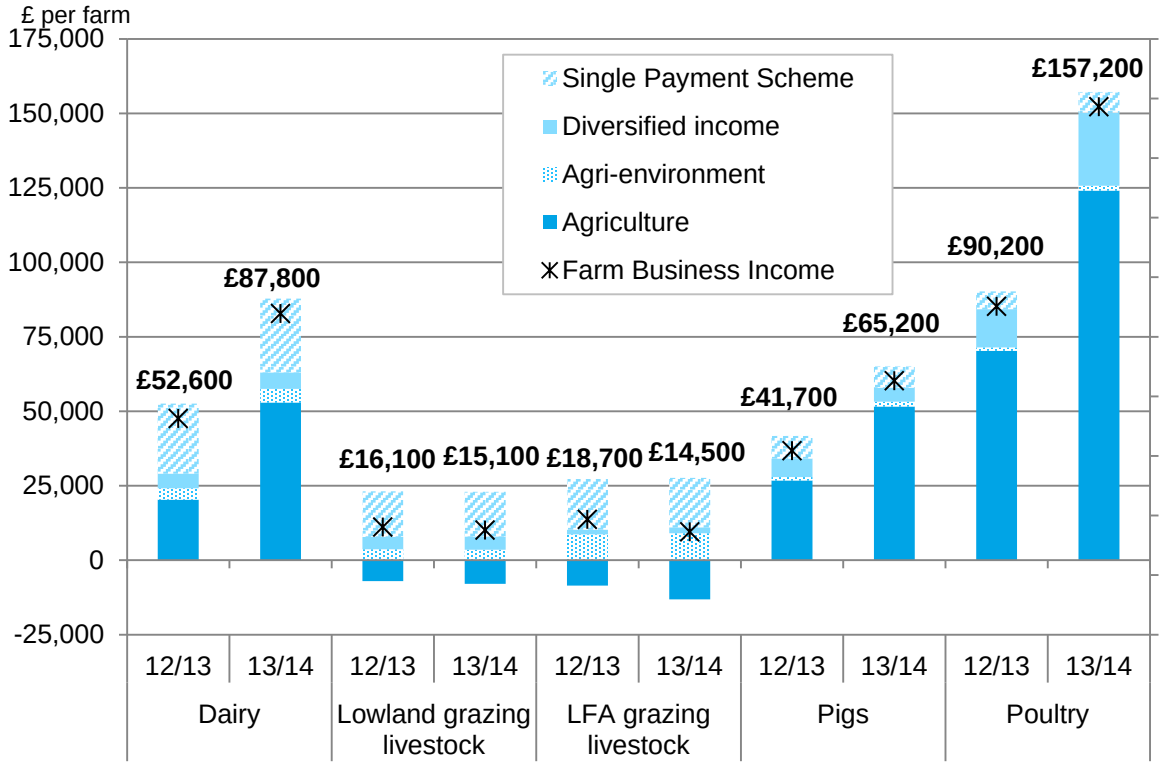
Some of the differences noted are likely to be due to a slightly different sample compared to last year. This is because relatively small changes to cropping and stocking on farms that don't have a strongly dominant enterprise (as these are) can result in individual farms switching designated farm types between years.

3.4 Horticulture farms

Farms in the horticulture sample cover the three main sectors of fruit, vegetables and non-edibles, grown both under cover and in the open. The incomes presented are the average across all of these sectors.

On horticulture farms, average incomes increased by just under a third to £33,900 (Table 5.17). Total output from horticultural crops was broadly unchanged but output from other cropping enterprises such as wheat, potatoes and sugar beet fell (Table 5.18). Within the horticultural crops there were large increases in output from fruit and outdoor vegetables although some of this can be accounted for by an increase in crop area (Table 6.17) Agricultural input costs fell by 3% driven mainly by reduced fixed costs. Machinery costs, depreciation of glasshouses and permanent crops and regular labour accounted for most of the savings although the fall in regular labour costs was partially offset by an increase in casual labour.

Figure 9: Farm Business Income broken down by cost centre for livestock farms 2013/14



Source: Farm Business Survey, England
The figures in bold above each column are the average Farm Business Income per farm. Farm Business Income can be lower than the total height of the bars where average income from agriculture is below zero.

3.5 Dairy farms

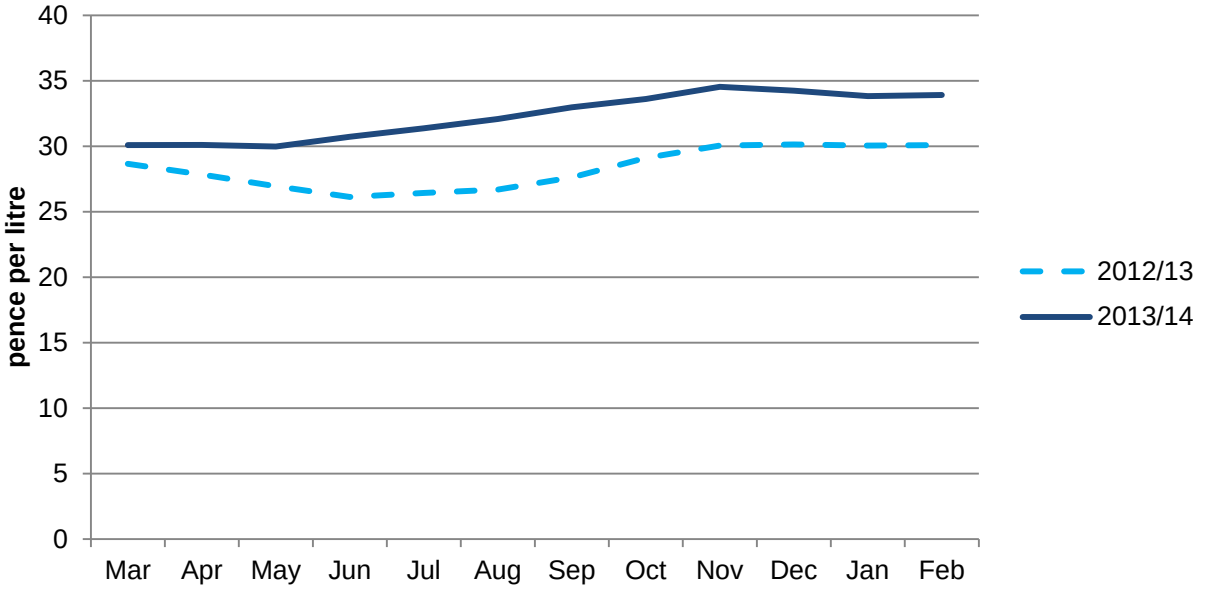
On dairy farms, average Farm Business Income increased by more than two thirds in 2013/14 to £87,800 returning to 2011/12 levels. Agricultural output was around 20% higher driven by both increased milk prices (14% higher than in 2012/13) and production (8% higher than in 2012/13). This was partially offset by increased input costs, particularly for feed due to increased levels of production and the prolonged winter of 2012/13. Gross margin data (Table 14.2) shows that the average cost of concentrate feed per cow increased by 11% compared to 2012/13 and that the average milk yield increased by approximately 5% to just over 7,900 litres. In line with the national trend (see table B), the average herd size on FBS dairy farms continued to increase, particularly for the larger farms (Table 6.5).

Table B: Average herd size for dairy cows [(a)], England 2010-2013

	2010	2011	2012	2013
Cattle Tracing scheme (all holdings)	77	79	82	84
Cattle Tracing Scheme (holdings with >= 10 dairy cows)	122	126	131	134
Farm Business Survey (specialist dairy farms)	145	148	156	165

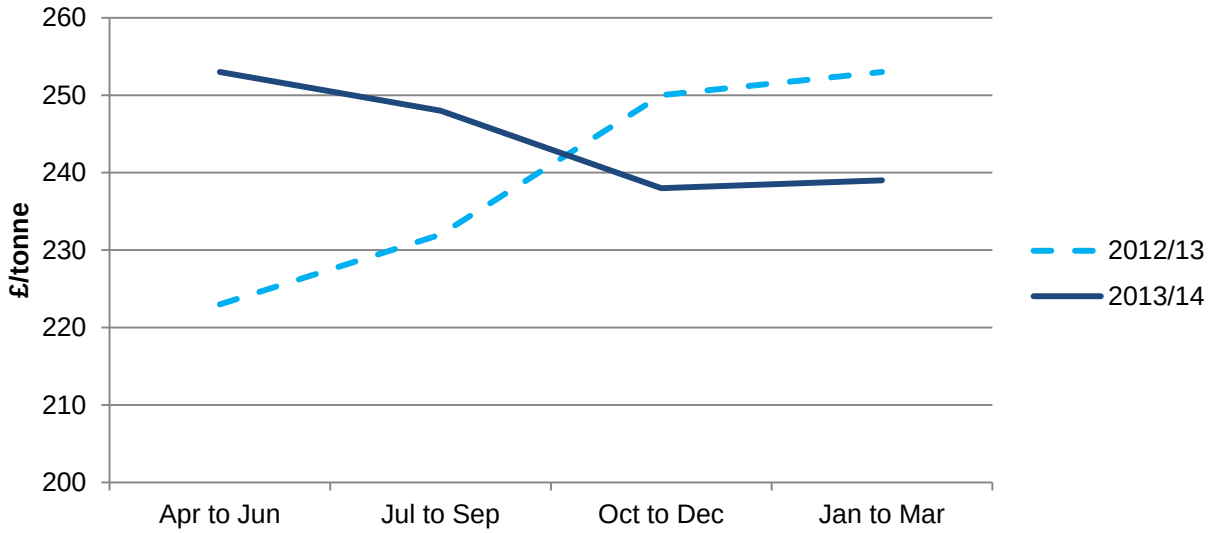
Source: Cattle Tracing Scheme, Farm Business Survey England
(a) Dairy cows are defined as female dairy cows over 2 years old with offspring

Figure 10: Average farm gate milk prices - March 2012 to February 2014



Source: Milk prices surveys Defra, RERAD, DARD(NI)

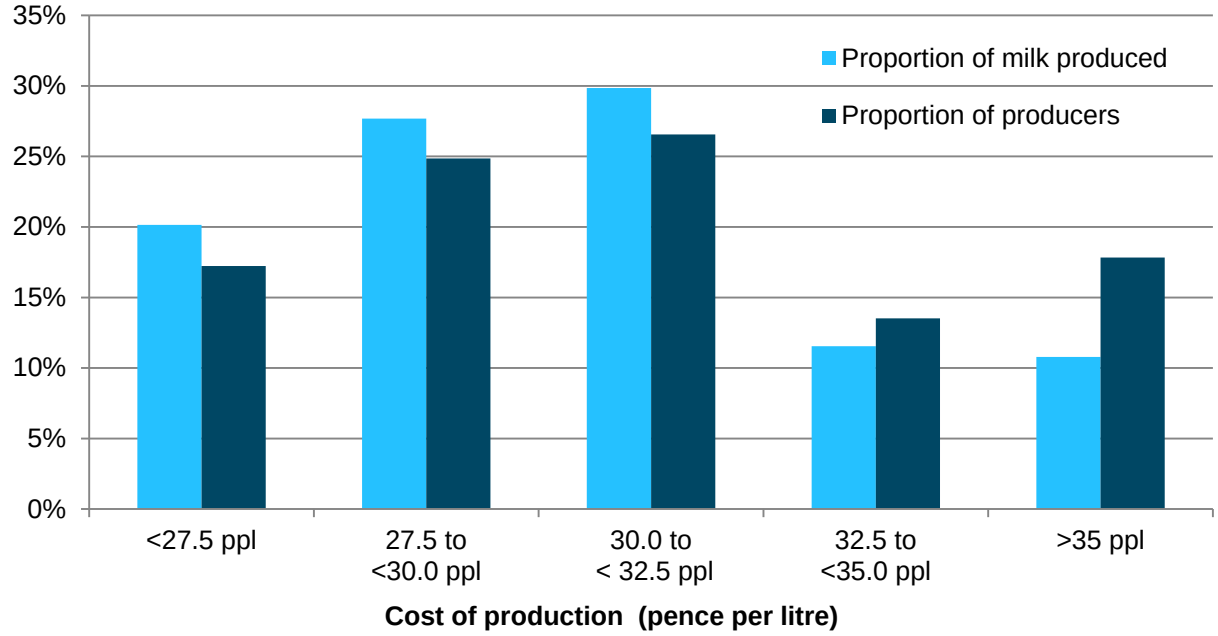
Figure 11: Average compound feed prices for Cattle and Calves: 2012/13 to 2013/14



Source: Defra, Average Compound Feed Prices by Main Livestock categories, Great Britain

Based on enterprise data from the FBS, the average price for milk sold was just under 32.5 pence per litre in 2013/14 whilst the average cost of production was 30.5 pence per litre. Note that the cost of production is on a full economic basis (see footnote to Figure 12) and is spread across all milk produced including any that is used on the farm. The distribution of milk production according to cost is shown in Figure 12. Around 70% of dairy farmers produced milk at a cost of less than 32.5 pence per litre, accounting for three quarters of the milk produced in 2013/14.

Figure 12: Production costs [(a)] of milk, 2013/14



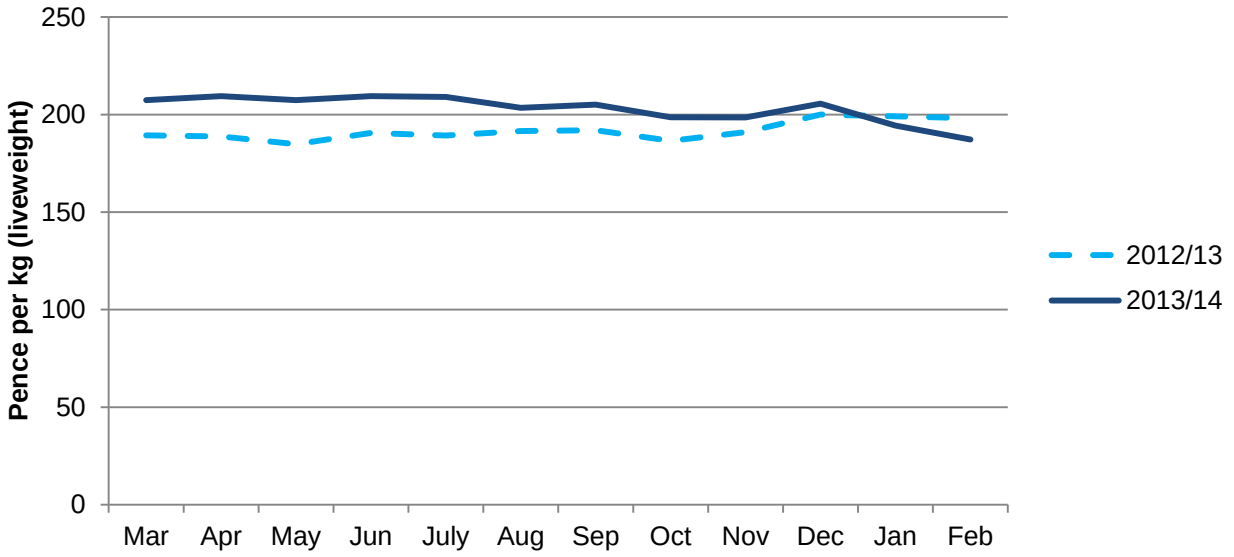
Source: Farm business Survey, England

(a) Production costs shown here include all financial aspects of dairy enterprises such as any unpaid labour (including that of the farmer and spouse), herd depreciation and an estimated rental equivalent for land that is owned. An allowance is also made for non-milk revenue, most of which is from the sale of dairy calves, which is applied as a reduction to cost. This is to take into account the value of by-products from milk production. As a result, the production costs here represent the price that would have to be paid on all milk produced for dairy enterprises to break even.

3.6 Grazing livestock farms (lowland)

On lowland grazing livestock farms, average Farm Business Income fell by 7% to £15,100. Total agricultural output increased very slightly driven by an increase in output for the cattle enterprise due to firmer prices for finished cattle for most of 2013/14 (Figure 13) and a higher closing valuation compared to the previous year. This was offset by a fall in output from sheep enterprises reflecting the impact of the weather in 2012 and early 2013. Although finished lamb prices were similar to or higher than in 2012/13 (see Figure 14) cull ewe and ewe hog prices were, on average lower. A lower closing valuation due to reduced numbers and values at the year-end had an additional impact on the enterprise output. Total input costs were also slightly higher (2%); costs for purchased feed and fodder were 10% higher than in 2012/13 (Table 5.8) and net interest payments increased by almost a third. On average both low and medium performers failed to make a positive return from agriculture (Table 7.8) in both 2012/13 and 2013/14, with the low performers failing to generate a positive return for the business as a whole.

Figure 13: GB Average price for clean cattle (liveweight) – March 2012 to February 2014

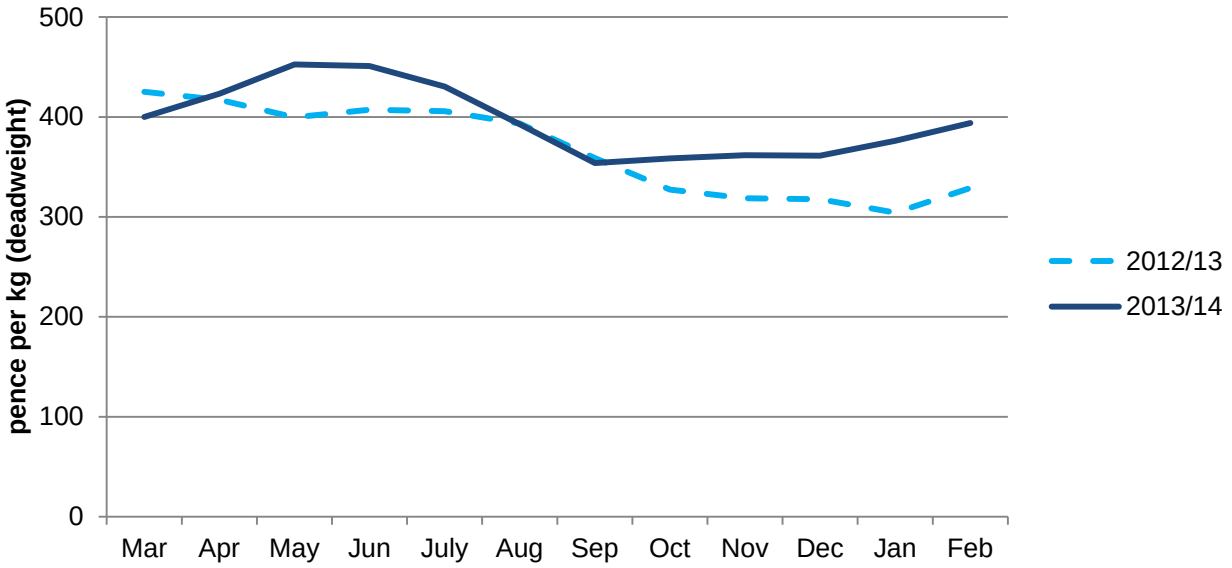


Source: Agriculture and Horticulture Development Board (Meat Services)

3.7 Grazing livestock farms (LFA)

For grazing livestock farms in the LFA, average Farm Business Income was approximately £14,500 in 2013/14, a fall of more than 20% from the previous year. Output was lower than 2012/13 across all the livestock enterprises (Table 5.10) but notably so for sheep and beef. This is likely to reflect lower productivity due to the poor grazing conditions in the previous year and the cold spring in 2013 when many farmers, particularly in the LFA, suffered losses due to heavy snowfall. On average fewer cattle were sold and lower stocking rates across both enterprises led to a fall in the closing valuation. Input costs increased slightly (1%), again primarily due to additional feed costs. Agri-environment scheme payments and the Single Payment, both important sources of income in the LFA, were broadly similar to the previous year. On average, all performance groups failed to make a positive return from agriculture (Table 7.10) in 2013/14 whilst average Farm Business Income for the lowest 25% of performers was below zero at minus £9,700.

Figure 14: UK Deadweight Standard Quality Quotation (SQQ)[(a)] price – March 2012 to February 2014



Source: Agriculture and Horticulture Development Board (Meat Services)
(a) The Deadweight SQQ is for lamb carcasses falling in the 12-21.5 kg weight bracket.

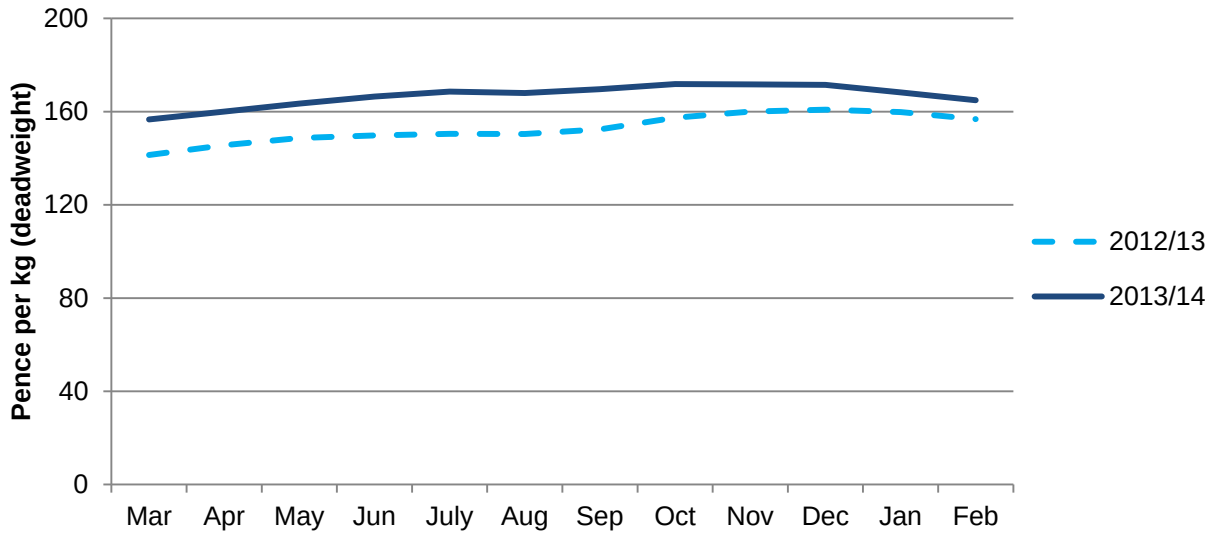
3.8 Specialist Pigs

The relatively small size of the sector and of the sample in the survey means that our estimates for this farm type are subject to greater levels of uncertainty than in other sectors.

On specialist pig farms average Farm Business Income increased by over 50% in 2013/14 to £65,200 per farm (Table 5.11). Total output from agriculture enterprises increased by 5%, driven by a higher output from the pig enterprise (6%) but partially offset by a reduced output from the cropping enterprises (-22%). Although total input costs were unchanged, variable costs were lower whilst fixed costs increased, notably for labour and rent. Feed costs, an important input cost on these farms, were unchanged.

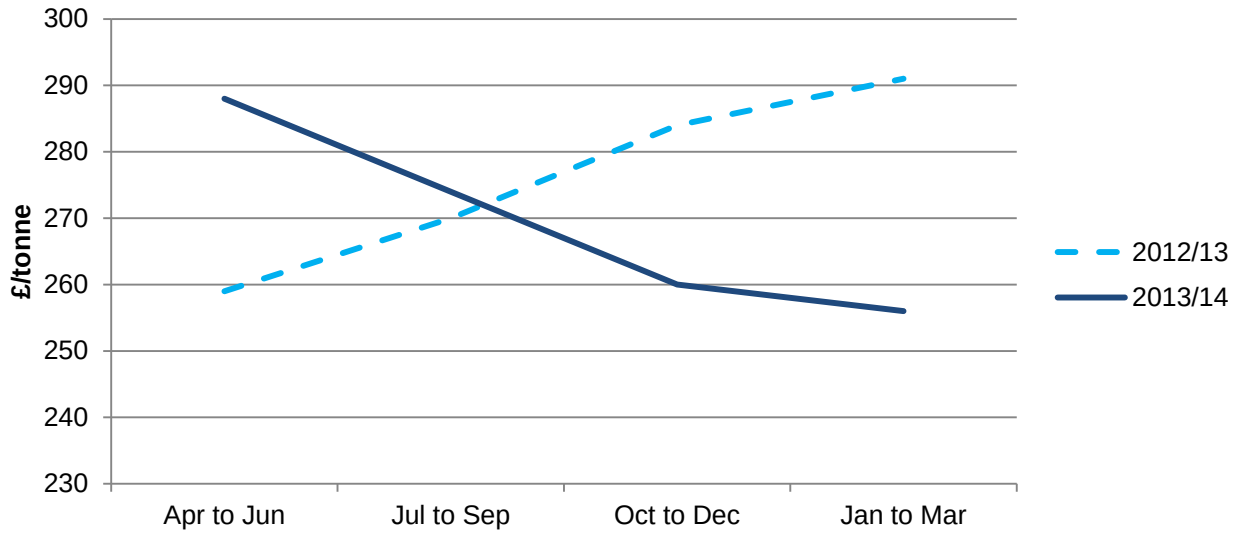
The 95% confidence intervals for average Farm Business Income for pigs in 2013/14 are £33,100-£97,300; we are 95% confident that this range contains the true average Farm Business Income for the pig sector. Within the specialist pig sample, there is one farm that has a large influence on the average Farm Business Income. Excluding this farm from the results suggests that the average income increased by around 38% for the remaining farms.

Figure 15: GB Deadweight Average Pig Price (DAPP)



. Source: Agriculture and Horticulture Development Board (Meat Services)

Figure 16: Average compound feed prices for pigs: 2012/13 to 2013/14



Source: Defra, Average Compound Feed Prices by Main Livestock categories, Great Britain

3.9 Specialist Poultry

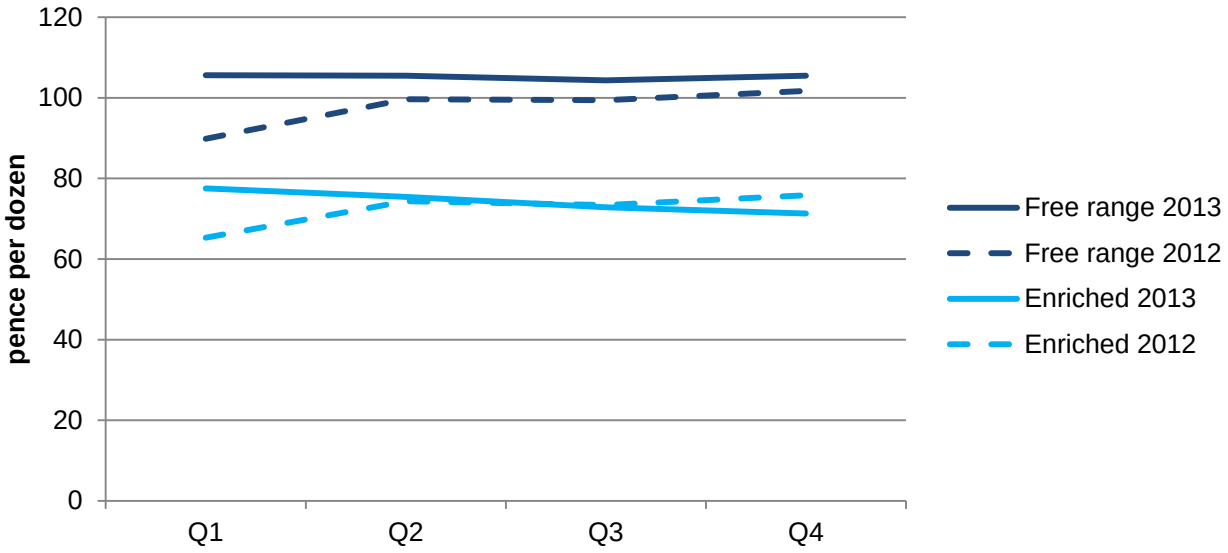
The relatively small size of the sector and of the sample in the survey means that our estimates for this farm type are subject to greater levels of uncertainty than in other sectors.

For specialist poultry farms average Farm Business Income increased by almost 75% compared to 2012/13 (Table 5.14). However this increase should be treated with caution because of the small sample. Removing a particularly influential farm from the analysis suggests that the average income for the remaining farms increased by 31% between 2012/13 and 2013/14. The rise in income was driven by increased output from the egg,

broiler and other poultry enterprises, but partially offset by increased costs. Volume of egg output was higher due to higher laying bird populations (Table 7.13) and an increase in eggs laid per bird. Although feed costs were unchanged, many other costs rose particularly those for labour, other livestock costs, machinery and rent.

The nature of this sector means that the income of individual farms can change considerably from year to year. These fluctuations impact directly on industry totals, but also make the results more difficult to verify. This, along with the relatively small size of the sector and of the sample in the survey, means that our estimates are subject to greater levels of uncertainty than in other sectors. The 95% confidence intervals for the average Farm Business Income for poultry in 2013/14 are £46,500 - £268,000; we are 95% confident that this range contains the true average for poultry. The weighting methodology was changed in 2012/13 to improve the accuracy of the results for farms with poultry. The results from 2009/10 onwards are now presented using this revised methodology to improve comparability. For further information about the weighting methodology and the reliability of results please see the section on survey details.

Figure 17: UK Quarterly Egg Packing Station prices- 2012 and 2013



Source: Quarterly UK Egg Packing Station Survey

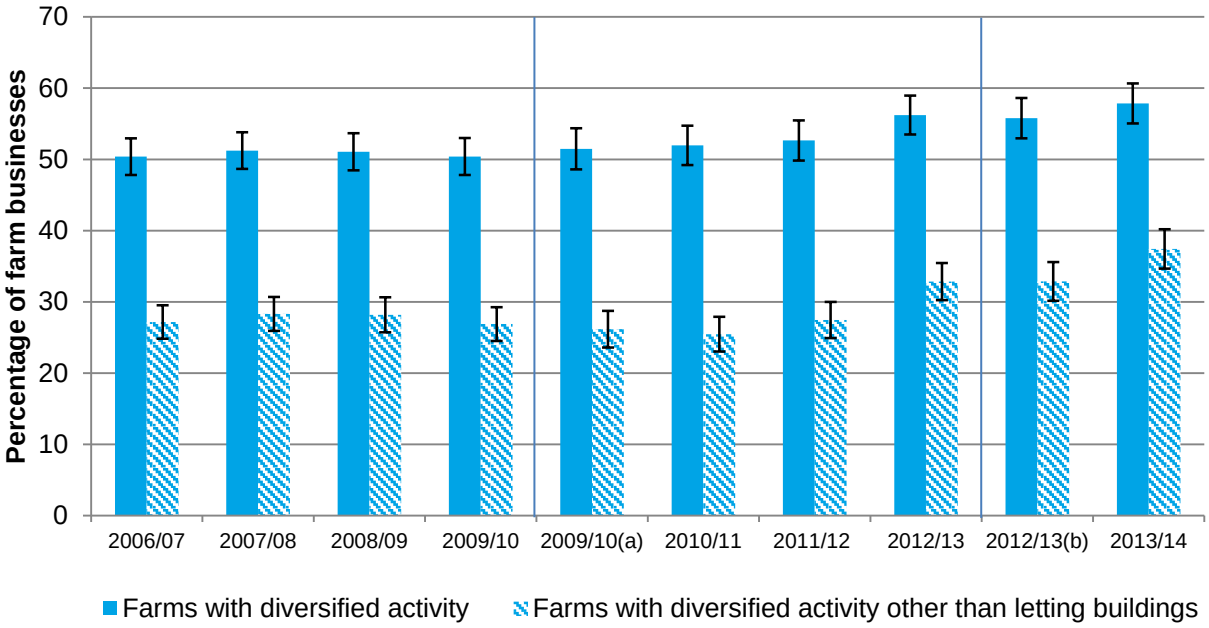
4 Diversification

A possible and rational response to the changing position of agriculture in the UK economy is for farmers to seek to enhance their income from sources other than conventional farming production through diversifying their business activities. Diversification is widely thought to offer considerable scope for improving the economic viability of many farm businesses. Many farm diversification activities can also provide benefits for the wider rural economy and community by, for example, encouraging and providing additional job opportunities.

Most farm businesses engage in other activities in addition to those carried out on their own farm, even if only hire work for another farmer. However, the definition of diversified activity adopted here excludes agricultural work on another farm and is restricted to non-agricultural work of an entrepreneurial nature on or off farm but which utilises farm resources.

Using this definition, 58% of farm businesses in England had some diversified activity, an increase of 2% from 2012/13. The main diversified activity is letting out buildings for non-agricultural use; when this is excluded, the proportion of farms with some other diversified activity was 37% for 2013/14 (Figure 18).

Figure 18: Percentage of farms with diversified activities – England 2006/07 to 2013/14



Source: Farm Business Survey, England

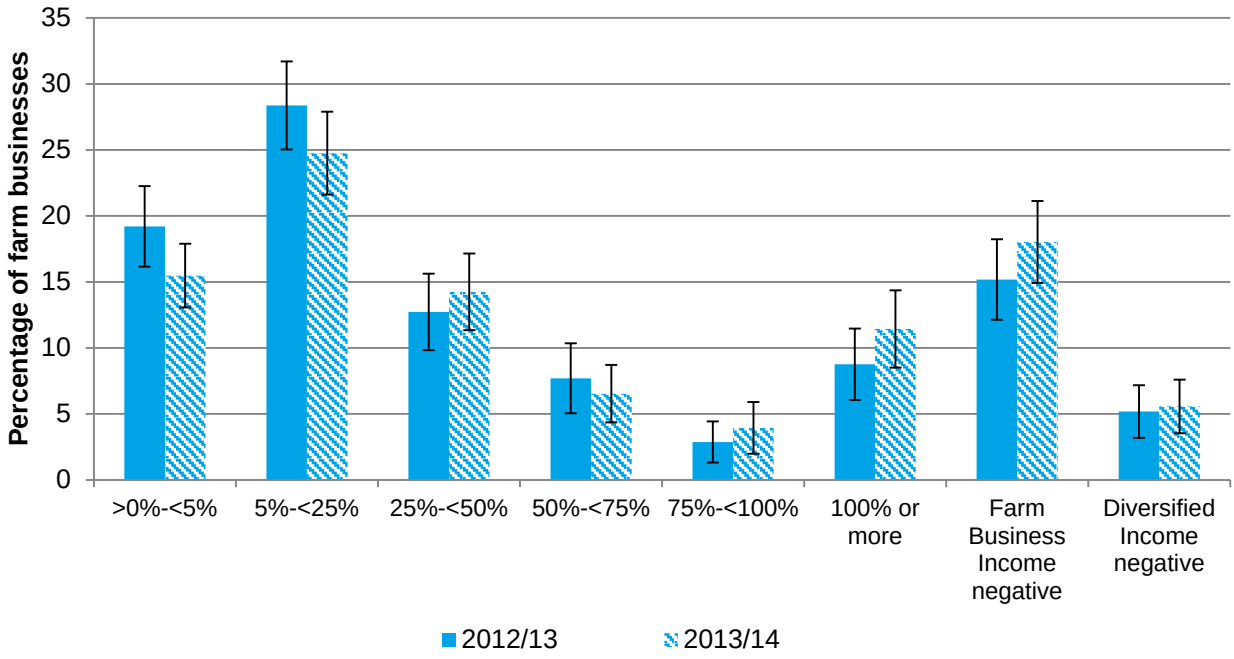
(a) In 2010/11 changes were made to the minimum size threshold (≥ 25,000€) and also to the classification of farms. These changes were backdated to 2009/10. Previous years are not directly comparable. Prior to the 2010/11 campaign, the coverage of the FBS was restricted to those farms of size ½ Standard Labour Requirement (SLR) or more.
A revised weighting framework separating specialist poultry meat from specialist layers was implemented in 2012/13. These changes have now been backdated to 2009/10.

(b) Farm typology based on 2010 standard output coefficients. For 2009/10 to 2012/13 farm typology is based on 2007 standard output coefficients.

Data on diversification is also collected through the Farm Structure Survey. This shows that in 2010 24,900 holdings had diversified activities other than letting farm buildings, around 24% of the total farm holdings population for England. These results are broadly comparable with those presented in Figure 18, but readers should note the different coverage of the two sources. See Table 15.2 for more information.

Total income from diversified activities in 2013/14 was £490 million a 9% increase from 2012/13 (£450m in 2012/13). Diversified enterprises accounted for 19% of total Farm Business Income in 2013/14 (£2,520 million) although there were wide variations between farms (Figure 19).

Figure 19: Distribution of farms according to proportion of Farm Business Income (FBI) from diversified enterprises — England 2012/13-2013/14



Excludes farms with no diversified activities
Source: Farm Business Survey, England

For 36% of businesses with diversified activities, income from these activities accounted for at least a quarter of the total Farm Business Income (compared to 32% in 2012/13); for 22% of businesses, the income from diversification exceeded the income from the rest of the farm business (compared to 19% in 2012/13). For almost a quarter (24%) of farm businesses with diversified activities their Farm Business Income and/or diversified income was negative. Farms without diversified enterprises have been excluded from this analysis.

A total of £490m was generated from diversified activities by 33,800 farms. These farms had an average diversified enterprise income of £14,500 (table C). Those letting out buildings generated 28% (£350m) of their total farm income (£1,270m) from this activity whilst those farms with food processing and retailing enterprises generated a third of third of their total farm income (£60m of £170m) from this activity.

Table C: Income from diversified enterprises — England 2013/14

	No. of farms	% of farms	Total farm income for these farms (£m)	Income of diversified enterprise (£m)	Average enterprise income (£/farm)
Farm Business income (incl. diversification)	58,400		2,520		
Farms which engage in:					
Diversified enterprises (all kinds)	33,800	58%	1,800	490	14,500
Letting buildings for non-farming use	22,800	39%	1,270	350	15,500
Processing/retailing of farm produce	5,800	10%	170	60	9,900
Sport and recreation	7,300	13%	320	30	3,700
Tourist accommodation and catering	3,400	6%	180	10	4,400
Other diversified activities	11,700	20%	870	40	3,200

Source: Farm Business Survey, England

(a) Average here refers to the mean calculated over farms which have that enterprise

Although over half of all farms had diversified activity, the total value of diversified enterprise output (£950m) was only 6% of total farm business output (£16,900 million). For farms that engaged in any diversified enterprise, average enterprise output from diversification was £28,000 (table D). For those farms with diversified enterprises, the output for these enterprises (£950m) equated to 8% of their total farm output (£11,900m). Letting buildings for non-farming use accounted for 53% of diversified output, while the contribution from tourism was relatively minor (6%). On average, processing and retailing of farm produce generated the greatest output per farm (£31,200), whilst sport and recreation enterprises generated £9,100 per farm.

Table D: Value of output from diversified enterprises - England 2013/14

	No. of farms	% of farms	Total farm output for these farms (£m)	Output of diversified enterprise (£m)	Average diversified enterprise output (£/farm)
Farm Business Output (incl. diversification)	58,400	100%	16,900		
Farms which engage in:					
Diversified enterprises (all kinds)	33,800	58%	11,900	950	28,000
Letting buildings for non-farming use	22,800	39%	8,610	500	21,900
Processing/retailing of farm produce	5,800	10%	1,580	180	31,200
Sport and recreation	7,300	13%	2,190	70	9,100
Tourist accommodation and catering	3,400	6%	970	50	15,600
Other diversified activities	11,700	20%	4,940	150	12,600

Source: Farm Business Survey, England

(a) Average here refers to the mean calculated over farms which have that enterprise

Survey details

Survey content and methodology

The Farm Business Survey (FBS) is an annual survey providing information on the financial position and physical and economic performance of farm businesses in England. The sample of around 1,900 farm businesses covers all regions of England and all types of farming with the data being collected by face to face interview with farmers. Results are weighted to represent the full population of farm businesses that have at least 25 thousand Euros of standard output[5] as recorded in the annual June Survey of Agriculture and Horticulture. In 2013 there were just over 58 thousand farm businesses meeting this criteria[6].

For further information about the Farm Business Survey please see: https://www.gov.uk/government/organisations/department-for-environment-food-rural-affairs/series/farm-business-survey

Data analysis

The results from the FBS relate to farms which have a standard output of at least 25,000 Euros. Initial weights are applied to the FBS records based on the inverse sampling fraction for each design stratum (farm type by farm size). Table E shows the distribution of the sample compared with the distribution of businesses from the 2013 June Survey of Agriculture and Horticulture. These initial weights are then adjusted (calibration weighting[7]) so that they can produce unbiased estimates of a number of different target variables.

The weighting methodology was changed for Farm Accounts in England 2012/13 to improve the reliability of the results for farms with poultry. The change was two-staged. Specialist poultry farms were split into two groups (egg and poultrymeat producers) at the inverse sampling fraction stage. In addition, the FBS estimates of the total number of laying birds and total number of table birds are now calibrated to match those from the previous June Survey. This practice is already in place for other livestock types (as well as crop areas and farm counts) to draw strength from the increased robustness of the much larger sample of the June Survey. Results for 2012/13 and 2011/12 were calculated and presented using this improved methodology.

For Farm Accounts in England 2013/14, we have recalculated the results for 2009/10 and 2010/11 using the revised poultry weighting methodology. This has been done to remove the discontinuity and improve the comparability of results over time. The revised figures for Farm Business Income, Net Farm Income, Family Farm income and Cash Income can be found in Tables 1.1 to 1.4 in the accompanying dataset.

[5] For a definition of standard output please see the UK classification document here https://www.gov.uk/farm-business-survey-technical-notes-and-guidance

[6] Prior to the 2010/11 campaign, the coverage of the FBS was restricted to those farms of size ½ Standard Labour Requirement (SLR) or more. For a definition of SLR please see the UK classification document here: https://www.gov.uk/farm-business-survey-technical-notes-and-guidance

[7] Further information on calibration weighting can be found here: https://www.gov.uk/farm-business-survey-technical-notes-and-guidance

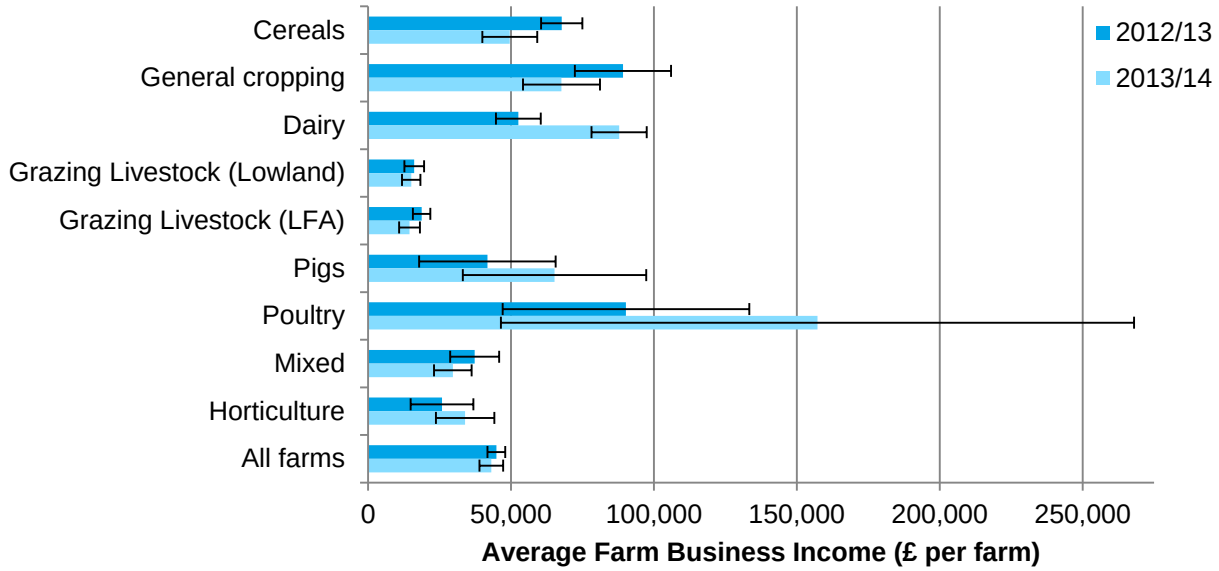
Accuracy and reliability of the results

In common with other statistical surveys, the published estimates of income from the Farm Business Survey are subject to sampling error, as we are not measuring the whole population. We show error bars based on 95% confidence intervals for mean Farm Business Income as a measure of uncertainty that may apply to the estimated means. These error bars show the range of values that may apply to the figures. They mean that we are 95% confident that this range contains the true value. They are calculated as the standard errors (se) multiplied by 1.96 to give the 95% confidence interval (95% CI). Standard errors (and therefore confidence intervals) only give an indication of the sampling error. They do not reflect any other sources of survey errors, such as non-response bias.

For the Farm Business Survey, the confidence limits shown are appropriate for comparing groups within the same year only; they should not be used for comparing with previous years since they do not allow for the fact that many of the same farms will have contributed to the Farm Business Survey in both years.

Figure 20 shows average Farm Business Income split by farm type, with 95% confidence limits as range bars around the averages. The smaller range of possible values that could apply to grazing livestock, dairy, cereal and mixed farms types reflects relatively large sample sizes and the relative homogeneity of these sectors in terms of the range of income levels across the farms in each of these types.

Figure 20: Average Farm Business Income by farm type, with 95% confidence limits, England 2012/13 and 2013/14



Source: Farm Business Survey, England

The range of values that could apply to general cropping and horticulture farm types reflect a more diverse range of agricultural activities, e.g. general cropping is made up of arable crop and field scale vegetable producers, while horticulture includes specialist fruit producers, hardy nursery stock and fruit and vegetables grown in glasshouses. As a result these sectors are less homogeneous in terms of income levels.

Confidence limits for specialist pig and poultry farms are affected by the relatively small samples and a huge range in scale of production. Figure 2 shows the presence of farms at opposite ends of the income scale. There is one very influential poultry farm in both 2012/13 and 2013/14. If this farm is excluded from the results, average Farm Business Income for poultry farms increases by 31% between 2012/13 and 2013/14 from £76,000 to £99,800 per farm. Within the specialist pig sample, there is also one farm that has a large influence on the average Farm Business Income. If this farm is excluded from the results, average Farm Business Income for pig farms increases by 38% between 2012/13 and 2013/14 from £30,500 to £49,200 per farm.

Availability of results

Detailed tables covering income, outputs and costs for each farm type can be found here https://www.gov.uk/government/organisations/department-for-environment-food-rural-affairs/series/farm-business-survey#documents

Defra statistical notices can be viewed on the Food and Farming Statistics pages on the Defra website at https://www.gov.uk/government/organisations/department-for-environment-food-rural-affairs/about/statistics. This site also shows details of future publications, with pre-announced dates.

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 contact 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 statistical release and enquiries about these statistics are also welcome.

Please contact Charles Mbakwe at fbs.queries@defra.gsi.gov.uk.

Appendix 1: Classification of Survey Farms by Type of Farming and Size of Business

1. A revised classification of farm types was introduced in 2010/11 based on Standard Outputs, which caused changes to the distribution of farms by farm type. Further details of the revised classification and its effect on the FBS sample can be found at:

   https://www.gov.uk/farm-business-survey-technical-notes-and-guidance

2. At the same time, the lower size threshold for the Farm Business Survey was changed from 0.5 Standard Labour Requirements (in annual full-time equivalents) to a standard output of 25,000 euros. Therefore, the results published here relate to farms for which the total standard output from cropping and stocking activities is at least 25,000 euros.

3. The Standard Labour Requirement (SLR) of a farm represents the normal labour requirement, in Full Time Equivalents, for all the enterprises on a farm under typical conditions. The SLR for a farm is calculated from standard coefficients applied to each enterprise on the farm. The standard coefficients represent the input of labour required per head of livestock or per hectare of crops for enterprises of average size and performance.

4. Farms in the sample are grouped by type of farm based on the EC system of classification defined by Commission Regulation 1242/2008 (with minor modifications to adapt it to United Kingdom conditions). This classification system uses Standard Outputs per hectare of crop area and per head of livestock estimated over a 5 year period. For 2013/14 (in line with the EU regulation), Standard Outputs have been recalculated for the period 2008-2012 (referred to as 2010 Standard Outputs). Results shown in this publication for 2012/13 have been recalculated using 2010 Standard Outputs for comparability. Further information about the impact of the change from 2007 to 2010 Standard Outputs can be found at:

   https://www.gov.uk/farm-business-survey-technical-notes-and-guidance

5. The Standard Output (SO) is a financial measure used to classify farm type. Standard outputs measure the total value of output of any one enterprise - per head for livestock and per hectare for crops. For crops, this is the main product (e.g. wheat, barley, peas) plus any by-product that is sold, for example straw. For livestock it is the value of the main product (milk, eggs, lamb, pork) plus the value of any secondary product (calf, wool) minus the cost of replacement. Until 2010, standard gross margins were used for the classification of farms. Standard outputs and standard gross margins differ in that no variable costs are deducted in the derivation of standard outputs. Each farm is assigned a total SO by aggregating the SOs for its agricultural enterprises. The farm is classified into a 'particular' type of farming by evaluating the proportion of its total SO deriving from different enterprises. In the EC typology the particular types are grouped into seventeen principal types. The latter are not entirely suitable for use in the United Kingdom and alternative groupings have therefore been adopted for the Farm Business Survey. Table D at the end of this appendix shows how the constituent EC particular types are grouped to give twenty main types and nine robust types.

6. The varied nature of the definitions used for the EC particular types of farming does not permit a simple description to be given of all of the main types adopted in the Survey but the chief characteristics may be summarised as follows:

Cereals	Farms on which cereals, oilseeds, peas and beans harvested dry account for over two-thirds of their total SO (holdings with more than two-thirds of their total SO in set-aside are excluded from the survey results).
General cropping	Farms with over two-thirds of their total SO in arable crops (including field scale vegetables) or a mixture of arable and horticultural crops; and holdings where arable crops account for more than one-third of total SO and no other grouping accounts for more than one-third.
Dairy	Farms where the dairy enterprise, including followers, accounts for over two-thirds of their total SO.
LFA grazing livestock	Farms with more than two-thirds of their total SO in cattle and sheep except holdings classified as dairy. A farm is classified as in the LFA if 50% or more of its total area is in the EC Less Favoured Area (both Disadvantaged and Severely Disadvantaged).
Lowland grazing livestock	Farms with more than two-thirds of their total SO in cattle and sheep except holdings classified as dairy. A farm is classified as "lowland" if less than 50% of its total area is in the EC Less Favoured Area.
Specialist pigs	Farms on which pigs account for over two-thirds of their total SO.
Specialist poultry	Farms on which poultry account for over two-thirds of their total SO.
Mixed farms	Farms where crops account for one-third, but less than two-thirds of total SO and livestock accounts for one-third, but less than two-thirds of total SO. It also includes holdings with mixtures of cattle and sheep and pigs and poultry and holdings where one or other of these groups is dominant, but does not account for more than two-thirds of the total SO.

7. The Less Favoured Areas (LFA) classification was established[8] in 1975 as a means to provide support to mountainous and hill farming areas. Within the LFA are the Severely Disadvantaged Areas (SDA) and the Disadvantaged Areas (DA). The SDA are more environmentally challenging areas and largely upland in character. A map showing the

[8] Council Directive 75/268/EEC.

LFA, SDA and DA can be seen in Figure 21 at the end of this appendix. Further information about LFA classification can be found at http://archive.defra.gov.uk/rural/countryside/uplands/land-classification.htm

8. Farm business size in the United Kingdom is measured in Standard Labour Requirements (SLR) expressed in terms of full-time equivalents. Four size groups are defined for this report:

Part-time	(less than 1 SLR)
Small	(greater than or equal to 1 less than 2 SLRs)
Medium	(greater than or equal to 2 less than 3 SLRs)
Large	(greater than or equal to 3 SLRs)

9. The average economic and physical sizes of farms as estimated from the FBS sample and as recorded in the June Survey are shown according to type of farming and size in Table E at the end of this appendix. Such comparisons cannot be exact because there are some differences of detail between classification procedure in the FBS and that used in the analyses of holdings in the June Survey. In the analyses of the June Survey, standard outputs are applied to the cropping and stocking as recorded on the survey day whilst in the FBS they are applied to the hectares of crop and average numbers of livestock over the year as a whole. Moreover, in the FBS, the minimum unit is a whole farm business, which may comprise more than one holding, while in the June Survey the holdings making up a farm may be treated separately.

10. Farms are allocated to performance bands according to the ratio of total farm output divided by total farm costs. Total costs for this calculation include an adjustment for unpaid manual labour. The farms are then ranked and allocated to groups representing the 25, 50 and 25 percentiles; equivalent to low, medium and high performance bands.

Table D: UK Farm Classification

UK FARM CLASSIFICATION SYSTEM (REVISED 2010): COMPOSITION OF ROBUST, MAIN AND OTHER FARM TYPES BY CONSTITUENT EC TYPE

Robust types (a)	Main types	EC farm types
1. Cereals	1. Cereals	151
2. General cropping	2. General cropping	161, 162, 163, 166, 613, 614, 615, 616
3. Horticulture	3. Specialist fruit	361
	4. Specialist glass	211, 212, 213
	5. Specialist hardy nursery stock	232
	6. Other horticulture	221, 222, 223, 231, 233, 351, 352, 353, 354, 362, 363, 364, 365, 380, 611, 612
4. Specialist pigs	7. Specialist pigs	511, 512, 513
5. Specialist poultry	8. Specialist poultry	521, 522. 523
6. Dairy	9. Dairy (LFA)	450 (LFA)
	10. Dairy (Lowland)	450 (non-LFA)
7. LFA grazing livestock	11. Specialist sheep (SDA)	481 (SDA)
	12. Specialist beef (SDA)	460 (SDA)
	13. Mixed grazing livestock (SDA)	470, 482, 483, 484 (SDA)
	14. Various grazing livestock (DA)	460, 470, 481, 482, 483, 484 (DA)
8. Lowland grazing livestock	15. Various grazing livestock (Lowland)	460, 470, 481, 482, 483, 484 (Lowland)
9. Mixed	16. Cropping and dairy	831, 832
	17. Cropping, cattle and sheep	833, 834
	18. Cropping, pigs and poultry	841
	19. Cropping and mixed livestock	842, 843, 844
	20. Mixed livestock	530, 731, 732, 741, 742
10. Non classifiable (b)	21. Non-classifiable holdings	900

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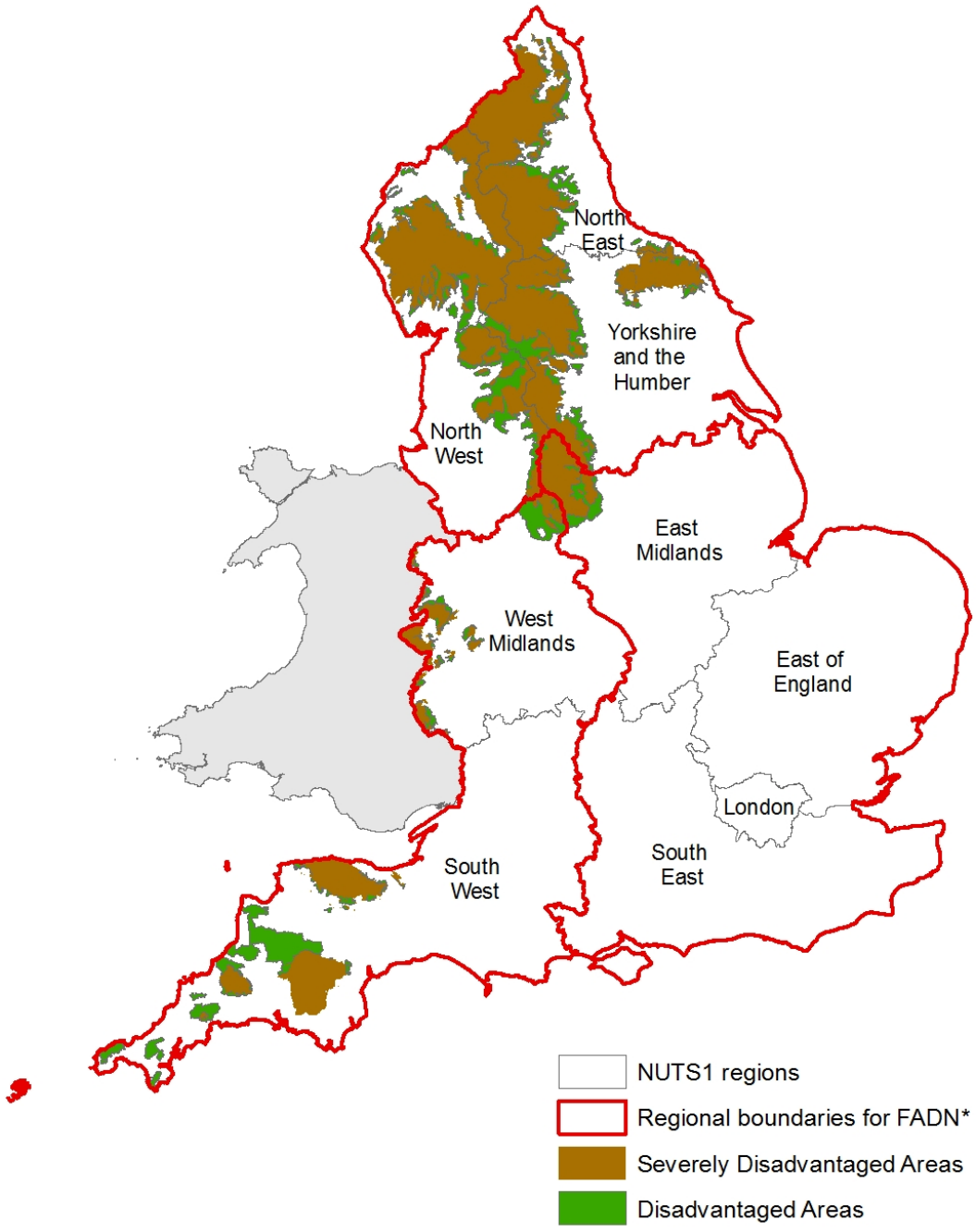
(a) EC Typology described in Commission Regulation 1242/2008.
(b) Not included in Farm Business Survey results.

Figure 21: Regional boundaries used within tables



Farm Accountancy Data Network (FADN) regions:
North: North East, North West, Yorkshire and the Humber
West: West Midlands, South West
East: East Midlands, East of England, South East and London

Appendix 2: Notes on Tables: Definitions of Terms

FBS Survey Terms

1. ***Accounting years:*** To ensure consistency in harvest/crop year and commonality of subsidies within any one FBS year, only farms which have accounting years ending between 31 December and 30 April inclusive are allowed into the survey. (For Scotland, accounting years up to 31 May are allowed).

   The FBS accounting year for an individual farm in the survey is normally the same as the tax year for that business (for convenience in compiling the account). The tax year will normally be chosen by the farmer, not the tax authorities.

   Aggregate results are presented in terms of an accounting year ending at end-February, the approximate average of all farms in the FBS. Thus the results relate, on average, to March - February years

Business Outputs, Inputs, Costs and Income

2. ***Farm business income*** for sole traders and partnerships represents the financial return to all unpaid labour (farmers and spouses, non-principal partners and directors and their spouses and family workers) and on all their capital invested in the farm business, including land and buildings. For corporate businesses it represents the financial return on the shareholders capital invested in the farm business. Note that prior to 2008/09 directors remuneration was not deducted in the calculation of farm business income. It is used when assessing the impact of new policies or regulations on the individual farm business. Although Farm Business Income is equivalent to financial Net Profit, in practice they are likely to differ because Net Profit is derived from financial accounting principles whereas Farm Business Income is derived from management accounting principles. For example in financial accounting output stocks are usually valued at cost of production, whereas in management accounting they are usually valued at market price. In financial accounting depreciation is usually calculated at historic cost whereas in management accounting it is often calculated at replacement cost.

3. ***Farm corporate income*** **represents** the return on own capital invested in the farm business, to risk and to entrepreneurship. It is derived by deducting unpaid labour, both manual and managerial, from Farm Business Income. This allows the profitability of sole traders and partnerships to be compared directly with that of companies. Currently we are able to deduct an estimate of unpaid manual labour but not of unpaid managerial labour and so the data are only approximate. However, we plan to undertake a research project to produce a method for deriving an estimate of unpaid managerial labour, so that we can produce better data for this measure in future.

4. ***Farm investment income*** represents the return on ***all*** capital invested in the farm business ***whether borrowed or not***, to risk and to entrepreneurship. It is a general measure of the profitability of farming as an activity rather than of a particular business. It is derived by adding net interest payments to Farm

Corporate Income. Since currently the data for Farm Corporate income are only approximate, so too are the data for Farm Investment Income.

5. ***Net Farm Income (NFI)*** is intended as a consistent measure of the profitability of tenant-type farming[9] which allows farms of different business organisation, tenure and indebtedness to be compared. It represents the return to the farmer and spouse alone for their manual and managerial labour and on the tenant-type capital[10] invested in the farm business.

   To represent the return to farmer and spouse alone, a notional deduction is made for any unpaid labour provided by non-principal partners and directors, their spouses and by others; this unpaid labour is valued at average local market rates for manual agricultural work.

   To confine the measure to the tenant-type activities and assets of the business, an imputed rent is deducted for owner-occupied land and buildings and for landlord-type improvements made by the tenant. No deduction is made for interest payments on any farming loans, overdrafts or mortgages; interest earned on financial assets is also excluded.

6. ***Cash income*** is the difference between total revenue and total expenditure. Revenue is: receipts adjusted for debtors; and expenditure is: purchases adjusted for creditors. It is assumed, therefore, that all end of year debtor and creditor payments are settled in full, even though this may happen beyond the end of the accounting year. Cash income represents the cash return to the group with an entrepreneurial interest in the business (farmers and spouses, non-principal partners and directors and their spouses and family workers) for their manual and managerial labour and on all their investment in the business.

7. ***Family farm income*** is given in Tables 1.4, 2.4 and 3.4. It is a measure of farm income used by the European Commission. It is based upon actual tenure and indebtedness. However, it is a broader measure than net farm income in that it represents the return to all unpaid labour (farmers and spouses, non-principal partners and directors and their spouses and family workers). It also includes breeding livestock stock appreciation although it cannot be realised without reducing the productive capacity of the farm.

[9] Tenant-type farming was never conceived of as including non-agricultural activities on farm (using farm resources) except perhaps for value added activities such as small-scale food processing, e.g. sales of farm produced butter and cream and retail sales of farm produced liquid milk. However, recent research has revealed that many of the more varied non-agricultural activities which have been increasing on farms over the years have been inadvertently included in the calculation of NFI, with the result that about three-quarters of non-agricultural activities on farm by value are currently included and one-quarter excluded, without any clear basis for this division. Although this means that the definition of NFI has become untenable on the current basis, it has been decided to continue with historical practice for reasons of continuity, rather than to change the definition, pending the introduction of a wider measure to include all on-farm business activities.

[10] Tenant-type capital comprises livestock, machinery, crops in store, stocks of consumables, work in progress, orchards, other permanent crops, glasshouses, cash and other assets needed to run the business. It does not include land and buildings.

Cropping, Stocking and Labour Tables

8. ***Utilised agricultural area*** is the crop area, including fodder, set-aside land, temporary and permanent grass and rough grazing in sole occupation (but not shared rough grazing) i.e. the agricultural area of the farm. It includes bare land and forage let out for less than one year.

9. ***Total area of farm*** is the utilised agricultural area plus woodland and other areas of the farm not used for agriculture (e.g. buildings, roads, water, household gardens).

10. ***Total tillage*** comprises the utilised agricultural area, plus bare land and forage hired in from others in the accounting period, minus temporary and permanent grass and rough grazing in sole occupation (but not shared rough grazing).

11. ***Total area farmed*** comprises the total area of the farm minus woodlands and buildings, etc. plus net land hired in.

12. ***Adjusted utilised agricultural area*** comprises the utilised agricultural area with rough grazing in sole occupation converted to a permanent pasture equivalent.

13. ***Stocking*** figures are the average annual level of stocking based on estimated average livestock numbers on the farm for the year, including fractions for livestock on the farm for less than a year.

14. ***Total livestock units*** are used as an approximate measure of stocking intensity and are based on the estimated energy requirements of different species and ages of livestock. The factors used are set out in Appendix 2 of *'Farm Incomes in the United Kingdom 1999/00'.*

15. ***Annual labour units (ALU)*** are the estimated number of full time worker equivalents of persons working on the holding during the year. Part-time workers are converted to full-time equivalents in proportion to their actual working time related to that of a full-time worker. One ALU represents one person employed for 2,200 hours.

Outputs, Inputs and Farm Business Income Tables

16. ***Agricultural output*** **is** the main measure of individual crop and livestock output. It comprises:

    (a) ***Crop enterprise output***, which is the total value of crops produced by the farm (other than losses in the field and in store). It includes crops used for feed and seed by the farm business and those consumed in the farmhouse and by farm labour. Crop enterprise output is calculated on a "harvest year" as distinct from an "accounting year" basis; that is, it refers only to those crops (with the exception of certain horticultural crops) wholly or partly harvested during the accounting year and excludes any crop carried over from the previous year. Thus valuation changes (between the previous and current crops) are not relevant and the total harvested yield of the crop is valued at market prices (plus any

subsidies). However, any difference between the opening valuation of any stocks of previous crops and their ultimate disposal value (sales, used on farm and any end-year stocks) is included in total farm output.

(b) ***By-products, forage and cultivations***, which cover the value of output of the by-products of agricultural activity, sales of fodder, valuation changes for fodder and cultivations. It also covers revenue from the letting of bare land or forage on a short-term lease.

(c) ***Livestock enterprise output*** comprises the total sales of livestock and livestock products including *direct livestock subsidies* and production grants received, part of the valuation change (see below), produce consumed in the farmhouse and by labour and the value of milk and milk products fed on the farm (excluding direct suckling) adjusted for debtors at the beginning and end of the year (except for direct livestock subsidies) and transfers between enterprises; less purchases of livestock and livestock products from outside the farm business. Stock appreciation for breeding livestock (cattle, sheep and pigs - see paragraph 17) has been excluded from individual livestock enterprise outputs. However, changes in the numbers of breeding livestock between the opening and closing valuation and the total valuation change of trading livestock are included. Unlike crop enterprise output, livestock enterprise output is calculated on an accounting year basis.

(d) ***Miscellaneous output covers*** the value of output from those activities which are still within the agricultural cost centre but do not fall within either livestock or crop enterprise output. These will include revenue from wayleaves, agricultural hirework, sundry woodland sales, contract farming rent, miscellaneous insurance receipts and compensation payments.

17. ***Agricultural costs*** comprise payments and the estimated value of non-cash inputs, including home-grown feed and seed, adjusted for changes in stocks and creditors between the beginning and end of the year.

Total variable costs	These are taken to be costs of feed, veterinary fees and medicines, other livestock costs, seeds, fertilisers, crop protection and other crop costs.
Purchased concentrate feed and fodder	This represents expenditure on feeds and feed additives, including charges for agistment and rented keep.
Home-grown concentrate feed and fodder	This includes ex-farm value of all home produced cereals, beans, milk (excluding direct suckling), etc. fed on the farm both from the current and previous years' crops.
Veterinary fees and medicines	This consists of veterinary fees and the cost of all medicines.

Other livestock costs	This comprises straw bought specifically for costs bedding materials, breeding costs (including AI and stud fees), miscellaneous dairy expenses, disinfectants, marketing and storage costs of animal products, Milk Development Council levy and other livestock costs not separately identified.
Purchased and home-grown seeds	This comprises expenditure on purchased seeds, plants and trees adjusted for changes in stocks. Home-grown seed from the previous crop is included and charged at estimated market price: any seeds from current crops and sown for a succeeding crop are excluded, but are included in the closing valuation of the crop and hence in enterprise output. This enables the value of home-grown seed used in the production of the current crop to be identified.
Fertilizers	This includes lime, fertilisers and other manures, and is adjusted for changes in stock. Fertilisers sown for next year's crops are treated as if they were still in store and are included in the closing valuation.
Crop protection	This includes costs of pre-emergent sprays, fungicides, herbicides, dusts and insecticides and other crop sprays.
Other crop costs	These comprise all crop inputs not separately specified, e.g. marketing charges, packing materials, British Potato Council levy, baling twine and wire (though not fencing wire).
Total fixed costs	These are the costs of labour, machinery, contract work, land and buildings, other general farming costs and depreciation.
Labour (excluding farmer and spouse)	This comprises wages and employer's insurance contributions, payments in kind, and salaried management. To calculate net farm income an imputed charge for unpaid labour is made, excluding that of the farmer and spouse, valued at the rate of comparable paid labour. The value of the manual labour of the farmer and spouse is not charged as an input in calculating net farm income (i.e. it is a component of net farm income).
Contract costs	These costs include expenditure on work carried out by agricultural contractors, including the costs of materials employed, such as fertilisers, unless these can be allocated to the specific heading. Costs of hiring machines to be used by the farm’s own labour are also included. Expenditure on contract labour is only included here if it is associated with the hiring of a machine. Otherwise it is entered under (casual) labour.
Machinery running costs	These represent the cost of machinery and equipment repairs, fuel and oil and car mileage expenses. It excludes depreciation.

Land and building inputs	For the calculation of farm business income these comprise any rent paid, insurance, rates and repairs to land and buildings incurred by the whole business. In the derivation of net farm income land and building costs also include an imputed rental charge for owner occupiers but exclude those costs associated with land ownership such as the insurance of farm buildings, and landlord-type repairs and upkeep.
Depreciation of machinery, glasshouses and permanent crops	Depreciation provisions in respect of machinery, glasshouses and permanent crops (e.g. orchards) are shown on a current cost basis. The rates of depreciation used (generally on a diminishing balance basis for machinery and straight line for glasshouses and permanent crops) are intended to reflect the degree of deterioration of the assets.
Other general farming costs	These consist of electricity, heating fuel, water for all farming purposes, insurance (excluding labour and farm buildings), bank charges, professional fees, vehicle licences, and other miscellaneous expenses not recorded elsewhere.
Interest payments	Interest charges on loans taken out for business purposes, net of interest receipts on monies invested temporarily outside the business, are deducted in the calculation of farm business income.
Depreciation of buildings and works	This is calculated on a current cost basis (generally on a straight line basis over 10 years) with an adjustment to allow for the effect of capital grants.

18. ***Breeding livestock stock appreciation*** represents the change in market prices of breeding cattle, sheep and pigs between the opening and closing valuations. It is not included in the calculation of farm business income but is shown separately within table 5.

Balance Sheet Tables

19. ***Total fixed assets*** include milk and livestock quotas, as well as land, buildings, breeding livestock, and machinery and equipment. For tenanted farmers, assets can include farm buildings, cottages, quotas, etc., where these are owned by the occupier.

20. ***Liquid assets*** comprise cash and sundry debtors.

21. ***Bank term loans*** and ***other long and medium term loans*** are loans which exceed 12 months.

22. ***Net Worth*** represents the residual claim or interest of the owner in the business. It is the balance sheet value of assets available to the owner of the business after all other claims against these assets have been met.

Yields and Implied Output Prices

23. ***Crop yields*** are calculated as total production divided by crop area.

24. ***Implied output prices*** are average unit returns excluding direct subsidies. For crops they are calculated by dividing the value of sales, closing stocks, farm house consumption, benefits in kind and own-produced feed by total production. Sales are value at prices actually received at the farm gate before the deduction of marketing charges paid direct by the farmer such as drying and cleaning costs. More detailed information about sales volumes is collected for livestock and, in this case, the unit returns refer to sales of livestock including casualties. In both cases, any compensation payments or insurance payouts for output produced in the current year and destroyed are included.

Flow of Funds Statement

25. ***The Flow of Funds Statement*** demonstrates how funds have been generated by the business (source of funds) and where these funds have been spent (disposal of funds). It shows the importance of Net Farm Income as a source of funds compared to other sources such as sales of property, changes in loans outstanding and other funds introduced (e.g. from a private source). To derive the amount of cash funds generated by the business a number of adjustments are made to net farm income; specifically depreciation, imputed costs and unpaid labour costs are added back to net farm income. The total cash sources are completed by adding in sales of property, changes in loans outstanding and transfers into the business of funds from outside. The disposals show how the funds have been spent, for example purchase of property and quotas, capital expenditure and private drawings. The difference between the sources and disposals is a surplus if total sources are greater than total disposals and a deficit if total disposals are greater than total sources.

26. ***The reconciliation of the flow of funds*** shows how the surplus or deficit has been distributed in terms of financial assets and financial liabilities, i.e. the change between the opening and closing valuations in terms of bank balance, cash-in-hand, debtors and creditors.

Table E: Farm Business Survey 2013/14: Sample Characteristics – England by size groups [(a)]

Type of Farming	Size	Number of Businesses in Sample	Number of Businesses at June Survey 2013[(b)]	Average Size of Business by Standard Labour Requirement		Average Total Area (hectares)	
				Sample	June Survey 2013	Sample	June Survey 2013
Cereals	Part-Time	103	6,501	0.7	0.6	97	75
	Small	104	3,632	1.5	1.4	181	172
	Medium	61	1,676	2.5	2.4	265	276
	Large	74	1,977	5.9	5.3	637	581
	All Sizes	342	13,786	1.8	1.7	210	198
Genral Cropping	Part-Time	20	1,362	0.6	0.5	72	91
	Small	31	1,279	1.5	1.5	130	103
	Medium	19	820	2.5	2.4	181	139
	Large	91	1,696	9.2	10.3	400	418
	All Sizes	161	5,157	3.5	4.3	194	209
Dairy	Part-Time	3	213	0.8	0.7	30	37
	Small	33	836	1.7	1.6	59	57
	Medium	59	1,188	2.5	2.5	80	80
	Large	208	4,339	6.2	6.3	176	173
	All Sizes	303	6,576	5.2	4.8	150	137
Lowland Grazing Livestock	Part-Time	53	6,237	0.8	0.6	64	44
	Small	96	4,179	1.4	1.4	86	77
	Medium	59	1,653	2.4	2.4	112	121
	Large	92	1,783	5.2	5.4	236	241
	All Sizes	300	13,852	1.7	1.7	99	89
LFA Grazing Livestock	Part-Time	18	2,511	0.7	0.6	58	54
	Small	71	2,048	1.5	1.4	114	111
	Medium	60	1,065	2.5	2.5	185	204
	Large	94	1,208	5.0	4.9	287	422
	All Sizes	243	6,832	2.2	1.9	147	160
Specialist Pigs	Part-Time	4	224	0.7	0.6	36	12
	Small	10	240	1.6	1.6	24	23
	Medium	10	258	2.3	2.4	57	26
	Large	51	620	12.5	13.1	91	103
	All Sizes	75	1,342	5.7	6.9	59	59
Specialist Poultry	Part-Time	8	280	0.3	0.5	14	19
	Small	16	285	1.5	1.5	19	32
	Medium	14	203	2.4	2.5	36	46
	Large	46	610	12.4	14.3	70	88
	All Sizes	84	1,378	6.8	7.1	46	56
Mixed	Part-Time	23	1,659	0.7	0.6	69	57
	Small	50	1,697	1.6	1.5	106	103
	Medium	38	1,029	2.5	2.4	139	148
	Large	82	1,741	5.9	6.7	300	349
	All Sizes	193	6,126	2.7	2.9	155	168
Horticulture	Part-Time	17	492	0.7	0.7	16	11
	Small	24	796	1.5	1.5	17	13
	Medium	18	652	2.3	2.4	9	20
	Large	129	1,381	14.9	15.6	63	81
	All Sizes	188	3,321	6.1	7.4	31	42
All Types	Part-Time	249	19,479	0.7	0.6	74	58
	Small	435	14,992	1.5	1.4	111	104
	Medium	338	8,544	2.5	2.4	149	149
	Large	867	15,355	7.3	7.9	265	286
	All Sizes	1,889	58,370	2.9	3.0	145	143

(a) The estimates shown in this publication are based on sample results weighted by type and by size.
(b) Lowland grazing livestock and LFA grazing livestock farm types to exclude specialist horse enterprises.