



## Forecasts of Farm Business Income by type of farm in England – 2015/16

Data on farm business incomes are used to monitor and evaluate Government and EU policies and to inform wider research into the economic performance, productivity and competitiveness of the agricultural industry. The data are provided to the EU as part of the Farm Accountancy Data Network (FADN) and are widely used by the industry for benchmarking.

This statistical notice provides forecasts of Farm Business Income for 2015/16 alongside results from the Farm Business Survey for the years 2010/11 to 2014/15 (Table 1). These figures are for March/February years with the latest estimates covering the **2015 harvest** and including the 2015 rate of the Basic Payment Scheme (which is included within total farm output and therefore contributes to Farm Business Income). Actual survey results for this time period will be published at the end of October 2016.

The forecasts for 2015/16 are derived from information available in early January 2016 for prices, animal populations, marketings, crop areas, yields and input costs and are intended as a broad indication of how incomes for each farm type are expected to move compared with 2014/15. The forecasts are subject to a margin of error, reflecting, in particular, the fact that farm income is derived as the relatively small difference between total output and total input; small percentage changes in either of these can result in large percentage changes in income. It should also be noted that within each year there is a wide range in income across farms around the average figures published here.

### Key points

- Average Farm Business Income is expected to fall on cereal, general cropping, dairy and specialist pig farms due to lower prices for key outputs such as cereals, milk and pigmeat.
- Reduced input costs are the main driver for higher incomes on specialist poultry farms.
- The 2015 Basic Payment is expected to be around 8-9 percent lower than the 2014 Single Payment for all farm types except LFA grazing livestock. For these farms, the higher payment rate for moorland and SDA land is expected to increase output compared to the previous year.

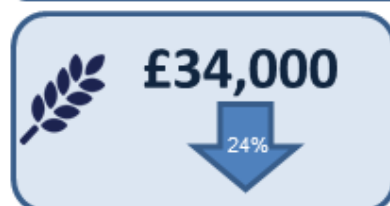
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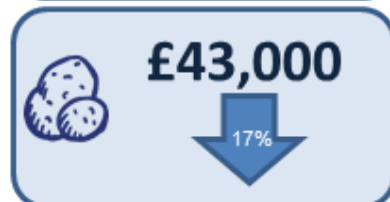
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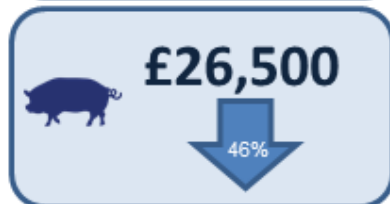
## SUMMARY BY FARM TYPE



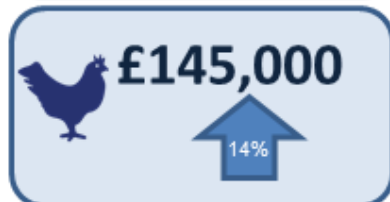
**Cereals** Cereal output reduced primarily due to weaker prices driven by plentiful global supplies, declining demand and a stronger pound. Reduced areas were offset by higher yields. Input costs expected to be lower, particularly for fuel and fertilisers.



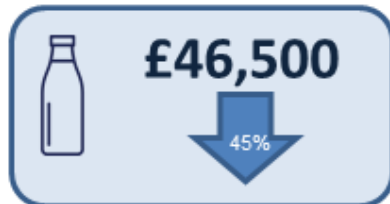
**General cropping** Increased potato output expected to partially offset reductions for wheat and sugar beet output. The latter is expected to fall by around 50% driven by lower area, yields and price. Input costs expected to be lower, particularly for fuel and fertilisers.



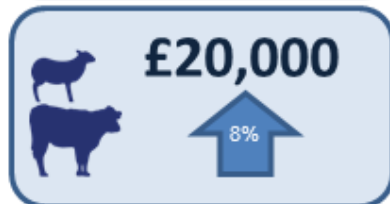
**Pigs** Reduced output due to lower prices. Input costs also expected to fall, particularly feed. *Contract rearers are well represented in the FBS sample, dampening the full impact of the fall in national pig prices.*



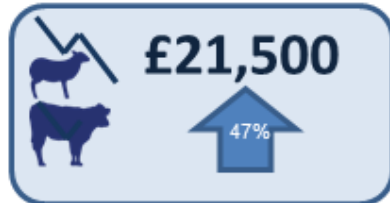
**Poultry** Little change in output as a fall in egg prices is expected to offset increased throughput for both eggs and broilers. Increased income driven by lower input costs, particularly for feed and heating. *These changes should be treated with caution due to the small sample size.*



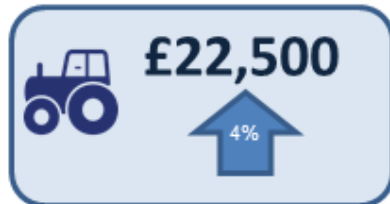
**Dairy** Reduced output driven largely by the fall in milk price, but also for cull cows and replacement heifers. Increased milk production expected to offset this slightly together with reduced input costs, particularly feed. EU dairy fund payment included in income.



**Grazing livestock (lowland)** Input costs, particularly feed and fuel, expected to fall slightly more than output. Sheep output expected to be lower as plentiful supplies led to lower prices. Cattle output expected to rise slightly with tight supplies leading to firmer prices for fat and store cattle.



**Grazing livestock (LFA)** Changes expected to be broadly similar to lowland grazing livestock farms. Increase is largely due to cost savings plus increased Basic Payment Scheme payments for moorland and SDALand.



**Mixed** Small fall in inputs and reduced output, largely due to the cropping enterprises on these farms and the reduced Basic Payment (compared to the 2014 Single Payment).

## Detailed results

Average incomes on **cereal** farms are expected to fall by just under a quarter in 2015/16 to £34,000. Output from cereals is forecast to fall substantially primarily due to lower output from wheat as prices for the 2015 crop have weakened further since the previous harvest, driven by plentiful global supplies, declining demand and a stronger pound. The area of wheat was also lower although this was partially offset by higher yields resulting from good establishment and favourable growing conditions at key stages. The area of peas, beans and barley increased possibly reflecting the impact of greening rules; in the case of spring crops, this may also be a strategy to deal with blackgrass. Output from oilseed rape is expected to increase slightly compared with the previous year. Values have been broadly similar but yields were considerably higher and more than offset a 3% fall in the planted area. Total input costs are also expected to fall, particularly for fuel and fertiliser which are major costs on these farms. On **general cropping** farms incomes are forecast to fall to around £43,000. In addition to a reduced output from the wheat crop, sugar beet output is expected to fall by around 50 percent due to a combination of lower yields, price and area. Potato output is expected to partially offset some of this fall due to higher prices and a small increase in yield although the planted area was lower.

Average incomes are expected to fall by almost a half on **dairy farms** in 2015/16 to £46,500. This reflects the full impact of lower milk prices which started to fall in March 2014. At a UK level the average farmgate milk price was around 20% lower in the period March to November 2015 compared to the previous year. It is important to note the wide variation in milk prices with some farmers receiving considerably more or less than the average. The volume of milk produced has also increased; for England and Wales it was 6 percent higher for the March to November period than for the same period the previous year. These income estimates also include recent payments under the EU Dairy Fund. Output from other cattle enterprises is significant on many dairy farms and is also expected to be lower due to a fall in both cull cow and replacement heifer prices. Despite a small increase in prices lower throughput means that revenue from fat cattle is likely to remain broadly similar. Input costs are also expected to fall, particularly for feed, reflecting lower cereal and soya prices. Current indications are that volumes of purchased compound dairy rations have fallen whilst the volume of dairy blends has increased. This suggests that farmers are seeking to reduce costs by producing more milk either from forage and/or less expensive feeds.

Average incomes on **Lowland Grazing livestock** farms are expected to increase by 8 percent to £20,000 in 2015/16 as input costs fall slightly more than output. Prices for finished and store cattle have been firmer due to tight supplies but throughput per farm is forecast to be lower. There are signs of more stock coming through in the younger age categories which will have a positive impact on closing valuation numbers and subsequently beef enterprise output. However, sheep output is expected to fall as prices for fat and store lambs as well as cull ewes have been lower than the previous year. These lower prices are due to plentiful domestic supplies of sheepmeat resulting from a larger lamb crop in 2015 and a carryover of lambs from the 2014 crop. Demand has remained relatively stable. The largest cost savings on grazing livestock farms are likely to be feed (both price and quantity) and fuel. A similar pattern is expected for cattle and sheep enterprises on **LFA Grazing Livestock** farms. On these farms however, total farm output is expected to increase due to the increased payment rates for moorland and SDA land in the Basic Payment Scheme. Agri-environment payments, which represent a major source of revenue on these farms, are expected to remain broadly similar in 2015/16.

Average Farm Business Income is forecast to fall to around £26,500 on **specialist pig farms** as EU markets have exerted downward pressure on UK markets due to reduced demand. Finished pig prices are more than 15 percent lower and the resulting fall in output is expected to be only partially offset by rising productivity and higher throughput. Weaner, store and cull sow prices have also fallen. The extent of these falls is not fully reflected in the forecasts shown here as contract rearers are well represented in the FBS sample of pig farms. The business models for contract rearing operations are varied but it has been assumed that the enterprise output on these farms will not be impacted by the fall in finished pig prices. Input costs on specialist pig farms are also expected to fall, particularly feed which represents a substantial proportion of their costs. A change in livestock valuation is also responsible for some of the fall in income as the value of weaners and growing pigs is estimated to be considerably lower at closing, compared to opening, valuation.

Forecasts for **specialist poultry** farms are subject to a considerable degree of uncertainty reflecting both the structure of this sector and the relatively small sample of these farms in the FBS. Despite a fall in egg prices, increased throughput for both eggs and broilers is expected to maintain total farm output at a similar level to 2014/15. Lower input costs, particularly for feed and heating mean that incomes are expected to increase on these farms to around £145,000.

Incomes on **mixed farms** are expected to remain broadly unchanged at £22,500. These farm types reflect all the enterprises found in the more specialist farm types reported above. Total farm output is expected to fall largely due to cropping enterprises and a lower Basic Payment. Input costs are expected to fall to a similar extent meaning that average incomes remain at a similar level to 2014/15.

**Table 1: Average Farm Business Income by Type of Farm in England (£/farm)**

Average Farm Business Income per farm (£/farm)

Farm Type								% Change
	2010/11 <sup>(a)</sup>	2011/12	2012/13	2012/13 <sup>(b)</sup>	2013/14	2014/15	2015/16 forecast	2015/16 / 2014/15
<b>At current prices</b>								
Cereals	84,100	93,700	68,200	67,700	49,600	45,000	34,000	-24%
General cropping	110,200	100,500	91,500	89,200	67,600	52,000	43,000	-17%
Dairy	65,800	86,600	51,200	52,600	87,800	83,800	46,500	-45%
Grazing livestock (Lowland)	21,300	32,000	16,300	16,100	15,100	18,500	20,000	8%
Grazing livestock (LFA)	21,800	29,200	19,700	18,700	14,500	14,600	21,500	47%
Specialist pigs <sup>(d)</sup>	44,300	38,100	40,900	41,700	65,200	49,400	26,500	-46%
Specialist poultry <sup>(d)</sup>	72,700	46,400	94,200	90,200	157,200	126,800	145,000	14%
Mixed	50,300	74,100	38,100	37,300	29,600	21,600	22,500	4%
<b>In real terms at 2015/16 prices <sup>(c)</sup></b>								
Cereals	90,900	99,200	71,100	70,500	50,700	45,100	34,000	-25%
General cropping	119,100	106,400	95,300	92,900	69,100	52,200	43,000	-18%
Dairy	71,100	91,700	53,400	54,800	89,700	84,000	46,500	-45%
Grazing livestock (Lowland)	23,000	33,900	17,000	16,800	15,400	18,600	20,000	8%
Grazing livestock (LFA)	23,600	30,900	20,500	19,500	14,800	14,600	21,500	47%
Specialist pigs <sup>(d)</sup>	47,900	40,300	42,600	43,500	66,600	49,500	26,500	-46%
Specialist poultry <sup>(d)</sup>	78,600	49,100	98,200	94,000	160,600	127,200	145,000	14%
Mixed	54,400	78,500	39,700	38,900	30,200	21,700	22,500	4%

Years ending in end-February.

<sup>(a)</sup> Farm typology based on 2007 standard output coefficients.<sup>(b)</sup> Farm typology based on 2010 standard output coefficients.<sup>(c)</sup> Uses GDP deflator.<sup>(d)</sup> The sample sizes for specialist pig and poultry farms are relatively small and the confidence intervals relatively large. Results for individual farms can have a large influence on the overall results.

## Accuracy and reliability of results

The forecasts provided for 2015/16 are provisional, based on information available in early January 2016 for prices, animal populations, marketings, crop areas and yields. The relative changes, compared to the previous 12 months, are then applied to aggregate data from the most recent Farm Business Survey for each robust farm type. A level of estimation is necessary, particularly for variables where no market information is available. Outturn results (which will be published in October 2016 based on results for the 2015/16 FBS), could differ from these forecasts for several reasons. These include changes to the sample and to the weighting framework. In 2014/15, of the 1,880 farms that were included in the FBS target population around 170 farms came into the sample that weren't present in 2013/14. In addition, the FBS weights are refreshed each year in line with the latest farm population data from the June survey. Table 2 compares the forecasts made in January 2015 to the survey results published in October 2015.

**Table 2: Revisions to Farm Business Income by Type of Farm in England**

Average farm business income per farm (£/farm)				
Farm Type	2014/15 January 2015 Forecast	2014/15 October 2015 Outturn	95% Confidence Interval	Change
<b>At current prices</b>				
Cereals	51,000	45,000	+/- 6,200	-6,000
General cropping	56,500	52,000	+/- 12,700	-4,500
Dairy	78,000	83,800	+/- 11,000	5,800
Grazing livestock (Lowland)	16,000	18,500	+/- 3,900	2,500
Grazing livestock (LFA)	16,500	14,600	+/- 3,200	-1,900
Specialist pigs	51,500	49,400	+/- 20,900	-2,100
Specialist poultry	140,500	127,500	+/- 87,500	-13,000
Mixed	25,500	21,500	+/- 10,100	-4,000

## Definition of Farm Business Income

For non corporate businesses, Farm Business Income represents the financial return to all unpaid labour (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.

In essence Farm Business Income is the same as *Net Profit*, which as a standard financial accounting measure of income is used widely within and outside agriculture. Using the term *Farm Business Income* rather than *Net Profit*, gives an indication of the measure's farm management accounting rather than financial accounting origins, accurately describes its composition and is intuitively recognisable to users as a measure of farm income.

## Farm type classification

Note that the classification of farms was revised for the 2013/14 Farm Business Survey and backdated for 2012/13 data. Please see the explanatory document on our [web site](#) for further details of these changes.

## Survey coverage and weighting

The Farm Business Survey (FBS) is an annual survey providing information on the financial position and physical and economic performance of commercial farm businesses in England. It covers all types of farming in all regions of the country and includes owner-occupied, tenanted and mixed tenure farms. The FBS only includes farm businesses with a Standard Output of at least €25,000, based on activity recorded in the previous June Survey of Agriculture and Horticulture. In 2014, this accounted for approximately 57,500 farm businesses. Data are collected from a sample of around 1,900 farm businesses by face to face interviews with farmers, conducted by highly trained researchers.

Each record is given a weight to make the sample representative of the population. Initial weights are applied to the FBS records based on the inverse sampling fraction. These weights are then adjusted by calibrating certain totals to match published totals from other surveys<sup>1</sup>) so that they can be used to produce unbiased estimators of a number of different target variables.

More detailed information about the Farm Business Survey and the data collected can be found at <https://www.gov.uk/farm-business-survey-technical-notes-and-guidance>

## Availability of results

All Defra statistical notices can be viewed on the Gov.UK site at:

<https://www.gov.uk/government/organisations/department-for-environment-food-rural-affairs/about/statistics>.

Results from the Farm Business Survey including time series in spreadsheet format can be found at:

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

## 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.

Please contact Charles Mbakwe at [fbs.queries@defra.gsi.gov.uk](mailto:fbs.queries@defra.gsi.gov.uk).

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<sup>1</sup> Further information on calibration weighting can be found in the 'Statistical Issues' document here [http://webarchive.nationalarchives.gov.uk/20130315143000/http://www.defra.gov.uk/statistics/files/defra-stats-foodfarm-farmmanage-fbs-statissues\\_111123.pdf](http://webarchive.nationalarchives.gov.uk/20130315143000/http://www.defra.gov.uk/statistics/files/defra-stats-foodfarm-farmmanage-fbs-statissues_111123.pdf)