



Total Income from Farming in the United Kingdom Second estimate for 2017

This release presents the second estimate of Total Income from Farming (TIFF) for the United Kingdom for 2017. This is an improved estimate based on additional data that replaces the figures published in May 2018. Details are provided in the revisions section of this document on page 10. Estimates for earlier years have also been revised slightly due to the availability of additional data.

Total Income from Farming is the total profit from all UK farming businesses on a calendar year basis. It measures the return to all entrepreneurs for their management, labour and capital invested.

Key points:

- Total Income from Farming rose by £1,774 million (45%) in real terms to £5,711 million
- Agriculture contributed £10,285 million to the national economy (Gross Value Added), an increase of £1,756 million (21%)

The main drivers of this change are:

- An increase of £2,397 million (10%) in gross output to £26,105 million
 - o an 11% increase in crop output was driven by increases in both prices and production for cereals and industrial crops.
 - o a 7% increase in livestock for meat was driven by price increases
 - o a 25% increase in livestock products was driven by an increase in milk price
- The cost of intermediate consumption rose by 4.2% driven by higher prices, in particular for animal feed, energy and fertiliser.
- A further weakening of the pound led to a 3.0% increase in the value of payments under the Basic Payment Scheme.
- Total Income from Farming per annual work unit (AWU)¹ of entrepreneurial labour (farmers and other unpaid labour) rose by 44% in real terms to £29,466.

¹ AWU equals input of one person engaged in the agricultural activities of the farm business on a full-time basis for one year.
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Summary (in real terms)

Real term value is where previous years' data is adjusted to take account of inflation so the values are comparable.

In real terms Total Income from Farming in 2017 was 45% higher than the 2016 total, a rise of £1,774 million to £5,711 million (Figure 1).

Total Income from Farming per AWU of entrepreneurial labour follows a similar trend to Total Income from Farming, but owing to a decline in the number of farmers and other unpaid workers has performed better over time (Figure 1). In 2017 total Income from Farming per AWU of entrepreneurial labour was 44% higher than 2016 at £29,466.

There are a number of drivers of farm incomes including the volume of production, commodity prices and the cost of inputs. These are themselves driven by a range of factors such as the weather, exchange rates, oil price and global production and stocks of commodities. As a result, incomes tend to be volatile and fluctuate from year to year. Following an overall upward trend from the year 2000, income fell sharply in 2015 driven down by lower commodity prices and a less favourable exchange rate and despite the exchange rate improving in 2016, commodity prices did not recover enough for incomes to improve. In 2017 incomes are estimated to be similar to the 2013 figure, as the pound weakened further which helped commodity prices rise and added to the value of payments under the Basic Payment Scheme.

Figure 1 Agriculture industry income trends in the United Kingdom (in real terms)

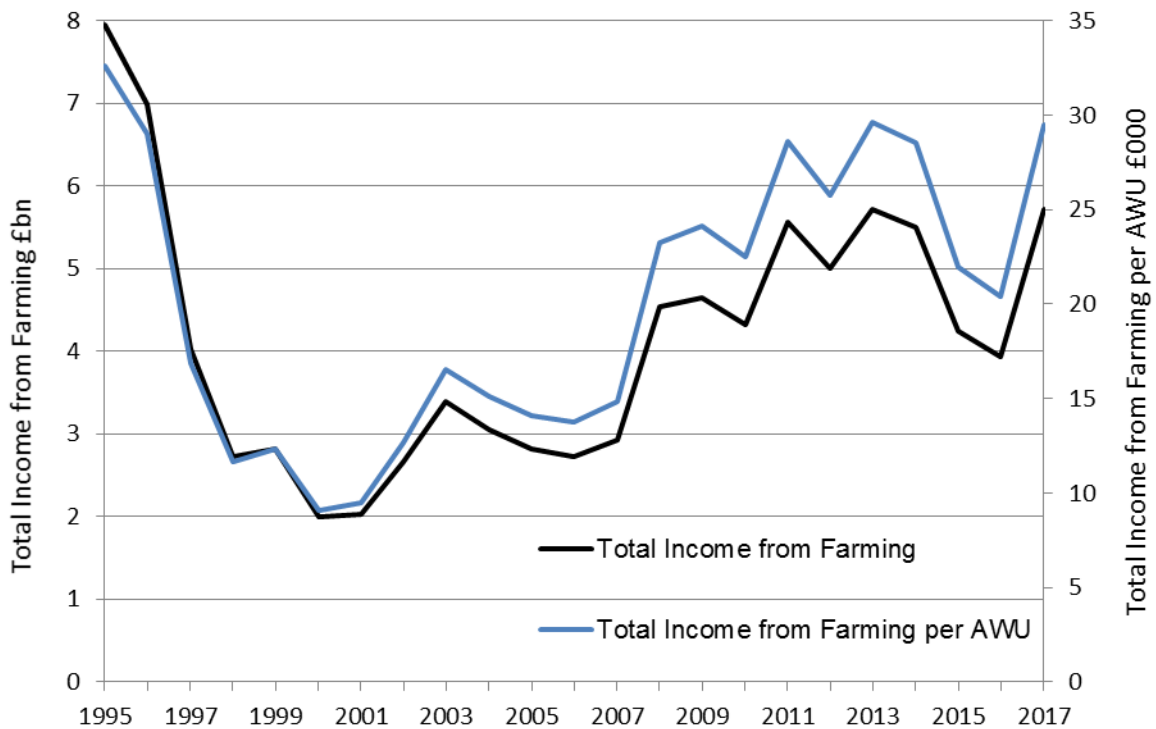


Table 1 Aggregate Agricultural Accounts: Summary of real term price production and income accounts for the United Kingdom

£ million	Calendar years						
	2011	2012	2013	2014	2015	2016	2017
Total crop output	9 971	9 714	9 998	9 547	8 885	8 326	9 241
Total livestock output	13 806	14 190	15 065	14 996	13 738	13 005	14 465
10 Other agricultural activities	1 128	1 098	1 116	1 171	1 140	1 111	1 138
11 Inseparable non-agricultural activities	1 103	1 126	1 248	1 222	1 232	1 223	1 215
12 Output (at market prices)	26 007	26 129	27 427	26 935	24 995	23 665	26 058
13 Total subsidies (less taxes) on product	30	22	22	22	37	43	46
14 Gross output at basic prices (12+13)	26 038	26 151	27 450	26 957	25 032	23 708	26 105
25 Total intermediate consumption	16 492	16 794	17 478	16 644	15 884	15 179	15 819
26 Gross value added at market prices (12-25)	9 515	9 335	9 949	10 292	9 111	8 487	10 239
27 Gross value added at basic prices (14-25)	9 546	9 357	9 971	10 313	9 148	8 529	10 285
28 Total consumption of Fixed Capital	4 263	4 337	4 228	4 269	4 121	4 131	4 122
29 Net value added at market prices (26-28)	5 252	4 997	5 721	6 023	4 990	4 356	6 117
30 Net value added at basic prices (27-28)	5 282	5 020	5 743	6 044	5 027	4 398	6 163
31 Other taxes on production	- 133	- 131	- 125	- 104	- 98	- 95	- 95
32 Other subsidies on production	3 829	3 529	3 542	3 069	2 934	3 228	3 274
33 Net value added at factor cost (30+31+32)	8 978	8 418	9 160	9 010	7 862	7 531	9 342
34 Compensation of employees	2 575	2 547	2 549	2 512	2 595	2 577	2 644
35 Rent	527	535	552	579	583	584	574
36 Interest	316	328	345	411	436	432	412
37 Total Income from Farming (33-34-35-36)	5 561	5 008	5 713	5 507	4 247	3 937	5 711
Annual Work Unit agricultural labour input (thousand head) (b)	194	194	193	193	193	193	194
Total Income from Farming per annual work unit (£ million) (b)	28 609	25 756	29 657	28 568	21 963	20 427	29 466

Source: Defra

The following commentary refers to table 1.

The value of all outputs, in real terms, rose by 10% to £26,105 million. An 11% rise in crop output was driven by increases in both prices and production for cereals and industrial crops. A 7% increase in livestock for meat was driven by price increases and a 25% increase in livestock products was driven by an increase in milk price.

The cost of intermediate consumption rose by 4.2%, due to higher cost prices, animal feed and energy being the main contributors to this increase. This led to a 21% (£1,756 million) rise in gross value added at basic price to £10.3 billion.

In 2017 the pound further weakened against the euro and thus slightly boosted the value of Basic Payments made to UK farmers which were 3.0% higher than 2016. Basic Payments are set in Euros and converted to sterling each year using the exchange rate set by the

European Central Bank every September. In 2017 €1=89.4p compared to €1=85.2p in 2016. Overall payments to farmers, including the Basic Payment Scheme, Livestock Support Schemes and payments linked to the agri-environment schemes and Less Favoured Areas were 1.5% higher.

Labour, rent and interest were only moderately changed on the year, with labour up £67 million whereas rent and interest fell by £10 million and £20 million respectively.

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

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

Headline figures

In 2017 Total Income from Farming rose by £1,847 million to £5,711 million, a 48% increase on 2016. The key contributors to the change were the rises in the value of milk by £1,052 million, wheat by £364 million, cattle and pigs by around £230 million each and oil seed rape £226 million. However, costs were also higher with animal feed and energy costs showing the largest increases, up £621 million and £109 million respectively.

Gross value added at basic price, which identifies agriculture's contribution to the Gross Domestic Product (GDP), rose by 23% (£1,914 million) to £10,285 million.

Outputs: Crops

Overall output of crops value rose by £1,069 million or 13% to £9 241 million, with increases seen in all crops.

Cereal harvests were up on last year as yields and cropped areas mostly increased. Prices continued to improve in 2017, following the price increases seen in the latter part of 2016, and for the year were higher overall.

The value of wheat rose by £364 million to £1,992 million. The harvest was average, quality good and a higher yield somewhat compensated for a 1.7% reduction in planted area, resulting in volumes up by 2.4%. Average price over the year rose by 19.5%, as the higher prices seen in the second half of 2016 continued through 2017.

The value of barley rose by £167 million to £871 million, driven by both price and volume. The barley planted area was 4.8% higher, yield slightly up on 2016 resulting in a 7.6% rise in volume. Price was 15% higher.

Oilseed rape saw a rise in value of £226 million to £768 million, driven by higher production and price (+15%). Yields matched the record high of 2015 and compensated for the reduction in area resulting in a 23% increase in production.

In 2017, the value of sugar beet rose by £79 million to £229 million driven by volume. The abolition of EU sugar quotas led to a 29.5% increase in cropped area and a 57% rise in production.

Potatoes rose in value by £75 million to £863 million in 2017. A 4.6% increase in planted area and higher yield contributing to this rise which led to year ends stocks at their highest recorded level. As a consequence price fell by 5.1%.

The value of vegetables increased by £47 million to £1,456 million, driven by small increases in price and volume. Higher production and price resulted in the value of fruit up by £60 million to £759 million.

Outputs: Livestock

Overall the total value of output of livestock was 13% higher at £14,465 million.

The value of milk increased in value by £1,052 million to £4,371 million. Production was 4.1% higher, as increased yield offset the fall in dairy numbers. The average price of milk in 2017 (calendar year) was 28.86 pence per litre (ppl), 6.12 ppl higher than 2016 and the highest annual price since 2014.

The value of eggs rose by £21 million to £624 million, entirely volume driven as throughput at egg packing stations rose by 4.2% whilst price remained fairly stable.

The value of livestock primarily for meat rose by £656 million with increases seen in all sectors. The value of cattle meat increased by £224 million to £2,988 million, entirely price driven (+9.1%) as production was slightly down on the year.

Pig meat rose in value by £227 million to £1,326 million. This rise is entirely due to the 23% rise in price as tightening supplies in the EU contributed to this price increase. Production levels fell by 1.8% although carcass weights were slightly heavier.

The value of sheep meat rose by £52 million to £1,202 million, both price and volume driven. The weakening of sterling made exports more competitive pushing prices up. Poultry meat rose by £149 million to £2,431 million, again both price and volume driven with the fall in turkey meat production more than offset by the rise in broiler production.

Intermediate consumption

The total cost of intermediate consumption rose by £921 million to £15,819 million. Animal feed and energy contributed the largest increases in value.

The cost of animal feed rose by £621 million to £5,104 million, a combination of increased volumes and feed price. Higher cereal prices kept the annual average feed price up on the year (9.3%). Greater demand by the dairy sector on the back of higher milk prices, higher livestock numbers and variable forage quality all led to increased supplementary feed use.

Energy costs rose by £109 million to £1,242 million, wholly price driven as global oil prices continued to rise. Typical weather conditions and efficiency savings kept usage stable.

Fertiliser costs decreased by £40 million to £1,219 million, with lower volumes of use more than offsetting a price increase due to higher oil prices.

Compensation of employees

The total value of compensation to employees was £2,644 million, a £115 million increase resulting from the increase in the national minimum wage rate. Labour numbers were slightly up on the year also.

Other subsidies on production

Total direct payments, including the Scottish livestock support schemes worth £46 million, rose to £3,320 million. Boosted by a favourable exchange rate, the value of Basic Payments rose for the second year running and overall the scheme was worth around 20% more compared to 2015.

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

	Calendar years			
	2016	2017	Change 16-17	% Change 16-17
1 Output of cereals	2 423	2 966	542	22%
of which: wheat	1 628	1 992	364	22%
barley	704	871	167	24%
oats	87	98	11	13%
2 Output of industrial crops	859	1 197	338	39%
of which: oilseed rape	541	768	226	42%
protein crops	131	153	22	17%
sugar beet	150	229	79	53%
3 Output of forage plants	201	205	3	2%
4 Output of vegetables and horticultural products	2 699	2 807	109	4%
of which: fresh vegetables	1 409	1 456	47	3%
plants and flowers	1 290	1 351	62	5%
5 Output of potatoes (including seeds)	789	863	75	9%
6 Output of fruit	698	759	60	9%
7 Output of other crop products incl. seeds	502	444	- 58	-12%
Total crop output (sum 1-7)	8 172	9 241	1 069	13%
8 Output of livestock	8 753	9 369	616	7%
primarily for meat	7 521	8 177	656	9%
of which: cattle	2 764	2 988	224	8%
pigs	1 099	1 326	227	21%
sheep	1 151	1 202	52	4%
poultry	2 282	2 431	149	7%
gross fixed capital formation	1 232	1 192	- 40	-3%
of which: cattle	671	674	3	0%
pigs	5	6	1	16%
sheep	291	255	- 36	-12%
poultry	265	257	- 8	-3%
9 Output of livestock products	4 013	5 096	1 083	27%
of which: milk	3 319	4 371	1 052	32%
eggs	603	624	21	4%
Total livestock output (8+9)	12 765	14 465	1 699	13%
10 Other agricultural activities	1 091	1 138	47	4%
11 Inseparable non-agricultural activities	1 200	1 215	15	1%
12 Output (at market prices) (sum 1 to 11)	23 228	26 058	2 830	12%
13 Total subsidies (less taxes) on product	42	46	4	10%
14 Gross output at basic prices (12+13)	23 270	26 105	2 834	12%

continued

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

£ million	Calendar years			
	2016	2017	Change 16-17	% Change 16-17
Intermediate consumption				
15 Seeds	733	733	0	0%
16 Energy	1 132	1 242	109	10%
of which: electricity and fuels for heating	361	405	44	12%
motor and machinery fuels	772	837	65	8%
17 Fertilisers	1 259	1 219	- 40	-3%
18 Plant protection products	953	984	31	3%
19 Veterinary expenses	453	462	9	2%
20 Animal feed	4 483	5 104	621	14%
of which: compounds	2 769	3 194	425	15%
straights	1 226	1 291	65	5%
feed produced & used on farm	488	619	131	27%
21 Total maintenance	1 552	1 580	28	2%
of which: materials	956	994	38	4%
buildings	596	586	- 10	-2%
22 Agricultural services	1 091	1 138	47	4%
23 FISIM	104	127	23	22%
24 Other goods and services	3 138	3 231	93	3%
25 Total intermediate consumption (sum 15 to 24)	14 898	15 819	921	6%
26 Gross value added at market prices (12-25)	8 330	10 239	1 909	23%
27 Gross value added at basic prices (14-25)	8 372	10 285	1 914	23%
28 Total consumption of Fixed Capital	4 055	4 122	67	2%
of which: equipment	1 811	1 892	80	4%
buildings	987	1 013	26	3%
livestock	1 256	1 217	- 39	-3%
cattle	695	694	- 1	0%
pigs	5	6	1	15%
sheep	278	256	- 22	-8%
poultry	279	261	- 17	-6%
29 Net value added at market prices (26-28)	4 275	6 117	1 842	43%
30 Net value added at basic prices (27-28)	4 317	6 163	1 846	43%
31 Other taxes on production	- 93	- 95	- 2	2%
32 Other subsidies on production	3 169	3 274	105	3%
33 Net value added at factor cost (30+31+32)	7 392	9 342	1 950	26%
34 Compensation of employees	2 530	2 644	115	5%
35 Rent	574	574	1	0%
36 Interest	424	412	- 12	-3%
37 Total income from farming (33-34-35-36)	3 865	5 711	1 847	48%

Aggregate balance sheet for the United Kingdom agricultural industry

The following commentary refers to table 3.

The agricultural balance sheet values the assets and liabilities for agriculture at the end of each calendar year and estimates the net worth of the industry. Net worth is estimated to be £250 billion at December 2017 and shows a fall of 4.4% on 2016. For the second year running land prices showed a decline (-5.5%) with significant price difference across both land type and regions. Total liabilities is estimated to be 8.8% higher.

Table 3: Aggregate balance sheet for the United Kingdom agricultural industry

£ million	As at December each year			
	2014	2015	2016	2017 (p)
At current prices				
Assets				
Fixed (a):				
Land	232 223	227 107	224 649	212 326
Buildings, plant, machinery and vehicles	33 325	33 731	34 615	36 015
Breeding livestock	7 232	5 781	6 557	6 300
Total fixed	272 780	266 619	265 821	254 640
Current:				
Trading livestock	4 234	4 207	4 210	4 363
Crops and stores	3 989	3 999	3 726	3 976
Debtors, cash deposits (b)	5 740	5 743	5 933	6 891
Total current	13 963	13 949	13 869	15 230
Total Assets	286 742	280 568	279 690	269 870
Liabilities (b)				
Long and medium term:				
AMC, SASC	1 980	1 992	2 230	2 131
Building Societies and Institutions	1 316	1 182	1 164	1 615
Bank loans	7 534	7 994	8 756	9 523
Family Loans	536	444	522	505
Other	70	75	66	88
Total long and medium term	11 437	11 688	12 739	13 863
Short term:				
Leasing	61	53	47	35
Hire purchase	1 347	1 395	1 428	1 455
Trade Credit	1 879	1 654	1 866	2 401
Bank overdrafts	2 134	2 290	2 247	2 186
Other	120	43	39	41
Total short term	5 541	5 434	5 628	6 118
Total Liabilities	16 978	17 122	18 367	19 981
Net worth	269 765	263 446	261 323	249 889
In real terms (as deflated by the gdp deflator):				
Indices 2013 = 100				
GDP deflator	102	102	104	106
Total assets	104	101	99	94
Total liabilities	105	105	111	118
Net worth	104	101	98	92

(a) The valuations of land and breeding livestock are at average market prices; those of buildings, plant, machinery and vehicles are replacement cost, net of consumption of fixed capital.

(b) Financial estimates are derived in part from a year-end analysis of farms in the Farm Business Survey. Year-ends can vary from December through to April. Farm businesses cover a sample from all regions and all types of farming with the results weighted to represent the full population using standard outputs. Annual changes to the sample and weighting, whilst relatively low, may may impact on year on year changes.

Revisions

This release replaces the first estimate published in May 2018.

Table 4 details the level of change made to 2017 data since the forecast estimate was published in February. Any revisions are largely planned, are generally small and improve the quality and accuracy as further data has become available.

Since May 2018, crops survey data replaced some estimates and largely account for the revision to the value of gross output and farm business survey data replaced estimates for intermediate consumption costs.

Table 4: Revisions made to Total Income from Farming for 2017 between February 2018 and November 2018

Total Income from Farming for 2017	Published February 2018	Published May 2018	Published November 2018	% change (February to May)	% change (May to November)
Gross output (£m)	25 619	26 340	26 105	2.8%	-0.9%
Intermediate consumption (£m)	15 704	16 040	15 819	2.1%	-1.4%
Gross Value Added (£m)	9 914	10 300	10 285	3.9%	-0.1%
Net Value Added at factor cost (£m)	8 937	9 356	9 342	4.7%	-0.1%
TIFF (£m)	5 345	5 743	5 711	7.4%	-0.6%

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

Further information on revisions and data correction procedures and standards can be found [here](#).

Summary quality report

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

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

Quality Assurance

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

- Ongoing review of methods employed in the calculation of the accounts.

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

Development areas

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

Main users and uses of the aggregate agricultural accounts

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

- Monitor the productivity and competitiveness of the farming industry.
- Inform policy decisions and to help monitor and evaluate current policies relating to agriculture in the UK by Government and in the European Union by the European Commission.
- Inform stakeholders of the performance of the agricultural industry.
- Inform research into the economic performance of the agricultural industry.
- Total Income from Farming sets the context when looking at a number of policies; the agricultural industry, on average, contributes around £4 billion to the national economy and accounts for about 0.5% of national Gross Domestic Product. It is most relevant to policies relating to Common Agricultural Policy reform and the competitiveness of farming.

User engagement

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