Department for Environment Food & Rural Affairs

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Farm Business Income by type of farm in England, 2014/15

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 release provides survey results of Farm Business Income for 2014/15 covering the **2014 harvest** and including the 2014 Single Payment (which is included within total farm output and therefore contributes to Farm Business Income). These replace the forecast estimates published on 29 January 2015. All figures are for March/February years. A time series showing this and other measures of income can be found here.

A more detailed analysis of the results will be published on 10 December 2015 in Farm Accounts in England see https://www.gov.uk/government/collections/farm-business-survey.There have been further falls in commodity prices since February 2015. Forecasts of income by farm type for the year ending February 2016 and covering the 2015 harvest will be published in January 2016.

Key results

- In 2014/15, average Farm Business Income was lower across all robust farm types except grazing livestock farms. On lowland grazing livestock farms average incomes increased by 23 percent, albeit from a low base, whilst on Less Favoured Area (LFA) grazing livestock farms average incomes were similar to the previous year.
- For cropping farms, improved weather and a return to more usual cropping patterns saw an increased area of winter crops compared to the previous year and a substantial improvement in yields. However, the increased production was offset by lower commodity prices due to a strong pound and plentiful supplies on global markets.
- On dairy farms the lower average income was driven by lower output from milk production. Milk prices fell gradually throughout the year but for the first six months they were higher than for the same period in 2013. This together with increased volumes partially offset the lower average price for the year as a whole.
- Average incomes on pig and specialist poultry farms fell due to a reduced output for pig and poultry meat.
- The higher value of the pound against the euro led to a lower Single Payment and had a negative impact on prices as domestic production had to compete with cheaper imports and alternative suppliers for export markets.

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

SUMMARY BY FARM TYPE

£45,000

9%

Cereals Increased area and yields of winter crops following improved weather and return to more usual cropping patterns. However, the increased production was offset by lower commodity prices due to the strong pound and plentiful supplies on global markets.

£52,000

23%

General cropping Reduced output for potatoes and barley offset to some extent by sugar beet (yield and price up), field vegetables and wheat. Input costs increased to a greater extent particularly labour, contract charge, crop protection, other crop and general farming costs.

£31,500

7%

Horticulture Little change in agricultural output but substantial fall in output from retailing activities. Lower costs particularly for seeds and young plants as well as those costs associated with diversified activities.

£49,400

24%

Pigs Output reduced due to lower value of finished pigs and cull sows. Input costs were also lower; feed was cheaper (cereals and soya) and lower labour and machinery costs offset an increase in building depreciation.

£127,500

19%

Poultry An increase in egg enterprise output was more than offset by reduced output for broilers and other poultry. Feed costs were unchanged. *These changes should be treated with caution due to the small sample size.*

£83,800

5%

Dairy Milk prices fell throughout the year but for the first 6 months were higher than a year earlier. Milk production increased by 4%. Reductions in feed and fertiliser costs partially offset by increases in contracting, property costs and interest payments.

£18,500

23%

Grazing livestock (lowland) Higher output from agri-environment and diversified activities. Lower output for beef output offset by increase for sheep reflecting improved grazing and weather for 2014 lamb crop and higher cull ewe prices. Overall, farm business costs broadly unchanged.

£14,600

1%

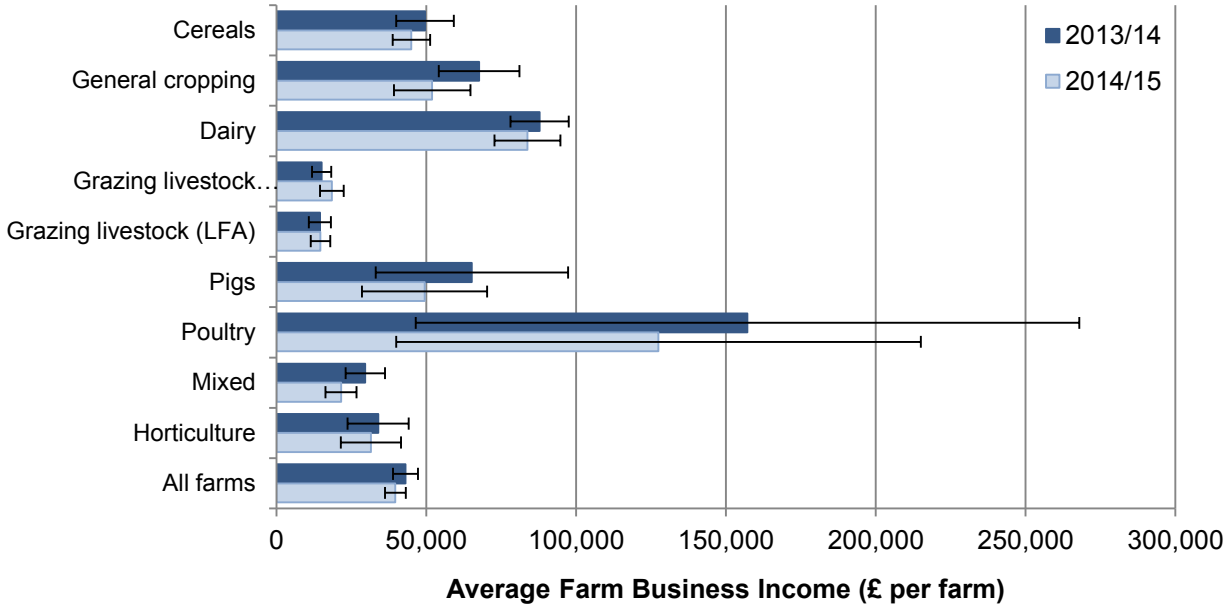
Grazing livestock (LFA) Farm business output and costs fell by similar amounts. Sheep output was higher and partially offset lower output from beef. Unlike lowland grazing livestock farms, the contribution from agri-environment and diversified activities was unchanged.

£21,500

27%

Mixed Lower output across most enterprises but particularly so for milk, beef, poultry and spring barley production. Both fixed and variable costs were lower, with considerable reductions for purchased feed and machinery running costs.

Figure 1: Average farm business income (£'s) by farm type, with 95% confidence interval, England 2013/14 and 2014/15



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.

Detailed results

On **cereal farms**, average Farm Business Income fell by just under 9 percent in 2014/15 to £45,000 (Table 1). This was largely driven by a fall in crop output as a result of lower prices for cereals and oilseed rape, despite the return to more normal cropping rotations and higher yields than those seen in 2013. Although average seed and fertiliser costs fell, crop protection costs were considerably higher in 2014, reflecting the increased area and demands of winter crops. In 2013, crop protection costs were lower as some winter crops were abandoned or replaced with spring crops. It may also be partly due to the continuing battle to control blackgrass in some areas. Overall, variable costs were similar across both years whilst fixed costs were slightly lower across a number of areas but notably so for machinery. In 2014, 60 per cent of cereal farms failed to make a positive income from farming[1] activities.

For the second year running, average incomes on **general cropping farms** fell by almost a quarter (Table 1) to £52,000. Although agricultural output per farm increased this was driven by an increase in tillage area rather than an increase in output per hectare; the latter fell by around 2 percent. Lower output from potatoes and barley (spring and winter) was responsible for most of the fall, offset to some extent by sugar beet (higher yield and prices), field vegetables and winter wheat. Input costs increased to a greater extent than output, the greatest increases were for labour, contract charges, crop protection, other crop costs and general farming costs.

On **dairy farms**, average Farm Business Income fell by around 5 percent to £83,800 (Table 1). Milk prices fell gradually throughout the year but for the first six months were higher than

[1] Excludes income from the Single Payment Scheme, Agri-environment and diversified activities.

for the same period in 2013. This, combined with higher volumes meant that agricultural output for the year as a whole (March to February) was only slightly lower (2%) than the previous year. Agricultural input prices also fell with lower feed and fertiliser costs partially offset by an increase in contracting, property costs and interest payments. The upward trend in herd size continued with an increase in average numbers from 165 to 172 cows. The average milk yield per cow was similar to 2013/14 at 7,800 litres.

Table 1: Average Farm Business Income per farm (£/farm)

Average farm business income per farm (£/farm)

Farm Type	2009/10 [a]	2010/11	2011/12	2012/13	2012/13[b]	2013/14	2014/15	Annual % Change 2014/15 / 2013/14
At current prices								
Cereals	43,200	84,100	93,700	68,200	67,700	49,600	45,000	-9%
General cropping	67,800	110,200	100,500	91,500	89,200	67,600	52,000	-23%
Dairy	59,000	65,800	86,600	51,200	52,600	87,800	83,800	-5%
Grazing livestock (Lowland)	28,600	21,300	32,000	16,300	16,100	15,100	18,500	23%
Grazing livestock (LFA)	27,500	21,800	29,200	19,700	18,700	14,500	14,600	1%
Specialist pigs	70,300	44,300	38,100	40,900	41,700	65,200	49,400 (d)	-24%
Specialist poultry	91,300	72,700	46,400	94,200	90,200	157,200	127,500 (d)	-19%
Mixed	32,400	50,300	74,100	38,100	37,300	29,600	21,500	-27%
Horticulture	61,100	48,400	52,800	30,100	25,800	33,900	31,500	-7%
All types	**44,700**	**57,000**	**66,200**	**46,600**	**44,900**	**43,100**	**39,700**	**-8%**
In real terms at 2014/15 prices [c]								
Cereals	47,900	90,500	98,700	70,800	70,200	50,400	45,000	-11%
General cropping	75,200	118,500	105,900	94,900	92,500	68,800	52,000	-24%
Dairy	65,500	70,800	91,200	53,100	54,500	89,300	83,800	-6%
Grazing livestock (Lowland)	31,700	22,900	33,700	16,900	16,700	15,300	18,500	21%
Grazing livestock (LFA)	30,600	23,400	30,800	20,400	19,400	14,700	14,600	-1%
Specialist pigs	78,000	47,600	40,100	42,400	43,300	66,300	49,400 (d)	-25%
Specialist poultry	101,300	78,200	48,900	97,700	93,600	159,800	127,500 (d)	-20%
Mixed	36,000	54,100	78,100	39,500	38,600	30,100	21,500	-29%
Horticulture	67,800	52,000	55,600	31,200	26,800	34,500	31,500	-9%
All types	**49,500**	**61,300**	**69,800**	**48,400**	**46,500**	**43,800**	**39,700**	**-9%**

Years ending in end-February

[a] Revised weighting framework separating specialist poulty meat from specialist poultry layers

[b] Farm typology based on 2010 standard output coefficients

[c] Uses GDP deflator

[d] The sample sizes for specialist pig and poultry farms are relatively small. There has been one very influential poultry farm in the sample since 2012/13. If this is excluded from the results, average income on poultry farms was £76,000 per farm in 2012/13, £99,800 in 2013/14 and £84,300 per farm in 2014/15, a fall of 16%.

Average incomes increased on **lowland grazing livestock farms** by almost a quarter to £18,500, albeit this was from a low base. This was due to a higher output from both agri-environment and diversified activities combined with a small improvement in the contribution from the agricultural cost centre and slightly lower farm business costs. In terms of agricultural enterprises, lower output from the beef enterprise was offset by an increase in sheep output. This reflected higher productivity due to improved grazing and weather conditions for the 2014 lamb crop as well as an increase in cull ewe prices. Farm business costs were broadly unchanged as lower variable costs, notably for seed and feed, were offset by higher fixed costs. In the **less favoured area** (LFA) average incomes on grazing livestock farms were broadly unchanged in 2014/15 as farm business output and farm business costs fell by a similar amount. Output for the sheep enterprise was higher and partially offset the lower output from the beef enterprises but unlike lowland grazing livestock farms the contribution from the other cost centres was unchanged. Output from contracting activities was also lower.

For both these farm types the difference between the livestock opening and closing valuations can have a considerable impact on incomes. In 2013/14, closing valuations for the sheep flock were lower than opening valuations, thus reducing the enterprise output. This was reversed in 2014/15 as lamb and cull ewe prices were higher than the year before, thus increasing the valuation across the year and subsequently increasing enterprise output.

Average incomes on **mixed farms** fell by just over a quarter between 2013/14 and 2014/15 to around £21,500 (Table 1). Farm business output fell by around 20 percent driven largely by a lower output from agriculture. A lower output was generated across most of the agricultural enterprises but particularly so for milk, beef, poultry and spring barley production. Both fixed and variable costs were lower, with considerable reductions for purchased feed and machinery running costs.

On **horticulture farms,** average incomes fell by 7 percent to £31,500. Agricultural output was broadly unchanged but a substantial fall in output from retailing activities led to a 3 percent reduction for the farm business as a whole. This was offset to some extent by a fall in farm business costs, particularly lower variable costs, with large falls for seeds and young plants as well as those costs associated with diversified activities.

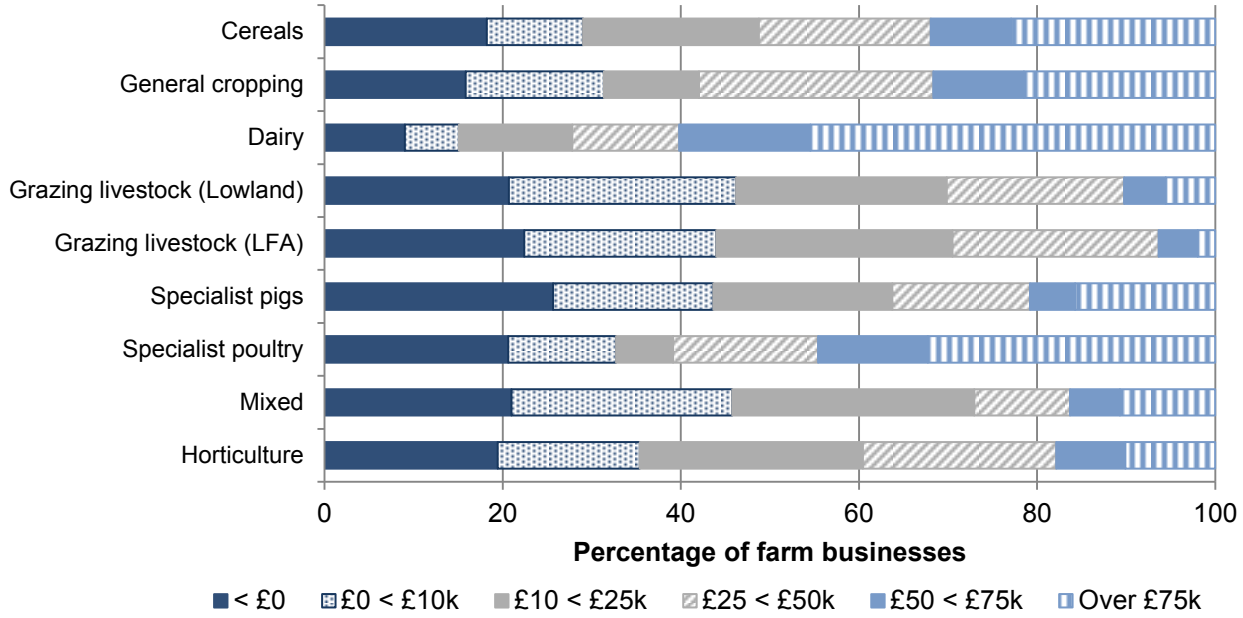
The FBS samples for both specialist pigs and specialist poultry farms are relatively small, meaning that individual farms can have a large influence on the results.

On **specialist pig farms,** average Farm Business Income fell by almost a quarter in 2014/15 to £49,400 per farm (Table 1). Total output from agriculture was around 10 percent lower almost entirely due to a reduced output from the pig enterprise as values for finished pigs and cull sows fell. This fall in output was partially offset by lower agricultural input costs, both variable and fixed. Cheaper feed accounted for much of the reduction in variable costs, driven by cheaper cereals and soya. In terms of fixed costs, lower labour and machinery costs were of a sufficient magnitude to offset an increase in building depreciation.

For **specialist poultry farms,** average incomes fell by just under 20 percent compared to 2013/14. Although egg enterprise output increased this was more than offset by a reduced output for broilers and other poultry enterprises. Unlike other livestock farms there was no reduction in feed costs, a very small increase in variable costs and a 5 percent increase in fixed costs. However, these changes should be treated with caution because of the small sample. Removing a particularly influential farm from the analysis suggests that the average income fell by 16 percent between 2013/14 and 2014/15 from £99,800 to £84,300.

For more information about the weighting and reliability of results please see the annex and technical note at the end of this release.

Figure 2: Distribution of Farm Business Income by farm type, 2014/15



The average values mask the considerable variability in incomes at the farm level both between and within farm types (Figure 2). Over a fifth of pig, poultry, mixed and grazing livestock farms failed to make a profit in 2014/15 compared to less than 10 percent of dairy farms. Moreover, around 70 percent of mixed and grazing livestock farms generated incomes below £25,000. Around 45 percent of dairy farms and almost a third of specialist poultry farms had an income of more than £75,000.

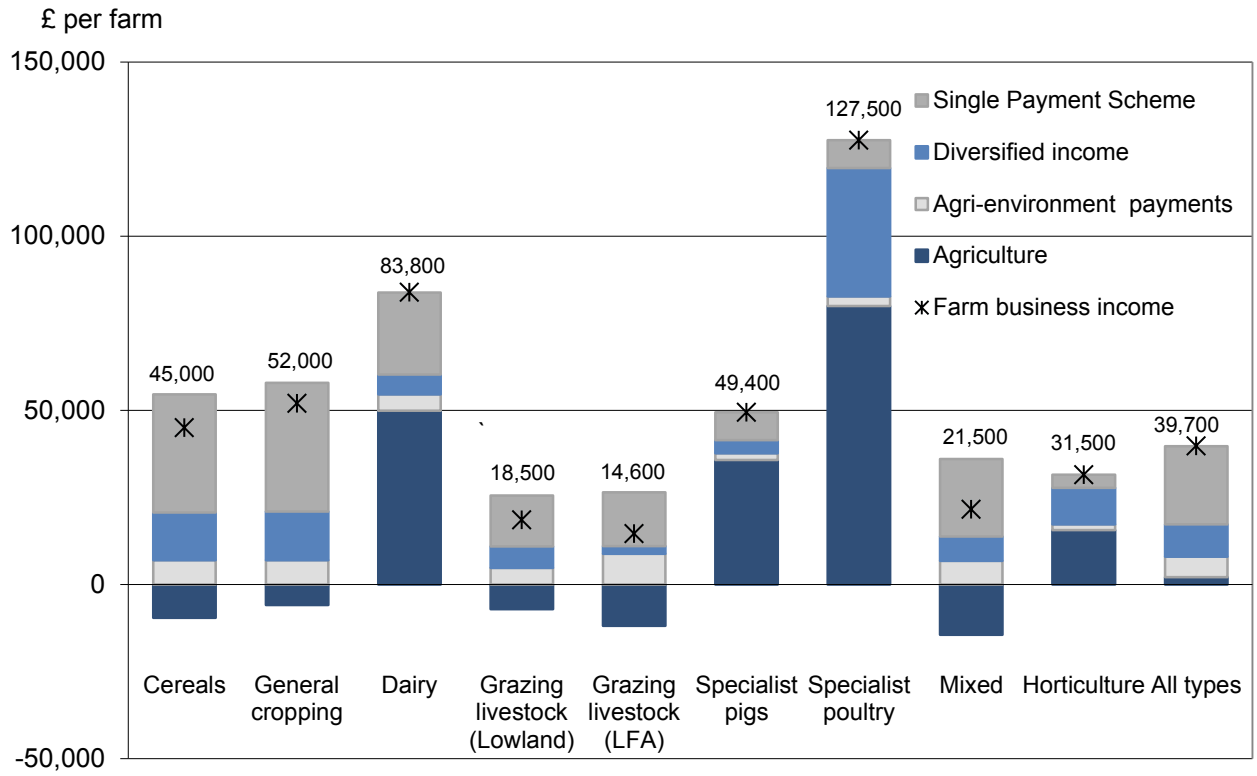
The variation in incomes within farm type reflects different production costs between farms which are influenced by a number of factors such as size, location, soil type etc. More detailed analysis of farm incomes based on farm performance is provided in Farm Accounts in England. This will be updated with 2014/15 data on 10 December 2015 and published here.

Farm Business Income can be broken down by cost centre (Figure 3) to illustrate the relative contribution to average total Farm Business Income (shown as text at the top of each column). The underlying data can be found in Table 2 in the annex to this Notice. Further information about the methodology adopted for allocating costs across cost centres can be found in Appendix 3 of Farm Accounts in England.

In 2014/15, the Single Payment continued to account for a substantial proportion of average Farm Business Income for all farm types apart from horticulture, specialist pig and poultry farms. Across all farm types, the average Single Payment was around £24,700, around 2 percent lower than the previous year reflecting the stronger pound against the euro when the conversion rate was set in September 2014.

On average, dairy, pig, specialist poultry and horticulture farms generated a positive return from farming activities. On LFA grazing livestock farms income from agri-environmental activities is particularly important, contributing just over £11,000 per farm to the average Farm Business Income whilst these activities are of less significance for the other farm types, particularly the intensive livestock and horticulture sectors.

Figure 3: Farm Business Income by Cost Centre[1] 2014/15



[1] Data represent averages across all farms in the sample including those that do not have any income within some of the cost centres. The resulting Farm Business Income is shown by the star and in text at the top of each column.

Annex

Table 2 provides the data used in Figure 3 in the main body of this release.

Table 2 Farm Business Income by Farm Type and Cost Centre (£/farm)[2]

Farm Type	Agriculture	Agri-environment and other payments	Diversification out of Agriculture	Single Payment Scheme	Farm Business Income
Cereals	-9,500	7,000	13,700	33,900	45,000
General cropping	-5,900	7,000	14,000	36,900	52,000
Dairy	49,900	4,600	5,800	23,400	83,800
Grazing livestock (Lowland)	-7,000	4,800	6,100	14,600	18,500
Grazinglivestock (LFA)	-11,800	8,800	2,200	15,500	14,600
Specialist pigs	35,700	2,000	3,800	7,900	49,400
Specialist poultry	79,900	2,700	36,900	8,000	127,500
Mixed	-14,500	6,800	6,900	22,200	21,500
Horticulture	15,600	1,600	10,500	3,700	31,500
All types	2,100	5,900	9,300	22,400	39,700

[2] Figures may not add to totals due to rounding

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

Revisions

TABLE 3 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
At current prices				
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

Forecasts of Farm Business Income for 2014/15 were published in January 2015. These forecasts were based on information available in early January 2015 for prices, animal

populations, marketings, crop areas, yields and input costs and were intended as a broad indication of how incomes for each farm type were expected to move compared with 2013/14. The outturns published here are based on actual survey results from the Farm Business Survey 2014/15. These suggest lower than forecasted incomes for cereals, general cropping, specialist pig, specialist poultry, LFA grazing livestock and mixed farms. On cereal, general cropping, LFA grazing livestock and specialist poultry farms, costs were higher than predicted whilst output was lower than expected on specialist pig farms. Note that the sample size is relatively small for specialist poultry farms and to a lesser extent for specialist pigs so the results are subject to considerable variability (see page 3). On mixed farms both output and input costs were lower than expected whilst on dairy farms output was higher than expected meaning that incomes did not fall to the level forecast. Farm business output was also higher than predicted on Lowland Grazing Farms largely due to an increase in diversified income plus a higher output from the agricultural activities than forecast.

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.

Technical Note

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[2]) so that they can be used to produce unbiased estimators of a number of different target variables.

[2] 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

The weighting methodology was changed for 2012/13 to improve the reliability of the results for farms with poultry. The change was two-staged. Poultry farms were split into two groups (egg and poultry meat producers) at the inverse sampling fraction stage. In addition, the FBS estimates of total number of laying birds and total number of table birds are now calibrated to match those from the previous June Survey of Agriculture and Horticulture. This practice is already in place for other livestock counts (as well as crop areas and farm counts) to draw strength from the increased robustness of the much larger sample of the June Survey. This change has been back dated to 2009/10 for comparability.

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

Farm type classification

From 2012/13, the classification of farms is based on 2010 standard output coefficients. The results published here are therefore not directly comparable with those published in earlier years. Please see the explanatory document on our web site for further details of these changes.

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.

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 signify that we are 95% confident that this range contains the true value. They are calculated as the standard errors multiplied by 1.96 to give the 95% confidence interval.

- 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.
- 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.

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.

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.