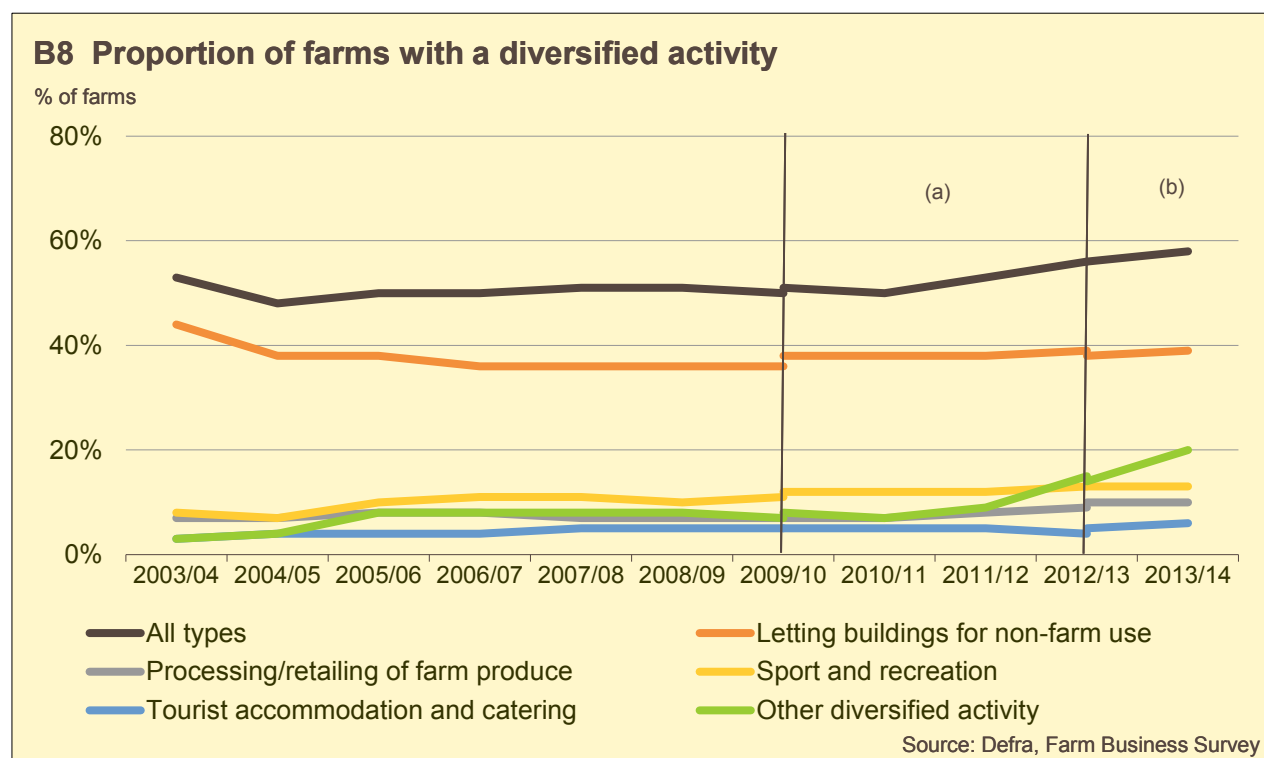


Observatory monitoring framework – indicator data sheet

Process: Farm Business

Indicator B8: Diversification

This indicator provides information about farms undertaking diversified activities. Diversified activities are defined here as non-agricultural work of an entrepreneurial nature on- or off-farm using farm resources.



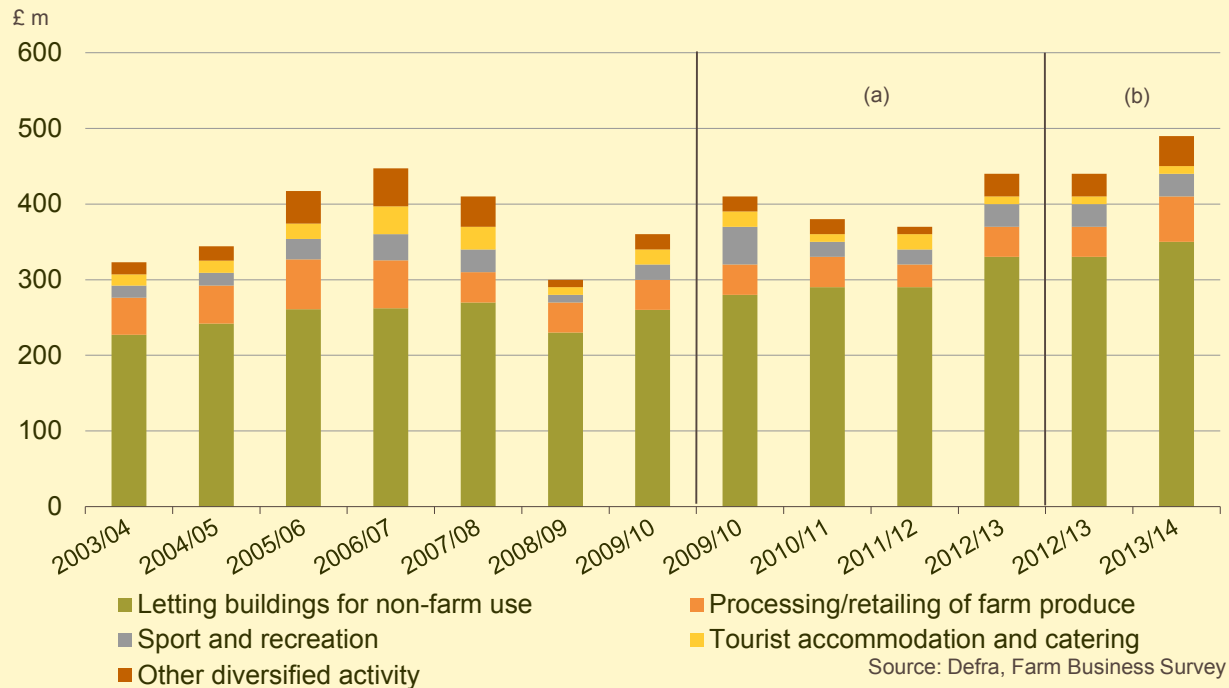
(a) In 2010/11 changes were made to the minimum size threshold (> 25,000€) and also to the classification of farms moving to a system based on Standard Outputs. These changes were backdated to 2009/10. Therefore earlier years are not directly comparable. A revised weighting framework separating specialist poultry meat from specialist layers was implemented in 2012/13. These changes have been backdated to 2009/10.

(b) As per EU methodology, Standard Outputs were updated in 2013/14 to be based on the 5 year average centred on 2010. Previous Standard Outputs were based on the 5 year average centred on 2007. Results have been backdated to 2012/13 for comparability.

In 2013/14:

- 58% of farm businesses in England had some form of diversified activity, an increase of 2% from 2012/13;
- The proportion of farms with a diversified activity other than the letting of buildings was 37%;
- Total income from diversified activities was £490 million, a 9% increase from 2012/13;
- Diversified enterprises generated 19% of the total income of farm businesses, although there were wide variations between farms.

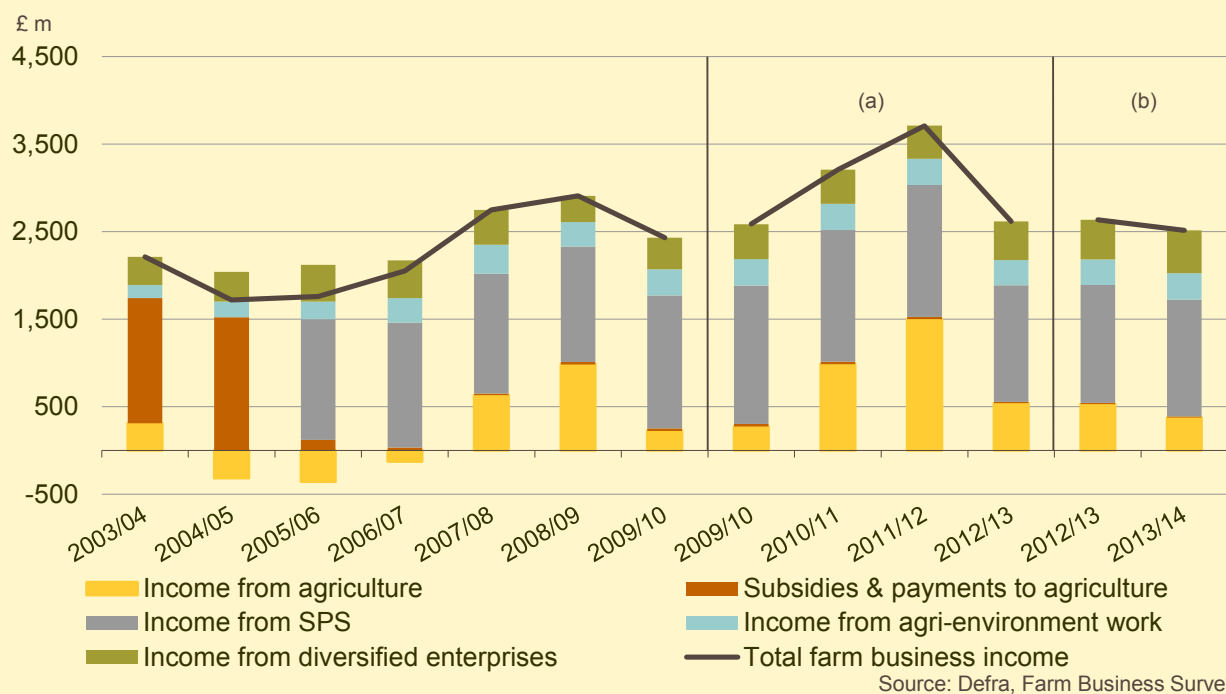
B8a Income of diversified enterprise



(a) In 2010/11 changes were made to the minimum size threshold (> 25,000€) and also to the classification of farms moving to a system based on Standard Outputs. These changes were backdated to 2009/10. Therefore earlier years are not directly comparable. A revised weighting framework separating specialist poultry meat from specialist layers was implemented in 2012/13. These changes have been backdated to 2009/10.

(b) As per EU methodology, Standard Outputs were updated in 2013/14 to be based on the 5 year average centred on 2010. Previous Standard Outputs were based on the 5 year average centred on 2007. Results have been backdated to 2012/13 for comparability.

B8b Farm business income by source



(a) In 2010/11 changes were made to the minimum size threshold (> 25,000€) and also to the classification of farms moving to a system based on Standard Outputs. These changes were backdated to 2009/10. Therefore earlier years are not directly comparable. A revised weighting framework separating specialist poultry meat from specialist layers was implemented in 2012/13. These changes have been backdated to 2009/10.

(b) As per EU methodology, Standard Outputs were updated in 2013/14 to be based on the 5 year average centred on 2010. Previous Standard Outputs were based on the 5 year average centred on 2007. Results have been backdated to 2012/13 for comparability.

This indicator was updated in November 2015. The next update will be in 2016 when data becomes available.

Further information and contact

Background information can be found in the accompanying fact sheet.

For further queries or information on this indicator contact Defra's Observatory team on +44 (0) 1904 455058 or email Observatory@defra.gsi.gov.uk

Observatory Monitoring Framework – indicator fact sheet

Process: Farm Business

Indicator B8: Diversification

| | |
|----------------------------|--|
| <i>Indicator</i> | Diversification |
| <i>Data</i> | B8: Proportion of farms with a diversified activity B8a: Income of diversified enterprise B8b: Farm business income by source |
| <i>Geographic coverage</i> | England |
| <i>Years</i> | 2003/04 – 2013/14 |
| <i>Source</i> | Defra |
| <i>Origin of data</i> | Farm Business Survey |
| <i>Updates</i> | This indicator will be updated annually. The next update will be in 2016 when data becomes available. |
| <i>Background</i> | <p>Agriculture has an important impact on rural communities, the rural economy and the environment and its position within the overall economy is changing. A possible and rational response to these changing economic circumstances is for farm occupiers to seek to enhance their household income from sources other than conventional farming production through diversifying their business activities. The nature of the diversified activity may affect the environmental impact of the farm, particularly where the activity is land based.</p> <p><u>What is Diversification?</u></p> <p>Diversification can be defined in many ways. This indicator broadly defines diversification as “the entrepreneurial use of farm resources for a non-agricultural purpose for commercial gain”.</p> <p>Included as diversification within this definition:</p> <ul style="list-style-type: none">• Tourism, sport, recreation and processing.• Non-agricultural contracting (likely to involve some entrepreneurial activity by the farmer).• Letting of buildings where undertaken for non-agricultural commercial purposes. <p>Excluded from diversification:</p> <ul style="list-style-type: none">• Letting of land for agricultural or non-agricultural end purpose.• Agricultural contracting (activity is agricultural).• Hiring of other assets for an agricultural or non-agricultural end purpose. |

Farm Business Survey

The Farm Business Survey (FBS) provides annual information on the financial position and the physical and economic performance of farm businesses. The FBS is a collaborative programme between Defra and a consortium of six universities/colleges contracted to do the bulk of the work. Data are collected on farm and from face to face interviews with farmers. For historical data back to 2003/04, please see the accompanying dataset.

Published data are for the accounting year ending in February.

Changes to the threshold level

The survey covers all farms above a minimum threshold. For accounting years up to 2003/04 the minimum size threshold was 8 European Size Units (ESU). The sample structure was re-designed for 2004/05 when the minimum size was defined by Standard Labour Requirements (SLR). At that time, the coverage of the survey was restricted to part-time and full-time farms and to the main farm types. Spare-time farms with less than 0.5, or farms with negligible economic activity were excluded. From 2010/11 the survey was again re-designed and the coverage is now restricted to those farms with at least 25,000 Euros of Standard Output. The classification of farms was also revised for the 2010/11 Farm Business Survey, to bring the classification in line with European guidelines. The changes to 2010/11 have been backdated for 2009/10 data only. The results for these 2 years are therefore not directly comparable with those published in earlier years.

Changes to the sample size

Up to the 2003/04 accounting year, the sample size for the England FBS was 2,250 farm businesses. From 2004/05 until 2009/10, it was 1,850 businesses. From 2009/10 the sample size has been around 1,950 farms.

From 2010/11, the population of farms covered by the survey has been stratified into 14 farm types and 7 regions. Within each stratum, sampling is with uniform probability, however, minimum publication thresholds are applied and some farm types are sampled at a higher rate to ensure adequate coverage for analysis. Farms are retained in the sample for several years and only 10% of the sample is replenished each year. Currently, this is achieved by releasing farms when they have been in the survey for 15 years. This, together with natural wastage, generates the required 10% vacancy per year. However, this procedure results in an age bias and is currently under review.

Changes to the methodology for allocating fixed costs

The Farm Business Survey from 2008/09 uses a new methodology for allocating fixed costs across the four sections or 'cost centres' of the business (agriculture, the single-payment scheme, agri-environment schemes and diversified activities).

In previous years the survey has shown the vast majority of fixed costs as being associated with agriculture, with the allocation based mainly on the judgement of the research officers conducting the survey. It was recognised that this did not accurately reflect farm business structures in the present time and the increasing contribution of non-agricultural enterprises to farm incomes. It might be expected that outputs for these activities would have associated costs relative to their respective size.

To take account of this, land and property costs, general farming costs and overhead machinery costs have been apportioned across the four cost centres, by applying coefficients either based on gross margins or outputs, reflecting the degree to which each activity draws upon these costs. FBS researchers in the field can, however,

override this process and enter other data if they feel it provides a more accurate cost allocation.

It is not possible to present income for diversified activities for 2007/08 and earlier years using the new apportionment methodology as detailed allocation of costs for diversified activities was not collected. The amount and severity of caveats associated with making such a re-allocation would therefore render any such estimates as not comparable to this year's data.

Changes to the weighting methodology

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.

Further information

Further data on Farm Accounts and Diversification can be found at:
<https://www.gov.uk/government/statistics/farm-accounts-in-england-201314>

Further information on the Farm Business Survey can be found at:
<https://www.gov.uk/government/collections/farm-business-survey>

Farm Business Survey - technical notes and guidance can be found at:
<https://www.gov.uk/farm-business-survey-technical-notes-and-guidance>