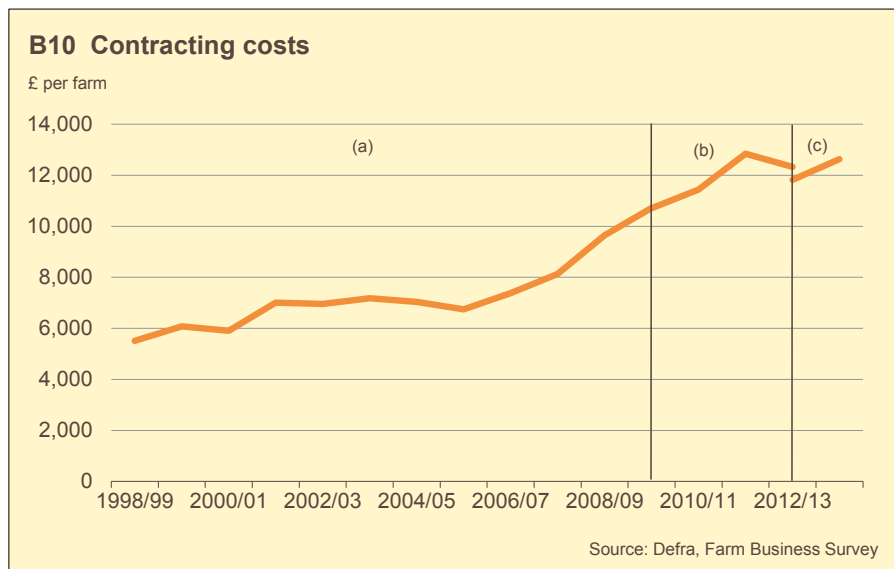


Observatory monitoring framework – indicator data sheet

Process: Farm Business

Indicator B10: Contracting costs

This indicator shows the average cost of contractors per farm, and by farm type.



Compared with 2012/13, in 2013/14 the average cost of contractors per farm increased by 7% at £12,634 per farm.

Farm businesses with at least 25,000 euros of standard output.

(a) Survey threshold and typology based on 2007 Standard Outputs. 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) Survey threshold and typology based on 2010 Standard Outputs.

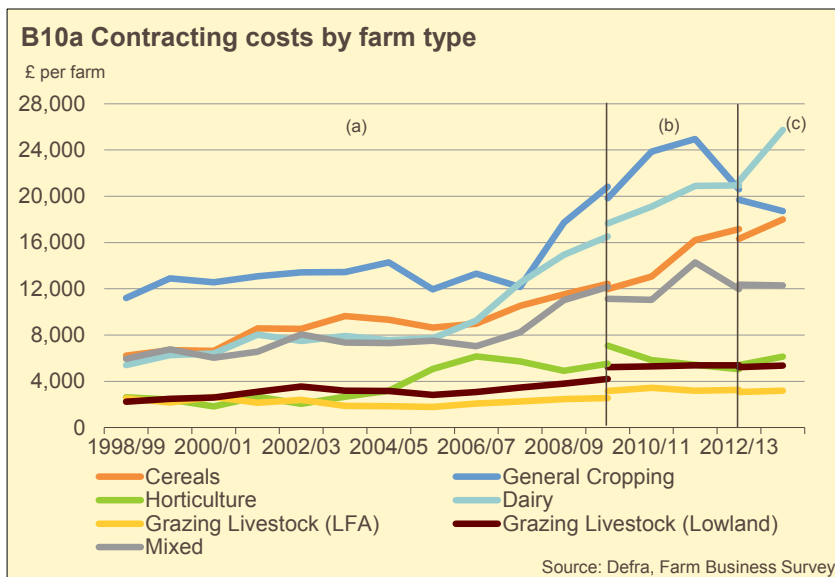
(c) The weighting methodology was changed for Farm Accounts in England 2012/13 to improve the reliability of the results for farms with poultry.

Farm type

Contracting costs are historically highest for general cropping farms and grazing livestock and horticultural farms tend to have the lowest average contracting costs.

Compared with 2012/13, in 2013/14:

- Contracting costs for general cropping farms decreased by 5% to around £18,700;
- Contracting costs for dairy farms increased by 21% to just over £25,700;
- Contracting costs for cereal farms increased by 10% to almost £18,000;
- Contracting costs for mixed farms were similar at £12,300



Farm businesses with at least 25,000 euros of standard output.

(a) Survey threshold and typology based on 2007 Standard Outputs. 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) Survey threshold and typology based on 2010 Standard Outputs.

(c) The weighting methodology was changed for Farm Accounts in England 2012/13 to improve the reliability of the results for farms with poultry.

This indicator was updated in November 2015. The next update will be in 2016.

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 B10: Contracting costs

<i>Indicator</i>	Contracting costs
<i>Data</i>	Chart B10 Contracting costs Chart B10a Contracting costs by farm type
<i>Geographic coverage</i>	England
<i>Years</i>	1998/99 – 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 2016.
<i>Background</i>	<p>The move to the Single Payment Scheme was likely to stimulate increasing flexibility in cropping decisions. At the same time, there is increasing pressure to reduce fixed costs in terms of both machinery and labour. These changes are likely to result in increasing use of contractors for operations requiring large equipment or specific skills that are not retained on the farm. Hence, contracting costs have become an important element of expenditure on many farms. For historical data back to 1998/99, please see the accompanying dataset.</p>
<i>Statistical & methodological information</i>	<p><u>Farm Business Survey</u></p> <p>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 eight universities/colleges contracted to do the bulk of the work. Data are collected on farm and from face to face interviews with farmers.</p> <p>Changes to the survey threshold and farm typology</p> <p>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. 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 Standard Labour Requirements (SLR), 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 further 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 from this point are therefore not directly comparable with those published for earlier years.</p> <p>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 system uses Standard Outputs per</p>

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 were recalculated for the period 2008-2012 (referred to as 2010 Standard Outputs). Results shown for 2012/13 have been recalculated using 2010 Standard Outputs for comparability. The Standard Output (SO) is a financial measure used to classify farm type. SOs measure the total value of output of any one enterprise - per head for livestock and per hectare for crops. For the period from 2009/10 to 2012/13 Standard outputs were calculated for the period 2005-2009 (referred to as 2007 Standard Outputs). 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 to a 'particular' type by evaluating the proportion of its total SO deriving from different enterprises.

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 is around 1,900 farms. From 2010/11, the population of farms covered by the survey is now 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 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.

Data for 2001/02 exclude farms subject to the compulsory FMD cull.

Published data are for the accounting year ending in February.

Further information

Farm Accounts in England 2012/13 can be found at:

<https://www.gov.uk/government/publications/farm-accounts-in-england-201213>

Further information on the Farm Business Survey can be found at:

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

and at:

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