

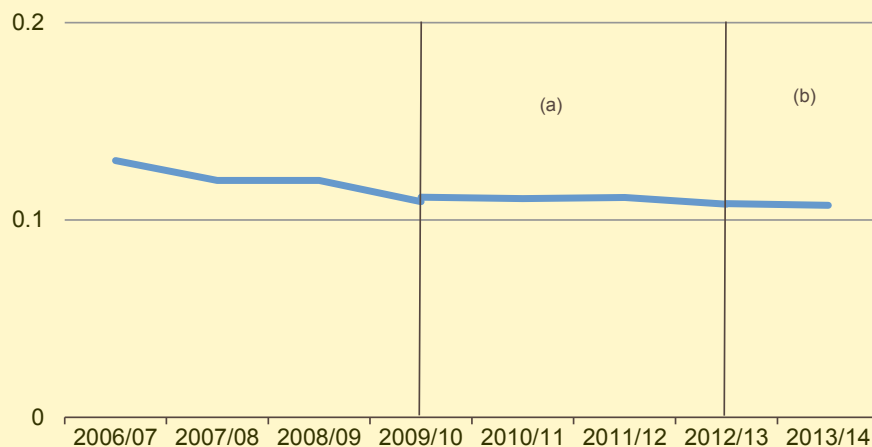
Observatory monitoring framework – indicator data sheet

Process: Farm Business

Indicator B7: Indebtedness

This indicator shows the level of indebtedness for all farms and by farm type.

B7 Level of indebtedness (Ratio of Liabilities to Assets) - all farm types (closing balance)



Source: Defra, Farm Business Survey

Chart B7 shows the level of indebtedness (i.e. the ratio of liabilities to assets) for all farms from 2009/10. Figures are for March/February years with the most recent year shown ending February 2014.

Data are available from 1998/99. See the accompanying dataset.

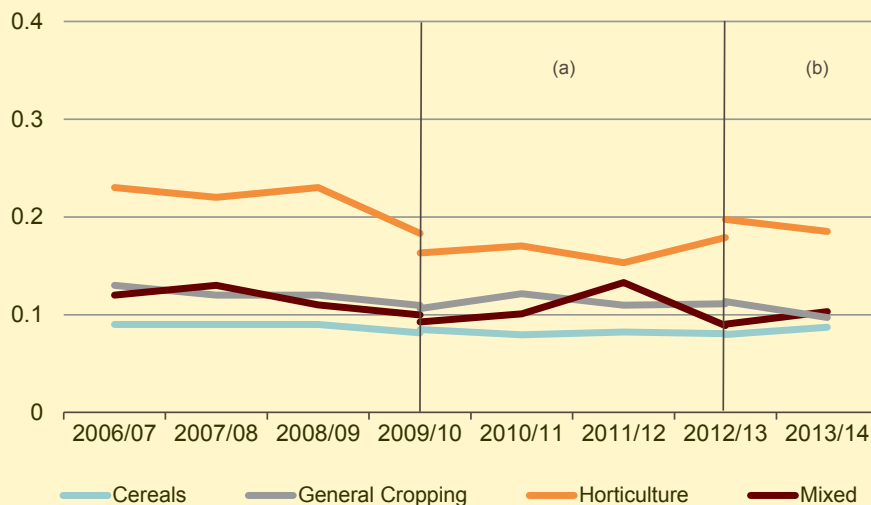
Farm businesses with at least 25,000 euros of standard output.

(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.

Charts B7ai and B7aii show the level of indebtedness by farm type between 2009/10 and 2013/14.

B7ai Level of indebtedness (Ratio of Liabilities to Assets) by farm type (closing balance)



Source: Defra, Farm Business Survey

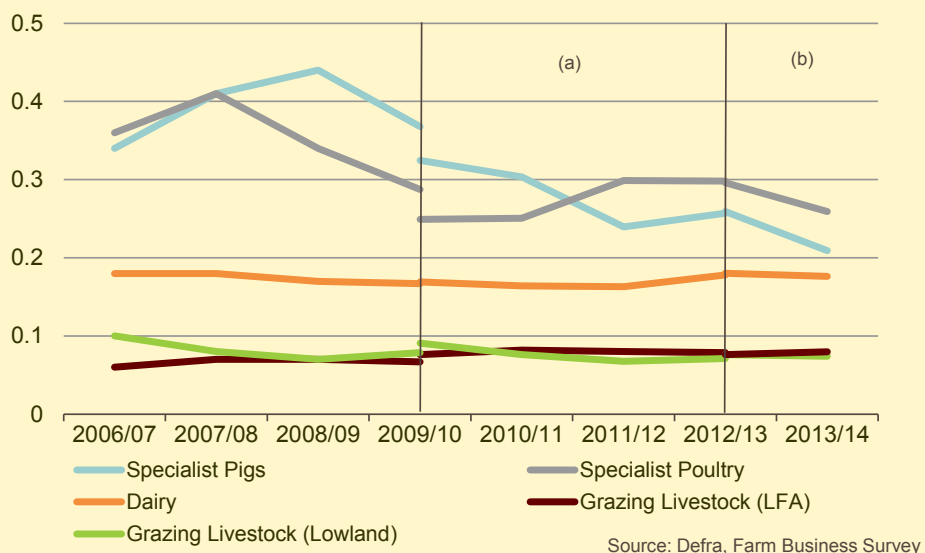
Farm businesses with at least 25,000 euros of standard output.

(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.

Specialist pigs and poultry have the highest level of indebtedness. This may be due to having less land (assets) and greater costs (liabilities) due to the introduction of livestock welfare regulations.

B7aii Level of indebtedness (Ratio of Liabilities to Assets) by farm type (closing balance)

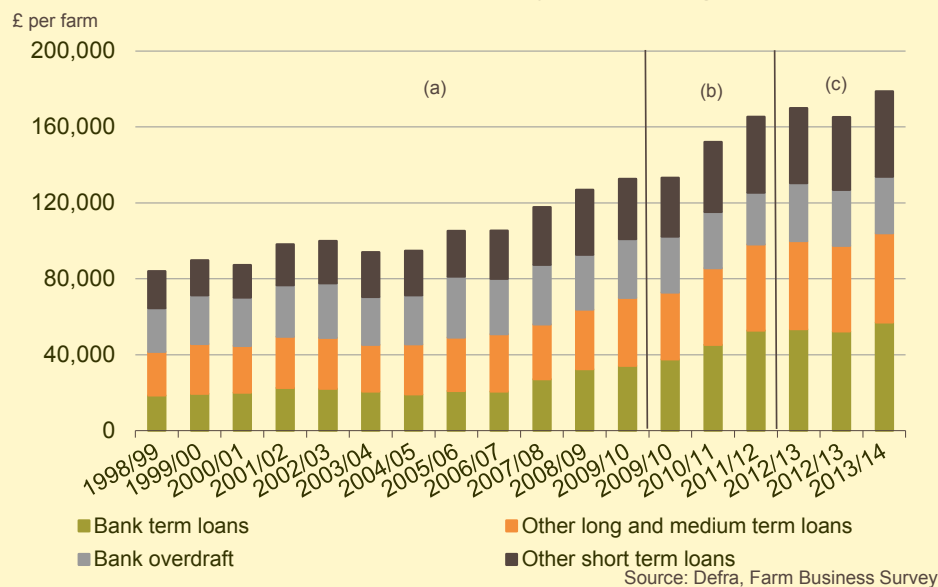


(Farm businesses with at least 25,000 euros of standard output.

(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.

B7b Total external liabilities - all farm types (closing balance)



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.

External liabilities

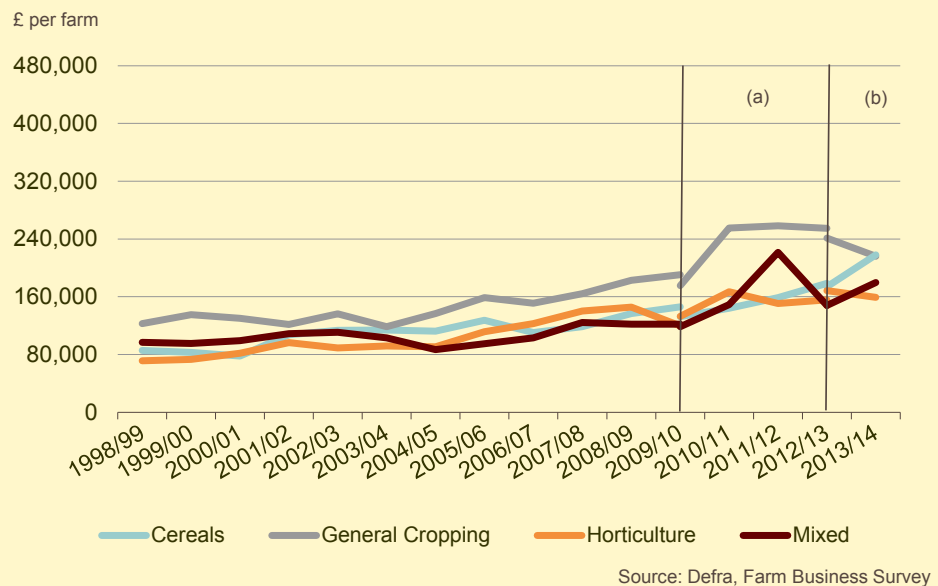
There has been an increasing trend in the overall average closing balance of external liabilities per farm, largely due to increases in bank term loans.

Farm type

Charts B7ci and B7cii show the total external liabilities per farm are greatest on Specialist pig, poultry, Dairy and general cropping farm types.

Grazing livestock holdings tend to have the lowest levels of borrowing per farm.

B7ci Total external liabilities by farm type (closing balance)

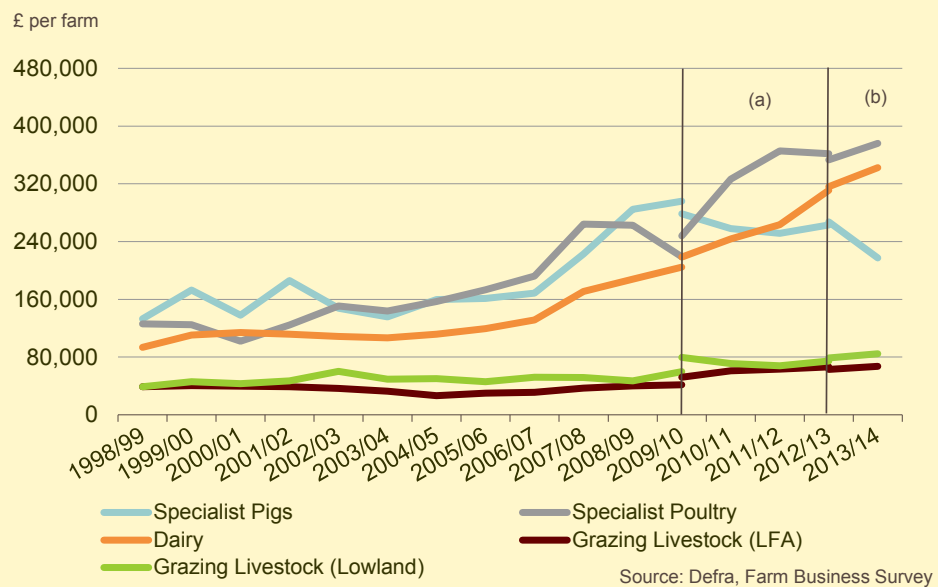


Farm businesses with at least 25,000 euros of standard output.

(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.

B7cii Total external liabilities by farm type (closing balance)



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.

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.qsi.gov.uk

Observatory Monitoring Framework – indicator fact sheet

Process: Farm Business

Indicator B7: Indebtedness

<i>Indicator</i>	Indebtedness
<i>Data</i>	Ratio of liabilities to assets (closing balance)
<i>Geographic coverage</i>	England
<i>Years</i>	<p>Chart B7 Indebtedness 2006/07-2013/14, all farm types (closing balance), £ per farm</p> <p>Chart B7a Indebtedness 2006/07-2013/14, by farm type (closing balance), £ per farm</p> <p>Chart B7b Total external liabilities 1998/99-2013/14, all farm types (closing balance), £ per farm</p> <p>Chart B7c Total external liabilities 1998/99-2013/14, by farm type (closing balance), £ per farm</p>
<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.
<i>Background</i>	<p>Indebtedness is an important factor affecting the viability of a farm business, it has been calculated as the ratio of liabilities to assets (closing values) from annual Farm Business Survey data. Farms with low debt may be able to survive for much longer on a low income than a business with large amounts of debt to service. The level of debt is therefore likely to influence the rate of response to changing levels of income. For historical data back to 1998/99, please see the accompanying dataset.</p>
<i>Statistical & methodological information</i>	<p>Farm Business Survey</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 six 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>Published data are for the accounting year ending in February. Data for 2001/02 exclude farms subject to the compulsory FMD cull.</p> <p>Classification of Survey Farms by Type of Farming and Size of Business</p> <p>A revised classification of farm types was introduced in 2010/11 based on Standard Outputs, which caused changes to the distribution of farms by farm type. At the same time, the lower size threshold for the Farm Business Survey was changed from 0.5 Standard Labour Requirements (in annual full-time equivalents) to a standard output of 25,000 euros. Therefore, the results published here relate to farms for which the total standard output from cropping and stocking activities is at least 25,000 euros.</p> <p>The Standard Labour Requirement (SLR) of a farm represents the normal labour requirement, in Full Time Equivalents, for all the enterprises on a farm under typical conditions. The SLR for a farm is calculated from standard coefficients applied to each</p>

enterprise on the farm. The standard coefficients represent the input of labour required per head of livestock or per hectare of crops for enterprises of average size and performance.

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 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 has been around 1,900 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 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 2013/14, the results for 2009/10 and 2010/11 have been recalculated 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 the Farm Business Survey can be found at:

<https://www.gov.uk/government/organisations/department-for-environment-food-rural-affairs/series/farm-business-survey>

Details of Farm Business Survey methodology can be found at:

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