

Published 30<sup>th</sup> August 2012

## **Farm Household Income and Household Composition: Results from the Farm Business Survey: England 2010/11**

The latest National Statistics produced by Defra on farm household incomes from the Farm Business Survey were released on 30<sup>th</sup> August 2012 according to the arrangements approved by the UK Statistics Authority. This release shows the final estimates of household income from the 2010/11 Farm Business Survey which covers the 2010 harvest.

The key results from the survey are given below:

- Seventy five percent of the total income of principal farmers' households in 2010/11 was from farm business income, which includes farm diversification. Almost all of the remainder came from the off-farm income of the farmer and their spouse (Figure 1).
- Average household income (before tax) of principal farmers' households was £58,100/household, which is a 22% increase from 2009/10, due to a rise in farm business income. Other sources of household income were unchanged year on year.
- Across those households that have these sources of income: average off-farm income of the farmer and spouse was £14,000/household and average income of other household members was £15,800/household (Table A).
- While the average (mean) household income was £58,100 in 2010/11, around 25% of principal farmers' households had an income of below £22,500.
- General Cropping farms have the highest average household income at £83,900, which is an increase of 72% from 2009/10; whilst average household income was lowest on Lowland Grazing Livestock farms (£32,700).
- 37,700 farm businesses (67%) comprised of a single household (Table D). Analysing these businesses according to their household income shows that, while those in the bottom quartile for household income had an average income of below £10,700 over the period, the median net worth for these businesses was £474,000 (Table E).
- Farm household income can be compared with income from all households (derived from ONS data). Before comparing the incomes, any negative farm business income or negative off-farm income in the farm sample has to be set at zero (because the ONS data treats negative incomes in that way). After this change, the (adjusted) average farm household income is £59,600/household in 2010/11. This compares with the equivalent figure for all households in England of £38,400/household and an average of £53,100/household for households in receipt of self-employment income (Table G).
- Around 10% of farm households returned a negative income from their farm business in 2010/11, down slightly on earlier years, which compares with 4% for all self-employed households in 2010/11 (Table H).

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## **Background**

Information on farm household income and farm household composition was collected in the Farm Business Survey (FBS) for England for the first time in 2004/05. Collection of household income data is restricted to households of principal farmers and, for practical reasons, does not cover households of other farmers and partners. However, two-thirds of farm businesses have an input only from the principal farmer's household (see table D). Details of household composition are collected for households of all farmers and partners in the business, but not employed farm workers.

This release gives the main results from the income and composition of farm households and the off-farm activities of the farmer and their spouse sections of the FBS. These sections include information on the household income of the principal farmer's household, off-farm income sources for the farmer and spouse and incomes of other members of their household and the number of working age and pensionable adults and children in each of the households on the farm (the information on household compositions is in Appendix B).

Data on the income of farm households is used in conjunction with other economic information on the agricultural sector (e.g. farm business income) to help inform policy decisions and to help monitor and evaluate current policies relating to agriculture in the United Kingdom by Government. It also informs wider research into the economic performance of the agricultural industry.

## **Survey Methodology**

The FBS is an annual survey providing information on the financial position and physical and economic performance of farm businesses in England. The sample of around 1,900 farm businesses covers all regions of England and all types of farming with the data being collected by face to face interview with the farmer. Results are weighted to represent the whole population of farm businesses that have at least 25,000 Euros of standard output<sup>1</sup> as recorded in the annual June Survey of Agriculture and Horticulture. In 2010 there were just over 56,000 farm businesses meeting this criteria<sup>2</sup>.

From 2009/10 onwards a sub-sample of around 1,000 farms in the FBS took part in both the additional surveys on the income and composition of farm households and the off-farm activities of the farmer and their spouse. This was lower than in the previous years that the additional surveys have been run, during which the sub-sample had included over 1,600 farms. As such, caution should be taken in comparing to earlier years.

The farms that responded to the additional survey on household incomes and off-farm activities of the farmer and spouse had similar characteristics to those farms in the main FBS in terms of farm type and geographical location. There is a smaller proportion of large and very large farms in the household income and off-farm activities of the farmer and spouse subset than in the main FBS. Full details of the characteristic of responding farms can be found at Appendix A.

For further information about the Farm Business Survey please see <http://www.defra.gov.uk/statistics/foodfarm/farmmanage/fbs/>

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<sup>1</sup> For a definition of standard output please see the UK classification document here <http://www.defra.gov.uk/statistics/foodfarm/farmmanage/fbs/aboutfbs/datacollection/>

<sup>2</sup> Prior to the 2010/11 campaign, the coverage of the FBS was restricted to those farms of size ½ Standard Labour Requirement (SLR) or more. For a definition of SLR please see the UK classification document here: <http://www.defra.gov.uk/statistics/foodfarm/farmmanage/fbs/aboutfbs/datacollection/>

## **Data analysis**

As stated above, the results from the FBS relate to farms which have a standard output of at least 25,000 Euros. Initial weights are applied to the FBS records based on the inverse sampling fraction. These weights are then adjusted (calibration weighting<sup>3</sup>) so that they can produce unbiased estimators of a number of different target variables. Completion of the additional survey on household incomes and off-farm activities of the farmer and spouse was voluntary and a sample of around 1,000 farms was achieved. In order to take account of non-response, the results have been reweighted using a method that preserves marginal totals for populations according to farm type<sup>4</sup> and farm size<sup>5</sup> groups. As such, farm population totals for other classifications (e.g. regions) will not be in-line with results using the main FBS weights, nor will any results produced for variables derived from the rest of the FBS (e.g. farm business income).

## **Accuracy and reliability of the results**

Where possible, we have shown 95% confidence intervals against the figures. These show the range of values that may apply to the figures. They mean that we are 95% confident that the true value lies within this range either side of the estimate. They are calculated as the standard errors (se) multiplied by 1.96 to give the 95% confidence interval (95% CI). The standard errors only give an indication of the sampling error. They do not reflect any other sources of survey errors, such as non-response bias. The confidence limits shown are appropriate for comparing groups within the same year; they should not be used for comparing for example 2010/11 results with those from 2009/10 since they do not allow for the fact that many of the same farms contributed to both surveys.

We have also shown error bars on the figures in this notice. These error bars represent the 95% confidence intervals for the figures.

Estimates based on less than 5 observations have been suppressed to prevent disclosure of the identity of the contributing farms. Estimates based on less than 15 observations have been highlighted in italics in the tables and should be treated with caution as they are likely to be less precise.

## **Availability of results**

Defra statistical notices can be viewed on the Food and Farming Statistics pages on the Defra website at <http://www.defra.gov.uk/statistics/foodfarm/>. This site also shows details of future publications, with pre-announced dates.

## **Other publications**

Earlier household publications can be found at:

<http://www.defra.gov.uk/statistics/foodfarm/farmmanage/fbs/publications/farmhouseholdincome/>

Results from the 2010/11 FBS:

<http://www.defra.gov.uk/statistics/foodfarm/farmmanage/fbs/publications/farmaccounts/>

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<sup>3</sup> Further information on calibration weighting can be found in the 'Statistical Issues' document here <http://www.defra.gov.uk/statistics/foodfarm/farmmanage/fbs/aboutfbs/datacollection/>

<sup>4</sup> and <sup>5</sup> to see how farm type and farm size groups are derived please see the UK classification document here: <http://www.defra.gov.uk/statistics/foodfarm/farmmanage/fbs/aboutfbs/datacollection/>

## **Definitions**

### **Household income of the principal farmer**

Principal farmer's household income has the following components:

- the share of farm business income (FBI)<sup>6</sup> (including income from farm diversification<sup>7</sup>) attributable to the principal farmer and their spouse;
- principal farmer's and spouse's off farm income from employment and self-employment, investment income, pensions and social payments; and
- income of other household members.

The share of farm business income and all employment and self employment incomes, investment income and pension income are recorded as gross of income tax payments and National Insurance contributions, but after pension contributions. In addition, no deduction is made for council tax.

However it should be noted that, in some years, farm business income may be sufficiently negative for some businesses to give rise to negative household income. This is an inevitable consequence of having an income based, rather than a drawings (i.e. consumption) based, definition. It could be expected that, over the long term, farm business income is sufficient to cover drawings, but farm household income figures for any one year can give a misleading impression of the longer term. A comparison of farm business income and private drawings is given in aggregate for the period 2003/04 – 2010/11 in Figure 4. In order to take account of fluctuating incomes, results for tables E and F were based on a 3 year average of output variables, for a sample in which the farms were present in each year.

### **Drawings**

Drawings represent the monies which the farmer takes from the business for their own personal use. The percentage of total drawings going to each household as a proportion of total drawings is collected and is used to calculate the total share of farm business income for the principal farmer's household.

### **Mean**

Mean household income of individuals is the "average", found by adding up the weighted household incomes for each individual farm in the population for analysis and dividing the result by the corresponding weighted number of farms. In this report average is usually taken to refer to the mean.

### **Percentiles**

These are the values which divide the population for analysis, when ranked by an output variable (e.g. household income or net worth), into 100 equal-sized groups. E.g. twenty five per cent of the population would have incomes below the 25th percentile.

### **Median**

Median household income divides the population, when ranked by an output variable, into two equal sized groups. The median of the whole population is the same as the 50<sup>th</sup> percentile. The term is also used for the midpoint of the subsets of the income distribution

### **Quartiles**

Quartiles are values which divide the population, when ranked by an output variable, into four equal-sized groups. The lowest quartile is the same as the 25th percentile. The divisions of a population split by quartiles are referred to as quarters in this publication.

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<sup>6</sup> The principal farmer's share of the income is taken as his share of drawings, rather than the legal share defined in partnership agreements which frequently reflect tax considerations.

<sup>7</sup> The difference between diversification and other forms of self-employment is that diversification includes only those activities which use farm resources.

**Quintiles**

Quintiles are values which divide the population, when ranked by an output variable, into five equal-sized groups. The divisions of a population split by quintiles are referred to as fifths in this publication.

**Assets**

Assets include milk and livestock quotas, as well as land, buildings (including the farm house), breeding livestock, and machinery and equipment. For tenanted farmers, assets can include farm buildings, cottages, quotas, etc., where these are owned by the occupier. Personal possessions (e.g. jewellery, furniture, and possibly private cash) are not included.

**Net worth**

Net worth represents the residual claim or interest of the owner in the business. It is the balance sheet value of assets available to the owner of the business after all other claims against these assets have been met.

**Equivalisation**

Equivalisation is a method where the income of the household is adjusted according to its composition, using a series of factors for each household member. UK government statistics of household income have standardised on the OECD scale but modified so that a unit represents a household occupied by only a married couple.

## Commentary on Key Results

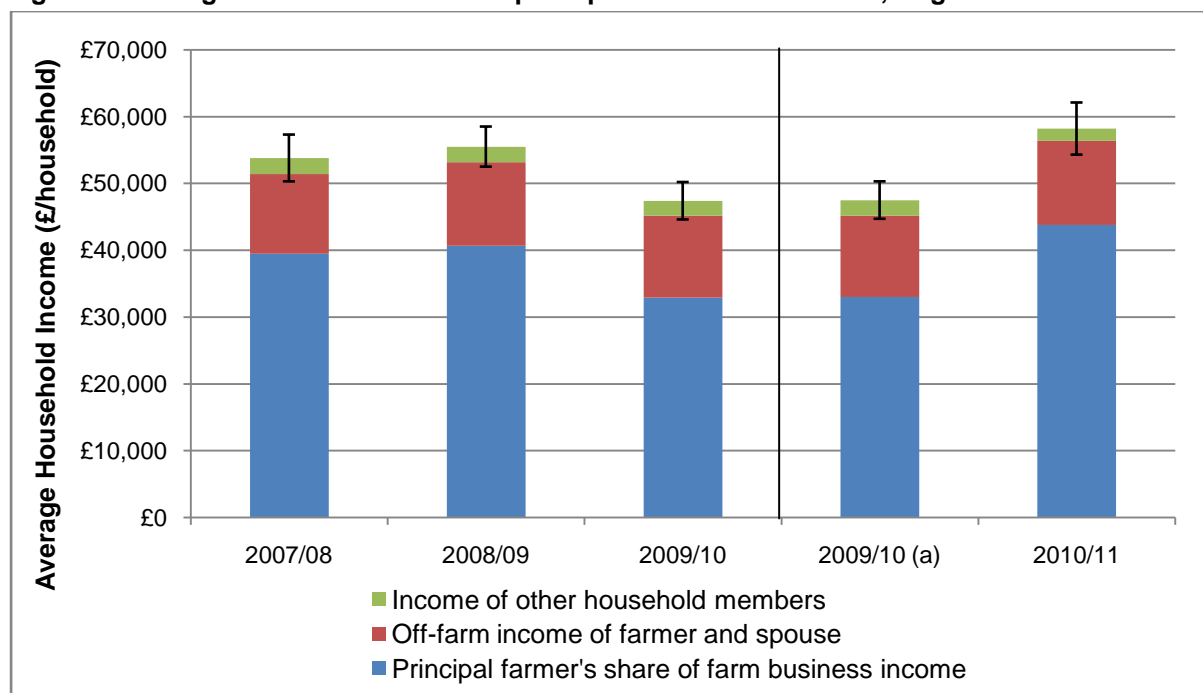
Tables containing all of the results presented in this notice can be found in an annex of tables, available to download from the Household Income webpage.

<http://www.defra.gov.uk/statistics/foodfarm/farmmanage/fbs/publications/farmhouseholdincome/>

### Average farm household income

Figure 1 shows the average income per farm business by components of household income from 2007/08 to 2010/11. The average total household income was £58,100 in 2010/11 which is a 22% increase from 2009/10 (£47,500/household). This increase has been driven by the 30% increase in average Farm Business Income (FBI) seen over the same time period. Non-farm income (off-farm income of farmer and spouse and income of other household members) has remained largely unchanged year on year (between £14,000-£15,000/household). The figure below shows that the majority (75%) of the average household income is made up of the farmer's share of FBI, whilst only 3% of the income comes from other household members.

**Figure 1: Average household income of principal farmer's household, England 2007/08 to 2010/11**

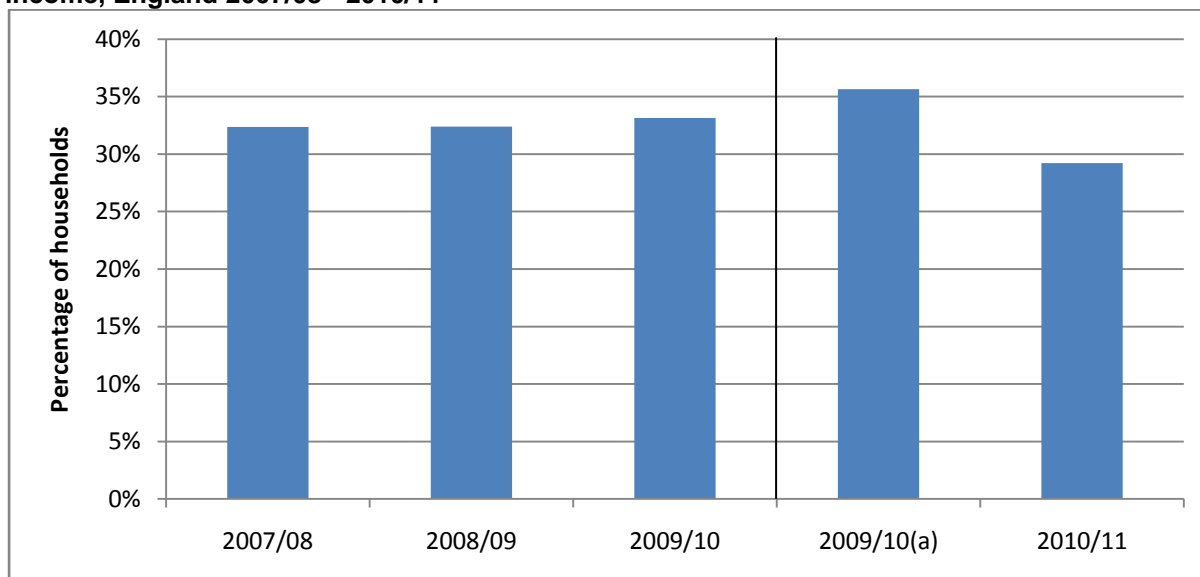


Source: Farm Business Survey (England)

<sup>(a)</sup> In 2010/11 changes were made to the minimum size threshold ( $\geq 25,000\text{€}$ ) and also to the classification of farms. These changes were backdated to 2009/10. Previous years are not directly comparable.

For around 30% of principal farmer households the income received from non farming sources exceeds the income received from the farm business (figure 2); for these households the farm business is not the main source of income. In these households, the farmer's attitude to the farm business might be different to those where the main source of income is from the farm business.

**Figure 2: Percentage of principal farmer households where non-farm income exceeds farm income, England 2007/08 - 2010/11**



Source: Farm Business Survey (England)

<sup>(a)</sup> In 2010/11 changes were made to the minimum size threshold ( $\geq 25,000\text{€}$ ) and also to the classification of farms. These changes were backdated to 2009/10. Previous years are not directly comparable.

The average income of other household members in figure 1 is taken over all households, irrespective of whether they have other household members and whether other household members have an income. However, only 6,300 households have other household members with an income, while 4,800 principal farmers' households have no other income except from that of the farm. Table A below shows the average off-farm income of farmer and spouse and average income for other household members, but just for those households that have these sources of income. The average off-farm income of the farmer and spouse in 2010/11 was £14,000 which is a 5% increase from 2009/10 (£13,300). For other household members the average income fell by 13% to £15,800 in 2010/11. At the individual level the average off-farm income of farmer and spouse was £6,900 (£6,600 in 2009/10) and for other household members their average income was £5,100 (£7,900 in 2009/10).

**Table A: Average non-farm income of principal farmer's household, England 2010/11**

Source of household income:	Number of households	Number of adults	Total Income (£ million)	Average Income <sup>(a)</sup> (£/household)	Average Income <sup>(a)</sup> (£/adult)
Off-farm income of farmer and spouse	50,700	103,200	£700	£14,000	£6,900
Other adult household members with income	6,300	19,400	£100	£15,800	£5,100
Other adult household members without income		3,600			

Source: Farm Business Survey (England)

<sup>(a)</sup> Average taken over only those households or adults with this source of income

Table B below shows the while the mean household income was £58,100 in 2010/11, around 25% of principal farmer's households had an income of below £22,500. In 2009/10, 25% of households had an income below £20,300.

**Table B: Mean household income and quartiles of household income, England 2007/08 to 2010/11**

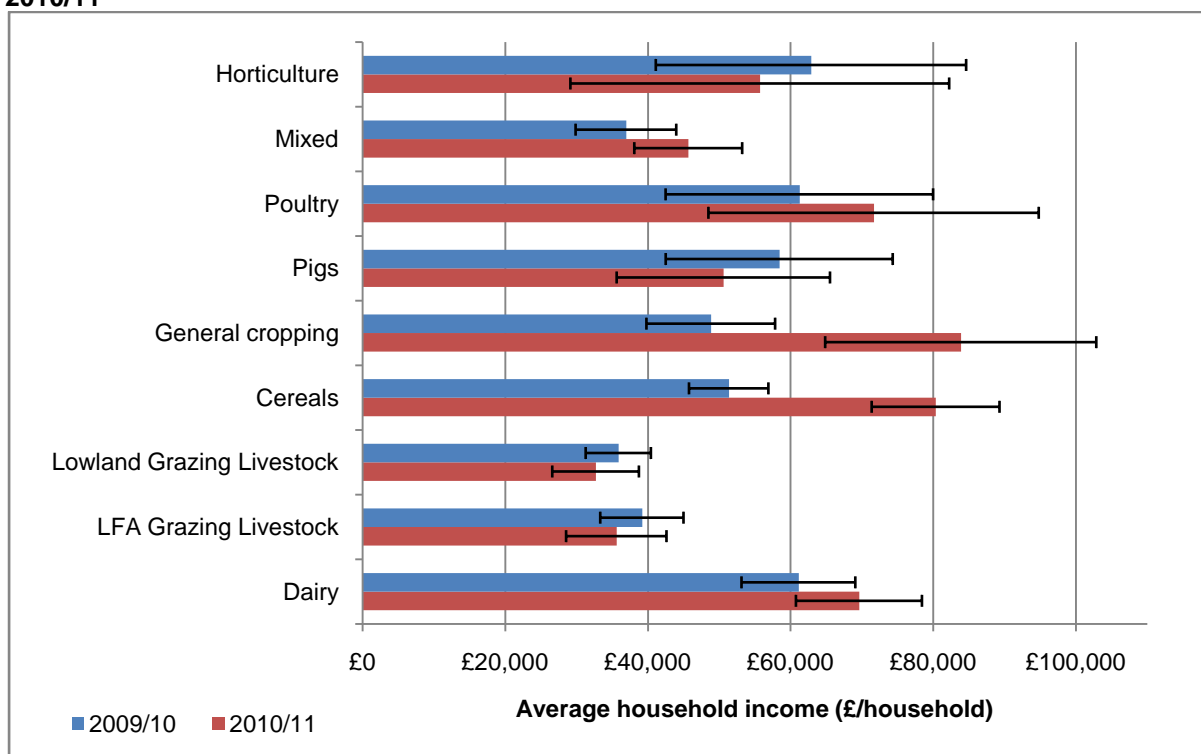
Principal Farmers' household (actual)	2007/08 (£/household)	2008/09 (£/household)	2009/10 (£/household)	2009/10 <sup>(a)</sup> (£/household)	2010/11 (£/household)
Mean	£53,900	£55,600	£47,400	£47,500	£58,100
First quartile	£17,900	£19,800	£19,900	£20,300	£22,500
Median	£36,800	£40,100	£37,500	£38,600	£41,100
Third quartile	£68,900	£71,400	£61,300	£60,800	£73,800

Source: Farm Business Survey (England)

<sup>(a)</sup> In 2010/11 changes were made to the minimum size threshold ( $\geq 25,000\text{€}$ ) and also to the classification of farms. These changes were backdated to 2009/10. Previous years are not directly comparable.

As previously mentioned the increase in average household income in 2010/11 was driven by a 30% increase in FBI across all farms. When looking at specific farm types (figure 3) it can be seen that average household income varies between the farm types, reflecting the increases/decreases seen in FBI. General Cropping farms have the highest average household income at £83,900, which is an increase of 72% from 2009/10; whilst average household income was lowest on Lowland Grazing Livestock farms (£32,700). This result is unsurprising as General cropping farms saw an increase of around 70% in FBI, which was largely due to much higher prices (potatoes in particular); Lowland Grazing livestock farms saw a decrease of around 25% in FBI. Whilst the absolute levels of non-farm income are broadly similar across most farm types, the contributions vary. Lowland Grazing Livestock farms have the highest contribution (36%) whilst Dairy farms have the lowest (16%).

**Figure 3: Average income of principal farmers' households by farm type, England 2009/10 and 2010/11**

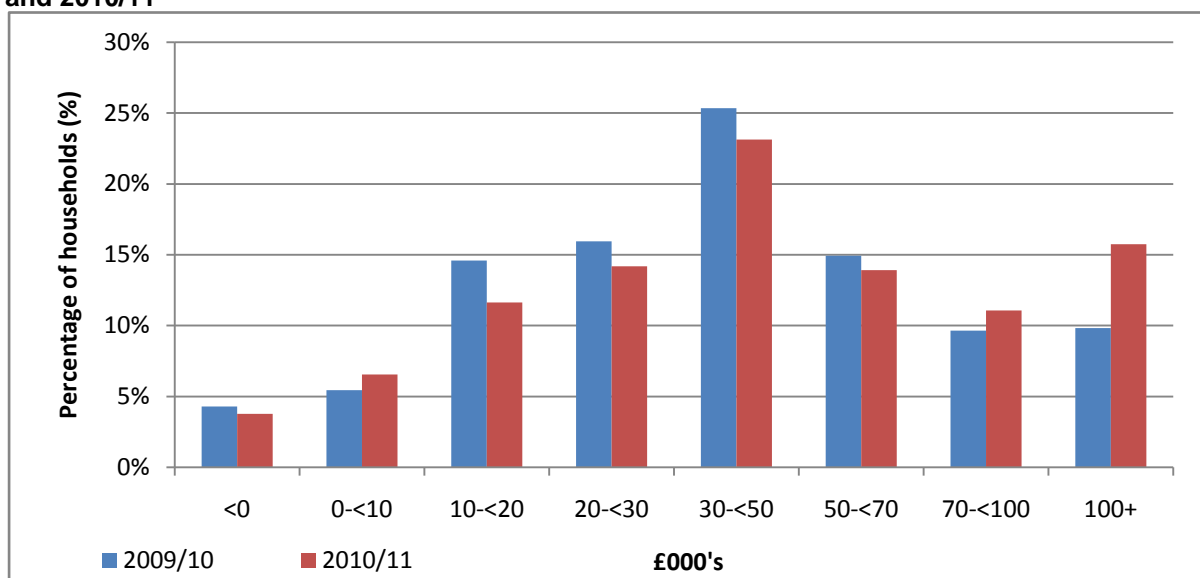


Source: Farm Business Survey (England)

Just examining the average (mean) household income can hide information about the wide range of income and does not necessarily provide an indication of the experience of a "typical" farm household. Figure 4 shows the range of household income for principal farmer's households for the last two years. Around 5% of farm households had negative household income in each of the last two years. Over 40% of principal farmers' households had an income of £50,000 or more in 2010/11, with over 16% having an income of over £100,000.



**Figure 4: Distribution of household incomes of principal farmers' households, England 2009/10 and 2010/11**



Source: Farm Business Survey (England)

### Volatility of farm household income from year to year

To examine the volatility of farm household income we have used an identical sample of farms present in the FBS for each of the last 5 years, where these farms were also present in the sub sample for non-farm income sources in 2010/11. Weights were derived for a sub-sample of around 650 farms in line with the method described in the survey methodology section (e.g. to preserve the marginal population totals for robust farm types and farm size groups).

The wide variation of farm household incomes and, in particular, the appreciable incidence of negative income is accounted for by the fact that the largest component of household income, FBI (which is measured before payments to farmers and partners), is volatile from year to year, and not uncommonly negative.

**Table C: Frequency of negative farm business income 2006/07 – 2010/11 and non farm income in 2010/11**

Number of times in last 5 years that FBI was negative	% of farm businesses	Average non-farm income in 2010/11 (£/household)	Confidence interval for non-farm income in 2010/11 (£/household) (±)
Not negative in last 5 years	71%	£12,700	£1,600
Negative in 1 year of last 5	16%	£22,400	£10,600
Negative in 2 years of last 5	5%	£16,100	£6,200
Negative in 3 or more years of last 5	8%	£21,700	£7,500
<b>All farms</b>	<b>100%</b>	<b>£15,200</b>	<b>£2,400</b>

Source: Farm Business Survey (England)

<sup>(a)</sup> Excluding businesses which started up more recently than 2006/07

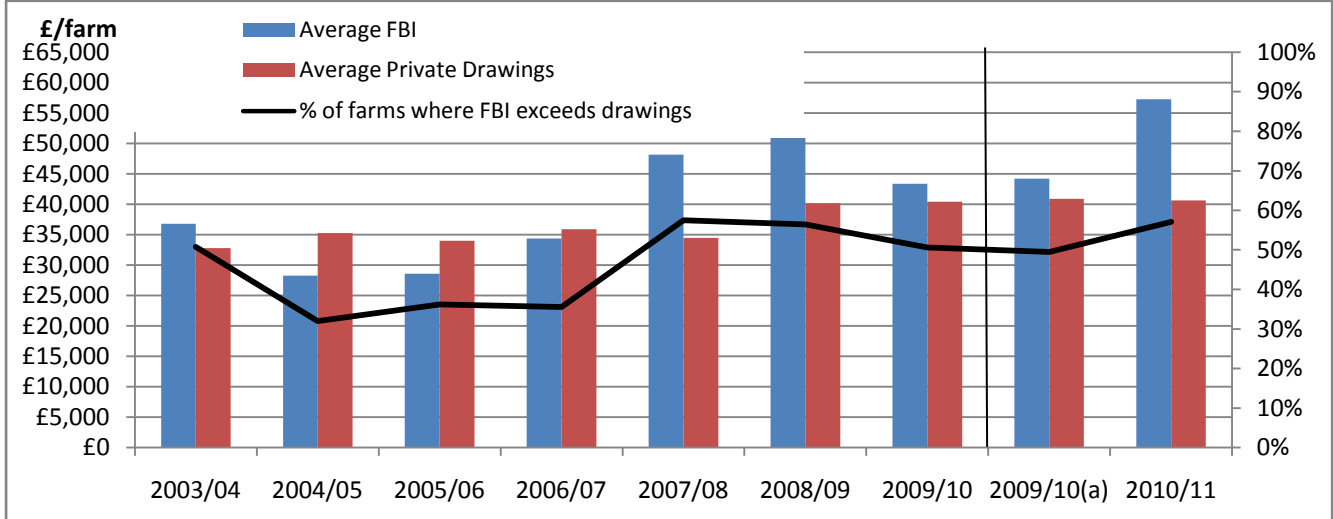
Looking at all non-farm income (i.e. off-farm income of farmer and their spouse and other family members as a whole) according to the frequency with which they had negative FBI (or profit) shows that non-farm income tends to be higher on average, for farms with a higher frequency of negative profit. This suggests that lower performing farms are supplementing their farm income (or covering losses), or farm incomes suffer because the farmer is working elsewhere. In 2010/11, farms that have not had negative profit in any of the previous 5 years

had average non-farm income of £12,700, compared to £21,700 for farms with negative profit in 3 or more of the last 5 years.

Because of the year to year volatility in FBI, it can be misleading to just consider data for only one year. In years of low FBI farmers commonly draw more from the farm business than the income generated (in effect borrowing from the business), to be repaid in better years by drawing less than the income generated.

A comparison of drawings from the farm business, by farmers and partners, with FBI in the last five years is given in Figure 5 (based on the full FBS sample of around 1,900 farm businesses). For around half of the farm businesses, income exceeded drawings in each of the last two years.

**Figure 5: Comparison of Private Drawings and Farm Business Income 2003/04 – 2010/11**



Source: Farm Business Survey (England)

(a) In 2010/11 changes were made to the minimum size threshold ( $\geq 25,000\text{€}$ ) and also to the classification of farms. These changes were backdated to 2009/10. Previous years are not directly comparable.

**Analysis of the incomes and wealth for farm businesses with sole proprietorship**

For the analysis in tables D, E and F an identical sample of farms present in the FBS for each of the last 3 years and also in the sub-sample for non-farm income sources in 2010/11 was obtained (around 800 farms) and the mean across the 3 years taken for each of the output variables: the objective being to smooth out the inter-year volatility in income. Weights were redistributed for this sub-sample in line with the method set out in the section on survey methodology (e.g. to preserve the marginal population totals for robust farm types and farm size groups).

By restricting the analysis to households with sole proprietorship, data on incomes for principal farmers’ households can be directly compared with that for the assets and net worth of the overall business. Table D shows that there are 37,700 farm businesses in England comprising a single household, so these have sole proprietorship of the business. The analysis shown in tables E and F refers to these households only.

**Table D: Number of households with interest in farm business, England 2010/11**

Farm businesses with:	Number of farm businesses	% of farm businesses	Confidence interval for % of farm businesses ( $\pm$ )
1 household	37,700	67%	3%
2 households	16,400	29%	3%
3 or more households	2,100	4%	1%
<b>All farm businesses</b>	<b>56,300</b>	<b>100%</b>	

Source: Farm Business Survey (England)

Table E presents the farm household income, farm business income, drawings, net worth and total assets by household income quarters. Principal farmer's households in the bottom quarter had an income below £21,700; the associated businesses had a median net worth of £474,000. Principal farmers' households in the top quarter had an income above £64,500; the associated businesses had a median net worth of over £1m.

**Table E: Farm business income (FBI), net worth, total assets and drawings by principal farmer household income quarters, England average 2008/09-2010/11**

Income quarter	Farm household income range	Median household income	Median FBI	Median drawings	Median net worth (000's)	Median total assets (000's)
Bottom	<£21,700	£13,500	£6,600	£13,800	£474	£564
Second	£21,700<£36,200	£28,000	£22,200	£19,400	£632	£690
Third	£36,200<£64,400	£49,300	£37,600	£28,200	£674	£785
Top	>£64,400	£90,100	£78,200	£45,900	£1,090	£1,266
<b>All farms</b>		<b>£36,200</b>	<b>£24,500</b>	<b>£23,200</b>	<b>£659</b>	<b>£726</b>

Source: Farm Business Survey (England)

Table F presents the farm household income, farm business income, drawings, net worth and total assets by tenure type. Tenanted farms had the highest median household income (£39,600), compared to a median of £33,500 for owner occupied farms and £36,200 for all farms. Mixed mainly owner occupied farms had the highest median net worth of £872,000, compared to a median of £194,000 for tenanted farms and £659,000 for all farms.

**Table F: Farm business income (FBI), net worth, total assets and drawings by farm tenure type, England average 2008/09-2010/11**

Tenure type	Median household income	Median FBI	Median drawings	Median net worth (000's)	Median total assets (000's)
Owner occupied	£33,500	£22,000	£22,100	£778	£785
Tenanted	£39,600	£31,000	£28,300	£194	£252
Mixed - mainly owner occupied	£38,200	£28,100	£24,700	£872	£972
Mixed - mainly tenanted	£38,700	£29,300	£20,600	£424	£498
<b>All farms</b>	<b>£36,200</b>	<b>£24,500</b>	<b>£23,200</b>	<b>£659</b>	<b>£726</b>

Source: Farm Business Survey (England)

## Comparison to the wider population

One of the five objectives assigned to the CAP in the EC Treaty of 1957 was 'to ensure a fair standard of living for the agricultural community'. One way to assess this is to compare the incomes of farming households with the national average. This section aims to make such a comparison using a set of household income indicators that are broadly comparable, albeit with a few caveats (detailed in Appendix C). The data set used for comparison to the FBS is the Effects of taxes and benefits on household income (ETB) subset of The Living Costs and Food Survey (LCF) from 2007/08 to 2010/11<sup>8</sup>. The ETB covers the UK, but for this analysis it has been restricted to households in England only.

The analysis in this section compares three different populations.

- a. All households in England (ETB/LCF);
- b. All households in England recording income from self-employment (ETB/LCF);
- c. Households of principal farmers (FBS).

Each population was ranked according to equivalised gross income and split into quintiles for comparison. A breakdown of average gross income (not equivalised) was obtained for each.

Gross income between the FBS and ETB are based on broadly similar definitions, but a few points should be noted. In particular, the convention for the LCF and ETB is to disregard business losses in terms of self employed income, e.g. negative self-employed income is rounded up to zero. Therefore, in order to compare results from the FBS, where the principal farmer's household's share of Farm Business Income (FBI) (the businesses profit) is negative the same convention has been followed. As such results for farm households in table G should not be compared with those earlier in this paper.

Official series for household income including the ETB can be used as a proxy for living standards (which is a positive concept). People with negative incomes can maintain a minimum living standard by drawing on past incomes (in the form of savings and other capital) or future incomes (in the form of loans and other debt). For these people, a "zero" level of living standards is assumed to be a better (though not entirely accurate) reflection of true living standards, than a negative level.

For all households in England the average gross income was £38,400/household in 2010/11 which is a 4% increase on the previous year (table G). The majority of this income derives from wages and salaries and other sources of original income. However for the bottom fifth of households around 70% of their income comes from cash benefits (table 15 in annex). For the population in England where self-employment income was received the average gross household income was £53,100/household in 2010/11, which is a small decrease from the previous year (£53,300/household in 2009/10). The majority of this income is derived from self-employment income and wages and salaries (table 16 in annex). For the population of principal farmer's households the average gross income was £59,600/household which is a 22% increase on the previous year. As mentioned previously the majority of this income is derived from the household's share of the farm business income. For the bottom fifth of household non-farm income sources make up over 50% of their income (table 17 in annex).

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<sup>8</sup> See <http://www.ons.gov.uk/ons/rel/household-income/the-effects-of-taxes-and-benefits-on-household-income/2010-11/etb-stats-bulletin-1011.html>

**Table G: Average gross household Income (£/household) for all households, self-employed households and principal farmers' households (negative income set to zero). Results presented overall, bottom fifth and top fifth of households, England 2007/08 – 2010/11**

		2007/08	2008/09	2009/10	2009/10 <sup>(c)</sup>	2010/11
<b>All households<sup>(a)</sup></b>	Overall	£36,100	£36,100	£36,900		£38,400
	Bottom fifth	£10,900	£10,900	£11,800		£12,100
	Top fifth	£77,500	£78,300	£81,400		£86,100
<b>All self-employed households<sup>(a)</sup></b>	Overall	£50,300	£51,100	£53,300		£53,100
	Bottom fifth	£17,200	£17,600	£18,000		£16,100
	Top fifth	£107,100	£107,000	£118,900		£119,700
<b>Principal farmers' households<sup>(b)</sup></b>	Overall	£56,200	£58,100	£49,000	£49,000	£59,600
	Bottom fifth	£10,000	£10,800	£11,400	£11,900	£13,000
	Top fifth	£144,300	£146,500	£112,400	£112,100	£143,800

(a) Source: Office for National Statistics – Living Costs and Food Survey//Effects of taxes and benefits on household income

(b) Source: Defra – Farm Business Survey

(c) In 2010/11 changes were made to the minimum size threshold ( $\geq 25,000\text{€}$ ) and also to the classification of farms. These changes were backdated to 2009/10. Previous years are not directly comparable.

Year-to-year the change in average gross income for each of the population groups is driven principally by households in the top fifth, especially looking at the change from 2009/010 to 2010/11 for farm households.

As explained negative values have been rounded to zero in calculating the averages shown in table G (tables 14-17 in annex). However, it is the case that a significant number of self-employed households return a loss from their business in any given year. Table H shows that over the period of analysis between 11% and 13% of farm households returned a negative income from their farm business; this figure was between 3% and 5% for all self-employed households. Farm businesses are likely to be subject to more variable conditions (e.g. volatile commodity prices) than most other small enterprises.

**Table H: Percentage of household with negative self-employment income and the average loss from self-employment for these households, England 2007/08-2010/11**

		2007/08	2008/09	2009/10	2009/10 <sup>(c)</sup>	2010/11
<b>All self-employed households<sup>(a)</sup></b>	Percentage of households making a loss	3%	4%	5%		4%
	Average loss (£/household)	-£4,700	-£16,400	-£11,400		-£10,700
<b>Farmers' household<sup>(b)</sup></b>	Percentage of households making a loss	12%	13%	11%	12%	10%
	Average loss (£/household)	-£19,200	-£20,200	-£14,300	-£13,000	-£14,900

(a) Source: Office for National Statistics – Living Costs and Food Survey//Effects of taxes and benefits on household income

(b) Source: Defra – Farm Business Survey

(c) In 2010/11 changes were made to the minimum size threshold ( $\geq 25,000\text{€}$ ) and also to the classification of farms. These changes were backdated to 2009/10. Previous years are not directly comparable.

Results in Table J show the impact of including negative incomes in the calculation of the mean income of the bottom fifth of farm households. When including negative incomes the average household income for the bottom fifth in 2010/11 was £7,100/household compared to £13,000/household when negative incomes are set to zero. This analysis is not comparable to the all households and self-employed households series shown in table H. There are also differences in the composition of the quintiles between tables 17 and 20 in the annex.

**Table J: Average gross household Income (£/household) for principal farmers' households (no adjustments made to negative incomes). Results presented overall, bottom fifth and top fifth of households, England 2007/08 – 2010/11**

		<b>2007/08</b>	<b>2008/09</b>	<b>2009/10</b>	<b>2009/10 <sup>(a)</sup></b>	<b>2010/11</b>
<b>Principal farmers' households</b>	Overall	£53,900	£55,600	£47,400	£47,500	£58,100
	Bottom fifth	£300	£1,000	£5,600	£5,900	£7,100
	Top fifth	£144,000	£146,000	£110,800	£110,900	£143,700

Source: Farm Business Survey (England)

(a) In 2010/11 changes were made to the minimum size threshold ( $\geq 25,000\text{€}$ ) and also to the classification of farms. These changes were backdated to 2009/10. Previous years are not directly comparable.

## Appendix A: Characteristics of responders to the FBS and the household income and off-farm activities of the farmer and spouse subset

<b>Government Office Region</b>	<b>Full FBS sample</b>	<b>Household income and off-farm activities of the farmer and spouse subset</b>
North East and Yorkshire & Humber	15%	15%
North West	12%	12%
East Midlands	13%	14%
West Midlands	10%	11%
East England	16%	16%
South East	13%	12%
South West	21%	20%
<b>All farms</b>	<b>100%</b>	<b>100%</b>

<b>Farm Type</b>	<b>Full FBS sample</b>	<b>Household income and off-farm activities of the farmer and spouse subset</b>
Dairy	17%	17%
LFA Grazing Livestock	13%	13%
Lowland Grazing Livestock	14%	14%
Cereals	16%	15%
General cropping	8%	9%
Pigs	4%	4%
Poultry	5%	5%
Mixed	11%	10%
Horticulture	12%	11%
<b>All farms</b>	<b>100%</b>	<b>100%</b>

<b>Farm Size<sup>9</sup></b>	<b>Full FBS sample</b>	<b>Household income and off-farm activities of the farmer and spouse subset</b>
Spare-time	1%	2%
Part-time	10%	13%
Small	24%	27%
Medium	19%	22%
Large	21%	19%
Very large	25%	18%
<b>All farms</b>	<b>100%</b>	<b>100%</b>

<sup>9</sup> Farm Size is based on standard labour requirement. To see how farm size groups are derived please see the UK classification document here:

<http://www.defra.gov.uk/statistics/foodfarm/farmmanage/fbs/aboutfbs/datacollection/>

## Appendix B

### Corresponding household compositions for the analysis of farm businesses with sole proprietorship

Tables E and F present information on farm business profit, principal farmers' household income, net worth, total assets and drawings. Tables B1 and B2, present corresponding information on household compositions to give some indication of associated living standards for the groups covered by the analysis.

Table B1 shows that, on average:

- there are, on average, fewer working age adults per household in the bottom quarter (1.41) than in the top (2.26);
- there are, on average, more adults of pensionable age per household in the bottom quarter (0.62) than in the top (0.24); and
- there are, on average, fewer children per household in the bottom quarter (0.51) than in the top (0.80).

**Table B1: Number of adults of working age and pensionable age, and children (per farm household) by principal farmer household income quarters, England average 2008/09-2010/11**

Income quarter	Farm household income range	Mean number of adults of working age	Mean number of adults of pensionable age	Mean number of children
Bottom	<£21,700	1.51	0.47	0.51
Second	£21,700<£36,200	1.45	0.52	0.43
Third	£36,200<£64,400	1.76	0.34	0.50
Top	>£64,400	2.36	0.21	0.80
<b>All farms</b>		1.77	0.38	0.56

Source: Farm Business Survey (England)

Table B2 shows that, on average:

- there are, on average, more adults of pensionable age per household in owner occupied farms (0.60) than in the overall farm population (0.42).

**Table B2: Number of adults of working age, pensionable age, and children (per farm household) by farm tenure type, England average 2008/09-2010/11**

Tenure type	Mean number of adults of working age	Mean number of adults of pensionable age	Mean number of children
Owner occupied	1.63	0.45	0.41
Tenanted	2.01	0.27	0.78
Mixed - mainly owner occupied	1.72	0.43	0.49
Mixed - mainly tenanted	1.95	0.22	0.85
<b>All farms</b>	1.77	0.38	0.56

Source: Farm Business Survey (England)



## Appendix C

This appendix contains further information on some of the caveats of using the ETB and how certain items have been treated in the analysis to enable a comparison to the FBS.

- 1) The ETB includes the state retirement pension within cash benefits, where the FBS collects income from private pension schemes and the state retirement pension within an overall pension income variable. For the purpose of comparison of average cash benefits, between those recorded in the ETB and the FBS, state retirement pension income has been moved from cash benefits into pension income (within original income) for the ETB analyses.
- 2) The ETB classifies Child Tax Credit (CTC) and Working Tax Credit (WTC) as a negative income tax, but only to the extent that income tax less tax credits, remains greater than or equal to zero, for each household. For the purpose of comparing cash benefits between the two data sources this negative income tax has been added to cash benefits.
- 3) For tenant farmers in the FBS the cost of renting the farm house is included in their land and property charges and deducted from their share of the farm business profit (as a business cost). Recording of self-employment income in the LCF is based on the individual's declaration of profit or loss on their income tax self-assessment and so would follow similar principles, where the family home is used for business purposes.