Department for Environment Food & Rural Affairs

Published 28 February 2018

Forecasts of Farm Business Income by type of farm in England – 2017/18

This statistical notice provides forecasts of Farm Business Income for 2017/18 alongside results from the Farm Business Survey for the years 2012/13 to 2016/17 (Table1). These figures are for March/February years with the latest estimates covering the **2017 harvest** and including the 2017 rate of the Basic Payment Scheme (which is included within total farm output and therefore contributes to Farm Business Income). Actual survey results for this time period will be published at the end of October 2018.

The forecasts for 2017/18 are derived from information available in early February 2018 for prices, livestock populations, marketings, crop areas, yields and input costs and are intended as a broad indication of how incomes for each farm type are expected to move compared with 2016/17. The forecasts are subject to a margin of error, reflecting, in particular, the fact that farm income is derived as the relatively small difference between total output and total input; small percentage changes in either of these can result in large percentage changes in income. It should also be noted that within each year there is a wide range in income across farms around the average figures published here.

Key points

- The fall in the value of the pound has led to increased prices for a number of commodities, having a positive impact on average incomes for cereal, general cropping, mixed and specialist pig and poultry farms.
- The average 2017 Basic Payment is also expected to be around 6 percent higher across all farm types reflecting the weaker pound when sterling rates were determined.
- Higher milk prices plus increased output are expected to double average incomes on dairy farms.
- On lowland grazing livestock farms average incomes are forecast to be similar to 2016/17 as increased output, driven by firmer cattle and sheep prices is offset by higher costs. A smaller increase in output on LFA grazing livestock farms is expected to be insufficient to offset higher costs, leading to lower average incomes.

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 80264060, email:FBS.queries@defra.gsi.gov.uk

SUMMARY BY FARM TYPE

£64,000
48%

Cereals Higher output for cereals and oilseed rape (price and yield) and an increase in the Basic Payment driven by the weaker pound. Partially offset by higher input costs, notably machinery depreciation and running costs.

£78,000
11%

General cropping Increased output from cereals, oilseed rape and sugar beet partially offset by lower potato prices. Input costs are also expected to increase, particularly crop variable costs.

£61,000
5%

Pigs Increased output due to higher prices for fat pigs, culls and weaners. Input costs are also expected to increase, particularly feed. *Contract rearers are well represented in the FBS sample, dampening the full impact of the increase in national pig prices.*

£57,000
5%

Poultry Firmer poultry meat prices plus increased production for broilers and eggs expected to be partially offset by a fall in egg prices. Costs, particularly feed, are also expected to increase. *These changes should be treated with caution due to the small sample size.*

£99,000
98%

Dairy Increased output due to higher milk prices and production are the key drivers behind increased incomes. This is expected to be partially offset by increased input costs, particularly feed (price and volume).

£16,000
0%

Grazing livestock (lowland) Increased output from cattle and sheep plus the Basic Payment is expected to be offset by higher costs, notably feed and other livestock costs.

£25,000
8%

Grazing livestock (LFA) Increased output from cattle enterprises but lower breeding sheep prices expected to limit sheep output. Input costs also expected to increase.

£33,000
14%

Mixed Improved output from both crop and livestock enterprises plus an increase in the Basic Payment are expected to increase average income on these farms.

Background

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.

Detailed results

Average incomes on **cereal** farms are expected to increase by 48 percent in 2017/18 to £64,000. This is primarily due to further weakening of sterling which has driven an increase in the price of cereals and oilseed rape along with a 6 percent increase in the Basic Payment. Average yields were also higher than in 2016 for wheat, barley and oilseed rape as growing conditions were more favourable than the previous year. Small declines in the area of wheat (2 percent) and oilseed rape (4 percent) were offset by increased areas of spring barley and beans, continuing the trend of previous years. The area of combining peas fell by 22 percent, possibly in response to lower prices and technical difficulties associated with growing and harvesting this crop. The combination of higher crop prices and yields are expected to lead to a substantial increase in crop output which is only partially offset by higher input costs. These reflect inflationary increases across a range of costs with larger increases for machinery depreciation and running costs, particularly fuel.

On **general cropping** farms, incomes are expected to increase by around 11 percent to £78,000. On these farms, total crop output is also forecast to be higher than the previous year largely driven by higher prices and yields for cereals and oilseed rape. Despite lower prices, output from sugar beet is also expected to rise due to higher yields and an increased crop area. These increases are expected to be partially offset by a fall in the value of the 2017 potato crop. Potato prices have fallen as a result of plentiful supplies driven by higher yields and an increased crop area. Input costs are also expected to increase, particularly crop variable costs reflecting the increased area for both sugar beet and potatoes.

Average incomes are expected to almost double on **dairy farms** in 2017/18 to £99,000. This is entirely driven by higher prices and volumes for milk over the 12 months from March 2017 to February 2018. At a UK level the average farm gate milk price was around 27% higher in the period March 2017 to January 2018 compared to the previous year. Over the same period the volume of milk produced has also increased by 5 percent. It is important to note the wide variation in milk prices with some farmers receiving considerably more or less than the average. Input costs are also expected to be higher, largely driven by increased feed costs due to firmer cereal prices, as well as greater quantities required to support increased milk yields. Increases are also forecast for other livestock costs (driven by higher straw values) and to a lesser extent for machinery running costs.

Average incomes on **Lowland Grazing Livestock** farms are expected to remain broadly similar in 2017/18 at £16,000. A small increase in output for both cattle, sheep and crop enterprises together with a higher Basic Payment are expected to be offset by higher input costs. Average prices for finished cattle have been higher for the year as a whole due to the exchange rate and tight supplies. Store prices have followed this trend with values also supported by an increase in the proportion of beef rather than dairy breeds. Closing values are expected to be marginally higher than 12 months ago which will have a positive impact on cattle enterprise output, although the difference is expected to be less marked than the previous year. Fat lamb values have been higher for most of the year due to tighter supplies plus a weaker currency which has reduced imports and assisted exports. Throughput has also increased as a result of lambs being held over from the previous year when less favourable grazing conditions slowed finishing. Store lamb prices have fallen with industry reports suggesting lighter lambs are being sent to auction that require more finishing. Input costs are expected to be slightly higher across a number of items, the most notable being feed and other livestock costs, the latter driven by firmer straw prices.

On **LFA Grazing Livestock** farms average incomes are expected to fall by around 8 percent to £25,000. Average prices for breeding ewes and hoggs, which are an important source of income on these farms, were either similar to or lower than the previous year, meaning that the increased output for sheep was small. This, together with higher input costs is expected to offset the increased cattle output and Basic Payment. Average agri-environment payments, which represent a major source of revenue on these farms, are also expected to fall in 2017/18.

Average Farm Business Income is forecast to increase on **specialist pig farms** from £57,800 in 2016/17 to £61,000 in 2017/18. Compared to the previous year, finished pig prices have been around 17 percent higher, although throughput has fallen slightly. Weaner, store and cull sow prices have also increased. The extent of these increases is not fully reflected in the forecasts shown here as contract rearers are well represented in the FBS sample of pig farms. The business models for contract rearing operations are varied but it has been assumed that the enterprise output on these farms will not be impacted to the same extent by the increase in pig prices. Input costs on specialist pig farms are also expected to increase, particularly feed which represents a substantial proportion of their costs. This is assumed to track the increased value of feed wheat and barley but will be dampened by cheaper soya. Note that output is also expected to be reduced due to the change in livestock valuation as the value of weaners and growing pigs is estimated to be lower at closing, compared to opening valuation. This reflects some weakening of pig prices towards the end of 2017 and the early part of 2018.

Forecasts for **specialist poultry** farms are subject to a considerable degree of uncertainty reflecting both the structure of this sector and the relatively small sample of these farms in the FBS. Firmer poultry meat prices plus increased production for both eggs and broilers are expected to offset lower egg prices, the latter driven by weaker values as supply has increased. Feed, which accounts for over half of the costs on these farms, is expected to increase in both price and volume compared to the previous year. Average incomes are forecast to increase by 5 percent to £57,000.

Mixed farms reflect all the enterprises found in the more specialist farm types reported above. The average income on these farms is expected to increase by 14 percent to £33,000. This is largely due to improved output from both crop and livestock enterprises, together with an increase in the Basic Payment. Input costs are expected to increase to a similar extent, particularly livestock feed and other livestock costs.

Table 1: Average Farm Business Income by Type of Farm in England (£/farm)

Farm Type	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18 forecast	% Change 2017/18 / 2016/17
At current prices							
Cereals	67,700	49,600	45,000	35,500	43,100	64,000	48%
General cropping	89,200	67,600	52,000	62,600	70,100	78,000	11%
Dairy	52,600	87,800	83,800	43,900	50,000	99,000	98%
Grazing livestock (Lowland)	16,100	15,100	18,500	12,000	16,100	16,000	0%
Grazing livestock (LFA)	18,700	14,500	14,600	19,000	27,000	25,000	-8%
Specialist pigs [a]	41,700	65,200	49,400	21,600	57,800	61,000	5%
Specialist poultry [a]	90,200	157,200	126,800	106,700	54,200	57,000	5%
Mixed	37,300	29,600	21,600	18,400	28,800	33,000	14%
In real terms at 2017/18 prices [b]							
Cereals	73,300	52,600	47,000	36,900	43,900	64,000	46%
General cropping	96,500	71,800	54,300	65,100	71,400	78,000	9%
Dairy	56,900	93,200	87,500	45,600	50,900	99,000	94%
Grazing livestock (Lowland)	17,500	16,000	19,300	12,500	16,400	16,000	-2%
Grazing livestock (LFA)	20,300	15,400	15,300	19,700	27,500	25,000	-10%
Specialist pigs [a]	45,200	69,200	51,600	22,500	58,900	61,000	3%
Specialist poultry [a]	97,600	166,800	132,400	110,800	55,200	57,000	3%
Mixed	40,300	31,400	22,500	19,100	29,300	33,000	12%

Years ending end February
[a] The sample sizes for specialist pig and poultry farms are relatively small and the confidence intervals relatively large. Results for individual farms can have a large influence on the overall results
[b] Uses GDP deflator

Accuracy and reliability of results

The forecasts shown in this release for 2017/18 are provisional, based on information available in early February 2018 for prices, livestock populations, marketings, crop areas and yields. The relative changes, compared to the previous 12 months, are then applied to aggregate data from the most recent Farm Business Survey for each robust farm type. A level of estimation is necessary, particularly for variables where no market information is available. Outturn results (which will be published in October 2018 based on results for the 2017/18 FBS), could differ from these forecasts for several reasons. These include changes to the sample and to the weighting framework. In 2016/17, of the 1,763 farms that were included in the FBS target population around 169 farms came into the sample that weren't present in 2015/16. In addition, the FBS weights are refreshed each year in line with the latest farm population data from the June survey.

Table 2 compares the forecasts made in February 2017 to the survey results published in October 2017. The forecasts were all within the ranges of the confidence limits of the survey outturns except for dairy farms. For this farm type there was an over estimation of input costs, particularly feed.

Table 2: Revisions to Farm Business Income by Type of Farm in England

Average Farm Business Income per farm (£/farm)

Farm Type	2016/17 Feburary 2017 Forecast	2016/17 December 2017 Outturn	95% Confidence Limits	Change
At current prices				
Cereals	38,000	43,100	+/- 7,300	5,100
General cropping	77,500	70,100	+/- 15,600	-7,400
Dairy	22,500	50,000	+/- 11,000	27,500
Grazing livestock (Lowland)	19,000	16,100	+/- 3,900	-2,900
Grazing livestock (LFA)	24,500	27,000	+/- 4,900	2,500
Specialist pigs	57,000	57,800	+/- 37,100	800
Specialist poultry	74,000	54,200	+/- 39,000	-19,800
Mixed	29,000	28,800	+/- 8,800	-200

Definition of 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.

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 2016, this accounted for approximately 56,700 farm businesses. Data are collected from a sample of around 1,750 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[1]) so that they can be used to produce unbiased estimators of a number of different target variables.

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

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

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 themselves known, 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 notice and enquiries about these statistics are also welcome.

Please contact Charles Mbakwe at fbs.queries@defra.gsi.gov.uk.

[1] Further information on calibration weighting can be found in the ‘Statistical Issues’ document here https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/557607/fbs-statisticalinformation-4oct16.pdf