



Total Income from Farming in the United Kingdom First estimate for 2017

This release presents the first estimate of Total Income from Farming (TIFF) for the United Kingdom for 2017. This is an improved estimate as actual data and firmer estimates replace the initial forecast figures published in February 2018. Details of the changes are provided in the revisions section of this document on page 9. Estimates for earlier years have also been revised slightly due to the availability of additional data.

Total Income from Farming is the total profit from all UK farming businesses on a calendar year basis. It measures the return to all entrepreneurs for their management, labour and capital invested.

First estimate figures for 2017 compared to 2016, in real terms, show:

- Total Income from Farming rose by £1,683million (41%) to £5,743 million
- Agriculture contributed £10,300 million to the national economy (Gross Value Added), an increase of £1,698 million (20%)

The main drivers of this change are:

- An increase of £2,478 million (10%) in gross output to £26,340 million
 - o a 12% increase in crop output was driven by increases in both prices and production for cereals and industrial crops
 - o a 7% increase in livestock for meat was driven by price increases
 - o a 24% increase in livestock products was driven by an increase in milk price
- The cost of intermediate consumption rose by 5.1% driven by higher prices, in particular rising animal feed, energy and fertiliser prices.
- A further weakening of the pound led to a 2.4% increase in the value of payments under the Basic Payment Scheme.
- Total Income from Farming per annual work unit (AWU)¹ of entrepreneurial labour (farmers and other unpaid labour) rose by 41% in real terms to £29,794

¹ AWU equals input of one person engaged in the agricultural activities of the farm business on a full-time basis for one year.
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Summary (in real terms)

Real term value is where previous years' data is adjusted to take account of inflation so the values are comparable.

In real terms Total Income from Farming in 2017 was 41% higher than the 2016 total, a rise of £1,683 million to £5,743 million (Figure 1).

Total Income from Farming per AWU of entrepreneurial labour follows a similar trend to Total Income from Farming, but owing to a decline in the number of farmers and other unpaid workers has performed better over time (Figure 1). In 2017 total Income from Farming per AWU of entrepreneurial labour was 41% higher than 2016 at £29,794.

Incomes tend to be volatile and following an overall upward trend from the year 2000, income fell in 2015 driven down by lower prices and a less favourable exchange rate and despite the exchange rate strengthening in 2016, commodity prices did not recover enough for incomes to improve. In 2017 incomes are estimated to be slightly ahead of the 2013 figure, as the pound weakened further which helped commodity prices rise and added to the value of payments under the Basic Payment Scheme.

Figure 1 Agriculture industry income trends in the United Kingdom (in real terms)

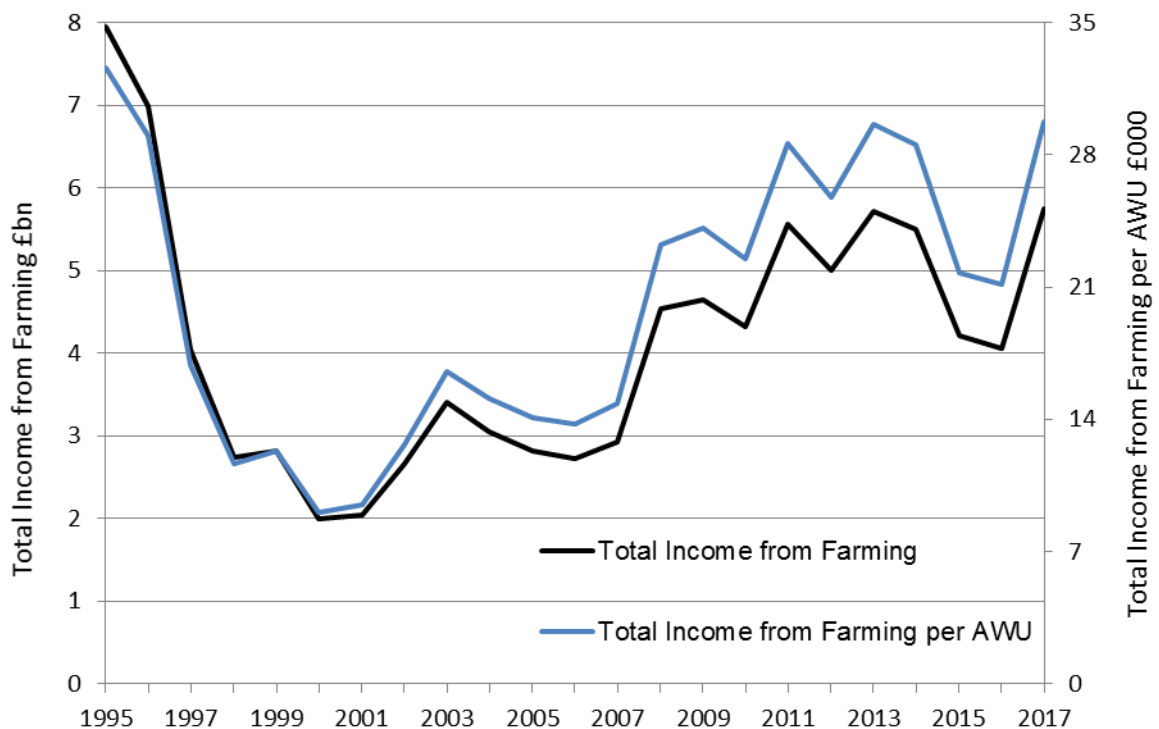


Table 1 Aggregate Agricultural Accounts: Summary of real term price production and income accounts for the United Kingdom (a)

£ million	Calendar years						
	2011	2012	2013	2014	2015	2016	2017
Total crop output	9 971	9 714	10 010	9 596	8 925	8 487	9 508
Total livestock output	13 806	14 190	15 065	14 996	13 714	12 998	14 412
10 Other agricultural activities	1 128	1 098	1 116	1 171	1 140	1 111	1 114
11 Inseparable non-agricultural activities	1 103	1 126	1 248	1 222	1 232	1 223	1 259
12 Output (at market prices)	26 007	26 129	27 439	26 984	25 011	23 819	26 293
13 Total subsidies (less taxes) on product	30	22	22	22	37	43	47
14 Gross output at basic prices (12+13)	26 038	26 151	27 461	27 006	25 048	23 862	26 340
25 Total intermediate consumption	16 492	16 794	17 490	16 694	15 945	15 260	16 040
26 Gross value added at market prices (12-25)	9 515	9 335	9 949	10 290	9 066	8 560	10 253
27 Gross value added at basic prices (14-25)	9 546	9 357	9 971	10 312	9 103	8 602	10 300
28 Total consumption of Fixed Capital	4 263	4 337	4 228	4 269	4 122	4 139	4 100
29 Net value added at market prices (26-28)	5 252	4 997	5 721	6 021	4 944	4 420	6 153
30 Net value added at basic prices (27-28)	5 282	5 020	5 743	6 043	4 981	4 463	6 200
31 Other taxes on production	- 133	- 131	- 125	- 104	- 98	- 95	- 94
32 Other subsidies on production	3 829	3 529	3 542	3 069	2 939	3 289	3 250
33 Net value added at factor cost (30+31+32)	8 978	8 418	9 160	9 009	7 821	7 657	9 356
34 Compensation of employees	2 575	2 547	2 549	2 512	2 597	2 583	2 615
35 Rent	527	535	552	579	583	584	574
36 Interest	316	328	345	411	436	430	424
37 Total Income from Farming (33-34-35-36)	5 561	5 008	5 713	5 506	4 205	4 060	5 743
Annual Work Unit agricultural labour input (thousand head) (b)	194	194	193	193	193	192	193
Total Income from Farming per annual work unit (£ million) (b)	28 609	25 756	29 657	28 563	21 765	21 124	29 794

Source: Defra

(a) Real term price is where previous year's data is adjusted to take account of inflation so the values are comparable

(b) Annual Work Unit (AWU) equals input of one person engaged in the agricultural activities of the farm business on a full-time basis for one year

The following commentary refers to table 1

The value of all outputs, in real terms, rose by 10% to £26,340 million. A 12% rise in crop output was driven by increases in both prices and production for cereals and industrial crops. A 7% increase in livestock for meat was driven by price increases and a 24% increase in livestock products was driven by an increase in milk price.

The cost of intermediate consumption rose by 5.1%, due to higher cost prices; animal feed, fertiliser and energy were the main contributors to this increase. This led to a 20% (£1,698 million) rise in gross value added at basic price to £10,300 million.

In 2017 the pound further weakened against the euro and thus slightly boosted the value of Basic Payments made to UK farmers which were 2.4% higher than 2016. Payments are set in Euros and converted to sterling each year using the exchange rate set by the European Central Bank every September. In 2017 €1=85.2p compared to €1=73.1p in 2016.

Labour, rent and interest were only slightly changed on the year, with labour up £32 million whereas rent and interest fell by £10 million and £6 million respectively.

Aggregate Agricultural Accounts: production and income accounts: main findings in current price

The following commentary refers to table 2 detailed production and income accounts from the aggregate agricultural accounts. Values are expressed in current prices, i.e. based on prices in the year in question.

Headline figures

In 2017 Total Income from Farming rose by £1,758 million to £5,743 million, a 44% increase on 2016. The key contributors to the change were the rises in the value of milk by £1,044 million, wheat by £368 million, cattle and pigs by around £230 million and oil seed rape £223 million. In contrast costs were higher with animal feed and energy costs showing the largest increases, up £577 million and £131 million respectively.

Gross value added at basic price, which identifies agriculture's contribution to the Gross Domestic Product (GDP), rose by 22% (£1,856 million) to £10,300 million, in current price terms, the highest recorded level.

Outputs: Crops

Overall output of crops value rose by £1,178 million or 14% to £9,508 million, with increases seen in all crops.

Cereal harvests were up on last year as yields and cropped areas mostly increased. Prices continued to improve in 2017, following the price increases seen in the latter part of 2016, and for the year were higher overall.

The value of wheat rose by £368 million to £1,992 million. The harvest was average, quality good and a higher yield somewhat compensated for a 1.7% reduction in planted area, resulting in volumes up by 2.7%. Price rose by 19%, as the higher prices seen in the second half of 2016 continued through 2017.

The value of barley rose by £194 million to £893 million, driven by both price and volume. The barley planted area was 4.9% higher, yield slightly up on 2016 resulting in an 11% rise in volume. Price was 15% higher.

Oilseed rape saw a rise in value of £223 million to £764 million, driven by higher production and price (+15%). Yields matched the record high of 2015 and compensated for the reduction in area resulting in a 23% increase in production.

In 2017, the value of sugar beet rose by £78 million to £228 million driven by volume. The abolition of EU sugar quotas led to a 30% increase in cropped area and a 58% rise in production.

Potatoes rose in value by £86 million to £897 million in 2017. An 4.5% increase in planted area and higher yield contributing to this rise which led to year end stocks at their highest recorded level. As a consequence price fell by 4.2%.

The value of vegetables increased by £47 million to £1,456 million, driven by small increases in price and volume. Higher production and price resulted in the value of fruit up by £60 million to £759 million.

Outputs: Livestock

Overall the total value of output of livestock was 13% higher at £14,412 million.

The value of milk increased in value by £1,044 million to £4,344 million. Production was 4.0% higher, as increased yield offset a fall in dairy numbers. The average price of milk in 2017 (calendar year) was 28.86 pence per litre (ppl), 6.12 ppl higher than 2016 and the highest annual price since 2014.

The value of eggs rose by £21 million to £624 million, entirely volume driven as throughput at egg packing stations rose by 4.2% whilst price remained fairly stable.

The value of livestock primarily for meat rose by £643 million with increases seen in all sectors. The value of cattle meat increased by £225 million to £2,989 million, entirely price driven (+9.5%) as production was slightly down on the year.

Pig meat rose in value by £230 million to £1,329 million. This rise is entirely due to the 23% rise in price as tightening supplies in the EU contributed to this price increase. Production levels fell by 1.6% although carcass weights were slightly heavier.

The value of sheep meat rose by £46 million to £1,197 million, both price and volume driven. The weakening of sterling made exports more competitive pushing prices up. Poultry meat rose by £136 million to £2,418 million, again both price and volume driven with a fall in turkey meat production more than offset by the rise in broiler production.

Intermediate consumption

The total cost of intermediate consumption rose by £1,062 million to £16,040 million. All intermediate consumption costs rose with animal feed, energy and fertiliser showing the largest increases.

The cost of animal feed rose by £577 million to £5,127 million, a combination of increased volumes and feed price. Higher cereal prices kept the annual average feed price up on the year. Greater demand by the dairy sector on the back of higher milk prices, higher livestock numbers and variable forage quality all led to increased supplementary feed use.

Energy costs rose by £131 million to £1,263 million, wholly price driven as global oil prices continued to rise. Typical weather conditions and efficiency savings kept usage stable.

Fertilisers costs rose by £85 million to £1,345 million, again driven by the global oil price as usage was down.

Compensation of employees

The total value of compensation to employees was £2,615 million, an £80 million increase resulting from the increase in the national minimum wage rate. Labour numbers were little changed on the previous year.

Other subsidies on production

Direct payments, including payments on product (£47 million), rose to £3,297 million. The value of the Basic Payment Scheme rose by 2.4% to £3,250 million, once again boosted by the favourable exchange rate. In 2017 agri-environment payments were slightly down on the year as scheme uptake remains slow.

Table 2 Aggregate Agricultural Accounts: Current price production and income accounts for the United Kingdom

	Calendar years			
	2016	2017	Change 16-17	% Change 16-17
1 Output of cereals	2 414	2 990	576	24%
of which:				
wheat	1 624	1 992	368	23%
barley	699	893	194	28%
oats	87	100	13	15%
2 Output of industrial crops	859	1 183	324	38%
of which:				
oilseed rape	541	764	223	41%
protein crops	131	153	22	17%
sugar beet	150	228	78	52%
3 Output of forage plants	278	288	10	4%
4 Output of vegetables and horticultural products	2 699	2 807	109	4%
of which:				
fresh vegetables	1 409	1 456	47	3%
plants and flowers	1 290	1 351	62	5%
5 Output of potatoes (including seeds)	810	897	86	11%
6 Output of fruit	698	759	60	9%
7 Output of other crop products incl. seeds	572	585	13	2%
Total crop output (sum 1-7)	8 330	9 508	1 178	14%
8 Output of livestock	8 764	9 358	594	7%
primarily for meat	7 520	8 164	643	9%
of which:				
cattle	2 764	2 989	225	8%
pigs	1 099	1 329	230	21%
sheep	1 151	1 197	46	4%
poultry	2 282	2 418	136	6%
gross fixed capital formation	1 243	1 195	- 49	-4%
of which:				
cattle	671	676	5	1%
pigs	5	6	1	14%
sheep	303	256	- 47	-16%
poultry	265	257	- 8	-3%
9 Output of livestock products	3 995	5 054	1 060	27%
of which:				
milk	3 301	4 344	1 044	32%
eggs	603	624	21	3%
Total livestock output (8+9)	12 758	14 412	1 654	13%
10 Other agricultural activities	1 091	1 114	23	2%
11 Inseparable non-agricultural activities	1 200	1 259	58	5%
12 Output (at market prices) (sum 1 to 11)	23 380	26 293	2 913	12%
13 Total subsidies (less taxes) on product	42	47	6	13%
14 Gross output at basic prices (12+13)	23 421	26 340	2 919	12%

continued

Table 2 (continued) Aggregate Agricultural Accounts: Current price production and income accounts for the United Kingdom

£ million	Calendar years			
	2016	2017 Provisional	<i>Change</i> 16-17	<i>% Change</i> 16-17
Intermediate consumption				
15 Seeds	733	792	59	8%
16 Energy	1 132	1 263	131	12%
of which: electricity and fuels for heating	361	389	28	8%
motor and machinery fuels	772	875	103	13%
17 Fertilisers	1 259	1 345	85	7%
18 Plant protection products	953	1 006	53	6%
19 Veterinary expenses	453	460	7	2%
20 Animal feed	4 551	5 127	577	13%
of which: compounds	2 769	3 194	425	15%
straights	1 226	1 288	62	5%
feed produced & used on farm	556	645	89	16%
21 Total maintenance	1 562	1 600	38	2%
of which: materials	956	990	34	4%
buildings	607	611	4	1%
22 Agricultural services	1 091	1 114	23	2%
23 FISIM	105	110	5	5%
24 Other goods and services	3 138	3 222	84	3%
25 Total intermediate consumption (sum 15 to 24)	14 978	16 040	1 062	7%
26 Gross value added at market prices (12-25)	8 402	10 253	1 851	22%
27 Gross value added at basic prices (14-25)	8 443	10 300	1 856	22%
28 Total consumption of Fixed Capital	4 063	4 100	36	1%
of which: equipment	1 811	1 864	52	3%
buildings	995	1 019	23	2%
livestock	1 256	1 217	- 39	-3%
cattle	695	694	- 1	0%
pigs	5	5	1	11%
sheep	278	257	- 21	-8%
poultry	279	261	- 17	-6%
29 Net value added at market prices (26-28)	4 339	6 153	1 814	42%
30 Net value added at basic prices (27-28)	4 380	6 200	1 820	42%
31 Other taxes on production	- 93	- 94	- 1	1%
32 Other subsidies on production	3 229	3 250	21	1%
33 Net value added at factor cost (30+31+32)	7 516	9 356	1 840	24%
34 Compensation of employees	2 535	2 615	80	3%
35 Rent	573	574	1	0%
36 Interest	422	424	2	0%
37 Total income from farming (33-34-35-36)	3 985	5 743	1 758	44%

Revisions

This release replaces the estimate forecast published in February 2018. Table 3 details the level of change since February. The revisions were planned, are generally small and increase the precision as further data has become available.

Table 3: Revisions made to Total Income from Farming for 2017 between February 2018 and May 2018

Total Income from Farming for 2017	Published February 2018	Published May 2018	% change
Gross output at basic price (£m)	25 619	26 340	2.8%
Intermediate consumption (£m)	15 704	16 040	2.1%
GVA at basic price (£m)	9 914	10 300	3.9%
Total Income from Farming (£m)	5 345	5 743	7.4%

Table 4 details revisions made to 2016 data since May 2017. These revisions were largely planned, a result of changes by Devolved Administrations following the publication of their final accounts for 2016 with initial estimates revised to improve quality and accuracy. Further information on these revisions can be found here: [Scotland](#), [Wales](#) and [Northern Ireland](#).

In addition new methodology has been introduced to calculate the volume and value of potatoes, in particular to improve figures for stock feed. Data has been revised back to 2014.

The values of gross fixed capital formation (GFCF) and consumption of fixed capital (CFC) of cattle have been revised back to 2014 to correct an error in the calculation of breeding cattle. This has little impact on value of TIFF as the GFCF increase is offset by an increase in CFC.

Table 4: Revisions made to Total Income from Farming for 2016 between May 2017 and May 2018

Total Income from Farming for 2016	Published May 2017	Published November 2017	Published May 2018	% change
Gross output (£m)	23 149	23 267	23 421	0.7%
Intermediate consumption (£m)	14 953	15 029	14 978	-0.3%
GVA (£m)	8 196	8 237	8 443	2.5%
NVA at factor cost (£m)	7 149	7 216	7 516	4.2%
TIFF (£m)	3 610	3 682	3 985	8.2%

Total Income from Farming is sensitive to small percentage changes in the values of outputs and intermediate consumption. A combination of a revision downwards in output and revision upwards in intermediate consumption leads to more sizeable revisions in percentage terms to Gross Value Added and Total Income from Farming.

Further information on revisions and data correction procedures and standards can be found [here](#).

Summary quality report

A summary quality report for this statistical release can be found on the GOV.UK website at <https://www.gov.uk/government/organisations/department-for-environment-food-rural-affairs/series/aggregate-agricultural-accounts>.

This is an overview note which is not release specific but will be reviewed and updated at regular intervals. It pulls together key qualitative information on the various dimensions of quality as well as providing a summary of methods used to compile the output. It relates to estimates of Total Income from Farming and aims to provide users with information on usability and fitness for purpose of these estimates.

Quality Assurance

Defra has in place quality assurance processes to check the accuracy and reliability of the aggregate agricultural accounts that includes:

- Ongoing review of methods employed in the calculation of the accounts.
- Assessment of the quality of the estimates of components of the accounts with internal experts.
- Discussion of components of the accounts with external experts.
- Quality assessments made by Eurostat, the statistical office of the European Union.

Development areas

Defra statisticians carry out a continuous review of methods employed in making estimates of the production and income accounts. This may lead to revisions to data series owing to improvements in methods in addition to the use of later information.

Main users and uses of the aggregate agricultural accounts

The aggregate agricultural accounts are used in conjunction with other economic information to:

- Monitor the productivity and competitiveness of the farming industry.
- Inform policy decisions and to help monitor and evaluate current policies relating to agriculture in the UK by Government and in the European Union by the European Commission.
- Inform stakeholders of the performance of the agricultural industry.
- Inform research into the economic performance of the agricultural industry.
- Total Income from Farming sets the context when looking at a number of policies; the agricultural industry, on average, contributes around £9 billion to the national economy and accounts for about 0.5% of national Gross Domestic Product. It is most relevant to policies relating to Common Agricultural Policy reform and the competitiveness of farming.

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.