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Forecasts of Farm Business Income by type of farm England 2018/19

This statistical notice provides forecasts of Farm Business Income for 2018/19 alongside results from the Farm Business Survey for the years 2013/14 to 2017/18 (Table1). These figures are for March/February years with the latest estimates covering the **2018 harvest** and including the 2018 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 2019.

The forecasts for 2018/19 are derived from information available in early February 2019 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 2017/18. 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 weather is expected to have been a key influencing factor for incomes across farm types in 2018/19. The challenging conditions generally reduced crop yields although this was offset by price rises for many crops. Increased crop prices led to higher feed costs for livestock farms and many also had to purchase more feed due to the cold late spring and summer drought.
- Incomes are expected to fall on all farm types in 2018/19 except cereal farms where a rise in cereal prices is predicted to be the main driver increasing average income by around 13 percent to £73,000.
- A fall in income on livestock farms is predicted to be driven by increased input costs, primarily for feed. Specialist pig farms are expected to have the largest decrease in income with a forecast average income of around £1,000.
- Compared to 2017, the average 2018 Basic Payment is expected to decrease by 1 percent across all farm types. This reflects the small change to the Euro / Sterling exchange rate in the September of each year when the payment rates are determined.

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SUMMARY BY FARM TYPE

£73,000 ↑ 13%

Cereals Higher crop output due to increased cereal prices although yields for most crops lower. Partially offset by higher input costs, notably machinery depreciation, fuel and oil.

£85,000 ↓ 8%

General cropping Input costs predicted to increase and more than offset a rise in output largely driven by cereal prices. The hot, dry weather conditions resulted in reduced yields for oilseed rape, sugar beet, peas, beans and potatoes.

£93,000 ↓ 22%

Dairy A small increase in output is expected to be offset by bigger increases to input costs, most notable for feed reflecting price rises and increased volumes.

£16,000 ↓ 29%

Grazing livestock (lowland) Higher feed costs are a major driver to input cost rises. Decrease in livestock output reflects a fall in average cattle prices and reduced numbers of store and finished lambs due to challenging weather conditions.

£24,000 ↓ 17%

Grazing livestock (LFA) Input costs expected to increase, especially for feed. Decreased output from cattle enterprises and lower average breeding sheep prices partially offset by increase to crop output. Average Agri-environment payments predicted to increase.

£1,000 ↓ 96%

Pigs Decreased output due to a fall in average prices for fat pigs, culls, stores and weaners. Input costs are expected to increase substantially driven by higher feed costs. *Contract rearers are well represented in the FBS sample, dampening the full impact of the decrease in national pig prices.*

£53,000 ↓ 45%

Poultry Output predicted to rise slightly reflecting increased production for both poultry meat and eggs although prices remained fairly static. Costs, particularly feed, are expected to increase considerably. *These changes should be treated with caution due to the small sample size.*

£38,000 ↓ 10%

Mixed A small increase in farm output driven by crop enterprises predicted to be offset by rises to input costs particularly feed, fuel and machinery.

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

The average income on **cereal** farms is expected to increase by around 13 percent in 2018/19 to £73,000. Increases to cereal prices, influenced by global weather conditions and harvest concerns, are expected to result in a total crop output around 9 percent higher than in 2017/18. The price increases are offset by a projected reduction in yields (except winter barley) which suffered as a result of the cold, late spring and hot dry summer. The increase in crop output is predicted to be only partially offset by a rise in total input costs of about 3 percent. Small rises are expected across a range of costs, with larger increases for machinery depreciation and fuel and oil. Average Agri-environment Scheme payments and the Basic Payment are expected to see little change compared to 2017/18. For the Basic Payment this reflects the minimal change in the Euro / Sterling exchange rates in September 2017 and 2018, when the exchange rate for these payments is determined.

On **general cropping** farms, average Farm Business Income is forecast to decrease by about 8 percent in 2018/19 to £85,000. Input costs are expected to rise by around 3 percent, in particular for fuel, fertiliser and machinery depreciation, more than offsetting a small increase in output (largely driven by higher cereal prices). Although some other crops are expected to see price increases (peas, beans, potatoes and sugar beet) crop output overall was impacted by the heat and drought which resulted in reduced yields. Yields for oilseed rape are also expected to be down, particularly for crops grown on lighter soils. Beans, linseed and potatoes will also see a reduction in crop area. The Basic Payment and Agri-environment Scheme payments are expected to see little change compared to 2017/18.

Average Farm Business Income on **Dairy** farms is expected to decrease by 22 percent to £93,000. On these farms, output is forecast to increase by 2 percent, driven by an increase in milk production of around 1 percent (reflecting an increase in yield rather than a rise in dairy cow numbers). Recent price falls have meant that, for the period March 2018 to January 2019 as a whole, the average UK farm gate milk price is expected to be similar to the previous year. It is important to note the wide variation in milk prices with some farmers receiving considerably more or less than the average. In comparison, input costs are predicted to go up by around 8 percent, largely driven by substantially higher feed costs. These reflect the predicted higher cereal prices and the increased amount of feed required during the cold spring and summer drought conditions. Little change is expected for Basic Payment and Agri-environment Scheme payments.

On lowland grazing livestock farms, average income is predicted to fall by over a quarter to £16,000. Falls in output for cattle and sheep are expected to be tempered slightly by an increase in crop output, resulting in an overall decrease in output of about 1 percent. Challenging weather conditions (the very cold winter and spring followed by extreme heat) are predicted to have led to fewer numbers of store and finished lambs, while exceptionally high prices early in the year have now moved to more typical levels. Average prices for finished cattle started the period quite strongly but fell slightly over the summer on the back of the dry weather. Store cattle prices were also lower, on average, compared to the previous year. Closing values are expected to be lower for cattle than 12 months ago, which will have a further impact on the incomes of cattle enterprises. Total input costs are forecast to rise by around 5 percent with increases to feed costs being a key driver. These are expected to increase by 17 percent, with costs for purchased concentrates around 12 percent higher compared to 2017/18.

The average income on LFA grazing livestock farms is forecast to decrease by 17 percent in 2018/19 to £24,000. Output from cattle is expected to fall slightly, reflecting lower average prices compared to the previous year, particularly for store cattle. Average prices for breeding ewes and hogs are also expected to be generally lower. Agri-environment payments, which represent a major source of revenue on these farms, are predicted to increase by around 6 percent in 2018/19. These factors combined give an overall output similar to 2017/18, while input costs are expected to rise by 6 percent. This increase is largely driven by feed costs which are predicted to go up by around 16 percent. Other smaller increases are also expected across a range of costs.

In 2018/19, average Farm Business Income on specialist pig farms is expected to fall to around £1,000 compared to £31,300 in 2017/18. Increased feed costs of around 8 percent are predicted to be the major contributing factor. Although production increased slightly, output from pigs is forecast to decrease by 2 percent reflecting falls in average prices for cull sows, clean pigs, weaner and stores. The extent of these price decreases is not fully reflected in the forecasts as contract rearers are well represented in the Farm Business Survey 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 decrease in pig prices. A change in livestock valuation is also expected to contribute to the fall in income as the value of weaners and store pigs is estimated to be lower at closing, compared to opening, valuation.

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 Farm Business Survey. Poultry meat prices have remained at a similar level to 2017/18 although production has increased. Egg production shows a similar trend and these factors combined have led to a predicted increase in output from poultry and eggs of around 3 percent. Inputs costs are predicted to go up by around 8 percent, driven by increased feed costs. Average income on specialist poultry farms is expected to have fallen by 45 percent in 2018/19 to £53,000.

On **Mixed farms** average income is forecast to decrease by around 10 percent to £38,000. These types of farms reflect all the enterprises found in the more specialist farm types reported above. The decrease in income is largely due to a 5 percent rise in inputs costs (particularly for feed, fuel and machinery depreciation) while total farm output is expected to rise by 3 percent, primarily driven by an increase in crop output. The average Basic Payment is predicted to be similar to 2017/18.

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

Farm Type	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19 forecast	% Change 2018/19 / 2017/18
At current prices							
Cereals	49,600	45,000	35,500	43,100	64,200	73,000	13%
General cropping	67,600	52,000	62,600	70,100	93,300	85,000	-8%
Dairy	87,800	83,800	43,900	50,000	119,700	93,000	-22%
Grazing livestock (Lowland)	15,100	18,500	12,000	16,100	21,900	16,000	-29%
Grazing livestock (LFA)	14,500	14,600	19,000	27,000	28,300	24,000	-17%
Specialist pigs (a)	65,200	49,400	21,600	57,800	31,300	1,000	-96%
Specialist poultry (a)	157,200	126,800	106,700	54,200	96,000	53,000	-45%
Mixed	29,600	21,600	18,400	28,800	41,800	38,000	-10%
In real terms at 2018/19 prices (b)							
Cereals	53,900	48,100	37,800	45,000	65,500	73,000	11%
General cropping	73,600	55,500	66,700	73,200	95,200	85,000	-10%
Dairy	95,500	89,500	46,800	52,100	122,200	93,000	-24%
Grazing livestock (Lowland)	16,400	19,700	12,800	16,800	22,300	16,000	-30%
Grazing livestock (LFA)	15,800	15,600	20,200	28,100	28,900	24,000	-19%
Specialist pigs (a)	70,900	52,800	23,000	60,300	31,900	1,000	-96%
Specialist poultry (a)	171,000	135,500	113,500	56,500	98,000	53,000	-46%
Mixed	32,200	23,100	19,600	30,000	42,700	38,000	-12%

Years ending end February. Data rounded to the nearest thousand. The percentages shown are calculated against the unrounded figures.
(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 2018/19 are provisional, based on information available in early February 2019 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 (FBS) 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 2019 based on results for the 2018/19 FBS), could differ from these forecasts for several reasons. These include changes to the sample and to the weighting framework. In 2017/18, of the 1,768 farms that were included in the FBS target population around 122 farms came into the sample that weren't present in 2016/17. In addition, the FBS weights are refreshed each year in line with the latest farm population data from the June survey.

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 2017, this accounted for approximately 54,700 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.

[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

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 Alison Wray at fbs.queries@defra.gov.uk.