Department
for Environment
Food & Rural Affairs

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Forecasts of Farm Business Income by type of farm England 2019/20

This statistical notice provides forecasts of Farm Business Income for 2019/20 alongside results from the Farm Business Survey for the years 2014/15 to 2018/19 (Table 1). These figures are for March/February years with the latest estimates covering the 2019 harvest and including the 2019 rate of the Basic Payment Scheme (which is included within the total farm output and therefore contributes to Farm Business Income). Actual survey results for this period will be published at the end of October 2020.

The forecasts for 2019/20 are derived from information available in early February 2020 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 2018/19. 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

- Weather conditions were generally more favourable in 2019/20 for growing higher yielding crops and grass/silage in comparison with the extreme weather seen in 2018/19 which resulted in poorer yields and higher prices.
- In 2019/20, average Farm Business Income on cereal and general cropping farms is expected to fall with lower prices reducing crop output despite higher yields for many crops in comparison to 2018/19.
- Incomes on grazing livestock and specialist pig farms are forecast to increase, largely due to reduced input costs driven primarily by a fall in feed costs and, also for pig farms increases to pigmeat prices.
- Compared to 2018, the average 2019 Basic Payment is predicted to change little for any farm type reflecting the very similar Euro / Sterling exchange rates in the September of each year (2018 and 2019) when the payment rates are determined.

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SUMMARY BY FARM TYPE

£57,000
⬇ 15%

Cereals Lower prices are predicted to result in a fall in crop output despite higher yields compared to 2018/19 when drought conditions had a severe impact. This is expected to be compounded by a rise in input costs, notably machinery costs.

£99,000
⬇ 7%

General cropping Input costs are expected to increase, particularly crop and machinery costs. Higher yields for sugar beet, peas, beans and potatoes, and increased areas for some crops, are expected to be offset by lower prices.

£80,000
⬌ 0%

Dairy A small decrease in overall output is expected to be largely offset by a similar fall in input costs, most notably for feed reflecting lower cereal and straw prices plus the superior quantity, and for some quality, of home grown grass and silage compared to 2018/19.

£19,000
⬆ 51%

Grazing livestock (lowland) Cattle and sheep output is predicted to rise with firmer prices towards the end of the year having a positive impact on closing valuations. Input costs are expected to decrease, driven by lower feed costs.

£22,000
⬆ 40%

Grazing livestock (LFA) As for lowland farms, a decrease in input costs is expected to be driven by lower feed costs. Higher average prices for breeding ewes and hoggs together with closing values greater than 12 months ago are predicted to have a positive influence on sheep output.

£58,000
⬆ 95%

Pigs Increased output due to a rise in average pig prices with throughput and carcase weights also slightly up. Input costs are expected to fall primarily driven by lower feed costs. *Contract rearers are well represented in the FBS sample, dampening the full impact of the increase in national pig prices..*

£67,000
⬇ 10%

Poultry Input costs predicted to be largely unchanged with decreases to feed costs offsetting other cost rises, particularly general farming costs. Output is expected to fall slightly mainly influenced by the poultry meat sector. *These changes should be treated with caution due to the small sample size.*

£48,000
⬆ 5%

Mixed A small decrease in costs is predicted while output remains little changed on 2018/19: a decrease in output from crops is expected to be largely offset by an increase in livestock output.

Background

Data on farm business incomes are used to monitor and evaluate Government policies and to inform wider research into the economic performance, productivity and competitiveness of the agricultural industry. The data are currently 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 income on **cereal farms** is predicted to decrease by 15 percent in 2019/20 to £57,000. Compared to 2018, more favourable conditions are expected to produce improved yields for cereal crops and, for barley, a switch to the higher yielding winter crop will be another factor. Crop areas are also expected to increase, the exception being oilseed rape which will see decreases both in terms of area and yield. However, the expectation of plentiful supplies and a successful harvest are predicted to result in lower prices offsetting the yield and area increases; an overall fall in crop output of around 4 percent is forecast. At the same time, input costs are expected to rise by 2 percent, the result of small increases to a range of costs, with a larger rise to costs associated with machinery. The Basic Payment and Agri-environment Scheme payments are expected to see little change. The Basic Payment reflects the very similar euro / sterling exchange rate in the September of each year when the exchange is determined.

Average Farm Business Income on **general cropping farms** is expected to fall by around 7 percent to £99,000 in 2019/20. Total crop output is predicted to go down slightly on these type of farms despite considerably higher yields than in 2018 (notably for peas and beans and also for sugar beet and potatoes) when drought conditions had a severe impact. As with cereals, the effect of the rises coupled with increased areas for some crops, are expected to be offset by lower prices. The exception to this is oilseed rape where prices are predicted to remain firm, but the area and yield decreases, reflecting issues for some farms with Cabbage Stem Flea Beetle and pigeon grazing. The wet autumn and winter may also have an impact on production for potatoes and sugar beet by causing disruption to lifting. Little change is predicted for the Basic Payment or Agri-environment Scheme payments. In terms of costs, these show a similar trend to cereal farms, with the largest increases for machinery and also crop related costs.

At £80,000, the average income on **dairy farms** is forecast to be virtually unchanged on 2018/19 with a fall in input costs offset by a similar reduction in output. For the period March 2019 to January 2020 the average UK farmgate milk price is expected to be around 1 percent lower than the previous year, while production is predicted to see a slight increase resulting in little overall change to output from milk and milk products compared to 2018/19. It is important to note the wide variation in milk prices with some farmers receiving considerably more or less than the average. Output from other cattle enterprises, important to many dairy farms, is expected to fall reflecting lower prices, particularly for store animals. Overall, total farm output is predicted to go down by 2 percent. It is anticipated that input costs will fall by a similar amount, largely driven by a substantial reduction in feed costs; the result of lower cereal and straw prices plus the superior quantity, and for some quality, of home grown grass and silage compared to 2018. As with other types of farm, no major changes are predicted to the level of the Basic Payment or Agri-environment Scheme payments

Average income on **lowland cattle and sheep farms** is expected to increase by just over half to £19,000. In contrast to 2018/19, input costs are forecast to fall: good grass growth through the summer coupled with lower feed and forage prices are predicted to reduce feed costs by around a fifth. At the same time, total output is expected to increase by about 3 percent. While prices for both fat and store cattle have been lower for the year as a whole (reflecting plentiful supplies which have been bolstered by slightly heavier carcase weights) some upward movement in recent months is expected to have a positive impact on closing values for beef enterprises. Finished lamb prices have also been slightly down compared to last year (although still around the 5 year average) while store prices are expected see a small increase. Production is also expected to rise with increased throughput and slightly heavier carcase weights. As with cattle, closing values are forecast to be higher than 12 months ago which will have a positive effect on sheep output.

In 2019/20, the average income on **LFA grazing livestock farms** is predicted to rise by 40 percent to £22,000 driven by lower costs and an increase in sheep output. Compared to 2018, higher average prices for breeding ewes and hoggs, an important source of income on these farms, and closing values higher than 12 months ago will both have a positive impact on sheep output. Output from cattle is expected to increase slightly with similar drivers to lowland farms, while output from crops will remain at a similar level to the previous year. As with lowland farms, costs are generally predicted to fall, most notably for feed where it is anticipated they will reduce by around a fifth compared to 2018/19. Average agri-environment payments, which represent a major source of revenue on these farms, are expected to be little changed and the Basic Payment go up by around 1 percent compared to the previous year.

Forecasts for **specialist pig 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. On **Specialist pig farms** average incomes are predicted to nearly double to around £58,000 in 2019/20. Against the backdrop of African Swine Fever in China and elsewhere, prices for finished pigs have increased by around 5 percent compared to 2018/19 with throughput and carcase weights also slightly up. Price lifts have also been seen for cull sows, stores and weaners. The extent of these price increases is not fully reflected in the forecasts 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 (contract rearers) will not be impacted to the same extent by the increase in pig prices. Input costs on specialist pig farms are predicted to decrease slightly, with feed costs, a major expense on this type of farm, falling by around 4 percent.

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. For this type of farm, input costs are predicted to remain largely unchanged on 2018/19 levels: decreases to feed costs are expected to be offset by rises to machinery costs, other livestock costs and general farming costs. Total output is expected to fall slightly reflecting a similar scale of decrease in poultry output. While egg prices and production are predicted to be slightly higher compared to 2018/19, slaughter statistics for broilers, turkeys and other poultry indicate a decrease in poultry meat production, although prices remain firm. Average income on specialist poultry farms is forecast to fall by 10 percent in 2019/20 to £67,000.

On **Mixed farms** incomes are expected to increase by 5 percent to £48,000. These type of farms reflect all the enterprises found in the more specialist farm types reported above. The increase in average income is predicted to be primarily due to a small decrease in input costs (most notably for feed) while output will remain little changed on 2018/19: a decrease in output from crops is forecast to be largely offset by an increase in livestock output. Little change is anticipated to the Basic Payment and average Agri-environment Payments.

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

Farm Type	**2014/15**	**2015/16**	**2016/17**	**2017/18(a)**	**2017/18(b)**	**2018/19**	**2019/20 forecast**	**% Change 2019/20 / 2018/19**
At current prices								
Cereals	45,000	35,500	43,100	64,200	62,100	67,300	57,000	-15%
General cropping	52,000	62,600	70,100	93,300	87,200	106,400	99,000	-7%
Dairy	83,800	43,900	50,000	119,700	118,500	79,700	80,000	0%
Grazing livestock (Lowland)	18,500	12,000	16,100	21,900	20,500	12,500	19,000	51%
Grazing livestock (LFA)	14,600	19,000	27,000	28,300	27,000	15,500	22,000	40%
Specialist pigs (c)	49,400	21,600	57,800	31,300	29,800	29,600	58,000	95%
Specialist poultry (c)	126,800	106,700	54,200	96,000	94,800	74,700	67,000	-10%
Mixed	21,600	18,400	28,800	41,800	43,400	45,500	48,000	5%
In real terms at 2019/20 prices (d)								
Cereals	48,900	38,400	45,700	66,700	64,500	68,600	57,000	-17%
General cropping	56,500	67,800	74,400	96,800	90,500	108,400	99,000	-9%
Dairy	91,100	47,600	53,000	124,300	123,000	81,200	80,000	-1%
Grazing livestock (Lowland)	20,100	13,000	17,100	22,700	21,300	12,700	19,000	48%
Grazing livestock (LFA)	15,900	20,500	28,600	29,400	28,000	15,800	22,000	37%
Specialist pigs (c)	53,700	23,400	61,300	32,500	30,900	30,200	58,000	91%
Specialist poultry (c)	137,900	115,500	57,500	99,700	98,500	76,100	67,000	-11%
Mixed	23,500	20,000	30,600	43,400	45,000	46,400	48,000	3%

Years ending end February. Forecast data are rounded to the nearest thousand, data for earlier years to the nearest hundred. The percentages shown are calculated against the unrounded figures.

(a) Farm typology based on 2010 standard output coefficients.

(b) Farm typology based on 2013 standard output coefficients.

(c)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

(d) Uses GDP deflator

Accuracy and reliability of results

The forecasts shown in this release for 2019/20 are provisional, based on information available in early February 2020 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 2020 based on results for the 2019/20 FBS), could differ from these forecasts for several reasons. These include changes to the sample and to the weighting framework. In 2018/19, of the 1,768 farms that were included in the FBS target population around 150 farms came into the sample that weren’t present in 2017/18. In addition, the FBS weights are refreshed each year in line with the latest farm population data from the June Survey of Agriculture.

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 2018, this accounted for approximately 57,100 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

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[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

National Statistics status

National Statistics status means that our statistics meet the highest standards of trustworthiness, quality and public value, and it is our responsibility to maintain compliance with these standards. The statistics last underwent a full assessment [Assessment Report 271 Statistics on Agriculture] against the Code of Practice for Statistics in 2014. Since the last review by the Office for Statistics Regulation, we have continued to comply with the Code of Practice for Statistics across the FBS.

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 .