



Balance sheet analysis and farming performance, England 2018/2019

This release presents the main results from an analysis of the profitability and resilience of farms in England using data from the Farm Business Survey. Six measures have been examined; liabilities, net worth, gearing ratios, liquidity, net interest payments as a proportion of Farm Business Income and Return on Capital Employed (ROCE). The key results are:

Liabilities (section 1)

- The average (mean) level of liabilities (debt) across all farms was £234,400 per farm, a slight increase from 2017/18.
- Fifteen per cent of farms had liabilities of at least £400,000; 26% had liabilities of less than £10,000.
- The average level of debt was greatest for farms specialising in pigs and poultry (this is a single amalgamated category for this publication) (£551,000), dairy (£434,900), and general cropping (£316,100). Grazing livestock farms (LFA and lowland) had the lowest average liabilities at £95,100 and £104,300 respectively.
- Farms in the East of England had the greatest average liabilities of £300,200, whilst farms in the North West had the lowest average level of debt (£181,600).

Net worth (section 2)

- The average net worth across all farms was £1.82 million, with little change from 2017/18. More than a third of farms (39%) had a net worth of at least £1.5 million.
- Mixed, mainly owner occupied farms had the highest average net worth of £2.60 million while wholly tenanted farms had an average net worth of £313,000.
- Cereal and general cropping farms had the highest average net worth of £2.59 million and £2.90 million respectively, driven by the larger area. Horticulture farms had the lowest average net worth of £0.75 million.
- Average net worth increased with farm size; from £1.11 million for spare and part-time farms to £4.04 million for very large farms. On a per hectare basis, however, spare and part-time farms were worth £18,700 per ha and very large farms were worth £10,600 per ha.

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Gearing ratio (section 3)

- The average gearing ratio across all farms was 11%, largely unchanged since 2009/10.
- Half (52%) of farms had a gearing ratio of less than 5%, whilst 8% had a gearing ratio of at least 40%. This indicates that the vast majority of farms are in a favourable situation for this measure.
- The gearing ratio increased with farm size from 6% for spare and part-time to 17% for very large farms.
- Wholly tenanted farms had a higher average gearing ratio (26%), compared to other tenure types. Owner occupied farms had an average gearing ratio of 8%.

Liquidity (section 4)

- The average liquidity ratio was 222%, there has been no overall upward or downward trend since 2009/10.
- The majority of farms had a strong liquidity ratio, with around two thirds having a ratio of at least 200%, indicating that the majority of farms are able to meet their current liabilities using their current assets. However, 16% of farms potentially face financial difficulties with a liquidity ratio of less than 100%.
- On average, grazing livestock farms and general cropping farms had the highest liquidity ratios: 287% for those grazing farms in lowland areas, 302% for those in LFA and 295% for general cropping farms; pig and poultry farms had the lowest average liquidity ratio of 130%.
- Small and medium farms saw the largest average liquidity ratios, 291% and 294% respectively whilst very large farms saw the smallest average ratio of 174%. Unlike in previous years, the 2018/19 average ratios no longer decrease as the farm size increases.

Net Interest payments as a proportion of Farm Business Income (FBI) (section 5)

- Net interest payments were 11% of Farm Business Income, a slight increase from 2017/18, driven by a decrease in average Farm Business Income.
- A third (33%) of farms paid no interest or were net recipients of interest; these farms were more likely to be spare and part-time farms, high performing farms or horticulture farms.
- A further 11% had a negative Farm Business Income before interest payments and would not have been able to pay some or all of the interest on their debts, without additionally borrowing or drawing on their assets. This measure was greatest for pigs and poultry farms and lowland grazing livestock farms (both 18%), and least for general cropping farms (4%).

Return on Capital Employed (section 6)

- The median ROCE was -0.1% in 2018/19, a decrease from 2017/18. There was a wide range of values across farms and over half (53%) of farms had a negative return.
- Wholly tenanted farms tended to have a much higher spread of returns than other types of tenured farms. This difference became negligible after accounting for land value in the other tenancy groups.
- All high performing farms had a positive ROCE, while almost all low performing farms had a negative return.

Detailed results

This release presents the main results from an analysis of the profitability and resilience of farms in England using data from the Farm Business Survey. This notice provides an analysis of six indicative measures:

Measure	Rationale
Liabilities	A measure of total indebtedness
Net worth	A measure of wealth
Gearing	To explore investment habits and the potential risk associated with farming enterprises
Liquidity	To examine the short term financial viability of farms
Net interest payments as a proportion of Farm Business Income	To examine whether farms can afford to pay the interest on their debts
Return on Capital Employed (ROCE)	Provides an indication of productivity and efficiency

The data used for this release is only from those farms that had complete returns for their assets and liabilities. Annual weights were derived for this sub sample in line with the method described in the [survey details](#) section (e.g. to preserve the population totals for robust farm types and farm size groups).

Where data have been presented in real terms, a GDP deflator has been used.

The results are presented together with [confidence intervals](#). The results presented in this notice can be found at: <https://www.gov.uk/government/statistics/balance-sheet-analysis-and-farming-performance-england>

Figures in italics are based on fewer than fifteen observations and should therefore be treated with caution.

Regression models were fitted to the key results to help determine the main factors driving response in 2018/19. In each case five factors were considered - farm type, farm size, farm tenure, region, and farm economic performance, see [survey details](#).

1. Liabilities

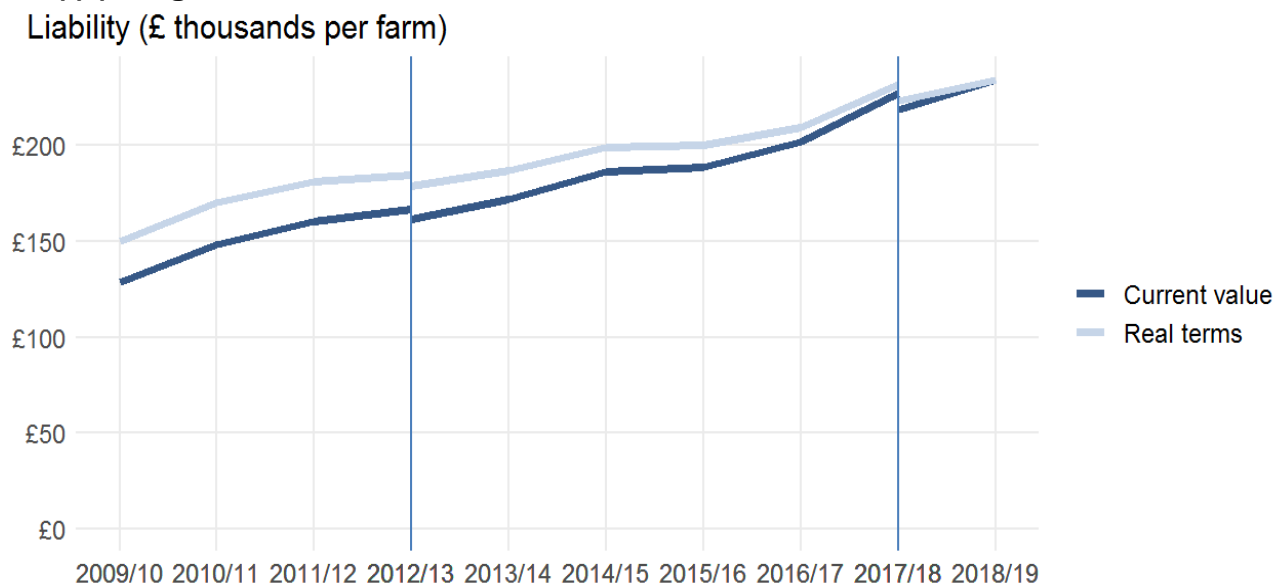
Key findings for 2018/19:

- The average (mean) level of liabilities (debt) across all farms was £234,400 per farm, a slight increase from 2017/18.
- Fifteen per cent of farms had liabilities of at least £400,000; 26% had liabilities of less than £10,000.
- The average level of debt was greatest for farms specialising in pigs and poultry (£551,000), dairy (£434,900), and general cropping (£316,100). Grazing livestock farms (LFA and lowland) had the lowest average liabilities at £95,100 and £104,300 respectively.
- Farms in the East of England had the greatest average liabilities of £300,200, whilst farms in the North West had the lowest average level of debt (£181,600).

This section examines the indebtedness of farm businesses, as measured by their total liabilities. Liabilities are the total debt (short- and long-term) that the farm business holds, including mortgages, long term loans and monies owed for hire purchases, leasing and overdrafts. A farm with high levels of liabilities will require consistent income flows to ensure that interest payments can be met.

The average level of debt across all farms in 2018/19 was around £234,400, a slight increase from the previous year (Figure 1.1). The component parts of average liability per farm in 2018/19 are shown in Figure 1.2. Fifteen per cent of all farms had liabilities exceeding £400,000, with 26% owing less than £10,000, with little change on 2017/18 and 2016/17.

Figure 1.1 Average liabilities per farm, in current values and real terms (2018/19 prices)(a), England.

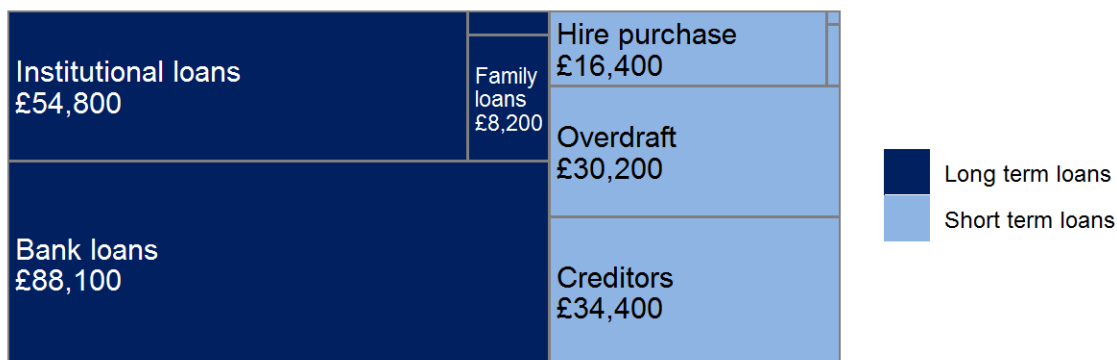


Farms with at least 25,000 euros of Standard Output.

(a) Deflated by GDP.

Standard output coefficients were updated in 2012/13, and 2017/18 using 5 year averages centred on 2010 and 2013 respectively. Figures prior to 2012/13 were based on a 5 year average centred on 2007. Results for the two transition years have been calculated using old and new coefficients for comparability and are denoted by the vertical blue lines.

Figure 1.2 The composition of liabilities for the average farm 2018/19 (£ per farm).

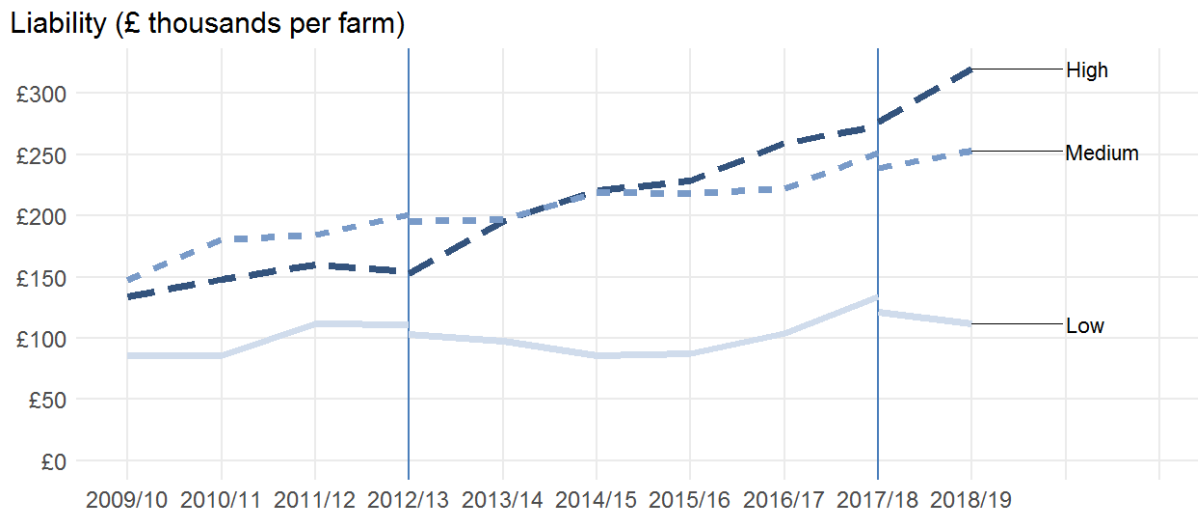


The size of the box for each category is proportional to its contribution to the overall average liability per farm. The 'Other short term loans', 'Leasing' categories (top right) and 'Other loans' category (middle top) are too small to be captioned in the plot, their contributions are £700, £200 and £1,500 per farm respectively.

For those farms in the top performance group¹, the average level of debt has increased considerably since 2012/13. For the lowest performing farms, the average level of debt has changed little in recent years (Figure 1.3). From 2009/10 to 2018/19, the gap in liabilities between the top performance group and the lowest performance group has widened from £50,000 to £210,000 respectively.

¹ For a definition of farm economic performance see the section on [definitions](#).

Figure 1.3 Average liabilities per farm, by farm economic performance band.



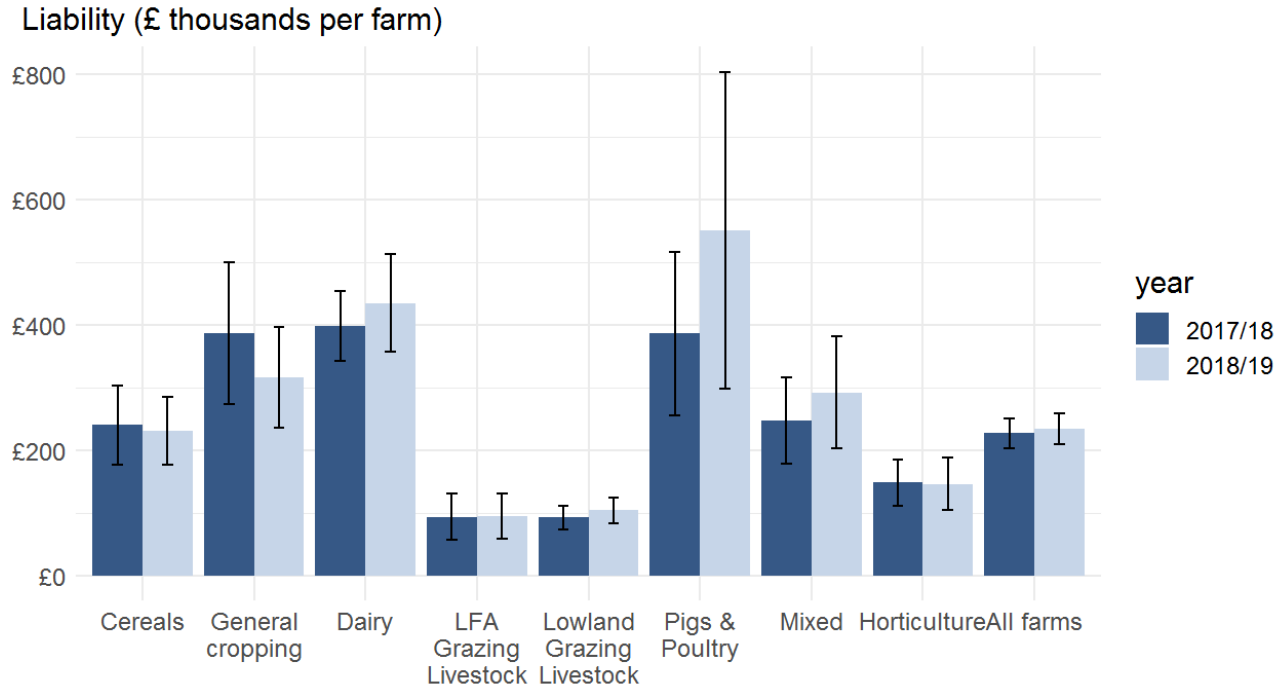
Standard output coefficients were updated in 2012/13, and 2017/18 using 5 year averages centred on 2010 and 2013 respectively. Figures prior to 2012/13 were based on a 5 year average centred on 2007. Results for the two transition years have been calculated using old and new coefficients for comparability, and are denoted by the vertical blue lines.

In 2018/19 farm type, size and region were found to be related to the level of debt².

Figure 1.4 shows the relationship between liabilities and farm type. The variation in average liability between farm types may be due to differences in the amount of capital investment required, or differences in farm profitability. The average level of debt was greatest for farms specialising in pigs and poultry (£551,000), dairy (£434,900), and general cropping (£316,100). Grazing livestock farms (LFA and lowland) had the lowest average liabilities at £95,100 and £104,300 respectively. Average liabilities for pigs and poultry appear to have increased substantially from 2017/18, but there are large confidence intervals associated with the estimate, so any comparisons with this value should be treated with caution.

² A generalised linear regression model was fitted to examine which factors (farm type, farm size, region, tenure and economic performance) were related to liabilities in 2018/19. Farm type, size and region were found to be significant predictors of farm liability, $p < 0.05$.

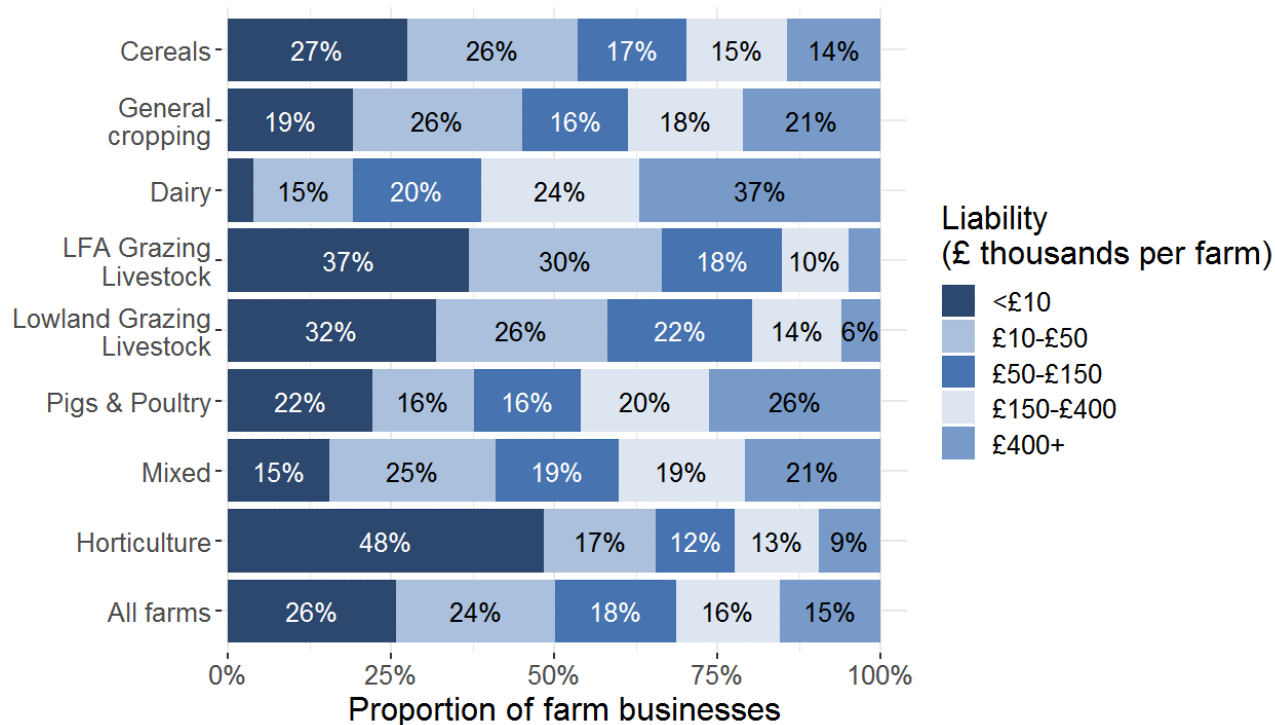
Figure 1.4 Average liabilities per farm type.



Standard output coefficients were updated for 2017/18 using 5 year averages centred on 2013. Results for the two years shown have been calculated using the new coefficients for comparability.

Figure 1.5 shows the distribution of liabilities for each farm type. Sixty-one percent of dairy and nearly half (46%) of pigs and poultry farms had liabilities of at least £150,000. Approximately one third of grazing livestock farms, and 48% of horticulture farms had liabilities of less than £10,000.

Figure 1.5 Distribution of liabilities (per farm) by farm type.



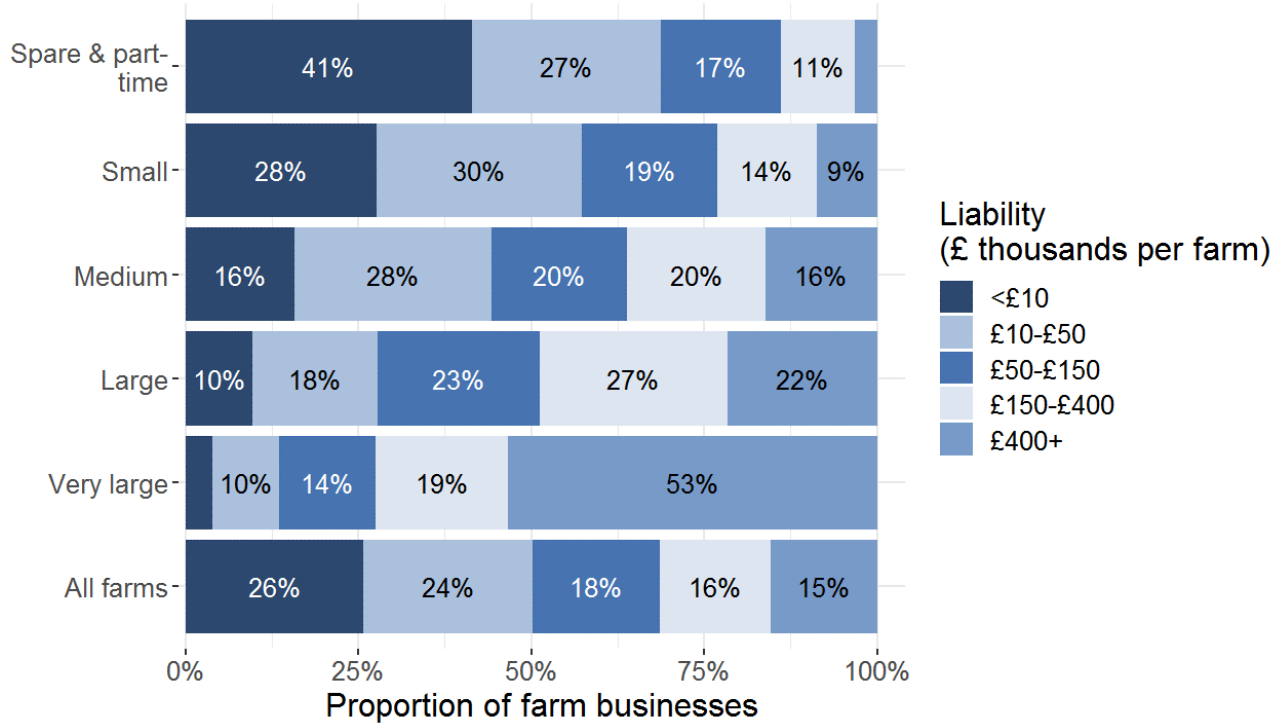
Proportions below 5% have been hidden.

The level of debt tends to increase with farm size³ (Figure 1.6), rising from an average of around £77,700 for spare and part-time farms, to £852,500 for very large farms. This pattern does not change when the farms' area is taken into account, with very large farms still having the highest average liabilities per hectare⁴ (£2,240 per hectare) compared to spare and part-time farms (£1,220 per hectare), although per hectare all but very large farms had very similar average liabilities. Across all farms the average debt per hectare was £1,630. Forty-one percent of spare and part-time farms had liabilities under £10,000 compared to four percent of very large farms. Half (53%) of very large farms had at least £400,000 worth of debt.

³ Farm sizes are based on the estimated labour requirements for the business, rather than its land area. Please see the section on [definitions](#) for more information.

⁴ Per hectare of farmed area. Farmed area = Utilised Agricultural Area + net land hired in (i.e. land hired in minus land hired out)

Figure 1.6 Distribution of liabilities (per farm) by farm size.



Proportions below 5% have been hidden.

The average level of debt varied by region across England, even after allowing for farm type and size. In general, farms in the north had lower debt levels than those in the south; farms within the East of England had the highest average debt level of around £300,200, whilst farms in the North West had the lowest average level of debt (£181,600).

2. Net worth

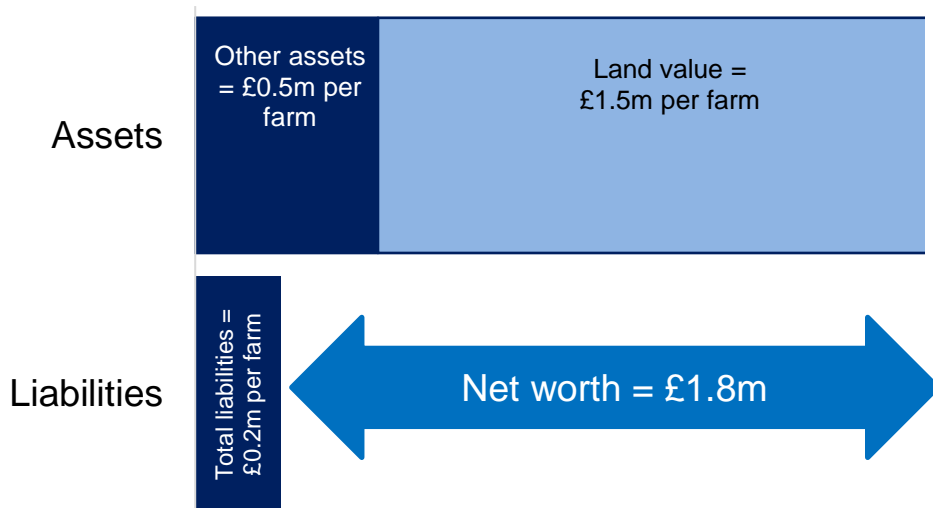
Key findings for 2018/19:

- The average net worth across all farms was £1.82 million, with little change from 2017/18. More than a third of farms (39%) had a net worth of at least £1.5 million.
- Mixed, mainly owner occupied farms had the highest average net worth of £2.60 million while wholly tenanted farms had an average net worth of £313,000.
- Cereal and general cropping farms had the highest average net worth of £2.59 million and £2.90 million respectively, driven by the larger area and quality of land owned by these farms. Horticulture farms had the lowest average net worth of £0.75 million.
- Average net worth increased with farm size; from £1.19 million for spare and part-time farms to £4.04 million for very large farms. On a per hectare basis, however, spare and part-time farms were worth £18,650 per ha and very large farms were worth £10,600 per ha.

This section examines the net worth of farm businesses in England. Net worth represents the wealth of a farm if all of their liabilities were called in. It is measured by subtracting the value of the total liabilities from total assets, including tenant type capital⁵ and land. Those farms with a high net worth are more likely to be resilient to changes in their income in the short term as they can draw on their reserves to support the business if the financial position of the farm deteriorates.

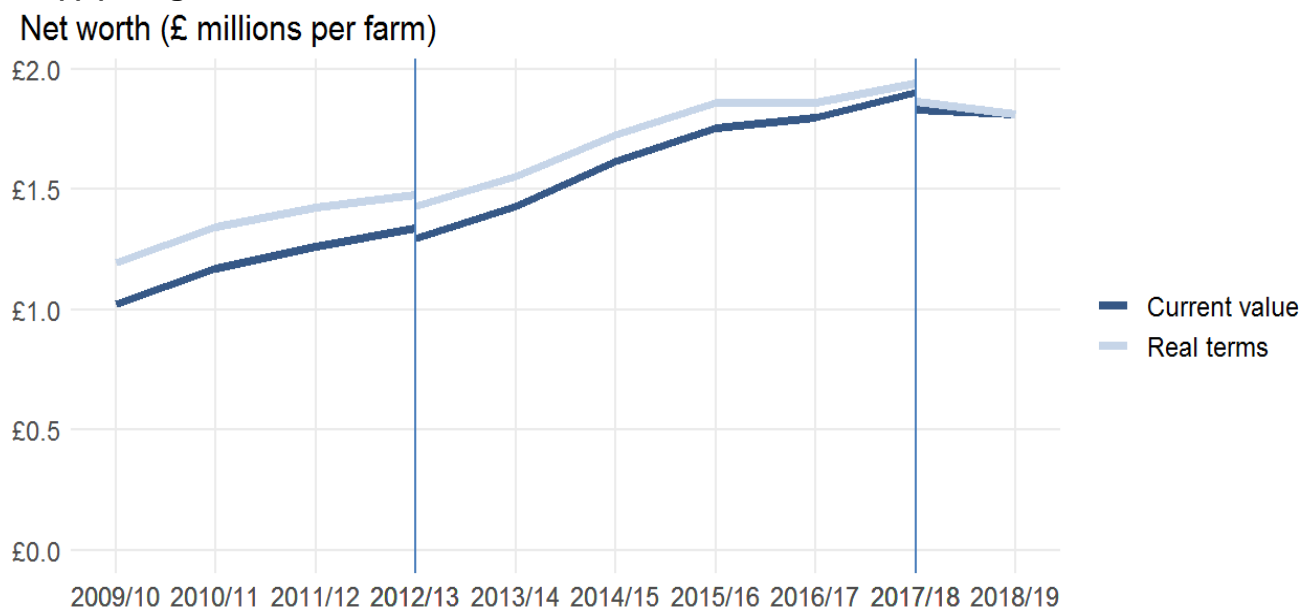
The average net worth across all farms in England was £1.82m in 2018/19 (Figure 2.1). There has been a general increase in both current values and real terms since 2009/10 (Figure 2.2), driven mostly by an increase in the value of land and other assets, with 2018/19 showing a fall in average net worth for the first time in 9 years (since the time series began). More than a third (39%) of farms had a net worth of at least £1.5 million in 2018/19.

Figure 2.1 Net worth calculation, 2018/19.



⁵ For a definition of tenant type capital see the section on [definitions](#)

Figure 2.2 Average net worth per farm in current values and real terms (2018/19 prices)(a), England.



(a) Real terms figures have been deflated by GDP.

Farms with at least 25,000 euros of Standard Output.

Standard output coefficients were updated in 2012/13, and 2017/18 using 5 year averages centred on 2010 and 2013 respectively. Figures prior to 2012/13 were based on a 5 year average centred on 2007. Results for the two transition years have been calculated using old and new coefficients for comparability, and are denoted by the vertical blue lines.

Those farms with lower net worth, less than £0.5 million, were more likely to be medium, small and spare and part-time rather than larger farms; to be pigs and poultry or horticulture farms than other farm types, and/or wholly tenanted farms than other tenancy options⁶. Those farms with greater net worth, at least £1.5 million were more likely to be large or very large farms, than smaller farms; to be dairy, cereal or general cropping farms rather than other farm types; to be in the South East of England than other regions; to be mixed mainly owner occupied rather than tenanted or to be economically high performance⁷ farms⁸.

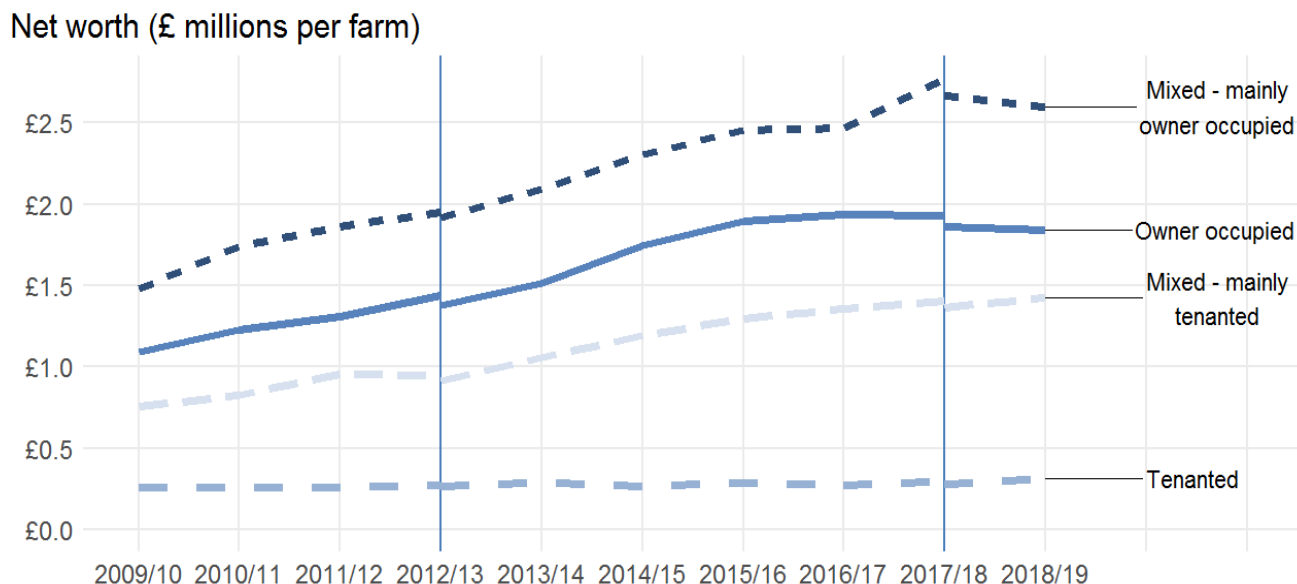
⁶ A generalised linear regression model was fitted to examine which factors (farm type, size, region, tenure and economic performance) were related to the probability of having a net worth of less than £500,000. All factors were found to be significant ($p < 0.05$).

⁷ For a definition of farm economic performance see the section on [definitions](#).

⁸ A generalised linear regression model was fitted to examine which factors (farm type, size, region, tenure and economic performance) were related to the probability of having a net worth of £1,500,000 or more. All factors were found to be significant ($p < 0.05$).

Those farms with greater land ownership tend to have a greater net worth. Farms that are of mixed tenure but mainly owner occupied had the greatest average net worth of £2.60 million, whilst wholly tenanted farms had an average net worth of £313,000. Average net worth has grown for each of tenure type except wholly tenanted farms since 2009/10 (Figure 2.3), with a slight fall in 2018/19. This relationship of tenancy type demonstrates the important contribution of land value to net worth.

Figure 2.3 Average net worth by farm tenure.

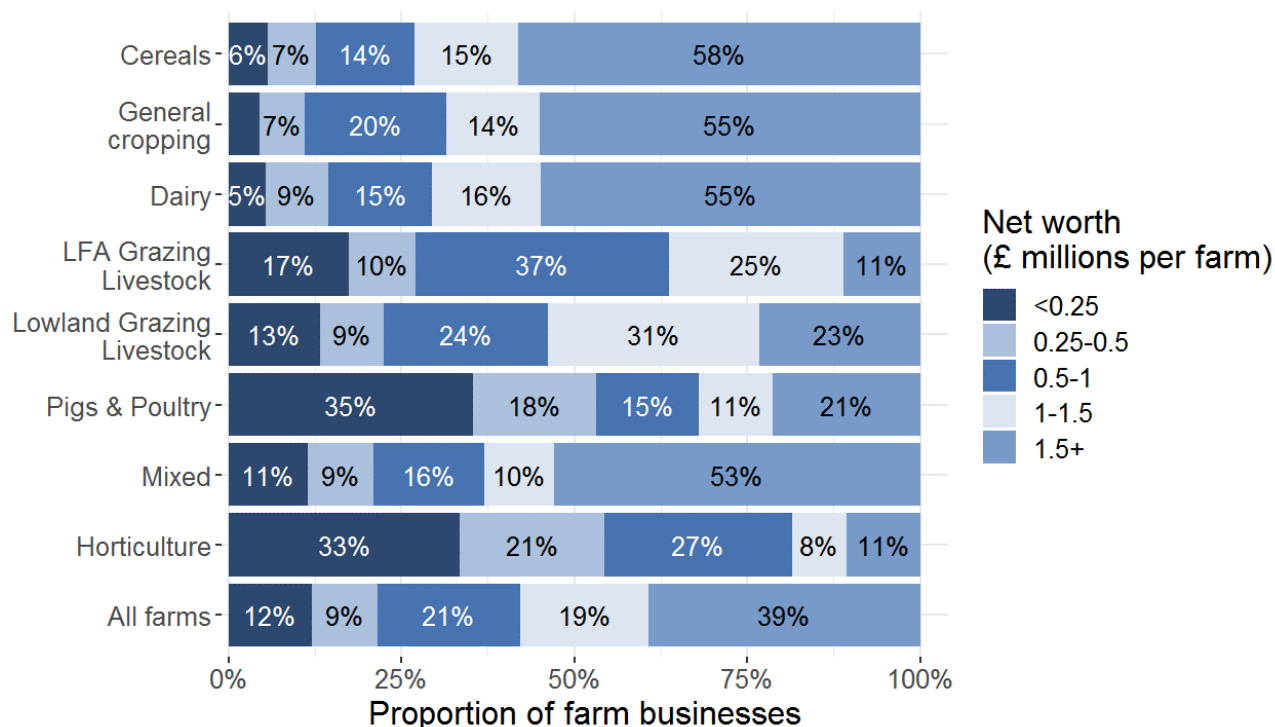


Standard output coefficients were updated in 2012/13, and 2017/18 using 5 year averages centred on 2010 and 2013 respectively. Figures prior to 2012/13 were based on a 5 year average centred on 2007. Results for the two transition years have been calculated using old and new coefficients for comparability, and are denoted by the vertical blue lines.

As in previous years, cereal and general cropping farms had the highest average net worth, at £2.59 million and £2.90 million respectively, likely to be driven by the larger average area of land owned by these types of farms. Horticulture farms had the lowest average net worth, at £0.75 million. There are differences in the distribution of net worth between farm types (Figure 2.4); over half of cereal (58%), general cropping (55%) and dairy (55%) farms had an average net worth of at least £1.5 million compared to 11% of both LFA grazing livestock and horticulture farms. On a per hectare basis⁹, horticulture and pigs and poultry had greater average net worth compared to other farm types, at around £34,600 and £20,000 per hectare respectively. LFA grazing livestock farms (£5,300) had the lowest average net worth per hectare.

⁹ Per hectare of farmed area. Farmed area = Utilised Agricultural Area + net land hired in (i.e. land hired in minus land hired out)

Figure 2.4 Distribution of net worth by farm type.



Proportions below 5% have been hidden.

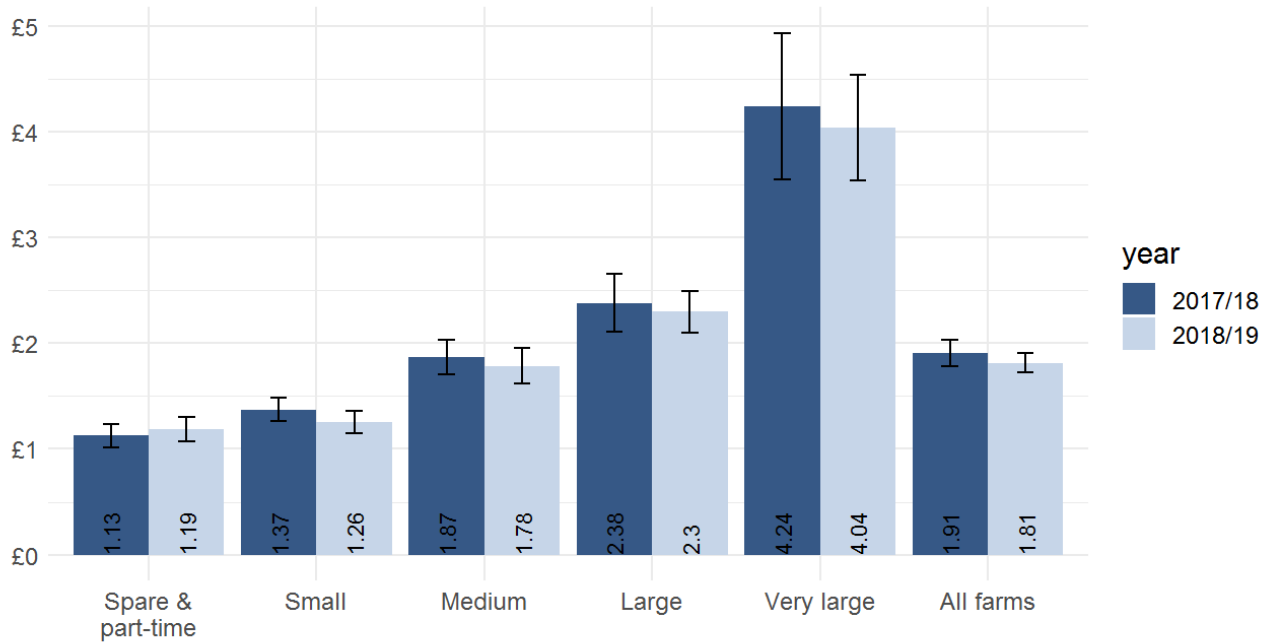
As with liabilities, the average net worth of farms increases with farm size (Figure 2.5); from £1.19 million for spare and part-time farms, to £4.04 million for very large farms. The proportion of farms with a net worth of over £1.5 million increases with the size of the farm business, from 29% of spare and part-time farms to 68% of very large farms (Figure 2.6). However, on a per hectare basis, net worth decreases as farm size¹⁰ increases, with spare and part-time farms having an average net worth of £18,650 per hectare compared to £10,630 for very large farms.

Net worth varied between regions. Farms in the East of England had the highest average net worth at £2.5 million in 2018/19. In contrast, those in the North West had the lowest average net worth at £1.1 million. More than half of farms in the South East (55%) had a net worth of over £1.5 million, compared to a quarter (24%) of farms in the North West.

¹⁰ Farm sizes are based on the estimated labour requirements for the business, rather than its land area. Please see the section on [definitions](#) for more information

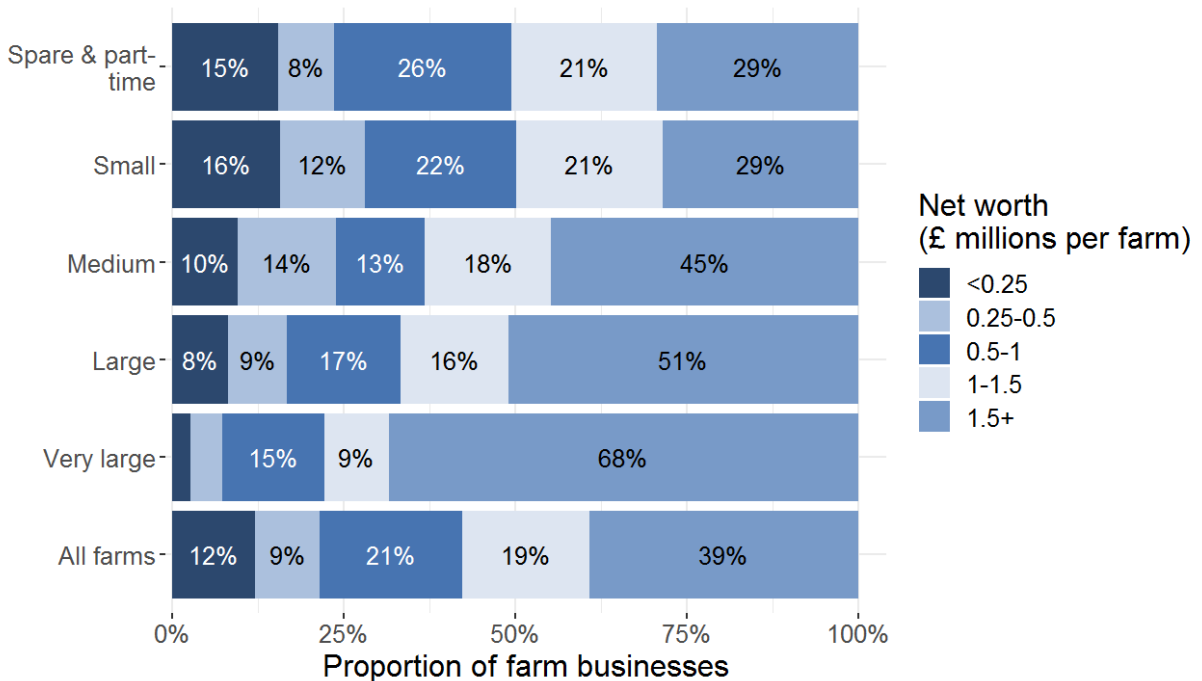
Figure 2.5 Total average net worth by farm size (per farm)

Net worth (£ millions per farm)



Standard output coefficients were updated for 2017/18 using 5 year averages centred on 2013. Results for the two years shown have been calculated using the new coefficients for comparability.

Figure 2.6 Distribution of net worth by farm size.



Proportions below 5% have been hidden.

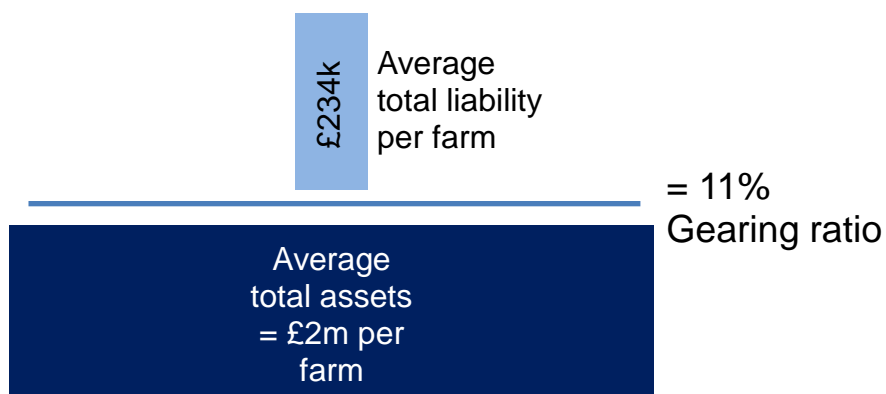
3. Gearing ratio

Key findings for 2018/19:

- The average gearing ratio across all farms was 11%, largely unchanged since 2009/10.
- Half (52%) of farms had a gearing ratio of less than 5%, whilst 8% had a gearing ratio of at least 40%. This indicates that the vast majority of farms are in a favourable situation for this measure.
- Compared to other farm types, pig and poultry farms had the highest average gearing ratio (32%).
- The gearing ratio increased with farm size from 6% for spare and part-time to 17% for very large farms.
- Wholly tenanted farms had a higher average gearing ratio (26%), compared to other tenure types. Owner occupied farms had an average gearing ratio of 8%.

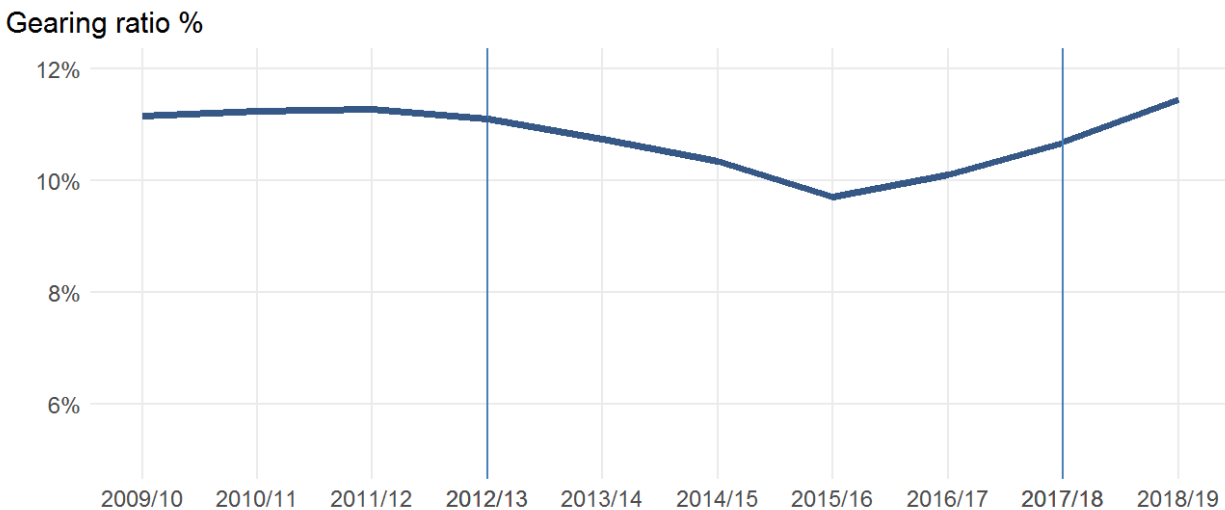
In order to get a deeper understanding of the indebtedness of a farm we can compare what the farm business owes (its liabilities) with the assets that the owners have tied up in the business. We use an accounting measure which expresses a farm's liabilities as a proportion of its assets, sometimes referred to as the gearing ratio. If a farm has assets equal to its liabilities, this will give a gearing ratio value of 100%, and if their assets are twice as large as its liabilities, the gearing ratio will be 50%. This provides a measure of the **long term financial viability** of a farm. A lower ratio is generally seen as more acceptable because this suggests that the farm business is more likely to be able to meet its investment needs from earnings. A higher ratio may be seen as a greater risk as interest costs will be higher and the farm will have lower funds to borrow against. However, being highly geared does not necessarily imply an unsuccessful business. Investment can increase profitability, so increasing the gearing ratio can lead to better performance.

Figure 3.1 Gearing ratio calculation, 2018/19.



The average gearing ratio of farm businesses in England was 11% in 2018/19, changing very little since 2009/10 (Figure 3.2). Half (52%) of farms in England had a gearing ratio of less than 5%, while 8% had a gearing ratio of at least 40%. This indicates that the vast majority of farms are likely in a favourable situation for this measure.

Figure 3.2 Average gearing ratio per farm, England.



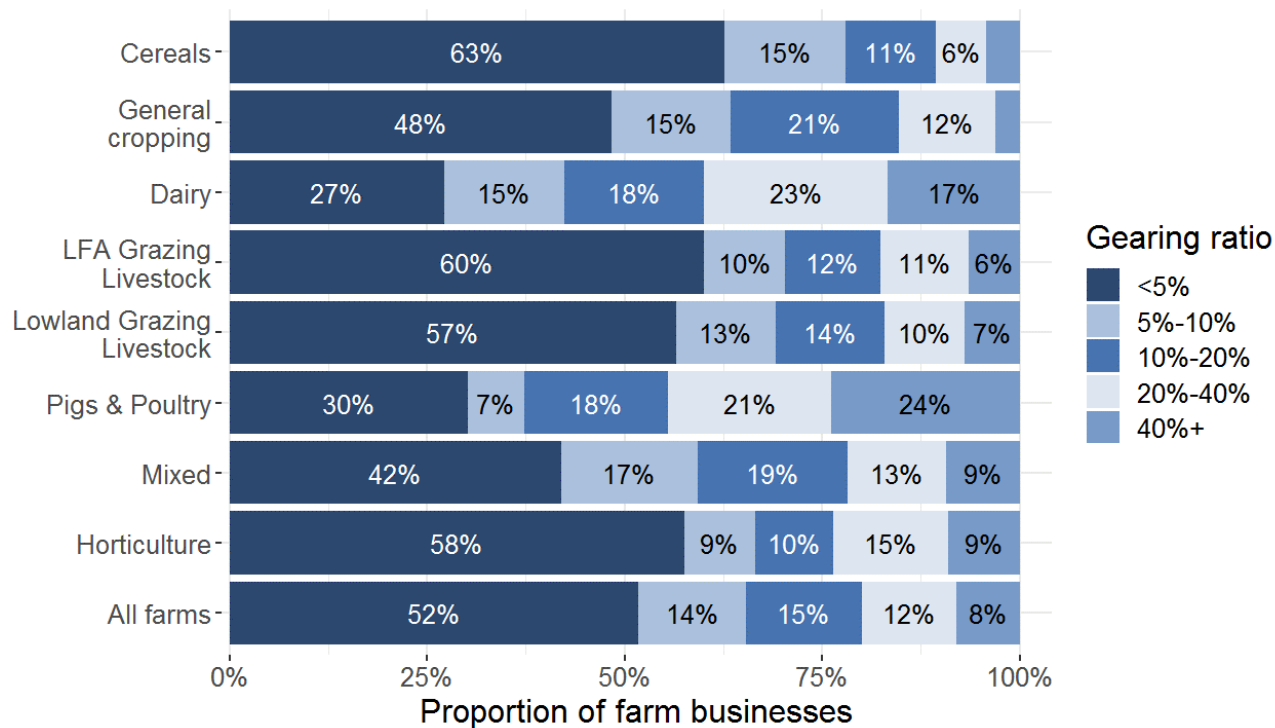
Farms with at least 25,000 euros of Standard Output. Standard output coefficients were updated in 2012/13, and 2017/18 using 5 year averages centred on 2010 and 2013 respectively. Figures prior to 2012/13 were based on a 5 year average centred on 2007. Results for the two transition years have been calculated using old and new coefficients for comparability, and are denoted by the vertical blue lines.

Farm type, size, and tenure were found to be related¹¹ to the gearing ratio.

Pigs and poultry farms continued to have the highest average gearing ratio (32%) in 2018/19, with nearly a quarter (24%) having a gearing ratio that exceeded 40% (Figure 3.3). Cereals, grazing livestock (LFA and lowland) and general cropping farms all had lower average gearing ratios, each at or below 10%. The average gearing ratio increased with farm size, from 6% for spare and part-time farms to 17% for very large farms (Figure 3.4).

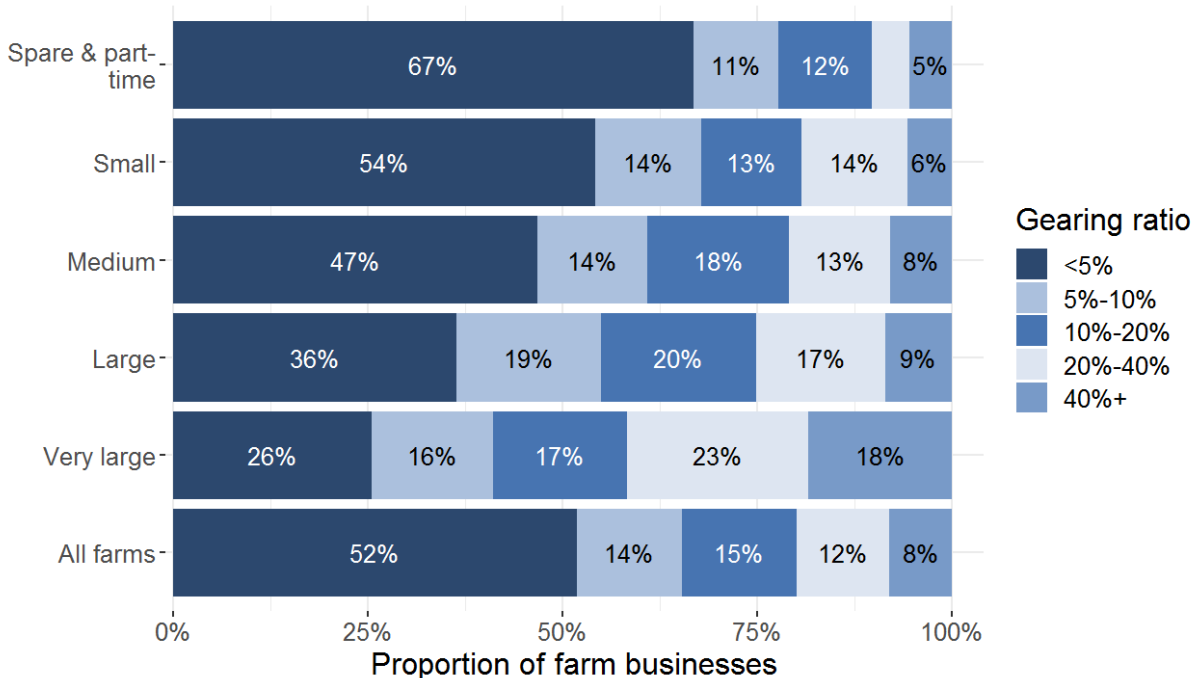
¹¹ A generalised linear regression model was fitted to examine which factors (farm type, size, region, tenure and economic performance) were related to the gearing ratio in 2018/19. Farm type, size and tenure were found to be significant (p <0.05).

Figure 3.3 Distribution of Gearing Ratio by farm type.



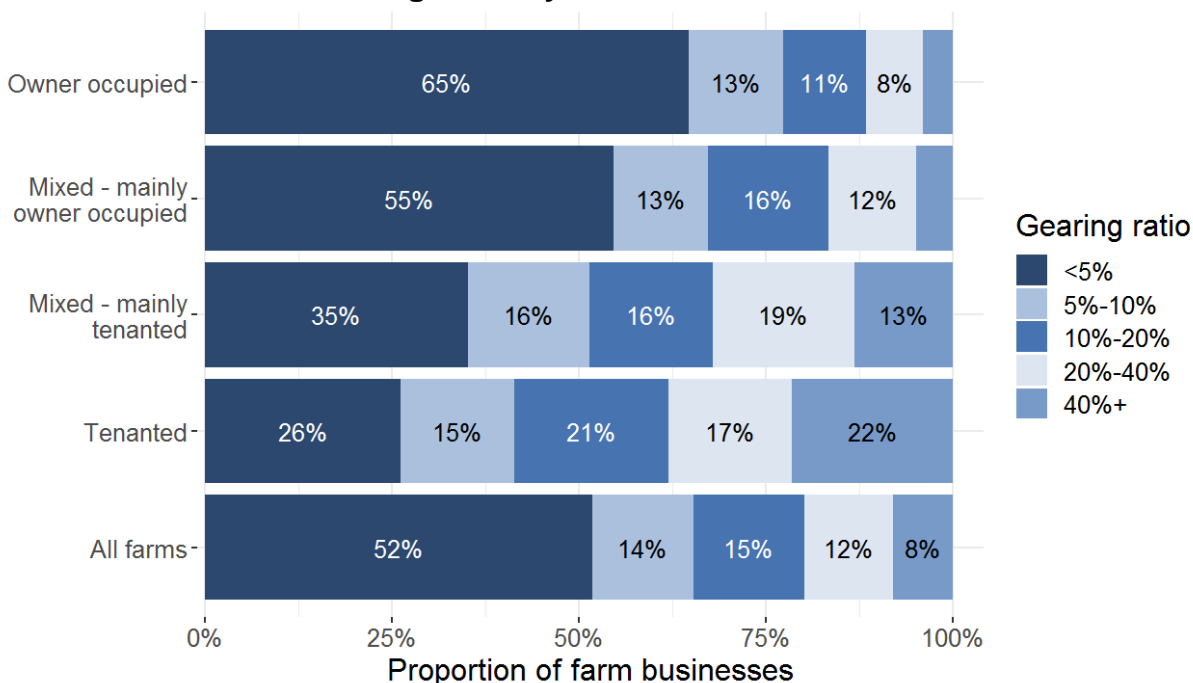
Proportions below 5% have been hidden.

Figure 3.4 Distribution of Gearing Ratio by farm size.



The gearing ratio tends to reduce with the level of land ownership. Tenanted farms had an average gearing ratio of 26% whilst owner occupied farms had an average gearing ratio of 8%. Just 4% of owner occupied and 5% of mixed – mainly owner occupied farms had a gearing ratio of 40% or more, compared to around a fifth (22%) of tenanted farms (Figure 3.5). These findings highlight the importance of the value of land in contributing to owner occupied and mixed tenure farms' asset base.

Figure 3.5 Distribution of Gearing Ratio by farm tenure.



Proportions below 5% have been hidden.

Those farms with lower liabilities also tended to have a lower gearing ratio (Table 3.1). Almost all (97%) of those farms with less than £10,000 liabilities, had a gearing ratio of less than 5% which indicates that these farms are in a favourable situation as they have a very small amount of liabilities compared to assets. However, of those farms with at least £400,000 of liabilities, almost a third (31%) had a gearing ratio of over 40%. By itself, as previously mentioned, a high gearing ratio is not necessarily a marker of a less successful business.

Table 3.1 Proportion of farms by Gearing ratio and liabilities.

Gearing Ratio	Liabilities (thousands per farm)				
	<£10	£10-<£50	£50-<£150	£150-<£400	£400+
<5%	97%	78%	36%	6%	2%
5%-<10%	3%	12%	26%	25%	9%
10%-<20%		7%	18%	39%	21%
20%-<40%		3%	11%	21%	37%
40%+			9%	9%	31%
All farms	100%	100%	100%	100%	100%

*Some data have been grouped due to insufficient observations.

Those farms with higher net worth also tended to have a lower gearing ratio (Table 3.2). Of those farms with a net worth of under £250,000, almost a third (32%) had a gearing ratio of over 40%, compared to 2% of farms with a net worth of over £1.5 million. Similarly, almost a third (29%) of farms with a net worth of under £250,000 had a gearing ratio of under 5%, compared to over half (55%) of farms with a net worth of at least £1.5 million.

Table 3.2 Proportion of farms by Gearing ratio and net worth

Gearing Ratio	Net Worth (thousands per farm)				
	<£250	£250-<£500	£500-<£1000	£1000-<£1500	£1500+
<5%	29%	43%	56%	61%	55%
5%-<10%	12%	10%	12%	12%	16%
10%-<20%	12%	18%	13%	13%	17%
20%-<40%	15%	16%	11%	12%	10%
40%+	32%	14%	8%	2%	2%
All farms	100%	100%	100%	100%	100%

4. Liquidity ratio

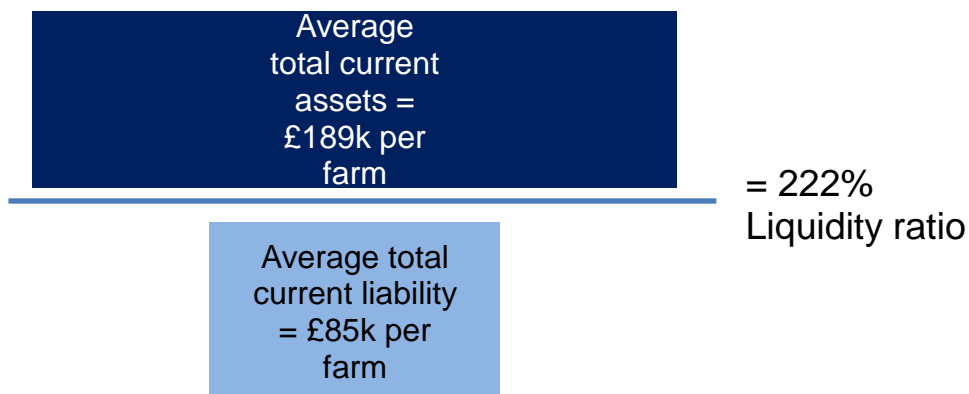
Key findings for 2018/19:

- The average liquidity ratio was 222%, there has been no overall upward or downward trend since 2009/10.
- The majority of farms had a strong liquidity ratio, with around two thirds having a ratio of at least 200%, indicating that the majority of farms are able to meet their current liabilities using their current assets. However, 16% of farms potentially face financial difficulties with a liquidity ratio of less than 100%.
- On average, grazing livestock farms and general cropping farms had the highest liquidity ratios: 287% for those grazing farms in lowland areas, 302% for those in LFA and 295% for general cropping farms; pig and poultry farms had the lowest average liquidity ratio of 130%.
- Small and medium farms saw the largest average liquidity ratios, 291% and 294% respectively whilst very large farms saw the smallest average ratio of 174%. Unlike in previous years, the 2018/19 average ratios no longer decrease as the farm size increases.
- Farms with high economic performance (i.e. top 25%) tended to have a higher liquidity ratio (264%) than lower performing farms (238%), though the gap between the two narrowed from 60% in 2017/18.

‘Liquidity’ is a measure of the short term financial viability of farms. A large proportion of the assets of a farm, such as land or machinery, will typically have a monetary value that is difficult or costly to realise in the short term. The liquidity ratio¹² provides an indication of the ability of a farm to finance its immediate financial demands from its current assets (i.e. those which can be realised easily, excluding land or machinery), such as cash, savings or stock (Figure 4.1). If the liquidity ratio is equal to or above 100%, then a farm is able to meet its current liabilities using current assets. If the ratio is less than 100%, then a farm is unable to meet its immediate financial demands using current assets.

¹² Liquidity ratio is current assets divided by current liabilities.

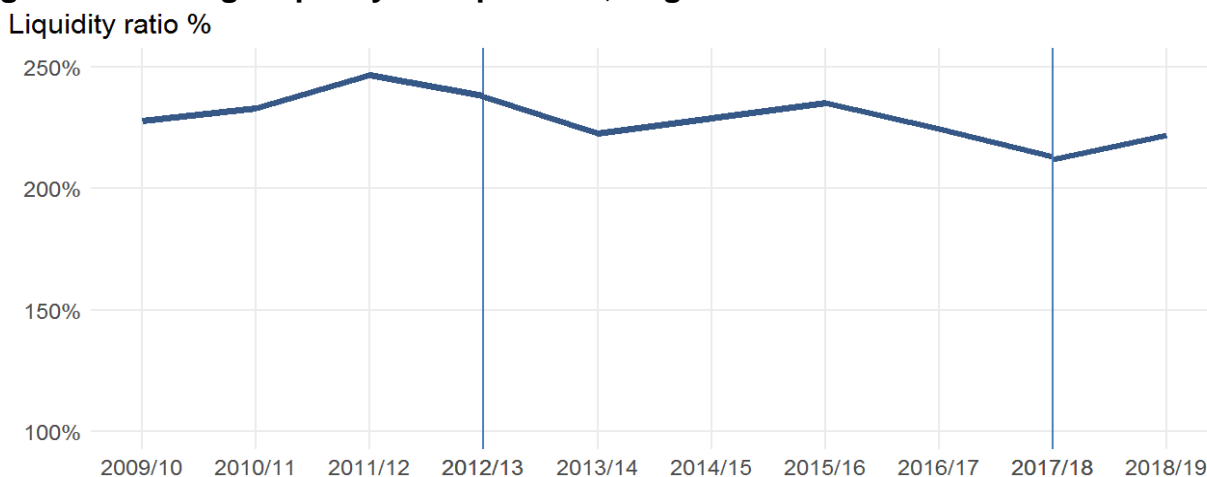
Figure 4.1 Liquidity ratio calculation, 2018/19.



The average liquidity ratio of farm businesses in England has increased from 212% in 2017/18 to 222% in 2018/19. Since 2009 there has been some fluctuation, but no overall upward or downward trend (Figure 4.2). The majority of farms continue to have a strong liquidity ratio; around two thirds (69%) had a ratio of at least 200%, suggesting that they could easily cover their immediate financial demands with their current assets.

Less than one in five farms (16%) had a liquidity ratio below 100% (Figure 4.3), the point at which current assets do not cover liabilities (debts). Dairy (30%) and pigs and poultry (26%) farm types are most likely to be in this situation. 20% of low economic performance¹³ farms also have liquidity ratios below 100%, while just 11% of high economic performance farms do (Figure 4.5).

Figure 4.2 Average liquidity ratio per farm, England.



Farms with at least 25,000 euros of Standard Output
 Standard output coefficients were updated in 2012/13, and 2017/18 using 5 year averages centred on 2010 and 2013 respectively. Figures prior to 2012/13 were based on a 5 year average centred on 2007. Results for the two transition years have been calculated using old and new coefficients for comparability, and are denoted by the vertical blue lines.

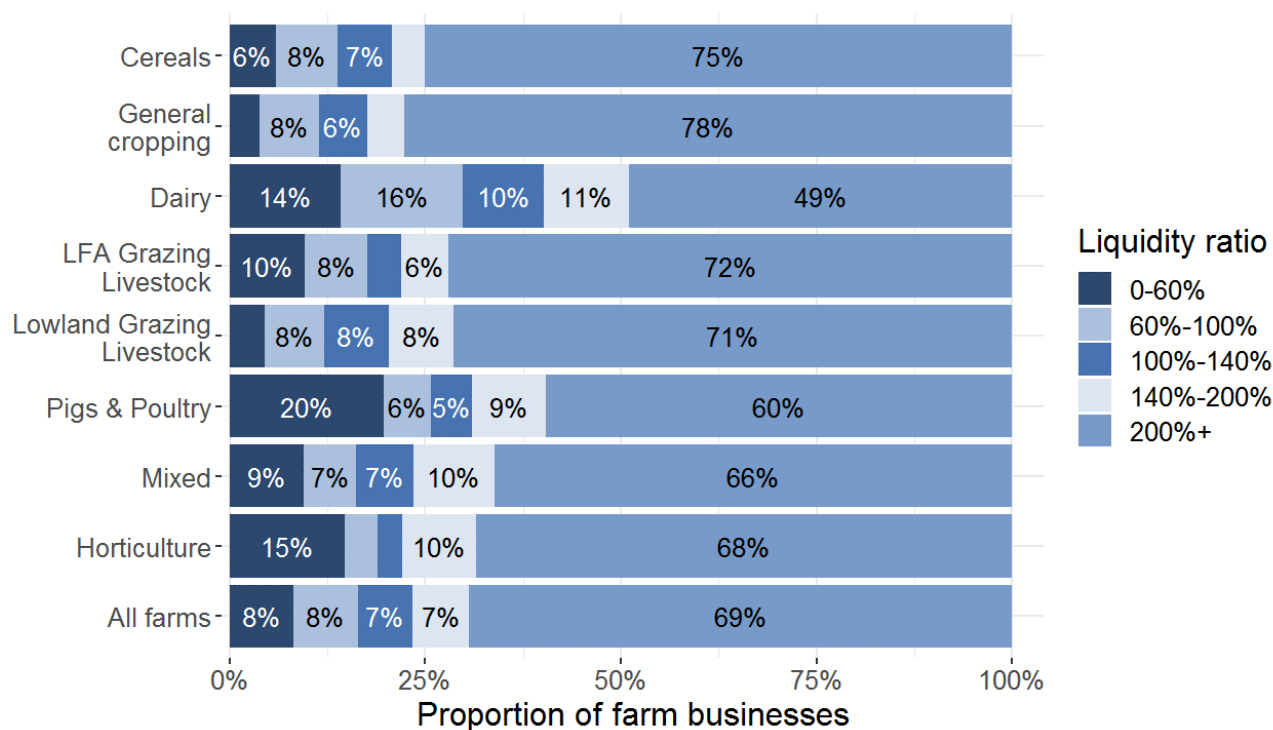
A small number of farms (41) with no recorded current liabilities have been excluded from this analysis.

¹³ For a definition of farm economic performance see the section on [definitions](#).

Grazing livestock farms, lowland (287%) and LFA (302%), along with general cropping farms (295%) had the highest average liquidity ratios. General cropping farms observed a large increase from 261% in 2017/18. Pigs and poultry farms had the lowest average liquidity ratio (130%), followed by dairy farms (159%).

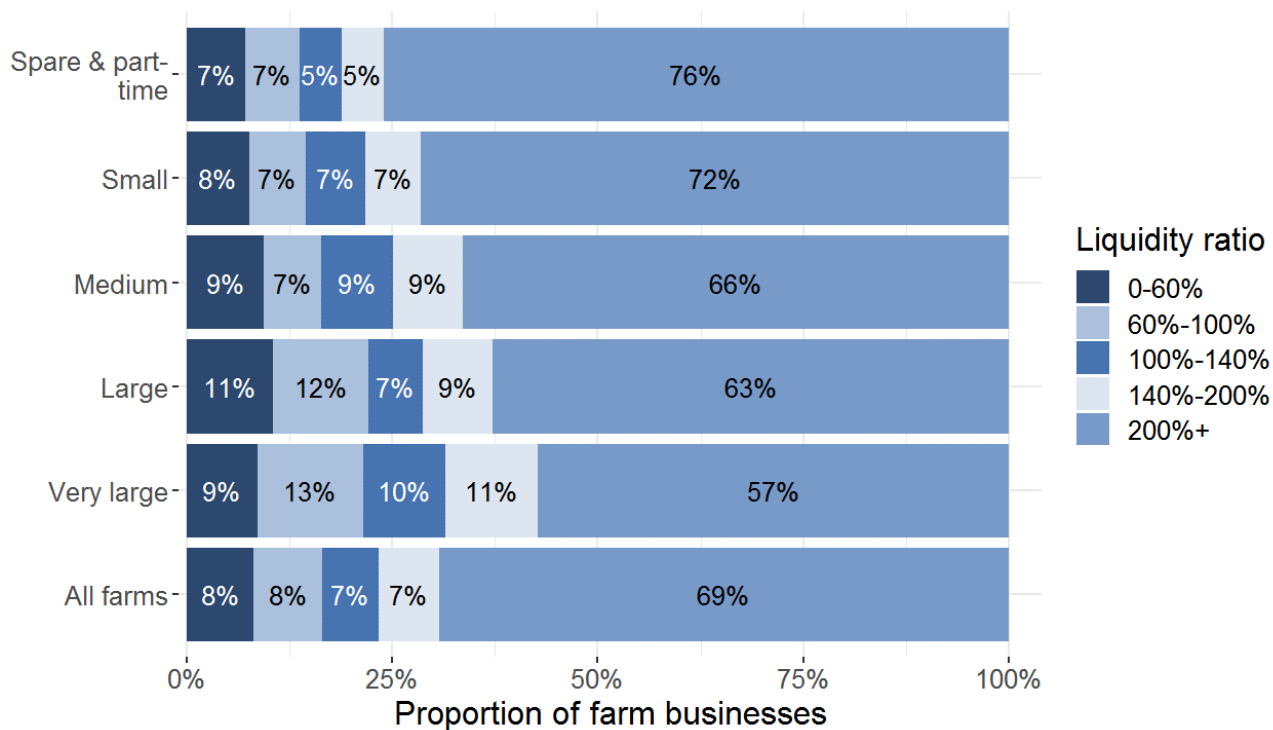
Unlike the last few years, the liquidity ratio no longer decreases as the farm size increases. Instead, small and medium farms have the highest average ratio of 291% and 294% respectively, followed by 274% for spare/part-time farms. Very large farms saw a smaller average ratio of 174%. Around 22% of large and very large farms had a liquidity ratio of less than 100%, compared to 14% of spare and part-time farms, or 15% of small farms (Figure 4.4).

Figure 4.3 Distribution of liquidity ratio by farm type.



Proportions below 5% have been hidden.
 A small number of farms (41) with no recorded current liabilities have been excluded from this analysis.

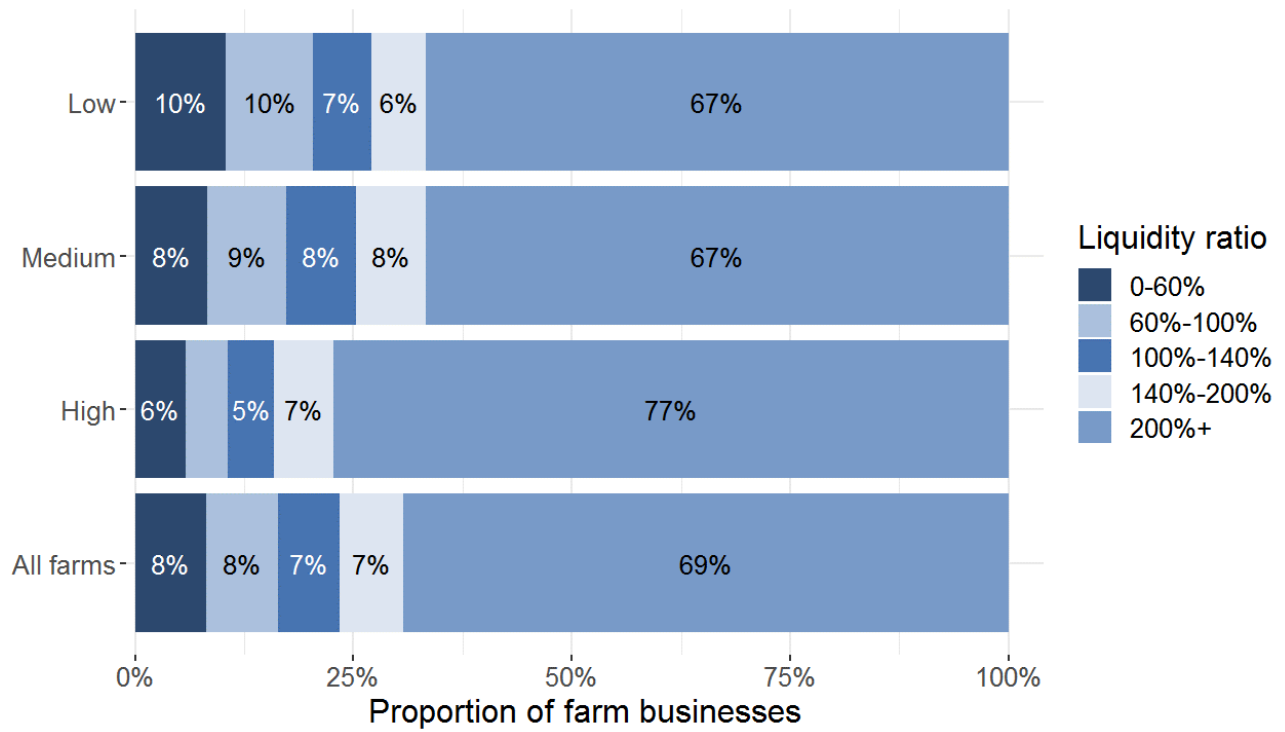
Figure 4.4 Distribution of liquidity ratio by farm size.



A small number of farms (41) with no recorded current liabilities have been excluded from this analysis.

Those farms in the high economic performance band (top 25% of farms) had a higher average liquidity ratio (264%) compared to those in the low economic performance band (238%), although this difference between the top and bottom performers is markedly smaller than in 2017/18 and previous years. From the accompanying dataset to this publication the associated confidence interval for the low economic performance band average liquidity is substantial at $\pm 83\%$, so caution should be taken over the interpretation of this change. Over three quarters (77%) of farms in the high economic performance band had a liquidity ratio of 200% or more (Figure 4.5).

Figure 4.5 Distribution of liquidity ratio by economic performance band.



Proportions below 5% have been hidden.

A small number of farms (41) with no recorded current liabilities have been excluded from this analysis.

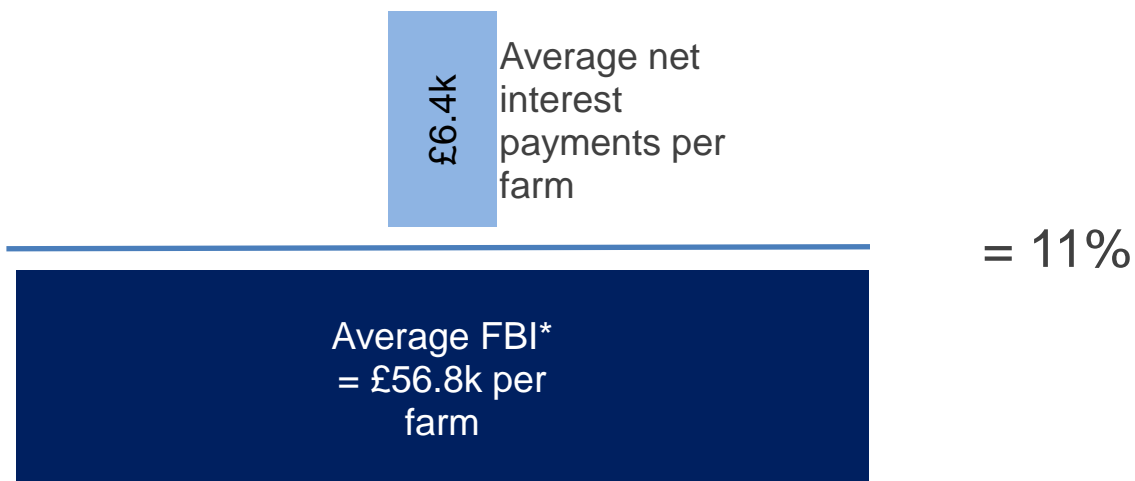
5. Net Interest payments as a proportion of Farm Business Income (FBI)¹⁴

Key findings for 2018/19:

- Net interest payments were 11% of FBI, a slight increase from 2017/18, driven by a decrease in average FBI.
- A third (33%) of farms paid no interest or were net recipients of interest; these farms were more likely to be spare and part-time farms, high performing farms or horticulture farms.
- A further 11% had a negative FBI before interest payments and would not have been able to pay some or all of the interest on their debts, without additionally borrowing or drawing on their assets. This measure was greatest for pigs and poultry farms and lowland grazing livestock farms (both 18%), and least for general cropping farms (4%).

This section examines net interest payments as a proportion of FBI (Figure 5.1). This measure provides an indication of whether farms can afford to pay the interest on their debts.

Figure 5.1 Net interest as a proportion of FBI calculation, 2018/19.



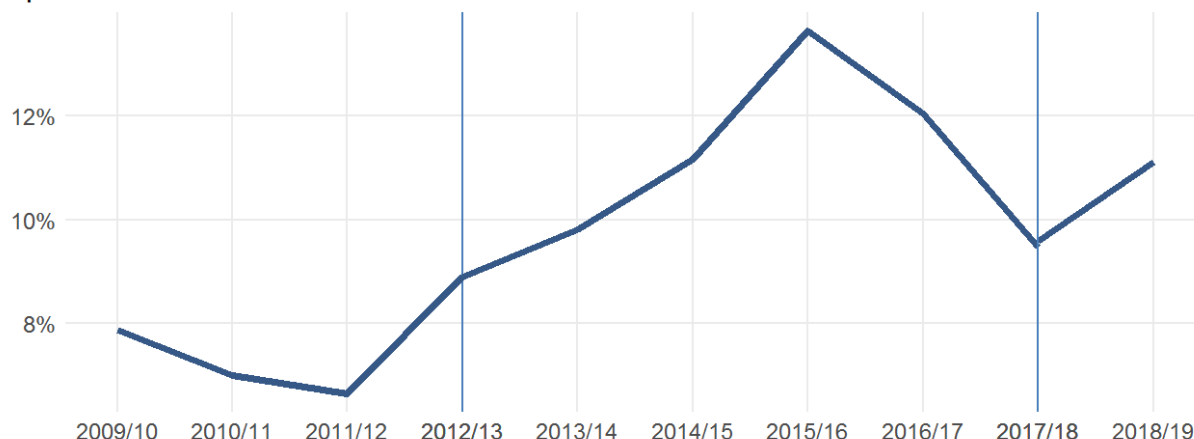
* For this measure FBI is calculated before deducting net interest payment.

Net interest payments were, on average, 11% of FBI in 2018/19. This proportion steadily increased from 2011/12 to 2015/16 as net interest payments increased whilst FBI fell (Figure 5.2). While net interest payments have slightly increased since 2015/16, there has been a greater increase in average FBI, causing an overall reduction in the measure until 2017/18 before rising again this year.

¹⁴ Because Farm Business Income (FBI) includes net interest payments as a cost, for this measure we have used FBI before deducting net interest.

Figure 5.2 Average net interest payments as a proportion of FBI.

Net interest as a proportion of FBI %



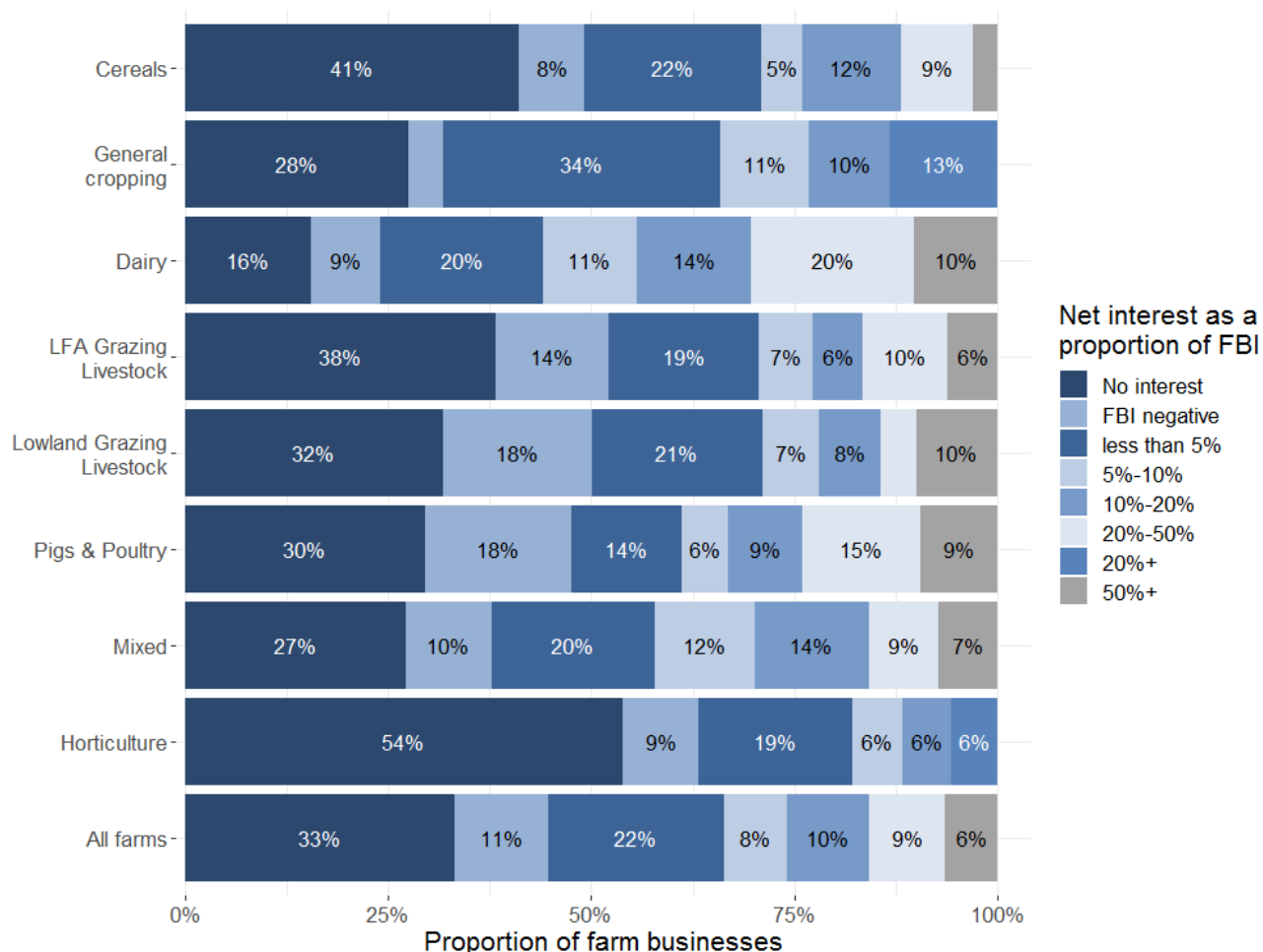
Farms with at least 25,000 euros of Standard Output.

Standard output coefficients were updated in 2012/13, and 2017/18 using 5 year averages centred on 2010 and 2013 respectively. Figures prior to 2012/13 were based on a 5 year average centred on 2007. Results for the two transition years have been calculated using old and new coefficients for comparability, and are denoted by the vertical blue lines.

In 2018/19 the farms with the greatest net interest payments as a proportion of FBI were pigs and poultry farms (21%) and grazing livestock (LFA 18% and Lowland 19%), and least for horticulture farms (4%). Average farm business income has decreased in 2018/19, in particular for dairy and grazing livestock farms, which have seen substantial falls in FBI since 2017/18. For more information on FBI please see [Farm Accounts in England](#).

Thirty-three percent of farm businesses paid no interest (i.e. had no loans) or the interest received (i.e. on savings or investments) was greater than the interest paid on loans. Over half of horticulture farms were in this group, compared to just 16% of dairy farms (Figure 5.3). A quarter of pigs and poultry (24%) and nearly a third of dairy farms (30%) paid net interest equivalent to 20% or more of their FBI, compared to just 6% of horticulture farms (Figure 5.3).

Figure 5.3 Distribution of net interest payments as a proportion of FBI by farm type.



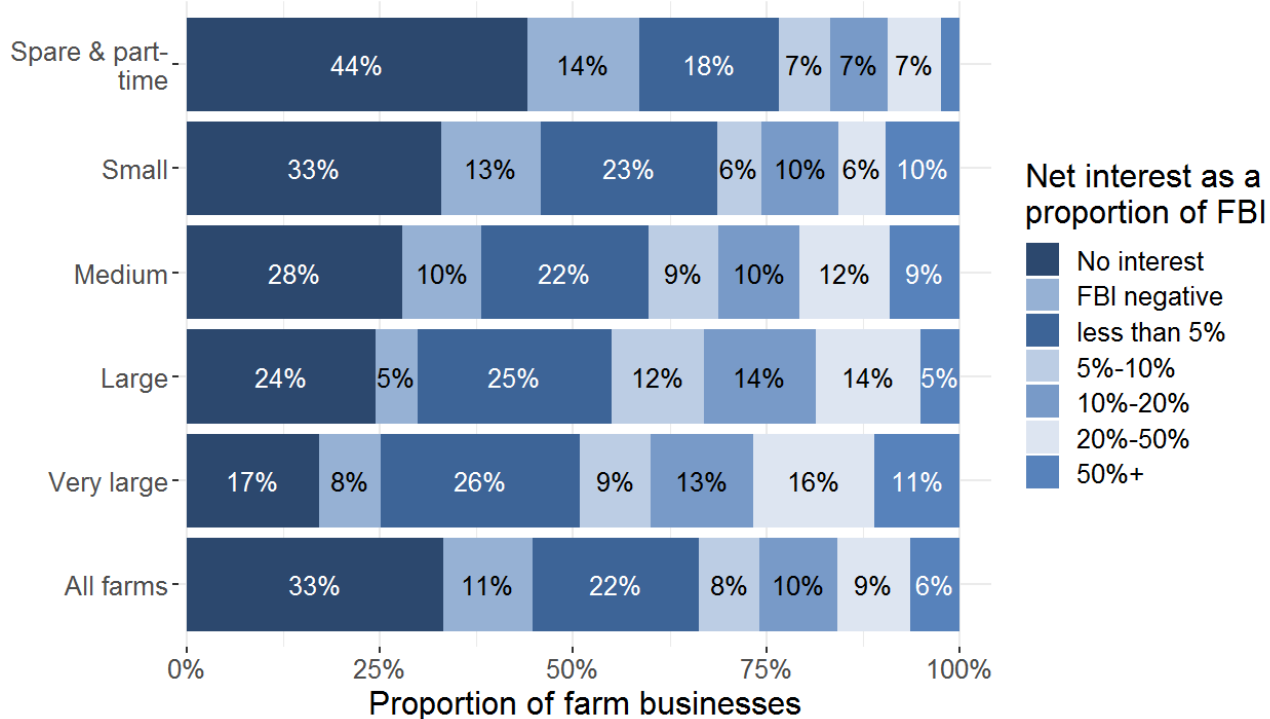
Proportions below 5% have been hidden.

The negative FBI group includes farms for which FBI was negative before paying interest payments but excludes farms paying no interest or net recipients of interest.

Where less than 5 farms were in a category, two bands were merged (for general cropping and horticulture).

Smaller farms tended to have interest received or paid no interest as a proportion of FBI; 44% of spare and part-time farms had net interest payments equivalent to 5% or less of their FBI, compared to 17% of very large farms. The proportion of farms who paid net interest equivalent to 20% or more of their FBI was about 16% for all farm sizes (Figure 5.4).

Figure 5.4 Distribution of net interest payments as a proportion of FBI by farm size.



Proportions below 5% have been hidden.

The negative Farm Business Income (FBI) group includes farms for which FBI was negative before paying interest payments but excludes farms paying no interest or net recipients of interest.

Eleven per cent of farms already had a negative FBI (before interest payments) and would have been unable to pay some or all of the interest on their debts without further borrowing or drawing on their assets. A further 6% of farms had a net interest greater than 50% of their FBI, of which 42% had net interest payments greater than their available income, these farms would have needed to draw on available assets to meet their interest payments.

6. Return on capital employed

Key findings for 2018/19:

- The median ROCE was -0.1% in 2018/19, a decrease from 2017/18. There was a wide range of values across farms and over half (53%) of farms had a negative return.
- Wholly tenanted farms tended to have a much higher spread of returns than other types of tenured farms. This difference became negligible after accounting for land value for the other tenancy types.
- All high performing farms had a positive ROCE, while almost all low performing farms had a negative return.

Return on capital employed (ROCE) is a measure of the return that a business makes from its available capital. ROCE provides a more holistic view than profit margins, focusing on efficient use of capital and low costs, allowing an equal comparison across farms of differing sizes. A positive ROCE value indicates that a farm is achieving an economic return on the capital used, while a negative ROCE value¹⁵ indicates that a farm is not achieving an economic return on the capital employed. ROCE is calculated using the following equation:

$$\text{ROCE} = \frac{\text{Earnings before Interest and Tax}}{\text{Capital Employed}}$$

Earnings before Interest and Tax has been calculated using Defra's main income measure, Farm Business Income (FBI), minus the imputed cost of all unpaid labour. **Capital employed** is the available amount that each farm could use to earn profit in the upcoming financial year. It has been calculated by subtracting current¹⁶ (i.e. short term) liabilities from total assets.

Given the distribution of the ROCE measure, the average is most appropriately described using the median (shown below) rather than the mean. Both measures are presented in the accompanying workbook of results.

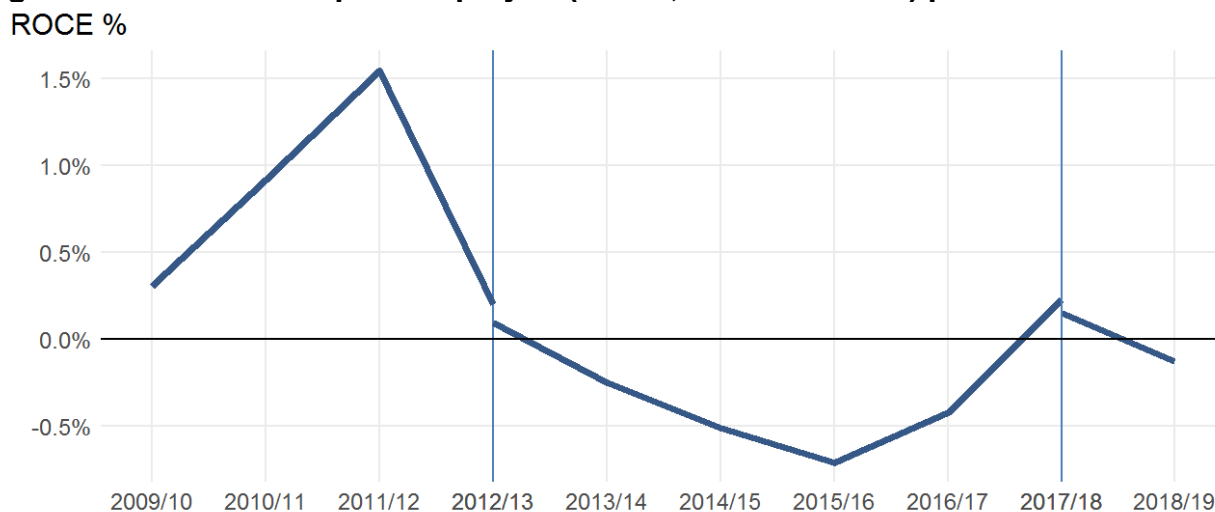
Given the importance of land as an asset base for farming, an additional measure of ROCE has been investigated which excludes the value of land from assets. These results can be also found in the accompanying workbook of results.

The median ROCE for all farm businesses declined between 2011/12 and 2015/16, but rose slightly in 2016/17 and 2017/18 to 0.2% (Figure 6.1) before falling this year to -0.1%. Over half (53%) of farms had a negative return, indicating that these businesses are not achieving an economic return on the capital employed. Around 5% of farms had a ROCE of over 10%.

¹⁵ Note that the incidence of negative ROCE is higher than the incidence of negative FBI. This is because the value of unpaid labour has been deducted from FBI.

¹⁶ Short term liabilities are deducted in order to measure the capital assets that would remain after short term commitments have been met. Overdrafts are treated as a long term liability and therefore not deducted.

Figure 6.1 Return on capital employed (ROCE, median values) per farm.



Farms with at least 25,000 euros of Standard Output.

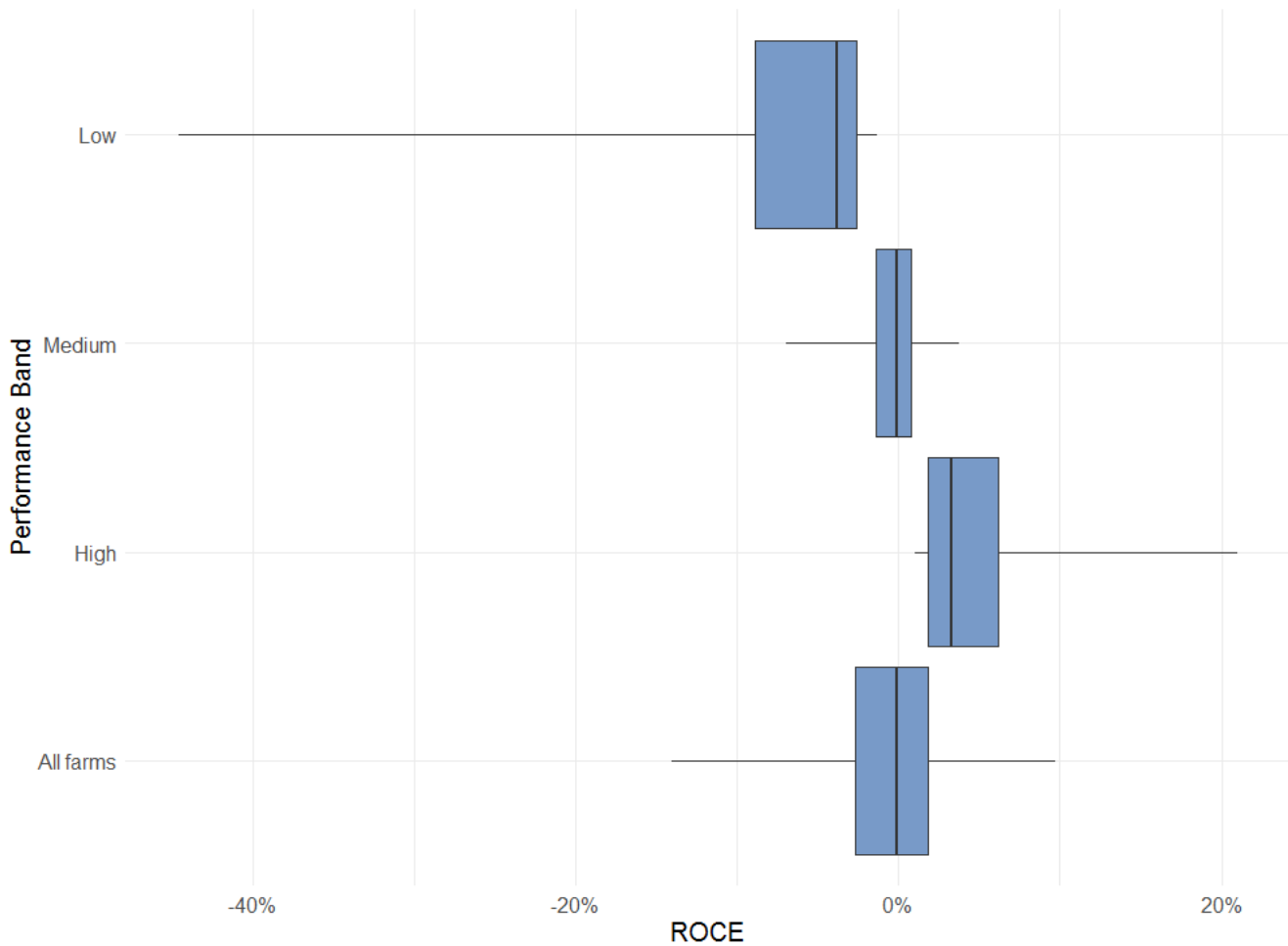
Standard output coefficients were updated in 2012/13, and 2017/18 using 5 year averages centred on 2010 and 2013 respectively. Figures prior to 2012/13 were based on a 5 year average centred on 2007. Results for the two transition years have been calculated using old and new coefficients for comparability, and are denoted by the vertical blue lines.

Tenure and economic performance were found to be related¹⁷ to ROCE.

Higher performance farms tended to have a greater ROCE than lower performance farms, with a median of 3.2% for high performance farms compared to -3.8% for low performance farms (Figure 6.2). Figure 6.3 shows the distribution of ROCE by farm size. The proportion of farms with a negative ROCE generally decreased as farm size increased.

¹⁷ A generalised linear regression model was fitted to examine which factors factors (farm type, size, region, tenure and economic performance) were related to ROCE. Tenure and economic performance were significant ($p < 0.05$).

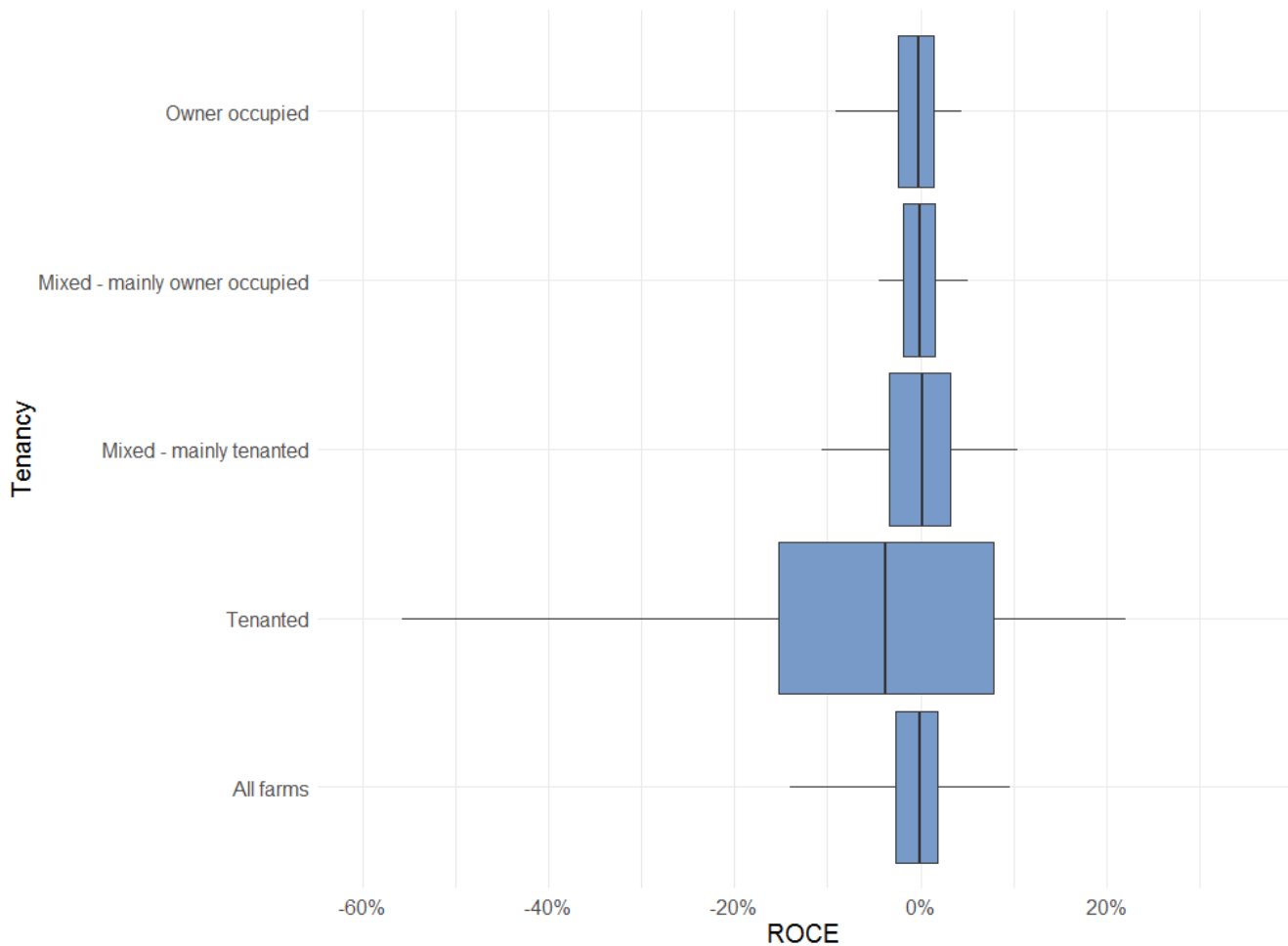
Figure 6.2 Box plots showing spread of ROCE by farm economic performance.



Within each blue box, the vertical line represents the median ROCE, with the box itself showing the spread between the first and third quartiles. Thus 50% of farms lie within the range shown by the blue box. The horizontal lines to each side indicate the spread between the lowest 5% of farms and the top 5% of farms. Thus 90% of farms lie within the range indicated by the lines.

Median ROCE scores were related to tenancy type (Figure 6.3), wholly tenanted farms varied much more widely in their ROCE score than other tenancy options, with 90% of farms having a ROCE of between -56% and 22%, compared to between -9% and 5% for wholly owner occupied farms (Figure 6.3). Note that the measure does not include imputed rent for owner occupied farms.

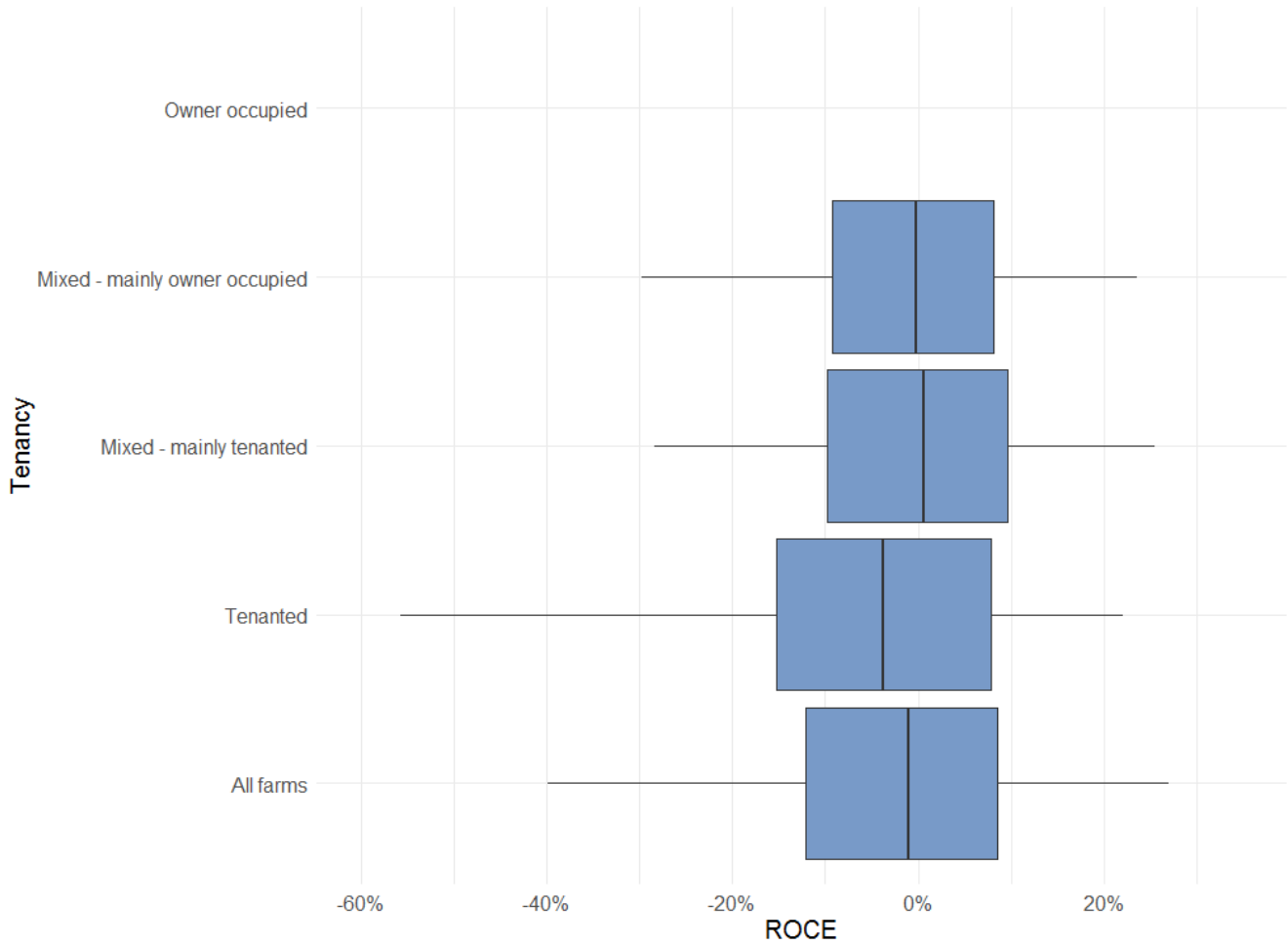
Figure 6.3 Box plot showing spread of ROCE by farm tenure.



Within each blue box, the vertical line represents the median ROCE, with the box itself showing the spread between the first and third quartiles. Thus 50% of farms lie within the range shown by the blue box. The horizontal lines to each side indicate the spread between the lowest 5% of farms and the top 5% of farms. Thus 90% of farms lie within the range indicated by the lines.

There is a wider variation in ROCE scores when the value of land is excluded (Figure 6.4). Those farm tenure groups which own land (owner occupied, mixed – mainly owner occupied and mixed – mainly tenanted) all have a far more broad distribution, more similar to that of tenanted farms.

Figure 6.4 Box plot showing spread of ROCE by farm tenure, excluding the value of land from assets.



Within each blue box, the vertical line represents the median ROCE, with the box itself showing the spread between the first and third quartiles. Thus 50% of farms lie within the range shown by the blue box. The horizontal lines to each side indicate the spread between the lowest 5% of farms and the top 5% of farms. Thus 90% of farms lie within the range indicated by the lines.

Survey details

Survey content and methodology

The Farm Business Survey (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 1,750 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 thousand Euros of standard output¹⁸ as recorded in the annual June Survey of Agriculture and Horticulture. In 2018, this accounted for approximately 57,100 farm businesses¹⁹.

For further information about the Farm Business Survey please see:

<https://www.gov.uk/government/organisations/department-for-environment-food-rural-affairs/series/farm-business-survey>

Data analysis

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 for each design stratum (farm type by farm size). These weights are then adjusted (calibration weighting²⁰) so that they can produce unbiased estimators of a number of different target variables.

The data used for this analysis is from those farms present in the Farm Business Survey for 2009/10 to 2018/19 that have complete returns on their assets and liabilities. In 2018/19 this subsample consisted of 1768 farms. This subsample has been reweighted using a method that preserves marginal totals for populations according to farm type and farm size 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

We show 95% confidence intervals against the results. These show the range of values that may apply to the figures. They mean that we are 95% confident that this range contains the true value. 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. For the Farm Business Survey, the confidence limits shown are appropriate for comparing groups within the same year only; they should not be used for comparing with previous years since they do not allow for the fact that many of the same farms will have contributed to the Farm Business Survey in both years.

¹⁸ For a definition of standard output please see the UK classification document here: <https://www.gov.uk/farm-business-survey-technical-notes-and-guidance>

¹⁹ Prior to the 2010/11 campaign, the coverage of the FBS was restricted to those farms of size $\frac{1}{2}$ Standard Labour Requirement (SLR) or more. For a definition of SLR please see the UK classification document here: <https://www.gov.uk/farm-business-survey-technical-notes-and-guidance>

²⁰ Further information on calibration weighting can be found here: <https://www.gov.uk/farm-business-survey-technical-notes-and-guidance>

We have also shown error bars on the figures in this notice. These error bars represent the 95% confidence intervals (as defined above).

Figures based on less than 15 observations have been italicised in the tables.

Statistical methods

Generalised linear models were fitted to examine which of five predictive variables (farm type, size, tenure type, region and economic performance) were related to each of the response variables of interest (liability, gearing ratio, liquidity, interest payments as a proportion of FBI and ROCE). In each case the distribution of the response variable was examined, and if necessary log 10 or square-root transformed to conform to assumptions of normality. Where a binomial response variable was used (i.e. farms having a liquidity ratio of less than 100%) a binomial based generalised linear model was fitted using a binomial error distribution and a logit link. No statistical model was fitted to the net worth, liquidity or net interest as a proportion of FBI data, as no suitable model structure was found for the data which satisfied assumptions of normality. In all instances a model simplification procedure was used; firstly all parameters were fitted and then a backwards stepwise approach was used to drop the non-significant terms. Where a parameter was of borderline significance the predictions were examined to see if there was a logical pattern and then judgment used to determine whether to retain or drop the parameter from the model. The fit of each model was inspected using plots of model residuals.

Availability of results

This release contains headline results for each section. The full breakdown of results, by farm type, farm size tenure, region and economic performance can be found at:

<https://www.gov.uk/government/statistics/balance-sheet-analysis-and-farming-performance-england>

Defra statistical notices can be viewed on the Food and Farming Statistics pages on the Defra website at <https://www.gov.uk/government/organisations/department-for-environment-food-rural-affairs/about/statistics>. This site also shows details of future publications, with pre-announced dates.

Data Uses

Data from the Farm Business Survey (FBS) are provided to the EU as part of the Farm Accountancy Data Network (FADN). The data have been used to help inform policy decisions (e.g. Reform of Pillar 1 and Pillar 2 of Common Agricultural Policy) and to help monitor and evaluate current policies relating to agriculture in England (and the EU). It is also widely used by the industry for benchmarking and informs wider research into the economic performance of the agricultural industry.

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.

Definitions

Mean

The mean (average) is found by adding up the weighted variable of interest (e.g. liabilities or net worth) 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. ROCE or net worth), into 100 equal-sized groups. For example, twenty five percent of the population would have a net worth below the 25th percentile.

Median

The median 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 50th percentile.

Farm Type

Where reference is made to the *type of farm* in this document, this refers to the 'robust type', which is a standardised farm classification system. For this publication, pigs and poultry have been amalgamated into a single farm type category.

Farm Sizes

Farm sizes are based on the estimated labour requirements for the business, rather than its land area. The farm size bands used within the detailed results tables which accompany this publication are shown in the table below. Standard Labour Requirement (SLR) is defined as the theoretical number of workers required each year to run a business, based on its cropping and livestock activities.

Farm size	Definition
Spare & Part-time	Less than 1 SLR
Small	1 to less than 2 SLR
Medium	2 to less than 3 SLR
Large	3 to less than 5 SLR
Very Large	5 or more SLR

Farm Economic performance

Economic performance for each farm is measured as the ratio between economic output (mainly sales revenue) and inputs (costs). The inputs for this calculation include an adjustment for unpaid manual labour. The higher the ratio, the higher the economic efficiency and performance. The farms are then ranked and allocated to performance bands based on economic performance percentiles:

- **Low performance band** - farms that were in the bottom 25% of economic performers
- **Medium performance band** - farms that were in the middle 50% of performers
- **High performance band** - farms that were in the top 25% of performers.

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. Net worth takes total liabilities from total assets, including tenant type capital and land. This describes the wealth of a farm if all of their liabilities were called in.

Liabilities

Liabilities are the total debt (short and long term) of the farm business including monies owed. It includes mortgages, long term loans and monies owed for hire purchase, leasing and overdrafts.

Tenant type capital

Tenant type capital comprises assets normally provided by tenants and includes livestock, machinery, crops and produce in store, stocks of bought and home-grown feeding stuffs and fodder, seeds, fertilisers, pesticides, medicines, fuel and other purchased materials, work in progress (tillages or cultivations), cash and other assets needed to run the business. Orchards, other permanent crops, such as soft fruit and hop gardens and glasshouses, are also generally considered to be tenant-type capital.

Return on capital employed (ROCE)

Return on capital employed (ROCE) is a measure of the return that a business makes from the available capital. ROCE provides a more holistic view than profit margins, focusing on efficient use of capital and low costs and allowing an equal comparison across farms of differing sizes. It is calculated as economic profit divided by capital employed.

Liquidity ratio

The liquidity ratio shows the ability of a farm to finance its immediate financial demands from its current assets, such as cash, savings or stock. It is calculated as current assets divided by the current liabilities of the farms.

Gearing ratio

The gearing ratio gives a farm's liabilities as a proportion of its assets.

Utilised Agricultural Area (UAA)

Utilised Agricultural Area (UAA) is the crop area, including fodder, set-aside land, temporary and permanent grass and rough grazing in sole occupation (but not shared rough grazing) i.e. the agricultural area of the farm. It includes bare land and forage let out for less than one year.

Farm business income (FBI)

Farm Business Income (FBI) for sole traders and partnerships represents the financial return to all unpaid labour (farmers and spouses, non-principal partners and directors 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. Note that prior to 2008/09 directors remuneration was not deducted in the calculation of farm business income.

Farm Business Income is used when assessing the impact of new policies or regulations on the individual farm business. Although Farm Business Income is equivalent to financial Net Profit, in practice the measures are likely to differ because Net Profit is derived from financial accounting principles whereas Farm Business Income is derived from management accounting principles. For example in financial accounting output stocks are usually valued at cost of production, whereas in management accounting they are usually valued at market price. In financial accounting depreciation is usually calculated at historic cost whereas in management accounting it is often calculated at replacement cost.