

Agriculture in the United Kingdom 1998

Produced by:

Ministry of Agriculture, Fisheries and Food

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Welsh Office

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Close up of flourishing natural flora.

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Preface

1. *Agriculture in the United Kingdom 1998* fulfils the requirement under the Agriculture Act 1993 that Ministers publish an annual report on such matters relating to price support for agricultural produce as they consider relevant and cover in the report developments in agricultural policy, including policy on agriculture and the environment. The Government will draw on this information when considering policy issues, including proposals by the European Commission in respect of the Common Agricultural Policy and the provision of agricultural support in 1999/2000.

2. The tables in this edition are similar to those in *Agriculture in the United Kingdom 1997*, although some of the figures now given for past years may differ from those published in the preceding issues. This is because of the use of later information, changes in the scope and nature of the available data and improvements in statistical methods. Changes to the methodology underlying the agricultural account have affected the figures in Chapter 6. A detailed explanation of these changes is provided in the Annex. A guide to the content and structure of the commodity tables is provided in the introduction to Chapter 5.

Statistical tables - general note

3. Most of the data are on a calendar year basis. The figures for 1998 are provisional; they reflect the position as seen in January 1999 when information for 1998 was still incomplete and an element of forecasting was therefore required. The figures in the tables in Chapters 8 and 9 relate to years ending (on average) in mid-February and at the end of March respectively.

4. The following points apply throughout:

- (i) all figures relate to the United Kingdom, unless otherwise stated;
- (ii) the figures for imports and exports include those from intervention stocks and the figures for exports include re-exports. The figures for trade with the fourteen other members of the European Union and with the rest of the world reflect country of consignment for imports and country of reported final destination for exports. The source of Overseas Trade Statistics is HM Customs and Excise;
- (iii) where units are common or predominant, they are indicated at the top of the table. Otherwise they are shown in the body of the table;
- (iv) in some cases figures may not add to corresponding totals because of rounding;
- (v) symbols:
 - means 'nil' or 'negligible' (less than half the last digit shown).
 - .. means 'not available' or 'not applicable'.

5. This publication and other MAFF statistics can be found on the World Wide Web at www.maff.gov.uk under 'Statistics'.

1 Summary of the year

Summary of the year

1. For the first 6 months of 1998, the UK held the Presidency of the European Union. During this period the Government focused its efforts on working with the Agriculture Council and other European Institutions in getting the best deal for the UK and the European Community. At the end of our Presidency the Government had secured progress on a wide range of issues including taking forward reform of the Common Agricultural Policy (CAP), lifting the beef ban in Northern Ireland and animal welfare measures.
2. A major farming issue in 1998 was the fall in farm incomes and the state of the farming industry in the UK. The decline in farm incomes reflected the difficult times that some sectors of the farming industry were undergoing in 1998. The fall was due mainly to the fall in prices for most major commodities. This was as a result of the oversupply of commodity markets, although the strength of sterling was also a factor.
3. In order to assist the livestock sector, on 3 February 1998 payments of £72.5 million were made to suckler cow producers along with £12.5 million to sheep producers. On 16 November 1998 the Government announced a further aid package of £120 million which, will provide agri-monetary compensation in the form of supplementary payments under the Suckler Cow Premium Scheme, increased payments under the Hill Livestock Compensatory Allowances Scheme and the continuation of the Calf Processing Aid Scheme until the end of the current financial year.
4. Another major farming issue in 1998 continued to be Bovine Spongiform Encephalopathy (BSE). By March 1998, the UK had met all preconditions of the "Florence Agreement" - the framework for the lifting of the ban on exports of bovine products from the UK. The Cattle Tracing System, a computer-based system for registering cattle and their movements from birth to death, was launched in GB in September. By the end of 1998, the selective slaughter programme was nearing completion. The most important achievement of the year was the progress made in lifting the beef export ban. In March 1998 the Commission adopted proposals for an Export Certified Herd Scheme for beef and beef products from Northern Ireland and these exports were permitted from 1 June 1998. In November, the Commission adopted the revised UK Date Based Export Scheme (DBES) to apply throughout the UK to scheme animals born after 1 August 1996. Officials are now working towards implementation of the DBES and its requirements. Legislation for the compulsory slaughter of offspring of BSE affected cattle came into force on 4 January 1999.

5. The Government broadly welcomed the Commission's legislative proposals published in March 1998 for reform of the CAP within the Agenda 2000 package. The proposals include reform of the cereals, beef and dairy regimes, along with a proposal to integrate rural development and agri-environmental measures. In addition, the Commission proposed amendments to the CAP financing regulation and a number of horizontal measures to apply to all direct payments. In July the Commission published its proposals for reform of the wine regime.

6. These proposals were discussed intensively within the Agriculture Council, as well as at Working Group and Special Committee for Agriculture level. At the Vienna European Council in December, Heads of Government agreed a report from the Agricultural Council identifying the main outstanding issues on CAP reform, and expressed their determination to reach conclusions at the Brussels European Council in March 1999.

7. The Government has continued its commitment to encourage sustainable and environmentally sensitive agriculture. Following the outcome of the Comprehensive Spending Review (CSR), it announced that it will continue to expand the areas under the major agri-environment agreements in England. In Scotland funds have also been earmarked for agri-environment schemes following CSR. Other environmental initiatives are outlined in Section 3.

8. The 1997/98 winter was generally mild and the most notable feature was probably the storm on Christmas Eve which brought widespread rain and severe gales. Exceptionally mild and dry weather in February brought a welcome opportunity to make an early start to arable fieldwork and helped early lambing flocks. Mild weather in the early spring encouraged crop and grass growth but very wet weather in April brought arable fieldwork to a standstill and a backlog started to build up. Drier and warmer weather in May enabled a lot of catching up with crop drilling and spraying and early first cuts of silage were taken in good conditions in southern Britain. Wet weather in June hampered progress with silage making and in arable crops, particularly cereals, disease pressure started to increase. In western livestock areas further wet and dull conditions in July hampered second cut silage making and reduced growth rates of lambs and other rearing livestock. Drier weather in August in the main arable areas of England helped progress with the cereal harvest but further spells of dull wet weather in the livestock areas in the north and west continued to hamper silage and hay making. In September and October wet weather impeded arable fieldwork and potato and sugar beet lifting and made finishing grazing lambs and cattle difficult. Some livestock had to be housed earlier than usual. In November, drier weather enabled some catching up with arable fieldwork and potato and sugar beet lifting in central, southern and eastern England but progress in northern and western areas continued to be hindered by wet weather.

9. Scotland has experienced one of the wettest years on record which has adversely affected all sectors of the industry. Arable crops produced low yields of poor quality and a significant part of the Scottish potato crop remained unharvested at the turn of the year. Winter keep production was

also badly affected and with many stock requiring to be housed much earlier than normal, winter keep may as a consequence, be in very short supply.

10. The floods of Easter 1998 followed prolonged heavy rain and were the worst for decades affecting large areas of England and Wales. Five people lost their lives and many thousands of others were affected by the floodwaters. The Ministry expresses its sympathy to all those who lost loved ones or whose homes and possessions were damaged by the floods.

**Agriculture and
food in the
national
economy (Table
1.1)**

11. The provisional estimates of output, productivity and income of UK agriculture in 1998 show the following comparisons with 1997:

- Total Income From Farming (TIFF), which represents the income to those with an entrepreneurial interest in the agricultural industry, is estimated to have fallen by 29 per cent. This represents a 32 per cent fall in real terms. This is the second substantial fall in a row, again due mainly to lower prices for most major commodities. TIFF has fallen by 58 per cent in real terms over the last two years, although from an historically high level.
- The value of output (including subsidies directly related to products) was 9 per cent or £1.68 billion lower, the prices for most commodities having fallen sharply in 1998. The main reasons for the fall in prices in 1998 have been the oversupply of commodity markets, economic difficulties in Russia and Asia and the strength of sterling.
- The value of production of cereals fell by £420 million or 14 per cent to £2,493 million, as prices were 14 per cent lower.
- The value of production of potatoes increased by £258 million or 67 per cent, the high price more than compensated for the poor harvest.
- The value of production of horticulture products increased by 5 per cent or £95 million.
- The value of beef production was 14 per cent or £326 million lower compared to 1997. This was due to lower market prices and lower subsidies, in particular a lower rate for the Over Thirty Month Scheme.
- The value of production of sheep and lambs was 5 per cent or £57 million lower despite the increase in sheep subsidy payments of £134 million. This was as a result of lower prices caused in part by the wet summer and by the collapse of the market in Russia including that for sheepskins. Losses sustained by finishers on the 1997 lamb crop have had a knock on effect to hill farmers who have been particularly affected with virtually a complete loss of their markets for all but the highest quality production.
- Pig production was 1 per cent higher but prices were 28 per cent lower because of oversupply. Therefore the value of production was £318 million or 27 per cent lower.
- The value of milk production was £431 million lower, 14 per cent, due to lower prices received by farmers.

- Farmers generally benefited from lower input costs and, in particular, from lower fertiliser and feed prices. The cost of the industry's intermediate consumption was 8 per cent or £0.75 billion lower.
- The industry's Net Value Added at Factor Cost was 15 per cent lower.
- Over the year the industry's interest payments were 16 per cent higher. The cost of hired labour rose by 2 per cent despite a slight decrease in the overall amount of time worked.
- Cash flow to workers with an entrepreneurial interest in the industry shows a far smaller decrease than TIFF. In real terms cash flow fell by only 10 per cent. Cash flow reflects sales rather than production and expenditure on gross fixed capital formation rather than depreciation of capital assets. Expenditure on gross fixed capital formation was significantly lower in 1998 due to the economic difficulties facing the industry.

12. These developments are described in more detail in the following sections. Table 1.1 provides a very broad picture of agriculture and food in the national economy.

13. Provisional figures for 1998 show that the UK's self sufficiency in food has continued to decline as UK prices have fallen further. It has fallen 1.7 percentage points over the last two years as the value of home production has fallen relative to the values of imports and exports.

14. The series back to 1988 has been significantly revised upwards due to changes introduced to improve the estimation by seeking a higher level of internal consistency and recognising the higher proportion of processed products as opposed to unprocessed commodities imported in recent years. The biggest effect has been the introduction of factors to devalue processed imports to the value of their unprocessed food content. This has significantly reduced the estimated value of food imports which in turn has reduced the estimated value of food consumption. Hence UK food production as a percentage of UK food consumption has increased.

TABLE 1.1 Agriculture and food in the national economy

Calendar years

	Average of 1987-89	1994	1995	1996	1997	1998 (provisional)
Agriculture's contribution to Gross Domestic product (a)						
at current prices (£ million)	6,506	9,180	10,084	9,782	8,217	7,298
volume index (1995=100)	94.7	100.7	100.0	101.6	103.5	102.3
% of national GDP (current prices)	1.6	1.6	1.7	1.5	1.2	1.0
Workforce in agriculture ('000 persons) (b)						
% of total workforce in employment	2.6	2.4	2.4	2.4	2.3	2.3 (c)
Gross fixed capital formation in agriculture						
total GFCF at current prices (£ million)	1,836	2,751	2,620	2,544	2,572	..
% of national GFCF (current prices)	1.9	2.6	2.3	2.0	1.9	..
volume indices (1995=100):						
buildings & works, plant & machinery	80.4	100.5	100.0	97.6	85.6	..
livestock	102.2	119.3	100.0	94.7	115.6	104.2
Imports of food, feed and drink (£ million) (d) (e)						
of which: food, feed and non alcoholic drinks	10,766	14,767	16,257	17,766	17,170	17,114
alcoholic drinks	9,634	13,037	14,426	15,639	14,900	14,635
	1,132	1,730	1,831	2,127	2,270	2,479
Volume index (1995=100) (f)	81.7	97.6	100.0	106.9	110.1	118.1
Unit value (price) index (1995=100) (f)	76.2	95.6	100.0	103.6	97.2	89.7
% of total UK imports	10.1	9.9	9.7	9.7	9.1	9.0
Exports of food, feed and drink (£ million) (d) (e)						
of which: food, feed and non alcoholic drinks	5,320	8,977	9,974	10,058	9,924	9,185
alcoholic drinks	3,753	6,235	7,117	7,074	6,749	6,465
	1,568	2,742	2,857	2,984	3,174	2,720
Volume index (1995=100) (f)	71.8	94.3	100.0	100.9	103.8	100.3
Unit value (price) index (1995=100) (f)	73.2	96.0	100.0	102.3	96.5	92.4
% of total UK exports	6.3	6.7	6.5	6.0	5.8	5.6
UK self-sufficiency in food as a % of:						
all food	72.8 (g)	73.0	73.5	69.8	68.7	68.1
indigenous type food	84.7 (g)	85.8	86.5	83.1	82.0	82.3
Household final consumption expenditure on household food and alcoholic drinks at current prices (£ million) (h)						
of which: household food	55,240	72,738	75,313	80,287	82,312	83,400
alcoholic drinks	36,679	47,122	49,274	52,513	53,188	53,800
	18,561	25,616	26,039	27,774	29,124	29,600
at constant 1995 prices (£ million)	74,950	75,620	75,313	77,837	79,062	78,500
of which: household food	46,664	48,931	49,274	50,931	51,788	51,800
alcoholic drinks	28,286	26,689	26,039	26,906	27,274	26,700
% of total household final consumption expenditure	18.6	17.3	17.2	17.2	16.5	15.9
of which: household food	13.0	11.2	11.2	11.2	10.7	10.3
alcoholic drinks	6.6	6.1	5.9	5.9	5.8	5.7
Retail price indices (1995=100)						
food	76.9	96.3	100.0	103.2	103.3	104.7
alcoholic drinks	65.2	96.4	100.0	102.9	105.8	109.4
all items	72.4	96.6	100.0	102.4	105.6	109.3

(a) Agriculture is here defined as in the national accounts, that is net of gross rent and the produce of gardens and allotments.

(b) This series now includes spouses of farmers, partners and directors for the first time. These were excluded in previous editions because consistent data were not available. The effect is to increase the % of total workforce in employment from 2.0% (old basis) in 1997 to 2.3% (new basis) and similarly for previous years.

(c) 1998 figures are on a different basis to previous years (see headnote to table 2.5).

(d) This aggregate covers SITC divisions 01-09, 11, 22 and section 4.

(e) The figures for 1993 onwards are based on INTRASTAT data and include estimates of non-response and of traders below the threshold for which detailed trade data are not collected.

(f) Data provided by ONS.

(g) Average of 1988/89 only.

(h) 'Household final consumption expenditure' replaced 'Consumer's expenditure' in 1998 when National Accounts adopted the European System of Accounts.

2 The structure of the industry

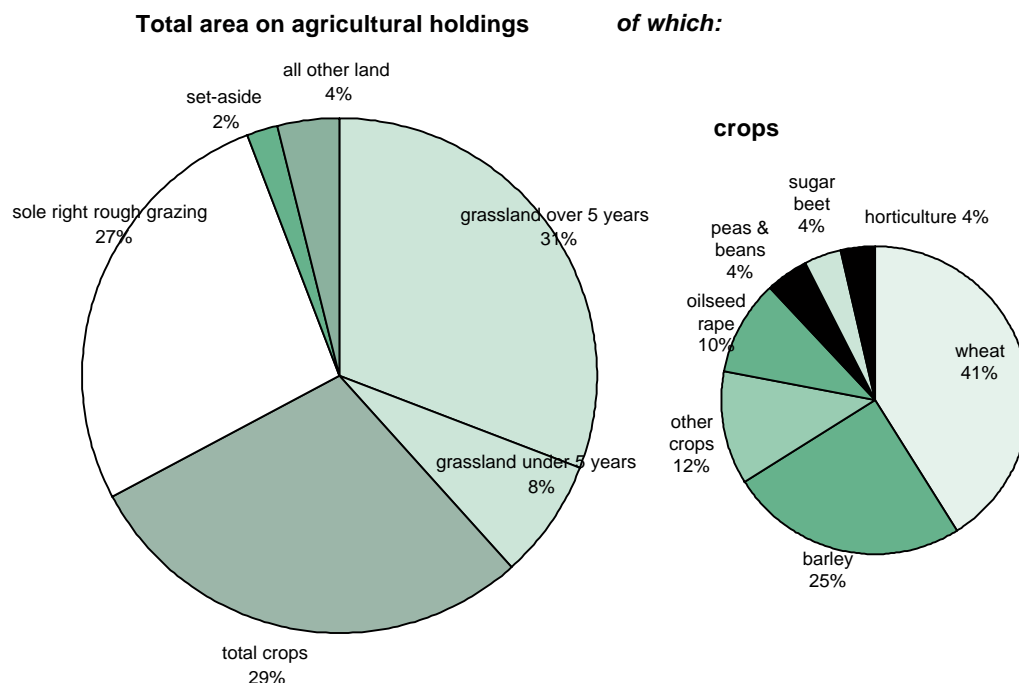
Introduction

1. The tables in this section portray the size and structure of the UK agricultural industry in 1998 and earlier years. Together they provide information on land use and livestock numbers in UK agriculture, on the distribution of these between holdings, on the industry's labour force and on its stock of fixed capital.

Crop areas and livestock numbers (Tables 2.1 and 2.2)

2. At June 1998 the total area of agricultural land was 18.6 million hectares, some 76

CHART 2.1 Agricultural land use:



per cent of the total land area in the UK. The June 1998 Census showed a small decrease in the area of crops in the UK, after increases of 6 per cent and 4 per cent in the preceding years. This is largely a result of changes to the set-aside rate. The rate remained at 5 per cent for the 1998 harvest. The area of cereals fell by 2 per cent, reflecting a shift to the more economically advantageous oilseeds. The largest shift was from barley to non set-aside oilseed rape and linseed. The barley area decreased by 8 per cent in 1998, reversing the 7 per cent increase recorded in 1997. Over the past two years, the areas of linseed and winter oilseed rape have increased by 104 per cent and 42 per cent respectively.

3. Although the total cattle population fell by 1 per cent between June 1997 and June 1998, an increase of 1 per cent was recorded for the breeding herd. This was due to a 5 per cent increase in the beef breeding herd which more than offset the 2 per cent decrease in the dairy breeding herd. The fall in the dairy breeding herd continues the downward trend of recent years,

which is a product of increasing milk yield. The number of beef and dairy heifers in first calf fell by 10 per cent and 6 per cent respectively.

4. The total number of pigs rose by 2 per cent in the year to June 1998. However, this increase was restricted to fattening pigs. In contrast, the breeding herd fell by 3 per cent and the number of intended gilts fell by 12 per cent. Provisional December Survey results show a further contraction in the breeding herd of 8 per cent.

5. The sheep breeding flock increased for the second consecutive year (by 3 per cent). This, along with lower lamb mortality rates in 1998, has led to a 5 per cent increase in lambs under one year old.

6. The pattern of the use of land on agricultural holdings in 1998 is shown in Chart 2.1 and the changes in crop areas and livestock numbers between 1997 and 1998 are shown in Chart 2.2.

**Sizes of holdings
and enterprises**
(Tables 2.3 and
2.4)

7. Table 2.3 shows a continuation of the long-term trend towards larger holdings. Whilst holdings of 200 ESUs and over comprise less than 3 per cent of all holdings, they account for over a quarter of all agricultural activity (27 per cent measured by total ESUs).

8. Size distributions of main holdings according to their crop areas and livestock numbers are presented in Table 2.4. This table excludes minor holdings which are very small in terms of their area and livestock numbers. The long-term trend in most agricultural sectors is towards larger enterprises, although the comparison for crop-growing enterprises will be affected by changes in the set-aside rate between 1993 and 1998. The trend towards larger enterprises is noticeable, for example, in the pig sector where 84 per cent of breeding pigs were in herds of 100 and over at June 1998 compared to 79 per cent at June 1993, despite a fall in the total breeding herd.

9. The number of medium and large pig enterprises fell by 5 per cent between June 1997 and June 1998, as people left the sector or reduced their breeding herd to less than 50 pigs. This contributed a 4 per cent increase in the number of small pig enterprises. However, the total number of breeding pigs on these small enterprises fell by 6 per cent. Over the same period, the average size of the remaining large enterprises has increased slightly, reflecting their greater competitiveness.

**Labour Force in
Agriculture**
(Table 2.5)

10. The period up to 1997 is characterised by a steady fall in the total agricultural labour force and a shift from whole-time to part-time working among farmers, partners and directors. The annual decrease in the labour force averaged 1 per cent between 1978 and 1997. Over the same period, the percentage of farmers, partners and directors working part-time has increased from 29 per cent to 42 per cent.

11. The 1998 results are based in part on new and improved labour questions on the June Agricultural and Horticultural Census in England, Wales and Scotland. These results appear to include some labour which was not previously recorded, which has caused a break in the data series. Further

work is being conducted on this issue, with the aim of producing a consistent data series.

**Fixed Capital
Stock**
(Table 2.6)

12. Table 2.6 provides information on the gross stock of fixed capital (excluding land and livestock) available to the agricultural industry. The figures are shown at constant 1995 prices before allowing for depreciation and they give a broad indication of how the industry's productive capacity has changed over the years. Agriculture's fixed capital stock, valued at 1995 prices, is estimated to have been £34,100 million at the end of 1997 – a decline of less than 1 per cent on the previous year. The total capital stock by 1997 was around 2 per cent below the 1987-89 average level. This was the result of a virtually unchanged stock of buildings and works and a reduction in the stock of plant and machinery partly offset by a small increase in vehicles.

TABLE 2.1 Agricultural land use

The data in this table cover all holdings (including minor holdings) in all four countries of the UK (a)

'000 hectares

At June of each year

	Average of 1987-89	1994	1995	1996	1997	1998
Total agricultural area (total area on agricultural holdings plus common rough grazing)	18,974	18,850	18,746	18,753	18,653	18,593
This comprises:						
Crops	5,223	4,470	4,544	4,722	4,990	4,972
Bare fallow	59	46	43	37	29	34
Total tillage	5,281	4,516	4,586	4,759	5,020	5,005
All grass under five years old	1,637	1,456	1,407	1,395	1,405	1,303
Total arable land	6,919	5,972	5,993	6,154	6,425	6,308
All grass five years old and over (excluding rough grazing)	5,232	5,388	5,375	5,354	5,282	5,350
Total tillage and grass (b)	12,150	11,360	11,368	11,507	11,706	11,658
Sole right rough grazing	5,006	4,825	4,785	4,760	4,657	4,624
Set-aside	..	728	633	509	306	314
All other land (c) and woodland	582	712	734	751	763	777
Total area on agricultural holdings	17,738	17,626	17,520	17,527	17,432	17,372
Common rough grazing (estimated)	1,236	1,224	1,226	1,226	1,221	1,221

(a) Historical data is not directly comparable to previous editions, as Scottish minor holdings were not then included. Also from 1997 the Northern Ireland census was based on an improved register of holdings.

(b) Includes bare fallow.

(c) In Great Britain other land comprises farm roads, yards, buildings (excluding glasshouses), ponds and derelict land. In Northern Ireland other land includes land under bog, water, roads, buildings etc. and wasteland not used for agriculture.

TABLE 2.2 Crop areas and livestock numbers

The data in this table cover all holdings (including minor holdings) in all four countries of the UK. (a) (b)

At June of each year

	Average of 1987-89	1994	1995	1996	1997	1998
Crop areas ('000 hectares)						
Total	5,223	4,470	4,544	4,722	4,990	4,972
This comprises:						
Total cereals	3,906	3,043	3,182	3,359	3,514	3,420
of which: wheat	1,988	1,811	1,859	1,976	2,036	2,045
barley	1,789	1,108	1,193	1,269	1,359	1,255
oats	113	109	112	96	100	98
rye and mixed corn	12	10	11	11	12	11
triticale	..	6	7	7	8	10
Other arable crops (excluding potatoes)	933	1,073	1,003	996	1,126	1,210
of which: oilseed rape	352	404	354	356	445	506
sugar beet not for stockfeeding	200	195	196	199	196	189
hops	4	3	3	3	3	3
peas for harvesting dry						
and field beans	228	228	195	178	197	213
linseed (c)	..	58	54	49	73	99
other crops	144	185	201	211	211	200
Potatoes	178	164	172	178	166	164
Horticulture	206	189	187	189	185	177
of which: vegetables grown in the open	138	127	130	132	126	123
orchard fruit (d)	37	32	28	28	30	28
soft fruit (e)	15	13	12	12	11	10
ornamentals (f)	13	14	15	14	14	14
glasshouse crops	2	2	2	2	2	2
Livestock numbers ('000 head)						
Total cattle and calves	12,134	11,954	11,857	12,040	11,633	11,519
of which: dairy cows	2,941	2,716	2,603	2,587	2,478	2,439
beef cows	1,434	1,809	1,840	1,864	1,862	1,947
heifers in calf	806	775	775	818	848	787
Total sheep and lambs	41,429	43,813	43,304	42,086	42,823	44,471
of which: ewes and shearlings (g)	19,379	20,861	20,830	20,550	20,696	21,260
lambs under one year old	20,775	21,758	21,350	20,443	21,032	22,138
Total pigs	7,911	7,892	7,627	7,590	8,072	8,146
of which: sows in pig and other sows for breeding	704	691	654	649	683	675
gilts in pig	103	106	101	107	116	103
Total fowl (h)	127,419	126,653	127,035	..	..	147,609
of which: table fowl including broilers	72,503	75,696	77,177	..	..	98,244
laying fowl (i)	36,797	32,682	31,837	..	34,286	29,483
growing pullets	11,047	10,388	10,210	..	11,510	9,860

(a) For various reasons, the crop area figures shown in this table may differ slightly from those shown in Section 5.

(b) Historical data is not directly comparable to previous editions, as Scottish minor holdings were not then included.

(c) England and Wales only prior to 1992.

(d) Includes non-commercial orchards.

(e) Includes wine grapes.

(f) Hardy nursery stock, bulbs and flowers.

(g) Due to improvements to the questions on sheep, historic data are not directly comparable with 1995-1998.

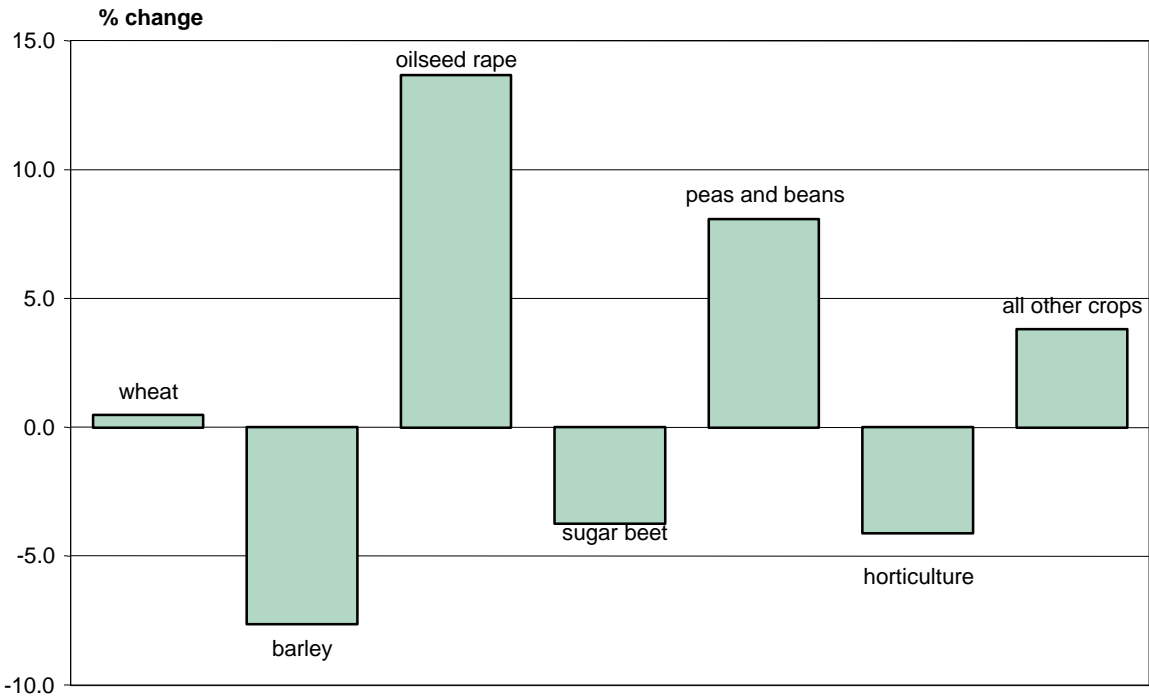
(h) Improvements to the Census methodology were introduced in 1997 and 1998 to account for poultry production on unregistered units. Consequently, the 1998 figures are not directly comparable with preceding years' results: and the 1997 figures are not directly comparable with preceding years' results: and those for 1998.

(i) Excludes fowls laying eggs for hatching.

CHART 2.2 Changes in crop areas and livestock numbers

Percentage change 1997 to 1998

Crop areas



Livestock numbers

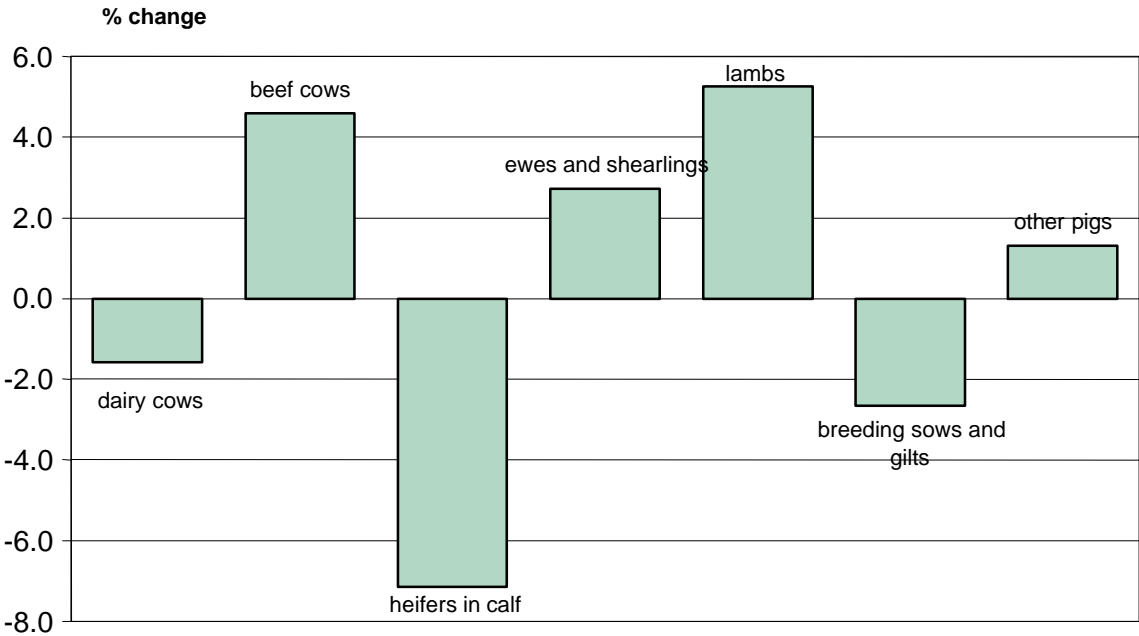


TABLE 2.3 Numbers and sizes of holdings

The data in this table exclude minor holdings (a)

At June of each year

		1993		1998	
		Number of holdings ('000)	Percent of total ESU	Number of holdings ('000)	Percent of total ESU
Size of holding (ESU) (b) (European size units (ESUs) measure the financial potential of the holding in terms of the margins which might be expected from crops and stock. The margins used are gross margins standardised at average 1987-89 values. The threshold of 8 ESU is judged to be the minimum for full-time holdings).	under 8.0 ESU	106.8	2.8	108.4	2.9
	8.0 to under 40.0 ESU	72.2	17.1	65.7	15.4
	40.0 to under 100.0 ESU	43.9	31.8	41.5	30.2
	100.0 to under 200.0 ESU	15.6	24.1	16.0	24.8
	200.0 ESU and over	5.7	24.2	6.3	26.8
	Total	244.2	100.0	237.9	100.0
	Average size (ESUs):				
	All holdings		35.9		36.9
	Holdings 8 ESU and over		62.0		65.8
		Number of holdings ('000)	Hectares ('000)	Number of holdings ('000)	Hectares ('000)
Total area on holdings (b)	Under 20.0 hectares	101.9	837	101.9	821
	20.0 to under 50.0 hectares	59.5	1,967	55.5	1,836
	50.0 to under 100.0 hectares	42.4	3,006	40.0	2,847
	100.0 hectares and over	40.4	11,335	40.4	11,391
	Total	244.2	17,145	237.9	16,895
	Average area (ha):				
	All holdings		70.2		71.0
			Holdings 8 ESU and over		112.2
			% of total area on holdings with 100 hectares and over		67.4
		Number of holdings ('000)	Hectares ('000)	Number of holdings ('000)	Hectares ('000)
Tillage and grass area (b) (c) (d)	0.1 to under 20.0 hectares	101.0	820	103.4	825
	20.0 to under 50.0 hectares	60.1	1,981	55.5	1,830
	50.0 to under 100.0 hectares	41.1	2,893	39.1	2,771
	100.0 hectares and over	29.2	5,530	33.8	7,047
	Total	231.4	11,225	231.7	12,472
	Average crops and grass area per holding (hectares)				
			48.5		53.8
			% of total crops and grass area on holdings with 100 hectares and over		56.5

(a) From 1997 the Northern Ireland census was based on an improved register of farm businesses. Data for 1998 refer to all active farms having one or more hectare of farmed land plus any below that size which had significant agricultural output.

(b) Land in Great Britain let out under short term lets is attributed to the lessor, but land so let out in Northern Ireland (under the conacre system) is now attributed to the lessee. This difference, which applies to both the 1993 and 1998 figures in the table, affects both the number of holdings and their average size.

(c) The numbers of holdings shown in this part of the table are lower than those presented in the "total area" part of the table because holdings without crops and grass are excluded.

(d) The areas shown in this part of the table exclude set-aside land.

TABLE 2.4 Numbers and sizes of enterprises

The data in this table exclude minor holdings

Areas refer to the area of the specified crop and not to the area of the holding

At June of each year

		1993		1998	
		Number of holdings ('000)	Hectares ('000)	Number of holdings ('000)	Hectares ('000)
Cereals (excluding maize)	0.1 to under 20.0 hectares	37.4	317	31.9	285
	20.0 to under 50.0 hectares	19.6	635	17.6	577
	50.0 hectares and over	18.6	2,075	21.3	2,550
	Total	75.5	3,027	70.8	3,413
	Average area (hectares)(a)		40.1		48.2
	% of total cereals area on holdings with 50.0 hectares and over		68.6		74.7
Oilseed rape	0.1 to under 20.0 hectares	8.6	95	8.4	95
	20.0 to under 50.0 hectares	5.1	157	6.5	203
	50.0 hectares and over	1.5	124	2.5	208
	Total	15.3	376	17.4	506
	Average area (hectares)(a)		24.6		29.1
	% of total oilseed rape area on holdings with 50.0 hectares and over		32.9		41.0
Sugar beet (England and Wales only)	0.1 to under 10.0 hectares	4.3	23	3.7	21
	10.0 to under 20.0 hectares	2.7	38	2.6	37
	20.0 hectares and over	3.1	136	2.9	130
	Total	10.0	197	9.2	188
	Average area (hectares)(a)		19.6		20.4
	% of total sugar beet area on holdings with 20.0 hectares and over		68.8		69.2
Potatoes	0.1 to under 10.0 hectares	17.1	46	11.7	37
	10.0 to under 20.0 hectares	2.9	41	3.0	42
	20.0 hectares and over	2.3	83	2.3	85
	Total	22.3	170	16.9	164
	Average area (hectares)(a)		7.6		9.7
	% of total potato area on holdings with 20.0 hectares and over		49.0		52.2

(a) Average area refers to the average area of the specified crop on holdings that grow that crop. Holdings that do not grow the crop are excluded from the calculation.

TABLE 2.4 Numbers and sizes of enterprises (continued)

The data in this table exclude minor holdings

At June of each year

		1993		1998	
		Number of holdings ('000)	Number of livestock ('000)	Number of holdings ('000)	Number of livestock ('000)
Dairy cows	1 to 49 dairy cows	19.4	511	16.7	416
	50 to 99	14.3	1,016	12.6	898
	100 and over	7.7	1,139	7.4	1,107
	Total	41.5	2,665	36.7	2,420
	Average size of herd		64.3		66.0
	% of total dairy cows in herds of 100 and over		42.7		45.7
Beef cows	1 to 19 beef cows	45.5	336	42.2	339
	20 to 49	18.0	557	19.3	601
	50 and over	9.5	842	10.7	983
	Total	73.0	1,734	72.2	1,923
	Average size of herd		23.8		26.6
	% of total beef cows in herds of 50 and over		48.5		51.1
Sheep breeding flock	1 to 99 breeding sheep	42.7	1,735	37.1	1,573
	100 to 499	36.4	8,408	34.1	7,997
	500 and over	10.6	9,323	11.4	10,432
	Total	89.7	19,466	82.5	20,002
	Average size of flock		217.1		242.4
	% of total breeding sheep in flocks of 500 and over		47.9		52.2
Pig breeding herd	1 to 49 breeding pigs	8.3	83	7.1	66
	50 to 99	1.1	83	0.8	60
	100 and over	2.3	634	2.0	646
	Total	11.8	799	9.9	772
	Average size of herd		67.6		78.0
	% of total breeding pigs in herds of 100 and over		79.3		83.7
Fattening pigs (Fattening pigs of over 20kg liveweight excluding barren sows except in Northern Ireland)	1 to 199 fattening pigs	7.4	308	5.8	244
	200 to 999	3.1	1,539	2.7	1,383
	1,000 and over	1.3	2,856	1.5	3,445
	Total	11.8	4,702	10.1	5,072
	Average size of herd		398.3		504.6
	% of total fattening pigs in herds of 1,000 and over		60.7		67.9

TABLE 2.4 Numbers and sizes of enterprises (continued)

The data in this table exclude minor holdings (a)

At June of each year

		1993		1998	
		Number of holdings ('000)	Number of livestock ('000)	Number of holdings ('000)	Number of livestock ('000)
Broilers (Includes small numbers of other table fowl in Scotland and Northern Ireland)	1 to 9,999 broilers	1.6	1,217	1.0	896
	10,000 to 99,999	0.8	32,089	0.9	36,649
	100,000 and over	0.2	46,086	0.3	59,624
	Total	2.6	79,392	2.1	97,168
	Average size of flock		30,641		45,469
	% of total broilers in flock of 100,000 and over		58.0		61.4
Laying fowls	1 to 4,999 laying fowls	30.5	2,725	25.2	2,408
	5,000 to 19,999	0.6	5,996	0.5	5,167
	20,000 and over	0.3	23,821	0.2	23,916
	Total	31.4	32,541	25.9	31,491
	Average size of flock		1,035		1,214
	% of total laying fowls in flocks of 20,000 and over		73.2		75.9

(a) Figures for 1998 are not directly comparable with those for 1993 because improvements were introduced in 1997 to census methodology to account for production on unregistered units.

TABLE 2.5 Labour force in agriculture**CHANGES IN LABOUR FORCE ESTIMATES**

In 1998, fundamental changes were introduced to the labour questions on the June Agricultural and Horticultural Census in England, Wales and Scotland. It appears that this change in questions may have led to the recording of additional Labour who were not previously included in the returns. The change in questions has also led to a redistribution of labour between the various categories, most notably for salaried managers.

We therefore advise caution when comparing the 1998 results with previous years.

The data cover main and minor holdings in the United Kingdom

'000 persons

At June of each year

	Average of 1987-89	1994	1995	1996	1997	1998 (provisional)
Workers						
Regular whole-time:						
male	121	94	90	89	88	88
female	15	13	13	13	13	13
Total	136	107	103	102	100	101
Regular part-time: (a)						
male	30	30	30	31	31	30
female	28	24	24	23	23	25
Total	58	54	54	55	54	55
Seasonal or casual:						
male	55	54	56	56	55	55
female	36	28	27	26	26	25
Salaried managers	8	8	8	8	8	12
Total workers	293	251	249	246	243	248
Farmers, partners, and directors						
whole-time	196	177	174	170	169	
part-time (a)	101	118	119	122	123	
Total farmers, partners and directors	298	295	293	293	292	
Spouses of farmers, partners and directors (engaged in farm work)	79	81	78	78	77	
Farmers, partners, directors and spouses						
whole-time						190
part-time (a)						177
Total farmers, partners, directors and spouses	377	375	371	371	369	368
Total labour force (including farmers and their spouses) (b) (c)	670	626	620	616	612	615

(a) Part-time is defined as 39 hours or less per week

(b) This is the series referred to as 'Workforce in agriculture' in Table 1.1.

(c) Figures exclude schoolchildren and most trainees.

TABLE 2.6 Fixed capital stock of agriculture (a)

At end year

	Average of 1987-89	1994	1995	1996	1997	1998 (provisional)
Gross capital stock (£ million, 1995 prices)						
Buildings and works	18,900	19,240	19,160	19,040	18,890	..
Plant and machinery	13,850	13,070	13,150	13,250	13,140	..
Vehicles	2,030	1,920	1,990	2,040	2,070	..
Total	34,780	34,230	34,300	34,330	34,100	..

(a) Excludes livestock capital assets.

3 Policy developments in 1998

CAP reform

European Union developments

1. In March 1998, the European Commission published its formal legislative proposals for reform of the Common Agricultural Policy (CAP) as part of the Agenda 2000 process. The package comprised proposals for the reform of the beef, arable and dairy regimes, a proposal to integrate rural development and agri-environmental measures as CAP measures funded from FEOGA, a number of horizontal measures to apply to all direct payments, and a proposal for amendment of the CAP financing regulation to accommodate the proposed changes to funding for rural development measures, to come into force on 1 January 2000 and for arable from the 2000 - 2001 marketing year onwards. As part of this package the Commission published in July, proposals for reform of the wine regime, designed to reduce public support for wine production, whilst encouraging improvements in the structure of vineyards. The Cardiff European Council in June 1998 set a time-table for progress on the key elements of Agenda 2000, including CAP reform, a necessary pre-cursor to enlargement. As a result the EU is working towards reaching political agreement on the package by March 1999.

2. The Government broadly welcomed the Commission's proposals, as a step in the right direction, with the movement away from production-related support and the introduction of an integrated approach to rural development and agri-environmental measures. However, whilst the proposals will effectively reduce EU support levels to world prices for cereals and beef, the proposed reform of the dairy regime is not sufficiently ambitious. The Government has also criticised the permanence of arrangements for compensating farmers for the price cuts and the absence of proposals for reform of the sugar and sheepmeat regimes.

Arable sector

3. The main features of the Commission proposals in the arable sector are a 20 per cent cut in the cereals intervention price and a single non crop-specific area aid payment of 66 ecu/tonne for all eligible crops and set-aside areas (to be multiplied by the regional cereals reference yields currently in use). Protein crops would receive a supplement of 6.5 ecu/tonne while the present supplements for durum wheat would continue. The normal rate of obligatory set-aside would be zero and penalty set-aside would be abolished. However, voluntary set-aside would be retained.

4. The Government has welcomed the proposed 20 per cent cut in the cereals intervention price which it believes is the minimum necessary to allow

wheat to trade at world prices. However, it believes it is necessary to go further in some areas. In particular, the Government believes that arable area payments should be converted to degressive and time-limited adjustment aid fully decoupled from production, and that compulsory set-aside should be abolished.

Beef sector

5. The Commission's proposals include a reduction of 30 per cent in the intervention price for beef; abolition of intervention buying in the beef sector, in its place the market would be supported by private storage aid triggered if market prices were less than 103 per cent of the 'basic price' (formerly the intervention trigger price); stepped increases in the Beef Special Premium and Suckler Cow Premium for the years 2000, 2001 and 2002, providing compensation for the intervention price cuts at about 40 per cent; granting of an Extensification Premium in conjunction with the Beef Special Premium and Suckler Cow Premium equal to 100 ecu per head on holdings with an actual stocking density of less than 1.4 LU per ha; and the creation of a financial envelope (to be allocated at the member state's discretion) equivalent to a further 40 per cent compensation, distributed among member states in proportion to cattle slaughterings in 1995.

6. The Government has welcomed the broad thrust of these proposals. A cut of at least 30 per cent in the support price level for beef is essential if the EU is to reduce its structural surplus of beef and avoid the constraints on subsidised exports imposed by the GATT Uruguay agreements.

7. The proposals will provide the sector with the opportunity to become more market oriented and may boost consumption. The increased levels of premia will help in the transition.

Dairy sector

8. The Commission's proposals on dairy reform include an extension of the milk quota regime to 2006; reduction of support prices of butter and skimmed milk powder by 15 per cent over 4 years; introduction of annual direct payments (Dairy Cow Premium) phased in over 4 years comprising a basic premium to all producers and a national envelope to be allocated at the member state's discretion; an increase of quota at Community level by 2 per cent comprising an across the board increase of 1 per cent to be allocated to young farmers and the remaining 1 per cent to dairy farmers in mountainous/Nordic areas.

9. The proposals do not include any commitment to the abolition or phasing out of the quota system after 2006. The proposed 15 per cent cut in support prices is insufficient to enable significant exports of EU dairy products without subsidy, as a large gap would still exist between Community and world prices. It therefore fails fully to address the EU dairy sector's need for greater competitiveness and flexibility which can only ultimately be achieved through the ending of the quota regime.

10. The UK's alternative approach towards reform of the dairy sector is shared by Italy, Sweden and Denmark. A joint paper prepared in collaboration with these member states was presented at the September Agriculture Council. The paper proposes extending the Commission's own proposals by cutting support prices by 30 per cent rather than 15 per cent over the period 2000 to 2006, extending the scheme of direct payments via the Dairy Cow Premium to accommodate this larger price cut, increasing quota levels by 4 per cent rather than 2 per cent during this period, removing quotas in 2006 and replacing intervention with private storage aid, as in the beef proposals. It demonstrates that comprehensive, sustainable reforms can be financed within the existing agricultural guideline. The approach is designed to introduce more flexibility into the dairy regime, to enable the EU dairy sector to respond more effectively to market opportunities and to provide a more stable framework within which dairy producers can plan their future businesses.

Rural development

11. The Commission's proposal brings together and amends measures from nine existing Council regulations, and is intended, over time, to form a second pillar of the CAP. The proposal would allow member states to select the most appropriate measures for environmental action, structural adjustment, diversification etc. across all rural areas which would be implemented through seven year rural development plans submitted by the member states and subject to Commission approval as programmes. Agri-environment measures are the only compulsory element in the programmes but member states would also have to ensure that there is a balance between all the different support measures.

12. The Government has broadly welcomed this proposal, which sets a good framework for the future. Its long term success, however, will depend on a significant redirection of CAP funds into targeted measures for the environment and rural development.

Structural funds

13. Whilst the DTI take the lead within the UK on the Commission's proposals for reform of the structural funds, MAFF has been actively participating in the negotiations. Agreement is expected to be reached on the arrangements for the operation of the Structural Funds post 2000 in March 1999.

Horizontal measures

14. The Commission proposes the attachment of a number of features to direct payments with a view to securing environmental and social objectives.

15. The main elements are cross compliance (attaching environmental conditions to direct payments), labour unit modulation (making receipt of direct payments conditional upon meeting specified employment criteria); and ceilings on direct payments (introducing an EU-wide ceiling of 100,000 ecu/year for payments to an individual producer. Farmers receiving between

100,000 and 200,000 ecu would see that part of the payment exceeding 100,000 ecu reduced by 20 per cent. Any payment over 200,000 ecu would attract a 25 per cent reduction).

16. The Government supports the Commission's intention to redirect the CAP more towards rural development and environmental objectives, but believes that the most effective way to achieve this objective is to phase out price- and production-related support so that resources are available for properly targeted environmental and rural development needs. The Government is strongly opposed to the introduction of a mandatory EU-wide ceiling on direct payments.

Wine reform

17. The Commission's proposals seek to take account of the current situation in the wine sector, including reduced Community production leading to a more balanced market, and policy developments such as the implementation of the GATT Uruguay Round agreements that have opened up the Community market to more competitive forces. If agreed, the new arrangements would come into force on 1 August 2000.

18. The Commission proposals would have no significant impact on the small UK wine industry. They would however involve additional expenditure on the sector, and in assessing them the Government will be looking for evidence that they will achieve a better balance in the market and substantially reduce the need for costly distillation measures.

Financing proposals

19. The Agenda 2000 package includes a proposal for a new Council Regulation on the financing of the CAP from the European Agricultural Guidance and Guarantee Fund (EAGGF). The proposed Regulation will replace Council Regulation (EEC) No 729/70 and incorporates new financial arrangements which, consistent with the aim of providing a coherent approach to spending on agricultural and rural development programmes, transfer funding of some rural development measures from the Guidance section to the Guarantee section of EAGGF. Other rules on how Member States manage and account for their CAP expenditure remain largely unchanged.

Enlargement of the EU

20. During 1998 there has been an intensification of the enlargement process set in motion at the Luxembourg European Council. During the UK Presidency the accession process was launched with the candidate countries of Central and Eastern Europe (CEECs), that is Bulgaria, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Romania, Slovakia and Slovenia, and with Cyprus. The European Conference (a new multilateral forum at Head of Government level, to which all countries who have expressed an interest in EU membership are invited, to address questions of common concern, including combating drugs, crime and the environment), met for the first time during the UK Presidency and again in October. Accession partnerships have been adopted with each of the

candidate CEECs, involving the drawing up of national programmes for reform in return for EU funds to help prepare for EU membership.

21. The detailed analytical examination of the “acquis communautaire” (the full extent of EU legislation and associated requirements) has begun with the six first wave candidates (the Czech Republic, Estonia, Hungary, Poland, Slovenia and Cyprus). This screening process has been completed for the first seven chapters of the acquis, and Inter Governmental conferences opened in November 1998. Technical examinations of the acquis are also on-going with the remaining five CEECs. Screening of the agriculture chapter began in September and will continue into 1999. The rate of progress on agricultural issues will in part be determined by the timetable for adoption of the CAP reform package. Preparations for membership, including institutional reform and support for the technical aspects of legislative requirements, are supported in the candidate countries by a variety of EU funded schemes, and through bilateral contacts with existing Member States. The UK is determined to play a full part in these processes.

1998 price fixing

22. The Commission’s proposals on support prices and a number of related issues were agreed by the Agriculture Council in June 1998. The price fixing round largely amounted to a rollover of the existing situation, however, it was recognised that substantial changes to commodity regimes, particularly Commission proposals to permit more subsidised beef production in Spain and Portugal would need to be considered in negotiations on Agenda 2000. A number of detailed changes were made to the operation of the arable support system, several of which met UK requests.

GATT/World Trade Organisation

23. The next round of negotiations under the World Trade Organisation is due to start in January 2000. Agriculture will be an important part of the round. The preparatory process, to determine the scope and timetable of the negotiations, started in September 1998. We expect the negotiations on agriculture to cover the same broad framework as the last agreement reached in 1994 as part of the Uruguay Round, i.e. to focus on further improvements in import access for agricultural products; further cuts in subsidised exports; and reductions in domestic support to agriculture.

Agrimoney

24. Sterling continued to strengthen in the early part of the year, resulting in an “appreciable revaluation”¹ on 3 May 1998. This revaluation was effectively neutralised by two small devaluations in October. In the early part of 1998 compensatory payments were made to the specialist beef sector following a Ministerial announcement at the end of the previous year. This amounted to a total of £72.5 million of aid. In November 1998 the Government announced a further package of aid to this sector amounting to some £48.3 million. Payments relating to this package started in England, Scotland and Northern Ireland at the end of 1998. At the end of 1998 there was £117 million of agrimonetary compensation available to the UK, most of which is payable to the cereals sector.

¹ An appreciable revaluation is one which more than cancels out the effect of previous devaluations.

25. During 1998 the Commission put forward proposals for a radical revision of the agrimonetary system in preparation for the launch of the single currency on 1 January 1999. After this date CAP payments, which were set in ecus up to the end of 1998 and euros thereafter, will be paid in euros or its sub-denominations (i.e. participating currencies) in the 11 participating Member States. The new agrimonetary regime therefore abandons the “green rate” system and uses daily market rates to convert CAP payments into national currencies in the four pre-in countries, the UK, Denmark, Sweden and Greece. Agreement on the provisions was reached at the December Agriculture Council. The measures also provide for payment under CAP schemes to be made in euros in pre-in member states, at the discretion of the member state Government. The Government announced in November that it plans to make such an option available on market support measures, such as export refunds and intervention buying, to traders in the UK from the autumn of 2000. Further consideration is being given to extending this option to direct payments made to farmers.

Cereals and oilseeds

26. In view of the unusually wet harvest conditions in 1998, an EU derogation on the moisture content of grain offered to intervention was applied in the UK for the first time since 1992. The EU derogation allows the sale of grain into intervention at up to 15 per cent moisture content instead of the standard 14.5 per cent.

27. The Agriculture Departments published their five yearly policy review of the Home Grown Cereals Authority. This concluded that the Authority continued to have an important role to play in furthering the interests of the UK cereals and oilseeds sectors.

28. The total area of oilseeds grown in the EU on which crop specific payments were made exceeded the Maximum Guaranteed Area in 1998. A reduction of 18.32 per cent in UK area payments was necessary to take account of this, in addition to the 6.62 per cent reduction carried over following the overshoot in 1997. Oilseeds area payments were further reduced by 7 per cent on account of high oilseeds market prices. For the 1998 harvest, the quantity of meal produced from oilseeds grown primarily for non-food purposes on set-aside land was below the limit of one million tonnes of soya bean meal equivalent set under the EC/US Oilseeds Agreement.

Set-aside

29 In June 1998 the Agriculture Council decided to increase the level of obligatory set-aside to 10 per cent for the 1999 harvest. The Council also decided that penalty set-aside should again be waived in 1999. Following a commitment at the June Agriculture Council meeting, the Commission abolished the requirement that land has to be farmed for two years before it can be set aside.

30. The Council also agreed that member states may allow growers to set aside more than 50 per cent of the area claimed under the Arable Area Payments Scheme (AAPS) provided all of the set-aside is used for the production of multiannual crops, such as short rotation coppice for biomass production. Member states are also allowed to pay grants to farmers of up to 50 per cent of the costs associated with establishing biomass crops on set-

aside land. The Forestry Commission now pays a locational supplement in the area of the UK's first biomass power station (Project Arbre), raising the planting grant for short-rotation coppice to £1000 per hectare. This has significantly increased interest in the commercial potential of this crop and over 300 farmers attended seminars arranged in the Arbre region towards the end of 1998.

Beef intervention

31. During 1998, intervention buying reduced dramatically compared to the high levels of purchasing in 1997 and 1996. During the course of the year 26,850 tonnes was accepted into intervention in the EU of which 10,028 was accepted in the UK - all from Northern Ireland. This compares with EU purchases of 435,000 tonnes in 1996 (of which 71,000 tonnes was accepted in the UK) and 248,000 in 1997 (79,000 in the UK).

32. The ending, from 1 July 1998, of the remaining intervention derogations introduced because of BSE contributed to a halt to intervention purchases. However, in November, following problems on the Republic of Ireland's market as a result of the collapse of the Russian market, extended intervention arrangements were re-established for Ireland and Northern Ireland. These extended arrangements increased intervention coverage for Ireland and Northern Ireland to include class 04 category steers. In addition, the maximum carcass weight for intervention was increased from 340 kg to 360 kg and the processors margin from 10 to 14 ecu/100 kg for all member states. The extended arrangements were intended to apply for the last four tenders of 1998. However, because of continued difficulties on the Russian and Asian markets, it was agreed in December 1998 to continue the extended arrangements until the end of March 1999. UK intervention coverage at the end of 1998 was R3 and R4 steers in GB and U3, U4, R3, R4, O3 and 04 steers in NI. This coverage amounts to around 30 per cent of GB production and just over 90 per cent of production in NI.

33. For 1998, the ceiling on intervention purchases for the whole of the EU was 350,000 tonnes (down from 500,000 in 1997). As at the end of 1998, intervention stocks in the UK totalled 87,000 tonnes of boneless beef. Latest EU stocks are 443,000 tonnes as at the end of October 1998. The Commission are now focusing on selling accumulated intervention stocks through a number of sales for both internal and export markets.

Surplus Food Scheme

34. As a result of the crisis in the beef sector, the EU Surplus Food Scheme was operated during 1998 as one of a number of measures introduced to reduce UK beef intervention stocks and to aid a rapidly weakening beef market. However, uptake achieved under the Scheme was disappointing and the UK was unable to fully utilise the quantities of beef set aside by the Commission for the UK. Ministers therefore concluded that the Scheme had not met its primary objective to reduce UK intervention stocks and consequently announced that the UK would not participate in the Scheme in 1999.

Private Storage Aid - Sheepmeat

35. Following pressure from the UK, and in recognition of the depressed state of the sheepmeat market, tenders for Private Storage Aid were opened twice during the year. On both occasions the Commission fixed a flat-rate private storage aid of 1400 ecu per tonne. In March, the maximum amount

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that could be placed into private storage was 3,000 tonnes, in either Ireland or the UK. In October, the amount that could be placed into private storage in the UK was 2,400 tonnes.

36. EU rules on the long distance transport of livestock for slaughter, further fattening or breeding continued to be applied scrupulously, and were supplemented by further measures. In February 1998, agreement was reached on new Community wide standards for vehicles travelling over 8 hours - these have to be implemented by 1 July 1999. From 1 July 1998, all staff transporting animals for over 8 hours by road or any journey by sea or air have had to have demonstrated their competence in handling animals. In November, The Welfare of Animals (Staging Points) Order 1998 came into force to enable EU standards for the construction and operation of staging points to be applied from 1 January 1999.

37. As a result of a commitment made by Ministers when the Welfare of Animals (Transport) Order 1997 came into force, work began in the latter half of 1998 to review these implementing rules to see whether they could be refined and improved upon. In parallel, a review of the national legislation on markets was also started.

38. During the year a consultation paper was issued detailing proposals for new arrangements for animals exported for slaughter or fattening on the Continent. Their aim is to ensure transparency and independence of arrangements for checking that animals are healthy and fit to travel. A key element in the proposals was procedures to prevent unfit animals embarking on journeys. The proposals also included laying down minimum times for these veterinary inspections; and changing the financial arrangements so that exporters should in future pay the Ministry in advance for these veterinary inspections and the Ministry would pay veterinarians a fixed hourly fee based on the time taken for this work.

39. In September, the 1998 Strategy for the Protection of Animal Welfare at Livestock Markets was launched. This set out the responsibilities of all concerned with market operations, and introduced a system for monitoring standards.

40. Reporting on its second biennial review of animal welfare at slaughter, the Meat Hygiene Service confirmed the generally high welfare standards operated in licensed red meat and poultry slaughterhouses in Great Britain.

41. The Government continued to maintain pressure on the European Commission to bring forward overdue proposals to amend the Directive on the protection of animals at the time of slaughter or killing.

42. At the June Agriculture Council, agreement was reached on a directive on the protection of farm animals which was a key aim of the UK Presidency. Originally suggested in 1992, it lays down minimum welfare standards for all farm animals and provides a framework for the development of detailed measures on the welfare of particular species of livestock. Consultations on the draft regulations to implement the Directive will be held in the early part of 1999. These need to be in place by the end of the year. The Welfare of

Livestock Regulations 1994 were amended in June 1998 to implement new EU requirements on the welfare of calves. In March the European Commission finally brought forward their long overdue proposals to improve the EU welfare requirements for laying hens. A consultation was held on the proposals and negotiations begun in Brussels during the UK Presidency. The Government also published its response to the Farm Animal Welfare Council's report on the welfare of farmed fish in October.

Fruit and vegetables regime

43. In July 1998 changes were made to the detailed Commission implementation rules for the reformed fruit and vegetables regime. MAFF, with the assistance of the Intervention Board Executive Agency, mounted a campaign through written guidance and seminars to make producer organisations aware of these changes. Producer Organisations then had until 15 September to submit multi-year operational programmes (covering improvements in cultivation and waste management practices, product quality and marketing) which would qualify for 50 per cent EU assistance subject to an overall ceiling. Forty nine new programmes were submitted with a potential for grant aid of over £10m in 1999. This is in addition to those programmes already in existence.

Fibre flax & hemp regime

44. As a result of the increase in the area of hemp grown in the EU and concerns that there could be scope for growing illegal varieties high in drug content, the Agriculture Council agreed changes in the regime to require compulsory contracts, the licensing of processors and, from 2001, a tighter limit on the drug content. The Commission agreed implementing rules for these changes and also harmonised the rules for submission of areas of flax and hemp sown with the Integrated Administration and Control System.

Hop regime

45. Further measures to amend the hop regime were adopted by the Agriculture Council on 25/26 May 1998. The amending Council Regulation (1098/98) contains provisions that allow the temporary resting and permanent grubbing of hop producing land between 1998 and 2002. These measures are a response to concerns about the state of the hop market caused by world oversupply. The overall aim is to reduce the harvest area of producer groups by 2003 to below the 1997 level. Those taking up these measures will receive the same level of EU aid as hop producers.

Better Regulation

46. The Government is promoting better regulation both in the UK and at EU level. Under the EU Commission's "SLIM" (Simpler Legislation for the Internal Market) initiative, small teams of official and business experts have been examining a number of areas of regulation. These include Directive 91/682 on the marketing of ornamental plant material, and, under the second phase of the initiative, the rules for marketing fertilisers.

47. During the UK Presidency agreement was secured for a revised Directive on ornamental plants which included much simplified quality standards for trade in propagating material for the production of ornamental plants within the Community.

48. Progress on the fertiliser proposal, recommended by the SLIM team in October 1997 to include combining the substance of 16 Directives has been delayed by staffing difficulties in the EU Commission.

United Kingdom developments

Devolution

49. Elections for the Northern Ireland Assembly have already taken place and it is intended that the Assembly will inherit the Secretary of State's current agricultural responsibilities, perhaps by as early as April 1999. Concordats governing post-devolution arrangements are currently being discussed.

50. Elections for the Scottish Parliament will take place in early May 1999 with the Scottish Parliament assuming its full powers on 1 July. Agriculture, fisheries and food will largely be devolved to the Scottish Parliament. Drafting of concordats, to apply between MAFF and the Executive of the Scottish Parliament, are at an advanced stage. These will cover the detailed arrangements which will apply after devolution.

51. Elections for the National Assembly of Wales will take place on 6 May 1999 with the Assembly sitting for the first time shortly thereafter. The Assembly will largely inherit the Secretary of State's current agricultural responsibilities. Drafting of a concordat between MAFF and the National Assembly for Wales is also at an advanced stage.

52. Regional Development Agencies (RDA) for eight regions in England will be established from 1 April 1999 as the lead bodies, accountable to Ministers, for furthering economic development and regeneration at regional level. MAFF were fully involved in the selection for members of the RDA Boards which will each include at least one member offering a strong rural perspective together with others who have relevant rural experience.

Welsh Office project

53 The Welsh Office invited consultants to tender for a study to assess the options for securing improved administration of CAP payments to farmers in Wales. A number of options were recommended by the consultants - Welsh Office, MAFF, Intervention Board, and outsourcing. During the study Welsh Office staff proposed new procedures and customer focused services that would readily lend themselves to extending the service provided from the agriculture office base to deliver other Welsh Office or public sector services and information to farmers and the wider public in rural Wales. Following an extensive period of consultation, the Secretary of State for Wales announced a £16 million Welsh Office project that will modernise and improve the services provided to farmers and other citizens in rural Wales. The aim is to place an emphasis on customer needs and bring together Government services in rural Wales under a network of the existing accessible local offices providing an effective "one-stop" service to farmers and other rural citizens. The project has attracted 75 per cent funding from the Treasury's Invest to Save Budget which is aimed at encouraging cross-boundary working between Government departments to ensure more efficient and effective public services.

Comprehensive Spending Review

54. Under the Government's Comprehensive Spending Review (CSR), Departments were asked to scrutinise their spending plans from a zero base in order to assess how each item of expenditure contributed to the Government's objectives. The MAFF Review Team assessed the rationale for each of the Ministry's spending programmes, including the scope for improving the overall effectiveness of MAFF's operations. The Team was assisted in this task by a number of working groups which focused on the Department's key spending programmes. Each sub-working group had specific terms of reference and included representatives of other Government departments and all but one included non-departmental representatives who were acknowledged experts in their field.

55. MAFF's countryside schemes were the subject of a separate review which was conducted jointly with DETR and also covered that department's expenditure on countryside programmes.

56 The White Paper "Modern Public Services for Britain: Investing in Reform" (Cm 4011, July 1998) set out the results of the CSR. For MAFF it set out a new aim to reflect its current priorities as well as a three year resource framework. There are additional resources for MAFF's domestic programme in England over the years 1999-2000 to 2001-02 of over £150 million, which are offset by a reduction in Bovine Spongiform Encephalopathy (BSE) support over the same period.

Food Standards Agency

57. The Government is committed to setting up a Food Standards Agency as soon as possible. To this end it published a draft Food Standards Bill and charging proposals for full public consultation in January 1999. The Bill will be introduced during the 1998/99 Session if sufficient Parliamentary time becomes available.

58. The Bill sets out plans for an Agency with a clear focus on protecting consumer health in relation to food with powers to act throughout the whole food chain. It provides for a responsible and open body that will work with all interested parties to develop soundly-based, balanced policies that are proportionate to the risks involved.

BSE

59. The announcement by the Secretary of State for Health on 20 March 1996 that there might be a link between BSE and the human disease, Creutzfeldt Jakob Disease (CJD) led initially to a significant loss of consumer confidence in British beef, both in the UK and in many of our export markets. There was, however, a steady recovery in household consumption of carcass beef towards the end of 1996 and throughout 1997.

60 In 1998, the general increase in household consumption of beef levelled out and fell by 1 per cent compared to 1997. Whilst sales of steaks have held up fairly well, consumption of those cuts with a higher perceived risk (i.e. mince and stewing steak) remained well below previous levels. Consumption of beef is now expected to have returned to its previous downward trend of about 2.5 per cent per year.

61. Penetration, or the number of homes purchasing beef during 1998 averaged around 50 per cent - similar to 1997 (having reached a low of 40

per cent in June 1996). However, it remains well below 1994 levels when penetration reached in excess of 60 per cent.

62. On 27 March 1996 the Commission banned the export from the United Kingdom of all live bovine animals, beef and beef products, bovine semen and embryos, and all mammalian MBM (EC Decision 96/239). Reopening the export market is of paramount importance for the future of the beef industry. On 21 June 1996, the Council of Ministers agreed a framework for the lifting of the ban on exports of bovine products from the UK - "the Florence agreement". In early 1998 the Commission agreed that all the preconditions of this agreement had been met.

Selective slaughter programme

63. The selective slaughter programme is now nearing completion. The aim of the cull is to produce a step reduction in the number of future cases of BSE, by identifying and slaughtering, before they develop the clinical disease, those animals considered to be most at risk of infection. The scheme targets groups of animals (cohorts) believed to have shared the same contaminated feed as confirmed BSE cases in the first six months of life. It covers animals born between 1 July 1989 and 30 June 1993. Cohort animals born between 1 July 1989 and 15 October 1990 are only slaughtered if the owner offers them voluntarily.

64. Northern Ireland has completed its cull of animals born in the Province. In Great Britain the selective cull is now in its final stages. With a few exceptions, by the end of December 1998 all potential cohort animals had been identified, and tracings had been completed for all but 2,000 animals, out of the 141,000 sold out of their herds of origin. This resulted in the slaughter of 74,000 animals.

Cattle Tracing System

65. The Florence Agreement required the UK to set up an effective animal identification and movement recording system with "official registration" as one of the five pre-conditions for the resumption of beef exports. There were already rules in place concerning the unique identification of cattle. All animals identified since 1995 have had to be fitted with an official UK eartag, and from 1 January 1998 with an official eartag in each ear. In addition, since July 1996, passports have been issued for animals born or imported into Great Britain and their details have been registered on a computerised Cattle Passports System. Although not a Florence pre-condition, this Cattle Passports System was enhanced and replaced on 28 September 1998 by the Cattle Tracing System (CTS) for Great Britain. Northern Ireland already has a computerised cattle tracing system.

66. The Cattle Tracing System is a computer-based system to register cattle and their movements from birth to death. Holding this information on a central database will make it easier to trace cattle throughout their lives. The

new system is being run by the British Cattle Movement Service (BCMS), a new organisation within MAFF, based in Workington, Cumbria.

67. Another of the requirements of the Florence agreement was that mammalian meat and bone meal should be removed from farms and feed mills. This action is complete, and the material collected during 1996 has now been disposed to landfill.

Over Thirty Months Slaughter Scheme

68. The Over Thirty Months Slaughter Scheme allows the Government to buy cattle more than thirty months of age which can no longer be marketed due to the ban on the sale of meat from such cattle. The Government then arranges their subsequent slaughter and safe disposal so that the carcasses enter neither the food nor feed chains. During 1998 some 890,000 cattle were slaughtered under the Scheme, making a total of 2.9 million since it was introduced on 3 May 1996. The resulting carcase material (meat and bone meal and tallow) is being stored safely and securely pending destruction. The Intervention Board have now awarded the first large scale contract for the destruction of this material with energy recovery, and continue to negotiate with potential further service providers for the balance of the disposal requirement.

69. Payments to producers under the Over Thirty Months Slaughter Scheme and the Calf Processing Aid Scheme were close to £281 million during 1998. Confidence in the market was helped further by the Beef Labelling Scheme, which came fully into force on 1 July 1998. This Scheme encourages those selling beef to label its origin, and to prove its origin through independent traceability checks.

Specified Bovine Material

70. Controls on slaughterhouses to ensure the removal of Specified Bovine Material (SBM) have been strengthened and extended to include sheep and goats. Standards of compliance with this legislation have continued at a very high level. In the continued absence of any agreement on EU-wide controls on specified risk materials, national controls on domestic production and imported material, under the Specified Risk Material Regulations 1997 (as amended), and the Specified Risk Material Order 1997 remained in force.

Specified Risk Material

71. The Specified Risk Material (SRM) controls in licensed slaughterhouses and cutting plants in England, Scotland and Wales are rigorously enforced by the Meat Hygiene Service, (MHS) an Executive Agency which reports to the GB Agricultural Departments. The work is carried out by Meat Hygiene Inspectors under the supervision of an Official Veterinary Surgeon. The State Veterinary Service (SVS) audit of MHS enforcement activity has for the past 2.5 years consistently shown almost 100 per cent compliance with the SRM controls by slaughterhouse operators. In 1998, out of 4,116 audit visits by the SVS to slaughterhouses, 4,095 (99.4 per cent) were satisfactory.

The full results of the audit of SRM controls are published in the monthly BSE Enforcement Bulletin.

72. In addition controls on the sale, use and disposal of beef bones, which were introduced to protect public health following advice from SEAC remained in force.

73. Commission proposals for EU-wide rules on SRM in cattle, sheep and goats were formally adopted in July 1997 (Decision 97/534/EC). The Decision would have prohibited the use of SRM for any purpose from 1 January 1998. SRM was defined as the skull (including the brain and eyes), tonsils, and spinal cord of bovine animals over 12 months and sheep and goats over 12 months or which have a permanent incisor erupted through the gum, together with the spleen of all sheep and goats. The use of the vertebral column of animals of all ages for the mechanical recovery of meat was also prohibited. The application of Commission Decision 97/534/EC was deferred firstly until 1 April 1998 and subsequently until 1 January 1999, due to the recognition that the Decision would have serious consequences for the supply of cosmetics and important pharmaceuticals to the Community market and to the failure of subsequent Commission proposals to achieve qualified majority support from the Member States.

74. On 18 November 1998 the Commission published a further proposal to amend Commission Decision 97/534/EC. The proposal sought to impose requirements on Member States to remove SRM from the human food and animal feed chains and from fertiliser, according to their geographical TSE risk. It also sought to require third countries to remove SRM from products sent to the Community market, according to their TSE risk. Unlike previous proposals, it would have permitted the use of SRM in products other than those for human food, animal feed or fertilisers, provided there was no possibility of cross contamination. The Standing Veterinary Committee (SVC) and the December Agriculture Council failed to agree and the date when Decision 97/534/EC will come into force was deferred again, until 31 December 1999.

75. SEAC advised Ministers in December 1997 on the risk of infectivity in dorsal root ganglia (DRG) and bone marrow of BSE-affected cattle. At its meeting on 9 November 1998 the Committee reviewed its assessment of the risk. It considered the latest experimental results on infectivity in these tissues and reviewed the epidemiological evidence. The conclusions they reported to Ministers were as follows:

- the experimental results on bone marrow (now complete) led them to conclude that the risk, if any, from this tissue is likely to be very small;
- any risk from infectivity in DRG (reported in December 1997) is now even smaller than it was then, as the number of cases of BSE continues to decline.

76. At the end of 1998, the report from SEAC was still being considered within Government, and, in particular, by the Chief Medical Officer. No

announcement about the future of the UK controls on bone-in beef had been made.

Export Certified Herds Scheme

77. Lifting the export ban on UK beef has been a top priority for the Government. In March 1998 the Agriculture Council adopted Decision 98/256/EC which was the first step towards the resumption of beef exports under the Export Certified Herds Scheme (ECHS).

78. Amongst other things the Decision 98/256/EC lays down the proposed conditions for the export under the ECHS of deboned meat and certain products made from such meat from Northern Ireland. Following the procedure laid down in the Florence Agreement, the Commission inspected the practical arrangements for the scheme on 20-22 April 1998 and were satisfied with these. They set 1 June 1998 as the date from which exports could resume. Commercial beef exports from Northern Ireland under the ECHS began on a regular basis in September 1998. The quantity currently being exported is around 20 tonnes per week. Exports are going to the Republic of Ireland, Italy, Netherlands, France, Belgium, Denmark and Sweden.

UK Date-based Export Scheme

79. The Government submitted a formal proposal for a UK Date-based Export Scheme (DBES) to the Commission on 2 October 1997 together with proposals for a cull of the offspring born after 1 August 1996 to BSE cases. Following the procedure in the Florence framework, the proposals were considered by the Scientific Steering Committee. Subsequently, the Commission issued their proposal for a DBES on 10 June 1998. Commission representatives visited the UK from 20-24 July to look at the Government's proposals for implementing the DBES. The Commission presented their report of the visit to the SVC on 8 September which was generally positive and helpful. On 28 October 1998 the Commission agreed a revised proposal with the requirements on the treatment of bones deleted. This proposal was voted on in the SVC on 4 November, but did not achieve a qualified majority vote which would have secured its adoption. However, on 23 November 1998 the Agriculture Council voted on the DBES proposal. A simple majority of 10 member states voted in favour of the proposal (one member state voted against and four abstained), which did not add up to the qualified majority required for adoption by the Council, but allowed the Commission to adopt the proposal under its own authority. On 25 November the Commission adopted a Commission Decision which amends Decision 98/256/EC to provide for the DBES. The Government issued a consultation document on the legislation and procedures to implement the DBES on 14 December.

80. Before beef exports can resume under the DBES the UK must slaughter all offspring born to confirmed BSE cases between 1 August 1996 and 25 November 1998 (the date of the Commission Decision on the DBES). When new cases of BSE occur, any offspring born after 1 August 1996 must be slaughtered without delay. After 1 August 1996 maternal

transmission is the only known route of BSE infection. The offspring cull supports the DBES by removing animals born after that date which may have been infected by their dams. In anticipation of the Commission Decision on the DBES, and to minimise the time between its agreement and the resumption of exports, in August 1998 the offspring cull began on a voluntary basis. Following the adoption of the Commission Decision, the BSE Offspring Slaughter Regulations 1998 implementing a compulsory cull were laid before Parliament on 10 December 1998, and came into force on 4 January 1999. By the 4 January 1999, under the voluntary scheme, 8152 farm visits had been completed, and 6555 offspring born at these locations since 1 August 1996 were being traced. Of the offspring being traced 2435 had been discovered to be already dead. 2106 had been found alive, of which 1532 have been voluntarily slaughtered under the cull.

Decline in BSE cases

81. The decline in the number of BSE cases, which started in 1993, is continuing, reflecting the considerable impact of the measures taken in 1988 and 1990. Approximately 70 suspect cases are being reported each week at present, compared with over 1,000 at the peak of the epidemic in early 1993; about 77 per cent of these cases are currently confirmed.

Scrapie

82. In early 1997 SEAC reviewed the options for improving both information on the levels of scrapie in the national flock and our understanding of the disease established within the flock. They advised a three part strategy be instituted consisting of: a slaughterhouse survey; a farm postal survey and; the introduction of compulsory slaughter measures together with compensation and powers to conduct veterinary investigations.

- An abattoir survey took place between August 1997 and August 1998. Tissues from almost 3000 sheep were sampled from 130 abattoirs. The finding of the survey will be considered by SEAC and a report published in due course.
- A postal survey to gain further information on the incidence of scrapie began on 12 November 1998. A questionnaire was sent to 11,500 randomly selected sheep farmers. The survey is being carried out independently of MAFF and is completely anonymous, in order to encourage a high response rate. The survey also represents an opportunity for sheep farmers to express a view on the handling of scrapie and it has the support of industry representatives. The findings of the survey will be considered by SEAC and a report will be published in due course.
- Legislation, which came into effect on 29 July 1998, makes it compulsory for sheep and goats displaying clinical signs of scrapie to be slaughtered. Compensation is paid to owners and MAFF disposes of the carcasses. A higher rate may be paid for suspect animals slaughtered where post-mortem laboratory diagnosis does not confirm scrapie. This legislation will improve the surveillance of scrapie by removing a disincentive to the farmer to report scrapie. It will improve controls on affected animals and provide additional information and materials for the study of the disease.

83 Tuberculosis in cattle has been a serious and increasing problem in recent years. The Krebs report, published in December 1997, provide a package of measures which pursued together will equip the Government with the scientific analysis necessary to determine a sustainable strategy for controlling bovine TB in the interests of public health, and the health and welfare of cattle and badgers.

84. An Independent Scientific Group chaired by Professor John Bourne was then asked to advise on the practical implementation of the Krebs report. The Group presented its first report to Ministers in July 1998.

85. On 17 August 1998 the Minister for Food Safety announced a five point strategy for controlling bovine tuberculosis. This is based on the principles of putting public safety first, and giving full weight to the Government's commitment to animal welfare. The five points are:

- improved liaison with the Department of Health to monitor the incidence of bovine tuberculosis infections in humans;
- continued regular testing of cattle herds to detect infection and prevent cattle-to-cattle spread by the slaughter of animals which have or are suspected of having TB;
- a research programme of vaccine development, which was seen as the best long-term prospect for control of the disease, although results were not expected for 10-15 years and there was no guarantee of success;
- other research programmes to improve knowledge of the disease and its transmission to and between cattle and other species;
- in the light of the Krebs report's conclusion that there was compelling (though indirect) evidence that badgers were a significant source of infection in cattle, a trial would be carried out to test the effectiveness of different badger culling policies; however no culling would take place outside the trial areas.

86. The report of the Independent Scientific Group was published at the same time, with its advice on the design of the trial. Two main concerns about badger welfare were expressed during consultation. In response the Group recommended against the use of snares, and proposed a culling closed season to protect lactating mothers with dependent cubs underground. The trial would take place in 30 100 km² areas, grouped into ten triplets; in each triplet all three areas would be surveyed and then allocated randomly so that one area would be culled proactively to reduce the badger population as far as practically possible; one would be culled reactively in response to TB outbreaks; the third would have no cull in order to act as a control. All badgers removed would be subject to post mortem to determine their disease status.

87. All of the five initiatives have been pursued vigorously. By the end of the year finance had been made available to increase the TB research budget from £1.7 million to £3.1 million from 1 April 1999, and research contracts

were being finalised, mainly on the basis of tenders in open competition. Over £1 million will be spent on vaccine work. The culling trial had started with one and a half triplets surveyed, and the proactive cull completed in one triplet. A major new epidemiological investigation looking at a wide range of possible TB risk factors on farms with TB incidents, and control farms, was piloted during November and December. An additional £6 million is being made available from 1 April 1999 for these two projects and associated data collection.

Arable Area Payments

88. In 1998 a total of 61,263 claims for arable area payments in respect of 4,590,811 hectares were received in the UK. Final payments on oilseeds in respect of the 1997/98 marketing year were made within the payment deadline set by EU Regulations, but some advance payments for the 1998/99 marketing year were delayed by validation difficulties in Scotland so that only 95.7 per cent of payments were made by the deadline of 30 September. Payments on other crops and set-aside for 1998/99 were all made within the payment deadlines set by EU Regulations.

89. In England, the base areas for maize and for other crops were both overshot again in 1998. The area on which payments were made for maize and its associated set-aside was reduced to 36.47 per cent of the area claimed. For other crops and set-aside in England the reduction was to 98.6 per cent of the area claimed. The Scottish non-LFA base area was also overshot in 1998 and payments were scaled back to 92.93 per cent. Although the maize base area limit was exceeded in Wales, there was sufficient of an undershoot of the base area for other crops to offset it, and consequently no penalties were applicable. There were no overshoots in Northern Ireland.

Alternative crops

90. Further revaluations of the green pound led to a reduction in payment rates for 1998 of about six per cent compared with 1997.

91. Energy crops have the potential to make a significant contribution to UK greenhouse gas reduction commitments agreed following the Kyoto Climate Change Conference in December 1997. The Alternative Crops Unit (ACU) has worked closely with DETR, DTI and other Departments to develop policy on the UK response to climate change issues and on renewable energy targets. MAFF secured an increase in the ceiling for establishment grants for biomass crops and this was immediately implemented by the Forestry Commission for short rotation coppice (SRC) in the area of the UK's first biomass power station. The ACU, with the Forestry Commission and NFU, organised five workshops for farmers to promote SRC planting and around 300 attended the events.

92. Other events organised in 1998 include a workshop on Miscanthus as a crop for energy and industry, an exhibit on alternative crops at the Great Yorkshire Show and a LINK seminar on sustainable surfactants. The ACU also participated in events promoting the use of hemp for fibre, herbs for oil and two European conferences on renewables from agriculture. The establishment of an ACU Website has enhanced the delivery of information to clients. The Unit continued to disseminate information on relevant R&D

and MAFF's alternative crops research programme was reviewed during 1998. MAFF expects to spend £1.1m on alternative crops R&D in 1998/99.

Genetically modified crops

93. In response to concerns about the environmental impact of Genetically Modified (GM) crops, MAFF and DETR Ministers announced in October 1998 that agreement had been reached with the plant breeding industry that the first commercial plantings of GM crops would be strictly limited and evaluated for ecological effects alongside comparable plantings of conventional crops. The process would be underpinned by the application of guidelines, being drawn up by an ad hoc industry group, on the correct use of GM crops on the farm. In addition a scientific review of the impact on biodiversity of the herbicides used on GM crops would be commissioned. This was published in December 1998. The herbicides themselves would be subject to re-assessment, including the impact on non-target species, before they were approved for use on these crops.

Fibre flax and hemp

94. The area of flax in the UK once again decreased slightly from just over 19,000 hectares in 1997 to about 16,700 hectares in 1998 whilst the area of hemp continued to increase to about 2,550 hectares. These fibre crops are eligible for EU area aids paid at higher levels than the aids for arable crops. Following increases in the area grown more rigorous controls have been introduced in recent years for both flax and hemp to ensure that they are grown to meet market demand. In addition to the traditional outlets for high quality fibres in the clothing sector and lower quality fibre, for a variety of uses including the manufacture of paper, new markets have been developing which include geotextiles (e.g. matting to prevent soil erosion) and the automotive sector (such as interior car panels).

Flax protocol

95. A review was carried out of the first year's operation of the new voluntary industry protocol aimed at preventing the growing of flax on environmentally valuable areas of land. The protocol was agreed in 1997 following concerns expressed over the planting of flax on Sites of Special Scientific Interest in England. The review consulted environmental organisations and found that the protocol appeared to have been completely successful in avoiding any encroachment on sensitive land in 1998.

The Plant Varieties Act 1997

96. The Plant Varieties Act 1997 and the necessary subordinate legislation to implement the Act came into force on 8 May 1998. The new legislation recognises the changes that have taken place in plant breeding technology over the past few years. It makes the UK system of plant breeders' rights compatible with the 1991 Revisions to the International Convention for the Protection of New Varieties of Plants, (UPOV), which governs plant variety rights at international level. The 1997 Act also brings the UK system of rights into line with the separate, but parallel EC system, which is also based on the 1991 UPOV Convention.

National Listing

97. Following extensive consultations, amendments to the Seeds (National Lists of Varieties) Regulations 1982 removed the redundant requirement for National List applications to be accompanied by the results of applicants' own replicated trials and tests, and validated any varieties either already on a National List or currently in tests and trials where such data were not

provided. Decisions about the addition of varieties to the National List are made solely on the basis of official trials.

Sugar beet R&D

98. Ministers announced in January 1998 the conclusions of a review of the Sugar Beet Research and Education Committee. They felt that the arrangements for sugar beet research needed to be put on a more modern footing, and that there was no need for the Government to be so closely involved. They proposed the termination of current arrangements for home-grown sugar beet R&D and consulted the industry on the establishment of a Sugar Beet Development Council.

99. Most respondents agreed on the need for change, and many would have found a development council acceptable. However, the main stakeholders, British Sugar and the NFU, favoured voluntary rather than statutory successor arrangements.

100. Ministers announced in December 1998 that the Committee would be wound up on 30 March 1999, and that the system of funding sugar beet research by means of a statutory levy would be terminated as from 1 April 2000.

Calf Processing Scheme

101. The Calf Processing Scheme pays a premium for male calves aged twenty days or under which are slaughtered in an approved slaughterhouse and do not go for human consumption. Up until 30 November 1998 the rate of aid was 115 ecu per calf. The Government initially announced that the Scheme would close on 30 November 1998 when the EU obligation to operate either this scheme or the Early Marketing Scheme for veal ended. However, on 16 November 1998, the Minister announced in Parliament that the Scheme would continue to operate for the remainder of the 1998/9 financial year. The Scheme will operate at a lower rate of aid, 80 euros per calf, which the EU has set for the UK alone.

Livestock Quotas

102. Allocations from the 1998 sheep quota and 1997 suckler cow quota national reserves were again made by Agriculture Departments before the sheep and suckler cow premium schemes opened. Following consultation with industry representatives, Ministers decided not to proceed with proposals to either amalgamate the Less Favoured Area and lowland quotas ring-fences in England and Wales or to increase the sheep quota usage rule from 70 per cent to 90 per cent. However, it was agreed that minor changes to the eligibility requirements for Category II of the quotas national reserve would be made when the opportunity arises.

Hill Livestock Compensatory Allowance

103. The 1998 Hill Livestock Compensatory Allowance (HLCA) payment rates were set at £47.50 per cow, £5.75 per hardy-breed ewe and £3.00 for other ewes in the Severely Disadvantaged Area; and £23.75 per cow and £2.65 per ewe in the Disadvantaged Area. This was an effective continuation of the rates applied in previous years, after allowing for the one-off increase in 1997 cattle payments which were approved under temporary EU legislation relating to the BSE crisis. The EU Agenda 2000 proposals envisage that HLCAs will become area-based payments and have a clearer environmental as well as socio-economic objective.

**Sheep Annual
Premium Scheme**

104. Claims in respect of 19.7 million animals were received under the 1998 Sheep Annual Premium Scheme, representing an decrease of 0.4 per cent. compared with 1997. In the light of depressed market conditions, the final rate under the 1998 Scheme increased to £ 16.00 per eligible ewe. Beginning in March 1998, Agriculture Departments distributed some £12.5 million in agrimonetary compensation payments to sheep producers in proportion to the number of eligible animals claimed under the 1997 Scheme.

**Beef Special
Premium and
Suckler Cow
Premium
Schemes**

105. For the first time, claims under the 1997 Beef Special Premium Scheme did not exceed the regional ceiling in England and Wales, so balance payments, completed in Spring 1998, did not need to be scaled back. The scale back figures in Scotland and Northern Ireland were also substantially lower than in previous years. Taking the UK as a whole, the declining trend in the number of animals claimed has continued under the 1998 Scheme.

106. Claims in respect of around 1,750,000 animals were received under the 1998 Suckler Cow Premium Scheme. This represents an increase in the region of 2 per cent compared with 1997. In March 1998, Agriculture Departments began distribution of some £72.5 million in agrimonetary compensation payments to suckler cow producers in proportion to the number of eligible animals claimed under the 1996 Scheme. In November it was announced that the same set of producers would benefit from a further round of agrimonetary compensatory payments worth £48.3 million.

Pig Market

107. Encouraged by high prices and the expectation that supply difficulties in some other member states would continue (particularly the reduction in production in the Netherlands due to an outbreak of classical swine fever), pigmeat production in the UK rose 4 per cent in 1998, compared with 1997. This came on top of an 8 per cent rise in 1997 over 1996. The almost inevitable result of an increase in production based on a (temporary) reduction in supply rather than an increase in demand is the very low market prices which prevailed during the latter part of 1998. In a classic pig cycle, prices, and therefore production, would have been expected to fall in 1997. As they did not, a distorted version of the cycle developed.

108. There have been similar developments elsewhere in the EU, where the situation in the Netherlands and associated high prices have encouraged an increase in production. This has led to a sharp reduction in EU prices which has been exacerbated by reduced third country demand from Russia and elsewhere. In Northern Ireland, pig production experienced additional pressures as 40 per cent of the local processing capacity was destroyed in an accidental fire.

109. Market prices in the final two quarters of the year were well below the cost of production of around 90p/kg with farmers losing around £20 on each pig they sold. As a result of these price levels, pig farmers faced exceptionally difficult conditions and many went out of business or reduced the size of their operations.

Milk

110. On 27 January 1998 the Director General of the Office of Fair Trading (OFT) asked the Monopolies and Mergers Commission to investigate the

supply of raw milk in Great Britain. The reference follows the OFT's continued monitoring of the operation of the market for raw milk in 1997. The enquiry will report to the Government by 26 February 1999.

111. In February 1998, Agriculture Ministers in Great Britain appointed Mr Brian Peacock as the new Chairman of the Milk Development Council and made five appointments of members to the Council.

**Apple and pear
orchard
grubbing up
scheme**

112. Council Regulation 2200/97 introduced measures to improve Community production of apples and pears (and peaches and nectarines in certain member states) by providing for the payment of a premium for the grubbing up of orchards before the 1998 harvest. The Regulation was implemented in the UK as the Apple and Pear Orchard Grubbing Up Grant Scheme 1998 which opened for applications in early 1998. Applications received were in excess of four times the UK allocation of 305 hectares (out of a total Community allocation of 10,000 hectares). Priority was given to the most productive orchards in accordance with the rationale behind the scheme. Following field inspections to determine eligibility, 48 applicants were accepted into the scheme (although two subsequently withdrew) and offered grants. The rates of grant were approximately £3480 per hectare for total grubbing of orchards and £2780 per hectare for partial grubbing. Total grant payments were around £825,000.

Better Regulation

113. The Government's Better Regulation Initiative aims to improve the quality of legislation by seeking to ensure that Regulations are simple, helpful, fair and satisfy the Better Regulation Task Force's five principles of good regulation - transparency, accountability, targeting, consistency and proportionality. It forms an integral part of Agriculture Departments' day-to-day working practices. Each has a Better Regulation Unit which is responsible for overseeing the application of Better Regulation procedures within its areas of responsibility including advising on the preparation of Regulatory Impact Assessments (RIAs). RIAs are prepared for all new regulatory proposals which would impose or reduce burdens on business. They set out the compliance costs and benefits to business, citizens and the environment, and apply risk assessment techniques to the different options.

114. The implementation of recommendations made in the 1996 Efficiency Scrutiny on Simplifying Farmers' Paperwork in England and Wales has led to savings of an estimated £5.4 million by mid-1998 to farmers in terms of their time needed to comply with paperwork required for agricultural schemes and measures with further saving of £1.1 million due early in 1999. These changes have included amended procedures, changes to forms, sometimes both and the pre-printing of names, addresses and other details on forms. In addition, new forms are tested on farmers and other users to ensure that they are useable, simple and accessible. A parallel initiative in cutting the form-filling burden on farmers in 1995/96 resulted in the number of forms applying to Scottish farmers being cut by one third. These efforts have continued, for example the number of agricultural census forms sent to farmers was cut by a quarter between June 1997 and June 1998.

115. The essential data requirements of the Agricultural Departments are kept under constant review. Significant progress has been made in reducing

the costs of surveys to respondents including making greater use of administrative data e.g. IACS. Efforts will continue to be made on simplifying questionnaires, reducing sample sizes and improving the designs where this can be done without materially affecting the usefulness of the results.

Marketing and Competitiveness

116. A range of activities to promote effective marketing and the wider identification and adoption of best practice were undertaken in 1998, in the continued drive to foster improved competitiveness in the agri-food industry.

117. To maintain and boost competitiveness, the industry requires a well trained and educated workforce. Lantra, the DfEE accredited National Training Organisation for the landbased sector, plays a vital role in this process. MAFF supports Lantra's activities in the agriculture and commercial horticulture sector through a three year contract which runs to March 2000. Lantra is also in receipt of Sector Challenge funding. MAFF also makes a contribution towards the educational activities of the National Federation of Young Farmers' Clubs.

118. The Ministry continued its seminar programme with successful events on the export of cheese, the requirements of the food service sector for pig meat and speciality foods.

119. In November 1998, MAFF and the National Farmers Union launched a major new initiative to stimulate interest in collaborative marketing. The benefits of collaboration for our primary producers include: increased scale, of the kind demanded by today's big customers; access to professional marketing, technical and administrative support; cohesive negotiating ability; improved supply chain communication; and the many other benefits that come through bigger businesses.

120. The initiative will begin with some 36 focus group discussions around the country to both highlight these benefits to producers and identify barriers to producer involvement. Key issues identified will, if appropriate, be addressed through the MAFF seminar programme. There will also be a number of open days at successful farmer controlled businesses, in the Spring of 1999. The aim to report progress at the 1999 Royal Show.

121. The Ministry continued to act as a facilitator to raise awareness of speciality foods through its support of Food From Britain and the Ministry's grant scheme to regional speciality food groups. A sixth food group - Heart of England Fine Foods - was launched in October 1998. In recognition of the importance of small businesses to the speciality food sector, the Ministry launched its "Success With A Small Business" booklet in September 1998. This booklet, which is free of charge, consolidates three earlier MAFF booklets and is aimed at present and prospective food producers and those agencies that work alongside them.

122. MAFF continued to support the Institute of Grocery Distribution Food Project, which brings together executives from over 100 companies and industry groups to distil knowledge and expertise, with the aim of enhancing UK competitiveness. Key objectives include identifying consumer

requirements and promoting enhanced standards in a number of carefully targeted sectors. The first sectors selected for study are poultry, horticulture, vegetables, beef, and the specific needs of small food companies. Action on other sectors will come later. The Project is also engaged in an extensive international benchmarking study, for which MAFF is a co-sponsor.

123. The Ministry also continued to administer grant payments awarded under a range of marketing schemes (now withdrawn in England) and the 1996 interdepartmental Sector Challenge scheme. A set of Marketing Development Scheme (MDS) awards support the development and promulgation of the Assured British Meat initiative. This initiative aims to establish enhanced baseline standards right across the redmeat production and marketing sectors, as an integral part of the industry's recovery from the impact of BSE.

124. Both the FEOGA Processing and Marketing Grant Scheme (PMG) and the MDS continue to operate in Scotland and were seen as crucial in getting market orientated projects off the ground. During 1998, 23 awards totalling £2.1 million were made under the PMG and 22 awards totalling £1.1 million under the MDS. This latter amount included those awards made specifically under the Scotch Beef Quality Assurance and Marketing Initiative.

125. In Northern Ireland the FEOGA Processing and Marketing Grant Scheme and the MDS also continue to operate. During 1998 11 awards totalling £2.0 million were made under the PMG and 3 awards totalling £0.1 million were made under the MDS. Both Schemes provide vital support for the Northern Ireland agri-food industry.

126. Under EC Regulation 2081/92 and 2082/92 for the protection of food names a registered food or drink is given legal protection against imitation throughout the EU. Three UK products, Teviotdale cheese, Cornish Clotted cream and Dorset Blue cheese were registered in 1998. A number of other UK applications are currently under consideration.

Welsh Food Strategy

127. The development of the agri-food industry is vitally important to the future of Welsh agriculture. It is essential that the work on promoting Welsh food and the work on supporting economic development in the food sector in Wales to go hand in hand. Following a thorough review of the Food Strategy for Wales, the Secretary of State has announced the merger of Welsh Food Promotions Ltd. (WFP) and the new Welsh Development Agency (WDA) to strengthen the promotion of food from Wales and integrate this work with the WDA's strategic economic development function in the food sector. The merger took effect on 1 October 1998.

128 The Welsh Office Agriculture Department will provide the WDA with designated funding on food. In addition, the WDA will ensure that the full range of its economic and business development activities are applied, where appropriate, in the food sector. It will have a dedicated food team, headed by a Food Director and it will work through the regional divisions and the regional economic fora, to co-ordinate local action in support of the food sector. The WDA will carry forward the current projects, including

Objective 5b projects that WFP has in train, and it will work closely with Welsh Lamb and Beef Promotions Ltd. and the Welsh Agricultural Organisation Society in the way that WFP has done.

129. In addition, three industry-led working groups have been set up to develop action plans for the lamb and beef, dairy and organic sectors. These groups have circulated framework documents for consultation with the industry and the final action plans will be published in Spring 1999.

Agricultural tenancies

130. The Agricultural Tenancies Act 1995 provides a simplified legal framework for farm business tenancies entered into on or after 1 September 1995. The objective of the Act was to encourage the letting of agricultural land and increase the opportunities for new entrants. A new Annual Survey of Tenanted Land was introduced in October 1996 as part of the arrangements for monitoring the effects of the Act. The results of the 1997 Survey were published in March 1998. These confirmed the findings of an economic policy evaluation of the Act, undertaken on behalf of MAFF by the University of Plymouth, and covering the period 1 September 1995 to 31 August 1996. Its results, published in January 1998, showed that about 5,000 tenancies were created in the first year of the Act, covering about 200,000 hectares. The Act does not extend to Scotland, where there is separate agricultural holding legislation. In Northern Ireland virtually all agricultural land is owner-occupied.

Objective 1 of the EC Structural funds

131. The Objective 1 programme under the EC Structural Funds is designed to assist the development and structural adjustment of those regions whose economic development is lagging behind the Community average. Three areas in the UK have been designated as Objective 1 for the period 1994 - 1999: Northern Ireland, the Highlands and Islands of Scotland and Merseyside in England. Only the first two are significant in an agricultural context. Single Programming Documents for each area were drawn up by partnerships of central and local Government, and local groups and organisations. A range of projects has now been funded under these programmes, and in Northern Ireland, up to 30 June £111 million EU and £85 million national funding has been spent on agricultural measures funded under Objective 1, including an innovative rural development programme which has engaged rural communities, including farmers, in regeneration actions.

Objective 5b of the EC Structural funds

132. The aim of Objective 5b programme is to promote the economic development of rural areas by supporting activities such as the provision of business advice, infrastructure development, diversification, marketing and promotion of speciality and regional products, and measures to enhance and conserve the environment. Eleven areas in the UK were awarded Objective 5b status for the period 1994-99 largely on the basis of low GDP, a high proportion of employment depending on agriculture, a low level of agricultural income and a low population density.

133. Single Programming Documents (SPDs) for each Objective 5b area were drawn up by a partnership of central and local Government, and local groups and organisations. These were approved by the European Commission in late 1994 and early 1995. The SPDs summarise the

economic situation in the designated areas and the methods to be used to address the problems identified. Funding comes from the European Community, national public funds and the private sector.

134. In respect of the agricultural component of the English Objective 5b programmes, good progress is now being made and 313 projects have been approved. At the end of 1998 over £81 million in EU and national public funding has been committed to these programmes and, together with private sector funding, they have generated investment of almost £270 million.

135. Linked to the Objective 5b programme is the LEADER II (Liaisons Entre Actions de Développement de l'Economie) Community Initiative. This initiative operates in areas adjacent to Objective 1 and 5b areas and is designed to assist the development of small scale, innovative measures of benefit to local areas. Support under LEADER II is made through Local Development Groups on the basis of an approved business plan. Individual project applications are then submitted through the groups on the basis that they achieve the aims of the local business plan. At the end of 1998 funding of over £1.8 million in EU and national public funding has been committed to 86 projects.

Rural White Paper

136. On 27 November 1998 the Deputy Prime Minister announced the Government's intention to produce a Rural White Paper (RWP). The White Paper will develop the Government's approach to rural policy for rural England, policies for Scotland, Wales and Northern Ireland will be dealt with by their respective Departments. The preparation of the RWP will be led jointly by MAFF and the DETR. Other Government Departments will also be involved to ensure that Government activity across the board is tailored to reflect rural circumstances.

137. As well as agriculture, the RWP will explore how the Government's policies on matters such as the economy, health, transport, education, housing, crime, energy efficiency and planning will support rural communities and how rural areas can contribute to the Government's objectives in these matters. It will look at how the Government's regeneration policies will assist deprived rural communities and give rural people the opportunity to participate fully in our society. It will examine the way the Government is conserving and enhancing the countryside as a resource and amenity for all. And it will consider how environmental, social and economic objectives will be integrated in rural areas. In all these areas it will consider what more needs to be done. The RWP is expected to be published in 1999.

Environmental developments

Key developments

138. Following the outcome of the Comprehensive Spending Review (CSR), the Government announced that it will continue to expand the areas under the major agri-environment agreements in England. In Scotland funds have also been earmarked for agri-environment schemes following the CSR. In June MAFF published a consultation document 'Development of a set of indicators for sustainable agriculture in the UK'.

139. Following the CSR the Government announced that an additional £40 million was being made available over the next three years for improvements and enhancements to the major agri-environment schemes in England. It is proposed from 1999:

- to enhance the payment rates under the Organic Aid Scheme;
- to introduce new upland options into Countryside Stewardship and to make those new options available as part of the planned upland experiments in the Forest of Bowland and on Bodmin Moor; and
- subject to the approval of the European Commission, to fund improvements to the six Environmentally Sensitive Area (ESA) schemes which were reviewed in 1998.

140. It was also announced that the pilot Arable Stewardship scheme would be kept open for new applicants for a second and third year in 1999 and 2000. In order to release funds for other priority areas the Nitrate Sensitive Areas Scheme was closed following the CSR, pre-empting the outcome of a MAFF review of the scheme. New options, including options for upland management, have been introduced under the Countryside Stewardship Scheme.

141. In England MAFF carried out a review of the Habitat Scheme which recommended that the successful elements of the scheme should be integrated into Countryside Stewardship. Following consultation, proposals will be worked-up for implementation of these recommendations.

142. In April 1998 the results of the economic evaluation of the access provisions of the Countryside Stewardship, ESA and Countryside Access schemes in England were published. The findings of the evaluation will inform the review of access under the agri-environment schemes, which will be carried out during 1999. It will consider the future form of access to the farmed countryside under the agri-environment schemes, taking account of the outcome of the consultations on access to the open countryside being undertaken by the DETR.

143. In Northern Ireland both the Habitat Improvement Scheme and the Moorland Scheme were closed to new applicants from 1 January 1999. A new Countryside Management Scheme comes into operation in early 1999. A consultation paper on plans to merge the ESA, Countryside Premium (CPS) and Organic Aid Schemes (OAS) in Scotland was issued on 26 January 1998. The consultation period ended on 31 March. It is proposed that a new all encompassing scheme for Scotland will be developed in tandem with the European Commission's Agenda 2000 proposals and will be launched in Spring 2000.

144. Representatives of national and local government, agencies, farming and conservation organisations in England are brought together in the National Agri-Environment Forum, which met twice in 1998. The Forum informs MAFF's consideration of strategic issues, including environmental developments on the Commission's rural development proposal. It has also

given rise to working groups on arable land, the uplands, and the provision of advice and information on environmental issues relating to agriculture. In addition, a wide range of agri-environment issues are discussed at Regional Agri-Environment Consultation Groups, which meet on a regular basis in each of the nine MAFF regions.

145. Details of developments under the individual agri-environment schemes run by Agricultural Departments are set out below. All of the schemes are part-funded by the European Community.

Environmentally Sensitive Areas

146. The purpose of the Environmentally Sensitive Area scheme is to protect and enhance the rural environment by encouraging environmentally beneficial farming practices in areas of the countryside where the landscape, wildlife and historic interest is of national importance. By the end of 1998 over 18,000 farmers in England, Scotland, Wales and Northern Ireland had signed ESA management agreements covering an area of 1.1 million hectares. Payments covering management agreements and conservation plans (capital works) in ESAs are expected to total some £ 57.8 million in 1998/99 for the UK.

147. In England 1998 saw changes made to 11 ESAs (Breckland, Suffolk River Valleys, Clun, North Peak, Test Valley, North Kent Marshes, Avon Valley, South Wessex Downs, Exmoor, South West Peak and Lake District) following a five year policy review. These changes included new wetland options, revisions to management of fenland and improvements to the management of heather moorland.

148. MAFF also undertook policy reviews in the 6 Stage IV ESAs launched in 1994 (Blackdown Hills, Cotswold Hills, Dartmoor, Essex Coast, Shropshire Hills and Upper Thames Tributaries). In early autumn MAFF published proposals for enhancements to these ESAs, many of which were specifically designed to address issues identified in the UK's Biodiversity Action Plan. Revised schemes will be launched in June 1999.

The Countryside Stewardship Scheme

149. The Countryside Stewardship Scheme in England aims to sustain landscape beauty and diversity, to protect and extend wildlife habitats, to conserve archaeological sites and historic features, restore neglected land or features, create new habitats and landscapes and improve opportunities for people to enjoy the countryside. At the end of the 1997 agreement year, there were 7,390 agreements in operation covering approximately 127,753 hectares. Payments covering these agreements are expected to total about £21.5 million in 1998/99. £6.5 million was made available for the first year costs of new agreements in 1998 and it is anticipated that a further 1350 agreements will be signed. In October 1998 the Minister announced an additional £2 million investment in the Scheme for 1999. The extra money includes £1 million to provide for a total commitment for new agreements in 1999 of £7.5 million. The extra funds will be concentrated on the upland areas of England. £0.5 million has also been made available for an experiment in two upland areas, Bodmin and Bowland, with the aim of testing how an integrated approach to economic and environmental issues can work on a practical day-to-day basis.

150. In January 1998 a pilot Arable Stewardship Scheme was launched in two areas, West Midlands and East Anglia. The scheme offers payments to farmers to manage arable fields in ways that encourage wildlife. 78 agreements (41 in West Midlands and 37 in East Anglia) took effect from 1 August 1998. £0.5 million has been made available in each of the next two years to keep the scheme open to new applications.

Organic Aid Scheme

151. The Organic Aid Scheme (OAS) and parallel schemes in Scotland, Wales and Northern Ireland continued to accept claims throughout the year. Some 71,520 hectares in England, 66,393 in Scotland, 1,300 in Wales and 29 in Northern Ireland had been placed into organic conversion under these schemes by the end of the year. Total expenditure in the UK is expected to be £1.5 million for 1998/99, of which £242,346 in Scotland, £70,000 in Wales and £1,925 in Northern Ireland. The Organic Conversion Information Service (OCIS) in England, and similar arrangements elsewhere in the UK, provided advice and consultancy to farmers considering converting to organic production.

152. Support for organic farming, in particular the OAS, was reviewed in 1997, following which proposals to nearly double the rates of aid in England and Northern Ireland were announced. Parallel increases are being considered in Wales. Following the review of the scheme in Scotland the principle of its merger with the Environmental Sensitive Area Scheme and the Countryside Premium Scheme has been accepted and work will be taken forward in tandem with development of the EC's Agenda 2000 proposals. Meantime work is underway in Scotland to agree interim measures to enhance the OAS (including revised rates of payment) which will be introduced once EC and Parliamentary approval has been obtained. The Ministry's Budget for R&D on organic agriculture was also significantly increased (to £1.5 million) and additional funding has also been made available for OCIS and the UK Register of Organic Food Standards (UKROFS), which is responsible for ensuring that standards for organic production are enforced.

Habitat Scheme

153. By the end of 1998, 1,337 farmers throughout the UK had entered or applied to enter 14,723 hectares of land into the Habitat Scheme. Payments are expected to total about £2.8 million in 1998/99. In England, 415 farmers entered 6,873 hectares of land, whilst in Scotland 157 farmers entered 2,027 hectares. Payments are expected to total about £375,000 in 1998/99 in Scotland, and about £1.8 million in England. Proposals to integrate successful elements of the Habitat Scheme into Countryside Stewardship are being considered in England following a review of the scheme in 1998. In Scotland the scheme closed to new applicants on 31 December 1996.

Farm Woodland Premium Scheme

154. The Farm Woodland Premium Scheme (FWPS) offers farmers planting new woodlands annual payments over 10 and 15 years. It is part funded by the European Community. For the UK as a whole, in the period 1 April 1992 (when the scheme opened) to 30 September 1998, nearly 8,000 applications were approved to convert over 51,000 hectares, an average of 6.5 hectares per application. This comprises 33 per cent arable land, 34 per cent improved grassland and 32 per cent unimproved grassland. Nearly three

quarters of planting is broadleaves. Approvals since 30 September 1997 were for some 11,000 hectares.

Countryside Premium Scheme

155. The Scheme was launched in Scotland in March 1997 and provides payments to farmers and crofters who undertake to manage their land in the interests of conservation. It includes elements of the former Habitats and Heather Moorland Schemes which closed to new applicants in Scotland at the end of 1996. There were 503 CPS applications approved in 1998.

Tir Gofal

156. In Wales, a new agri-environment scheme, Tir Gofal (Land Care), has been developed which will be open to all farmers, not just those in particular areas. Subject to approval by the European Commission, it will open for applications in April 1999. It will be run by the Countryside Council for Wales.

Nitrate Sensitive Areas

157. In July, it was announced that the Nitrate Sensitive Areas (NSA) Scheme would be closed to further new entry. This was a consequence of the Government's Comprehensive Spending Review, the decision having been taken in order to release funds for other priority areas. Existing agreements, including those made as a result of the 1998 application round, will continue until they expire at the end of their five year term (the last agreements expiring on 30 September 2003). This final application round for the NSA Scheme attracted applications covering a further 3,000 hectares and brought the total area of land subject to NSA undertakings to 28,000 hectares (80 per cent of eligible land) and the total number of farmers who have entered into agreements to 445 (73 per cent of farmers in NSAs). Payments totalling some £4.8 million were made during the financial year in respect of NSA undertakings.

Nitrate Vulnerable Zones

158. Following consultation, regulations establishing a set of mandatory Action Programme measures in Nitrate Vulnerable Zones (NVZs) were laid before Parliament on 12 May. The measures came into force on 19 December and include requirements for farmers to restrict the quantity and timing of applications of nitrogen fertilisers and livestock manures and to keep records of such applications. Guidance was provided to farmers in NVZs and free ADAS advisory visits on the measures have also been made available. Outside NVZs, the relevant section of the MAFF/WOAD Code of Good Agricultural Practice for the Protection of Water applies on a voluntary basis.

159. Regulations covering mandatory Action Programme measures for Scotland's only NVZ at Balmacollm in Fife came into effect on 19 December 1998. The Action Programme contains measures which farmers must take within the NVZ. Guidance literature on these measures is being provided by SOAEFD, and free visits will be undertaken by the Scottish Agricultural College (SAC). Outwith the NVZ, farmers should continue to adhere to the guidance in the PEPFAA Code (Prevention of Environmental Pollution from Agricultural Activity).

160. In England, the first review of NVZ designations, which began in 1997, has continued jointly with DETR, drawing on monitoring data and advice

from the Environment Agency. An announcement about the outcome of the review will be made once related discussions with the European Commission have taken place. In Scotland, the Scottish Environmental Protection Agency (SEPA) undertook such a review, and recommended designation of two further areas. Following consideration of SEPA's recommendations, Ministers decided against further designations at this time. In Northern Ireland a consultation document was issued in September proposing the designation of three NVZs, totalling 1340 hectares.

161. Farm waste grants (25 per cent of eligible expenditure) continued to be available for NVZ farmers who need to improve their farm waste facilities in line with NVZ requirements. Free advice is also available to help farmers decide on the waste facilities needed to comply with the NVZ measures. Since the scheme was launched in 1996, 39 applicants have received grants totalling some £229,000, of which £106,000 (20 applicants) was paid during the 1997/98 financial year.

Free pollution advice and plans

162. In October 1998, revised Codes of Good Agricultural Practice for the Protection of Water, Air and Soil were published. A summary leaflet covering the key messages contained in the Codes was also published. The revised Codes reflect legislative changes and advances in research and development since 1991-93, when the Codes were first published. The Codes are designed to provide practical guidance to help farmers and growers avoid causing pollution and to protect soil as it is a valuable resource. All three Codes have a separate section dealing with legislation.

163. In Scotland, the PEPFAA Code was revised and updated in July 1997. A summary leaflet, prepared by SEPA complemented the Code's messages. A successor to the 1997 version of the Code is being considered, to take account of legislative changes. Work is also in hand on the production of sections of the Code in a user-friendly form, giving up to date advice on current practices.

164. Also in October 1998 MAFF announced a new initiative 'Making the Most of Manure' to demonstrate practical and cost-effective ways of minimising diffuse nutrient pollution on four commercial farms whilst maximising the benefits from organic manures. The objective of this project is to promote improved utilisation of livestock manures and farm practices which will minimise nutrient losses to the environment. Four farms were chosen to demonstrate sustainable approaches to improved manure use for the benefit of both the individual farms and the wider environment. Measures to be implemented include matching nutrients from manures, soil and fertiliser to crop requirement, timing of manure inputs to minimise losses and best use of equipment to achieve even and reliable application rates of manures. Some events will be held on the demonstration farms and the information will be made widely available.

165. Farm waste management plan campaigns continued in 1997/98 targeting livestock farmers in river catchments, chosen in discussion with the Environment Agency because of known or suspected water quality problems from farm waste. In England, a total of 500 farmers in seven river catchments and in Wales, 88 farmers in 4 river catchment areas took up the

offer of free consultant help in drawing up their plans. In Scotland, free farm and site visits by SAC staff to assess pollution risk, were phased out during 1998. Instead, emphasis was placed by the Department on the development and production of Farm Gate Nutrient Budget plans to encourage farmers to manage their nutrients in such a manner as to minimise the risk of pollution to rivers. This was included within SACs objectives for 1998. As part of their on-going activities, they encourage the drawing up of farm waste management plans as recommended in the PEPFAA Code.

Free conservation advice

166. The Agriculture Departments have continued to fund advice to farmers on the conservation of wildlife habitats and valued landscape features. In 1997/98 over 3,600 initial visits made to farmers by ADAS and the Farming and Wildlife Advisory Group (FWAG) were either wholly or partly funded by MAFF. A further 450 visits were made by DANI staff to Northern Ireland farmers. In Scotland there were 515 ESA related visits by SAC advisors in 1997/98 and 389 other conservation related visits - a total of 904. CAIS, an integrated advisory service, has been available to all farmers in Wales since January 1995. The service is free and acts as a single point of contact to give impartial environmentally sound advice. CAIS advisors have undertaken almost 5,820 advisory visits up to 31 December 1998.

Indicators

167. In June MAFF also published a consultation document 'Development of a Set of Indicators for Sustainable Agriculture in the United Kingdom'. The indicators suggested in the document are intended to measure the sustainable contribution of UK agriculture. The set is designed to complement the wider set of indicators of sustainable development being published by DETR. Areas covered included the impacts of agriculture on landscape and wildlife, water quality, rural economy, greenhouse gas emissions and pesticide use. The final set of indicators will be published during 1999. The UK hosted an OECD (Organisation for Economic Co-operation and Development) workshop in York in September 1998 on the theme of environmental indicators for agriculture.

Hedgerows

168. The Group set up to review the Hedgerow Regulations (England and Wales) 1997 published its report to the Government in June 1998. The Government intends to publish draft Regulations for statutory consultation after the research, which it arranged into the Group's proposed criteria defining important hedgerows, has been fully evaluated.

169. In addition the House of Commons' Environment, Transport and Regional Affairs Committee published its report on the protection of field boundaries, including hedgerows, in November. Included in its recommendations was one for the introduction of new primary legislation for the protection of all field boundaries. The Government has undertaken to consider this proposal in the light of forthcoming research including the Countryside Survey 2000.

Agricultural Select Committee Report on Flood and Coastal Defence

170. The Agricultural Select Committee (ASC) Report on Flood and Coastal Defence was published on 5 August 1998. The Report supported the broad thrust of MAFF's current policy approach towards flood and coastal defence but recommended changes to existing institutional and funding arrangements and a greater use of measures such as managed realignment as a sustainable

means of defence. In responding to the Report, the Government concluded there could be a greater role for less interventionist options as a means of defence and also agreed to review funding arrangements jointly with the Department of Environment and Transport and the Regions. However, the Government was not persuaded that there was a need for change in institutional arrangements.

Public Private Partnership

171. The Ministry has continued to pursue with the Environment Agency the possibilities of Public Private Partnership (formerly Private Finance Initiative) in the flood defence area. The wider application of this procurement approach will be examined in the light of experience gained from two pilot projects being undertaken at Pevensey Bay, Sussex and Broadland, Norfolk.

Flood warning

172. The Environment Agency, which has primary responsibility for flood defence operations in England and Wales, commissioned an Independent Review to investigate the circumstances surrounding the serious flooding that occurred at Easter and to identify the lessons to be learned. The final report of the Review Team was published on 1 October 1998. The Agency published an Action Plan to implement the report on 25 November 1998. This reflected the Ministerial priorities of achieving a seamless and integrated service of flood forecasting, warning and response by April 2000.

Coast Protection Survey of England

173 Following the 1996 Review of the Coast Protection Survey of England, local authorities with responsibility for the coastline were asked to report on their plans for improving class 4 defences (those needing most urgent capital work). The responses show that, for the majority, a policy has now been assigned indicating (i) that capital works are being planned, are in the process of being developed or are approved, (ii) maintenance only is sufficient or (iii) the defences have been abandoned.

Habitats

174. In July 1998, MAFF announced that funding criteria would where necessary be adjusted to ensure that internationally important conservation sites, designated under the EU Habitats and Birds Directives, are protected from flooding or erosion. Schemes for protecting such sites will be considered against strategic management plans which are being developed by English Nature and the Environment Agency.

4 Output prices and input costs

Price indices (Table 4.1)

1. Table 4.1 shows price indices for agricultural products and inputs. Chart 4.1 portrays the main changes in these indices over recent years. Between 1997 and 1998 the average price of agricultural products fell by 9 per cent and inputs by 3 per cent. This follows falls in the preceding year of 14 per cent and 2 per cent respectively. The average price of agricultural products is 5 per cent lower than it was 10 years ago, whereas the average price of inputs has increased by 28 per cent.

2. In 1998, the price of crop products rose by 3 per cent mainly due a recovery in the price of potatoes and most fresh vegetables which offset the further decline in cereal prices. The price of livestock and livestock products decreased by 15 per cent.

3. It should be noted that these indices are constructed using fixed annual weights (relating to 1990). They reflect observed market prices and do not take account of direct subsidy payments. In contrast, the price changes presented in table 6.3, derived from the aggregate accounts, include subsidy payments and are based on current production. For these reasons the price movements presented here and in Section 6 differ.

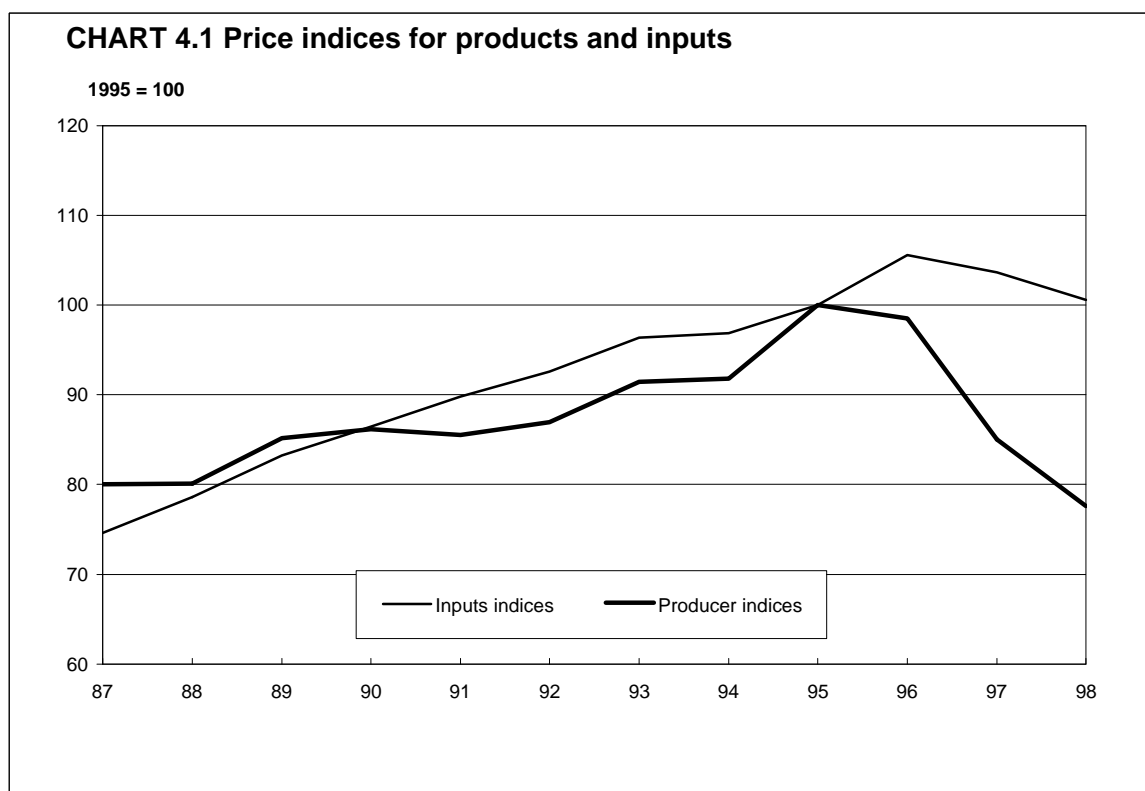


TABLE 4.1 Price indices for products and inputs

Indices(a): 1995=100

Annual average figures for calendar years

	Average of 1987-89	1994	1995	1996	1997	1998 (provisional)
Producer prices for agricultural products (b)	81.8	91.8	100.0	98.5	85.0	77.6
of which:						
Crop products:	85.0	88.1	100.0	92.4	76.7	78.6
Cereals	95.9	94.3	100.0	101.6	81.4	70.6
Root crops	50.2	68.6	100.0	59.4	39.7	60.7
Fresh vegetables	85.8	93.2	100.0	99.2	87.1	96.7
Fresh fruit	91.8	90.8	100.0	112.2	102.6	102.9
Seeds	67.5	74.9	100.0	85.6	64.3	62.4
Flowers and plants	94.9	97.4	100.0	106.9	107.1	101.7
Other crop products	141.5	99.1	100.0	105.7	95.3	94.5
Livestock and livestock products:	79.7	94.2	100.0	102.4	90.3	77.0
Livestock (for slaughter and export)	86.0	96.9	100.0	102.5	90.7	75.1
Milk	69.7	89.0	100.0	100.4	88.6	77.6
Eggs	91.3	110.5	100.0	119.6	102.5	94.5
Other livestock products	102.1	89.9	100.0	93.0	81.9	73.0
Prices of agricultural inputs:	78.8	96.9	100.0	105.6	103.6	100.6
of which:						
Currently consumed in agriculture	79.5	96.8	100.0	106.1	103.4	99.4
Livestock feedingstuffs	85.7	99.1	100.0	107.7	103.7	98.7
Seeds	72.0	85.5	100.0	106.0	93.2	89.3
Animals for rearing and production	68.0	80.3	100.0	100.1	96.0	93.3
Fertilisers and soil improvers	91.0	89.3	100.0	110.6	96.0	81.4
Plant protection products	75.1	101.4	100.0	106.6	107.3	100.2
Maintenance and repair of plant and machinery	66.0	97.6	100.0	105.4	109.9	113.3
Energy, lubricants	79.7	97.1	100.0	107.6	106.7	103.9
Maintenance and repair of buildings	76.7	94.4	100.0	100.6	102.1	103.0
Veterinary services	81.3	98.3	100.0	102.5	105.3	105.4
Materials and small tools	72.1	99.7	100.0	100.3	100.0	97.9
General expenses	71.1	97.5	100.0	101.5	104.1	103.1
Contributing to agricultural investment (c)	75.0	97.4	100.0	102.5	105.4	107.7
Hired labour costs per hour (d)	66.8	96.9	100.0	103.7	110.2	..

(a) Indices covering an aggregation of commodities are weighted averages with weights based on the values of output of the respective commodities in 1990

(b) These indices reflect prices received by producers but exclude direct subsidies.

(c) Covers the purchase and maintenance of capital items, but excludes stocks.

(d) Regular whole-time workers aged 20 years and over.

5 Commodities

Summary

1. Summary points comparing 1998 with 1997:

- The value of the output of all commodities fell by £1.7 billion or 9 per cent, mainly due to lower prices received by farmers for all the main commodities.

Additionally:

- Production of *cereals* (tonnage) was 4% lower with value falling by 14%. This was due partly to a reduction in plantings (2% down) but mainly to price falls of between £10 and £15 per tonne. Arable area payments also fell by 6% due to green rate revaluations;
- Value of production of *oilseeds* fell slightly due mainly to a reduction in AAPS payments. Area planted continues to rise as a result of growing world demand and higher prices relative to cereals;
- The value of production of *potatoes* increased by £257m or 67 per cent, the high price more than compensated for the poor harvest.
- The area devoted to all *horticulture* fell by about 4%. The value of production of vegetables grown in the open rose by 8%, orchard fruit was up 16% and soft fruit up by 25%;
- Value of production of *cattle and calves* fell by 14%. Producer prices were down 11% and compensation payable under the Over Thirty Month Scheme was also lower. In line with the new accounting principles (under SNA93) the value of the aid package announced on 16 November 1998 is included in this year's figures even though most of it will not be paid until 1999;
- The value of production of *sheep and lambs* was down 5% despite increases in sheep subsidy payments. Average producer prices fell by 26% caused in part by the collapse of markets for sheepskins following the Russian crisis. Hill farmers in Scotland have been particularly badly affected;
- The value of *pig* production fell by 27%. Increased EU supplies of pig meat have exerted a downward pressure on producer prices which fell by 27% reaching a 20 year low during September;

- The value of production of *poultrymeat* was 9% down. Producer prices fell by 10% as a result of lower feed costs and pressure of cheaper imports. The long term upward trend in production was sustained;
- The value of *livestock products* (principally milk and eggs) fell by 13% overall. Milk was down 14% and eggs by 7%. Price of milk fell by almost 3p per litre (12% lower) caused in part by the strength of sterling. Lower hen egg prices (down 8%) were partly as a result of over supply;
- The total cost of purchased *feedingstuffs* was sharply lower (down 12%) due to reductions in both quantity and price. The cost of *seed* fell by 4%.

Introduction

2. This part of AUK reports on the major agricultural commodities produced in the UK. It is divided into five parts, each covering a broad commodity group. Each of the main commodity tables is divided, where appropriate, into three sections:

- i. production
- ii. prices
- iii. supply and use

Production

For crops, the aggregate areas and average yields are shown and are used to derive the levels of production. Value of production figures are then shown broken down into sales and other components. For livestock, the populations, marketings and average slaughter weights are shown and lead to estimates of production.

Prices

Average producer prices and/or selected market prices are provided.

Supply and Use

Total new supply is defined as production plus imports less exports. Most data on trade comes from the Overseas Trade Statistics and for 1997 and 1998 the data is provisional and therefore subject to revisions.

Total domestic use is the total new supply adjusted for changes in stocks. Where stocks are insignificant or not known the total domestic use is assumed to be the same as the total new supply.

Production as a percentage of total new supply for use in the UK gives an indication of the self-sufficiency of the UK in the commodity.

Other Terms

Value of production includes any subsidies on product less taxes on product. Production comprises sales plus on farm consumption adjusted for changes in stock levels (work in progress for livestock). For wheat, barley and potatoes valuations of sales within the crop year are also given.

3. The valuations of each commodity are combined in Table 6.1 in the calculation of the industry's total output and gross and net value added and in the estimation of aggregate incomes from farming. The value of production figures appearing in this chapter exactly match the figures in

Table 6.1. Table 6.3 summarises for each commodity the year on year change in value, volume and price between 1997 and 1998.

Cereals

Cereals

(Tables 5.1-5.4)

4. Total cereal areas decreased in 1998 by 2 per cent despite the set-aside rate remaining at 5%. This was due to a shift towards the more economically viable oilseeds. Production was down by 800,000 tonnes, about 4 per cent lower, with higher wheat yields more than offset by lower barley yields. Over the calendar year as a whole the value of production was 14 per cent lower than in 1997. The price of cereals fell by a further £10-15 per tonne on the already low 1997 prices. In addition, payments under the Arable Area Payments Scheme (AAPS) were approximately 6% lower, due to revaluations in the green rate caused by the strength of sterling.

Wheat

(Table 5.1)

5. Despite small increases in each of area, yield and production the value of production at £1,647 million was 11 per cent lower than in 1997. The decrease was therefore explained by lower prices. These were caused by the strength of sterling and hence the availability of cheaper imports, over-supply in both the UK and the rest of the EU, and the variable quality of the 1997/98 crop. Total domestic usage was slightly higher than in 1997, and 13 per cent above the average of the previous five years. Animal feed usage was similar to the previous year, but usage by millers increased by 4 per cent, partly due to lower extraction rates caused by poorer quality milling wheat. Despite decreased food aid exports, total exports increased. These were mainly in the first half of the year to other EU Member States, particularly to Spain, as UK prices remained very competitive against French wheat.

Barley

(Table 5.2)

6. The value of production was 21 per cent lower than in 1997, as a result of decreases in each of area, yield and prices. Area reductions were caused by a shift towards more economically viable oilseeds. Prices reduced by a further £10 per tonne, but the margin between feed wheat and feed barley reduced. This led to small decreases in the use of barley for animal feed, with further decreases expected into 1999. The long-term trend of increased usage by brewers, maltsters and distillers continued. Excess EU supplies from the 1997 harvest, and hence low prices, resulted in more than 1.2 million tonnes of UK barley being sold into intervention during the spring. Over 450,000 tonnes of these stocks were exported out of the EU later in the year.

Oats

(Table 5.3)

7. The value of production was £12 million below 1997, despite a small increase in production. Prices were approximately £15 per tonne lower than in 1997. Usage was very similar to 1997.

TABLE 5.1 Wheat

'000 tonnes (unless otherwise specified)

Calendar years

	Average of 1987-89	1994	1995	1996	1997	1998 (provisional)
Production						
Area ('000 hectares)	1,988	1,810	1,858	1,975	2,035	2,044
Yield (tonnes/hectare)	6.33	7.35	7.70	8.15	7.38	7.55
Volume of harvested production	12,575	13,316	14,312	16,103	15,018	15,449
Value of production (£ million) (a)	1,315	1,723	2,079	2,315	1,854	1,647
of which:						
sales	1,265	1,321	1,481	1,602	1,291	1,144
subsidies (b)	-	330	480	507	493	464
on farm use	62	75	55	66	62	49
change in stocks	-13	-3	62	140	8	-10
Prices (c)						
Milling wheat (£/tonne)	..	114	120	122	101	84
Feed wheat (£/tonne)	..	102	110	111	89	75
Supply and Use						
Production	12,575	13,316	14,312	16,103	15,018	15,449
Imports from: the Fourteen	963	873	638	432	742	850
the rest of the world	441	224	279	244	413	400
Exports to: the Fourteen	1,330	2,395	2,442	3,139	2,743	3,550
the rest of the world	1,778	954	602	727	1,001	550
Total new supply	10,870	11,064	12,185	12,913	12,429	12,599
Increase in farm and other stocks	-916	-592	581	947	-253	-222
Total domestic uses	11,786	11,656	11,605	11,966	12,682	12,821
of which: flour milling	5,021	5,290	5,338	5,501	5,535	5,758
animal feed	5,622	5,307	5,157	5,279	5,969	5,960
seed	353	335	356	366	368	350
other uses and waste	790	725	754	819	811	753
Production as % of total new supply						
for use in UK	116%	120%	117%	125%	121%	123%
% of home grown wheat in milling grist	75%	78%	86%	87%	84%	86%

Wheat (Crop Years: July-June)

'000 tonnes (unless otherwise specified)

Crop years: July-June

	1993/94	1994/95	1995/96	1996/97	1997/98
Production and output					
Volume of harvested production	12,892	13,316	14,312	16,103	15,018
Value of production (£ million) (a)	1,579	1,762	2,153	2,126	1,724
of which :					
sales	1,261	1,366	1,557	1,537	1,208
subsidies (b)	224	330	480	507	493
on farm use	83	60	60	70	53
change in stocks	12	5	55	12	-31

(a) Excludes farm saved seed

(b) Includes arable area payments but excludes set-aside payments

(c) Average prices weighted by volumes of sales

TABLE 5.2 Barley

'000 tonnes (unless otherwise specified)

Calendar years

	Average of 1987-89	1994	1995	1996	1997	1998 (provisional)
Production						
Area ('000 hectares)	1,788	1,108	1,193	1,269	1,359	1,255
Yield (tonnes/hectare)	4.86	5.37	5.73	6.14	5.76	5.21
Volume of harvested production	8,693	5,952	6,842	7,789	7,828	6,537
Value of production (£ million) (a)	865	847	1,108	1,183	979	777
of which :						
sales	682	497	567	624	423	418
subsidies (b)	-	194	299	314	316	278
on farm use	206	201	199	206	175	133
change in stocks	-23	-45	44	39	65	-52
Prices (c)						
Malting barley (£/tonne)	..	126	142	133	93	84
Feed barley (£/tonne)	..	102	105	101	79	70
Supply and Use						
Production	8,693	5,952	6,842	7,789	7,828	6,537
Imports from: the Fourteen	275	155	83	67	116	150
the rest of the world	2	28	21	23	26	25
Exports to: the Fourteen	741	687	1,353	1,102	910	800
the rest of the world	2,308	683	526	614	674	700
Total new supply	5,921	4,765	5,067	6,163	6,386	5,212
Increase in farm and other stocks	-516	-600	-551	196	735	-332
Total domestic uses	6,437	5,365	5,618	5,967	5,651	5,544
of which: brewing/distilling	1,779	1,797	1,902	1,971	1,938	1,991
animal feed	4,228	3,323	3,454	3,714	3,449	3,305
seed	257	203	216	231	213	203
other uses and waste	173	42	46	51	51	45
Production as % of total new supply for use in UK	147%	125%	135%	126%	123%	125%

Barley (Crop Years: July-June)

'000 tonnes (unless otherwise specified)

Crop years: July-June

	1993/94	1994/95	1995/96	1996/97	1997/98
Production and output					
Volume of harvested production	6,045	5,952	6,842	7,789	7,828
Value of production (£ million) (a)	787	855	1,124	1,132	927
of which :					
sales	445	479	598	624	475
subsidies (b)	144	194	299	314	316
on farm use	194	189	210	195	140
change in stocks	3	-8	16	-2	-4

(a) Excludes farm saved seed

(b) Includes arable area payments but excludes set-aside payments

(c) Average prices weighted by volumes of sales

TABLE 5.3 Oats

'000 tonnes (unless otherwise specified)

Calendar years

	Average of 1987-89	1994	1995	1996	1997	1998 (provisional)
Production						
Area ('000 hectares)	113	109	112	96	100	98
Yield (tonnes/hectare)	4.53	5.50	5.52	6.14	5.78	6.02
Volume of harvested production	510	598	617	590	577	588
Value of production (£ million) (a)	49	79	91	84	71	59
of which :						
sales	31	35	47	44	35	27
subsidies (b)	-	19	28	24	23	22
on farm use	17	22	16	16	12	10
change in stocks	1	3	-	-1	-	-
Prices (c)						
Milling oats (£/tonne)	..	104	101	106	83	65
Feed oats (£/tonne)	..	101	99	104	76	61
Supply and Use						
Production	510	598	617	590	577	588
Imports from: the Fourteen	7	3	2	2	16	11
the rest of the world	-	-	-	-	-	-
Exports to: the Fourteen	9	18	216	132	78	50
the rest of the world	-	-	-	-	-	-
Total new supply	508	583	403	460	515	549
Increase in farm and other stocks	20	95	-72	-12	10	35
Total domestic uses	489	488	475	472	505	514
of which: milling	191	209	217	250	259	268
animal feed	261	255	234	199	224	224
seed	23	21	21	19	19	19
other uses and waste	14	3	3	3	3	3
Production as % of total new supply for use in UK	100%	103%	153%	128%	112%	107%

(a) Excludes farm saved seed

(b) Includes arable area payments but excludes set-aside payments

(c) Average prices weighted by volumes of sales

TABLE 5.4 Total Cereals

'000 tonnes (unless otherwise specified)

Calendar years

	Average of 1987-89	1994	1995	1996	1997	1998 (provisional)
Production						
Area ('000 hectares)	3,904	3,042	3,181	3,358	3,513	3,426
Volume of harvested production	21,857	19,956	21,872	24,587	23,533	22,692
Value of production (£ million) (a)	2,231	2,656	3,287	3,591	2,913	2,493
Supply and Use						
Imports from: the Fourteen	2,477	2,413	2,115	1,690	2,155	2,131
the rest of the world	662	467	536	573	848	725
Exports to: the Fourteen	2,098	3,116	4,027	4,394	3,743	4,414
the rest of the world	4,087	1,637	1,128	1,341	1,675	1,250
Total new supply	18,812	18,083	19,368	21,115	21,118	19,884
Increase in farm and other stocks	-1,412	-1,097	-43	1,132	492	-519
Total domestic uses	20,224	19,179	19,411	19,984	20,626	20,403
Production as % of total new supply for use in UK	116%	110%	113%	116%	111%	114%

(a) Includes arable area payments, but excludes set aside payments and farm saved seed.

Other crops

Oilseed rape (Table 5.5)

8. The value of production was slightly lower than in 1997, mainly due to a £20 million reduction in AAPS payments. This was caused by green rate re-valuations and penalties arising from an EU breach of the Maximum Guaranteed Area and the observed level of market prices. Production increased despite a decrease in yield. Plantings increased to meet the growing world demand for oilseeds, particularly from China, India and Iran. Exports to these countries kept prices above those of 1997 for most of the year. With margins higher than for cereals, there have been further increases in oilseed plantings for the 1999 harvest, despite expectations of increased AAPS penalties.

Linseed (Table 5.6)

9. The value of production was £16 million higher than in 1997. This was caused by a large increase in plantings, mainly of linola. The majority of the total value is made up by AAPS payments, and is hence largely independent of yields and production. Yields were similar to the five-year average, but free market prices were slightly lower than in 1997. There have been further increases in plantings for the 1999 harvest.

Sugar Beet and Sugar (Table 5.7)

10. The value of sugar beet production was 9 per cent lower than 1997, because of reductions to each of area and yield. Plantings were reduced on the advice of British Sugar, in an attempt to avoid further over-supply following the record 1997 harvest. As in 1997, the strength of sterling affected the guaranteed purchase price of quota sugar beet. The increase in average market prices was therefore caused by a reduction in quantities sold above quota, at lower market prices. Refined sugar production for the 1998 campaign is estimated at 1.4 million tonnes, 12 per cent below 1997, but still above the UK quota. Average sugar content was slightly above 1997 levels. Exports of sugar out of the EU were significantly higher in 1998. These were caused by excess supplies from the 1997 harvest.

Potatoes (Table 5.8)

11. Total value of production in 1998 increased by 67% on the 1997 figure. Total area for all potatoes fell by 1% in 1998. With rain causing delays for both planting and lifting, yields were down by 8%, leading to an overall production decrease of 9%. With similar problems in the rest of Europe, the price for the 1998 crop started from a high of £140 per tonne. Although there was a decline through October, harvesting problems meant the end of the year price had risen to £168 per tonne. In real terms the price was only slightly behind the high 1994 and 1995 crop December figures. Prices for the calendar year increased from £65 per tonne in 1997 to £121 in 1998, although it should be noted that the 1997 price was the lowest since 1985.

Peas and beans for stockfeed (Table 5.12)

12. The total value of production decreased by £9 million, despite an increase in plantings caused by better 1997 prices relative to cereals. Increased plantings resulted in an increase in total AAPS payments for peas and beans for stockfeed, but these were more than offset by a fall in average prices of £25 per tonne. These were largely caused by decreases in the world prices of other proteins such as soya bean meal.

**Purchased
Feedingstuffs**
(Tables 5.20)

13. The total cost of purchased feedingstuffs was 14 per cent lower than in 1997. Both quantities and prices have decreased since 1997. Purchases of compounds have decreased by 2 per cent, with the largest decrease seen amongst Cattle farmers. More pig compounds were bought, but that is expected to reverse in 1999 with the recent reductions in the breeding herd. Purchases of raw materials for further processing ('straights') have increased, largely due to the integrated poultry units. The prices of both raw materials and compounds have fallen across a number of items, by about 13 per cent on average. Compounders' gross margins (selling price less cost of raw materials) are estimated to have decreased slightly to about £45 per tonne between 1997 and 1998.

Purchased Seeds
(Table 5.21)

14. The total cost of purchased seeds (note that cereal seed estimates are restricted to certified seed only) decreased by 4 per cent to £330 million. The major component of the above valuation is seed for cereals, the cost of which decreased by £13 million. Quantities bought for the crop to be harvested in 1999 decreased due to the increase in set aside rate from 5% to 10%. Seed prices reduced in line with feed prices.

Table 5.5 Oilseed rape

`000 tonnes (unless otherwise specified)

Calendar years

	Average of 1987-89	1994	1995	1996	1997	1998 (provisional)
Area ('000 hectares)	352	491	439	415	473	531
Yield (tonnes/hectares)	3.13	2.53	2.81	3.41	3.23	2.95
Volume of harvested Production	1,101	1,243	1,234	1,412	1,527	1,569
Of which:						
Production not on set-aside land:						
Area ('000 hectares)	352	404	354	356	445	506
Yield (tonnes/hectares) (a)	3.13	2.62	2.91	3.49	3.24	2.96
Production (a)	1,101	1,058	1,031	1,243	1,444	1,498
Production on set-aside land:						
Area ('000 hectares)	-	87	85	58	28	25
Yield (tonnes/hectare)	-	2.13	2.41	2.89	3.00	2.83
Production	-	185	204	169	83	72
Value of Production (£ million)	267	373	379	421	406	399
of which : sales	267	218	215	251	233	251
subsidies (b)	-	154	164	162	167	147
change in stocks	-	1	-1	8	6	2
Imports from: the Fourteen	96	267	252	203	281	286
the rest of the world	29	119	270	24	3	5
Exports to: the Fourteen	183	35	41	96	164	200
the rest of the world	1	45	-	80	24	53
Total new supply	1,042	1,549	1,715	1,463	1,621	1,608
Production as % of total new supply for use in UK	106%	80%	72%	97%	94%	98%

(a) These figures are on the basis of a standard (9%) moisture content.

(b) Under the Arable Area Payments Scheme (AAPS) payments are made to oilseed rape producers in two installments: an advance payment in the autumn of the year of harvest and the balance in the following spring. However for the purposes of these accounts all payments have been included under the year of harvest to which they relate.

TABLE 5.6 Linseed

`000 tonnes (unless otherwise specified)

Calendar years

	Average of 1987-89	1994	1995	1996	1997	1998 (provisional)
Area (`000 hectares)	13	73	62	54	76	101
Yield (tonnes/hectare)	1.82	1.27	1.31	1.59	1.40	1.41
Volume of harvested production	24	94	81	87	106	143
Of which:						
Production not on set-aside land:						
Area (`000 hectares)	13	58	54	49	73	99
Yield (tonnes/hectare) (a)	1.82	1.25	1.30	1.61	1.39	1.41
Production (a)	24	72	70	79	102	140
Production on set-aside land:						
Area (`000 hectares)	-	16	8	5	3	2
Yield (tonnes/hectare)	-	1.36	1.35	1.46	1.65	1.57
Production	-	21	11	8	5	3
Value of Production (£ million)	7	39	41	40	51	67
of which : sales	7	12	12	15	15	19
subsidies (b)	-	27	29	25	37	48
Imports from: the Fourteen	22	1	-	2	-	1
the rest of the world	1	24	48	37	52	10
Exports to: the Fourteen	3	18	8	11	30	50
the rest of the world	-	-	1	1	1	1
Total new supply	43	100	119	113	128	103
Production as % of total new supply						
for use in UK	55%	94%	68%	77%	83%	139%

(a) These figures are based on a standardised (9%) moisture content.

(b) Includes arable area payments but excludes set-aside payments.

TABLE 5.7 Sugar beet and sugar

`000 tonnes (unless otherwise specified)

Calendar years

	Average of 1987-89	1994	1995	1996	1997 (provisional)	1998
Sugar beet (a)						
Area ('000 ha)	200	195	196	199	196	189
Yield (adjusted tonnes/hectares)	40.47	44.72	43.02	52.36	56.55	51.94
Volume of harvested production (a)	8,086	8,720	8,431	10,420	11,084	9,802
Average market price (£/adjusted tonne) (b)	29.32	35.25	38.34	32.00	27.07	28.00
Value of production (£ million)	237	307	323	333	300	274
Sugar content %	17.22	16.93	16.47	18.04	17.17	17.40
Sugar ('000 tonnes refined basis)						
Production (c)	1,266	1,263	1,220	1,477	1,592	1,400
Imports from: the Fourteen	114	112	93	83	128	161
the rest of the world	1,153	1,176	1,150	1,176	1,183	1,186
Exports to: the Fourteen	61	35	95	58	73	77
the rest of the world	264	472	403	289	511	763
Total new supply	2,208	2,044	1,966	2,389	2,398	2,187
Production as % of total new supply for use in UK	57%	62%	62%	62%	62%	64%

(a) From 1991 onwards yield, production and prices for sugar beet have been re-based to "adjusted tonnes" at standard 16% sugar content.

(b) Estimated as the 'return to grower' price less transport costs.

(c) Sugar coming out of the factory in the early part of the new year is regarded as being part of the production of the previous calendar years.

TABLE 5.8 Potatoes

'000 tonnes (unless otherwise specified)

Calendar years

	Average of 1987-89	1994	1995	1996	1997	1998 (provisional)
Production						
Area ('000 hectares):	178.0	164.1	171.6	177.7	165.9	164.1
Of which: early	17.5	15.8	16.5	13.8	16.2	17.9
maincrop	160.5	148.4	155.1	163.9	149.7	146.2
Yield (tonnes/hectare): early	22.5	21.4	22.6	23.5	23.8	18.8
maincrop	39.0	41.8	38.9	42.1	45.0	42.2
Volume of harvested production:	6,660	6,539	6,407	7,225	7,125	6,505
Of which: early	392	337	373	325	386	337
maincrop	6,267	6,203	6,033	6,900	6,739	6,168
End year stocks	3,496	3,187	3,439	3,820	3,678	3,384
Value of production (£million)	478	713	1,077	636	382	639
Of which: sales	465	755	991	567	378	660
on farm seed use	20	15	40	31	13	15
change in stocks	-6	-58	46	38	-9	-36
Prices						
Average price (£/tonne) paid to registered producers for:						
early potatoes (a)	118	188	156	97	74	152
maincrop potatoes (a)	79	122	190	98	63	118
all potatoes (a)(b)	83	127	186	101	65	121
Supply and use						
Total production	6,660	6,539	6,407	7,225	7,125	6,505
Supplies from the Channel Islands	37	42	38	51	58	37
Imports	1,005	1,120	1,202	1,049	1,031	1,077
of which:						
early from:						
the Fourteen	78	53	69	48	56	62
the rest of the world	145	115	168	192	89	124
maincrop from:						
the Fourteen	246	159	181	154	114	158
the rest of the world	11	5	10	2	2	2
processed (raw equivalent) from:						
the Fourteen	460	723	651	606	736	703
the rest of the world	27	23	76	17	16	13
seed from:						
the Fourteen	38	41	46	30	19	15
the rest of the world	-	1	-	-	-	-
Exports	222	337	346	282	362	334
of which:						
raw to:						
the Fourteen	50	159	128	92	151	167
the rest of the world	43	46	60	59	9	8
processed (raw equivalent) to:						
the Fourteen	45	55	63	60	68	57
the rest of the world	4	13	20	12	46	28
seed to:						
the Fourteen	43	34	35	32	35	38
the rest of the world	37	29	39	28	53	35
Total new supply	7,479	7,365	7,301	8,043	7,853	7,285

(a) Includes a price for sacks where appropriate.

(b) Takes account of support buying and seed sales.

TABLE 5.8 Potatoes (continued)

'000 tonnes (unless otherwise specified)

Calendar years

	Average of 1987-89	1994	1995	1996	1997	1998 (provisional)
Total new supply	7,479	7,365	7,301	8,043	7,853	7,285
Change in stocks	-18	-466	252	381	-142	-294
Total domestic uses	7,497	7,831	7,049	7,662	7,994	7,580
of which:						
used for human consumption	6,009	6,491	5,923	6,123	6,275	5,967
seed for home crops (including seed imports)	555	478	487	515	449	437
support buying	78	-	-	-	-	-
chats, waste and retained stockfeed	844	862	639	1,024	1,270	1,177
Production as % of total new supply for use in the UK	89%	89%	88%	90%	91%	89%

(Crop Years: June-May)

'000 tonnes (unless otherwise specified)

Crop years: June-May

	1994/95	1995/96	1996/97	1997/98
Production				
Volume of harvested production	6,539	6,407	7,225	7,125
Value of production	1,006	858	404	473
Of which:				
sales	1,000	807	382	461
on farm seed use	17	41	27	11
change in stocks	-11	10	-5	-
Prices				
Average realised return (£/tonne) (a)	175	150	66	82

(a) Takes account of support buying, seed sales and sacks.

Horticulture

Horticulture (Tables 5.9-5.11)

15. The total area devoted to horticulture, as reported in the 1998 June Agricultural Census (Table 2.2) was 176,797 hectares, compared with 184,000 hectares in 1997.

16. Note: the layout of the tables has been altered to be in line with that of other tables in the chapter. In particular the following should be noted.

a. Total volumes for imports and exports of fruit and vegetables are now shown alongside total UK production.

b. The valuation for horticulture given in table 6.1 previously included values for gardens and allotments and for hedgerow fruit and nuts; these have now been removed. At the same time revisions have been made to the valuations of vegetables and fruit in the light of newly available information, adding £56 million to vegetables in 1998 and £11 million to fruit (phased back over a ten-year period).

c. Hops information has not been included in this publication, but will continue to be shown in Basic Horticultural Statistics for The United Kingdom. This publication expands on the details for all crops shown in this horticultural section. The Basic Horticultural Statistics publication (BHS) can be obtained from Mrs Lesly Lawton, MAFF, Statistics (Commodities and Food) Division, Branch B, Room 231, Foss House, King's Pool, 1-2 Peasholme Green, York, YO1 7PX (tel. 01904-455072) or at www.maff.gov.uk under the heading statistics.

d. Table 5.16 includes summary area and value details for the vegetables, fruit and ornamentals sectors together with values of production for some of the main crops. More detailed information is given for cauliflowers, tomatoes, apples and pears as these products are eligible for EU compensation if they are withdrawn from the market.

Field vegetables grown in the open

17. The wet weather in 1998 did not have such an adverse effect on field vegetables compared to the other sectors of the industry. Whilst the area of field vegetables increased only slightly, the total value increased by 8% compared with 1997.

18. In general prices recovered to pre-97 levels. Compared with 1997 the value of carrots rose by 45% and the value of cabbage rose by 10%. Cauliflowers achieved poor prices early on in the season but these recovered later in the year, leading to an overall increase in value of 10%.

Protected salad crops

19. The overall area of protected vegetables continued to decline in 1998, decreasing by 8% compared with 1997. A drop in demand, possibly due to a wet summer, led to poor prices for lettuce. The value of tomatoes showed an increase of 3% compared with 1997.

Orchard fruit

20. Difficult weather conditions affected the 1998 crop. Orchard fruit area continued to fall, and value, whilst 16% up on 1997, was nearly 30% down

on 1996 levels. A number of growers removed unprofitable orchards with some taking advantage of the 1998 Apple and Pear Grubbing Up Scheme. The value for pears was reduced by 33% because of falling prices. Some plum orchards have borne no fruit at all and very few produced enough fruit to warrant picking for the market.

Soft fruit

21. Although soft fruit was also affected by the weather in 1998, its overall value increased by 25%. Most of this increase over the previous poor year was attributable to strawberries and raspberries. Values are now more in line with those of two years ago.

Flowers in the open and bulbs (open and forced)

22. The decline in the relatively small flowers and bulbs sector has continued with an overall decrease in value of 10%. There was a slight reduction in narcissus area in 1998 and an overall reduction in total value for England and Wales. The strength of the pound benefited tulip forcers and led to a slight increase in the number of tulips forced.

Hardy Ornamental Nursery Stock

23. Whilst the market is still depressed with significant pressure on prices, the overall value for hardy ornamental nursery stock increased by 3% compared with 1997. Container grown nursery stock (less than one litre) continued to sell well through the multiples. It has been a difficult season for the two to four litre containers i.e. the mainstay of the garden centre market. Significant quantities of stock have remained unsold and prices have been cut marginally to maintain their market share. However, sales for prestige landscape work and for landscaping showhouse gardens have shown evidence of an increase. These stocks are less sensitive to price pressures.

Protected Ornamentals

24. Poor spring and summer weather produced only poor to moderate sales again this year. Spring sales only took place during two weeks in May. Sales remained steady in supermarket and DIY outlets, but sales through other outlets were reduced. A general down turn in prices was noted as a result of pressure from outlets and poor sales. Bedding plants continue to be the largest single part of this sector.

TABLE 5.9 Horticulture: vegetables

'000 tonnes (unless otherwise specified)

Calendar years

	Average of 1987-89	1994	1995	1996	1997	1998 (provisional)
Production						
Area ('000 hectares):	184.6	165.4	173.6	170.8	159.7	161.8
Of which:						
grown in the open (a) (b)	181.8	163.4	171.7	169.1	158.2	160.4
protected (c)	2.8	2.0	1.9	1.7	1.5	1.4
Value of production (£million)						
grown in the open	576	660	713	672	615	667
protected	312	299	321	346	307	298
total: (d)	890	992	1,066	1,064	973	1,022
Of which:						
subsidies (e)	..	6	6	6	7	7
Selected crops:						
cabbages	61	62	68	67	47	51
carrots	77	91	95	107	72	104
cauliflowers	61	65	59	56	39	43
lettuces	108	105	123	91	100	74
mushrooms	148	153	163	171	169	168
peas	53	57	62	87	71	58
tomatoes	75	67	58	82	56	57
Prices						
Farm gate price (£/tonne)						
Selected crops:						
cauliflowers	197.2	225.7	244.6	233.0	200.4	231.3
tomatoes	594.7	617.8	510.8	704.0	486.0	526.3
Supply and use (f)						
Total production	3,152	3,148	3,089	3,048	2,965	2,862
Supplies from the Channel Islands	33	22	18	18	18	18
Imports from:						
the Fourteen	..	774	858	917	1,124	1,048
the rest of the world	..	238	287	266	117	148
Exports to:						
the Fourteen	..	90	88	59	87	70
the rest of the world	..	11	7	8	7	5
Total new supply	..	4,080	4,157	4,184	4,131	4,002
Production as % of total new supply for use in the UK	..	77%	74%	73%	72%	72%

(a) Includes peas harvested dry for human consumption.

(b) Areas relate to field areas multiplied by the number of crops in the year and hence differ from those shown in table 2.2

(c) Excludes mushrooms area from 1992.

(d) Differs from sum of grown in the open and protected due to additional information available at aggregate level.

(e) Arable area payments for peas harvested dry.

(f) Trade figures relate to fresh produce where distinguishable.

TABLE 5.10 Horticulture: fruit

'000 tonnes (unless otherwise specified)

Calendar years

	Average of 1987-89	1994	1995	1996	1997	1998 (provisional)
Production						
Area ('000 hectares):	48.8	41.7	38.1	37.8	38.3	32.0
Of which:						
orchard fruit (a)	34.2	29.9	26.6	26.4	27.8	21.9
soft fruit (b)	14.5	11.9	11.5	11.4	10.5	10.1
End year stocks (c)	..	117.3	92.4	96.1	53.0	77.0
Value of production (£million)						
orchard fruit (d)	127	119	115	119	74	86
soft fruit	113	102	107	114	89	111
total: (e)(f)	241	231	234	249	181	216
Of which:						
sales	241	237	256	246	225	189
change in stocks (c)	-1	-3	-11	2	-22	13
Selected crops:						
dessert apples	59	59	56	45	39	31
culinary apples	34	31	32	32	27	24
pears	15	13	13	16	14	10
raspberries	31	28	31	37	25	36
strawberries	63	56	56	55	50	60
Prices						
Farm gate price (£/tonne)						
Selected crops:						
dessert apples	363.6	337.0	407.3	430.1	409.2	349.0
culinary apples	242.3	236.1	236.8	267.3	292.1	305.3
pears	354.5	408.3	447.5	441.7	433.1	394.2
Supply and use (g)						
Total production	463	427	395	364	291	272
Supplies from the Channel Islands	-	22	18	18	18	18
Imports from: the Fourteen	..	1,026	1,106	1,189	1,196	1,284
the rest of the world	..	1,273	1,310	1,381	1,344	1,379
Exports to: the Fourteen	..	51	88	79	78	56
the rest of the world	..	4	1	2	3	6
Total new supply	..	2,693	2,739	2,870	2,768	2,893
Net increase in stocks	-7	-7	-25	4	-43	24
Total domestic uses	..	2,700	2,764	2,867	2,811	2,869
Production as % of total new supply for use in the UK	..	16%	14%	13%	10%	9%

(a) Includes field area of commercial orchards only, and may therefore differ from the area in table 2.2, which also includes non-commercial orchards.

(b) Excludes area of wine grapes and may therefore differ from the area in table 2.2.

(c) Stocks relate to apples and pears.

(d) Excludes EC grubbing up grant.

(e) Includes glasshouse fruit.

(f) Differs from sum of orchard fruit and soft fruit due to additional information available at aggregate level.

(g) Trade figures relate to fresh produce where distinguishable.

TABLE 5.11 Horticulture: ornamentals

'000 tonnes (unless otherwise specified)

Calendar years

	Average of 1987-89	1994	1995	1996	1997	1998 (provisional)
Production						
Area ('000 hectares) (a):	18.2	19.4	20.2	19.0	19.6	19.7
Value of production (£million)	405	591	617	668	647	658
Of which:						
flowers & bulbs in the open (b)	36	57	52	54	47	42
hardy ornamental nursery stock	198	286	307	339	324	332
protected crops	171	249	258	275	277	284
Prices						
	not available					
Supply and use						
	Imports/exports of ornamentals available in "Basic Horticultural Statistics"					

(a) Areas relate to field areas multiplied by the number of crops in the year and hence differ from those shown in table 2.2.

(b) Including forced flower bulbs.

TABLE 5.12 Peas and Beans for Stockfeed

'000 tonnes (unless otherwise specified)

Calendar years

	Average of 1987-89	1994	1995	1996	1997	1998 (provisional)
Peas for harvesting dry (a)						
Area ('000 hectares)	87.3	63.0	60.6	62.5	78.2	81.8
Yield (tonnes/hectare)	3.09	3.91	3.77	3.84	3.79	3.80
Volume of harvested production (a)	267.9	246.2	228.6	240.1	296.5	310.7
Value of production (£ million)	47	48	51	53	56	50
of which: sales	47	26	27	29	29	22
subsidies (b)	-	22	23	24	28	28
Field beans (mainly for stockfeed)						
Area ('000 hectares)	124.6	149.3	118.7	100.2	99.3	110.9
Yield (tonnes/hectare)	3.5	3.04	2.69	3.17	3.80	3.81
Volume of harvested production (a)	446.8	453.9	319.3	317.5	377.3	422.5
Value of production (£ million)	75	99	84	76	72	69
of which: sales	75	46	38	39	37	31
subsidies (b)	-	53	46	38	36	38

(a) The figures presented here cover only that part of the crop which is assumed to be used for stockfeed (80% of total production); the remainder is included in Horticulture: vegetables, Table 5.9.

(b) Includes arable area payments but excludes set-aside payments.

Livestock

Cattle and calves; beef and veal (Table 5.13)

25. The value of beef and veal production fell by 14 per cent in 1998 to £1,943 million. The two main reasons for this fall were lower cattle prices and a fall in OTMS compensation (an effect of the strong pound and Scheme rule and rate changes). In 1998, the average clean cattle price fell by 11 per cent and in October was at its lowest point since 1980. Aid packages and agrimonetary compensation have been included in the year of announcement. Hence, 1998 subsidy payments include the package announced in November.

26. Clean cattle marketings were unchanged from 1997. However, an increase in heifer marketings, as fewer females were kept as herd replacements, was offset by a fall in young bull marketings. With average clean cattle carcass weights falling by 0.5 kg, home fed beef and veal production fell by 0.3 per cent to 694 thousand tonnes. Domestic use of beef and veal increased by 1 per cent.

27. Home-fed production excludes all cattle removed from the food chain by the Over Thirty Months Scheme (OTMS), the Selective Cull and the Calf Processing Aid Scheme (CPAS). These schemes were introduced following the beef crisis in March 1996. Payments to producers for the OTMS and CPAS are now included as subsidies in the value of production. Selective cull payments are not included within the current account as the payments are for the replacement of capital assets.

Sheep and lambs; mutton and lamb (Table 5.14)

28. The value of production fell by 5 per cent in 1998 to £1,142 million. Clean sheep marketings were 12 per cent higher than in 1997 due to increased marketings in the first quarter as lambs were held over from 1997. As a consequence, prices at the beginning of 1998 were below previous levels, but had recovered by June. However, a consecutive wet summer which delayed lamb finishing coupled with the collapse in the market for skins following the economic crisis in Russia, applied further downward pressure on producer returns. Lamb prices fell sharply and have yet to recover.

29. As a result of these factors, the value of home fed production fell by 20% (£57million) in 1998. However, increased subsidy payments have largely offset this fall.

Pigs and pigmeat (Table 5.15)

30. The value of production of pigmeat in 1998 was £873 million, 27 per cent below that of 1997. Increases in the breeding herd in 1997 led to a further increase in clean pig marketings in 1998. This increase in UK supply, together with downward pressure on prices brought about by the availability of cheap imported product due to the high value of the pound, has resulted in market prices being much lower than in 1997. Indeed at the end of September, average producer prices were at their lowest in twenty years. Prices recovered slightly at the end of the year, but many producers have made heavy losses.

Poultry and poultrymeat (Table 5.16)

31. Overall value was 9% down on 1997. Slaughterings in 1998 were at similar levels to 1997. However, with increases in liveweights for both broilers and turkeys, poultrymeat production increased by 2% in 1998,

reflecting the continuing trend in production of poultry over the last 20 years or so. Prices continued to decrease in 1998. This was partly due to lower feed prices but is also indicative of the prevailing oversupply problem in the UK market and the influx of low priced imports particularly from third countries.

TABLE 5.13 Cattle and calves; beef and veal

Calendar years

	Average of 1987-89	1994	1995	1996	1997 (provisional)	1998 (provisional)
Production						
Total cattle and calves ('000 head at June)	12,134	11,954	11,857	12,040	11,633	11,519
of which:						
dairy cows	2,941	2,716	2,603	2,587	2,478	2,439
beef cows	1,434	1,809	1,840	1,864	1,862	1,947
dairy heifers in-calf	593	554	566	608	599	563
beef heifers in-calf	213	221	209	209	249	225
other	6,953	6,654	6,638	6,771	6,444	6,345
Total home-fed marketings ('000 head) (a)	3,955	3,651	3,814	2,391	2,285	2,296
of which:						
steers, heifers and young bulls	2,802	2,420	2,491	2,111	2,263	2,263
calves	367	511	518	90	21	33
cows and adult bulls	786	720	805	190	1	1
Average dressed carcase weights (dcw) (kgs) (a) (b):						
steers, heifers and young bulls	282.1	299.1	301.6	306.9	306.2	305.7
calves	52.0	37.6	37.8	42.9	47.0	30.8
cows and adult bulls	275.6	284.8	285.3	291.3	280.8	306.8
Production ('000 tonnes, dcw) (a):						
Home-fed production	1,013	946	998	709	696	694
Gross indigenous production (c)	993	942	998	707	692	693
Value of production (£ million)	2,059	2,486	2,583	2,551	2,269	1,943
of which:						
Value of home-fed production (£ million) (a)	1,902	2,035	2,157	1,326	1,192	1,052
Subsidies (£ million) (d)	206	426	513	1,312	1,107	923
Change in work in progress (£ million) (e)	-49	26	-88	-87	-30	-32
Prices						
Store cattle (£ per head) (f):						
1st quality Hereford/cross bull calves (g)	169	182	166	132	147	108
1st quality beef/cross yearling steers (h)	402	435	435	321	368	308
Finished cattle (p per kg liveweight): All clean cattle	106.4	121.7	123.2	105.5	96.9	86.0

(a) Excludes cattle slaughtered under the Over Thirty Month Scheme and Selective Cull and calves slaughtered under the Calf Processing Aid Scheme.

(b) Average dressed carcase weight of animals fed and slaughtered in the UK.

(c) Gross indigenous production (GIP) is a measure of animal production commonly used in other EC states and is therefore useful as a means for making international comparisons. It is measured as total slaughterings plus all live exports minus all live imports. GIP differs from home-fed production in that it includes exports and excludes imports of breeding animals and, for other imported animals, includes only the weight added since their arrival in the country. Both measures include the export weight (dcw equivalent) of animals intended for slaughter abroad.

(d) Comprising, variable premium, hill livestock compensatory amounts, suckler cow premium (including extensification premium), calf subsidy, beef special premium (including extensification premium) and deseasonalisation premium. **Includes** payments made under the Over Thirty Month and Calf Processing Aid Schemes. **Excludes** Selective Cull payments.

(e) A valuation of the change in work in progress of animals to be slaughtered.

(f) Average prices at representative markets in England and Wales.

(g) Category change January 1988: formerly 1st quality Hereford/Friesian bull calves.

(h) Category change January 1988: formerly 1st quality yearling steers beef/dairy cross, now consists of Hereford/cross, Charolais/cross, Limousin/cross Simmental/cross, Belgian blue/cross, other continental/cross, other beef/dairy cross, other beef/beef cross.

TABLE 5.13 Cattle and calves; beef and veal (continued)

Calendar years

	Average of 1987-89	1994	1995	1996	1997	1998 (provisional)
Over Thirty Month, Selective Cull and Calf Processing Aid Schemes (i)						
Over Thirty Month Scheme						
Clean cattle throughput ('000 head)				369	72	70
Cull cattle throughput ('000 head)				761	779	821
Receipts (£ million)				524	362	230
Selective Cull scheme						
Throughput ('000 head)				..	53	19
Receipts (£ million)				..	78	43
Calf Processing Aid Scheme						
Throughput ('000 head)				413	596	662
Receipts (£ million)				38	54	51
Supply and use ('000 tonnes, dcw) (j)						
Home-fed production (a)	1,013	946	998	709	696	694
Imports from:						
the Fourteen (k)	213	149	143	110	157	121
the rest of the world	50	41	69	73	75	65
Exports to:						
the Fourteen (l)	139	228	259	63	11	13
the rest of the world	43	65	72	16	1	-
Total new supply	1,093	843	880	812	916	867
Increase in stocks	-17	-125	-23	67	45	-17
Total domestic uses	1,110	968	903	745	872	884
Home-fed production as % of total new supply for use in UK	93%	112%	113%	87%	76%	80%
Closing stocks	88	79	56	123	160	143

(a) Excludes cattle slaughtered under the Over Thirty Month Scheme and Selective Cull and calves slaughtered under the Calf Processing Aid Scheme.

(i) Cattle slaughtered under these schemes are not included within the volume of production. Receipts for the Over Thirty Months Scheme and the Calf Processing Aid Scheme are included as subsidies. Selective Cull payments are not included in the current account.

(j) Does not include meat offals or trade in preserved or manufactured meat products. Boneless meat has been converted to bone-in weights.

(k) Includes meat from finished animals imported from the Irish Republic.

(l) Adjusted, as necessary, for unrecorded trade in live animals.

TABLE 5.14 Sheep and lambs; mutton and lamb

Calendar years

	Average of 1987-89	1994	1995	1996	1997	1998 (provisional)
Production						
(excluding clip wool)						
Total sheep and lambs ('000 head at June)	41,429	43,813	43,304	42,086	42,823	44,471
of which:						
breeding flock	19,379	20,861	20,830	20,550	20,696	21,260
lambs under 1 year old	20,775	21,758	21,350	20,443	21,032	22,138
other	1,274	1,194	1,123	1,093	1,095	1,073
Total home-fed marketings ('000 head)	18,560	21,055	21,328	19,924	18,147	19,985
of which:						
clean sheep and lambs	16,764	18,330	18,673	17,358	16,105	17,917
ewes and rams	1,796	2,725	2,655	2,566	2,042	2,068
Average dressed carcase weights (dcw) (kgs) (a):						
clean sheep and lambs	18.1	17.5	17.6	18.0	18.1	17.9
ewes and rams	26.1	27.0	26.9	27.3	29.0	29.4
Production ('000 tonnes, dcw):						
Home-fed production	350	395	403	382	351	382
Gross indigenous production (b)	348	397	404	383	352	378
Value of production (£ million)	934	1,242	1,338	1,300	1,199	1,142
of which:						
Value of home-fed production (£ million)	595	786	812	931	798	639
Subsidies (£ million) (c)	332	448	536	384	354	488
Change in work in progress (£ million) (d)	8	8	-9	-15	47	15
Prices						
Store sheep (£ per head):						
1st quality lambs, hoggets and tegs (e)	37.0	40.0	44.5	46.8	53.4	31.3
Finished sheep (p per kg estimated dcw) (f)						
Great Britain	186.1	236.9	236.4	283.1	239.2	192.5
Northern Ireland	208.1	222.0	214.4	260.5	228.2	179.1
Supplies ('000 tonnes, dcw) (g)						
Home-fed production	350	395	403	382	351	382
Imports from:						
the Fourteen (h)	1	13	15	23	21	15
the rest of the world	142	106	132	133	129	125
Exports to:						
the Fourteen (i)	96	157	191	161	134	135
the rest of the world	2	3	2	2	2	1
Total new supply	394	354	356	376	365	386
Increase in stocks	-4	-6	4	-2	2	5
Total domestic uses	398	360	352	378	363	381
Home-fed production as % of total new supply for use in UK	89%	111%	113%	102%	96%	99%
Closing stocks	19	10	15	13	15	18

(a) Average dressed carcase weight of animals fed and slaughtered in the UK.

(b) See footnote (c) to Table 5.13.

(c) Comprising variable premium, hill livestock compensatory amounts and annual ewe premium.

(d) A valuation of the change in work in progress of animals to be slaughtered.

(e) Average prices at representative markets in England and Wales, excluding prices at autumn hill sheep sales.

(f) Unweighted average of weekly prices at representative markets as reported to the European Commission.

(g) Does not include meat offals or trade in preserved or manufactured meat products. Boneless meat has been converted to bone-in weights.

(h) Includes meat from finished animals imported from the Irish Republic.

(i) Adjusted, as necessary, for unrecorded trade in live animals.

TABLE 5.15 Pigs and pigmeat

Calendar years

	Average of 1987-89	1994	1995	1996	1997	1998 (provisional)
Production						
Total pigs ('000 head at June)	7,911	7,892	7,627	7,590	8,072	8,146
of which:						
sows-in-pig and other sows for breeding	704	691	654	649	683	675
gilts-in-pig	103	106	101	107	116	103
other	7,104	7,095	6,871	6,834	7,272	7,368
Total home-fed marketings ('000 head)	15,608	15,437	14,718	14,291	15,457	16,041
of which:						
clean pigs	15,241	15,027	14,342	13,945	15,076	15,629
sows and boars	367	410	376	346	381	412
Average dressed carcase weights (dcw) (kgs) (a):						
clean pigs	62.6	66.8	67.3	68.5	68.5	68.8
sows and boars	134.4	136.3	139.1	139.2	131.9	139.8
Production ('000 tonnes, dcw):						
Home-fed production	1,004	1,061	1,017	1,004	1,087	1,133
Gross indigenous production (b)	1,005	1,060	1,019	1,008	1,088	1,137
Value of production (£ million)	984	1,033	1,175	1,366	1,191	873
of which:						
Value of home-fed production (£ million)	991	1,032	1,193	1,357	1,180	888
Change in work in progress (£ million) (c)	-6	1	-18	9	10	-15
Prices						
Clean pigs (p per kg deadweight)	100.6	99.7	118.9	137.8	111.1	81.0
Supplies of pork ('000 tonnes, dcw) (d) (e)						
Home-fed production	782	836	791	801	884	933
Imports from:						
the Fourteen (f)	65	116	168	198	172	176
the rest of the world	3	-	-	1	2	3
Exports to:						
the Fourteen (g)	71	142	167	169	212	250
the rest of the world	2	13	22	26	30	30
Total new supply	777	798	772	806	816	833
Increase in stocks	1	-1	-	3	2	4
Total domestic uses	776	799	772	803	813	829
Home-fed production as % of total new supply for use in UK	98	103	101	98	107	111
Closing stocks	8	11	11	14	16	21

(a) Average dressed carcase weight of animals fed and slaughtered in the UK.

(b) See footnote (c) to Table 5.13.

(c) A valuation of the change in work in progress of animals to be slaughtered.

(d) Does not include meat offals or trade in preserved or manufactured meat products.

(e) Boneless meat has been converted to bone-in weights.

(f) Includes meat from finished animals imported from Irish Republic.

(g) Adjusted, as necessary, for unrecorded trade in live animals.

TABLE 5.15 Pigs and pigmeat (continued)

Calendar years						
	Average of 1987-89	1994	1995	1996	1997	1998 (provisional)
Supplies of bacon and ham						
('000 tonnes, product weight) (d)						
Home-cured production	205	233	245	241	239	235
Imports from:						
the Fourteen (f)	257	224	222	261	236	233
the rest of the world	1	-	-	-	-	-
Exports to:						
the Fourteen	5	5	5	5	7	6
the rest of the world	-	1	1	-	-	-
Total new supply	458	451	461	497	468	461
Increase in stocks	1	-	-1	-	2	-1
Total domestic uses	457	451	462	497	466	463
Home-cured production as % of total new supply for use in UK	45%	52%	53%	48%	51%	51%
Closing stocks	6	3	2	2	4	4

(d) Does not include meat offals or trade in preserved or manufactured meat products.

(f) Includes meat from finished animals imported from Irish Republic.

TABLE 5.16 Poultry and poultrymeat

Calendar years

	Average of 1987-89	1994	1995	1996	1997	1998 (a) (provisional)
Production						
Number ('000 head at June) (b):	118,282	118,762	119,474	..	..	152,886
Of which:						
chickens and other table fowls	72,503	75,696	77,177	..	..	98,244
birds in the laying flock (c)	36,797	32,682	31,837	..	..	29,483
fowls for breeding	7,073	7,886	7,811	..	..	10,023
turkeys, ducks & geese (d)	1,910	2,497	2,648	..	..	15,136
Slaughterings (millions):	654	754	774	814	842	846
Of which:						
fowls	611	705	721	759	787	792
turkeys	32	36	40	39	37	35
ducks	9	13	14	16	17	18
geese	1	1	1	1	1	1
Production ('000 tonnes carcase weight)(e):	1,102	1,345	1,402	1,462	1,508	1,534
Of which:						
chickens and other table fowls	849	993	1,020	1,075	1,116	1,131
boiling fowls (culled hens)	59	53	53	55	55	56
turkeys	172	268	296	294	296	304
ducks	19	28	30	35	38	40
geese	3	3	2	3	3	3
Value of production (£ million):	958	1,336	1,333	1,501	1,482	1,344
Of which:						
fowls	702	883	871	995	979	865
change in work in progress in fowls	-3	25	2	-1	7	-14
turkeys, ducks, geese	242	385	415	463	451	449
exports of live poultry	16	44	45	45	45	44
Prices						
Average producer price (p/kg carcase weight) for:						
chickens and other table fowls	80.2	86.3	83.8	90.7	85.9	76.0
boiling fowls (culled hens)	36.9	47.6	31.2	37.0	36.0	10.0
turkeys	119.1	127.7	124.2	137.2	129.9	124.5
ducks	156.7	131.0	140.4	153.0	158.0	161.7
geese	194.0	188.7	200.0	200.3	230.5	214.1
Supply and use of poultrymeat						
('000 tonnes carcase weight) (e)						
Production	1,102	1,345	1,402	1,462	1,508	1,534
Imports from:						
the Fourteen	85	213	249	263	256	257
the rest of the world	-	-	2	18	20	18
Exports to:						
the Fourteen	45	79	108	107	134	128
the rest of the world	13	32	55	66	79	70
Total new supply	1,129	1,447	1,489	1,570	1,572	1,610
Change in stocks	8	-1	3	3	24	15
Total domestic uses	1,121	1,448	1,486	1,567	1,548	1,595
Production as % of total new supply	98%	94%	95%	95%	97%	96%

(a) For comparability with other years, the figures for 1998 have been adjusted from a 53 week to a 52 week basis.

(b) In England and Wales a new approach to collecting poultry information has been used to improve the coverage of the estimates and to simplify data collection for companies covering a large number of holdings. The 1998 figures are not therefore directly comparable with previous years.

(c) Hens and pullets kept mainly for producing eggs for eating.

(d) Pre 1996 data does not include figures for turkeys.

(e) Excludes offal.

.. Comparable poultry population figures are not available from the 1996 and 1997 June Censuses.

Livestock products

Milk and Milk Products

(Tables 5.17 and 5.18)

32. In 1998, the total value of production of milk and milk products produced on farm for human consumption fell by 14 per cent, or £431 million. The average price of wholesale milk fell by 2.7 pence per litre for a number of reasons including the strength of sterling and an easing of the intensive competition amongst milk processors to secure milk supplies following the deregulation of the milk industry at the end of 1994. This led to a £404 million decrease in the value of production of milk. In addition, there was a further fall in the volume of farm production of products (e.g. cheese and butter) from direct sales milk. Combined with a reduction in producer prices for these items, this resulted in a £10 million fall in the value of production of milk products. Milk production in the 1997/98 quota year exceeded quota by 131,000 tonnes, resulting in a total levy of £32 million.

33. World demand for UK and EU butter exports was weaker in 1998 compared to the strong market experienced in 1997, primarily because of falling demand from the Far East and Russia and increased competition from outside the EU. Despite this weaker demand, butter prices remained high and intervention for butter remained closed in the UK and all other EU Member States throughout the year. UK stocks of intervention butter fell from 2,000 tonnes to 690 tonnes during 1998. World demand for UK and EU milk powder exports also remained weak throughout the year. During the March to August period, when intervention for skimmed milk powder (SMP) was open, 32,480 tonnes were bought into store in the UK. Total UK intervention stocks of SMP amounted to just over 77,000 tonnes at the end of 1998.

Hen Eggs

(Table 5.19)

34. Overall value was 7% down on 1997 with the value of eggs for human consumption down 8%. Production of eggs for human consumption was slightly down on last year, indicative of the stabilisation of the market after the oversupply of eggs during the latter part of 1997 and first half of 1998. This was caused by producers increasing chick placings in anticipation of a continuation of the good prices commanded in 1996. Eggs going to processing continued to increase, and now account for about 17% of total egg production. Eggs sold in shell decreased to the levels last seen in 1995/6. Demand for free-range and perchery continued to increase throughout the year, with prices rising to the high level of 1996. However, whilst producers benefited from lower feed costs, with continued oversupply in the much larger intensive sector, the average price for all types of eggs in 1998 fell a further 8% from last year's already low figure to around 1995 levels.

TABLE 5.17 Milk

Million litres (unless otherwise specified)

Calendar years

	Average of 1987-89	1994	1995	1996 (a)	1997	1998 (provisional)
Production						
Dairy herd (annual average, '000 head) (b)	2,981	2,744	2,641	2,569	2,490	2,453
Average yield per dairy cow (litres per annum)	4,958	5,302	5,400	5,549	5,791	5,793
Production of milk from the dairy herd (c)	14,779	14,549	14,260	14,257	14,421	14,208
Production of milk from the beef herd (c)	12	7	7	7	7	7
less on farm waste and milk fed to stock	263	280	252	289	290	283
Volume for human consumption	14,528	14,276	14,015	13,975	14,138	13,932
Value of production (£ million)	2,569	3,268	3,508	3,504	3,160	2,729
of which:						
milk (£ million) (d)	2,553	3,186	3,434	3,440	3,080	2,677
milk products (£ million) (e)	79	103	121	113	94	84
less levies (£ million)	62	22	47	49	14	32
Prices (pence per litre) (f)						
Farmgate price of milk excluding bonus payments	..	..	24.47	24.87	21.95	19.26
Farmgate price of milk including bonus payments	..	..	24.94	25.02	22.09	19.31
Supply and Use (g)						
Production	14,791	14,556	14,267	14,264	14,428	14,215
Imports	..	..	181	111	122	156
Exports	..	129	185	173	279	296
Total domestic use	..	14,426	14,263	14,201	14,270	14,074
of which:						
for liquid consumption	..	..	6,922	6,838	6,755	6,748
for manufacture	..	..	6,918	6,934	7,061	6,917
of which:						
butter (h)	..	..	272	266	284	280
cheese	..	..	3,182	3,348	3,372	3,300
cream (h)	..	..	279	276	263	259
condensed milk (i)	..	..	661	719	692	632
milk powder - full cream	..	..	623	558	655	668
milk powder - skimmed	..	..	1,422	1,322	1,313	1,306
other	..	..	480	445	482	473
Dairy wastage and stock change	..	..	114	86	112	73
Other uses (j)	..	..	309	344	343	336

(a) 366 days.

(b) Dairy herd is defined as cows and heifers in milk plus cows in calf but not in milk, kept mainly for producing milk or rearing calves for the dairy herd.

(c) Excludes suckled milk.

(d) Value of milk sold from farms in the UK. Excludes direct sales milk.

(e) Value of milk products manufactured on farm from direct sales milk.

(f) The farm gate price is the average price received by producers, net of delivery charges. No deduction is made for superlevy. Only bonus payments which have already been made by purchasers to date are included.

(g) Aggregated data from surveys run by MAFF, SOAEFD and DANI on the utilisation of milk by dairies.

(h) Includes the utilisation of the residual fat of low fat liquid milk production.

(i) Includes condensed milk used in the production of chocolate crumb plus production of machine skimmed milk.

(j) Includes farmhouse consumption, milk fed to stock and on farm waste. Excludes suckled milk.

TABLE 5.18 Milk Products

'000 tonnes (unless otherwise specified)

Calendar years

	Average of 1987-89	1994	1995	1996	1997	1998 (provisional)
Butter (a) (b)						
Production (c)	156	148	132	130	139	137
Imports from:						
the Fourteen	52	55	49	49	65	53
the rest of the world	70	66	65	65	45	49
Exports to:						
the Fourteen (d)	101	40	47	47	46	45
the rest of the world	5	13	6	4	28	18
Total new supply (d)	173	216	193	192	175	176
Increase in stocks (e)	-89	-15	-8	3	-7	4
Total domestic uses (d) (e)	262	231	201	189	182	172
Production as % of total new supply for use in UK	90%	69%	69%	68%	79%	78%
Closing stocks (e)	119	19	11	14	7	11
Cheese						
Production (c)	288	341	362	377	377	370
Imports from:						
the Fourteen	162	194	187	215	202	219
the rest of the world	17	18	23	24	30	31
Exports to:						
the Fourteen	20	34	39	40	41	46
the rest of the world	14	25	16	19	10	10
Total new supply	434	494	517	557	559	565
Increase in stocks	1	-6	-5	-1	2	-7
Total domestic uses	432	500	522	557	556	572
Production as % of total new supply for use in UK	66%	69%	70%	68%	68%	66%
Closing stocks (f)	23	22	17	16	19	11

(a) Includes butter other than natural (i.e. butterfat and oil, dehydrated butter and ghee).

(b) Includes production from the residual fat of low fat milk products.

(c) Includes farmhouse manufacture.

(d) These figures include the use of these products for animal feed.

(e) In addition to stocks in public cold stores surveyed by MAFF, closing stocks include all intervention stocks in private cold stores.

Total domestic uses does not equate exactly with consumption since changes in unrecorded stocks are not included in the calculation.

(f) Cheese stocks held in public cold stores. Public coldstores make their storage space available to the public or to the Intervention Board. The ownership of the store whether public or private is irrelevant.

TABLE 5.18 Milk products (continued)

'000 tonnes (unless otherwise specified)

Calendar years

	Average of 1987-89	1994	1995	1996	1997	1998 (provisional)
Cream - fresh, frozen, sterilized						
Production (b) (c)	170	273	282	281	268	263
Imports from:						
the Fourteen	3	3	4	6	11	10
the rest of the world	-	-	-	-	-	-
Exports to:						
the Fourteen	2	82	77	95	91	101
the rest of the world	3	2	2	1	1	1
Total new supply	168	193	207	191	187	171
Increase in stocks	..	..	..	..	..	..
Total domestic uses	168	193	207	191	187	171
Production as % of total new supply for use in UK	101%	142%	136%	147%	143%	154%
Closing stocks	..	..	..	..	..	..
Condensed milk (g)						
Production	190	196	181	195	198	169
Imports from:						
the Fourteen	10	13	12	10	13	13
the rest of the world	-	-	-	-	-	-
Exports to:						
the Fourteen	27	8	24	20	33	45
the rest of the world	30	44	41	38	30	21
Total new supply	144	157	128	147	148	115
Increase in stocks	3	2	-2	-2	-1	-4
Total domestic uses	141	155	130	148	150	120
Production as % of total new supply for use in UK	132%	13%	141%	133%	134%	146%
Closing stocks	11	12	10	9	7	3

(b) Includes production from the residual fat of low fat milk products.

(c) Includes farmhouse manufacture.

(g) Includes condensed milk used in the production of chocolate crumb plus production of sweetened and unsweetened machine skimmed milk.

TABLE 5.18 Milk products (continued)

'000 tonnes (unless otherwise specified)

Calendar years

	Average of 1987-89	1994	1995	1996	1997	1998 (provisional)
Milk powder - full cream						
Production	98	83	90	83	96	99
Imports from:						
the Fourteen	6	7	8	10	10	9
the rest of the world	-	-	-	-	-	-
Exports to:						
the Fourteen	19	21	27	18	18	24
the rest of the world	45	44	50	57	88	84
Total new supply	40	25	21	17	1	1
Increase in stocks	1	-1	1	-1	1	-1
Total domestic uses	39	26	20	19	-	1
Production as % of total new supply for use in UK	244%	327%	428%	476%	12,435%	18,347%
Closing stocks	6	2	3	2	3	2
Skimmed milk powder						
Production	154	142	117	108	109	110
Imports from:						
the Fourteen	13	12	14	13	13	13
the rest of the world	-	-	-	-	-	-
Exports to:						
the Fourteen (d)	53	47	40	12	12	17
the rest of the world	38	14	16	8	33	15
Total new supply (d)	77	94	74	100	77	92
Increase in stocks	-7	5	-7	26	18	28
Total domestic uses (d)	84	89	82	75	59	63
Production as % of total new supply for use in UK	201%	152%	157%	107%	141%	120%
Closing stocks	21	18	11	36	55	83

(d) These figures include the use of these products for animal feed.

TABLE 5.19 Hen Eggs

Calendar years

	Average of 1987-89	1994	1995	1996	1997	1998 (a) (provisional)
Production						
Volume of production of eggs (million dozen)	918	883	872	877	901	901
Of which:						
eggs for human consumption	837	787	774	775	794	793
eggs for hatching	71	84	86	90	94	93
hatching eggs for export	3	3	4	4	4	7
waste	8	9	9	8	8	9
Production for Human Consumption:						
Number of Fowls laying eggs for eating (millions) (b)	37.7	34.2	33.0	32.7	33.3	32.9
Average yield per layer (number of eggs per bird per year)	267	276	281	284	287	290
Value of production (£ million) (c)	399	432	399	467	428	400
of which:						
eggs for human consumption	391	412	383	453	415	382
hatching eggs for export	8	20	16	14	14	19
Prices						
Average price (p per dozen)	46.7	52.4	49.5	58.4	52.2	48.1
Supply and use (million dozen)						
UK production of eggs for human consumption:	837	787	774	775	794	793
of which:						
eggs sold in shell	770	680	663	659	669	660
eggs processed	67	107	112	116	126	133
Imports from (d):						
the Fourteen	39	65	64	70	69	59
the rest of the world	-	2	1	2	2	1
Exports to (d):						
the Fourteen	23	16	20	12	20	27
the rest of the world	1	1	2	2	6	5
Total new supply	853	837	818	833	838	821
Production of eggs for human consumption As % of total new supply for use in UK	98%	94%	95%	93%	95%	97%

(a) For comparability with other years, the figures for 1998 have been adjusted from a 53 week to a 52 week basis.

(b) Population is implied from Gross production and Average yield and hence differs from census figures in table 2.2.

(c) Excludes value of eggs for hatching.

(d) Includes shell egg equivalent of whole (dried, frozen and liquid) egg, egg yolk and albumen.

TABLE 5.20 Feedingstuffs (including direct inter-farm and intra-farm sales)

'000 tonnes (unless otherwise specified)

Calendar years

	Average of 1987-89	1994	1995	1996	1997	1998 (provisional)
Compounds: (a)						
cattle	..	4,258	4,352	4,311	3,806	3,640
calves	..	292	305	274	227	197
pigs	..	2,491	2,402	2,509	2,676	2,797
poultry	..	3,146	3,210	3,230	3,278	3,166
other	..	693	729	796	703	709
Total (b)	..	10,942	10,939	11,055	10,599	10,388
Straight concentrates (i.e. cereals, cereal offals, proteins and other high energy feeds)	..	6,868	7,053	6,484	6,125	6,302
Non-concentrates (low-energy bulk feeds expressed as concentrate equivalent) (c)	..	543	537	534	535	526
Inter/intra farm sales	2,640	2,865	2,504	2,687	2,923	2,676
Total all purchased feedingstuffs	19,325	21,219	21,034	20,760	20,182	19,892
Cost of purchased feedingstuffs (£ million) (d)	2,835	2,894	3,057	3,224	2,857	2,422

(a) In July 1995 MAFF extended the compound production survey to include "Blenders". Production from these companies has only been included in the above table from 1995. Prior to 1995, production from these companies was accounted for under the "Straights" or "Non-Concentrates" part of the table.

(b) Including imports, but having deducted exports

(c) Brewers and distillers grains, hay, milk by-products and other low-energy bulk feeds expressed in terms of equivalent tonnage of high energy feeds.

(d) See Table 6.1 for a breakdown of this total.

TABLE 5.21 Purchased seeds

'000 tonnes (unless otherwise specified)

Calendar years

	Average of 1987-89	1994	1995	1996	1997	1998 (provisional)
Cereals (a)	562.7	442.3	465.3	486.0	486.7	461.4
Grass and clover	15.5	12.7	13.0	12.8	12.9	11.8
Root and fodder crops	49.3	48.8	41.9	38.2	40.7	43.4
Potatoes (b)	517.5	466.6	495.1	499.3	486.7	441.5
Vegetable and other horticultural seeds (c)	21.1	17.9	18.0	18.1	19.2	19.7
Total purchased seeds	910.3	988.2	1,033.2	1,054.3	1,046.2	977.8
Total cost of all purchased seeds (£ million)	304	323	384	377	342	329

(a) Restricted to the purchase of certified seed only.

(b) Includes farm-saved seed.

(c) Includes mushroom spawn, bulbs and seeds for hardy nursery stock, flowers, sugar beet and oilseed rape.

6 Agricultural Incomes

Introduction

1. The aggregate accounts for the agricultural industry provide estimates of the industry's outputs, inputs and generation of income. The headline figure is *Total Income From Farming*, TIFF, which is the aggregate return from the industry to those with an entrepreneurial interest, i.e. farmers, partners, directors and their spouses and most other family members who work on the farm. TIFF for the 1998 calendar year is £2.2 billion, which is 29 per cent less than in 1997 and 54 per cent less than in 1996.

2. The account has been compiled on a new methodological basis, as have national accounts generally, and is now closer than before to national account's methodology and terminology. Details of the new methodology and presentation are in the Annex. Revisions have been made to estimates for historical years back to 1973 and readers are warned that figures in previous years' publications are not compatible.

Aggregate Agricultural Account

(Tables 6.1, 6.2
and 6.3)

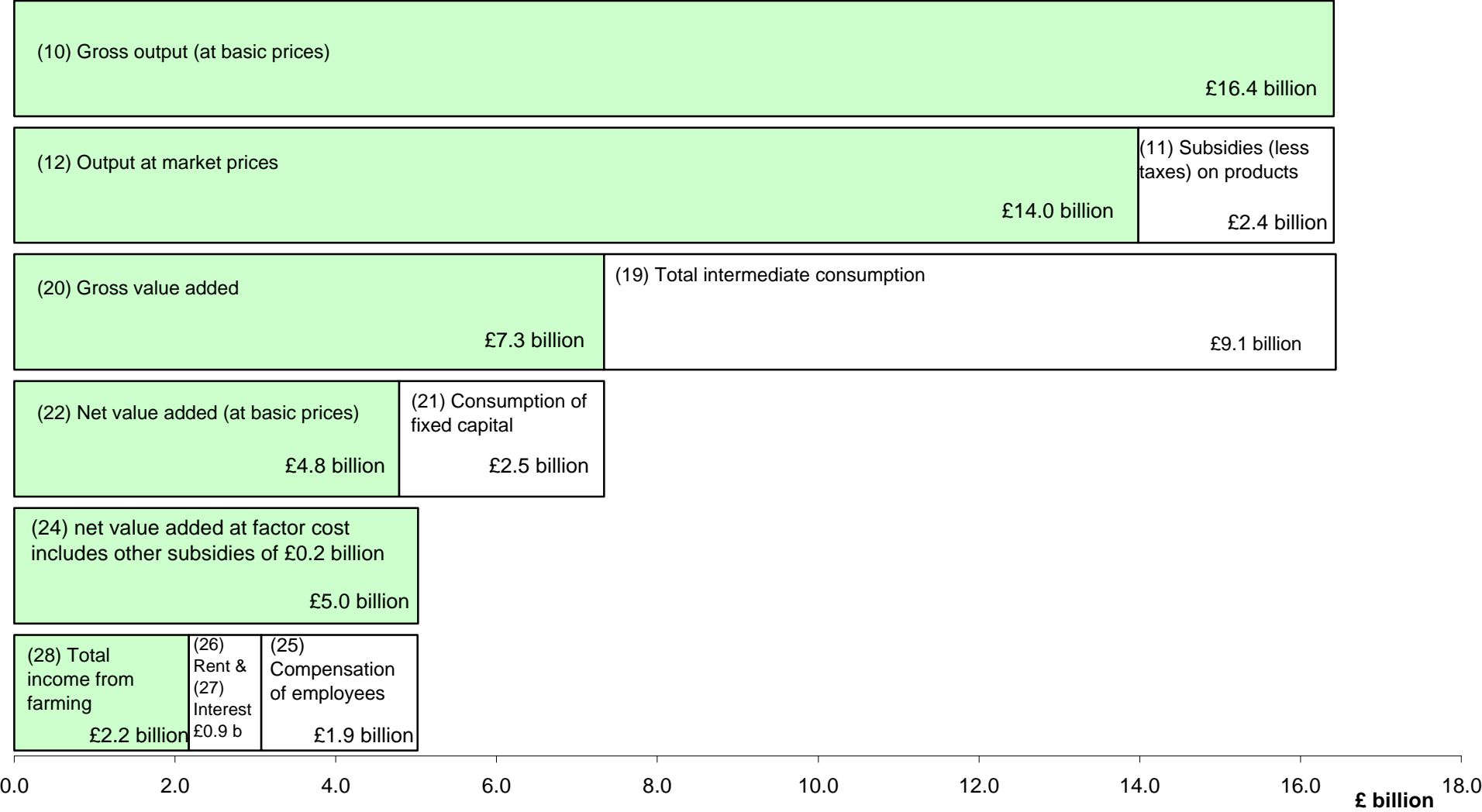
3. Table 6.1 shows the account at current prices with Chart 6.1 showing how the main components of the account are related. Table 6.2 shows volume indices whilst table 6.3 shows the value, price and volume changes between 1997 and 1998. Changes in value are portrayed graphically in Chart 6.2.

4. These tables start with estimates of the industry's outputs which are split into cereals, other crops, horticulture, livestock, livestock products, capital formation in livestock, other agricultural activities and inseparable non-agricultural activities. These sum to the industry's gross output at basic prices – prices which include subsidies (less taxes) on products. The value of output is also shown at market prices after deducting subsidies (less taxes) on products. The values of transactions which take place wholly within the agricultural industry are shown. Gross output at basic prices was £16.4 billion in 1998, 9 per cent lower than in 1997 due to lower prices.

5. Estimates of the industry's costs of intermediate consumption are split into feedingstuffs, seeds, fertilisers, pesticides, farm maintenance and miscellaneous expenditure. Total intermediate consumption was just over £9 billion in 1998, 8 per cent lower than in 1997 due mainly to lower prices for feedingstuffs and fertilisers. Consumption of fixed capital by the lower entry prices for cattle and sheep in the breeding herds led to lower depreciation.

6. Net Value Added at Factor Cost, which includes other subsidies paid directly to farmers, i.e. set-aside, environmental and animal disease compensation subsidies, was 13 per cent lower. This is slightly less than the

CHART 6.1 Main components of the aggregate account



drop in Net Value Added, reflecting increased payments to farmers under some environmental schemes.

7. Interest payments were 16 per cent higher and net rent payments 10 per cent higher.

8. *Total Income From Farming* (TIFF) is estimated to have been £2.2 billion, which is 29 per cent or £900 million less than in 1997. Income to paid workers is estimated to have been £1.9 billion, 2 per cent more than in 1997. The Farming Income series is discontinued for the reasons given in the Annex.

9. TIFF is sensitive to small percentage changes in the values of outputs and inputs. This sensitivity, the provisional nature of the figures for the latest year and revisions made to previously published figures for earlier years, as methodology or data sources improve, all need to be borne in mind when using the figures.

Productivity (Table 6.4)

10. Productivity measures, which are based on volumes of outputs and inputs, are shown in Table 6.4. The index of *Final Output* (output leaving the industry) shows how the industry has expanded. Final Output is output at basic prices less the value of transactions within the industry. The index of *Net Value Added per Annual Work Unit of all Labour* shows the labour productivity of the industry. An annual work unit represents the equivalent of an average full time worker. The index of *Final Output per unit of all Inputs (including fixed capital and paid labour)*, which is a form of Total Factor Productivity, shows the changes in the overall efficiency of the industry.

11. Cattle and calves destroyed or removed from the food chain in the Over Thirty Month Scheme, the Calf Processing Aid Scheme and the Selective Cull do not contribute to the volume of production and, therefore, do not contribute to productivity.

12. Some inputs are not included in the calculation of Total Factor Productivity because of practical estimation difficulties. Entrepreneurial labour (farmers, partners, directors and their spouses and most other family members) has been left out pending methodological developments. The costs of using land (where land is owned there is a cost in terms of a lost investment opportunity) and of providing finance for all purchased capital assets are not taken into account as inputs. Therefore changes in productivity due to changes in the volumes of these inputs are not reflected in this series.

13. Due to difficulties in identifying quality changes there are cases where improvements in quality are not being reflected properly as increases in volumes.

14. Bearing these comments in mind, Table 6.4 shows that:

- the volume of Final Output has hardly changed over the last three years;

- Net Value Added per Annual Work Unit increased by 0.5 per cent in 1998;
- Total Factor Productivity has gradually increased over the last two years as inputs have been reduced slightly.

Incomes from farming (*Tables 6.5 and 6.6*)

15. Table 6.5 shows movements over the last twelve years in some important accounts aggregates and some additional (derived) indicators. Net value added at factor cost, income measures and cash flow are shown. The income measures are Total Income From Farming (TIFF), compensation of employees and the income from agriculture of total labour input (the sum of the previous two measures).

16. Cash flow to workers with an entrepreneurial interest in the industry shows a far smaller decrease. In real terms cash flow fell by only 10 per cent. Cash flow reflects sales rather than production and expenditure on gross fixed capital formation rather than depreciation of capital assets. Expenditure on gross fixed capital formation was significantly lower in 1998 due to the economic difficulties facing the industry

17. Table 6.6 and Charts 6.3 and 6.4 show movements over the last decade in the three income indicators used by the EU to compare trends in incomes from farming across member states. In line with Eurostat practice the implicit price index for Gross Domestic Product has been used as the deflator. This deflator reflects a wider range of price changes in the economy than the Retail Price Index used in Table 6.5. The Eurostat indicators are expressed per annual work unit to allow for the changing labour input into the industry. All three indicators are forecast to have fallen between 1997 and 1998. These trends are illustrated in Chart 6.4. The numerator for Indicator 3 is comparable but not the same as Total Income From Farming. The Eurostat accounts are compiled on the old methodological basis and, in particular, exclude non-agricultural activities. Therefore, whilst the actual drop in income is similar, the percentage drop is exaggerated.

Subsidies and levies (*Table 6.7*)

18. Table 6.7 gives details of the values of the subsidies paid directly to farmers and the levies included in the Aggregate Agricultural Account. Subsidies paid to farmers to support capital improvements or to compensate for the loss of capital assets are excluded from the account and are not shown. (An account of all public expenditure on agriculture is provided in Chapter 9.) The provisional figures show that in 1998 the agricultural industry as a whole received £2.7 billion in direct subsidies, 4 per cent less than in 1997. The main reasons were lower payments for cattle in the Over Thirty Month Scheme and the Suckler Cow Premium and for wheat and barley in the Arable Area Payments Scheme caused mainly by green rate revaluations arising from the strength of sterling.

Capital formation and stock appreciation (*Tables 6.8 and 6.9*)

19. Table 6.8 shows estimates of investment in productive assets by the UK agricultural sector. At current prices, total gross fixed capital formation in buildings, works, plant, machinery and vehicles is estimated to have been £1.8 billion in 1997. This is 11 per cent lower than the previous year. The volume index of buildings and works investment showed a slight increase in

1997 but plant, machinery and vehicles fell quite sharply. Compared to the annual average for the 1987-89 period however, the volume of total gross fixed capital formation in 1997, is nearly 6.5 per cent higher.

20. Livestock capital formation is the value of production of animals to be used as factors of production. The main elements are dairy herd cattle, beef herd cattle, ewes, egg laying poultry and sows. In 1998 livestock capital formation was 32 per cent lower than in 1997 due to lower prices for cattle, sheep and pigs.

21. Table 6.9 shows estimates of stock appreciation in the industry. Stock appreciation is change in value due to change in price. It is not a change in value due to production and is therefore not included in the Aggregate Agricultural Account or the income measures.

22. Stock appreciation is estimated to have been minus £158 million in 1998 as prices for cattle, sheep, pigs and cereals were all lower. Stocks of potatoes increased in value during 1998 by over £300 million as potato prices recovered.

Hired labour
(Tables 6.10)

23. Table 6.10 shows the cost and volume of hired labour relating to agricultural work only, excluding time spent on the construction of farm buildings. The total cost of hired labour rose by 1.5 per cent in 1998, arising from an average salary increase of 3.7 per cent and a decrease in the volume of hired labour input of 2.0 per cent. The volume of total labour has decreased by approximately 1.8 per cent during 1998. The increase in the statutory minimum wage agreed by the Agricultural Wages Board was approximately 3.75 per cent in June 1997 and 3.25 per cent in June 1998.

Interest
(Table 6.11)

24. Table 6.11 shows details of interest charges payable on farmers' borrowings for agricultural purposes (including land purchases). These payments, net of interest on short-term deposits, are estimated to have increased by £98 million between 1997 and 1998 to £711 million. This reflects increases in both average interest rates and the volume of borrowing. Although rising, annual interest payments are still 6.8 per cent below their 1987-89 average level.

TABLE 6.1 Production and income account at current prices

£ million		Calendar years				
	Average of 1987-89	1994	1995	1996	1997	1998 (provisional)
Outputs (a)						
Cereals:						
wheat	1,315	1,723	2,079	2,315	1,854	1,647
barley	865	847	1,108	1,183	979	777
oats	49	79	91	84	71	59
rye, mixed corn & triticale	3	7	9	9	9	9
1. Total production of cereals	2,231	2,656	3,287	3,591	2,913	2,493
Other crops:						
oilseed rape	267	373	379	421	406	399
linseed	7	39	41	40	51	67
sugar beet	237	307	323	333	300	274
hops	14	20	17	20	20	14
peas and beans for stockfeed	119	147	135	129	129	119
hay and dried grass	15	19	21	21	19	15
grass and clover seed	14	11	10	16	17	16
straw	138	249	321	211	192	185
unspecified crops (b)	43	55	56	61	56	46
2. Total production of other crops	854	1,220	1,302	1,250	1,190	1,135
3. Total production of potatoes	478	712	1077	637	382	639
Horticulture:						
vegetables	890	992	1,066	1,064	973	1,022
fruit	239	231	234	249	180	216
ornamentals	405	591	617	668	647	658
fruit, vegetable and tomato seeds	7	8	8	8	8	8
4. Total production of horticulture	1,541	1,821	1,925	1,988	1,809	1,903
Livestock:						
finished cattle and calves	2,059	2,486	2,583	2,551	2,269	1,943
finished sheep and lambs	934	1,242	1,338	1,300	1,199	1,142
finished pigs	984	1,033	1,175	1,366	1,191	873
poultry	958	1,336	1,333	1,501	1,482	1,344
other livestock	111	135	143	149	156	154
5. Total production of livestock	5,046	6,232	6,572	6,867	6,297	5,457
Livestock products:						
milk	2,569	3,268	3,508	3,504	3,160	2,729
eggs (c)	399	432	399	467	428	400
clip wool	48	46	46	40	35	27
unspecified livestock products	20	22	24	23	25	24
6. Total production of livestock products	3,036	3,768	3,977	4,034	3,649	3,180
Capital formation in livestock:						
cattle	269	580	359	229	404	280
sheep	187	154	142	133	213	108
pigs	10	13	11	23	18	1
poultry	94	112	122	130	131	135
7. Total capital formation in livestock	559	858	634	514	767	525
Other agricultural activities:						
contract work	336	506	562	612	590	574
leasing out milk quota	21	127	136	169	120	108
leasing out ewe premium	-	4	4	3	2	2
leasing out suckler cow premium	-	-	1	1	1	1
8. Total other agricultural activities	358	636	703	784	713	684
9. Total inseparable non-agricultural activities	198	330	337	368	377	399
10. Gross output (at basic prices) (d) (e)	14,302	18,233	19,815	20,033	18,094	16,414

TABLE 6.1 Production and income account at current prices (continued)

£ million

Calendar years

	Average of 1987-89	1994	1995	1996	1997	1998 (provisional)
11. Total subsidies (less taxes) on product	396	1,686	2,107	2,782	2,579	2,436
12. Output at market prices (10-11) (e)	13,906	16,547	17,708	17,251	15,515	13,978
of which:						
transactions within the agricultural industry:						
feed wheat	62	75	55	66	62	49
feed barley	206	201	199	206	175	133
feed oats	17	22	16	16	12	10
seed potatoes	20	15	40	31	13	15
straw	130	236	308	200	183	174
contract work	336	506	562	612	590	574
leasing of quota	21	131	141	172	123	110
capital formation in livestock	559	858	634	514	767	525
Intermediate Consumption (formerly known as Inputs) (e) (Expenditure net of reclaimed VAT)						
Feedingstuffs:						
compounds	..	1,692	1,809	1,963	1,777	1,528
straights	..	828	893	893	760	633
feed purchased from other farms	..	297	270	288	250	192
other costs	..	76	84	80	71	68
13. Total feedingstuffs (f)	2,835	2,894	3,057	3,224	2,857	2,422
Seeds:						
cereals	122	112	121	124	114	100
other	181	210	263	253	228	229
14. Total seeds	304	323	384	377	342	329
15. Total fertilisers and lime	842	849	944	1,022	999	821
16. Pesticides	468	560	600	648	679	652
Farm maintenance (g)						
occupier	189	282	303	295	297	281
landlord	62	58	59	62	65	71
17. Total farm maintenance	251	340	362	357	363	352
Miscellaneous expenditure:						
machinery repairs	547	631	718	740	719	703
machinery fuel and oil	295	345	360	401	402	382
veterinary expenses and medicines	182	275	292	296	309	296
power and fuel (mainly electricity)	195	246	244	252	238	226
imported livestock	50	33	25	19	22	15
straw for bedding	130	236	308	200	183	174
contract work	336	506	562	612	590	574
leasing of quota	21	131	141	172	123	110
other farming costs (g) (h)	1,123	1,747	1,795	1,945	2,001	2,023
18. Total miscellaneous expenditure	2,879	4,147	4,447	4,638	4,586	4,503
19. Total intermediate consumption (formerly known) as gross input) (e)	7,579	9,114	9,795	10,265	9,827	9,078
20. Gross value added (10-19) (e)	6,723	9,119	10,020	9,768	8,268	7,336
Consumption of Fixed Capital						
buildings and works:						
landlord (g)	588	582	640	681	671	678
other	84	74	80	83	81	80
plant, machinery and vehicles	504	507	560	598	591	598
cattle	976	1,182	1,233	1,297	1,328	1,331
sheep	281	529	416	315	402	304
pigs	128	141	174	189	155	80
poultry	12	15	17	18	15	9
other	94	108	121	130	123	147
21. Total consumption of fixed capital	2,079	2,556	2,601	2,630	2,696	2,548
22. Net value added (at basic prices) (20-21) (e)	4,644	6,563	7,419	7,138	5,572	4,787

TABLE 6.1 Production and income account at current prices (continued)

£ million		Calendar years				
	Average of 1987-89	1994	1995	1996	1997	1998 (provisional)
Other subsidies						
animal disease compensation	5	7	7	6	16	12
set-aside	3	222	206	163	90	87
other	15	57	79	84	100	138
23. Total other subsidies	23	286	293	253	206	237
24. Net value added at factor cost (22+23) (e)	4,667	6,849	7,712	7,391	5,778	5,025
25. Total compensation of employees (e) (i)	1,523	1,819	1,822	1,863	1,915	1,945
26. Interest (j)	763	528	582	540	613	711
27. Net rent (k)	156	151	149	156	177	195
28. Total income from farming (22-25-26-27) (l)	2,225	4,350	5,159	4,831	3,073	2,173

(a) Output is net of VAT collected on the sale of non-edible products. Figures for total output include subsidies on products, but not other subsidies.

(b) Includes turf, other minor crops and arable area payments for fodder maize.

(c) Includes the value of duck eggs and exports of eggs for hatching.

(d) Gross output at basic prices includes subsidies (less taxes) on products. Table 6.7 shows which subsidies and taxes are designated 'on product'.

(e) Descriptions of terms used in this table are provided in the Annex.

(f) Following a revision of the methodology used to calculate the feedbill, it is no longer possible to provide a breakdown of the total for years prior to 1992.

(g) Landlords' expenses are included within farm maintenance, miscellaneous expenditure and depreciation of buildings and works.

(h) Includes livestock and crop costs, water costs, insurance premia, bank charges, professional fees, rates, vehicle licence costs and other farming costs.

(i) Excludes the value of work done by farm labour on own account capital formation in buildings and works.

(j) Interest charges on loans for current farming purposes and buildings and works less interest on money held on short term deposit.

(k) Net rent is the rent paid on tenanted land (including 'conacre' land in Northern Ireland) less landlords' expenses and the benefit value of dwellings on that land.

(l) The Farming Income Statistic has been discontinued; reasons are given in the Annex. It would have shown a fall of 46% from 1997 to 1998.

TABLE 6.2 Output and input volume indices**1995=100**

Calendar years

	Average of 1987-89	1994	1995	1996	1997	1998 (provisional)
Outputs (a)						
Cereals:						
wheat	86.1	93.4	100.0	111.4	105.4	109.1
barley	120.3	88.6	100.0	115.5	112.8	102.6
oats	69.5	86.0	100.0	89.5	90.8	91.6
rye, mixed corn & triticale	71.8	91.1	100.0	96.9	95.7	103.2
1. Total production of cereals	96.3	91.6	100.0	112.2	107.4	106.6
Other crops:						
oilseed rape	90.3	100.3	100.0	112.7	122.0	126.5
linseed	29.6	116.0	100.0	107.3	131.7	177.6
sugar beet	95.9	103.4	100.0	123.6	131.5	116.3
hops	116.6	107.0	100.0	127.3	118.1	80.9
peas and beans for stockfeed	130.4	127.7	100.0	101.8	123.0	125.8
hay and dried grass	119.3	104.3	100.0	102.4	97.1	83.6
grass and clover seed	150.5	132.7	100.0	98.0	107.1	154.9
straw	69.1	78.5	100.0	85.2	74.4	70.7
unspecified crops (b)	92.0	122.2	100.0	120.3	105.6	90.4
2. Total production of other crops	92.5	99.6	100.0	107.5	112.4	110.9
3. Total production of potatoes	100.5	98.4	100.0	107.5	101.8	92.7
Horticulture:						
vegetables	108.0	107.5	100.0	105.0	102.5	99.0
fruit	108.6	104.7	100.0	104.8	73.4	86.7
ornamentals	80.0	91.0	100.0	104.0	105.4	106.3
fruit, vegetable and tomato seeds	129.5	97.9	100.0	98.2	100.6	102.2
4. Total production of horticulture	97.9	101.2	100.0	104.6	99.9	100.1
Livestock:						
finished cattle and calves	100.0	99.3	100.0	76.2	76.9	77.3
finished sheep and lambs	88.8	99.9	100.0	95.3	92.4	97.9
finished pigs	99.3	105.6	100.0	100.4	108.9	110.3
poultry	77.3	98.1	100.0	103.6	107.1	107.6
other livestock	94.9	97.7	100.0	100.6	103.0	104.4
5. Total production of livestock	91.8	100.1	100.0	90.5	92.5	94.1
Livestock products:						
milk	102.9	101.3	100.0	99.6	100.6	99.1
eggs (c)	105.4	100.7	100.0	100.3	103.0	104.8
clip wool	101.4	96.7	100.0	95.1	96.9	100.8
unspecified livestock products	93.6	91.9	100.0	84.1	96.0	94.9
6. Total production of livestock products	102.9	101.1	100.0	99.5	100.8	99.7
Capital formation in livestock:						
cattle	88.3	119.3	100.0	94.2	105.2	96.0
sheep	126.0	135.4	100.0	83.4	131.2	121.7
pigs	117.6	143.5	100.0	182.1	191.4	31.1
poultry	97.3	101.0	100.0	101.5	108.5	100.2
7. Total capital formation in livestock	102.2	119.3	100.0	94.7	115.6	104.2
Other agricultural activities:						
contract work	96.2	94.4	100.0	104.6	107.3	111.0
leasing out milk quota	34.3	90.9	100.0	102.8	111.7	119.8
leasing out ewe premium	91.2	88.9	100.0	65.0	48.9	43.2
leasing out suckler cow premium	54.8	42.8	100.0	68.8	52.5	52.7
8. Total other agricultural activities	86.7	93.5	100.0	104.0	107.9	112.3

TABLE 6.2 Output and input Volume Indices (continued)**1995=100**

Calendar years

	Average of 1987-89	1994	1995	1996	1997	1998 (provisional)
9. Total inseparable non-agricultural activities	81.6	101.4	100.0	106.6	106.3	102.8
10. Gross output (at basic prices) (d) (e)	95.4	99.5	100.0	100.2	100.8	100.5
of which:						
transactions within the agricultural industry						
feed wheat	112.9	145.7	100.0	119.8	139.3	130.4
feed barley	104.3	105.0	100.0	105.2	113.1	100.0
feed oats	95.7	124.6	100.0	92.8	88.6	98.3
seed potatoes	138.5	100.2	100.0	112.2	123.2	101.9
straw	67.8	77.6	100.0	84.5	73.3	69.5
contract work	96.2	94.4	100.0	104.6	107.3	111.0
leasing of quota	31.7	90.5	100.0	101.5	109.6	117.1
capital formation in livestock	102.2	119.3	100.0	94.7	115.6	104.2
Intermediate Consumption (formerly known as Inputs) (e) (Expenditure net of reclaimed VAT)						
Feedingstuffs:						
compounds	152.5	100.0	100.0	101.1	96.9	102.0
straights	88.1	99.1	100.0	93.0	88.3	83.1
feed purchased from other farms	105.3	114.3	100.0	107.5	117.0	106.2
other costs	94.0	100.4	100.0	99.0	98.3	100.4
13. Total feedingstuffs	100.3	101.1	100.0	99.2	96.1	97.0
Seeds:						
cereals	121.0	95.1	100.0	104.5	104.6	96.9
other	92.0	100.4	100.0	100.3	99.6	99.1
14. Total seeds	102.4	98.5	100.0	101.6	101.2	98.4
15. Total fertilisers and lime	93.5	100.7	100.0	97.7	98.5	100.5
16. Pesticides	98.4	92.1	100.0	101.4	105.5	108.5
Farm maintenance: (f)						
occupier	83.9	99.0	100.0	96.2	95.2	88.9
landlord	110.7	102.7	100.0	98.0	96.2	95.4
17. Total farm maintenance	88.5	99.6	100.0	96.5	95.4	90.0
Miscellaneous expenditure:						
machinery repairs	110.9	91.1	100.0	97.5	94.0	92.4
machinery fuel and oil	118.6	104.1	100.0	96.6	95.4	93.8
veterinary expenses and medicines	73.2	95.0	100.0	99.9	102.2	97.6
power and fuel (mainly electricity)	98.0	100.1	100.0	99.8	99.1	100.7
imported livestock	323.9	124.2	100.0	85.3	108.4	76.4
straw for bedding	67.8	77.6	100.0	84.5	73.3	69.5
contract work	96.2	94.4	100.0	104.6	107.3	111.0
leasing of quota	31.7	90.5	100.0	101.5	109.6	117.1
other farming costs (f) (g)	87.5	101.5	100.0	99.3	101.7	102.4
18. Total miscellaneous expenses	92.7	96.7	100.0	98.5	99.1	99.0
19. Total intermediate consumption (formerly known as gross input) (e)	95.6	98.3	100.0	98.9	98.5	98.8
20. Gross value added (10-19) (e)	95.1	100.8	100.0	101.5	103.3	102.1
buildings and works:						
landlord (f)	..	..	..	..	..	..
other	..	..	..	..	..	..
plant, machinery and vehicles	107.2	99.3	100.0	101.5	101.9	100.3
cattle	85.2	87.4	100.0	104.7	93.7	93.2
sheep	71.7	102.4	100.0	96.8	79.5	79.6
pigs	97.3	109.8	100.0	92.1	101.1	111.1
poultry	98.8	98.3	100.0	102.7	102.9	109.8
21. Total consumption of fixed capital	97.0	96.9	100.0	101.2	98.7	98.0
22. Net value added (at basic prices) (20-21) (e)	94.1	102.4	100.0	101.6	105.0	103.6

(a) Output is net of VAT collected on the sale of non-edible products. Figures for total output include subsidies on products, but not other subsidies.

(b) Includes turf, other minor crops and arable area payments for fodder maize.

(c) Includes the value of duck eggs and exports of eggs for hatching.

(d) Gross Output at basic prices includes subsidies (less taxes) on products. Table 6.7 shows which subsidies and taxes are designated 'on product'.

(e) Descriptions of terms used in this table are provided in the annex.

(f) Landlords' expenses are included within farm maintenance, miscellaneous expenditure and depreciation of buildings and works.

(g) Includes livestock and crop costs, water costs, insurance premia, bank charges, professional fees, rates, vehicle licence costs and other farming costs.

TABLE 6.3 Changes in outputs and inputs

£ million

	Current price value		Changes %		
	1997	1998	value	volume	price
Outputs (a)					
Cereals:					
wheat	1,854	1,647	-11	3	-14
barley	979	777	-21	-9	-13
oats	71	59	-16	1	-17
rye, mixed corn & tritcale	9	9	7	8	-1
1. Total production of cereals	2,913	2,493	-14	-1	-14
Other crops:					
oilseed rape	406	399	-2	4	-5
linseed	51	67	30	35	-3
sugar beet	300	274	-9	-12	3
hops	20	14	-28	-31	5
peas and beans for stockfeed	129	119	-8	2	-10
hay and dried grass	19	15	-20	-14	-7
grass and clover seed	17	16	-9	45	-37
straw	192	185	-4	-5	1
unspecified crops (b)	56	46	-18	-14	-4
2. Total production of other crops	1,190	1,135	-5	-1	-3
3. Total production of potatoes	382	639	67	-9	84
Horticulture:					
vegetables	973	1,022	5	-3	9
fruit	180	216	20	18	1
ornamentals	647	658	2	1	1
fruit, vegetable and tomato seeds	8	8	2	2	-
4. Total production of horticulture	1,809	1,903	5	-	5
Livestock:					
finished cattle and calves	2,269	1,943	-14	1	-15
finished sheep and lambs	1,199	1,142	-5	6	-10
finished pigs	1,191	873	-27	1	-28
poultry	1,482	1,344	-9	1	-10
other livestock	156	154	-1	1	-2
5. Total production of livestock	6,297	5,457	-13	2	-15
Livestock products:					
milk	3,160	2,729	-14	-2	-12
eggs (c)	428	400	-7	2	-8
clip wool	35	27	-23	4	-26
unspecified livestock products	25	24	-5	-1	-4
6. Total production of livestock products	3,649	3,180	-13	-1	-12
Capital formation in livestock:					
cattle	404	280	-31	-9	-24
sheep	213	108	-49	-7	-45
pigs	18	1	-92	-84	-48
poultry	131	135	3	-8	12
7. Total capital formation in livestock	767	525	-32	-10	-24
Other agricultural activities:					
contract work	590	574	-3	3	-6
leasing out milk quota	120	108	-10	7	-16
leasing out ewe premium	2	2	-9	-12	3
leasing out suckler cow premium	1	1	4	-	3
8. Total other agricultural activities	713	684	-4	4	-8
9. Total inseparable non-agricultural activities	377	399	6	-3	9
10. Gross output (at basic prices) (d) (e)	18,094	16,414	-9	-	-9

TABLE 6.3 Changes in outputs and inputs (continued)

£ million

	Current price value		Changes		
	1997	1998	value	volume	price
11. Total subsidies (less taxes) on product	2,579	2,436	..	..	..
12. Output at market prices (10-11) (e)	15,515	13,978	..	..	..
of which:					
transactions within the agricultural industry:					
feed wheat	62	49	-21	-6	-16
feed barley	175	133	-24	-12	-14
feed oats	12	10	-18	11	-26
seed potatoes	13	15	17	-17	41
straw	183	174	-5	-5	1
contract work	590	574	-3	3	-6
leasing of quota	123	110	-10	7	-16
capital formation in livestock	767	525	-32	-10	-24
Intermediate consumption (formerly known as Inputs) (e)					
(Expenditure net of reclaimed VAT)					
Feedingstuffs:					
compounds	1,777	1,528	-14	5	-18
straights	760	633	-17	-6	-11
feed purchased from other farms	250	192	-23	-9	-15
other costs	71	68	-4	2	-6
13. Total feedingstuffs	2,857	2,422	-15	1	-16
Seeds:					
cereals	114	100	-12	-7	-5
other	228	229	-	-	1
14. Total seeds	342	329	-4	-3	-1
15. Total fertilisers and lime	999	821	-18	2	-20
16. Pesticides	679	652	-4	3	-7
Farm maintenance (f)					
occupier	297	281	-6	-7	1
landlord	65	71	8	-1	9
17. Total farm maintenance	363	352	-3	-6	3
Miscellaneous expenditure:					
machinery repairs	719	703	-2	-2	-
machinery fuel and oil	402	382	-5	-2	-3
veterinary expenses and medicines	309	296	-4	-5	-
power and fuel (mainly electricity)	238	226	-5	2	-7
imported livestock	22	15	-31	-29	-2
straw for bedding	183	174	-5	-5	1
contract work	590	574	-3	3	-6
leasing of quota	123	110	-10	7	-16
other farming costs (f) (g)	2,001	2,023	1	1	0
18. Total miscellaneous expenditure	4,586	4,503	-2	-	-2
19. Total intermediate consumption (formerly known as gross input) (e)	9,827	9,078	-8	-	-8
20. Gross value added (10-19) (e)	8,268	7,336	-11	-1	-10
Consumption of fixed capital:					
buildings and works:					
landlord (f)	671	678	1	-1	2
other	81	80	-1		
plant, machinery and vehicles	591	598	1		
cattle	1,328	1,331	-	-2	2
sheep	402	304	-25	-1	-24
pigs	155	80	-48	-	-48
poultry	15	9	-45	10	-50
21. Total Consumption of Fixed Capital	123	147	20	7	12
22. Net value added (at basic prices) (20-21) (e)	2,696	2,548	-5	-1	-5
	5,572	4,787	-14	-1	-13

TABLE 6.3 Changes in outputs and inputs (continued)

£ million

	Current price value		Changes		
	1997	1998	value	volume	price
Other subsidies					
animal disease compensation	16	12	-21	..	..
set-aside	90	87	-3	..	..
other	100	138	37	..	..
23. Total other subsidies	206	237	15	..	..
24. Net value added at factor cost (22+23) (e)					
25. Total compensation of employees (e) (h)	1,915	1,945	2	-2	4
26. Interest (i)	613	711	16	..	..
27. Net rent (j)	177	195	10	..	..
28. Total income from farming (22-25-26-27) (k)	3,073	2,173	-29	..	..

(a) Output is net of VAT collected on the sale of non-edible products. Figures for total output include subsidies on products, but not other subsidies

(b) Includes turf, other minor crops and arable area payments for fodder maize.

(c) Includes the value of duck eggs and exports of eggs for hatching.

(d) Gross output at basic prices includes subsidies (less taxes) on products. Table 6.7 shows which subsidies and taxes are designated 'on product'

(e) Descriptions of terms used in this table are provided in the Annex

(f) Landlords' expenses are included within farm maintenance, miscellaneous expenditure and depreciation of buildings and works.

(g) Includes livestock and crop costs, water costs, insurance premia, bank charges, professional fees, rates, vehicle licence costs and other farming costs.

(h) Excludes the value of work done by farm labour on own account capital formation in buildings and works.

(i) Interest charges on loans for current farming purposes and buildings and works less interest on money held on short term deposit.

(j) Net rent is the rent paid on tenanted land (including 'conacre' land in Northern Ireland) less landlords' expenses and the benefit value of dwellings on that land.

(k) The Farming Income Statistic has been discontinued; reasons are given in the Annex. It would have shown a fall of 46% from 1997 to 1998.

TABLE 6.4 Productivity

volume indices 1995=100

Calendar years

Year	Final output (gross output less transactions within the agricultural industry)	Net value added per AWU of all labour (a)	Final output per unit of all inputs (including fixed capital and paid labour)
1987	94.9	79.5	94.3
1988	95.2	80.7	93.5
1989	97.2	88.5	96.0
1990	97.3	92.0	97.2
1991	99.4	97.5	100.1
1992	99.7	107.8	102.6
1993	97.3	97.8	99.2
1994	99.1	101.2	99.7
1995	100.0	100.0	100.0
1996	100.4	103.3	101.6
1997 (b)	100.3	108.1	102.2
1998 (provisional) (b)	100.4	108.6	102.6

(a) AWU - annual work unit, this represents the equivalent of an average full time worker engaged in agriculture

(b) Cattle destroyed and calves removed from the food chain are not treated as production and therefore are not included.

CHART 6.2 Changes in outputs and inputs

Changes in value of outputs and inputs between 1997 and 1998 (provisional)

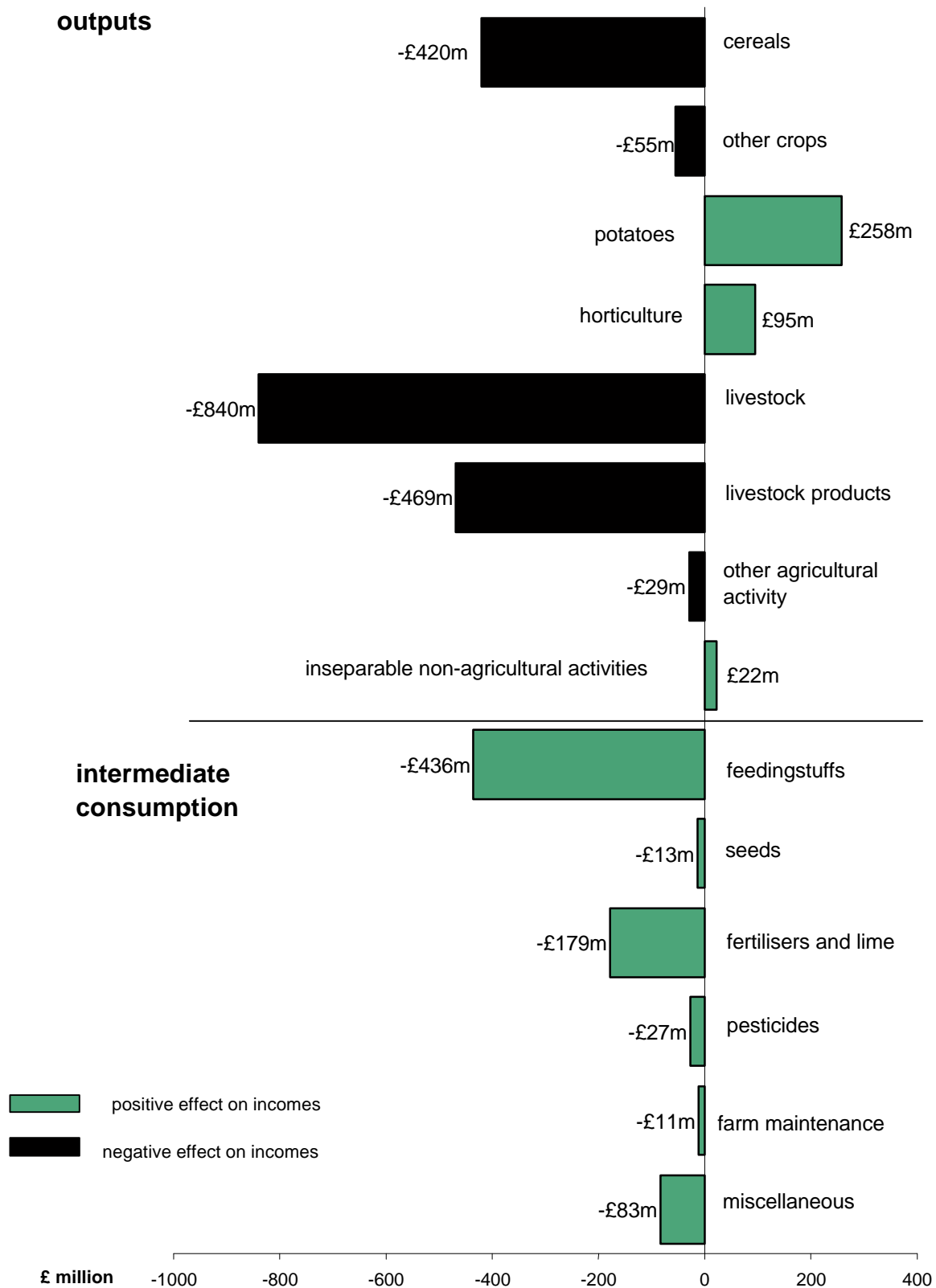


TABLE 6.5 Summary measures from the aggregate agricultural account

Year	Net value added at factor cost (a)	Income from farming				Calendar years
		Total income from farming(a)	Compensation of employees	Income from agriculture of total labour input A + B	Total income from farming per AWU (b)	Cash flow from farming (a)
		A	B	A + B		
£ million					(£)	
1987	4,472	2,143	1,484	3,627	7,046	2,541
1988	4,498	2,145	1,514	3,659	7,172	2,403
1989	5,031	2,387	1,570	3,957	8,142	2,653
1990	5,092	2,242	1,701	3,943	7,887	2,551
1991	5,131	2,378	1,767	4,145	8,547	2,979
1992	5,671	3,032	1,773	4,805	10,917	3,191
1993	6,611	4,166	1,775	5,941	15,015	4,138
1994	6,849	4,350	1,819	6,169	15,910	4,251
1995	7,712	5,159	1,822	6,982	19,084	5,013
1996	7,391	4,831	1,863	6,695	18,099	4,790
1997	5,778	3,073	1,915	4,988	11,682	3,161
1998 (provisional)	5,025	2,173	1,945	4,118	8,400	2,958
In real terms (as deflated by the RPI): indices, 1995 = 100						
1987	84.8	60.8	119.2	76.0	54.0	74.2
1988	81.3	58.0	115.9	73.1	52.4	66.9
1989	84.4	59.8	111.5	73.3	55.2	68.5
1990	78.0	51.4	110.3	66.7	48.8	60.1
1991	74.3	51.5	108.3	66.3	50.0	66.4
1992	79.1	63.2	104.7	74.1	61.6	68.5
1993	90.8	85.6	103.2	90.2	83.4	87.5
1994	91.8	87.2	103.2	91.4	86.2	87.7
1995	100.0	100.0	100.0	100.0	100.0	100.0
1996	93.5	91.4	99.8	93.6	92.6	93.3
1997	70.9	56.4	99.5	67.6	57.9	59.7
1998 (provisional)	59.6	38.5	97.6	54.0	40.3	54.0

(a) See text for definition

(b) AWU - annual work unit of entrepreneurial labour input - the equivalent of an average full time worker with an entrepreneurial stake in the business

TABLE 6.6 Eurostat income indicators (a)

Year	Calendar years		
	Indicator 1 (b) Net value added from agricultural activity at factor cost of total labour input	Indicator 2 (b) Net income from agricultural activity of total labour input	Indicator 3 (b) Net income from agricultural activity of entrepreneurial labour input
Indices (1994/96=100) reflecting UK incomes in real terms (as deflated by the GDP price index) per annual work unit			
1987	72.7	64.8	52.3
1988	69.1	61.4	47.9
1989	75.0	64.5	52.1
1990	72.6	61.5	47.0
1991	71.0	63.0	48.9
1992	75.1	69.8	58.8
1993	86.3	85.6	81.0
1994	89.5	88.9	84.3
1995	100.0	100.0	100.0
1996	92.0	91.8	88.2
1997	70.9	67.2	53.7
1998 (provisional)	59.5	52.9	33.7

(a) This table is based on figures supplied to Eurostat who during this transitional year require the agricultural accounts on a different basis to those underlying the rest of AUK. This explains the differences between figures in Table 6.6 and 6.5.

(b) These series have been given their Eurostat titles. Their numerators correspond to the following series in Table 6.5:

1. Net value added at factor cost.
2. Income from agriculture of total labour input.
3. Total income from farming.

CHART 6.3 Summary measures

In real terms (as deflated by the RPI): indices, 1995=100

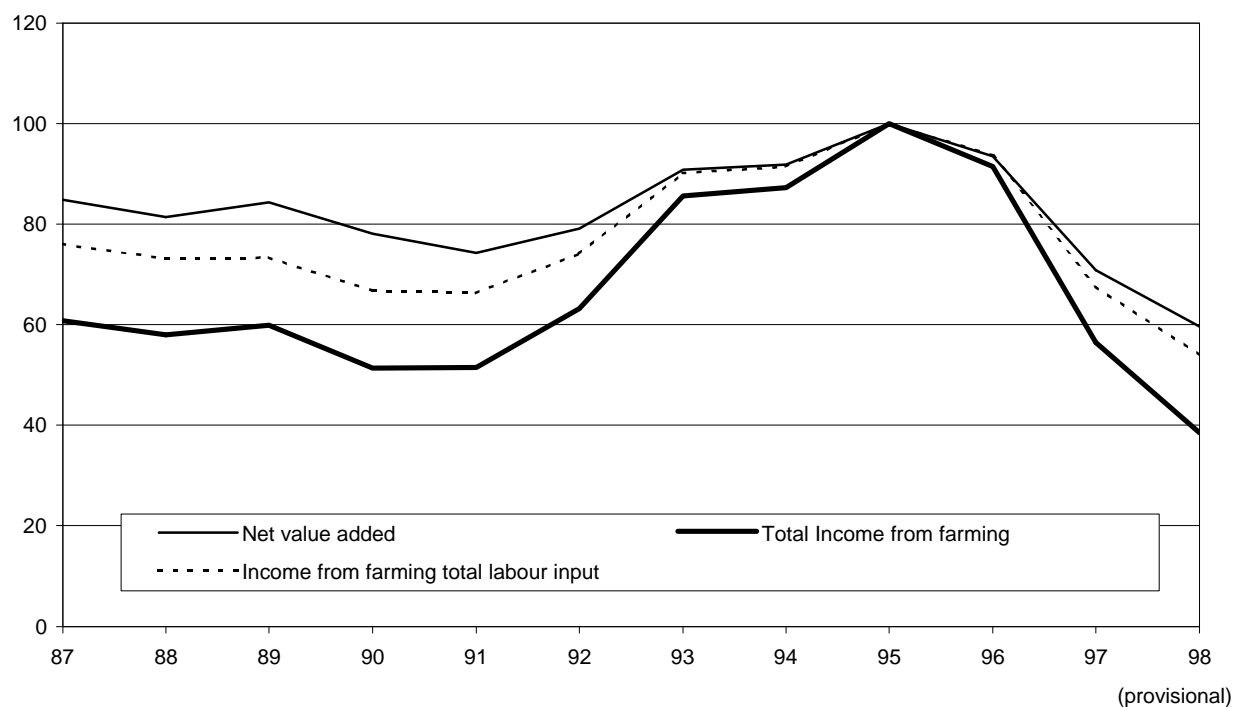


CHART 6.4 Eurostat income indicators 1, 2 and 3

Indices (as defined in table 6.6)



TABLE 6.7 Subsidies and levies included in the aggregate agricultural account

£ million

Calendar years

	Average of 1987-89	1994	1995	1996	1997	1998 (provisional)
Subsidies and levies on product (a)						
Crop subsidies						
arable area payments on:						
wheat	..	330	480	507	493	464
barley	..	194	299	314	316	278
other cereal crops (b)	..	22	33	28	28	26
oilseed rape	..	154	164	162	167	147
linseed	..	27	29	25	37	48
peas and beans - stockfeed and human consumption	..	81	75	67	70	73
forage maize	..	8	7	13	3	6
Other crop subsidies (c)	8	18	18	19	19	15
Livestock subsidies:						
beef special premium (d)	9	193	232	295	271	264
beef marketing payment scheme	..	..	..	58	..	..
suckler cow premium	43	178	228	286	366	292
calf subsidy	2	..	..	..	..	..
calf processing aid scheme	..	..	..	38	54	51
over thirty month scheme	..	..	..	524	362	230
cattle hill livestock compensatory allowance	51	55	54	111	54	86
annual ewe premium	128	391	481	329	299	404
sheep hill livestock compensatory allowance	65	56	54	55	55	84
other livestock subsidies prior to 1993 (e)	240	..	..	..	..	..
Levies (f)						
milk superlevy	14	22	47	49	14	32
other levies prior to 1993 (g)	135	..	..	..	..	..
Total subsidies (less levies) on products	396	1,686	2,107	2,782	2,579	2,436
Other subsidies (h)						
set-aside (i)	3	222	206	163	90	87
other animal disease compensation (j)	5	7	7	6	16	12
agri-environment schemes (k)	5	48	71	75	92	128
other (l)	10	8	8	9	9	9
Total other subsidies	23	286	293	253	206	237
Total subsidies less levies	419	1,972	2,400	3,035	2,785	2,673

(a) Contributes to basic prices and are included in output on table 6.1.

(b) Oats, rye, mixed corn and triticale.

(c) CAP hops and herbage seeds support, hemp and flax aid, oilseed rape and linseed support and British Potato Council compensation payments.

(d) Includes extensification premium and Northern Ireland deseasonalisation premium.

(e) Beef and sheep variable premiums, hill cow, beef cow, hill sheep and pig subsidies.

(f) Excludes levies paid to non-governmental organisations. These are included in the aggregate accounts (table 6.1) under 'other miscellaneous expenditure'.

(g) Wheat, barley, oats, rye, mixed corn and milk co-responsibility levies.

(h) Not included in output but contribute to Net Value Added at factor cost in table 6.1.

(i) Arable Area Payment and former 5 and 1 year Schemes.

(j) Tuberculosis, brucellosis, salmonella, Chernobyl, Newcastle and Aujeszky's disease, swinefever and avian influenza compensation and EIC egg scheme.

(k) Includes Environmentally and Nitrate Sensitive Areas, Countryside Stewardship, Countryside Premium, Tir Cymen, Moorland, Habitat, Farm

(l) Woodland and Organic Farming Schemes.

(i) Guidance premium for beef and sheepmeat production, pilot beef and sheep extensification scheme, non agricultural horse grazing and farm accounts grant . Also includes historic data for fertiliser and lime grant and payments to small scale cereal producers.

TABLE 6.8 Gross fixed capital formation

£ million

Calendar years

	Average of 1987-89	1994	1995	1996	1997	1998 (provisional)
Gross fixed capital formation at current prices						
buildings and works	431	576	517	554	556	..
plant and machinery	708	1,076	1,197	1,234	1,030	..
vehicles	137	241	273	242	219	..
Total	1,277	1,893	1,987	2,030	1,805	..
Livestock capital formation:						
cattle	269	580	359	229	404	280
sheep	187	154	142	133	213	108
pigs	10	13	11	23	18	1
poultry	94	112	122	130	131	135
Total	559	858	634	514	767	525
Total gross fixed capital formation	1,836	2,751	2,620	2,544	2,572	..
Volume indices of gross fixed capital formation 1995=100						
buildings and works	89.3	122.7	100.0	100.1	101.4	..
plant and machinery	79.6	92.9	100.0	99.2	80.8	..
vehicles	67.1	91.8	100.0	86.1	76.9	..
Total	80.4	100.5	100.0	97.6	85.6	..
Livestock capital formation	102.2	119.3	100.0	94.7	115.6	104.2

TABLE 6.9 Stock Appreciation

£million

Calendar years

	1994	1995	1996	1997	1998 (provisional)
Livestock Production work-in-progress (non-breeders)					
Cattle	-60	60	-166	-278	-155
Sheep	58	-1	48	-90	-88
Pigs	12	38	-21	-77	-56
Poultry (a)	3	-5	33	-33	-4
Total	13	91	-106	-479	-303
Replacement animals for breeding herds					
Cattle	-383	95	-70	-267	-45
Sheep	25	-	22	-41	-35
Pigs	-	-	-	-1	-1
Total	-357	96	-48	-309	-81
Crop production work-in-progress					
Wheat	36	96	-182	-135	-69
Barley	11	32	-59	-67	-7
Potatoes	282	57	-407	84	315
other crops (b)	5	-2	3	-	-13
Total	333	182	-646	-118	226
Total stock appreciation	-11	369	-799	-906	-158

(a) Broilers, ducks, geese and turkeys

(b) Oats, oilseed, apples and pears

Enquiries: Table 6.8 - Mr R G Young on 0171 270 8612

Table 6.9 - Mr S J Holding on 01904 455080

TABLE 6.10 Costs and volumes of hired labour engaged in agricultural work

Calendar years

	Average of 1987-89	1994	1995	1996	1997	1998 (provisional)
Hired labour costs (£ million)						
Total hired labour (a)(b)	1,523	1,819	1,822	1,863	1,915	1,945
Annual Work Unit ('000 AWU) (c)						
Total Entrepreneurial Labour	299	273	270	267	263	259
Total Hired Labour	177	150	149	146	144	141
Total Labour Force	476	424	419	413	407	400

(a) The source of this data is now the Farm Business Survey and so will not agree with previous publications.

(b) Includes payments in kind to workers and employer and employee National Insurance contributions, redundancy payments, Workers Pension Scheme (up to 1990) and the cost of trainees

(c) AWU - annual work unit - the equivalent of an average full time worker

TABLE 6.11 Interest

£ million (unless otherwise specified)

Calendar years

	Average of 1987-89	1994	1995	1996	1997	1998 (provisional)
Interest rates						
average bank base lending rate in the UK (percentage)	11.2	5.5	6.7	6.0	6.6	7.3
average rate of interest on bank advances to agriculture (percentage)	13.5	8.2	9.3	8.5	9.0	9.7
Interest charges (all lending to the farm business) on :						
bank advances	625	353	390	354	406	..
AMC loans	81	97	105	103	112	..
instalment credit	10	46	59	66	74	..
leased assets	36	27	23	19	20	..
other credit (a)	33	31	36	37	45	..
less interest on deposits (b)	22	25	32	39	44	..
Total	763	528	582	540	613	711

(a) Interest paid on other institutional credit and that from private sources.

(b) Interest earned on money held on short term deposit.

7 Farm rents, land prices and balance sheets

Introduction

1. This section reports developments in average farm rents and land prices per hectare and the aggregate balance sheet for agriculture.

Farm rents (Table 7.1)

2. Table 7.1 shows indices of average rents per hectare. These are in respect of Full Agricultural tenancies only. In England and Wales for years up to and including 1995, average rent estimates are based on results of the former annual Rent Enquiry. Previously for Scotland, rent estimates for all years were based on the results of continuing Field Enquiries, since 1995 they have been based on the Farm Accounts Survey. Estimates for England and Wales in 1996, 1997 and 1998 are based on results from the Annual Survey of Tenanted Land. In order to be consistent with previous years, only land let on Full Agricultural Tenancies in this survey has been analysed for the purposes of Table 7.1. Overall, provisional results for 1998 suggest increases in average rents in England, Wales and Scotland of about 7.8, 8.8 and 0.96 per cent respectively. For Great Britain as a whole, average rent per hectare increased by about 8.4 per cent. The rents in this table refer to the calendar year, whilst the surveys on which they are based are conducted in October. Because of the duration of periods for rent settings, the values applying to the calendar year are deemed to be mainly (approximately 75%) a carry over from those recorded in the preceding October. Therefore the increases noted above are driven primarily by developments in 1997 and only to lesser extent (approx. 25%) by conditions in 1998. The Northern Ireland series shows average rent per hectare in respect to land let on “conacre”, i.e. nominally short-term lettings (for 11 months or 364 days), although in practice some can be extended beyond this. Estimates are based on results from the Farm Business Survey. The provisional results for 1998 indicate a drop of 4.7%.

Agricultural land prices (Table 7.2)

3. The average land prices shown in Table 7.2 are obtained from Inland Revenue statistics of average sale prices. Only a very small proportion of the total area of farmland in the UK is sold in a particular year. The average prices recorded by the Inland Revenue can therefore be subject to considerable variation from year to year and, in the case of the unweighted averages shown here, may vary with size and type of lot sold in the year concerned.

4. The average price of land sold with vacant possession in 1997 showed contrasting patterns between the four countries of the UK, declining in England and Scotland but rising in Wales and Northern Ireland. Chart 7.1 plots the average vacant possession price of land sold in England over the last ten years in both current and real terms.

Balance sheet (Table 7.3)

5. Estimates of the aggregate balance sheet for United Kingdom agriculture are shown in Table 7.3. The total value of assets at current prices

(net of depreciation but excluding the value of quotas) declined 2.2%. The total value of liabilities is estimated to have fallen by about 5%. Net worth decreased by 1.7% in current price terms and by 4.9% in real terms. Chart 7.2 shows the development (in real terms) of the main balance sheet aggregates.

TABLE 7.1 Farm rents

Average per hectare: indices, 1995=100

Calendar years

	Average of 1987-89	1994	1995	1996	1997	1998 (provisional)
England (a)						
FATs	91.2	96.2	100.0	107.0	115.4	124.5
Wales (a)						
FATs	74.6	93.1	100.0	108.9	138.2	150.4
Scotland (b)	81.9	94.5	100.0	101.9	104.0	105.0
Great Britain	89.3	95.8	100.0	106.4	115.3	124.0
Northern Ireland (c)	79.1	93.3	100.0	111.3	107.7	102.6

(a) Provisional estimates of average rents in England and Wales for 1998 are based on initial analysis of a sub-sample of results from the Annual Survey of Tenanted Land (ASTL), conducted in October 1998. This survey which was conducted for the first time in 1996, covers all types of agricultural tenancy agreement. To ensure consistency of the series the increases in 1996, 1997 and 1998 are based on the sub-sample of farms with Full Agricultural Tenancies.

(b) The Scottish figures relate to crops and grassland only

(c) Virtually all land in Northern Ireland is let on "conacre", i.e. nominally short-term lettings (for 11 months or 364 days), although in practice some can be extended beyond this. This series relates to land rented from non-farmers, estimates for which have been provided by DANI. The figures are based on Farm Business Survey results (the 1998 figure is an estimate).

TABLE 7.2 Agricultural land prices

£ per hectare

Calendar years

	Average of 1987-89	1994	1995	1996	1997
England (a)					
With vacant possession	4,150	4,200	4,503	5,349	4,688
Tenanted	2,564	1,795	2,182	3,945(b)	..
Wales (a)					
With vacant possession	3,016	2,980	3,713	3,778	4,904
Scotland (a)					
With vacant possession	1,431	1,703	2,501	2,237	2,053
Tenanted	605	799	1,207	1,166	1,269
Northern Ireland (a)					
With vacant possession	3,137	5,056	5,950	5,419	7,858

(a) These series, based on Inland Revenue data, exclude land sold for non-agricultural purposes. In Great Britain sales of less than 5 hectares and in Northern Ireland of less than 2 hectares are also excluded. In Scotland the series refers to sales of equipped farms only and excludes sales of whole estates and inter-family sales. There is a delay between the date on which a sale is agreed and the date on which it is included in the analysis. The delay is thought to average about 9 months for England and Wales and about 3 months for Northern Ireland. The average prices shown in the table for each calendar year relate to sales included in the series for these countries in the years ending in the following September and March respectively. In the case of Scotland the problem is overcome by further analysis of information by date of sale. The data for Scotland is subject to retrospective revision. Reliable prices for tenanted land in Wales are not available due to insufficient sales and virtually all land in Northern Ireland is owner-occupied or let on an annual basis.

(b) A small number of untypical high priced transactions have caused this unusually large increase in the average price for transactions occurring in the first quarter of 1996.

TABLE 7.3 Aggregate balance sheets for United Kingdom agriculture

As at December each year

	Average of 1987-89	1994	1995	1996	1997 (provisional)
At current prices					
Assets					
Fixed (a):					
Land and buildings (b)	40,673	42,736	49,509	52,263	52,853
Plant, machinery and vehicles	6,112	7,341	7,884	8,345	8,484
Breeding livestock	3,809	4,279	4,853	5,065	3,961
Total fixed	50,594	54,356	62,246	65,673	65,298
Current:					
Trading livestock	2,789	3,462	3,425	3,210	2,719
Crops and stores	2,321	2,763	3,418	2,833	2,671
Debtors, cash deposits	1,625	3,408	3,986	4,340	3,685
Total current	6,735	9,633	10,829	10,383	9,075
Total Assets	57,329	63,989	73,075	76,056	74,373
Liabilities (c)(d)					
Long and medium term:					
AMC, SASC, and LIC (e)	689	1,140	1,174	1,214	1,287
Building Societies and Institutions	62	234	252	329	298
Bank loans	1,154	1,557	1,584	1,934	1,840
Family Loans	175	306	322	371	319
Other	106	117	155	174	181
Total long and medium term	2,186	3,355	3,487	4,022	3,925
Short term:					
Hire purchase	48	547	648	773	648
Leasing	564	401	265	195	179
Trade Credit	1,014	1,253	1,268	1,432	1,149
Bank overdrafts	3,531	2,664	2,561	2,506	2,541
Other	35	113	135	158	162
Total short term	5,193	4,978	4,878	5,064	4,679
Total Liabilities	7,379	8,332	8,365	9,086	8,603
Net worth	49,950	55,657	64,710	66,970	65,769
In real terms (as deflated by the RPI): indices, 1995 = 100					
Total assets	108.0	91.0	100.0	102.0	96.0
Total liabilities	122.0	103.0	100.0	106.0	97.0
Net worth	107.0	89.0	100.0	101.0	96.0

(a) The valuations of land, buildings and breeding livestock are at average market prices; those of plant, machinery and vehicles are replacement cost, net of depreciation.

(b) Includes the value of owner-occupied and tenanted land.

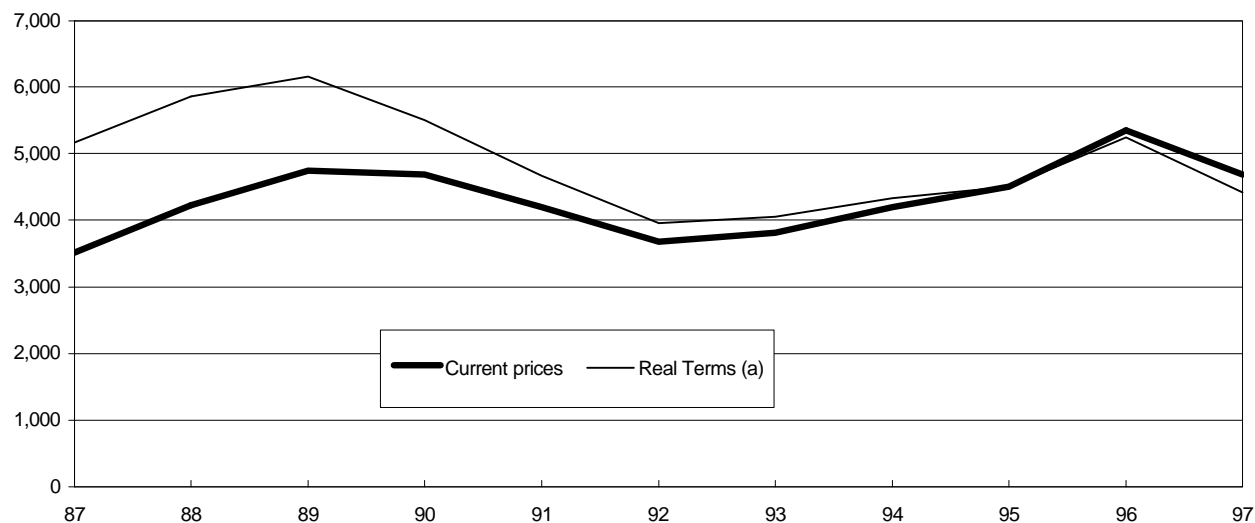
(c) Financial estimates are derived in part from a year-end analysis of farms in the Farm Business Survey. In practice, year-ends vary from December through to April, with concentrations of year-ends at end-December and end-March.

(d) The value for some of the liabilities are not strictly comparable with corresponding data prior to 1991, from which year certain revisions were incorporated in the series published in 'Agriculture in the UK 1995' and in subsequent issues. The overall effect of these adjustments on Net Worth in 1991 and 1992 is estimated to be an increase of 8-9 per cent.

(e) Agricultural Mortgage Company, Scottish Agricultural Securities Corporation, Land Improvement Company.

CHART 7.1 Prices of agricultural land sold with vacant possession (all properties): - England

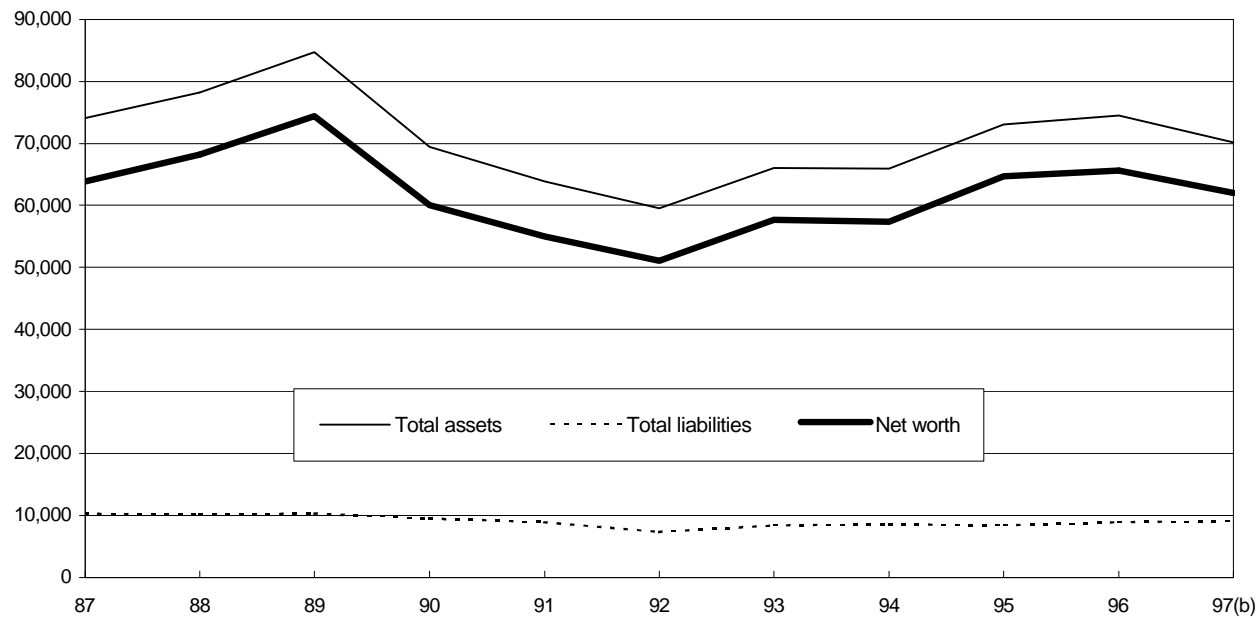
£ per hectare



(a) 1995 real terms as deflated by RPI

CHART 7.2 United Kingdom agricultural assets, liabilities and net worth in real terms (a)

£ million



(a) real terms as deflated by RPI

(b) provisional

8 Farm Business data

Introduction

1. Information on incomes, assets and liabilities of full-time farm businesses in the United Kingdom is provided by the annual Farm Business Surveys, conducted by universities and an agricultural college in England and Wales and the Department of Agriculture in Northern Ireland, and the Farm Accounts Scheme in Scotland carried out by the Scottish Agricultural College. Summary results of these sample surveys (weighted according to the distribution of holdings by region, farm type, size and tenure recorded in the 1997 June Census) are presented and described in this section, together with provisional estimates of net farm income for 1998/99.

2. It should be noted that whilst some of the accounting practices and concepts adopted in the Farm Business Surveys differ from those employed in compiling the aggregate account as reported in Section 6, one important difference has now been eliminated. In previous editions, livestock subsidies were recorded in the aggregate account in the year paid, but they are now recorded in the year due in line with the Farm Business Surveys. The main remaining difference is that the Farm Business Surveys' accounting years run from March to February on average, while the aggregate account is prepared on a calendar year basis. Income measures deriving from the two sources are not, therefore, directly comparable. The measures in this section are presented as averages per full-time farm.

3. Movements in *net farm income* over the decade so far for each country and for the major farm types (excluding horticulture) are shown by the index numbers presented in Table 8.1. This income measure is a long-standing indicator of the economic performance of farm businesses and, to achieve comparability among farms of different types of tenure, it is based on the assumption that all land is tenanted. It represents the return to the farmer and spouse for their manual and managerial labour and on the tenant-type capital of the business such as permanent crops, livestock and machinery (but not land or buildings).

Farm Incomes (Tables 8.1 - 8.3)

4. Average net farm income across the UK as a whole fell for all farm types in 1997/98. This fall was attributable mainly to lower commodity prices, reflecting the impact of the strength of sterling on the relative competitiveness of UK products both at home and abroad. Headage and area payments also declined in sterling terms.

5. Lowland cattle and sheep farms recorded the largest proportional fall in net farm income in 1997/98. Although some of the support

measures introduced in response to the BSE crisis continued and beef demand recovered steadily throughout the year, competition from overseas meat was intense due to the strength of sterling. Despite increased yields, incomes of milk producers declined after substantial falls in milk prices. Incomes on pig and poultry farms also fell as prices turned downwards. Lower yields and prices of cereals and other crops led to falling incomes on cereals and general cropping farms.

6. In 1998/99, incomes are likely to fall further in all four countries of the United Kingdom and for most of the major farm types. Provisional estimates of net farm income for 1998/99 are included as indices in Table 8.1. These are based on the most recent information on prices, direct subsidy rates and scheme requirements, animal populations and marketings, and crop areas and yields. The estimates should be regarded as only broad indicators of the overall effects on income of expected changes in output values and input costs. Estimates of net farm income for 1998/99 take account of the £120 million package of extra support announced in November 1998.

7. Lower prices in 1998/99 for most of the major commodities have been only partially offset by lower input costs, particularly for feed, fertiliser and pesticides. For example, whilst feed costs on pigs and poultry farms are expected to fall, reflecting lower cereal prices, the average net farm income is likely to become negative as pig prices continue their downward slide. Lowland cattle and sheep farms are again expected to suffer the greatest proportional fall in net farm income, after increased competition in both the domestic and international meat markets due to the strengthening of sterling and knock-on effects on world demand following the financial crises in Russia and SE Asia. Mixed farms, particularly those in Scotland, will also show substantial falls in net farm income. Dairy farm incomes are expected to continue their decline. The exception to this pattern is general cropping, where incomes are expected to increase due to high potato prices for the 1998 crop.

8. Estimates of actual levels of net farm income in 1996/97 and 1997/98 are shown in Table 8.2 for each of the main farm types and economic size groups in each country. Economic size is measured in financial terms, based on standard gross margins per hectare of crops and per head of livestock. In England, the farm type recording the highest net farm income in 1997/98 was dairy, averaging nearly £20,000 per farm closely followed by general cropping and pigs and poultry, averaging £19,500 and £16,300 per farm respectively. Lowest were incomes for lowland cattle and sheep farms averaging only £900 per farm, reflecting the predominance of small farms. In Wales, Scotland and Northern Ireland the highest average levels were also recorded on dairy farms.

9. *Occupier's net income* is an alternative measure of farm performance which represents the return to the farmer and spouse for their manual and managerial labour and on all assets invested in the farm business, including land and buildings. It takes account of the actual expenditure associated with owning or renting land. By measuring farm income after the payment of rent and interest charges it more realistically

reflects changes in income as perceived by farmers. Table 8.3 shows estimates of occupier's net income by farm type, country and tenure basis in 1996/97 and 1997/98. The picture is similar to that shown in Table 8.2, but in contrast to the net farm income results, cereal and general cropping farms in England recorded higher levels of occupier's net income in 1997/98 than dairy farms.

Assets and Liabilities
(Table 8.4)

10. Table 8.4 provides information on the assets, liabilities and net worth of farm businesses at the beginning and end of 1997/98 according to country and type of tenure. Overall, average net worth changed very little, falling by 1% in England and Scotland, but rising by 1% in Wales and Northern Ireland. Only tenanted farms showed any significant change, their net worth falling by 8% in England and 9% in Scotland, but by only 1% in Wales.

11. External liabilities expressed as a percentage of total assets gives an indicator of indebtedness of farm businesses. This measure was stable in England and Northern Ireland in 1997/98, and rose only marginally in Wales and Scotland. The overall level of indebtedness in Northern Ireland is much lower than for the other countries.

TABLE 8.1 Net Farm Income by Country and Type of Farm

Average net farm income per farm: Indices, 1989/90 - 1991/92 = 100

Accounting years ending on average in February

	1990/91	1991/92	1992/93	1993/94	1994/95	1995/96	1996/97	1997/98	1998/99 (provisional)
At current prices									
England (a):									
Dairy	89	98	129	144	123	139	114	74	45
Cattle and sheep (LFA)	75	121	178	209	172	226	228	141	120
Cattle and sheep (lowland)	37	153	258	319	246	256	226	26	-35
Cereals	104	117	157	155	205	321	284	109	80
General cropping	97	91	97	121	195	241	129	62	90
Pigs and poultry	108	67	75	24	52	112	101	34	-20
Mixed	99	104	133	126	161	243	186	42	-10
Wales (a):									
Dairy	89	97	120	124	81	137	121	87	60
Cattle and sheep (LFA)	79	114	140	162	97	198	155	93	55
Cattle and sheep (lowland)	132	100	92	95	76	118	85	22	-5
Scotland (a):									
Dairy	93	88	109	118	106	127	109	48	-
Cattle and sheep (LFA)	98	95	118	136	111	127	160	69	35
Cereals	131	74	214	164	263	453	449	9	-95
General cropping	121	44	65	81	244	220	97	-	40
Mixed	117	79	175	173	149	197	164	-24	-90
Northern Ireland (a):									
Dairy	75	95	141	141	145	200	130	69	60
Cattle and sheep (LFA)	86	103	162	185	145	172	176	43	10
Mixed	94	68	120	87	135	138	75	-26	-50
United Kingdom (a):									
Dairy	88	97	127	139	117	143	116	74	45
Cattle and sheep (LFA)	86	108	142	165	122	174	173	89	55
Cattle and sheep (lowland)	70	123	177	211	162	172	141	12	-35
Cereals	107	112	159	153	206	326	290	99	65
General cropping	99	86	94	118	209	244	126	56	90
Pigs and poultry	107	68	80	25	51	108	98	33	-25
Mixed	103	97	136	128	153	224	170	26	-25
In real terms (as deflated by the RPI)									
United Kingdom (a):									
Dairy	87	91	116	124	102	121	95	59	35
Cattle and sheep (LFA)	85	101	129	147	106	147	143	71	45
Cattle and sheep (lowland)	69	115	161	189	141	145	116	9	-25
Cereals	106	105	144	136	180	275	239	79	50
General cropping	97	81	85	106	182	206	104	44	70
Pigs and poultry	106	64	73	22	44	91	80	27	-20
Mixed	102	91	124	114	133	189	140	21	-15

(a) For England, Wales and Northern Ireland, indices up to 1993/94 measure changes in income with livestock subsidies recorded in the year received. For Scotland in all years and for other countries from 1993/94, livestock subsidies were accounted for in the year which contained the start of the subsidy scheme year under which subsidies were due.

TABLE 8.2 Net farm income by farm type, country and size

With comparative data on average farm area and number of holdings

Accounting years ending on average in February

Farm type and country	Farm Business Survey data (a) (b)											Census data (c)		
	Net farm income (£'000 per farm)								Average farm area including rough grazing (hectares per farm) 1997/98			Number of holdings at June 1997		
	Small		Medium		Large		All size groups		Small	Medium	Large	Small	Medium	Large
1996/97	1997/98	1996/97	1997/98	1996/97	1997/98	1996/97	1997/98							
Dairy :														
England	9.9	5.9	23.4	14.8	58.3	39.7	30.1	19.8	32	65	133	3,915	9,392	4,485
Wales	9.9	7.1	32.5	24.2	72.4	49.0	31.7	22.8	36	66	139	1,411	1,992	543
Scotland	..	..	18.9	4.6	58.3	32.5	31.6	14.0	..	84	159	140	1,036	653
N. Ireland	6.9	2.3	24.8	14.7	..	..	15.3	8.1	34	63	..	2,502	2,210	384
Cattle and sheep (LFA) :														
England	11.0	7.3	31.8	18.8	..	..	19.4	12.0	87	320	..	4,064	1,635	266
Wales	8.6	5.2	24.7	14.7	51.2	33.2	13.5	8.1	73	216	703	5,731	1,881	202
Scotland	10.7	4.7	22.9	9.9	48.3	20.2	17.1	7.4	239	389	1,078	4,477	2,423	471
N. Ireland	3.8	0.5	..	..	..	..	5.0	1.2	76	..	..	5,779	495	30
Cattle and sheep (lowland) :														
England	4.9	-0.6	13.9	6.3	39.4	11.7	7.5	0.9	62	115	293	9,924	1,881	502
Wales	7.0	0.5	22.4	5.4	..	..	12.8	3.3	43	111	..	1,233	304	50
N. Ireland	-3.1	-6.3	..	..	..	..	-1.4	-4.0	47	..	..	1,420	112	9
Cereals :														
England	10.4	2.5	33.3	12.2	88.0	36.9	37.6	14.4	51	131	341	7,568	6,152	4,011
Scotland	7.9	-4.9	..	..	..	..	27.9	0.6	66	..	..	1,349	889	425
General cropping :														
England	..	..	26.6	11.3	68.9	37.2	40.1	19.5	..	94	314	3,276	3,555	4,066
Scotland	..	..	..	..	..	..	21.0	0.0	..	..	..	404	757	861
Pigs and poultry														
England	17.5	11.0	43.9	13.1	116.3	31.2	48.6	16.3	7	12	52	1,544	1,031	862
Mixed :														
England	7.6	-0.7	22.4	-0.9	78.7	27.1	35.8	8.1	61	118	296	4,041	2,828	2,466
Scotland	8.6	-6.6	17.9	2.7	..	..	17.4	-2.6	69	133	..	923	718	439
N. Ireland	..	..	..	..	..	..	7.6	-2.7	..	..	..	762	181	41

(a) Figures are not shown separately where the sample contains fewer than 20 farms.

(b) In Northern Ireland the Farm Business Survey does not include large holdings, ie, over 100 ESU.

(c) Census data exclude holdings of under 8 ESU.

TABLE 8.3 Occupier's net income by farm type, country and tenure

With comparative data on average farm area and number of holdings

Accounting years ending on average in February

Farm type and country	Farm Business Survey data (a)											Census data (b)		
	Occupier's net income (£'000 per farm)								Average farm area including rough grazing (hectares per farm) 1997/98			Number of holdings at June 1997		
	Owner-occupied 1996/97	Owner-occupied 1997/98	Tenanted 1996/97	Tenanted 1997/98	Mixed Tenure 1996/97	Mixed Tenure 1997/98	All types of tenure 1996/97	All types of tenure 1997/98	Owner-occupied	Tenanted	Mixed tenure	Owner-occupied	Tenanted	Mixed tenure
Dairy:														
England	33.0	19.9	18.1	15.5	32.8	20.3	29.7	19.0	73	65	91	8,623	3,840	5,329
Wales	29.8	22.6	..	..	35.2	20.3	30.6	21.3	66	..	78	2,361	622	963
Scotland (c)	36.4	18.0	..	..	..	..	33.2	17.2	102	..	..	1,427	402	..
N. Ireland (d)	15.1	7.3	..	..	..	..	..	..	47	..	..	5,096	..	..
Cattle and sheep (LFA):														
England	16.7	10.9	22.7	15.8	29.7	18.6	21.0	13.7	114	251	249	2,965	1,300	1,700
Wales	15.0	9.4	10.2	8.4	18.7	12.0	15.4	9.9	114	90	159	5,089	870	1,855
Scotland (c)	21.3	10.5	12.3	4.5	..	..	17.9	8.2	239	414	..	4,586	2,785	..
N. Ireland (d)	4.7	0.5	..	..	..	..	..	..	91	..	..	6,304	..	..
Cattle and sheep (lowland):														
England	8.0	2.2	6.9	-3.2	17.4	11.5	10.1	3.7	75	66	92	7,424	1,915	2,968
Wales	18.9	7.0	..	..	..	..	15.5	5.8	64	..	..	943	267	377
N. Ireland (d)	-0.9	-3.7	..	..	..	..	..	..	49	..	..	1,541	..	..
Cereals:														
England	39.4	21.0	34.5	14.7	57.1	24.6	43.8	20.8	128	147	190	8,438	3,735	5,558
Scotland (c)	35.2	6.3	..	..	..	..	41.5	-6.7	131	..	..	1,884	779	..
General cropping:														
England	46.7	24.0	45.2	24.3	44.9	24.5	45.6	24.3	162	163	188	4,336	2,196	4,365
Scotland (c)	32.6	12.2	..	..	..	..	34.2	13.2	127	..	..	1,371	651	..
Pigs and poultry:														
England	42.5	14.7	..	..	..	..	46.1	14.0	16	..	..	2,790	289	358
Mixed:														
England	35.9	11.0	31.7	-1.9	50.8	20.6	40.3	12.0	126	169	194	4,484	1,860	2,991
Scotland (c)	21.9	2.1	..	..	..	..	21.9	3.3	157	..	..	1,477	603	..
N. Ireland (d)	9.4	-1.0	..	..	..	..	..	..	58	..	..	984	..	..

(a) Figures are not shown separately where the sample contains fewer than 20 farms.

(b) Census data exclude holdings of under 8 ESU.

(c) All survey farms in Scotland are classified according to the main tenure category of land on the holding.

(d) Practically all farms in Northern Ireland are owner-occupied.

TABLE 8.4 Assets and liabilities of farm businesses by country and tenure : average for all farm types, 1997/98

£'000 per farm

Accounting years ending on average in February

		Owner-occupied		Tenanted		Mixed tenure		All types of tenure	
		Opening	Closing	Opening	Closing	Opening	Closing	Opening	Closing
England	Total assets	668.6	666.0	205.4	195.8	751.5	748.9	608.8	605.0
	of which : fixed assets	595.4	597.4	129.2	125.6	645.5	652.1	525.6	527.9
	current assets	73.2	68.6	76.2	70.2	106.0	96.8	83.2	77.1
	Total external liabilities	69.6	69.6	48.2	50.6	93.3	102.0	72.6	75.6
	of which : long and medium term loans	37.2	36.4	11.9	12.1	43.8	50.4	34.5	36.1
	short-term loans	32.5	33.2	36.4	38.6	49.4	51.6	38.1	39.5
	Net worth	598.9	596.4	157.2	145.2	658.3	646.9	536.2	529.4
	Occupier's net income 1997/98 year		15.5		13.0		20.4		16.4
Wales	Total assets	462.7	468.1	135.7	139.6	423.3	431.7	417.9	423.8
	of which : fixed assets	426.4	432.4	110.7	111.6	381.3	389.6	381.6	387.5
	current assets	36.2	35.7	25.1	28.0	42.1	42.1	36.4	36.3
	Total external liabilities	37.8	41.1	25.1	29.9	45.2	50.9	38.1	42.2
	of which : long and medium term loans	20.6	21.4	9.1	11.7	21.4	22.9	19.5	20.7
	short-term loans	17.2	19.7	16.0	18.3	23.8	28.0	18.6	21.5
	Net worth	424.9	426.9	110.6	109.6	378.1	380.8	379.8	381.7
	Occupier's net income 1997/98 year		12.5		8.6		13.9		12.4
Scotland (a)	Total assets	513.1	522.7	222.3	209.7	..	..	418.8	421.1
	of which : fixed assets	395.6	408.2	120.0	118.7	..	..	306.2	314.3
	current assets	117.5	114.5	102.3	91.0	..	..	112.6	106.9
	Total external liabilities	72.8	81.0	39.4	42.7	..	..	61.9	68.6
	of which : long and medium term loans	24.0	31.0	9.4	9.3	..	..	19.3	23.9
	short-term loans	48.7	50.1	30.0	33.4	..	..	42.7	44.7
	Net worth	440.3	441.7	182.9	167.0	..	..	356.8	352.6
	Occupier's net income 1997/98 year		9.5		0.1		..		6.5
Northern Ireland (b)	Total assets	366.2	371.8	..	..	..	..	..	..
	of which : fixed assets	335.3	343.5	..	..	..	..	..	..
	current assets	30.9	28.2	..	..	..	..	..	..
	Total external liabilities	17.4	19.1	..	..	..	..	..	..
	of which : long and medium term loans	7.5	8.2	..	..	..	..	..	..
	short-term loans	9.9	10.9	..	..	..	..	..	..
	Net worth	348.8	352.7	..	..	..	..	..	..
	Occupier's net income 1997/98 year		2.9		..		..		..

(a) All survey farms in Scotland are classified according to the main tenure category of land on the holding.

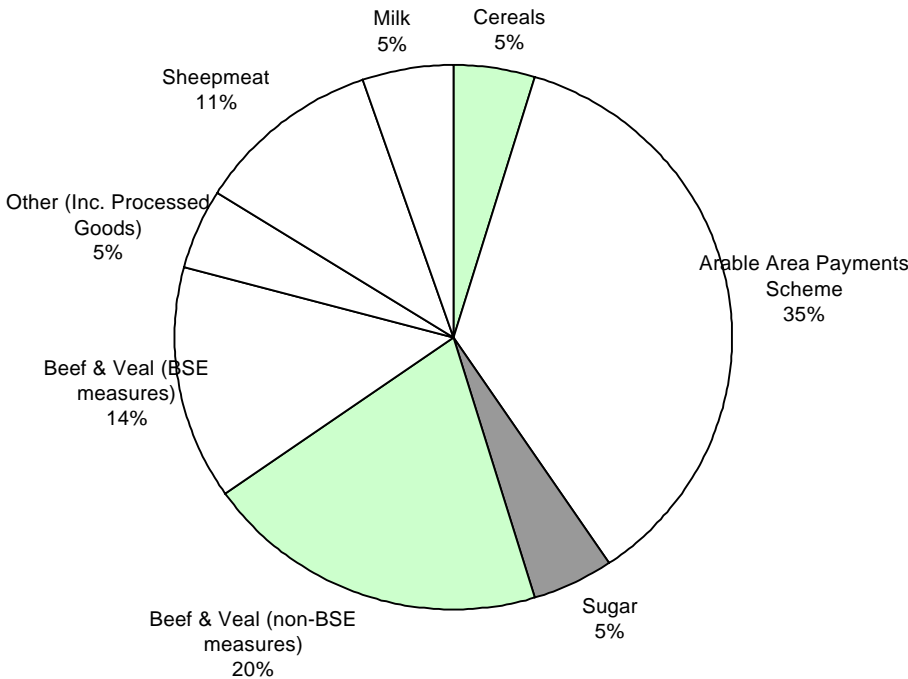
(b) Practically all farms in Northern Ireland are owner-occupied.

9 Public expenditure on agriculture

Introduction

1. Table 9.1 shows public expenditure under the CAP and on national grants and subsidies, while Table 9.2 provides more detailed information on the costs of market regulation under the CAP. The tables exclude other expenditure which may benefit farmers (such as expenditure on animal health or on research, advice and education). They do, however, include some expenditure which benefits consumer and trade interests rather than producers directly. The figures for the financial years up to and including 1997/98 represent actual expenditure recorded in the Appropriation Accounts. The figures for 1998-99 are the latest estimates of expenditure.

CHART 9.1 Public expenditure under CAP by the Intervention Board and the Agriculture Departments
1998-99 Forecast



Public Expenditure (Tables 9.1 and 9.2)

2. Total United Kingdom expenditure in 1998/99 is forecast to decrease by some £28 million to £3,555 million compared with the previous year. Spending in the UK under the CAP is forecast to

decrease from £3,321 million in 1997-98 to £3,293 million. Chart 9.1 illustrates the expenditure breakdown by commodity sector, with more detail in Table 9.2.

3. The reduction occurs mainly in connection with BSE related expenditure as some schemes stabilise and others end. The costs of the Over Thirty Months and Selective Cull Schemes have diminished due to lower numbers of animals entering each scheme. Also intervention activity on beef is expected to be lower than in 1997/98. The increase on non-BSE related expenditure is mainly attributable to increased activity on intervention and export refunds in the Cereals Sector and higher rates of aid under the Sheep Annual Premium Scheme. Other significant factors contributing to increased expenditure relate to advance payments of Beef Special and Suckler Cow premium and the additional agrimonetary support provided to beef producers. In the early part of 1998/99 the continuing appreciation of sterling on the foreign exchanges led to a further revaluation of the £green, resulting in reduced support prices. In October however, sterling weakened appreciably and there were two devaluations of the £green, which increased support prices by around 3 per cent.

4. Expenditure on other schemes in the UK is estimated to be £261.8 million in 1998-99 compared with £262.3 million in 1997-98. This expenditure includes grants for conservation, exchequer funding of accompanying measures and assistance for agriculture in special areas.

**Intervention
stocks**
(Table 9.3)

5. Table 9.3 shows the level of opening and closing stocks and purchases into, and sales out of, intervention in the years 1994/95 to 1998/99. This indicates that stocks of barley, beef and skimmed milk powder in particular are forecast to increase during 1998/99.

TABLE 9.1 Public expenditure under the CAP and on national grants and subsidies

£ million

April/March (financial years)

	1994/95	1995/96	1996/97	1997/98	1998/99 (forecast)
I Market regulation and other agricultural support measures under the CAP					
A Expenditure funded via the Intervention Board					
(i) Expenditure by the Intervention Board (a):					
Cereals	67.8	12.2	49.0	34.6	157.9
Oilseeds	..	..	..	-	-
Sugar	126.5	115.6	104.7	111.2	153.6
Beef and veal (non-BSE)	-9.5	69.9	0.5	0.7	2.7
Beef and veal (BSE)	..	..	1,144.0	849.0	463.5
Sheepmeat	-3.2	-0.8	-	-	-
Pigmeat	2.5	2.1	1.4	0.5	1.5
Milk products	195.1	162.9	238.4	207.6	177.4
Processed goods	55.7	51.5	48.3	36.4	44.4
Other (b)	19.0	43.8	34.7	41.1	52.0
Sub-total	454.0	457.2	1,621.0	1,281.1	1,053.0
(ii) Expenditure by Agriculture and other Departments:					
Agricultural measures:					
Suckler Cow Premium Scheme (c)	169.9	199.3	278.2	284.3	344.6
Beef Special Premium Scheme (c)(d)	161.6	246.2	252.6	197.9	302.7
Beef deseasonalisation scheme (NI)	4.6	0.1	-	6.0	5.6
Annual Premium on Ewes	394.9	424.3	455.3	277.8	348.2
Payments to producers giving up some milk production (e)	9.8	-	-	-	-
Arable area payments scheme - cereals	549.5	818.9	850.8	855.0	780.6
- oilseeds	151.7	164.6	161.7	168.2	189.9
- linseed	26.1	28.6	24.4	49.4	46.2
- protein	80.0	74.7	66.3	58.3	72.1
- set-aside	199.7	200.8	157.0	90.8	90.7
Orchard Grubbing Scheme	2.6	7.7	-	-	0.9
UK National Honey Programme	..	..	..	..	0.5
School milk (Northern Ireland)	0.6	0.6	0.6	0.5	0.4
BSE emergency measures	..	..	178.0	9.9	1.8
Sub-total	1,751.0	2,165.8	2,424.9	1,998.1	2,184.2
Agri-environment and other measures:					
Environmentally Sensitive Areas	10.8	16.1	17.3	21.4	27.5
Nitrate Sensitive Areas	0.2	1.0	1.4	1.7	1.6
Pilot Beef and Sheep Extensification scheme	0.1	0.1	..	..	..
Organic farming	..	0.2	0.3	0.4	1.0
Countryside Stewardship	1.8	2.7	3.1	2.3	5.8
Tir Cymen	1.2	0.9	1.1	1.3	1.6
Moorland Scheme	..	..	0.1	0.2	0.5
Habitat Scheme	..	0.5	0.8	1.3	1.6
Countryside Premium Scheme	..	..	..	-	0.8
Farm woodlands and forestry	15.5	11.9	11.4	12.7	15.4
Other (unspecified saving)	..	..	..	..	-
Sub-total	29.6	33.4	35.5	41.3	55.8
Total	2,234.6	2,656.4	4,081.4	3,320.5	3,293.0

TABLE 9.1 Public expenditure under the CAP and on national grants and subsidies (continued)

£ million

April/March (financial years)

	1994/95	1995/96	1996/97	1997/98	1998/99 (forecast)
B UK expenditure by Agriculture and other Departments (f)					
Environmentally Sensitive Areas	11.3	20.3	21.0	27.1	30.4
Nitrate Sensitive Areas	1.5	2.6	2.7	3.0	3.4
Pilot Beef and Sheep Extensification Scheme	0.4	0.4	0.1	..	..
Organic farming	..	0.1	0.2	0.4	1.9
Countryside Stewardship	13.1	13.6	8.7	13.3	18.2
Tir Cymen	2.9	3.5	5.4	5.6	6.6
Moorland Scheme	..	0.0	0.1	0.2	0.3
Habitat Scheme	..	0.5	0.7	1.2	1.3
Countryside Access/Set-Aside Access Schemes	..	..	..	..	0.8
Farm woodlands and forestry	25.3	36.0	32.9	40.3	50.8
Optional set-aside (5 and 1 year schemes) (g)	15.1	7.1	3.5	0.1	..
Total	69.6	84.1	75.3	91.0	113.6
TOTAL (A+B)	2,304.2	2,740.5	4,156.7	3,411.5	3,406.6
II Price guarantees (national)					
Potatoes (h)	..	..	..	..	..
Wool (i)	0.1	..	..	..	..
Total	0.1	-	-	-	-
III Support for conservation and other improvements					
Farm Diversification :					
Capital Grants	0.2	0.1	..	..	0.2
Marketing and Feasibility grants	0.1	..	..	..	..
Farm and Conservation Grant Scheme (EC) (j)	6.8	6.0	3.7	2.9	3.5
Agricultural Improvement Scheme (EC) (j)	1.3	0.8	0.3	..	0.1
Agricultural and Horticulture Development Scheme (j) (k)	0.7	0.1	..	..	..
Farm structures	0.2	0.1	0.2	..	0.1
Agriculture Improvement Scheme (National) (j)	..	..	..	..	..
NIADP and NIADOP (j) (m)	34.4	18.9	10.8	15.1	4.1
Public Access to ESAs	-	-	-	-	-
Rural Development Programme	..	1.1	1.7	3.2	7.7
Farm and Conservation Grant Scheme (National) (j)	29.1	14.0	9.3	0.8	0.6
Guidance Premiums	-	-	-	-	-
Farm accounts	-	..	..	-	-
Others (n)	..	..	..	..	..
Total	72.8	41.1	26.0	22.0	16.3
IV Support for agriculture in special areas					
Hill Livestock Compensatory Allowances :					
cattle	57.8	52.3	81.4	90.7	73.6
sheep	59.1	49.6	39.8	43.8	40.4
Additional benefit under AHDS, NIADP and NIADOP, AHGS, AIS (EC), AIS (Nat), FCGS (EC), FCGS (Nat)	7.4	3.0	3.1	1.1	1.0
Others (o)	3.9	6.7	8.6	8.8	13.5
Total	128.2	111.6	132.8	145.4	128.5

TABLE 9.1 Public expenditure under the CAP and on national grants and subsidies (continued)

£ million

April/March (financial years)

	1994/95	1995/96	1996/97	1997/98	1998/99 (forecast)
V Other payments					
Milk outgoers scheme (j)	0.4	-	-	-	-
Storm Damage 1987	-	-	-	-	-
Sheep compensation scheme 1986 (j)	0.8	0.7	0.6	0.8	0.8
Cooperation grants	0.5	..	..	..	..
Crofting building grants and loans (net)	4.0	2.3	1.4	3.0	2.6
Others (p)	0.5	0.6	0.1	0.1	-
Total	6.2	3.6	2.2	3.9	3.4
Total I to V (q)	2,511.5	2,896.8	4,317.7	3,582.8	3,554.8

- (a) The figures are net of receipts treated as negative expenditure. Receipts from levies on the production and storage of sugar and isoglucose and on third country exports, which are regarded as Community Own Resources, are excluded.
- (b) Includes eggs, poultrymeat, fruit and vegetables, hops, herbage seeds, dried fodder, peas and beans (to 1993/94), fisheries and flax. Also includes expenditure on products covered by the CAP but not produced to any significant extent in the United Kingdom (olive oil, rice, wine, grape must and hemp).
- (c) Extensification schemes are included from 1994-95.
- (d) Figures for years prior to 1993/94 are for Northern Ireland only, with the corresponding payments for Great Britain being made by the Intervention Board and included in beef and veal expenditure in section (i). As from 1993/94 the figures are for UK payments.
- (e) Compensation payments paid by the Intervention Board from 1994/95; includes SLOM Compensation payments from 1994/95 onwards.
- (f) Expenditure prior to 1993/94 is the total spend, thereafter the EC contribution is shown in section A (ii). In all cases the EC contribution is included in the figures shown at footnote (q).
- (g) Special arrangements apply for the EC funding of these schemes which is 60% for the 5-year scheme and 100% for the 1-year scheme (paid in 1992/93). The EC contribution towards the total expenditure shown is included in the figures at footnote (q).
- (h) Payments relate solely to the 1992/93 crop year.
- (i) Payments in respect of wool relate partly to clip of the year indicated and partly to the clip in the preceding year or years. For 1994-95 the outturn was for payments for the residue of the 1992 clip.
- (j) Farmers in special areas are also eligible for additional assistance. The estimated benefit is shown separately in Section IV of the table.
- (k) Includes the Farm and Horticulture Development Scheme.
- (l) Includes the Farm and Horticulture Capital Grant Scheme.
- (m) Except for the Northern Ireland Agricultural Development Programme (NIADP), the Northern Ireland Agricultural Development Operational Programme (NIADOP), the Milk Outgoers, Woodland Grant and Sheep Compensation schemes expenditure from Northern Ireland block is excluded.
- (n) Includes loan guarantees, grants for agricultural drainage in Scotland and farm structure loans.
- (o) Includes the Rural Enterprise programme, the Highlands and Islands Agricultural Programme, the Rural Development Programme, the Agricultural Development Programme for the Scottish Islands and grants for crofting.
- (p) Includes producer organisations, forage groups and Shetland wool producers.
- (q) Most expenditure under the CAP and some expenditure on other schemes is reimbursed by the EC. EC receipts, set out in the table below, do not always relate to expenditure in the year in which they are received. CAP expenditure is normally reimbursed two months in arrears. Reimbursement of spending on structural measures (Section III) is normally a year in arrears.

	1994/95	1995/96	1996/97	1997/98	1998/99 (forecast)
£ million	2,478.2	2,668.3	3,201.2	2,957.8	2,943.2

TABLE 9.2 Public expenditure under the CAP by the Intervention Board and Agriculture and other Departments - major commodities

£ million	April/March (financial years)				
	1994/95	1995/96	1996/97	1997/98	1998/99 (forecast)
Cereals					
Intervention purchases/sales	-91.5	-51.8	0.9	4.0	91.9
Intervention storage costs	18.6	13.6	3.7	4.1	18.6
Export refunds	128.7	39.3	41.2	23.7	42.7
Internal market measures	12.1	11.1	3.2	2.8	4.7
Co-responsibility/additional levy	-0.1	-	-	-	-
Total cereals	67.8	12.2	49.0	34.6	157.9
Oilseeds					
Export refunds	-	-	-	-	-
Internal market measures	-	-	-	-	-
Total oilseeds	-	-	-	-	-
Sugar					
Export refunds	73.8	71.3	58.0	61.4	103.4
Internal market measures	52.8	44.3	46.7	49.8	50.2
Total sugar	126.6	115.6	104.7	111.2	153.6
Beef and veal (non-BSE)					
Intervention purchases/sales	-100.3	-26.7	-	-	-
Intervention storage costs	7.9	2.2	-	-	-
Internal market measures	0.7	0.7	0.5	0.7	2.7
Export refunds	82.2	93.9	-	-	-
Suckler cow premium	169.9	199.3	278.2	284.3	344.6
Special premium	161.6	246.2	252.6	197.9	302.7
Deseasonalisation premium	4.6	0.1	-	6.0	5.6
Total beef and veal (non-BSE)	326.6	515.7	531.3	488.9	655.6
Beef and veal (BSE)					
Intervention purchases/sales	..	..	135.9	130.4	0.6
Intervention storage costs	..	..	33.8	52.8	30.6
Export refunds	..	..	-0.3	-1.7	-1.2
Over thirty month scheme purchases	..	..	669.8	287.9	245.5
OTMS slaughter, disposal costs etc.	..	..	187.6	196.0	118.4
Clean beef top up	..	..	4.2	-	-
Calf processing aid scheme	..	..	51.4	53.3	48.8
Beef stocks transfer scheme	..	..	50.9	4.5	0.2
Beef and beef products (disposal service)	..	..	0.9	1.5	-
Animal feed disposal service	..	..	0.3	0.4	-
Selective cull	..	..	-	114.8	16.5
Suckler cow compensation	..	..	77.3	6.9	0.3
Special premium compensation	..	..	42.6	-6.6	-
Beef marketing payment scheme	..	..	58.2	0.1	-
Veal marketing payment scheme	..	..	-	-	-
Meat & Livestock Commission promotion	..	..	-	2.5	-
Other measures	..	..	9.4	16.2	5.5
Total beef and veal (BSE)	..	..	1,322.0	859.0	465.2
Sheepmeat					
Internal market measures	391.7	423.5	455.3	277.8	348.2
Pigmeat					
Internal market measures	-	0.2	0.3	-	0.3
Export refunds	2.5	1.9	1.1	0.5	1.2
Total pigmeat	2.5	2.1	1.4	0.5	1.5

TABLE 9.2 Public expenditure under the CAP by the Intervention Board and Agriculture and other Departments - major commodities (continued)

£ million

April/March (financial years)

	1994/95	1995/96	1996/97	1997/98	1998/99 (forecast)
Milk products					
Intervention purchases/sales	-11.2	-1.6	59.9	21.8	36.2
Intervention storage costs	0.6	0.2	0.6	1.2	2.3
Export refunds	110.6	94.4	97.6	132.3	116.7
Internal market measures	91	87.9	75.5	67.5	54.8
Co-responsibility/Supplementary levy	-21.5	-43.6	-47.9	-15.1	-32.1
Payments to those giving up milk production (a)	35.9	26.2	53.3	0.4	-
Total milk products	205.4	163.5	239.0	208.1	177.9
Processed goods					
Export refunds	55.7	51.5	46.4	36.0	43.2
Arable area payments scheme					
Internal market measures	1,007.0	1,287.6	1,260.2	1,221.7	1,179.5
Others					
Export refunds	3.5	2.7	2.6	7.8	17.5
Internal market measures	51.8	82.6	70.8	77.6	94.4
Miscellaneous	-4.1	-0.5	-1.3	-2.7	-1.5
Total others	51.2	84.8	72.1	82.7	110.4
Total	2,234.6	2,656.4	4,081.4	3,320.5	3,293.0

(a) Some paid by the Intervention Board from 1994/95.

TABLE 9.3 Commodity intervention in the United Kingdom

'000 tonnes

Commodity	1994/95			1995/96				1996/97			1997/98			1998/99 (forecast)		
	Closing/ opening stock (a)	Pur- chases	Sales	Closing/ opening stock (a)	Pur- chases	Sales	Closing/ opening stock(a)	Pur- chases	Sales	Closing/ opening stock (a)	Pur- chases	Sales	Closing/ opening stock (a)	Pur- chases	Sales	Closing stock (a)
Wheat: feed	292	-	291	1	-	1	-	-	-	-	-	-	-	-	-	-
bread	3	1	4	-	-	-	-	-	-	-	-	-	-	-	-	-
Barley	1,286	13	814	485	1	486	-	11	-	11	525	-	535	993	600	928
Rye	-	-	-	-	-	-	-	1	-	1	-	1	-	-	-	-
Beef: boneless	89	-	75	14	-	9	5	59	5	59	47	7	99	26	20	105
bone in	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Butter	6	1	6	1	-	-	1	5	1	5	-	3	2	2	2	2
Skimmed milk powder	6	-	5	1	-	1	-	29	-	29	25	-	53	33	6	80

(a) These figures may not always equate to (closing stock = opening stock + purchases - sales) because of end of year stock adjustments arising from unfulfilled sales contracts etc, and because each figure is rounded.

CHANGES TO THE METHODOLOGY AND PRESENTATION OF THE AGGREGATE ACCOUNTS FOR THE AGRICULTURAL INDUSTRY

RATIONALE FOR CHANGE

1 Framework of The Aggregate Accounts

1.1 Satellite to the National Accounts

The aggregate agricultural accounts are satellite to the national accounts. There are benefits in comparability and in using common definitions. National accounts principles are the product of many years of development and are very well documented.

1.2 New Methodologies for National Accounts

National accounts for all Member States (MSts) across the European Union are being updated to new methodologies laid down in the European System of National Accounts 1995, known as ESA95. This, in turn, is based on the System of National Accounts 1993 – an internationally agreed approach to the construction and presentation of national accounts. The UK moved onto the new basis of national accounts with the 1998 Blue Book published by the Office for National Statistics (ONS). Other MSts are at varying stages in their conversions.

1.3 Agricultural Accounts across the European Union

Aggregate agricultural accounts are constructed for all Member States. A common methodology was agreed in 1997 (Manual on Economic Accounts for Agriculture and Forestry produced by Eurostat - EAA97) for this purpose based on ESA95, but with some deviations. In particular the definition of the agricultural industry does not conform exactly to the national account's definition.

1.4 The UK Aggregate Agricultural Account

The UK agricultural account, presented in AUK, conforms to the principles underlying the agreed methodology for the EU agricultural account. There are differences in presentation but not in the underlying methodology.

2 Other Methodological Improvements

The national accounts driven changes provided an impetus to investigate other elements of the methodology. A number of improvements have been made to reflect the changing nature of the agricultural industry, the majority of which have been achieved through greater use of the Farm Business Survey (an annual survey of farm level accounts).

3 Main Benefits in the Changes

- terminology and key aggregates are more consistent with national accounts;
- it gives a more complete economic picture of the agricultural industry;
- inclusion of the value of gross (as opposed to net) capital formation in livestock in output;
- inclusion of costs of specialist agricultural contractors;
- inclusion of inseparable non-agricultural activities.

DETAILS OF THE CHANGES

4 New definition of the agricultural industry

The agricultural industry is defined as the collection of local units that carry out agricultural activities including both farms and specialist agricultural contractors. It includes any inseparable non-agricultural activities that these units carry out. Agricultural activities are defined as those under division 01 of NACE rev. 1 except for agricultural service activities other than contract work. This excludes services relating to design planting and maintenance of gardens, parks and green areas for sports facilities and the like, and tree pruning and hedge trimming. Units producing solely for own consumption are also excluded. Therefore produce from gardens and allotments and from hedgerows is excluded.

This differs in several respects from the previous “national farm” concept. Transaction between farms and inseparable non-agricultural activities are included. Produce from gardens and allotments and from hedgerows are excluded.

The national accounts uses the concept of the agricultural sector. This is defined as only those local units where agricultural output is the primary output and where agricultural activities are defined under the complete division 01 of NACE rev. 1. This excludes agricultural activities where they are secondary to some other activity but includes landscape gardening (see above) and gardens & allotments and hedgerow fruit & nuts.

5 Changes Arising from the New Definition

5.1 Inseparable non-agricultural activities

The agricultural industry includes non-agricultural activities where they are inseparable. In most cases inseparability arises because some or all of the input costs are inseparable. Two main types of inseparable activity can be distinguished:

- activities which represent a continuation of agricultural activity on farm and which use agricultural products e.g. processing of milk into cheese, washing and bagging of potatoes.

- activities involving the agricultural holding and its means of agricultural production (equipment, installations, buildings, workforce) - tourism, sports and rural recreation, landscaping services, fish farming.

For the former, most of the activities involving a continuation of the production process on farm are already included in the account because data collection is aimed at transactions between farmers and purchasers. However, milk products processed on farm into cheese or butter have only previously been valued at a notional cost of production.

For the latter, the Farm Business Survey is used to provide estimates for activities included within business level accounts. These cover house, cottage and other rents, sundry woodland sales, recreation and other miscellaneous revenue.

5.2 Transactions within the Agricultural Industry

In principle, all transactions between farms are included as well as some within farm transactions. The latter are included where the farm is considered, in theory, to be comprised of more than one local unit, because it is carrying out diverse agricultural activities (activities in different 4 digit NACE rev. 1 categories). However, the inclusion of these transactions has no effect on gross value added, net value added or income measures since outputs and inputs are increased equally. Where there is insufficient information on price to make reasonable estimates, these transactions are ignored.

The main transactions within the agricultural industry are feed wheat, feed barley, straw, contract work and leasing of milk quota. The value of production of farm saved seed is included for potatoes but not for wheat or barley, for which the complication would arise as to in which calendar year the seed is used. There is not sufficient trade between farms to warrant inclusion of hay, silage, forage maize or minor feed crops.

Trade in unfinished livestock between farms is excluded from the account. These are considered to be unfinished products (until ready for slaughter) and therefore transactions are treated as stock changes and not purchases.

6 Changes towards harmonisation with national accounts

6.1 Capital Formation and Capital Consumption in Livestock

Capital formation in livestock is the production of livestock which will serve as fixed assets. This includes the production of dairy cows and breeding animals but excludes the production of animals reared solely for slaughter. As these animals are used their value declines and eventually they are withdrawn from productive use. This decline in value, loosely called depreciation, is indicative of capital consumption in livestock.

Previously this aspect of production was included in the account under “own account capital formation” - referred to as own account because the capital assets are produced within the industry. It was an approximation to net capital formation in livestock (capital formation less capital consumption) and was calculated as the change in the

numbers of these animals valued at an average price. Unfortunately this meant that the capital consumption was wrongly included within outputs.

A new approach has been introduced which allows the separate calculation of both the capital formation and the capital consumption, whilst the net effect is not greatly changed.

The new approach involves estimating the number of entries and withdrawals and the entry and withdrawal prices. An adjustment is made for work-in-progress in the same way as is done for animals reared solely for slaughter. Capital formation is the value of entries less the value of withdrawals plus the adjustment for work in progress. For simplicity it is assumed that all depreciation takes place at the point that the animal is withdrawn from use. Therefore, capital consumption is estimated as the number of withdrawals times the entry price less the withdrawal price. Allowance is made for exports and for mortality.

6.2 Subsidies on an accruals basis

The aggregate account is now compiled on an accruals basis, i.e. values are attributed to the date at which payment became due, instead of on an “as paid” basis as previously. Only oilseed rape, annual ewe premium and the special aid payments are significantly affected. Special aid packages are treated as due at the time when the government made the initial commitment to pay, even if they are eventually paid to farmers through existing subsidy payment mechanisms at a later date.

6.3 Calculation of work-in-progress

Work-in-progress or unfinished production is now valued at an average year price instead of an end year price. The conventional approach to estimating value of production, by adjusting the value of sales for the change in work-in-progress, is retained. An average year price is more appropriate because the work has taken place over the year as a whole and production should be valued at the prices prevailing at the time of production.

7 Other Methodological Improvements

7.1 Cost of Fertilisers and Pesticides

The cost to farmers of fertilisers and pesticides is now estimated from the Farm Business Survey. A forecast is made for the latest year, which is updated the following year when survey estimates become available.

For both fertilisers and pesticides this has led to an increase in the estimated cost to farmers. The previous methodologies were based on various data sources including industry turnover. The new approach has the advantage that it targets farmers directly

and, because most other costs are also derived from the Farm Business Survey, the risk of double or undercounting is reduced.

7.2 Inclusion of Specialist Agricultural Contractors

Specialist agricultural contractors are treated as part of the agricultural industry because they carry out agricultural activity. By separately identifying their activity it has become apparent that not all their costs were previously taken into account. This has now been rectified.

7.3 Cost of Paid Labour

Changes have been made to simplify the calculation and improve the split of labour into paid and entrepreneurial. It is no longer possible to provide separate estimates for the national insurance contributions and other associated costs.

The Farm Business Survey is used to provide estimates of both the numbers of workers and the costs of employing workers. Because it is a sample survey and subject to sampling errors, estimates of the total numbers of workers fluctuate from year to year. These fluctuations are removed by constraining the total number of workers to corresponding estimates from the June Agricultural and Horticultural Census. The Farm Business Survey is used as the basis for deciding whether a worker has an entrepreneurial interest in the business. The survey uses the definitions of “wholly or mainly unpaid labour” and “paid labour (including wholly paid family labour)” to decide whether a worker has an entrepreneurial interest in the business.

PRESENTATIONAL CHANGES

8.1 Changes in Terminology

In many places national account’s terminology has been introduced to facilitate comparisons across countries and other sectors of the economy – changes are described in the table.

New Term	Former Term	Changes in Definition/New definition
Capital formation in livestock	Own account capital formation	Excludes depreciation of livestock.
Gross output at basic prices	Gross output	Excludes Other Subsidies (eg agri-environmental subsidies and set-aside); includes inseparable non-agricultural activities and transactions within the agricultural industry.
Basic prices		Market prices plus subsidies (less taxes) on product.

New Term	Former Term	Changes in Definition/New definition
Subsidies (less taxes) on product		Subsidies on products are shown in detail in table 6.7; includes over thirty month scheme and calf processing aid scheme payments; all subsidies recorded on an as due basis.
Intermediate consumption	Inputs/gross input	Includes transactions within the agricultural industry.
Gross value added (at basic prices)	Gross product	Excludes other subsidies; includes inseparable non-agricultural activities.
Net value added	Net Product	Net value added (at basic prices) excludes other subsidies; includes inseparable non-agricultural activities.
Other Subsidies	Other direct receipts	A list of subsidies not related to specific products is shown in table 6.7; excludes subsidies relating to capital assets; excludes over thirty month scheme and calf processing aid scheme payments.
Net value added at factor cost	Net product	Includes other subsidy payments.
Consumption of fixed capital	Depreciation	Includes depreciation of livestock.
Compensation of employees	Total hired labour	No changes

8.2 Changes to the Tables

Table 6.1 – the Current account

A new layout has been adopted which conforms more closely to the standard layouts and terminology in the national accounts. In national accounts terms this table represents the production account, the generation of income account and the entrepreneurial income account. The layout of the table allows these accounts to follow sequentially. It will facilitate comparisons across countries and other sectors of the economy.

Work-in-progress and changes in stocks are now included within the value of production of the associated commodity. These items are not shown separately in the account although they can be found in the commodity tables in chapter 5. Similarly, changes in input stocks are not shown separately.

Subsidies are split into two groups:

- Those which are correlated to the production of specific products are called *subsidies on product* and treated as part of the basic prices which farmers receive. These are thereby included in output.

- The remainder, such as set-aside and environmental subsidies, are not part of output. Net value added at factor cost is retained as a key aggregate which includes both groups of subsidies.

The “farming income” aggregate has been dropped because it is no longer possible to make reliable estimates and because it does not form part of the national accounts framework. In addition it has long been recognised that the farming income statistic has suffered significantly from the unrealistic assumption that all of the return on capital accrues to principal farmers and their spouses and that all others with an entrepreneurial interest are paid a flat rate, with all the annual variation in income being allocated to principal farmers and their spouses. The effect of this can be seen in the chart where Total Income From Farming (top line) is split into Farming Income to principal farmers and their spouses (middle line) and income to other partners, directors and family workers (bottom line)

TIFF, Farming income and notional income of family workers, other partners and directors - at current prices

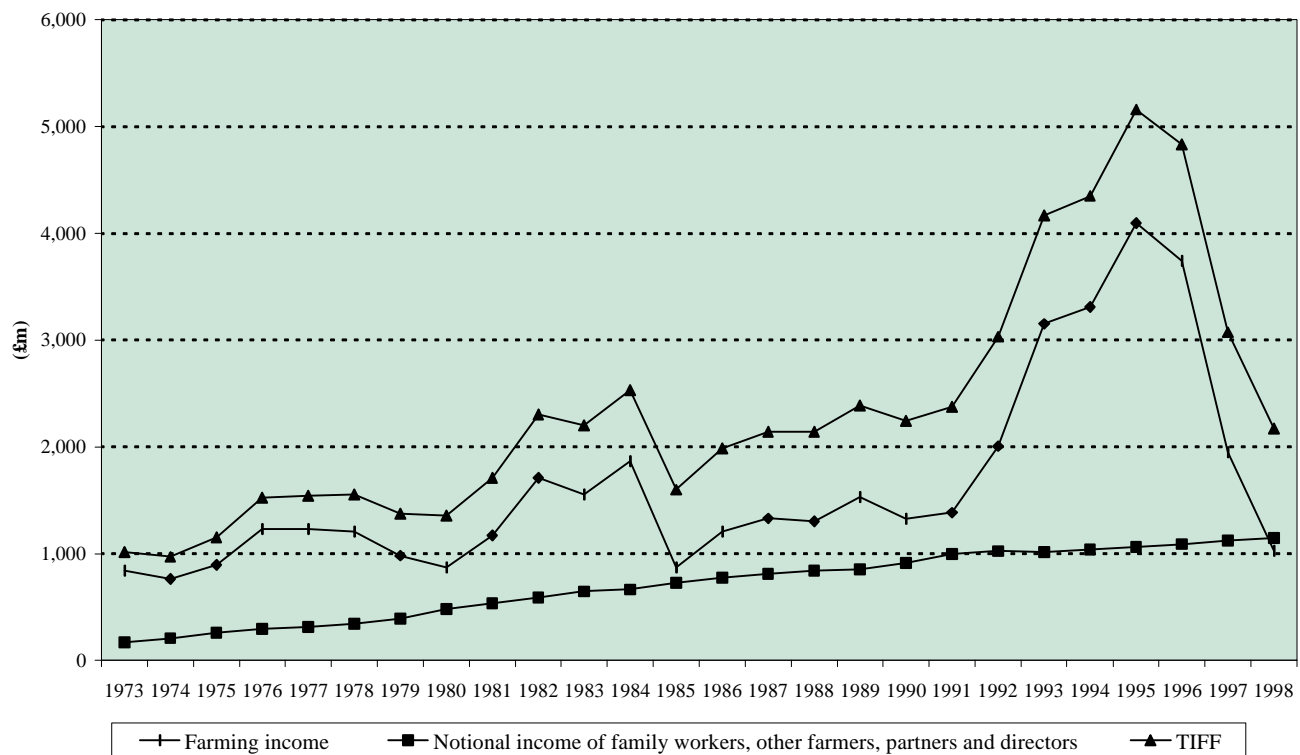


Table 6.2 – Volume indices

Volume indices have replaced the constant price account because they are a more natural way of showing changes in volume over time. A constant price account can be constructed from the volume indices, if required, by re-scaling each index so that the value in a chosen year agrees with that in the current account. It should be noted

that a constant price account constructed in this way will not be additive apart from in the reference year.

For aggregate items Laspeyres volume indices are constructed, re-based each year and chain-linked. This methodology uses up to date values in the construction of volume indices for aggregate items and reduces problems associated with new items for which there is no price or value in the base year. The volume indices form the basis of the productivity measures.

It is not conceptually possible to construct a volume for the *Other Subsidies* for which there is no related product. The table therefore stops at Net Value Added.

Table 6.4 – Productivity measures

The productivity measures have been affected by the change in definition of the industry's gross output. Gross output now includes transactions within the industry and gross capital formation in livestock but not consumption of fixed capital in livestock. The productivity measures are intended to show how the industry has performed overall and are not concerned with internal transactions. All three series shown in the table have been modified to return them, more or less, to their old meanings.

Final Output, defined as output leaving the industry, is used as the basis of the first and third measures. This is close to the previous definition of gross output from the national farm but includes inseparable non-agricultural activities. The labour productivity series is now based on net value added, as opposed to gross value added (net value added is gross value added less consumption of fixed capital). This change means that capital formation in livestock is included on a net rather than a gross basis in keeping with the previous methodology. The changes in the methodology for costs of labour have complicated the calculation of the total factor productivity measure. It has only been possible to include paid labour as part of the inputs consumed by the industry.

Table 6.7 – Subsidies

Direct subsidy payments are shown as before but the layout of the table has been changed to show which subsidies are designated *subsidies on product* and which are designated as *other subsidies*. Subsidies on product contribute to the industry's output. Both categories of subsidy contribute to the industry's net value added at factor cost.

Table 6.9 – Stock appreciation

Full details of stock appreciation are now included. Stock appreciation is the change in the value of stocks, of both finished and unfinished products, due to changes in price between one calendar year and the next. Stock appreciation does not contribute to income measures but is significant for farmers because of large fluctuations in prices of outputs.

If you find the information in ‘Agriculture in the United Kingdom’ useful, you should be aware of these companion volumes:

Also available from the Stationery Office:

The Digest of Agricultural Census Statistics UK 1997

The Digest of Agricultural Census Statistics UK brings together the main results of the Annual Agricultural and Horticultural Censuses which are held each June in England, Scotland, Wales and Northern Ireland. At country levels historical data is also shown for 10 years ago and each of the last five years, along with graphs to illustrate trends. In addition there are tables to illustrate the size patterns of main holdings in each country. County and regional data is available for all items of significance from MAFF Statistics Publications Section on 01904 455332.

The 1997 edition was published by The Stationery Office in October 1998.

It is also available on the World Wide Web at www.maff.gov.uk under ‘Statistics’.

Other publications:

Farm Incomes in the United Kingdom 1997/98

‘Farm Incomes in the United Kingdom 1997/98’ provides an authoritative and detailed source of information on the incomes and financial structure of the agricultural industry in each of the four countries of the United Kingdom.

The fourteenth volume, in an annual series, gives detailed analyses of farm incomes (including some information on off-farm incomes), assets and liabilities and aggregate incomes for the agricultural industry for each of the four countries of the United Kingdom. Detailed farm accounts data, based on the Farm Business Survey (Farm Accounts Scheme in Scotland) are shown by farm type, business size and tenure. In addition, it contains estimates of the gross margins for a range of crop and livestock enterprises in England and Wales. In most tables the years covered are 1997 and 1998. The publication will only be available on the MAFF Web site [at www.maff.gov.uk/esg/pubs] in mid-March 1999. Other enquiries about this World Wide Web publication should be directed to:

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Other information is available, including a list of published MAFF Statistics for the coming year, on the World Wide Web at www.maff.gov.uk and via ‘faxback’. Using your fax machine, dial 0870 444 0200 for commodity statistics and 0870 444 0201 for farming statistics and follow the voice instructions. Although our statistics notices continue to be free, you will incur a charge of 50p per minute for the telephone call. Typically, a single sided document will take about one minute to transmit, with any subsequent sheets about 45 seconds each.

AGRICULTURE IN THE UNITED KINGDOM 1998

Agriculture in the United Kingdom 1998 is the eleventh in a series which succeeds the *Annual Review of Agriculture* White Paper. It provides, in an accessible format, information on the economic conditions of the United Kingdom Agriculture industry. The Government will draw on this information when considering policy issues, including proposals by the European Commission for agricultural support in 1999/2000.