

Agriculture in the United Kingdom 1997

Produced by:
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Cover photograph: Tractor cultivator: view of tractor and trailed cultivator in operation on seed bed

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Preface

1. *Agriculture in the United Kingdom 1997* 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 1998/99.

2. The tables in this edition are similar to those in *Agriculture in the United Kingdom 1996*, 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. A guide to the content and structure of the commodity tables is provided in the introduction to Section 5.

Statistical tables - general note

3. Most of the data are on a calendar year basis. The figures for 1997 are provisional; they reflect the position as seen in January 1998 when information for 1997 was still incomplete and an element of forecasting was therefore required. The figures in the tables in sections 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 Community 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'.

1 Summary of the year

Summary of the year

1. The major farming issue in 1997 continued to be Bovine Spongiform Encephalopathy (BSE). Progress was made towards meeting the preconditions of the “Florence Agreement” - the framework for the lifting of the ban on exports of bovine products from the UK. By the end of 1997, over half the animals targeted under the selective slaughter programme had been slaughtered. In addition, work on the Cattle Traceability System, which provides for the identification and movement recording of live cattle, was nearing completion. In order to progress the lifting of the export ban, proposals for an Export Certified Herd Scheme and UK Date Based Export Scheme were submitted to the Commission. In December, following deferral of implementation of the EU Decision on Specified Risk Material (SRM), the Government extended its existing controls to reflect those in the Decision and apply them to imports. Legislation was passed accordingly. On 3 December, following advice from the Spongiform Encephalopathy Advisory Committee (SEAC), the Government announced that the deboning of beef would be required before it was sold to the consumer.
2. In order to assist the beef sector, additional payments of £49 million were made to suckler cow producers along with £29 million to beef finishers. On 22 December the Government announced a further one-off package of aid for the livestock sector amounting to £85 million.
3. The Government broadly welcomed the Commission’s proposals for reform of the Common Agricultural Policy (CAP) as put forward within the Agenda 2000 package published on 16 July. The Commission proposed, *inter alia*, compensated cuts in cereals, beef and dairy support prices, along with bringing together existing agri-environmental and forestry payments with structural measures such as Hill Livestock Compensatory Allowances (HLCAs) and farm capital grants, as the basis of a single rural policy financed within the Agricultural Guideline.
4. This package was discussed intensively within the Agriculture Council which, in November, gave broad endorsement of the need for reform. The Luxembourg European Council subsequently called upon the Commission to bring forward early legislative proposals.
5. The Government has continued to be active in encouraging the development of alternative crops. In England, the Alternative Crops Unit have been involved in two conferences and a number of presentations along with participating in the Government’s review of energy regeneration from renewable resources.

6. The Government has continued its commitment to encourage environmentally sensitive farming. In its response to the House of Commons Agriculture Committee the Government said that it would work with conservation and farming organisations to improve the efficiency and targeting of agri-environment schemes. Other environmental initiatives are outlined in Section 3.

7. In June, Member States reached agreement on the Treaty of Amsterdam on terms which achieved many UK objectives, in particular the addition of a treaty protocol on animal welfare which will recognise animals as sentient beings. A further significant step forward was made with the implementation in Great Britain from 1 July 1997 of the new EU rules on the welfare of animals in transit. The Government continued to press for higher standards for livestock vehicles used on long journeys and announced an overhaul of procedures concerned with checking the welfare of live animals for export.

8. The early stages of the 1996/97 winter saw brief but heavy snowfalls in some upland areas of northern Britain followed by some generally lighter snowfalls in southern areas. Milder weather followed and continued into February, interspersed with wetter unsettled spells which brought gales to the north and west. The early spring was warm and dry in many areas, leading to good progress with fieldwork on grassland and arable ground and helping to lift lambing rates above the previous year. Cold weather returned in early May, with sharp night frosts which led to some cases of severe frost damage on top fruit. In the late spring, continuation of dry weather in the south and east led to some signs of crop drought stress at a very early stage. June, however, was a very wet month, slowing down cattle and lamb growth rates at pasture and leading to disease concerns in arable crops, including potato blight. Outbreaks of heavy rain in July and August led to lodging in some cereal crops and impeded progress with harvest. Compared to the previous year, the grain harvest of 1997 was noted for lower yields and poorer grain quality. By contrast, it was generally a good year for grass production and many farms entered the winter with adequate forage stocks. Spells of wet weather in October and November brought some interruptions to autumn fieldwork and harvesting of sugar beet.

9. The provisional estimates of output, productivity and income of UK agriculture in 1997 show the following comparisons with 1996:

- *Total Income From Farming*, representing the income from agriculture to farmers, partners, directors, spouses and family workers, is provisionally estimated to have fallen by 35 per cent at current prices (37 per cent in real terms). The provisional figure for *farming income*, which covers only farmers and their spouses, has fallen by 45 per cent at current prices;
- The value of the output of all commodities fell by £1.9 billion or 11 per cent, mainly due to lower prices received by farmers for all the main commodities. The relative strength of sterling compared to 1996 was a major factor underlying the fall in prices. The total value of subsidies

paid, which is included in the value of output, fell by £322 million or 10 per cent;

- The value of output of *cereals* fell by £476 million or 15 per cent due mainly to lower prices;
- The value of output of *potatoes* reduced by £197 million or 36 per cent, following a 44 per cent drop in the previous year. Prices were the lowest since 1985;
- The value of output of *horticulture* products was 5 per cent or £105 million lower due to lower prices for vegetables and a poor fruit harvest;
- The value of *beef* production, including subsidies on production but excluding payments for cattle destroyed and calves slaughtered for non-food use, was 6 per cent or £111 million lower due mainly to lower prices. In addition payments for cattle destroyed and calves slaughtered for non-food use were £122 million lower;
- The value of production of *sheep and lambs* was 21 per cent or £299 million lower due to fewer marketings, lower prices and lower subsidy payments;
- With *pig* production 9 per cent higher but prices 20 per cent lower, the value of output was 13 per cent or £174 million lower;
- The value of *milk* production was 10 per cent or £335 million lower, due to reductions in the prices received by farmers;
- Input costs were 4 per cent or £335 million lower due mainly to lower feed prices;
- The industry's Gross Product was 17 per cent lower with a reduction in the value of outputs outweighing by far the reduction in the cost of inputs;
- The industry's interest payments were 12 per cent higher and the total cost of hired labour was 5 per cent higher.

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

10. 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.

TABLE 1.1 Agriculture and food in the national economy

Calendar years

	Average of 1986-88	1993	1994	1995	1996	1997 (provisional)
Agriculture's contribution to Gross Domestic product (a)						
at current prices (£ million)	5,540	8,067	8,188	9,209	9,148	7,563
at constant 1995 prices (£ million)	8,434	9,343	9,307	9,209	9,318	9,523
% of national GDP (current prices)	1.5	1.5	1.4	1.5	1.4	1.1
Workforce in agriculture						
('000 persons)	597	547	539	535	531	531
% of total workforce in employment	2.4	2.2	2.1	2.1	2.0	2.0
Gross fixed capital formation in agriculture						
at current prices (£ million)	1,193	1,651	1,893	1,981	2,048	..
at constant 1995 prices (£ million)	1,582	1,789	1,997	1,981	1,957	..
% of national GFCF (current prices)	1.5	1.8	1.9	1.8	1.8	..
Imports of food, feed and drink						
(£ million) (b) (c)	10,316	14,024	14,767	16,257	17,409	16,936
of which: food, feed and non alcoholic drinks	9,270	12,418	13,037	14,426	15,319	14,696
alcoholic drinks	1,046	1,607	1,730	1,831	2,090	2,240
Volume index (1995=100)	79.6	90.8	95.9	100.0	109.3	112.6
Unit value (price) index (1995=100)	72.7	90.2	91.8	100.0	102.4	94.6
% of total UK imports	10.9	10.3	9.9	9.7	9.5	9.2
Exports of food, feed and drink						
(£ million) (b) (c)	5,038	8,238	8,977	9,975	9,864	9,850
of which: food, feed and non alcoholic drinks	3,623	5,702	6,235	7,118	6,886	6,728
alcoholic drinks	1,415	2,537	2,742	2,857	2,978	3,122
Volume index (1995=100)	69.0	83.1	94.5	100.0	100.1	102.7
Unit value (price) index (1995=100)	68.1	95.5	93.7	100.0	102.9	97.0
% of total UK exports	6.5	6.8	6.7	6.5	5.9	5.8
UK self-sufficiency in food and feed as a % of:						
all food and feed	55.7	57.3	58.3	58.4	54.3	52.9
indigenous type food and feed	71.9	72.4	74.7	75.1	70.2	68.8
Consumers' expenditure on household food and alcoholic drinks at current prices (£ million)						
of which: household food	51,990	70,543	72,715	75,059	80,263	82,500
alcoholic drinks	34,489	46,234	47,099	48,983	52,257	53,000
at constant 1990 prices (£ million)	17,501	24,309	25,616	26,076	28,006	29,500
of which: household food	61,862	62,445	63,722	63,406	65,641	66,800
alcoholic drinks	40,591	42,801	43,458	43,581	45,086	46,100
% of total consumers' expenditure	21,271	19,644	20,264	19,825	20,555	20,800
of which: household food	19.3	17.4	17.0	16.8	16.9	16.3
alcoholic drinks	12.8	11.4	11.0	11.0	11.0	10.5
	6.5	6.0	6.0	5.8	5.9	5.8
Retail price indices (1995=100)						
food	73.9	95.3	96.3	100.0	103.2	103.4
alcoholic drinks	62.1	94.1	96.4	100.0	102.9	105.8
all items	68.5	94.4	96.6	100.0	102.4	105.6

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

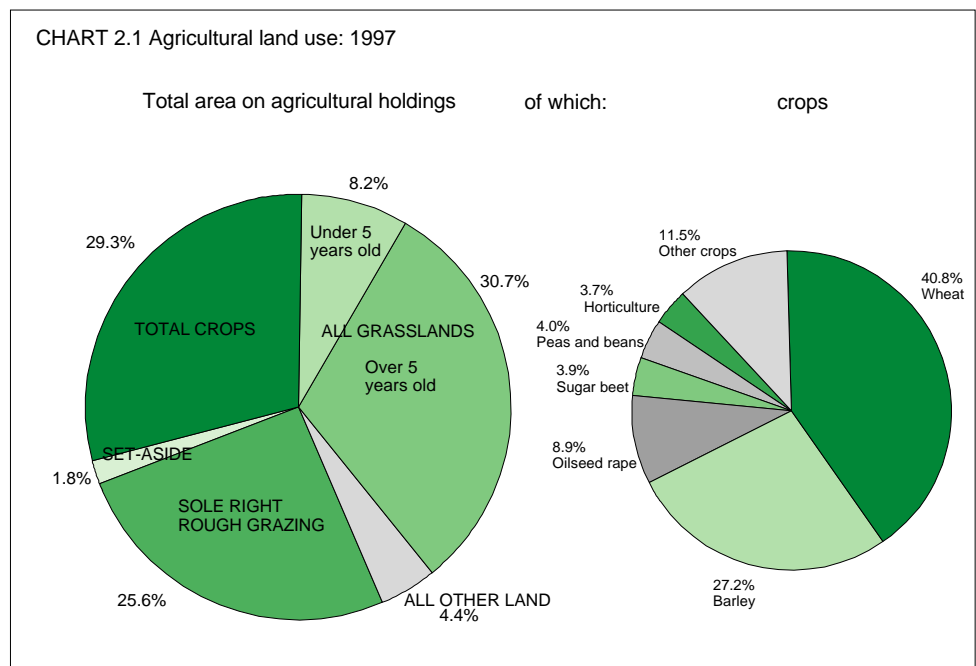
(b) This aggregate covers SITC divisions 01-09, 11, 22 and section 4.

(c) 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.

2 The structure of the industry

Introduction

1. The tables in this section portray the size and structure of the UK agricultural industry in 1997 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 1997 the total area of agricultural land was 18.3 million hectares, some 76 per cent of the total land area in the UK. The June 1997 Census showed an increase of 6 per cent in the area of crops in the UK. The area planted to potatoes decreased by 7 per cent in 1997, following the substantial drop in world prices in late 1996 and early 1997. Wheat and barley area increased by 3 and 7 per cent respectively. The increases were greatest in non set-aside area planted to linseed (50 per cent) and oilseed rape (25 per cent), the prices of which increased in 1996.

3. The total cattle population fell by 3 per cent between June 1996 and June 1997. However, there had been a 2 per cent increase in the number of cattle over the preceding 12 months, reflecting a build up of cattle on farms when marketing patterns were disrupted by the BSE problem. The fall was largest among non-breeding cattle over two years old, which reduced in number by 26 per cent. There were 11 per cent fewer male cattle under one year old, partly as a result of the Calf Processing Aid Scheme. There was also a 4 per cent decrease in the dairy herd. In contrast, there was a 19 per cent increase in the number of beef heifers.

4. The sheep breeding flock increased for the first time in recent years (by 1 per cent), with a three per cent increase in lambs under one year old and a 2 per cent increase in the total number of sheep and lambs. The number of pigs increased by 6 per cent between June 1996 and June 1997. The pattern of the use of land on agricultural holdings in 1997 is shown in Chart 2.1 and the changes in crop areas and livestock numbers between 1996 and 1997 are shown in Chart 2.2.

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

5. Table 2.3 shows a continued shift towards larger holdings. Whilst holdings of 200 ESUs and over comprise only 3 per cent of all holdings, they account for about a quarter of all agricultural activity (26 per cent measured by total ESUs).

6. 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. Generally, the size of enterprise in terms of crop areas and livestock numbers is increasing - although a comparison of the crop area figures for 1992 and 1997 will be affected by the introduction of set-aside in 1993. The trend towards larger enterprises is noticeable, for instance, in the pig sector where around 85 per cent of the breeding herd at June 1997 was in herds of 100 pigs and over, compared to 78 per cent in 1992.

Labour
(Table 2.5)

7. The total labour force fell by less than 1 per cent between June 1996 and June 1997. Following the trend of recent years, there was a decline in the number of whole-time principal farmers and partners, but this was more than off-set by an increase in the number of part-time principals. There was also an increase in the number of other partners and directors, while significant decreases were recorded in the numbers of working spouses of farmers, partners and directors and male regular whole-time workers.

**Fixed capital
stock**
(Table 2.6)

8. Table 2.6 provides information on the gross stock of fixed capital (excluding land) available to the agricultural industry. The figures are shown at constant 1995 prices before allowing for depreciation. This gives 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 £34,350 million at the end of 1996 – virtually the same as the previous year. The total capital stock in 1996 was around 1.5 per cent below the 1986-88 average level. This was the result of reductions in the stock of plant and machinery and, to a lesser extent, vehicles, partly offset by an increase in the stock of buildings and works.

TABLE 2.1 Agricultural land use

The data in this table cover all holdings (including minor holdings) in England, Wales and Northern Ireland but exclude minor holdings in Scotland. (a)

'000 hectares	At June of each year					
	Average of 1986-88	1993	1994	1995	1996	1997
Total agricultural area (total area on agricultural holdings plus common rough grazing)	18,678	18,554	18,527	18,409	18,416	18,294
This comprises:						
Crops	5,254	4,517	4,468	4,542	4,720	4,989
Bare fallow	49	47	44	40	35	27
Total tillage	5,303	4,564	4,511	4,582	4,755	5,016
All grass under five years old	1,683	1,568	1,443	1,394	1,383	1,393
Total arable land	6,985	6,133	5,954	5,976	6,138	6,409
All grass five years old and over (excluding rough grazing)	5,143	5,240	5,354	5,341	5,321	5,241
Total tillage and grass (b)	12,128	11,373	11,308	11,317	11,459	11,650
Sole right rough grazing	4,790	4,608	4,548	4,513	4,486	4,374
Set-aside	-	677	728	633	509	307
All other land (c) and woodland	543	667	698	719	736	742
Total area on agricultural holdings	17,462	17,325	17,282	17,183	17,190	17,074
Common rough grazing (estimated)	1,216	1,229	1,246	1,226	1,226	1,221

(a) The 1997 Northern Ireland census was based on an improved register of holdings. On this basis retrospective changes have been made to historic data.

(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 England, Wales and Northern Ireland but exclude minor holdings in Scotland. (a) (b)

At June of each year

	Average of 1986-88	1993	1994	1995	1996	1997
Crop areas ('000 hectares)						
Total	5,254	4,517	4,468	4,542	4,720	4,989
This comprises:						
Total cereals	3,954	3,032	3,042	3,181	3,358	3,514
of which: wheat	1,959	1,759	1,811	1,859	1,976	2,036
barley	1,877	1,165	1,107	1,192	1,268	1,358
oats	105	92	108	111	96	100
rye and mixed corn	13	9	10	11	11	12
triticale	..	7	6	7	7	8
Other arable crops (excluding potatoes)	913	1,128	1,073	1,002	996	1,125
of which: oilseed rape	345	377	404	354	356	446
sugar beet not for stockfeeding	203	197	195	196	199	196
hops	4	3	3	3	3	3
peas for harvesting dry						
and field beans	206	244	228	195	178	197
linseed (c)	..	150	58	54	49	73
other crops	156	157	184	201	210	210
Potatoes	179	170	164	171	177	166
Horticulture	208	187	189	187	189	184
of which: vegetables grown in the open	140	126	127	130	132	126
orchard fruit (d)	37	32	32	28	28	30
soft fruit (e)	15	13	13	12	12	11
ornamentals (f)	13	14	14	15	14	14
glasshouse crops	2	2	2	2	2	2
Livestock numbers ('000 head)						
Total cattle and calves	12,308	11,836	11,940	11,840	12,023	11,609
of which: dairy cows	3,031	2,667	2,715	2,602	2,587	2,473
beef cows	1,368	1,781	1,806	1,836	1,859	1,856
heifers in calf	833	801	774	774	816	847
Total sheep and lambs	39,162	44,200	43,585	43,054	41,813	42,559
of which: ewes and shearlings (g)	18,346	20,727	20,707	20,668	20,383	20,543
lambs under one year old	19,589	22,317	21,688	21,267	20,342	20,926
Total pigs	7,974	7,771	7,813	7,550	7,512	7,992
of which: sows in pig and other sows for breeding	715	690	683	647	642	677
gilts in pig	106	116	105	100	106	116
Total fowl (h)	127,481	131,030	126,596	126,960	..	..
of which: table fowl including broilers	70,378	79,936	75,692	77,173	..	..
laying fowl (i)	38,036	32,936	32,657	31,803	..	..
growing pullets	12,070	10,740	10,380	10,198	..	..

(a) For various reasons, the crop area figures shown in this table may differ slightly from those shown in Section 5. In particular, the 1997 area figures in this table include the final results from all countries, whereas the 1997 area figures in Tables 5.1 to 5.11 include the final results from England, Scotland and Northern Ireland, but provisional results for Wales.

(b) The 1997 Northern Ireland census was based on an improved register of holdings. On this basis retrospective changes have been made to historic data.

(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 1995-1997.

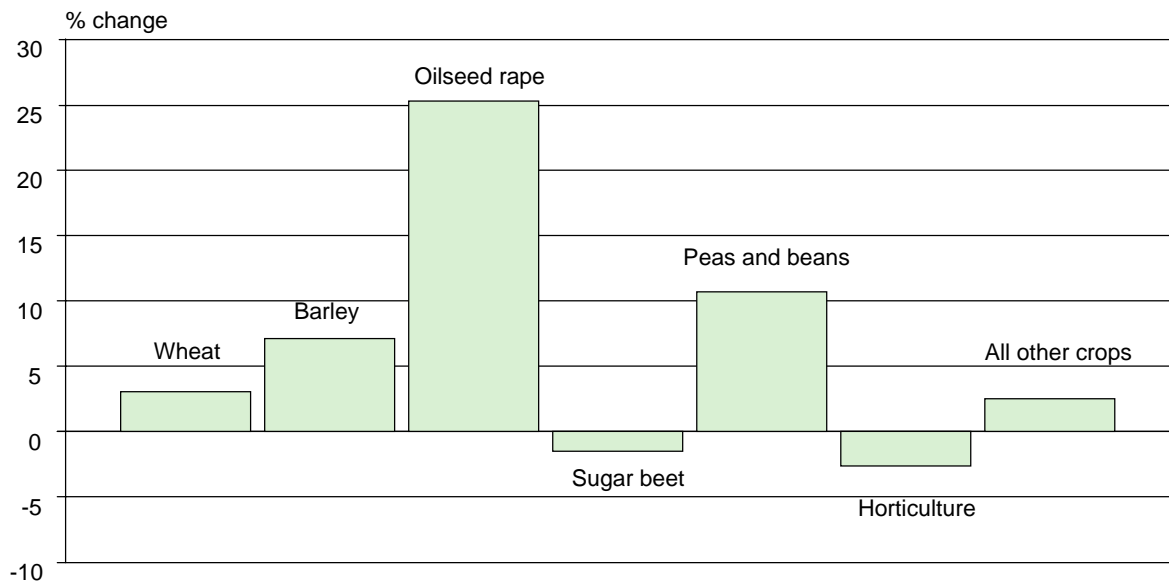
(h) Comparable figures for poultry are not available for 1996 and 1997.

(i) Excludes fowls laying eggs for hatching.

CHART 2.2 Changes in crop areas and livestock numbers

Percentage change from 1996 to 1997

Crop areas



Livestock numbers

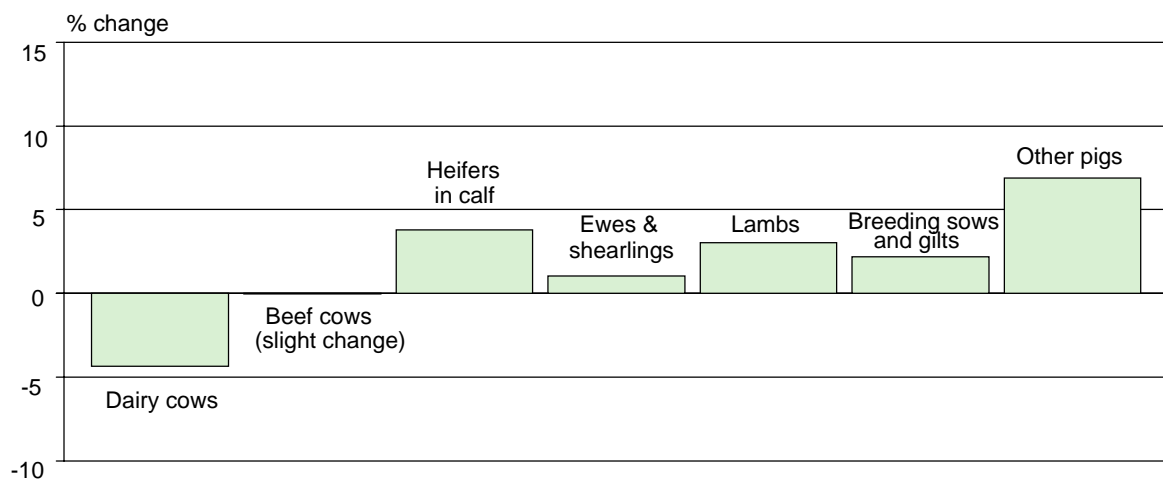


TABLE 2.3 Numbers and sizes of holdings

The data in this table exclude minor holdings(a)

At June of each year

		1992		1997	
		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	103.9	2.7	107.1	2.9
	8.0 to under 40.0 ESU	72.3	16.9	67.1	15.8
	40.0 to under 100.0 ESU	44.3	31.6	41.4	30.4
	100.0 to under 200.0 ESU	15.7	24.0	16.0	24.9
	200.0 ESU and over	6.1	24.8	6.1	25.9
	Total	242.3	100.0	237.7	100.0
	Average size (ESUs):				
	All holdings		36.0		36.6
	Holdings 8 ESU and over		61.6		64.7
		Number of holdings ('000)	Hectares ('000)	Number of holdings ('000)	Hectares ('000)
Total area on holdings (b)	Under 20.0 hectares	99.6	825	102.8	817
	20.0 to under 50.0 hectares	59.9	1,978	54.9	1,818
	50.0 to under 100.0 hectares	42.5	3,012	39.9	2,836
	100.0 hectares and over	40.3	11,308	40.1	11,307
	Total	242.3	17,122	237.7	16,778
	Average area (ha):				
	All holdings		70.7		70.6
	Holdings 8 ESU and over		107.9		110.6
	% of total area on holdings with 100 hectares and over		66.0		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	99.4	807	102.9	795
	20.0 to under 50.0 hectares	59.5	1,964	54.9	1,813
	50.0 to under 100.0 hectares	40.5	2,857	38.3	2,708
	100.0 hectares and over	31.1	6,094	30.7	6,056
	Total	230.5	11,723	226.7	11,372
	Average crops and grass area per holding (hectares)		50.8		50.2
	% of total crops and grass area on holdings with 100 hectares and over		52.0		53.3

(a) The 1997 Northern Ireland census was based on an improved register of farm businesses. Data for 1997 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 1992 and 1997 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 (a)

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

At June of each year

		1992		1997	
		Number of holdings (‘000)	Hectares (‘000)	Number of holdings (‘000)	Hectares (‘000)
Cereals (excluding maize)	0.1 to under 20.0 hectares	36.3	296	32.4	289
	20.0 to under 50.0 hectares	19.1	623	18.1	592
	50.0 hectares and over	21.6	2,564	21.7	2,617
	Total	77.0	3,482	72.2	3,498
	Average area (hectares)(b)		45.2		48.5
	% of total cereals area on holdings with 50.0 hectares and over		73.6		74.8
Oilseed rape	0.1 to under 20.0 hectares	8.7	96	8.0	91
	20.0 to under 50.0 hectares	5.7	176	5.8	182
	50.0 hectares and over	1.8	149	2.1	172
	Total	16.2	421	16.0	444
	Average area (hectares)(b)		26.0		27.7
	% of total oilseed rape area on holdings with 50.0 hectares and over		35.4		38.7
Sugar beet (England and Wales only)	0.1 to under 10.0 hectares	4.4	24	3.6	20
	10.0 to under 20.0 hectares	2.8	39	2.7	38
	20.0 hectares and over	3.0	134	3.1	137
	Total	10.2	196	9.3	195
	Average area (hectares)(b)		19.3		20.9
	% of total sugar beet area on holdings with 20.0 hectares and over		68.3		70.2
Potatoes	0.1 to under 10.0 hectares	19.7	50	12.6	38
	10.0 to under 20.0 hectares	3.2	44	2.9	40
	20.0 hectares and over	2.3	85	2.3	87
	Total	25.2	180	17.7	165
	Average area (hectares)(b)		7.1		9.3
	% of total potato area on holdings with 20.0 hectares and over		47.5		52.7

(a) The 1997 Northern Ireland census was based on an improved register of holdings. Retrospective revisions have been made on this basis to historic data.

(b) 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

		1992		1997	
		Number of holdings ('000)	Number of livestock ('000)	Number of holdings ('000)	Number of livestock ('000)
Dairy cows	1 to 49 dairy cows	20.4	536	16.9	429
	50 to 99	14.7	1,039	12.8	912
	100 and over	7.5	1,105	7.5	1,124
	Total	42.6	2,680	37.3	2,464
	Average size of herd		62.9		66.1
	% of total dairy cows in herds of 100 and over		41.2		45.6
Beef cows	1 to 19 beef cows	47.3	342	42.8	338
	20 to 49	17.7	544	19.0	590
	50 and over	9.1	800	10.2	925
	Total	74.0	1,685	71.9	1,853
	Average size of herd		22.8		25.8
	% of total beef cows in herds of 50 and over		47.5		49.9
Sheep breeding flock	1 to 99 breeding sheep	42.1	1,728	36.9	1,573
	100 to 499	37.2	8,552	34.6	8,084
	500 and over	11.0	9,952	11.4	10,693
	Total	90.4	20,233	82.9	20,350
	Average size of flock		214.2		245.4
	% of total breeding sheep in flocks of 500 and over		49.2		52.5
Pig breeding herd	1 to 49 breeding pigs	8.5	84	6.8	70
	50 to 99	1.2	87	0.9	66
	100 and over	2.3	606	2.1	656
	Total	12.0	777	9.8	792
	Average size of herd		65.0		80.9
	% of total breeding pigs in herds of 100 and over		78.0		82.8
Fattening pigs (Fattening pigs of over 20kg liveweight excluding barren sows except in Northern Ireland)	1 to 199 fattening pigs	7.9	340	5.8	241
	200 to 999	3.2	1,556	2.7	1,339
	1,000 and over	1.3	2,908	1.5	3,277
	Total	12.4	4,804	9.9	4,857
	Average size of herd		388.3		488.9
	% of total fattening pigs in herds of 1,000 and over		60.5		67.5

TABLE 2.4 Numbers and sizes of enterprises (continued)

The data in this table exclude minor holdings (a)

		At June of each year			
		1992		1997	
		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	1.7	1,297	..	..
	10,000 to 99,999	0.8	31,614	..	..
	100,000 and over	0.2	40,368	..	..
	Total	2.7	73,279	..	..
	Average size of flock		26,754	..	..
	% of total broilers in flock of 100,000 and over		55	..	..
Laying fowls	1 to 4,999 laying fowls	32.0	2,938	..	..
	5,000 to 19,999	0.6	5,952	..	..
	20,000 and over	0.3	24,072	..	..
	Total	32.9	32,961	..	..
	Average size of flock		1,001	..	..
	% of total laying fowls in flocks of 20,000 and over		73	..	..

(a) At the time of print, June Census results for poultry in 1996 and 1997 were not available.

TABLE 2.5 Labour force in agriculture

The data cover all holdings (including minor holdings) in England and Wales and Northern Ireland but exclude minor holdings in Scotland. (a)

'000 persons

At June of each year

	Average of 1986-88	1993	1994	1995	1996	1997
Workers						
Regular whole-time:						
male	127	96	93	90	89	88
female	10	14	13	13	13	13
Total	142	110	107	103	102	100
Regular part-time: (b)						
male	30	30	30	30	31	31
female	29	25	24	24	23	23
Total	59	55	54	54	54	54
Seasonal or casual:						
male	56	55	54	56	55	55
female	37	30	28	27	26	26
Salaried managers (c)	8	8	8	8	8	8
Total workers	303	258	250	248	245	243
Farmers, partners and directors						
whole-time	199	180	176	173	170	168
part-time (b)	95	110	113	114	117	120
Total farmers, partners and directors	294	290	289	287	286	287
Total farmers, partners, directors and workers (d)	597	547	539	535	531	531
Spouses of farmers, partners and directors (engaged in farm work)	78	79	78	76	75	74
Total labour force (including farmers and their spouses) (e)	674	626	618	611	607	605

(a) The 1997 Northern Ireland census was based on an improved register of holdings. On this basis retrospective changes have been made to historic data.

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

(c) The figures for salaried managers relate to Great Britain only.

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

(e) Figures exclude schoolchildren and most trainees.

TABLE 2.6 Fixed capital stock of agriculture

At end year

	Average of 1986-88	1993	1994	1995	1996	1997 (provisional)
Gross capital stock (£ million, 1995 prices)						
Buildings and works	18,810	19,160	19,240	19,160	19,050	..
Plant and machinery	13,960	13,050	13,070	13,150	13,260	..
Vehicles	2,080	1,870	1,920	1,990	2,040	..
Total	34,850	34,080	34,230	34,300	34,350	..

3 Policy developments in 1997

European Community developments

1997 price fixing

1. The European Commission's proposals on support prices and a number of related issues were agreed by the Agriculture Council in June. Most prices and aid levels were maintained at the current levels and the main price fixing package was agreed within the budgetary guidelines. There were small reductions in cereals monthly intervention increments and sugar storage refunds. For flax, the amount deducted from the aid to finance promotional campaigns was reduced to zero and the amount of fibre flax aid paid to the beneficiary was maintained at the 1996/97 level. The Council agreed that the obligatory set-aside rate should be maintained at 5 per cent for the 1998/99 marketing year and that no penalty set-aside should be applied following any exceeding of base areas in the current marketing year.

Enlargement of the EU

2. In July 1997, the Commission presented a comprehensive package of documents ("The Santer package") relevant to the further enlargement of the EU. This offered draft opinions on the applications for EU membership of the 10 applicant countries of Central Europe (CE), proposals for measures to assist CE in the pre-accession period, and recommendations (in the "Agenda 2000" package) on developing existing EU policies to enable the Community to meet its future challenges, including enlargement. One element of this contained the Commission's ideas for reforming the Common Agricultural Policy (CAP).

3. In December 1997 the Member States, meeting at Heads of Government level in Luxembourg endorsed the Commission's recommendations that accession negotiations should begin as soon as possible with Hungary, Poland, the Czech Republic, Estonia, Slovenia and Cyprus, and approved the Commission's suggestions for new pre-accession measures to help the 10 CE applicants to prepare for joining the EU. The European Council also agreed that the Commission's CAP reform proposals were an appropriate basis for further negotiations.

CAP reform

4. The Government broadly welcomed, as a step in the right direction, the Commission's proposals for reform of the CAP, notably the significant reforms of the beef and cereal regimes, and the reinforcement of agri-environmental and structural policies. It however criticised the proposed reforms of the dairy regime - which involve maintaining milk quotas - as insufficiently radical.

5. The proposals effectively reduce EU support levels to world prices for cereals and beef and would set compulsory set-aside at zero. The proposed integration of rural and agri-environmental policies within the FEOGA

guarantee section will lay the basis for an eventual shift from production support to these policies. Formal legislative proposals are expected in March 1998.

Europe agreements

6. The Europe Agreements between the EU and the countries of Central and Eastern Europe cover, amongst other things, trade in agricultural products. They are principally designed to help improve market access into the EU from CE, thus assisting the process of economic regeneration in those countries as a prelude to accession.

7. During 1997, negotiations on an adaptation to the Agreements to allow for the GATT Uruguay Round conclusions, and the 1995 EU enlargement, were finally concluded. Their purpose was to ensure that CE's market access into the EU was not disadvantaged by these developments. Certain additional trade concessions were also agreed.

8. In the meantime - while awaiting a formal conclusion of the adaptation process - further rounds of time limited autonomous measures have been introduced. These have the effect of allowing the trade concessions to take effect straight away.

GATT/World Trade Organisation (WTO)

9. In the third year of the Uruguay Round implementation period, it is apparent that the terms of the Agreement on Agriculture are putting pressure on the EU's agriculture policies. The limits on subsidised exports in particular, are tight and are proving difficult to manage within existing CAP support regimes for some commodities. The EU is taking action to stay within its limits by, for example, cutting export refunds.

10. Two Dispute Panels against the EU initiated by the US, with support from some other member countries, reported in 1997. Both were investigating EU trade measures (the ban on imports of hormone treated meat and the EU's import arrangements for bananas) and both found in favour of the US. The Banana Panel's findings were broadly confirmed on appeal. The Appellate Body published its ruling on the hormones appeal on 16 January 1998.

11. The Government is committed to ensuring fundamental agricultural policy reform as a result of the next round of WTO agricultural liberalisation negotiations due to start at the turn of the century. As a prelude to these negotiations, an informal process of analysis and information exchange began in 1997 to allow WTO members to understand better the issues and develop their positions. The expiry in 2003 of the Peace Clause in the Agreement on Agriculture, which partly protects the CAP from challenge in the WTO, together with the prospect of further EU enlargement, will lead to significant changes in the operation of the CAP.

Agrimoney

12. Strengthening of sterling during the year coincided with a weakening of the Deutschmark and other currencies in the ECU basket. This led to four "appreciable"¹ revaluations of the sterling green rate, amounting to a total

¹ an "appreciable" revaluation is one which more than cancels out the effects of previous devaluations.

change of 14.1 per cent, during the year. In March the Agriculture Council agreed measures (Council Regulation 724/97) to offset the potential income effects of the reductions in CAP supports arising from the revaluations of sterling, the Irish punt and the Italian lira. This provided for a “freeze” in the countries undergoing green rate revaluations in the green rates applied to the main CAP payments made directly to farmers. The freeze is subject to an upper limit: the frozen rate may exceed the green rate applied to other schemes by no more than 11.5 per cent, but nonetheless provides significant cushioning for direct payments from the effects of revaluations. In total, depending on future currency movements, this may be worth £400 million to UK farmers in 1997 and 1998. In addition, Regulation 724/97 permits Member States to pay compensation to farmers to offset the income effects of appreciable revaluations taking place before 30 April 1998. Up to half of this aid may be reclaimed from the EU budget. Using the formula provided by the EU rules, the UK was authorised to pay up to £980 million spread over three years in respect of the revaluations of the sterling green rate during 1997. On 22 December, in view of the exceptional circumstances facing the livestock sector, the Government announced a one-off package of aid for the sector amounting to £85 million.

Set-aside

13. In July 1997 the Agriculture Council decided to maintain the level of obligatory set-aside at 5 per cent for the 1998 harvest. The Council also decided that penalty set-aside should again be waived in 1998.

14. In July 1997 a Commission Regulation consolidating and amending the rules governing the production of industrial crops on set-aside was agreed. The main changes simplify the rules for farmers wishing to grow non-food crops on their set-aside. It is no longer necessary for producers to have a signed contract before sowing, and contracts may now be amended to increase as well as reduce the area covered by the contract. However, Member States are required each year to set a representative yield for all intervention crops, rapeseed and sunflower seed. Producers, in addition to delivering all the crop harvested, must also deliver at least the representative yield except in instances where a shortfall can be duly justified to the Ministry. The new rules apply to contracts signed on or after 10 August 1997.

Oilseeds

15. The total area of oilseeds grown in the EU on which payments were made exceeded the Maximum Guaranteed Area in 1997, and a reduction of 6.62 per cent in UK area payments was necessary for the 1997 crop. Oilseeds area payments were also reduced by 11 per cent on account of high oilseeds market prices. For the 1997 harvest the quantity of meal produced from oilseeds grown primarily for non-food purposes was below the limit of one million tonnes of soya bean meal equivalent set under the EC/US Oilseeds Agreement. The possibility of this limit being exceeded, with the consequent need for corrective action, has receded with the reduction in the rate of obligatory set-aside.

Fruit and vegetables regime

16. Under the reformed fruit and vegetables regime the focus has shifted from price support, through intervention of crops in surplus, to support for recognised producer organisations which carry out a range of activities in

operational programmes. Grants are payable to producer organisations which present acceptable proposals to achieve improvements in cultivation techniques and marketing. Particular emphasis is placed on encouraging environmentally sound practices. All aid payments (at 50 per cent of expenditure) are subject to an overall ceiling of a maximum of 4 per cent of the annual turnover of the producer organisations in the previous year. Applications for operational programmes in 1997 have resulted in a total of 65 programmes being approved in the UK, with a potential for grant of £10.3 million in 1998. The grant money comes from the European Commission. Payments for withdrawing crops from the market will continue but the volumes which may be withdrawn and the level of payments will go down each year.

Beef intervention

17. Following the collapse of the market in March 1996, Ministers gave an undertaking to make the best use of intervention in an effort to support the beef market. During 1997, the extended intervention coverage agreed in 1996 continued. These included increasing the range of fat and conformation classes eligible for intervention; allowing forequarters to be purchased separately (as opposed to half carcasses); relaxation of the maximum carcass weight rules; and, for the first time ever, young bulls were included in the UK (young bulls were however removed from coverage in September). As a result of these measures, about half of the UK's saleable production of beef was covered by intervention during 1997.

18. For 1997, the ceiling on intervention purchases for the whole of the EU was 500,000 tonnes (down from 550,000 in 1996). Purchases will be limited to 350,000 tonnes thereafter. Tenders accepted for intervention in the EU during 1997 totalled 247,543 tonnes of which 79,043 was accepted in the UK. Intervention stocks in the UK currently total 96,400 tonnes of boneless beef. Latest EU stocks are 530,000 tonnes as at November 1997.

19. The arrangements for extended intervention coverage expired at the end of 1997 and in December it was agreed that from 1998 coverage in the UK will be reduced further to R3 and R4 steers in GB and U3, U4, R3, R4 and O3 steers in NI. This reduced coverage will still account for about 30 per cent of UK beef production. The maximum carcass weight acceptable for intervention purchase returns to 340kg, although there is currently a derogation raising this to 350kg.

The Intergovernmental Conference (IGC)

20. The Intergovernmental Conference (IGC), which began in March 1996, was finally concluded at the Amsterdam European Council in June 1997. The Treaty of Amsterdam represents a satisfactory outcome for the UK, achieving many of our negotiating objectives.

21. A protocol on animal welfare recognises animals as sentient beings and places an obligation on the Community institutions to pay full regard to animal welfare in matters relating to agriculture, transport, research and the single market. The treaty also strengthens the European Parliament's powers in relation to measures in the veterinary and plant health areas which could affect public health.

Farm Animal Welfare

22. The treaty protocol on animal welfare agreed at the Intergovernmental Conference (see paras 20 and 21 above) provides a basis on which the Government will argue for priority to be given to advancing the EU's standards for farm animal welfare.

23. Further progress was made on the welfare of livestock in transit. The Welfare of Animals (Transport) Order 1997, implementing the new EU rules agreed in 1995, was made on 10 June 1997 and entered into force on 1 July. The Government also pressed for satisfactory measures to be developed by the Council of Ministers to complete the details as required by the 1995 EU agreement. EU standards for the construction and operation of staging points were secured in June 1997, to operate from 1 January 1999. The Government sought high standards for livestock vehicles used on longer journeys, but was unable to support the compromise solution which the Council of Ministers agreed by qualified majority in December 1997, which it did not consider went far enough. An overhaul of the UK procedures concerned with the checking of the welfare of live animals exported to the continent was announced in July 1997, and detailed preparation of these new arrangements was well advanced by the year-end.

24. On the welfare of livestock on farm, the Government also conducted two rounds of consultation on draft regulations implementing those elements of the new EU rules on the welfare of calves which are not already in UK law. These Regulations will be brought into force early in 1998. The Government maintained pressure on the European Commission to bring forward overdue proposals to improve the protection of the welfare of laying hens and pigs during rearing, and of all livestock at slaughter.

Better Regulation

25. The Government is promoting better regulation both in the UK and at EU level. Under the 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 including Directive 91/682 on the marketing of ornamental plant material. The Commission undertook to come forward with proposals based on the ornamental SLIM team's findings and these were expected to be available early in 1998. Under the second phase of the initiative, a SLIM team has examined the rules for marketing fertilisers. The Team's report was presented to the Internal Market Council on 27 November 1997 and makes a number of recommendations. The substance of 16 Directives will be combined into a single redrafted directive, various aspects of the legislation will be clarified and new facets introduced including better procedures and a Community wide approach to enforcement.

United Kingdom developments

Devolution

26. Following a Referendum in Scotland the Government published the Scotland Bill in December 1997 proposing the establishment of a Scottish Parliament by the year 2000. Ministers have agreed that agricultural policy and related matters will be devolved to that Parliament. This covers a wide range of policy and operational areas relating to Scottish agriculture, e.g. control of and support for agricultural production, implementation of CAP schemes, land use, structural measures, marketing, food standards, food safety and animal health and welfare.

27. Following a Referendum in Wales the Government published the Government of Wales Bill in November 1997 proposing the establishment of a National Assembly for Wales by the year 1999. The Assembly will inherit the Secretary of State's current agricultural responsibilities. Although it will not have the power to make primary legislation, the Secretary of State's secondary legislative powers will transfer to the Assembly.

Arable Area Payments

28. In 1997 a total of 63,098 claims for arable area payments in respect of 4,542,071 hectares were received in the United Kingdom. Final payments on oilseeds in respect of the 1996/97 marketing year and advance payments for the 1997/98 marketing year, as well as payments on other crops and set-aside for 1997/98 were all made within the payment deadlines set by EU Regulations.

29. The maize base area in England was again overshot in 1997, and for the first time there was an overshoot of the England base area for crops other than maize. The area on which payments were made for maize and its associated set-aside was reduced to 34.14 per cent of the area claimed. For other crops and set-aside in England the reduction was to 99.92 per cent of the area claimed. The Scottish non-LFA base area was also overshot in 1997 and payments were scaled back to 93.37 per cent. (This reflects the reduction of the final overshoot figure by the Commission from 7.11 per cent to 7.10 per cent). Although the maize base area limit was exceeded in Wales there was sufficient of an undershoot on the other crops base area limit to offset it and consequently no penalties were applied.

30. Successive revaluations of the green pound led to a reduction in payment rates for 1997 of about 3.6 per cent compared with 1996. This reduction was much smaller than would otherwise have occurred due to the operation of a partial freeze of the 1996 green rate for the 1997 and 1998 Scheme years.

31. In June the Agriculture Council noted that the compensation paid via arable aid since the 1992 CAP reform had not been amended to take account of market developments, market prices having been, on balance, higher than those foreseen at the time of reform. The Council agreed to address this question in the context of forthcoming discussions on the future of the arable sector. Although the Council did not adopt a Commission proposal to cut arable aid it agreed to address the question of over-compensation in the context of forthcoming discussions on the future of the arable sector.

32. In July 1997 the European Commission brought forward proposals under Agenda 2000 for extensive modifications to the arable area payments scheme from 2000 as part of a major reform of the support arrangements for arable crops. The main features of the Commission proposals were a 20 per cent cut in the cereals intervention price; a single non-crop specific rate of area aid for all eligible crops and set-aside areas, with a supplement for proteins and continuing supplements for durum wheat; and a normal rate of zero for obligatory set-aside together with the retention of voluntary set-aside. The Commission's formal legislative proposals are expected in the first quarter of 1998.

Alternative crops

33. In England the Alternative Crops Unit continued to encourage the development of crops for industry and to produce energy, which have the prospect of being economically viable in the medium term. The Unit assisted in the organisation of two conferences - Renewable Feedstocks for the Speciality Chemicals Industry and UK - Grown Non-Wood Fibres Meeting the Need of Industry. In addition, a workshop on short rotation coppice for farmers was organised and a number of presentations given including existing non-food crop possibilities for farmers at Cereals '97 and short rotation coppice at the International Wood Fuels Conference held in the UK.

34. The Unit participated in the Government's review of energy generation from renewable resources and, taking into account Agenda 2000 and the European Commission's White Paper on Renewable Sources of Energy, has studied closely the economics of production of short-rotation coppice, the most promising energy crop for UK conditions. The Unit continued to publish updates of the booklets on support for alternative crops and relevant R&D as well as reports on completed R&D projects. MAFF has continued to fund R&D on alternative crops in England and expects to spend £1 million in 1997/98.

Genetically modified herbicide tolerant crops

35. In July the Government issued a discussion paper on agricultural implications of the introduction of genetically modified herbicide tolerant crops. The intention was to stimulate discussion on the introduction of these crops and on possible strategies to tackle any agricultural problems that may arise. A broad range of comments were received from individuals, industry and non-governmental organisations.

Flax

36. Changes to the EU flax regime rules were introduced to strengthen the controls and ensure that fibre is actually produced and processed. The main changes were requirements for producers to have contracts in place with processors of the straw and to achieve a minimum yield of straw. The Agriculture Council has also made provision for cross-checking flax payments with the Integrated Administration and Control System (IACS) in order to strengthen existing checks and harmonise them with other schemes covered by the IACS. A Commission proposal to implement this is awaited.

37. Concerns were expressed during the year about the planting of flax on Sites of Special Scientific Interest in England. In response MAFF encouraged the industry to introduce a protocol, announced in October, aimed at preventing the growing of flax on environmentally valuable areas of

land. The Minister welcomed the protocol as a first step pending longer-term reform of the EU flax regime.

The Plant Varieties Act 1997

38. The Plant Varieties Act, which comes into force in Spring 1998, will enable the UK to ratify the 1991 International Convention for the Protection of New Varieties of Plants (UPOV Convention). It will also bring the UK system into line with the parallel, but separate, European Community plant variety protection regime established in September 1994, also based on the UPOV Convention. The Act also extends the period in Great Britain during which proceedings may be brought for contravention of seeds legislation from 6 to 12 months from the date of offence.

39. The Act will give breeders greater control over their protected varieties, taking account of developments in plant breeding technology and will open the possibility of protection to the whole plant kingdom. It will also enable breeders to collect remuneration on farm saved seed. The level of the remuneration must be “sensibly lower” than the royalty charged on certified seed of the same variety in the same area. There are exemptions from payment for small farmers as defined in the Arable Area Payments scheme and farmers who have previously saved seed of the variety. Farming unions and the British Society of Plant Breeders have also reached an agreement whereby varieties protected before 1 September 1994 will be zero rated for the remainder of their period of protection.

Livestock Quotas

40. During the year, the Agricultural Departments notified producers of their quota allocations from the 1998 sheep quota national reserve, and from the 1997 suckler cow quota national reserve. Allocations were made to producers before the sheep and suckler cow premium application periods opened. The special reserve compensation exercise, to re-assess applications for ‘developers’ quota from producers who applied unsuccessfully or who were deterred from applying to Category 3c of the 1993 national reserve, was almost concluded.

Hill Livestock Compensatory Allowance

41. In the wake of the BSE crisis an extra £60 million was made available to increase cattle payments under the 1997 Hill Livestock Compensatory Allowance (HLCA) scheme. The 1997 HLCA headage rates were £97.50 per cow (+£50), £5.75 per hardy-breed ewe and £3.00 for other types of ewe in the Severely Disadvantaged Area; and £69.75 per cow (+£46) and £2.65 per ewe in the Disadvantaged Area. The sheep rates were unchanged from those applied in 1996.

Sheep Annual Premium Scheme

42. From 1997, the Sheep Annual Premium Scheme (SAPS) claimants entitled to Less Favoured Area (LFA) supplement were required under new EC rules to submit an Area Aid Application (under the Integrated Administration and Control System) giving land area and usage for sheep production. Supplement is payable to producers with at least 50 per cent of their agricultural holding located in the LFA and used for sheep production.

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

43. The UK's regional ceiling under the Beef Special Premium Scheme was exceeded in the 1996 Scheme year and payments, completed in Spring 1997, were therefore scaled back by 2 per cent in England and Wales, 19 per cent in Scotland and 15 per cent in Northern Ireland. Claims for Bull Premium, introduced into the Scheme from 1 January 1997, totalled around 239,000 animals.

44. Claims in respect of 1,716,258 animals were received under the 1997 Suckler Cow Premium Scheme. This represents an increase of 2 per cent compared with 1996. It was agreed in early 1997 that the vast majority of the £52 million allocated to the UK by the October 1996 Council would be distributed to claimants under the 1996 Scheme. Payments of £30 per animal began in March.

**Beef Marketing
Payment
Schemes**

45. The £29 million of national aid was made available to fund the two extensions to the Beef Marketing Payment Scheme (BMPS). Payments were distributed to producers within the first quarter of 1997 in respect of animals marketed for human consumption between 1 July and 30 September (BMPS 2) and 1 October to 9 November 1996 (BMPS 2a).

Milk

46. On 1 April 1997, the Government consolidated the domestic regulations governing milk quotas. The changes included the introduction of more favourable provisions to reallocate unused quota to producers affected by herd movement restrictions, and simplification of the administrative procedures used to process quota transfer and conversion applications. The European Commission agreed to the extension of the modified quota leasing arrangements for the 1997/98 quota year for the UK dairy farmers affected by the selective cull.

47. The Milk Development Council (MDC), established in 1995, underwent its first review which included a public consultation exercise. The consultation showed widespread support for the Council both within the farming industry and beyond. Subsequently Ministers announced on the 29 October that the MDC's remit would be extended for a further five years.

48. The European Commission's first indications of its plans for the future of the dairy regime were announced in the Agenda 2000 document issued in July 1997. These include extending milk quotas to 2006 at their current levels; gradually cutting support prices by a total of 10 per cent; introducing an annual dairy cow premium and simplifying the dairy regime and improving its flexibility. The Government supported the Commission's desire for reform in the sector but argued that the proposals did not go far enough. Negotiations should start once the Commission issues its detailed proposals which are expected in early 1998.

**Potato
Marketing**

49. The GB Potato Marketing Scheme was revoked on 30 June 1997 and the Potato Marketing Board's property, rights and liabilities transferred to the newly formed British Potato Council. The Council is a statutory levy funded body whose main activities comprise promoting or undertaking research and development, development of home and export markets and the collection and dissemination of statistical information. The Council has also

taken over many of the functions of the Scottish Seed Potato Development Council which was wound up in July 1997.

**Apple and pear
orchard
grubbing up
scheme**

50. Following the reform of the fruit and vegetable regime in 1996, a proposal to improve the Community production in apples and pears (and peaches and nectarines) was adopted as Council Regulation 2200/97. The Regulation takes effect from 9 November 1997 with the aim of reducing the Community-wide surplus in these fruits by providing for the payment of a premium for the grubbing up of orchards before the 1998 growing season. The scheme allows for the premium to be paid for grubbing up of up to 305 hectares of apples and pears in the UK.

**EU Plant and
flower promotion
fund**

51. Provision for an EU promotion fund for flowers & plants was established under Council Regulation 2275/96. The fund is to be used to finance industry based promotional activity at a rate of 60 per cent. The UK has been allocated 1,079,119.8 ECU (£801,052) for the first year of the scheme. Our programme of industry activity has been approved and implementation has begun.

Hop regime

52. A common organisation of the market in hops was established by Council Regulation in 1971. The aims were to improve hop quality and to ensure that a fair income was realised by growers. Proposals to amend the hop regime were adopted by the Agriculture Council on 22 July. The amending Council Regulation (1554/97) contains provisions that fix income aid at 480 ECU/hectare for the next five years, allow retention by the hop producer groups of 20 per cent of income aid for works of general benefit including varietal conversion, and allow growers in one Member State to join producer groups in another Member State without any loss of entitlement to aid.

Bee keeping

53. On 25 June 1997 the Council agreed Regulation 1221/97 improving the production and marketing of honey. The Regulation provides for 50 per cent EC reimbursement of Member States' expenditure on certain measures which primarily aim to deal with the burden on beekeepers caused by the bee disease varroa. Detailed rules for the scheme are set out in Commission Regulation 2300/97. The UK programme seeks to obtain reimbursement of existing Government expenditure on varroa-related work.

**Better
Regulation**

54. The Better Regulation policy aims to ensure that regulations are simple, helpful and fair. It forms an integral part of Agriculture Departments' day-to-day working practices. Each has a Better Regulation Unit which monitors activity in all areas for which Departments are responsible including advising on the preparation of Regulatory Appraisals. These appraisals are now applied to all proposed new legislation which will 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.

55. 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 to farmers in reductions in compliance costs in relation to the paperwork required for agricultural schemes and

measures. These changes involved amended procedures or changes to forms or sometimes both. In addition, new forms are tested on farmers, ancillary businesses and other users to ensure that they are usable, simple and accessible. A parallel initiative in cutting the form-filling burden on farmers has been on-going in Scotland since 1995 and by March 1996 the numbers of forms to Scottish farmers had been cut by one third.

56. The essential data requirements of the Agriculture 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 the sample sizes and improving the designs where this can be done without materially affecting the usefulness of the results.

Marketing and Competitiveness

57. A range of sponsorship activities were pursued in 1997, to promote effective marketing and the wider identification and adoption of best practice, in the continued drive to foster improved competitiveness in the agri-food industry.

58. MAFF's Market Task Force continued its seminar programme with a successful event in the South West of England for those interested in finding out more about selling direct, including marketing on the Internet. The Task Force also maintained its practical guide to help the Business Link network identify useful contacts within the Ministry.

59. MAFF has given support to a major new initiative from the Institute of Grocery Distribution (IGD), which has members from all stages of the supply chain. The IGD Food Project, which was launched in May, aims to improve the competitiveness of the whole food chain and encourage the development and production of more world class products which offer outstanding choice, safety and value to the consumer. Efforts in 1997 were concentrated on fresh produce, beef, poultry and the needs of small firms, with additional sectors to be addressed in due course.

60. Financial assistance to businesses in the agri-food sector has also continued. Payments of grant under the EU Processing and Marketing Grant (PMG) and the Marketing Development Scheme (MDS) continued in 1997 (including remnant cases in England where these Schemes were withdrawn in 1996). A notable set of awards made in January within the final phase of the MDS, committed £1.85 million to support the development of the Meat and Livestock Commission's 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.

61. Both the PMG and the MDS continued to operate in Scotland, Wales and Northern Ireland. In Scotland 20 awards totalling £2.5 million were made under the PMG and 12 awards totalling over £54,000 under the MDS. In addition, the Beef Marketing and Quality Assurance Initiative provided support for over £2 million towards quality assurance initiatives aimed at boosting consumer confidence in Scotch beef. In Wales during the year, 3

awards totalling £345,000 were made under the PMG Scheme and 3 applications were received under the MDS but no awards were made. In Northern Ireland 27 awards totalling £5 million were made under the PMG and 6 awards totalling £370,000 were made under the MDS.

62. In England, with the MDS and PMG now closed, the focus of business support in 1997 switched to Sector Challenge. Administered by the Department of Trade and Industry, this Scheme brought together contributions from a number of Government Departments to provide a single source of funds for sectoral competitiveness initiatives. MAFF worked closely with industry to encourage the submission of good quality proposals. The agri-food industry enjoyed considerable success in the first round of the Scheme, with 28 projects together securing grant of almost £6 million. The merits of Sector Challenge and the operation of the first round were the subject of public consultation in September. A decision on the future of the Scheme is expected in the first quarter of 1998.

Agricultural tenancies

63. The Agricultural Tenancies Act 1995 provides a simplified legal framework for farm business tenancies entered into on or after 1 September 1995. The Act is designed to encourage more 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 Survey were published in March 1997. An initial economic policy evaluation of the Act has also been undertaken on behalf of MAFF by the University of Plymouth. The results were published in January 1998. This will be followed up with a more detailed study in 3 to 4 years time. The Act does not extend to Scotland where there is separate agricultural holding legislation or to Northern Ireland where virtually all agricultural land is owner-occupied.

Objective 1 of the EC Structural funds

64. The aim of Objective 1 is 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 given Objective 1 designations for the period 1994 to 1999: Northern Ireland, the Highlands and Islands of Scotland and Merseyside in England, but only the first two are significant in an agricultural context. Single Programming Documents for each area were again drawn up by partnerships of central and local Government and local groups and organisations and a number of projects have now been funded under these programmes. In Northern Ireland, just over £65 million of EU and national public funding had been spent by mid 1997 on agricultural and rural development measures funded under Objective 1. In Scotland, around £67 million has been spent (since 1994), on HLCAs, Marketing and Processing, Capital Grants and Crofting Township Schemes.

Objective 5b of the EC Structural funds

65. The aim of Objective 5b is to promote the economic development of rural areas by supporting such activities 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.

66. Single Programming Documents for each Objective 5b area drawn up by a partnership of central and local Government and local groups and organisations were approved by the European Commission towards the end of 1994 and early 1995. These plans set out the economic situation of the designated area and the means by which the problems identified are to be addressed. Funding comes from the European Community, national public funds and the private sector.

67. In respect of the agricultural component of the English Objective 5b programmes, good progress is now being made. 235 projects have now been approved. Over £48 million in EU and national public funding has been committed to agricultural programmes and, including private sector funding, they have generated investment of almost £100 million. It is estimated that around £10 million will be spent on the agricultural components of the 4 Scottish Objective 5b programmes, which provide assistance to farmers for diversification projects including tourism, on-farm processing, leisure and recreation and rural services. The position in Wales is also encouraging. After 5 application rounds, in excess of £14 million has been committed to 91 projects.

BSE and scrapie

68. 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 carcase beef towards the end of 1996 and the general recovery continued through 1997 to just below 1995 levels.

69. In 1997 household consumption of beef increased by 8 per cent compared to 1996 (although it was 9 per cent below 1995 levels). Whilst sales of roasting cuts and 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.

70. Penetration, or the number of homes purchasing beef, recovered to over 50 per cent by the end of 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.

71. On 27 March 1996 the European 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 of 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". During the latter part of 1996 and 1997, substantial progress has been made towards meeting the preconditions of that agreement.

72. Significant progress has been made in the implementation of a selective slaughter programme. 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.

73. In Northern Ireland all animals born and reared domestically have been identified and slaughtered. Tracing of animals imported from Great Britain continues. In Great Britain visits to the herds of birth (natal herds) of BSE cases to identify cohorts began in January 1997. All but a handful of such visits had been completed (or in the case of a few natal herds in the voluntary year, the owner contacted and a visit refused) by the target date of 31 October 1997. Slaughtering under the selective cull has gathered momentum, averaging 2,000 animals a week in the second half of the year. By the end of 1997, 55,000 animals had been slaughtered.

74. The UK's BSE Eradication Plan originally limited the selective cull to 'birth cohorts', that is, animals born in the same herd as a BSE case. In the light of experience in operating the cull the UK requested an amendment which was adopted by the EC Standing Veterinary Committee (SVC) on 19 November 1997. This brings animals which had access to the same feed as BSE cases during the first six months of life into the cull, even if they were not born in the same herd. It is not expected that this change will add significantly to the total number of animals covered by the selective cull.

75. 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 and procedures in place concerning the unique identification of cattle. In addition, since 1 July 1996, every animal born or imported into Great Britain has been required to have a cattle passport. The registration details of those animals, that is their unique eartag numbers, breed, sex, and for home bred animals their date of birth and dam identities, have been recorded on to the Cattle Passport database. The holding where the animal was born or first held on importation is also recorded on the database. When the animal dies, its record is updated accordingly. The passports themselves contain details of all the animal's movements since birth. Although not a Florence pre-condition, the passport system is being enhanced to require keepers of cattle to report the movements of animals to the Government. Those details will be entered on the Cattle Tracing System database that is being developed, and is planned to commence operations in 1998. Such a database already exists in Northern Ireland.

76. One 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.

77. Support for the rendering industry to allow the animal waste disposal chain to adjust to the loss of the markets for mammalian meat and bone meal and tallow was extended from 1996/97 into 1997/98. Around £97 million was paid in support during 1996/97, with a further £59 million being made available in 1997/98.

78. The Over Thirty Month Scheme (OTMS) provides for the purchase of cattle over thirty months old presented for slaughter and for the carcasses to be incinerated or sent to a rendering plant for processing and destruction. During 1997 some 886,233 cattle were slaughtered under the OTMS, making 1,975,122 in total since the scheme was introduced on 3 May 1996. Owing to insufficient incineration capacity the majority of carcasses are rendered, with the resulting meat and bone meal and tallow being safely and securely stored while disposal options are considered.

79. Controls on slaughterhouses to ensure the removal of Specified Bovine Material (SBM) have been strengthened and tightened. Standards of compliance with SBM legislation have remained high. In 1997, out of 3,658 surveillance visits by the State Veterinary Service to slaughterhouses, only 10 failures were reported, compared with 68 out of 3,743 visits in 1996. The full results of the enforcement of SBM controls are published in the monthly BSE Enforcement Bulletin.

80. Lifting the export ban remains a top priority for the Government. On the basis of revised proposals submitted by the UK in July 1997, and taking into account the views of the Scientific Veterinary Committee, the Commission presented draft amendments to the export ban to the Standing Veterinary Committee on 21 January 1998. These amendments would, amongst other things, allow for the operation of an Export Certified Herd Scheme (ECHS). The Scientific Veterinary Committee thought that the lack of a computerised traceability system in Great Britain was a major stumbling block. The Scheme could apply to all parts of the UK in time, but Northern Ireland would derive immediate benefit from the ECHS because of the long-standing computerised movement control system there. These proposals will be further considered by the Standing Veterinary Committee and, perhaps, the Agricultural Council before their adoption.

81. In addition, the UK submitted to the Commission on 2 October a formal proposal for a UK Date Based Export Scheme (DBES) for the export of fresh beef from cattle born after 1 August 1996 and products made from such meat. After that date the risk of infection with BSE through exposure to mammalian meat and bone meal was removed.

82. The DBES is underpinned by proposals for a cull of the offspring of BSE cases born after 1 August 1996 which would remove animals which may have been infected through maternal transmission, the only known route of infection after that date. The need to prepare the necessary legislation and to make the administrative arrangements suggest that the compulsory slaughter of offspring will not begin until April 1998 at the earliest.

83. On 23 May 1997 SEAC considered a draft European Commission report which indicated serious deficiencies in BSE detection and control in

some Member States. They recommended that rules on specified materials be introduced on a Community-wide basis but that, if these were not quickly achievable, then the UK should take unilateral action by extending its own rules for domestic production to include also imported materials. On 5 June the Minister announced the opening of consultations on legislation which would implement the SEAC advice and which would also extend controls on sheep and goats to include the spinal cord, spleen and tonsils.

84. Soon afterwards, however, the EU Commission issued proposals for EU-wide rules on Specified Risk Material (SRM) in cattle, sheep and goats. After discussion in the Agriculture Council these were formally adopted on 30 July (Decision 97/534/EC). Unilateral action on the part of the UK therefore no longer appeared to be necessary.

85. Decision 97/534/EC 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 vertebral columns of animals of all ages for the mechanical recovery of meat was also prohibited. The Decision permitted Member States to go further in respect of animals slaughtered on their own territory. The UK made clear its intention to keep in place existing controls on SBM and the heads of sheep and goats, in respect of animals which have died or been slaughtered in the UK.

86. Because of a number of difficulties which exist within the Decision (including the status of products already in circulation on 1 January 1998 and the need for provisions to allow the manufacture of pharmaceutical products to continue without disruption) on 15 December the Commission adopted a proposal which would defer the implementation of the SRM Decision until 1 April 1998. UK legislation which introduced the requirements of Commission Decision 97/534 in the UK was nevertheless made on 16 December in line with SEAC's advice that, in the absence of a Community regime, national measures should be considered.

87. SEAC also reviewed the options for improving information on the levels of scrapie in the national flock and improving our understanding of the disease established within the flock. The Committee advised that 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.

- A slaughterhouse survey commenced in August and will run for one year. During this time a random sample of brains from over 3000 sheep will be examined in slaughterhouses for signs of scrapie. The results will be published at the end of the survey.

- A postal survey is due to be commissioned shortly. This will consist of an anonymous questionnaire for a random sample of sheep farmers to complete indicating whether they have had scrapie in their flocks.
- Consultation letters on a compulsory slaughter and compensation scheme were issued on 5 June. This legislation will make compulsory the slaughter of all animals suspected of being affected with scrapie. Disposal of the carcase will be the responsibility of the Agriculture Departments and the owner of a suspect animal slaughtered under this scheme will be compensated.

88. On 2 December 1997, SEAC considered the results of an on-going experiment into BSE infectivity conducted by MAFF. In cattle deliberately infected with BSE, infectivity has been detected in the dorsal root ganglia. In addition, further new findings, which were still being evaluated, indicated that infectivity may also be found in the bone marrow of cattle. These findings are against the background that 95 per cent of beef was sold boneless and the dorsal root ganglion tissue and marrow would normally be removed in the deboning process.

89. On 3 December the Government announced to the House of Commons the decision to take action to protect consumers from the small risk of infectivity which SEAC had reported. Legislation requiring the deboning of all beef coming from cattle over 6 months old before it is sold to the consumer, whether from home supplies or imported, came into effect on 16 December 1997.

90. During 1997, the UK were active in ensuring that reasonable quantities of beef were accepted into intervention in the UK in an effort to underpin the market. The extended intervention arrangements agreed in 1996 continued through 1997 and covered around half of our total clean cattle production. Further market support was provided through the Over Thirty Months Scheme and the Calf Processing Aid Scheme, with about £300 million likely to be spent in the current financial year on compensation payments under both Schemes combined. With the objective of improving consumer confidence in beef, the Beef Labelling Scheme was introduced on 1 November. This scheme, which implements Title II of EC Regulation 820/97, sets out to ensure that origin claims on beef labels are accurate and have been verified by an independent third party.

91. The £80 million worth of supplementary payments paid to producers in August 1996, in respect of 1995 claims for Suckler Cow Premium (SCP) and Beef Special Premium (BSP), were adjusted during 1997 to reflect 1996 claims. This will result in increased payments to producers whose 1996 premium payments were in respect of more animals than their 1995 payments. These additional payments are expected to be completed within the first quarter of 1998. Two extensions to the Beef Marketing Payments Scheme, in respect of animals marketed for human consumption between 1 July and 9 November, resulted in expenditure of £29 million of national funds in the first quarter of 1997.

92. An additional package of EU aid worth £52 million was made available to the UK in 1997 under EC Regulation 2443/96. From these funds, around £49.5 million was used to make additional payments to suckler cow producers, resulting in a supplementary payment being made to nearly 57,000 claimants under the 1996 SCP Scheme. £45,000 was used to compensate veal producers for losses suffered as a result of the BSE crisis, distributed under the Veal Marketing Payment Scheme (VMPS). Under the VMPS, 14 farmers received payments of £36 per eligible veal calf marketed for human consumption between 20 March and 9 November 1996. The remainder of the funds were distributed to the Meat and Livestock Commission and the Livestock and Meat Commission in Northern Ireland to assist their promotional activities.

93. In order to give producers time to prepare in a considered manner for the necessary restructuring of the industry, the Government announced on 22 December 1997 an exceptional one-off package of aid, worth around £85 million. Precise arrangements are subject to the approval of the European Commission. It is intended that the majority will be distributed to suckler cow producers, with around £12.5 million going to sheep producers.

94. The decline in the number of cases, which started in 1993, is continuing, reflecting the considerable impact of the measures taken in 1988 and 1990. Approximately (100) suspect cases are being reported each week at present, compared with over 1,000 at the peak of the epidemic in early 1993; about (80 per cent) of these cases are currently confirmed.

**Bovine
Tuberculosis
Krebs Review**

95. Although at a low level generally in the UK, bovine tuberculosis persists at a higher incidence in South West England and in parts of South Wales. Recently, the disease has also spread to areas of the West Midlands. The persistence of the disease has been associated with a reservoir of bovine TB in badgers in these areas. Professor Dunnet, who reviewed the situation in 1986, recommended that, where there had been a TB herd breakdown and badgers were thought to be the source of the disease, there should be a policy of badger removal from the land on which the cattle have been grazing.

96. There has been considerable debate about the role of the badger in the spread of bovine TB and in July 1996, Professor Krebs was appointed to undertake a further independent scientific review of the incidence of TB in badgers and cattle and the evidence for the links between them. Professor Krebs was asked to take account of EU policies on reducing and eliminating the incidence of tuberculosis in cattle and of any risk to the human population and was to review Government policy on badgers and tuberculosis in the light of scientific evidence and to make recommendations. Professor Krebs has been assisted by a team of five scientists and a research assistant.

97. The Krebs Report was published in December 1997. It concludes that the available evidence, albeit largely indirect, strongly supports the view that badgers are a significant source of TB in cattle, but that it is not possible to state how large a contribution badgers make to cattle infection. The Report recommends that the Government should do more to find out to what extent

culling badgers reduces bovine TB through a properly designed and controlled experiment targeted in the areas at highest risk of herd breakdown. The report also recommends that the research effort in this area should be redirected and that the proportion of public expenditure on TB going towards R & D should be increased. The Government has indicated that it is disposed to accept the report's recommendations subject to further consideration of the public expenditure, legal and practical implications.

Environmental developments

Key developments

98. Information on the progress of commitments to action on the environment are reported in the 1997 White Paper 'This Common Inheritance'. In July the Government published its response to the House of Commons Agriculture Committee report on environmentally sensitive areas and other schemes under the agri-environment regulation. November saw the publication of the MAFF booklet on controlling soil erosion, which is part of the Government's response to the recommendation of the Royal Commission on Environmental Pollution's (RCEP) report on Soil. In December the European Commission published a report on the application of Council Regulation 2078/92 on agri-environment measures.

Agri-Environment

99. In March, the House of Commons Agriculture Committee published its report on environmentally sensitive areas and other schemes under the agri-environment regulations. The report was generally supportive of the existing schemes but recommended a number of improvements. In its response (Cm 3707, published in July 1997) the Government said that it would continue to work with conservation and farming organisations to improve the efficiency and targeting of agri-environment schemes in the light of the Committee's recommendations.

100. Representatives of national and local government, agencies, farming and conservation organisations in England are brought together in the National Agri-Environment Forum, which met three times in 1997. The Forum informs MAFF's consideration of strategic issues. 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. The Arable Working Group paved the way for the Arable Stewardship Pilot Scheme, introduced in January 1998.

101. The rates and structure of aid for organic conversion under the Organic Aid Scheme were reviewed in 1997 and an extensive consultation exercise was carried out on the future of the scheme. In England MAFF also carried out an evaluation of the access provisions of the Countryside Stewardship, Countryside Access and Environmentally Sensitive Areas schemes. In Wales a new single all Wales agri-environment scheme is under development. This will replace the existing range of agri-environment schemes except the Organic Aid Scheme. In Scotland, the Government announced in September its intention to consult on proposals to merge the Environmentally Sensitive Area Schemes (ESAs) with the Countryside

Premium Scheme (CPS). The merger proposals will also include the Organic Aid Scheme. The consultation paper is due to be issued early in 1998.

102. In December the European Commission published a report on the implementation of the agri-environment regulation (Council Regulation (EEC) No 2078/92). As well as describing implementation of the regulation up to 1997 the report also presented a number of recommendations for consideration consistent with the emphasis placed on agri-environment programmes in Agenda 2000.

103. 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.

ESAs

104. By the end of 1997 over 15,000 farmers in England, Scotland, Wales and Northern Ireland had signed ESA management agreements covering an area of 1.3 million hectares. Payments covering management agreements and conservation plans (capital works) in ESAs are expected to total some £49.7 million in 1997/98 for the UK.

105. In England 1997 saw changes made to the first 5 ESAs (the Broads, Pennine Dales, South Downs, Somerset Levels and Moors and West Penwith) following their ten year policy review. These changes included new options for encouraging environmentally friendly arable farming and also brought about significant boundary extensions in 4 of the 5 ESAs. MAFF also undertook policy reviews in the 5 stage II ESAs launched in 1988 (Breckland, Clun, Suffolk River Valleys, North Peak and Test Valley) and the 6 stage III ESAs (Avon Valley, North Kent Marshes, South West Peak, Lake District, Exmoor and South Wessex Downs) which were launched in 1993. 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 February 1998

106. The 1997 National Audit Office report on the ESA programme (published in July) concluded that the Scheme had been a landmark in the development of policies to promote environmentally sensitive farming, and continued to perform a useful function. The report made a number of recommendations designed to secure further environmental benefits. These are currently being implemented.

The Countryside Stewardship Scheme

107. The Countryside Stewardship Scheme 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 1996 agreement year, there were 6,234 agreements in operation covering approximately 107,500 hectares. Payments covering these agreements are expected to total some £15.5 million in 1997/98. An additional £5 million has been made available for new agreements in 1997 and it is anticipated that a further 1,300 agreements will be signed. In June 1997, MAFF issued proposals for an Arable Stewardship pilot scheme which would offer payments to farmers in two pilot areas (one

in the West Midlands and the other in East Anglia) to manage arable fields in ways which will encourage wildlife. The pilot scheme was launched in January 1998.

108. The equivalent scheme in Wales “Tir Cymen” commenced in 1992 and is operated by the Countryside Council for Wales. The scheme is available to farmers in 3 pilot areas based on the districts of Meirionydd, Dinefwr and Swansea. The scheme is voluntary and farmers enter into 10 year agreements. 82,377 hectares of land on 898 farms is now covered - 43.5 per cent of the eligible land in the pilot areas. Expected grant payments for 1997-98 is £5.2 million.

Organic Aid Scheme

109. The Organic Aid Scheme for England (launched in July 1994) continued to accept applications throughout the year. Some 9,454 hectares had been placed into organic conversion under this Scheme by the end of the year. Scheme payments in 1997/98 are expected to be around £592,000. The Organic Conversion Information Service (OCIS) (introduced in June 1996) remained open to potential organic producers enabling them to make use of the dedicated telephone “HelpLine” and free advisory visits by expert consultants that the Service provides. OCIS has done much to encourage a greater interest in the likely prospects of converting to organic production with about 1,200 telephone enquiries being received and 1,050 follow-up visits, either planned or undertaken by the end of 1997. A similar service was introduced in Wales in September 1996. Since when 303 enquiries have been received and 193 visits planned or undertaken.

110. Parallel aid schemes operate in Scotland, Wales and Northern Ireland. Total uptake in these countries has been 21,163 hectares. Total expenditure for the UK is expected to be around £786,000 for 1997/98 of which £150,000 is expected in Scotland.

111. The aid schemes are additional to other Government help for the organic sector which includes a research programme worth around £1 million a year and the development of regulatory standards.

112. Consideration is still being given to a proposal to extend EC Council Regulation 2092/91 (governing EC wide organic standards) to include livestock and livestock products. While early agreement and implementation of this proposal is seen as desirable, the greatly differing interests of Member States in this area make it difficult to estimate how long this will take.

Habitat Scheme

113. By the end of 1997, 1,203 farmers throughout the UK had entered or applied to enter 13,877 hectares of land into the Habitat Scheme. Payments are expected to total about £2,570,000 in 1997/98. The Scottish Habitat Scheme closed to new applicants on 31 December 1996 and was subsumed by the Scottish Countryside Premium Scheme.

114. In England the Former Five-Year Set-Aside element of the scheme is now closed to new applicants.

Farm Woodland Premium Scheme

115. 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 1997, some 6,300 applications were approved to convert over 40,000 hectares, an average of 6.4 hectares per application. This comprises 33 per cent arable land, 37 per cent improved grassland and 30 per cent unimproved grassland. Nearly three quarters of planting is broadleaves. Some 6,000 hectares were approved since 1 October 1996. Following the review of the FWPS in 1996, changes came into effect on 1 April 1997. These included (i) creating a single application system covering both the FWPS and the Forestry Commission's Woodland Grant Scheme, (ii) broadening the definition of agricultural businesses which can be accepted into the scheme, (iii) removing the requirement for participants to continue to run agricultural businesses once accepted into the scheme, (iv) removing the rule limiting applications to 50 per cent of the agricultural area of the farm, though there is an upper limit for payments of 200 hectares per farm business and (v) introducing separate higher payment rates for land eligible for Arable Area Payments.

Countryside Premium Scheme

116. The Scheme operates in Scotland and was launched in March. 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 490 applications approved in the first year, involving expenditure of almost £2.5 million in 1997/98.

NSAs

117. The fourth application round for the Nitrate Sensitive Areas (NSAs) Scheme attracted applications covering a further 1,159 hectares. This brought the total area of land subject to NSA undertakings to almost exactly 25,000 hectares, and the total number of farmers who have entered into agreements to 422 (71 per cent farmers in NSAs). Payments totalling some £4.5 million were made during the financial year in respect of NSA undertakings. The first review of payment rates was undertaken, resulting in an increase of £35 per hectare for the option requiring conversion of arable land to native-species grassland.

NVZs

118. The first review of Nitrate Vulnerable Zones (NVZ) was set in hand, in consultation with DETR and drawing on advice from the Environment Agency. Work has continued on drawing up the mandatory measures to apply in the NVZs, and the associated guidance notes for farmers. The measures, which are based on good agricultural practice, will take effect from 19 December 1998. They will cover the timing and quantity of applications of inorganic fertiliser and organic manure, and farmers will be required to keep records of such applications. Outside NVZs, Codes of Good Agricultural Practice for the Protection of Water will apply on a voluntary basis.

119. Pending the introduction of the compulsory NVZ measures, there has been only light interest in the grant scheme launched last year to assist those farmers with land in an NVZ who need to improve their farm waste facilities in line with NVZ requirements. The scheme provides grant at a rate of 25 per cent towards the cost of eligible waste storage and handling facilities. Free advice is also available to help farmers decide on the waste facilities needed to comply with the NVZ measures. The scheme has an annual

budget ceiling of £800,000. 17 applicants have received grants totalling some £112,000 since the scheme was launched of which £13,900 (4 applicants) was paid during the 1996/97 financial year. Preparations for the compulsory measures in the single Scottish NVZ are also underway. The first review of NVZs, with advice from the Scottish Environment Protection Agency (SEPA) on polluted waters, has been set in hand.

Free pollution advice and plans

120. Free advice to farmers on ways to minimise and prevent pollution was again offered by the Agricultural Departments. In 1996/97 ADAS visited 3,000 farmers in England and 834 farmers in Wales providing either general pollution advice or assistance in the preparation of a farm waste management plan. Following the conclusions of an independent review in England, that this service had fulfilled its primary purpose of raising farmer awareness of pollution and that it was unlikely to be cost effective if continued, the service was replaced by two projects developing practical advice on minimising soil erosion by water and diffuse pollution. Farm waste management plan campaigns continued in 1996/97 targeting livestock farmers in river catchments, chosen in discussion with the Environment Agency because of known or suspected water quality problems from farm wastes. In England a total of 500 farmers in six river catchments and in Wales, 74 farmers in two river catchment areas took up the offer of free consultant help in drawing up their plans.

121. In Scotland, the Scottish Agricultural College (SAC) staff made 511 free farm and site visits to assess pollution risk on behalf of SOAEFD. SAC staff organised and participated in a substantial number of pollution controlled initiatives, including demonstrations and meetings. SAC is also involved in several catchment management projects. In Northern Ireland, 2,600 pollution consultations were carried out with farmers, including 2,300 consultations conducted as part of a co-ordinated, proactive campaign on rivers failing the EU Freshwater Fish Directive, involving other Government departments and agencies.

Free conservation advice

122. The Agriculture Departments have continued to fund advice to farmers on the conservation of wildlife habitats and valued landscape features. In 1996/97 over 5,600 visits made to farmers by ADAS and the Farming and Wildlife Advisory Group (FWAG) were either wholly or partly funded by MAFF. A further 400 visits were made by DANI staff to Northern Ireland farmers. There were 750 ESA related visits by SAC advisors in 1996/97 and 390 other conservation related visits - a total of 1,140. 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 5,000 advisory visits up to 31 December 1997.

Hedgerows

123. In May, the Government announced that a Group would be set up to review the Hedgerows Regulations 1997. It is expected to report in Spring 1998.

**Flood Defence
and Coast
Protection**

124. In June, in the light of advice from a Working Party established by Ministers, new priority scoring arrangements were introduced to optimise the allocation of MAFF funding for capital flood and coastal defence works. The Environment Agency and MAFF have considered the possible use of the Private Finance Initiative (PFI) in providing flood and coastal defences. Whilst the scope for promoting PFI projects appears limited, a formal test of the market is being undertaken with schemes at Pevensey Bay (Sussex) and Broadland (Norfolk). Further updates of MAFF's Coast Protection Survey of England, commissioned in late 1996, revealed disappointing progress in improving Class 4 defences (those needing most urgent capital works). Operating authorities have been asked to report urgently on their plans for those defences.

4 Output prices and input costs

Price indices (Table 4.1)

1. Table 4.1 shows price indices for agricultural products and inputs and chart 4.1 portrays the main changes in these over recent years. Between 1996 and 1997 the price of agricultural products fell by 13.7 per cent and the price of inputs by 1.6 per cent. The price of crop products decreased by 17.0 per cent mainly due to a further decline of potato prices (affecting both root crops and seeds) and a decrease in cereal prices. The price of Livestock and Livestock products decreased by 11.8 per cent. It should be noted that these reflect observed market prices and therefore they do not take account of direct subsidy payments. In contrast, the price changes presented in table 6.3, derived from the aggregate accounts, are based on current sales information and cover subsidy payment. 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 1986-88	1993	1994	1995	1996	1997 (final)
Producer prices for agricultural products (b)	92.3	90.8	91.5	100.0	98.5	85.0
of which:						
Crop products:	81.4	82.5	84.4	100.0	88.5	73.4
Cereals	97.0	108.2	94.3	100.0	101.6	81.4
Root crops	49.7	45.5	68.6	100.0	59.3	40.3
Fresh vegetables	82.5	89.0	93.2	100.0	99.2	86.4
Fresh fruit	93.9	91.3	90.7	100.0	112.2	102.4
Seeds	66.1	64.3	74.9	100.0	85.6	64.3
Flowers and plants	90.0	91.4	97.4	100.0	106.9	107.1
Other crop products	148.0	95.5	99.1	100.0	105.7	95.3
Livestock and livestock products:	76.0	93.7	93.6	100.0	102.3	90.2
Livestock (for slaughter and export)	82.5	99.2	96.8	100.0	102.5	90.7
Milk	65.8	85.5	87.8	100.0	100.2	88.1
Eggs	87.2	109.7	110.5	100.0	119.6	102.5
Other livestock products	92.6	62.9	80.3	100.0	99.8	95.1
Prices of agricultural inputs:	75.2	96.0	96.7	100.0	105.4	103.7
of which:						
Currently consumed in agriculture	76.3	96.4	96.8	100.0	105.9	103.5
Livestock feedingstuffs	82.7	102.1	99.1	100.0	107.7	103.7
Seeds	71.1	89.2	85.5	100.0	106.0	93.2
Animals for rearing and production	64.4	63.4	80.2	100.0	100.1	96.0
Fertilisers and soil improvers	90.1	84.0	89.3	100.0	110.6	98.0
Plant protection products	71.7	99.2	103.4	100.0	105.1	103.4
Maintenance and repair of plant and machinery	62.6	95.5	97.6	100.0	105.4	109.9
Energy, lubricants	76.5	98.9	98.1	100.0	105.8	107.5
Maintenance and repair of buildings	70.5	89.7	94.0	100.0	101.2	103.0
Veterinary services	74.5	94.2	97.1	100.0	103.7	108.3
Materials and small tools	67.3	91.8	95.5	100.0	101.0	100.4
General expenses	66.7	96.0	97.5	100.0	100.9	103.9
Contributing to agricultural investment (c)	69.5	93.3	96.5	100.0	102.3	105.1
Hired labour costs per hour (d)	63.1	93.5	96.9	100.0	103.6	109.0

(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.

CHART 4.1 Price indices for products and inputs

1995=100



5 Commodities

Summary

1. Summary points comparing 1997 with 1996:

- The value of the output of all commodities fell by £1.9 billion or 11 per cent, mainly due to lower prices received by farmers for all the main commodities.

Additionally:

- Production of *cereals* was 1 million tonnes lower but the volume sold decreased only slightly, due to high stocks carried over from the 1996 harvest;
- Increases in production and total payments under the Arable Area Payment Scheme for *oilseeds* largely offset reduced prices;
- For *vegetables* increases in production reduced the impact of low prices, but for *fruit* production was 20 per cent lower due to difficult weather conditions;
- Subsidies for *cattle* destroyed and *calves* slaughtered for non-food use were £122 million lower;
- Payments under the *annual ewe premium* scheme were £173 million lower in 1997, mainly due to a small final instalment of the 1996 claim (paid in 1997);
- *Pig* production was 9 per cent higher but prices were 20 per cent lower;
- The value of output of *poultrymeat* was only 1.7 per cent lower;

Introduction

2. This section reports on the major agricultural commodities produced in the UK. It is divided into five parts, each covering a broad commodity group. The tables contain the following information where appropriate:

Production

For crops the aggregate areas and average yields are shown and are used to derive the levels of production. For livestock the populations, marketings and average slaughter weights are shown and lead to estimates of production.

Output

The outputs, which are the quantities sold off the farm, are calculated by adjusting the production for direct on-farm use (on own or other farm but without passing through merchants or processors) and for changes in the

volume of stocks held on farms. For many commodities the production is the same as the output.

Average realised return

The average realised return to farmers is based on producer prices with allowance for market-support related premia and levies and for marketing expenses where appropriate. It does not allow for subsidies paid directly to farmers. It is a weighted average to account for varying levels of output and prices during the year.

Value of output

The estimated value of output is the average realised return multiplied by the volume of output, with the additional inclusion of related subsidies paid directly to the farmers. Valuations on sales within the crop year are also given for wheat, barley and potatoes.

Total new supply

The total new supply is defined as production plus imports less exports. Data on trade comes from the Overseas Trade Statistics and for 1996 and 1997 trade the data is subject to revisions.

Total domestic use

The 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 not calculated.

Home production as per cent of total new supply

This measure gives an indication of the self-sufficiency of the UK in the commodity.

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 product and in the estimation of aggregate incomes from farming.

Cereals

Cereals

(Tables 5.1-5.6)

4. Total cereal areas increased in 1997 following further reductions in the set-aside rate from 10 per cent to 5 per cent. However production was down almost 1 million tonnes due to lower average yields. Overall the price of cereals fell by 20 per cent in response to the strength of sterling and surplus availability from the large 1996 and 1997 harvests. Total payments under the Arable Area Payments Scheme (AAPS) for cereals (excluding set-aside payments) remained similar to 1996 with lower rates being countered by increased areas.

Wheat

(Table 5.1)

5. The value of output at £1,786 million was 15 per cent lower than in 1996, due to lower market prices and slightly lower total payments under the AAPS for wheat. Production decreased by almost 1 million tonnes, but the volume of output remained similar to the previous year. This was because large quantities of unsold farm stocks from the bumper 1996 harvest were sold during 1997. More wheat was used for animal feed for several reasons: higher availability especially compared to the first half of 1996 when supplies

were tight, better price competitiveness against barley and an increase in incorporation rates in animal feed due to the expansion of the pig and poultry sectors. Imports increased following the 1997 harvest as there was a shortage of premium quality milling wheat. Total exports were lower than in 1996 despite a strong export campaign in the first half of 1997. The strength of sterling and the Commission export policy towards non-EC countries restricted export opportunities since the 1997 harvest.

Barley
(Table 5.2)

6. The value of output at £755 million was 17 per cent lower than in 1996, due to lower market prices. Total barley payments under the AAPS increased marginally. Production increased slightly from 1996 as lower average yields were offset by increases in area. However the volume of output fell due to an increase in unsold farm stocks. Usage on farm remained around 2 million tonnes. Usage for animal feed decreased due to the competitiveness of feed wheat. Overall, exports of barley were lower in 1997, despite higher year on year performance in the first three quarters. Huge exports in the final quarter of 1996, especially to Saudi Arabia, were not matched this year.

Oats
(Table 5.3)

7. The value of output at £55 million was 21 per cent lower than in 1996. This was due to lower production and lower market prices, with similar total oats payments under the AAPS. Production decreased due to lower average yields and led to a decrease in exports.

Other Cereals
(Table 5.4 and 5.5)

8. The total 1997 output value for rye, mixed corn and triticale at £9 million was similar to 1996. The total net supply of maize is expected to be similar to 1996.

TABLE 5.1 Wheat

'000 tonnes (unless otherwise specified)

Calendar years (a)

	Average of 1986-88	1993	1994	1995	1996	1997 (provisional)
Area, yield, production and output						
Area ('000 hectares)	1,959	1,759	1,811	1,859	1,976	2,036
Yield (tonnes/hectare)	6.40	7.33	7.35	7.70	8.15	7.43
Production	12,534	12,890	13,314	14,310	16,102	15,131
Direct use on farms	1,040	859	943	806	852	951
Increase in farmers' stocks	-15	657	-500	557	1,169	107
Output	11,508	11,374	12,871	12,947	14,081	14,073
Average realised return (£/tonne)	109.9	124.5	108.2	116.8	112.5	91.7
Total realised return (£ million)	1,265	1,416	1,393	1,512	1,584	1,290
Other receipts (£ million) (b)	-	224	330	480	507	496
Value of output (£ million)	1,265	1,640	1,723	1,992	2,091	1,786
Supply and utilisation						
Production	12,534	12,890	13,314	14,310	16,102	15,131
Imports from: the Fourteen	1,121	1,316	873	650	433	671
the rest of the world	566	174	224	282	244	415
Exports to: the Fourteen	1,906	2,122	2,395	2,461	3,138	2,472
the rest of the world	1,439	1,515	954	600	727	1,018
Total new supply	10,876	10,743	11,062	12,181	12,914	12,727
Increase in farm and other stocks	-983	-184	-632	586	971	66
Total domestic uses	11,858	10,927	11,694	11,595	11,943	12,661
of which: flour milling	4,953	5,166	5,214	5,271	5,437	5,447
animal feed	5,818	4,576	5,238	5,029	5,132	5,837
seed	350	310	322	349	346	362
other uses and waste	738	875	920	946	1,028	1,015
Production as % of total new supply for use in UK	116	120	120	117	125	119
% of home grown wheat in milling grist	69.1	71.8	77.3	86.0	86.6	84.3

(a) Crop year data is given below.

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

Wheat (Crop Years: July-June)

'000 tonnes (unless otherwise specified)

Crop years: July-June

	1992/93	1993/94	1994/95	1995/96	1996/97
Production and output					
Production	14,095	12,890	13,314	14,310	16,102
Direct use on farms	942	899	869	815	929
Increase in farmers' stocks	-70	98	32	433	93
Output	13,223	11,894	12,413	13,062	15,080
Average realised return (£/tonne)	129.6	106.9	112.5	120.1	99
Total realised return (£ million)	1,714	1,272	1,396	1,569	1,492
Other receipts (£ million) (b)	-	224	330	480	507
Value of output (£ million)	1,714	1,496	1,726	2,049	1,999

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

TABLE 5.2 Barley

'000 tonnes (unless otherwise specified)

Calendar years (a)

	Average of 1986-88	1993	1994	1995	1996	1997 (provisional)
Area, yield, production and output						
Area ('000 hectares)	1,877	1,165	1,107	1,192	1,268	1,358
Yield (tonnes/hectare)	4.98	5.19	5.37	5.73	6.14	5.78
Production	9,340	6,038	5,945	6,833	7,780	7,850
Direct use on farms	2,867	2,027	2,165	2,073	1,970	2,069
Increase in farmers' stocks	10	-722	-207	25	496	664
Output	6,464	4,733	3,987	4,735	5,314	5,117
Average realised return (£/tonne)	107.0	121.5	114.0	120.1	112.4	84.7
Total realised return (£ million)	691	575	454	569	597	434
Other receipts (£ million) (b)	-	144	194	299	314	321
Value of output (£ million)	691	719	649	868	911	755
Supply and utilisation						
Production	9,340	6,038	5,945	6,833	7,780	7,850
Imports from: the Fourteen	271	218	155	87	74	79
the rest of the world	7	8	28	22	23	34
Exports to: the Fourteen	1,341	469	687	1,339	1,103	971
the rest of the world	1,998	547	683	513	614	632
Total new supply	6,280	5,248	4,758	5,090	6,160	6,360
Increase in farm and other stocks	-202	8	-612	-532	288	923
Total domestic uses	6,482	5,240	5,370	5,622	5,872	5,437
of which: brewing/distilling	1,654	1,794	1,818	1,942	1,979	1,886
animal feed	4,379	3,163	3,257	3,368	3,559	3,216
seed	269	163	173	177	191	196
other uses and waste	180	120	122	135	143	139
Production as % of total new supply for use in UK	149	115	125	134	126	123

(a) Crop year data is given below.

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

Barley (Crop Years: July-June)

'000 tonnes (unless otherwise specified)

Crop years: July-June

	1992/93	1993/94	1994/95	1995/96	1996/97
Production and output					
Production	7,365	6,038	5,945	6,833	7,780
Direct use on farms	2,192	2,064	2,084	2,053	2,047
Increase in farmers' stocks	22	29	-69	125	12
Output	5,151	3,945	3,930	4,655	5,721
Average realised return (£/tonne)	126.1	109.2	115.7	122.6	105
Total realised return (£ million)	649	431	455	571	600
Other receipts (£ million) (b)	-	144	194	299	314
Value of output (£ million)	649	575	648	870	914

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

TABLE 5.3 Oats

'000 tonnes (unless otherwise specified)

Calendar years

	Average of 1986-88	1993	1994	1995	1996	1997 (provisional)
Area, yield, production and output						
Area ('000 hectares)	105	92	108	111	96	100
Yield (tonnes/hectare)	4.76	5.23	5.50	5.52	6.19	5.41
Production	502	479	597	617	594	537
Direct use on farms	219	170	223	194	158	164
Increase in farmers' stocks	-12	9	77	-54	1	-27
Output	295	300	297	477	435	400
Average realised return (£/tonne)	107.1	129.3	106.1	101.0	105.4	80.2
Total realised return (£ million)	31	39	32	48	46	32
Other receipts (£ million) (a)	-	11	19	28	24	23
Value of output (£ million)	32	50	50	76	70	55
Supply and utilisation						
Production	502	479	597	617	594	537
Imports from: the Fourteen	11	1	3	2	2	11
the rest of the world	-	3	-	-	-	-
Exports to : the Fourteen	5	41	18	217	132	70
the rest of the world	-	-	-	-	-	-
Total new supply	508	442	582	402	464	478
Increase in farm and other stocks	1	4	92	-74	-	-14
Total domestic uses	506	438	490	476	464	492
of which : milling	168	207	207	217	250	260
animal feed	302	201	246	215	176	193
seed	22	16	22	21	19	19
other uses and waste	14	14	15	23	19	20
Production as % of total new supply for use in UK	99	108	103	153	128	112

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

TABLE 5.4 Rye, Mixed Corn and Triticale

'000 tonnes (unless otherwise specified)

Calendar years

	Average of 1986-88	1993	1994	1995	1996	1997 (provisional)
Area, production and output (a)						
Area ('000 hectares)	13	16	16	18	18	19
Production	68	77	90	101	106	102
Total realised return (£ million)	3	4	4	4	4	4
Other receipts (£ million) (b)	-	2	3	5	5	5
Value of output (£ million)	3	6	7	9	9	8
Supply and utilisation						
Imports from (c): the Fourteen	19	8	9	-	-	-
the rest of the world	1	-	-	-	-	-
Exports to (c): the Fourteen	-	1	-	3	-	-
the rest of the world	-	-	-	-	-	-
Total new supply	88	84	99	93	106	102
Production as % of total new supply for use in UK	77	92	91	103	100	100

(a) Triticale has been included from 1989 onwards, with the production figure for 1989 being an estimate.

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

(c) Relates only to rye and triticale.

TABLE 5.5 Maize

'000 tonnes

Calendar years

	Average of 1986-88	1993	1994	1995	1996	1997 (provisional)
Supply and utilisation						
Imports from: the Fourteen	1,217	1,265	1,376	1,408	1,135	1,100
the rest of the world	226	211	216	238	326	300
Exports to: the Fourteen	13	14	16	13	13	16
the rest of the world	-	-	-	-	-	-
Total new supply	1,430	1,462	1,576	1,633	1,448	1,384

TABLE 5.6 Total cereals

'000 tonnes (unless otherwise specified)

Calendar years

		Average of 1986-88	1993	1994	1995	1996	1997 (provisional)
Area, production and output							
Area ('000 hectares)		3,954	3,031	3,042	3,181	3,358	3,514
Production		22,444	19,484	19,946	21,861	24,582	23,620
Output		18,300	16,444	17,195	18,201	19,872	19,632
Supply and utilisation							
Imports from:	the Fourteen	2,639	2,808	2,416	2,147	1,644	1,861
	the rest of the world	799	396	468	542	593	749
Exports to:	the Fourteen	3,265	2,647	3,116	4,033	4,386	3,529
	the rest of the world	3,437	2,062	1,637	1,113	1,341	1,650
Total new supply		19,181	17,979	18,077	19,404	21,092	21,051
Increase in farm and other stocks		-1,183	-172	-1,152	-20	1,259	975
Total domestic uses		20,364	18,151	19,229	19,424	19,833	20,076
Production as % of total new supply for use in UK		117	108	110	113	117	112
Stocks (of wheat, barley and oats) held at year end:							
	by farmers (a)	10,605	10,340	9,710	10,243	11,910	12,654
	in intervention (b)	2,515	1,673	1,008	27	-	32
	by processors and traders (a)	3,769	2,507	2,650	3,078	2,697	2,896

(a) Stocks held by agricultural co-operatives have been included in processors' and traders' stocks for the years 1984-86, and in farmers' stocks from 1991.

(b) Recorded as all physical stocks held at the year end.

Other crops

Oilseed rape (Table 5.7)

9. Oilseed rape production from the record 1997 harvest was estimated at 1.51 million tonnes - a slight increase from the previous high in 1996. This was due to an increase in areas as average yields were lower than in 1996. Production on set-aside land decreased. The total value of output at £408 million was marginally lower than in 1996. The higher output and an increase in total oilseed rape payments under the AAPS (excluding set-aside payments) offset a decrease in the overall average price.

10. Prices over the past two years were influenced by several factors. Throughout most of 1996 they were supported by a tight world supply of oilseeds, high US soya bean prices and increased demand from Northern and Eastern Europe followed poor harvests. Prices fell towards the summer of 1997 as there were still large UK supplies from the 1996 harvest. This was partly due to UK crushers switching to imported seeds, made cheaper by the strength of sterling. US soya bean prices also fell and another large UK harvest was anticipated. In the latter half of 1997 prices increased mainly due to a high world demand for vegetable oils.

Linseed (Table 5.8)

11. Although average yields were lower than in 1996, production in 1997 rose by 30 per cent, due mainly to an increase in area of winter sown linseed. The total value of output at £54 million was higher than in 1996 as higher production and an increase in total linseed payments under the AAPS (excluding set-aside payments) offset lower market prices. Market prices over the past two years have followed a similar trend to oilseed rape.

Sugar Beet and Sugar (Table 5.9)

12. Refined sugar production for the 1997 campaign is estimated at 1.5 million tonnes, compared with the UK quota of 1.14 million tonnes. Sugar production above quota attracts a lower market price as it is usually exported out of the Community without an export refund although it can also be carried forward against the next year's quota. This is the main reason for lower overall average prices for sugar beet both in 1996 and 1997. The total value of the sugar beet crop for 1997 is estimated at £292 million, lower compared with 1996 mainly due to a stronger pound affecting the guaranteed purchase price of quota sugar beet. Average sugar content was also lower in 1997.

Hops (Table 5.10)

13. The value of output of hops in 1997 was slightly lower than in 1996. Although production was down on 1996, it was above the levels achieved in the previous two years. Alpha levels were slightly above the average. Disease problems affected the quality of later crops and depressed some prices. However, the average realised return per tonne was above that of 1996, reflecting the high proportion of hops sold under contract.

Peas and beans for stockfeed (Table 5.11)

14. The combined value of output for peas and beans for stockfeed rose slightly to £131 million in 1997. Increases in production offset decreases in average prices, which were influenced by lower prices for cereals and other competing feed crops.

**Purchased
Feedingstuffs**
(Tables 5.12)

15. In 1997 the total cost of purchased feedingstuffs decreased by 12 per cent to £2,441 million due to both lower prices and lower quantities purchased. The decrease was mainly due to reductions in cattle numbers and better availability of forage and grazing crops. There were increases in the production of pig and poultry compounds. The average price of purchased feeds dropped following decreases in prices of cereals, other feed crops and other raw materials.

Seeds
(Table 5.13 and
Table 5.14)

16. Table 5.13 shows details of production of seeds whilst table 5.14 shows details of purchases of seeds. The total cost of purchased seeds in 1997 at £349 million decreased slightly compared to 1996, mainly due to the decrease in the quantity of purchased potato seed. Increases in quantities for cereals and other arable crops were offset by lower prices.

Flax and Hemp

17. The area of flax in the UK decreased slightly from just over 20,000 hectares in 1996 to just over 19,000 hectares in 1997 whilst the area of hemp increased again from nearly 1,700 hectares to just over 2,300 hectares. The demand for flax and hemp is being assisted by the development and expansion of markets for a range of uses for fibre including geotextiles (e.g. matting to prevent soil erosion), cardboard, paper and mouldings such as interior car panels.

Potatoes
(Table 5.15)

18. The total area planted for potatoes in 1997 was 7 per cent lower than in 1996. However, with higher yields, production was similar to 1996. Quality has been variable resulting in high wastage rates and in prices only just above the low levels of late 1996. For the calendar year the average price has fallen from £97 per tonne in 1996 to £62 in 1997, the lowest in real terms for over 10 years. Consequently the overall value of output of potatoes in 1997 fell by 36 per cent to £347 million.

TABLE 5.7 Oilseed rape

'000 tonnes (unless otherwise specified)

Calendar years

	Average of 1986-88	1993	1994	1995	1996	1997 (provisional)
Area ('000 hectares)	344	417	496	439	414	467
Yield (tonnes/hectares)	3.21	2.60	2.53	2.81	3.41	3.23
Production	1,107	1,085	1,253	1,235	1,410	1,509
Of which : production not on set-aside land						
Area ('000 hectares)	345	377	404	354	356	440
Yield (tonnes/hectare) (a)	3.21	2.73	2.62	2.91	3.49	3.26
Production (a)	1,110	1,029	1,058	1,030	1,243	1,435
: production on set-aside land						
Area ('000 hectares)	-	41	92	85	58	27
Yield (tonnes/hectare)	-	1.37	2.13	2.41	2.89	2.7
Production	-	56	196	204	167	74
Total						
Output	1,107	1,121	1,247	1,240	1,367	1,470
Average realised return (£/tonne) (b)	243	157	175	174	184	157
Total realised return (£ million)	269	176	219	215	251	231
Other receipts (£ million) (c)	-	172	161	148	164	177
Value of output (£ million)	269	348	379	363	416	408
Imports from: the Fourteen	99	173	267	252	203	340
the rest of the world	79	53	119	270	24	-
Exports to: the Fourteen	314	23	35	41	96	180
the rest of the world		20	45	-	80	20
Total new supply	971	1,268	1,559	1,715	1,461	1,649
Production as % of total new supply for use in UK	116	86	80	72	97	92

(a) These figures are on the basis of a standard (9%) moisture content and include results from the MAFF Survey of Oilseed Rape Production for England.

(b) Includes crops grown on set-aside land.

(c) In 1992 EC support for oilseeds changed from a per tonne to a per hectare aid. The Oilseed Support Scheme operated in 1992 and, since 1993, oilseeds have been included in the Arable Area Payments Scheme (AAPS). Under the AAPS oilseeds aid is paid in two instalments: an advance in the autumn of the year of harvest and the balance in the following spring.

TABLE 5.8 Linseed

'000 tonnes (unless otherwise specified)

Calendar years

	Average of 1986-88	1993	1994	1995	1996	1997 (provisional)
Area ('000 hectares)	10	161	73	62	54	75
Yield (tonnes/hectare)	1.70	1.21	1.27	1.31	1.60	1.49
Production ('000 tonnes)	17	195	92	81	86	112
Of which : production not on set-aside land						
Area ('000 hectares)	10	150	58	54	49	73
Yield (tonnes/hectare) (a)	1.70	1.23	1.25	1.30	1.61	1.50
Production (a)	17	186	72	70	79	108
: production on set-aside land						
Area ('000 hectares)	-	12	15	8	5	3
Yield (tonnes/hectare)	-	0.75	1.36	1.35	1.46	1.36
Production	-	9	20	11	7	4
Output ('000 tonnes)	17	195	92	81	86	112
Average realised return (£/tonne) (b)	147	123	131	150	169	137
Total realised return (£ million)	2	24	12	12	15	15
Other receipts (£ million) (c)	3	161	27	29	25	39
Value of output (£ million)	5	185	39	41	39	54
Imports from: the Fourteen	33	1	1	-	2	-
the rest of the world	1	1	24	48	37	35
Exports to: the Fourteen	1	53	19	8	11	30
the rest of the world	-	-	-	1	1	-
Total new supply	49	144	98	120	113	117
Production as % of total new supply for use in UK	34	135	94	68	76	96

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

(b) Includes crops grown on set-aside land.

(c) Under the Linseed Support Scheme, which operated until 1992, aid was paid in the calendar year following the year in which the crop was harvested. The AAPS was extended to include linseed in 1993. Under the AAPS linseed aid is paid in the period 16 October to 31 December. In 1993, therefore, the farmer received subsidy for both the 1992 and 1993 crops.

TABLE 5.9 Sugar beet and sugar

'000 tonnes (unless otherwise specified)

Calendar years

	Average of 1986-88	1993	1994	1995	1996	1997 (provisional)
Sugar beet (a)						
Area ('000 hectare) (b)	203	197	195	196	199	195
Yield (adjusted tonnes/hectare) (b)	40.16	49.07	44.72	43.02	52.36	53.98
Production of beet (adjusted tonnes)	8,087	9,666	8,720	8,431	10,420	10,527
Average realised return (£/adjusted tonne) (c)	28.39	32.84	35.25	38.34	32.00	27.76
Value of output (£ million) (g)	227	317	307	323	333	292
Sugar content %	17.52	16.84	16.93	16.47	18.04	17.30
Sugar ('000 tonnes refined basis)						
Production (d)	1,283	1,436	1,263	1,220	1,477	1,500
Imports from: the Fourteen (e) (f)	115	105	112	92	83	134
the rest of the world	1,130	1,139	1,176	1,150	1,176	1,170
Exports to: the Fourteen (f)	47	76	35	93	58	69
the rest of the world	217	383	472	403	289	466
Total new supply	2,264	2,221	2,044	1,966	2,389	2,269
Production as % of total new supply for use in UK	57	65	62	62	62	66

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

(b) The area, and related yield figures are based on June census definitions. The cropped and harvested area and related yields for 1992, 1993, 1994, 1995, 1996 and 1997 were 170,000ha and 59.7 tonnes/ha, 169,000ha and 57.2 tonnes/ha, 170,000ha and 51.3 tonnes/ha, 170,000 ha and 49.6 tonnes/ha, 172,000ha and 60.6 tonnes/ha, 170,000ha and 61.9 tonnes/ha respectively.

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

(d) 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.

(e) Includes imports from French overseas departments.

(f) Includes only sugar as such and takes no account of the sugar content of the processed products.

(g) Excludes transport allowance.

TABLE 5.10 Hops

'000 tonnes (unless otherwise specified)

Calendar years

	Average of 1986-88	1993	1994	1995	1996	1997 (provisional)
Area ('000 hectares) (a)	4.2	3.4	3.4	3.3	3.4	3.5
Yield (tonnes/hectare) (a)	1.26	1.62	1.40	1.33	1.63	1.50
Production	5.2	5.55	4.7	4.4	5.6	5.2
Average realised return (£/tonne)	2,353	3,357	4,005	3,721	3,359	3,585
Total realised return (£ million)	12.1	18.6	18.8	16.2	18.8	18.7
Other receipts (£ million) (b)	0.9	2.2	1.4	1.1	1.1	1.1
Value of output (£ million)	13.0	20.8	20.2	17.3	19.9	19.8
Imports from: the Fourteen	1.4	1.2	0.8	1.1	0.7	0.8
the rest of the world	0.9	1.4	1.6	1.9	1.3	1.4
Exports to: the Fourteen	1.0	0.8	1.9	0.5	0.6	0.2
the rest of the world	0.1	0.3	0.3	0.6	0.7	1.0
Total new supply	6.3	7.0	4.9	6.2	6.3	6.2
Production as % of total new supply for use in UK	82	79	96	70	89	84

(a) The area is that recorded in the June Census (and shown in Table 2.2), not all of which may actually be in production within the year. The yield relates to the Census area.

(b) Income and conversion aid.

TABLE 5.11 Peas and beans for stockfeed

	Calendar years					
	Average of 1986-88	1993	1994	1995	1996	1997 (provisional)
Peas for harvesting dry (a)						
Area ('000 hectares)	89.0	64.7	63.0	60.6	62.5	78.3
Yield (tonnes/hectare)	3.22	4.10	3.91	3.77	3.84	3.79
Production ('000 tonnes)	283.5	265.4	246.2	228.6	240.0	297.0
Average realised return (£/tonne)	193.0	105.7	106.0	120.0	121.0	96.5
Total realised return (£ million)	54	28	26	27	29	28
Other receipts (£ million) (b)	-	27	22	23	24	28
Value of production (£ million)	54	55	48	50	53	57
Field beans (mainly for stockfeed)						
Area ('000 hectares)	101.5	163.1	149.3	118.7	100.2	99.0
Yield (tonnes/hectare)	3.65	3.75	3.04	2.69	3.17	3.80
Production ('000 tonnes)	373.2	612.0	453.9	319.3	317.5	377.0
Average realised return (£/tonne)	187.0	102.0	101.0	120.3	121.0	97.8
Total realised return (£ million)	66	62	46	38	39	37
Other receipts (£ million) (b)	-	69	53	46	38	37
Value of production (£ million)	66	131	99	84	77	74

(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, Table 5.16.

(b) In 1993 EC support for dried peas and beans changed from a per tonne aid under the Peas and Beans Scheme to a per hectare aid under the AAPS. Under the AAPS aid for dried peas and beans is paid in the period 16 October to 31 December.

TABLE 5.12 Purchased feedingstuffs (excluding direct inter-farm sales)

	Calendar years					
'000 tonnes (unless otherwise specified)	Average of 1986-88	1993	1994	1995	1996	1997 (provisional)
Concentrates (a)						
Compounds for:						
cattle	3,999	4,247	4,330	4,433	4,388	3,841
calves	364	266	292	304	270	222
pigs	2,186	2,558	2,548	2,451	2,558	2,704
poultry	3,486	3,765	3,846	3,972	4,039	4,096
other	646	685	778	825	890	810
Total	10,682	11,521	11,794	11,985	12,145	11,673
Straight concentrates (ie cereals, cereal offals, proteins and other high energy feeds)	4,929	4,067	4,414	4,262	3,786	3,383
Total	15,611	15,588	16,208	16,247	15,931	15,056
Non-concentrates (low-energy bulk feeds expressed as concentrate equivalent) (b)	659	691	687	680	675	675
Total all purchased feedingstuffs	16,270	16,279	16,895	16,927	16,606	15,731
Cost of purchased feedingstuffs (£ million)	2,468	2,478	2,594	2,677	2,775	2,441
of which this part represents the value of sales off the national farm (and included in output) but subsequently repurchased as an input (£ million)	619	465	607	630	634	528

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

TABLE 5.13 Production of herbage and legume seeds (excluding field beans and field pea seeds)

'000 tonnes (unless otherwise specified)

June/May years

	Average of 1986/87- 1988/89	1993/94	1994/95	1995/96	1996/97	1997/98 (provisional)
Certified seed:						
area ('000 hectares)	17.5	12.7	10.3	10.0	10.6	11.3
production	16.3	14.7	12.0	11.9	12.7	11.2
Imports from: the Fourteen (a)	6.7	6.3	9.4	14.5	13.9	..
the rest of the world	4.7	2.0	3.3	3.9	4.3	..
Exports to: the Fourteen (a)	3.2	0.9	0.9	1.9	2.8	..
the rest of the world	0.6	0.1	-	0.1	0.1	..
Total new supply	23.8	22.0	23.8	28.3	28.0	..

(a) Import and export figures prior to 1995 relate to 'the eleven'. However, trade with Austria, Finland and Sweden has always been negligible.

TABLE 5.14 Purchased seeds

'000 tonnes (unless otherwise specified)

Calendar years

	Average of 1986-88	1993	1994	1995	1996	1997 (provisional)
Cereals	568.4	446.3	442.3	465.3	481.9	488.2
Grass and clover	15.4	11.1	12.7	12.9	12.8	12.8
Root and fodder crops	47.8	51.6	48.8	41.9	38.5	41.0
Potatoes	261.7	245.8	281.4	299.8	282.4	255.3
Vegetable and other horticultural seeds (a)	20.7	18.0	17.9	18.0	18.1	19.1
Total purchased seeds	914.0	772.8	803.1	837.9	833.7	816.4
Total cost of all purchased seeds (£ million)	277	291	312	355	358	349
of which this part represents the value of sales off the national farm (and included in output) but subsequently repurchased as an input (£ million)	130	137	146	167	168	164

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

TABLE 5.15 Potatoes

'000 tonnes (unless otherwise specified)

Calendar years

		Average of 1986-88	1993	1994	1995	1996	1997 (provisional)
Area, yield, production and output							
Area ('000 hectares):	early	17.2	16.4	15.8	16.5	13.8	15.9
	maincrop	161.1	154.0	148.1	154.8	163.6	149.6
Yield (tonnes/hectare):	early	22.7	26.0	21.4	22.6	23.5	23.8
	maincrop	39.1	43.2	41.9	39.0	42.2	45.3
Production:	early	391	426	337	373	325	379
	maincrop	6,292	6,647	6,203	6,033	6,900	6,775
	total	6,683	7,073	6,539	6,407	7,225	7,154
Waste		849	1,045	870	634	1,003	1,263
Seed retained on farms		257	248	183	192	226	235
Increase in farmers' stocks		27	-442	-468	260	383	46
Total output		5,550	6,222	5,954	5,320	5,612	5,610
Average realised return (£/tonne) paid to registered producers for:	early potatoes (a)	109.1	93.8	187.7	156.3	97.4	73.8
	maincrop potatoes (a)	73.1	60.5	118.1	186.3	91.4	55.6
	realised for all potatoes (b)	78.1	62.2	124.9	184.2	97.0	61.8
Value of output of potatoes (£ million) (b)		433	387	744	980	544	347
Supplies and utilisation							
Total production		6,683	7,073	6,539	6,407	7,225	7,154
Supplies from the Channel Islands		38	48	42	38	51	61
Imports		937	990	1,120	1,202	1,064	937
of which: early from:	the Fourteen	68	61	53	69	68	43
	the rest of the world	155	133	115	168	192	89
maincrop from:	the Fourteen	251	112	159	182	155	96
	the rest of the world	9	9	5	10	2	0
processed (raw equivalent)							
from:	the Fourteen	396	637	723	651	606	680
	the rest of the world	27	23	23	76	17	13
seed from:	the Fourteen	31	15	41	45	24	16
	the rest of the world	-	-	1	1	-	-
Exports		239	221	338	365	296	350
of which: raw to:	the Fourteen	48	61	161	135	94	148
	the rest of the world	40	40	46	60	59	13
processed (raw equivalent)							
to:	the Fourteen	46	67	55	68	76	73
	the rest of the world	5	8	13	20	11	41
seed to:	the Fourteen	48	21	34	43	29	30
	the rest of the world	51	24	29	39	28	45
Total new supply		7,419	7,890	7,363	7,282	8,043	7,802
Net increase in farmer's stocks		27	-442	-468	260	383	46
Total domestic uses		7,391	8,332	7,831	7,022	7,660	7,756
of which: used for human consumption		5,947	6,343	6,485	5,903	6,132	6,013
seed for home crops (including seed imports)		548	510	476	485	525	481
support buying		48	433	-	-	-	-
chats, waste and retained stockfeed		849	1,045	870	634	1,003	1,263
Production as % of total new supply for use in the UK		90	90	89	88	90	92

(a) Excluding sacks.

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

Potatoes (Crop Years: June-May)

'000 tonnes (unless otherwise specified)

Crop years: June-May

	1993/94	1994/95	1995/96	1996/97
Production and output				
Production	7,073	6,539	6,407	7,225
Seed retained on farms	209	176	220	224
Change in farmers' stocks	-54	-59	67	-87
Waste	985	702	752	1,260
Output	5,934	5,720	5,367	5,829
Average realised return (£/tonne) (b)	84.9	173.1	148.3	62.2
Value of output (£ million) (b)	504	990	796	363

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

Horticulture

Horticulture (Tables 5.16-5.17)

19. The total field area devoted to horticulture, as reported in the 1997 June Agricultural Census (Table 2.2) was 184,000 hectares, compared with 189,000 hectares in 1996. The total value of output decreased by 5 per cent to £1,820 million, despite increases in some elements of the ornamentals sector.

20. Table 5.16 includes summary area and value details for the vegetables, fruit and ornamentals sectors together with output values for some of the main crops. More detailed information on the 'intervention crops': cauliflowers, tomatoes, apples and pears is given in Table 5.17. This shows that the recent decline in consumption of apples and cauliflowers is continuing, and that consumption of tomatoes and pears is increasing.

Field vegetables grown in the open

21. The area for vegetables grown in the open in 1997 fell slightly, following two years of small increases. Retrospective revisions have been made to area data to reflect the results of the January 1997 Vegetables & Flowers Survey; trends are still similar. The changeable weather of 1997 did not affect field vegetables as badly as other sectors. Generally, yields were good with some crops, such as leeks and cabbages, above average. Continuity programmes were upset by extremes of weather leading to periods of over-supply. Peas were adversely affected by the wet cool period in late June and early July. Despite an increase in marketed production, total output value fell by £15 million due to depressed prices.

Protected salad crops

22. The overall area of protected vegetables continued to decline. Although production was only slightly down, poor prices, particularly for tomatoes and lettuce, led to a 10 per cent reduction in the total value of output. The economics of the salads sector were strongly influenced by the strength of the pound with supplies from Spain and Holland increasing. Trade data for Spain now incorporates the Canary Islands.

Orchard fruit

23. The difficult weather conditions of 1997, particularly the spring frosts and periods of heavy rain and hail, had a marked effect on both the quality and quantity of this year's harvest. Although production marketed in 1997 showed a 20 per cent reduction on 1996 (marketing of the 1996 crop continues into 1997), harvested production showed a drop of nearer 40 per cent between 1996/97 and 1997/98. Prices did not rise as much as would normally be expected in a shortage year due to quality problems, pressure from imports and a greater than usual carryover of Southern Hemisphere fruit into the start of the 1997 UK season. The consequent overall value of output for orchard fruit was down 17 per cent on 1996.

Soft fruit

24. Soft fruit production was also adversely affected by the weather in 1997. A promising start to the outdoor strawberry season was followed by very wet weather during the summer, with the 'Pick your own' crop particularly badly affected. This experience is increasingly causing growers to consider growing soft fruit crops under protection. Raspberries were not so badly affected. Blackcurrant growers suffered losses due to the spring frosts and *Botrytis* which spread rapidly in the wet weather. In some cases

crops were being grubbed up for economic reasons. These effects led to a 27 per cent drop in 1997 in the overall value of output.

**Flowers in the open
and bulbs (open and
forced)**

25. The decline in production and value of output of flowers and bulbs grown in the open continued into 1997. Flowers were badly affected by dry establishment conditions, wet weather at the start of flowering, and a hot August. These all contributed to a decrease of £5 million in the overall value of output. Prices generally remained similar to 1996, with the exception of decreases for Narcissi.

**Hardy Ornamental
Nursery Stock**

26. Most of the components of this diverse sector showed little year on year change. Both production and prices rose slightly, leading to an increase of 1 per cent in output value. Container grown nursery stock continued to be the strongest sector, despite a decrease in sales of small (less than 1 litre) containers. Poor weather during May and June suppressed sales activity within the retail sector and there was little upturn during the autumn period despite the favourable weather. High stock levels carried over from the spring, together with good autumn weather prolonging bedding displays, are thought to be largely responsible for reducing interest in this sector. Sales to the amenity sector have been steadier though they remain price sensitive.

**Protected
Ornamentals**

27. The overall value of output continued to increase annually, largely due to increased production. Until July, prices were higher than in 1996. They subsequently fell as the rising value of sterling had an effect on the bedding and pot plant sectors, and earlier gains were lost. There were few changes in the protected cut flowers sector, as competition from developing countries continued.

TABLE 5.16 Horticulture

Calendar years

	Average of 1986-88	1993	1994	1995	1996	1997 (provisional)
Vegetables						
Grown in the open (a):						
area ('000 hectares) (b)	182.2	166.4	165.0	171.7	172.0	170.8
value of output (£ million)	522	573	654	707	657	642
Protected:						
area ('000 hectares) (b) (c)	2.8	2.1	2.0	1.9	1.6	1.5
value of output (£ million)	299	305	299	321	349	313
Total realised return (£ million)	821	878	953	1,028	1,005	955
Other receipts (£ million) (d)	-	15	6	6	6	6
Total value of output (£ million)	821	893	958	1,034	1,011	961
Fruit						
Orchard fruit:						
area ('000 hectares) (e)	34.8	30.0	29.9	26.6	26.4	27.8
value of output (£ million) (f)	118	114	122	126	117	97
Soft fruit:						
area ('000 hectares) (g)	14.7	12.2	11.9	11.5	11.4	10.5
value of output (£ million)	112	136	102	107	112	82
Total value of output (£ million) (h)	231	252	227	237	237	187
Ornamentals						
Area ('000 hectares) (b)	17.8	19.3	19.4	20.2	19.0	20.0
Value of output (£ million)	356	566	591	612	660	666
of which: flower bulbs (i)	31	38	34	31	32	32
flowers in the open	19	37	37	33	33	28
hardy nursery stock	169	274	286	307	338	342
protected crops	137	218	235	241	258	264
Seeds: value of output (£ million)	7	7	7	7	7	7
Total value of commercial horticultural output (£ million) (j)	1,414	1,719	1,784	1,890	1,916	1,820
Value of output of main fruit and vegetable crops (£ million)						
cabbages	57	63	62	68	65	56
carrots	66	69	91	95	107	78
cauliflowers	60	68	65	59	56	38
lettuces	91	76	105	123	90	115
mushrooms	144	148	153	163	171	174
peas (includes (d))	53	68	57	62	79	62
tomatoes	73	59	67	58	82	56
apples	86	84	90	88	77	64
pears	15	12	13	13	16	14
raspberries	34	35	28	31	35	23
strawberries	61	76	56	56	55	46

(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) Arable area payments for vining peas and peas harvested dry.

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

(f) Excludes EC Grubbing-up grant.

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

(h) Includes glasshouse fruit.

(i) Including forced flower bulbs.

(j) These figures differ from the horticulture values in Table 6.1, which include estimates for gardens and allotments, and hedgerow fruit and nuts.

TABLE 5.17 Selected horticultural crops

'000 tonnes (unless otherwise specified)

Calendar years

	Average of 1986-88	1993	1994	1995	1996	1997 (provisional)
Cauliflowers						
Average realised return (£/tonne)	188.2	220.7	225.7	239.6	233.2	180.3
Production	322	309	289	244	238	210
Supplies from Channel Islands	8	5	5	2	2	2
Imports from: the Fourteen	52	52	70	81	99	107
the rest of the world	-	-	-	-	-	-
Exports to: the Fourteen	-	4	5	7	5	7
the rest of the world	-	-	1	-	-	-
Total new supply	381	362	358	320	334	312
Production as % of total new supply for use in UK	84	85	81	76	71	67
Tomatoes						
Average realised return (£/tonne)	586.8	535.5	617.8	510.8	704.5	488.2
Production	125	110	108	113	117	115
Supplies from Channel Islands	17	9	10	10	10	10
Imports from: the Fourteen	159	116	129	145	159	318
the rest of the world	100	51	107	125	129	3
Exports to: the Fourteen	7	5	14	6	7	5
the rest of the world	-	-	-	-	-	-
Total new supply	395	282	341	388	408	441
Production as % of total new supply for use in UK	32	39	32	29	29	26
Apples (excluding cider apples)						
Production and Output						
Production (net of wastage)	267	313	306	243	223	143
Increase in stocks	-3	-13	-	-31	-1	-35
Output from the crop:						
dessert	147	167	176	138	105	97
culinary	123	159	130	135	118	81
Average realised return (£/tonne):						
dessert	367.4	308.7	337.0	407.3	429.9	406.9
culinary	261.9	206.7	236.1	236.8	267.3	304.4
Value of Output (£ million)						
dessert	54	52	59	56	45	40
culinary	32	33	31	32	32	25
Supplies and Utilisation						
Production (net of wastage)	267	313	306	243	223	143
Imports from: the Fourteen	297	240	234	242	232	246
the rest of the world	164	177	186	197	202	187
Exports to: the Fourteen	22	12	12	26	29	23
the rest of the world	-	-	-	-	1	1
Total new supply	706	718	714	656	627	553
Increase in stocks	-3	-13	-	-31	-1	-35
Total domestic uses	709	731	714	687	628	587
Production as a % of total new supply	38	44	43	37	36	26

TABLE 5.17 Selected horticultural crops (continued)

'000 tonnes (unless otherwise specified)

Calendar years

	Average of 1986-88	1993	1994	1995	1996	1997 (provisional)
Pears (excluding perry pears)						
Production and Output						
Production (net of wastage)	34	40	26	35	40	34
Increase in stocks	-11	9	-7	6	4	1
Output	45	31	33	30	36	33
Average realised return (£/tonne):	323.2	381.9	408.3	447.5	441.2	432.9
Value of Output (£ million)	15	12	13	13	16	14
Supplies and Utilisation						
Production (net of wastage)	34	40	26	35	40	34
Imports from: the Fourteen	56	61	70	71	71	72
the rest of the world	22	39	26	29	25	33
Exports to: the Fourteen	1	2	1	3	4	7
the rest of the world	-	-	-	-	-	-
Total new supply	111	137	120	132	132	132
Increase in stocks	-11	9	-7	6	4	1
Total domestic uses	122	128	127	127	128	131
Production as a % of total new supply	31	29	21	27	30	26

Livestock

Cattle and calves; beef and veal

(Table 5.18)

28. Measures of marketings, production and value exclude 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. The numbers of cattle accounted for by these schemes in 1996 and in 1997 are shown separately in Table 5.18.

29. Between 1996 and 1997, beef and veal production fell by 2 per cent to 697 thousand tonnes. Production in the first quarter of 1996 included marketings of cattle over 30 months old and the meat equivalent of live calf exports. However, clean cattle marketings increased by 7 per cent or 153 thousand head in 1997 as more were finished at under 30 months of age and were thus eligible to enter the food chain.

30. Increased consumer confidence led to a 16 per cent rise in total domestic use of beef and veal. Despite the fall in production, this demand was satisfied by increased beef and veal imports.

31. Clean cattle prices remained low throughout the year and in November were at their lowest in sixteen years. For the year as a whole prices were some 9 per cent lower than in 1996. However, in 1997 extra payments were made to suckler cow producers and to those receiving HLCA cattle payments.

32. Overall, the value of home fed production fell by 6 per cent to £1,863 million. Had the payments to producers for the OTMS, CPAS and Selective Cull been included, the value of home fed production would have fallen by 9 per cent between 1996 and 1997.

Sheep and lambs; mutton and lamb

(Table 5.19)

33. The value of home fed production fell by 21 per cent in 1997 to £1,114 million. Clean sheep marketings for the year as a whole were 7 per cent lower than in 1996, despite an increase in the number of lambs recorded in the 1997 June Agricultural Census. It is believed that a large number remained on farm and were yet to be sold. The UK average realised return for sheepmeat was also 7 per cent lower than in 1996 when early summer prices were high following the beef crisis. However, prices remained high when compared to earlier years. These factors were compounded by reduced annual ewe premium payments which fell to offset high sheep prices in 1996. Total domestic uses of sheepmeat remained high, although 1 per cent lower than in 1996, as the fall in production offset a reduction in carcass meat exports.

Pigs and pigmeat

(Table 5.20)

34. The value of home fed production of pigmeat in 1997 was 13 per cent below that of 1996. An increased breeding herd in the United Kingdom led to a marked increase in clean pig slaughterings in 1997, 8 per cent more than in 1996. As a consequence, prices throughout the year have been somewhat lower. A brief price rise in the late spring as a result of the Classical Swine Fever outbreak in the Netherlands was followed by a return to previous levels in the summer and further falls to the end of the year. The average realised return in 1997 was 20 per cent lower than in 1996.

**Poultry and
poultrymeat**
(Table 5.21)

35. The overall value of output of poultrymeat was 2 per cent lower in 1997 than in 1996. Production increased by 3 per cent, as producers anticipated rising demand following the BSE crisis. However, encouraged by the strength of the pound, imports grew by 2 per cent, depressing wholesale broiler prices and displacing the domestic market for spent hen meat. The result has been heavy pressure on producer margins and, with exports increasing by 15 per cent, only a 1 per cent increase in total domestic usage.

36. Slaughterings of turkeys decreased by 6 per cent reflecting the reduced demand for turkey hens. Demand for stags remained strong, and hence overall production was similar to recent years.

37. Duck figures have been revised back to 1990 following industry consultation. Though significant for ducks, this has resulted in relatively minor upward revisions to each of total poultry production and value.

TABLE 5.18 Cattle and calves; beef and veal

Calendar years

	Average of 1986-88	1993	1994	1995	1996	1997 (provisional)
Populations						
Total cattle and calves ('000 head at June)	12,308	11,836	11,940	11,840	12,023	11,609
of which: dairy cows	3,031	2,667	2,715	2,602	2,587	2,473
beef cows	1,368	1,781	1,806	1,836	1,859	1,856
dairy heifers in-calf	640	568	554	566	608	598
beef heifers in-calf	193	234	220	209	209	249
other	7,075	6,587	6,646	6,628	6,761	6,433
Selected market prices						
Store cattle (£ per head) (a):						
1st quality Hereford/cross bull calves (b)	151	186	182	166	132	147
1st quality beef/cross yearling steers (c)	374	459	435	435	321	368
Finished cattle (p per kg liveweight): All clean cattle	99.9	127.9	122.0	122.8	104.5	95.4
Marketings, production and returns (d)						
Total home-fed marketings ('000 head)	4,064	3,472	3,639	3,812	2,400	2,293
of which: steers, heifers and young bulls	2,918	2,352	2,410	2,486	2,111	2,264
calves	804	502	511	521	93	21
cows and adult bulls	343	619	718	805	195	8
Average dressed carcass weights (dcw) (kgs) (e):						
steers, heifers and young bulls	277.8	292.4	299.4	301.9	307.1	306.4
calves	51.2	41.1	37.6	37.9	42.9	47.5
cows and adult bulls	273.9	286.2	284.8	285.3	291.0	308.7
Production ('000 tonnes, dcw):						
Home-fed production	1,042	881	943	996	709	697
Gross indigenous production (f)	1,018	874	938	994	706	692
Average realised return (p per kg dcw) (g)	185	222	209	210	183	167
Total realised return (£ million)	1,917	1,961	1,979	2,095	1,294	1,166
Other receipts (£ million) (h)	84	368	426	513	680	697
Value of home-fed production (£ million)	2,001	2,329	2,405	2,608	1,974	1,863
Over Thirty Month, Selective Cull and Calf Processing Aid schemes (not included above) (i)						
Over Thirty Month Scheme						
Clean cattle throughput ('000 head)	..	..	..	..	369	66
Cull cattle throughput ('000 head)	..	..	..	..	761	709
Net receipts (£ million)	..	..	..	..	544	330
Selective cull scheme						
Throughput ('000 head)	..	..	..	..	..	53
Net receipts (£ million)	..	..	..	..	..	78
Calf Processing Aid Scheme						
Throughput ('000 head)	..	..	..	..	413	596
Net receipts (£ million)	..	..	..	..	38	54
Total net receipts from three schemes					582	462

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

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

(c) 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.

(d) **Excludes** cattle slaughtered under the Over Thirty Month Scheme and Selective Cull and calves slaughtered under the Calf Processing Aid Scheme. See footnote (i).

(e) Average dressed carcass weight of animals fed and slaughtered in the UK.

(f) 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.

(g) Average realised return per kg of home-fed production net of marketing expenses. Includes variable premium but not other receipts.

(h) Comprising hill livestock compensatory allowances, suckler cow premium (including extensification premium), calf subsidy, beef special premium (including extensification premium), deseasonalisation premium and the beef marketing payment scheme. **Excludes** Over Thirty Month and Calf Processing Aid schemes and Selective Cull. See footnote (i)

(i) Cattle slaughtered under these schemes are not included in production. Net receipts for these schemes are included in Table 6.1 as other direct receipts.

TABLE 5.18 Cattle and calves; beef and veal (continued)

Calendar years						
	Average of 1986-88	1993	1994	1995	1996	1997 (provisional)
Supplies ('000 tonnes, dcw) (d) (j)						
Home-fed production	1,042	881	943	996	709	697
Imports from: the Fourteen (k)	219	157	149	145	109	153
the rest of the world	50	52	41	65	74	80
Exports to: the Fourteen (l) (m)	142	160	221	252	63	13
the rest of the world (m)	58	45	68	73	16	1
Total new supply	1,113	885	843	882	812	917
Increase in stocks	-20	-36	-125	-23	67	51
Total domestic uses	1,133	921	968	905	745	866
Home-fed production as % of total new supply for use in UK	94	100	112	113	87	76
Closing stocks	105	204	79	56	123	174

(d) **Excludes** cattle slaughtered under the Over Thirty Month Scheme and Selective Cull and calves slaughtered under the Calf Processing Aid Scheme.
See footnote (i).

(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.

(m) Exports of beef in 1997 relate to re-exports of beef of non-UK origin.

TABLE 5.19 Sheep and lambs; mutton and lamb

Calendar years

	Average of 1986-88	1993	1994	1995	1996	1997 (provisional)
Populations						
Total sheep and lambs ('000 head at June)	39,162	44,200	43,585	43,054	41,813	42,559
of which: breeding flock	18,346	20,727	20,707	20,668	20,383	20,543
lambs under 1 year old	19,589	22,317	21,688	21,267	20,342	20,926
other	1,227	1,156	1,190	1,119	1,088	1,089
Selected market prices						
Store sheep (£ per head):						
1st quality lambs, hoggets and tegs (a)	37.2	35.6	40.0	44.5	46.8	53.4
Finished sheep (p per kg estimated dcw) (b):						
Great Britain	188.4	219.0	236.9	236.4	283.1	256.0
Northern Ireland	207.3	199.5	222.0	214.4	260.5	242.6
Marketings, production and returns (excluding clip wool)						
Total home-fed marketings ('000 head):	16,894	21,275	20,880	21,164	19,756	18,033
of which: clean sheep and lambs	15,274	19,059	18,179	18,532	17,212	15,991
ewes and rams	1,620	2,216	2,701	2,632	2,544	2,042
Average dressed carcase weights (dcw) (kgs) (c):						
clean sheep and rams	18.0	17.3	17.5	17.6	18.0	18.2
ewes and rams	26.2	27.8	27.0	26.8	27.3	28.9
Production ('000 tonnes, dcw):						
Home-fed production	318	399	391	400	379	350
Gross indigenous production (d)	317	400	393	400	379	349
Average realised return (p per kg dcw) (e)	206	183	195	198	238	221
Total realised return (£ million)	655	717	762	785	900	774
Other receipts (£ million) (f)	182	523	456	491	513	341
Value of home-fed production (£ million)	836	1,240	1,218	1,276	1,413	1,114
Supplies ('000 tonnes, dcw) (g)						
Home-fed production	318	399	391	400	379	350
Imports from: the Fourteen (h)	1	7	13	15	23	23
the rest of the world	135	122	106	132	133	130
Exports to: the Fourteen (i)	94	179	153	188	164	130
the rest of the world	2	2	3	2	2	2
Total new supply	382	347	354	356	369	371
Increase in stocks	-9	6	-6	4	-2	5
Total domestic uses	385	341	360	352	371	366
Home-fed production as % of total						
new supply for use in UK	90	115	110	112	103	94
Closing stocks	24	16	10	15	13	18

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

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

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

(d) See footnote (e) to Table 5.18.

(e) Average realised return per kg of home-fed production net of marketing expenses. Includes variable premium but not other receipts.

(f) Comprising hill livestock compensatory allowances and annual ewe premium.

(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 5.20 Pigs and pigmeat

Calendar years

	Average of 1986-88	1993	1994	1995	1996	1997 (provisional)
Populations						
Total pigs ('000 head at June)	7,964	7,771	7,813	7,550	7,512	7,992
of which: sows in-pig and other sows for breeding	715	690	683	647	642	677
gilts in-pig	106	116	105	100	106	116
other	7,143	6,965	7,025	6,802	6,764	7,199
Selected market price						
Clean pigs (p per kg deadweight)	95.9	103.1	99.7	119.0	138.1	110.7
Marketings, production and returns						
Total home-fed marketings ('000 head)	15,723	14,820	15,316	14,687	14,183	15,373
of which: clean pigs	15,361	14,445	14,893	14,302	13,836	14,996
sows and boars	362	374	423	385	347	377
Average dressed carcase weights (dcw) (kgs) (a):						
clean pigs	62.0	66.5	66.8	67.3	68.5	69.0
sows and boars	133.5	139.8	137.2	140.0	140.0	132.7
Production ('000 tonnes, dcw):						
Home-fed production	1,001	1,012	1,053	1,012	996	1,089
Gross indigenous production (b)	1,002	1,013	1,052	1,014	997	1,092
Average realised return (p per kg dcw) (c)	91	98	94	114	132	105
Value of home-fed production (£ million)	912	988	991	1,153	1,313	1,140
Supplies of pork ('000 tonnes, dcw) (d) (e)						
Home-fed production	773	802	828	786	793	882
Imports from: the Fourteen	45	113	116	168	203	183
the rest of the world	3	-	-	-	1	2
Exports to: the Fourteen (f)	53	114	133	163	161	205
the rest of the world	3	4	13	20	26	31
Total new supply	766	798	798	772	811	831
Increase in stocks	1	2	-1	-	3	-
Total domestic uses	765	796	799	771	808	831
Home-fed production as % of total new supply for use in UK	101	100	104	102	98	106
Closing stocks	8	12	11	11	12	14
Supplies of bacon and ham						
('000 tonnes, product weight) (d)						
Home-cured production	208	216	233	245	241	241
Imports from: the Fourteen (g)	257	238	224	222	261	235
the rest of the world	2	-	-	-	-	-
Exports to: the Fourteen	5	3	5	5	5	6
the rest of the world	-	1	1	1	1	-
Total new supply	461	450	451	461	497	469
Increase in stocks	1	1	-	-1	-	-
Total domestic uses	460	450	451	462	497	469
Home-cured production as % of total new supply for use in UK	45	48	52	53	48	51
Closing stocks	5	2	3	2	2	3

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

(b) See footnote (e) to Table 5.18.

(c) Average realised return per kg of home-fed production net of marketing expenses.

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

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

TABLE 5.21 Poultry and poultrymeat

		Calendar years				
	Average of 1986-88	1993	1994	1995	1996	1997 (provisional)
Populations						
Number ('000 head at June) (a):						
chickens and other table fowls	70,038	79,451	75,205	76,621	..	..
birds in the laying flock	38,036	32,824	32,543	31,692	..	..
fowls for breeding (b)	6,799	7,247	7,677	7,570	..	..
turkeys (c)	9,065	10,225	12,106	12,408	..	..
ducks	1,616	2,388	2,353	2,505	..	..
geese	174	164	143	142	..	..
Total	125,729	132,300	130,027	130,939	..	..
Slaughterings, production and returns						
Slaughterings (millions):						
fowls	590	665	704	720	758	785
turkeys	31	36	36	39	39	36
ducks	8	13	13	13	16	17
geese	1	1	1	1	1	1
Total	630	715	753	774	813	839
Production ('000 tonnes carcase weight) (d):						
chickens and other table fowls	805	943	984	1,010	1,065	1,105
boiling fowls (culled hens)	61	50	53	54	54	55
turkeys	157	266	268	293	294	297
ducks	17	28	28	30	35	38
geese	2	3	3	2	3	3
Total	1,042	1,289	1,335	1,389	1,451	1,497
Average realised return (p/kg carcase weight) for:						
chickens and other table fowls	80.1	86.8	87.0	84.5	91.4	87.2
boiling fowls (culled hens)	39.5	43.4	47.9	31.9	36.2	35.0
turkeys	121.5	125.8	127.7	124.2	137.2	129.2
ducks	148.5	128.9	131.0	136.6	147.6	150.0
geese	190.8	187.4	188.7	195.3	199.6	231.8
Value of output (£ million):						
fowls	668	840	881	870	994	983
turkeys, ducks, geese	221	379	383	410	460	446
exports of live poultry	13	40	43	43	45	43
Total	902	1,258	1,308	1,324	1,498	1,472
Supplies of poultrymeat ('000 tonnes carcase weight)						
Production	1,042	1,289	1,335	1,389	1,451	1,497
Imports from: the Fourteen	90	169	203	212	244	245
the rest of the world	-	1	-	2	18	22
Exports to: the Fourteen	37	64	72	102	105	119
the rest of the world	8	21	32	55	66	78
Total new supply	1,086	1,373	1,434	1,446	1,542	1,567
Change in stocks	10	-	-1	3	3	15
Total domestic uses	1,076	1,373	1,435	1,443	1,540	1,553
Production as % of total new supply	96	94	93	96	94	96

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

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

(c) Data relates to November and to England and Wales only.

(d) Excludes offal.

Livestock products

Milk and Milk Products

(Tables 5.22 and 5.23)

38. The value of output of milk for human consumption fell by 10 per cent in 1997 as a result of a reduction in farm gate milk prices. Milk production in the 1996/97 quota year exceeded quota by 65,000 tonnes, resulting in a total levy of £15 million, the lowest payment in 4 years.

39. The world and EU markets for butter were considerably stronger than in 1996 as a result of increased demand from Russia. As a result, intervention for butter was closed in most Member States throughout the year and in all Member States by the end of the year. UK stocks of intervention butter fell from approximately 4,000 tonnes at the beginning of 1997 to 2,000 tonnes by the end of 1997. The world markets for milk powders weakened throughout 1997. During the March to August period, when intervention for skimmed milk powder (SMP) was open, approximately 21,000 tonnes were bought into UK stores. Of this quantity, about 1,000 tonnes originated in other Member States.

Hen Eggs

(Table 5.24)

40. Egg production increased by 3 per cent between 1996 and 1997, a change of trend when compared with recent years. This was partly due to the continuing increase in eggs going to processing, and partly due to a small increase in demand for shell eggs, the first since 1991. With reductions in feed costs, excess supplies, and cheaper imports caused by the strengthening of the pound, prices for intensively produced eggs fell from last years' highs to levels consistent with 1993 to 1995. However, free-range egg prices held up well as market demand continued to increase. The result was that the overall value of output for hen eggs fell by 8 per cent on 1996.

Wool

(Table 5.25)

41. The volume of wool produced in the UK in the 1997 clip year is expected to be similar to that in 1996, with the average realised return down by 7 per cent. Increased imports of wool from New Zealand have led to an increase in total new supply. The price obtained for UK wool at auction (organised by the British Wool Marketing Board) is affected to a large extent by the strength of the New Zealand dollar. Therefore, the relative weakness of the NZ dollar since Autumn 1997 has put downward pressure on UK wool prices. Nevertheless, for the 1997 clip year up to end-December 1997, clearance at auction has been slightly ahead of that for the same period in 1996.

TABLE 5.22 Milk

Million litres (unless otherwise specified)

Calendar years

	Average of 1986-88	1993	1994	1995	1996 (a)	1997 (provisional)
Production and output						
Dairy herd (annual average, '000 head) (b)	3,076	2,720	2,743	2,640	2,569	2,479
Average yield per cow (litres per annum)	4,950	5,264	5,304	5,400	5,535	5,810
Production of milk from the dairy herd (c)	15,226	14,317	14,552	14,257	14,217	14,400
Production of milk from the beef herd	13	7	7	7	7	7
less wastage and milk fed to stock	261	273	283	248	245	244
Output for human consumption	14,978	14,051	14,276	14,015	13,979	14,163
Average realised return (pence per litre) (d)	16.71	22.69	23.04	25.06	25.05	22.27
Value of output (£ million)	2,502	3,188	3,289	3,512	3,502	3,154
Supply and Utilisation (e)						
Production	15,239	14,324	14,559	14,264	14,224	14,407
Imports	-	-	-	181	111	126
Exports	-	89	129	185	173	270
Total domestic use	15,212	14,235	14,429	14,259	14,162	14,262
of which:						
utilised for liquid consumption	-	-	-	6,881	6,806	6,719
utilised for manufacture	-	-	-	6,964	6,979	7,141
of which:						
butter (f)	-	-	-	278	268	282
cheese	-	-	-	3,173	3,340	3,413
cream (f)	-	-	-	289	288	273
condensed milk (g)	-	-	-	663	714	695
milk powder - full cream	-	-	-	623	558	679
milk powder - skimmed	-	-	-	1,423	1,320	1,299
other	-	-	-	514	491	498
dairy wastage and stock change	-	-	-	109	76	103
other uses (h)	-	-	-	305	301	299

(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) Derived by dividing total value of output by the total quantity of output available for human consumption.

(e) Aggregated data from surveys run by MAFF, SOAEFD and DANI on the utilisation of milk by dairies. This data differs from that shown in previous editions which was sourced from the Milk Marketing Boards. The Milk Marketing Schemes ended on 31 October 1994 in Great Britain and on 1 March 1995 in Northern Ireland.

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

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

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

TABLE 5.23 Milk Products

'000 tonnes (unless otherwise specified)

Calendar years

	Average of 1986-88	1993	1994	1995	1996	1997 (provisional)
Butter (a) (b)						
Production (c)	186	141	148	133	129	136
Imports from: the Fourteen	58	55	55	49	49	61
the rest of the world	74	55	66	65	65	54
Exports to: the Fourteen (d)	91	46	40	47	47	40
the rest of the world	5	6	13	6	4	27
Total new supply (d)	223	199	216	193	191	187
Increase in stocks (e)	-61	-28	-15	-8	3	-1
Total domestic uses (d) (e)	283	227	231	201	188	188
Production as % of total new supply for use in UK	84	71	69	69	68	73
Closing stocks (e)	208	34	19	11	14	13
Cheese						
Production (c)	276	333	334	358	377	385
Imports from: the Fourteen	161	171	194	187	215	209
the rest of the world	17	18	18	23	24	30
Exports to: the Fourteen	20	31	34	39	40	39
the rest of the world	13	26	25	16	19	9
Total new supply	420	465	487	513	557	576
Increase in stocks	6	3	-6	-5	-1	3
Total domestic uses	415	462	493	518	557	573
Production as % of total new supply for use in UK	66	72	69	70	68	67
Closing stocks (f)	22	28	22	17	16	20
Cream - fresh, frozen, sterilized						
Production (b) (c)	140	253	271	279	279	264
Imports from: the Fourteen	3	2	3	4	6	10
the rest of the world	-	-	-	-	0	-
Exports to: the Fourteen	0	68	82	76	94	91
the rest of the world	2	1	2	2	1	1
Total new supply	140	185	191	205	189	182
Increase in stocks	..	..	..	..	..	..
Total domestic uses	140	185	191	205	189	182
Production as % of total new supply for use in UK	99	136	142	136	148	145
Closing stocks	..	..	..	..	..	..

(a) Includes butter other than natural (ie 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 5.23 Milk products (continued)

'000 tonnes (unless otherwise specified)

Calendar years

	Average of 1986-88	1993	1994	1995	1996	1997 (provisional)
Condensed milk (g)						
Production	179	191	196	181	195	196
Imports from: the Fourteen	10	10	13	12	10	12
the rest of the world	-	-	-	-	-	-
Exports to: the Fourteen	18	5	8	24	20	24
the rest of the world	26	45	44	41	38	31
Total new supply	145	151	157	128	147	153
Increase in stocks	1	-	2	-2	-2	-
Total domestic uses	144	151	155	130	148	153
Production as % of total new supply for use in UK	124	127	125	141	133	128
Closing stocks	9	10	12	10	9	9
Milk powder - full cream						
Production	85	71	83	90	83	98
Imports from: the Fourteen	9	6	7	8	10	11
the rest of the world	-	-	-	-	-	-
Exports to: the Fourteen	13	24	21	27	18	17
the rest of the world	43	33	44	50	57	89
Total new supply	38	20	25	21	17	2
Increase in stocks	1	1	-1	1	-1	1
Total domestic uses	37	19	26	20	19	1
Production as % of total new supply for use in UK	222	361	327	428	476	5,310
Closing stocks	4	3	2	3	2	3
Skimmed milk powder						
Production	199	132	142	117	108	107
Imports from: the Fourteen	13	13	12	14	13	12
the rest of the world	-	-	-	-	-	-
Exports to: the Fourteen (d)	84	42	47	40	12	11
the rest of the world	39	13	14	16	8	36
Total new supply (d)	90	89	94	74	100	72
Increase in stocks	-14	1	5	-7	26	11
Total domestic uses (d)	104	88	89	82	75	61
Production as % of total new supply for use in UK	221	148	152	157	107	148
Closing stocks	28	13	18	11	36	48

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

TABLE 5.24 Hen Eggs

Calendar years

	Average of 1986-88	1993	1994	1995	1996	1997 (provisional)
Gross egg production						
Gross production (million dozen)	943	880	880	869	873	896
of which:						
eggs for human consumption	865	791	787	774	775	795
eggs for hatching	69	79	84	86	90	93
waste	8	9	9	9	8	8
Production for human consumption						
Number of fowls laying eggs for eating (millions) (a)	39.1	34.8	34.2	33.1	32.7	33.3
Average yield per layer (number of eggs per bird per year)	265	273	276	281	284	286
Eggs for human consumption (excluding waste) (million dozen)	865	791	787	774	775	795
Average realised return (p per dozen)	44.6	52.2	52.4	49.5	58.4	52.3
Value of output of hen eggs (£ million)	386	413	412	383	452	416
Utilisation and supplies for human consumption (million dozen)						
UK output of eggs						
for human consumption	865	791	787	774	775	795
of which: eggs sold in shell	807	695	680	663	659	669
eggs processed	58	96	107	112	116	126
Imports from (b): the Fourteen	39	35	43	42	52	45
the rest of the world	0	-	-	-	-	0
Exports to (b): the Fourteen	19	16	10	15	12	15
the rest of the world	1	-	0	1	1	1
Total new supply	885	810	820	801	814	824
Output as % of total new supply for use in UK	98	98	96	97	95	96

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

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

TABLE 5.25 Wool

'000 tonnes, greasy weight equivalent (unless otherwise specified)

Calendar years

	Average of 1986-88	1993	1994	1995	1996	1997 (provisional)
Skin Wool (valued within output from sheep and lambs)						
Production	17	19	19	20	18	18
Clip Wool (a)						
Production	45	48	47	49	46	46
Average realised return (p per kg) (b) (c)	98.3	62.0	98.9	95.0	86.9	80.6
Value of output (£ million)	44	30	46	46	40	37
Supplies						
Total production	62	68	66	68	65	64
Imports from: the Fourteen	64	46	52	49	50	47
the rest of the world	121	82	108	83	87	105
Exports to: the Fourteen	41	45	49	47	43	48
the rest of the world	37	40	37	45	35	29
Total new supply	169	111	141	108	124	139
Production as % of total new supply for use in the UK	39	61	47	63	52	46

(a) Strictly the figures relate to clip years (May/April) but in practice the bulk of the production is within the period May to December.

(b) The price is net of marketing expenses.

(c) As from the 1993 clip year (May '93-April '94), returns to producers are based solely on auction prices (minus the Board's marketing costs) and not on the wool guarantee which was terminated with effect from 30 April 1993.

6 Agricultural Incomes

Introduction

1. The Aggregate Agricultural Account provides estimates of agriculture's gross output, gross input and incomes of those engaged in various ways within the industry. The headline figure is *total income from farming*, TIFF, which is the aggregate return from agricultural activity to those with an entrepreneurial interest in the industry, i.e. farmers, partners, directors and their spouses and other family members who work on the farm. TIFF for the 1997 calendar year is £3,363 million, which is 35 per cent less than in 1996.

Aggregate Agricultural Account (Tables 6.1, 6.2 and 6.3)

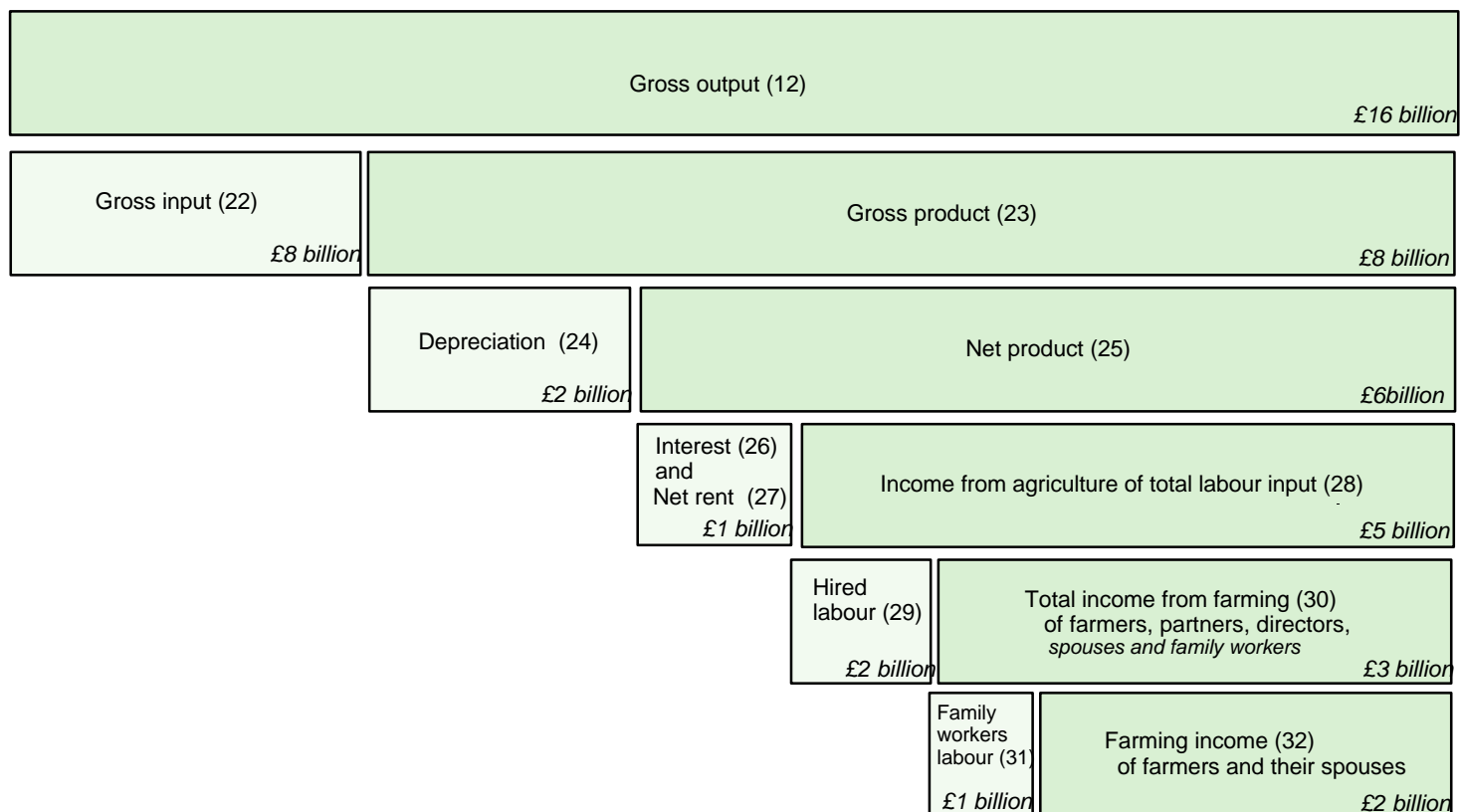
2. Table 6.1 shows the whole account and Chart 6.1 shows how the main components of the account are related. It starts with estimates of the value of agricultural outputs. These comprise commodity outputs, stock changes, capital formation on own account and include subsidies paid directly to farmers. These sum to the industry's gross output. Estimates of the costs of inputs are shown which, after allowance for stock changes, sum to the gross input. Gross output was just under £16 billion in 1997 whilst gross input was just over £8 billion, leading to a *gross product* of just under £8 billion. The value of outputs fell by 11 per cent whilst the cost of inputs fell by just 4 per cent, which combined to give a fall in gross product of £1.6 billion or 17 per cent.

3. Depreciation in 1997 is estimated to have been £2.0 billion, £28 million or 1.5 per cent more than in 1996. *Net product* (defined as gross product less depreciation) was £6.0 billion in 1997, £1.6 billion or 21.2 per cent lower. This represents the reward to the various groups providing resources to the industry in the form of financial capital, let land, labour and managerial skills.

4. *Total income from farming*, calculated by deducting interest payments, net rent and the cost of hired labour from net product, is estimated to have decreased by £1.8 billion, or 35 per cent. An eleven year series of TIFF is shown in Table 6.5. There was an increase of £68 million, or 12.5 per cent, in the interest paid to the providers of much of the industry's financial capital, and an increase of £84 million, or 4.9 per cent, in the cost of hired labour.

5. *Farming income*, which covers only farmers and their spouses, is calculated by further deducting imputed earnings of non-principal partners, directors and other family workers. It is estimated to have decreased by £1.8 billion, or 45 per cent.

CHART 6.1 Outputs, inputs, net product and the resulting incomes



*Numbers in brackets refer to numbered rows in table 6.1
Values shown relate to 1996 and are provisional*

6. The measures of income derived from the difference between gross output and gross input are sensitive to quite moderate changes in the values of these relatively large aggregates. 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 considering the changes in product and income.

7. Table 6.2 shows estimates for gross and net product and their components at their 1995 prices, thus showing how the volumes of the various elements have changed over the years.

8. Table 6.3 summarises the main changes estimated between 1996 and 1997 in both value and the underlying volume and price elements. These changes are also portrayed in Chart 6.2. The values of commodity outputs include subsidies and changes in subsidy payment rates are reflected in price changes. Volume changes include changes in quantity and quality; an increase in volume can arise from a shift to higher priced components falling within the commodity category.

Productivity (Table 6.4)

9. Productivity measures based on the volumes of gross output and gross product are shown in Table 6.4. The three measures are:

gross output,

gross product per whole-time person equivalent and

gross output per unit of all inputs (including fixed capital and labour).

10. 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 are not treated as production. However, as these subsidies were not paid in 1995, by convention they do not contribute to gross output or gross product at constant 1995 prices.

11. Bearing these comments in mind, Table 6.4 shows for 1997 a 0.5 per cent increase in the volume of gross output, a 3.2 per cent increase in the gross product per whole time person equivalent and a 1.9 per cent increase in the gross output per unit of all inputs. The differences in these figures reflect a 2.1 per cent increase in the volume of gross product and a 1.3 per cent reduction in the volume of gross input. In 1996 there were larger but offsetting changes taking place; the BSE measures introduced reduced productivity (cattle destroyed and calves removed from the food chain are not treated as production), whilst the increases to areas planted to cereals and good yields for all main crops increased productivity.

Incomes from farming (Tables 6.5 and 6.6)

12. Table 6.5 shows movements over the last decade in net product and the income measures, and two measures of cash flow which correspond in coverage to *total income from farming* and *farming income*. In real terms, *total income from farming* and *farming income* are forecast to have fallen by 37 per cent and 46 per cent respectively since last year. The cash flow measures, which may reflect more closely the perceptions of farmers and farm households, show smaller decreases; in real terms cash flow for the wider group fell by 33 per cent whilst that for just farmers and their spouses fell by 42 per cent.

13. Table 6.6 and Charts 6.3 and 6.4 show movements over the last decade in the three income indicators used by the EC 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 1996 and 1997 but remain at levels comparable with those for 1991 and 1992. These trends are illustrated in Chart 6.4. The numerator for Indicator 3 is equivalent to total income from farming and is considered to provide the most meaningful guide to the changing incomes from farming of those with an entrepreneurial interest in the industry.

Subsidies and levies
(Table 6.7)

14. Table 6.7 gives details of the values of the subsidies and levies included in the estimates of the Aggregate Agricultural Account. Only those subsidies received directly by farmers for their agricultural activities are included explicitly in the account. Indirect subsidies, in support of prices, influence the account through their effects on the value of sales. Subsidies paid to farmers to support non-agricultural activities or capital improvements are excluded. (An account of all public expenditure on agriculture is provided in Section 9). Although not grouped in the table under cattle, the Calf Processing Aid Scheme, the Over Thirty Month Scheme and the Selective Cull were introduced to compensate farmers for the destruction of cattle undertaken as part of the BSE measures. Payments under the Over Thirty Month Scheme fell in 1997 but this was partially offset by an increase in the Calf Processing Aid Scheme, and the introduction of the Selective Cull. The provisional figures show that in 1997 the agricultural industry as a whole received £2,828 million in direct subsidies; 10 per cent less than in 1996.

Capital formation and stocks
(Tables 6.8 and 6.9)

15. Table 6.8 shows estimates of investment in productive assets by the UK agricultural sector. Total gross fixed capital formation, at current prices, is estimated to have been £2,048 million in 1996. This is 3.4 per cent higher than the previous year although when expressed at 1995 constant prices it shows a fall of 1.2 per cent. Compared to the annual average for the 1986-88 period however, 1996 total gross fixed capital formation, at constant prices, is nearly 24 per cent higher.

16. Table 6.9 shows details of stock appreciation in the industry which came down by over £150 million. Lower prices for cattle sheep and pigs at the end of the year (compared to the start) led to a fall in the value of stocks. In the previous year the value of stocks had fallen due to lower prices for cereals and potatoes at the end of 1996 (compared to the start). It should be noted that as stock appreciation is a measure of change in asset values due to price, it is not a part of the Aggregate Agricultural Account.

17. The value of physical increase in stocks and work in progress are also shown in this table. An increase in the stocks of barley held on farm was outweighed by decreases in the numbers of cattle and stocks of animal feed.

Hired labour
(Tables 6.10)

18. Table 10 shows that the average weekly earnings for whole-time hired men (aged 20 and over) increased by approximately 3.3 per cent during 1997, from £244.6 to £252.7. This follows an increase in the statutory minimum wage for this group of workers of 3.75 per cent in June 1996 and 3.75 per cent in June 1997, agreed by the Agricultural Wages Board. The increase in average earnings represents an increase in earnings of 0.2 per cent in real terms, when deflated by the RPI. Average weekly hours worked reduced from the high 1995 and 1996 average level of 47.1 to 46.2. The total cost of hired labour is derived by multiplying the numbers of each of the different categories of workers by estimates of their relevant earnings, adding on Employers' Liability and National Insurance and any other payments, such as Youth Training Scheme costs and redundancy payments. A deduction is made from each of these components to reflect the time spent by farm workers on the construction of farm buildings. Thus, the aggregate cost figures shown in the table relate to agricultural work only. When measured at constant prices the volume of hired labour is estimated to have risen by approximately 0.7 per cent between 1996 and 1997. The total cost of hired labour showed an increase of 4.9% due mainly to an increase in total wages and salaries.

Interest (Table 6.11)

19. 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 £68 million between 1996 and 1997 to £614 million. This reflects increases in both average interest rates and the volume of borrowing. Although rising, interest charges are still 12.5 per cent below their 1986-88 average level.

TABLE 6.1 Outputs, inputs and income at current prices

£ million

Calendar years

	Average of 1986-88	1993	1994	1995	1996	1997 (provisional)
Outputs (a)						
Cereals:						
wheat	1,265	1,640	1,723	1,992	2,091	1,786
barley	691	719	649	868	911	755
oats	32	50	50	76	70	55
rye, mixed corn and triticale	3	6	7	9	9	8
other receipts (b)	1	-	-	-	-	-
1. Total cereals	1,992	2,415	2,429	2,945	3,081	2,605
Other crops:						
oilseed rape	269	348	379	363	416	408
linseed	5	185	39	41	39	54
sugar beet	227	317	307	323	333	292
hops	13	21	20	17	20	20
peas and beans for stockfeed	117	186	147	135	129	131
hay and dried grass	17	17	19	21	21	21
grass and clover seed	13	10	11	10	16	17
other minor crops (c)	51	58	67	69	72	74
2. Total other crops	711	1,142	990	979	1,045	1,017
3. Potatoes	433	387	744	980	544	347
Horticulture:						
vegetables (d)	898	969	1,049	1,131	1,107	1,052
fruit (d)	252	275	248	258	258	203
ornamentals	356	566	591	612	660	666
other (e)	7	8	8	8	8	8
4. Total horticulture	1,513	1,817	1,896	2,010	2,033	1,929
Livestock:						
finished cattle and calves	2,002	2,329	2,405	2,608	1,974	1,863
finished sheep and lambs	836	1,240	1,218	1,276	1,413	1,114
finished pigs	912	988	991	1,153	1,313	1,140
poultry	903	1,258	1,308	1,324	1,498	1,472
other livestock and receipts (f)	105	135	134	142	147	152
5. Total livestock	4,758	5,951	6,056	6,502	6,346	5,741
Livestock products:						
milk	2,502	3,188	3,289	3,512	3,502	3,154
eggs (g)	397	435	441	408	477	438
clip wool	44	30	46	46	40	37
other (h)	17	24	22	24	23	25
6. Total livestock products	2,960	3,677	3,798	3,990	4,042	3,655
7. Own account capital formation: livestock (i)	3	44	-	-97	-83	35
8. Total output (1+2+3+4+5+6+7)	12,371	15,433	15,913	17,308	17,009	15,329
Other direct receipts:						
set-aside	-	168	222	210	163	91
milk quota cuts	23	44	32	26	26	24
milk outgoers	10	1	-	-	-	-
calf processing aid scheme	..	..	..	..	38	54
selective cull	..	..	..	..	-	78
over thirty month scheme	..	..	..	..	538	322
other receipts (j)	35	97	124	79	79	90
9. Total other direct receipts	68	310	378	315	844	659
10. Total receipts (8+9)	12,439	15,743	16,292	17,623	17,853	15,987

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

(b) Payments to small-scale cereal producers.

(c) Includes root and fodder crop seed, straw, turf, other minor crops and arable area payments for fodder maize.

(d) Includes the value of the produce of gardens and allotments.

(e) Seeds, hedgerow fruits and nuts.

(f) Horses, breeding livestock exported, rabbits and game, knacker animals, other minor livestock and guidance premium for beef and sheepmeat.

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

(h) Honey, goats milk, and minor livestock products

(i) The value of the physical increase in breeding and other capital livestock.

(j) Includes animal disease compensation payments, co-operative society dividends and payments for grazing of horses and non-marketing of milk.

TABLE 6.1 Outputs, inputs and income at current prices (continued)

£ million

Calendar years

	Average of 1986-88	1993	1994	1995	1996	1997 (provisional)
Value of physical increase in work-in-progress (k) output stocks (k)	-51 -17	18 -26	59 -107	-61 74	-87 133	-37 36
11. Total value of physical increase	-69	-8	-48	13	45	-
12. Gross output (10+11)	12,371	15,735	16,243	17,636	17,898	15,987
of which: Intermediate output (l) feed seed	619 130	465 137	607 146	630 167	634 168	528 164
Inputs						
Expenditures (net of reclaimed VAT)						
Feedingstuffs:						
compounds	1,655	1,878	1,969	2,016	2,195	1,973
straights	718	496	512	539	460	349
other	94	104	113	121	121	118
13. Total feedingstuffs	2,468	2,479	2,594	2,677	2,775	2,441
Seeds:						
cereals	121	114	112	121	123	113
other	155	177	199	234	235	235
14. Total seeds	277	291	312	355	358	349
Livestock:						
imported	58	32	31	24	19	19
inter-farm expenses	139	152	151	146	147	130
15. Total livestock (imported and inter-farm expenses)	198	184	182	170	165	149
Fertilisers and lime:						
straights	319	219	254	278	293	270
compounds	426	317	378	415	440	426
lime	35	41	42	44	46	48
other	30	38	40	41	44	45
16. Total fertilisers and lime	810	615	715	778	823	790
17. Pesticides	383	449	443	443	487	463
Farm maintenance: (m)						
occupier	174	255	290	311	296	302
landlord	62	57	58	59	62	65
18. Total farm maintenance	236	313	348	370	358	367
Miscellaneous expenditure:						
machine repairs	520	655	644	728	746	751
machinery fuel and oil	292	320	314	318	352	364
veterinary expenses and medicines	176	262	286	303	315	330
power and fuel (mainly electricity)	198	252	256	250	255	249
other (m) (n)	919	1,527	1,654	1,709	1,750	1,785
19. Total miscellaneous expenditure	2,106	3,015	3,154	3,307	3,418	3,479

(k) Work in progress is non-capital livestock. Output stocks comprise cereals, potatoes and some fruits.

(l) Sales included in output but subsequently re-purchased. It is included within input (at the cost, and within the year, of re-purchase).

(m) Landlords' expenses are included within farm maintenance, miscellaneous expenditure and depreciation of buildings and works. Net rent is the rent paid on tenanted land less these landlords' expenses and the benefit value of dwellings on that land.

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

TABLE 6.1 Outputs, inputs and income at current prices (continued)

£ million

Calendar years

	Average of 1986-88	1993	1994	1995	1996	1997 (provisional)
20. Total expenditure (13+14+15+16+17+18+19)	6,477	7,345	7,748	8,098	8,384	8,036
Value of physical increase in stocks of:						
purchased feed	-3	6	4	11	-1	-22
fertilisers	-11	-1	25	8	-9	-
21. Total value of physical increase in input stocks	-14	6	29	19	-10	-22
22. Gross input (20-21)	6,491	7,340	7,719	8,080	8,394	8,059
23 Gross product (12-22)	5,880	8,395	8,524	9,557	9,505	7,928
Depreciation:						
buildings and works :						
landlord (m)	79	74	74	80	83	83
other	467	494	507	560	598	593
plant, machinery and vehicles	906	1,112	1,149	1,198	1,258	1,292
24. Total depreciation	1,452	1,680	1,730	1,838	1,939	1,968
25. Net product (23-24)	4,429	6,715	6,794	7,719	7,565	5,960
26. Interest (o)	702	521	526	580	546	614
27. Net rent (m)	162	148	151	149	156	175
28. Income from agriculture of total labour input (25-26-27)	3,565	6,046	6,117	6,990	6,863	5,172
Hired labour (p) (q)						
wages and salaries	1,254	1,534	1,562	1,553	1,579	1,665
insurances	111	144	138	131	135	133
other	12	10	10	10	10	11
29. Total hired labour (p) (q)	1,376	1,688	1,710	1,693	1,724	1,808
30. Total income from farming (28-29)	2,189	4,358	4,406	5,297	5,139	3,363
31. Labour: family, partners and directors (q) (r)	777	974	999	1,021	1,038	1,088
32. Farming income (s) (30-31)	1,412	3,384	3,407	4,276	4,101	2,276

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

(p) Including employers' national insurance contributions, perquisites and other payments (including the payment by farmers of rates on farm cottages occupied by farm workers and of their community charge or council tax).

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

(r) The estimate in respect of family workers, non-principal partners and directors (and their spouses) is calculated on the basis of the earnings of hired labour.

(s) The return to farmers (and their spouses) for their labour, management skills and own capital invested after providing for depreciation.

TABLE 6.2 Outputs, inputs and income at constant (1995) prices

£ million at constant (1995) prices

Calendar years

	Average of 1986-88 (a)	1993	1994	1995	1996	1997 (provisional)
Outputs (b)						
Cereals:						
wheat	1,770	1,750	1,980	1,992	2,166	2,165
barley	1,185	867	731	868	974	938
oats	47	48	47	76	69	64
rye, mixed corn and triticale	4	8	9	9	9	9
1. Total cereals	2,964	2,655	2,767	2,945	3,219	3,176
Other crops:						
oilseed rape	324	329	366	363	401	431
linseed	8	98	46	41	43	56
sugar beet	310	370	334	323	399	403
hops	21	22	19	17	22	21
peas and beans for stockfeed	161	216	172	135	137	166
hay and dried grass	26	23	22	21	22	22
grass and clover seed	14	12	13	10	10	11
other minor crops (c)	67	69	83	69	80	83
2. Total other crops	948	1,107	1,055	979	1,114	1,193
3. Potatoes	1,023	1,146	1,097	980	1,034	1,034
Horticulture:						
vegetables (d)	1,195	1,239	1,219	1,131	1,183	1,221
fruit (d)	267	268	264	258	255	205
ornamentals	463	553	559	612	637	655
other (e)	9	8	8	8	8	8
4. Total horticulture	1,942	2,068	2,050	2,010	2,083	2,089
Livestock						
finished cattle and calves	2,668	2,324	2,474	2,608	2,038	2,028
finished sheep and lambs	1,022	1,257	1,258	1,276	1,219	1,125
finished pigs	1,135	1,149	1,194	1,153	1,129	1,232
poultry	978	1,224	1,276	1,324	1,377	1,413
other livestock (f)	137	140	138	142	142	144
5. Total livestock	5,879	6,099	6,341	6,502	5,904	5,943
Livestock products:						
milk	3,748	3,525	3,581	3,512	3,500	3,544
eggs (g)	445	416	413	408	409	417
clip wool	43	46	44	46	44	44
other (h)	17	27	22	24	20	22
6. Total livestock products	4,254	4,017	4,061	3,990	3,972	4,028
7. Own account capital formation: livestock (i)	-1	-5	-	-97	-76	26
8. Total output (1+2+3+4+5+6+7)	17,010	17,086	17,370	17,308	17,251	17,487
9. Total other direct receipts	81	373	372	315	273	207
10. Total receipts (8+9)	16,998	17,490	17,742	17,623	17,524	17,694
Value of physical increase in:						
work-in-progress (j)	-63	20	57	-61	-90	-38
output stocks (j)	-22	-55	-115	74	191	60
11. Total value of physical increase	-107	-21	-58	13	101	22
12. Gross output (10+11)	16,897	17,465	17,685	17,636	17,625	17,716

TABLE 6.2 Outputs, inputs and income at constant (1995) prices (continued)

£ million at constant (1995) prices

Calendar years

	Average of 1986-88 (a)	1993	1994	1995	1996	1997 (provisional)
of which: Intermediate output (k)						
feed	771	533	654	630	666	696
seed	169	166	165	167	165	158
Inputs						
Expenditures (net of reclaimed VAT):						
feedingstuffs	2,565	2,567	2,664	2,677	2,649	2,515
seeds	359	352	351	355	350	337
livestock (imported and inter-farm expenses)	275	185	184	170	152	134
fertilisers and lime	843	721	797	778	745	792
pesticides	534	453	428	443	463	463
farm maintenance (l)	314	347	369	370	351	349
miscellaneous expenditure						
machinery repairs	790	700	668	728	705	705
machinery fuel and oil	363	325	328	318	315	313
veterinary expenses & medicine	259	278	295	303	302	306
power and fuel (mainly electricity)	246	241	254	250	244	247
other (l) (m)	1,451	1,628	1,709	1,709	1,673	1,665
13. Total expenditure	7,994	7,785	8,047	8,098	7,950	7,827
14. Total value of physical increase in input stocks	-12	6	30	19	-9	-26
15. Gross input (13-14)	8,011	7,782	8,018	8,080	7,960	7,852
16. Gross product (12-15)	8,808	9,709	9,667	9,557	9,665	9,864
17. Total depreciation (l)	1,810	1,741	1,828	1,838	1,849	1,849
18. Net product (16-17)	6,928	7,970	7,839	7,719	7,816	8,015

(a) The required national accounts method of calculating totals and sub-totals in constant price accounts means that they do not necessarily equate to the sum of the individual items within them for years prior to 1995.

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

(c) Includes root and fodder seed, straw, turf, other minor crops and arable area payments for fodder maize.

(d) Includes the value of the produce of gardens and allotments.

(e) Seeds, hedgerow fruits and nuts.

(f) Horses, breeding livestock exported, rabbits and game, knacker animals, other minor livestock and guidance premium for beef and sheepmeat.

(g) Includes exports of eggs for hatching.

(h) Honey, goats milk and minor livestock products.

(i) The value of the physical increase in breeding and other capital livestock.

(j) Work in progress is non-capital livestock. Output stocks comprise cereals, potatoes and some fruits.

(k) Sales included in output but subsequently re-purchased. It is included within input (at the cost and within the year of re-purchase).

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

(m) Includes livestock and crop costs, water costs, insurance premia, bank charges, professional fees, rates and other general farming costs.

TABLE 6.3 Changes in outputs and inputs

	Change between 1996 and 1997 (provisional)			
	Total Change		Percentage change in	
	£ million	Percentage	Price	Volume
Outputs				
Cereals	-476	-15.4	-14.3	-1.3
Other crops	-29	-2.8	-9.1	7.0
Potatoes	-197	-36.3	-36.2	0.0
Horticulture	-105	-5.1	-5.4	0.3
Livestock	-605	-9.5	-10.1	0.7
Livestock products	-388	-9.6	-10.8	1.4
Other items (a)	-113	..	..	..
Gross output	-1,912	-10.7	-11.2	0.5
Inputs				
Feedingstuffs	-335	-12.1	-7.4	-5.0
Seeds	-9	-2.5	1.4	-3.8
Livestock	-17	-10.1	1.8	-11.7
Fertilisers and lime	-33	-4.0	-9.7	6.3
Pesticides	-24	-5.0	-5.0	0.0
Farm maintenance	9	2.4	2.6	-0.2
Miscellaneous	52	1.5	1.7	-0.2
Less: value of the physical increase in input stocks	-12	..	..	..
Gross input	-344	-4.1	-2.8	-1.4
Gross product	-1,568	-16.5	-18.2	2.1
Net product	-1,596	-21.1	-23.2	2.6

(a) Covers own account capital formation, other direct receipts and the value of the physical increase in output stocks and work-in-progress. This includes compensation payments for cattle slaughtered as part of the Over Thirty Month and Calf Processing Aid Schemes.

TABLE 6.4 Output volume and productivity

At constant 1995 prices: indices, 1995=100

Calendar years

Year	Gross output (as defined in Table 6.2)	Gross product (as defined in Table 6.2) per whole-time person equivalent (a)	Gross output per unit of all inputs (including fixed capital and labour)
1986	96.1	78.5	92.5
1987	95.1	78.1	92.7
1988	96.3	81.1	93.9
1989	98.1	88.4	98.0
1990	97.8	91.3	99.6
1991	99.8	99.2	103.6
1992	101.3	104.3	106.0
1993	99.0	98.3	103.0
1994	100.3	99.9	101.9
1995	100.0	100.0	100.0
1996 (b)	99.9	103.3	101.3
1997 (provisional) (b)	100.5	106.6	103.2

(a) The total numbers of whole-time person-equivalents engaged in agriculture is estimated for this series from the total number of full-time, part-time and casual workers, salaried managers, farmers and partners and directors (and their spouses) returned in the annual June Census, weighted by their estimated average annual hours worked.

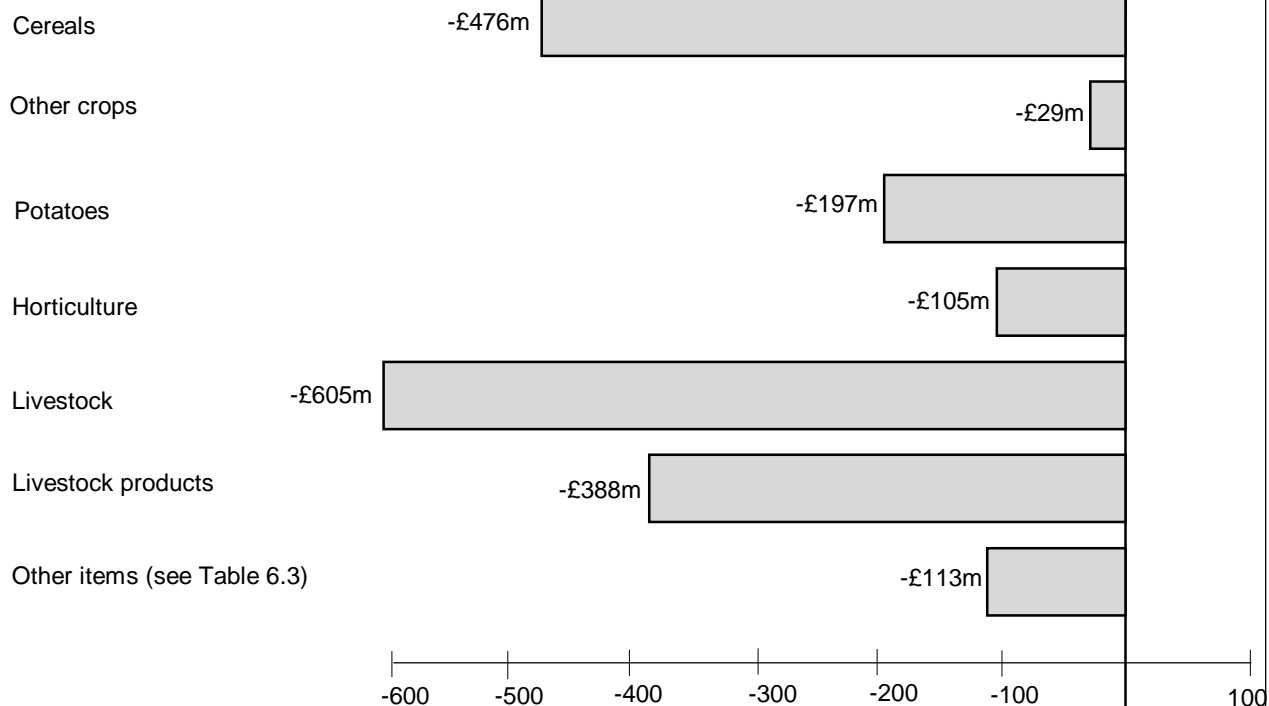
(b) Cattle destroyed and calves removed from the food chain are not treated as production.

CHART 6.2 Changes in outputs and inputs

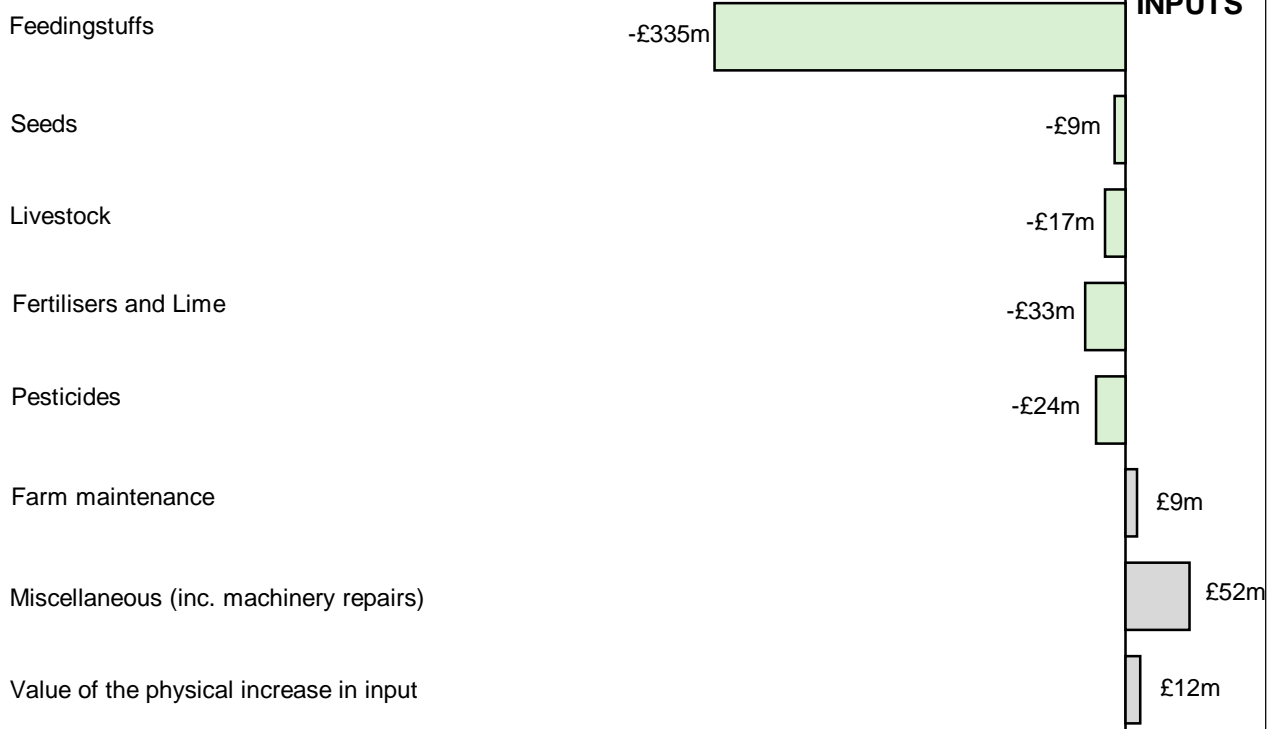
Changes in value of outputs and inputs between 1996 and 1997

(a)

OUTPUTS



INPUTS



= Positive effect on incomes

= Negative effect on incomes

(a) Changes based on unrounded figures

TABLE 6.5 Summary measures from the aggregate agricultural account

Calendar years

Year	Net product (as defined in table 6.1)	Income from farming			Cash flow from farming	
		Income from agriculture of total labour input	Total income from farming (of farmers, non-principal part- ners and directors and their spouses and family workers)	Farming income (of farmers and spouses)	of farmers, non- principal partners and directors and their spouses and family workers	of farmers and spouses
£ million						
1986	4,376	3,466	2,115	1,371	2,529	1,784
1987	4,513	3,670	2,304	1,526	2,866	2,089
1988	4,396	3,559	2,147	1,339	2,583	1,775
1989	5,088	4,016	2,559	1,739	3,009	2,188
1990	5,213	4,067	2,468	1,584	2,917	2,034
1991	5,351	4,368	2,697	1,739	3,322	2,364
1992	5,869	5,006	3,324	2,340	3,602	2,618
1993	6,715	6,046	4,358	3,384	4,344	3,370
1994	6,794	6,117	4,406	3,407	4,286	3,287
1995	7,719	6,990	5,297	4,276	5,187	4,166
1996	7,565	6,863	5,139	4,101	5,036	3,998
1997 (provisional)	5,960	5,172	3,363	2,276	3,492	2,404
In real terms (as deflated by the RPI): indices, 1995 = 100						
1986	86.4	75.6	60.9	48.9	74.3	65.3
1987	85.6	76.8	63.6	52.2	80.9	73.4
1988	79.4	71.0	56.5	43.7	69.5	59.4
1989	85.3	74.4	62.5	52.6	75.1	68.0
1990	79.9	68.8	55.1	43.8	66.5	57.7
1991	77.4	69.8	56.9	45.4	71.5	63.4
1992	81.9	77.1	67.6	58.9	74.8	67.7
1993	92.2	91.6	87.2	83.9	88.8	85.7
1994	91.1	90.5	86.1	82.5	85.5	81.6
1995	100.0	100.0	100.0	100.0	100.0	100.0
1996	95.7	95.9	94.7	93.6	94.8	93.7
1997 (provisional)	73.1	70.1	60.1	50.4	63.8	54.6

TABLE 6.6 Eurostat income indicators

Calendar years

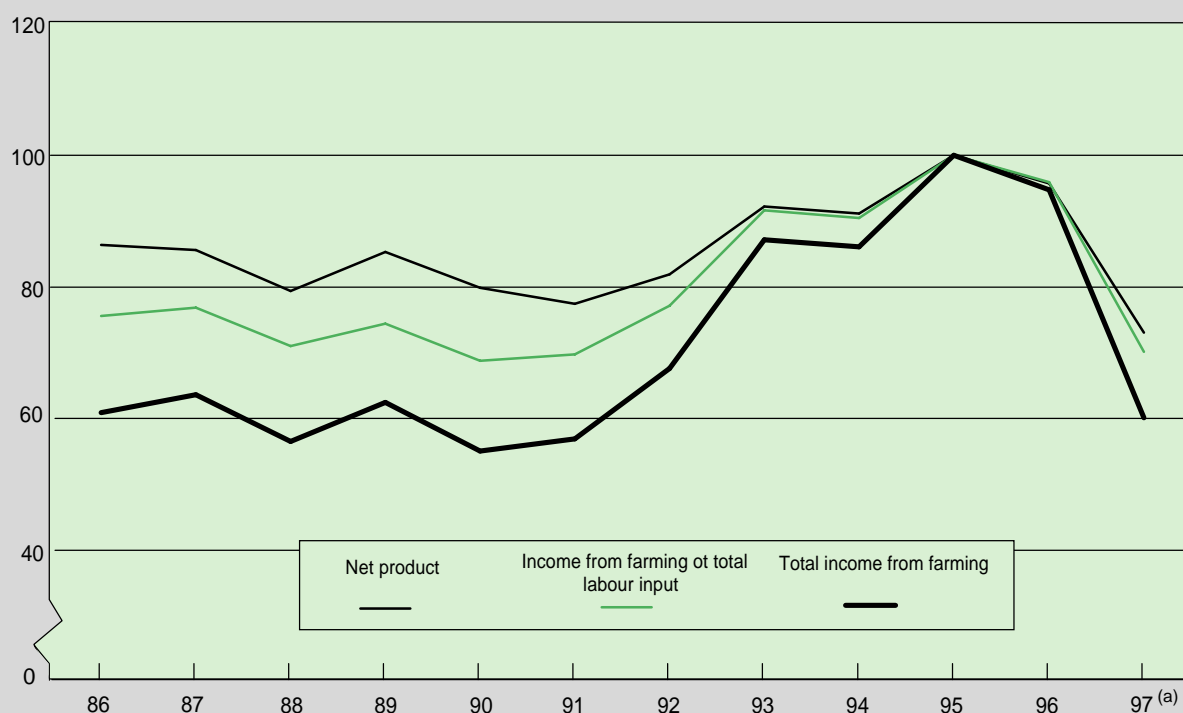
Year	Indicator 1 (a) Net value added from agricultural activity at factor cost of total labour input	Indicator 2 (a) Net income from agricultural activity of total labour input	Indicator 3 (a) Net income from agricultural activity of family labour input
Indices (1994/96=100) reflecting UK incomes in real terms (as deflated by the GDP price index) per annual work unit			
1986	76.0	66.6	56.6
1987	76.6	68.8	60.2
1988	71.6	64.1	53.6
1989	79.5	69.4	60.8
1990	78.1	67.4	56.5
1991	77.5	69.9	59.4
1992	82.5	77.8	70.3
1993	92.1	91.6	89.4
1994	93.1	92.7	89.9
1995	104.9	105.1	107.2
1996	102.0	102.3	102.8
1997 (provisional)	79.1	75.9	66.3

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

1. Net product;
2. Income from agriculture of total labour input;
3. Total income from farming.

CHART 6.3 Numerators of Eurostat income indicators 1, 2 and 3

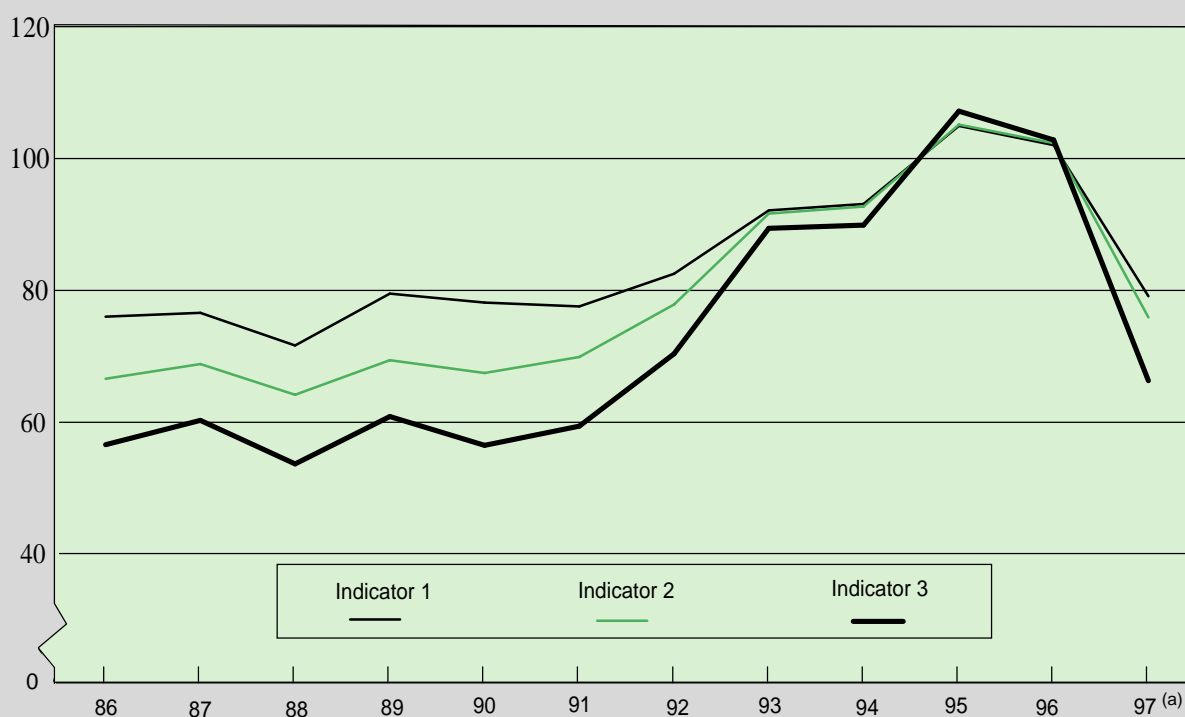
In real terms (as deflated by the RPI): indices, 1995=100



(a) Provisional

CHART 6.4 Eurostat income indicators 1, 2 and 3

Indices (as defined in Table 6.6)



(a) Provisional

TABLE 6.7 Subsidies and levies included in the aggregate agricultural account

£ million

Calendar years

	Average of 1986-88	1993	1994	1995	1996	1997 (provisional)
Subsidies						
Cereals:						
arable area payments	-	381	546	811	849	845
payments to small scale cereal producers	-	-	-	-	-	-
Total	-	381	546	811	849	845
All other crops:						
oilseed rape:						
arable area payments	-	86	161	148	164	177
oilseed support scheme	-	86	-	-	-	-
linseed:						
arable area payments	-	-	27	29	25	39
oilseed support scheme	2	161	-	-	-	-
peas and beans for stockfeed:						
arable area payments	-	103	81	75	67	72
peas for human consumption:						
arable area payments (a)	-	7	-	-	-	-
forage maize:						
arable area payments	-	8	8	7	13	6
others (b)	4	8	18	18	19	18
Total	6	459	295	276	288	313
Cattle:						
beef variable premium	127	-	-	-	-	-
beef special premium (c) (d)	-	159	193	232	303	251
beef marketing payment scheme	-	-	-	-	29	29
suckler cow premium (c)	33	144	178	228	295	303
calf subsidy	2	-	-	-	-	-
hill livestock compensatory allowance	49	65	55	54	53	114
disease compensation (e)	2	7	6	5	5	5
Total	213	375	432	518	686	702
Sheep:						
sheep variable premium	128	-	-	-	-	-
annual ewe premium	118	459	399	437	458	285
hill livestock compensatory allowance	64	65	56	54	55	55
Total	310	523	456	491	513	341
Other subsidies:						
set-aside:						
arable area payments	-	142	206	202	159	91
5 year, 1 year and levy schemes	-	26	16	8	4	-
milk quota cuts	23	44	32	26	26	24
non-marketing of milk	-	-	44	-	-	-
BSE compensation	-	38	25	11	7	3
calf processing aid scheme	-	-	-	-	38	54
selective cull	-	-	-	-	-	78
over thirty month scheme	-	-	-	-	538	322
other animal disease compensation (f)	3	3	1	1	1	10
environmentally sensitive areas	2	25	20	26	36	42
others (g)	22	4	5	12	4	5
Total	50	282	350	286	814	628
Total subsidies	580	2,021	2,078	2,382	3,150	2,828
Levies (h)						
Cereals:						
co-responsibility levy	66	-	-	-	-	-
Milk:						
co-responsibility levy	27	10	-	-	-	-
supplementary levy	7	2	22	47	49	15
Total levies	128	12	22	47	49	15

(a) Consists of subsidies on peas harvested dry and on vining peas.

(b) Includes hops CAP support and conversion aid, grass and clover seed subsidy and Potato Marketing Board compensation payments.

(c) Calculated on an accruals rather than a payments received basis.

(d) Includes extensification premium and NI deseasonalisation premium.

(e) Tuberculosis and brucellosis compensation; included under 'other subsidies' for years 1983-85.

(f) Includes salmonella, Chernobyl, aujeszky's, swinefever and avian influenza; also tuberculosis and brucellosis compensation for years 1983-85.

(g) Includes milk outgoers and small milk producers' scheme, nitrate sensitive areas, guidance premium for beef and sheepmeat production, aid to Less Favoured Area, farm accounts grants and other payments.

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

TABLE 6.8 Gross capital formation

£ million

Calendar years

	Average of 1986-88	1993	1994	1995	1996	1997 (provisional)
Gross capital formation at current prices						
Gross fixed capital formation:						
buildings and works	416	461	576	523	559	..
plant and machinery	658	963	1,076	1,182	1,246	..
vehicles	120	228	241	275	243	..
Total	1,193	1,651	1,893	1,981	2,048	..
Livestock capital formation:						
cattle	-13	46	6	-61	-54	-8
sheep	21	-1	-3	-28	-32	35
pigs	-4	-	-3	-4	4	3
poultry	-	-2	-1	-4	-1	5
Total	3	44	-	-97	-83	35
Gross capital formation	1,197	1,695	1,893	1,884	1,965	..
Gross capital formation at constant 1995 prices						
Gross fixed capital formation:						
buildings and works	477	518	634	523	522	..
plant and machinery	932	1,025	1,112	1,182	1,199	..
vehicles	173	246	251	275	236	..
Total	1,582	1,789	1,997	1,981	1,957	..
Livestock capital formation	-1	-5	-	-97	-76	26
Gross capital formation	1,581	1,784	1,997	1,884	1,881	..

TABLE 6.9 Stocks and work in progress

£ million

Calendar years

	Average of 1986-88	1993	1994	1995	1996	1997 (provisional)
Increase in book value of stocks and work in progress	-64	-180	288	109	-427	-180
Stock appreciation	18	-178	307	77	-462	-157
Value of physical increase in stocks and work in progress:						
at current prices	-83	-2	-20	32	36	-23
at constant (1995) prices	-88	-14	-28	31	92	-4
Details at current prices:						
Output stocks:						
wheat	-3	50	-41	49	83	8
barley	-5	-55	-17	2	36	44
oats	-1	1	2	-	-	-
potatoes	-7	-21	-50	30	13	3
fruit	-2	-1	-2	-8	1	-18
Total	-17	-26	-108	74	133	36
Work in progress:						
cattle	-	12	44	-47	-79	-37
sheep	2	-3	7	-5	-15	-
pigs	1	3	1	-13	5	8
poultry	9	6	8	3	1	-8
Total	12	18	60	-61	-87	-37
Input stocks:						
feedingstuffs	-3	6	4	11	-1	-22
fertilisers	-11	-1	25	8	-9	-
Total	-14	6	29	19	-10	-22

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

Calendar years

	Average of 1986-88	1993	1994	1995	1996	1997 (provisional)
Hired labour costs (£ million)						
Wages and salaries (a)	1,254	1,534	1,562	1,553	1,579	1,665
Insurance payments	111	144	138	131	135	133
Other payments (b)	12	10	10	10	10	11
Total	1,376	1,688	1,710	1,693	1,724	1,808
Hours and earnings of regular whole-time male workers, 20 years and over						
Hours per week (c)	46.7	46.3	46.4	47.1	47.1	46.2
Earnings per week (£) (d)	148.3	217.8	226.2	237.2	244.6	252.7
Index of earnings in real terms (1995=100) (deflated by RPI)	91.2	97.3	98.6	100.0	128.1	128.3

(a) Includes payments in kind to workers.

(b) Includes redundancy payments, Workers Pension Scheme (up to 1990) and Youth Training Scheme.

(c) All hours worked and statutory holidays.

(d) Includes payment in kind for houses, board and lodging and milk, which are valued at rates set down by the Agricultural Wages Board. Also includes pay for statutory holidays and employers' contributions to the council tax from 1993.

TABLE 6.11 Interest

£ million (unless otherwise specified)

Calendar years

	Average of 1986-88	1993	1994	1995	1996	1997 (provisional)
Interest rates						
average bank base lending rate in the UK (percentage)	10.2	6.0	5.5	6.7	6.0	6.6
average rate of interest on bank advances to agriculture (percentage)	12.6	8.7	8.2	9.3	8.5	9.0
Interest charges (all lending to the farm business) on :						
bank advances	577	372	353	390	359	..
AMC loans	71	98	98	106	104	..
instalment credit	10	29	46	59	64	..
leased assets	34	25	26	23	19	..
other credit (a)	28	24	28	33	39	..
less interest on deposits (b)	19	27	25	32	39	..
Total	702	521	526	580	546	614

(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 tenancies of a year or longer in duration. In England and Wales for years up to and including 1995, average rent estimates are based on results of the former annual Rent Enquiry. For Scotland, rent estimates for all years are based on the results of continuing Field Enquiries. Estimates for England and Wales in 1996 and 1997 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 1997 suggest increases in average rents in England, Wales and Scotland of 8.5, 19.4 and 2.0 per cent respectively. For Great Britain as a whole, average rent per hectare increased by 8.4 per cent.

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 1996 increased by 18.8 per cent in England and 1.8 per cent in Wales. In contrast, there were corresponding reductions of 11.2 per cent in Scotland and 7.3 per cent in Northern Ireland. The average price of land sold in the tenanted sector (which underwent changes with the Agricultural Tenancies Act, 1995) increased by 80.8 per cent in England in 1996. In Scotland there was a 45.6 per cent increase in the average land price in the tenanted sector. Chart 7.1 plots the average vacant possession price of agricultural 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) rose by 1.5 per cent in 1996. This was mainly due to a rise in the value of land and buildings. The total value of liabilities is estimated to have risen by 7.8 per cent and the industry's net worth is estimated to have increased by 0.7 per cent. In real terms total assets and net worth both decreased in 1996. Chart 7.2 shows the development (in real terms) of the main balance sheet aggregates since 1987.

TABLE 7.1 Farm rents

Average per hectare: indices, 1995=100

Calendar years

	Average of 1986-88	1993	1994	1995	1996	1997 (provisional)
England (a)	89.7	95.0	96.2	100.0	107.0	116.0
Wales (a)	72.3	87.7	93.1	100.0	108.9	130.1
Scotland	80.0	87.2	94.5	100.0	101.9	104.0
Great Britain (b)	87.7	93.8	95.8	100.0	106.4	115.3

(a) Provisional estimates of average rents in England and Wales for 1997 are based on initial analysis of a sub-sample of results from the Annual Survey of Tenanted Land (ASTL), conducted in October 1997. 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 and 1997 are based on the sub-sample of farms with Full Agricultural Tenancies.

(b) Virtually all land in Northern Ireland is owner-occupied or let on an annual basis.

TABLE 7.2 Agricultural land prices

£ per hectare

Calendar years

	Average of 1986-88	1993	1994	1995	1996
England (a)					
With vacant possession	3,733	3,814	4,200	4,503	5,349
Tenanted	2,557	1,733	1,795	2,182	3,945 (b)
Wales (a)					
With vacant possession	2,660	2,783	2,980	3,713	3,778
Scotland (a)					
With vacant possession	1,459	1,695	1,678	2,349	2,087
Tenanted	644	1,049	1,208	1,534	2,234
Northern Ireland (a)					
With vacant possession	3,058	4,469	5,262	6,137	5,692

(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

£ million

As at December each year

	Average of 1986-88	1993	1994	1995	1996 (provisional)
At current prices					
Assets					
Fixed (a):					
Land and buildings (b)	35,950	40,050	42,750	49,700	50,950
Plant, machinery and vehicles	5,850	6,950	7,350	7,850	8,350
Breeding livestock	3,500	6,400	4,300	4,850	5,050
Total fixed	45,300	53,450	54,350	62,450	64,350
Current:					
Trading livestock	2,700	3,440	3,460	3,420	3,150
Crops and stores	2,400	2,250	2,750	3,400	2,650
Debtors, cash deposits	1,600	2,950	3,400	3,950	4,200
Total current	6,750	8,650	9,600	10,800	10,000
Total Assets	52,050	62,100	64,000	73,250	74,350
Liabilities (c,d)					
Long and medium term:					
Bank loans	1,150	1,350	1,550	1,600	1,900
Other	950	1,650	1,800	1,900	2,100
Total long and medium term	2,050	3,000	3,350	3,500	3,950
Short term:					
Bank overdraft	3,500	2,800	2,650	2,550	2,550
Other	1,550	2,000	2,300	2,300	2,450
Total short term	5,050	4,850	4,950	4,850	5,000
Total Liabilities	7,100	7,850	8,300	8,350	9,000
Net worth	44,950	54,250	55,650	64,900	65,350
In real terms (as deflated by the RPI):					
indices, 1995 = 100					
Total assets	104	90	90	100	99
Total liabilities	125	100	103	100	105
Net worth	101	89	89	100	98

(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.

CHART 7.1 Prices of agricultural land sold with vacant possession: - England

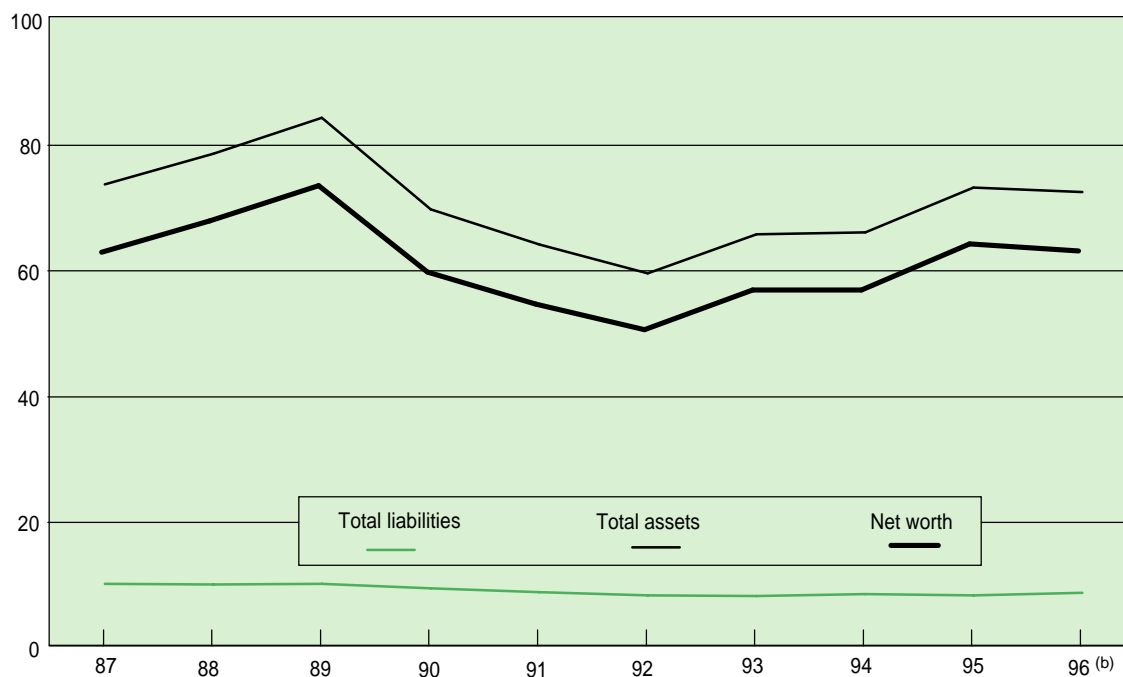
£ per hectare



(a) 1995 real terms as deflated by the RPI

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

£ billion



(a) December 1995 real terms as deflated by the 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 1996 June Census) are presented and described in this section, together with provisional estimates of net farm income for 1997/98.

2. It should be noted that the accounting practices and concepts adopted in the Farm Business Surveys differ in a number of respects from those employed in compiling the aggregate account as reported in Section 6. In particular, livestock subsidies are recorded in the year due in the Farm Business Surveys but in the year paid in the aggregate account. Therefore the increased HLCA and Suckler Cow Premium rates paid in 1997 on livestock recorded in 1996 will appear in the 1996/97 farm accounts but in the 1997 aggregate account. The Farm Business Survey accounting year runs 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 recent years 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 nearly all farm types in 1996/97. This fall was mainly attributable to lower commodity prices, reflecting a fall in demand for meat products, increased world-wide production of cereals and the strengthening of sterling which affected UK competitiveness on export markets. Higher input costs were also a contributory factor to the fall in incomes.

5. LFA cattle and sheep farms recorded little change in net farm income across the UK as a whole in 1996/97, the only major farm type not to show a reduction in income. Except in Wales, incomes on LFA cattle and sheep

farms rose as the additional cattle and sheep support measures, introduced in response to the BSE scare, made up for the drop in revenue from cattle sales. Incomes fell on lowland cattle and sheep farms which did not benefit from the increase in HLCA rates. Reductions in prices of cereals and other crops were the main factor behind income falls on cereals and general cropping farms although the relaxation in the set-aside requirement reduced some of the impact of lower crop prices. Incomes on dairy farms fell as input costs rose while revenue from milk sales remained broadly unchanged. Incomes on pigs and poultry farms fell in 1996/97 despite higher output which failed to match increases in costs.

6. Provisional estimates of net farm income for 1997/98 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 1997/98 exclude the one-off £85 million package of extra support announced in December 1997.

7. Incomes in 1997/98 are estimated to be substantially lower throughout the United Kingdom and for all the major farm types. Although some input costs have fallen back from their 1996/97 levels, in general, this has been more than offset by lower prices for all the major commodities. Incomes for LFA cattle and sheep farms will fall substantially; incomes for lowland cattle and sheep farms are expected to show a greater proportionate decrease. While dairy farms have been affected by changes in the beef market, the main factor in the reduction in output is lower milk prices. Lower yields and lower cereals prices in 1997/98 will lead to a marked fall in incomes on cereals farms and, to a lesser extent, on general cropping farms which have benefitted from some recovery in potato prices. Output on pigs and poultry farms is expected to be lower due to lower prices. Feed costs on pigs and poultry farms are also expected to be down significantly reflecting lower cereal prices, but incomes are likely to fall back to 1994/95 levels.

8. Estimates of actual levels of net farm income in 1995/96 and 1996/97 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 1996/97 was pigs and poultry, averaging £50,000 per farm, followed by cereals, mixed and general cropping farms averaging between £35,000 and £40,000 per farm. Lowest were incomes for lowland cattle and sheep farms averaging less than £10,000 per farm, reflecting the predominance of small farms. In Wales, Scotland and Northern Ireland the highest average levels of income were 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. Unlike net farm income, which assumes that all land is

rented, occupier's net income takes into account the actual tenancy status of the land and includes the real expenditure on rent and interest charges. It may therefore reflect more realistically 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 1995/96 and 1996/97. The picture closely follows that shown in Table 8.2.

**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 1996/97 according to country and type of tenure. Except for tenanted farms in Scotland, average net worth rose, though at a reduced rate compared with 1995/96. In England net worth rose by between 1 and 7 per cent depending upon tenure, by 1 per cent in Northern Ireland and by 1 to 4 per cent in Wales. In Scotland the net worth of owner occupied farms rose by 4 per cent, giving an overall rise of 3 per cent.

11. External liabilities expressed as a percentage of total assets gives an indicator of indebtedness of farm businesses. This measure fell in England in 1996/97, reflecting an increase in the value of fixed assets, but rose in the other three countries. The overall level of indebtedness in Northern Ireland remains much lower than for the other countries.

TABLE 8.1 Net farm income by country and farm type

Average net farm income per farm: indices, 1989/90-91/92=100

Accounting years ending on average in February

Country and farm type	1989/90	1990/91	1991/92	1992/93	1993/94	1994/95	1995/96	1996/97	1997/98 (provisional)
At current prices									
England (a):									
Dairy	113	89	98	129	144	123	139	114	75
Cattle and sheep (LFA)	104	75	121	178	209	172	226	228	155
Cattle and sheep (lowland)	110	37	153	258	319	246	256	226	90
Cereals	79	104	117	157	155	205	321	284	180
General cropping	112	97	91	97	121	195	241	129	100
Pigs and poultry	126	108	67	75	24	52	112	101	60
Mixed	97	99	104	133	126	161	243	186	105
Wales (a):									
Dairy	115	89	97	120	124	81	137	121	90
Cattle and sheep (LFA)	107	79	114	140	162	97	198	155	90
Cattle and sheep (lowland)	68	132	100	92	95	76	118	85	50
Scotland:									
Dairy	118	93	88	109	118	106	127	109	50
Cattle and sheep (LFA)	107	98	95	118	136	111	127	160	85
Cereals	95	131	74	214	164	263	453	449	80
General cropping	134	121	44	65	81	244	220	97	50
Mixed	104	117	79	175	173	149	197	164	15
Northern Ireland (a):									
Dairy	130	75	95	141	141	145	200	130	70
Cattle and sheep (LFA)	111	86	103	162	185	145	172	176	105
Mixed	138	94	68	120	87	135	138	75	20
United Kingdom (a):									
Dairy	115	88	97	127	139	117	143	116	75
Cattle and sheep (LFA)	106	86	108	142	165	122	174	173	105
Cattle and sheep (lowland)	107	70	123	177	211	162	172	141	50
Cereals	81	107	112	159	153	206	326	290	170
General cropping	116	99	86	94	118	209	244	126	95
Pigs and poultry	125	107	68	80	25	51	108	98	55
Mixed	100	103	97	136	128	153	224	170	85
In real terms (as deflated by the RPI)									
United Kingdom (a):									
Dairy	125	87	91	116	124	102	121	95	60
Cattle and sheep (LFA)	115	85	101	129	147	106	147	143	80
Cattle and sheep (lowland)	116	69	115	161	189	141	145	116	40
Cereals	88	106	105	144	136	180	275	239	135
General cropping	125	97	81	85	106	182	206	104	75
Pigs and poultry	135	106	64	73	22	44	91	80	45
Mixed	108	102	91	124	114	133	189	140	65

(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) 1996/97			Number of holdings at June 1996		
	Small 1995/96 1996/97		Medium 1995/96 1996/97		Large 1995/96 1996/97		All size groups 1995/96 1996/97		Small	Medium	Large	Small	Medium	Large
Dairy :														
England	12.0	9.5	29.2	22.2	69.8	60.7	37.3	30.4	36	64	134	4,021	9,786	4,822
Wales (c)	..	..	34.3	31.1	77.9	72.5	36.1	31.9	..	67	138	1,487	2,113	580
Scotland	..	..	24.9	18.7	59.3	55.7	35.1	30.1	..	82	147	162	1,097	691
N. Ireland	13.2	6.8	35.8	25.3	..	..	23.5	15.2	33	65	..	2,618	2,195	378
Cattle and sheep (LFA) :														
England	11.1	11.6	28.1	29.0	..	..	18.6	18.8	92	316	..	4,166	1,633	267
Wales (c)	11.7	9.4	31.7	25.0	..	..	18.3	14.3	77	233	..	5,671	1,900	201
Scotland	7.9	10.5	18.5	24.1	40.1	40.0	13.3	16.8	218	399	1027	4,511	2,414	450
N. Ireland	5.8	5.8	..	..	..	..	6.5	6.6	87	..	..	4,989	435	36
Cattle and sheep (lowland) :														
England	4.3	5.3	20.6	12.2	47.5	34.4	8.4	7.4	59	137	265	9,953	1,844	505
Wales	8.4	5.1	25.8	21.3	..	..	14.3	10.3	60	116	..	1,301	292	44
N. Ireland	-1.9	-3.1	..	..	..	..	-1.1	-1.4	45	..	..	1,182	103	9
Cereals :														
England	16.3	13.5	40.1	35.2	105.2	94.7	46.0	40.7	57	136	347	7,364	5,891	3,551
Scotland	..	..	..	..	..	..	25.5	25.3	..	..	..	1,308	847	331
General cropping :														
England	14.8	9.4	37.1	23.2	132.2	66.2	68.3	36.5	47	95	313	3,987	3,899	4,149
Scotland	..	..	28.9	21.6	..	..	41.2	18.2	..	111	..	423	827	871
Pigs and poultry														
England	17.9	13.7	40.6	40.8	132.4	117.3	55.0	49.8	6	10	37	1,225	929	841
Mixed :														
England	12.0	8.5	32.2	26.1	106.2	79.7	48.5	37.0	60	126	292	4,049	2,880	2,433
Scotland	9.1	7.5	20.6	15.5	..	..	21.4	17.9	64	136	..	1,018	716	433
N. Ireland	..	..	..	..	..	..	14.4	7.8	..	..	..	696	193	38

(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) 1996/97			Number of holdings at June 1996		
	Owner-occupied 1995/96	Owner-occupied 1996/97	Tenanted 1995/96	Tenanted 1996/97	Mixed Tenure 1995/96	Mixed Tenure 1996/97	All types of tenure 1995/96	All types of tenure 1996/97	Owner-occupied	Tenanted	Mixed tenure	Owner-occupied	Tenanted	Mixed tenure
Dairy:														
England	38.1	32.6	26.7	20.2	43.1	33.5	37.0	30.1	73	68	96	9,211	4,057	5,361
Wales	37.1	29.0	..	..	33.2	32.2	35.4	29.7	68	..	77	2,550	671	959
Scotland (c)	39.6	36.2	..	..	..	..	37.5	31.8	94	..	..	1,500	450	..
N. Ireland (d)	21.9	14.9	..	..	..	..	..	..	48	..	..	5,191	..	..
Cattle and sheep (LFA):														
England	16.0	16.8	18.0	20.1	31.0	28.9	20.1	20.4	123	229	249	3,045	1,352	1,669
Wales	19.9	15.5	13.6	9.2	25.3	20.0	20.6	16.0	122	115	168	5,141	859	1,772
Scotland (c)	14.4	19.0	11.6	13.4	..	..	13.3	16.9	225	385	..	4,527	2,848	..
N. Ireland (d)	6.1	6.4	..	..	..	..	..	..	95	..	..	5,460	..	..
Cattle and sheep (lowland):														
England	9.4	9.3	7.5	4.2	15.9	14.3	10.7	9.8	71	85	96	7,536	1,933	2,833
Wales	18.9	13.9	..	..	..	..	18.1	13.9	76	..	..	972	257	408
N. Ireland (d)	-0.2	-0.4	..	..	..	..	..	..	47	..	..	1,294	..	..
Cereals:														
England	47.7	43.4	38.9	35.0	65.4	61.1	51.4	47.2	135	146	189	8,045	3,521	5,240
Scotland (c)	..	..	..	..	..	..	23.4	24.1	..	..	..	1,740	746	..
General cropping:														
England	62.5	39.2	61.0	31.6	83.5	46.7	71.8	41.1	158	161	177	4,926	2,473	4,636
Scotland (c)	53.9	38.7	..	..	..	..	46.8	31.8	127	..	..	1,411	710	..
Pigs and poultry:														
England	51.7	45.2	..	..	72.2	80.2	52.9	47.4	13	..	54	2,465	227	303
Mixed:														
England	40.7	33.4	42.0	31.5	69.7	55.4	50.7	40.4	122	170	194	4,537	1,909	2,916
Scotland (c)	20.9	18.8	..	..	..	..	19.7	19.5	139	..	..	1,510	657	..
N. Ireland (d)	14.4	8.3	..	..	..	..	..	..	58	..	..	927	..	..

(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, 1996/97

£'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	639.3	676.4	198.3	205.6	705.6	754.1	578.4	613.4
	of which : fixed assets	566	603.6	123	129.9	597.8	646.8	494.7	530
	current assets	73.3	72.8	75.2	75.7	107.8	107.4	83.7	83.4
	Total external liabilities	69.7	71	43.8	48.9	89.5	95.9	70.7	74.2
	of which : long and medium term loans	35.8	37.6	9	10.9	40.8	44.7	32.4	34.8
	short-term loans	33.9	33.4	34.8	38	48.7	51.2	38.3	39.4
	Net Worth	569.6	605.4	154.5	156.7	616.1	658.2	507.7	539.2
	Occupier's net income 1996/97 year		29.8		24.7		42		32.4
Wales	Total assets	461.2	466.4	130.1	134.1	438.3	446.3	424.7	430.4
	of which : fixed assets	423.9	428.8	102.3	106.8	395.8	404.2	387.1	392.8
	current assets	37.3	37.6	27.7	27.3	42.5	42.1	37.6	37.6
	Total external liabilities	40.5	40.3	23.3	23.6	51.2	54.9	41.3	42.1
	of which : long and medium term loans	21.7	22.2	7.3	7.6	24.5	28.4	21	22.3
	short-term loans	18.8	18.1	15.9	15.9	26.7	26.5	20.3	19.8
	Net Worth	420.7	426.1	106.8	110.5	387.1	391.4	383.4	388.3
	Occupier's net income 1996/97 year		18.8		14.2		23.7		19.5
Scotland (a)	Total assets	480.7	500.3	162.7	162.7	..	..	374.4	387.5
	of which : fixed assets	359.4	382.7	78	79.8	..	..	265.4	281.5
	current assets	121.3	117.6	84.7	82.9	..	..	109.1	106
	Total external liabilities	68.8	72.8	29.6	31.6	..	..	55.7	59
	of which : long and medium term loans	17.1	23.2	5.1	6.5	..	..	13.1	17.6
	short-term loans	51.8	49.5	24.5	25.2	..	..	42.7	41.4
	Net Worth	411.8	427.5	133.1	131.1	..	..	318.7	328.5
	Occupier's net income 1996/97 year		25		14.1	..	..		21.4
Northern Ireland (b)	Total assets	366.1	370.9	..	..	..	..	..	..
	of which : fixed assets	333.3	339.5	..	....	..	....	..	..
	current assets	32.8	31.4	..	....	..	....	..	..
	Total external liabilities	15.2	16.5	..	....	..	....	..	..
	of which : long and medium term loans	6.5	7.2	..	....	..	....	..	..
	short-term loans	8.7	9.3	..	....	..	....	..	..
	Net Worth	350.9	354.4	..	....	..	....	..	..
	Occupier's net income 1996/97 year		9.2		..		..		..

(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.

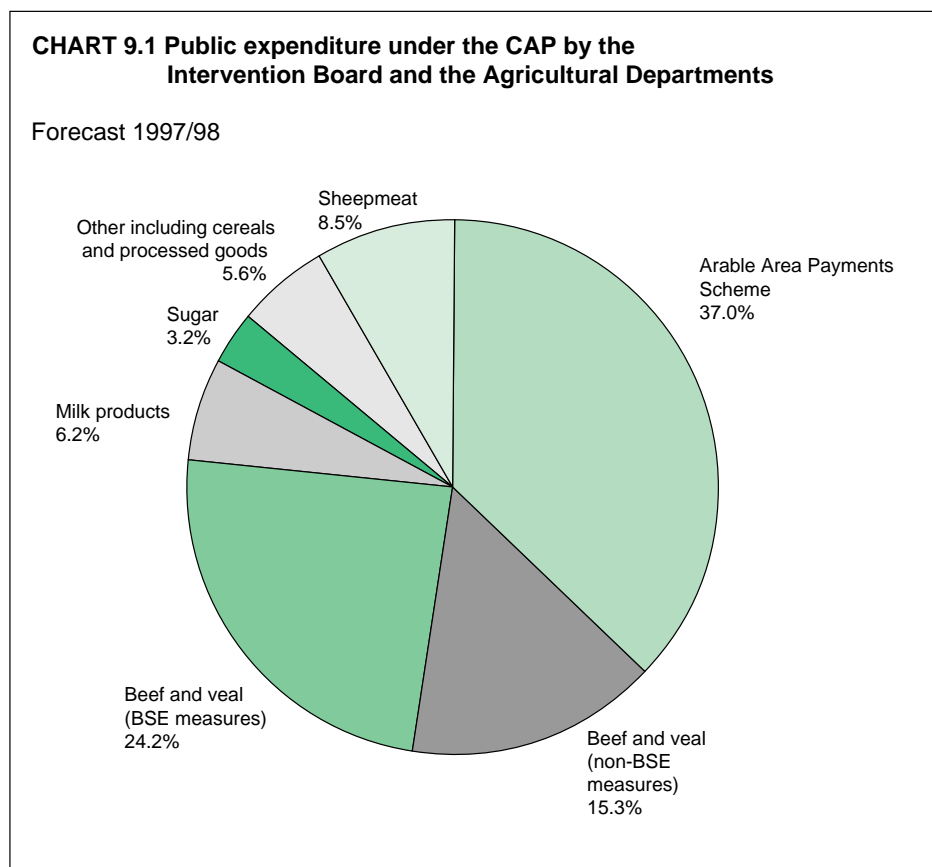
9 Public expenditure on agriculture

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 1996/97 represent actual expenditure recorded in the Appropriation Accounts. The figures for 1997/98 are the latest estimates of expenditure.

Public expenditure (Tables 9.1 and 9.2)

2. Total United Kingdom expenditure in 1997/98 is forecast to decrease by some £637 million to £3,692 million compared with the previous year. Spending in the UK under the CAP is forecast to decrease from £4,081 million in 1996/97 to £3,403 million. Chart 9.1 illustrates the expenditure



breakdown by commodity sector, with more detail in Table 9.2. The reduction occurs mainly in connection with BSE related expenditure. A

number of measures were introduced to protect the public and support the industry during the initial stages of the crisis. These schemes have now stabilised and some have ended eg. the Beef Stocks Transfer, Suckler Cow and Beef Special Premium Compensation (top-ups) and the Beef Marketing Payment schemes. The number of animals entering the Over Thirty Months Scheme has reduced over the previous year with the clearance of the backlog of animals late in 1996. The Selective Cull Scheme was introduced and will run through 1997/98 and into 1998/99. Non-BSE related scheme expenditure is also forecast to reduce with significant decreases in Beef Special and Suckler Cow Premiums, and the Sheep Annual Premium. Decreases in the milk and milk products sector arise from reduced intervention activity and the end of compensation payments to producers giving up milk production. These decreases however are partly offset by increases in cereals intervention, export refunds for milk products and Agri-Environment schemes. A further increase relates to the additional agrimonetary compensation package to the beef and sheep sectors announced by the Government late in December 1997. Due to the continuing appreciation of sterling on the foreign exchanges, the green rate used for converting EU rates to sterling was revalued, resulting in reduced support prices.

3. Expenditure on other schemes in the UK is estimated to be £268 million in 1997/98 compared with £244 million in 1996/97. This expenditure includes grants for conservation, exchequer funding of accompanying measures and assistance for agriculture in special areas.

**Intervention
stocks**
(Table 9.3)

4. Table 9.3 shows the level of opening and closing stocks and purchases into, and sales out of, intervention in the United Kingdom for the years 1993/94 to 1997/98. This indicates that stocks of cereals, beef and skimmed milk powder are forecast to continue at slightly increased levels during 1997/98.

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

£million

April/March (financial years)

	1993/94	1994/95	1995/96	1996/97	1997/98 (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	399.8	67.8	12.2	49.0	53.2
Oilseeds	163.0	..	..	..	..
Sugar	154.1	126.5	115.6	104.7	109.5
Beef and veal (non-BSE)	11.1	-9.5	69.9	0.5	1.8
Beef and veal (BSE)	..	..	..	1,144.0	820.6
Sheepmeat	0.4	-3.2	-0.8	..	-1.4
Pigmeat	2.5	2.5	2.1	1.4	1.1
Milk products	236.9	195.1	162.9	238.4	210.3
Processed goods	66.3	55.7	51.5	48.3	40.7
Other (b)	42.2	19.0	43.8	34.7	49.1
Sub-total	1,076.2	454.0	457.2	1,621.0	1,284.9
(ii) Expenditure by Agriculture and other Departments:					
Agricultural measures:					
Repayment of Cereals Levies	..	..	..	..	..
Transitional Oilseeds Scheme	4.6	..	..	..	..
Suckler Cow Premium Scheme (c)	65.6	169.9	199.3	278.2	294.7
Beef Special Premium Scheme (c)(d)	88.7	161.6	246.2	252.6	219.0
Beef deseasonalisation scheme (NI)	5.1	4.6	0.1	..	6.1
Annual Premium on Ewes	486.7	394.9	424.3	455.3	288.9
Payments to producers giving up some milk production (e)	79.0	9.8	-	-	-
Arable area payments scheme - cereals	387.4	549.5	818.9	850.8	857.3
- oilseeds	153.5	151.7	164.6	161.7	203.2
- linseed	..	26.1	28.6	24.4	36.8
- protein	101.9	80.0	74.7	66.3	70.4
- set-aside	141.8	199.7	200.8	157.0	92.1
Orchard Grubbing Scheme	0.5	2.6	7.7	..	..
School milk (Northern Ireland)	0.9	0.6	0.6	0.6	0.5
BSE emergency measures	..	..	..	178.0	4.1
Sub-total	1,515.7	1,751.0	2,165.8	2,424.9	2,073.1
Agri-environment and other measures:					
Environmentally Sensitive Areas	13.1	10.8	16.1	17.3	23.4
Nitrate Sensitive Areas	0.4	0.2	1.0	1.4	1.6
Pilot Beef and Sheep Extensification scheme	0.2	0.1	0.1	0.0	0.0
Organic farming	..	..	0.2	0.3	0.6
Countryside Stewardship	..	1.8	2.7	3.1	3.4
Tir Cymen	..	1.2	0.9	1.1	1.4
Moorland Scheme	..	..	..	0.1	0.5
Habitat Scheme	..	..	0.5	0.8	1.5
Farm woodlands and forestry	5.1	15.5	11.9	11.4	12.6
Sub-total	18.8	29.6	33.4	35.5	45.0
Total	2,610.7	2,234.6	2,656.4	4,081.4	3,403.0
B UK expenditure by Agriculture and other Departments (f)					
Environmentally Sensitive Areas	10.2	11.3	20.3	21.0	26.9
Nitrate Sensitive Areas	1.0	1.5	2.6	2.7	3.1
Pilot Beef and Sheep Extensification Scheme	0.3	0.4	0.4	0.1	..
Organic farming	..	..	0.1	0.2	0.7
Countryside Stewardship	..	13.1	13.6	8.7	13.2
Tir Cymen	..	2.9	3.5	5.4	6.4
Moorland Scheme	..	..	..	0.1	0.3
Habitat Scheme	..	..	0.5	0.7	1.2
Countryside Access/Set-Aside Access Schemes	..	..	..	..	0.1
Farm woodlands and forestry	38.4	25.3	36.0	32.9	40.1
Optional set-aside (5 and 1 year schemes) (g)	25.1	15.1	7.1	3.5	0.4
Total	75.0	69.6	84.1	75.3	92.4
TOTAL (A+B)	2,685.7	2,304.2	2,740.5	4,156.7	3,495.4

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

£ million	April/March (financial years)				
	1993/94	1994/95	1995/96	1996/97	1997/98 (forecast)
II Price guarantees (national)					
Potatoes (h)	0.5	..	..	..	..
Wool (i)	12.0	0.1	..	..	..
Total	12.5	0.1	..	..	..
III Support for conservation and other improvements					
Farm Diversification :					
Capital Grants	0.6	0.2	0.1	..	0.2
Marketing and Feasibility grants	0.2	0.1	..	..	..
Farm and Conservation Grant Scheme (EC) (j)	6.9	6.8	6.0	3.7	5.6
Agricultural Improvement Scheme (EC) (j)	1.9	1.3	0.8	0.3	0.3
Agricultural and Horticulture Development Scheme (j) (k)	1.9	0.7	0.1	..	0.1
Farm structures	0.2	0.2	0.1	0.2	0.2
Agriculture Improvement Scheme (National) (j)	0.1	..	..	..	..
NIADP, NIADOP and SPARD (j) (m)	10.7	34.4	18.9	10.8	15.0
Rural Development Programme	..	..	1.1	1.7	15.0
Farm and Conservation Grant Scheme (National) (j) (n)	38.0	29.1	14.0	9.3	1.5
Others (o)	0.1	..	..	..	..
Total	60.6	72.8	41.1	26.0	37.9
IV Support for agriculture in special areas					
Hill Livestock Compensatory Allowances :					
cattle	62.0	57.8	52.3	77.4	91.5
sheep	62.5	59.1	49.6	52.8	57.5
Additional benefit under AHDS, NIADP, NIADOP and SPARD	..	..	..	..	..
AHGS, AIS (EC), AIS (Nat), FCGS (EC), FCGS (Nat)	8.2	7.4	3.0	3.1	3.1
Others (p)	6.8	3.9	6.7	8.6	3
Total	139.5	128.2	111.6	141.9	155.1
V Other payments					
Milk outgoers scheme (j)	0.7	0.4	-	-	-
Sheep compensation scheme 1986 (j)	0.9	0.8	0.7	0.6	0.8
Cooperation grants	0.4	0.5	-	-	-
Crofting building grants and loans (net)	3.7	4	6.1	3.7	2.8
Others (q)	0.9	0.5	0.6	0.1	0.1
Total	6.6	6.2	7.4	4.4	3.7
Total I to V (r)	2,904.9	2,511.5	2,900.6	4,329.0	3,692.1

- (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 1993/94 and 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 (r).
- (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 (r).
- (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 Sub-Programme for Agriculture and Rural Development (SPARD), the Milk Outgoers, Woodland Grant and Sheep Compensation schemes expenditure from Northern Ireland block is excluded.
- (n) The state aid part of the Farm and Conservation Grant Scheme closed to farmers in England and Scotland on 19 February 1996 as provided in the Scheme legislation.
- (o) Includes loan guarantees, grants for agricultural drainage in Scotland and farm structure loans.
- (p) 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.
- (q) Includes producer organisations, forage groups and Shetland wool producers.
- (r) 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 to V) is normally a year in arrears.

1993/94	1994/95	1995/96	1996/97	1997/98
2,885.3	2,478.3	2,668.0	3,187.3	2,918.0

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

£ million

April/March (financial years)

	1993/94	1994/95	1995/96	1996/97	1997/98 (forecast)
Cereals					
Intervention purchases/sales	161.0	-91.5	-51.8	0.9	9.1
Intervention storage costs	22.7	18.6	13.6	3.7	4.3
Export refunds	194.8	128.7	39.3	41.2	36.1
Internal market measures	22.1	12.1	11.1	3.2	3.7
Co-responsibility/additional levy	-0.8	-0.1	-	-	-
Total cereals	399.8	67.8	12.2	49.0	53.2
Oilseeds					
Export refunds	-	-	-	-	-
Internal market measures	167.6	-	-	-	-
Total oilseeds	167.6	-	-	-	-
Sugar					
Export refunds	85.2	73.8	71.3	58.0	57.2
Internal market measures	68.9	52.8	44.3	46.7	52.3
Total sugar	154.1	126.6	115.6	104.7	109.5
Beef and veal (non-BSE)					
Intervention purchases/sales	-80.1	-100.3	-26.7	..	..
Intervention storage costs	21.8	7.9	2.2	..	..
Internal market measures	1.2	0.7	0.7	0.5	1.8
Export refunds	68.2	82.2	93.9	..	..
Suckler cow premium	65.7	169.9	199.3	278.2	294.7
Special premium	88.7	161.6	246.2	252.6	219.0
Deseasonalisation premium	5.1	4.6	0.1	..	6.1
Total beef and veal (non-BSE)	170.6	326.6	515.7	531.3	521.6
Beef and veal (BSE)					
Intervention purchases/sales	..	..	..	135.9	133.9
Intervention storage costs	..	..	..	33.8	46.2
Export refunds	..	..	..	-0.3	-2.4
Over thirty month scheme purchases	..	..	..	669.8	254.6
OTMS slaughter, disposal costs etc.	..	..	..	187.6	195.0
Clean beef top up	..	..	..	4.2	0.0
Calf processing aid scheme	..	..	..	51.4	54.4
Beef stocks transfer scheme	..	..	..	50.9	5.1
Beef and beef products (disposal service)	..	..	..	0.9	1.8
Animal feed disposal service	..	..	..	0.3	0.5
Selective cull	..	..	..	..	119.2
Suckler cow compensation	..	..	..	77.3	8.5
Special premium compensation	..	..	..	42.6	-7.0
Beef marketing payment scheme	..	..	..	58.2	..
Veal marketing payment scheme	..	..	..	..	..
Meat & Livestock Commission promotion	..	..	..	..	2.5
Other measures	..	..	..	9.4	12.4
Total beef and veal (BSE)	..	..	..	1,322.0	824.7
Sheepmeat					
Internal market measures	487.1	391.7	423.5	455.3	287.5
Pigmeat					
Internal market measures	0.1	-	0.2	0.3	0.1
Export refunds	2.4	2.5	1.9	1.1	1.0
Total pigmeat	2.5	2.5	2.1	1.4	1.1

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)

	1993/94	1994/95	1995/96	1996/97	1997/98 (forecast)
Milk products					
Intervention purchases/sales	0.8	-11.2	-1.6	59.9	16.6
Intervention storage costs	0.9	0.6	0.2	0.6	1.3
Export refunds	116.6	110.6	94.4	97.6	139.9
Internal market measures	127.3	91	87.9	75.5	68.2
Co-responsibility/Supplementary levy	-7.8	-21.5	-43.6	-47.9	-15.5
Payments to those giving up milk production (a)	79	35.9	26.2	53.3	0.3
Total milk products	316.8	205.4	163.5	239.0	210.8
Processed goods					
Export refunds	66.3	55.7	51.5	46.4	39.7
Arable area payments scheme					
Internal market measures	784.6	1,007.0	1,287.6	1,260.2	1,259.8
Others					
Export refunds	26.9	3.5	2.7	2.6	1.8
Internal market measures	40.2	51.8	82.6	70.8	95.5
Miscellaneous	-5.6	-4.1	-0.5	-1.3	-2.2
Total others	61.5	51.2	84.8	72.1	95.1
Total	2,610.7	2,234.6	2,656.4	4,081.4	3,403.0

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

TABLE 9.3 Commodity intervention in the United Kingdom

'000 tonnes

	1993/94			1994/95			1995/96			1996/97			1997/98 (forecast)			
Commodity	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	15	277	-	292	-	291	1	-	1	-	-	-	-	-	-	-
bread	-	3	-	3	1	4	-	-	-	-	-	-	-	-	-	-
Barley	835	690	246	1286	13	814	485	1	486	-	11	-	11	253	15	249
Rye	1	-	1	-	-	-	-	-	-	-	1	-	1	-	1	-
Beef: boneless	164	4	78	89	-	75	14	-	9	5	59	5	59	60	5	114
bone in	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Butter	11	4	9	6	1	6	1	-	-	1	5	1	5	2	7	-
Skimmed milk powder	-	6	-	6	-	5	1	-	1	-	29	-	29	19	8	40

(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.