



Farm Business Survey

2007/2008

Hill Farming in England



David Harvey and Charles Scott

April 2009

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independent research, data and analysis

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RBR at Newcastle University
School of Agriculture Food & Rural Development
Newcastle University
Newcastle upon Tyne, NE1 7RU, England, UK

Tel: 0191-222-6900

Fax: 0191-222-6720

E mail: farm.business.survey@ncl.ac.uk

web site: <http://www.ncl.ac.uk/afrd/business/FarmBusinessSurvey.htm>

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Agricultural history in the UK records many regulations, policies and plans designed to enable agriculture and horticulture to meet the contemporary challenges of the day. The Marketing Acts of the 1930s, the UK's entry to the Common Agricultural Policy, Milk Quotas, Set-Aside, Cross-Compliance; the list is extensive. Common across all these examples, and inherent in their inception, is the variability and uncertainty faced by the industry. The last 18 months have witnessed renewed unpredictability in the incomes of UK farmers and growers. In the 21st Century the emphasis on freeing up markets leads farmers and growers to be increasingly reliant upon business planning and decision making in the face of uncertainty. With such uncertainty, the need for independent data to aid farmers, growers and their advisors is paramount and one which *Rural Business Research* continues to provide based upon comprehensive analysis of independent data from the Farm Business Survey for England. The third series of these influential reports highlights the changing economic landscape faced by farmers and growers during the 2007/08 financial year and place in context the profitability and vulnerability of different sectors of the industry. Complementing these reports are *Rural Business Research's* free-to-use on-line services, providing comprehensive Farm Business Survey Reports for Government Office Regions and farm business benchmarking at www.farmbusinesssurvey.co.uk.

Rural Business Research's aim, in providing these reports and data services, is to facilitate individuals and organisations working in agriculture, horticulture, land management and rural development, through the provision of independent data, research and analysis. As part of our wider engagement we are keen to hear the views of readers and users of our reports and data-services; supporting our dedicated outreach web-site www.ruralbusinessresearch.co.uk is our email alert network which promptly highlights our new publications and outputs to interested parties. If you would like your details to be added to our email alert network or wish to comment on our reports, please email paul.wilson@nottingham.ac.uk.

As we provide the third series of these influential reports, *Rural Business Research* looks forward to continuing its role as *the* independent organisation responsible for providing analysis and insight to the industry over the coming decade. *Rural Business Research* has recently successfully tendered for the Contract to undertake the Farm Business Survey in England for 2009/10 and beyond; a central aspect of our continued work and analysis of the Farm Business Survey is to further enhance the outreach and knowledge transfer activities we undertake, making even greater use of the data, and engaging with a wider range of practitioners and policy makers working in food production and land use in the UK.

Dr Paul Wilson

Chief Executive Elect, Rural Business Research

Spring 2009

Executive Summary

The total area of land classified as Less Favoured Area (LFA) on farms in England is 1.55 million hectares, 17% of the total farmed area. This total is made up of Severely Disadvantaged Areas (67%) and Disadvantaged Areas (33%). The Moorland designation of semi-natural vegetation covers 42% of the LFA area. These are areas where farming is more difficult because of poor climate, soils and terrain. These lead to lower yields and higher production and transportation costs. LFAs essentially define the upland hill-farming areas. They include almost all of the upland areas in the North of England (including the Pennines, Lake District and North York Moors), the Peak District, the English part of the English-Welsh border, Exmoor, Dartmoor, and parts of Cornwall. In England, 30% of beef cows and 44% of breeding sheep are in the LFA. Farming plays a crucial role in maintaining the distinctive landscape of such areas.

The average LFA Grazing Livestock farm has 130 ha, including some 2 ha under buildings and roads. It is part owned (67 ha) and part rented (63 ha), and most of the farm (76 ha) is in permanent grass. The average LFA farmer is 54 years old, has 30 beef cows and 306 upland breeding ewes, with totals of 83 cattle and 595 sheep on the farm, making a total of 88 Grazing Livestock Units.

LFA Grazing Livestock farms earn some 55% of their total revenue (output) from crop and livestock farming activities with 25% coming from the Single Farm Payment, and 15% from specific agri-environment payments. The balance of revenues is earned from non-farm/diversification activities.

The crop and livestock farming side of the business covers its variable costs and earns a positive gross margin of just over £13,000 per farm. However, since this side of the whole farm business is assumed to incur most of the fixed costs (96%) the average LFA farm is shown as losing money, on average, to the tune of -£17,134 Farm Business Income (or profit before unpaid labour) from crop and livestock production per farm in 2007/8. This is a 7% increase in the loss from the previous year.

Revenues earned from the single farm payments, agri-environment schemes and diversification more than offset the losses of the traditional farming enterprises to generate a headline Farm Business Income of £10,386 in 2007/8, a 4% fall from the previous year. Nevertheless, this income is not sufficient to cover the opportunity costs of the unpaid labour (provided mainly by the farmer and family) estimated at £20,344 per farm. As a result, Farm Corporate Income shows a loss of £9,958 per farm (an increase in the loss of 13% compared with the previous year). Adjusting for the net interest payments made by the farm, Farm Investment Income (which represents the return on risk and entrepreneurship on all capital invested in the farm business whether borrowed or not) is down by 13% compared with the previous year. The traditional measure of farm income of Net Farm Income (which puts all farm businesses on a comparable tenanted basis) averaged £5,042 per farm, down 17% from 2006/7.

These LFA farms depend to a substantial extent on public payments (Single Payment Scheme, Hill Farm Allowance, and Agri-environmental payments) together accounting for 40% of their revenues. Although there is substantial variation amongst the farms in terms of their commercial performance, most of these farms could not survive as commercial businesses without the public payments.

1. Background & Context

The total area of land classified as Less Favoured Area (LFA) on farms in England is 1.55 million hectares, 17% of the total farmed area. This total is made up of Severely Disadvantaged Areas (SDAs), which account for 67% of the LFA and Disadvantaged Areas (DAs), accounting for 33% of the LFA¹. These are areas where farming is more difficult because of poor climate, soils and terrain. These lead to lower yields and higher production and transportation costs. LFAs essentially define the upland hill-farming areas. They include almost all of the upland areas in the North of England (including the Pennines, Lake District and North York Moors) the Peak District, the English part of the English-Welsh border, Exmoor, Dartmoor, and parts of Cornwall. In England, 30% of beef cows and 44% of breeding sheep are in the LFA. Farming plays a crucial role in maintaining the distinctive landscape of such areas.

As we reported last year (Hill Farming in England, 2006/7, RBR) the continued economic health of the farmers (and other land users and managers) in the uplands is of considerable value to society. The current performance and, hence, economic health of the livestock farmers in the Less Favoured Areas of England is the focus of this report. (Other farm types present in the LFA including Upland Dairy farms are covered by other Enterprise Reports in this series – Appendix 9).

1.1 The LFA

Map 1 (appendix 1) shows the areas and also the Government Office (GO) Regions. This report does not concentrate on data by Government Office region, which is otherwise available on the [Rural Business Research](#) Website. Rather, the EU Regions are used here, which are used for administrative purposes at the European level and represent amalgamations of GO regions:

- EU West region comprises the South West and West Midlands GO regions.
- EU North region includes North West, North East and Yorkshire & Humberside GO regions.
- EU East region is the East Midlands, Eastern and South East GO regions.

The LFA designation is part of EU law and extra farm support was provided for farms in these areas as Hill Livestock Compensatory Allowances between 1975 and 2000. This was paid as headage support to eligible beef cows and ewes. In 2001 this support was replaced by the Hill Farming Allowance (HFA) an area based scheme. This instrument for support of upland farming is currently being revised as part of the new Rural Development Regulation and associated Rural Development Programme England (RDPE) which covers the period 2007-2013. The ultimate policy objective of this revision is to generate the maximum public benefit provided by upland farmers. From 2010, uplands support will be fully integrated into Environmental Stewardship. Present intentions are that the HFA will be replaced with a specific uplands strand to the Entry Level Stewardship (Uplands ELS) by no later than 2010.

A major change to note is that land in the Disadvantaged Areas (DA) is no longer

¹ Data from Defra, Agricultural Census, 2006.

eligible for HFA as of 1st January 2007 (including Moorland and common land in the DA, see www.defra.gov.uk/corporate/regulat/forms/erdp/hfas/hfaguide-2008.pdf). This implements the announcement in December 2006 by the Secretary of State that the DA would not be eligible to receive the HFA from 2008 onwards, thereby focusing uplands support on land in the Severely Disadvantaged Areas (SDA). The announcement followed general support for the proposal in Defra's consultation on the future of uplands support earlier in 2006. In comparison to land in the SDA, land in the DA is generally higher-grade agricultural land, is more accessible, and producers have more options to maximise the potential of the land. In addition, the Single Payment Scheme will, over time, tend to favour farmers in the DA in comparison to the SDA (since the DA is subsumed within the lowland for the purpose of defining the Single Payment Scheme (SPS) regions and therefore receives a higher flat rate payment than the SDA).²

1.2 Hill Farm Allowance

The traditional basis of farming in the LFA is the keeping of beef suckler cows and breeding ewes. The breed of livestock kept corresponds with the type of land with the hills dominated by hardy breeds and the lower land having more upland and lowland type stock. In 2006 (and currently) suckler cow and/or sheep producers who have at least 10 ha of eligible forage area in the English LFAs (including common land) are eligible for the HFA. Holdings with less than 10 ha of English LFA land are not eligible, unless part of the holding is in Wales, Scotland or Northern Ireland. Livestock must be kept at a minimum stocking density of 0.15 livestock units per hectare (LU/ha); this may be less if producers are taking part in an agri-environment or other scheme, which restricts their stocking density. Up to, and including, 2006 producers need to follow Good Farming Practice (GFP) and undertake to keep their LFA land continuously in agricultural production for five years from the date of first payment of LFA support (i.e. HFA or HLCA). Since 2007 producers need to follow Good Farming and Environmental Condition requirements. The payment rates (per hectare) for the 2007 crop year (HFA 2008, paid in Spring 2008) are shown in Table 1.

Table 1 Hill Farm Allowance Payment rates per hectare (2008)

Land Type	0 – 350 hectares	351 – 700 hectares
Land within the Moorland line	£14.12	£7.06
Other common land	£14.12	£7.06
Other SDA	£37.31	£18.66
Other DA	£0	£0

(note: HFA 2008 relates to areas farmed and stock held in 2007)

² See <http://www.defra.gov.uk/rural/uplands/support.htm> for further information on the Uplands policy

2. The Data: FBS Grazing Livestock Farms (LFA)

The data presented come from 248 farms, which are all part of the Farm Business Survey. 66% come from the EU North region, 23% from the EU West and the remainder from the EU East. The data have been 'weighted' to represent the total population with each individual farm assigned a weighting factor. As a consequence, the 'raised sample' provides a basis for estimating the total land use and performance for the LFA, by farm type and by region.

2.1 Farm Types within the LFA

The Farm Business Survey classifies farms based upon Standard Gross Margins (SGM). LFA Grazing Livestock Farms are holdings on which cattle, sheep and other grazing livestock account for more than two thirds of their total SGM except holdings classified as dairy. Dairy farms are those where dairy cows account for more than two thirds of the total SGM. A holding is classified as LFA holding if 50 per cent or more of its total area is in the LFA. Of holdings classified as LFA, those whose LFA land is wholly or mainly (50 per cent or more) in the SDA are classified as SDA; those whose LFA land is wholly or mainly (more than 50 per cent) in the DA are classified as DA. In addition, these farms are also classified according to their size (measured by their 'standard labour requirement' (SLR)). For the purposes of the survey, only those farms with an SLR of greater than 0.5 are considered, which excludes some 7,000 very small holdings in the LFA.

The structure of the sample is shown in Table 2. As can be seen, the FBS sample is (deliberately) biased towards the larger (and more commercial) farms, who are responsible for the management of most of the LFA. However, the medium and large farms in the sample tend to have somewhat smaller farms (in area) than their counterparts in the total population.

Table 2 Sample Characteristics.

Farm	Sample		June survey of agriculture		Average size by SLR*		Average total adjusted area	
	No.	%	No.	%	Sample	June survey	Sample	June survey
Part-Time	41	17%	2,302	38%	0.7	0.7	53	51
Small	72	29%	2,039	34%	1.5	1.5	86	84
Medium	60	24%	851	14%	2.5	2.4	125	121
Large	75	30%	848	14%	4.8	4.7	224	209
All Sizes	248	100%	6,040	100%	2.6	1.8	132	94

Source: Defra. Note: size is measured according to standard labour requirement (SLR), while the census data refer only to those businesses requiring more than 0.5 SLR (which excludes almost 7,000 very small 'farms' with the LFA). Areas are in adjusted hectares

Within this Grazing Livestock (LFA) group there are four sub-groups:

1. *SDA Sheep*- farms where more than two thirds of the total SGM is accounted by sheep, and 50% or more of the total area of the farm is in the LFA, of which 50% or more is in the SDA;

2. *SDA Beef*- farms where more than two thirds of the total SGM is accounted by beef cattle, and 50% or more of the total area of the farm is in the LFA, of which 50% or more is in the SDA;
3. *SDA Cattle and Sheep*- farms which are neither specialist sheep or cattle but where more than two thirds of the total SGM is accounted by beef cattle and sheep, and 50% or more of the total area of the farm is in the LFA, of which 50% or more is in the SDA;
4. *DA Cattle and sheep farms*- farms where more than two thirds of the total SGM is accounted by beef cattle and sheep, and 50% or more of the total area of the farm is in the LFA, of which 50% or more is in the DA;

Other farm types are present in the LFAs, but analysis has been restricted to cattle and sheep farms as they represent the most common type of LFA holdings

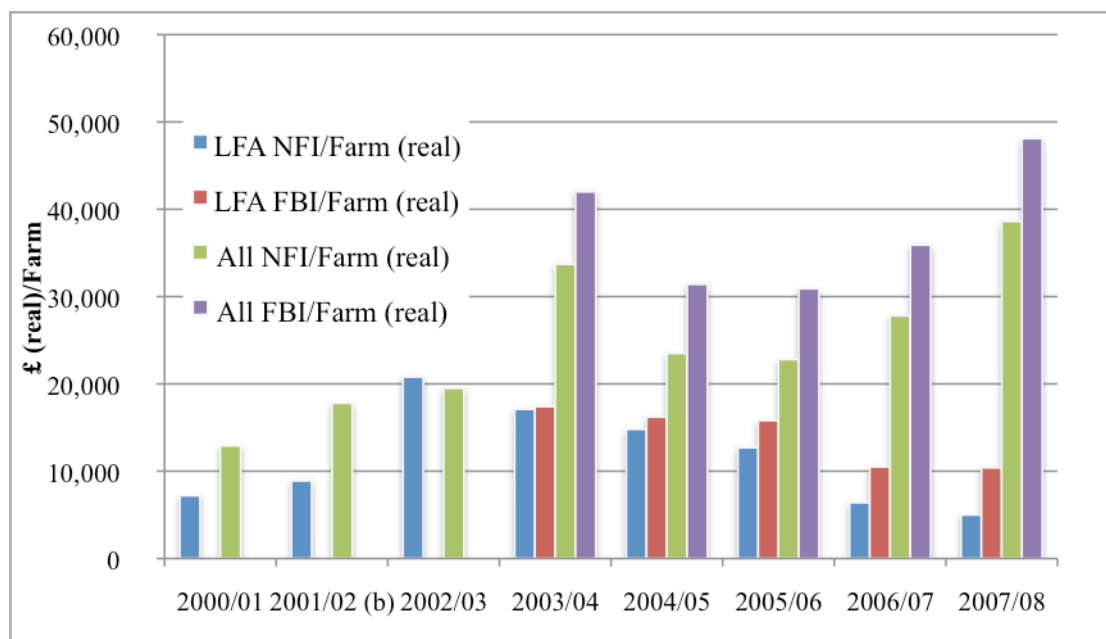
3. The LFA farms in context

The LFA farms comparative business performance is illustrated in Figure 1, which compares the Net Farm Income (NFI) and Farm Business Income (FBI) per farm earned by the LFA grazing farms and by all farms in the England FBS sample over the last eight years. Farm Business Income represents the financial return to all unpaid labour (farmers and spouses, non-principal partners and their spouses and family workers) and on all their capital invested in the farm business, including land and buildings (gross of any interest payments on debt capital). Net Farm Income deducts from Farm Business Income a notional return to unpaid family labour (at local wages rates) and also deducts an imputed rental figure for owner-occupied land (at prevailing local rents for similar land). Hence NFI is a measure of the returns to the farmers' own labour, tenant's capital and management, on a consistent basis for both owned and tenanted farms.

As can be seen, with the exception of the recent peak year for LFA farms (2002/3)³, the upland farms generally under-perform relative to their peers elsewhere in the industry in terms of income per farm. Furthermore, while the average farm generally has shown variable income performance over the last five years in real (purchasing power) terms, peaking in 2003/4, and again in 2007/8), their upland counterparts have experienced generally declining real incomes per farm since their 'bumper' year in 2002/3.

³ This peak followed the extensive cull of grazing livestock during the FMD outbreak, with consequent improvement of livestock prices, which have subsequently returned to more normal levels.

Figure 1. LFA^a Farms v. All FBS Farms Performance, England (2000 – 2008)

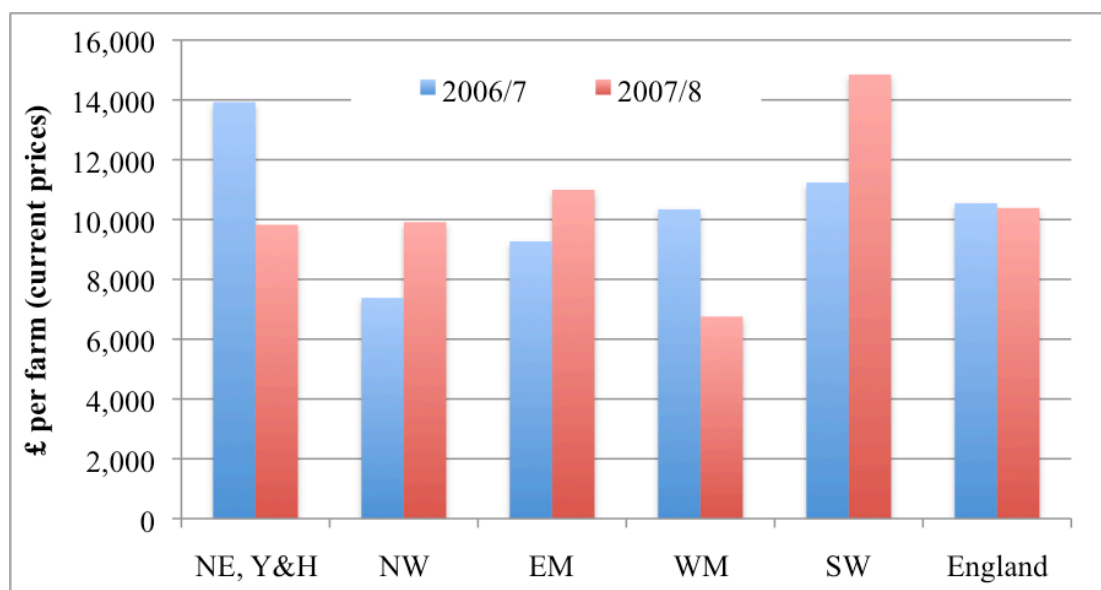


Source: *Farm Accounts in England, 2007/8*, [Defra](#).

Notes: a: defined as Upland Grazing Farms
 b: excludes farms subject to compulsory FMD cull
 c: Real terms = deflated by RPI (all items).

However, there is substantial variation around these average figures for all farms, both between regions and between years, as Figure 2 illustrates.

Figure 2 LFA Farm Business Income per farm, by region (2006/7 and 2007/8)



Source: - as Figure 3.

4. The Average LFA Farm in 2007/8

Although the average LFA farm in the FBS sample in 2007/8 does not reflect the wide variation in either the sample, or still more the whole population, its description still provides a general picture of the sector. The sample represents just over 6,000 LFA farms in England (excluding the smallest farms as measured by Standard Labour Requirements (SLRs))⁴. The average farm has 130 ha, including some 2 ha under buildings and roads. It is part owned (67 ha) and part rented (63 ha), and most of the farm (76 ha) is in permanent grass. The average LFA farmer is 54 years old, and has 30 beef cows and 306 upland breeding ewes, with totals of 83 cattle and 595 sheep on the farm, making a total of 88 Grazing Livestock Units (GLUs)⁵.

4.1 *The average LFA farm account*

The average LFA Grazing Livestock farm in England in 2007/8 is represented by the set of accounts shown in Table 3. This table reports the average farm accounts for the whole sample of 248 farms, broken out by four “cost centres” representing the different aspects of the farm business: agriculture (‘pure farming’); environmental management; diversification (off farm activities); single payment under the EU’s Single Payment Scheme. To the extent possible, the variable costs of the business have been separated out as relevant to each of these cost centres, while fixed costs (including depreciation) have also been allocated so far as possible, including the casual labour cost, according to the shares of each centre in total costs.

On average, these farms only earn some 55% of their total revenue (output) from farming, with 25% coming from the Single Farm Payment, and 15% from specific agri-environment payments. The balance of revenues is earned from non-farm activities (mostly associated with tourism and recreation, or contracting). The farming business covers its variable costs and earns a positive gross margin of £13,000 per farm (a 2% reduction from the previous year). However, since this side of the whole farm business is assumed to incur most of the fixed costs (96%) the average LFA farm is shown as losing money, on average, to the tune of -£17,134 farm business income from farming per farm in 2007/8, a marginal increase in the loss from the previous year (itself a 12% increase in loss from the previous year).

On the other hand, the revenues earned from agri-environment, diversification and single farm payments more than offset these fixed costs (despite being lower than the previous year) to generate a headline Farm Business Income (FBI) (or profit) of £10,386 in 2007/8, a 4% fall from the previous year, itself a major reduction from the previous year. Nevertheless, this income is not sufficient to cover the opportunity costs of the unpaid labour (provided by the farmer and partners) of £20,344 per farm. As a result, Farm Corporate Income is a loss of almost £10,000 (£9,958) per farm (an increase in the loss of 13% compared with the previous year, which itself was down by almost 150% from 2005/6). Adjusting for the net interest payments made by the

⁴ The Standard Labour Requirement (SLR) for a farm business represents the labour requirement (in full-time equivalents) for all the agricultural activities on the farm, based on standard coefficients for each commodity on the farm. The SLR is representative of labour requirement under typical conditions for enterprises of average size and performance.

⁵ GLUs convert different livestock types (cows, sheep, young stock) into a common unit based on nutrient requirements, with a dairy cow being the numeraire (=1 GLU).

farm, the Farm Investment Income (which represents the return on risk and entrepreneurship on all capital invested in the farm business whether borrowed or not) is down by 13% compared with the previous year (itself reduced by over 200% from 2005/6).

The traditional measure of farm income is Net Farm Income (NFI)⁶, which adjusts the business accounts to put all farm business on the same (tenancy) basis – to impute a rental value for owner-occupied farms (as a measure of the opportunity cost of owning land) item 12 in Table 3, adjusted for landlord costs, item 13 in Table 3. In addition, as with FBI, NFI includes (rather than deducting) the unpaid labour of the principal farmer and spouse (though not that of other partners, which is included in FBI). NFI is, therefore, an expression of the returns earned by the business to pay the farmer and spouse for their own labour, management and tenant's capital invested in the business. The net result of these adjustments is shown in Table 3, giving an average NFI of £5,042 per farm, down 17% from 2006/7, following a previous reduction of almost 50% from 2005/6.

In the case of LFA grazing farms, however, there is still a substantial number of tenanted farms. Less than 50% of the land on LFA farms in the EU Northern region is owned, while the average proportion of land owned on these farms over the whole country is only 52%. It therefore makes some sense in the case of LFA farms to retain a focus on NFI as opposed to FBI for comparison purposes.

⁶ Following extensive consultation⁶, [Defra](#) decided that Farm Business Income is a more appropriate headline measure of farm income, particularly on the grounds that most farms are not rented nowadays, and that there is a number of other business arrangements emerging between landowners and operators. However, this does mean that Farm Business Income may not be strictly comparable between farms with different tenure/ownership arrangements.

5. The LFA Farms’ circumstances

There is, as already noted, a substantial range of performance exhibited by the sample. Figure 3 shows the sample distribution by quartile, based on Farm Business Income per farm. The “high” group of farms is the upper quartile of the (weighted) distribution of farms, including the 25% of farms with the highest FBI/farm, with the other quartiles defined accordingly. Figure 3 also distinguishes between the Agriculture Business Income (ABI) (derived solely from the agricultural enterprises, and excluding environmental, diversification and single farm payments) and the Farm Business Income (which includes environmental, diversification and SPF payments). Hence, the difference between the two measures indicates the contribution of the strictly non agricultural ‘enterprises’ in the farm business – the environmental schemes, diversification income and SPS payments. As can be seen, all farms make losses as far as their agricultural enterprise is concerned, though these losses are offset by the incomes earned through environmental, diversification and Single payment schemes. In general, the better performing farms make smaller losses on the agricultural side, and greater incomes from their other farm business activities and receipts.

As we reported last year (Hill Farming in England, 2006/7, RBR) current estimates of the social value of landscape management and environmental conservation associated with hill farming in England broadly correspond to the extent of public payments made to these farms for their provision of CARE (Conservation, Amenity, Recreation and Environment). We have no new information to elaborate on this broad correspondence for this report.

Figure 3. LFA Agriculture and Farm Business Income by FBI/farm

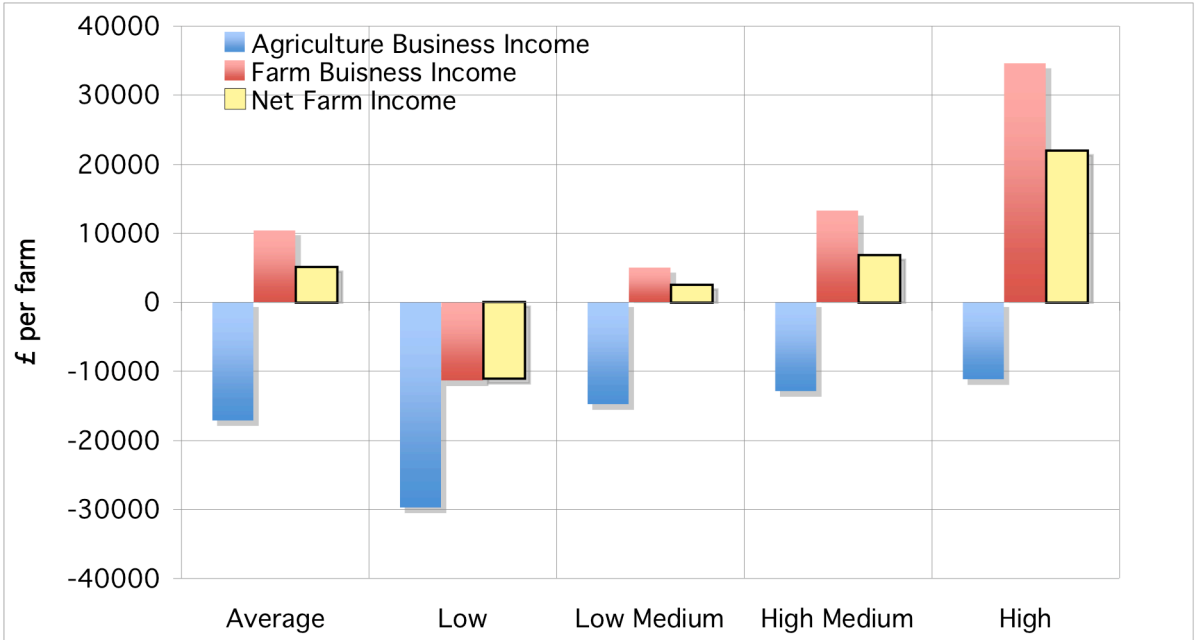


Figure 4 presents similar data on farm business performance by quartile, though here on the basis of Farm Business Income (FBI) per Grazing Livestock Unit (GLU) which removes the effect of the size of farm on the FBI earnings per farm. The general story remains the same – the purely agricultural side of these businesses make losses across all performance quartiles (negative Agriculture Business Incomes or net margins) though these losses are smaller for the better performing farms. This improvement in performance is seen to be the result of both

better gross margins (revenues minus variable costs) and lower fixed costs per GLU exhibited by the better performing farms.

Figure 4. LFA Farm Business Performance by FBI/GLU

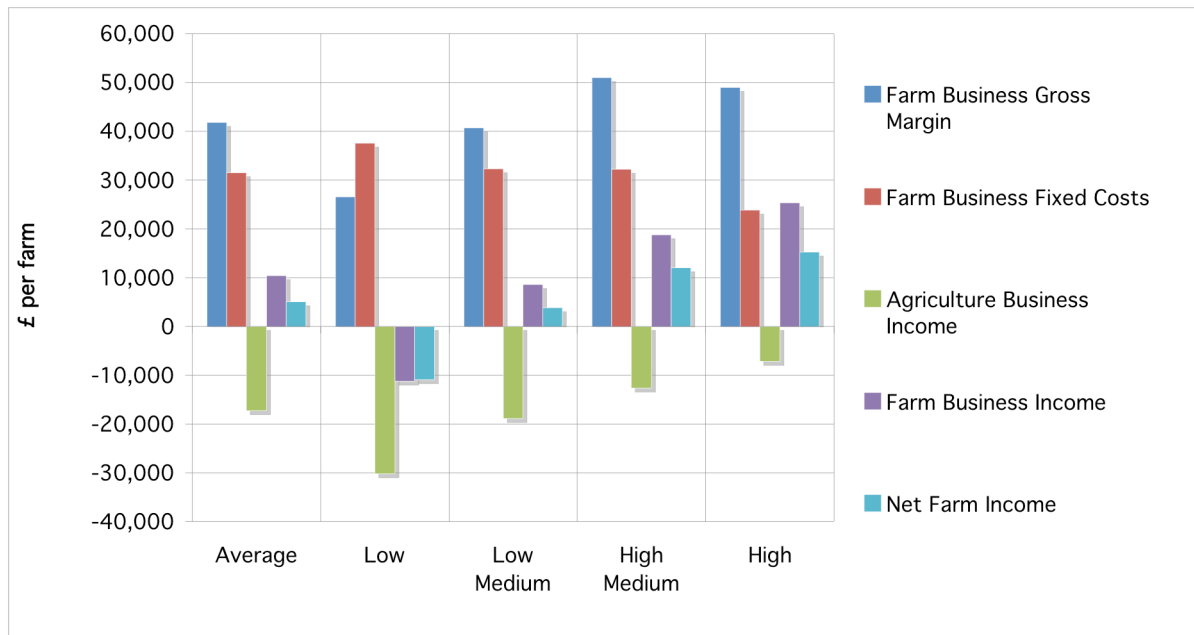
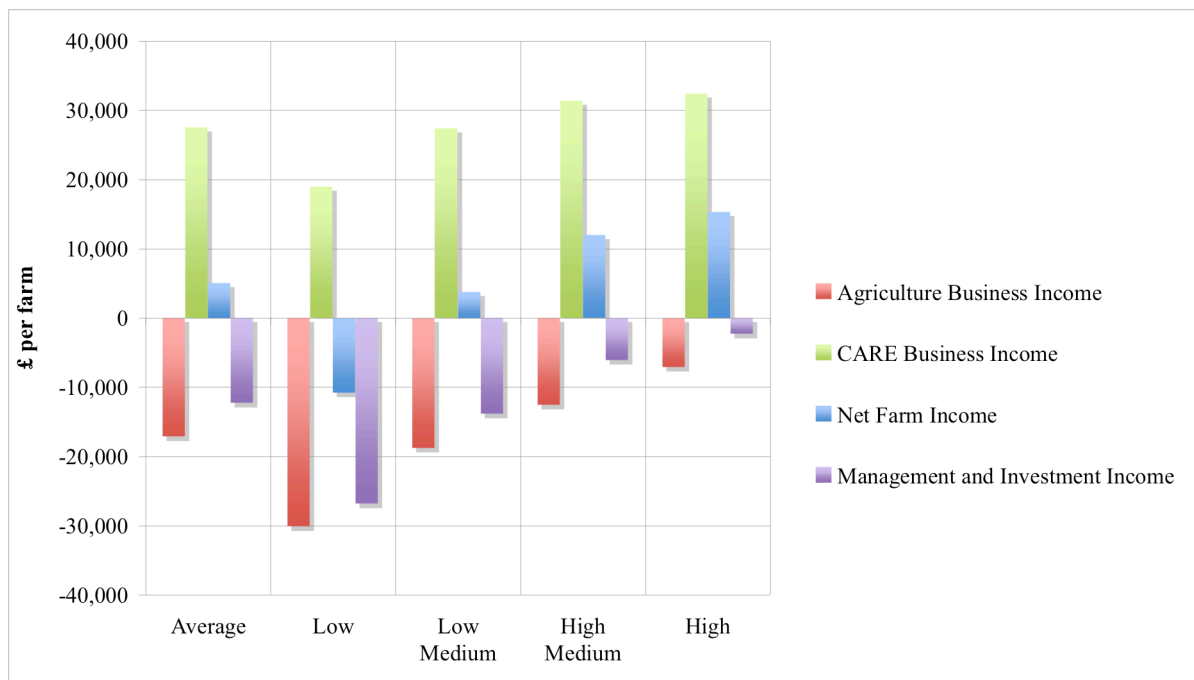


Figure 5. LFA Farm Earnings Performance by FBI/GLU



Again, the viability of these farms depends heavily on the CARE payments (the SPS payments, environmental payments and income from diversification to recreation and amenity services) as indicated by the differences between the Agriculture Business Income and the Farm Business Income, which is sufficient, for all except the lowest quartile of farms, to generate a positive (though small) FBI for these farms. This conclusion is emphasized in

Figure 5, which compares the agricultural and CARE business incomes, and also shows the Management and Investment Income (M&II) per farm. Management and Investment Income deducts a notional payment for the unpaid labour of the occupier and spouse and represents the balance available as a return on invested capital. In all cases (performance classes) this residue is negative, albeit smaller for the better performers, suggesting that none of these businesses are economically sustainable in the longer term.

Figure 6, showing the main measures of business performance by main farm type, implies that sheep (as opposed to the beef) enterprise tends to be more profitable, reinforcing the previous point. However, it also suggests that mixed grazing farms are more capable of attracting CARE revenues relative to their peer farm types. In turn, this implies that beef farming, despite its apparent economic un-sustainability, is an important component of CARE provision. The disadvantaged areas (DA) appear to be less capable of attracting CARE revenues, though it should be noted that these farms/areas are no longer eligible for the Hill farm compensation payments.

Figure 6. LFA business performance by Main Farm Type

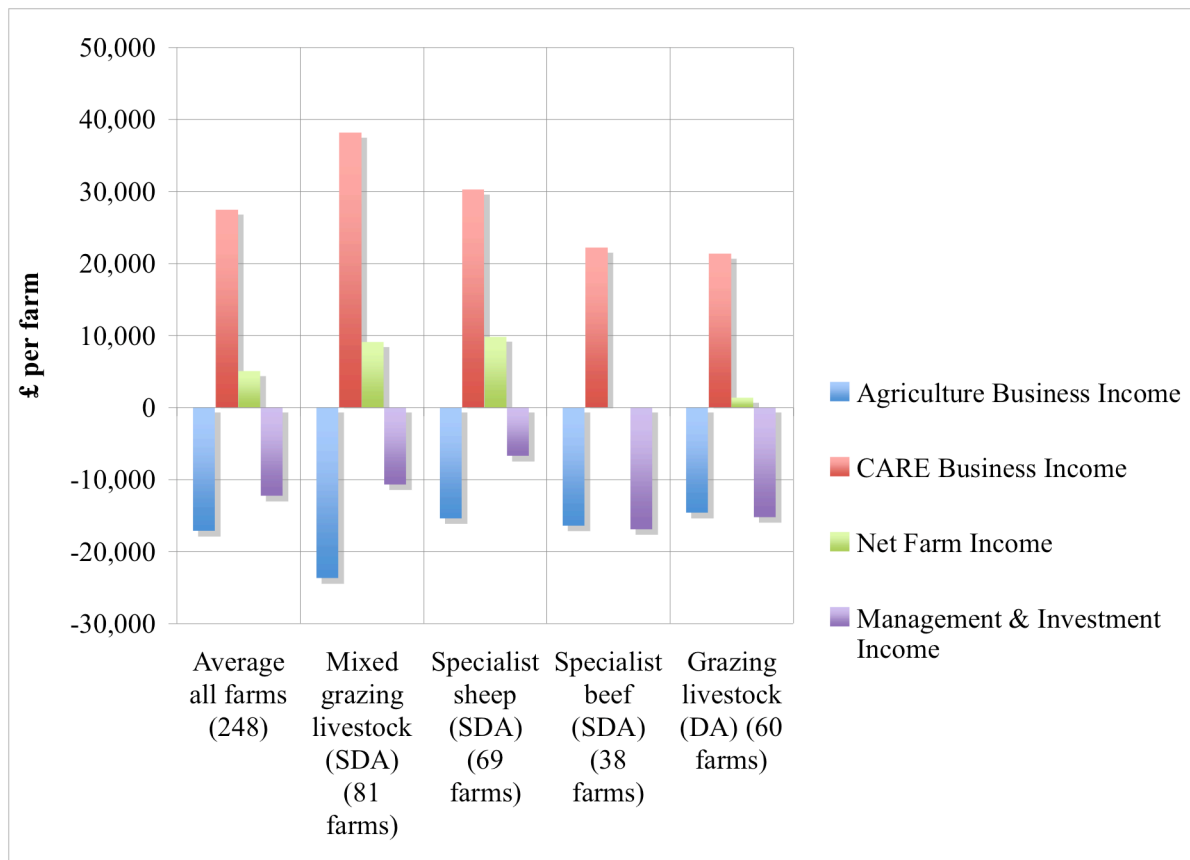


Figure 7 shows the business performance by size, measured here by the Standard Labour Requirement (SLR) and illustrates that size is important to these farms' earning ability, although as previously it is the CARE income which rescues all farms, even the largest, from economic failure. Indeed, the largest farms make larger losses on the agricultural side of their businesses, offset by even larger CARE incomes than their smaller peers. Once again, however, none of these farms, however large, are able to generate a positive Management & Investment Income (M&II) indicating that they are all vulnerable in the longer term.

Figure 7. LFA business performance by Size (SLR)⁷

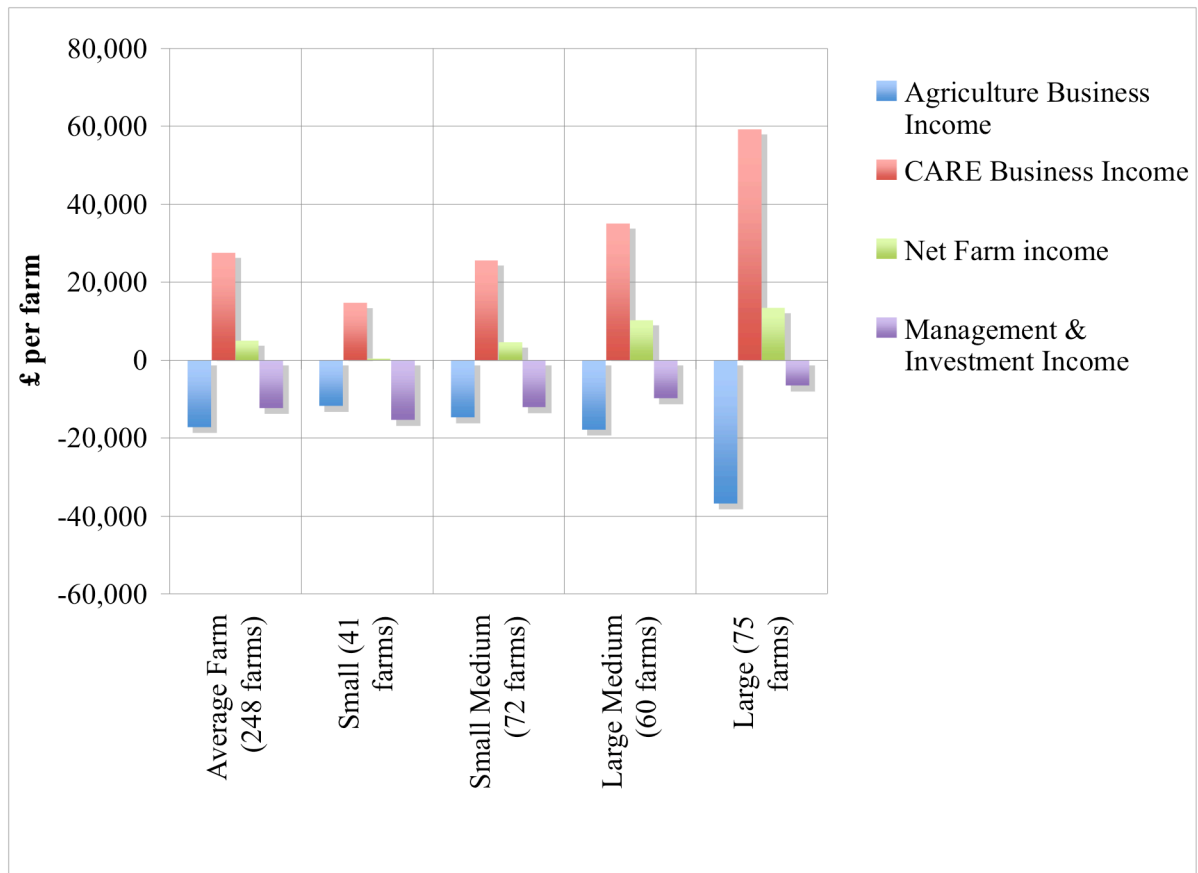


Figure 8 shows the same business performance measures by EU region. As above, it is the CARE income which dominates the pictures of business performance, though none manage to make a positive management and investment income.

⁷ The Standard Labour Requirement (SLR) for a farm business represents the labour requirement (in full-time equivalents) for all the agricultural activities on the farm, based on standard coefficients for each commodity on the farm. The SLR is representative of labour requirement under typical conditions for enterprises of average size and performance.

Figure 8. LFA business performance by EU Region

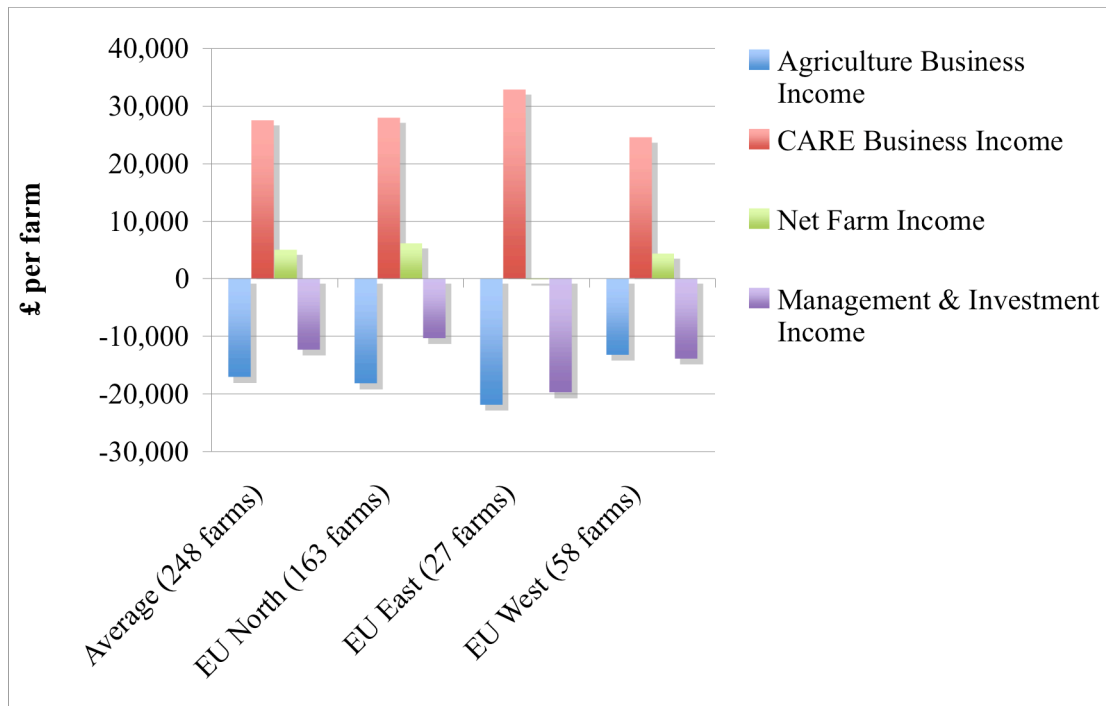


Figure 9 shows the frequency distributions of FBI/GLU for England as a whole and for each of the EU Regions (North; East; West). Given the small number of LFA farms located in the EU East England Region (those in the Peak District) there is no real significance in the variation in distribution of performance in terms of FBI/GLU shown by region. However, there is clearly a substantial variation between farms according to this particular performance measure. Since the FBI/GLU measure is strongly associated with other measures of farm business performance, this wide variation between farms is also evident for these other measures (FBI/Farm, NFI/Farm etc.).

Figure 9 Frequency Distribution of FBI/GLU of LFA Farms by EU Region

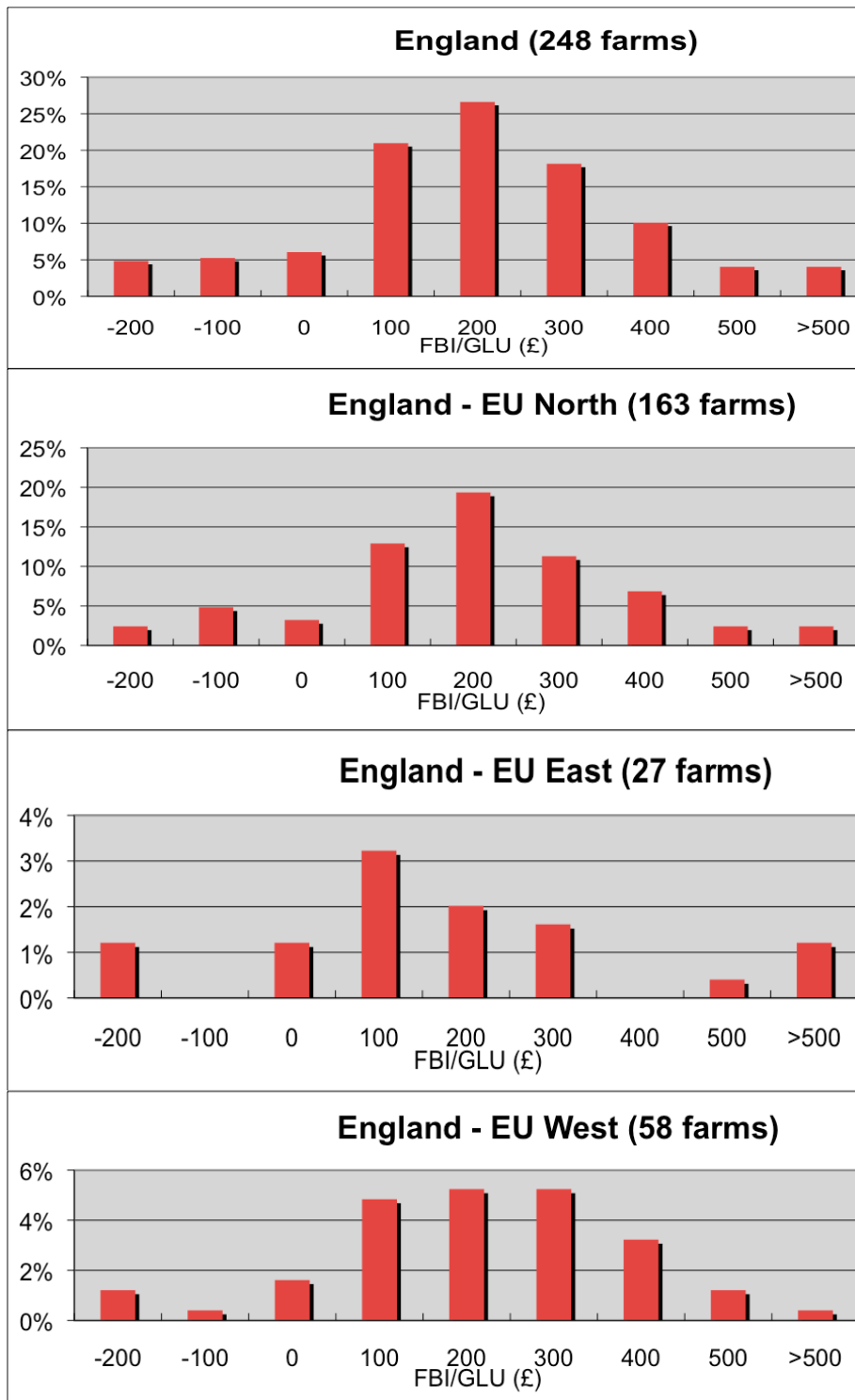
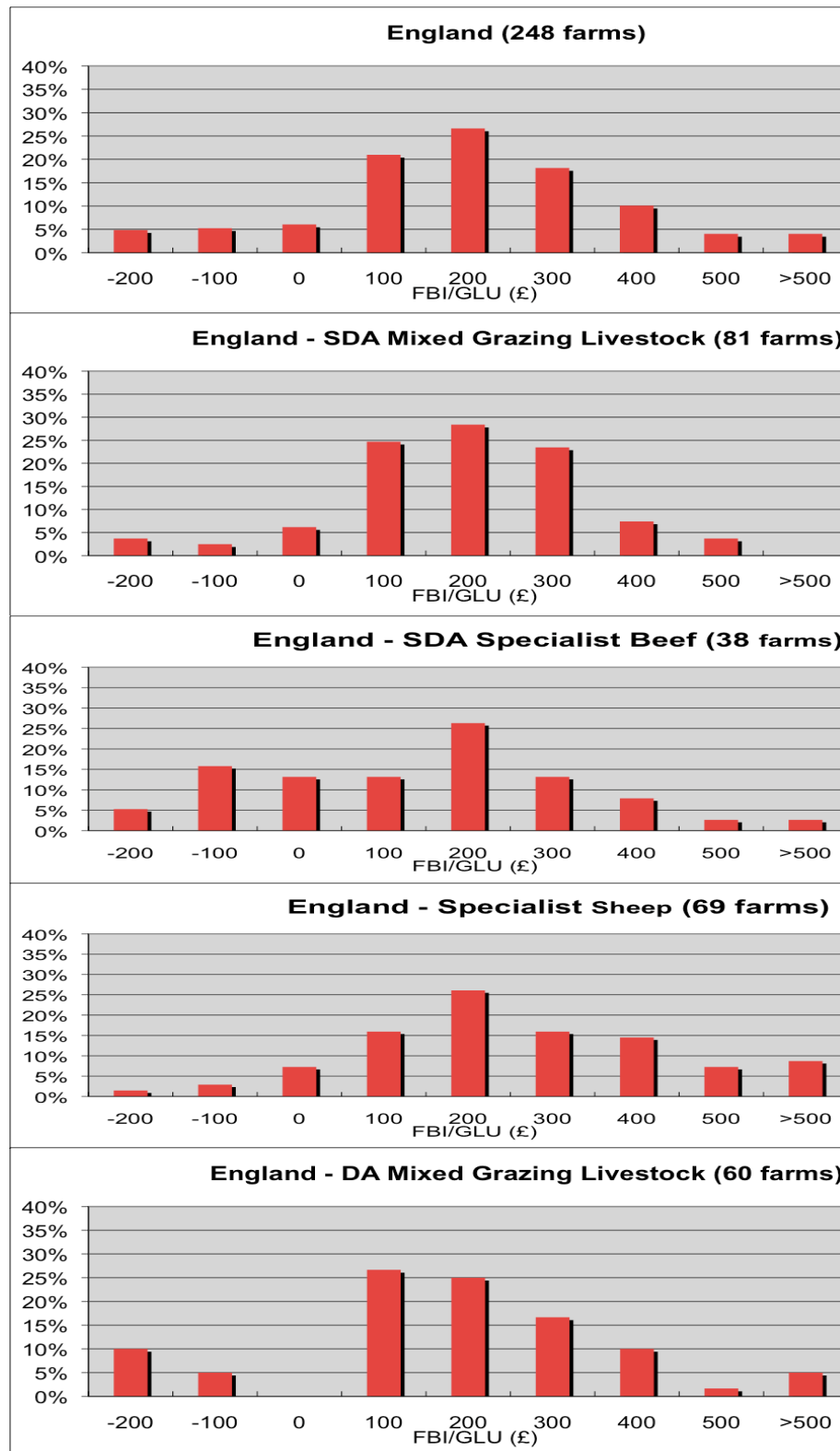


Figure 10 illustrates the variation in performance by Main Farm Type, where it is apparent that the Specialist Beef farms, and to a lesser extent, the DA Mixed Grazing farms (which also carry substantial beef herds) are more likely than sheep farms to exhibit low and negative FBI/GLU returns.

Figure 10. Frequency Distribution of FBI/GLU of LFA Farms by Main Farm Type



6. Variation in Agriculture Business Income – LFA farms 2007/08

We explore the variation in Agriculture Business Income per GLU within the sample using simple regression analysis. The intention here is to try and isolate the principle characteristics of the apparent variation. Casual introspection⁸ suggests several factors which might influence the business performance of these farms, including:

- *Size* (measured as GLUs per farm);
- *Type* (mixed grazing, specialist sheep, specialist beef, SDA mixed grazing);
- *Region* (Government Office Region),
- *Age of farmer*;
- *Tenancy* (tenant farmers may behave differently from owner occupiers);
- *Succession* – farms with apparent successors may behave differently, here approximated by the existence of family labour other than farmer, spouse and partners;
- *Land quality* here measured as the ratio of adjusted area to total agricultural area (the adjustment reflects the quality of grazing land) expressed as a percentage;
- *Business Focus* – the extent to which the business concentrates on other activities (environmental care, diversified enterprises) or relies on the SPS payments, measured here as the incomes earned under each of these enterprises expressed per GLU;
- *Business Pressure* – the extent to which the farm has to meet overhead costs: interest payments, rents, paid labour (all expressed per GLU), or make sufficient returns to provide incomes to the farm family (family labour per GLU).

The results of using these variables to ‘explain’ the variation in agriculture business income per GLU (i.e. not including the income earned from the SPS, diversified activities or environmental payments) are as follows, Table 4.

⁸ Given limited resources, a complete and rigorous analysis is not possible here.

Table 4 Regression results: variation in ABI/GLU

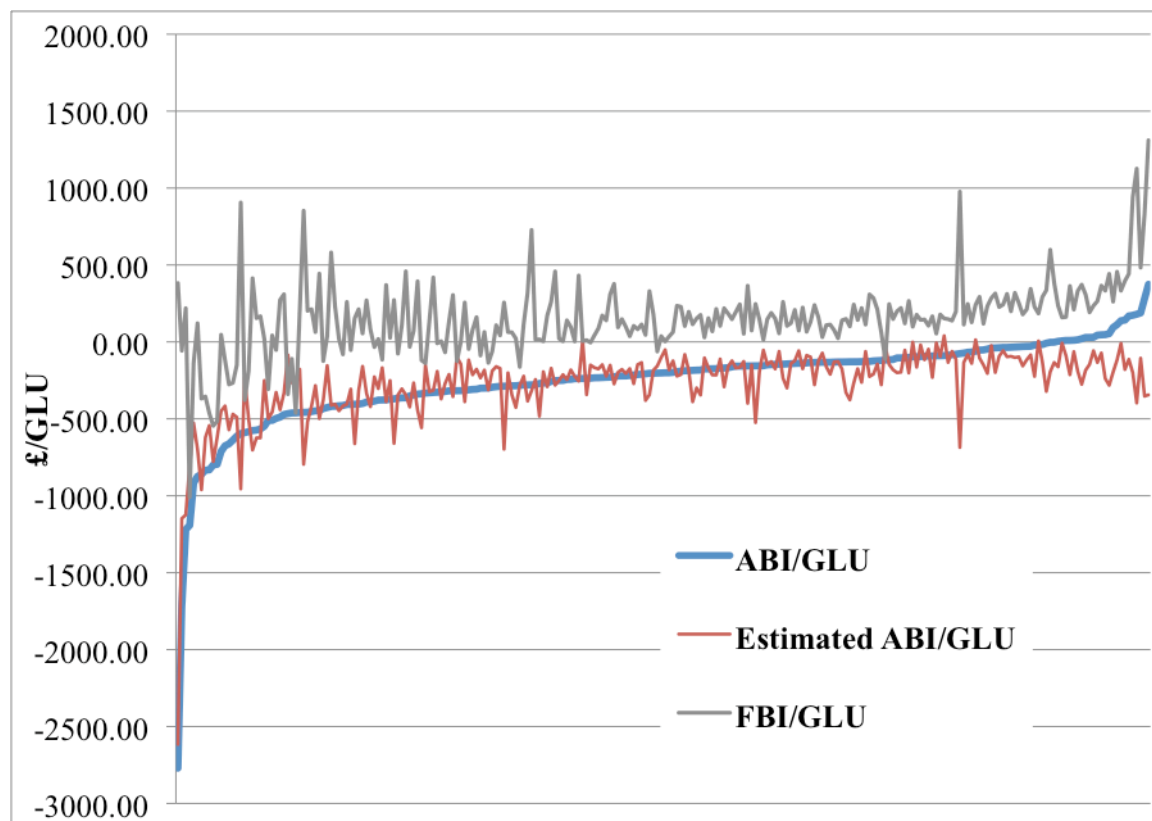
		Coefficient	t stat.	Model Performance	
Constant		91.45	1	R	0.82
Size (GLU/Farm)		0.17	0.9	R ²	0.67
Type Dummies	Sp. Sheep	10.5	0.3	Adjusted R ²	0.64
	Sp. Beef	-33	-0.9	Durbin Watson	2
	SDA	60.2	1.79	F Statistic	23.3
Region Dummies	NW	11.5	0.3		
	Y&H	-1.6	0		
	EM	31.1	0.7		
	WM	35.2	0.7		
	SW	36.4	0.9		
Farmer Age		-0.7	-0.6		
Tenant Dummy		-59	-2		
Succession Dummy		37	1.4		
Land Quality		-0.23	-0.6		
Business Focus	Env. Income/GLU	-0.22	-2.1		
	Div. Income/GLU	-0.66	-6.6		
	SPS/GLU	-0.1	-0.1		
Business Pressure	Net Interest/GLU	-1.78	-8.4		
	Rent/GLU	-0.69	-3.4		
	Paid Lab./GLU	-1.27	-5.6		
	Family Lab./GLU	-0.22	-2.4		

Note: Significant variables highlighted in bold.

Perhaps surprisingly, none of the obvious factors affecting performance appear statistically significant except the business pressure and business focus factors, where some of the business pressure variables (Interest payments, paid labour, paid rent) are already part of the definition of agriculture business income. However, the overall fit of the model (R² 0.67) suggests that the model captures 67% of the variation in ABI/GLU in the sample, which is quite good for a cross-sectional data set.

On the face of it, a £1 increase in environmental income/GLU reduces ABI/GLU by 22p, while a similar increase in diversified income/GLU reduces ABI/GLU by 66p. In addition, a £1 increase in net interest payments is associated, on average, with a reduction in ABI/GLU of £1.78, and an increase in paid labour of £1 reduces ABI/GLU by £1.27. However, the SPS makes no apparent difference to the performance of the agricultural business, in the same sense that variations in SPS payments per GLU are uncorrelated with variations in ABI/GLU.

The overall fit of the model against the actual variation in the sample is illustrated in Figure 11, which also shows the total Farm Business Income/GLU variation in the sample.

Figure 11. Variation in ABI/GLU (sample ranked by ABI/GLU)

As can be seen, practically no farm in the sample makes a positive agriculture business income (virtually all observations are negative) – a point made several times above. However, most farms manage to make sufficient income from other sources (environmental payments, diversified activities and, of course, the SPS payments) to offset these farming losses and make positive, though typically relative small farm business incomes. Our casual ‘model’ of the reasons for the variation in agriculture business income per GLU performs modestly well, though still leaves a substantial fraction (33%) of the variation unexplained, and is especially poor at explaining the good performance of the upper decile of the distribution – the top performers, with noticeable failures elsewhere in the distribution.

None of this should really be surprising – managing a small business is extremely complex, and it is too much to expect a simple linear and additive explanation of the outcome in terms of a few apparently key variables to provide much illumination of the business. Although the issue clearly requires considerably more analysis and examination than is possible here, it remains likely that actual business performance can only really be properly understood by considering each and every business as a uniquely different socio-economic complex.

7. The FBS data versus EBLEX Business Pointers Enterprise Costs

Since a major output from the FBS survey is the provision of benchmark costs for participating farmers, it is useful to comment briefly on the comparison between the results of this survey and those from the major alternative, provided by EBLEX (formerly part of the Meat & Livestock Commission). EBLEX publish their general cost estimates for various enterprises at the aggregate level only. The following estimates are taken from [Eblex](#) web site. We note that the FBS data come from a stratified random sample, whereas the Eblex data are compiled from a self-selected sample of Livestock Farmers participating with EBLEX. Since the FBS sample is statistically representative of the total commercial LFA farm population, we might expect the Eblex participants to show somewhat better performance than the statistical (FBS) average. Our comparison illustrates this expectation.

While the comparisons are closer at the gross margin level, where the two methodologies used in preparing the accounts are very similar, there is a greater difference at the net margin level. Allocating fixed (overhead) costs to specific enterprises is not straightforward, especially (as in the case of the FBS data) when efforts are also made to segregate the accounts according to the agriculture and CARE elements of the business (which Eblex do not attempt). While RBR, in conjunction with Defra, are continually trying to improve this allocation, it is not surprising that our estimates of net margins differ more markedly from the Eblex results at this level. Notwithstanding these differences, both accounts make it clear that LFA farms generally do not make money from their agricultural business, but have to rely on other sources of income (including CARE payments and the SPS) to survive.

Table 5: EBLEX Business Pointers: LFA Breeding Sheep

LFA Breeding Sheep	2006/07	2007/08	Change
	£/head	£/head	£/head
Sales	58.1	53.5	-4.6
Replacement costs	11.3	8.5	-2.8
Feed costs	7.9	9.3	1.4
Variable costs (excl replacement cost)	18.4	20.3	1.9
Gross Margin	28.5	24.7	-3.8
Fixed Costs	39.7	41.4	1.7
Total Costs	69.4	70.2	0.8
Net Margin (exc. Non cash costs)	-11.3	-16.7	-5.4

In comparison, the FBS results, for 2006/07 and 2007/08, are shown in Table 6 with a flock stratification shown in Table 7. This comparison is limited to Upland sheep flocks with lambing rates typically in excess of 100% (Enterprise code 103) and excludes Hill sheep flocks with lambing rates typically less than 100% (Enterprise code 102).

Table 6 FBS SDA Upland Sheep flock Performance 2006/07 and 2007/08

	2006/07	All flocks		Change £/head	
		std dev	2007/08		std dev
<i>Number of farms</i>	143		138		
<i>Number of farms (weighted)</i> (£ per ewe)	2911		3,112		
Enterprise Output (excluding BLSA)	52.3	18.1	50.6	18.8	-1.7
<i>BLSA</i>	-0.1	0.9	-2.4	2.4	-2.3
Total Variable costs, of which:	29.1	11.1	29.6	11.2	0.5
Concentrates, Purchased feed & keep	14	8.1	14.8	8.4	0.8
Gross Margin (excluding BLSA) / Ewe	23.2	17.0	21	18.9	-2.2
Gross Margin range	-34 to 62		-40 to 84		
Total Fixed costs	50.1	22.0	49.2	26.2	-0.9
Total costs	79.2	25.7	78.8	29.4	-0.4
Net Margin (excluding BLSA) / Ewe	-26.8	23.5	-28.2	25.7	-1.4

Table 7 FBS SDA Upland Sheep flock Performance by flock size 2007/08

	All flocks	<350 ewes	350-700 ewes	>700 ewes
<i>Number of farms</i>	138	52	56	30
<i>Number of farms (weighted)</i> (£ per ewe)	3,112	1,759	1,010	344
Enterprise Output (excluding BLSA)	50.6	53.0	49.9	49.7
<i>BLSA</i>	-2.4	-2.4	-2.4	-2.3
Total Variable costs, of which:	29.6	27.3	30.1	30.8
Concentrates, Purchased feed & keep	14.8	12.1	15.1	16.4
Gross Margin (excluding BLSA) / Ewe	21.0	25.7	19.8	19.0
Total Fixed costs	49.2	61.0	46.1	44.1
Total costs	78.8	88.3	76.1	74.9
Net Margin (excluding BLSA) / Ewe	-28.2	-35.3	-26.3	-25.2

Tables 5, 6 and 7 show very clearly that Sheep farming on its own in the English LFA does simply not sustain itself. This clearly has major implications for the UK Sheep industry as a whole and the critical role that non-agricultural income streams play on LFA farms. As might be expected, due to the sample differences – see above, the Eblex sample returns higher Gross and Net Margins than the FBS sample.

Table 8: EBLEX Business Pointers: Upland Suckler Herd

Upland Suckler Herd	2006/07	2007/08	Change
	£/cow	£/cow	£/cow
Sales	351	388	37
Replacement costs	47	47	0
Feed costs	38	46	8
Variable costs (excl replacement cost)	114	124	10
Gross Margin	190	217	27
Fixed Costs	341	355	14
Total Costs	502	526	24
Net Margin (exc. Non cash costs)	-151	-138	13

In comparison, the FBS results, for 2006/07 and 2007/08, are shown in Table 9 with a herd size stratification shown in Table 10.

Table 9 LFA Suckler Herd Performance 2006/07 and 2007/08

	2006/07	All herds		std dev	change £/cow
		std dev	2007/08		
Number of farms	192		191		
Number of farms (weighted) (£ per cow)	3976		4232		
Enterprise Output (excluding BLSA)	225.8	162.1	256.5	103.4	30.7
BLSA	42.2	53.8	36.4	38.9	-5.8
Total Variable costs	129.1	68.3	138.9	63.2	9.9
Concentrates, Purchased fodder and keep	46.6	46.4	53.9	43.6	7.3
Gross Margin (excluding BLSA) / Cow	96.8	177.9	117.6	109.7	20.8
Gross Margin range	-408 to 1794		-344 to 346		
Total Fixed costs	323.0	157.1	349.1	156.2	26.1
Total costs	452.1	174.0	488.0	174.9	36.0
Enterprise NM (excluding BLSA)	-226.3	176.9	-231.5	164.5	-5.3

Table 10 LFA Suckler Herd Performance by herd size 2007/08

	All herds	All herds		
		<50 cows	50-100 cows	>100 cows
<i>Number of farms</i>	248	115	61	15
<i>Number of farms (weighted)</i>	6,040	3,006	1,024	202
<u>Output per cow</u>				
Enterprise Output (excluding BLSA)	257	249	269	247
BLSA	37	32	37	49
Total Variable costs, of which:	139	144	129	149
Concentrates & purchased feed & keep	54	58	45	65
Gross Margin (excluding BLSA) / Cow	118	105	139	98
Total Fixed costs	349	370	341	309
Total costs	488	513	471	458
Net Margin (excluding BLSA) / Cow	-232	-264	-202	-211

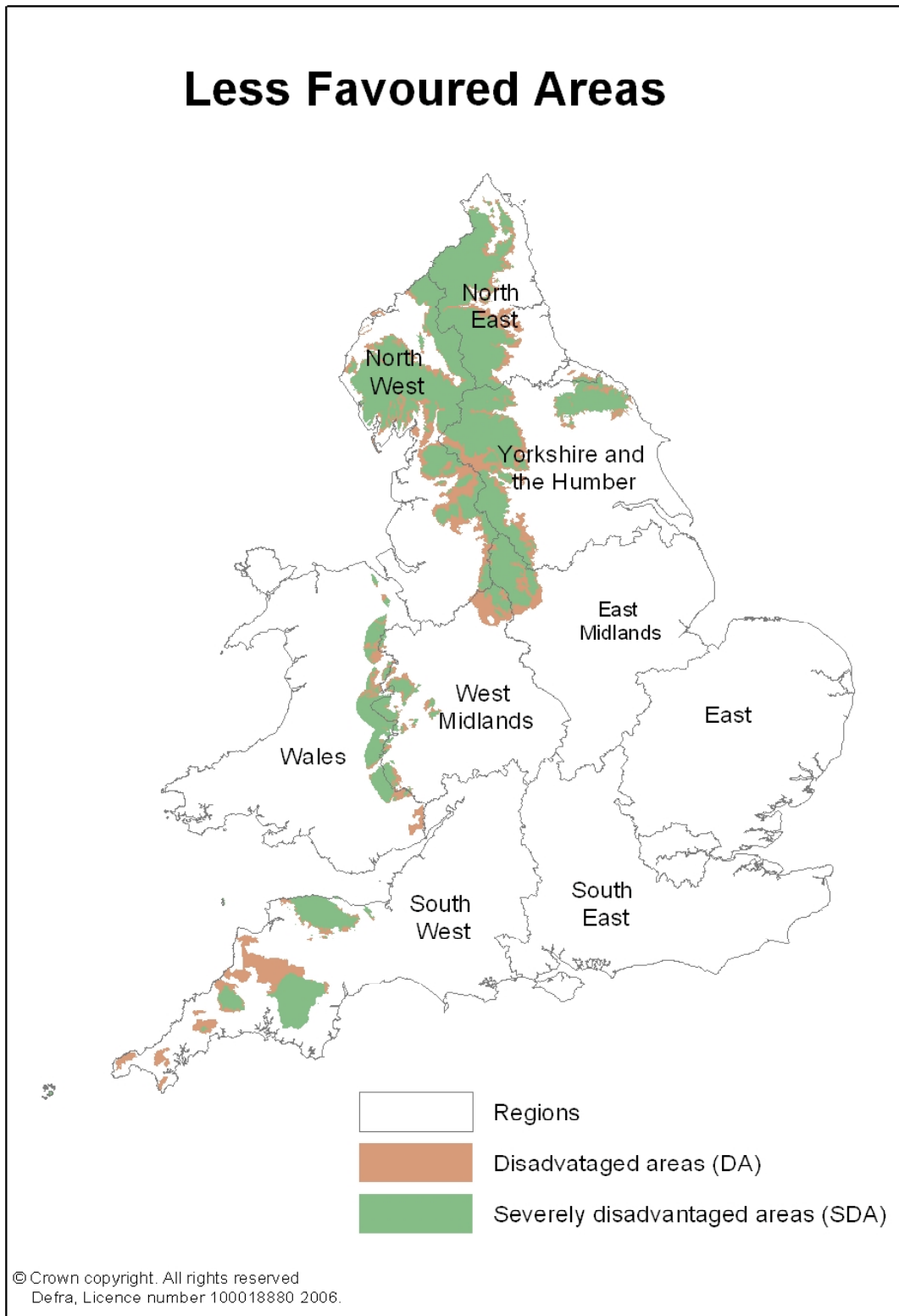
Tables 8, 9 and 10 show that Beef farming alone in the English LFA is unable to sustain itself and that this must have major implications for the UK Beef industry. As for the Sheep figures and as might be expected due to the sample differences, see above, the Eblex sample returns higher Gross and Net Margins than the FBS sample.

References

Hill Farming in England, 2006/7, RBR

[Eblex](http://www.eblex.org.uk) web site – www.eblex.org.uk

Appendix 1 Map of the LFA, England



Source: Defra.

Appendix 2: Analysis of English Grazing Livestock Farms in the LFA- by Farm Type

Table 11: Farm Income Measures by Cost Centre – Mixed Grazing Livestock (SDA)

	Cost Centre (£ per farm)			Farm Business (£ per farm) 2007/08
	Agriculture 2007/08	Agri-environment and other payments 2007/08	Diversification out of agriculture 2007/08	
Mixed grazing livestock (SDA)				
Derivation of farm income measures:				
Total output	46,123	15,936	3,036	86,211
Variable costs	30,487	24	188	30,700
Total Gross margin	15,636	15,912	2,847	55,511
Fixed costs	39,433	708	1,021	41,188
Total Costs	69,920	732	1,209	71,888
Profit/(loss) on sale of fixed assets	97			97
Farm Business Income	-23,700	15,204	1,826	14,420
Adjustment for unpaid manual labour	22,005	389	493	22,887
Farm Corporate Income	-45,705	14,814	1,334	-8,467
Interest payments (net of interest received)	2,189	-15	104	2,278
Farm Investment Income	-43,516	14,800	1,438	-6,189
Derivation of Net Farm Income				
			Profit/ (loss) on sale of assets	97
			Imputed rent	7,386
			Ownership charges	3,068
The average farm			Non-agricultural output historically not accounted for in Net Farm Income	443
			Non-agricultural inputs costs historically not accounted for in Net Farm Income	146
			Unpaid labour of principal farmer and spouse	19,889
			Net Farm Income	9,086
The average farm			Holding gains not included in farm income	57,613
Number (unweighted)	81		Breeding and Live Stock Appreciation (BLSA)	1,141
Number (weighted)	1,314		Revaluation of machinery, permanent crops, glasshouse, quota	681
			Revaluation of land	55,791
			Management and Investment Income	-10,697

Table 12: Farm Income Measures by Cost Centre – Specialist Beef (SDA)

	Cost Centre (£ per farm)			Farm Business (£ per farm) 2007/08
	Agriculture 2007/08	Agri-environment and other payments 2007/08	Diversification out of agriculture 2007/08	
Specialist beef (SDA)				
Derivation of farm income measures:				
Total output	29,997	8,103	1,022	52,509
Variable costs	17,936	4	0	17,940
Total Gross margin	12,060	8,099	1,022	34,568
Fixed costs	28,527	191	152	28,872
Total Costs	46,463	195	152	46,812
Profit/(loss) on sale of fixed assets	77			77
Farm Business Income	-16,390	7,909	870	5,773
Adjustment for unpaid manual labour	20,046	282	309	20,638
Farm Corporate Income	-36,436	7,626	561	-14,865
Interest payments (net of interest received)	1,945	-82	9	1,872
Farm Investment Income	-34,491	7,544	570	-12,993
Derivation of Net Farm Income				
			Profit/ (loss) on sale of assets	77
			Imputed rent	6,313
			Ownership charges	2,442
			Non-agricultural output historically not accounted for in Net Farm Income	0
			Non-agricultural inputs costs historically not accounted for in Net Farm Income	0
			Unpaid labour of principal farmer and spouse	16,863
			Net Farm Income	0
The average farm				
			Holding gains not included in farm income	59,496
			Breeding and Live Stock Appreciation (BLSA)	1,497
The average farm Number (unweighted)	38			579
The average farm Number (weighted)	1,112		Revaluation of machinery, permanent crops, glasshouse, quota Revaluation of land	57,420
			Management and Investment Income	-16,864

Table 13: Farm Income Measures by Cost Centre – Specialist Sheep (SDA)

	Cost Centre (£. per farm)			Farm Business (£. per farm) 2007/08
	Agriculture 2007/08	Agri-environment and other payments 2007/08	Diversification out of agriculture 2007/08	
Specialist sheep (SDA)				
Derivation of farm income measures:				
Total output	26,415	13,171	4,818	59,735
Variable costs	19,061	194	1,111	20,366
Total Gross margin	7,353	12,978	3,706	39,369
Fixed costs	23,109	799	930	24,854
Total Costs	42,170	993	2,041	45,221
Profit/(loss) on sale of fixed assets	363			363
Farm Business Income	-15,392	12,179	2,777	14,878
Adjustment for unpaid manual labour	17,027	587	996	18,610
Farm Corporate Income	-32,419	11,591	1,781	-3,733
Interest payments (net of interest received)	1,385	-28	-5	1,352
Farm Investment Income	-31,035	11,563	1,777	-2,381
Derivation of Net Farm Income				
			Profit/ (loss) on sale of assets	363
			Imputed rent	4,888
			Ownership charges	1,401
The average farm			Non-agricultural output historically not accounted for in Net Farm Income	2,418
			Non-agricultural inputs costs historically not accounted for in Net Farm Income	1,569
			Unpaid labour of principal farmer and spouse	16,547
			Net Farm Income	9,830
The average farm			Holding gains not included in farm income	49,648
Number (unweighted)	69		Breeding and Live Stock Appreciation (BLSA)	-968
Number (weighted)	1,603		Revaluation of machinery, permanent crops, glasshouse, quota	355
			Revaluation of land	50,261
			Management and Investment Income	-6,696

Table 14: Farm Income Measures by Cost Centre – Various Grazing Livestock (DA)

	Cost Centre (£ per farm)				Farm Business (£ per farm) 2007/08
	Agriculture 2007/08	Agri-environment and other payments 2007/08	Diversification out of agriculture 2007/08	Single Payment Scheme 2007/08	
Various grazing livestock (DA)					
Derivation of farm income measures:					
Total output	37,742	3,735	3,614	15,182	60,273
Variable costs	21,443	1	90	0	21,534
Total Gross margin	16,299	3,734	3,524	15,182	38,739
Fixed costs	30,844	76	974	22	31,917
Total Costs	52,287	77	1,064	22	53,451
Profit/(loss) on sale of fixed assets	-101				-101
Farm Business Income	-14,646	3,657	2,550	15,160	6,721
Adjustment for unpaid manual labour	19,180	37	685	0	19,903
Farm Corporate Income	-33,826	3,620	1,865	15,160	-13,181
Interest payments (net of interest received)	1,943	-16	105		2,032
Farm Investment Income	-31,883	3,604	1,969	15,160	-11,150
Derivation of Net Farm Income					
				Profit/ (loss) on sale of assets	-101
				Imputed rent	6,655
				Ownership charges	3,017
The average farm				Non-agricultural output historically not accounted for in Net Farm Income	558
				Non-agricultural inputs costs historically not accounted for in Net Farm Income	102
				Unpaid labour of principal farmer and spouse	16,615
				Net Farm Income	1,372
The average farm				Holding gains not included in farm income	59,243
Number (unweighted)	60			Breeding and Live Stock Appreciation (BLSA)	627
Number (weighted)	2,011			Revaluation of machinery, permanent crops, glasshouse, quota	562
				Revaluation of land	58,054
				Management and Investment Income	-15,234

Table 15: Output, Variable Costs and Farm Gross Margins by Cost Centre

	The Average Farm	Mixed Grazing Livestock (SDA)	Specialist Sheep (SDA)	Specialist Beef (SDA)	Various Grazing Livestock (DA)
Number of farms in the group	248	81	69	38	60
Number (weighted)	6,040	1,314	1,603	1,112	2,011
Utilisable Agricultural Area (UAA) (ha)	125	165	162	98	85
Average adjusted UAA (ha)	94	119	105	74	81
Average adjusted sole grazing (ha)	15	21	28	11	2
Average herd size	30	41	8	46	32
Average flock size	309	427	489	94	207
Output					
Farm Output	63,768	86,376	57,553	52,632	60,113
Farm Business Output	64,342	86,211	59,735	52,509	60,273
<i>of which</i> Output from agriculture	35,132	46,123	26,415	29,997	37,742
Agri environment payment	9,697	15,936	13,171	8,103	3,735
Diversified output	3,330	3,036	4,818	1,022	3,614
Single Farm Payment	16,182	21,116	15,332	13,387	15,182
Livestock Enterprise Output	31,188	41,733	24,685	26,317	32,178
<i>of which</i> Cattle Enterprise Output	16,373	21,101	4,118	22,004	19,940
(incl Livestock subsidies)	160	35	43	590	96
Sheep Enterprise Output	14,496	20,209	20,545	4,313	11,574
Poultry Enterprise Output	36	42	21	0	64
Pigs Enterprise Output	212	54	0	0	600
Other Livestock Enterprise Output	72	327	1	0	0
Crop Enterprise Output	2,137	2,435	1,047	648	3,634
<i>of which</i> Crop Subsidies	0	1	0	0	0
Main Crops	579	1,123	109	188	816
Forage by-products	1,495	1,252	945	382	2,707
Cultivations output	63	60	-7	78	111
Set aside payments	0	0	0	0	0
Non agriculture, no other category output	1,803	1,955	680	3,032	1,918
Disposal Previous Crops	5	0	2	0	12
Farm Business Output	64,342	86,211	59,735	52,509	60,273
Variable Costs					
Farm Business Variable costs	22,556	30,700	20,366	17,940	21,534
<i>of which</i> Agriculture Variable Costs	22,132	30,487	19,061	17,936	21,443
Agri environment Variable Costs	58	24	194	4	1
Diversified income Variable Costs	366	188	1,111	0	90
SPS Variable Costs	0	0	0	0	0
Agriculture Crop Costs	3,101	3,752	2,334	2,920	3,387
<i>of which</i> Seed	148	189	91	74	207
Fertilizer	2,357	2,811	1,998	2,047	2,519
Crop Protection	181	215	99	161	234
Other Crop Costs	415	537	145	637	428
Agriculture Livestock Costs	15,976	22,080	14,379	12,777	15,031
<i>of which</i> Purchased Fodder Feed	9,080	11,979	8,486	7,719	8,413
Home Produced Fodder Feed	411	858	3	203	561
Veterinary and medicines	2,280	3,416	2,510	1,370	1,858
Other Livestock Costs	4,204	5,827	3,380	3,485	4,199
Agriculture Contract Costs	2,186	3,248	1,335	1,602	2,492
Agriculture Casual Labour	786	1,167	986	528	520
Agriculture, no other category Variable Costs	84	240	28	108	13
Farm Business Gross Margin	41,786	55,511	39,369	34,568	38,739
Agriculture Gross Margin	13,000	15,636	7,353	12,060	16,299
Agri Environment Gross Margin	9,640	15,912	12,978	8,099	3,734
Diversified Gross Margin	2,964	2,847	3,706	1,022	3,524
SPS Gross Margin	16,182	21,116	15,332	13,387	15,182

Table 16: Fixed Costs and Farm Income calculations

	The Average Farm	Mixed Grazing Livestock (SDA)	Specialist Sheep (SDA)	Specialist Beef (SDA)	Various Grazing Livestock (DA)
Number (unweighted)	248	81	69	38	60
Number (weighted)	6,040	1,314	1,603	1,112	2,011
Utilisable Agricultural Land (UAA) (ha)	125	165	162	98	85
Average adjusted UAA (ha)	94	119	105	74	81
Average adjusted sole grazing (ha)	15	21	28	11	2
Average herd size	30	41	8	46	32
Average flock size	309	427	489	94	207
Gross Margin					
Farm Business Gross Margin	41,786	55,511	39,369	34,568	38,739
Agriculture Gross Margin	13,000	15,636	7,353	12,060	16,299
Agri Environment Gross Margin	9,640	15,912	12,978	8,099	3,734
Diversified Income Gross Margin	2,964	2,847	3,706	1,022	3,524
SPS Gross Margin	16,182	21,116	15,332	13,387	15,182
Fixed Costs					
Farm Business Fixed Costs	31,498	41,188	24,854	28,872	31,917
<i>of which</i> Agriculture Fixed Costs	30,232	39,433	23,109	28,527	30,844
Agri Environment Fixed Costs	426	708	799	191	76
Diversified Income Fixed Costs	821	1,021	930	152	974
SPS Fixed Costs	18	26	18	2	22
Agriculture Paid Labour	2,556	4,778	2,109	1,135	2,247
<i>of which</i> Fixed Labour Costs	1,770	3,612	1,123	607	1,727
(-) Casual Labour Costs (a Variable Cost)	786	1,167	986	528	520
Agriculture Machinery Costs	11,404	14,102	8,867	11,544	11,588
<i>of which</i> Machinery Running Costs	5,295	6,720	3,954	4,988	5,604
Agriculture Depreciation Tenants Capital	6,109	7,381	4,912	6,556	5,984
Agriculture General Farming Costs	8,008	9,474	6,703	7,815	8,198
<i>of which</i> Agriculture Bank & Professional Fees	1,634	1,970	1,521	1,488	1,586
Agriculture Other General Costs	4,526	5,315	3,798	4,382	4,669
Net Interest Payments	1,849	2,189	1,385	1,945	1,943
Bad Debts Write-offs	0	0	0	0	0
Agriculture Property Costs	8,261	11,111	5,972	7,403	8,698
Non Agriculture No Other Fixed Costs	789	1,135	443	1,158	634
Profit/loss sale of fixed assets	98	97	363	77	-101
Agriculture Net Margin (AGRICULTURE BUSINESS INCOME)	-17,134	-23,700	-15,392	-16,390	-14,646
Unpaid manual labour	19,383	22,005	17,027	20,046	19,180
<i>of which</i> Unpaid Farmer and Spouse	16,647	19,106	15,336	16,492	16,172
Unpaid Partner	2,735	2,899	1,691	3,554	3,008
Agriculture Economic Profit (AGRICULTURE CORPORATE INCOME)	-36,517	-45,705	-32,419	-36,436	-33,826
Agriculture Net Interest Payment (added back)	1,849	2,189	1,385	1,945	1,943
AGRICULTURE INVESTMENT INCOME	-34,668	-43,516	-31,035	-34,491	-31,883
Farm Net Margin (FARM BUSINESS INCOME)	10,386	14,420	14,878	5,773	6,721
Farm Economic Profit (FARM CORPORATE INCOME)	-9,958	-8,467	-3,733	-14,865	-13,181
FARM INVESTMENT INCOME	-8,083	-6,189	-2,381	-12,993	-11,150
NET FARM INCOME	5,042	9,086	9,830	0	1,372
Holding gains not included in farm income	56,389	57,613	49,648	59,496	59,243
BLSA	476	1,141	-968	1,497	627
Revaluation of Machinery, permanent crops etc	536	681	355	579	562
Revaluation of Land	55,377	55,791	50,261	57,420	58,054
MANAGEMENT AND INVESTMENT INCOME	-12,281	-10,697	-6,696	-16,864	-15,234

Table 17: Balance Sheet and Fund Flows

	The Average Farm	Mixed Grazing Livestock (SDA)	Specialist Sheep (SDA)	Specialist Beef (SDA)	Various Grazing Livestock (DA)
Number (unweighted)	248	81	69	38	60
Number (weighted)	6,040	1,314	1,603	1,112	2,011
Average Farmed Area (ha)	127.6	169.3	162.2	102.2	86.8
Utilisable Agricultural Area (ha)	125.2	165.4	161.9	97.7	84.8
Adjusted Utilisable Agricultural Area (ha)	94.4	118.9	104.9	74.3	81.3
Grazing Livestock Units	87.6	118.5	71.4	84.7	82.0
Ewes (head)	309	427	489	94	207
Cows (head)	30	41	8	46	32
Beef Cows (head)	30	41	8	46	31
Occupied Area (ha)	67	81	71	60	58
Tenanted Area (ha)	62	88	94	39	33
Percentage of Land Owned (%)	51.9	47.9	43.1	60.9	63.9
Assets					
Fixed Assets	491,162	576,936	437,060	480,606	484,095
<i>of which</i> Agricultural Land	380,303	428,922	341,450	381,353	378,934
Woodland	1,685	1,994	1,472	216	2,466
Total Buildings	10,358	13,627	7,045	10,181	10,962
Total Improvements	2,063	4,857	1,322	1,576	1,097
Milk quota	8	35	0	0	0
Glasshouses	0	0	0	0	0
Other quota	0	0	0	0	0
SPS Entitlements	24,261	32,279	23,811	19,426	22,058
Machinery	33,151	39,982	27,421	35,042	32,211
Permanent Crops	0	0	0	0	0
Breeding Livestock	37,653	54,925	34,183	32,812	31,812
Miscellaneous Business Assets	1,679	313	356	0	4,555
Current Assets	46,876	56,132	30,891	53,162	50,096
<i>of which</i> Trading Livestock	17,235	22,549	6,326	21,612	20,038
Crops	235	486	103	7	302
Forage	2,738	3,539	1,357	3,326	2,989
Cultivation	642	501	302	846	894
Stores	2,068	2,069	1,503	1,504	2,829
Liquid Assets	23,959	26,989	21,301	25,866	23,044
<i>Of which</i> Cash at Bank and In Hand	13,752	11,828	9,187	17,814	16,400
Debtors	6,332	11,340	7,719	3,332	3,614
Suspended	0	0	0	0	0
SPS & EU mod'n refund	3,875	3,821	4,395	4,720	3,030
debtors					
Total Assets (£/farm)	538,038	633,068	467,951	533,768	534,190
<i>of which</i> Total Landlord-type Capital	394,418	449,436	351,290	393,326	393,459
Tenant Type Capital	143,621	183,632	116,662	140,442	140,731
Loans					
Total Long Term Loans	19,240	24,511	14,825	14,619	21,873
<i>of which</i> Bank Loans	7,662	5,753	6,771	8,296	9,268
Institutional Loans	9,971	16,372	6,715	5,278	10,980
<i>Of which</i> AMC	7,522	12,396	4,477	23	10,914
Building Societies	484	171	1,639	0	34
Other Institutional Loans	1,965	3,806	599	5,256	32
Family Loans	1,425	2,260	780	1,045	1,603
Other Loans	183	125	559	0	21
Current Liabilities	17,697	20,828	14,098	19,210	17,683
<i>of which</i> Hire Purchase	2,157	2,742	1,971	2,592	1,683
Leasing	71	125	0	188	29
Other Current Liabilities	15,468	17,961	12,127	16,430	15,970
<i>Of which</i> Creditors	4,134	5,197	3,689	2,293	4,812
Bank Overdraft	10,984	11,566	8,354	13,774	11,158
Others	350	1,198	84	363	0
Total Liabilities	36,937	45,339	28,923	33,829	39,556
Closing Net Worth	501,101	587,729	439,029	499,938	494,634
Opening Net Worth	458,268	546,951	418,366	447,762	437,953
Change in New Worth	42,833	40,778	20,662	52,176	56,681

SPS Entitlements Opening Valuation	34,086	44,398	33,200	28,273	31,270
Change in SPS Entitlements	-9,824	-12,119	-9,390	-8,848	-9,212
Change in Borrowing	2,832	5,476	8,863	-1,956	-1,055
Funds Introduced	12,751	12,619	6,898	7,104	20,627
Cash Flow from the Farm Business	13,389	16,919	26,844	8,930	2,823
Private Drawings	16,580	21,326	18,134	10,096	15,828
Asset Purchases	18,423	13,940	35,500	11,779	11,413
Asset Sales	11,283	2,220	37,615	1,623	1,557
Capital Expenditure	7,139	11,720	-2,115	10,156	9,855

Table 18: Land use, Stocking and Technical Efficiency

	The Average Farm	Mixed Grazing Livestock (SDA)	Specialist Sheep (SDA)	Specialist Beef (SDA)	Various Grazing Livestock (DA)
Number (unweighted)	248	81	69	38	60
Number (weighted)	6,040	1,314	1,603	1,112	2,011
Total Area (includes woodland and roads etc) (ha)	129.2	169.3	165.0	99.2	91.1
Area Farmed (ha)	127.6	169.3	162.2	102.2	86.8
Net Land Hired In (ha)	2.4	3.9	0.3	4.5	2.0
Utilised Agricultural Area (ha)	125.2	165.4	161.9	97.7	84.8
<i>of which</i> Total main products and set-aside (ha)	0.7	1.2	0.3	0.2	0.9
Grass, fodder crops and rough grazing (ha)	124.5	164.2	161.6	97.5	83.9
<i>Of which</i> rough grazing (unadjusted) (ha)	45.5	67.9	84.8	34.4	5.8
Adjusted rough grazing (sole occupation)	14.8	21.4	27.8	11.1	2.2
Adjusted rough grazing (shared)	6.7	13.4	9.2	5.9	0.7
Total Adjusted Utilised Agriculture Area (ha)	94.4	118.9	104.9	74.3	81.3
Area owner occupied (ha)	67.0	81.2	71.1	60.4	58.2
Area tenanted (ha)	62.2	88.2	94.0	38.8	32.8
Average age of farmer (years)	54	50	56	57	53
ALU	1.4	1.7	1.3	1.3	1.3
ESU	23.1	31.6	20.4	20.4	21.3
<u>Land Use</u>					
Temporary Grassland Area (ha)	4.9	4.5	1.5	2.2	9.5
Permanent Grassland Area (ha)	75.7	94.0	75.5	65.3	69.7
<u>Stocking</u>					
Total Dairy Cows	0	0	0	0	0
Total Beef cows	30	41	8	46	32
Total Cattle	83	108	21	125	93
Ewes (LFA and lowland)	309	427	489	94	207
<i>of which</i> LFA Ewes	306	427	489	94	199
Lowland Ewes	3	0	0	0	8
Total Sheep	595	834	911	190	410
<u>Livestock Units</u>					
Total Cattle LU	49	63	13	72	56
<i>of which</i> Beef Cows LU	23	31	6	35	24
Other Cattle LU	24	29	6	34	29
Dairy Cows and Heifers	3	4	1	4	3
Total Sheep LU	38	54	59	12	26
<i>of which</i> Ewe LU	22	30	34	7	15
Grazing LU (cattle, sheep, horses and others)	88	118	71	85	82
Total LU	88	119	71	85	83
<u>Financial Performance per GLU</u>					
Farm Business Output per GLU (£/GLU)	734	728	837	620	735
Farm Business Variable Costs (£/GLU)	257	259	285	212	262
Farm Business Gross Margin (£/GLU)	477	469	552	408	472
Farm Business Fixed Costs (£.GLU)	359	348	348	341	389
Farm Business Income (£/GLU)	119	122	208	68	82
Farm Corporate Income (£/GLU)	-114	-71	-52	-175	-161
Farm Investment Income (£/GLU)	-92	-52	-33	-153	-136
Holding Gains Not In Income (£/GLU)	644	486	696	702	722
<i>of which</i> Land Revaluation (£/GLU)	632	471	704	678	708
Net Farm Income (£/GLU)	58	77	138	0	17
Management and Investment Income (£/GLU)	-140	-90	-94	-199	-186
Agriculture Net Margin (Agriculture business income) (£/GLU)	-196	-200	-216	-193	-179
Agriculture Economic Profit (Agriculture corporate income) (£/GLU)	-417	-386	-454	-430	-412
Agriculture Investment Income (£/GLU)	-396	-367	-435	-407	-389

Appendix 3- Analysis of English Grazing Livestock Farms in the LFA- by EU region**Table 19: Output, Variable Costs and Farm Gross Margins by Cost Centre by EU Region**

	The Average Farm	EU Region England North	EU Region England East	EU Region England West
Number of farms in the group	248	163	27	58
Number (weighted)	6,040	3,738	616	1,686
Utilisable Agricultural Area (UAA) (ha)	125	139	148	86
Average adjusted UAA (ha)	94	98	127	75
Average adjusted sole grazing (ha)	15	19	21	4
Average herd size	30	29	45	27
Average flock size	309	350	258	236
Output				
Farm Output	63,768	66,326	76,300	53,520
Farm Business Output	64,342	65,948	81,572	54,489
<i>of which</i> Output from agriculture	35,132	36,724	44,628	28,136
Agri environment payment	9,697	9,654	12,091	8,919
Diversified output	3,330	3,077	7,211	2,474
Single Farm Payment	16,182	16,493	17,641	14,960
Livestock Enterprise Output	31,188	32,322	40,611	25,233
<i>of which</i> Cattle Enterprise Output	16,373	15,091	25,155	16,012
(incl Livestock subsidies)	160	0	76	544
Sheep Enterprise Output	14,496	16,962	14,338	9,084
Poultry Enterprise Output	36	15	54	76
Pigs Enterprise Output	212	143	1,065	51
Other Livestock Enterprise Output	72	111	0	9
Crop Enterprise Output	2,137	2,030	2,887	2,099
<i>of which</i> Crop Subsidies	0	0	0	1
Main Crops	579	592	442	600
Forage by-products	1,495	1,413	1,922	1,519
Cultivations output	63	24	524	-21
Set aside payments	0	0	0	0
Non agriculture, no other category output	1,803	2,367	1,130	796
Disposal Previous Crops	5	4	0	9
Farm Business Output	64,342	65,948	81,572	54,489
Variable Costs				
Farm Business Variable costs	22,556	23,652	29,872	17,453
<i>of which</i> Agriculture Variable Costs	22,132	23,550	27,979	16,853
Agri environment Variable Costs	58	50	55	75
Diversified income Variable Costs	366	52	1,838	525
SPS Variable Costs	0	0	0	0
Agriculture Crop Costs	3,101	3,145	3,397	2,896
<i>of which</i> Seed	148	140	108	178
Fertilizer	2,357	2,431	2,105	2,286
Crop Protection	181	166	361	148
Other Crop Costs	415	407	823	284
Agriculture Livestock Costs	15,976	17,137	21,821	11,267
<i>of which</i> Purchased Fodder Feed	9,080	10,036	13,329	5,411
Home Produced Fodder Feed	411	406	430	416
Veterinary and medicines	2,280	2,429	3,019	1,681
Other Livestock Costs	4,204	4,267	5,043	3,759
Agriculture Contract Costs	2,186	2,290	2,168	1,960
Agriculture Casual Labour	786	869	594	672
Agriculture, no other category Variable Costs	84	109	1	58
Farm Business Gross Margin	41,786	42,296	51,700	37,035
Agriculture Gross Margin	13,000	13,173	16,649	11,283
Agri Environment Gross Margin	9,640	9,604	12,036	8,843
Diversified Gross Margin	2,964	3,026	5,373	1,949
SPS Gross Margin	16,182	16,493	17,641	14,960

Table 20: Fixed Costs and Farm Income calculations by EU Region

	The Average Farm	EU Region England North	EU Region England East	EU Region England West
Number (unweighted)	248	163	27	58
Number (weighted)	6,040	3,738	616	1,686
Utilisable Agricultural Land (UAA) (ha)	125	139	148	86
Average adjusted UAA (ha)	94	98	127	75
Average adjusted sole grazing (ha)	15	19	21	4
Average herd size	30	29	45	27
Average flock size	309	350	258	236
<u>Gross Margin</u>				
Farm Business Gross Margin	41,786	42,296	51,700	37,035
Agriculture Gross Margin	13,000	13,173	16,649	11,283
Agri Environment Gross Margin	9,640	9,604	12,036	8,843
Diversified Income Gross Margin	2,964	3,026	5,373	1,949
SPS Gross Margin	16,182	16,493	17,641	14,960
<u>Fixed Costs</u>				
Farm Business Fixed Costs	31,498	32,519	40,913	25,796
of which Agriculture Fixed Costs	30,232	31,412	38,694	24,528
Agri Environment Fixed Costs	426	253	543	770
Diversified Income Fixed Costs	821	841	1,658	471
SPS Fixed Costs	18	14	18	26
Agriculture Paid Labour	2,556	2,980	3,028	1,445
of which Fixed Labour Costs	1,770	2,111	2,435	774
(-) Casual Labour Costs (a Variable Cost)	786	869	594	672
Agriculture Machinery Costs	11,404	11,463	15,523	9,771
of which Machinery Running Costs	5,295	5,321	7,593	4,401
Agriculture Depreciation Tenants Capital	6,109	6,142	7,929	5,370
Agriculture General Farming Costs	8,008	8,218	8,831	7,242
of which Agriculture Bank & Professional Fees	1,634	1,721	1,850	1,362
Agriculture Other General Costs	4,526	4,494	5,864	4,107
Net Interest Payments	1,849	2,003	1,118	1,773
Bad Debts Write-offs	0	0	0	0
Agriculture Property Costs	8,261	8,686	11,317	6,202
Non Agriculture No Other Fixed Costs	789	934	589	540
Profit/loss sale of fixed assets	98	89	210	78
Agriculture Net Margin (AGRICULTURE BUSINESS INCOME)	-17,134	-18,150	-21,835	-13,167
Unpaid manual labour	19,383	18,575	22,892	19,893
of which Unpaid Farmer and Spouse	16,647	16,035	18,479	17,336
Unpaid Partner	2,735	2,540	4,413	2,557
Agriculture Economic Profit (AGRICULTURE CORPORATE INCOME)	-36,517	-36,724	-44,726	-33,060
Agriculture Net Interest Payment (added back)	1,849	2,003	1,118	1,773
AGRICULTURE INVESTMENT INCOME	-34,668	-34,721	-43,609	-31,287
Farm Net Margin (FARM BUSINESS INCOME)	10,386	9,865	10,997	11,318
Farm Economic Profit (FARM CORPORATE INCOME)	-9,958	-9,575	-13,133	-9,649
FARM INVESTMENT INCOME	-8,083	-7,508	-12,067	-7,902
NET FARM INCOME	5,042	6,205	-172	4,367
Holding gains not included in farm income	56,389	44,373	46,795	86,535
BLSA	476	-11	1,863	1,048
Revaluation of Machinery, permanent crops etc	536	495	887	500
Revaluation of Land	55,377	43,889	44,045	84,988
MANAGEMENT AND INVESTMENT INCOME	-12,281	-10,323	-19,736	-13,901

Table 21: Balance Sheet and Fund Flows by EU Region

	The Average Farm	EU Region England North	EU Region England East	EU Region England West
Number (unweighted)	248	163	27	58
Number (weighted)	6,040	3,738	616	1,686
Average Farmed Area (ha)	127.6	138.8	156.3	92.3
Utilisable Agricultural Area (ha)	125.2	139.2	148.0	85.8
Adjusted Utilisable Agricultural Area (ha)	94.4	97.9	127.2	74.9
Grazing Livestock Units	87.6	90.1	100.9	77.4
Ewes (head)	309	350	258	236
Cows (head)	30	29	45	27
Beef Cows (head)	30	29	45	26
Occupied Area (ha)	67	70	62	62
Tenanted Area (ha)	62	73	89	28
Percentage of Land Owned (%)	51.9	48.9	41.2	68.9
Assets				
Fixed Assets	491,162	464,238	462,618	561,284
<i>of which</i> Agricultural Land	380,303	347,546	334,035	469,833
Woodland	1,685	1,218	223	3,256
Total Buildings	10,358	11,225	6,988	9,668
Total Improvements	2,063	2,073	4,295	1,226
Milk quota	8	12	0	0
Glasshouses	0	0	0	0
Other quota	0	0	0	0
SPS Entitlements	24,261	25,310	26,408	21,151
Machinery	33,151	32,964	43,011	29,967
Permanent Crops	0	0	0	0
Breeding Livestock	37,653	41,224	47,657	26,080
Miscellaneous Business Assets	1,679	2,666	0	104
Current Assets	46,876	43,726	63,662	47,733
<i>of which</i> Trading Livestock	17,235	16,483	24,471	16,259
Crops	235	243	187	234
Forage	2,738	2,179	4,993	3,153
Cultivation	642	80	4,972	308
Stores	2,068	2,036	2,234	2,077
Liquid Assets	23,959	22,704	26,805	25,703
<i>of which</i> Cash at Bank and In Hand	13,752	11,273	19,867	17,016
Debtors	6,332	8,345	1,979	3,458
Suspended	0	0	0	0
SPS & EU mod'n refund debtors	3,875	3,086	4,959	5,229
Total Assets (£/farm)	538,038	507,964	526,280	609,017
<i>of which</i> Total Landlord-type Capital	394,418	362,074	345,541	483,983
Tenant Type Capital	143,621	145,890	180,739	125,034
Loans				
Total Long Term Loans	19,240	19,267	9,898	22,592
<i>of which</i> Bank Loans	7,662	6,850	4,989	10,438
Institutional Loans	9,971	10,939	4,416	9,854
<i>of which</i> AMC	7,522	7,447	4,416	8,824
Building Societies	484	781	0	0
Other Institutional Loans	1,965	2,711	0	1,030
Family Loans	1,425	1,256	319	2,202
Other Loans	183	222	173	98
Current Liabilities	17,697	19,095	19,515	13,934
<i>of which</i> Hire Purchase	2,157	2,311	2,024	1,865
Leasing	71	115	0	0
Other Current Liabilities	15,468	16,668	17,491	12,069

of which Creditors	4,134	4,131	3,145	4,501
Bank Overdraft	10,984	12,277	14,346	6,891
Others	350	259	0	677
Total Liabilities	36,937	38,362	29,412	36,526
Closing Net Worth	501,101	469,602	496,868	572,491
Opening Net Worth	458,268	433,483	452,830	515,210
Change in New Worth	42,833	36,119	44,038	57,282
SPS Entitlements Opening Valuation	34,086	34,938	37,001	31,131
Change in SPS Entitlements	-9,824	-9,628	-10,593	-9,980
Change in Borrowing	2,832	3,521	-5,048	4,181
Funds Introduced	12,751	17,909	0	5,971
Cash Flow from the Farm Business	13,389	7,038	10,979	28,349
Private Drawings	16,580	17,035	14,820	16,215
Asset Purchases	18,423	14,855	13,715	28,052
Asset Sales	11,283	2,420	3,176	33,896
Capital Expenditure	7,139	12,435	10,539	-5,845

Table 22: Land use, Stocking and Technical Efficiency by EU Region

	The Average Farm	EU Region England North	EU Region England East	EU Region England West
Number (unweighted)	248	163	27	58
Number (weighted)	6,040	3,738	616	1,686
Total Area (includes woodland and roads etc) (ha)	129.2	143.6	150.8	89.4
Area Farmed (ha)	127.6	138.8	156.3	92.3
Net Land Hired In (ha)	2.4	-0.4	8.3	6.5
Utilised Agricultural Area (ha)	125.2	139.2	148.0	85.8
<i>of which</i> Total main products and set-aside (ha)	0.7	0.7	0.6	0.7
Grass, fodder crops and rough grazing (ha)	124.5	138.5	147.4	85.1
<i>of which</i> rough grazing (unadjusted) (ha)	45.5	59.8	41.6	15.3
Adjusted rough grazing (sole occupation)	14.8	18.5	20.8	4.4
Adjusted rough grazing (shared)	6.7	8.5	0.0	5.2
Total Adjusted Utilised Agriculture Area (ha)	94.4	97.9	127.2	74.9
Area owner occupied (ha)	67.0	70.3	62.2	61.6
Area tenanted (ha)	62.2	73.4	88.6	27.8
Average age of farmer (years)	54	55	53	53
ALU	1.4	1.4	1.6	1.3
ESU	23.1	23.9	26.5	20.3
<u>Land Use</u>				
Temporary Grassland Area (ha)	4.9	5.8	0.6	4.6
Permanent Grassland Area (ha)	75.7	71.9	113.4	70.4
<u>Stocking</u>				
Total Dairy Cows	0	0	0	0
Total Beef cows	30	29	45	27
Total Cattle	83	77	120	82
Ewes (LFA and lowland)	309	350	258	236
<i>of which</i> LFA Ewes	306	347	258	233
Lowland Ewes	3	3	0	3
Total Sheep	595	701	408	427
<u>Livestock Units</u>				
Total Cattle LU	49	45	71	49
Of which Beef Cows LU	23	22	34	20
Other Cattle LU	24	21	32	27
Dairy Cows and Heifers	3	2	6	2
Total Sheep LU	38	45	29	28
<i>of which</i> Ewe LU	22	25	19	16
Grazing LU (cattle, sheep, horses and others)	88	90	101	77
Total LU	88	90	102	78
<u>Financial Performance per GLU</u>				
Farm Business Output per GLU (£/GLU)	734	732	809	704
Farm Business Variable Costs (£/GLU)	257	263	296	225
Farm Business Gross Margin (£/GLU)	477	470	513	478
Farm Business Fixed Costs (£.GLU)	359	361	406	333
Farm Business Income (£/GLU)	119	110	109	146
Farm Corporate Income (£/GLU)	-114	-106	-130	-125
Farm Investment Income (£/GLU)	-92	-83	-120	-102
Holding Gains Not In Income (£/GLU)	644	493	464	1,118
<i>of which</i> Land Revaluation (£/GLU)	632	487	437	1,098
Net Farm Income (£/GLU)	58	69	-2	56
Management and Investment Income (£/GLU)	-140	-115	-196	-180
Agriculture Net Margin (Agriculture business income) (£/GLU)	-196	-202	-217	-170
Agriculture Economic Profit (Agriculture corporate income) (£/GLU)	-417	-408	-443	-427
Agriculture Investment Income (£/GLU)	-396	-386	-432	-404

Appendix 4- Analysis of English Grazing Livestock Farms in the LFA- by Farm size
Table 23: Output, Variable Costs and Farm Gross Margins by Cost Centre by Farm size

	The Average Farm	Band 1 (SLRs)	Band 2 (SLRs)	Band 3 (SLRs)	Band 4 (SLRs)
Number of farms in the group	248	41	72	60	75
Number (weighted)	6,040	2,302	2,039	851	848
Utilisable Agricultural Area (UAA) (ha)	125	59	107	174	297
Average adjusted UAA (ha)	94	51	84	121	209
Average adjusted sole grazing (ha)	15	5	13	22	38
Average herd size	30	19	26	36	67
Average flock size	309	95	253	442	892
Output					
Farm Output	63,768	33,367	56,260	81,803	146,246
Farm Business Output	64,342	33,787	58,020	81,481	145,285
<i>of which</i> Output from agriculture	35,132	17,876	29,864	44,802	84,937
Agri environment payment	9,697	4,371	8,928	13,103	22,591
Diversified output	3,330	2,604	5,249	2,089	1,934
Single Farm Payment	16,182	8,936	13,980	21,486	35,823
Livestock Enterprise Output	31,188	14,625	25,932	40,880	79,062
<i>of which</i> Cattle Enterprise Output	16,373	10,775	13,876	20,634	33,301
(incl Livestock subsidies)	160	167	62	310	222
Sheep Enterprise Output	14,496	3,827	11,726	19,623	44,971
Poultry Enterprise Output	36	0	85	20	32
Pigs Enterprise Output	212	23	222	133	776
Other Livestock Enterprise Output	72	0	23	469	-17
Crop Enterprise Output	2,137	1,217	2,855	2,158	2,885
<i>of which</i> Crop Subsidies	0	0	0	1	0
Main Crops	579	74	572	1,072	1,474
Forage by-products	1,495	1,148	2,219	938	1,252
Cultivations output	63	-5	63	147	159
Set aside payments	0	0	0	0	0
Non agriculture, no other category output	1,803	2,032	1,071	1,764	2,976
Disposal Previous Crops	5	2	7	0	14
Farm Business Output	64,342	33,787	58,020	81,481	145,285
Variable Costs					
Farm Business Variable costs	22,556	11,384	18,823	27,892	56,502
<i>of which</i> Agriculture Variable Costs	22,132	10,964	18,097	27,823	56,441
Agri environment Variable Costs	58	39	116	6	21
Diversified income Variable Costs	366	381	610	64	40
SPS Variable Costs	0	0	0	0	0
Agriculture Crop Costs	3,101	1,548	2,661	4,032	7,438
<i>of which</i> Seed	148	61	141	243	302
Fertilizer	2,357	1,196	1,952	2,953	5,884
Crop Protection	181	69	162	316	393
Other Crop Costs	415	221	406	520	859
Agriculture Livestock Costs	15,976	7,685	12,817	20,441	41,597
<i>of which</i> Purchased Fodder Feed	9,080	4,419	7,114	11,356	24,180
Home Produced Fodder Feed	411	0	366	775	1,273
Veterinary and medicines	2,280	1,028	1,926	2,772	6,036
Other Livestock Costs	4,204	2,238	3,411	5,539	10,107
Agriculture Contract Costs	2,186	1,263	2,049	2,300	4,904
Agriculture Casual Labour	786	399	557	923	2,248
Agriculture, no other category Variable Costs	84	69	13	126	254
Farm Business Gross Margin	41,786	22,403	39,198	53,588	88,782
Agriculture Gross Margin	13,000	6,912	11,768	16,980	28,496
Agri Environment Gross Margin	9,640	4,331	8,812	13,097	22,570
Diversified Gross Margin	2,964	2,224	4,638	2,026	1,894
SPS Gross Margin	16,182	8,936	13,980	21,486	35,823

Table 24: Fixed Costs and Farm Income calculations by Farm size

	The Average Farm	Band 1 (SLRs)	Band 2 (SLRs)	Band 3 (SLRs)	Band 4 (SLRs)
Number (unweighted)	248	41	72	60	75
Number (weighted)	6,040	2,302	2,039	851	848
Utilisable Agricultural Land (UAA) (ha)	125	59	107	174	297
Average adjusted UAA (ha)	94	51	84	121	209
Average adjusted sole grazing (ha)	15	5	13	22	38
Average herd size	30	19	26	36	67
Average flock size	309	95	253	442	892
Gross Margin					
Farm Business Gross Margin	41,786	22,403	39,198	53,588	88,782
Agriculture Gross Margin	13,000	6,912	11,768	16,980	28,496
Agri Environment Gross Margin	9,640	4,331	8,812	13,097	22,570
Diversified Income Gross Margin	2,964	2,224	4,638	2,026	1,894
SPS Gross Margin	16,182	8,936	13,980	21,486	35,823
Fixed Costs					
Farm Business Fixed Costs	31,498	19,538	28,321	36,318	66,767
<i>of which</i> Agriculture Fixed Costs	30,232	18,775	26,530	34,782	65,670
Agri Environment Fixed Costs	426	98	508	787	761
Diversified Income Fixed Costs	821	648	1,272	729	301
SPS Fixed Costs	18	17	11	20	35
Agriculture Paid Labour	2,556	580	1,717	3,096	9,397
<i>of which</i> Fixed Labour Costs	1,770	182	1,160	2,172	7,148
(-) Casual Labour Costs (a Variable Cost)	786	399	557	923	2,248
Agriculture Machinery Costs	11,404	7,376	10,650	13,175	22,375
<i>of which</i> Machinery Running Costs	5,295	3,219	4,901	6,198	10,976
Agriculture Depreciation Tenants Capital	6,109	4,158	5,750	6,976	11,399
Agriculture General Farming Costs	8,008	5,938	7,330	9,236	14,027
<i>of which</i> Agriculture Bank & Professional Fees	1,634	1,242	1,577	1,735	2,734
Agriculture Other General Costs	4,526	3,438	4,322	5,156	7,335
Net Interest Payments	1,849	1,258	1,432	2,345	3,958
Bad Debts Write-offs	0	0	0	0	0
Agriculture Property Costs	8,261	4,499	6,868	9,588	20,488
Non Agriculture No Other Fixed Costs	789	780	522	612	1,632
Profit/loss sale of fixed assets	98	66	39	28	399
Agriculture Net Margin (AGRICULTURE BUSINESS INCOME)	-17,134	-11,798	-14,724	-17,774	-36,776
Unpaid manual labour	19,383	15,824	18,730	22,988	26,993
<i>of which</i> Unpaid Farmer and Spouse	16,647	15,316	15,675	19,500	19,737
Unpaid Partner	2,735	508	3,055	3,488	7,257
Agriculture Economic Profit (AGRICULTURE CORPORATE INCOME)	-36,517	-27,622	-33,453	-40,763	-63,769
Agriculture Net Interest Payment (added back)	1,849	1,258	1,432	2,345	3,958
AGRICULTURE INVESTMENT INCOME	-34,668	-26,364	-32,022	-38,418	-59,811
Farm Net Margin (FARM BUSINESS INCOME)	10,386	2,930	10,915	17,299	22,413
Farm Economic Profit (FARM CORPORATE INCOME)	-9,958	-13,553	-9,088	-6,852	-5,409
FARM INVESTMENT INCOME	-8,083	-12,268	-7,621	-4,441	-1,487
NET FARM INCOME	5,042	486	4,558	10,309	13,284
Holding gains not included in farm income	56,389	55,160	54,825	56,586	63,284
BLSA	476	426	272	783	794
Revaluation of Machinery, permanent crops etc	536	352	512	643	987
Revaluation of Land	55,377	54,382	54,042	55,160	61,504
MANAGEMENT AND INVESTMENT INCOME	-12,281	-15,471	-12,072	-9,823	-6,592

Table 25: Balance Sheet and Fund Flows by Farm size

	The Average Farm	Band 1 (by SLRs)	Band 2 (by SLRs)	Band 3 (by SLRs)	Band 4 (by SLRs)
Number (unweighted)	248	41	72	60	75
Number (weighted)	6,040	2,302	2,039	851	848
Average Farmed Area (ha)	127.6	56.7	107.9	181.0	313.8
Utilisable Agricultural Area (ha)	125.2	59.4	107.4	174.1	297.2
Adjusted Utilisable Agricultural Area (ha)	94.4	51.3	84.3	121.2	209.2
Grazing Livestock Units	87.6	44.0	74.3	116.6	209.0
Ewes (head)	309	95	253	442	892
Cows (head)	30	19	26	36	67
Beef Cows (head)	30	19	25	36	66
Occupied Area (ha)	67	48	61	88	114
Tenanted Area (ha)	62	16	50	89	191
Percentage of Land Owned (%)	51.9	75.0	55.0	49.6	37.4
<u>Assets</u>					
Fixed Assets	491,162	412,722	489,568	533,738	665,200
<i>of which</i> Agricultural Land	380,303	350,806	393,938	399,016	408,818
Woodland	1,685	2,019	1,218	839	2,752
Total Buildings	10,358	5,927	7,748	13,940	25,072
Total Improvements	2,063	984	2,527	2,247	3,692
Milk quota	8	0	0	0	54
Glasshouses	0	0	0	0	0
Other quota	0	0	0	0	0
SPS Entitlements	24,261	13,217	21,207	31,673	54,148
Machinery	33,151	23,067	30,597	37,943	61,859
Permanent Crops	0	0	0	0	0
Breeding Livestock	37,653	16,639	32,002	47,813	98,087
Miscellaneous Business Assets	1,679	64	332	268	10,718
Current Assets	46,876	27,574	38,756	64,495	101,117
<i>of which</i> Trading Livestock	17,235	9,275	15,682	24,243	35,541
Crops	235	72	290	249	531
Forage	2,738	2,063	2,335	3,414	4,857
Cultivation	642	308	620	977	1,268
Stores	2,068	1,436	1,805	2,543	3,937
Liquid Assets	23,959	14,420	18,023	33,070	54,982
<i>Of which</i> Cash at Bank and In Hand	13,752	9,899	11,088	18,492	25,858
Debtors	6,332	2,396	4,374	9,203	18,841
Suspended	0	0	0	0	0
SPS & EU mod'n refund debtors	3,875	2,125	2,561	5,375	10,283
Total Assets (£/farm)	538,038	440,296	528,325	598,233	766,317
<i>of which</i> Total Landlord-type Capital	394,418	359,736	405,431	416,041	440,388
Tenant Type Capital	143,621	80,561	122,894	182,191	325,929
<u>Loans</u>					
Total Long Term Loans	19,240	10,036	16,005	27,524	43,692
<i>of which</i> Bank Loans	7,662	5,574	5,320	13,032	13,570
Institutional Loans	9,971	3,363	9,618	12,009	26,712
<i>of which</i> AMC	7,522	3,333	5,853	9,672	20,750
Building Societies	484	30	990	0	982
Other Institutional Loans	1,965	0	2,775	2,337	4,980
Family Loans	1,425	1,099	1,066	1,506	3,089
Other Loans	183	0	0	977	320
Current Liabilities	17,697	12,293	13,702	20,159	39,501
<i>of which</i> Hire Purchase	2,157	1,459	1,526	2,351	5,378
Leasing	71	9	18	245	193
Other Current Liabilities	15,468	10,825	12,158	17,563	33,929
<i>of which</i> Creditors	4,134	2,707	3,102	5,195	9,424

Bank Overdraft	10,984	7,513	9,056	12,027	23,998
Others	350	604	0	340	508
Total Liabilities	36,937	22,329	29,707	47,683	83,192
Closing Net Worth	501,101	417,968	498,618	550,549	683,124
Opening Net Worth	458,268	377,846	454,648	512,514	630,847
Change in New Worth	42,833	40,122	43,970	38,036	52,278
SPS Entitlements Opening Valuation	34,086	18,560	29,646	45,369	75,581
Change in SPS Entitlements	-9,824	-5,343	-8,439	-13,696	-21,433
Change in Borrowing	2,832	-228	839	4,116	14,640
Funds Introduced	12,751	9,280	9,674	14,176	28,144
Cash Flow from the Farm Business	13,389	13,363	14,604	20,594	3,302
Private Drawings	16,580	8,557	17,665	24,942	27,361
Asset Purchases	18,423	20,518	8,248	15,262	40,369
Asset Sales	11,283	25,093	1,068	4,442	5,221
Capital Expenditure	7,139	-4,575	7,180	10,820	35,148

Table 26: Land use, Stocking and Technical Efficiency by Farm size

	The Average Farm	Band 1 (by SLRs)	Band 2 (by SLRs)	Band 3 (by SLRs)	Band 4 (by SLRs)
Number (unweighted)	248	41	72	60	75
Number (weighted)	6,040	2,302	2,039	851	848
Total Area (includes woodland and roads etc) (ha)	129.2	63.4	110.7	176.9	304.6
Area Farmed (ha)	127.6	56.7	107.9	181.0	313.8
Net Land Hired In (ha)	2.4	-2.7	0.4	6.9	16.6
Utilised Agricultural Area (ha)	125.2	59.4	107.4	174.1	297.2
<i>of which</i> Total main products and set-aside (ha)	0.7	0.2	0.7	1.2	1.5
Grass, fodder crops and rough grazing (ha)	124.5	59.2	106.8	172.9	295.7
<i>of which</i> rough grazing (unadjusted) (ha)	45.5	12.9	36.7	74.9	126.0
Adjusted rough grazing (sole occupation)	14.8	4.8	13.5	21.9	37.9
Adjusted rough grazing (shared)	6.7	5.3	6.0	7.3	11.6
Total Adjusted Utilised Agriculture Area (ha)	94.4	51.3	84.3	121.2	209.2
Area owner occupied (ha)	67.0	47.5	60.9	87.8	113.8
Area tenanted (ha)	62.2	15.9	49.8	89.1	190.8
Average age of farmer (years)	54	56	54	51	51
ALU	1.4	1.0	1.3	1.7	2.2
ESU	23.1	11.0	19.6	31.2	56.7
<u>Land Use</u>					
Temporary Grassland Area (ha)	4.9	2.3	3.5	4.7	15.5
Permanent Grassland Area (ha)	75.7	41.0	66.2	99.6	168.8
<u>Stocking</u>					
Total Dairy Cows	0	0	0	0	0
Total Beef cows	30	19	26	36	66
Total Cattle	83	54	73	105	165
Ewes (LFA and lowland)	309	95	253	442	892
<i>of which</i> LFA Ewes	306	90	250	442	892
Lowland Ewes	3	5	3	0	0
Total Sheep	595	180	482	832	1,755
<u>Livestock Units</u>					
Total Cattle LU	49	32	43	62	98
<i>of which</i> Beef Cows LU	23	14	19	27	50
Other Cattle LU	24	16	21	32	42
Dairy Cows and Heifers	3	2	2	3	6
Total Sheep LU	38	12	31	54	110
<i>of which</i> Ewe LU	22	7	18	31	62
Grazing LU (cattle, sheep, horses and others)	88	44	74	117	209
Total LU	88	44	75	118	210
<u>Financial Performance per GLU</u>					
Farm Business Output per GLU (£/GLU)	734	767	781	699	695
Farm Business Variable Costs (£/GLU)	257	258	253	239	270
Farm Business Gross Margin (£/GLU)	477	509	528	460	425
Farm Business Fixed Costs (£/GLU)	359	444	381	312	319
Farm Business Income (£/GLU)	119	67	147	148	107
Farm Corporate Income (£/GLU)	-114	-308	-122	-59	-26
Farm Investment Income (£/GLU)	-92	-279	-103	-38	-7
Holding Gains Not In Income (£/GLU)	644	1,252	738	485	303
<i>of which</i> Land Revaluation (£/GLU)	632	1,235	728	473	294
Net Farm Income (£/GLU)	58	11	61	88	64
Management and Investment Income (£/GLU)	-140	-351	-163	-84	-32
Agriculture Net Margin (Agriculture business income) (£/GLU)	-196	-268	-198	-152	-176
Agriculture Economic Profit (Agriculture corporate income) (£/GLU)	-417	-627	-451	-350	-305
Agriculture Investment Income (£/GLU)	-396	-599	-431	-330	-286

Appendix 5- Analysis of English Grazing Livestock Farms in the LFA- by Performance Class

Table 27: Output, Variable Costs and Farm Gross Margins by Cost Centre by Performance Class

	The Average Farm	Lowest Quartile	Upper Low Quartile	Lower Upper Quartile	Highest Quartile
Number of farms in the group	248	50	45	56	97
Number (weighted)	6,040	1,502	1,497	1,541	1,501
Utilisable Agricultural Area (UAA) (ha)	125	97	85	106	213
Average adjusted UAA (ha)	94	76	74	81	147
Average adjusted sole grazing (ha)	15	12	6	10	32
Average herd size	30	30	21	27	43
Average flock size	309	225	223	266	522
Output					
Farm Output	63,768	46,178	46,927	60,945	101,065
Farm Business Output	64,342	45,864	46,779	60,632	104,157
<i>of which</i> Output from agriculture	35,132	26,321	25,695	33,258	55,285
Agri environment payment	9,697	6,317	6,281	8,716	17,496
Diversified output	3,330	1,821	2,435	3,227	5,839
Single Farm Payment	16,182	11,404	12,369	15,431	25,537
Livestock Enterprise Output	31,188	23,004	22,804	29,295	49,683
<i>of which</i> Cattle Enterprise Output	16,373	13,942	12,233	15,709	23,619
(incl Livestock subsidies)	160	285	24	0	334
Sheep Enterprise Output	14,496	8,557	10,276	13,566	25,600
Poultry Enterprise Output	36	0	19	0	126
Pigs Enterprise Output	212	480	277	20	76
Other Livestock Enterprise Output	72	25	0	0	263
Crop Enterprise Output	2,137	1,712	1,643	1,579	3,627
<i>of which</i> Crop Subsidies	0	0	0	0	1
Main Crops	579	362	335	241	1,388
Forage by-products	1,495	1,310	1,191	1,313	2,169
Cultivations output	63	40	117	25	70
Set aside payments	0	0	0	0	0
Non agriculture, no other category output	1,803	1,610	1,248	2,385	1,950
Disposal Previous Crops	5	-5	0	0	25
Farm Business Output	64,342	45,864	46,779	60,632	104,157
Variable Costs					
Farm Business Variable costs	22,556	21,637	16,625	20,402	31,603
<i>of which</i> Agriculture Variable Costs	22,132	21,490	16,460	20,169	30,448
Agri environment Variable Costs	58	16	4	117	93
Diversified income Variable Costs	366	131	161	116	1,061
SPS Variable Costs	0	0	0	0	0
Agriculture Crop Costs	3,101	2,795	2,446	2,640	4,533
<i>of which</i> Seed	148	138	96	80	278
Fertilizer	2,357	2,067	1,820	2,096	3,451
Crop Protection	181	142	135	165	282
Other Crop Costs	415	448	395	298	522
Agriculture Livestock Costs	15,976	16,019	11,686	14,442	21,787
<i>of which</i> Purchased Fodder Feed	9,080	9,782	6,519	8,283	11,751
Home Produced Fodder Feed	411	158	275	215	1,002
Veterinary and medicines	2,280	2,132	1,617	2,192	3,180
Other Livestock Costs	4,204	3,946	3,274	3,753	5,853
Agriculture Contract Costs	2,186	2,064	1,664	2,199	2,813
Agriculture Casual Labour	786	544	570	775	1,254
Agriculture, no other category Variable Costs	84	69	93	112	61
Farm Business Gross Margin					
Farm Business Gross Margin	41,786	24,226	30,154	40,230	72,555
Agriculture Gross Margin	13,000	4,831	9,235	13,090	24,837
Agri Environment Gross Margin	9,640	6,301	6,277	8,599	17,402
Diversified Gross Margin	2,964	1,690	2,274	3,111	4,778
SPS Gross Margin	16,182	11,404	12,369	15,431	25,537

Table 28: Fixed Costs and Farm Income calculations by Performance Class

	The Average Farm	Lowest Quartile	Upper Low Quartile	Lower Upper Quartile	Highest Quartile
Number (unweighted)	248	50	45	56	97
Number (weighted)	6,040	1,502	1,497	1,541	1,501
Utilisable Agricultural Land (UAA) (ha)	125	97	85	106	213
Average adjusted UAA (ha)	94	76	74	81	147
Average adjusted sole grazing (ha)	15	12	6	10	32
Average herd size	30	30	21	27	43
Average flock size	309	225	223	266	522
<u>Gross Margin</u>					
Farm Business Gross Margin	41,786	24,226	30,154	40,230	72,555
Agriculture Gross Margin	13,000	4,831	9,235	13,090	24,837
Agri Environment Gross Margin	9,640	6,301	6,277	8,599	17,402
Diversified Income Gross Margin	2,964	1,690	2,274	3,111	4,778
SPS Gross Margin	16,182	11,404	12,369	15,431	25,537
<u>Fixed Costs</u>					
Farm Business Fixed Costs	31,498	35,532	25,288	26,965	38,310
<i>of which</i> Agriculture Fixed Costs	30,232	34,476	24,168	25,977	36,404
Agri Environment Fixed Costs	426	408	303	218	782
Diversified Income Fixed Costs	821	625	804	755	1,103
SPS Fixed Costs	18	24	12	15	21
Agriculture Paid Labour	2,556	2,876	1,363	2,221	3,772
<i>of which</i> Fixed Labour Costs	1,770	2,332	793	1,446	2,518
(-) Casual Labour Costs (a Variable Cost)	786	544	570	775	1,254
Agriculture Machinery Costs	11,404	10,846	9,727	10,597	14,466
<i>of which</i> Machinery Running Costs	5,295	5,351	4,467	5,098	6,269
Agriculture Depreciation Tenants Capital	6,109	5,494	5,260	5,499	8,197
Agriculture General Farming Costs	8,008	10,003	7,059	6,377	8,633
<i>of which</i> Agriculture Bank & Professional Fees	1,634	1,764	1,447	1,391	1,941
Agriculture Other General Costs	4,526	4,480	4,043	4,234	5,352
Net Interest Payments	1,849	3,759	1,569	753	1,341
Bad Debts Write-offs	0	0	0	0	0
Agriculture Property Costs	8,261	10,584	5,955	6,410	10,137
Non Agriculture No Other Fixed Costs	789	711	635	1,148	651
Profit/loss sale of fixed assets	98	-86	111	25	344
Agriculture Net Margin (AGRICULTURE BUSINESS INCOME)	-17,134	-29,731	-14,822	-12,862	-11,223
Unpaid manual labour	19,383	17,111	16,434	20,300	23,655
<i>of which</i> Unpaid Farmer and Spouse	16,647	15,413	14,924	17,371	18,858
Unpaid Partner	2,735	1,698	1,510	2,929	4,797
Agriculture Economic Profit (AGRICULTURE CORPORATE INCOME)	-36,517	-46,841	-31,256	-33,162	-34,878
Agriculture Net Interest Payment (added back)	1,849	3,759	1,569	753	1,341
AGRICULTURE INVESTMENT INCOME	-34,668	-43,082	-29,687	-32,409	-33,538
Farm Net Margin (FARM BUSINESS INCOME)	10,386	-11,392	4,978	13,290	34,588
Farm Economic Profit (FARM CORPORATE INCOME)	-9,958	-29,089	-12,048	-7,812	9,064
FARM INVESTMENT INCOME	-8,083	-25,194	-10,401	-7,092	10,333
NET FARM INCOME	5,042	-11,042	2,463	6,753	21,950
Holding gains not included in farm income	56,389	42,426	46,848	58,810	77,390
BLSA	476	407	481	495	520
Revaluation of Machinery, permanent crops etc	536	485	507	434	721
Revaluation of Land	55,377	41,534	45,860	57,880	76,149
MANAGEMENT AND INVESTMENT INCOME	-12,281	-26,895	-12,982	-11,195	1,925

Table 29: Balance Sheet and Fund Flows by Performance Class

	The Average Farm	Lowest Quartile	Upper Low Quartile	Lower Upper Quartile	Highest Quartile
Number (unweighted)	248	50	45	56	97
Number (weighted)	6,040	1,502	1,497	1,541	1,501
Average Farmed Area (ha)	127.6	101.7	81.6	108.6	218.8
Utilisable Agricultural Area (ha)	125.2	97.3	84.6	105.9	213.3
Adjusted Utilisable Agricultural Area (ha)	94.4	76.1	73.7	81.1	147.1
Grazing Livestock Units	87.6	75.1	64.3	79.1	132.3
Ewes (head)	309	225	223	266	522
Cows (head)	30	30	21	27	43
Beef Cows (head)	30	30	21	26	43
Occupied Area (ha)	67	53	41	68	105
Tenanted Area (ha)	62	49	47	40	114
Percentage of Land Owned (%)	51.9	52.2	46.7	63.0	48.1
Assets					
Fixed Assets	491,162	430,700	353,792	514,608	664,606
<i>of which</i> Agricultural Land	380,303	323,079	272,568	419,596	504,680
Woodland	1,685	1,465	321	1,340	3,621
Total Buildings	10,358	16,282	5,269	6,955	13,002
Total Improvements	2,063	3,057	2,053	1,037	2,132
Milk quota	8	0	0	0	31
Glasshouses	0	0	0	0	0
Other quota	0	0	0	0	0
SPS Entitlements	24,261	17,829	18,777	22,776	37,692
Machinery	33,151	30,254	28,358	29,632	44,444
Permanent Crops	0	0	0	0	0
Breeding Livestock	37,653	32,844	26,333	33,046	58,484
Miscellaneous Business Assets	1,679	5,891	113	225	520
Current Assets	46,876	33,579	34,948	42,225	76,855
<i>of which</i> Trading Livestock	17,235	16,105	12,950	13,692	26,276
Crops	235	153	170	49	572
Forage	2,738	2,495	3,257	2,060	3,158
Cultivation	642	682	982	288	628
Stores	2,068	1,911	1,400	2,087	2,869
Liquid Assets	23,959	12,231	16,189	24,049	43,352
<i>of which</i> Cash at Bank and In Hand	13,752	5,634	9,849	16,119	23,337
Debtors	6,332	4,292	3,816	5,146	12,099
Suspended	0	0	0	0	0
SPS & EU mod'n refund	3,875	2,304	2,524	2,785	7,916
debtors					
Total Assets (£/farm)	538,038	464,279	388,740	556,833	741,462
<i>of which</i> Total Landlord-type Capital	394,418	343,883	280,211	428,929	523,466
Tenant Type Capital	143,621	120,397	108,529	127,904	217,996
Loans					
Total Long Term Loans	19,240	36,469	10,263	10,303	20,131
<i>of which</i> Bank Loans	7,662	14,791	7,870	1,754	6,386
Institutional Loans	9,971	19,150	2,023	6,380	12,401
<i>of which</i> AMC	7,522	15,257	1,933	4,675	8,280
Building Societies	484	0	46	1,705	150
Other Institutional Loans	1,965	3,893	43	0	3,971
Family Loans	1,425	1,885	357	2,162	1,273
Other Loans	183	643	13	7	71
Current Liabilities	17,697	29,139	14,435	12,233	15,111
<i>of which</i> Hire Purchase	2,157	2,157	2,093	2,034	2,350
Leasing	71	153	0	128	3

Other Current Liabilities	15,468	26,830	12,342	10,071	12,758
<i>of which</i> Creditors	4,134	3,327	4,093	3,473	5,661
Bank Overdraft	10,984	23,336	7,209	6,598	6,895
Others	350	166	1,040	0	203
Total Liabilities	36,937	65,609	24,698	22,535	35,242
Closing Net Worth	501,101	398,670	364,041	534,298	706,220
Opening Net Worth	458,268	368,196	322,964	484,091	656,838
Change in New Worth	42,833	30,474	41,077	50,206	49,382
SPS Entitlements Opening Valuation	34,086	25,154	25,645	31,890	53,695
Change in SPS Entitlements	-9,824	-7,325	-6,867	-9,114	-16,003
Change in Borrowing	2,832	8,152	-2,091	1,110	4,187
Funds Introduced	12,751	18,571	7,663	10,753	14,055
Cash Flow from the Farm Business	13,389	-13,214	7,676	13,435	45,657
Private Drawings	16,580	10,801	9,711	17,104	28,677
Asset Purchases	18,423	14,286	7,702	11,065	40,808
Asset Sales	11,283	1,726	1,731	1,658	40,256
Capital Expenditure	7,139	12,560	5,971	9,408	552

Table 30: Land use, Stocking and Technical Efficiency by Performance Class

	The Average Farm	Lowest Quartile	Upper Low Quartile	Lower Upper Quartile	Highest Quartile
Number (unweighted)	248	50	45	56	97
Number (weighted)	6,040	1,502	1,497	1,541	1,501
Total Area (includes woodland and roads etc) (ha)	129.2	101.7	88.1	108.6	218.9
Area Farmed (ha)	127.6	101.7	81.6	108.6	218.8
Net Land Hired In (ha)	2.4	4.5	-3.1	2.7	5.6
Utilised Agricultural Area (ha)	125.2	97.3	84.6	105.9	213.3
<i>Of which</i> Total main products and set-aside (ha)	0.7	0.5	0.4	0.3	1.6
Grass, fodder crops and rough grazing (ha)	124.5	96.7	84.2	105.7	211.7
<i>Of which</i> rough grazing (unadjusted) (ha)	45.5	33.5	16.7	34.5	97.7
Adjusted rough grazing (sole occupation)	14.8	12.3	5.8	9.7	31.5
Adjusted rough grazing (shared)	6.7	2.8	3.4	12.3	8.2
Total Adjusted Utilised Agriculture Area (ha)	94.4	76.1	73.7	81.1	147.1
Area owner occupied (ha)	67.0	53.2	41.2	68.4	105.3
Area tenanted (ha)	62.2	48.6	46.9	40.2	113.6
Average age of farmer (years)	54	55	56	54	51
ALU	1.4	1.3	1.1	1.4	1.8
ESU	23.1	20.0	16.6	20.2	35.9
Land Use					
Temporary Grassland Area (ha)	4.9	4.7	1.9	6.2	7.0
Permanent Grassland Area (ha)	75.7	62.5	62.5	67.3	110.7
Stocking					
Total Dairy Cows	0	0	0	0	0
Total Beef cows	30	30	21	27	43
Total Cattle	83	82	60	75	116
Ewes (LFA and lowland)	309	225	223	266	522
<i>of which</i> LFA Ewes	306	218	220	266	522
Lowland Ewes	3	7	4	0	0
Total Sheep	595	421	433	530	997
Livestock Units					
Total Cattle LU	49	47	36	45	69
<i>of which</i> Beef Cows LU	23	22	16	20	32
Other Cattle LU	24	22	17	22	33
Dairy Cows and Heifers	3	3	2	2	3
Total Sheep LU	38	27	28	34	63
<i>of which</i> Ewe LU	22	16	16	19	36
Grazing LU (cattle, sheep, horses and others)	88	75	64	79	132
Total LU	88	76	65	79	133
Financial Performance per GLU					
Farm Business Output per GLU (£/GLU)	734	611	728	767	787
Farm Business Variable Costs (£/GLU)	257	288	259	258	239
Farm Business Gross Margin (£/GLU)	477	323	469	509	549
Farm Business Fixed Costs (£.GLU)	359	473	393	341	290
Farm Business Income (£/GLU)	119	-152	77	168	261
Farm Corporate Income (£/GLU)	-114	-388	-187	-99	69
Farm Investment Income (£/GLU)	-92	-336	-162	-90	78
Holding Gains Not In Income (£/GLU)	644	565	729	744	585
<i>of which</i> Land Revaluation (£/GLU)	632	553	713	732	576
Net Farm Income (£/GLU)	58	-147	38	85	166
Management and Investment Income (£/GLU)	-140	-358	-202	-142	15
Agriculture Net Margin (Agriculture business income) (£/GLU)	-196	-396	-231	-163	-85
Agriculture Economic Profit (Agriculture corporate income) (£/GLU)	-417	-624	-486	-419	-264
Agriculture Investment Income (£/GLU)	-396	-574	-462	-410	-254

Appendix 6- Analysis of English Grazing Livestock Farms in the LFA- Beef Cows**LFA Suckler Herds 2007/08**

Enterprise Output and Gross margin per cow, GLU & ha

	All herds	<50 cows	50-100 cows	>100 cows
Number of farms	191	115	61	15
Number of farms (weighted)	4,232	3,006	1,024	202
Area Farmed (UAA + net hired in) (ha)	142	117	196	233
Utilisable Agricultural Area (ha)	137	115	187	216
Adjusted UAA including commons (ha)	102	81	145	191
Grazing Livestock Units (farm)	101	76	148	239
Grazing Livestock Units (enterprise)	40	26	66	122
Forage area (enterprise) (ha)	52	37	83	121
Cows per herd	41	26	66	131
Total Cattle	106	74	162	302
Breeding Flock	305	258	417	443
<u>Output per cow</u>				
Enterprise Output (excluding BLSA)	257	249	269	247
BLSA	36	32	37	49
Concentrates	37	37	31	53
Purchased fodder and keep	17	21	14	13
Veterinary and medicines	17	19	16	18
Other livestock costs	33	36	31	27
Seed	1	1	1	2
Fertilizer	26	24	28	27
Sprays	2	1	2	2
Other crop costs	6	5	6	8
Total Variable costs	139	144	129	149
Gross Margin (excluding BLSA) / Cow	118	105	139	98
Gross margin (excluding BLSA) / forage ha	92	74	112	106
Gross Margin (excluding BLSA) / GLU	119	105	141	104
Enterprise Gross margin (excluding BLSA)	4,779	2,723	9,238	12,773
<u>Measures of Income (per farm)</u>				
Farm Business Income	10,801	7,409	16,517	32,316
Farm Corporate Income	-10,625	-12,133	-7,948	-1,760
Agricultural Economic Profit	-38,762	-35,260	-45,348	-57,501
Agri-environment Economic Profit	9,576	8,243	12,213	16,037
Diversified Economic Profit	1,180	1,469	521	208
SPS Economic Profit	17,382	13,415	24,666	39,497
Farm Investment Income	-8,995	-10,647	-5,495	-2,161
Net Farm Income	4,924	3,548	8,412	7,739
MII	-13,029	-14,229	-9,774	-11,675

Appendix 7- Analysis of English Grazing Livestock Farms in the LFA- Upland Sheep (SDA Flocks typical lambing rate is >100%)

Upland SDA Flocks 2007/08 (flock lambing % usually >100)	Enterprise Output and Gross margin per ewe, GLU and ha			
	All flocks	<350 ewes	350-700 ewes	>700 ewes
Number of farms	138	52	56	30
Number of farms (weighted)	3,112	1,759	1,010	344
Area Farmed (UAA + net hired in) (ha)	137	81	152	381
Utilisable Agricultural Area (ha)	134	80	148	371
Adjusted UAA including commons (ha)	103	70	109	254
Grazing Livestock Units (farm)	98	70	104	221
Grazing Livestock Units (enterprise)	48	23	58	146
Forage area (enterprise) (ha)	75	30	92	261
Cows per herd	31	29	27	51
Total Cattle	85	80	80	126
Breeding Flock	390	177	469	1,251
Total Sheep	751	354	895	2,359
<u>Output per ewe</u>				
Enterprise Output (excluding BLSA)	50.6	53.0	49.9	49.7
BLSA	-2.4	-2.4	-2.4	-2.3
Concentrates	12.0	10.3	12.5	12.5
Purchased fodder and keep	2.8	1.7	2.5	3.9
Veterinary and medicines	4.4	4.6	4.4	4.4
Other livestock costs	6.2	6.6	6.3	5.8
Seed	0.1	0.1	0.2	0.1
Fertilizer	3.4	3.1	3.5	3.6
Sprays	0.2	0.2	0.2	0.2
Other crop costs	0.5	0.7	0.5	0.3
Total Variable costs	29.6	27.3	30.1	30.8
Gross Margin (excluding BLSA) / Ewe	21.0	25.7	19.8	19.0
Gross margin (excluding BLSA) / forage ha	109.0	153.6	101.5	90.8
Gross Margin (excluding BLAS) / GLU	171.3	200.3	158.9	162.8
Enterprise Gross margin (excluding BLSA)	8,204	4,553	9,287	23,708
<u>Measures of Income (per farm)</u>				
Farm Business Income	12,590	7,502	16,196	28,036
Farm Corporate Income	-7,791	-10,604	-6,583	3,056
Agricultural Economic Profit	-35,142	-29,115	-36,558	-61,824
Agri-environment Economic Profit	8,613	4,673	9,876	25,060
Diversified Economic Profit	1,250	1,366	833	1,878
SPS Economic Profit	17,489	12,472	19,266	37,942
Farm Investment Income	-6,330	-9,455	-5,158	6,219
Net Farm Income	7,687	3,485	10,727	20,258
MII	-9,544	-12,118	-8,957	1,900

Appendix 8- Analysis of English Grazing Livestock Farms in the LFA- Hill Sheep (SDA Flocks on mountains and moorland typical lambing rate is <100%)

Hill SDA Flocks 07/08

Enterprise Output and Gross margin per ewe, GLU and ha

(flock lambing % usually <100)

	All flocks	<350 ewes	350-700 ewes	>700 ewes
Number of farms	74	25	36	13
Number of farms (weighted)	1,636	881	646	109
Area Farmed (UAA + net hired in) (ha)	140	80	187	351
Utilisable Agricultural Area (ha)	136	80	182	314
Adjusted UAA including commons (ha)	94	66	116	185
Grazing Livestock Units (farm)	84	59	99	194
Grazing Livestock Units (enterprise)	39	18	53	124
Forage area (enterprise) (ha)	77	30	116	234
Cows per herd	29	26	28	50
Total Cattle	73	67	72	126
Breeding Flock	335	143	491	962
Total Sheep	592	268	821	1,847
<u>Output per ewe</u>				
Enterprise Output (excluding BLSA)	37.9	44.4	34.6	40.1
BLSA	-0.9	-1.3	-0.6	-1.2
Concentrates	8.5	10.6	7.5	9.1
Purchased fodder and keep	2.7	1.4	3.5	1.9
Veterinary and medicines	4.5	5.0	4.3	4.6
Other livestock costs	5.5	6.8	5.1	5.2
Seed	0.1	0.3	0.1	0.1
Fertilizer	2.2	2.2	2.0	2.8
Sprays	0.1	0.2	0.1	0.1
Other crop costs	0.3	0.3	0.4	0.2
Total Variable costs	24.1	26.8	23.1	24.0
Gross Margin (excluding BLSA) / Ewe	13.8	17.6	11.5	16.2
Gross margin (excluding BLSA) / forage ha	59.8	84.6	48.9	66.4
Gross Margin (excluding BLAS) / GLU	119.5	143.5	106.4	125.6
Enterprise Gross margin (excluding BLSA)	4,631	2,520	5,664	15,555
<u>Measures of Income (per farm)</u>				
Farm Business Income	12,513	7,993	18,171	15,504
Farm Corporate Income	-9,736	-14,468	-3,062	-11,043
Agricultural Economic Profit	-39,349	-34,653	-40,281	-71,710
Agri-environment Economic Profit	11,977	6,920	16,231	27,610
Diversified Economic Profit	1,979	2,607	1,314	854
SPS Economic Profit	15,656	10,658	19,675	32,203
Farm Investment Income	-7,735	-12,739	-930	-7,623
Net Farm Income	4,865	-418	12,651	1,433
MII	-14,038	-19,797	-5,908	-15,672

Appendix 9 Reports in this series:

Crop Production in England 2007/08

Dairy Farming in England 2007/08

Hill Farming in England 2007/08

Horticulture Production in England 2007/08 (Horticultural Business Data)

Lowland Grazing Livestock Production 2007/08

Pig Production in England 2007/08

Poultry Production in England 2007/08

Crop Production in England 2006/07

Dairy Farming in England 2006/07

Hill Farming in England 2006/07

Horticulture Production in England 2006/07 (Horticultural Business Data)

Lowland Grazing Livestock Production 2006/07

Pig Production in England 2006/07

Poultry Production in England 2006/07

Details available at www.ruralbusinessresearch.co.uk

Appendix 10: Definition of Terms

I. BUSINESS OUTPUTS, INPUTS, COSTS AND INCOME

1. ***Farm business income*** for sole traders and partnerships represents the financial return to all unpaid labour (farmers and spouses, non-principal partners and directors and their spouses and family workers) and on all their capital invested in the farm business, including land and buildings. For corporate businesses it represents the financial return on the shareholders capital invested in the farm business. It is used when assessing the impact of new policies or regulations on the individual farm business. Although Farm Business Income is equivalent to financial Net Profit, in practice they are likely to differ because Net Profit is derived from financial accounting principles whereas Farm Business Income is derived from management accounting principles. For example in financial accounting output stocks are usually valued at cost of production, whereas in management accounting they are usually valued at market price. In financial accounting depreciation is usually calculated at historic cost whereas in management accounting it is often calculated at replacement cost.
2. ***Farm corporate income*** represents the return on own capital invested in the farm business, to risk and to entrepreneurship. It is derived by deducting unpaid labour, both manual and managerial, from Farm Business Income. This allows the profitability of sole traders and partnerships to be compared directly with that of companies. Currently we are able to deduct an estimate of unpaid manual labour but not of unpaid managerial labour and so the data are only approximate. However, we plan to undertake a research project to produce a method for deriving an estimate of unpaid managerial labour, so that we can produce better data for this measure in future.
3. ***Farm investment income*** represents the return on *all* capital invested in the farm business *whether borrowed or not*, to risk and to entrepreneurship. It is a general measure of the profitability of farming as an activity rather than of a particular business. It is derived by adding net interest payments to Farm Corporate Income. Since currently the data for Farm Corporate income are only approximate, so too are the data for Farm Investment Income.
4. ***Net Farm Income (NFI)*** is intended as a consistent measure of the profitability of tenant-type farming⁹ which allows farms of different business organisation, tenure and indebtedness

⁹ Tenant-type farming was never conceived of as including non-agricultural activities on farm (using farm resources) except perhaps for value added activities such as small-scale food processing, e.g. sales of farm produced butter and cream and retail sales of farm produced liquid milk. However, recent research has revealed that many of the more varied non-agricultural activities which have been increasing on farms over the years have been inadvertently included in the calculation of NFI, with the result that about three-quarters of non-agricultural activities on farm by value are currently included and one-quarter excluded, without any clear basis for this division. Although this means that the definition of NFI has become untenable on the current basis, it has been decided to continue with historical practice for reasons of continuity, rather than to change the definition, pending the introduction of a wider measure to include all on-farm business activities.

to be compared. It represents the return to the farmer and spouse alone for their manual and managerial labour and on the tenant-type capital¹⁰ invested in the farm business.

To represent the return to farmer and spouse alone, a notional deduction is made for any unpaid labour provided by non-principal partners and directors, their spouses and by others; this unpaid labour is valued at average local market rates for manual agricultural work.

To confine the measure to the tenant-type activities and assets of the business, an imputed rent is deducted for owner-occupied land and buildings and for landlord-type improvements made by the tenant. No deduction is made for interest payments on any farming loans, overdrafts or mortgages; interest earned on financial assets is also excluded.

5. **Cash income** is the difference between total revenue and total expenditure. Revenue is: receipts adjusted for debtors; and expenditure is: purchases adjusted for creditors. It is assumed, therefore, that all end of year debtor and creditor payments are settled in full, even though this may happen beyond the end of the accounting year. Cash income represents the cash return to the group with an entrepreneurial interest in the business (farmers and spouses, non-principal partners and directors and their spouses and family workers) for their manual and managerial labour and on all their investment in the business.

6. **Family farm income** is a measure of farm income used by the European Commission. It is based upon actual tenure and indebtedness. However, it is a broader measure than net farm income in that it represents the return to all unpaid labour (farmers and spouses, non-principal partners and directors and their spouses and family workers). It also includes breeding livestock stock appreciation although it cannot be realised without reducing the productive capacity of the farm.

II. CROPPING, STOCKING AND LABOUR TABLES

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

8. **Total area of farm** is the utilised agricultural area plus woodland and other areas of the farm not used for agriculture (e.g. buildings, roads, water, household gardens).

9. **Total tillage** comprises the utilised agricultural area, plus bare land and forage hired in from others in the accounting period, minus temporary and permanent grass and rough grazing in sole occupation (but not shared rough grazing).

¹⁰ Tenant-type capital comprises livestock, machinery, crops in store, stocks of consumables, work in progress, orchards, other permanent crops, glasshouses, cash and other assets needed to run the business. It does not include land and buildings.

10. **Total area farmed** comprises the total area of the farm minus woodlands and buildings, etc. plus net land hired in.

11. **Adjusted utilised agricultural area** comprises the utilised agricultural area with rough grazing in sole occupation converted to a permanent pasture equivalent.

12. **Stocking** figures are the average annual level of stocking based on estimated average livestock numbers on the farm for the year, including fractions for livestock on the farm for less than a year.

13. **Total livestock units** are used as an approximate measure of stocking intensity and are based on the estimated energy requirements of different species and ages of livestock. The factors used are set out in Appendix 2 of '*Farm Incomes in the United Kingdom 1999/00*'.

14. **Annual labour units (ALU)** are the estimated number of full time worker equivalents of persons working on the holding during the year. Part-time workers are converted to full-time equivalents in proportion to their actual working time related to that of a full-time worker. One ALU represents one person employed for 2,200 hours.

[Standard labour requirements (SLR) are theoretical measures of representative labour requirements under typical conditions for enterprises of average size and performance. Used in the classification of farms by type and size there are 6 SLR size groups measured in Full Time Equivalents (FTE) where 1 FTE equals 1900 hours per year. Farms considered "Spare time" SLR band 1, less than 0.5 FTE or less than 949 imputed hours are excluded from the Farm Business Survey. The 6 SLR size groups are:

SLR band	Descriptive	FTE	Hours/year
1	Very small, Spare time	<0.5	1 - 949
2	Very small, Part time	0.5 to <1	950 – 1899
3	Small, Full time	1 to <2	1900 – 3799
4	Medium, Full time	2 to <3	3800 – 5699
5	Large, Full time	3 to <5	5700 – 9499
6	Very large, Full time	>5	>9500]

III. OUTPUTS, INPUTS AND FARM BUSINESS INCOME TABLES

15. **Agricultural output** is the main measure of individual crop and livestock output. It comprises:

- (a) **Livestock enterprise output** comprises the total sales of livestock and livestock products including *direct livestock subsidies* and production grants received, part of the valuation change (see below), produce consumed in the farmhouse and by labour and the value of milk and milk products fed on the farm (excluding direct suckling) adjusted for debtors at the beginning and end of the year (except for direct livestock subsidies) and transfers between enterprises; less purchases of livestock and livestock products from outside the farm business. Stock appreciation for breeding livestock (cattle, sheep and pigs) has been excluded from individual livestock enterprise outputs. However, changes in the numbers of breeding livestock between the opening and closing valuation and the total valuation change of trading livestock are included. Unlike crop enterprise output, livestock enterprise output is calculated on an accounting year basis.

(b) *By-products, forage and cultivations*, which cover the value of output of the by-products of agricultural activity, sales of fodder, valuation changes for fodder and cultivations. It also covers revenue from the letting of bare land or forage on a short-term lease.

(c) *Crop enterprise output*, which is the total value of crops produced by the farm (other than losses in the field and in store). It includes crops used for feed and seed by the farm business and those consumed in the farmhouse and by farm labour. Crop enterprise output is calculated on a "harvest year" as distinct from an "accounting year" basis; that is, it refers only to those crops (with the exception of certain horticultural crops) wholly or partly harvested during the accounting year and excludes any crop carried over from the previous year. Thus valuation changes (between the previous and current crops) are not relevant and the total harvested yield of the crop is valued at market prices (plus any subsidies). However, any difference between the opening valuation of any stocks of previous crops and their ultimate disposal value (sales, used on farm and any end-year stocks) is included in total farm output.

(d) *Miscellaneous output* covers the value of output from those activities which are still within the agricultural cost centre but do not fall within either livestock or crop enterprise output. These will include revenue from wayleaves, agricultural hirework, sundry woodland sales, contract farming rent, miscellaneous insurance receipts and compensation payments.

16. *Agricultural costs* comprise payments and the estimated value of non-cash inputs, including home-grown feed and seed, adjusted for changes in stocks and creditors between the beginning and end of the year.

<i>Total variable costs</i>	These are taken to be costs of feed, veterinary fees and medicines, other livestock costs, seeds, fertilisers, crop protection and other crop costs.
<i>Purchased concentrate feed and fodder</i>	This represents expenditure on feeds and feed additives, including charges for agistment and rented keep.
<i>Home-grown concentrate feed and fodder</i>	This includes ex-farm value of all home produced cereals, beans, milk (excluding direct suckling), etc. fed on the farm both from the current and previous years' crops.
<i>Veterinary fees and medicines</i>	This consists of veterinary fees and the cost of all medicines.

<i>Other livestock costs</i>	This comprises straw bought specifically for costs bedding materials, breeding costs (including AI and stud fees), miscellaneous dairy expenses, disinfectants, marketing and storage costs of animal products, Milk Development Council levy and other livestock costs not separately identified.
<i>Purchased and home-grown seeds</i>	This comprises expenditure on purchased seeds, plants and trees adjusted for changes in stocks. Home-grown seed from the previous crop is included and charged at estimated market price: any seeds from current crops and sown for a succeeding crop are excluded, but are included in the closing valuation of the crop and hence in enterprise output. This enables the value of home-grown seed used in the production of the current crop to be identified.
<i>Fertilizers</i>	This includes lime, fertilisers and other manures, and is adjusted for changes in stock. Fertilisers sown for next year's crops are treated as if they were still in store and are included in the closing valuation.
<i>Crop protection</i>	This includes costs of pre-emergent sprays, fungicides, herbicides, dusts and insecticides and other crop sprays.
<i>Other crop costs</i>	These comprise all crop inputs not separately specified, e.g. marketing charges, packing materials, British Potato Council levy, baling twine and wire (though not fencing wire).
<i>Total fixed costs</i>	These are the costs of labour, machinery, contract work, land and buildings, other general farming costs and depreciation.
<i>Labour (excluding farmer and spouse)</i>	This comprises wages and employer's insurance contributions, payments in kind, and salaried management. To calculate net farm income an imputed charge for unpaid labour is made, excluding that of the farmer and spouse, valued at the rate of comparable paid labour. The value of the manual labour of the farmer and spouse is not charged as an input in calculating net farm income (i.e. it is a component of net farm income).

<i>Contract costs</i>	These costs include expenditure on work carried out by agricultural contractors, including the costs of materials employed, such as fertilisers, unless these can be allocated to the specific heading. Costs of hiring machines to be used by the farm's own labour are also included. Expenditure on contract labour is only included here if it is associated with the hiring of a machine. Otherwise it is entered under (casual) labour.
<i>Machinery running costs</i>	These represent the cost of machinery and equipment repairs, fuel and oil and car mileage expenses. It excludes depreciation.
<i>Land and building inputs</i>	For the calculation of farm business income these comprise any rent paid, insurance, rates and repairs to land and buildings incurred by the whole business. In the derivation of net farm income land and building costs also include an imputed rental charge for owner occupiers but exclude those costs associated with land ownership such as the insurance of farm buildings, and landlord-type repairs and upkeep.
<i>Depreciation of machinery, glasshouses and permanent crops</i>	Depreciation provisions in respect of machinery, glasshouses and permanent crops (e.g. orchards) are shown on a current cost basis. The rates of depreciation used (generally on a diminishing balance basis for machinery and straight line for glasshouses and permanent crops) are intended to reflect the degree of deterioration of the assets.
<i>Other general farming costs</i>	These consist of electricity, heating fuel, water for all farming purposes, insurance (excluding labour and farm buildings), bank charges, professional fees, vehicle licences, and other miscellaneous expenses not recorded elsewhere.
<i>Interest payments</i>	Interest charges on loans taken out for business purposes, net of interest receipts on monies invested temporarily outside the business, are deducted in the calculation of farm business income.
<i>Depreciation of buildings and works</i>	This is calculated on a current cost basis (generally on a straight line basis over 10 years) with an adjustment to allow for the effect of capital grants.

17. ***Breeding livestock stock appreciation*** represents the change in market prices of breeding cattle, sheep and pigs between the opening and closing valuations. It is not included in the calculation of farm business income but is shown separately within table 3.

IV. BALANCE SHEET TABLES

18. *Total fixed assets* include milk and livestock quotas, as well as land, buildings, breeding livestock, and machinery and equipment. For tenanted farmers, assets can include farm buildings, cottages, quotas, etc., where these are owned by the occupier.

19. *Liquid assets* comprise cash and sundry debtors.

20. *Bank term loans* and *other long and medium term loans* are loans which exceed 12 months.

21. *Net Worth* represents the residual claim or interest of the owner in the business. It is the balance sheet value of assets available to the owner of the business after all other claims against these assets have been met.

IV. IMPLIED OUTPUT PRICES

22. *Implied output prices* are average unit returns excluding direct subsidies. For crops they are calculated by dividing the value of sales, closing stocks, farm house consumption, benefits in kind and own-produced feed by total production. Sales are value at prices actually received at the farm gate before the deduction of marketing charges paid direct by the farmer such as drying and cleaning costs. More detailed information about sales volumes is collected for livestock and, in this case, the unit returns refer to sales of livestock including casualties. In both cases, any compensation payments or insurance payouts for output produced in the current year and destroyed are included.

Source: DEFRA – Farm Accounts in England 2006/2007

<http://statistics.defra.gov.uk/esg/publications/fab/2007/Appendix2.pdf>