



Farm Business Survey

2008/2009

Hill Farming in England



David Harvey and Charles Scott

March 2010



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Foreword to the Fourth Series

As agriculture enters the second decade of the 21st Century, the financial prospects for many sectors are arguably brighter than five years ago. The importance of agriculture as a provider of food, environmental and ecosystem services and biofuels, is becoming increasingly recognised. Issues of food security in a world with changing climatic conditions and a growing population have led to agriculture and food production being viewed in a more positive light than has appeared to be the case throughout much of the previous 20 to 30 years. However, countering this growing interest in agriculture, food, the environment and fuel is the prospect of a reduced single payment beyond 2012 and continuing and widening volatility in both input and output prices. In the early months of 2010, the prospects for agriculture and horticulture thus appear somewhat mixed with the outputs being arguably more valued by society, yet with businesses needing to adapt to a potentially more volatile market environment.

Now in its fourth series, these enterprise and farm type reports from *Rural Business Research (RBR)* once again provide independent data and results from expert analysis of the Defra-funded Farm Business Survey (FBS) for England drawing upon 2008/09 data. Users of FBS data increasingly also rely on RBR's other independent outputs that are freely available on-line at www.farmbusinesssurvey.co.uk where Government Office Regional reports and farm business benchmarking services sit along-side the more specialised FBS data builder tool. As with all businesses, farmers and growers are increasingly reliant upon obtaining information from the internet. In order to enhance farmers, growers, advisors and other stakeholders use of our on-line services, RBR plans to host a series of regional workshops in the Spring of 2011 and 2012, and we will be announcing details of these in late 2010 so please visit both www.farmbusinesssurvey.co.uk and www.ruralbusinessresearch.co.uk to keep up to date with new results, publications and our plans for our regional workshops.

We hope that you will find this fourth series of reports to be informative and interesting to your work and businesses. As with all our outputs, *Rural Business Research* provides analysis on agricultural and horticultural business performance to provide users with independent results. We always welcome comment on our outputs, so please let us know your thoughts by emailing paul.wilson@nottingham.ac.uk to let us know your views on our publications.

Dr Paul Wilson

Chief Executive Officer, Rural Business Research

Spring 2010

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 137 ha, including some 2 ha under buildings and roads. It is part owned (67 ha) and part rented (70 ha), and most of the farm (79 ha) is in permanent grass. The average LFA farmer is 55 years old, has 30 beef cows and 308 upland breeding ewes. Cattle and Sheep youngstock and fatstock make up the total to 83 cattle and 606 sheep on the farm, making a total of 89 Grazing Livestock Units.

The average LFA Grazing Livestock farm earns 59% of its total revenue (output) from crop and livestock farming activities with 24% coming from the Single Farm Payment, and 13% 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 £19,372 per farm. However, since this side of the whole farm business is assumed to incur most of the fixed costs (83%) the average LFA farm is shown as making an £8,347 Agricultural Business Income loss (before unpaid labour) from crop and livestock production per farm in 2008/9. This is a 51% reduction in the loss from the previous year (of -£17,134).

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 £17,137 in 2008/9, a 65% increase on 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 £20,491 per farm. As a result, Farm Corporate Income shows a loss of £3,354 per farm (a 66% improvement on the £9,958 loss in 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 up by 83% compared with the previous year, but still negative at -£1,387. The traditional measure of farm income of Net Farm Income (which puts all farm businesses on a comparable tenanted basis) averaged £11,853 per farm, up 135% from 2007/8.

These LFA farms depend to a substantial extent on public payments (Single Payment Scheme, Hill Farm Allowance, and Agri-environmental payments) together accounting for 37% of their revenues. Although there is substantial variation amongst the farms in terms of their commercial performance, most of these farms could not survive in their present form 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, 2007/8, 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. The HFA scheme ended in Spring 2010 with the HFA 2010 payment (covering land farmed and stock held in 2009). From July 2010, uplands support will be fully integrated into Environmental Stewardship and the HFA will be replaced with a specific uplands strand to the Entry Level Stewardship (Uplands ELS). Farms that are currently in Environmentally Sensitive Area (ESA) agreements or Countryside Stewardship Schemes (CSS) are excluded from applying for Uplands ELS but will be able to apply for the Uplands Transitional Payment (UTP) until such time as the existing ESA or CSS agreement terminates.

¹ Data from Defra, Agricultural Census, 2007.

A major change to note is that land in the Disadvantaged Areas (DA) is no longer 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 2008 crop year (HFA 2009, paid in Spring 2009) are shown in Table 1.

Table 1 Hill Farm Allowance Payment rates per hectare (2009)

Land Type	0 – 350 hectares	351 – 700 hectares
Land within the Moorland line	£14.14	£7.07
Other common land	£14.14	£7.07
Other SDA	£37.34	£18.67
Other DA	£0	£0

(note: HFA 2009 relates to areas farmed and stock held in 2008)

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 241 farms, which are all part of the Farm Business Survey. 65% come from the EU North region, 25% 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 an 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.

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	35	15%	2,252	38%	0.7	0.7	53	52
Small	73	30%	2,094	34%	1.5	1.5	84	86
Medium	66	27%	873	14%	2.4	2.4	127	123
Large	67	28%	800	14%	5.1	5.3	242	237
All Sizes	241	100%	6,018	100%	2.6	1.8	135	99

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

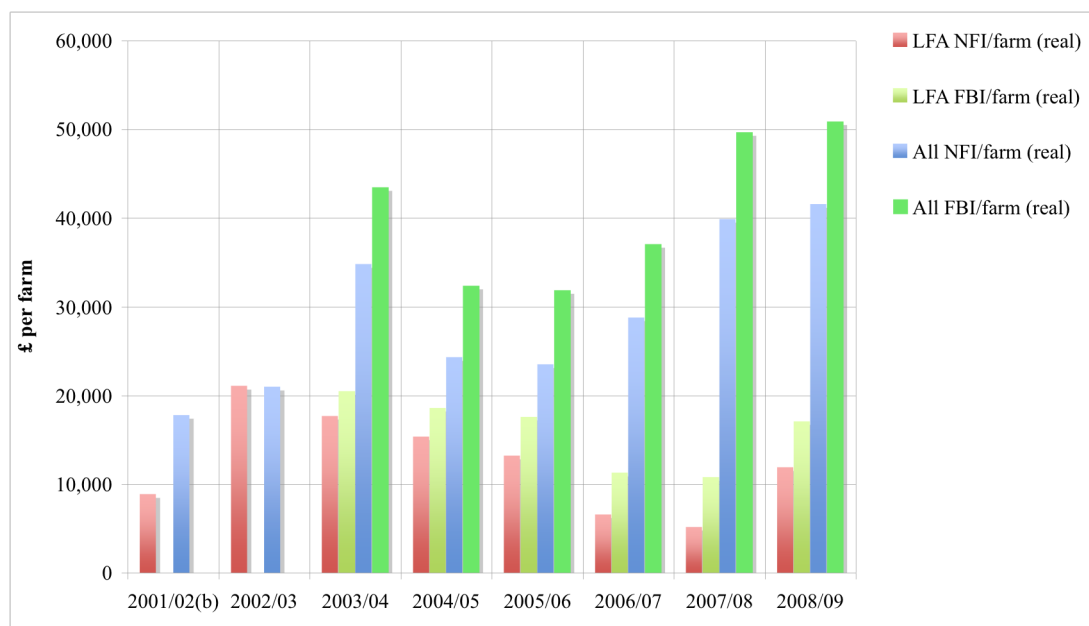
3. The LFA farms in context

The comparative business performance of LFA farms 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 2008/9, their upland counterparts have experienced a five year decline in real incomes per farm since 2002/3, only in 2008/9 reversing this trend with an upward movement of FBI and NFI.

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, real terms, England (2001 – 2008)

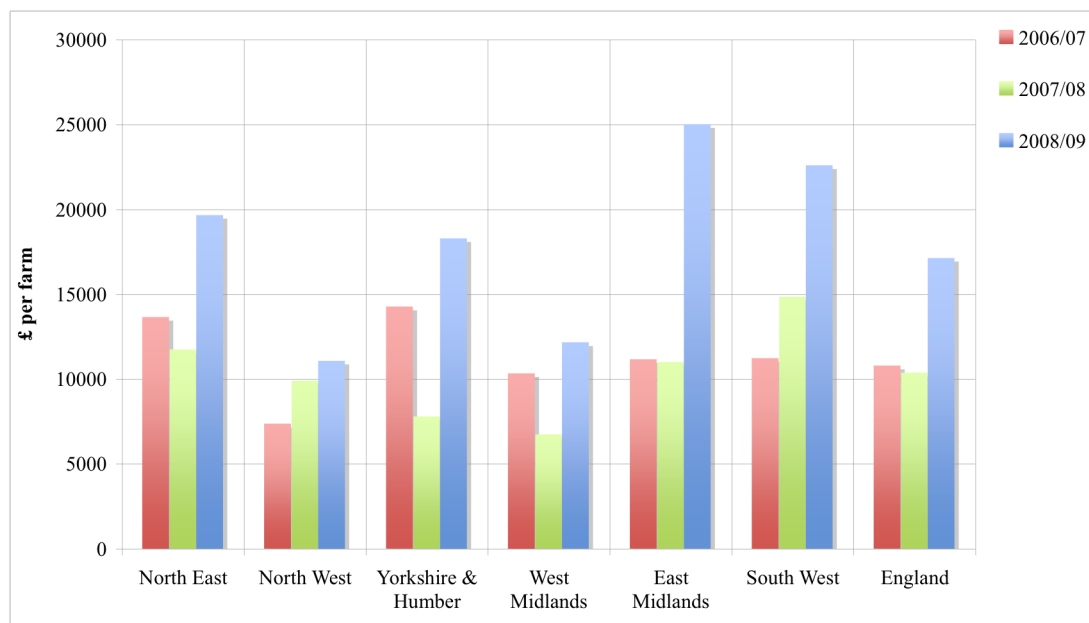


Source: *Farm Accounts in England, 2008/9*, Defra,

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 to 2008/9)



Source: - as Figure 3.

4. The Average LFA Farm in 2008/9

Although the average LFA farm in the FBS sample in 2008/9 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 137 ha, including some 2 ha under buildings and roads. It is part owned (67 ha) and part rented (70 ha), and most of the farm (79 ha) is in permanent grass. The average LFA farmer is 55 years old, and has 30 beef cows and 308 upland breeding ewes. Cattle and Sheep youngstock and fatstock make up the total to 83 cattle and 606 sheep on the farm, making a total of 89 Grazing Livestock Units (GLUs)⁵.

4.1 *The average LFA farm account*

The average LFA Grazing Livestock farm in England in 2008/9 is represented by the set of accounts shown in Table 3. This table reports the average farm accounts for the whole sample of 241 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 59% of their total revenue (output) from farming, with 24% coming from the Single Farm Payment, and 13% 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 £19,372 per farm (a 49% increase from the previous year). However, since this side of the whole farm business is assumed to incur most of the fixed costs (83%) the average LFA farm is shown as losing money, on average, to the tune of -£8,347 business income from farming per farm in 2008/9, a 51% improvement on the loss in the previous year of -£17,134.

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 £17,137 in 2008/9, a 65% increase on 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 £20,491 per farm. As a result, Farm Corporate Income is a loss of £3,354 per farm - a 66% decrease in the loss (of -£9,958) in 2007/8. 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 up by 83% compared with the previous year to -£1,387).

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 £11,853 per farm, up 135% from £5,042 in 2007/8.

In the case of LFA grazing farms there is still a substantial number of tenanted farms. In the EU Northern region, where 63% of LFA farms are found 47% of the land is owned while the average proportion of land owned on these farms over the whole country is only 49%. 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 consultation, [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.

Table 3. LFA Grazing Livestock Farms: Business Output, Input Costs and Income

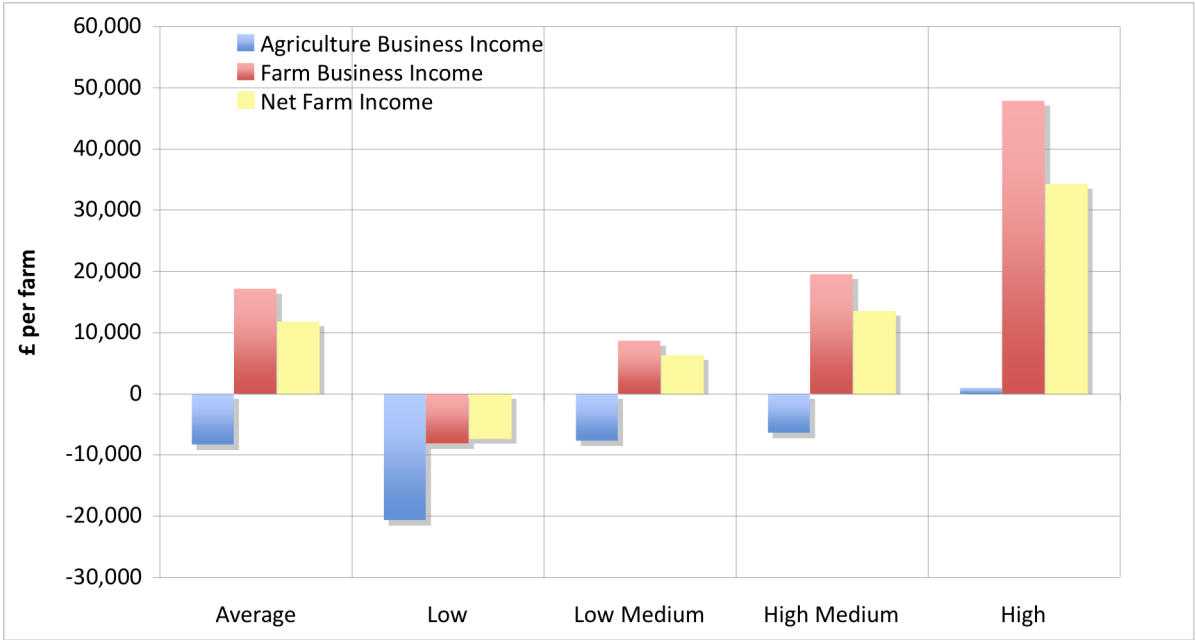
Derivation of farm income measures		The average farm														
		Agriculture						Cost Centre (£ per farm)						Farm Business (£ per farm)		
		2007/08	2008/09	% change	2007/08	2008/09	% change	2007/08	2008/09	% change	2007/08	2008/09	% change	2007/08	2008/09	% change
% contribution of cost centre revenue to total:		55%	59%		15%	13%		5%	5%		25%	24%				
1	Total output (Revenue)	35,132	45,106	28%	9,697	10,009	3%	3,330	3,521	6%	16,182	18,402	14%	64,342	77,038	20%
2	Variable costs	22,132	25,734	16%	58	253	338%	366	295	-19%	2	2		22,556	26,285	17%
3=1-2	Total Gross margin	13,000	19,372	49%	9,640	9,755	1%	2,964	3,226	9%	16,182	18,400	14%	41,786	50,754	21%
4	Fixed costs	30,232	27,850	-8%	426	2,107	394%	821	1,464	78%	18	2,329	12824%	31,498	33,748	7%
5=2+4	Total Costs	52,365	53,584	2%	484	2,361	387%	1,187	1,758	48%	18	2,329	12824%	54,054	60,032	11%
6	Profit/(loss) on sale of fixed assets	98	132	34%									98	132	34%	
7=1-5+6	Farm Business Income	-17,134	-8,347	51%	9,213	7,648	-17%	2,143	1,763	-18%	16,164	16,073	-1%	10,386	17,137	65%
8	Adjustment for unpaid manual labour	19,383	18,872	-3%	305	850	179%	656	768	17%				20,344	20,491	1%
9=7-8	Farm Corporate Income	-36,517	-27,219	25%	8,908	6,797	-24%	1,487	994	-33%	16,164	16,073	-1%	-9,958	-3,354	66%
10	Interest payments (net of interest received)	1,849	1,744	-6%	-31	66	-313%	58	62	7%	0	95		1,876	1,967	5%
11=9+10	Farm Investment Income	-34,668	-25,475	27%	8,877	6,864	-23%	1,545	1,056	-32%	16,164	16,168	0%	-8,083	-1,387	83%
% contribution of cost centre costs to total:		97%	89%		1%	4%		2%	3%		0%	4%				
		Profit/(loss) on sale of assets														
		Imputed rent														
		Ownership charges														
		Non-agricultural output historically not accounted for in Net Farm Income														
		Non-agricultural inputs costs historically not accounted for in Net Farm Income														
		Unpaid labour of principal farmer and spouse														
		Net Farm Income														
		5,042														
		56,389														
		52,317														
		476														
		5,573														
		536														
		1,167														
		55,377														
		45,577														
		-5,637														
		135%														
		-7%														
		1072%														
		118%														
		-18%														
		5.4%														
2008/09 Sample size (unweighted)		241														
Number (weighted)		6,018														
2007/08 Sample size (unweighted)		248														
Number (weighted)		6,040														

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 SPS 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, only the highest quartile realises a positive ABI, the remaining farms all make losses as far as their agricultural enterprises are concerned. The two medium quartiles manage to offset these losses by the incomes earned through environmental, diversification and Single payment schemes, but not so for the lowest quartile which returns a negative FBI. In general, the better performing farms make greater incomes from their non agricultural farm business activities and receipts.

As we reported in 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 quartile



Source: Government Office Reports, 2008/9, [RBR](#).

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 –

that for all quartile groups except the highest, the purely agricultural side of these businesses returns a negative Agriculture Business Income or net margin. The ABI improves with the higher performance quartiles – 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 quartile

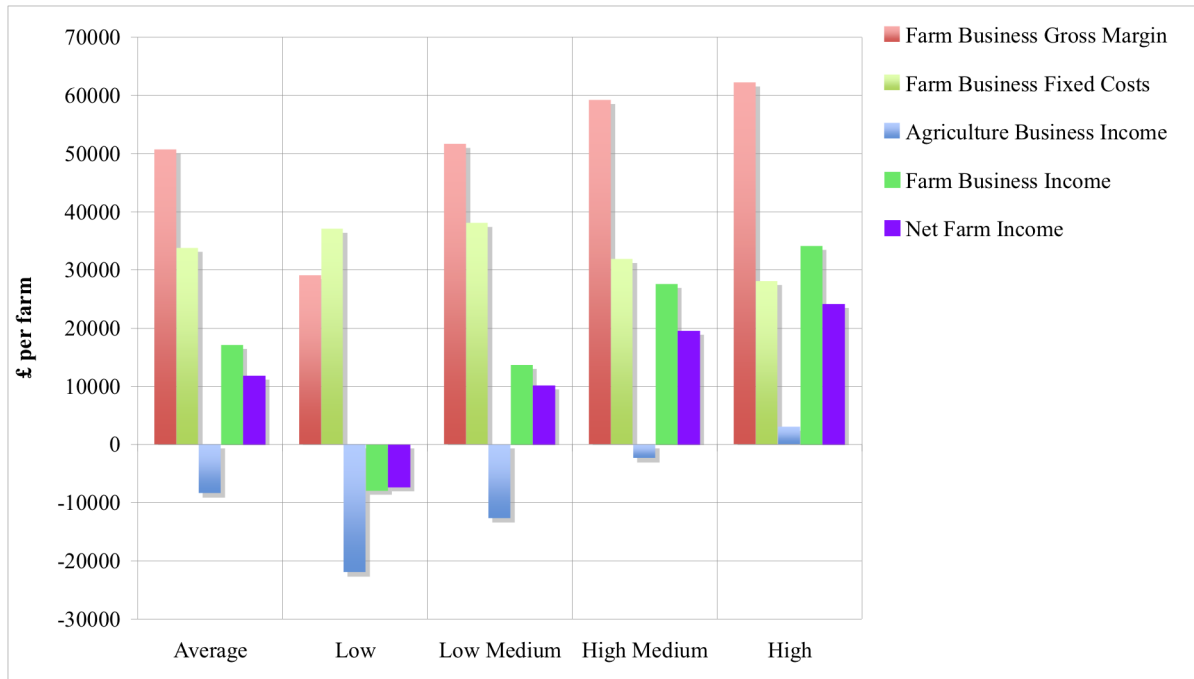
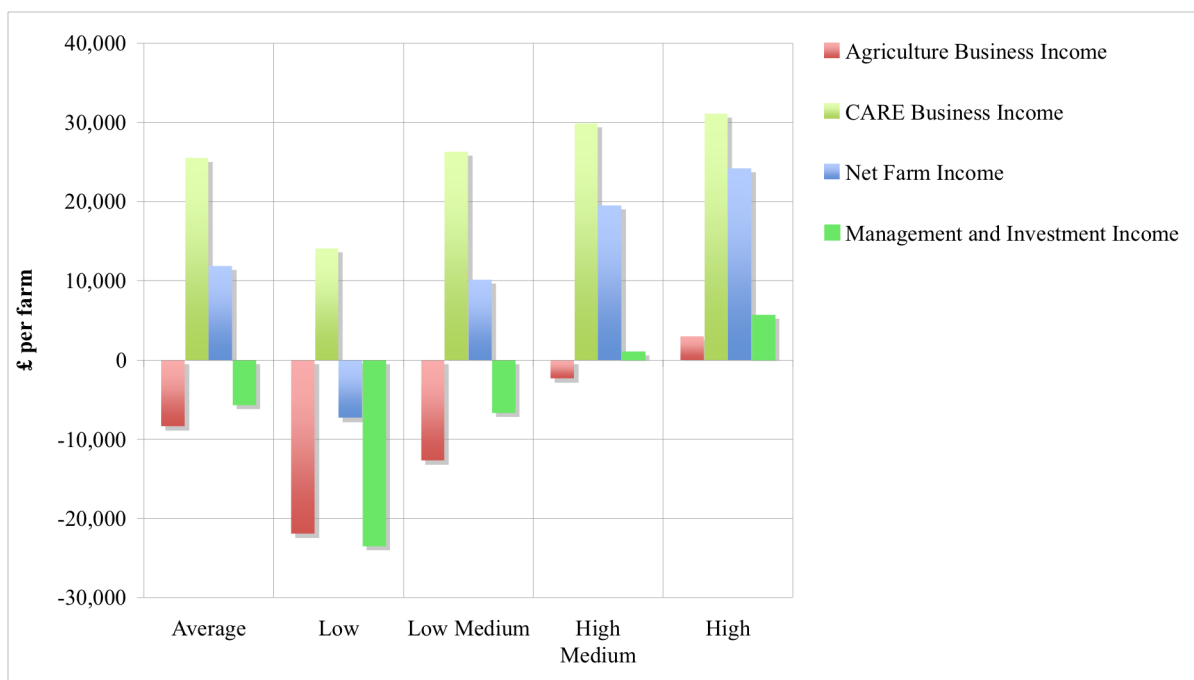


Figure 5. LFA Farm Earnings Performance by FBI/GLU quartile



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. Only the top two quartiles manage a positive M&II; the highest quartile returning only £5,704, 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 while the beef (as opposed to the sheep) enterprise appears to be slightly more profitable at the ABI level, the reverse is true at the NFI and M&II level. It also suggests that mixed grazing farms, despite having the greatest ABI losses, are most capable of attracting CARE revenues relative to their peer farm types. The specialist beef group, being the smallest in area terms of all groups, is at a disadvantage on area based environmental payments. The disadvantaged areas (DA) are the least capable of attracting CARE revenues, though it should be noted that these farms/areas are no longer eligible for the Hill Farm Allowance, which provides a substantial share of the CARE revenue for SDA farms.

Figure 6. LFA business performance by Main Farm Type

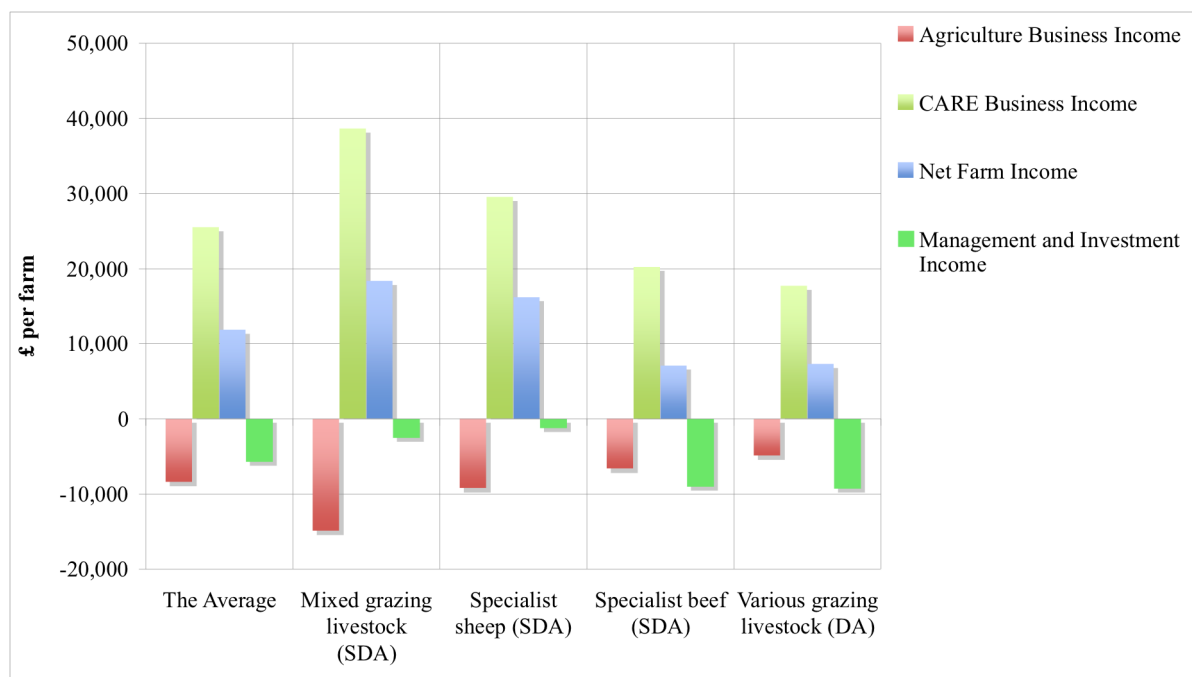
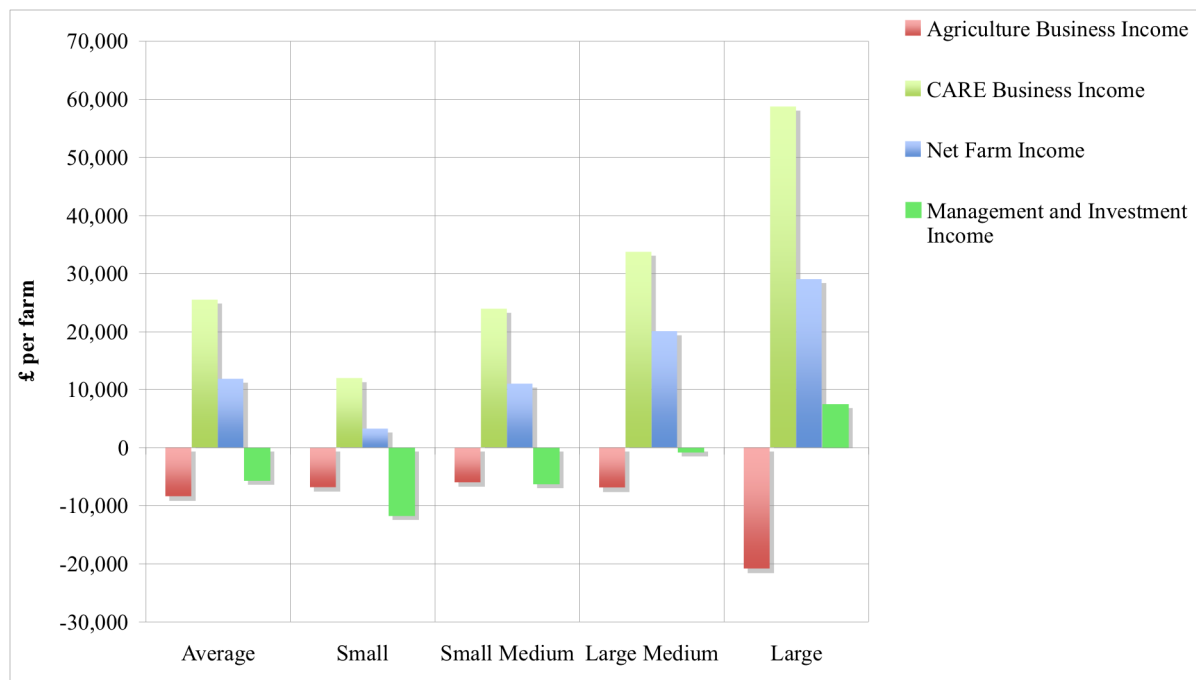


Figure 7 shows the business performance by size, measured here by the Standard Labour Requirement (SLR) and illustrates that size is important to these farms' earning ability, although as previously it is the CARE income which rescues all farms, even the largest, from economic failure. Indeed, the largest farms make larger losses on the agricultural side of their businesses, offset by even larger CARE incomes than their smaller peers. Only the largest farm group is able to generate a positive Management & Investment Income (of £7,513) indicating that they are all vulnerable in the longer term.

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



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 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.

Figure 8. LFA business performance by EU Region

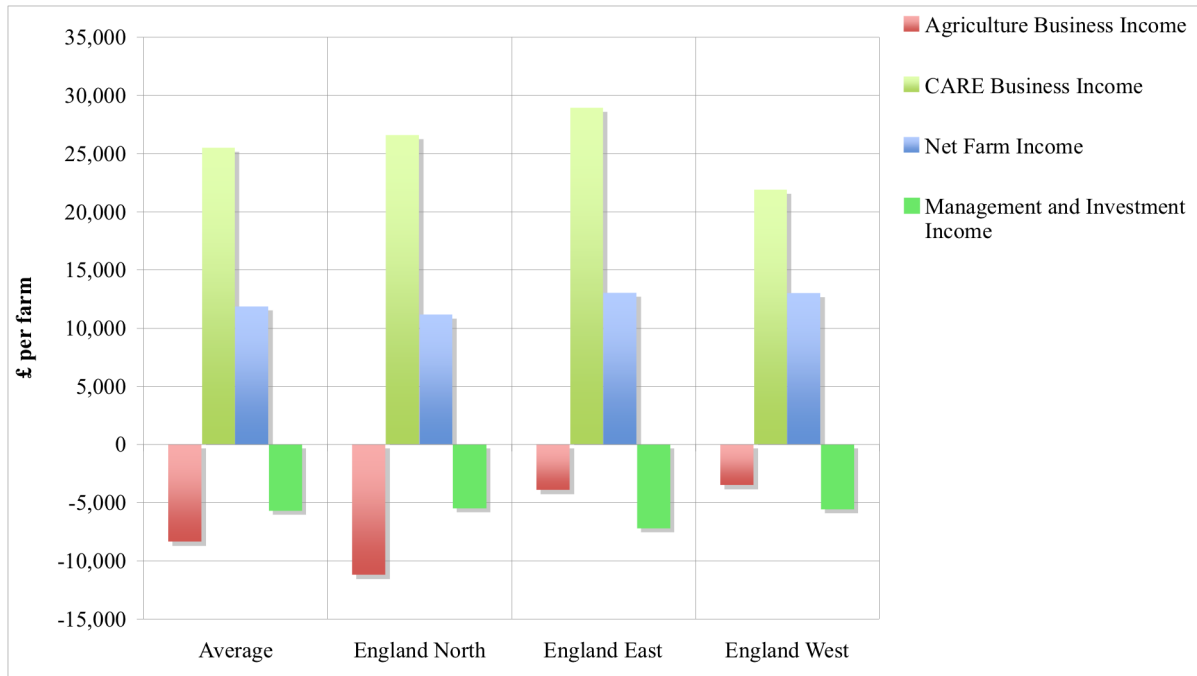


Figure 9 shows the frequency distributions of FBI/GLU for England as a whole and for each of the EU Regions (North; East; West). Given the small number of LFA farms located in the EU East England Region (those in the Peak District) there is no real significance in the variation in distribution of performance 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

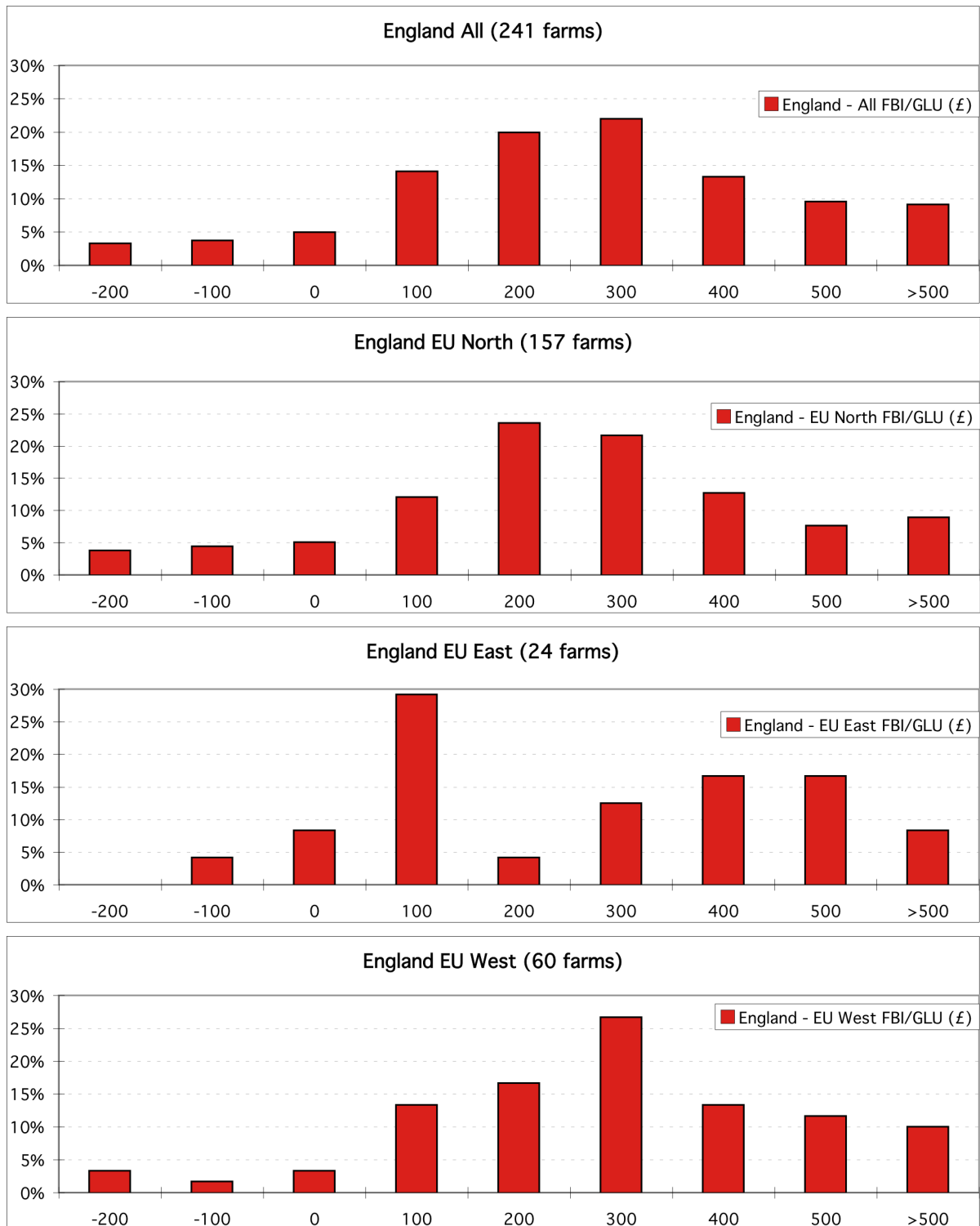
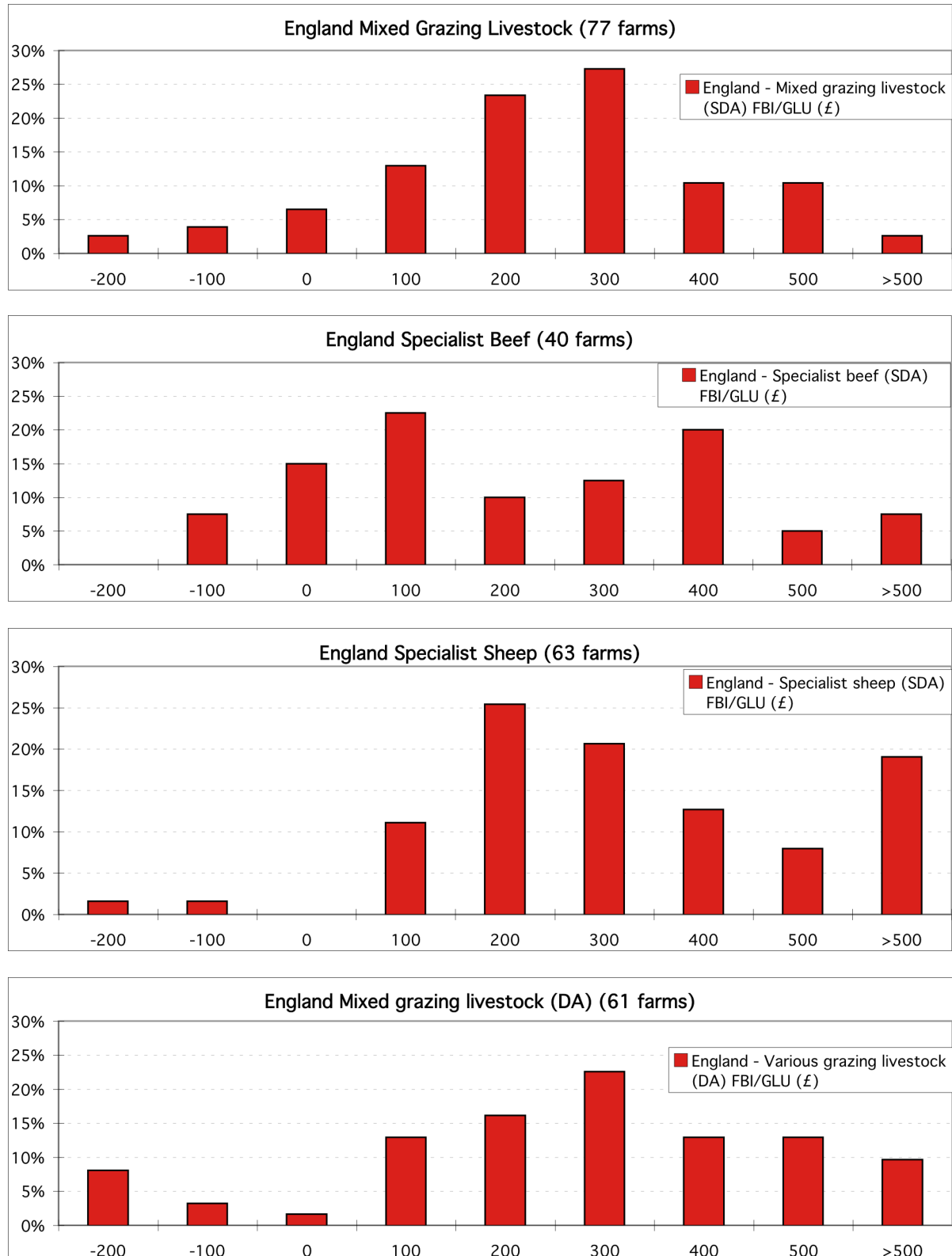


Figure 10 illustrates the variation in performance by Main Farm Type, where it is apparent that the Specialist Beef farms, and to a lesser extent, the DA Mixed Grazing farms (which also carry substantial beef herds) are more likely than sheep farms to exhibit low and negative FBI/GLU returns.

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



6. 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 4: EBLEX Business Pointers: LFA Breeding Sheep

LFA Breeding Sheep

	2007/8	2008/9	Change
	£/head	£/head	£/head
Sales	52.7	65.1	12.4
Replacement costs	8.1	10.4	2.3
Feed costs	9.7	11.6	1.9
Variable costs (excl replacement cost)	17.7	20.5	2.8
Gross Margin	26.9	34.2	7.3
Fixed Costs (exc. Non-cash costs)	40.3	39.0	-1.3
Non-cash costs	24.4	29.5	5.1
Total Costs (inc. Non-cash costs)	90.3	99.3	9.0
Net Margin (inc. Non-cash costs)	-37.5	-34.3	3.2

Note: Non-cash costs: unpaid family labour (including Farmer and Spouse), imputed rent on owned land and interest.

In comparison, the FBS results, for 2007/8 and 2008/9, are shown in Table 5 with a flock stratification shown in Table 6. 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 5 FBS SDA Upland Sheep flock Performance 2007/8 and 2008/9

	All flocks		All flocks		Change £/ewe
	2007/8	std dev	2008/9	std dev	
<i>Number of farms</i>	138		134		
<i>Number of farms (weighted)</i> (£ per ewe)	3112		3015		
Enterprise Output (excluding BLSA)	50.6	18.1	63.1	23.3	12.5
<i>BLSA</i>	-2.4	2.4	3.4	5.9	5.7
Total Variable costs	29.6	11.2	35.1	18.6	5.5
Concentrates, Purchased fodder and keep	14.8	8.4	17.9	12.1	3.1
Gross Margin (excluding BLSA) / Ewe	21.0	18.9	28.0	24.5	7.0
Gross Margin range	-40 to 84		-99 to 76		
Total Fixed costs	49.2	26.2	44.5	18.3	-4.7
Total costs	78.8	29.4	79.7	28.4	0.9
Net Margin (excluding BLSA) / Ewe	-28.2	25.7	-16.6	27.7	11.5
Net Margin after F&S labour (excl BLSA)	-51.4	29.5	-37.7	29.0	13.7

Table 6 FBS SDA Upland Sheep flock Performance by flock size 2008/9

	All flocks	<350 ewes	350-700 ewes	>700 ewes
<i>Number of farms</i>	134	46	61	27
<i>Number of farms (weighted)</i> (£ per ewe)	3,015	1,572	1,072	371
Enterprise Output (excluding BLSA)	63.1	64.3	63.7	61.9
<i>BLSA</i>	3.4	3.0	4.0	2.9
Total Variable costs, of which:	35.1	34.5	35.0	35.6
Concentrates, Purchased feed & keep	17.9	17.3	18.1	18.0
Gross Margin (excluding BLSA) / Ewe	28.0	29.8	28.7	26.2
Total Fixed costs	44.6	51.2	44.7	41.0
Total costs	79.8	85.7	79.7	76.6
Net Margin (excluding BLSA) / Ewe	-16.6	-21.4	-16.0	-14.7
Net Margin after F&S labour (excl BLSA)	-37.7	-54.9	-40.3	-25.6

Tables 4, 5 and 6 show very clearly that Sheep farming on its own in the English LFA simply does 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 7: EBLEX Business Pointers: Upland Suckler Herd**Upland Suckler Herd**

	2007/8	2008/9	Change
	£/cow	£/cow	£/cow
Sales	342	422	80
Replacement costs	48	57	9
Feed costs	83	105	22
Variable costs (excl replacement cost)	133	158	25
Gross Margin	161	207	46
Fixed Costs (exc. Non-cash costs)	324	327	3
Non-cash costs	193	258	65
Total Costs (inc. Non-cash costs)	699	801	102
Net Margin (inc. Non-cash costs)	-357	-378	-21

In comparison, the FBS results, for 2007/8 and 2008/9, are shown in Table 8 with a herd size stratification shown in Table 9.

Table 8 LFA Suckler Herd Performance 2007/8 and 2008/9

	2007/8	All herds std dev	2008/9	std dev	change £/cow
Number of farms	191		195		
Number of farms (weighted) (£ per cow)	4232		4511		
Enterprise Output (excluding BLSA)	257	103	278	201	22
BLSA	36	39	149	67	113
Total Variable costs	139	63	160	90	21
Concentrates, Purchased fodder and keep	54	44	63	51	9
Gross Margin (excluding BLSA) / Cow	118	110	118	211	0
Gross Margin range	-344 to 346		-1180 to 1427		
Total Fixed costs	349	156	295	172	-54
Total costs	488	175	456	208	-32
Enterprise NM (excluding BLSA)	-232	164	-178	252	54
Enterprise NM after F&S labour (excl BLSA)	-366	249	-309	266	57

Table 9 LFA Suckler Herd Performance by herd size 2008/9

	All herds	<50 cows	50-100 cows	>100 cows
<i>Number of farms</i>	196	116	60	20
<i>Number of farms (weighted)</i>	4,539	3,211	1,071	257
<u>Output per cow</u>				
Enterprise Output (excluding BLSA)	278	272	317	213
BLSA	149	141	155	158
Total Variable costs, of which:	160	162	151	175
Concentrates & purchased feed & keep	63	62	56	80
Gross Margin (excluding BLSA) / Cow	118	109	165	37
Total Fixed costs	295	304	314	235
Total costs	456	466	465	410
Enterprise NM (excluding BLSA)	-178	-194	-149	-197
Enterprise NM after F&S labour (excl BLSA)	-309	-388	-251	-240

Tables 7, 8 and 9 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

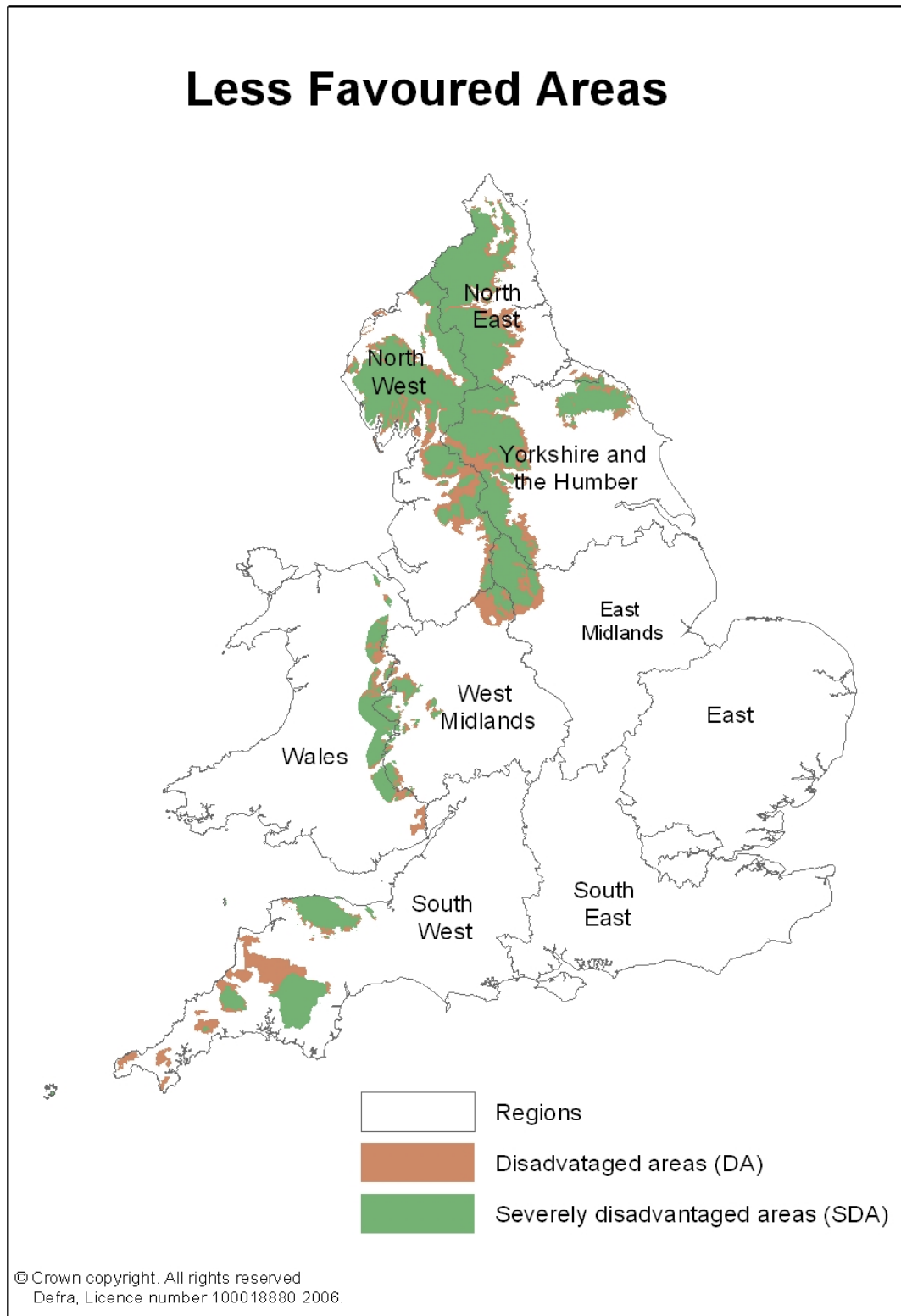
Hill Farming in England, 2006/7, RBR

Hill Farming in England, 2007/8, RBR

Government Office Reports, 2008/9, [RBR](#)

[EBLEX](#) 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 10: Farm Income measures by Cost Centre - Mixed grazing livestock (SDA)

	Cost Centre (£ per farm)				Farm Business (£ per farm) 2008/09
	Agriculture 2008/09	Agri-environment and other payments 2008/09	Diversification out of agriculture 2008/09	Single Payment Scheme 2008/09	
Derivation of farm income measures:					
Total output	57,834	17,506	4,394	25,885	105,620
Variable costs	35,107	323	291	2	35,724
Total Gross margin	22,727	17,183	4,103	25,883	69,896
Fixed costs	38,063	3,185	2,406	2,961	46,613
Total Costs	73,171	3,508	2,697	2,961	82,337
Profit/(loss) on sale of fixed assets	450	0	0	0	450
Farm Business Income	-14,886	13,998	1,697	22,924	23,732
Adjustment for unpaid manual labour	21,445	1,150	1,236	0	23,832
Farm Corporate Income	-36,332	12,848	461	22,924	-100
Interest payments (net of interest received)	2,101	102	127	78	2,407
Farm Investment Income	-34,231	12,949	588	23,002	2,308
Derivation of Net Farm Income					
			Profit/(loss) on sale of assets		450
			Imputed rent		7,437
			Ownership charges		2,964
The average farm			Non-agricultural output historically not accounted for in Net Farm Income		409
			Non-agricultural inputs costs historically not accounted for in Net Farm Income		60
			Unpaid labour of principal farmer and spouse		20,873
			Net Farm Income		18,358
			Holding gains not included in farm income		51,926
			Breeding and Live Stock Appreciation (BLSA)		8,064
The average farm			Revaluation of machinery, permanent crops, glasshouse, quota		1,517
Number (unweighted)	77		Revaluation of land		42,345
Number (weighted)	1,156		Management and Investment Income		-2,471

Table 11: Farm Income measures by Cost Centre - Specialist beef (SDA)

	Cost Centre (£, per farm)			Single Payment Scheme 2008/09	Farm Business (£ per farm) 2008/09
	Agriculture 2008/09	Agri-environment and other payments 2008/09	Diversification out of agriculture 2008/09		
Derivation of farm income measures:					
Total output	38,200	7,416	2,601	14,942	63,158
Variable costs	19,482	105	3	3	19,593
Total Gross margin	18,717	7,311	2,598	14,940	43,566
Fixed costs	25,351	1,580	1,160	1,861	29,950
Total Costs	44,834	1,685	1,163	1,861	49,543
Profit/(loss) on sale of fixed assets	11	0	0	0	11
Farm Business Income	-6,623	5,731	1,438	13,081	13,626
Adjustment for unpaid manual labour	18,794	775	376	0	19,944
Farm Corporate Income	-25,417	4,956	1,062	13,081	-6,318
Interest payments (net of interest received)	1,121	14	25	38	1,198
Farm Investment Income	-24,296	4,970	1,087	13,119	-5,119
Derivation of Net Farm Income					
				Profit/ (loss) on sale of assets	11
				Imputed rent	6,185
				Ownership charges	2,334
The average farm				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	16,100
				Net Farm Income	7,130
				Holding gains not included in farm income	59,092
				Breeding and Live Stock Appreciation (BLSA)	6,718
The average farm				Revaluation of machinery, permanent crops, glasshouse, quota	1,231
Number (unweighted)	40			Revaluation of land	51,143
Number (weighted)	1,186			Management and Investment Income	-8,970

Table 12: Farm Income measures by Cost Centre - Specialist sheep (SDA)

	Cost Centre (£, per farm)				Farm Business (£ per farm) 2008/09
	Agriculture 2008/09	Agri-environment and other payments 2008/09	Diversification out of agriculture 2008/09	Single Payment Scheme 2008/09	
<u>Derivation of farm income measures:</u>					
Total output	36,867	13,701	4,491	18,228	73,287
Variable costs	24,155	540	722	1	25,419
Total Gross margin	12,712	13,161	3,769	18,227	47,869
Fixed costs	21,883	2,473	1,212	1,922	27,490
Total Costs	46,039	3,014	1,934	1,922	52,909
Profit/(loss) on sale of fixed assets	-44	0	0	0	-44
Farm Business Income	-9,216	10,688	2,557	16,305	20,334
Adjustment for unpaid manual labour	16,894	1,293	722	0	18,909
Farm Corporate Income	-26,110	9,395	1,835	16,305	1,426
Interest payments (net of interest received)	1,504	103	13	69	1,688
Farm Investment Income	-24,606	9,498	1,847	16,374	3,114
Derivation of Net Farm Income					
				Profit/ (loss) on sale of assets	-44
				Imputed rent	5,004
				Ownership charges	1,387
The average farm				Non-agricultural output historically not accounted for in Net Farm Income	2,073
				Non-agricultural inputs costs historically not accounted for in Net Farm Income	1,351
				Unpaid labour of principal farmer and spouse	17,438
				Net Farm Income	16,212
				Holding gains not included in farm income	45,765
				Breeding and Live Stock Appreciation (BLSA)	2,971
The average farm				Revaluation of machinery, permanent crops, glasshouse, quota	883
Number (unweighted)	63			Revaluation of land	41,912
Number (weighted)	1,662			Management and Investment Income	-1,161

Table 13: Farm Income measures by Cost Centre - Various grazing livestock (DA)

	Cost Centre (£ per farm)			Farm Business (£ per farm) 2008/09
	Agriculture 2008/09	Agri-environment and other payments 2008/09	Diversification out of agriculture 2008/09	
Derivation of farm income measures:				
Total output	48,662	4,182	2,761	71,893
Variable costs	25,336	64	116	25,519
Total Gross margin	23,326	4,118	2,645	46,374
Fixed costs	28,380	1,497	1,309	33,760
Total Costs	53,716	1,561	1,425	59,278
Profit/(loss) on sale of fixed assets	165	0	0	165
Farm Business Income	-4,888	2,621	1,336	12,779
Adjustment for unpaid manual labour	19,074	358	769	20,201
Farm Corporate Income	-23,963	2,263	568	-7,422
Interest payments (net of interest received)	2,105	46	86	2,396
Farm Investment Income	-21,858	2,310	654	-5,025
Derivation of Net Farm Income				
The average farm				
			Profit/ (loss) on sale of assets	165
			Imputed rent	6,667
			Ownership charges	2,879
			Non-agricultural output historically not accounted for in Net Farm Income	470
			Non-agricultural inputs costs historically not accounted for in Net Farm Income	86
			Unpaid labour of principal farmer and spouse	16,498
			Net Farm Income	7,300
			Holding gains not included in farm income	53,961
			Breeding and Live Stock Appreciation (BLSA)	5,617
			Revaluation of machinery, permanent crops, glasshouse, quota	1,163
			Revaluation of land	47,180
			Management and Investment Income	-9,187
The average farm	61			
Number (unweighted)	2,014			
Number (weighted)				

Table 14: Output, Variable Costs and Farm Gross Margins by Cost Centre

2008/9	The average farm	Mixed grazing livestock (SDA)	Specialist sheep (SDA)	Specialist beef (SDA)	Various grazing livestock (DA)
Number of farms in the group	241	77	63	40	61
Number (weighted)	6,018	1,156	1,662	1,186	2,014
Utilisable Agricultural Area (UAA) (ha)	133	187	174	97	88
Average adjusted UAA (ha)	99	131	113	73	84
Average adjusted sole grazing (ha)	16	25	32	11	2
Average herd size	30	44	9	46	31
Average flock size	312	463	494	89	206
<u>Output</u>					
Farm Output	76,619	105,832	71,517	63,519	71,766
Farm Business Output	77,038	105,620	73,287	63,158	71,893
of which Output from agriculture	45,106	57,834	36,867	38,200	48,662
Agri environment payment	10,009	17,506	13,701	7,416	4,182
Diversified output	3,521	4,394	4,491	2,601	2,761
Single Farm Payment	18,402	25,885	18,228	14,942	16,287
Livestock Enterprise Output	41,970	54,076	35,452	34,989	44,507
Of which Cattle Enterprise Output	21,961	26,877	5,700	29,372	28,195
(incl. Livestock subsidies)	429	570	0	604	599
Sheep Enterprise Output	19,668	26,773	29,721	5,617	15,564
Poultry Enterprise Output	56	73	30	0	101
Pigs Enterprise Output	236	101	0	0	646
Other Livestock Enterprise Output	48	252	0	0	0
Crop Enterprise Output	1,670	1,979	703	820	2,790
Of which Crop Subsidies	0	0	0	0	0
Main Crops	403	907	41	167	550
Forage by-products	1,238	1,070	618	558	2,248
Cultivations output	29	2	44	95	-8
Set aside payments	0	0	0	0	0
Non agriculture, no other category output	1,484	1,802	713	2,431	1,381
Disposal Previous Crops	-17	-22	0	-40	-15
<u>Farm Business Output</u>	77,038	105,620	73,287	63,158	71,893
<u>Variable Costs</u>					
Farm Business Variable costs	26,285	35,724	25,419	19,593	25,519
Of which Agriculture Variable Costs	25,734	35,107	24,155	19,482	25,336
Agri environment Variable Costs	253	323	540	105	64
Diversified income Variable Costs	295	291	722	3	116
SPS Variable Costs	2	2	1	3	2
Agriculture Crop Costs	3,479	4,746	2,496	3,015	3,837
Of which Seed	164	284	77	53	233
Fertilizer	2,605	3,642	2,078	2,031	2,784
Crop Protection	218	295	127	163	280
Other Crop Costs	492	525	214	769	540
Agriculture Livestock Costs	19,105	25,539	19,185	13,928	18,393
Of which Purchased Fodder Feed	10,997	13,923	11,403	8,138	10,664
Home Produced Fodder Feed	365	791	40	254	453
Veterinary and medicines	2,851	3,941	3,379	1,852	2,376
Other Livestock Costs	4,893	6,884	4,364	3,683	4,900
Agriculture Contract Costs	2,290	3,544	1,327	1,949	2,565
Agriculture Casual Labour	786	1,092	1,146	474	496
Agriculture, no other category Variable Costs	74	186	1	116	45
<u>Farm Business Gross Margin</u>	50,754	69,896	47,869	43,566	46,374
Agriculture Gross Margin	19,372	22,727	12,712	18,717	23,326
Agri Environment Gross Margin	9,755	17,183	13,161	7,311	4,118
Diversified Gross Margin	3,226	4,103	3,769	2,598	2,645
SPS Gross Margin	18,400	25,883	18,227	14,940	16,285

Table 15: Fixed Costs and Farm Income calculations

2008/9	The Average Farm	Mixed grazing livestock (SDA)	Specialist sheep (SDA)	Specialist beef (SDA)	Various grazing livestock (DA)
Number (unweighted)	241	77	63	40	61
Number (weighted)	6,018	1,156	1,662	1,186	2,014
Utilisable Agricultural Land (UAA) (ha)	133	187	174	97	88
Average adjusted UAA (ha)	99	131	113	73	84
Average adjusted sole grazing (ha)	16	25	32	11	2
Average herd size	30	44	9	46	31
Average flock size	312	463	494	89	206
Gross Margin					
Farm Business Gross Margin	50,754	69,896	47,869	43,566	46,374
Agriculture Gross Margin	19,372	22,727	12,712	18,717	23,326
Agri Environment Gross Margin	9,755	17,183	13,161	7,311	4,118
Diversified Income Gross Margin	3,226	4,103	3,769	2,598	2,645
SPS Gross Margin	18,400	25,883	18,227	14,940	16,285
Fixed Costs					
Farm Business Fixed Costs	33,748	46,613	27,490	29,950	33,760
of which: Agriculture Fixed Costs	27,850	38,063	21,883	25,351	28,380
Agri Environment Fixed Costs	2,107	3,185	2,473	1,580	1,497
Diversified Income Fixed Costs	1,464	2,406	1,212	1,160	1,309
SPS Fixed Costs	2,327	2,959	1,921	1,859	2,575
Agriculture Paid Labour	2,752	5,210	3,155	1,567	1,705
Of which Fixed Labour Costs	1,966	4,118	2,009	1,093	1,209
(-) Casual Labour Costs (a Variable Cost)	786	1,092	1,146	474	496
Agriculture Machinery Costs	12,579	16,431	9,595	12,552	12,846
of which: Machinery Running Costs	6,196	8,459	4,618	5,737	6,470
Agriculture Depreciation Tenants Capital	6,383	7,973	4,977	6,816	6,375
Agriculture General Farming Costs	6,933	8,254	5,465	6,162	7,841
of which: Agriculture Bank & Professional Fees	1,421	1,728	1,102	1,145	1,670
Agriculture Other General Costs	3,768	4,426	2,859	3,896	4,066
Net Interest Payments	1,744	2,101	1,504	1,121	2,105
Bad Debts Write-offs	0	0	0	0	0
Agriculture Property Costs	5,405	7,868	4,361	4,178	5,574
Non Agriculture Other Fixed Costs	967	1,392	453	1,367	910
Profit/loss sale of fixed assets	132	450	-44	11	165
Agriculture Net Margin (AGRICULTURE BUSINESS INCOME)					
Unpaid manual labour	-8,347	-14,886	-9,216	-6,623	-4,888
Of Which Unpaid Farmer and Spouse	18,872	21,445	16,894	18,794	19,074
Unpaid Partner	16,170	18,595	15,746	15,100	15,758
Unpaid Partner	2,702	2,851	1,147	3,693	3,316
Agriculture Economic Profit (AGRICULTURE CORPORATE INCOME)					
Agriculture Net Interest Payment (added back)	-27,219	-36,332	-26,110	-25,417	-23,963
Agriculture Net Interest Payment (added back)	1,744	2,101	1,504	1,121	2,105
AGRICULTURE INVESTMENT INCOME	-25,475	-34,231	-24,606	-24,296	-21,858
Farm Net Margin (FARM BUSINESS INCOME)					
Farm Economic Profit (FARM CORPORATE INCOME)	17,137	23,732	20,334	13,626	12,779
FARM INVESTMENT INCOME	-3,354	-100	1,426	-6,318	-7,422
FARM INVESTMENT INCOME	-1,387	2,308	3,114	-5,119	-5,025
NET FARM INCOME					
Holding gains not included in farm income	11,853	18,358	16,212	7,130	7,300
BLSA	52,317	51,926	45,765	59,092	53,961
Revaluation of Machinery, permanent crops etc	5,573	8,064	2,971	6,718	5,617
Revaluation of Land	1,167	1,517	883	1,231	1,163
Revaluation of Land	45,577	42,345	41,912	51,143	47,180
MANAGEMENT AND INVESTMENT INCOME					
	-5,637	-2,471	-1,161	-8,970	-9,187

Table 16: Balance Sheet and Fund Flows

2008/9	The Average Farm	Mixed grazing livestock (SDA)	Specialist sheep (SDA)	Specialist beef (SDA)	Various grazing livestock (DA)
Number (unweighted)	241	77	63	40	61
Number (weighted)	6,018	1,156	1,662	1,186	2,014
Average Farmed Area (ha)	135.6	192.0	173.7	100.8	92.2
Adjusted Utilisable Agricultural Area (ha)	98.8	130.6	112.8	73.0	84.1
Ewes (head)	312	463	494	89	206
Beef Cows (head)	30	44	9	46	30
Occupied Area (ha)	66.6	81.5	74.0	59.8	56.0
Tenanted Area (ha)	70.0	110.2	102.6	39.6	38.0
Percentage of Land Owned (%)	48.7	42.5	41.9	60.1	59.5
Assets					
Fixed Assets	542,469	628,917	497,889	521,227	542,122
<i>Of which</i> Agricultural Land	427,601	471,224	399,951	415,140	432,705
Woodland	1,653	1,570	472	799	3,177
Total Buildings	10,053	11,197	6,976	10,449	11,702
Total Improvements	2,324	5,121	1,725	1,854	1,490
Milk quota	2	3	0	0	5
SPS Entitlements	21,067	29,631	21,771	16,878	18,035
Machinery	34,325	43,928	26,765	37,192	33,361
Breeding Livestock	43,421	65,862	39,886	38,915	36,104
Miscellaneous Business Assets	2,023	383	341	0	5,544
Current Assets	50,594	61,580	33,670	56,817	54,589
<i>of which</i> Trading Livestock	21,573	27,798	8,800	25,912	25,985
Crops	132	401	2	0	163
Forage	2,826	3,740	1,136	3,645	3,214
Cultivation	719	370	381	1,015	1,025
Stores	2,009	2,679	1,497	1,561	2,309
Liquid Assets	23,335	26,592	21,853	24,685	21,892
<i>Of which</i> Cash at Bank and In Hand	13,680	12,490	10,099	16,375	15,732
Debtors	6,037	9,594	7,503	3,994	3,989
Suspended	0	0	0	0	0
SPS & EU mod'n refund debtors	3,617	4,508	4,251	4,316	2,172
Total Assets (£/farm)	593,062	690,497	531,558	578,044	596,711
<i>Of which</i> Total Landlord-type Capital	441,633	489,114	409,124	428,241	449,079
Tenant Type Capital	151,430	201,383	122,434	149,802	147,632
Loans					
Total Long Term Loans	21,164	25,015	15,311	11,063	29,729
<i>Of which</i> Bank Loans	8,779	11,456	8,786	4,137	9,969
Institutional Loans	10,399	10,661	5,573	5,075	17,367
<i>Of which</i> AMC	6,534	7,584	3,268	298	12,298
Building Societies	487	120	1,678	0	0
Other Institutional Loans	3,378	2,957	626	4,777	5,068
Family Loans	1,848	2,758	952	1,290	2,394
Other Loans	137	141	0	560	0
Current Liabilities	18,931	23,912	15,112	16,468	20,671
<i>Of which</i> Hire Purchase	2,017	2,954	1,227	2,326	1,949
Leasing	115	204	0	120	158
Other Current Liabilities	16,798	20,754	13,885	14,022	18,565
<i>Of which</i> Creditors	4,523	6,672	4,498	2,401	4,560
Bank Overdraft	11,964	13,812	8,608	11,399	14,005
Others	311	270	778	223	0
Total Liabilities	40,095	48,927	30,423	27,531	50,401
Closing Net Worth	552,968	641,570	501,135	550,513	546,310
Opening Net Worth	501,484	593,215	458,719	489,370	491,232

Change in New Worth	51,484	48,355	42,415	61,142	55,079
SPS Entitlements Opening Valuation	24,895	35,787	25,261	19,726	21,381
Change in SPS Entitlements	-3,828	-6,156	-3,490	-2,847	-3,346
Change in Borrowing	629	2,241	471	-5,429	3,399
Funds Introduced	15,586	26,436	8,498	6,185	20,738
Cash Flow from the Farm Business	14,710	23,144	19,804	14,601	5,726
Private Drawings	18,413	25,062	18,079	14,003	17,469
Asset Purchases	14,047	19,533	7,763	12,848	16,788
Asset Sales	3,986	6,729	2,036	5,531	3,111
Capital Expenditure	10,061	12,804	5,727	7,317	13,677

Table 17: Land use, Stocking and Technical Efficiency

	The Average Farm	Mixed grazing livestock (SDA)	Specialist sheep (SDA)	Specialist beef (SDA)	Various grazing livestock (DA)
2008/9					
Number (unweighted)	241	77	63	40	61
Number (weighted)	6,018	1,156	1,662	1,186	2,014
Total Area (includes woodland and roads etc) (ha)	136.7	191.7	176.6	99.3	94.0
Area Farmed (ha)	135.6	192.0	173.7	100.8	92.2
Net Land Hired In (ha)	2.8	4.7	-0.4	3.4	4.1
Utilised Agricultural Area (ha)	132.8	187.4	174.1	97.4	88.1
<i>Of which</i> Total main products and set-aside (ha)	0.7	1.3	0.1	0.2	1.1
Grass, fodder crops and rough grazing (ha)	132.1	186.0	174.0	97.2	87.0
<i>Of which</i> rough grazing (unadjusted) (ha)	50.5	81.9	93.2	35.8	5.8
Adjusted rough grazing (sole occupation)	16.5	25.1	31.8	11.4	1.8
Adjusted rough grazing (shared)	6.5	14.2	8.8	5.4	0.8
Total Adjusted Utilised Agriculture Area (ha)	98.8	130.6	112.8	73.0	84.1
Area owner occupied (ha)	66.6	81.5	74.0	59.8	56.0
Area tenanted (ha)	70.0	110.2	102.6	39.6	38.0
Average age of farmer (years)	55	50	58	59	54
Agricultural labour units (ALU)	1.4	1.7	1.3	1.3	1.3
Economic size units (ESU)	23.4	34.3	20.9	19.5	21.5
<u>Land Use</u>					
Temporary Grassland Area (ha)	4.7	4.9	3.1	1.9	7.5
Permanent Grassland Area (ha)	78.9	101.9	77.3	62.8	76.5
<u>Stocking</u>					
Total Dairy Cows	0	0	0	0	0
Total Beef cows	30	44	9	46	31
Total Cattle	83	116	23	118	94
Ewes (LFA and lowland)	312	463	494	89	206
Of which LFA Ewes	308	463	494	89	193
Lowland Ewes	4	0	0	0	12
Total Sheep	606	885	961	186	400
<u>Livestock Units</u>					
Total Cattle LU	49	67	13	68	56
Of which Beef Cows LU	23	33	7	34	24
Other Cattle LU	24	30	6	31	30
Dairy Cows and Heifers	2	4	1	3	2
Total Sheep LU	39	57	61	12	26
Of which Ewe LU	22	32	35	7	15
Grazing LU (cattle, sheep, horses and others)	88	127	75	80	83
Total LU	89	127	75	80	83
<u>Financial Performance per GLU</u>					
Farm Business Output per GLU (£/GLU)	871	834	982	787	870
Farm Business Variable Costs (£/GLU)	297	282	341	244	309
Farm Business Gross Margin (£/GLU)	574	552	641	543	561
Farm Business Fixed Costs (£/GLU)	382	368	368	373	408
Farm Business Income (£/GLU)	194	188	272	170	155
Farm Corporate Income (£/GLU)	-38	-1	19	-79	-90
Farm Investment Income (£/GLU)	-16	18	42	-64	-61
Holding Gains Not In Income (£/GLU)	592	410	613	736	653
of which Land Revaluation (£/GLU)	516	335	562	637	571
Net Farm Income (£/GLU)	134	145	217	89	88
Management and Investment Income (£/GLU)	-64	-20	-16	-112	-111
Agriculture Net Margin (Agriculture business income) (£/GLU)	-94	-118	-123	-83	-59
Agriculture Economic Profit (Agriculture corporate income) (£/GLU)	-308	-287	-350	-317	-290
Agriculture Investment Income (£/GLU)	-288	-270	-330	-303	-264

Appendix 3- Analysis of English Grazing Livestock Farms in the LFA- by EU region
Table 18: Output, Variable Costs and Farm Gross Margins by Cost Centre by EU Region

2008/9	The average Farm	EU Region England North	EU Region England East	EU Region England West
Number of farms in the group	241	157	24	60
Number (weighted)	6,018	3,771	555	1,692
Utilisable Agricultural Land (UAA) (ha)	133	145	173	92
Average adjusted UAA (ha)	99	100	143	81
Average adjusted sole grazing (ha)	16	20	30	5
Average herd size	30	28	49	30
Average flock size	312	352	240	247
<u>Output</u>				
Farm Output	76,619	76,981	101,888	67,514
Farm Business Output	77,038	76,620	108,509	67,639
of which Output from agriculture	45,106	44,829	65,521	39,021
Agri environment payment	10,009	9,924	13,258	9,130
Diversified output	3,521	3,118	8,527	2,776
Single Farm Payment	18,402	18,748	21,203	16,712
Livestock Enterprise Output	41,970	41,532	61,394	36,569
Of which Cattle Enterprise Output	21,961	19,082	43,241	21,393
(incl. Livestock subsidies)	429	0	1,025	1,189
Sheep Enterprise Output	19,668	22,371	15,950	14,865
Poultry Enterprise Output	56	22	89	121
Pigs Enterprise Output	236	23	2,060	110
Other Livestock Enterprise Output	48	33	54	81
Crop Enterprise Output	1,670	1,491	2,840	1,683
Of which Crop Subsidies	0	0	0	0
Main Crops	403	387	501	406
Forage by-products	1,238	1,114	2,246	1,185
Cultivations output	29	-10	93	93
Set aside payments	0	0	0	0
Non agriculture, no other category output	1,484	1,834	1,287	770
Disposal Previous Crops	-17	-27	0	-1
<u>Farm Business Output</u>	<u>77,038</u>	<u>76,620</u>	<u>108,509</u>	<u>67,639</u>
<u>Variable Costs</u>				
Farm Business Variable costs	26,285	27,725	38,369	19,107
Of which Agriculture Variable Costs	25,734	27,516	34,933	18,743
Agri environment Variable Costs	253	144	1,146	205
Diversified income Variable Costs	295	63	2,288	157
SPS Variable Costs	2	2	3	3
Agriculture Crop Costs	3,479	3,482	3,671	3,410
Of which Seed	164	157	113	198
Fertilizer	2,605	2,659	2,018	2,679
Crop Protection	218	237	414	110
Other Crop Costs	492	430	1,127	422
Agriculture Livestock Costs	19,105	20,918	28,187	12,083
Of which Purchased Fodder Feed	10,997	12,547	17,417	5,433
Home Produced Fodder Feed	365	332	547	377
Veterinary and medicines	2,851	3,025	3,593	2,218
Other Livestock Costs	4,893	5,014	6,631	4,055
Agriculture Contract Costs	2,290	2,156	2,309	2,583
Agriculture Casual Labour	786	862	764	622
Agriculture, no other category Variable Costs	74	98	1	44
<u>Farm Business Gross Margin</u>	<u>50,754</u>	<u>48,895</u>	<u>70,139</u>	<u>48,532</u>
Agriculture Gross Margin	19,372	17,313	30,588	20,278
Agri Environment Gross Margin	9,755	9,780	12,111	8,926
Diversified Gross Margin	3,226	3,055	6,240	2,618
SPS Gross Margin	18,400	18,747	21,200	16,709

Table 19: Fixed Costs and Farm Income calculations by EU Region

	The Average Farm	EU Region England North	EU Region England East	EU Region England West
2008/9				
Number (unweighted)	241	157	24	60
Number (weighted)	6,018	3,771	555	1,692
Utilisable Agricultural Land (UAA) (ha)	133	145	173	92
Average adjusted UAA (ha)	99	100	143	81
Average adjusted sole grazing (ha)	16	20	30	5
Average herd size	30	28	49	30
Average flock size	312	352	240	247
<u>Gross Margin</u>				
Farm Business Gross Margin	50,754	48,895	70,139	48,532
Agriculture Gross Margin	19,372	17,313	30,588	20,278
Agri Environment Gross Margin	9,755	9,780	12,111	8,926
Diversified Income Gross Margin	3,226	3,055	6,240	2,618
SPS Gross Margin	18,400	18,747	21,200	16,709
<u>Fixed Costs</u>				
Farm Business Fixed Costs	33,748	33,687	44,897	30,223
of which: Agriculture Fixed Costs	27,850	28,697	34,261	23,857
Agri Environment Fixed Costs	2,107	1,789	3,706	2,291
Diversified Income Fixed Costs	1,464	1,319	3,001	1,281
SPS Fixed Costs	2,327	1,881	3,928	2,794
Agriculture Paid Labour	2,752	3,079	3,127	1,898
Of which Fixed Labour Costs	1,966	2,217	2,363	1,276
(-) Casual Labour Costs (a Variable Cost)	786	862	764	622
Agriculture Machinery Costs	12,579	12,473	17,326	11,258
of which: Machinery Running Costs	6,196	6,169	8,466	5,511
Agriculture Depreciation Tenants Capital	6,383	6,303	8,859	5,747
Agriculture General Farming Costs	6,933	6,805	8,193	6,807
of which: Agriculture Bank & Professional Fees	1,421	1,553	1,505	1,098
Agriculture Other General Costs	3,768	3,625	5,399	3,551
Net Interest Payments	1,744	1,626	1,289	2,158
Bad Debts Write-offs	0	0	0	0
Agriculture Property Costs	5,405	6,012	5,684	3,959
Non Agriculture Other Fixed Costs	967	1,190	695	557
Profit/loss sale of fixed assets	132	198	-209	95
Agriculture Net Margin (AGRICULTURE BUSINESS INCOME)	-8,347	-11,186	-3,881	-3,484
Unpaid manual labour	18,872	18,018	21,860	19,797
Of Which Unpaid Farmer and Spouse	16,170	15,697	17,127	16,913
Unpaid Partner	2,702	2,321	4,733	2,884
Agriculture Economic Profit (AGRICULTURE CORPORATE INCOME)	-27,219	-29,203	-25,741	-23,281
Agriculture Net Interest Payment (added back)	1,744	1,626	1,289	2,158
AGRICULTURE INVESTMENT INCOME	-25,475	-27,578	-24,452	-21,123
Farm Net Margin (FARM BUSINESS INCOME)	17,137	15,406	25,033	18,403
Farm Economic Profit (FARM CORPORATE INCOME)	-3,354	-3,950	-97	-3,095
FARM INVESTMENT INCOME	-1,387	-2,127	1,381	-647
NET FARM INCOME	11,853	11,171	13,049	12,981
Holding gains not included in farm income	52,317	31,587	75,730	90,836
BLSA	5,573	5,001	10,066	5,374
Revaluation of Machinery, permanent crops etc	1,167	1,104	1,855	1,083
Revaluation of Land	45,577	25,483	63,809	84,379
MANAGEMENT AND INVESTMENT INCOME	-5,637	-5,454	-7,177	-5,541

Table 20: Balance Sheet and Fund Flows by EU Region

	The Average Farm	EU Region England North	EU Region England East	EU Region England West
2008/9				
Number (unweighted)	241	157	24	60
Number (weighted)	6,018	3,771	555	1,692
Average Farmed Area (ha)	135.6	145.4	181.1	98.7
Adjusted Utilisable Agricultural Area (ha)	98.8	100.1	143.4	81.2
Ewes (head)	312	352	240	247
Beef Cows (head)	30	28	49	29
Occupied Area (ha)	67	70	70	57
Tenanted Area (ha)	70	79	106	38
Percentage of Land Owned (%)	48.7	47.1	39.8	59.9
<u>Assets</u>				
Fixed Assets	542,469	498,716	550,302	637,419
<i>Of which</i> Agricultural Land	427,601	380,419	408,287	539,107
Woodland	1,653	1,625	245	2,176
Total Buildings	10,053	10,088	8,688	10,423
Total Improvements	2,324	2,419	4,448	1,417
Milk quota	2	4	0	0
SPS Entitlements	21,067	21,905	24,337	18,127
Machinery	34,325	33,805	47,405	31,190
Breeding Livestock	43,421	45,276	56,893	34,861
Miscellaneous Business Assets	2,023	3,175	0	119
Current Assets	50,594	47,061	73,517	50,942
<i>of which</i> Trading Livestock	21,573	19,191	36,414	22,010
Crops	132	132	152	125
Forage	2,826	2,109	4,707	3,808
Cultivation	719	66	5,524	597
Stores	2,009	1,990	2,231	1,977
Liquid Assets	23,335	23,573	24,489	22,425
<i>Of which</i> Cash at Bank and In Hand	13,680	13,017	18,417	13,603
Debtors	6,037	6,711	3,863	5,251
Suspended	0	0	0	0
SPS & EU mod'n refund debtors	3,617	3,845	2,209	3,571
Total Assets (£/farm)	593,062	545,777	623,819	688,361
<i>Of which</i> Total Landlord-type Capital	441,633	394,555	421,668	553,122
Tenant Type Capital	151,430	151,223	202,151	135,238
<u>Loans</u>				
Total Long Term Loans	21,164	19,603	7,873	29,008
<i>Of which</i> Bank Loans	8,779	6,843	7,575	13,488
Institutional Loans	10,399	10,928	0	12,637
<i>Of which</i> AMC	6,534	4,759	0	12,637
Building Societies	487	776	0	0
Other Institutional Loans	3,378	5,392	0	0
Family Loans	1,848	1,832	297	2,394
Other Loans	137	0	0	489
Current Liabilities	18,931	18,671	23,505	18,007
<i>Of which</i> Hire Purchase	2,017	2,210	1,272	1,832
Leasing	115	118	447	0
Other Current Liabilities	16,798	16,343	21,785	16,176
<i>Of which</i> Creditors	4,523	4,473	4,282	4,715
Bank Overdraft	11,964	11,678	17,504	10,783
Others	311	192	0	677
Total Liabilities	40,095	38,275	31,377	47,015
Closing Net Worth	552,968	507,503	592,442	641,346
Opening Net Worth	501,484	477,181	515,947	550,904

Change in New Worth	51,484	30,322	76,495	90,442
SPS Entitlements Opening Valuation	24,895	25,617	28,630	22,058
Change in SPS Entitlements	-3,828	-3,712	-4,293	-3,931
Change in Borrowing	629	3,209	-1,167	-4,533
Funds Introduced	15,586	20,589	574	9,362
Cash Flow from the Farm Business	14,710	12,128	19,813	18,788
Private Drawings	18,413	18,199	21,167	17,987
Asset Purchases	14,047	15,686	17,311	9,320
Asset Sales	3,986	4,582	4,122	2,613
Capital Expenditure	10,061	11,104	13,189	6,708

Table 21: Land use, Stocking and Technical Efficiency by EU Region

	The Average Farm	EU Region England North	EU Region England East	EU Region England West
2008/9				
Number (unweighted)	241	157	24	60
Number (weighted)	6,018	3,771	555	1,692
Total Area (includes woodland and roads etc) (ha)	136.7	149.6	176.2	95.0
Area Farmed (ha)	135.6	145.4	181.1	98.7
Net Land Hired In (ha)	2.8	0.3	7.9	6.7
Utilised Agricultural Area (ha)	132.8	145.1	173.1	92.0
<i>Of which</i> Total main products and set-aside (ha)	0.7	0.7	1.0	0.7
Grass, fodder crops and rough grazing (ha)	132.1	144.5	172.1	91.3
<i>Of which</i> rough grazing (unadjusted) (ha)	50.5	64.9	59.5	15.5
Adjusted rough grazing (sole occupation)	16.5	19.8	29.8	4.6
Adjusted rough grazing (shared)	6.5	8.3	0.0	4.7
Total Adjusted Utilised Agriculture Area (ha)	98.8	100.1	143.4	81.2
Area owner occupied (ha)	66.6	70.4	70.1	56.9
Area tenanted (ha)	70.0	79.1	106.0	38.0
Average age of farmer (years)	55	57	53	53
Agricultural labour units (ALU)	1.4	1.3	1.6	1.3
Economic size units (ESU)	23.4	23.5	28.2	21.5
<u>Land Use</u>				
Temporary Grassland Area (ha)	4.7	5.7	0.6	3.7
Permanent Grassland Area (ha)	78.9	73.5	119.9	77.3
<u>Stocking</u>				
Total Dairy Cows	0	0	0	0
Total Beef cows	30	28	49	30
Total Cattle	83	75	135	84
Ewes (LFA and lowland)	312	352	240	247
Of which LFA Ewes	308	350	240	235
Lowland Ewes	4	1	0	12
Total Sheep	606	695	375	482
<u>Livestock Units</u>				
Total Cattle LU	49	44	79	50
Of which Beef Cows LU	23	21	36	22
Other Cattle LU	24	20	37	26
Dairy Cows and Heifers	2	2	6	2
Total Sheep LU	39	44	27	31
Of which Ewe LU	22	25	18	17
Grazing LU (cattle, sheep, horses and others)	88	88	107	83
Total LU	89	88	108	83
<u>Financial Performance per GLU</u>				
Farm Business Output per GLU (£/GLU)	871	868	1,018	817
Farm Business Variable Costs (£/GLU)	297	314	360	231
Farm Business Gross Margin (£/GLU)	574	554	658	586
Farm Business Fixed Costs (£/GLU)	382	382	421	365
Farm Business Income (£/GLU)	194	175	235	222
Farm Corporate Income (£/GLU)	-38	-45	-1	-37
Farm Investment Income (£/GLU)	-16	-24	13	-8
Holding Gains Not In Income (£/GLU)	592	358	710	1,098
of which Land Revaluation (£/GLU)	516	289	598	1,020
Net Farm Income (£/GLU)	134	127	122	157
Management and Investment Income (£/GLU)	-64	-62	-67	-67
Agriculture Net Margin (Agriculture business income) (£/GLU)	-94	-127	-36	-42
Agriculture Economic Profit (Agriculture corporate income) (£/GLU)	-308	-331	-241	-281
Agriculture Investment Income (£/GLU)	-288	-313	-229	-255

Appendix 4- Analysis of English Grazing Livestock Farms in the LFA- by Farm size
Table 22: Output, Variable Costs and Farm Gross Margins by Cost Centre by Farm size

	The Average Farm	Band 1	Band 2	Band 3	Band 4
2008/9					
Number of farms in the group	241	35	73	66	67
Number (weighted)	6,018	2,252	2,094	873	800
Utilisable Agricultural Land (UAA) (ha)	133	61	113	177	337
Average adjusted UAA (ha)	99	52	86	123	237
Average adjusted sole grazing (ha)	16	5	15	23	45
Average herd size	30	21	25	34	69
Average flock size	312	79	249	438	995
<u>Output</u>					
Farm Output	76,619	36,842	68,382	98,431	186,429
Farm Business Output	77,038	36,768	70,198	97,935	185,583
of which Output from agriculture	45,106	20,752	38,770	58,468	115,717
Agri environment payment	10,009	5,461	8,446	12,578	24,104
Diversified output	3,521	1,208	6,778	2,521	2,601
Single Farm Payment	18,402	9,347	16,203	24,367	43,160
Livestock Enterprise Output	41,970	18,916	35,171	54,994	110,497
Of which Cattle Enterprise Output	21,961	13,799	18,869	27,542	46,960
(incl. Livestock subsidies)	429	21	331	1,443	727
Sheep Enterprise Output	19,668	5,050	16,063	27,336	61,917
Poultry Enterprise Output	56	0	151	12	16
Pigs Enterprise Output	236	47	60	0	1,486
Other Livestock Enterprise Output	48	20	30	104	119
Crop Enterprise Output	1,670	598	2,493	1,298	2,940
Of which Crop Subsidies	0	0	0	0	0
Main Crops	403	12	314	1,017	1,065
Forage by-products	1,238	524	2,130	282	1,960
Cultivations output	29	62	49	-2	-85
Set aside payments	0	0	0	0	0
Non agriculture, no other category output	1,484	1,239	1,143	2,180	2,309
Disposal Previous Crops	-17	0	-37	-3	-29
<u>Farm Business Output</u>	77,038	36,768	70,198	97,935	185,583
<u>Variable Costs</u>					
Farm Business Variable costs	26,285	11,985	21,817	32,379	71,613
Of which Agriculture Variable Costs	25,734	11,555	20,952	32,292	71,043
Agri environment Variable Costs	253	301	197	42	497
Diversified income Variable Costs	295	127	667	42	67
SPS Variable Costs	2	1	1	3	6
Agriculture Crop Costs	3,479	1,363	3,073	4,336	9,570
Of which Seed	164	59	150	257	397
Fertilizer	2,605	990	2,193	3,092	7,705
Crop Protection	218	75	218	317	509
Other Crop Costs	492	239	511	671	960
Agriculture Livestock Costs	19,105	8,640	15,344	23,607	53,519
Of which Purchased Fodder Feed	10,997	4,860	8,778	12,822	32,099
Home Produced Fodder Feed	365	8	277	900	1,014
Veterinary and medicines	2,851	1,226	2,323	3,572	8,022
Other Livestock Costs	4,893	2,546	3,966	6,313	12,384
Agriculture Contract Costs	2,290	1,133	2,273	2,975	4,844
Agriculture Casual Labour	786	324	254	1,129	3,102
Agriculture, no other category Variable Costs	74	95	7	243	7
<u>Farm Business Gross Margin</u>	50,754	24,783	48,380	65,557	113,969
Agriculture Gross Margin	19,372	9,197	17,818	26,177	44,674
Agri Environment Gross Margin	9,755	5,160	8,249	12,536	23,607
Diversified Gross Margin	3,226	1,080	6,111	2,479	2,534
SPS Gross Margin	18,400	9,346	16,202	24,364	43,154

Table 23: Fixed Costs and Farm Income calculations by Farm size

	The Average Farm	Band 1	Band 2	Band 3	Band 4
2008/9					
Number (unweighted)	241	35	73	66	67
Number (weighted)	6,018	2,252	2,094	873	800
Utilisable Agricultural Land (UAA) (ha)	133	61	113	177	337
Average adjusted UAA (ha)	99	52	86	123	237
Average adjusted sole grazing (ha)	16	5	15	23	45
Average herd size	30	21	25	34	69
Average flock size	312	79	249	438	995
Gross Margin					
Farm Business Gross Margin	50,754	24,783	48,380	65,557	113,969
Agriculture Gross Margin	19,372	9,197	17,818	26,177	44,674
Agri Environment Gross Margin	9,755	5,160	8,249	12,536	23,607
Diversified Income Gross Margin	3,226	1,080	6,111	2,479	2,534
SPS Gross Margin	18,400	9,346	16,202	24,364	43,154
Fixed Costs					
Farm Business Fixed Costs	33,748	19,443	30,758	39,016	76,122
of which: Agriculture Fixed Costs	27,850	15,847	24,070	33,370	65,535
Agri Environment Fixed Costs	2,107	1,780	1,671	2,174	4,100
Diversified Income Fixed Costs	1,464	435	2,992	933	938
SPS Fixed Costs	2,327	1,382	2,025	2,539	5,548
Agriculture Paid Labour	2,752	575	1,468	3,720	11,188
Of which Fixed Labour Costs	1,966	251	1,213	2,591	8,085
(-) Casual Labour Costs (a Variable Cost)	786	324	254	1,129	3,102
Agriculture Machinery Costs	12,579	7,727	12,079	15,071	24,838
of which: Machinery Running Costs	6,196	3,724	5,670	7,728	12,868
Agriculture Depreciation Tenants Capital	6,383	4,003	6,409	7,343	11,970
Agriculture General Farming Costs	6,933	4,868	6,024	7,388	14,637
of which: Agriculture Bank & Professional Fees	1,421	1,106	1,203	1,489	2,803
Agriculture Other General Costs	3,768	2,707	3,651	4,314	6,467
Net Interest Payments	1,744	1,054	1,170	1,585	5,367
Bad Debts Write-offs	0	0	0	0	0
Agriculture Property Costs	5,405	2,162	4,072	6,902	16,396
Non Agriculture Other Fixed Costs	967	838	682	1,419	1,579
Profit/loss sale of fixed assets	132	-103	332	323	60
Agriculture Net Margin (AGRICULTURE BUSINESS INCOME)	-8,347	-6,753	-5,920	-6,870	-20,802
Unpaid manual labour	18,872	14,058	18,655	22,878	28,632
Of Which Unpaid Farmer and Spouse	16,170	13,699	15,648	19,728	20,620
Unpaid Partner	2,702	359	3,007	3,150	8,013
Agriculture Economic Profit (AGRICULTURE CORPORATE INCOME)	-27,219	-20,811	-24,575	-29,749	-49,434
Agriculture Net Interest Payment (added back)	1,744	1,054	1,170	1,585	5,367
AGRICULTURE INVESTMENT INCOME	-25,475	-19,756	-23,405	-28,164	-44,068
Farm Net Margin (FARM BUSINESS INCOME)	17,137	5,236	17,955	26,864	37,907
Farm Economic Profit (FARM CORPORATE INCOME)	-3,354	-10,136	-2,800	2,820	7,564
FARM INVESTMENT INCOME	-1,387	-8,932	-1,488	4,678	13,512
NET FARM INCOME	11,853	3,344	11,039	20,042	29,013
Holding gains not included in farm income	52,317	49,366	46,157	61,149	67,122
BLSA	5,573	2,867	4,876	6,980	13,487
Revaluation of Machinery, permanent crops etc	1,167	731	1,113	1,433	2,248
Revaluation of Land	45,577	45,767	40,169	52,736	51,387
MANAGEMENT AND INVESTMENT INCOME	-5,637	-11,669	-6,202	-764	7,513

Table 24: Balance Sheet and Fund Flows by Farm size

	The Average Farm	Band 1	Band 2	Band 3	Band 4
2008/9					
Number (unweighted)	241	35	73	66	67
Number (weighted)	6,018	2,252	2,094	873	800
Average Farmed Area (ha)	135.6	59.8	112.8	183.7	356.2
Adjusted Utilisable Agricultural Area (ha)	98.8	52.0	86.1	123.1	237.3
Ewes (head)	312	79	249	438	995
Beef Cows (head)	30	20	24	33	68
Occupied Area (ha)	67	47	59	93	113
Tenanted Area (ha)	70	18	57	87	231
Percentage of Land Owned (%)	48.7	72.4	50.6	51.6	32.9
<u>Assets</u>					
Fixed Assets	542,469	446,788	523,066	626,249	771,363
<i>Of which</i> Agricultural Land	427,601	384,981	424,173	484,468	494,566
Woodland	1,653	2,285	918	928	2,585
Total Buildings	10,053	5,661	6,817	13,692	26,929
Total Improvements	2,324	2,304	1,835	2,543	3,425
Milk quota	2	5	0	0	4
SPS Entitlements	21,067	10,634	18,593	28,164	49,192
Machinery	34,325	21,662	34,012	40,988	63,543
Breeding Livestock	43,421	18,742	36,439	55,142	118,427
Miscellaneous Business Assets	2,023	514	280	324	12,692
Current Assets	50,594	31,507	42,883	63,923	110,002
<i>of which</i> Trading Livestock	21,573	11,597	20,270	28,292	45,754
Crops	132	4	119	228	421
Forage	2,826	2,359	2,212	3,234	5,304
Cultivation	719	418	714	777	1,518
Stores	2,009	1,118	1,770	2,393	4,722
Liquid Assets	23,335	16,011	17,797	28,999	52,282
<i>Of which</i> Cash at Bank and In Hand	13,680	10,592	10,623	19,019	24,555
Debtors	6,037	3,580	4,657	6,972	15,556
Suspended	0	0	0	0	0
SPS & EU mod'n refund debtors	3,617	1,839	2,517	3,008	12,171
Total Assets (£/farm)	593,062	478,295	565,949	690,172	881,365
<i>Of which</i> Total Landlord-type Capital	441,633	395,236	433,743	501,631	527,509
Tenant Type Capital	151,430	83,060	132,206	188,540	353,856
<u>Loans</u>					
Total Long Term Loans	21,164	13,142	11,320	21,717	68,934
<i>Of which</i> Bank Loans	8,779	6,479	3,147	14,541	23,716
Institutional Loans	10,399	5,191	5,943	4,848	42,798
<i>Of which</i> AMC	6,534	5,148	2,311	4,555	23,659
Building Societies	487	0	1,018	0	995
Other Institutional Loans	3,378	43	2,613	293	18,144
Family Loans	1,848	1,472	1,913	2,328	2,216
Other Loans	137	0	317	0	203
Current Liabilities	18,931	12,331	14,819	15,894	51,604
<i>Of which</i> Hire Purchase	2,017	1,422	1,603	1,894	4,911
Leasing	115	31	119	298	147
Other Current Liabilities	16,798	10,878	13,097	13,702	46,546
<i>Of which</i> Creditors	4,523	2,415	3,600	4,617	12,777
Bank Overdraft	11,964	7,868	9,497	9,045	33,149
Others	311	595	0	40	620
Total Liabilities	40,095	25,473	26,139	37,611	120,538
Closing Net Worth	552,968	452,822	539,810	652,561	760,828
Opening Net Worth	501,484	404,734	492,552	592,443	698,136

Change in New Worth	51,484	48,089	47,258	60,118	62,691
SPS Entitlements Opening Valuation	24,895	12,510	21,919	33,044	58,680
Change in SPS Entitlements	-3,828	-1,876	-3,326	-4,880	-9,489
Change in Borrowing	629	-4,964	1,209	-4,890	20,888
Funds Introduced	15,586	6,974	11,682	20,161	45,072
Cash Flow from the Farm Business	14,710	9,854	12,495	30,139	17,348
Private Drawings	18,413	11,337	16,593	26,183	34,634
Asset Purchases	14,047	5,454	14,251	14,546	37,172
Asset Sales	3,986	3,600	3,148	6,009	5,061
Capital Expenditure	10,061	1,854	11,103	8,537	32,111

Table 25: Land use, Stocking and Technical Efficiency by Farm size

	The Average Farm	Band 1	Band 2	Band 3	Band 4
2008/9					
Number (unweighted)	241	35	73	66	67
Number (weighted)	6,018	2,252	2,094	873	800
Total Area (includes woodland and roads etc) (ha)	136.7	65.0	116.2	180.4	344.4
Area Farmed (ha)	135.6	59.8	112.8	183.7	356.2
Net Land Hired In (ha)	2.8	-1.5	-0.2	6.5	18.8
Utilised Agricultural Area (ha)	132.8	61.3	113.0	177.3	337.4
<i>Of which</i> Total main products and set-aside (ha)	0.7	0.1	0.5	1.8	1.7
Grass, fodder crops and rough grazing (ha)	132.1	61.2	112.5	175.4	335.7
<i>Of which</i> rough grazing (unadjusted) (ha)	50.5	14.5	42.0	76.8	145.1
Adjusted rough grazing (sole occupation)	16.5	5.2	15.1	22.6	45.0
Adjusted rough grazing (shared)	6.5	5.2	5.1	8.9	11.1
Total Adjusted Utilised Agriculture Area (ha)	98.8	52.0	86.1	123.1	237.3
Area owner occupied (ha)	66.6	47.0	58.8	93.1	113.3
Area tenanted (ha)	70.0	18.0	57.3	87.4	231.1
Average age of farmer (years)	55	59	54	53	52
Agricultural labour units (ALU)	1.4	1.0	1.3	1.6	2.4
Economic size units (ESU)	23.4	10.7	19.2	30.6	62.3
Land Use					
Temporary Grassland Area (ha)	4.7	0.5	2.0	6.4	21.4
Permanent Grassland Area (ha)	78.9	44.6	67.3	97.8	185.4
Stocking					
Total Dairy Cows	0	0	0	0	0
Total Beef cows	30	21	25	34	68
Total Cattle	83	54	71	100	178
Ewes (LFA and lowland)	312	79	249	438	995
Of which LFA Ewes	308	76	240	438	995
Lowland Ewes	4	3	8	0	0
Total Sheep	606	157	478	847	1,943
Livestock Units					
Total Cattle LU	49	32	42	58	104
Of which Beef Cows LU	23	16	19	25	51
Other Cattle LU	24	15	21	29	46
Dairy Cows and Heifers	2	1	2	3	7
Total Sheep LU	39	11	31	55	122
Of which Ewe LU	22	6	18	30	70
Grazing LU (cattle, sheep, horses and others)	88	43	74	113	228
Total LU	89	43	74	113	229
Financial Performance per GLU					
Farm Business Output per GLU (£/GLU)	871	853	953	867	815
Farm Business Variable Costs (£/GLU)	297	278	296	287	314
Farm Business Gross Margin (£/GLU)	574	575	657	580	500
Farm Business Fixed Costs (£/GLU)	382	451	418	345	334
Farm Business Income (£/GLU)	194	122	244	238	166
Farm Corporate Income (£/GLU)	-38	-235	-38	25	33
Farm Investment Income (£/GLU)	-16	-207	-20	41	59
Holding Gains Not In Income (£/GLU)	592	1,146	627	541	295
of which Land Revaluation (£/GLU)	516	1,062	545	467	226
Net Farm Income (£/GLU)	134	78	150	177	127
Management and Investment Income (£/GLU)	-64	-271	-84	-7	33
Agriculture Net Margin (Agriculture business income) (£/GLU)	-94	-157	-80	-61	-91
Agriculture Economic Profit (Agriculture corporate income) (£/GLU)	-308	-483	-334	-263	-217
Agriculture Investment Income (£/GLU)	-288	-458	-318	-249	-193

Appendix 5- Analysis of English Grazing Livestock Farms in the LFA- by Performance Class Quartile (FBI/farm)

Table 26: Output, Variable Costs and Farm Gross Margins by Cost Centre by Performance Class Quartile (FBI/farm)

	The Average Farm	Lowest Quartile	Upper Low Quartile	Lower Upper Quartile	Highest Quartile
2008/9					
Number of farms in the group	241	41	42	63	95
Number (weighted)	6,018	1,466	1,529	1,515	1,507
Utilisable Agricultural Land (UAA) (ha)	133	82	83	124	242
Average adjusted UAA (ha)	99	62	71	92	170
Average adjusted sole grazing (ha)	16	10	5	17	34
Average herd size	30	26	25	24	47
Average flock size	312	153	189	353	550
<u>Output</u>					
Farm Output	76,619	45,687	49,721	74,493	136,163
Farm Business Output	77,038	45,524	49,443	76,112	136,653
of which Output from agriculture	45,106	26,741	28,854	43,646	80,945
Agri environment payment	10,009	4,832	5,746	10,152	19,230
Diversified output	3,521	2,533	1,353	5,366	4,828
Single Farm Payment	18,402	11,418	13,489	16,947	31,650
Livestock Enterprise Output	41,970	24,712	26,138	41,120	75,691
Of which Cattle Enterprise Output	21,961	17,250	15,832	18,561	36,188
(incl. Livestock subsidies)	429	118	15	452	1,129
Sheep Enterprise Output	19,668	7,249	10,249	22,409	38,560
Poultry Enterprise Output	56	7	0	73	144
Pigs Enterprise Output	236	72	58	77	735
Other Livestock Enterprise Output	48	134	0	0	63
Crop Enterprise Output	1,670	1,404	1,091	869	3,321
Of which Crop Subsidies	0	0	0	0	0
Main Crops	403	186	281	272	870
Forage by-products	1,238	1,214	746	542	2,462
Cultivations output	29	4	64	56	-11
Set aside payments	0	0	0	0	0
Non agriculture, no other category output	1,484	627	1,625	1,658	2,000
Disposal Previous Crops	-17	-1	0	0	-68
<u>Farm Business Output</u>	77,038	45,524	49,443	76,112	136,653
<u>Variable Costs</u>					
Farm Business Variable costs	26,285	20,735	16,380	26,603	41,421
Of which Agriculture Variable Costs	25,734	20,546	16,134	25,330	40,936
Agri environment Variable Costs	253	47	244	280	437
Diversified income Variable Costs	295	141	0	991	43
SPS Variable Costs	2	1	1	1	4
Agriculture Crop Costs	3,479	2,409	2,353	3,080	6,067
Of which Seed	164	109	102	117	330
Fertilizer	2,605	1,657	1,869	2,369	4,513
Crop Protection	218	184	126	163	398
Other Crop Costs	492	459	256	431	826
Agriculture Livestock Costs	19,105	15,744	11,588	19,288	29,824
Of which Purchased Fodder Feed	10,997	9,663	6,228	11,355	16,776
Home Produced Fodder Feed	365	45	284	276	847
Veterinary and medicines	2,851	2,081	1,779	2,830	4,708
Other Livestock Costs	4,893	3,955	3,297	4,827	7,494
Agriculture Contract Costs	2,290	1,910	1,731	1,980	3,539
Agriculture Casual Labour	786	341	444	851	1,499
Agriculture, no other category Variable Costs	74	142	17	132	6
<u>Farm Business Gross Margin</u>	50,754	24,789	33,063	49,510	95,232
Agriculture Gross Margin	19,372	6,195	12,721	18,316	40,009
Agri Environment Gross Margin	9,755	4,785	5,501	9,872	18,792
Diversified Gross Margin	3,226	2,392	1,353	4,375	4,785
SPS Gross Margin	18,400	11,417	13,488	16,946	31,646

Table 27: Fixed Costs and Farm Income calculations by Performance Class Quartile (FBI/farm)

	The Average Farm	Lowest Quartile	Upper Low Quartile	Lower Upper Quartile	Highest Quartile
2008/9					
Number (unweighted)	241	41	42	63	95
Number (weighted)	6,018	1,466	1,529	1,515	1,507
Utilisable Agricultural Land (UAA) (ha)	133	82	83	124	242
Average adjusted UAA (ha)	99	62	71	92	170
Average adjusted sole grazing (ha)	16	10	5	17	34
Average herd size	30	26	25	24	47
Average flock size	312	153	189	353	550
Gross Margin					
Farm Business Gross Margin	50,754	24,789	33,063	49,510	95,232
Agriculture Gross Margin	19,372	6,195	12,721	18,316	40,009
Agri Environment Gross Margin	9,755	4,785	5,501	9,872	18,792
Diversified Income Gross Margin	3,226	2,392	1,353	4,375	4,785
SPS Gross Margin	18,400	11,417	13,488	16,946	31,646
Fixed Costs					
Farm Business Fixed Costs	33,748	32,846	24,537	30,253	47,490
of which: Agriculture Fixed Costs	27,850	26,768	20,532	24,969	39,229
Agri Environment Fixed Costs	2,107	1,755	1,472	1,754	3,451
Diversified Income Fixed Costs	1,464	1,842	355	2,144	1,536
SPS Fixed Costs	2,327	2,481	2,179	1,385	3,275
Agriculture Paid Labour	2,752	2,377	868	1,628	6,158
of which: Fixed Labour Costs	1,966	2,036	424	777	4,659
(-) Casual Labour Costs (a Variable Cost)	786	341	444	851	1,499
Agriculture Machinery Costs	12,579	11,079	9,863	11,582	17,799
of which: Machinery Running Costs	6,196	5,265	4,546	5,884	9,091
Agriculture Depreciation Tenants Capital	6,383	5,813	5,317	5,698	8,708
Agriculture General Farming Costs	6,933	8,844	5,380	5,901	7,689
of which: Agriculture Bank & Professional Fees	1,421	1,733	975	1,333	1,658
Agriculture Other General Costs	3,768	3,532	3,222	3,607	4,716
Net Interest Payments	1,744	3,579	1,184	961	1,315
Bad Debts Write-offs	0	0	0	0	0
Agriculture Property Costs	5,405	4,125	3,663	5,829	7,992
Non Agriculture Other Fixed Costs	967	684	1,202	879	1,090
Profit/loss sale of fixed assets	132	-33	130	275	149
Agriculture Net Margin (AGRICULTURE BUSINESS INCOME)					
	-8,347	-20,606	-7,681	-6,378	929
Unpaid manual labour	18,872	15,564	14,971	19,455	25,466
Of Which Unpaid Farmer and Spouse	16,170	14,939	13,805	16,753	19,184
Unpaid Partner	2,702	626	1,166	2,702	6,282
Agriculture Economic Profit (AGRICULTURE CORPORATE INCOME)					
	-27,219	-36,171	-22,652	-25,833	-24,537
Agriculture Net Interest Payment (added back)	1,744	3,579	1,184	961	1,315
AGRICULTURE INVESTMENT INCOME					
	-25,475	-32,592	-21,468	-24,871	-23,222
Farm Net Margin (FARM BUSINESS INCOME)					
	17,137	-8,091	8,656	19,532	47,891
Farm Economic Profit (FARM CORPORATE INCOME)					
	-3,354	-24,813	-7,445	-1,841	20,162
FARM INVESTMENT INCOME					
	-1,387	-20,770	-6,138	-767	21,676
NET FARM INCOME					
	11,853	-7,262	6,360	13,569	34,304
Holding gains not included in farm income	52,317	37,176	47,605	42,990	81,218
BLSA	5,573	3,843	4,598	5,066	8,759
Revaluation of Machinery, permanent crops etc	1,167	979	966	1,077	1,645
Revaluation of Land	45,577	32,354	42,040	36,848	70,814
MANAGEMENT AND INVESTMENT INCOME					
	-5,637	-23,323	-8,478	-4,750	13,566

Table 28: Balance Sheet and Fund Flows by Performance Class Quartile (FBI/farm)

	The Average Farm	Lowest Quartile	Upper Low Quartile	Lower Upper Quartile	Highest Quartile
2008/9					
Number (unweighted)	241	41	42	63	95
Number (weighted)	6,018	1,466	1,529	1,515	1,507
Average Farmed Area (ha)	135.6	83.0	84.2	129.1	245.4
Adjusted Utilisable Agricultural Area (ha)	98.8	62.3	70.6	92.1	169.6
Ewes (head)	312	153	189	353	550
Cows (head)	30	26	25	24	47
Beef Cows (head)	30	26	25	23	46
Occupied Area (ha)	67	49	42	65	110
Tenanted Area (ha)	70	38	42	62	137
Percentage of Land Owned (%)	48.7	55.9	50.1	51.3	44.4
Assets					
Fixed Assets	542,469	461,785	425,320	460,017	822,841
<i>Of which</i> Agricultural Land	427,601	361,694	346,016	353,301	649,290
Woodland	1,653	1,430	293	2,554	2,344
Total Buildings	10,053	13,871	5,790	7,353	13,381
Total Improvements	2,324	4,392	803	2,090	2,093
Milk quota	2	7	0	0	2
SPS Entitlements	21,067	13,006	15,319	19,847	35,974
Machinery	34,325	30,687	28,224	30,981	47,422
Breeding Livestock	43,421	29,264	28,700	43,620	71,941
Miscellaneous Business Assets	2,023	7,435	174	272	394
Current Assets	50,594	36,325	35,230	46,667	84,027
<i>of which</i> Trading Livestock	21,573	18,145	12,822	19,084	36,296
Crops	132	79	79	73	298
Forage	2,826	2,342	3,446	2,241	3,257
Cultivation	719	274	893	697	999
Stores	2,009	1,648	1,172	2,071	3,146
Liquid Assets	23,335	13,837	16,818	22,501	40,032
<i>Of which</i> Cash at Bank and In Hand	13,680	7,409	10,300	15,478	21,405
Debtors	6,037	5,857	3,192	5,303	9,841
Suspended	0	0	0	0	0
SPS & EU mod'n refund debtors	3,617	571	3,326	1,720	8,786
Total Assets (£/farm)	593,062	498,110	460,549	506,684	906,867
<i>Of which</i> Total Landlord-type Capital	441,633	381,394	352,902	365,297	667,110
Tenant Type Capital	151,430	116,716	107,648	141,387	239,757
Loans					
Total Long Term Loans	21,164	36,141	18,190	10,231	20,604
<i>Of which</i> Bank Loans	8,779	13,626	7,422	2,459	11,797
Institutional Loans	10,399	19,582	9,837	5,900	6,560
<i>Of which</i> AMC	6,534	8,986	8,317	3,644	5,246
Building Societies	487	0	1,394	0	528
Other Institutional Loans	3,378	10,596	125	2,257	785
Family Loans	1,848	2,480	932	1,765	2,247
Other Loans	137	453	0	107	0
Current Liabilities	18,931	31,437	12,122	13,168	19,468
<i>Of which</i> Hire Purchase	2,017	2,672	1,869	1,883	1,665
Leasing	115	47	93	78	243
Other Current Liabilities	16,798	28,717	10,160	11,208	17,560
<i>Of which</i> Creditors	4,523	3,834	3,964	3,279	7,014
Bank Overdraft	11,964	23,970	6,197	7,602	10,523
Others	311	913	0	327	23
Total Liabilities	40,095	67,578	30,312	23,400	40,072
Closing Net Worth	552,968	430,532	430,237	483,284	866,795
Opening Net Worth	501,484	396,988	382,887	445,744	779,631

Change in New Worth	51,484	33,544	47,350	37,540	87,164
SPS Entitlements Opening Valuation	24,895	15,229	18,160	23,420	42,622
Change in SPS Entitlements	-3,828	-2,223	-2,840	-3,573	-6,647
Change in Borrowing	629	7,862	-5,686	1,475	-851
Funds Introduced	15,586	24,310	5,938	15,665	16,809
Cash Flow from the Farm Business	14,710	-14,623	11,959	24,131	36,573
Private Drawings	18,413	8,703	11,716	18,310	34,766
Asset Purchases	14,047	19,997	8,686	9,132	18,641
Asset Sales	3,986	4,951	2,660	4,110	4,269
Capital Expenditure	10,061	15,045	6,026	5,023	14,372

Table 29: Land use, Stocking and Technical Efficiency by Performance Class Quartile (FBI/farm)

	The Average Farm	Lowest Quartile	Upper Low Quartile	Lower Upper Quartile	Highest Quartile
2008/9					
Number (unweighted)	241	41	42	63	95
Number (weighted)	6,018	1,466	1,529	1,515	1,507
Total Area (includes woodland and roads etc) (ha)	136.7	87.1	84.7	127.4	246.9
Area Farmed (ha)	135.6	83.0	84.2	129.1	245.4
Net Land Hired In (ha)	2.8	1.1	1.5	5.0	3.6
Utilised Agricultural Area (ha)	132.8	81.9	82.7	124.1	241.8
<i>Of which</i> Total main products and set-aside (ha)	0.7	0.3	0.7	0.5	1.4
Grass, fodder crops and rough grazing (ha)	132.1	81.6	82.0	123.6	240.4
<i>Of which</i> rough grazing (unadjusted) (ha)	50.5	29.4	17.6	48.8	106.0
Adjusted rough grazing (sole occupation)	16.5	9.8	5.4	16.8	33.8
Adjusted rough grazing (shared)	6.5	4.7	6.7	8.8	5.6
Total Adjusted Utilised Agriculture Area (ha)	98.8	62.3	70.6	92.1	169.6
Area owner occupied (ha)	66.6	48.7	42.5	65.4	109.7
Area tenanted (ha)	70.0	38.4	42.3	62.0	137.1
Average age of farmer (years)	55	56	58	54	53
Agricultural labour units (ALU)	1.4	1.2	1.0	1.4	1.9
Economic size units (ESU)	23.4	15.8	16.2	22.7	38.8
<u>Land Use</u>					
Temporary Grassland Area (ha)	4.7	0.5	1.4	7.6	9.1
Permanent Grassland Area (ha)	78.9	51.9	64.4	71.9	126.9
<u>Stocking</u>					
Total Dairy Cows	0	0	0	0	0
Total Beef cows	30	26	25	24	47
Total Cattle	83	71	63	71	129
Ewes (LFA and lowland)	312	153	189	353	550
Of which LFA Ewes	308	153	184	349	542
Lowland Ewes	4	0	5	4	8
Total Sheep	606	291	355	682	1,091
<u>Livestock Units</u>					
Total Cattle LU	49	41	38	41	75
Of which Beef Cows LU	23	20	19	18	35
Other Cattle LU	24	19	18	21	36
Dairy Cows and Heifers	2	2	1	2	4
Total Sheep LU	39	19	23	44	69
Of which Ewe LU	22	11	14	25	39
Grazing LU (cattle, sheep, horses and others)	88	61	62	85	146
Total LU	89	61	62	85	146
<u>Financial Performance per GLU</u>					
Farm Business Output per GLU (£/GLU)	871	750	804	893	937
Farm Business Variable Costs (£/GLU)	297	341	266	312	284
Farm Business Gross Margin (£/GLU)	574	408	538	581	653
Farm Business Fixed Costs (£.GLU)	382	541	399	355	326
Farm Business Income (£/GLU)	194	-133	141	229	328
Farm Corporate Income (£/GLU)	-38	-409	-121	-22	138
Farm Investment Income (£/GLU)	-16	-342	-100	-9	149
Holding Gains Not In Income (£/GLU)	592	612	774	504	557
of which Land Revaluation (£/GLU)	516	533	684	432	486
Net Farm Income (£/GLU)	134	-120	103	159	235
Management and Investment Income (£/GLU)	-64	-384	-138	-56	93
Agriculture Net Margin (Agriculture business income) (£/GLU)	-94	-339	-125	-75	6
Agriculture Economic Profit (Agriculture corporate income) (£/GLU)	-308	-596	-368	-303	-168
Agriculture Investment Income (£/GLU)	-288	-537	-349	-292	-159

Appendix 6- Analysis of English Grazing Livestock Farms in the LFA- Beef Cows

LFA Suckler Herds 2008/9	Enterprise Output and Gross margin per cow, GLU & ha			
	All herds	<50 cows	50-100 cows	>100 cows
Number of farms	196	116	60	20
Number of farms (weighted)	4,539	3,211	1,071	257
Area Farmed (UAA + net hired in) (ha)	147	114	201	330
Utilisable Agricultural Area (ha)	144	113	194	311
Adjusted UAA (ha)	106	81	146	249
Grazing Livestock Units (farm)	99	69	144	283
Grazing Livestock Units (enterprise)	39	24	63	122
Forage area (enterprise) (ha)	51	35	79	138
Cows per herd	39	24	63	123
Total Cattle	106	71	158	330
Breeding Flock	295	223	405	736
<u>Output per cow</u>				
Enterprise Output (excluding BLSA)	10,802	6,508	19,960	26,282
BLSA	5,803	3,377	9,787	19,504
Concentrates	1,765	975	2,693	7,764
Purchased fodder and keep	680	519	829	2,071
Veterinary and medicines	845	548	1,335	2,518
Other livestock costs	1,528	1,067	2,213	4,431
Seed	36	20	55	166
Fertilizer	1,070	574	1,949	3,601
Sprays	63	39	86	270
Other crop costs	242	148	378	844
Total Variable costs	6,229	3,890	9,538	21,665
Gross Margin (excluding BLSA) / Cow	118	109	165	37
Gross margin (excluding BLSA) / forage ha	89	75	132	33
Gross Margin (excluding BLSA) / GLU	118	109	166	38
Enterprise Gross margin (excluding BLSA)	4,572	2,618	10,422	4,617
<u>Measures of Income</u>				
Farm Business Income	17,007	12,259	20,714	60,855
Farm Corporate Income	-4,496	-7,300	-3,001	24,289
Agricultural Economic Profit	-29,829	-26,664	-36,454	-41,765
Agri-environment Economic Profit	7,326	5,604	9,337	20,451
Diversified Economic Profit	949	1,171	489	91
SPS Economic Profit	17,058	12,589	23,626	45,512
Farm Investment Income	-2,367	-6,096	1,357	28,694
Net Farm Income	11,504	7,887	16,208	37,082
MII	-6,579	-9,937	-1,598	14,605
Enterprise NM (excluding BLSA)	-6898	-4667	-9385	-24388
Enterprise NM after F&S labour (excl BLSA)	-11996	-9305	-15824	-29648

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

Upland SDA Flocks (flock lambing % usually >100) 2008 lambing	Enterprise Output and Gross margin per ewe, GLU and ha			
	All flocks	<350 ewes	350-700 ewes	>700 ewes
Number of farms	134	46	61	27
Number of farms (weighted)	3,015	1,572	1,072	371
Area Farmed (UAA + net hired in) (ha)	143	74	153	411
Utilisable Agricultural Area (ha)	139	73	147	400
Adjusted UAA (ha)	106	62	112	278
Grazing Livestock Units (farm)	99	62	104	238
Grazing Livestock Units (enterprise)	52	22	57	164
Forage area (enterprise) (ha)	83	30	91	282
Cows per herd	29	25	27	55
Total Cattle	82	69	82	133
Breeding Flock	423	176	469	1,339
Total Sheep	808	336	883	2,591
<u>Output per ewe</u>				
Enterprise Output (excluding BLSA)	26,714.5	11,332.6	29,858.9	82,841.9
BLSA	1,421.7	521.4	1,886.2	3,896.9
Concentrates	6,304.5	2,574.9	7,454.3	18,794.0
Purchased fodder and keep	1,279.7	479.7	1,051.8	5,329.8
Veterinary and medicines	2,287.8	977.1	2,457.1	7,355.6
Other livestock costs	3,014.6	1,338.8	3,338.3	9,183.8
Seed	72.1	25.3	61.6	300.9
Fertilizer	1,636.1	546.0	1,648.4	6,221.8
Sprays	79.9	40.0	91.8	214.4
Other crop costs	196.5	98.0	295.6	327.3
Total Variable costs	14,871.2	6,080.0	16,399.1	47,727.7
Gross Margin (excluding BLSA) / Ewe	28.0	29.8	28.7	26.2
Gross margin (excluding BLSA) / forage ha	142.7	172.3	147.7	124.4
Gross Margin (excluding BLSA) / GLU	227.3	234.5	235.7	214.6
Enterprise Gross margin (excluding BLSA)	11,843	5,253	13,460	35,114
<u>Measures of Income</u>				
Farm Business Income	20,860	13,479	24,029	42,996
Farm Corporate Income	73	-3,597	-51	15,990
Agricultural Economic Profit	-26,260	-19,457	-28,344	-49,076
Agri-environment Economic Profit	7,256	3,363	8,304	20,735
Diversified Economic Profit	980	941	449	2,684
SPS Economic Profit	18,096	11,557	19,540	41,647
Farm Investment Income	1,281	-3,084	1,600	18,865
Net Farm Income	15,237	9,019	17,831	34,104
MII	-2,455	-5,975	-2,807	13,487
Enterprise NM (excluding BLSA)	-7000	-3657	-7498	-19733
Enterprise NM after F&S labour (excl BLSA)	-15920	-9563	-18899	-34263

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 (flock lambing % usually <100)	Enterprise Output and Gross margin per ewe, GLU and ha			
	All flocks	<350 ewes	350-700 ewes	>700 ewes
2008 lambing				
Number of farms	68	26	30	12
Number of farms (weighted)	1,440	846	497	97
Area Farmed (UAA + net hired in) (ha)	166	95	233	436
Utilisable Agricultural Area (ha)	162	94	229	402
Adjusted UAA (ha)	105	71	135	254
Grazing Livestock Units (farm)	88	60	99	272
Grazing Livestock Units (enterprise)	39	20	54	122
Forage area (enterprise) (ha)	92	42	148	240
Cows per herd	31	25	29	89
Total Cattle	80	66	73	233
Breeding Flock	344	161	512	1,079
Total Sheep	606	314	846	1,915
<u>Output per ewe</u>				
Enterprise Output (excluding BLSA)	17,211.0	10,467.2	23,979.5	41,286.1
BLSA	1,246.3	428.8	2,277.4	3,085.4
Concentrates	3,606.2	2,392.1	4,327.0	10,491.2
Purchased fodder and keep	797.1	190.8	1,706.4	1,419.6
Veterinary and medicines	1,732.6	872.6	2,551.1	5,031.9
Other livestock costs	2,120.9	1,285.9	2,947.2	5,161.5
Seed	21.4	19.7	21.3	36.8
Fertilizer	754.7	269.9	1,013.0	3,654.7
Sprays	42.2	29.8	55.6	82.5
Other crop costs	114.2	76.1	163.9	191.4
Total Variable costs	9,189.3	5,137.0	12,785.5	26,069.7
Gross Margin (excluding BLSA) / Ewe	23.3	33.1	21.9	14.1
Gross margin (excluding BLSA) / forage ha	87.4	126.8	75.9	63.5
Gross Margin (excluding BLAS) / GLU	206.1	261.9	206.2	124.8
Enterprise Gross margin (excluding BLSA)	8,022	5,330	11,194	15,216
<u>Measures of Income</u>				
Farm Business Income	21,663	16,163	25,703	48,888
Farm Corporate Income	-2,333	-7,828	2,808	19,207
Agricultural Economic Profit	-30,412	-25,441	-32,712	-61,952
Agri-environment Economic Profit	9,964	5,877	12,858	30,745
Diversified Economic Profit	1,445	1,334	1,658	1,312
SPS Economic Profit	16,671	10,401	21,005	49,103
Farm Investment Income	175	-6,182	5,541	28,062
Net Farm Income	13,955	8,512	19,174	34,632
MII	-6,539	-12,655	-714	16,896
Enterprise NM (excluding BLSA)	-7052	-3480	-9111	-27618
Enterprise NM after F&S labour (excl BLSA)	-18160	-14210	-21379	-36085

Appendix 9 Reports in this series:

Crop Production in England 2008/09

Dairy Farming in England 2008/09

Hill Farming in England 2008/09

Horticulture Production in England 2008/09 (Horticultural Business Data)

Lowland Grazing Livestock Production 2008/09

Pig Production in England 2008/09

Poultry Production in England 2008/09

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 farming⁸ which allows farms of different business organisation, tenure and indebtedness

⁸ 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 capital⁹ 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).

⁹ 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://www.defra.gov.uk/evidence/statistics/foodfarm/farmmanage/farmaccounts/2009/Appendix2.doc>