



# Farm Business Survey

2009/2010

## Hill Farming in England



David Harvey and Charles Scott

February 2011



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## Foreword to the Fifth Series

In the early spring of 2011 the economic fortunes of farmers and growers both excites and causes concern. For some, arable output price increases represent good fortunes; for others they simply represent increased input costs. 'Corn' versus 'horn' arguments abound at times when crop prices rise and livestock farmers face increased feed bills. The price variability that has been witnessed across many markets in recent months looks unlikely to abate in the near future, and with a potential change in support payments looming for 2013 or 2014, managing uncertainty and risk looks set to dominate farm business management decision making over the years ahead. However, optimism amongst many remains considerably higher than in the early years of the 21<sup>st</sup> Century, and new windows of business opportunity, particularly in the form of energy production, has brought its own optimism that farmers and growers have a role to play in both food and fuel markets.

The early spring of 2011 witnesses the launch of the fifth series of enterprise and farm type reports from *Rural Business Research (RBR)*. These outputs have quickly become recognised as important barometer reports on the major sectors of the industry. Our fifth series draws upon independent data from the Defra-funded Farm Business Survey (FBS) for England in 2009/10, with expert analysis and commentary. Our free to use on-line data services at [www.farmbusinesssurvey.co.uk](http://www.farmbusinesssurvey.co.uk) provide further data and analysis and readers are encouraged to explore the breadth and depth of data that exist on this site. During the early months of 2011 we have hosted a series of regional workshops around England, allowing us to showcase the wide ranging outputs that are freely available from the FBS via on-line delivery. If you have not been able to attend one of these events this year, please watch out for our plans for 2012 to find out for yourself what the FBS can do for you.

We hope that the fifth series of reports continues to interest readers and inform your work and businesses. *Rural Business Research* provides independent analysis on agricultural and horticultural business performance and these reports serve to add to this analysis. We always welcome comment on our outputs, so please let us know your thoughts by emailing [paul.wilson@nottingham.ac.uk](mailto:paul.wilson@nottingham.ac.uk) to let us know your views on our publications.

**Dr Paul Wilson**

Chief Executive Officer, Rural Business Research

Spring 2011

[www.ruralbusinessresearch.co.uk](http://www.ruralbusinessresearch.co.uk)

## 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 143 ha, including some 2 ha under buildings and roads. It is part owned (72 ha) and part rented (69 ha), and most of the farm (83 ha) is in permanent grass. The average LFA farmer is 56 years old, has 30 beef cows and 318 breeding ewes. Cattle and Sheep youngstock and fatstock make up the total to 84 cattle and 605 sheep on the farm, making a total of 89 Grazing Livestock Units.

The average LFA Grazing Livestock farm earns 60% 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 (3%) 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 £23,482 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 £-5,203 Agricultural Business Income loss (before unpaid labour) from crop and livestock production per farm in 2009/10. This is a 37% reduction in the loss from the previous year (of -£8,347).

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 £22,206 in 2009/10, a 30% 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 £21,936 per farm. As a result, Farm Corporate Income shows a small profit of £270 per farm (an improvement on the £3,354 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 217% compared with the previous year at £1,628 (on -£1,387 in 2008/09). The traditional measure of farm income of Net Farm Income (which puts all farm businesses on a comparable tenanted basis) averaged £15,571 per farm, up 31% from £11,853 in 2008/09.

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 LFA<sup>1</sup>. 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, 2008/09, 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. For further detail see: [www.defra.gov.uk/corporate/docs/forms/erdp/hfas/hfaguide-2009.pdf](http://www.defra.gov.uk/corporate/docs/forms/erdp/hfas/hfaguide-2009.pdf).

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<sup>1</sup> Data from Defra, Agricultural Census, 2009.



A major change to note is that land in the Disadvantaged Areas (DA) became ineligible for HFA as of 1<sup>st</sup> January 2007 (including Moorland and common land in the DA) see: [www.defra.gov.uk/corporate/docs/forms/erdp/hfas/hfaguide-2008.pdf](http://www.defra.gov.uk/corporate/docs/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).<sup>2</sup>

### 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 with the exception of DA land – see above) 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 needed 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 had to follow Good Agricultural and Environmental Condition (GAEC) requirements. The payment rates (per hectare) for the 2009 crop year (HFA 2010, paid in Spring 2010) are shown in Table 1 (this information is not available from Defra).

**Table 1. Hill Farm Allowance Payment rates (£/ha.) 2010**

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 2010 relates to areas farmed and stock held in 2009)

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<sup>2</sup> See [www.defra.gov.uk/rural/countryside/uplands/support.htm](http://www.defra.gov.uk/rural/countryside/uplands/support.htm) for further information on the Uplands policy

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

The data presented come from 238 farms, which are all part of the Farm Business Survey. 61% come from the EU North region, 28% 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, which 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	34	14%	2,155	37%	0.7	0.7	51	54
Small	74	31%	1,964	33%	1.5	1.5	88	89
Medium	62	26%	908	15%	2.5	2.5	127	126
Large	68	28%	845	14%	4.9	4.8	232	218
All Sizes	238	100%	5,872	100%	2.6	1.9	134	100

\* 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.

Source: Defra. Note: Farm size is measured and stratified according to SLR. FBS survey data refers only to those businesses requiring more than 0.5 SLR which excludes almost 7,000 very small 'farms' within the LFA as recorded by the June Survey. 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

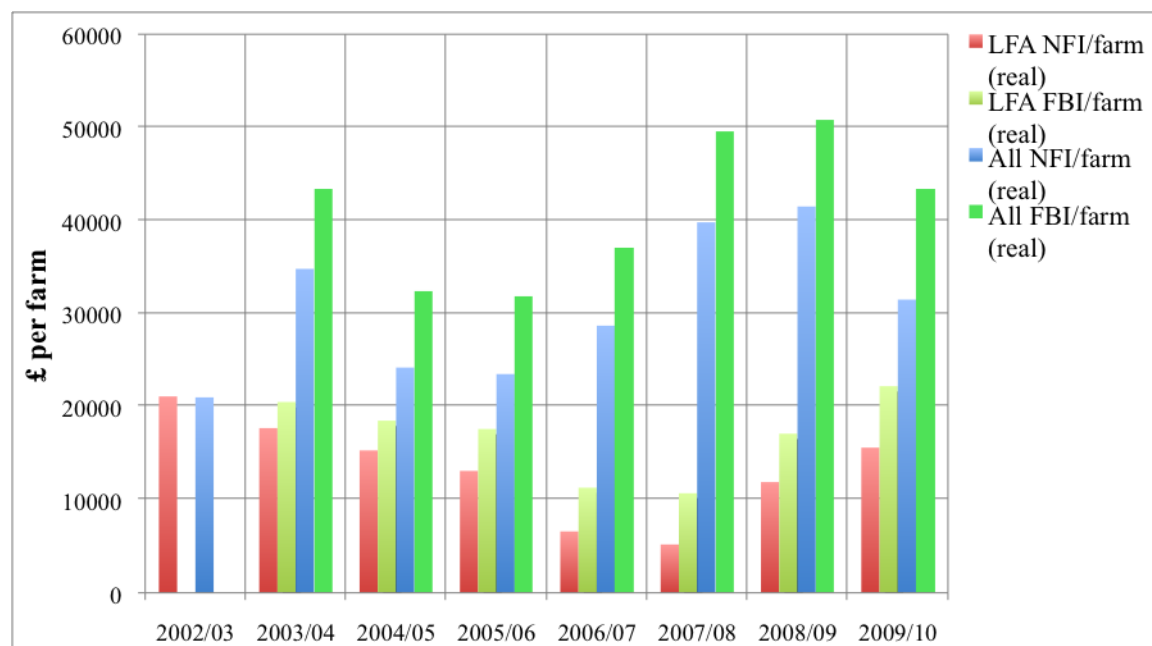
The comparative business performance of LFA farms is illustrated in Figure 1, which compares the Net Farm Income (NFI) and Farm Business Income (FBI) per farm earned by the LFA grazing farms and by all farms in the England FBS sample over the last eight years. Farm Business Income represents the financial 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 (2002/03)<sup>3</sup>, the upland farms continually 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 2003/04, and again in 2008/09, their upland counterparts have experienced a five year decline in real incomes per farm since 2002/03, only in 2008/09, continued in 2009/10, reversing this trend with an upward movement of FBI and NFI. Despite the improvements in profitability over the past two years LFA farm incomes by either measure still remain at 50% of the national average.

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<sup>3</sup> 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<sup>a</sup> Farms v. All FBS Farms Performance, real<sup>b</sup> terms, England (2002 – 2009)**



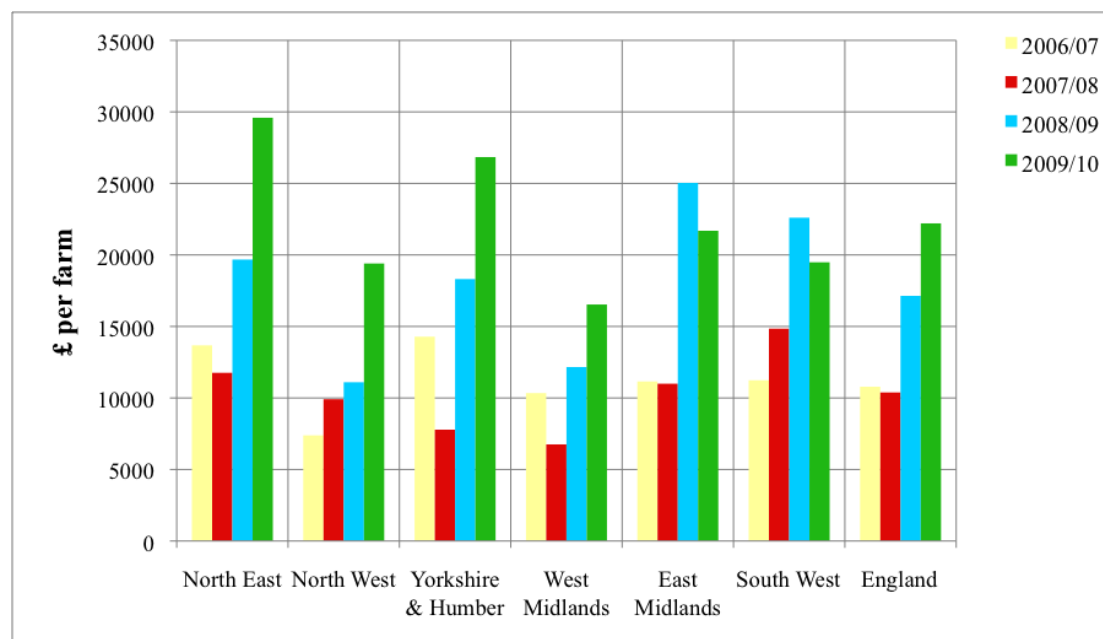
Source: *Farm Accounts in England, 2009/10*, [Defra](#),

Notes: a: defined as Upland Grazing Farms

b: 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 2009/10)**



Source: - as Figure 3.

#### 4. The Average LFA Farm in 2009/10

Although the average LFA farm in the FBS sample in 2009/10 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 under 6,000 LFA farms in England (excluding the smallest farms as measured by Standard Labour Requirements (SLRs))<sup>4</sup>. The average farm has 143 ha, including some 2 ha under buildings and roads. It is part owned (72 ha) and part rented (69 ha), and most of the farm (83 ha) is in permanent grass. The average LFA farmer is 56 years old, and has 30 beef cows and 311 upland breeding ewes. Cattle and Sheep youngstock and fatstock make up the total to 84 cattle and 605 sheep on the farm, making a total of 89 Grazing Livestock Units (GLUs)<sup>5</sup>.

##### 4.1. *The average LFA farm account*

The average LFA Grazing Livestock farm in England in 2009/10 is represented by the set of accounts shown in Table 3. This table reports the average farm accounts for the whole sample of 238 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 60% 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 (3%) is earned from non-farm activities (mostly associated with contracting or tourism and recreation). The farming business covers its variable costs and earns a positive gross margin of £23,483 per farm (a 21% increase from the previous year). However, since this side (livestock and crop production) of the farm business is assumed to incur most of the fixed costs (83%) the average LFA farm is shown as losing money in production agriculture (Agricultural Business Income) to the tune of -£5,203 per farm in 2009/10, although that is a 38% improvement on the loss in the previous year of -£8,347.

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 £22,206 in 2009/10, a 30% increase on the previous year, itself a major reduction from the previous year. This income is only just sufficient to cover the opportunity costs of the unpaid labour (provided by the farmer and partners) of £21,936 per farm. As a result, Farm Corporate Income registers a slight profit of £270 per farm - a 108% decrease on the loss (of -£3,354) in 2008/09. Adjusting for the net interest

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<sup>4</sup> 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.

<sup>5</sup> 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).

payments made by the 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 217% compared with the previous year to £1,628).

The traditional measure of farm income is Net Farm Income (NFI)<sup>6</sup>, 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 £15,571 per farm, up 31% from £11,853 in 2008/09.

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.

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<sup>6</sup> 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.

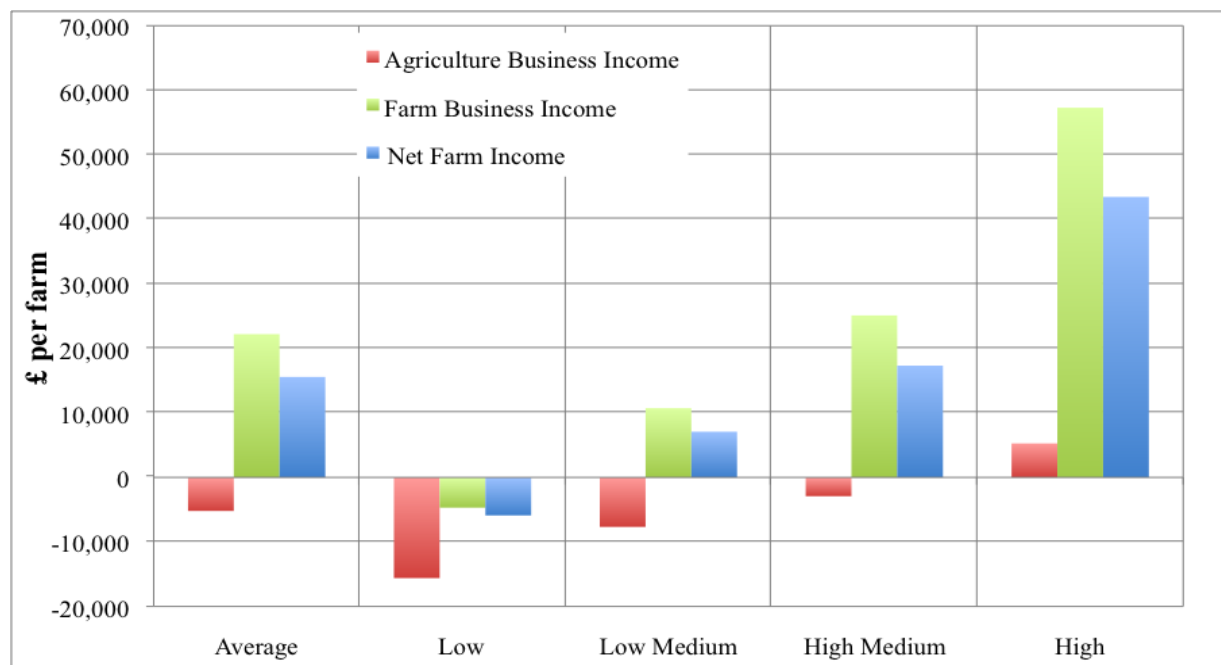


## 5. The LFA Farms' circumstances

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**



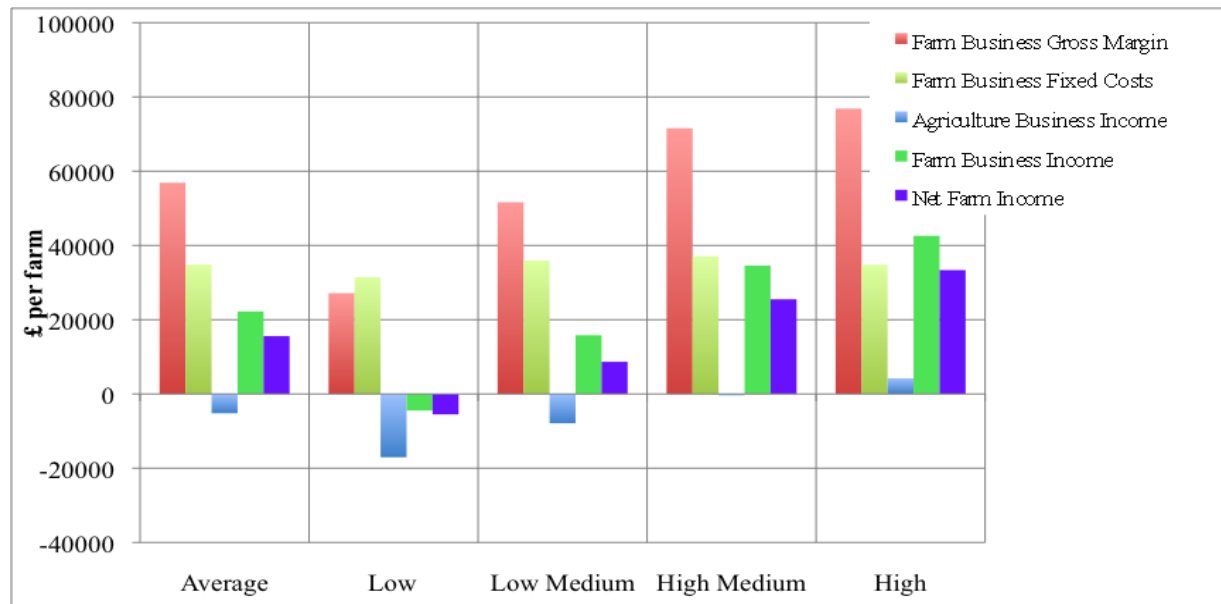
Source: Government Office Reports, 2009/10, [RBR](#).

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 –

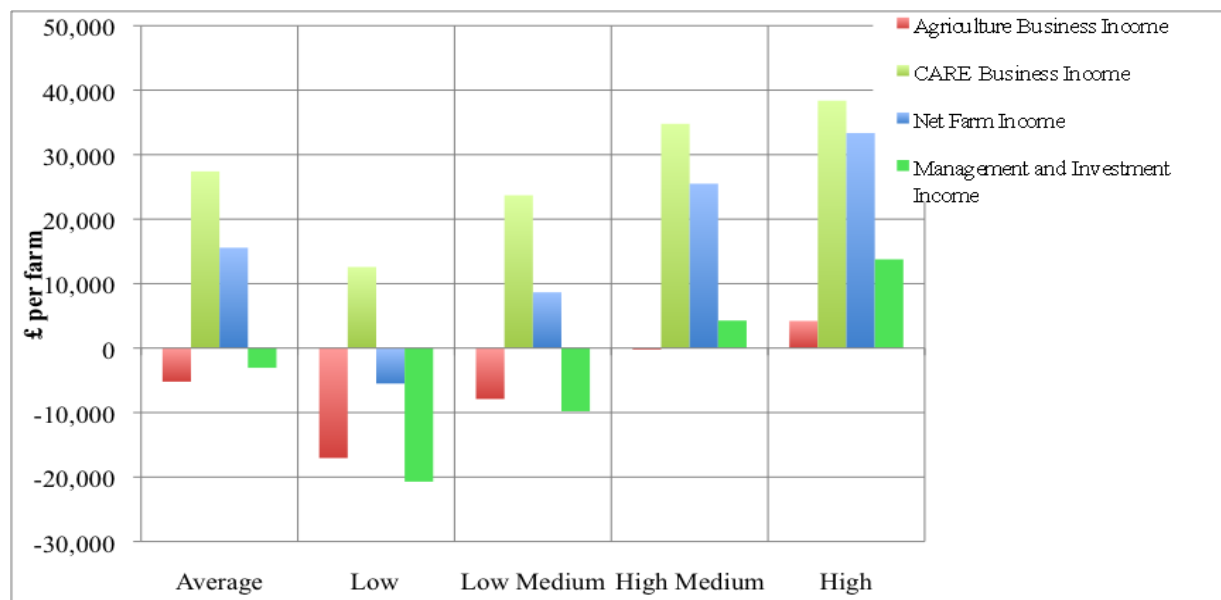


that for all quartile groups except the highest, the purely agricultural side of these businesses returns a negative Agriculture Business Income or net margin. The ABI improves with the higher performance quartiles – this improvement in performance is seen to be the result of both better gross margins (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 £13,764, 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**

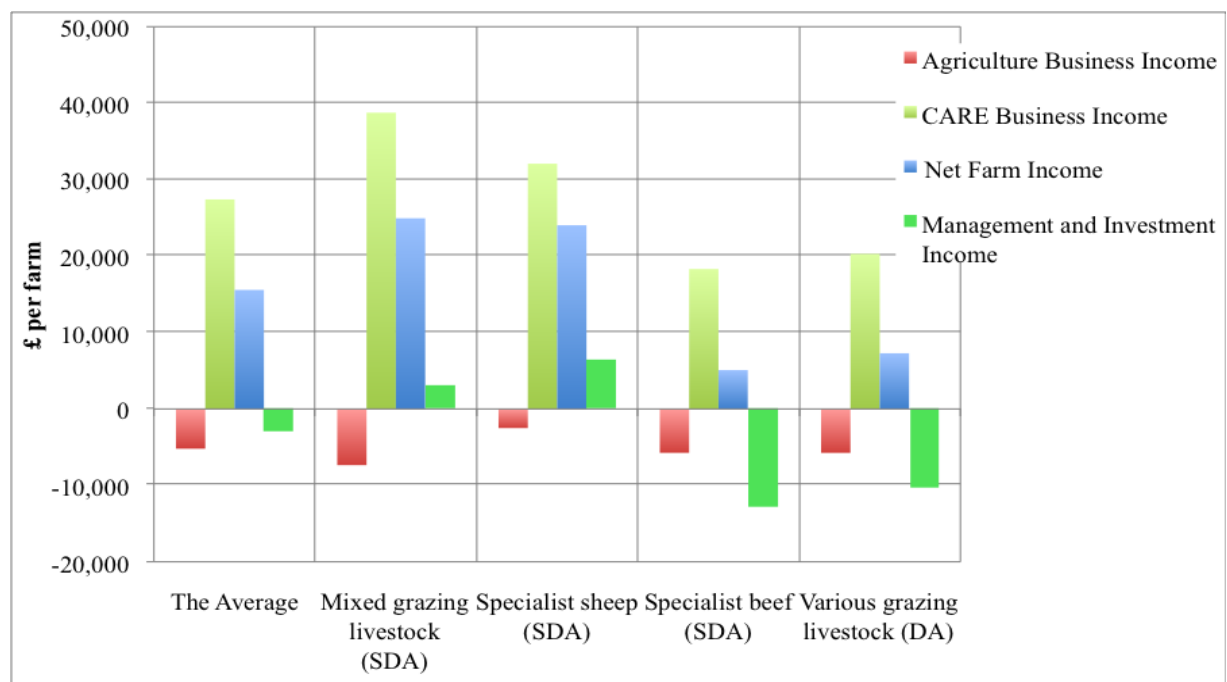
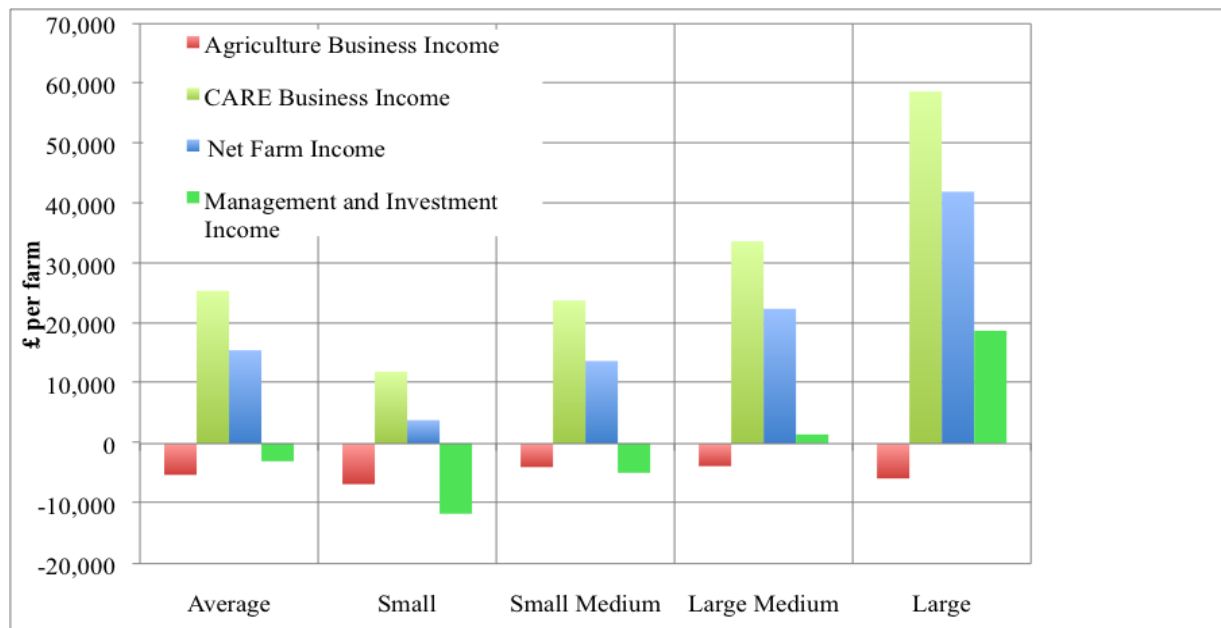


Figure 7 shows the business performance by size, measured here by the Standard Labour Requirement (SLR) and illustrates that size is important to these farms' earning ability, although as previously it is the CARE income which rescues all farms, even the largest, from economic failure. Indeed, the largest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

**Figure 7. LFA business performance by Size (SLR)<sup>7</sup> quartile**



<sup>7</sup> 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. Only farms in England North manage to make a positive management and investment income.

**Figure 8. LFA business performance by EU Region**

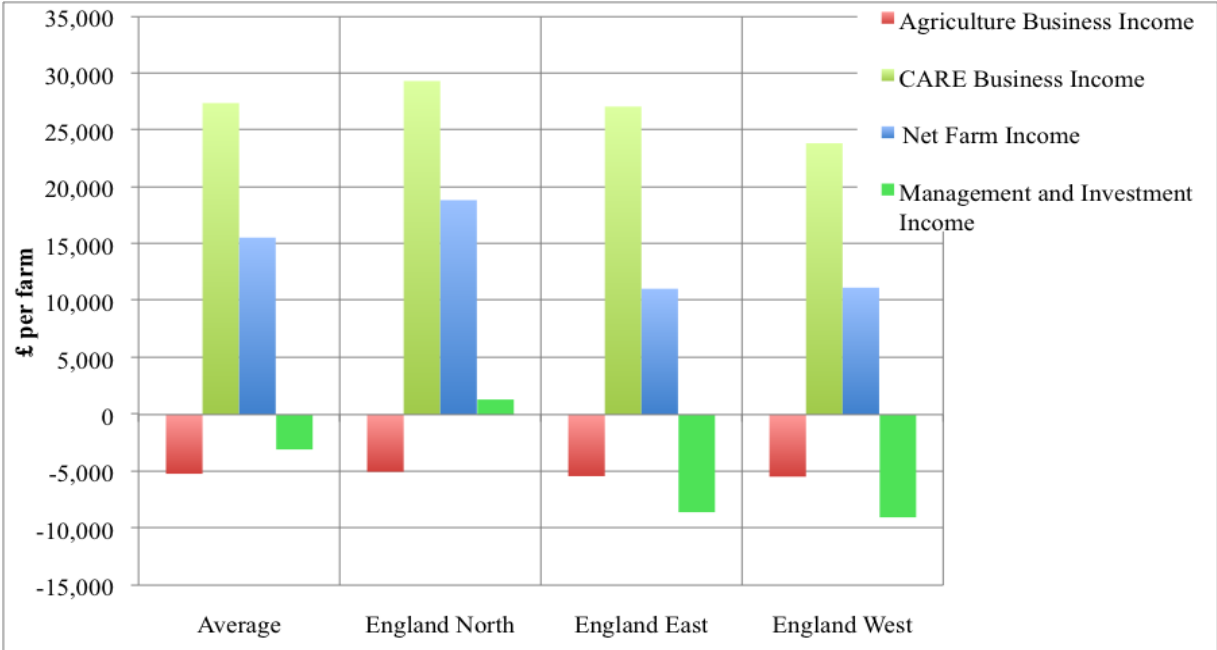


Figure 9 shows the frequency distributions of FBI/GLU for England as a whole and for each of the EU Regions (North; East; West). Given the small number of LFA farms located in the EU East England Region (those in the Peak District) there is no real significance in the variation in distribution of performance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

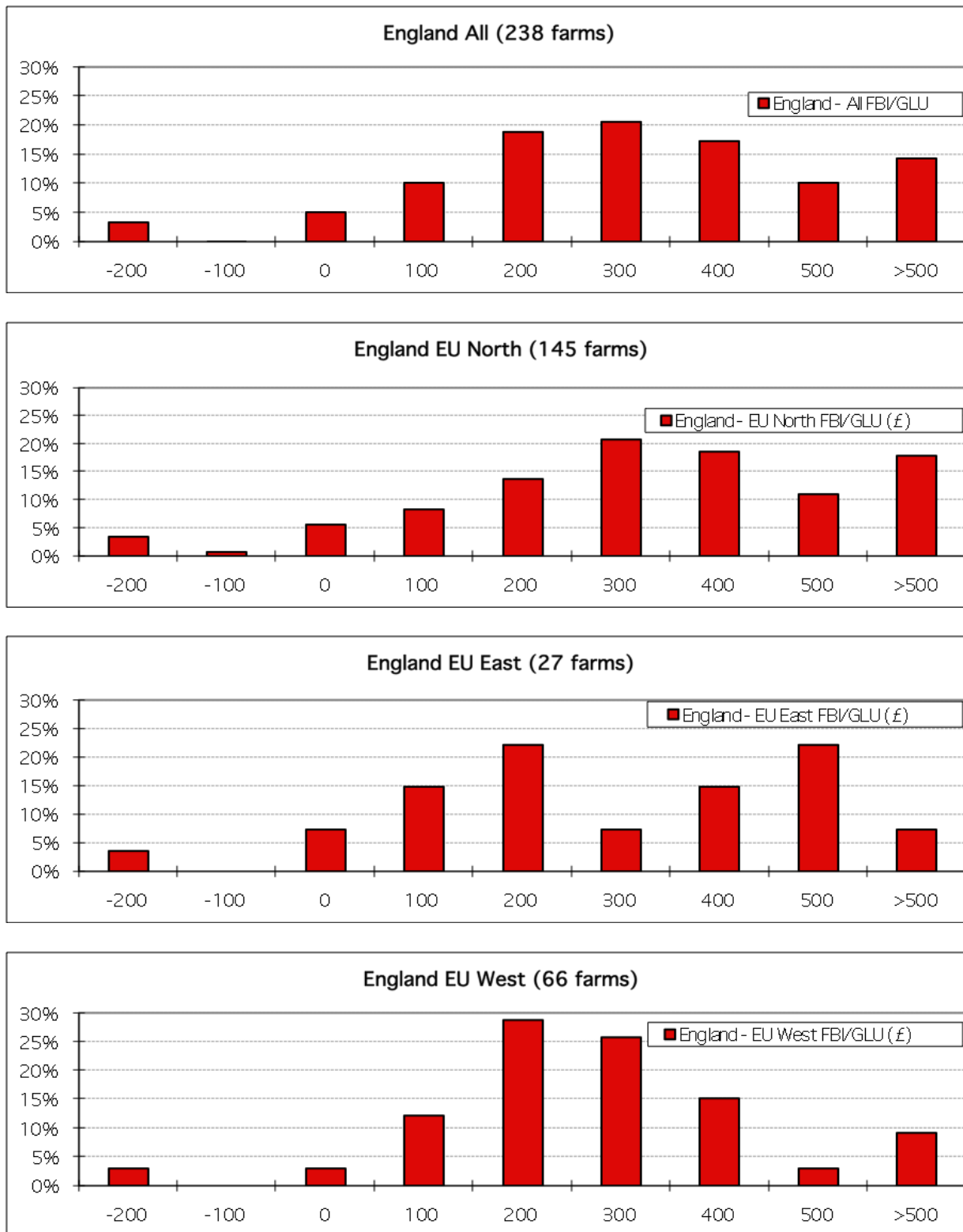
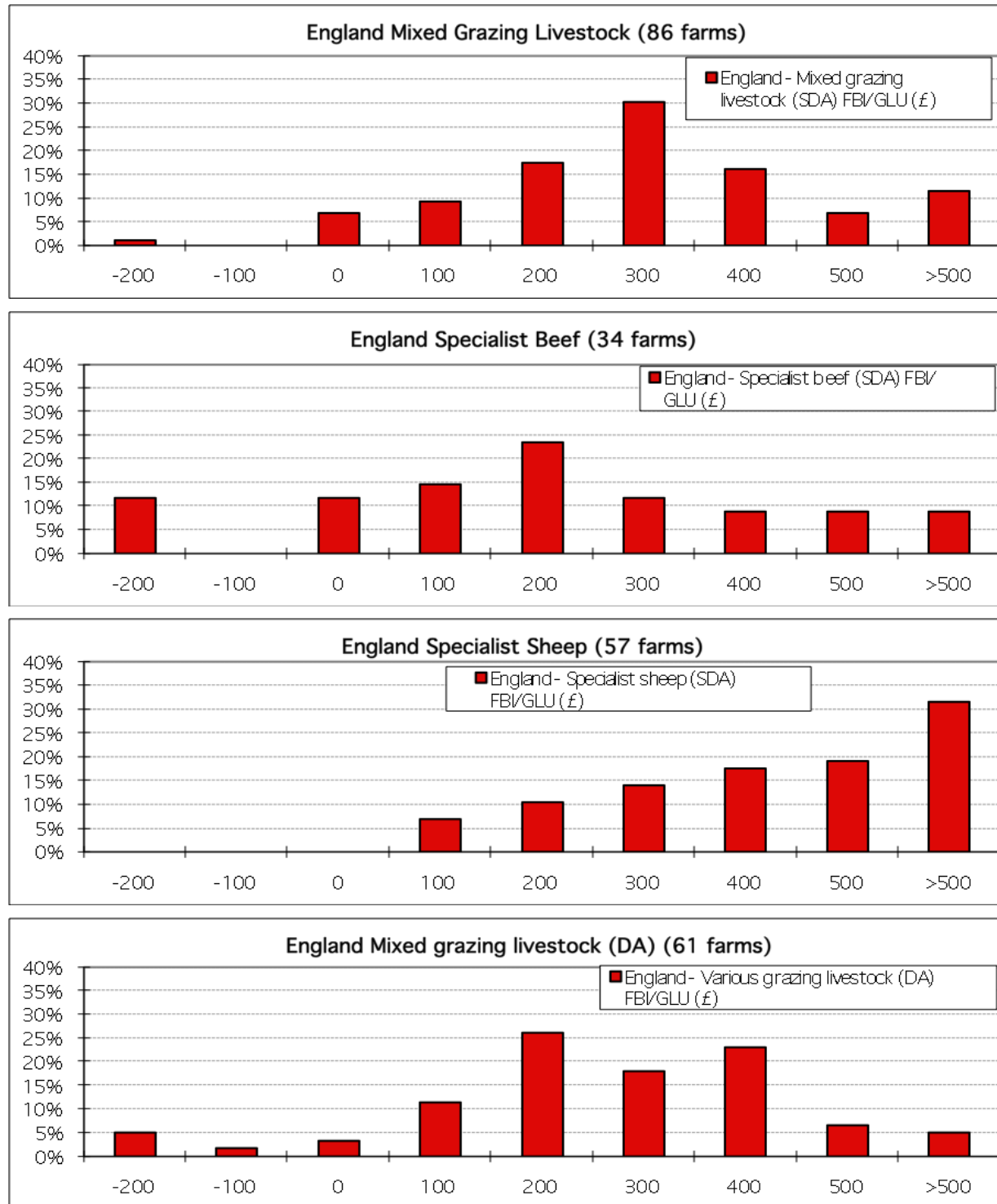


Figure 10 illustrates the variation in performance by Main Farm Type, where it is apparent that the Specialist Beef farms, and to a lesser extent, the DA Mixed Grazing farms (which also carry substantial beef herds) are more likely than sheep farms to exhibit low and negative FBI/GLU returns.

**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

	2008/09	2009/10	Change
	£/head	£/head	£/head
Sales	65.1	80.0	14.9
Replacement costs	10.4	11.0	0.6
Feed costs	11.6	12.5	0.9
Variable costs (excl replacement cost)	20.5	21.7	1.2
Gross Margin	34.2	47.3	13.1
Fixed Costs (exc. Non cash costs)	39.0	43.4	4.4
Non-cash costs	29.5	25.4	-4.1
Total Costs (inc. Non cash costs)	99.3	101.5	2.2
Net Margin (inc. Non cash costs)	-34.3	-21.5	12.8

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

In comparison, the FBS results, for 2008/09 and 2009/10, 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 2008/09 and 2009/10**

	2008/09		All flocks 2009/10		Change £/ewe
		std dev		std dev	
<i>Number of farms</i>	133		132		
<i>Number of farms (weighted)</i> (£ per ewe)	2987		3045		
Enterprise Output (excluding BLSA)	63.1	23.4	81.1	31.8	18.0
<i>BLSA</i>	3.3	5.9	11.2	8.6	7.9
Total Variable costs	35.2	18.6	37.5	16.4	2.3
Concentrates, Purchased fodder and keep	18.0	12.1	18.4	11.2	0.4
Gross Margin (excluding BLSA) / Ewe	27.8	24.5	43.6	31.5	15.7
Gross Margin range	-99 to 76		-98 to 139		
Total Fixed costs	44.5	18.3	49.6	19.8	5.1
Total costs	79.7	28.4	87.1	26.9	7.4
Net Margin (excluding BLSA) / Ewe	-16.6	27.7	-6.0	28.6	10.7
Net Margin after F&S labour (excl BLSA)	-37.7	29.0	-32.0	34.8	5.7

**Table 6. FBS SDA Upland Sheep flock Performance by flock size 2009/10**

	All flocks	<350 ewes	350-700 ewes	>700 ewes
<i>Number of farms</i>	132	49	54	29
<i>Number of farms (weighted)</i> (£ per ewe)	3,045	1,728	975	342
Enterprise Output (excluding BLSA)	81.1	76.1	81.8	83.8
<i>BLSA</i>	11.2	12.4	11.2	10.5
Total Variable costs, of which:	37.5	34.7	37.1	39.9
Concentrates, Purchased feed & keep	18.4	16.5	18.0	20.2
Gross Margin (excluding BLSA) / Ewe	43.6	41.4	44.7	43.9
Total Fixed costs	49.6	54.4	48.5	47.4
Total costs	87.1	89.0	85.6	87.3
Net Margin (excluding BLSA) / Ewe	-6.0	-13.0	-3.8	-3.5
Net Margin after F&S labour (excl BLSA)	-32.0	-52.6	-33.3	-16.1

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**

<b>Upland Suckler Herd</b>			
	2008/09	2009/10	Change
	£/cow	£/cow	£/cow
Sales	422	487	65
Replacement costs	57	58	1
Feed costs	105	108	3
Variable costs (excl replacement cost)	158	163	5
Gross Margin	207	266	59
Fixed Costs (exc. Non-cash costs)	327	340	13
Non-cash costs	258	225	-33
Total Costs (inc. Non-cash costs)	801	786	-15
Net Margin (inc. Non-cash costs)	-378	-299	79

In comparison, the FBS results, for 2008/09 and 2009/10, are shown in Table 8 with a herd size stratification shown in Table 9.

**Table 8. LFA Suckler Herd Performance 2008/09 and 2009/10**

	2008/09	All herds		std dev	change £/cow
		std dev	2009/10		
Number of farms	195		192		
Number of farms (weighted) (£ per cow)	4511		4,153		
Enterprise Output (excluding BLSA)	278	201	314	153	36
BLSA	149	67	35	40	-114
Total Variable costs	160	90	169	81	8
Concentrates, Purchased fodder and keep	63	51	63	59	0
Gross Margin (excluding BLSA) / Cow	118	211	146	160	28
Gross Margin range	-1180 to 1427		-625 to 620		
Total Fixed costs	295	172	312	121	17
Total costs	456	208	481	147	25
Enterprise NM (excluding BLSA)	-178	252	-167	159	11
Enterprise NM after F&S labour (excl BLSA)	-309	266	-280	200	29

**Table 9. LFA Suckler Herd Performance by herd size 2009/10**

	All herds	<50 cows	50-100 cows	>100 cows
<i>Number of farms</i>	192	118	60	14
<i>Number of farms (weighted)</i>	4,153	2,971	1,006	175
<u>Output per cow</u>				
Enterprise Output (excluding BLSA)	314	304	327	310
BLSA	35	36	30	46
Total Variable costs, of which:	169	176	164	156
Concentrates & purchased feed & keep	63	68	55	69
Gross Margin (excluding BLSA) / Cow	146	128	162	155
Total Fixed costs	312	329	312	262
Total costs	481	505	476	418
Enterprise NM (excluding BLSA)	-167	-201	-150	-108
Enterprise NM after F&S labour (excl BLSA)	-280	-358	-236	-156

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

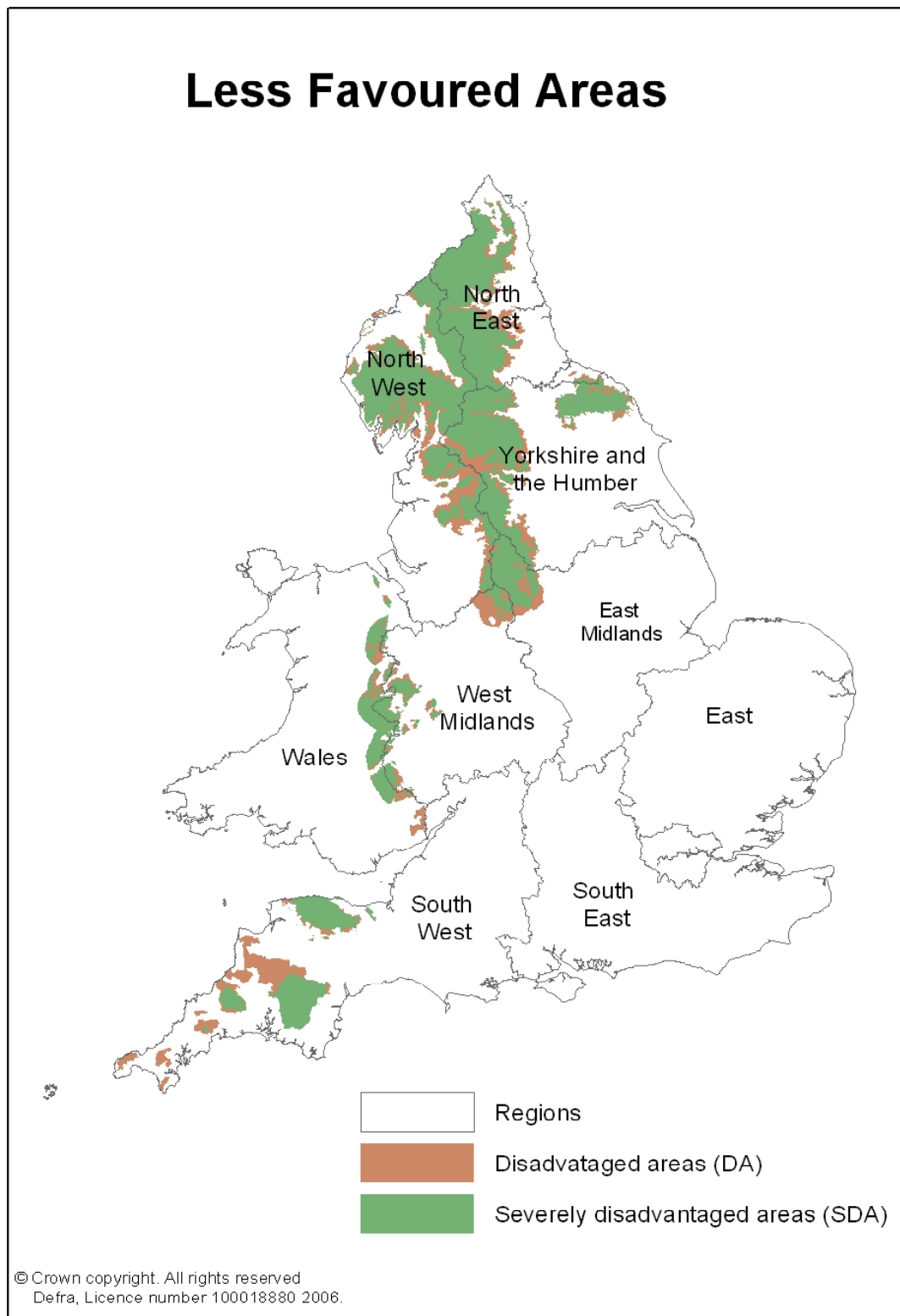
Hill Farming in England, 2007/8, RBR

Hill Farming in England, 2008/9, RBR

Government Office Reports, 2009/10, [RBR](#)

[EBLEX](#) web site – [www.eblex.org.uk](http://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)			Single Payment Scheme 2009/10	Farm Business (£ per farm) 2009/10
	Agriculture 2009/10	Agri-environment and other payments 2009/10	Diversification out of agriculture 2009/10		
<u>Derivation of farm income measures:</u>					
Total output	70,443	17,246	3,153	26,591	117,432
Variable costs	39,098	186	143	2	39,430
<b>Total Gross margin</b>	<b>31,345</b>	<b>17,059</b>	<b>3,010</b>	<b>26,589</b>	<b>78,003</b>
Fixed costs	38,860	3,308	1,377	3,218	46,763
<b>Total Costs</b>	<b>77,958</b>	<b>3,494</b>	<b>1,520</b>	<b>3,221</b>	<b>86,193</b>
Profit/(loss) on sale of fixed assets	160				160
<b>Farm Business Income</b>	<b>-7,355</b>	<b>13,751</b>	<b>1,632</b>	<b>23,371</b>	<b>31,399</b>
Adjustment for unpaid manual labour	23,840	1,074	1,221	0	26,134
<b>Farm Corporate Income</b>	<b>-31,195</b>	<b>12,678</b>	<b>411</b>	<b>23,371</b>	<b>5,265</b>
Interest payments (net of interest received)	1,717	64	70	57	1,908
<b>Farm Investment Income</b>	<b>-29,478</b>	<b>12,742</b>	<b>482</b>	<b>23,427</b>	<b>7,173</b>
Derivation of Net Farm Income					
				Profit/ (loss) on sale of assets	160
				Imputed rent	7,089
				Ownership charges	2,964
				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	21,895
				<b>Net Farm Income</b>	<b>24,943</b>
				Holding gains not included in farm income	22,875
				Breeding and Live Stock Appreciation (BLSA)	5,666
				Revaluation of machinery, permanent crops, glasshouse, quota	3,278
				Revaluation of land	13,931
				<b>Management and Investment Income</b>	<b>3,087</b>
The average farm					
Number (unweighted)	86				
Number (weighted)	1,322				

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

	Cost Centre (£ per farm)			Single Payment Scheme 2009/10	Farm Business (£ per farm) 2009/10
	Agriculture 2009/10	Agri-environment and other payments 2009/10	Diversification out of agriculture 2009/10		
<u>Derivation of farm income measures:</u>					
Total output	40,890	6,404	757	15,561	63,611
Variable costs	20,712	350	15	1	21,079
<b>Total Gross margin</b>	<b>20,178</b>	<b>6,054</b>	<b>741</b>	<b>15,559</b>	<b>42,533</b>
Fixed costs	25,922	1,256	488	2,304	29,970
<b>Total Costs</b>	<b>46,635</b>	<b>1,606</b>	<b>503</b>	<b>2,305</b>	<b>51,049</b>
Profit/(loss) on sale of fixed assets	2				2
<b>Farm Business Income</b>	<b>-5,743</b>	<b>4,798</b>	<b>253</b>	<b>13,255</b>	<b>12,564</b>
Adjustment for unpaid manual labour	20,953	704	270	0	21,928
<b>Farm Corporate Income</b>	<b>-26,696</b>	<b>4,094</b>	<b>-17</b>	<b>13,255</b>	<b>-9,364</b>
Interest payments (net of interest received)	844	29	27	37	937
<b>Farm Investment Income</b>	<b>-25,852</b>	<b>4,122</b>	<b>10</b>	<b>13,293</b>	<b>-8,427</b>
Derivation of Net Farm Income					
				Profit/ (loss) on sale of assets	2
				Imputed rent	7,055
				Ownership charges	2,528
				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	18,036
				<b>Net Farm Income</b>	<b>5,082</b>
The average farm				Holding gains not included in farm income	20,749
				Breeding and Live Stock Appreciation (BLSA)	2,955
				Revaluation of machinery, permanent crops, glasshouse, quota	2,996
				Revaluation of land	14,798
The average farm	34			<b>Management and Investment Income</b>	<b>-12,954</b>
Number (unweighted)	973				
Number (weighted)					

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

	Cost Centre (£ per farm)				Farm Business (£ per farm) 2009/10
	Agriculture 2009/10	Agri-environment and other payments 2009/10	Diversification out of agriculture 2009/10	Single Payment Scheme 2009/10	
<u>Derivation of farm income measures:</u>					
Total output	44,715	16,475	2,023	20,512	83,724
Variable costs	23,802	191	144	2	24,139
<b>Total Gross margin</b>	<b>20,913</b>	<b>16,284</b>	<b>1,879</b>	<b>20,510</b>	<b>59,586</b>
Fixed costs	23,832	3,655	750	2,184	30,421
<b>Total Costs</b>	<b>47,634</b>	<b>3,846</b>	<b>894</b>	<b>2,186</b>	<b>54,559</b>
Profit/(loss) on sale of fixed assets	415				415
<b>Farm Business Income</b>	<b>-2,504</b>	<b>12,629</b>	<b>1,130</b>	<b>18,325</b>	<b>29,580</b>
Adjustment for unpaid manual labour	17,668	1,649	399	0	19,717
<b>Farm Corporate Income</b>	<b>-20,172</b>	<b>10,980</b>	<b>730</b>	<b>18,325</b>	<b>9,863</b>
Interest payments (net of interest received)	1,117	83	11	56	1,268
<b>Farm Investment Income</b>	<b>-19,055</b>	<b>11,063</b>	<b>742</b>	<b>18,382</b>	<b>11,131</b>
Derivation of Net Farm Income					
				Profit/ (loss) on sale of assets	415
				Imputed rent	6,386
				Ownership charges	1,700
The average farm				Non-agricultural output historically not accounted for in Net Farm Income	441
				Non-agricultural inputs costs historically not accounted for in Net Farm Income	403
				Unpaid labour of principal farmer and spouse	17,621
				<b>Net Farm Income</b>	<b>24,029</b>
				Holding gains not included in farm income	24,637
				Breeding and Live Stock Appreciation (BLSA)	6,354
The average farm				Revaluation of machinery, permanent crops, glasshouse, quota	1,921
Number (unweighted)	57			Revaluation of land	16,363
Number (weighted)	1,640			<b>Management and Investment Income</b>	<b>6,419</b>

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

	Cost Centre (£ per farm)				Farm Business (£ per farm) 2009/10
	Agriculture 2009/10	Agri-environment and other payments 2009/10	Diversification out of agriculture 2009/10	Single Payment Scheme 2009/10	
<u>Derivation of farm income measures:</u>					
Total output	49,461	3,757	3,228	18,584	75,030
Variable costs	27,505	82	25	3	27,615
<b>Total Gross margin</b>	<b>21,956</b>	<b>3,674</b>	<b>3,204</b>	<b>18,581</b>	<b>47,415</b>
Fixed costs	27,731	793	2,130	2,254	32,908
<b>Total Costs</b>	<b>55,236</b>	<b>875</b>	<b>2,155</b>	<b>2,257</b>	<b>60,523</b>
Profit/(loss) on sale of fixed assets	28				28
<b>Farm Business Income</b>	<b>-5,747</b>	<b>2,881</b>	<b>1,074</b>	<b>16,327</b>	<b>14,535</b>
Adjustment for unpaid manual labour	19,879	204	871	0	20,954
<b>Farm Corporate Income</b>	<b>-25,626</b>	<b>2,677</b>	<b>203</b>	<b>16,327</b>	<b>-6,419</b>
Interest payments (net of interest received)	1,100	14	102	54	1,270
<b>Farm Investment Income</b>	<b>-24,526</b>	<b>2,691</b>	<b>305</b>	<b>16,380</b>	<b>-5,149</b>
Derivation of Net Farm Income					
				Profit/ (loss) on sale of assets	28
				Imputed rent	7,285
				Ownership charges	2,407
				Non-agricultural output historically not accounted for in Net Farm Income	536
				Non-agricultural inputs costs historically not accounted for in Net Farm Income	248
				Unpaid labour of principal farmer and spouse	17,600
The average farm				<b>Net Farm Income</b>	<b>7,285</b>
				Holding gains not included in farm income	21,730
				Breeding and Live Stock Appreciation (BLSA)	3,965
				Revaluation of machinery, permanent crops, glasshouse, quota	2,653
				Revaluation of land	15,113
The average farm	61			<b>Management and Investment Income</b>	<b>-10,304</b>
Number (unweighted)					
Number (weighted)	1,937				

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

2009/10	The average farm	Mixed grazing livestock (SDA)	Specialist sheep (SDA)	Specialist beef (SDA)	Various grazing livestock (DA)
Number of farms in the group	238	86	57	34	61
Number (weighted)	5,872	1,322	1,640	973	1,937
Utilisable Agricultural Area (UAA) (ha)	137	182	189	86	89
Average adjusted UAA (ha)	100	127	116	72	84
Average adjusted sole grazing (ha)	17	22	36	6	2
Average herd size	30	43	8	46	32
Average flock size	318	448	491	72	207
<b>Output</b>					
Farm Output	85,127	118,079	83,485	63,666	74,814
Farm Business Output	85,110	117,432	83,724	63,611	75,030
of which Output from agriculture	51,438	70,443	44,715	40,890	49,461
Agri environment payment	10,784	17,246	16,475	6,404	3,757
Diversified output	2,465	3,153	2,023	757	3,228
Single Farm Payment	20,424	26,591	20,512	15,561	18,584
Livestock Enterprise Output	47,999	66,023	43,512	36,003	45,527
Of which Cattle Enterprise Output	22,474	30,627	5,488	29,213	27,905
(incl Livestock subsidies)	240	440	6	438	202
Sheep Enterprise Output	24,713	33,323	37,994	6,790	16,600
Poultry Enterprise Output	450	1,794	23	0	122
Pigs Enterprise Output	321	103	3	0	900
Other Livestock Enterprise Output	40	176	3	0	0
Crop Enterprise Output	1,582	1,612	483	1,000	2,784
Of which Crop Subsidies	1	3	0	0	0
Main Crops	382	742	40	38	600
Forage by-products	1,094	825	348	741	2,087
Cultivations output	105	45	95	221	97
Set aside payments	0	0	0	0	0
Non agriculture, no other category output	1,859	2,809	721	3,888	1,156
Disposal Previous Crops	-3	-2	0	0	-7
<b>Farm Business Output</b>	<b>85,110</b>	<b>117,432</b>	<b>83,724</b>	<b>63,611</b>	<b>75,030</b>
<b>Variable Costs</b>					
Farm Business Variable costs	28,220	39,430	24,139	21,079	27,615
Of which Agriculture Variable Costs	27,955	39,098	23,802	20,712	27,505
Agri environment Variable Costs	180	186	191	350	82
Diversified income Variable Costs	83	143	144	15	25
SPS Variable Costs	2	2	2	1	3
Agriculture Crop Costs	4,112	5,646	2,566	3,053	4,906
Of which Seed	235	358	74	96	358
Fertilizer	3,106	4,330	2,193	2,097	3,551
Crop Protection	218	238	124	169	309
Other Crop Costs	552	720	175	690	688
Agriculture Livestock Costs	20,381	28,421	18,694	14,668	19,193
Of which Purchased Fodder Feed	11,909	16,327	11,163	8,990	10,991
Home Produced Fodder Feed	353	720	32	28	537
Veterinary and medicines	2,790	4,057	3,006	1,738	2,271
Other Livestock Costs	5,329	7,317	4,492	3,910	5,394
Agriculture Contract Costs	2,423	3,417	1,424	1,933	2,835
Agriculture Casual Labour	930	1,286	1,117	849	568
Agriculture, no other category Variable Costs	110	328	1	210	3
<b>Farm Business Gross Margin</b>	<b>56,890</b>	<b>78,003</b>	<b>59,586</b>	<b>42,533</b>	<b>47,415</b>
Agriculture Gross Margin	23,483	31,345	20,913	20,178	21,956
Agri Environment Gross Margin	10,603	17,059	16,284	6,054	3,674
Diversified Gross Margin	2,382	3,010	1,879	741	3,204
SPS Gross Margin	20,421	26,589	20,510	15,559	18,581



**Table 15. Fixed Costs and Farm Income calculations**

	The Average Farm	Mixed grazing livestock (SDA)	Specialist sheep (SDA)	Specialist beef (SDA)	Various grazing livestock (DA)
2009/10					
Number (unweighted)	238	86	57	34	61
Number (weighted)	5,872	1,322	1,640	973	1,937
Utilisable Agricultural Land (UAA) (ha)	137	182	189	86	89
Average adjusted UAA (ha)	100	127	116	72	84
Average adjusted sole grazing (ha)	17	22	36	6	2
Average herd size	30	43	8	46	32
Average flock size	318	448	491	72	207
<b>Gross Margin</b>					
Farm Business Gross Margin	56,890	78,003	59,586	42,533	47,415
Agriculture Gross Margin	23,483	31,345	20,913	20,178	21,956
Agri Environment Gross Margin	10,603	17,059	16,284	6,054	3,674
Diversified Income Gross Margin	2,382	3,010	1,879	741	3,204
SPS Gross Margin	20,421	26,589	20,510	15,559	18,581
<b>Fixed Costs</b>					
Farm Business Fixed Costs	34,845	46,763	30,421	29,970	32,908
of which: Agriculture Fixed Costs	28,847	38,860	23,832	25,922	27,731
Agri Environment Fixed Costs	2,235	3,308	3,655	1,256	793
Diversified Income Fixed Costs	1,303	1,377	750	488	2,130
SPS Fixed Costs	2,460	3,218	2,184	2,304	2,254
Agriculture Paid Labour	2,592	4,682	2,926	969	1,697
Of which Fixed Labour Costs	1,662	3,396	1,809	120	1,129
(-) Casual Labour Costs (a Variable Cost)	930	1,286	1,117	849	568
Agriculture Machinery Costs	13,310	17,047	10,338	13,456	13,203
of which: Machinery Running Costs	6,294	8,382	4,748	5,548	6,552
Agriculture Depreciation Tenants Capital	7,016	8,665	5,590	7,908	6,651
Agriculture General Farming Costs	6,984	8,780	6,207	6,020	6,901
of which: Agriculture Bank & Professional Fees	1,555	2,038	1,411	1,300	1,477
Agriculture Other General Costs	4,227	5,025	3,679	3,876	4,324
Net Interest Payments	1,201	1,717	1,117	844	1,100
Bad Debts Write-offs	0	0	0	0	0
Agriculture Property Costs	5,777	7,851	4,967	4,534	5,673
Non Agriculture Other Fixed Costs	1,113	1,784	511	1,792	825
Profit/loss sale of fixed assets	161	160	415	2	28
<b>Agriculture Net Margin (AGRICULTURE BUSINESS INCOME)</b>					
	-5,203	-7,355	-2,504	-5,743	-5,747
Unpaid manual labour	20,331	23,840	17,668	20,953	19,879
Of Which Unpaid Farmer and Spouse	17,323	20,007	15,892	17,126	16,801
Unpaid Partner	3,008	3,833	1,776	3,827	3,078
<b>Agriculture Economic Profit (AGRICULTURE CORPORATE INCOME)</b>					
	-25,534	-31,195	-20,172	-26,696	-25,626
Agriculture Net Interest Payment (added back)	1,201	1,717	1,117	844	1,100
<b>AGRICULTURE INVESTMENT INCOME</b>					
	-24,332	-29,478	-19,055	-25,852	-24,526
<b>Farm Net Margin (FARM BUSINESS INCOME)</b>					
	22,206	31,399	29,580	12,564	14,535
<b>Farm Economic Profit (FARM CORPORATE INCOME)</b>					
	270	5,265	9,863	-9,364	-6,419
<b>FARM INVESTMENT INCOME</b>					
	1,628	7,173	11,131	-8,427	-5,149
<b>NET FARM INCOME</b>					
	15,571	24,943	24,029	5,082	7,285
Holding gains not included in farm income	22,637	22,875	24,637	20,749	21,730
BLSA	4,848	5,666	6,354	2,955	3,965
Revaluation of Machinery, permanent crops etc	2,646	3,278	1,921	2,996	2,653
Revaluation of Land	15,144	13,931	16,363	14,798	15,113
<b>MANAGEMENT AND INVESTMENT INCOME</b>					
	-3,058	3,087	6,419	-12,954	-10,304

**Table 16. Balance Sheet and Fund Flows**

2009/10	The Average Farm	Mixed grazing livestock (SDA)	Specialist sheep (SDA)	Specialist beef (SDA)	Various grazing livestock (DA)
Number (unweighted)	238	86	57	34	61
Number (weighted)	5,872	1,322	1,640	973	1,937
Average Farmed Area (ha)	142.8	189.9	195.8	89.7	92.6
Adjusted Utilisable Agricultural Area (ha)	100.3	126.6	115.5	72.2	83.7
Ewes (head)	318	448	491	72	207
Beef Cows (head)	29	42	8	45	31
Occupied Area (ha)	71.9	72.1	94.3	60.9	58.2
Tenanted Area (ha)	69.3	113.6	97.6	27.1	36.3
Percentage of Land Owned (%)	50.9	38.8	49.1	69.2	61.6
<b>Assets</b>					
<b>Fixed Assets</b>	<b>570,634</b>	<b>568,620</b>	<b>574,254</b>	<b>566,857</b>	<b>570,842</b>
<i>Of which</i> Agricultural Land	434,847	386,483	457,173	438,409	447,155
Woodland	1,553	1,779	273	1,090	2,716
Total Buildings	17,225	21,883	12,782	20,025	16,402
Total Improvements	2,895	5,640	2,482	1,457	2,094
Milk quota	16	70	0	0	0
SPS Entitlements	23,697	31,564	24,785	17,595	20,474
Machinery	38,527	48,427	30,315	43,389	36,283
Breeding Livestock	50,418	72,256	46,203	44,891	41,863
Miscellaneous Business Assets	1,456	518	241	0	3,856
<b>Current Assets</b>	<b>54,957</b>	<b>69,113</b>	<b>39,870</b>	<b>58,318</b>	<b>56,383</b>
<i>of which</i> Trading Livestock	23,532	30,085	8,747	28,421	29,123
Crops	128	207	9	9	235
Forage	2,584	3,212	901	3,816	2,962
Cultivation	893	626	727	1,240	1,042
Stores	2,129	2,829	1,223	1,915	2,527
Liquid Assets	25,690	32,154	28,264	22,916	20,494
<i>Of which</i> Cash at Bank and In Hand	16,063	18,317	15,861	16,638	14,408
Debtors	6,168	9,250	8,014	3,358	3,914
Suspended	0	0	0	0	0
SPS & EU mod'n refund					
debtors	3,459	4,587	4,388	2,920	2,172
<b>Total Assets (£/farm)</b>	<b>625,592</b>	<b>637,733</b>	<b>614,124</b>	<b>625,175</b>	<b>627,226</b>
<i>Of which</i> Total Landlord-type Capital	456,536	415,855	472,711	460,981	468,367
Tenant Type Capital	169,056	221,878	141,414	164,194	158,859
<b>Loans</b>					
<b>Total Long Term Loans</b>	<b>21,420</b>	<b>28,763</b>	<b>21,026</b>	<b>11,955</b>	<b>21,500</b>
<i>Of which</i> Bank Loans	10,307	12,067	12,234	11,311	6,970
Institutional Loans	9,569	13,397	7,660	132	13,315
<i>Of which</i> AMC	7,065	13,052	3,090	18	9,887
Building Societies	791	64	2,782	0	0
Other Institutional Loans	1,712	280	1,788	115	3,428
Family Loans	1,510	3,150	1,132	511	1,214
Other Loans	34	149	0	0	0
<b>Current Liabilities</b>	<b>20,341</b>	<b>22,522</b>	<b>20,577</b>	<b>17,234</b>	<b>20,214</b>
<i>Of which</i> Hire Purchase	2,396	3,144	2,124	2,451	2,087
Leasing	111	331	0	0	110
Other Current Liabilities	17,835	19,047	18,453	14,783	18,017
<i>Of which</i> Creditors	5,229	7,180	4,273	3,712	5,471
Bank Overdraft	12,396	11,416	14,021	10,688	12,546
Others	209	450	159	383	0
<b>Total Liabilities</b>	<b>41,762</b>	<b>51,286</b>	<b>41,604</b>	<b>29,189</b>	<b>41,714</b>
<b>Closing Net Worth</b>	<b>583,830</b>	<b>586,447</b>	<b>572,521</b>	<b>595,986</b>	<b>585,512</b>
Opening Net Worth	548,515	536,468	534,029	565,666	560,381
<b>Change in New Worth</b>	<b>35,316</b>	<b>49,979</b>	<b>38,491</b>	<b>30,320</b>	<b>25,131</b>

SPS Entitlements Opening Valuation	20,794	27,424	21,063	15,476	18,716
Change in SPS Entitlements	2,903	4,141	3,723	2,119	1,759
Change in Borrowing	-4,549	-14,916	-5,559	-863	1,528
Funds Introduced	17,013	26,297	11,854	15,487	15,813
Cash Flow from the Farm Business	17,283	22,084	25,440	6,269	12,635
Private Drawings	20,024	23,297	21,915	12,903	19,769
Asset Purchases	15,858	24,106	13,167	16,695	12,090
Asset Sales	3,667	7,424	2,501	2,210	2,822
Capital Expenditure	12,192	16,682	10,666	14,485	9,267

**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)
2009/10					
Number (unweighted)	238	86	57	34	61
Number (weighted)	5,872	1,322	1,640	973	1,937
Total Area (includes woodland and roads etc) (ha)	141.1	185.7	191.9	88.1	94.4
Area Farmed (ha)	142.8	189.9	195.8	89.7	92.6
Net Land Hired In (ha)	5.5	8.3	6.7	3.5	3.7
<b>Utilised Agricultural Area (ha)</b>	<b>137.3</b>	<b>181.5</b>	<b>189.1</b>	<b>86.2</b>	<b>88.9</b>
<i>Of which</i> Total main products and set-aside (ha)	0.8	1.3	0.1	0.1	1.3
Grass, fodder crops and rough grazing (ha)	136.5	180.2	189.0	86.1	87.6
<i>Of which</i> rough grazing (unadjusted) (ha)	53.6	76.8	109.4	20.5	7.1
Adjusted rough grazing (sole occupation)	16.6	22.0	35.8	6.5	1.9
Adjusted rough grazing (shared)	5.1	10.4	8.2	1.1	0.7
Total Adjusted Utilised Agriculture Area (ha)	100.3	126.6	115.5	72.2	83.7
Area owner occupied (ha)	71.9	72.1	94.3	60.9	58.2
Area tenanted (ha)	69.3	113.6	97.6	27.1	36.3
Average age of farmer (years)	56	52	57	60	55
Agricultural labour units (ALU)	1.4	1.8	1.3	1.3	1.2
Economic size units (ESU)	23.9	34.2	20.5	18.9	22.3
<u>Land Use</u>					
Temporary Grassland Area (ha)	4.5	3.8	1.1	2.5	8.9
Permanent Grassland Area (ha)	82.8	105.0	85.1	66.3	74.1
<u>Stocking</u>					
Total Dairy Cows	0	1	0	0	0
Total Beef cows	30	42	8	46	32
Total Cattle	84	111	21	119	102
Ewes (LFA and lowland)	318	448	491	72	207
Of which LFA Ewes	311	448	478	71	197
Lowland Ewes	7	0	13	0	10
Total Sheep	605	851	918	155	399
<u>Livestock Units</u>					
Total Cattle LU	50	66	12	69	61
Of which Beef Cows LU	22	31	6	34	24
Other Cattle LU	24	29	6	31	34
Dairy Cows and Heifers	3	6	1	3	2
Total Sheep LU	39	54	60	10	25
Of which Ewe LU	23	31	35	6	14
<b>Grazing LU (cattle, sheep, horses and others)</b>	<b>89</b>	<b>122</b>	<b>73</b>	<b>79</b>	<b>86</b>
Total LU	90	124	73	79	87
<u>Financial Performance per GLU</u>					
Farm Business Output per GLU (£/GLU)	954	965	1,153	806	870
Farm Business Variable Costs (£/GLU)	316	324	332	267	320
Farm Business Gross Margin (£/GLU)	638	641	821	539	550
Farm Business Fixed Costs (£/GLU)	391	384	419	380	382
Farm Business Income (£/GLU)	249	258	407	159	169
Farm Corporate Income (£/GLU)	3	43	136	-119	-74
Farm Investment Income (£/GLU)	18	59	153	-107	-60
Holding Gains Not In Income (£/GLU)	254	188	339	263	252
of which Land Revaluation (£/GLU)	170	115	225	187	175
Net Farm Income (£/GLU)	175	205	331	64	85
Management and Investment Income (£/GLU)	-34	25	88	-164	-120
Agriculture Net Margin (Agriculture business income) (£/GLU)	-58	-60	-34	-73	-67
Agriculture Economic Profit (Agriculture corporate income) (£/GLU)	-286	-256	-278	-338	-297
Agriculture Investment Income (£/GLU)	-273	-242	-262	-328	-285

**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**

2009/10	The average Farm	EU Region England North	EU Region England East	EU Region England West
Number of farms in the group	238	145	27	66
Number (weighted)	5,872	3,367	726	1,779
Utilisable Agricultural Area (UAA) (ha)	137	158	149	94
Average adjusted UAA (ha)	100	102	125	88
Average adjusted sole grazing (ha)	17	23	23	2
Average herd size	30	29	34	31
Average flock size	318	361	253	263
<u>Output</u>				
Farm Output	85,127	90,021	89,763	73,971
Farm Business Output	85,110	89,645	91,879	73,764
of which Output from agriculture	51,438	54,554	55,566	43,854
Agri environment payment	10,784	11,271	13,543	8,736
Diversified output	2,465	2,395	3,637	2,118
Single Farm Payment	20,424	21,425	19,132	19,056
Livestock Enterprise Output	47,999	51,067	50,520	41,163
Of which Cattle Enterprise Output	22,474	20,739	28,325	23,368
(incl Livestock subsidies)	240	6	31	767
Sheep Enterprise Output	24,713	29,558	19,943	17,492
Poultry Enterprise Output	450	704	51	133
Pigs Enterprise Output	321	65	2,199	38
Other Livestock Enterprise Output	40	1	0	131
Crop Enterprise Output	1,582	1,351	3,101	1,398
Of which Crop Subsidies	1	1	0	0
Main Crops	382	357	225	495
Forage by-products	1,094	982	2,266	827
Cultivations output	105	11	610	77
Set aside payments	0	0	0	0
Non agriculture, no other category output	1,859	2,140	1,946	1,292
Disposal Previous Crops	-3	-4	0	0
<u>Farm Business Output</u>	85,110	89,645	91,879	73,764
<u>Variable Costs</u>				
Farm Business Variable costs	28,220	30,582	29,963	23,038
Of which Agriculture Variable Costs	27,955	30,504	29,230	22,609
Agri environment Variable Costs	180	64	323	341
Diversified income Variable Costs	83	12	408	84
SPS Variable Costs	2	2	2	3
Agriculture Crop Costs	4,112	4,381	2,350	4,322
Of which Seed	235	219	113	316
Fertilizer	3,106	3,442	1,109	3,287
Crop Protection	218	216	312	183
Other Crop Costs	552	504	816	536
Agriculture Livestock Costs	20,381	22,644	24,230	14,525
Of which Purchased Fodder Feed	11,909	14,052	15,045	6,572
Home Produced Fodder Feed	353	323	287	437
Veterinary and medicines	2,790	2,902	3,301	2,369
Other Livestock Costs	5,329	5,367	5,597	5,147
Agriculture Contract Costs	2,423	2,331	2,025	2,759
Agriculture Casual Labour	930	1,000	612	927
Agriculture, no other category Variable Costs	110	148	12	77
Farm Business Gross Margin	56,890	59,063	61,916	50,726
Agriculture Gross Margin	23,483	24,051	26,336	21,244
Agri Environment Gross Margin	10,603	11,206	13,220	8,395
Diversified Gross Margin	2,382	2,383	3,229	2,034
SPS Gross Margin	20421	21423	19130	19053

**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
2009/10				
Number (unweighted)	238	145	27	66
Number (weighted)	5,872	3,367	726	1,779
Utilisable Agricultural Land (UAA) (ha)	137	158	149	94
Average adjusted UAA (ha)	100	102	125	88
Average adjusted sole grazing (ha)	17	23	23	2
Average herd size	30	29	34	31
Average flock size	318	361	253	263
<b>Gross Margin</b>				
Farm Business Gross Margin	56,890	59,063	61,916	50,726
Agriculture Gross Margin	23,483	24,051	26,336	21,244
Agri Environment Gross Margin	10,603	11,206	13,220	8,395
Diversified Income Gross Margin	2,382	2,383	3,229	2,034
SPS Gross Margin	20,421	21,423	19,130	19,053
<b>Fixed Costs</b>				
Farm Business Fixed Costs	34,845	34,947	40,366	32,399
of which: Agriculture Fixed Costs	28,847	29,280	31,885	26,788
Agri Environment Fixed Costs	2,235	1,915	3,893	2,165
Diversified Income Fixed Costs	1,303	1,274	1,884	1,120
SPS Fixed Costs	2,460	2,477	2,704	2,327
Agriculture Paid Labour	2,592	2,975	2,038	2,093
Of which Fixed Labour Costs	1,662	1,975	1,425	1,166
(-) Casual Labour Costs (a Variable Cost)	930	1,000	612	927
Agriculture Machinery Costs	13,310	13,305	14,641	12,778
of which: Machinery Running Costs	6,294	6,185	7,300	6,090
Agriculture Depreciation Tenants Capital	7,016	7,120	7,341	6,687
Agriculture General Farming Costs	6,984	6,924	7,892	6,726
of which: Agriculture Bank & Professional Fees	1,555	1,623	1,542	1,432
Agriculture Other General Costs	4,227	4,041	5,310	4,139
Net Interest Payments	1,201	1,261	1,041	1,155
Bad Debts Write-offs	0	0	0	0
Agriculture Property Costs	5,777	5,779	6,931	5,304
Non Agriculture Other Fixed Costs	1,113	1,297	996	814
Profit/loss sale of fixed assets	161	204	140	89
<b>Agriculture Net Margin (AGRICULTURE BUSINESS INCOME)</b>				
	-5,203	-5,025	-5,409	-5,455
Unpaid manual labour	20,331	19,528	21,261	21,471
Of Which Unpaid Farmer and Spouse	17,323	16,702	16,916	18,663
Unpaid Partner	3,008	2,826	4,344	2,809
<b>Agriculture Economic Profit (AGRICULTURE CORPORATE INCOME)</b>	-25,534	-24,553	-26,670	-26,926
Agriculture Net Interest Payment (added back)	1,201	1,261	1,041	1,155
<b>AGRICULTURE INVESTMENT INCOME</b>	-24,332	-23,292	-25,629	-25,771
<b>Farm Net Margin (FARM BUSINESS INCOME)</b>				
	22,206	24,320	21,690	18,415
<b>Farm Economic Profit (FARM CORPORATE INCOME)</b>	270	3,534	-2,692	-4,698
<b>FARM INVESTMENT INCOME</b>	1,628	4,943	-1,471	-3,382
<b>NET FARM INCOME</b>				
	15,571	18,867	11,073	11,169
Holding gains not included in farm income	22,637	23,502	30,768	17,683
BLSA	4,848	3,733	7,949	5,691
Revaluation of Machinery, permanent crops etc	2,646	2,618	2,887	2,601
Revaluation of Land	15,144	17,151	19,932	9,391
<b>MANAGEMENT AND INVESTMENT INCOME</b>				
	-3,058	1,272	-8,550	-9,012

**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
2009/10				
Number (unweighted)	238	145	27	66
Number (weighted)	5,872	3,367	726	1,779
Average Farmed Area (ha)	142.8	160.0	161.9	102.5
Adjusted Utilisable Agricultural Area (ha)	100	102	125	88
Ewes (head)	318	361	253	263
Beef Cows (head)	29.3	27.6	34.5	30.5
<u>Occupied Area (ha)</u>	71.9	75.9	80.8	60.6
<b>Tenanted Area (ha)</b>	<b>69</b>	<b>86</b>	<b>70</b>	<b>37</b>
<i>Percentage of Land Owned (%)</i>	51	47	54	62
<b>Assets</b>				
Fixed Assets	570,634	509,374	580,691	682,466
Of which Agricultural Land	434,847	367,835	441,024	559,146
Woodland	1,553	961	370	3,158
Total Buildings	17,225	18,355	16,334	15,452
Total Improvements	2,895	3,415	3,313	1,740
Milk quota	16	27	0	0
SPS Entitlements	23,697	25,467	22,433	20,865
Machinery	38,527	38,737	42,135	36,657
Breeding Livestock	50,418	52,099	55,082	45,332
Miscellaneous Business Assets	1,456	2,477	0	116
Current Assets	54,957	54,007	59,543	54,884
of which Trading Livestock	23,532	21,041	30,669	25,334
Crops	128	106	25	213
Forage	2,584	2,113	3,590	3,065
Cultivation	893	97	4,980	732
<b>Stores</b>	<b>2,129</b>	<b>2,081</b>	<b>2,617</b>	<b>2,022</b>
Liquid Assets	25,690	28,570	17,662	23,518
Of which Cash at Bank and In Hand	16,063	16,819	12,745	15,988
Debtors	6,168	8,029	2,932	3,967
<b>Suspended</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
SPS & EU mod'n refund debtors	3,459	3,722	1,985	3,563
Total Assets (£/farm)	625,592	563,381	640,234	737,350
Of which Total Landlord-type Capital	456,536	390,593	461,041	579,496
Tenant Type Capital	169,056	172,788	179,193	157,854
<b>Loans</b>				
Total Long Term Loans	21,420	21,493	8,243	26,662
Of which Bank Loans	10,307	8,222	7,956	15,214
<b>Institutional Loans</b>	<b>9,569</b>	<b>11,388</b>	<b>0</b>	<b>10,034</b>
Of which AMC	7,065	7,021	0	10,034
Building Societies	791	1,380	0	0
Other Institutional Loans	1,712	2,986	0	0
Family Loans	1,510	1,884	287	1,303
Other Loans	34	0	0	111
Current Liabilities	20,341	17,637	30,061	21,491
<b>Of which Hire Purchase</b>	<b>2,396</b>	<b>2,454</b>	<b>3,304</b>	<b>1,915</b>
Leasing	111	144	230	0
<b>Other Current Liabilities</b>	<b>17,835</b>	<b>15,039</b>	<b>26,527</b>	<b>19,576</b>
Of which Creditors	5,229	5,391	5,519	4,806
<b>Bank Overdraft</b>	<b>12,396</b>	<b>9,389</b>	<b>20,951</b>	<b>14,594</b>
Others	209	260	57	176
Total Liabilities	41,762	39,130	38,304	48,153
Closing Net Worth	583,830	524,251	601,930	689,197
Opening Net Worth	548,515	483,952	566,903	663,195
Change in New Worth	35,316	40,299	35,027	26,002

SPS Entitlements Opening Valuation	20,794	22,052	19,945	18,761
Change in SPS Entitlements	2,903	3,415	2,488	2,104
Change in Borrowing	-4,549	-8,739	5,782	-836
Funds Introduced	17013	23538	3799	10059
Cash Flow from the Farm Business	17283	18979	17294	14069
Private Drawings	20024	20540	23395	17672
Asset Purchases	15858	17017	12085	15207
Asset Sales	3667	3602	2872	4113
Capital Expenditure	12192	13414	9213	11094



**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
<b>2009/10</b>				
Number (unweighted)	238	145	27	66
Number (weighted)	5,872	3,367	726	1,779
Total Area (includes woodland and roads etc) (ha)	141.1	162.0	150.9	97.6
Area Farmed (ha)	142.8	160.0	161.9	102.5
Net Land Hired In (ha)	5.5	2.2	13.3	8.8
<b>Utilised Agricultural Area (ha)</b>	<b>137.3</b>	<b>157.9</b>	<b>148.6</b>	<b>93.7</b>
<i>Of which</i> Total main products and set-aside (ha)	0.8	0.7	0.3	1.1
Grass, fodder crops and rough grazing (ha)	136.5	157.2	148.3	92.6
<i>Of which</i> rough grazing (unadjusted) (ha)	53.6	79.3	46.5	7.8
Adjusted rough grazing (sole occupation)	16.6	23.0	23.3	1.9
Adjusted rough grazing (shared)	5.1	7.6	0.0	2.4
Total Adjusted Utilised Agriculture Area (ha)	100.3	101.6	125.3	87.8
Area owner occupied (ha)	71.9	75.9	80.8	60.6
Area tenanted (ha)	69.3	86.2	70.2	37.0
Average age of farmer (years)	56	57	52	54
Agricultural labour units (ALU)	1.4	1.4	1.4	1.4
Economic size units (ESU)	23.9	24.4	23.5	23.2
<u>Land Use</u>				
Temporary Grassland Area (ha)	4.5	5.4	0.4	4.4
Permanent Grassland Area (ha)	82.8	74.0	114.6	86.5
<u>Stocking</u>				
Total Dairy Cows	0	0	0	0
Total Beef cows	30	28	34	31
Total Cattle	84	76	102	93
Ewes (LFA and lowland)	318	361	253	263
Of which LFA Ewes	311	358	253	246
Lowland Ewes	7	3	0	18
Total Sheep	605	704	435	487
<u>Livestock Units</u>				
Total Cattle LU	50	44	58	56
Of which Beef Cows LU	22	21	26	23
Other Cattle LU	24	21	28	30
Dairy Cows and Heifers	3	3	4	2
Total Sheep LU	39	45	29	32
Of which Ewe LU	23	26	18	19
<b>Grazing LU (cattle, sheep, horses and others)</b>	<b>89</b>	<b>89</b>	<b>88</b>	<b>89</b>
Total LU	90	91	89	89
<u>Financial Performance per GLU</u>				
Farm Business Output per GLU (£/GLU)	954	1,002	1,047	827
Farm Business Variable Costs (£/GLU)	316	342	341	258
Farm Business Gross Margin (£/GLU)	638	660	705	568
Farm Business Fixed Costs (£/GLU)	391	391	460	363
Farm Business Income (£/GLU)	249	272	247	206
Farm Corporate Income (£/GLU)	3	40	-31	-53
Farm Investment Income (£/GLU)	18	55	-17	-38
Holding Gains Not In Income (£/GLU)	254	263	351	198
of which Land Revaluation (£/GLU)	170	192	227	105
Net Farm Income (£/GLU)	175	211	126	125
Management and Investment Income (£/GLU)	-34	14	-97	-101
Agriculture Net Margin (Agriculture business income) (£/GLU)	-58	-56	-62	-61
Agriculture Economic Profit (Agriculture corporate income) (£/GLU)	-286	-274	-304	-302
Agriculture Investment Income (£/GLU)	-273	-260	-292	-289

**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
2009/10					
Number of farms in the group	238	34	74	62	68
Number (weighted)	5,872	2,155	1,964	908	845
Utilisable Agricultural Area (UAA) (ha)	137	62	111	197	327
Average adjusted UAA (ha)	100	54	89	126	218
Average adjusted sole grazing (ha)	17	7	11	32	38
Average herd size	30	19	26	33	65
Average flock size	318	93	252	450	903
<u>Output</u>					
Farm Output	85,127	39,975	75,784	106,918	198,562
Farm Business Output	85,110	39,845	76,049	107,392	197,655
of which Output from agriculture	51,438	22,558	44,873	64,023	126,817
Agri environment payment	10,784	5,491	8,901	14,582	24,576
Diversified output	2,465	1,282	3,709	3,060	1,951
Single Farm Payment	20,424	10,514	18,566	25,727	44,310
Livestock Enterprise Output	47,999	19,962	41,413	59,711	122,216
Of which Cattle Enterprise Output	22,474	13,828	20,689	26,001	44,881
(incl Livestock subsidies)	240	40	185	762	316
Sheep Enterprise Output	24,713	6,032	19,270	33,665	75,381
Poultry Enterprise Output	450	0	1,322	39	15
Pigs Enterprise Output	321	1	131	0	1,923
Other Livestock Enterprise Output	40	101	0	6	17
Crop Enterprise Output	1,582	932	2,137	1,499	2,037
Of which Crop Subsidies	1	0	0	0	4
Main Crops	382	64	255	797	1,047
Forage by-products	1,094	790	1,758	664	788
Cultivations output	105	78	124	38	202
Set aside payments	0	0	0	0	0
Non agriculture, no other category output	1,859	1,664	1,329	2,816	2,565
Disposal Previous Crops	-3	0	-6	-3	0
<u>Farm Business Output</u>	85,110	39,845	76,049	107,392	197,655
<u>Variable Costs</u>					
Farm Business Variable costs	28,220	13,114	24,075	34,225	69,922
Of which Agriculture Variable Costs	27,955	12,818	23,892	33,847	69,662
Agri environment Variable Costs	180	243	140	85	216
Diversified income Variable Costs	83	51	41	290	38
SPS Variable Costs	2	1	2	3	6
Agriculture Crop Costs	4,112	1,887	3,578	4,974	10,100
Of which Seed	235	82	236	316	539
Fertilizer	3,106	1,363	2,604	3,757	8,019
Crop Protection	218	90	224	282	461
Other Crop Costs	552	352	514	620	1,080
Agriculture Livestock Costs	20,381	9,279	17,361	24,431	51,357
Of which Purchased Fodder Feed	11,909	5,158	10,482	13,912	30,286
Home Produced Fodder Feed	353	71	294	662	878
Veterinary and medicines	2,790	1,281	2,093	3,418	7,584
Other Livestock Costs	5,329	2,769	4,493	6,438	12,609
Agriculture Contract Costs	2,423	1,171	2,349	3,119	5,035
Agriculture Casual Labour	930	404	582	869	3,143
Agriculture, no other category Variable Costs	110	78	21	455	27
<u>Farm Business Gross Margin</u>	56,890	26,731	51,974	73,166	127,733
Agriculture Gross Margin	23,483	9,740	20,980	30,176	57,155
Agri Environment Gross Margin	10,603	5,247	8,761	14,497	24,360
Diversified Gross Margin	2,382	1,230	3,668	2,770	1,913
SPS Gross Margin	20,421	10,514	18,565	25,724	44,304

**Table 23. Fixed Costs and Farm Income calculations by Farm size**

	The Average Farm	Band 1	Band 2	Band 3	Band 4
2009/10					
Number (unweighted)	238	34	74	62	68
Number (weighted)	5,872	2,155	1,964	908	845
Utilisable Agricultural Land (UAA) (ha)	137	62	111	197	327
Average adjusted UAA (ha)	100	54	89	126	218
Average adjusted sole grazing (ha)	17	7	11	32	38
Average herd size	30	19	26	33	65
Average flock size	318	93	252	450	903
<u>Gross Margin</u>					
Farm Business Gross Margin	56,890	26,731	51,974	73,166	127,733
Agriculture Gross Margin	23,483	9,740	20,980	30,176	57,155
Agri Environment Gross Margin	10,603	5,247	8,761	14,497	24,360
Diversified Income Gross Margin	2,382	1,230	3,668	2,770	1,913
SPS Gross Margin	20,421	10,514	18,565	25,724	44,304
<u>Fixed Costs</u>					
Farm Business Fixed Costs	34,845	19,900	31,468	41,253	73,920
of which: Agriculture Fixed Costs	28,847	16,341	25,158	34,042	63,729
Agri Environment Fixed Costs	2,235	1,411	2,094	2,774	4,085
Diversified Income Fixed Costs	1,303	526	2,082	1,582	1,174
SPS Fixed Costs	2,460	1,621	2,133	2,855	4,932
Agriculture Paid Labour	2,592	311	1,557	3,265	10,089
Of which Fixed Labour Costs	1,662	-92	974	2,396	6,946
(-) Casual Labour Costs (a Variable Cost)	930	404	582	869	3,143
Agriculture Machinery Costs	13,310	8,466	11,826	15,468	26,793
of which: Machinery Running Costs	6,294	3,808	5,580	7,067	13,463
Agriculture Depreciation Tenants Capital	7,016	4,658	6,247	8,401	13,331
Agriculture General Farming Costs	6,984	4,536	6,583	7,712	13,374
of which: Agriculture Bank & Professional Fees	1,555	1,007	1,560	1,628	2,865
Agriculture Other General Costs	4,227	3,009	4,060	4,763	7,148
Net Interest Payments	1,201	521	963	1,322	3,361
Bad Debts Write-offs	0	0	0	0	0
Agriculture Property Costs	5,777	2,566	4,823	7,037	14,833
Non Agriculture Other Fixed Costs	1,113	866	952	1,429	1,782
Profit/loss sale of fixed assets	161	-156	268	114	772
<b>Agriculture Net Margin (AGRICULTURE BUSINESS INCOME)</b>	-5,203	-6,757	-3,910	-3,753	-5,802
Unpaid manual labour	20,331	14,773	20,230	23,684	31,137
Of Which Unpaid Farmer and Spouse	17,323	14,499	17,213	19,633	22,297
Unpaid Partner	3,008	274	3,017	4,051	8,839
<b>Agriculture Economic Profit (AGRICULTURE CORPORATE INCOME)</b>	-25,534	-21,530	-24,140	-27,437	-36,938
Agriculture Net Interest Payment (added back)	1,201	521	963	1,322	3,361
<b>AGRICULTURE INVESTMENT INCOME</b>	-24,332	-21,009	-23,177	-26,116	-33,577
<b>Farm Net Margin (FARM BUSINESS INCOME)</b>	22,206	6,675	20,774	32,027	54,585
<b>Farm Economic Profit (FARM CORPORATE INCOME)</b>	270	-9,392	-1,375	6,741	21,780
<b>FARM INVESTMENT INCOME</b>	1,628	-8,790	-280	8,247	25,518
<b>NET FARM INCOME</b>	15,571	3,925	13,782	22,486	41,996
Holding gains not included in farm income	22,637	17,336	20,740	28,074	34,726
BLSA	4,848	1,785	4,300	6,621	12,026
Revaluation of Machinery, permanent crops etc	2,646	1,813	2,441	3,218	4,632
Revaluation of Land	15,144	13,738	13,999	18,235	18,068
<b>MANAGEMENT AND INVESTMENT INCOME</b>	-3,058	-11,865	-4,925	1,536	18,801

**Table 24. Balance Sheet and Fund Flows by Farm size**

	The Average Farm	Band 1	Band 2	Band 3	Band 4
2009/10					
Number (unweighted)	238	34	74	62	68
Number (weighted)	5,872	2,155	1,964	908	845
Average Farmed Area (ha)	142.8	61.9	112.4	205.0	353.3
Adjusted Utilisable Agricultural Area (ha)	100	54	89	126	218
Ewes (head)	318	93	252	450	903
Beef Cows (head)	29.3	18.8	24.2	32.7	64.4
Occupied Area (ha)	71.9	47.9	62.4	108.1	116.2
Tenanted Area (ha)	69	16	53	92	218
<i>Percentage of Land Owned (%)</i>	51	74	54	54	35
<b>Assets</b>					
<b>Fixed Assets</b>	<b>570,634</b>	<b>442,083</b>	<b>553,229</b>	<b>682,578</b>	<b>818,630</b>
Of which Agricultural Land	434,847	369,788	434,220	511,142	520,238
Woodland	1,553	1,518	1,237	1,157	2,804
Total Buildings	17,225	10,075	15,194	24,336	32,542
Total Improvements	2,895	2,679	2,198	3,024	4,925
Milk quota	16	0	40	10	4
<i>SPS Entitlements</i>	23,697	11,816	21,583	30,514	51,587
Machinery	38,527	24,586	35,619	47,228	71,490
Breeding Livestock	50,418	21,553	42,823	65,051	125,956
Miscellaneous Business Assets	1,456	68	315	116	9,085
<b>Current Assets</b>	<b>54,957</b>	<b>29,776</b>	<b>51,590</b>	<b>65,892</b>	<b>115,246</b>
of which Trading Livestock	23,532	11,554	24,608	27,247	47,585
Crops	128	27	127	206	304
Forage	2,584	1,951	2,500	2,750	4,218
Cultivation	893	615	765	1,048	1,734
Stores	2,129	1,171	2,086	2,274	4,519
<i>Liquid Assets</i>	25,690	14,458	21,505	32,367	56,886
Of which Cash at Bank and In Hand	16,063	10,005	13,358	21,747	31,693
Debtors	6,168	3,254	4,945	7,616	14,887
Suspended	0	0	0	0	0
<i>SPS &amp; EU mod'n refund debtors</i>	3,459	1,199	3,202	3,005	10,305
<b>Total Assets (£/farm)</b>	<b>625,592</b>	<b>471,859</b>	<b>604,820</b>	<b>748,470</b>	<b>933,875</b>
Of which Total Landlord-type Capital	456,536	384,061	452,890	539,669	560,512
Tenant Type Capital	169,056	87,799	151,930	208,802	373,363
<b>Loans</b>					
<b>Total Long Term Loans</b>	<b>21,420</b>	<b>9,612</b>	<b>11,578</b>	<b>24,098</b>	<b>71,531</b>
Of which Bank Loans	10,307	5,386	6,816	15,964	24,894
Institutional Loans	9,569	3,882	3,383	6,529	41,715
Of which AMC	7,065	3,882	2,334	4,885	28,523
Building Societies	791	0	993	1,644	1,425
Other Institutional Loans	1,712	0	57	0	11,766
Family Loans	1,510	344	1,379	1,604	4,689
Other Loans	34	0	0	0	233
<b>Current Liabilities</b>	<b>20,341</b>	<b>12,261</b>	<b>17,491</b>	<b>20,364</b>	<b>47,544</b>
Of which Hire Purchase	2,396	680	2,409	3,174	5,905
Leasing	111	21	85	0	518
Other Current Liabilities	17,835	11,560	14,997	17,190	41,120
Of which Creditors	5,229	2,638	3,878	5,683	14,491
Bank Overdraft	12,396	8,828	10,747	11,410	26,387
Others	209	95	372	97	242
<b>Total Liabilities</b>	<b>41,762</b>	<b>21,873</b>	<b>29,070</b>	<b>44,462</b>	<b>119,075</b>
<b>Closing Net Worth</b>	<b>583,830</b>	<b>449,986</b>	<b>575,750</b>	<b>704,008</b>	<b>814,801</b>
Opening Net Worth	548,515	431,063	539,037	664,994	744,909
<b>Change in New Worth</b>	<b>35,316</b>	<b>18,924</b>	<b>36,713</b>	<b>39,014</b>	<b>69,891</b>

SPS Entitlements Opening Valuation	20,794	10,555	18,828	26,862	44,954
Change in SPS Entitlements	2,903	1,260	2,755	3,652	6,632
Change in Borrowing	-4,549	-1,000	-10,473	2,075	-6,945
Funds Introduced	17013	10981	21819	9034	29794
Cash Flow from the Farm Business	17283	9094	18062	22124	31153
Private Drawings	20024	14680	17869	23878	34522
Asset Purchases	15858	8760	12162	17944	40311
Asset Sales	3667	2343	3273	3567	8066
Capital Expenditure	12192	6417	8889	14377	32246

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

	The Average Farm	Band 1	Band 2	Band 3	Band 4
2009/10					
Number (unweighted)	238	34	74	62	68
Number (weighted)	5,872	2,155	1,964	908	845
Total Area (includes woodland and roads etc) (ha)	141.1	64.3	114.9	200.4	334.2
Area Farmed (ha)	142.8	61.9	112.4	205.0	353.3
Net Land Hired In (ha)	5.5	-0.1	1.8	7.9	26.1
Utilised Agricultural Area (ha)	137.3	62.0	110.5	197.1	327.2
<i>Of which</i> Total main products and set-aside (ha)	0.8	0.2	0.5	1.5	1.9
Grass, fodder crops and rough grazing (ha)	136.5	61.8	110.0	195.6	325.3
<i>Of which</i> rough grazing (unadjusted) (ha)	53.6	15.2	32.6	102.6	147.5
Adjusted rough grazing (sole occupation)	16.6	6.9	10.9	31.9	38.5
Adjusted rough grazing (shared)	5.1	3.8	3.1	6.1	11.7
Total Adjusted Utilised Agriculture Area (ha)	100.3	53.6	88.8	126.4	218.2
Area owner occupied (ha)	71.9	47.9	62.4	108.1	116.2
Area tenanted (ha)	69.3	16.5	52.6	92.3	218.1
Average age of farmer (years)	56	58	55	54	53
Agricultural labour units (ALU)	1.4	0.9	1.3	1.6	2.4
Economic size units (ESU)	23.9	10.7	20.8	30.5	57.8
<b>Land Use</b>					
Temporary Grassland Area (ha)	4.5	0.5	3.0	6.7	15.7
Permanent Grassland Area (ha)	82.8	45.8	75.2	93.8	183.3
<b>Stocking</b>					
Total Dairy Cows	0	0	1	0	0
Total Beef cows	30	19	25	33	64
Total Cattle	84	52	78	95	169
Ewes (LFA and lowland)	318	93	252	450	903
Of which LFA Ewes	311	84	241	450	903
Lowland Ewes	7	9	11	0	0
Total Sheep	605	169	468	867	1,754
<b>Livestock Units</b>					
Total Cattle LU	50	31	46	56	98
Of which Beef Cows LU	22	14	19	25	48
Other Cattle LU	24	16	24	28	44
Dairy Cows and Heifers	3	1	3	4	6
Total Sheep LU	39	12	30	56	110
Of which Ewe LU	23	7	19	32	63
Grazing LU (cattle, sheep, horses and others)	89	44	77	113	210
Total LU	90	44	79	113	211
<b>Financial Performance per GLU</b>					
Farm Business Output per GLU (£/GLU)	954	915	993	954	942
Farm Business Variable Costs (£/GLU)	316	301	314	304	333
Farm Business Gross Margin (£/GLU)	638	614	678	650	609
Farm Business Fixed Costs (£/GLU)	391	457	411	367	352
Farm Business Income (£/GLU)	249	153	271	285	260
Farm Corporate Income (£/GLU)	3	-216	-18	60	104
Farm Investment Income (£/GLU)	18	-202	-4	73	122
Holding Gains Not In Income (£/GLU)	254	398	271	249	166
of which Land Revaluation (£/GLU)	170	316	183	162	86
Net Farm Income (£/GLU)	175	90	180	200	200
Management and Investment Income (£/GLU)	-34	-273	-64	14	90
Agriculture Net Margin (Agriculture business income) (£/GLU)	-58	-155	-51	-33	-28
Agriculture Economic Profit (Agriculture corporate income) (£/GLU)	-286	-495	-315	-244	-176
Agriculture Investment Income (£/GLU)	-273	-483	-303	-232	-160

## 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
2009/10					
Number of farms in the group	238	37	44	64	93
Number (weighted)	5,872	1,465	1,454	1,478	1,476
Utilisable Agricultural Area (UAA) (ha)	137	64	81	140	263
Average adjusted UAA (ha)	100	58	71	99	173
Average adjusted sole grazing (ha)	17	3	7	19	37
Average herd size	30	27	25	28	40
Average flock size	318	129	202	301	637
<u>Output</u>					
Farm Output	85,127	44,671	57,491	80,702	156,919
Farm Business Output	85,110	44,630	57,128	81,629	156,323
of which Output from agriculture	51,438	28,350	33,256	48,091	95,606
Agri environment payment	10,784	4,127	6,302	9,132	23,457
Diversified output	2,465	1,344	3,023	3,894	1,596
Single Farm Payment	20,424	10,809	14,547	20,511	35,664
Livestock Enterprise Output	47,999	26,742	29,466	44,325	91,024
Of which Cattle Enterprise Output	22,474	16,904	17,930	22,444	32,507
(incl Livestock subsidies)	240	15	79	399	461
Sheep Enterprise Output	24,713	8,233	11,381	21,462	57,453
Poultry Enterprise Output	450	1,592	0	203	9
Pigs Enterprise Output	321	14	5	211	1,046
Other Livestock Enterprise Output	40	0	150	4	10
Crop Enterprise Output	1,582	725	2,177	1,209	2,220
Of which Crop Subsidies	1	0	0	0	2
Main Crops	382	189	125	360	851
Forage by-products	1,094	447	1,917	817	1,202
Cultivations output	105	88	134	32	167
Set aside payments	0	0	0	0	0
Non agriculture, no other category output	1,859	883	1,613	2,565	2,364
Disposal Previous Crops	-3	0	0	-9	-2
<u>Farm Business Output</u>	85,110	44,630	57,128	81,629	156,323
<u>Variable Costs</u>					
Farm Business Variable costs	28,220	20,892	18,926	25,746	47,122
Of which Agriculture Variable Costs	27,955	20,600	18,686	25,473	46,864
Agri environment Variable Costs	180	260	165	48	249
Diversified income Variable Costs	83	30	73	223	5
SPS Variable Costs	2	2	2	2	3
Agriculture Crop Costs	4,112	2,372	3,062	4,273	6,711
Of which Seed	235	132	184	252	372
Fertilizer	3,106	1,597	2,347	3,211	5,247
Crop Protection	218	122	180	198	370
Other Crop Costs	552	521	351	612	722
Agriculture Livestock Costs	20,381	15,897	12,989	17,971	34,523
Of which: Purchased Fodder	11,909	9,486	7,658	10,339	20,070
Home Produced Fodder	353	287	99	327	695
Veterinary and medicines	2,790	2,006	1,783	2,440	4,910
Other Livestock Costs	5,329	4,118	3,449	4,865	8,847
Agriculture Contract Costs	2,423	1,737	2,084	2,383	3,477
Agriculture Casual Labour	930	572	390	806	1,940
Agriculture, no other category Variable Costs	110	22	162	42	214
<u>Farm Business Gross Margin</u>	56,890	23,738	38,202	55,883	109,200
Agriculture Gross Margin	23,483	7,750	14,569	22,617	48,741
Agri Environment Gross Margin	10,603	3,867	6,137	9,085	23,207
Diversified Gross Margin	2,382	1,314	2,950	3,671	1,591
SPS Gross Margin	20,421	10,807	14,545	20,510	35,660

**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
2009/10					
Number (unweighted)	238	37	44	64	93
Number (weighted)	5,872	1,465	1,454	1,478	1,476
Utilisable Agricultural Land (UAA) (ha)	137	64	81	140	263
Average adjusted UAA (ha)	100	58	71	99	173
Average adjusted sole grazing (ha)	17	3	7	19	37
Average herd size	30	27	25	28	40
Average flock size	318	129	202	301	637
<u>Gross Margin</u>					
Farm Business Gross Margin	56,890	23,738	38,202	55,883	109,200
Agriculture Gross Margin	23,483	7,750	14,569	22,617	48,741
Agri Environment Gross Margin	10,603	3,867	6,137	9,085	23,207
Diversified Income Gross Margin	2,382	1,314	2,950	3,671	1,591
SPS Gross Margin	20,421	10,807	14,545	20,510	35,660
<u>Fixed Costs</u>					
Farm Business Fixed Costs	34,845	28,296	27,591	30,791	52,548
of which: Agriculture Fixed Costs	28,847	23,226	22,361	25,545	44,119
Agri Environment Fixed Costs	2,235	1,302	1,349	1,483	4,788
Diversified Income Fixed Costs	1,303	1,220	1,882	1,694	424
SPS Fixed Costs	2,460	2,549	1,999	2,069	3,217
Agriculture Paid Labour	2,592	1,189	1,274	1,807	6,068
Of which Fixed Labour Costs	1,662	617	884	1,001	4,128
(-) Casual Labour Costs (a Variable Cost)	930	572	390	806	1,940
Agriculture Machinery Costs	13,310	11,061	10,372	12,208	19,540
of which: Machinery Running Costs	6,294	5,352	4,610	5,926	9,255
Agriculture Depreciation Tenants Capital	7,016	5,708	5,762	6,282	10,284
Agriculture General Farming Costs	6,984	7,101	6,072	5,949	8,802
of which: Agriculture Bank & Professional Fees	1,555	1,730	1,273	1,275	1,940
Agriculture Other General Costs	4,227	3,566	3,832	3,859	5,641
Net Interest Payments	1,201	1,805	967	814	1,221
Bad Debts Write-offs	0	0	0	0	0
Agriculture Property Costs	5,777	3,942	4,102	4,798	10,230
Non Agriculture Other Fixed Costs	1,113	505	932	1,589	1,419
Profit/loss sale of fixed assets	161	-132	119	13	643
<b>Agriculture Net Margin (AGRICULTURE BUSINESS INCOME)</b>	-5,203	-15,609	-7,673	-2,915	5,265
Unpaid manual labour	20,331	15,152	15,358	23,266	27,429
Of Which Unpaid Farmer and Spouse	17,323	14,401	14,340	19,969	20,510
Unpaid Partner	3,008	752	1,017	3,297	6,920
<b>Agriculture Economic Profit (AGRICULTURE CORPORATE INCOME)</b>	-25,534	-30,761	-23,031	-26,180	-22,164
Agriculture Net Interest Payment (added back)	1,201	1,805	967	814	1,221
<b>AGRICULTURE INVESTMENT INCOME</b>	-24,332	-28,956	-22,064	-25,366	-20,943
<b>Farm Net Margin (FARM BUSINESS INCOME)</b>	22,206	-4,690	10,730	25,105	57,295
<b>Farm Economic Profit (FARM CORPORATE INCOME)</b>	270	-20,787	-6,240	172	27,677
<b>FARM INVESTMENT INCOME</b>	1,628	-18,760	-5,092	1,063	29,043
<b>NET FARM INCOME</b>	15,571	-5,894	7,085	17,322	43,475
Holding gains not included in farm income	22,637	19,754	17,869	18,494	34,344
BLSA	4,848	2,689	3,456	4,308	8,900
Revaluation of Machinery, permanent crops etc	2,646	2,168	2,327	2,424	3,657
Revaluation of Land	15,144	14,896	12,085	11,762	21,788
<b>MANAGEMENT AND INVESTMENT INCOME</b>	-3,058	-21,203	-8,746	-3,800	21,292



**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
2009/10					
Number (unweighted)	238	37	44	64	93
Number (weighted)	5,872	1,465	1,454	1,478	1,476
Average Farmed Area (ha)	142.8	65.0	81.1	145.3	278.4
Adjusted Utilisable Agricultural Area (ha)	100	58	71	99	173
Ewes (head)	318	129	202	301	637
Beef Cows (head)	29	26	23	28	40
Occupied Area (ha)	71.9	40.4	49.0	73.9	123.5
Tenanted Area (ha)	69.3	27.5	34.9	69.4	144.5
Percentage of Land Owned (%)	51	59	58	52	46
<b>Assets</b>					
<b>Fixed Assets</b>	<b>570,634</b>	<b>452,904</b>	<b>440,499</b>	<b>573,366</b>	<b>812,889</b>
Of which Agricultural Land	434,847	346,892	341,418	448,801	600,165
Woodland	1,553	2,352	525	1,764	1,563
Total Buildings	17,225	21,355	12,715	11,544	23,259
Total Improvements	2,895	3,658	2,454	2,366	3,102
Milk quota	16	54	6	0	2
SPS Entitlements	23,697	11,996	17,276	24,293	41,037
<i>Machinery</i>	38,527	29,288	31,574	36,131	56,943
Breeding Livestock	50,418	32,121	34,444	48,259	86,468
Miscellaneous Business Assets	1,456	5,189	86	208	350
<b>Current Assets</b>	<b>54,957</b>	<b>33,478</b>	<b>39,602</b>	<b>57,010</b>	<b>89,340</b>
of which Trading Livestock	23,532	17,196	17,309	23,396	36,084
Crops	128	69	72	171	199
Forage	2,584	1,072	3,083	2,998	3,180
Cultivation	893	861	1,033	350	1,332
Stores	2,129	1,651	1,296	2,123	3,432
Liquid Assets	25,690	12,629	16,809	27,972	45,113
<i>Of which Cash at Bank and In Hand</i>	16,063	7,688	10,323	18,699	27,388
Debtors	6,168	4,661	3,466	5,719	10,775
Suspended	0	0	0	0	0
SPS & EU mod'n refund debtors	3,459	281	3,020	3,554	6,949
<b>Total Assets (£/farm)</b>	<b>625,592</b>	<b>486,382</b>	<b>480,101</b>	<b>630,376</b>	<b>902,229</b>
Of which Total Landlord-type Capital	456,536	374,311	357,118	464,475	628,091
Tenant Type Capital	169,056	112,071	122,983	165,901	274,138
<b>Loans</b>					
<b>Total Long Term Loans</b>	<b>21,420</b>	<b>25,880</b>	<b>19,305</b>	<b>15,393</b>	<b>25,114</b>
Of which Bank Loans	10,307	16,182	8,033	4,255	12,777
Institutional Loans	9,569	9,373	10,077	9,285	9,548
Of which AMC	7,065	4,587	10,077	6,956	6,669
<i>Building Societies</i>	791	0	0	2,330	816
Other Institutional Loans	1,712	4,787	0	0	2,063
Family Loans	1,510	325	1,195	1,719	2,789
Other Loans	34	0	0	133	0
<b>Current Liabilities</b>	<b>20,341</b>	<b>25,249</b>	<b>14,211</b>	<b>18,165</b>	<b>23,688</b>
Of which Hire Purchase	2,396	1,537	1,197	2,855	3,970
Leasing	111	230	0	148	64
Other Current Liabilities	17,835	23,481	13,014	15,162	19,654
Of which Creditors	5,229	4,455	3,621	4,558	8,254
Bank Overdraft	12,396	18,532	9,257	10,572	11,223
Others	209	494	136	32	176
<b>Total Liabilities</b>	<b>41,762</b>	<b>51,129</b>	<b>33,516</b>	<b>33,557</b>	<b>48,802</b>
<b>Closing Net Worth</b>	<b>583,830</b>	<b>435,252</b>	<b>446,585</b>	<b>596,819</b>	<b>853,427</b>
Opening Net Worth	548,515	406,419	426,095	566,707	791,868
<b>Change in New Worth</b>	<b>35,316</b>	<b>28,833</b>	<b>20,490</b>	<b>30,112</b>	<b>61,559</b>

SPS Entitlements Opening Valuation	20,794	10,936	15,329	21,154	35,600
Change in SPS Entitlements	2,903	1,060	1,947	3,139	5,437
Change in Borrowing	-4,549	-13,067	2,076	-5	-7,172
Funds Introduced	17,013	32,207	10,809	6,718	18,354
Cash Flow from the Farm Business	17283	1035	8223	17165	42448
Private Drawings	20024	13500	12429	18834	35171
Asset Purchases	15858	11954	10204	15855	25305
Asset Sales	3667	5328	1537	3037	4746
Capital Expenditure	12192	6626	8667	12818	20559

**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
<b>2009/10</b>					
Number (unweighted)	238	37	44	64	93
Number (weighted)	5,872	1,465	1,454	1,478	1,476
Total Area (includes woodland and roads etc) (ha)	141.1	67.9	83.9	143.3	268.0
Area Farmed (ha)	142.8	65.0	81.1	145.3	278.4
Net Land Hired In (ha)	5.5	1.2	0.3	5.3	15.3
Utilised Agricultural Area (ha)	137.3	63.8	80.7	140.1	263.1
<i>Of which</i> Total main products and set-aside (ha)	0.8	0.5	0.3	0.7	1.7
Grass, fodder crops and rough grazing (ha)	136.5	63.3	80.5	139.4	261.4
<i>Of which</i> rough grazing (unadjusted) (ha)	53.6	8.8	17.2	60.0	127.4
Adjusted rough grazing (sole occupation)	16.6	2.7	7.3	18.9	37.4
Adjusted rough grazing (shared)	5.1	2.6	5.3	6.1	6.2
Total Adjusted Utilised Agriculture Area (ha)	100.3	57.7	70.8	99.0	173.1
Area owner occupied (ha)	71.9	40.4	49.0	73.9	123.5
Area tenanted (ha)	69.3	27.5	34.9	69.4	144.5
Average age of farmer (years)	56	55	59	55	54
Agricultural labour units (ALU)	1.4	1.0	1.1	1.5	2.0
Economic size units (ESU)	23.9	15.9	16.6	23.0	39.9
<b>Land Use</b>					
Temporary Grassland Area (ha)	4.5	1.9	2.0	4.5	9.5
Permanent Grassland Area (ha)	82.8	53.6	60.5	79.7	137.0
<b>Stocking</b>					
Total Dairy Cows	0	1	0	0	0
Total Beef cows	30	26	25	28	40
Total Cattle	84	71	65	87	114
Ewes (LFA and lowland)	318	129	202	301	637
Of which LFA Ewes	311	122	199	283	637
Lowland Ewes	7	7	3	18	0
Total Sheep	605	244	347	561	1,262
<b>Livestock Units</b>					
Total Cattle LU	50	41	39	52	67
Of which Beef Cows LU	22	20	18	21	30
Other Cattle LU	24	18	19	28	33
Dairy Cows and Heifers	3	3	2	3	4
Total Sheep LU	39	17	23	38	78
Of which Ewe LU	23	10	14	22	45
Grazing LU (cattle, sheep, horses and others)	89	59	62	89	146
Total LU	90	60	62	90	147
<b>Financial Performance per GLU</b>					
Farm Business Output per GLU (£/GLU)	954	761	923	914	1,069
Farm Business Variable Costs (£/GLU)	316	356	306	288	322
Farm Business Gross Margin (£/GLU)	638	405	617	626	747
Farm Business Fixed Costs (£/GLU)	391	482	446	345	359
Farm Business Income (£/GLU)	249	-80	173	281	392
Farm Corporate Income (£/GLU)	3	-354	-101	2	189
Farm Investment Income (£/GLU)	18	-320	-82	12	199
Holding Gains Not In Income (£/GLU)	254	337	289	207	235
of which Land Revaluation (£/GLU)	170	254	195	132	149
Net Farm Income (£/GLU)	175	-100	115	194	297
Management and Investment Income (£/GLU)	-34	-361	-141	-43	146
Agriculture Net Margin (Agriculture business income) (£/GLU)	-58	-266	-124	-33	36
Agriculture Economic Profit (Agriculture corporate income) (£/GLU)	-286	-524	-372	-293	-152
Agriculture Investment Income (£/GLU)	-273	-494	-357	-284	-143

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

LFA Suckler Herds 2009/10	Enterprise Output and Gross margin per cow, GLU & ha			
	All herds	<50 cows	50-100 cows	>100 cows
Number of farms	192	118	60	14
Number of farms (weighted)	4,153	2,971	1,006	175
Area Farmed (UAA + net hired in) (ha)	159	135	209	289
Utilisable Agricultural Area (ha)	153	130	204	263
Adjusted UAA (ha)	110	89	152	219
Grazing Livestock Units (farm)	103	76	151	289
Grazing Livestock Units (enterprise)	39	25	65	134
Forage area (enterprise) (ha)	52	38	80	135
Cows per herd	39	25	65	134
Total Cattle	108	73	167	371
Breeding Flock	317	266	426	555
<u>Output per cow</u>				
Enterprise Output (excluding BLSA)	314	304	327	310
BLSA	35	36	30	46
Concentrates	43	47	38	49
Purchased fodder and keep	19	21	17	20
Veterinary and medicines	21	20	20	28
Other livestock costs	38	44	36	26
Seed	2	2	2	2
Fertilizer	36	34	43	22
Sprays	2	1	2	2
Other crop costs	7	7	8	7
Total Variable costs	169	176	164	156
Gross Margin (excluding BLSA) / Cow	146	128	162	155
Gross margin (excluding BLSA) / forage ha	110	85	133	154
Gross Margin (excluding BLSA) / GLU	146	128	162	155
Enterprise Gross margin (excluding BLSA)	5,733	3,207	10,578	20,714
<u>Measures of Income</u>				
Farm Business Income	22,510	16,684	33,419	58,622
Farm Corporate Income	-967	-4,296	4,963	21,395
Agricultural Economic Profit	-28,756	-26,459	-34,486	-34,799
Agri-environment Economic Profit	7,881	6,513	10,916	13,657
Diversified Economic Profit	398	696	-374	-220
SPS Economic Profit	19,509	14,954	28,907	42,757
Farm Investment Income	633	-3,084	7,408	24,717
Net Farm Income	15,648	11,960	23,573	32,648
MII	-3,876	-6,914	2,485	11,100
Enterprise NM (excluding BLSA)	-167	-201	-150	-108
Enterprise NM after F&S labour (excl BLSA)	-280	-358	-236	-156

## 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) 2009 lamb crop	Enterprise Output and Gross margin per ewe, GLU and ha			
	All flocks	<350 ewes	350-700 ewes	>700 ewes
Number of farms	132	49	54	29
Number of farms (weighted)	3,045	1,728	975	342
Area Farmed (UAA + net hired in) (ha)	137	72	158	408
Utilisable Agricultural Area (ha)	132	69	150	393
Adjusted UAA (ha)	100	61	114	257
Grazing Livestock Units (farm)	94	62	106	225
Grazing Livestock Units (enterprise)	47	22	58	146
Forage area (enterprise) (ha)	76	28	93	274
Cows per herd	30	24	29	58
Total Cattle	82	69	86	141
Breeding Flock	377	166	462	1,203
Total Sheep	722	314	896	2,288
<u>Output per ewe</u>				
Enterprise Output (excluding BLSA)	30,584	12,633	37,793	100,784
BLSA	4,232	2,055	5,154	12,612
Concentrates	5,825	2,214	7,290	19,902
Purchased fodder and keep	1,110	523	1,013	4,353
Veterinary and medicines	2,007	877	2,317	6,834
Other livestock costs	3,011	1,325	3,856	9,125
Seed	85	31	90	342
Fertilizer	1,794	628	2,126	6,743
Sprays	86	34	142	189
Other crop costs	230	128	326	469
Total Variable costs	14,147	5,759	17,161	47,958
Gross Margin (excluding BLSA) / Ewe	44	41	45	44
Gross margin (excluding BLSA) / forage ha	215	247	222	193
Gross Margin (excluding BLSA) / GLU	349	318	357	363
Enterprise Gross margin (excluding BLSA)	16,438	6,874	20,633	52,826
<u>Measures of Income</u>				
Farm Business Income	25,115	12,252	32,594	68,811
Farm Corporate Income	3,301	-5,882	6,967	39,272
Agricultural Economic Profit	-23,468	-21,393	-24,796	-30,166
Agri-environment Economic Profit	7,071	2,855	9,103	22,592
Diversified Economic Profit	732	503	940	1,297
SPS Economic Profit	18,965	12,153	21,721	45,549
Farm Investment Income	4,163	-5,395	7,805	42,100
Net Farm Income	18,474	7,133	24,908	57,454
MII	-30	-8,886	3,121	35,754
Enterprise NM (excluding BLSA)	-2258	-2153	-1759	-4216
Enterprise NM after F&S labour (excl BLSA)	-12058	-8728	-15381	-19412

### 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
2009 lambing				
Number of farms	61	23	27	11
Number of farms (weighted)	1,307	701	488	119
Area Farmed (UAA + net hired in) (ha)	209	127	255	510
Utilisable Agricultural Area (ha)	204	122	250	495
Adjusted UAA (ha)	124	89	142	256
Grazing Livestock Units (farm)	88	61	99	206
Grazing Livestock Units (enterprise)	41	20	56	102
Forage area (enterprise) (ha)	128	73	166	292
Cows per herd	29	26	25	60
Total Cattle	75	66	67	154
Breeding Flock	382	177	532	969
Total Sheep	638	300	881	1,635
<u>Output per ewe</u>				
Enterprise Output (excluding BLSA)	22,129.7	11,082.2	30,611.0	52,447.4
BLSA	5,128.3	2,658.0	7,524.3	9,858.8
Concentrates	4,057.1	2,293.5	5,242.2	9,588.8
Purchased fodder and keep	1,430.9	519.8	2,654.7	1,780.8
Veterinary and medicines	1,820.4	1,138.3	2,062.1	4,848.6
Other livestock costs	2,271.8	1,180.8	3,084.1	5,369.3
Seed	45.8	41.5	32.1	127.0
Fertilizer	729.6	204.9	1,028.6	2,595.2
Sprays	44.2	48.2	27.3	90.2
Other crop costs	181.4	162.9	199.3	217.0
Total Variable costs	10,581.2	5,590.1	14,330.4	24,616.9
Gross Margin (excluding BLSA) / Ewe	30.3	30.9	30.6	28.7
Gross margin (excluding BLSA) / forage ha	90.4	75.1	98.0	95.2
Gross Margin (excluding BLAS) / GLU	281.4	275.4	288.6	272.1
Enterprise Gross margin (excluding BLSA)	11,548	5,492	16,281	27,830
<u>Measures of Income</u>				
Farm Business Income	25,925	18,635	27,614	61,957
Farm Corporate Income	2,176	-4,261	5,092	28,148
Agricultural Economic Profit	-30,271	-27,311	-30,022	-48,738
Agri-environment Economic Profit	13,027	9,257	14,100	30,841
Diversified Economic Profit	358	702	-283	955
SPS Economic Profit	19,063	13,091	21,297	45,091
Farm Investment Income	4,066	-3,279	7,275	34,183
Net Farm Income	16,181	8,822	19,631	45,394
MII	-3,019	-10,326	807	24,347
Enterprise NM (excluding BLSA)	-8444	-6400	-9546	-15973
Enterprise NM after F&S labour (excl BLSA)	-19631	-16293	-22034	-29444

**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](http://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 farming<sup>8</sup> which allows farms of different business organisation, tenure and indebtedness to be compared. It represents the return to the farmer and spouse alone for their manual and managerial labour and on the tenant-type capital<sup>9</sup> invested in the farm business.

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<sup>8</sup> 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.

<sup>9</sup> 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.



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

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

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

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

## II. CROPPING, STOCKING AND LABOUR TABLES

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

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

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

10. **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.

<b><i>Crop protection</i></b>	This includes costs of pre-emergent sprays, fungicides, herbicides, dusts and insecticides and other crop sprays.
<b><i>Other crop costs</i></b>	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).
<b><i>Total fixed costs</i></b>	These are the costs of labour, machinery, contract work, land and buildings, other general farming costs and depreciation.
<b><i>Labour (excluding farmer and spouse)</i></b>	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).
<b><i>Contract costs</i></b>	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.
<b><i>Machinery running costs</i></b>	These represent the cost of machinery and equipment repairs, fuel and oil and car mileage expenses. It excludes depreciation.
<b><i>Land and building inputs</i></b>	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.

<b><i>Depreciation of machinery, glasshouses and permanent crops</i></b>	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.
<b><i>Other general farming costs</i></b>	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.
<b><i>Interest payments</i></b>	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.
<b><i>Depreciation of buildings and works</i></b>	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.

#### V. 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>