



Farm Business Survey

2010/2011

Hill Farming in England



David Harvey and Charles Scott

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Foreword to the Sixth Series

In October 2011 the global world population reached 7 billion; we are now on the next phase of global population growth towards 8 billion, and this will occur in a surprisingly short number of decades. Setting aside the economic pressures of the global recovery (or lack of it), the combination of an increasing population and an increasingly affluent consumer, means, in summary, that demand for food will increase considerably. Alongside of this, demand for biofuels is likely to further increase the demand for agricultural products and put pressure on land and resources. Sustainability issues mean that agriculture will need to produce more from less. Set against these factors, the major external influence to the profitability of most UK farming businesses remains the Single Farm Payment (SFP). Reform of the Common Agricultural Policy (CAP) now appears to be an on-going process, with little prospect for a resolution in the future direction of the CAP in the next six months.

The above background can perhaps be summarised as agricultural and horticultural businesses needing to be more efficient in their production activities. From a market and policy perspective, the future is less certain, though most commentators agree that increased volatility in input and output prices is likely to occur and the value of the SFP will be downwards rather than upwards.

As *Rural Business Research (RBR)* presents the sixth series of enterprise and farm type reports based upon independent analysis from the Defra-funded Farm Business Survey (FBS) for England, we recognise the increasing demand for management information to aid farmers and growers in their business decision making. The sixth series highlights the continuing divide between the least and most profitable in the respective sectors and farm business types. Those seeking to remain in the industry in the long term will need to ensure that their businesses are benchmarked against the high performers, in order to identify areas for improvement to ensure business success.

We hope that the sixth series of reports continues to be positively received by all stakeholders. Our independent data, analysis and commentary allows us to present objective information and detail. I thank all the farmers and growers who take part in the FBS research programme. Their co-operation allows us to produce such valuable and valued outputs; without this vital co-operation, this successful series of reports would not be possible.

Dr Paul Wilson

Chief Executive Officer, Rural Business Research

Spring 2012

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, which in turn 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 150 ha, including some 2 ha under buildings and roads. It is part owned (73 ha) and part rented (77 ha) and most of the farm (94 ha) is in permanent grass. The average LFA farmer is 57 years old, has 33 beef cows and 379 breeding ewes. Cattle and Sheep youngstock and fatstock make up the total to 107 cattle and 725 sheep on the farm, making a total of 104 Grazing Livestock Units.

The average LFA Grazing Livestock farm earns 66% of its total revenue (output) from crop and livestock farming activities, 22% comes from the Single Farm Payment, and 10% from specific agri-environment payments. The balance of revenues (2%) 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 £29,568 per farm. However, since this side of the whole farm business is assumed to incur most of the fixed costs (86%) the average LFA farm is shown as making an £-8,234 Agricultural Business Income loss (before unpaid labour) from crop and livestock production per farm in 2010/11. This is an 82% increase in the loss from the previous year (of -£4,520).

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 £21,279 in 2010/11, an 18% decrease on the previous year. This income is not sufficient to cover the opportunity costs of the unpaid labour (provided mainly by the farmer and family) estimated at £24,608 per farm. As a result, Farm Corporate Income shows a loss of -£3,329 per farm (down from a small but positive figure of £1,866 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 down by 144% compared with the previous year at -£1,496 (on £3,414 in 2009/10). The traditional measure of farm income of Net Farm Income (which puts all farm businesses on a comparable tenanted basis) averaged £13,251 per farm, down 26% from £17,925 in 2009/10.

These LFA farms depend to a substantial extent on public payments; Single Payment Scheme and Agri-environmental payments together account for 32% of their revenue. Although there is substantial variation amongst the farms in terms of their commercial performance, most of these farms could not survive in their present form as commercial businesses without the public payments.

1. Background & Context

The total area of land classified as Less Favoured Area (LFA) on farms in England is 1.55 million hectares, 17% of the total farmed area. This total is made up of Severely Disadvantaged Areas (SDAs), which account for 67% of the LFA and Disadvantaged Areas (DAs), accounting for 33% of the LFA¹. These are areas where farming is more difficult because of poor climate, soils and terrain, which in turn 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, 2009/10, 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 LFA 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) but rather the EU Regions, 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. In 2010 the HFA scheme was in turn replaced by the Uplands Entry Level Stewardship Scheme (Uplands ELS). For further detail see the section on Hill Farm Support below or: <http://rpa.defra.gov.uk/rpa/index.nsf/0/D3762C090883E88780257427005117AD?OpenDocument>.

A major change to note is that land in the Disadvantaged Areas (DA) became ineligible for HFA as of 1st January 2007 (including Moorland and common land in the DA) see: <http://rpa.defra.gov.uk/rpa/index.nsf/0/418BA01C9CA1C9F0802573EE0047BD52?OpenDocument>. This implements the announcement made in December 2006 by the Secretary of State

¹ Data from Defra, Agricultural Census, June 2010.

that the DA would not be eligible to receive the HFA from 2008 onwards, thereby focusing uplands support on land in the Severely Disadvantaged Areas (SDA). The announcement followed general support for the proposal in Defra's consultation on the future of uplands support earlier in 2006. In comparison to land in the SDA, land in the DA is generally higher-grade agricultural land, is more accessible, and producers have more options to maximise the potential of the land. In addition, the Single Payment Scheme will, over time, tend to favour farmers in the DA in comparison to the SDA (since the DA is subsumed within the lowland for the purpose of defining the Single Payment Scheme (SPS) regions and therefore receives a higher flat rate payment than the SDA).²

1.2. Hill Farm Support

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; the hills being dominated by hardy breeds and the lower land having more upland and lowland type stock. Between 2006 and 2009 (and with the exception of DA land from 2008 – see above) suckler cow and/or sheep producers who had at least 10 ha of eligible forage area in the English LFAs (including common land) were eligible for the HFA. Holdings with less than 10 ha of English LFA land were not eligible, unless part of the holding was in Wales, Scotland or Northern Ireland. Livestock had to be kept at a minimum stocking density of 0.15 livestock units per hectare (LU/ha); this could be less if producers were taking part in an agri-environment or other scheme, which restricted 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 HFA scheme ended with the HFA 2010 payment in Spring 2010 (covering land farmed and stock held in 2009). From July 2010, uplands support became fully integrated into Environmental Stewardship with a specific uplands strand to the Entry Level Stewardship (Uplands ELS - UELS, and Organic Uplands ELS - OUELS). Farms that are currently in Environmentally Sensitive Area (ESA) agreements or Countryside Stewardship Schemes (CSS) are excluded from applying for UELS but will be able to apply for the Uplands Transitional Payment (UTP) until such time as the existing ESA or CSS agreement terminates. The payment rates (per hectare) for the 2010 UTP and the UELS and OUELS schemes are shown in Table 1.

² See www.defra.gov.uk/rural/countryside/uplands/support.htm for further information on the Uplands Policy

Table 1.
Uplands Transitional Payment and Uplands Entry Level Scheme payment rates (2010)

Uplands Transitional Payments (£/ha) 2010

Land Type	0 – 350 hectares	351 – 700 hectares
Land within the Moorland line	£14.78	£7.39
Other common land	£14.78	£7.39
Other SDA	£39.02	£19.51

5% enhancement on the above rates if arable OR woodland in the area

10% enhancement on the above rates if arable AND woodland in the area

Uplands Entry Level Scheme payments (£/ha) 2010

Land Type	UELS	OUELS
SDA below the moorland line	£62	£92
SDA above the moorland line in parcels of <15ha (not commonland)	£62	£92
SDA above the moorland line in parcels of >15ha (not commonland)	£23	£23
SDA above the moorland line in parcels of >15ha on commons	£28	£28

(Source: RPA <http://www.rpa.defra.gov.uk/rpa/index.nsf/home>)

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

The data presented in this publication comes from 245 farms, which are all part of the Farm Business Survey. 63% come from the EU North Region, 27% 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 Outputs (SO)³. This is a departure from the Standard Gross Margins (SGM) basis for classification which was used prior to the 2010/11 year (please see <http://www.defra.gov.uk/statistics/foodfarm/farmmanage/fbs>). Where comparisons are made with the 2009/10 year the 2009/10 data has been reconfigured onto an SO basis. LFA Grazing Livestock Farms are holdings on which cattle, sheep and other grazing livestock account for more than two thirds of their total SO - except holdings classified as dairy. Dairy farms are those where dairy cows account for more than two thirds of the total SO. 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. For the purposes of the survey, only those farms with an SO of greater than 25,000 are considered, which excludes some 7,000 very small holdings in the LFA. In addition, these farms are also classified

³ The Standard Output (SO) for a farm business represents the theoretical output for all the agricultural production activities on the farm, based on standard coefficients for each commodity on the farm. The SO is representative of expected output under typical conditions for enterprises of average size and performance. Farms are classified according to the enterprise mix of SOs on a farm. 2007 SO coefficients are used to classify the 2010/11 farm dataset.

according to their size (measured by their 'standard labour requirement' (SLR)).

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 (2010)

Farm	Sample		June survey of agriculture (2010)		Average size by SLR *		Average total adjusted area	
	No.	%	No.	%	Sample	June survey	Sample	June survey
Part-Time †	14	6%	1,029	17%	0.81	0.82	66	44
Small	66	27%	2,074	34%	1.56	1.55	114	66
Medium	56	23%	1,131	18%	2.41	2.41	195	101
Large ‡	108	45%	1,700	27%	8.10	8.08	632	315
All Sizes	245	100%	5,872	100%	3.34	2.51	133	104

* 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.

† Part-Time includes 1 Spare-Time sample farm which is excluded from the SLR analysis.

‡ Large includes 38 Very Large farms which are included in the SLR analysis in band 4.

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 2010. Areas are in adjusted hectares

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

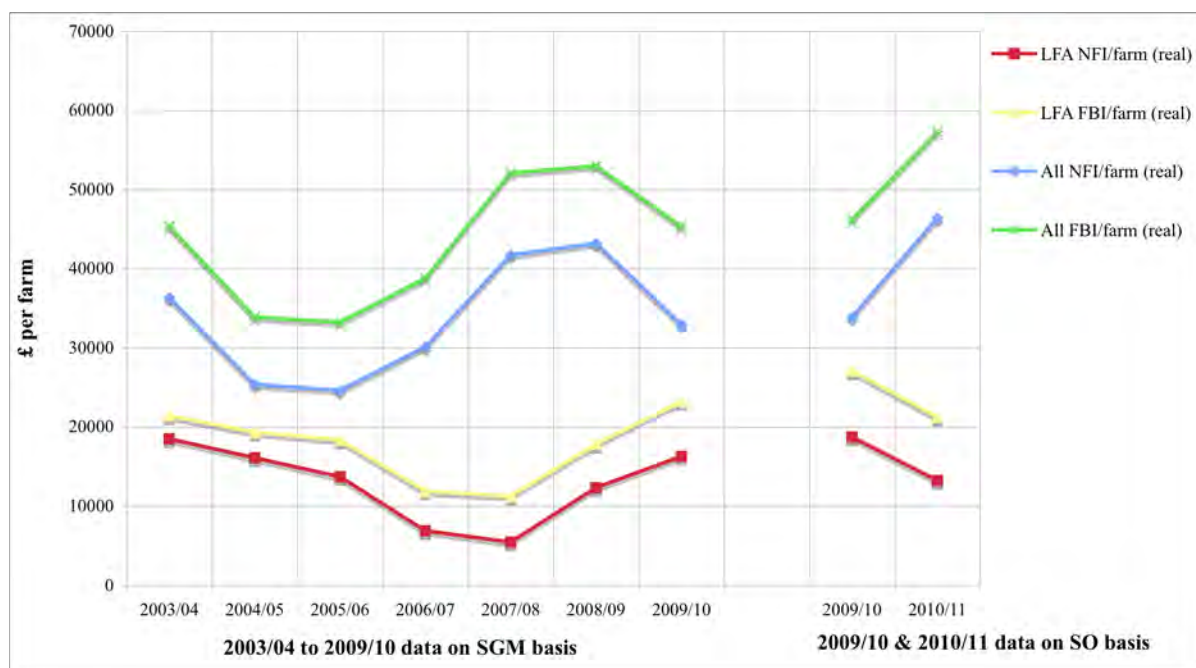
1. *SDA Sheep*- farms where more than two thirds of the total SO is accounted by sheep, and 50% or more of the total area of the farm is in the LFA, of which 50% or more is in the SDA;
2. *SDA Beef*- farms where more than two thirds of the total SO is accounted by beef cattle, and 50% or more of the 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 SO 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. In order to compare the pre-2009/10 data (where the data is only available on an SGM basis of classification) with the 2010/11 data, the 2009/10 data have been reclassified on a Standard Output (SO) basis and both data sets for 2009/10 are presented. The trend up to 2009/10 can then be clearly seen on an SGM basis and the 2009/10 to 2010/11 trend on an SO basis. In fact there is actually very little difference at this level between the two methods of classification on the data presented. 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.

Figure 1. LFA^a Farms v. All FBS Farms Performance, real^b terms, England (2003 – 2010)



Source: *Farm Accounts in England, 2010/11*, [Defra](#).

Notes: a: defined as Upland Grazing Farms

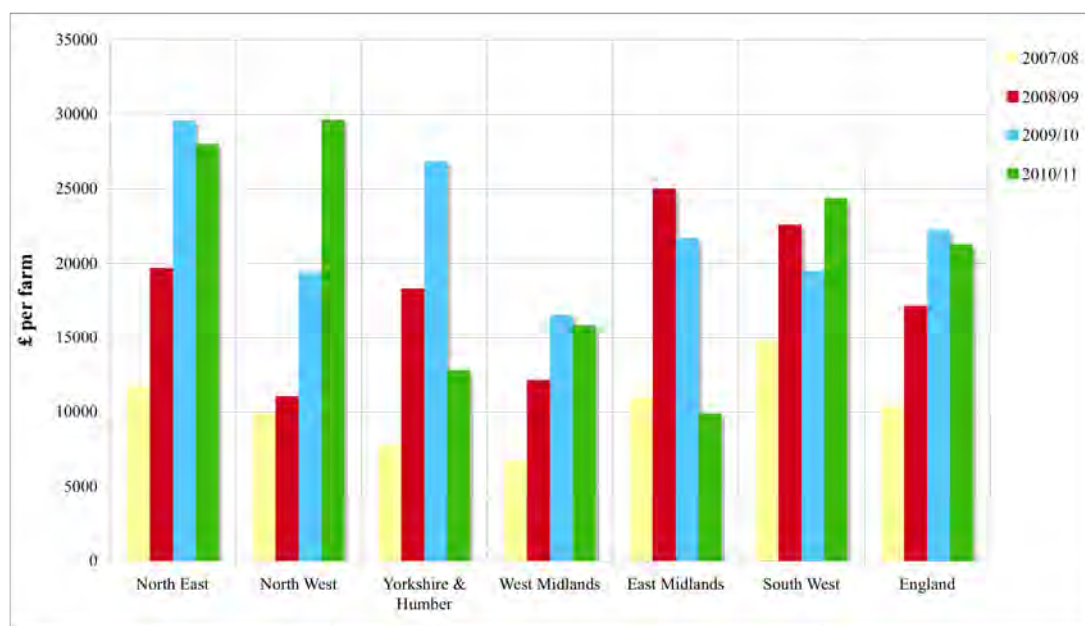
b: Real terms = deflated by RPI (all items).

As can be seen, 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 eight years in real (purchasing power) terms, peaking in 2003/04, 2008/09, and again in 2010/11, their upland counterparts have experienced a five year decline in real incomes per farm since 2003/04, only in 2008/09 and 2009/10 seeing a reversal to this trend with a slight upward movement of FBI and NFI. Farms in the LFA did not share in the improvement in incomes seen by the average farm in 2010/11

and, despite the improvements in profitability over the previous two years, LFA farm incomes, by either measure, still remain at 50% of the national average.

However, there is substantial variation around these average figures for all farms, both between regions and between years, as Figure 2 illustrates. The 2010/11 data is not directly comparable to that in earlier years due to the change in classification but remains valid for representing the variation in incomes across the regions.

Figure 2. LFA Farm Business Income per farm, by region (2007/08 to 2010/11)



Source: - Government Office Reports, 2010/11, [RBR](#).

Notes: Data in current terms (pre-2010/11 data on an SGM basis, 2010/11 data on an SO basis).

4. The Average LFA Farm in 2010/11

Although the average LFA farm in the FBS sample in 2010/11 does not reflect the wide variation in either the sample, or still more the whole population, its description still provides a general picture of the sector. The sample represents just over 6,000 LFA farms in England (excluding the smallest farms - those with a Standard Output of less than 25,000). The average farm has 151 ha, including some 2 ha under buildings and roads. It is part owned (73 ha) and part rented (77 ha), and most of the farm (94 ha) is in permanent grass. The average LFA farmer is 57 years old, and has 33 beef cows and 368 upland breeding ewes. Cattle and Sheep youngstock and fatstock make up the total to 107 cattle and 725 sheep on the farm, making a total of 104 Grazing Livestock Units (GLUs)⁴.

4.1. The average LFA Farm account

The average LFA Grazing Livestock farm in England in 2010/11 is represented by the set of accounts shown in Table 3. This table reports the average farm accounts for the whole sample of 245 farms, broken out by four “cost centres” representing the different aspects of

⁴ 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).

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 66% of their total revenue (output) from farming, with 22% coming from the Single Farm Payment, and 10% from specific agri-environment payments. The balance of revenues (2%) 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 £29,568 per farm (a 3% decrease 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 (86%) the average LFA farm is shown as losing money in production agriculture (Agricultural Business Income) to the tune of -£8,234 per farm in 2010/11, an 82% deterioration on the loss of -£4,520 in the previous year.

On the other hand, the revenues earned from agri-environment, diversification and single farm payments more than offset these fixed costs to generate a headline Farm Business Income (FBI) (or profit) of £21,279 in 2010/11, an 18% decrease on the previous year. This income is not sufficient to cover the opportunity costs of the unpaid labour (provided by the farmer and partners) of £24,608 per farm. As a result, Farm Corporate Income registers a loss of -£3,329 per farm - a 278% decrease on the small profit (of £1,866) in 2009/10. Adjusting for the net interest 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 down by 144% compared with the previous year to -£1,496).

The traditional measure of farm income is Net Farm Income (NFI)⁵. NFI adjusts the business accounts to put all farm business on the same (tenancy) basis. A rental value is imputed for all owner-occupied farms (as a measure of the opportunity cost of owning land, item 12 in Table 3) and adjusted for landlord costs (item 13 in Table 3). In addition, NFI includes the unpaid labour of the principal farmer and spouse (though not that of other partners). 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 £13,251 per farm, down 26% from £17,925 in 2009/10.

In the case of LFA grazing farms there is still a substantial number of tenanted farms. In the EU North Region, where 63% of LFA farms are found, only 42% of the land is owned. The average proportion of land owned on LFA grazing farms over the whole country is 48% compared to a national average of 57% across all farm types. It therefore makes some sense in the case of LFA farms to retain a focus on NFI as opposed to FBI for comparison purposes.

⁵ 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.

4.2 From Hill Farm Allowance to Uplands Transitional Payment and Uplands Entry Level Scheme

The Hill Farm Allowance (HFA) ended with the 2010 HFA payment in the spring of 2010 (which related to the 2009 farming year). All farmers previously eligible for the HFA were entitled to apply for the Uplands Transitional Payment (UTP) and/or the Uplands Entry Level Scheme (UELS) according to their participation in other agri-environment schemes. These new measures of support are recorded on an “as-received” basis (as are most other agri-environmental payments) rather than on an “as-due” basis which had been the case for the HFA. Had the UTP been recorded on the same historical basis as the HFA and the UELS on a pro-rata basis (in proportion to time spent in the scheme since its introduction in July 2010) the total revenue from Agri-environment payments (and consequently FBI and other farm income measures) for an average LFA farm would be greater by £1,945. The impact of this varies across the farm type groups, from £4,385 for Mixed Grazing Livestock (SDA) farms to £184 for Various Grazing Livestock (DA).

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

The average farm

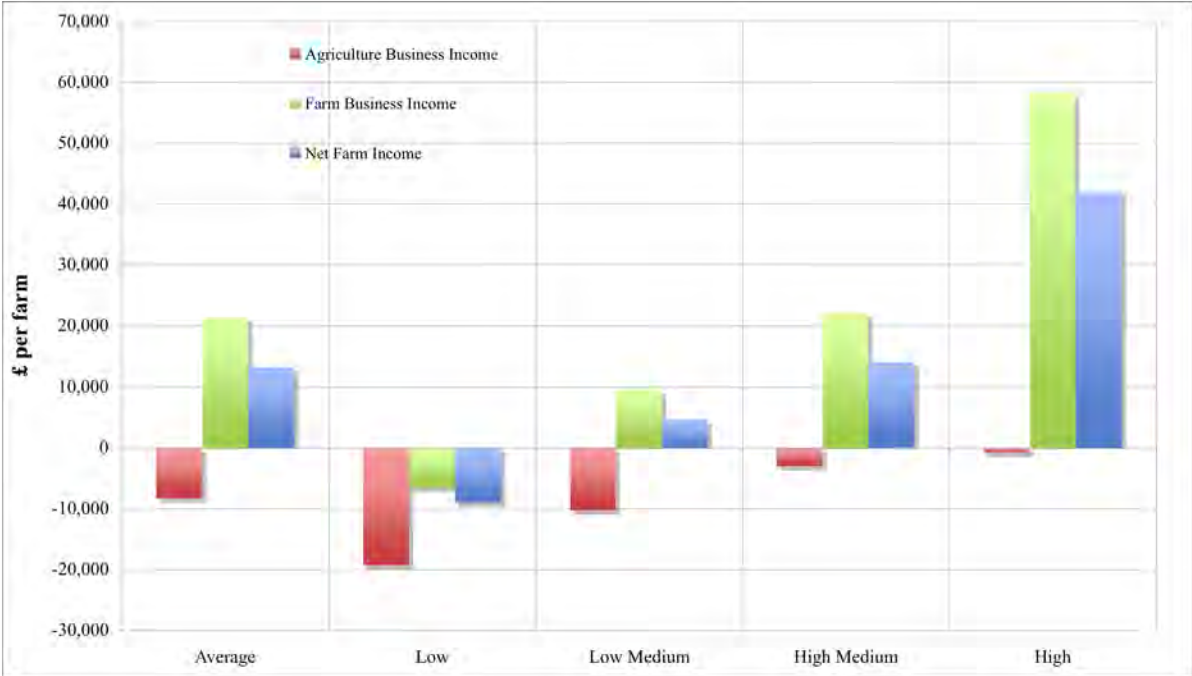
	Cost Centre (£ per farm)											
	Agriculture		Agri-environment and other payments		Diversification out of agriculture		Single Payment Scheme		Farm Business (£ per farm)			
	2009/10	2010/11	2009/10	2010/11	2009/10	2010/11	2009/10	2010/11	2009/10	2010/11	2009/10	2010/11
	% change		% change		% change		% change		% change		% change	
	64%	66%	11%	10%	2%	2%	22%	22%				
% contribution of cost centre revenue to total:												
1	65,565	69,490	11,361	10,210	2,466	2,364	22,930	23,423	102,322	105,488	3%	3%
2	35,216	39,922	189	204	89	98	2	3	35,497	40,227	13%	13%
3=1-2	30,349	29,568	11,172	10,006	2,376	2,267	22,928	23,421	66,824	65,261	-2%	-2%
4	35,184	38,432	2,145	2,112	1,259	1,092	2,642	2,975	41,229	44,611	8%	8%
5=2+4	70,400	78,354	2,334	2,317	1,348	1,190	2,645	2,978	76,726	84,838	11%	11%
6	314	629							314	629	100%	100%
7=1-5+6	-4,520	-8,234	9,027	7,894	1,118	1,174	20,285	20,446	25,910	21,279	-18%	-18%
8	22,662	23,434	786	575	596	599	0	0	24,044	24,608	2%	2%
9=7-8	-27,182	-31,668	8,242	7,318	521	575	20,285	20,446	1,866	-3,329	-278%	-278%
10	1,385	1,666	38	40	59	67	66	61	1,548	1,833	18%	18%
11=9+10	-25,797	-30,002	8,280	7,358	580	642	20,351	20,507	3,414	-1,496	-144%	-144%
% contribution of cost centre costs to total:	92%	92%	3%	3%	2%	1%	3%	4%				
6	Profit/ (loss) on sale of assets											
12	Imputed rent											
13	Ownership charges											
14	Non-agricultural output historically not accounted for in Net Farm Income											
15	Non-agricultural inputs costs historically not accounted for in Net Farm Income											
16	Unpaid labour of principal farmer and spouse											
17=11-6-12+13-14+15+16	Net Farm Income											
									17,925	13,251	-26%	-26%
2010/11 Sample size (unweighted)	245											
Number (weighted)	6,179											
2009/10 Sample size (unweighted)	240											
Number (weighted)	6,110											
		Holding gains not included in farm income										
		Breeding Livestock Appreciation (BLSA)										
		Revaluation of machinery, permanent crops, glasshouse, quota										
		Revaluation of land										
		Management and Investment Income										
									14,045	32,755	133%	133%
									5,208	2,834	-46%	-46%
									3,116	2,757	-12%	-12%
									5,721	27,164	375%	375%
									-1,765	-6,885	-290%	-290%

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, consisting of the top 25% of farms ranked by 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, not even the highest quartile realises a positive ABI, i.e. all farms all make losses as far as their agricultural enterprises are concerned. The high quartile and 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, 2010/11, [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 farm size 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

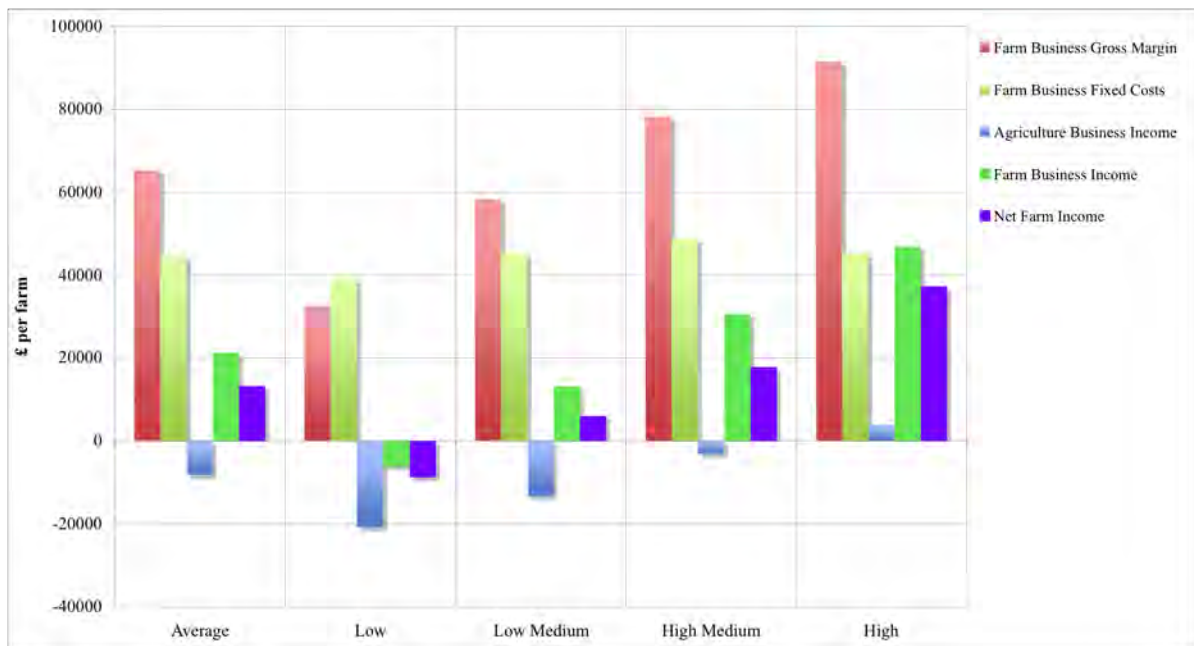
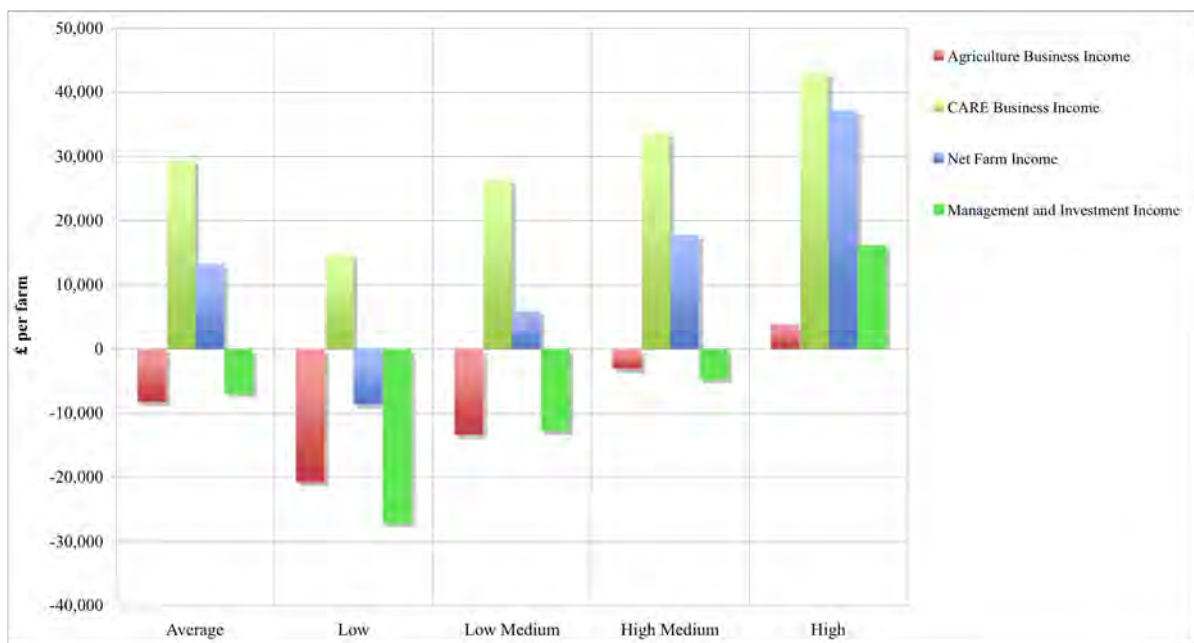


Figure 5. LFA Farm Earnings Performance by FBI/GLU quartile



Again, the viability of these farms depends heavily on the CARE payments (the SPS payments, environmental payments and income from recreation and amenity services) as indicated by the differences between the Agriculture Business Income and the Farm Business Income. This difference is sufficient to generate a positive (though small) FBI for all farms except those in the lowest quartile. 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 quartile manages a positive M&II, of £16,222, 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 the specialist sheep enterprise appears to be more profitable at both the ABI level and the NFI and M&II level. The specialist beef farms however, not only suffer the biggest losses at the ABI level but are also unable to recoup these losses through gains in CARE income in the same way as other farm types are able. It also suggests that mixed grazing farms 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 Various grazing livestock (DA) farms are the one group of LFA farms that, since 2008, were not eligible for the Hill Farm Allowance and are not eligible for either the UTP or the UELS support measures, both of which provide a substantial share of the CARE revenue for SDA farms.

Figure 6. LFA business performance by Main Farm Type

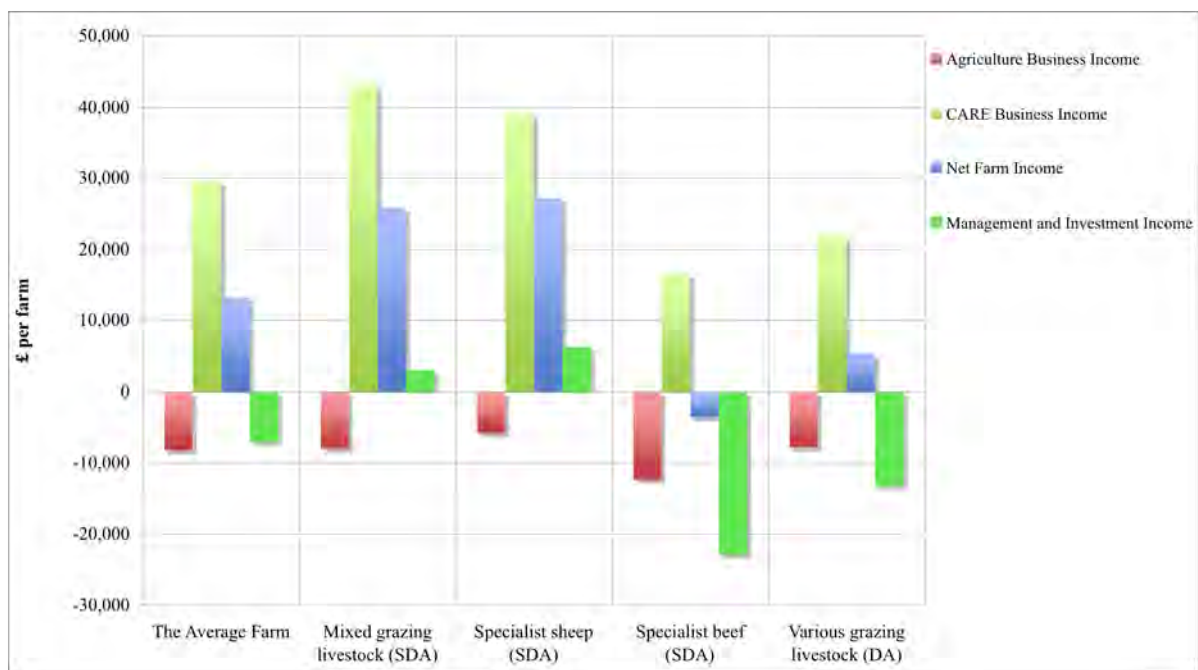
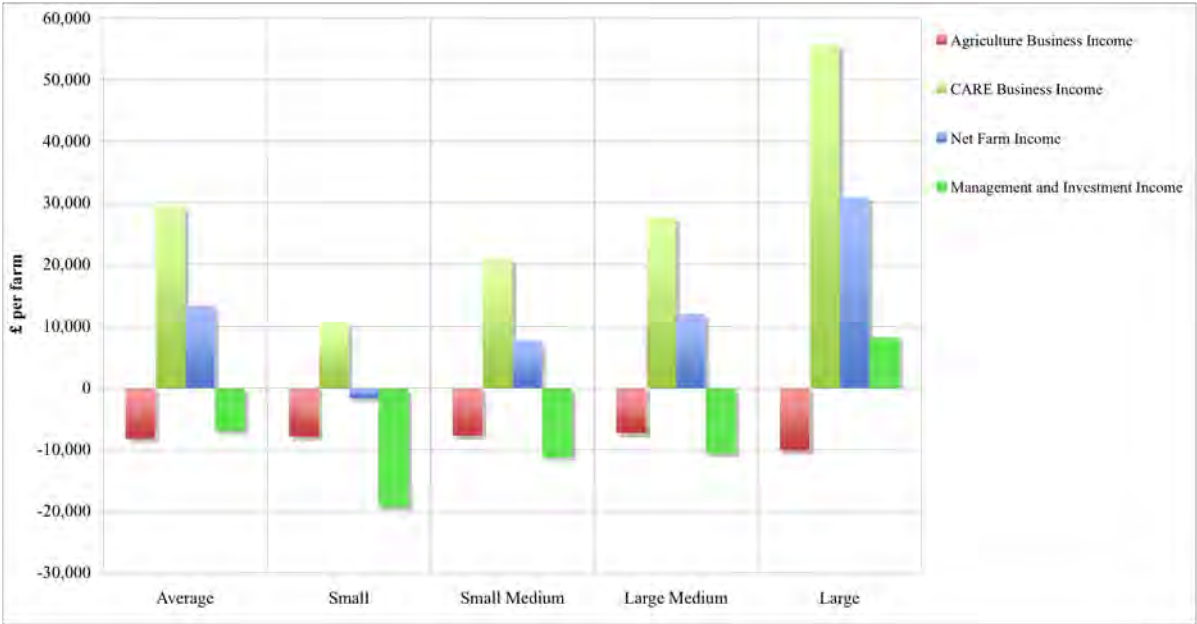


Figure 7 shows the business performance by size, measured here by the Standard Labour Requirement (SLR)⁶ and illustrates that size is important to these farms' earning ability, although as previously seen it is the CARE income which rescues all farms, except the smallest, from economic failure. In fact, 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 group is able to generate a positive Management & Investment Income indicating that they are all vulnerable in the longer term.

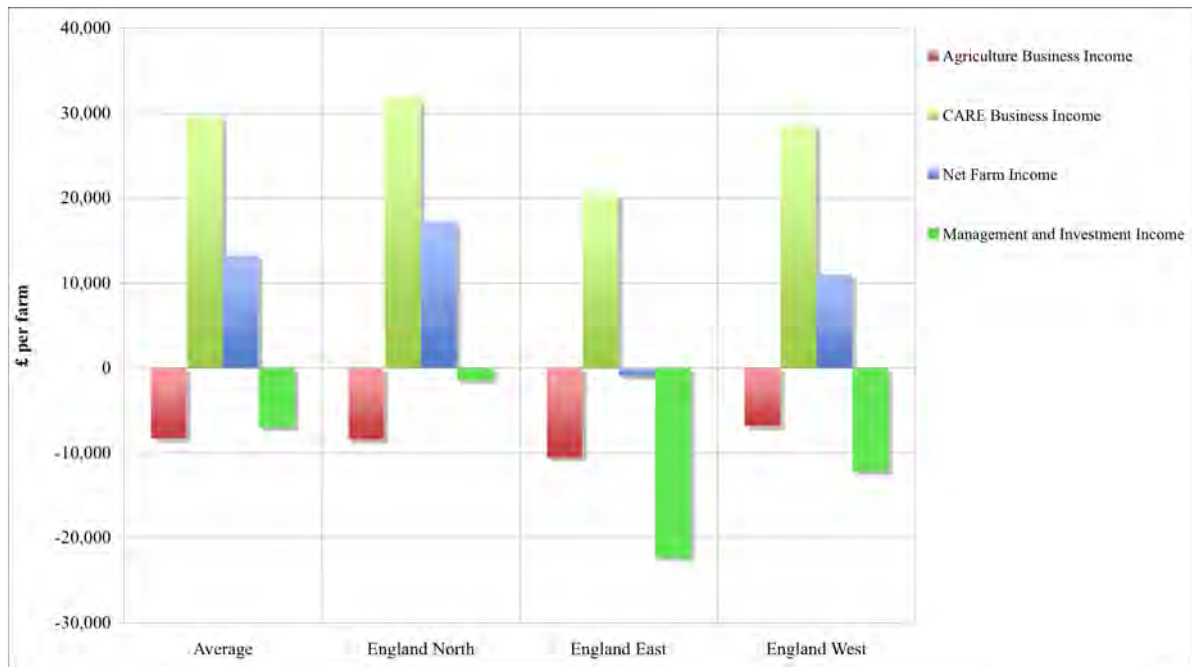
Figure 7. LFA business performance by Size (SLR) quartile



⁶ 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 picture of business performance. Farms in England North manage to lose least in terms of management and investment income, with those farms in England East faring worst across all measures of income.

Figure 8. LFA business performance by EU Region



The frequency distributions of FBI/GLU for England as a whole and for each of the EU Regions (North; East; West) are shown in figure 9. 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

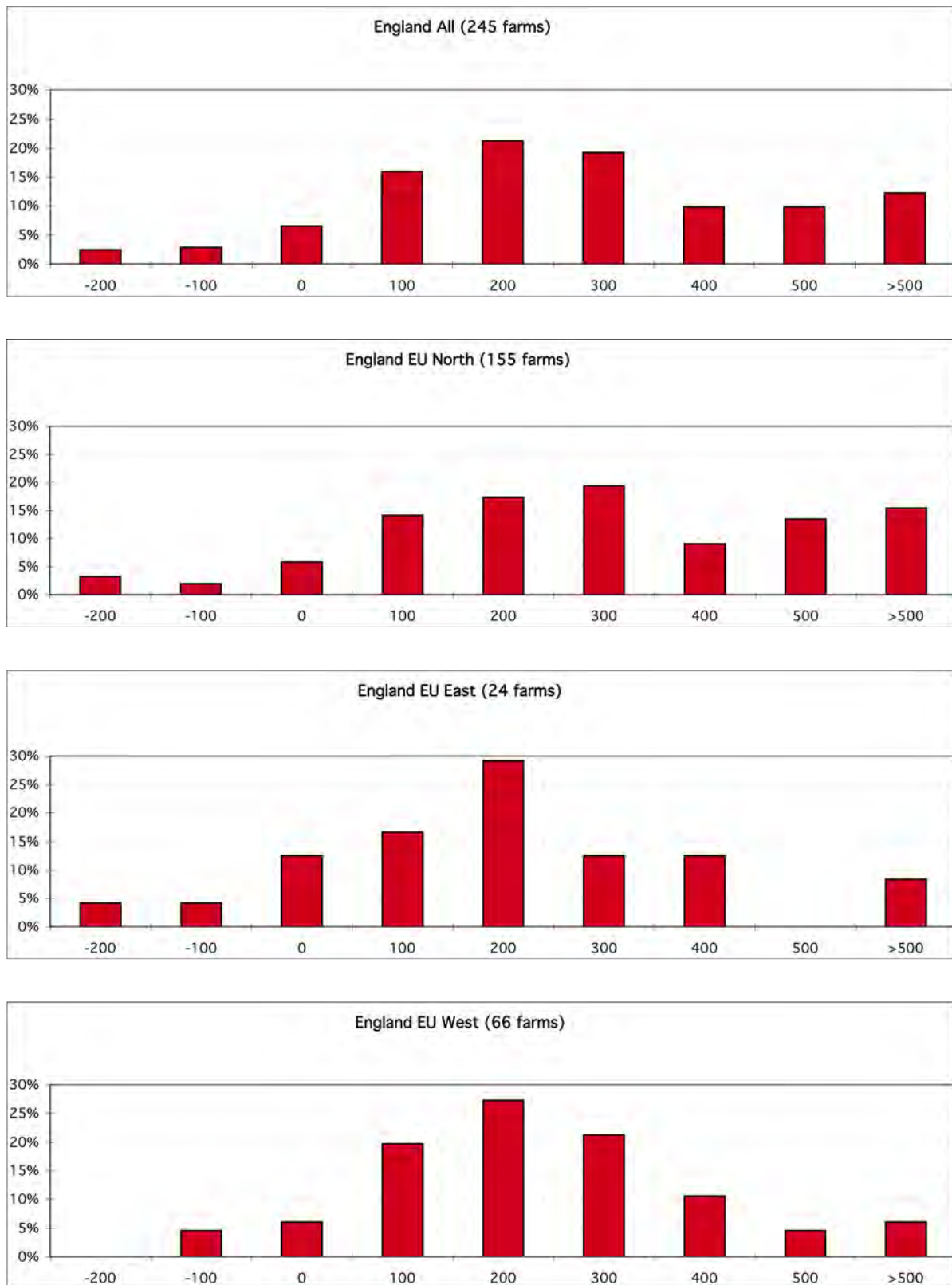
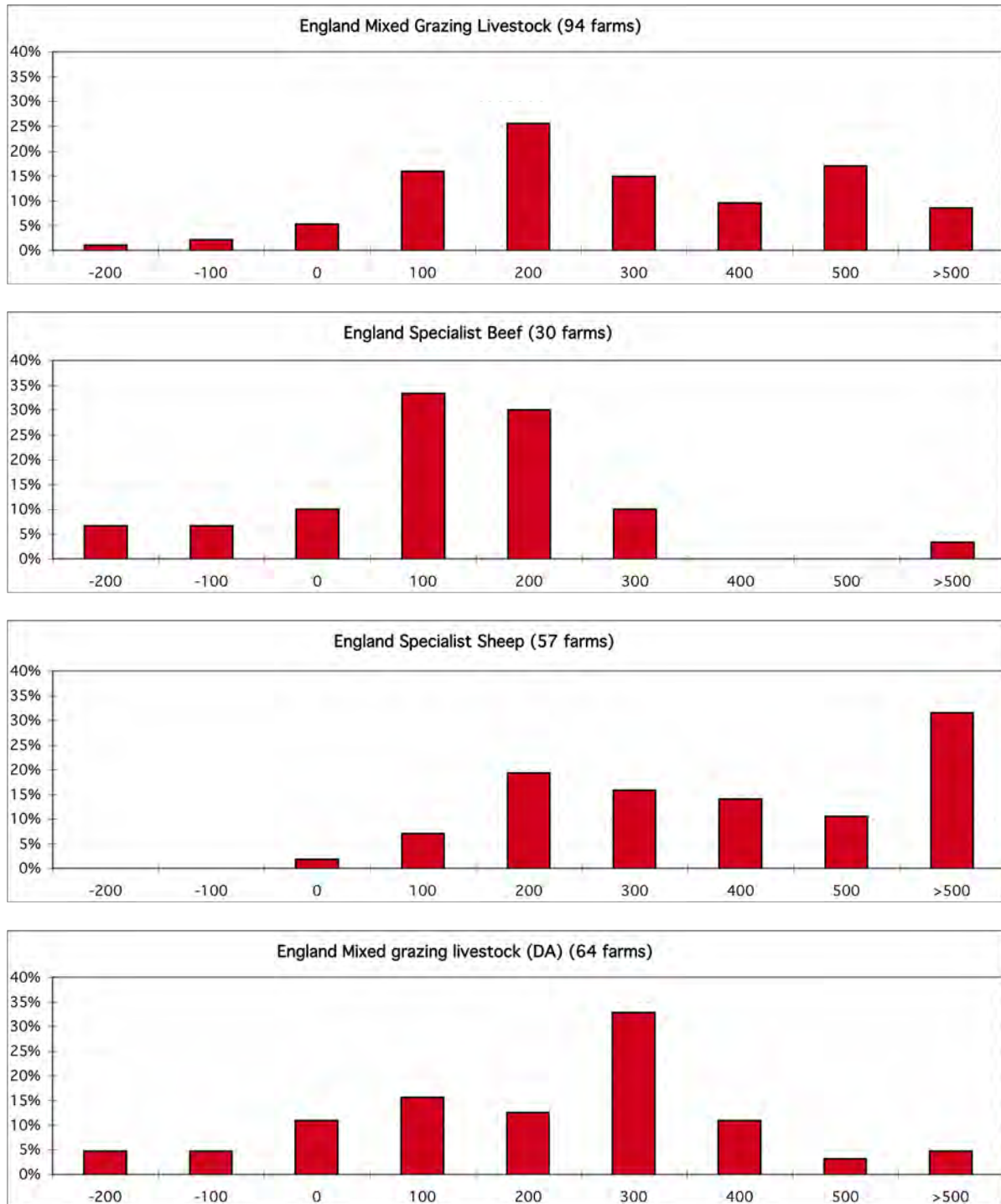


Figure 10 illustrates the variation in performance by Main Farm Type, where it is apparent that the Specialist Beef farms, and to a lesser extent, the DA Mixed Grazing farms (which often carry substantial beef herds) are more likely than sheep farms to exhibit low and negative FBI/GLU returns.

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](#) website. We note that the FBS data comes 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	2009/10	2010/11	Change
	£/head	£/head	£/head
Sales	80.0	96.5	16.5
Replacement costs	11.0	12.7	1.7
Feed costs	12.5	16.6	4.1
Variable costs (excl. replacement costs)	21.7	28.0	6.3
Gross Margin	47.3	55.8	8.5
Fixed Costs (excl. Non cash costs)	43.4	48.0	4.6
Non-cash costs	25.4	30.8	5.4
Total Costs (inc. Non cash costs)	101.5	119.4	17.9
Net Margin (inc. Non cash costs)	-21.5	-22.94	-1.4

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

In comparison, the FBS results, for 2009/10 and 2010/11, 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% (FBS Enterprise code 103) and excludes Hill sheep flocks with lambing rates typically less than 100% (FBS Enterprise code 102).

Table 5. FBS SDA Upland Sheep flock Performance 2009/10 and 2010/11

	All flocks				Change £/ewe
	2009/10	std dev	2010/11	std dev	
<i>Number of farms</i>	132		132		
<i>Number of farms (weighted)</i> (£ per ewe)	3045		3330		
Enterprise Output (excl. BLSA)	81.1	31.8	92.6	34.0	11.5
BLSA	11.2	8.6	8.1	4.5	-3.1
Total Variable costs	37.5	16.4	43.5	15.9	6.0
Concentrates, purchased fodder and keep	18.4	11.2	21.1	11.7	2.7
Gross Margin (excl. BLSA) / Ewe	43.6	31.5	49.1	28.7	5.5
<i>Gross Margin range</i>	-98 to 139		-34 to 178		
Total Fixed costs	49.6	19.8	57.4	23.5	7.8
Total costs	87.1	26.9	100.9	30.9	13.8
Net Margin (excl. BLSA) / Ewe	-6.0	28.6	-8.3	24.4	-2.3
Net Margin after F&S labour (excl. BLSA)	-32.0	34.8	-34.1	27.7	-2.2

Table 6. FBS SDA Upland Sheep flock Performance by flock size 2010/11

2010/11 lamb crop	All flocks	<350 ewes	350-700 ewes	>700 ewes
<i>Number of farms</i>	132	42	57	33
<i>Number of farms (weighted)</i> (£ per ewe)	3330	1470	1281	579
Enterprise Output (excl. BLSA)	92.6	95.6	90.2	93.6
BLSA	8.1	7.2	7.6	8.8
Total Variable costs, of which:	43.5	40.2	42.6	45.3
Concentrates, purchased feed & keep	21.1	18.0	20.1	22.9
Gross Margin (excl. BLSA) / Ewe	49.1	55.4	47.6	48.3
Total Fixed costs	57.4	66.9	56.2	55.1
Total costs	100.9	107.1	98.8	100.5
Net Margin (excl. BLSA) / Ewe	-8.3	-11.5	-8.6	-6.9
Net Margin after F&S labour (excl. BLSA)	-34.1	-56.9	-42.7	-19.1

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

Upland Suckler Herd	2009/10	2010/11	Change
	£/cow	£/cow	£/cow
Sales	487	487	0
Replacement costs	58	64	6
Feed costs	108	109	1
Variable costs (excl. replacement cost)	163	176	13
Gross Margin	266	247	-19
Fixed Costs (excl. Non-cash costs)	340	374	34
Non-cash costs	225	220	-5
Total Costs (incl. Non-cash costs)	786	834	48
Net Margin (incl. Non-cash costs)	-299	-347	-48

In comparison, the FBS results, for 2009/10 and 2010/11, are shown in Table 8 with a herd size stratification shown in Table 9.

Table 8. FBS LFA Suckler Herd Performance 2009/10 and 2010/11

	All herds				change £/cow
	2009/10	std dev	2010/11	std dev	
<i>Number of farms</i>	192		194		
<i>Number of farms (weighted)</i> (£ per cow)	4,153		4,758		
Enterprise Output (excl. BLSA)	314	153	301	200	-13
BLSA	35	40	-1	37	-36
Total Variable costs	169	81	180	93	11
Concentrates, purchased fodder and keep	63	59	61	62	-2
Gross Margin (excl. BLSA) / Cow	146	160	121	195	-25
<i>Gross Margin range</i>	-625 to 620		-1378 to 1125		
Total Fixed costs	312	121	305	118	-7
Total costs	481	147	485	156	4
Enterprise NM (excl. BLSA)	-167	159	-184	179	-17
Enterprise NM after F&S labour (excl. BLSA)	-280	200	-291	180	-11

Table 9. FBS LFA Suckler Herd Performance by herd size 2010/11

2010/11 calving period	All herds	<50 cows	50-100 cows	>100 cows
<i>Number of farms</i>	194	112	65	17
<i>Number of farms (weighted)</i> (£ per cow)	4,758	3,224	1,254	280
Enterprise Output (excl. BLSA)	301	278	315	310
BLSA	-1	-1	-3	3
Total Variable costs, of which:	180	179	185	167
Concentrates & purchased feed & keep	61	58	71	44
Gross Margin (excl. BLSA) / Cow	121	99	130	143
Total Fixed costs	305	304	306	308
Total costs	485	483	491	475
Enterprise NM (excl. BLSA)	-184	-205	-176	-165
Enterprise NM after F&S labour (excl. BLSA)	-291	-367	-265	-211

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

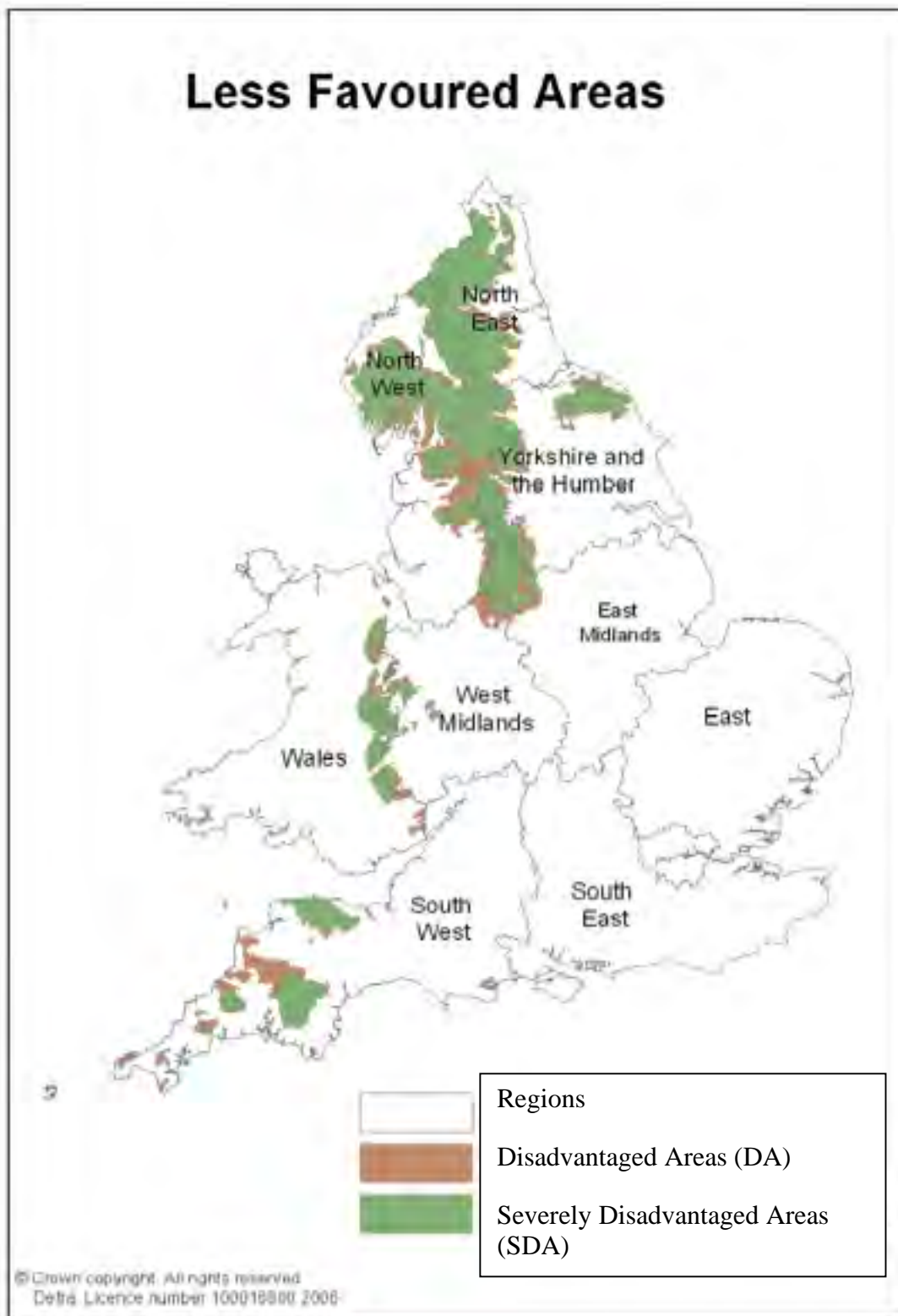
Hill Farming in England, 2008/9, RBR

Hill Farming in England, 2009/10, RBR

Government Office Reports, 2010/11, [RBR](#)

[EBLEX](#), 2012, *EBLEX Business Pointers*, (Jan 2012) Available at:
<http://www.eblex.org.uk/returns/businesspointers11.aspx> Date accessed 10.1.12

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 2010/11	Farm Business (£ per farm) 2010/11
	Agriculture 2010/11	Agri-environment and other payments 2010/11	Diversification out of agriculture 2010/11		
Derivation of farm income measures:					
Total output	107,669	16,867	3,501	32,260	160,298
Variable costs	60,668	144	356	3	61,172
Total Gross margin	47,001	16,723	3,145	32,257	99,126
Fixed costs	55,766	3,498	1,464	3,991	64,719
Total Costs	116,434	3,642	1,821	3,995	125,891
Profit/(loss) on sale of fixed assets	725				725
Farm Business Income	-8,040	13,225	1,681	28,266	35,132
Adjustment for unpaid manual labour	27,527	810	810	0	29,148
Farm Corporate Income	-35,567	12,415	870	28,266	5,984
Interest payments (net of interest received)	1,957	52	79	65	2,153
Farm Investment Income	-33,610	12,467	949	28,331	8,136
Derivation of Net Farm Income					
				Profit/(loss) on sale of assets	725
				Imputed rent	8,754
				Ownership charges	3,558
				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	22,944
				Net Farm Income	25,884
				Holding gains not included in farm income	36,273
				Breeding Livestock Appreciation (BLSA)	3,988
				Revaluation of machinery, permanenet crops, glasshouse, quota	3,797
				Revaluation of land	28,488
The average farm Number (unweighted)	94			Management and Investment Income	3,059
Number (weighted)	1,382				

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

	Cost Centre (£ per farm)				Farm Business (£ per farm) 2010/11
	Agriculture 2010/11	Agri-environment and other payments 2010/11	Diversification out of agriculture 2010/11	Single Payment Scheme 2010/11	
Derivation of farm income measures:					
Total output	42,366	5,534	636	14,445	62,982
Variable costs	26,455	37	1	2	26,496
Total Gross margin	15,911	5,497	636	14,443	36,486
Fixed costs	28,577	1,635	232	2,207	32,652
Total Costs	55,033	1,672	233	2,210	59,148
Profit/(loss) on sale of fixed assets	361				361
Farm Business Income	-12,305	3,862	403	12,236	4,195
Adjustment for unpaid manual labour	20,970	787	175	0	21,932
Farm Corporate Income	-33,275	3,075	228	12,236	-17,737
Interest payments (net of interest received)	1,029	18	6	26	1,078
Farm Investment Income	-32,246	3,093	233	12,261	-16,659
Derivation of Net Farm Income					
Profit/ (loss) on sale of assets					361
Imputed rent					9,215
Ownership charges					3,051
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					19,315
Net Farm Income					-3,507
Holding gains not included in farm income					43,699
Breeding Livestock Appreciation (BLSA)					-64
Revaluation of machinery, permanenet crops, glasshouse, quota					2,458
Revaluation of land					41,305
Management and Investment Income					-22,822
The average farm	30				
Number (unweighted)					
Number (weighted)	1,120				

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

	Cost Centre (£ per farm)				Farm Business (£ per farm) 2010/11
	Agriculture 2010/11	Agri-environment and other payments 2010/11	Diversification out of agriculture 2010/11	Single Payment Scheme 2010/11	
Derivation of farm income measures:					
Total output	69,024	17,270	2,502	26,909	115,705
Variable costs	41,464	622	30	2	42,117
Total Gross margin	27,560	16,648	2,473	26,907	73,588
Fixed costs	33,953	3,087	767	3,122	40,929
Total Costs	75,418	3,708	797	3,124	83,047
Profit/(loss) on sale of fixed assets	586				586
Farm Business Income	-5,807	13,561	1,705	23,785	33,245
Adjustment for unpaid manual labour	23,048	780	677	0	24,505
Farm Corporate Income	-28,855	12,781	1,028	23,785	8,739
Interest payments (net of interest received)	1,799	93	24	86	2,003
Farm Investment Income	-27,056	12,874	1,052	23,871	10,742
Derivation of Net Farm Income					
Profit/ (loss) on sale of assets					586
Imputed rent					6,751
Ownership charges					2,290
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					20,869
Net Farm Income					27,151
Holding gains not included in farm income					30,223
Breeding Livestock Appreciation (BLSA)					5,979
Revaluation of machinery, permanent crops, glasshouse, quota					2,034
Revaluation of land					22,210
Management and Investment Income					6,301
The average farm	57				
Number (unweighted)	1,388				
Number (weighted)					

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

	Cost Centre (£ per farm)				Farm Business (£ per farm) 2010/11
	Agriculture 2010/11	Agri-environment and other payments 2010/11	Diversification out of agriculture 2010/11	Single Payment Scheme 2010/11	
Derivation of <u>farm income measures</u> :					
Total output	59,986	4,197	2,439	20,366	86,988
Variable costs	33,047	69	30	3	33,150
Total Gross margin	26,939	4,128	2,409	20,362	53,838
Fixed costs	35,500	918	1,485	2,647	40,551
Total Costs	68,547	988	1,516	2,650	73,701
Profit/(loss) on sale of fixed assets	729				729
Farm Business Income	-7,832	3,209	924	17,715	14,016
Adjustment for unpaid manual labour	22,402	206	631	0	23,238
Farm Corporate Income	-30,234	3,003	293	17,715	-9,223
Interest payments (net of interest received)	1,721	12	114	60	1,907
Farm Investment Income	-28,513	3,015	407	17,775	-7,315
Derivation of Net Farm Income					
			Profit/(loss) on sale of assets		729
			Imputed rent		8,918
			Ownership charges		3,130
			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		18,496
			Net Farm Income		5,393
			Holding gains not included in farm income		26,813
			Breeding Livestock Appreciation (BLSA)		1,648
			Revaluation of machinery, permanenet crops, glasshouse, quota		2,714
			Revaluation of land		22,451
			Management and Investment Income		-13,091
The average farm	64				
Number (unweighted)	2,289				
Number (weighted)					

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

2010/11	The average farm	Mixed grazing livestock (SDA)	Specialist sheep (SDA)	Specialist beef (SDA)	Various grazing livestock (DA)
Number of farms in the group	245	94	57	30	64
Number (weighted)	6,179	1,382	1,388	1,120	2,289
Utilisable Agricultural Area (UAA) (ha)	146	212	210	80	99
Average adjusted UAA (ha)	112	151	139	70	94
Average adjusted sole grazing (ha)	16	27	35	5	2
Average herd size	36	52	17	40	36
Average flock size	379	543	708	109	211
Output					
Farm Output	105,878	161,053	116,072	63,095	87,308
Farm Business Output	105,488	160,298	115,705	62,982	86,988
<i>of which</i> Output from agriculture	69,490	107,669	69,024	42,366	59,986
Agri environment payment	10,210	16,867	17,270	5,534	4,197
Diversified output	2,364	3,501	2,502	636	2,439
Single Farm Payment	23,423	32,260	26,909	14,445	20,366
Livestock Enterprise Output	63,336	93,976	67,520	39,372	54,020
<i>of which</i> Cattle Enterprise Output	30,497	47,929	10,427	28,897	32,922
(incl Livestock subsidies)	338	145	10	376	636
Sheep Enterprise Output	32,322	45,920	57,049	9,910	20,080
Poultry Enterprise Output	27	115	6	0	0
Pigs Enterprise Output	492	12	43	564	1,019
Other Livestock Enterprise Output	-1	-1	-5	0	0
Crop Enterprise Output	2,898	3,023	736	2,209	4,470
<i>of which</i> Crop Subsidies	2	1	0	0	6
Main Crops	1,657	1,458	97	1,762	2,670
Forage by-products	1,223	1,519	632	457	1,777
Cultivations output	18	46	6	-10	23
Set aside payments	0	0	0	0	0
Non agriculture, no other category output	3,243	10,665	769	776	1,469
Disposal Previous Crops	13	6	0	10	27
Farm Business Output	105,488	160,298	115,705	62,982	86,988
Variable Costs					
Farm Business Variable costs	40,227	61,172	42,117	26,496	33,150
<i>of which</i> Agriculture Variable Costs	39,922	60,668	41,464	26,455	33,047
Agri environment Variable Costs	204	144	622	37	69
Diversified income Variable Costs	98	356	30	1	30
SPS Variable Costs	3	3	2	2	3
Agriculture Crop Costs	6,346	8,612	5,444	4,767	6,297
<i>of which</i> Seed	385	460	200	259	514
Fertilizer	4,979	7,037	4,727	3,465	4,630
Crop Protection	282	300	177	166	391
Other Crop Costs	700	815	340	877	762
Agriculture Livestock Costs	28,853	44,641	30,753	19,624	22,683
<i>of which</i> Purchased Fodder Feed	16,415	26,303	17,925	11,740	11,815
Home Produced Fodder Feed	882	1,041	99	698	1,350
Veterinary and medicines	3,735	5,683	4,741	2,062	2,768
Other Livestock Costs	7,821	11,614	7,988	5,124	6,750
Agriculture Contract Costs	3,182	4,371	2,957	1,567	3,391
Agriculture Casual Labour	1,277	1,938	2,309	415	674
Agriculture, no other category Variable Costs	263	1,106	0	82	2
Farm Business Gross Margin	65,261	99,126	73,588	36,486	53,838
Agriculture Gross Margin	29,568	47,001	27,560	15,911	26,939
Agri Environment Gross Margin	10,006	16,723	16,648	5,497	4,128
Diversified Gross Margin	2,267	3,145	2,473	636	2,409
SPS Gross Margin	23,421	32,257	26,907	14,443	20,362

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)
2010/11					
Number (unweighted)	245	94	57	30	64
Number (weighted)	6,179	1,382	1,388	1,120	2,289
Utilisable Agricultural Land (UAA) (ha)	146	212	210	80	99
Average adjusted UAA (ha)	112	151	139	70	94
Average adjusted sole grazing (ha)	16	27	35	5	2
Average herd size	36	52	17	40	36
Average flock size	379	543	708	109	211
Gross Margin					
Farm Business Gross Margin	65,261	99,126	73,588	36,486	53,838
Agriculture Gross Margin	29,568	47,001	27,560	15,911	26,939
Agri Environment Gross Margin	10,006	16,723	16,648	5,497	4,128
Diversified Income Gross Margin	2,267	3,145	2,473	636	2,409
SPS Gross Margin	23,421	32,257	26,907	14,443	20,362
Fixed Costs					
Farm Business Fixed Costs	44,611	64,719	40,929	32,652	40,551
<i>of which</i> Agriculture Fixed Costs	38,432	55,766	33,953	28,577	35,500
Agri Environment Fixed Costs	2,112	3,498	3,087	1,635	918
Diversified Income Fixed Costs	1,092	1,464	767	232	1,485
SPS Fixed Costs	2,975	3,991	3,122	2,207	2,647
Agriculture Paid Labour	4,445	8,188	5,233	1,784	3,009
<i>of which</i> Fixed Labour Costs	3,168	6,250	2,923	1,369	2,335
(-) Casual Labour Costs (a Variable Cost)	1,277	1,938	2,309	415	674
Agriculture Machinery Costs	17,312	23,024	14,892	14,347	16,780
<i>of which</i> Machinery Running Costs	8,161	10,877	7,170	6,467	7,950
Agriculture Depreciation Tenants Capital	9,151	12,147	7,722	7,880	8,830
Agriculture General Farming Costs	8,693	10,282	8,109	8,013	8,421
<i>of which</i> Agriculture Bank & Professional Fees	1,780	2,041	1,754	1,690	1,682
Agriculture Other General Costs	5,246	6,277	4,556	5,294	5,018
Net Interest Payments	1,666	1,957	1,799	1,029	1,721
Bad Debts Write-offs	2	7	0	0	0
Agriculture Property Costs	7,220	9,542	7,442	4,366	7,080
Non Agriculture Other Fixed Costs	2,039	6,668	586	482	885
Profit/loss sale of fixed assets	629	725	586	361	729
Agriculture Net Margin (AGRICULTURE BUSINESS INCOME)					
	-8,234	-8,040	-5,807	-12,305	-7,832
Unpaid manual labour	23,434	27,527	23,048	20,970	22,402
Of Which Unpaid Farmer and Spouse	19,305	21,686	19,872	18,484	17,924
Unpaid Partner	4,130	5,842	3,176	2,486	4,478
Agriculture Economic Profit (AGRICULTURE CORPORATE INCOME)					
	-31,668	-35,567	-28,855	-33,275	-30,234
Agriculture Net Interest Payment (added back)	1,666	1,957	1,799	1,029	1,721
AGRICULTURE INVESTMENT INCOME					
	-30,002	-33,610	-27,056	-32,246	-28,513
Farm Net Margin (FARM BUSINESS INCOME)					
	21,279	35,132	33,245	4,195	14,016
Farm Economic Profit (FARM CORPORATE INCOME)					
	-3,329	5,984	8,739	-17,737	-9,223
FARM INVESTMENT INCOME					
	-1,496	8,136	10,742	-16,659	-7,315
NET FARM INCOME					
	13,251	25,884	27,151	-3,507	5,393
Holding gains not included in farm income	32,755	36,273	30,223	43,699	26,813
BLSA	2,834	3,988	5,979	-64	1,648
Revaluation of Machinery, permanent crops etc	2,757	3,797	2,034	2,458	2,714
Revaluation of Land	27,164	28,488	22,210	41,305	22,451
MANAGEMENT AND INVESTMENT INCOME					
	-6,885	3,059	6,301	-22,822	-13,091

Table 16. Balance Sheet and Fund Flows

2010/11	The Average Farm	Mixed grazing livestock (SDA)	Specialist sheep (SDA)	Specialist beef (SDA)	Various grazing livestock (DA)
Number (unweighted)	245	94	57	30	64
Number (weighted)	6,179	1,382	1,388	1,120	2,289
Average Farmed Area (ha)	151.3	218.9	221.2	82.4	101.9
Adjusted Utilisable Agricultural Area (ha)	112.4	150.7	139.2	70.3	93.7
Ewes (head)	379	543	708	109	211
Beef Cows (head)	32	42	17	37	32
Occupied Area (ha)	72.5	84.9	80.8	64.0	64.2
Tenanted Area (ha)	77.0	130.5	132.9	17.8	39.8
Percentage of Land Owned (%)	48.5	39.4	37.8	78.3	61.8
<u>Assets</u>					
Fixed Assets	672,085	740,601	585,378	716,814	661,409
<i>of which</i> Agricultural Land	496,766	500,779	411,697	584,819	502,852
Woodland	1,713	1,445	483	1,367	2,790
Total Buildings	22,630	27,261	16,226	23,130	23,471
Total Improvements	3,527	5,132	5,385	2,980	1,700
Milk quota	91	333	0	0	44
SPS Entitlements	28,178	40,111	32,715	16,489	23,939
Machinery	50,096	67,774	42,025	42,978	47,796
Breeding Livestock	65,444	96,668	76,164	44,950	50,113
Miscellaneous Business Assets	3,628	1,040	683	100	8,702
Current Assets	68,681	82,231	60,985	61,343	68,754
<i>of which</i> Trading Livestock	29,391	34,012	11,857	33,419	35,262
Crops	538	698	14	310	870
Forage	3,517	4,258	1,983	3,788	3,869
Cultivation	844	530	238	1,721	972
Stores	3,613	4,946	2,502	2,047	4,249
Liquid Assets	30,778	37,787	44,391	20,058	23,533
<i>of which</i> Cash at Bank and In Hand	19,511	23,435	23,629	15,095	16,804
Debtors	7,345	9,109	14,261	2,670	4,372
Suspended SPS & EU modulation refund debtors	6	28	0	0	0
debtors	3,916	5,214	6,502	2,294	2,357
Total Assets (£/farm)	740,766	822,832	646,363	778,156	730,163
<i>of which</i> Total Landlord-type Capital	524,727	534,950	433,791	612,296	530,858
Tenant Type Capital	216,039	287,882	212,572	165,860	199,305
<u>Loans</u>					
Total Long Term Loans	32,185	46,718	33,147	16,268	30,611
<i>of which</i> Bank Loans	13,608	25,766	9,757	6,000	12,323
Institutional Loans	16,832	17,634	22,207	9,768	16,544
<i>of which</i> AMC	11,777	15,817	14,091	7,662	9,947
Building Societies	1,129	630	3,299	1,053	153
Other Institutional Loans	3,925	1,188	4,816	1,053	6,444
Family Loans	1,672	3,319	981	501	1,669
Other Loans	73	0	203	0	75
Current Liabilities	28,308	34,882	24,156	25,015	28,466
<i>of which</i> Hire Purchase	4,315	6,131	3,691	4,283	3,613
Leasing	24	30	0	0	47
Other Current Liabilities	23,968	28,720	20,465	20,732	24,806
<i>of which</i> Creditors	7,234	13,046	6,743	3,890	5,659
Bank Overdraft	16,393	15,541	13,555	15,329	19,148
Others	342	134	167	1,513	0
Total Liabilities	60,492	81,600	57,303	41,283	59,077
Closing Net Worth	680,274	741,231	589,060	736,873	671,086
Opening Net Worth	642,357	703,444	547,693	699,849	634,745
Change in Net Worth	37,917	37,787	41,367	37,024	36,340

SPS Entitlements Opening Valuation	28,318	39,011	32,961	17,473	24,350
Change in SPS Entitlements	-140	1,100	-246	-984	-411
Change in Borrowing	4,229	14,984	-6,008	11,842	218
Funds Introduced	16,590	15,738	18,891	9,151	19,349
Cash Flow from the Farm Business	11,795	24,353	25,579	-2,524	2,859
Private Drawings	22,474	29,883	29,063	13,913	18,191
Asset Purchases	25,103	34,846	20,048	25,347	22,166
Asset Sales	4,263	8,724	4,267	2,480	2,438
Capital Expenditure	20,840	26,122	15,781	22,866	19,728

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)
2010/11					
Number (unweighted)	245	94	57	30	64
Number (weighted)	6,179	1,382	1,388	1,120	2,289
Total Area (includes woodland and roads etc) (ha)	149.5	215.4	213.8	81.7	103.9
Area Farmed (ha)	151.3	218.9	221.2	82.4	101.9
Net Land Hired In (ha)	5.6	7.1	11.6	2.6	2.5
Utilised Agricultural Area (ha)	145.7	211.7	209.6	79.7	99.4
<i>of which</i> Total main products and set-aside (ha)	1.6	1.6	0.1	1.8	2.4
Grass, fodder crops and rough grazing (ha)	144.1	210.1	209.5	78.0	96.9
<i>of which</i> rough grazing (unadjusted) (ha)	48.8	87.6	105.7	14.6	7.7
Adjusted rough grazing (sole occupation)	15.6	26.5	35.3	5.1	2.1
Adjusted rough grazing (shared)	7.8	16.7	17.7	0.2	0.2
Total Adjusted Utilised Agriculture Area (ha)	112.4	150.7	139.2	70.3	93.7
Area owner occupied (ha)	72.5	84.9	80.8	64.0	64.2
Area tenanted (ha)	77.0	130.5	132.9	17.8	39.8
Average age of farmer (years)	57	55	56	66	55
Agricultural labour units (ALU)	1.6	2.0	1.6	1.3	1.4
Standard Output (SO2007)	81,311	119,193	78,770	58,067	71,347
Standard Output size group (SO2007)	6.9	7.3	6.9	6.4	6.8
<u>Land Use</u>					
Temporary Grassland Area (ha)	6.4	3.4	2.0	6.8	10.6
Permanent Grassland Area (ha)	93.5	124.6	113.0	58.9	79.8
<u>Stocking</u>					
Total Dairy Cows	3	10	0	0	2
Total Beef cows	33	42	17	40	35
Total Cattle	107	138	40	127	119
Ewes (LFA and lowland)	379	543	708	109	211
<i>of which</i> LFA Ewes	368	543	693	103	195
Lowland Ewes	11	0	15	6	16
Total Sheep	725	1,043	1,321	223	417
<u>Livestock Units</u>					
Total Cattle LU	64	85	24	73	71
<i>of which</i> Beef Cows LU	25	31	13	30	26
Other Cattle LU	32	38	10	40	39
Dairy Cows and Heifers	7	16	1	4	6
Total Sheep LU	39	55	72	12	23
<i>of which</i> Ewes LU	27	37	51	8	15
Grazing LU (cattle, sheep, horses and others)	104	142	96	86	94
Total LU	104	142	96	87	94
<u>Financial Performance per GLU</u>					
Farm Business Output per GLU (£/GLU)	1,017	1,128	1,206	735	926
Farm Business Variable Costs (£/GLU)	388	430	439	309	353
Farm Business Gross Margin (£/GLU)	629	697	767	426	573
Farm Business Fixed Costs (£/GLU)	430	455	427	381	432
Farm Business Income (£/GLU)	205	247	347	49	149
Farm Corporate Income (£/GLU)	-32	42	91	-207	-98
Farm Investment Income (£/GLU)	-14	57	112	-194	-78
Holding Gains Not In Income (£/GLU)	316	255	315	510	285
<i>of which</i> Land Revaluation (£/GLU)	262	200	232	482	239
Net Farm Income (£/GLU)	128	182	283	-41	57
Management and Investment Income (£/GLU)	-66	22	66	-266	-139
Agriculture Net Margin (Agriculture Business Income) (£/GLU)	-79	-57	-61	-144	-83
Agriculture Economic Profit (Agriculture Corporate Income) (£/GLU)	-305	-250	-301	-388	-322
Agriculture Investment Income (£/GLU)	-289	-236	-282	-376	-303

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

2010/11	The average Farm	EU Region England North	EU Region England East	EU Region England West
Number of farms in the group	245	155	24	66
Number (weighted)	6,179	3,743	795	1,642
Utilisable Agricultural Area (UAA) (ha)	146	167	109	115
Average adjusted UAA (ha)	112	118	98	106
Average adjusted sole grazing (ha)	16	22	11	3
Average herd size	36	34	38	41
Average flock size	379	435	183	343
Output				
Farm Output	105,878	114,178	79,305	99,823
Farm Business Output	105,488	113,675	79,122	99,588
<i>of which</i> Output from agriculture	69,490	75,433	52,607	64,116
Agri environment payment	10,210	10,825	8,737	9,523
Diversified output	2,364	2,841	824	2,023
Single Farm Payment	23,423	24,576	16,954	23,927
Livestock Enterprise Output	63,336	68,354	49,542	58,576
<i>of which</i> Cattle Enterprise Output	30,497	30,479	28,858	31,330
(incl Livestock subsidies)	338	0	493	1,035
Sheep Enterprise Output	32,322	37,672	17,735	27,187
Poultry Enterprise Output	27	42	11	0
Pigs Enterprise Output	492	163	2,938	57
Other Livestock Enterprise Output	-1	-3	0	2
Crop Enterprise Output	2,898	2,747	2,235	3,562
<i>of which</i> Crop Subsidies	2	1	0	7
Main Crops	1,657	1,663	0	2,445
Forage by-products	1,223	1,101	2,118	1,068
Cultivations output	18	-16	117	49
Set aside payments	0	0	0	0
Non agriculture, no other category output	3,243	4,335	830	1,922
Disposal Previous Crops	13	-3	0	56
Farm Business Output	105,488	113,675	79,122	99,588
Variable Costs				
Farm Business Variable costs	40,227	44,901	29,966	34,538
<i>of which</i> Agriculture Variable Costs	39,922	44,607	29,926	34,082
Agri environment Variable Costs	204	169	29	370
Diversified income Variable Costs	98	123	10	82
SPS Variable Costs	3	3	1	4
Agriculture Crop Costs	6,346	6,635	4,049	6,800
<i>of which</i> Seed	385	422	65	456
Fertilizer	4,979	5,214	2,948	5,428
Crop Protection	282	244	231	394
Other Crop Costs	700	755	805	522
Agriculture Livestock Costs	28,853	32,790	23,608	22,418
<i>of which</i> Purchased Fodder Feed	16,415	19,641	15,249	9,624
Home Produced Fodder Feed	882	737	42	1,619
Veterinary and medicines	3,735	4,164	2,572	3,322
Other Livestock Costs	7,821	8,248	5,745	7,854
Agriculture Contract Costs	3,182	3,386	1,730	3,421
Agriculture Casual Labour	1,277	1,402	531	1,355
Agriculture, no other category Variable Costs	263	394	7	89
Farm Business Gross Margin	65,261	68,774	49,156	65,050
Agriculture Gross Margin	29,568	30,826	22,681	30,034
Agri Environment Gross Margin	10,006	10,656	8,708	9,153
Diversified Gross Margin	2,267	2,718	815	1,941
SPS Gross Margin	23421	24574	16953	23923

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
2010/11				
Number (unweighted)	245	155	24	66
Number (weighted)	6,179	3,743	795	1,642
Utilisable Agricultural Land (UAA) (ha)	146	167	109	115
Average adjusted UAA (ha)	112	118	98	106
Average adjusted sole grazing (ha)	16	22	11	3
Average herd size	36	34	38	41
Average flock size	379	435	183	343
Gross Margin				
Farm Business Gross Margin	65,261	68,774	49,156	65,050
Agriculture Gross Margin	29,568	30,826	22,681	30,034
Agri Environment Gross Margin	10,006	10,656	8,708	9,153
Diversified Income Gross Margin	2,267	2,718	815	1,941
SPS Gross Margin	23,421	24,574	16,953	23,923
Fixed Costs				
Farm Business Fixed Costs	44,611	45,998	39,806	43,776
<i>of which</i> Agriculture Fixed Costs	38,432	39,909	33,735	37,338
Agri Environment Fixed Costs	2,112	1,875	2,743	2,349
Diversified Income Fixed Costs	1,092	1,191	684	1,066
SPS Fixed Costs	2,975	3,023	2,644	3,024
Agriculture Paid Labour	4,445	5,112	1,331	4,432
<i>of which</i> Fixed Labour Costs	3,168	3,710	800	3,077
(-) Casual Labour Costs (a Variable Cost)	1,277	1,402	531	1,355
Agriculture Machinery Costs	17,312	17,373	17,052	17,297
<i>of which</i> Machinery Running Costs	8,161	8,323	7,565	8,079
Agriculture Depreciation Tenants Capital	9,151	9,050	9,486	9,218
Agriculture General Farming Costs	8,693	9,001	8,047	8,306
<i>of which</i> Agriculture Bank & Professional Fees	1,780	1,877	1,550	1,672
Agriculture Other General Costs	5,246	5,092	6,027	5,218
Net Interest Payments	1,666	2,032	471	1,410
Bad Debts Write-offs	2	0	0	6
Agriculture Property Costs	7,220	7,113	7,169	7,489
Non Agriculture Other Fixed Costs	2,039	2,711	667	1,169
Profit/loss sale of fixed assets	629	694	558	517
Agriculture Net Margin (AGRICULTURE BUSINESS INCOME)				
	-8,234	-8,389	-10,496	-6,788
Unpaid manual labour	23,434	21,701	24,878	26,686
<i>of which</i> Unpaid Farmer and Spouse	19,305	17,986	19,777	22,082
Unpaid Partner	4,130	3,715	5,101	4,603
Agriculture Economic Profit (AGRICULTURE CORPORATE INCOME)				
	-31,668	-30,090	-35,374	-33,473
Agriculture Net Interest Payment (added back)	1,666	2,032	471	1,410
AGRICULTURE INVESTMENT INCOME				
	-30,002	-28,058	-34,903	-32,063
Farm Net Margin (FARM BUSINESS INCOME)				
	21,279	23,470	9,908	21,791
Farm Economic Profit (FARM CORPORATE INCOME)				
	-3,329	693	-16,647	-6,051
FARM INVESTMENT INCOME				
	-1,496	2,931	-16,121	-4,506
NET FARM INCOME				
	13,251	17,254	-894	10,976
Holding gains not included in farm income	32,755	32,356	45,840	27,332
BLSA	2,834	3,722	-2,366	3,327
Revaluation of Machinery, permanent crops etc	2,757	2,665	3,029	2,836
Revaluation of Land	27,164	25,968	45,178	21,169
MANAGEMENT AND INVESTMENT INCOME				
	-6,885	-1,349	-22,227	-12,078

Table 20. Balance Sheet and Fund Flows by EU Region

2010/11	The Average Farm	EU Region England North	EU Region England East	EU Region England West
Number (unweighted)	245	155	24	66
Number (weighted)	6,179	3,743	795	1,642
Average Farmed Area (ha)	151.3	169.7	113.9	127.6
Adjusted Utilisable Agricultural Area (ha)	112	118	98	106
Utilisable Agricultural Area (ha)	146	167	109	115
Grazing Livestock Units	104	104	84	112
Ewes (head)	379	435	183	343
Beef Cows (head)	31.8	28.4	36.4	37.3
Occupied Area (ha)	72.5	70.5	65.3	80.6
Tenanted Area (ha)	77	100	46	39
Percentage of Land Owned (%)	48	41	59	68
Assets				
Fixed Assets	672,085	571,749	640,953	915,888
<i>of which</i> Agricultural Land	496,766	387,906	501,743	742,518
Woodland	1,713	1,465	350	2,940
Total Buildings	22,630	23,092	15,006	25,266
Total Improvements	3,527	4,434	2,980	1,725
Milk quota	91	135	7	32
SPS Entitlements	28,178	30,690	20,004	26,407
Machinery	50,096	49,891	50,124	50,549
Breeding Livestock	65,444	68,424	50,539	65,867
Miscellaneous Business Assets	3,641	5,713	199	584
Current Assets	68,681	63,619	76,564	76,403
<i>of which</i> Trading Livestock	29,391	26,347	33,620	34,282
Crops	538	578	0	707
Forage	3,517	3,048	5,487	3,634
Cultivation	844	138	4,457	705
Stores	3,613	3,467	2,303	4,581
Liquid Assets	30,778	30,042	30,697	32,494
<i>of which</i> Cash at Bank and In Hand	19,511	17,645	25,373	20,926
Debtors	7,345	8,754	1,398	7,010
Suspended	6	10	0	0
SPS debtors	3,916	3,632	3,926	4,558
Total Assets (£/farm)	740,766	635,368	717,516	992,291
<i>of which</i> Total Landlord-type Capital	524,727	417,032	520,086	772,480
Tenant Type Capital	216,039	218,336	197,430	219,811
Loans				
Total Long Term Loans	32,185	35,193	7,248	37,398
<i>of which</i> Bank Loans	13,608	14,080	5,549	16,432
Institutional Loans	16,832	20,316	441	16,823
<i>Of which:</i> AMC	11,777	12,064	0	16,823
Building Societies	1,129	1,771	441	0
Other Institutional Loans	3,925	6,481	0	0
Family Loans	1,672	797	1,041	3,972
Other Loans	73	0	217	171
Current Liabilities	28,308	29,643	20,586	29,003
<i>of which</i> Hire Purchase	4,315	4,812	2,645	3,992
Leasing	24	13	127	0
Other Current Liabilities	23,968	24,818	17,813	25,011
<i>of which</i> Creditors	7,234	6,998	4,536	9,079
Bank Overdraft	16,393	17,330	13,170	15,815
Others	342	490	107	117
Total Liabilities	60,492	64,836	27,834	66,401
Closing Net Worth	680,274	570,532	689,683	925,890
Opening Net Worth	642,357	532,773	640,237	893,195
Change in Net Worth	37,917	37,759	49,446	32,695

SPS Entitlements Opening Valuation	28,318	30,682	20,747	26,592
Change in SPS Entitlements	-140	8	-743	-185
Change in Borrowing	4,229	-279	6,421	13,445
Funds Introduced	16590	19801	8167	13348
Cash Flow from the Farm Business	11795	18723	1078	1191
Private Drawings	22474	23145	17332	23432
Asset Purchases	25103	22618	24445	31086
Asset Sales	4263	4413	3050	4506
Capital Expenditure	20840	18205	21395	26580

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
2010/11				
Number (unweighted)	245	155	24	66
Number (weighted)	6,179	3,743	795	1,642
Total Area (includes woodland and roads etc) (ha)	149.5	170.9	111.2	119.4
Area Farmed (ha)	151.3	169.7	113.9	127.6
Net Land Hired In (ha)	5.6	2.8	5.2	12.3
Utilised Agricultural Area (ha)	145.7	166.9	108.8	115.3
<i>of which</i> Total main products and set-aside (ha)	1.6	1.6	0.0	2.3
Grass, fodder crops and rough grazing (ha)	144.1	165.3	108.8	112.9
<i>of which</i> rough grazing (unadjusted) (ha)	48.8	70.3	22.2	12.9
Adjusted rough grazing (sole occupation)	15.6	21.8	11.1	3.5
Adjusted rough grazing (shared)	7.8	11.1	0.0	4.1
Total Adjusted Utilised Agriculture Area (ha)	112.4	118.5	97.7	105.8
Area owner occupied (ha)	72.5	70.5	65.3	80.6
Area tenanted (ha)	77.0	100.4	45.9	38.8
Average age of farmer (years)	57	58	59	55
Agricultural labour units (ALU)	1.6	1.5	1.4	1.7
Standard Output (SO2007)	81,311	83,720	61,364	85,476
Standard Output size group (SO2007)	6.9	6.9	6.6	7.0
<u>Land Use</u>				
Temporary Grassland Area (ha)	6.4	6.5	0.3	9.1
Permanent Grassland Area (ha)	93.5	90.4	91.4	101.5
<u>Stocking</u>				
Total Dairy Cows	3	4	1	2
Total Beef cows	33	30	36	39
Total Cattle	107	99	113	122
Ewes (LFA and lowland)	379	435	183	343
<i>of which</i> LFA Ewes	368	428	183	321
Lowland Ewes	11	8	0	22
Total Sheep	725	835	331	665
<u>Livestock Units</u>				
Total Cattle LU	64	59	65	74
<i>of which</i> Beef Cows LU	25	23	27	29
Other Cattle LU	32	29	32	39
Dairy Cows and Heifers	7	7	6	6
Total Sheep LU	39	45	18	36
<i>of which</i> Ewes LU	27	30	13	25
Grazing LU (cattle, sheep, horses and others)	104	104	84	112
Total LU	104	105	85	112
<u>Financial Performance per GLU</u>				
Farm Business Output per GLU (£/GLU)	1,017	1,089	942	892
Farm Business Variable Costs (£/GLU)	388	430	357	309
Farm Business Gross Margin (£/GLU)	629	659	585	582
Farm Business Fixed Costs (£/GLU)	430	441	474	392
Farm Business Income (£/GLU)	205	225	118	195
Farm Corporate Income (£/GLU)	-32	7	-198	-54
Farm Investment Income (£/GLU)	-14	28	-192	-40
Holding Gains Not in Income (£/GLU)	316	310	546	245
<i>of which</i> Land Revaluation (£/GLU)	262	249	538	190
Net Farm Income (£/GLU)	128	165	-11	98
Management and Investment Income (£/GLU)	-66	-13	-265	-108
Agriculture Net Margin (Agriculture Business Income) (£/GLU)	-79	-80	-125	-61
Agriculture Economic Profit (Agriculture Corporate Income) (£/GLU)	-305	-288	-421	-300
Agriculture Investment Income (£/GLU)	-289	-269	-416	-287

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	Lowest Quartile	Upper Low Quartile	Lower Upper Quartile	Highest Quartile
2010/11					
Number of farms in the group	245	41	56	56	92
Number (weighted)	6,179	1,513	1,555	1,517	1,593
Utilisable Agricultural Area (UAA) (ha)	146	88	90	117	282
Average adjusted UAA (ha)	112	73	82	100	192
Average adjusted sole grazing (ha)	16	6	6	10	39
Average herd size	36	30	30	31	52
Average flock size	379	147	240	370	741
Output					
Farm Output	105,878	52,832	72,861	94,386	199,427
Farm Business Output	105,488	52,627	72,627	94,004	198,702
<i>of which</i> Output from agriculture	69,490	33,995	47,949	63,698	129,742
Agri environment payment	10,210	4,126	5,794	6,667	23,674
Diversified output	2,364	1,439	1,646	3,184	3,163
Single Farm Payment	23,423	13,068	17,237	20,455	42,124
Livestock Enterprise Output	63,336	31,691	43,849	60,091	115,502
<i>of which</i> Cattle Enterprise Output	30,497	21,681	24,637	29,096	45,923
(incl Livestock subsidies)	338	86	213	127	903
Sheep Enterprise Output	32,322	9,587	19,122	30,953	68,100
Poultry Enterprise Output	27	0	94	6	7
Pigs Enterprise Output	492	422	3	39	1,466
Other Livestock Enterprise Output	-1	0	-7	-3	4
Crop Enterprise Output	2,898	1,428	2,667	2,229	5,156
<i>of which</i> Crop Subsidies	2	0	0	3	6
Main Crops	1,657	543	907	1,710	3,396
Forage by-products	1,223	845	1,728	468	1,808
Cultivations output	18	41	32	51	-47
Set aside payments	0	0	0	0	0
Non agriculture, no other category output	3,243	876	1,427	1,384	9,036
Disposal Previous Crops	13	0	7	-5	48
Farm Business Output	105,488	52,627	72,627	94,004	198,702
Variable Costs					
Farm Business Variable costs	40,227	24,420	28,511	37,307	69,455
<i>of which</i> Agriculture Variable Costs	39,922	24,330	28,146	37,080	68,931
Agri environment Variable Costs	204	39	351	159	260
Diversified income Variable Costs	98	48	12	66	259
SPS Variable Costs	3	3	2	2	5
Agriculture Crop Costs	6,346	3,836	4,412	6,263	10,696
<i>of which</i> Seed	385	196	228	302	796
Fertilizer	4,979	2,937	3,348	5,033	8,460
Crop Protection	282	117	212	239	547
Other Crop Costs	700	585	624	689	893
Agriculture Livestock Costs	28,853	17,967	20,240	26,511	49,830
<i>of which</i> Purchased Fodder	16,415	11,186	10,861	14,703	28,432
Home Produced Fodder	882	475	630	883	1,513
Veterinary and medicines	3,735	1,795	2,523	3,523	6,963
Other Livestock Costs	7,821	4,511	6,226	7,401	12,923
Agriculture Contract Costs	3,182	1,728	2,629	3,572	4,732
Agriculture Casual Labour	1,277	693	837	732	2,781
Agriculture, no other category Variable Costs	263	106	28	2	891
Farm Business Gross Margin	65,261	28,207	44,116	56,697	129,247
Agriculture Gross Margin	29,568	9,665	19,803	26,618	60,811
Agri Environment Gross Margin	10,006	4,086	5,443	6,507	23,413
Diversified Gross Margin	2,267	1,391	1,634	3,119	2,904
SPS Gross Margin	23,421	13,065	17,235	20,453	42,119

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

	The Average Farm	Band 1	Band 2	Band 3	Band 4
2010/11					
Number (unweighted)	245	14	66	56	108
Number (weighted)	6,179	1,029	2,074	1,131	1,700
Utilisable Agricultural Land (UAA) (ha)	146	53	91	137	289
Average adjusted UAA (ha)	112	47	78	109	207
Average adjusted sole grazing (ha)	16	6	7	14	35
Average herd size	36	14	23	37	69
Average flock size	379	66	234	344	822
Gross Margin					
Farm Business Gross Margin	65,261	21,966	42,757	60,021	128,938
Agriculture Gross Margin	29,568	8,179	17,039	26,747	62,604
Agri Environment Gross Margin	10,006	3,766	7,116	8,285	19,705
Diversified Income Gross Margin	2,267	956	2,345	2,222	3,319
SPS Gross Margin	23,421	9,066	16,257	22,768	43,309
Fixed Costs					
Farm Business Fixed Costs	44,611	19,839	30,043	40,118	84,503
<i>of which</i> Agriculture Fixed Costs	38,432	16,573	25,287	34,418	73,818
Agri Environment Fixed Costs	2,112	1,318	1,618	1,852	3,648
Diversified Income Fixed Costs	1,092	601	909	876	1,914
SPS Fixed Costs	2,975	1,347	2,229	2,972	5,123
Agriculture Paid Labour	4,445	150	1,943	2,796	11,831
<i>of which</i> Fixed Labour Costs	3,168	7	1,229	2,173	8,562
(-) Casual Labour Costs (a Variable Cost)	1,277	143	715	623	3,269
Agriculture Machinery Costs	17,312	8,676	12,604	16,373	30,278
<i>of which</i> Machinery Running Costs	8,161	4,152	5,270	8,012	14,802
Agriculture Depreciation Tenants Capital	9,151	4,525	7,334	8,361	15,476
Agriculture General Farming Costs	8,693	5,765	6,155	8,056	14,611
<i>of which</i> Agriculture Bank & Professional Fees	1,780	1,019	1,370	1,788	2,849
Agriculture Other General Costs	5,246	4,361	4,093	5,040	7,833
Net Interest Payments	1,666	385	692	1,228	3,924
Bad Debts Write-offs	2	0	0	0	6
Agriculture Property Costs	7,220	1,961	4,414	6,942	14,777
Non Agriculture Other Fixed Costs	2,039	162	886	874	5,590
Profit/loss sale of fixed assets	629	521	530	356	1,088
Agriculture Net Margin (AGRICULTURE BUSINESS INCOME)	-8,234	-7,872	-7,717	-7,315	-10,126
Unpaid manual labour	23,434	16,944	20,430	24,854	31,550
<i>of which</i> Unpaid Farmer and Spouse	19,305	16,442	18,029	21,636	21,917
Unpaid Partner	4,130	502	2,400	3,219	9,633
Agriculture Economic Profit (AGRICULTURE CORPORATE INCOME)	-31,668	-24,816	-28,147	-32,170	-41,676
Agriculture Net Interest Payment (added back)	1,666	385	692	1,228	3,924
AGRICULTURE INVESTMENT INCOME	-30,002	-24,431	-27,455	-30,942	-37,752
Farm Net Margin (FARM BUSINESS INCOME)	21,279	2,649	13,245	20,259	45,523
Farm Economic Profit (FARM CORPORATE INCOME)	-3,329	-15,419	-8,201	-5,629	12,329
FARM INVESTMENT INCOME	-1,496	-14,986	-7,436	-4,265	16,637
NET FARM INCOME	13,251	-1,602	7,740	12,046	30,918
Holding gains not included in farm income	32,755	34,733	24,393	30,651	46,932
BLSA	2,834	419	1,554	2,510	6,480
Revaluation of Machinery, permanent crops etc	2,757	1,507	2,071	2,591	4,711
Revaluation of Land	27,164	32,808	20,768	25,550	35,741
MANAGEMENT AND INVESTMENT INCOME	-6,885	-19,168	-11,096	-10,491	8,257

Table 24. Balance Sheet and Fund Flows by Farm size

	The Average Farm	Band 1	Band 2	Band 3	Band 4
2010/11					
Number (unweighted)	245	14	66	56	108
Number (weighted)	6,179	1,029	2,074	1,131	1,700
Average Farmed Area (ha)	151.3	52.6	91.3	144.1	305.9
Adjusted Utilisable Agricultural Area (ha)	146	53	91	137	289
Utilisable Agricultural Area (ha)	112	47	78	109	207
Grazing Livestock Units	104	43	66	101	197
Ewes (head)	379	66	234	344	822
Beef Cows (head)	31.8	13.6	20.4	35.9	58.1
Occupied Area (ha)	72.5	52.3	49.2	78.8	117.7
Tenanted Area (ha)	77	4	44	62	178
Percentage of Land Owned (%)	48	93	53	56	40
Assets					
Fixed Assets	672,085	582,814	508,355	651,453	1,011,723
<i>of which</i> Agricultural Land	496,766	515,109	393,267	490,911	670,628
Woodland	1,713	1,439	936	1,896	2,951
Total Buildings	22,630	10,503	11,503	18,618	49,197
Total Improvements	3,527	2,975	1,771	2,287	7,337
Milk quota	91	4	22	38	275
SPS Entitlements	28,178	10,863	19,541	27,304	52,140
Machinery	50,096	23,847	39,436	48,318	84,659
Breeding Livestock	65,444	17,869	41,507	61,814	133,533
Miscellaneous Business Assets	3,641	204	372	267	10,957
Current Assets	68,681	30,645	50,160	64,266	125,058
<i>of which</i> Trading Livestock	29,391	16,630	19,682	30,254	50,719
Crops	538	24	183	748	1,219
Forage	3,517	2,414	2,767	3,385	5,547
Cultivation	844	835	825	892	962
Stores	3,613	869	2,301	3,998	7,138
Liquid Assets	30,778	9,873	24,402	24,990	59,473
<i>of which</i> Cash at Bank and In Hand	19,511	8,574	15,130	17,183	35,824
Debtors	7,345	433	7,586	4,827	13,961
Suspended	6	0	19	0	0
SPS debtors	3,916	866	1,668	2,979	9,688
Total Assets (£/farm)	740,766	613,458	558,514	715,719	1,136,782
<i>of which</i> Total Landlord Type Capital	524,727	530,030	407,499	513,750	730,388
Tenant Type Capital	216,039	83,428	151,016	201,969	406,394
Loans					
Total Long Term Loans	32,185	5,317	7,762	22,148	88,483
<i>of which</i> Bank Loans	13,608	200	5,615	11,378	34,908
Institutional Loans	16,832	5,117	1,390	8,621	49,703
<i>of which</i> AMC	11,777	5,117	11	7,830	34,475
Building Societies	1,129	0	1,284	310	2,332
Other Institutional Loans	3,925	0	94	481	12,896
Family Loans	1,672	0	757	1,998	3,707
Other Loans	73	0	0	152	166
Current Liabilities	28,308	11,442	19,710	26,449	52,037
<i>of which</i> Hire Purchase	4,315	743	3,313	3,996	7,719
Leasing	24	105	0	0	25
Other Current Liabilities	23,968	10,594	16,397	22,453	44,294
<i>of which</i> Creditors	7,234	2,063	5,301	7,031	13,717
Bank Overdraft	16,393	6,931	11,096	15,258	30,413
Others	342	1,600	0	163	164
Total Liabilities	60,492	16,759	27,471	48,597	140,520
Closing Net Worth	680,274	596,700	531,043	667,121	996,261
Opening Net Worth	642,357	568,227	500,430	634,643	935,496
Change in Net Worth	37,917	28,472	30,613	32,478	60,765

SPS Entitlements Opening Valuation	28,318	10,693	19,967	27,750	51,931
Change in SPS Entitlements	-140	170	-426	-446	209
Change in Borrowing	4,229	3,691	-4,428	11,656	11,152
Funds Introduced	16590	2729	14303	13752	31670
Cash Flow from the Farm Business	11795	6347	8073	7427	23207
Private Drawings	22474	10589	17472	21445	38627
Asset Purchases	25103	6466	14099	26051	52718
Asset Sales	4263	1165	2717	2539	9754
Capital Expenditure	20840	5301	11383	23512	42964

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

	The Average Farm	Band 1	Band 2	Band 3	Band 4
2010/11					
Number (unweighted)	245	14	66	56	108
Number (weighted)	6,179	1,029	2,074	1,131	1,700
Total Area (includes woodland and roads etc) (ha)	149.5	56.2	93.6	140.8	295.2
Area Farmed (ha)	151.3	52.6	91.3	144.1	305.9
Net Land Hired In (ha)	5.6	-0.8	0.1	7.0	17.4
Utilised Agricultural Area (ha)	145.7	53.5	91.1	137.1	288.6
<i>of which</i> Total main products and set-aside (ha)	1.6	0.1	0.7	2.1	3.5
Grass, fodder crops and rough grazing (ha)	144.1	53.4	90.4	135.0	285.0
<i>Of which</i> rough grazing (unadjusted) (ha)	48.8	12.6	20.1	42.1	117.3
Adjusted rough grazing (sole occupation)	15.6	5.9	7.1	13.6	35.4
Adjusted rough grazing (shared)	7.8	0.0	5.8	4.8	18.1
Total Adjusted Utilised Agriculture Area (ha)	112.4	46.7	78.1	108.6	206.7
Area owner occupied (ha)	72.5	52.3	49.2	78.8	117.7
Area tenanted (ha)	77.0	3.9	44.4	61.9	177.5
Average age of farmer (years)	57	68	56	55	55
Agricultural labour units (ALU)	1.6	0.9	1.2	1.6	2.5
Standard Output (SO2007)	81,311	34,633	50,108	76,222	157,864
Standard Output size group (SO2007)	6.9	6.0	6.5	7.1	7.9
Land Use					
Temporary Grassland Area (ha)	6.4	1.4	3.6	6.8	13.4
Permanent Grassland Area (ha)	93.5	38.4	66.5	92.3	169.3
Stocking					
Total Dairy Cows	3	0	0	1	9
Total Beef Cows	33	14	22	36	61
Total Cattle	107	64	68	111	183
Ewes (LFA and lowland)	379	66	234	344	822
<i>of which</i> LFA Ewes	368	56	218	330	818
Lowland Ewes	11	9	16	14	4
Total Sheep	725	113	449	654	1,584
Livestock Units					
Total Cattle LU	64	36	41	65	112
<i>of which</i> Beef Cows LU	25	11	17	27	46
Other Cattle LU	32	24	21	33	50
Dairy Cows and Heifers	7	2	3	5	16
Total Sheep LU	39	7	25	36	84
<i>of which</i> Ewe LU	27	5	17	25	57
Grazing LU (cattle, sheep, horses and others)	104	43	66	101	197
Total LU	104	44	66	101	198
Financial Performance per GLU					
Farm Business Output per GLU (£/GLU)	1,017	840	1,010	936	1,083
Farm Business Variable Costs (£/GLU)	388	332	359	344	430
Farm Business Gross Margin (£/GLU)	629	508	650	592	654
Farm Business Fixed Costs (£/GLU)	430	459	457	396	429
Farm Business Income (£/GLU)	205	61	201	200	231
Farm Corporate Income (£/GLU)	-32	-357	-125	-56	63
Farm Investment Income (£/GLU)	-14	-346	-113	-42	84
Holding Gains Not In Income (£/GLU)	316	803	371	302	238
<i>of which</i> Land Revaluation (£/GLU)	262	759	316	252	181
Net Farm Income (£/GLU)	128	-37	118	119	157
Management and Investment Income (£/GLU)	-66	-443	-169	-104	42
Agriculture Net Margin (Agriculture Business Income) (£/GLU)	-79	-182	-117	-72	-51
Agriculture Economic Profit (Agriculture Corporate Income) (£/GLU)	-305	-574	-428	-317	-211
Agriculture Investment Income (£/GLU)	-289	-565	-418	-305	-191

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
2010/11					
Number of farms in the group	245	41	56	56	92
Number (weighted)	6,179	1,513	1,555	1,517	1,593
Utilisable Agricultural Area (UAA) (ha)	146	88	90	117	282
Average adjusted UAA (ha)	112	73	82	100	192
Average adjusted sole grazing (ha)	16	6	6	10	39
Average herd size	36	30	30	31	52
Average flock size	379	147	240	370	741
<u>Output</u>					
Farm Output	105,878	52,832	72,861	94,386	199,427
Farm Business Output	105,488	52,627	72,627	94,004	198,702
<i>of which</i> Output from agriculture	69,490	33,995	47,949	63,698	129,742
Agri environment payment	10,210	4,126	5,794	6,667	23,674
Diversified output	2,364	1,439	1,646	3,184	3,163
Single Farm Payment	23,423	13,068	17,237	20,455	42,124
Livestock Enterprise Output	63,336	31,691	43,849	60,091	115,502
<i>of which</i> Cattle Enterprise Output	30,497	21,681	24,637	29,096	45,923
(incl Livestock subsidies)	338	86	213	127	903
Sheep Enterprise Output	32,322	9,587	19,122	30,953	68,100
Poultry Enterprise Output	27	0	94	6	7
Pigs Enterprise Output	492	422	3	39	1,466
Other Livestock Enterprise Output	-1	0	-7	-3	4
Crop Enterprise Output	2,898	1,428	2,667	2,229	5,156
<i>of which</i> Crop Subsidies	2	0	0	3	6
Main Crops	1,657	543	907	1,710	3,396
Forage by-products	1,223	845	1,728	468	1,808
Cultivations output	18	41	32	51	-47
Set aside payments	0	0	0	0	0
Non agriculture, no other category output	3,243	876	1,427	1,384	9,036
Disposal Previous Crops	13	0	7	-5	48
<u>Farm Business Output</u>	105,488	52,627	72,627	94,004	198,702
<u>Variable Costs</u>					
Farm Business Variable costs	40,227	24,420	28,511	37,307	69,455
<i>of which</i> Agriculture Variable Costs	39,922	24,330	28,146	37,080	68,931
Agri environment Variable Costs	204	39	351	159	260
Diversified income Variable Costs	98	48	12	66	259
SPS Variable Costs	3	3	2	2	5
Agriculture Crop Costs	6,346	3,836	4,412	6,263	10,696
<i>of which</i> Seed	385	196	228	302	796
Fertilizer	4,979	2,937	3,348	5,033	8,460
Crop Protection	282	117	212	239	547
Other Crop Costs	700	585	624	689	893
Agriculture Livestock Costs	28,853	17,967	20,240	26,511	49,830
<i>of which</i> Purchased Fodder	16,415	11,186	10,861	14,703	28,432
Home Produced Fodder	882	475	630	883	1,513
Veterinary and medicines	3,735	1,795	2,523	3,523	6,963
Other Livestock Costs	7,821	4,511	6,226	7,401	12,923
Agriculture Contract Costs	3,182	1,728	2,629	3,572	4,732
Agriculture Casual Labour	1,277	693	837	732	2,781
Agriculture, no other category Variable Costs	263	106	28	2	891
<u>Farm Business Gross Margin</u>	65,261	28,207	44,116	56,697	129,247
Agriculture Gross Margin	29,568	9,665	19,803	26,618	60,811
Agri Environment Gross Margin	10,006	4,086	5,443	6,507	23,413
Diversified Gross Margin	2,267	1,391	1,634	3,119	2,904
SPS Gross Margin	23,421	13,065	17,235	20,453	42,119

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
2010/11					
Number (unweighted)	245	41	56	56	92
Number (weighted)	6,179	1,513	1,555	1,517	1,593
Utilisable Agricultural Land (UAA) (ha)	146	88	90	117	282
Average adjusted UAA (ha)	112	73	82	100	192
Average adjusted sole grazing (ha)	16	6	6	10	39
Average herd size	36	30	30	31	52
Average flock size	379	147	240	370	741
<u>Gross Margin</u>					
Farm Business Gross Margin	65,261	28,207	44,116	56,697	129,247
Agriculture Gross Margin	29,568	9,665	19,803	26,618	60,811
Agri Environment Gross Margin	10,006	4,086	5,443	6,507	23,413
Diversified Income Gross Margin	2,267	1,391	1,634	3,119	2,904
SPS Gross Margin	23,421	13,065	17,235	20,453	42,119
<u>Fixed Costs</u>					
Farm Business Fixed Costs	44,611	34,954	35,211	34,846	72,258
<i>of which</i> Agriculture Fixed Costs	38,432	29,242	30,657	30,013	62,766
Agri Environment Fixed Costs	2,112	1,597	1,284	1,266	4,217
Diversified Income Fixed Costs	1,092	1,414	808	1,382	788
SPS Fixed Costs	2,975	2,702	2,460	2,185	4,487
Agriculture Paid Labour	4,445	2,319	1,824	2,955	10,441
<i>of which</i> Fixed Labour Costs	3,168	1,626	987	2,223	7,661
(-) Casual Labour Costs (a Variable Cost)	1,277	693	837	732	2,781
Agriculture Machinery Costs	17,312	14,617	14,384	14,138	25,752
<i>of which</i> Machinery Running Costs	8,161	6,622	6,930	6,846	12,075
Agriculture Depreciation Tenants Capital	9,151	7,994	7,454	7,292	13,677
Agriculture General Farming Costs	8,693	8,010	8,137	6,893	11,600
<i>of which</i> Agriculture Bank & Professional Fees	1,780	1,583	1,566	1,510	2,433
Agriculture Other General Costs	5,246	4,592	4,651	4,727	6,941
Net Interest Payments	1,666	1,835	1,920	655	2,220
Bad Debts Write-offs	2	0	0	0	6
Agriculture Property Costs	7,220	4,364	6,173	6,046	12,073
Non Agriculture Other Fixed Costs	2,039	625	976	713	5,680
Profit/loss sale of fixed assets	629	254	576	429	1,229
Agriculture Net Margin (AGRICULTURE BUSINESS INCOME)	-8,234	-19,323	-10,278	-2,966	-726
Unpaid manual labour	23,434	17,727	21,521	23,349	30,802
<i>of which</i> Unpaid Farmer and Spouse	19,305	16,961	18,713	19,528	21,895
Unpaid Partner	4,130	765	2,808	3,822	8,907
Agriculture Economic Profit (AGRICULTURE CORPORATE INCOME)	-31,668	-37,050	-31,800	-26,316	-31,527
Agriculture Net Interest Payment (added back)	1,666	1,835	1,920	655	2,220
AGRICULTURE INVESTMENT INCOME	-30,002	-35,215	-29,880	-25,660	-29,307
Farm Net Margin (FARM BUSINESS INCOME)	21,279	-6,494	9,482	22,279	58,218
Farm Economic Profit (FARM CORPORATE INCOME)	-3,329	-25,223	-12,726	-2,234	25,593
FARM INVESTMENT INCOME	-1,496	-23,139	-10,643	-1,518	28,009
NET FARM INCOME	13,251	-9,015	4,665	14,104	41,966
Holding gains not included in farm income	32,755	33,453	24,204	28,783	44,224
BLSA	2,834	815	1,945	2,386	6,047
Revaluation of Machinery, permanent crops etc	2,757	2,623	2,223	2,060	4,071
Revaluation of Land	27,164	30,015	20,036	24,337	34,106
MANAGEMENT AND INVESTMENT INCOME	-6.885	-26.853	-14.660	-6.262	19.073

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
2010/11					
Number (unweighted)	245	41	56	56	92
Number (weighted)	6,179	1,513	1,555	1,517	1,593
Average Farmed Area (ha)	151.3	88.6	96.7	120.3	293.6
Adjusted Utilisable Agricultural Area (ha)	146	88	90	117	282
Utilisable Agricultural Area (ha)	112	73	82	100	192
Grazing Livestock Units	104	70	81	93	169
Ewes (head)	379	147	240	370	741
Beef Cows (head)	32	28	28	26	44
Occupied Area (ha)	72.5	53.7	51.1	63.8	119.6
Tenanted Area (ha)	77.0	37.1	42.1	55.7	169.2
Percentage of Land Owned (%)	48	59	55	53	41
Assets					
Fixed Assets	672,085	592,753	547,699	589,682	947,320
<i>of which</i> Agricultural Land	496,766	458,264	414,941	446,442	661,128
Woodland	1,713	1,942	596	1,140	3,132
Total Buildings	22,630	20,057	17,394	15,681	36,801
Total Improvements	3,527	2,968	2,612	2,706	5,734
Milk quota	91	49	12	205	98
SPS Entitlements	28,178	16,962	19,923	24,948	49,963
Machinery	50,096	42,389	40,858	39,840	76,199
Breeding Livestock	65,444	38,976	49,172	58,321	113,247
Miscellaneous Business Assets	3,641	11,145	2,191	397	1,019
Current Assets	68,681	40,716	52,167	59,988	119,636
<i>of which</i> Trading Livestock	29,391	22,817	27,202	22,229	44,590
Crops	538	141	426	599	966
Forage	3,517	2,869	3,410	3,756	4,010
Cultivation	844	1,280	548	743	814
Stores	3,613	1,765	2,516	3,373	6,669
Liquid Assets	30,778	11,844	18,065	29,287	62,586
Of <i>which</i> : Cash at Bank and In Hand	19,511	8,942	7,621	19,770	40,908
Debtors	7,345	2,393	8,319	4,622	13,689
Suspended	6	0	0	25	0
SPS debtors	3,916	510	2,124	4,871	7,988
Total Assets (£/farm)	740,766	633,469	599,866	649,669	1,066,956
<i>of which</i> Total Landlord-type Capital	524,727	483,280	435,555	466,175	706,893
Tenant Type Capital	216,039	150,188	164,311	183,495	360,063
Loans					
Total Long Term Loans	32,185	35,664	29,545	12,987	49,742
<i>of which</i> Bank Loans	13,608	8,678	12,083	5,852	27,165
Institutional Loans	16,832	26,382	15,829	6,365	18,709
Of <i>which</i> : AMC	11,777	17,681	12,817	6,365	10,309
Building Societies	1,129	0	1,938	0	2,489
Other Institutional Loans	3,925	8,701	1,074	0	5,912
Family Loans	1,672	604	1,523	584	3,867
Other Loans	73	0	111	185	0
Current Liabilities	28,308	28,923	29,114	15,856	38,794
<i>of which</i> Hire Purchase	4,315	2,577	5,247	2,385	6,894
Leasing	24	24	65	0	7
Other Current Liabilities	23,968	26,322	23,802	13,472	31,893
Of <i>which</i> Creditors	7,234	4,641	4,833	5,233	13,947
Bank Overdraft	16,393	20,536	18,854	8,239	17,821
Others	342	1,145	115	0	125
Total Liabilities	60,492	64,587	58,659	28,843	88,536
Closing Net Worth	680,274	568,882	541,207	620,826	978,420
Opening Net Worth	642,357	540,861	512,660	587,535	917,553
Change in Net Worth	37,917	28,020	28,547	33,291	60,867

SPS Entitlements Opening Valuation	28,318	17,094	20,241	25,438	49,602
Change in SPS Entitlements	-140	-132	-318	-490	360
Change in Borrowing	4,229	2,374	-863	4,011	11,168
Funds Introduced	16,590	14,002	17,432	11,639	22,943
Cash Flow from the Farm Business	11795	-2693	1772	14701	32571
Private Drawings	22474	11796	15260	21900	40201
Asset Purchases	25103	13173	16380	19682	50110
Asset Sales	4263	1666	3704	2119	9316
Capital Expenditure	20840	11507	12676	17563	40794

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
2010/11					
Number (unweighted)	245	41	56	56	92
Number (weighted)	6,179	1,513	1,555	1,517	1,593
Total Area (includes woodland and roads etc) (ha)	149.5	90.8	93.2	119.5	288.9
Area Farmed (ha)	151.3	88.6	96.7	120.3	293.6
Net Land Hired In (ha)	5.6	0.7	6.4	3.8	11.2
Utilised Agricultural Area (ha)	145.7	87.9	90.3	116.6	282.4
<i>of which</i> Total main products and set-aside (ha)	1.6	0.5	1.0	1.6	3.2
Grass, fodder crops and rough grazing (ha)	144.1	87.4	89.3	115.0	279.1
<i>Of which</i> rough grazing (unadjusted) (ha)	48.8	21.5	14.2	27.1	129.4
Adjusted rough grazing (sole occupation)	15.6	6.3	5.9	10.2	38.9
Adjusted rough grazing (shared)	7.8	1.8	8.0	5.6	15.5
Total Adjusted Utilised Agriculture Area (ha)	112.4	72.7	82.0	99.7	192.0
Area owner occupied (ha)	72.5	53.7	51.1	63.8	119.6
Area tenanted (ha)	77.0	37.1	42.1	55.7	169.2
Average age of farmer (years)	57	63	57	55	54
Agricultural labour units (ALU)	1.6	1.1	1.3	1.5	2.3
Standard Output (SO2007)	81,311	51,851	60,091	76,347	134,730
Standard Output size group (SO2007)	6.9	6.4	6.6	6.9	7.5
<u>Land Use</u>					
Temporary Grassland Area (ha)	6.4	4.2	7.1	3.3	10.8
Permanent Grassland Area (ha)	93.5	62.2	73.7	87.4	148.2
<u>Stocking</u>					
Total Dairy Cows	3	1	1	3	6
Total Beef Cows	33	29	29	28	46
Total Cattle	107	93	95	90	148
Ewes (LFA and lowland)	379	147	240	370	741
<i>of which</i> LFA Ewes	368	128	236	356	737
Lowland Ewes	11	20	4	14	4
Total Sheep	725	269	454	695	1,452
<u>Livestock Units</u>					
Total Cattle LU	64	54	56	55	90
<i>of which</i> Beef Cows LU	25	22	22	21	35
Other Cattle LU	32	27	29	28	45
Dairy Cows and Heifers	7	4	5	7	11
Total Sheep LU	39	15	25	38	77
<i>of which</i> Ewes LU	27	11	17	26	52
Grazing LU (cattle, sheep, horses and others)	104	70	81	93	169
Total LU	104	70	81	93	169
<u>Financial Performance per GLU</u>					
Farm Business Output per GLU (£/GLU)	1,017	757	895	1,014	1,179
Farm Business Variable Costs (£/GLU)	388	351	351	402	412
Farm Business Gross Margin (£/GLU)	629	406	544	612	767
Farm Business Fixed Costs (£/GLU)	430	503	434	376	429
Farm Business Income (£/GLU)	205	-93	117	240	345
Farm Corporate Income (£/GLU)	-32	-363	-157	-24	152
Farm Investment Income (£/GLU)	-14	-333	-131	-16	166
Holding Gains Not In Income (£/GLU)	316	481	298	310	262
<i>of which</i> Land Revaluation (£/GLU)	262	432	247	263	202
Net Farm Income (£/GLU)	128	-130	58	152	249
Management and Investment Income (£/GLU)	-66	-386	-181	-68	113
Agriculture Net Margin (Agriculture Business Income) (£/GLU)	-79	-278	-127	-32	-4
Agriculture Economic Profit (Agriculture Corporate Income) (£/GLU)	-305	-533	-392	-284	-187
Agriculture Investment Income (£/GLU)	-289	-506	-368	-277	-174

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

LFA Suckler Herds 2010/11	Enterprise Output and Gross margin per cow, GLU & ha			
	All herds	<50 cows	50-100 cows	>100 cows
Number of farms	194	112	65	17
Number of farms (weighted)	4,758	3,224	1,254	280
Area Farmed (UAA + net hired in) (ha)	158	117	231	311
Utilisable Agricultural Area (ha)	152	114	219	291
Adjusted UAA (ha)	115	86	161	247
Grazing Livestock Units (farm)	109	76	159	279
Grazing Livestock Units (enterprise)	39	20	67	124
Forage area (enterprise) (ha)	48	28	82	128
Cows per herd	39	20	67	125
Total Cattle	119	76	177	357
Breeding Flock	370	288	527	616
<u>Output per cow</u>				
Enterprise Output (excluding BLSA)	301	278	315	310
BLSA	-1	-1	-3	3
Concentrates	43	38	52	30
Purchased fodder and keep	18	20	19	13
Veterinary and medicines	23	21	25	24
Other livestock costs	44	49	39	46
Seed	2	1	2	5
Fertilizer	41	41	41	43
Sprays	1	2	1	1
Other crop costs	6	7	6	5
Total Variable costs	180	179	185	167
Gross Margin (excluding BLSA) / Cow	121	99	130	143
Gross Margin (excluding BLSA) / forage ha	98	72	106	139
Gross Margin (excluding BLSA) / GLU	121	99	130	144
Enterprise Gross Margin (excluding BLSA)	4,691	2,024	8,618	17,787
<u>Measures of Income</u>				
Farm Business Income	20,090	15,395	30,680	26,719
Farm Corporate Income	-4,429	-6,543	1,427	-6,324
Agricultural Economic Profit	-33,131	-27,960	-39,812	-62,693
Agri-environment Economic Profit	7,390	5,603	11,010	11,736
Diversified Economic Profit	495	930	-72	-1,956
SPS Economic Profit	20,816	14,885	30,301	46,588
Farm Investment Income	-2,369	-5,236	4,018	2,025
Net Farm Income	12,847	11,191	18,056	8,588
MII	-7,377	-8,749	-2,827	-11,944
Enterprise NM (excluding BLSA)	-184	-205	-176	-165
Enterprise NM after F&S labour (excl BLSA)	-291	-367	-265	-211

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) 2010 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	42	57	33
Number of farms (weighted)	3,330	1,470	1,281	579
Area Farmed (UAA + net hired in) (ha)	156	85	137	379
Utilisable Agricultural Area (ha)	150	83	130	362
Adjusted UAA (ha)	120	77	106	257
Grazing Livestock Units (farm)	108	79	94	214
Grazing Livestock Units (enterprise)	57	22	58	146
Forage area (enterprise) (ha)	84	23	81	245
Cows per herd	33	36	22	47
Total Cattle	102	105	80	146
Breeding Flock	461	166	457	1,220
Total Sheep	886	322	879	2,335
<u>Output per ewe</u>				
Enterprise Output (excluding BLSA)	42,736	15,911	41,251	114,162
BLSA	3,738	1,191	3,481	10,776
Concentrates	8,231	2,662	7,982	22,928
Purchased fodder and keep	1,489	329	1,218	5,040
Veterinary and medicines	2,658	803	2,640	7,408
Other livestock costs	4,234	1,674	4,374	10,427
Seed	158	38	104	581
Fertilizer	2,895	954	2,825	7,977
Sprays	101	40	93	277
Other crop costs	300	189	261	667
Total Variable costs	20,066	6,689	19,496	55,306
Gross Margin (excluding BLSA) / Ewe	49	55	48	48
Gross Margin (excluding BLSA) / forage ha	270	406	268	240
Gross Margin (excluding BLSA) / GLU	396	421	377	403
Enterprise Gross Margin (excluding BLSA)	22,670	9,222	21,755	58,856
<u>Measures of Income</u>				
Farm Business Income	29,058	14,323	26,141	72,938
Farm Corporate Income	3,244	-9,601	-216	43,529
Agricultural Economic Profit	-28,855	-27,817	-28,932	-31,320
Agri-environment Economic Profit	8,426	2,965	7,340	24,701
Diversified Economic Profit	1,175	684	837	3,174
SPS Economic Profit	22,497	14,567	20,540	46,974
Farm Investment Income	4,259	-9,278	944	45,979
Net Farm Income	19,515	4,672	17,872	60,851
MII	-1,486	-15,002	-4,564	39,656
Enterprise NM (excluding BLSA)	-3815	-1918	-3934	-8371
Enterprise NM after F&S labour (excl BLSA)	-15753	-9461	-19543	-23346

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
2010 lambing				
Number of farms	59	18	26	15
Number of farms (weighted)	949	331	416	201
Area Farmed (UAA + net hired in) (ha)	249	133	221	496
Utilisable Agricultural Area (ha)	237	127	214	463
Adjusted UAA (ha)	143	96	125	259
Grazing Livestock Units (farm)	115	81	97	206
Grazing Livestock Units (enterprise)	59	24	59	118
Forage area (enterprise) (ha)	142	58	135	295
Cows per herd	38	41	25	61
Total Cattle	103	104	76	159
Breeding Flock	548	203	532	1,149
Total Sheep	937	369	944	1,857
<u>Output per ewe</u>				
Enterprise Output (excluding BLSA)	33,602	14,643	32,609	66,894
BLSA	3,244	483	3,764	6,719
Concentrates	5,827	3,425	4,694	12,129
Purchased fodder and keep	2,323	879	1,858	5,667
Veterinary and medicines	2,684	949	2,788	5,330
Other livestock costs	3,771	1,746	3,408	7,859
Seed	34	31	29	49
Fertilizer	1,542	522	1,602	3,100
Sprays	63	83	28	101
Other crop costs	153	156	124	208
Total Variable costs	16,397	7,792	14,531	34,443
Gross Margin (excluding BLSA) / Ewe	31	34	34	28
Gross Margin (excluding BLSA) / forage ha	121	117	134	110
Gross Margin (excluding BLSA) / GLU	291	288	308	276
Enterprise Gross Margin (excluding BLSA)	17,204	6,851	18,079	32,451
<u>Measures of Income</u>				
Farm Business Income	24,332	11,760	24,964	43,739
Farm Corporate Income	-3,996	-16,170	-187	8,172
Agricultural Economic Profit	-39,339	-38,202	-29,384	-61,827
Agri-environment Economic Profit	10,648	8,336	8,538	18,827
Diversified Economic Profit	-514	-1,217	-919	1,483
SPS Economic Profit	25,208	14,913	21,578	49,689
Farm Investment Income	-1,106	-14,667	1,287	16,279
Net Farm Income	14,709	1,670	17,580	30,248
MII	-6,310	-21,252	-2,581	10,587
Enterprise NM (excluding BLSA)	-9993	-5957	-7461	-21885
Enterprise NM after F&S labour (excl BLSA)	-21667	-15617	-20345	-34371

Appendix 9. Reports in this series:

Crop Production in England 2009/10

Dairy Farming in England 2009/10

Hill Farming in England 2009/10

Horticulture Production in England 2009/10 (Horticultural Business Data)

Lowland Grazing Livestock Production 2009/10

Pig Production in England 2009/10

Poultry Production in England 2009/10

Crop Production in England 2008/09

Dairy Farming in England 2008/09

Hill Farming in England 2008/09

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

Lowland Grazing Livestock Production 2008/09

Pig Production in England 2008/09

Poultry Production in England 2008/09

Crop Production in England 2007/08

Dairy Farming in England 2007/08

Hill Farming in England 2007/08

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

Lowland Grazing Livestock Production 2007/08

Pig Production in England 2007/08

Poultry Production in England 2007/08

Crop Production in England 2006/07

Dairy Farming in England 2006/07

Hill Farming in England 2006/07

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

Lowland Grazing Livestock Production 2006/07

Pig Production in England 2006/07

Poultry Production in England 2006/07

Details available at www.ruralbusinessresearch.co.uk

Appendix 10. Definition of Terms

I. BUSINESS OUTPUTS, INPUTS, COSTS AND INCOME

1. *Farm business income* for sole traders and partnerships represents the financial return to all unpaid labour (farmers and spouses, non-principal partners and directors and their spouses and family workers) and on all their capital invested in the farm business, including land and buildings. For corporate businesses it represents the financial return on the shareholders capital invested in the farm business. It is used when assessing the impact of new policies or regulations on the individual farm business. Although Farm Business Income is equivalent to financial Net Profit, in practice they are likely to differ because Net Profit is derived from financial accounting principles whereas Farm Business Income is derived from management accounting principles. For example in financial accounting output stocks are usually valued at cost of production, whereas in management accounting they are usually valued at market price. In financial accounting depreciation is usually calculated at historic cost whereas in management accounting it is often calculated at replacement cost.

2. *Farm corporate income* represents the return on own capital invested in the farm business, to risk and to entrepreneurship. It is derived by deducting unpaid labour, both manual and managerial, from Farm Business Income. This allows the profitability of sole traders and partnerships to be compared directly with that of companies. Currently we are able to deduct an estimate of unpaid manual labour but not of unpaid managerial labour and so the data are only approximate. However, we plan to undertake a research project to produce a method for deriving an estimate of unpaid managerial labour, so that we can produce better data for this measure in future.

3. *Farm investment income* represents the return on *all* capital invested in the farm business *whether borrowed or not*, to risk and to entrepreneurship. It is a general measure of the profitability of farming as an activity rather than of a particular business. It is derived by adding net interest payments to Farm Corporate Income. Since currently the data for Farm Corporate income are only approximate, so too are the data for Farm Investment Income.

4. *Net Farm Income (NFI)* is intended as a consistent measure of the profitability of tenant-type farming⁷ 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 capital⁸ invested in the farm business.

⁷ 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.

⁸ 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.
<i>Crop protection</i>	This includes costs of pre-emergent sprays, fungicides, herbicides, dusts and insecticides and other crop sprays.

<i>Other crop costs</i>	These comprise all crop inputs not separately specified, e.g. marketing charges, packing materials, British Potato Council levy, baling twine and wire (though not fencing wire).
<i>Total fixed costs</i>	These are the costs of labour, machinery, contract work, land and buildings, other general farming costs and depreciation.
<i>Labour (excluding farmer and spouse)</i>	This comprises wages and employer's insurance contributions, payments in kind, and salaried management. To calculate net farm income an imputed charge for unpaid labour is made, excluding that of the farmer and spouse, valued at the rate of comparable paid labour. The value of the manual labour of the farmer and spouse is not charged as an input in calculating net farm income (i.e. it is a component of net farm income).
<i>Contract costs</i>	These costs include expenditure on work carried out by agricultural contractors, including the costs of materials employed, such as fertilisers, unless these can be allocated to the specific heading. Costs of hiring machines to be used by the farm's own labour are also included. Expenditure on contract labour is only included here if it is associated with the hiring of a machine. Otherwise it is entered under (casual) labour.
<i>Machinery running costs</i>	These represent the cost of machinery and equipment repairs, fuel and oil and car mileage expenses. It excludes depreciation.
<i>Land and building inputs</i>	For the calculation of farm business income these comprise any rent paid, insurance, rates and repairs to land and buildings incurred by the whole business. In the derivation of net farm income land and building costs also include an imputed rental charge for owner occupiers but exclude those costs associated with land ownership such as the insurance of farm buildings, and landlord-type repairs and upkeep.
<i>Depreciation of machinery, glasshouses and permanent crops</i>	Depreciation provisions in respect of machinery, glasshouses and permanent crops (e.g. orchards) are shown on a current cost basis. The rates of depreciation used (generally on a diminishing balance basis for machinery and straight line for glasshouses and permanent crops) are intended to reflect the degree of deterioration of the assets.

<i>Other general farming costs</i>	These consist of electricity, heating fuel, water for all farming purposes, insurance (excluding labour and farm buildings), bank charges, professional fees, vehicle licences, and other miscellaneous expenses not recorded elsewhere.
<i>Interest payments</i>	Interest charges on loans taken out for business purposes, net of interest receipts on monies invested temporarily outside the business, are deducted in the calculation of farm business income.
<i>Depreciation of buildings and works</i>	This is calculated on a current cost basis (generally on a straight line basis over 10 years) with an adjustment to allow for the effect of capital grants.

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

IV. BALANCE SHEET TABLES

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

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

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

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

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/statistics/foodfarm/farmmanage/fbs/aboutfbs/datacollection>

Standard Output (SO)

SOs are representative of the level of output that could be expected on the average farm under “normal” conditions (i.e. no disease outbreaks or adverse weather). Different SOs are calculated for North England, East England, West England, Wales, Scotland and Northern Ireland to allow for the differences in output in different areas.

Standard outputs measure the total value of output of any one enterprise - per head for livestock and per hectare for crops. For crops this will be the main product (e.g. wheat, barley, peas) plus any by-product that is sold, for example straw. For livestock it will be the value of the main product (milk, eggs, lamb, pork) plus the value of any secondary product (calf, wool) minus the cost of replacement.

Up until 2010, Standard Gross Margins were used for the classification of farms. The difference between standard outputs and standard gross margins is that no variable costs are deducted in the derivation of standard outputs. A Defra note looking at the effects on the population by farm type as a result of the change from SGM's to SO's is available at (http://www.defra.gov.uk/statistics/files/defra-stats-foodfarm-farmmanage-fbs-reviseclass_111221.pdf)

The SOs now in use are based on a five-year average centred on 2007. SO's are based on a five-year average in order to lessen the impact of yearly fluctuations on calculated SOs.

The 2007 SO's for England can be seen on Annex 1 under UK Farm Classification on the above site.

Source: http://www.defra.gov.uk/statistics/files/defra-stats-foodfarm-farmmanage-fbs-UK_Farm_Classification.pdf