



Farm Business Survey

2014/2015

Hill Farming in England



David Harvey and Charles Scott
March 2016

RBR

independent research, data and analysis

Rural Business Research

Farm Business Survey

2014/2015

Hill Farming in England

David Harvey and Charles Scott

March 2016

ISBN: 978-0-903698-62-7

RBR at Newcastle University
School of Agriculture, Food & Rural Development
Newcastle University
Newcastle upon Tyne, NE1 7RU, England, UK
Tel: 0191-208-6902
Fax: 0191-208-6720
E mail: farm.business.survey@ncl.ac.uk
Web site: <http://www.ncl.ac.uk/afrd/survey>

Contents

<i>Acknowledgements</i>	iii
<i>Foreword to the Tenth Series</i>	iii
<i>Executive Summary</i>	iv
1. Background & Context	1
1.1 <i>The LFA</i>	1
1.2 <i>Hill Farm Support</i>	2
2. The Data: FBS Grazing Livestock Farms (LFA)	3
2.1 <i>Farm Types within the LFA</i>	3
3. The LFA Farms in context	5
4. The Average LFA Farm in 2014/15	6
4.1 <i>The average LFA Farm account</i>	7
4.2 <i>Uplands Transitional Payment and Uplands Entry Level Scheme</i>	8
5. The LFA Farms' circumstances	10
5.1 <i>Frequency distribution of FBI/GLU</i>	14
6. LFA Enterprise Gross Margins	15
7. Organic LFA farms	20
8. References	25
Appendix 1. Less favoured Areas of England	26
Appendix 2. Analysis of LFA Grazing Farms (England) by farm type	27
Appendix 3. Analysis of English Grazing Livestock Farms in the LFA- by EU region	35
Appendix 4. Analysis of English Grazing Livestock Farms in the LFA- by farm size (SLR Publication size band)	39
Appendix 5. Analysis of English Grazing Livestock Farms in the LFA - by Performance Ratio	43
Appendix 6. Analysis of English Grazing Livestock Farms in the LFA – enterprise margins	47
Appendix 7. Enterprise gross margins and efficiency factors – sample and premium	50
Appendix 8. Reports in this series	55
Appendix 9. Definition of Terms	56
Tables	
Table 1 Uplands Transitional Payment & Uplands Entry Level Scheme rates (2014)	3
Table 2 Sample characteristics (2014)	4
Table 3 LFA Grazing Livestock Farms: Business Output, Input Costs and Income	9
Table 4 SDA upland sheep flock performance 2013/14 and 2014/15	16
Table 5 SDA upland sheep flock performance by flock size 2014/15	16
Table 6 SDA hill sheep flock performance 2013/14 and 2014/15	17
Table 7 SDA hill sheep flock performance by flock size 2014/15	17
Table 8 AHDB Beef & Lamb Stocktake 2015: SDA breeding sheep	18
Table 9 LFA suckler herd performance 2013/14 and 2014/15	19

Table 10 LFA suckler herd performance by herd size 2014/15	19
Table 11 AHDB Beef & Lamb Stocktake 2015: SDA suckler herds	20
Table 12 LFA suckler herd performance Non-organic and Organic (£/cow)	21
Table 13 SDA flock performance Non-organic and Organic	22
Table 14 Farm Income measures by cost centre, Organic vs. Non-organic	23
Table 15 Land use, stocking, outputs & variable costs - Organic vs Non-organic	24
Table 16 Farm Income measures by Cost Centre - Mixed grazing livestock (SDA)	27
Table 17 Farm Income measures by cost centre - Specialist Beef (SDA)	28
Table 18 Farm income measures by cost centre - Specialist Sheep (SDA)	29
Table 19 Farm Income measures by cost centre - Various grazing livestock (DA)	30
Table 20 Output, variable costs and farm gross margins by cost centre & farm type	31
Table 21 Fixed costs and farm income measures by main farm type	32
Table 22 Balance sheet by main farm type	33
Table 23 Land use, stocking and technical efficiency by main farm type	34
Table 24 Output, variable costs and farm gross margins by EU region	35
Table 25 Fixed costs and farm income measures by EU region	36
Table 26 Balance sheet by EU region	37
Table 27 Land use, stocking and technical efficiency by EU region	38
Table 28 Output, variable costs and farm gross margins by SLR size band	39
Table 29 Fixed costs and farm income measures by SLR size band	40
Table 30 Balance sheet by SLR size band	41
Table 31 Land use, stocking and technical efficiency by SLR size band	42
Table 32 Output, variable costs and farm gross margins by performance ratio	43
Table 33 Fixed costs and farm income measures by performance ratio	44
Table 34 Balance Sheet by performance ratio	45
Table 35 Land use, stocking and technical efficiency by performance ratio	46
Table 36 LFA Suckler herd margins by herd size	47
Table 37 Upland SDA flock margins by flock size	48
Table 38 Hill SDA flock margins by flock size	49
Table 39 LFA Sucklers	50
Table 40 Finished cattle from suckler bred calves or stores	51
Table 41 Store cattle from suckler bred calves or stores	52
Table 42 Upland SDA flocks	53
Table 43 Hill SDA flocks	54

Figures

Figure 1 LFA ^a farms vs All farms 2004/05 to 2014/15 (England in real ^b terms)	5
Figure 2 LFA Farm Business Income per farm, by region (2010/11 to 2014/15)	6
Figure 3 LFA Agriculture and Farm Business Income by FBI/farm quartile	10
Figure 4 LFA Farm Business Performance by FBI/GLU quartile	11
Figure 5 LFA Farm Earnings Performance by FBI/GLU quartile	11
Figure 6 LFA business performance by Main Farm Type	12
Figure 7 LFA business performance by size (SLR) quartile	13
Figure 8 LFA business performance by EU region	13
Figure 9 Frequency Distribution of FBI/GLU of LFA Farms by EU Region	14
Figure 10 Frequency Distribution of FBI/GLU of LFA Farms by Main Farm Type	15
Figure 11 Map of Less Favoured Areas, England	26

Acknowledgements

The Rural Business Research (RBR) Consortium thanks sincerely all the farmers who have voluntarily provided records and information on which the annual Farm Business Survey, and this report, is based.

The basic information on which this report is based was collected on behalf of, and largely financed by, the Department for Environment, Food and Rural Affairs and is Crown Copyright. The views expressed in this report are those of the authors and are not necessarily shared by other members of RBR or by the Department for Environment, Food and Rural Affairs.

Foreword to the Tenth Series

This series of reports on the economics of agriculture and horticulture in England celebrates ten years of *Rural Business Research (RBR)* providing independent data and analysis to the individual sectors of the agricultural and horticultural industry. Drawing upon Farm Business Survey data from the 2014/15 financial year our reports are set against a modest decrease in overall Farm Business Income (FBI) of around 8% to an average £39,700 per farm. Of this overall measure of farm business profitability, the income derived from the Single Payment Scheme accounted for around 55%, highlighting the importance of support payments to the average farm business in England. The 2014/15 data relates to the 2014 harvest / production year – since this time there have been some marked downturns in a number of output prices for farm businesses – it is therefore clear that the importance of policy support to businesses at the start of 2016 is even greater than the above data indicates.

Over the ten years that RBR has been presenting this series of reports, farm businesses have witnessed widely fluctuating fortunes due to the vagaries of world market input and output prices and fluctuations in weather patterns. Throughout this period our reports have sought to demonstrate the variation in performance across farm businesses, within the specific sectors covered in each report, and also to provide businesses with the independent data required to benchmark their own performance and explore possibilities for production within the sectors. Ten years on, our aim to provide comprehensive and independent analysis remains at the very core of our work on the Farm Business Survey research programme for England.

The wider agricultural and horticultural market place in the mid-2010s clearly demonstrates the need for farm businesses to focus on the market opportunities for their produce and to understand the wider economic environment in which they operate. There are a number of technical and weather-related issues facing farm businesses at the start of 2016. But arguably the largest political issue over recent decades – the EU referendum which the current government will hold on 23rd June 2016 – represents the greatest uncertainty. There will be numerous debates and discussions about this major political issue over the coming months and, potentially, years. Given the importance of the EU Common Agricultural Policy support to the average FBI figures for 2014/15, the outcome of the EU referendum will be closely watched by those managing UK farm businesses. At the same time, the wider global economy continues to exhibit rather sluggish performance, with UK inflation remaining around the 0% mark, oil prices substantially lower than a year ago and signs of any interest rate increase in the UK being continually pushed further out into the future. With recent price volatility, and generally lower output prices, it remains important for businesses to plan ahead and focus on financial margins in contrast to physical output performance.

Against this wider economic context we hope that this tenth series of reports helps farm businesses in England to examine and benchmark their own performance. Our research work within the FBS programme could not be possible without the direct support of our farmer and grower co-operators and the wider support of agricultural and horticultural businesses and sector stakeholders: our thanks are given to them all.

Professor Paul Wilson

Chief Executive Officer, Rural Business Research

March 2016

www.ruralbusinessresearch.co.uk

Executive Summary

The total area of land classified as Less Favoured Area (LFA) in England is 2.2 million hectares. Of this, 1.8 million hectares are farmed - 17% of the total farmed area¹. 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 area². 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, 29% of beef cows and 44% of female breeding sheep are on LFA grazing livestock farms³. Farming plays a crucial role in maintaining the distinctive landscape of such areas.

The average LFA Grazing Livestock farm has 140 ha of enclosed land and typically has access to an area of common grazing. It is part owned (68 ha) and part rented (72 ha) and most of the farm (86 ha) is in permanent grass. The average LFA farmer is 58 years old, has 26 beef cows and 340 breeding ewes. Cattle and Sheep youngstock and fatstock make up the total to 82 cattle and 683 sheep on the farm, making a total of 86 Grazing Livestock Units.

The average LFA Grazing Livestock farm earns 65% of its total revenue (output) from crop and livestock farming activities, 19% comes from the Single Farm Payment, and 12% from specific agri-environment payments. The balance of revenues (4%) is earned from non-farm/diversification activities.

The crop and livestock farming side of the business covers its variable costs and earns a respectable gross margin of £25,941 per farm. However, since this side of the whole farm business is assumed to incur most of the fixed costs (85%) the average LFA farm is shown as making an Agricultural Business Income loss of -£11,817 (before unpaid labour) from crop and livestock production per farm in 2014/15. Allowing for the unpaid labour allocation of £23,722 to this side of the business results in an Agricultural Corporate Income of -£35,538.

Farm revenues from all sources combine to generate a headline Farm Business Income of £14,640 per farm in 2014/15, a 1% increase on the previous year. This income fails to cover the opportunity costs of the unpaid labour (provided mainly by the farmer and family) estimated at £25,278 per farm. As a result, Farm Corporate Income shows a loss of -£10,638 per farm (an 8% improvement on the loss of -£11,576 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) of -£8,681 is up by 9% compared with the previous year's loss of -£9,590. The traditional measure of farm income of Net Farm Income (which puts all farm businesses on a comparable tenanted basis) averaged £6,424 per farm, up 7% from

¹ Defra- <http://archive.defra.gov.uk/rural/countryside/uplands/land-classification.htm>

² Natural England - Entry Level Stewardship: Environmental Stewardship Handbook (NE349)

³ Data from Defra, June Survey of Agriculture and Horticulture, 2013

£6,005 in 2013/14. LFA farms depend to a substantial extent on public payments; the Single Farm Payment and Agri-environmental payments together account for over 30% 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 2.2 million hectares. Of this, 1.8 m hectares are farmed - 17% of the total farmed area⁴. This total is made up of Severely Disadvantaged Areas (SDAs) which account for 67% of the LFA, and Disadvantaged Areas (DAs) accounting for 33% of the LFA. The Moorland designation of semi-natural vegetation covers 42% of the LFA area⁵. 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, 29% of beef cows and 44% of breeding sheep are on LFA grazing livestock farms⁶. Farming plays a crucial role in maintaining the distinctive landscape of such areas.

There are some 12,612 commercial holdings classified as Grazing Livestock (LFA) farms and these account for 1.5 million ha of English farmland (excluding commons)⁷. While these holdings predominantly farm in the LFA this is not exclusively the case, that is some LFA Grazing livestock farms may farm areas of lowland and some Lowland grazing farms may farm some areas of the LFA. Of the 12,612 LFA Grazing livestock holdings, this report presents data representing the 6,577 commercial holdings above the lower size limit of 25,000 euros of Standard Output (see below).

As we reported last year (Hill Farming in England, 2013/14, 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, see Appendix 8. Reports in this series).

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.

⁴ Defra- <http://archive.defra.gov.uk/rural/countryside/uplands/land-classification.htm>

⁵ Natural England - Entry Level Stewardship: Environmental Stewardship Handbook (NE349)

⁶Data from Defra, June Survey of Agriculture and Horticulture, 2013

⁷ Data from Defra, June Survey of Agriculture and Horticulture, 2013

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://archive.defra.gov.uk/rural/countryside/uplands/supportqa.htm>.

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). This implements the announcement made in December 2006 by the Secretary of State that the DA would not be eligible to receive the HFA from 2008 onwards, thereby focusing uplands support on land in the Severely Disadvantaged Areas (SDA). The announcement followed general support for the proposal in Defra's consultation on the future of uplands support earlier in 2006. In comparison to land in the SDA, land in the DA is generally higher-grade agricultural land, is more accessible, and producers have more options to maximise the potential of the land. In addition, the Single Payment Scheme (SPS) 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 SPS regions and therefore receives a higher flat rate payment than the SDA).⁸

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

⁸ See <http://archive.defra.gov.uk/rural/countryside/uplands/supportqa.htm#q10> for further information on the Uplands Policy

ESA or CSS agreement terminates. The payment rates (per hectare) for the 2014 UTP and the UELS and OUELS schemes are shown in Table 1.

Table 1 Uplands Transitional Payment & Uplands Entry Level Scheme rates (2014)

Land Type	0 – 350 hectares	351 – 700 hectares
Land within the Moorland line	£16.62	£8.31
Other common land	£16.62	£8.31
Other SDA	£43.88	£21.94

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) 2014

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

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

The data presented in this publication comes from 237 farms, which are all part of the Farm Business Survey. Sixty-three per cent 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)⁹. This is a departure from the Standard Gross Margins (SGM) basis for classification which was used prior to the 2010/11 year (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

⁹ 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 farm datasets from 2010/11 to 2011/12 and 2010 SO coefficients used for the datasets 2012/13 to 2014/15. (See Appendix 9. Definition of Terms, for more information on Standard Output.)

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 euros are considered, which excludes some 7,000 very small holdings in the LFA. In addition, these farms are also classified according to their size (measured by their ‘standard labour requirement’ (SLR) see Appendix 9. Definition of Terms).

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. However, the results presented in this report are weighted to remove this selection bias.

Table 2 Sample characteristics (2014)

Farm	Sample		June survey of agriculture		Average size by SLR *		Average area farmed (ha)	
	No.	%	No.	%	Sample	June survey	Sample	June survey
Part-time †	17	7%	2,398	35%	0.80	0.7	60	59
Small	67	28%	2,021	30%	1.56	1.4	129	114
Medium	58	24%	1,034	15%	2.50	2.4	180	203
Large	54	22%	765	11%	3.98	3.8	296	363
Very large	41	17%	359	5%	8.04	7.3	559	589
All Sizes	237	100%	6,577	100%	3.41	1.9	249	163

* 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 enterprise on the farm. The SLR is representative of labour requirement under typical conditions for enterprises of average size and performance.

† Part-Time includes 2 Spare-time sample farms which are excluded from the SLR analysis. Large and Very large SLR bands are combined 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 calculated to generate more than €25,000 of Standard Output (see footnote 9) which excludes almost 7,000 very small ‘farms’ within the LFA as recorded by the June Survey.

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

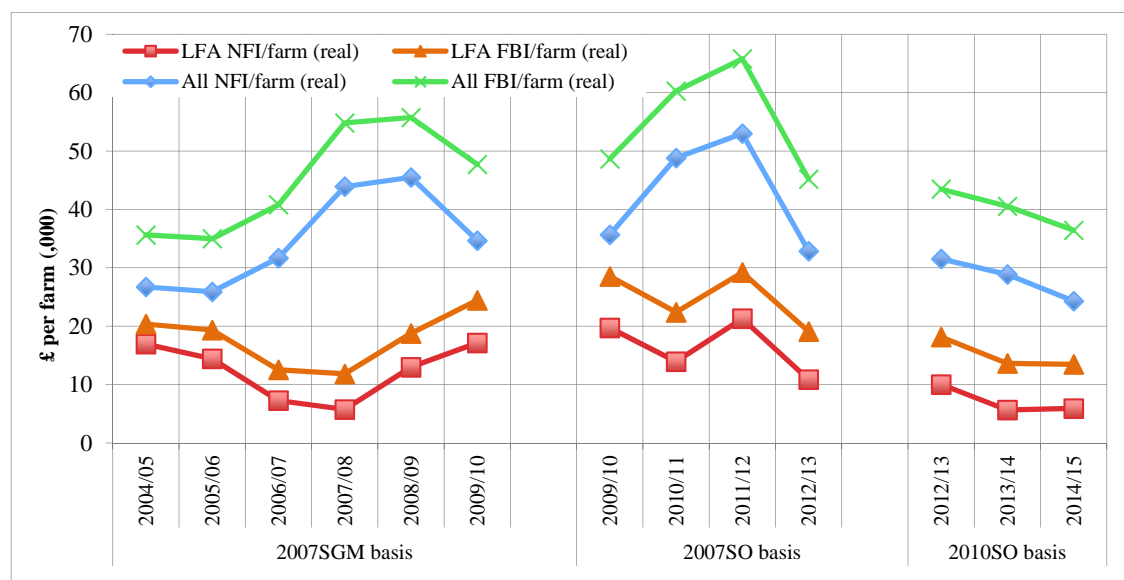
1. *SDA Sheep*- farms where more than two thirds of the total SO is accounted by sheep, and 50% or more of the total area of the farm is in the LFA, of which 50% or more is in the SDA;
2. *SDA Beef*- farms where more than two thirds of the total SO is accounted by beef cattle, and 50% or more of the 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 ten 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 to 2012/13 data, the 2009/10 data have been reclassified on a Standard Output (2007SO) 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 2014/15 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 for 2009/10. The 2012/13 data is also presented under both the 2007SO and 2010SO bases. 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 (net of any interest payments on debt capital). Net Farm Income deducts from Farm Business Income a notional return to unpaid family labour (at local wage rates) and also deducts an imputed rental figure for owner-occupied land (at prevailing local rents for similar land) and adds back net interest payments and landlord type expenses. 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 vs All farms 2004/05 to 2014/15 (England in real^b terms)



Source: *Farm Accounts in England, 2014/15*, Defra

Notes: a: defined as Upland Grazing Farms

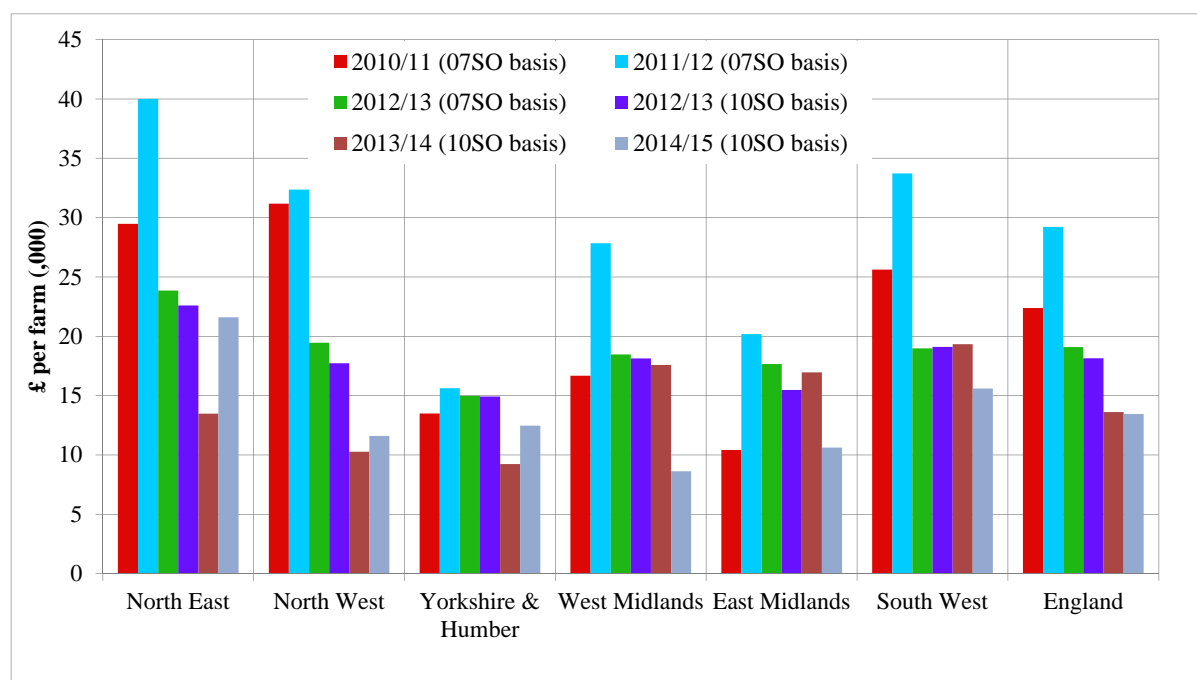
b: Real terms = deflated by RPI (all items).

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 ten years in real (purchasing power) terms, peaking in 2008/09 and again in 2011/12, their upland counterparts have experienced a four year decline in real incomes per farm since 2004/05, only in 2008/09 and 2009/10 seeing a reversal to this trend with a slight upward movement of FBI and NFI. LFA grazing farms then suffered another drop in income in 2010/11 before seeing a slight increase in 2011/12. The years 2012/13 to 2013/14 saw further falls in income across all farming sectors. From 2013/14 to 2014/15 LFA incomes did remain largely constant (in real terms) with NFI actually increasing slightly in 2014/15, this while the average across all farms suffered a further drop in income. In any event by whatever measure, LFA farm incomes remain at 50% of the national average. It must be mentioned that Lowland Livestock grazing farms have experienced similar levels of income to their LFA counterparts. Further details on farm incomes for other farm types may be found in other publications in this series (Appendix 8. Reports in this series).

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 to 2012/13 data is not directly comparable to that in later 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 (2010/11 to 2014/15)



Source: - Government Office Reports, 2014/15, [RBR](#).

Notes: Data in real terms (by RPI) pre-2010/11 data on an SGM basis, 2010/11 to 2011/12 on a 2007SO basis, 2012/13 to 2014/15 on a 2010SO basis.

4. The Average LFA Farm in 2014/15

Although the average LFA farm in the FBS sample in 2014/15 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 6,500 LFA farms in England (excluding the smallest farms - those with a Standard Output of less than 25,000 euros). The average farm area is 140 ha plus common grazing. This area includes some 4 ha under woodland, buildings and roads and 46 ha rough grazing. A further 3 ha of land is rented in (net of land let out) giving a total of 139ha farmed (excluding common grazing). The adjusted area (see Appendix 9. Definition of Terms, for a full description of adjusted area) of the on-farm rough grazing equates to 16 ha adjusted area which, plus 6 ha of adjusted common grazing gives a total adjusted area farmed of 115 ha. The average farm is part owned (68 ha) and part rented (72 ha), and most of the farm (86 ha) is in permanent grass. The average LFA farmer is 58 years old, and has 26 beef cows and 340 breeding ewes. Cattle and Sheep youngstock and fatstock make up the total to 82 cattle and 683 sheep on the farm, making a total of 86 Grazing Livestock Units (GLUs)¹⁰.

4.1 The average LFA Farm account

The average LFA Grazing Livestock farm in England in 2014/15 is represented by the set of accounts shown in Table 3. This table reports the average farm accounts for the whole sample of 237 farms, broken out by four “cost centres” representing the different aspects of the farm business: agriculture (production agriculture and agricultural contracting); environmental management; diversification (off farm activities except agricultural contracting); 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 65% of their total revenue (output) from the agriculture cost centre, with 19% coming from the Single Farm Payment, and 12% from specific agri-environment payments. The balance of revenues (4%) is earned from non-farm activities (mostly associated with tourism and recreation and non-agricultural contracting; agricultural contracting is included in the agriculture cost centre). The farming business covers its variable costs and earns a positive gross margin of £25,941 per farm (an 8% increase on the previous year). However, since the production agriculture side of the farm business is assumed to incur most of the fixed costs (85%) the average LFA farm is shown to generate a negative Agricultural Business Income of -£11,817 per farm in 2014/15 – a slight improvement on the figure of -£13,162 in the previous year.

The revenues earned from agri-environment, diversification and single farm payments more than offset their own costs and are able to offset the losses from traditional production activities to generate a headline Farm Business Income (FBI) (or profit) of £14,640 per farm in 2014/15, a 1% increase on the previous year. This income is unable to cover the opportunity costs of the unpaid labour (provided by the farmer and partners) of £25,278 per farm and as a result, Farm Corporate Income registers at -£10,638 per farm (an 8% increase on the -£11,576 in 2013/14). 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

¹⁰ 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).

invested in the farm business whether borrowed or not) is -£8,681, up by 9% compared with the previous year's figure of -£9,590.

The traditional measure of farm income is Net Farm Income (NFI)¹¹. 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 is gross of 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 £6,424 per farm, up 7% from £6,005 in 2013/14.

In the case of LFA grazing farms there is still a substantial number of tenanted farms. In the EU North Region, where 65% of LFA farms are found, only 47% of the land is owned. The average proportion of land owned on LFA grazing farms over the whole country is 49% compared to a national average of 59% 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.

4.2 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. This does mean that year on year comparisons of both overall income and the agri-environment cost centre's contribution to farm income must be tempered with the understanding that there may be multiple payments in some years and absent in others – simply due to the timing of these payments.

¹¹ 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 are a number of other business arrangements emerging between landowners and operators. However, this does mean that Farm Business Income may not be strictly comparable between farms with different tenure/ownership arrangements.

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

The average LFA grazing farm

Derivation of farm income measures		Cost Centre (£ per farm)											Farm Business (£ per farm)			
		Agriculture			Agri-environment and other payments			Diversification out of agriculture			Single Payment Scheme					
		2013/14	2014/15	% change	2013/14	2014/15	% change	2013/14	2014/15	% change	2013/14	2014/15	% change	2013/14	2014/15	% change
% contribution of cost centre revenue to total:		65%	65%		12%	12%		4%	4%		20%	19%				
1	Total output (Revenue)	64,174	62,918	-2%	11,377	11,172	-2%	3,761	4,069	8%	19,312	18,104	-6%	98,623	96,263	-2%
2	Variable costs	40,154	36,978	-8%	95	38	-60%	110	93	-15%	2	2	-	40,361	37,111	-8%
3=1-2	Total Gross margin	24,020	25,941	8%	11,282	11,134	-1%	3,651	3,976	9%	19,309	18,102	-6%	58,263	59,153	2%
4	Fixed costs	37,586	37,968	1%	2,211	2,344	6%	1,669	1,775	6%	2,716	2,636	-3%	44,183	44,723	1%
5=2+4	Total Costs	77,740	74,945	-4%	2,306	2,382	3%	1,779	1,868	5%	2,719	2,638	-3%	84,544	81,834	-3%
6	Profit/(loss) on sale of fixed assets	404	210	-48%										404	210	-48%
7=1-5+6	Farm Business Income	-13,162	-11,817	10%	9,071	8,790	-3%	1,982	2,201	11%	16,593	15,466	-7%	14,483	14,640	1%
8	Adjustment for unpaid manual labour	24,362	23,722	-3%	557	570	2%	1,140	986	-14%	0	0	-	26,059	25,278	-3%
9=7-8	Farm Corporate Income	-37,525	-35,538	5%	8,514	8,219	-3%	842	1,215	44%	16,593	15,466	-7%	-11,576	-10,638	8%
10	Interest payments (net of interest received)	1,796	1,776	-1%	69	53	-23%	57	69	21%	63	58	-7%	1,985	1,957	-1%
11=9+10	Farm Investment Income	-35,728	-33,762	6%	8,583	8,273	-4%	899	1,284	43%	16,656	15,525	-7%	-9,590	-8,681	9%
% contribution of cost centre costs to total:		92%	92%		3%	3%		2%	2%		3%	3%				
				12	Imputed rent								9,109	9,099	0%	
				13	Ownership charges								206	2,900	1305%	
				18	Director's remuneration								0	131	-	
				16	Unpaid labour of principal farmer and spouse								21,710	21,173	-2%	
				17=11-12+13+18+16			Net Farm Income			6,005	6,424	7%				
				19	Holding gains not included in farm income								41,758	29,891	-28%	
				20	Breeding Livestock Appreciation (BLSA)								600	1,600	167%	
2014/15 Sample size (unweighted)		237		21	Revaluation of machinery, permanent crops, glasshouse, quota								1,465	377	-74%	
Number (weighted)		6,577		22	Revaluation of land								39,693	27,913	-30%	
2013/14 Sample size (unweighted)		243		23	Manager's paid managerial input								21	28	33%	
Number (weighted)		6,832		24=17-16+23			Management and Investment Income			-15,683	-14,721	6%				

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, all farm groups fail to realise a positive ABI, i.e. all LFA farm groups make losses as far as their agricultural enterprises are concerned. The medium and high 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

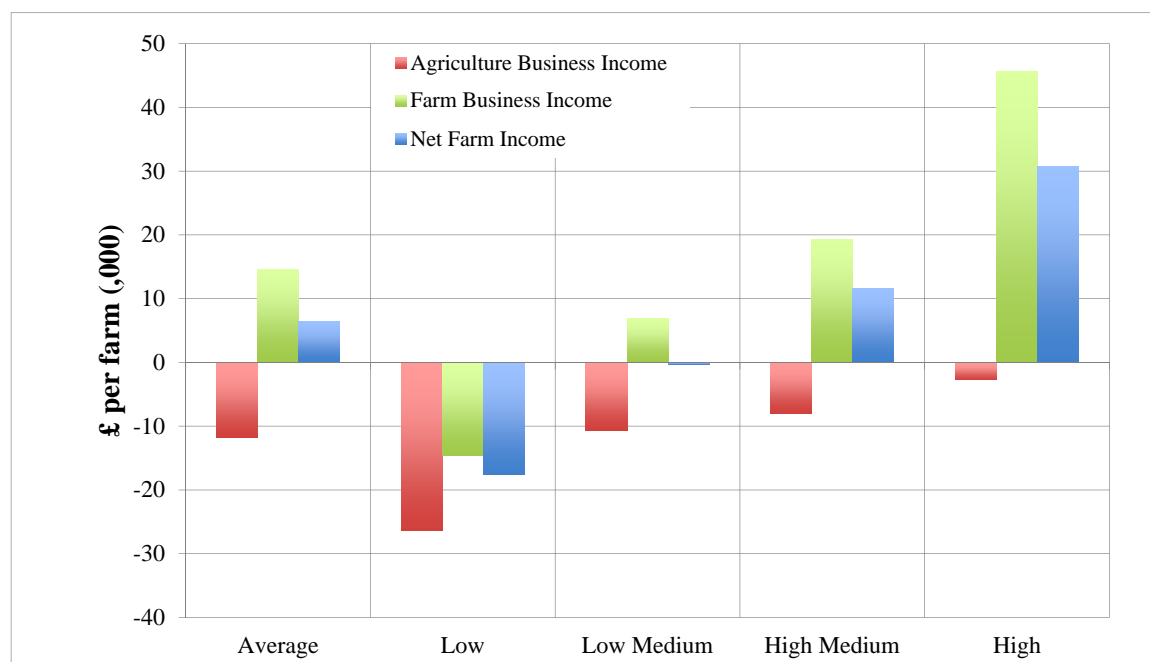


Figure 4 presents similar data on farm business performance by quartile, though here on the basis of Farm Business Income (FBI) per Grazing Livestock Unit (GLU) which removes the effect of farm size on the FBI earnings per farm. The general story remains the same – that all LFA farm groups return a negative Agriculture Business Income or net margin. In this analysis the CARE Business Income of the lowest quartile is insufficient to offset the ABI losses and this group returns a negative NFI and MII. 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

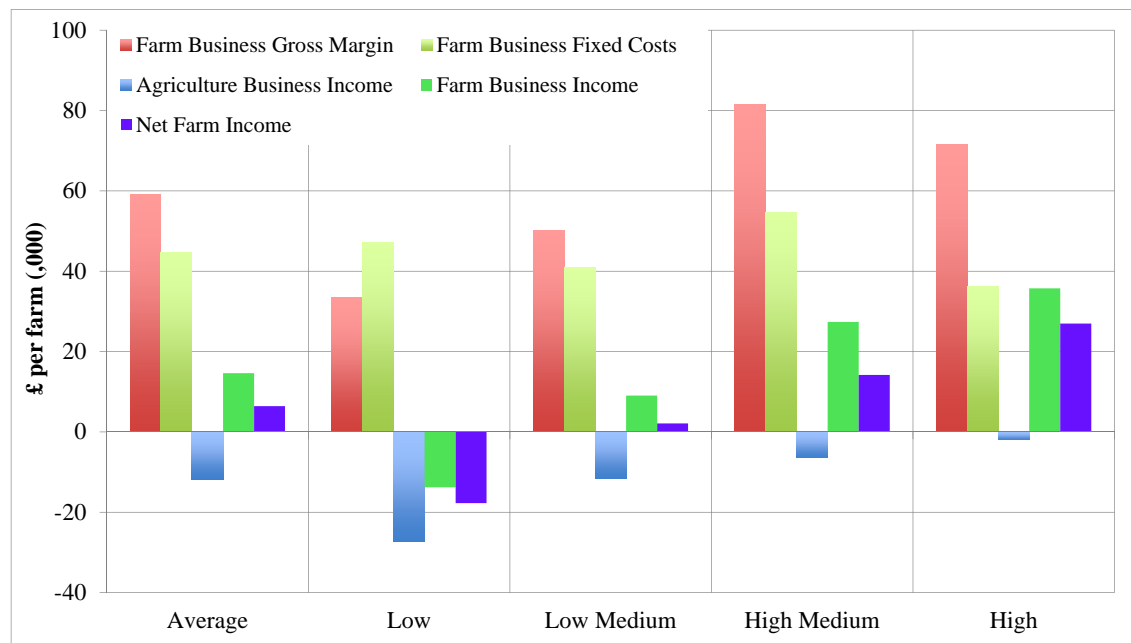
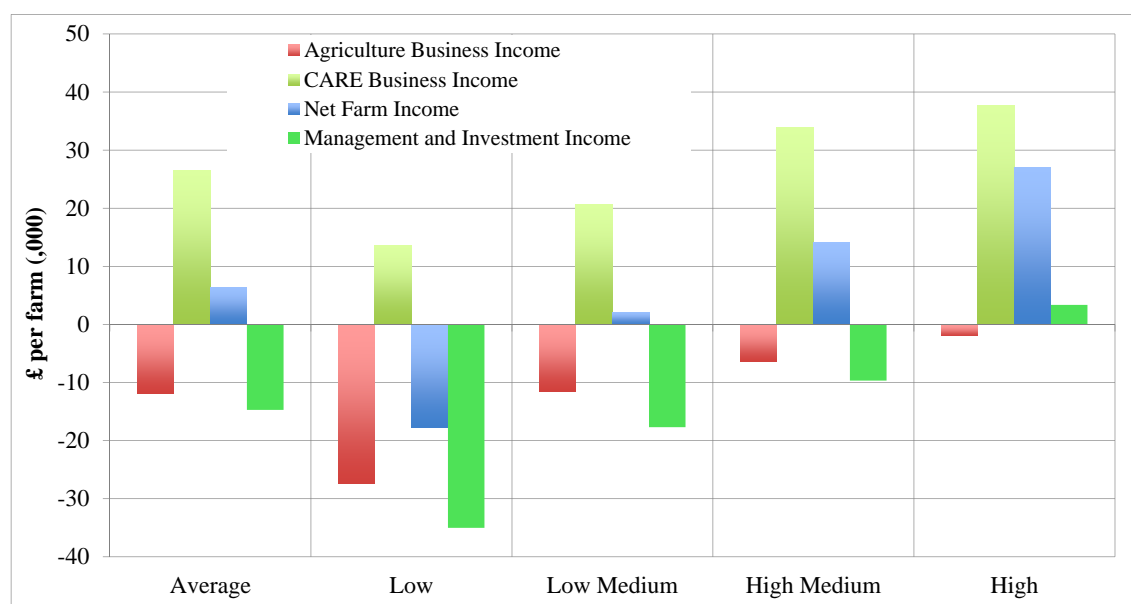


Figure 5 LFA Farm Earnings Performance by FBI/GLU quartile



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) average FBI for all groups except 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 £3,361 suggesting that none of these businesses are economically robust in the longer term.

Figure 6, showing the main measures of business performance by main farm type, suggests that the SDA Mixed grazing and Specialist sheep livestock groups appear to be the most profitable at the NFI level despite both having a negative ABI. The specialist beef farms however, not only suffer 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. The Various grazing livestock (DA) farms have, since 2008, been unable to claim Hill Farm Allowance on the DA area of the LFA, and are now ineligible for either the UTP or the UELS support measures on their DA land, both of which provide a substantial share of the CARE revenue for farms with predominantly SDA land.

Figure 6 LFA business performance by Main Farm Type

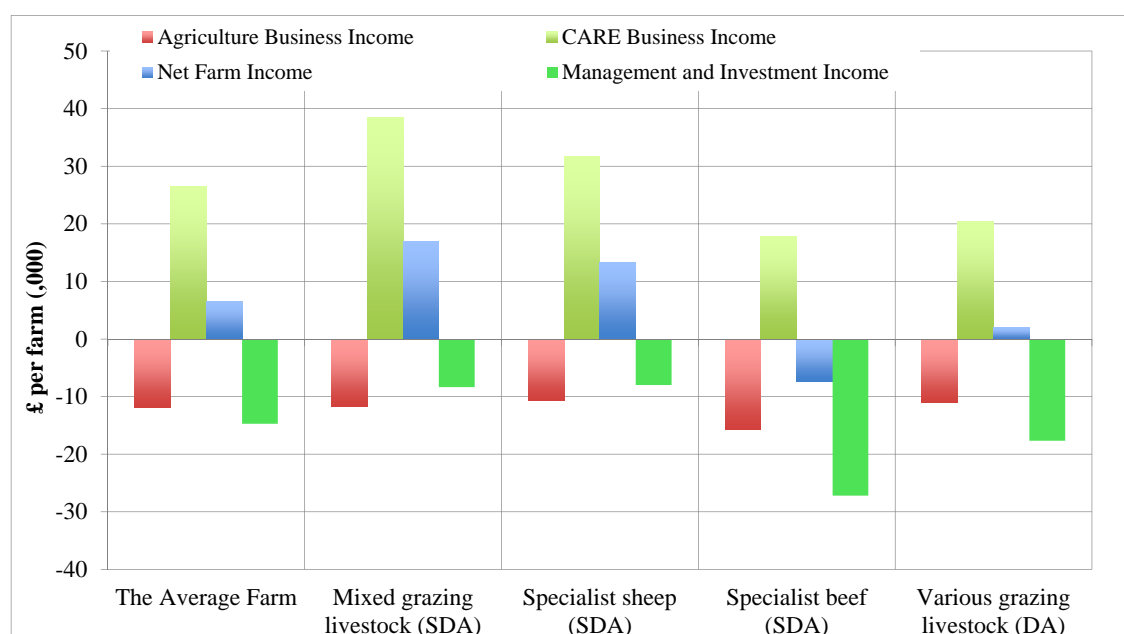


Figure 7 shows the business performance by size, measured here by the Standard Labour Requirement (SLR)¹² and illustrates that size is important to these farms'

¹² 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.

earning ability, although as previously seen it is the CARE income which rescues all farms from economic failure. The greater losses of ABI in the larger size groups demonstrate that in years of poor performance of the Agriculture cost centre (as in both 2013 and 2014) when farm gross margins are reduced, there are size related fixed costs that still have to be covered. This figure dramatically demonstrates both the importance of CARE income and the weak position of production agriculture to LFA farms. A full explanation of the derivation and boundaries of the SLR size bands is given in paragraph 14 of Appendix 9. Definition of Terms.

Figure 7 LFA business performance by size (SLR) quartile

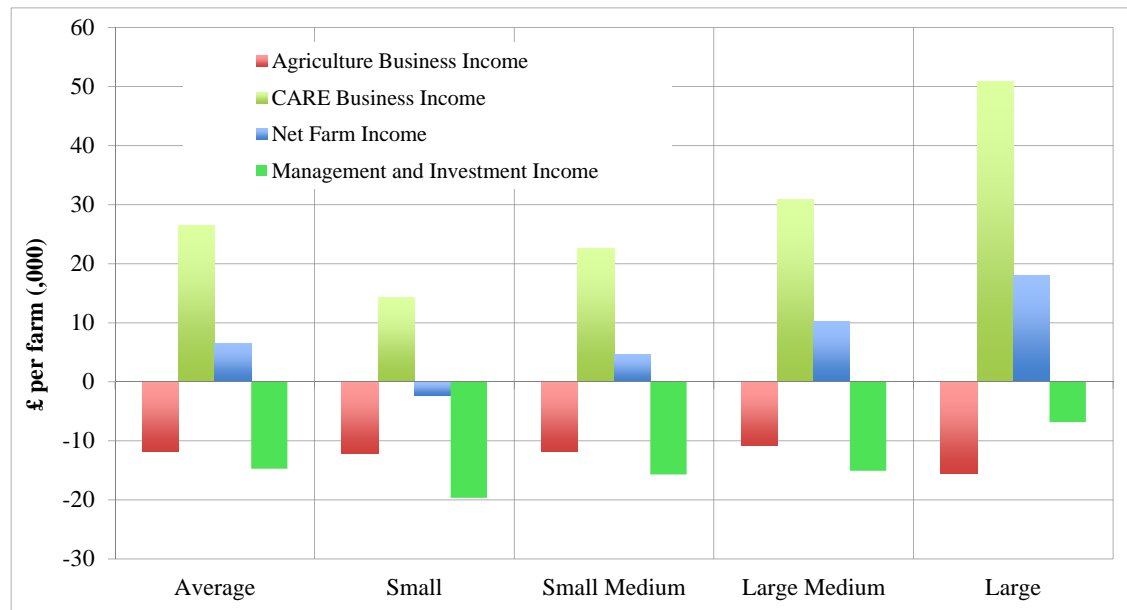
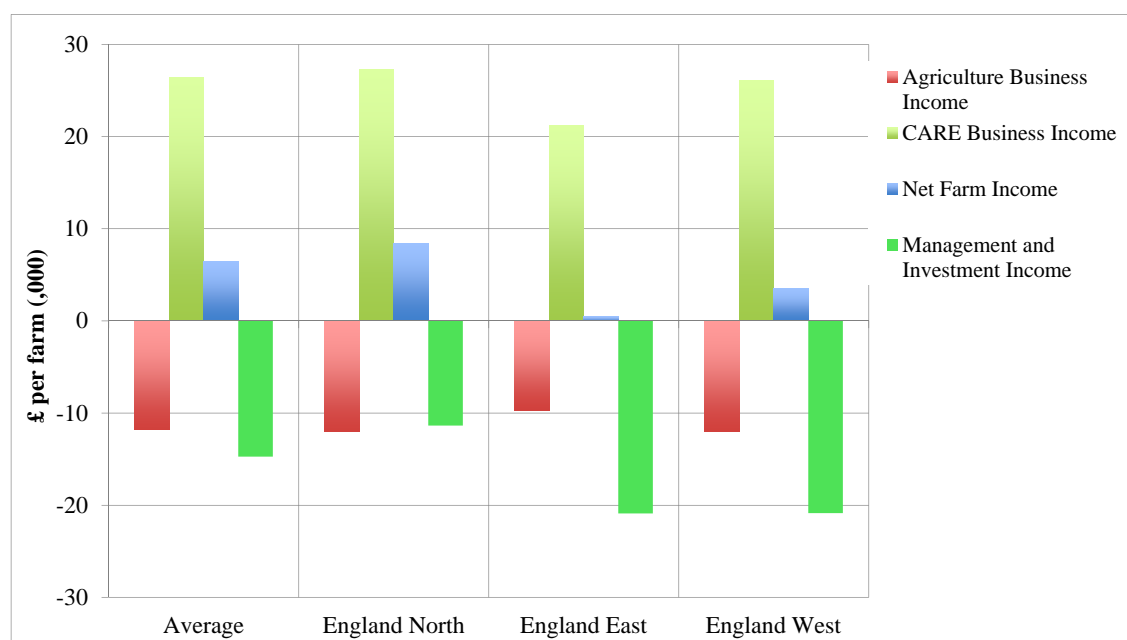


Figure 8 shows the same business performance measures by EU region. As above, it is the CARE income which dominates the picture of business performance.

Figure 8 LFA business performance by EU region



5.1 Frequency distribution of FBI/GLU

The frequency distributions of FBI/GLU for England as a whole and by EU Region (England North, and England West and England East combined) are shown in Figure 9. The small sample size of England East does not allow the presentation of their data alone and for the purposes of comparison have been combined with England West. There appears to be 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

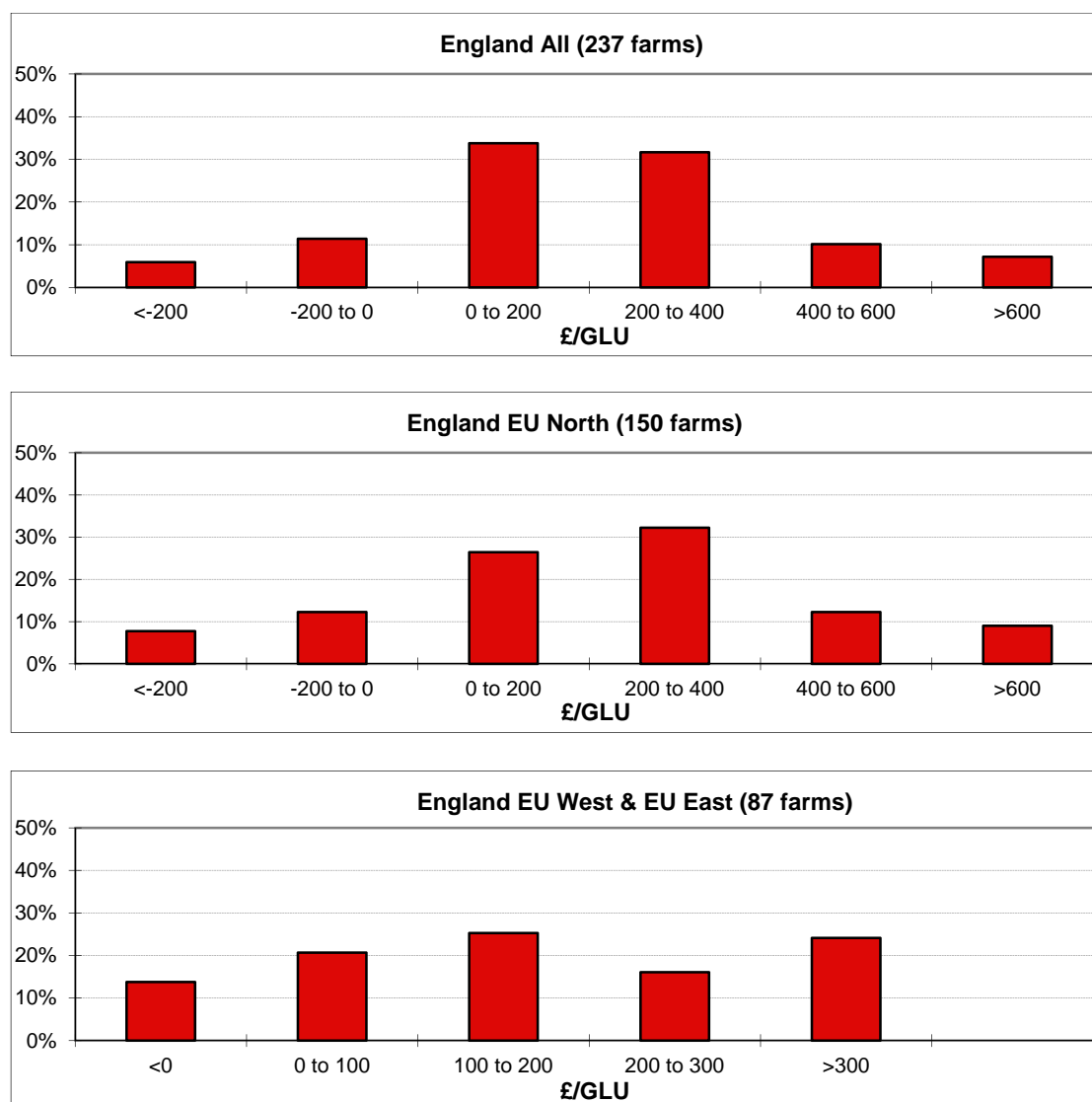
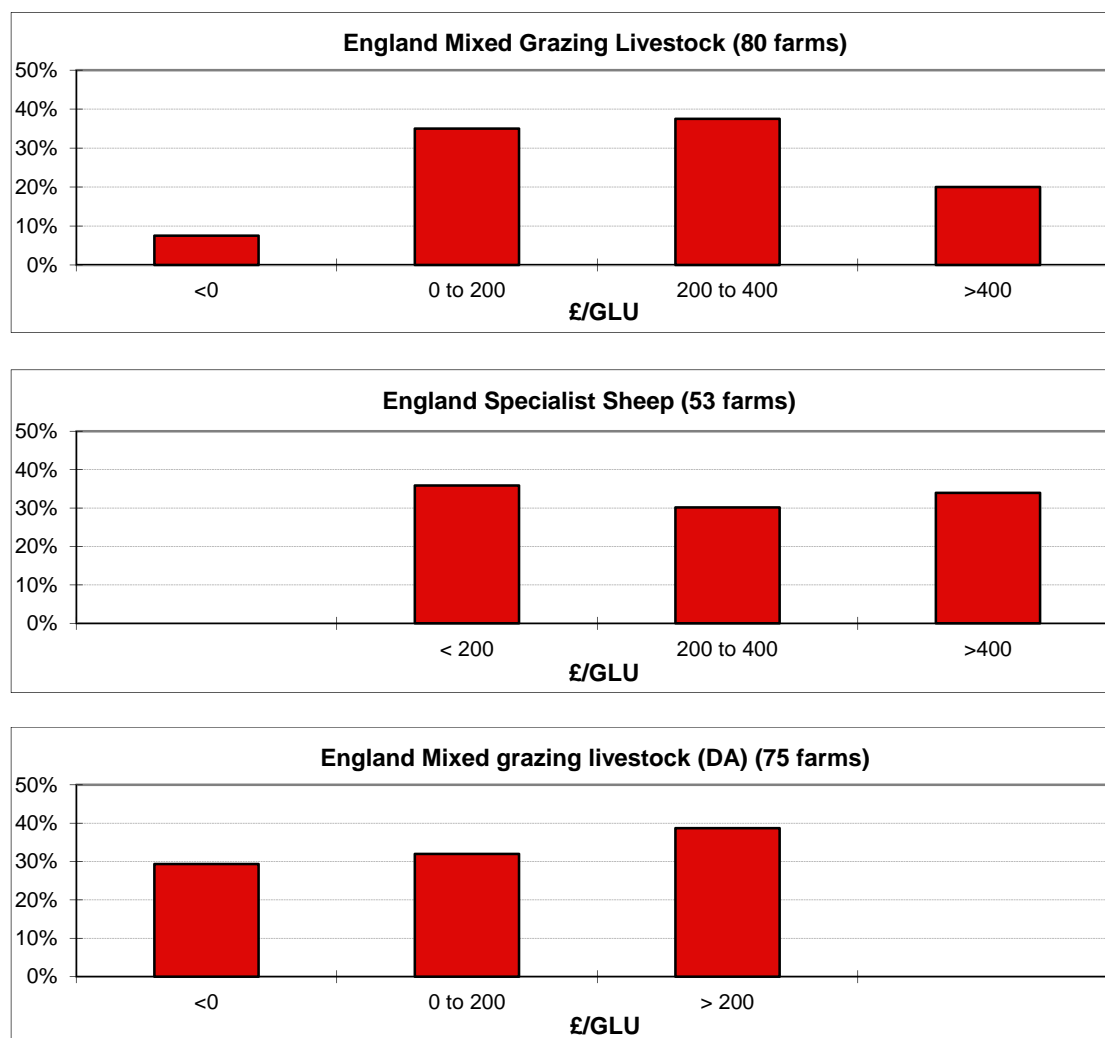


Figure 10 illustrates the variation in performance by Main Farm Type (except Specialist Beef farms where the low sample size does not allow this presentation). DA Mixed Grazing farms (which often carry substantial beef herds) appear more likely than Mixed Grazing Livestock or Specialist Sheep farms to exhibit low and negative FBI/GLU returns.

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



6. LFA Enterprise Gross Margins

The major livestock enterprises on LFA grazing farms are Suckler cows, typically producing store cattle (for finishing in the lowlands) and Hill and Upland sheep flocks, typically producing cross-bred ewe lambs (supplying the lowland flocks with breeding stock) and store lambs (also for finishing in the lowlands). Where conditions allow some cattle and lamb finishing also occurs on LFA farms.

Enterprise margins for Upland sheep are shown in Table 4 with a flock stratification shown in Table 5. Upland sheep flocks are those with lambing rates typically in excess of 100% (FBS Enterprise code 103) and more typically found on lower altitude LFA farms than Hill sheep flocks (lambing rates typically less than 100% FBS Enterprise code 102).

Table 4 SDA upland sheep flock performance 2013/14 and 2014/15

	All Upland flocks		Change	
	2013 lambing	2014 lambing	£/ewe	%
<i>Number of farms</i>	128	123		
<i>Number of farms (weighted)</i>	3247	2968		
<i>Flock size (no. ewes)</i>	480	477	-3.0	-1%
(£ per ewe)				
Enterprise Output (excl. BLSA)	85.2	97.6	12.4	15%
BLSA	0.1	5.3	5.2	6446%
Total Variable costs	52.1	48.9	-3.2	-6%
Concentrates	24.4	20.0	-4.4	-18%
Purchased fodder and keep	3.6	3.1	-0.5	-13%
Veterinary and medicines	6.5	7.0	0.5	8%
Other livestock costs	9.9	10.5	0.7	7%
Forage variable costs	8.3	8.3	0.0	0%
Gross Margin (excl. BLSA) / Ewe	33.1	48.7	15.6	47%
Gross Margin range	-99 to 96	-28 to 111		
Total Fixed costs	59.6	66.9	7.3	12%
Total costs	111.7	115.9	4.2	4%
Net Margin (excluding BLSA)	-26.5	-18.2	8.3	31%
Net Margin after F&S labour (excl BLSA)	-56.3	-50.8	5.6	10%
Stocking rate (GLUs/total adj ha)	0.74	0.74	0.0	0%
Lambing rate (born and reared/average no. ewes)	1.29	1.42	0.1	10%

Table 5 SDA upland sheep flock performance by flock size 2014/15

2014/15	All flocks	<350 ewes	350-700 ewes	>700 ewes
<i>Number of farms</i>	123	37	52	34
<i>Number of farms (weighted)</i>	2968	1246	1276	446
<i>Flock size (no. ewes)</i>	477	231	485	1141
(£ per ewe)				
Enterprise Output (excluding BLSA)	97.6	84.4	95.7	107.5
BLSA	5.3	2.8	5.2	6.8
Total Variable costs, of which:	48.9	40.6	48.1	54.6
Concentrates	20.0	14.9	20.2	22.6
Purchased fodder and keep	3.1	3.4	2.7	3.4
Veterinary and medicines	7.0	5.9	6.8	8.0
Other livestock costs	10.5	8.7	10.9	11.1
Forage variable costs	8.3	7.7	7.5	9.5
Gross Margin (excluding BLSA) / Ewe	48.7	43.8	47.6	52.9
Total Fixed costs	26.5	37.6	23.3	24.0
Total costs	31.8	40.4	28.6	30.8
Net Margin (excluding BLSA) / Ewe	-18.2	-29.9	-15.9	-14.4
Net Margin after F&S labour (excl BLSA)	-50.8	-75.6	-56.3	-30.1
Stocking rate (GLUs/total adj ha)	0.74	0.81	0.70	0.74
Lambing rate (born and reared/average no. ewes)	1.42	1.20	1.48	1.48

Table 6 SDA hill sheep flock performance 2013/14 and 2014/15

	All Hill flocks		Change	
	2013 lambing	2014 lambing	£/ewe	%
<i>Number of farms</i>	62	62		
<i>Number of farms (weighted)</i>	1523	1543		
<i>Flock size (no.ewes)</i>	472	419	-53	-11%
(£ per ewe)				
Enterprise Output (excl. BLSA)	62.7	76.6	13.9	22%
BLSA	1.2	1.7	0.6	50%
Total Variable costs	42.6	41.1	-1.5	-3%
Concentrates	17.9	14.4	-3.5	-20%
Purchased fodder and keep	5.8	6.8	1.0	17%
Veterinary and medicines	5.9	6.5	0.6	10%
Other livestock costs	8.6	9.1	0.5	6%
Forage variable costs	4.3	4.2	-0.1	-1%
Gross Margin (excl. BLSA) / Ewe	20.1	35.5	15.4	77%
Gross Margin range	-45 to 104	-17 to 157		
Total Fixed costs	54.8	66.6	11.8	21%
Total costs	97.4	107.7	10.3	11%
Net Margin (excl. BLSA) / Ewe	-34.7	-31.1	3.6	10%
Net Margin after F&S labour (excl. BLSA)	-61.5	-61.3	0.3	0%
Stocking rate (GLUs/total adj ha)	0.69	0.69	0.0	0%
Lambing rate (born and reared/average no. ewes)	1.00	1.24	0.2	23%

Table 7 SDA hill sheep flock performance by flock size 2014/15

2014 lambing	All flocks	<350 ewes	350-700 ewes	>700 ewes
<i>Number of farms</i>	62	19	27	16
<i>Number of farms (weighted)</i>	1543	651	739	152
<i>Flock size (no.ewes)</i>	419	175	489	1124
(£ per ewe)				
Enterprise Output (excl. BLSA)	76.6	90.4	74.9	70.9
BLSA	1.7	-3.9	2.7	3.5
Total Variable costs, of which:	41.1	46.5	41.8	36.0
Concentrates	14.4	20.0	13.8	11.7
Purchased fodder and keep	6.8	3.6	8.2	5.8
Veterinary and medicines	6.5	7.3	6.9	5.4
Other livestock costs	9.1	10.3	9.2	8.3
Forage variable costs	4.2	5.3	3.7	4.8
Gross Margin (excl. BLSA) / Ewe	35.5	43.9	33.1	34.9
Total Fixed costs	66.6	76.9	65.3	62.5
Total costs	107.7	123.4	107.1	98.5
Net Margin (excl. BLSA) / Ewe	-31.1	-33.0	-32.2	-27.5
Net Margin after F&S labour (excl. BLSA)	-61.3	-91.3	-61.8	-40.2
Stocking rate (GLUs/total adj ha)	0.69	0.85	0.55	0.87
Lambing rate (born and reared/average no. ewes)	1.24	1.40	1.25	1.10

Table 4 to Table 7 show that Sheep farming on its own in the English LFA by whatever measure is unable to fully cover all enterprise costs. There are also very clear economies of scale. This has major implications for the UK Sheep industry as a whole and the critical role that non-agricultural income streams play on LFA farms.

A major output from the FBS survey is the provision of benchmark costs for participating farmers, it is therefore useful to comment briefly on the comparison between the results of this survey and those from the major alternative, provided by AHDB Beef & Lamb (Agriculture and Horticulture Development Board Beef and Lamb, formerly EBLEX). AHDB publish their general cost estimates for various enterprises at the aggregate level only and the following estimates are taken from the AHDB Beef & Lamb website (<http://beefandlamb.ahdb.org.uk/returns/stocktake/>). We note that the FBS data comes from a stratified random sample, whereas the AHDB data are compiled from a self-selected sample of Livestock Farmers participating with AHDB Beef & Lamb. Since the FBS sample is statistically representative of the total commercial LFA farm population, we might expect the AHDB 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 AHDB Beef & Lamb 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 AHDB 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 8 AHDB Beef & Lamb Stocktake 2015: SDA breeding sheep

SDA Breeding Sheep	2013/14	2014/15	Change
Number of flocks	45	47	
Average flock size	741	598	-143
	£/head	£/head	£/head
Sales	97.6	100.9	3.3
Replacement costs	19.0	15.1	-3.9
Feed costs	18.6	14.3	-4.3
Variable costs (excl replacement cost)	30.0	27.5	-2.5
Gross Margin	48.6	58.2	9.6
Fixed Costs	62.2	60.2	-2.0
Total Costs	111.2	103.0	-8.2
Net Margin (inc. imputed costs)	-13.7	-2.0	11.7

Note: imputed costs: unpaid family labour (including Farmer and Spouse) and imputed rent on owned land

LFA Suckler cow results, for 2013/14 and 2014/15, are shown in Table 9 with a herd size stratification shown in Table 10. Table 9 and Table 10 demonstrate that Beef farming in the English LFA is unable to cover all enterprise costs, and that this must have major implications for the UK Beef supply industry.

Table 9 LFA suckler herd performance 2013/14 and 2014/15

	All herds		change	
	2013/14	2014/15	£/cow	%
<i>Number of farms</i>	170	168		
<i>Number of farms (weighted)</i>	4,060	4,029		
<i>Herd size (no.cows)</i>	38	39	1	3%
(£ per cow)				
Enterprise Output (excl. BLSA)	411	390	-21	-5%
BLSA	20	7	-13	-65%
Total Variable costs	214	194	-20	-9%
Concentrates	49	47	-2	-4%
Purchased fodder and keep	29	21	-8	-28%
Veterinary and medicines	25	23	-2	-8%
Other livestock costs	57	49	-8	-14%
Forage variable costs	54	54	0	0%
Gross Margin (excl. BLSA) / Cow	196	196	0	0%
Gross Margin range	-1055 to 1143	-1088 to 493		
Total Fixed costs	396	403	6	2%
Total costs	610	597	-14	-2%
Enterprise NM (excl. BLSA)	-200	-207	-7	-4%
Enterprise NM after F&S labour (excl. BLSA)	-377	-380	-3	-1%

Table 10 LFA suckler herd performance by herd size 2014/15

2014/15 calving period	All herds	<30 cows	30-60 cows	>60 cows
<i>Number of farms</i>	168	50	68	50
<i>Number of farms (weighted)</i>	4,029	1,714	1,698	617
<i>Herd size (no.cows)</i>	39	14	41	101
(£ per cow)				
Enterprise Output (excl. BLSA)	390	347	372	426
BLSA	7	3	1	15
Total Variable costs, of which:	194	252	175	192
Concentrates	47	59	45	44
Purchased fodder and keep	21	48	11	21
Veterinary and medicines	23	34	20	22
Other livestock costs	49	58	46	48
Forage variable costs	54	53	53	56
Gross Margin (excl. BLSA) / Cow	196	95	197	234
Total Fixed costs	403	348	282	203
Total costs	597	351	283	219
Enterprise NM (excl. BLSA)	-207	-295	-230	-147
Enterprise NM after F&S labour (excl. BLSA)	-380	-497	-472	-231

As for the Sheep figures and as might be expected due to the sample differences, see above, the AHDB sample returns higher Gross and Net Margins than the FBS sample.

Table 11 AHDB Beef & Lamb Stocktake 2015: SDA suckler herds

SDA Suckler Herd	2013/14	2014/15	Change
Number of herds	35	41	
Average herd size	77	71	-6
	<i>£/cow</i>	<i>£/cow</i>	<i>£/cow</i>
Sales	547	602	55
Replacement costs	78	59	-19
Feed costs	124	111	-13
Variable costs (excl replacement cost)	203	194	-9
Gross Margin	266	349	83
Fixed Costs	476	474	-2
Total Costs	757	727	-30
Net Margin (inc. imputed costs)	-210	-125	85

Note: imputed costs: unpaid family labour (including Farmer and Spouse) and imputed rent on owned land

A further more detailed analysis of LFA enterprise gross margins and efficiency factors is presented in Table 39 to Table 43 for all LFA enterprises with a sample size greater than 10 farms. The premium group is calculated as the top third of the sample on the basis of Gross Margin per cow or ewe, or in the trading livestock enterprises, the top third by Gross Margin per adjusted hectare.

7. Organic LFA farms

The current sample of 237 English LFA grazing farms includes 23 fully organic farms. Within this there are 18 organic suckler herds, 13 organic upland flocks and 6 organic hill flocks.

Table 12 compares suckler herd performance to the gross margin (GM) and net margin (NM) level across organic and non-organic farms. The organic suckler herd output is £73/cow more than the non-organic output and with £46/cow less spent on variable costs (particularly concentrates) the gross margin for organic sucklers is £119/cow more than the non-organic average. As can be seen from the spread of GMs there is considerable variation across farms. Organic fixed costs are £75/cow higher than the non-organics, but despite this, the organic farms have a £44/cow advantage at the net margin level (excepting farmer and spouse labour). After allowing for the farmer and spouse labour the final net margins are -£289/cow and -£383/cow for organic and non-organic respectively. The stocking rate for the organic farms, of 0.75 GLU/total adjusted area (including commons and all land rented in) is 6% less than that of the non-organics.

Table 12 LFA suckler herd performance Non-organic and Organic (£/cow)

2014/15	All Suckler herds	
	Non-organics	Organics
Number of farms	150	18
Number of farms (weighted)	3924	105
Herd size (no.cows) (£ per cow)	38	53
Enterprise Output (excluding BLSA)	387	460
BLSA	7	2
Total Variable costs	196	150
Concentrates	48	26
Purchased fodder and keep	21	13
Veterinary and medicines	23	28
Other livestock costs	49	49
Forage costs	55	33
Gross Margin (excluding BLSA)	191	310
Gross Margin range	-1149 to 563	41 to 468
Total Fixed costs	400	475
Total costs	596	624
Enterprise NM (excluding BLSA)	-209	-165
Enterprise NM after F&S labour (excl BLSA)	-383	-289
Stocking rate (GLUs/total adj ha)	0.80	0.75

Table 13 compares organic and non-organic Upland LFA flocks to the GM and NM level. Organic enterprise output is £12/ewe higher than non-organic output at £109/ewe. Variable costs per ewe are £9/head lower for the organics resulting in a gross margin of £69/ewe for organic flocks and £48/ewe for the non-organic flocks. Fixed costs are £90/ewe for organic flocks and £66/ewe for non-organics – this results in net margins (after farmer and spouse labour) of -£38/ewe and -£51/ewe for organic and non-organic flocks respectively.

Table 13 SDA flock performance Non-organic and Organic

2014 lambing	SDA Flocks	
	Non-organic	Organic
Number of farms	110	13
Number of farms (weighted)	2894	74
Flock size (no. ewes)	476	522
(£ per ewe)		
Enterprise Output (excluding BLSA)	97.3	109.0
BLSA	5.3	5.2
Total Variable costs	49.2	40.2
Concentrates	20.2	13.9
Purchased fodder and keep	3.1	3.0
Veterinary and medicines	7.0	9.6
Other livestock costs	10.5	10.2
Forage costs	8.4	3.4
Gross Margin (excluding BLSA) / Ewe	48.2	68.8
Gross Margin range	-37 to 125	7 to 137
Total Fixed costs	66.3	89.7
Total costs	115.5	129.9
Enterprise NM (excluding BLSA)	-18.1	-21.0
Enterprise NM after F&S labour (excl BLSA)	-51.1	-38.4
Stocking rate (GLUs/total adj ha)	0.74	0.74
Lambing rate (born and reared/average no. ewes)	1.42	1.43

Table 14 compares whole farm profitability across all four cost centres between the 22 fully organic farms and the 215 non-organics in the sample. This table shows that the overall difference in profit favours the organic farms by about £24,000 in Farm Business Income and about £28,000 in Farm Corporate Income and Farm Investment Income. This greater profitability is down to the higher profitability of the Agri-environmental cost centre (by over £15,000) and the Single Farm payment cost centre (by £14,679) and despite the organic Agriculture cost centre faring worse than the non-organics by £5,604. Clearly the large area advantage that the organic farms enjoy goes some way to explain the difference in the Single farm payment revenues – see Table 15. Organic farms also earn £375 less from Diversification activities than the non-organic LFA farms. Table 15 compares the Organic sample with the Non-organic sample through a series of land use, stocking, outputs and variable costs. With an average area farmed of 314.5ha organic farms are over twice the size, in area terms, of the non-organics (137ha) and while a large portion of this is rough grazing none of this is on common land. Organic LFA farms are 36% owner occupied, against 49% for the non-organics, and use 20% more labour (at 1.8 annual labour units) than the non-organic average. Further comment on Organic farms may be found in a sister publication – see Appendix 8. Reports in this series.

Table 14 Farm Income measures by cost centre, Organic vs. Non-organic

Derivation of farm income measures	Cost Centre (£ per farm)									
	Agriculture		Agri-environment and other payments		Diversification out of agriculture		Single Payment Scheme		Farm Business Income	
	Non-organic	Organic	Non-organic	Organic	Non-organic	Organic	Non-organic	Organic	Non-organic	Organic
% contribution of centre revenue to total:	66%	59%	11%	19%	4%	2%	19%	20%		
Total output (Revenue) (a)	62,230	99,903	10,791	31,594	4,077	3,629	17,810	33,932	94,908	169,058
Variable costs (b)	36,769	48,163	10	1,521	93	80	2	2	36,875	49,766
Total Gross margin (c=a-b)	25,460	51,741	10,781	30,073	3,984	3,549	17,807	33,930	58,033	119,292
Fixed costs (d)	37,385	69,250	2,278	5,933	1,776	1,716	2,610	4,052	44,049	80,952
Total Costs (e=b+d)	74,154	117,413	2,288	7,454	1,870	1,796	2,612	4,054	80,923	130,718
Profit/(loss) on sale of fixed assets (f)	211	192							211	192
Farm Business Income (g=a-e+f)	-11,714	-17,318	8,504	24,140	2,208	1,832	15,198	29,877	14,195	38,532
Adjustment for unpaid manual labour (h)	23,791	20,014	558	1,212	995	509	0	0	25,344	21,736
Farm Corporate Income (i=g-h)	-35,505	-37,332	7,946	22,928	1,213	1,323	15,198	29,877	-11,149	16,796
Interest payments (net of interest received) (j)	1,760	2,634	53	92	70	28	58	92	1,940	2,845
Farm Investment Income (k=i+j)	-33,745	-34,698	7,998	23,020	1,282	1,351	15,256	29,969	-9,208	19,641
% contribution of centre total costs to total:	92%	90%	3%	6%	2%	1%	2%	3%		
							Imputed rent (l)		8,969	16,107
							Ownership charges (m)		2,848	5,688
							Director's remuneration (n)		99	1,849
							Unpaid labour of principal farmer and spouse (o)		21,230	18,075
							Net Farm Income (p=k-l+m+n+o)		6,001	29,145
							Holding gains not included in farm income (q)		29,669	41,784
							Breeding Livestock Appreciation (BLSA) (r)		1,595	1,859
Non-organic Sample size (unweighted) 215							Revaluation of machinery, permanent crops, glasshouse, quota (s)		374	529
Number (weighted) 6,457							Revaluation of land (t)		27,699	39,396
Organic Sample size (unweighted) 22							Manager's paid managerial input (u)		28	60
Number (weighted) 120							Management and Investment Income (v=p-o+u)		-15,202	11,130

Table 15 Land use, stocking, outputs & variable costs - Organic vs Non-organic

2014/15	The Average LFA Farm	
	Non-organics	Organics
Land use & stocking		
Number (unweighted)	215	22
Number (weighted)	6,457	120
Total Area (includes woodland and roads etc.) (ha)	137.0	305.5
Area Farmed (ha)	136.1	314.5
Net Land Hired In (ha)	2.6	20.3
Utilised Agricultural Area (ha)	133.5	294.2
<i>Of which</i> Total main products (ha)	1.3	6.2
Grass, fodder crops and rough grazing (ha)	132.2	288.0
Of which rough grazing (unadjusted) (ha)	44.1	163.6
Adjusted rough grazing (sole occupation)	15.2	36.1
Adjusted rough grazing (shared)	6.0	0.0
Total Adjusted Utilised Agriculture Area (ha)	104.6	166.7
Area owner occupied (ha)	67.3	113.4
Area tenanted (ha)	69.6	192.1
Average age of farmer (years)	58	56
Agricultural labour units (ALU)	1.5	1.8
Standard Output size units (2010SO)	76,850	117,596
Standard Output size group (2010SO)	7	8
<u>Land Use</u>		
Temporary Grassland Area (ha)	5.4	11.7
Permanent Grassland Area (ha)	84.8	127.9
<u>Stocking</u>		
Total Beef cows	26	49
Total Cattle	81	141
Ewes (LFA and lowland)	339	430
Total Sheep	679	882
<u>Livestock Units</u>		
Total Cattle LU	48	85
Total Sheep LU	37	46
Grazing LU (cattle, sheep, horses and others)	85	132
Outputs & Variable Costs		
Farm Business Output	94,908	169,058
of which: Output from agriculture	62,230	99,903
Agri environment payment	10,791	31,594
Diversified output	4,077	3,629
Single Farm Payment	17,810	33,932
Livestock Enterprise Output	57,602	89,681
of which: Cattle Enterprise Output	26,124	46,309
Sheep Enterprise Output	31,301	43,264
Crop Enterprise Output	2,855	6,264
Non agriculture, no other category output	1,768	3,950
<u>Variable Costs</u>		
Farm Business Variable costs	36,875	49,766
of which: Agriculture Variable Costs	36,769	48,163
Agriculture Crop Costs	5,835	6,797
Agriculture Livestock Costs	25,967	29,762
of which: Purchased Fodder Feed	14,741	11,448
Home Produced Fodder Feed	745	2,049
Veterinary and medicines	3,510	6,176
Other Livestock Costs	6,971	10,089
Agriculture Contract Costs	3,404	7,602
Agriculture Casual Labour	1,499	3,998

8. 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

Hill Farming in England, 2010/11, RBR

Hill Farming in England, 2011/12, RBR

Hill Farming in England, 2012/13, RBR

Hill Farming in England, 2013/14, RBR

Government Office Reports, 2014/15, RBR (<http://www.farmbusinesssurvey.co.uk/>)

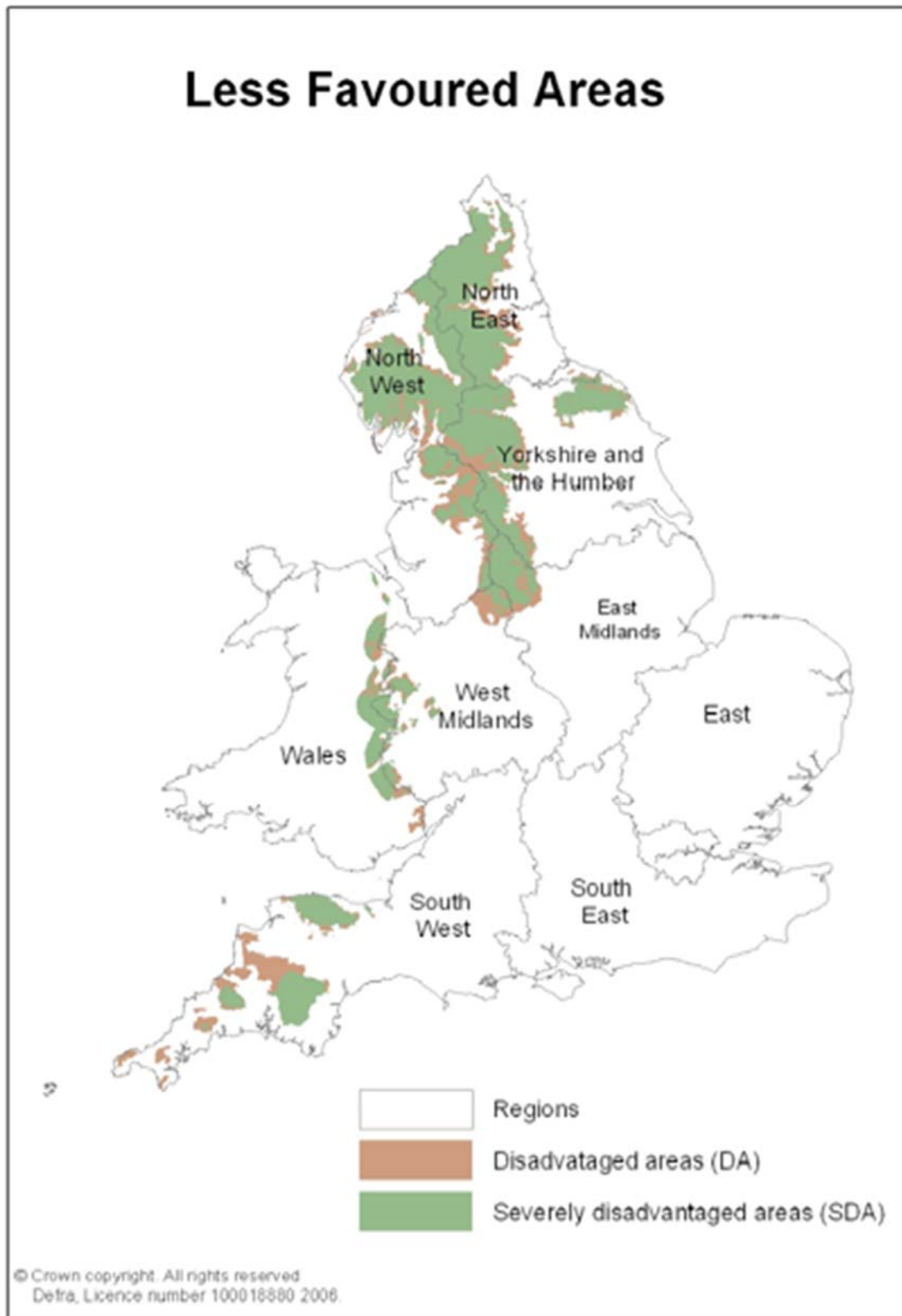
AHDB Beef & Lamb, 2015, AHDB Beef & Lamb *Stocktake 2014*, Available at:

<http://beefandlamb.ahdb.org.uk/returns/stocktake/>

Date accessed 6.3.16

Appendix 1. Less favoured Areas of England

Figure 11 Map of Less Favoured Areas, England



Source: Defra

Appendix 2. Analysis of LFA Grazing Farms (England) by farm type

Table 16 Farm Income measures by Cost Centre - Mixed grazing livestock (SDA)

The average Mixed grazing livestock (SDA) farm 2014/15		Cost Centre (£ per farm)				Farm Business (£ per farm) 2014/15
		Agriculture 2014/15	Agri-environment and other payments 2014/15	Diversification out of agriculture 2014/15	Single Payment Scheme 2014/15	
Derivation of farm income measures:						
Total output	(a)	98,713	18,933	4,054	23,876	145,576
Variable costs	(b)	55,956	7	210	2	56,175
Total Gross margin	(c=a-b)	42,757	18,927	3,843	23,874	89,401
Fixed costs	(d)	54,694	2,949	2,291	2,899	62,833
Total Costs	(e=b+d)	110,650	2,956	2,502	2,901	119,008
Profit/(loss) on sale of fixed assets	(f)	220				220
Farm Business Income	(g=a-e+f)	-11,717	15,977	1,552	20,975	26,788
Adjustment for unpaid manual labour	(h)	28,788	659	1,368	0	30,816
Farm Corporate Income	(i=g-h)	-40,505	15,318	184	20,975	-4,028
Interest payments (net of interest received)	(j)	2,557	99	69	65	2,789
Farm Investment Income	(k=i+j)	-37,948	15,417	252	21,040	-1,239
Derivation of Net Farm Income:						
				Imputed rent	(l)	11,502
				Ownership charges	(m)	4,269
				Director's remuneration	(n)	18
				Unpaid labour of principal farmer and spouse	(o)	25,307
				Net Farm Income	(p=k-l+m+n+o)	16,854
				Holding gains not included in farm income	(q)	34,985
				Breeding Livestock Appreciation (BLSA)	(r)	1,153
				Revaluation of machinery, permanent crops, glasshouse & quota	(s)	516
				Revaluation of land	(t)	33,316
				Manager's paid managerial input	(u)	104
				Management and Investment Income	(v=p-o+u)	-8,350
The average farm						
Number (unweighted)	80					
Number (weighted)	1,187					

Table 17 Farm Income measures by cost centre - Specialist Beef (SDA)

The average Specialist beef (SDA) farm 2014/15		Cost Centre (£ per farm)				Farm Business (£ per farm) 2014/15
		Agriculture 2014/15	Agri-environment and other payments 2014/15	Diversification out of agriculture 2014/15	Single Payment Scheme 2014/15	
Derivation of farm income measures:						
Total output	(a)	46,480	8,471	1,337	13,836	70,124
Variable costs	(b)	26,548	180	3	2	26,733
Total Gross margin	(c=a-b)	19,932	8,291	1,333	13,834	43,390
Fixed costs	(d)	35,799	2,674	592	2,454	41,518
Total Costs	(e=b+d)	62,347	2,854	595	2,456	68,252
Profit/(loss) on sale of fixed assets	(f)	99				99
Farm Business Income	(g=a-e+f)	-15,767	5,616	742	11,380	1,971
Adjustment for unpaid manual labour	(h)	23,298	837	703	0	24,839
Farm Corporate Income	(i=g-h)	-39,066	4,779	39	11,380	-22,868
Interest payments (net of interest received)	(j)	1,426	78	13	79	1,596
Farm Investment Income	(k=i+j)	-37,640	4,857	51	11,459	-21,272
Derivation of Net Farm Income						
				Imputed rent (l)		9,292
				Ownership charges (m)		3,294
				Director's remuneration (n)		91
				Unpaid labour of principal farmer and spouse (o)		19,835
				Net Farm Income (p=k-l+m+n+o)		-7,344
				Holding gains not included in farm income (q)		31,821
				Breeding Livestock Appreciation (BLSA) (r)		352
				Revaluation of machinery, permanent crops, glasshouse & quota (s)		425
				Revaluation of land (t)		31,044
				Manager's paid managerial input (u)		0
				Management and Investment Income (v=p-o+u)		-27,179
The average farm Number (unweighted)	29					
Number (weighted)	1,032					

Table 18 Farm income measures by cost centre - Specialist Sheep (SDA)

The average Specialist sheep (SDA) farm 2014/15		Cost Centre (£ per farm)				Farm Business (£ per farm) 2014/15
		Agriculture 2014/15	Agri-environment and other payments 2014/15	Diversification out of agriculture 2014/15	Single Payment Scheme 2014/15	
Derivation of farm income measures:						
Total output	(a)	56,635	15,203	3,363	20,059	95,261
Variable costs	(b)	35,005	7	78	1	35,091
Total Gross margin	(c=a-b)	21,631	15,197	3,285	20,058	60,170
Fixed costs	(d)	32,593	2,677	1,400	2,804	39,475
Total Costs	(e=b+d)	67,598	2,684	1,478	2,805	74,566
Profit/(loss) on sale of fixed assets	(f)	278				278
Farm Business Income	(g=a-e+f)	-10,685	12,520	1,885	17,254	20,973
Adjustment for unpaid manual labour	(h)	23,328	670	735	0	24,733
Farm Corporate Income	(i=g-h)	-34,014	11,850	1,150	17,254	-3,760
Interest payments (net of interest received)	(j)	1,635	61	43	70	1,809
Farm Investment Income	(k=i+j)	-32,378	11,911	1,193	17,324	-1,951
Derivation of Net Farm Income						
				Imputed rent (l)		8,531
				Ownership charges (m)		2,455
				Director's remuneration (n)		21
				Unpaid labour of principal farmer and spouse (o)		21,325
				Net Farm Income (p=k-l+m+n+o)		13,319
				Holding gains not included in farm income (q)		21,354
				Breeding Livestock Appreciation (BLSA) (r)		2,894
				Revaluation of machinery, permanent crops, glasshouse & quota (s)		242
				Revaluation of land (t)		18,218
				Manager's paid managerial input (u)		7
				Management and Investment Income (v=p-o+u)		-7,999
The average farm Number (unweighted)	53					
Number (weighted)	1,876					

Table 19 Farm Income measures by cost centre - Various grazing livestock (DA)

The average Various grazing livestock (DA) farm 2014/15		Cost Centre (£ per farm)				Farm Business (£ per farm) 2014/15
		Agriculture 2014/15	Agri-environment and other payments 2014/15	Diversification out of agriculture 2014/15	Single Payment Scheme 2014/15	
Derivation of farm income measures:						
Total output	(a)	57,385	5,536	5,746	15,641	84,308
Variable costs	(b)	33,730	17	86	3	33,835
Total Gross margin	(c=a-b)	23,655	5,519	5,661	15,638	50,473
Fixed costs	(d)	34,932	1,667	2,304	2,459	41,362
Total Costs	(e=b+d)	68,662	1,683	2,390	2,462	75,197
Profit/(loss) on sale of fixed assets	(f)	201				201
Farm Business Income	(g=a-e+f)	-11,077	3,852	3,357	13,179	9,311
Adjustment for unpaid manual labour	(h)	21,772	341	1,110	0	23,224
Farm Corporate Income	(i=g-h)	-32,849	3,511	2,246	13,179	-13,912
Interest payments (net of interest received)	(j)	1,656	15	112	38	1,821
Farm Investment Income	(k=i+j)	-31,193	3,526	2,358	13,218	-12,091
Derivation of Net Farm Income						
				Imputed rent (l)		8,300
				Ownership charges (m)		2,419
				Director's remuneration (n)		285
				Unpaid labour of principal farmer and spouse (o)		19,637
				Net Farm Income (p=k-l+m+n+o)		1,949
				Holding gains not included in farm income (q)		33,104
				Breeding Livestock Appreciation (BLSA) (r)		1,356
				Revaluation of machinery, permanent crops, glasshouse & quota (s)		393
				Revaluation of land (t)		31,356
				Manager's paid managerial input (u)		20
				Management and Investment Income (v=p-o+u)		-17,668
The average farm Number (unweighted)	75					
Number (weighted)	2,482					

Table 20 Output, variable costs and farm gross margins by cost centre & farm type

	The average LFA Farm	Mixed grazing livestock (SDA)	Specialist sheep (SDA)	Specialist beef (SDA)	Various grazing livestock (DA)
2014/15					
Number of farms in the group	237	80	53	29	75
Number (weighted)	6,577	1,187	1,876	1,032	2,482
Utilisable Agricultural Area (UAA) (ha)	136	197	172	101	96
Average adjusted UAA (ha)	106	142	115	85	90
Average adjusted sole grazing (ha)	16	25	28	12	3
Average herd size	27	45	9	45	25
Average flock size	340	488	550	94	213
Output					
Farm Output	96,555	146,396	95,364	70,293	84,541
Farm Business Output	96,263	145,576	95,261	70,124	84,308
of which: Output from agriculture	62,918	98,713	56,635	46,480	57,385
Agri environment payment	11,172	18,933	15,203	8,471	5,536
Diversified output	4,069	4,054	3,363	1,337	5,746
Single Farm Payment	18,104	23,876	20,059	13,836	15,641
Livestock Enterprise Output	58,189	93,302	54,321	41,188	51,389
of which: Cattle Enterprise Output	26,493	44,945	6,028	32,553	30,617
(incl Livestock disease compensation)	259	705	14	585	96
Sheep Enterprise Output	31,520	47,571	48,212	8,598	20,759
Poultry Enterprise Output	20	37	29	0	14
Pigs Enterprise Output	21	2	51	37	0
Other Livestock Enterprise Output	135	748	1	0	-1
Crop Enterprise Output	2,918	3,106	903	1,752	4,836
of which: Crop Subsidies	0	0	0	0	0
Main Crops	1,020	1,190	115	908	1,669
Forage & by-products	1,885	1,887	772	907	3,131
Cultivations output	13	28	15	-63	35
Non agriculture, no other category output	1,808	2,269	1,412	3,545	1,165
Disposal Previous Crops	4	35	0	-6	-5
Farm Business Output	96,263	145,576	95,261	70,124	84,308
Variable Costs					
Farm Business Variable costs	37,111	56,175	35,091	26,733	33,835
of which: Agriculture Variable Costs	36,978	55,956	35,005	26,548	33,730
Agri environment Variable Costs	38	7	7	180	17
Diversified income Variable Costs	93	210	78	3	86
SPS Variable Costs	2	2	1	2	3
Agriculture Crop Costs	5,852	8,844	4,079	5,038	6,101
of which: Seed	343	508	143	322	424
Fertilizer	4,548	6,958	3,497	3,686	4,548
Crop Protection	384	462	230	362	473
Other Crop Costs	578	917	210	668	656
Agriculture Livestock Costs	26,037	40,105	26,677	17,408	22,413
of which: Purchased Fodder Feed	14,681	22,731	15,642	9,589	12,223
Home Produced Fodder Feed	769	1,085	110	973	1,030
Veterinary and medicines	3,559	5,331	4,360	2,082	2,721
Other Livestock Costs	7,028	10,958	6,566	4,764	6,439
Agriculture Contract Costs	3,480	4,767	2,300	3,065	3,930
Agriculture Casual Labour	1,545	2,230	1,934	682	1,281
Farm Business Gross Margin	59,153	89,401	60,170	43,390	50,473
Agriculture Gross Margin	25,941	42,757	21,631	19,932	23,655
Agri Environment Gross Margin	11,134	18,927	15,197	8,291	5,519
Diversified Gross Margin	3,976	3,843	3,285	1,333	5,661
SPS Gross Margin	18,102	23,874	20,058	13,834	15,638

Table 21 Fixed costs and farm income measures by main farm type

2014/15	The Average LFA Farm	Mixed grazing livestock (SDA)	Specialist sheep (SDA)	Specialist beef (SDA)	Various grazing livestock (DA)
Number (unweighted)	237	80	53	29	75
Number (weighted)	6,577	1,187	1,876	1,032	2,482
Utilisable Agricultural Land (UAA) (ha)	136	197	172	101	96
Average adjusted UAA (ha)	106	142	115	85	90
Average adjusted sole grazing (ha)	16	25	28	12	3
Average herd size	27	45	9	45	25
Average flock size	340	488	550	94	213
Gross Margin					
Farm Business Gross Margin	59,153	89,401	60,170	43,390	50,473
Agriculture Gross Margin	25,941	42,757	21,631	19,932	23,655
Agri Environment Gross Margin	11,134	18,927	15,197	8,291	5,519
Diversified Income Gross Margin	3,976	3,843	3,285	1,333	5,661
SPS Gross Margin	18,102	23,874	20,058	13,834	15,638
Fixed Costs					
Farm Business Fixed Costs	44,723	62,833	39,475	41,518	41,362
of which: Agriculture Fixed Costs	37,968	54,694	32,593	35,799	34,932
Agri Environment Fixed Costs	2,344	2,949	2,677	2,674	1,667
Diversified Income Fixed Costs	1,775	2,291	1,400	592	2,304
SPS Fixed Costs	2,636	2,899	2,804	2,454	2,459
Agriculture Paid Labour	4,393	7,312	4,430	2,681	3,682
Of which Fixed Labour Costs	2,849	5,083	2,496	1,998	2,401
(-) Casual Labour Costs (a Variable Cost)	1,545	2,230	1,934	682	1,281
Agriculture Machinery Costs	16,363	23,342	14,231	15,739	14,898
of which: Machinery Running Costs	7,967	10,636	7,322	7,959	7,182
Agriculture Depreciation Tenants Capital	8,396	12,706	6,909	7,780	7,716
Agriculture General Farming Costs	9,102	12,249	7,979	9,230	8,393
of which: Agriculture Bank & Professional Fees	1,831	2,608	1,875	1,643	1,503
Agriculture Other General Costs	5,495	7,084	4,469	6,161	5,234
Net Interest Payments	1,776	2,557	1,635	1,426	1,656
Bad Debts Write-offs	0	0	0	0	0
Agriculture Property Costs	8,437	12,271	7,189	6,197	8,479
Non Agriculture Other Fixed Costs	1,216	1,749	699	2,634	763
Profit/loss sale of fixed assets	210	220	278	99	201
Agriculture Net Margin (AGRICULTURE BUSINESS INCOME)					
	-11,817	-11,717	-10,685	-15,767	-11,077
Unpaid manual labour	23,722	28,788	23,328	23,298	21,772
Of Which Unpaid Farmer and Spouse	19,947	23,915	20,179	18,823	18,340
Unpaid Partner	3,775	4,874	3,149	4,475	3,432
Agriculture Economic Profit (AGRICULTURE CORPORATE INCOME)					
	-35,538	-40,505	-34,014	-39,066	-32,849
Agriculture Net Interest Payment (added back)	1,776	2,557	1,635	1,426	1,656
AGRICULTURE INVESTMENT INCOME					
	-33,762	-37,948	-32,378	-37,640	-31,193
Farm Net Margin (FARM BUSINESS INCOME)					
	14,640	26,788	20,973	1,971	9,311
Farm Economic Profit (FARM CORPORATE INCOME)					
	-10,638	-4,028	-3,760	-22,868	-13,912
FARM INVESTMENT INCOME					
	-8,681	-1,239	-1,951	-21,272	-12,091
NET FARM INCOME					
	6,424	16,854	13,319	-7,344	1,949
Holding gains not included in farm income	29,891	34,985	21,354	31,821	33,104
BLSA	1,600	1,153	2,894	352	1,356
Revaluation of Machinery, permanent crops etc.	377	516	242	425	393
Revaluation of Land	27,913	33,316	18,218	31,044	31,356
MANAGEMENT AND INVESTMENT INCOME					
	-14,721	-8,350	-7,999	-27,179	-17,668

Table 22 Balance sheet by main farm type

2014/15	The Average LFA Farm	Mixed grazing livestock (SDA)	Specialist sheep (SDA)	Specialist beef (SDA)	Various grazing livestock (DA)
Number (unweighted)	237	80	53	29	75
Number (weighted)	6,577	1,187	1,876	1,032	2,482
Average Farmed Area (ha)	139.4	205.0	176.9	104.1	94.4
Adjusted Utilisable Agricultural Area (ha)	105.7	142.3	115.2	85.3	89.6
Utilisable Agricultural Area (ha)	136.4	197.0	171.5	101.3	95.6
Grazing Livestock Units	86.0	126.9	69.9	82.0	80.4
Ewes (head)	340	488	550	94	213
Beef Cows (head)	25	41	9	45	20
Occupied Area (ha)	68.2	82.4	81.3	60.3	54.7
Tenanted Area (ha)	71.9	118.5	94.1	42.4	45.0
Percentage of Land Owned (%)	48.7	41.0	46.3	58.7	54.9
Assets					
Fixed Assets	786,978	960,093	765,157	725,676	746,175
Of which Agricultural Land	606,484	690,923	591,209	562,942	595,753
Woodland	6,004	2,574	4,288	2,409	10,436
Total Buildings	22,142	37,125	15,795	26,671	17,890
Total Improvements	6,019	9,051	9,207	4,030	2,987
Milk quota	0	0	0	0	0
SPS Entitlements	29,238	40,952	35,571	23,345	21,298
Machinery	50,951	77,128	41,351	48,176	46,844
Breeding Livestock	65,372	101,758	67,034	57,723	49,895
Miscellaneous Business Assets	769	581	701	380	1,071
Current Assets	69,810	111,251	47,614	68,837	67,174
of which: Trading Livestock	30,230	44,128	11,864	36,984	34,657
Crops	463	514	68	309	801
Forage	4,770	4,656	2,440	8,212	5,154
Cultivation	677	1,070	190	1,073	693
Stores	3,114	3,676	1,760	3,462	3,725
Liquid Assets	30,556	57,206	31,292	18,796	22,145
Of which: Cash at Bank and In Hand	20,382	28,893	24,335	13,369	16,239
Debtors	8,184	27,545	5,352	3,020	3,213
Suspended	0	0	0	0	0
SPS debtors	1,990	769	1,605	2,407	2,693
Total Assets (£/farm)	856,789	1,071,344	812,771	794,513	813,349
Of which: Total Landlord-type Capital	640,649	739,674	620,499	596,052	627,067
Tenant Type Capital	216,140	331,670	192,272	198,461	186,282
Loans					
Total Long Term Loans	44,944	61,780	20,137	32,180	60,951
Of which: Bank Loans	18,895	34,175	11,048	4,837	23,365
Institutional Loans	13,530	23,596	6,400	27,204	8,420
Of which: AMC	9,556	19,056	3,339	18,080	6,167
Building Societies	1,343	0	2,464	0	1,696
Other Institutional Loans	2,632	4,540	598	9,123	557
Family Loans	12,420	3,892	2,417	139	29,166
Other Loans	98	117	271	0	0
Current Liabilities	23,105	34,932	21,058	18,815	20,782
Of which: Hire Purchase	3,493	6,684	3,518	1,458	2,795
Leasing	51	0	0	0	135
Other Current Liabilities	19,561	28,248	17,540	17,357	17,852
Of which Creditors	6,974	9,473	7,831	5,232	5,857
Bank Overdraft	12,556	18,680	9,682	12,086	11,995
Others	31	94	27	39	0
Total Liabilities	68,050	96,711	41,195	50,995	81,732
Closing Net Worth	788,739	974,632	771,576	743,518	731,617
Opening Net Worth	751,213	912,658	745,120	706,137	697,356
Change in New Worth	37,526	61,974	26,456	37,381	34,261

Table 23 Land use, stocking and technical efficiency by main farm type

	The Average LFA Farm	Mixed grazing livestock (SDA)	Specialist sheep (SDA)	Specialist beef (SDA)	Various grazing livestock (DA)
2014/15					
Number (unweighted)	237	80	53	29	75
Number (weighted)	6,577	1,187	1,876	1,032	2,482
Total Area (includes woodland and roads etc) (ha)	140.0	200.9	175.4	102.7	99.8
Area Farmed (ha)	139.4	205.0	176.9	104.1	94.4
Net Land Hired In (ha)	3.0	8.0	5.4	2.8	-1.2
Utilised Agricultural Area (ha)	136.4	197.0	171.5	101.3	95.6
Of which Total main products (ha)	1.4	1.8	0.2	1.2	2.2
Grass, fodder crops and rough grazing (ha)	135.0	195.2	171.3	100.1	93.4
Of which rough grazing (unadjusted) (ha)	46.3	80.2	84.6	28.0	8.7
Adjusted rough grazing (sole occupation)	15.6	25.5	28.2	12.0	2.8
Adjusted rough grazing (shared)	5.9	9.4	12.9	3.1	0.1
Total Adjusted Utilised Agriculture Area (ha)	105.7	142.3	115.2	85.3	89.6
Area owner occupied (ha)	68.2	82.4	81.3	60.3	54.7
Area tenanted (ha)	71.9	118.5	94.1	42.4	45.0
Average age of farmer (years)	58	55	59	60	58
Agricultural labour units (ALU)	1.5	1.9	1.4	1.4	1.3
Standard Output (2010SO)	77,595	114,530	68,600	63,111	72,754
Standard Output size group (2010SO)	6.8	7.4	6.7	6.5	6.8
<u>Land Use</u>					
Temporary Grassland Area (ha)	5.5	5.2	1.6	4.5	9.0
Permanent Grassland Area (ha)	85.6	116.9	90.2	69.9	73.6
<u>Stocking</u>					
Total Dairy Cows	1	3	0	0	1
Total Beef cows	26	41	9	45	24
Total Cattle	82	125	22	118	92
Ewes (LFA and lowland)	340	488	550	94	213
Of which LFA Ewes	329	488	550	94	185
Lowland Ewes	11	0	0	0	29
Total Sheep	683	971	1,063	202	458
<u>Livestock Units</u>					
Total Cattle LU	49	74	13	71	55
Of which Beef Cows LU	20	31	7	34	18
Other Cattle LU	25	36	6	33	33
Dairy Cows and Heifers	4	8	1	5	4
Total Sheep LU	37	51	57	11	25
Of which Ewe LU	25	34	39	7	17
Grazing LU (cattle, sheep, horses and others)	86	127	70	82	80
Total LU	86	127	70	82	80
<u>Financial Performance per GLU</u>					
Farm Business Output per GLU (£/GLU)	1,119	1,148	1,363	855	1,049
Farm Business Variable Costs (£/GLU)	431	443	502	326	421
Farm Business Gross Margin (£/GLU)	688	705	861	529	628
Farm Business Fixed Costs (£/GLU)	520	495	565	507	514
Farm Business Income (£/GLU)	170	211	300	24	116
Farm Corporate Income (£/GLU)	-124	-32	-54	-279	-173
Farm Investment Income (£/GLU)	-101	-10	-28	-260	-150
Holding Gains Not In Income (£/GLU)	347	276	306	388	412
of which Land Revaluation (£/GLU)	324	263	261	379	390
Net Farm Income (£/GLU)	75	133	191	-90	24
Management and Investment Income (£/GLU)	-171	-66	-114	-332	-220
Agriculture Net Margin (Agriculture business income) (£/GLU)	-137	-92	-153	-192	-138
Agriculture Economic Profit (Agriculture corporate income) (£/GLU)	-413	-319	-487	-477	-409
Agriculture Investment Income (£/GLU)	-392	-299	-463	-459	-388

Appendix 3. Analysis of English Grazing Livestock Farms in the LFA- by EU region

Table 24 Output, variable costs and farm gross margins by EU region

2014/15	The average LFA Farm	EU Region England North	EU Region England East	EU Region England West
Number of farms in the group	237	150	22	65
Number (weighted)	6,577	4,252	534	1,791
Utilisable Agricultural Area (UAA) (ha)	136	145	126	118
Average adjusted UAA (ha)	106	106	112	103
Average adjusted sole grazing (ha)	16	19	14	7
Average herd size	27	23	26	37
Average flock size	340	397	255	232
Output				
Farm Output	96,555	96,530	94,361	97,270
Farm Business Output	96,263	96,231	94,109	96,983
of which: Output from agriculture	62,918	62,027	67,559	63,652
Agri environment payment	11,172	11,780	8,600	10,495
Diversified output	4,069	3,576	2,498	5,709
Single Farm Payment	18,104	18,849	15,452	17,127
Livestock Enterprise Output	58,189	57,940	64,197	56,987
of which: Cattle Enterprise Output	26,493	20,583	38,245	37,021
(incl Livestock disease compensation)	259	0	212	889
Sheep Enterprise Output	31,520	37,107	25,888	19,932
Poultry Enterprise Output	20	24	61	0
Pigs Enterprise Output	21	14	4	42
Other Livestock Enterprise Output	135	212	0	-8
Crop Enterprise Output	2,918	2,600	2,425	3,820
of which: Crop Subsidies	0	0	0	0
Main Crops	1,020	889	474	1,495
Forage & by-products	1,885	1,698	1,991	2,296
Cultivations output	13	13	-39	29
Non agriculture, no other category output	1,808	1,480	937	2,848
Disposal Previous Crops	4	7	0	-3
Farm Business Output	96,263	96,231	94,109	96,983
Variable Costs				
Farm Business Variable costs	37,111	37,506	37,705	35,994
of which: Agriculture Variable Costs	36,978	37,376	37,551	35,862
Agri environment Variable Costs	38	46	17	23
Diversified income Variable Costs	93	82	135	107
SPS Variable Costs	2	2	2	2
Agriculture Crop Costs	5,852	5,751	4,354	6,541
of which: Seed	343	293	225	496
Fertilizer	4,548	4,554	2,808	5,051
Crop Protection	384	353	576	402
Other Crop Costs	578	551	745	592
Agriculture Livestock Costs	26,037	26,498	29,634	23,868
of which: Purchased Fodder Feed	14,681	15,320	18,421	12,048
Home Produced Fodder Feed	769	431	514	1,646
Veterinary and medicines	3,559	3,909	3,553	2,730
Other Livestock Costs	7,028	6,838	7,145	7,444
Agriculture Contract Costs	3,480	3,552	2,424	3,625
Agriculture Casual Labour	1,545	1,568	1,137	1,610
Agriculture, no other category Variable Costs	64	7	3	217
Farm Business Gross Margin	59,153	58,725	56,404	60,989
Agriculture Gross Margin	25,941	24,651	30,008	27,790
Agri Environment Gross Margin	11,134	11,733	8,583	10,472
Diversified Gross Margin	3,976	3,494	2,364	5,602
SPS Gross Margin	18,102	18,847	15,450	17,124

Table 25 Fixed costs and farm income measures by EU region

2014/15	The Average LFA Farm	EU Region England North	EU Region England East	EU Region England West
Number (unweighted)	237	150	22	65
Number (weighted)	6,577	4,252	534	1,791
Utilisable Agricultural Land (UAA) (ha)	136	145	126	118
Average adjusted UAA (ha)	106	106	112	103
Average adjusted sole grazing (ha)	16	19	14	7
Average herd size	27	23	26	37
Average flock size	340	397	255	232
Gross Margin				
Farm Business Gross Margin	59,153	58,725	56,404	60,989
Agriculture Gross Margin	25,941	24,651	30,008	27,790
Agri Environment Gross Margin	11,134	11,733	8,583	10,472
Diversified Income Gross Margin	3,976	3,494	2,364	5,602
SPS Gross Margin	18,102	18,847	15,450	17,124
Fixed Costs				
Farm Business Fixed Costs	44,723	43,683	44,651	47,215
of which: Agriculture Fixed Costs	37,968	36,861	39,492	40,141
Agri Environment Fixed Costs	2,344	2,387	1,730	2,427
Diversified Income Fixed Costs	1,775	1,555	1,287	2,444
SPS Fixed Costs	2,636	2,880	2,142	2,203
Agriculture Paid Labour	4,393	4,564	2,409	4,580
Of which Fixed Labour Costs	2,849	2,996	1,271	2,971
(-) Casual Labour Costs (a Variable Cost)	1,545	1,568	1,137	1,610
Agriculture Machinery Costs	16,363	15,907	16,693	17,350
of which: Machinery Running Costs	7,967	7,558	7,415	9,104
Agriculture Depreciation Tenants Capital	8,396	8,349	9,277	8,246
Agriculture General Farming Costs	9,102	8,557	9,363	10,318
of which: Agriculture Bank & Professional Fees	1,831	1,812	1,593	1,946
Agriculture Other General Costs	5,495	5,026	6,919	6,185
Net Interest Payments	1,776	1,720	850	2,188
Bad Debts Write-offs	0	0	0	0
Agriculture Property Costs	8,437	8,426	11,423	7,573
Non Agriculture Other Fixed Costs	1,216	975	742	1,929
Profit/loss sale of fixed assets	210	206	-187	339
Agriculture Net Margin (AGRICULTURE BUSINESS INCOME)				
Unpaid manual labour	-11,817	-12,004	-9,671	-12,013
Of Which Unpaid Farmer and Spouse	23,722	21,631	27,307	27,616
Unpaid Partner	19,947	18,664	20,291	22,889
Unpaid Partner	3,775	2,967	7,015	4,727
Agriculture Economic Profit (AGRICULTURE CORPORATE INCOME)				
Agriculture Net Interest Payment (added back)	-35,538	-33,635	-36,978	-39,629
	1,776	1,720	850	2,188
AGRICULTURE INVESTMENT INCOME				
	-33,762	-31,915	-36,128	-37,441
Farm Net Margin (FARM BUSINESS INCOME)				
	14,640	15,248	11,566	14,112
Farm Economic Profit (FARM CORPORATE INCOME)				
	-10,638	-7,841	-16,880	-15,417
FARM INVESTMENT INCOME				
	-8,681	-5,951	-15,977	-12,987
NET FARM INCOME				
	6,424	8,412	439	3,487
Holding gains not included in farm income	29,891	19,660	13,786	58,986
BLSA	1,600	2,174	-1,176	1,066
Revaluation of Machinery, permanent crops etc.	377	325	505	464
Revaluation of Land	27,913	17,161	14,457	57,456
MANAGEMENT AND INVESTMENT INCOME				
	-14,721	-11,357	-20,894	-20,867

Table 26 Balance sheet by EU region

2014/15	The Average LFA Farm	EU Region England North	EU Region England East	EU Region England West
Number (unweighted)	237	150	22	65
Number (weighted)	6,577	4,252	534	1,791
Average Farmed Area (ha)	139.4	147.9	132.1	121.4
Adjusted Utilisable Agricultural Area (ha)	106	106	112	103
Utilisable Agricultural Area (ha)	136	145	126	118
Grazing Livestock Units	86	82	88	94
Ewes (head)	340	397	255	232
Beef Cows (head)	24.6	22.1	22.6	31.1
Occupied Area (ha)	68.2	71.1	36.5	70.7
Tenanted Area (ha)	72	79	91	50
Percentage of Land Owned (%)	49	47	29	59
Assets				
Fixed Assets	786,978	696,064	561,648	1,070,047
Of which: Agricultural Land	606,484	512,283	380,821	897,456
Woodland	6,004	6,660	5,025	4,739
Total Buildings	22,142	20,874	32,594	22,034
Total Improvements	6,019	7,197	2,824	4,176
Milk quota	0	0	0	0
SPS Entitlements	29,238	31,181	23,689	26,278
Machinery	50,951	48,933	58,157	53,595
Breeding Livestock	65,372	67,951	58,276	61,363
Miscellaneous Business Assets	769	985	263	407
Current Assets	69,810	64,153	85,824	78,468
of which: Trading Livestock	30,230	24,701	39,694	40,536
Crops	463	479	0	562
Forage	4,770	3,722	4,358	7,380
Cultivation	677	126	3,951	1,010
Stores	3,114	2,939	3,355	3,460
Liquid Assets	30,556	32,186	34,467	25,519
Of which: Cash at Bank and In Hand	20,382	20,114	30,441	18,016
Debtors	8,184	10,120	1,560	5,564
Suspended	0	0	0	0
SPS debtors	1,990	1,952	2,465	1,939
Total Assets (£/farm)	856,789	760,217	647,471	1,148,516
Of which: Total Landlord-type Capital	640,649	547,014	421,263	928,405
Tenant Type Capital	216,140	213,203	226,208	220,110
Loans				
Total Long Term Loans	44,944	42,633	20,426	57,744
Of which: Bank Loans	18,895	16,016	4,408	30,051
Institutional Loans	13,530	10,954	2,061	23,069
Of which: AMC	9,556	5,299	2,061	21,898
Building Societies	1,343	2,077	0	0
Other Institutional Loans	2,632	3,578	0	1,171
Family Loans	12,420	15,663	13,957	4,263
Other Loans	98	0	0	362
Current Liabilities	23,105	21,317	26,343	26,388
Of which: Hire Purchase	3,493	3,510	1,225	4,129
Leasing	51	38	327	0
Other Current Liabilities	19,561	17,768	24,791	22,259
Of which Creditors	6,974	7,032	7,507	6,679
Bank Overdraft	12,556	10,724	17,195	15,521
Others	31	12	89	59
Total Liabilities	68,050	63,949	46,769	84,132
Closing Net Worth	788,739	696,267	600,702	1,064,384
Opening Net Worth	751,213	663,564	587,686	1,008,100
Change in New Worth	37,526	32,704	13,017	56,284

Table 27 Land use, stocking and technical efficiency by EU region

	The Average LFA Farm	EU Region England North	EU Region England East	EU Region England West
2014/15				
Number (unweighted)	237	150	22	65
Number (weighted)	6,577	4,252	534	1,791
Total Area (includes woodland and roads etc.) (ha)	140.0	149.7	127.6	120.8
Area Farmed (ha)	139.4	147.9	132.1	121.4
Net Land Hired In (ha)	3.0	2.5	6.5	3.1
Utilised Agricultural Area (ha)	136.4	145.4	125.6	118.3
<i>Of which</i> Total main products and set-aside (ha)	1.4	1.2	0.8	2.1
Grass, fodder crops and rough grazing (ha)	135.0	144.2	124.9	116.2
<i>Of which</i> rough grazing (unadjusted) (ha)	46.3	58.7	27.4	22.3
Adjusted rough grazing (sole occupation)	15.6	19.5	13.7	6.9
Adjusted rough grazing (shared)	5.9	8.3	0.0	1.9
Total Adjusted Utilised Agriculture Area (ha)	105.7	106.2	112.0	102.9
Area owner occupied (ha)	68.2	71.1	36.5	70.7
Area tenanted (ha)	71.9	78.6	91.1	50.1
Average age of farmer (years)	58	58	55	59
Agricultural labour units (ALU)	1.5	1.4	1.4	1.6
Standard Output (2010SO)	77,595	71,944	87,715	87,997
Standard Output size group (2010SO)	6.8	6.7	7.1	7.0
<u>Land Use</u>				
Temporary Grassland Area (ha)	5.5	5.9	0.1	6.3
Permanent Grassland Area (ha)	85.6	81.4	103.7	90.0
<u>Stocking</u>				
Total Dairy Cows	1	1	2	1
Total Beef cows	26	22	24	35
Total Cattle	82	67	100	113
Ewes (LFA and lowland)	340	397	255	232
Of which LFA Ewes	329	386	255	217
Lowland Ewes	11	10	0	15
Total Sheep	683	789	562	467
<u>Livestock Units</u>				
Total Cattle LU	49	40	58	68
Of which Beef Cows LU	20	17	18	27
Other Cattle LU	25	20	33	37
Dairy Cows and Heifers	4	4	7	4
Total Sheep LU	37	42	30	25
Of which Ewe LU	25	29	19	17
Grazing LU (cattle, sheep, horses and others)	86	82	88	94
Total LU	86	82	88	94
<u>Financial Performance per GLU</u>				
Farm Business Output per GLU (£/GLU)	1,119	1,167	1,067	1,034
Farm Business Variable Costs (£/GLU)	431	455	427	384
Farm Business Gross Margin (£/GLU)	688	712	639	650
Farm Business Fixed Costs (£.GLU)	520	530	506	503
Farm Business Income (£/GLU)	170	185	131	150
Farm Corporate Income (£/GLU)	-124	-95	-191	-164
Farm Investment Income (£/GLU)	-101	-72	-181	-138
Holding Gains Not In Income (£/GLU)	347	238	156	629
of which Land Revaluation (£/GLU)	324	208	164	612
Net Farm Income (£/GLU)	75	102	5	37
Management and Investment Income (£/GLU)	-171	-138	-237	-222
Agriculture Net Margin (Agriculture business income) (£/GLU)	-137	-146	-110	-128
Agriculture Economic Profit (Agriculture corporate income) (£/GLU)	-413	-408	-419	-422
Agriculture Investment Income (£/GLU)	-392	-387	-410	-399

Appendix 4. Analysis of English Grazing Livestock Farms in the LFA- by farm size (SLR Publication size band)

Table 28 Output, variable costs and farm gross margins by SLR size band

	The Average LFA Farm	Band 1 (Part time)	Band 2 (Small)	Band 3 (Medium)	Band 4 (Large)
2014/15					
Number of farms in the group	237	15	67	58	95
Number (weighted)	6,577	1,588	2,612	1,031	1,158
Utilisable Agricultural Area (UAA) (ha)	136	63	113	167	277
Average adjusted UAA (ha)	106	56	87	118	215
Average adjusted sole grazing (ha)	16	6	15	20	28
Average herd size	27	19	17	28	64
Average flock size	340	63	275	449	825
<u>Output</u>					
Farm Output	96,555	42,191	73,811	106,039	222,972
Farm Business Output	96,263	42,050	73,678	105,881	221,947
of which: Output from agriculture	62,918	21,917	44,074	68,664	161,752
Agri environment payment	11,172	5,169	10,150	14,214	20,577
Diversified output	4,069	5,782	3,554	2,554	4,889
Single Farm Payment	18,104	9,183	15,900	20,449	34,729
Livestock Enterprise Output	58,189	20,262	40,084	64,151	150,782
of which: Cattle Enterprise Output	26,493	15,609	14,488	27,394	67,608
(incl Livestock disease compensation)	259	341	37	274	676
Sheep Enterprise Output	31,520	4,628	25,582	36,749	82,245
Poultry Enterprise Output	20	0	13	9	78
Pigs Enterprise Output	21	24	1	0	83
Other Livestock Enterprise Output	135	0	0	-1	769
Crop Enterprise Output	2,918	1,087	2,044	3,298	6,978
of which: Crop Subsidies	0	0	0	0	0
Main Crops	1,020	0	330	1,147	4,027
Forage & by-products	1,885	1,064	1,739	2,074	2,922
Cultivations output	13	23	-25	77	30
Non agriculture, no other category output	1,808	568	1,948	1,228	3,956
Disposal Previous Crops	4	0	-2	-12	36
Farm Business Output	96,263	42,050	73,678	105,881	221,947
<u>Variable Costs</u>					
Farm Business Variable costs	37,111	15,277	26,539	38,991	93,492
of which: Agriculture Variable Costs	36,978	15,208	26,356	38,972	93,269
Agri environment Variable Costs	38	2	83	12	7
Diversified income Variable Costs	93	66	99	4	212
SPS Variable Costs	2	1	2	2	4
Agriculture Crop Costs	5,852	2,523	3,657	6,254	15,693
of which: Seed	343	151	168	350	1,047
Fertilizer	4,548	1,996	2,973	4,781	11,905
Crop Protection	384	107	237	439	1,109
Other Crop Costs	578	269	279	683	1,631
Agriculture Livestock Costs	26,037	9,808	19,026	28,055	65,221
of which: Purchased Fodder Feed	14,681	6,043	10,596	15,498	36,614
Home Produced Fodder Feed	769	0	249	675	3,204
Veterinary and medicines	3,559	1,088	2,927	4,069	8,421
Other Livestock Costs	7,028	2,677	5,254	7,814	16,982
Agriculture Contract Costs	3,480	2,306	2,458	3,314	7,945
Agriculture Casual Labour	1,545	571	1,074	1,347	4,368
Agriculture, no other category Variable Costs	64	0	141	2	42
Farm Business Gross Margin	59,153	26,774	47,138	66,890	128,455
Agriculture Gross Margin	25,941	6,709	17,718	29,692	68,483
Agri Environment Gross Margin	11,134	5,167	10,068	14,202	20,569
Diversified Gross Margin	3,976	5,716	3,455	2,550	4,678
SPS Gross Margin	18,102	9,181	15,898	20,446	34,725

Table 29 Fixed costs and farm income measures by SLR size band

2014/15	The Average LFA Farm	Band 1 (Part time)	Band 2 (Small)	Band 3 (Medium)	Band 4 (Large)
Number (unweighted)	237	15	67	58	95
Number (weighted)	6,577	1,588	2,612	1,031	1,158
Utilisable Agricultural Land (UAA) (ha)	136	63	113	167	277
Average adjusted UAA (ha)	106	56	87	118	215
Average adjusted sole grazing (ha)	16	6	15	20	28
Average herd size	27	19	17	28	64
Average flock size	340	63	275	449	825
Gross Margin					
Farm Business Gross Margin	59,153	26,774	47,138	66,890	128,455
Agriculture Gross Margin	25,941	6,709	17,718	29,692	68,483
Agri Environment Gross Margin	11,134	5,167	10,068	14,202	20,569
Diversified Income Gross Margin	3,976	5,716	3,455	2,550	4,678
SPS Gross Margin	18,102	9,181	15,898	20,446	34,725
Fixed Costs					
Farm Business Fixed Costs	44,723	24,633	36,665	47,206	93,338
of which: Agriculture Fixed Costs	37,968	18,869	29,762	40,879	84,224
Agri Environment Fixed Costs	2,344	1,642	2,527	2,625	3,005
Diversified Income Fixed Costs	1,775	2,266	1,844	1,077	1,856
SPS Fixed Costs	2,636	1,857	2,531	2,625	4,253
Agriculture Paid Labour	4,393	811	2,841	3,671	14,164
Of which Fixed Labour Costs	2,849	240	1,767	2,324	9,796
(-) Casual Labour Costs (a Variable Cost)	1,545	571	1,074	1,347	4,368
Agriculture Machinery Costs	16,363	8,789	13,089	17,931	34,577
of which: Machinery Running Costs	7,967	4,229	6,454	8,620	16,779
Agriculture Depreciation Tenants Capital	8,396	4,560	6,636	9,311	17,798
Agriculture General Farming Costs	9,102	5,621	7,767	10,393	16,488
of which: Agriculture Bank & Professional Fees	1,831	1,057	1,683	2,027	3,196
Agriculture Other General Costs	5,495	3,996	4,651	5,941	9,566
Net Interest Payments	1,776	568	1,433	2,425	3,726
Bad Debts Write-offs	0	0	0	0	0
Agriculture Property Costs	8,437	3,708	5,806	9,681	20,662
Non Agriculture Other Fixed Costs	1,216	511	1,332	549	2,701
Profit/loss sale of fixed assets	210	96	291	348	247
Agriculture Net Margin (AGRICULTURE BUSINESS INCOME)	-11,817	-12,064	-11,753	-10,839	-15,494
Unpaid manual labour	23,722	17,838	20,854	28,734	34,628
Of Which Unpaid Farmer and Spouse	19,947	15,523	19,099	24,263	24,302
Unpaid Partner	3,775	2,315	1,756	4,471	10,326
Agriculture Economic Profit (AGRICULTURE CORPORATE INCOME)	-35,538	-29,902	-32,607	-39,573	-50,122
Agriculture Net Interest Payment (added back)	1,776	568	1,433	2,425	3,726
AGRICULTURE INVESTMENT INCOME	-33,762	-29,334	-31,174	-37,148	-46,396
Farm Net Margin (FARM BUSINESS INCOME)	14,640	2,236	10,765	20,032	35,365
Farm Economic Profit (FARM CORPORATE INCOME)	-10,638	-17,455	-11,711	-9,844	-864
FARM INVESTMENT INCOME	-8,681	-16,708	-10,153	-7,166	3,127
NET FARM INCOME	6,424	-2,283	4,620	10,232	18,053
Holding gains not included in farm income	29,891	20,951	26,271	33,819	45,741
BLSA	1,600	165	1,033	2,188	4,583
Revaluation of Machinery, permanent crops etc.	377	218	306	411	769
Revaluation of Land	27,913	20,568	24,932	31,220	40,389
MANAGEMENT AND INVESTMENT INCOME	-14,721	-19,659	-15,695	-15,075	-6,815

Table 30 Balance sheet by SLR size band

	The Average LFA Farm	Band 1 (Part time)	Band 2 (Small)	Band 3 (Medium)	Band 4 (Large)
2014/15					
Number (unweighted)	237	15	67	58	95
Number (weighted)	6,577	1,588	2,612	1,031	1,158
Average Farmed Area (ha)	139.4	62.3	111.8	173.9	292.6
Adjusted Utilisable Agricultural Area (ha)	136	63	113	167	277
Utilisable Agricultural Area (ha)	106	56	87	118	215
Grazing Livestock Units	86	45	59	96	203
Ewes (head)	340	63	275	449	825
Beef Cows (head)	24.6	17.3	15.1	26.7	58.2
Occupied Area (ha)	68.2	38.3	62.3	92.7	106.8
Tenanted Area (ha)	72	28	53	79	178
Percentage of Land Owned (%)	49	58	54	54	37
Assets					
Fixed Assets	786,978	497,999	768,151	853,720	1,207,369
Of which: Agricultural Land	606,484	404,101	620,359	653,072	827,259
Woodland	6,004	3,299	7,340	3,709	9,675
Total Buildings	22,142	15,162	19,713	22,454	40,404
Total Improvements	6,019	4,378	4,682	7,962	10,284
Milk quota	0	0	0	0	0
SPS Entitlements	29,238	14,359	25,634	33,860	56,475
Machinery	50,951	29,707	42,374	54,884	102,283
Breeding Livestock	65,372	26,993	47,583	76,859	158,492
Miscellaneous Business Assets	769	0	466	919	2,498
Current Assets	69,810	33,007	51,376	64,973	171,334
of which: Trading Livestock	30,230	18,392	21,726	28,343	69,614
Crops	463	0	84	297	2,175
Forage	4,770	1,826	3,941	3,503	12,324
Cultivation	677	332	493	958	1,426
Stores	3,114	2,016	2,054	3,766	6,868
Liquid Assets	30,556	10,441	23,078	28,106	78,927
Of which: Cash at Bank and In Hand	20,382	7,622	17,741	22,080	42,410
Debtors	8,184	1,698	3,676	5,011	31,399
Suspended	0	0	0	0	0
SPS debtors	1,990	1,121	1,660	1,016	5,118
Total Assets (£/farm)	856,789	531,006	819,526	918,693	1,378,703
Of which: Total Landlord-type Capital	640,649	426,939	652,093	687,197	887,622
Tenant Type Capital	216,140	104,067	167,433	231,496	491,081
Loans					
Total Long Term Loans	44,944	56,384	25,966	40,358	82,763
Of which: Bank Loans	18,895	9,927	11,848	22,365	46,467
Institutional Loans	13,530	3,588	13,106	12,538	31,199
Of which: AMC	9,556	3,588	8,024	10,205	22,166
Building Societies	1,343	0	1,477	0	4,294
Other Institutional Loans	2,632	0	3,605	2,334	4,739
Family Loans	12,420	42,869	960	5,455	4,658
Other Loans	98	0	53	0	440
Current Liabilities	23,105	8,583	18,532	26,997	51,916
Of which: Hire Purchase	3,493	122	2,808	4,583	8,716
Leasing	51	101	67	0	0
Other Current Liabilities	19,561	8,359	15,657	22,414	43,200
Of which Creditors	6,974	2,814	4,554	7,737	18,467
Bank Overdraft	12,556	5,545	11,103	14,529	24,690
Others	31	0	0	148	44
Total Liabilities	68,050	64,967	44,498	67,355	134,679
Closing Net Worth	788,739	466,039	775,028	851,339	1,244,024
Opening Net Worth	751,213	441,997	746,848	806,533	1,174,508
Change in New Worth	37,526	24,042	28,180	44,805	69,516

Table 31 Land use, stocking and technical efficiency by SLR size band

2014/15	The Average LFA Farm	Band 1 (Part time)	Band 2 (Small)	Band 3 (Medium)	Band 4 (Large)
Number (unweighted)	237	15	67	58	95
Number (weighted)	6,577	1,588	2,612	1,031	1,158
Total Area (includes woodland and roads etc.) (ha)	140.0	65.8	115.1	171.5	285.2
Area Farmed (ha)	139.4	62.3	111.8	173.9	292.6
Net Land Hired In (ha)	3.0	-1.2	-1.0	6.5	15.6
Utilised Agricultural Area (ha)	136.4	63.5	112.7	167.5	277.0
<i>Of which</i> Total main products and set-aside (ha)	1.4	0.0	0.5	1.7	5.3
Grass, fodder crops and rough grazing (ha)	135.0	63.5	112.2	165.8	271.8
<i>Of which</i> rough grazing (unadjusted) (ha)	46.3	14.2	40.7	69.2	89.9
Adjusted rough grazing (sole occupation)	15.6	6.5	15.4	19.5	27.5
Adjusted rough grazing (shared)	5.9	2.0	6.2	10.1	7.7
Total Adjusted Utilised Agriculture Area (ha)	105.7	55.8	87.4	117.8	214.7
Area owner occupied (ha)	68.2	38.3	62.3	92.7	106.8
Area tenanted (ha)	71.9	27.6	52.8	78.8	178.4
Average age of farmer (years)	58	61	57	58	56
Agricultural labour units (ALU)	1.5	1.0	1.3	1.6	2.5
Standard Output (2010SO)	77,595	36,214	54,272	86,680	185,643
Standard Output size group (2010SO)	6.8	6.1	6.5	7.3	8.2
<u>Land Use</u>					
Temporary Grassland Area (ha)	5.5	5.0	1.5	4.8	16.7
Permanent Grassland Area (ha)	85.6	42.7	68.9	97.3	178.7
<u>Stocking</u>					
Total Dairy Cows	1	0	0	1	5
Total Beef cows	26	19	17	28	59
Total Cattle	82	60	50	82	190
Ewes (LFA and lowland)	340	63	275	449	825
<i>Of which</i> LFA Ewes	329	54	264	428	820
Lowland Ewes	11	10	11	20	4
Total Sheep	683	143	541	851	1,705
<u>Livestock Units</u>					
Total Cattle LU	49	37	30	49	112
<i>Of which</i> Beef Cows LU	20	14	13	21	45
Other Cattle LU	25	20	16	24	56
Dairy Cows and Heifers	4	3	2	4	11
Total Sheep LU	37	8	29	46	90
<i>Of which</i> Ewe LU	25	6	20	33	58
Grazing LU (cattle, sheep, horses and others)	86	45	59	96	203
Total LU	86	45	59	96	203
<u>Financial Performance per GLU</u>					
Farm Business Output per GLU (£/GLU)	1,119	931	1,243	1,107	1,096
Farm Business Variable Costs (£/GLU)	431	338	448	407	462
Farm Business Gross Margin (£/GLU)	688	593	795	699	634
Farm Business Fixed Costs (£.GLU)	520	545	619	493	461
Farm Business Income (£/GLU)	170	49	182	209	175
Farm Corporate Income (£/GLU)	-124	-386	-198	-103	-4
Farm Investment Income (£/GLU)	-101	-370	-171	-75	15
Holding Gains Not In Income (£/GLU)	347	464	443	353	226
<i>of which</i> Land Revaluation (£/GLU)	324	455	421	326	199
Net Farm Income (£/GLU)	75	-51	78	107	89
Management and Investment Income (£/GLU)	-171	-435	-265	-158	-34
Agriculture Net Margin (Agriculture business income) (£/GLU)	-137	-267	-198	-113	-77
Agriculture Economic Profit (Agriculture corporate income) (£/GLU)	-413	-662	-550	-414	-248
Agriculture Investment Income (£/GLU)	-392	-649	-526	-388	-229

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

Table 32 Output, variable costs and farm gross margins by performance ratio

2014/15	The	Performance		
	average LFA farm	Low	Medium	High
Number of farms in the group	237	33	120	84
Number (weighted)	6,577	1,638	3,290	1,650
Utilisable Agricultural Area (UAA) (ha)	136	71	136	203
Average adjusted UAA (ha)	106	63	111	138
Average adjusted sole grazing (ha)	16	7	13	29
Average herd size	27	23	28	29
Average flock size	340	158	353	497
Output				
Farm Output	96,555	46,486	98,798	141,798
Farm Business Output	96,263	46,304	98,445	141,519
of which: Output from agriculture	62,918	31,924	65,634	88,278
Agri environment payment	11,172	3,960	9,702	21,264
Diversified output	4,069	802	4,591	6,273
Single Farm Payment	18,104	9,619	18,518	25,705
Livestock Enterprise Output	58,189	29,983	59,472	83,635
of which: Cattle Enterprise Output	26,493	17,706	27,029	34,149
(incl Livestock disease compensation)	259	333	325	55
Sheep Enterprise Output	31,520	12,278	32,371	48,928
Poultry Enterprise Output	20	0	34	12
Pigs Enterprise Output	21	0	41	0
Other Livestock Enterprise Output	135	0	-4	546
Crop Enterprise Output	2,918	1,103	3,858	2,844
of which: Crop Subsidies	0	0	0	0
Main Crops	1,020	218	1,455	949
Forage & by-products	1,885	931	2,361	1,882
Cultivations output	13	-46	42	14
Non agriculture, no other category output	1,808	838	2,308	1,776
Disposal Previous Crops	4	0	-4	22
Farm Business Output	96,263	46,304	98,445	141,519
Variable Costs				
Farm Business Variable costs	37,111	24,212	38,634	46,880
of which: Agriculture Variable Costs	36,978	24,200	38,514	46,600
Agri environment Variable Costs	38	2	2	143
Diversified income Variable Costs	93	8	115	134
SPS Variable Costs	2	2	2	2
Agriculture Crop Costs	5,852	3,403	6,545	6,904
of which: Seed	343	137	426	380
Fertilizer	4,548	2,602	4,985	5,607
Crop Protection	384	213	476	370
Other Crop Costs	578	450	657	547
Agriculture Livestock Costs	26,037	16,770	26,815	33,687
of which: Purchased Fodder Feed	14,681	10,099	14,890	18,814
Home Produced Fodder Feed	769	216	1,018	821
Veterinary and medicines	3,559	2,144	3,536	5,009
Other Livestock Costs	7,028	4,311	7,370	9,042
Agriculture Contract Costs	3,480	2,921	3,638	3,721
Agriculture Casual Labour	1,545	1,107	1,394	2,280
Agriculture, no other category Variable Costs	64	0	122	9
Farm Business Gross Margin	59,153	22,092	59,811	94,640
Agriculture Gross Margin	25,941	7,724	27,120	41,677
Agri Environment Gross Margin	11,134	3,957	9,700	21,121
Diversified Gross Margin	3,976	794	4,476	6,139
SPS Gross Margin	18,102	9,617	18,516	25,703

Table 33 Fixed costs and farm income measures by performance ratio

2014/15	The	Performance band		
	Average LFA Farm	Low	Medium	High
Number (unweighted)	237	33	120	84
Number (weighted)	6,577	1,638	3,290	1,650
Utilisable Agricultural Land (UAA) (ha)	136	71	136	203
Average adjusted UAA (ha)	106	63	111	138
Average adjusted sole grazing (ha)	16	7	13	29
Average herd size	27	23	28	29
Average flock size	340	158	353	497
Gross Margin				
Farm Business Gross Margin	59,153	22,092	59,811	94,640
Agriculture Gross Margin	25,941	7,724	27,120	41,677
Agri Environment Gross Margin	11,134	3,957	9,700	21,121
Diversified Income Gross Margin	3,976	794	4,476	6,139
SPS Gross Margin	18,102	9,617	18,516	25,703
Fixed Costs				
Farm Business Fixed Costs	44,723	32,455	46,663	53,035
of which: Agriculture Fixed Costs	37,968	28,048	39,785	44,194
Agri Environment Fixed Costs	2,344	1,484	2,150	3,585
Diversified Income Fixed Costs	1,775	374	2,185	2,350
SPS Fixed Costs	2,636	2,549	2,543	2,907
Agriculture Paid Labour	4,393	2,338	3,926	7,368
Of which Fixed Labour Costs	2,849	1,231	2,531	5,088
(-) Casual Labour Costs (a Variable Cost)	1,545	1,107	1,394	2,280
Agriculture Machinery Costs	16,363	11,655	17,593	18,586
of which: Machinery Running Costs	7,967	5,666	8,824	8,544
Agriculture Depreciation Tenants Capital	8,396	5,990	8,769	10,042
Agriculture General Farming Costs	9,102	8,668	9,344	9,051
of which: Agriculture Bank & Professional Fees	1,831	1,706	1,873	1,870
Agriculture Other General Costs	5,495	4,562	5,866	5,682
Net Interest Payments	1,776	2,400	1,605	1,498
Bad Debts Write-offs	0	0	0	0
Agriculture Property Costs	8,437	5,853	8,808	10,263
Non Agriculture Other Fixed Costs	1,216	640	1,508	1,206
Profit/loss sale of fixed assets	210	273	114	340
Agriculture Net Margin (AGRICULTURE BUSINESS INCOME)				
Unpaid manual labour	-11,817	-20,050	-12,551	-2,176
Of Which Unpaid Farmer and Spouse	23,722	22,002	25,377	22,128
Unpaid Partner	19,947	17,485	21,523	19,247
Unpaid Partner	3,775	4,517	3,854	2,881
Agriculture Economic Profit (AGRICULTURE CORPORATE INCOME)				
Agriculture Net Interest Payment (added back)	-35,538	-42,053	-37,928	-24,304
	1,776	2,400	1,605	1,498
AGRICULTURE INVESTMENT INCOME				
	-33,762	-39,653	-36,323	-22,806
Farm Net Margin (FARM BUSINESS INCOME)				
	14,640	-10,090	13,261	41,944
Farm Economic Profit (FARM CORPORATE INCOME)				
	-10,638	-32,642	-14,136	18,186
FARM INVESTMENT INCOME				
	-8,681	-30,101	-12,338	19,881
NET FARM INCOME				
	6,424	-14,331	3,815	32,234
Holding gains not included in farm income	29,891	17,702	33,140	35,512
BLSA	1,600	536	1,129	3,596
Revaluation of Machinery, permanent crops etc.	377	264	414	416
Revaluation of Land	27,913	16,902	31,597	31,500
MANAGEMENT AND INVESTMENT INCOME				
	-14,721	-32,364	-19,161	11,653

Table 34 Balance Sheet by performance ratio

2014/15	The Average	Performance band		
	LFA Farm	Low	Medium	High
Number (unweighted)	237	33	120	84
Number (weighted)	6,577	1,638	3,290	1,650
Average Farmed Area (ha)	139.4	72.7	138.5	207.3
Utilisable Agricultural Area (ha)	136.4	71.1	135.7	202.9
Adjusted Utilisable Agricultural Area (ha)	105.7	63.2	110.7	138.1
Grazing Livestock Units	86.0	59.9	88.9	106.3
Ewes (head)	340	158	353	497
Beef Cows (head)	25	22	25	26
Occupied Area (ha)	68	43	71	87
Tenanted Area (ha)	72	31	67	122
Percentage of Land Owned (%)	48.7	58.2	51.5	41.6
<u>Assets</u>				
Fixed Assets	786,978	575,905	843,842	883,155
<i>Of which Agricultural Land</i>	606,484	444,372	664,010	652,722
Woodland	6,004	11,704	4,548	3,249
Total Buildings	22,142	22,097	22,464	21,543
Total Improvements	6,019	5,637	4,262	9,903
Milk quota	0	0	0	0
SPS Entitlements	29,238	15,375	29,089	43,300
Machinery	50,951	34,816	52,908	63,071
Breeding Livestock	65,372	39,877	66,282	88,870
Miscellaneous Business Assets	769	2,027	278	498
Current Assets	69,810	38,963	68,265	103,521
<i>of which Trading Livestock</i>	30,230	23,009	32,246	33,378
Crops	463	19	698	435
Forage	4,770	2,478	6,103	4,387
Cultivation	677	59	983	681
Stores	3,114	2,833	3,354	2,917
Liquid Assets	30,556	10,565	24,881	61,723
Of which Cash at Bank and In Hand	20,382	8,268	18,927	35,311
Debtors	8,184	1,882	3,888	23,009
Suspended	0	0	0	0
SPS & debtors	1,990	416	2,066	3,402
Total Assets (£/farm)	856,789	614,868	912,107	986,675
<i>Of which Total Landlord-type Capital</i>	640,649	483,810	695,285	687,416
Tenant Type Capital	216,140	131,058	216,822	299,259
<u>Loans</u>				
Total Long Term Loans	44,944	75,265	37,508	29,668
<i>Of which Bank Loans</i>	18,895	21,840	23,230	7,326
Institutional Loans	13,530	11,853	11,591	19,064
Of which AMC	9,556	6,044	10,331	11,497
Building Societies	1,343	0	232	4,891
Other Institutional Loans	2,632	5,809	1,028	2,676
Family Loans	12,420	41,572	2,490	3,278
Other Loans	98	0	197	0
Current Liabilities	23,105	24,506	22,996	21,933
<i>Of which Hire Purchase</i>	3,493	1,611	4,360	3,634
Leasing	51	98	53	0
Other Current Liabilities	19,561	22,797	18,583	18,299
Of which Creditors	6,974	5,098	6,898	8,991
Bank Overdraft	12,556	17,675	11,651	9,277
Others	31	25	34	31
Total Liabilities	68,050	99,771	60,504	51,601
Closing Net Worth	788,739	515,097	851,603	935,074
Opening Net Worth	751,213	498,006	819,604	866,236
Change in New Worth	37,526	17,091	31,998	68,838

Table 35 Land use, stocking and technical efficiency by performance ratio

2014/15	The Average LFA Farm	Performance band		
		Low	Middle	High
Number (unweighted)	237	33	120	84
Number (weighted)	6,577	1,638	3,290	1,650
Total Area (includes woodland and roads etc.) (ha)	140.0	74.3	138.3	208.8
Area Farmed (ha)	139.4	72.7	138.5	207.3
Net Land Hired In (ha)	3.0	1.6	2.9	4.5
Utilised Agricultural Area (ha)	136.4	71.1	135.7	202.9
<i>Of which Total main products and set-aside (ha)</i>	<i>1.4</i>	<i>0.4</i>	<i>2.0</i>	<i>1.2</i>
Grass, fodder crops and rough grazing (ha)	135.0	70.7	133.7	201.7
Of which rough grazing (unadjusted) (ha)	46.3	15.3	38.0	93.5
Adjusted rough grazing (sole occupation)	15.6	7.4	13.1	28.7
Adjusted rough grazing (shared)	5.9	3.0	3.7	13.2
Total Adjusted Utilised Agriculture Area (ha)	105.7	63.2	110.7	138.1
Area owner occupied (ha)	68.2	43.2	71.2	86.9
Area tenanted (ha)	71.9	31.1	67.1	122.0
Average age of farmer (years)	58	63	57	56
Agricultural labour units (ALU)	1.5	1.2	1.5	1.5
Standard Output size units (2010SO)	77,595	48,905	82,358	96,585
Standard Output size group (2010SO)	6.8	6.4	6.8	7.2
<u>Land Use</u>				
Temporary Grassland Area (ha)	5.5	1.7	6.7	7.0
Permanent Grassland Area (ha)	85.6	55.3	91.1	104.6
<u>Stocking</u>				
Total Dairy Cows	1	0	1	2
Total Beef cows	26	23	28	26
Total Cattle	82	70	86	87
Ewes (LFA and lowland)	340	158	353	497
Of which LFA Ewes	329	135	344	494
Lowland Ewes	11	23	8	3
Total Sheep	683	323	709	988
<u>Livestock Units</u>				
Total Cattle LU	49	42	50	54
Of which Beef Cows LU	20	17	21	20
Other Cattle LU	25	21	26	28
Dairy Cows and Heifers	4	4	3	5
Total Sheep LU	37	18	38	52
Of which Ewe LU	25	13	26	36
Grazing LU (cattle, sheep, horses and others)	86	60	89	106
Total LU	86	60	89	106
<u>Financial Performance per GLU</u>				
Farm Business Output per GLU (£/GLU)	1,119	773	1,108	1,331
Farm Business Variable Costs (£/GLU)	431	404	435	441
Farm Business Gross Margin (£/GLU)	688	369	673	890
Farm Business Fixed Costs (£/GLU)	520	542	525	499
Farm Business Income (£/GLU)	170	-169	149	395
Farm Corporate Income (£/GLU)	-124	-545	-159	171
Farm Investment Income (£/GLU)	-101	-503	-139	187
Holding Gains Not In Income (£/GLU)	347	296	373	334
of which Land Revaluation (£/GLU)	324	282	355	296
Net Farm Income (£/GLU)	75	-239	43	303
Management and Investment Income (£/GLU)	-171	-541	-216	110
Agriculture Net Margin (Agriculture business income) (£/GLU)	-137	-335	-141	-20
Agriculture Economic Profit (Agriculture corporate income) (£/GLU)	-413	-702	-427	-229
Agriculture Investment Income (£/GLU)	-392	-662	-409	-215

Appendix 6. Analysis of English Grazing Livestock Farms in the LFA – enterprise margins

Table 36 LFA Suckler herd margins by herd size

2014/15	Enterprise Output and Gross margin per cow, GLU & ha			
	All herds	<30 cows	30-60 cows	>60 cows
Number of farms	168	50	68	50
Number of farms (weighted)	4,029	1,714	1,698	617
Area Farmed (UAA + net hired in) (ha)	149	138	116	275
Utilisable Agricultural Area (ha)	145	134	110	269
Adjusted UAA (ha)	122	106	99	231
Grazing Livestock Units (farm)	98	63	87	226
Grazing Livestock Units (enterprise)	38	14	40	99
Forage area (enterprise) (ha)	48	31	46	106
	0.8	0.6	0.9	1.0
Cows per herd	39	14	41	101
Total Cattle	104	48	104	256
Breeding Flock	335	311	234	681
<u>Output per cow</u>				
Enterprise Output (excluding BLSA)	390	347	372	426
BLSA	7	3	1	15
Concentrates	47	59	45	44
Purchased fodder and keep	21	48	11	21
Veterinary and medicines	23	34	20	22
Other livestock costs	49	58	46	48
Seed	2	2	2	2
Fertilizer	44	44	42	46
Sprays	2	3	2	2
Other crop costs	6	4	7	6
Total Variable costs	194	252	175	192
Gross Margin (excluding BLSA) / Cow	196	95	197	234
Gross margin (excluding BLSA) / forage ha	156	44	176	223
Gross Margin (excluding BLSA) / GLU	199	94	201	238
Enterprise Gross margin (excluding BLSA)	7,572	1,364	8,023	23,590
<u>Measures of Income</u>				
Farm Business Income	12,228	7,566	8,351	35,873
Farm Corporate Income	-13,323	-14,449	-18,639	4,446
Agricultural Economic Profit	-39,067	-35,847	-38,418	-49,810
Agri-environment Economic Profit	9,253	8,938	7,086	16,100
Diversified Economic Profit	783	510	-172	4,175
SPS Economic Profit	15,707	11,950	12,865	33,982
Farm Investment Income	-10,888	-12,277	-16,837	9,357
Net Farm Income	3,702	2,124	-754	20,361
MII	-16,838	-16,926	-22,311	-1,521
Enterprise NM/cow (excluding BLSA)	-207	-295	-230	-147
Enterprise NM/cow after F&S labour (excl. BLSA)	-380	-497	-472	-231

Table 37 Upland SDA flock margins by flock size

Upland SDA Flocks (flock lambing % usually >100) 2014/15	Enterprise Output and Gross margin per ewe, GLU and ha			
	All flocks	<350 ewes	350-700 ewes	>700 ewes
Number of farms	123	37	52	34
Number of farms (weighted)	2,968	1,246	1,276	446
Area Farmed (UAA + net hired in) (ha)	153	83	157	340
Utilisable Agricultural Area (ha)	148	81	153	321
Total adj. area farmed inc. commons (ha)	133	82	129	289
Grazing Livestock Units (farm)	99	66	90	215
Grazing Livestock Units (enterprise)	59	28	58	145
Forage area (enterprise) (ha)	94	38	104	218
Stocking rate (GLUs/total adj ha)	0.74	0.81	0.70	0.74
Cows per herd	26	25	18	53
Total Cattle	84	72	69	158
Breeding Flock	477	231	485	1,141
Total Sheep	935	429	946	2,317
<u>Output per ewe</u>				
Enterprise Output (excluding BLSA)	98	84	96	107
BLSA	5	3	5	7
Concentrates	20	15	20	23
Purchased fodder and keep	3	3	3	3
Veterinary and medicines	7	6	7	8
Other livestock costs	11	9	11	11
Seed	0	0	0	1
Fertilizer	7	7	6	8
Sprays	0	0	0	0
Other crop costs	1	1	0	1
Total Variable costs	49	41	48	55
Gross Margin (excluding BLSA) / Ewe	49	44	48	53
Gross margin (excluding BLSA) / forage ha	248	263	223	277
Gross Margin (excluding BLAS) / GLU	397	363	395	417
Enterprise Gross margin (excluding BLSA)	23,241	10,103	23,101	60,343
<u>Measures of Income (per farm)</u>				
Farm Business Income	21,152	5,849	27,771	44,972
Farm Corporate Income	-6,271	-16,258	-2,830	11,784
Agricultural Economic Profit	-34,945	-31,633	-34,074	-46,688
Agri-environment Economic Profit	9,348	4,546	10,964	18,140
Diversified Economic Profit	1,467	87	1,818	4,317
SPS Economic Profit	17,858	10,741	18,461	36,015
Farm Investment Income	-4,763	-15,199	-1,393	14,749
Net Farm Income	11,906	-610	18,185	28,908
MII	-11,028	-20,314	-7,664	5,290
Enterprise NM/ewe (excluding BLSA)	-18	-30	-16	-14
Enterprise NM/ewe after F&S labour (excl BLSA)	-51	-76	-56	-30
Lambs born & reared/ewe	1.42	1.20	1.48	1.48

Table 38 Hill SDA flock margins by flock size

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
2014 lambing				
Number of farms	62	19	27	16
Number of farms (weighted)	1,543	651	739	152
Area Farmed (UAA + net hired in) (ha)	161	78	181	419
Utilisable Agricultural Area (ha)	155	74	177	393
Total adj. area farmed inc. commons (ha)	124	67	138	298
Grazing Livestock Units (farm)	85	56	75	260
Grazing Livestock Units (enterprise)	48	21	54	137
Forage area (enterprise) (ha)	98	30	129	233
Stocking rate (GLUs/total adj ha)	0.69	0.85	0.55	0.87
Cows per herd	29	24	20	88
Total Cattle	73	65	48	230
Breeding Flock	419	175	489	1,124
Total Sheep	772	333	872	2,168
<u>Output per ewe</u>				
Enterprise Output (excluding BLSA)	77	90	75	71
BLSA	2	-4	3	3
Concentrates	14	20	14	12
Purchased fodder and keep	7	4	8	6
Veterinary and medicines	7	7	7	5
Other livestock costs	9	10	9	8
Seed	0	0	0	0
Fertilizer	4	4	3	4
Sprays	0	0	0	0
Other crop costs	0	1	0	0
Total Variable costs	41	47	42	36
Gross Margin (excluding BLSA) / Ewe	36	44	33	35
Gross margin (excluding BLSA) / forage ha	152	253	125	169
Gross Margin (excluding BLAS) / GLU	308	365	299	286
Enterprise Gross margin (excluding BLSA)	14,869	7,675	16,174	39,284
<u>Measures of Income (per farm)</u>				
Farm Business Income	13,631	10,103	12,385	34,753
Farm Corporate Income	-11,396	-15,090	-9,284	-5,851
Agricultural Economic Profit	-39,260	-31,369	-37,982	-79,182
Agri-environment Economic Profit	11,271	5,504	11,791	33,396
Diversified Economic Profit	233	801	-361	684
SPS Economic Profit	16,360	9,974	17,267	39,252
Farm Investment Income	-8,254	-13,653	-5,396	965
Net Farm Income	4,824	1,345	7,762	5,440
MII	-15,190	-18,821	-11,505	-17,547
Enterprise NM/ewe (excluding BLSA)	-31	-33	-32	-28
Enterprise NM/ewe after F&S labour (excl BLSA)	-61	-91	-62	-40
Lambs born & reared/ewe	1.24	1.40	1.25	1.10

Appendix 7. Enterprise gross margins and efficiency factors – sample and premium

Table 39 LFA Sucklers

2014/15	No farms in sample	Sample		Premium			
		169		72			
	No farms	4039		1352			
Production information							
Average cow numbers		39		46			
Enterprise grazing livestock units *		38		47			
Calves per cow		0.92		1.01			
Herd replacement rate (%)		17%		17%			
Adjusted forage area (including commons)		47.74		55.48			
Stocking rate (cows per adj. forage ha.)		0.81		0.83			
Stocking rate (GLUs per adj. forage ha.)		0.80		0.84			
Enterprise Output		Total	per cow	per adj for ha	Total	per cow	per adj for ha
		(£)	(£)	(£)	(£)	(£)	(£)
Suckler calves †		18541	480	388	27560	597	497
Less Herd Depreciation		3500	91	73	2987	65	54
Total Output (A)		15041	389	315	24574	532	443
Variable Costs							
Concentrates		1809	47	38	1831	40	33
Coarse fodder		810	21	17	638	14	11
Vet and Medicines		888	23	19	1021	22	18
Other livestock costs		1888	49	40	2292	50	41
Total Variable Costs (B)		5395	140	114	5781	126	103
Gross Margin before forage (A-B) = (C)		9645	249	201	18792	406	340
Forage Variable Costs		810	21	17	1049	23	19
Gross Margin after forage (A-B) = (C)		8835	228	184	17743	383	321
Prices							
Calf price (£/calf) *		615			747		
Cull cow price (£/cow)		761			807		
Replacement heifer/cow price (£/head)		1040			1098		
Forage Costs							
Fertilizer (£/ha)		14			16		
Seed (£/ha)		1			1		
Spray (£/ha)		1			1		
Other crop costs (£/ha)		2			2		
Total (£/ha)		17			19		
Unadjusted forage area excluding commons		48.35			56.28		
* excludes stock away on agistment							
† Calf price is as sold off the cow or a transfer value at weaning							

Premium is weighted top third by gross margin after forage per cow

Table 40 Finished cattle from suckler bred calves or stores

2014/15	No farms in sample	Sample	Premium	
	No farms	44	12	
	No farms	812	270	
Production information				
Enterprise grazing livestock units *		42	38	
Adjusted forage area (including commons)		44.80	37.31	
Stocking rate (GLUs per adj. forage ha.)		0.93	1.03	
Enterprise Output			per adj for ha (£)	per adj for ha (£)
Cattle output		31478	703	36804
Total Output (A)		31478	703	36804
Variable Costs				
Concentrates		10460	233	7306
Coarse fodder		940	21	78
Vet and Medicines		867	19	904
Other livestock costs		3965	89	4114
Total Variable Costs (B)		16231	362	12402
Gross Margin before forage (A-B) = (C)		15246	341	24402
Forage Variable Costs (D)		795	18	919
Gross Margin after forage (C-D) = (E)		14451	323	23483
Prices				
Dairy heifer transfer or sale price £		na	na	
Finished cattle price £		1164	1195	
Store cattle price £		840	840	
Forage Costs				
Fertilizer (£/ha)		14	20	
Seed (£/ha)		1	1	
Spray (£/ha)		1	2	
Other crop costs (£/ha)		2	1	
Total (£/ha)		18	25	
Unadjusted forage area excluding commons		51.38	36.93	
* excludes stock away on agistment				

Premium is weighted top third by gross margin after forage per adjusted forage hectare

Table 41 Store cattle from suckler bred calves or stores

2014/15	No farms in sample	Sample	Premium	
		128	50	
	No farms	3479	1161	
Production information				
Enterprise grazing livestock units *		20	27	
Adjusted forage area (including commons)		25.77	29.21	
Stocking rate (GLUs per adj. forage ha.)		0.76	0.92	
Enterprise Output			per adj for ha (£)	per adj for ha (£)
Cattle output	11995	465	21237	727
Total Output (A)	11995	465	21237	727
Variable Costs				
Concentrates	3077	119	3471	119
Coarse fodder	563	22	807	28
Vet and Medicines	529	21	702	24
Other livestock costs	1915	74	2542	87
Total Variable Costs (B)	6083	236	7521	258
Gross Margin before forage (A-B) = (C)	5912	229	13716	469
Forage Variable Costs (D)	244	9	317	11
Gross Margin after forage (C-D) = (E)	5668	220	13399	458
Prices				
Dairy heifer transfer or sale price £		na	na	
Finished cattle price £		1077	1174	
Store cattle price £		878	911	
Forage Costs				
Fertilizer (£/ha)		8	9	
Seed (£/ha)		0	0	
Spray (£/ha)		0	0	
Other crop costs (£/ha)		1	1	
Total (£/ha)		9	11	
Unadjusted forage area excluding commons		24.29	27.14	
* excludes stock away on agistment				

Premium is weighted top third by gross margin after forage per adjusted forage hectare

Table 42 Upland SDA flocks

2014 lamb crop	Sample	Premium				
No farms in sample	123	48				
No farms	2968	1014				
Production information						
Average ewe numbers	477	529				
Enterprise grazing livestock units *	59	68				
Lambs reared per ewe	1.42	2				
Flock replacement rate (%)	26%	24%				
Adjusted forage area (including commons)	78.55	87.37				
Stocking rate (ewes per adj. forage ha.)	6.07	6.06				
Stocking rate (GLUs per adj. forage ha.)	0.75	0.78				
Enterprise Output	Total	per ewe	per adj for ha	Total	per ewe	per adj for ha
	(£)	(£)	(£)	(£)	(£)	(£)
Lambs †	52506	110	668	71766	136	821
Wool	1088	2	14	1473	3	17
Less Flock Depreciation	7022	15	89	6784	13	78
Total Output (A)	46572	97	593	66455	126	760
Variable Costs						
Concentrates	9534	20	121	10997	21	126
Coarse fodder	1477	3	19	1430	3	16
Vet and Medicines	3360	7	43	3864	7	44
Other livestock costs	5021	11	64	5891	11	67
Total Variable Costs (B)	19392	41	247	22183	42	253
Gross Margin before forage (A-B) = (C)	27181	56	346	44273	84	507
Forage Variable Costs (D)	2332	5	30	2497	5	29
Gross Margin after forage (C-D) = (E)	24849	51	316	41775	79	478
Prices	£/hd	% sales		£/hd	% sales	
Fat Lamb price	74	77		77	88	
Store Lamb price	54	14		59	5	
Ewe Lamb price	92	9		100	7	
Draft ewe price	93			110		
Cull ewe price (£/ewe)	60			68		
Wool price (£/kg)	0.96			1.04		
Replacement price (£/head)	101			108		
Forage Costs						
Fertilizer (£/ha)	25			24		
Seed (£/ha)	1			1		
Spray (£/ha)	1			1		
Other crop costs (£/ha)	2			2		
Total (£/ha)	30			29		
Unadjusted forage area excluding commons	93.53			107.71		
* excludes stock away on agistment						
† includes all enterprise output except wool						

Premium is weighted top third by gross margin after forage per head

Table 43 Hill SDA flocks

2014 lamb crop	Sample			Premium		
	No farms in sample	62		17		
	No farms	1543		495		
Production information						
Average ewe numbers		419		357		
Enterprise grazing livestock units *		48		45		
Lambs reared per ewe		1.24		1		
Flock replacement rate (%)		28%		33%		
Adjusted forage area (including commons)		69.86		51.96		
Stocking rate (ewes per adj. forage ha.)		6.00		6.87		
Stocking rate (GLUs per adj. forage ha.)		0.69		0.86		
Enterprise Output						
	Total	per ewe	per adj	Total	per ewe	per adj
	(£)	(£)	for ha	(£)	(£)	for ha
Lambs †	37033	88	530	41908	117	807
Wool	894	2	13	1006	3	19
Less Flock Depreciation	5855	14	84	4268	12	82
Total Output (A)	32072	76	459	38646	108	744
Variable Costs						
Concentrates	6015	14	86	5221	15	100
Coarse fodder	2837	7	41	3239	9	62
Vet and Medicines	2742	7	39	2485	7	48
Other livestock costs	3832	9	55	3604	10	69
Total Variable Costs (B)	15426	37	221	14549	41	279
Gross Margin before forage (A-B) = (C)	16646	39	238	24096	67	465
Forage Variable Costs (D)	1005	2	14	693	2	13
Gross Margin after forage (C-D) = (E)	15641	37	224	23404	65	452
Prices						
	£/hd	% sales		£/hd	% sales	
Fat Lamb price	73	56		79	85	
Store Lamb price	54	37		60	10	
Ewe Lamb price	86	7		100	5	
Draft ewe price	83			101		
Cull ewe price (£/ewe)	57			72		
Wool price (£/kg)	0.90			1.11		
Replacement price (£/head)	87			84		
Forage Costs						
Fertilizer (£/ha)	12			11		
Seed (£/ha)	0			0		
Spray (£/ha)	1			1		
Other crop costs (£/ha)	1			1		
Total (£/ha)	14			13		
Unadjusted forage area excluding commons	97.66			67.07		
* excludes stock away on agistment						
† includes all enterprise output except wool						

Premium is weighted top third by gross margin after forage per head

Appendix 8. Reports in this series

Organic Farming in England

Crop Production in England

Dairy Farming in England

Hill Farming in England

Horticulture Production in England (Horticultural Business Data)

Lowland Grazing Livestock Production

Pig Production in England

Poultry Production in England

Details available at www.ruralbusinessresearch.co.uk

Appendix 9. Definition of Terms

1. Accounting years: To ensure consistency in harvest/crop year and commonality of subsidies within any one FBS year, only farms which have accounting years ending between 31 December and 30 April inclusive are included in the survey.

Aggregate results are presented in terms of an accounting year ending at end-February, the approximate average of all farms in the FBS. Thus the results relate, on average, to March - February years

Business Outputs, Inputs, Costs and Income

2. 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. Note that prior to 2008/09 directors remuneration was not deducted in the calculation of farm business income. 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.

3. 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.

4. 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.

5. Net Farm Income (NFI) is intended as a consistent measure of the profitability of tenant-type farming¹³ 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 capital¹⁴ invested in the farm business.

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

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

6. 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.

7. 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.

Cropping, Stocking and Labour

8. Utilised agricultural area (UAA) is the crop area, including fodder, set-aside land, temporary and permanent grass and rough grazing in sole occupation (but not shared

¹³ 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.

¹⁴ 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.

rough grazing) i.e. the agricultural area of the farm. It includes bare land and forage let out for less than one year.

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

10. 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).

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

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

(See the end of this appendix for further information on adjusted area calculations).

13. 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.

14. 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'.

15. 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.

Outputs, Inputs and Farm Business Income

16. Agricultural output is the main measure of individual crop and livestock output.

It comprises:

(a) 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.

(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) 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 - see paragraph 18) 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.

(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.

17. 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.
<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 bedding materials, breeding costs (including AI and stud fees) miscellaneous dairy expenses, disinfectants, marketing and storage costs of animal products, milk levies 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, crop levies, 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.

18. 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 tables.

Balance Sheet Tables

19. Total fixed assets includes land, buildings, breeding livestock, and machinery and equipment. For tenanted farmers, assets can include the tenant's component of farm buildings, cottages, etc., where these are owned by the landlord.

20. Liquid assets comprise cash and sundry debtors.

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

22. 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.

Yields and Implied Output Prices

23. Crop yields are calculated as total production divided by crop area.

24. 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 valued 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.

Adapted from: DEFRA – Farm Accounts in England Results from the Farm Business Survey 2014/2015

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/483835/fbs-farmaccountsengland-10dec15.pdf

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 SGMs to SOs is available

at http://webarchive.nationalarchives.gov.uk/20130123162956/http://www.defra.gov.uk/statistics/files/defra-stats-foodfarm-farmmanage-fbs-reviseclass_111221.pdf)

SOs are calculated from rolling five-year averages – this in order to lessen the impact of yearly fluctuations on calculated SOs. The SOs used for the presentation of data for the period 2009/10 to 2011/12 are based on the 2007SOs, and the data for the period 2012/13 to 2014/15 are based on the 2010SOs.

The 2007 and 2010 SOs for England can be seen on Annex 1 under UK Farm Classification on the above site.

Source: <https://www.gov.uk/farm-business-survey-technical-notes-and-guidance>

Adjusted Forage hectares (adj. for. ha)

The adjusted forage area allows an area of rough grazing to be equated to an equivalent area of flat mowable land on the basis of effective stocking capacity. This therefore reflects the true stock carrying capacity of a parcel of land and allows meaningful comparisons on true farm stocking rates to be presented. This measure is particularly important for LFA farms with large tracts of poor quality land including those with areas of common grazing.

Farm performance ratio

Farm performance is measured as the ratio of farm business output to farm business costs. An imputed value for unpaid manual labour, including that of the farmer and spouse is added to farm business costs. The value of paid managerial input is subtracted. The farms are ranked in descending order according to this ratio and allocated to quartiles with the top quartile (25 percent) representing the high performance band (Premium Group). Note that the farm weights are used to allocate farms to quartiles so the number of farms in a quartile will not necessarily be equivalent to a quarter of the sample.