Department for Environment Food & Rural Affairs

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Forecasts of Farm Business Income by type of farm in England – 2013/14

Data on the income of farm businesses is used in conjunction with other information on the agricultural sector to help monitor and evaluate Government and EU policies. It also informs wider research into the economic performance, productivity and competitiveness of the agricultural industry. The data are provided to the EU as part of the Farm Accountancy Data Network (FADN) and are used widely by the industry for benchmarking.

This statistical notice provides forecasts of Farm Business Income for 2013/14 alongside results from the Farm Business Survey for the years 2009/10 to 2012/13 (Table1). These figures are for March/February years with the latest estimates covering the **2013 harvest** and including the 2013 rate of Single Farm Payment (which is included within total farm output and therefore contributes to Farm Business Income). Actual survey results for this time period will be published at the end of October 2014.

The forecasts for 2013/14 are based on information available in early January 2014 for prices, animal populations, marketings, crop areas, yields and input costs and are intended as a broad indication of how incomes for each farm type are expected to move compared with 2012/13. The figures are subject to a margin of error, reflecting, in particular, the fact that farm income is derived as the relatively small difference between total output and total input so that small percentage changes in either of these can result in large percentage changes in income. For these forecasts there is additional uncertainty due to the residual impacts of the weather in 2012 and the spring of 2013 which disrupted production and normal marketing trends. There are also likely to be additional costs which are difficult to estimate for this type of exercise. It should also be noted that within each year there is a wide range in income across farms around the average figures published here.

Key points

- Average Farm Business Income is expected to be higher across all the livestock farm types in 2013/14 due to an increase in the value of output from the livestock enterprises. However there is still likely to be a negative impact in terms of additional costs and a fall in productivity from the cold and late spring of 2013.
- For the cropping sector the knock on effect of the wet autumn of 2012 will still influence profitability in 2013/14 due to a greater proportion of lower yielding spring crops harvested in 2013. Although 2013 harvest yields were higher than those of

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2012, the average wheat and oilseed rape yield was still below that of earlier years. In addition many crop output prices fell as supplies increased onto weakening global markets.

- The single payment for 2013 was around 2.5% higher than the previous year.

Detailed results

In 2013/14, average Farm Business Income is expected to fall by 28% on **cereal farms** and by 8% on **general cropping** farms. This is the result of the wet conditions in 2012 which prevented the drilling of autumn crops and led to an increase in lower yielding spring sown crops for the 2013 harvest. In addition, as global commodity supplies recovered due to record harvests around the world, cereal and oilseed rape prices fell, meaning that total output for these farms was substantially lower than the previous year. On general cropping farms this fall was partially offset by potato and sugar beet enterprises which achieved higher yields and subsequently higher output than the previous year, despite a fall in potato prices. Input costs are also expected to fall on cropping farms, but only slightly, due to the lower requirements of spring crops and the easing of prices for some key inputs such as fuel and fertiliser.

Average incomes are expected to almost double on **dairy farms** in 2013/14 to £101,000. This reverses the trend seen in 2012/13 when average incomes fell on dairy farms by 40 percent. The increased income shown here is primarily driven by higher milk prices which have risen by around 14% compared to the previous year. Input costs are also expected to increase, particularly for feed as the late cold spring of 2013 delayed turnout and increased purchased feed requirements. The higher milk prices are also likely to have encouraged an increase in production. This will have driven higher volumes of purchased feed throughout the year, particularly as farmers sought to replenish forage stocks which were severely depleted during the wet conditions in 2012. Note that this income figure is subject to a considerable degree of uncertainty as the changes to input costs are difficult to estimate due to the weather conditions earlier in the year.

Grazing livestock farms (lowland and less favoured area) are also forecast to see a recovery in average incomes in 2013/14 with a 33% increase on LFA grazing livestock farms (to £26,000) and a 15% increase on lowland grazing livestock farms (to £19,000). These increases are largely driven by increased output from the sheep enterprises reflecting higher values for store and finished lambs and increased numbers as stock held over from the previous year were brought to market. Whilst fat cattle prices were on average 7% higher than the previous year, throughput and carcase weights for both cull and finished cattle were lower. This reflects the poor seasonal conditions earlier in the year and low feed availability. Note that the calculation of livestock output within Farm Business Income includes the change in price between opening and closing valuations for trading (but not breeding) livestock. This is predicted to increase output on these farms as values for store lambs and to a lesser extent store cattle are currently slightly higher than at this time last year. Total input costs are expected to increase slightly with small increases across numerous items. Feed costs are expected to remain similar to those in 2012/13 despite the fall in cereal prices and improved grazing and forage conditions. This is because feed prices were at their highest during the cold spell in the spring of 2013 and during lambing when demand was at its highest.

Average Farm Business Income is forecast to increase by around 90% to £78,000 on **specialist pig farms**. Data for finished pig prices indicate an average increase of 9% whilst input costs have only risen slightly. Feed prices, which represent around half the total costs on these farms are expected to remain similar to the previous year despite the fall in cereal prices. This is due to much higher feed prices in the first half of the year and firmer soya prices for most of the year. A change in livestock valuation is also responsible for some of the increase in income shown here as the value of weaners and store pigs is forecast to be considerably higher at closing, compared to opening, valuation.

On **specialist poultry farms** higher output from both the broiler and egg laying enterprises is forecast to be partially offset by an increase in feed volume. Average incomes are therefore expected to increase by 10% to around £103,000 on these farms.

Incomes on **mixed farms** are forecast to fall by 8% in 2013/14 to £35,000. Although the value of livestock output is forecast to increase this is likely to be offset by lower output from the cropping enterprises. Total costs are expected to be broadly unchanged with higher feed costs offset by lower crop input costs.

Table 1: Average Farm Business Income by Type of Farm in England (£/farm)

Average farm business income per farm (£/farm)

Farm Type	2009/10	2010/11	2011/12	2011/12 [a]	2012/13	2013/14 forecast	Annual % Change 2012/13 / 2011/12
At current prices							
Cereals	42,000	85,000	94,500	93,500	68,000	49,000	-28%
General cropping	66,500	111,500	101,000	100,500	91,500	84,000	-8%
Dairy	59,000	66,000	86,500	86,500	51,500	101,000	96%
Grazing livestock (Lowland)	29,000	21,500	32,000	32,000	16,500	19,000	15%
Grazing livestock (LFA)	26,000	21,500	29,000	29,000	19,500	26,000	33%
Specialist pigs	75,500	44,500	38,000	38,000	41,000	78,000	90%
Specialist poultry	72,500	68,000	41,000	46,500	94,000	103,000	10%
Mixed	33,000	51,000	66,000	74,000	38,000	35,000	-8%
In real terms at 2013/14 prices							
Cereals	49,000	94,500	100,500	99,500	69,500	49,000	-29%
General cropping	77,500	124,000	107,000	106,500	93,500	84,000	-10%
Dairy	69,000	73,500	92,000	92,000	52,500	101,000	92%
Grazing livestock (Lowland)	34,000	24,000	34,000	34,000	17,000	19,000	12%
Grazing livestock (LFA)	30,500	24,000	31,000	31,000	20,000	26,000	30%
Specialist pigs	88,000	49,500	40,500	40,500	42,000	78,000	86%
Specialist poultry	84,500	76,000	43,500	49,500	96,500	103,000	7%
Mixed	38,500	57,000	70,000	78,500	39,000	35,000	-10%

Years ending in end-February

[a] Revised weighting framework seperating specialist poulty meat from specialist poultry layers

Definition of Farm Business Income

For non corporate businesses, 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. For corporate businesses it represents the financial return on the shareholders capital invested in the farm business.
In essence Farm Business Income is the same as *Net Profit*, which as a standard financial accounting measure of income is used widely within and outside agriculture. Using the term *Farm Business Income* rather than *Net Profit*, gives an indication of the measure's farm management accounting rather than financial accounting origins, accurately describes its composition and is intuitively recognisable to users as a measure of farm income.

Farm type classification

Note that the classification of farms has been revised since the 2010/11 Farm Business Survey and backdated for 2009/10 data only. The results published here are therefore not directly comparable with those published in earlier years. Please see the explanatory document on our web site for further details of these changes.

Accuracy and reliability of results

The forecasts provided for 2013/14 are provisional, based on information available in early January 2014 for prices, animal populations, marketings, crop areas and yields. The relative changes, compared to the previous 12 months, are then applied to aggregate data from the most recent Farm Business Survey for each robust farm type. A level of estimation is necessary, particularly for variables where no market information is available. Outturn results (which will be published in October 2014 based on results for the 2013/14 FBS), could differ from these forecasts for several reasons. These include changes to the sample and to the weighting framework. In 2012/13, of the 1,877 farms that were included in the FBS target population around 166 farms came into the panel that weren't present in 2011/12. In addition, the FBS weights are refreshed each year in line with the latest farm population data from the June survey. In 2012/13 the weighting methodology introduced a split for specialist poultry farms to improve the reliability of the results for farms with poultry. Table 2 shows the revisions that were made in October 2013.

Table 2: Revisions to Farm Business Income by Type of Farm in England [(a)]

Average farm business income per farm (£/farm)

Farm Type	2012/13 January 2013 Forecast	2012/13 Outturn	% Change
At current prices			
Cereals	85,000	68,000	-20%
General cropping	90,000	91,500	2%
Dairy	50,000	51,500	3%
Grazing livestock (Lowland)	18,000	16,500	-8%
Grazing livestock (LFA)	14,000	19,500	39%
Specialist pigs	18,000	41,000	128%
Specialist poultry	41,000	94,000	129%
Mixed	50,000	38,000	-24%

[(a)] Revised weighting framework seperating specialist poulty meat from specialist poultry layers

User engagement

As part of our ongoing commitment to compliance with the Code of Practice for Official Statistics (http://www.statisticsauthority.gov.uk/assessment/code-of-practice/index.html), we wish to strengthen our engagement with users of these statistics and better understand the use made of them and the types of decisions that they inform. Consequently, we invite users to make themselves known, to advise us of the use they do, or might, make of these statistics, and what their wishes are in terms of engagement. Feedback on this notice and enquiries about these statistics are also welcome.

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