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## Farm Household Income and Household Composition: Results from the Farm Business Survey, England 2013/14

This release shows the final estimates of farm household income from the 2013/14 Farm Business Survey. Farm household income comprises Farm Business Income (including that from diversified enterprises), the off farm income of the principal farmer and their spouse/common law partner and income from other household members. The key results are:

- The average household income (before tax) of the principal farmer was £51,800 in 2013/14, little changed from 2012/13 (£51,400 per household). A quarter of these households had an income of less £16,000 and a quarter had an income greater than £65,900.
- Changes in farm household income tend to be driven by changes in Farm Business Income (FBI). In 2013/14, FBI accounted for 70% of farm household income. Non-farm income (off-farm income of the farmer and their spouse or common law partner and income of other household members) has remained largely unchanged over the last 5 years, averaging between £14,000 and £15,500 per household.
- 92% of farm households had off-farm income from the principal farmer or their spouse or common law partner (on average £15,200 per household); 10% had income from other household members (on average £16,200 per household).
- Around half of principal farmer households obtained at least 50% of their non-farm income from unearned sources such as investments and pensions; in 2013/14 30% was from investments and 21% was from pensions. Only 2% of households obtained at least 50% of their non-farm income from working on another farm.
- 37,900 farm businesses (65%) are comprised of a single household. Analysing data for these businesses reveals a stark contrast between income and assets. For example, 25% had a household income below £17,900, but the median net worth of this group was £413,000.

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## Detailed results

Information on farm household income and farm household composition was collected in the Farm Business Survey (FBS) for England for the first time in 2004/05. Collection of household income data is restricted to the household of the principal farmer from each farm business. For practical reasons, data is not collected for the households of any other farmers and partners. Two-thirds of farm businesses have an input only from the principal farmer's household (see table 5). However, details of household composition are collected for the households of all farmers and partners in the business, but not employed farm workers.

Data on the income of farm households is used in conjunction with other economic information for the agricultural sector (e.g. farm business income) to help inform policy decisions and to help monitor and evaluate current policies relating to agriculture in the United Kingdom by Government. It also informs wider research into the economic performance of the agricultural industry.

This release gives the main results from the income and composition of farm households and the off-farm activities of the farmer and their spouse<sup>1</sup> sections of the FBS. These sections include information on the household income of the principal farmer's household, off-farm income sources for the farmer and spouse and incomes of other members of their household and the number of working age and pensionable adults and children in each of the households on the farm (the information on household composition can be found in Appendix B).

The results are presented together with [confidence intervals](#). The results presented in this notice can be found at: <https://www.gov.uk/government/organisations/department-for-environment-food-rural-affairs/series/farm-business-survey#publications>

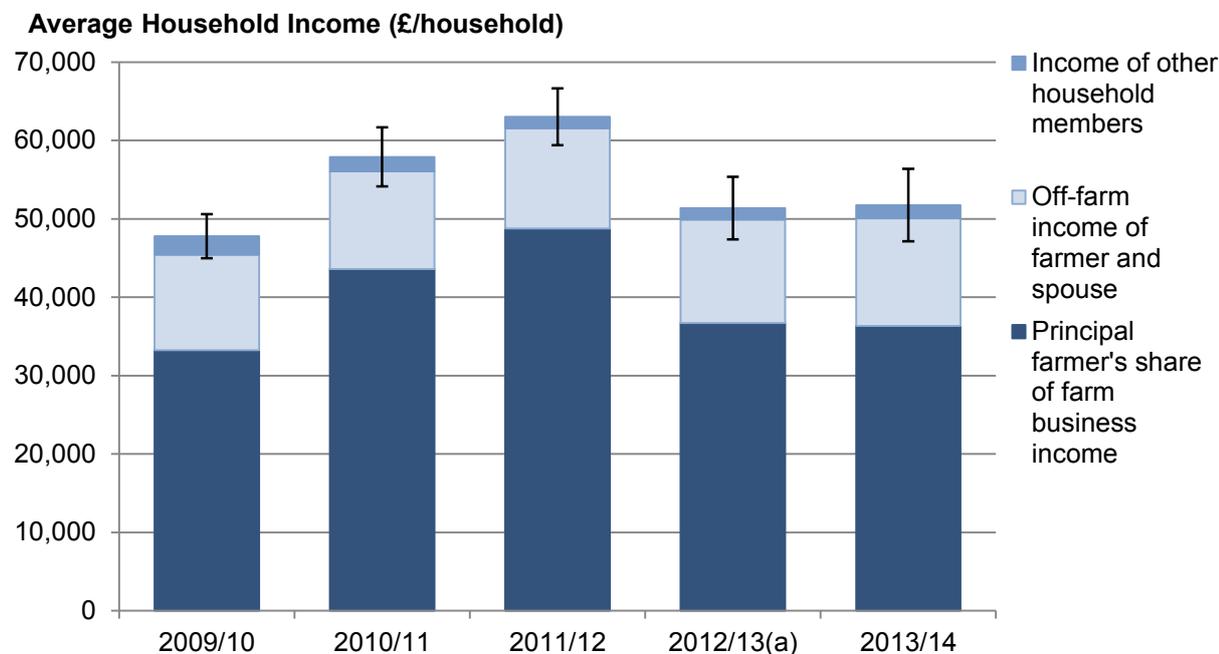
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<sup>1</sup> Including common law partners

## 1 Average farm household income

The average income for principal farmer's households was £51,800 in 2013/14, little changed from 2012/13 (£51,400 per household). Changes in average farm household income are largely driven by changes in farm business income (Figure 1).

**Figure 1: Average household income of principal farmer's household, England 2009/10 to 2013/14**



Source: Farm Business Survey.

(a) The classification of farms for 2013/14 has been updated to use 2010 standard output (SO) coefficients and backdated to 2012/13 for comparability. This change has a minimal impact on the results. For 2012/13 results based on 2007 SO coefficients please see the detailed output here.

The farmer's share of Farm Business Income (FBI) accounts for the majority of the average household income (70% in 2013/14). Average FBI<sup>2</sup> fell on cereals, general cropping, mixed and grazing livestock farms in 2013/14, but increased on dairy, horticulture, specialist pig and specialist poultry farms. For the cropping sector, the wet autumn of 2012 continued to influence profitability. Drilling was disrupted, leading to increased areas of lower yielding spring crops harvested in 2013. Crop prices were also lower due to weakening global markets. On grazing livestock farms (lowland and LFA), the cold late spring following the wet autumn of 2012 led to higher feed costs and lower output from the sheep enterprises. In the LFA, output from beef was also lower than in 2012. On dairy farms, the increased income was driven by a higher milk price (14% higher than in 2012/13) and increased production (8% higher than in 2012/13). Average FBI increased for specialist pig and specialist poultry farms due to a higher output which was only partially offset by higher input costs, particularly feed. The differences in FBI between farm types and the annual changes are reflected in farm household income (Figure 2).

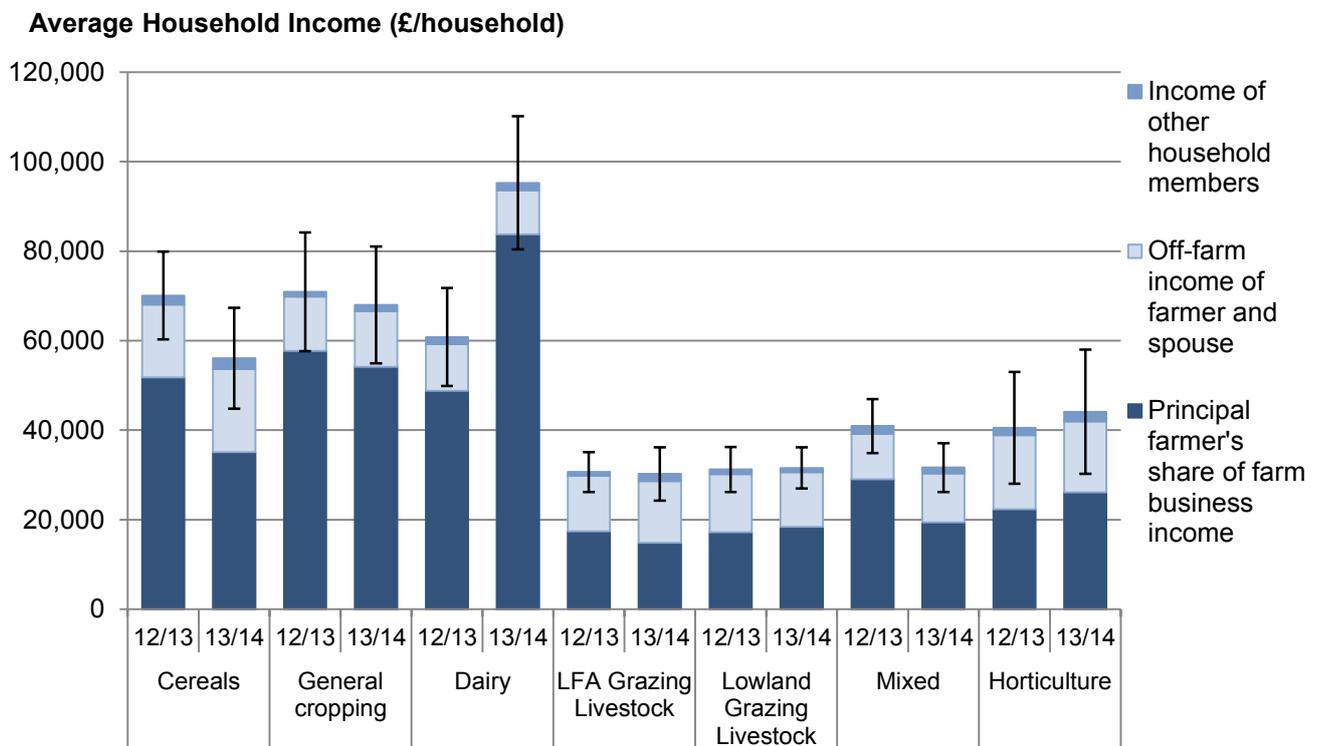
Whilst the absolute levels of non-farm income (off-farm income of farmer and spouse<sup>3</sup> and income of other household members) are broadly similar across most farm types, the relative contribution to household income varies due to the differences in FBI. Non-farm

<sup>2</sup> For further information about the changes in Farm Business Income see ["Farm Accounts in England 2013/14"](#)

<sup>3</sup> Including common law partners

income makes the highest contribution to household income on LFA grazing livestock farms (51%).

**Figure 2: Average income of principal farmers' households by farm type, England 2012/13 and 2013/14<sup>(a)</sup>**



Source: Farm Business Survey.

(a) Due to small sample sizes and some influential data points, it is not possible to present a reliable breakdown of the average household income for the pig and poultry farm types. However, the data for these farms are included in the overall household income figures within this notice.

Non-farm income (off-farm income of farmer and spouse<sup>4</sup> and income of other household members) has remained largely unchanged over the last 5 years, averaging between £14,000 and £15,500 across all households (Table 1). Almost all (92%) of principal farmer households had a source of non-farm income, mainly off-farm income from the farmer and their spouse; only 10% of farm households (6,000) had other household members with an income.

<sup>4</sup> Including common law partners

**Table 1: Average *non-farm* income of principal farmer's household, England 2009/10 to 2013/14**

	Off-farm income of farmer and spouse		Income of other household members		Total non-farm income	
	Average income (£/household)	95% confidence interval (£/household)	Average income (£/household)	95% confidence interval (£/household)	Average income (£/household)	95% confidence interval (£/household)
2009/10	12,200	±1,100	2,400	±700	14,600	±1,500
2010/11	12,400	±1,100	1,900	±500	14,300	±1,300
2011/12	12,800	±1,100	1,500	±500	14,200	±1,300
2012/13 <sup>(a)</sup>	13,200	±1,200	1,500	±400	14,700	±1,300
2013/14	13,800	±1,200	1,700	±500	15,400	±1,400

Source: Farm Business Survey.

(a) The classification of farms for 2013/14 has been updated to use 2010 standard output (SO) coefficients and backdated to 2012/13 for comparability. This change has a minimal impact on the results. For 2012/13 results based on 2007 SO coefficients please see the detailed output here.

Table 2 shows average non-farm income but only for those households with these income sources. The average off-farm income of the farmer and spouse in 2013/14 (£15,200) increased by 4% from 2012/13 (£14,600). For other household members, the average income was £16,200 in 2013/14, 15% higher than in 2012/13 (£14,100). At the individual level, the average off-farm income of farmer and spouse<sup>5</sup> was £7,500 per adult (£7,300 in 2012/13) and for other household members their average income was £4,800 per adult (£3,800 in 2012/13).

**Table 2: Average *non-farm* income of principal farmer's household for *only those households with these sources of income*, England 2013/14**

	Number of households	Number of adults	Total Income (£ million)	Average Income <sup>(a)</sup> (£/household)	Average Income <sup>(a)</sup> (£/adult)
<b>Source of household income:</b>					
Off-farm income of farmer and spouse <sup>(b)</sup>	52,700	106,600	800	15,200	7,500
Other adult household members with income	6,000	20,100	100	16,200	4,800
Other adult household members without income	2,500	3,300	-	-	-

Source: Farm Business Survey.

(a) Average taken over only those households or adults with this source of income.

(b) Including common law partners.

Table 3 shows the main sources of non-farm income for principal farmer households. Around half of principal farmer households obtained at least 50% of their non-farm income from unearned sources such as investments and pensions; in 2013/14 30% was from investments and 21% was from pensions. Another 28% of households obtained at least 50% of their non-farm income from working in another sector or profession. Only 2% of households obtained at least 50% of their non-farm income from working on another farm.

<sup>5</sup> Including common law partners

**Table 3: Main sources of non-farm income for only those principal farmer's households with a source of non-farm income, England 2013/14**

Sources of other household income	Percentage of households	
	2012/13	2013/14
At least 50% of non-farm income from unearned sources of income (e.g. pensions, social payments) , of which:	52	51
<i>At least 50% of other household income from investment income (a)</i>	<i>nc</i>	30
<i>At least 50% of other household income from social and state pension payments (a)</i>	<i>nc</i>	21
At least 50% of income from working in any other sector/profession	26	28
At least 50% of income from working on this farm	8	8
At least 50% of income from working in an occupation or for a business with strong links to local farming (e.g. auctioneers, farm machinery dealer) on another farm	8	8
Less than 50% of other household income from any other single source(b)	4	3
At least 50% of income from working on another farm	2	2
<b>All households</b>	<b>100</b>	<b>100</b>

Source: Farm Business Survey.

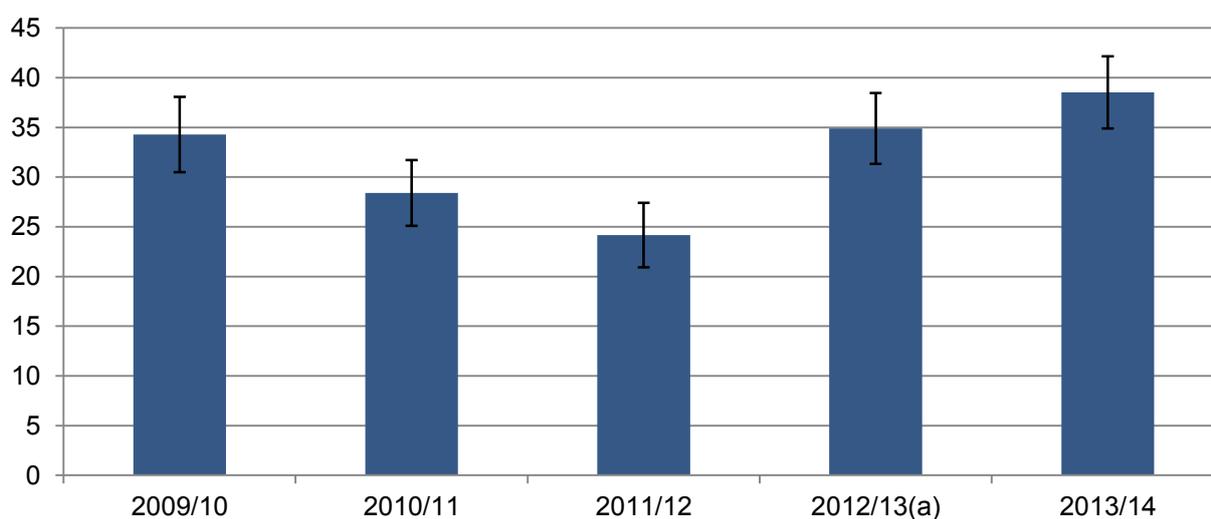
(a) Not separately collected in 2012/13

(b) In 2012/13 this category was 'Nil or less than 50% of other household income from any other single

For 39% of principal farmer households, the income received from non-farming sources exceeded the income received from the farm business (Figure 3), compared to 34% in 2012/13. These households are more likely to be smaller or to be LFA grazing livestock or horticulture farms<sup>6</sup>.

**Figure 3: Percentage of principal farmer households where non-farm income exceeds farm income, England 2009/10 - 2013/14**

Percentage of households



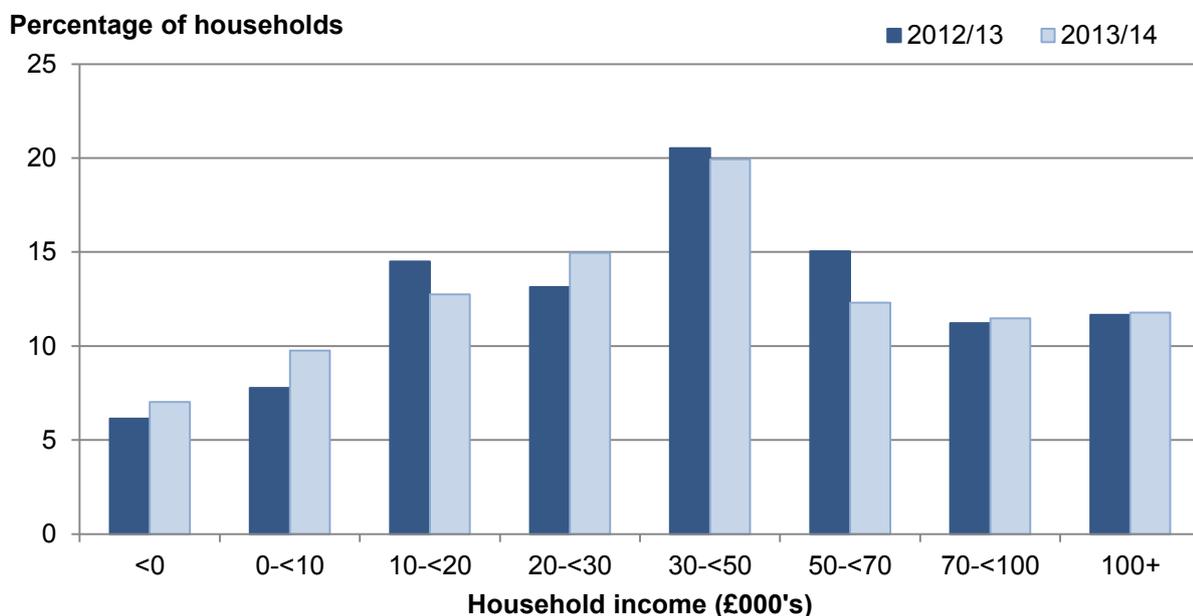
Source: Farm Business Survey.

(a) The classification of farms for 2013/14 has been updated to use 2010 standard output (SO) coefficients and backdated to 2012/13 for comparability. This change has a minimal impact on the results. For 2012/13 results based on 2007 SO coefficients please see the detailed output here.

<sup>6</sup> A generalised linear model was fitted to examine which factors (farm type, farm size, farm tenure and region) were significant for those farms where non-farm income is greater than farm income. Farm type and farm size were highly significant ( $P < 0.001$ ).

There is considerable variation in household income (Figure 4). In 2013/14, 7% of principal farmer's households had a negative household income (6% in 2012/13). Over 35% of households had an income of £50,000 or more in 2013/14, with 12% having an income of over £100,000.

**Figure 4: Distribution of household incomes of principal farmers' households, England 2012/13 to 2013/14**



Source: Farm Business Survey.

Table 4 provides further information about the distribution of farm household incomes. Whilst the mean income was £51,800 per household in 2013/14, a quarter of farm households had an income of less than £16,000. In 2012/13, the lowest 25% of households had an income below £17,600.

**Table 4: Mean household income and quartiles of household income, England 2009/10 to 2013/14**

Principal Farmers' household (actual)	2009/10 (£/household)	2010/11 (£/household)	2011/12 (£/household)	2012/13 <sup>(a)</sup> (£/household)	2013/14 (£/household)
Mean	47,800	57,900	63,000	51,400	51,800
First quartile	20,300	22,800	27,100	17,600	16,000
Median	38,600	41,100	45,000	36,800	34,900
Third quartile	62,500	73,800	79,700	65,900	65,900

Source: Farm Business Survey.

(a) The classification of farms for 2013/14 has been updated to use 2010 standard output (SO) coefficients and backdated to 2012/13 for comparability. This change has a minimal impact on the results. For 2012/13 results based on 2007 SO coefficients please see the detailed output [here](#).

## 2 Volatility of farm household income from year to year

To examine the volatility of farm household income we have analysed the cohort of farms (around 760) that have been present in the FBS for each of the last 5 years, and were also present in the sub sample for non-farm income sources in 2013/14<sup>7</sup>.

The wide variation of farm household incomes and, in particular, the appreciable incidence of negative income is accounted for by the fact that the largest component of household income, FBI (which is measured before payments to farmers and partners), is volatile from year to year, and can be negative.

Seventy percent of farm businesses had a positive FBI in each year of the last 5 years, whilst 11% of farm businesses had a negative FBI in at least 2 of the last 5 years (Table 5).

Non-farm income appears to be higher for farms where FBI has been negative for at least 3 of the 5 years. However the difference in average non-farm income is not significant<sup>8</sup> (Table 5). This suggests that lower performing farms may be supplementing their farm income (or covering losses), or that farm incomes may suffer because the farmer is working elsewhere. In 2013/14, farms that had a positive income in each of the previous 5 years had an average non-farm income of £14,900, compared to £18,000 for farms with a negative income in 3 or more of the last 5 years. However, it should be noted that the 95% confidence intervals for these figures are large.

**Table 5: Frequency of negative farm business income 2009/10 – 2013/14 and non-farm income<sup>(a)</sup> in 2013/14<sup>(b)</sup>**

Number of times in last 5 years that farm business income was negative	Percentage of farm businesses	Average non-farm income in 2012/13 (£)	95% confidence interval for non-farm income in 2013/14 (£)
Positive in each of last 5 years	70	14,900	±1,700
Negative in 1 year of last 5	18	14,600	±3,500
Negative in 2 years of last 5	5	12,900	±5,100
Negative in 3 or more years of last 5	6	18,000	±4,100
<b>All farms</b>	<b>100</b>	<b>15,000</b>	<b>±1,400</b>

Source: Farm Business Survey, England

(a) Non-farm income comprises of: off-farm income of farmer and spouse or common law partner and income of other household members.

(b) Excluding businesses which started more recently than 2009/10.

Because of the year to year volatility in FBI, it can be misleading to consider data for only one year. In years of low FBI, farmers commonly draw more from the farm business than the income generated (in effect borrowing from the business), to be repaid in better years by drawing less than the income generated.

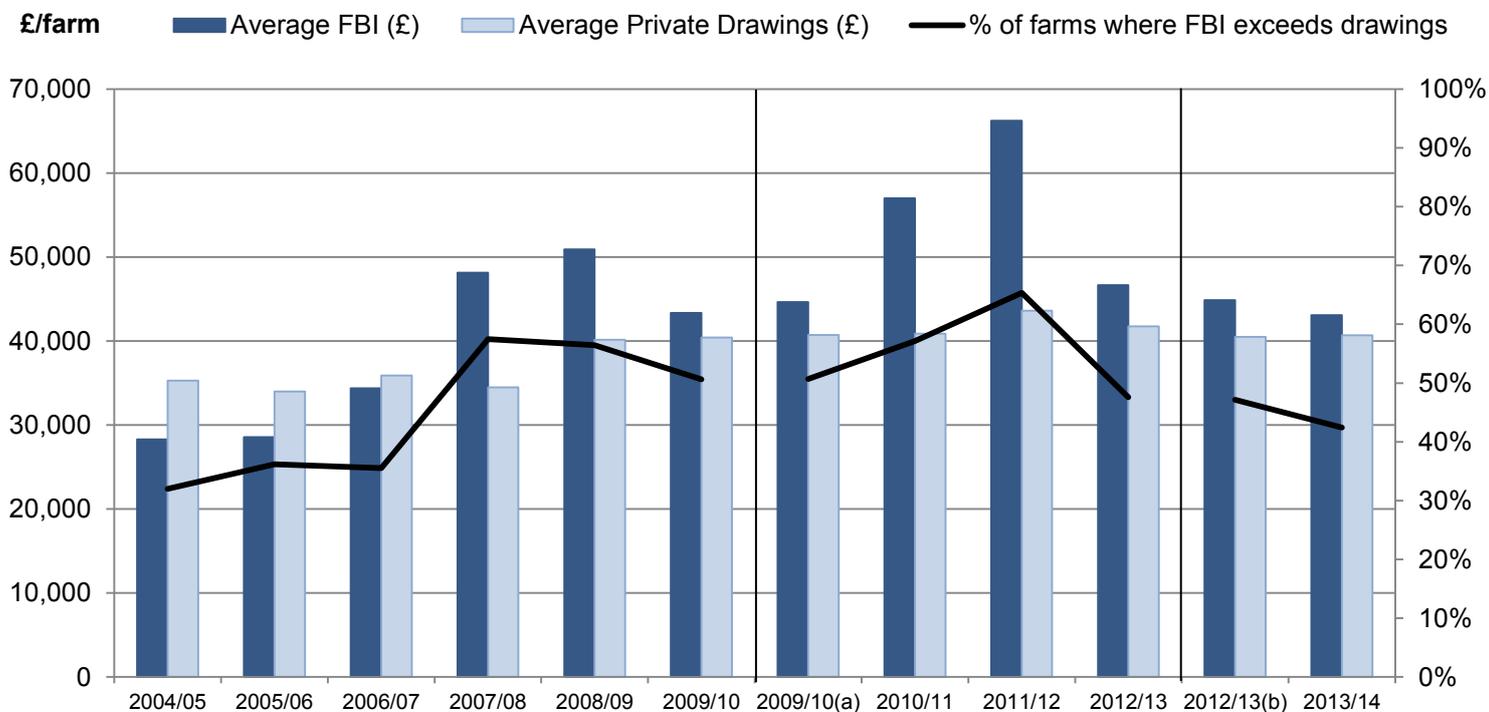
A comparison of drawings from the farm business, by farmers and partners, with FBI for the last 10 years is given in Figure 5 (based on the full FBS sample of around 1,900 farm

<sup>7</sup> Weights were derived for this sub-sample of around 760 farms in line with the method described in the [survey methodology section](#) (e.g. to preserve the population totals for robust farm types and farm size groups).

<sup>8</sup> Comparing those farms where FBI is negative for at least 3 of the 5 years to those where FBI is negative in less than 3 of the 5 years, the difference in the average non-farm income is not significant at the 5% level (P=0.141).

businesses). In 2013/14, the proportion of farms where drawings exceeded income was 58%; these businesses could be using the profit from the previous year or increasing their borrowings. Average drawings have remained at approximately £40,000 over the last five years, despite fluctuations in FBI over the same period.

**Figure 5: Comparison of Private Drawings and Farm Business Income 2004/05 – 2013/14**



Source: Farm business Survey, England.

- (a) In 2010/11 changes were made to the minimum size threshold ( $\geq 25,000\text{€}$ ) and also to the classification of farms. These changes were backdated to 2009/10. Previous years are not directly comparable.
- (b) The classification of farms for 2013/14 has been updated to use 2010 standard output (SO) coefficients and backdated to 2012/13 for comparability. This change has a minimal impact on the results. Results for 2012/13 are presented using both sets of coefficients for comparability.

### 3 Analysis of the incomes and wealth for farm businesses with sole proprietorship

The analyses in Tables 6, 7 and 8 use an identical sample<sup>9</sup> of 895 farms present in the FBS for each of the last 3 years and also in the sub-sample for non-farm income sources in 2013/14.

By restricting the analysis to households with sole proprietorship<sup>10</sup>, data on incomes for principal farmers' households can be directly compared with that for the assets and net worth<sup>11</sup> of the overall business. Net worth represents the wealth of a farm if all of their liabilities (debt) were called in. Businesses with a high net worth are likely to be resilient, at least in the short term to fluctuations in their income. This is because they can draw on these reserves to support the business if the financial position of the farm deteriorates.

Around two thirds of farm businesses (37,900) comprise of a single household (Table 6) and have sole proprietorship of the business. The analysis shown in Tables 7 and 8 refers to these households only.

**Table 6: Number of households with interest in farm business, England 2013/14**

Farm businesses with:	Number of farm businesses	Percentage of farm businesses	95% confidence interval (%)
1 household	37,900	65	±4
2 households	18,100	31	±4
3 or more households	2,300	4	±2
<b>All farm businesses</b>	<b>58,400</b>	<b>100</b>	

Source: Farm Business Survey.

Table 7 presents the farm household income, farm business income, drawings, net worth and total assets by household income quarters. A quarter of principal farmers' households had an income below £17,900; the associated businesses had a median net worth of £413,000. A further quarter of principal farmers' households had an income above £57,600; the associated businesses had a median net worth of over £1.3m.

**Table 7: Farm business income (FBI), net worth, total assets and drawings by principal farmer household income quarters, England average 2011/12-2013/14**

Income quarter	Farm household income range (£)	Median household income (£)	Median FBI (£)	Median drawings (£)	Median net worth (£000s)	Median total assets (£000s)
Bottom	<17,900	8,800	4,800	14,400	413	554
Second	17,900<31,300	24,300	16,100	19,500	758	781
Third	31,300<57,600	40,600	32,100	25,500	814	858
Top	>57,600	79,600	69,900	42,500	1,303	1,463
<b>All farms</b>		<b>31,300</b>	<b>24,300</b>	<b>23,600</b>	<b>790</b>	<b>897</b>

Source: Farm Business Survey.

Restricted to farm businesses in England comprising of a single household (37,900)

<sup>9</sup> For each farm, the mean was taken across the 3 years for each of the output variables in order to remove some of the inter-year volatility in income. Weights were redistributed for this sub-sample in line with the method set out in the section on [survey methodology](#) (e.g. to preserve the population totals for robust farm types and farm size groups).

<sup>10</sup> Most farm businesses operate as sole traders or partnerships.

<sup>11</sup> Net worth is the difference between the value of total assets and total liabilities.

Table 8 presents the farm household income, farm business income, drawings, net worth and total assets by tenure type. Mixed tenure farms had the highest median household income, compared to a median of £29,300 for tenanted farms and £30,800 for those that were owner occupied. Tenanted farms tend to have a lower net worth and asset value.

**Table 8: Farm business income (FBI), net worth, total assets and drawings by farm tenure type, England average 2011/12-2013/14**

<b>Tenure type</b>	<b>Median household income (£)</b>	<b>Median FBI (£)</b>	<b>Median drawings (£)</b>	<b>Median net worth (£000s)</b>	<b>Median total assets (£000s)</b>
Owner occupied	30,800	21,400	18,200	964	1,031
Mixed - mainly owner occupied	33,700	28,100	25,800	1,116	1,311
Mixed - mainly tenanted	33,800	30,800	26,200	662	716
Tenanted	29,300	15,900	23,600	169	208
<b>All farms</b>	<b>31,300</b>	<b>24,300</b>	<b>23,600</b>	<b>790</b>	<b>897</b>

Source: Farm Business Survey.

Restricted to farm businesses in England comprising of a single household (37,900)

## Survey details

### Survey content and methodology

The Farm Business Survey (FBS) is an annual survey providing information on the financial position and physical and economic performance of farm businesses in England. The sample of around 1,900 farm businesses covers all regions of England and all types of farming with the data being collected by face to face interview with the farmer. Results are weighted to represent the whole population of farm businesses that have at least 25 thousand Euros of standard output<sup>12</sup> as recorded in the annual June Survey of Agriculture and Horticulture. In 2013 there were just over 58 thousand farm businesses meeting this criteria<sup>13</sup>.

Since 2009/10 a sub-sample of around 1,000 farms in the FBS has taken part in both the additional surveys on the income and composition of farm households and the off-farm activities of the farmer and their spouse. In previous years, the sub-sample had included over 1,600 farms. As such, caution should be taken when comparing to earlier years.

The farms that responded to the additional survey on household incomes and off-farm activities of the farmer and spouse had similar characteristics to those farms in the main FBS in terms of farm type and geographical location. However, there is a smaller proportion of very large farms in the additional survey than in the main FBS. Full details of the characteristic of responding farms can be found at Appendix A.

For further information about the Farm Business Survey please see:

<https://www.gov.uk/government/organisations/department-for-environment-food-rural-affairs/series/farm-business-survey>

### Data analysis

The results from the FBS relate to farms which have a standard output of at least 25,000 Euros. Initial weights are applied to the FBS records based on the inverse sampling fraction for each design stratum (farm type by farm size). These weights are then adjusted (calibration weighting<sup>14</sup>) so that they can produce unbiased estimators of a number of different target variables. Completion of the additional survey on household incomes and off-farm activities of the farmer and spouse was voluntary and a sample of around 1,000 farms was achieved. In order to take account of non-response, the results have been reweighted using a method that preserves marginal totals for populations according to farm type and farm size<sup>15</sup> groups. As such, farm population totals for other classifications (e.g. regions) will not be in-line with results using the main FBS weights, nor will any results produced for variables derived from the rest of the FBS (e.g. farm business income).

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<sup>12</sup> For a definition of standard output please see the UK classification document here <https://www.gov.uk/farm-business-survey-technical-notes-and-guidance>

<sup>13</sup> Prior to the 2010/11 campaign, the coverage of the FBS was restricted to those farms of size  $\frac{1}{2}$  Standard Labour Requirement (SLR) or more. For a definition of SLR please see the UK classification document here: <https://www.gov.uk/farm-business-survey-technical-notes-and-guidance>

<sup>14</sup> Further information on calibration weighting can be found here: <https://www.gov.uk/farm-business-survey-technical-notes-and-guidance>

<sup>15</sup> The UK classification document provides details of how farm type and farm size groups are derived. See: <https://www.gov.uk/farm-business-survey-technical-notes-and-guidance>

## Accuracy and reliability of the results

We show 95% confidence intervals against the results. These show the range of values that may apply to the figures. They mean that we are 95% confident that this range contains the true value. They are calculated as the standard errors (se) multiplied by 1.96 to give the 95% confidence interval. The standard errors only give an indication of the sampling error. They do not reflect any other sources of survey errors, such as non-response bias. For the Farm Business Survey, the confidence limits shown are appropriate for comparing groups within the same year only; they should not be used for comparing with previous years since they do not allow for the fact that many of the same farms will have contributed to the Farm Business Survey in both years.

We have also shown error bars on the figures in this notice. These error bars represent the 95% confidence intervals (as defined above).

## Availability of results

This release contains headline results for each section. The full set of results can be found at: <https://www.gov.uk/government/organisations/department-for-environment-food-rural-affairs/series/farm-business-survey#publications>

Defra statistical notices can be viewed on the on the statistics pages of the Defra website at <https://www.gov.uk/government/organisations/department-for-environment-food-rural-affairs/about/statistics>. This site also shows details of future publications, with pre-announced dates.

## Revisions

We have revised some of the household income figures that were previously published on 28<sup>th</sup> August 2014. For 2009/10 and 2010/11 we have recalculated the results using the revised poultry weighting framework previously applied from 2011/12. This removes the discontinuity, improving the comparability of the survey results. For further information on the change in weighting methodology please see the 'Data analysis' section in [Farm Accounts in England 2013/14](#).

## Data Uses

Data from the Farm Business Survey (FBS) are provided to the EU as part of the Farm Accountancy Data Network (FADN). The data have been used to help inform policy decisions (e.g. Reform of Pillar 1 and Pillar 2 of Common Agricultural Policy) and to help monitor and evaluate current policies relating to agriculture in England (and the EU). It is also widely used by the industry for benchmarking and informs wider research into the economic performance of the agricultural industry.

## 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.

## Definitions

### Farm Type

Where reference is made to the *type of farm* in this document, this refers to the 'robust type', which is a standardised farm classification system.

### Farm Sizes

Farm sizes are based on the estimated labour requirements for the business, rather than its land area. The farm size bands used within the detailed results tables which accompany this publication are shown in the table below. Standard Labour Requirement (SLR) is defined as the theoretical number of workers required each year to run a business, based on its cropping and livestock activities.

<b>Farm size</b>	<b>Definition</b>
Spare & Part time	Less than 1 SLR
Small	1 to less than 2 SLR
Medium	2 to less than 3 SLR
Large	3 to less than 5 SLR
Very Large	5 or more SLR

### Household income of the principal farmer

Principal farmer's household income has the following components:

- The share of farm business income (FBI)<sup>16</sup> (including income from farm diversification<sup>17</sup>) attributable to the principal farmer and their spouse.
- Principal farmer's and spouse's off farm income from employment and self-employment, investment income, pensions and social payments.
- Income<sup>18</sup> of other household members.

The share of farm business income and all employment and self-employment incomes, investment income and pension income are recorded as gross of income tax payments and National Insurance contributions, but after pension contributions. In addition, no deduction is made for council tax.

However it should be noted that, in some years, farm business income may be sufficiently negative for some businesses to give rise to negative household income. This is an inevitable consequence of having an income based, rather than a drawings (i.e. consumption) based, definition. It could be expected that, over the long term, farm business income is sufficient to cover drawings, but farm household income figures for any one year can give a misleading impression of the longer term. A comparison of farm business income and private drawings is given in aggregate for the period 2004/05 – 2013/14 in Figure 5.

### Household

A household is defined as a single person or group of people living at the same address as their only or main residence, who either share one meal a day together or share the living accommodation. A household must contain at least one person who received drawings from the farm business or who took a share of the profit from the business.

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<sup>16</sup> The principal farmer's share of the income is taken as his share of drawings, rather than the legal share defined in partnership agreements which frequently reflect tax considerations.

<sup>17</sup> The difference between diversification and other forms of self-employment is that diversification includes only those activities which use farm resources.

<sup>18</sup> Income of other household members would include wages and salaries from paid farm work.

## **Drawings**

Drawings represent the monies which the farmer takes from the business for their own personal use. The percentage of total drawings going to each household is collected and is used to calculate the total share of farm business income for the principal farmer's household.

## **Mean**

Mean household income of individuals is the "average", found by adding up the weighted household incomes for each individual farm in the population for analysis and dividing the result by the corresponding weighted number of farms. In this report average is usually taken to refer to the mean.

## **Percentiles**

These are the values which divide the population for analysis, when ranked by an output variable (e.g. household income or net worth), into 100 equal-sized groups. E.g. twenty five per cent of the population would have incomes below the 25th percentile.

## **Median**

Median household income divides the population, when ranked by an output variable, into two equal sized groups. The median of the whole population is the same as the 50<sup>th</sup> percentile. The term is also used for the midpoint of the subsets of the income distribution

## **Quartiles**

Quartiles are values which divide the population, when ranked by an output variable, into four equal-sized groups. The lowest quartile is the same as the 25th percentile. The divisions of a population split by quartiles are referred to as quarters in this publication.

## **Quintiles**

Quintiles are values which divide the population, when ranked by an output variable, into five equal-sized groups. The divisions of a population split by quintiles are referred to as fifths in this publication.

## **Assets**

Assets include milk and livestock quotas, as well as land, buildings (including the farm house), breeding livestock, and machinery and equipment. For tenanted farmers, assets can include farm buildings, cottages, quotas, etc., where these are owned by the occupier. Personal possessions (e.g. jewellery, furniture, and possibly private cash) are not included.

## **Net worth**

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.

## Appendix A: Characteristics of responders to the FBS and the household income and off-farm activities of the farmer and spouse subset

Farm Type	Full FBS sample	Household income and off-farm activities of the farmer and spouse subset
Cereals	18%	17%
General cropping	9%	8%
Dairy	16%	15%
LFA Grazing Livestock	13%	13%
Lowland Grazing Livestock	16%	15%
Pigs	4%	4%
Poultry	4%	5%
Mixed	10%	10%
Horticulture	10%	11%
<b>All types</b>	<b>100%</b>	<b>100%</b>

Region	Full FBS sample	Household income and off-farm activities of the farmer and spouse subset
North East and Yorkshire & Humber	16%	16%
North West	13%	12%
East Midlands	12%	13%
West Midlands	11%	11%
East England	16%	15%
South East	12%	12%
South West	21%	20%
<b>All farms</b>	<b>100%</b>	<b>100%</b>

Farm Size	Full FBS sample	Household income and off-farm activities of the farmer and spouse subset
Spare & part-time	13%	16%
Small	23%	26%
Medium	18%	18%
Large	21%	20%
Very large	25%	19%
<b>All farms</b>	<b>100%</b>	<b>100%</b>

## Appendix B: Corresponding household compositions for the analysis of farm businesses with sole proprietorship

Tables 7 and 8 present information on farm business profit, principal farmer's household income, net worth, total assets and drawings. Tables B1 and B2, present corresponding information on household compositions to give some indication of associated living standards for the groups covered by the analysis.

Table B1 shows that, on average:

- There are fewer working age adults per household in the bottom quarter (1.18) than in the top (1.98).
- There are more adults of pensionable age per household in the bottom quarter (0.47) than in the top (0.32).
- There are fewer children per household in the bottom quarter (0.32) than in the top (0.70).

**Table B1: Number of adults of working age and pensionable age, and children<sup>(a)</sup> (per farm household) by principal farmer household income quarters, England average 2011/12-2013/14**

Income quarters	Farm household income range (£)	Mean number of adults of working age	Mean number of adults of pensionable age	Mean number of children
Bottom	<17,900	1.18	0.47	0.32
Second	17,900<31,300	1.57	0.50	0.46
Third	31,300<57,600	1.46	0.66	0.45
Top	>57,600	1.98	0.32	0.70
<b>All farms</b>		<b>1.55</b>	<b>0.49</b>	<b>0.48</b>

Restricted to farm businesses in England comprising of a single household (37,900)

(a) Details of household composition are collected for the households of all farmers and partners in the business, but not employed farm workers.

Table B2 shows that:

- There tend to be more adults of pensionable age per household in owner occupied farms (0.64) than in the overall farm population (0.49).
- There tend to be more children on tenanted farms.

**Table B2: Number of adults of working age, pensionable age, and children<sup>(a)</sup> (per farm household) by farm tenure type, England average 2011/12-2013/14**

Tenure type	Mean number of adults of working age	Mean number of adults of pensionable age	Mean number of children
Owner occupied	1.39	0.64	0.34
Mixed - mainly owner occupied	1.52	0.55	0.34
Mixed - mainly tenanted	1.66	0.33	0.69
Tenanted	1.82	0.24	0.80
<b>All farms</b>	<b>1.55</b>	<b>0.49</b>	<b>0.48</b>

Restricted to farm businesses in England comprising of a single household (37,900)

(a) Details of household composition are collected for the households of all farmers and partners in the business, but not employed farm workers.