



Farm Business Survey

2012/2013

Hill Farming in England



David Harvey and Charles Scott

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independent research, data and analysis

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Foreword to the Eighth Series

Drawing upon data from the financial year 2012 to 2013, this eighth series of reports arguably represents a turning point in the average financial fortunes of agricultural and horticultural businesses in England. Across the sectors, average Farm Business Income (FBI) fell by 30% from the previous year's results, albeit with specialist pig and poultry farms bucking this trend. Looking across the most recent five years' FBI performance, we may yet look back to the harvest of 2011, and the 2011-12 financial year more generally, and conclude this represented a high point for the industry, in aggregate, at the start of the 2000s. Therefore, as we provide the 2012-13 results for particular farm types and enterprises, it is opportune to consider the driving forces of economic performance as we look to the future.

Having written about Common Agricultural Policy (CAP) reform numerous times within the forewords to these series, one would be forgiven for thinking that we must have by now arrived at a point of certainty and clear policy direction. However, at the start of 2014, while the direction of the CAP is certainly clearer, there remains considerable uncertainty over how the broad CAP reform package that has been agreed will be implemented. The modulation rules over the movement of monies from Pillar I to Pillar II of the CAP will almost certainly lead to a more uncommon implementation of the CAP within the EU, and even within the UK. One of the largest unknowns of the new CAP is how the greening rules will be implemented by member states – discussions of crop rotation and permanent pasture will take on a whole new meaning and focus around the kitchen tables of farm households, while understanding what is meant by an Ecological Focus Area is already bringing forward yet more terminology and rules for farmers and producers to get to grips with.

No preface to the 2012-13 agricultural and horticultural financial year data analysis would be complete without reference to the prevailing climatic conditions over the April 2012 to March 2013 period. After the early spring 2012 drought conditions gave way to one of the wettest summers on record, the main grass and crop growing and harvest season of 2012 will not quickly fade from the memories of those at the sharp end of primary food production. The exceptionally cold late winter of 2012/13 and spring 2013 then placed increased pressures on many businesses, placing immediate financial pressures on livestock farmers. The results presented in this eighth series must therefore be set against the prevailing conditions of this, hopefully atypical, 12 month period. However, the impacts of yields and costs are only part of the story; output prices, exchange rate fluctuations, policy support and diversification opportunities all contribute to the changing fortunes of the various sectors that we report on in our series. As businesses look to the future, all of these aspects, and many more, will be at the forefront of their thinking. To help businesses assess their own strengths, weaknesses, opportunities and threats, we hope that the data and independent analyses contained within *Rural Business Research's (RBR)* series of reports provide useful and essential information to facilitate the task.

Once again, I particularly thank all the farmers and producers who take part in the FBS research programme; without the voluntary contribution of these individual businesses it would not be possible to provide such a breadth and depth of data and information to the wider industry.

Dr Paul Wilson

Chief Executive Officer, Rural Business Research

January 2014

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 42% of 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 155 ha of enclosed land and typically has access to an area of common grazing. It is part owned (72 ha) and part rented (82 ha) and most of the farm (90 ha) is in permanent grass. The average LFA farmer is 57 years old, has 29 beef cows and 377 breeding ewes. Cattle and Sheep youngstock and fatstock make up the total to 92 cattle and 743 sheep on the farm, making a total of 95 Grazing Livestock Units.

The average LFA Grazing Livestock farm earns 67% of its total revenue (output) from crop and livestock farming activities, 19% comes from the Single Farm Payment, and 11% from specific agri-environment payments. The balance of revenues (3%) is earned from non-farm/diversification activities.

The crop and livestock farming side of the business covers its variable costs and earns a respectable gross margin of £29,973 per farm. However, since this side of the whole farm business is assumed to incur most of the fixed costs (87%) the average LFA farm is shown as making an Agricultural Business Income loss of -£8,867 (before unpaid labour) from crop and livestock production per farm in 2012/13. Allowing for the unpaid labour allocation of £24,561 to this side of the business results in an Agricultural Corporate Income of -£33,428.

Farm revenues from all sources combine to generate a headline Farm Business Income of £19,700 per farm in 2012/13, a 33% decrease 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 £26,170 per farm. As a result, Farm Corporate Income shows a small loss of -£6,470 per farm (a 236% reduction on the small profit of £4,771 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 £4,351 is down by 164% compared with the previous year's profit of £6,755. The traditional measure of farm income of Net Farm Income (which puts all farm businesses on a comparable tenanted basis) averaged £11,202 per farm, down 48% from £21,339 in 2011/12.

LFA farms depend to a substantial extent on public payments; the Single Farm Payment and Agri-environmental payments together account for 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 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, Agricultural Census, June 2010

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 42% 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 12,625 commercial holdings classified as Grazing Livestock (LFA) farms and these account for 1.2 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 12,625 LFA Grazing livestock holdings, this report presents data representing the 6,179 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, 2011/12, RBR) the continued economic health of the farmers (and other land users and managers) in the uplands is of considerable value to society. The current performance and, hence, economic health of the livestock farmers in the Less Favoured Areas of England is the focus of this report. (Other farm types present in the LFA including Upland Dairy farms are covered by other Enterprise Reports in this series – Appendix 10).

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](http://www.ruralbusinessresearch.co.uk/) website) but rather the EU Regions, which are used for administrative purposes at the European level and represent amalgamations of GO Regions:

- EU West Region comprises the South West and West Midlands GO regions.
- EU North Region includes North West, North East and Yorkshire & Humberside GO regions.
- EU East Region is the East Midlands, Eastern and South East GO regions.

The LFA designation is part of EU law and extra farm support was provided for farms in these areas as Hill Livestock Compensatory Allowances between 1975 and 2000. This was paid as headage support to eligible beef cows and ewes. In 2001 this support was replaced by the Hill Farming Allowance (HFA) an area based scheme. In 2010 the HFA scheme was in

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

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

⁶ Data from Defra, Agricultural Census, June 2010

⁷ Data from Defra, Agricultural Census, June 2010

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) see: [http://rpa.defra.gov.uk/rpa/index.nsf/15f3e119d8abcb5480256ef20049b53a/d3762c090883e88780257427005117ad/\\$FILE/HFA%202009%20Explanatory%20booklet.pdf](http://rpa.defra.gov.uk/rpa/index.nsf/15f3e119d8abcb5480256ef20049b53a/d3762c090883e88780257427005117ad/$FILE/HFA%202009%20Explanatory%20booklet.pdf).

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 ESA or CSS agreement terminates. The payment rates (per hectare) for the 2012 UTP and the UELS and OUELS schemes are shown in Table 1.

⁸

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

Table 1.
Uplands Transitional Payment and Uplands Entry Level Scheme payment rates (2012)

Uplands Transitional Payments (£/ha) 2012

Land Type	0 – 350 hectares	351 – 700 hectares
Land within the Moorland line	£15.52	£7.76
Other common land	£15.52	£7.76
Other SDA	£40.96	£20.48

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) 2012

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

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

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

The data presented in this publication comes from 246 farms, which are all part of the Farm Business Survey. 61% come from the EU North Region, 30% 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 (please see <http://www.defra.gov.uk/statistics/foodfarm/farmmanage/fbs>). Where comparisons are made with the 2009/10 year the 2009/10 data has been reconfigured onto an SO basis. LFA Grazing Livestock Farms are holdings on which cattle, sheep and other grazing livestock account for more than two thirds of their total SO - except holdings classified as dairy. Dairy farms are those where dairy cows account for more than two thirds of the total SO. A holding is classified as an LFA holding if 50 per cent or more of its total area is in the LFA. Of holdings classified as LFA, those whose LFA land is wholly or mainly (50 per cent or more) in the SDA are classified as SDA; those whose LFA land is wholly or mainly (more than 50 per cent) in the DA are classified as DA. For the purposes of the survey, only those farms with an SO of greater than 25,000 are considered, which excludes some 7,000 very small holdings in the LFA. In addition, these farms are also classified according to their size (measured by their ‘standard labour requirement’ (SLR) see Appendix 11).

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.

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 (2012)

Farm	Sample		June survey of agriculture		Average size by SLR *		Average total adjusted area (ha)	
	No.	%	No.	%	Sample	June survey	Sample	June survey
Part-Time †	13	5%	951	15%	0.78	0.76	55	52
Small	76	31%	2,680	43%	1.53	1.54	135	120
Medium	55	22%	1,082	18%	2.46	2.45	165	158
Large	59	24%	1,006	16%	3.81	3.84	262	222
Very Large	43	17%	460	7%	7.66	7.48	546	421
All Sizes	246	100%	6,179	100%	3.31	2.38	240	155

* 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 requiring more than 0.5 SLR which excludes almost 7,000 very small 'farms' within the LFA as recorded by the June Survey. The June survey data are estimated using England weights.

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;

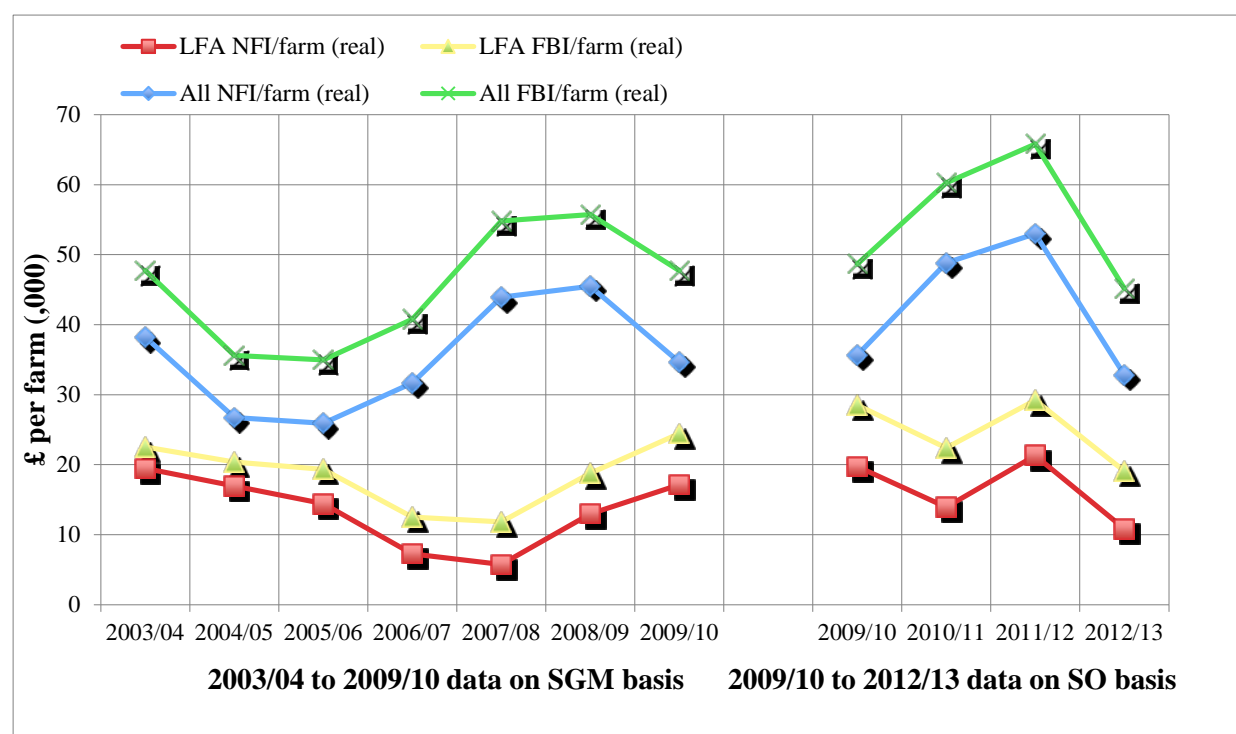
Other farm types are present in the LFAs, but analysis has been restricted to cattle and sheep farms as they represent the most common type of LFA holdings

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 2012/13 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. 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 wages 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 v. All FBS Farms Performance, real^b terms, England (2003/04 – 2012/13)



Source: *Farm Accounts in England, 2012/13*, [Defra](#).

Notes: a: defined as Upland Grazing Farms

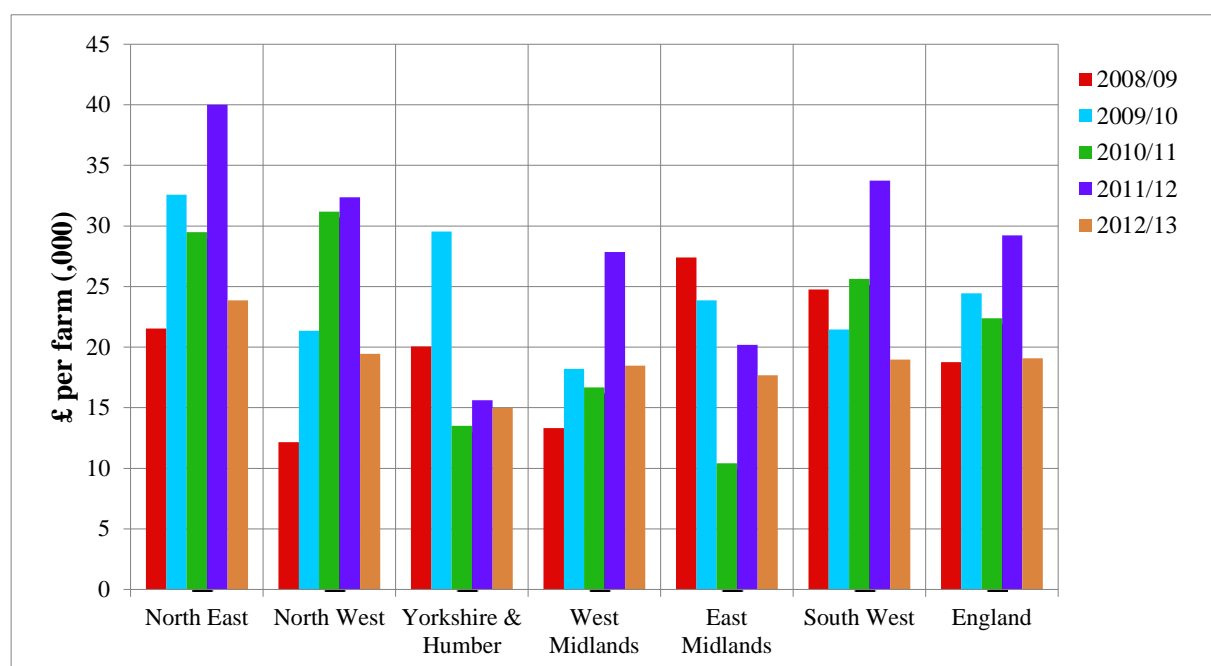
b: Real terms = deflated by RPI (all items).

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 2003/04, 2008/09, and again in 2011/12, their upland counterparts have experienced a five year decline in real incomes per farm since 2003/04, only in 2008/09 and 2009/10 seeing a reversal to this trend with a slight upward movement of FBI and NFI. Farms in the LFA suffered another drop in income in 2010/11 before seeing again a slight increase in 2011/12. The 2012/13 year saw a major fall in income across all farming sectors but 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 10).

However, there is substantial variation around these average figures for all farms, both between regions and between years, as Figure 2 illustrates. The 2008/09 and 2009/10 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 (2008/09 to 2012/13)



Source: - Government Office Reports, 2012/13, [RBR](#).

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

4. The Average LFA Farm in 2012/13

Although the average LFA farm in the FBS sample in 2012/13 does not reflect the wide variation in either the sample, or still more the whole population, its description still provides a general picture of the sector. The sample represents just over 6,000 LFA farms in England (excluding the smallest farms - those with a Standard Output of less than 25,000). The average area farmed is 155 ha plus common grazings. This area includes some 2 ha under buildings and roads, 5 ha rented in land (net) and 56 ha rough grazing. The adjusted area of the on-farm rough grazing equates to 18 ha adjusted area which, plus 6 ha of adjusted common grazing gives a total adjusted area farmed of 124 ha. The average farm is part owned (72 ha) and part rented (82 ha), and most of the farm (90 ha) is in permanent grass. The average LFA farmer is 57 years old, and has 29 beef cows and 377 breeding ewes. Cattle and Sheep youngstock and fatstock make up the total to 92 cattle and 743 sheep on the farm, making a total of 95 Grazing Livestock Units (GLUs)¹⁰.

4.1. The average LFA Farm account

The average LFA Grazing Livestock farm in England in 2012/13 is represented by the set of accounts shown in Table 3. This table reports the average farm accounts for the whole

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).

sample of 246 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 67% of their total revenue (output) from the agriculture cost centre, with 19% coming from the Single Farm Payment, and 11% from specific agri-environment payments. The balance of revenues (3%) is earned from non-farm activities (mostly associated with contracting or tourism and recreation). The farming business covers its variable costs and earns a positive gross margin of £29,973 per farm (a 21% decrease from the previous year). However, since the production agriculture side of the farm business is assumed to incur most of the fixed costs (87%) the average LFA farm is shown to generate a negative Agricultural Business Income of -£8,867 per farm in 2012/13 – a major setback on the positive figure of £560 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 £19,700 per farm in 2012/13, a 33% decrease on the previous year. This income is unable to cover the opportunity costs of the unpaid labour (provided by the farmer and partners) of £26,170 per farm and as a result, Farm Corporate Income registers at -£6,470 per farm (a 236% decrease on £4,771 in 2011/12). Adjusting for the net interest payments made by the farm, the Farm Investment Income (which represents the return on risk and entrepreneurship on all capital invested in the farm business whether borrowed or not) is -£4,351, down by 164% compared with the previous year’s figure of £6,755.

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 £11,202 per farm, down 48% from £21,339 in 2011/12.

In the case of LFA grazing farms there is still a substantial number of tenanted farms. In the EU North Region, where 61% of LFA farms are found, only 42% of the land is owned. The average proportion of land owned on LFA grazing farms over the whole country is 47% compared to a national average of 58% 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.

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

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

The Hill Farm Allowance (HFA) ended with the 2010 HFA payment in the spring of 2010 (which related to the 2009 farming year). All farmers previously eligible for the HFA were entitled to apply for the Uplands Transitional Payment (UTP) and/or the Uplands Entry Level Scheme (UELS) according to their participation in other agri-environment schemes. These new measures of support are recorded on an “as-received” basis (as are most other agri-environmental payments) rather than on an “as-due” basis which had been the case for the HFA. 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.

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

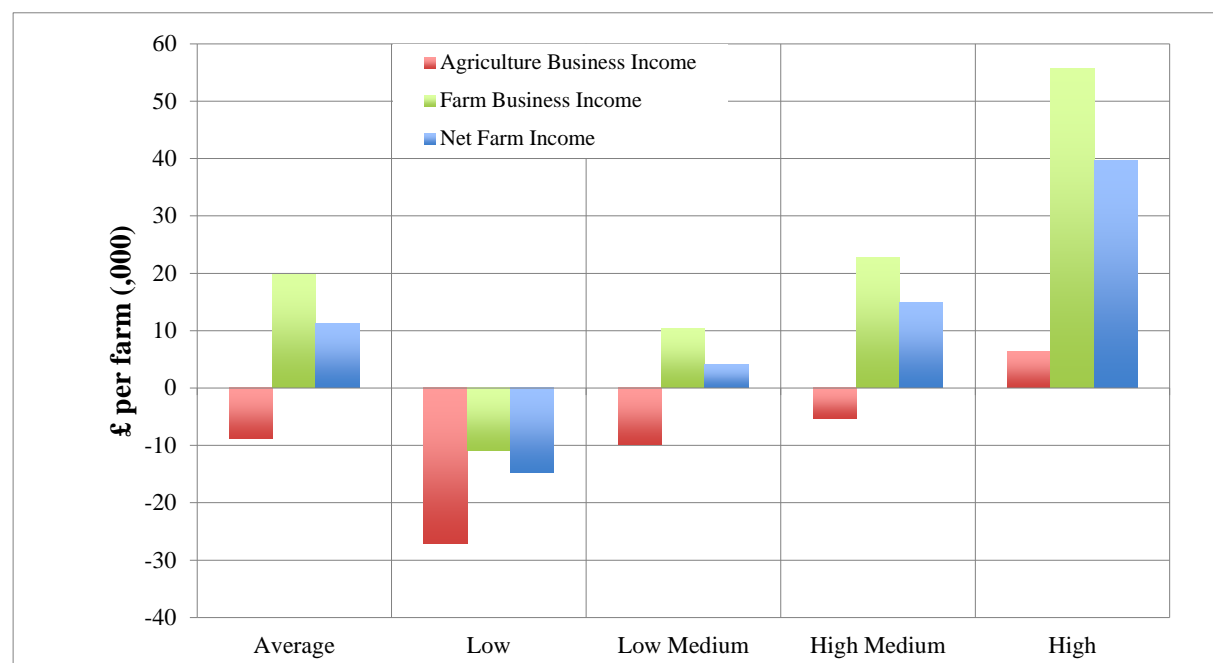
Derivation of farm income measures		The average farm												Cost Centre (£ per farm)						Farm Business (£ per farm)						
		Agriculture			Agri-environment and other payments			Diversification out of agriculture			Single Payment Scheme			Farm Business (£ per farm)												
		2011/12	2012/13	% change	2011/12	2012/13	% change	2011/12	2012/13	% change	2011/12	2012/13	% change	2011/12	2012/13	% change										
% contribution of cost centre revenue to total:		69%	67%		9%	11%		2%	3%		20%	19%		2011/12	2012/13	% change	2011/12	2012/13	% change							
1	Total output (Revenue)	74,841	70,805	-5%	9,978	11,646	17%	2,239	2,934	31%	21,960	20,343	-7%	109,017	105,729	-3%	37,367	41,049	10%							
2	Variable costs	37,042	40,833	10%	174	99	-43%	149	116	-22%	2	2		71,650	64,680	-10%	21,957	20,341	-7%							
3=1-2	Total Gross margin	37,799	29,973	-21%	9,804	11,548	18%	2,090	2,818	35%	21,957	20,341	-7%	43,006	45,495	6%	80,373	86,544	8%							
4	Fixed costs	37,799	39,354	4%	1,739	2,422	39%	987	1,211	23%	2,481	2,508	1%	560	514	-8%	2,483	2,510	1%							
5=2+4	Total Costs	74,841	80,187	7%	1,913	2,520	32%	1,136	1,327	17%	2,483	2,510		29,205	19,700	-33%	24,434	26,170	7%							
6	Profit/(loss) on sale of fixed assets	560	514	-8%										4,771	-6,470	-236%	1,983	2,120	7%							
7=1-5+6	Farm Business Income	560	-8,867	-1683%	8,065	9,126	13%	1,103	1,607	46%	19,477	17,833	-8%	6,755	-4,351	-164%	6,755	-4,351	-164%							
8	Adjustment for unpaid manual labour	23,372	24,561	5%	502	738	47%	560	871	55%	0	0		29,205	19,700	-33%	24,434	26,170	7%							
9=7-8	Farm Corporate Income	-22,811	-33,428	-47%	7,563	8,387	11%	543	736	36%	19,477	17,833	-8%	4,771	-6,470	-236%	1,983	2,120	7%							
10	Interest payments (net of interest received)	1,822	1,926	6%	46	57	23%	51	78	53%	63	58		6,755	-4,351	-164%	6,755	-4,351	-164%							
11=9+10	Farm Investment Income	-20,989	-31,501	-50%	7,609	8,445	11%	594	815	37%	19,540	17,891	-8%	6,755	-4,351	-164%	6,755	-4,351	-164%							
% contribution of cost centre costs to total:		93%	93%		2%	3%		1%	2%		3%	3%		8,200	8,641	5%	2,521	2,506	-1%							
												Imputed rent			Ownership charges			Director's remuneration			Unpaid labour of principal farmer and spouse			Net Farm Income		
												12			13			18			16			17=11-12+13+18+16		
												246			6,179			247			6,148			2012/13 Sample size (unweighted)		
												246			6,179			247			6,148			2011/12 Sample size (unweighted)		
												246			6,179			247			6,148			2011/12 Sample size (unweighted)		
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												246			6,179			247			6,148			2011/12 Sample size (unweighted)		
												246			6,179</											

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, only the highest quartile realises a positive ABI, i.e. most LFA farms make losses as far as their agricultural enterprises are concerned. The two medium quartiles manage to offset these losses by the incomes earned through environmental, diversification and Single payment schemes, but not so for the lowest quartile which returns a negative FBI. In general, the better performing farms make greater incomes from their non agricultural farm business activities and receipts.

As we reported in Hill Farming in England, 2006/7 (RBR) current estimates of the social value of landscape management and environmental conservation associated with hill farming in England broadly correspond to the extent of public payments made to these farms for their provision of CARE (Conservation, Amenity, Recreation and Environment). We have no new information to elaborate on this broad correspondence for this report.

Figure 3. LFA Agriculture and Farm Business Income by FBI/farm quartile



Source: Government Office Reports, 2012/13, [RBR](#).

Figure 4 presents similar data on farm business performance by quartile, though here on the basis of Farm Business Income (FBI) per Grazing Livestock Unit (GLU) which removes the effect of farm size on the FBI earnings per farm. The general story remains the same – that

only the top quartile group returns a positive 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

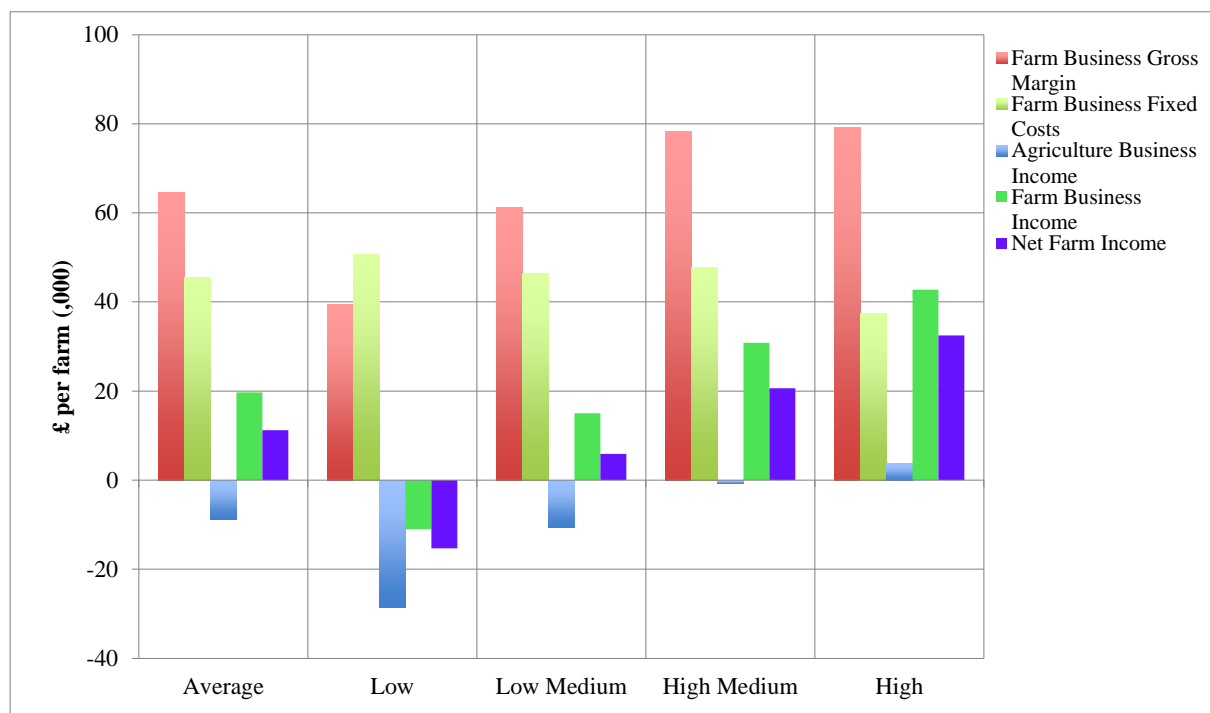
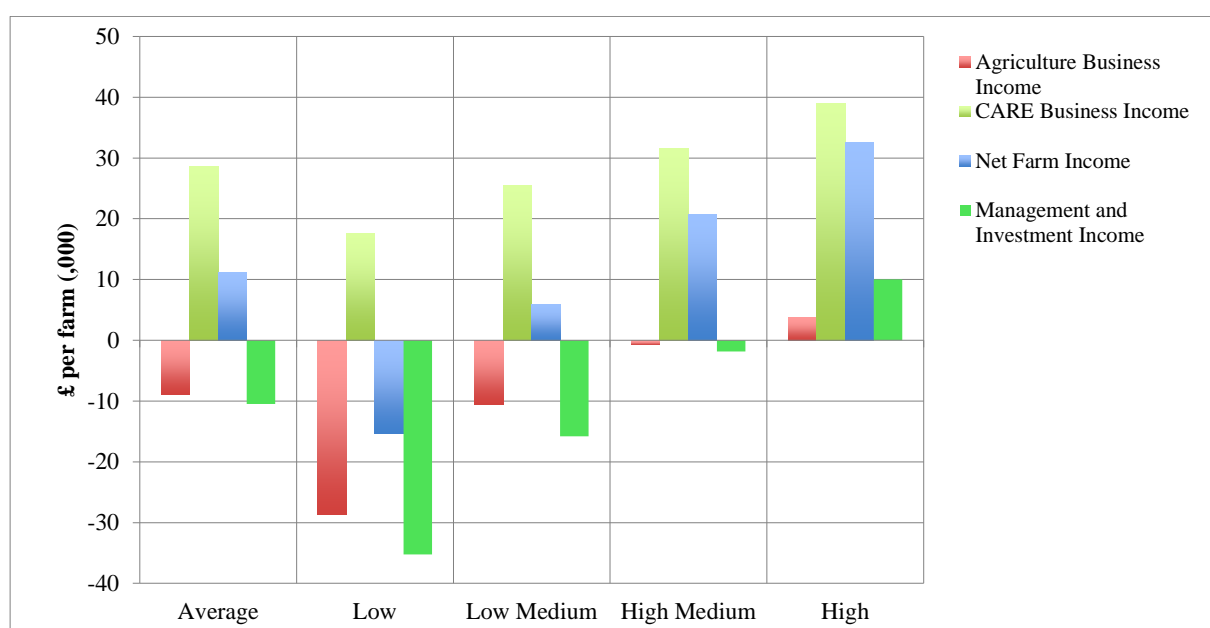


Figure 5. LFA Farm Earnings Performance by FBI/GLU quartile



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 £10,001 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

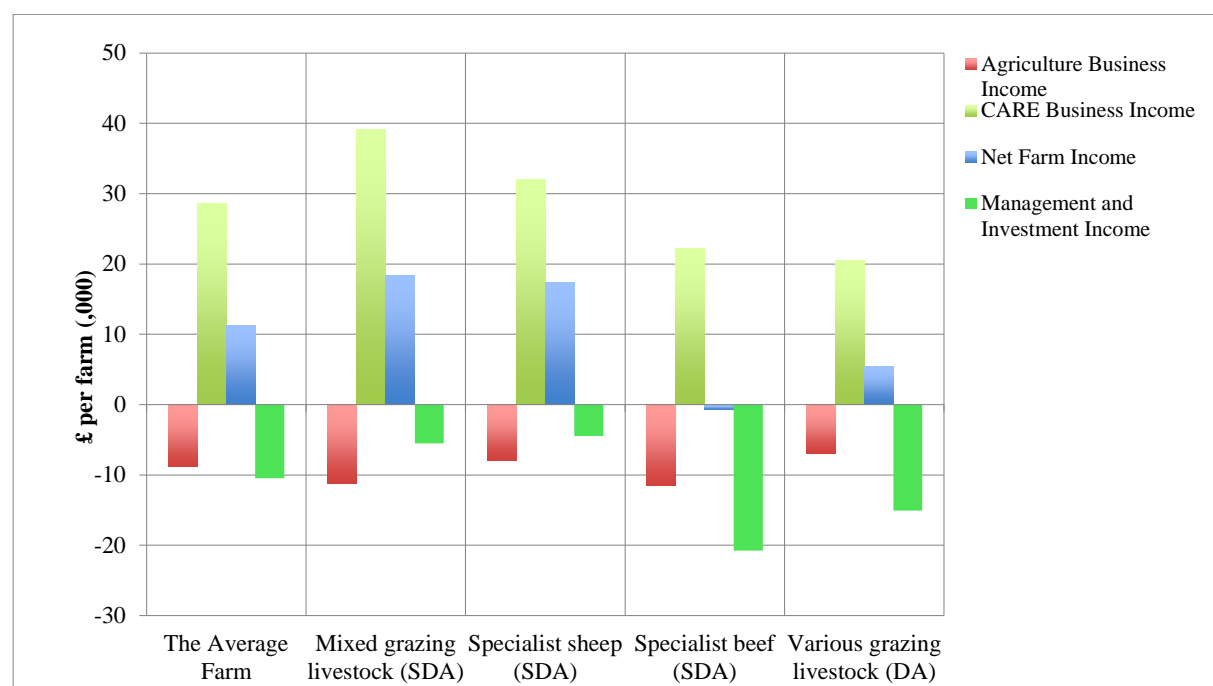
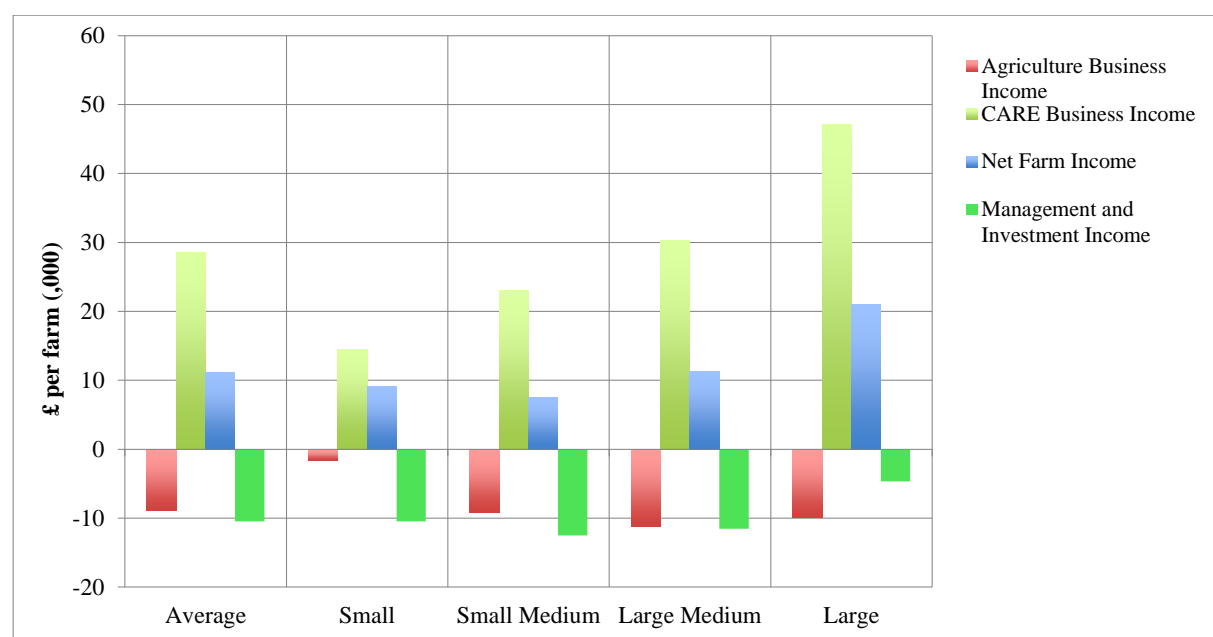


Figure 7 shows the business performance by size, measured here by the Standard Labour Requirement (SLR)¹² and illustrates that size is important to these farms' earning ability, although as previously seen it is the CARE income which rescues all farms from economic failure. The greater losses of ABI in the larger size groups demonstrate that in years of poor performance of the Agriculture cost centre (as in 2012) 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.

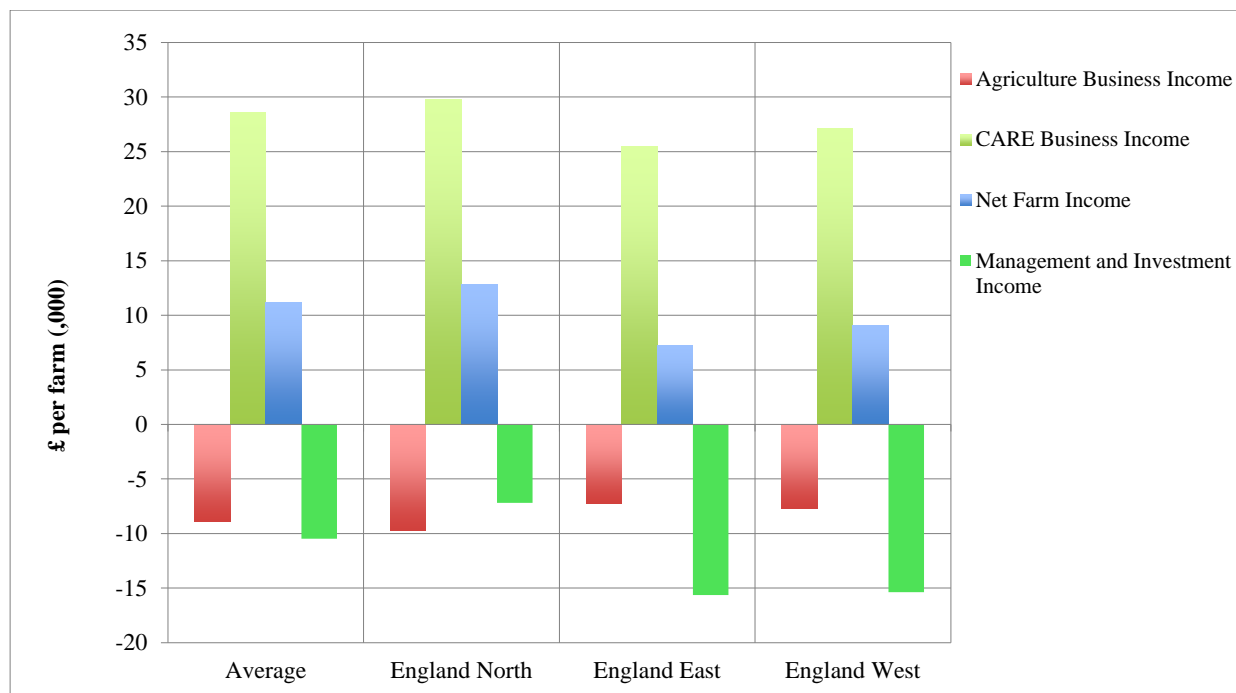
Figure 7. LFA business performance by size (SLR) quartile



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.

Figure 8 shows the same business performance measures by EU region. As above, it is the CARE income which dominates the picture of business performance. Farms in England North appear to achieve the highest CARE incomes and return the highest Net Farm Income.

Figure 8. LFA business performance by EU region



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

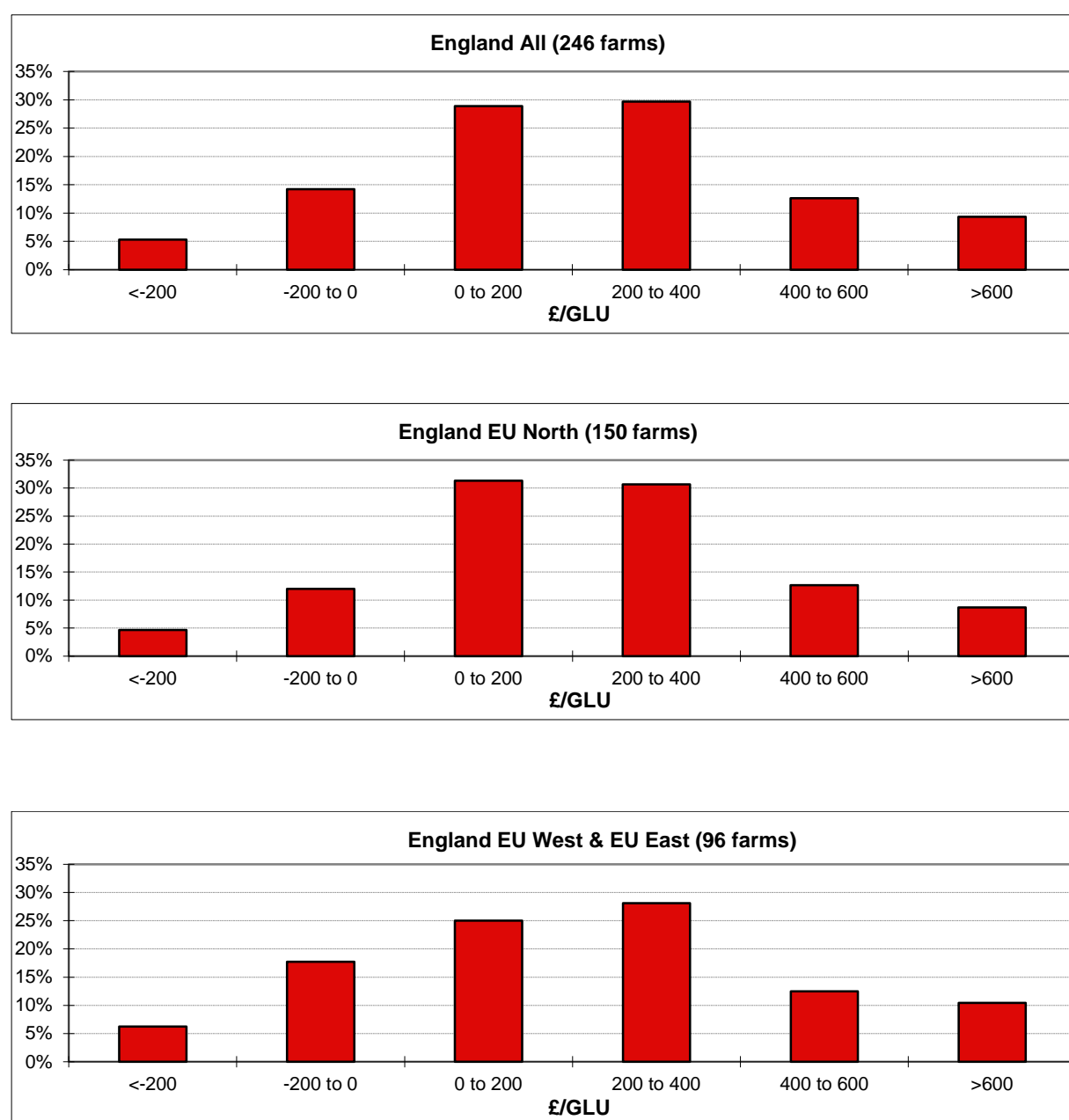
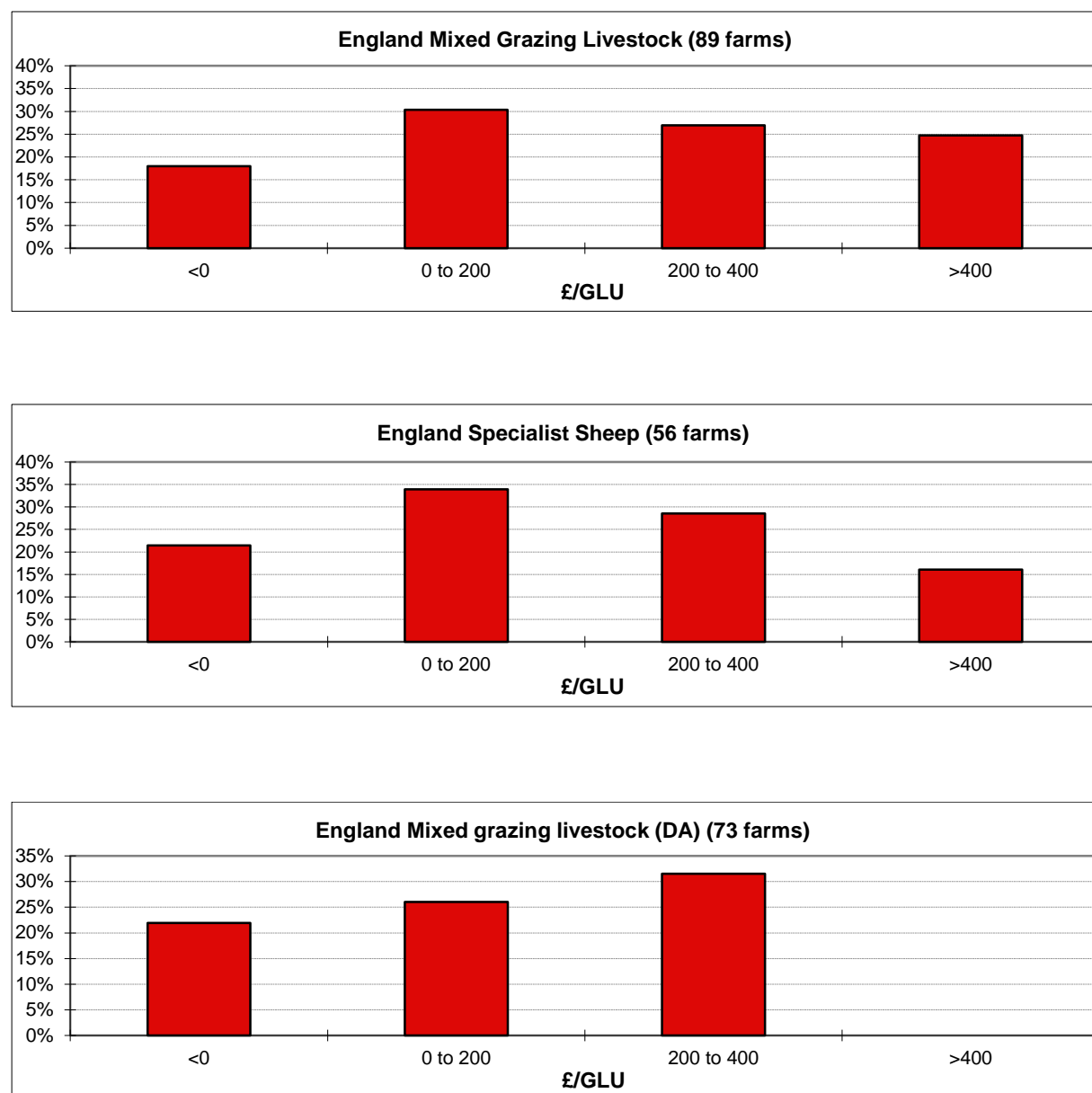


Figure 10 illustrates the variation in performance by Main Farm Type (except Specialist Beef farms where the low sample sizes does not allow this presentation). DA Mixed Grazing farms (which often carry substantial beef herds) appear more likely than Mixed Grazing Livestock or Specialist Sheep farms 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. LFA upland sheep flock performance 2011/12 and 2012/13

	All Upland flocks		Change £/ewe
	2011/12	2012/13	
<i>Number of farms</i>	<i>131</i>	<i>124</i>	
<i>Number of farms (weighted)</i>	<i>3342</i>	<i>2837</i>	
(£ per ewe)			
Enterprise Output (excl. BLSA)	110.1	95.5	-14.6
BLSA	11.7	-0.9	-12.6
Total Variable costs	43.8	49.7	5.8
Concentrates	16.8	22.6	5.8
Purchased fodder and keep	3.4	2.8	-0.7
Veterinary and medicines	5.8	6.9	1.0
Other livestock costs	10.0	10.0	-0.1
Forage variable costs	7.7	0.3	-7.4
Gross Margin (excl. BLSA) / Ewe	66.2	45.8	-20.4
Gross Margin range	-29 to 315	-38 to 191	
Total Fixed costs	63.2	60.4	-2.8
Total costs	107.0	110.0	3.0
Net Margin (excl. BLSA) / Ewe	3.1	-14.5	-17.6
Net Margin after F&S labour (excl. BLSA)	-26.7	-42.6	-15.9

Table 5. LFA upland sheep flock performance by flock size 2012/13

2012/13	All flocks	<350 ewes	350-700 ewes	>700 ewes
<i>Number of farms</i>	124	39	50	35
<i>Number of farms (weighted)</i>	2837	1125	1199	513
(£ per ewe)				
Enterprise Output (excluding BLSA)	95.5	88.4	96.5	97.6
BLSA	-0.9	-0.4	-1.2	-0.9
Total Variable costs, of which:	49.7	44.1	52.4	49.4
Concentrates	22.6	19.3	24.9	21.8
Purchased fodder and keep	2.8	2.4	3.2	2.5
Veterinary and medicines	6.9	6.1	7.2	6.9
Other livestock costs	10.0	9.1	10.3	10.0
Forage variable costs	7.5	7.3	6.8	8.2
Gross Margin (excluding BLSA)	45.8	44.3	44.1	48.2
Total Fixed costs	60.4	66.1	60.7	57.4
Total costs	110.0	110.2	113.1	106.8
Net Margin after F&S labour (excl. BLSA)	-42.6	-59.6	-53.3	-24.1

Table 6. LFA hill sheep flock performance 2011/12 and 2012/13

	All Hill flocks		Change £/ewe
	2011/12	2012/13	
<i>Number of farms</i>	63	64	
<i>Number of farms (weighted)</i>	1040	1427	
(£ per ewe)			
Enterprise Output (excl. BLSA)	73.7	66.7	-7.0
BLSA	10.3	1.0	-9.3
Total Variable costs	34.5	36.9	2.4
Concentrates	11.4	13.8	2.4
Purchased fodder and keep	4.4	5.5	1.2
Veterinary and medicines	5.4	5.6	0.1
Other livestock costs	8.7	8.1	-0.5
Forage variable costs	4.7	3.9	-0.8
Gross Margin (excl. BLSA) / Ewe	39.2	29.8	-9.4
Gross Margin range	-46 to 120	-67 to 156	
Total Fixed costs	54.5	53.7	-0.8
Total costs	89.0	90.6	1.6
Net Margin (excl. BLSA) / Ewe	-15.3	-23.9	-8.6
Net Margin after F&S labour (excl. BLSA)	-37.3	-47.0	-9.7

Table 7. LFA hill sheep flock performance by flock size 2012/13

2012/13	All flocks	<350 ewes	350-700 ewes	>700 ewes
<i>Number of farms</i>	64	22	26	16
<i>Number of farms (weighted)</i>	1427	586	619	222
<i>(£ per ewe)</i>				
Enterprise Output (excluding BLSA)	66.7	67.3	60.9	74.7
BLSA	1.0	6.2	-0.4	0.3
Total Variable costs, of which:	36.9	45.9	34.3	35.8
Concentrates	13.8	21.3	12.7	11.3
Purchased fodder and keep	5.5	3.4	5.3	6.9
Veterinary and medicines	5.6	6.0	4.8	6.5
Other livestock costs	8.1	10.1	7.8	7.4
Forage variable costs	3.9	5.1	3.6	3.7
Gross Margin (excluding BLSA)	29.8	21.3	26.6	38.8
Total Fixed costs	53.7	56.7	48.4	59.5
Total costs	90.6	102.7	82.6	95.4
Net Margin after F&S labour (excl. BLSA)	-47.0	-75.9	-44.2	-35.5

Tables 4 to 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 EBLEX (formerly part of the Meat & Livestock Commission). EBLEX publish their general cost estimates for various enterprises at the aggregate level only and the following estimates are taken from the [EBLEX](#) website. We note that the FBS data comes from a stratified random sample, whereas the EBLEX data are compiled from a self-selected sample of Livestock Farmers participating with EBLEX. Since the FBS sample is statistically representative of the total commercial LFA farm population, we might expect the EBLEX participants to show somewhat better performance than the statistical (FBS) average. Our comparison illustrates this expectation.

While the comparisons are closer at the gross margin level, where the two methodologies used in preparing the accounts are very similar, there is a greater difference at the net margin level. Allocating fixed (overhead) costs to specific enterprises is not straightforward, especially (as in the case of the FBS data) when efforts are also made to segregate the accounts according to the agriculture and CARE elements of the business (which EBLEX do not attempt). While RBR, in conjunction with Defra, are continually trying to improve this allocation, it is not surprising that our estimates of net margins differ more markedly from the EBLEX results at this level. Notwithstanding these differences, both accounts make it clear that LFA farms generally do not make money from their agricultural business, but have to rely on other sources of income (including CARE payments and the SPS) to survive.

Table 8. EBLEX Stocktake 2013: LFA breeding sheep

LFA Breeding Sheep	2011/12	2012/13	Change
	£/head	£/head	£/head
Sales	107.3	99.7	-7.6
Replacement costs	12.7	16.4	3.7
Feed costs	19.2	19.5	0.3
Variable costs (excl. replacement cost)	30.3	29.8	-0.5
Gross Margin	64.2	53.5	-10.7
Fixed Costs	50.1	69.3	19.2
Total Costs	123.9	115.5	-8.4
Net Margin (inc. imputed costs)	-16.6	-15.8	0.8

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

LFA Suckler cow results, for 2011/12 and 2012/13, are shown in Table 9 with a herd size stratification shown in Table 10. Tables 9 and 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 2011/12 and 2012/13

	All herds		change
	2011/12	2012/13	£/cow
<i>Number of farms</i>	193	175	
<i>Number of farms (weighted)</i>	4,180	3,884	
(£ per cow)			
Enterprise Output (excl. BLSA)	370	381	11
BLSA	118	51	-67
Total Variable costs	188	194	6
Concentrates	42	45	0
Purchased fodder and keep	20	18	2
Veterinary and medicines	20	21	-3
Other livestock costs	52	57	8
Forage variable costs	53	53	-
Gross Margin (excl. BLSA) / Cow	182	187	5
Gross Margin range	-557 to 722	-911 to 2198	
Total Fixed costs	340	351	10
Total costs	528	544	16
Enterprise NM (excl. BLSA)	-158	-163	-5
Enterprise NM after F&S labour (excl. BLSA)	-277	-298	-21

Table 10. LFA suckler herd performance by herd size 2012/13

2012/13 calving period	All herds	<30 cows	30-60 cows	>60 cows
<i>Number of farms</i>	175	58	67	50
<i>Number of farms (weighted)</i> (£ per cow)	3,884	1,666	1,433	785
Enterprise Output (excl. BLSA)	381	358	364	407
BLSA	51	52	45	55
Total Variable costs, of which:	194	193	197	192
Concentrates	45	47	44	46
Purchased fodder and keep	18	23	18	16
Veterinary and medicines	21	23	21	20
Other livestock costs	57	57	60	53
Forage variable costs	53	43	53	56
Gross Margin (excl. BLSA) / Cow	187	165	167	215
Total Fixed costs	351	346	357	346
Total costs	544	539	554	538
Enterprise NM (excl. BLSA)	-163	-181	-190	-132
Enterprise NM after F&S labour (excl. BLSA)	-298	-403	-350	-206

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

Table 11. EBLEX Stocktake 2013: Upland suckler herd

Upland Suckler Herd	2011/12	2012/13	Change
	£/cow	£/cow	£/cow
Sales	588	580	-8
Replacement costs	64	68	4
Feed costs	126	127	1
Variable costs (excl. replacement cost)	192	209	17
Gross Margin	332	303	-29
Fixed Costs	389	485	96
Total Costs	865	762	-103
Net Margin (inc. imputed costs)	-277	-182	95

A further more detailed analysis of LFA enterprise Gross margins and efficiency factors is presented in Appendix 9 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 246 English LFA grazing farms includes 22 fully organic farms. Within this there are 13 organic suckler herds and 11 organic upland flocks.

Table 12 compares suckler herd performance to the gross margin (GM) and net margin (NM) level across organic and non-organic farms. The non-organic suckler herd output is £11/cow more than the organic output but due to higher variable costs (particularly forage costs) the gross margin is £21/cow below the organic average. As can be seen from the standard deviation figures and the spread of GMs there is considerable variation across farms. Organic fixed costs are £53/cow higher than the non-organics so that at the net margin level (excepting farmer and spouse labour) the non-organic farms have a £36/cow advantage. After allowing for the farmer and spouse labour (of £135/cow) the final net margins are -£297/cow and -£336/cow for non-organic and organic respectively. The stocking rate for the organic farms, of 0.65 GLU/total adjusted area (including commons and all land rented in) is 25% less than that of the non-organics.

Table 13 compares organic and non-organic Upland LFA flocks to the GM and NM level. Organic enterprise output is £2/ewe higher than non-organic output at £97/ewe. Variable costs per ewe are £11/head lower for the organics resulting in a gross margin of £58/ewe for organic flocks and £46/ewe for the non-organic flocks. Fixed costs are £71/ewe for organic flocks and £60/ewe for non-organics – this results in net margins (after farmer and spouse labour) of -£35/ewe and -£45/ewe for organic and non-organic flocks respectively.

Table 12. LFA suckler herd performance Non-organic and Organic

2012_13	All Suckler herds	
	Non-organic	Organic
Number of farms	162	13
Number of farms (weighted)	3791	93
(£ per cow)		
Enterprise Output (excluding BLSA)	381	370
BLSA	51	55
Total Variable costs	194	167
Concentrates	45	48
Purchased fodder and keep	18	13
Veterinary and medicines	21	21
Other livestock costs	56	69
Forage costs	54	16
Gross Margin (excluding BLSA)	187	204
Gross Margin range	-911 to 2198	47 to 488
Total Fixed costs	349	402
Total costs	544	569
Enterprise NM (excluding BLSA)	-162	-198
Enterprise NM after F&S labour (excl BLSA)	-297	-336
Stocking rate (GLUs/total adj ha)	0.81	0.65

Table 13. LFA upland flock performance Non-organic and Organic

2012_13	All LFA flocks	
	Non-organic	Organic
Number of farms	113	11
Number of farms (weighted)	2774	63
(£ per ewe)		
Enterprise Output (excluding BLSA)	95	97
BLSA	-1	1
Total Variable costs	50	39
Concentrates	23	16
Purchased fodder and keep	3	2
Veterinary and medicines	7	9
Other livestock costs	10	10
Forage costs	8	2
Gross Margin (excluding BLSA) / Ewe	46	58
Gross Margin range	-38 to 191	6 to 84
Total Fixed costs	60	71
Total costs	110	110
Enterprise NM (excluding BLSA)	-15	-14
Enterprise NM after F&S labour (excl BLSA)	-43	-35
Stocking rate (GLUs/total adj ha)	0.76	0.73
Lambing rate (born and reared/average no. ewes)	1.43	1.48

Table 14 compares whole farm profitability across all four cost centres between the 22 fully organic farms and the remainder of the sample. This table shows that the overall difference in profit favours the organic farms by about £20,000 on any income measure. This is down mainly to the higher profitability of the Agriculture cost centre (by about £10,000) and a greater Single Farm payment (also by about £10,000). Organic farms also earn more from Agri-environmental schemes but less from Diversification than the Non-organic LFA farms.

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

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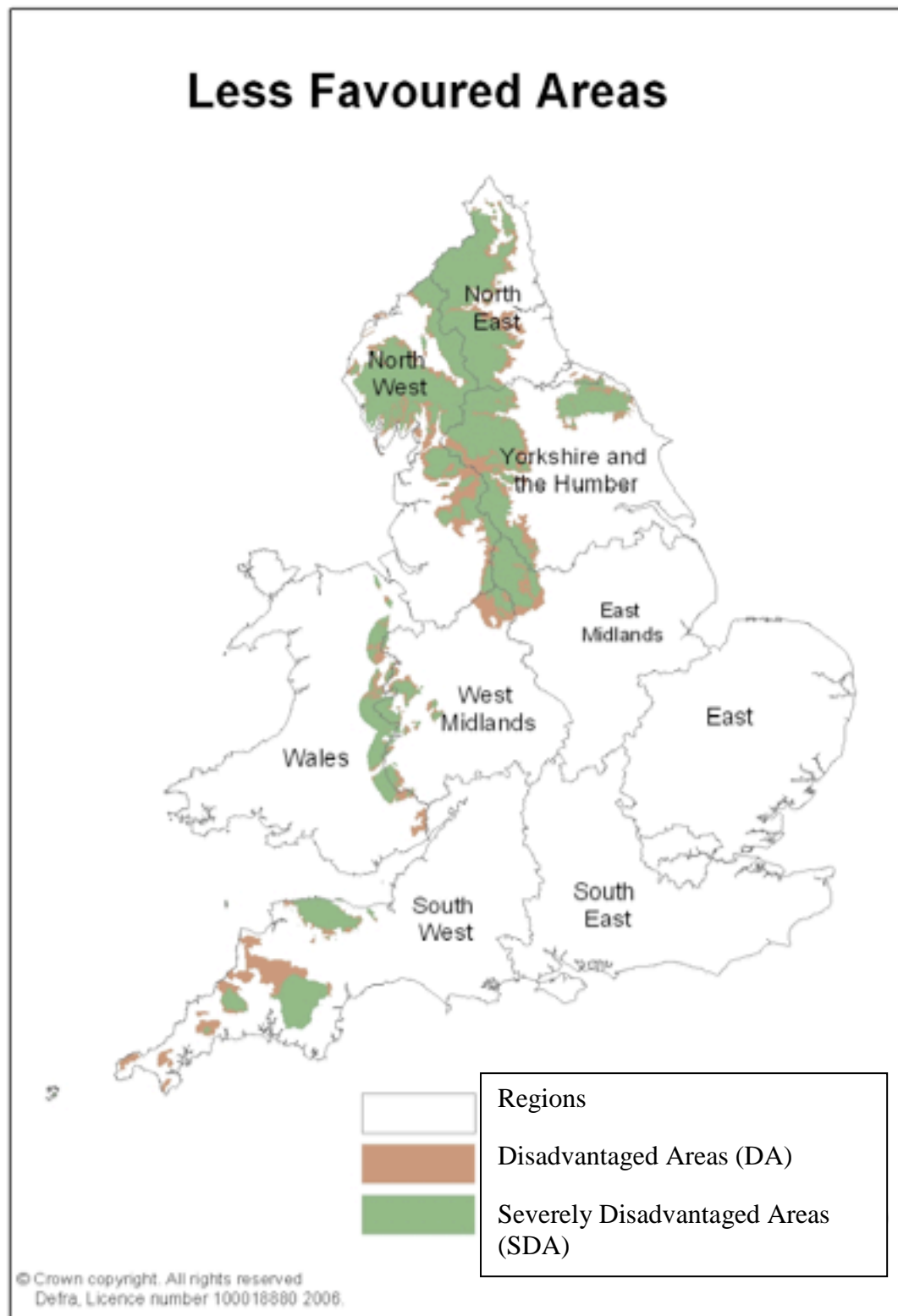
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Appendix 1. Map of the LFA, England

Source: Defra.

Appendix 2. Analysis of English Grazing Livestock Farms in the LFA- by Farm Type

Table 15: Farm Income measures by Cost Centre - Mixed grazing livestock (SDA)

	Cost Centre (£ per farm)				Farm Business (£ per farm) 2012/13
	Agriculture 2012/13	Agri-environment and other payments 2012/13	Diversification out of agriculture 2012/13	Single Payment Scheme 2012/13	
Derivation of farm income measures:					
Total output	96,841	18,421	3,493	25,345	144,100
Variable costs	56,339	70	288	2	56,699
Total Gross margin	40,503	18,351	3,205	25,343	87,402
Fixed costs	52,832	3,052	1,642	3,053	60,579
Total Costs	109,171	3,121	1,930	3,055	117,277
Profit/(loss) on sale of fixed assets	1,158				1,158
Farm Business Income	-11,171	15,300	1,562	22,290	27,981
Adjustment for unpaid manual labour	27,512	825	1,135	0	29,472
Farm Corporate Income	-38,683	14,474	428	22,290	-1,491
Interest payments (net of interest received)	1,962	51	107	44	2,163
Farm Investment Income	-36,721	14,525	534	22,334	672
Derivation of Net Farm Income					
				Imputed rent	9,547
				Ownership charges	3,288
				Director's remuneration	0
				Unpaid labour of principal farmer and spouse	23,966
				Net Farm Income	18,379
				Holding gains not included in farm income	57,809
				Breeding Livestock Appreciation (BLSA)	1,874
				Revaluation of machinery, permanent crops, glasshouse, quota	2,037
				Revaluation of land	53,898
				Management and Investment Income	-5,515
The average farm	89				
Number (unweighted)	1,652				
Number (weighted)					

Table 16: Farm Income measures by Cost Centre - Specialist beef (SDA)

	Cost Centre (£ per farm)				Farm Business (£ per farm) 2012/13
	Agriculture 2012/13	Agri-environment and other payments 2012/13	Diversification out of agriculture 2012/13	Single Payment Scheme 2012/13	
Derivation of farm income measures:					
Total output	61,569	8,093	1,650	16,945	88,257
Variable costs	32,956	1	0	1	32,958
Total Gross margin	28,613	8,092	1,650	16,944	55,299
Fixed costs	40,396	1,466	680	2,317	44,859
Total Costs	73,352	1,467	680	2,318	77,817
Profit/(loss) on sale of fixed assets	237				237
Farm Business Income	-11,546	6,626	970	14,627	10,677
Adjustment for unpaid manual labour	24,439	567	1,277	0	26,283
Farm Corporate Income	-35,985	6,058	-306	14,627	-15,606
Interest payments (net of interest received)	1,794	78	24	58	1,955
Farm Investment Income	-34,191	6,137	-282	14,685	-13,651
Derivation of Net Farm Income					
				Imputed rent	9,777
				Ownership charges	2,664
				Director's remuneration	0
				Unpaid labour of principal farmer and spouse	20,084
				Net Farm Income	-680
				Holding gains not included in farm income	59,871
				Breeding Livestock Appreciation (BLSA)	3,011
				Revaluation of machinery, permanent crops, glasshouse, quota	1,900
				Revaluation of land	54,959
				Management and Investment Income	-20,764
The average farm	28				
Number (unweighted)					
Number (weighted)	697				

Table 17: Farm Income measures by Cost Centre - Specialist sheep (SDA)

	Cost Centre (£ per farm)				Farm Business (£ per farm) 2012/13
	Agriculture 2012/13	Agri-environment and other payments 2012/13	Diversification out of agriculture 2012/13	Single Payment Scheme 2012/13	
Derivation of farm income measures:					
Total output	57,494	15,633	2,156	21,483	96,766
Variable costs	34,937	290	48	1	35,277
Total Gross margin	22,557	15,343	2,108	21,481	61,489
Fixed costs	30,875	3,434	784	2,771	37,864
Total Costs	65,812	3,724	832	2,773	73,141
Profit/(loss) on sale of fixed assets	412				412
Farm Business Income	-7,906	11,909	1,324	18,710	24,036
Adjustment for unpaid manual labour	23,602	970	538	0	25,110
Farm Corporate Income	-31,509	10,939	786	18,710	-1,074
Interest payments (net of interest received)	1,599	103	35	74	1,810
Farm Investment Income	-29,910	11,042	820	18,784	736
Derivation of Net Farm Income					
			Imputed rent		7,081
			Ownership charges		1,894
			Director's remuneration		0
			Unpaid labour of principal farmer and spouse		21,760
			Net Farm Income		17,310
			Holding gains not included in farm income		40,136
			Breeding Livestock Appreciation (BLSA)		-17
			Revaluation of machinery, permanent crops, glasshouse, quota		1,031
			Revaluation of land		39,122
			Management and Investment Income		-4,446
The average farm	56				
Number (unweighted)	1,566				
Number (weighted)					

Table 18: Farm Income measures by Cost Centre - Various grazing livestock (DA)

	Cost Centre (£ per farm)				Farm Business (£ per farm) 2012/13
	Agriculture 2012/13	Agri-environment and other payments 2012/13	Diversification out of agriculture 2012/13	Single Payment Scheme 2012/13	
<u>Derivation of farm income measures:</u>					
Total output	63,864	5,041	3,461	16,952	89,318
Variable costs	36,024	18	74	2	36,117
Total Gross margin	27,840	5,023	3,387	16,951	53,200
Fixed costs	35,066	1,556	1,355	1,987	39,964
Total Costs	71,089	1,574	1,429	1,989	76,082
Profit/(loss) on sale of fixed assets	201				201
Farm Business Income	-7,025	3,467	2,032	14,963	13,437
Adjustment for unpaid manual labour	23,109	568	783	0	24,459
Farm Corporate Income	-30,133	2,899	1,248	14,963	-11,022
Interest payments (net of interest received)	2,168	23	105	56	2,353
Farm Investment Income	-27,965	2,923	1,353	15,019	-8,670
Derivation of Net Farm Income					
				Imputed rent	8,711
				Ownership charges	2,311
				Director's remuneration	0
				Unpaid labour of principal farmer and spouse	20,471
				Net Farm Income	5,402
				Holding gains not included in farm income	54,379
				Breeding Livestock Appreciation (BLSA)	1,145
				Revaluation of machinery, permanant crops, glasshouse, quota	1,275
				Revaluation of land	51,959
				Management and Investment Income	-15,057
The average farm	73				
Number (unweighted)	2,264				
Number (weighted)					

Table 19. Output, Variable Costs and Farm Gross Margins by Cost Centre

2012/13	The average farm	Mixed grazing livestock (SDA)	Specialist sheep (SDA)	Specialist beef (SDA)	Various grazing livestock (DA)
Number of farms in the group	246	89	56	28	73
Number (weighted)	6,179	1,652	1,566	697	2,264
Utilisable Agricultural Area (UAA) (ha)	150	204	190	108	95
Average adjusted UAA (ha)	112	145	121	89	90
Average adjusted sole grazing (ha)	18	28	37	8	2
Average herd size	30	45	10	49	28
Average flock size	377	484	603	105	226
Output					
<u>Farm Output</u>	106,135	144,980	96,820	88,628	89,632
Farm Business Output	105,729	144,100	96,766	88,257	89,318
of which: Output from agriculture	70,805	96,841	57,494	61,569	63,864
Agri environment payment	11,646	18,421	15,633	8,093	5,041
Diversified output	2,934	3,493	2,156	1,650	3,461
Single Farm Payment	20,343	25,345	21,483	16,945	16,952
Livestock Enterprise Output	65,607	90,283	55,947	52,085	58,451
of which: Cattle Enterprise Output	32,078	44,841	7,411	42,360	36,661
(incl. Livestock disease compensation)	350	173	27	1,228	432
Sheep Enterprise Output	33,232	44,604	48,461	9,252	21,789
Poultry Enterprise Output	49	149	38	0	0
Pigs Enterprise Output	82	64	34	499	0
Other Livestock Enterprise Output	165	626	2	-27	1
Crop Enterprise Output	2,382	2,582	374	2,931	3,456
of which: Crop Subsidies	0	0	0	0	0
Main Crops	1,575	1,469	102	2,040	2,527
Forage & by-products	822	1,087	250	883	1,004
Cultivations output	-14	26	22	8	-75
Non agriculture, no other category output	2,805	3,959	1,173	6,527	1,945
Disposal Previous Crops	12	18	0	26	11
Farm Business Output	105,729	144,100	96,766	88,257	89,318
Variable Costs					
Farm Business Variable costs	41,049	56,699	35,277	32,958	36,117
of which: Agriculture Variable Costs	40,833	56,339	34,937	32,956	36,024
Agri environment Variable Costs	99	70	290	1	18
Diversified income Variable Costs	116	288	48	0	74
SPS Variable Costs	2	2	1	1	2
Agriculture Crop Costs	6,119	7,845	3,852	5,783	6,531
of which: Seed	366	397	99	315	545
Fertilizer	4,722	6,221	3,280	4,155	4,799
Crop Protection	357	432	192	383	409
Other Crop Costs	674	795	281	930	778
Agriculture Livestock Costs	30,064	42,129	27,313	22,995	25,344
of which: Purchased Fodder Feed	16,976	24,968	16,592	11,756	13,021
Home Produced Fodder Feed	1,389	1,122	109	2,071	2,258
Veterinary and medicines	3,726	4,966	4,155	2,547	2,887
Other Livestock Costs	7,974	11,074	6,457	6,621	7,178
Agriculture Contract Costs	3,101	4,229	1,950	2,420	3,286
Agriculture Casual Labour	1,425	2,042	1,823	898	862
Agriculture, no other category Variable Costs	123	94	0	861	1
Farm Business Gross Margin	64,680	87,402	61,489	55,299	53,200
Agriculture Gross Margin	29,973	40,503	22,557	28,613	27,840
Agri Environment Gross Margin	11,548	18,351	15,343	8,092	5,023
Diversified Gross Margin	2,818	3,205	2,108	1,650	3,387
SPS Gross Margin	20,341	25,343	21,481	16,944	16,951

Table 20. Fixed Costs and Farm Income calculations

	The Average Farm	Mixed grazing livestock (SDA)	Specialist sheep (SDA)	Specialist beef (SDA)	Various grazing livestock (DA)
2012/13					
Number (unweighted)	246	89	56	28	73
Number (weighted)	6,179	1,652	1,566	697	2,264
Utilisable Agricultural Land (UAA) (ha)	150	204	190	108	95
Average adjusted UAA (ha)	112	145	121	89	90
Average adjusted sole grazing (ha)	18	28	37	8	2
Average herd size	30	45	10	49	28
Average flock size	377	484	603	105	226
Gross Margin					
Farm Business Gross Margin	64,680	87,402	61,489	55,299	53,200
Agriculture Gross Margin	29,973	40,503	22,557	28,613	27,840
Agri Environment Gross Margin	11,548	18,351	15,343	8,092	5,023
Diversified Income Gross Margin	2,818	3,205	2,108	1,650	3,387
SPS Gross Margin	20,341	25,343	21,481	16,944	16,951
Fixed Costs					
Farm Business Fixed Costs	45,495	60,579	37,864	44,859	39,964
of which: Agriculture Fixed Costs	39,354	52,832	30,875	40,396	35,066
Agri Environment Fixed Costs	2,422	3,052	3,434	1,466	1,556
Diversified Income Fixed Costs	1,211	1,642	784	680	1,355
SPS Fixed Costs	2,508	3,053	2,771	2,317	1,987
Agriculture Paid Labour	4,233	7,007	3,834	3,287	2,776
Of which Fixed Labour Costs	2,808	4,965	2,011	2,389	1,914
(-) Casual Labour Costs (a Variable Cost)	1,425	2,042	1,823	898	862
Agriculture Machinery Costs	17,437	23,496	13,912	18,420	15,153
of which: Machinery Running Costs	8,418	10,839	6,842	8,905	7,592
Agriculture Depreciation Tenants Capital	9,020	12,658	7,070	9,514	7,561
Agriculture General Farming Costs	9,327	10,801	7,302	9,072	9,732
of which: Agriculture Bank & Professional Fees	2,017	2,611	1,468	1,928	1,992
Agriculture Other General Costs	5,382	6,228	4,235	5,350	5,568
Net Interest Payments	1,926	1,962	1,599	1,794	2,168
Bad Debts Write-offs	1	0	0	0	3
Agriculture Property Costs	8,048	10,684	7,039	5,979	7,459
Non Agriculture Other Fixed Costs	1,734	2,885	610	4,536	808
Profit/loss sale of fixed assets	514	1,158	412	237	201
Agriculture Net Margin (AGRICULTURE BUSINESS INCOME)					
	-8,867	-11,171	-7,906	-11,546	-7,025
Unpaid manual labour	24,561	27,512	23,602	24,439	23,109
Of Which Unpaid Farmer and Spouse	20,522	22,628	20,525	19,331	19,350
Unpaid Partner	4,039	4,884	3,077	5,108	3,759
Agriculture Economic Profit (AGRICULTURE CORPORATE INCOME)					
	-33,428	-38,683	-31,509	-35,985	-30,133
Agriculture Net Interest Payment (added back)	1,926	1,962	1,599	1,794	2,168
AGRICULTURE INVESTMENT INCOME					
	-31,501	-36,721	-29,910	-34,191	-27,965
Farm Net Margin (FARM BUSINESS INCOME)					
	19,700	27,981	24,036	10,677	13,437
Farm Economic Profit (FARM CORPORATE INCOME)					
	-6,470	-1,491	-1,074	-15,606	-11,022
FARM INVESTMENT INCOME					
	-4,351	672	736	-13,651	-8,670
NET FARM INCOME					
	11,202	18,379	17,310	-680	5,402
Holding gains not included in farm income	52,306	57,809	40,136	59,871	54,379
BLSA	1,256	1,874	-17	3,011	1,145
Revaluation of Machinery, permanent crops etc	1,487	2,037	1,031	1,900	1,275
Revaluation of Land	49,562	53,898	39,122	54,959	51,959
MANAGEMENT AND INVESTMENT INCOME					
	-10,461	-5,515	-4,446	-20,764	-15,057

Table 21. Balance Sheet and Fund Flows

	The Average Farm	Mixed grazing livestock (SDA)	Specialist sheep (SDA)	Specialist beef (SDA)	Various grazing livestock (DA)
2012/13					
Number (unweighted)	246	89	56	28	73
Number (weighted)	6,179	1,652	1,566	697	2,264
Average Farmed Area (ha)	155.2	210.0	202.3	108.5	96.9
Adjusted Utilisable Agricultural Area (ha)	112.4	145.0	120.8	88.6	90.0
Utilisable Agricultural Area (ha)	149.8	204.3	190.5	107.8	94.9
Grazing Livestock Units	94.5	124.1	76.1	93.0	86.1
Ewes (head)	377	484	603	105	226
Beef Cows (head)	28	41	10	49	23
Occupied Area (ha)	71.7	86.3	73.8	69.5	60.2
Tenanted Area (ha)	81.8	121.9	119.9	40.2	39.1
Percentage of Land Owned (%)	46.7	41.5	38.1	63.3	60.6
Assets					
Fixed Assets	770,910	888,431	642,729	788,573	768,396
Of which: Agricultural Land	594,737	644,167	482,870	614,634	629,925
Woodland	1,781	1,389	400	2,900	2,678
Total Buildings	19,683	28,436	12,870	22,283	17,210
Total Improvements	3,971	6,363	5,101	2,174	1,997
Milk quota	14	35	14	0	5
SPS Entitlements	27,100	33,950	28,468	22,542	22,561
Machinery	52,281	74,163	41,245	60,821	41,319
Breeding Livestock	70,155	99,349	71,076	62,399	50,608
Miscellaneous Business Assets	1,188	578	686	818	2,094
Current Assets	74,426	86,133	47,149	79,549	83,176
of which: Trading Livestock	32,989	41,543	11,315	46,294	37,644
Crops	480	542	0	459	773
Forage	3,303	3,776	1,692	4,183	3,800
Cultivation	749	797	420	1,482	716
Stores	3,381	3,798	1,995	3,919	3,870
Liquid Assets	33,525	35,677	31,727	23,213	36,373
Of which: Cash at Bank and In Hand	23,168	23,891	23,528	18,070	23,961
Debtors	8,483	9,999	5,544	4,003	10,789
Suspended	1	0	0	0	2
SPS debtors	1,873	1,786	2,655	1,140	1,622
Total Assets (£/farm)	845,337	974,564	689,878	868,122	851,572
Of which: Total Landlord-type Capital	620,187	680,390	501,254	641,992	651,815
Tenant Type Capital	225,150	294,174	188,624	226,130	199,756
Loans					
Total Long Term Loans	41,178	45,561	24,927	36,280	50,731
Of which: Bank Loans	20,340	28,745	9,424	1,809	27,467
Institutional Loans	16,038	13,589	14,720	34,470	13,057
Of which: AMC	14,361	13,017	11,046	34,470	11,442
Building Societies	752	0	1,903	0	737
Other Institutional Loans	924	573	1,771	0	878
Family Loans	4,588	2,729	496	0	10,187
Other Loans	213	498	286	0	20
Current Liabilities	25,243	30,087	18,425	25,058	26,481
Of which: Hire Purchase	3,654	5,783	2,869	3,624	2,653
Leasing	58	0	12	0	150
Other Current Liabilities	21,531	24,305	15,545	21,435	23,679
Of which Creditors	7,396	9,031	6,874	5,683	7,092
Bank Overdraft	14,096	15,228	8,601	15,672	16,586
Others	39	46	69	79	0
Total Liabilities	66,421	75,648	43,352	61,338	77,212
Closing Net Worth	778,915	898,916	646,526	806,784	774,359
Opening Net Worth	724,221	837,764	597,756	753,625	719,806
Change in New Worth	54,694	61,153	48,769	53,159	54,553

SPS Entitlements Opening Valuation	28,801	35,579	30,604	24,156	24,039
Change in SPS Entitlements	-1,701	-1,629	-2,137	-1,615	-1,478
Change in Borrowing	5,076	9,855	-1,497	6,864	5,585
Funds Introduced	22,224	28,881	27,127	15,004	16,200
Cash Flow from the Farm Business	7,964	12,072	14,188	9,368	229
Private Drawings	23,803	29,249	22,753	19,528	21,874
Asset Purchases	27,207	38,680	24,067	20,227	23,159
Asset Sales	5,458	11,146	4,352	5,651	2,015
Capital Expenditure	21,749	27,535	19,714	14,576	21,144

Table 22. Land Use, Stocking and Technical Efficiency

	The Average Farm	Mixed grazing livestock (SDA)	Specialist sheep (SDA)	Specialist beef (SDA)	Various grazing livestock (DA)
2012/13					
Number (unweighted)	246	89	56	28	73
Number (weighted)	6,179	1,652	1,566	697	2,264
Total Area (includes woodland and roads etc) (ha)	153.5	208.3	193.7	109.7	99.3
Area Farmed (ha)	155.2	210.0	202.3	108.5	96.9
Net Land Hired In (ha)	5.4	5.8	11.9	0.7	2.0
Utilised Agricultural Area (ha)	149.8	204.3	190.5	107.8	94.9
Of which Total main products and set-aside (ha)	1.8	1.5	0.1	2.4	2.9
Grass, fodder crops and rough grazing (ha)	148.0	202.7	190.4	105.4	91.9
Of which rough grazing (unadjusted) (ha)	55.8	87.4	106.3	26.9	6.7
Adjusted rough grazing (sole occupation)	18.4	28.1	36.6	7.7	1.9
Adjusted rough grazing (shared)	6.2	11.4	11.5	1.4	0.1
Total Adjusted Utilised Agriculture Area (ha)	112.4	145.0	120.8	88.6	90.0
Area owner occupied (ha)	71.7	86.3	73.8	69.5	60.2
Area tenanted (ha)	81.8	121.9	119.9	40.2	39.1
Average age of farmer (years)	57	54	59	59	57
Agricultural labour units (ALU)	1.6	1.9	1.5	1.6	1.4
Standard Output (SO2007)	72,392	95,841	63,370	59,911	65,370
Standard Output size group (SO2007)	6.8	7.1	6.6	6.7	6.7
<u>Land Use</u>					
Temporary Grassland Area (ha)	7.1	4.3	1.6	6.4	13.1
Permanent Grassland Area (ha)	90.0	116.4	94.3	71.9	73.4
<u>Stocking</u>					
Total Dairy Cows	1	3	0	0	0
Total Beef cows	29	41	10	49	28
Total Cattle	92	123	25	138	101
Ewes (LFA and lowland)	377	484	603	105	226
Of which LFA Ewes	364	484	586	105	202
Lowland Ewes	13	0	16	0	23
Total Sheep	743	950	1,134	220	483
<u>Livestock Units</u>					
Total Cattle LU	54	73	14	81	59
Of which Beef Cows LU	22	31	8	37	21
Other Cattle LU	28	34	6	40	36
Dairy Cows and Heifers	4	8	1	5	3
Total Sheep LU	40	50	62	12	26
Of which Ewe LU	27	34	44	7	17
Grazing LU (cattle, sheep, horses and others)	95	124	76	93	86
Total LU	95	124	76	93	86
<u>Financial Performance per GLU</u>					
Farm Business Output per GLU (£/GLU)	1,119	1,161	1,272	949	1,037
Farm Business Variable Costs (£/GLU)	434	457	464	355	419
Farm Business Gross Margin (£/GLU)	684	704	808	595	618
Farm Business Fixed Costs (£/GLU)	481	488	498	483	464
Farm Business Income (£/GLU)	208	225	316	115	156
Farm Corporate Income (£/GLU)	-68	-12	-14	-168	-128
Farm Investment Income (£/GLU)	-46	5	10	-147	-101
Holding Gains Not In Income (£/GLU)	553	466	528	644	631
of which Land Revaluation (£/GLU)	524	434	514	591	603
Net Farm Income (£/GLU)	119	148	228	-7	63
Management and Investment Income (£/GLU)	-111	-44	-58	-223	-175
Agriculture Net Margin (Agriculture business income) (£/GLU)	-94	-90	-104	-124	-82
Agriculture Economic Profit (Agriculture corporate income) (£/GLU)	-354	-312	-414	-387	-350
Agriculture Investment Income (£/GLU)	-333	-296	-393	-368	-325

Appendix 3. Analysis of English Grazing Livestock Farms in the LFA- by EU region
Table 23. Output, Variable Costs and Farm Gross Margins by Cost Centre by EU Region

2012/13	The average Farm	EU Region England North	EU Region England East	EU Region England West
Number of farms in the group	246	150	22	74
Number (weighted)	6,179	3,723	534	1,922
Utilisable Agricultural Area (UAA) (ha)	150	167	145	118
Average adjusted UAA (ha)	112	115	124	105
Average adjusted sole grazing (ha)	18	25	22	5
Average herd size	30	26	33	38
Average flock size	377	435	303	284
<u>Output</u>				
Farm Output	106,135	107,164	97,590	106,520
Farm Business Output	105,729	106,702	97,374	106,169
of which: Output from agriculture	70,805	70,512	64,492	73,129
Agri environment payment	11,646	12,431	12,588	9,866
Diversified output	2,934	2,145	2,341	4,628
Single Farm Payment	20,343	21,614	17,953	18,546
Livestock Enterprise Output	65,607	66,422	61,137	65,271
of which: Cattle Enterprise Output	32,078	27,100	33,587	41,300
(incl. Livestock disease compensation)	350	0	75	1,105
Sheep Enterprise Output	33,232	38,963	27,328	23,774
Poultry Enterprise Output	49	73	24	11
Pigs Enterprise Output	82	7	197	195
Other Livestock Enterprise Output	165	279	0	-9
Crop Enterprise Output	2,382	1,757	2,270	3,624
of which: Crop Subsidies	0	0	0	0
Main Crops	1,575	1,090	558	2,796
Forage & by-products	822	715	1,684	789
Cultivations output	-14	-48	28	39
Non agriculture, no other category output	2,805	2,326	1,086	4,209
Disposal Previous Crops	12	7	0	25
Farm Business Output	105,729	106,702	97,374	106,169
<u>Variable Costs</u>				
Farm Business Variable costs	41,049	43,056	36,386	38,460
of which: Agriculture Variable Costs	40,833	42,819	36,194	38,274
Agri environment Variable Costs	99	110	8	103
Diversified income Variable Costs	116	125	182	81
SPS Variable Costs	2	2	2	2
Agriculture Crop Costs	6,119	5,948	3,866	7,075
of which: Seed	366	272	156	608
Fertilizer	4,722	4,778	2,502	5,230
Crop Protection	357	313	337	447
Other Crop Costs	674	585	870	791
Agriculture Livestock Costs	30,064	32,340	27,750	26,301
of which: Purchased Fodder Feed	16,976	19,417	16,739	12,317
Home Produced Fodder Feed	1,389	880	747	2,552
Veterinary and medicines	3,726	4,126	3,268	3,077
Other Livestock Costs	7,974	7,917	6,996	8,355
Agriculture Contract Costs	3,101	3,050	3,534	3,080
Agriculture Casual Labour	1,425	1,448	1,041	1,488
Agriculture, no other category Variable Costs	123	33	2	330
Farm Business Gross Margin	64,680	63,646	60,988	67,709
Agriculture Gross Margin	29,973	27,692	28,298	34,855
Agri Environment Gross Margin	11,548	12,321	12,580	9,763
Diversified Gross Margin	2,818	2,020	2,159	4,547
SPS Gross Margin	20,341	21,613	17,951	18,544

Table 24. Fixed Costs and Farm Income calculations by EU Region

	The Average Farm	EU Region England North	EU Region England East	EU Region England West
2012/13				
Number (unweighted)	246	150	22	74
Number (weighted)	6,179	3,723	534	1,922
Utilisable Agricultural Land (UAA) (ha)	150	167	145	118
Average adjusted UAA (ha)	112	115	124	105
Average adjusted sole grazing (ha)	18	25	22	5
Average herd size	30	26	33	38
Average flock size	377	435	303	284
<u>Gross Margin</u>				
Farm Business Gross Margin	64,680	63,646	60,988	67,709
Agriculture Gross Margin	29,973	27,692	28,298	34,855
Agri Environment Gross Margin	11,548	12,321	12,580	9,763
Diversified Income Gross Margin	2,818	2,020	2,159	4,547
SPS Gross Margin	20,341	21,613	17,951	18,544
<u>Fixed Costs</u>				
Farm Business Fixed Costs	45,495	44,199	43,167	48,651
of which: Agriculture Fixed Costs	39,354	37,994	35,924	42,941
Agri Environment Fixed Costs	2,422	2,452	3,505	2,061
Diversified Income Fixed Costs	1,211	876	1,440	1,796
SPS Fixed Costs	2,508	2,877	2,299	1,853
Agriculture Paid Labour	4,233	4,302	1,815	4,770
Of which Fixed Labour Costs	2,808	2,855	773	3,283
(-) Casual Labour Costs (a Variable Cost)	1,425	1,448	1,041	1,488
Agriculture Machinery Costs	17,437	17,550	15,737	17,693
of which: Machinery Running Costs	8,418	8,282	7,765	8,862
Agriculture Depreciation Tenants Capital	9,020	9,267	7,972	8,831
Agriculture General Farming Costs	9,327	8,456	9,039	11,095
of which: Agriculture Bank & Professional Fees	2,017	1,909	1,577	2,350
Agriculture Other General Costs	5,382	5,065	6,276	5,747
Net Interest Payments	1,926	1,482	1,185	2,994
Bad Debts Write-offs	1	0	0	4
Agriculture Property Costs	8,048	7,551	9,800	8,523
Non Agriculture Other Fixed Costs	1,734	1,584	575	2,347
Profit/loss sale of fixed assets	514	612	410	355
Agriculture Net Margin (AGRICULTURE BUSINESS INCOME)	-8,867	-9,690	-7,216	-7,730
Unpaid manual labour	24,561	22,396	26,879	28,110
Of Which Unpaid Farmer and Spouse	20,522	19,088	21,253	23,094
Unpaid Partner	4,039	3,307	5,626	5,015
Agriculture Economic Profit (AGRICULTURE CORPORATE INCOME)	-33,428	-32,086	-34,094	-35,840
Agriculture Net Interest Payment (added back)	1,926	1,482	1,185	2,994
AGRICULTURE INVESTMENT INCOME	-31,501	-30,604	-32,909	-32,846
Farm Net Margin (FARM BUSINESS INCOME)	19,700	20,058	18,231	19,413
Farm Economic Profit (FARM CORPORATE INCOME)	-6,470	-3,788	-10,304	-10,599
FARM INVESTMENT INCOME	-4,351	-2,159	-8,964	-7,314
NET FARM INCOME	11,202	12,862	7,214	9,097
Holding gains not included in farm income	52,306	35,453	62,448	82,125
BLSA	1,256	586	7,285	879
Revaluation of Machinery, permanent crops etc	1,487	1,416	1,410	1,647
Revaluation of Land	49,562	33,452	53,753	79,600
MANAGEMENT AND INVESTMENT INCOME	-10,461	-7,180	-15,636	-15,377

Table 25. Balance Sheet and Fund Flows by EU Region

	The Average Farm	EU Region England North	EU Region England East	EU Region England West
2012/13				
Number (unweighted)	246	150	22	74
Number (weighted)	6,179	3,723	534	1,922
Average Farmed Area (ha)	155.2	169.9	156.5	126.4
Adjusted Utilisable Agricultural Area (ha)	112	115	124	105
Utilisable Agricultural Area (ha)	150	167	145	118
Grazing Livestock Units	95	91	90	103
Ewes (head)	377	435	303	284
Beef Cows (head)	27.7	24.3	30.8	33.4
Occupied Area (ha)	71.7	72.6	61.3	72.8
Tenanted Area (ha)	82	98	86	49
Percentage of Land Owned (%)	47	42	42	60
Assets				
Fixed Assets	770,910	641,523	644,780	1,056,565
Of which Agricultural Land	594,737	463,431	477,867	881,535
Woodland	1,781	1,359	320	3,004
Total Buildings	19,683	17,541	23,968	22,642
Total Improvements	3,971	4,786	1,747	3,009
Milk quota	14	21	3	4
SPS Entitlements	27,100	28,908	23,860	24,500
Machinery	52,281	52,502	49,394	52,654
Breeding Livestock	70,155	71,429	67,377	68,460
Miscellaneous Business Assets	1,188	1,546	243	757
Current Assets	74,426	62,874	79,911	95,276
of which: Trading Livestock	32,989	27,840	32,982	42,964
Crops	480	350	0	864
Forage	3,303	3,101	4,399	3,387
Cultivation	749	82	4,979	864
Stores	3,381	2,985	2,498	4,395
Liquid Assets	33,525	28,515	35,053	42,803
Of which: Cash at Bank and In Hand	23,168	20,493	30,811	26,223
Debtors	8,483	6,406	1,783	14,366
Suspended	1	0	0	2
SPS debtors	1,873	1,615	2,459	2,211
Total Assets (£/farm)	845,337	704,397	724,691	1,151,842
Of which: Total Landlord-type Capital	620,187	487,139	503,906	910,195
Tenant Type Capital	225,150	217,258	220,785	241,647
Loans				
Total Long Term Loans	41,178	24,553	19,346	79,448
Of which: Bank Loans	20,340	10,944	6,084	42,501
Institutional Loans	16,038	7,223	12,265	34,159
Of which: AMC	14,361	4,889	12,265	33,290
Building Societies	752	800	0	869
Other Institutional Loans	924	1,533	0	0
Family Loans	4,588	6,386	913	2,127
Other Loans	213	0	84	661
Current Liabilities	25,243	23,313	23,745	29,397
Of which: Hire Purchase	3,654	3,687	1,098	4,301
Leasing	58	5	634	0
Other Current Liabilities	21,531	19,621	22,013	25,096
Of which Creditors	7,396	7,109	7,729	7,860
Bank Overdraft	14,096	12,484	14,157	17,203
Others	39	29	127	33
Total Liabilities	66,421	47,866	43,090	108,845
Closing Net Worth	778,915	656,531	681,600	1,042,997
Opening Net Worth	724,221	616,315	619,262	962,388
Change in New Worth	54,694	40,216	62,338	80,609

SPS Entitlements Opening Valuation	28,801	30,030	26,487	27,063
Change in SPS Entitlements	-1,701	-1,123	-2,627	-2,563
Change in Borrowing	5,076	6,350	-5,757	5,619
Funds Introduced	22224	26315	8135	18217
Cash Flow from the Farm Business	7964	6474	19995	7505
Private Drawings	23803	22433	21719	27036
Asset Purchases	27207	29106	15427	26804
Asset Sales	5458	5521	4662	5558
Capital Expenditure	21749	23585	10765	21245

Table 26. Land use, Stocking and Technical Efficiency by EU Region

2012/13	The Average Farm	EU Region England North	EU Region England East	EU Region England West
Number (unweighted)	246	150	22	74
Number (weighted)	6,179	3,723	534	1,922
Total Area (includes woodland and roads etc) (ha)	153.5	171.0	147.1	121.5
Area Farmed (ha)	155.2	169.9	156.5	126.4
Net Land Hired In (ha)	5.4	3.2	11.3	7.9
Utilised Agricultural Area (ha)	149.8	166.6	145.3	118.5
Of which Total main products and set-aside (ha)	1.8	1.3	0.7	3.1
Grass, fodder crops and rough grazing (ha)	148.0	165.3	144.6	115.4
Of which rough grazing (unadjusted) (ha)	55.8	76.6	43.5	19.0
Adjusted rough grazing (sole occupation)	18.4	24.7	21.7	5.1
Adjusted rough grazing (shared)	6.2	8.9	0.0	2.5
Total Adjusted Utilised Agriculture Area (ha)	112.4	114.8	123.5	104.5
Area owner occupied (ha)	71.7	72.6	61.3	72.8
Area tenanted (ha)	81.8	98.4	85.8	48.7
Average age of farmer (years)	57	57	56	58
Agricultural labour units (ALU)	1.6	1.5	1.5	1.7
Standard Output (SO2007)	72,392	69,863	69,928	77,975
Standard Output size group (SO2007)	6.8	6.7	6.9	6.9
<u>Land Use</u>				
Temporary Grassland Area (ha)	7.1	6.6	0.0	9.9
Permanent Grassland Area (ha)	90.0	84.9	112.4	93.8
<u>Stocking</u>				
Total Dairy Cows	1	1	2	1
Total Beef cows	29	25	31	37
Total Cattle	92	77	96	120
Ewes (LFA and lowland)	377	435	303	284
Of which LFA Ewes	364	427	303	258
Lowland Ewes	13	8	0	26
Total Sheep	743	847	630	572
<u>Livestock Units</u>				
Total Cattle LU	54	45	56	71
Of which Beef Cows LU	22	19	23	28
Other Cattle LU	28	23	28	39
Dairy Cows and Heifers	4	4	5	4
Total Sheep LU	40	45	33	31
Of which Ewe LU	27	31	22	22
Grazing LU (cattle, sheep, horses and others)	95	91	90	103
Total LU	95	91	90	103
<u>Financial Performance per GLU</u>				
Farm Business Output per GLU (£/GLU)	1,119	1,175	1,087	1,030
Farm Business Variable Costs (£/GLU)	434	474	406	373
Farm Business Gross Margin (£/GLU)	684	701	681	657
Farm Business Fixed Costs (£/GLU)	481	487	482	472
Farm Business Income (£/GLU)	208	221	203	188
Farm Corporate Income (£/GLU)	-68	-42	-115	-103
Farm Investment Income (£/GLU)	-46	-24	-100	-71
Holding Gains Not In Income (£/GLU)	553	391	697	797
of which Land Revaluation (£/GLU)	524	369	600	772
Net Farm Income (£/GLU)	119	142	81	88
Management and Investment Income (£/GLU)	-111	-79	-174	-149
Agriculture Net Margin (Agriculture business income) (£/GLU)	-94	-107	-81	-75
Agriculture Economic Profit (Agriculture corporate income) (£/GLU)	-354	-353	-380	-348
Agriculture Investment Income (£/GLU)	-333	-337	-367	-319

Appendix 4. Analysis of English Grazing Livestock Farms in the LFA- by Farm size (SLR Publication size band – see Appendix 11)

Table 27. Output, Variable Costs and Farm Gross Margins by Cost Centre by Farm size (SLR publication size band)

	The Average Farm	SLR size Band 1	SLR size Band 2	SLR size Band 3	SLR size Band 4
2012/13					
Number of farms in the group	246	11	76	55	102
Number (weighted)	6,179	780	2,680	1,082	1,466
Utilisable Agricultural Area (UAA) (ha)	150	52	121	151	263
Average adjusted UAA (ha)	112	44	87	115	199
Average adjusted sole grazing (ha)	18	2	18	16	31
Average herd size	30	17	21	27	60
Average flock size	377	34	239	428	816
<u>Output</u>					
Farm Output	106,135	49,063	72,042	102,108	210,941
Farm Business Output	105,729	48,914	71,750	101,945	209,961
of which: Output from agriculture	70,805	29,651	43,146	65,542	154,142
Agri environment payment	11,646	5,051	9,958	12,697	18,549
Diversified output	2,934	4,286	2,453	2,738	3,386
Single Farm Payment	20,343	9,927	16,193	20,968	33,883
Livestock Enterprise Output	65,607	26,408	39,578	61,782	143,506
of which: Cattle Enterprise Output	32,078	23,610	19,437	28,239	65,256
(incl. Livestock disease compensation)	350	0	513	187	399
Sheep Enterprise Output	33,232	2,798	19,892	33,546	77,452
Poultry Enterprise Output	49	0	80	12	52
Pigs Enterprise Output	82	0	169	0	37
Other Livestock Enterprise Output	165	0	-1	-15	708
Crop Enterprise Output	2,382	-47	1,257	1,912	6,240
of which: Crop Subsidies	0	0	0	0	0
Main Crops	1,575	0	647	1,005	4,713
Forage & by-products	822	-56	593	1,009	1,548
Cultivations output	-14	10	17	-102	-20
Non agriculture, no other category output	2,805	3,290	2,304	1,845	4,361
Disposal Previous Crops	12	0	7	3	35
Farm Business Output	105,729	48,914	71,750	101,945	209,961
<u>Variable Costs</u>					
Farm Business Variable costs	41,049	16,252	25,462	38,194	88,674
of which: Agriculture Variable Costs	40,833	16,126	25,375	37,906	88,198
Agri environment Variable Costs	99	48	3	231	214
Diversified income Variable Costs	116	78	82	55	260
SPS Variable Costs	2	1	1	2	3
Agriculture Crop Costs	6,119	3,179	3,287	5,779	13,603
of which: Seed	366	409	133	272	881
Fertilizer	4,722	2,350	2,544	4,568	10,482
Crop Protection	357	45	197	285	878
Other Crop Costs	674	374	412	653	1,362
Agriculture Livestock Costs	30,064	11,555	18,947	27,823	64,966
of which: Purchased Fodder Feed	16,976	6,634	10,897	15,837	36,203
Home Produced Fodder Feed	1,389	0	645	731	4,133
Veterinary and medicines	3,726	849	2,338	3,824	8,128
Other Livestock Costs	7,974	4,072	5,067	7,432	16,503
Agriculture Contract Costs	3,101	1,058	2,121	3,181	6,047
Agriculture Casual Labour	1,425	189	839	1,101	3,492
Agriculture, no other category Variable Costs	123	145	182	23	90
Farm Business Gross Margin	64,680	32,662	46,289	63,752	121,286
Agriculture Gross Margin	29,973	13,525	17,771	27,636	65,944
Agri Environment Gross Margin	11,548	5,003	9,954	12,467	18,335
Diversified Gross Margin	2,818	4,208	2,371	2,683	3,127
SPS Gross Margin	20,341	9,926	16,192	20,966	33,880

Table 28. Fixed Costs and Farm Income calculations by Farm size (SLR publication size band)

	The Average Farm	SLR size Band 1	SLR size Band 2	SLR size Band 3	SLR size Band 4
2012/13					
Number (unweighted)	246	11	76	55	102
Number (weighted)	6,179	780	2,680	1,082	1,466
Utilisable Agricultural Land (UAA) (ha)	150	52	121	151	263
Average adjusted UAA (ha)	112	44	87	115	199
Average adjusted sole grazing (ha)	18	2	18	16	31
Average herd size	30	17	21	27	60
Average flock size	377	34	239	428	816
<u>Gross Margin</u>					
Farm Business Gross Margin	64,680	32,662	46,289	63,752	121,286
Agriculture Gross Margin	29,973	13,525	17,771	27,636	65,944
Agri Environment Gross Margin	11,548	5,003	9,954	12,467	18,335
Diversified Income Gross Margin	2,818	4,208	2,371	2,683	3,127
SPS Gross Margin	20,341	9,926	16,192	20,966	33,880
<u>Fixed Costs</u>					
Farm Business Fixed Costs	45,495	19,867	32,851	45,509	84,908
of which: Agriculture Fixed Costs	39,354	15,206	27,294	39,725	76,644
Agri Environment Fixed Costs	2,422	1,928	2,338	2,195	3,096
Diversified Income Fixed Costs	1,211	1,371	1,043	1,096	1,436
SPS Fixed Costs	2,508	1,362	2,176	2,492	3,732
Agriculture Paid Labour	4,233	210	2,060	2,999	11,681
Of which Fixed Labour Costs	2,808	22	1,221	1,898	8,189
(-) Casual Labour Costs (a Variable Cost)	1,425	189	839	1,101	3,492
Agriculture Machinery Costs	17,437	8,201	12,447	19,240	31,183
of which: Machinery Running Costs	8,418	4,314	5,980	9,163	15,222
Agriculture Depreciation Tenants Capital	9,020	3,888	6,467	10,077	15,961
Agriculture General Farming Costs	9,327	3,982	7,235	9,559	16,179
of which: Agriculture Bank & Professional Fees	2,017	702	1,503	1,937	3,672
Agriculture Other General Costs	5,382	2,953	4,407	5,787	8,525
Net Interest Payments	1,926	327	1,322	1,835	3,981
Bad Debts Write-offs	1	0	3	0	0
Agriculture Property Costs	8,048	2,189	4,724	8,103	17,999
Non Agriculture Other Fixed Costs	1,734	812	1,667	925	3,095
Profit/loss sale of fixed assets	514	112	342	865	845
Agriculture Net Margin (AGRICULTURE BUSINESS INCOME)	-8,867	-1,569	-9,181	-11,224	-9,855
Unpaid manual labour	24,561	17,530	20,907	25,834	35,415
Of Which Unpaid Farmer and Spouse	20,522	17,530	18,889	21,925	24,965
Unpaid Partner	4,039	0	2,018	3,909	10,450
Agriculture Economic Profit (AGRICULTURE CORPORATE INCOME)	-33,428	-19,099	-30,088	-37,058	-45,270
Agriculture Net Interest Payment (added back)	1,926	327	1,322	1,835	3,981
AGRICULTURE INVESTMENT INCOME	-31,501	-18,772	-28,766	-35,223	-41,289
Farm Net Margin (FARM BUSINESS INCOME)	19,700	12,907	13,780	19,108	37,224
Farm Economic Profit (FARM CORPORATE INCOME)	-6,470	-6,676	-8,795	-7,887	182
FARM INVESTMENT INCOME	-4,351	-6,278	-7,349	-5,833	4,510
NET FARM INCOME	11,202	9,109	7,573	11,319	20,995
Holding gains not included in farm income	52,306	40,155	53,948	39,920	68,405
BLSA	1,256	849	1,261	1,776	1,226
Revaluation of Machinery, permanent crops etc	1,487	721	1,135	1,613	2,523
Revaluation of Land	49,562	38,585	51,552	36,531	64,655
MANAGEMENT AND INVESTMENT INCOME	-10,461	-10,474	-12,500	-11,549	-4,672

Table 29. Balance Sheet and Fund Flows by Farm size (SLR publication size band)

	The Average Farm	SLR size Band 1	SLR size Band 2	SLR size Band 3	SLR size Band 4
2012/13					
Number (unweighted)	246	11	76	55	102
Number (weighted)	6,179	780	2,680	1,082	1,466
Average Farmed Area (ha)	155.2	51.7	119.5	158.0	284.2
Adjusted Utilisable Agricultural Area (ha)	150	52	121	151	263
Utilisable Agricultural Area (ha)	112	44	87	115	199
Grazing Livestock Units	95	46	62	94	189
Ewes (head)	377	34	239	428	816
Beef Cows (head)	27.7	13.3	19.1	26.6	54.9
Occupied Area (ha)	71.7	39.4	62.5	71.1	108.1
Tenanted Area (ha)	82	15	61	85	160
Percentage of Land Owned (%)	47	73	50	46	40
Assets					
Fixed Assets	770,910	537,083	682,993	709,194	1,139,747
Of which Agricultural Land	594,737	468,191	553,996	533,695	808,200
Woodland	1,781	89	910	830	3,759
Total Buildings	19,683	10,105	15,763	15,276	36,897
Total Improvements	3,971	1,530	3,261	2,783	7,805
Milk quota	14	0	4	25	35
SPS Entitlements	27,100	13,285	21,584	28,121	44,945
Machinery	52,281	22,878	39,119	57,570	89,977
Breeding Livestock	70,155	21,005	47,847	70,148	145,215
Miscellaneous Business Assets	1,188	0	510	746	2,794
Current Assets	74,426	44,926	53,591	67,780	139,928
of which: Trading Livestock	32,989	18,617	23,233	30,031	62,818
Crops	480	0	237	54	1,548
Forage	3,303	1,814	2,785	3,366	5,274
Cultivation	749	299	565	929	1,279
Stores	3,381	1,772	2,020	3,689	6,840
Liquid Assets	33,525	22,423	24,750	29,711	62,169
Of which: Cash at Bank and In Hand	23,168	18,581	18,879	21,222	37,579
Debtors	8,483	3,842	3,833	7,819	20,911
Suspended	1	0	2	0	0
SPS debtors	1,873	0	2,036	671	3,678
Total Assets (£/farm)	845,337	582,009	736,584	776,974	1,279,675
Of which: Total Landlord-type Capital	620,187	479,915	573,934	552,609	856,696
Tenant Type Capital	225,150	102,094	162,650	224,365	422,979
Loans					
Total Long Term Loans	41,178	12,990	27,904	30,884	92,582
Of which: Bank Loans	20,340	4,627	7,402	22,673	53,001
Institutional Loans	16,038	8,363	12,216	6,507	35,801
Of which: AMC	14,361	8,363	9,968	3,953	34,938
Building Societies	752	0	1,590	0	265
Other Institutional Loans	924	0	658	2,554	598
Family Loans	4,588	0	8,219	1,068	3,475
Other Loans	213	0	67	635	305
Current Liabilities	25,243	5,591	19,267	28,271	43,613
Of which: Hire Purchase	3,654	150	2,124	4,014	8,084
Leasing	58	0	126	0	13
Other Current Liabilities	21,531	5,441	17,017	24,257	35,516
Of which Creditors	7,396	2,661	5,053	7,737	14,795
Bank Overdraft	14,096	2,780	11,964	16,406	20,641
Others	39	0	0	114	79
Total Liabilities	66,421	18,581	47,170	59,155	136,195
Closing Net Worth	778,915	563,428	689,414	717,819	1,143,480
Opening Net Worth	724,221	524,228	632,039	677,825	1,069,392
Change in New Worth	54,694	39,201	57,375	39,994	74,088

SPS Entitlements Opening Valuation	28,801	14,250	22,868	29,826	48,188
Change in SPS Entitlements	-1,701	-965	-1,284	-1,705	-3,243
Change in Borrowing	5,076	-3,355	8,807	1,693	6,185
Funds Introduced	22224	7562	25994	13502	31910
Cash Flow from the Farm Business	7964	15641	330	14439	12219
Private Drawings	23803	13971	19729	22814	38614
Asset Purchases	27207	5519	27787	20557	45570
Asset Sales	5458	268	5579	5997	8238
Capital Expenditure	21749	5252	22208	14560	37332

Table 30. Land use, Stocking and Technical Efficiency by Farm size (SLR publication size band)

	The Average Farm	SLR size Band 1	SLR size Band 2	SLR size Band 3	SLR size Band 4
2012/13					
Number (unweighted)	246	11	76	55	102
Number (weighted)	6,179	780	2,680	1,082	1,466
Total Area (includes woodland and roads etc) (ha)	153.5	54.3	123.8	155.8	268.6
Area Farmed (ha)	155.2	51.7	119.5	158.0	284.2
Net Land Hired In (ha)	5.4	-0.7	-1.4	6.6	20.8
Utilised Agricultural Area (ha)	149.8	52.4	120.9	151.5	263.4
Of which Total main products and set-aside (ha)	1.8	0.0	0.7	1.3	5.2
Grass, fodder crops and rough grazing (ha)	148.0	52.4	120.2	150.1	258.2
Of which rough grazing (unadjusted) (ha)	55.8	10.9	51.8	52.7	95.6
Adjusted rough grazing (sole occupation)	18.4	2.4	18.0	16.4	31.0
Adjusted rough grazing (shared)	6.2	0.0	4.4	10.5	10.2
Total Adjusted Utilised Agriculture Area (ha)	112.4	43.8	87.2	115.1	198.8
Area owner occupied (ha)	71.7	39.4	62.5	71.1	108.1
Area tenanted (ha)	81.8	14.9	61.3	84.8	160.5
Average age of farmer (years)	57	63	57	55	55
Agricultural labour units (ALU)	1.6	1.0	1.3	1.5	2.5
Standard Output (SO2007)	72,392	30,467	45,766	71,927	149,066
Standard Output size group (SO2007)	6.8	6.1	6.4	7.1	7.8
<u>Land Use</u>					
Temporary Grassland Area (ha)	7.1	2.4	2.2	5.7	15.9
Permanent Grassland Area (ha)	90.0	38.1	64.7	97.6	166.2
<u>Stocking</u>					
Total Dairy Cows	1	0	0	0	4
Total Beef cows	29	17	21	27	55
Total Cattle	92	67	60	85	174
Ewes (LFA and lowland)	377	34	239	428	816
Of which LFA Ewes	364	17	225	404	816
Lowland Ewes	13	17	14	24	0
Total Sheep	743	70	461	823	1,643
<u>Livestock Units</u>					
Total Cattle LU	54	41	36	49	101
Of which Beef Cows LU	22	13	16	21	42
Other Cattle LU	28	27	18	26	50
Dairy Cows and Heifers	4	2	2	2	10
Total Sheep LU	40	4	25	45	87
Of which Ewe LU	27	3	18	31	58
Grazing LU (cattle, sheep, horses and others)	95	46	62	94	189
Total LU	95	46	62	94	189
<u>Financial Performance per GLU</u>					
Farm Business Output per GLU (£/GLU)	1,119	1,063	1,166	1,084	1,110
Farm Business Variable Costs (£/GLU)	434	353	414	406	469
Farm Business Gross Margin (£/GLU)	684	710	752	678	641
Farm Business Fixed Costs (£/GLU)	481	432	534	484	449
Farm Business Income (£/GLU)	208	281	224	203	197
Farm Corporate Income (£/GLU)	-68	-145	-143	-84	1
Farm Investment Income (£/GLU)	-46	-136	-119	-62	24
Holding Gains Not In Income (£/GLU)	553	873	877	424	362
of which Land Revaluation (£/GLU)	524	839	838	388	342
Net Farm Income (£/GLU)	119	198	123	120	111
Management and Investment Income (£/GLU)	-111	-228	-203	-123	-25
Agriculture Net Margin (Agriculture business income) (£/GLU)	-94	-34	-149	-119	-52
Agriculture Economic Profit (Agriculture corporate income) (£/GLU)	-354	-415	-489	-394	-239
Agriculture Investment Income (£/GLU)	-333	-408	-467	-374	-218

Appendix 5. Analysis of English Grazing Livestock Farms in the LFA- by Performance Class Quartile (FBI/farm)

Table 31. Output, Variable Costs and Farm Gross Margins by Cost Centre by Performance Class Quartile (FBI/farm)

	The Average Farm	Lowest Quartile	Upper Low Quartile	Lower Upper Quartile	Highest Quartile
2012/13					
Number of farms in the group	246	54	52	58	82
Number (weighted)	6,179	1,532	1,511	1,571	1,564
Utilisable Agricultural Area (UAA) (ha)	150	101	103	158	235
Average adjusted UAA (ha)	112	87	83	111	167
Average adjusted sole grazing (ha)	18	9	12	22	30
Average herd size	30	30	26	25	41
Average flock size	377	269	288	380	564
<u>Output</u>					
Farm Output	106,135	76,808	70,998	96,882	178,094
Farm Business Output	105,729	76,340	70,785	96,702	177,334
of which: Output from agriculture	70,805	53,474	46,404	62,762	119,430
Agri environment payment	11,646	6,768	6,931	11,572	21,053
Diversified output	2,934	1,435	1,974	3,029	5,236
Single Farm Payment	20,343	14,663	15,476	19,339	31,615
Livestock Enterprise Output	65,607	50,437	42,688	57,338	110,909
of which: Cattle Enterprise Output (incl. Livestock disease compensation)	32,078	26,992	21,534	25,699	53,652
Sheep Enterprise Output	350	210	164	376	642
Poultry Enterprise Output	33,232	22,683	20,747	31,631	57,233
Pigs Enterprise Output	49	0	157	8	36
Other Livestock Enterprise Output	82	86	248	0	0
Crop Enterprise Output	165	676	3	0	-12
of which: Crop Subsidies	2,382	1,606	2,293	1,468	4,146
Main Crops	0	0	0	0	0
Forage & by-products	1,575	1,286	888	1,128	2,970
Cultivations output	822	313	1,382	427	1,174
Non agriculture, no other category output	-14	7	23	-87	2
Disposal Previous Crops	2,805	1,431	1,420	3,946	4,342
Farm Business Output	12	0	4	10	33
	105,729	76,340	70,785	96,702	177,334
<u>Variable Costs</u>					
Farm Business Variable costs	41,049	40,049	27,259	35,746	60,679
of which: Agriculture Variable Costs	40,833	39,976	27,234	35,420	60,246
Agri environment Variable Costs	99	2	2	204	181
Diversified income Variable Costs	116	70	22	120	249
SPS Variable Costs	2	1	1	2	2
Agriculture Crop Costs	6,119	5,711	4,146	5,666	8,880
of which: Seed	366	273	201	384	599
Fertilizer	4,722	4,486	3,139	4,382	6,823
Crop Protection	357	311	238	311	562
Other Crop Costs	674	641	568	588	895
Agriculture Livestock Costs	30,064	29,490	19,817	25,377	45,236
of which: Purchased Fodder Feed	16,976	17,123	11,337	14,376	24,894
Home Produced Fodder Feed	1,389	1,485	602	1,112	2,331
Veterinary and medicines	3,726	3,487	2,506	3,053	5,813
Other Livestock Costs	7,974	7,395	5,372	6,836	12,197
Agriculture Contract Costs	3,101	3,282	2,180	2,958	3,959
Agriculture Casual Labour	1,425	1,353	1,061	1,109	2,165
Agriculture, no other category Variable Costs	123	139	30	311	7
Farm Business Gross Margin	64,680	36,291	43,526	60,956	116,655
Agriculture Gross Margin	29,973	13,498	19,170	27,342	59,184
Agri Environment Gross Margin	11,548	6,766	6,929	11,368	20,872
Diversified Gross Margin	2,818	1,365	1,952	2,909	4,986
SPS Gross Margin	20,341	14,662	15,475	19,337	31,613

Table 32. Fixed Costs and Farm Income calculations by Performance Class Quartile (FBI/farm)

	The Average Farm	Lowest Quartile	Upper Low Quartile	Lower Upper Quartile	Highest Quartile
2012/13					
Number (unweighted)	246	54	52	58	82
Number (weighted)	6,179	1,532	1,511	1,571	1,564
Utilisable Agricultural Land (UAA) (ha)	150	101	103	158	235
Average adjusted UAA (ha)	112	87	83	111	167
Average adjusted sole grazing (ha)	18	9	12	22	30
Average herd size	30	30	26	25	41
Average flock size	377	269	288	380	564
Gross Margin					
Farm Business Gross Margin	64,680	36,291	43,526	60,956	116,655
Agriculture Gross Margin	29,973	13,498	19,170	27,342	59,184
Agri Environment Gross Margin	11,548	6,766	6,929	11,368	20,872
Diversified Income Gross Margin	2,818	1,365	1,952	2,909	4,986
SPS Gross Margin	20,341	14,662	15,475	19,337	31,613
Fixed Costs					
Farm Business Fixed Costs	45,495	47,409	33,401	38,731	62,098
of which: Agriculture Fixed Costs	39,354	40,690	29,300	33,094	54,047
Agri Environment Fixed Costs	2,422	2,422	1,523	2,222	3,490
Diversified Income Fixed Costs	1,211	1,181	743	1,213	1,690
SPS Fixed Costs	2,508	3,116	1,834	2,203	2,871
Agriculture Paid Labour	4,233	4,157	2,423	2,806	7,489
Of which Fixed Labour Costs	2,808	2,804	1,362	1,697	5,324
(-) Casual Labour Costs (a Variable Cost)	1,425	1,353	1,061	1,109	2,165
Agriculture Machinery Costs	17,437	16,771	13,994	15,693	23,169
of which: Machinery Running Costs	8,418	8,452	6,966	7,512	10,696
Agriculture Depreciation Tenants Capital	9,020	8,319	7,028	8,180	12,472
Agriculture General Farming Costs	9,327	11,587	7,379	7,653	10,679
of which: Agriculture Bank & Professional Fees	2,017	2,493	1,586	1,589	2,399
Agriculture Other General Costs	5,382	5,618	4,557	4,682	6,652
Net Interest Payments	1,926	3,476	1,231	1,382	1,628
Bad Debts Write-offs	1	0	5	0	0
Agriculture Property Costs	8,048	8,396	5,718	5,922	12,092
Non Agriculture Other Fixed Costs	1,734	1,131	847	2,129	2,783
Profit/loss sale of fixed assets	514	149	286	433	1,174
Agriculture Net Margin (AGRICULTURE BUSINESS INCOME)	-8,867	-27,043	-9,844	-5,318	6,310
Unpaid manual labour	24,561	22,598	21,236	21,809	32,459
Of Which Unpaid Farmer and Spouse	20,522	18,806	19,387	19,565	24,259
Unpaid Partner	4,039	3,792	1,849	2,244	8,200
Agriculture Economic Profit (AGRICULTURE CORPORATE INCOME)	-33,428	-49,640	-31,080	-27,127	-26,149
Agriculture Net Interest Payment (added back)	1,926	3,476	1,231	1,382	1,628
AGRICULTURE INVESTMENT INCOME	-31,501	-46,164	-29,849	-25,745	-24,521
Farm Net Margin (FARM BUSINESS INCOME)	19,700	-10,969	10,412	22,658	55,731
Farm Economic Profit (FARM CORPORATE INCOME)	-6,470	-34,531	-11,655	-1,104	20,625
FARM INVESTMENT INCOME	-4,351	-30,817	-10,328	458	22,509
NET FARM INCOME	11,202	-14,719	4,114	14,967	39,651
Holding gains not included in farm income	52,306	45,879	48,458	43,890	70,770
BLSA	1,256	1,838	1,139	1,538	517
Revaluation of Machinery, permanent crops etc	1,487	1,303	1,126	1,465	2,040
Revaluation of Land	49,562	42,738	46,193	40,887	68,213
MANAGEMENT AND INVESTMENT INCOME	-10,461	-34,442	-15,948	-5,739	13,577

Table 33. Balance Sheet and Fund Flows by Performance Class Quartile (FBI/farm)

	The Average Farm	Lowest Quartile	Upper Low Quartile	Lower Upper Quartile	Highest Quartile
2012/13					
Number (unweighted)	246	54	52	58	82
Number (weighted)	6,179	1,532	1,511	1,571	1,564
Average Farmed Area (ha)	155.2	109.7	106.4	160.5	241.4
Adjusted Utilisable Agricultural Area (ha)	150	101	103	158	235
Utilisable Agricultural Area (ha)	112	87	83	111	167
Grazing Livestock Units	95	84	74	85	134
Ewes (head)	377	269	288	380	564
Beef Cows (head)	28	28	24	24	35
Occupied Area (ha)	71.7	44.7	64.0	77.8	99.3
Tenanted Area (ha)	81.8	60.8	42.0	82.3	140.5
Percentage of Land Owned (%)	47	42	60	49	41
Assets					
Fixed Assets	770,910	596,558	710,368	740,293	1,030,877
Of which Agricultural Land	594,737	439,979	580,159	579,086	776,078
Woodland	1,781	3,033	1,488	628	1,997
Total Buildings	19,683	22,144	15,062	16,600	24,836
Total Improvements	3,971	3,377	1,897	4,592	5,931
Milk quota	14	22	3	0	33
SPS Entitlements	27,100	20,204	20,558	25,931	41,348
Machinery	52,281	45,406	39,486	48,711	74,959
Breeding Livestock	70,155	59,413	51,321	64,379	104,670
Miscellaneous Business Assets	1,188	2,978	395	367	1,026
Current Assets	74,426	70,323	47,536	69,314	109,558
of which: Trading Livestock	32,989	33,813	24,133	30,330	43,410
Crops	480	193	282	285	1,148
Forage	3,303	2,648	2,840	3,044	4,650
Cultivation	749	374	781	755	1,079
Stores	3,381	3,458	2,216	2,894	4,921
Liquid Assets	33,525	29,836	17,284	32,008	54,351
Of which: Cash at Bank and In Hand	23,168	15,735	11,157	23,051	42,168
Debtors	8,483	13,603	4,292	6,423	9,585
Suspended	1	0	3	0	0
SPS debtors	1,873	498	1,832	2,533	2,597
Total Assets (£/farm)	845,337	666,881	757,904	809,608	1,140,435
Of which: Total Landlord-type Capital	620,187	468,556	598,608	600,906	808,875
Tenant Type Capital	225,150	198,325	159,296	208,702	331,560
Loans					
Total Long Term Loans	41,178	64,577	29,182	33,480	37,589
Of which: Bank Loans	20,340	42,043	15,602	10,119	13,935
Institutional Loans	16,038	7,723	11,977	22,785	21,324
Of which: AMC	14,361	6,344	8,164	21,763	20,764
Building Societies	752	1,090	1,715	247	0
Other Institutional Loans	924	289	2,098	775	560
Family Loans	4,588	14,812	1,158	576	1,919
Other Loans	213	0	445	0	411
Current Liabilities	25,243	39,086	19,184	17,109	25,712
Of which: Hire Purchase	3,654	4,461	2,506	2,873	4,756
Leasing	58	13	224	0	0
Other Current Liabilities	21,531	34,612	16,454	14,236	20,956
Of which Creditors	7,396	8,343	6,204	5,706	9,319
Bank Overdraft	14,096	26,232	10,245	8,487	11,568
Others	39	36	5	43	69
Total Liabilities	66,421	103,663	48,367	50,589	63,301
Closing Net Worth	778,915	563,218	709,537	759,019	1,077,134
Opening Net Worth	724,221	529,983	665,110	701,827	994,018
Change in New Worth	54,694	33,235	44,427	57,192	83,116

SPS Entitlements Opening Valuation	28,801	21,485	22,048	27,171	44,125
Change in SPS Entitlements	-1,701	-1,281	-1,491	-1,241	-2,777
Change in Borrowing	5,076	16,786	9,784	-3,261	-2,565
Funds Introduced	22,224	27,742	6,607	27,270	26,840
Cash Flow from the Farm Business	7,964	-26,504	3,716	11,602	42,163
Private Drawings	23,803	16,572	18,094	21,475	38,737
Asset Purchases	27,207	30,204	17,771	26,727	33,870
Asset Sales	5,458	7,873	2,233	4,963	6,708
Capital Expenditure	21,749	22,331	15,538	21,765	27,162

Table 34. Land use, Stocking and Technical Efficiency by Performance Class Quartile (FBI/farm)

	The Average Farm	Lowest Quartile	Upper Low Quartile	Lower Upper Quartile	Highest Quartile
2012/13					
Number (unweighted)	246	54	52	58	82
Number (weighted)	6,179	1,532	1,511	1,571	1,564
Total Area (includes woodland and roads etc) (ha)	153.5	105.5	106.0	160.1	239.8
Area Farmed (ha)	155.2	109.7	106.4	160.5	241.4
Net Land Hired In (ha)	5.4	8.9	3.2	2.7	6.7
Utilised Agricultural Area (ha)	149.8	100.8	103.2	157.8	234.7
Of which Total main products and set-aside (ha)	1.8	1.5	1.0	1.4	3.1
Grass, fodder crops and rough grazing (ha)	148.0	99.2	102.1	156.4	231.7
Of which rough grazing (unadjusted) (ha)	55.8	22.9	32.5	68.6	97.7
Adjusted rough grazing (sole occupation)	18.4	8.8	12.0	21.7	30.4
Adjusted rough grazing (shared)	6.2	3.9	4.1	7.3	9.3
Total Adjusted Utilised Agriculture Area (ha)	112.4	86.7	82.7	111.0	167.5
Area owner occupied (ha)	71.7	44.7	64.0	77.8	99.3
Area tenanted (ha)	81.8	60.8	42.0	82.3	140.5
Average age of farmer (years)	57	55	59	57	57
Agricultural labour units (ALU)	1.6	1.4	1.3	1.4	2.1
Standard Output (SO2007)	72,392	61,483	53,936	64,359	108,974
Standard Output size group (SO2007)	6.8	6.7	6.5	6.7	7.2
<u>Land Use</u>					
Temporary Grassland Area (ha)	7.1	13.4	3.8	2.8	8.4
Permanent Grassland Area (ha)	90.0	71.5	68.9	87.1	131.5
<u>Stocking</u>					
Total Dairy Cows	1	0	0	0	4
Total Beef cows	29	29	26	25	37
Total Cattle	92	92	72	77	126
Ewes (LFA and lowland)	377	269	288	380	564
Of which LFA Ewes	364	255	268	364	564
Lowland Ewes	13	14	20	16	0
Total Sheep	743	541	560	736	1,125
<u>Livestock Units</u>					
Total Cattle LU	54	54	42	45	74
Of which Beef Cows LU	22	22	20	18	28
Other Cattle LU	28	29	21	25	38
Dairy Cows and Heifers	4	3	2	2	8
Total Sheep LU	40	29	31	40	59
Of which Ewe LU	27	20	21	28	41
Grazing LU (cattle, sheep, horses and others)	95	84	74	85	134
Total LU	95	84	74	85	134
<u>Financial Performance per GLU</u>					
Farm Business Output per GLU (£/GLU)	1,119	911	955	1,134	1,324
Farm Business Variable Costs (£/GLU)	434	478	368	419	453
Farm Business Gross Margin (£/GLU)	684	433	587	715	871
Farm Business Fixed Costs (£/GLU)	481	566	451	454	464
Farm Business Income (£/GLU)	208	-131	140	266	416
Farm Corporate Income (£/GLU)	-68	-412	-157	-13	154
Farm Investment Income (£/GLU)	-46	-368	-139	5	168
Holding Gains Not In Income (£/GLU)	553	547	654	515	528
of which Land Revaluation (£/GLU)	524	510	623	480	509
Net Farm Income (£/GLU)	119	-176	55	176	296
Management and Investment Income (£/GLU)	-111	-411	-215	-67	101
Agriculture Net Margin (Agriculture business income) (£/GLU)	-94	-323	-133	-62	47
Agriculture Economic Profit (Agriculture corporate income) (£/GLU)	-354	-592	-419	-318	-195
Agriculture Investment Income (£/GLU)	-333	-551	-403	-302	-183

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

LFA Suckler Herds 2012/13	Enterprise Output and Gross margin per cow, GLU & ha			
	All herds	<30 cows	30-60 cows	>60 cows
Number of farms	175	58	67	50
Number of farms (weighted)	3,884	1,666	1,433	785
Area Farmed (UAA + net hired in) (ha)	167	152	142	247
Utilisable Agricultural Area (ha)	160	148	135	233
Adjusted UAA (ha)	132	107	119	211
Grazing Livestock Units (farm)	106	71	97	197
Grazing Livestock Units (enterprise)	41	18	42	88
Forage area (enterprise) (ha)	55	34	54	99
	0.8	0.7	0.8	0.9
Cows per herd	41	18	42	87
Total Cattle	113	62	111	224
Breeding Flock	369	329	293	596
<u>Output per cow</u>				
Enterprise Output (excluding BLSA)	381	358	364	407
BLSA	51	52	45	55
Concentrates	45	47	44	46
Purchased fodder and keep	18	23	18	16
Veterinary and medicines	21	23	21	20
Other livestock costs	57	57	60	53
Seed	2	1	2	2
Fertilizer	42	35	43	45
Sprays	1	2	1	1
Other crop costs	7	6	7	8
Total Variable costs	194	193	197	192
Gross Margin (excluding BLSA) / Cow	187	165	167	215
Gross margin (excluding BLSA) / forage ha	140	85	131	190
Gross Margin (excluding BLSA) / GLU	189	168	170	214
Enterprise Gross margin (excluding BLSA)	7,658	2,946	7,070	18,733
<u>Measures of Income</u>				
Farm Business Income	18,505	14,960	14,771	32,851
Farm Corporate Income	-8,284	-9,546	-12,217	1,575
Agricultural Economic Profit	-35,933	-32,702	-37,107	-40,647
Agri-environment Economic Profit	9,126	8,032	8,151	13,227
Diversified Economic Profit	342	458	540	-264
SPS Economic Profit	18,181	14,666	16,200	29,260
Farm Investment Income	-6,043	-8,099	-9,997	5,544
Net Farm Income	9,701	8,763	5,805	18,804
MII	-11,897	-12,573	-16,252	-2,509
Enterprise NM/cow (excluding BLSA)	-163	-181	-190	-132
Enterprise NM/cow after F&S labour (excl. BLSA)	-298	-403	-350	-206

Appendix 7. Analysis of English Grazing Livestock Farms in the LFA- Upland Sheep flock size

(SDA Flocks typical lambing rate is >100%)

Upland SDA Flocks (flock lambing % usually >100) 2012/13	Output and Gross margin per ewe, GLU and ha			
	All flocks	<350 ewes	350-700 ewes	>700 ewes
Number of farms	124	39	50	35
Number of farms (weighted)	2,837	1,125	1,199	513
Area Farmed (UAA + net hired in) (ha)	159	91	152	322
Utilisable Agricultural Area (ha)	151	88	150	293
Total adj. area farmed inc. commons (ha)	137	86	119	291
Grazing Livestock Units (farm)	104	75	84	214
Grazing Livestock Units (enterprise)	60	28	57	134
Forage area (enterprise) (ha)	92	35	103	195
Stocking rate (GLUs/total adj ha)	0.76	0.88	0.71	0.73
Cows per herd	29	30	16	55
Total Cattle	91	88	61	167
Breeding Flock	482	224	470	1,079
Total Sheep	952	435	919	2,162
<u>Output per ewe</u>				
Enterprise Output (excluding BLSA)	95	88	96	98
BLSA	-1	0	-1	-1
Concentrates	23	19	25	22
Purchased fodder and keep	3	2	3	2
Veterinary and medicines	7	6	7	7
Other livestock costs	10	9	10	10
Seed	0	0	0	0
Fertilizer	6	6	6	7
Sprays	0	0	0	0
Other crop costs	1	1	1	1
Total Variable costs	50	44	52	49
Gross Margin (excluding BLSA) / Ewe	46	44	44	48
Gross margin (excluding BLSA) / forage ha	239	285	202	267
Gross Margin (excluding BLAS) / GLU	371	356	362	387
Enterprise Gross margin (excluding BLSA)	22,102	9,916	20,729	52,009
<u>Measures of Income (per farm)</u>				
Farm Business Income	23,736	12,837	23,580	47,982
Farm Corporate Income	-3,441	-10,253	-4,816	14,696
Agricultural Economic Profit	-31,863	-28,064	-32,325	-39,108
Agri-environment Economic Profit	8,302	4,487	8,288	16,694
Diversified Economic Profit	618	241	1,066	401
SPS Economic Profit	19,502	13,083	18,155	36,709
Farm Investment Income	-2,113	-9,415	-3,902	18,061
Net Farm Income	14,182	4,638	14,909	33,395
MII	-8,273	-14,890	-9,562	9,238
Enterprise NM/ewe (excluding BLSA)	-15	-22	-17	-9
Enterprise NM/ewe after F&S labour (excl. BLSA)	-43	-60	-53	-24
Lambs born & reared/ewe	1.43	1.42	1.45	1.41

Appendix 8. Analysis of English Grazing Livestock Farms in the LFA- Hill Sheep flock size
(SDA Flocks on mountains and moorland typical lambing rate is <100%)

Hill SDA Flocks (flock lambing % usually <100)	Output and Gross margin per ewe, GLU and ha			
	All flocks	<350 ewes	350-700 ewes	>700 ewes
2012 lambing				
Number of farms	64	22	26	16
Number of farms (weighted)	1,427	586	619	222
Area Farmed (UAA + net hired in) (ha)	218	129	238	400
Utilisable Agricultural Area (ha)	209	123	233	372
Total adj. area farmed inc. commons (ha)	149	96	164	248
Grazing Livestock Units (farm)	103	80	93	187
Grazing Livestock Units (enterprise)	53	25	56	119
Forage area (enterprise) (ha)	124	45	152	256
Stocking rate (GLUs/total adj ha)	0.69	0.84	0.57	0.75
Cows per herd	35	41	26	43
Total Cattle	96	98	78	139
Breeding Flock	477	210	530	1,033
Total Sheep	867	402	918	1,953
<u>Output per ewe</u>				
Enterprise Output (excluding BLSA)	67	67	61	75
BLSA	1	6	0	0
Concentrates	14	21	13	11
Purchased fodder and keep	6	3	5	7
Veterinary and medicines	6	6	5	6
Other livestock costs	8	10	8	7
Seed	0	0	0	0
Fertilizer	3	4	3	3
Sprays	0	0	0	0
Other crop costs	1	1	0	0
Total Variable costs	37	46	34	36
Gross Margin (excluding BLSA) / Ewe	30	21	27	39
Gross margin (excluding BLSA) / forage ha	114	100	93	157
Gross Margin (excluding BLAS) / GLU	268	178	253	336
Enterprise Gross margin (excluding BLSA)	14,193	4,488	14,094	40,090
<u>Measures of Income (per farm)</u>				
Farm Business Income	21,504	8,306	27,138	40,654
Farm Corporate Income	-8,286	-21,065	1,841	-2,755
Agricultural Economic Profit	-41,392	-42,194	-34,269	-59,118
Agri-environment Economic Profit	13,378	9,743	14,420	20,070
Diversified Economic Profit	293	-1,187	592	3,368
SPS Economic Profit	19,436	12,573	21,098	32,924
Farm Investment Income	-4,874	-18,178	3,976	5,601
Net Farm Income	11,028	-239	19,156	18,135
MII	-11,582	-23,666	-2,305	-5,521
Enterprise NM/ewe (excluding BLSA)	-24	-35	-22	-21
Enterprise NM/ewe after F&S labour (excl. BLSA)	-47	-76	-44	-36
Lambs born & reared/ewe	1.09	1.05	1.08	1.14

Table 35 – LFA Suckler cows

	No farms in sample	Sample			Premium#	
		175			58	
	No farms	3884			1237	
Production information						
Average cow numbers		41			52	
Enterprise grazing livestock units *		41			52	
Calves per cow		0.18			0.20	
Herd replacement rate (%)		17%			18%	
Adjusted forage area (including commons)		49.74			49.80	
Stocking rate (cows per adj. forage ha.)		0.82			1.04	
Stocking rate (GLUs per adj. forage ha.)		0.82			1.04	
Enterprise Output		Total	per cow	per adj for ha	Total	per cow per adj for ha
		(£)	(£)	(£)	(£)	(£)
Suckler calves †		18822	461	378	27113	526 544
Less Herd Depreciation		3244	79	65	2013	39 40
Total Output (A)		15577	382	313	25101	487 504
Variable Costs						
Concentrates		1842	45	37	1732	34 35
Coarse fodder		742	18	15	571	11 11
Vet and Medicines		867	21	17	1157	22 23
Other livestock costs		2314	57	47	2173	42 44
Total Variable Costs (B)		5765	141	116	5633	109 113
Gross Margin before forage (A-B) = (C)		9812	241	197	19467	378 391
Forage Variable Costs		824	20	17	1179	23 24
Gross Margin after forage (A-B) = (C)		8988	221	180	18288	355 367
Prices						
Calf price (£/calf) *		613			658	
Cull cow price (£/cow)		811			865	
Replacement heifer/cow price (£/head)		1039			986	
Forage Costs						
Fertilizer (£/ha)		13			19	
Seed (£/ha)		1			1	
Spray (£/ha)		0			0	
Other crop costs (£/ha)		2			3	
Total (£/ha)		17			24	
Unadjusted forage area excluding commons		54.61			52.04	
* excludes stock away on agist						
† Calf price is as sold off the cow or a transfer value at weaning						
# Premium group is the top third by GM/head						

Table 36 – Store cattle from suckler bred calves or stores

	Sample		Premium#	
	No farms in sample	122	41	
	No farms	2871	923	
Production information				
Enterprise grazing livestock units *		19	21	
Adjusted forage area (including commons)		26.13	24.72	
Stocking rate (GLUs per adj. forage ha.)		0.74	0.87	
Enterprise Output				
	Total	per adj	Total	per adj
	(£)	for ha	(£)	for ha
		(£)		(£)
Cattle output	14373	550	21282	861
Total Output (A)	14373	550	21282	861
Variable Costs				
Concentrates	3758	144	3739	151
Coarse fodder	421	16	302	12
Vet and Medicines	434	17	421	17
Other livestock costs	2036	78	2451	99
Total Variable Costs (B)	6649	255	6913	279
Gross Margin before forage (A-B) = (C)	7724	295	14370	582
Forage Variable Costs (D)	213	8	236	10
Gross Margin after forage (C-D) = (E)	7511	287	14134	572
Prices				
Dairy heifer transfer or sale price £	na		na	
Finished cattle price £	1019		1027	
Store cattle price £	796		860	
Forage Costs				
Fertilizer (£/ha)	6		8	
Seed (£/ha)	0		0	
Spray (£/ha)	0		0	
Other crop costs (£/ha)	1		1	
Total (£/ha)	8		10	
Unadjusted forage area excluding commons	26.60		22.85	
* excludes stock away on agist				
# Premium group is the top third by GM/adj for ha				

Table 37 – Fat cattle from suckler bred calves or stores

	No farms in sample	Sample		Premium#
		50		17
	No farms	1141		368
Production information				
Enterprise grazing livestock units *		38		49
Adjusted forage area (including commons)		40.28		39.85
Stocking rate (GLUs per adj. forage ha.)		0.95		1.24
Enterprise Output	Total	per adj for ha	Total	per adj for ha
	(£)	(£)	(£)	(£)
Cattle output	32134	798	48211	1210
Total Output (A)	32134	798	48211	1210
Variable Costs				
Concentrates	11527	286	15145	380
Coarse fodder	411	10	448	11
Vet and Medicines	805	20	1264	32
Other livestock costs	3960	98	5359	134
Total Variable Costs (B)	16703	414	22217	557
Gross Margin before forage (A-B) = (C)	15431	384	25994	653
Forage Variable Costs (D)	640	16	727	18
Gross Margin after forage (C-D) = (E)	14792	368	25267	635
Prices				
Dairy heifer transfer or sale price £	na		na	
Finished cattle price £	1152		1182	
Store cattle price £	872		891	
Forage Costs				
Fertilizer (£/ha)	12		14	
Seed (£/ha)	2		1	
Spray (£/ha)	1		1	
Other crop costs (£/ha)	2		2	
Total (£/ha)	16		18	
Unadjusted forage area excluding commons	49.62		43.81	
* excludes stock away on agist				
# Premium group is the top third by GM/adj for ha				

2012 lamb crop		Sample	Premium#
	No farms in sample	64	21
	No farms	1427	426
Production information			
	Average ewe numbers	477	487
	Enterprise grazing livestock units *	53	58
	Lambs reared per ewe	1.09	1
	Flock replacement rate (%)	29%	26%
	Adjusted forage area (including commons)	75.80	58.03
	Stocking rate (ewes per adj. forage ha.)	6.29	8.39
	Stocking rate (GLUs per adj. forage ha.)	0.70	1.00
Enterprise Output	Total	per ewe	per adj for ha
	(£)	(£)	(£)
Lambs †	35700	75	471
Wool	1389	3	18
Less Flock Depreciation	5306	11	70
Total Output (A)	31782	67	419
	Total	per ewe	per adj for ha
	(£)	(£)	(£)
Lambs †	50325	103	867
Wool	1868	4	32
Less Flock Depreciation	5985	12	103
Total Output (A)	46207	95	796
Variable Costs			
Concentrates	6565	14	87
Coarse fodder	2629	6	35
Vet and Medicines	2655	6	35
Other livestock costs	3868	8	51
Total Variable Costs (B)	15717	34	208
Gross Margin before forage (A-B) = (C)	16065	33	211
Forage Variable Costs (D)	968	2	13
Gross Margin after forage (C-D) = (E)	15097	31	198
	Total	per ewe	per adj for ha
	(£)	(£)	(£)
Concentrates	7168	15	124
Coarse fodder	840	2	14
Vet and Medicines	3356	7	58
Other livestock costs	4207	9	73
Total Variable Costs (B)	15572	33	269
Gross Margin before forage (A-B) = (C)	30636	62	527
Forage Variable Costs (D)	1236	3	21
Gross Margin after forage (C-D) = (E)	29400	59	506
Prices	£/hd	% sales	£/hd
			% sales
Fat Lamb price	73	62	75
Store Lamb price	48	31	57
Ewe Lamb price	88	7	87
Draft ewe price	119		108
Cull ewe price (£/ewe)	60		61
Wool price (£/kg)	1.10		1.22
Replacement price (£/head)	86		106
Forage Costs			
Fertilizer (£/ha)	10		17
Seed (£/ha)	0		1
Spray (£/ha)	0		0
Other crop costs (£/ha)	2		3
Total (£/ha)	13		21
Unadjusted forage area excluding commons	124.19		68.81

* excludes stock away on agist
† includes all enterprise output except wool
Premium group is the top third by GM/head

Appendix 10. 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 11. Definition of Terms

I. BUSINESS OUTPUTS, INPUTS, COSTS AND INCOME

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

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

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

4. ***Net Farm Income (NFI)*** is intended as a consistent measure of the profitability of tenant-type 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.

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.

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

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

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

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

II. CROPPING, STOCKING AND LABOUR TABLES

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

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

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

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

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

12. **Stocking** figures are the average annual level of stocking based on estimated average livestock numbers on the farm for the year, including fractions for livestock on the farm for less than a year.

13. **Total livestock units** are used as an approximate measure of stocking intensity and are based on the estimated energy requirements of different species and ages of livestock. The factors used are set out in Appendix 2 of *'Farm Incomes in the United Kingdom 1999/00'*.

14. **Annual labour units (ALU)** are the estimated number of full time worker equivalents of persons working on the holding during the year. Part-time workers are converted to full-time equivalents in proportion to their actual working time related to that of a full-time worker. One ALU represents one person employed for 2,200 hours.

[Standard labour requirements (SLR) are theoretical measures of representative labour requirements under typical conditions for enterprises of average size and performance. Used in the classification of farms by type and size there are 6 SLR size groups measured in Full Time Equivalents (FTE) where 1 FTE equals 1900 hours per year. Farms considered "Spare time" SLR band 1, less than 0.5 FTE or less than 949 imputed hours are excluded from the Farm Business Survey. The 6 SLR size groups are:

SLR Band	Descriptive	FTE	Hours/year	SLR Publication Band
1	Very small, Spare time	<0.5	1 – 949	-
2	Very small, Part time	0.5 to <1	950 – 1899	1
3	Small, Full time	1 to <2	1900 – 3799	2
4	Medium, Full time	2 to <3	3800 – 5699	3
5	Large, Full time	3 to <5	5700 – 9499	4
6	Very large, Full time	>5	>9500	4

[The SLR bands used in this report are the SLR Publication bands which exclude the smallest SLR size group and combine the 2 largest bands to give 4 SLR Publication bands.]

III. OUTPUTS, INPUTS AND FARM BUSINESS INCOME TABLES

15. **Agricultural output** is the main measure of individual crop and livestock output. It comprises:

(a) **Livestock enterprise output** comprises the total sales of livestock and livestock products including *direct livestock subsidies* and production grants received, part of the valuation change (see below), produce consumed in the farmhouse and by labour and the value of milk and milk products fed on the farm (excluding direct suckling) adjusted for debtors at the beginning and end of the year (except for direct livestock subsidies) and transfers between enterprises; less purchases of livestock and livestock products from outside the farm business. Stock appreciation for breeding livestock (cattle, sheep and pigs) has been excluded from individual livestock enterprise outputs. However, changes in the numbers of breeding livestock between the opening and closing valuation and the total valuation change of trading livestock are included. Unlike crop enterprise output, livestock enterprise output is calculated on an accounting year basis.

(b) **By-products, forage and cultivations**, which cover the value of output of the by-products of agricultural activity, sales of fodder, valuation changes for fodder and cultivations. It also covers revenue from the letting of bare land or forage on a short-term lease.

(c) **Crop enterprise output**, which is the total value of crops produced by the farm (other than losses in the field and in store). It includes crops used for feed and seed by the farm business and those consumed in the farmhouse and by farm labour. Crop enterprise output is calculated on a "harvest year" as distinct from an "accounting year" basis; that is, it refers only to those crops (with the exception of certain horticultural crops) wholly or partly harvested during the accounting year and excludes any crop carried over from the previous year. Thus valuation changes (between the previous and current crops) are not relevant and the total harvested yield of the crop is valued at market prices (plus any subsidies).

However, any difference between the opening valuation of any stocks of previous crops and their ultimate disposal value (sales, used on farm and any end-year stocks) is included in total farm output.

(d) *Miscellaneous output* covers the value of output from those activities which are still within the agricultural cost centre but do not fall within either livestock or crop enterprise output. These will include revenue from wayleaves, agricultural hirework, sundry woodland sales, contract farming rent, miscellaneous insurance receipts and compensation payments.

16. *Agricultural costs* comprise payments and the estimated value of non-cash inputs, including home-grown feed and seed, adjusted for changes in stocks and creditors between the beginning and end of the year.

<i>Total variable costs</i>	These are taken to be costs of feed, veterinary fees and medicines, other livestock costs, seeds, fertilisers, crop protection and other crop costs.
<i>Purchased concentrate feed and fodder</i>	This represents expenditure on feeds and feed additives, including charges for agistment.
<i>Home-grown concentrate feed and fodder</i>	This includes ex-farm value of all home produced cereals, beans, milk (excluding direct suckling), etc. fed on the farm both from the current and previous years' crops.
<i>Veterinary fees and medicines</i>	This consists of veterinary fees and the cost of all medicines.
<i>Other livestock costs</i>	This comprises straw bought specifically for costs bedding materials, breeding costs (including AI and stud fees), miscellaneous dairy expenses, disinfectants, marketing and storage costs of animal products, Milk Development Council levy and other livestock costs not separately identified.
<i>Purchased and home-grown seeds</i>	This comprises expenditure on purchased seeds, plants and trees adjusted for changes in stocks. Home-grown seed from the previous crop is included and charged at estimated market price: any seeds from current crops and sown for a succeeding crop are excluded, but are included in the closing valuation of the crop and hence in enterprise output. This enables the value of home-grown seed used in the production of the current crop to be identified.
<i>Fertilizers</i>	This includes lime, fertilisers and other manures, and is adjusted for changes in stock. Fertilisers sown for next year's crops are treated as if they were still in store and are included in the closing valuation.

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

<i>Depreciation of machinery, glasshouses and permanent crops</i>	Depreciation provisions in respect of machinery, glasshouses and permanent crops (e.g. orchards) are shown on a current cost basis. The rates of depreciation used (generally on a diminishing balance basis for machinery and straight line for glasshouses and permanent crops) are intended to reflect the degree of deterioration of the assets.
<i>Other general farming costs</i>	These consist of electricity, heating fuel, water for all farming purposes, insurance (excluding labour and farm buildings), bank charges, professional fees, vehicle licences, and other miscellaneous expenses not recorded elsewhere.
<i>Interest payments</i>	Interest charges on loans taken out for business purposes, net of interest receipts on monies invested temporarily outside the business, are deducted in the calculation of farm business income.
<i>Depreciation of buildings and works</i>	This is calculated on a current cost basis (generally on a straight line basis over 10 years) with an adjustment to allow for the effect of capital grants.

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

IV. BALANCE SHEET TABLES

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

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

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

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

V. IMPLIED OUTPUT PRICES

22. ***Implied output prices*** are average unit returns excluding direct subsidies. For crops they are calculated by dividing the value of sales, closing stocks, farm house consumption, benefits in kind and own-produced feed by total production. Sales are value at prices actually received at the farm gate before the deduction of marketing charges paid direct by the farmer such as drying and cleaning costs. More detailed information about sales volumes is collected for livestock and, in this case, the unit returns refer to sales of livestock including casualties.

In both cases, any compensation payments or insurance payouts for output produced in the current year and destroyed are included.

Source: DEFRA – Farm Accounts in England 2006/2007

<http://www.defra.gov.uk/statistics/foodfarm/farmmanage/fbs/aboutfbs/datacollection>

Standard Output (SO)

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

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

Up until 2010, Standard Gross Margins were used for the classification of farms. The difference between standard outputs and standard gross margins is that no variable costs are deducted in the derivation of standard outputs. A Defra note looking at the effects on the population by farm type as a result of the change from SGM's to SO's is available at (http://www.defra.gov.uk/statistics/files/defra-stats-foodfarm-farmmanage-fbs-revisecclass_111221.pdf)

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

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

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

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. 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.