



# Farm Business Survey

2011/2012

## Hill Farming in England



David Harvey and Charles Scott

March 2013

**RBR**

*independent research, data and analysis*

Rural Business Research

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## Foreword to the Seventh Series

After months of negotiations Europe's leaders and finance ministers have finally agreed a finance package for the EU for the period up to 2020. To many people and businesses this may be of minor interest to their daily lives, but to those engaged in agriculture and horticulture such news carries more weight. Crucially, there are many farm businesses which rely heavily on the Single Farm Payment (SFP). Of course, not all sectors are equally reliant upon the SFP, in particular those in the pig, poultry and horticultural sectors for which the SFP is often a minor or non-existent revenue source. However, as Europe's leaders have now agreed the budget deal, the focus now turns to looking for clarity over the future of the Common Agricultural Policy (CAP). As noted in the foreword to the Sixth series of these reports, the only realistic direction of the value of the SFP is downwards; focusing upon the market, reducing business inefficiencies and dealing with risk and volatility are key areas for business development and growth.

Having witnessed one of the wettest summers on record during 2012, many businesses have observed first-hand the extreme production and price volatility that can result from operating within the natural environment. While the 2011 cropping and production year, upon which the results presented in this series are based, represented a more benign agricultural and horticultural environment, the variation in business and enterprise performance remains a strong feature of the analyses we present. Set against an environment of increased volatility, farmers and growers need to be aware of the strengths and weaknesses of their business and of their comparative position within their particular sector; having the data to undertake this analysis is therefore a key business requirement.

*Rural Business Research's (RBR) series of enterprise and farm type reports based upon independent analysis from the Defra-funded Farm Business Survey (FBS) for England is now in its seventh series. It has, over a short space of time, become increasingly recognised as a key independent information source for businesses, business advisors and government to turn to for their data needs. In business standing still often equates to moving backwards as those around you grow and develop. In the competitive sectors in which agriculture and horticulture operates, knowledge and information remain key business tools for success.*

As our series of reports has grown in popularity, I thank all the farmers and growers who take part in the FBS research programme which allows us to produce these valued information sources. I trust that the independent data produced within these reports continues to offer value to all the reports' readers.

**Dr Paul Wilson**

Chief Executive Officer, Rural Business Research

Spring 2013

[www.ruralbusinessresearch.co.uk](http://www.ruralbusinessresearch.co.uk)



## Executive Summary

The total area of land classified as Less Favoured Area (LFA) on farms in England is 1.55 million hectares, 17% of the total farmed area. This total is made up of Severely Disadvantaged Areas (67%) and Disadvantaged Areas (33%). The Moorland designation of semi-natural vegetation covers 42% of the LFA area. These are areas where farming is more difficult because of poor climate, soils and terrain, which in turn lead to lower yields and higher production and transportation costs. LFAs essentially define the upland hill-farming areas; they include almost all of the upland areas in the North of England (including the Pennines, Lake District and North York Moors), the Peak District, the English part of the English-Welsh border, Exmoor, Dartmoor, and parts of Cornwall. In England, 30% of beef cows and 44% of breeding sheep are in the LFA. Farming plays a crucial role in maintaining the distinctive landscape of such areas.

The average LFA Grazing Livestock farm has 139 ha, including some 2 ha under buildings and roads. It is part owned (68 ha) and part rented (70 ha) and most of the farm (90 ha) is in permanent grass. The average LFA farmer is 56 years old, has 31 beef cows and 351 breeding ewes. Cattle and Sheep youngstock and fatstock make up the total to 92 cattle and 700 sheep on the farm, making a total of 93 Grazing Livestock Units.

The average LFA Grazing Livestock farm earns 69% of its total revenue (output) from crop and livestock farming activities, 20% comes from the Single Farm Payment, and 9% from specific agri-environment payments. The balance of revenues (2%) is earned from non-farm/diversification activities.

The crop and livestock farming side of the business covers its variable costs and earns a respectable gross margin of £37,796 per farm. However, since this side of the whole farm business is assumed to incur most of the fixed costs (88%) the average LFA farm is shown as making an Agricultural Business Income of only £583 (before unpaid labour) from crop and livestock production per farm in 2011/12. This is a 107% improvement on the loss of the previous year (of -£8,234).

Revenues earned from the traditional farming enterprises, the single farm payments, agri-environment schemes and diversification all combine to generate a headline Farm Business Income of £29,213 per farm in 2011/12, a 37% increase on the previous year. This income just covers the opportunity costs of the unpaid labour (provided mainly by the farmer and family) estimated at £24,429 per farm. As a result, Farm Corporate Income shows a small profit of £4,784 per farm (a 244% turnaround from the negative figure of -£3,329 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 £6,764 is up by 552% compared with the previous year's loss of -£1,496. The traditional measure of farm income of Net Farm Income (which puts all farm businesses on a comparable tenanted basis) averaged £21,341 per farm, up 61% from £13,251 in 2010/11.

These LFA farms depend to a substantial extent on public payments; Single Payment Scheme and Agri-environmental payments together account for 29% of their revenue. Although there is substantial variation amongst the farms in terms of their commercial performance, most of these farms could not survive in their present form as commercial businesses without the public payments.



## 1. Background & Context

The total area of land classified as Less Favoured Area (LFA) on farms in England is 1.55 million hectares, 17% of the total farmed area. This total is made up of Severely Disadvantaged Areas (SDAs), which account for 67% of the LFA and Disadvantaged Areas (DAs), accounting for 33% of the LFA<sup>1</sup>. These are areas where farming is more difficult because of poor climate, soils and terrain, which in turn lead to lower yields and higher production and transportation costs. LFAs essentially define the upland hill-farming areas; they include almost all of the upland areas in the North of England (including the Pennines, Lake District and North York Moors) the Peak District, the English part of the English-Welsh border, Exmoor, Dartmoor, and parts of Cornwall. In England, 30% of beef cows and 44% of breeding sheep are in the LFA. Farming plays a crucial role in maintaining the distinctive landscape of such areas.

As we reported last year (Hill Farming in England, 2010/11, RBR) the continued economic health of the farmers (and other land users and managers) in the uplands is of considerable value to society. The current performance and, hence, economic health of the livestock farmers in the Less Favoured Areas of England is the focus of this report. (Other farm types present in the LFA including Upland Dairy farms are covered by other Enterprise Reports in this series – Appendix 9).

### 1.1. The LFA

Map 1 (Appendix 1) shows the LFA areas and also the Government Office (GO) Regions. This report does not concentrate on data by Government Office region (which is otherwise available on the [Rural Business Research](#) website) but rather the EU Regions, which are used for administrative purposes at the European level and represent amalgamations of GO Regions:

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

The LFA designation is part of EU law and extra farm support was provided for farms in these areas as Hill Livestock Compensatory Allowances between 1975 and 2000. This was paid as headage support to eligible beef cows and ewes. In 2001 this support was replaced by the Hill Farming Allowance (HFA) an area based scheme. In 2010 the HFA scheme was in turn replaced by the Uplands Entry Level Stewardship Scheme (Uplands ELS). For further detail see the section on Hill Farm Support below or: <http://rpa.defra.gov.uk/rpa/index.nsf/0/D3762C090883E88780257427005117AD?OpenDocument>.

A major change to note is that land in the Disadvantaged Areas (DA) became ineligible for HFA as of 1<sup>st</sup> January 2007 (including Moorland and common land in the DA) see: <http://rpa.defra.gov.uk/rpa/index.nsf/0/418BA01C9CA1C9F0802573EE0047BD52?OpenDocument>. This implements the announcement made in December 2006 by the Secretary of State that the DA would not be eligible to receive the HFA from 2008 onwards, thereby focusing

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<sup>1</sup> Data from Defra, Agricultural Census, June 2010.

uplands support on land in the Severely Disadvantaged Areas (SDA). The announcement followed general support for the proposal in Defra's consultation on the future of uplands support earlier in 2006. In comparison to land in the SDA, land in the DA is generally higher-grade agricultural land, is more accessible, and producers have more options to maximise the potential of the land. In addition, the Single Payment Scheme will, over time, tend to favour farmers in the DA in comparison to the SDA (since the DA is subsumed within the lowland for the purpose of defining the Single Payment Scheme (SPS) regions and therefore receives a higher flat rate payment than the SDA).<sup>2</sup>

### *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 2011 UTP and the UELS and OUELS schemes are shown in Table 1.

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<sup>2</sup> See [www.defra.gov.uk/rural/countryside/uplands/support.htm](http://www.defra.gov.uk/rural/countryside/uplands/support.htm) for further information on the Uplands Policy

**Table 1.**  
**Uplands Transitional Payment and Uplands Entry Level Scheme payment rates (2011)**

**Uplands Transitional Payments (£/ha) 2011**

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

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

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

**Uplands Entry Level Scheme payments (£/ha) 2011**

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 247 farms, which are all part of the Farm Business Survey. 62% come from the EU North Region, 29% 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)<sup>3</sup>. 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)).

<sup>3</sup> 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.

**Table 2. Sample Characteristics (2011)**

Farm	Sample		June survey of agriculture (2011)		Average size by SLR *		Average total adjusted area	
	No.	%	No.	%	Sample	June survey	Sample	June survey
Part-Time †	12	4%	1,106	18%	0.82	0.83	48	45
Small	69	28%	2,368	39%	1.52	1.54	110	101
Medium	58	24%	1,055	17%	2.43	2.42	196	153
Large	69	28%	959	16%	3.87	3.89	264	220
Very Large	39	16%	427	7%	8.00	7.58	606	430
All Sizes	247	100%	6,148	100%	3.38	2.31	248	139

\* 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 farm which is 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 2010. Areas are in adjusted hectares

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

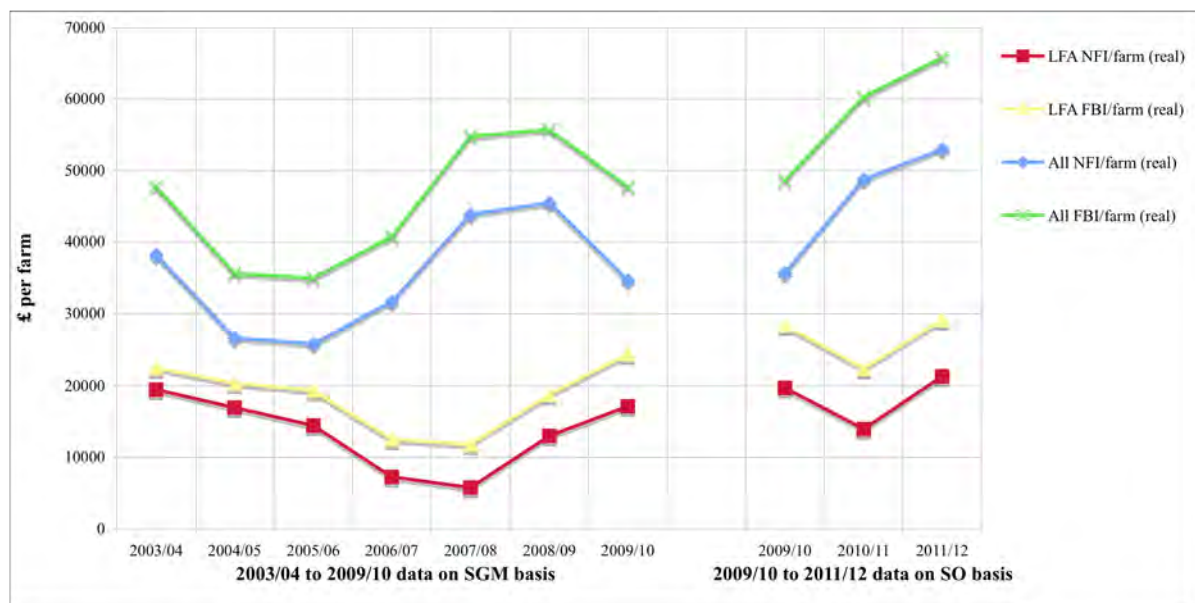
1. *SDA Sheep*- farms where more than two thirds of the total SO is accounted by sheep, and 50% or more of the total area of the farm is in the LFA, of which 50% or more is in the SDA;
2. *SDA Beef*- farms where more than two thirds of the total SO is accounted by beef cattle, and 50% or more of the total area of the farm is in the LFA, of which 50% or more is in the SDA;
3. *SDA Cattle and Sheep*- farms which are neither specialist sheep or cattle but where more than two thirds of the total SGM is accounted by beef cattle and sheep, and 50% or more of the total area of the farm is in the LFA, of which 50% or more is in the SDA;
4. *DA Cattle and sheep farms*- farms where more than two thirds of the total SO is accounted by beef cattle and sheep, and 50% or more of the total area of the farm is in the LFA, of which 50% or more is in the DA;

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

### 3. The LFA Farms in context

The comparative business performance of LFA farms is illustrated in Figure 1, which compares the Net Farm Income (NFI) and Farm Business Income (FBI) per farm earned by the LFA grazing farms and by all farms in the England FBS sample over the last nine 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 and 2011/12 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 2011/12 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<sup>a</sup> Farms v. All FBS Farms Performance, real<sup>b</sup> terms, England (2003 – 2011)**



Source: *Farm Accounts in England, 2011/12*, Defra .

Notes: a: defined as Upland Grazing Farms

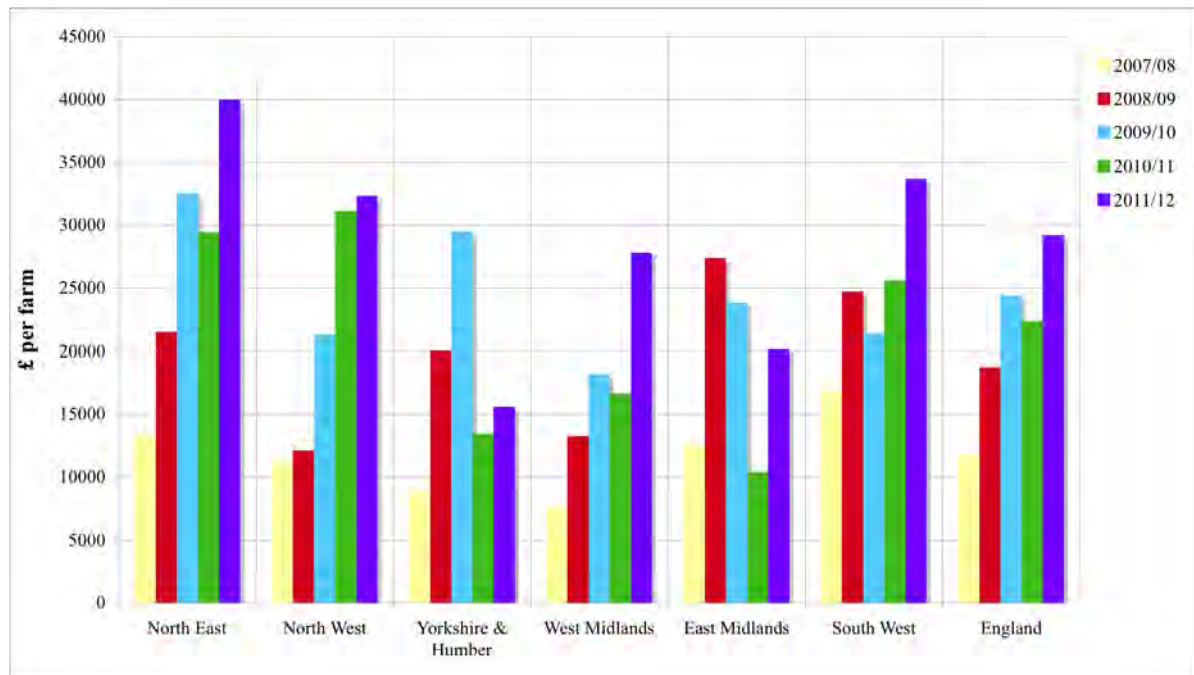
b: Real terms = deflated by RPI (all items).

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 nine 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. Even so, despite the improvement in profitability over the past year, LFA farm incomes, by either measure, still remain at 50% of the national average.

However, there is substantial variation around these average figures for all farms, both between regions and between years, as Figure 2 illustrates. The 2011/12 data is not directly comparable to that in earlier years due to the change in classification but remains valid for representing the variation in incomes across the regions.

**Figure 2. LFA Farm Business Income per farm, by region (2007/08 to 2011/12)**



Source: - Government Office Reports, 2011/12, [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 2011/12

Although the average LFA farm in the FBS sample in 2011/12 does not reflect the wide variation in either the sample, or still more the whole population, its description still provides a general picture of the sector. The sample represents just over 6,000 LFA farms in England (excluding the smallest farms - those with a Standard Output of less than 25,000). The average farm has 139 ha, including some 2 ha under buildings and roads. It is part owned (68 ha) and part rented (70 ha), and most of the farm (90 ha) is in permanent grass. The average LFA farmer is 56 years old, and has 31 beef cows and 351 breeding ewes. Cattle and Sheep youngstock and fatstock make up the total to 92 cattle and 700 sheep on the farm, making a total of 93 Grazing Livestock Units (GLUs)<sup>4</sup>.

##### 4.1. The average LFA Farm account

<sup>4</sup> GLUs convert different livestock types (cows, sheep, young stock) into a common unit based on nutrient requirements, with a dairy cow being the numeraire (=1 GLU).



The average LFA Grazing Livestock farm in England in 2011/12 is represented by the set of accounts shown in Table 3. This table reports the average farm accounts for the whole sample of 247 farms, broken out by four “cost centres” representing the different aspects of the farm business: agriculture (‘pure farming’); environmental management; diversification (off farm activities); single payment under the EU’s Single Payment Scheme. To the extent possible, the variable costs of the business have been separated out as relevant to each of these cost centres, while fixed costs (including depreciation) have also been allocated so far as possible, including the casual labour cost, according to the shares of each centre in total costs.

On average, these farms only earn some 69% of their total revenue (output) from farming, with 20% coming from the Single Farm Payment, and 9% from specific agri-environment payments. The balance of revenues (2%) is earned from non-farm activities (mostly associated with contracting or tourism and recreation). The farming business covers its variable costs and earns a positive gross margin of £37,796 per farm (a 28% increase from the previous year). However, since this side (livestock and crop production) of the farm business is assumed to incur most of the fixed costs (88%) the average LFA farm is shown to only generate an Agricultural Business Income of £583 per farm in 2011/12. Despite being relatively small it is a huge improvement on the loss of -£8,234 in the previous year.

The revenues earned from agri-environment, diversification and single farm payments more than offset their own costs and together with the small profit from the traditional production activities generate a headline Farm Business Income (FBI) (or profit) of £29,213 per farm in 2011/12, a 37% increase on the previous year. This income just covers the opportunity costs of the unpaid labour (provided by the farmer and partners) of £24,429 per farm and as a result, Farm Corporate Income registers at £4,784 per farm (a 244% increase on the loss of -£3,329 in 2010/11). 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 £6,764, up by 552% compared with the previous year’s loss of -£1,496.

The traditional measure of farm income is Net Farm Income (NFI)<sup>5</sup>. 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 £21,341 per farm, up 61% from £13,251 in 2010/11.

In the case of LFA grazing farms there is still a substantial number of tenanted farms. In the EU North Region, where 62% of LFA farms are found, only 41% of the land is owned. The average proportion of land owned on LFA grazing farms over the whole country is 49%

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<sup>5</sup> 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.

compared to a national average of 57% across all farm types. It therefore makes some sense in the case of LFA farms to retain a focus on NFI as opposed to FBI for comparison purposes.

#### *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.



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

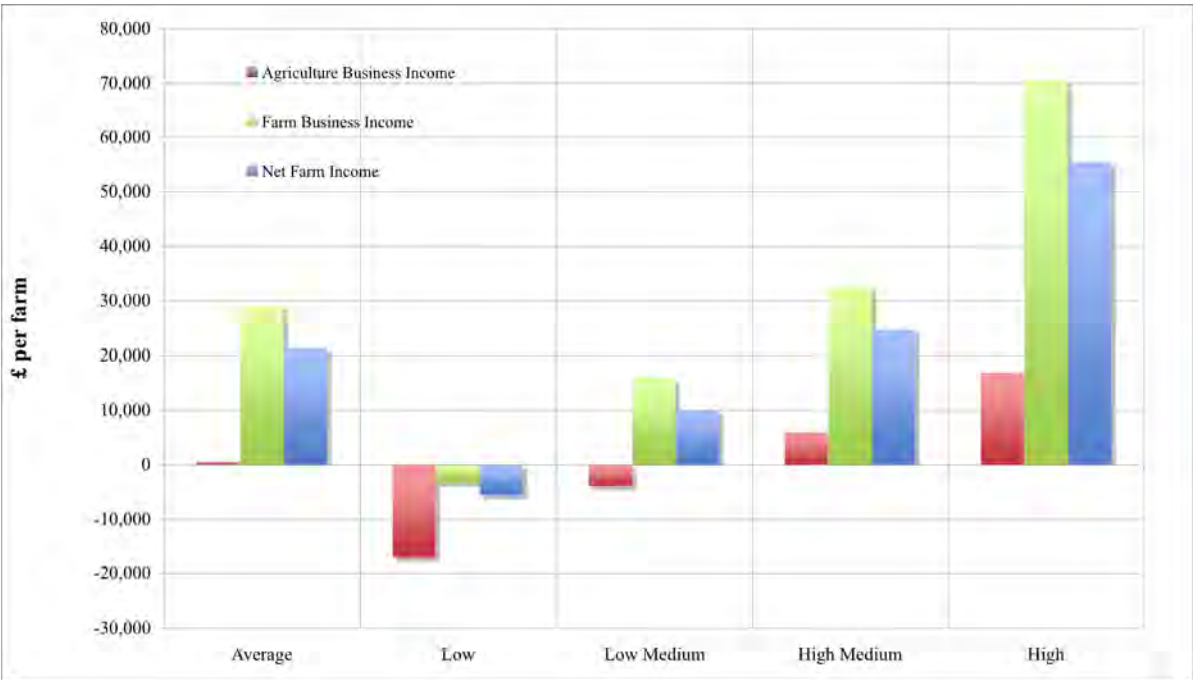
Derivation of farm income measures		The average farm									
		Agriculture					Cost Centre (£ per farm)				
		Agriculture		Agri-environment and other payments		Diversification out of agriculture		Single Payment Scheme		Farm Business (£ per farm)	
2010/11	2011/12	2010/11	2011/12	2010/11	2011/12	2010/11	2011/12	2010/11	2011/12	2010/11	2011/12
% contribution of cost centre revenue to total:		66%	69%	10%		2%		22%		20%	
1	Total output (Revenue)	69,490	74,803	10,210	9,981	2,364	2,243	23,423	21,938	105,488	108,965
2	Variable costs	39,922	37,007	204	174	98	148	3	2	40,227	37,331
3=1-2	Total Gross margin	29,568	37,796	10,006	9,807	2,267	2,096	23,421	21,935	65,261	71,634
4	Fixed costs	38,432	37,772	2,112	1,740	1,092	989	2,975	2,478	44,611	42,980
5=2+4	Total Costs	78,354	74,779	2,317	1,914	1,190	1,137	2,978	2,480	84,838	80,311
6	Profit/(loss) on sale of fixed assets	629	559							629	559
7=1-5+6	Farm Business Income	-8,234	583	7,894	8,066	1,174	1,106	20,446	19,457	21,279	29,213
8	Adjustment for unpaid manual labour	23,434	23,364	575	503	599	562	0	0	24,608	24,429
9=7-8	Farm Corporate Income	-31,668	-22,781	7,318	7,564	575	544	20,446	19,457	-3,329	4,784
10	Interest payments (net of interest received)	1,666	1,819	40	46	67	51	61	63	1,833	1,980
11=9+10	Farm Investment Income	-30,002	-20,962	7,358	7,610	642	596	20,507	19,521	-1,496	6,764
% contribution of cost centre costs to total:		92%	93%	3%	2%	1%	1%	4%	3%		
				12						8,448	8,201
				13						3,023	2,521
				18						0	0
				14						0	0
				15						0	0
				16						20,172	20,257
				17=11-12+13+18-14+15+16						13,251	21,341
										32,755	45,716
2011/12 Sample size (unweighted)		247								2,834	7,470
Number (weighted)		6,148								2,757	892
2010/11 Sample size (unweighted)		245								27,164	37,355
Number (weighted)		6,179								-6,885	1,109

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 two highest quartiles realise a positive ABI, i.e. half of all farms all make losses as far as their agricultural enterprises are concerned. The low medium quartile manages 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

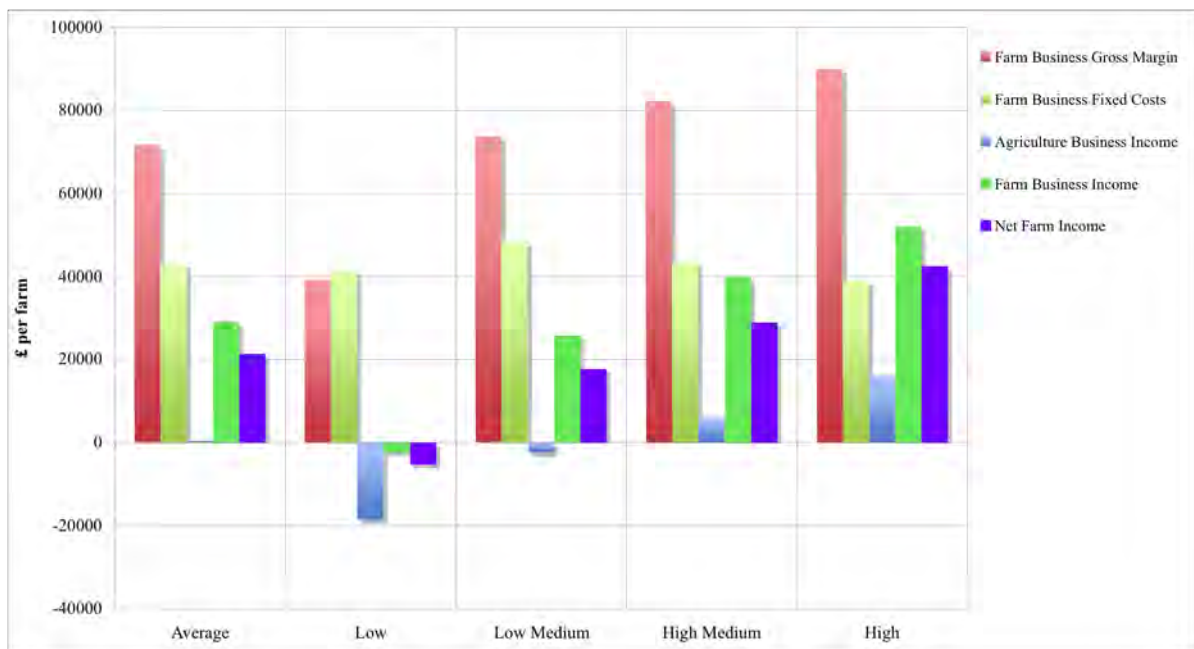


Source: Government Office Reports, 2011/12, [RBR](#).

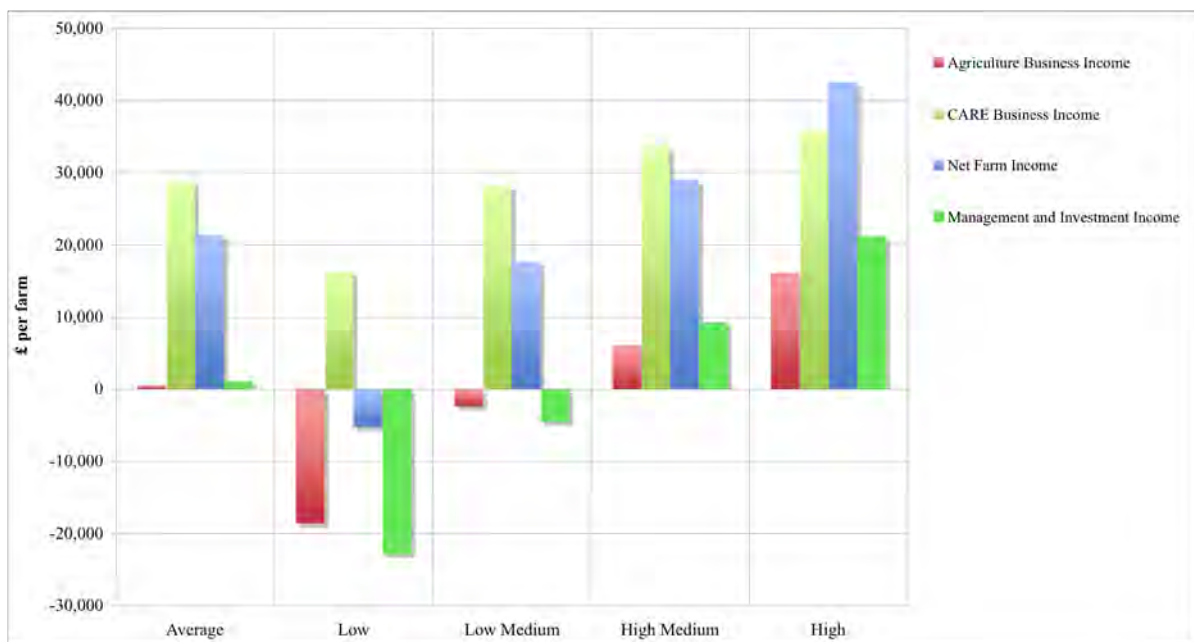
Figure 4 presents similar data on farm business performance by quartile, though here on the basis of Farm Business Income (FBI) per Grazing Livestock Unit (GLU) which removes the effect of farm size on the FBI earnings per farm. The general story remains the same – that

only the top two quartile groups return 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) FBI for all farms except those in the lowest quartile. This conclusion is emphasized in Figure 5, which compares the agricultural and CARE business incomes, and also shows the Management and Investment Income (M&II) per farm. Management and Investment Income deducts a notional payment for the unpaid labour of the occupier and spouse and represents the balance available as a return on invested capital. Only the top two quartiles manage a positive M&II, of £9,244 and £21,157 respectively, 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, implies that the Mixed grazing livestock group appears to be more profitable at both the ABI level and the NFI level. The specialist beef farms however, not only suffer the biggest losses at the ABI level but are also unable to recoup these losses through gains in CARE income in the same way as other farm types are able. It also suggests that Mixed grazing farms are most capable of attracting CARE revenues relative to their peer farm types. The specialist beef group, being the smallest in area terms of all groups, is at a disadvantage on area based environmental payments. The Various grazing livestock (DA) farms are the one group of LFA farms that, since 2008, were not eligible for the Hill Farm Allowance and are not eligible for either the UTP or the UELS support measures, both of which provide a substantial share of the CARE revenue for SDA farms.

**Figure 6. LFA business performance by Main Farm Type**

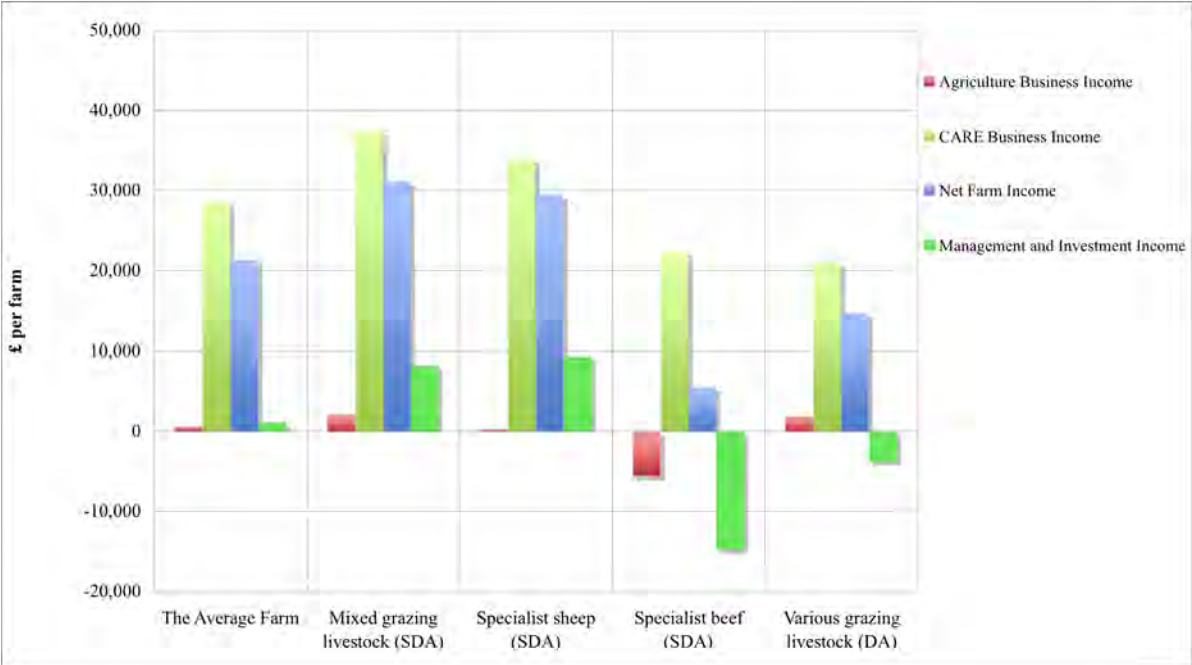
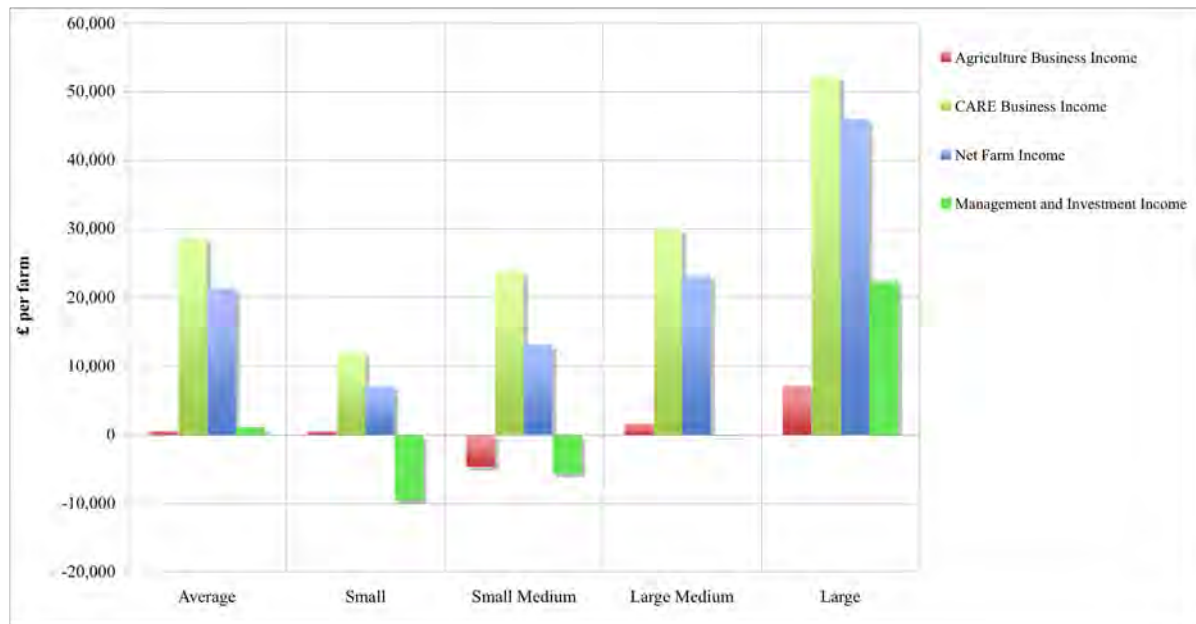


Figure 7 shows the business performance by size, measured here by the Standard Labour Requirement (SLR)<sup>6</sup> and illustrates that size is important to these farms' earning ability, although as previously seen it is the CARE income which rescues all farms from economic failure. Only the largest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

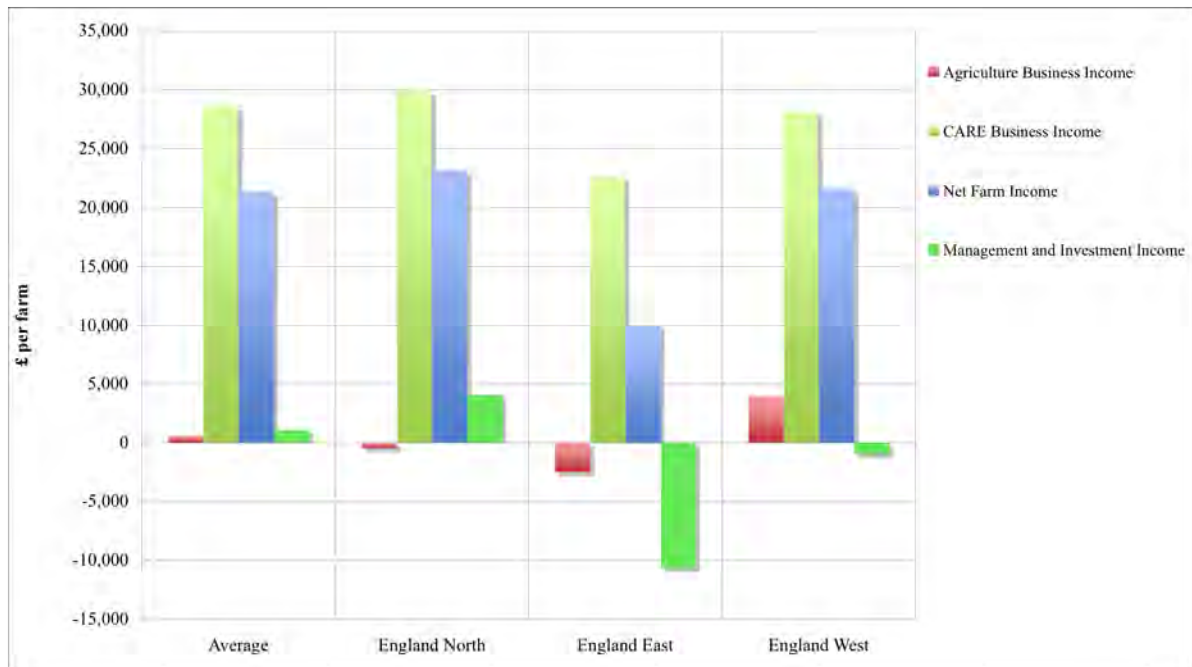
**Figure 7. LFA business performance by Size (SLR) quartile**



<sup>6</sup> The Standard Labour Requirement (SLR) for a farm business represents the labour requirement (in full-time equivalents) for all the agricultural activities on the farm, based on standard coefficients for each commodity on the farm. The SLR is representative of labour requirement under typical conditions for enterprises of average size and performance.

Figure 8 shows the same business performance measures by EU region. As above, it is the CARE income which dominates the picture of business performance. Farms in England North manage to return a positive management and investment income, with those farms in England East faring worst across all measures of income.

**Figure 8. LFA business performance by EU Region**



The frequency distributions of FBI/GLU for England as a whole and for each of the EU Regions (North; East; West) are shown in figure 9. Given the small number of LFA farms located in the EU East England Region (those in the Peak District) there is no real significance in the variation in distribution of performance in terms of FBI/GLU shown by region. However, there is clearly a substantial variation between farms according to this particular performance measure. Since the FBI/GLU measure is strongly associated with other measures of farm business performance, this wide variation between farms is also evident for these other measures (FBI/Farm, NFI/Farm etc.).



**Figure 9. Frequency Distribution of FBI/GLU of LFA Farms by EU Region**

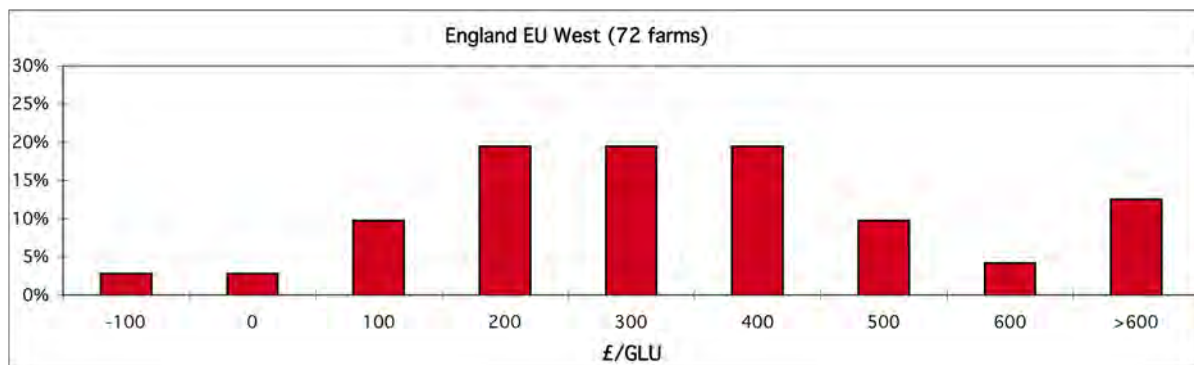
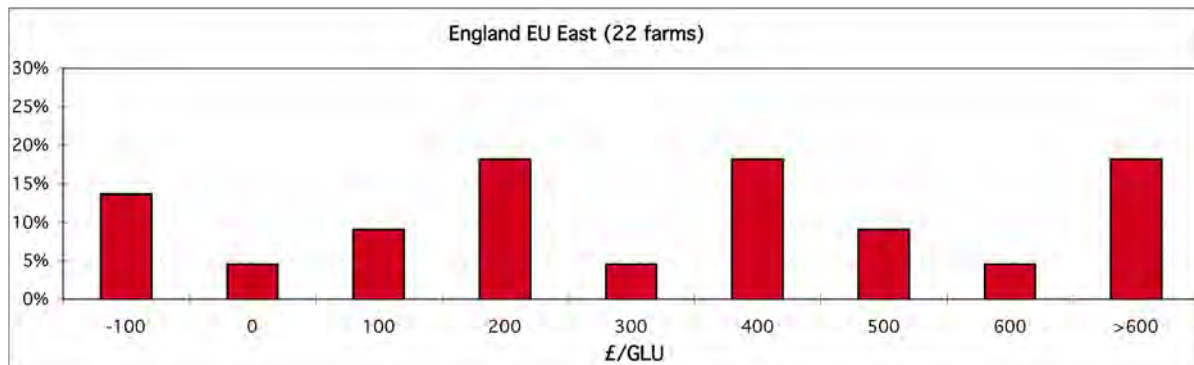
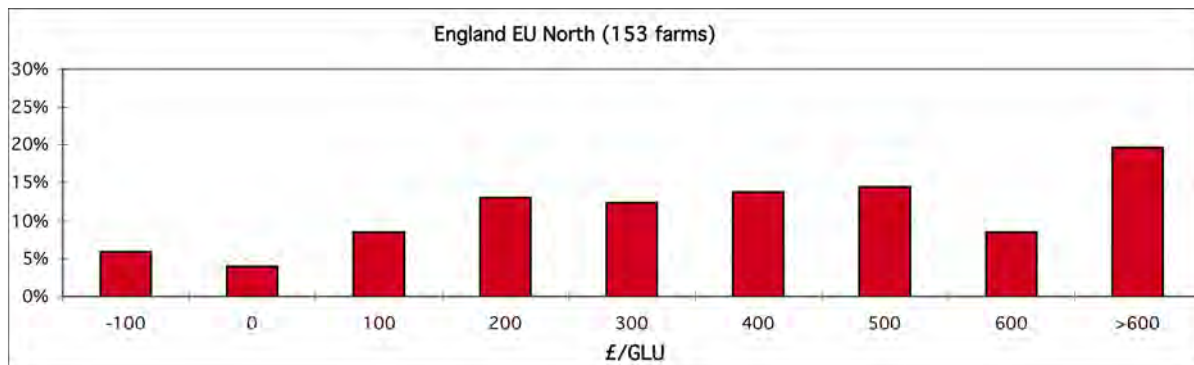
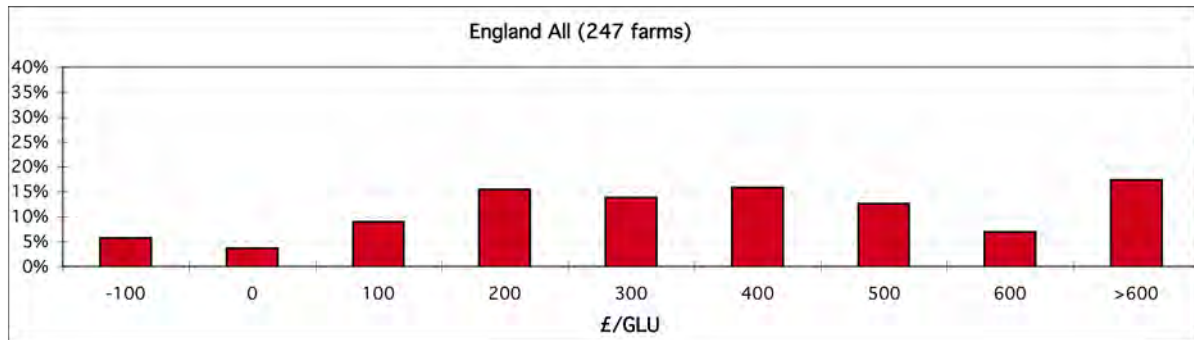
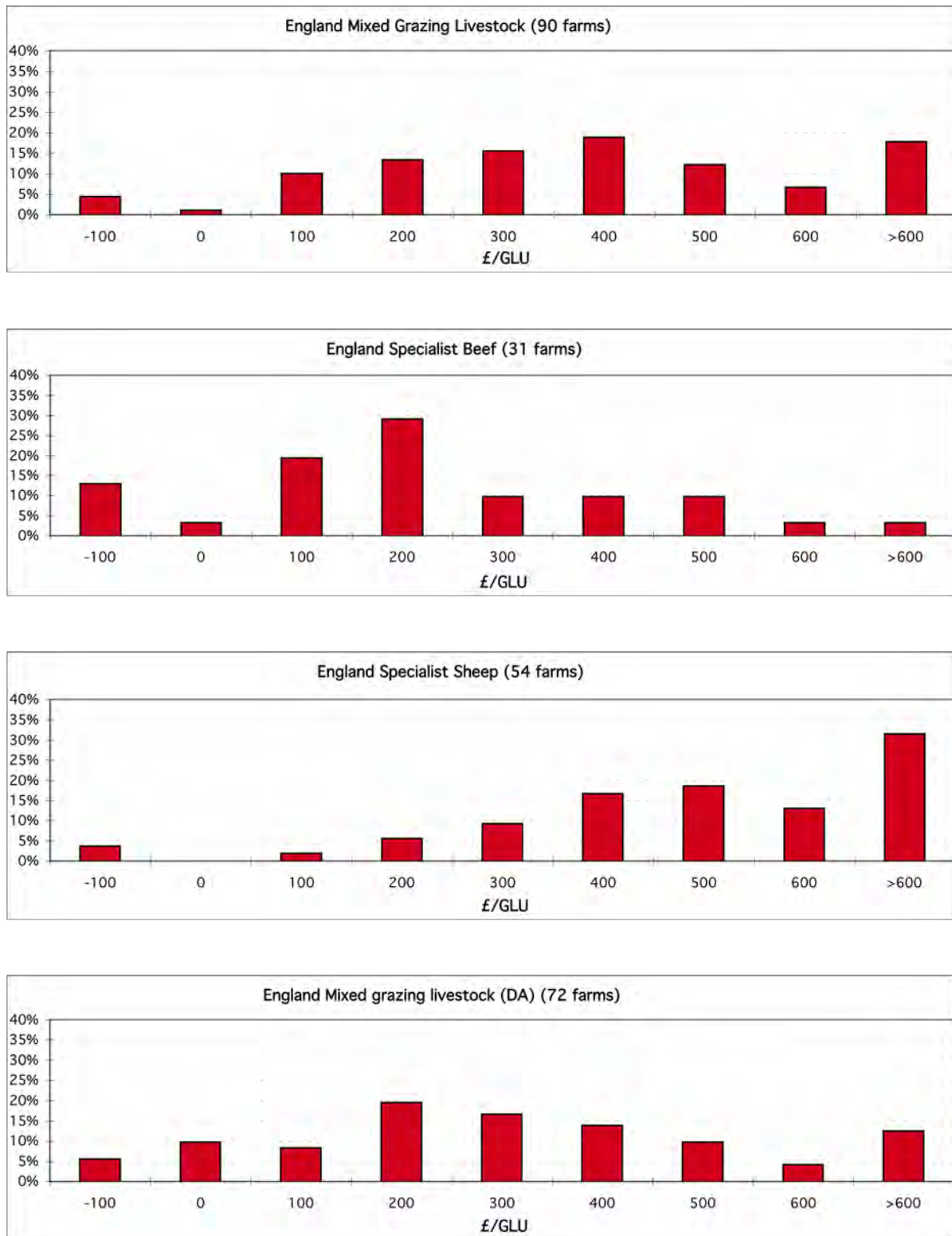


Figure 10 illustrates the variation in performance by Main Farm Type, where it is apparent that the Specialist Beef farms, and to a lesser extent, the DA Mixed Grazing farms (which often carry substantial beef herds) are more likely than sheep farms to exhibit low and negative FBI/GLU returns.

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





## 6. The FBS Enterprise Margins versus EBLEX Business Pointers

Since a major output from the FBS survey is the provision of benchmark costs for participating farmers, it is useful to comment briefly on the comparison between the results of this survey and those from the major alternative, provided by EBLEX (formerly part of the Meat & Livestock Commission). EBLEX publish their general cost estimates for various enterprises at the aggregate level only. The following estimates are taken from [EBLEX](#) website. We note that the FBS data comes from a stratified random sample, whereas the EBLEX data are compiled from a self-selected sample of Livestock Farmers participating with EBLEX. Since the FBS sample is statistically representative of the total commercial LFA farm population, we might expect the EBLEX participants to show somewhat better performance than the statistical (FBS) average. Our comparison illustrates this expectation.

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

**Table 4. EBLEX Business Pointers: LFA Breeding Sheep**

<b>LFA Breeding Sheep</b>			
	<b>2010/11</b>	<b>2011/12</b>	<b>Change</b>
	£/head	£/head	£/head
Sales	96.5	105.5	9.0
Replacement costs	12.7	12.7	0
Feed costs	16.6	14.0	-2.6
Variable costs (excl. replacement costs)	28.0	30.4	2.4
Gross Margin	55.8	64.2	8.4
Fixed Costs (excl. Non cash costs)	48.0	50.1	2.1
Non-cash costs	30.8	30.8	0
Total Costs (inc. Non cash costs)	119.4	123.9	4.5
Net Margin (inc. Non cash costs)	-22.94	-16.63	6.3

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

In comparison, the FBS results, for 2010/11 and 2011/12, are shown in Table 5 with a flock stratification shown in Table 6. This comparison is limited to Upland sheep flocks with lambing rates typically in excess of 100% (FBS Enterprise code 103) and excludes Hill sheep flocks with lambing rates typically less than 100% (FBS Enterprise code 102).

**Table 5. FBS SDA Upland Sheep flock Performance 2010/11 and 2011/12**

	All flocks				Change £/ewe
	2010/11	std dev	2011/12	std dev	
<i>Number of farms</i>	132		131		
<i>Number of farms (weighted)</i> (£ per ewe)	3330		3342		
Enterprise Output (excl. BLSA)	92.6	34.0	110.1	41.4	17.4
BLSA	8.1	4.5	11.7	5.8	3.6
Total Variable costs	43.5	15.9	43.8	18.5	0.3
Concentrates	21.1	11.0	16.8	13.2	-4.2
Purchased fodder and keep	9.0	3.5	3.4	3.5	-5.6
Vet costs	14.9	2.9	5.8	2.9	-9.1
Other livestock costs	9.5	3.9	10.0	4.2	0.5
Gross Margin (excl. BLSA) / Ewe	49.1	28.7	66.2	36.9	17.1
<i>Gross Margin range</i>	<i>-34 to 178</i>		<i>-29 to 315</i>		
Total Fixed costs	57.4	23.5	63.2	22.1	5.8
Total costs	100.9	30.9	107.0	30.6	6.1
Net Margin (excl. BLSA) / Ewe	-8.3	24.4	3.1	31.1	11.3
Net Margin after F&S labour (excl. BLSA)	-34.1	27.7	-26.7	31.2	7.4

**Table 6. FBS SDA Upland Sheep flock Performance by flock size 2011/12**

2011/12 lamb crop	All flocks	<350 ewes	350-700 ewes	>700 ewes
<i>Number of farms</i>	131	38	59	34
<i>Number of farms (weighted)</i> (£ per ewe)	3,342	1,395	1,495	452
Enterprise Output (excl. BLSA)	110.1	107.3	106.4	116.5
BLSA	11.7	11.0	10.8	13.2
Total Variable costs, of which:	43.8	37.7	43.6	47.1
Concentrates	16.8	14.6	16.6	18.2
Purchased fodder and keep	3.4	1.4	4.0	3.6
Vet costs	5.8	5.3	5.8	6.1
Other livestock costs	10.0	9.5	10.2	10.1
Gross Margin (excl. BLSA) / Ewe	66.2	69.6	62.8	69.4
Total Fixed costs	63.2	69.0	62.1	61.8
Total costs	107.0	106.7	105.7	108.9
Net Margin (excl. BLSA) / Ewe	3.1	0.6	0.7	7.6
Net Margin after F&S labour (excl. BLSA)	-26.7	-50.1	-32.7	-6.9

Tables 4, 5 and 6 show very clearly that Sheep farming on its own in the English LFA simply does not sustain itself. This clearly has major implications for the UK Sheep industry as a whole and the critical role that non-agricultural income streams play on LFA farms. As might be expected, due to the sample differences (see above) the EBLEX sample returns higher Gross and Net Margins than the FBS sample.

**Table 7. EBLEX Business Pointers: Upland Suckler Herd**

Upland Suckler Herd	2010/11	2011/12	Change
	£/cow	£/cow	£/cow
Sales	487	588	101
Replacement costs	64	64	0
Feed costs	109	126	17
Variable costs (excl. replacement cost)	176	193	17
Gross Margin	247	332	85
Fixed Costs (excl. Non-cash costs)	374	389	15
Non-cash costs	220	220	0
Total Costs (incl. Non-cash costs)	834	865	31
Net Margin (incl. Non-cash costs)	-347	-277	70

In comparison, the FBS results, for 2010/11 and 2011/12, are shown in Table 8 with a herd size stratification shown in Table 9.

**Table 8. FBS LFA Suckler Herd Performance 2010/11 and 2011/12**

	All herds				change £/cow
	2010/11	std dev	2011/12	std dev	
<i>Number of farms</i>	194		193		
<i>Number of farms (weighted)</i> (£ per cow)	4,758		4,180		
Enterprise Output (excl. BLSA)	301	200	370	150	69
BLSA	-1	37	118	60	119
Total Variable costs	180	93	188	85	8
Concentrates	43	48	42	42	0
Purchased fodder and keep	18	33	20	31	2
Vet costs	23	16	20	16	-3
Other livestock costs	44	62	52	37	8
Gross Margin (excl. BLSA) / Cow	121	195	182	160	61
<i>Gross Margin range</i>	<i>-1378 to 1125</i>		<i>-557 to 722</i>		
Total Fixed costs	305	118	340	131	35
Total costs	485	156	528	158	43
Enterprise NM (excl. BLSA)	-184	179	-158	168	26
Enterprise NM after F&S labour (excl. BLSA)	-291	180	-277	185	14

**Table 9. FBS LFA Suckler Herd Performance by herd size 2011/12**

2011/12 calving period	All herds	<50 cows	50-100 cows	>100 cows
<i>Number of farms</i>	193	111	65	17
<i>Number of farms (weighted)</i>	4,180	2,981	984	215
(£ per cow)				
Enterprise Output (excl. BLSA)	370	340	413	347
BLSA	118	116	113	134
Total Variable costs, of which:	188	186	196	172
Concentrates	42	39	48	37
Purchased fodder and keep	20	22	17	23
Vet costs	20	21	20	20
Other livestock costs	52	57	51	40
Gross Margin (excl. BLSA) / Cow	182	154	218	175
Total Fixed costs	340	339	357	303
Total costs	528	525	553	475
Enterprise NM (excl. BLSA)	-158	-185	-139	-128
Enterprise NM after F&S labour (excl. BLSA)	-277	-351	-241	-162

Tables 7, 8 and 9 show that Beef farming alone in the English LFA is unable to sustain itself and that this must have major implications for the UK Beef industry. As for the Sheep figures and as might be expected due to the sample differences, see above, the EBLEX sample returns higher Gross and Net Margins than the FBS sample.

## 7. The Organic LFA farms

For some years there has been a steady increase in the number of LFA farms converting to certified Organic production methods. The current sample of 247 English LFA grazing farms includes 25 fully organic farms. Within this there are 17 organic suckler herds and 17 organic upland flocks.

Table 10 compares suckler herd performance to the gross margin (GM) level across organic and non-organic farms. The non-organic suckler herd output is £80/cow more than the organic output but, mainly down to higher feed costs, the gross margin is only £20/cow above the organic average. The difference between the two samples narrows to only £4/cow at the net margin (excepting farmer and spouse labour) level. After allowing for the farmer and spouse labour (of £130/cow) the final net margins sit at -£276 and -£292 for non-organic and organic respectively. The stocking rate for the organic farms, of 0.72 GLU/total adjusted area (including commons and all land rented in) is 15% less than that of the non-organics.

Table 11 compares organic and non-organic upland flocks to the GM level. Organic enterprise output is £13/ewe higher than that of the non-organic sample. Variable costs per ewe are £8/head lower for the organics resulting in a gross margin of £87/ewe for organic flocks and £65/ewe for the non-organic flocks. Fixed costs are £74/ewe for organic flocks and £63/ewe for non-organics – this results in net margins (after farmer and spouse labour) of -£21/ewe and -£27/ewe for organic and non-organic flocks respectively.

Table 12 compares whole farm profitability across all four cost centres between the 25 fully organic farms and the remainder of the sample. This table shows that the overall difference in profit, which favours the organic farms, is down to the higher profitability of the Agriculture cost centre and greater revenues from Agri-environmental schemes; Diversification and Single Farm payments being roughly similar.

**Table 10. LFA Suckler Herd Performance Conventional and Organic**

2011/12	Non-organics	std dev	Organics	std dev
<i>Number of farms</i>	176		17	
<i>Number of farms (weighted)</i>	4010		171	
<b>(£ per cow)</b>				
Enterprise Output (excl. BLSA)	373	150	294	153
BLSA	118	61	114	42
Total Variable costs	190	81	134	111
Concentrates	43	41	24	54
Purchased fodder and keep	20	31	12	29
Vet costs	21	15	18	25
Other livestock costs	51	37	61	33
Gross Margin (excl. BLSA)	183	159	161	171
<i>Gross Margin range</i>	<i>-557 to 722</i>		<i>-146 to 444</i>	
Total Fixed costs	341	133	323	118
Total costs	531	155	457	192
Enterprise NM (excl. BLSA)	-158	168	-162	177
Enterprise NM after F&S labour (excl. BLSA)	-276	187	-292	164
Stocking rate (GLUs/total adj ha)	0.83	0.34	0.72	0.26

**Table 11. LFA Upland Flock Performance Conventional and Organic**

<b>2011/12</b>	Non-organics	std dev	Organics	std dev
<i>Number of farms</i>	114		17	
<i>Number of farms (weighted)</i>	3172		170	
<b>(£ per ewe)</b>				
Enterprise Output (excl. BLSA)	110	41.5	123	41.4
BLSA	12	5.9	14	4.7
Total Variable costs	44	19.0	36	13.0
Concentrates	17	13.8	12	6.4
Purchased fodder and keep	3	3.5	3	3.2
Vet costs	6	2.8	8	2.9
Other livestock costs	10	4.2	10	4.3
Gross Margin (excl. BLSA)	65	36.3	87	38.0
<i>Gross Margin range</i>	<i>-29 to 319</i>		<i>-23 to 168</i>	
Total Fixed costs	63	21.9	74	22.8
Total costs	107	30.9	110	29.8
Enterprise NM (excl. BLSA)	3	31.3	13	29.5
Enterprise NM after F&S labour (excl. BLSA)	-27	30.6	-21	33.4
Stocking rate (GLUs/total adj ha)	0.83	0.34	0.72	0.26
Lambing rate (born & reared/ewe)	1.17	0.46	1.32	0.40

Table 12. LFA Grazing Livestock Farms: Business Output, Input Costs and Income, Organic vs. Conventional

Derivation of farm income measures	Cost Centre (£ per farm)									
	Agriculture		Agri-environment and other payments		Diversification out of agriculture		Single Payment Scheme		Farm Business Income	
	CONV	ORG	CONV	ORG	CONV	ORG	CONV	ORG	CONV	ORG
% contribution of centre revenue to total:	69%	62%	9%	15%	2%	1%	20%	22%		
<b>Total output (Revenue)</b>	<b>74,829</b>	<b>74,253</b>	<b>9,614</b>	<b>17,965</b>	<b>2,289</b>	<b>1,252</b>	<b>21,709</b>	<b>26,910</b>	<b>108,441</b>	<b>120,379</b>
Variable costs	37,431	27,768	146	792	152	56	2	6	37,730	28,621
<b>Total Gross margin</b>	<b>37,398</b>	<b>46,485</b>	<b>9,469</b>	<b>17,173</b>	<b>2,137</b>	<b>1,196</b>	<b>21,707</b>	<b>26,904</b>	<b>70,711</b>	<b>91,757</b>
Fixed costs	37,754	38,162	1,715	2,303	1,014	458	2,495	2,104	42,978	43,027
<b>Total Costs</b>	<b>75,185</b>	<b>65,929</b>	<b>1,860</b>	<b>3,094</b>	<b>1,166</b>	<b>514</b>	<b>2,497</b>	<b>2,110</b>	<b>80,708</b>	<b>71,648</b>
Profit/(loss) on sale of fixed assets	595	-224							595	-224
<b>Farm Business Income</b>	<b>238</b>	<b>8,100</b>	<b>7,754</b>	<b>14,870</b>	<b>1,123</b>	<b>738</b>	<b>19,212</b>	<b>24,800</b>	<b>28,328</b>	<b>48,507</b>
Adjustment for unpaid manual labour	23,576	18,754	492	737	585	64	0	0	24,653	19,556
<b>Farm Corporate Income</b>	<b>-23,337</b>	<b>-10,655</b>	<b>7,262</b>	<b>14,133</b>	<b>538</b>	<b>674</b>	<b>19,212</b>	<b>24,800</b>	<b>3,675</b>	<b>28,951</b>
Interest payments (net of interest received)	1,816	1,882	47	30	53	10	64	47	1,981	1,970
<b>Farm Investment Income</b>	<b>-21,521</b>	<b>-8,773</b>	<b>7,309</b>	<b>14,163</b>	<b>591</b>	<b>684</b>	<b>19,276</b>	<b>24,846</b>	<b>5,656</b>	<b>30,921</b>
% contribution of centre total costs to total:	93%	92%	2%	4%	1%	1%	3%	3%		
									7,967	13,296
									2,499	2,997
									0	0
									0	0
									0	0
									20,331	18,658
									<b>20,518</b>	<b>39,281</b>
<b>Non-organic Sample size (unweighted)</b>	<b>222</b>								45,244	56,010
<b>Number (weighted)</b>	<b>5,878</b>								7,488	7,079
<b>Organic Sample size (unweighted)</b>	<b>25</b>								898	750
<b>Number (weighted)</b>	<b>270</b>								36,858	48,181
									<b>213</b>	<b>20,643</b>

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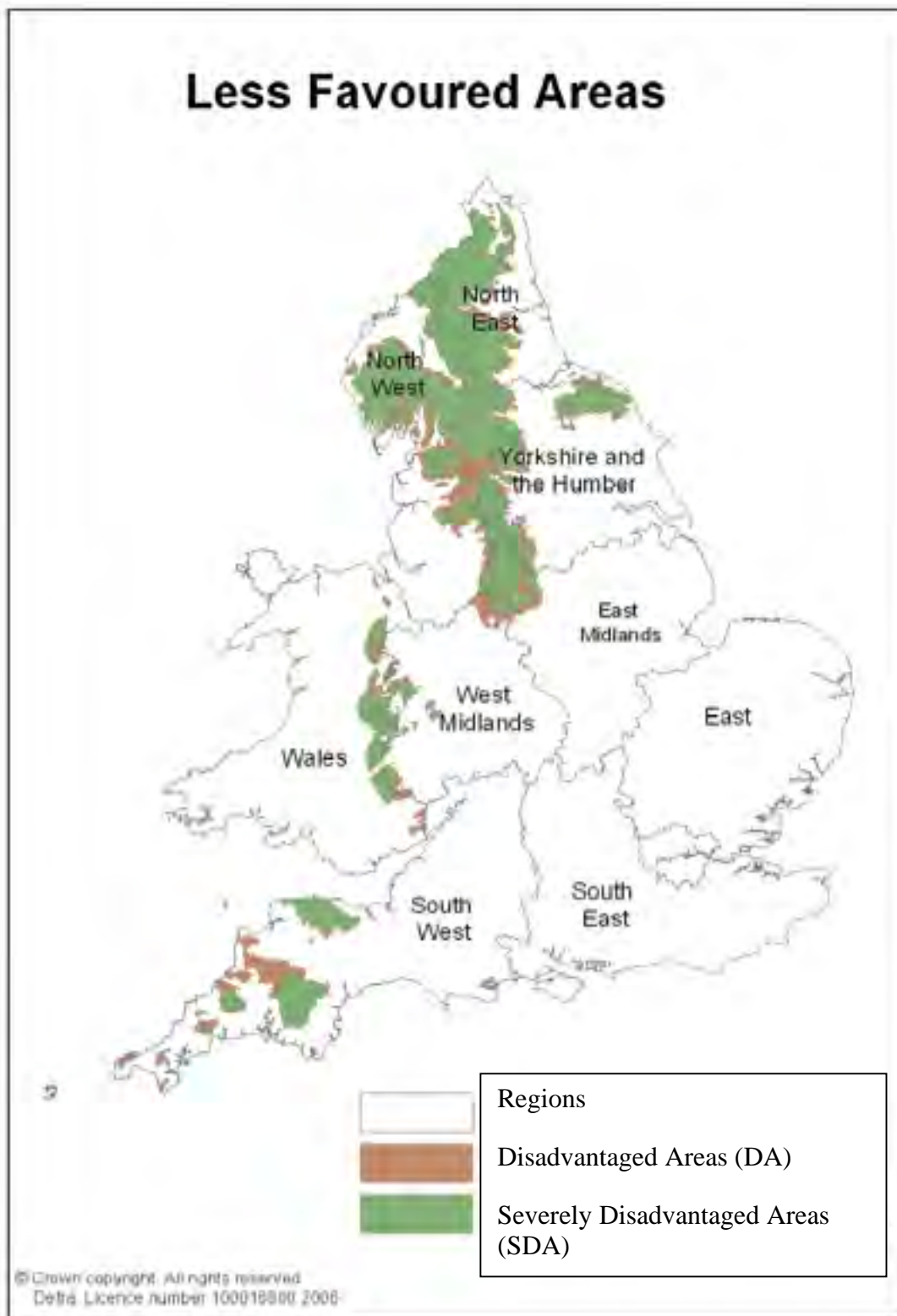
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**Appendix 1. Map of the LFA, England**



Source: Defra.

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

Table 13: Farm Income measures by Cost Centre - Mixed grazing livestock (SDA)

	Cost Centre (£ per farm)				Farm Business (£ per farm) 2011/12
	Agriculture 2011/12	Agri-environment and other payments 2011/12	Diversification out of agriculture 2011/12	Single Payment Scheme 2011/12	
Derivation of farm income measures:					
Total output	99,208	14,801	2,824	26,790	143,623
Variable costs	50,517	82	390	2	50,991
<b>Total Gross margin</b>	<b>48,691</b>	<b>14,719</b>	<b>2,434</b>	<b>26,788</b>	<b>92,632</b>
Fixed costs	47,786	2,181	1,024	3,213	54,204
<b>Total Costs</b>	<b>98,303</b>	<b>2,263</b>	<b>1,414</b>	<b>3,215</b>	<b>105,195</b>
Profit/(loss) on sale of fixed assets	1,201				1,201
<b>Farm Business Income</b>	<b>2,106</b>	<b>12,538</b>	<b>1,411</b>	<b>23,575</b>	<b>39,629</b>
Adjustment for unpaid manual labour	26,642	592	756	0	27,989
<b>Farm Corporate Income</b>	<b>-24,536</b>	<b>11,946</b>	<b>654</b>	<b>23,575</b>	<b>11,640</b>
Interest payments (net of interest received)	1,324	37	47	39	1,447
<b>Farm Investment Income</b>	<b>-23,211</b>	<b>11,983</b>	<b>702</b>	<b>23,614</b>	<b>13,087</b>
Derivation of Net Farm Income					
				Imputed rent	7,549
				Ownership charges	2,616
				Director's remuneration	0
				Non-agricultural output historically not accounted for in Net Farm Income	0
				Non-agricultural inputs costs historically not accounted for in Net Farm Income	0
				Unpaid labour of principal farmer and spouse	22,955
				<b>Net Farm Income</b>	<b>31,108</b>
				Holding gains not included in farm income	47,192
				Breeding Livestock Appreciation (BLSA)	10,681
				Revaluation of machinery, permanent crops, glasshouse, quota	1,201
				Revaluation of land	35,310
				<b>Management and Investment Income</b>	<b>8,224</b>
The average farm	90				
Number (unweighted)	1,604				
Number (weighted)					

Table 14: Farm Income measures by Cost Centre - Specialist beef (SDA)

	Cost Centre (£ per farm)				Farm Business (£ per farm) 2011/12
	Agriculture 2011/12	Agri-environment and other payments 2011/12	Diversification out of agriculture 2011/12	Single Payment Scheme 2011/12	
<u>Derivation of farm income measures:</u>					
Total output	59,205	7,407	1,253	18,052	85,917
Variable costs	29,178	11	2	2	29,193
<b>Total Gross margin</b>	<b>30,027</b>	<b>7,396</b>	<b>1,251</b>	<b>18,050</b>	<b>56,724</b>
Fixed costs	35,735	1,622	447	2,228	40,032
<b>Total Costs</b>	<b>64,912</b>	<b>1,633</b>	<b>450</b>	<b>2,230</b>	<b>69,225</b>
Profit/(loss) on sale of fixed assets	77				77
<b>Farm Business Income</b>	<b>-5,631</b>	<b>5,775</b>	<b>804</b>	<b>15,822</b>	<b>16,769</b>
Adjustment for unpaid manual labour	24,834	673	257	0	25,764
<b>Farm Corporate Income</b>	<b>-30,464</b>	<b>5,101</b>	<b>546</b>	<b>15,822</b>	<b>-8,995</b>
Interest payments (net of interest received)	2,024	84	21	87	2,216
<b>Farm Investment Income</b>	<b>-28,440</b>	<b>5,185</b>	<b>567</b>	<b>15,909</b>	<b>-6,779</b>
Derivation of Net Farm Income					
				Imputed rent	11,436
				Ownership charges	3,511
				Director's remuneration	0
				Non-agricultural output historically not accounted for in Net Farm Income	0
				Non-agricultural inputs costs historically not accounted for in Net Farm Income	0
				Unpaid labour of principal farmer and spouse	20,184
				<b>Net Farm Income</b>	<b>5,480</b>
				Holding gains not included in farm income	57,185
				Breeding Livestock Appreciation (BLSA)	6,816
				Revaluation of machinery, permanent crops, glasshouse, quota	1,021
				Revaluation of land	49,348
				<b>Management and Investment Income</b>	<b>-14,704</b>
The average farm	31				
Number (unweighted)	807				
Number (weighted)					

Table 15: Farm Income measures by Cost Centre - Specialist sheep (SDA)

	Cost Centre (£ per farm)				Farm Business (£ per farm) 2011/12
	Agriculture 2011/12	Agri-environment and other payments 2011/12	Diversification out of agriculture 2011/12	Single Payment Scheme 2011/12	
<u>Derivation of farm income measures:</u>					
Total output	64,697	15,127	2,023	23,004	104,850
Variable costs	32,093	399	70	1	32,564
<b>Total Gross margin</b>	<b>32,604</b>	<b>14,727</b>	<b>1,952</b>	<b>23,003</b>	<b>72,287</b>
Fixed costs	32,830	2,617	664	2,365	38,476
<b>Total Costs</b>	<b>64,923</b>	<b>3,017</b>	<b>734</b>	<b>2,366</b>	<b>71,040</b>
Profit/(loss) on sale of fixed assets	554				554
<b>Farm Business Income</b>	<b>329</b>	<b>12,110</b>	<b>1,288</b>	<b>20,638</b>	<b>34,365</b>
Adjustment for unpaid manual labour	21,886	746	467	0	23,098
<b>Farm Corporate Income</b>	<b>-21,557</b>	<b>11,364</b>	<b>822</b>	<b>20,638</b>	<b>11,267</b>
Interest payments (net of interest received)	2,010	84	12	75	2,181
<b>Farm Investment Income</b>	<b>-19,547</b>	<b>11,448</b>	<b>834</b>	<b>20,713</b>	<b>13,448</b>
Derivation of Net Farm Income					
				Imputed rent	5,906
				Ownership charges	1,792
				Director's remuneration	0
				Non-agricultural output historically not accounted for in Net Farm Income	0
				Non-agricultural inputs costs historically not accounted for in Net Farm Income	0
				Unpaid labour of principal farmer and spouse	0
				<b>Net Farm Income</b>	<b>20,105</b>
				Holding gains not included in farm income	<b>29,439</b>
				Breeding Livestock Appreciation (BLSA)	<b>34,757</b>
				Revaluation of machinery, permanent crops, glasshouse, quota	<b>7,221</b>
				Revaluation of land	<b>653</b>
				<b>Management and Investment Income</b>	<b>26,884</b>
The average farm					
Number (unweighted)	54				
Number (weighted)	1,484				

Table 16: Farm Income measures by Cost Centre - Various grazing livestock (DA)

	Cost Centre (£ per farm)				Farm Business (£ per farm) 2011/12
	Agriculture 2011/12	Agri-environment and other payments 2011/12	Diversification out of agriculture 2011/12	Single Payment Scheme 2011/12	
Derivation of farm income measures:					
Total output	69,666	4,079	2,330	19,171	95,246
Variable costs	33,426	149	78	3	33,656
<b>Total Gross margin</b>	<b>36,240</b>	<b>3,930</b>	<b>2,252</b>	<b>19,167</b>	<b>61,589</b>
Fixed costs	34,625	891	1,373	2,119	39,009
<b>Total Costs</b>	<b>68,051</b>	<b>1,040</b>	<b>1,451</b>	<b>2,122</b>	<b>72,665</b>
Profit/(loss) on sale of fixed assets	277				277
<b>Farm Business Income</b>	<b>1,891</b>	<b>3,039</b>	<b>879</b>	<b>17,049</b>	<b>22,857</b>
Adjustment for unpaid manual labour	21,478	218	596	0	22,293
<b>Farm Corporate Income</b>	<b>-19,587</b>	<b>2,821</b>	<b>283</b>	<b>17,049</b>	<b>565</b>
Interest payments (net of interest received)	1,973	15	90	65	2,143
<b>Farm Investment Income</b>	<b>-17,615</b>	<b>2,836</b>	<b>373</b>	<b>17,113</b>	<b>2,708</b>
Derivation of Net Farm Income					
				Imputed rent	9,018
				Ownership charges	2,578
				Director's remuneration	0
				Non-agricultural output historically not accounted for in Net Farm Income	0
				Non-agricultural inputs costs historically not accounted for in Net Farm Income	18,463
				Unpaid labour of principal farmer and spouse	<b>14,731</b>
				<b>Net Farm Income</b>	<b>47,777</b>
				Holding gains not included in farm income	5,581
				Breeding Livestock Appreciation (BLSA)	782
				Revaluation of machinery, permananet crops, glasshouse, quota	41,414
				Revaluation of land	
				<b>Management and Investment Income</b>	<b>-3,717</b>
The average farm	72				
Number (unweighted)	2,253				
Number (weighted)					

**Table 17. Output, Variable Costs and Farm Gross Margins by Cost Centre**

2011	The average farm	Mixed grazing livestock (SDA)	Specialist sheep (SDA)	Specialist beef (SDA)	Various grazing livestock (DA)
Number of farms in the group	247	90	54	31	72
Number (weighted)	6,148	1,604	1,484	807	2,253
Utilisable Agricultural Area (UAA) (ha)	134	190	153	99	94
Average adjusted UAA (ha)	107	140	109	85	91
Average adjusted sole grazing (ha)	14	25	23	6	2
Average herd size	31	43	11	51	28
Average flock size	351	458	550	107	232
<b>Output</b>					
Farm Output	109,379	144,627	105,031	85,942	95,531
Farm Business Output	108,965	143,623	104,850	85,917	95,246
<i>of which</i> Output from agriculture	74,803	99,208	64,697	59,205	69,666
Agri environment payment	9,981	14,801	15,127	7,407	4,079
Diversified output	2,243	2,824	2,023	1,253	2,330
Single Farm Payment	21,938	26,790	23,004	18,052	19,171
Livestock Enterprise Output	68,621	91,760	60,731	54,506	62,394
<i>of which</i> Cattle Enterprise Output	32,182	43,870	8,058	42,106	36,196
(incl Livestock subsidies)	569	338	24	1,783	658
Sheep Enterprise Output	35,897	46,771	52,655	11,040	26,013
Poultry Enterprise Output	227	112	6	1,192	109
Pigs Enterprise Output	107	230	13	130	74
Other Livestock Enterprise Output	209	776	0	38	2
Crop Enterprise Output	3,739	3,547	898	3,400	5,868
<i>of which</i> Crop Subsidies	4	0	0	0	12
Main Crops	1,799	1,356	187	2,048	3,088
Forage by-products	1,892	2,123	703	1,259	2,737
Cultivations output	48	68	8	93	43
Set aside payments	0	0	0	0	0
Non agriculture, no other category output	2,397	3,923	3,068	1,275	1,271
Disposal Previous Crops	46	-23	0	24	132
<b>Farm Business Output</b>	<b>108,965</b>	<b>143,623</b>	<b>104,850</b>	<b>85,917</b>	<b>95,246</b>
<b>Variable Costs</b>					
Farm Business Variable costs	37,331	50,991	32,564	29,193	33,656
<i>of which</i> Agriculture Variable Costs	37,007	50,517	32,093	29,178	33,426
Agri environment Variable Costs	174	82	399	11	149
Diversified income Variable Costs	148	390	70	2	78
SPS Variable Costs	2	2	1	2	3
Agriculture Crop Costs	6,311	8,117	4,144	5,056	6,903
<i>of which</i> Seed	417	424	106	431	611
Fertilizer	4,862	6,458	3,511	3,596	5,068
Crop Protection	350	377	234	341	411
Other Crop Costs	683	858	294	689	812
Agriculture Livestock Costs	26,345	36,731	23,675	21,020	22,614
<i>of which</i> Purchased Fodder Feed	14,197	21,028	13,495	10,680	11,054
Home Produced Fodder Feed	1,226	1,313	123	1,865	1,663
Veterinary and medicines	3,278	4,133	3,425	2,257	2,937
Other Livestock Costs	7,644	10,257	6,632	6,218	6,959
Agriculture Contract Costs	3,027	3,605	2,309	2,358	3,328
Agriculture Casual Labour	1,183	1,672	1,892	614	573
Agriculture, no other category Variable Costs	141	392	74	130	9
<b>Farm Business Gross Margin</b>	<b>71,634</b>	<b>92,632</b>	<b>72,287</b>	<b>56,724</b>	<b>61,589</b>
Agriculture Gross Margin	37,796	48,691	32,604	30,027	36,240
Agri Environment Gross Margin	9,807	14,719	14,727	7,396	3,930
Diversified Gross Margin	2,096	2,434	1,952	1,251	2,252
SPS Gross Margin	21,935	26,788	23,003	18,050	19,167

**Table 18. Fixed Costs and Farm Income calculations**

	The Average Farm	Mixed grazing livestock (SDA)	Specialist sheep (SDA)	Specialist beef (SDA)	Various grazing livestock (DA)
2011					
Number (unweighted)	247	90	54	31	72
Number (weighted)	6,148	1,604	1,484	807	2,253
Utilisable Agricultural Land (UAA) (ha)	134	190	153	99	94
Average adjusted UAA (ha)	107	140	109	85	91
Average adjusted sole grazing (ha)	14	25	23	6	2
Average herd size	31	43	11	51	28
Average flock size	351	458	550	107	232
<b>Gross Margin</b>					
Farm Business Gross Margin	71,634	92,632	72,287	56,724	61,589
Agriculture Gross Margin	37,796	48,691	32,604	30,027	36,240
Agri Environment Gross Margin	9,807	14,719	14,727	7,396	3,930
Diversified Income Gross Margin	2,096	2,434	1,952	1,251	2,252
SPS Gross Margin	21,935	26,788	23,003	18,050	19,167
<b>Fixed Costs</b>					
Farm Business Fixed Costs	42,980	54,204	38,476	40,032	39,009
<i>of which</i> Agriculture Fixed Costs	37,772	47,786	32,830	35,735	34,625
Agri Environment Fixed Costs	1,740	2,181	2,617	1,622	891
Diversified Income Fixed Costs	989	1,024	664	447	1,373
SPS Fixed Costs	2,478	3,213	2,365	2,228	2,119
Agriculture Paid Labour	3,878	5,716	3,833	3,218	2,835
<i>of which</i> Fixed Labour Costs	2,694	4,044	1,942	2,603	2,262
(-) Casual Labour Costs (a Variable Cost)	1,183	1,672	1,892	614	573
Agriculture Machinery Costs	16,782	21,102	14,502	16,948	15,149
<i>of which</i> Machinery Running Costs	8,245	9,906	7,506	7,908	7,671
Agriculture Depreciation Tenants Capital	8,537	11,197	6,997	9,040	7,478
Agriculture General Farming Costs	9,074	9,577	7,973	9,574	9,263
<i>of which</i> Agriculture Bank & Professional Fees	1,969	2,215	1,652	2,077	1,964
Agriculture Other General Costs	5,274	6,037	4,259	5,473	5,327
Net Interest Payments	1,819	1,324	2,010	2,024	1,973
Bad Debts Write-offs	12	0	52	0	0
Agriculture Property Costs	7,598	9,912	6,611	6,104	7,135
Non Agriculture Other Fixed Costs	1,623	3,151	1,801	505	817
Profit/loss sale of fixed assets	559	1,201	554	77	277
<b>Agriculture Net Margin (AGRICULTURE BUSINESS INCOME)</b>					
	583	2,106	329	-5,631	1,891
Unpaid manual labour	23,364	26,642	21,886	24,834	21,478
Of Which Unpaid Farmer and Spouse	19,443	22,030	19,218	19,385	17,768
Unpaid Partner	3,922	4,611	2,667	5,449	3,710
<b>Agriculture Economic Profit (AGRICULTURE CORPORATE INCOME)</b>					
	-22,781	-24,536	-21,557	-30,464	-19,587
Agriculture Net Interest Payment (added back)	1,819	1,324	2,010	2,024	1,973
<b>AGRICULTURE INVESTMENT INCOME</b>					
	-20,962	-23,211	-19,547	-28,440	-17,615
<b>Farm Net Margin (FARM BUSINESS INCOME)</b>					
	29,213	39,629	34,365	16,769	22,857
<b>Farm Economic Profit (FARM CORPORATE INCOME)</b>					
	4,784	11,640	11,267	-8,995	565
<b>FARM INVESTMENT INCOME</b>					
	6,764	13,087	13,448	-6,779	2,708
<b>NET FARM INCOME</b>					
	21,341	31,108	29,439	5,480	14,731
Holding gains not included in farm income	45,716	47,192	34,757	57,185	47,777
BLSA	7,470	10,681	7,221	6,816	5,581
Revaluation of Machinery, permanent crops etc	892	1,201	653	1,021	782
Revaluation of Land	37,355	35,310	26,884	49,348	41,414
<b>MANAGEMENT AND INVESTMENT INCOME</b>					
	1,109	8,224	9,337	-14,704	-3,717

**Table 19. Balance Sheet and Fund Flows**

2011	The Average Farm	Mixed grazing livestock (SDA)	Specialist sheep (SDA)	Specialist beef (SDA)	Various grazing livestock (DA)
Number (unweighted)	247	90	54	31	72
Number (weighted)	6,148	1,604	1,484	807	2,253
Average Farmed Area (ha)	139.1	197.0	161.9	101.4	96.5
Adjusted Utilisable Agricultural Area (ha)	107.1	139.6	109.0	84.6	90.6
Ewes (head)	351	458	550	107	232
Beef Cows (head)	28	38	11	47	24
Occupied Area (ha)	67.6	72.0	63.3	75.0	64.7
Tenanted Area (ha)	69.8	121.5	92.0	26.1	33.9
Percentage of Land Owned (%)	49.2	37.2	40.8	74.1	65.6
<u>Assets</u>					
<b>Fixed Assets</b>	<b>717,181</b>	<b>721,543</b>	<b>566,110</b>	<b>888,774</b>	<b>752,152</b>
<i>of which</i> Agricultural Land	546,194	502,530	410,054	714,374	606,751
Woodland	2,032	2,240	334	3,148	2,602
Total Buildings	20,053	21,398	11,564	35,638	19,108
Total Improvements	3,244	4,329	4,253	2,426	2,100
Milk quota	31	97	0	0	16
SPS Entitlements	28,468	35,589	29,855	23,083	24,412
Machinery	48,724	63,044	41,315	49,770	43,031
Breeding Livestock	66,807	91,587	68,237	59,804	50,726
Miscellaneous Business Assets	1,628	729	496	532	3,406
<b>Current Assets</b>	<b>72,037</b>	<b>79,661</b>	<b>43,307</b>	<b>80,143</b>	<b>82,629</b>
<i>of which</i> Trading Livestock	30,280	33,666	9,176	43,619	36,994
Crops	646	570	73	665	1,072
Forage	3,780	3,976	1,918	5,000	4,431
Cultivation	741	654	172	1,783	804
Stores	3,484	4,175	1,777	3,508	4,109
Liquid Assets	33,105	36,621	30,191	25,569	35,219
<i>of which</i> Cash at Bank and In Hand	21,201	23,913	19,211	20,294	20,906
Debtors	8,894	10,309	6,879	2,504	11,502
Suspended	1	0	0	0	3
SPS debtors	3,009	2,399	4,101	2,771	2,808
<b>Total Assets (£/farm)</b>	<b>789,218</b>	<b>801,204</b>	<b>609,417</b>	<b>968,917</b>	<b>834,781</b>
<i>of which</i> Total Landlord-type Capital	571,555	530,593	426,206	755,585	630,578
Tenant Type Capital	217,664	270,610	183,211	213,332	204,204
<u>Loans</u>					
<b>Total Long Term Loans</b>	<b>37,916</b>	<b>32,259</b>	<b>19,114</b>	<b>47,616</b>	<b>50,858</b>
<i>of which</i> Bank Loans	20,785	18,776	7,781	5,877	36,118
Institutional Loans	15,987	11,420	10,761	41,621	13,503
<i>of which</i> AMC	13,613	10,577	6,564	37,746	11,778
Building Societies	995	197	2,202	3,144	0
Other Institutional Loans	1,379	647	1,995	732	1,725
Family Loans	952	1,526	416	117	1,195
Other Loans	193	537	155	0	41
<b>Current Liabilities</b>	<b>25,301</b>	<b>26,737</b>	<b>18,322</b>	<b>32,245</b>	<b>26,390</b>
<i>of which</i> Hire Purchase	3,713	5,320	3,156	3,844	2,889
Leasing	440	0	21	0	1,188
Other Current Liabilities	21,148	21,417	15,146	28,401	22,312
<i>of which</i> Creditors	6,727	9,522	5,169	5,332	6,262
Bank Overdraft	14,386	11,831	9,945	22,989	16,050
Others	35	64	32	81	0
<b>Total Liabilities</b>	<b>63,218</b>	<b>58,996</b>	<b>37,436</b>	<b>79,861</b>	<b>77,247</b>
<b>Closing Net Worth</b>	<b>726,001</b>	<b>742,208</b>	<b>571,981</b>	<b>889,056</b>	<b>757,534</b>
Opening Net Worth	668,109	673,652	522,608	829,845	702,097
<b>Change in Net Worth</b>	<b>57,892</b>	<b>68,556</b>	<b>49,373</b>	<b>59,211</b>	<b>55,437</b>
SPS Entitlements Opening Valuation	26,526	33,398	27,333	21,515	22,896



Change in SPS Entitlements	1,942	2,191	2,522	1,568	1,516
Change in Borrowing	3,666	-3,334	603	10,472	8,233
Funds Introduced	18,042	24,309	17,987	9,093	16,819
Cash Flow from the Farm Business	12,889	20,417	28,117	4,726	420
Private Drawings	22,599	27,120	24,435	18,937	19,480
Asset Purchases	26,382	34,634	23,672	25,384	22,648
Asset Sales	4,092	7,747	3,984	2,227	2,229
Capital Expenditure	22,290	26,887	19,687	23,157	20,420

**Table 20. Land Use, Stocking and Technical Efficiency**

	The Average Farm	Mixed grazing livestock (SDA)	Specialist sheep (SDA)	Specialist beef (SDA)	Various grazing livestock (DA)
2011					
Number (unweighted)	247	90	54	31	72
Number (weighted)	6,148	1,604	1,484	807	2,253
Total Area (includes woodland and roads etc) (ha)	137.4	193.5	155.3	101.1	98.6
Area Farmed (ha)	139.1	197.0	161.9	101.4	96.5
Net Land Hired In (ha)	5.3	7.1	9.0	2.5	2.5
<b>Utilised Agricultural Area (ha)</b>	<b>133.9</b>	<b>189.9</b>	<b>152.9</b>	<b>98.9</b>	<b>94.0</b>
<i>of which</i> Total main products and set-aside (ha)	1.8	1.5	0.2	1.9	3.0
Grass, fodder crops and rough grazing (ha)	132.1	188.3	152.6	97.0	91.0
<i>of which</i> rough grazing (unadjusted) (ha)	40.4	75.5	67.1	20.0	5.1
Adjusted rough grazing (sole occupation)	13.6	25.2	23.3	5.7	1.7
Adjusted rough grazing (shared)	6.6	8.3	15.5	5.1	0.2
Total Adjusted Utilised Agriculture Area (ha)	107.1	139.6	109.0	84.6	90.6
Area owner occupied (ha)	67.6	72.0	63.3	75.0	64.7
Area tenanted (ha)	69.8	121.5	92.0	26.1	33.9
Average age of farmer (years)	56	56	56	60	55
Agricultural labour units (ALU)	1.5	1.8	1.4	1.5	1.3
Standard Output (SO2007)	72,032	96,396	59,773	62,164	66,289
Standard Output size group (SO2007)	6.8	7.1	6.6	6.6	6.8
<u>Land Use</u>					
Temporary Grassland Area (ha)	6.9	2.7	1.3	10.7	12.1
Permanent Grassland Area (ha)	89.6	116.7	93.1	67.7	75.8
<u>Stocking</u>					
Total Dairy Cows	2	5	0	0	1
Total Beef cows	29	38	11	51	27
Total Cattle	92	117	26	143	101
Ewes (LFA and lowland)	351	458	550	107	232
<i>of which</i> LFA Ewes	335	458	528	102	203
Lowland Ewes	17	0	22	5	29
Total Sheep	700	883	1,059	230	502
<u>Livestock Units</u>					
Total Cattle LU	55	70	15	85	60
<i>of which</i> Beef Cows LU	22	28	8	39	20
Other Cattle LU	29	32	6	42	36
Dairy Cows and Heifers	5	9	1	5	3
Total Sheep LU	38	47	58	12	27
<i>of which</i> Ewes LU	26	32	40	8	17
<b>Grazing LU (cattle, sheep, horses and others)</b>	<b>93</b>	<b>118</b>	<b>73</b>	<b>97</b>	<b>88</b>
Total LU	94	118	73	99	88
<u>Financial Performance per GLU</u>					
Farm Business Output per GLU (£/GLU)	1,168	1,218	1,446	883	1,083
Farm Business Variable Costs (£/GLU)	400	432	449	300	383
Farm Business Gross Margin (£/GLU)	768	785	997	583	701
Farm Business Fixed Costs (£/GLU)	461	460	531	411	444
Farm Business Income (£/GLU)	313	336	474	172	260
Farm Corporate Income (£/GLU)	51	99	155	-92	6
Farm Investment Income (£/GLU)	73	111	185	-70	31
Holding Gains Not In Income (£/GLU)	490	400	479	588	543
<i>of which</i> Land Revaluation (£/GLU)	401	299	371	507	471
Net Farm Income (£/GLU)	229	264	406	56	168
Management and Investment Income (£/GLU)	12	70	129	-151	-42
Agriculture Net Margin (Agriculture Business Income) (£/GLU)	6	18	5	-58	22
Agriculture Economic Profit (Agriculture Corporate Income) (£/GLU)	-244	-208	-297	-313	-223
Agriculture Investment Income (£/GLU)	-225	-197	-270	-292	-200

**Appendix 3. Analysis of English Grazing Livestock Farms in the LFA- by EU region**  
**Table 21. Output, Variable Costs and Farm Gross Margins by Cost Centre by EU Region**

2011	The average Farm	EU Region England North	EU Region England East	EU Region England West
Number of farms in the group	247	153	22	72
Number (weighted)	6,148	3,750	652	1,746
Utilisable Agricultural Area (UAA) (ha)	134	147	113	113
Average adjusted UAA (ha)	107	110	102	103
Average adjusted sole grazing (ha)	14	18	11	4
Average herd size	31	28	34	36
Average flock size	351	406	215	286
<b>Output</b>				
Farm Output	109,379	111,183	88,553	113,285
Farm Business Output	108,965	110,710	88,388	112,907
<i>of which</i> Output from agriculture	74,803	75,310	59,146	79,566
Agri environment payment	9,981	10,429	9,318	9,265
Diversified output	2,243	1,871	2,003	3,133
Single Farm Payment	21,938	23,099	17,921	20,943
Livestock Enterprise Output	68,621	69,080	55,337	72,600
<i>of which</i> Cattle Enterprise Output	32,182	27,124	31,159	43,428
(incl Livestock subsidies)	569	6	892	1,656
Sheep Enterprise Output	35,897	41,474	24,128	28,313
Poultry Enterprise Output	227	46	13	695
Pigs Enterprise Output	107	94	37	163
Other Livestock Enterprise Output	209	341	0	1
Crop Enterprise Output	3,739	3,213	2,994	5,147
<i>of which</i> Crop Subsidies	4	5	0	5
Main Crops	1,799	1,546	461	2,844
Forage by-products	1,892	1,663	2,041	2,329
Cultivations output	48	5	493	-25
Set aside payments	0	0	0	0
Non agriculture, no other category output	2,397	3,016	815	1,660
Disposal Previous Crops	46	1	0	159
<b>Farm Business Output</b>	<b>108,965</b>	<b>110,710</b>	<b>88,388</b>	<b>112,907</b>
<b>Variable Costs</b>				
Farm Business Variable costs	37,331	39,563	29,006	35,648
<i>of which</i> Agriculture Variable Costs	37,007	39,243	28,455	35,401
Agri environment Variable Costs	174	138	465	143
Diversified income Variable Costs	148	180	84	102
SPS Variable Costs	2	2	2	3
Agriculture Crop Costs	6,311	6,450	3,899	6,915
<i>of which</i> Seed	417	350	131	667
Fertilizer	4,862	5,055	2,525	5,319
Crop Protection	350	328	370	391
Other Crop Costs	683	717	872	538
Agriculture Livestock Costs	26,345	28,355	21,997	23,651
<i>of which</i> Purchased Fodder Feed	14,197	16,401	12,826	9,975
Home Produced Fodder Feed	1,226	922	315	2,221
Veterinary and medicines	3,278	3,505	2,573	3,054
Other Livestock Costs	7,644	7,528	6,283	8,402
Agriculture Contract Costs	3,027	3,010	1,865	3,497
Agriculture Casual Labour	1,183	1,242	694	1,240
Agriculture, no other category Variable Costs	141	185	1	98
Farm Business Gross Margin	71,634	71,147	59,382	77,259
Agriculture Gross Margin	37,796	36,068	30,691	44,165
Agri Environment Gross Margin	9,807	10,291	8,854	9,122
Diversified Gross Margin	2,096	1,691	1,919	3,032
SPS Gross Margin	21935	23097	17918	20940

**Table 22. Fixed Costs and Farm Income calculations by EU Region**

2011	The Average Farm	England North	England East	England West
Number (unweighted)	247	153	22	72
Number (weighted)	6,148	3,750	652	1,746
Utilisable Agricultural Land (UAA) (ha)	134	147	113	113
Average adjusted UAA (ha)	107	110	102	103
Average adjusted sole grazing (ha)	14	18	11	4
Average herd size	31	28	34	36
Average flock size	351	406	215	286
<b>Gross Margin</b>				
Farm Business Gross Margin	71,634	71,147	59,382	77,259
Agriculture Gross Margin	37,796	36,068	30,691	44,165
Agri Environment Gross Margin	9,807	10,291	8,854	9,122
Diversified Income Gross Margin	2,096	1,691	1,919	3,032
SPS Gross Margin	21,935	23,097	17,918	20,940
<b>Fixed Costs</b>				
Farm Business Fixed Costs	42,980	42,426	39,271	45,555
<i>of which</i> Agriculture Fixed Costs	37,772	37,251	33,216	40,593
Agri Environment Fixed Costs	1,740	1,652	2,595	1,611
Diversified Income Fixed Costs	989	728	1,056	1,526
SPS Fixed Costs	2,478	2,795	2,404	1,826
Agriculture Paid Labour	3,878	3,689	1,235	5,270
<i>of which</i> Fixed Labour Costs	2,694	2,447	542	4,030
(-) Casual Labour Costs (a Variable Cost)	1,183	1,242	694	1,240
Agriculture Machinery Costs	16,782	16,508	16,003	17,663
<i>of which</i> Machinery Running Costs	8,245	7,987	7,516	9,073
Agriculture Depreciation Tenants Capital	8,537	8,521	8,487	8,589
Agriculture General Farming Costs	9,074	8,587	8,273	10,422
<i>of which</i> Agriculture Bank & Professional Fees	1,969	1,976	1,445	2,150
Agriculture Other General Costs	5,274	4,886	6,056	5,813
Net Interest Payments	1,819	1,703	773	2,458
Bad Debts Write-offs	12	20	0	0
Agriculture Property Costs	7,598	7,648	7,882	7,385
Non Agriculture Other Fixed Costs	1,623	2,062	515	1,094
Profit/loss sale of fixed assets	559	731	73	370
<b>Agriculture Net Margin (AGRICULTURE BUSINESS INCOME)</b>	583	-452	-2,451	3,942
Unpaid manual labour	23,364	21,982	23,346	26,341
<i>of which</i> Unpaid Farmer and Spouse	19,443	18,443	19,263	21,656
Unpaid Partner	3,922	3,538	4,083	4,685
<b>Agriculture Economic Profit (AGRICULTURE CORPORATE INCOME)</b>	-22,781	-22,434	-25,797	-22,399
Agriculture Net Interest Payment (added back)	1,819	1,703	773	2,458
<b>AGRICULTURE INVESTMENT INCOME</b>	-20,962	-20,731	-25,025	-19,941
<b>Farm Net Margin (FARM BUSINESS INCOME)</b>	29,213	29,452	20,185	32,073
<b>Farm Economic Profit (FARM CORPORATE INCOME)</b>	4,784	6,445	-4,563	4,708
<b>FARM INVESTMENT INCOME</b>	6,764	8,294	-3,719	7,395
<b>NET FARM INCOME</b>	21,341	23,187	10,040	21,599
Holding gains not included in farm income	45,716	36,030	42,884	67,581
BLSA	7,470	7,524	5,113	8,234
Revaluation of Machinery, permanent crops etc	892	793	966	1,076
Revaluation of Land	37,355	27,713	36,806	58,271
<b>MANAGEMENT AND INVESTMENT INCOME</b>	1,109	4,098	-10,618	-929

**Table 23. Balance Sheet and Fund Flows by EU Region**

2011	Average Farm	England North	England East	England West
Number (unweighted)	247	153	22	72
Number (weighted)	6,148	3,750	652	1,746
Average Farmed Area (ha)	139.1	151.1	114.4	122.7
Adjusted Utilisable Agricultural Area (ha)	107	110	102	103
Utilisable Agricultural Area (ha)	134	147	113	113
Grazing Livestock Units	93	90	82	104
Ewes (head)	351	406	215	286
Beef Cows (head)	27.6	25.1	32.0	31.4
Occupied Area (ha)	67.6	61.7	68.7	80.0
Tenanted Area (ha)	70	89	48	36
Percentage of Land Owned (%)	49	41	59	69
<b>Assets</b>				
<b>Fixed Assets</b>	<b>717,181</b>	<b>567,138</b>	<b>683,967</b>	<b>1,051,891</b>
<i>of which</i> Agricultural Land	546,194	393,553	534,651	878,383
Woodland	2,032	1,764	286	3,260
Total Buildings	20,053	18,137	21,731	23,543
Total Improvements	3,244	3,765	2,492	2,406
Milk quota	31	42	8	17
SPS Entitlements	28,468	29,625	23,866	27,702
Machinery	48,724	48,740	48,117	48,916
Breeding Livestock	66,807	69,247	52,576	66,884
Miscellaneous Business Assets	1,628	2,264	241	781
<b>Current Assets</b>	<b>72,037</b>	<b>62,704</b>	<b>80,220</b>	<b>89,026</b>
<i>of which</i> Trading Livestock	30,280	24,554	32,258	41,841
Crops	646	667	181	776
Forage	3,780	3,348	4,674	4,376
Cultivation	741	143	4,402	658
Stores	3,484	3,128	2,760	4,520
Liquid Assets	33,105	30,865	35,946	36,856
<i>of which</i> Cash at Bank and In Hand	21,201	17,213	29,141	26,801
Debtors	8,894	10,770	1,377	7,674
Suspended	1	0	0	4
SPS debtors	3,009	2,882	5,427	2,377
<b>Total Assets (£/farm)</b>	<b>789,218</b>	<b>629,842</b>	<b>764,187</b>	<b>1,140,917</b>
<i>of which</i> Total Landlord-type Capital	571,555	417,261	559,168	907,609
Tenant Type Capital	217,664	212,580	205,019	233,309
Loans				
<b>Total Long Term Loans</b>	<b>37,916</b>	<b>27,743</b>	<b>7,162</b>	<b>71,261</b>
<i>of which</i> Bank Loans	20,785	19,423	6,210	29,157
Institutional Loans	15,987	7,808	0	39,528
<i>Of which:</i> AMC	13,613	4,435	0	38,414
Building Societies	995	1,113	0	1,114
Other Institutional Loans	1,379	2,260	0	0
Family Loans	952	512	810	1,951
Other Loans	193	0	142	625
<b>Current Liabilities</b>	<b>25,301</b>	<b>22,958</b>	<b>30,541</b>	<b>28,375</b>
<i>of which</i> Hire Purchase	3,713	4,074	1,735	3,678
Leasing	440	8	4,103	0
Other Current Liabilities	21,148	18,877	24,702	24,698
<i>of which</i> Creditors	6,727	6,363	6,711	7,515
Bank Overdraft	14,386	12,501	17,834	17,145
Others	35	13	158	38
<b>Total Liabilities</b>	<b>63,218</b>	<b>50,702</b>	<b>37,703</b>	<b>99,637</b>
<b>Closing Net Worth</b>	<b>726,001</b>	<b>579,140</b>	<b>726,484</b>	<b>1,041,281</b>
Opening Net Worth	668,109	535,740	683,959	946,516
<b>Change in Net Worth</b>	<b>57,892</b>	<b>43,399</b>	<b>42,525</b>	<b>94,765</b>

SPS Entitlements Opening Valuation	26,526	27,867	21,260	25,614
Change in SPS Entitlements	1,942	1,758	2,607	2,088
Change in Borrowing	3,666	2,542	314	7,334
Funds Introduced	18042	18648	959	23125
Cash Flow from the Farm Business	12889	17938	24117	-2152
Private Drawings	22599	21855	24129	23624
Asset Purchases	26382	21086	15709	41748
Asset Sales	4092	4617	1956	3764
Capital Expenditure	22290	16469	13753	37983

**Table 24. Land use, Stocking and Technical Efficiency by EU Region**

	The Average Farm	England North	England East	England West
<b>2011</b>				
Number (unweighted)	247	153	22	72
Number (weighted)	6,148	3,750	652	1,746
Total Area (includes woodland and roads etc) (ha)	137.4	150.8	116.4	116.5
Area Farmed (ha)	139.1	151.1	114.4	122.7
Net Land Hired In (ha)	5.3	4.0	1.6	9.4
<b>Utilised Agricultural Area (ha)</b>	<b>133.9</b>	<b>147.1</b>	<b>112.8</b>	<b>113.4</b>
<i>of which</i> Total main products and set-aside (ha)	1.8	1.6	0.4	2.8
Grass, fodder crops and rough grazing (ha)	132.1	145.5	112.5	110.6
<i>of which</i> rough grazing (unadjusted) (ha)	40.4	55.6	22.0	14.6
Adjusted rough grazing (sole occupation)	13.6	18.5	11.0	4.0
Adjusted rough grazing (shared)	6.6	9.6	0.0	2.8
Total Adjusted Utilised Agriculture Area (ha)	107.1	109.9	101.8	102.8
Area owner occupied (ha)	67.6	61.7	68.7	80.0
Area tenanted (ha)	69.8	89.1	47.7	36.5
Average age of farmer (years)	56	56	55	57
Agricultural labour units (ALU)	1.5	1.4	1.3	1.6
Standard Output (SO2007)	72,032	70,646	60,755	79,223
Standard Output size group (SO2007)	6.8	6.8	6.7	6.9
<u>Land Use</u>				
Temporary Grassland Area (ha)	6.9	6.6	0.6	9.7
Permanent Grassland Area (ha)	89.6	86.7	91.4	95.0
<u>Stocking</u>				
Total Dairy Cows	2	2	2	1
Total Beef cows	29	26	32	34
Total Cattle	92	80	99	117
Ewes (LFA and lowland)	351	406	215	286
<i>of which</i> LFA Ewes	335	395	215	252
Lowland Ewes	17	11	0	34
Total Sheep	700	795	453	590
<u>Livestock Units</u>				
Total Cattle LU	55	47	57	70
<i>of which</i> Beef Cows LU	22	20	24	26
Other Cattle LU	29	23	28	40
Dairy Cows and Heifers	5	4	5	5
Total Sheep LU	38	43	24	33
<i>of which</i> Ewes LU	26	29	15	23
<b>Grazing LU (cattle, sheep, horses and others)</b>	<b>93</b>	<b>90</b>	<b>82</b>	<b>104</b>
Total LU	94	90	82	105
<u>Financial Performance per GLU</u>				
Farm Business Output per GLU (£/GLU)	1,168	1,228	1,076	1,084
Farm Business Variable Costs (£/GLU)	400	439	353	342
Farm Business Gross Margin (£/GLU)	768	789	723	742
Farm Business Fixed Costs (£/GLU)	461	471	478	437
<b>Farm Business Income (£/GLU)</b>	<b>313</b>	<b>327</b>	<b>246</b>	<b>308</b>
Farm Corporate Income (£/GLU)	51	72	-56	45
Farm Investment Income (£/GLU)	73	92	-45	71
Holding Gains Not in Income (£/GLU)	490	400	522	649
<i>of which</i> Land Revaluation (£/GLU)	401	307	448	560
<b>Net Farm Income (£/GLU)</b>	<b>229</b>	<b>257</b>	<b>122</b>	<b>207</b>
Management and Investment Income (£/GLU)	12	45	-129	-9
Agriculture Net Margin (Agriculture Business Income) (£/GLU)	6	-5	-30	38
Agriculture Economic Profit (Agriculture Corporate Income) (£/GLU)	-244	-249	-314	-215
Agriculture Investment Income (£/GLU)	-225	-230	-305	-191

**Appendix 4. Analysis of English Grazing Livestock Farms in the LFA- by Farm size**  
**Table 25. Output, Variable Costs and Farm Gross Margins by Cost Centre by Farm size**

	The Average Farm	Lowest Quartile	Upper Low Quartile	Lower Upper Quartile	Highest Quartile
2011					
Number of farms in the group	247	10	69	58	108
Number (weighted)	6,148	1,106	2,368	1,055	1,386
Utilisable Agricultural Area (UAA) (ha)	134	49	99	149	265
Average adjusted UAA (ha)	107	46	80	115	205
Average adjusted sole grazing (ha)	14	2	9	18	30
Average herd size	31	15	20	34	64
Average flock size	351	74	258	380	769
<u>Output</u>					
Farm Output	109,379	42,526	74,685	112,750	230,454
Farm Business Output	108,965	42,526	74,492	112,543	229,106
<i>of which</i> Output from agriculture	74,803	26,732	46,221	77,010	167,759
Agri environment payment	9,981	3,822	8,700	10,318	18,167
Diversified output	2,243	2,241	1,919	2,234	3,186
Single Farm Payment	21,938	9,731	17,652	22,980	39,994
Livestock Enterprise Output	68,621	25,280	41,679	70,194	154,848
<i>of which</i> Cattle Enterprise Output	32,182	18,489	17,824	33,331	67,439
(incl Livestock subsidies)	569	0	771	794	603
Sheep Enterprise Output	35,897	6,478	23,563	36,823	85,779
Poultry Enterprise Output	227	0	171	8	708
Pigs Enterprise Output	107	313	121	0	21
Other Livestock Enterprise Output	209	0	0	32	900
Crop Enterprise Output	3,739	1,094	2,025	5,105	7,994
<i>of which</i> Crop Subsidies	4	0	0	8	13
Main Crops	1,799	0	554	2,684	4,991
Forage by-products	1,892	697	1,451	2,392	3,163
Cultivations output	48	397	20	28	-160
Non agriculture, no other category output	2,397	358	2,524	1,619	4,775
Disposal Previous Crops	46	0	-6	93	142
<u>Farm Business Output</u>	108,965	42,526	74,492	112,543	229,106
<u>Variable Costs</u>					
Farm Business Variable costs	37,331	10,992	24,103	38,099	84,652
<i>of which</i> Agriculture Variable Costs	37,007	10,718	23,916	37,923	83,887
Agri environment Variable Costs	174	244	98	150	295
Diversified income Variable Costs	148	30	86	24	466
SPS Variable Costs	2	1	3	2	4
Agriculture Crop Costs	6,311	1,765	3,400	7,312	14,769
<i>of which</i> Seed	417	199	107	546	1,062
Fertilizer	4,862	1,027	2,767	5,707	11,326
Crop Protection	350	56	178	444	857
Other Crop Costs	683	482	347	616	1,523
Agriculture Livestock Costs	26,345	8,262	17,779	26,011	58,766
<i>of which</i> Purchased Fodder	14,197	4,181	9,995	13,254	32,081
Home Produced Fodder	1,226	0	390	1,340	3,754
Veterinary and medicines	3,278	978	2,205	3,508	7,110
Other Livestock Costs	7,644	3,104	5,190	7,909	15,822
Agriculture Contract Costs	3,027	647	2,040	3,656	6,445
Agriculture Casual Labour	1,183	44	620	895	3,452
Agriculture, no other category Variable Costs	141	0	78	49	454
<u>Farm Business Gross Margin</u>	71,634	31,534	50,389	74,444	144,454
<u>Agriculture Gross Margin</u>	37,796	16,014	22,305	39,087	83,872
<u>Agri Environment Gross Margin</u>	9,807	3,579	8,602	10,168	17,872
<u>Diversified Gross Margin</u>	2,096	2,211	1,833	2,210	2,720
<u>SPS Gross Margin</u>	21,935	9,731	17,649	22,979	39,990



**Table 26. Fixed Costs and Farm Income calculations by Farm size**

	The Average Farm	Band 1	Band 2	Band 3	Band 4
<b>2011</b>					
Number (unweighted)	247	10	69	58	108
Number (weighted)	6,148	1,106	2,368	1,055	1,386
Utilisable Agricultural Land (UAA) (ha)	134	49	99	149	265
Average adjusted UAA (ha)	107	46	80	115	205
Average adjusted sole grazing (ha)	14	2	9	18	30
Average herd size	31	15	20	34	64
Average flock size	351	74	258	380	769
<b>Gross Margin</b>					
Farm Business Gross Margin	71,634	31,534	50,389	74,444	144,454
Agriculture Gross Margin	37,796	16,014	22,305	39,087	83,872
Agri Environment Gross Margin	9,807	3,579	8,602	10,168	17,872
Diversified Income Gross Margin	2,096	2,211	1,833	2,210	2,720
SPS Gross Margin	21,935	9,731	17,649	22,979	39,990
<b>Fixed Costs</b>					
Farm Business Fixed Costs	42,980	18,890	31,716	43,446	86,500
<i>of which</i> Agriculture Fixed Costs	37,772	15,436	27,267	38,056	78,222
Agri Environment Fixed Costs	1,740	831	1,524	1,848	3,002
Diversified Income Fixed Costs	989	1,499	811	1,025	1,027
SPS Fixed Costs	2,478	1,125	2,115	2,517	4,248
Agriculture Paid Labour	3,878	53	1,979	2,764	11,651
<i>of which</i> Fixed Labour Costs	2,694	9	1,360	1,869	8,199
(-) Casual Labour Costs (a Variable Cost)	1,183	44	620	895	3,452
Agriculture Machinery Costs	16,782	8,006	13,225	18,023	31,064
<i>of which</i> Machinery Running Costs	8,245	4,418	6,289	8,852	15,258
Agriculture Depreciation Tenants Capital	8,537	3,588	6,936	9,171	15,806
Agriculture General Farming Costs	9,074	5,093	6,921	9,289	16,610
<i>of which</i> Agriculture Bank & Professional Fees	1,969	898	1,560	1,831	3,783
Agriculture Other General Costs	5,274	3,736	4,232	5,651	8,504
Net Interest Payments	1,819	458	1,097	1,807	4,322
Bad Debts Write-offs	12	0	32	0	0
Agriculture Property Costs	7,598	2,244	4,243	8,149	18,380
Non Agriculture Other Fixed Costs	1,623	84	1,518	726	3,969
Profit/loss sale of fixed assets	559	0	329	641	1,428
<b>Agriculture Net Margin (AGRICULTURE BUSINESS INCOME)</b>					
	583	578	-4,632	1,672	7,079
Unpaid manual labour	23,364	16,474	20,411	25,898	32,801
<i>of which</i> Unpaid Farmer and Spouse	19,443	15,519	17,970	22,249	23,114
Unpaid Partner	3,922	955	2,440	3,649	9,688
<b>Agriculture Economic Profit (AGRICULTURE CORPORATE INCOME)</b>					
	-22,781	-15,896	-25,043	-24,226	-25,723
Agriculture Net Interest Payment (added back)	1,819	458	1,097	1,807	4,322
<b>AGRICULTURE INVESTMENT INCOME</b>					
	-20,962	-15,438	-23,946	-22,419	-21,400
<b>Farm Net Margin (FARM BUSINESS INCOME)</b>					
	29,213	12,644	19,002	31,639	59,383
<b>Farm Economic Profit (FARM CORPORATE INCOME)</b>					
	4,784	-4,955	-2,375	4,755	25,187
<b>FARM INVESTMENT INCOME</b>					
	6,764	-4,404	-1,177	6,703	29,842
<b>NET FARM INCOME</b>					
	21,341	7,080	13,146	23,056	46,018
Holding gains not included in farm income	45,716	39,906	38,584	46,235	64,756
BLSA	7,470	2,042	5,151	7,915	16,680
Revaluation of Machinery, permanent crops etc	892	488	650	915	1,717
Revaluation of Land	37,355	37,375	32,783	37,405	46,358
<b>MANAGEMENT AND INVESTMENT INCOME</b>					
	1,109	-9,564	-5,596	-95	22,335

**Table 27. Balance Sheet and Fund Flows by Farm size**

	The Average Farm	Band 1	Band 2	Band 3	Band 4
2011					
Number (unweighted)	247	10	69	58	108
Number (weighted)	6,148	1,106	2,368	1,055	1,386
Average Farmed Area (ha)	139.1	45.5	100.7	153.1	285.0
Adjusted Utilisable Agricultural Area (ha)	134	49	99	149	265
Utilisable Agricultural Area (ha)	107	46	80	115	205
Grazing Livestock Units	93	42	62	96	196
Ewes (head)	351	74	258	380	769
Beef Cows (head)	27.6	15.0	17.3	32.0	56.4
Occupied Area (ha)	67.6	50.9	55.1	82.8	97.1
Tenanted Area (ha)	70	1	47	69	173
Percentage of Land Owned (%)	49	98	54	55	36
<b>Assets</b>					
<b>Fixed Assets</b>	<b>717,181</b>	<b>615,640</b>	<b>583,341</b>	<b>736,067</b>	<b>1,058,606</b>
<i>of which</i> Agricultural Land	546,194	540,830	457,859	556,690	716,371
Woodland	2,032	2,753	1,284	782	3,993
Total Buildings	20,053	15,877	12,480	21,769	38,264
Total Improvements	3,244	1,544	2,390	3,259	6,268
Milk quota	31	0	0	48	101
SPS Entitlements	28,468	13,098	22,642	30,072	51,909
Machinery	48,724	21,815	39,241	52,631	89,706
Breeding Livestock	66,807	19,722	47,057	70,072	146,881
Miscellaneous Business Assets	1,628	0	387	743	5,034
<b>Current Assets</b>	<b>72,037</b>	<b>44,806</b>	<b>54,307</b>	<b>68,981</b>	<b>131,552</b>
<i>of which</i> Trading Livestock	30,280	20,388	18,719	28,681	61,787
Crops	646	0	252	677	1,922
Forage	3,780	2,700	2,849	3,841	6,592
Cultivation	741	707	394	1,215	1,125
Stores	3,484	1,656	1,851	4,946	6,824
Liquid Assets	33,105	19,356	30,243	29,620	53,303
<i>of which</i> Cash at Bank and In Hand	21,201	11,469	16,694	22,297	35,531
Debtors	8,894	5,278	11,169	6,282	11,360
Suspended	1	0	3	0	0
SPS debtors	3,009	2,609	2,377	1,041	6,411
<b>Total Assets (£/farm)</b>	<b>789,218</b>	<b>660,446</b>	<b>637,648</b>	<b>805,048</b>	<b>1,190,158</b>
<i>of which</i> Total Landlord Type Capital	571,555	561,005	474,013	582,549	764,997
Tenant Type Capital	217,664	99,441	163,635	222,499	425,161
Loans					
<b>Total Long Term Loans</b>	<b>37,916</b>	<b>12,345</b>	<b>26,428</b>	<b>39,235</b>	<b>82,830</b>
<i>of which</i> Bank Loans	20,785	4,728	14,871	17,602	49,623
Institutional Loans	15,987	7,617	11,216	18,893	30,866
<i>of which</i> AMC	13,613	7,617	7,615	18,261	27,398
Building Societies	995	0	2,202	0	654
Other Institutional Loans	1,379	0	1,399	632	2,814
Family Loans	952	0	287	1,956	2,175
Other Loans	193	0	54	784	166
<b>Current Liabilities</b>	<b>25,301</b>	<b>12,700</b>	<b>17,956</b>	<b>25,727</b>	<b>50,279</b>
<i>of which</i> Hire Purchase	3,713	74	2,503	4,500	8,406
Leasing	440	2,421	0	0	22
Other Current Liabilities	21,148	10,205	15,453	21,227	41,852
<i>of which</i> Creditors	6,727	1,743	4,221	7,172	15,660
Bank Overdraft	14,386	8,462	11,232	13,904	26,150
Others	35	0	0	151	41
<b>Total Liabilities</b>	<b>63,218</b>	<b>25,046</b>	<b>44,384</b>	<b>64,962</b>	<b>133,109</b>
<b>Closing Net Worth</b>	<b>726,001</b>	<b>635,400</b>	<b>593,265</b>	<b>740,086</b>	<b>1,057,049</b>
Opening Net Worth	668,109	591,989	543,122	676,974	972,462
<b>Change in Net Worth</b>	<b>57,892</b>	<b>43,412</b>	<b>50,143</b>	<b>63,111</b>	<b>84,587</b>

SPS Entitlements Opening Valuation	26,526	12,093	21,170	27,505	48,715
Change in SPS Entitlements	1,942	1,004	1,472	2,567	3,194
Change in Borrowing	3,666	10,081	831	4,720	3,221
Funds Introduced	18042	10615	17467	13282	31469
Cash Flow from the Farm Business	12889	-2033	5264	8851	38169
Private Drawings	22599	12659	19165	21674	40142
Asset Purchases	26382	15148	21128	32927	43786
Asset Sales	4092	203	3015	3399	10254
Capital Expenditure	22290	14945	18113	29528	33532

**Table 28. Land use, Stocking and Technical Efficiency by Farm size**

	The Average Farm	Band 1	Band 2	Band 3	Band 4
<b>2011</b>					
Number (unweighted)	247	10	69	58	108
Number (weighted)	6,148	1,106	2,368	1,055	1,386
Total Area (includes woodland and roads etc) (ha)	137.4	52.2	101.8	151.9	270.3
Area Farmed (ha)	139.1	45.5	100.7	153.1	285.0
Net Land Hired In (ha)	5.3	-3.4	1.8	4.1	20.2
Utilised Agricultural Area (ha)	133.9	48.9	98.9	149.0	264.8
<i>of which</i> Total main products and set-aside (ha)	1.8	0.0	0.6	2.7	4.8
Grass, fodder crops and rough grazing (ha)	132.1	48.9	98.3	146.3	260.0
<i>Of which</i> rough grazing (unadjusted) (ha)	40.4	4.6	27.6	51.5	89.2
Adjusted rough grazing (sole occupation)	13.6	2.2	9.0	17.7	29.6
Adjusted rough grazing (shared)	6.6	3.3	6.7	3.4	12.8
Total Adjusted Utilised Agriculture Area (ha)	107.1	46.5	80.3	115.2	205.3
Area owner occupied (ha)	67.6	50.9	55.1	82.8	97.1
Area tenanted (ha)	69.8	1.3	46.7	69.1	173.2
Average age of farmer (years)	56	61	56	56	54
Agricultural labour units (ALU)	1.5	0.9	1.2	1.6	2.4
Standard Output (SO2007)	72,032	30,276	47,043	73,634	154,194
Standard Output size group (SO2007)	6.8	6.1	6.4	7.1	7.9
<b>Land Use</b>					
Temporary Grassland Area (ha)	6.9	1.1	3.5	7.3	18.1
Permanent Grassland Area (ha)	89.6	39.8	68.8	91.0	171.3
<b>Stocking</b>					
Total Dairy Cows	2	0	0	1	6
Total Beef Cows	29	15	20	33	58
Total Cattle	92	55	58	98	184
Ewes (LFA and lowland)	351	74	258	380	769
<i>of which</i> LFA Ewes	335	60	230	366	767
Lowland Ewes	17	14	29	14	3
Total Sheep	700	148	490	729	1,596
<b>Livestock Units</b>					
Total Cattle LU	55	33	34	57	110
<i>of which</i> Beef Cows LU	22	11	15	25	44
Other Cattle LU	29	21	17	28	54
Dairy Cows and Heifers	5	1	2	4	13
Total Sheep LU	38	8	27	39	84
<i>of which</i> Ewe LU	26	6	19	28	55
Grazing LU (cattle, sheep, horses and others)	93	42	62	96	196
Total LU	94	43	62	96	196
<b>Financial Performance per GLU</b>					
Farm Business Output per GLU (£/GLU)	1,168	1,005	1,210	1,168	1,171
Farm Business Variable Costs (£/GLU)	400	260	391	395	433
Farm Business Gross Margin (£/GLU)	768	746	818	772	738
Farm Business Fixed Costs (£/GLU)	461	447	515	451	442
Farm Business Income (£/GLU)	313	299	309	328	303
Farm Corporate Income (£/GLU)	51	-117	-39	49	129
Farm Investment Income (£/GLU)	73	-104	-19	70	153
Holding Gains Not In Income (£/GLU)	490	943	627	480	331
<i>of which</i> Land Revaluation (£/GLU)	401	884	532	388	237
Net Farm Income (£/GLU)	229	167	213	239	235
Management and Investment Income (£/GLU)	12	-226	-91	-1	114
Agriculture Net Margin (Agriculture Business Income) (£/GLU)	6	14	-75	17	36
Agriculture Economic Profit (Agriculture Corporate Income) (£/GLU)	-244	-376	-407	-251	-131
Agriculture Investment Income (£/GLU)	-225	-365	-389	-233	-109

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

**Table 29. 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
2011					
Number of farms in the group	247	48	46	63	90
Number (weighted)	6,148	1,522	1,527	1,543	1,556
Utilisable Agricultural Area (UAA) (ha)	134	80	95	120	238
Average adjusted UAA (ha)	107	72	80	95	179
Average adjusted sole grazing (ha)	14	4	11	12	28
Average herd size	31	31	22	24	46
Average flock size	351	182	269	321	627
<u>Output</u>					
Farm Output	109,379	60,894	73,485	96,224	205,057
Farm Business Output	108,965	60,632	73,228	96,048	204,106
<i>of which</i> Output from agriculture	74,803	41,423	48,856	65,030	142,600
Agri environment payment	9,981	4,217	6,867	9,002	19,642
Diversified output	2,243	1,474	1,465	2,854	3,155
Single Farm Payment	21,938	13,518	16,040	19,162	38,709
Livestock Enterprise Output	68,621	37,412	46,300	59,631	129,959
<i>of which</i> Cattle Enterprise Output	32,182	22,926	21,015	26,838	57,489
(incl Livestock subsidies)	569	907	508	53	810
Sheep Enterprise Output	35,897	14,079	24,542	32,590	71,654
Poultry Enterprise Output	227	0	735	168	8
Pigs Enterprise Output	107	403	8	16	7
Other Livestock Enterprise Output	209	4	0	19	802
Crop Enterprise Output	3,739	2,840	2,115	4,065	5,889
<i>of which</i> Crop Subsidies	4	0	0	5	12
Main Crops	1,799	889	1,033	1,999	3,244
Forage by-products	1,892	2,158	743	2,069	2,583
Cultivations output	48	-206	339	-3	61
Set aside payments	0	0	0	0	0
Non agriculture, no other category output	2,397	1,192	428	1,272	6,625
Disposal Previous Crops	46	-22	12	62	127
<u>Farm Business Output</u>	108,965	60,632	73,228	96,048	204,106
<u>Variable Costs</u>					
Farm Business Variable costs	37,331	28,873	25,465	30,170	64,346
<i>of which</i> Agriculture Variable Costs	37,007	28,764	25,142	30,033	63,625
Agri environment Variable Costs	174	20	236	115	321
Diversified income Variable Costs	148	85	86	19	397
SPS Variable Costs	2	3	1	2	3
Agriculture Crop Costs	6,311	3,813	4,171	5,599	11,561
<i>of which</i> Seed	417	196	161	444	856
Fertilizer	4,862	2,754	3,274	4,371	8,966
Crop Protection	350	262	218	330	587
Other Crop Costs	683	601	518	454	1,151
Agriculture Livestock Costs	26,345	21,784	18,031	20,797	44,463
<i>of which</i> Purchased Fodder	14,197	13,210	8,934	10,725	23,767
Home Produced Fodder	1,226	644	1,005	1,093	2,147
Veterinary and medicines	3,278	2,280	2,349	2,752	5,686
Other Livestock Costs	7,644	5,650	5,743	6,228	12,862
Agriculture Contract Costs	3,027	2,459	1,813	2,891	4,907
Agriculture Casual Labour	1,183	550	1,126	740	2,298
Agriculture, no other category Variable Costs	141	158	0	5	396
<u>Farm Business Gross Margin</u>	71,634	31,759	47,763	65,878	139,760
Agriculture Gross Margin	37,796	12,659	23,714	34,996	78,975
Agri Environment Gross Margin	9,807	4,197	6,631	8,887	19,321
Diversified Gross Margin	2,096	1,388	1,379	2,835	2,757
SPS Gross Margin	21,935	13,515	16,040	19,160	38,707

**Table 30. 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
<b>2011</b>					
Number (unweighted)	247	48	46	63	90
Number (weighted)	6,148	1,522	1,527	1,543	1,556
Utilisable Agricultural Land (UAA) (ha)	134	80	95	120	238
Average adjusted UAA (ha)	107	72	80	95	179
Average adjusted sole grazing (ha)	14	4	11	12	28
Average herd size	31	31	22	24	46
Average flock size	351	182	269	321	627
<b>Gross Margin</b>					
Farm Business Gross Margin	71,634	31,759	47,763	65,878	139,760
Agriculture Gross Margin	37,796	12,659	23,714	34,996	78,975
Agri Environment Gross Margin	9,807	4,197	6,631	8,887	19,321
Diversified Income Gross Margin	2,096	1,388	1,379	2,835	2,757
SPS Gross Margin	21,935	13,515	16,040	19,160	38,707
<b>Fixed Costs</b>					
Farm Business Fixed Costs	42,980	35,082	32,064	33,999	70,320
<i>of which</i> Agriculture Fixed Costs	37,772	29,804	27,801	29,720	63,332
Agri Environment Fixed Costs	1,740	1,568	1,404	1,287	2,688
Diversified Income Fixed Costs	989	865	961	1,355	775
SPS Fixed Costs	2,478	2,844	1,896	1,636	3,526
Agriculture Paid Labour	3,878	2,204	2,270	1,941	9,013
<i>of which</i> Fixed Labour Costs	2,694	1,654	1,144	1,200	6,715
(-) Casual Labour Costs (a Variable Cost)	1,183	550	1,126	740	2,298
Agriculture Machinery Costs	16,782	12,638	13,778	14,341	26,204
<i>of which</i> Machinery Running Costs	8,245	6,243	6,514	7,057	13,080
Agriculture Depreciation Tenants Capital	8,537	6,395	7,264	7,284	13,124
Agriculture General Farming Costs	9,074	9,583	7,147	8,282	11,254
<i>of which</i> Agriculture Bank & Professional Fees	1,969	1,905	1,413	1,737	2,808
Agriculture Other General Costs	5,274	4,347	4,805	4,788	7,122
Net Interest Payments	1,819	3,332	879	1,757	1,324
Bad Debts Write-offs	12	0	50	0	0
Agriculture Property Costs	7,598	5,173	5,296	5,374	14,433
Non Agriculture Other Fixed Costs	1,623	757	437	523	4,724
Profit/loss sale of fixed assets	559	91	180	679	1,268
<b>Agriculture Net Margin (AGRICULTURE BUSINESS INCOME)</b>					
	583	-17,055	-3,907	5,956	16,911
Unpaid manual labour	23,364	19,061	20,119	23,884	30,242
<i>of which</i> Unpaid Farmer and Spouse	19,443	16,313	18,589	20,460	22,332
Unpaid Partner	3,922	2,748	1,530	3,424	7,910
<b>Agriculture Economic Profit (AGRICULTURE CORPORATE INCOME)</b>					
	-22,781	-36,115	-24,026	-17,928	-13,331
Agriculture Net Interest Payment (added back)	1,819	3,332	879	1,757	1,324
<b>AGRICULTURE INVESTMENT INCOME</b>					
	-20,962	-32,784	-23,147	-16,171	-12,007
<b>Farm Net Margin (FARM BUSINESS INCOME)</b>					
	29,213	-3,232	15,880	32,559	70,708
<b>Farm Economic Profit (FARM CORPORATE INCOME)</b>					
	4,784	-22,855	-5,230	7,605	38,843
<b>FARM INVESTMENT INCOME</b>					
	6,764	-19,267	-4,266	9,555	40,278
<b>NET FARM INCOME</b>					
	21,341	-5,605	10,109	24,652	55,433
Holding gains not included in farm income	45,716	36,024	45,891	46,497	54,250
BLSA	7,470	5,325	5,282	6,314	12,860
Revaluation of Machinery, permanent crops etc	892	660	733	738	1,426
Revaluation of Land	37,355	30,039	39,875	39,445	39,964
<b>MANAGEMENT AND INVESTMENT INCOME</b>					
	1,109	-22,409	-9,415	3,239	32,323

**Table 31. Balance Sheet and Fund Flows by Performance Class Quartile (FBI/farm)**

	The Average Farm	Lowest Quartile	Upper Low Quartile	Lower Upper Quartile	Highest Quartile
2011					
Number (unweighted)	247	48	46	63	90
Number (weighted)	6,148	1,522	1,527	1,543	1,556
Average Farmed Area (ha)	139.1	82.1	97.0	124.2	251.1
Adjusted Utilisable Agricultural Area (ha)	134	80	95	120	238
Utilisable Agricultural Area (ha)	107	72	80	95	179
Grazing Livestock Units	93	71	65	81	154
Ewes (head)	351	182	269	321	627
Beef Cows (head)	28	28	21	22	40
Occupied Area (ha)	67.6	42.8	55.3	76.3	95.4
Tenanted Area (ha)	69.8	40.4	43.3	46.0	148.0
Percentage of Land Owned (%)	49	51	56	62	39
<b>Assets</b>					
<b>Fixed Assets</b>	<b>717,181</b>	<b>545,420</b>	<b>648,439</b>	<b>734,034</b>	<b>935,900</b>
<i>of which</i> Agricultural Land	546,194	414,558	518,766	592,243	656,185
Woodland	2,032	2,190	1,736	1,490	2,703
Total Buildings	20,053	20,262	16,642	14,747	28,458
Total Improvements	3,244	2,777	2,653	1,789	5,725
Milk quota	31	9	9	24	81
SPS Entitlements	28,468	17,513	22,189	25,255	48,530
Machinery	48,724	34,766	39,255	43,105	77,236
Breeding Livestock	66,807	48,801	46,652	54,977	115,922
Miscellaneous Business Assets	1,628	4,543	537	404	1,061
<b>Current Assets</b>	<b>72,037</b>	<b>55,667</b>	<b>51,054</b>	<b>64,952</b>	<b>115,658</b>
<i>of which</i> Trading Livestock	30,280	23,096	23,440	27,762	46,513
Crops	646	377	306	460	1,429
Forage	3,780	3,535	2,908	3,498	5,157
Cultivation	741	572	915	600	874
Stores	3,484	2,775	2,215	3,464	5,443
Liquid Assets	33,105	25,312	21,270	29,168	56,243
<i>Of which:</i> Cash at Bank and In Hand	21,201	10,212	16,100	18,215	39,914
Debtors	8,894	13,307	2,425	9,194	10,627
Suspended	1	0	0	0	5
SPS debtors	3,009	1,793	2,744	1,758	5,697
<b>Total Assets (£/farm)</b>	<b>789,218</b>	<b>601,088</b>	<b>699,493</b>	<b>798,986</b>	<b>1,051,559</b>
<i>of which</i> Total Landlord-type Capital	571,555	439,797	539,807	610,293	693,152
Tenant Type Capital	217,664	161,291	159,687	188,693	358,407
Loans					
<b>Total Long Term Loans</b>	<b>37,916</b>	<b>55,724</b>	<b>11,233</b>	<b>48,720</b>	<b>35,963</b>
<i>of which</i> Bank Loans	20,785	42,230	6,888	22,965	11,283
Institutional Loans	15,987	12,782	3,709	23,572	23,644
<i>Of which:</i> AMC	13,613	7,477	3,454	20,988	22,266
Building Societies	995	1,278	207	2,118	379
Other Institutional Loans	1,379	4,027	48	466	999
Family Loans	952	629	486	1,647	1,035
Other Loans	193	83	151	536	0
<b>Current Liabilities</b>	<b>25,301</b>	<b>32,193</b>	<b>18,527</b>	<b>20,162</b>	<b>30,303</b>
<i>of which</i> Hire Purchase	3,713	3,102	2,598	3,151	5,962
Leasing	440	20	1,753	0	0
Other Current Liabilities	21,148	29,071	14,175	17,011	24,341
<i>Of which</i> Creditors	6,727	4,808	4,188	6,682	11,138
Bank Overdraft	14,386	24,263	9,987	10,262	13,130
Others	35	0	0	67	73
<b>Total Liabilities</b>	<b>63,218</b>	<b>87,918</b>	<b>29,760</b>	<b>68,882</b>	<b>66,266</b>
<b>Closing Net Worth</b>	<b>726,001</b>	<b>513,170</b>	<b>669,733</b>	<b>730,104</b>	<b>985,293</b>
Opening Net Worth	668,109	478,215	617,519	666,183	905,375
<b>Change in Net Worth</b>	<b>57,892</b>	<b>34,956</b>	<b>52,214</b>	<b>63,920</b>	<b>79,918</b>

SPS Entitlements Opening Valuation	26,526	16,354	20,090	23,626	45,666
Change in SPS Entitlements	1,942	1,159	2,098	1,629	2,864
Change in Borrowing	3,666	3,676	3,425	3,441	4,118
Funds Introduced	18,042	21,853	10,520	18,306	21,433
Cash Flow from the Farm Business	12889	-16623	14869	12197	40496
Private Drawings	22599	10397	17448	22000	40179
Asset Purchases	26382	14243	20407	26965	43539
Asset Sales	4092	1448	3660	2792	8393
Capital Expenditure	22290	12795	16746	24173	35146



**Table 32. 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
<b>2011</b>					
Number (unweighted)	247	48	46	63	90
Number (weighted)	6,148	1,522	1,527	1,543	1,556
Total Area (includes woodland and roads etc) (ha)	137.4	83.2	98.6	122.3	243.4
Area Farmed (ha)	139.1	82.1	97.0	124.2	251.1
Net Land Hired In (ha)	5.3	2.2	1.6	4.5	12.7
Utilised Agricultural Area (ha)	133.9	79.9	95.4	119.7	238.4
<i>of which</i> Total main products and set-aside (ha)	1.8	0.9	1.0	1.9	3.3
Grass, fodder crops and rough grazing (ha)	132.1	79.0	94.4	117.9	235.1
<i>Of which</i> rough grazing (unadjusted) (ha)	40.4	11.3	25.8	36.5	87.0
Adjusted rough grazing (sole occupation)	13.6	3.9	10.5	11.9	27.7
Adjusted rough grazing (shared)	6.6	4.8	4.9	6.0	10.9
Total Adjusted Utilised Agriculture Area (ha)	107.1	72.5	80.2	95.1	179.0
Area owner occupied (ha)	67.6	42.8	55.3	76.3	95.4
Area tenanted (ha)	69.8	40.4	43.3	46.0	148.0
Average age of farmer (years)	56	59	58	54	54
Agricultural labour units (ALU)	1.5	1.2	1.2	1.4	2.1
Standard Output (SO2007)	72,032	50,966	51,468	61,128	123,622
Standard Output size group (SO2007)	6.8	6.5	6.4	6.8	7.5
<u>Land Use</u>					
Temporary Grassland Area (ha)	6.9	2.8	4.9	5.0	14.6
Permanent Grassland Area (ha)	89.6	66.9	65.1	80.3	145.0
<u>Stocking</u>					
Total Dairy Cows	2	0	1	1	5
Total Beef Cows	29	31	21	23	41
Total Cattle	92	89	65	74	141
Ewes (LFA and lowland)	351	182	269	321	627
<i>of which</i> LFA Ewes	335	141	268	300	625
Lowland Ewes	17	41	2	21	3
Total Sheep	700	339	505	652	1,293
<u>Livestock Units</u>					
Total Cattle LU	55	51	38	45	85
<i>of which</i> Beef Cows LU	22	23	16	18	31
Other Cattle LU	29	25	20	25	45
Dairy Cows and Heifers	5	3	2	2	10
Total Sheep LU	38	20	27	36	68
<i>of which</i> Ewes LU	26	15	19	24	45
Grazing LU (cattle, sheep, horses and others)	93	71	65	81	154
Total LU	94	72	66	81	154
<u>Financial Performance per GLU</u>					
Farm Business Output per GLU (£/GLU)	1,168	848	1,120	1,190	1,322
Farm Business Variable Costs (£/GLU)	400	404	390	374	417
Farm Business Gross Margin (£/GLU)	768	444	731	816	905
Farm Business Fixed Costs (£/GLU)	461	491	491	421	456
Farm Business Income (£/GLU)	313	-45	243	403	458
Farm Corporate Income (£/GLU)	51	-320	-80	94	252
Farm Investment Income (£/GLU)	73	-270	-65	118	261
Holding Gains Not In Income (£/GLU)	490	504	702	576	351
<i>of which</i> Land Revaluation (£/GLU)	401	420	610	489	259
Net Farm Income (£/GLU)	229	-78	155	305	359
Management and Investment Income (£/GLU)	12	-314	-144	40	209
Agriculture Net Margin (Agriculture Business Income) (£/GLU)	6	-239	-60	74	110
Agriculture Economic Profit (Agriculture Corporate Income) (£/GLU)	-244	-505	-368	-222	-86

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

LFA Suckler Herds 2011	Enterprise Output and Gross margin per cow, GLU & ha			
	All herds	<50 cows	50-100 cows	>100 cows
Number of farms	193	111	65	17
Number of farms (weighted)	4,180	2,981	984	215
Area Farmed (UAA + net hired in) (ha)	151	121	197	348
Utilisable Agricultural Area (ha)	145	119	183	327
Adjusted UAA (ha)	114	90	150	276
Grazing Livestock Units (farm)	104	74	149	323
Grazing Livestock Units (enterprise)	38	23	65	116
Forage area (enterprise) (ha)	47	32	77	113
Cows per herd	38	24	65	121
Total Cattle	112	73	173	385
Breeding Flock	352	288	445	816
<u>Output per cow</u>				
Enterprise Output (excluding BLSA)	370	340	413	347
BLSA	118	116	113	134
Concentrates	42	39	48	37
Purchased fodder and keep	20	22	17	23
Veterinary and medicines	20	21	20	20
Other livestock costs	52	57	51	40
Seed	2	2	2	3
Fertilizer	43	38	48	45
Sprays	1	1	2	1
Other crop costs	6	7	8	3
Total Variable costs	188	186	196	172
Gross Margin (excluding BLSA) / Cow	182	154	218	175
Gross Margin (excluding BLSA) / forage ha	150	115	183	187
Gross Margin (excluding BLSA) / GLU	186	160	216	182
Enterprise Gross Margin (excluding BLSA)	7,007	3,655	14,065	21,182
<u>Measures of Income</u>				
Farm Business Income	28,971	23,811	38,162	58,423
Farm Corporate Income	3,687	855	7,210	26,810
Agricultural Economic Profit	-25,350	-23,435	-28,769	-36,242
Agri-environment Economic Profit	8,320	7,410	9,393	16,026
Diversified Economic Profit	373	525	42	-215
SPS Economic Profit	20,343	16,355	26,545	47,241
Farm Investment Income	5,741	2,331	10,123	32,931
Net Farm Income	20,917	17,979	25,644	40,000
MII	407	-2,114	3,941	19,165
Enterprise NM (excluding BLSA)	-158	-185	-139	-128
Enterprise NM after F&S labour (excl BLSA)	-277	-351	-241	-162

## Appendix 7. Analysis of English Grazing Livestock Farms in the LFA- Upland Sheep (SDA Flocks typical lambing rate is >100%)

Upland SDA Flocks (flock lambing % usually >100) 2011 lamb crop	Enterprise Output and Gross margin per ewe, GLU and ha			
	All flocks	<350 ewes	350-700 ewes	>700 ewes
Number of farms	131	38	59	34
Number of farms (weighted)	3,342	1,395	1,495	452
Area Farmed (UAA + net hired in) (ha)	144	76	147	343
Utilisable Agricultural Area (ha)	138	76	143	316
Adjusted UAA (ha)	114	71	112	250
Grazing Livestock Units (farm)	97	64	89	223
Grazing Livestock Units (enterprise)	53	22	55	138
Forage area (enterprise) (ha)	80	29	91	202
Cows per herd	28	27	20	62
Total Cattle	87	75	71	178
Breeding Flock	426	174	458	1,096
Total Sheep	847	356	889	2,226
<u>Output per ewe</u>				
Enterprise Output (excluding BLSA)	46,859	18,677	48,714	127,706
BLSA	4,963	1,909	4,930	14,501
Concentrates	7,168	2,546	7,602	20,001
Purchased fodder and keep	1,462	237	1,840	3,995
Veterinary and medicines	2,482	929	2,652	6,717
Other livestock costs	4,278	1,650	4,669	11,095
Seed	123	29	91	520
Fertilizer	2,702	899	2,717	8,221
Sprays	129	51	120	402
Other crop costs	310	220	287	665
Total Variable costs	18,655	6,561	19,976	51,615
Gross Margin (excluding BLSA) / Ewe	66	70	63	69
Gross Margin (excluding BLSA) / forage ha	352	423	315	377
Gross Margin (excluding BLSA) / GLU	536	540	521	553
Enterprise Gross Margin (excluding BLSA)	28,204	12,116	28,738	76,091
<u>Measures of Income</u>				
Farm Business Income	37,395	20,258	40,392	80,371
Farm Corporate Income	11,724	-2,044	13,280	49,074
Agricultural Economic Profit	-18,916	-19,322	-19,422	-15,992
Agri-environment Economic Profit	8,299	3,238	9,543	19,803
Diversified Economic Profit	712	489	764	1,227
SPS Economic Profit	21,630	13,551	22,394	44,035
Farm Investment Income	12,559	-1,573	14,026	51,324
Net Farm Income	28,331	12,036	31,751	67,308
MII	6,986	-7,091	8,866	44,212
Enterprise NM (excluding BLSA)	1312	101	317	8342
Enterprise NM after F&S labour (excl BLSA)	-11372	-8728	-14986	-7573

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

Hill SDA Flocks (flock lambing % usually <100)	Enterprise Output and Gross margin per ewe, GLU and ha			
	All flocks	<350 ewes	350-700 ewes	>700 ewes
2011 lambing				
Number of farms	59	18	26	15
Number of farms (weighted)	949	331	416	201
Area Farmed (UAA + net hired in) (ha)	249	133	221	496
Utilisable Agricultural Area (ha)	237	127	214	463
Adjusted UAA (ha)	143	96	125	259
Grazing Livestock Units (farm)	115	81	97	206
Grazing Livestock Units (enterprise)	59	24	59	118
Forage area (enterprise) (ha)	142	58	135	295
Cows per herd	38	41	25	61
Total Cattle	103	104	76	159
Breeding Flock	548	203	532	1,149
Total Sheep	937	369	944	1,857
<u>Output per ewe</u>				
Enterprise Output (excluding BLSA)	33,602	14,643	32,609	66,894
BLSA	3,244	483	3,764	6,719
Concentrates	5,827	3,425	4,694	12,129
Purchased fodder and keep	2,323	879	1,858	5,667
Veterinary and medicines	2,684	949	2,788	5,330
Other livestock costs	3,771	1,746	3,408	7,859
Seed	34	31	29	49
Fertilizer	1,542	522	1,602	3,100
Sprays	63	83	28	101
Other crop costs	153	156	124	208
Total Variable costs	16,397	7,792	14,531	34,443
Gross Margin (excluding BLSA) / Ewe	31	34	34	28
Gross Margin (excluding BLSA) / forage ha	121	117	134	110
Gross Margin (excluding BLSA) / GLU	291	288	308	276
Enterprise Gross Margin (excluding BLSA)	17,204	6,851	18,079	32,451
<u>Measures of Income</u>				
Farm Business Income	24,332	11,760	24,964	43,739
Farm Corporate Income	-3,996	-16,170	-187	8,172
Agricultural Economic Profit	-39,339	-38,202	-29,384	-61,827
Agri-environment Economic Profit	10,648	8,336	8,538	18,827
Diversified Economic Profit	-514	-1,217	-919	1,483
SPS Economic Profit	25,208	14,913	21,578	49,689
Farm Investment Income	-1,106	-14,667	1,287	16,279
Net Farm Income	14,709	1,670	17,580	30,248
MII	-6,310	-21,252	-2,581	10,587
Enterprise NM (excluding BLSA)	-9993	-5957	-7461	-21885
Enterprise NM after F&S labour (excl BLSA)	-21667	-15617	-20345	-34371

**Appendix 9. Reports in this series:**

Crop Production in England 2010/11  
Dairy Farming in England 2010/11  
Hill Farming in England 2010/11  
Horticulture Production in England 2010/11 (Horticultural Business Data)  
Lowland Grazing Livestock Production 2010/11  
Pig Production in England 2010/11  
Poultry Production in England 2010/11

Crop Production in England 2009/10  
Dairy Farming in England 2009/10  
Hill Farming in England 2009/10  
Horticulture Production in England 2009/10 (Horticultural Business Data)  
Lowland Grazing Livestock Production 2009/10  
Pig Production in England 2009/10  
Poultry Production in England 2009/10

Crop Production in England 2008/09  
Dairy Farming in England 2008/09  
Hill Farming in England 2008/09  
Horticulture Production in England 2008/09 (Horticultural Business Data)  
Lowland Grazing Livestock Production 2008/09  
Pig Production in England 2008/09  
Poultry Production in England 2008/09

Crop Production in England 2007/08  
Dairy Farming in England 2007/08  
Hill Farming in England 2007/08  
Horticulture Production in England 2007/08 (Horticultural Business Data)  
Lowland Grazing Livestock Production 2007/08  
Pig Production in England 2007/08  
Poultry Production in England 2007/08

Crop Production in England 2006/07  
Dairy Farming in England 2006/07  
Hill Farming in England 2006/07  
Horticulture Production in England 2006/07 (Horticultural Business Data)  
Lowland Grazing Livestock Production 2006/07  
Pig Production in England 2006/07  
Poultry Production in England 2006/07

Details available at [www.ruralbusinessresearch.co.uk](http://www.ruralbusinessresearch.co.uk)

## Appendix 10. Definition of Terms

### I. BUSINESS OUTPUTS, INPUTS, COSTS AND INCOME

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

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

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

4. *Net Farm Income (NFI)* is intended as a consistent measure of the profitability of tenant-type farming<sup>7</sup> 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 capital<sup>8</sup> invested in the farm business.

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<sup>7</sup> 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.

<sup>8</sup> Tenant-type capital comprises livestock, machinery, crops in store, stocks of consumables, work in progress, orchards, other permanent crops, glasshouses, cash and other assets needed to run the business. It does not include land and buildings.

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

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

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

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

## II. CROPPING, STOCKING AND LABOUR TABLES

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

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

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

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

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

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

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

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

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

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

### III. OUTPUTS, INPUTS AND FARM BUSINESS INCOME TABLES

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

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

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

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



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

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

<b>Total variable costs</b>	These are taken to be costs of feed, veterinary fees and medicines, other livestock costs, seeds, fertilisers, crop protection and other crop costs.
<b>Purchased concentrate feed and fodder</b>	This represents expenditure on feeds and feed additives, including charges for agistment.
<b>Home-grown concentrate feed and fodder</b>	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.
<b>Veterinary fees and medicines</b>	This consists of veterinary fees and the cost of all medicines.
<b>Other livestock costs</b>	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.
<b>Purchased and home-grown seeds</b>	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.
<b>Fertilizers</b>	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.
<b>Crop protection</b>	This includes costs of pre-emergent sprays, fungicides, herbicides, dusts and insecticides and other crop sprays.

<b><i>Other crop costs</i></b>	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).
<b><i>Total fixed costs</i></b>	These are the costs of labour, machinery, contract work, land and buildings, other general farming costs and depreciation.
<b><i>Labour (excluding farmer and spouse)</i></b>	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).
<b><i>Contract costs</i></b>	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.
<b><i>Machinery running costs</i></b>	These represent the cost of machinery and equipment repairs, fuel and oil and car mileage expenses. It excludes depreciation.
<b><i>Land and building inputs</i></b>	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.
<b><i>Depreciation of machinery, glasshouses and permanent crops</i></b>	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.

<b><i>Other general farming costs</i></b>	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.
<b><i>Interest payments</i></b>	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.
<b><i>Depreciation of buildings and works</i></b>	This is calculated on a current cost basis (generally on a straight line basis over 10 years) with an adjustment to allow for the effect of capital grants.

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

#### IV. BALANCE SHEET TABLES

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

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

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

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

#### V. IMPLIED OUTPUT PRICES

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

Source: DEFRA – Farm Accounts in England 2006/2007

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

**Standard Output (SO)**

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

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

Up until 2010, Standard Gross Margins were used for the classification of farms. The difference between standard outputs and standard gross margins is that no variable costs are deducted in the derivation of standard outputs. A Defra note looking at the effects on the population by farm type as a result of the change from SGM's to SO's is available at ([http://www.defra.gov.uk/statistics/files/defra-stats-foodfarm-farmmanage-fbs-reviseclass\\_111221.pdf](http://www.defra.gov.uk/statistics/files/defra-stats-foodfarm-farmmanage-fbs-reviseclass_111221.pdf) )

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

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

*Source:* [http://www.defra.gov.uk/statistics/files/defra-stats-foodfarm-farmmanage-fbs-UK\\_Farm\\_Classification.pdf](http://www.defra.gov.uk/statistics/files/defra-stats-foodfarm-farmmanage-fbs-UK_Farm_Classification.pdf)