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FARM BUSINESS SURVEY

Lowland Livestock farming in England

2023/24

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Farm Business Survey

2023-24

Lowland Grazing Livestock Production in England

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Contents

Key Findings of Lowland Grazing Livestock Production in England 2023-24

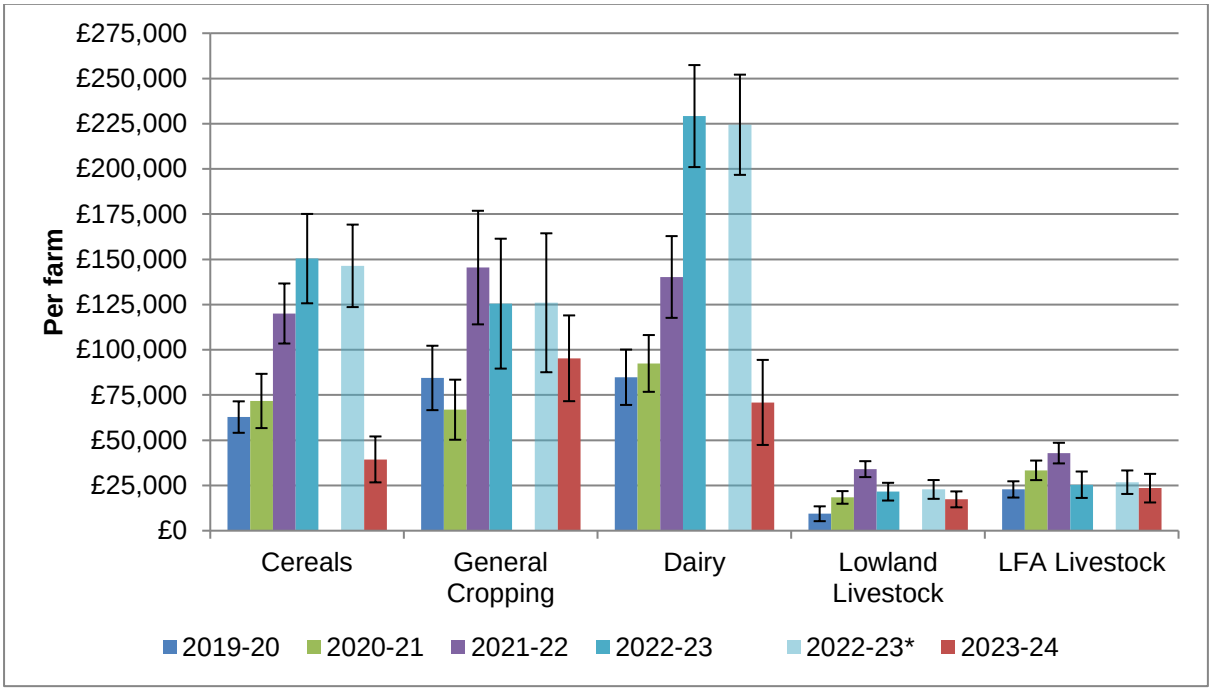
- Lowland Grazing Livestock farms account for about a quarter of commercial holdings in England.[1] The majority, nearly three quarters, of these businesses are small or part-time. All other farm types are, on average, larger businesses.

- The average Farm Business Income (which closely resembles farm profit) for 2023-24 for the Lowland Grazing Livestock farms in England was £17,331 per farm, a decrease of £5,429 as compared to the previous year.

- Within the Farm Business Income streams, the Agricultural element had the largest decline, Basic Payment Scheme also reduced, whilst Diversification out of Agriculture and Agri-environment payments increased.

- As compared to the other lowland land-based farm types in England, the Grazing Livestock farms produce the lowest incomes per farm and per hectare.

Trends in Farm Business Income £ per farm, in England, by farm type



*There is a break in the series in 2022/23, this represents changes in the method used to assign farms to a specific farm type. The 2022-23 figures have been reworked on the new farm type classifications.
Source: Farm Business Income by type of farm in England 2023/24 - GOV.UK

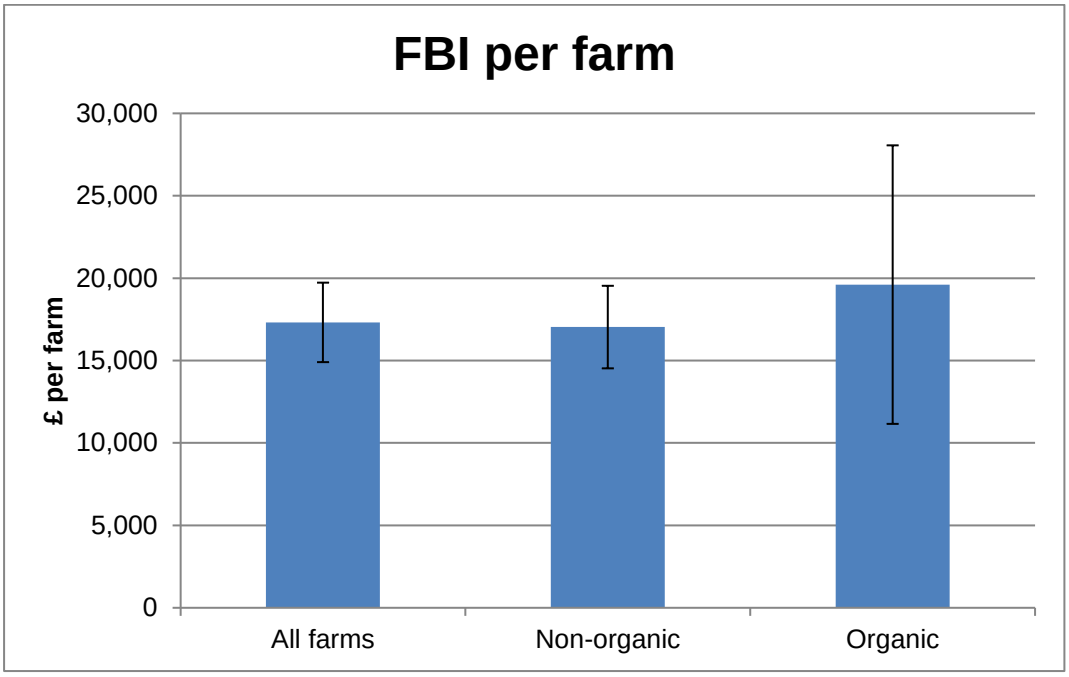
- Farm size is important, with the better performing businesses (based on the ratio of output/input) being much larger farms. The Low Performance Band producers farmed close to a third the area of the High Performance producers and produced a lower Farm Business Income per hectare, a loss of £240 per hectare compared to an income of £433 per hectare for the High Performers.

[1] Farm Accounts in England data sets - GOV.UK Table 16

- For the average Lowland Grazing Livestock farm in 2023-24 the value of unpaid labour used by the business was estimated to be £36,179 with private drawings coming to £26,198. Thus, these businesses are 'rewarding' themselves at 72% the appropriate market rate for their labour. For this year the Farm Business Income is £8,867 lower than the private drawings, thus representing a loss on their capital invested in the business.

- Statistically there is unlikely to be any difference in the income generated by non-organic and organic producers.

  Lowland Grazing Livestock farms- Farm Business Income per farm, by type of production. 2023-24



Sample sizes are small for some of these analyses and standard error bars have been included in the figures to indicate the accuracy of the estimate of the mean. Error bars are shown on 95% confidence intervals as a measure of the uncertainty that may apply to the estimated means. These signify that we are 95% confident that this range contains the true value. They are calculated as the standard error (se) multiplied by 1.96 to give the 95% confidence interval (95% CI)

- The Basic Payment Scheme is crucial to the level of income the Lowland Grazing Livestock farms achieve. Without the Basic Payment Scheme income, the average Lowland Livestock Grazing farm, in England, for 2023-24 would be making a Farm Business Income of £5,313.

- From the gross margin analysis, the premium (top third) producers, as ranked by gross margin per head, have gross margins 63% higher for the lowland beef cows and rearing cattle to sell as stores were close to double. Top third producers of finishing cattle have gross margins 54% higher than the average. Lowland breeding ewes show that the top third producers are 62% better per ewe.

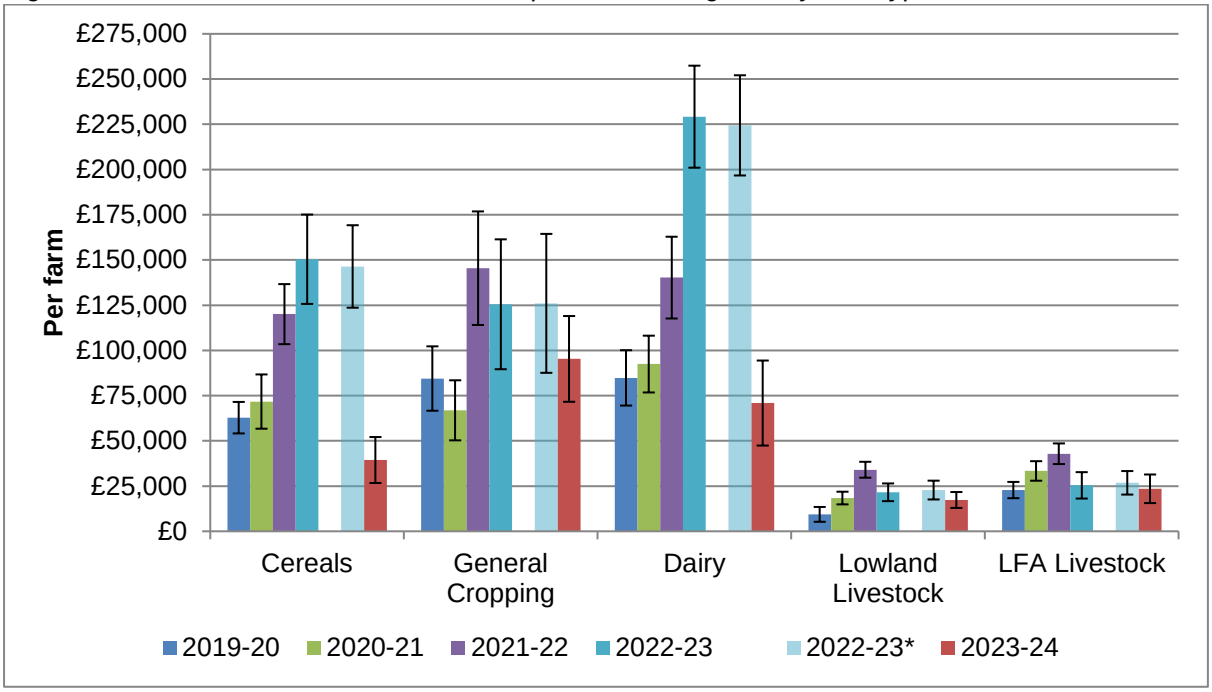
- Comparing the gross margin per hectare across the differing livestock enterprises on the Lowland Grazing Livestock farms, the beef bred finishing cattle producers have the highest margin followed by beef bred store cattle and the lowland breeding ewes. Beef cows produce the lowest gross margin per hectare. This relative ranking has not changed significantly for several years

Lowland Grazing Livestock Production in England 2023-24

- It is important to note that all surveys are subject to sampling error as they are not measuring the whole population, the Farm Business Survey (FBS) is no exception. It is common practice to publish 95% confidence intervals and error bars alongside any published estimated figures to give the reader an indication of the size of the sampling error. These signify that we are 95% confident that this range contains the true value. For simplicity within these reports, the confidence intervals have not always been published. Readers should be aware that the figures calculated from the FBS data have a level of uncertainty around them and that all figures are estimates. Generally, the smaller the sample size the greater the sampling error and the less confidence we have in the estimates. For details on the FBS confidence intervals, please refer to Defra FBS publications https://www.gov.uk/government/collections/farm-business-survey
- Of those farm businesses in England that are eligible for the Farm Business Survey close to a quarter are classified as Lowland Grazing Livestock[2] with three quarters classed as either part-time or small.
- The Grazing Livestock businesses have the lowest Farm Business Income of the land-based farm types in England (Figure 1).
- Lowland Grazing Livestock farms are the least profitable farm type in the English lowlands, on a per hectare basis (Figure 2).
- From 2017 to 2019 there was a decline in the Farm Business Income for Lowland Grazing Livestock businesses, followed by a recovery in 2021 which produced the highest income for more than a decade. 2022 has seen Farm Business Incomes reducing to lower levels more in line with what was seen prior to 2021 and a further fall in 2023. Farm Business Income is more variable than the finished prices of cattle and sheep would have suggested, indicating that the costs to the businesses, valuation changes to the livestock (which are part of the output) and other sources of output were more variable, and all have a part to play in the level of income for these farms. Figure 3 shows the average Farm Business Income broken down into the four cost centres, Agriculture, Agri-environment, Diversification and Basic Payment Scheme. It illustrates that the largest variation in income between years comes from the Agriculture cost centre, which, apart from 2021, has not made a positive contribution for a considerable time and for 2023 a loss of over £11,000.
- A few Indices of Prices of Agricultural Products (United Kingdom) are illustrated in Figure 4. This shows the changes in average annual prices for energy, fertiliser, animal feed and machinery, which have all seen volatility since 2019. Output prices from cattle and sheep have also seen changes and volatility in the same period. The 2023 year indicated significant decreases in all the illustrated costs as compared to the previous year whilst output only rose slightly.

[2] Grazing Livestock farms are classified as farms with more than two-thirds of their total Standard Output produced by cattle and sheep (excluding holdings classified as dairy). A farm is classified as "Lowland" if less than 50% of its total area is in the Less Favoured Area.

Figure 1 Trends in Farm Business Income £ per farm, in England, by farm type



*There is a break in the series in 2022/23, this represents changes in the method used to assign farms to a specific farm type. The 2022-23 figures have been reworked on the new farm type classifications.

Source: [Farm Business Income by type of farm in England 2023/24 - GOV.UK]

Figure 2 Farm Business Income per hectare in England 2023-24, by Farm Type

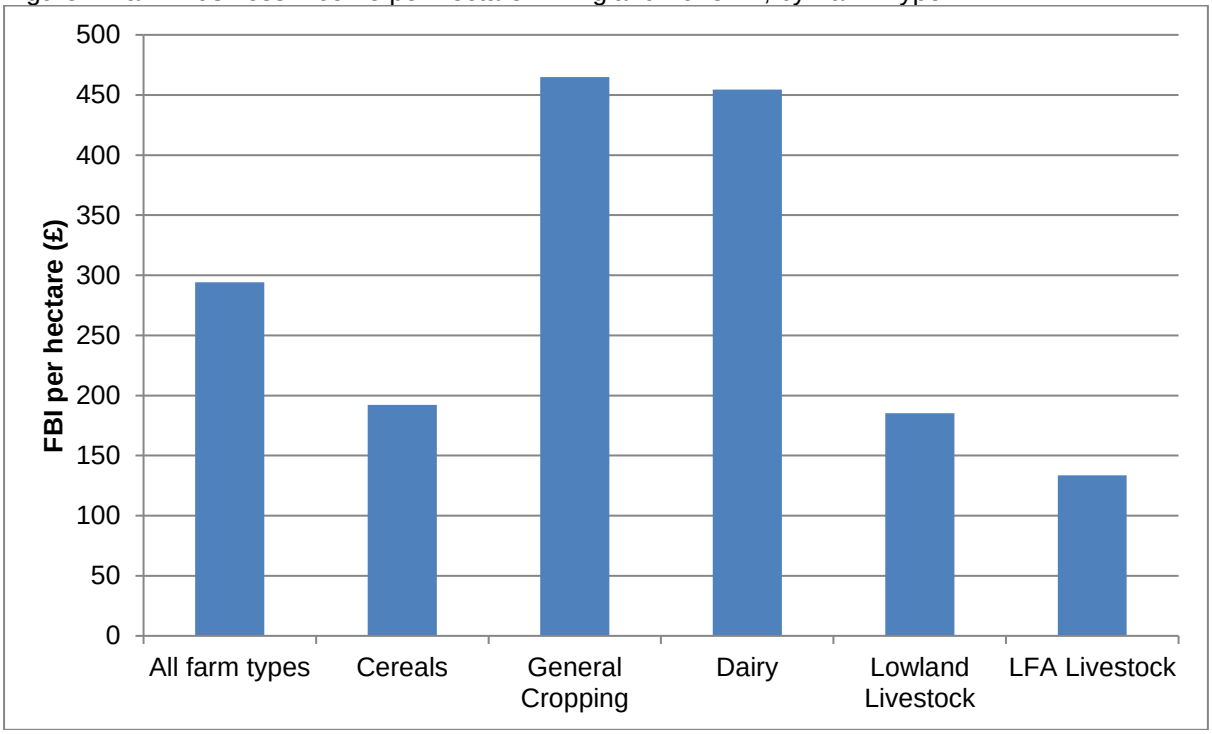
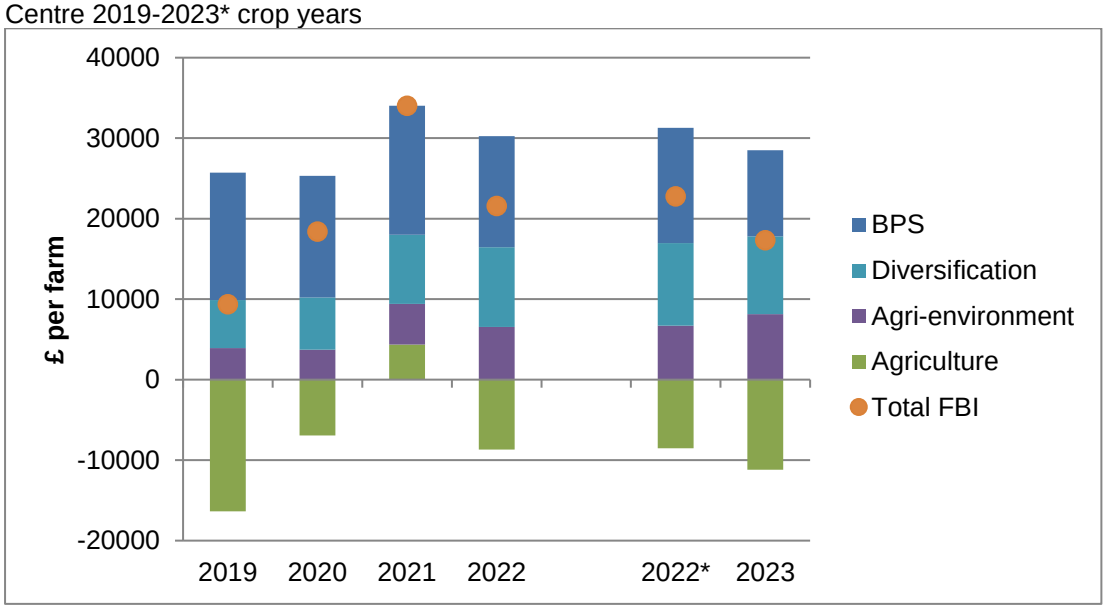
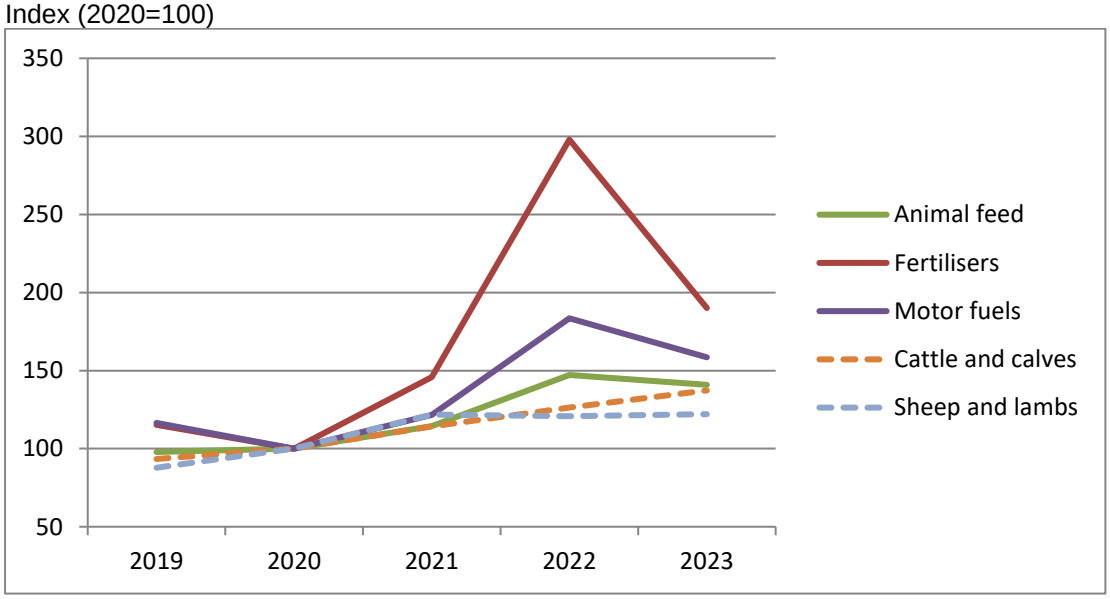


Figure 3 Lowland Grazing Livestock farms in England - Average Farm Business Income by Cost Centre 2019-2023* crop years



*There is a break in the series in 2022/23, this represents changes in the method used to assign farms to a specific farm type. The 2022-23 figures have been reworked on the new farm type classifications.

Figure 4 Indices of Producer and input Prices of Agricultural Products (United Kingdom) Index (2020=100)



Source: Defra, API

Lowland Grazing Livestock Production in 2023-24 detailed results

- This report uses data extracted from the Farm Business Survey (FBS) for this important group of farms and includes data from 270 farms which has been 'weighted' to produce figures that represent the whole of the Lowland Grazing Livestock industry in England, excluding the smallest farms which are not included within the survey (see Appendix 1).
- The change to the system of classification of farms means that it is not possible to directly compare years prior to 2022 crop year but recalculated figures for the 2022 crop year increased Farm Business Income by 5%.
- The results for the FBS farms for 2023-24 show a decline in Farm Business Income per average farm from 2022-23 to £17,331, a decrease of 24%. Basic Payment Scheme income stream was £3,592 lower with similar income coming from diversification, only £599 lower than the previous year. The Agri-environmental income stream increased by £1,477 continuing a trend started in 2020. Another decrease in income came from 'agriculture' which was £2,716 lower. (Table 1 and Figure 3).
- The average Lowland Grazing Livestock farm was 59% owner occupied, and the average area farmed was 93.5 hectares. Permanent grassland and rough grazing cover 67% of the area with temporary grassland and fodder crops another 18%. The stocking rate is low, emphasising the 'extensive' type of production adopted by this farm type, with only 0.9 Grazing Livestock Units per hectare. Cattle account for 71% of these livestock units (Table 2).
- The balance sheet for the average farm shows over £104,000 of liabilities with most of the borrowing held by the banks, as loans or overdraft. Total assets for the business of £1,585,000 are dominated by the land and buildings which account for 84% of the total. (Table 3). The balance sheet ratios therefore indicate a strong financial position for these farms in terms of ratios of assets to liabilities, but with the low incomes earned, extra borrowing is difficult to justify and then service, particularly with the increase in interest rates now seen.
- The relationship between trading profit generated, capital investment made, drawings taken by the farming family/families, and the funding of the trading business is summarised by the 'flow of funds' (Table 4). The trading net fund surplus from these farms is £35,850 after depreciation on buildings and machinery is added back to Farm Business Income and the increase in live and deadstock valuations is deducted. Slightly over £15,100 was spent on capital purchases. There was £4,700 net dis-investment in land and property, whilst machinery investment was close to £14,000. The machinery pool on these farms was maintained, despite a higher depreciation figure than 2022, with re-investment being £2,500 more than the level of machinery depreciation charged to these businesses. This left a farm fund flow surplus of £20,700. Private drawings were £26,200 and a net transfer in of private funds of £11,300 led to a private outflow of £14,900. The introduction of funds from private sources has been a feature of Lowland Grazing Livestock farms for a long period, where the low incomes have not been sufficient to allow for both re-investments in the business and private drawings to support the farming family. This year these introductions were at normal levels, a reflection of continuing low profitability. The level of property sales is close to the reduction in external funds for the year of £5,800.
- Farm performance is measured as the ratio of farm business output to farm business costs. An imputed value for unpaid manual labour, including that of the farmer and spouse is added to farm business costs. The value of paid managerial input is subtracted. The farms are ranked in descending order according to this ratio and allocated to quartiles with the top

quartile (25 percent) representing the high performance band.[3] Farm size is important, with the better performing businesses being much larger farms, approaching three times the area, and therefore able to spread their fixed costs over a larger area (Table 1). Farm Business Income per hectare still tends to be higher on the High performing farms (Table 5). Low performing farms tended to have lower levels of farm output per hectare but a similar cost structure to the High performing farms. Variable costs are reflective of the output achieved and broadly similar across all performance levels but with the Medium performing farms using more costs to achieve their high output. Lower costs are seen in all the fixed cost categories for the High performing group as compared to the Medium group of producers.

- The Low performers have low output from agri-environmental schemes and rental income as compared to the High performers which may be due to the unavailability to access these options. (Table 5).

[3] Note that the farm weights are used to allocate farms to quartiles so the number of farms in a quartile will not necessarily be equivalent to a quarter of the sample.

Table 1: Income details, for All Farms, and by Performance Band

Financial details, 2023/24		**Performance level**		
	Average all farms	**Low**	**Medium**	**High**
Number of farms in group	270	42	143	85
Average farmed area (hectares)	93.5	56.2	86.7	144.3
Average % of owned total farmed area	59%	63%	62%	55%
	£ per farm			
Output				
Cattle	51,304	18,716	55,576	75,263
Sheep	19,478	10,112	17,497	32,781
Other livestock	758	117	1,392	128
Crops	6,851	1,814	6,885	11,806
Forage	6,819	1,613	6,871	11,907
Environmental schemes	10,997	2,699	9,575	22,118
Basic Payment Scheme	12,017	6,670	11,134	19,115
Rental income	8,695	1,174	6,167	21,253
Contract work	5,291	3,724	5,505	6,425
Renewable energy production	2,625	1,197	1,250	6,795
Miscellaneous output	10,797	2,699	11,173	18,123
Total Farm Output	135,632	50,534	133,027	225,714
Variable costs				
Concentrates	15,245	7,146	16,760	20,294
Purchased fodder	1,615	1,043	1,437	2,541
Veterinary and medicines	3,340	2,405	3,439	4,076
Other livestock costs	7,680	4,919	8,576	8,642
Seeds	1,847	703	1,803	3,076
Fertilisers	4,865	1,570	5,648	6,585
Crop protection	1,456	426	1,634	2,128
Other crop costs	951	405	1,147	1,101
Total Variable Costs	36,998	18,617	40,443	48,442
Gross Margin	98,634	31,916	92,584	177,272
Fixed costs				
Paid labour	7,982	4,824	7,837	11,421
Contract	8,185	4,547	8,142	11,897
Machinery repairs	6,778	4,348	6,676	9,404
Machinery fuel	5,791	3,521	5,901	7,838
Machinery depreciation	11,296	6,489	10,941	16,799
General costs	18,451	10,976	19,286	24,237
Property maintenance	7,425	3,716	7,453	11,070
Rent, hired in keep and bare land	5,554	2,904	5,885	7,533
Buildings depreciation	5,518	2,391	5,810	8,055
Interest	4,324	1,757	4,437	6,659
Total Fixed Costs	81,304	45,471	82,368	114,913
FARM BUSINESS INCOME	**17,331**	**-13,555**	**10,216**	**62,359**
All unpaid labour	36,179	33,984	37,218	36,290
Equals - FARM CORPORATE INCOME	-18,848	-47,539	-27,002	26,068
Plus - Net Interest	4,186	1,750	4,218	6,553
Equals - FARM INVESTMENT INCOME	-14,662	-45,790	-22,784	32,622

Alternative Income Measures, 2023/24					
			Performance level		
		Average all farms	**Low**	**Medium**	**High**
Reconciliation between Net Farm Income and Farm Business Income					
	FARM BUSINESS INCOME	17,331	-13,555	10,216	62,359
Plus-	Directors remuneration	965	1,509	1,042	269
Less-	Net income from assets associated with the farm business	0	0	0	0
Plus-	Buildings and works depreciation	5,518	2,391	5,810	8,055
Plus-	Landlord type expenses	799	493	907	887
Plus-	Imputed rental income	382	297	343	547
Less-	Imputed rent and rental value	16,781	8,893	16,808	24,595
Plus-	Net Interest	4,186	1,750	4,218	6,553
Less-	Unpaid labour of partners	5,950	4,406	5,704	7,983
Equals-	NET FARM INCOME**	6,450	-20,415	23	46,092
** Excluding Breeding Livestock Stock Appreciation					

Table 2 Land Use, for All Farms, and by Performance Band

Land Use and Indicators of Technical Efficiency, 2023/24				
		Performance level		
	Average all farms	**Low**	**Medium**	**High**
Number of farms in group	270	42	143	85
Average farmed area (hectares)	93.5	56.2	86.7	144.3
Average proportion of owned total farmed area(%)	59%	63%	62%	55%
Land use (hectares)				
Area of crops	5.1	1.5	5.3	8.2
Temporary grass	13.8	8.4	12.3	21.9
Permanent grass	60.2	41.0	53.7	92.2
Fodder crops	3.0	0.4	2.9	5.8
Rough grazing	2.8	0.2	2.6	5.7
Uncropped, fallow and turf	1.7	0.6	1.1	4.0
Forage hired in	7.0	4.1	8.7	6.5
Stocking				
Average number of dairy cows	0	0	0	0
Average number of beef cows	19	13	19	23
Average number of other cattle	76	37	84	98
Average number of ewes	130	90	119	193
Average number of other sheep	141	93	117	238
Grazing livestock units	GLUs per farm			
Dairy cows	0.3	0.4	0.2	0.3
Beef cows	9.3	6.3	9.7	11.4
Other cattle	44.3	22.1	48.2	58.8
Sheep	20.7	14.3	18.4	31.8
Other livestock	1.1	0.6	0.9	2.0
Total	75.7	43.6	77.5	104.3
GLUs per ha	0.87	0.81	0.97	0.79
GLUs per adjusted ha	0.89	0.80	0.98	0.82

Table 3 Balance Sheet details, for All Farms, and by Performance Band

Balance Sheet, 2023/24		**Performance level**		
(end of year)	Average all farms	**Low**	**Medium**	**High**
Number of farms in group	270	42	143	85
Average farmed area (hectares)	93.5	56.2	86.7	144.3
Average proportion of owned total farmed area	59%	63%	62%	55%
	£ per farm			
End of year assets & liabilities				
Land & buildings	1,327,833	890,391	1,259,360	1,901,017
Milk quota	0	0	0	0
Basic Payment Scheme	8,501	4,960	8,123	12,788
Machinery	99,265	53,483	100,999	141,458
Tenant's other assets	120	46	160	113
Breeding livestock	44,979	28,083	45,701	60,385
Total fixed assets	**1,480,698**	**976,965**	**1,414,342**	**2,115,761**
Trading livestock	49,527	21,580	55,014	66,429
Crops	1,573	204	1,713	2,657
Forage and cultivations	6,496	2,820	7,327	8,501
Stores	6,336	2,954	6,370	9,642
Debtors and loans	10,071	3,334	11,256	14,419
Bank credit and cash	30,308	9,384	34,109	43,576
Other current assets	0	0	0	0
Total current assets	**104,310**	**40,277**	**115,789**	**145,223**
Total assets	**1,585,008**	**1,017,242**	**1,530,131**	**2,260,984**
Financed by				
AMC	16,767	7,500	18,908	21,729
Bank loans	45,610	16,991	50,299	64,779
Other long term	11,215	5,380	13,662	12,143
Total long term	**73,593**	**29,872**	**82,870**	**98,650**
HP and lease	6,946	2,620	9,807	5,541
Creditors	11,645	4,608	12,826	16,301
Bank overdraft	13,633	8,530	14,620	16,750
Other short term	248	483	143	225
Total current liabilities	**32,472**	**16,241**	**37,396**	**38,818**
Total Liabilities	**106,065**	**46,112**	**120,265**	**137,468**
Net worth	**1,478,942**	**971,129**	**1,409,866**	**2,123,516**
Balance sheet ratios-				
% Owner equity (net worth v. total assets)	93%	95%	92%	94%
% Fixed assets vs. total assets	93%	96%	92%	94%
Gearing (long-term loans v. total assets)	5%	3%	5%	4%
Total debt (external liabilities v.net worth)	7%	5%	9%	6%

Table 4 Fund flow, for All Farms, and by Performance Band

Fund Flow, 2023/24		**Performance level**		
	Average all farms	**Low**	**Medium**	**High**
Number of farms in group	270	42	143	85
Average farmed area (hectares)	93.5	56.2	86.7	144.3
Average proportion of owned total farmed area(%)	59%	63%	62%	55%
	£ per farm			
Funds available from trading				
Farm Business Income	17,331	-13,555	10,216	62,359
Buildings and works depreciation	5,518	2,391	5,810	8,055
Machinery depreciation	11,296	6,489	10,941	16,799
Change in valuation *	1,705	6,623	2,808	-5,405
Trading net fund flow surplus	35,850	1,947	29,775	81,808
Funds used for farm investments				
Net property and quota purchases	-4,741	-9,575	3,400	-16,197
Net landlord capital purchases	6,184	1,807	7,848	7,221
Net machinery and equipment purchases	13,750	3,657	17,514	16,291
Capital net fund flow	15,193	-4,111	28,762	7,315
Total farm fund flow surplus	20,657	6,058	1,013	74,494
Funds used for private expenditure				
Private drawings	26,198	13,960	22,357	46,085
Net private funds introduced	11,348	14,170	18,246	-5,260
Private fund outflow	14,851	-210	4,111	51,344
Total net fund flow surplus	**5,807**	**6,268**	**-3,098**	**23,149**
Increase in loans and deposits	-5,371	-9,455	2,702	-17,441
Increase in bank balance	1,351	-3,204	534	7,528
Increase in cash in hand	-11	0	-22	1
Increase in debtors	569	-287	144	2,274
Increase in creditors	1,474	-305	1,051	4,095
Net change in funding	**-5807**	**-6268**	**3098**	**-23149**

* An increase in valuation is represented as a negative, with funds being used to increase the live and deadstock valuation

Table 5 Farm Business Income by Performance Band, £ per hectare

Performance level	Low	Medium	High
Number of farms in group	42	143	85
Average farmed area (hectares)	56.2	86.7	144.3
Average % of owned total farmed area	63%	62%	55%
	£ per hectare		
Livestock and crops	576	1018	914
Agri- environment type schemes	48	110	153
Basic Payment Scheme	119	128	132
Other	156	278	364
TOTAL FARM OUTPUT	899	1534	1563
Variable costs			
Livestock specific costs	276	348	246
Crop specific costs	55	118	89
TOTAL VARIABLE COSTS	331	466	335
TOTAL GROSS MARGIN	568	1068	1228
Fixed costs			
Labour	86	90	79
Machinery	336	365	318
General farming costs	195	222	168
Land & Property	160	221	185
Interest paid	31	51	46
TOTAL FIXED COSTS	808	949	796
FARM BUSINESS INCOME	-240	119	432

Table 6 Farm Business Income for Non-organic and Organic farms

Financial details, 2023/24	**Type of production**	
	Non-organic	**Organic**
Number of farms in group	238	32
Average farmed area (hectares)	93.9	90.6
Average % of owned total farmed area	57%	74%
	£ per farm	
Output		
Cattle	52,522	41,479
Sheep	20,788	8,917
Other livestock	789	502
Crops	7,265	3,512
Forage	6,969	5,606
Environmental schemes	10,125	18,029
Basic Payment Scheme	11,990	12,234
Rental income	8,601	9,455
Contract work	5,916	249
Renewable energy production	1,804	9,242
Miscellaneous output	10,691	11,657
Total Farm Output	137,461	120,883
Variable costs		
Concentrates	16,532	4,867
Purchased fodder	1,570	1,979
Veterinary and medicines	3,498	2,066
Other livestock costs	7,758	7,050
Seeds	1,889	1,507
Fertilisers	5,394	592
Crop protection	1,620	132
Other crop costs	942	1,016
Total Variable Costs	39,204	19,210
Gross Margin	98,257	101,673
Fixed costs		
Paid labour	7,654	10,627
Contract	8,242	7,722
Machinery repairs	6,829	6,362
Machinery fuel	6,046	3,737
Machinery depreciation	11,545	9,289
General costs	18,322	19,488
Property maintenance	7,093	10,109
Rent, hired in keep and bare land	5,708	4,307
Buildings depreciation	5,517	5,531
Interest	4,254	4,891
Total Fixed Costs	81,209	82,065
FARM BUSINESS INCOME	**17,048**	**19,609**
All unpaid labour	36,581	32,934
Equals - FARM CORPORATE INCOME	-19,533	-13,325
Plus - Net Interest	4,105	4,842
Equals - FARM INVESTMENT INCOME	-15,428	-8,483

Table 7: Income details, by size of business

Financial details, 2023/24	Size of business				
	Part-time	Small	Medium	Large	Very Large
Number of farms in group	61	84	54	37	34
Average farmed area (hectares)	53.6	89.4	121.8	168.2	498.0
Average % of owned total farmed area	79%	75%	47%	53%	19%
	£ per farm				
Output					
Cattle	23,155	56,030	84,018	145,719	154,888
Sheep	5,763	12,717	38,619	51,195	157,214
Other livestock	152	334	1,297	137	12,899
Crops	1,979	5,725	14,008	20,503	40,332
Forage	5,002	10,533	6,455	6,271	9,664
Environmental schemes	7,128	11,962	17,179	21,132	23,957
Basic Payment Scheme	7,431	12,831	15,508	18,990	51,634
Rental income	7,824	10,167	8,589	9,523	9,842
Contract work	4,070	6,808	2,864	9,391	11,403
Renewable energy production	2,583	3,470	2,237	1,029	1,533
Miscellaneous output	8,795	15,983	6,241	14,702	8,609
Total Farm Output	73,881	146,561	197,015	298,591	481,975
Variable costs					
Concentrates	5,453	14,302	26,203	48,334	71,008
Purchased fodder	676	1,529	2,853	2,769	10,615
Veterinary and medicines	1,547	3,032	5,276	8,823	15,969
Other livestock costs	3,958	7,781	12,217	19,790	25,403
Seeds	1,050	2,132	2,782	3,479	5,832
Fertilisers	1,843	5,472	7,970	14,500	17,500
Crop protection	468	1,560	2,253	4,080	8,014
Other crop costs	378	1,140	1,730	2,576	2,649
Total Variable Costs	15,374	36,948	61,284	104,352	156,989
Gross Margin	58,507	109,614	135,731	194,240	324,986
Fixed costs					
Paid labour	4,813	8,346	8,304	17,466	33,141
Contract	4,512	9,135	10,754	19,671	25,967
Machinery repairs	4,314	7,627	9,465	13,421	16,560
Machinery fuel	3,242	6,425	8,395	13,283	16,950
Machinery depreciation	6,927	12,505	15,236	21,417	36,725
General costs	14,079	21,977	19,984	28,738	33,628
Property maintenance	4,358	10,138	7,868	16,026	15,251
Rent, hired in keep and bare land	2,051	5,315	11,301	12,426	29,840
Buildings depreciation	3,545	7,048	6,602	10,740	10,451
Interest	2,447	4,753	5,230	11,682	11,906
Total Fixed Costs	50,289	93,269	103,140	164,871	230,419
FARM BUSINESS INCOME	**8,219**	**16,345**	**32,591**	**29,369**	**94,566**
All unpaid labour	30,336	38,570	50,105	44,599	49,870
Equals - FARM CORPORATE INCOME	-22,117	-22,225	-17,515	-15,230	44,696
Plus - Net Interest	2,298	4,652	5,157	11,589	11,384
Equals - FARM INVESTMENT INCOME	-19,819	-17,573	-12,358	-3,641	56,080

The importance of the Basic Payment Scheme to the Lowland Livestock Grazing farms

- With the low level of the Farm Business Income generated by the Lowland Grazing Livestock farms the significance of the Basic Payment Scheme (BPS) should not be understated, as illustrated in Table 8. The Basic Payment Scheme per farm represents 9% of the total output for Lowland Livestock Grazing farms but 69% of the total Farm Business Income. Without the Basic Payment Scheme, the average Lowland Livestock Grazing farm would be making a Farm Business Income of £5,313.
- Only businesses classified as Very Large or High Performers have a Farm Business Income above the level of their private drawings. (Tables 8 and 9).
- Regarding the importance of the Basic Payment Scheme to the Lowland Grazing Livestock farms, the reality of farming without most of this support or alternatives looks particularly challenging and unlikely to be sustainable in the current structure of businesses.

Table 8 Farm Business Income, Basic Payment Scheme and drawings, by size of business 2023-24

	All Farms	Part-time	Small	Medium	Large	Very Large
	£ per farm					
Farm Business Income	17,331	8,219	16,345	32,591	29,369	94,566
Basic Payment Scheme Income	12,017	7,431	12,831	15,508	18,990	51,634
Farm Business Income less BPS	5,313	788	3,514	17,083	10,379	42,932
Private drawings	26,198	19,797	29,326	35,030	38,622	49,594

Table 9 Farm Business Income, Basic Payment Scheme and drawings, by performance of business 2023-24

	Low	Medium	High
	£ per farm		
Farm Business Income	-13,555	10,216	62,359
Basic Payment Scheme Income	6,670	11,134	19,115
Farm Business Income less BPS	-20,225	-918	43,243
Private drawings	13,960	22,357	46,085

Farm Business Income by 'Cost Centre'[4]

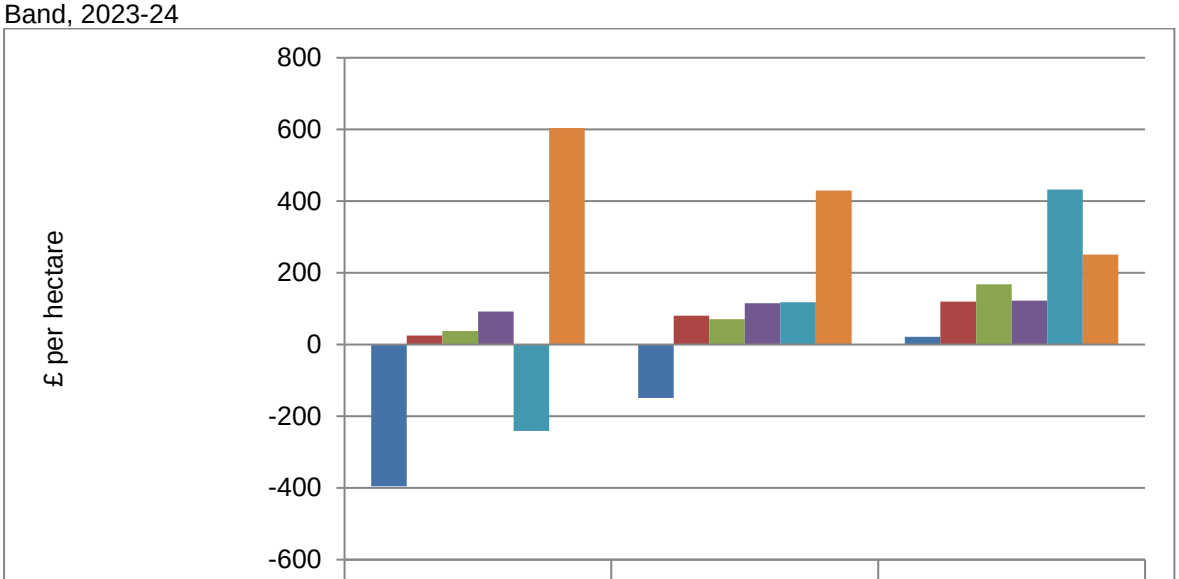
- The majority of the Farm Business Income comes from the Basic Payment Scheme 'cost centre' - 62% of the total Farm Business Income figure for 'All farms'. (Table 10).
- The Farm Business Income from the Agri-environment cost centre has been relatively steady since 2015 at £3,500 but has risen over the past three years and now stands at £8,184. (Table 10).
- The Farm Business Income from the Diversification cost centre has been increasing from 2013, The 2022 crop year was the highest income from this cost centre for a decade but this year a slight fall to £9,651. (Table 10).
- The Agriculture cost centre registered a loss of £11,231. Within the last two decades there have only been two occurrences of a positive income for the Agriculture Cost centre, in 2011 and 2021. (Table 10).
- The Agriculture cost centre accounts for most of the difference between the Farm Business Income per hectare of the three performance groups. Farm Business Income per hectare from 'Agriculture' increases with performance band with the Low performers making a loss of £396 per hectare, the Medium making a loss of £149 and the High performers making £21 per hectare. As compared to the previous year, the Low performance band showed an increase in loss per hectare of £21, while the Medium performers dropped by £26 per hectare and High performers FBI reduced by £65 per hectare from £86. (Figure 5).
- The Farm Business Income generated by the Basic Payment Scheme cost centre is lowest for Low performing farms (£ per ha) with High performing farms receiving £31 more per hectare, and £24 higher per hectare for Medium performing farms. (Figure 5).
- When considering the size of business, the contribution from the 'Agriculture' cost centre is negative for all except Very Large farms. The Medium sized farms have the highest Farm Business Income per hectare, with the lowest income per hectare on the Part-time farms (Figure 6).
- The value of unpaid labour used by the businesses is illustrated alongside the Farm Business Income by Cost centre (Figure 6). Only the Very Large farms have a Farm Business Income greater than the value of unpaid labour for those businesses.

Table 10 Farm Business Income by Cost Centre by Performance Band, 2023-24

£ per farm	All farms	Low	Medium	High
Total Farm Business Income	17,331	-13,555	32,591	62,359
Of which, by cost apportionment				
Agriculture	-11,231	-22,256	-4,709	3,087
Agri-environment and other payments	8,184	1,417	14,113	17,313
Diversification out of agriculture	9,651	2,121	9,422	24,278
Basic Payment Scheme	10,727	5,163	13,765	17,681

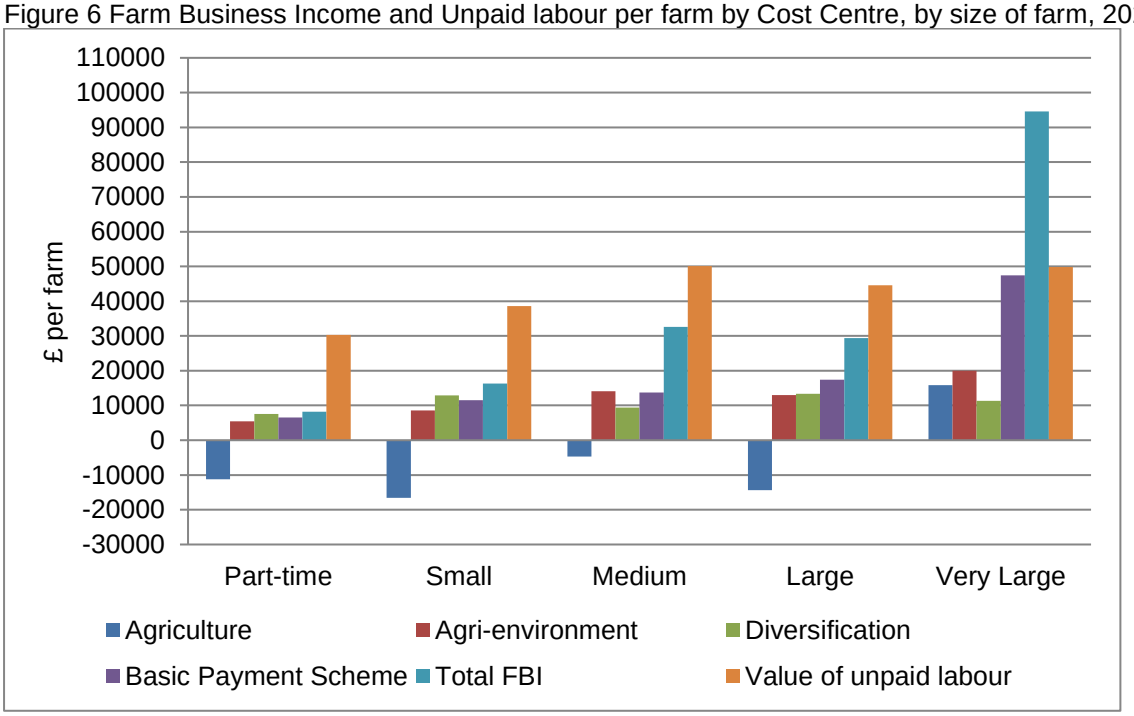
[4] For these calculations, Casual labour and Contracting are considered variable costs rather than fixed costs as in our other tables, and interest is net rather than being shown as an income and a cost.

Figure 5 Farm Business Income and Unpaid labour per hectare by Cost Centre, by Performance Band, 2023-24



	Low	Medium	High
Agriculture	-396	-149	21
Agri-environment	25	81	120
Diversification	38	70	168
Basic Payment Scheme	92	116	123
Total FBI	-241	118	432
Value of unpaid labour	604	429	251

Figure 6 Farm Business Income and Unpaid labour per farm by Cost Centre, by size of farm, 2023-24



Gross Margin data from the Lowland Grazing Livestock farms[5]

- Gross margin per beef cow is slightly higher for the organic producers as compared to non-organic producers, but when lower stocking rates are included, the gross margin per hectare for the organic producers is lower than the non-organic producers. The Top Third non-organic producers' gross margins per cow are more than 60% higher than that of the average, with the difference due to both higher output and lower variable costs, mainly feed. (Table 11).
- For non-organic producers the gross margin per beef cow were at a low point in 2019-20 but have recovered in the four years from 2020-21 until 2023-24, a decade high of £286.. Over the same period the gross margin per cow follows a similar pattern for organic producers. (Figure 7)
- The beef rearing gross margin data for 'beef bred' store cattle and finished cattle are summarized in Table 12 and Figure 8. Both systems produce a broadly similar gross margin per head, both on average and at the premium level but in favour of the finishing systems in 2023-24.
- For the beef bred finishing cattle systems organic producers have the lower variable costs per head (£167 against £376) alongside lower output (£567 against £770) with the resulting gross margin per head similar to non-organic producers. The average non-organic beef bred finisher has higher stocking rate which leaves a higher gross margin per hectare than the organic producers (See Table 12).
- The gross margins from the cattle rearing systems show the top third group of producers having margins per head 54% higher than those achieved by the average. On a per hectare basis a similar increase can also be seen for both the premium beef finishers and store cattle producers. As with most of the gross margins from these farms the top third producers have higher output with lower variable costs.
- The gross margin per ewe for the lowland ewes for the non-organic producers is lower than the organic producers. The stocking rates for both types of production are low, 4.1 ewes per hectare or lower which is less than half the stocking rate of Dairy farms when calculated on a GLU basis. As compared to the previous year the gross margin per ewe from both non-organic and organic lowland sheep flocks increased by £8 and £6 per head respectively. (Table 13 and Figure 9).
- Gross margins per hectare from all the main livestock enterprises are increased compared with last year, except for the Beef Cows which have remained similar. Comparing the average gross margin per hectare across the differing livestock enterprises (Figure 10) - the cattle rearing enterprises (either store or finishing beef systems) tend to have higher margin per hectare than the breeders, beef cows having the lowest gross margin per hectare. This has been the same for at least the last six years.

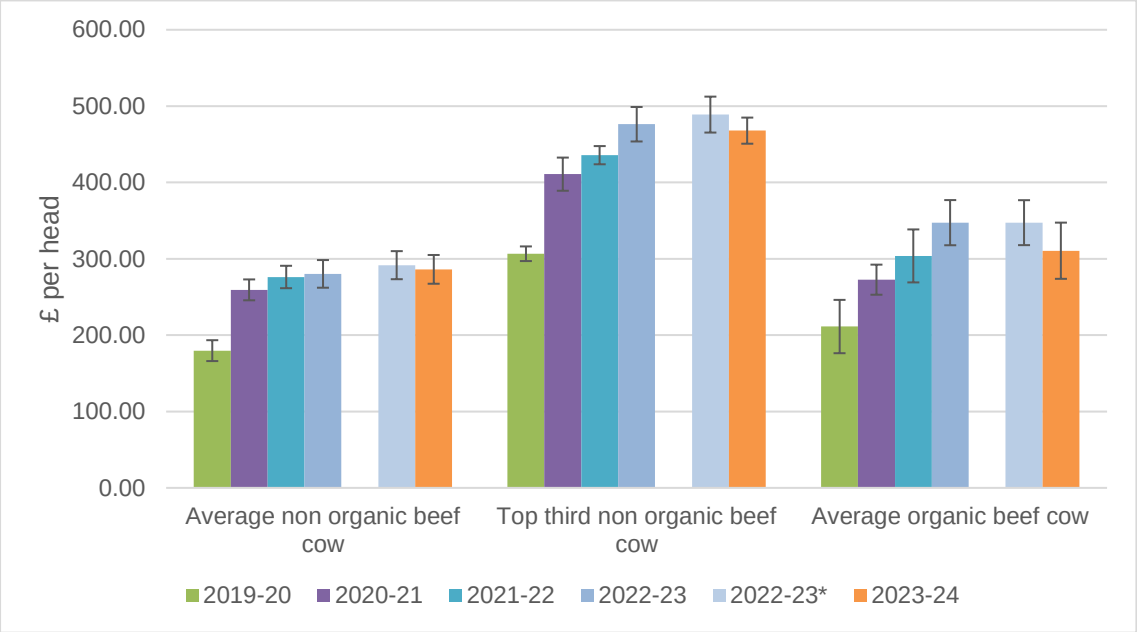
[5] Most of the farms within the sample can calculate gross margins for their enterprises. Enterprises with small numbers of farms have not been included. Where the sample sizes allow, top third group figures (weighted total population) are also produced. Sample sizes are small for some of these analyses and standard error bars have been included in the figures to indicate the accuracy of the estimate of the mean. Error bars are shown on 95% confidence intervals as a measure of the uncertainty that may apply to the estimated means. These signify that we are 95% confident that this range contains the true value. They are calculated as the standard error (se) multiplied by 1.96 to give the 95% confidence interval (95% CI)

Table 11 Lowland Beef Cow Gross Margin data

Gross margins per cow, per LU and per hectare				2023/24
(Weighted average performance)		Average		Top Third*
		Non-organic	Organic	Non-organic
Number of farms		121	24	40
Cows per herd		35	31	36
Stocking rate:	LU/ha	0.97	0.79	0.94
	ha/LU	1.03	1.27	1.07
		£ per cow		
Output -	calf output	576.1	553.8	693.1
	depreciation	-49.0	-45.2	-8.9
ENTERPRISE OUTPUT (excl. BLSA)		527.1	508.5	684.2
Concentrates		44.9	15.5	36.1
Coarse fodder		18.6	42.5	14.8
Veterinary and medicines		38.4	35.9	39.9
Other livestock costs		69.1	76.5	66.0
Forage †		69.4	27.6	59.4
TOTAL VARIABLE COSTS ‡		240.4	197.9	216.3
GROSS MARGIN per cow (excl. BLSA)		286.7	310.6	467.9
GROSS MARGIN per LU (excl. BLSA)		290	314	465
GROSS MARGIN per hectare (excl. BLSA)		281	248	435
Concentrates per £100 output		9	3	5
Averages - previous year				
Stocking rate:	*LU/ha*	*0.97*	*0.81*	*0.96*
Gross Margin: £/cow		*280*	*347*	*476*
Gross Margin: £/ha		*272*	*279*	*456*
* Top Third of Weighted Population				
† Forage includes seeds, fertilisers, sprays and other crop costs				
‡ Restricted to concentrates, coarse fodder, veterinary and medicines, other livestock costs and forage.				

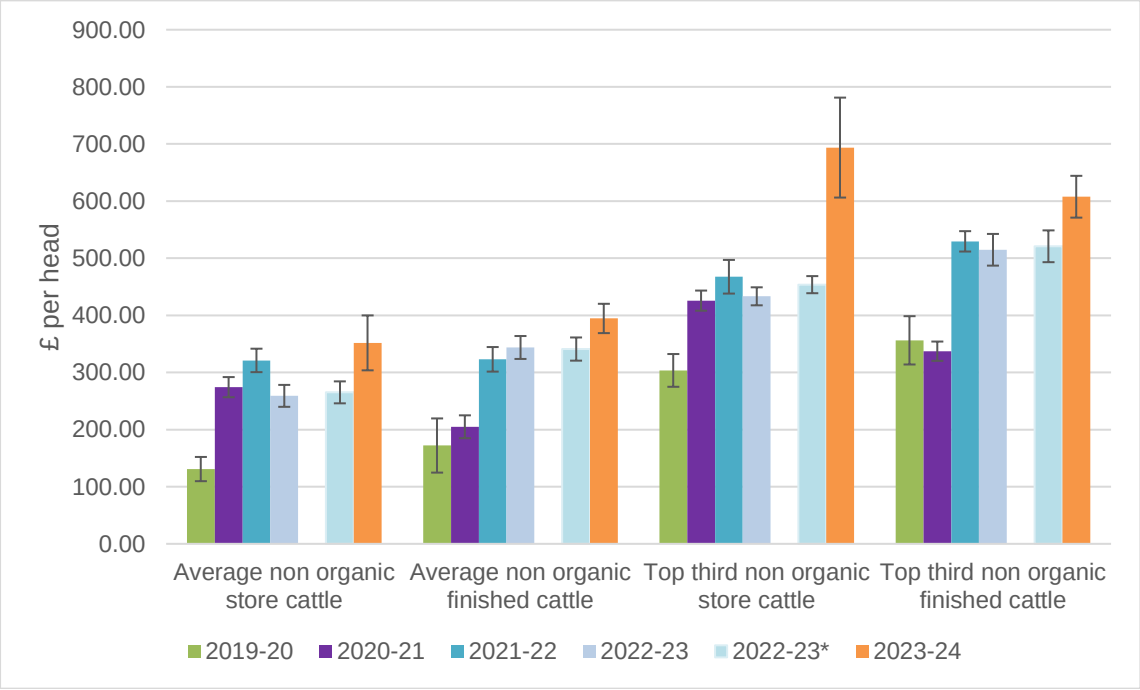
* Top third selected by level of gross margin per cow

Figure 7 Gross Margin per head for Beef Cows



*There is a break in the series in 2022/23, this represents changes in the method used to assign farms to a specific farm type. The 2022-23 figures have been reworked on the new farm type classifications.

Figure 8 Gross margins per head of Cattle Rearing Systems



*There is a break in the series in 2022/23, this represents changes in the method used to assign farms to a specific farm type. The 2022-23 figures have been reworked on the new farm type classifications.

Table 12- Lowland Beef Rearing Enterprise Gross Margin data

Gross margins per head, per LU and per hectare						2023/24
(Weighted average performance)		Store cattle		Finished cattle		
Beef bred cattle selling mainly-		Average	Top third*	Average		Top third*
		Non-organic	Non-organic	Non-organic	Organic	Non-organic
Number of farms		63	21	63	17	21
Cattle per herd		43	40	82	62	73
Stocking rate:	LU/ha	0.89	0.89	1.11	0.81	1.13
	ha/LU	1.13	1.12	0.90	1.23	0.89
		£ per head				
OUTPUT		588.8	895.9	770.4	566.8	969.4
Concentrates		112.6	66.9	224.1	66.8	212.3
Coarse fodder		7.4	10.1	13.2	9.1	16.7
Veterinary and medicines		22.1	24.3	19.4	9.1	18.6
Other livestock costs		56.7	69.7	70.1	61.6	75.0
Forage †		35.6	33.0	49.0	20.7	39.2
TOTAL VARIABLE COSTS ‡		234.4	204.0	375.9	167.2	361.7
GROSS MARGIN per head		354.4	691.8	394.6	399.6	607.6
GROSS MARGIN per LU		619	1136	686	647	1009
GROSS MARGIN per hectare		549	1012	762	525	1137
Concentrates per £100 output		19	7	29	12	22
Averages - previous year						
Stocking rate:	LU/ha	0.87	0.93	1.13	0.80	1.00
Gross Margin: £/head		259.0	433.3	343.8	446.1	514.8
Gross Margin: £/ha		381	658	650	560	856
* Top Third of Weighted Population						
† Forage includes seeds, fertilisers, sprays and other crop costs						
‡ Restricted to concentrates, coarse fodder, veterinary and medicines, other livestock costs and forage.						

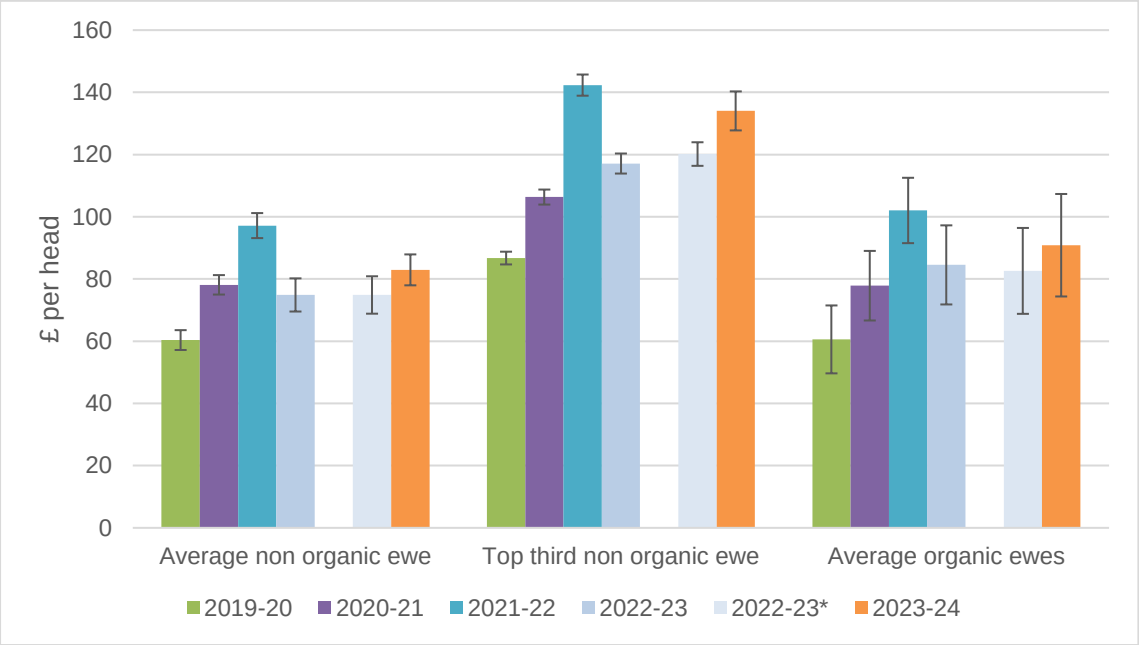
* Top third selected by level of gross margin per head

Table 13 –Lowland Ewe Gross Margin data

Gross margins per ewe and per hectare				2023/24
(Weighted average performance)		Average		Top Third*
		Non-organic	Organic	Non-organic
Number of flocks		115	14	38
Ewes per flock		281	115	249
Average lamb sale price - £/lamb		118.7	112.3	120.1
Stocking rate - ewes per hectare		4.1	3.5	5.0
		£ per head		
Output -	lambs	166.7	145.5	210.6
	wool	0.8	2.1	1.1
	depreciation	-16.7	-17.2	-17.3
ENTERPRISE OUTPUT (excl. BLSA)		150.8	130.4	194.4
Concentrates		28.2	5.7	23.0
Coarse fodder		3.6	3.9	4.1
Veterinary and medicines		10.9	10.8	10.0
Other livestock costs		16.3	15.9	16.6
Forage †		8.7	3.2	6.7
TOTAL VARIABLE COSTS ‡		67.8	39.5	60.3
GROSS MARGIN per ewe (excl. BLSA)		82.9	90.8	134.0
GROSS MARGIN per LU (excl.BLSA)		521	578	805
GROSS MARGIN per hectare (excl. BLSA)		343	316	672
Concentrates per £100 of output		19	4	12
Averages - previous year				
Stocking rate:	ewes/ hectare	4.7	4.9	5.4
Gross Margin: £/ewe		74.9	84.5	117.1
Gross Margin: £/ha		349	415	631
Average finished sale price- £ /head		111.8	111.5	112.7
* Top Third of Weighted Population				
† Forage includes seeds, fertilisers, sprays and other crop costs				
‡ Restricted to concentrates, coarse fodder, veterinary and medicines, other livestock costs and forage.				

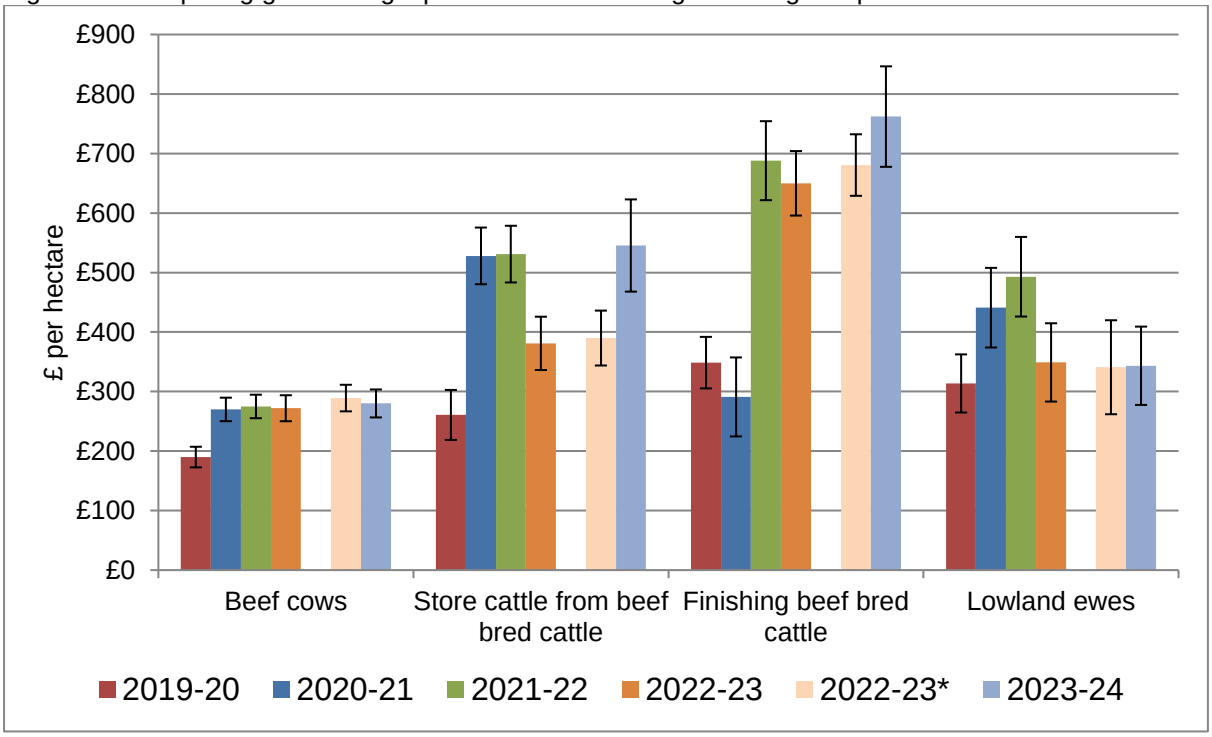
*Top third selected by gross margin per ewe

Figure 9: Lowland Ewe Gross Margin per Head



*There is a break in the series in 2022/23, this represents changes in the method used to assign farms to a specific farm type. The 2022-23 figures have been reworked on the new farm type classifications.

Figure 10 Comparing gross margin per hectare for average non-organic producers.



*There is a break in the series in 2022/23, this represents changes in the method used to assign farms to a specific farm type. The 2022-23 figures have been reworked on the new farm type classifications.

Appendix 1 The Farm Business Survey (FBS)

General

The FBS sample covers businesses with an economic Standard Output of 25,000 Euros (around £21,000) and above. Practically all of the sampled accounts close within the four months from the end of December to the end of the following April with concentrations at the close of the calendar year and towards the end of March and early April. About 75 per cent of the accounts close during these two peak periods. Thus, the results relate, on average, to March - February years.

Classification of survey farms by type of farming and size of business

A revised classification of farm types was introduced in 2010/11 based on Standard Outputs, which caused changes to the distribution of farms by farm type. Further details of the revised classification and its effect on the FBS sample may be found at:
https://www.gov.uk/farm-business-survey-technical-notes-and-guidance

The lower size threshold for the Farm Business Survey was also changed from 0.5 Standard Labour Requirements (in annual full-time equivalents) to a standard output of 25,000 Euros. Therefore, the results published here relate to farms for which the total standard output from cropping and stocking activities is at least 25,000 Euros.

The Standard Labour Requirement (SLR) of a farm represents the normal labour requirement, in Full Time Equivalents, for all the enterprises on a farm under typical conditions. The SLR for a farm is calculated from standard coefficients applied to each enterprise on the farm. The standard coefficients represent the input of labour required per head of livestock or per hectare of crops for enterprises of average size and performance.

Farms in the sample are grouped by type of farm based on the EC system of classification defined by Commission Decision 1242/2008 (with minor modifications to adapt it to United Kingdom conditions) and Standard Outputs per hectare of crop area and per head of livestock estimated over the period 2008-2012.

The Standard Output (SO) is a financial measure used to classify farm type. 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. Each farm is assigned a total SO by aggregating the SOs for its agricultural enterprises. The farm is classified into a 'particular' type of farming by evaluating the proportion of its total SO deriving from different enterprises.

From 2023-24, the classification of farms is based on 2017 standard output (SO) coefficients. 2022-23 results have been recalculated and presented in this report on the 2017 SO coefficients to allow comparability between 2022-23 and 2023-24. The results published here are therefore not directly comparable with those published in reports in earlier years which are based on previous SO coefficients.

The characteristics of each farm type are summarised as follows: -
Cereals- Farms on which cereals, oilseeds, peas and beans harvested dry account for over two-thirds of their total SO (holdings with more than two-thirds of their total SO in set-aside are excluded from the survey results).
General cropping- Farms with over two-thirds of their total SO in arable crops (including field scale vegetables) or a mixture of arable and horticultural crops; and holdings where arable crops account for more than one-third of total SO and no other grouping accounts for more than one-third.
Dairy-Farms where the dairy enterprise, including followers, accounts for over two-thirds of their total SO.

LFA grazing livestock-Farms with more than two-thirds of their total SO in cattle and sheep except holdings classified as dairy. A farm is classified as in the LFA if 50% or more of its total area is in the Less Favoured Area (both Disadvantaged and Severely Disadvantaged).
Lowland grazing livestock-farms with more than two-thirds of their total SO in cattle and sheep except holdings classified as dairy. A farm is classified as "lowland" if less than 50% of its total area is in the Less Favoured Area.
Horticulture- Holdings on which fruit (including vineyards), hardy nursery stock, glasshouse flowers and vegetables, market garden scale vegetables, outdoor bulbs and flowers, and mushrooms account for more than two thirds of their total SO
Specialist pigs- Farms on which pigs account for over two-thirds of their total SO.
Specialist poultry -Farms on which poultry account for over two-thirds of their total SO.
Mixed farms- Farms where crops account for one-third, but less than two-thirds of total SO and livestock accounts for one-third, but less than two-thirds of total SO. It also includes holdings with mixtures of cattle and sheep and pigs and poultry and holdings where one or other of these groups is dominant, but does not account for more than two-thirds of the total SO.

Farm business size in the United Kingdom is measured in Standard Labour Requirements (SLR) expressed in terms of full-time equivalents. Five size groups are defined for this report:

Part-time (less than 1 SLR)
Small (greater than or equal to 1 less than 2 SLR's)
Medium (greater than or equal to 2 less than 3 SLR's)
Large (greater than or equal to 3 less than 5) SLR's
Very Large (greater than or equal to 5 SLR's)

Farms are allocated to performance bands according to total farm output divided by total farm costs. The farms are then ranked and allocated to groups representing 25, 50 and 75 percentiles; equivalent to low, medium and high performance bands.

Weighting Procedure
All results in this report are weighted so as to provide estimates for the population. The weights are based on the ratio of numbers of businesses in the population (as given by the June Survey) and in the sample within each farm type and size group. These weights are then further refined by a calibration process using information from sources other than the Census (mostly administrative data). For more information on the FBS weighting procedure and other statistical issues, please see:
https://www.gov.uk/farm-business-survey-technical-notes-and-guidance

Definition of Terms

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.
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, and household gardens).
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).
Total area farmed comprises the total area of the farm minus woodlands and buildings, etc. plus net land hired in.
Adjusted utilised agricultural area comprises the utilised agricultural area with rough grazing in sole occupation converted to a permanent pasture equivalent.
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.
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. A summary of the main livestock units is shown below.

Dairy cows	1.00 LU	Beef Cows	0.75 LU	Heifers in calf	0.80 LU
Cattle over 2 years	0.80 LU	Cattle 1-2 years	0.65 LU	Cattle 0-12 months	0.34 LU
Bulls	0.75 LU	Lowland Ewes	0.10 LU	Upland Ewes	0.08 LU
Hill Ewes	0.06 LU	Store lambs	0.04 LU	Rams	0.08 LU

Annual labour units (ALU) are the estimated number of full-time worker equivalent 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.
Enterprise output is the main measure of individual crop and livestock output. It comprises:
(a) ***Cash crop enterprise output***, which is the total value of cash crops produced by the farm (other than losses in the field and in store) including *direct crop subsidies* due. 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 and net farm income.
(b) ***By-products, forage and cultivations***, which cover the value of output of the by-products of agricultural activity, sales of fodder, valuation changes for fodder and cultivations. It also covers revenue from the letting of bare land or forage on a short-term lease.
(c) ***Livestock enterprise output*** comprises the total sales of livestock and livestock products, 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 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.
(d). ***Rental Income*** comprises the renting-out of farm cottages and other buildings, where these are inseparable from the main farm account.
(e) ***Contract work*** includes returns from the use of farm resources for hire work
(f) ***Miscellaneous output includes*** returns from recreational activities, added value activities, the private share of the rental of the farmhouse and the value of any farm labour or other inputs used for producing capital assets for the farm.
Total farm output is the sum of crop and livestock enterprise output, income from the agri-environment schemes, Basic payment scheme and miscellaneous output, and the adjustment for previous years' crops. It excludes breeding livestock stock appreciation.

Inputs 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. The appropriate share of any input not used entirely by the farm business is deducted.
Total variable costs
These are taken to be costs of feed, veterinary fees and medicines, other livestock costs, seeds, fertilisers, crop protection and other crop costs.
Concentrate feed includes (a) bought compounds and grains, sugar beet pulp, proteins, milk powder, animal and plant proteins, additives, minerals and vitamins; and (b) home produced cereals, beans, peas, milk and milk products, valued at the average ex-farm price.
Purchased Fodder includes purchased bulk feeds such as potatoes, vegetable residues, wet brewers' grains, hay and feed straw, and agistment. It does not include forage produced on the holding. Payments for grass keep and bare land are shown with land charges.
Veterinary fees and medicines consist of veterinary fees and the cost of all medicines.

Other livestock costs includes all expenditure relating directly to livestock production such as freeze branding, AI fees, milk tests, breed society fees, dairy and other detergents, packing materials, bedding straw, show expenses, processing and marketing charges, disposal of casualties, etc.and other livestock costs not separately identified.
Seeds 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 homegrown seed used in the production of the current crop to be identified.
Fertilizers 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.
Crop protection This includes costs of pre-emergent sprays, fungicides, herbicides, dusts and insecticides and other crop sprays.
Other crop costs include all expenditure relating directly to crop production such as packing materials, baler cord, soil analyses, crop competition costs, polythene (for tunnels), all storage and market preparation costs, purchase of standing crops, marketing charges, soil sterilisation, etc. It also includes the cost of renting bare land (for growing cash crops) for less than one year.

Total fixed costs
These are the costs of labour, machinery, contract work, land and buildings, other general farming costs and depreciation.
Labour (excluding farmer and spouse) costs include all work in connection with the normal running of the holding including field work, livestock husbandry, market preparation, maintenance, transport and other related operations. They exclude work to produce fixed assets (construction or repairs of buildings and machinery, etc.), domestic work and business travel/professional meetings, etc.
'Unpaid' labour is valued at the appropriate rate for the work actually done. The value of the manual labour of the farmer and spouse is not charged as an input in calculating net farm income.
Contract costs 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.
Machinery costs relate to all machinery and equipment items, which originally cost more than £500, including the farm *share* of road vehicles. Depreciation is calculated on a replacement cost basis (broadly equivalent to 15% of current replacement costs). Repairs are recorded net of insurance receipts.
Land expenses include tenant-type repairs and land upkeep costs as Property repairs, the actual rents paid by tenant farmers and drainage rates where incurred. Payments for grass keep and bare land are also included. For land and buildings owned a 'rental value' is included based on similar payments made by tenants in similar circumstances.
General overheads include the farm share of electricity, heating fuel, water, insurance (including labour and buildings insurance) and professional fees. Bank charges, secretarial costs, consultancy fees and other sundry costs (such as subscriptions, telephone, postage, stationery, etc.) are included in Other general costs.

Net Farm Income (NFI) is intended as a consistent measure of the profitability of tenant-type farming 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 invested in the farm business.
To represent the return to farmer and spouse alone, a notional deduction is made for any unpaid labour provided by non-principal partners and directors, their spouses and by others; this unpaid labour is valued at average local market rates for manual agricultural work.
To confine the measure to the tenant-type activities and assets of the business, an imputed rent is deducted for owner-occupied land and buildings and for landlord-type improvements made by the tenant. No deduction is made for interest payments on any farming loans, overdrafts or mortgages; interest earned on financial assets is also excluded.
Because of these two restrictions, NFI is not a proxy for farm business income; other measures, such as Net Profit and Family Farm Income should be used instead. Nor is it a proxy for farm household

income both because NFI does not accurately represent the farmer and spouse share of the business and because it takes no account of any income from off-farm sources.

Breeding livestock stock appreciation represents the change in market prices of breeding cattle, sheep and pigs between the opening and closing valuations.

Farm business income (FBI) 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. It is defined as Total Farm Output (TFO) plus profit / loss on sale of assets minus cost (C): where TFO is defined as the sum of output from: crop enterprises, adjustment for disposal of previous crops, livestock enterprises, separable non-agricultural diversification, Basic farm payment, agri-environmental payments, other grants and subsidies, miscellaneous receipts; C is defined as variable costs plus fixed costs. Note that prior to 2008/09 directors' remuneration was not deducted in the calculation of farm business income. 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.

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 Profit. This allows the profitability of sole traders and partnerships to be compared directly with that of other 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.

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. Currently the data for Farm Corporate income are only approximate, so too are the data for Farm Investment Income.

Balance Sheet Tables
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.
Bank term loans and ***other long and medium term loans*** are loans which exceed 12 months.
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.

FBS
Farm Business Survey

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