

**FBS**  
Farm Business Survey



Department  
for Environment  
Food & Rural Affairs

# FARM BUSINESS SURVEY

Lowland Livestock farming  
in England



**Farm Business Survey**

**2022-23**

## **Lowland Grazing Livestock Production in England**

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## Acknowledgements

Promar thanks sincerely all the farmers who have voluntarily provided records and information on which the annual Farm Business Survey, and this report, is based.

The basic information on which this report is based was collected on behalf of, and financed by, the Department for Environment, Food and Rural Affairs and is Crown Copyright.

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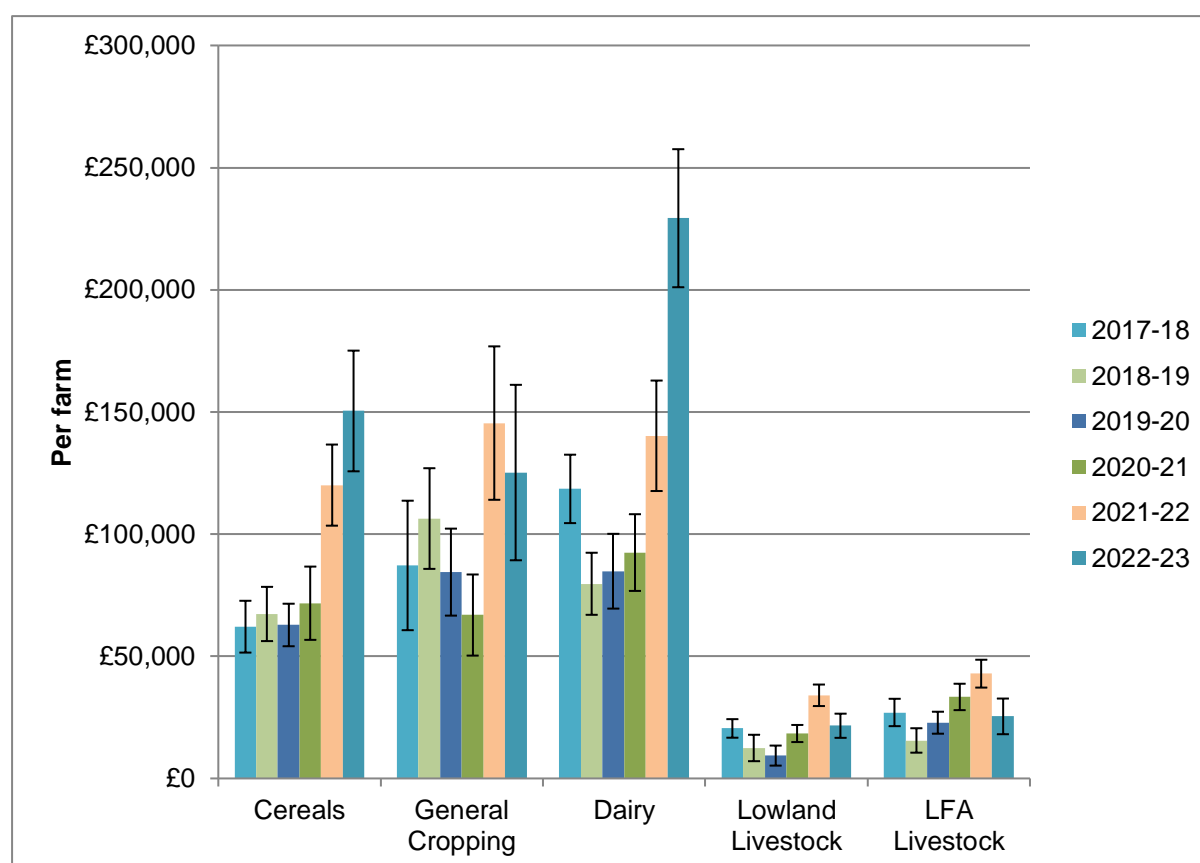
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## Key Findings of Lowland Grazing Livestock Production in England 2022-23

- Lowland Grazing Livestock farms account for about a quarter of commercial holdings in England. 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 2022-23 for the Lowland Grazing Livestock farms in England was £21,563 per farm, a decrease of £12,464 as compared to the previous year, which was the highest for two decades.
- 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

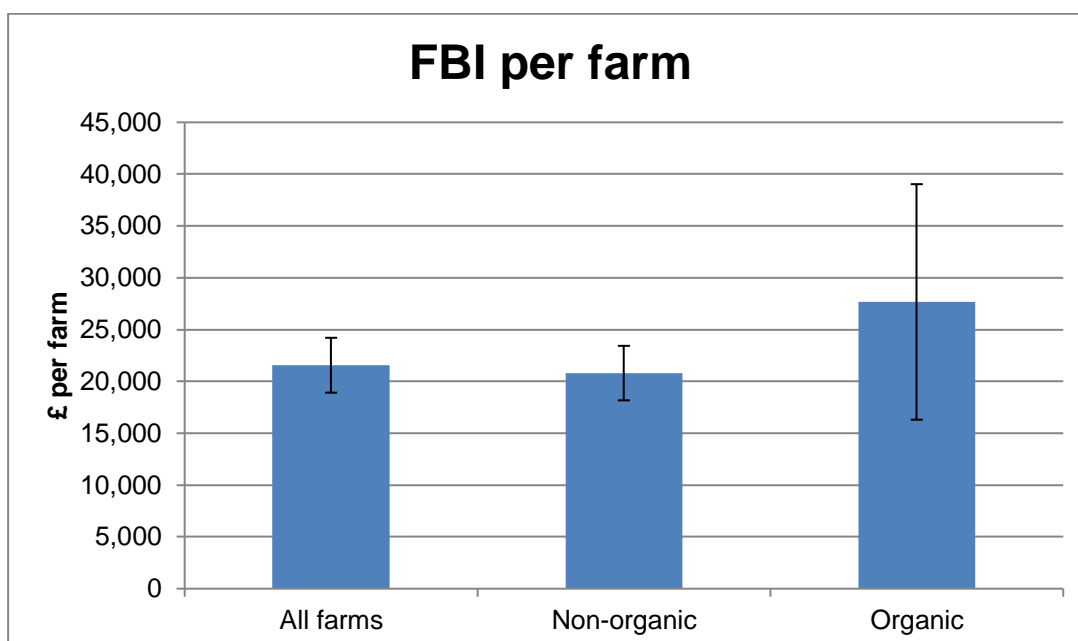


Source: [Farm Business Income by type of farm in England 2022/23 - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/statistics/farm-business-income-by-type-of-farm-in-england-2022-23)

- 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 less than half the area of the High Performance producers and produced a lower Farm Business Income per hectare, a loss of £171 per hectare compared to an income of £530 per hectare for the High Performers.
- For the average Lowland Grazing Livestock farm in 2022-23 the value of unpaid labour used by the business was estimated to be £35,886 with private drawings coming to £27,500. Thus, these businesses are 'rewarding' themselves at 76% the appropriate market rate for their

labour. For this year the Farm Business Income is £5,937 lower than the private drawings, thus representing a loss on their capital invested in the business.

Lowland Grazing Livestock farms- Farm Business Income per farm, by type of production. 2022-23



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 2022-23 would be making a Farm Business Income of £6,037.
- From the gross margin analysis, the premium (top third) producers, as ranked by gross margin per head, have gross margins 70% higher for the lowland beef cows and rearing cattle to sell as stores were 67% higher. Top third producers of finishing cattle have gross margins 50% higher than the average. Lowland breeding ewes show that the top third producers are 58% 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 2022-23

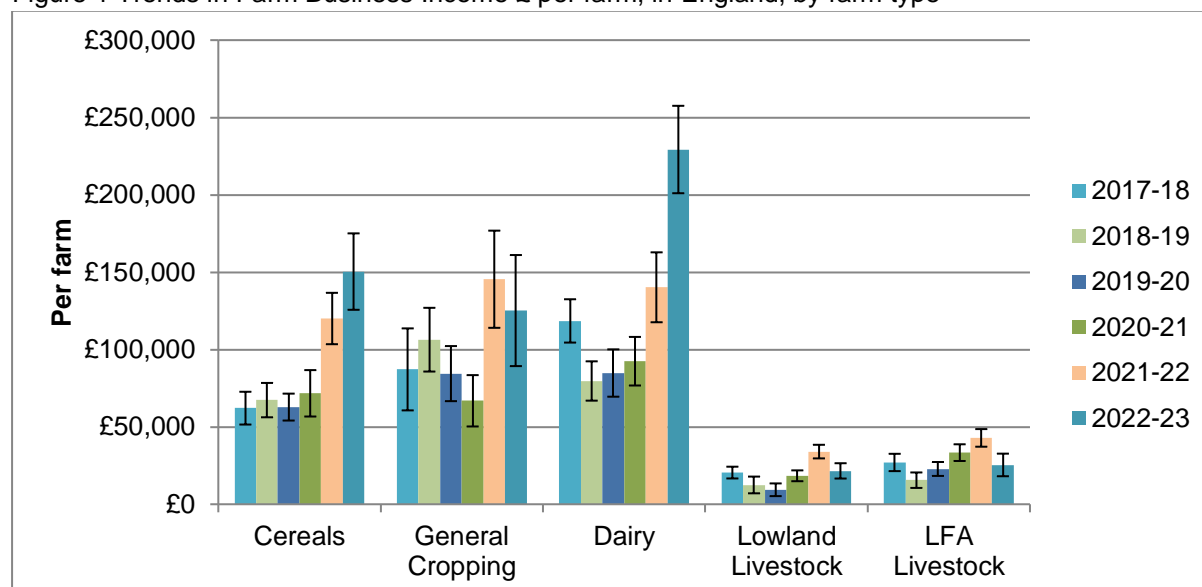
- It is important to note that all surveys are subject to sampling error as they are not measuring the whole population, the Farm Business Survey (FBS) is no exception. It is common practice to publish 95% confidence intervals and error bars alongside any published estimated figures to give the reader 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 less than a fifth are classified as Lowland Grazing Livestock<sup>1</sup> with close to 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. 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). Figure 3 also 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.
- A number of 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 2017. Output prices from cattle and sheep have also seen changes and volatility in the same period. The 2022 year indicated significant increases in all the illustrated costs whilst output only rose slightly.

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<sup>1</sup> 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



Source: [Farm Business Income by type of farm in England 2022/23 - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/statistics/farm-business-income-by-type-of-farm-in-england-2022-23)

Figure 2 Farm Business Income per hectare in England 2022-23, by Farm Type

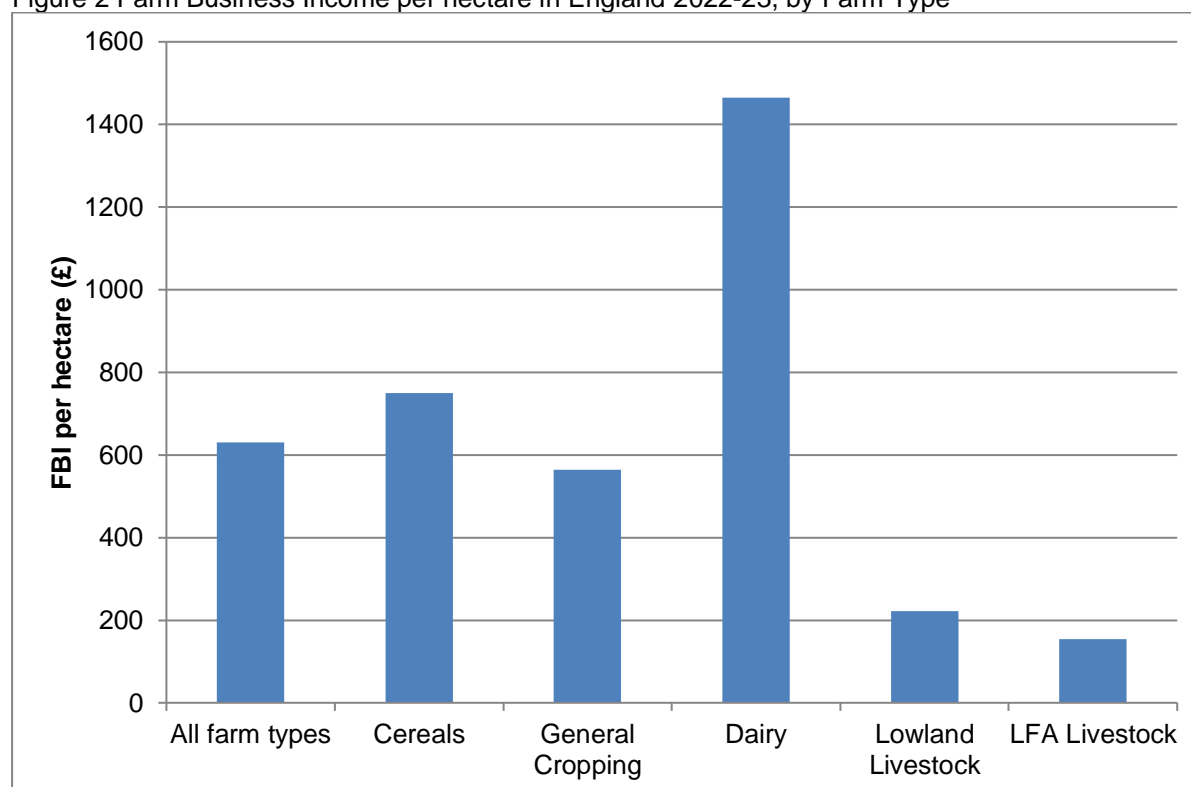




Figure 3 Lowland Grazing Livestock farms in England - Average Farm Business Income by Cost Centre 2017-2022 crop years

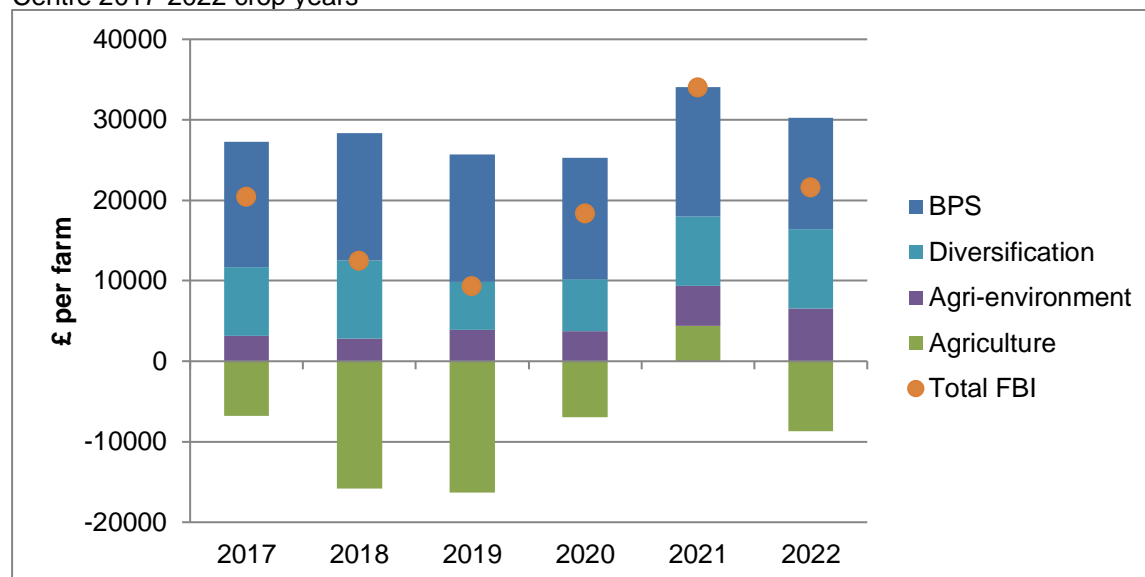
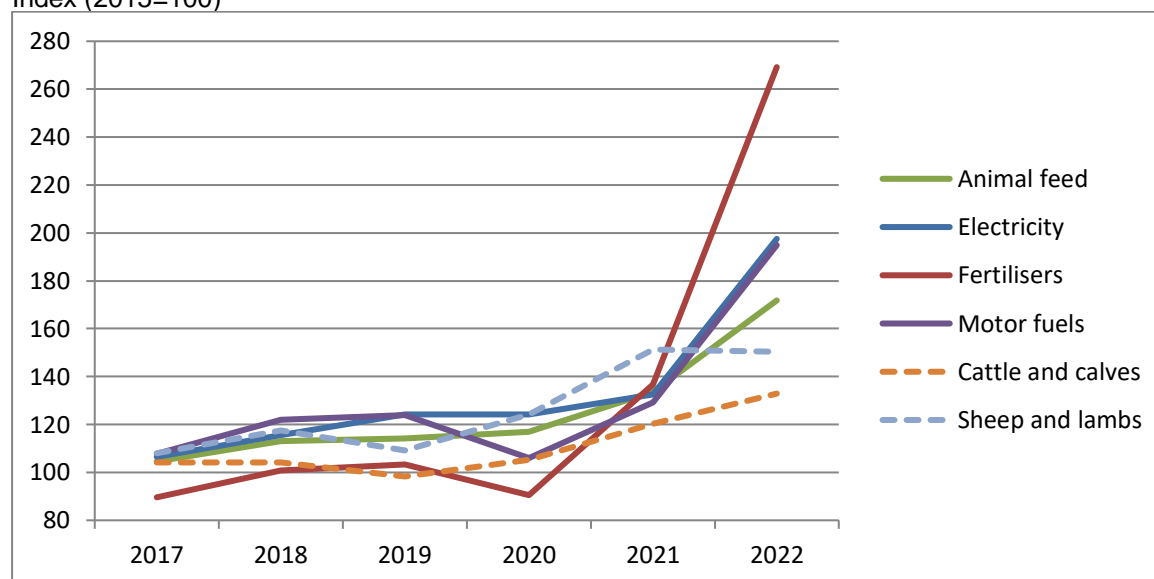


Figure 4 Indices of Producer and input Prices of Agricultural Products (United Kingdom) Index (2015=100)



Source: Defra, API

## Lowland Grazing Livestock Production in 2022-23 detailed results

- This report uses data extracted from the Farm Business Survey (FBS) for this important group of farms and includes data from 268 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 results for the FBS farms for 2022-23 show a decline in Farm Business Income per average farm from 2021-22 to £21,563, a decrease of £12,464. Basic Payment Scheme income was £2,230 lower although £1,314 more income came from diversification. The Agri-environmental income stream increased by £1,523. The largest decrease in income came from 'agriculture' which was £13,070 lower, after two years of significant increases. The Net Farm Income was £8,987 per farm, compared with £23,159 in 2021-22. (Table 1).
- The average Lowland Grazing Livestock farm was 58% owner occupied and the average area farmed was 97.1 hectares. Permanent grassland and rough grazing cover 66% of the area with temporary grassland and fodder crops another 19%. 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 68% of these livestock units (Table 2).
- The balance sheet for the average farm shows over £121,000 of liabilities with most of the borrowing held by the banks, as loans or overdraft. Total assets for the business of £1,532,000 are dominated by the land and buildings which account for 83% 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 still difficult to justify and then service.
- 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 £37,806 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 £28,000 was spent on capital purchases. There was £10,000 net investment in land and property, whilst machinery investment was close to £13,000. The machinery pool on these farms was maintained, despite a higher depreciation figure than 2021, with re-investment being £2,300 more than the level of machinery depreciation charged to these businesses. This left a farm fund flow net transfer in of private funds, resulting in a £2,514 deficit, reflected in a decrease in net bank balances. 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 increased to the normal higher levels seen before last year, a reflection of return to lower profitability this year.
- 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.<sup>2</sup> Farm size is important, with the better performing businesses being much larger farms and therefore able to spread their fixed costs over a larger area (Table 1). Farm Business Income per hectare still tends

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<sup>2</sup> 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.

to be higher on the High performing farms (Table 5). Low performing farms tended to have lower levels of farm output per hectare. Variable costs are reflective of the output achieved and broadly similar across all performance levels, but substantial cost savings are made with fixed costs. Lower costs are seen in all the fixed cost categories for the High performing group but the differences in the machinery costs have the largest impact.

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

Financial details, 2022/23	Average all farms	Performance Level		
		Low	Medium	High
Number of farms in group	268	40	137	91
Average farmed area (hectares)	97.1	56.4	101.1	129.5
Average % of owned total farmed area	58%	63%	57%	58%
	£ per farm			
<b>Output</b>				
Cattle	47,458	23,437	46,337	73,505
Sheep	21,897	6,300	23,887	33,359
Other livestock	1,046	0	1,065	2,043
Crops	9,837	1,125	8,991	20,165
Forage	6,243	2,326	4,484	13,654
Environmental schemes	8,652	2,696	9,083	13,687
Basic Payment Scheme	15,526	8,491	16,169	21,206
Rental income	7,853	1,089	5,974	18,324
Contract work	5,474	2,355	5,629	8,255
Renewable energy production	2,803	1,255	1,074	7,803
Miscellaneous output	11,710	6,885	8,786	22,354
<b>Total Farm Output</b>	138,499	55,958	131,478	234,356
<b>Variable costs</b>				
Concentrates	17,281	6,852	19,859	22,444
Purchased fodder	1,807	628	2,198	2,188
Veterinary and medicines	3,255	1,973	3,154	4,728
Other livestock costs	8,030	5,123	8,353	10,263
Seeds	1,655	773	1,602	2,635
Fertilisers	4,461	1,118	4,657	7,381
Crop protection	1,481	401	1,412	2,691
Other crop costs	888	395	766	1,622
<b>Total Variable Costs</b>	38,859	17,263	42,003	53,950
<b>Gross Margin</b>	99,639	38,694	89,475	180,406
<b>Fixed costs</b>				
Paid labour	6,807	2,282	6,409	12,089
Contract	7,630	4,534	7,054	11,851
Machinery repairs	6,406	3,594	6,657	8,690
Machinery fuel	7,127	4,245	6,654	10,933
Machinery depreciation	10,454	6,497	9,752	15,783
General costs	17,046	12,493	16,769	22,112
Property maintenance	7,633	4,785	7,843	10,032
Rent, hired in keep and bare land	6,185	3,430	6,112	9,063
Buildings depreciation	5,292	3,203	5,680	6,584
Interest	3,495	3,247	3,012	4,710
<b>Total Fixed Costs</b>	78,076	48,310	75,941	111,848
<b>FARM BUSINESS INCOME</b>	<b>21,563</b>	<b>-9,616</b>	<b>13,534</b>	<b>68,558</b>
All unpaid labour	35,886	35,277	37,111	34,031
<i>Equals</i> - FARM CORPORATE INCOME	-14,322	-44,893	-23,577	34,526
Plus - Net Interest	3,439	3,204	2,947	4,658
<i>Equals</i> - FARM INVESTMENT INCOME	-10,884	-41,690	-20,630	39,184

Alternative Income Measures, 2022/23					
			Performance Level		
		Average all farms	Low	Medium	High
Reconciliation between Net Farm Income and Farm Business Income					
	FARM BUSINESS INCOME	21,563	-9,616	13,534	68,558
Plus-	Directors' remuneration	434	368	597	173
Less-	Net income from assets associated with the farm business	0	0	0	0
Plus-	Buildings and works depreciation	5,292	3,203	5,680	6,584
Plus-	Landlord type expenses	781	1,173	580	796
Plus-	Imputed rental income	488	334	421	774
Less-	Imputed rent and rental value	16,090	9,599	16,329	22,043
Plus-	Net Interest	3,439	3,204	2,947	4,658
Less-	Unpaid labour of partners	6,920	5,884	7,681	6,419
Equals-	NET FARM INCOME**	8,987	-16,818	-251	53,081
** Excluding Breeding Livestock Stock Appreciation					

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

<b>Land Use and Indicators of Technical Efficiency, 2022/23</b>				
		<b>Performance Level</b>		
	Average all farms	Low	Medium	High
Number of farms in group	268	40	137	91
Average farmed area (hectares)	97.1	56.4	101.1	129.5
Average proportion of owned total farmed area (%)	58%	63%	57%	58%
<b>Land use</b>				
Area of crops	5.9	0.8	5.6	11.4
Temporary grass	15.8	6.6	14.5	27.3
Permanent grass	62.2	39.6	66.7	75.7
Fodder crops	3.1	2.1	2.6	5.1
Rough grazing	1.9	0.3	2.6	2.1
Uncropped, fallow and turf	2.2	1.7	2.7	1.8
Forage hired in	6.0	5.3	6.3	6.0
<b>Stocking</b>				
Average number of dairy cows	0	1	0	0
Average number of beef cows	20	14	20	25
Average number of other cattle	76	45	77	105
Average number of ewes	155	58	167	226
Average number of other sheep	171	80	182	239
Grazing livestock units	<b>GLUs per farm</b>			
Dairy cows	0.2	0.8	0.0	0.2
Beef cows	9.9	6.9	10.1	12.6
Other cattle	45.0	26.9	45.0	63.1
Sheep	24.9	10.1	26.7	36.0
Other livestock	1.3	0.9	1.0	2.2
Total	81.4	45.5	82.8	114.0
GLUs per ha	0.91	0.84	0.89	0.98
GLUs per adjusted ha	0.92	0.84	0.90	0.99

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

<b>Balance Sheet, 2022/23</b>	<b>Performance Level</b>			
(end of year)	Average all farms	Low	Medium	High
Number of farms in group	268	40	137	91
Average farmed area (hectares)	97.1	56.4	101.1	129.5
Average proportion of owned total farmed area	58%	63%	57%	58%
	£ per farm			
<b>End of year assets &amp; liabilities</b>				
Land & buildings	1,266,096	927,341	1,246,785	1,640,446
Milk quota	0	0	0	0
Basic Payment Scheme	13,091	7,303	13,490	18,026
Machinery	90,924	53,629	84,866	140,026
Tenant's other assets	186	21	164	395
Breeding livestock	48,928	26,898	50,908	66,784
<b>Total fixed assets</b>	<b>1,419,226</b>	<b>1,015,193</b>	<b>1,396,212</b>	<b>1,865,677</b>
Trading livestock	49,689	26,438	46,627	78,866
Crops	3,321	177	3,568	5,940
Forage and cultivations	6,216	3,318	5,697	10,127
Stores	7,819	3,319	8,016	11,882
Debtors and loans	11,407	4,442	9,628	21,877
Bank credit and cash	34,111	13,074	36,213	50,736
Other current assets	0	0	0	0
<b>Total current assets</b>	<b>112,563</b>	<b>50,768</b>	<b>109,749</b>	<b>179,428</b>
<b>Total assets</b>	<b>1,531,788</b>	<b>1,065,961</b>	<b>1,505,961</b>	<b>2,045,105</b>
<b>Financed by</b>				
AMC	20,299	11,533	14,154	41,310
Bank loans	46,406	50,034	38,136	59,398
Other long term	17,151	24,415	14,442	15,389
<b>Total long term</b>	<b>83,856</b>	<b>85,981</b>	<b>66,731</b>	<b>116,097</b>
HP and lease	7,285	3,549	7,436	10,683
Creditors	15,625	4,034	20,581	17,168
Bank overdraft	13,717	8,809	12,959	20,099
Other short term	438	818	397	144
<b>Total current liabilities</b>	<b>37,064</b>	<b>17,210</b>	<b>41,373</b>	<b>48,094</b>
<b>Total Liabilities</b>	<b>120,921</b>	<b>103,192</b>	<b>108,104</b>	<b>164,191</b>
<b>Net worth</b>	<b>1,410,868</b>	<b>962,770</b>	<b>1,397,858</b>	<b>1,880,913</b>
<b>Balance sheet ratios-</b>				
% Owner equity (net worth v. total assets)	92%	90%	93%	92%
% Fixed assets vs. total assets	93%	95%	93%	91%
Gearing (long-term loans v. total assets)	5%	8%	4%	6%
Total debt (external liabilities v.net worth)	9%	11%	8%	9%



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

FUND FLOWS, 2022/23	Average all farms	Performance Level		
		Low	Medium	High
Number of farms in group	268	40	137	91
Average farmed area (hectares)	97.1	56.4	101.1	129.5
Average proportion of owned total farmed area (%)	58%	63%	57%	58%
	£ per farm			
<b>Funds available from trading</b>				
Farm Business Income	21,563	-9,616	13,534	68,558
Buildings and works depreciation	5,292	3,203	5,680	6,584
Machinery depreciation	10,454	6,497	9,752	15,783
Change in valuation *	497	7,182	568	-6,268
Trading net fund flow surplus	37,806	7,266	29,533	84,656
<b>Funds used for farm investments</b>				
Net property and quota purchases	9,789	9,265	11,023	7,834
Net landlord capital purchases	5,532	1,650	4,961	10,524
Net machinery and equipment purchases	12,793	7,169	11,313	21,335
Capital net fund flow	28,114	18,084	27,297	39,692
<b>Total farm fund flow surplus</b>	9,692	-10,817	2,237	44,964
<b>Funds used for private expenditure</b>				
Private drawings	27,500	15,416	25,820	42,840
Net private funds introduced	15,294	22,729	18,610	1,278
Private fund outflow	12,206	-7,313	7,210	41,563
<b>Total net fund flow surplus</b>	<b>-2,514</b>	<b>-3,504</b>	<b>-4,973</b>	<b>3,401</b>
Increase in loans and deposits	-2,448	5,981	-3,740	-8,207
Increase in bank balance	-4,095	2,416	-5,216	-8,297
Increase in cash in hand	8	46	-5	-3
Increase in debtors	-1,540	-2,619	-2,671	1,796
Increase in creditors	-665	-2,633	821	-1,698
<b>Net change in funding</b>	<b>2,514</b>	<b>3,504</b>	<b>4,973</b>	<b>-3,401</b>
* 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	40	137	91
Average farmed area (hectares)	56.4	101.1	129.4
Average % of owned total farmed area	63%	57%	58%
	£ per hectare		
Livestock and crops	589	839	1102
Agri- environment type schemes	48	90	106
Basic Payment Scheme	151	160	164
Other	206	212	438
TOTAL FARM OUTPUT	994	1301	1810
Variable costs			
Livestock specific costs	259	332	306
Crop specific costs	48	83	111
TOTAL VARIABLE COSTS	307	415	417
TOTAL GROSS MARGIN	687	886	1393
Fixed costs			
Labour	41	63	93
Machinery	335	298	365
General farming costs	222	166	171
Land & Property	202	194	198
Interest paid	58	30	36
TOTAL FIXED COSTS	858	751	863
FARM BUSINESS INCOME	-171	135	530

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

Financial details, 2022/23	Type of Production	
	Non-organic	Organic
Number of farms in group	236	32
Average farmed area (hectares)	98.1	89.2
Average % of owned total farmed area	55%	83%
	£ per farm	
<b>Output</b>		
Cattle	49,320	32,528
Sheep	23,200	11,444
Other livestock	983	1,549
Crops	10,829	1,885
Forage	6,631	3,135
Environmental schemes	7,991	13,951
Basic Payment Scheme	15,555	15,289
Rental income	8,016	6,550
Contract work	6,127	238
Renewable energy production	1,618	12,304
Miscellaneous output	11,818	10,842
<b>Total Farm Output</b>	<b>142,088</b>	<b>109,713</b>
<b>Variable costs</b>		
Concentrates	19,078	2,874
Purchased fodder	1,820	1,697
Veterinary and medicines	3,338	2,593
Other livestock costs	8,299	5,878
Seeds	1,742	960
Fertilisers	4,986	252
Crop protection	1,666	0
Other crop costs	909	719
<b>Total Variable Costs</b>	<b>41,837</b>	<b>14,973</b>
<b>Gross Margin</b>	<b>100,250</b>	<b>94,741</b>
<b>Fixed costs</b>		
Paid labour	6,804	6,830
Contract	8,023	4,481
Machinery repairs	6,681	4,201
Machinery fuel	7,590	3,415
Machinery depreciation	10,621	9,115
General costs	17,142	16,274
Property maintenance	7,420	9,335
Rent, hired in keep and bare land	6,653	2,437
Buildings depreciation	5,034	7,357
Interest	3,479	3,627
<b>Total Fixed Costs</b>	<b>79,448</b>	<b>67,071</b>
<b>FARM BUSINESS INCOME</b>	<b>20,802</b>	<b>27,670</b>
All unpaid labour	36,417	31,622
<i>Equals</i> - FARM CORPORATE INCOME	-15,615	-3,952
Plus - Net Interest	3,419	3,597
<i>Equals</i> - FARM INVESTMENT INCOME	-12,196	-355

Table 7: Income details, by size of business

Financial details, 2022/23	Size of Business				
	Part-time	Small	Medium	Large	Very Large
Number of farms in group	42	91	64	39	32
Average farmed area (hectares)	51.2	87.0	122.0	161.7	455.5
Average % of owned total farmed area	82%	75%	44%	54%	18%
	£ per farm				
<b>Output</b>					
Cattle	19,478	46,550	72,287	119,889	139,680
Sheep	3,658	12,870	42,203	58,975	158,123
Other livestock	63	744	1,901	255	12,020
Crops	1,478	7,164	15,450	35,522	56,497
Forage	5,265	8,141	7,758	1,884	2,358
Environmental schemes	6,204	7,141	15,433	9,668	24,090
Basic Payment Scheme	9,455	15,079	18,713	24,582	54,831
Rental income	4,725	9,882	8,645	11,439	13,135
Contract work	3,392	7,533	3,844	7,377	10,035
Renewable energy production	3,658	2,641	1,915	944	1,403
Miscellaneous output	8,291	15,860	11,959	8,533	14,340
<b>Total Farm Output</b>	<b>65,667</b>	<b>133,605</b>	<b>200,109</b>	<b>279,068</b>	<b>486,511</b>
<b>Variable costs</b>					
Concentrates	3,871	15,578	28,222	50,434	77,581
Purchased fodder	450	1,362	3,076	3,583	12,301
Veterinary and medicines	1,191	2,568	5,328	7,208	16,879
Other livestock costs	3,179	7,468	12,880	18,387	29,441
Seeds	900	1,526	2,167	3,473	5,709
Fertilisers	1,237	3,744	6,488	14,515	19,950
Crop protection	466	1,064	2,268	4,063	8,504
Other crop costs	411	956	1,225	1,961	2,271
<b>Total Variable Costs</b>	<b>11,706</b>	<b>34,265</b>	<b>61,654</b>	<b>103,625</b>	<b>172,636</b>
<b>Gross Margin</b>	<b>53,961</b>	<b>99,340</b>	<b>138,455</b>	<b>175,443</b>	<b>313,875</b>
<b>Fixed costs</b>					
Paid labour	2,884	6,339	8,088	12,442	36,359
Contract	4,034	6,614	10,347	17,812	27,085
Machinery repairs	4,010	6,560	8,442	8,855	18,688
Machinery fuel	3,353	7,280	10,705	13,636	21,848
Machinery depreciation	6,528	10,384	14,212	17,582	27,018
General costs	12,255	18,680	20,129	21,883	33,280
Property maintenance	4,788	7,990	12,939	10,434	12,483
Rent, hired in keep and bare land	2,094	4,192	11,279	14,226	35,357
Buildings depreciation	3,399	6,396	5,775	9,159	6,782
Interest	2,226	3,364	4,726	7,742	6,590
<b>Total Fixed Costs</b>	<b>45,571</b>	<b>77,798</b>	<b>106,643</b>	<b>133,770</b>	<b>225,490</b>
<b>FARM BUSINESS INCOME</b>	<b>8,390</b>	<b>21,541</b>	<b>31,812</b>	<b>41,673</b>	<b>88,385</b>
All unpaid labour	28,630	38,282	44,946	44,001	47,094
<i>Equals</i> - FARM CORPORATE INCOME	-20,240	-16,740	-13,134	-2,328	41,291
Plus - Net Interest	2,183	3,287	4,714	7,699	6,415
<i>Equals</i> - FARM INVESTMENT INCOME	-18,057	-13,453	-8,420	5,371	47,706

### 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 importance of the Basic Payment Scheme (BPS) is very important, as illustrated in Table 8. The Basic Payment Scheme per farm represents 11% of the Total Output for Lowland Livestock Grazing farms and 72% 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 £6,037. Only businesses classified as Large or Very Large have a Farm Business Income above the level of their private drawings.
- Regarding the importance of the Basic Payment Scheme to the Lowland Grazing Livestock farms, the reality of farming without most of this support looks challenging and unlikely to be sustainable in the current structure.

Table 8 Farm Business Income and Basic Payment Scheme, 2022-23

	All Farms	Part-time	Small	Medium	Large	Very Large
	£ per farm					
Farm Business Income	21,563	8,390	21,541	31,812	41,673	88,385
Basic Payment Scheme Income	15,526	9,455	15,079	18,713	24,582	54,497
Farm Business Income less BPS	6,037	-1,065	6,462	13,099	17,091	33,888
Private drawings	27,500	19,416	28,336	38,373	37,403	51,910

**Farm Business Income by 'Cost Centre'<sup>3</sup>**

- The majority of the Farm Business Income comes from the Basic Payment Scheme 'cost centre' - 64% of the total Farm Business Income figure for 'All farms'. (Table 9).
- 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 two years and now stands at just over £6,500. (Table 9).
- The Farm Business Income from the Diversification cost centre has been increasing from 2013, this year has seen the highest income from this cost centre for a decade, of £9,897.
- The Agriculture cost centre registered a loss of £8,691. 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 9).
- 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 £375 per hectare, the Medium making a loss of £123 and the High performers making £86 per hectare. As compared to the previous year, the Low performance band showed an increase in loss per hectare of £144, while the Medium performers dropped by £120 per hectare and High performers FBI reduced by £124 per hectare from £210. (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 £27 more per hectare, and £18 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 Part-time, Small farms and Medium. For Large and Very Large farms 'Agriculture' makes a positive contribution. The Medium sized farms have the highest Farm Business Income per hectare income, 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 9 Farm Business Income by Cost Centre by Performance Band, 2022-23

£ per farm	All farms	Low	Medium	High
Total Farm Business Income	21,563	-9,616	13,534	68,558
<i>Of which, by cost apportionment</i>				
Agriculture	-8,691	-21,127	-12,453	11,174
Agri-environment and other payments	6,555	2,181	6,096	11,809
Diversification out of agriculture	9,897	2,317	5,572	26,079
Basic Payment Scheme	13,803	7,013	14,319	19,495

<sup>3</sup> 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, 2022-23

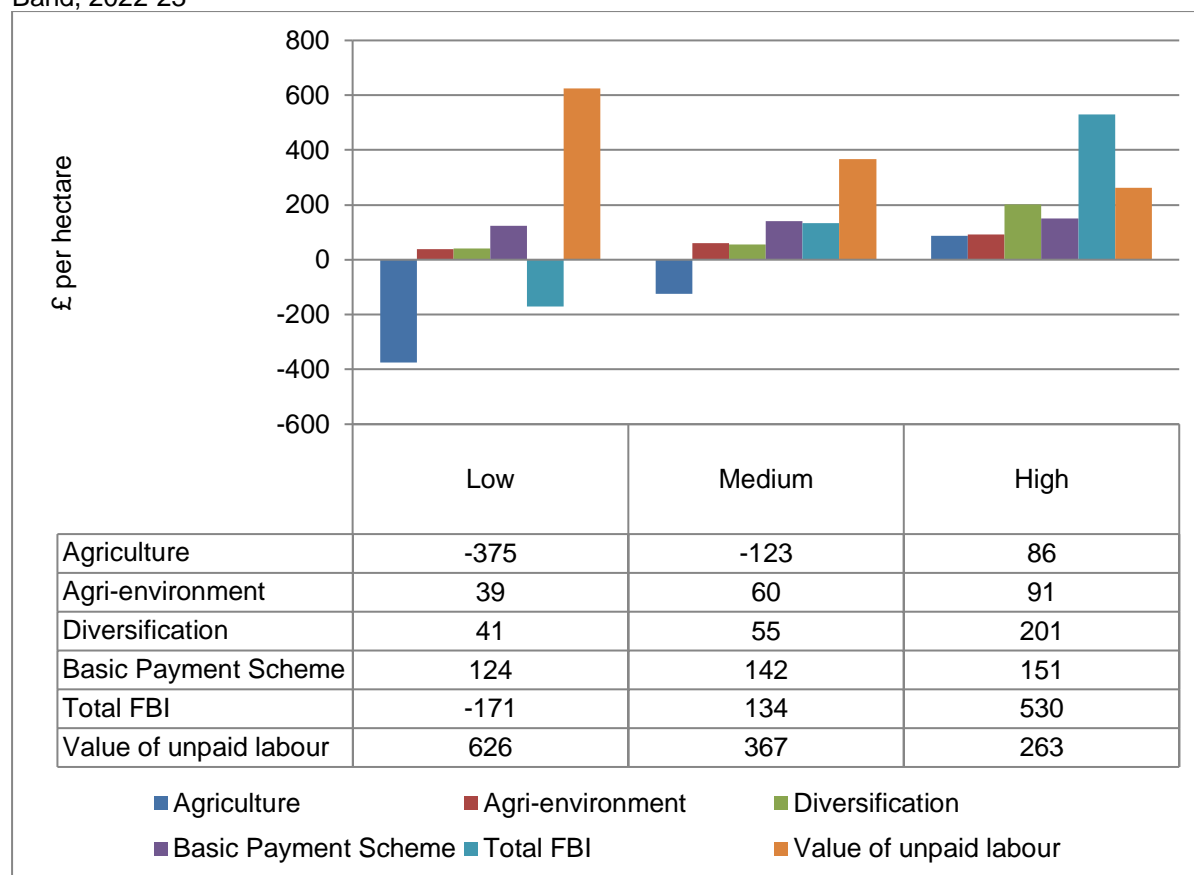
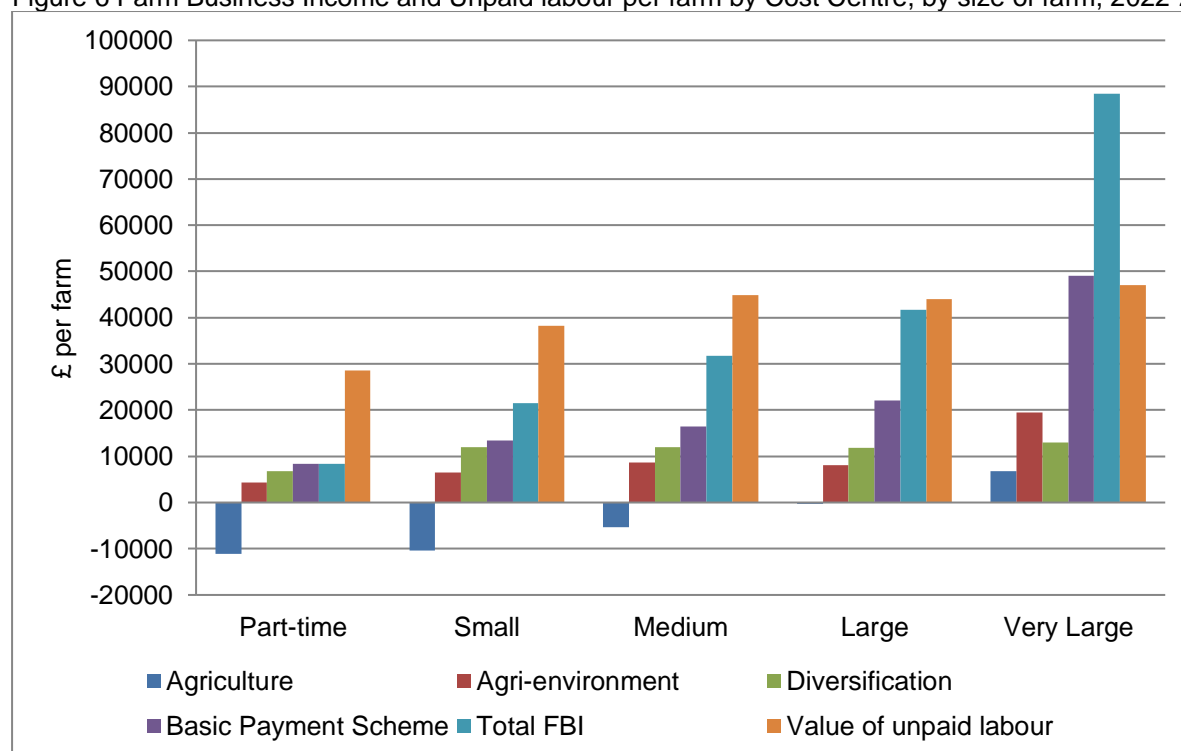


Figure 6 Farm Business Income and Unpaid labour per farm by Cost Centre, by size of farm, 2022-23





## Gross Margin data from the Lowland Grazing Livestock farms<sup>4</sup>

- 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 similar to the non-organic producers. The Top Third producers' gross margins per cow are 70% higher than that of the average, with the difference due to both higher output and lower variable costs, particularly feed. (Table 10)
- For non-organic producers the gross margin per beef cow declined each year from 2017-18 until 2019-20 but have recovered in the three years from 2020-21 until 2022-23. Over the same period the gross margin per cow is slightly more variable for Organic producers but with similar trends for the last three years. (Figure 7)
- The beef rearing gross margin data for 'beef bred' store cattle and finished cattle are summarized in Table 11 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 2022-23.
- For the beef bred finishing cattle systems organic producers have the lower variable costs per head (£134 against £344) alongside lower output (£580 against £692) and the resulting gross margin per head is higher than non-organic producers. The average non-organic beef bred finisher has higher stocking rate which compensates for the lower gross margin per head and leaves a higher gross margin per hectare than the organic producers (See Table 11).
- The gross margins from the cattle rearing systems show the top third group of producers having margins per head 50% 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 similar to the organic producers. The stocking rates for both types of production are low, 4.9 ewes per hectare or lower which is about 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 decreased by £22 and £18 per head respectively. (Table 12 and Figure 9).
- Gross margins per hectare from all the main livestock enterprises are decreased 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 five years.

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<sup>4</sup> A number 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 10 Lowland Beef Cow Gross Margin data

Gross margins per cow, per LU and per hectare (Weighted average performance)		Average		2022/23
		Non-organic	Organic	Top Third*
				Non-organic
Number of farms		124	25	41
Cows per herd		37	31	35
Stocking rate:	LU/ha	0.97	0.81	0.96
	ha/LU	1.03	1.23	1.05
		£ per cow		
Output -	calf output	561.9	576.2	679.5
	depreciation	-52.3	-79.1	-3.0
ENTERPRISE OUTPUT (excl. BLSA)		509.6	497.1	676.6
Concentrates		45.1	9.9	23.9
Coarse fodder		22.8	28.7	14.9
Veterinary and medicines		33.9	40.3	44.0
Other livestock costs		71.0	55.0	70.3
Forage †		56.6	15.8	47.3
TOTAL VARIABLE COSTS ‡		229.3	149.7	200.3
GROSS MARGIN per cow (excl. BLSA)		280.3	347.4	476.3
GROSS MARGIN per LU (excl. BLSA)		283	340	467
GROSS MARGIN per hectare (excl. BLSA)		272	283	456
Concentrates per £100 output		9	2	4
<i>Averages - previous year</i>				
Stocking rate:	LU/ha	0.99	0.95	1.00
Gross Margin: £/cow		276	304	436
Gross Margin: £/ha		275	279	437
* 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

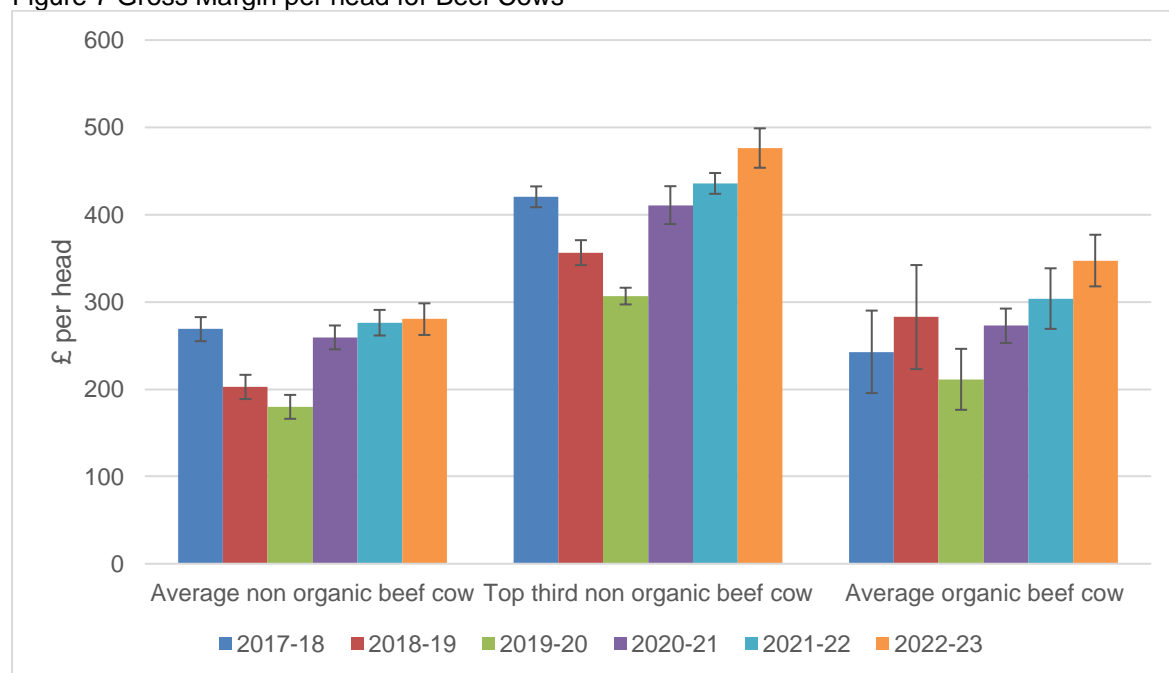


Figure 8 Gross margins per head of Cattle Rearing Systems

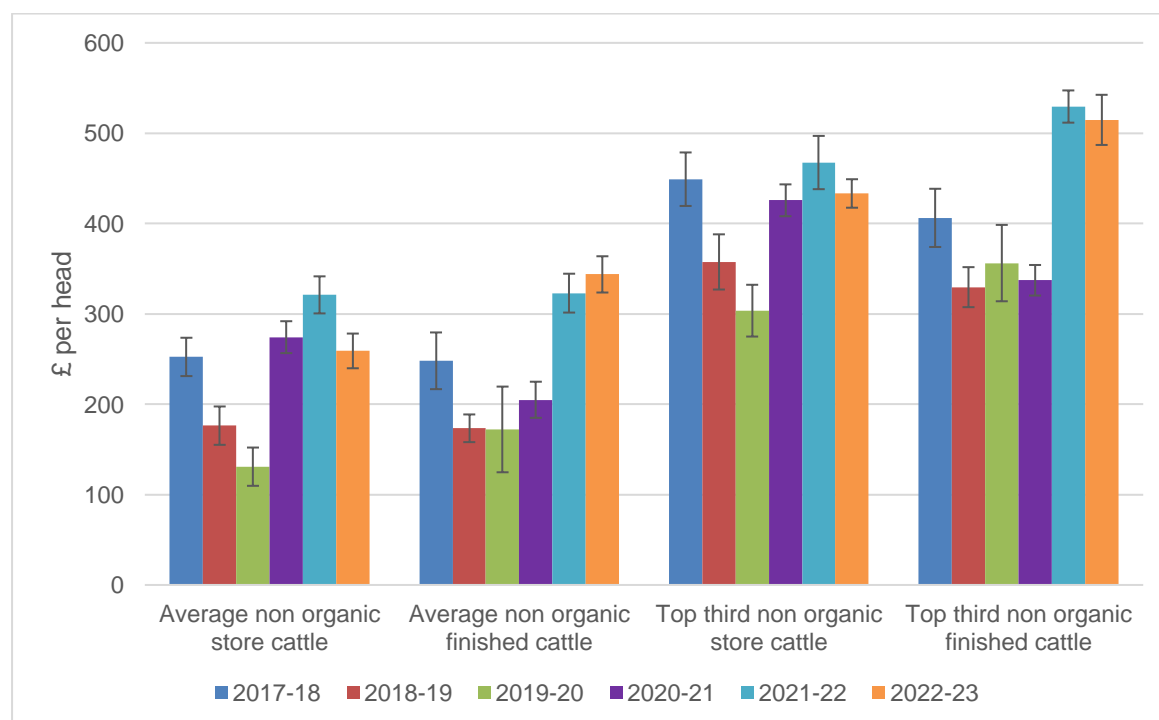


Table 11- Lowland Beef Rearing Enterprise Gross Margin data

Gross margins per head, per LU and per hectare						2022/23
(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		61	20	60	18	20
Cattle per herd		38	30	78	47	74
Stocking rate:	LU/ha	0.87	0.93	1.13	0.80	1.00
	ha/LU	1.15	1.08	0.88	1.25	1.00
		£ per head				
OUTPUT		473.8	611.7	691.5	580.4	824.0
Concentrates		93.9	57.8	209.2	34.6	169.5
Coarse fodder		13.9	18.3	11.9	8.6	6.9
Veterinary and medicines		21.0	16.3	15.3	12.8	19.7
Other livestock costs		58.3	65.7	72.1	58.3	68.6
Forage †		27.6	20.4	39.2	20.0	44.6
TOTAL VARIABLE COSTS ‡		214.7	178.4	347.7	134.3	309.2
GROSS MARGIN per head		259.0	433.3	343.8	446.1	514.8
GROSS MARGIN per LU		436	710	573	700	853
GROSS MARGIN per hectare		381	658	650	560	856
Concentrates per £100 output		20	9	30	6	21
Averages - previous year						
Stocking rate:	LU/ha	0.93	0.83	1.21	0.97	1.07
Gross Margin: £/head		321.0	468.0	323.0	371.0	530.0
Gross Margin: £/ha		531	677	688	562	959
* 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 12 –Lowland Ewe Gross Margin data

Gross margins per ewe and per hectare				2022/23
(Weighted average performance)		Average		Top Third*
		Non-organic	Organic	Non-organic
Number of flocks		114	17	38
Ewes per flock		346	221	316
Average lamb sale price - £/lamb		111.8	111.5	112.7
Stocking rate - ewes per hectare		4.7	4.9	5.4
		£ per head		
Output -	lambs	156.6	135.1	187.6
	wool	1.4	2.1	1.2
	depreciation	-15.0	-18.2	-7.2
ENTERPRISE OUTPUT (excl. BLSA)		142.9	119.0	181.6
Concentrates		30.7	5.9	28.6
Coarse fodder		3.9	2.5	3.5
Veterinary and medicines		9.5	10.0	10.8
Other livestock costs		15.9	12.7	14.4
Forage †		8.1	3.3	7.1
TOTAL VARIABLE COSTS ‡		68.0	34.5	64.5
GROSS MARGIN per ewe (excl. BLSA)		74.9	84.5	117.1
GROSS MARGIN per LU (excl. BLSA)		468	577	706
GROSS MARGIN per hectare (excl. BLSA)		349	415	631
Concentrates per £100 of output		21	5	16
Averages - previous year				
Stocking rate:	ewes/ hectare	5.1	5.0	5.9
Gross Margin: £/ewe		97.2	102.0	142.3
Gross Margin: £/ha		493	513	844
Average finished sale price- £ /head		110.1	113.9	116.5
* 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

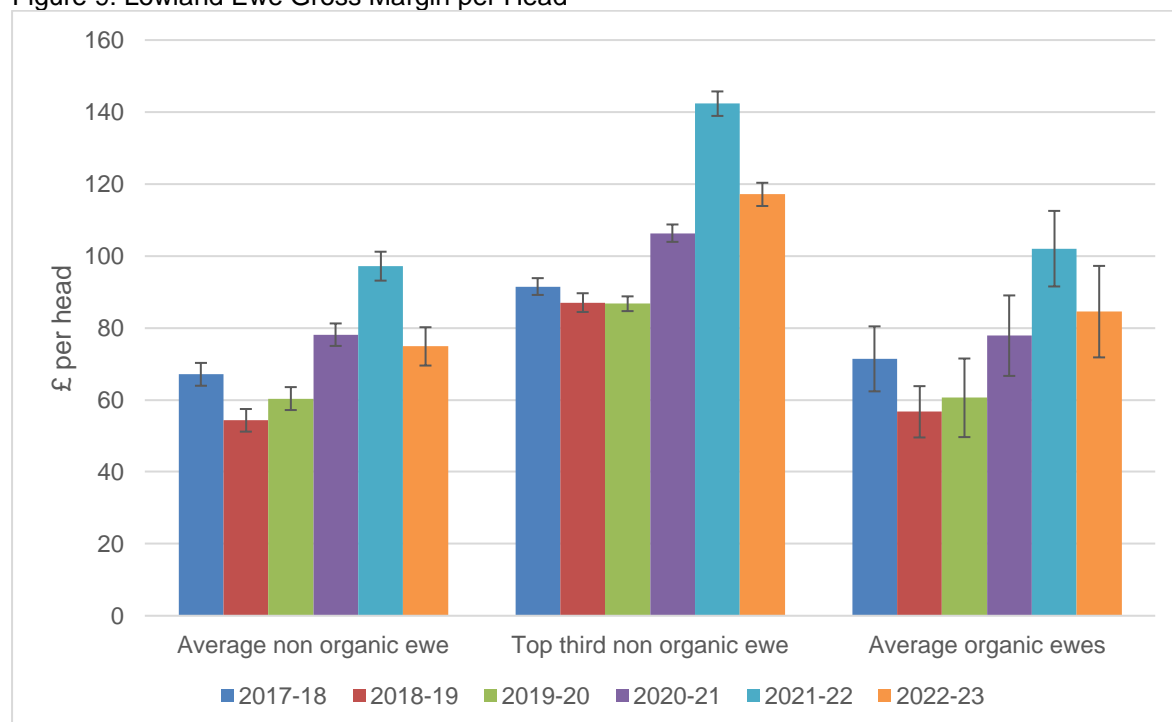
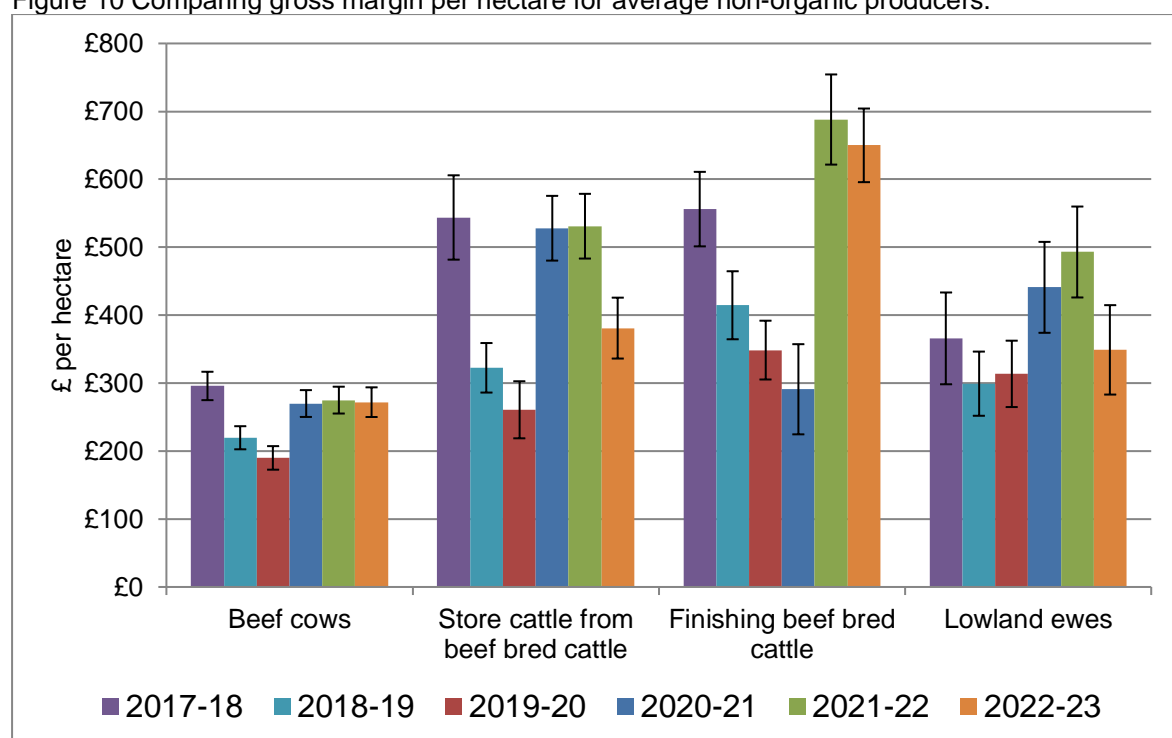


Figure 10 Comparing gross margin per hectare for average non-organic producers.



## Appendix 1 The Farm Business Survey (FBS)

### General

The FBS sample covers businesses with an economic Standard Output of 25,000 Euros 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 2018/19, the classification of farms is based on 2013 standard output (SO) coefficients. 2017/18 results have been recalculated and presented in this report on 2013 SO coefficients to allow comparability between 2017/18 and 2018/19. The results published here are therefore not directly comparable with those published in reports in earlier years which are based on previous SO coefficients. Results for 2017/18 based on the previous SO coefficients can be found at:

<https://www.ruralbusinessresearch.co.uk/archive-publications/>

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 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.

**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** includes 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. Since 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.

# FOR MORE INFORMATION CONTACT US ON

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