

## Briefing 976

# Farm incomes

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## Summary

Total Income from Farming in the UK fell by 6.7% in 2009. A fall in the value of output was accompanied by a fall in input costs and an increase in the value of the Single Payment. Farm Business Income is forecast to increase in 2009/10 on specialist pig, specialist poultry farms, Less Favoured Area and lowland grazing livestock and mixed farms. This reflects firmer prices for finished and store livestock. However, incomes on specialist cereal and general cropping and dairy farms are expected to fall.

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This paper is summarised from '*Provisional estimates of farm incomes in the United Kingdom 2009 Joint Announcement by the Agricultural Departments of the United Kingdom*'. The full report can be accessed at: <https://statistics.defra.gov.uk/esg/statnot/account.pdf>

The report shows provisional estimates of Total Income from Farming (TIFF) in the UK for 2009 and Farm Business Income (FBI) for England for 2009/10. The two measures differ in their composition and intended uses.

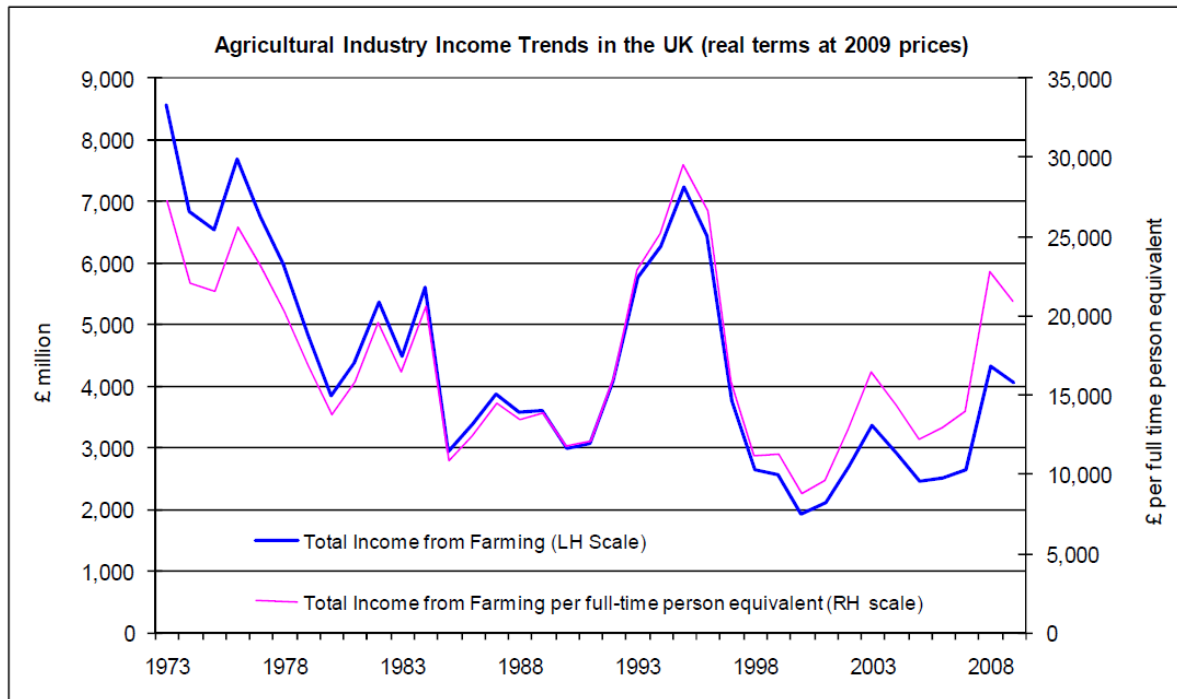
Total Income from Farming is designed to show the performance of the whole of the agricultural industry. It is income generated by production within the agriculture industry, including subsidies. It represents business profits and remuneration for work done by owners and other unpaid workers. It excludes changes in the values of assets, including stocks, due to price changes. It includes non-agricultural activities such as further processing or tourist activities where these can't be separated from the agricultural business.

Farm Business Income is designed to compare performance across different types of farming. It represents the financial return to all unpaid labour (farmers and spouses, directors, non-principal partners and their spouses and family workers) and on all their capital invested in the farm business, including land and buildings.

The estimates of Total Income from Farming cover the calendar year 2009 while those for Farm Business Income cover the twelve month period from March 2009 to February 2010. There is a more detailed explanation of the difference between these two measures at the end of this paper.

## Total Income from Farming in the UK in 2009

The graph overleaf shows trends in TIFF since 1973



## Farm business income by farm type in England 2009/10

These figures are for March/February years with the latest being forecasts for the year ending February 2010. These cover the 2009 harvest and include the 2009 rate of Single Farm Payment. The payment is included in total farm output and therefore contributes to farm business income.

The forecasts for 2009/10 are based on information available in early January 2010 for prices, animal populations, marketings, crop areas and yields. They are intended as a broad indication of how each farm type is expected to fare compared with 2008/09. The figures are subject to a margin of error, reflecting, in particular, the fact that farm income is derived as the relatively small difference between total output and total input, so that small percentage changes in either of these amounts can result in a large percentage changes in income.

Single payment receipts are expected to increase in 2009 due to a further fall in the pound against the euro at the time the sterling rate of single payment was set at the end of September. The level of increase varies according to individual farm circumstances but on average is around 14%.

Total crop output on cereal farms is expected to be lower in 2009/10 due to a combination of reduced cropping area, average yields and prices for the 2009 harvest compared with 2008. Lower cereal prices towards the end of 2008, combined with the wet autumn led to farmers reducing their cropping area from the levels seen for the previous harvest. Average yields were also lower, reflecting the less favourable growing conditions along with some switching to lower yielding spring sown crops. Although some of this reduction in output is expected to be offset by lower input costs, overall farm business income is forecast to fall by around 25%.

Incomes on general cropping farms are also expected to fall although to a lesser extent to those on cereal farms. In addition to a lower output from combinable crops, output from the potato crop is forecast to fall due to lower potato prices and yields. This is partially offset by higher yields and prices for the 2009 harvest sugar beet crop.

Average farm business income on dairy farms is forecast to fall by around 10% compared with the previous year. This is largely driven by a lower average milk price, which is expected to be around 8% lower than in 2008/09, with higher prices for replacement stock also acting to reduce incomes. Dairy farms are expected to benefit to some extent from the more profitable beef sector, with higher prices

received for cull and store livestock as well as any finished cattle and there is also expected to be a small reduction in costs.

For lowland grazing livestock farms average farm business income is expected to increase considerably in 2009/10 to around £25,000. Continuing tight supplies have led to higher market prices for finished cattle and lambs with a positive effect on livestock enterprise output. Cull cattle and sheep prices have also continued to increase further following the firmer values seen in 2008/09. Overall input costs are expected to fall slightly, particularly for fuel and animal feed.

Incomes are also forecast to increase in 2009/10 on (non dairy) grazing livestock farms in the Less Favoured Area. These farms have also benefited from the firmer prices for finished cattle and sheep as well as for store and breeding livestock. Costs are also expected to fall slightly whilst the single payment is expected to be around 13% higher on average in 2009.

Average farm business income is forecast to increase substantially in 2009/10 on specialist pig farms. This reflects both the high prices seen during the course of the year for finished pigs, cull sows, weaners and store pigs and the lower prices for some key inputs, particularly feed.

Specialist poultry farm incomes are also expected to increase sharply in 2009/10. This results primarily from lower feed prices although livestock output is also forecast to rise slightly due to small increases in the prices of poultry meat and eggs.

The average farm business income on mixed farms is expected to increase in 2009/10. An increase output from the livestock enterprises is largely offset by a fall from the cropping enterprises. However a fall in costs combined with the higher single payment is forecast to increase farm business income by approximately 6%.

TABLE 3 Farm Business Income by Type of Farm in England

Average farm business income per farm (£/farm)

Farm Type	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10 (provisional)	Annual % Change 2009-10 / 2008-09
<b>At current prices</b>								
Cereals	49,800	29,200	29,000	45,900	73,400	69,700	52,000	-25%
General cropping	65,900	42,400	36,900	62,200	81,000	96,000	77,000	-20%
Dairy	30,500	33,100	33,600	30,800	55,100	69,400	61,500	-11%
Grazing Livestock (lowland)	12,100	9,300	9,400	11,400	12,400	18,500	25,000	35%
Grazing Livestock (LFA)	17,400	16,200	15,800	10,500	10,400	17,100	24,500	43%
Specialist pigs	36,900	25,900	30,300	24,500	6,300	59,100	146,000	147%
Specialist poultry	48,800	86,000	93,100	100,600	139,200	47,700	89,000	87%
Mixed	31,100	23,900	25,800	27,200	37,300	38,600	41,000	6%

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