



30 April 2014

Total Income from Farming 2013 – 1st estimate, United Kingdom

This release presents the first estimate of Total Income from Farming for the United Kingdom, 2013. Total Income from Farming is the income to those with an entrepreneurial interest in the agricultural industry, typically farmers and partners. Revisions may have been made to previous years. A second estimate incorporating data that becomes available later in the year will be published on 27 November 2014.

Key points:

- Total Income from Farming is estimated to have risen between 2012 and 2013 by 13% (£631 million) in real terms, to £5,464 million.
- Total Income from Farming per annual work unit (AWU) of entrepreneurial labour (farmers and other unpaid labour) is estimated to have risen by 15% in real terms to £28,426 in 2013.
- In 2012 Total Income from Farming and Total Income from Farming per AWU of entrepreneurial labour were negatively affected by the poor weather. In 2013 they have both recovered back to 2011 levels. Compared to 2011 Total Income from Farming is 0.7% lower while Total Income from Farming per AWU of entrepreneurial labour is 0.6% higher.

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Long term trends (in real terms)

When looking at longer term trends we use real term values. This is where previous year's data is raised to take account of inflation so the values are comparable.

Total Income from Farming recovered from the fall seen in 2012 and is just 0.7% lower than the 2011 total. Total Income from Farming is now more than two and a half times higher (160%) than it was in 2000, but is still 26% less than the peak of 1995

Total Income from Farming per AWU of entrepreneurial labour has performed better than Total Income from Farming owing to a decline in the number of farmers and other unpaid workers. Compared to 1994 Total Income from Farming per AWU of entrepreneurial labour has increased by 10% compared to a 15% fall in Total Income from Farming.

Figure 1 and table 1 show the trends in Total Income from Farming and Total Income from Farming per AWU of entrepreneurial labour over the last 20 years.

Figure 1: Agricultural industry income trends in the UK (in real terms)

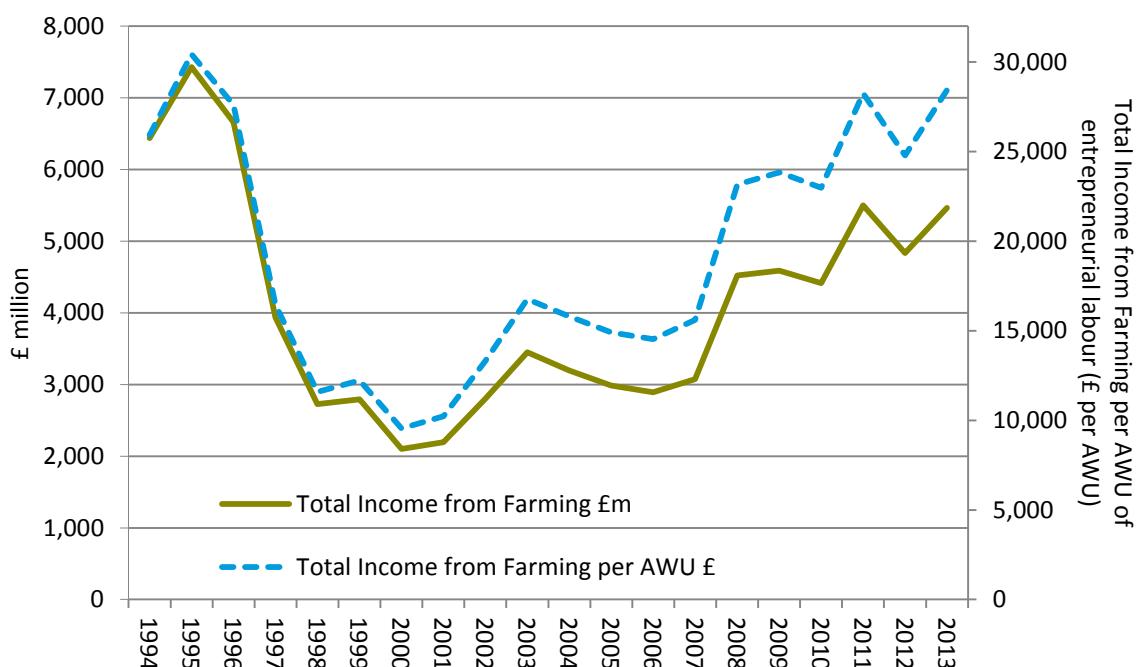


Table 1: Total Income from Farming and Total Income from Farming per annual work unit (AWU) of entrepreneurial labour in real terms: United Kingdom 1994 to 2013

	Total Income from Farming (£ million)	Year-on-year change	Total Income from Farming per AWU (£)	Year-on-year change
1994	6,439		25,939	
1995	7,429	15%	30,434	17%
1996	6,662	-10%	27,614	-9%
1997	3,939	-41%	16,468	-40%
1998	2,726	-31%	11,593	-30%
1999	2,792	2%	12,236	6%
2000	2,100	-25%	9,547	-22%
2001	2,195	5%	10,227	7%
2002	2,802	28%	13,322	30%
2003	3,452	23%	16,774	26%
2004	3,197	-7%	15,800	-6%
2005	2,984	-7%	14,900	-6%
2006	2,890	-3%	14,542	-2%
2007	3,076	6%	15,602	7%
2008	4,521	47%	23,164	48%
2009	4,589	2%	23,849	3%
2010	4,414	-4%	22,992	-4%
2011	5,501	25%	28,247	23%
2012	4,834	-12%	24,791	-12%
2013	5,464	13%	28,426	15%

Aggregate Agricultural Accounts: production and income accounts: main findings in current price

The following commentary relates refers to table 2: detailed production and income accounts from the aggregate agricultural accounts. Values are expressed in current prices, i.e. based on prices in the year in question.

Headline figures

In 2013 Total Income from Farming rose by £708 million to £5,464 million, a 15% increase on 2012. The key contributors to the change were the increases in: milk by £505 million;

poultry by £250 million; potatoes by £210 million and barley by £199 million. This was offset by an increase of £740 million in animal feed and a £245 million decrease in the value of oilseed rape.

Gross value added at basic price, which identifies agriculture's contribution to the Gross Domestic Product (GDP), rose by £604 million to £9,222 million, a 7.0% increase. Gross value added at basic price is the total value of outputs (plus any product related subsidies) less the value of intermediate consumption

Output

Overall output of crops rose by £334 million to £9,288 million, a rise of 3.7%.

A key contributor to this increase was potatoes whose value increased by £210 million to £940 million. The increase came about on the back of a poor harvest in 2012 where production was down to 4.7 million tonnes, due to the poor weather conditions. As a result there were fewer stocks at the end of 2012 which led to reduced supplies at the start of 2013 with little change in demand. The potato harvest in 2013 was back to more normal levels at 5.7 million tonnes and stocks of potatoes were replenished at the end of 2013. Overall in 2013, potato prices rose by 22% due to reduced supply while there was an increase in stocks that saw the overall volume of potatoes increase by 7% compared to 2012. There have been revisions to the potato data for 2012 on the tonnage of crops sold for human consumption, see Revision's section for details.

Cereals were a mixed picture in 2013. The value of wheat fell for the second year in a row by £75 million to £2,085 million. Although there was an increase in wheat yield overall production was down 10% as the area harvested was 19% less than in 2012. The quality of the wheat crop was better than 2012 and this saw an overall price increase of 7%.

In contrast the value of barley was up £199 million to £1,125 million. There were increased plantings of spring barley as there were difficulties in sowing autumn crops due to the wet weather / poor soil conditions at the end of 2012. The increased supplies of both malting and feed barley saw the price of barley fall by 6% in comparison to 2012. However the increased volumes of barley saw the overall value increase by 21% in 2013.

The value of oilseed rape fell by £245 million to £741 million as both price and volume fell in 2013. Both yield (3.0 tonnes / hectare) and harvested area (715 thousand hectares) of oilseed rape were down in 2013. Prices for oilseed rape were still relatively strong in 2013 at £348 / tonne but still lower than the high prices seen in 2012.

Overall the total output of livestock rose by £1,110 million to £14,241, a rise of 8.5%.

The key contributor to this rise was milk whose value increased by £505 million to £4,271 million. This was a result of the high prices seen throughout the year. The average price of milk in 2012 was 28.1 pence per litre (ppl) compared to 31.6 ppl in 2013. The higher prices were due to increased demand from processors as the global demand for milk products rose in 2013.

The output of livestock products for meat continues to be a strong performer.

The value of poultry meat continues to rise and increased by £250 million to £2,325 million in 2013. This was due to higher prices and a small increase in the output of poultry meat. The price increase reflected the additional production costs incurred, particularly the cost of poultry feed.

The pig meat value rose by £141 million, to £1,281 million. As with poultry price was a strong contributor to the increase in value. High prices were seen in 2013 as supplies were tight, as modest increases in output were offset by increased exports and lower imports.

Intermediate consumption

The value of intermediate consumption rose by £892 million to £16,492 million.

The rise in intermediate consumption is primarily due to a £740 million increase in animal feed. A cold start to 2013 led to a lack of early grass / fodder growth so cattle and sheep needed additional animal feed when they were turned out in spring. The increase in milk prices saw farmers use extra rations to maintain milk production. There was also an increase in the number of pigs (9.0%) and poultry (1.6%) which required additional feed. The additional demand for animal feed saw the price of animal feed rise by 7.4%.

There was a 20% increase in the value of seeds to £814 million. This was due to increased plantings, notably the increased area in spring barley. The wet harvest in 2012 along with the increased demand for seed in 2013 saw the price of seeds increase by 13% in 2013.

The value of plant protection products fell by £77 million to £856 million. This was due to a reduction in use most notably the use of fungicide. The reduction in fungicide use was mainly due to the reduced areas of wheat and oilseed rape.

Compensation of employees

There was a small increase of £23 million to compensate employees in 2013. This was due to an increase in pay partially offset by a decrease in the number of employees. The total compensation to employees in 2013 was £2,379 million.

Other subsidies on production

The increase in subsidies is largely due to the change in the exchange rate between the pound and the Euro. Subsidies rose by £90 million to £3,330 million. One off payments made to farmers hit by the severe weather in the spring, including the collection and disposal of fallen stock aid, adverse weather aid and fodder scheme payments are included here.

Consumption of Fixed capital

Overall consumption of fixed capital fell by £94 million to £3,913. The fall in livestock numbers saw the consumption of fixed capital for livestock fall by £55 million and there were also minor falls in both the consumption of buildings and equipment.

Table 2: Aggregate Agricultural Accounts: Current price production and income accounts for the United Kingdom

£ million	Calendar years			
	2010	2011	2012	2013
1 Output of cereals	2292	3218	3205	3374
of which:				
wheat	1668	2305	2160	2085
barley	557	815	926	1125
oats	63	93	114	158
2 Output of industrial crops	1051	1524	1356	1173
of which:				
oilseed rape	674	1110	986	741
protein crops	127	103	98	123
sugar beet	197	251	227	266
3 Output of forage plants	189	186	146	217
4 Output of vegetables and horticultural products	2260	2264	2304	2411
of which:				
fresh vegetables	1263	1218	1253	1314
plants and flowers	997	1047	1051	1097
5 Output of potatoes (including seeds)	622	717	730	940
6 Output of fruit	585	604	573	596
7 Output of other crop products incl. seeds	436	471	640	578
Total crop output (sum 1-7)	7435	8984	8954	9288
8 Output of livestock	7306	8169	8645	9168
primarily for meat				
of which:				
cattle	2154	2573	2792	2889
pigs	978	1070	1139	1281
sheep	979	1149	1020	1036
poultry	1799	1904	2075	2325
gross fixed capital formation	1198	1265	1404	1418
of which:				
cattle	714	631	877	878
pigs	8	8	8	6
sheep	295	413	316	337
poultry	181	213	203	196
9 Output of livestock products	3973	4387	4486	5073
of which:				
milk	3329	3738	3767	4271
eggs	561	559	662	718
Total livestock output (8+9)	11279	12556	13131	14241
10 Other agricultural activities	927	1039	1039	1055
11 Inseparable non-agricultural activities	990	1026	1074	1110
12 Output (at market prices) (sum 1 to 11)	20630	23605	24198	25694
13 Total subsidies (less taxes) on product	29	28	20	21
14 Gross output at basic prices (12+13)	20659	23633	24218	25715

continued

Table 2: Aggregate Agricultural Accounts: Current price production and income accounts for the United Kingdom (continued)

£ million	Calendar years			
	2010	2011	2012	2013
Intermediate consumption				
15 Seeds	640	660	675	814
16 Energy	1216	1371	1420	1483
of which:				
electricity and fuels for heating	357	369	386	414
motor and machinery fuels	859	1002	1033	1069
17 Fertilisers	1339	1589	1525	1488
18 Plant protection products	762	809	933	856
19 Veterinary expenses	405	410	426	441
20 Animal feed	4072	4481	4868	5608
of which:				
compounds	2255	2614	2876	3290
straights	1353	1348	1424	1594
feed produced & used on farm	464	519	568	724
21 Total maintenance	1 367	1 442	1 467	1 490
of which:				
materials	846	900	903	919
buildings	520	541	564	572
22 Agricultural services	927	1 039	1 039	1 055
23 FISIM	154	176	191	176
24 Other goods and services	2 787	3 011	3 057	3 081
25 Total intermediate consumption (sum 15 to 24)	13 668	14 987	15 600	16 492
26 Gross value added at market prices (12-25)	6 962	8 618	8 598	9 201
27 Gross value added at basic prices (14-25)	6 991	8 645	8 618	9 222
28 Total consumption of Fixed Capital	3 430	3 815	4 007	3 913
of which:				
equipment	1 445	1 589	1 698	1 680
buildings	840	865	906	886
livestock	1 145	1 362	1 403	1 347
cattle	679	791	875	866
pigs	8	8	8	7
sheep	291	358	300	269
poultry	167	205	220	206
29 Net value added at market prices (26-28)	3 532	4 803	4 590	5 288
30 Net value added at basic prices (27-28)	3 561	4 830	4 611	5 309
31 Other taxes on production	- 111	- 121	- 121	- 125
32 Other subsidies on production	3 471	3 483	3 240	3 330
33 Net value added at factor cost (30+31+32)	6 920	8 192	7 729	8 514
34 Compensation of employees	2 215	2 335	2 355	2 379
35 Rent	366	373	426	451
36 Interest	167	165	192	220
37 Total income from farming (33-34-35-36)	4172	5319	4756	5464

Description of Total income from Farming

Total Income from Farming is income generated by production within the agriculture industry including subsidies and 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 but includes non-agricultural activities such as further processing or tourist activities where these cannot be separated from the agricultural business. It is the preferred measure of aggregate income for the agricultural industry conforming to internationally agreed national accounting principles required by the UK National Accounts and by Eurostat.

Total Income from Farming per Annual Work Unit (AWU) of entrepreneurial labour is a related measure. It expresses Total Income from Farming in terms of AWU of entrepreneurial labour input. An AWU of entrepreneurial labour input corresponds to the input of one person with an entrepreneurial interest in the farm business who is engaged in agricultural activities on a full-time basis over an entire year. AWU are used rather than the number of individuals so to take account of part-time and seasonal work.

Total Income from Farming is designed to show the performance of the whole of the agricultural industry. A measure of farm incomes, Farm Business Income, designed to compare performance across different types of farming, is available in the publication Farm Accounts in England on the GOV.UK website at:

[https://www.gov.uk/government/collections/farm-business-survey.](https://www.gov.uk/government/collections/farm-business-survey)

Definitions and explanations

Annual work unit:	the input of one person in the farm business who is engaged in agricultural activities on a full-time basis over an entire year.
Basic prices:	market prices plus directly paid subsidies that are linked to the production of specific products.
Current prices:	the value based on prices during the reference year.
Entrepreneurial labour:	the input of people who have an entrepreneurial interest in the farm business, e.g. farmers and other unpaid workers, usually expressed in annual work units.
Gross output:	the total value of output by producing enterprises.
Intermediate consumption:	the goods and services used as inputs in the productive process, e.g. feed, and fertiliser.
Real terms:	the value adjusted for inflation.
Total Income from Farming:	income to those with an entrepreneurial interest in the agricultural industry.

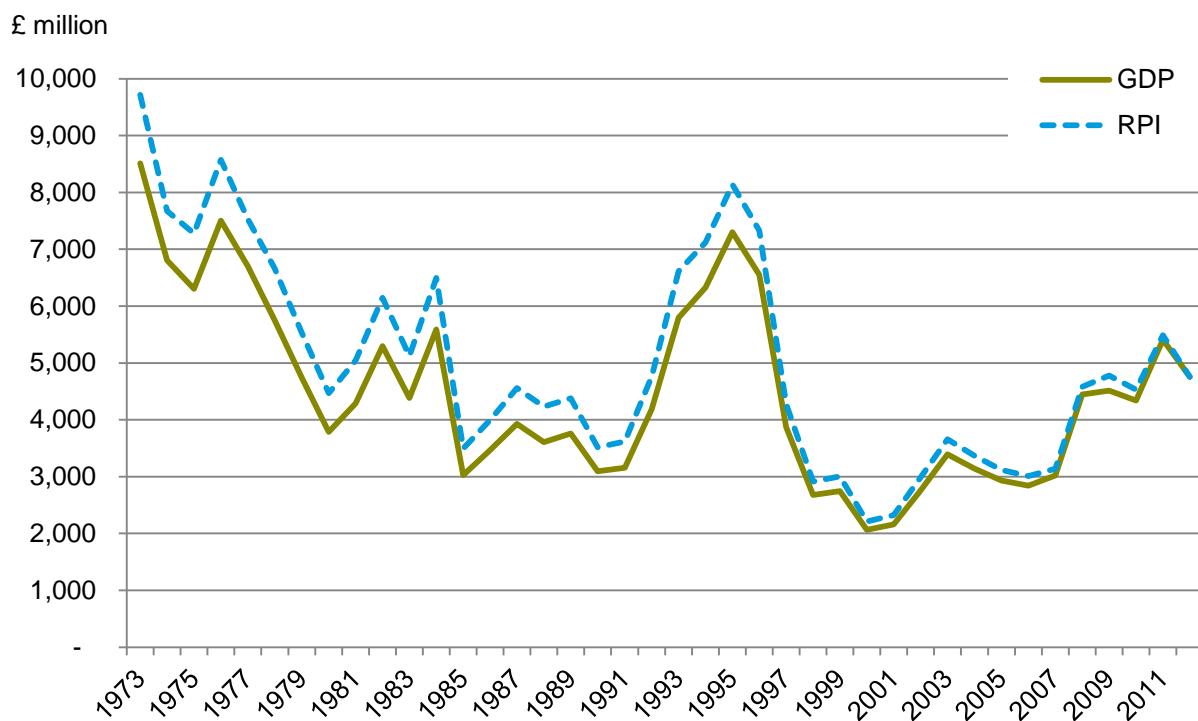
Basic quality information

These estimates for 2013 are based on incomplete data. The amounts of data available vary depending on the item. Outputs are estimated to be around 90% complete with more crop data expected by November. Intermediate consumption and other costs are less complete and are estimated using industry intelligence. Further data will become available in November. Subsidies are estimated to be 95% complete. Over time, as more data becomes available, estimates will be revised and forecasts replaced.

Rewvisions

For the first time Gross Domestic Product (GDP) deflator has been used to convert current prices into real term prices. This followed the Retail Price Index (RPI) losing its 'National Statistics' accreditation. Various options were considered and consultation with the devolved administration and the Office of National Statistics before the GDP deflator was selected. Figure 2 shows the difference between real term values calculated using the RPI and the GDP deflators for Total Income from Farming.

Figure 2: Total Income from farming in real terms (1973 to 2012)



The potato data for 2012 have been revised from £620 million to £730 million, an 18% increase. Data quality checks identified certain limitations in the methodology and source data used for estimating the tonnage of potatoes sold for human consumption, so some adjustments have been made. A level of 'oversupply' that generally exists for potatoes, means that the tonnage of crops sold for human consumption was not impacted to such an extent as the overall 2012 production. However it is likely that further revisions will be required as a result of an ongoing more detailed review into the data and methodology.

Revisions have been made to the cattle GFCF values back to 2005. The revisions were made following identification of an error in the “Number of entries into the breeding herds” figure which is a fundamental part of the overall calculations. The issue only affected the cattle category and only from 2005 onwards. Several minor methodological improvements (to improve transparency and consistency between other published statistical data) have also been made which have caused very slight changes to the results for 2011 and 2012.

Fertiliser data has changed back to 2002 due to errors found when this data was reviewed. Values in previous notices overstated the value of fertiliser by 0.9% to 5.1%. The value for 2012 was revised down by 4.4% from £1,591 million to £1,525 million.

Total Income from Farming is sensitive to small percentage changes in the values of outputs and intermediate consumption. A combination of a revision downwards in output and revision upwards in intermediate consumption leads to more sizeable revisions in percentage terms to Gross Value Added and Total Income from Farming.

Table 3: Revisions made to the 2012 aggregate agricultural account between April 2013 and April 2014

	Apr-13	Nov-13	Apr-14	Apr-13/ Nov13	Nov-13/ Apr-14
Gross output at basic prices £m	23 927	24 089	24 218	1%	1%
Total intermediate consumption £m	15 322	15 464	15 600	1%	1%
Gross value added at basic prices £m	8 605	8 625	8 618	0%	0%
Net Value Added at factor cost £m	7 665	7 727	7 729	1%	0%
Total Income from Farming £m	4 704	4 810	4 756	2%	-1%

Summary quality report

A summary quality report for this statistical release can be found on the GOV.UK website at <https://www.gov.uk/government/organisations/department-for-environment-food-rural-affairs/series/aggregate-agricultural-accounts>.

This is an overview note which is not release specific but will be reviewed and updated at regular intervals. It pulls together key qualitative information on the various dimensions of quality as well as providing a summary of methods used to compile the output. It relates to estimates of Total Income from Farming and aim to provide users with information on usability and fitness for purpose of these estimates.

Quality Assurance

Defra has in place quality assurance processes to check the accuracy and reliability of the aggregate agricultural accounts that includes:

- Ongoing review of methods employed in the calculation of the accounts.

- Assessment of the quality of the estimates of components of the accounts with internal experts.
- Discussion of components of the accounts with external experts.
- Quality assessments made by Eurostat, the statistical office of the European Union.

Development areas

Defra statisticians carry out a continuous review of methods employed in making estimates of the production and income accounts. This may lead to revisions to data series owing to improvements in methods in addition to the use of later information.

Planned future development include a review of rent data and methodology as well as a more detailed review of the potato data and methodology

Main uses of the aggregate agricultural accounts

The aggregate agricultural accounts are used in conjunction with other economic information to:

- To monitor the productivity and competitiveness of the farming industry.
- Inform policy decisions and to help monitor and evaluate current policies relating to agriculture in the UK by Government and in the European Union by the European Commission.
- Inform stakeholders of the performance of the agricultural industry.
- Inform research into the economic performance of the agricultural industry.
- Total Income from Farming sets the context when looking at a number of policies; the agricultural industry contributes around £5 billion to the national economy and accounts for about 0.5% of national Gross Domestic Product. It is most relevant to policies relating to Common Agricultural Policy reform and the competitiveness of farming.

User engagement

As part of our ongoing commitment to compliance with the Code of Practice for Official Statistics (<http://www.statisticsauthority.gov.uk/assessment/code-of-practice/index.html>), we wish to strengthen our engagement with users of these statistics and better understand the use made of them and the types of decisions that they inform. Consequently, we invite users to make themselves known, to advise us of the use they do, or might, make of these statistics, and what their wishes are in terms of engagement. Feedback on this notice and enquiries about these statistics are also welcome.