



30 April 2015

Total Income from Farming 2014 – 1st estimate, United Kingdom

This release presents the first estimate of Total Income from Farming for the United Kingdom for 2014. Total Income from Farming is the income to those with an entrepreneurial interest in the agricultural industry, typically farmers and partners. A second estimate incorporating data that becomes available later in the year will be published on 26th November 2015.

There are revisions to previous year's data owing to further information becoming available and methodology reviews. These are highlighted in the revisions section of this document on page 10.

Key points:

- Total Income from Farming is estimated to have fallen between 2013 and 2014 by 4.4% (£247 million) in real terms, to £5,379 million and is 1.2% lower than the value in 2011, the last year which was not directly affected by the weather. The 2014 value was driven by increased production offset by lower prices and reduced payments resulting from the less favourable euro/sterling exchange rate.
- Total Income from Farming per annual work unit (AWU)¹ of entrepreneurial labour (farmers and other unpaid labour) is estimated to have fallen between 2013 and 2014 by 4.4% in real terms to £27,847 and is marginally lower than the 2011 value.
- Gross value added at basic price², which identifies agriculture's contribution to the Gross Domestic Product (GDP), rose by £306 million to £9,922 million. In real terms, a 3.2% increase.

¹ Annual Work Unit (AWU) is equivalent to the input of one person engaged in agricultural activities of the farm business on a full-time basis for one year.

² Gross value added at basic price is the total value of outputs (plus any product related subsidies) less the value of intermediate consumption

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Summary (in real terms)

Real term value is where previous year's data is adjusted to take account of inflation so the values are comparable. The following commentary refers to table 2.

In real terms Total Income from Farming in 2014 is estimated to be 4.4% lower than the 2013 total. After a wet start to the year and floods in South West England, good weather conditions in the spring and summer encouraged crop growth, record yields, ample forage and led to higher production levels. In comparison prices declined which led to a 2.2% fall in the value of outputs. The lower prices also reduced the value of intermediate consumption by 5.4%. This led to a 3.2% (£306 million) rise in gross value added at basic price to £9,922 million.

However the movement in the euro/sterling exchange rate led to reduced Single Farm Payments which reduced payments by £459 million in 2014. With small increases in capital consumption, labour and rent as well Total Income from Farming fell by 4.4% (£247 million) to £5,379 million.

Comparing 2014 against 2011, the last year which was not adversely affected by the weather, total income from farming fell by 1.2%. Outputs in 2014 were £866 million higher than 2011 driven by higher production but lower prices. There was little change in the value of intermediate consumption between the two years, a slight increase in the volume used offset by a slightly lower price. Gross value added at basic price was £781 million higher in 2014 compared to 2011. However the unfavourable exchange rate reduced the value of single farm payments and farmers received £733 million less in payments in 2014. This along with changes to consumption of fixed capital, labour and rent sees total income from farming £67 million less than 2011.

Total Income from Farming per AWU of entrepreneurial labour follows a similar trend to Total Income from Farming but owing to a decline in the number of farmers and other unpaid workers has performed better over time. Total Income from Farming per AWU of entrepreneurial labour is 4.4% lower than 2013 and just 0.4% lower than 2011.

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

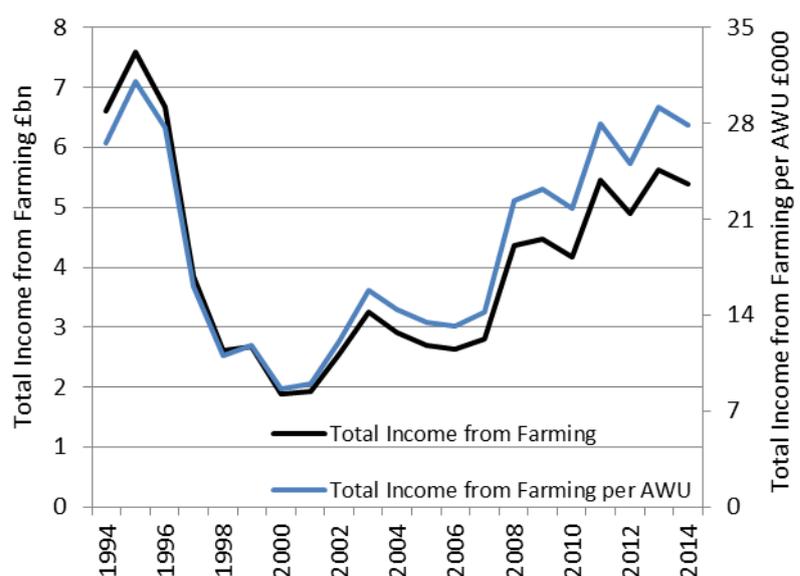


Table 1 Total Income from Farming and Total Income from Farming per annual work unit (AWU) of entrepreneurial labour in real terms: United Kingdom 1994 to 2014

	calendar years			
	Total Income from Farming (£ million)	Year-on-year change	Total Income from Farming per AWU (£)	Year-on-year change
1994	6597	9%	26577	10%
1995	7591	15%	31098	17%
1996	6678	-12%	27678	-11%
1997	3855	-42%	16119	-42%
1998	2611	-32%	11102	-31%
1999	2687	3%	11773	6%
2000	1897	-29%	8624	-27%
2001	1939	2%	9033	5%
2002	2542	31%	12085	34%
2003	3259	28%	15833	31%
2004	2921	-10%	14436	-9%
2005	2707	-7%	13520	-6%
2006	2624	-3%	13205	-2%
2007	2808	7%	14236	8%
2008	4358	55%	22329	57%
2009	4466	2%	23207	4%
2010	4182	-6%	21784	-6%
2011	5446	30%	27972	28%
2012	4890	-10%	25097	-10%
2013	5626	15%	29144	16%
2014	5379	-4%	27847	-4%

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

£ million	Calendar years			
	2011	2012	2013	2014
1 Output of cereals	3 401	3 314	3 450	3 473
of which:				
wheat	2 445	2 238	2 126	2 472
barley	852	953	1 155	896
oats	99	118	163	99
2 Output of industrial crops	1 604	1 404	1 204	1 158
of which:				
oilseed rape	1 197	1 038	781	699
protein crops	109	101	125	121
sugar beet	265	235	274	315
3 Output of forage plants	196	151	220	265
4 Output of vegetables and horticultural products	2 461	2 483	2 574	2 386
of which:				
fresh vegetables	1 288	1 300	1 363	1 220
plants and flowers	1 173	1 183	1 211	1 166
5 Output of potatoes (including seeds)	748	683	963	684
6 Output of fruit	636	594	613	622
7 Output of other crop products incl. seeds	500	666	592	648
Total crop output (sum 1-7)	9 547	9 294	9 615	9 237
8 Output of livestock	8 602	8 943	9 330	8 889
primarily for meat	7 270	7 498	7 900	7 455
of which:				
cattle	2 710	2 891	2 943	2 582
pigs	1 127	1 180	1 297	1 270
sheep	1 210	1 056	1 064	1 112
poultry	2 005	2 149	2 366	2 260
gross fixed capital formation	1 332	1 445	1 430	1 435
of which:				
cattle	664	899	885	932
pigs	8	9	6	5
sheep	435	327	340	276
poultry	224	210	199	221
9 Output of livestock products	4 620	4 644	5 160	5 380
of which:				
milk	3 936	3 900	4 346	4 602
eggs	589	686	731	679
Total livestock output (8+9)	13 222	13 587	14 491	14 269
10 Other agricultural activities	1 080	1 051	1 071	1 063
11 Inseparable non-agricultural activities	1 057	1 078	1 196	1 210
12 Output (at market prices) (sum 1 to 11)	24 905	25 010	26 373	25 780
13 Total subsidies (less taxes) on product	29	21	21	21
14 Gross output at basic prices (12+13)	24 934	25 031	26 394	25 800

continued

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

£ million	Calendar years			
	2011	2012	2013	2014
Intermediate consumption				
15 Seeds	801	768	882	708
16 Energy	1 453	1 480	1 476	1 372
of which: electricity and fuels for heating	388	400	392	405
motor and machinery fuels	1 065	1 080	1 083	967
17 Fertilisers	1 673	1 576	1 537	1 440
18 Plant protection products	813	869	871	946
19 Veterinary expenses	422	435	455	461
20 Animal feed	4 747	5 064	5 663	5 012
of which: compounds	2 761	2 978	3 347	2 976
straights	1 447	1 500	1 601	1 411
feed produced & used on farm	539	586	715	625
21 Total maintenance	1 536	1 507	1 539	1 530
of which: materials	948	935	954	945
buildings	588	572	585	585
22 Agricultural services	1 080	1 051	1 071	1 063
23 FISIM	94	99	90	93
24 Other goods and services	3 173	3 229	3 195	3 253
25 Total intermediate consumption (sum 15 to 24)	15 794	16 078	16 778	15 879
26 Gross value added at market prices (12-25)	9 112	8 933	9 594	9 901
27 Gross value added at basic prices (14-25)	9 141	8 954	9 616	9 922
28 Total consumption of Fixed Capital	4 024	4 096	4 008	4 060
of which: equipment	1 616	1 667	1 705	1 728
buildings	974	982	942	953
livestock	1 434	1 448	1 362	1 379
cattle	833	901	872	884
pigs	9	8	7	6
sheep	377	311	273	290
poultry	216	227	209	199
29 Net value added at market prices (26-28)	5 087	4 836	5 587	5 841
30 Net value added at basic prices (27-28)	5 116	4 858	5 608	5 862
31 Other taxes on production	- 127	- 125	- 120	- 115
32 Other subsidies on production	3 666	3 377	3 392	2 933
33 Net value added at factor cost (30+31+32)	8 655	8 109	8 879	8 680
34 Compensation of employees	2 465	2 436	2 444	2 459
35 Rent	477	483	502	525
36 Interest	267	299	307	317
37 Total income from farming (33-34-35-36)	5 446	4 890	5 626	5 379

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

The following commentary refers to table 3 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 2014 Total Income from Farming fell by £151 million to £5,379 million, a 2.7% decrease on 2013. The key contributors to the change were the decreases in: subsidies on production by £401 million, cattle by £311 million, potatoes by £263 million and barley by £239 million. This was somewhat offset by an increase of £382 million in wheat and a £331 million increase in the value of milk, both increases driven by higher production levels; and a decrease in animal feed costs by £555 million.

Gross value added at basic price, which identifies agriculture's contribution to the Gross Domestic Product (GDP), rose by £471 million to £9,922 million, a 5.0% increase.

Details

Outputs: Crops

Overall output of crops value fell by £214 million to £9,237 million, a fall of 2.3%.

2014 was a good year for crop production, the good weather led to some of the highest yields on record. In comparison prices fell due to increased supplies driving values down.

The value of wheat rose by £382 million to £2,472 million. A return to a more typical planted area and record yield saw wheat production levels 40% higher than 2013 and at their highest since 2008/9. The quality of the wheat crop was generally good but prices were lower than in 2013 and did not get above the £200 per tonne mark.

In contrast the value of barley fell by £239 million to £896 million following the record high seen in 2013, largely driven by much lower prices, down 20%. As with wheat 2014 saw the highest recorded yield for barley, 6.4 tonnes per acre but an 11% reduction in the planted area led to an overall 1.5% fall in the volume of barley.

The value of oilseed rape fell for the third year in a row by £60 million to £699 million. This fall was entirely due to the lower price, 20% lower than 2013, as good yields offset a reduction in crop area and led to a 16% increase in production.

In 2014 the value of potatoes fell by £263 million to £684 million, a return to a more normal level on the back of the weather related difficulties of 2012 and subsequent recovery in 2013. Price fell by 27% in 2014, and despite a smaller crop area, the favourable weather conditions led to higher yields which pushed production levels up.

Outputs: Livestock

Overall the total value of output of livestock was marginally higher at £14,269 million.

Livestock was a mixed picture, the value of milk increased by £331 million to £4,602 million whereas the value of livestock primarily for meat decreased by £311 million to £7,455 million.

The value of milk increased by £331 million to £4,602 million. Milk production was at its highest level since 1987 achieved by an increase in dairy herd coupled with higher yields encouraged by the good grazing conditions. The average price of milk in 2013 (calendar year) was 31.6 pence per litre (ppl) compared to 31.5 ppl in 2014, with milk prices strong in the first half of 2014 but falling significantly in the second half of the year.

The fall in the value of livestock primarily for meat was largely due to the £311 million decrease in the value of cattle meat to £2,582 million, a result of the decline in price on the back of the record high prices seen in 2013.

The value of pig meat changed little at £1,270 million with higher production offset by lower price. The value of sheep meat increased by £66 million to £1,112 million a result of both higher production levels and good price.

The value of poultry meat fell by £66 million to £2,260 million, steadying the growth seen in the last ten years. Production levels fell by 2.9% whilst prices remained fairly stable.

Intermediate consumption

The value of intermediate consumption fell by £613 million to £15,879 million.

The fall in intermediate consumption is largely due to the £555 million decrease in animal feed, the largest contributor to the intermediate consumption value. In 2014 feed prices fell by 12% as higher crop production pushed down grain prices. Volume levels rose by 1.8%, with straights 5.6% higher than 2013. Favourable weather conditions led to good grass growth and reduced the need for animal feed.

The value of seeds fell by to £159 million to £708 million. The favourable weather led to no unexpected problems, unlike 2013 when demand for seeds was high due to the wet weather conditions and a need to re-plant in both spring and autumn. As a result volumes levels fell by 8.3% and prices by 11% in 2014.

The value of energy fell by £78 million to £1,372 million. This is largely due to the reduction in the value of fuels for machinery, both price and volume driven. Declining world oil prices led to a fall in the red diesel price, a reduction of 11 pence per litre between January and December 2014. Volumes were 6.7% lower as there was less land work in the spring.

Compensation of employees

There was an increase of £57 million to compensate employees in 2014. This was due to an increase in pay and a small increase in the number of employees. The total compensation to employees in 2014 was £2,459 million.

Other subsidies on production

Subsidies fell by £401 million to £2,933 million. This 14% decrease in subsidies is due to the change in the exchange rate between sterling and the Euro and is a significant contributor to the fall in the Total Income from Farming.

Table 3 Aggregate Agricultural Accounts: Current price production and income accounts for the United Kingdom

£ million	Calendar years			
	2011	2012	2013	2014
1 Output of cereals	3 230	3 201	3 391	3 473
of which:				
wheat	2 322	2 162	2 090	2 472
barley	809	920	1 135	896
oats	94	114	160	99
2 Output of industrial crops	1 524	1 356	1 183	1 158
of which:				
oilseed rape	1 137	1 002	768	699
protein crops	103	98	123	121
sugar beet	251	227	270	315
3 Output of forage plants	186	146	217	265
4 Output of vegetables and horticultural products	2 337	2 398	2 530	2 386
of which:				
fresh vegetables	1 224	1 255	1 340	1 220
plants and flowers	1 114	1 142	1 191	1 166
5 Output of potatoes (including seeds)	711	659	947	684
6 Output of fruit	604	573	602	622
7 Output of other crop products incl. seeds	475	644	581	648
Total crop output (sum 1-7)	9 067	8 977	9 451	9 237
8 Output of livestock	8 169	8 637	9 171	8 889
primarily for meat	6 904	7 242	7 765	7 455
of which:				
cattle	2 573	2 792	2 893	2 582
pigs	1 070	1 139	1 274	1 270
sheep	1 149	1 020	1 045	1 112
poultry	1 904	2 075	2 326	2 260
gross fixed capital formation	1 265	1 395	1 406	1 435
of which:				
cattle	631	868	870	932
pigs	8	8	6	5
sheep	413	316	334	276
poultry	213	203	195	221
9 Output of livestock products	4 387	4 485	5 072	5 380
of which:				
milk	3 738	3 767	4 271	4 602
eggs	559	662	718	679
Total livestock output (8+9)	12 556	13 123	14 243	14 269
10 Other agricultural activities	1 025	1 015	1 052	1 063
11 Inseparable non-agricultural activities	1 003	1 041	1 176	1 210
12 Output (at market prices) (sum 1 to 11)	23 652	24 155	25 922	25 780
13 Total subsidies (less taxes) on product	28	20	21	21
14 Gross output at basic prices (12+13)	23 679	24 176	25 942	25 800

continued

Table 3: Aggregate Agricultural Accounts: Current price production and income accounts for the United Kingdom (continued)

£ million	Calendar years			
	2011	2012	2013	2014
Intermediate consumption				
15 Seeds	761	742	867	708
16 Energy	1 380	1 429	1 450	1 372
of which: electricity and fuels for heating	369	386	386	405
motor and machinery fuels	1 012	1 043	1 065	967
17 Fertilisers	1 589	1 523	1 511	1 440
18 Plant protection products	772	839	856	946
19 Veterinary expenses	401	420	447	461
20 Animal feed	4 508	4 891	5 567	5 012
of which: compounds	2 622	2 876	3 290	2 976
straights	1 374	1 448	1 574	1 411
feed produced & used on farm	512	566	703	625
21 Total maintenance	1 459	1 455	1 513	1 530
of which: materials	900	903	937	945
buildings	559	552	575	585
22 Agricultural services	1 025	1 015	1 052	1 063
23 FISIM	89	95	88	93
24 Other goods and services	3 013	3 118	3 140	3 253
25 Total intermediate consumption (sum 15 to 24)	14 999	15 528	16 491	15 879
26 Gross value added at market prices (12-25)	8 653	8 627	9 430	9 901
27 Gross value added at basic prices (14-25)	8 681	8 648	9 451	9 922
28 Total consumption of Fixed Capital	3 822	3 956	3 939	4 060
of which: equipment	1 535	1 610	1 675	1 728
buildings	925	949	926	953
livestock	1 362	1 398	1 338	1 379
cattle	791	870	857	884
pigs	8	8	7	6
sheep	358	301	268	290
poultry	205	220	206	199
29 Net value added at market prices (26-28)	4 831	4 671	5 491	5 841
30 Net value added at basic prices (27-28)	4 859	4 691	5 512	5 862
31 Other taxes on production	- 121	- 121	- 118	- 115
32 Other subsidies on production	3 482	3 262	3 334	2 933
33 Net value added at factor cost (30+31+32)	8 219	7 832	8 728	8 680
34 Compensation of employees	2 341	2 353	2 402	2 459
35 Rent	453	467	493	525
36 Interest	253	289	302	317
37 Total income from farming (33-34-35-36)	5 172	4 723	5 530	5 379

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>.

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.

Revisions

Over time, as more data becomes available, estimates will be revised and forecasts replaced, for example intermediate consumption and other costs data estimated for the April publication will, in November, be replaced with the Farm Business Survey data.

In this edition methodological changes have been made to the calculation of the consumption of capital formation. These changes have extended the period that the capital is consumed and changed the profile of consumption. Changes to the data have been made back to 1973.

In addition there are methodological changes made to calculation of rent data. These changes improve the land area calculation and have been made back to 1987.

There are changes to plant protection products data back to 2008. This corrects errors in the interpretation of the data.

Changes have also been made to seeds all the way back to 1973 to rectify an error in the data.

The Office of National Statistics have implemented changes to their FISIM time series which resulted in relative changes to both interest and FISIM back to 2008.

Changes to cereal and potatoes were made back to 2010 due to methodological changes.

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 4 Revisions made to the 2013 aggregate agricultural account between April November 2014 and April 2015

	Nov 2014 2013	Apr 2015 2013	% change to 2013
Gross output (£m)	25 902	25 942	0.2%
Intermediate consumption (£m)	16 484	16 491	0.0%
GVA (£m)	9 418	9 451	0.4%
NVA at factor cost (£m)	8 696	8 728	0.4%
TIFF (£m)	5 638	5 530	-1.9%

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.

Main users and uses of the aggregate agricultural accounts

The aggregate agricultural accounts are used in conjunction with other economic information 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 £5.6 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.