



Farm Business Survey

2006/2007

Lowland Grazing Livestock Production in England



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RBR

independent research, data and analysis

Rural Business Research

Acknowledgements

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Foreword to the First Series

This report is one of a series being produced based on the results of the Farm Business Survey (FBS) for England. The annual Farm Business Survey is the most comprehensive and independent survey of farm incomes and provides a definitive data source on the economic and physical performance of farm businesses in England. It is conducted by a Consortium comprising the Universities of Cambridge, Newcastle upon Tyne, Nottingham and Reading, and Askham Bryan, Duchy and Imperial Colleges. The Consortium is lead by the University of Nottingham and its members work in partnership, using uniform and standard practices in reporting on their findings to ensure consistent data quality, accuracy and validity. The Survey is financed by Defra and the Consortium values greatly the input of their staff.

These detailed reports for various farm types and enterprises are in addition to the comprehensive Farm Business Survey Reports for Government Office Regions published at www.farmbusinesssurvey.co.uk. The Consortium is seeking by these additional reports to ensure that timely and relevant information is available to farmers, consultants, advisers and other organisations and individuals interested in farming and land management. The analysis and publication of these reports uses data from farm businesses across England, with an individual member of the Consortium undertaking the research analysis. In line with the ethos of the Consortium, these reports present results in such a way as to ensure a significant element of continuity and consistency from one report to the other, whilst also ensuring that each report captures the contemporary issues of relevance to the sector of agriculture in England to which it relates.

We believe these new reports will make a valuable and useful contribution to the farming industry and we commend them to you.

Prof. Martin Seabrook
(Chief Executive of the Consortium)

Foreword to the Second Series

Launched in 2007, the farm types and enterprise reports based on the results of the Farm Business Survey (FBS) for England have quickly become established as the authoritative data source for a wide range of agricultural enterprises. The second series of reports builds upon the first by providing data for the most recent FBS accounting year (2006/07) and expanding the series coverage by including information on lowland grazing livestock production in addition to incorporating the well-established *Horticultural Business Data* report within this current series. Produced by **Rural Business Research**, a leading independent consortium comprising the Universities of Cambridge, Newcastle upon Tyne, Nottingham and Reading, and Askham Bryan, Duchy and Imperial Colleges, the reports draw directly upon the highly regarded annual Farm Business Survey financed by Defra.

These detailed reports, available via **Rural Business Research's** on-line service, www.ruralbusinessresearch.co.uk complement the comprehensive Farm Business Survey Reports for Government Office Regions published at www.farmbusinesssurvey.co.uk. As with the first series, **Rural Business Research** aims, via these reports and its other data and results services, to provide timely and relevant information to farmers, consultants, advisers and other organisations and individuals interested in farming and land management. Our expertise in independent research, data and analysis ensures that we understand the needs of the different agricultural and horticultural sectors. The reports have been thus developed to capture the issues of direct relevance to the farm type or sector presented whilst ensuring consistency in the treatment and presentation of key data and results. Building upon developments in the FBS, a key performance result of direct relevance to all sectors is the new headline income measure of Farm Business Income (FBI) which provides a financial accounting return measure and represents the return to unpaid labour and capital invested in the farm business, including land and farm buildings. It incorporates the four revenue and cost centres of farm businesses, these being i) agricultural production and agricultural diversification, ii) agri-environmental activity, iii) single farm payment and iv) non-agricultural diversification. We believe the FBI measure further enhances the results provided by the reports in the series, enabling readers to view the results within a financial accounting context.

As we present these results in the Spring of 2008, the industry is undergoing a period of change, with enhanced prices in some sectors considerably improving profitability, whilst for others, increased costs are leading managers to further analyse the performance of their enterprises and overall business. One issue common across all sectors is that the need for independent data upon which to base decisions remains a key tool to successful business management; **Rural Business Research's** outputs, incorporating this series, continue to lead the way in providing this independent data.

Prof. Martin Seabrook

(Chief Executive, Rural Business Research)

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Summary

- Nearly half the land area of England is grass and grazing land and this is dominated by permanent grassland.
- Lowland Grazing Livestock farms account for 10% of the area of farmed land in England and are 17% of the holdings
- The majority of Lowland Grazing Livestock holdings are small or part-time. Other farm types are, on average, larger businesses
- As compared to the other lowland land using farm types, in England, the Grazing Livestock farms produce the lowest incomes per farm, per hectare and per annual labour units. For example, Net Farm Income per farm is only 56% of the next best farm type in the 2005 crop year.
- Net Farm Income for the Lowland Grazing Livestock farms in 2006/07 was £6,819, which was a modest increase on the previous year. Farm Business Income for the same period was £13,490, again a small improvement
- There is a large range of Farm Business Income per farm, within the Lowland Grazing Livestock producers, with 20% of farms were making a loss, and overall nearly two thirds of farms making less than £20,000
- The Net Farm Income for the farm sub-types, from within the Lowland Grazing Livestock farms, were all close to the average, per farm, except for those producers which were Specialist Sheep farmers. Their income was only £1,579
- Farm Business Income, which closely resembles farm profit, was less than private drawings for 2006/07
- Organic producers are 20% smaller than the conventional farmers and their Net Farm Income is half that of the Conventional producers (£3,616 lower). Relative to Output their variable costs are low but fixed costs are high.
- The farmers in the EU West Region of England are smaller, with lower incomes than the rest of lowland England
- With the increase in size of business the income rises from Part-time farms up until the Large farms. The Very Large farms have lower incomes than the Large farms
- Only the Large farms make a positive Farm Business Income when the Single Payment Scheme output is removed
- For Beef Cows the gross margin per head and per hectare increases as the scale of the enterprise increases.
- The opposite happens with the Ewe flock with decreasing margins from increasing scale of the enterprise
- The non breeding beef enterprises had higher gross margins than the beef cows
- The Premium (Top Third) producers', ranked by gross margin per head, have much higher gross margin than the average. These are more than double for the Beef Cows and Breeding Ewes

Lowland Grazing Livestock Production in England 2006/2007

The Structure of the Lowland Grazing Livestock industry

How important is 'permanent' grass and livestock production to English Agriculture? On the basis of the land 48% of the Utilised Agriculture Area in England is grass and grazing land¹. Only 12% of this area has been planted within the last five years. Dairy farming and livestock production in the Less Favoured Areas utilise large areas of this land but farms producing mainly cattle and sheep in the lowlands are also very important. The Lowland Grazing Livestock farms, which are eligible for the FBS, account for about 10% of the total area farmed in England and numerically they represent 17% of the farms that are eligible for the FBS. Further details are shown in Table 1, illustrating the importance of the Part-time and Small farms.

Table 1 June Census 2006 – English Farms of 0.5 Standard Labour Requirement² and over, by Size of Businesses

Number of businesses	Lowland Grazing Livestock	Dairy	Cereals	General Cropping	All Types
Part time	4650	754	3812	1414	16049
Small	3290	4376	4351	2162	20075
Medium	982	2687	1974	1072	9501
Large	937	3764	2216	2185	13908
Total	9859	11581	12353	6833	59533
% of total types	17%	19%	21%	11%	100%

Source: Defra 'Farm Accounts in England 2006/07'

Over a million hectares in England are farmed by the Lowland Grazing Livestock farms and only four percent of their land is under arable cropping³. 1.2 million cattle and 4.8 million sheep are also recorded on these farms. Appendix 2 shows a map of the distribution of Lowland Grazing Livestock farms in England. The majority of these farms are in the western and southern areas of England.

The domination of the smallest businesses in Lowland Grazing Livestock farms is further illustrated by using a different measure of farm size. European Size Units (ESU), as described in 'Agriculture in the United Kingdom 2006'⁴, are commonly used to describe the scale of a farming business and data from June Census 2004 for all farms in England indicates that only 32% of the Lowland Grazing Livestock farms are classified as full-time. The Dairy, Cereals and General Cropping farms have between 86 % and 97% of their farms as full-time. Thus numerically there are large numbers of small and very small Lowland Grazing Livestock farms and businesses that are reliant predominantly on beef and sheep production. There are also relatively fewer medium and large businesses as compared to other land using farm types in the lowlands of England.

This report will concentrate on data extracted from the Farm Business Survey for this important group of farms and includes data from 236 farms which has been 'weighted' to produce figures that represent the whole of the Lowland Grazing Livestock industry in England, excluding the smallest farms (less than 0.5 SLR).

¹ Survey of Agriculture and Horticulture June 2007 England- Provisional Results, published September 2007

² Appendix 1 – for an explanation of Standard Labour Requirement

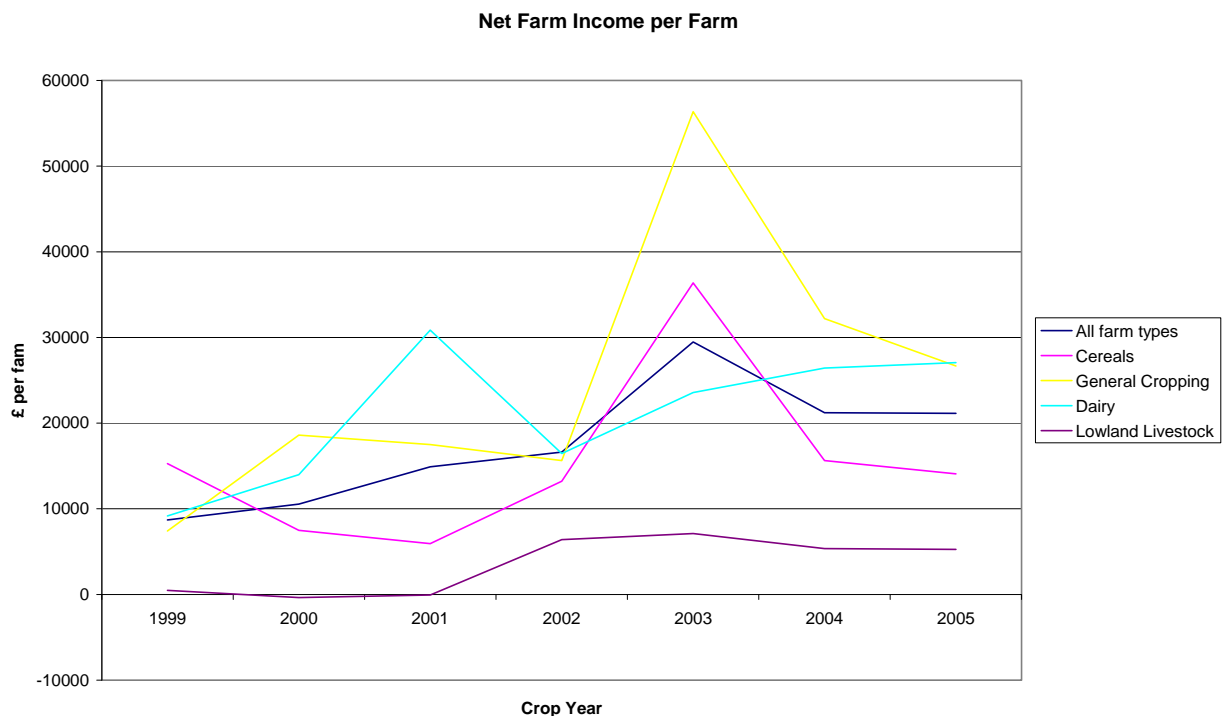
³ Defra June Census 2006 special analysis

⁴ available on DEFRA website- Table 3.7 Agricultural Holdings by type, size and country 2004

Income trends

Figure 1 illustrates the trends in Net Farm Income (NFI) per farm for the different farm types from 1999 until 2005. NFI has been used as the preferred income measure for this analysis because it treats all businesses on a similar basis with a rent or rental value for all farms, unpaid labour receiving an imputed cost, and no interest charges. NFI 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. The Lowland Grazing Livestock Businesses have the lowest NFI of the main land using farm types in lowland England with the maximum, for this 7 year period, of £7125 in 2003. The two following years are poorer with 2005 NFI of only £5259.

Figure 1 Trends in Net Farm Income per farm, in England, by Farm Type



Source: <http://www.farmbusinesssurvey.co.uk>

Comparisons with other Farm Types in Lowland England

One of the reasons the NFI income is lower per farm for the Lowland Grazing Livestock farms, is due to the smaller area farmed by each business. On a per farm basis the Lowland Grazing Livestock farms have a NFI of approximately a third of the next 'best' farms type (Cereals) and less than a fifth of the highest performing farm type, the Dairy group of farms. Table 2 shows NFI per hectare, with both Cereals and Lowland Grazing Livestock less than half the other farm types per hectare. The Cereals farms are bigger than average, so the per farm figures are much better than the Lowland Grazing Livestock businesses. The NFI of the Lowland Grazing Livestock businesses falls even further behind when the NFI per Annual Labour Unit (ALU) is considered. This illustrates the higher labour required on these livestock rearing units rather than that needed for cereal production. At £3954 per ALU this is only 56% of the level of the next best farm type, the Cereals farms.

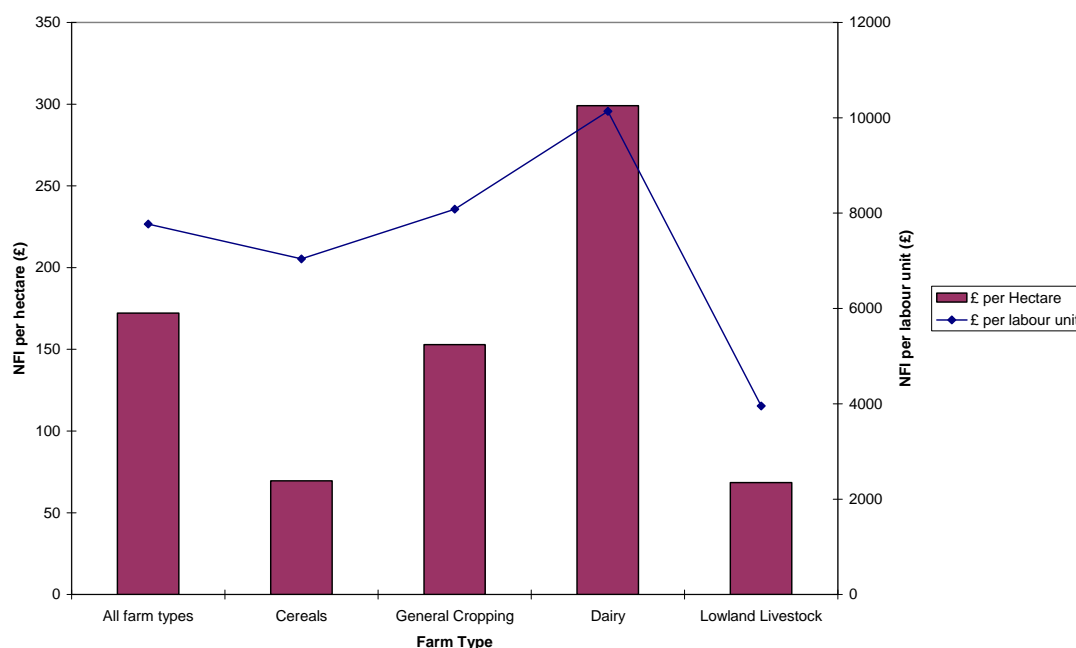
Figure 2 also shows some of the same data. Thus Lowland Grazing Livestock appears to be the least profitable type of farming in the English lowlands using either per farm, per hectare or per ALU as the divisor. These farms are by definition dependant on cattle and sheep production which for 2005 generated poor incomes.

Table 2 NFI per hectare and per annual labour unit

Crop Year-2005	NFI per farm (£)	Total area farmed (Ha)	NFI per Ha (£)	Annual labour units per farm	NFI per ALU (£)
All farm types	21137	122.7	172	2.72	7771
Cereals	14081	202.5	70	2.00	7041
General cropping	26681	174.5	153	3.30	8085
Dairy	27070	90.5	299	2.67	10139
Lowland Grazing Livestock	5259	76.8	68	1.33	3954

Source: <http://www.farmbusinesssurvey.co.uk>

Figure 2 Net Farm Income per hectare and per Annual Labour Unit, in England 2005, by Farm Type



Source: <http://www.farmbusinesssurvey.co.uk>

The preferred measure of farming income now being used by DEFRA is Farm Business Income (FBI). A full definition of FBI is included in Appendix 1. Compared to Net Farm Income FBI is a closer estimate of the profit of the business as all the imputed items within NFI are excluded, although interest charges are included. Thus, by definition, the FBI figures are usually higher than NFI.

Table 3 shows the FBI per farm, per farmed hectare and per ALU. The 'position' of the Lowland Grazing Livestock farms does not change relative to the other farm types with Lowland Grazing Livestock still the lowest 'performer' of all farm types on the basis of per farm, per hectare or per ALU.

Table 3 Farm Business Income, 2005/06

Crop Year-2005	FBI per farm (£)	FBI per hectare (£)	FBI per ALU (£)
All farm types	30915	252	11366
Cereals	32905	162	16453
General cropping	37346	214	11317
Dairy	36605	404	13710
Lowland Grazing Livestock	9658	126	7262

Source: <http://www.farmbusinesssurvey.co.uk>

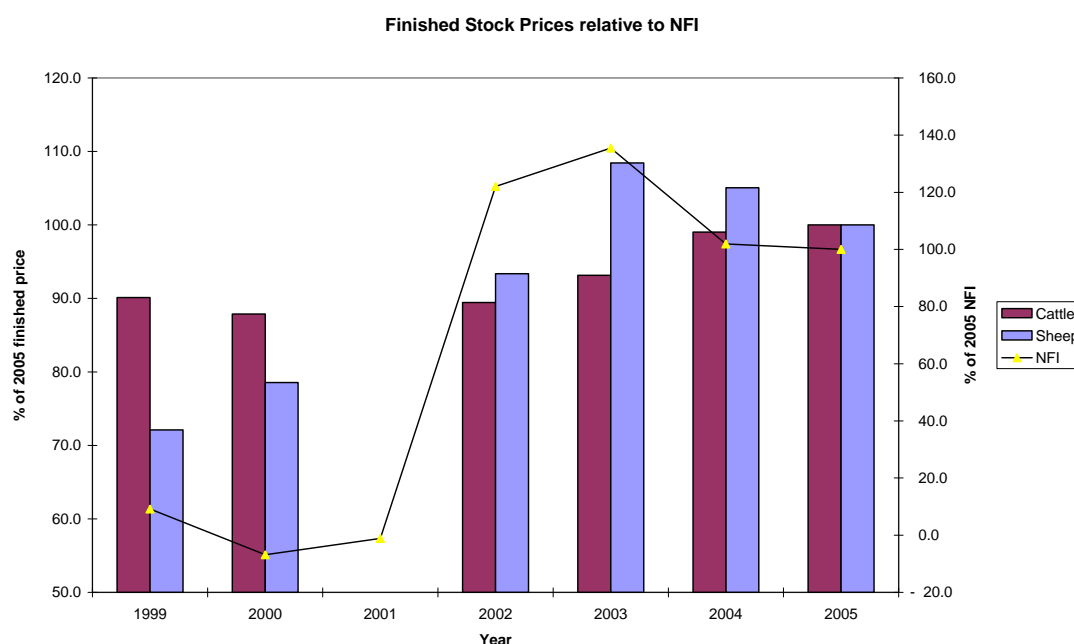
Finished cattle and sheep prices

Given that the Lowland Grazing Livestock farms are dependant on cattle and sheep production, how does the income of these farms compare to the selling prices of finished cattle and sheep? Chart 3 shows the annual prices of finished stock and the NFI for the Lowland Grazing Livestock farms. The figures are all relative to 2005 prices/ income, and have not been adjusted for inflation.

No stock prices are quoted for 2001 due to the Foot & Mouth Disease crisis. The finished cattle price has improved slowly over the period. The improvement in sheep price is relatively larger, despite the fall in the 2003/5 period. In general the NFI followed a similar trend to the cattle and to a lesser extent the sheep. This is to be expected with these farms keeping more cattle, in livestock unit terms, than sheep.

Over this period the NFI is more variable than the selling prices would have suggested indicating that the costs to the businesses, or valuation changes to the livestock which are part of the output, were more variable and that income comes from more than just cattle and sheep. This is particularly important just after the Foot & Mouth disease crisis in 2001.

Figure 3 Prices of finished stock and Net Farm income, 1999-2005



Source: Defra 'Agriculture in the UK' and FBS data

In conclusion the Lowland Grazing Livestock farm type covers a large part of lowland England, is dominated by small businesses and is, in terms of income, is consistently at the 'bottom of the league' as compared to other farm types.

Lowland Grazing Livestock in 2006/07

The results for the FBS farms for 2006 show an improvement in NFI to £6819 which is £1560 higher than the 2005/06 figure. This equates to an increase of £10 per hectare, with the rest of the increase coming from extra land farmed. The FBI was £13490 per farm, an increase of £3832 which is £28 per hectare higher. Much of this increase (£2112) is due to a capital gain on the sale of assets which is included in FBI. The previous year the figure was only £294. Full details of the 'All Farms' data is given in Appendix 3. The group of farms in this years sample farmed 14% more land than in the previous year. The level of owner occupied land decreased from 67% to 57% between the two years. Only 6% of the total farmed area is tilled. The number of beef cows kept is lower and sheep flock was approximately a quarter bigger as compared to the 2005/06 sample of farms. The total annual labour units increased by 6%, to 1.41, but with an increase of 14% in the farm size this is not unexpected. Table 3 summarizes the components of the income for all the farms.

Table 3 Income data for Lowland Grazing Livestock Farms

Total	All farms (£ per farm)
Farm output	70857
Variable costs	17707
Gross margin	53150
Fixed costs	46331
Net Farm Income	6819
Farmer & Spouse labour	16449
Management and Investment Income	-9630
Farm Business Income	13490

A breakdown in the Farm output is shown in Figure 4. The cereal, forage and livestock output comes to 52% of the total and within this the importance of rearing/ fattening cattle are evident, being nearly twice the output of the sheep which has the next largest output.

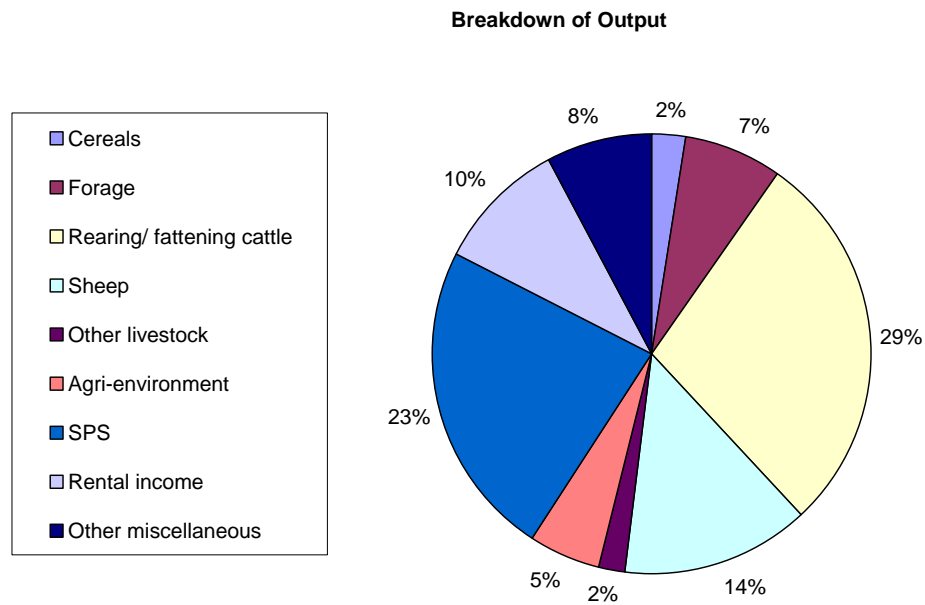
The 'non-production' output, 46% of the total, is dominated by the Single Payment Scheme which accounts for over half of this output. Other miscellaneous output is the next in importance. Agri-environment schemes account for just 6% of total output.

The variable costs are dominated by concentrates which account for 39% of the total and of this £910 are home grown cereals fed to the livestock. The fertiliser and spray costs are £2498 which is 14% of the variable costs. The fixed costs are dominated by the Land & Property costs, which account for 37% of the total closely followed by Machinery costs (32%). General farming costs are 17% of the total and Labour 14%.

Of the 91.64 Hectares farmed 58% of the land was owned with only 3.4 hectares cropped with cereals. The average number of Suckler cows, other cattle and ewes were 29,139 and 182 respectively. These along with other grazing stock were kept at a stocking rate of just over one livestock unit per hectare. Stocking rates this low would normally be considered as 'extensive' in its type of production.

The Balance Sheet for the average farm shows close to £52,000 of liabilities with the majority of borrowing held by the 'Banks' with loans and overdraft of similar levels. The assets for the business of £536,500 are dominated by the Land & Buildings which account for 72% of the total. The balance sheet ratios also indicate a strong financial position for these farms in terms of ratios of assets to liabilities, but with the low incomes earned, extra borrowing on the back of the favourable balance sheet position is difficult to justify and maintain.

Figure 4 Farm output by category



The spread of performance across the farms highlights the range of NFI achieved by businesses. Figure 5 illustrates the differing levels of NFI per farm. A third of farms made less than zero NFI and 78% of farms were making less than £20,000 NFI. Only 6% of businesses were making over £50,000 and were on average over four times the size of the average 'All farms' businesses in terms of land area farmed.

The situation for FBI is shown in Figure 6. In this case 20% of farms were making a loss, and overall nearly two thirds of farms making less than £20,000.

Figure 5 NFI- Income bands, the percentage of farms in each band

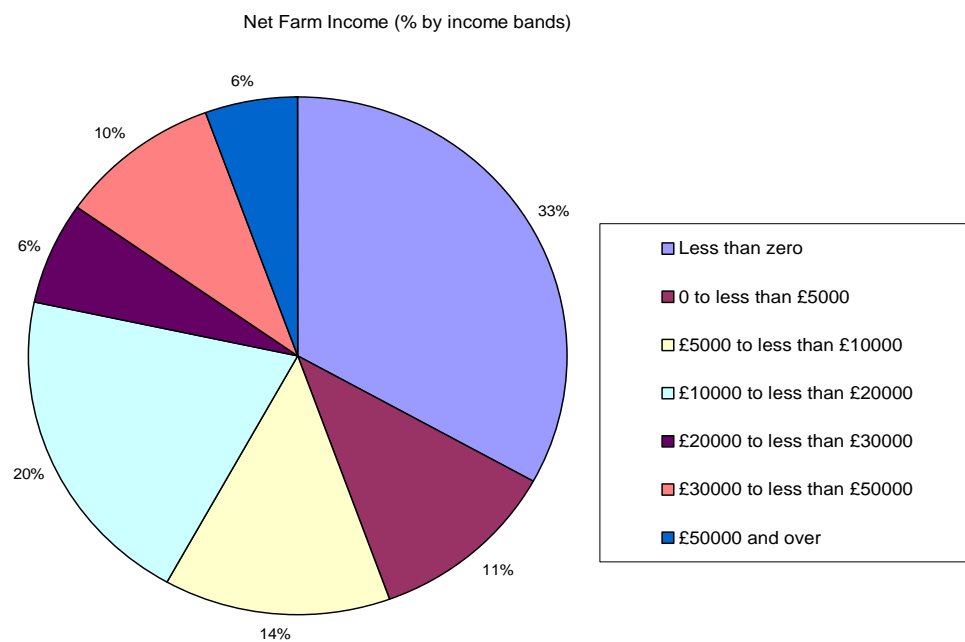
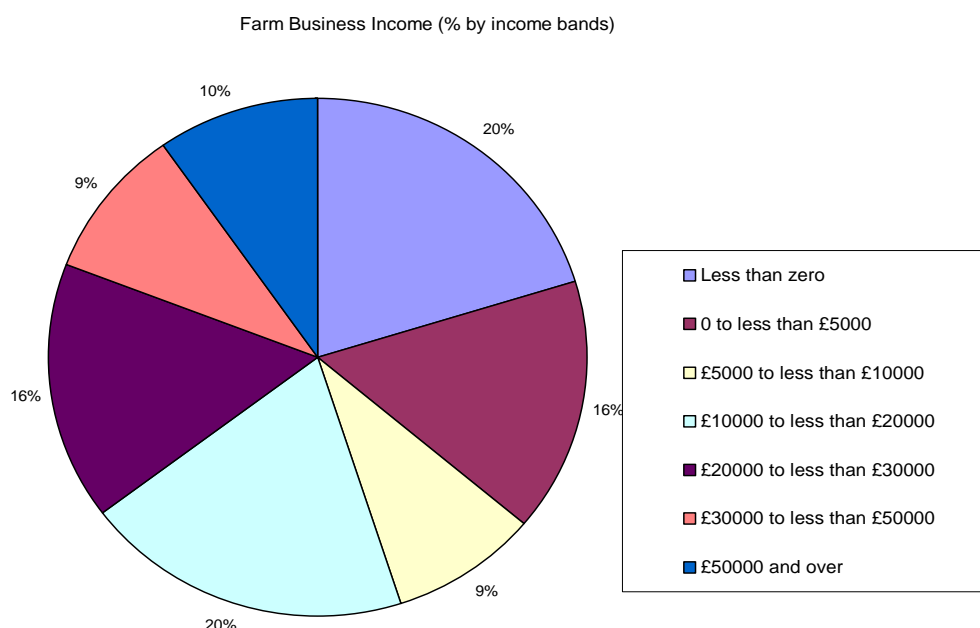


Figure 6 FBI- Income bands, the percentage of farms in each band



Categories of Lowland Grazing Farms

Within the lowland grazing livestock farm type, the authors, have split these farms into five further groups depending on the breakdown of their output. These sub-types are-

1. Beef- those farms where 50% or more of the total farm output comes from Cattle
2. Sheep- those farms where 50% or more of the total farm output comes from Sheep
3. Beef & Sheep- those farms not classified as Beef or Sheep but with a combined output from Cattle and Sheep of over 50% of the total farm output.
4. Agri-related- those farms where 50% or more of the total farm output is derived from Miscellaneous Income. This comes from Agriculture Related and Integrated Diversified activities. It includes Single Payment Scheme, Rental Income and Agri-environment schemes.
5. Other. These include some with dairy herds, other livestock enterprises, and other farms which did not have more than 50% of output from beef, sheep or miscellaneous income.

For this analysis the 25 farms that are organic producers have been excluded but will be discussed later in the report. Nearly two thirds of these organic farms are classified as Agri-related.

Table 4 summarises the position of the differing Farm sub-types⁵. The Beef farms own more of there land than the average and the Sheep farms are dominated by tenanted land. The three remaining types are close to the 'All farms' average of 58% owned land of the total farmed area.

The Sheep farms have the lowest output per farm of all the farm types with just over £44,000 despite being the largest farms. The Other farms have over twice the level of output of the Sheep farms and are the highest of all the Sub-types. The output from 'Forage' is very important for this group of farms which accounts for nearly a third of the Livestock and Crops Output. The Agri-environment type output, per farm, ranges from £931 for Sheep farms to £5882 for the Agri-related farms, which accounts for 2% to 8% of total farm output. The Single Payment Scheme (SPS) income, per farm, is broadly similar across all Farm Sub-types, except for Sheep which is only 53% of the 'All Farms' figure. The SPS payments are still

⁵ A full analysis is given in Appendix 3

dominated by the 'Historic' element of the scheme which itself is based on claims made under the 'headage' and area payment schemes which were part of the previous support arrangements. To have SPS at similar levels the previous scheme claims must also have been similar.

The level of the variable and fixed costs by farm sub-type varies depending upon level of output with the farm types which had the lowest output also having the lowest costs.

The NFI, per farm, for all the farm types varies between £1,579 and £9,126 with the extremes being the Sheep and Other; which are the same groups showing the extremes of output.

Table 4 Farm Sub-type data to NFI

	Average all farms	Farm Sub type				
		Beef	Sheep	Beef & Sheep	Agri-related	Other
Number of farms in group	236	25	19	46	73	48
Average farmed area (hectares)	91.6	78.5	117.9	86.5	93.8	97.4
Average proportion of owned total farmed area	58%	72%	28%	55%	61%	52%
Output		£ per farm				
Livestock and crops	38271	48635	30374	41478	25289	64865
Agri- environmental type schemes	3748	1757	931	1495	5882	3081
Single Payment Scheme	16454	15600	8742	17322	19005	16892
Other	12384	5930	4148	6587	20350	11084
TOTAL FARM OUTPUT	70857	71922	44195	66882	70526	95922
Variable costs						
Livestock specific costs	14058	20157	13232	15527	11806	16923
Crop specific costs	3649	3415	2049	3469	2129	8833
TOTAL VARIABLE COSTS	17707	23572	15281	18996	13935	25756
TOTAL GROSS MARGIN	53150	48350	28914	47886	56591	70166
Fixed costs						
Labour	6566	3950	2337	5451	6999	10993
Machinery	14976	16184	7980	13163	14454	21609
General farming costs	7830	7298	5340	6381	8625	9482
Land & Property	16959	14865	11676	14873	19233	18956
TOTAL FIXED COSTS	46331	42297	27333	39868	49311	61040
NET FARM INCOME (NFI)	6819	6051	1579	8019	7280	9126

Using the FBI measure for income the extremes are £8,798 and £13,428. Table 5 also shows the level of private drawings for the same farm sub-types. The All farms average private drawings of £21,286 is £7,796 above the FBI. The consequence of the shortfall in income compared to drawings is that funding of private drawings will necessitate increased borrowings or the introduction of private funds. The same applies to reinvestment in the business.

Table 5 Farm Sub-type data FBI and Private drawings

	All farms	Beef	Sheep	Beef & Sheep	Agri-related	Other
	£ per farm					
Farm Business Income	13490	10809	8798	13354	11876	13428
Private drawings	21286	19670	13536	21985	21102	25016

Less than 10% of the area farmed by any of the differing farm types is used for cereal crops and approximately 70% is permanent grassland. The Sheep farms have a significant area of rough grazing which is one explanation why they are dominated by output from sheep. The land quality will not allow any other type of production system. The level of rotational grass is higher on the 'Other' farm type as is the cropped area.

Table 6 Land and Livestock Details- Farm Sub-Types

Hectare	All farms	Beef	Sheep	Beef & Sheep	Agri-related	Other
Farmed area	91.6	78.5	117.9	86.5	93.8	97.4
Crops	3.4	3.2	1.4	3.5	1.3	8.9
Temporary grass	10.0	8.8	3.7	9.4	5.4	23.4
Permanent grass	64.0	54.2	68.5	62.7	73.1	53.8
Rough grazing	4.3	0.5	37.3	1.8	2.1	0.6
Average No. of Beef cows	24	31	5	27	23	24
Average No. of Other Cattle	139	171	6	115	77	351
Average No. of Ewes	182	48	449	264	162	177
Total Livestock Units	88.4	107.4	81.4	104.7	79.9	94.8
GLU's per adjusted Ha	1.06	1.45	0.73	1.30	0.95	1.13

The Balance Sheet data for these farms are dominated by the value of the land with over 71% of the value of Total Assets being Land & Buildings. Only for the 'Other' Farm Sub-Type is the percentage of land as compared to Total Assets lower. These farms have more money invested in Machinery, nearly half as much again as their fellow Lowland Grazing livestock farms. Total liabilities for the 'Other' Farm Sub-Type of farms are also the highest.

Organic Producers

Within the sample of farms there were a group of organic farms which have been excluded from the analysis of Farm Sub-type above. Table 7 compares the Organic Farms with the Conventional producers⁶. The Organic farms are 20% smaller than their Conventional counterparts and they also own a greater percentage of the land they farm.

Output from the Organic farms is much lower than from their Conventional cohorts with the output from Livestock and Crops only 54% the Conventional level. On an area basis the output is about two thirds of the conventional farms. Output from the Agri-environment type schemes is nearly two thirds higher for the Organic Producers. Output from the Single Payment Scheme and Other sources are slightly higher for the Conventional farms. With the lower 'farming' output the Organic Farms have much lower variable costs, only 43% the level of Conventional producers. As a result the Total Gross margin per farm for the Organic farmers is 73% the Conventional level, but nearer 92% if the difference in farmed area is taken into consideration.

Fixed costs for the Organic farms are lower per farm than the Conventional producers but much closer on a per hectare basis.

Table7 Conventional and Organic farms compared

GROSS OUTPUT, VARIABLE COSTS AND FARM GROSS MARGIN, 2006/2007		
	Conventional	Organic
Number of farms in group	211	25
Average farmed area (hectares)	93.3	74.9
Average proportion of owned total farmed area	56%	75%
Output	£ per farm	
Livestock and crops	39958	21695
Agri- environmental type schemes	3558	5614
Single Payment Scheme	16945	11630
Other	12709	9184
TOTAL FARM OUTPUT	73170	48123
Variable costs		
Livestock specific costs	14747	7288
Crop specific costs	3940	791
TOTAL VARIABLE COSTS	18687	8079
TOTAL GROSS MARGIN	54483	40044
Fixed costs		
Labour	6775	4511
Machinery	15407	10742
General farming costs	7956	6592
Land & Property	17193	14663
TOTAL FIXED COSTS	47331	36508
NET FARM INCOME (NFI)	7153	3537

⁶ Appendix 4 gives full details of Conventional and Organic producers

The NFI for the Organic Producers is £3,616 lower than Conventional producers. The FBI is actually higher than the Conventional producers but a very large capital gain on the sale of assets is responsible for this change. If this is removed the advantage of just over £3,000 per farm, remains with the Conventional producers.

Table 8 illustrates some of the physical differences between the types of production with the main differences being; Organic producers keep fewer Other Cattle and Ewes having 68% of the Livestock Units and with lower stocking rates, just over 80% of the Conventional level, which in itself is not very high.

The Conventional producers have a 'weaker' Balance Sheet. They own less land, hence have lower Total Assets but also have higher Total Liabilities.

Table 8 Land and Livestock Details- Organic and Conventional Production

	Conventional	Organic
Farmed area (ha)	93.3	74.9
Crops (ha)	3.6	1.6
Temporary grass (ha)	10.2	7.9
Permanent grass (ha)	64.4	60.4
Rough grazing (ha)	4.5	2.4
Average No. of Beef cows	23	28
Average No. of Other Cattle	147	59
Average No. of Ewes	193	70
Total Livestock Units	91.1	61.8
GLU's per adjusted Ha	1.08	0.87

Table 9 illustrates the sources of output and cost for the differing types of production with the organic producers having more environmental type payments and less crop and livestock output, lower variable costs but the fixed costs are higher.

Table 9 Per £100 Output Figures

	Conventional	Organic
OUTPUT	£ per £100 output	
Livestock and crops	55	45
Agri- environmental type schemes	5	12
Single Payment Scheme	23	24
Other	17	19
TOTAL FARM OUTPUT	100	100
TOTAL VARIABLE COSTS	26	17
TOTAL GROSS MARGIN	74	83
FIXED COSTS		
Labour	9	9
Machinery	21	22
General farming costs	11	14
Land & Property	23	30
TOTAL FIXED COSTS	65	76
NET FARM INCOME (NFI)	9	7

Regional differences in Lowland Grazing Livestock farms

Those farms in the EU Region- West are smaller than those in either the North or East and they also own more of the area they farm. Further data is available in Table 10⁷. The North and East have very similar NFI, particularly on a per hectare basis, but the West is lower, even when the scale implications are removed.

Table 10- EU Regional- Summary Financial Data

GROSS OUTPUT, VARIABLE COSTS AND FARM GROSS MARGIN,
2006/2007

	EU Region		
	North	East	West
Number of farms in group	46	88	102
Average farmed area (hectares)	103.1	112.5	72.1
Average proportion of owned total farmed area	48%	46%	75%
	£ per farm		
Output			
Livestock and crops	49567	41552	31617
Agri- environmental type schemes	2657	5169	3121
Single Payment Scheme	20204	16345	15121
Other	13688	16928	8573
TOTAL FARM OUTPUT	86116	79994	58432
Variable costs			
Livestock specific costs	18687	14643	11886
Crop specific costs	5493	3176	3299
TOTAL VARIABLE COSTS	24180	17819	15185
TOTAL GROSS MARGIN	61936	62175	43247
Fixed costs			
Labour	9268	7516	4853
Machinery	16759	17422	12517
General farming costs	8584	9156	6578
Land & Property	18901	18499	15103
TOTAL FIXED COSTS	53512	52593	39051
NET FARM INCOME (NFI)	8424	9582	4196

The Cropping and Livestock Units kept are similar in the North and East with the West having less stock but at higher stocking rates. Total liabilities are lower in the West, less than half the other regions, with broadly similar Total assets.

⁷ Appendix 5 give more detailed data for the EU regions

Farm Size Comparisons

Farm business size can be described in terms of their Standard Labour Requirement. Full details are given in Appendix 1. Five sizes, ranging from Part-time to Very Large, are used and the financial details are shown in Table 11⁸.

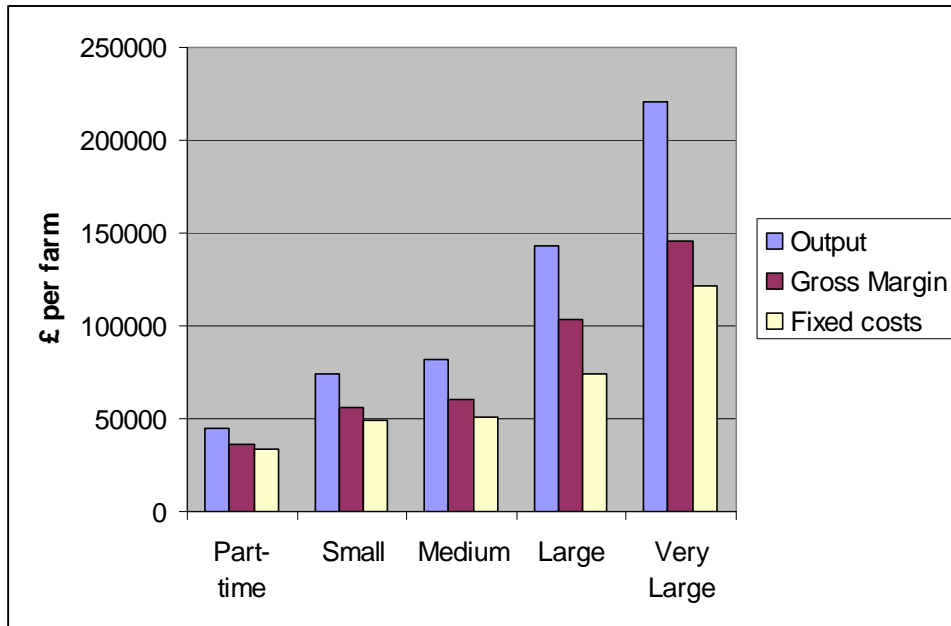
Table 11- Farm Size Data- Standard Labour Requirement

GROSS OUTPUT, VARIABLE COSTS AND FARM GROSS MARGIN, 2006/2007					
	Part-time	Small	Medium	Large	Very Large
Number of farms in group	60	78	37	41	20
Average farmed area (hectares)	63.1	84.4	104.6	164.9	374.6
Average proportion of owned total farmed area	74%	61%	62%	45%	16%
	£ per farm				
Output					
Livestock and crops	19753	42465	44806	82770	145868
Agri- environmental type schemes	3194	3366	3008	8423	8050
Single Payment Scheme	12622	15092	18735	33379	42807
Other	9604	13042	14985	18892	23972
TOTAL FARM OUTPUT	45173	73965	81534	143464	220697
Variable costs					
Livestock specific costs	7041	14069	16804	33754	64009
Crop specific costs	2181	4227	4155	6526	11063
TOTAL VARIABLE COSTS	9222	18296	20959	40280	75072
TOTAL GROSS MARGIN	35951	55669	60575	103184	145625
Fixed costs					
Labour	3420	7503	7499	12633	26070
Machinery	10900	16140	16866	23451	37594
General farming costs	6353	8646	7857	10426	14969
Land & Property	13377	16551	18983	27906	43008
TOTAL FIXED COSTS	34050	48840	51205	74416	121641
NET FARM INCOME (NFI)	1901	6827	9370	28767	23983
Farm Business Income (FBI)	9849	12387	16480	35204	23174

As would be expected, the total area farmed by the businesses increases as the size of farms increases. The proportion of tenanted land also increases with the size.

⁸ Appendix 6 gives more details of the Farm Size data

Figure 7- Output, Gross Margin and Fixed Costs by farm size



The data shown in Figure 7 indicates that the Medium sized farms performance is similar to the Small farms rather than, the expected mid point between the Small and Large farms. Their Output is approximately 20% lower than the trend would suggest. The Very Large farms follow the Output trend but their costs, both variable and fixed costs, are higher than expected resulting in both NFI and FBI below the level of the Large farms.

Figure 8 FBI, Livestock Units (LU) and Farmed Area (hectares) by farm size

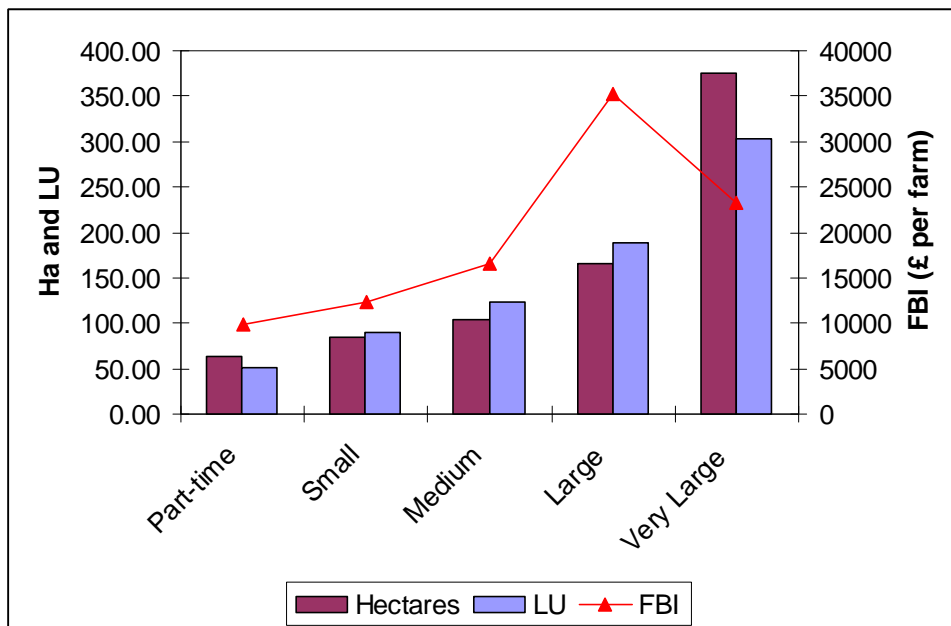


Figure 8 illustrates the farmed area and livestock unit per farm along with FBI. The Part-time and Very Large farms are the only two groups which have more hectares than livestock units and consequently the lowest stocking rates.

Why do the Very Large farms have NFI and FBI below that expected? Their output per hectare is below all other size groups for all the 'broad output headings' except for the output from Livestock & Crops for the Part-time farms. The SPS income is approximately £20,000

below that predicted by the other sizes. The Very Large farms have significant output from 'Other Livestock' which may not have been covered by the previous support regimes, resulting in a lower 'historical' element of the SPS. The normal trend of the increasing size of the business and their decreasing reliance on the 'diversified' income is also true of the Very Large farms. The variable costs per hectare for the Very Large Farms are low but not sufficient to compensate for reduced output. Even with the fixed costs following economies of scale and being the lowest, per hectare, of all groups, this does not compensate sufficiently to raise NFI or FBI to the level of the Large farms.

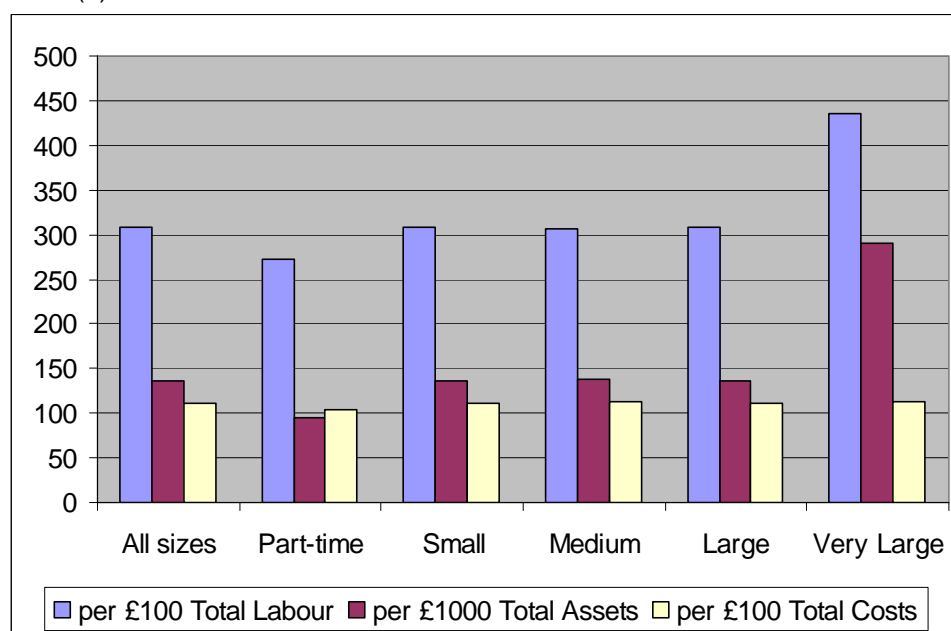
Table 12 Farm size- data per £100 of output

	Part-time	Small	Medium	Large	Very Large
Output	£ per £100 output				
Livestock and crops	44	57	55	58	66
Agri- environmental type schemes	7	5	4	6	4
Single Payment Scheme	28	20	23	23	19
Other	21	18	18	13	11
TOTAL FARM OUTPUT	100	100	100	100	100
Variable costs					
Livestock specific costs	16	19	21	24	29
Crop specific costs	5	6	5	5	5
TOTAL VARIABLE COSTS	20	25	26	28	34
TOTAL GROSS MARGIN	80	75	74	72	66
Fixed costs					
Labour	8	10	9	9	12
Machinery	24	22	21	16	17
General farming costs	14	12	10	7	7
Land & Property	30	22	23	19	19
TOTAL FIXED COSTS	75	66	63	52	55
NET FARM INCOME (NFI)	5	9	11	20	11
Farm Business Income (FBI)	22	17	20	25	11

One interesting observation from Table 12 relates to the Livestock specific variable costs which increase as the business size increases but the Crop specific costs remain constant relative to output. The fixed costs do appear to follow economies of scale except for the Very Large farms, as discussed earlier.

Other performance measures by size of farm are illustrated in Figure 9. For this analysis the total labour costs include an estimate for the labour contributed by the farmer & spouse. The Small, Medium and Large farms have similar performance levels, with the Part-time slightly worse and the Very Large more productive for both labour and total assets used.

Figure 9 – Performance measures- Output achieved by Total Labour, Total assets and Total Costs (£)



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

The FBI generated by the Lowland Grazing Livestock farms are low for all farms sizes but the importance of the Single Payment Scheme (SPS) should not be underestimated. Table 13 shows the FBI without the SPS for all farm sizes.

Table13 Farm Business Income and Single Payment Scheme

	All Farms	Part-time	Small	Medium	Large	Very Large
	£ per farm					
Farm Business Income	13490	9849	12387	16480	35204	23174
Single Payment Scheme Income	16434	12622	15092	18735	33379	42807
Farm Business Income less SPS	-2944	-2773	-2705	-2255	1825	-19633

All Farms would be making a loss of £2,944. The Part-time, Small and Medium farms sizes would all have losses between £2,000 and £ 3,000. The Large farms would have a small but positive FBI but the Very Large Farms would have a loss approaching £20,000.

When the SPS was introduced it was anticipated that the 'market place' would pay more for the livestock and crops produced by English farms and that incomes would be maintained as the level of SPS were reduced to 2013. The UK Government wishes for the SPS to be removed completely leaving farming to earn its income from the value of its produce. The scale of the change that be would needed from the 'market place' to support this desire would be an improvement in receipts of the order of 30% without any changes to costs. The average price for finished cattle and lambs within the Farm Business Survey for 2006/07 year were £619 and £47 respectively⁹. If the SPS were to be removed but incomes maintained these prices would need to be close to £800 and £60. It could also be argued that an increase of the same order of magnitude is required to provide for a satisfactory level of income for living and re-investment in the business.

⁹ Farm Accounts in England 2006/07, Defra
<http://statistics.defra.gov.uk/esg/publications/fab/default.asp>

Gross Margin data from the Lowland Grazing Livestock farms

A number of farms within the FBS sample are able to calculate gross margins for their enterprises and these are summarized in Appendices 7-9. Where the sample sizes allow a premium group figures are also produced and shown alongside the average figures.

Table 14 Lowland Cow Gross Margin data

Gross margins per cow, per LU and per hectare 2006/07
(Weighted performance)

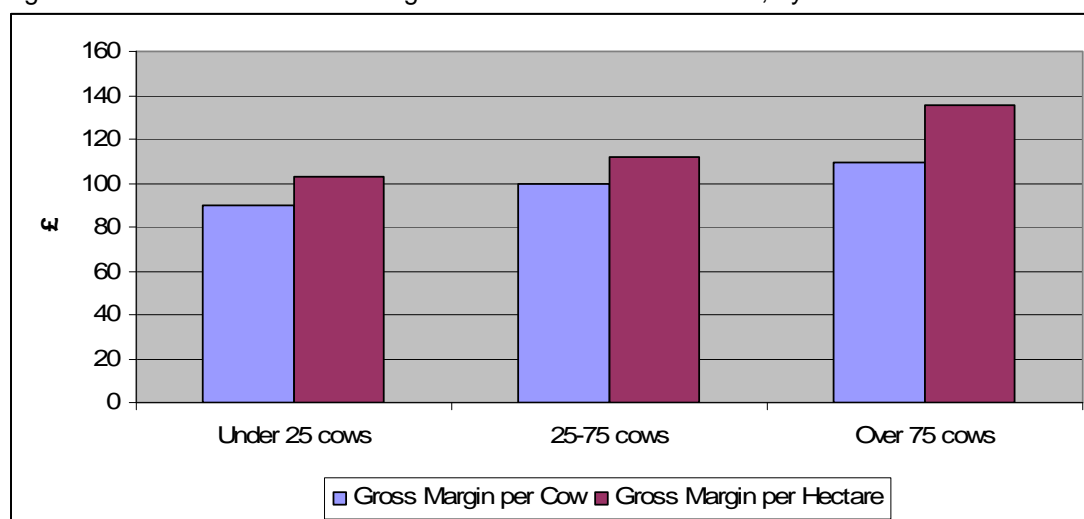
		CONVENTIONAL		ORGANIC
		Average	Premium*	Average
Cows per herd		36	37	29
Stocking rate:	LU/ha	1.15	1.13	0.86
		£ per cow		
Output		203	312	220
Variable Costs		103	97	98
Gross Margin per head		99	215	123
Gross Margin per LU		100	202	122
Gross Margin per Hectare		114	243	106

* Top third in order of gross margin per cow

Table 14 summarizes the gross margin from the Suckler Cow enterprises for the Conventional and Organic producers. Gross margin per cow is higher for the Organic producers but is slightly lower when considered on a Per Hectare basis, than the Conventional Producers. The Premium producers' gross margins are double that of the average with the majority of the difference due to higher output.

As the size of the herd increases the gross margin per cow also increases. This trend is further magnified on a per hectare basis with increasing stocking rates at the larger herd sizes. (See Figure 10)

Figure 10 Suckler Cow Gross Margin Per Head and Per Hectare, by Herd size



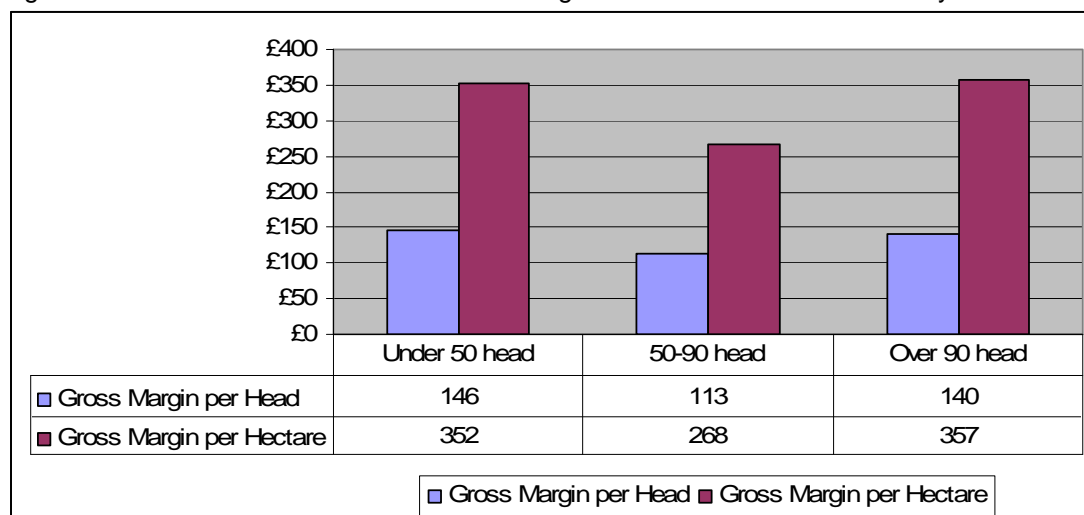
The beef rearing and finishing enterprises are summarized in Table 15, with three types of store stock production and one finishing system. Those farms keeping Dairy Followers, Stores produced from either Dairy or Beef bred stock and Beef Bred Finishing gross margins are available but only for the conventional producers.

Table 15- Lowland Beef Rearing Enterprise Gross Margin data
Gross margins per head, per LU and per hectare
(Weighted average performance)

	Dairy Followers	Dairy bred store cattle	Beef bred store cattle	Beef bred finished cattle
Number of head per farm	95	110	52	76
Stocking rate: LU/Ha	1.77	1.42	1.01	1.57
	£ per head			
Output	267	256	226	258
Variable Costs	128	127	93	125
Gross Margin per head	139	129	133	133
Gross Margin per LU	259	241	217	209
Gross Margin per Hectare	459	343	218	329

The Output, Variable Costs and Gross Margins per head for the rearing enterprises are all higher than that of the beef cows. As compared with the cows, the Per Hectare gross margins for the Beef bred store cattle are double and more than four times for the dairy followers. The stocking rates are higher for these farms than those farmers with Suckler cows. The highest stocking rates are achieved by the Dairy Follower enterprises. These farms may be ex-dairy farms which still adopt dairy type management and can achieve good individual performance at higher stocking rates. Conversely the Beef bred store cattle producer accepts lower output from lower costs (mainly concentrate feed and forage) but with a gross margin per head similar to other producers but at low stocking rates.

Figure 11 Beef Bred Finished Cattle Gross Margin Per Head and Per Hectare by herd size



The Gross Margin figures for the Beef Bred Finished Cattle are similar for the small and large herds but lower for the mid sized group of producers (Figure 11). Most of this difference is due to higher variable costs with the output only slightly lower.

The Gross Margin details for the Lowland Ewes are given in Table 16 with a slight advantage for the Organic producers as compared to the Conventional producers. The advantage is also maintained on a per hectare basis. The gross margin per hectare is below the rearing cattle enterprises but better than the beef cows. For the conventional producer the performance of the premium producer is more than twice that of the average.

Table 16 –Lowland Ewe Gross Margin data

Gross margins per ewe and per hectare

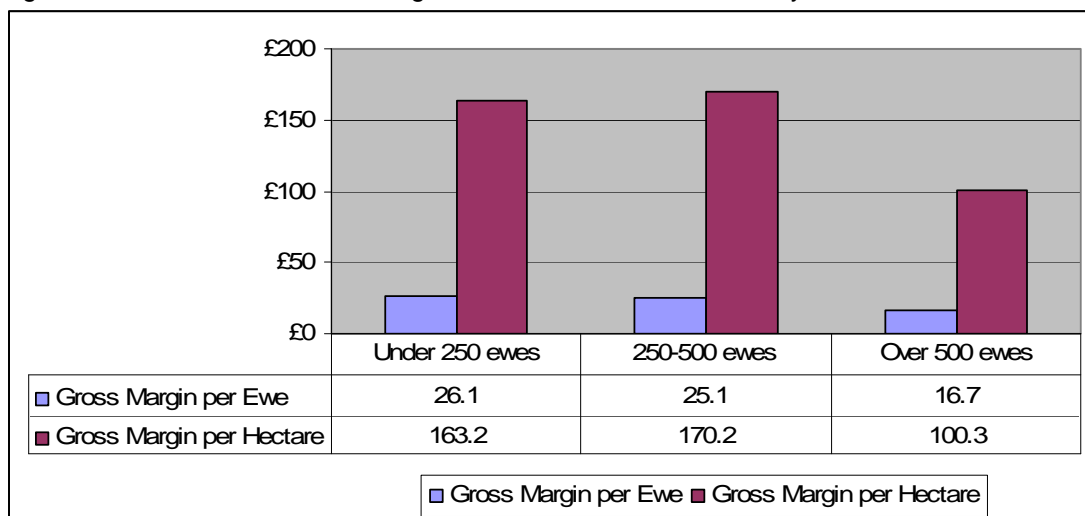
2006/07

	CONVENTIONAL		ORGANIC
	Average	Premium*	Average
Ewes per flock	327	236	123
Average lamb sale price - £/lamb	48.0	49.3	52.3
Stocking rate - ewes per hectare	6.29	6.91	5.22
	£ per head		
Output	48.5	75.9	56.2
Variable Costs	26.9	29.6	27.1
Gross Margin per head	21.5	46.3	29.0
Gross Margin per LU	136	273	185
Gross Margin per Hectare	135	320	151

*Top third in order of gross margin per ewe

Figure 12 illustrates the differences in gross margins by the size of flock with the two smallest groups being very similar and the largest flocks showing poorer gross margin both per head and per hectare. These largest flocks have over 1000 ewes per flock and as discussed earlier are kept on farms with significant rough grazings. This poorer grazing and hence nutrition will restrict the potential to achieve even average performance resulting in low gross margin.

Figure 12 Lowland Ewe Gross Margin Per Head and Per Hectare by flock size



Comparing the gross margin per hectare across the differing livestock enterprises, including the scale of enterprise, the beef finishers have the highest margin followed by the ewes and then the beef cows.

Appendix 1 THE FARM BUSINESS SURVEY (FBS)

GENERAL

The FBS sample covers businesses with a Standard Labour Requirement of 0.5 and above. 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. Thus the results relate, on average, to March - February years.

CLASSIFICATION OF SURVEY FARMS BY TYPE OF FARMING AND SIZE OF BUSINESS

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

Farms in the sample are grouped by type of farm based on the EC system of classification defined by Commission Decision 85/377/EEC (with minor modifications to adapt it to United Kingdom conditions) and Standard Gross Margins per hectare of crop area and per head of livestock estimated over the period 1999-2001.

The Standard Gross Margin (SGM) is a financial measure used to classify farm type. It is based on the concept of gross margin which for any enterprise is given by the enterprise output less variable costs. Standards have been calculated using information from a variety of sources for all major enterprises for three regions of England. Each farm is assigned a total SGM by aggregating the SGM's for its agricultural enterprises. The farm is classified into a 'particular' type of farming by evaluating the proportion of its total SGM deriving from different enterprises. In the UK the farms are grouped to give twenty five main types, of which only the first twenty are relevant to the FBS, and nine robust types.

The chief characteristics of the robust types are summarised as follows:

Dairy Farms where the dairy enterprise, including followers, accounts for over two-thirds of their total SGM.

LFA grazing livestock

Farms with more than two-thirds of their total SGM 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 EC Less Favoured Area (both Disadvantaged and Severely Disadvantaged).

Lowland grazing livestock

Farms with more than two-thirds of their total SGM 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 EC Less Favoured Area.

Cereals Farms on which cereals, oilseeds, peas and beans harvested dry and land set aside account for over two-thirds of their total SGM (holdings with more than two-thirds of their total SGM in setaside are excluded from the survey results).

General cropping Farms with over two-thirds of their total SGM 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 SGM and no other grouping accounts for more than one-third.

Specialist pigs Farms on which pigs account for over two-thirds of their total SGM.

Specialist poultry Farms on which poultry account for over two-thirds of their total SGM.

Mixed farms Farms where crops account for one-third, but less than two-thirds of total SGM and livestock accounts for one-third, but less than two-thirds of total SGM. 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 SGM.

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

- Part-time (greater than 0.5 and less than 1.0)
- Small (greater than or equal to 1 less than 2)
- Medium (greater than or equal to 2 less than 3)
- Large (greater than or equal to 3 less than 5)
- Very Large (greater than or equal to 5)

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 Census) 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).

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, 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. The factors used are set out in Appendix 2 of 'Farm Incomes in the United Kingdom 1999/00'.

<http://statistics.defra.gov.uk/esg/publications/fiuk/2000/Whole.PDF>. 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 hirework

(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, single 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 (e.g. AWB rates). 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 £200, 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, single farm payment, agri-environmental payments, other grants and subsidies, miscellaneous receipts; C is defined as variable costs plus fixed costs. 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 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.

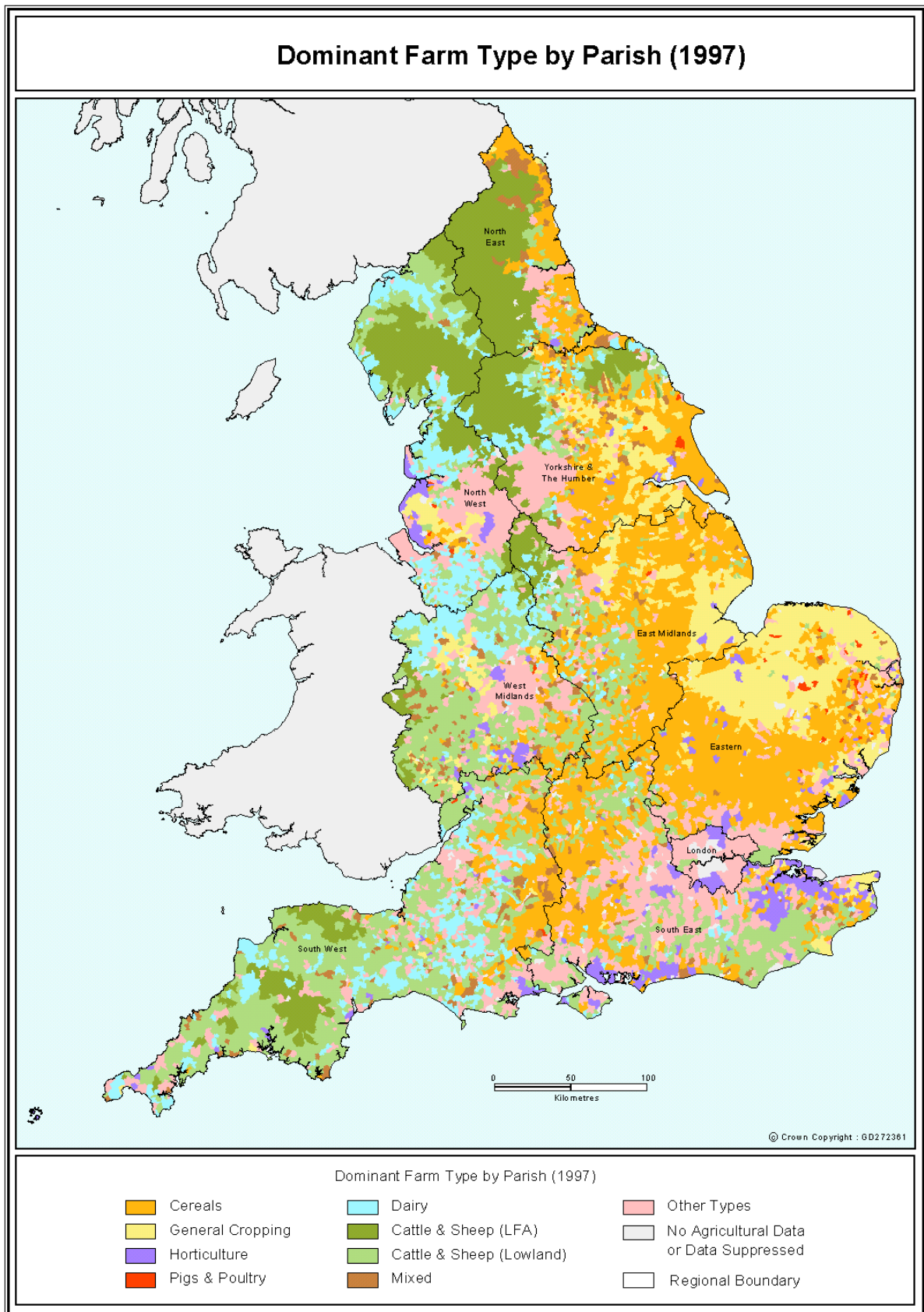
BALANCE SHEET TABLES

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.

Appendix 2- Farm Types in England



Source: DEFRA

Appendix 3- Analysis of English Grazing Livestock Farms (Lowland) by Farm Sub-type

England Grazing Livestock (Lowland)

GROSS OUTPUT, VARIABLE COSTS AND FARM GROSS MARGIN, 2006/2007

	Farm Sub type					
	Average all farms	Beef	Sheep	Beef & Sheep	Agri-related	Other
Number of farms in group	236	25	19	46	73	48
Average farmed area (hectares)	91.6	78.5	117.9	86.5	93.8	97.4
Average proportion of owned total farmed area	58%	72%	28%	55%	61%	52%
	£ per farm					
<u>Output</u>						
Cattle	19950	42832	1354	21957	15380	22414
Sheep	9901	3053	27345	17293	6290	10398
Other livestock	1501	-12	242	1	639	6420
Crops	1709	1962	775	1795	460	4661
Forage	5210	799	658	432	2521	20973
Hill Farm Allowance	38	0	37	87	21	41
Environmentally Sensitive Area	718	632	116	110	1457	432
Countryside stewardship	1619	8	197	530	3034	1157
Higher and Entry Level Stewardship	1019	570	541	725	1069	1389
Organic Aid/ Organic Entry Level stewardship	163	0	0	0	70	59
Other management/ agri-environment schemes	191	547	39	43	231	3
Single Payment Scheme	16454	15600	8742	17322	19005	16892
Rental income	6901	4265	3294	5065	9736	6812
Contract work	2645	408	378	1078	5211	2203
Miscellaneous output	2838	1257	476	444	5403	2069
TOTAL FARM OUTPUT	70857	71922	44194	66883	70526	95922
<u>Variable costs</u>						
Concentrates	6942	11549	6056	7429	5250	9249
Purchased fodder	1116	1401	1535	1188	1232	812
Veterinary and medicines	1851	1887	2080	2162	1668	2240
Other livestock costs	4150	5320	3562	4748	3656	4621
Seeds	495	577	146	395	284	1086
Fertilisers	2128	2049	1610	2503	1269	4636
Crop protection	370	492	149	271	257	848
Other crop costs	655	297	145	301	319	2263
TOTAL VARIABLE COSTS	17707	23573	15282	18996	13935	25755
TOTAL GROSS MARGIN	53150	48349	28912	47887	56591	70166

FIXED COSTS, NET FARM INCOME AND MANAGEMENT & INVESTMENT INCOME,
2006/2007

	Average all farms	Farm Sub type				Other
		Beef	Sheep	Beef & Sheep	Agri-related	
		£ per farm				
TOTAL GROSS MARGIN	53150	48349	28912	47887	56591	70166
<u>Fixed costs</u>						
Paid regular labour	3081	1890	1033	1492	3913	4944
Unpaid regular family labour	2500	1725	0	3240	1909	4754
Casual labour	984	336	1304	719	1178	1296
Contract	3074	3585	1153	2319	3025	4515
Machinery repairs	3105	3842	1782	2696	3032	4213
Machinery fuel	2814	2760	1676	2636	2692	4270
Machinery depreciation	5982	5997	3369	5512	5706	8612
Other depreciation	0	0	0	0	0	0
Property maintenance	2157	1999	757	1557	2568	2450
Electricity	612	818	352	436	570	856
Other fuel	148	87	31	214	140	129
Water	901	747	394	697	1224	877
Insurance	2412	2449	2027	2062	2519	2863
Professional fees	1395	1198	1122	1131	1547	1824
Other general costs	2364	1999	1415	1843	2624	2932
Rent, hired in keep and bare land	3651	2465	4987	3677	3338	5183
Rates	111	68	79	36	175	108
Rental value of owner occupied land and buildings	11040	10333	5853	9603	13152	11215
TOTAL FIXED COSTS	46331	42298	27333	39868	49311	61041
NET FARM INCOME (NFI)	6819	6051	1579	8019	7280	9126
Less farmer and spouse labour	16449	17911	15768	19601	15160	16343
MANAGEMENT AND INVESTMENT INCOME (M&I)	-9630	-11861	-14189	-11582	-7879	-7217

Other Income Measures, 2006/07

		Average all farms	Farm Sub type				Other
			Beef	Sheep	Beef & Sheep	Agri- related	
Reconciliation between Net Farm Income and Farm Business Income							
	NET FARM INCOME	6819	6050	1579	8019	7280	9126
Plus-	Unpaid labour of partners	2500	1725	0	3240	1909	4754
Less-	Net Interest	2521	2835	889	1362	2718	3960
Plus-	Imputed rent and rental value	11040	10333	5853	9603	13152	11215
Less-	Imputed rental income	4634	3350	2773	4178	5405	5136
Less-	Landlord type expenses	433	310	140	356	693	258
	Buildings and works						
Less-	depreciation	1971	1300	1169	1636	2567	2438
Plus-	Capital gain on sale of assets	2112	259	4098	0	60	0
Plus-	Net income from assets associated with the farm business	577	237	2239	24	857	126
Equals-	FARM BUSINESS INCOME	13490	10809	8798	13354	11876	13428
Less-	All unpaid labour	2500	1725	0	3240	1909	4754
Equals-	FARM CORPORATE INCOME	10990	9084	8798	10114	9967	8675
Less-	Net Interest	2521	2835	889	1362	2718	3960
Equals-	FARM INVESTMENT INCOME	8469	6249	7909	8752	7249	4715

LAND USE AND INDICATORS OF TECHNICAL EFFICIENCY,
2006/2007

	Average all farms	Farm Sub type				
		Beef	Sheep	Beef & Sheep	Agri- related	Other
Number of farms in group	236	25	19	46	73	48
Average farmed area (hectares)	91.6	78.5	117.9	86.5	93.8	97.4
Average proportion of owned total farmed area (%)	58%	72%	28%	55%	61%	52%
Land use						
Area of crops	3.4	3.2	1.4	3.5	1.3	8.9
Area of forage	84.1	74.1	115.2	81.9	84.4	84.5
Let keep & bare land	4.2	1.2	1.3	1.1	8.1	4.0
Temporary grass	10.0	8.8	3.7	9.4	5.4	23.4
Permanent grass	64.0	54.2	68.5	62.7	73.1	53.8
Forage crops	1.5	4.1	0.3	0.7	0.9	2.2
Rough grazing	4.3	0.5	37.3	1.8	2.1	0.6
Forage hired in	4.3	6.6	5.4	7.2	2.9	4.5
Stocking						
Average number of dairy cows	1	0	0	0	0	3
Average number of beef cows	24	31	5	27	23	24
Average number of other cattle	139	171	6	115	77	351
Average number of ewes	182	48	449	264	162	177
Average number of other sheep	530	146	1248	766	477	529
Grazing livestock units						
			GLUs per farm			
Dairy cows	0.6	0.0	0.0	0.0	0.0	3.1
Beef cows	11.8	15.5	2.5	13.4	11.4	11.8
Other cattle	43.2	83.2	4.5	45.6	39.7	42.8
Sheep	31.4	7.8	74.3	45.7	27.0	34.2
Other livestock	1.4	0.9	0.2	0.0	1.8	2.8
Total	88.4	107.4	81.4	104.7	79.9	94.8
GLUs per ha	1.05	1.45	0.71	1.28	0.95	1.12
GLUs per adjusted ha	1.06	1.45	0.73	1.30	0.95	1.13

END-OF-YEAR BALANCE SHEETS, 2006/2007

	Average all farms	Farm Sub type				
		Beef	Sheep	Beef & Sheep	Agri- related	Other
Number of farms in group	236	25	19	46	73	48
Average farmed area (hectares)	91.6	78.5	117.9	86.5	93.8	97.4
Average proportion of owned total farmed area	58%	72%	28%	55%	61%	52%
		£ per farm				
End of year assets & liabilities						
Land & buildings	388555	392432	243261	334901	406655	364709
Milk quota	119	0	0	0	160	322
Single Payment Scheme	31460	28317	22822	31039	35389	32770
Machinery	31433	33136	21653	29616	28533	45020
Tenant's other assets	3	0	0	0	0	0
Breeding livestock	22531	17571	30425	29091	19597	25868
Total fixed assets	474101	471454	318160	424646	490334	468690
Trading livestock	27380	45580	11224	32253	22561	32493
Crops	549	252	99	428	210	1831
Forage and cultivations	3378	3618	1887	3469	2721	5631
Stores	2049	2016	1107	1913	1723	3890
Debtors and loans	19834	13210	9167	13896	22603	28396
Bank credit and cash	8921	4416	3220	6843	13117	5370
Other current assets	247	13	38	135	240	659
Total current assets	62359	69105	26742	58935	63176	78270
Total assets	536460	540559	344902	483582	553510	546960
Financed by						
AMC	6487	557	2752	4777	11768	2197
Bank loans	14130	22743	1704	2885	8912	36029
Other long term	5317	6138	3811	4014	6547	6428
Total long term	25934	29439	8268	11676	27227	44655
HP and lease	2487	2203	789	2189	1900	5387
Creditors	7075	8161	5747	4381	6917	11065
Bank overdraft	15998	18161	6966	13286	16851	20241
Other short term	532	1284	0	10	793	368
Total current liabilities	26092	29810	13502	19866	26461	37060
Total Liabilities	52025	59249	21769	31542	53689	81715
Net worth	484435	481310	323133	452040	499822	465245
Balance sheet ratios						
% Owner equity (net worth vs. total assets)	90%	89%	94%	93%	90%	85%
% Fixed assets vs. total assets	88%	87%	92%	88%	89%	86%
Gearing (long-term loans vs. total assets)	5%	5%	2%	2%	5%	8%
Total debt (external liabilities vs. net worth)	11%	12%	7%	7%	11%	18%

Appendix 4- Analysis of English Grazing Livestock Farms (Lowland) – Organic and Conventional

England Grazing Livestock (Lowland)

GROSS OUTPUT, VARIABLE COSTS AND FARM GROSS MARGIN, 2006/2007

	Type of Production	
	Conventional	Organic
Number of farms in group	211	25
Average farmed area (hectares)	93.3	74.9
Average proportion of owned total farmed area	56%	75%
<u>Output</u>		
Cattle	20388	15640
Sheep	10479	4225
Other livestock	1627	265
Crops	1804	775
Forage	5660	789
Hill Farm Allowance	36	62
Environmentally Sensitive Area	781	97
Countryside stewardship	1561	2188
Higher and Entry Level Stewardship	966	1539
Organic Aid/ Organic Entry Level stewardship	40	1370
Other management/ agri-environment schemes	174	358
Single Payment Scheme	16945	11630
Rental income	7035	5588
Contract work	2811	1010
Miscellaneous output	2864	2586
TOTAL FARM OUTPUT	73171	48123
<u>Variable costs</u>		
Concentrates	7364	2792
Purchased fodder	1183	453
Veterinary and medicines	1940	982
Other livestock costs	4260	3061
Seeds	499	458
Fertilisers	2327	173
Crop protection	405	25
Other crop costs	708	135
TOTAL VARIABLE COSTS	18687	8079
TOTAL GROSS MARGIN	54484	40044

FIXED COSTS, NET FARM INCOME AND MANAGEMENT & INVESTMENT
INCOME, 2006/2007

	Type of Production	
	Conventional	Organic
TOTAL GROSS MARGIN	54484	40044
<u>Fixed costs</u>		
Paid regular labour	3194	1973
Unpaid regular family labour	2558	1933
Casual labour	1023	604
Contract	3127	2555
Machinery repairs	3220	1977
Machinery fuel	2937	1606
Machinery depreciation	6123	4601
Other depreciation	0	3
Property maintenance	2136	2362
Electricity	620	531
Other fuel	135	281
Water	925	661
Insurance	2460	1938
Professional fees	1450	846
Other general costs	2366	2335
Rent, hired in keep and bare land	3815	2044
Rates	114	79
Rental value of owner occupied land and buildings	11128	10178
TOTAL FIXED COSTS	47331	36507
NET FARM INCOME (NFI)	7153	3537
Less farmer and spouse labour	16603	14930
MANAGEMENT AND INVESTMENT INCOME (M&I)	-9450	-11394

Other Income Measures, 2006/07

Type of Production
Conventional Organic

Reconciliation between Net Farm Income and Farm Business Income

	NET FARM INCOME	7153	3536
Plus-	Unpaid labour of partners	2558	1933
Less-	Net Interest	2599	1754
Plus-	Imputed rent and rental value	11128	10178
Less-	Imputed rental income	4640	4569
Less-	Landlord type expenses	445	314
	Buildings and works		
Less-	depreciation	2092	781
Plus-	Capital gain on sale of assets	407	18864
Plus-	Net income from assets associated with the farm business	593	420
Equals-	FARM BUSINESS INCOME	12062	27513
Less-	All unpaid labour	2558	1933
Equals-	FARM CORPORATE INCOME	9505	25580
Less-	Net Interest	2599	1754
Equals-	FARM INVESTMENT INCOME	6905	23826

LAND USE AND INDICATORS OF TECHNICAL EFFICIENCY,
2006/2007

	Type of Production	
	Conventional	Organic
Number of farms in group	211	25
Average farmed area (hectares)	93.3	74.9
Average proportion of owned total farmed area(%)	56%	75%
Land use		
Area of crops	3.6	1.6
Area of forage	85.3	72.3
Let keep & bare land		
Temporary grass	4.5	1.0
Permanent grass	10.2	7.9
Forage crops	64.4	60.4
Rough grazing	1.5	1.1
Forage hired in	4.5	2.4
	4.7	0.6
Stocking		
Average number of dairy cows	1	0
Average number of beef cows	23	28
Average number of other cattle	147	59
Average number of ewes	193	70
Average number of other sheep	562	212
Grazing livestock units		
Dairy cows	0.7	0.0
Beef cows	11.6	13.8
Other cattle	44.0	34.8
Sheep	33.3	12.4
Other livestock	1.4	0.8
Total	91.1	61.8
GLUs per ha	1.07	0.86
GLUs per adjusted ha	1.08	0.87

END-OF-YEAR BALANCE SHEETS, 2006/2007

	Type of Production	
	Conventional	Organic
Number of farms in group	211	25
Average farmed area (hectares)	93.3	74.9
Average proportion of owned total farmed area	56%	75%
End of year assets & liabilities		
Land & buildings	369338	577373
Milk quota	131	0
Single Payment Scheme	32079	25384
Machinery	32211	23787
Tenant's other assets	0	28
Breeding livestock	23260	15370
Total fixed assets	457019	641942
Trading livestock	28386	17494
Crops	586	186
Forage and cultivations	3512	2064
Stores	2199	576
Debtors and loans	19921	18981
Bank credit and cash	8402	14017
Other current assets	263	89
Total current assets	63270	53407
Total assets	520289	695349
Financed by		
AMC	6291	8412
Bank loans	14742	8116
Other long term	5788	691
Total long term	26821	17219
HP and lease	2631	1074
Creditors	7404	3839
Bank overdraft	16262	13401
Other short term	561	249
Total current liabilities	26858	18563
Total Liabilities	53679	35782
Net worth	466610	659567
Balance sheet ratios		
% Owner equity (net worth vs. total assets)	90%	95%
% Fixed assets vs. total assets	88%	92%
Gearing (long-term loans vs. total assets)	5%	2%
Total debt (external liabilities vs. net worth)	12%	5%

Appendix 5- Analysis of English Grazing Livestock Farms (Lowland) by EU Region

England Grazing Livestock (Lowland)

GROSS OUTPUT, VARIABLE COSTS AND FARM GROSS MARGIN, 2006/2007
EU Regions in England

	Average all farms	North	East	West
Number of farms in group	236	46	88	102
Average farmed area (hectares)	91.6	103.1	112.5	72.12
Average proportion of owned total farmed area	58%	48%	46%	75%
		£ per farm		
<u>Output</u>				
Cattle	19950	24605	17938	19665
Sheep	9901	12428	11125	8055
Other livestock	1501	2914	2124	514
Crops	1709	2068	871	2185
Forage	5210	7553	9494	1199
Hill Farm Allowance	38	112	0	39
Environmentally Sensitive Area	718	133	1199	587
Countryside stewardship Higher and Entry Level Stewardship	1619	1399	2050	1387
Organic Aid/ Organic Entry Level stewardship	1019	898	1392	792
Other management/ agri- environment schemes	163	75	129	221
Single Payment Scheme	191	41	399	96
Rental income	16454	20204	16345	15121
Contract work	6901	7429	8939	5214
Miscellaneous output	2645	1575	4326	1820
	2838	4684	3663	1540
TOTAL FARM OUTPUT	70857	86117	79994	58432
<u>Variable costs</u>				
Concentrates	6942	10166	6443	6090
Purchased fodder	1116	1196	1886	523
Veterinary and medicines	1851	2299	2135	1475
Other livestock costs	4150	5025	4178	3799
Seeds	495	553	510	463
Fertilisers	2128	3510	1439	2111
Crop protection	370	364	344	391
Other crop costs	655	1066	884	333
TOTAL VARIABLE COSTS	17707	24180	17819	15185
TOTAL GROSS MARGIN	53150	61937	62175	43247

FIXED COSTS, NET FARM INCOME AND MANAGEMENT & INVESTMENT
INCOME, 2006/2007

	EU Regions in England			
	Average	North	East	West
	farms	£ per farm		
TOTAL GROSS MARGIN	53150	61937	62175	43247
<u>Fixed costs</u>				
Paid regular labour	3081	4171	3937	2046
Unpaid regular family labour	2500	4178	2097	2162
Casual labour	984	919	1482	645
Contract	3074	2542	4239	2424
Machinery repairs	3105	2853	3666	2790
Machinery fuel	2814	3139	3267	2360
Machinery depreciation	5982	8225	6249	4943
Other depreciation	0	0	1	0
Property maintenance	2157	2371	1799	2338
Electricity	612	730	614	566
Other fuel	148	225	54	188
Water	901	1161	1059	687
Insurance	2412	2558	2768	2096
Professional fees	1395	1499	1681	1146
Other general costs	2364	2409	2981	1895
Rent, hired in keep and bare land	3651	4226	4650	2705
Rates	111	103	157	80
Rental value of owner occupied land and buildings	11040	12201	11893	9980
TOTAL FIXED COSTS	46331	53512	52593	39051
NET FARM INCOME (NFI)	6819	8424	9582	4196
Less farmer and spouse labour	16449	14040	15983	17697
MANAGEMENT AND INVESTMENT INCOME (M&I)	-9630	-5615	-6401	-13500

Other Income Measures, 2006/07

		Average all farms	EU Regions in England		
			North	East	West
Reconciliation between Net Farm Income and Farm Business Income					
	NET FARM INCOME	6819	8425	9582	4197
Plus-	Unpaid labour of partners	2500	4178	2097	2162
Less-	Net Interest	2521	3345	3713	1340
Plus-	Imputed rent and rental value	11040	12201	11893	9980
Less-	Imputed rental income	4634	5733	5240	3777
Less-	Landlord type expenses	433	276	735	271
	Buildings and works				
Less-	depreciation	1971	2794	2191	1499
Plus-	Capital gain on sale of assets	2112	0	5844	182
Plus-	Net income from assets associated with the farm business	577	1478	123	569
Equals-	FARM BUSINESS INCOME	13490	14133	17660	10203
Less-	All unpaid labour	2500	4178	2097	2162
Equals-	FARM CORPORATE INCOME	10990	9955	15563	8041
Less-	Net Interest	2521	3345	3713	1340
Equals-	FARM INVESTMENT INCOME	8469	6610	11850	6701

LAND USE AND INDICATORS OF TECHNICAL EFFICIENCY,
2006/2007

	Average all farms	EU Region		
		North	East	West
Number of farms in group	236	46	88	102
Average farmed area (hectares)	91.6	103.1	112.5	72.1
Average proportion of owned total farmed area(%)	58%	48%	46%	75%
Land use				
Area of crops	3.4	4.5	2.1	3.9
Area of forage	84.1	92.5	104.2	66.2
Let keep & bare land				
Temporary grass	4.2	6.0	6.2	2.0
Permanent grass	10.0	21.9	6.8	7.8
Forage crops	64.0	49.2	89.5	50.9
Rough grazing	1.5	1.1	1.6	1.5
Forage hired in	4.3	17.6	1.4	1.4
	4.3	2.8	4.8	4.5
Stocking				
Average number of dairy cows	1	0	0	1
Average number of beef cows	24	24	28	20
Average number of other cattle	139	125	202	99
Average number of ewes	182	178	227	150
Average number of other sheep	530	459	690	440
Grazing livestock units				
		GLUs per farm		
Dairy cows	0.6	0.0	0.0	1.3
Beef cows	11.8	11.9	14.1	10.1
Other cattle	43.2	47.1	42.8	42.0
Sheep	31.4	32.5	39.0	25.5
Other livestock	1.4	2.4	1.8	0.7
Total	88.4	94.0	97.7	79.5
GLUs per ha	1.05	1.02	0.94	1.20
GLUs per adjusted ha	1.06	1.04	0.94	1.22

END-OF-YEAR BALANCE SHEETS, 2006/2007

	Average all farms	EU Regions in England		
		North	East	West
Number of farms in group	236	46	88	102
Average farmed area (hectares)	91.6	103.1	112.5	72.1
Average proportion of owned total farmed area	58%	48%	46%	75%
		£ per farm		
End of year assets & liabilities				
Land & buildings	388555	315760	430890	385069
Milk quota	119	260	7	148
Single Payment Scheme	31460	37771	32860	28060
Machinery	31433	42250	31284	27465
Tenant's other assets	3	0	8	0
Breeding livestock	22531	24876	25838	19232
Total fixed assets	474101	420917	520887	459973
Trading livestock	27380	38006	25668	24626
Crops	549	432	260	805
Forage and cultivations	3378	2263	4616	2895
Stores	2049	1853	2209	2006
Debtors and loans	19834	14681	27346	16290
Bank credit and cash	8921	11607	7874	8672
Other current assets	247	398	279	166
Total current assets	62359	69242	68252	55460
Total assets	536460	490159	589139	515434
Financed by				
AMC	6487	1351	13673	3175
Bank loans	14130	29058	16737	6599
Other long term	5317	994	7439	5396
Total long term	25934	31404	37848	15170
HP and lease	2487	3480	3340	1490
Creditors	7075	8738	9533	4653
Bank overdraft	15998	22754	20984	9809
Other short term	532	192	935	366
Total current liabilities	26092	35165	34792	16318
Total Liabilities	52025	66569	72641	31488
Net worth	484435	423591	516498	483946
Balance sheet ratios				
% Owner equity (net worth vs. total assets)	90%	86%	88%	94%
% Fixed assets vs. total assets	88%	86%	88%	89%
Gearing (long-term loans vs. total assets)	5%	6%	6%	3%
Total debt (external liabilities vs. net worth)	11%	16%	14%	7%

Appendix 6- Analysis of English Grazing Livestock Farms (Lowland) by Farm Size by Standard Labour Requirement

England Grazing Livestock (Lowland)

GROSS OUTPUT, VARIABLE COSTS AND FARM GROSS MARGIN, 2006/2007

Farm Size by Standard Labour Requirement

	Part Time	Small	Medium	Large	Very Large
Number of farms in group	60	78	37	41	20
Average farmed area (hectares)	63.1	84.4	104.6	164.9	374.6
Average proportion of owned total farmed area	74%	61%	62%	45%	16%
Output					
Cattle	13154	20982	21057	44688	51536
Sheep	2552	10237	17924	27019	51256
Other livestock	401	1236	687	630	23327
Crops	113	1432	3378	5204	14771
Forage	3533	8577	1761	5228	4979
Hill Farm Allowance	12	41	90	54	198
Environmentally Sensitive Area	752	217	201	1880	4371
Countryside stewardship Higher and Entry Level Stewardship	1313	1593	1647	3787	1737
Organic Aid/ Organic Entry Level stewardship	727	1261	906	1695	1654
Other management/ agri-environment schemes	157	228	22	166	0
Single Payment Scheme	233	27	142	842	90
Rental income	12622	15092	18735	33379	42807
Contract work	6322	6792	7868	9545	7975
Miscellaneous output	1830	2830	3713	3832	6662
	1451	3419	3405	5515	9335
TOTAL FARM OUTPUT	45173	73964	81534	143463	220697
Variable costs					
Concentrates	3263	6797	8905	19822	28077
Purchased fodder	567	958	639	1766	10315
Veterinary and medicines	1012	1941	2191	3512	8293
Other livestock costs	2200	4373	5069	8653	17324
Seeds	326	544	550	886	1428
Fertilisers	1213	2395	2635	4214	6565
Crop protection	153	306	541	900	2453
Other crop costs	489	983	428	526	618
TOTAL VARIABLE COSTS	9222	18297	20959	40280	75072
TOTAL GROSS MARGIN	35951	55667	60575	103183	145625

FIXED COSTS, NET FARM INCOME AND MANAGEMENT & INVESTMENT INCOME,
2006/2007

	Farm Size by Standard Labour Requirement				
	Part Time	Small	Medium	Large	Very Large
TOTAL GROSS MARGIN	35951	55667	60575	103183	145625
<u>Fixed costs</u>					
Paid regular labour	1147	3741	2533	5793	19471
Unpaid regular family labour	1550	2810	4192	5400	1999
Casual labour	723	953	774	1440	4600
Contract	2363	3437	3251	4125	6732
Machinery repairs	2057	3386	3492	5434	9087
Machinery fuel	1885	3135	3429	4558	7264
Machinery depreciation	4595	6181	6695	9334	14510
Other depreciation	0	1	0	0	0
Property maintenance	1757	2064	2477	4453	3144
Electricity	419	740	484	812	1975
Other fuel	131	171	83	135	374
Water	954	779	675	1045	1725
Insurance	1964	2541	2633	3339	4840
Professional fees	1083	1618	1379	2017	2310
Other general costs	1803	2796	2604	3078	3746
Rent, hired in keep and bare land	1684	3470	3514	9375	21657
Rates	74	138	102	95	408
Rental value of owner occupied land and buildings	9861	10879	12891	13983	17798
TOTAL FIXED COSTS	34050	48840	51205	74416	121641
NET FARM INCOME (NFI)	1901	6827	9370	28767	23983
Less farmer and spouse labour	13195	18278	19116	22042	24657
MANAGEMENT AND INVESTMENT INCOME (M&I)	-11295	-11451	-9746	6725	-674

Other Income Measures, 2006/07

Farm Size by Standard Labour Requirement
Part Time Small Medium Large Very Large

Reconciliation between Net Farm Income and Farm Business Income

	NET FARM INCOME	1900	6826	9370	28767	23984
Plus-	Unpaid labour of partners	1550	2810	4192	5400	1999
Less-	Net Interest	2079	2424	2224	4458	6607
Plus-	Imputed rent and rental value	9861	10879	12891	13983	17798
Less-	Imputed rental income	4150	4717	5804	5459	5520
Less-	Landlord type expenses	423	436	530	399	323
	Buildings and works					
Less-	depreciation	1217	2155	2073	3034	8158
Plus-	Capital gain on sale of assets	3770	852	650	0	0
Plus-	Net income from assets associated with the farm business	636	752	9	404	0
Equals-	FARM BUSINESS INCOME	9849	12387	16480	35204	23174
Less-	All unpaid labour	1550	2810	4192	5400	1999
Equals-	FARM CORPORATE INCOME	8299	9577	12288	29804	21175
Less-	Net Interest	2079	2424	2224	4458	6607
Equals-	FARM INVESTMENT INCOME	6221	7153	10064	25346	14569

LAND USE AND INDICATORS OF TECHNICAL EFFICIENCY,
2006/2007

	Farm Size by Standard Labour Requirement				
	Part-time	Small	Medium	Large	Very Large
Number of farms in group	60	78	37	41	20
Average farmed area (hectares)	63.1	84.4	104.6	164.9	374.6
Average proportion of owned total farmed area(%)	74%	61%	62%	45%	16%
Land use					
Area of crops	0.7	3.5	5.9	9.9	20.3
Area of forage	58.8	76.5	96.8	152.4	336.1
Let keep & bare land					
Let keep & bare land	3.7	4.4	2.0	2.7	18.2
Temporary grass	6.6	12.0	12.1	15.5	19.7
Permanent grass	46.9	57.5	75.0	125.4	211.0
Forage crops	1.0	2.1	1.1	1.0	4.0
Rough grazing	1.6	1.6	0.6	1.6	85.3
Forage hired in	2.8	3.2	7.9	8.9	16.2
Stocking					
Average number of dairy cows	0	0	0	5	9
Average number of beef cows	20	23	33	29	37
Average number of other cattle	59	248	89	198	209
Average number of ewes	45	174	330	452	1188
Average number of other sheep	135	511	964	1351	3297
Grazing livestock units					
Dairy cows	0.0	0.0	0.0	4.5	8.7
Beef cows	10.2	11.6	16.3	14.6	18.4
Other cattle	31.8	46.1	48.1	82.0	80.5
Sheep	8.2	31.2	57.5	83.1	176.8
Other livestock	0.4	0.3	2.1	3.6	19.0
Total	50.6	89.3	124.1	187.7	303.4
GLUs per ha	0.86	1.17	1.28	1.23	0.90
GLUs per adjusted ha	0.87	1.17	1.29	1.24	0.92

END-OF-YEAR BALANCE SHEETS, 2006/2007

	Farm Size by Standard Labour Requirement				
	Part Time	Small	Medium	Large	Very Large
Number of farms in group	60	78	37	41	20
Average farmed area (hectares)	63.1	84.4	104.6	164.9	374.6
Average proportion of owned total farmed area	74%	61%	62%	45%	16%
End of year assets & liabilities					
Land & buildings	377979	350763	433924	579171	401125
Milk quota	99	8	88	657	518
Single Payment Scheme	23913	28848	34651	61824	92263
Machinery	23493	33978	34907	49816	69663
Tenant's other assets	0	8	0	0	0
Breeding livestock	11804	23107	35988	41595	88750
Total fixed assets	437288	436711	539558	733063	652320
Trading livestock	17066	29234	30644	59718	78243
Crops	35	449	968	1515	5535
Forage and cultivations	2250	3790	3732	6364	7987
Stores	1145	2415	2281	4532	5347
Debtors and loans	15297	20699	19272	38147	39369
Bank credit and cash	9938	7094	9234	10987	7913
Other current assets	275	117	19	565	1163
Total current assets	46005	63798	66150	121828	145558
Total assets	483293	500509	558579	854892	797878
Financed by					
AMC	9294	3718	4610	5590	2182
Bank loans	10744	16251	3218	34220	31437
Other long term	3348	4055	3680	17030	26452
Total long term	23387	24024	11508	56840	60071
HP and lease	1147	3350	3179	5818	3932
Creditors	3054	8812	6063	13502	35619
Bank overdraft	10400	16657	24269	27447	40493
Other short term	26	761	2110	857	115
Total current liabilities	14627	29580	35620	47623	80159
Total Liabilities	38013	53604	47128	104464	140230
Net worth	445280	446905	558579	750428	657647
Balance sheet ratios					
% Owner equity (net worth vs. total assets)	92%	89%	92%	88%	82%
% Fixed assets vs. total assets	90%	87%	89%	86%	82%
Gearing (long-term loans vs. total assets)	5%	5%	2%	7%	8%
Total debt (external liabilities vs. net worth)	9%	12%	9%	14%	21%

Appendix 7- Gross Margin details for the Lowland Grazing Livestock Farms.
Average and Premium performance, when available

GROSS MARGIN PER HECTARE (Weighted average performance)	Crop year		
	WINTER WHEAT	WINTER BARLEY	2006 SPRING BARLEY
Number of farms	16	35	32
Area per farm (ha)	17.3	7.6	7.5
Yield: tonnes/ha	8.4	5.9	4.8
Price: £/tonne	87	86	86
		£ per hectare	
Grain	729.4	508.6	408.3
Straw	102.1	100.1	84.3
ENTERPRISE OUTPUT	831.5	608.7	492.6
Seeds (inc.homegrown)	37.3	38.4	39.8
Fertilisers	86.2	79.2	46.2
Sprays	113.0	84.8	44.1
Other crop costs	7.3	11.3	5.4
TOTAL VARIABLES ‡	243.8	213.6	135.7
GROSS MARGIN	587.7	395.1	356.9
Averages - previous year	2005	2005	2005
Yield: tonnes/ha	7.4	5.8	4.9
Price: £/tonne	65.7	64.7	65.9
Gross Margin: £/ha	327.0	262.9	256.6

‡ Restricted to seeds, fertilisers, sprays and other crop costs

LOWLAND BEEF COWS

Gross margins per cow, per LU and per hectare (Weighted average performance)		2006/07	
		Average	Premium*
Number of farms		121	40
Cows per herd		36	37
Stocking rate:	LU/ha	1.15	1.13
	ha/LU	0.87	0.89
			£ per cow
Output -	calf output	210.5	315.7
	depreciation	-7.8	-3.8
ENTERPRISE OUTPUT (excl. BLSA)		202.8	311.9
Concentrates		25.7	25.2
Coarse fodder		9.0	6.4
Veterinary and medicines		16.6	15.1
Other livestock costs		27.4	25.6
Forage †		24.7	24.4
TOTAL VARIABLE COSTS ‡		103.4	96.7
GROSS MARGIN per cow (excl. BLSA)		99.4	215.2
GROSS MARGIN per LU (excl. BLSA)		100	202
GROSS MARGIN per hectare (excl. BLSA)		114	243
Concentrates per £100 output		13	8

* Top third in order of Gross Margin per cow.

† Forage includes seeds, fertilisers, sprays and other crop costs

‡ Restricted to concentrates, coarse fodder, veterinary and medicines, other livestock costs and forage.

Gross margins per head, per LU and per hectare (Weighted average performance)		2006/07		
		DAIRY FOLLOWERS	STORE CATTLE FROM DAIRY BRED CALVES OR STORES	STORE CATTLE FROM BEEF BRED CALVES OR STORES
Number of farms	38	17	30	
Number of head per farm	95	110	52	
Stocking rate: LU/ha	1.77	1.42	1.01	
ha/LU	0.56	0.70	0.99	
		£ per head		
OUTPUT	267.4	256.5	226.2	
Concentrates	57.2	58.4	31.9	
Coarse fodder	4.7	5.4	3.7	
Veterinary and medicines	7.3	8.1	7.2	
Other livestock costs	32.8	35.3	35.7	
Forage †	30.6	25.5	18.5	
TOTAL VARIABLE COSTS ‡	128.0	127.4	93.3	
GROSS MARGIN per head	139.4	129.1	132.8	
GROSS MARGIN per LU	259.2	241.5	216.5	
Concentrates per £100 output	21	23	14	

† Forage includes seeds, fertilisers, sprays and other crop costs

‡ Restricted to concentrates, coarse fodder, veterinary and medicines, other livestock costs and forage.

Gross margins per head, per LU and per hectare 2006/07
(Weighted average performance)

		FINISHED CATTLE FROM BEEF BRED CALVES OR STORES	
		Average	Premium*
Number of farms		71	24
Cattle per herd		76	64
Average finished animal sale price - £/head		614	635
Stocking rate:	LU/ha	1.57	1.56
	ha/LU	0.64	0.64
OUTPUT		258.0	317.6
Concentrates		66.7	48.9
Coarse fodder		6.6	0.3
Veterinary and medicines		10.4	9.1
Other livestock costs		30.8	26.9
Forage †		17.2	18.7
TOTAL VARIABLE COSTS ‡		125.0	103.7
GROSS MARGIN per head		133.0	213.9
GROSS MARGIN per LU		209	335
GROSS MARGIN per hectare		329	523
Concentrates per £100 output		26	15

* Top third in order of Gross Margin per head.

† Forage includes seeds, fertilisers, sprays and other crop costs

‡ Restricted to concentrates, coarse fodder, veterinary and medicines, other livestock costs and forage.

BREEDING EWES - LOWLAND

Gross margins per ewe and per hectare		2006/07	
	Average	Premium*	
Number of flocks	128	43	
Ewes per flock	327	236	
Average lamb sale price - £/lamb	48.0	49.3	
Stocking rate - ewes per hectare	6.3	6.9	
			£ per head
Output -			
lambs	54.6	81.7	
wool	1.5	1.8	
depreciation	-7.7	-7.6	
ENTERPRISE OUTPUT (excl. BLSA)	48.5	75.9	
Concentrates	9.4	11.1	
Coarse fodder	3.1	1.0	
Veterinary and medicines	3.9	4.7	
Other livestock costs	7.0	7.5	
Forage †	3.5	5.3	
TOTAL VARIABLE COSTS ‡	26.9	29.6	
GROSS MARGIN per ewe (excl. BLSA)	21.5	46.3	
GROSS MARGIN per LU (excl. BLSA)	136	273	
GROSS MARGIN per hectare (excl. BLSA)	135	320	
Concentrates per £100 of output	19	15	

* Top third in order of Gross Margin per ewe.

† Forage includes seeds, fertilisers, sprays and other crop costs

‡ Restricted to concentrates, coarse fodder, veterinary and medicines, other livestock costs and forage.

Appendix 8- Gross Margin details for the Lowland Grazing Livestock Farms. Average Figures for ORGANIC farms

LOWLAND BEEF COWS	ORGANIC
Gross margins per cow, per LU and per hectare (Weighted average performance)	2006/07
	Average
Number of farms	22
Cows per herd	29
Stocking rate:	
LU/ha	0.86
ha/LU	1.16
	£ per cow
Output -	
calf output	222.8
depreciation	-8.7
ENTERPRISE OUTPUT (excl. BLSA)	220.1
Concentrates	25.3
Coarse fodder	8.2
Veterinary and medicines	19.9
Other livestock costs	34.3
Forage †	10.0
TOTAL VARIABLE COSTS ‡	97.6
GROSS MARGIN per cow (excl. BLSA)	122.5
GROSS MARGIN per LU (excl. BLSA)	122
GROSS MARGIN per hectare (excl. BLSA)	106
Concentrates per £100 output	11

* Top third in order of Gross Margin per cow.

† Forage includes seeds, fertilisers, sprays and other crop costs

‡ Restricted to concentrates, coarse fodder, veterinary and medicines, other livestock costs and forage.

BREEDING EWES - LOWLAND		ORGANIC
Gross margins per ewe and per hectare		2006/07
		Average
Number of flocks		15
Ewes per flock		123
Average lamb sale price - £/lamb		52.3
Stocking rate - ewes per hectare		5.2
		£ per head
Output -	lambs	63.3
	wool	1.6
	depreciation	-8.7
ENTERPRISE OUTPUT (excl. BLSA)		56.2
Concentrates		11.5
Coarse fodder		2.0
Veterinary and medicines		3.3
Other livestock costs		7.6
Forage †		2.6
TOTAL VARIABLE COSTS ‡		27.1
GROSS MARGIN per ewe (excl. BLSA)		29.0
GROSS MARGIN per LU (excl. BLSA)		185
GROSS MARGIN per hectare (excl. BLSA)		151
Concentrates per £100 of output		20

* Top third in order of Gross Margin per ewe.

† Forage includes seeds, fertilisers, sprays and other crop costs

‡ Restricted to concentrates, coarse fodder, veterinary and medicines, other livestock costs and forage.

Appendix 9- Gross Margin details for the Lowland Grazing Livestock Farms by size of enterprise.

LOWLAND BEEF COWS		-by average number of cows		
Gross margins per cow, per LU and per hectare (Weighted average performance)		2006/07		
		Under 25 cows	25-75 cows	Over 75 cows
Number of farms		40	64	17
Cows per herd		17	43	107
Stocking rate:	LU/ha	1.14	1.12	1.24
	ha/LU	0.87	0.89	0.80
		£ per cow		
Output -	calf output	218.1	206.0	219.0
	depreciation	-11.0	-6.4	-9.1
ENTERPRISE OUTPUT (excl. BLSA)		207.0	199.6	209.9
Concentrates		20.2	27.8	24.2
Coarse fodder		12.0	5.5	18.8
Veterinary and medicines		21.6	16.2	12.4
Other livestock costs		36.8	26.2	21.0
Forage †		26.5	24.1	24.5
TOTAL VARIABLE COSTS ‡		117.1	99.8	100.9
GROSS MARGIN per cow (excl. BLSA)		89.9	99.8	109.0
GROSS MARGIN per LU (excl. BLSA)		87	102	110
GROSS MARGIN per hectare (excl. BLSA)		103	112	135
Concentrates per £100 output		10	14	12

* Top third in order of Gross Margin per cow.

† Forage includes seeds, fertilisers, sprays and other crop costs

‡ Restricted to concentrates, coarse fodder, veterinary and medicines, other livestock costs and forage.

Gross margins per head, per LU and per hectare
(Weighted average performance)

2006/07

		FINISHED CATTLE FROM BEEF BRED CALVES OR STORES		
		Under 50 head	50-90 head	Over 90 head
Number of farms		22	25	24
Cattle per herd		31	67	158
Average finished animal sale price - £/head		605	606	630
Stocking rate:	LU/ha	1.55	1.54	1.60
	ha/LU	0.64	0.65	0.63
OUTPUT		257.5	253.1	260.9
Concentrates		44.5	82.3	65.1
Coarse fodder		5.8	5.7	7.4
Veterinary and medicines		11.7	8.9	10.8
Other livestock costs		39.3	29.3	28.9
Forage †		16.5	19.3	16.2
TOTAL VARIABLE COSTS ‡		112.0	139.8	121.0
GROSS MARGIN per head		145.5	113.3	139.8
GROSS MARGIN per LU		226	174	223
GROSS MARGIN per hectare		352	268	357
Concentrates per £100 output		17	32	25

* Top third in order of Gross Margin per head.

† Forage includes seeds, fertilisers, sprays and other crop costs

‡ Restricted to concentrates, coarse fodder, veterinary and medicines, other livestock costs and forage.

BREEDING EWES - LOWLAND

Gross margins per ewe and per hectare

2006/07

	Under 250 ewes	250-500 ewes	Over 500 ewes
Number of flocks	53	42	33
Ewes per flock	137	351	1045
Average lamb sale price - £/lamb	48.1	46.0	50.0
Stocking rate - ewes per hectare	6.2	6.8	6.0
		£ per head	
Output - lambs	62.9	61.7	45.4
wool	1.5	1.6	1.5
depreciation	-9.0	-9.7	-5.6
ENTERPRISE OUTPUT (excl. BLSA)	55.3	53.7	41.3
Concentrates	11.5	11.2	7.1
Coarse fodder	2.2	1.6	4.7
Veterinary and medicines	4.7	4.1	3.4
Other livestock costs	7.5	6.6	7.0
Forage †	3.3	5.0	2.5
TOTAL VARIABLE COSTS ‡	29.2	28.6	24.6
GROSS MARGIN per ewe (excl. BLSA)	26.1	25.1	16.7
GROSS MARGIN per LU (excl. BLSA)	160	154	109
GROSS MARGIN per hectare (excl. BLSA)	163	170	100
Concentrates per £100 of output	21	21	17

* Top third in order of Gross Margin per ewe.

† Forage includes seeds, fertilisers, sprays and other crop costs

‡ Restricted to concentrates, coarse fodder, veterinary and medicines, other livestock costs and forage.

Appendix 10 Reports in series:

Reports in this series:

Crop Production in England 2006/07

Dairying Farming in England 2006/07

Hill Farming in England 2006/07

Horticulture Production in England 2006/07 (Horticultural Business Data)

Lowland Grazing Livestock Production in England 2006/07

Pig Production in England 2006/07

Poultry Production in England 2006/06

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