

# Farm Business Management Digest

## 2013



South West England  
Farm Business Survey



# **Farm Business Management Digest 2013**

***South West England***

**2011/12 financial year data.**

May 2013

Copies of this book may be obtained from:

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[www.ruralbusinessschool.org.uk](http://www.ruralbusinessschool.org.uk)

ISBN: 978-0-9563210-4-6

Published by the Rural Business School

2013

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## **FOREWORD AND ACKNOWLEDGEMENTS**

### **Foreword**

This is the third year of the new format Rural Business School Digest and we hope it is both useful and informative. The digest is intended to provide farmers, growers, students and advisors with a benchmarking tool for farm management decisions and commentary on farming for South West England. The digest covers businesses in the six counties of South West England, namely Gloucestershire, Wiltshire, Dorset, Somerset, Devon and Cornwall.

The digest comprises of detailed information relating to hundreds of farms across the Government Office Region of South West England. It is regularly audited and assessed for its independence, authority and statistical accuracy.

We wish to thank all the hundreds of rural businesses that contribute confidentially to the survey each year. We annually recruit new farmers and growers onto this "in depth" annual survey and would be pleased to send more information regarding the Farm Business Survey Research, in South West England.

The research information comes from the Farm Business Survey which is conducted by Rural Business Research at Duchy Rural Business School and University of Reading and is funded by Department of Environment Food and Rural Affairs.

Rural Business Research is a consortium of six universities and colleges across England. For more information please see [www.ruralbusinessresearch.co.uk](http://www.ruralbusinessresearch.co.uk)

### **Acknowledgements**

We would like to thank all those involved with the research. The Farm Business Survey Farmers, horticulturists and other rural businesses provided confidential data for the survey and received back benchmarking information on the performance of their business relative to previous years and similar businesses in the South West region.

Particular thanks go to Keith Robbins, Mark Fogerty and Becky Butland for compiling this digest.

Thanks also to the data collection and processing team at Duchy: - Keith Robbins, Mark Fogerty, Simon White, Caroline Nichols, Gemma Ayre, Catherine Baldwin, Jamie Blake, Ed Hammond, Linda Lawrance, Helen Lloyd, Greg MacQueen, Sophie Pugh, Liz Reddaway, Ann Stitson, Andrew Sheppard, Teresa Sturtivant and Sally Thompson. Thanks also to the FBS team at Reading University.

**Richard Soffe FRAg.S**  
**The Rural Business School**  
**Duchy College**  
**May 2013**

**SECTION 1****Agriculture in the South West**

The following is a copy of the report published on the Rural Business Research website, covering the South West Government Office region. Additional weighted whole farm and per hectare data is available from [www.ruralbusinessresearch.co.uk](http://www.ruralbusinessresearch.co.uk)

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## Agriculture in the South West of England 2011/2012

This report includes data collected from the Farm Business Survey for the 2011 to 2012 financial year, relating to the 2011 crop harvest. The Farm Business Survey is conducted on behalf of, and financed by the Department for Environment, Food and Rural Affairs, and the data collected in it are Crown Copyright.

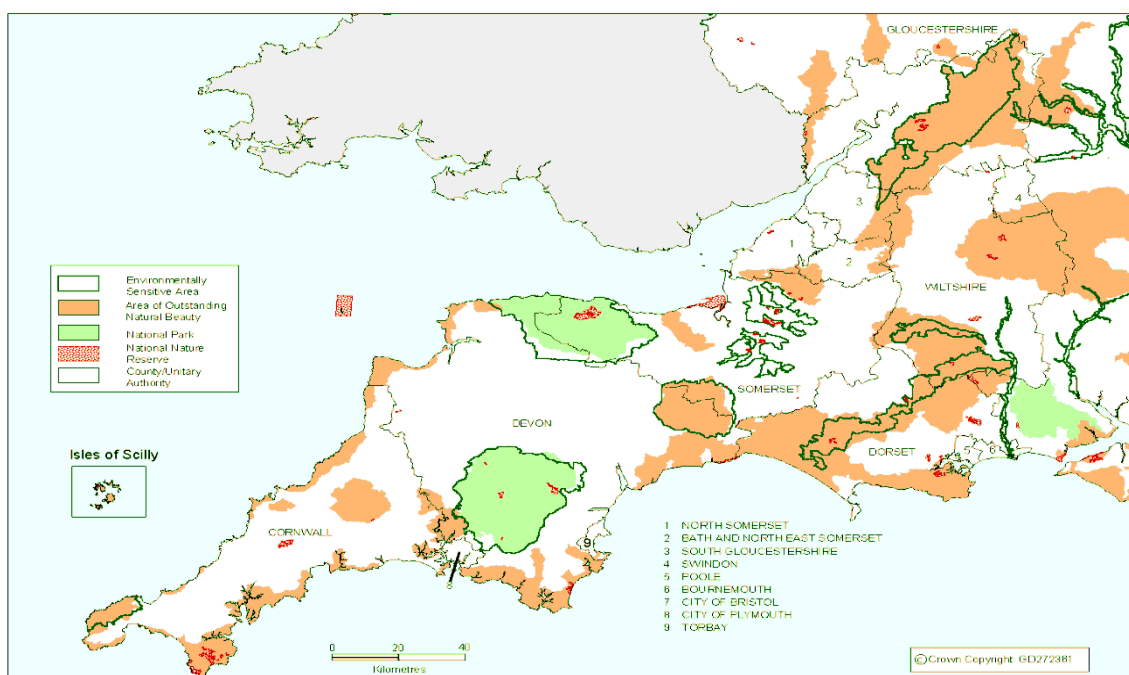
The Government Office for the South West region covers Bristol, North and North East Somerset, South Gloucester, Gloucester, Swindon, Wiltshire, Bournemouth and Poole, Dorset, Cornwall and the Isles of Scilly, Plymouth, Torbay and Devon. It has the largest agricultural area of all the Government Office regions, just under 20% of the total. It is the country's most rural region with more than half of its five million residents living outside towns and cities.

### The Nature of Farming in the South West of England

The South West region covers a wide range of agricultural environments from the Less Favoured Areas (LFA) of Exmoor, Dartmoor and Bodmin Moor (covering 8% of the region), to the Somerset levels, across to the chalk down land of Salisbury Plain, as illustrated by Map 1. One third of the land area is designated nationally for its landscape quality which encompasses-

- seven Environmentally Sensitive Areas
- two National Parks wholly in the South West, Dartmoor and Exmoor, covering 7% of the region, and a small part of the New Forest National Park
- fourteen Areas of Outstanding Natural Beauty (AONB) covering 30% of the region
- and just under a quarter of the Sites of Special Scientific Interest (SSSI) in England

Map 1 Designations of Landscape Areas



Source: <http://www.defra.gov.uk/erdp/images/swgifs/swdes2.gif>

Natural England estimated that in March 2011 over 62% of all farmed land (or 1.2 million hectares) in the South West is managed as part of an agri-environment scheme, the majority of this land (83%) under the Entry Level Scheme (ELS). This represents 26% of the national agreements. The region also contains a large share of the UK Biodiversity Action Plan Priority Habitats, especially the lowland heaths and grasslands, coastal and floodplain grazing and sand dunes. Approximately two thirds of the UK's Heritage Coast is in the region.

The South West is very important with regards to organic production methods. Defra data produced on organic farms for 2011 indicates that the South West has over 171,000 ha of

organic or in-conversion land. This represents 10% of the total agricultural area, excluding common grazing land, compared with the England figure for organic or in-conversion land which is 4% of the total agricultural area. This is a reduction in the land used for organic production both nationally and regionally of close to 10%. Nearly half of the organic or in-conversion land in England is situated in the South West. A dataset showing figures from 2002 onwards is available on the Defra website at:

<http://www.defra.gov.uk/statistics/foodfarm/enviro/organics/index.htm>

The region is predominantly grassland, with 63% of the region's area of agricultural land being grass, the majority of which is over five years old, plus an additional 69,500 hectares of sole occupancy rough grazing (4% of agricultural land). The South West has nearly a third of the nation's cattle and over 20% of its sheep but grows fewer crops and has less intensive livestock than the national average.

### **The contribution made by farming in the South West to the region's economy and to farming in England**

Table 1 summarises the contribution made by agriculture to both the regional and the national economies. In 2011, the gross output for agriculture in the region was £3,148 million, an increase of 14% as compared to the previous year. The South West gross output was 18% of the national output of £17,786 million.

In terms of the Gross Value Added (GVA), the region contributed £1,332 million to the national figure of £7,331 million being the largest figure for any region in England. In terms of Gross Output from agriculture the South West is ranked second in importance in England behind the East of England Government Office region. The GVA for the South West was 18% higher than the 2010 figure.

Nationally, agriculture contributes 0.5% of the total gross value added in 2010, but the South West figure is approximately twice this figure.

Within the labour market, the regional work force amounts to 2.5 million people with 61,072 people working in agriculture, 2.44% of the workforce, and 21% of the total labour engaged in agriculture in England.

The South West is predominantly a grass growing region, with 75% of the land grass or rough grazing. This represents 29% of all the English grassland, with over 32% of the English beef and dairy herd and 20% of its sheep grazing this area. Cereal crops cover 12% of the region.

The woodland area is also above the percentage area for England. Please refer to the FBS website (<http://www.farmbusinesssurvey.co.uk>) for more detail on cropping and stocking.



Table 1 Regional Economic Measures  
**Summary measures by region in 2011 provisional**

	Gross output at basic prices  £million	Intermediate consumption  £million	Gross value added at basic prices  £million	Total income from farming  £million	Agriculture's share of total regional gross value added at basic prices (a)  %	Agriculture's share of total regional employment (a)  %
North East	592	296	296	232	0.51	0.84
North West	1 746	1 045	702	297	0.49	0.93
Yorkshire and Humberside	2 177	1 229	948	702	0.82	1.25
East Midlands	2 581	1 627	954	666	0.88	1.55
West Midlands	2 014	1 154	860	480	0.77	1.54
East of England	3 412	2 108	1 304	973	0.91	1.42
South East & London	2 115	1 180	935	480	0.16	0.50
South West	3 148	1 816	1 332	732	1.10	2.22
England	17 786	10 455	7 331	4,562	0.53	1.10

(a) Data for 2011 is not available so 2010 is shown for illustration

Source: Defra

The South West has a greater proportion of small and very small farms (<20 Ha) and fewer large farms (>100 Ha) compared to England as a whole.

Thus in summary, the South West is predominantly a grazing livestock area, with a large share of England's cattle and sheep, employing a greater share of the population than other English regions and generating a share of gross added value above the national average.

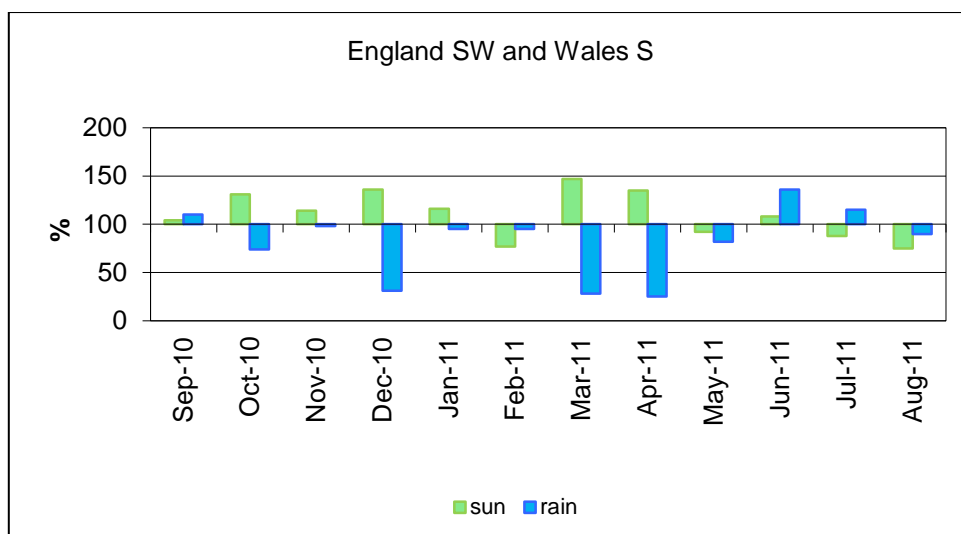
## **The 2011/12 Farm Business Survey year**

### **Weather**

Climatic conditions play a major role in the performance of agriculture each year, resulting in significant effects on the incomes of farms. Rainfall is the most influential of all the climatic conditions, with both the quantity and timing being important to production cycles. There are considerable monthly variations in rainfall both within a year and between years.

The weather for the 2011 crop year can be described, in general terms, as a good year. There was a dry winter and spring. March and April were also sunny and there were some concerns for cereal and grass growth in this period but first cut silages were made generally in good conditions with lower than average yields. The early cereal harvest was slightly interrupted by wet weather but the majority was harvested in good conditions. The level of July rainfall did mean that in the wetter areas of the region cattle were housed and kept off the land to prevent damage to the pastures (Figure 1).

Figure 1 Rainfall in England SW & Wales S for 2011 crop year as percentage of the 1961-1990 average

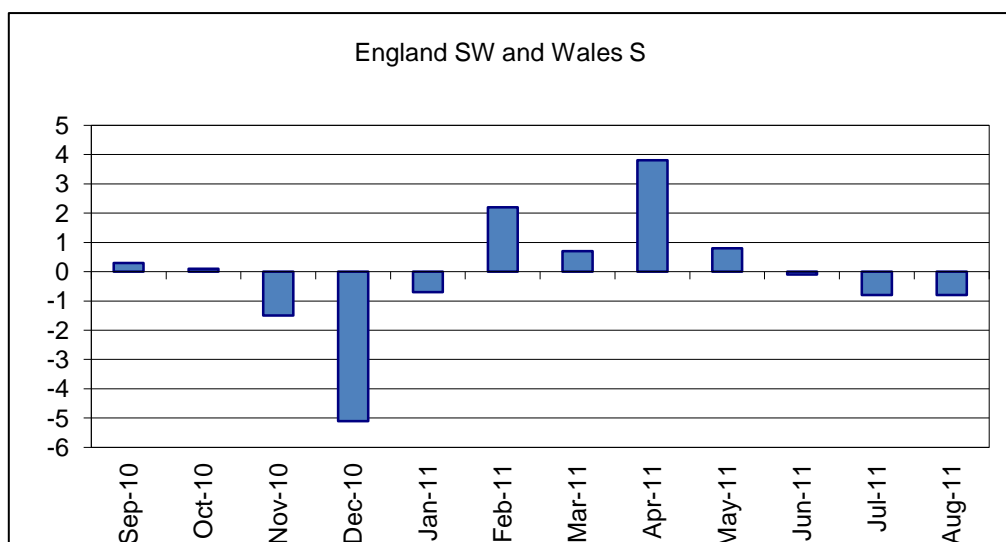


Source: Meteorological Office

The sunshine hours tend to follow the inverse relationship to rainfall, and this is true for this season with particularly high hours of sunshine for most of the first two thirds of the 2011 crop year.

Six months of the year were warmer than the long term average but the autumn/winter period was much colder than the long term figures (Figure 2). Frosty, wintery weather were the norm in November through to January. This was the second 'cold' winter in a row in comparison with the mild, wet conditions of recent winters. The variation in temperature throughout the year was more 'extreme' than in the previous year with, for example, December being over 5°C lower than the long term average.

Figure 2 Mean Temperature (°C) for 2011 crop year for England SW & Wales S as compared to the 1961-1990 average

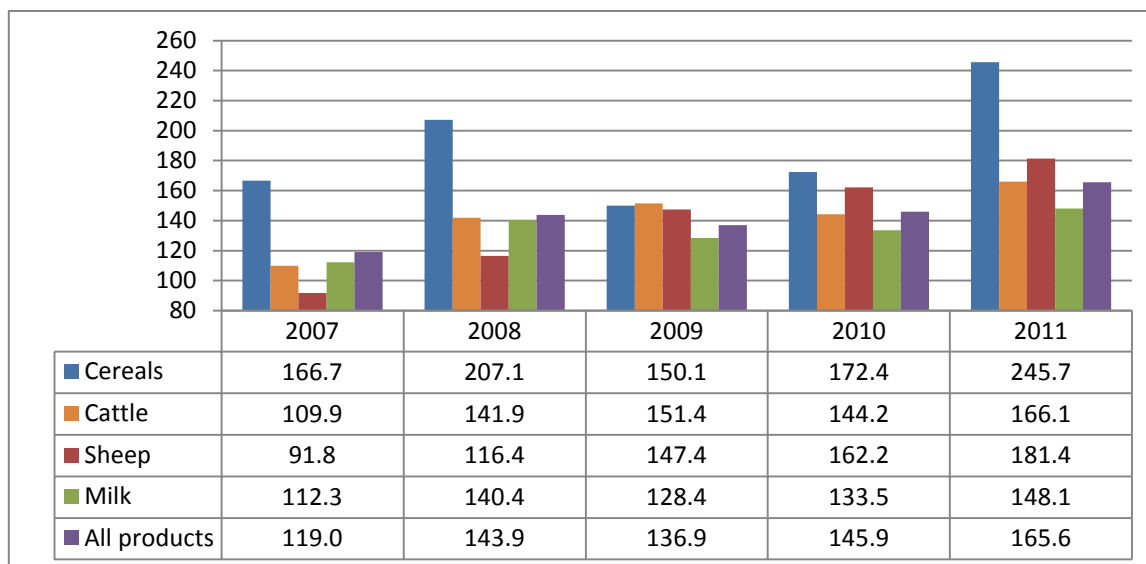


Source: Meteorological Office

## Economic factors

Changes in income result from changes in the price of inputs and their usage, and the level of output and unit price, which in turn will dictate the future choice of enterprises. Figure 3 illustrates the trend in producer prices since 2007 as an index. Each commodity has behaved differently over this period, but 2011 figures for cereals are nearly two and a half times higher than 2005, cattle two thirds higher, sheep 81% higher, milk is 48% higher and the 'all products' figure is two thirds higher.

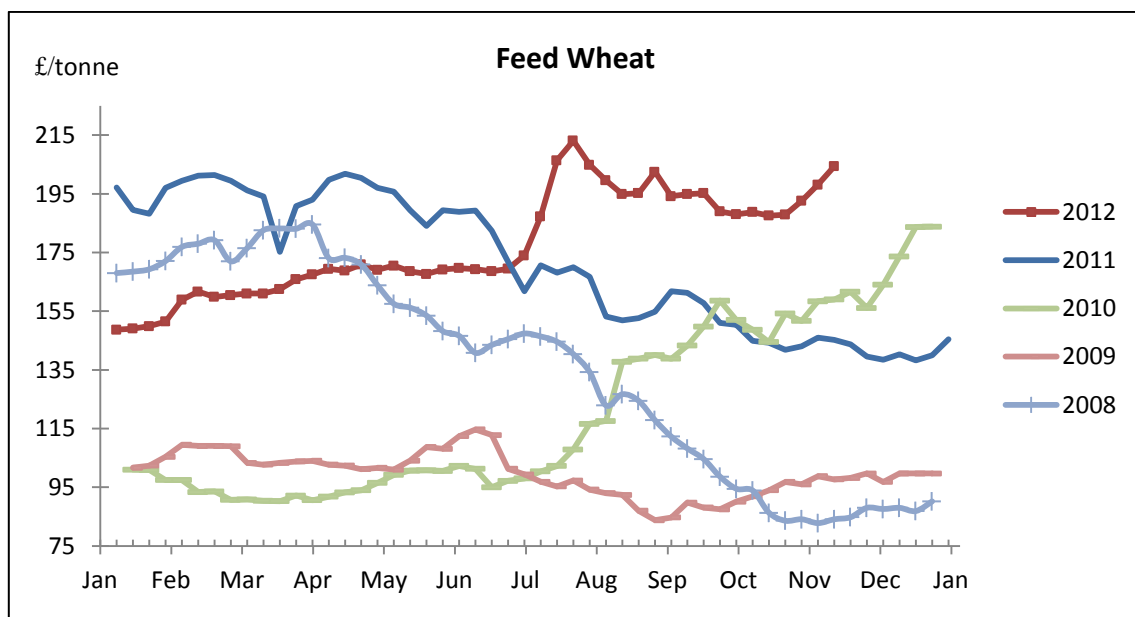
Figure 3 Index of Producer Prices, UK (2005=100)



Source: Defra, National Statistics

Whole year figures disguise the changes within the year, as illustrated by the wheat prices for the 2011 crop year. In the recent past the price of wheat has been volatile and this volatility continued into 2012. (*Figure 4*)

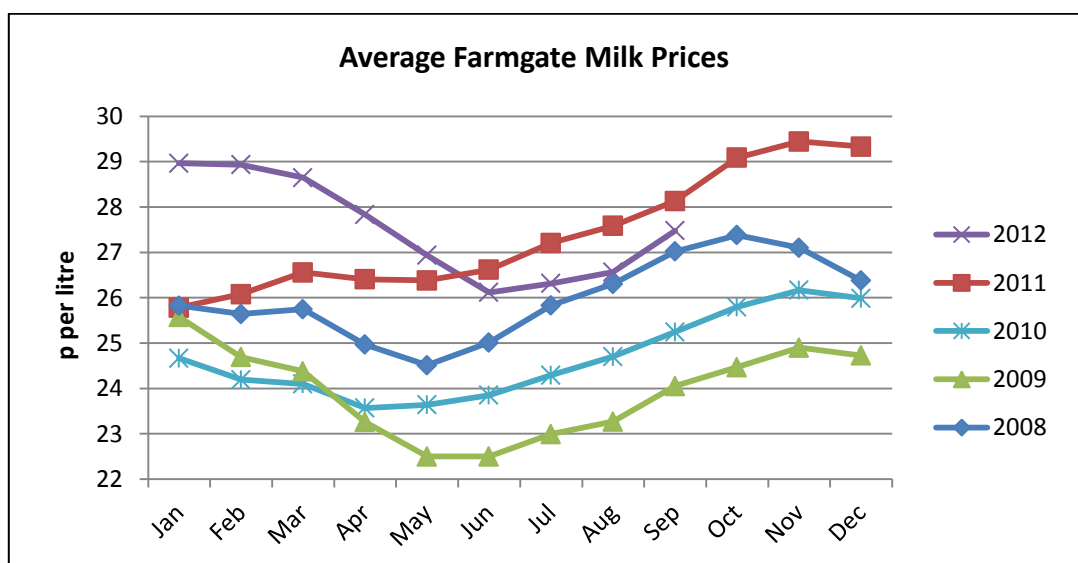
Figure 4 UK Feed Wheat Prices



Source: Defra

Figure 5 illustrates how the price of milk has changed since 2008. The milk prices in 2011 were the best for the four year period. In early 2012 the milk price was substantially higher than previously received but fell below 2011 level in May.

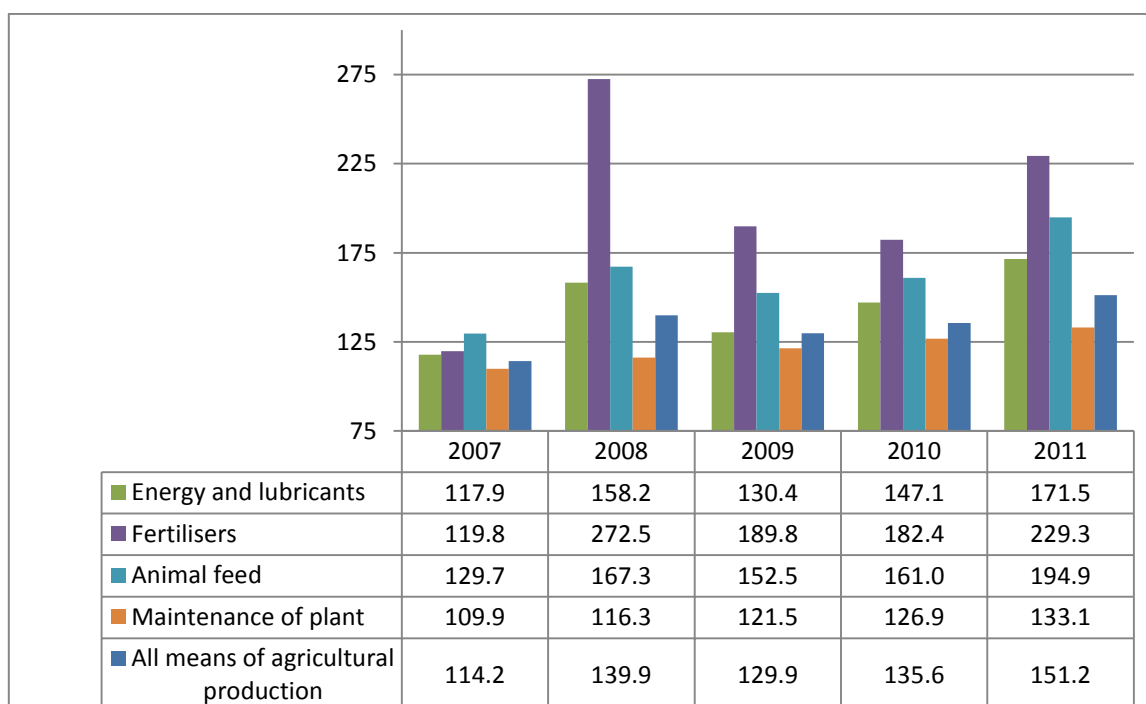
Figure 5 UK Milk prices



Source: Defra

Input prices have risen for a number of products as shown in Figure 6.

Figure 6 Index of Purchase Prices, UK (2005=100)



Source: Defra, National Statistics

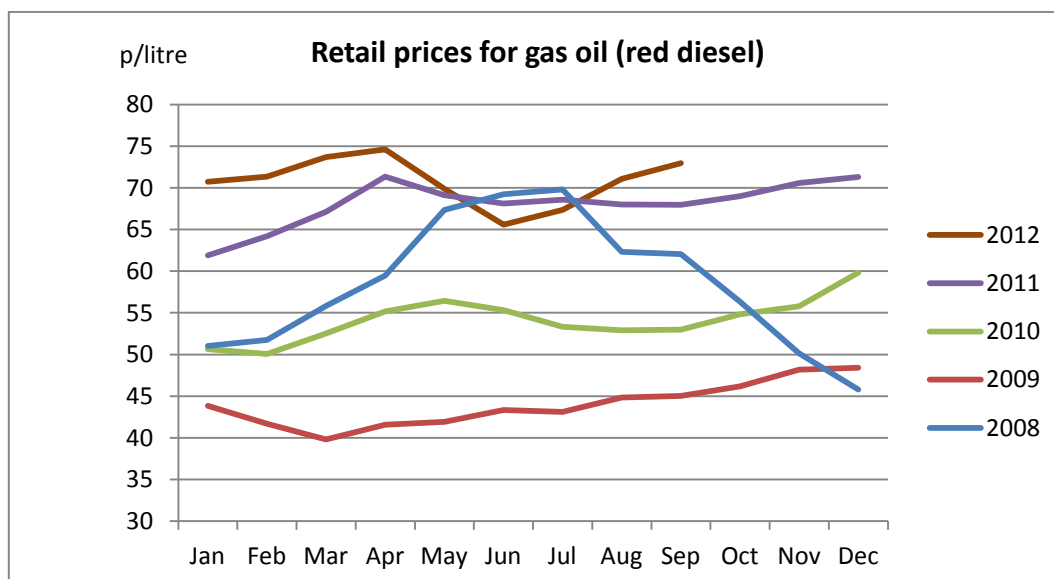
The fluctuations in the value of oil are continuing to affect agriculture in a number of ways. Direct fuel costs on holdings reached record levels in 2011, whilst delivery and collection costs also remain high. Fertiliser prices, in particular, went up as raw material costs rose and the global economic crisis affected demand on the world market, the value of fertiliser for 2011 being 229% higher than the 2005 figure.

In 2011 the cost of animal feedstuffs was close to double the 2005 figure. The higher cereal prices and the cost of protein sources were contributing factors to this change.

In 2011 the 'All means of agricultural production' index was half as large again as in 2005. Costs have eroded much of the benefit of the large changes to the output from agriculture because changes to the Costs Indices have been largely similar to the changes to the Producer Prices Indices.

Figure 7 shows the retail price of gas oil (red diesel) which is a major input for farmers and growers. It shows the monthly price rather than an annual index as seen in Figure 6.

Figure 7 Trends in the price of gas oil (red diesel), 2008 to 2011



Source: DECC

It is common for farming businesses to contract forward for some of their inputs. Feed, fertiliser and electricity are regularly purchased forward for a year, thus transferring the price changes to the next crop year. There is a tendency for smaller farms, those with a limited cash flow or those with lower levels of inputs not to forward buy, consequently these farms will have suffered higher input prices during the year the increases occurred.

Interest rates have remained relatively low and stable for a number of years, but since the current economic crisis the Bank of England Bank Rate has moved to historic lows, with the fall occurring during the 2008/09 accounting period. Despite this the cost of borrowing money from the banks has not fallen as much, with the rate now charged dependant on the LIBOR rate which is higher than the Bank of England Base Rate.

A characteristic of the agricultural industry is seasonal fluctuations in net borrowing with the autumn dips accounted for by the start of arable crop sales and the receipt of the Single Payment Scheme. A number of businesses have had higher incomes each year for the last four years, however some of the extra profit was not shown as cash, but as higher valuations. Cashflow was a problem on a number of farms, particularly those who were investing in their businesses. This led to a higher borrowing requirement usually provided by the banks. Bank lending to agriculture has increased by 30% over the last five years. Agriculture has chosen not to/or is unable to reduce its indebtedness. The combined long period of recent poor incomes and higher levels of investment, has resulted in a more indebted industry.

## Policy Developments

The **Single Payment Scheme** started in 2005. The payment window opened in December with the start of full payments. The majority of payments were paid earlier than in previous years and there were fewer problems with the claims. Outstanding issues regarding claims made for SPS in earlier years are still being resolved. The CAP reform process has started but the proposals for changes in 2013 were only published in late 2011 and marked the start of a long period of negotiation to change the way the CAP operates. Changes were expected to be made in 2014 but this deadline is looking optimistic with the total EU budget yet to be confirmed.

Nationally the level of involvement in the **Environmental Stewardship Schemes** has fallen slightly to 68% at the end of August 2012 compared with the original target of 70% coverage. The South West has 62% of its area covered by agri-environment schemes (March 2011). The majority of farmers who intend to apply to the ELS have now done so, with those remaining outside the scheme deciding that the income is not sufficient to warrant an

application. The region is also below target for the transition from the expired Countryside Stewardship Scheme (CSS) and Environmentally Sensitive Areas (ESA) schemes to environmental stewardship. Large numbers of schemes will end within the next year and there is now real concern regarding the uptake of new schemes with the Government also wishing to have a 'set-aside replacement' scheme and CAP reform which may require a 'greening' element. Currently the **Campaign for the Farmed Environment**, which is a voluntary initiative, is trying to encourage more uncropped farm area and more 'in field' Entry Level Scheme options.

The last year for the **Hill Farming Allowance** scheme was 2010. It was replaced by the **Upland ELS**, but for those producers in older 'classic' schemes there is a transitional period so that double funding can be avoided. The **Upland Transitional Payment** (UTP) is paid on land areas still part of ESA and CSS agreements. The UELS went live on 1 July 2010 and nationally the sign up was on target but a number of producers in the South West of England have found eligibility criteria difficult to achieve and have delayed entry into the scheme or will not be making applications.

The South West region has 12 catchment areas that are part of the **Catchment Sensitive Farming Delivery Initiative** (CSF) which encourages land managers to voluntarily adopt practices that maintain or reduce diffuse emissions of pollutants into rivers, groundwater and other aquatic habitats at acceptable levels. The initiative also includes a grant scheme for capital works that would benefit water quality in priority catchments. The uptake of this initiative is good and small capital works are common with the two most popular measures being roofing of existing manure stores and concrete yard renewal.

The Nitrates Directive requires member states of the EU to identify waters which are, or could become, polluted by nitrates and to designate as **Nitrate Vulnerable Zones** (NVZ) all land draining to those waters and contributing to the pollution. Approximately 70% of England is now designated as NVZ, with extra areas recently included. The regulations are challenging the agricultural industry, particularly the storage and spreading of livestock manures.

Additional rules from January 2009 for holdings within a pre-existing NVZ, and for newly designated holdings came into force 1<sup>st</sup> January 2010. The NVZ rules are a Statutory Management requirement for cross compliance under the SPS and failure to comply could lead to deductions in payments under the SPS.

The continuing problems with **Bovine TB** in the South West are influencing the systems of production used and the loss of productive stock is reducing the longer term profitability of those businesses affected by the restrictions. The dairy and beef industries are finding it hard to replace cows lost to TB control measures, due to the low numbers of replacements available, the high cost of purchased stock and the rates of compensation paid for breeding stock lost to the disease. The number of South West herds 'under restrictions' stood at 23% in the Autumn of 2011.

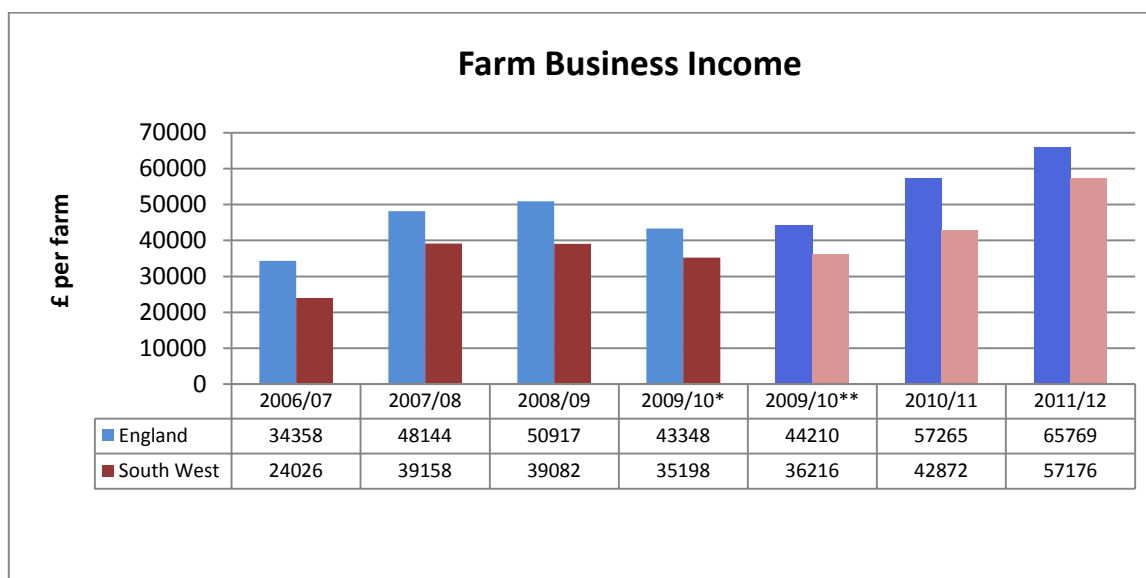
## Farm Business Survey figures for the South West of England 2011/12

### All Farms

Farm Business Survey data which represents 'All Farms' can illustrate how the South West region is performing as a whole compared to the England data on an individual farm basis. Figure 8 shows the per farm figures for England and the South West. For 2011/12 the South West has a Farm Business Income per farm equivalent to 87% of that for the whole of England. It is worth noting that the difference in income would be even more pronounced if the data for the South West were to be removed from the data for England.

The classification of farms has been recently revised meaning that the results for 2011/12 are not directly comparable with those published for 2008/09 or earlier in previous reports. Figure 8 shows the trend of Farm Business Income (FBI) over the past 6 years. The data for 2009/10 is shown twice, once with the former typology specifications and once with the new typology specifications to allow a direct comparison of the data for 2009/10 onwards. The difference in typology has altered the FBI for England and the South West for 2009/10 by between 2% and 3%, however, because of the significance of the increase in 2010/11 and again in 2011/12 the overall trend and comparison with previous years is still valid.

Figure 8 Farm Business Income per farm, South West and England<sup>1</sup>



Compared to the previous year the Farm Business Income in 2011/12, per farm increased by 15% for farms in England, whilst there was an increase of £14,304 per farm in the South West, a 33% improvement.

The mix of farm types and sizes of farms determine the 'All Farms' figure for each region and Table 2 indicates the South West regional differences as compared to the all England data.

<sup>1</sup> The classification of farms has been revised meaning that the results before 2008/09 are not directly comparable with 2009/10 onwards.

\* Farm typology up to this point is calculated using Standard Gross Margin

\*\* Farm typology from this point is calculated using Standard Output

\*\* Farm typology from this point is calculated using Standard Output

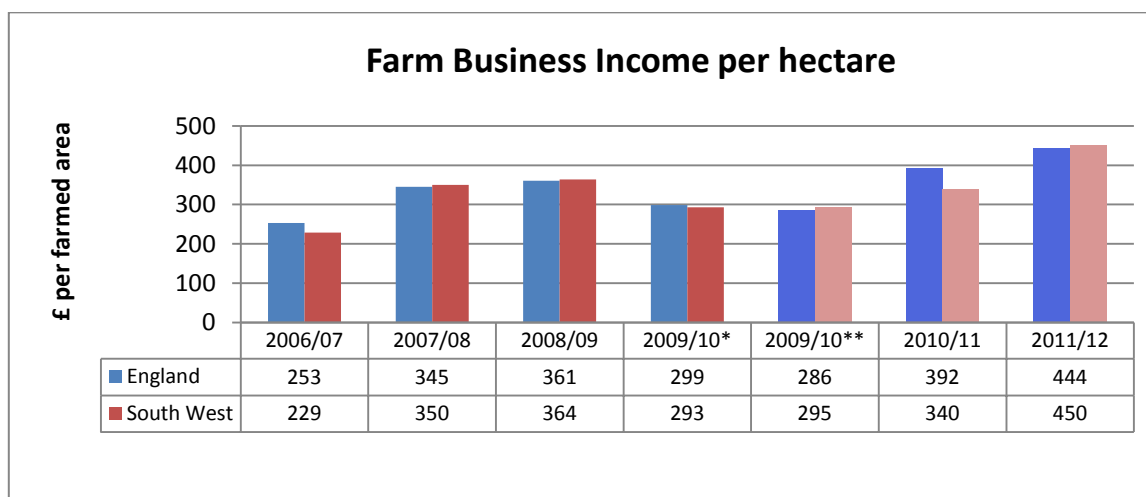


Table 2 Farm Characteristics by region

	Farmed Area (Ha)		Tilled area (Ha)		ALU	
	England	South West	England	South West	England	South West
All farms	138.5	121.3	75.4	43.6	2.5	2.3
Cereals	171.3	189.2	152.3	151.1	1.6	1.8
Dairy	143.4	151.5	38.6	39.5	3.7	3.9
LFA Grazing Livestock	139.2	129.7	2.2	1.4	1.5	1.6
Lowland Grazing Livestock	101.0	84.9	10.7	9.9	1.6	1.4

The South West has a higher percentage of 'Grazing Livestock' farms, which produce lower income than any other type of farming. Also using farmed area and annual labour units (ALU) as a measure of size, the farms in the South West are generally smaller. Although the Cereal farms in the South West are 10% larger than the England farms and the Dairy farms are 5% larger, the Grazing livestock whether in the LFA or Lowland are both smaller in the South West than in England as a whole. Smaller businesses and the less profitable farm types therefore result in lower Farm Business Income per farm in the South West.

Representing the figures on a per hectare basis removes the scale differences and these are illustrated in Figure 9<sup>2</sup>. For 2011/12 the Farm Business Income per hectare is slightly higher than the England figures which are an improvement compared to the previous year where the South West per hectare figure is only 86% of England. This change reflects the increase in the incomes of the livestock systems for 2011/12

Figure 9 Farm Business Income per hectare by region<sup>2</sup>

<sup>2</sup> The classification of farms has been revised meaning that the results before 2008/09 are not directly comparable with 2009/10 onwards.

\* Farm typology up to this point is calculated using Standard Gross Margin

\*\* Farm typology from this point is calculated using Standard Output

The Farm Business Income per hectare for the most prevalent farm types found in the South West is shown in Table 3 for both England and the South West. The Farm Type figures for the South West indicate a distinct advantage over England in the grass based farm types but lower for the cereal farms.

Table 3 Farm Business Income per hectare by farm type (£)

	FBI per hectare	
	England	South West
Cereals	499	426
Dairy	608	684
LFA Grazing Livestock	213	280
Lowland Grazing Livestock	301	319
All farm types	444	450

In general, the climate and land quality in the South West favour grass more than cereals. The Less Favoured Area (LFA) in the South West includes a large area of Disadvantaged Area (DA) land and the moorland of Dartmoor, Exmoor and Bodmin Moor which are less extreme in terms of altitude and climate than the Severely Disadvantaged Area (SDA) in northern England.

## Farm Business Survey results by farm type for the South West, 2011/12

The data presented as part of this report comes from 399 farms for 2011 crop year. There are a number of changes to the sample of farms each year so care needs to be taken when considering trend data, particularly balance sheet type information. The basis for farm typology changed to a Standard Output calculation between 2009/10 and 2010/11 which further influenced farm type and sample changes. Figures for 2009/10 have been produced using both typologies.

Figure 11 illustrates The change in FBI 2009/10 onwards and Figure 10 shows the trend for farm type in the preceding 4 years based on the previous Standard Gross Margin calculation.

Figure 10 Trends in Farm Business Income per farm for South West England 2004/05 to 2009/10 (Standard Gross Margin typology)

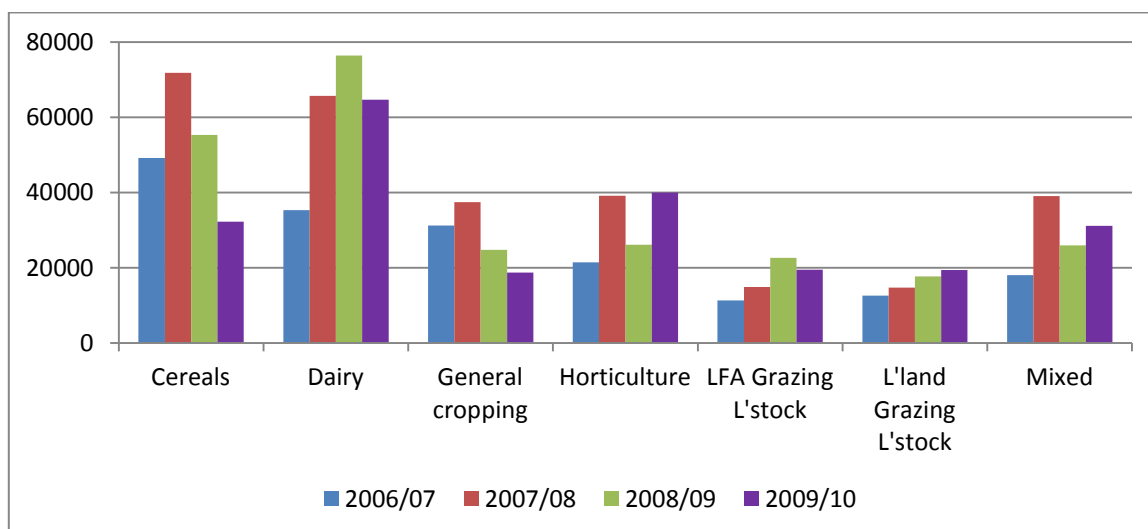
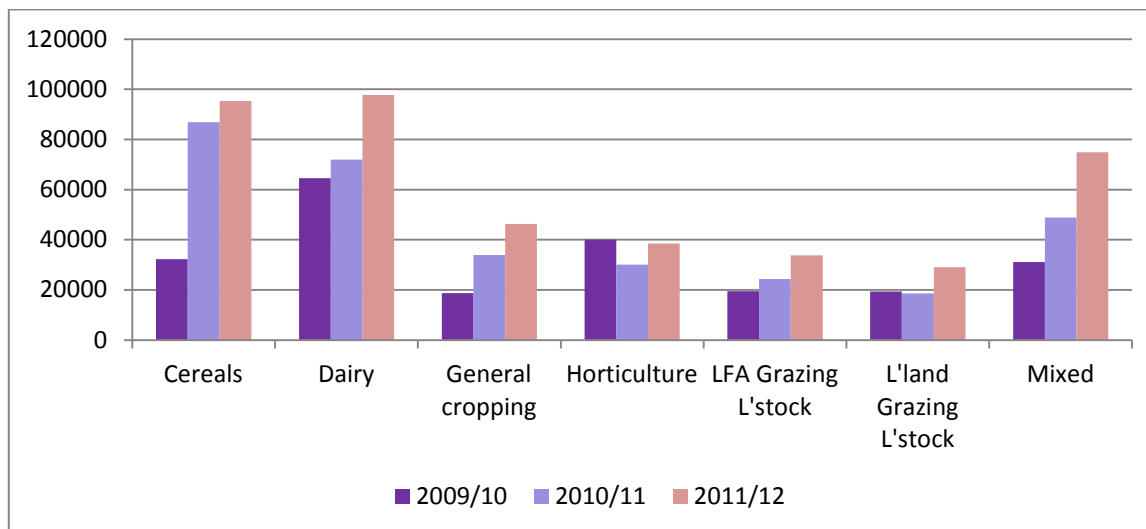


Figure 11 Trends in Farm Business Income per farm for South West England 2009/10 to 2011/12 (Standard Output typology)



For non-corporate businesses, FBI represents the financial return to all unpaid labour (farmers and spouses, non-principal partners and their spouses and family workers) and on all their capital invested in the farm business, including land and buildings. For corporate businesses it represents the financial return on the shareholders capital invested in the farm business. In essence FBI is the same as *Net Profit*, which as a standard financial accounting measure of income is used widely within and outside agriculture. Using the term *Farm Business Income* rather than *Net Profit*, gives an indication of the measure's farm management accounting rather than financial accounting origins, this accurately describes its composition and is intuitively recognisable to users as a measure of farm income.

Table 4 Business Output by Cost Centre (£ per farm)

Farm Type	Agricultural	Agri-environmental	Diversified	Single Payment Scheme	Farm Business
Cereals	219,141	13,788	26,794	45,239	304,962
Dairy	425,799	3,368	6,206	30,456	465,829
General cropping	227,483	5,774	8,052	30,259	271,568
Horticulture	173,699	1,398	8,547	6,116	189,760
LFA Grazing L'stock	77,874	10,685	3,610	21,596	113,765
L'land Grazing L'stock	71,796	4,876	8,336	17,908	102,916
Mixed	323,030	8,562	5,330	39,212	376,134
Pigs*	479,998	2,247	9,355	11,564	503,164
Poultry*	603,624	1,678	9,133	7,484	621,919

\*National sample

For 2011/12, all farm types improved their level of Farm Business Income with the most dramatic monetary increase by the Mixed and Dairy farms where income increased by close to £26,000 per farm. All the other farm types increased their FBI by between £8,400 and £12,400. The largest percentage increase was the Lowland Grazing Livestock farms which increased by 57% and the lowest the Cereals farms which had a 10% improvement. The 'All farms' FBI improved by £14,304 to £57,176 an increase of 33%.

Within each individual farm type, there are differences in the scale of inputs and outputs, but also there are significant differences in the source of output (Table 4).

The total output for all farm types shows considerable variation, but the whole Farm Business Output increased for all farm types except the poultry farms. The output from the two Grazing Livestock farm types is less than half the next lowest farm type, Horticulture. The intensive livestock groups (Pigs and Poultry) have the highest output per farm. Broadly speaking the output from the Agri-environmental, Diversified and Single Payment Scheme costs centres were similar to the previous years for all farm types.

Agricultural activities contributed the largest percentage of output for each farm type, but the level of contribution made by agri-environment schemes, diversification and Single Payment Scheme vary (Table 5).

Lowland Grazing Livestock, LFA Grazing livestock farms and Cereal farms generate close to 70% of their output from agricultural production, but the LFA Grazing Livestock farms are also heavily involved with agri-environment schemes such as ESA, Countryside Stewardship and the more recent Environmental Stewardship schemes. These schemes target environmental improvement, but often require a reduction in agricultural production. For LFA Grazing Livestock farms the output from the agri-environmental schemes is 9% of their total output, which is close to twice that any other farm type.

Table 5 Contribution to Business Output by Cost Centre (%)

Farm Type	Agricultural	Agri-environmental	Diversified	Single Payment Scheme
Cereals	72	5	9	15
Dairy	91	1	1	7
General cropping	84	2	3	11
Horticulture	92	1	5	3
LFA Grazing L'stock	68	9	3	19
L'land Grazing L'stock	70	5	8	17
Mixed	86	2	1	10
Pigs*	95	0	2	2
Poultry*	97	0	1	1

\*National sample

Grazing livestock farms and Cereal farms have the highest relative contribution of the Single Payment Scheme to output.

Cereal and Lowland Grazing Livestock have the highest levels of diversified output. Reduction in the labour force over the years has provided the opportunity for cottage letting, whilst contracting offers the opportunity to spread fixed costs and fully utilize machinery to enhance their output, particularly as there are an increasing number of holdings moving to contract farming arrangements.

Horticultural, pig and poultry businesses usually have a relatively small amount of land and are the most agriculturally intensive, with over 92% of their output from agriculture.

The Farm Business Income can also be split into the four Cost Centres and is illustrated in Figure 12.

Allocation of costs is on a direct and notional basis for each cost heading. For the first time all farm types made a positive Farm Business Income from Agriculture, but Grazing livestock farms made less than £4,500. Dairy farms achieved the highest FBI from 'Agriculture' at £62,593.

Farm Business Income from the Agri-environmental cost centre is highest on Cereal farms followed by the LFA Grazing Livestock farms. Horticulture has the lowest Farm Business Income from Agri-environmental cost centre.

Diversification is also very important to Cereal farms with the Farm Business Income from this source being over three times greater than other farm types.

The importance of the Single Payment Scheme to the total Farm Business Income is substantial with only Dairy and Horticultural farms having a FBI from agriculture greater than their SPS cost centre. The SPS per hectare farmed is highest on the Cereal and General Cropping farms at close to £220.

Figure 12 Farm Business Incomes by Cost Centre

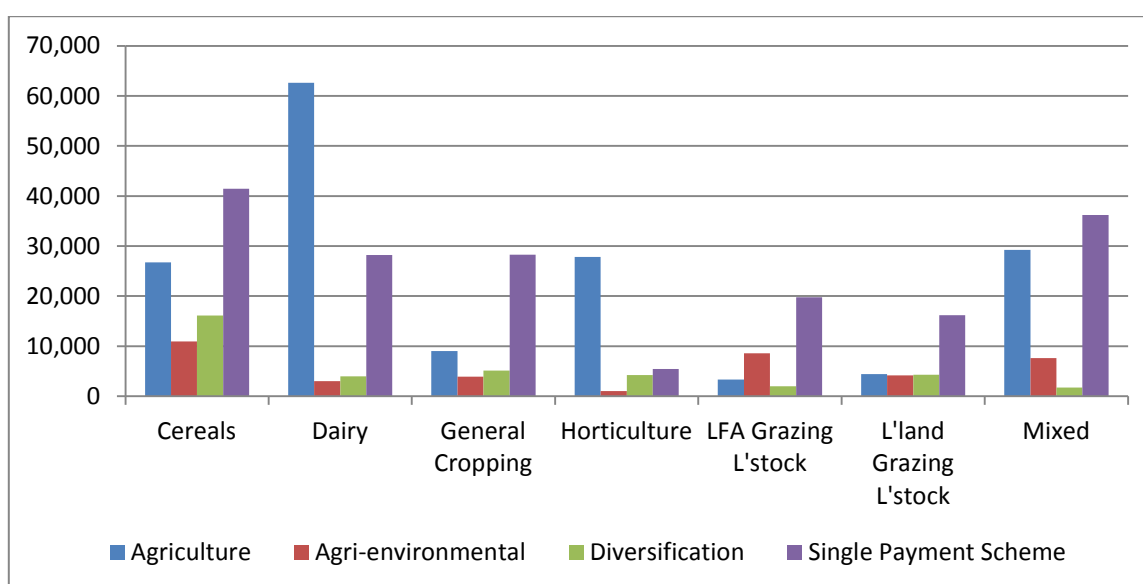


Table 6 contains some of the elements within the flow of funds statement to illustrate how the overall financial positions of the different farm types vary.

Table 6 Selected items from Flow of Funds Statement, 2011/12

£ per farm	Net additional machinery investment (a)	Net additional capital investment (b)	Net Funds introduced (c)	Non-farm items(d)	Net reduction in external funding(e)
Cereals	9,557	10,264	-621	64,314	50
Dairy	9,804	35,056	16,167	51,944	12,901
General Cropping	9,333	11,365	11,056	46,155	-11,150
Horticulture	3,449	-2,991	-1,813	38,678	1,972
LFA Grazing L'stock	1,708	28,627	26,239	27,718	-7,627
Lowland Grazing L'stock	6,314	7,224	5,246	22,974	-7,818
Mixed	8,852	16,455	-1,359	39,624	-10,253

Please refer to Table 12 and Table 15 on the FBS website (<http://www.farmbusinesssurvey.co.uk>) within the report menu for the detailed flow of funds statements for each farm type.

- (a) Net machinery and equipment investment less machinery depreciation.
- (b) Investment in property, quota and landlord capital improvements less sales of property
- (c) Funds introduced less funds transferred out
- (d) Includes private drawings, which includes personal and company taxation.
- (e) Surplus as shown on website adjusted for changes in loans

Three farm types reduced their external funding with four farm types showing extra borrowings. The Dairy farms had the largest surplus at £12,901. This is the first time in four years that the Dairy farms have not increased their level of external funding. The General Cropping farms and Mixed farms had a shortfall of over £10,000.

For a business to retain its quality of machinery, re-investment should exceed the depreciation charge; otherwise the total value of the equipment will fall. The improvement in Farm Business Income in the last few years has stimulated higher net additional machinery investment and all farm types had a positive net additional machinery investment.

Net additional capital investment for all farm types is in general still at a high level with Dairy farms investing over £35,000. This reflects the expected higher income, modest recent major investment, the need to expand production to maintain incomes and the tendency for agriculture to spend any money it generates by re-investing in their farms.

All farm types, except Horticulture and Cereals, introduced their own funds during the year and on average this was over £8,000 or 22% of their Non-farm items. LFA Grazing Livestock farms introduced the highest levels of funds, amounting to close to the level of their Non-farm items. In general fund flow deficits are the result of low incomes generating insufficient cash flow to cover the investment and private drawings, or large re-investment in the business by producers who are making higher incomes.

Total assets vary across the farm types (see Table 7), with farm size being a major factor.

Table 7 Total assets

	Average total assets (a) £ per farm	Net worth % (b)	Output as % of average total assets	MII as % of Tenants Capital (c)
All farm types	1,350,695	89	18	7
Cereals	2,285,000	93	13	15
Dairy	1,673,097	83	28	8
General Cropping	1,330,758	83	20	7
Horticulture	577,843	89	33	7
LFA Grazing l'stock	1,097,788	91	10	1
Lowland Grazing l'stock	999,869	93	10	0
Mixed	1,663,371	88	23	7

(a) Average of opening and closing assets for 2011/12

(b) Closing net worth as percentage of closing total assets

(c) Management Investment Income as percentage of closing Tenants capital

The percentage net worth reflects the indebtedness of the businesses with either static or only marginal changes in all farm types. Grazing livestock farms show the lowest output against total asset values, indicating the extensive production cycles, while horticulture, dairy and mixed farms assets generate much higher output. The output against total asset values was relatively static with only Dairy farms increasing this ratio.

Return on Tenants Capital represents the return to the farmer and spouse for their own management input, with all farm types showing improved performance as compared to the previous year. Grazing livestock farms have until this year shown a negative return but this year 'broke even'.

The levels of closing liabilities fluctuate between years, depending upon the levels of income, capital investment and private drawings, but are higher at the end of 2011/12 than the beginning of the year for all farm types except General Cropping farms<sup>3</sup>. This represents the extra investments these businesses have made in the year and incomes being insufficient to cover the levels of expansion and capital investment required. The income levels have increased in the same period, but these extra borrowings will need to be repaid and the interest on them will reduce the income in future years.

## Cereal farms in South West England

The Cereal farms, for 2011/12, farmed on average 189 hectares with 69% owner occupied land. These are the largest farms of all the farm types in the South West utilising 38 hectares more land than the next largest farm type. Winter wheat was the dominant crop, with nearly 58 hectares sown. Barley, oilseed rape, peas, beans and other cereals account for another 75 hectares. Grass occupied 20% of the land with an average of 14 cattle and 59 sheep per holding, amounting to 18 livestock units. The units operate on 1.8 labour units, with the farmer and spouse representing just over half of the total.

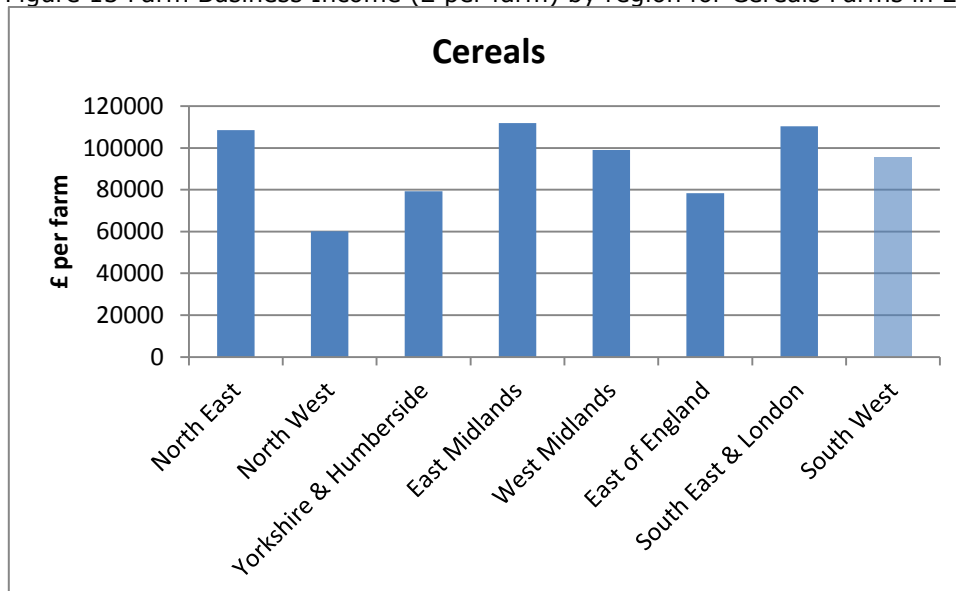
Total farm output averaged £305,585, with crop enterprise output contributing 65% of the total, whilst livestock generated £8,614. Fertilizers and sprays represented just below two thirds of the total variable costs of £67,738. Fixed costs were considerably higher at £157,585 with land and building charges the largest component. This group of farms

<sup>3</sup> The classification of farms has been revised meaning that the results before 2008/09 are not directly comparable with 2009/10 onwards.

received the highest level of Single Payment Scheme of all the South West farm types (£45,239 per farm).

Farm Business Income increased by £8,399 to £95,269, the highest level of income achieved for the last nine years, as shown in Figures 10 & 11. The change in FBI resulted principally from improved farm output.

Figure 13 Farm Business Income (£ per farm) by region for Cereals Farms in England



The Farm Business Income per farm varies across the Government Office Regions and is illustrated in Figure 13. The farmed area and farm business income per hectare influence FBI per farm for each region and when ranked by this measure the South West is fifth highest out of the eight regions. The South West has larger farms than this ranking suggests, but lower Farm Business Income per hectare.

Fixed assets total more than £2.1 million, with land and buildings being 90% of this figure. Current assets of crop, livestock, stores and cash reserves total £217,705. Total external liabilities came to £170,911, with 51% as long term loans, and the interest charged on liabilities, net of receipts on cash balances came to £3,916. Net worth represented 93% of the closing asset values indicating a very strong balance sheet.

The business flow of funds shows a surplus of £50. On average, £621 of funds were transferred out of the business, in addition to loans worth £7,805 were repaid. There was a large investment in machinery of just over £32,000 and £10,263 in net capital investment, a net purchase of land and buildings. Non-farm items (mainly private drawings) were £64,314.

## Dairy farms in South West England

The Dairy farm sample is made up of 103 farms, with an average farmed area of 151 hectares, of which 53% is owned. There are an average 156 milking cows, 143 other cattle and a small sheep, pig and poultry presence. Labour totals 3.9 annual labour units, with 39% provided by the farmer and spouse. Of the remainder, regular paid labour is the greatest element at 1.5 labour units.

Milk and milk products make up nearly three quarters of the total farm output, while the Single Payment Scheme contributes less than 7%. Cereals and other cash crops play a relatively small role, with 5% of output from 20 hectares.

Historically, Dairy farms have been more reluctant to enter agri-environmental schemes than some of the other farm types as they operate a more intensive farming system. However, more farmers have looked towards Environmental Stewardship Scheme as a way of increasing total farm output and the majority of farms are now involved with these schemes.



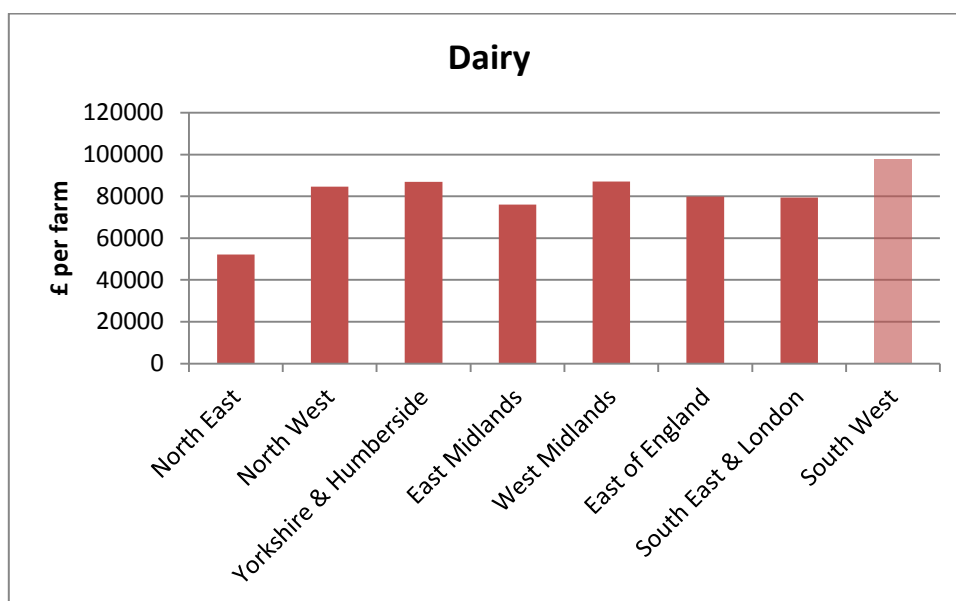
Currently Dairy farms receive, on average, £3,368 from the agri-environment schemes, which represents less than 1% of their farm output. Milk output from these farms increased by 15% between the last two years, with milk price improving by over 2.5 p per litre during the year and the farms having nearly three more cows, on average, in the herd.

Variable costs totalled £181,088, increasing 12% on the year, with concentrate feed and forage the largest element. Labour and Land & Building costs represent nearly half of the fixed costs, and a Farm Business Income of £97,763 was achieved, an increase of 36%. This is the highest of all farm types in the South West and the highest since this income measure has been used. When compared to the other Government Office Regions in England the Dairy farms in the South West have the highest Farm Business Income per farm of all the regions. (see Figure 14)

Closing Total Assets on these farms are £1.7 million, with total liabilities of £297,358 and 83% owner equity, a 2% improvement on the previous year. Net interest charges for the year came to £6,539 which is an increase of 17% from the previous year.

The Dairy farms had a flow of funds surplus of £12,901. The surplus was represented by repaid loans, fewer creditors and improved current account balances. The net capital investment for dairy farmers has averaged £44,000 per year for the previous five years. This year, over £35,000 was invested with the majority being spent on buildings & other improvements. The average does however hide the range of expenditure, with a number of farms up-grading their facilities along with an expansion in the number of cows, while others are keeping re-investment to a minimum as they review their longer term involvement in dairy farming.

Figure 14 Farm Business Income (£ per farm) by region for Dairy Farms in England



## General Cropping in South West England

General cropping farms often have a fluctuating income due to the crops which they produce. These are often more price sensitive, with local weather conditions potentially leading to a shortage or glut in any one season, while imports can produce sudden price changes.

The total farmed area for this group of farms averages 127 hectares. Over 52% of the land is tenanted with two thirds of the area tilled. Just over a half of the tilled land is cereals, with oil seed rape and potatoes covering 18% and 20% respectively. There are 33 grazing livestock units are present on the farm, with 40 head of cattle and 58 ewes. There are 2.6 labour units active on the farm. Paid labour supplies 1.0 ALU, with the farmer and spouse (1.4 ALU) the majority of the rest.

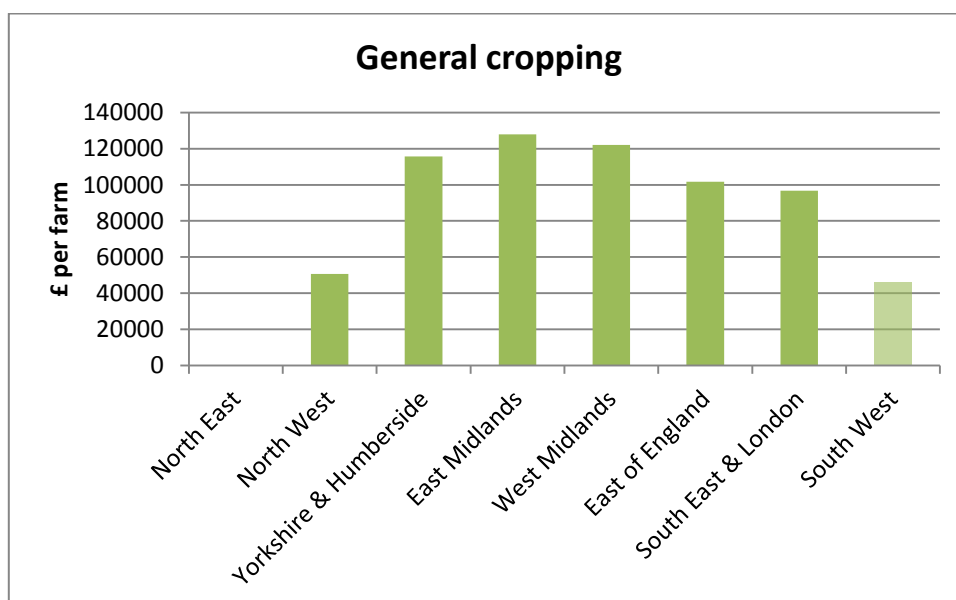
The 62 hectares of cereals, oilseed and pulses grown generate just under £78,000 output, while the other cash crops of 24 hectares have an output of £95,000, approaching 35% of the total farm output. Crop production costs account for 56% of the variable costs. Total variable costs were £89,728. Fixed costs total £130,865; with labour and land & buildings the two highest costs.

The Farm Business Income of £46,322 is a 37% increase on the previous year. (Figure 11)

As compared to the other regions of England the South West has the smallest farmed area and also produces the lowest Farm Business Income per hectare. Figure 15 illustrates the Farm Business Income per farm for the all the Government Office regions with the South West having Farm Business Incomes less than half of the national average.

These farms spent just over £11,000 on other capital investments. Property improvements were over £14,000 but there were £3,241 land sales. These farms have over £128,000 of machinery and equipment, roughly comparable to the Cereals farms, Dairy farms and Mixed farms, but farm a smaller area. Total closing liabilities are £233,900, and net worth of £1,136,021.

Figure 15 Farm Business Income (£ per farm) by region for General Cropping Farms in England



## Horticulture in South West England

Horticulture covers a very diverse range of enterprises and this group of farms cover specialist fruit, glasshouse and hardy nursery stock together with other horticulture. This year's sample has 38 farms and the average farm size for these businesses is 32.0 hectares, with a farmed area of 29.0 hectares. Top fruit occupies the largest area with 4.3 hectares. The average farm has a grassland area of 10.6 hectares, with a small livestock presence of 8 livestock units. This group of producers has the highest number of annual labour units with 4.1, primarily made up of the farmer & spouse (1.4 units), regular paid labour (1.3 units) and casual or seasonal labour (1.3 units).

Total farm output was close to £190,000, a 1% increase on the previous year and this increase was seen in most enterprises, except outdoor vegetables, outdoor flowers and top fruit whose output fell. The contribution made to output by agri-environment schemes and the Single Payment Scheme was £7,514, which represents 4% of the total output.

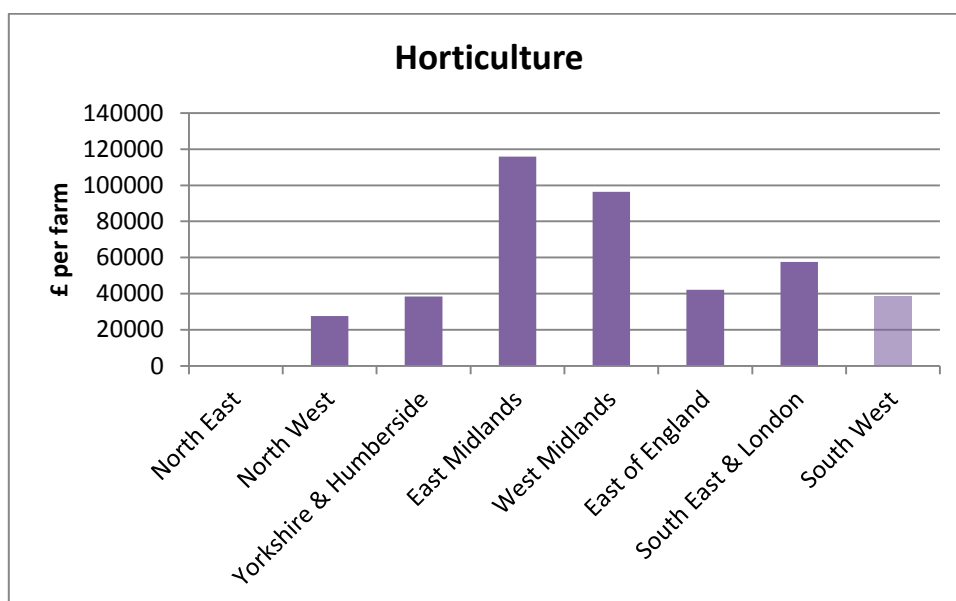
Seed and other crop costs represent three quarters of the variable costs, while labour costs of £48,583 are half of total fixed costs. The Farm Business Income came to £38,540, an increase of a 28% compared to the previous year.

The Horticulture businesses in the South West are smaller, in area terms, than the national average and they produce a Farm Business Income per hectare slightly below the national average so when ranked they are the fifth highest for Farm Business Income per farm among the seven Government Office regions that are able to publish data for Horticulture businesses(see Figure 16).

With a small farm size, closing total asset value comes to £593,577, of which 83% is tied up in land and buildings. Closing liabilities amount to £67,358, with 53% from bank overdraft and short term loans.

The flow of funds shows the lowest net capital investment of all farm types, in fact, this is the only group to sell assets and hence have a disinvestment. This year the horticulture farms had a net investment in machinery and equipment. There is surplus of funds of £1,972 along with a transfer out of funds of £1,813 and private drawings of £38,678.

Figure 16 Farm Business Income (£ per farm) by region for Horticulture Farms in England



## LFA Grazing Livestock in South West England

These farms cover the Severely Disadvantaged Areas (SDA) and Disadvantaged Areas (DA) of the South West, with an average farmed area of 130 hectares, of which a third is tenanted land.

There is very little cropping, and over 15 hectares of the grass is sole occupancy rough grazing. Stocking consists of 34 beef cows and 81 other cattle, with 322 ewes. On average, 1.6 annual labour units are required by these businesses, with the farmer and spouse providing two thirds of the input.

The contribution of agricultural output to total output is the smallest for all farm types at 68% of output with 9% of output being received from various agri-environmental schemes. However, there is a relationship between the level of receipts from agri-environmental schemes and the agricultural systems used. The level of stock per farmed hectare kept on these farms, in the last five years, is similar, so there is no evidence of de-stocking as the consequence of the 'de-coupling' of payments for the Single Payment Scheme. The Hill Farm Allowance scheme was replaced by the Upland Entry Level Scheme but some farms need transitional arrangements until their 'classic' schemes end (ESA and CSS).

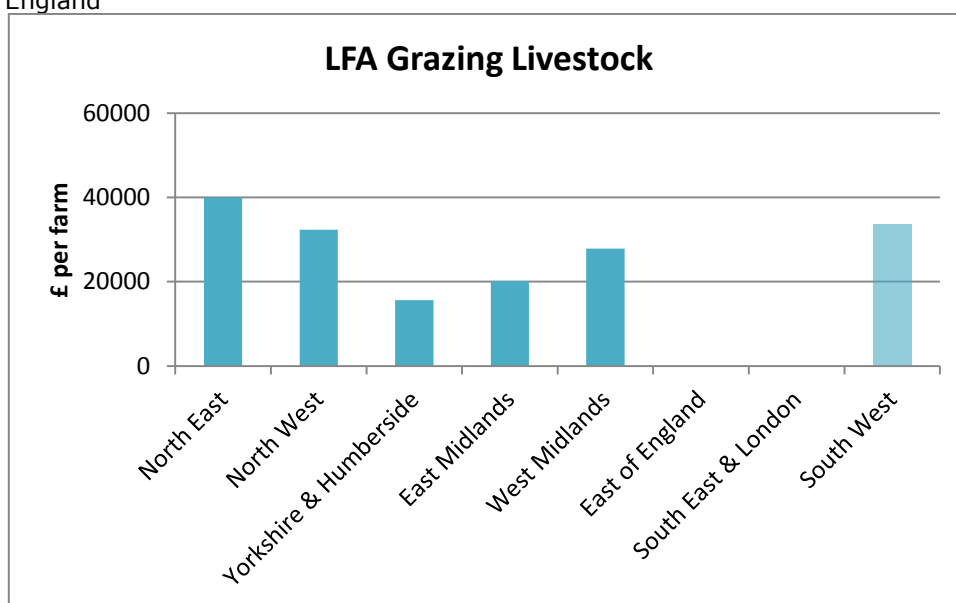
The output from diversification is only 3%, which despite the need for higher output, indicates the limited potential for some diversifications in the remote LFA. The level of farm output is much lower for the Grazing Livestock (LFA & Lowland) groups of farms at approximately 40% of the next lowest land using farm type, Horticulture farms. The level of

Single Payment Scheme received by the Grazing Livestock farms per farm is the lowest of the 'land using' farm types, but makes the biggest percentage contribution to these businesses.

Cattle output for the LFA Grazing Livestock group of farms was over £40,000, and sheep output was over £32,000 which were both increases on the previous year but with the change in cattle output the more significant. Concentrate feed, both purchased and home grown, and fertiliser make up 57% of the variable costs. The prime fixed costs are land and buildings charges, with labour costs being lower with the majority of work being provided by farmer and spouse. Farm Business Income, for the LFA Grazing Livestock farms, increased by 38% to £33,728 (Figure 11) but this is only two thirds of the 'all farms' figure.

When compared to the other Government Office regions in England the Farm Business Income per farm for the LFA Grazing Livestock farms is the second highest behind the North East. The Farm Business Income per hectare is higher than the national average but the farmed area is lower. (see Figure 17)

Figure 17 Farm Business Income (£ per farm) by region for LFA Grazing Livestock Farms in England



This group of farms had the second lowest level of non-farm items (including private drawings) of all the farm types. Along with about £28,000 of net capital investment and an introduction of funds of £26,239, the resulting fund flow deficit was over £7,500.

The farm balance sheet shows year end total fixed assets of £1,059,761, with 92% of the value made up by land and buildings. Total liabilities on these farms are £106,287, with 74% being long term arrangements. Net interest payments in the year amounted to £2,827, more than double last year.

## Lowland Grazing Livestock in South West England

Lowland Grazing Livestock farms average 85 hectares of total area farmed, primarily of permanent grassland. They run an average of 101 head of cattle and 120 breeding ewes and grow a small amount of cereals, with the grain and straw mainly used on farm. Nearly three quarters of the farm is owned, and only 0.23 of the 1.43 annual labour units on the farm are paid labour.

The total farm output from the Lowland Grazing Livestock farms is the lowest of all farm types. Farm Business Income is also the lowest of all farm types at £29,097.

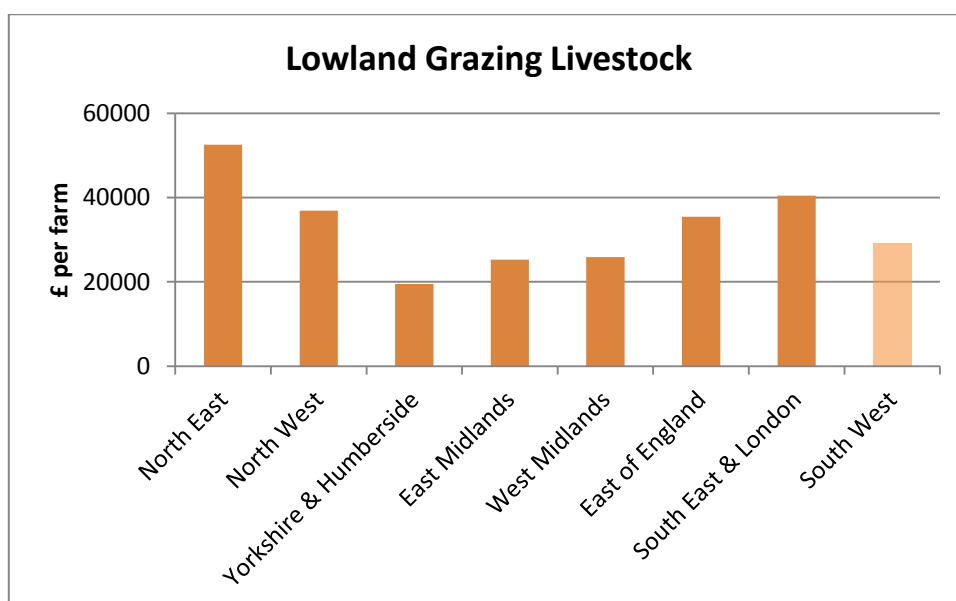
Although farming a smaller area than their LFA equivalents, the effective farmed area will be similar when adjusted for rough grazing. Cattle make a greater contribution to output on lowland farms, sheep often being a better option on the poorer land of LFA farms.

The highest variable costs are for concentrate feed & fodder and other livestock costs, whilst land and buildings costs are the greatest fixed costs followed by other overheads.

The net funds introduced by Lowland Grazing Livestock farms were £5,246, but with capital investment of £7,224 and private drawings of nearly £23,000 there was a deficit of funds amounting to £7,818.

The Farm Business Income per hectare for Lowland Grazing Livestock Farms in the South West is the second highest of all regions but because of the smaller farmed area the South West is ranked fifth highest out of the eight English Government Office regions for Farm Business Income per farm. (see Figure 18).

Figure 18 Farm Business Income (£ per farm) by region for Lowland Grazing Livestock Farms in England



The year end balance sheet shows a strong position with total assets of £1,036,289, with over £845,000 in land and buildings. Current assets are £76,681 while total liabilities are £69,953, with over half as bank term loans. Total net interest charges for the year were £1,521.

## Mixed farms in South West England

Mixed farms cover a wide range of farming activities, but with no single dominant enterprise. Therefore the average farm has a combination of arable and grazing livestock together with pigs and poultry.

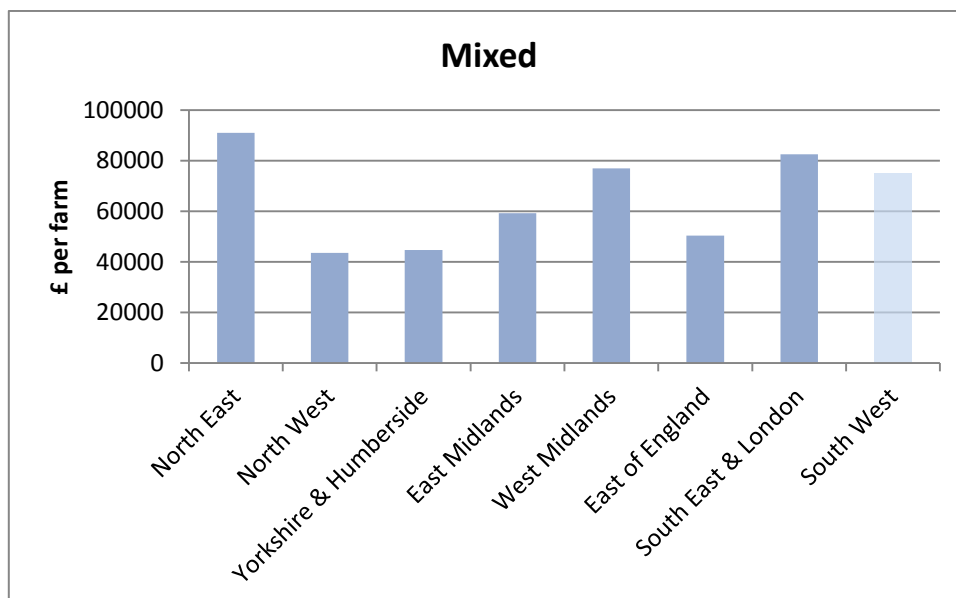
The average farmed area of these farms was 191 hectares, with 46% tilled. Winter wheat area represents 42% of the tilled area. Spring barley covered 14% of the tilled area with winter barley and oilseed rape 10% each. Most of the grassland is permanent, and the average stocking consists of 14 dairy cows, 143 other cattle, 136 ewes, a small pig herd of 10 sows and 117 other pigs and a flock of poultry numbering 1,012 birds.

The farmer and spouse accounts for 40% of the labour units on these farms, and paid labour is equivalent to 1.4 annual labour units with the total requirement of 3.2 annual labour units. Livestock enterprises produce 41% of the farm output, with rearing and finishing cattle the largest contributor, followed by milk & dairy, pigs and then poultry.

As with all the livestock dominated farm types, concentrate feed, fodder and other livestock costs are the largest variable costs, but with these farms using more of their home grown feed. The more intensive nature of these farms means that feed accounts for 42% of variable costs. Fixed costs total £184,685, with labour close to a quarter of these costs, followed by land & buildings inputs then machinery fuels and repairs.

The Farm Business Income showed the largest increase by any farm type in the South West increasing over £26,000 to £74,823 per farm. When ranked by Farm Business Income per farm across the eight Government Office regions of England the Mixed farms are the fourth highest with both the farmed area and FBI per hectare having similar ranking.

Figure 19 Farm Business Income (£ per farm) by region for Mixed Farms in England



Total fixed assets on these holdings were over £1.73 million, with more than 71% consisting of land and buildings. External liabilities totalled £205,161, with 31% of this in the form of other short term loans and 35% as bank term loans. The farm business showed a £10,253 fund deficit. There was £16,000 of net capital investment and funds transferred out amounted to £1,359.

## Pig Farms (England)

It is not possible to publish regional results covering the South West of England for the Pig Farms due to the small number of farms who co-operate with the Farm Business Survey in the region. However the national figures are available for 74 farms, and 12% of the national pig sample are in the South West.

The results presented for Pig farms include a range of breeding and finishing enterprises including farms that raise pigs on a contract for a third party. The average pig farm was stocked with 2,362 pigs, little changed on the previous year. However the average size of farm increased from 44.7 ha to 63.4 ha with more land used for home produced feed and cereals grown for straw.

The FBI of Specialist Pig farms averaged £37,980 in 2011/2012 (£44,439 in 2010/2011), as illustrated in Figure 20. Pig output at £419,787 was lower than the £424,270 achieved in 2010/2011. The deadweight average pig price (DAPP)<sup>4</sup> was 144 pence per kilogram at the end of April 2012, having peaked at over 145 pence in July 2011 and fallen to a low of below 137 pence in February 2012.

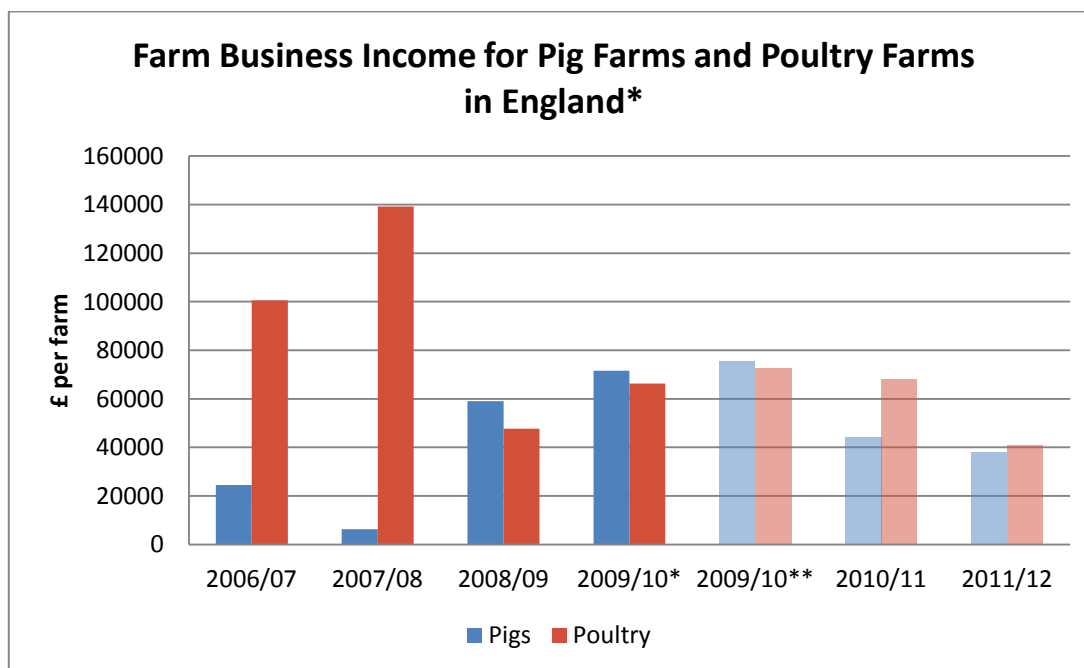
Overall, pig producers have faced high production costs again this year, with high grain prices having the biggest impact. However British weaner prices remained relatively stable throughout this period at £43.75 per head end of April 2011 to £45.35 per head at the end of April 2012. With the lowest price dipped to £39.98 per head in October 2011 (DAPP)<sup>1</sup>.

<sup>4</sup> BPEX website for DAPP

The capital position of Specialist Pig farms was reasonably stable again this year with a healthy increase in stock levels and investment in machinery and equipment. Overall, the closing net worth of £795,705 per farm compared favourably to the opening figure of £733,326.

With the ban of sow stalls in the EU coming into force in January 2013 it is expected that several member states will not be fully compliant with only 12 out of the 27 on course to meet the deadline.<sup>5</sup> Pigmeat production in the EU is expected to fall as some European farmers might see this as an opportunity to leave the industry avoiding investment in new equipment.<sup>6</sup> This is expected to place the British pig industry in a much stronger position, with prices to match, following a run of difficult years since the ban took effect in Britain in 1999.

Figure 20 Farm Business Income for Pigs Farms and Poultry Farms, 2006/07 to 2011/12 (England)<sup>7</sup>



\*Changes to the sample of poultry farms between 2007/08 and 2008/09 dictate that any comparison between years should be made with care.

As commented above because of the change in Farm Type classification it is not possible to directly compare FBI across all of the previous years. In order to account for this Figure 13 shows the trend for 2006/07 to 2009/10, then in the Standard Output classification 2009/10 onwards are compared.

## Poultry Farms (England)

Like Pig farms only national figures are available and from 96 farms, with 29% being in the South West. These farms represent all types of poultry farming, but principally egg and table chicken production. The average farm size was smaller; numbers of hens and pullets in lay were 44 per cent lower per farm and broilers and other poultry were 22 per cent lower. There were fewer tenanted businesses in the sample in 2011/2012.

<sup>5</sup> Farmers Weekly 16/3/12

<sup>6</sup> Farmers Weekly 16/4/12

<sup>7</sup> The classification of farms has been revised this year meaning that these results are not directly comparable with those published in earlier reports

\* Farm typology up to this point is calculated using Standard Gross Margin

\*\* Farm typology from this point is calculated using Standard Output

The average Farm Business Income for this sector was £41,110 representing a 40 per cent reduction on the previous year figure (see Figure 20). The nature of this sector means that the income of individual farms can change considerably from year to year. This, along with the relatively small size of the sector and of the sample in the survey, means that our estimates are subject to greater levels of fluctuation and uncertainty than in other sectors.

The livestock output was £578,702 of which 26 per cent was from eggs and 74 per cent was from broilers (32 per cent of this came from eggs and 68 per cent from broilers in 2010). Egg production was dominated by the transition from caged to enhanced pens under the January 2012 ban. The impact was greatest for those choosing to cease production or reinvest in enhanced pens, but the price fluctuations impacted those continuing in production with free range or enriched cages. The UK cost of moving to enhanced cages has been quoted as £400 million; more than £25 per hen housed<sup>8</sup>.

Ahead of the cage ban, there was a continued gradual reduction in the UK flock during 2011 and the strategy of earlier culling of older flocks meant the size of the UK layer flock dropped to 31 million birds in January 2012<sup>9</sup>. Production fell in 2011, 26.9 million cases of eggs were packed a decrease of 2 per cent on the previous year<sup>10</sup>.

The average price per dozen eggs also fell slightly to 69.9p in 2011, from 70.0p in 2010 (Defra statistics). In early 2012, the market rallied due to reduced supply. Rapid culls in Europe to meet the cage ban are illustrated by the case of Spain which was 120 per cent self sufficient and exported 20 per cent to the UK, but is now a net importer<sup>11</sup>.

Wholesale prices for chicken meat have remained reasonably stable in the face of rising input costs. Costs to the poultry sector continue to increase, feed accounted for 61 per cent of overall agricultural costs and 86 per cent of livestock specific costs making it very difficult to find any cost saving measures that have any real impact.

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<sup>8</sup> Defra.gov.news 21/2/11

<sup>9</sup> GB emerging threats report, avian diseases, Vol. 15, No. 4, Oct-Dec 2011

<sup>10</sup> The ranger.co.uk/marketdata/eggthroughput

<sup>11</sup> Fwi.co.uk, 09/03/12



## **INTRODUCTORY NOTES FOR USERS**

### **The source of the benchmarking data**

The benchmarking data in this publication are based on the detailed information collected from a cross-section of farm businesses as part of the annual Farm Business Survey (FBS). The FBS is widely recognised as the most authoritative survey of the financial position and performance of farmers' businesses in England and Wales. The results of the survey work, which is funded by DEFRA, are widely used by government and by the agricultural industry as a reliable source of information on the financial position and performance of various types and sizes of farm businesses. The FBS is supported by the National Farmers' Union, the Country Land and Business Association and the Tenant Farmers' Association and other farming organisations.

The FBS involves the collection of a range of management accounting information on all aspects of farmers' businesses including detailed information on:

- Revenues and costs
- Assets and liabilities
- Areas and production of crops
- Sales and purchases of livestock
- Labour use
- Diversified activities

To ensure complete consistency in all aspects of survey procedures, irrespective of farm type or size, rigorous standards are applied. The user is referred to the extensive 'definitions of terms used' to be found at the back of this publication, which will give some guidance about the survey's approach. One further aspect of the FBS deserves mention in relation to its reliability as a source of farm planning data. Close attention is given to the design of the sample, sample turnover is maintained in order to refresh the 'panel' and new farms are recruited from lists chosen at random from the agricultural census. This provides an important element of statistical validity to the survey results.

The accounting data from which these farm benchmarking standards have been derived relate to the 2010 harvest year, the farm businesses concerned having accounting years ending on average in late February.

### **Analysing a farm business**

The analysis of a farm business using the data framework in this manual must be based on comparable management accounts and the user is referred to the definitions of terms used (p122) for guidance. It should be noted that the assets and liabilities data are heavily influenced by the tenure of the sample farms and due allowance for this fact should be made. Benchmarking a farm business requires a progressive and ordered approach, as a range of indicators is reviewed; one possible procedure is illustrated in the chart 1 'Analysing a farm business' on p8.

Chart 2 (p10) illustrates the interpretation and use of the contents of the farm balance sheet in assessing the financial stability of the business.

The analysis of a farm business as outlined in these charts is based on the assumption that the individual farm accounts have been compiled in accordance with the generally accepted format for management purposes, and will include those adjustments arising from the adoption of a replacement cost basis of valuation for certain assets as described in the glossary.

### **Stages in benchmarking your farm results**

1. Identify which type of farming group your farm most closely corresponds to and translate your own financial results for the same cropping year into the tables. It may be useful to check definitions and other accounting procedures using the information in Appendix 2: 'Definitions of terms used' on page 122. In some cases, it may prove useful to compare your results with standards from two different farm type groups, particularly where your farm operates a more diverse system. Chart 1 illustrates some of the more important stages in benchmarking financial performance.

2. Compare the whole farm results with those of first the average, and then the premium, standards, to identify your farm's relative strengths and weaknesses. No single measure

should be taken in isolation: sometimes there will be compensating factors and there may be a substitution between cost headings - for example, between purchased or concentrate feed costs and fertiliser costs, or between the efficiency of labour use and the investment in machinery or the use made of agricultural contractors.

3. Compare profitability and the return on tenant-type capital. Variations in efficiency are invariably due to a combination of factors, including, for example, the relative 'mix' of enterprises, the actual levels of both physical and financial performance (such as yields, stocking rates and unit prices) and unquantified factors such as farm characteristics (including topography, land quality, farm organisation and level of fragmentation) and management.

4. Additional information regarding specific enterprise gross margins can be found in Section 2, and may help to pinpoint individual areas of weakness which exert an influence over the whole farm situation.

5. Where for an individual farm the levels of 'output per hectare', 'tenant's capital per hectare' or 'farm size' vary considerably from the standard, some of the more general measures of efficiency (such as 'efficiency per £100 output') may provide more useful comparisons.

6. Variable costs must be expected to vary between farms and therefore should be judged in relation to total output together, where possible, with comparisons of individual enterprise variable costs relative to gross margins in Section 2. In looking at the levels of costs, the important question is 'What level of profit are these costs bringing in to the business?'

7. Variation in the efficiency of use of fixed costs may be due to a number of different factors:

- A poor level of output, or inefficiency in the use of variable costs, both of which will show up at the gross margin level and thus adversely affect the financial efficiency of use of fixed costs.

- An inefficient use of machinery due to over-mechanisation resulting in a high depreciation charge; or excessive repair charges due either to a lack of care and maintenance or to the consequences of insufficient re-investment in machinery.

- An inappropriate combination of enterprises which creates peaks and troughs in labour or machinery use may not be conducive to optimal efficiency in financial terms.

- High interest or land rental charges, although *fixed* by personal circumstances, may still be worth close examination in relation to the level of output obtained. Looking at the level of tenant's capital in relation to output can also point to a possible area for attention.

- Although high costs for land maintenance and/or overheads may be justified by personal circumstances, significant adverse variation from the average would suggest that tighter control could be of benefit.

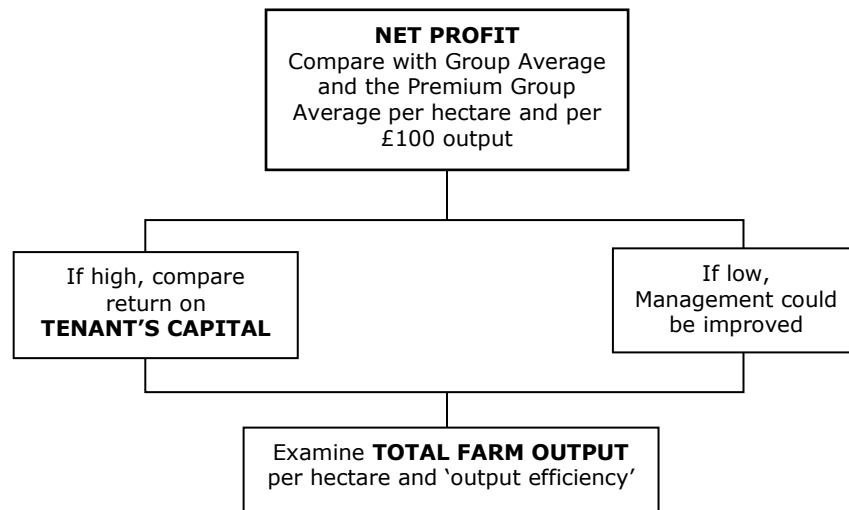
8. An examination and comparison of the farm balance sheet should be attempted to give a broader view of the financial position of the business. Although individual circumstances will inevitably result in considerable, and acceptable, variation in some of the comparative ratios, it is the degree of change between two years and the direction of any trend over time that should be closely monitored. Chart 2 illustrates some of the more important stages in examining the balance sheet of a farm business, and this is dealt with in more detail below.

9. Where this form of benchmarking (or modified comparative analysis) is carried out carefully, it is a useful tool in highlighting areas of the business which may justify closer scrutiny and control. Although in some situations the 'premium' (top third) farms may appear to be only slightly more efficient on individual factors, it is often the cumulative effect of a number of small improvements which produces significant benefits to the business as a whole.

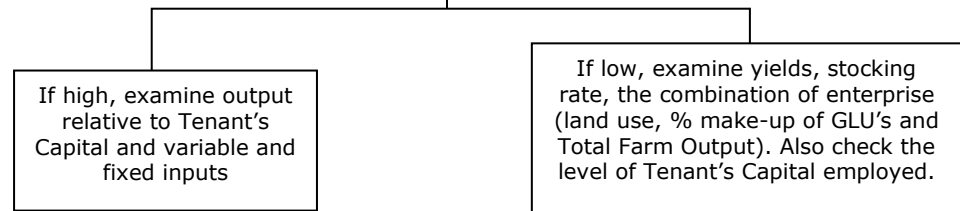
Chart 1

# **ANALYSING A FARM BUSINESS**

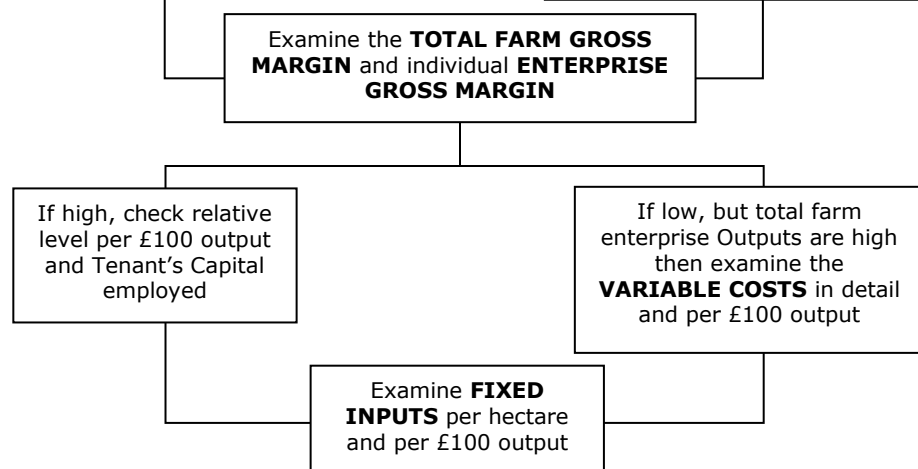
Stage I



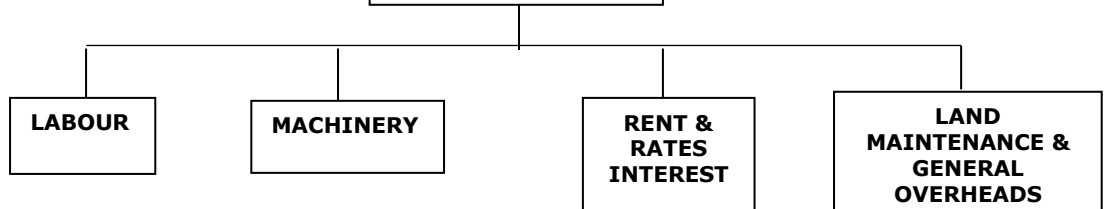
Stage II



Stage III



Stage IV



Stage V **LIABILITIES AND ASSETS** to check financial security

### **Using balance sheet data for farm business management purposes**

It must be stressed that Chart 2 represents a very simplified and generalised framework for the analysis of the stability, liquidity and flexibility of the farm business. Moreover, the terms 'high' and 'low', when applied to any of the ratios employed, are not to be interpreted as indicating any specific or recommended level. Rather, they should be regarded strictly as relative terms, the significance of which can only be gauged when they are placed within the context of the particular farm or compared with 'standard' levels of financial performance and practice on comparable farms.

The early construction of a time series for each individual ratio employed, specifically for the farm business being managed, is also imperative in order that trends may be revealed. The direction in which a ratio is moving may be of greater significance than its absolute level at any given point in time.

When using the analytical framework provided by the diagram, there is a continuing need of an awareness that the measures which it advocates offer little in the way of assistance if regarded simply as an end in themselves or viewed in isolation one from another. Rather they must be seen as giving some degree of quantitative expression to quite crucial relationships which exist within the financial structure of any business and over which control should be exercised if the health of the business is to be maintained and its objectives more readily attained.

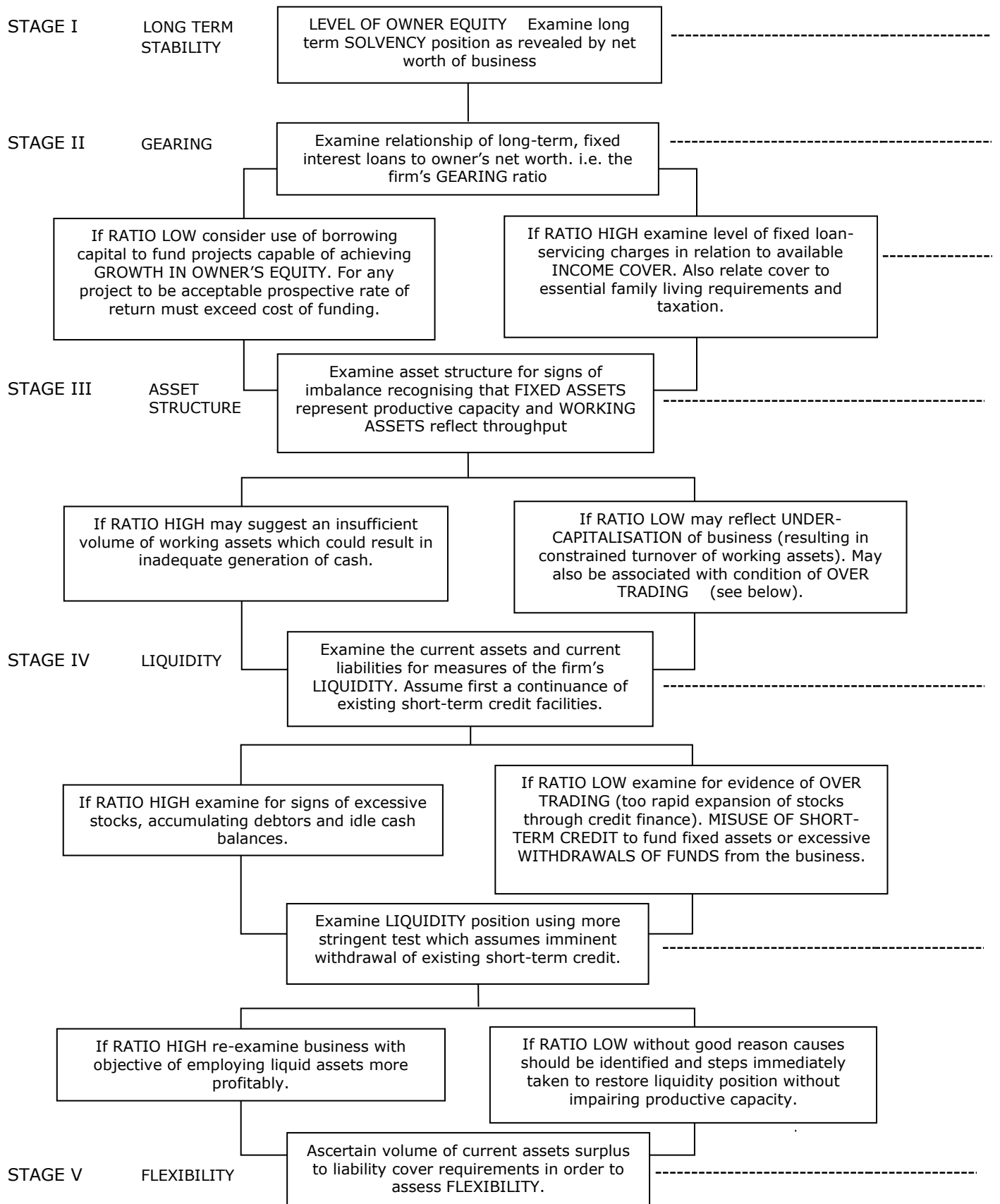
Among the fundamental relationships which financial management should seek to preserve are:

- the requirement that essentially long-term fixed assets should be financed from commensurately long-term funding sources, whether these be in the form of the farmer's own equity finance or debt capital;
- the need to ensure that the income-generating potential of the farm business is capable of supporting the charges which debt servicing commitments, family living requirements and tax liability place upon it;
- the need to provide adequate cover, in the form of realisable assets, cash or unused short-term credit facilities, to withstand any sudden claims which might conceivably be made upon the business and thereby jeopardise its efficiency of operation or even its survival.

The approach suggested by the chart is acknowledged to be a simplified one but it is hoped that it will at least serve as an introductory guide for those who may be unfamiliar with the type of analysis with which it is concerned. The scope of that analysis can be progressively extended and a wider selection of ratios chosen from the many which are available to the business analyst as greater conversancy with their application is gained.

**Chart 2**

**ANALYSING A FARM'S FINANCIAL STABILITY**



## RATIO/MEASURE EMPLOYED

$$\text{Owner Equity ratio (\%)} = \frac{\text{Net worth}}{\text{Total assets}} \times 100$$

$$\text{Gearing ratio (\%)} = \frac{\text{Long term loans}}{\text{Net worth}} \times 100$$

$$\text{Prior charge cover ratio (number of times income covers charges)} = \frac{\text{Gross farm income}}{\text{Debt servicing charge}} \quad (\text{see notes in box below})$$

$$\text{Fixed Assets ratio (\%)} = \frac{\text{Fixed assets}}{\text{Total assets}} \times 100$$

$$\text{Current ratio (\%)} = \frac{\text{Current assets}}{\text{Current liabilities}} \times 100$$

**Notes:**

1. Gross farm income is defined as net farm income plus any notional charges (imputed rent, board and lodge, unpaid labour and depreciation) less imputed credits. It is employed as a measure of gross farm profit before deduction of depreciation, interest and tax.
2. The components of the ratio presented above can easily be varied to produce a series of tests of a progressive stringency which will measure the cover available to meet all prior charges on income. Such a series might culminate in a ratio which relates net cash surplus (as a residual of gross farm income after removal of its valuation components and elements of accrued expenditure and receipts) to total prior charges comprising debt servicing charges, minimum living requirements and tax liability.

$$\text{Liquidity ratio (\%)} = \frac{\text{Liquid assets}}{\text{Current liabilities}} \times 100$$

$$\text{Net Working Capital (£)} = \text{Current assets /less current liabilities}$$

## NOTES

**SECTION 2****WHOLE FARM BUSINESS STANDARDS 2011/2012**

		Page
<b>Cereal farms</b>	- average and premium	40
<b>Cereal and General Cropping farms</b>	- under 160 hectares and over 160 hectares	46
<b>Dairy farms</b>	- average and premium	52
<b>Dairy farms</b>	- under 80 hectares, 80-140 hectares and over 140 hectares	58
<b>Lowland Cattle and Sheep farms</b>	- average and premium	64
<b>Lowland Cattle and Sheep farms</b>	- under 80 hectares and over 80 hectares	70
<b>SDA Cattle and Sheep farms</b>	- average and premium	76
<b>LFA Cattle and Sheep farms</b>	- under 120 hectares and over 120 hectares	82
<b>Mixed Cropping, Cattle and Sheep farms</b>	- average	88
<b>Organic Dairy farms</b>	- average	94
<b>Organic Lowland Cattle and Sheep farms</b>	- average	100

*Organic farms have been excluded from all the farm groups except those specifically called organic.*

*To allow publication the minimum number of farms in each sample is 15. Some farm types have therefore been amalgamated to provide additional detail by size of farm, i.e. DA farms added to SDA group to generate LFA Cattle and Sheep.*



### Cereal farms

#### GROSS OUTPUT, VARIABLE COSTS AND FARM GROSS MARGIN, 2011/2012

	Average	Premium*
Number of farms in group	30	10
Average farmed area (hectares)	198	251
Average proportion of total farmed area tenanted or hired (%)	35	35
	£ per farm hectare	
<u>Output</u>		
Milk	0	0
Milk quota leasing less milk quota levy	0	0
Cattle	31	21
Herd depreciation	-1	-2
Sheep	34	0
Flock depreciation	-3	0
Wool	1	0
Pigs	4	9
Poultry	0	0
Other livestock	1	0
Cereals	632	836
Oilseeds	201	286
Pulses	10	9
Other crops	3	0
Crop subsidies	0	0
Straw	79	84
Forage	45	41
Agri-environment schemes and management agreements	58	56
Rental income and imputed farmhouse rental equivalent	81	49
Hirework	32	8
Miscellaneous output	49	67
Cultivations	4	10
Single Payment Scheme	217	217
<b>TOTAL FARM OUTPUT **</b>	<b>1478</b>	<b>1691</b>
<u>Variable costs</u>		
Concentrates	15	3
Purchased fodder	1	0
Veterinary and medicines	4	1
Other livestock costs	14	9
Seeds	47	54
Fertilisers	131	155
Crop protection	98	132
Other crop costs	49	50
<b>TOTAL VARIABLE COSTS</b>	<b>359</b>	<b>403</b>
<b>TOTAL GROSS MARGIN**</b>	<b>1119</b>	<b>1288</b>

\* Top third selected on Management and investment income per hectare

\*\* Excluding Breeding Livestock Stock Appreciation

## Cereal farms

### FIXED COSTS, FARM PROFIT AND MANAGEMENT & INVESTMENT INCOME, 2011/2012

	Average	Premium*
Number of farms in group	30	10
Average farmed area (hectares)	198	251
Average proportion of total farmed area tenanted or hired (%)	35	35
	£ per farm hectare	
TOTAL GROSS MARGIN**	1119	1288
<u>Fixed costs</u>		
Paid labour	38	56
Unpaid family labour	29	13
Casual labour	9	6
Contract	123	148
Machinery repairs	42	39
Machinery fuel	48	45
Machinery depreciation	117	97
Other depreciation	0	0
Property maintenance	49	27
Electricity	8	8
Other fuel	14	13
Water	6	3
Insurance	27	22
Professional fees	26	18
Other general costs	26	24
TOTAL FIXED COSTS EXCLUDING RENT AND INTEREST	562	519
PROFIT BEFORE RENT AND INTEREST	557	769
Rent, hired in keep and bare land	46	51
Rates	0	1
Long-term interest	10	11
Short-term interest	6	5
Interest received (-)	1	1
NET PROFIT**	495	702
Reconciliation of Profit to NFI and M&II		
Plus - Interest charges (net)	15	15
Plus - Landlord type repairs (included in property maintenance)	4	2
Less - Rental value (of owner occupied land and buildings)	139	126
NET FARM INCOME** (NFI)	375	592
Less farmer and spouse labour	105	54
MANAGEMENT AND INVESTMENT INCOME** (M&II)	271	538

\* Top third selected on Management and investment income per hectare

\*\* Excluding Breeding Livestock Stock Appreciation

## Cereal farms

### FINANCIAL COMPARISONS per £100 OUTPUT, 2011/2012

	Average	Premium*
Number of farms in group	30	10
Average farmed area (hectares)	198	251
Average proportion of total farmed area tenanted or hired (%)	35	35
	per £100 output	
<u>Output</u>		
Milk	0	0
Cattle	2	1
Sheep	2	0
Pigs, poultry and other livestock	0	1
Cereals	43	49
Other cash crops	15	17
Straw and forage	8	7
Management agreements and agri-environment schemes	4	3
Miscellaneous output	11	8
Single Payment Scheme	15	13
TOTAL OUTPUT**	100	100
<u>Variable costs</u>		
Concentrates, fodder and keep	1	0
Veterinary, medicines and other livestock costs	1	1
Seeds	3	3
Fertilisers	9	9
Crop protection and other crop costs	10	11
TOTAL VARIABLE COSTS	24	24
TOTAL GROSS MARGIN**	76	76
<u>Fixed costs</u>		
Labour - paid and unpaid, excluding farmer and spouse	5	4
Casual labour	1	0
Contract	8	9
Machinery repairs and fuel	6	5
Machinery and other depreciation	8	6
Property maintenance	3	2
Electricity, other fuel and water	2	1
Other general costs	5	4
TOTAL FIXED COSTS EXCLUDING RENT AND INTEREST	38	31
PROFIT BEFORE RENT AND INTEREST	38	45
Rent and rates	3	3
Long-term interest paid	1	1
Short-term interest paid	0	0
Interest received (-)	0	0
PROFIT**	33	42

\* Top third selected on Management and investment income per hectare

\*\* Excluding Breeding Livestock Stock Appreciation

## Cereal farms

### LAND USE AND INDICATORS OF TECHNICAL EFFICIENCY, 2011/2012

	Average	Premium*
Number of farms in group	30	10
Average farmed area (hectares)	198	251
Average proportion of total farmed area tenanted or hired (%)	35	35
<u>Land use</u>		
Percentage cropped	69	82
Percentage forage	31	18
<u>Grazing livestock units</u>	GLUs per farm	
Dairy cattle	0	0
Other cattle	9	8
Sheep	5	0
Other livestock	1	0
Total	15	8
GLUs per ha	0.51	0.43
GLUs per adjusted ha	0.54	0.43
<u>Technical efficiency</u>		
<u>Dairy</u>		
Milk yield per cow	n/a	n/a
Pence per litre	n/a	n/a
Milk output per cow	n/a	n/a
Dairy calf output, £ per calf	n/a	n/a
<u>Finished cattle and lambs</u>		
£ per finished animal	877	748
£ per finished lamb	84	n/a
<u>Cereals**</u>		
Winter wheat		
Yield - tonnes per hectare	8.7	9.3
Price per tonne	157	160
Winter barley		
Yield - tonnes per hectare	7.0	7.9
Price per tonne	155	162
Spring barley		
Yield - tonnes per hectare	6.1	6.2
Price per tonne	183	187
Winter oats		
Yield - tonnes per hectare	6.6	5.9
Price per tonne	157	148
All cereals		
Yield - tonnes per hectare	7.7	8.1
Price per tonne	161	164

\* Top third selected on Management and investment income per hectare

\*\*Cereal yields for groups growing less than 40 hectares excluded

## Cereal farms

### TENANTS CAPITAL, OUTPUT RATIOS AND INDICATORS OF FINANCIAL EFFICIENCY, 2011/2012

	Average	Premium*
Number of farms in group	30	10
Average farmed area (hectares)	198	251
Average proportion of total farmed area tenanted or hired (%)	35	35
	£ per farm hectare	
<u>Tenant's capital formation</u>		
Livestock	68	28
Crops, forage and cultivations	393	602
Stores	209	198
Machinery	654	633
Single Payment Scheme	280	283
Miscellaneous business assets & other assets	11	2
Total physical assets	1615	1747
Liquid assets	358	382
Tenant's capital (TC)	1973	2129
Management & investment income (M&II)**	271	538
Return on tenant's capital (M&II as % of average TC)	13.7%	25.3%
<u>Ratios per £100 of output (%)</u>		
Variable costs	24	24
Gross margin	76	76
Fixed costs (excluding rent and interest)	38	31
Net profit	33	42
Net farm income	25	35
Farmer and spouse	7	3
Management & Investment Income	18	32
<u>Tenant's capital</u>		
Total assets	740	606
Total external liabilities	52	54
Net worth	687	552
<u>Efficiency of labour use</u>		
Costs (£ per hectare)	76	74
Costs (£ per £100 output)	5	4
Costs (£ per £100 gross margin)	7	6
<u>Efficiency of machinery use</u>		
Costs (£ per hectare)	331	330
Costs (£ per £100 output)	22	20
Costs (£ per £100 gross margin)	30	26
<u>Efficiency of labour and machinery use</u>		
Costs (£ per hectare)	407	405
Costs (£ per £100 output)	28	24
Costs (£ per £100 gross margin)	36	31

\* Top third selected on Management and investment income per hectare

\*\* Excluding Breeding Livestock Stock Appreciation

## Cereal farms

### END-OF-YEAR BALANCE SHEETS, 2011/2012

	Average	Premium*
Number of farms in group	30	10
Average farmed area (hectares)	198	251
Average proportion of total farmed area tenanted or hired (%)	35	35
End of year assets & liabilities	£ per farm hectare	
Land & buildings	8831	7973
Milk quota	0	0
Single Payment Scheme	295	295
Machinery	679	647
Tenant's other assets	9	0
Breeding livestock	41	9
Total fixed assets	9855	8924
Trading livestock	33	25
Crops	346	572
Forage and cultivations	64	74
Stores	237	234
Debtors and loans	227	275
Bank credit and cash	165	142
Other current assets	2	0
Total current assets	1074	1323
Total assets	10929	10247
Financed by		
AMC	65	196
Bank loans	258	213
Other long term	96	60
Total long term	419	469
HP and lease	77	92
Creditors	143	148
Bank overdraft	126	202
Other short term	4	0
Total current liabilities	350	442
Total Liabilities	770	911
Net worth	10159	9336
<b>Balance sheet ratios</b>		
% Owner equity (net worth vs. total assets)	93%	91%
% Fixed assets vs. total assets	90%	87%
Gearing (long-term loans vs. total assets)	4%	5%
Total debt (external liabilities vs. net worth)	8%	10%
Current Ratio (current assets vs. current liabilities)	306%	299%
Liquidity Ratio (liquid assets vs. current liabilities)	112%	94%

\* Top third selected on Management and investment income per hectare

### Cereal and general cropping farms

#### GROSS OUTPUT, VARIABLE COSTS AND FARM GROSS MARGIN, 2011/2012

	Under 160 hectares	Over 160 hectares
Number of farms in group	16	24
Average farmed area (hectares)	113	244
Average proportion of total farmed area tenanted or hired (%)	48	36
	£ per farm hectare	
<u>Output</u>		
Milk	0	0
Milk quota leasing less milk quota levy	0	0
Cattle	80	65
Herd depreciation	-1	0
Sheep	73	14
Flock depreciation	-5	-2
Wool	2	1
Pigs	1	4
Poultry	0	0
Other livestock	0	1
Cereals	500	605
Oilseeds	156	192
Pulses	6	12
Other crops	396	146
Crop subsidies	0	0
Straw	76	72
Forage	60	35
Agri-environment schemes and management agreements	29	67
Rental income and imputed farmhouse rental equivalent	86	61
Hirework	59	11
Miscellaneous output	46	50
Cultivations	-1	8
Single Payment Scheme	205	213
<b>TOTAL FARM OUTPUT **</b>	<b>1770</b>	<b>1555</b>
<u>Variable costs</u>		
Concentrates	34	23
Purchased fodder	1	1
Veterinary and medicines	8	4
Other livestock costs	27	14
Seeds	135	62
Fertilisers	149	139
Crop protection	129	112
Other crop costs	67	57
<b>TOTAL VARIABLE COSTS</b>	<b>552</b>	<b>413</b>
<b>TOTAL GROSS MARGIN**</b>	<b>1218</b>	<b>1143</b>

\* Top third selected on Management and investment income per hectare

\*\* Excluding Breeding Livestock Stock Appreciation

### Cereal and general cropping farms

#### FIXED COSTS, FARM PROFIT AND MANAGEMENT & INVESTMENT INCOME, 2011/2012

	Under 160 hectares	Over 160 hectares
Number of farms in group	16	24
Average farmed area (hectares)	113	244
Average proportion of total farmed area tenanted or hired (%)	48	36
	£ per farm hectare	
TOTAL GROSS MARGIN**	1218	1143
<u>Fixed costs</u>		
Paid labour	32	67
Unpaid family labour	54	11
Casual labour	36	18
Contract	148	105
Machinery repairs	62	51
Machinery fuel	68	52
Machinery depreciation	133	126
Other depreciation	0	0
Property maintenance	40	51
Electricity	10	8
Other fuel	23	14
Water	8	4
Insurance	36	26
Professional fees	26	22
Other general costs	32	27
TOTAL FIXED COSTS EXCLUDING RENT AND INTEREST	707	582
PROFIT BEFORE RENT AND INTEREST	511	561
Rent, hired in keep and bare land	88	43
Rates	0	1
Long-term interest	10	20
Short-term interest	10	17
Interest received (-)	0	1
NET PROFIT**	403	482
Reconciliation of Profit to NFI and M&II		
Plus - Interest charges (net)	19	36
Plus - Landlord type repairs (included in property maintenance)	3	3
Less - Rental value (of owner occupied land and buildings)	120	132
NET FARM INCOME** (NFI)	306	388
Less farmer and spouse labour	190	83
MANAGEMENT AND INVESTMENT INCOME** (M&II)	116	306

\* Top third selected on Management and investment income per hectare

\*\* Excluding Breeding Livestock Stock Appreciation



### Cereal and general cropping farms

FINANCIAL COMPARISONS per £100 OUTPUT, 2011/2012

	Under 160 hectares	Over 160 hectares
Number of farms in group	16	24
Average farmed area (hectares)	113	244
Average proportion of total farmed area tenanted or hired (%)	48	36
	per £100 output	
<u>Output</u>		
Milk	0	0
Cattle	4	4
Sheep	4	1
Pigs, poultry and other livestock	0	0
Cereals	28	39
Other cash crops	32	23
Straw and forage	8	7
Management agreements and agri-environment schemes	2	4
Miscellaneous output	11	8
Single Payment Scheme	12	14
TOTAL OUTPUT**	100	100
<u>Variable costs</u>		
Concentrates, fodder and keep	2	1
Veterinary, medicines and other livestock costs	2	1
Seeds	8	4
Fertilisers	8	9
Crop protection and other crop costs	11	11
TOTAL VARIABLE COSTS	31	27
TOTAL GROSS MARGIN**	69	73
<u>Fixed costs</u>		
Labour - paid and unpaid, excluding farmer and spouse	5	5
Casual labour	2	1
Contract	8	7
Machinery repairs and fuel	7	7
Machinery and other depreciation	8	8
Property maintenance	2	3
Electricity, other fuel and water	2	2
Other general costs	5	5
TOTAL FIXED COSTS EXCLUDING RENT AND INTEREST	40	37
PROFIT BEFORE RENT AND INTEREST	29	36
Rent and rates	5	3
Long-term interest paid	1	1
Short-term interest paid	1	1
Interest received (-)	0	0
PROFIT**	23	31

\* Top third selected on Management and investment income per hectare

\*\* Excluding Breeding Livestock Stock Appreciation

### Cereal and general cropping farms

#### LAND USE AND INDICATORS OF TECHNICAL EFFICIENCY, 2011/2012

	Under 160 hectares	Over 160 hectares
Number of farms in group	16	24
Average farmed area (hectares)	113	244
Average proportion of total farmed area tenanted or hired (%)	48	36
<u>Land use</u>	GLUs per farm	
Percentage cropped	63	69
Percentage forage	37	31
<u>Grazing livestock units</u>		
Dairy cattle	0	0
Other cattle	12	22
Sheep	8	4
Other livestock	1	1
Total	21	27
GLUs per ha	0.68	0.72
GLUs per adjusted ha	0.69	0.81
<u>Technical efficiency</u>		
<u>Dairy</u>		
Milk yield per cow	n/a	n/a
Pence per litre	n/a	n/a
Milk output per cow	n/a	n/a
Dairy calf output, £ per calf	n/a	n/a
<u>Finished cattle and lambs</u>		
£ per finished animal	965	1018
£ per finished lamb	87	86
<u>Cereals**</u>		
Winter wheat		
Yield - tonnes per hectare	8.4	8.9
Price per tonne	153	158
Winter barley		
Yield - tonnes per hectare	6.2	7.1
Price per tonne	147	156
Spring barley		
Yield - tonnes per hectare	6.2	6.1
Price per tonne	182	179
Winter oats		
Yield - tonnes per hectare	7.2	6.5
Price per tonne	153	157
All cereals		
Yield - tonnes per hectare	7.5	7.8
Price per tonne	157	161

\* Top third selected on Management and investment income per hectare

\*\*Cereal yields for groups growing less than 40 hectares excluded

### Cereal and general cropping farms

#### TENANTS CAPITAL, OUTPUT RATIOS AND INDICATORS OF FINANCIAL EFFICIENCY, 2011/2012

	Under 160 hectares	Over 160 hectares
Number of farms in group	16	24
Average farmed area (hectares)	113	244
Average proportion of total farmed area tenanted or hired (%)	48	36
	£ per farm hectare	
<u>Tenant's capital formation</u>		
Livestock	146	112
Crops, forage and cultivations	483	464
Stores	258	202
Machinery	736	712
Single Payment Scheme	259	279
Miscellaneous business assets & other assets	18	4
Total physical assets	1900	1772
Liquid assets	393	339
Tenant's capital (TC)	2292	2112
Management & investment income (M&II)**	116	305
Return on tenant's capital (M&II as % of average TC)	5.1%	14.5%
<u>Ratios per £100 of output (%)</u>		
Variable costs	31	27
Gross margin	69	73
Fixed costs (excluding rent and interest)	40	37
Net profit	23	31
Net farm income	17	25
Farmer and spouse	11	5
Management & Investment Income	7	20
Tenant's capital		
Total assets	532	724
Total external liabilities	46	76
Net worth	486	648
<u>Efficiency of labour use</u>		
Costs (£ per hectare)	122	97
Costs (£ per £100 output)	7	6
Costs (£ per £100 gross margin)	10	8
<u>Efficiency of machinery use</u>		
Costs (£ per hectare)	411	334
Costs (£ per £100 output)	23	21
Costs (£ per £100 gross margin)	34	29
<u>Efficiency of labour and machinery use</u>		
Costs (£ per hectare)	533	430
Costs (£ per £100 output)	30	28
Costs (£ per £100 gross margin)	44	38

\* Top third selected on Management and investment income per hectare

\*\* Excluding Breeding Livestock Stock Appreciation

### Cereal and general cropping farms

#### END-OF-YEAR BALANCE SHEETS, 2011/2012

	Under 160 hectares	Over 160 hectares
Number of farms in group	16	24
Average farmed area (hectares)	113	244
Average proportion of total farmed area tenanted or hired (%)	48	36
End of year assets & liabilities	£ per farm hectare	
Land & buildings	7037	9042
Milk quota	0	0
Single Payment Scheme	273	293
Machinery	770	736
Tenant's other assets	17	0
Breeding livestock	82	57
Total fixed assets	8178	10128
Trading livestock	75	64
Crops	421	433
Forage and cultivations	71	66
Stores	269	226
Debtors and loans	215	230
Bank credit and cash	185	106
Other current assets	3	3
Total current assets	1239	1128
Total assets	9417	11256
Financed by		
AMC	0	82
Bank loans	213	459
Other long term	103	52
Total long term	316	592
HP and lease	99	94
Creditors	169	209
Bank overdraft	224	274
Other short term	0	5
Total current liabilities	493	583
Total Liabilities	809	1175
Net worth	8608	10081
<b><u>Balance sheet ratios</u></b>		
% Owner equity (net worth vs. total assets)	91%	90%
% Fixed assets vs. total assets	87%	90%
Gearing (long-term loans vs. total assets)	3%	5%
Total debt (external liabilities vs. net worth)	9%	12%
Current Ratio (current assets vs. current liabilities)	251%	193%
Liquidity Ratio (liquid assets vs. current liabilities)	81%	58%

\* Top third selected on Management and investment income per hectare

## Dairy farms

### GROSS OUTPUT, VARIABLE COSTS AND FARM GROSS MARGIN, 2011/2012

	Average	Premium*
Number of farms in group	67	23
Average farmed area (hectares)	152	176
Average proportion of total farmed area tenanted or hired (%)	48	47
	£ per farm hectare	
<u>Output</u>		
Milk	2205	2685
Milk quota leasing less milk quota levy	0	0
Cattle	591	651
Herd depreciation	-223	-245
Sheep	9	12
Flock depreciation	-1	0
Wool	0	0
Pigs	2	2
Poultry	1	1
Other livestock	0	0
Cereals	98	162
Oilseeds	6	8
Pulses	1	3
Other crops	0	0
Crop subsidies	0	0
Straw	14	21
Forage	13	18
Agri-environment schemes and management agreements	15	14
Rental income and imputed farmhouse rental equivalent	35	40
Hirework	14	21
Miscellaneous output	12	12
Cultivations	1	1
Single Payment Scheme	196	201
<b>TOTAL FARM OUTPUT **</b>	<b>2990</b>	<b>3607</b>
<u>Variable costs</u>		
Concentrates	664	746
Purchased fodder	24	27
Veterinary and medicines	89	106
Other livestock costs	221	251
Seeds	30	38
Fertilisers	130	139
Crop protection	25	30
Other crop costs	20	27
<b>TOTAL VARIABLE COSTS</b>	<b>1202</b>	<b>1364</b>
<b>TOTAL GROSS MARGIN**</b>	<b>1787</b>	<b>2243</b>

\* Top third selected on Management and investment income per hectare

\*\* Excluding Breeding Livestock Stock Appreciation

### Dairy farms

#### FIXED COSTS, FARM PROFIT AND MANAGEMENT & INVESTMENT INCOME, 2011/2012

	Average	Premium*
Number of farms in group	67	23
Average farmed area (hectares)	152	176
Average proportion of total farmed area tenanted or hired (%)	48	47
	£ per farm hectare	
TOTAL GROSS MARGIN**	1787	2243
<u>Fixed costs</u>		
Paid labour	173	245
Unpaid family labour	102	73
Casual labour	24	33
Contract	156	185
Machinery repairs	96	105
Machinery fuel	78	82
Machinery depreciation	176	167
Other depreciation	0	0
Property maintenance	66	95
Electricity	40	42
Other fuel	6	7
Water	33	32
Insurance	39	35
Professional fees	35	44
Other general costs	43	44
TOTAL FIXED COSTS EXCLUDING RENT AND INTEREST	1069	1189
PROFIT BEFORE RENT AND INTEREST	719	1054
Rent, hired in keep and bare land	96	115
Rates	1	0
Long-term interest	39	17
Short-term interest	19	15
Interest received (-)	9	8
NET PROFIT**	573	915
Reconciliation of Profit to NFI and M&II		
Plus - Interest charges (net)	49	24
Plus - Landlord type repairs (included in property maintenance)	4	4
Less - Rental value (of owner occupied land and buildings)	175	155
NET FARM INCOME** (NFI)	451	788
Less farmer and spouse labour	266	192
MANAGEMENT AND INVESTMENT INCOME** (M&II)	185	596

\* Top third selected on Management and investment income per hectare

\*\* Excluding Breeding Livestock Stock Appreciation

## Dairy farms

### FINANCIAL COMPARISONS per £100 OUTPUT, 2011/2012

	Average	Premium*
Number of farms in group	67	23
Average farmed area (hectares)	152	176
Average proportion of total farmed area tenanted or hired (%)	48	47
	per £100 output	
<u>Output</u>		
Milk	74	74
Cattle	12	11
Sheep	0	0
Pigs, poultry and other livestock	0	0
Cereals	3	4
Other cash crops	0	0
Straw and forage	1	1
Management agreements and agri-environment schemes	1	0
Miscellaneous output	2	2
Single Payment Scheme	7	6
TOTAL OUTPUT**	100	100
<u>Variable costs</u>		
Concentrates, fodder and keep	23	21
Veterinary, medicines and other livestock costs	10	10
Seeds	1	1
Fertilisers	4	4
Crop protection and other crop costs	1	2
TOTAL VARIABLE COSTS	40	38
TOTAL GROSS MARGIN**	60	62
<u>Fixed costs</u>		
Labour - paid and unpaid, excluding farmer and spouse	9	9
Casual labour	1	1
Contract	5	5
Machinery repairs and fuel	6	5
Machinery and other depreciation	6	5
Property maintenance	2	3
Electricity, other fuel and water	3	2
Other general costs	4	3
TOTAL FIXED COSTS EXCLUDING RENT AND INTEREST	36	33
PROFIT BEFORE RENT AND INTEREST	24	29
Rent and rates	3	3
Long-term interest paid	1	0
Short-term interest paid	1	0
Interest received (-)	0	0
PROFIT**	19	25

\* Top third selected on Management and investment income per hectare

\*\* Excluding Breeding Livestock Stock Appreciation

## Dairy farms

### LAND USE AND INDICATORS OF TECHNICAL EFFICIENCY, 2011/2012

	Average	Premium*
Number of farms in group	67	23
Average farmed area (hectares)	152	176
Average proportion of total farmed area tenanted or hired (%)	48	47
<u>Land use</u>		
Percentage cropped	8	12
Percentage forage	92	88
<u>Grazing livestock units</u>	GLUs per farm	
Dairy cattle	153	196
Other cattle	78	84
Sheep	1	2
Other livestock	0	0
Total	232	282
GLUs per ha	1.82	1.95
GLUs per adjusted ha	1.84	1.95
<u>Technical efficiency</u>		
<u>Dairy</u>		
Milk yield per cow	7330	7972
Pence per litre	27.9	27.8
Milk output per cow	2111	2264
Dairy calf output, £ per calf	128	127
<u>Finished cattle and lambs</u>		
£ per finished animal	924	892
£ per finished lamb	100	99
<u>Cereals**</u>		
Winter wheat		
Yield - tonnes per hectare	9.0	9.7
Price per tonne	157	160
Winter barley		
Yield - tonnes per hectare	7.5	8.0
Price per tonne	145	146
Spring barley		
Yield - tonnes per hectare	6.8	8.1
Price per tonne	163	169
Winter oats		
Yield - tonnes per hectare		
Price per tonne		
All cereals		
Yield - tonnes per hectare	8.5	9.2
Price per tonne	156	159

\* Top third selected on Management and investment income per hectare

\*\*Cereal yields for groups growing less than 40 hectares excluded



## Dairy farms

### TENANTS CAPITAL, OUTPUT RATIOS AND INDICATORS OF FINANCIAL EFFICIENCY, 2011/2012

	Average	Premium*
Number of farms in group	67	23
Average farmed area (hectares)	152	176
Average proportion of total farmed area tenanted or hired (%)	48	47
	£ per farm hectare	
<u>Tenant's capital formation</u>		
Livestock	1695	1851
Crops, forage and cultivations	134	193
Stores	123	133
Machinery	914	918
Single Payment Scheme	244	250
Miscellaneous business assets & other assets	137	148
Total physical assets	3249	3492
Liquid assets	501	537
Tenant's capital (TC)	3750	4030
Management & investment income (M&II)**	185	596
Return on tenant's capital (M&II as % of average TC)	4.9%	14.8%
<u>Ratios per £100 of output (%)</u>		
Variable costs	40	38
Gross margin	60	62
Fixed costs (excluding rent and interest)	36	33
Net profit	19	25
Net farm income	15	22
Farmer and spouse	9	5
Management & Investment Income	6	17
<u>Tenant's capital</u>		
Total assets	419	372
Total external liabilities	69	43
Net worth	350	329
<u>Efficiency of labour use</u>		
Costs (£ per hectare)	299	351
Costs (£ per £100 output)	10	10
Costs (£ per £100 gross margin)	17	16
<u>Efficiency of machinery use</u>		
Costs (£ per hectare)	506	539
Costs (£ per £100 output)	17	15
Costs (£ per £100 gross margin)	28	24
<u>Efficiency of labour and machinery use</u>		
Costs (£ per hectare)	805	890
Costs (£ per £100 output)	27	25
Costs (£ per £100 gross margin)	45	40

\* Top third selected on Management and investment income per hectare

\*\* Excluding Breeding Livestock Stock Appreciation

## Dairy farms

### END-OF-YEAR BALANCE SHEETS, 2011/2012

	Average	Premium*
Number of farms in group	67	23
Average farmed area (hectares)	152	176
Average proportion of total farmed area tenanted or hired (%)	48	47
End of year assets & liabilities	£ per farm hectare	
Land & buildings	8520	9126
Milk quota	19	22
Single Payment Scheme	255	259
Machinery	957	950
Tenant's other assets	0	1
Breeding livestock	1406	1592
Total fixed assets	11157	11950
Trading livestock	391	412
Crops	37	63
Forage and cultivations	104	142
Stores	137	151
Debtors and loans	378	404
Bank credit and cash	177	152
Other current assets	137	150
Total current assets	1360	1474
Total assets	12518	13424
Financed by		
AMC	235	96
Bank loans	970	463
Other long term	107	151
Total long term	1312	710
HP and lease	123	133
Creditors	231	264
Bank overdraft	358	446
Other short term	38	4
Total current liabilities	750	846
Total Liabilities	2061	1556
Net worth	10456	11868
<b>Balance sheet ratios</b>		
% Owner equity (net worth vs. total assets)	84%	88%
% Fixed assets vs. total assets	89%	89%
Gearing (long-term loans vs. total assets)	10%	5%
Total debt (external liabilities vs. net worth)	20%	13%
Current Ratio (current assets vs. current liabilities)	181%	174%
Liquidity Ratio (liquid assets vs. current liabilities)	74%	66%

\* Top third selected on Management and investment income per hectare

### Dairy farms

#### GROSS OUTPUT, VARIABLE COSTS AND FARM GROSS MARGIN, 2011/2012

	Under 80 hectares	80 to 140 hectares	Over 140 hectares
Number of farms in group	12	28	27
Average farmed area (hectares)	63	107	237
Average proportion of total farmed area tenanted or hired (%)	53	41	55
	£ per farm hectare		
<u>Output</u>			
Milk	2079	2434	2025
Milk quota leasing less milk quota levy	0	0	0
Cattle	582	631	554
Herd depreciation	-163	-243	-228
Sheep	6	14	5
Flock depreciation	-1	-1	0
Wool	0	0	0
Pigs	1	2	2
Poultry	2	0	1
Other livestock	0	0	0
Cereals	0	49	192
Oilseeds	0	0	16
Pulses	0	0	3
Other crops	0	0	0
Crop subsidies	0	0	0
Straw	0	5	30
Forage	11	5	21
Agri-environment schemes and management agreements	9	17	16
Rental income and imputed farmhouse rental equivalent	12	37	44
Hirework	8	8	24
Miscellaneous output	6	10	16
Cultivations	0	0	2
Single Payment Scheme	193	192	202
<b>TOTAL FARM OUTPUT **</b>	<b>2748</b>	<b>3158</b>	<b>2922</b>
<u>Variable costs</u>			
Concentrates	626	762	580
Purchased fodder	32	30	14
Veterinary and medicines	73	99	86
Other livestock costs	210	233	212
Seeds	15	31	35
Fertilisers	114	147	120
Crop protection	5	18	40
Other crop costs	22	23	17
<b>TOTAL VARIABLE COSTS</b>	<b>1098</b>	<b>1342</b>	<b>1104</b>
<b>TOTAL GROSS MARGIN**</b>	<b>1650</b>	<b>1816</b>	<b>1818</b>

\* Top third selected on Management and investment income per hectare

\*\* Excluding Breeding Livestock Stock Appreciation

### Dairy farms

#### FIXED COSTS, FARM PROFIT AND MANAGEMENT & INVESTMENT INCOME, 2011/2012

	Under 80 hectares	80 to 140 hectares	Over 140 hectares
Number of farms in group	12	28	27
Average farmed area (hectares)	63	107	237
Average proportion of total farmed area tenanted or hired (%)	53	41	55
	£ per farm hectare		
<b>TOTAL GROSS MARGIN**</b>	<b>1650</b>	<b>1816</b>	<b>1818</b>
<u>Fixed costs</u>			
Paid labour	104	132	247
Unpaid family labour	64	134	86
Casual labour	10	37	16
Contract	107	188	144
Machinery repairs	85	96	100
Machinery fuel	69	77	84
Machinery depreciation	204	179	159
Other depreciation	0	0	0
Property maintenance	57	73	64
Electricity	39	44	36
Other fuel	5	6	7
Water	34	34	33
Insurance	47	40	35
Professional fees	32	38	34
Other general costs	50	46	38
<b>TOTAL FIXED COSTS EXCLUDING RENT AND INTEREST</b>	<b>909</b>	<b>1123</b>	<b>1083</b>
<b>PROFIT BEFORE RENT AND INTEREST</b>	<b>741</b>	<b>693</b>	<b>736</b>
Rent, hired in keep and bare land	80	77	123
Rates	3	0	1
Long-term interest	18	57	29
Short-term interest	29	17	17
Interest received (-)	7	10	9
<b>NET PROFIT**</b>	<b>617</b>	<b>552</b>	<b>575</b>
Reconciliation of Profit to NFI and M&II			
Plus - Interest charges (net)	40	64	37
Plus - Landlord type repairs (included in property maintenance)	7	4	3
Less - Rental value (of owner occupied land and buildings)	152	217	142
<b>NET FARM INCOME** (NFI)</b>	<b>513</b>	<b>403</b>	<b>473</b>
Less farmer and spouse labour	510	280	143
<b>MANAGEMENT AND INVESTMENT INCOME** (M&amp;II)</b>	<b>2</b>	<b>123</b>	<b>330</b>

\* Top third selected on Management and investment income per hectare

\*\* Excluding Breeding Livestock Stock Appreciation

## Dairy farms

### FINANCIAL COMPARISONS per £100 OUTPUT, 2011/2012

	Under 80 hectares	80 to 140 hectares	Over 140 hectares
Number of farms in group	12	28	27
Average farmed area (hectares)	63	107	237
Average proportion of total farmed area tenanted or hired (%)	53	41	55
	per £100 output		
<u>Output</u>			
Milk	76	77	69
Cattle	15	12	11
Sheep	0	0	0
Pigs, poultry and other livestock	0	0	0
Cereals	0	2	7
Other cash crops	0	0	1
Straw and forage	0	0	2
Management agreements and agri-environment schemes	0	1	1
Miscellaneous output	1	2	3
Single Payment Scheme	7	6	7
TOTAL OUTPUT**	100	100	100
<u>Variable costs</u>			
Concentrates, fodder and keep	24	25	20
Veterinary, medicines and other livestock costs	10	11	10
Seeds	1	1	1
Fertilisers	4	5	4
Crop protection and other crop costs	1	1	2
TOTAL VARIABLE COSTS	40	42	38
TOTAL GROSS MARGIN**	60	58	62
<u>Fixed costs</u>			
Labour - paid and unpaid, excluding farmer and spouse	6	8	11
Casual labour	0	1	1
Contract	4	6	5
Machinery repairs and fuel	6	5	6
Machinery and other depreciation	7	6	5
Property maintenance	2	2	2
Electricity, other fuel and water	3	3	3
Other general costs	5	4	4
TOTAL FIXED COSTS EXCLUDING RENT AND INTEREST	33	36	37
PROFIT BEFORE RENT AND INTEREST	27	22	25
Rent and rates	3	2	4
Long-term interest paid	1	2	1
Short-term interest paid	1	1	1
Interest received (-)	0	0	0
PROFIT**	22	17	20

\* Top third selected on Management and investment income per hectare

\*\* Excluding Breeding Livestock Stock Appreciation

## Dairy farms

### LAND USE AND INDICATORS OF TECHNICAL EFFICIENCY, 2011/2012

	Under 80 hectares	80 to 140 hectares	Over 140 hectares
Number of farms in group	12	28	27
Average farmed area (hectares)	63	107	237
Average proportion of total farmed area tenanted or hired (%)	53	41	55
<u>Land use</u>			
Percentage cropped	0	4	17
Percentage forage	100	96	83
<u>Grazing livestock units</u>	GLUs per farm		
Dairy cattle	65	131	216
Other cattle	32	67	109
Sheep	1	2	1
Other livestock	0	0	0
Total	98	200	326
GLUs per ha	1.56	1.99	1.76
GLUs per adjusted ha	1.64	2.02	1.76
<u>Technical efficiency</u>			
<u>Dairy</u>			
Milk yield per cow	7347	7381	7258
Pence per litre	28.0	27.4	28.6
Milk output per cow	2075	2015	2176
Dairy calf output, £ per calf	130	126	129
<u>Finished cattle and lambs</u>			
£ per finished animal	853	879	958
£ per finished lamb	74	98	103
<u>Cereals**</u>			
Winter wheat			
Yield - tonnes per hectare		9.4	8.9
Price per tonne		150	157
Winter barley			
Yield - tonnes per hectare			7.5
Price per tonne			145
Spring barley			
Yield - tonnes per hectare			6.4
Price per tonne			153
Winter oats			
Yield - tonnes per hectare			
Price per tonne			
All cereals			
Yield - tonnes per hectare		8.8	8.5
Price per tonne		159	155

\* Top third selected on Management and investment income per hectare

\*\*Cereal yields for groups growing less than 40 hectares excluded

## Dairy farms

### TENANTS CAPITAL, OUTPUT RATIOS AND INDICATORS OF FINANCIAL EFFICIENCY, 2011/2012

	Under 80 hectares	80 to 140 hectares	Over 140 hectares
Number of farms in group	12	28	27
Average farmed area (hectares)	63	107	237
Average proportion of total farmed area tenanted or hired (%)	53	41	55
	£ per farm hectare		
<u>Tenant's capital formation</u>			
Livestock	1610	1896	1525
Crops, forage and cultivations	60	107	194
Stores	128	121	124
Machinery	986	948	848
Single Payment Scheme	249	237	250
Miscellaneous business assets & other assets	128	150	128
Total physical assets	3161	3460	3069
Liquid assets	390	546	505
Tenant's capital (TC)	3551	4006	3574
Management & investment income (M&II)**	2	123	330
Return on tenant's capital (M&II as % of average TC)	0.1%	3.1%	9.2%
<u>Ratios per £100 of output (%)</u>			
Variable costs	40	42	38
Gross margin	60	58	62
Fixed costs (excluding rent and interest)	33	36	37
Net profit	22	17	20
Net farm income	19	13	16
Farmer and spouse	19	9	5
Management & Investment Income	0	4	11
Tenant's capital			
Total assets	467	444	370
Total external liabilities	59	78	63
Net worth	408	367	306
<u>Efficiency of labour use</u>			
Costs (£ per hectare)	178	303	349
Costs (£ per £100 output)	6	10	12
Costs (£ per £100 gross margin)	11	17	19
<u>Efficiency of machinery use</u>			
Costs (£ per hectare)	466	540	488
Costs (£ per £100 output)	17	17	17
Costs (£ per £100 gross margin)	28	30	27
<u>Efficiency of labour and machinery use</u>			
Costs (£ per hectare)	644	843	837
Costs (£ per £100 output)	23	27	29
Costs (£ per £100 gross margin)	39	46	46

\* Top third selected on Management and investment income per hectare

\*\* Excluding Breeding Livestock Stock Appreciation

## Dairy farms

### END-OF-YEAR BALANCE SHEETS, 2011/2012

	Under 80 hectares	80 to 140 hectares	Over 140 hectares
Number of farms in group	12	28	27
Average farmed area (hectares)	63	107	237
Average proportion of total farmed area tenanted or hired (%)	53	41	55
End of year assets & liabilities	£ per farm hectare		
Land & buildings	9020	9769	7004
Milk quota	16	21	18
Single Payment Scheme	263	247	261
Machinery	1032	995	884
Tenant's other assets	0	0	1
Breeding livestock	1354	1614	1213
Total fixed assets	11685	12646	9379
Trading livestock	351	409	390
Crops	0	6	85
Forage and cultivations	66	98	126
Stores	134	134	142
Debtors and loans	222	396	427
Bank credit and cash	244	191	133
Other current assets	128	153	125
Total current assets	1144	1387	1429
Total assets	12830	14033	10808
Financed by			
AMC	8	261	310
Bank loans	741	1350	677
Other long term	232	82	76
Total long term	981	1693	1063
HP and lease	169	108	119
Creditors	206	253	219
Bank overdraft	169	356	444
Other short term	104	40	6
Total current liabilities	649	756	788
Total Liabilities	1630	2449	1851
Net worth	11200	11584	8957
<b>Balance sheet ratios</b>			
% Owner equity (net worth vs. total assets)	87%	83%	83%
% Fixed assets vs. total assets	91%	90%	87%
Gearing (long-term loans vs. total assets)	8%	12%	10%
Total debt (external liabilities vs. net worth)	15%	21%	21%
Current Ratio (current assets vs. current liabilities)	176%	183%	181%
Liquidity Ratio (liquid assets vs. current liabilities)	72%	78%	71%

\* Top third selected on Management and investment income per hectare



### Lowland cattle and sheep farms

#### GROSS OUTPUT, VARIABLE COSTS AND FARM GROSS MARGIN, 2011/2012

	Average	Premium*
Number of farms in group	55	19
Average farmed area (hectares)	97	114
Average proportion of total farmed area tenanted or hired (%)	28	27
	£ per farm hectare	
<u>Output</u>		
Milk	0	0
Milk quota leasing less milk quota levy	0	0
Cattle	510	512
Herd depreciation	-11	-6
Sheep	202	292
Flock depreciation	-13	-24
Wool	5	7
Pigs	1	0
Poultry	0	0
Other livestock	0	0
Cereals	69	97
Oilseeds	0	0
Pulses	0	0
Other crops	0	0
Crop subsidies	0	0
Straw	17	20
Forage	63	115
Agri-environment schemes and management agreements	47	58
Rental income and imputed farmhouse rental equivalent	42	64
Hirework	67	43
Miscellaneous output	21	20
Cultivations	1	4
Single Payment Scheme	202	211
<b>TOTAL FARM OUTPUT **</b>	<b>1224</b>	<b>1414</b>
<u>Variable costs</u>		
Concentrates	94	88
Purchased fodder	11	12
Veterinary and medicines	28	28
Other livestock costs	88	86
Seeds	12	13
Fertilisers	64	60
Crop protection	9	13
Other crop costs	20	34
<b>TOTAL VARIABLE COSTS</b>	<b>327</b>	<b>335</b>
<b>TOTAL GROSS MARGIN**</b>	<b>897</b>	<b>1079</b>

\* Top third selected on Management and investment income per hectare

\*\* Excluding Breeding Livestock Stock Appreciation

### Lowland cattle and sheep farms

#### FIXED COSTS, FARM PROFIT AND MANAGEMENT & INVESTMENT INCOME, 2011/2012

	Average	Premium*
Number of farms in group	55	19
Average farmed area (hectares)	97	114
Average proportion of total farmed area tenanted or hired (%)	28	27
	£ per farm hectare	
TOTAL GROSS MARGIN**	897	1079
<u>Fixed costs</u>		
Paid labour	24	34
Unpaid family labour	35	36
Casual labour	13	15
Contract	57	57
Machinery repairs	50	57
Machinery fuel	53	52
Machinery depreciation	93	89
Other depreciation	0	0
Property maintenance	45	38
Electricity	9	9
Other fuel	5	4
Water	14	14
Insurance	35	31
Professional fees	24	19
Other general costs	31	21
TOTAL FIXED COSTS EXCLUDING RENT AND INTEREST	487	476
PROFIT BEFORE RENT AND INTEREST	410	603
Rent, hired in keep and bare land	49	46
Rates	2	3
Long-term interest	10	10
Short-term interest	9	5
Interest received (-)	1	0
NET PROFIT**	338	539
Reconciliation of Profit to NFI and M&II		
Plus - Interest charges (net)	19	15
Plus - Landlord type repairs (included in property maintenance)	3	3
Less - Rental value (of owner occupied land and buildings)	125	133
NET FARM INCOME** (NFI)	236	424
Less farmer and spouse labour	287	237
MANAGEMENT AND INVESTMENT INCOME** (M&II)	-52	187

\* Top third selected on Management and investment income per hectare

\*\* Excluding Breeding Livestock Stock Appreciation

### Lowland cattle and sheep farms

#### FINANCIAL COMPARISONS per £100 OUTPUT, 2011/2012

	Average	Premium*
Number of farms in group	55	19
Average farmed area (hectares)	97	114
Average proportion of total farmed area tenanted or hired (%)	28	27
	per £100 output	
<u>Output</u>		
Milk	0	0
Cattle	41	36
Sheep	16	19
Pigs, poultry and other livestock	0	0
Cereals	6	7
Other cash crops	0	0
Straw and forage	7	10
Management agreements and agri-environment schemes	4	4
Miscellaneous output	11	9
Single Payment Scheme	17	15
TOTAL OUTPUT**	100	100
<u>Variable costs</u>		
Concentrates, fodder and keep	9	7
Veterinary, medicines and other livestock costs	10	8
Seeds	1	1
Fertilisers	5	4
Crop protection and other crop costs	2	3
TOTAL VARIABLE COSTS	27	24
TOTAL GROSS MARGIN**	73	76
<u>Fixed costs</u>		
Labour - paid and unpaid, excluding farmer and spouse	5	5
Casual labour	1	1
Contract	5	4
Machinery repairs and fuel	8	8
Machinery and other depreciation	8	6
Property maintenance	4	3
Electricity, other fuel and water	2	2
Other general costs	7	5
TOTAL FIXED COSTS EXCLUDING RENT AND INTEREST	40	34
PROFIT BEFORE RENT AND INTEREST	33	43
Rent and rates	4	3
Long-term interest paid	1	1
Short-term interest paid	1	0
Interest received (-)	0	0
PROFIT**	28	38

\* Top third selected on Management and investment income per hectare

\*\* Excluding Breeding Livestock Stock Appreciation

### Lowland cattle and sheep farms

#### LAND USE AND INDICATORS OF TECHNICAL EFFICIENCY, 2011/2012

	Average	Premium*
Number of farms in group	55	19
Average farmed area (hectares)	97	114
Average proportion of total farmed area tenanted or hired (%)	28	27
<u>Land use</u>		
Percentage cropped	7	9
Percentage forage	93	91
<u>Grazing livestock units</u>	GLUs per farm	
Dairy cattle	0	0
Other cattle	75	77
Sheep	23	32
Other livestock	1	1
Total	99	110
GLUs per ha	1.18	1.14
GLUs per adjusted ha	1.18	1.14
<u>Technical efficiency</u>		
<u>Dairy</u>		
Milk yield per cow	n/a	n/a
Pence per litre	n/a	n/a
Milk output per cow	n/a	n/a
Dairy calf output, £ per calf	n/a	n/a
<u>Finished cattle and lambs</u>		
£ per finished animal	939	907
£ per finished lamb	81	80
<u>Cereals**</u>		
Winter wheat		
Yield - tonnes per hectare	8.5	8.6
Price per tonne	148	147
Winter barley		
Yield - tonnes per hectare	6.5	6.8
Price per tonne	157	159
Spring barley		
Yield - tonnes per hectare	5.9	6.7
Price per tonne	149	150
Winter oats		
Yield - tonnes per hectare	6.9	7.2
Price per tonne	144	141
All cereals		
Yield - tonnes per hectare	6.6	7.3
Price per tonne	150	149

\* Top third selected on Management and investment income per hectare

\*\*Cereal yields for groups growing less than 40 hectares excluded

## Lowland cattle and sheep farms

### TENANTS CAPITAL, OUTPUT RATIOS AND INDICATORS OF FINANCIAL EFFICIENCY, 2011/2012

	Average	Premium*
Number of farms in group	55	19
Average farmed area (hectares)	97	114
Average proportion of total farmed area tenanted or hired (%)	28	27
	£ per farm hectare	
<u>Tenant's capital formation</u>		
Livestock	999	972
Crops, forage and cultivations	94	121
Stores	67	75
Machinery	504	498
Single Payment Scheme	260	267
Miscellaneous business assets & other assets	13	9
Total physical assets	1936	1942
Liquid assets	291	355
Tenant's capital (TC)	2228	2297
Management & investment income (M&II)**	-52	187
Return on tenant's capital (M&II as % of average TC)	-2.3%	8.1%
<u>Ratios per £100 of output (%)</u>		
Variable costs	27	24
Gross margin	73	76
Fixed costs (excluding rent and interest)	40	34
Net profit	28	38
Net farm income	19	30
Farmer and spouse	23	17
Management & Investment Income	-4	13
<u>Tenant's capital</u>		
Total assets	1008	841
Total external liabilities	60	48
Net worth	949	793
<u>Efficiency of labour use</u>		
Costs (£ per hectare)	72	85
Costs (£ per £100 output)	6	6
Costs (£ per £100 gross margin)	8	8
<u>Efficiency of machinery use</u>		
Costs (£ per hectare)	253	256
Costs (£ per £100 output)	21	18
Costs (£ per £100 gross margin)	28	24
<u>Efficiency of labour and machinery use</u>		
Costs (£ per hectare)	325	341
Costs (£ per £100 output)	27	24
Costs (£ per £100 gross margin)	36	32

\* Top third selected on Management and investment income per hectare

\*\* Excluding Breeding Livestock Stock Appreciation

### Lowland cattle and sheep farms

#### END-OF-YEAR BALANCE SHEETS, 2011/2012

	Average	Premium*
Number of farms in group	55	19
Average farmed area (hectares)	97	114
Average proportion of total farmed area tenanted or hired (%)	28	27
End of year assets & liabilities	£ per farm hectare	
Land & buildings	9999	9479
Milk quota	0	0
Single Payment Scheme	270	280
Machinery	525	532
Tenant's other assets	0	0
Breeding livestock	557	393
Total fixed assets	11352	10684
Trading livestock	521	655
Crops	19	23
Forage and cultivations	82	111
Stores	68	77
Debtors and loans	123	145
Bank credit and cash	164	191
Other current assets	12	7
Total current assets	989	1210
Total assets	12341	11894
Financed by		
AMC	68	51
Bank loans	281	292
Other long term	84	123
Total long term	433	466
HP and lease	31	21
Creditors	97	100
Bank overdraft	167	92
Other short term	3	3
Total current liabilities	297	216
Total Liabilities	730	682
Net worth	11611	11212
<b>Balance sheet ratios</b>		
% Owner equity (net worth vs. total assets)	94%	94%
% Fixed assets vs. total assets	92%	90%
Gearing (long-term loans vs. total assets)	4%	4%
Total debt (external liabilities vs. net worth)	6%	6%
Current Ratio (current assets vs. current liabilities)	333%	559%
Liquidity Ratio (liquid assets vs. current liabilities)	97%	155%

\* Top third selected on Management and investment income per hectare

### Lowland cattle and sheep farms

#### GROSS OUTPUT, VARIABLE COSTS AND FARM GROSS MARGIN, 2011/2012

	Under 80 hectares	Over 80 hectares
Number of farms in group	29	27
Average farmed area (hectares)	59	137
Average proportion of total farmed area tenanted or hired (%)	28	28
	£ per farm hectare	
<u>Output</u>		
Milk	0	0
Milk quota leasing less milk quota levy	0	0
Cattle	522	478
Herd depreciation	-7	-14
Sheep	201	208
Flock depreciation	2	-28
Wool	6	5
Pigs	2	0
Poultry	0	0
Other livestock	0	0
Cereals	36	102
Oilseeds	0	0
Pulses	0	0
Other crops	0	0
Crop subsidies	0	0
Straw	11	22
Forage	29	99
Agri-environment schemes and management agreements	45	48
Rental income and imputed farmhouse rental equivalent	51	31
Hirework	94	36
Miscellaneous output	11	31
Cultivations	-1	2
Single Payment Scheme	207	198
<b>TOTAL FARM OUTPUT **</b>	<b>1208</b>	<b>1218</b>
<u>Variable costs</u>		
Concentrates	84	104
Purchased fodder	10	12
Veterinary and medicines	34	22
Other livestock costs	94	81
Seeds	9	16
Fertilisers	57	69
Crop protection	6	13
Other crop costs	12	28
<b>TOTAL VARIABLE COSTS</b>	<b>305</b>	<b>345</b>
<b>TOTAL GROSS MARGIN**</b>	<b>903</b>	<b>873</b>

\* Top third selected on Management and investment income per hectare

\*\* Excluding Breeding Livestock Stock Appreciation

### Lowland cattle and sheep farms

#### FIXED COSTS, FARM PROFIT AND MANAGEMENT & INVESTMENT INCOME, 2011/2012

	Under 80 hectares	Over 80 hectares
Number of farms in group	29	27
Average farmed area (hectares)	59	137
Average proportion of total farmed area tenanted or hired (%)	28	28
	£ per farm hectare	
TOTAL GROSS MARGIN**	903	873
<u>Fixed costs</u>		
Paid labour	10	6
Unpaid family labour	32	31
Casual labour	9	6
Contract	54	55
Machinery repairs	42	41
Machinery fuel	52	44
Machinery depreciation	95	76
Other depreciation	0	0
Property maintenance	51	33
Electricity	10	12
Other fuel	6	4
Water	16	16
Insurance	39	37
Professional fees	26	25
Other general costs	37	26
TOTAL FIXED COSTS EXCLUDING RENT AND INTEREST	479	413
PROFIT BEFORE RENT AND INTEREST	424	460
Rent, hired in keep and bare land	53	56
Rates	4	6
Long-term interest	6	5
Short-term interest	11	6
Interest received (-)	0	0
NET PROFIT**	351	386
Reconciliation of Profit to NFI and M&II		
Plus - Interest charges (net)	16	12
Plus - Landlord type repairs (included in property maintenance)	4	3
Less - Rental value (of owner occupied land and buildings)	130	120
NET FARM INCOME** (NFI)	242	280
Less farmer and spouse labour	355	294
MANAGEMENT AND INVESTMENT INCOME** (M&II)	-113	-15

\* Top third selected on Management and investment income per hectare

\*\* Excluding Breeding Livestock Stock Appreciation



### Lowland cattle and sheep farms

FINANCIAL COMPARISONS per £100 OUTPUT, 2011/2012

	Under 80 hectares	Over 80 hectares
Number of farms in group	29	27
Average farmed area (hectares)	59	137
Average proportion of total farmed area tenanted or hired (%)	28	28
	per £100 output	
<u>Output</u>		
Milk	0	0
Cattle	43	38
Sheep	17	15
Pigs, poultry and other livestock	0	0
Cereals	3	8
Other cash crops	0	0
Straw and forage	3	10
Management agreements and agri-environment schemes	4	4
Miscellaneous output	13	8
Single Payment Scheme	17	16
TOTAL OUTPUT**	100	100
<u>Variable costs</u>		
Concentrates, fodder and keep	8	10
Veterinary, medicines and other livestock costs	11	8
Seeds	1	1
Fertilisers	5	6
Crop protection and other crop costs	1	3
TOTAL VARIABLE COSTS	25	28
TOTAL GROSS MARGIN**	75	72
<u>Fixed costs</u>		
Labour - paid and unpaid, excluding farmer and spouse	3	6
Casual labour	1	1
Contract	4	5
Machinery repairs and fuel	8	9
Machinery and other depreciation	8	7
Property maintenance	4	3
Electricity, other fuel and water	3	2
Other general costs	8	6
TOTAL FIXED COSTS EXCLUDING RENT AND INTEREST	40	40
PROFIT BEFORE RENT AND INTEREST	35	32
Rent and rates	5	4
Long-term interest paid	0	1
Short-term interest paid	1	1
Interest received (-)	0	0
PROFIT**	29	26

\* Top third selected on Management and investment income per hectare

\*\* Excluding Breeding Livestock Stock Appreciation

### Lowland cattle and sheep farms

#### LAND USE AND INDICATORS OF TECHNICAL EFFICIENCY, 2011/2012

	Under 80 hectares	Over 80 hectares
Number of farms in group	29	27
Average farmed area (hectares)	59	137
Average proportion of total farmed area tenanted or hired (%)	28	28
<u>Land use</u>		
Percentage cropped	4	10
Percentage forage	96	90
<u>Grazing livestock units</u>	GLUs per farm	
Dairy cattle	0	0
Other cattle	51	97
Sheep	14	33
Other livestock	1	1
Total	66	131
GLUs per ha	1.18	1.17
GLUs per adjusted ha	1.20	1.16
<u>Technical efficiency</u>		
<u>Dairy</u>		
Milk yield per cow	n/a	n/a
Pence per litre	n/a	n/a
Milk output per cow	n/a	n/a
Dairy calf output, £ per calf	n/a	n/a
<u>Finished cattle and lambs</u>		
£ per finished animal	895	980
£ per finished lamb	81	81
<u>Cereals**</u>		
Winter wheat		
Yield - tonnes per hectare		8.5
Price per tonne		148
Winter barley		
Yield - tonnes per hectare		6.6
Price per tonne		155
Spring barley		
Yield - tonnes per hectare		6.0
Price per tonne		149
Winter oats		
Yield - tonnes per hectare		7.0
Price per tonne		140
All cereals		
Yield - tonnes per hectare	5.8	6.7
Price per tonne	156	149

\* Top third selected on Management and investment income per hectare

\*\*Cereal yields for groups growing less than 40 hectares excluded

## Lowland cattle and sheep farms

### TENANTS CAPITAL, OUTPUT RATIOS AND INDICATORS OF FINANCIAL EFFICIENCY, 2011/2012

	Under 80 hectares	Over 80 hectares
Number of farms in group	29	27
Average farmed area (hectares)	59	137
Average proportion of total farmed area tenanted or hired (%)	28	28
	£ per farm hectare	
<u>Tenant's capital formation</u>		
Livestock	1075	896
Crops, forage and cultivations	79	106
Stores	51	82
Machinery	514	482
Single Payment Scheme	269	250
Miscellaneous business assets & other assets	17	9
Total physical assets	2005	1825
Liquid assets	315	265
Tenant's capital (TC)	2320	2090
Management & investment income (M&II)**	-113	9
Return on tenant's capital (M&II as % of average TC)	-4.9%	0.4%
<u>Ratios per £100 of output (%)</u>		
Variable costs	25	28
Gross margin	75	72
Fixed costs (excluding rent and interest)	40	40
Net profit	29	26
Net farm income	20	18
Farmer and spouse	29	17
Management & Investment Income	-9	1
Tenant's capital		
Total assets	1042	985
Total external liabilities	50	69
Net worth	992	916
<u>Efficiency of labour use</u>		
Costs (£ per hectare)	51	92
Costs (£ per £100 output)	4	8
Costs (£ per £100 gross margin)	6	10
<u>Efficiency of machinery use</u>		
Costs (£ per hectare)	242	260
Costs (£ per £100 output)	20	21
Costs (£ per £100 gross margin)	27	30
<u>Efficiency of labour and machinery use</u>		
Costs (£ per hectare)	293	352
Costs (£ per £100 output)	24	29
Costs (£ per £100 gross margin)	32	40

\* Top third selected on Management and investment income per hectare

\*\* Excluding Breeding Livestock Stock Appreciation

## Lowland cattle and sheep farms

### END-OF-YEAR BALANCE SHEETS, 2011/2012

	Under 80 hectares	Over 80 hectares
Number of farms in group	29	27
Average farmed area (hectares)	59	137
Average proportion of total farmed area tenanted or hired (%)	28	28
End of year assets & liabilities	£ per farm hectare	
Land & buildings	10172	9786
Milk quota	1	0
Single Payment Scheme	279	261
Machinery	534	501
Tenant's other assets	0	0
Breeding livestock	620	482
Total fixed assets	11606	11031
Trading livestock	547	476
Crops	11	26
Forage and cultivations	74	89
Stores	51	84
Debtors and loans	102	152
Bank credit and cash	189	131
Other current assets	15	8
Total current assets	988	968
Total assets	12594	11999
Financed by		
AMC	51	83
Bank loans	188	370
Other long term	52	116
Total long term	291	569
HP and lease	43	17
Creditors	94	98
Bank overdraft	172	159
Other short term	2	3
Total current liabilities	312	277
Total Liabilities	603	846
Net worth	11991	11153
<b>Balance sheet ratios</b>		
% Owner equity (net worth vs. total assets)	95%	93%
% Fixed assets vs. total assets	92%	92%
Gearing (long-term loans vs. total assets)	2%	5%
Total debt (external liabilities vs. net worth)	5%	8%
Current Ratio (current assets vs. current liabilities)	316%	350%
Liquidity Ratio (liquid assets vs. current liabilities)	93%	102%

\* Top third selected on Management and investment income per hectare

### SDA cattle and sheep farms

#### GROSS OUTPUT, VARIABLE COSTS AND FARM GROSS MARGIN, 2011/2012

	Average	Premium*
Number of farms in group	29	10
Average farmed area (hectares)	238	255
Average proportion of total farmed area tenanted or hired (%)	53	60
	£ per farm hectare	
<u>Output</u>		
Milk	0	0
Milk quota leasing less milk quota levy	0	0
Cattle	202	162
Herd depreciation	-14	-13
Sheep	295	375
Flock depreciation	-28	-27
Wool	8	12
Pigs	0	0
Poultry	0	0
Other livestock	0	0
Cereals	2	4
Oilseeds	0	0
Pulses	0	0
Other crops	0	0
Crop subsidies	0	0
Straw	1	3
Forage	7	13
Agri-environment schemes and management agreements	95	130
Rental income and imputed farmhouse rental equivalent	18	30
Hirework	11	1
Miscellaneous output	12	12
Cultivations	0	0
Single Payment Scheme	142	144
<b>TOTAL FARM OUTPUT **</b>	<b>751</b>	<b>843</b>
<u>Variable costs</u>		
Concentrates	51	54
Purchased fodder	11	6
Veterinary and medicines	20	20
Other livestock costs	51	46
Seeds	3	2
Fertilisers	38	36
Crop protection	1	1
Other crop costs	4	2
<b>TOTAL VARIABLE COSTS</b>	<b>179</b>	<b>168</b>
<b>TOTAL GROSS MARGIN**</b>	<b>572</b>	<b>675</b>

\* Top third selected on Management and investment income per hectare

\*\* Excluding Breeding Livestock Stock Appreciation

### SDA cattle and sheep farms

#### FIXED COSTS, FARM PROFIT AND MANAGEMENT & INVESTMENT INCOME, 2011/2012

	Average	Premium*
Number of farms in group	29	10
Average farmed area (hectares)	238	255
Average proportion of total farmed area tenanted or hired (%)	53	60
	£ per farm hectare	
TOTAL GROSS MARGIN**	572	675
<u>Fixed costs</u>		
Paid labour	29	38
Unpaid family labour	29	6
Casual labour	13	12
Contract	26	31
Machinery repairs	25	16
Machinery fuel	33	30
Machinery depreciation	57	67
Other depreciation	0	0
Property maintenance	27	28
Electricity	5	2
Other fuel	2	2
Water	2	3
Insurance	20	17
Professional fees	12	9
Other general costs	20	16
TOTAL FIXED COSTS EXCLUDING RENT AND INTEREST	299	278
PROFIT BEFORE RENT AND INTEREST	273	397
Rent, hired in keep and bare land	40	51
Rates	0	0
Long-term interest	11	17
Short-term interest	3	3
Interest received (-)	0	0
NET PROFIT**	218	327
Reconciliation of Profit to NFI and M&II		
Plus - Interest charges (net)	14	19
Plus - Landlord type repairs (included in property maintenance)	2	2
Less - Rental value (of owner occupied land and buildings)	58	47
NET FARM INCOME** (NFI)	176	301
Less farmer and spouse labour	150	152
MANAGEMENT AND INVESTMENT INCOME** (M&II)	26	149

\* Top third selected on Management and investment income per hectare

\*\* Excluding Breeding Livestock Stock Appreciation

### SDA cattle and sheep farms

#### FINANCIAL COMPARISONS per £100 OUTPUT, 2011/2012

	Average	Premium*
Number of farms in group	29	10
Average farmed area (hectares)	238	255
Average proportion of total farmed area tenanted or hired (%)	53	60
	per £100 output	
<u>Output</u>		
Milk	0	0
Cattle	25	18
Sheep	37	43
Pigs, poultry and other livestock	0	0
Cereals	0	0
Other cash crops	0	0
Straw and forage	1	2
Management agreements and agri-environment schemes	13	15
Miscellaneous output	5	5
Single Payment Scheme	19	17
TOTAL OUTPUT**	100	100
<u>Variable costs</u>		
Concentrates, fodder and keep	8	7
Veterinary, medicines and other livestock costs	9	8
Seeds	0	0
Fertilisers	5	4
Crop protection and other crop costs	1	0
TOTAL VARIABLE COSTS	24	20
TOTAL GROSS MARGIN**	76	80
<u>Fixed costs</u>		
Labour - paid and unpaid, excluding farmer and spouse	8	5
Casual labour	2	1
Contract	3	4
Machinery repairs and fuel	8	5
Machinery and other depreciation	8	8
Property maintenance	4	3
Electricity, other fuel and water	1	1
Other general costs	7	5
TOTAL FIXED COSTS EXCLUDING RENT AND INTEREST	40	33
PROFIT BEFORE RENT AND INTEREST	36	47
Rent and rates	5	6
Long-term interest paid	1	2
Short-term interest paid	0	0
Interest received (-)	0	0
PROFIT**	29	39

\* Top third selected on Management and investment income per hectare

\*\* Excluding Breeding Livestock Stock Appreciation

### SDA cattle and sheep farms

#### LAND USE AND INDICATORS OF TECHNICAL EFFICIENCY, 2011/2012

	Average	Premium*
Number of farms in group	29	10
Average farmed area (hectares)	238	255
Average proportion of total farmed area tenanted or hired (%)	53	60
<u>Land use</u>		
Percentage cropped	0	1
Percentage forage	100	99
<u>Grazing livestock units</u>	GLUs per farm	
Dairy cattle	0	0
Other cattle	94	91
Sheep	61	74
Other livestock	4	8
Total	159	173
GLUs per ha	0.67	0.68
GLUs per adjusted ha	0.83	0.83
<u>Technical efficiency</u>		
<u>Dairy</u>		
Milk yield per cow	n/a	n/a
Pence per litre	n/a	n/a
Milk output per cow	n/a	n/a
Dairy calf output, £ per calf	n/a	n/a
<u>Finished cattle and lambs</u>		
£ per finished animal	854	890
£ per finished lamb	77	77
<u>Cereals**</u>		
Winter wheat		
Yield - tonnes per hectare		
Price per tonne		
Winter barley		
Yield - tonnes per hectare		
Price per tonne		
Spring barley		
Yield - tonnes per hectare		
Price per tonne		
Winter oats		
Yield - tonnes per hectare		
Price per tonne		
All cereals		
Yield - tonnes per hectare		
Price per tonne		

\* Top third selected on Management and investment income per hectare

\*\*Cereal yields for groups growing less than 40 hectares excluded



### SDA cattle and sheep farms

#### TENANTS CAPITAL, OUTPUT RATIOS AND INDICATORS OF FINANCIAL EFFICIENCY, 2011/2012

	Average	Premium*
Number of farms in group	29	10
Average farmed area (hectares)	238	255
Average proportion of total farmed area tenanted or hired (%)	53	60
	£ per farm hectare	
<u>Tenant's capital formation</u>		
Livestock	685	637
Crops, forage and cultivations	17	20
Stores	25	21
Machinery	306	333
Single Payment Scheme	186	189
Miscellaneous business assets & other assets	1	2
Total physical assets	1219	1201
Liquid assets	232	224
Tenant's capital (TC)	1452	1425
Management & investment income (M&II)**	26	149
Return on tenant's capital (M&II as % of average TC)	1.8%	10.5%
<u>Ratios per £100 of output (%)</u>		
Variable costs	24	20
Gross margin	76	80
Fixed costs (excluding rent and interest)	40	33
Net profit	29	39
Net farm income	23	36
Farmer and spouse	20	18
Management & Investment Income	3	18
<u>Tenant's capital</u>		
Total assets	884	741
Total external liabilities	84	78
Net worth	800	664
<u>Efficiency of labour use</u>		
Costs (£ per hectare)	70	56
Costs (£ per £100 output)	9	7
Costs (£ per £100 gross margin)	12	8
<u>Efficiency of machinery use</u>		
Costs (£ per hectare)	141	144
Costs (£ per £100 output)	19	17
Costs (£ per £100 gross margin)	25	21
<u>Efficiency of labour and machinery use</u>		
Costs (£ per hectare)	211	200
Costs (£ per £100 output)	28	24
Costs (£ per £100 gross margin)	37	30

\* Top third selected on Management and investment income per hectare

\*\* Excluding Breeding Livestock Stock Appreciation

### SDA cattle and sheep farms

#### END-OF-YEAR BALANCE SHEETS, 2011/2012

	Average	Premium*
Number of farms in group	29	10
Average farmed area (hectares)	238	255
Average proportion of total farmed area tenanted or hired (%)	53	60
End of year assets & liabilities	£ per farm hectare	
Land & buildings	5099	4711
Milk quota	0	0
Single Payment Scheme	195	196
Machinery	318	354
Tenant's other assets	0	0
Breeding livestock	544	561
Total fixed assets	6156	5822
Trading livestock	202	135
Crops	0	0
Forage and cultivations	17	22
Stores	25	23
Debtors and loans	109	91
Bank credit and cash	134	153
Other current assets	1	2
Total current assets	487	426
Total assets	6643	6249
Financed by		
AMC	282	439
Bank loans	170	86
Other long term	19	4
Total long term	471	529
HP and lease	29	24
Creditors	50	31
Bank overdraft	80	72
Other short term	1	0
Total current liabilities	160	128
Total Liabilities	631	657
Net worth	6012	5592
<b>Balance sheet ratios</b>		
% Owner equity (net worth vs. total assets)	90%	89%
% Fixed assets vs. total assets	93%	93%
Gearing (long-term loans vs. total assets)	7%	8%
Total debt (external liabilities vs. net worth)	11%	12%
Current Ratio (current assets vs. current liabilities)	304%	333%
Liquidity Ratio (liquid assets vs. current liabilities)	151%	191%

\* Top third selected on Management and investment income per hectare

### LFA cattle and sheep farms

#### GROSS OUTPUT, VARIABLE COSTS AND FARM GROSS MARGIN, 2011/2012

	Under 120 hectares	Over 120 hectares
Number of farms in group	17	26
Average farmed area (hectares)	83	265
Average proportion of total farmed area tenanted or hired (%)	34	50
	£ per farm hectare	
<u>Output</u>		
Milk	0	0
Milk quota leasing less milk quota levy	0	0
Cattle	470	213
Herd depreciation	-19	-13
Sheep	293	277
Flock depreciation	-37	-28
Wool	7	8
Pigs	0	0
Poultry	0	0
Other livestock	1	0
Cereals	11	3
Oilseeds	0	0
Pulses	0	0
Other crops	0	0
Crop subsidies	0	0
Straw	2	1
Forage	23	10
Agri-environment schemes and management agreements	62	95
Rental income and imputed farmhouse rental equivalent	6	18
Hirework	20	12
Miscellaneous output	4	16
Cultivations	0	0
Single Payment Scheme	188	140
<b>TOTAL FARM OUTPUT **</b>	<b>1030</b>	<b>752</b>
<u>Variable costs</u>		
Concentrates	143	53
Purchased fodder	12	9
Veterinary and medicines	35	20
Other livestock costs	81	49
Seeds	4	4
Fertilisers	61	36
Crop protection	3	2
Other crop costs	8	4
<b>TOTAL VARIABLE COSTS</b>	<b>346</b>	<b>176</b>
<b>TOTAL GROSS MARGIN**</b>	<b>684</b>	<b>577</b>

\* Top third selected on Management and investment income per hectare

\*\* Excluding Breeding Livestock Stock Appreciation

### LFA cattle and sheep farms

#### FIXED COSTS, FARM PROFIT AND MANAGEMENT & INVESTMENT INCOME, 2011/2012

	Under 120 hectares	Over 120 hectares
Number of farms in group	17	26
Average farmed area (hectares)	83	265
Average proportion of total farmed area tenanted or hired (%)	34	50
	£ per farm hectare	
TOTAL GROSS MARGIN**	684	577
<u>Fixed costs</u>		
Paid labour	16	42
Unpaid family labour	20	37
Casual labour	5	13
Contract	36	26
Machinery repairs	37	24
Machinery fuel	46	33
Machinery depreciation	77	60
Other depreciation	0	0
Property maintenance	34	29
Electricity	8	5
Other fuel	4	2
Water	9	1
Insurance	30	19
Professional fees	18	15
Other general costs	23	18
TOTAL FIXED COSTS EXCLUDING RENT AND INTEREST	363	325
PROFIT BEFORE RENT AND INTEREST	320	252
Rent, hired in keep and bare land	30	39
Rates	0	0
Long-term interest	31	13
Short-term interest	6	4
Interest received (-)	0	0
NET PROFIT**	254	196
Reconciliation of Profit to NFI and M&II		
Plus - Interest charges (net)	36	17
Plus - Landlord type repairs (included in property maintenance)	4	1
Less - Rental value (of owner occupied land and buildings)	91	60
NET FARM INCOME** (NFI)	203	153
Less farmer and spouse labour	281	127
MANAGEMENT AND INVESTMENT INCOME** (M&II)	-78	26

\* Top third selected on Management and investment income per hectare

\*\* Excluding Breeding Livestock Stock Appreciation

### LFA cattle and sheep farms

#### FINANCIAL COMPARISONS per £100 OUTPUT, 2011/2012

	Under 120 hectares	Over 120 hectares
Number of farms in group	17	26
Average farmed area (hectares)	83	265
Average proportion of total farmed area tenanted or hired (%)	34	50
	per £100 output	
<u>Output</u>		
Milk	0	0
Cattle	44	27
Sheep	26	34
Pigs, poultry and other livestock	0	0
Cereals	1	0
Other cash crops	0	0
Straw and forage	2	1
Management agreements and agri-environment schemes	6	13
Miscellaneous output	3	6
Single Payment Scheme	18	19
TOTAL OUTPUT**	100	100
<u>Variable costs</u>		
Concentrates, fodder and keep	15	8
Veterinary, medicines and other livestock costs	11	9
Seeds	0	0
Fertilisers	6	5
Crop protection and other crop costs	1	1
TOTAL VARIABLE COSTS	34	23
TOTAL GROSS MARGIN**	66	77
<u>Fixed costs</u>		
Labour - paid and unpaid, excluding farmer and spouse	3	10
Casual labour	0	2
Contract	3	4
Machinery repairs and fuel	8	8
Machinery and other depreciation	8	8
Property maintenance	3	4
Electricity, other fuel and water	2	1
Other general costs	7	7
TOTAL FIXED COSTS EXCLUDING RENT AND INTEREST	35	43
PROFIT BEFORE RENT AND INTEREST	31	33
Rent and rates	3	5
Long-term interest paid	3	2
Short-term interest paid	1	1
Interest received (-)	0	0
PROFIT**	25	26

\* Top third selected on Management and investment income per hectare

\*\* Excluding Breeding Livestock Stock Appreciation

## LFA cattle and sheep farms

### LAND USE AND INDICATORS OF TECHNICAL EFFICIENCY, 2011/2012

	Under 120 hectares	Over 120 hectares
Number of farms in group	17	26
Average farmed area (hectares)	83	265
Average proportion of total farmed area tenanted or hired (%)	34	50
<u>Land use</u>		
Percentage cropped	1	0
Percentage forage	99	100
<u>Grazing livestock units</u>	GLUs per farm	
Dairy cattle	0	0
Other cattle	57	104
Sheep	26	66
Other livestock	2	5
Total	85	175
GLUs per ha	1.05	0.67
GLUs per adjusted ha	1.01	0.85
<u>Technical efficiency</u>		
<u>Dairy</u>		
Milk yield per cow	n/a	n/a
Pence per litre	n/a	n/a
Milk output per cow	n/a	n/a
Dairy calf output, £ per calf	n/a	n/a
<u>Finished cattle and lambs</u>		
£ per finished animal	900	843
£ per finished lamb	79	76
<u>Cereals**</u>		
Winter wheat		
Yield - tonnes per hectare		
Price per tonne		
Winter barley		
Yield - tonnes per hectare		
Price per tonne		
Spring barley		
Yield - tonnes per hectare		
Price per tonne		
Winter oats		
Yield - tonnes per hectare		
Price per tonne		
All cereals		
Yield - tonnes per hectare		
Price per tonne		

\* Top third selected on Management and investment income per hectare

\*\*Cereal yields for groups growing less than 40 hectares excluded

## LFA cattle and sheep farms

### TENANTS CAPITAL, OUTPUT RATIOS AND INDICATORS OF FINANCIAL EFFICIENCY, 2011/2012

	Under 120 hectares	Over 120 hectares
Number of farms in group	17	26
Average farmed area (hectares)	83	265
Average proportion of total farmed area tenanted or hired (%)	34	50
	£ per farm hectare	
<u>Tenant's capital formation</u>		
Livestock	1010	673
Crops, forage and cultivations	35	20
Stores	46	22
Machinery	430	303
Single Payment Scheme	237	184
Miscellaneous business assets & other assets	1	2
Total physical assets	1760	1203
Liquid assets	398	238
Tenant's capital (TC)	2158	1441
Management & investment income (M&II)**	-78	26
Return on tenant's capital (M&II as % of average TC)	-3.6%	1.8%
<u>Ratios per £100 of output (%)</u>		
Variable costs	34	23
Gross margin	66	77
Fixed costs (excluding rent and interest)	35	43
Net profit	25	26
Net farm income	20	20
Farmer and spouse	27	17
Management & Investment Income	-8	4
Tenant's capital		
Total assets	1084	951
Total external liabilities	106	88
Net worth	978	863
<u>Efficiency of labour use</u>		
Costs (£ per hectare)	41	91
Costs (£ per £100 output)	4	12
Costs (£ per £100 gross margin)	6	16
<u>Efficiency of machinery use</u>		
Costs (£ per hectare)	196	144
Costs (£ per £100 output)	19	19
Costs (£ per £100 gross margin)	29	25
<u>Efficiency of labour and machinery use</u>		
Costs (£ per hectare)	236	236
Costs (£ per £100 output)	23	31
Costs (£ per £100 gross margin)	35	41

\* Top third selected on Management and investment income per hectare

\*\* Excluding Breeding Livestock Stock Appreciation

## LFA cattle and sheep farms

### END-OF-YEAR BALANCE SHEETS, 2011/2012

	Under 120 hectares	Over 120 hectares
Number of farms in group	17	26
Average farmed area (hectares)	83	265
Average proportion of total farmed area tenanted or hired (%)	34	50
End of year assets & liabilities	£ per farm hectare	
Land & buildings	8935	5613
Milk quota	0	0
Single Payment Scheme	245	192
Machinery	442	312
Tenant's other assets	0	0
Breeding livestock	640	515
Total fixed assets	10263	6633
Trading livestock	432	219
Crops	1	1
Forage and cultivations	40	18
Stores	47	23
Debtors and loans	144	89
Bank credit and cash	239	173
Other current assets	1	3
Total current assets	903	525
Total assets	11165	7158
Financed by		
AMC	172	334
Bank loans	601	147
Other long term	33	13
Total long term	806	494
HP and lease	30	25
Creditors	52	52
Bank overdraft	206	91
Other short term	0	1
Total current liabilities	288	169
Total Liabilities	1094	663
Net worth	10071	6495
<b><u>Balance sheet ratios</u></b>		
% Owner equity (net worth vs. total assets)	90%	91%
% Fixed assets vs. total assets	92%	93%
Gearing (long-term loans vs. total assets)	7%	7%
Total debt (external liabilities vs. net worth)	11%	10%
Current Ratio (current assets vs. current liabilities)	313%	311%
Liquidity Ratio (liquid assets vs. current liabilities)	133%	155%

\* Top third selected on Management and investment income per hectare



### Mixed cropping, cattle and sheep farms

#### GROSS OUTPUT, VARIABLE COSTS AND FARM GROSS MARGIN, 2011/2012

	Average	Premium*
Number of farms in group	17	
Average farmed area (hectares)	152	
Average proportion of total farmed area tenanted or hired (%)	45	
	£ per farm hectare	
<u>Output</u>		
Milk	0	
Milk quota leasing less milk quota levy	0	
Cattle	389	
Herd depreciation	-12	
Sheep	119	
Flock depreciation	-14	
Wool	2	
Pigs	8	
Poultry	4	
Other livestock	-2	
Cereals	354	
Oilseeds	63	
Pulses	2	
Other crops	49	
Crop subsidies	0	
Straw	62	
Forage	50	
Agri-environment schemes and management agreements	46	
Rental income and imputed farmhouse rental equivalent	22	
Hirework	187	
Miscellaneous output	64	
Cultivations	10	
Single Payment Scheme	208	
<b>TOTAL FARM OUTPUT **</b>	<b>1612</b>	
<u>Variable costs</u>		
Concentrates	115	
Purchased fodder	5	
Veterinary and medicines	19	
Other livestock costs	64	
Seeds	39	
Fertilisers	127	
Crop protection	63	
Other crop costs	22	
<b>TOTAL VARIABLE COSTS</b>	<b>454</b>	
<b>TOTAL GROSS MARGIN**</b>	<b>1158</b>	

\* Insufficient farms

\*\* Excluding Breeding Livestock Stock Appreciation

### Mixed cropping, cattle and sheep farms

#### FIXED COSTS, FARM PROFIT AND MANAGEMENT & INVESTMENT INCOME, 2011/2012

	Average	Premium*
Number of farms in group	17	
Average farmed area (hectares)	152	
Average proportion of total farmed area tenanted or hired (%)	45	
	£ per farm hectare	
TOTAL GROSS MARGIN**	1158	
<u>Fixed costs</u>		
Paid labour	113	
Unpaid family labour	92	
Casual labour	5	
Contract	78	
Machinery repairs	84	
Machinery fuel	86	
Machinery depreciation	160	
Other depreciation	0	
Property maintenance	35	
Electricity	10	
Other fuel	10	
Water	9	
Insurance	42	
Professional fees	16	
Other general costs	37	
TOTAL FIXED COSTS EXCLUDING RENT AND INTEREST	778	
PROFIT BEFORE RENT AND INTEREST	380	
Rent, hired in keep and bare land	65	
Rates	1	
Long-term interest	10	
Short-term interest	11	
Interest received (-)	0	
NET PROFIT**	294	
Reconciliation of Profit to NFI and M&II		
Plus - Interest charges (net)	21	
Plus - Landlord type repairs (included in property maintenance)	1	
Less - Rental value (of owner occupied land and buildings)	98	
NET FARM INCOME** (NFI)	219	
Less farmer and spouse labour	189	
MANAGEMENT AND INVESTMENT INCOME** (M&II)	30	

\* Insufficient farms

\*\* Excluding Breeding Livestock Stock Appreciation

### Mixed cropping, cattle and sheep farms

FINANCIAL COMPARISONS per £100 OUTPUT, 2011/2012

	Average	Premium*
Number of farms in group	17	
Average farmed area (hectares)	152	
Average proportion of total farmed area tenanted or hired (%)	45	
	per £100 output	
<u>Output</u>		
Milk	0	
Cattle	23	
Sheep	7	
Pigs, poultry and other livestock	1	
Cereals	22	
Other cash crops	7	
Straw and forage	7	
Management agreements and agri-environment schemes	3	
Miscellaneous output	18	
Single Payment Scheme	13	
TOTAL OUTPUT**	100	
<u>Variable costs</u>		
Concentrates, fodder and keep	7	
Veterinary, medicines and other livestock costs	5	
Seeds	2	
Fertilisers	8	
Crop protection and other crop costs	5	
TOTAL VARIABLE COSTS	28	
TOTAL GROSS MARGIN**	72	
<u>Fixed costs</u>		
Labour - paid and unpaid, excluding farmer and spouse	13	
Casual labour	0	
Contract	5	
Machinery repairs and fuel	11	
Machinery and other depreciation	10	
Property maintenance	2	
Electricity, other fuel and water	2	
Other general costs	6	
TOTAL FIXED COSTS EXCLUDING RENT AND INTEREST	48	
PROFIT BEFORE RENT AND INTEREST	24	
Rent and rates	4	
Long-term interest paid	1	
Short-term interest paid	1	
Interest received (-)	0	
PROFIT**	18	

\* Insufficient farms

\*\* Excluding Breeding Livestock Stock Appreciation

### Mixed cropping, cattle and sheep farms

#### LAND USE AND INDICATORS OF TECHNICAL EFFICIENCY, 2011/2012

	Average	Premium*
Number of farms in group	17	
Average farmed area (hectares)	152	
Average proportion of total farmed area tenanted or hired (%)	45	
<u>Land use</u>		
Percentage cropped	41	
Percentage forage	59	
<u>Grazing livestock units</u>	GLUs per farm	
Dairy cattle	0	
Other cattle	73	
Sheep	29	
Other livestock	0	
Total	102	
GLUs per ha	1.15	
GLUs per adjusted ha	1.18	
<u>Technical efficiency</u>		
<u>Dairy</u>		
Milk yield per cow	n/a	
Pence per litre	n/a	
Milk output per cow	n/a	
Dairy calf output, £ per calf	n/a	
<u>Finished cattle and lambs</u>		
£ per finished animal	1014	
£ per finished lamb	81	
<u>Cereals**</u>		
Winter wheat		
Yield - tonnes per hectare	7.3	
Price per tonne	156	
Winter barley		
Yield - tonnes per hectare	6.4	
Price per tonne	148	
Spring barley		
Yield - tonnes per hectare	5.7	
Price per tonne	165	
Winter oats		
Yield - tonnes per hectare	5.7	
Price per tonne	157	
All cereals		
Yield - tonnes per hectare	6.5	
Price per tonne	157	

\* Insufficient farms

\*\*Cereal yields for groups growing less than 40 hectares excluded

### Mixed cropping, cattle and sheep farms

#### TENANTS CAPITAL, OUTPUT RATIOS AND INDICATORS OF FINANCIAL EFFICIENCY, 2011/2012

	Average	Premium*
Number of farms in group	17	
Average farmed area (hectares)	152	
Average proportion of total farmed area tenanted or hired (%)	45	
	£ per farm hectare	
<u>Tenant's capital formation</u>		
Livestock	683	
Crops, forage and cultivations	289	
Stores	144	
Machinery	882	
Single Payment Scheme	267	
Miscellaneous business assets & other assets	3	
Total physical assets	2268	
Liquid assets	363	
Tenant's capital (TC)	2631	
Management & investment income (M&II)**	30	
Return on tenant's capital (M&II as % of average TC)	1.1%	
<u>Ratios per £100 of output (%)</u>		
Variable costs	28	
Gross margin	72	
Fixed costs (excluding rent and interest)	48	
Net profit	18	
Net farm income	14	
Farmer and spouse	12	
Management & Investment Income	2	
Tenant's capital		
Total assets	698	
Total external liabilities	59	
Net worth	639	
<u>Efficiency of labour use</u>		
Costs (£ per hectare)	210	
Costs (£ per £100 output)	13	
Costs (£ per £100 gross margin)	18	
<u>Efficiency of machinery use</u>		
Costs (£ per hectare)	408	
Costs (£ per £100 output)	25	
Costs (£ per £100 gross margin)	35	
<u>Efficiency of labour and machinery use</u>		
Costs (£ per hectare)	618	
Costs (£ per £100 output)	38	
Costs (£ per £100 gross margin)	53	

\* Insufficient farms

\*\* Excluding Breeding Livestock Stock Appreciation

### Mixed cropping, cattle and sheep farms

#### END-OF-YEAR BALANCE SHEETS, 2011/2012

	Average	Premium*
Number of farms in group	17	
Average farmed area (hectares)	152	
Average proportion of total farmed area tenanted or hired (%)	45	
End of year assets & liabilities	£ per farm hectare	
Land & buildings	8433	
Milk quota	0	
Single Payment Scheme	280	
Machinery	942	
Tenant's other assets	3	
Breeding livestock	298	
Total fixed assets	9955	
Trading livestock	432	
Crops	189	
Forage and cultivations	120	
Stores	162	
Debtors and loans	227	
Bank credit and cash	161	
Other current assets	1	
Total current assets	1292	
Total assets	11248	
Financed by		
AMC	156	
Bank loans	299	
Other long term	60	
Total long term	515	
HP and lease	169	
Creditors	163	
Bank overdraft	97	
Other short term	2	
Total current liabilities	431	
Total Liabilities	946	
Net worth	10301	
<b>Balance sheet ratios</b>		
% Owner equity (net worth vs. total assets)	92%	
% Fixed assets vs. total assets	89%	
Gearing (long-term loans vs. total assets)	5%	
Total debt (external liabilities vs. net worth)	9%	
Current Ratio (current assets vs. current liabilities)	300%	
Liquidity Ratio (liquid assets vs. current liabilities)	90%	

\* Insufficient farms

### Organic dairy farms

#### GROSS OUTPUT, VARIABLE COSTS AND FARM GROSS MARGIN, 2011/2012

	Average	Premium*
Number of farms in group	18	
Average farmed area (hectares)	179	
Average proportion of total farmed area tenanted or hired (%)	59	
	£ per farm hectare	
<u>Output</u>		
Milk	1743	
Milk quota leasing less milk quota levy	-5	
Cattle	467	
Herd depreciation	-165	
Sheep	6	
Flock depreciation	-1	
Wool	0	
Pigs	0	
Poultry	0	
Other livestock	0	
Cereals	30	
Oilseeds	0	
Pulses	4	
Other crops	0	
Crop subsidies	0	
Straw	3	
Forage	16	
Agri-environment schemes and management agreements	57	
Rental income and imputed farmhouse rental equivalent	19	
Hirework	9	
Miscellaneous output	13	
Cultivations	1	
Single Payment Scheme	185	
<b>TOTAL FARM OUTPUT **</b>	<b>2383</b>	
<u>Variable costs</u>		
Concentrates	548	
Purchased fodder	55	
Veterinary and medicines	65	
Other livestock costs	195	
Seeds	18	
Fertilisers	1	
Crop protection	0	
Other crop costs	11	
<b>TOTAL VARIABLE COSTS</b>	<b>893</b>	
<b>TOTAL GROSS MARGIN**</b>	<b>1490</b>	

\* Insufficient farms

\*\* Excluding Breeding Livestock Stock Appreciation

### Organic dairy farms

#### FIXED COSTS, FARM PROFIT AND MANAGEMENT & INVESTMENT INCOME, 2011/2012

	Average	Premium*
Number of farms in group	18	
Average farmed area (hectares)	179	
Average proportion of total farmed area tenanted or hired (%)	59	
	£ per farm hectare	
TOTAL GROSS MARGIN**	1490	
<u>Fixed costs</u>		
Paid labour	241	
Unpaid family labour	37	
Casual labour	21	
Contract	142	
Machinery repairs	87	
Machinery fuel	63	
Machinery depreciation	131	
Other depreciation	0	
Property maintenance	45	
Electricity	35	
Other fuel	2	
Water	35	
Insurance	35	
Professional fees	22	
Other general costs	32	
TOTAL FIXED COSTS EXCLUDING RENT AND INTEREST	927	
PROFIT BEFORE RENT AND INTEREST	562	
Rent, hired in keep and bare land	110	
Rates	1	
Long-term interest	23	
Short-term interest	12	
Interest received (-)	5	
NET PROFIT**	421	
Reconciliation of Profit to NFI and M&II		
Plus - Interest charges (net)	31	
Plus - Landlord type repairs (included in property maintenance)	4	
Less - Rental value (of owner occupied land and buildings)	115	
NET FARM INCOME** (NFI)	340	
Less farmer and spouse labour	221	
MANAGEMENT AND INVESTMENT INCOME** (M&II)	119	

\* Insufficient farms

\*\* Excluding Breeding Livestock Stock Appreciation



### Organic dairy farms

#### FINANCIAL COMPARISONS per £100 OUTPUT, 2011/2012

	Average	Premium*
Number of farms in group	18	
Average farmed area (hectares)	179	
Average proportion of total farmed area tenanted or hired (%)	59	
	per £100 output	
<u>Output</u>		
Milk	73	
Cattle	13	
Sheep	0	
Pigs, poultry and other livestock	0	
Cereals	1	
Other cash crops	0	
Straw and forage	1	
Management agreements and agri-environment schemes	2	
Miscellaneous output	2	
Single Payment Scheme	8	
TOTAL OUTPUT**	100	
<u>Variable costs</u>		
Concentrates, fodder and keep	25	
Veterinary, medicines and other livestock costs	11	
Seeds	1	
Fertilisers	0	
Crop protection and other crop costs	0	
TOTAL VARIABLE COSTS	37	
TOTAL GROSS MARGIN**	63	
<u>Fixed costs</u>		
Labour - paid and unpaid, excluding farmer and spouse	12	
Casual labour	1	
Contract	6	
Machinery repairs and fuel	6	
Machinery and other depreciation	6	
Property maintenance	2	
Electricity, other fuel and water	3	
Other general costs	4	
TOTAL FIXED COSTS EXCLUDING RENT AND INTEREST	39	
PROFIT BEFORE RENT AND INTEREST	24	
Rent and rates	5	
Long-term interest paid	1	
Short-term interest paid	1	
Interest received (-)	0	
PROFIT**	18	

\* Insufficient farms

\*\* Excluding Breeding Livestock Stock Appreciation

## Organic dairy farms

### LAND USE AND INDICATORS OF TECHNICAL EFFICIENCY, 2011/2012

	Average	Premium*
Number of farms in group	18	
Average farmed area (hectares)	179	
Average proportion of total farmed area tenanted or hired (%)	59	
<u>Land use</u>		
Percentage cropped	3	
Percentage forage	97	
<u>Grazing livestock units</u>	GLUs per farm	
Dairy cattle	150	
Other cattle	76	
Sheep	2	
Other livestock	1	
Total	229	
GLUs per ha	1.38	
GLUs per adjusted ha	1.39	
<u>Technical efficiency</u>		
<u>Dairy</u>		
Milk yield per cow	6277	
Pence per litre	32.4	
Milk output per cow	2070	
Dairy calf output, £ per calf	116	
<u>Finished cattle and lambs</u>		
£ per finished animal	1040	
£ per finished lamb	83	
<u>Cereals**</u>		
Winter wheat		
Yield - tonnes per hectare	5.3	
Price per tonne	239	
Winter barley		
Yield - tonnes per hectare		
Price per tonne		
Spring barley		
Yield - tonnes per hectare	4.3	
Price per tonne	235	
Winter oats		
Yield - tonnes per hectare		
Price per tonne		
All cereals		
Yield - tonnes per hectare	4.9	
Price per tonne	237	

\* Insufficient farms

\*\*Cereal yields for groups growing less than 40 hectares excluded

## Organic dairy farms

### TENANTS CAPITAL, OUTPUT RATIOS AND INDICATORS OF FINANCIAL EFFICIENCY, 2011/2012

	Average	Premium*
Number of farms in group	18	
Average farmed area (hectares)	179	
Average proportion of total farmed area tenanted or hired (%)	59	
	£ per farm hectare	
<u>Tenant's capital formation</u>		
Livestock	1306	
Crops, forage and cultivations	62	
Stores	70	
Machinery	706	
Single Payment Scheme	239	
Miscellaneous business assets & other assets	69	
Total physical assets	2452	
Liquid assets	568	
Tenant's capital (TC)	3021	
Management & investment income (M&II)**	119	
Return on tenant's capital (M&II as % of average TC)	3.9%	
<u>Ratios per £100 of output (%)</u>		
Variable costs	37	
Gross margin	63	
Fixed costs (excluding rent and interest)	39	
Net profit	18	
Net farm income	14	
Farmer and spouse	9	
Management & Investment Income	5	
Tenant's capital		
Total assets	390	
Total external liabilities	48	
Net worth	342	
<u>Efficiency of labour use</u>		
Costs (£ per hectare)	299	
Costs (£ per £100 output)	13	
Costs (£ per £100 gross margin)	20	
<u>Efficiency of machinery use</u>		
Costs (£ per hectare)	423	
Costs (£ per £100 output)	18	
Costs (£ per £100 gross margin)	28	
<u>Efficiency of labour and machinery use</u>		
Costs (£ per hectare)	722	
Costs (£ per £100 output)	30	
Costs (£ per £100 gross margin)	48	

\* Insufficient farms

\*\* Excluding Breeding Livestock Stock Appreciation

## Organic dairy farms

### END-OF-YEAR BALANCE SHEETS, 2011/2012

	Average	Premium*
Number of farms in group	18	
Average farmed area (hectares)	179	
Average proportion of total farmed area tenanted or hired (%)	59	
End of year assets & liabilities	£ per farm hectare	
Land & buildings	6132	
Milk quota	11	
Single Payment Scheme	253	
Machinery	714	
Tenant's other assets	0	
Breeding livestock	1117	
Total fixed assets	8227	
Trading livestock	262	
Crops	16	
Forage and cultivations	57	
Stores	70	
Debtors and loans	338	
Bank credit and cash	256	
Other current assets	70	
Total current assets	1069	
Total assets	9296	
Financed by		
AMC	393	
Bank loans	270	
Other long term	24	
Total long term	687	
HP and lease	85	
Creditors	208	
Bank overdraft	162	
Other short term	7	
Total current liabilities	463	
Total Liabilities	1150	
Net worth	8147	
<b>Balance sheet ratios</b>		
% Owner equity (net worth vs. total assets)	88%	
% Fixed assets vs. total assets	89%	
Gearing (long-term loans vs. total assets)	7%	
Total debt (external liabilities vs. net worth)	14%	
Current Ratio (current assets vs. current liabilities)	231%	
Liquidity Ratio (liquid assets vs. current liabilities)	128%	

\* Insufficient farms

### Organic lowland cattle and sheep farms

#### GROSS OUTPUT, VARIABLE COSTS AND FARM GROSS MARGIN, 2011/2012

	Average	Premium*
Number of farms in group	21	
Average farmed area (hectares)	138	
Average proportion of total farmed area tenanted or hired (%)	35	
	£ per farm hectare	
<u>Output</u>		
Milk	0	
Milk quota leasing less milk quota levy	0	
Cattle	321	
Herd depreciation	-20	
Sheep	99	
Flock depreciation	-12	
Wool	3	
Pigs	7	
Poultry	6	
Other livestock	0	
Cereals	38	
Oilseeds	0	
Pulses	2	
Other crops	5	
Crop subsidies	0	
Straw	5	
Forage	26	
Agri-environment schemes and management agreements	147	
Rental income and imputed farmhouse rental equivalent	90	
Hirework	12	
Miscellaneous output	69	
Cultivations	3	
Single Payment Scheme	210	
<b>TOTAL FARM OUTPUT **</b>	<b>1012</b>	
<u>Variable costs</u>		
Concentrates	44	
Purchased fodder	3	
Veterinary and medicines	11	
Other livestock costs	46	
Seeds	14	
Fertilisers	4	
Crop protection	0	
Other crop costs	8	
<b>TOTAL VARIABLE COSTS</b>	<b>131</b>	
<b>TOTAL GROSS MARGIN**</b>	<b>882</b>	

\* Insufficient farms

\*\* Excluding Breeding Livestock Stock Appreciation

### Organic lowland cattle and sheep farms

#### FIXED COSTS, FARM PROFIT AND MANAGEMENT & INVESTMENT INCOME, 2011/2012

	Average	Premium*
Number of farms in group	21	
Average farmed area (hectares)	138	
Average proportion of total farmed area tenanted or hired (%)	35	
	£ per farm hectare	
TOTAL GROSS MARGIN**	882	
<u>Fixed costs</u>		
Paid labour	46	
Unpaid family labour	2	
Casual labour	14	
Contract	65	
Machinery repairs	37	
Machinery fuel	39	
Machinery depreciation	77	
Other depreciation	0	
Property maintenance	57	
Electricity	8	
Other fuel	6	
Water	7	
Insurance	34	
Professional fees	22	
Other general costs	42	
TOTAL FIXED COSTS EXCLUDING RENT AND INTEREST	457	
PROFIT BEFORE RENT AND INTEREST	425	
Rent, hired in keep and bare land	44	
Rates	5	
Long-term interest	21	
Short-term interest	4	
Interest received (-)	0	
NET PROFIT**	351	
Reconciliation of Profit to NFI and M&II		
Plus - Interest charges (net)	25	
Plus - Landlord type repairs (included in property maintenance)	2	
Less - Rental value (of owner occupied land and buildings)	130	
NET FARM INCOME** (NFI)	249	
Less farmer and spouse labour	219	
MANAGEMENT AND INVESTMENT INCOME** (M&II)	30	

\* Insufficient farms

\*\* Excluding Breeding Livestock Stock Appreciation

### Organic lowland cattle and sheep farms

FINANCIAL COMPARISONS per £100 OUTPUT, 2011/2012

	Average	Premium*
Number of farms in group	21	
Average farmed area (hectares)	138	
Average proportion of total farmed area tenanted or hired (%)	35	
	per £100 output	
<u>Output</u>		
Milk	0	
Cattle	30	
Sheep	9	
Pigs, poultry and other livestock	1	
Cereals	4	
Other cash crops	1	
Straw and forage	3	
Management agreements and agri-environment schemes	15	
Miscellaneous output	17	
Single Payment Scheme	21	
TOTAL OUTPUT**	100	
<u>Variable costs</u>		
Concentrates, fodder and keep	5	
Veterinary, medicines and other livestock costs	6	
Seeds	1	
Fertilisers	0	
Crop protection and other crop costs	1	
TOTAL VARIABLE COSTS	13	
TOTAL GROSS MARGIN**	87	
<u>Fixed costs</u>		
Labour - paid and unpaid, excluding farmer and spouse	5	
Casual labour	1	
Contract	6	
Machinery repairs and fuel	7	
Machinery and other depreciation	8	
Property maintenance	6	
Electricity, other fuel and water	2	
Other general costs	10	
TOTAL FIXED COSTS EXCLUDING RENT AND INTEREST	45	
PROFIT BEFORE RENT AND INTEREST	42	
Rent and rates	5	
Long-term interest paid	2	
Short-term interest paid	0	
Interest received (-)	0	
PROFIT**	35	

\* Insufficient farms

\*\* Excluding Breeding Livestock Stock Appreciation

### Organic lowland cattle and sheep farms

#### LAND USE AND INDICATORS OF TECHNICAL EFFICIENCY, 2011/2012

	Average	Premium*
Number of farms in group	21	
Average farmed area (hectares)	138	
Average proportion of total farmed area tenanted or hired (%)	35	
<u>Land use</u>		
Percentage cropped	6	
Percentage forage	94	
<u>Grazing livestock units</u>	GLUs per farm	
Dairy cattle	0	
Other cattle	67	
Sheep	32	
Other livestock	0	
Total	99	
GLUs per ha	0.83	
GLUs per adjusted ha	0.84	
<u>Technical efficiency</u>		
<u>Dairy</u>		
Milk yield per cow	n/a	
Pence per litre	n/a	
Milk output per cow	0	
Dairy calf output, £ per calf	n/a	
<u>Finished cattle and lambs</u>		
£ per finished animal	957	
£ per finished lamb	81	
<u>Cereals**</u>		
Winter wheat		
Yield - tonnes per hectare		
Price per tonne		
Winter barley		
Yield - tonnes per hectare		
Price per tonne		
Spring barley		
Yield - tonnes per hectare	3.1	
Price per tonne	243	
Winter oats		
Yield - tonnes per hectare		
Price per tonne		
All cereals		
Yield - tonnes per hectare	3.6	
Price per tonne	214	

\* Insufficient farms

\*\*Cereal yields for groups growing less than 40 hectares excluded



### Organic lowland cattle and sheep farms

#### TENANTS CAPITAL, OUTPUT RATIOS AND INDICATORS OF FINANCIAL EFFICIENCY, 2011/2012

	Average	Premium*
Number of farms in group	21	
Average farmed area (hectares)	138	
Average proportion of total farmed area tenanted or hired (%)	35	
	£ per farm hectare	
<u>Tenant's capital formation</u>		
Livestock	592	
Crops, forage and cultivations	60	
Stores	15	
Machinery	419	
Single Payment Scheme	270	
Miscellaneous business assets & other assets	2	
Total physical assets	1357	
Liquid assets	273	
Tenant's capital (TC)	1630	
Management & investment income (M&II)**	30	
Return on tenant's capital (M&II as % of average TC)	1.8%	
<u>Ratios per £100 of output (%)</u>		
Variable costs	13	
Gross margin	87	
Fixed costs (excluding rent and interest)	45	
Net profit	35	
Net farm income	25	
Farmer and spouse	22	
Management & Investment Income	3	
Tenant's capital		
Total assets	1315	
Total external liabilities	92	
Net worth	1223	
<u>Efficiency of labour use</u>		
Costs (£ per hectare)	62	
Costs (£ per £100 output)	6	
Costs (£ per £100 gross margin)	7	
<u>Efficiency of machinery use</u>		
Costs (£ per hectare)	217	
Costs (£ per £100 output)	21	
Costs (£ per £100 gross margin)	25	
<u>Efficiency of labour and machinery use</u>		
Costs (£ per hectare)	280	
Costs (£ per £100 output)	28	
Costs (£ per £100 gross margin)	32	

\* Insufficient farms

\*\* Excluding Breeding Livestock Stock Appreciation

# Organic lowland cattle and sheep farms

## END-OF-YEAR BALANCE SHEETS, 2011/2012

	Average	Premium*
Number of farms in group	21	
Average farmed area (hectares)	138	
Average proportion of total farmed area tenanted or hired (%)	35	
End of year assets & liabilities	£ per farm hectare	
Land & buildings	11593	
Milk quota	1	
Single Payment Scheme	287	
Machinery	422	
Tenant's other assets	0	
Breeding livestock	338	
Total fixed assets	12640	
Trading livestock	303	
Crops	16	
Forage and cultivations	44	
Stores	16	
Debtors and loans	167	
Bank credit and cash	122	
Other current assets	2	
Total current assets	669	
Total assets	13310	
Financed by		
AMC	35	
Bank loans	664	
Other long term	62	
Total long term	760	
HP and lease	35	
Creditors	54	
Bank overdraft	81	
Other short term	1	
Total current liabilities	171	
Total Liabilities	931	
Net worth	12379	
<b>Balance sheet ratios</b>		
% Owner equity (net worth vs. total assets)	93%	
% Fixed assets vs. total assets	95%	
Gearing (long-term loans vs. total assets)	6%	
Total debt (external liabilities vs. net worth)	8%	
Current Ratio (current assets vs. current liabilities)	391%	
Liquidity Ratio (liquid assets vs. current liabilities)	169%	

\* Insufficient farms

**SECTION 3****ENTERPRISE GROSS MARGINS 2011/12**

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*Premium data available when more than 15 farms in a group. Gross margin details refer to enterprises on the farm and are not specific to any farm type.*

## WHEAT

Gross margin per hectare		Crop year 2011		
		WINTER		SPRING
		Average	Premium*	Average**
Number of farms		95	32	
Area per farm (ha)		56.2	57.0	
Yield: tonnes/ha		8.5	9.7	
Price: £/tonne		153.5	155.1	
		£ per hectare		
Grain		1298.7	1504.3	
Straw		178.1	221.9	
ENTERPRISE OUTPUT		1476.8	1726.2	
Seeds (inc.homegrown)		63.2	56.9	
Fertilisers		188.1	165.5	
Sprays		165.9	161.4	
Other crop costs		43.7	35.8	
TOTAL VARIABLES ‡		460.9	419.6	
GROSS MARGIN		1015.9	1306.6	

Averages - previous year	2010	2010*	2010	2010**
Yield: tonnes/ha	8.0	9.0	4.2	
Price: £/tonne	151.0	161.6	183.3	
Gross Margin: £/ha	972.7	1279.1	518.5	

\* Top third in order of Gross Margin per hectare

\*\* Insufficient farms

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

## BARLEY

Gross margin per hectare		Crop year 2011		
		WINTER		SPRING
		Average	Premium*	Average
Number of farms		61	20	79
Area per farm (ha)		23.1	38.1	22.8
Yield: tonnes/ha		6.6	7.9	5.8
Price: £/tonne		150.3	156.5	158.4
		£ per hectare		
Grain		996.7	1221.3	933.0
Straw		199.5	261.1	164.2
ENTERPRISE OUTPUT		1196.2	1482.4	1097.2
Seeds (inc.homegrown)		61.3	58.7	65.6
Fertilisers		169.8	160.3	123.5
Sprays		129.1	138.8	89.7
Other crop costs		22.8	24.8	29.0
TOTAL VARIABLES ‡		383.0	382.6	307.8
GROSS MARGIN		813.2	1099.8	789.4

Averages - previous year	2010	2010	2010	2010
Yield: tonnes/ha	6.7	7.9	5.6	6.8
Price: £/tonne	134.3	144.0	144.8	154.0
Gross Margin: £/ha	742.0	1047.1	681.0	934.0

\* Top third in order of Gross Margin per hectare

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

## OATS

Gross margin per hectare		Crop year 2011		
	WINTER		SPRING	
	Average	Premium*	Average**	Premium**
Number of farms	29	10		
Area per farm (ha)	22.0	21.4		
Yield: tonnes/ha	6.3	7.1		
Price: £/tonne	152.6	161.9		
	<b>£ per hectare</b>			
Grain	957.8	1155.4		
Straw	207.5	284.2		
ENTERPRISE OUTPUT	1165.3	1439.6		
Seeds (inc.homegrown)	50.8	56.2		
Fertilisers	157.9	156.3		
Sprays	87.1	81.1		
Other crop costs	36.4	25.4		
TOTAL VARIABLES ‡	332.2	319.0		
GROSS MARGIN	833.1	1120.6		

Averages - previous year	2010	2010	2010**	2010**
Yield: tonnes/ha	6.4	7.1		
Price: £/tonne	133.8	149.6		
Gross Margin: £/ha	709.9	971.7		

\* Top third in order of Gross Margin per hectare

\*\* Insufficient farms

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

## OILSEED RAPE

Gross margin per hectare		Crop year 2011		
	WINTER OILSEED RAPE		SPRING OILSEED RAPE	
	Average	Premium*	Average**	Premium**
Number of farms	33	11		
Area per farm (ha)	52.4	92.4		
Yield: tonnes/ha	4.0	4.5		
Price: £/tonne	369.2	390.6		
	£ per hectare			
Oilseed	1467.6	1760.5		
Haulm	26.5	17.8		
ENTERPRISE OUTPUT	1494.1	1778.3		
Seeds (inc.homegrown)	45.5	46.7		
Fertilisers	219.0	202.1		
Sprays	161.3	161.5		
Other crop costs	32.7	21.4		
TOTAL VARIABLES ‡	458.5	431.7		
GROSS MARGIN	1035.6	1346.6		

Averages - previous year	2010	2010	2010**	2010**
Yield: tonnes/ha	3.9	4.3		
Price: £/tonne	291.2	304.7		
Gross Margin: £/ha	759.7	1008.4		

\* Top third in order of Gross Margin per hectare

\*\* Insufficient farms

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

## DAIRY COWS - MAINLY FRIESIAN/HOLSTEINS

### Gross margins per cow and per hectare

**2011/12**

	Average	Premium*
Number of farms	80	27
Cows per herd	155	170
Yield: litres/cow	7323	7993
Price: pence/litre	28.0	28.7
Stocking rate: cows/ha	1.80	1.79
ha/cow	0.56	0.56
	<b>£ per cow</b>	
Output - milk	2052.2	2295.7
milk quota leasing and levy	0.0	0.0
miscellaneous revenue	0.4	1.1
calves	107.5	110.7
depreciation	-213.1	-183.1
ENTERPRISE OUTPUT (excl. BLSA)	1947.0	2224.4
Concentrates	514.4	505.0
Coarse fodder	16.7	14.0
Veterinary and medicines	68.8	74.0
Other livestock costs	159.1	146.4
Forage †	104.9	106.0
TOTAL VARIABLE COSTS ‡	863.9	845.4
GROSS MARGIN per cow (excl. BLSA)	1083.1	1379.0
GROSS MARGIN per hectare (excl. BLSA)	1949.6	2468.4
Margin - milk over concentrates	1537.8	1790.7
Concentrates per £100 of milk output	25.1	22.0

\* 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.

**Conventional milk production only**



## DAIRY COWS - ORGANIC MILK PRODUCTION

### Gross margins per cow and per hectare

**2011/12**

	Average	Premium*
Number of farms	16	
Cows per herd	135	
Yield: litres/cow	6029	
Price: pence/litre	31.7	
Stocking rate: cows/ha	1.28	
ha/cow	0.78	
	<b>£ per cow</b>	
Output - milk	1921.1	
milk quota leasing and levy	0.0	
miscellaneous revenue	0.0	
calves	94.6	
depreciation	-195.8	
ENTERPRISE OUTPUT (excl. BLSA)	1820.0	
Concentrates	495.3	
Coarse fodder	24.7	
Veterinary and medicines	55.6	
Other livestock costs	170.3	
Forage †	19.2	
TOTAL VARIABLE COSTS ‡	765.1	
GROSS MARGIN per cow (excl. BLSA)	1054.9	
GROSS MARGIN per hectare (excl. BLSA)	1350.3	
Margin - milk over concentrates	1425.8	
Concentrates per £100 of milk output	25.8	

\* Insufficient farms

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

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

**DAIRY COWS - MAINLY FRIESIAN/HOLSTEINS by yield per cow**

**Gross margins per cow and per hectare**

**2011/12**

		Less than 5999	6000- 6999	7000- 7999	Over 8000
Number of farms		11	18	22	29
Cows per herd		161	107	151	186
Yield:	litres/cow	5037	6452	7455	8630
Price:	pence/litre	27.8	27.4	28.0	28.3
Stocking rate:	cows/ha	1.81	1.67	1.80	1.87
	ha/cow	0.55	0.60	0.56	0.53
		£ per cow			
Output -	milk	1400.4	1770.1	2089.2	2446.6
	milk quota				
	leasing and				
	levy	0.0	0.0	0.0	0.0
	miscellaneous				
	revenue	0.0	0.0	1.3	0.0
	calves	86.5	115.6	116.8	104.3
	depreciation	-174.5	-204.2	-206.5	-238.2
ENTERPRISE OUTPUT (excl. BLSA)		1312.4	1681.5	1999.5	2312.7
Concentrates		253.2	422.6	511.0	
Coarse fodder		11.2	12.0	8.1	28.2
Veterinary and medicines		39.1	55.9	75.1	83.4
Other livestock costs		111.9	171.6	143.0	181.5
Forage †		76.5	113.2	111.9	105.3
TOTAL VARIABLE COSTS ‡		491.9	775.3	849.1	398.4
GROSS MARGIN per cow (excl. BLSA)		820.5	906.2	1150.4	1914.3
GROSS MARGIN per hectare (excl. BLSA)		1485.1	1513.4	2070.7	3579.7

Margin - milk over concentrates	1147.2	1347.5	1578.2	2446.6
Concentrates per £100 of milk output	18.1	23.9	24.5	0.0

\* 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.

**Conventional milk production only**

**DAIRY COWS - MAINLY FRIESIAN/HOLSTEINS by size of herd**

**Gross margins per cow and per hectare**

**2011/12**

	Under 70	70- 99	100- 150	150- 200	Over 200
Number of farms	10	13	22	15	20
Cows per herd	53	85	120	177	273
Yield:                      litres/cow	6803	6888	7487	7487	7558
Price:                      pence/litre	27.3	27.4	27.7	28.3	28.8
Stocking rate:           cows/ha	1.40	1.64	1.76	1.87	2.07
ha/cow	0.71	0.61	0.57	0.53	0.48
	<b>£ per cow</b>				
Output -                      milk	1860.6	1888.4	2071.8	2121.2	2179.9
milk quota leasing and					
levy	0.0	0.0	0.0	0.0	0.0
miscellaneous revenue	0.0	0.0	1.3	0.0	0.0
calves	108.4	118.9	104.6	117.0	96.4
depreciation	-140.5	-211.9	-222.3	-203.8	-243.3
ENTERPRISE OUTPUT (excl. BLSA)	1828.5	1795.4	1954.1	2034.4	2033.0
Concentrates	421.7	470.1	531.4	524.9	
Coarse fodder	10.7	30.6	12.4	17.0	14.1
Veterinary and medicines	58.8	48.1	78.2	77.9	70.7
Other livestock costs	180.9	149.9	157.7	154.4	160.9
Forage †	104.4	120.1	117.1	94.5	88.8
TOTAL VARIABLE COSTS ‡	776.5	818.8	896.8	868.7	334.5
GROSS MARGIN per cow (excl. BLSA)	1052.0	976.6	1057.3	1165.7	1698.5
GROSS MARGIN per hectare (excl. BLSA)	1472.8	1601.6	1860.8	2179.9	3515.9
Margin - milk over concentrates	1438.9	1418.3	1540.4	1596.3	2179.9
Concentrates per £100 of milk output	22.7	24.9	25.6	24.7	0.0

\* 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.

**Conventional milk production only**

## LESS FAVOURED AREA BEEF COWS

### Gross margins per cow, per LU and per hectare

**2011/12**

	Average	Premium*
Number of farms	31	10
Cows per herd	65	85
Stocking rate: LU/ha ha/LU	0.95 1.05	0.97 1.03
	<b>£ per cow</b>	
Output - calf output	432.6	508.3
miscellanoeous revenue	1.2	1.0
depreciation	-65.2	-29.0
ENTERPRISE OUTPUT (excl. BLSA)	368.6	480.3
Concentrates	23.4	18.6
Coarse fodder	11.2	8.0
Veterinary and medicines	19.8	21.1
Other livestock costs	53.1	41.2
Forage †	58.3	59.1
TOTAL VARIABLE COSTS ‡	165.7	148.0
GROSS MARGIN per cow (excl. BLSA)	202.9	332.3
GROSS MARGIN per LU (excl.BLSA)	206.1	333.7
GROSS MARGIN per hectare (excl. BLSA)	192.8	322.3
Concentrates per £100 output	6.3	3.9

\* 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.

## LOWLAND BEEF COWS

### Gross margins per cow, per LU and per hectare

**2011/12**

	Average	Premium*
Number of farms	50	17
Cows per herd	47	46
Stocking rate: LU/ha ha/LU	1.16 0.86	1.12 0.89
	<b>£ per cow</b>	
Output - calf output	462.9	597.0
depreciation	-49.9	-41.8
ENTERPRISE OUTPUT (excl. BLSA)	414.0	556.2
Concentrates	24.1	22.9
Coarse fodder	8.3	7.2
Veterinary and medicines	21.6	24.8
Other livestock costs	61.8	62.1
Forage †	72.4	48.5
TOTAL VARIABLE COSTS ‡	188.1	165.6
GROSS MARGIN per cow (excl. BLSA)	225.9	390.6
GROSS MARGIN per LU (excl. BLSA)	220.7	367.9
GROSS MARGIN per hectare (excl. BLSA)	262.0	437.5
Concentrates per £100 output	5.8	4.1

\* 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.

# ORGANIC LOWLAND BEEF COWS

## Gross margins per cow, per LU and per hectare

2011/12

	Organic Average	Conventional Average
Number of farms	50	17
Cows per herd	47	46
Stocking rate: LU/ha ha/LU	1.16 0.86	1.12 0.89
	<b>£ per cow</b>	
Output - calf output	423.5	462.9
depreciation	-72.3	-49.9
ENTERPRISE OUTPUT (excl. BLSA)	352.5	414.0
Concentrates	11.7	24.1
Coarse fodder	6.8	8.3
Veterinary and medicines	17.3	21.6
Other livestock costs	45.4	61.8
Forage †	33.2	72.4
TOTAL VARIABLE COSTS ‡	114.4	188.1
GROSS MARGIN per cow (excl. BLSA)	238.1	225.9
GROSS MARGIN per LU (excl.BLSA)	231.4	220.7
GROSS MARGIN per hectare (excl. BLSA)	276.2	262.0
Concentrates per £100 output	3.3	5.8

\* 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.

## DAIRY FOLLOWERS

### Gross margins per head, per LU and per hectare

**2011/12**

	Average	Premium*
Number of farms	47	16
Number of head per farm	129	112
Stocking rate: LU/ha ha/LU	1.80 0.56	1.84 0.54
	<b>£ per head</b>	
Output - cattle	494.9	572.7
ENTERPRISE OUTPUT	494.9	572.7
Concentrates	91.9	64.3
Coarse fodder	6.7	6.4
Veterinary and medicines	13.0	11.0
Other livestock costs	44.6	33.4
Forage †	56.1	48.7
TOTAL VARIABLE COSTS ‡	212.3	163.8
GROSS MARGIN per head	282.6	408.9
GROSS MARGIN per LU	526.9	760.7
GROSS MARGIN per hectare	948.4	1399.7
Concentrates per £100 output	18.6	11.2

\* 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.

# STORE CATTLE FROM DAIRY BRED CALVES OR STORES

## Gross margins per head, per LU and per hectare

2011/12

	Average	Premium*
Number of farms	22	
Cattle per herd	139	
Stocking rate: LU/ha ha/LU	1.47 0.68	
	<b>£ per head</b>	
Output - cattle	423.0	
ENTERPRISE OUTPUT (excl. BLSA)	423.0	
Concentrates	82.8	
Coarse fodder	7.8	
Veterinary and medicines	10.3	
Other livestock costs	48.1	
Forage †	44.3	
TOTAL VARIABLE COSTS ‡	193.3	
GROSS MARGIN per head	229.7	
GROSS MARGIN per LU	436.8	
GROSS MARGIN per hectare	642.1	
Concentrates per £100 output	19.6	

\* Insufficient farms

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

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



# STORE CATTLE FROM BEEF BRED CALVES OR STORES

## Gross margins per head, per LU and per hectare

2011/12

	Average	Premium*
Number of farms	45	15
Cattle per herd	53	49
Stocking rate: LU/ha ha/LU	0.97 1.03	1.07 0.93
	<b>£ per head</b>	
Output - cattle	404.3	556.2
ENTERPRISE OUTPUT (excl. BLSA)	404.3	556.2
Concentrates	49.9	42.9
Coarse fodder	9.0	4.7
Veterinary and medicines	12.2	14.0
Other livestock costs	62.3	65.8
Forage †	32.4	34.2
TOTAL VARIABLE COSTS ‡	165.8	161.6
GROSS MARGIN per head	238.5	394.6
GROSS MARGIN per LU	405.9	667.1
GROSS MARGIN per hectare	393.7	713.8
Concentrates per £100 output	12.3	7.7

\* 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.

# FINISHED CATTLE FROM DAIRY BRED CALVES OR STORES

## Gross margins per head, per LU and per hectare

2011/12

	Average	Premium*
Number of farms	19	
Cattle per herd	169	
Average finished animal sale price - £/head	974	
Stocking rate: LU/ha ha/LU	1.50 0.67	
	<b>£ per head</b>	
Output - cattle	489.3	
ENTERPRISE OUTPUT (excl. BLSA)	489.3	
Concentrates	133.4	
Coarse fodder	2.3	
Veterinary and medicines	10.7	
Other livestock costs	55.6	
Forage †	57.4	
TOTAL VARIABLE COSTS ‡	259.4	
GROSS MARGIN per head	229.9	
GROSS MARGIN per LU	416.7	
GROSS MARGIN per hectare	625.1	
Concentrates per £100 output	27.3	

\* Insufficient farms

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

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

# FINISHED CATTLE FROM BEEF BRED CALVES OR STORES

## Gross margins per head, per LU and per hectare

2011/12

	Average	Premium*
Number of farms	37	12
Cattle per herd	113	126
Average finished animal sale price - £/head	1005	1011
Stocking rate: LU/ha	1.22	1.15
ha/LU	0.82	0.87
	<b>£ per head</b>	
Output - cattle	520.8	621.2
ENTERPRISE OUTPUT (excl. BLSA)	520.8	621.2
Concentrates	104.5	94.9
Coarse fodder	2.3	1.6
Veterinary and medicines	13.0	9.0
Other livestock costs	61.9	62.3
Forage †	51.1	51.5
TOTAL VARIABLE COSTS ‡	232.8	219.3
GROSS MARGIN per head	288.0	401.9
GROSS MARGIN per LU	485.4	707.7
GROSS MARGIN per hectare	592.2	813.9
Concentrates per £100 output	20.1	15.3

\* 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.

## FINISHED CATTLE FROM ORGANIC BEEF BRED CALVES OR STORES

### Gross margins per head, per LU and per hectare

**2011/12**

	Organic Average	Conventional Average
Number of farms	20	37
Cattle per herd	78	113
Average finished animal sale price - £/head	1019	1005
Stocking rate: LU/ha	0.86	1.22
ha/LU	1.16	0.82
	<b>£ per head</b>	
Output - cattle	438.9	520.8
ENTERPRISE OUTPUT (excl. BLSA)	438.9	520.8
Concentrates	60.1	104.5
Coarse fodder	1.4	2.3
Veterinary and medicines	8.0	13.0
Other livestock costs	56.9	61.9
Forage †	21.3	51.1
TOTAL VARIABLE COSTS ‡	147.7	232.8
GROSS MARGIN per head	291.2	288.0
GROSS MARGIN per LU	450.1	485.4
GROSS MARGIN per hectare	387.1	592.2
Concentrates per £100 output	13.7	20.1

\* 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

**2011/12**

	Average	Premium*
Number of flocks	53	18
Average number of ewes	356	257
Lambing % (births divided by number of ewes tupped)	143	165
Average lamb sale price - £/lamb	82.6	85.3
Stocking rate - ewes per hectare	7.6	8.0
	<b>£ per ewe</b>	
Output - lambs	125.1	152.8
wool	3.2	3.0
miscellaneous	0.1	0.1
depreciation	-14.8	-12.5
ENTERPRISE OUTPUT (excl. BLSA)	113.6	143.4
Concentrates	14.4	13.4
Coarse fodder	1.2	1.1
Veterinary and medicines	5.5	5.7
Other livestock costs	11.9	11.0
Forage †	12.2	12.1
TOTAL VARIABLE COSTS ‡	45.2	43.4
GROSS MARGIN per ewe (excl. BLSA)	68.4	100.0
GROSS MARGIN per LU (excl. BLSA)	437.1	643.6
GROSS MARGIN per hectare (excl. BLSA)	524.5	836.7
Concentrates per £100 of output	12.7	9.3

\* 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.

## LESS FAVOURED AREA BREEDING EWES

### Gross margins per ewe and per hectare

**2011/12**

	Average	Premium*
Number of flocks	34	11
Average number of ewes	541	476
Lambing % (births divided by number of ewes tupped)	126	140
Average finished lamb sale price - £/lamb	76.7	81.4
Stocking rate - ewes per hectare	7.4	7.5
	<b>£ per ewe</b>	
Output - lambs	107.7	141.9
wool	3.0	3.7
depreciation	-11.4	-10.3
ENTERPRISE OUTPUT (excl. BLSA)	99.3	135.3
Concentrates	11.1	12.4
Coarse fodder	2.0	1.8
Veterinary and medicines	5.6	5.6
Other livestock costs	8.4	9.5
Forage †	7.3	9.6
TOTAL VARIABLE COSTS ‡	34.5	38.9
GROSS MARGIN per ewe (excl. BLSA)	64.8	96.4
GROSS MARGIN per LU (excl. BLSA)	514.4	702.3
GROSS MARGIN per hectare (excl. BLSA)	486.9	730.3
Concentrates per £100 of output	11.2	9.2

\* 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 1:

## DEFINITION OF FARMING TYPES

The farming type groups are derived from the 'robust types' used in the UK farm classification system, which utilises Standard Gross Margins (SGM) per hectare for crops and per head for livestock in estimating business size. Farms are then classified by type according to the relative proportions of their total SGM. The farm types included in this publication are:

**Cereals farms** are those on which cereals and cereal rotational crops account for more than two thirds of their total SGM.

**General cropping farms** are those on which non-cereal arable crops (including field-scale vegetables) account for more than two thirds of their SGM.

**Dairy farms** are those on which dairy cows and followers account for more than two thirds of their total SGM.

**Cattle and sheep farms** are those on which cattle and sheep account for more than two thirds of their total SGM, excluding farms classified as dairy. Two categories of cattle and sheep farms are identified. The Less Favoured Area (LFA) group comprises of farms where 50% or more of their total area is in the LFA. Lowland farms include all other systems based on cattle and sheep production.

**Mixed cropping, cattle and sheep farms** are those on which crops account for one third, but less than two thirds, of total SGM; and livestock account for one third, but less than two thirds, of total SGM.

### **'Average' and 'Premium' standards**

The 'average' standards have been obtained from samples of full-time farms in South West England, which represent a broad cross-section of the main farm types. 'Premium' standards relate to the most profitable farms in each group (based on a minimum five farms), selected on management and investment income per hectare.

## APPENDIX 2:

## DEFINITION OF TERMS USED

**Average area farmed** is based on the utilised agricultural area of the farm (U.A.A.) and includes the arable area, permanent pasture, the enclosed rough grazing and the area of permanent crops. It also includes areas of keep and bare land taken for the year. Areas of land let are also included in the farm size as letting revenue is included within output.

### *Gross output*

**Livestock enterprise output** comprises the total revenue from livestock and livestock products, livestock production grants, produce consumed and milk and milk products fed on the farm, adjusted for livestock valuation changes and the value of transfers between enterprises, less purchases of livestock and livestock products from outside the farm business. Breeding livestock stock appreciation is excluded.

**Crop enterprise output** comprises the revenue from current crop sales plus the closing valuation and value of crops fed to livestock. The profit and loss on the disposal of the previous year's cash crops is shown separately.

**Miscellaneous revenue** includes the domestic portion of the farmhouse rent, rents of cottages used for the farm business, hirework, miscellaneous production grants excluding livestock production grants, the gross output of forage crops and any other sundry items of farm revenue.

**Area based support payments** includes ESA, HFA, organic and stewardship payments

**Total gross output** is the sum of the output of the livestock and cash crop enterprises plus miscellaneous revenue. It excludes breeding livestock stock appreciation.

### *Variable costs*

**Concentrates** 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.

**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 and medicines** includes the cost of all veterinary fees and 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.

**Seeds** include both actual gross expenditure on seeds and seed cleaning/dressing, and the estimated ex-farm value of home-produced seeds and young plants.

**Fertilisers** include the purchase costs of all straight, compound and organic fertilisers and similar products.

**Sprays** include all crop protection products including pre-emergent sprays, fungicides, herbicides and 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.

**Contracting** includes the total expenditure on work carried out by agricultural contractors and payments for equipment hire. Contract labour is only included when associated with the hiring of a machine.



#### *Fixed costs*

**Regular paid and unpaid labour** 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 costed at the appropriate rate for the work actually done (e.g. AWB rates).

**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, the actual rents paid by tenant farmers and drainage rates were incurred.

**General overheads** include the farm share of electricity, heating fuel, water, insurance (including labour and buildings), bank charges, professional fees, secretarial costs, consultancy fees and other sundry costs (such as subscriptions, telephone, postage, stationery, etc.)

**Interest charges** relate to borrowings incurred by the farm business. Long term loans include bank and other institutional loans and private/family loans. Short term loans include bank overdrafts, hire purchase and leasing agreements (the latter are capitalised and repayments treated as part capital, part interest), and trade/merchant credit.

**Profit** is broadly equivalent to that shown in conventional management accounts. It is the residue of farm output less variable and fixed costs including interest on borrowed capital and any cash rent paid, but excluding rental value and the imputed charge for the manual labour of the farmer and spouse. It represents the reward for the labour input of farmer and spouse and a return to their own invested capital (Net Worth).

**Breeding livestock stock appreciation (BLSA)** has been excluded from output, profit and income figures. It represents the change in the market prices of breeding cattle, sheep and pigs between the opening and closing valuations.

#### *Source and allocation of funds*

**Trading net fund** flow is the cash surplus generated by the trading activities over the year and is the farm profit before depreciation and valuation changes.

**Capital net fund flow** is the net additional capital investment for the year and includes machinery, buildings, quota and land.

**Total farm fund flow** is the amount generated by the business after re-investment.

**Private fund flow** is the net difference between private expenditure and private funds and included transfers of monies to and from non farm accounts.

**Total net fund flow** represents the surplus or deficit the business shows after funding re-investment and drawings. A deficit indicates that the business has increase indebtedness or reduced bank deposits to fund the current year's activities.

**Net change in funding** corresponds with the net fund flow and identifies the changes in external funding.

#### *Gross margins*

**Enterprise gross margin** is the enterprise gross output less the variable costs associated with that enterprise. Grazing livestock enterprises are allocated a share of the forage variable costs of seed, fertiliser, sprays and other crop costs based on their share of the grazing livestock units.

**Total farm gross margin** is the sum of the gross margins of the individual enterprises plus miscellaneous revenue or, alternatively, it equals the total farm output less total variable costs.

**Management and investment income (M & II)** is the excess of total gross output over variable costs and fixed costs. It excludes interest on borrowed capital, but includes rental value (in lieu of landlord-type property maintenance charges) and an imputed charge for the manual work of the farmer and spouse. It represents the reward to management and the return on tenant-type capital invested in the business.

**Net farm income (NFI)** represents the reward to the farmer and spouse for their own manual labour and management and the return on the tenant-type capital invested in the business.

#### *Technical efficiency measures*

**Grazing livestock units have** been calculated using the following coefficients based on annual average numbers of stock.

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
Lowland ewes	0.10 LU	Upland ewes	0.08 LU	Hill ewes	0.06 LU
Bulls	0.75 LU	Rams	0.08 LU	Store lambs <1year	0.04 LU

**Stocking rate** is the ratio of total grazing livestock units to forage hectares.

**Adjusted stocking rate** is based on the ratio of grazing livestock units to forage hectares adjusted for forage bought or sold, and changes in valuation, and adjustments for the quality of grazing.

#### *Tenants capital and financial efficiency*

**Total Tenant's capital** is total assets less the value of any owner occupied land, buildings and improvements, tenant's improvements and all quota values, and is the average of its value at the beginning and end of the accounting period.

**Return on total tenant's capital.** Management and investment income expressed as a percentage of the total tenant's capital represents the composite return for management and interest on tenant's capital employed.

#### *Assets and Liabilities*

**Assets include** all items owned by the farm business which have a realisable money value and all claims which the business has on others in respect of items with a realisable money value.

**Fixed assets** are assets which are not used up in the course of a single production cycle and, therefore, cannot be realised without impairing the existing productive capacity of the business. They represent the longer-term investment in the business and include farm property in the form of land, buildings and all improvements thereto, glasshouses, machinery and breeding livestock. Land, building, improvements, glasshouses and machinery have been subjected to revaluation procedures to reflect their current value to the business.

**Current assets** are assets which circulate within the business in the course of the production cycle. They consist of physical working assets and liquid assets.

**Physical working assets** comprise the raw materials and stock-in-trade of the business normally intended for conversion into cash within one production cycle. They include trading livestock, harvested and growing crops, stocks of livestock products and items of deadstock excluding machinery.

**Liquid assets** are those which require little or no conversion to generate cash. They include cash balances in hand or at the bank, pre-payments, short-term loans and sundry debtors.

**Total assets** are the sum of the fixed and current assets of the business.

**Liabilities** represent the value of claims which the various suppliers of funds to a business have on its assets.

**Long term loans** consist of loans, mortgages and other debts which, under normal circumstances, are not liable to early recall. Examples include Agricultural Mortgage Corporation mortgages, bank loans and private and family loans.

**Current liabilities** are claims upon the assets of the business which may have to be met within the span of a normal production or accounting period. They include sundry trade creditors and accrued charges, bank overdrafts and short-term loans.

**Net worth or owner's equity** is the residual claim which the owners of a business have against its assets after all external claims against them have been met.

**Total liabilities** comprise loan capital, current liabilities and net worth.

**Owner equity ratio\*** measures owner equity (net worth) as a percentage of the total assets of the business and, in so doing, measure the extent of the internal funding of the business or, alternatively, the reliance of the business on outside sources of finance. Existing levels of borrowing by the business will clearly be of interest to prospective additional lenders.

**Fixed asset ratio\*** measures the relative importance of fixed assets (the means of production) within the overall asset structure of the business. While fixed assets invariably predominate in farming, it is imperative that the volume of the remaining assets (current assets entering directly into the production process) is sufficient to generate enough income to adequately maintain and reward the capital invested and to recompense the management and manual effort expended in its organisation.

**Gearing ratio\*** measures the relationship between loan capital and owner equity as contributory sources to the long-term capital invested in the farm business and is expressed as a percentage with the loan capital as the numerator and owner equity as the denominator. Farming generally tends to be low-g geared (i.e. employs relatively little outside finance) particularly when compared with manufacturing industries. The importance of any increase in this ratio lies in the immediate increase in the prior charges (in the form of interest) which are placed on available income as a consequence.

**Current ratio\*** expresses current assets as a percentage of current liabilities and measures the amount of cover which is afforded by the current assets of the business to those outstanding claims against the business which may be presented in the shorter term (current liabilities). Normally one will expect current assets to meet short term claims. What the amount of the excess should be will depend on the nature of the production process undertaken but, as a general guide, it should be noted that the more prominently do liquid assets (cash and near-cash balances) feature within the total of current assets the narrower can the current ratio safely be.

**Liquidity ratio\*** expresses liquid assets as a percentage of current liabilities and measures the extent to which fully liquid assets - cash and near-cash assets - are readily available to meet the immediate claims which may be made against the business. Normally one would look to the maintenance of parity between current liabilities and liquid assets unless special circumstances (e.g. the granting of bank overdraft facilities) justify a relaxation of this requirement.

\* A single ratio of a business should not be considered in isolation, nor the examination of a set of ratios for only one point in time. Wherever possible, the interpretation of ratios should be an integrated exercise using a series of such ratios to indicate trends and employing the actual balance sheet data and related material in a supportive and amplifying role.

**APPENDIX 3:****USEFUL WEBSITES**

ADAS	<a href="http://www.adas.co.uk">www.adas.co.uk</a>
Agriculture and Horticulture Development Board	<a href="http://www.ahdb.org.uk">www.ahdb.org.uk</a>
Askham Bryan College	<a href="http://www.askham-bryan.ac.uk">www.askham-bryan.ac.uk</a>
Bank of England	<a href="http://www.bankofengland.co.uk">www.bankofengland.co.uk</a>
BPEX	<a href="http://www.bpex.org">www.bpex.org</a>
British Cattle Movement Service	<a href="http://www.bcms.gov.uk">www.bcms.gov.uk</a>
British Crop Production Council	<a href="http://www.bcpc.org">www.bcpc.org</a>
British Grassland Society	<a href="http://www.britishgrassland.com">www.britishgrassland.com</a>
British Potato Council	<a href="http://www.potato.org.uk">www.potato.org.uk</a>
British Poultry Council	<a href="http://www.poultry.uk.com">www.poultry.uk.com</a>
Business Link	<a href="http://www.businesslink.gov.uk">www.businesslink.gov.uk</a>
Country Land and Business Association	<a href="http://www.cla.org.uk">www.cla.org.uk</a>
DairyCo	<a href="http://www.dairyco.org.uk">www.dairyco.org.uk</a>
DARDNI	<a href="http://www.dardni.gov.uk">www.dardni.gov.uk</a>
Defra	<a href="http://www.defra.gov.uk">www.defra.gov.uk</a>
Duchy College	<a href="http://www.duchy.ac.uk">www.duchy.ac.uk</a>
EBLEX	<a href="http://www.eblex.org.uk">www.eblex.org.uk</a>
Environment Agency	<a href="http://www.environment-agency.gov.uk">www.environment-agency.gov.uk</a>
European Parliament	<a href="http://www.europarl.eu.int">www.europarl.eu.int</a>
Game and Wildlife Conservation Trust	<a href="http://www.gwct.org.uk">www.gwct.org.uk</a>
HM Revenue and Customs	<a href="http://www.hmrc.gov.uk">www.hmrc.gov.uk</a>
Home Grown Cereals Authority	<a href="http://www.hgca.com">www.hgca.com</a>
Horticultural Development Council	<a href="http://www.hdc.org.uk">www.hdc.org.uk</a>
Imperial College London (Wye Campus)	<a href="http://www.imperial.ac.uk/wyecampus">www.imperial.ac.uk/wyecampus</a>
Institute of Agricultural Secretaries & Administrators	<a href="http://www.iagsa.co.uk">www.iagsa.co.uk</a>
Linking Environment and Farming	<a href="http://www.leafuk.org">www.leafuk.org</a>
National Beef Association	<a href="http://www.nationalbeefassociation.com">www.nationalbeefassociation.com</a>
National Farmers Union	<a href="http://www.nfuonline.com">www.nfuonline.com</a>
National Sheep Association	<a href="http://www.nationalsheep.org.uk">www.nationalsheep.org.uk</a>
Natural England	<a href="http://www.naturalengland.org.uk">www.naturalengland.org.uk</a>

Newcastle University	<a href="http://www.ncl.ac.uk/afrd">www.ncl.ac.uk/afrd</a>
North Wyke Research	<a href="http://www.northwyke.bbsrc.ac.uk">www.northwyke.bbsrc.ac.uk</a>
Office of National Statistics	<a href="http://www.statistics.gov.uk">www.statistics.gov.uk</a>
Organic Centre Wales	<a href="http://www.organic.aber.ac.uk">www.organic.aber.ac.uk</a>
Organic Farmers and Growers	<a href="http://www.organicfarmers.org.uk">www.organicfarmers.org.uk</a>
Organic Research Centre	<a href="http://www.efrc.com">www.efrc.com</a>
Organic Studies Centre	<a href="http://www.organicstudiescornwall.co.uk">www.organicstudiescornwall.co.uk</a>
Peninsula Partnership for the Rural Environment	<a href="http://www.ppre.ac.uk">www.ppre.ac.uk</a>
Royal Agricultural Society of England	<a href="http://www.rase.org.uk">www.rase.org.uk</a>
Royal Institution of Chartered Surveyors	<a href="http://www.rics.org">www.rics.org</a>
Royal Society for the Protection of Birds	<a href="http://www.rspb.org.uk">www.rspb.org.uk</a>
Rural Business Research	<a href="http://www.ruralbusinessresearch.co.uk">www.ruralbusinessresearch.co.uk</a>
Rural Business School	<a href="http://www.ruralbusinessschool.org.uk">www.ruralbusinessschool.org.uk</a>
Rural Payments Agency	<a href="http://www.rpa.gov.uk">www.rpa.gov.uk</a>
Scottish Agricultural College	<a href="http://www.sac.ac.uk">www.sac.ac.uk</a>
Soil Association	<a href="http://www.soilassociation.org">www.soilassociation.org</a>
South West Rural Enterprise Gateway	<a href="http://www.regsw.org.uk">www.regsw.org.uk</a>
Tenant Farmers Association	<a href="http://www.tenant-farmers.org.uk">www.tenant-farmers.org.uk</a>
UK Government	<a href="http://www.direct.gov.uk">www.direct.gov.uk</a>
UK Parliament	<a href="http://www.parliament.uk">www.parliament.uk</a>
University of Cambridge	<a href="http://www.landecon.cam.ac.uk">www.landecon.cam.ac.uk</a>
University of Exeter, Centre for Rural Policy Research	<a href="http://www.centres.exeter.ac.uk/crpr">www.centres.exeter.ac.uk/crpr</a>
University of Nottingham	<a href="http://www.nottingham.ac.uk/rbru">www.nottingham.ac.uk/rbru</a>
University of Reading	<a href="http://www.apd.reading.ac.uk">www.apd.reading.ac.uk</a>
Worshipful Company of Farmers	<a href="http://www.farmerslivery.org.uk">www.farmerslivery.org.uk</a>

#### **APPENDIX 4:                Latest Rural Business Research Publications**

Crop Production in England 2011/12

Dairy Farming in England 2011/12

Hill Farming in England 2011/12

Horticulture Production in England 2011/12 (Horticultural Business Data)

Lowland Grazing Livestock Production in England 2011/12

Pig Production in England 2011/12

Poultry Production in England 2011/12

Further details available at [www.ruralbusinessresearch.co.uk](http://www.ruralbusinessresearch.co.uk)

## NOTES

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**ISBN: 978-0-9563210-4-6**

