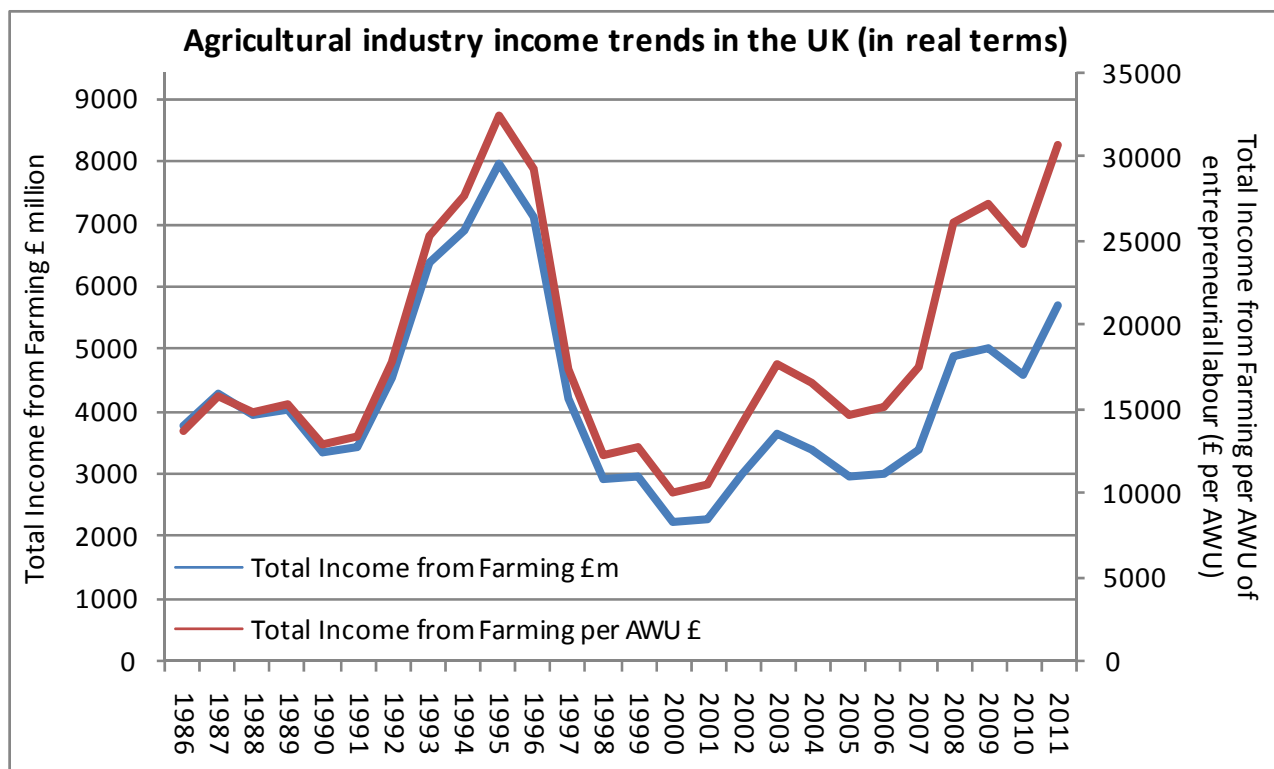


Total Income from Farming 2011

The latest National Statistics produced by Defra on Total Income from Farming for the United Kingdom for 2011 were released on 1 May 2012 according to the arrangements approved by the UK Statistics Authority. They will be updated again at the end of November 2012. Total Income from Farming is the income to those with an entrepreneurial interest in the agricultural industry, typically farmers and their partners

These statistics present the provisional estimates of the Total Income from Farming and production and income accounts for agriculture in the United Kingdom for 2011. The headlines are:

- Total Income from Farming for 2011 is provisionally estimated at £5,693 million, an increase of £1,352 million (31%) compared to 2010. In real terms, after adjustment for the effect of inflation, Total Income from Farming rose by £1,126 million (25%). This represents the best performance for the agricultural industry since the mid-1990s.
- Total Income from Farming per annual work unit (AWU) of entrepreneurial labour (farmers and other unpaid labour) is provisionally estimated to have risen by 24% in 2011 to £30,900 in real terms. Over the longer term, Total Income from Farming per Annual Work Unit (AWU) of entrepreneurial labour has performed better than Total Income from Farming owing to a decline in the number of farmers and other unpaid workers.



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Main findings

Values are expressed in current prices, i.e. based on prices in the year in question, except where otherwise stated.

Total Income from Farming is provisionally estimated to have increased by £1,352 million (31%) to £5,693 million in 2011 compared to 2010. In real terms, after adjustment for inflation, Total Income from Farming is provisionally estimated to have risen by £1,126 million (25%). In the longer term, 2011 represents the best performance for the agricultural industry in the UK since the mid-1990s.

The value of **gross output at basic prices** rose by £3,069 million (15%) in 2011 to £23,652 million. The value of total crop output rose by £1,541 million (21%) to £8,955 million, largely due to increases in the value of output of wheat, barley and oilseed rape, and the value of total livestock output rose by £1,355 million (12%) to £12,573 million, due mainly to increases in the value of output for cattle and sheep produced for meat, and milk.

The value of output of wheat increased by £593 million (37%) to £2,202 million and the value of output of barley increased by £323 million (60%) to £860 million owing to higher quality crops, increased demand and significantly higher prices compared to 2010. The value of oilseed rape rose by £437 million (65%) to £1,111 million owing to an increase in the area planted, high yields and strong prices. The values of output of wheat and barley have doubled since 2006, while the value of oilseed rape has increased by over three and a half times from £310 million to £1,111 million in the same period.

The value of output of cattle produced for meat rose by £432 million (20%) to £2,585 million owing to increased production and strong prices due to high demand, especially for manufacturing beef. The value of output of sheep rose by £170 million (17%) to £1,148 million owing to increased production and record prices due to tight supplies in the United Kingdom and globally. The value of milk production rose by £413 million (12%) to £3,742 million owing to an increase in production helped by favourable weather conditions and higher milk prices paid to farmers. The value of output of livestock has risen by one and half times since 2006. The value of milk output has similarly risen by one and half times.

The value of **intermediate consumption**, the goods and services consumed or used as inputs in the productive process, is provisionally estimated to have increased by £1,321 million (10%) to £14,806 million. The value of all inputs consumed is expected to have increased, particularly those for animal feed, energy and fertilisers.

The value of consumption of animal feed rose by £468 million (12%) to £4,428 million reflecting increases in prices for cereals and oilseed rape in particular, although there is a lag between price increases in the raw ingredients and compound feed. The value for energy, principally motor and machinery fuels, is provisionally estimated to have increased by £177 million (15%) to £1,378 million and the value of fertilisers consumed is provisionally estimated to have increased by £280 million (21%) to £1,621 million, reflecting higher prices for these commodities. The cost of animal feed, energy and fertilisers have increased significantly in recent years, approximately double the values recorded in 2006.

The increase in the value of output more than offset the increase in the value of intermediate consumption leading to an increase in **Gross Value Added at basic prices** of £1,748 million (25%) to £8,845 million.

The value of other costs, principally consumption of fixed capital and compensation of employees, less receipts, i.e. other subsidies on production, that contribute to Total Income from Farming rose by £396 million (14%) to £3,152 million. The value of consumption of fixed capital, which is fixed capital, such as equipment, buildings and the breeding herd, is used up in the process of generating new output, is estimated to have increased by £295 million (9%) to £3,593 million and of compensation of employees, which is total remuneration in cash or in kind payable to employees in return for work done, is estimated to have increased by £83 million (4%) to £2,292 million. The value of other subsidies on production, which are payments received as a consequence of engaging in agricultural production but which are not linked to production, principally the Single Payment Scheme and agri-environment schemes, was unchanged at £3,411 million.

Description of Total Income from Farming

Total Income from Farming is income generated by production within the agriculture industry including subsidies and represents business profits and remuneration for work done by owners and other unpaid workers. It excludes changes in the values of assets, including stocks, due to price changes but includes non-agricultural activities such as further processing or tourist activities where these cannot be separated from the agricultural business. It is the preferred measure of aggregate income for the agricultural industry conforming to internationally agreed national accounting principles required by the UK National Accounts and by Eurostat.

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

Total Income from Farming is designed to show the performance of the whole of the agricultural industry. A measure of farm incomes, Farm Business Income, designed to compare performance across different types of farming, is available in the publication *Farm Accounts in England* on the Defra website at <http://www.defra.gov.uk/statistics/foodfarm/farmmanage/fbs/publications/farmaccounts/>.

Definitions and explanations

Annual work unit: the input of one person in the farm business who is engaged in agricultural activities on a full-time basis over an entire year.

Basic prices: market prices plus directly paid subsidies that are linked to the production of specific products.

Current prices: the value based on prices during the reference year.

Gross output: the total value of output by producing enterprises.

Entrepreneurial labour: the input of people who have an entrepreneurial interest in the farm business, e.g. farmers and other unpaid workers, usually expressed in annual work units.

Intermediate consumption: the goods and services consumed or used as inputs in the productive process, e.g. feed, and fertiliser.

Real terms: the value adjusted for inflation.

Total Income from Farming: income to those with an entrepreneurial interest in the agricultural industry.

Basic quality information

These provisional estimates for 2011 are based on incomplete data. The amounts of data available are presented below. Over time, more data becomes available, estimates are revised and forecasts are replaced.

Approx. amount of data available for 2011 values at May 2012.

	May 2012
Output	90%
Intermediate consumption	30%
Subsidies	100%
Other costs	55%

Revisions

All estimates, by definition, have an element of uncertainty that is inherent in any process or calculation that uses sampling, estimation or modelling. There is no simple way of measuring the accuracy of the estimates – that is, the extent to which estimates measures the underlying ‘true’ value for a particular period. One dimension of measuring

accuracy is reliability, which is measured using evidence from analyses of revisions to assess the closeness of early estimates to subsequently estimated values.

The table in the section below presents a revision analysis of key values for 2010 that were published in April 2011, November 2011 and May 2012. Revisions have been made owing to further information becoming available.

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

Revisions made to the 2010 agricultural account between April 2011 and May 2012

	Apr-11	Nov-11	May-12	Revision Apr-11 /May-12	Revision Apr-11/May-12
Gross output at basic prices £m	20 654	20 741	20 582	-72	-0.3%
Total intermediate consumption £m	13 450	13 319	13 485	35	0.3%
Gross value added at basic prices £m	7 204	7 422	7 098	-106	-1.5%
Total Income from Farming £m	4 377	4 651	4 342	-35	-0.8%

Development areas

Defra statisticians carry out a continuous review of methods employed in making estimates for elements of the production and income accounts. We have received feedback that the value of consumption of plant protection products recorded in the accounts differs from stakeholders' expectation and we are examining the methods used to make these estimates. This work is expected to be completed by November when a consolidated estimate of Total Income from Farming for 2011 will be published.

Summary quality report

A summary quality report for this statistical release can be found on the Defra website at <http://www.defra.gov.uk/statistics/foodfarm/farmmanage/agriaccount/>.

This report pulls together key qualitative information on the various dimensions of quality as well as providing a summary of methods used to compile the output. It relates to estimates of Total Income from Farming and aims to provide users with information on usability and fitness for purpose of these estimates.

Quality Assurance

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

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

A summary quality report for Total Income from Farming data releases is available at: <http://www.defra.gov.uk/statistics/foodfarm/farmmanage/agriaccount/>. This is an overview note which is not release specific but will be reviewed and updated at regular intervals. It pulls together qualitative information on the relevance, accuracy, timeliness and punctuality, accessibility and clarity, comparability and coherence of the statistics. It also provides a summary of methods used and how these impacts on the quality of the estimates produced.

Main uses of the aggregate agricultural accounts

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

- Inform policy decisions and to help monitor and evaluate current policies relating to agriculture in the UK by Government and in the European Union by the European Commission.
- Inform stakeholders of the performance of the agricultural industry.
- Inform research into the economic performance of the agricultural industry.
- Total Income from Farming sets the context when looking at a number of policies; the agricultural industry is worth around £4 billion and accounts for about 0.5% of national GDP. It is most relevant to policies relating to CAP reform and the competitiveness of farming.

User engagement

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

Publication policy

Provisional estimates of Total Income from Farming and the production and income accounts for the UK agricultural industry are published at the end of April followed by more detailed information in the publication *Agriculture in the United Kingdom*. The production and income accounts are then updated and published at the end of the following November when Farm Business Survey data is available to inform estimates of elements of intermediate consumption.

DEFRA publishes all of its statistics and releases on its internet site at <http://www.defra.gov.uk/statistics>. Pre-announced publication dates can be found on the National Statistics Publication Hub at <http://www.statistics.gov.uk/hub/index.html>.

Table 1: Production and income accounts at current prices : United Kingdom

£ million	Calendar years					
	2006	2007	2008	2009	2010	2011(p)
1 Output of cereals	1 502	1 939	3 202	2 348	2 211	3 160
of which: wheat	1 061	1 315	2 278	1 562	1 609	2 202
barley	384	555	831	710	537	860
2 Output of industrial crops	735	819	1 177	1 106	1 321	1 858
of which: oilseed rape	310	472	631	476	674	1 111
sugar beet	178	162	208	246	197	251
other industrial crops	238	181	328	367	427	468
3 Output of forage plants	234	238	292	317	330	277
4 Output of vegetables and horticultural products	1 747	1 833	1 925	1 962	2 257	2 268
of which: fresh vegetables	1 011	1 065	1 105	1 083	1 260	1 217
plants and flowers	737	768	819	879	997	1 051
5 Output of potatoes (including seeds)	650	708	794	681	638	700
6 Output of fruit	383	467	546	584	604	632
7 Output of other crop products including seeds	48	43	45	58	52	60
Total crop output (sum 1 - 7)	5 299	6 047	7 981	7 056	7 414	8 955
8 Output of livestock	5 096	5 232	6 579	7 148	7 242	8 185
primarily for meat	4 364	4 432	5 504	5 846	6 108	6 905
of which: cattle	1 561	1 623	2 071	2 131	2 154	2 585
pigs	685	736	865	968	978	1 069
sheep	709	641	798	967	979	1 148
poultry	1 233	1 249	1 579	1 590	1 799	1 895
gross fixed capital formation	732	799	1 076	1 302	1 134	1 280
of which: cattle	447	493	782	871	649	698
pigs	8	5	6	8	8	8
sheep	146	153	125	238	296	369
poultry	131	149	162	185	181	204
9 Output of livestock products	2 918	3 286	4 019	3 711	3 977	4 388
of which: milk	2 497	2 823	3 447	3 123	3 329	3 742
eggs	362	410	520	531	561	559
Total livestock output (8 + 9)	8 014	8 518	10 598	10 859	11 219	12 573
10 Other agricultural activities	624	680	792	869	930	1 043
11 Inseparable non-agricultural activities	684	763	814	913	994	1 056
12 Output (at market prices) (sum 1 to 11)	14 621	16 007	20 185	19 697	20 557	23 627
13 Total subsidies (less taxes) on product	85	59	55	34	26	25
14 Gross output at basic prices (12 + 13)	14 706	16 067	20 240	19 731	20 582	23 652
Intermediate consumption						
15 Seeds	573	614	705	690	636	705
16 Energy	831	897	1 166	1 095	1 201	1 378
of which: electricity and fuels for heating	258	274	341	342	357	373
motor and machinery fuels	573	623	826	754	844	1 004
17 Fertilisers	811	813	1 478	1 229	1 341	1 621
18 Plant protection products, including fungicides, insecticides, herbicides and other products	518	571	690	715	761	772
19 Veterinary expenses	284	302	338	360	401	414
20 Animal feed	2 570	3 013	3 947	3 659	3 960	4 428
of which: compounds	1 426	1 702	2 186	2 088	2 248	2 610
straights	758	877	1 193	1 060	1 271	1 266
feed produced and used on farm or purchased from other farms	387	434	568	512	441	553
21 Total maintenance	1 017	1 085	1 218	1 282	1 341	1 402
of which: materials	655	695	745	798	826	862
buildings	362	389	473	484	515	540
22 Agricultural services	623	680	792	869	930	1 043
23 FISIM*	105	113	141	119	130	133
24 Other goods and services	2 318	2 380	2 583	2 665	2 783	2 910
25 Total intermediate consumption (sum 15 to 24)	9 651	10 468	13 058	12 685	13 485	14 806

Table 1: Production and income accounts at current prices : United Kingdom continued

£million	Calendar years					
26 Gross value added at market prices (12 - 25)	4 970	5 539	7 127	7 012	7 072	8 821
27 Gross value added at basic prices (14 - 25)	5 055	5 598	7 182	7 046	7 098	8 845
28 Total consumption of Fixed Capital	2 681	2 717	3 069	3 274	3 298	3 593
of which: equipment	1 199	1 213	1 268	1 391	1 450	1 525
buildings	685	696	709	709	704	727
livestock	798	809	1 091	1 173	1 145	1 341
cattle	499	503	743	731	679	793
pigs	7	6	7	8	8	8
sheep	162	157	188	269	291	344
poultry	129	142	153	164	167	196
29 Net value added at market prices (26 - 28)	2 289	2 822	4 059	3 739	3 774	5 228
30 Net value added at basic prices (27 - 28)	2 373	2 881	4 113	3 773	3 799	5 252
31 Other taxes on production	- 98	- 101	- 103	- 106	- 115	- 119
32 Other subsidies on production	2 903	2 954	3 231	3 588	3 411	3 411
33 Net value added at factor cost (30 + 31 + 32)	5 178	5 734	7 241	7 254	7 096	8 544
34 Compensation of employees	1 975	2 005	2 068	2 165	2 208	2 292
35 Rent	286	305	350	366	366	373
rent paid	374	402	445	456	467	477
rent received	- 87	- 97	- 95	- 89	- 102	- 104
36 Interest	412	471	365	169	180	185
37 Total income from farming (33 - 34 - 35 - 36)	2 505	2 953	4 458	4 554	4 342	5 693

* FISIM is an estimate of the value of the services provided by financial intermediaries, such as banks, for which no explicit charges are made, and which are paid for as part of the margin between rates applied to savers and borrowers.

(p) provisional

Table 2: UK agriculture: volume indices and income and cash flow

	2006	2007	2008	2009	2010	2011(p)
Volume indices (2005=100)						
Gross output at basic prices	97.3	96.3	101.8	100.0	100.9	103.4
Total intermediate consumption	97.5	99.2	102.2	103.9	106.2	104.1
Gross value added at market prices	97.1	91.2	101.3	93.5	92.1	102.1
Gross value added at basic prices	96.9	91.1	101.0	93.3	91.9	101.9
Total consumption of fixed capital	96.7	96.3	99.9	94.8	96.0	100.3
Net value added at market prices	97.5	86.0	101.3	91.4	87.9	102.1
Net value added per AWU of all labour	99.6	89.9	108.0	99.2	95.5	110.3
Total factor productivity	99.2	97.4	101.5	99.0	98.9	102.3
Income and cash flow in real terms as deflated by RPI at 2011 prices						
Total Income From Farming £m	2 973	3 361	4 880	5 012	4 567	5 693
Total Income From Farming £ per AWU	15 200	17 600	26 100	27 300	24 900	30 900
Cash flow in real terms £m	3 414	4 095	4 186	4 763	4 687	5 948

(p) provisional

TABLE 3: Agricultural industry income trends in the United Kingdom (real terms at 2011 prices)

	2006	2007	2008	2009	2010	2011 (p)
TIFF (£ billion)	2 973	3 361	4 880	5 012	4 567	5 693
TIFF/Annual Work Unit (£)	15 200	17 600	26 100	27 300	24 900	30 900
TIFF: relative change year on year	1%	13%	45%	3%	-9%	25%
TIFF/Annual Work Unit: relative change year on year	3%	16%	48%	4%	-9%	24%

(p) provisional