

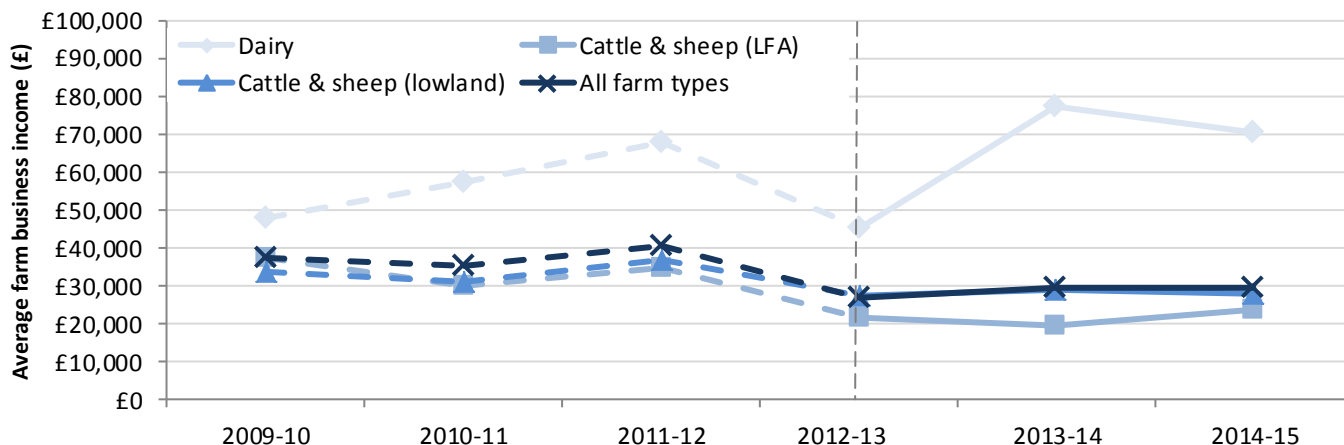
## Farm incomes in Wales, 2014-15

This release presents figures on farm incomes in Wales for 2014-15. The figures presented reflect farming conditions only in the period January 2014 to March 2015. These figures replace the forecast estimates for 2014-15 published on 26 February 2015. Farm incomes presented here are based on three measures: (1) farm business income, (2) net farm income and (3) cash income. Farm business income is generally regarded as the headline measure of farm incomes in Wales, but net farm income and cash income are sometimes used. Further information on each of these measures is included in the [Notes](#) section at the end of this release. It is important to note that farm income figures are shown here as averages, while the data for individual farms may be very different, with farm-level factors influencing variations in production and costs. Also, analysis of the distribution of farm incomes is included in this release for the first time (page 3).

### Headline results

- Average farm business income per farm in Wales (at current prices) for all farm types combined was around £29,400 in 2014-15, very similar to the figure of £29,300 for 2013-14.
- For cattle & sheep (LFA) farms, average farm business income per farm increased by around 21 per cent, to £23,300. Average farm business income per farm for lowland cattle & sheep farms meanwhile decreased, by 3 per cent, to £27,800. Dairy farms saw a decrease in average farm business income of around 9 per cent, to £70,200, driven by lower milk prices compared with 2013-14.
- In real terms (at 2014-15 prices), average farm business income per farm in Wales decreased by 1 per cent for all farm types between 2013-14 and 2014-15, also decreasing by 10 per cent for dairy farms and 4 per cent for cattle & sheep (lowland) farms, but increasing by around 20 per cent for cattle & sheep (LFA) farms.

**Chart 1: Average farm business income in Wales, 2009-10 to 2014-15 (at current prices)**



Source: Farm Business Survey

**Note:** The vertical dashed line at 2012-13 above represents the change from 2007 Standard Outputs (SOs) to 2010 SOs. See the [Notes](#) section of this release ('Farm type classification and Standard Output') for further information on this change.

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**Table 1: Average farm business income by type of farm in Wales**

Average farm business income per farm				£ / farm
Farm type	2012-13	2013-14	2014-15	% change (13-14 to 14-15)
<b>At current prices</b>				
Dairy	45,100	77,000	70,200	-9%
Cattle & sheep (LFA)	21,600	19,200	23,300	21%
Cattle & sheep (lowland)	27,200	28,600	27,800	-3%
All farm types	26,600	29,300	29,400	0%
<b>In real terms at 2014-15 prices (a)</b>				
Dairy	46,700	78,100	70,200	-10%
Cattle & sheep (LFA)	22,300	19,500	23,300	20%
Cattle & sheep (lowland)	28,100	29,000	27,800	-4%
All farm types	27,600	29,800	29,400	-1%

Source: Farm Business Survey

(a) GDP deflators are used here to uprate 2012-13 and 2013-14 figures to 2014-15 prices.

**Table 2: Average net farm income by type of farm in Wales**

Average net farm income per farm				£ / farm
Farm type	2012-13	2013-14	2014-15	% change (13-14 to 14-15)
<b>At current prices</b>				
Dairy	32,500	64,700	58,100	-10%
Cattle & sheep (LFA)	10,800	7,800	11,300	45%
Cattle & sheep (lowland)	17,500	19,300	17,400	-10%
All farm types	15,400	17,700	17,500	-1%
<b>In real terms at 2014-15 prices (a)</b>				
Dairy	33,700	65,700	58,100	-11%
Cattle & sheep (LFA)	11,200	7,900	11,300	43%
Cattle & sheep (lowland)	18,100	19,600	17,400	-11%
All farm types	15,900	18,000	17,500	-3%

Source: Farm Business Survey

(a) GDP deflators are used here to uprate 2012-13 and 2013-14 figures to 2014-15 prices.

- Average net farm income per farm (at current prices) for all farm types in Wales decreased by 1 per cent between 2013-14 and 2014-15, to £17,500.
- Average net farm income per farm for cattle & sheep (LFA) farms increased by 45 per cent over this period. For both dairy farms and cattle & sheep (lowland) farms, average net farm income per farm decreased by 10 per cent.

**Table 3: Cash income by type of farm in Wales**

Average cash income per farm				£ / farm
Farm type	2012-13	2013-14	2014-15	% change (13-14 to 14-15)
<b>At current prices</b>				
Dairy	65,700	92,500	90,800	-2%
Cattle & sheep (LFA)	30,600	31,100	35,800	15%
Cattle & sheep (lowland)	35,100	37,900	38,200	1%
All farm types	38,100	41,900	43,700	4%
<b>In real terms at 2014-15 prices (a)</b>				
Dairy	68,100	93,900	90,800	-3%
Cattle & sheep (LFA)	35,800	31,500	35,800	14%
Cattle & sheep (lowland)	38,200	38,400	38,200	0%
All farm types	43,700	42,500	43,700	3%

Source: Farm Business Survey

(a) GDP deflators are used here to uprate 2012-13 and 2013-14 figures to 2014-15 prices.

- Between 2013-14 and 2014-15 average cash income per farm for all farm types (at current prices) increased by 4 per cent to £43,700, by 15 per cent for cattle & sheep (LFA) farms, by 1 per cent for cattle & sheep (lowland) farms and decreased by 2 per cent for dairy farms.

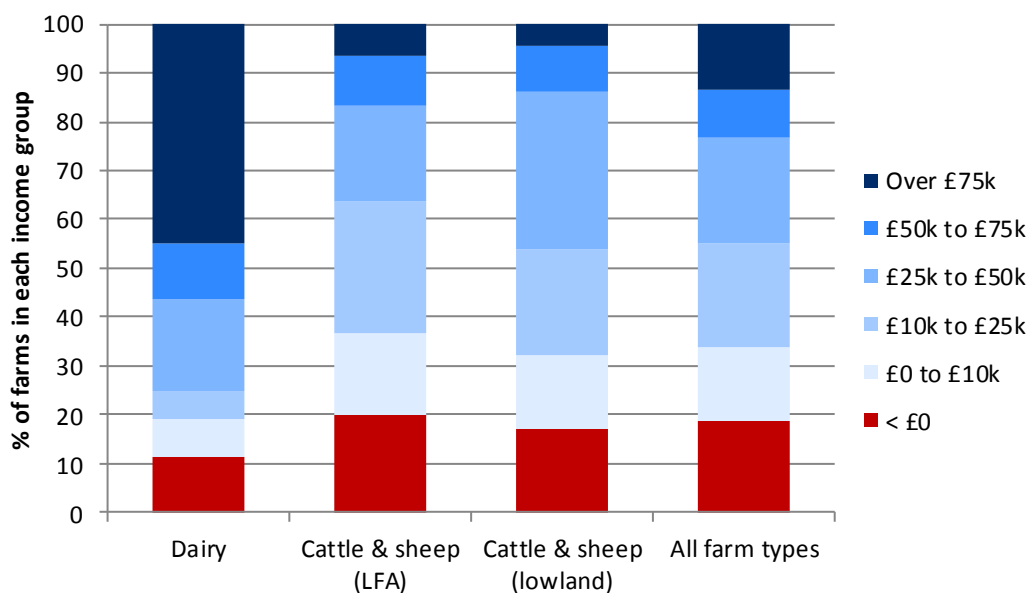
### Distribution of farm incomes

The average values shown in tables 1, 2 and 3 mask the considerable variation in incomes at the level of individual farms, both between and within farm types. One way of looking at the variation in incomes is to consider different income groups. Chart 2 below shows farms grouped by the level of their farm business income in 2014-15.

The level of income on a farm can be influenced by a range of factors. The skill and business acumen of the farmer will play a role. The level of income will also depend on production costs and the circumstances of the farm (location, land quality, size, types of activity undertaken for example). Incomes will also be affected by where a farm is in its business cycle. For example, a farm that has just invested to expand or improve may have a temporary low income until the benefits start to accrue.

### Chart 2: Distribution of farm business income within farm types in Wales, 2014-15

Percentage of farms in each income group



Source: Farm Business Survey

- Chart 2 above shows that there is great deal of variation around the average farm business income in each of the farm types.
- Nearly 20 per cent of cattle & sheep (LFA) farms failed to make a profit in 2014/15 compared with 11 per cent of dairy farms.
- Over half of cattle & sheep farms (both LFA and lowland) generated incomes below £25,000, while the corresponding figure for dairy farms was around a quarter.
- Around 45 per cent of dairy farms had an income of more than £75,000. The corresponding figures for cattle & sheep (LFA and lowland) farms were just 7 per cent and 5 per cent respectively.
- Analysis has also been conducted on the distribution of farm incomes for the 2012-13 and 2013-14 years. Considering the fact that measures of farm income are volatile across years, the analysis did not show any structural change in the data.

There is further analysis that could be done to understand what a particular level of income could mean to farms.

## Notes

### Accounting years

The figures presented in this release cover the accounting years ending between 31<sup>st</sup> December 2014 and 31<sup>st</sup> March 2015 and as such reflect farming conditions between January 2014 and March 2015.

### Measures of income

**Farm Business Income** represents the return to all unpaid labour (farmers, spouses, non-principal partners, family workers and others with an entrepreneurial interest in the farm business) and to all their capital invested in the farm business including land and farm buildings.

In essence, Farm Business Income 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 and accurately describes its composition.

**Net Farm Income** is defined as the return to the principal farmer and spouse for their manual and managerial labour and on the tenant-type capital of the business. It makes allowances for rent (on a notional basis if the farmer is an owner-occupier) and for depreciation of assets. Interest payments, net of interest received, are included as a cost, as is hired labour. Crop and livestock valuation changes are excluded.

**Cash Income** is defined as the cash return to the group of people with an entrepreneurial interest in the business for their manual and managerial labour and on all their investment in the business.

### Average farm incomes

When the term 'average' is used to describe farm income measures in this release, this means that the mean (not median or mode) has been taken of the weighted farm data.

### Current prices and in real terms (2014-15 prices)

The figures (at current prices) in this release have been updated using GDP deflators to also show prices in real terms (at 2014-15 prices). The GDP data used is available from the website below.

<https://www.gov.uk/government/collections/gdp-deflators-at-market-prices-and-money-gdp>

### Rounding

The figures shown in this release have been rounded to the nearest hundred pounds. Calculations (such as percentage or actual change) have been applied on unrounded figures.

### Less Favoured Area (LFA)

Throughout this statistical release, the abbreviation LFA is used to denote Less Favoured Area. In the European Union (EU), this term is used to describe an area with natural handicaps (lack of water, climate, short crop season and tendencies of depopulation), or that is mountainous or hilly, as defined by its altitude and slope.

### Farm type classification and Standard Outputs (SO)

The Standard Output (SO) is a financial measure used to classify farm type. Standard outputs measure the total value of output of any one enterprise - per head for livestock and per hectare for crops. For livestock it is the value of the main product (milk, eggs, lamb, pork) plus the value of any secondary product (calf, wool) minus the cost of replacement. For crops, this is the main product (e.g. wheat, barley, peas) plus any by-product that is sold, for example straw. In other words, the SO of an agricultural product is the average monetary value of the agricultural output per unit at farm-gate prices.

The classification of farm 'types' within the UK and EU is based on the application of SO coefficients for individual farm enterprises. These coefficients have been updated within all Member States and are used to classify farms from 2013 onwards. Given the threshold for inclusion within the Farm Business Survey

in Wales (a minimum 25,000 euros of standard output), changes to standard output coefficients will have an effect on both the survey population as well as the classification of farms.

Within EU Member States, SO coefficients are updated periodically. In the UK these are calculated for each NUTS1 region so Wales is calculated as one region. Averages are taken over a period of a number of years to reduce the impact of annual price fluctuations; those previously in use are averaged over the period 2005-2009 (referred to as 2007 SOs). Standard Outputs have now been recalculated for the period 2008-2012 (referred to as 2010 SOs).

In Chart 1 (on page 1 of this release), data for 2012-13 to 2014-15 is based on 2010 SOs, while data for 2011-12 and earlier is based on 2007 SOs. The results based on 2010 SOs published here are not directly comparable with those published in earlier years based on 2007 SOs.

Table 4 below shows figures for 2012-13 produced on the basis of both the 2007 SOs and 2010 SOs, showing the impact of the change in SOs.

**Table 4: Average farm business income in Wales in 2012-13 (on 2007 SO and 2010 SO basis)**

Average farm business income per farm		£ / farm	
Farm type	2012-13 (2007 SO)	2012-13 (2010 SO)	Difference
<b>At current prices</b>			
Dairy	45,100	45,100	0
Cattle & sheep (LFA)	22,700	21,600	-1,100
Cattle & sheep (lowland)	30,200	27,200	-3,000
All farm types	28,200	26,600	-1,600

Source: Farm Business Survey

### Users and uses of data on farm incomes

Data on farm incomes are used to monitor and evaluate Government and EU policies and to inform wider research into the economic performance, productivity and competitiveness of the agricultural industry. The data are provided to the EU as part of the Farm Accountancy Data Network (FADN) and are widely used by the agriculture industry for benchmarking (comparing the performance of similar types of farms).

If the above paragraph does not accurately describe how you use the data, please contact us (our contact details are on page 1 or at the end of this release).

### Key Quality Information

The data used in this statistics release originate from the annual Farm Business Survey (FBS) which is conducted on behalf of the Welsh Government by the Institute of Biological, Environmental and Rural Sciences (IBERS) at Aberystwyth University. The FBS collects detailed physical and financial information from approximately 550 farm businesses across Wales and covers all types of Welsh livestock farm. Only those farm types where there are 15 or more representative holdings in the survey sample are reported in this statistics release.

[Statistics produced from the same data by IBERS](#) may differ in some respects from those in this statistical release. The differences arise largely from:

- **Weighting:** the statistics in this release are weighted to be representative of the population (farm businesses with a Standard Output of at least €25,000). However, the statistics produced by IBERS are unweighted so are only representative of the farms included in the sample.
- **Inter-year identical sample:** Some of the statistics published by IBERS are for an inter-year identical sample (farms included in the sample for two years in a row). Not every farm is included in the sample for two years in a row. Therefore the inter-year identical sample includes a smaller number of farms for each year, so the results for this group of farms may differ.

The sample for the Farm Business Survey is predominantly drawn from those farm businesses in Wales with a Standard Output (SO) of at least €25,000, based on activity recorded in the previous June Survey of Agriculture and Horticulture. The results reported here will not therefore be representative of very small and part-time holdings. Information on the survey sample, the survey population and % of the survey population sampled (by farm type and size) is shown in Table 5 below:

**Table 5: Survey sample, survey population and % of survey population sampled, by farm type and size (a) (b)**

Farm type	Spare-time / part-time	Small	Medium	Large	Very large	All farm sizes
<b>Survey sample (a)</b>						
Dairy	0	6	23	40	36	105
Cattle & sheep (LFA)	26	90	95	89	48	348
Cattle & sheep (lowland)	8	25	13	14	5	65
Other farm types	8	10	4	9	1	32
All farm types	42	131	135	152	90	550
<b>Survey population (farms with &gt; €25,000 Standard Output) (b)</b>						
Dairy	51	300	351	414	347	1,463
Cattle & sheep (LFA)	1,126	1,964	1,350	1,344	838	6,622
Cattle & sheep (lowland)	379	381	177	178	96	1,211
Other farm types	455	209	114	105	104	987
All farm types	2,011	2,854	1,992	2,041	1,385	10,283
<b>% of survey population sampled</b>						
Dairy	0.0	2.0	6.6	9.7	10.4	7.2
Cattle & sheep (LFA)	2.3	4.6	7.0	6.6	5.7	5.3
Cattle & sheep (lowland)	2.1	6.6	7.3	7.9	5.2	5.4
Other farm types	1.8	4.8	3.5	8.6	1.0	3.2
All farm types	2.1	4.6	6.8	7.4	6.5	5.3

Sources: Farm Business Survey, June Survey of Agriculture and Horticulture

(a) The survey sample shown is for the 2014-15 Farm Business Survey.

(b) The survey population (for the 2014-15 Farm Business Survey) was from the 2013 June Survey of Agriculture and Horticulture.

Each farm in the FBS is given a weight to make the sample representative of the population. The weights are calculated using the 'inverse sampling fraction' method and use data on the number of farms by type and size from the previous June Survey of Agriculture and Horticulture.

Farm income measures exhibit some degree of volatility across years, influenced by prevailing market conditions. As all the measures of farm income include an element relating to profits, these measures in the agricultural sector are therefore more volatile than measures in other sectors (which are defined purely in terms of income from wages).

### Comparison of final figures with previous forecasts

Forecast estimates for 2014-15 were previously published on 26 February 2015. It is useful to compare the final figures for 2014-15 with the previous forecasts, and this comparison is made in Table 6 below.

**Table 6: Comparison of final 2014-15 figures for farm business incomes with previous forecasts**

Farm type	2014-15 forecast (a)	2014-15 final (b)	Difference
Average farm business income per farm <span style="float: right;">£ / farm</span>			
<b>At current prices</b>			
Dairy	59,300	70,200	10,900
Cattle & sheep (LFA)	15,000	23,300	8,300
Cattle & sheep (lowland)	23,100	27,800	4,700
All farm types	22,200	29,400	7,200

Source: Farm Business Survey

(a) Forecast figures published on 26 February 2015 in SDR 32/2015 (Forecasts of Farm Incomes in Wales, 2014-15)

(b) Final figures published on 26 November 2015 in this release.

## Further Information

More detailed statistics for agriculture in Wales can be found below on the statistics pages of the Welsh Government website.

<http://gov.wales/statistics-and-research/?subtopic=Farming&lang=en>

The Department for Environment, Food and Rural Affairs (DEFRA) published comparable data on farm business income by type of farm in England for 2014-15, on 29<sup>th</sup> October 2015.

<https://www.gov.uk/government/collections/farm-business-survey>

DEFRA publish technical information, notes and guidance on the Farm Business Survey on this website:

<https://www.gov.uk/guidance/farm-business-survey-technical-notes-and-guidance>

Rural Business Research (RBR) - a consortium of six University Research Centres - carries out the Farm Business Survey in England on behalf of DEFRA. RBR publish a variety of data from the Farm Business Survey (in England and Wales) on their website below.

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

The Scottish Government publish annual estimates of Farm Business Income on the website below.

<http://www.gov.scot/Topics/Statistics/Browse/Agriculture-Fisheries/Publications>

The Department of Agriculture and Rural Development in Northern Ireland publish annual estimates of Farm Business Income on the website below.

<http://www.dardni.gov.uk/index/statistics/statistical-reports.htm>

Farm incomes data from UK countries are provided to the EU as part of the Farm Accountancy Data Network (FADN). Farm incomes data for EU member states is available from the FADN website below.

<http://ec.europa.eu/agriculture/rica/>

## Feedback and contact details

We actively encourage feedback from users of these statistics. If you have comments on any issues relating to this statistical release or require any further information, please contact:

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