

Forecasts of farm incomes in Wales, 2015-16

This release presents forecasts of farm incomes in Wales for 2015-16 (the year from April 2015 to March 2016), alongside results from the Farm Business Survey for 2009-10 to 2014-15. Final figures for 2015-16 are provisionally due to be published in November 2016.

Figures are provided for the farm business income and net farm income measures. Farm business income is generally regarded as the headline measure of farm incomes in Wales, but net farm income is sometimes used. Further information on these measures (and also farm types) is included in the [Notes](#) section at the end of this release.

The forecasts for 2015-16 are based on the limited information that is available up to the middle of February 2016 and are intended to provide a broad indication of how farm incomes for each farm type are expected to move compared with 2014-15. The figures are subject to a margin of error reflecting, in particular, the fact that farm income is derived as the relatively small difference between total output and total input so that small changes in either of these can result in large percentage changes in farm income. It is also important to note that there is a wide range of farm incomes around the average figures published here. Analysis of the variation in farm incomes was included in the release [‘Farm incomes in Wales, 2014-15’](#).

Headline results

- Average farm business income for the combined ‘all farm types’ in Wales is forecast to decrease by nearly £5,000 (or 16%) between 2014-15 and 2015-16, to £24,500.
- The total input costs for reported farm types are forecast to decline during this period, reflecting factors such as reduced feed and fuel costs. However, this is expected to be offset by the fall in the value of total farm output, due to lower prices for a range of farm outputs (especially milk), and reductions in the value of CAP Pillar 1 payments delivered through the Basic Payment Scheme.
- For dairy farms, average farm business income is forecast to decrease by around £28,500 (or 40%) between 2014-15 and 2015-16, to £42,000. Whilst this is a large fall in incomes for dairy farms, it returns the average income for the sector to a similar level as was seen in 2012-13. The decrease was driven in a large part by the fall in the milk price during the period. The EU Dairy Package payment is included in farm income forecasts for 2015-16.
- Average farm business income on cattle and sheep (LFA) farms is forecast to decrease by around £1,000 (or 4%) to £22,500 in 2015-16, and on cattle and sheep (lowland) farms to decrease by around £2,000 (or 8%) to £25,500 over the same period. Whilst lower incomes are forecast in 2015-16 for cattle and sheep farms (both LFA and lowland), the fall in incomes is not expected to be as great as for dairy farms.
- Average net farm income for ‘all farm types’ is forecast to decline by around £4,500 (or 25%) to £13,000 in 2015-16. Average net farm income for dairy, cattle and sheep (LFA) and cattle and sheep (lowland) farms in Wales is forecast to fall by 47%, 4% and 11%, respectively.

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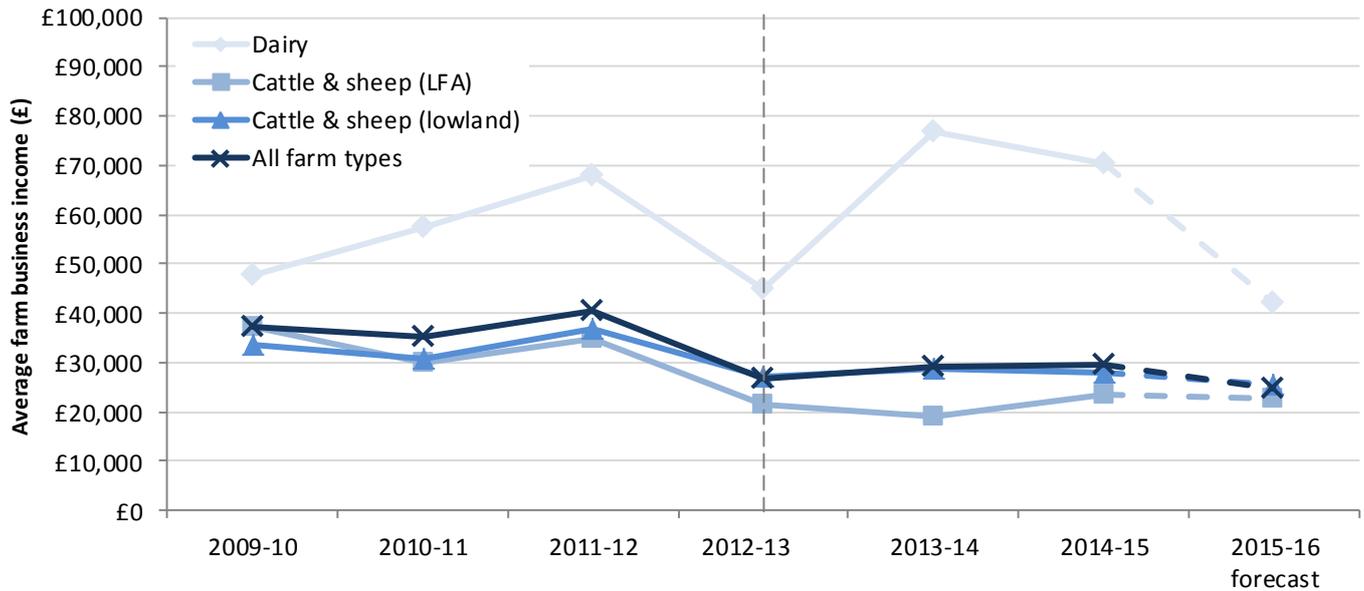
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Chart 1: Average farm business income in Wales, 2009-10 to 2015-16 (at current prices)



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.

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	2015-16 forecast	% change (2014-15 to 2015-16)	
At current prices						
Dairy	45,100	77,000	70,200	42,000	-40%	
Cattle & sheep (LFA)	21,600	19,200	23,300	22,500	-4%	
Cattle & sheep (lowland)	27,200	28,600	27,800	25,500	-8%	
All farm types	26,600	29,300	29,400	24,500	-16%	
In real terms at 2015-16 prices (a)						
Dairy	47,000	78,700	70,400	42,000	-40%	
Cattle & sheep (LFA)	22,500	19,600	23,400	22,500	-4%	
Cattle & sheep (lowland)	28,300	29,200	27,900	25,500	-8%	
All farm types	27,700	30,000	29,500	24,500	-16%	

Source: Farm Business Survey

(a) GDP deflators are used here to uprate figures for 2014-15 (and earlier) to 2015-16 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	2015-16 forecast	% change (2014-15 to 2015-16)	
At current prices						
Dairy	32,500	64,700	58,100	30,500	-47%	
Cattle & sheep (LFA)	10,800	7,800	11,300	11,000	-4%	
Cattle & sheep (lowland)	17,500	19,300	17,400	15,500	-11%	
All farm types	15,400	17,700	17,500	13,000	-25%	
In real terms at 2015-16 prices (a)						
Dairy	33,900	66,100	58,300	30,500	-47%	
Cattle & sheep (LFA)	11,300	8,000	11,300	11,000	-4%	
Cattle & sheep (lowland)	18,300	19,700	17,500	15,500	-11%	
All farm types	16,000	18,100	17,500	13,000	-25%	

Source: Farm Business Survey

(a) GDP deflators are used here to uprate figures for 2014-15 (and earlier) to 2015-16 prices.

Notes

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.

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.

Subsidies and the EU Dairy Package

The Single Payment Scheme was introduced in 2005, and was replaced by the Basic Payment Scheme in 2015. Basic Payment Scheme information included in 2015-16 forecasts is based on an estimate of the total value that will be paid as a result of applications made in 2015. In other words, farm income forecasts for 2015-16 include information on all basic payments made to date **and** an estimate of the value of payments that will be made throughout 2016 (for applications made in 2015). These estimates will be revised in future publications when final figures become available.

The EU Dairy Package payment (£3.2 million for Wales) is included in farm income forecasts for 2015-16.

Current prices and in real terms (2015-16 prices)

The figures (at current prices) in this release have been updated using GDP deflators to also show prices in real terms (at 2015-16 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

Forecasted figures for 2015-16 shown in this release have been rounded to the **nearest five hundred pounds**, while figures from the Farm Business Survey for 2014-15 and earlier 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. The classification will largely reflect the 'main' business of each farm. SO 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 2 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 3 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 3: 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
At current prices			
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 2015-16 forecasts contained in this release are based on the Farm Business Survey (FBS) results for 2014-15, adjusted to reflect observed and forecast movements in key determinants of farm income such as commodity prices, subsidies, production costs and animal numbers during 2015-16. The information used to make these adjustments comes from a wide variety of sources, for example, agricultural surveys, livestock markets and producer organisations. The calculations include information available up to the middle of February 2016.

The forecast figures will be revised upon completion of the Farm Business Survey for 2015-16 and published later this year (provisional publication date: November 2016).

The FBS 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, predominantly covering different

types of livestock farm. Only those farm types where there are 15 or more representative holdings in the survey sample are reported in this 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 4 below:

Table 4: 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
Survey sample (a)						
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
Survey population (farms with > €25,000 Standard Output) (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
% of survey population sampled						
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 for 2014-15 with the previous forecast for 2014-15

It is useful to compare the final figures for 2014-15 (published on 26 November 2015) with the previous forecasts for 2014-15 (published on 26 February 2015). This gives an indication of how the final figures can differ from the forecasts, and this comparison is made in Table 5 overleaf.

Table 5: Comparison of final 2014-15 figures for farm business incomes with previous forecastsAverage farm business income per farm £ / farm

Farm type	2014-15 forecast (a)	2014-15 final (b)	Difference
At current prices			
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 SDR 195/2015 (Farm incomes in Wales, 2014-15).

Further Information

The statistical release “Aggregate Agricultural Output and Income, 2015” is also published on 25th February 2016 at the website below.

<http://gov.wales/statistics-and-research/aggregate-agricultural-output-income/?lang=en>

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 forecasts of farm business income in England for 2015-16 on 28th January 2016.

<https://www.gov.uk/government/statistics/farm-business-income>

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 Department of Agriculture and Rural Development in Northern Ireland published forecasts of farm business income in 2015-16 for Northern Ireland on 28th January 2016.

<https://www.dardni.gov.uk/articles/ni-agricultural-incomes>

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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