



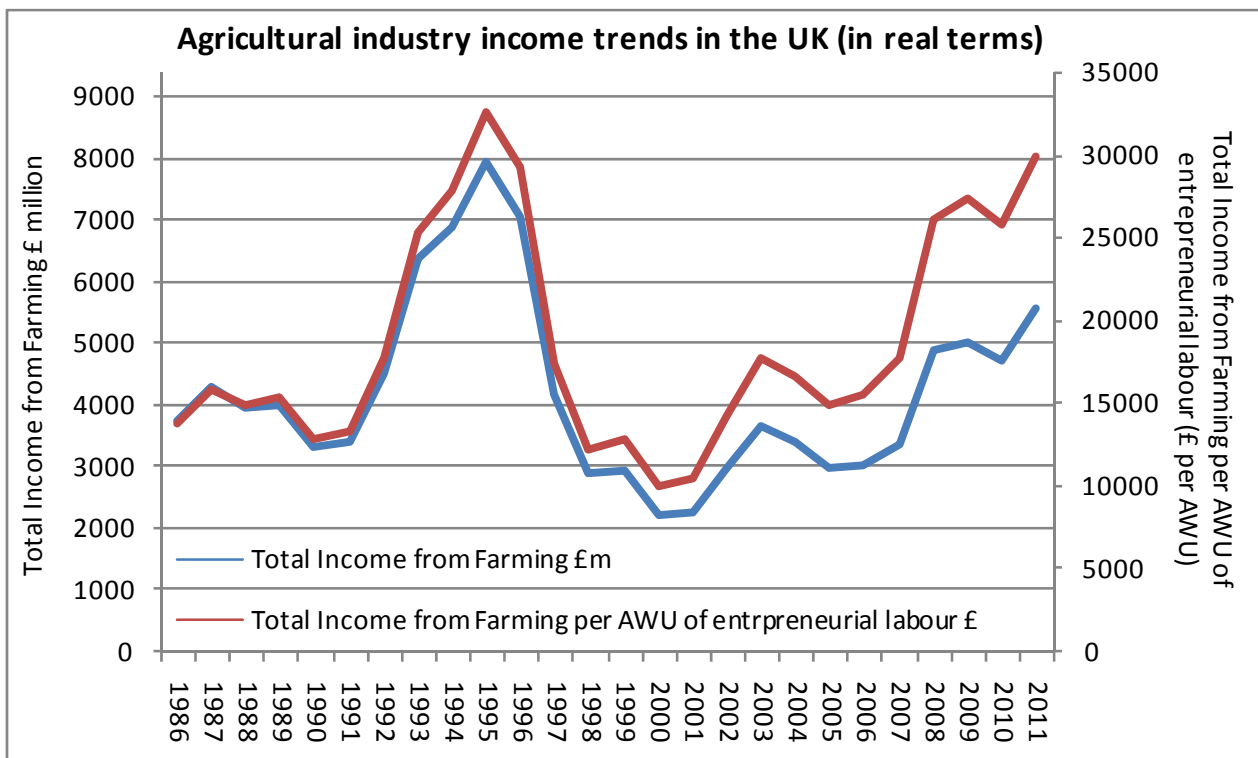
Total Income from Farming 2011 – 2nd estimate

The latest National Statistics produced by Defra on Total Income from Farming for the United Kingdom for 2011 were released on 29 November 2012 according to the arrangements approved by the UK Statistics Authority. Total Income from Farming is the income to those with an entrepreneurial interest in the agricultural industry, typically farmers and partners.

These statistics present the second estimate of Total Income from Farming in the United Kingdom for 2011. A first estimate of Income from Farming for the United Kingdom for 2011 was released on 1 May 2012. The second estimate utilise further data that has become available; revisions may have also been made to previous years.

The headlines are:

- Total Income from Farming for 2011 is estimated at £5,567 million, an increase of £1,084 million (24%) compared to 2010. In real terms, after adjustment for the effect of inflation, Total Income from Farming rose by £851 million (18%); 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 estimated to have risen by 16% in 2011 to £30,000 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 estimated to have increased by £1,084 million (24%) to £5,567 million in 2011 compared to 2010. In real terms, after adjustment for inflation, Total Income from Farming is estimated to have risen by £851 million (18%). 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 £3,043 million (15%) in 2011 to £23,638 million. The value of total crop output rose by £1,480 million (20%) to £8,905 million, largely due to increases in the value of output of wheat, barley and oilseed rape. The value of total livestock output rose by £1,392 million (12%) to £12,610 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 £559 million (35%) to £2,168 million and the value of output of barley increased by £320 million (60%) to £857 million owing to higher quality crops, increased demand and significantly higher prices compared to 2010. The value of oilseed rape rose by £440 million (63%) to £1,137 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 from £310 million to £1,110 million in the same period.

The value of output of cattle produced for meat rose by £430 million (20%) to £2,584 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 £1,149 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 prices paid to farmers. The value of output of livestock has risen by 60% since 2006 while the value of milk output has risen by 50% in that period.

The value of **intermediate consumption**, the goods and services consumed or used as inputs in the productive process, is estimated to have increased by £1,372 million (10%) to £14,874 million. The value of all inputs consumed has increased, particularly those for animal feed, energy and fertilisers.

The value of consumption of animal feed rose by £426 million (11%) to £4,385 million reflecting increases in prices for cereals and oilseed rape in particular though there is a lag between price increases in the raw ingredients and compound feed. The value for energy, principally motor and machinery fuels, is estimated to have increased by £170 million (14%) to £1,371 million and the value of fertilisers consumed is estimated to have increased by £275 million (20%) to £1,626 million, reflecting higher prices for these commodities. The cost of animal feed, energy and fertilisers have increased significantly in recent years by 71%, 65% and 100% respectively since 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 £1,671 million (24%) to £8,764 million.

Net Value Added at factor cost, which is gross value added at basic prices adjusted for consumption of fixed capital, other taxes on production and other subsidies on production, is estimated to have increased by £1,222 million (17%) to £8,450 million. The value of consumption of fixed capital, which is capital, such as equipment, buildings and the breeding herd, used up in the process of generating new output, is estimated to have increased by £312 million (9.5%) to £3,610 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, fell by £129 million (-3.5%) to £3,418 million.

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 £107 million (4.8%) to £2,315 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 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 November 2012.

	November 2012
Output	98%
Intermediate consumption	84%
Subsidies	100%
Other costs	98%

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 2011 that were published in May 2012 and November 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 2011 agricultural account between May 2012 and November 2012

	May-12	Nov-12	Revision £m May-12 /Nov-12	Revision % May-12/Nov-12
Gross output at basic prices £m	23 652	23 638	-14	-0.1%
Total intermediate consumption £m	14 806	14 874	+68	0.5%
Gross value added at basic prices £m	8 845	8 764	-81	-0.9%
Net Value Added at factor cost £m	8 544	8 450	-94	-1.1%
Total Income from Farming £m	5 693	5 567	-126	-2.2%

Development areas

Defra statisticians carry out a continuous review of methods employed in making estimates for elements of the production and income accounts. This may lead to revisions to data series owing to improvements in methods in addition to the use of later information.

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 is an overview note which is not release specific but will be reviewed and updated at regular intervals. It 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 aim 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.

Main uses of the aggregate agricultural accounts

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

- To monitor the productivity and competitiveness of the farming industry.
- 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 contributes around £5 billion to the national economy 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

First 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
1 Output of cereals	1 502	1 939	3 202	2 348	2 211	3 110
of which: wheat	1 061	1 315	2 278	1 562	1 609	2 168
barley	384	555	831	710	537	857
2 Output of industrial crops	735	819	1 177	1 106	1 321	1 856
of which: oilseed rape	310	472	631	476	674	1 110
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	1 924	1 962	2 257	2 262
of which: fresh vegetables	1 011	1 065	1 105	1 083	1 260	1 217
plants and flowers	737	768	819	879	997	1 045
5 Output of potatoes (including seeds)	650	708	794	681	638	704
6 Output of fruit	386	474	553	595	615	634
7 Output of other crop products including seeds	48	43	45	58	52	60
Total crop output (sum 1 - 7)	5 302	6 054	7 987	7 067	7 424	8 905
8 Output of livestock	5 096	5 232	6 579	7 148	7 241	8 222
primarily for meat	4 364	4 432	5 504	5 846	6 108	6 909
of which: cattle	1 561	1 623	2 071	2 131	2 154	2 584
pigs	685	736	865	968	978	1 069
sheep	709	641	798	967	979	1 149
poultry	1 233	1 249	1 579	1 590	1 799	1 900
gross fixed capital formation	732	799	1 076	1 302	1 133	1 313
of which: cattle	447	493	782	871	649	698
pigs	8	5	6	8	8	8
sheep	146	153	125	238	295	403
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	11 218	12 610
10 Other agricultural activities	624	680	792	869	930	1 059
11 Inseparable non-agricultural activities	684	763	814	913	994	1 037
12 Output (at market prices) (sum 1 to 11)	14 624	16 014	20 191	19 709	20 566	23 610
13 Total subsidies (less taxes) on product	87	62	57	38	29	28
14 Gross output at basic prices (12 + 13)	14 711	16 076	20 249	19 746	20 595	23 638
Intermediate consumption						
15 Seeds	573	614	705	690	636	658
16 Energy	831	897	1 166	1 095	1 201	1 371
of which: electricity and fuels for heating	258	274	341	342	357	376
motor and machinery fuels	573	623	826	754	844	995
17 Fertilisers	811	813	1 478	1 228	1 350	1 626
18 Plant protection products, including fungicides,	518	571	690	715	761	809
19 Veterinary expenses	284	302	338	360	401	409
20 Animal feed	2 570	3 013	3 947	3 659	3 959	4 385
of which: compounds	1 426	1 702	2 186	2 088	2 255	2 622
straights	758	877	1 193	1 060	1 263	1 261
feed produced and used on farm	387	434	568	512	441	502
or purchased from other farms						
21 Total maintenance	1 017	1 085	1 218	1 282	1 341	1 405
of which: materials	655	695	745	798	826	865
buildings	362	389	473	484	515	540
22 Agricultural services	623	680	792	869	930	1 059
23 FISIM*	105	113	141	120	139	155
24 Other goods and services	2 318	2 380	2 583	2 665	2 783	2 997
25 Total intermediate consumption (sum 15 to 24)	9 651	10 468	13 058	12 685	13 502	14 874

continued

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

£million	Calendar years					
	2006	2007	2008	2009	2010	2011
26 Gross value added at market prices (12 - 25)	4 973	5 546	7 133	7 024	7 065	8 737
27 Gross value added at basic prices (14 - 25)	5 060	5 608	7 191	7 061	7 093	8 764
28 Total consumption of Fixed Capital	2 681	2 717	3 069	3 274	3 298	3 610
of which:						
equipment	1 199	1 213	1 268	1 391	1 450	1 537
buildings	685	696	709	709	704	727
livestock	798	809	1 091	1 173	1 145	1 347
cattle	499	503	743	731	679	793
pigs	7	6	7	8	8	8
sheep	162	157	188	269	291	350
poultry	129	142	153	164	167	196
29 Net value added at market prices (26 - 28)	2 291	2 828	4 065	3 750	3 766	5 126
30 Net value added at basic prices (27 - 28)	2 379	2 890	4 122	3 787	3 795	5 154
31 Other taxes on production	- 98	- 101	- 103	- 106	- 115	- 122
32 Other subsidies on production	2 940	2 945	3 222	3 581	3 548	3 418
33 Net value added at factor cost (30 + 31 + 32)	5 220	5 735	7 241	7 263	7 228	8 450
34 Compensation of employees	1 969	2 000	2 059	2 160	2 208	2 315
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	168	171	194
37 Total income from farming (33 - 34 - 35 - 36)	2 552	2 959	4 466	4 568	4 483	5 567

* 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

	2006	2007	2008	2009	2010	2011
Volume indices (2005=100)						
Gross output at basic prices	97.3	96.4	101.8	100.0	100.9	103.3
Total intermediate consumption	97.5	99.3	102.4	103.9	106.2	104.9
Gross value added at market prices	97.1	91.2	100.9	93.5	92.1	100.7
Gross value added at basic prices	97.0	91.1	100.6	93.3	91.9	100.4
Total consumption of fixed capital	96.7	96.3	99.9	94.8	96.0	100.6
Net value added at market prices	97.6	86.0	100.6	91.4	87.9	99.3
Net value added per AWU of all labour	99.7	89.9	107.3	99.1	95.5	106.5
Total factor productivity	99.3	97.5	101.4	99.0	99.0	101.3

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

	2006	2007	2008	2009	2010	2011
TIFF (£ million)	3 030	3 369	4 890	5 028	4 716	5 567
TIFF/Annual Work Unit (£)	15 500	17 700	26 200	27 400	25 700	30 000
TIFF: relative change year on year	2%	11%	45%	3%	-6%	18%
TIFF/Annual Work Unit: relative change year on year	5%	14%	48%	5%	-6%	16%