



Centre for Rural Policy Research

Farm incomes in Devon 2007/08

Matt Lobley, Allan Butler, Michael Winter

CRPR Research Report No 28.





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A report for Devon County Council

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This report can be downloaded from the CRPR website:

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CRPR Research Report No. 28
ISBN 978-1-905892-09-9
January 2009
£10

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For further information, please contact Dr Matt Lobley, Centre for Rural Policy Research,
Department of Politics, University of Exeter, Rennes Drive, Exeter, EX4 4RJ.
Tel: 01392 264539. E-Mail: m.lobley@exeter.ac.uk

Farm incomes in Devon 2007/08

1. Introduction

This report forms part of a series of research reports and briefings funded by Devon County Council. In our 2007 report, *Farming in Devon: changes since 2002 and developments in the near future*, we reported on a range of agricultural trends in Devon and presented farm incomes data for the financial year 2005/06. The current report deals with farm incomes only and presents data for 2007/08. This is the most recent data that is available for analysis and whilst the economic conditions on Devon's farms have changed yet again since the data was collected, it nevertheless provides a valuable insight into the changing fortunes of Devon's agriculture.

The data used in this report is drawn from The Farm Business Survey (FBS), funded by Defra and, in SW England, managed by Duchy college (click on link for further information: [Farm Business Survey](#)). The FBS is widely recognised as the most authoritative survey of the financial position and economic performance of farmers and growers in England and Wales. In the South West, it involves each year about 320 farmers and horticulturalists, who provide a range of management and accounting information about their business. The sample is structured to reflect all major farming and horticultural systems in the region and focuses on full-time businesses - those large enough to provide a living for at least one person.

In previous reports we have provided information on Net farm Income¹ which for many years had been Defra's preferred measure of farm income. Following a consultation exercise in 2006, a new way of representing farm income, Farm Business Income (FBI) has been adopted as the preferred measure of income as it is thought to give a more accurate representation of income. FBI represents the return to all unpaid labour (farmers, spouses and others with an entrepreneurial interest in the farm business) and to all their capital invested in the farm business including land and farm

¹ Defined as the return to the farmer and spouse for their manual and managerial labour and on tenant type capital in livestock, crops, machinery, etc., but excluding land and buildings.

buildings. This is essentially the same as net profit. While this is now the primary indicator, NFI continues as a secondary measure (Defra 2007). In this report we have used both measures of income although it is likely that in the future we will only use FBI.

Trends in farm incomes: evidence from The Farm Business Survey

2. The regional FBS results

The Devon FBS sample is too small to be used alone to provide reliable estimates of farm incomes in the county. However, regional results *are* statistically reliable and can be used as a good representation of the county level performance of individual farm sectors.

The FBS weighted income measures² for the South West Government Office Region (SW GOR) are presented in Tables 1 and 2 for the main farm types found in Devon.³ Overall, the Net Farm Income (NFI) of most farm types in the South West was considerably higher in the financial year of 2007/08 than in 2006/07. Reflecting a brief period of high prices, Tables 1 and 2 indicate that the NFI of cereal farms experienced a marked improvement of 65.7%⁴, while the NFI of dairy farms more than doubled (108.7%), and that of mixed farms trebled. However, these gains, particularly for mixed farms, need to be placed in perspective since the previous years' performance (2006) was poor compared to preceding years. This coupled with revenue increases from crops and dairy cattle has resulted in spectacular looking increases. The gains in NFI on lowland cattle and sheep farms and LFA cattle and sheep farms were more modest (31.2% and 8.1% respectively). On the basis of this measure, the incomes of lowland livestock farms in 2007/08 were similar to those in 2002/03, whilst NFI on upland farms was approximately 50% of the 2002/03 level.

² FBS surveys are based on a stratified random sample of farm businesses with the individual farm results weighted to produce representative figures for the counties and countries of the UK.

³ Pigs and Poultry are excluded as too few observations means that the sample gives unreliable estimates.

⁴ The increase in the income of cereal farms can be at least partly attributed to the planting of commercial crops on former set aside land.

Table 1: Net Farm Income per farm by farm type for the South West Government region since 2002

	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08
Cereal	£10,664	£21,341	£16,503	£24,043	£30,489	£50,520
Dairy	£19,498	£27,084	£30,961	£30,845	£26,695	£55,709
Cattle & Sheep (LFA)	£15,429	£10,195	£9,784	£8,756	£6,586	£7,121
Cattle & Sheep (Lowland)	£6,070	£5,022	£3,379	£3,436	£5,326	£6,987
Mixed	£13,166	£19,765	£14,094	£15,640	£10,309	£30,723
All Farms	£15,079	£21,458	£17,080	£17,753	£9,533	£31,845

Source: Centre for Rural Policy Research – Farm Business Survey 2002-2008

Table 2: Percentage change in Net Farm Income per farm by farm type for the South West Government region since 2002

	% change between				
	02/03 & 03/04	03/04 & 04/05	04/05 & 05/06	05/06 & 06/07	06/07 & 07/08
Cereal	100.1	-22.7	45.7	26.8	65.7
Dairy	38.9	14.3	-0.4	-13.5	108.7
Cattle & Sheep (LFA)	-33.9	-4.0	-10.5	-24.8	8.1
Cattle & Sheep (Lowland)	-17.3	-32.7	1.7	55.0	31.2
Mixed	50.1	-28.7	11.0	-34.1	198.0
All Farms	42.3	-20.4	3.9	-46.3	234.0

Source: Centre for Rural Policy Research – Farm Business Survey 2002-2008

3. The Devon FBS results^{5,6}

Drawing on FBS data and Defra June Survey data (formally the June census) enables us to model farm incomes for Devon at an aggregate level, by farm type and by District. Overall, NFI in Devon for 2007/08 was approximately £157.8 million; this is a 52.9% increase in the county's agricultural income compared to 2006/07.

From Table 3 it can be seen that in 2007/08 a number of main farm types typical of the county accounted for 93.0% of the farmed area of Devon but only produced 60.3% of the county's NFI. Other less common farm types such as Pigs, Poultry and Horticulture, with higher value produce in terms of NFI per hectare, produced 39.7% of Devon's NFI.

⁵ As data from both the Farm Business Survey and Defra's June agricultural survey are derived from samples that are not necessarily the same in consecutive years, a direct comparison between years must be treated as illustrative rather than definitive. In addition, as the Devon NFI is calculated using both Defra and FBS data, whereas the regional NFI is only derived from FBS data, the two sets of results are not directly comparable.

⁶ The area of cereal farms has been weighted according to a Defra publication detailing a summary of the 2008 June survey to reflect up to date changes of increased areas of cereal land (Defra 2008).

Table 3: Area farmed, NFI and farm types in Devon, 2007/08

	Area	NFI 2007/08
Main Farm Types (dairy, LFA cattle and sheep, lowland cattle and sheep, and mixed farms)	93.0%	60.3%
Other Farm Types (General cropping, horticulture, pigs and poultry farms)	7.0%	39.7%

Source: Farm Defra June Survey 2007 and Business Survey 2008

Focusing on the main farm types identified in Table 3, Table 4 indicates how NFI has changed in the period 2006-2008. Overall the main farm types in the county experienced a 66.6% increase in NFI between 2006/07 and 2007/08, with a particularly large increase in the income of mixed farms. It should be noted however, that for this and several other farm types the large percentage increase in income was from a very low base. In addition, rapidly rising input costs will have since eroded these income levels.

Table 4: Aggregate NFI by main farm type in Devon (£m)

Farm Type	NFI in 2006/07	NFI in 2007/08	% Change from 2006/07 to 2007/08
Cereal	8.1	11.9	47.1
Dairy	32.0	56.2	75.4
LFA	5.9	6.3	7.5
Lowland Cattle and Sheep	7.5	10.1	34.8
Mixed	3.7	10.7	192.3
Main farm types in Devon	57.1	95.1	66.6

Source: Defra June Survey 2007 and Farm Business Survey 2008

Table 5 and Figure 2a present aggregate farm income data by district. It can be seen that, with the possible exception of Teignbridge⁷, most districts experienced a considerable increase in net farm income between 2007/07 and 2007/08. Clearly, the agricultural performance of the districts, in terms of NFI, is significantly influenced by the agricultural structure of each district in terms of farm type and the changing fortunes of farms of different types. Hence, as Figure 2b illustrates the South Hams

⁷ For Teignbridge, the change reported between 2006/07 and 2007/08 is lower than the other districts because in 2007/08 Defra suppressed area data for cereal, dairy and mixed farming to protect disclosure of individual farms. In effect the reported change in Table 5 is therefore only that of cattle and sheep farms.

and Torridge benefited from increasing incomes on cereal farms, while much of the increase in income in East Devon can be attributed to rising dairy incomes (see Figure 2c). Figures 2d-f show the change in aggregate NFI by district for upland livestock, lowland livestock and mixed farms. In the case of the latter, it can be seen that improvements in the fortunes of mixed farming have benefit the aggregate farm incomes of East Devon, Mid Devon, North Devon and the South Hams in particular.

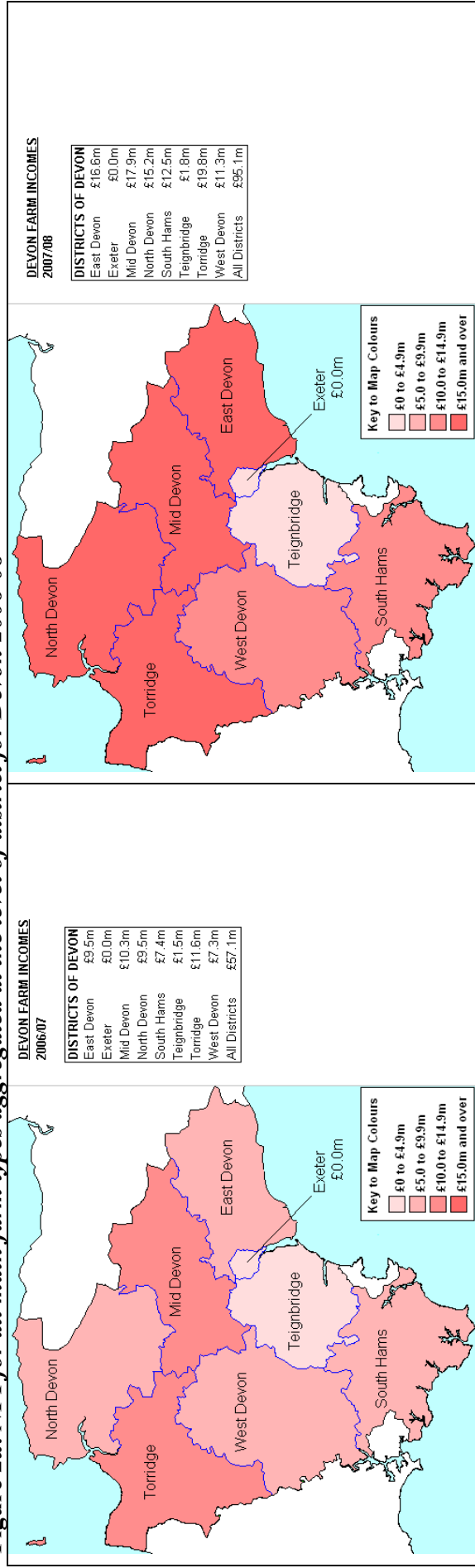
Table 5: Aggregate NFI at district level in Devon (£m)⁸

District	NFI in 2006/07	NFI in 2007/08	% Change from 2006/07 to 2007/08
East Devon	9.5	16.6	+74.2
Exeter	0.0	0.0	+34.8
Mid Devon	10.3	17.9	+73.8
North Devon	9.5	15.2	+60.4
South Hams	7.4	12.5	+69.7
Teignbridge	1.5	1.8	+20.3
Torridge	11.6	19.8	+70.9
West Devon	7.3	11.3	+54.2
Devon CC	57.1	95.1	+66.6

Source: Defra June Survey 2007 and Farm Business Survey 2008

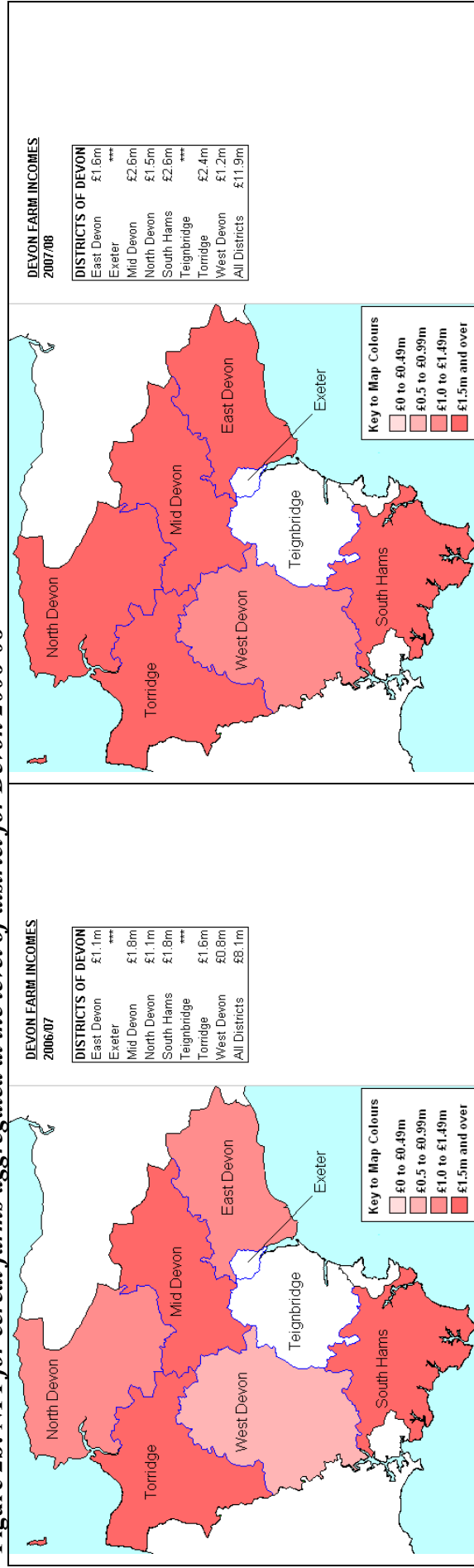
⁸ Since values are given as £m, this hides the small amount of income (approximately £180,000) that is generated in Exeter from farming.

Figure 2a: NFI for all main farm types aggregated at the level of district for Devon 2006-08



Source: Defra June Agricultural Survey 2007 and Farm Business Survey 2008

Figure 2b: NFI for cereal farms aggregated at the level of district for Devon 2006-08



Source: Defra June Agricultural Survey 2007 and Farm Business Survey 2008

*** Data suppressed by Defra

Figure 2c: NFI for dairy farms aggregated at the level of district for Devon 2006-08

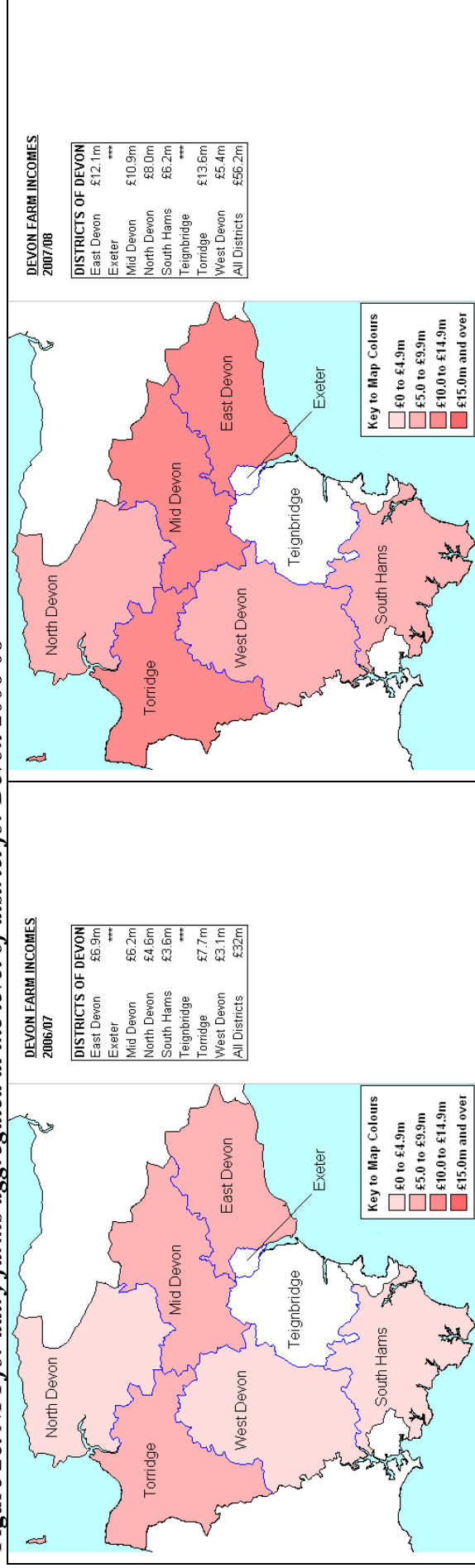


Figure 2d: NFI for LFA cattle and sheep farms aggregated at the level of district for Devon 2006-08

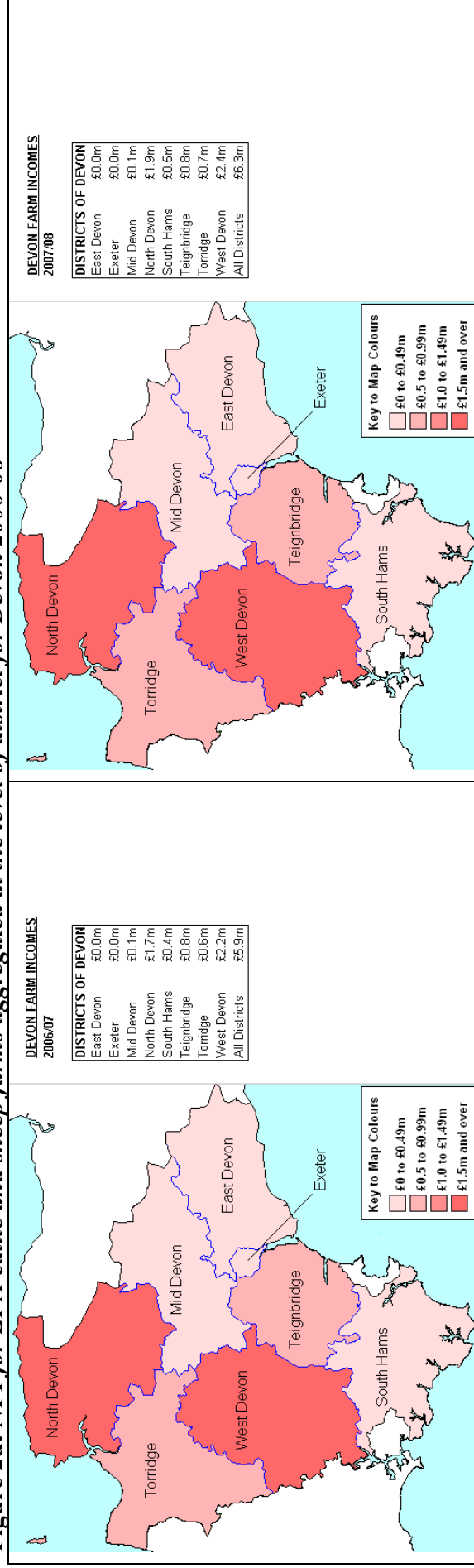
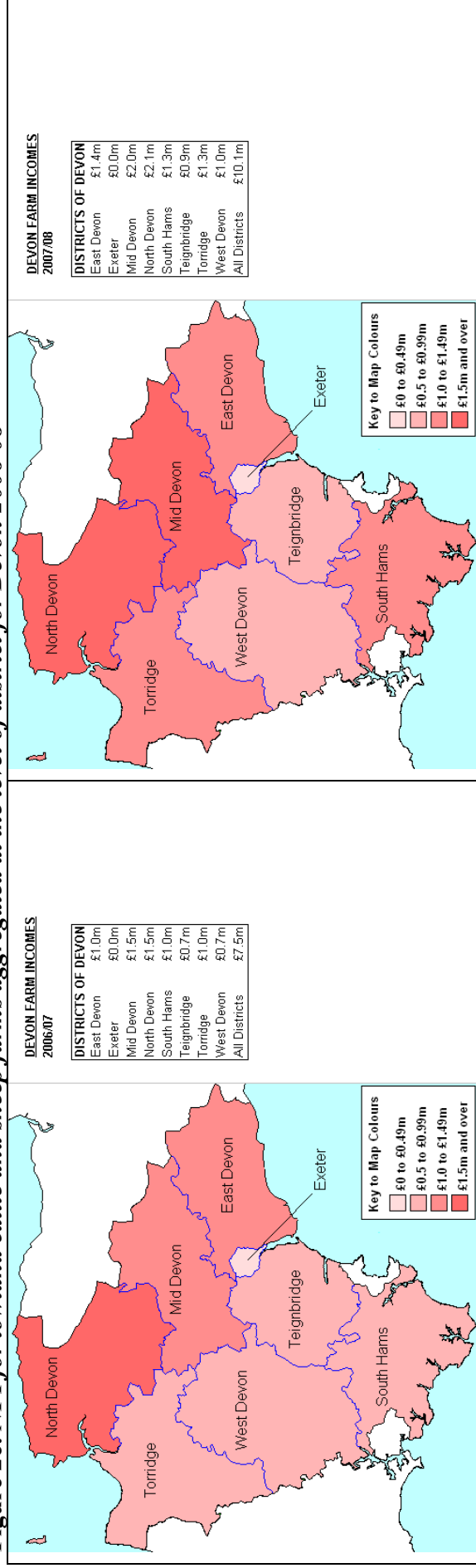
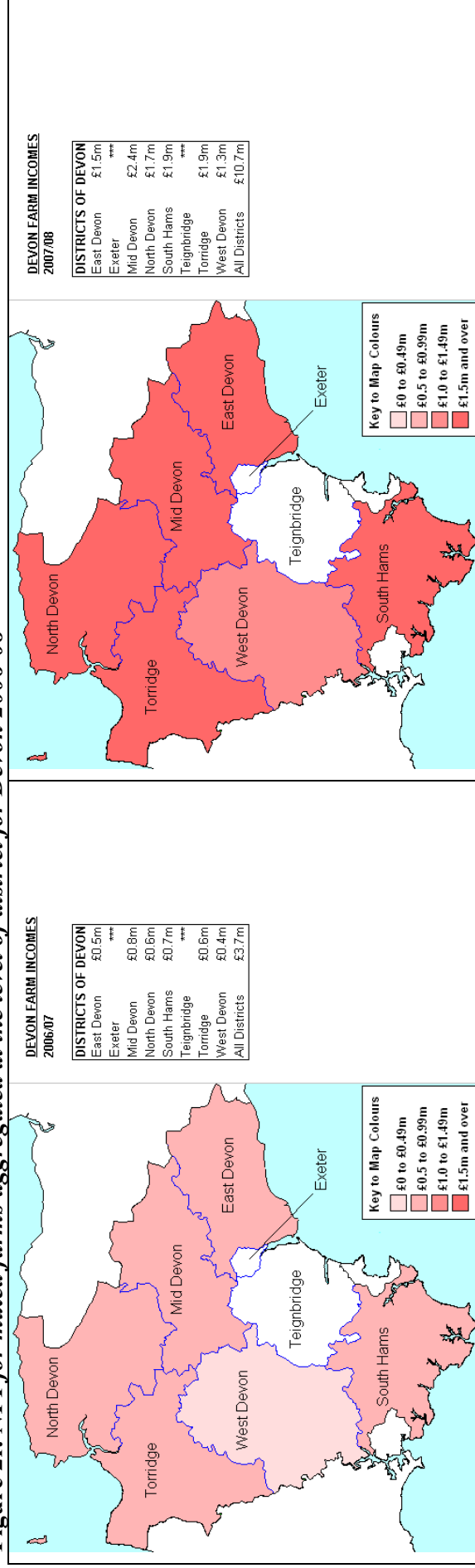


Figure 2e: NFI for lowland cattle and sheep farms aggregated at the level of district for Devon 2006-08



Source: Defra June Agricultural Survey 2007 and Farm Business Survey 2008

Figure 2f: NFI for mixed farms aggregated at the level of district for Devon 2006-08



Source: Defra June Agricultural Survey 2007 and Farm Business Survey 2008

*** Data suppressed by Defra

4. Farm Business Income

On the basis of the new preferred measure of farm income, Farm Business Income, overall, farm businesses in Devon generated approximately £206.6 million in 2007/08. This is higher than the comparable figure for NFI (£157.8m) and is arguably a result of the more realistic measure of income using the FBI definition. As Table 6 indicates, FBI varied considerably by farm type with cereal and dairy farms experiencing the highest incomes while upland and lowland livestock farms generated incomes of less than £15,000 on average. Table 6 also shows the constituent elements of FBI and indicates that agricultural income was negative on livestock farms and mixed farms. Other sources of income, such as agri-environmental payments and diversification are clearly important contributors to FBI as is the Single Payment Scheme which, on average, contributed some 53% to FBI on Devon's farms. In contrast, agricultural sources contributed just under 21%.

Table 7 indicates how the various elements of FBI have changed between 2006/07 and 2007/08. It can be seen that agricultural income sources increased significantly for all main farm types other than livestock farms. Indeed, most of the increase in FBI for cereal, dairy and mixed farms in this period can be directly attributed to rising agricultural income, whereas the smaller overall increase in FBI on livestock farms derives from different sources (in the case of the uplands, small increases in agricultural and agri-environmental income, and in the lowlands small increases in agricultural and diversification income). It can also be seen that income from the Single Payment Scheme declined on Devon's livestock farms. This is not unexpected as the historical element of the single payment is designed to decline over time. Consequently, as Devon's livestock farms were relatively highly stocked and so benefited from the earlier headage scheme payments, their payments could be expected to decline as the historical element of the payment is progressively reduced in favour of an area based payment.

Table 6: Farm Business Income in 2007/08

	Sources of income				Farm Business Income
	Agriculture	Agri-environment payments	Diversification	Single Payment Scheme	
Cereal	£6,906	£9,462	£16,889	£38,537	£71,794
Dairy	£36,613	£3,089	£2,914	£23,083	£65,699
Cattle and Sheep (LFA)	-£12,679	£9,592	£1,261	£16,672	£14,846
Cattle and Sheep (Lowland)	-£8,973	£3,696	£4,870	£15,087	£14,680
Mixed	-£2,349	£7,741	£5,734	£27,877	£39,003
All farms	£8,146	£4,953	£5,364	£20,696	£39,158
% of FBI	20.8%	12.7%	13.7%	52.9%	100.0%

Source: Centre for Rural Policy Research – Farm Business Survey 2008

Table 7: Change in absolute value of Farm Business Income from 2006/07-2007/08

	Sources of income				Change in FBI 2006-2008
	Agriculture	Agri-environment payments	Diversification	Single Payment Scheme	
Cereal	£20,860	£842	-£521	£1,469	£22,649
Dairy	£26,883	£710	£482	£2,360	£30,435
Cattle and Sheep (LFA)	£1,065	£1,762	£103	£678	£3,608
Cattle and Sheep (Lowland)	£1,571	£439	£1,448	-£1,329	£2,128
Mixed	£21,221	£1,193	-£244	-£1,144	£21,025
All farms	£13,432	£783	£584	£335	£15,132

Source: Centre for Rural Policy Research – Farm Business Survey 2008

At the district level, Table 8 indicates a fairly even pattern of increase in FBI since 2006 although as with change in NFI, Teignbridge has seen the smallest increase in income. Finally, Table 9 replicates Table 3 but uses FBI rather than NFI. Using the new measure of FBI reduces somewhat the disproportionate contribution of minority farm types to Devon's agricultural income and shows that the main farm types manage 93% of the county's farmed area also produced 69.3% of the county's agricultural income.

Table 8: Aggregate FBI at district level in Devon (£m)

District	FBI in 2006/07	FBI in 2007/08	% Change from 2006/07-2007/08
East Devon	14.2	23.0	+62.8
Exeter	0.0	0.0	+55.1
Mid Devon	16.1	26.5	+65.0
North Devon	15.3	24.3	+58.4
South Hams	11.7	19.2	+63.0
Teignbridge	2.9	4.2	+44.4
Torrige	17.3	27.8	+60.6
West Devon	11.7	18.1	+54.8
Devon CC	89.3	143.2	+60.4

Source: Defra June Survey 2007 and Farm Business Survey 2008

Table 9: Area farmed, FBI and farm types in 2007/08

	Area	FBI 2007/08
Main Farm Types (dairy, LFA cattle and sheep, lowland cattle and sheep, and mixed farms)	93.0%	69.3%
Other Farm Types (General cropping, horticulture, pigs and poultry farms)	7.0%	30.7%

Source: Farm Defra June Survey 2007 and Business Survey 2008

5. Conclusions

After a long period of low farm incomes 2007/08 saw widespread improvements in farm incomes in Devon (in line with national trends). Buoyant prices contributed to increased incomes, as did an expansion of arable crops on former set aside land. Livestock farms however, continued to face low incomes and, using the new preferred measure of FBI, it has been seen that livestock and mixed farms recorded negative agricultural income levels, although these were more than offset by other income such as from diversification, agri-environmental schemes and the Single Payment Scheme.

Significant percentage increases in farm incomes in 2007/08 and an expectation that much of the increase will have since been eroded by increasing input costs and weakening commodity prices underlines the need to continue to monitor the county's farming incomes on a regular basis. On-going and significant dependence on the Single payment Scheme leaves many of Devon's farms vulnerable to the possible future reduction of such payments (if they are not redirected towards farmers in a different form).

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Centre for Rural Policy Research
Department of Politics
Amory Building
Rennes Drive
Exeter EX4 4RJ

Telephone: +44(0)1392 263836

www.exeter.ac.uk/crpr