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THE FARM BUSINESS SURVEY IN WALES

Wales Farm Income Booklet

2015/16 Results

80 years
of the Farm Business Survey

Institute of Biological,
Environmental and Rural Sciences

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2015/16 Results**

Farm Business Survey

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Foreword

Aberystwyth University has been researching Welsh farm incomes since before the Second World War and 2015/16 is the 80th Anniversary of the Survey. The Survey, recognised as the most authoritative of the financial position and performance of farm incomes, provides policy-makers with information on the economic state of the industry and provides valuable comparative data for assessing individual farm performance.

This booklet is based on the full Farm Business Survey (FBS) which collects information from over 550 randomly selected Welsh farms. The booklet is aimed at providing farmers with a user friendly benchmarking tool and incorporates the latest financial and physical information for the main farm types in Wales. The results shown are contrary to some aspects of FBS methodology and presentation of results. For example, notional inputs such as rental value for owner occupied farms and unpaid labour have been taken out, whereas finance charges have been included, so that the figures represent actual costs incurred. This booklet only shows unpaid labour for reference purposes and also, only includes selected farm types. For undertaking detailed, comprehensive analysis and for year on year analysis on income trends please refer to the full results published as the annual report 'Farm Business Survey in Wales: Statistical Results' (available online).

Aberystwyth University has been associated with land-based studies since 1878 and the FBS is its oldest research contract. It is therefore appropriate that I gratefully acknowledge the many farmers throughout Wales who have made detailed information available; the Welsh Government who finance the present Survey and the past and present staff of the Survey.

Tony O'Regan
Director of Farm Business Survey

Overview

The results in this booklet consist of accounting years ending between 31st December 2015 and 31st March 2016 and therefore reflect farming conditions between January 2015 and March 2016. This overview is intended to provide context and insight into the period that these results represent.

The year began with good levels of quality forage stocks in store. The start of 2015 saw mild, but wet conditions resulting in slow crop growth, some soil damage and difficulties emptying slurry stores early on. A reasonable turnout was achieved by many and favourable weather produced a good grazing season and reasonable harvests, although a wetter autumn shortened the grazing season for some and made it difficult for cereal growers. A mild, but wet winter followed resulting in some localized flooding and increased animal respiratory issues.

Livestock fortunes were similar for all producers. After a good lambing period sheep producers saw a big reduction in prices throughout the season albeit with some recovery in spring 2016, but too late to benefit all except those that struggled to finish lambs in the autumn. Wool prices held firm, but sheep margins fell sharply on the previous year. Finished beef producers had marginally better fortunes only in that poor prices held a little firmer initially, but then fell significantly before a small recovery at the start of 2016 only to drop back again. Store producers and dairy calf sellers managed to fend better. The good growing season / lower prices helped reduce feed and fertilizer inputs, buffering cattle margins a little.

Cereal producers, despite lower fertilizer costs, saw increases in agrochemical costs. Generally yields were up but late maturing crops encountered a difficult harvest period. Overall prices were poor and with little optimism regarding future prospects there were reductions in on-farm investment.

The perfect storm of dire prices, A and B quotas / unfavourable contracts, supply outstripping demand, ever present TB and all on the back of recent investment by many producers arrived for

the dairy sector. With some farmers receiving prices well below 20p/l the year was an extremely difficult trading period for many. Those on aligned contracts / located in areas with multiple buyers fared better, but the loss of confidence and producers in the sector continued unabated.

Other aspects of note during the period included a tortuous introduction of the Basic Payment Scheme (BPS) with payments delayed by months in many instances; extended credit demands due to cash flow problems; global market pressures and detrimental exchange rates; significant returns for some that invested in renewable energy and increased demand for land for energy production.

The results highlight significant differences between 'average' and 'top-third' performing farms. For example, the top third performing cattle and sheep farms' £ per effective hectare profit was over double that of the average farm in the samples. Likewise on dairy farms top third producers made a net margin over six times that of the bottom third. Meat producers showed similar variability with lamb producers ranging from making 31p/kg to losing 82p/kg, and beef producers ranging from plus 28p/kg to minus 150p/kg. However, all these results take no account of the cost of the farmer's labour, the absence of which may, if misused, present a false picture of the economics of production. The dairy sector best illustrates this since labour/pension costs alone can add around 7-8p/l, pushing top producers' cost of production to over 26p/l and the bottom closer to 33p/l.

Particular attention also needs to be given to the contribution of the BPS, other subsidies and diversified income so that the reader can examine the contribution of the 'farming' enterprises to the bottom line. For example, these three sources contributed around 39% of outputs and 173% of profits, on average, for hill sheep farms.

Farmers are often unfairly criticised for crying wolf however, it's difficult to see how many Welsh farms can currently produce food economically without relying on significant non farming income and timely BPS payments.

Introduction

Farm profitability is central to any farm business, although farmers will have many other business and personal objectives. With the introduction of the BPS and ongoing economic challenges all farmers should be aware of their production costs and how these compare with those of other producers. The variation in performance and return demonstrated in this booklet shows the scope for improvement and by comparing or 'benchmarking' farm performance, potential strengths and weaknesses within the farming operation can be identified and acted upon.

The results in this booklet are laid out as follows with data shown for the average and top third performers:

1. Whole Farm Data (Pages 7 – 18)

A profit and loss account and summarised balance sheet for six different types of farm are presented, showing the average profit or loss for these farms and its equivalent per hectare. Also shown is the size and stocking of these farms and relevant key performance indicators.

2. Gross Margin Data (Pages 19 – 22)

This booklet presents data for eight different farm enterprises. Gross margins compare income with the direct costs incurred for production. Care is needed when using gross margins since no account is taken of indirect production costs (overheads).

3. Production Costs Data (Pages 23 – 24)

Production costs are presented for four farm outputs. These examine the total unit cost of production and, by allocating both direct and indirect costs (the latter being allocated on a livestock unit basis), the producer is better able to determine both the competitiveness and efficiency of the enterprise.

DEFINITION OF TERMS AND EXPLANATORY NOTES

<i>Effective Hectares (Eff. Ha.)</i>	Constitutes total farm area minus area occupied by roads, woodland, wasteland and buildings, and rough grazing expressed in terms of pasture equivalent.
<i>Farm Types</i>	
<i>Hill</i>	Mainly in Severely Disadvantaged Area.
<i>Upland</i>	Mainly in Disadvantaged Area.
<i>Lowland</i>	Mainly outside Less Favoured Area.
<i>Whole Farm Data</i>	
<i>Ranking of whole farm data</i>	Top producers are ranked by profit after rent and finance per effective hectare.
<i>Indirect subsidies</i>	Subsidies not subject to de-coupling e.g. Organic Scheme and Glastir.
<i>Other crop costs</i>	Includes all arable and forage costs except for fertilisers and contracting, e.g. seeds, sprays, wrap, twine etc.
<i>Allocatable contracting</i>	Contracting allocated to enterprises e.g. combining, shearing and slurry spreading.
<i>General farm costs</i>	Includes electricity, telephone, insurances, professional fees, licenses and subscriptions.
<i>Miscellaneous income</i>	Comprises contracting, cottage rents, wayleaves and any other miscellaneous income. Includes revenue from other enterprises not shown.
<i>Owner equity</i>	Net worth as percentage of total assets.
<i>Stocking Rate (glu/adj.forage ha),</i>	Grazing Livestock Units per adjusted forage hectare of land.
<i>Livestock Units (LU) and Grazing Livestock Units (GLU)</i>	Livestock numbers are converted to livestock units, based on estimated energy requirements, to calculate the total stocking of grazing livestock on the farm.
<i>Dairy other output</i>	Net output from sales / purchases of cows and calves. Includes valuation changes.
<i>Income from Energy Generation</i>	Income from farmer- and non-farmer-owned energy generation, including wind, solar, biomass, hydro, AD etc

<i>Paid labour</i>	Includes actual paid casual, part-time and whole time labour.
<i>Unpaid labour (not including farmer and spouse)</i>	Unpaid labour or labour receiving less remuneration than the market rate. Unpaid labour is not included in profit after rent and finance.
<i>Land expenses</i>	Repairs to building and land resources e.g. hedges, fences, walls, ditches and gates. Also includes water costs.
<i>Finance</i>	Includes bank charges, interest and lease / hire purchase interest. No capital repayments are included.
Gross Margin Data	On a per head basis. Calculated by subtracting the direct (variable) costs from the relevant output.
<i>Other livestock Costs</i>	Purchased bedding materials, sales commission and other costs incurred specifically for livestock enterprises.
<i>Forage variable costs / Forage</i>	Includes other crop costs for forage, fertilisers, forage contracting and grass keep.
Production Costs Data	Calculated by dividing all variable and overhead costs by kilograms of meat (in liveweight terms) or litres of milk produced. Overheads are allocated on a livestock unit basis after a share for any arable and / or miscellaneous income enterprises has been deducted. Ranked by net margin.
<i>Herd / Flock replacement</i>	Breeding livestock valuation change less culls, plus breeding stock purchases.
<i>Power and machinery</i>	Includes machinery repairs, fuel, other contracting and machinery depreciation.
<i>Buildings</i>	Land expenses and building depreciation
<i>Net margin</i>	Output less input / costs for enterprise.

HILL CATTLE AND SHEEP FARMS**2015/16****WHOLE FARM DATA**

Number of farms : 121

	All farms	All farms	Top third
	£/farm	£/eff.ha.	£/eff.ha.
OUTPUTS			
Beef	43,190	347	440
Sheep	41,210	331	458
Crops and forage	2,080	17	27
Basic Payment Scheme	23,483	189	219
Indirect subsidies	6,752	54	77
Income from energy generation	2,140	17	40
Miscellaneous income	5,740	46	58
TOTAL OUTPUTS	124,595	1,001	1,319
INPUTS			
Feeds	18,309	147	163
Tack and grass keep	5,348	43	50
Veterinary and medicines	5,184	42	44
Other livestock costs	8,536	69	87
Fertilisers	7,471	60	67
Other crop costs	2,022	16	15
Allocatable contracting	4,301	35	37
TOTAL VARIABLE COSTS	51,171	412	463
Paid labour	4,755	38	40
Other contracting / machinery hire	896	7	6
Fuel and repairs	10,063	81	87
Machinery depreciation	13,159	106	114
General farming costs	10,241	82	92
Land expenses	4,503	36	38
Buildings depreciation	3,665	29	30
TOTAL OVERHEAD COSTS	47,282	379	407
TOTAL INPUTS	98,453	791	870
PROFIT BEFORE RENT AND FINANCE	26,142	210	449
Rent	3,020	24	21
Finance	4,246	34	36
PROFIT AFTER RENT AND FINANCE	18,876	152	392
Unpaid labour	6,622	53	69

HILL CATTLE AND SHEEP FARMS**2015/16**

	Owned	Tenant	Mixed
BALANCE SHEET	£/farm	£/farm	£/farm
Number of farms by tenure type	60	7	54
TOTAL ASSETS	1,218,819	281,662	1,128,680
TOTAL EXTERNAL LIABILITIES	122,023	51,503	99,595
NET WORTH	1,096,796	230,159	1,029,085
Owner equity (%)	90	82	91

PHYSICAL DATA	All farms	Top third
LAND AREA	Hectares	Hectares
Grassland and forage crops	110.51	99.62
Cereals and other crops	1.03	0.85
Rough grazing, fallow, woods etc.	43.29	48.66
TOTAL AREA (actual)	154.83	149.13
TOTAL AREA (effective)	124.45	112.53

LIVESTOCK	All farms	Top third
	Numbers	Numbers
Suckler cows	43	45
Other cattle	92	92
Breeding sheep	590	593
Other sheep	409	476

PERFORMANCE INDICATORS	All farms	Top third
Lambs reared (numbers per ewe)	1.25	1.35
Finished lamb sales (numbers per ewe)	0.94	1.05
Finished lamb sales (£ per lamb)	63.62	66.11
Calves reared (numbers per cow)	0.89	0.94
Finished cattle sales (£ per head)	1,113	1,244
Store cattle sales (£ per head)	877	941
Stocking rate (glu/adj. forage ha.)	1.03	1.18

HILL SHEEP FARMS**2015/16****WHOLE FARM DATA**

Number of farms : 117

	All farms	All farms	Top third
	£/farm	£/eff.ha.	£/eff.ha.
OUTPUTS			
Beef	11,959	83	110
Sheep	53,256	368	460
Crops and forage	998	7	7
Basic Payment Scheme	23,942	165	194
Indirect subsidies	10,972	76	109
Income from energy generation	944	7	7
Miscellaneous income	5,180	36	37
TOTAL OUTPUTS	107,251	742	924
INPUTS			
Feeds	13,097	90	106
Tack and grass keep	5,052	35	48
Veterinary and medicines	4,291	30	32
Other livestock costs	6,157	42	52
Fertilisers	5,670	39	39
Other crop costs	1,263	9	9
Allocatable contracting	3,108	21	20
TOTAL VARIABLE COSTS	38,638	266	306
Paid labour	3,807	26	13
Other contracting / machinery hire	614	4	5
Fuel and repairs	8,641	60	62
Machinery depreciation	10,428	72	74
General farming costs	8,983	62	62
Land expenses	4,802	33	22
Buildings depreciation	2,313	16	14
TOTAL OVERHEAD COSTS	39,588	273	252
TOTAL INPUTS	78,226	539	558
PROFIT BEFORE RENT AND FINANCE	29,025	203	366
Rent	2,481	17	18
Finance	2,792	19	24
PROFIT AFTER RENT AND FINANCE	23,752	167	324
Unpaid labour	4,275	29	40

HILL SHEEP FARMS

2015/16

	Owned	Tenant	Mixed
	£/farm	£/farm	£/farm
BALANCE SHEET			
Number of farms by tenure type	65	12	40
TOTAL ASSETS	1,228,377	180,467	938,115
TOTAL EXTERNAL LIABILITIES	88,035	44,834	75,582
NET WORTH	1,140,342	135,633	862,533
Owner equity (%)	93	75	92

PHYSICAL DATA	All farms	Top third
LAND AREA	Hectares	Hectares
Grassland and forage crops	121.67	113.92
Cereals and other crops	0.07	0.07
Rough grazing, fallow, woods etc.	79.12	101.42
TOTAL AREA (actual)	200.86	215.41
TOTAL AREA (effective)	144.91	144.13

LIVESTOCK	All farms	Top third
	Numbers	Numbers
Suckler cows	11	16
Other cattle	26	30
Breeding sheep	905	997
Other sheep	587	764

PERFORMANCE INDICATORS	All farms	Top third
Lambs reared (numbers per ewe)	1.18	1.22
Finished lamb sales (numbers per ewe)	0.76	0.78
Finished lamb sales (£ per lamb)	63.00	64.76
Calves reared (numbers per cow)	0.87	0.87
Finished cattle sales (£ per head)	1,179	1,123
Store cattle sales (£ per head)	922	933
Stocking rate (glu/adj. forage ha.)	0.69	0.77

UPLAND CATTLE AND SHEEP FARMS

2015/16

WHOLE FARM DATA

Number of farms : 94

	All farms £/farm	All farms £/eff.ha.	Top third £/eff.ha.
OUTPUTS			
Beef	38,945	372	495
Sheep	35,126	335	445
Crops and forage	4,915	47	51
Basic Payment Scheme	17,687	169	189
Indirect subsidies	3,301	32	28
Income from energy generation	1,011	10	8
Miscellaneous income	6,605	63	75
TOTAL OUTPUTS	107,590	1,028	1,291
INPUTS			
Feeds	12,848	123	141
Tack and grass keep	2,898	28	39
Veterinary and medicines	4,032	39	43
Other livestock costs	6,768	65	78
Fertilisers	7,601	73	74
Other crop costs	2,116	20	21
Allocatable contracting	3,953	38	39
TOTAL VARIABLE COSTS	40,216	386	435
Paid labour	3,445	33	28
Other contracting / machinery hire	851	8	9
Fuel and repairs	8,353	80	85
Machinery depreciation	10,616	101	102
General farming costs	8,721	83	85
Land expenses	4,590	44	39
Buildings depreciation	2,882	28	18
TOTAL OVERHEAD COSTS	39,458	377	366
TOTAL INPUTS	79,674	763	801
PROFIT BEFORE RENT AND FINANCE	27,916	265	490
Rent	3,996	38	32
Finance	3,578	34	35
PROFIT AFTER RENT AND FINANCE	20,342	193	423
Unpaid labour	4,646	44	54

UPLAND CATTLE AND SHEEP FARMS

2015/16

	Owned	Tenant	Mixed
	£/farm	£/farm	£/farm
BALANCE SHEET			
Number of farms by tenure type	49	6	39
TOTAL ASSETS	916,691	155,686	1,089,130
TOTAL EXTERNAL LIABILITIES	56,903	11,683	149,664
NET WORTH	859,788	144,003	939,466
Owner equity (%)	94	92	86
PHYSICAL DATA	All farms	Top third	
LAND AREA	Hectares	Hectares	
Grassland and forage crops	96.60	102.91	
Cereals and other crops	2.46	2.52	
Rough grazing, fallow, woods etc.	13.15	9.59	
TOTAL AREA (actual)	112.21	115.02	
TOTAL AREA (effective)	104.73	109.80	
LIVESTOCK	All farms	Top third	
	Numbers	Numbers	
Suckler cows	30	32	
Other cattle	83	118	
Breeding sheep	452	507	
Other sheep	318	378	
PERFORMANCE INDICATORS	All farms	Top third	
Lambs reared (numbers per ewe)	1.42	1.51	
Finished lamb sales (numbers per ewe)	1.19	1.39	
Finished lamb sales (£ per lamb)	68.49	72.09	
Calves reared (numbers per cow)	0.90	0.92	
Finished cattle sales (£ per head)	1,214	1,178	
Store cattle sales (£ per head)	840	867	
Stocking rate (glu/adj. forage ha.)	1.10	1.28	

WHOLE FARM DATA

Number of farms : 56

	All farms £/farm	All farms £/eff.ha.	Top third £/eff.ha.
OUTPUTS			
Beef	30,944	427	430
Sheep	27,098	374	604
Crops and forage	7,998	110	119
Basic Payment Scheme	13,913	192	219
Indirect subsidies	1,745	24	23
Income from energy generation	817	11	22
Miscellaneous income	3,966	55	86
TOTAL OUTPUTS	86,481	1,193	1,503
INPUTS			
Feeds	9,922	137	154
Tack and grass keep	1,891	26	52
Veterinary and medicines	2,661	37	47
Other livestock costs	5,611	77	100
Fertilisers	5,262	73	81
Other crop costs	2,647	37	44
Allocatable contracting	3,320	46	59
TOTAL VARIABLE COSTS	31,314	433	537
Paid labour	3,235	45	24
Other contracting / machinery hire	1,128	16	9
Fuel and repairs	6,993	96	115
Machinery depreciation	9,426	130	127
General farming costs	8,953	123	125
Land expenses	3,226	44	41
Buildings depreciation	3,146	43	32
TOTAL OVERHEAD COSTS	36,107	497	473
TOTAL INPUTS	67,421	930	1,010
PROFIT BEFORE RENT AND FINANCE	19,060	263	493
Rent	3,180	44	29
Finance	2,330	32	19
PROFIT AFTER RENT AND FINANCE	13,550	187	445
Unpaid labour	4,126	57	80

LOWLAND CATTLE AND SHEEP FARMS**2015/16**

	Owned	Tenant	Mixed
	£/farm	£/farm	£/farm
BALANCE SHEET			
Number of farms by tenure type	28	9	19
TOTAL ASSETS	883,660	164,833	995,725
TOTAL EXTERNAL LIABILITIES	64,143	10,711	84,551
NET WORTH	819,517	154,122	911,174
Owner equity (%)	93	94	92

PHYSICAL DATA	All farms	Top third
LAND AREA	Hectares	Hectares
Grassland and forage crops	63.19	56.51
Cereals and other crops	3.33	2.28
Rough grazing, fallow, woods etc.	10.54	8.72
TOTAL AREA (actual)	77.06	67.51
TOTAL AREA (effective)	72.52	62.93

LIVESTOCK	All farms	Top third
	Numbers	Numbers
Suckler cows	18	12
Other cattle	75	68
Breeding sheep	302	381
Other sheep	237	331

PERFORMANCE INDICATORS	All farms	Top third
Lambs reared (numbers per ewe)	1.45	1.46
Finished lamb sales (numbers per ewe)	1.28	1.29
Finished lamb sales (£ per lamb)	72.62	74.68
Calves reared (numbers per cow)	0.88	0.82
Finished cattle sales (£ per head)	1,229	1,333
Store cattle sales (£ per head)	848	909
Stocking rate (glu/adj. forage ha.)	1.31	1.40

HILL AND UPLAND DAIRY FARMS

2015/16

WHOLE FARM DATA

Number of farms : 67

	All farms £/farm	All farms £/eff.ha.	Top third £/eff.ha.
OUTPUTS			
Dairy - milk	213,052	2,226	2,876
- other output	85	1	63
Other cattle	37,727	394	364
Sheep	12,599	132	117
Crops and forage	2,025	21	31
Basic Payment Scheme	17,925	187	208
Indirect subsidies	1,204	13	11
Income from energy generation	1,910	20	35
Miscellaneous income	6,534	68	145
TOTAL OUTPUTS	293,061	3,062	3,850
INPUTS			
Feeds	75,187	786	894
Tack and grass keep	11,908	124	136
Veterinary and medicines	10,373	108	115
Other livestock costs	23,268	243	241
Fertilisers	17,102	179	193
Other crop costs	4,399	46	48
Allocatable contracting	15,440	161	163
TOTAL VARIABLE COSTS	157,677	1,647	1,790
Paid labour	14,134	148	183
Other contracting / machinery hire	3,593	38	32
Fuel and repairs	15,919	166	160
Machinery depreciation	19,614	205	246
General farming costs	19,093	199	197
Land expenses	7,481	78	78
Buildings depreciation	12,338	129	119
TOTAL OVERHEAD COSTS	92,172	963	1,015
TOTAL INPUTS	249,849	2,610	2,805
PROFIT BEFORE RENT AND FINANCE	43,212	452	1,045
Rent	6,315	66	62
Finance	11,106	116	80
PROFIT AFTER RENT AND FINANCE	25,791	270	903
Unpaid labour	11,120	116	125

	Owned £/farm	Tenant £/farm	Mixed £/farm
BALANCE SHEET			
Number of farms by tenure type	34	1	32
TOTAL ASSETS	1,512,755	-	1,099,429
TOTAL EXTERNAL LIABILITIES	303,361	-	339,629
NET WORTH	1,209,394	-	759,800
Owner equity (%)	80	-	69

PHYSICAL DATA	All farms	Top third
LAND AREA	Hectares	Hectares
Grassland and forage crops	90.78	96.61
Cereals and other crops	1.07	1.16
Rough grazing, fallow, woods etc.	11.87	10.55
TOTAL AREA (actual)	103.72	108.32
TOTAL AREA (effective)	95.71	100.40

LIVESTOCK	All farms	Top third
	Numbers	Numbers
Dairy cattle	140	170
Suckler cows	1	3
Other cattle	118	117
Breeding sheep	203	202
Other sheep	119	134

PERFORMANCE INDICATORS	All farms	Top third
Milk yield (litres per cow)	6,824	7,104
Margin over concentrates (£ per cow)	1,061	1,237
Milk disposal (£ per cow)	1,496	1,669
Milk price (pence per litre)	22.24	23.86
Stocking rate (glu/adj. forage ha.)	2.06	2.32

WHOLE FARM DATA

Number of farms : 56

	All farms £/farm	All farms £/eff.ha.	Top third £/eff.ha.
OUTPUTS			
Dairy - milk	310,660	2,715	3,651
- other output	-256	-2	32
Other cattle	53,643	469	609
Sheep	3,996	35	44
Crops and forage	6,889	60	60
Basic Payment Scheme	23,014	201	219
Indirect subsidies	2,193	19	14
Income from energy generation	2,815	25	36
Miscellaneous income	3,805	33	33
TOTAL OUTPUTS	406,759	3,555	4,698
INPUTS			
Feeds	105,701	924	1,178
Tack and grass keep	9,663	84	130
Veterinary and medicines	13,396	117	133
Other livestock costs	31,319	274	320
Fertilisers	20,204	177	167
Other crop costs	7,858	69	71
Allocatable contracting	20,928	183	216
TOTAL VARIABLE COSTS	209,069	1,828	2,215
Paid labour	28,400	248	197
Other contracting / machinery hire	3,980	35	18
Fuel and repairs	21,960	192	190
Machinery depreciation	25,171	220	275
General farming costs	25,138	220	216
Land expenses	9,438	82	91
Buildings depreciation	13,196	115	135
TOTAL OVERHEAD COSTS	127,283	1,112	1,122
TOTAL INPUTS	336,352	2,940	3,337
PROFIT BEFORE RENT AND FINANCE	70,407	615	1,361
Rent	7,825	68	57
Finance	9,986	87	50
PROFIT AFTER RENT AND FINANCE	52,596	460	1,254
Unpaid labour	9,936	87	109

LOWLAND DAIRY FARMS**2015/16**

	Owned	Tenant	Mixed
BALANCE SHEET	£/farm	£/farm	£/farm
Number of farms by tenure type	25	5	26
TOTAL ASSETS	2,063,278	314,889	1,537,510
TOTAL EXTERNAL LIABILITIES	330,114	43,908	352,352
NET WORTH	1,733,164	270,981	1,185,158
Owner equity (%)	84	86	77

PHYSICAL DATA	All farms	Top third
LAND AREA	Hectares	Hectares
Grassland and forage crops	109.37	99.39
Cereals and other crops	4.27	3.77
Rough grazing, fallow, woods etc.	7.34	6.02
TOTAL AREA (actual)	120.98	109.18
TOTAL AREA (effective)	114.43	104.25

LIVESTOCK	All farms	Top third
	Numbers	Numbers
Dairy cattle	180	183
Suckler cows	0	0
Other cattle	147	154
Breeding sheep	75	70
Other sheep	47	29

PERFORMANCE INDICATORS	All farms	Top third
Milk yield (litres per cow)	7,346	8,286
Margin over concentrates (£ per cow)	1,214	1,487
Milk disposal (£ per cow)	1,709	2,063
Milk price (pence per litre)	23.54	25.16
Stocking rate (glu/adj. forage ha.)	2.19	2.39

GROSS MARGINS : HILL SHEEP

	All flocks	2015/16 Top third
Number of flocks in sample	209	70
Flock size (ewes and ewe lambs put to ram)	651	551
Lambs reared (numbers per ewe)	1.19	1.41

ENTERPRISE OUTPUT

	£ per ewe	£ per ewe
Lamb sales - store	4.26	2.97
- finished	51.39	74.08
Other sheep sales	15.85	21.70
Wool sales	2.21	2.60
Miscellaneous	0.04	0.00
Valuation change	1.58	3.87
Sheep purchases	-7.59	-10.70
TOTAL ENTERPRISE OUTPUT	67.74	94.52

VARIABLE COSTS

Concentrates and bulk feed	13.39	15.17
Stock keep	3.17	2.11
Veterinary and medicines	4.88	5.33
Other livestock costs	5.95	6.66
Allocatable contracting	1.02	1.04
Forage variable costs	10.97	11.52
TOTAL VARIABLE COSTS	39.38	41.83

GROSS MARGIN

28.36	52.69
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GROSS MARGINS : UPLAND SHEEP

	All flocks	Top third
Number of flocks in sample	69	23
Flock size (ewes and ewe lambs put to ram)	489	447
Lambs reared (numbers per ewe)	1.42	1.54

ENTERPRISE OUTPUT

	£ per ewe	£ per ewe
Lamb sales - store	2.80	0.08
- finished	81.42	95.32
Other sheep sales	15.61	21.81
Wool sales	2.59	2.59
Miscellaneous	0.03	0.00
Valuation change	2.04	2.77
Sheep purchases	-15.59	-17.28
TOTAL ENTERPRISE OUTPUT	88.90	105.29

VARIABLE COSTS

Concentrates and bulk feed	15.76	14.57
Stock keep	1.21	1.46
Veterinary and medicines	6.20	6.37
Other livestock costs	7.38	7.72
Allocatable contracting	1.22	1.11
Forage variable costs	15.80	14.25
TOTAL VARIABLE COSTS	47.57	45.48

GROSS MARGIN

41.33	59.81
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GROSS MARGINS : LOWLAND SHEEP**2015/16**

	All flocks	Top third
Number of flocks in sample	41	14
Flock size (ewes and ewe lambs put to ram)	354	407
Lambs reared (numbers per ewe)	1.44	1.51

ENTERPRISE OUTPUT**£ per ewe****£ per ewe**

Lamb sales - store	0.21	0.02
- finished	94.25	110.48
Other sheep sales	16.08	19.76
Wool sales	2.94	2.98
Miscellaneous	0.00	0.01
Valuation change	0.29	-3.95
Sheep purchases	-14.26	-17.63
TOTAL ENTERPRISE OUTPUT	99.51	111.67

VARIABLE COSTS

Concentrates and bulk feed	16.73	16.08
Stock keep	1.00	1.32
Veterinary and medicines	6.67	7.12
Other livestock costs	9.34	9.00
Allocatable contracting	1.51	0.98
Forage variable costs	14.07	11.22
TOTAL VARIABLE COSTS	49.32	45.72

GROSS MARGIN**50.19****65.95****GROSS MARGINS : LOWLAND SUCKLER COWS****All herds****Top third**

Number of herds in sample	21	7
Herd size (breeding cows)	41	48
Calves reared (numbers per cow)	0.87	0.90
Finished cattle sales (£ per head)	1,222	1,247
Store cattle sales (£ per head)	833	914

ENTERPRISE OUTPUT**£ per cow****£ per cow**

Calf and store cattle sales	434.48	363.13
Bull and cow sales	95.33	50.71
Finished cattle sales	511.95	527.44
Valuation change	28.86	99.11
Cattle purchases	-220.86	-144.25
TOTAL ENTERPRISE OUTPUT	849.76	896.14

VARIABLE COSTS

Concentrates and bulk feed	130.14	80.08
Veterinary and medicines	28.37	17.25
Other livestock costs	80.65	69.06
Allocatable contracting	5.08	0.12
Forage variable costs	201.58	144.23
TOTAL VARIABLE COSTS	445.82	310.74

GROSS MARGIN**403.94****585.40**

GROSS MARGINS : UPLAND SUCKLER COWS**2015/16**

	All herds	Top third
Number of herds in sample	42	14
Herd size (breeding cows)	51	56
Calves reared (numbers per cow)	0.91	0.94
Finished cattle sales (£ per head)	1,169	1,139
Store cattle sales (£ per head)	861	1,007

ENTERPRISE OUTPUT**£ per cow****£ per cow**

Calf and store cattle sales	468.63	415.20
Bull and cow sales	105.56	129.79
Finished cattle sales	409.79	515.53
Valuation change	50.97	85.42
Cattle purchases	-197.12	-165.96
TOTAL ENTERPRISE OUTPUT	837.83	979.98

VARIABLE COSTS

Concentrates and bulk feed	131.07	98.09
Veterinary and medicines	37.65	33.59
Other livestock costs	72.12	72.69
Allocatable contracting	5.88	2.51
Forage variable costs	166.04	169.92
TOTAL VARIABLE COSTS	412.76	376.80

GROSS MARGIN**425.07****603.18****GROSS MARGINS : HILL SUCKLER COWS****All herds****Top third**

Number of herds in sample	129	43
Herd size (breeding cows)	39	33
Calves reared (numbers per cow)	0.89	0.94
Finished cattle sales (£ per head)	1,151	1,188
Store cattle sales (£ per head)	904	934

ENTERPRISE OUTPUT**£ per cow****£ per cow**

Calf and store cattle sales	707.15	782.92
Bull and cow sales	100.70	88.04
Finished cattle sales	186.25	238.24
Valuation change	38.80	66.77
Cattle purchases	-207.78	-188.62
TOTAL ENTERPRISE OUTPUT	825.12	987.35

VARIABLE COSTS

Concentrates and bulk feed	165.15	120.87
Veterinary and medicines	47.33	37.28
Other livestock costs	81.52	68.26
Allocatable contracting	6.31	3.43
Forage variable costs	156.23	135.91
TOTAL VARIABLE COSTS	456.54	365.75

GROSS MARGIN**368.58****621.60**

GROSS MARGINS : HILL AND UPLAND DAIRY		2015/16
	All herds	Top third
Number of herds in sample	65	22
Herd size (dairy cows)	141	180
Milk yield (litres per cow)	6,854	7,317
Milk price (pence per litre)	22.24	24.21
ENTERPRISE OUTPUT	£ per cow	£ per cow
Milk	1,524.04	1,770.34
Calves	108.84	118.06
Bull and cow sales	153.99	146.09
Valuation change	16.26	52.16
Cattle purchases	-272.42	-293.15
TOTAL ENTERPRISE OUTPUT	1,530.71	1,793.50
VARIABLE COSTS		
Concentrates and bulk feed	456.14	473.61
Veterinary and medicines	61.05	64.74
Other livestock costs	129.17	125.21
Allocatable contracting	16.91	14.89
Forage variable costs	180.16	186.79
TOTAL VARIABLE COSTS	843.43	865.24
GROSS MARGIN	687.28	928.26

GROSS MARGINS : LOWLAND DAIRY

	All herds	Top third
Number of herds in sample	54	18
Herd size (dairy cows)	183	158
Milk yield (litres per cow)	7,344	8,237
Milk price (pence per litre)	23.64	26.67
ENTERPRISE OUTPUT	£ per cow	£ per cow
Milk	1,735.88	2,196.53
Calves	101.59	123.43
Bull and cow sales	155.57	235.63
Valuation change	13.02	24.31
Cattle purchases	-274.11	-337.53
TOTAL ENTERPRISE OUTPUT	1,731.95	2,242.37
VARIABLE COSTS		
Concentrates and bulk feed	509.05	606.85
Veterinary and medicines	65.14	64.64
Other livestock costs	150.08	174.65
Allocatable contracting	26.28	28.22
Forage variable costs	178.81	174.45
TOTAL VARIABLE COSTS	929.36	1,048.81
GROSS MARGIN	802.59	1,193.56

LAMB PRODUCTION COSTS**2015/16****Pence per kg liveweight**

	All farms	Top third	Bottom third
Number of farms	128	43	43
Feed	33.66	27.24	38.48
Veterinary and medicines	10.67	9.65	10.74
Other livestock costs	17.30	15.25	19.47
Forage	25.97	19.28	32.18
TOTAL VARIABLE COSTS	87.60	71.42	100.87

FLOCK REPLACEMENT

	11.83	5.22	17.40
Paid labour	4.95	1.64	7.51
Power and machinery	40.55	29.55	52.45
Buildings	13.14	8.40	19.51
General farm costs	19.09	14.85	23.66
Rent	7.85	4.50	12.43
Finance	5.65	3.70	9.95
TOTAL OVERHEAD COSTS	91.23	62.64	125.51

TOTAL COSTS**190.66 139.28 243.78****NET MARGIN****-22.72 31.43 -81.75**

Lambs reared (nos. per ewe)	1.34	1.42	1.22
Flock size	634	582	671
Average lamb liveweight (kg)	39.81	41.34	37.59

MILK PRODUCTION COSTS**Pence per litre**

	All farms	Top third	Bottom third
Number of farms	119	40	40
Feed	6.59	6.25	7.22
Veterinary and medicines	0.86	0.76	0.92
Other livestock costs	2.32	2.12	2.77
Forage	2.48	2.17	2.87
TOTAL VARIABLE COSTS	12.25	11.30	13.78

HERD REPLACEMENT

	1.72	1.40	2.25
Paid labour	0.92	0.63	1.35
Power and machinery	2.60	2.30	2.82
Buildings	1.13	0.86	1.44
General farm costs	1.42	1.22	1.66
Rent	0.42	0.37	0.52
Finance	0.57	0.26	0.97
TOTAL OVERHEAD COSTS	7.06	5.64	8.76

TOTAL COSTS**21.03 18.34 24.79****NET MARGIN****3.26 7.89 -1.52**

Margin over concentrates	16.10	18.22	14.45
Milk price	22.49	24.21	21.43

BEEF PRODUCTION COSTS : SUCKLED CALF **2015/16**

Pence per kg liveweight		Top third	Bottom third
	All farms		
Number of farms	42	14	14
Feed	15.16	7.37	25.26
Veterinary and medicines	10.25	9.04	12.68
Other livestock costs	15.31	12.74	19.54
Forage	41.29	30.12	52.37
TOTAL VARIABLE COSTS	82.01	59.27	109.85
HERD REPLACEMENT	22.65	11.05	33.43
Paid labour	5.53	3.81	7.34
Power and machinery	64.43	46.93	86.63
Buildings	22.38	14.14	34.23
General farm costs	30.09	23.47	40.99
Rent	5.75	4.93	6.04
Finance	8.42	4.27	16.10
TOTAL OVERHEAD COSTS	136.60	97.55	191.33
TOTAL COSTS	241.26	167.87	334.61
NET MARGIN	-72.87	10.19	-170.15

Suckled calf production covers suckler cow and calf costs up to weaning.

BEEF PRODUCTION COSTS : FINISHING

Pence per kg liveweight		Top third	Bottom third
	All farms		
Number of farms	30	10	10
Feed	56.86	63.86	65.48
Veterinary and medicines	5.79	3.83	9.47
Other livestock costs	30.58	20.39	46.03
Forage	44.17	34.83	64.98
TOTAL VARIABLE COSTS	137.40	122.91	185.96
Paid labour	10.64	5.81	16.19
Power and machinery	57.64	39.09	83.82
Buildings	14.37	9.62	18.69
General farm costs	26.61	18.25	33.64
Rent	8.91	7.79	4.74
Finance	6.67	3.42	12.38
TOTAL OVERHEAD COSTS	124.84	83.98	169.46
TOTAL COSTS	262.24	206.89	355.42
NET MARGIN	-51.80	28.12	-150.22

Finishing enterprises include those purchasing young and forward store cattle, as well as those finishing weaned home-bred calves.

Farm Profit Demands

Profit is required to fund:

- Personal drawings from the business,
- Loan (capital) repayments,
- Capital expenditure / investment,
- Personal taxation, and
- Risk and reward of entrepreneurial endeavour

The following calculation helps determine if there is sufficient profit to provide adequate cash resources:

Profit as shown in accounts

Plus: Depreciation charges for year
Opening stocks (livestock and deadstock)
Opening debtors and closing creditors
Loans/ HP advanced and capital introduced
Machinery and land sales

Less: Closing stocks (livestock and deadstock)
Closing debtors and opening creditors
Produce used / consumed on the farm

Equals: Cash available to meet commitments

Less: Personal drawings from the business
Loan / HP (capital) repayments
Capital expenditure / investment
Personal taxation

Equals: Annual Net Cash Flow (NCF)

Ideally the NCF should be positive in most years (seen as an improvement in farm bank balances / indebtedness). The key influences on the likelihood of a positive NCF tend to be the following items:

- Size of profit
- Level of private drawings
- Capital expenditure
- Loan / HP repayments

Negative NCFs (i.e. insufficient farm profitability and / or large cash demands) can significantly affect the viability of the business in the long term.