



**THE FARM BUSINESS SURVEY
IN WALES**

Wales Farm Income Booklet

2017/18 Results

80 years
of the Farm Business Survey

**Institute of Biological,
Environmental and Rural Sciences**

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University

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2017/18 Results**

Farm Business Survey

Institute of Biological, Environmental and Rural Sciences
Aberystwyth University
Gogerddan
Aberystwyth
Ceredigion SY23 3EE

Director

Tony O'Regan

Unit Staff

Rowland Davies
Eileen Edwards
Paul Heyhoe
Brenda Jones
Eric Jones
Huw Morris
Dafydd Owen
Eirig Parry
Nick Reeves
Tegid Roberts
Huw Williams
Ian Williams

Tel: 01970 622253

E-mail: farmsurv@aber.ac.uk

www.aber.ac.uk/en/ibers/research-and-enterprise/fbs/

Foreword

Aberystwyth University has been researching Welsh farm incomes for over eighty years. 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 and benchmarking 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. From time to time the basis for classifying farms changes (for example last year it changed from Standard Gross Margins to Standard Outputs) and so for undertaking any comprehensive and detailed 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 2017 and 31st March 2018 and therefore reflect farming conditions between January 2017 and March 2018. This overview is intended to provide context and insight into the period that these results represent.

The 2017 winter was long and wet with pressure on feed stocks. Spring was dry with good grass growth for most, decent silage, good fieldwork progress and a fine start to lambing. However, from mid-summer it seemed to rain for the rest of the year causing problems with silage and corn harvesting resulting in poorer yields / quality creating higher prices for corn and straw. The wet weather continued into autumn resulting in earlier stock housing, significantly increased incidence of liver fluke and changes to cropping plans. Storm Emma and three big snowfalls in the winter stretched dwindling fodder stocks, delayed turnout and affected the 2018 lambing.

Lamb prices at the start of 2017 trailed the previous year despite numbers being down. Easter saw a price boost due mainly to a fall in old season lamb numbers and whilst the market clearly favoured heavier lambs, the improved prices remained for most of the season bar Aug/Sep. Cull prices were lower at the start of the year yet rose late autumn and remained high until the end of the year. Wool prices remained low this year.

Finished beef prices remained relatively stable during the year, and above the corresponding periods in the previous year. Store cattle prices remained relatively steady for the year with better quality stock always in demand and selling very well.

The dairy sector saw an increase in average milk price of 6p to 29p/l (averages hiding huge variations). Yields improved with increased supplementary feeding and fodder cost increased due to extended housing. Cull prices held up well, but TB remains a major issue disrupting sales, impacting upon replacement costs / policies and in some cases an increased investment in housing facilities. Overall the sector had a profitable year and reinvestment increased as a result. Many farmers also benefited from a benchmark / milk recording scheme.

Arable farmers had a tough year with difficult field conditions, poor yields / quality and higher chemical and fuel related input costs which all resulted in financial pressures and reduced investment. Margins were somewhat protected as prices for corn and potatoes improved through the year and straw sold well over the winter with prices increasing due to considerable quantities going for energy production and more demand from stock farmers.

Other aspects of note during the period included:- weakened sterling aiding Basic Payment Scheme (BPS) exchange rates / livestock exports, but increasing costs added to Brexit uncertainty regarding trade, labour availability and future support policies / payments; the move from historic to area BPS payments continues to favour larger less intensive holdings; increasing prevalence of energy generation diverting agricultural produce from food production; the introduction of a new farm equipment grant; continued investment in poultry enterprises and strong land prices.

The results highlight large performance differences. For example, top third cattle and sheep farms' £ per effective hectare profit was over double the average. Likewise, dairy farms top third producers made a net margin of over 9p/l more than the bottom third. Meat producers showed similar variability with lamb ranging from making 39p/kg to losing 66p/kg, and beef from plus 73p/kg to minus 64p/kg. However, all these results take no account of the cost of farmers' 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 and pension costs alone are capable of adding over 8p/l, pushing top third costs of production to over 27p/l and the bottom third closer to 36p/l.

Particular attention also needs to be given to the contribution of the BPS, other subsidies and diversified income to the bottom line. For example, these three contributed around 44% of outputs and 167% of profits, on average, for hill sheep farms and so it is difficult to see how many Welsh farms can be profitable without relying on non-farming income and post Brexit support payments.

Introduction

Farm profitability is central to any farm business, although farmers will have many other business and personal objectives. With Brexit and other 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 better still '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 however, 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

Effective Hectares (Eff. Ha.) Constitutes total farm area minus area occupied by roads, woodland, wasteland and buildings. Rough grazing is expressed in terms of pasture equivalent.

Farm Types

Hill Mainly in Severely Disadvantaged Area.

Upland Mainly in Disadvantaged Area.

Lowland Mainly outside Less Favoured Area.

Whole Farm Data

Ranking of whole farm data Top producers are ranked by profit after rent and finance per effective hectare.

Indirect subsidies Subsidies not subject to de-coupling e.g. Organic Scheme and Glastir.

Other crop costs Includes all arable and forage costs except for fertilisers and contracting, e.g. seeds, sprays, wrap, twine etc.

Allocatable contracting Contracting allocated to enterprises e.g. combining, shearing and slurry spreading.

General farm costs Includes electricity, telephone, insurances, professional fees, licenses and subscriptions.

Miscellaneous income Comprises contracting, cottage rents, wayleaves and any other miscellaneous income. Includes revenue from other enterprises not shown.

Owner equity Net worth as percentage of total assets.

Stocking Rate (glu/adj.forage ha), Grazing Livestock Units per adjusted forage hectare of land.

Livestock Units (LU) and Grazing Livestock Units (GLU) Livestock numbers are converted to livestock units, based on estimated energy requirements, to calculate the total stocking of grazing livestock on the farm.

Dairy other output Net output from sales / purchases of cows and calves. Includes valuation changes.

Income from Energy Generation 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.
Sample sizes	Where sample sizes are five or less farms, data are not shown.

HILL CATTLE AND SHEEP FARMS**2017/18****WHOLE FARM DATA**

Number of farms: 91

	All farms	All farms	Top third
OUTPUTS	£/farm	£/eff.ha.	£/eff.ha.
Beef	43,353	379	364
Sheep	34,460	301	339
Crops and forage	1,989	17	24
Basic Payment Scheme	24,278	212	243
Indirect subsidies	5,157	45	66
Income from energy generation	3,256	28	59
Miscellaneous income	5,551	49	96
TOTAL OUTPUTS	118,044	1,031	1,191
INPUTS			
Feeds	19,043	167	129
Tack and grass keep	4,121	36	35
Veterinary and medicines	5,280	46	41
Other livestock costs	8,688	76	65
Fertilisers	6,190	54	45
Other crop costs	2,148	19	17
Allocatable contracting	3,774	33	33
TOTAL VARIABLE COSTS	49,244	431	365
Paid labour	3,431	30	27
Other contracting / machinery hire	1,040	9	12
Fuel and repairs	10,444	91	89
Machinery depreciation	11,133	97	97
General farming costs	10,064	88	88
Land expenses	4,179	37	42
Buildings depreciation	3,535	31	26
TOTAL OVERHEAD COSTS	43,826	383	381
TOTAL INPUTS	93,070	814	746
PROFIT BEFORE RENT & FINANCE	24,974	217	445
Rent	2,589	23	17
Finance	3,948	35	17
PROFIT AFTER RENT & FINANCE	18,437	159	411
Unpaid labour	6,914	60	81

HILL CATTLE AND SHEEP FARMS**2017/18**

	Owned	Tenant	Mixed
BALANCE SHEET	£/farm	£/farm	£/farm
Number of farms by tenure type	46	4	41
TOTAL ASSETS	1,394,446	-	1,170,707
TOTAL LIABILITIES	100,600	-	143,977
NET WORTH	1,293,846	-	1,026,730
Owner equity (%)	93	-	88

PHYSICAL DATA	All farms	Top third
LAND AREA	Hectares	Hectares
Grassland and forage crops	107.11	94.66
Cereals and other crops	1.00	0.51
Rough grazing, fallow, woods etc.	26.51	28.98
TOTAL AREA (actual)	134.62	124.15
TOTAL AREA (effective)	114.31	101.12

LIVESTOCK	All farms	Top third
	Numbers	Numbers
Suckler cows	44	38
Other cattle	96	87
Breeding sheep	521	493
Other sheep	326	300

PERFORMANCE INDICATORS	All farms	Top third
Lambs reared (numbers per ewe)	1.24	1.34
Finished lamb sales (numbers per ewe)	0.93	0.92
Finished lamb sales (£ per lamb)	71.38	70.93
Calves reared (numbers per cow)	0.84	0.88
Finished cattle sales (£ per head)	1,229	1,317
Store cattle sales (£ per head)	792	822
Stocking rate (glu/adj. forage ha.)	1.07	1.12

HILL SHEEP FARMS**2017/18****WHOLE FARM DATA**

Number of farms: 147

	All farms £/farm	All farms £/eff.ha.	Top third £/eff.ha.
OUTPUTS			
Beef	15,898	106	114
Sheep	53,261	354	369
Crops and forage	1,466	10	22
Basic Payment Scheme	34,057	226	258
Indirect subsidies	12,018	80	133
Income from energy generation	2,500	17	35
Miscellaneous income	6,320	42	57
TOTAL OUTPUTS	125,520	835	988
INPUTS			
Feeds	15,000	100	96
Tack and grass keep	4,745	32	30
Veterinary and medicines	5,093	34	32
Other livestock costs	7,349	49	48
Fertilisers	5,285	35	34
Other crop costs	1,509	10	13
Allocatable contracting	3,022	20	18
TOTAL VARIABLE COSTS	42,003	280	271
Paid labour	4,475	30	26
Other contracting / machinery hire	755	5	5
Fuel and repairs	10,175	68	69
Machinery depreciation	12,038	80	92
General farming costs	9,962	66	64
Land expenses	3,894	26	21
Buildings depreciation	2,707	18	19
TOTAL OVERHEAD COSTS	44,006	293	296
TOTAL INPUTS	86,009	573	567
PROFIT BEFORE RENT & FINANCE	39,511	262	421
Rent	3,717	25	11
Finance	3,010	20	20
PROFIT AFTER RENT & FINANCE	32,784	217	390
Unpaid labour	5,410	36	57

HILL SHEEP FARMS**2017/18**

	Owned	Tenant	Mixed
BALANCE SHEET	£/farm	£/farm	£/farm
Number of farms by tenure type	77	16	54
TOTAL ASSETS	1,546,914	189,489	1,203,802
TOTAL LIABILITIES	88,939	45,366	88,478
NET WORTH	1,457,975	144,123	1,115,324
Owner equity (%)	94	76	93

PHYSICAL DATA	All farms	Top third
LAND AREA	Hectares	Hectares
Grassland and forage crops	122.41	110.12
Cereals and other crops	0.59	1.78
Rough grazing, fallow, woods etc.	92.15	169.86
TOTAL AREA (actual)	215.15	281.76
TOTAL AREA (effective)	150.36	156.36

LIVESTOCK	All farms	Top third
	Numbers	Numbers
Suckler cows	18	19
Other cattle	32	35
Breeding sheep	889	863
Other sheep	571	593

PERFORMANCE INDICATORS	All farms	Top third
Lambs reared (numbers per ewe)	1.16	1.22
Finished lamb sales (numbers per ewe)	0.78	0.85
Finished lamb sales (£ per lamb)	66.98	68.18
Calves reared (numbers per cow)	0.87	0.88
Finished cattle sales (£ per head)	1,199	1,195
Store cattle sales (£ per head)	896	935
Stocking rate (glu/adj. forage ha.)	0.72	0.71

UPLAND CATTLE AND SHEEP FARMS

2017/18

WHOLE FARM DATA

Number of farms: 96

	All farms	All farms	Top third
	£/farm	£/eff.ha.	£/eff.ha.
OUTPUTS			
Beef	40,179	380	564
Sheep	35,786	339	531
Crops and forage	6,033	57	58
Basic Payment Scheme	19,990	189	208
Indirect subsidies	2,706	26	14
Income from energy generation	1,459	14	29
Miscellaneous income	6,829	65	99
TOTAL OUTPUTS	112,982	1,070	1,503
INPUTS			
Feeds	13,393	127	156
Tack and grass keep	2,916	28	42
Veterinary and medicines	3,821	36	41
Other livestock costs	7,281	69	94
Fertilisers	6,673	63	72
Other crop costs	2,405	23	26
Allocatable contracting	4,340	41	41
TOTAL VARIABLE COSTS	40,829	387	472
Paid labour	3,766	36	34
Other contracting / machinery hire	901	9	9
Fuel and repairs	9,664	91	107
Machinery depreciation	10,516	100	114
General farming costs	8,978	85	89
Land expenses	4,083	39	37
Buildings depreciation	2,686	25	32
TOTAL OVERHEAD COSTS	40,594	385	422
TOTAL INPUTS	81,423	772	894
PROFIT BEFORE RENT & FINANCE	31,559	298	609
Rent	3,856	37	38
Finance	3,051	29	34
PROFIT AFTER RENT & FINANCE	24,652	232	537
Unpaid labour	4,810	46	62

UPLAND CATTLE AND SHEEP FARMS**2017/18**

	Owned	Tenant	Mixed
BALANCE SHEET	£/farm	£/farm	£/farm
Number of farms by tenure type	51	6	39
TOTAL ASSETS	1,232,731	201,729	1,102,912
TOTAL LIABILITIES	54,373	11,222	127,075
NET WORTH	1,178,358	190,507	975,837
Owner equity (%)	96	94	88

PHYSICAL DATA	All farms	Top third
LAND AREA	Hectares	Hectares
Grassland and forage crops	95.76	92.80
Cereals and other crops	3.12	3.59
Rough grazing, fallow, woods etc.	14.01	9.14
TOTAL AREA (actual)	112.89	105.53
TOTAL AREA (effective)	105.64	100.29

LIVESTOCK	All farms	Top third
	Numbers	Numbers
Suckler cows	30	32
Other cattle	82	107
Breeding sheep	426	475
Other sheep	318	413

PERFORMANCE INDICATORS	All farms	Top third
Lambs reared (numbers per ewe)	1.38	1.52
Finished lamb sales (numbers per ewe)	1.10	1.36
Finished lamb sales (£ per lamb)	78.00	84.48
Calves reared (numbers per cow)	0.89	0.86
Finished cattle sales (£ per head)	1,230	1,256
Store cattle sales (£ per head)	825	830
Stocking rate (glu/adj. forage ha.)	1.08	1.30

LOWLAND CATTLE AND SHEEP FARMS

2017/18

WHOLE FARM DATA

Number of farms: 61

	All farms £/farm	All farms £/eff.ha.	Top third £/eff.ha.
OUTPUTS			
Beef	41,016	460	635
Sheep	27,508	309	502
Crops and forage	13,513	152	209
Basic Payment Scheme	17,968	202	227
Indirect subsidies	2,941	33	61
Income from energy generation	1,328	15	20
Miscellaneous income	4,875	55	104
TOTAL OUTPUTS	109,149	1,226	1,758
INPUTS			
Feeds	11,759	132	182
Tack and grass keep	1,966	22	46
Veterinary and medicines	2,725	31	29
Other livestock costs	7,390	83	113
Fertilisers	5,753	65	74
Other crop costs	3,915	44	40
Allocatable contracting	3,395	38	35
TOTAL VARIABLE COSTS	36,903	415	519
Paid labour	2,709	30	26
Other contracting / machinery hire	1,642	18	6
Fuel and repairs	9,622	108	118
Machinery depreciation	10,748	121	138
General farming costs	9,177	103	119
Land expenses	3,112	35	41
Buildings depreciation	3,853	43	33
TOTAL OVERHEAD COSTS	40,863	458	481
TOTAL INPUTS	77,766	873	1,000
PROFIT BEFORE RENT & FINANCE	31,383	353	758
Rent	5,081	57	44
Finance	3,124	35	18
PROFIT AFTER RENT & FINANCE	23,178	261	696
Unpaid labour	4,437	50	74

LOWLAND CATTLE AND SHEEP FARMS

2017/18

	Owned	Tenant	Mixed
BALANCE SHEET	£/farm	£/farm	£/farm
Number of farms by tenure type	28	7	26
TOTAL ASSETS	1,142,349	208,704	1,276,862
TOTAL LIABILITIES	52,389	36,795	134,002
NET WORTH	1,089,960	171,909	1,142,860
Owner equity (%)	95	82	90

PHYSICAL DATA	All farms	Top third
LAND AREA	Hectares	Hectares
Grassland and forage crops	75.81	65.75
Cereals and other crops	6.66	2.59
Rough grazing, fallow, woods etc.	11.89	9.71
TOTAL AREA (actual)	94.36	78.05
TOTAL AREA (effective)	89.14	72.96

LIVESTOCK	All farms	Top third
	Numbers	Numbers
Suckler cows	21	17
Other cattle	99	111
Breeding sheep	307	329
Other sheep	221	275

PERFORMANCE INDICATORS	All farms	Top third
Lambs reared (numbers per ewe)	1.47	1.50
Finished lamb sales (numbers per ewe)	1.23	1.29
Finished lamb sales (£ per lamb)	85.88	89.96
Calves reared (numbers per cow)	0.90	0.93
Finished cattle sales (£ per head)	1,249	1,340
Store cattle sales (£ per head)	884	967
Stocking rate (glu/adj. forage ha.)	1.34	1.70

WHOLE FARM DATA

Number of farms: 58

	All farms	All farms	Top third
	£/farm	£/eff.ha.	£/eff.ha.
OUTPUTS			
Dairy - milk	309,056	3,232	4,066
- other output	7,024	73	118
Other cattle	44,040	461	547
Sheep	10,797	113	118
Crops and forage	915	10	2
Basic Payment Scheme	19,983	209	232
Indirect subsidies	1,446	15	6
Income from energy generation	2,109	22	13
Miscellaneous income	4,083	43	27
TOTAL OUTPUTS	399,453	4,178	5,129
INPUTS			
Feeds	99,243	1,038	1,031
Tack and grass keep	15,256	160	205
Veterinary and medicines	11,340	119	137
Other livestock costs	30,063	314	318
Fertilisers	16,824	176	221
Other crop costs	4,887	51	60
Allocatable contracting	17,889	187	213
TOTAL VARIABLE COSTS	195,502	2,045	2,185
Paid labour	16,359	171	205
Other contracting / machinery hire	4,930	52	46
Fuel and repairs	21,204	222	270
Machinery depreciation	21,023	220	242
General farming costs	21,596	226	242
Land expenses	8,564	90	97
Buildings depreciation	13,802	144	160
TOTAL OVERHEAD COSTS	107,478	1,125	1,262
TOTAL INPUTS	302,980	3,170	3,447
PROFIT BEFORE RENT & FINANCE	96,473	1,008	1,682
Rent	5,155	54	54
Finance	12,780	134	100
PROFIT AFTER RENT & FINANCE	78,538	820	1,528
Unpaid labour	11,171	117	131

	Owned £/farm	Tenant £/farm	Mixed £/farm
BALANCE SHEET			
Number of farms by tenure type	30	1	27
TOTAL ASSETS	1,847,960	-	1,329,766
TOTAL LIABILITIES	405,164	-	385,104
NET WORTH	1,442,796	-	944,662
Owner equity (%)	78	-	71

PHYSICAL DATA	All farms	Top third
LAND AREA	Hectares	Hectares
Grassland and forage crops	91.75	93.66
Cereals and other crops	0.44	0.00
Rough grazing, fallow, woods etc.	12.76	11.07
TOTAL AREA (actual)	104.95	104.73
TOTAL AREA (effective)	95.62	96.11

	All farms	Top third
LIVESTOCK	Numbers	Numbers
Dairy cattle	157	206
Suckler cows	0	0
Other cattle	128	146
Breeding sheep	147	127
Other sheep	104	132

PERFORMANCE INDICATORS	All farms	Top third
Milk yield (litres per cow)	6,891	6,612
Margin over concentrates (£ per cow)	1,436	1,497
Milk disposal (£ per cow)	1,967	1,903
Milk price (pence per litre)	28.94	29.09
Stocking rate (glu/adj. forage ha.)	2.16	2.42

WHOLE FARM DATA

Number of farms: 53

	All farms £/farm	All farms £/eff.ha.	Top third £/eff.ha.
OUTPUTS			
Dairy - milk	426,570	3,513	4,559
- other output	1,165	10	14
Other cattle	58,563	482	624
Sheep	1,331	11	6
Crops and forage	2,790	23	37
Basic Payment Scheme	22,582	186	196
Indirect subsidies	2,588	21	6
Income from energy generation	4,413	36	20
Miscellaneous income	4,705	39	53
TOTAL OUTPUTS	524,707	4,321	5,515
INPUTS			
Feeds	130,175	1,072	1,229
Tack and grass keep	15,849	131	252
Veterinary and medicines	15,117	124	137
Other livestock costs	39,721	327	352
Fertilisers	18,087	149	176
Other crop costs	9,037	74	80
Allocatable contracting	24,603	203	214
TOTAL VARIABLE COSTS	252,589	2,080	2,440
Paid labour	34,133	281	239
Other contracting / machinery hire	4,450	37	12
Fuel and repairs	27,995	231	253
Machinery depreciation	28,700	236	261
General farming costs	27,442	226	252
Land expenses	10,210	84	94
Buildings depreciation	15,648	129	155
TOTAL OVERHEAD COSTS	148,578	1,224	1,266
TOTAL INPUTS	401,167	3,304	3,706
PROFIT BEFORE RENT & FINANCE	123,540	1,017	1,809
Rent	12,898	106	91
Finance	13,048	107	49
PROFIT AFTER RENT & FINANCE	97,594	804	1,669
Unpaid labour	13,009	107	183

LOWLAND DAIRY FARMS

2017/18

	Owned £/farm	Tenant £/farm	Mixed £/farm
BALANCE SHEET			
Number of farms by tenure type	22	4	27
TOTAL ASSETS	2,289,026	-	1,856,231
TOTAL LIABILITIES	303,135	-	501,882
NET WORTH	1,985,891	-	1,354,349
Owner equity (%)	87	-	73

PHYSICAL DATA	All farms	Top third
LAND AREA	Hectares	Hectares
Grassland and forage crops	115.84	102.06
Cereals and other crops	3.50	2.83
Rough grazing, fallow, woods etc.	8.52	6.23
TOTAL AREA (actual)	127.86	111.12
TOTAL AREA (effective)	121.43	105.73

LIVESTOCK	All farms	Top third
	Numbers	Numbers
Dairy cattle	206	211
Suckler cows	1	1
Other cattle	175	179
Breeding sheep	42	34
Other sheep	13	3

PERFORMANCE INDICATORS	All farms	Top third
Milk yield (litres per cow)	7,199	7,861
Margin over concentrates (£ per cow)	1,525	1,753
Milk disposal (£ per cow)	2,066	2,281
Milk price (pence per litre)	29.04	29.27
Stocking rate (glu/adj. forage ha.)	2.37	2.64

GROSS MARGINS: HILL SHEEP**2017/18**

	All flocks	Top third
Number of flocks in sample	199	66
Flock size (ewes and ewe lambs put to ram)	667	541
Lambs reared (numbers per ewe)	1.16	1.41

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

Lamb sales - store	4.99	2.78
- finished	52.92	83.13
Other sheep sales	14.26	18.08
Wool sales	1.56	1.94
Miscellaneous	0.04	0.00
Valuation change	-0.62	0.02
Sheep purchases	-6.14	-9.00
TOTAL ENTERPRISE OUTPUT	67.01	96.95

VARIABLE COSTS

Concentrates and bulk feed	15.39	16.43
Stock keep	3.17	1.97
Veterinary and medicines	5.22	5.98
Other livestock costs	6.95	8.30
Allocatable contracting	1.14	1.31
Forage variable costs	9.73	10.42
TOTAL VARIABLE COSTS	41.60	44.41

GROSS MARGIN**25.41 52.54****GROSS MARGINS: UPLAND SHEEP****All flocks Top third**

Number of flocks in sample	71	24
Flock size (ewes and ewe lambs put to ram)	514	683
Lambs reared (numbers per ewe)	1.41	1.58

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

Lamb sales - store	2.36	0.56
- finished	94.62	120.97
Other sheep sales	15.65	20.02
Wool sales	1.68	1.80
Miscellaneous	0.00	0.00
Valuation change	2.36	5.35
Sheep purchases	-17.73	-24.47
TOTAL ENTERPRISE OUTPUT	98.94	124.23

VARIABLE COSTS

Concentrates and bulk feed	17.60	17.68
Stock keep	1.81	0.97
Veterinary and medicines	6.24	6.46
Other livestock costs	8.89	9.90
Allocatable contracting	0.74	0.90
Forage variable costs	15.69	16.02
TOTAL VARIABLE COSTS	50.97	51.93

GROSS MARGIN**47.97 72.30**

GROSS MARGINS: LOWLAND SHEEP		2017/18	
	All flocks	Top third	
Number of flocks in sample	36	12	
Flock size (ewes and ewe lambs put to ram)	363	431	
Lambs reared (numbers per ewe)	1.44	1.63	
ENTERPRISE OUTPUT		£ per ewe	£ per ewe
Lamb sales - store	1.41	0.32	
- finished	106.32	136.73	
Other sheep sales	14.81	18.95	
Wool sales	1.73	1.71	
Miscellaneous	0.02	0.04	
Valuation change	0.61	-0.77	
Sheep purchases	-18.97	-26.39	
TOTAL ENTERPRISE OUTPUT	105.93	130.59	
VARIABLE COSTS			
Concentrates and bulk feed	17.43	16.52	
Stock keep	1.13	1.93	
Veterinary and medicines	6.13	5.48	
Other livestock costs	10.08	11.29	
Allocatable contracting	0.93	0.92	
Forage variable costs	12.89	11.85	
TOTAL VARIABLE COSTS	48.59	47.99	
GROSS MARGIN	57.34	82.60	

GROSS MARGINS: LOWLAND SUCKLER COWS			
	All herds	Top third	
Number of herds in sample	20	7	
Herd size (breeding cows)	44	43	
Calves reared (numbers per cow)	0.90	0.93	
Finished cattle sales (£ per head)	1,169	1,140	
Store cattle sales (£ per head)	906	1,011	
ENTERPRISE OUTPUT		£ per cow	£ per cow
Calf and store cattle sales	480.08	559.03	
Bull and cow sales	130.44	65.66	
Finished cattle sales	379.05	402.65	
Valuation change	59.82	128.88	
Cattle purchases	-201.71	-147.83	
TOTAL ENTERPRISE OUTPUT	847.68	1,008.39	
VARIABLE COSTS			
Concentrates and bulk feed	118.79	98.87	
Veterinary and medicines	27.87	24.15	
Other livestock costs	81.74	51.24	
Allocatable contracting	1.53	1.53	
Forage variable costs	139.67	119.51	
TOTAL VARIABLE COSTS	369.60	295.30	
GROSS MARGIN	478.08	713.09	

GROSS MARGINS: UPLAND SUCKLER COWS **2017/18**

	All herds	Top third
Number of herds in sample	34	11
Herd size (breeding cows)	52	60
Calves reared (numbers per cow)	0.90	0.89
Finished cattle sales (£ per head)	1,193	1,178
Store cattle sales (£ per head)	833	947

	£ per cow	£ per cow
ENTERPRISE OUTPUT		
Calf and store cattle sales	462.47	299.58
Bull and cow sales	125.24	104.05
Finished cattle sales	478.73	899.29
Valuation change	-0.40	-79.38
Cattle purchases	-199.23	-200.17
TOTAL ENTERPRISE OUTPUT	866.81	1,023.37

VARIABLE COSTS

Concentrates and bulk feed	156.97	150.11
Veterinary and medicines	45.89	39.49
Other livestock costs	87.60	93.54
Allocatable contracting	7.49	11.34
Forage variable costs	185.43	188.81
TOTAL VARIABLE COSTS	483.38	483.29

GROSS MARGIN	383.43	540.08
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GROSS MARGINS: HILL SUCKLER COWS

	All herds	Top third
Number of herds in sample	114	38
Herd size (breeding cows)	39	35
Calves reared (numbers per cow)	0.87	0.89
Finished cattle sales (£ per head)	1,216	1,271
Store cattle sales (£ per head)	907	1,012

	£ per cow	£ per cow
ENTERPRISE OUTPUT		
Calf and store cattle sales	794.02	863.87
Bull and cow sales	121.61	138.59
Finished cattle sales	108.74	170.13
Valuation change	0.28	54.03
Cattle purchases	-241.30	-244.45
TOTAL ENTERPRISE OUTPUT	783.35	982.17

VARIABLE COSTS

Concentrates and bulk feed	173.42	154.75
Veterinary and medicines	53.57	53.50
Other livestock costs	86.78	76.45
Allocatable contracting	4.81	3.81
Forage variable costs	152.32	155.00
TOTAL VARIABLE COSTS	470.90	443.51

GROSS MARGIN	312.45	538.66
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GROSS MARGINS: HILL AND UPLAND DAIRY **2017/18**

	All herds	Top third
Number of herds in sample	57	19
Herd size (dairy cows)	156	189
Milk yield (litres per cow)	6,846	7,453
Milk price (pence per litre)	28.81	29.10

	£ per cow	£ per cow
ENTERPRISE OUTPUT		
Milk	1,972.08	2,168.41
Calves	125.08	130.59
Bull and cow sales	158.22	193.41
Valuation change	30.56	34.50
Cattle purchases	-276.59	-288.51
TOTAL ENTERPRISE OUTPUT	2,009.35	2,238.40

VARIABLE COSTS

Concentrates and bulk feed	546.41	531.87
Veterinary and medicines	58.84	63.57
Other livestock costs	157.74	146.52
Allocatable contracting	23.38	23.34
Forage variable costs	184.71	176.90
TOTAL VARIABLE COSTS	971.08	942.20

GROSS MARGIN	1,038.27	1,296.20
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GROSS MARGINS: LOWLAND DAIRY

	All herds	Top third
Number of herds in sample	51	17
Herd size (dairy cows)	201	168
Milk yield (litres per cow)	7,255	8,487
Milk price (pence per litre)	28.93	29.29

	£ per cow	£ per cow
ENTERPRISE OUTPUT		
Milk	2,098.27	2,486.03
Calves	116.63	147.71
Bull and cow sales	181.48	282.82
Valuation change	-7.06	14.32
Cattle purchases	-288.82	-381.46
TOTAL ENTERPRISE OUTPUT	2,100.50	2,549.42

VARIABLE COSTS

Concentrates and bulk feed	562.24	625.97
Veterinary and medicines	62.97	73.35
Other livestock costs	161.11	187.39
Allocatable contracting	30.24	25.31
Forage variable costs	164.99	149.03
TOTAL VARIABLE COSTS	981.55	1,061.05

GROSS MARGIN	1,118.95	1,488.37
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LAMB PRODUCTION COSTS**2017/18**

Pence per kg liveweight	All farms	Top third	Bottom third
Number of farms	127	42	42
Feed	38.83	27.88	49.86
Veterinary and medicines	12.44	9.88	12.61
Other livestock costs	19.70	18.32	21.09
Forage	23.39	17.92	25.45
TOTAL VARIABLE COSTS	94.36	74.00	109.01
FLOCK REPLACEMENT	21.71	20.89	26.76
Paid labour	4.45	2.88	5.61
Power and machinery	41.14	31.13	52.45
Buildings	11.28	8.37	13.52
General farm costs	19.79	14.36	26.27
Rent	6.96	4.52	10.09
Finance	4.75	3.66	6.94
TOTAL OVERHEAD COSTS	88.37	64.92	114.88
TOTAL COSTS	204.44	159.81	250.65
NET MARGIN	-13.17	39.07	-66.23
Lambs reared (nos. per ewe)	1.32	1.43	1.19
Flock size	612	592	630
Average lamb liveweight (kg)	38.96	40.81	36.49

MILK PRODUCTION COSTS

Pence per litre	All farms	Top third	Bottom third
Number of farms	108	36	36
Feed	7.54	6.36	8.86
Veterinary and medicines	0.85	0.76	0.93
Other livestock costs	2.80	2.20	3.51
Forage	2.42	1.89	2.82
TOTAL VARIABLE COSTS	13.61	11.21	16.12
HERD REPLACEMENT	1.65	1.04	2.40
Paid labour	0.96	0.71	1.37
Power and machinery	2.75	2.71	3.02
Buildings	1.19	1.02	1.57
General farm costs	1.45	1.31	1.74
Rent	0.40	0.31	0.33
Finance	0.61	0.40	0.94
TOTAL OVERHEAD COSTS	7.36	6.46	8.97
TOTAL COSTS	22.62	18.71	27.49
NET MARGIN	8.05	12.83	3.42
Margin over concentrates	21.25	23.12	20.19
Milk price	28.43	29.15	28.64

BEEF PRODUCTION COSTS: SUCKLED CALF**2017/18**

Pence per kg liveweight	All farms	Top third	Bottom third
Number of farms	44	15	15
Feed	12.59	5.36	23.18
Veterinary and medicines	13.34	9.88	17.72
Other livestock costs	15.87	9.30	21.99
Forage	37.78	24.81	48.99
TOTAL VARIABLE COSTS	79.58	49.35	111.88
HERD REPLACEMENT	17.56	11.68	17.75
Paid labour	8.35	3.61	12.87
Power and machinery	64.18	50.42	78.89
Buildings	18.48	10.12	27.05
General farm costs	28.08	23.22	31.76
Rent	6.68	3.32	12.02
Finance	6.89	2.68	13.08
TOTAL OVERHEAD COSTS	132.66	93.37	175.67
TOTAL COSTS	229.80	154.40	305.30
NET MARGIN	-41.28	42.91	-127.29

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

BEEF PRODUCTION COSTS: FINISHING

Pence per kg liveweight	All farms	Top third	Bottom third
Number of farms	17	6	6
Feed	64.73	39.21	94.95
Veterinary and medicines	4.85	3.49	7.84
Other livestock costs	29.73	21.89	30.92
Forage	36.66	26.36	46.52
TOTAL VARIABLE COSTS	135.97	90.95	180.23
Paid labour	3.28	2.5	5.3
Power and machinery	50.30	48.60	51.77
Buildings	11.13	6.18	14.07
General farm costs	22.18	23.39	25.02
Rent	8.43	0.48	9.59
Finance	4.60	3.90	7.16
TOTAL OVERHEAD COSTS	99.92	85.05	112.91
TOTAL COSTS	235.89	176.00	293.14
NET MARGIN	9.00	73.43	-64.23

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 (ANCF)

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

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

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