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THE FARM BUSINESS SURVEY IN WALES

Wales Farm Income Booklet

2014/15 Results

CONTENTS	Page
Foreword	1
Overview	2
Introduction	4
Definition of Terms and Explanatory Notes	5
Whole Farm Data	
Hill cattle and sheep	7
Hill sheep	9
Upland cattle and sheep	11
Lowland cattle and sheep	13
Hill and upland dairy	15
Lowland dairy	17
Gross Margin Data	
Hill sheep	19
Upland sheep	19
Lowland sheep	20
Lowland suckler cows	20
Upland suckler cows	21
Hill suckler cows	21
Hill and upland dairy	22
Lowland dairy	22
Production Costs Data	
Lamb production costs	23
Milk production costs	23
Beef production costs : suckled calf	24
Beef production costs : finishing	24
Farm Profit Demands	25

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2014/15 Results**

Farm Business Survey

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Foreword

Aberystwyth University has been researching Welsh farm incomes since before the Second World War and 2011/12 was the 75th 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 2014 and 31st March 2015 and therefore reflect farming conditions between January 2014 and March 2015. This overview is intended to provide context and insight into the period that these results represent.

Farmers began the year with good levels of quality forage stocks in store from the previous harvest. The start of 2014 saw stormy and wet conditions across many parts of Wales resulting in damage, localised flooding and increased incidence of fluke in animals. The spring saw better farming weather with almost perfect drilling and growing conditions which continued throughout the summer, resulting in early turnout, less reliance on purchased feeds and ample high quality forage stocks in stores.

Livestock fortunes during 14/15 typified the cyclical nature of farming with fortunes shifting throughout the year. Lamb producers had one of the best lambing years for some time with good growth rates and low mortality. Lamb trade however, was mixed with very good prices during the early season followed by a significant fall mid-summer with no late season recovery, although wool and cull prices holding firm helped sheep margins compared to the previous year. Finished beef producers had similar mixed fortunes with initial good prices dropping quickly towards the summer and then slowly strengthening towards the year end. Store cattle producers found prices managed to remain fairly buoyant throughout the season.

Dairy producers are currently experiencing one of their most depressing periods in memory with despondent producers being forced to or choosing to exit the industry. With this backdrop it is almost insensitive to report that for the period these results cover, milk prices held up well for the first half of the year, then gradually fell cumulating in larger falls as the year finished, but a little too late to be reflected in these results. Yields were mostly up on the back of good grazing conditions and stock prices held firm yet both were insufficient to repel the year end and subsequent perfect storm of dire

prices, buyers holding back or delaying payments, unfavourable or non-existent contracts, ever present TB issues with associated cost implications and all on the back of significant recent investments by many producers.

Other aspects of note during the period included a less favourable euro exchange rate and significant claw back of entitlement value producing reduced Single Farm Payment (SFP); Russia's EU food boycotts and China's economic slowdowns; previous renewable energy investments now coming on line; fuel and fertilizer price reductions helping all sectors, but not enough to compensate for high agrochemical and poor crop prices in the arable sector (although this did help to reduce feed costs for livestock farmers); a slowing in the rate of reversal back to conventional from organic farming and increased Glastir agreements bearing fruit.

These results also highlight significant differences between 'average' and 'top-third' performing farms across a range of efficiency measures. For example, the top third performing hill sheep farms' £ per effective hectare profit was double that of the average farm in the sample. 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 47p/kg to losing 56p/kg, and beef producers ranging from 40p/kg to minus 99p/kg. However, all these results take no account of the cost of the farmer's labour, the absence of which may, if misused, presents a false picture of the economics of production. The dairy sector best illustrates this since labour and pension costs alone can add around 7-8p/l, pushing the top producers' cost of production to over 27p/l and the bottom closer to 36p/l.

Particular attention also needs to be given to the contribution of the SFP, 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 38% of outputs and 180% of profits, on average, for hill sheep farms.

Introduction

Farm profitability is central to any farm business, although farmers will have many other business and personal objectives. With changes to the SFP 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>Single Payment Scheme (SPS)</i>	Replaced all production linked subsidies as part of the restructuring of the CAP.
Farm Types	
<i>Hill</i>	Mainly in Severely Disadvantaged Area.
<i>Upland</i>	Mainly in Disadvantaged Area.
<i>Lowland</i>	Mainly outside Less Favoured Area.
Whole Farm Data	
<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, Tir Gofal 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, licences, insurances, professional fees 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>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 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**2014/15****WHOLE FARM DATA**

Number of farms : 121

	All farms £/farm	All farms £/eff.ha.	Top third £/eff.ha.
OUTPUTS			
Beef	43,585	361	397
Sheep	43,978	364	468
Crops and forage	3,134	26	40
Single Payment Scheme	26,364	218	238
Indirect subsidies	5,749	48	62
Miscellaneous income	6,906	57	87
TOTAL OUTPUTS	129,716	1,074	1,292
INPUTS			
Feeds	20,220	167	154
Tack and grass keep	5,936	49	40
Veterinary and medicines	5,101	42	44
Other livestock costs	8,434	70	71
Fertilisers	8,995	74	77
Other crop costs	2,194	18	22
Allocatable contracting	4,567	38	39
TOTAL VARIABLE COSTS	55,447	458	447
Paid labour	4,511	37	35
Other contracting / machinery hire	793	7	6
Fuel and repairs	11,789	98	101
Machinery depreciation	13,250	110	106
General farming costs	10,098	84	90
Land expenses	4,447	37	40
Buildings depreciation	3,598	30	25
TOTAL OVERHEAD COSTS	48,486	403	403
TOTAL INPUTS	103,933	861	850
PROFIT BEFORE RENT AND FINANCE	25,783	213	442
Rent	2,744	23	29
Finance	4,001	33	30
PROFIT AFTER RENT AND FINANCE	19,038	157	383
Unpaid labour	7,049	58	78

HILL CATTLE AND SHEEP FARMS**2014/15**

	Owned	Tenant	Mixed
	£/farm	£/farm	£/farm
BALANCE SHEET			
Number of farms by tenure type	62	8	51
TOTAL ASSETS	1,142,382	261,511	1,120,838
TOTAL EXTERNAL LIABILITIES	106,250	59,954	105,932
NET WORTH	1,036,132	201,557	1,014,906
Owner equity (%)	91	77	91

PHYSICAL DATA	All farms	Top third
LAND AREA	Hectares	Hectares
Grassland and forage crops	108.00	101.14
Cereals and other crops	1.28	1.93
Rough grazing, fallow, woods etc.	37.49	36.16
TOTAL AREA (actual)	146.77	139.23
TOTAL AREA (effective)	120.78	111.19

LIVESTOCK	All farms	Top third
	Numbers	Numbers
Suckler cows	42	40
Other cattle	92	84
Breeding sheep	588	583
Other sheep	402	415

PERFORMANCE INDICATORS	All farms	Top third
Lambs reared (numbers per ewe)	1.22	1.33
Finished lamb sales (numbers per ewe)	0.78	1.09
Finished lamb sales (£ per lamb)	69.62	72.25
Calves reared (numbers per cow)	0.88	0.92
Finished cattle sales (£ per head)	1,144	1,218
Store cattle sales (£ per head)	877	983
Stocking rate (glu/adj. forage ha.)	1.05	1.10

HILL SHEEP FARMS**2014/15****WHOLE FARM DATA**

Number of farms : 116

	All farms £/farm	All farms £/eff.ha.	Top third £/eff.ha.
OUTPUTS			
Beef	11,832	80	90
Sheep	54,868	370	398
Crops and forage	1,170	8	10
Single Payment Scheme	25,428	171	177
Indirect subsidies	11,275	76	123
Miscellaneous income	5,759	39	47
TOTAL OUTPUTS	110,332	744	845
INPUTS			
Feeds	14,583	98	83
Tack and grass keep	5,479	37	34
Veterinary and medicines	4,108	28	27
Other livestock costs	5,876	40	40
Fertilisers	5,747	39	38
Other crop costs	1,381	9	9
Allocatable contracting	3,453	23	23
TOTAL VARIABLE COSTS	40,627	274	254
Paid labour	3,906	26	21
Other contracting / machinery hire	964	6	7
Fuel and repairs	9,791	66	68
Machinery depreciation	10,512	71	68
General farming costs	9,164	62	58
Land expenses	3,997	27	23
Buildings depreciation	2,405	16	13
TOTAL OVERHEAD COSTS	40,739	274	258
TOTAL INPUTS	81,366	548	512
PROFIT BEFORE RENT AND FINANCE	28,966	196	333
Rent	2,746	19	18
Finance	2,827	19	17
PROFIT AFTER RENT AND FINANCE	23,393	158	298
Unpaid labour	4,301	29	39

HILL SHEEP FARMS**2014/15**

	Owned	Tenant	Mixed
BALANCE SHEET	£/farm	£/farm	£/farm
Number of farms by tenure type	65	9	42
TOTAL ASSETS	1,131,595	186,861	823,826
TOTAL EXTERNAL LIABILITIES	71,164	63,345	75,870
NET WORTH	1,060,431	123,516	747,956
Owner equity (%)	94	66	91

PHYSICAL DATA	All farms	Top third
LAND AREA	Hectares	Hectares
Grassland and forage crops	124.01	125.59
Cereals and other crops	0.53	0.65
Rough grazing, fallow, woods etc.	87.12	119.95
TOTAL AREA (actual)	211.66	246.19
TOTAL AREA (effective)	148.33	158.02

LIVESTOCK	All farms	Top third
	Numbers	Numbers
Suckler cows	12	15
Other cattle	26	30
Breeding sheep	901	997
Other sheep	589	598

PERFORMANCE INDICATORS	All farms	Top third
Lambs reared (numbers per ewe)	1.14	1.15
Finished lamb sales (numbers per ewe)	0.72	0.70
Finished lamb sales (£ per lamb)	65.77	64.77
Calves reared (numbers per cow)	0.91	0.89
Finished cattle sales (£ per head)	1,199	1,198
Store cattle sales (£ per head)	859	836
Stocking rate (glu/adj. forage ha.)	0.68	0.71

UPLAND CATTLE AND SHEEP FARMS**2014/15****WHOLE FARM DATA**

Number of farms : 94

	All farms £/farm	All farms £/eff.ha.	Top third £/eff.ha.
OUTPUTS			
Beef	38,020	373	467
Sheep	38,213	375	455
Crops and forage	5,735	56	54
Single Payment Scheme	20,407	200	231
Indirect subsidies	3,112	31	41
Miscellaneous income	6,899	68	88
TOTAL OUTPUTS	112,386	1,103	1,336
INPUTS			
Feeds	14,219	140	161
Tack and grass keep	2,787	27	30
Veterinary and medicines	3,842	38	37
Other livestock costs	7,083	70	77
Fertilisers	8,110	80	83
Other crop costs	2,407	24	23
Allocatable contracting	4,184	41	37
TOTAL VARIABLE COSTS	42,632	420	448
Paid labour	3,329	33	31
Other contracting / machinery hire	902	9	9
Fuel and repairs	9,438	93	92
Machinery depreciation	11,921	117	103
General farming costs	8,923	88	82
Land expenses	4,946	49	53
Buildings depreciation	2,970	29	26
TOTAL OVERHEAD COSTS	42,429	418	396
TOTAL INPUTS	85,061	838	844
PROFIT BEFORE RENT AND FINANCE	27,325	265	492
Rent	3,502	34	31
Finance	2,525	25	20
PROFIT AFTER RENT AND FINANCE	21,298	206	441
Unpaid labour	4,426	43	67

UPLAND CATTLE AND SHEEP FARMS

2014/15

	Owned	Tenant	Mixed
	£/farm	£/farm	£/farm
BALANCE SHEET			
Number of farms by tenure type	50	6	38
TOTAL ASSETS	903,269	137,981	1,027,234
TOTAL EXTERNAL LIABILITIES	58,957	4,696	92,903
NET WORTH	844,312	133,285	934,331
Owner equity (%)	93	97	91

PHYSICAL DATA	All farms	Top third
LAND AREA	Hectares	Hectares
Grassland and forage crops	95.08	117.96
Cereals and other crops	2.75	3.76
Rough grazing, fallow, woods etc.	10.77	11.77
TOTAL AREA (actual)	108.60	133.49
TOTAL AREA (effective)	101.88	125.49

	All farms	Top third
LIVESTOCK	Numbers	Numbers
Suckler cows	30	33
Other cattle	83	124
Breeding sheep	433	567
Other sheep	295	389

	All farms	Top third
PERFORMANCE INDICATORS		
Lambs reared (numbers per ewe)	1.43	1.54
Finished lamb sales (numbers per ewe)	1.07	1.20
Finished lamb sales (£ per lamb)	78.54	84.30
Calves reared (numbers per cow)	0.89	0.96
Finished cattle sales (£ per head)	1,214	1,219
Store cattle sales (£ per head)	874	973
Stocking rate (glu/adj. forage ha.)	1.12	1.22

LOWLAND CATTLE AND SHEEP FARMS

2014/15

WHOLE FARM DATA

Number of farms : 60

	All farms £/farm	All farms £/eff.ha.	Top third £/eff.ha.
OUTPUTS			
Beef	36,219	459	650
Sheep	34,597	438	608
Crops and forage	8,739	111	134
Single Payment Scheme	17,565	222	260
Indirect subsidies	2,028	26	19
Miscellaneous income	6,159	78	161
TOTAL OUTPUTS	105,307	1,334	1,832
INPUTS			
Feeds	13,488	171	181
Tack and grass keep	2,347	30	58
Veterinary and medicines	3,081	39	40
Other livestock costs	6,540	83	107
Fertilisers	6,555	83	105
Other crop costs	3,048	39	50
Allocatable contracting	3,676	47	53
TOTAL VARIABLE COSTS	38,735	492	594
Paid labour	2,163	27	48
Other contracting / machinery hire	888	11	8
Fuel and repairs	9,422	119	151
Machinery depreciation	9,715	123	137
General farming costs	9,410	119	131
Land expenses	3,595	46	43
Buildings depreciation	3,030	38	67
TOTAL OVERHEAD COSTS	38,223	483	585
TOTAL INPUTS	76,958	975	1,179
PROFIT BEFORE RENT AND FINANCE	28,349	359	653
Rent	4,724	60	33
Finance	2,469	31	38
PROFIT AFTER RENT AND FINANCE	21,156	268	582
Unpaid labour	4,823	61	102

LOWLAND CATTLE AND SHEEP FARMS

2014/15

	Owned	Tenant	Mixed
	£/farm	£/farm	£/farm
BALANCE SHEET			
Number of farms by tenure type	26	9	25
TOTAL ASSETS	829,587	164,755	987,217
TOTAL EXTERNAL LIABILITIES	43,399	15,149	92,440
NET WORTH	786,188	149,606	894,777
Owner equity (%)	95	91	91

PHYSICAL DATA	All farms	Top third
LAND AREA	Hectares	Hectares
Grassland and forage crops	70.17	62.01
Cereals and other crops	5.14	5.02
Rough grazing, fallow, woods etc.	8.46	6.27
TOTAL AREA (actual)	83.77	73.30
TOTAL AREA (effective)	78.96	69.12

LIVESTOCK	All farms	Top third
	Numbers	Numbers
Suckler cows	18	15
Other cattle	85	99
Breeding sheep	340	350
Other sheep	287	317

PERFORMANCE INDICATORS	All farms	Top third
Lambs reared (numbers per ewe)	1.44	1.41
Finished lamb sales (numbers per ewe)	1.22	1.29
Finished lamb sales (£ per lamb)	79.49	85.12
Calves reared (numbers per cow)	0.91	0.91
Finished cattle sales (£ per head)	1,229	1,268
Store cattle sales (£ per head)	816	832
Stocking rate (glu/adj. forage ha.)	1.33	1.50

HILL AND UPLAND DAIRY FARMS

2014/15

WHOLE FARM DATA

Number of farms : 69

	All farms £/farm	All farms £/eff.ha.	Top third £/eff.ha.
OUTPUTS			
Dairy - milk	278,255	2,925	4,444
- other output	-4,619	-49	-39
Other cattle	40,801	429	515
Sheep	13,798	145	109
Crops and forage	4,541	48	42
Single Payment Scheme	21,569	227	331
Indirect subsidies	1,124	12	11
Miscellaneous income	8,173	86	242
TOTAL OUTPUTS	363,642	3,823	5,655
INPUTS			
Feeds	92,655	974	1,328
Tack and grass keep	15,476	163	170
Veterinary and medicines	11,240	118	147
Other livestock costs	24,207	254	311
Fertilisers	19,880	209	263
Other crop costs	5,868	62	70
Allocatable contracting	16,691	175	217
TOTAL VARIABLE COSTS	186,017	1,955	2,506
Paid labour	13,197	139	209
Other contracting / machinery hire	4,059	43	40
Fuel and repairs	19,964	210	265
Machinery depreciation	19,709	207	299
General farming costs	19,758	208	264
Land expenses	9,316	98	146
Buildings depreciation	12,171	128	145
TOTAL OVERHEAD COSTS	98,174	1,033	1,368
TOTAL INPUTS	284,191	2,988	3,874
PROFIT BEFORE RENT AND FINANCE	79,451	835	1,781
Rent	5,890	62	76
Finance	10,381	109	73
PROFIT AFTER RENT AND FINANCE	63,180	664	1,632
Unpaid labour	11,112	117	168

HILL AND UPLAND DAIRY FARMS**2014/15**

	Owned	Tenant	Mixed
	£/farm	£/farm	£/farm
BALANCE SHEET			
Number of farms by tenure type	35	2	32
TOTAL ASSETS	1,430,711	-	1,153,862
TOTAL EXTERNAL LIABILITIES	262,978	-	366,626
NET WORTH	1,167,733	-	787,236
Owner equity (%)	82	-	68

PHYSICAL DATA	All farms	Top third
LAND AREA	Hectares	Hectares
Grassland and forage crops	91.45	65.18
Cereals and other crops	1.09	0.33
Rough grazing, fallow, woods etc.	10.29	8.14
TOTAL AREA (actual)	102.83	73.65
TOTAL AREA (effective)	95.12	67.37

LIVESTOCK	All farms	Top third
	Numbers	Numbers
Dairy cattle	137	139
Suckler cows	1	0
Other cattle	115	90
Breeding sheep	192	89
Other sheep	102	52

PERFORMANCE INDICATORS	All farms	Top third
Milk yield (litres per cow)	6,823	7,154
Margin over concentrates (£ per cow)	1,466	1,627
Milk disposal (£ per cow)	2,008	2,128
Milk price (pence per litre)	29.85	30.11
Stocking rate (glu/adj. forage ha.)	1.97	2.22

WHOLE FARM DATA

Number of farms : 56

	All farms £/farm	All farms £/eff.ha.	Top third £/eff.ha.
OUTPUTS			
Dairy - milk	370,487	3,259	4,783
- other output	-5,618	-49	31
Other cattle	53,594	472	509
Sheep	4,890	43	13
Crops and forage	7,619	67	58
Single Payment Scheme	28,162	248	295
Indirect subsidies	2,486	22	35
Miscellaneous income	5,974	53	105
TOTAL OUTPUTS	467,594	4,115	5,829
INPUTS			
Feeds	113,924	1,002	1,344
Tack and grass keep	10,208	90	155
Veterinary and medicines	14,167	125	154
Other livestock costs	30,817	271	325
Fertilisers	22,255	196	289
Other crop costs	8,270	73	64
Allocatable contracting	22,226	196	236
TOTAL VARIABLE COSTS	221,867	1,953	2,567
Paid labour	27,025	238	267
Other contracting / machinery hire	3,361	30	36
Fuel and repairs	24,406	215	233
Machinery depreciation	24,152	212	273
General farming costs	26,363	232	268
Land expenses	13,511	119	168
Buildings depreciation	12,931	114	168
TOTAL OVERHEAD COSTS	131,749	1,160	1,413
TOTAL INPUTS	353,616	3,113	3,980
PROFIT BEFORE RENT AND FINANCE	113,978	1,002	1,849
Rent	7,327	64	12
Finance	11,041	97	108
PROFIT AFTER RENT AND FINANCE	95,610	841	1,729
Unpaid labour	11,446	101	130

LOWLAND DAIRY FARMS

2014/15

	Owned £/farm	Tenant £/farm	Mixed £/farm
BALANCE SHEET			
Number of farms by tenure type	27	5	24
TOTAL ASSETS	1,934,761	288,240	1,529,005
TOTAL EXTERNAL LIABILITIES	269,574	35,827	340,821
NET WORTH	1,665,187	252,413	1,188,184
Owner equity (%)	86	88	78

PHYSICAL DATA	All farms	Top third
LAND AREA	Hectares	Hectares
Grassland and forage crops	108.20	88.56
Cereals and other crops	4.75	2.18
Rough grazing, fallow, woods etc.	7.15	9.85
TOTAL AREA (actual)	120.10	100.59
TOTAL AREA (effective)	113.66	92.02

LIVESTOCK	All farms	Top third
	Numbers	Numbers
Dairy cattle	167	194
Suckler cows	0	0
Other cattle	142	129
Breeding sheep	77	36
Other sheep	37	12

PERFORMANCE INDICATORS	All farms	Top third
Milk yield (litres per cow)	7,379	7,468
Margin over concentrates (£ per cow)	1,598	1,686
Milk disposal (£ per cow)	2,188	2,251
Milk price (pence per litre)	29.99	30.36
Stocking rate (glu/adj. forage ha.)	2.04	2.44

GROSS MARGINS : HILL SHEEP

	All flocks	2014/15 Top third
Number of flocks in sample	214	71
Flock size (ew es and ew e lambs put to ram)	651	573
Lambs reared (numbers per ewe)	1.18	1.40

ENTERPRISE OUTPUT

	£ per ewe	£ per ewe
Lamb sales - store	3.81	1.90
- finished	56.96	84.67
Other sheep sales	15.66	21.16
Wool sales	2.11	2.55
Miscellaneous	0.00	0.00
Valuation change	2.37	3.14
Sheep purchases	-8.08	-12.12
TOTAL ENTERPRISE OUTPUT	72.83	101.30

VARIABLE COSTS

Concentrates and bulk feed	15.07	17.82
Stock keep	3.13	1.88
Veterinary and medicines	4.64	5.31
Other livestock costs	5.88	7.24
Allocatable contracting	1.12	1.27
Forage variable costs	12.20	14.25
TOTAL VARIABLE COSTS	42.04	47.77

GROSS MARGIN**30.79 53.53****GROSS MARGINS : UPLAND SHEEP**

	All flocks	Top third
Number of flocks in sample	71	24
Flock size (ew es and ew e lambs put to ram)	473	521
Lambs reared (numbers per ewe)	1.44	1.64

ENTERPRISE OUTPUT

	£ per ewe	£ per ewe
Lamb sales - store	4.14	2.08
- finished	91.10	122.25
Other sheep sales	16.68	20.74
Wool sales	2.52	2.64
Miscellaneous	0.00	0.00
Valuation change	4.87	8.55
Sheep purchases	-16.34	-25.90
TOTAL ENTERPRISE OUTPUT	102.97	130.36

VARIABLE COSTS

Concentrates and bulk feed	17.32	18.12
Stock keep	1.02	0.99
Veterinary and medicines	5.73	6.00
Other livestock costs	7.72	8.49
Allocatable contracting	1.36	1.68
Forage variable costs	16.76	13.00
TOTAL VARIABLE COSTS	49.91	48.28

GROSS MARGIN**53.06 82.08**

GROSS MARGINS : LOWLAND SHEEP		2014/15	
	All flocks	Top third	
Number of flocks in sample	37	12	
Flock size (ewes and ewe lambs put to ram)	331	282	
Lambs reared (numbers per ewe)	1.46	1.57	
ENTERPRISE OUTPUT	£ per ewe	£ per ewe	
Lamb sales - store	0.42	0.00	
- finished	106.03	123.20	
Other sheep sales	16.73	20.40	
Wool sales	2.70	2.71	
Miscellaneous	0.00	0.00	
Valuation change	1.70	0.19	
Sheep purchases	-18.26	-20.80	
TOTAL ENTERPRISE OUTPUT	109.32	125.70	
VARIABLE COSTS			
Concentrates and bulk feed	20.02	9.64	
Stock keep	1.51	0.00	
Veterinary and medicines	7.01	5.90	
Other livestock costs	8.83	7.32	
Allocatable contracting	1.01	0.82	
Forage variable costs	16.45	14.64	
TOTAL VARIABLE COSTS	54.83	38.32	
GROSS MARGIN	54.49	87.38	

GROSS MARGINS : LOWLAND SUCKLER COWS			
	All herds	Top third	
Number of herds in sample	23	8	
Herd size (breeding cows)	37	32	
Calves reared (numbers per cow)	0.91	0.89	
Finished cattle sales (£ per head)	1,135	1,154	
Store cattle sales (£ per head)	840	1,070	
ENTERPRISE OUTPUT	£ per cow	£ per cow	
Calf and store cattle sales	310.41	302.24	
Bull and cow sales	68.65	136.39	
Finished cattle sales	698.83	935.10	
Valuation change	-30.04	-145.29	
Cattle purchases	-117.99	-79.09	
TOTAL ENTERPRISE OUTPUT	929.86	1,149.35	
VARIABLE COSTS			
Concentrates and bulk feed	137.19	103.43	
Veterinary and medicines	37.09	20.00	
Other livestock costs	99.33	95.10	
Allocatable contracting	2.16	0.19	
Forage variable costs	237.12	236.03	
TOTAL VARIABLE COSTS	512.89	454.75	
GROSS MARGIN	416.97	694.60	

GROSS MARGINS : UPLAND SUCKLER COWS		2014/15
	All herds	Top third
Number of herds in sample	45	15
Herd size (breeding cows)	48	57
Calves reared (numbers per cow)	0.86	0.86
Finished cattle sales (£ per head)	1,179	1,167
Store cattle sales (£ per head)	867	898
ENTERPRISE OUTPUT	£ per cow	£ per cow
Calf and store cattle sales	587.32	411.65
Bull and cow sales	90.95	90.68
Finished cattle sales	296.30	516.06
Valuation change	16.36	95.09
Cattle purchases	-163.08	-125.93
TOTAL ENTERPRISE OUTPUT	827.85	987.55
VARIABLE COSTS		
Concentrates and bulk feed	144.19	132.95
Veterinary and medicines	38.51	29.83
Other livestock costs	78.14	73.60
Allocatable contracting	6.22	5.52
Forage variable costs	183.90	189.02
TOTAL VARIABLE COSTS	450.96	430.92
GROSS MARGIN	376.89	556.63

GROSS MARGINS : HILL SUCKLER COWS		
	All herds	Top third
Number of herds in sample	127	42
Herd size (breeding cows)	35	30
Calves reared (numbers per cow)	0.90	0.93
Finished cattle sales (£ per head)	1,162	1,162
Store cattle sales (£ per head)	900	981
ENTERPRISE OUTPUT	£ per cow	£ per cow
Calf and store cattle sales	695.56	697.70
Bull and cow sales	115.72	75.07
Finished cattle sales	246.20	383.58
Valuation change	-7.82	14.09
Cattle purchases	-185.28	-148.26
TOTAL ENTERPRISE OUTPUT	864.38	1,022.18
VARIABLE COSTS		
Concentrates and bulk feed	199.27	138.05
Veterinary and medicines	47.54	40.17
Other livestock costs	86.96	77.60
Allocatable contracting	5.54	4.82
Forage variable costs	180.98	151.67
TOTAL VARIABLE COSTS	520.29	412.31
GROSS MARGIN	344.09	609.87

GROSS MARGINS : HILL AND UPLAND DAIRY		2014/15
	All herds	Top third
Number of herds in sample	68	23
Herd size (dairy cows)	135	144
Milk yield (litres per cow)	6,761	7,532
Milk price (pence per litre)	30.05	31.09
ENTERPRISE OUTPUT	£ per cow	£ per cow
Milk	2,031.97	2,340.87
Calves	109.65	121.24
Bull and cow sales	137.86	173.43
Valuation change	44.67	46.23
Cattle purchases	-327.22	-349.51
TOTAL ENTERPRISE OUTPUT	1,996.93	2,332.26
VARIABLE COSTS		
Concentrates and bulk feed	568.15	566.52
Veterinary and medicines	64.34	72.04
Other livestock costs	138.47	126.89
Allocatable contracting	25.19	15.19
Forage variable costs	206.70	240.09
TOTAL VARIABLE COSTS	1,002.85	1,020.73
GROSS MARGIN	994.08	1,311.53

GROSS MARGINS : LOWLAND DAIRY

	All herds	Top third
Number of herds in sample	54	18
Herd size (dairy cows)	171	146
Milk yield (litres per cow)	7,378	8,302
Milk price (pence per litre)	30.01	30.64
ENTERPRISE OUTPUT	£ per cow	£ per cow
Milk	2,213.99	2,543.98
Calves	98.27	115.05
Bull and cow sales	126.34	163.97
Valuation change	46.76	61.37
Cattle purchases	-306.83	-333.98
TOTAL ENTERPRISE OUTPUT	2,178.53	2,550.39
VARIABLE COSTS		
Concentrates and bulk feed	606.55	640.96
Veterinary and medicines	74.20	82.05
Other livestock costs	158.46	152.58
Allocatable contracting	33.19	31.44
Forage variable costs	202.93	180.25
TOTAL VARIABLE COSTS	1,075.33	1,087.28
GROSS MARGIN	1,103.20	1,463.11

LAMB PRODUCTION COSTS			2014/15
Pence per kg liveweight		Top third	Bottom third
	All farms		
Number of farms	123	41	41
Feed	38.84	30.88	48.29
Veterinary and medicines	10.59	8.28	11.59
Other livestock costs	16.41	15.55	17.09
Forage	25.86	19.97	31.33
TOTAL VARIABLE COSTS	91.70	74.68	108.30
FLOCK REPLACEMENT	13.19	8.84	20.41
Paid labour	4.60	2.64	6.97
Power and machinery	40.47	31.83	50.57
Buildings	11.45	8.64	15.13
General farm costs	17.80	13.71	21.73
Rent	5.04	3.58	6.40
Finance	5.60	3.25	7.66
TOTAL OVERHEAD COSTS	84.96	63.65	108.46
TOTAL COSTS	189.85	147.17	237.17
NET MARGIN	-2.42	47.49	-56.31
Lambs reared (nos. per ewe)	1.36	1.46	1.27
Flock size	618	516	744
Average lamb liveweight (kg)	39.90	41.45	38.54

MILK PRODUCTION COSTS

Pence per litre		Top third	Bottom third
	All farms		
Number of farms	122	41	41
Feed	7.92	6.98	9.29
Veterinary and medicines	0.95	0.82	1.10
Other livestock costs	2.55	2.08	3.11
Forage	2.81	2.32	3.17
TOTAL VARIABLE COSTS	14.23	12.20	16.67
HERD REPLACEMENT	1.99	1.14	2.62
Paid labour	0.89	0.54	1.30
Power and machinery	2.96	2.70	3.30
Buildings	1.32	1.15	1.64
General farm costs	1.53	1.33	1.79
Rent	0.37	0.25	0.48
Finance	0.58	0.21	1.05
TOTAL OVERHEAD COSTS	7.65	6.18	9.56
TOTAL COSTS	23.87	19.52	28.85
NET MARGIN	7.46	12.52	1.87
Margin over concentrates	22.09	23.52	20.27
Milk price	29.71	30.20	29.13

BEEF PRODUCTION COSTS : SUCKLED CALF **2014/15**

Pence per kg liveweight	All farms	Top third	Bottom third
Number of farms	65	22	22
Feed	15.97	7.30	27.91
Veterinary and medicines	10.34	8.60	13.85
Other livestock costs	15.31	12.09	18.30
Forage	43.91	40.10	46.01
TOTAL VARIABLE COSTS	85.53	68.09	106.07
HERD REPLACEMENT	13.61	4.43	17.18
Paid labour	7.08	3.91	13.47
Power and machinery	70.95	55.13	90.80
Buildings	20.28	13.71	29.32
General farm costs	30.90	25.45	37.88
Rent	6.43	4.51	6.75
Finance	7.74	7.19	10.31
TOTAL OVERHEAD COSTS	143.38	109.90	188.53
TOTAL COSTS	242.52	182.42	311.78
NET MARGIN	-70.08	0.53	-148.28

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	30	10	10
Feed	56.17	30.12	95.61
Veterinary and medicines	5.64	4.35	8.00
Other livestock costs	26.81	28.41	29.16
Forage	45.12	40.26	55.75
TOTAL VARIABLE COSTS	133.74	103.14	188.52
Paid labour	8.85	2.52	9.13
Power and machinery	55.85	57.33	61.91
Buildings	14.47	11.50	20.81
General farm costs	23.69	25.28	23.20
Rent	8.28	10.17	10.66
Finance	5.84	6.47	6.21
TOTAL OVERHEAD COSTS	116.98	113.27	131.92
TOTAL COSTS	250.72	216.41	320.44
NET MARGIN	-30.76	40.21	-99.56

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.