

## The Andersons Centre – Latest News Update

08 February 2010

### Farm Incomes Fall (From a Height)

Total farm incomes fell in 2009 compared to 2008. The latest Total Income from Farming (TIFF) data shows a 6% real-terms drop. This will come as little surprise to those in the industry, and corresponds with what has been happening at an individual farm level (unlike DEFRA's pre-Christmas estimate).

What is perhaps far more surprising is how profitable the 2008 year was according to the official statistics. Previously TIFF for 2008 had been put at £3.46bn. The data just published includes a massive 26% revision for that year, raising the 2008 figure to £4.34bn (*real terms at 2009 prices*). This is by far the best performance by the sector since the boom years of the mid-1990's – in fact it is a £1 billion higher in real terms than any of the years since 1997.

With such a high starting point, even a 6% fall for 2009 brings TIFF in at above £4bn (£4.07). *This is well above our forecast for 2009 of around £3.1bn.* Despite better returns, support still plays a large part in the profitability of farming. *As long as the exchange rate does not alter significantly it is quite plausible that TIFF could be higher again in 2010 thanks to lower costs and firm prices (although not, perhaps, in the cereals sector).* *TIFF is the aggregate return to all the entrepreneurs in UK agriculture and horticulture for their management, labour and their own capital in their businesses – in simplistic terms, it is the profit of UK farming.*

Of course the aggregate TIFF figures for the industry mask what is happening in any individual sector. More information on this is provided by the Farm Business Income (FBI) figures for England released at the same time. FBI is a farm-level measure, and shows the return an average farm in any sector is likely to have produced. It runs on a different time basis to TIFF – being February to February rather than calendar year. The latest figures are estimates for the 2009/10 year – i.e. running to Feb 2010. They therefore take in more of the lower-priced post-harvest 2009 period. For this reason, FBI for Cereals and General Cropping (roots) farms drop 25% and 20% respectively between 2008/09 and 2009/10. Dairy also shows a fall in profitability of 11%.

All other sectors show rises. Better sheep and beef prices have seen lowland grazing livestock farms' profitability up 61%, and upland livestock up 43%. Pigs show a massive 147% rise, and poultry 87%. Both the TIFF and the FBI data can be found at <https://statistics.defra.gov.uk/esg/statnot/account.pdf>

**For further information on farm incomes, please contact us**

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