

The Andersons Centre – Latest News Update

25th November 2009

Farm Profitability 2009

Somewhat surprisingly, DEFRA is estimating that farm incomes will be a quarter higher in 2009 than they were in 2008. The department has released its first estimates for 2009 and 2010 Total Income from Farming (TIFF). This shows agricultural returns increasing by 25% in real terms for the current year, and then falling by around 9% in 2010. TIFF per full-time person equivalent is estimated to rise by 26% in 2009 due to the reduction in agricultural labour and then fall by 8% in 2010.

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.

DEFRA has estimated that although the value of output decreased by 2.8% mainly due to a decrease in arable prices, input costs also fell. These are estimated to have reduced by 4.9%, decreases in feed, fuel and fertiliser costs were partly offset by increases in electricity costs. The favourable exchange rate means that the value of the Single Payment and agri-environmental schemes is estimated to have risen by 17% in 2009.

We are sceptical about the improvement shown. Our estimates had TIFF falling in 2009 by around 10%, from last year's £3.45bn to just below £3.1bn (more detail will be in Andersons forthcoming Outlook 2010 publication). Most farmers, apart from beef and sheep would probably say that 2009 has been worse than 2008 in terms of profitability, notwithstanding the SPS uplift. DEFRA points out that these are only first estimates. The more accurate 'provisional' figures will be available in January. Last year there were substantial changes from the pre Christmas TIFF estimate (an 8% drop in incomes), to the post-Christmas situation (a 36% increase). We hope we have got it wrong and DEFRA has it right, and there has been a further improvement in farming's fortunes. We wouldn't bank on it though.

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