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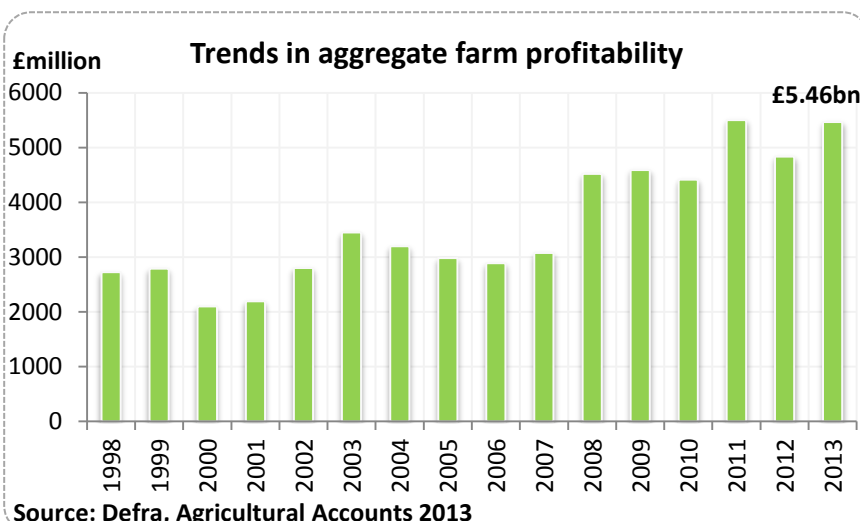
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Aggregate farm profitability recovers in 2013

Headline figures

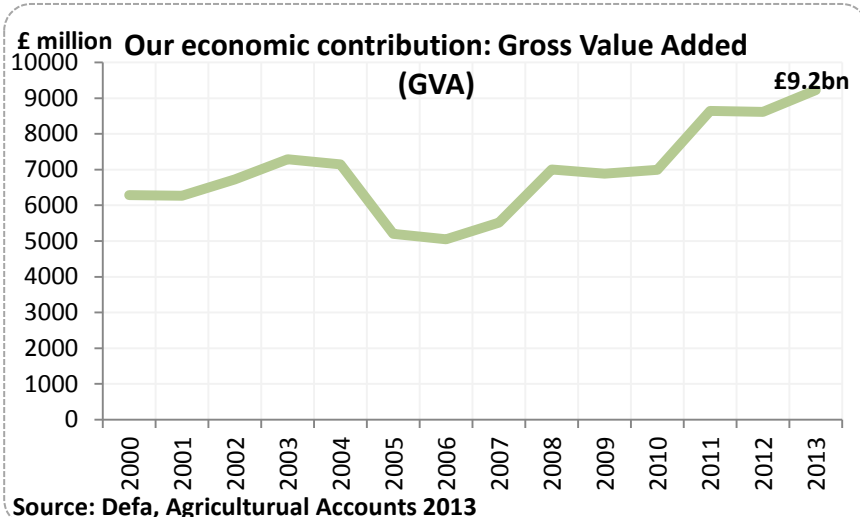
Defra has published its first estimate of Total Income from Farming figures (TIFF) for 2013. The TIFF is a measure of the performance of the whole agricultural industry in the UK. A second estimate will be published on 27 November 2014.

The profitability of UK farming has recovered from the impacts of the weather from the previous year. More importantly, the figure of **£5.464bn** is the second highest since the mid-90s, bettered only by the 2011 TIFF of **£5.5bn**.



A sector with increasing economic contribution

What stands out from the latest figures is the increasing economic contribution the sector is making to the national economy. We emphasised this message in our Back British Farming report which was launched at the NFU's Annual Conference. At the time we stated that the sector's contribution to the economy rose by 54% between 2007 and 2012. However, with agriculture's GVA now breaking the £9bn barrier, it means that farming's contribution to the UK economy has now increased by 67% since 2007.



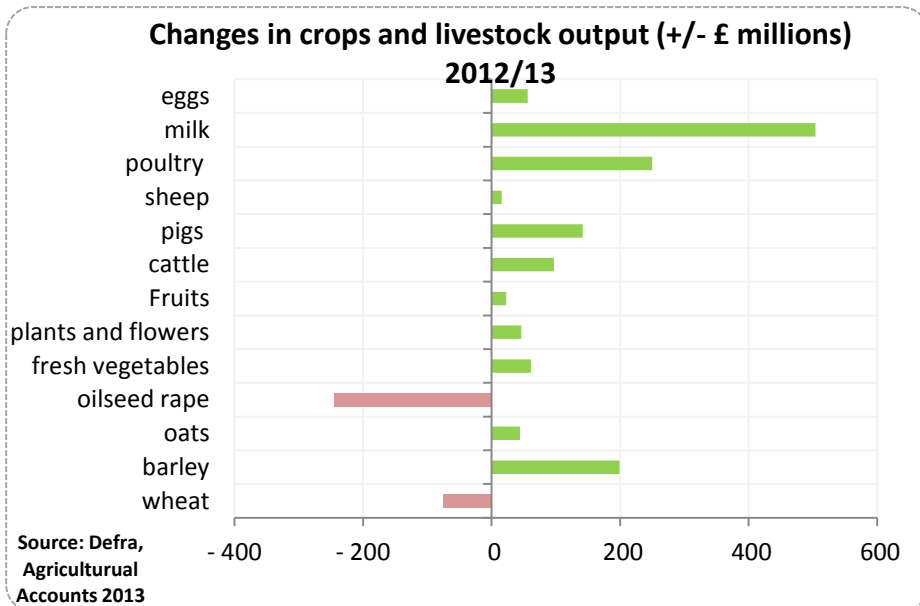
Key Drivers

The key contributors to the change in aggregate income were the increases in potatoes, milk, and poultry outputs. However, the rise in income was offset by higher cost base.

Output from crops increased by £334m to £9.2bn, a rise of 3.7% on the previous year. The main driver for this performance was the potato sector which saw its value increased by £210 million to £940 million. This was largely as result of a poor harvest in 2012 where production was down to 4.7 million tonnes, due to the poor weather conditions. The potato harvest in 2013 was back to more normal levels at 5.7 million tonnes and stocks of potatoes were replenished at the end of 2013.

Cereals had a more mixed performance. The value of **wheat** fell for the second year in a row by £75 million to £2,085 million. Although there was an increase in wheat yield overall production was down 10% as the area harvested was 19% less than in 2012. The quality of the wheat crop was better than 2012 and this saw an overall price increase of 7%.

In contrast the value of **barley** was up £199 million to £1,125 million. There were increased plantings of spring barley as there were difficulties in sowing autumn crops due to the wet weather / poor soil conditions at the end of 2012. The increased supplies of both malting and feed barley saw the price of barley fall by 6% in comparison to 2012. However the increased volumes of barley saw the overall value increase by 21% in 2013.



The value of **oilseed rape** fell by £245 million to £741 million as both price and volume fell in 2013. Both yield (3.0 tonnes / hectare) and harvested area (715 thousand hectares) of oilseed rape were down in 2013. Prices for oilseed rape were still relatively strong in 2013 at £348 / tonne but still lower than the high prices seen in 2012.

Livestock performed well, with **poultry** output up by £250m to £2.23bn. The pig sector also improved by £141m to a total of £1.28bn. The **dairy** industry showed a marked increase in income, with a rise of £505m in total output to £4.2bn. That was achieved on the back of improved milk prices, which rose on average from 28.1p/litre in 2012 to 31.6p/litre in 2013.

But a continuous rise in agriculture's cost base

Despite rising output values, livestock industry bared the brunt of rising costs. Agriculture's cost base has now increased 72% since 2006, and a further £892m was spent by farmers on inputs last year.

The rise in costs was largely driven by £740 million increase in animal feed. A cold start to 2013 led to a lack of early grass / fodder growth so cattle and sheep needed additional animal feed when they were turned out in spring. The increase in milk prices saw farmers use extra rations to maintain milk production. There was also an increase in the number of pigs (9.0%) and poultry (1.6%) which required additional feed. The additional demand for animal feed saw the price of animal feed rise by 7.4%.

NFU Comment

TIFF remains a popular barometer of industry performance and the wider figures are regularly used. For example, the NFU has utilised the TIFF dataset in the recent Backing the Business of British Farming report. That said, there are shortcomings attached to the TIFF dataset, created by its annual and aggregate approach. Although many in the farming industry will work on a crop year basis, TIFF is based on the calendar year. Furthermore, TIFF does not reflect sector specific challenges, particularly given the diversity and increasing volatility observed across the farming sectors. A more accurate picture is given by the Farm Business Income data which provides detail on individual sectors. Nevertheless, expect to see these headline figures feature in the coming months when evaluating the performance of the farming sector, and particularly emphasising the positive contribution that farming makes to the wider economy and the trends in output and input values.