

STATISTICAL PRESS RELEASE

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STATISTICAL NEWS RELEASE: NORTHERN IRELAND AGRICULTURAL INCOMES IN 2007

The Department of Agriculture and Rural Development (DARD) have published the provisional figures for farm incomes in 2007.

Aggregate income

Provisional figures published indicate that the 'Total Income from Farming' (TIFF) in Northern Ireland rose by 46% to £233 million in 2007 (a 40% increase in real terms). Strong growth of 16% in Gross Output to £1.23 billion is the main driver behind the rise in TIFF for 2007.

TIFF represents the return on own labour, management input and own capital invested for all those with an entrepreneurial involvement in farming.

Across the various sub-sectors, the major change in output was in dairying. For the calendar year 2007, the volume of milk sales off farm increased slightly to 1.92 billion litres. However, the average price per litre of the raw milk sold increased by 28% on the back of strong global demand for milk products combined with a supply-restricting drought in some major global dairying regions. Overall, there was a rise of £91 million, or 28%, in market returns to £420 million in the dairy sector.

Total market returns in the beef sector increased by 15% in 2007. This was due primarily to an increase in volume of throughput as prices remained fairly static in all categories. With the return of Over Thirty Month beef to the domestic food market and the first full year of trading following the removal of the export ban in May 2006, the numbers of eligible cull cows and bulls

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marketed increased by 43%. The value of output of culled cows and bulls (excluding disposals through the Older Cattle Disposal Scheme) increased by 40% to £36 million as a result of these increased volume figures. The value of output of steers, heifers and young bulls also increased in 2007, by 8% to £250 million, with a 6% increase in the number of animals marketed.

There were also gains in the value of outputs for the intensive livestock enterprises, with increases of 5% to £68 million, 8% to £149 million and 16% to £26 million for the pig, poultry and egg sectors respectively. The increases in the pig and poultry sectors can be attributed to increased volumes of throughput while a reduction in volume was more than offset by a 28% increase in price in the egg sector.

In contrast, the total value of output for the sheep sector decreased by 20% in 2007 to £42 million because of a 5% fall in the numbers of lambs marketed coupled with a 1% fall in price, and a 26% fall in the number of ewes marketed.

The output value for field crops increased significantly in 2007, by 28% to £62 million. This was predominately as a result of improved producer prices but also aided by some increases in sales volumes. The value of output of potatoes rose by 9% for the year to £21 million as a result of increases in sales of 4% and in producer price of 14%. Cereal crops enjoyed a bumper year on world markets, driven by increased demand from emerging world economies and alternative usages. This led to increases of 49% and 48% for recorded barley and wheat producer prices in Northern Ireland, while oats prices increased by 40%. This helped to produce an increase in the value of barley output of 55% to £17 million, in wheat of 52% to £10 million and in oats of 36% to over £1 million.

The total value of the Single Farm Payment estimated to have accrued in 2007 was £231 million, representing a net increase of 2.3% compared with 2006.

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This reflects a more favourable exchange rate between Sterling and the Euro, which was only partly offset by higher modulation deductions (9.5% in 2007 compared with 8.5% in 2006).

Total input costs rose by 8.5% in 2007 to £877 million. This was mainly as a result of a 16% rise in the cost of feedstuffs to £434 million (which represents 49% of total input costs to the industry). There was a 2% fall in the volume of feedstuff purchased, but this was more than offset by an 18% rise in the price. There was a continuation of the trend of recent years towards lower fertiliser usage, with a fall of 6% in the total volume purchased, leading to a reduction of 8% in the total cost of fertiliser input to £48 million in 2007.

The total cost of borrowings to the industry increased by 28% in 2007 to £58 million as a result of the combination of higher interest rates and a 14% increase in the level of borrowings.

Figures for the United Kingdom, also released today, indicate that UK Total Income from Farming increased by 10.2% in 2007 to £2.54 billion, a rise of 5.7% in real terms. The main reason for the larger income increase in Northern Ireland compared with the UK as a whole is that the dairy sector accounts for a much greater share of agriculture in Northern Ireland. Therefore, the rise in milk prices had a greater impact on TIFF in Northern Ireland. In addition, milk prices in Northern Ireland increased by more than in Great Britain and, unlike Great Britain, the volume of milk produced continued to increase. Another reason for the difference was that adverse weather conditions in Great Britain contributed to a decline in the volume of cereal production which reduced the beneficial impact of higher cereal prices on income.

Farm level incomes

Farm Business Income by type of farm for 2006/07, together with forecasts for 2007/08 is presented in Table 1 below. These income results are based on results from the Northern Ireland Farm Business Survey (FBS), which is a representative sample of all Northern Ireland farms larger than 0.5 Standard Labour Requirements. The income figures presented are for accounting years with an average ending date of mid February.

Average Farm Business Income measured across all farm types is expected to increase from £18,135 in 2006/07 to £21,562 in 2007/08, i.e. an increase of £3,427 or 19% per farm. At the individual farm type level the results show that Farm Business Income is expected to increase between 2006/07 and 2007/08 on Cereal, General Cropping, and Dairy farms. The main reason for this increase in incomes is higher cereal, potato and milk prices in the 2007/08 accounting year. The results also show that Farm Business Income is expected to fall on LFA Cattle and Sheep, Lowland Cattle and Sheep, Pigs, and Mixed Farms for 2007/08 compared with the previous year. This downturn in incomes results mainly from higher animal feed costs in the 2007/08 accounting year.

Farm Business Income was introduced this year as the headline measure of farm income following consultation by DARD in 2006-07. In light of views expressed during the consultation it was decided that the previous headline measure, Net Farm Income, would continue to be published for an interim period, but as a secondary measure. Therefore, Average Net Farm Income by farm type for 2006/07, along with forecasts for 2007/08 is presented in Table 2.

A detailed analysis of farm incomes by type and size of farm in 2006/07 will appear in the report 'Farm Incomes in Northern Ireland 2006/07' which will be

published on the DARD website (www.dardni.gov.uk/index/dard-statistics/agricultural-statistics/agricultural-statistics-farm-business-survey.htm) in March 2007.

Table 1: Average Farm Business Income by type of farm (£ per farm)

Farm Type	2006/07	2007/08 (forecast)	% change
Cereals	13,174	24,094	83
General Cropping	29,530	35,452	20
Dairy	27,261	39,034	43
Cattle & Sheep (LFA)	12,561	12,237	-3
Cattle & Sheep (lowland)	10,678	9,403	-12
Pigs	33,375	20,403	-39
Mixed	18,154	16,732	-8
All types	18,135	21,562	19

Table 2: Average Net Farm Income by type of farm (£ per farm)

Farm Type	2006/07	2007/08 (forecast)	% change
Cereals	5,035	15,977	217
General Cropping	14,227	20,172	42
Dairy	21,623	34,398	59
Cattle & Sheep (LFA)	5,673	5,525	-3
Cattle & Sheep (lowland)	906	-231	-126
Pigs	31,548	18,751	-41
Mixed	15,022	14,169	-6
All types	11,492	15,389	34

Notes for Editors

1. Provisional aggregate income figures for the UK were also issued today by a DEFRA News Release.
<http://www.defra.gov.uk/news/media.htm>
2. The Northern Ireland estimates, released to coincide with the publication of the UK figures, were prepared using provisional figures and are subject to revision when more complete data become available.
3. 'Total Income from Farming' measures the return to farmers, partners and directors, their spouses and other family workers for their labour, management input and own capital invested. It therefore represents the total income of all those with an entrepreneurial involvement in farming.
4. The Single Farm Payment is a subsidy which is part of aggregate output, but is not included in the individual commodities output as previously occurred with direct payments.
5. Income estimates by farm type are based on the Department's Farm Business Survey, for which the account year ends on average in mid February, whereas the aggregate income estimates are compiled on a calendar year business.
6. Following consultation in 2006-07, DARD decided that from January 2008 Farm Business Income will replace Net Farm Income as the headline indicator of farm incomes in statistical releases and publications. DARD's consultation document on the new income measure and the response to the consultation can be found at:
<http://www.dardni.gov.uk/index/consultations/archived-consultations/consultations-fi-statistical-indicators.htm>
7. Farm Business Income will also be introduced in England, Scotland and Wales and will be used for UK farm income statistics. It is closely aligned to the main EU measure of farm incomes Family Farm Income

and therefore allows easier comparison between Northern Ireland and other Member States.

8. Farm Business Income is the return to all unpaid labour (farmer, spouses and others with an entrepreneurial interest in the farm business) and to their capital invested in the farm business which includes land and buildings. Farm Business Income differs from Net Farm Income in the following ways:
 - It represents the return to all unpaid labour, not just the farmer and spouse. Therefore no notional deduction is made for any unpaid labour.
 - It treats the tenure of farms as it is: tenants as tenants, owner occupiers as owner occupiers and those with both types of tenure as mixed.
9. Net Farm Income (NFI) represents the return to the farmer and spouse for their manual and managerial labour and on the tenant-type capital in the farm business. It is intended as a consistent measure of the profitability of tenant-type farming. NFI is not a proxy either for farm business income or for farm household income.
 - To represent the return to farmer and spouse alone, a notional deduction is made for any unpaid labour provided by non-principal partners and directors, their spouses and by others; this unpaid labour is valued at average local market rates for manual agricultural work.
 - To confine the measure to the tenant type activities and assets of the business, an imputed rent is deducted for owner occupied land and buildings and for landlord-type improvements made by the tenant; no deduction is made for interest payments on any farming loans, overdrafts or mortgages and any interest earned on financial assets is also excluded.
10. In previous years, Cash Income was also presented as a measure of farm income. Cash Income is revenue less total cash costs. The costs,

11. Average Cash Income measured across all farm types is forecast to increase from £28,536 in 2006/07 to £34,681 in 2007/08, which is an increase of £6,145 per farm.
12. The '*Statistical Review of Northern Ireland Agriculture, 2007*', due to be issued on 27 March 2008, will contain details of the output, input and income estimates for 2007, as well as information on livestock numbers, crop areas and yields, farm structure, employment and farm business performance.

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