

31 January 2002

FARM INCOMES ESTIMATES FOR SCOTLAND 2001

Forecast estimates for aggregate and individual farm level incomes for 2001 have been prepared by the Scottish Executive and are published today (Thursday 31st January).

SECTION A: Aggregate Incomes Estimates – Commentary & Notes

SECTION B: Farm Level Income Estimates – Commentary & Notes

TABLE 1 Output, Input and Income of Scottish Agriculture at Current Prices

Figure 1 Scottish Total Income From Farming and per whole time person equivalents, in real terms at 2001 prices, 1973 - 2001

Figure 2 Scottish Total Income From Farming and Direct Subsidies in real terms (2001 prices), 1992-2001

TABLE 2 Farm Accounts Survey – Average Net Farm Income

Figure 3 Average Net Farm Income

SCOTTISH AGRICULTURAL INCOME

1. The following are the main results from the latest Annual Review of Scottish Agriculture. For Section A, Table 1 gives aggregate results on income figures over the last 3 calendar years 1999, 2000 and 2001. Long term trends in aggregate farm incomes in real terms since 1973 are shown in Figure 1 and the relation ship between incomes and subsidies in Figure 2. Section B compares net farm income results by farm type for the financial years 1999/00 and 2000/1 along with forecasts for 2001/2. These are given in Table 2 and Figure 3.

SECTION A: Aggregate Measures

2. The aggregate results for 2001 are provisional, and are based on the latest information available. The information on outputs is normally complete, but information on inputs tends to become available later. The 2001 estimates are therefore subject to revision in the next Annual Review using later information.

3. The Total Income From Farming (TIFF) which measures business profits plus income to workers with an entrepreneurial interest, is expected to show an increase of around £28 million in 2001, an increase of 11% from last year. The underlying details of this are presented below.

4. Compensation payments for animals culled due to Foot and Mouth Disease (FMD) do not count towards income (TIFF) because they are payments for the loss of capital assets. These payments, enter the account as capital transfers. The table below shows the change in net worth due to FMD. The calculation of the market value of the animals culled can be done in a number of ways. That said the

methodology used is well established and has been in use for many years. The change in valuation of animal stocks due to FMD uses the average values of animals used in the work in progress calculations in the aggregate account and hence will undervalue the contribution of pedigree animals which were slaughtered. Though it is possible the figures may be revised in future years , nevertheless we are confident that the results are of the right order of magnitude.

| | £ million |
|-------------------------------------------|-----------|
| TIFF in 2001 | 273 |
| FMD compensation | 165 |
| Change in the value of animal stocks | -53 |
| Change in net worth due to income and FMD | 385 |

Output

5. The value of gross output (including subsidies directly related to products) is forecast to have fallen by 2% since 2000. This fall is due to several factors, FMD has as you would expect , led to large falls in cattle and sheep output. The magnitude of the fall, however has been exaggerated somewhat by the change over from HLCAs to LFASS. Now that these particular subsidies are decoupled from production, they are no longer included in the cattle and sheep output. However the falls in livestock output have been more than offset by increases in potato and milk output.

6. Yields for most cereals show a decrease from last year, however prices have improved. The barley yield improved and as a consequence of this the fall in the value of cereals has been marginal 2%. The value of potato output rose by 25% reflecting the higher prices paid for all types of potatoes from the 2001 crop

7. The output value of milk is forecast to have increased by £41m or 21%. The average milk price increased by just under 3 pence per litre.

Inputs

8. Gross input value is forecast to decrease slightly to £540 million in 2001, reflecting savings in machinery repairs, veterinary expenses, crop protection costs and leasing of quotas.

9. The interest bill is forecast to decrease by about £9 million (9%) from 2000 due largely to decreases in bank interest rates and some repayment of loans following FMD compensation.

SECTION B: Farm Level Estimates

10. Table 2 presents out-turn data from the Farm Accounts Survey comparing 1999/0 and 2000/1 along with forecasts for 2001/2.

11. Averaged across all farm types, net farm income (NFI) rose by 132% between 1999/0 and 2000/1, to an average of £5,757 per farm. All farms experienced increases except specialist cereals farms which saw a decline due to lower crop outputs and falls in other revenues (particularly contract work). Dairy and general cropping farms saw the greatest increases, linked to significantly-improved prices for potatoes and dairy products.

12. NFI is forecast to rise again in 2001/2, by 66% to an average of £9,574 per farm. Dairy and general cropping farms appear likely to see the most improvement in their financial positions. LFA specialist sheep farms will see their positions deteriorate, with negative NFIs on average resulting from depressed output following the loss of export markets for much of the year and reduced subsidies. NB The forecasts reflect the outlook for the farms unaffected by FMD culls, in order to provide a barometer of change for typical farms of different types in Scotland.

13. On the inputs side, farm businesses are forecast to cut back slightly on input expenditure overall.

14. The FMD outbreak early in 2001 delayed FAS fieldwork, resulting in a much-reduced sample by the time of the December close-down. The results presented here relate to 391 farm businesses rather than the usual target of around 500. The estimates and forecasts should, therefore, be regarded as provisional only. The publication Farm Incomes In Scotland will be delayed until all the farm accounts for 2000/1 are completed in Spring 2002.

TABLE 1 OUTPUT, INPUT AND INCOME OF SCOTTISH AGRICULTURE AT CURR

| £million | 1999 | 2000 (2nd Provisional) | 2001 (1st Provisional) |
|-----------------------------------------------|-------------|----------------------------------|----------------------------------|
| OUTPUTS | | | |
| 1. Total cereals | 288 | 279 | 273 |
| 2. Total other crops | 176 | 150 | 166 |
| 3. Total Horticulture | 97 | 104 | 107 |
| Livestock: | | | |
| Finished Cattle and Calves | 483 | 504 | 449 |
| Finished Sheep and Lambs | 200 | 205 | 160 |
| Finished Pigs | 63 | 62 | 63 |
| Poultry | 88 | 91 | 91 |
| Other Livestock | 18 | 16 | 16 |
| 4.Total Finished Livestock | 852 | 879 | 779 |
| 5. Total Store Livestock | 39 | 40 | 33 |
| 6. Total Livestock Products | 250 | 227 | 270 |
| 7.Total Capital Formation | 45 | 53 | 61 |
| 8. Total Other Agricultural Activities | 74 | 70 | 70 |
| 9.Total Non-Agricultural Activities | 79 | 77 | 78 |
| 10. GROSS OUTPUT AT BASIC PRICES | 1899 | 1878 | 1837 |

TABLE 1 (continued)

| £million | 1999 | 2000 (2nd Provisional) | 2001 (1st Provisional) |
|---------------------------------------------------------|-------------|----------------------------------|----------------------------------|
| INPUTS (a) | | | |
| 11. Total Feedingstuffs | 275 | 266 | 267 |
| 12. Total Seeds | 58 | 50 | 52 |
| 13. Total Fertilisers and Lime | 104 | 114 | 112 |
| 14. Total Farm Maintenance | 47 | 41 | 42 |
| 15. Total Miscellaneous Expenses | 559 | 559 | 540 |
| 16. GROSS INPUT (b) | 1043 | 1030 | 1013 |
| 17. GROSS VALUE ADDED (c) | 856 | 848 | 824 |
| 18. Total Consumption of Fixed Capital | 293 | 288 | 317 |
| 19. NET VALUE ADDED (at basic price) | 563 | 561 | 507 |
| 20. Total Other Subsidies | 38 | 38 | 110 |
| 21.Net Value Added at Factor Cost (d) | 601 | 598 | 616 |
| 22. Hired Labour (e) | 237 | 228 | 229 |
| 23. Interest | 94 | 108 | 99 |
| 24. Net Rent | 17 | 17 | 15 |
| 25. TOTAL INCOME FROM FARMING (21-(22+23+24)) | 253 | 245 | 273 |

Table 2: Farm Accounts Survey Results and Forecasts: Average Net Farm Income Estimates (£)

| | 1999/0 | 2000/1 | % Increase | 2001/2 (forecast) | % change |
|------------------------------|--------------|--------------|--------------|----------------------|-------------|
| Specialist cereals | 4,179 | -491 | <i>n/a</i> | 5,903 | <i>n/a</i> |
| General cropping | 456 | 8,847 | 1,840.4 | 27,210 | 207.6 |
| Dairy | 805 | 12,569 | 1,461.5 | 28,715 | 128.5 |
| LFA – specialist sheep | -2,645 | 2,380 | <i>n/a</i> | -1,207 | -150.7 |
| LFA – specialist beef | 4,823 | 7,444 | 54.3 | 7,379 | -0.9 |
| LFA – mixed cattle and sheep | 2,226 | 5,266 | 136.6 | 1,823 | -65.4 |
| Lowland cattle & sheep | 1,802 | 2,750 | 52.6 | 2,751 | 0.0 |
| Mixed | 4,807 | 6,130 | 27.5 | 7,528 | 22.8 |
| All | 2,487 | 5,757 | 131.5 | 9,574 | 66.3 |

NB Forecast figures should be regarded only as broad indicators of the overall effects on income of expected or observed changes in output values and input costs.

Figure 1

Scottish Income Trends in real terms at 2001 prices

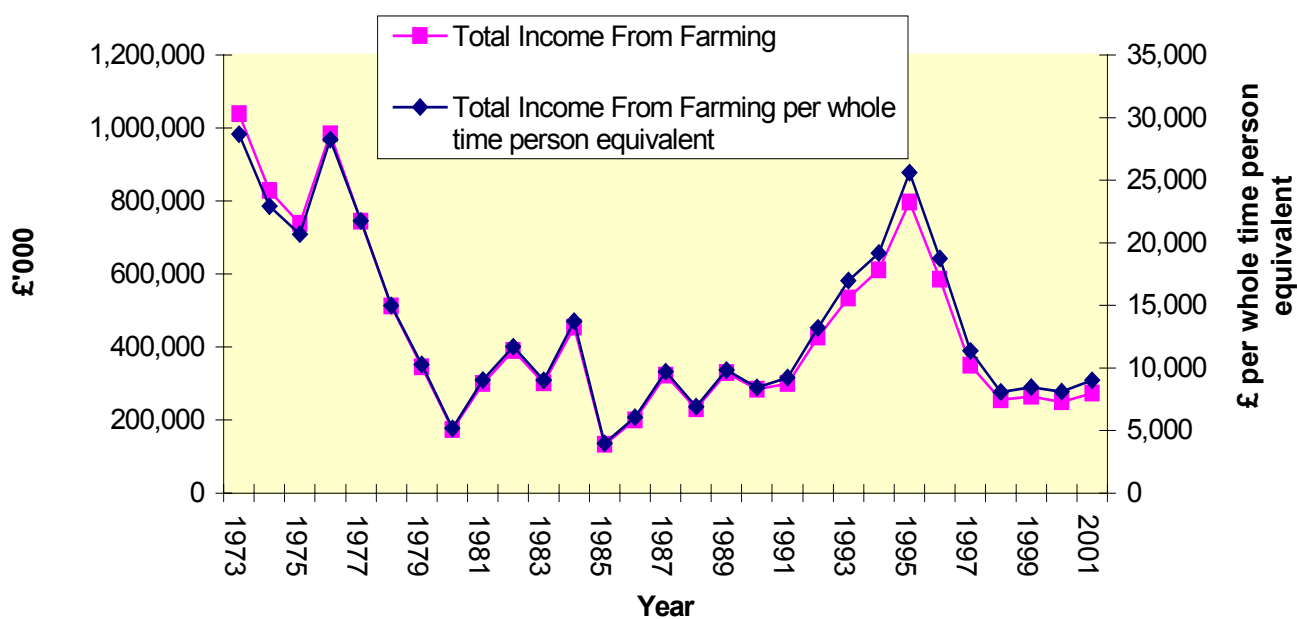
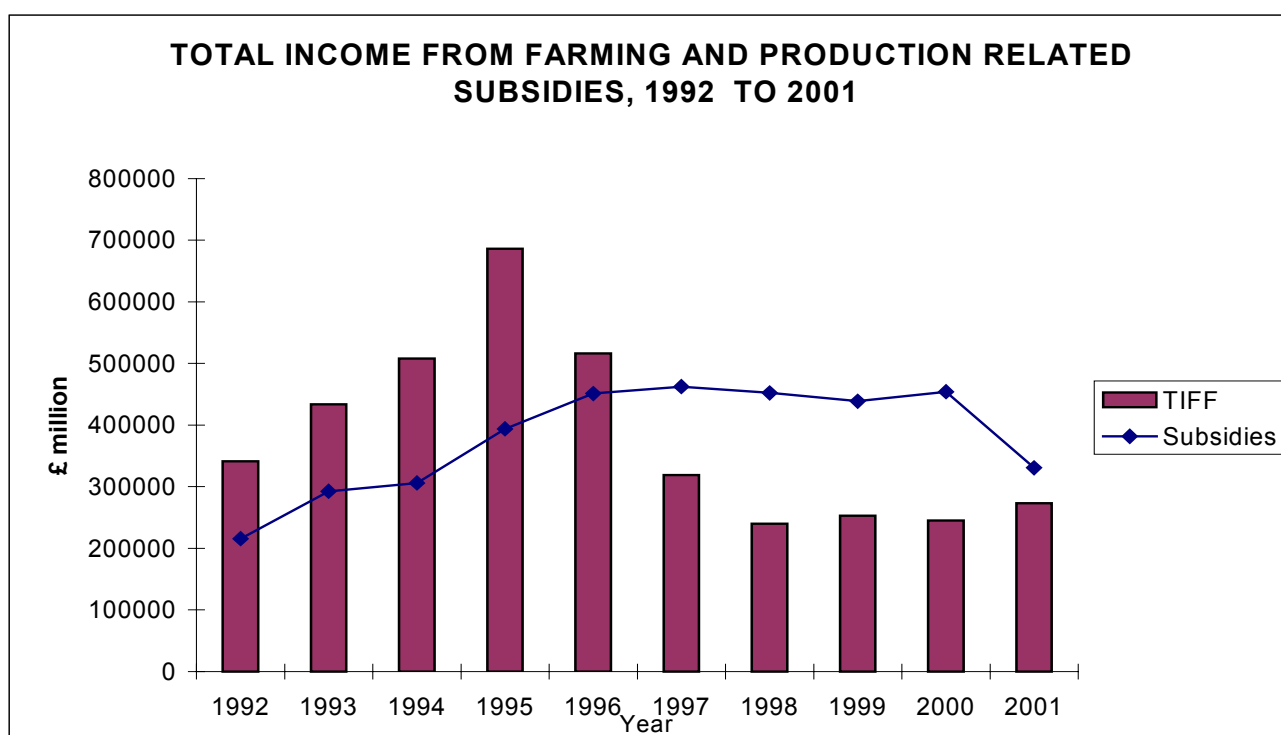


Figure 2



Notes Part of the decrease in production related subsidies between 2000 and 2001 is accounted for by the introduction of the new Less Favoured Areas Support Scheme (LFASS) which replaced the Hill Livestock Compensatory Allowance Scheme (HLCAs). HLCAs were paid on a headage basis and thus were included as production related subsidies. LFASS because it is an area base scheme, and not dependent on the number of ewes or suckler cows on the holding, is not considered a production related subsidy. This reclassification accounts for £61 million of the fall between 2000 and 2001.

Figure 3

