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Scottish Farm Business Income Estimates 2020-2021

29 March 2022



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Summary

Average farm income has risen to the second highest level since 2012, after adjusting for inflation. The average farm income, a measure of farm profit after costs, is estimated to be £39,300 in 2020-21. This is an increase of over £10,000 on the previous year.

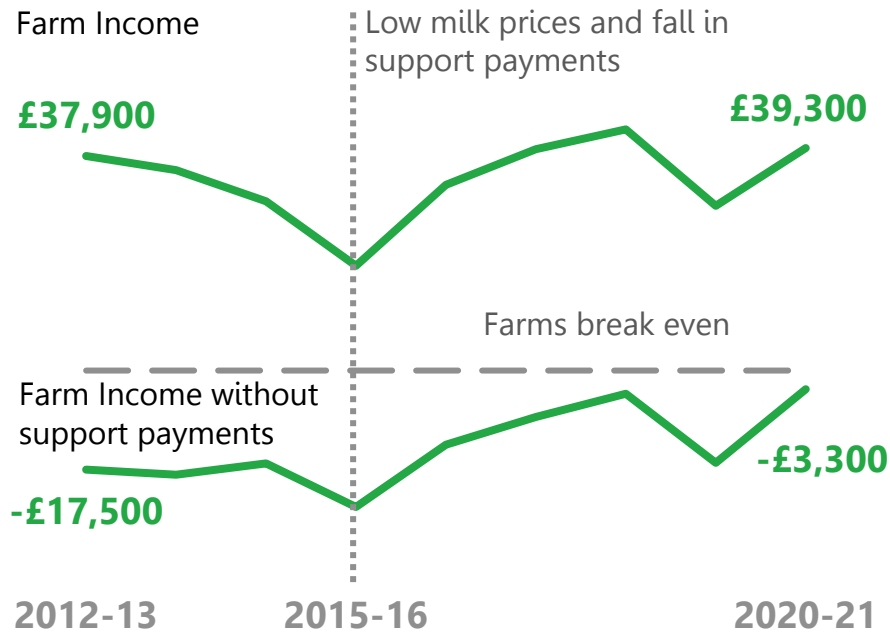
The analysis, based on a survey of around 400 farms, indicates that the upturn in income is mostly due to reduced total input costs. This upturn is against the backdrop of the COVID-19 Pandemic.

Total input costs decreased five per cent to £207,900. This small change in inputs had a large positive impact on overall income.

In particular, commercial dairy farms had a good year. Average income was estimated at £99,600, the highest value since 2012. The average income in general cropping farms decreased, but this was mainly driven by a decrease in output from potatoes.

The survey estimates income from a sample of farms with economic activity of over £20,000. The survey covers the 2020 cropping year and the 2020-21 financial year. The sample excludes farms not in receipt of support payments such as pigs, poultry or horticulture.

Average farm income increases



Average farm income was £39,300 in 2020-21. This is the second highest estimate since 2012-13. Average income increased from £29,100 the previous year, mostly due to reduced total input costs.

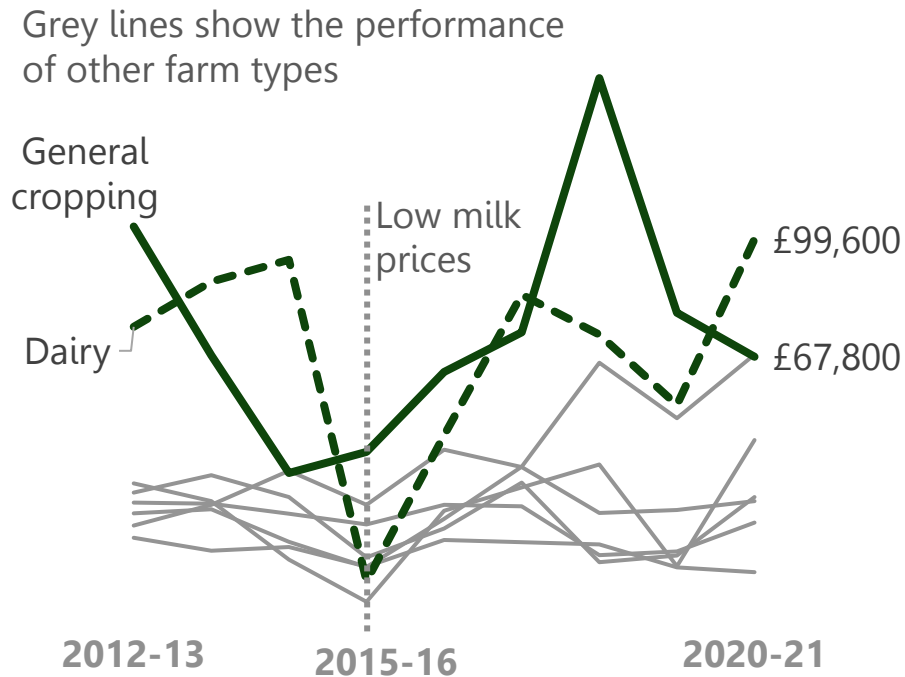
Agricultural output increased 0.5 per cent in 2020-21 to £199,400 while input costs decreased five per cent to £207,900.

Farms received around £42,700 in support payments and grants, a decrease of six per cent from 2019-20. Without support, the average business would have made a loss of around £3,300. This is the lowest average loss (excluding support) since 2012-13.

The average farm made around £5,200 from diversified activities, for example from renting out buildings or generating electricity.

Farm business income is the total income available to the people who draw money from the farm business, usually the owners or partners. This is called unpaid labour as they are not paid a regular wage.

Average dairy income increases to £99,600



Dairy and general cropping farms typically have higher incomes. Their performance has varied a lot in recent years. Some farms make large incomes, but some will also be making a loss.

Among the highest income farm types, dairy farms had a good year on average while general cropping income dropped below the five year average.

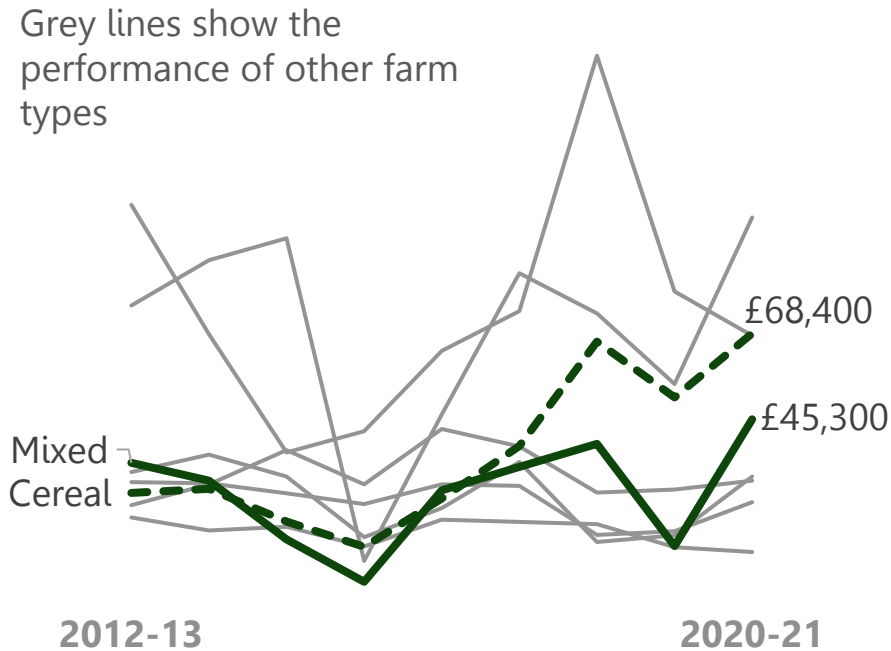
These farms are sensitive to market prices and experience fluctuating performance.

Average milk prices and yields both increased in 2020-21, contributing to higher dairy incomes. Average dairy income was estimated at £99,600, its highest over the last nine years.

The average income for general cropping farms decreased by 15 per cent to £67,800 in 2020-21.

Total costs for general cropping farms decreased by one per cent but were not enough to offset a five per cent decrease in crop output. This was largely due to a decrease of 15 per cent in average potato output from around £199,100 in 2019-20 to £169,800 in 2020-21.

Cereal farms have performed well over the last few years



Cereal, mixed and lowland cattle and sheep farms are considered to be 'mid-income'. Cereal and mixed farms have a higher average income but also greater fluctuations in performance over time. Mixed farms usually engage in complimentary activities like growing crops to feed their cattle.

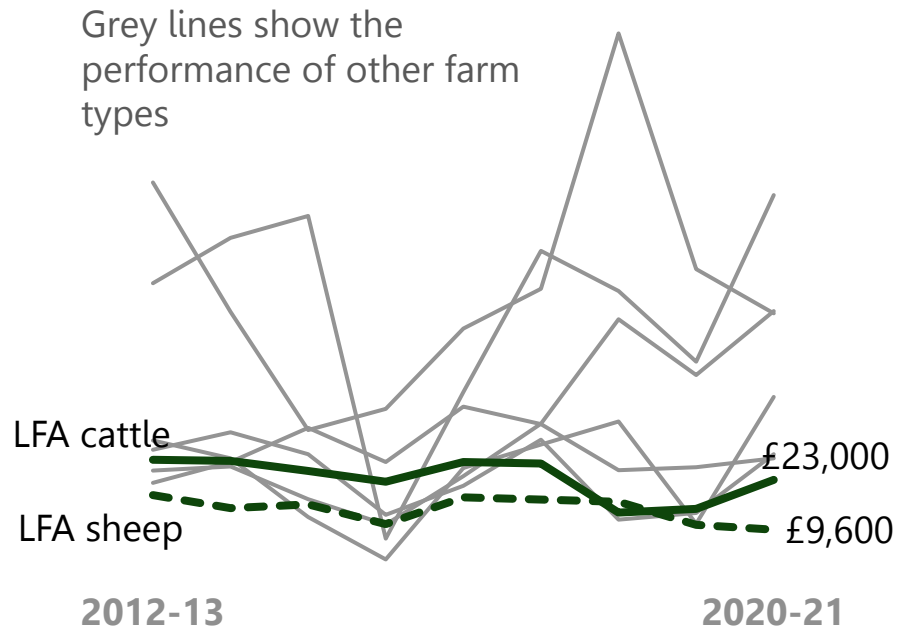
Mid-income farms in general performed better this year than last year.

Cereal farms have performed well over the last three years. After a decrease in income in the previous year, average income has increased to around £68,400. This is the highest estimate over the last nine years, driven by increased crop output and decreased input costs.

Lowland cattle and sheep farms experienced an increase in income to £29,900. This rises above the average for the last nine years, following two years of below average income. Increased income was largely driven by increased livestock output.

The average income of mixed farms increased to £45,300 in 2020-21, its highest estimate over the last nine years. Increased cereal and livestock outputs contributed to increased income.

Farms in Less Favoured Areas (LFA) have lower incomes and are more reliant on support



LFA land is low quality and often very hilly, mostly found in very remote areas. There is less opportunity to do anything else with the land which makes it difficult to do any other activities.

LFA livestock farms have low but stable incomes compared to other farm types.

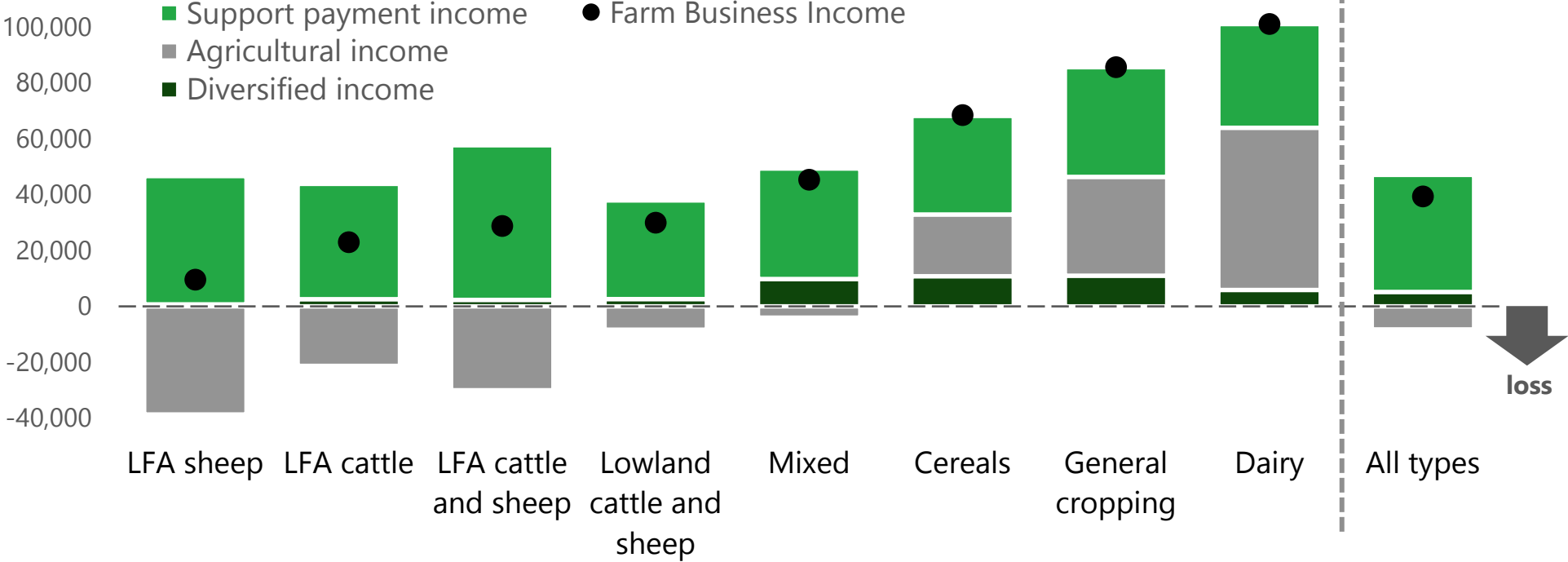
Increased livestock output mainly drove small increases in income for LFA livestock farms in 2020-21.

On average, LFA cattle farm income was £23,000 in 2020-21. This is just above the five year average, following two years of low income. LFA combined cattle and sheep farms had an average income of £28,800 - an increase on the previous year, but remaining below average.

Increased output was not enough to offset increased costs for LFA sheep farms. They had the lowest average income by farm type in 2020-21 at £9,600.

Support payments are a key source of revenue for a large number of LFA farms. Current support payments are intended to allow farms to remain in business and be an active part of their local community.

Only some farm types profit from agricultural activity



Contributors to total average farm income can be summarised into three categories to illustrate the relative contributions made by income from agricultural activities, diversified activities and from support payments.

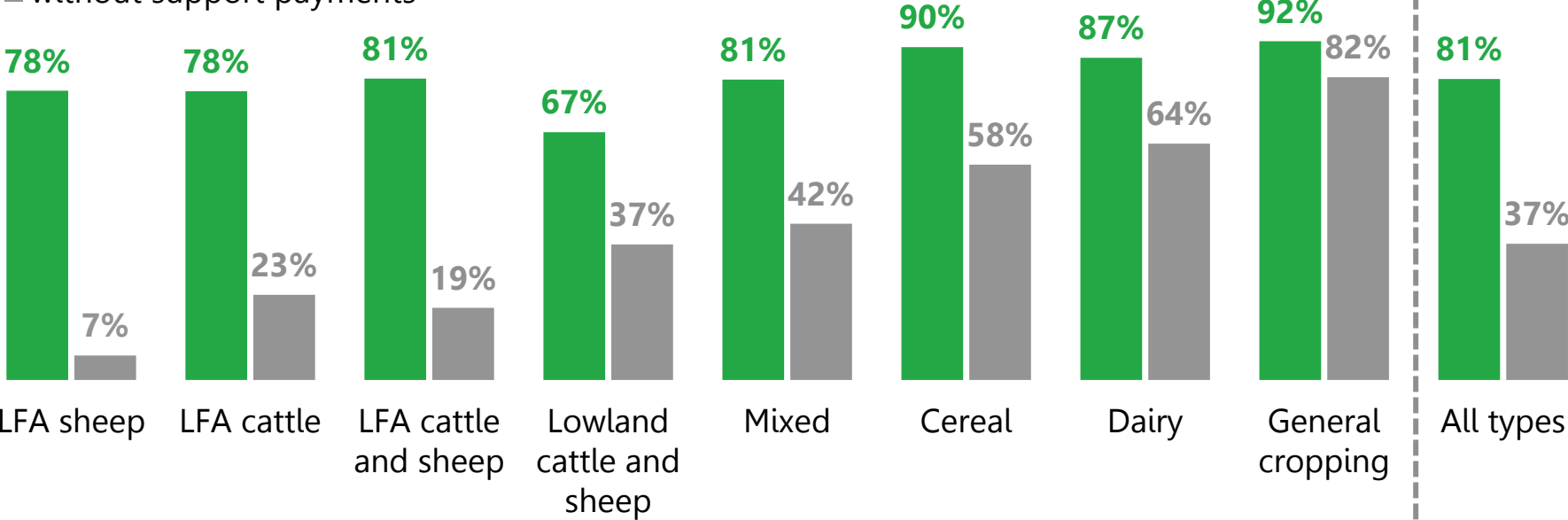
Farms on average made a loss from agricultural activity of £12,900. Some farm types typically make a profit on average while others make a loss. In 2020-21, livestock and mixed farm types made a loss from agricultural activity, while cereal, general cropping and dairy farms made a profit. LFA sheep farms made the largest loss from agricultural activity in 2020-21, of around £40,000.

Livestock farms are more reliant on support payments



Proportion of farms with farm income greater than zero

- with support payments
- without support payments



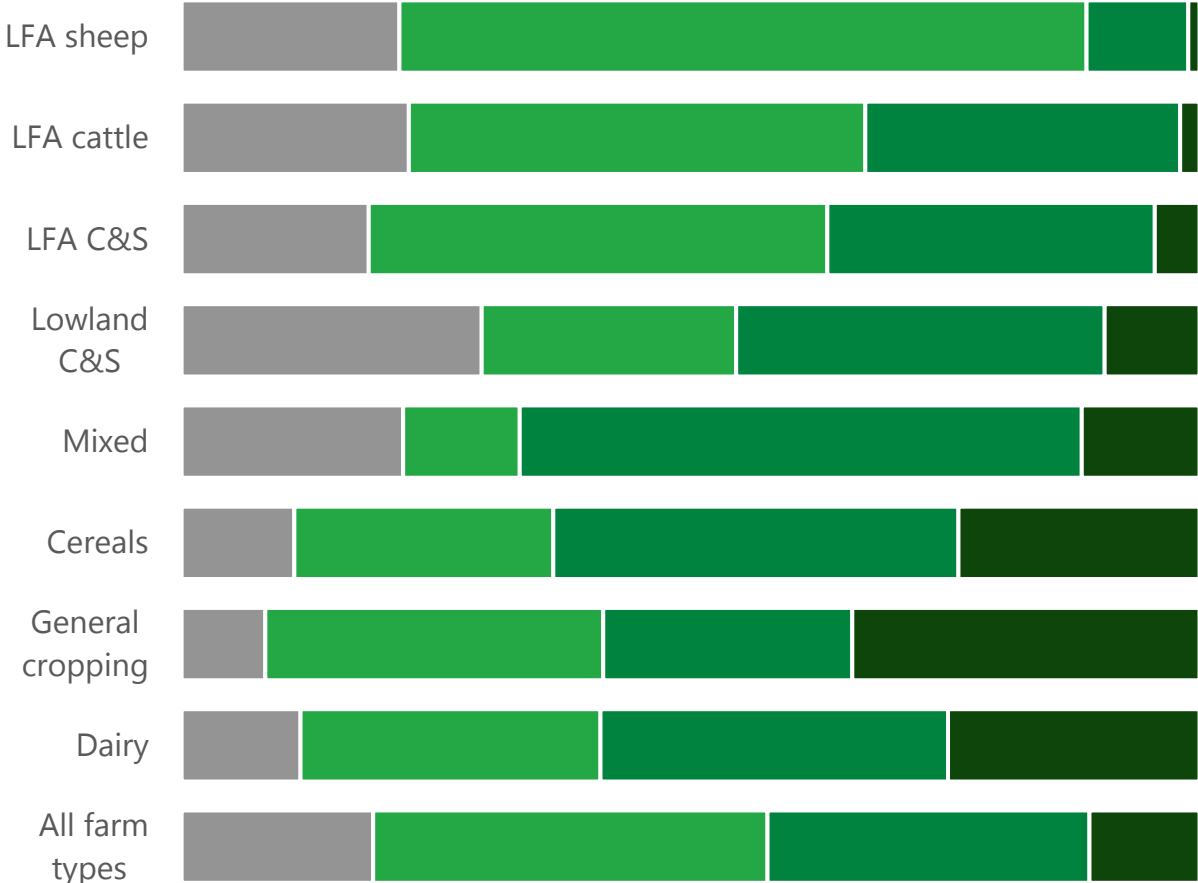
Support payments play an important role in farm income. Around 81 per cent of all farms made a profit in 2020-21. Without support this would decrease to 37 per cent of all farms.

The importance of support payments varies by farm type. With support there is less variation in the proportion of farms that break even (have income greater than zero). Without support far fewer livestock farms make any profit, especially those in less favoured areas.

Some farms have high business incomes while others make large losses



0% Proportion of farms by size of income 100%



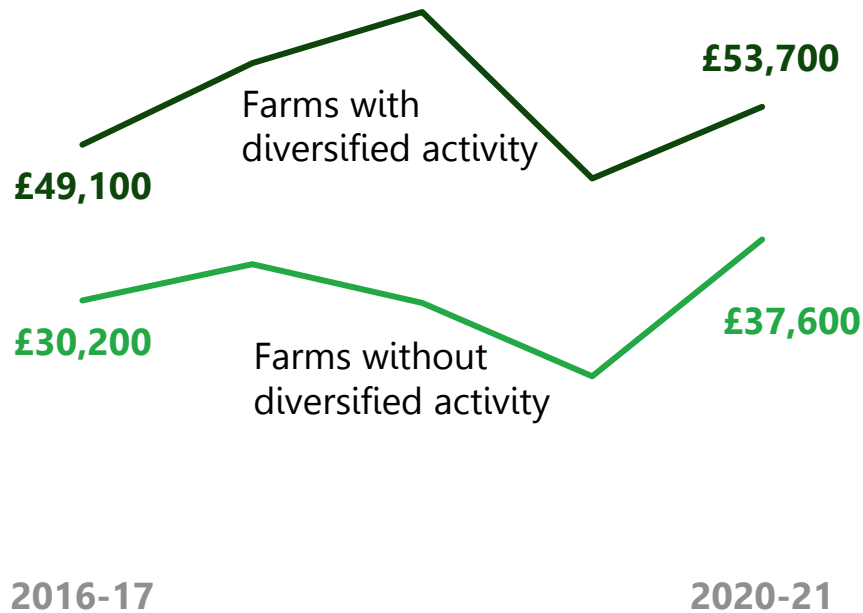
■ Less than £0 ■ £0 to £29,999 ■ £30,000 to £99,999 ■ £100,000 and over
 C&S: Cattle and sheep

Business performance varies within farm types. There are loss making and high income farms in all farm types.

More LFA and lowland livestock farms have low incomes or make a loss. However, some LFA and lowland livestock farms do have incomes of £100,000 or over.

Among dairy, general cropping and cereal farms there are more farms that are highly profitable, and some farms with very high income. However, some farms still make a loss. The spread of farm incomes is widest among dairy and cereal farms.

Farms that diversify business activity earn more money



Around 340 farms have been providing us with their data over the last five years. This allows us to see changes in their diversified activity that generates income. Diversified activities are non-agricultural activities that use farm resources.

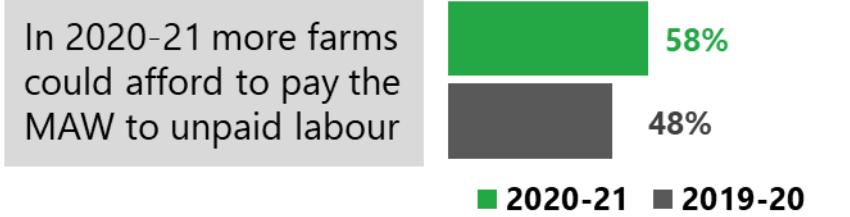
More than half of farms have diversified activities that generate additional incomes to their businesses. In 2020-21, 55 per cent of farms had diversified.

There is an income gap between those with diversified activities and those without. Farms with no diversified activity on average generated £16,100 less income per annum in 2020-21.

The average revenue from diversified activities increased in 2020-21 to around £11,400, up 12 per cent compared to the previous year.

The most common diversified activity continues to be renting out farm buildings (for purposes other than tourist accommodation). Other common profitable activities that farmers are doing include micro electricity generation, wind turbines and hosting mobile telephone masts.

Other aspects of farm profitability



Another way of looking at farm profitability is whether farm income is enough to pay unpaid labour the minimum agricultural wage (MAW, £8.59 per hour). In 2020-21, 58 per cent of farms could afford to pay the MAW. This increased from 48 per cent of farms in the previous year.

Farm incomes are variable from year to year. Among the farms that have been providing us with their data over the last five years, 56 per cent had farm income above zero in each year.

Assets and debt impact farm businesses. Net worth (assets minus debt) estimates the overall value of a business. The average farm was estimated to have a net worth of £1.42 million in 2020-21, a decrease of 1.4 per cent compared to the previous year.

The average debt ratio decreased slightly, by one percentage point, to 12 per cent in 2020-21. This indicates how much of the average businesses assets are financed by debt.

Farms may also earn income from off-farm jobs that do not contribute to farm business income. The average farm earned £13,100 from off-farm income in 2020-21, an increase of four per cent from the previous year.

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Debt ratio – can explain how much of a businesses assets are financed by debt

Diversified activities – non-agricultural activities that use farm resources

Farm Business Income (FBI) – the total income available to all unpaid labour and their capital invested in the business. Income from diversified activities are included in overall FBI

Farm types – farms are classified based on the how much of their standard output is from the crop and livestock enterprises on each farm

Glossary

Less Favoured Area (LFA) – land where farming is more difficult due to natural constraints, such as hills and soil quality

Minimum Agricultural Wage (MAW) – is set by the Scottish Agricultural Wages Board each year. For this analysis an average MAW is used to cover the years included in the Farm Business Survey

Off-farm income – income from activities not related to the farm business or farm diversification, such as a income from another family member's employment

Standard output – estimated worth of crops and livestock

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Data sources and more information

Data Source

Estimates of average farm business income in Scotland come from the Scottish Farm Business Survey. This is an annual survey of around 400 in the supported sectors and only includes farms with economic activity of at least £20,000. Part-time farms are not included. Farms that do not receive support, such as pigs, poultry and horticulture, are not included in the survey.

Income estimates are for the accounting year 2020-21, which relates to the 2020 crop year.

Comparison

Similar surveys take place in England, Wales and Northern Ireland. Full results for the United Kingdom are available online.

<https://www.gov.uk/government/collections/agriculture-in-the-united-kingdom>

Data Tables and Methodology

The data used to create the charts in this publication and the methodology document are available online.

<http://www.gov.scot/ISBN/9781804352878>

If you have any questions or comments about this publication, please email Jay Gillam at Jay.Gillam@gov.scot or agric.stats@gov.scot.

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