



Llywodraeth Cymru
Welsh Government

STATISTICS, DOCUMENT

Farm incomes: April 2022 to March 2023

Data for average farm business income, analysis of the variation around the average, and long term context for April 2022 to March 2023.

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Introduction

The farm incomes data used in this statistical release are derived from the annual Farm Business Survey (FBS). Farm incomes are the small difference between total output and total input, so can be volatile across years. Farm incomes provide an important measure of farm profitability and, in conjunction with other measures from the farm accounts, can inform on the performance and viability of farm businesses.

It is important to see latest farm incomes in the context of longer term trends in farm incomes and market conditions.

Farm business income is the headline measure of farm incomes in Wales. Data for other measures of income (net farm income and cash income) is published in a spreadsheet alongside this release on the Welsh Government [farm income statistics page](#).

Main points

Dairy farms

The estimated average income has varied greatly over the past decade. After the drop in 2018-19, estimated income has steadily increased year on year and has reached a new high in 2022-23 after increasing by 87% to £164,900. This considerable rise in income can be mostly but not entirely explained by the rise in output from milk and milk products which increased by 49% for the latest year.

Cattle and sheep Less Favoured Areas (LFA) farms

The estimated average income has dropped in 2022-23 by 37% to £24,300. This follows three consecutive years of increases (These farms are looked at in more detail below).

Cattle and sheep (lowland) farms

Following a two-year increase estimated average income has dropped in 2022-23 by 30% to £18,700.

Background and context

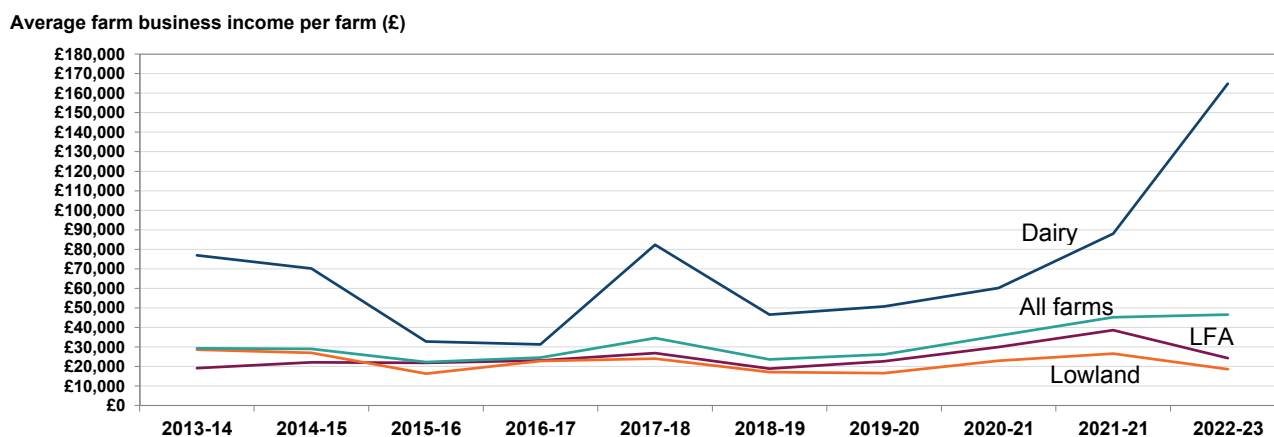
Although agriculture makes a relatively small contribution to GDP at 0.6% of UK GDP, around half of the food consumed in the UK is sourced from UK agriculture, with the rest imported into the UK from abroad. Agriculture also has important impacts on the natural environment, with over 80% of land in Wales used for agricultural purposes. Farm incomes show some volatility from year to year, influenced by prevailing agricultural (including weather related) and market conditions. There is also wide variation in farm incomes for individual farms, including for farms of the same type.

More information can be found at [Office for National Statistics \(GDP output approach – low-level aggregates\)](#), the [Food statistics pocketbook \(Department for Environment, Food and Rural Affairs\)](#) and the [June agricultural survey](#).

This release covers the year to 31 March 2023. It therefore coincides with the war in Ukraine and the Cost-of-Living Crisis both of which have had a considerable impact on costs for farms in Wales. More information on this be

can be found in the [quality and methodology information section](#) in this release.

Figure 1: Average farm business income in Wales, 2013-14 to 2022-23



Description of Figure 1: A line chart showing average farm business income by farm type between 2013-14 and 2022-23. Following successive increases in income since 2018-19 both LFA and Lowland farms have seen modest drops in income in 2022-23. Dairy farms have seen a record increase and sits higher than other all other farm types in the chart.

Distribution of farms, land and output in Wales

This section shows trends in the proportion of farm type, total output, and land in Wales. Farm type is determined by the predominant activity on the farm. Total output is made up of individual crop and livestock output, diversified output, and subsidy payments. Land is based on the hectares of utilised agricultural area of the farm.

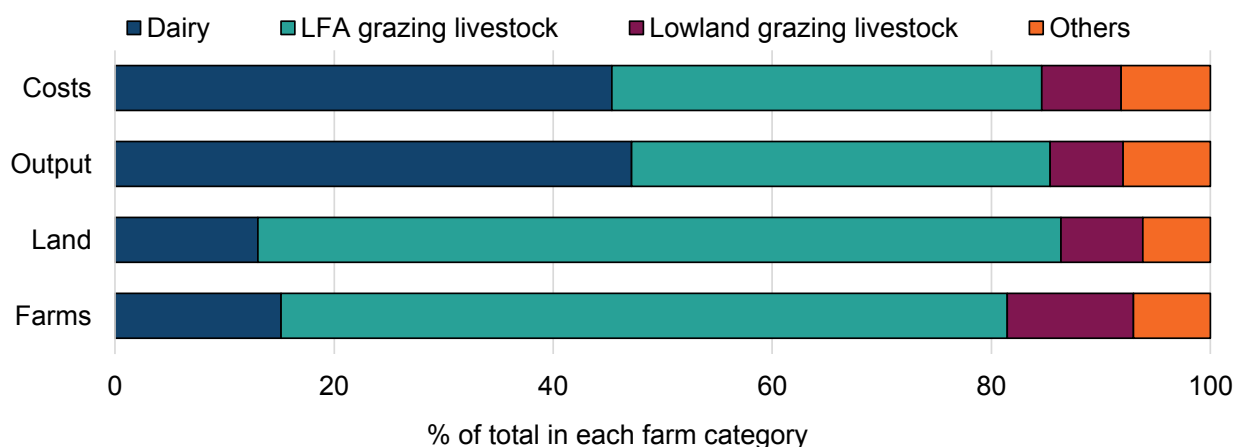
Figure 2: Share of farms by farm type for costs, output,

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land and number of farms, 2022-23



Description of Figure 2: A stacked bar chart showing the share of farms by farm type in Wales for costs, output, land, and number of farms for 2022-23. Dairy farms make up the largest proportion of costs and output in Wales whilst LFA grazing livestock farms make up the largest proportion of both farms and land in Wales. Lowland grazing livestock and other farms make up the smallest proportions across each of the four categories.

Figure 2 demonstrates that the number of farms is not necessarily a good indicator of impact in terms of financial value or land.

Dairy farms account for just under half (47%) of total output in Welsh agriculture and for 45% of total costs whilst accounting for a much smaller proportion of total land (13%) and farms (15%). This is important to consider in the context of average farm business income across Wales as dairy farms will have a substantial effect on this in driving up the average overall whilst accounting for only a small proportion of land and farms in Wales.

LFA grazing livestock make up the largest proportion of farms and land in Wales, accounting for two thirds (66%) of all farm types and almost three

quarters (73%) of the land in Wales. LFA grazing livestock farms also account for a considerable portion of the costs and output of Welsh agriculture (39% and 38% respectively).

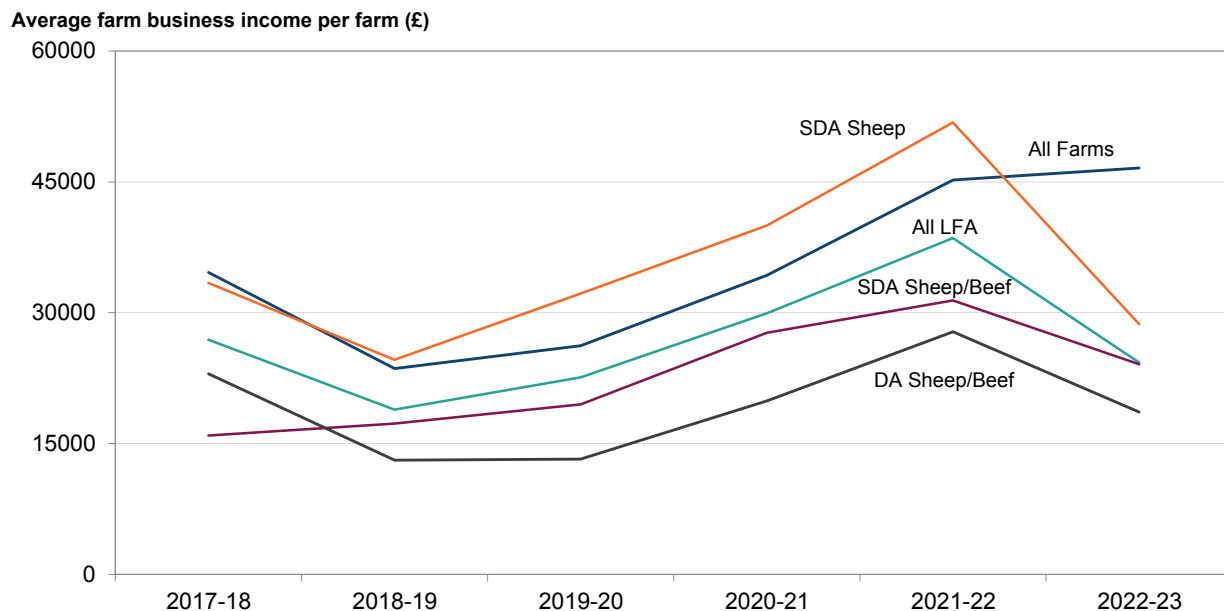
Lowland grazing livestock and other farms types account for much smaller proportions of Welsh agriculture with lowland grazing livestock accounting for 7% of total costs, output and land and 12% of all farms. Other farm types account for 8% of total costs and output, 6% of total land and 7% of all farms.

Farm business income

LFA farms are defined according to criteria related to the quality of land, and cover the mountainous and hill farming areas. Within the LFA are the Severely Disadvantaged Areas (SDA) and the Disadvantaged Areas (DA). In Wales there are sufficient farms to show SDA sheep specialist, SDA mixed cattle and sheep and DA cattle and sheep farms separately. This may not be the case in other parts of the UK. The SDA are more environmentally challenging areas and largely upland in character, and the DA less so. These areas influence the type of farming with LFA farms predominantly cattle and sheep whereas land other than LFA – defined as Lowland – is where dairy and crop farms are in the main.

See [Notes section](#) for more detail on how farms are classified into these farm types.

Figure 3: Average LFA farm business income in Wales, 2017-18 to 2022-23 (at current prices)



Description of Figure 3: A line chart showing the average farm business income per farm split out by LFA farm categories from 2017-18 to 2022-23. SDA Sheep, SDA Sheep/Beef and DA Sheep/Beef have all seen drops in income for 2022-23, most notably for SDA Sheep farms. SDA farm income has dropped below the Wales average for all farms for the first time since 2017-18.

Figure 3 shows that there are considerable differences within LFA farms but all have seen a decrease in farm business income in 2022-23 compared to the previous year. SDA Sheep farms showed the greatest drop in income for 2022-23 by 45% to £28,700. DA Sheep/Beef farms have had the lowest average income of the LFA farm types since 2018-19 and have dropped by 33% in 2022-23 compared to the previous year to £18,600. SDA Sheep/Beef have dropped by 23% in the latest year to £24,100.

Table 1 below shows the variation in average income for all farm types over the

last five years due to a number of factors described in more detail below. The latest year on year change should be viewed in light of this varying trend.

Table 1: Average farm business income by farm type in Wales, 2020-21 to 2022-23

Farm type	2020-21	2021-22	2022-23	% change (2021-22 to 2022-23)
At current prices				
Cattle and sheep (LFA)	29,900	38,600	24,300	-37%
Of which are SDA Sheep	40,000	51,800	28,700	-45%
Of which are DA Sheep/ Beef	27,700	31,400	24,100	-23%
Of which are SDA Sheep/ Beef	19,900	27,800	18,600	-33%
Lowland sheep/beef	22,900	26,500	18,700	-30%
Dairy	60,200	88,000	164,900	87%
Others	41,400	43,200	47,800	11%
All farm types	34,300	45,200	46,600	3%

In real terms at 2022-23 prices [Note 1]

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Farm type	2020-21	2021-22	2022-23	% change (2021-22 to 2022-23)
Cattle and sheep (LFA)	31,400	38,600	24,300	-40%
Of which are SDA Sheep	42,000	51,800	28,700	-45%
Of which are DA Sheep/ Beef	29,100	31,400	24,100	-23%
Of which are SDA Sheep/ Beef	20,900	27,800	18,600	-33%
Lowland sheep/beef	24,100	26,500	18,700	-30%
Dairy	63,200	88,000	164,900	87%
Others	43,500	43,200	47,800	11%
All farm types	36,000	45,200	46,600	3%

[Note 1] GDP deflators are used here to uprate figures for 2021-22 and earlier to 2022-23 prices.

[Average farm business income by farm type on StatsWales.](#)

Average farm business income in 2022-23, by farm type

Now we will examine the key differences in average income for the different farm types.

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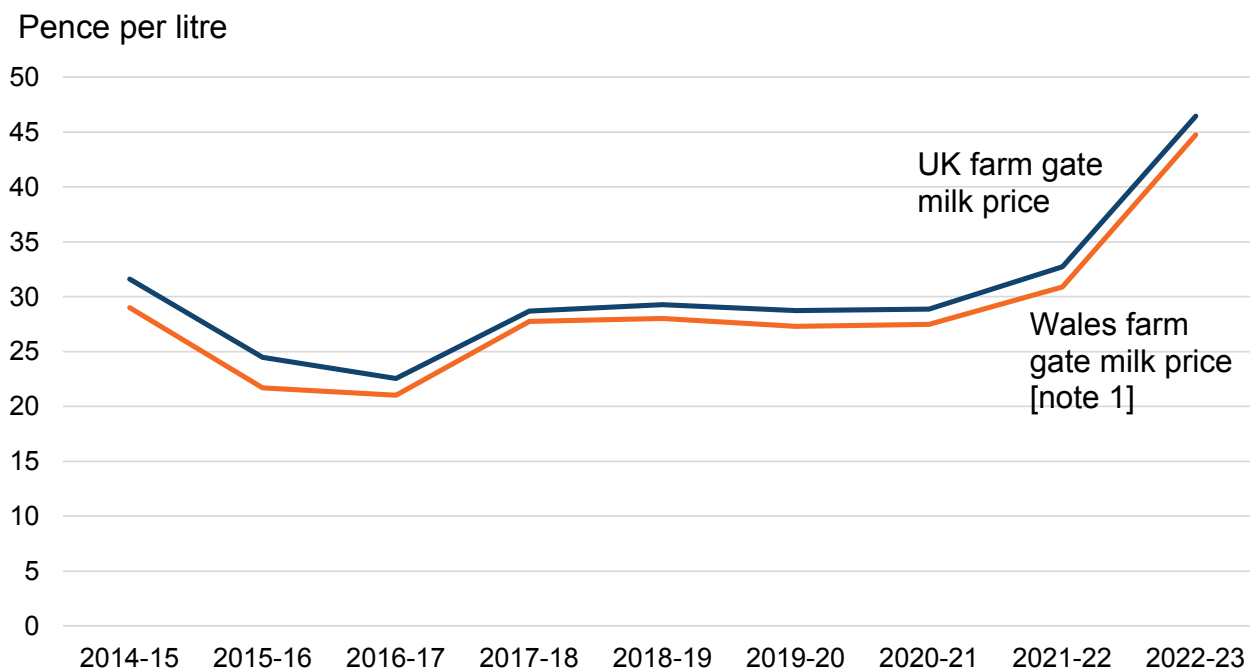
Dairy farms

The average farm business income has increased for the fourth year in a row. Income rose by 87% at current prices in 2022-23 to £164,900 per farm. This considerable rise in income can be mostly but not entirely explained by the rise in output from milk and milk products which increased by 49% for the latest year.

There are a small number of dairy farms within the sample that are artificially inflating the mean farm business income. Additional analysis was carried out utilising trimmed means that excluded both the top and bottom 5% of Dairy farm earners. This resulted in a minor drop in the average farm business income but still remained substantially higher than previous years and it was concluded that there was no meaningful difference between the means quoted within this release and the trimmed means.

The increase in income amongst dairy farms has persisted despite a modest decrease in milk production of 4% compared to the previous year. This persistence can be attributed to tight market supplies in addition to the farm gate price of milk in Wales increasing by 45% compared to the previous year to 45 pence per litre (ppl). This is at a slightly higher rate than the average UK farm gate milk prices which have risen by 42% to 46ppl in 2022-23. This increase offset a modest fall in crop output of 11%.

Figure 4: The average farm gate milk prices (ppl) at the Wales and UK level, 2014-15 to 2022-23



Description of Figure 4: A line chart showing the general trend in average farm gate milk prices both at the UK level and Wales level between 2014-15 and 2022-23. Both trendlines closely follow the same trajectory with drops in ppl in 2015-16 and 2016-17 reaching a low of 23ppl for the UK and 21ppl for Wales. There was an increase in 2017-18 to 29ppl for the UK and 28ppl for Wales which was followed by 3 years of price stability. Prices began to increase once more for both the UK and Wales in 2021-22 followed by record increases in 2022-23 to 46ppl for the UK and 45ppl for Wales. Over the entire period, the average price in Wales was between 1 and 3 ppl lower than the UK price with a gap of 1.7ppl in 2022-23.

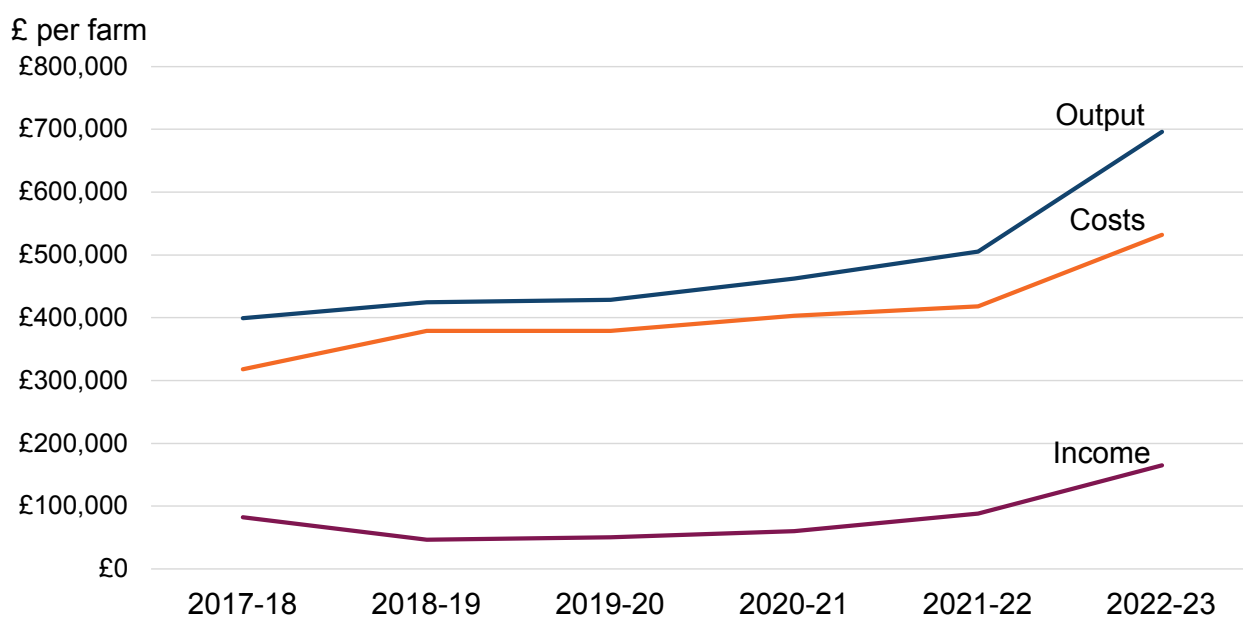
[Note 1] Wales farm gate milk prices have been derived from the FBS sample for 2022-23 and weighted against population estimates.

Source: FBS Wales and DEFRA UK monthly farm gate milk prices.

Farm gate milk price refers to the average price paid by dairy processors to farms for their milk. It should be considered that not all farms will be receiving the average price and depending on the contract or agreement they have in place it may be more or less than the average. After milk leaves the farm it will go for processing before being sold to retailers.

You can find [more information on UK milk prices on the Department for Environment, Food & Rural Affairs website](#).

Figure 5: Average Dairy farm business income, output and costs, 2017-18 to 2022-23



Description of Figure 5: A line chart showing the average output, costs and income of dairy farm businesses from 2017-18 to 2022-23. Costs increased in 2017-18 at a steeper rate than output which led to a modest fall in income. Between 2018-19 and 2021-22 output proceeded to increase a slightly higher

rate than costs resulting in a steady growth in income. The 2022-23 year saw a spike in both output and costs but higher for the former resulting in a jump in farm business income for dairy farms.

There was an average increase of 27% (or £113,700) in overall farm business costs for dairy farms in 2022-23. Of these costs, variable type costs increased overall by just under a third, most notably for purchased feed and fodder which increased by 37%, this was an average increase of £51,800. Another noteworthy increase includes fertiliser costs which almost doubled with an average increase of 96% or £18,200.

Whilst the data show that the 2022-23 financial year was a profitable one for Dairy farms in Wales. The timeframe of these data points should be carefully considered and, whilst the full picture for the 2023-24 financial year is not yet known for farm finance overall, Defra UK monthly farm gate milk prices data have shown considerably lower milk prices compared to what has been detailed in this release. This means that it is likely that the output from milk and milk products will decrease in 2023-24.

Cattle and sheep (LFA) farms

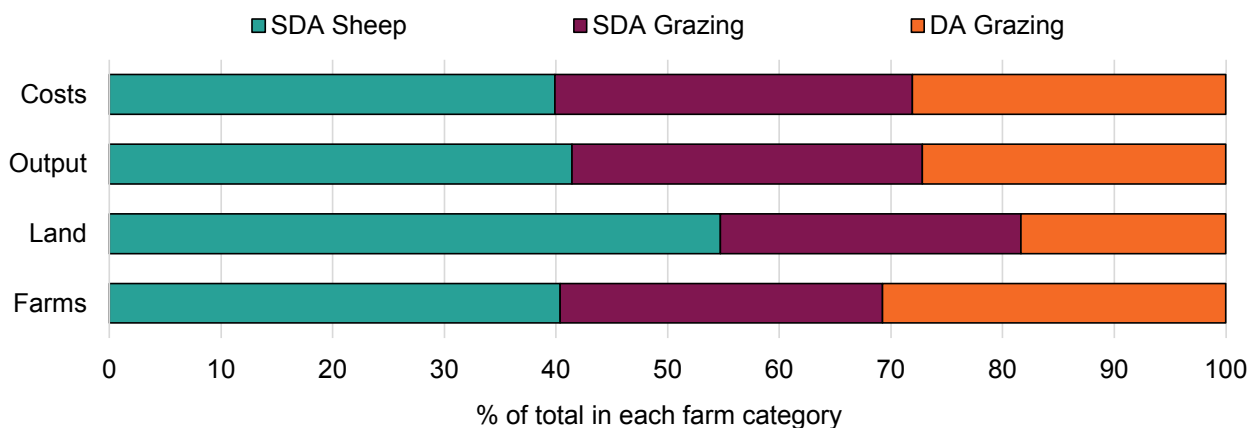
Average farm business income decreased by 37% at current prices (or 40% in real terms) to £24,300 per farm from the previous year.

This can partly be attributed to a decrease in average farm business output (down 8% in 2022-23 compared to 2021-22) whilst farm business costs saw a modest increase (up 3%). These factors combined resulted in a decrease in the average income.

It is important to consider the distribution of LFA farms in Wales when looking at the differences between these farm types in regard to farm business income.

This distribution is considered below in Figure 6.

Figure 6: Share of LFA farms by farm type for costs, output, land and number of farms, 2022-23



Description of Figure 6: A stacked bar chart showing the share of LFA farms by farm type in Wales for costs, output, land, and number of farms for 2022-23. SDA Sheep farms make up the largest proportion of costs (40%), output (41%), land (55%) and farms (40%) out of all LFA farms in Wales. SDA Grazing livestock accounts for just under a third of all LFA costs (32%), output (31%), 27% of land and 29% of farms. Whilst DA grazing livestock farms make up the smallest proportion of costs (28%), output (27%), land (18%) and just under a third (31%) of farms out of all LFA farms in Wales.

SDA sheep, SDA Grazing and DA Grazing farms

Average income for SDA sheep farms has fallen by 45% (47% in real terms) in 2022-23. This follows three consecutive years of increases. Income now stands at £28,700 and is at the lowest level since 2018-19. Farm business costs decreased by 5% for SDA sheep farms in 2022-23 but average farm output was

also down 17% compared to the previous year and was one the key driver in the drop in income for 2022-23.

The average income for SDA sheep / beef farms is also down by 33% to £24,100 at current prices which is a decrease of 27% in real terms and is at the lowest level since 2019-20. This is despite a modest increase of 2% in farm output compared to the previous year. The overall drop in farm income can be mostly attributed to a 10% increase in farm costs for 2022-23.

Average income for DA sheep / beef farms has also fallen at a rate of 33% at current prices (or 37% in real terms) to £18,600, the lowest level since 2019-20. This can be attributed to both a modest drop of 2% in farm output combined with a 7% increase in farm costs for 2022-23.

Cattle and sheep (lowland) farms

Average farm business income decreased by 30% at current prices (or 33% in real terms) to £18,700 per farm. Again, this is the lowest level since 2019-20. This is despite an increase of 5% in farm output compared to the previous year and the drop in farm income can be attributed predominantly to a 13% increase in farm costs for 2022-23.

All farm types

Average farm business income for the combined 'all farm types' rose by 3% at current prices but decreased by 2% in real terms to £46,600 per farm when compared to the previous year. This should be considered in the context of the opposing trends described within this release. The substantial increase in income for dairy farms combined with the considerable decreases in income for

almost all other farm types covered in this release has meant that the overall average income for farms in Wales is not an accurate standalone measure for 2022-23.

Increases in costs were also seen across all farm types which rose by an average of 15% in 2022-23 compared to 2021-22. This was mostly attributed to purchased feed and fodder costs which increased by an average of 25% (or £9,000), fertilisers by an average of 53% (or £4,500) and machinery fuels by an average of 41% (or £2,700). Further details on the increase in cost headings can be seen below in Table 2.

Table 2: Average Farm Business Costs in Wales, 2020-21 to 2022-23

Cost Heading	2020-21	2021-22	2022-23	% Change (2021-22 to 2022-23)
Total farm business costs [Note 1]	142,500	154,800	177,500	15%
Seeds	1,800	1,800	2,300	32%
Fertilisers	8,000	8,400	12,900	53%
Crop protection	1,300	1,300	1,600	24%
Other crop costs	1,500	1,700	2,000	20%
Purchased feed & fodder	30,900	35,300	44,200	25%
Veterinary fees and medicines	5,500	5,900	5,500	-7%

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Cost Heading	2020-21	2021-22	2022-23	% Change (2021-22 to 2022-23)
Other livestock costs [Note 2]	12,500	13,200	13,500	2%
Contract costs [Note 3]	7,900	8,200	8,600	5%
Casual labour [Note 4]	2,400	2,200	2,300	4%
Regular labour [Note 5]	5,100	5,600	5,200	-6%
Machinery fuels including oils	5,000	6,500	9,200	41%
Machinery repair	6,600	7,000	7,400	6%
Machinery depreciation [Note 6]	13,500	14,300	15,700	10%
Bank charges and professional fees	2,400	2,600	2,600	2%
Water, electricity and other general costs	9,400	10,400	11,400	10%
Share of net interest payments	3,700	3,800	5,100	34%
Rent paid	9,800	10,600	10,200	-5%
Maintenance, repairs and insurance	200	200	200	-3%

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Cost Heading	2020-21	2021-22	2022-23	% Change (2021-22 to 2022-23)
Depreciation of buildings and works [Note 7]	3,800	4,300	4,500	4%
Miscellaneous fixed costs [Note 8]	2,000	1,900	2,300	20%
Costs of basic / single farm payment	3,600	3,400	3,700	8%
Costs of agri-environment payments	700	700	800	5%
Costs of diversification	2,900	3,000	3,200	7%

[Note 1] Costs are divided into variable costs and fixed costs.

[Note 2] Comprises straw bought specifically for costs bedding materials, breeding costs (including AI and stud fees), miscellaneous dairy expenses, disinfectants, marketing and storage costs of animal products, Milk Development Council levy and other livestock costs not separately identified.

[Note 3] These costs include expenditure on work carried out by agricultural contractors, including the costs of materials employed, such as fertilisers, unless these can be allocated to the specific heading. Costs of hiring machines to be used by the farm's own labour are also included. Expenditure on contract labour is only included here if it is associated with the hiring of a machine. Otherwise it is entered under (casual) labour.

[Note 4] This comprises wages and employer's insurance contributions,

payments in kind, and salaried management.

[Note 5] Defined as a fixed cost.

[Note 6] Depreciation provisions are shown on a current cost basis. The rates of depreciation used (on a diminishing balance basis for machinery) are intended to reflect the degree of deterioration of the assets.

[Note 7] This is calculated on a current cost basis (generally on a straight line basis over 10 years) with an adjustment to allow for the effect of capital grants.

[Note 8] Includes for work done on other farms.

Average farm business costs in Wales by farm type on StatsWales.

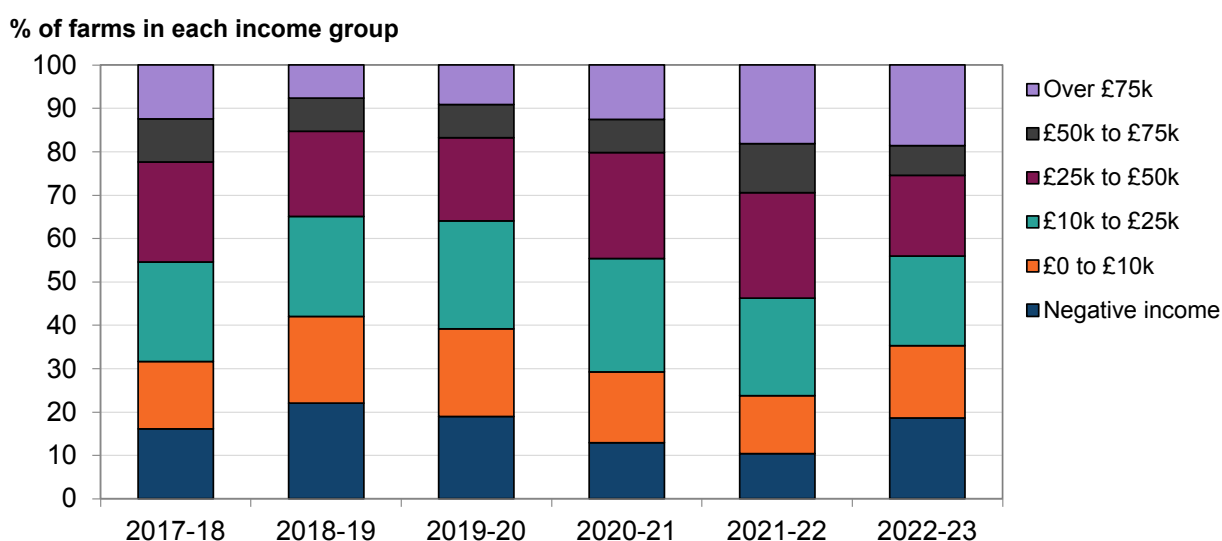
Variation in farm business income

The average values considered in this release mask the considerable variation in incomes at the level of individual farms, both between and within farm types. One way of looking at the variation in incomes is to consider different income groups. Figure 7 below shows farms grouped by the level of their farm business income in the past seven years, and also by farm type for 2022-23.

The level of income on a farm can be influenced by a range of physical, social and economic factors. The skill and business acumen of the farmer will play a role. The level of income will also depend on production costs and the circumstances of the farm (for example, the location, land quality, economic size of the farm, and types of activity undertaken). Incomes will also be affected by where a farm is in its business cycle. For example, a farm that has just invested to expand or improve may have a temporary low income until the benefits start to accrue.

Farm income average values mask considerable variation in incomes at the farm level. Variation exists both between and within farm types, with farm-level factors influencing variations in production and costs.

Figure 7: Variation in farm business income in Wales, 2017-18 to 2022-23



Description of Figure 7: a stacked column chart showing the variation in farm business income from 2017-18 to 2022-23. The negative income category has increased in 2022-23 after declining since 2018-19. The over £75k category has remained steady in 2022-23. The £10k to £25k category is the largest in 2022-23, closely followed by the negative income category.

Figure 7 highlights the level of variation around the average farm business income.

Over the six years shown, there are a significant share of farms in each income size band. 2018-19 has the highest share of farms making a loss (22.1%). The proportion of farms with income of at least £50,000 was at its highest in 2021-22 (29.4%) the highest since 2017-18 (12.4%). This has dropped back down to

25.5% in 2022-23 and shows the volatility of the farming sector and the effect of prices at a national level.

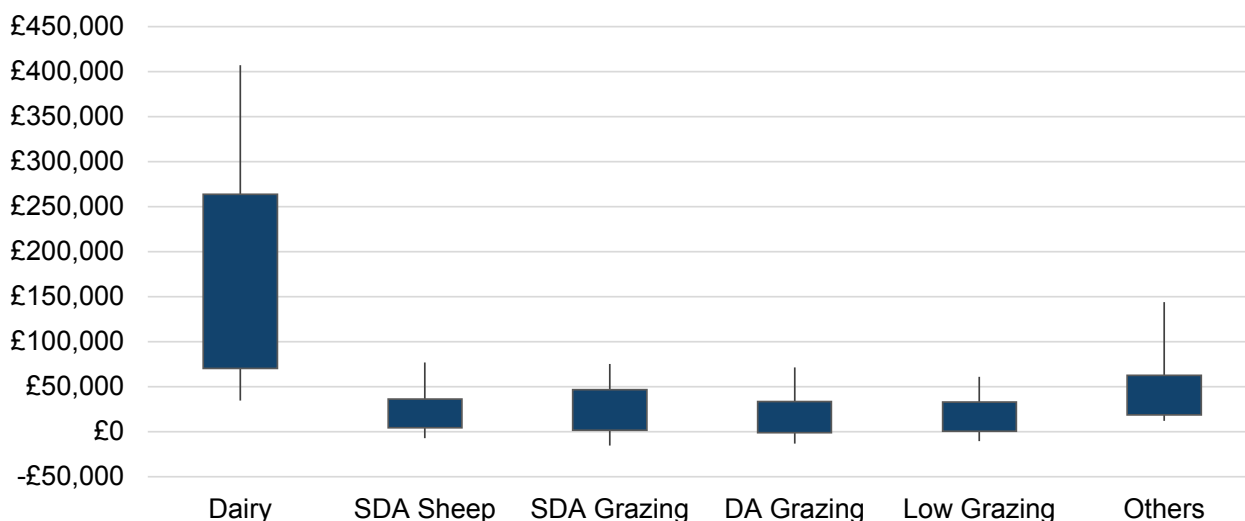
In previous releases, the variation in farm business income by income band was shown by farm type. However, for recent years, there were too few dairy farms in the lowest categories (negative incomes and £0 to <£10,000).

Dairy farms continue to have income in the largest band which can be attributed to the large proportion of dairy farms in a higher farm business output group compared to other farm types. See Figure 8 below.

There is also continued variance across LFA farms making a loss. In 2022-23 SDA sheep farms had the fewest farms making a loss and DA sheep / beef had the most farms making a loss across all farm types. However, there are still dairy farms making a loss whilst there are still cattle and sheep farms making large profits. It is important to note that all farm types have farms in each of the bands.

Relative farm business income and more detailed breakdowns including average output, costs and income for farm businesses can be viewed in the additional data tables published alongside this release.

Figure 8: Variation in farm business income by farm type in Wales, 2022-23



Description of Figure 8: A box and whisker chart showing the variation within each farm type for the 2022-23 financial year. The top and bottom sides of each box are the upper and lower quartiles (25% and 75%) for the given farm type. Dairy farms show the greatest variation whilst low grazing shows the least.

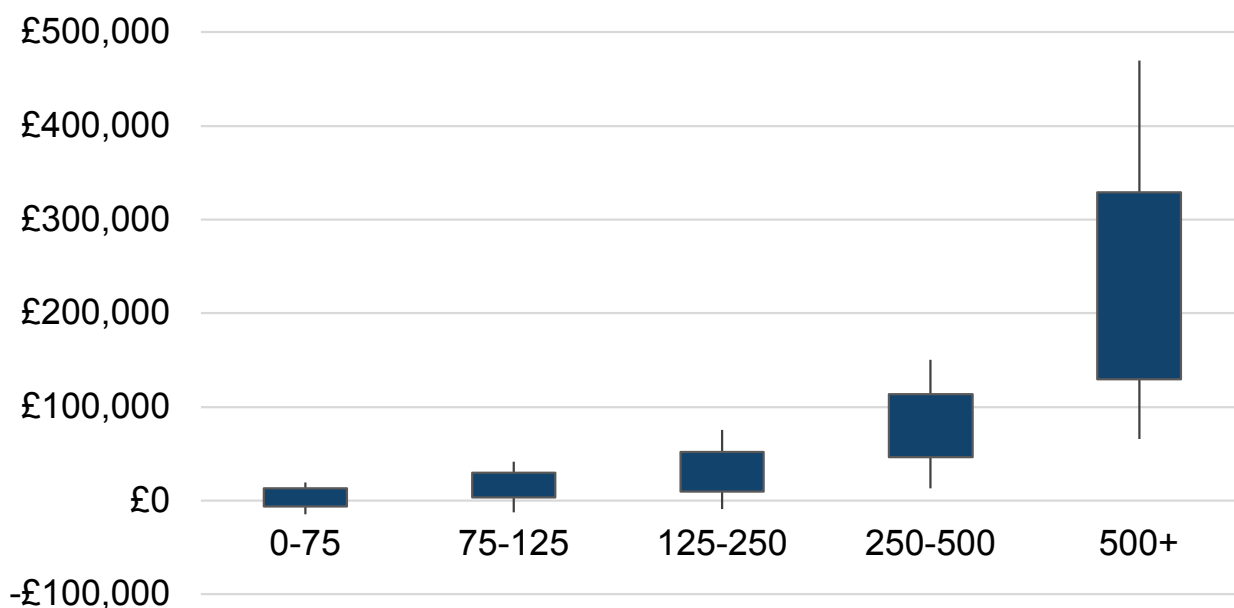
The box itself covers where 50% of the data is found (known as the interquartile interval). The 'whiskers' represent where the bottom 10% and top 10% of the data is found (otherwise known as the 10th and 90th percentiles). Please note that the above refers to the Farm Business Survey weighted sample estimates and not the actual farming population within Wales.

Dairy farms have shown the greatest range in income and whilst the average income for 2022-23 was £164,900, many dairy farms within the population are earning much more or less than this.

An important feature shown in Figure 8 is that there is a degree of overlap

across all farm types. This means that despite dairy farms holding the highest average income and low grazing the lowest average income, there are still low grazing farms earning more than dairy farms and vice versa. This is true across all comparisons of the farm types for 2022-23.

Figure 9: Variation in Farm Business Income by Farm Standard Output Size in Wales, 2022-23



Description of Figure 9: A box and whisker chart showing the variation within each farm standard output (SO) size for the 2022-23 financial year. Please note that the above refers to the Farm Business Survey weighted sample estimates and not the actual farming population within Wales.

Similarly, to the variation within in farm type in Figure 8, there is also substantial variation within each SO size group. Unlike farm types, overlap is not apparent across all SO size groups and there is no overlap between the £0-£75,000 SO group and £500,000+ SO group. This means that there were no farms with an SO of £500,000+ that earned less than a farm with an SO between £0 and

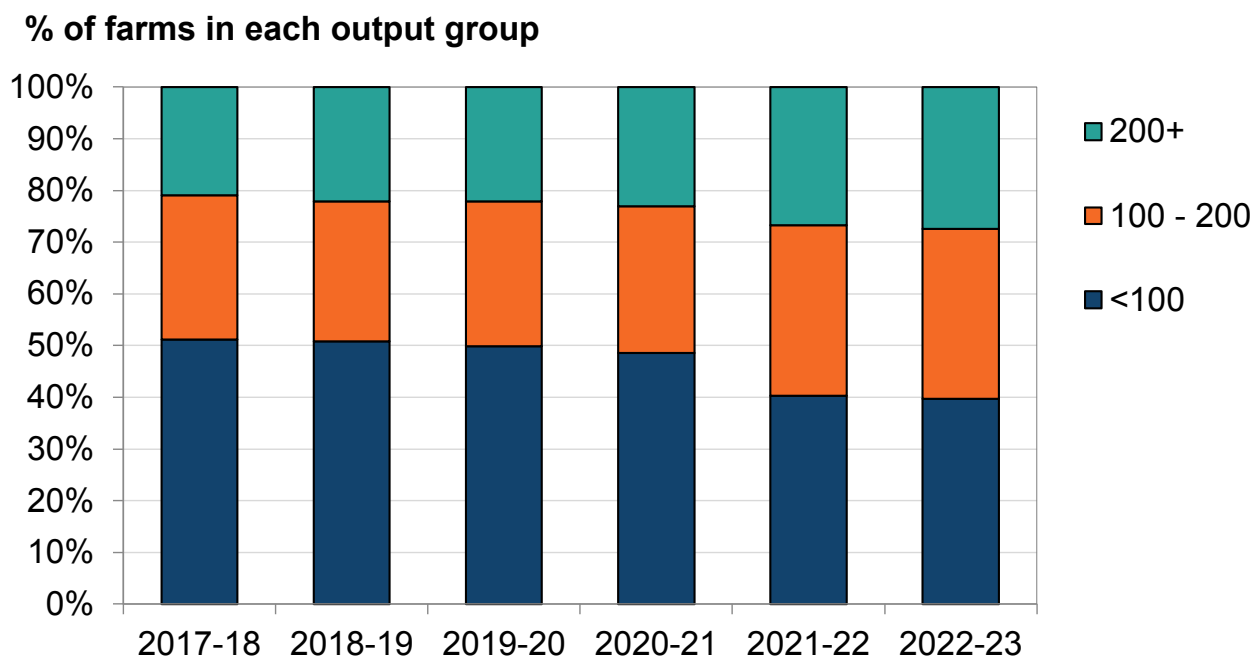
£75,000.

There remains overlap across the other SO groups, meaning that there are farms in the £125,000-£250,000 SO group who earned more than those in the £500,000+ SO group and vice versa.

Variation in farm business output

It is also useful to consider variation in farm business output. Figure 10 below shows that there is wide variation between farms in their level of farm business output and that the share of farms remains consistent across all seven years. In 2022-23, 40% of farms had a farm business output of less than £100k, while 27% of farms had a farm business output of £200k or greater.

Figure 10: Variation in farm business output in Wales for all farm types, 2017-18 to 2022-23 (at current prices)



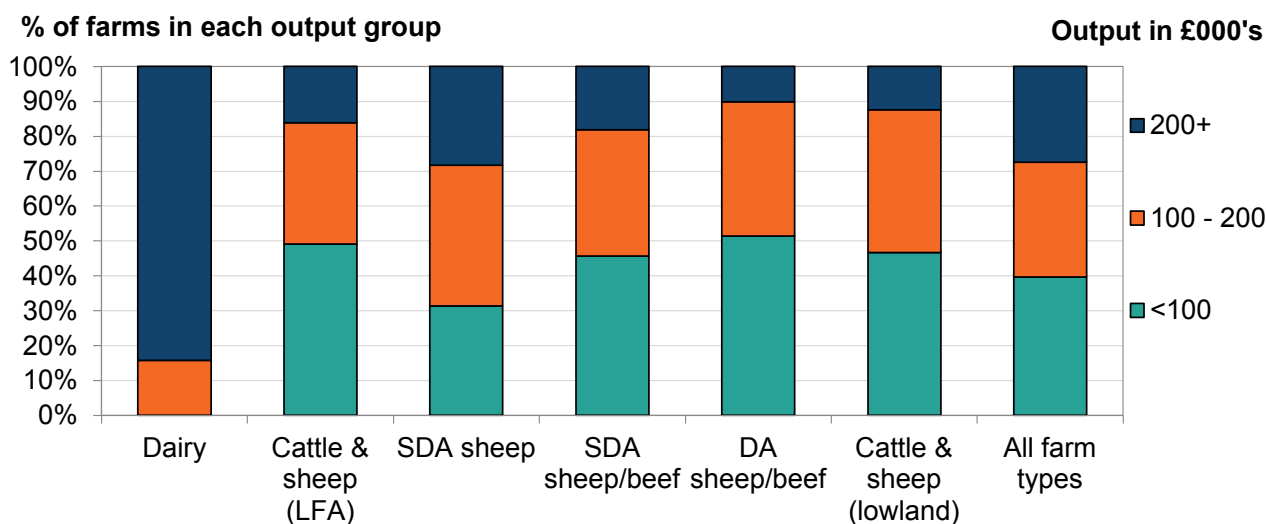
Description of Figure 10: A stacked column chart showing the variation in farm business output from 2017-18 to 2022-23. Trends remained stable between 2017-18 and 2019-20 whereas the £100,000 to £200,000 and £200,000+ categories were larger in 2021-22 and 2022-23.

Figure 11 shows that in 2022-23, only 16% of dairy farms in the sample had a farm business output of less than £200k, while the equivalent values were 49% and 47% for cattle and sheep farms (LFA and lowland respectively). Further variance can be seen within LFA farms, with 31% and 51% the values for SDA Sheep and DA Sheep and Beef respectively.

In terms of farms that had a business output of £200k or more, 84% of dairy farms were in this category of output while only 12% of lowland cattle and sheep farms did. 16% of LFA farms had this level of output with 28% and 10% the

values for SDA Sheep and DA Sheep and Beef respectively.

Figure 11: Variation in farm business output in Wales by farm type, 2022-23

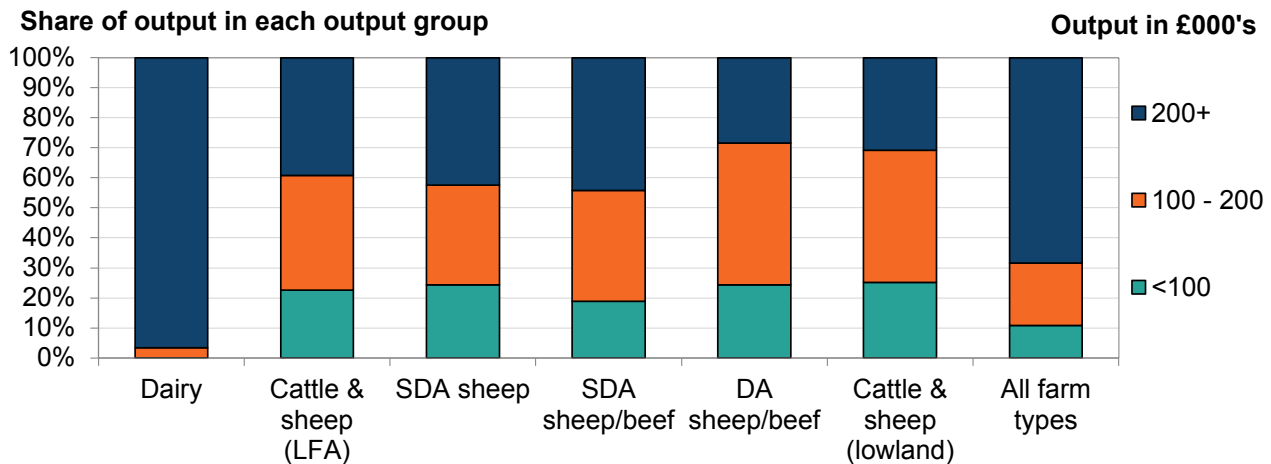


Description of Figure 11: A stacked column chart showing the variation in farm business output by farm type for 2022-23. There is notable variation across the farm types with Dairy farms having no farms in the less than £100,000 output category. FBS excludes micro farms and specialists in horticulture, poultry and pigs.

However, when looking at the share of output within each output band as shown in figure 12, 68% of output is from farms in the output sizeband £200,000 or higher for all farm types. Dairy farms in this sizeband contribute significantly with 97% of their total output. As with the Farm Business Income figures all farms types have farms in each of the bands.

Figure 12: Variation in farm business output in Wales by

farm type, 2022-23



Description of Figure 12: A stacked column chart showing the share of farm business output by farm type for 2022-23. There is notable variation across the farm types with Dairy farms having no farms in the less than £100,000 output category.

Quality and methodology information

Glossary and notes

For non-corporate businesses, farm business income represents the financial return to all unpaid workers (farmers, spouses, non-principal partners and their spouses, and family workers) and on all their capital invested in the farm business (including land and buildings). For corporate businesses, it represents the financial return on the shareholders capital invested in the farm business. Farm business income includes some 'notional' items, such as depreciation of farm assets (for example machinery) and changes in the value of breeding

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livestock.

In essence, farm business income is the same as net profit, which as a standard financial accounting measure of income, is used widely within and outside agriculture. However, using the term farm business income rather than net profit

- gives an indication of the measure's farm management accounting rather than financial accounting origins, and accurately describes its composition
- is intuitively recognisable to users as a measure of farm income

Importantly, farm business income does not include other sources of household income from outside the farm business (such as other employment of the farmer or spouse outside of the farm).

Farm gate price

The price received by producers (farms) for their agricultural products. Once these agricultural products leave the farm, they may go for secondary processing. For instance, after milk leaves the farm, it will go for processing before being sold to retailers.

Less Favoured Area (LFA)

This classification was established in 1975 as a means to provide support to mountainous and hill farming areas. Within the LFA are the Severely Disadvantaged Areas (SDA) and the Disadvantaged Areas (DA). The SDA are more environmentally challenging areas and largely upland in character. The map below shows the LFA, SDA and DA in the United Kingdom then Table 2 shows values and percentages for these areas by UK country.

Seriously / Disadvantaged Area (S/DA)

Of farms classified as LFA, those whose LFA land is wholly or mainly (50% or more) in the Severely Disadvantaged Area (SDA) are classified as SDA; those whose LFA land is wholly or mainly (more than 50%) in the Disadvantaged Area (DA) are classified as DA.

Accounting years

The figures for 2022-23 presented in this release cover the accounting years ending between 31 December 2022 and 31 March 2023 and as such reflect farming conditions between January 2022 and March 2023.

Average farm incomes

When the term 'average' is used to describe farm income (and other) measures in this release, this means that the mean (not median or mode) has been taken of the weighted farm data.

Table 3: LFAs in the United Kingdom

Farm type	Wales	England	Scotland	Northern Ireland	UK
Area (million hectares)					
Severely Disadvantaged Area (SDA)	1.2	1.6	6.8	0.6	10.1

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Farm type	Wales	England	Scotland	Northern Ireland	UK
Disadvantaged Area (DA)	0.5	0.6	0.1	0.4	1.6
Less Favoured Area (LFA) = SDA + DA	1.6	2.2	6.9	0.9	11.7
Lowland	0.4	10.8	1.0	0.5	12.7
All land	2.1	13.0	7.9	1.4	24.4
% of all land					
Severely Disadvantaged Area (SDA)	56%	12%	86%	41%	42%
Disadvantaged Area (DA)	23%	5%	2%	26%	6%
Less Favoured Area (LFA) = SDA + DA	79%	17%	88%	67%	48%
Lowland	21%	83%	12%	33%	52%
All land	100%	100%	100%	100%	100%

Current prices and in real terms (2022-23 prices)

To show the effect of inflation, some results in this release at current prices (such as averages for farm business income in Table 1) have been updated

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using GDP deflators to also show prices in real terms. **The GDP deflator data used here is available from the Office for National Statistics website.**

Disclosure control

To protect the confidentiality of farms who take part in the Farm Business Survey, results for a category are not shown if they rely on data for fewer than 5 farms (or no farms) from the sample.

Rounding

Farm income values shown in this release have been rounded to the nearest hundred pounds, therefore rounded values may not add up to totals. Calculations (such as percentage or actual change) have been made on unrounded values.

Methodology for apportioning components of income and output

There are four components of farming businesses which are of particular interest (also known as 'cost centres'): agriculture, basic / single farm payment, agri-environment payments and diversification. In practice, it is difficult to separate out costs (and therefore identify income, or profit) for these components. Therefore a methodology was developed to allocate variable and fixed costs to these four components of the business. The methodology to allocate costs involves a degree of estimation so results should be interpreted with caution.

Farm type classification and Standard Outputs (SO)

The Standard Output (SO) is a financial measure used to classify farm type. Standard outputs measure the total value of output of any one enterprise - per head for livestock and per hectare for crops. For livestock it is the value of the main product (milk, eggs, lamb, pork) plus the value of any secondary product (calf, wool) minus the cost of replacement. For crops, this is the main product (e.g. wheat, barley, peas) plus any by-product that is sold, for example straw. In other words, the SO of an agricultural product is the average monetary value of the agricultural output per unit at farm gate prices.

The classification of farm 'types' within the UK and EU is based on the calculation and use of SO coefficients for individual farm enterprises.

The characteristics of farm types included in this release

Dairy

Farms on which dairy cows account for more than two-thirds of the total SO.

Cattle and sheep

Farms which do not qualify as dairy farms but have more than two-thirds of their total SO from grazing livestock (cattle and sheep). They are divided into the following.

Cattle and sheep (LFA)

More than 50% of the land farmed is in the LFA.

Cattle and sheep (lowland)

Less than 50% of the land farmed is in the LFA.

SO coefficients have been updated within all Member States and are used to classify farms from 2013 onwards. As the threshold for inclusion within the Farm Business Survey in Wales is a minimum €25,000 of standard output, changes to standard output coefficients will have an effect on both the survey population as well as the classification of farms.

Within EU member states, SO coefficients are updated periodically. In the UK these are calculated for each NUTS1 region so Wales is calculated as one region. Averages are taken over a period of a number of years to reduce the impact of annual price fluctuations; those previously in use are averaged over the period 2005-2009 (referred to as 2007 SOs). Standard Outputs were recalculated for the period 2008-2012 (referred to as 2010 SOs) and have now been recalculated for 2018-19 onwards (referred to as 2013 SOs).

In Figure 1 and Figure 2 at the top of this release, data for 2012-13 until 2017-18 is based on 2010 SOs, while data for 2018-19 onwards is based on 2013 SOs. Due to this change in methodology, some caution should be exercised when making any comparisons of data for 2018-19 onwards to earlier data.

Users and uses of data on farm incomes

Data on farm incomes are used to monitor and evaluate government and EU policies and to inform wider research into the economic performance, productivity and competitiveness of the agricultural industry. The data are provided to the EU as part of the Farm Accountancy Data Network (FADN) and are widely used by the agriculture industry for benchmarking (comparing the performance of similar types of farms). If the above paragraph does not

accurately describe how you use the data, please contact us at stats.agric@gov.wales.

Quality information

The farm incomes data used in this statistical release are derived from the annual Farm Business Survey (FBS). The survey is conducted on behalf of the Welsh Government by the Institute of Biological, Environmental and Rural Sciences (IBERS) at Aberystwyth University. The FBS collects detailed physical and financial information from approximately 550 farm businesses across Wales and covers all types of Welsh livestock farm. However, it should be noted that the disruption to the data collection as stated above resulted in a slightly smaller representative sample for 2021-22 of 517 farm businesses and 539 farm businesses and 501 farm businesses in the previous years (2020-21 and 2019-20 respectively) (compared to 550 in earlier, pre-pandemic years). Highly trained researchers collect the data by visiting farms and requesting information from farmers. Only those farm types where there are more than 20 representative holdings in the survey sample are reported in this statistical release.

Statistics produced from the same data by IBERS may differ in some respects from those in this statistical release. The differences arise largely from:

- **Weighting:** the statistics in this release are weighted to be representative of the population (farm businesses with a Standard Output of at least €25,000). However, the statistics produced by IBERS are unweighted so are only representative of the farms included in the sample.
- **Inter-year identical sample:** Some of the statistics published by IBERS are for an inter-year identical sample (farms included in the sample for two years in a row). Not every farm is included in the sample for two years in a row. Therefore, the inter-year identical sample includes a smaller number of farms for each year, so the results for this group of farms may differ.

The sample for the Farm Business Survey is predominantly drawn from those farm businesses in Wales with a Standard Output (SO) of at least €25,000, based on activity recorded in the previous June Survey of Agriculture and Horticulture. The results reported here will not therefore be representative of very small and part-time holdings. Information on the survey sample, the survey population and percentage of the survey population sampled (by farm type and size) is shown in Table 4.

Table 4: Survey sample, survey population and percentage of survey population sampled, by farm type and size [Note 1] [Note 2] [Note 3]

Farm type	Spare time / part time	Small	Medium	Large	Very large	All farm sizes
Survey sample [Note 1] [Note 2]						
Dairy	1	6	19	32	58	116
Cattle & sheep (LFA)	44	93	85	80	38	340
Cattle & sheep (lowland)	9	26	13	13	2	63
Other farm types	11	3	6	8	6	34
All farm types	65	128	123	133	104	553

Farm type	Spare time / part time	Small	Medium	Large	Very large	All farm sizes
Survey population (farms with > €25,000 Standard Output) [Note 1] [Note 3]						
Dairy	35	221	245	306	594	1,401
Cattle & sheep (LFA)	1,244	1,826	1,107	1,304	657	6,138
Cattle & sheep (lowland)	173	561	146	161	25	1,065
Other farm types	337	85	82	84	62	650
All farm types	1,789	2,692	1,580	1,855	1,338	9,254
% of survey population sampled						
Dairy	2.8	2.7	7.8	10.5	9.8	8.3
Cattle & sheep (LFA)	3.5	5.1	7.7	6.1	5.8	5.5
Cattle & sheep (lowland)	5.2	4.6	8.9	8.1	0.0	5.9
Other farm types	3.3	3.5	7.3	9.6	9.6	5.2
All farm types	3.6	4.8	7.8	7.2	7.8	6.0

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[Note 1] The survey sample and survey population both exclude a small number of farms which have a standard output of at least €25,000 but no agricultural activity. This small number of farms would have been categorised under the general cropping farm type.

[Note 2] The survey sample shown is for the 2022-23 Farm Business Survey.

[Note 3] The survey population (for 2022-23 Farm Business Survey) was from the 2021 June Survey of Agriculture and Horticulture.

[Note 4] Other farm types includes cereals, general cropping, and mixed farms.

Impact of the war in Ukraine

This release covers the year to 31 March 2023. It therefore coincides with the war in Ukraine which began in the final week of February 2022. In the UK, inorganic fertilisers are frequently imported and both Russia and Ukraine had previously accounted for a considerable portion of UK fertiliser imports. These imports were reduced over the period covered by this release due to the war in Ukraine and resulting sanctions which has led to a substantial increase in the price of fertilisers.

Furthermore, other key intermediate consumption variables such as the cost of grains in the UK were impacted during this period due to other countries struggling to source produce from Ukraine causing instability in global prices. This has impacted animal feed costs, meaning that the cost of feeding livestock has risen considerably as many farmers are dependent on feed prices set on the global market. The specific impacts of these price increases on each farm type will be discussed in further detail below.

Impact of the Cost-of-Living

In addition to the above, farmers will also be experiencing the impact of the ongoing Cost-of-Living Crisis which has impacted other key intermediate consumption variables such as (but not limited to) machinery running and maintenance, rent and water and electricity costs. It is also important to consider that these figures are looking at the average and that there will be considerable variation in the individual experiences of farm businesses.

The effect of the COVID-19 pandemic

The period April 2021 to March 2022 to which this release relates to ran alongside the second year of the COVID-19 pandemic (the first lockdown started on 23rd March 2020) and therefore, figures should be considered against the impact that the COVID-19 pandemic may have had.

The COVID-19 pandemic, as with many other surveys during this time, seriously disrupted the collection of data. For reference, some of the issues were:

- Method of collection has to be adjusted several times following risk assessments and according to government guidelines – this varied between electronic information, collection of files from site, and collection of information direct from respondent in separate farm office.
- There were difficulties working out an efficient collecting schedule where farmers in the same
- area may not be available on the same day, which resulted in more travel.
- There were minor issues with access to accounting software systems.
- Collection had to be extended past the usual end month of September which had a knock on to other tasks such as publications and recruiting.

Strengths and limitations of the Farm Business Survey

We strongly recommend that users of these statistics understand these strengths and limitations of the Farm Business Survey, in order to make appropriate use of any results from the survey.

Strengths

The Farm Business Survey collects a broad range of detailed physical and financial information about farms in Wales. This allows a wide range of analyses to be conducted.

The survey is representative of the main types of livestock farm seen in Wales (dairy, cattle and sheep).

The Farm Business Survey has been carried out in Wales for many years. Therefore there are many years of data in which to monitor any structural changes in the farming industry, and fluctuations in farm incomes between years.

Usually, between 90% and 95% of farms remain in the survey sample from one year to the next. This allows analysis across years of the survey for identical samples.

Limitations

Given the need to control costs of the survey and the difficulty of recruiting farms, the sample for the Farm Business Survey is limited to 550 farms per year in Wales. This represents around 5% to 6% of the survey population each year. This is a relatively small sample for the purposes of analysis. Average results

per farm can be produced, but for any analysis produced there are always wide variations around average, which raises a number of issues:

With the wide variation in size of farms, on some occasions, considering the share of farms may not be the best approach. In general, a relatively small number of large farms contribute most of the agricultural production in Wales. It can often make sense to look at

share of production or output, rather than share of farms, which can provide an extra complication when analysing results.

There is often more than one factor which can explain the variation between farms, and this usually includes farm size. It is often not possible (due to low sample size in some categories) to analyse data for more than one variable at a time, which can limit the usefulness of any analysis.

With the wide variation in size of farms, very large farms in the sample can have a large effect on averages; particularly when estimates for a category are based on a small number of responses.

Farm business income considers the farm as a 'business unit'. Farm business income does not include other sources of household income from outside the farm business (such as other employment of the farmer or spouse outside of the farm). Therefore a wider range of data would need to be considered in order to take a view on the economic welfare of farm households. The last detailed study to be carried out in Wales on farm household incomes was the 2010 survey of farming households in Wales by the Wales Rural Observatory.

There are a number of important aspects of farm businesses that the Farm Business Survey cannot inform on. These aspects will mainly be the quality of land on the farm, the farmer's aims and objectives for the farm business, and the skill of the farmer.

The Farm Business Survey predominantly includes farms with at least €25,000 standard output, and is not intended to be representative of small, part time and spare time farms (below this standard output threshold). Any users who are interested in data for small, part time and spare time farms should be aware of this point. It is worth noting that when considering the farm types included in the Farm Business Survey, the survey population (around 10,000 farms each year) represents 93% of total standard output. Meanwhile, around 13,000 farms each year in these farm types but with less than €25,000 standard output (which are not surveyed) account for the other 7% of standard output.

Although the Farm Business Survey is representative of main livestock farm types in Wales, it is not as representative of some of the smaller agricultural sectors in Wales. The survey includes small numbers of cereal and general cropping farms, but not enough to be able to publish results for this particular farm type. Specialist poultry and specialist pig farms are not surveyed, as there are very few farms from which to survey and obtain reliable results.

Although cereal, general cropping, poultry and pig farms are relatively small sectors individually, when grouped together these farm types make up 18% of total standard output for farms in Wales (when considering farms with a standard output of at least €25,000). This is a notable portion of the population which is not very well (or not) represented in the Farm Business Survey.

As with any sample survey, results from Farm Business Survey will have a degree of sampling error because only part of the population is being used to estimate the value of a variable. The sampling error is the difference between the estimate derived from a sample survey and the 'true' value that would result if a census of the whole population were taken under the same conditions. Different samples will yield differing estimates for the same observation variable.

Non-sampling error includes coverage error, non-response error, response error, processing error, estimation error and analysis error.

Any coverage errors in the Farm Business Survey will mainly be due to imperfections in the sampling frame – the June Survey of agriculture and horticulture. The June survey is used for sampling in the Farm Business Survey and also weighting of survey responses up to the survey population. The main limitations of the June agricultural survey can be read on the Welsh Government June agricultural survey page. In summary, maintaining an up to date register of farms is an issue, as are falling response rates (to government surveys in general). Dairy and beef cattle data is derived from the Cattle Tracing System (an administrative source) which is generally of good quality for the information that it holds, although it does not hold complete information on intended purposes for particular animals.

Coverage of particular sectors in the sampling frame can be difficult. For example there are currently difficulties recruiting small dairy farms, in light of the current market conditions in the dairy sector.

Minimising response (measurement) errors is the strongest area of quality management for the Farm Business Survey. Processing errors are regarded as low-risk because of the self-checking nature of much of the farm management account and the high proportion of farms for which between-year checks can be applied.

Although the Farm Business Survey is designed to impose as little burden as possible on participating farmers, it is seeking commercial and sensitive data which some farmers might find intrusive. In order to persuade farmers to take part, participating farmers receive a set of accounts for their farm and benchmarking results against other farms (where possible). However, the refusal rate is relatively high; of those farmers who are in scope, around 80 – 85% of those who are approached choose not to take part in the survey.

The potential population of non-respondents may have quite different characteristics from the potential population of respondents. This could lead to bias in the estimates of the full population. Attempts are made to deal with this

by recruiting new farms from a randomised list of farms of different types.

National Statistics status

The **United Kingdom Statistics Authority** has designated these statistics as National Statistics, in accordance with the Statistics and Registration Service Act 2007 and signifying compliance with the **Code of Practice for Statistics**.

National Statistics status means that official statistics meet the highest standards of trustworthiness, quality and public value.

All official statistics should comply with all aspects of the Code of Practice for Statistics. They are awarded National Statistics status following an assessment by the UK Statistics Authority's regulatory arm. The Authority considers whether the statistics meet the highest standards of Code compliance, including the value they add to public decisions and debate.

It is Welsh Government's responsibility to maintain compliance with the standards expected of National Statistics. If we become concerned about whether these statistics are still meeting the appropriate standards, we will discuss any concerns with the Authority promptly. National Statistics status can be removed at any point when the highest standards are not maintained, and reinstated when standards are restored.

Well-being of Future Generations Act (WFG)

The Well-being of Future Generations Act 2015 is about improving the social, economic, environmental and cultural wellbeing of Wales. The Act puts in place seven wellbeing goals for Wales. These are for a more equal, prosperous, resilient, healthier and globally responsible Wales, with cohesive communities and a vibrant culture and thriving Welsh language. Under section (10)(1) of the

Act, the Welsh Ministers must (a) publish indicators (“national indicators”) that must be applied for the purpose of measuring progress towards the achievement of the wellbeing goals, and (b) lay a copy of the national indicators before Senedd Cymru. Under section 10(8) of the Well-being of Future Generations Act, where the Welsh Ministers revise the national indicators, they must as soon as reasonably practicable (a) publish the indicators as revised and (b) lay a copy of them before the Senedd. These national indicators were laid before the Senedd in 2021. The indicators laid on 14 December 2021 replace the set laid on 16 March 2016.

Information on the indicators, along with narratives for each of the wellbeing goals and associated technical information is available in the [Well-being of Wales report](#).

Further information on the [Well-being of Future Generations \(Wales\) Act 2015](#).

The statistics included in this release could also provide supporting narrative to the national indicators and be used by public services boards in relation to their local wellbeing assessments and local wellbeing plans.

Useful links

Unweighted results for Wales

[Annual statistical results and the annual farm incomes booklet are published by Aberystwyth University](#) covering many years. It should be noted that these results are based on unweighted data, so they only represent the sample, and not the whole population of farms. In particular, the farm incomes booklet includes:

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- The profit and loss account, and a summarised balance sheet for a variety of farm types.
- Gross margin data for eight different types of farm enterprise.
- Production costs for four different types of farm output.

Welsh agriculture

More detailed statistics or other statistics about agriculture in Wales can be found below on the Welsh Government [farming statistics pages](#).

England

The Department for Environment, Food and Rural Affairs (DEFRA) publish a variety of analyses from the [FBS for England](#). DEFRA published comparable results on farm business income by type of farm in England for 2022-23, on December 2023.

Technical notes

[DEFRA publish technical information, notes and guidance for the Farm Business Survey for both England and Wales.](#)

FarmBusinessSurvey.co.uk

Rural Business Research (RBR) - a consortium of six University Research Centres - carries out the Farm Business Survey in England on behalf of DEFRA. [RBR publish a variety of data from the Farm Business Survey for England and Wales.](#)

Scotland

The Scottish Government publish annual estimates of Farm Business Income.

Northern Ireland

The Department of Agriculture, Environment and Rural Affairs (DAERA) in Northern Ireland publish annual estimates of Farm Business Income.

UK

DEFRA publish farm income statistics for the UK and countries of the UK in the “Agriculture in the UK” publication (Chapter 3).

EU

Farm incomes data from UK countries are provided to the EU as part of the Farm Accountancy Data Network (FADN) and feed into the **Farm income statistics (European Commission)** for EU member states.

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