

Farm accounts in Wales: an overview¹

Introduction

The farm accounts data used within this statistical article are derived from the annual Farm Business Survey (FBS) in Wales and provide further detail behind the [Farm Business Income results published on 23 January 2024](#). These results include a more in-depth analysis of the outputs and costs within each farm type. Data spans back to 2012-13 and provides a general overview of the state of farm finance during this period covering the continuation of the Basic Payment Scheme (BPS) payments.

Farm incomes are the difference between total output and total input, so can be volatile across years. Farm incomes provide an important measure of farm profitability and, alongside other measures from the farm accounts, can inform on the performance and viability of farm businesses. It is important to consider this analysis alongside current market conditions.

Information on the quality and methodology for the Farm Business Survey are [provided in the Farm Incomes in Wales first release](#).

Policy context

The European Union Common Agricultural Policy (CAP) provided direct income support to farmers mainly through the BPS. Eligible farmers received an annual payment in return for complying with a few basic agricultural and environmental conditions. More information on this can be found on the [Welsh Government BPS page](#).

Since leaving the CAP, the same system of support was initially maintained domestically while the UK nations develop new policies. The Welsh Government is developing proposals for future agricultural support and further details on this can be found on the [Sustainable Farming Scheme consultation page](#).

For Wales, the Agriculture (Wales) Act 2023 provides the continuation of payments to farmers with powers to modify retained EU laws on direct payments and rural development.

FBS gives an insight into the historic profitability of Welsh farms - allowing detailed analysis in a single year, following trends over time, and showing the variation between different types of farms and variation within the farm types.

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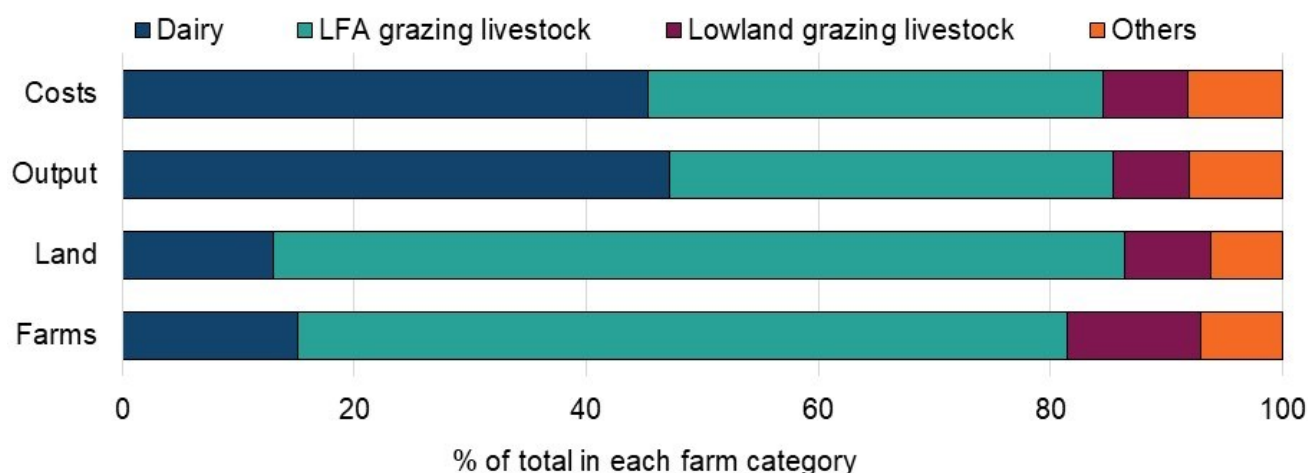
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Shares of farms, output, and land

This section shows the share in the proportion of costs, output, land and farms in Wales. This data can also be seen in the latest farm incomes release and is not new information. 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. The farm type classification is defined by the predominant activity on the farm.

Figure 1. Share of farms by farm type: costs, output, land and number of farms, 2022-23



Description of Figure 1: 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 Less Favoured Areas (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.

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.

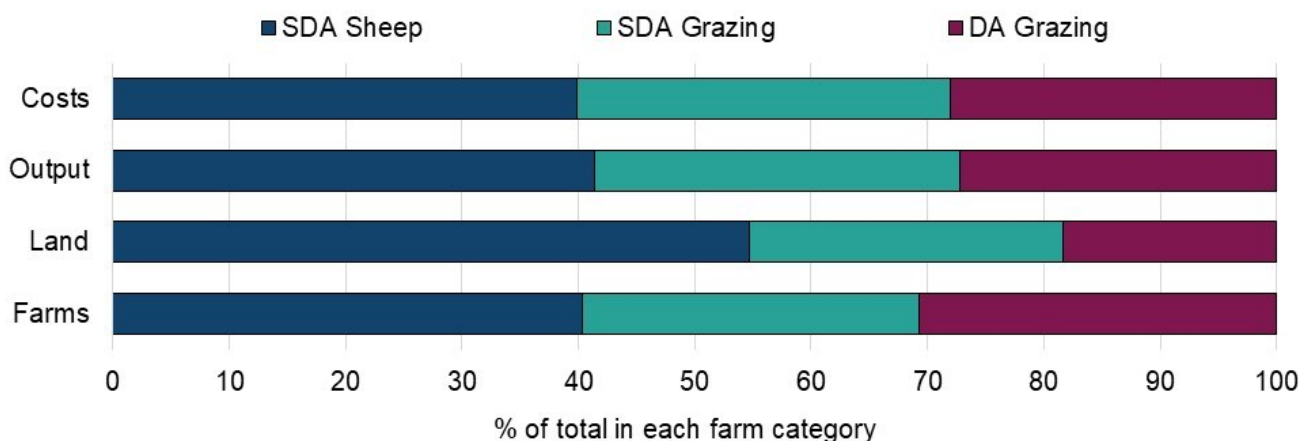
LFA grazing livestock make up the largest proportion of farms and land in Wales, accounting for two thirds (66%) of all farm types and almost three quarters (73%) of the land in Wales. LFA grazing livestock farms also account for a considerable portion of the costs and output of Welsh agriculture (39% and 38% respectively).

Lowland grazing livestock and Other farm 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.

1 Notes on the use of statistical articles can be found at the end of this document.

It is important to consider this distribution in the context of the rest of this article as it demonstrates that the number of farms alone is not necessarily a good indicator of impact in terms of financial value or land.

Figure 2. Share of LFA farms by farm type: costs, output, land and number of farms, 2022-23



Description of Figure 2: 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.

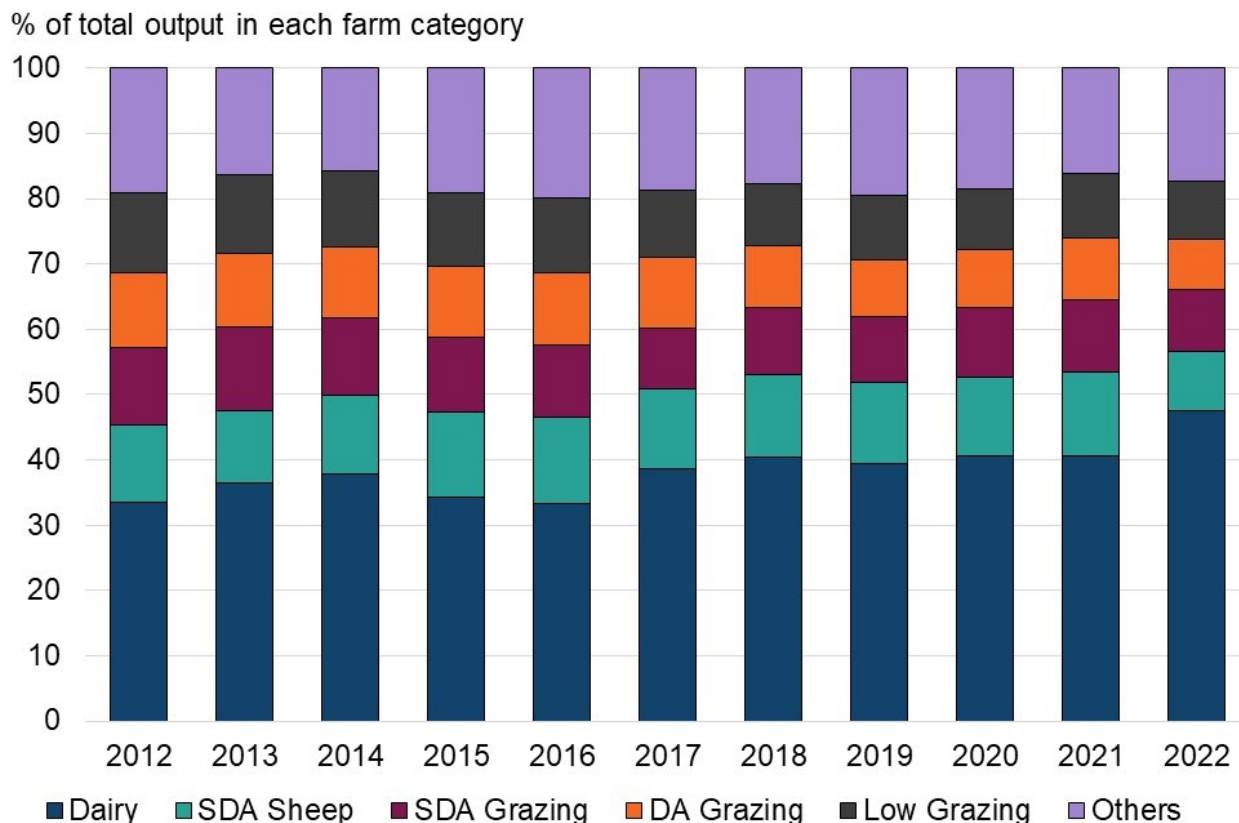
LFA farms are defined according to criteria related to the quality of land and cover the mountainous and hill farming areas. Within the LFA are the Severely Disadvantaged Areas (SDA) and the Disadvantaged Areas (DA). In Wales there are a sufficient number of farms to show SDA sheep specialist, SDA mixed 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.

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.

Long term trends of farm business output and income

This section shows trends in farm business output and income in Wales for each farm type. Farm business income is the small difference between total output and total input and provides an important measure of farm profitability, performance, and viability of farm businesses.

Figure 3. Long term shares in farm business output by farm type, 2012-13 to 2022-23

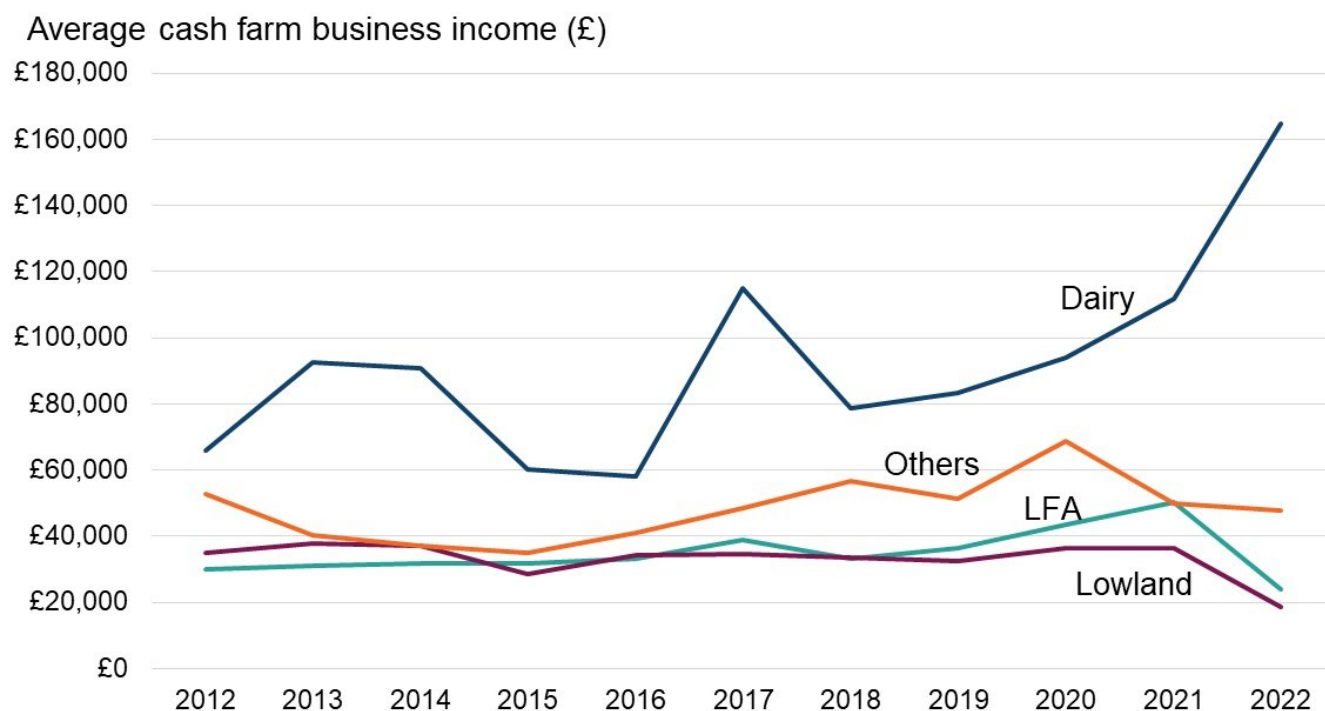


Description of Figure 3: A stacked column chart showing the share of farm business output by each farm type in Wales for each year between 2012-13 and 2022-23. The trend in share of output for each farm type has varied throughout the years but the overall proportions have remained relatively stable over the time series.

Dairy farms consistently account for the largest proportion of agricultural output in Wales, accounting for between 33% and 41% in previous years and reaching a high of 48% in the latest year of 2022-23.

In the same timeframe, DA Grazing farms accounted for the smallest proportion of agricultural output in Wales, varying between 8% and 12%. Whilst DA Grazing is technically the lowest contributing farm type, this is closely followed by SDA Sheep and SDA Grazing farm types.

Figure 4. Long term trends in farm business income by farm type, 2012-13 to 2022-23



Description of Figure 4: A line chart showing the trend of Farm Business Income (FBI) by farm type in Wales for each year between 2012-13 and 2022-23. The trends in income for each farm type have varied considerably throughout the years with Dairy farms always remaining the highest earners.

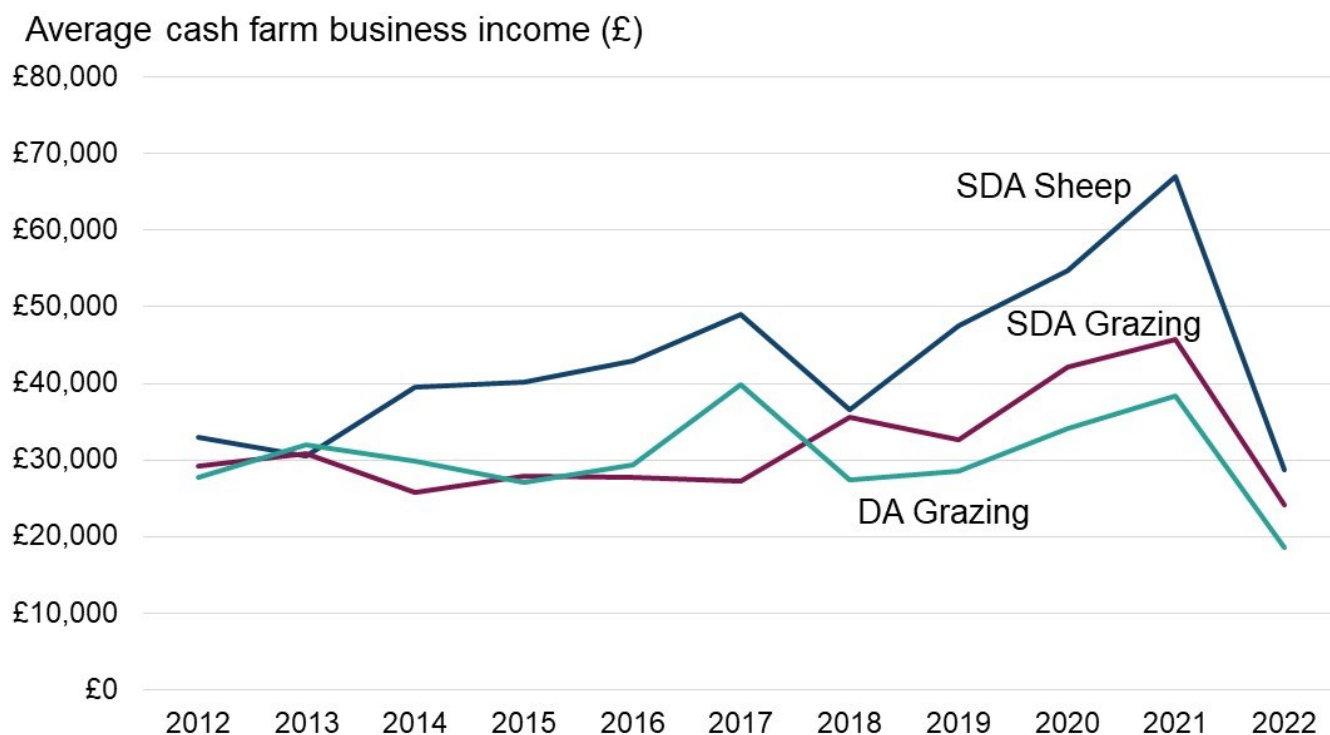
In the FBS, FBI refers to the financial return to all unpaid workers (farmers, spouses, non-principal partners and their spouses, and family workers) and on all their capital invested in the farm business (including land and buildings) for a given farm.

Dairy farms make up the largest proportion of total FBI in Wales, accounting for approximately a third each year and 54% in the most recent year of 2022-23 (varying between 27% and 37% in previous years). Dairy FBI has varied greatly over the past 11 years largely due to farm gate milk prices which has a direct effect on income on dairy farms. It should be considered that there is wide variation in milk price paid to farmers in Wales. You can find [more information on UK milk prices on the Department for Environment, Food & Rural Affairs website](#).

The remaining farm categories account for similar proportions of average FBI in Wales, where SDA Sheep farms accounted for just under a tenth (9%) of total FBI in Wales in 2022-23 (varying between 12% and 18% in previous years), SDA Grazing farms accounted for 8% in 2022-23 (varying between 9% and 13% in previous years), DA Grazing farms accounted for 11% in 2021-22 (varying between 10% and 13% in previous years), Low Grazing farms accounted for 6% (varying between 11% and 15% in previous years) and Other farms accounted for 16% in 2022-23 (showing greater variation in previous years between 14% and 22%).

The average farm business income within farm types shows greater variation over the 11-year timespan than does the shares of farms, output and land. This suggests that there are other factors attributing to the differences we are seeing. Some of these differences such as BPS payments and cost headings per farm will be explored in further detail later in this article.

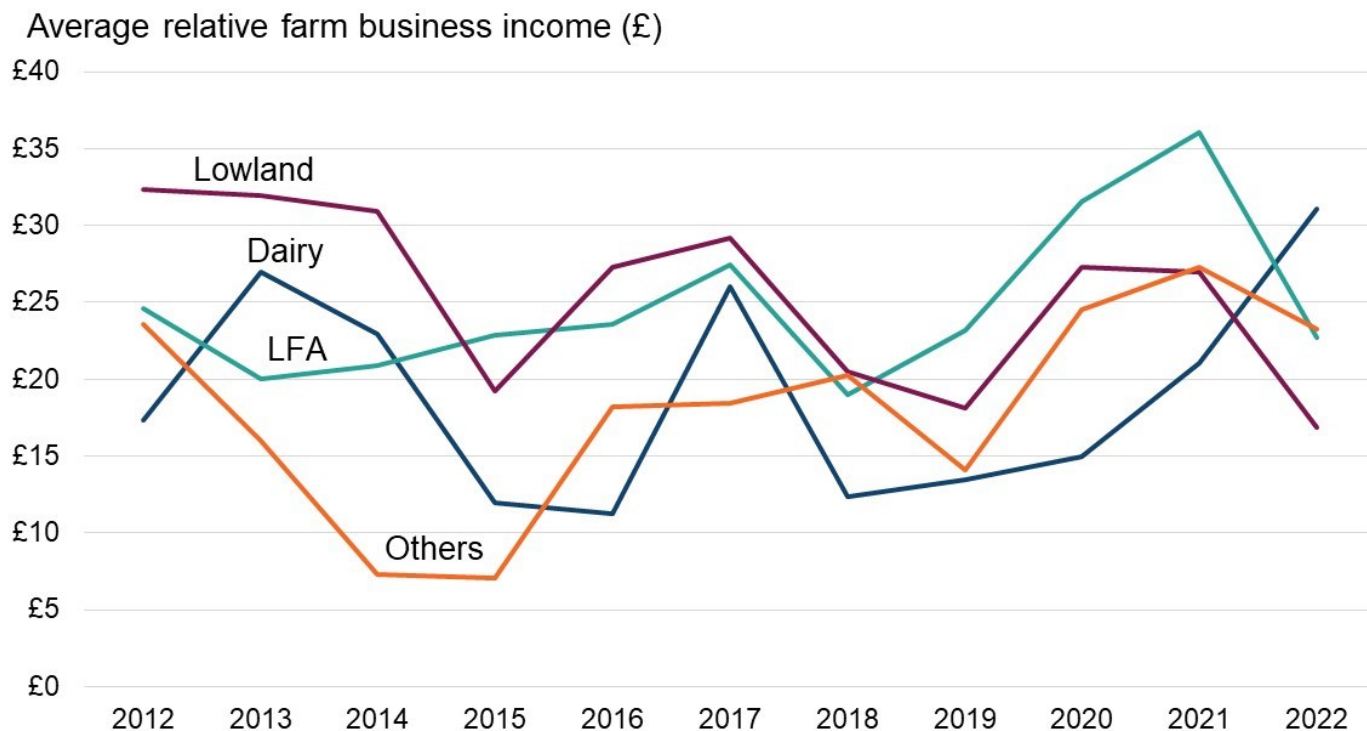
Figure 5. Long term trends in farm business income by LFA farm type, 2012-13 to 2022-23



Description of Figure 5: A line chart showing the trend of FBI by LFA farm type in Wales for each year between 2012-13 and 2022-23. The trends in income for each farm type have varied throughout the years but have followed a similar general trend in recent years with SDA Sheep remaining the highest earners with the exception of the 2013-14 financial year.

Figure 5 shows that there is considerable variation within LFA farm FBI but all had 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.

Figure 6. Long term trends in relative farm business income by farm type, 2012-13 to 2022-2023

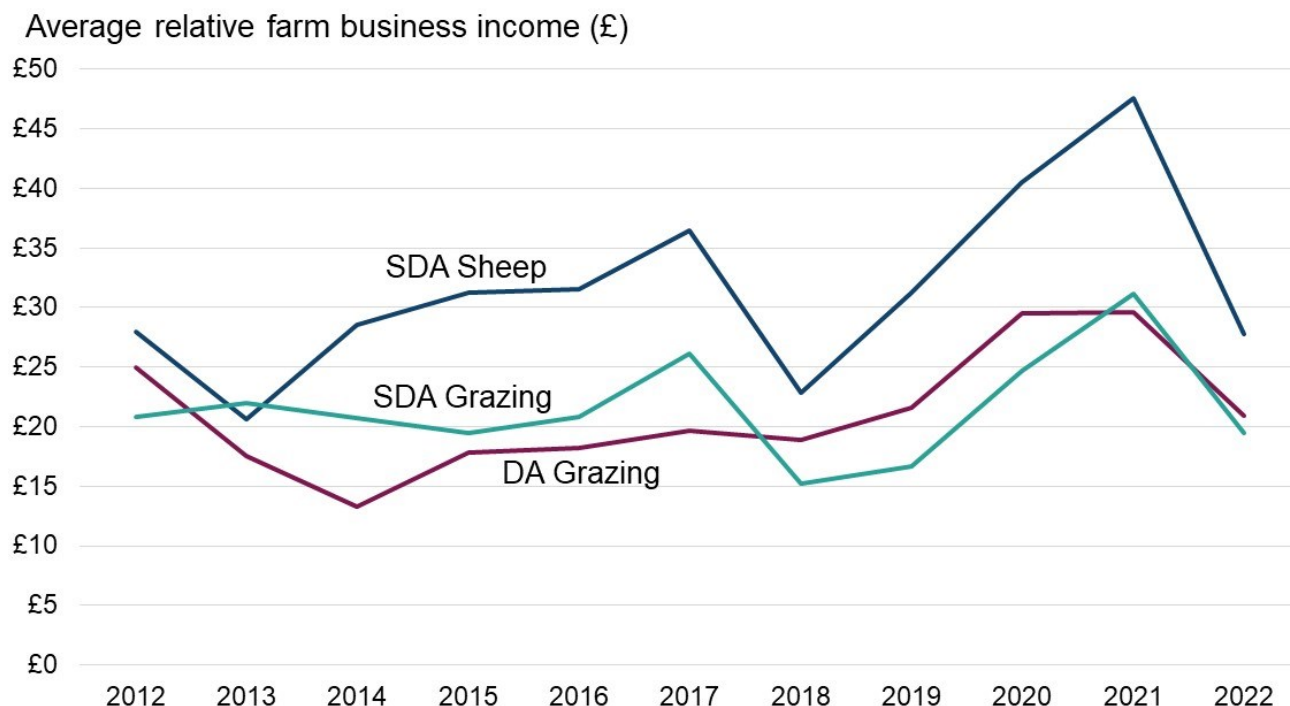


Description of Figure 6: A line chart showing the trend of relative FBI by farm type in Wales for each year between 2012-13 and 2022-23. The trends in income for each farm type have varied considerably throughout the years with no single farm type being the overall highest or lowest earner.

Relative farm income refers to the profit (£) made per £100 costs incurred by the farm business.

Dairy farms no longer make up the largest proportion in Wales (varying between a low of £11.28 in 2016-17 and a high of £31.04 in 2022-23). This can be explained by the higher running costs of Dairy farms compared to the lower running costs of other farm types. Costs headings are explored in further detail further down in this article.

Figure 7. Long term trends in relative farm business income by LFA farm type, 2012-13 to 2022-2023



Description of Figure 7: A line chart showing the trend of relative FBI by LFA farm type in Wales for each year between 2012-13 and 2022-23. The trends in income for each farm type have varied throughout the years but have followed a similar general trend in recent years with SDA Sheep remaining the highest earners except for the 2013-14 financial year.

It is interesting to note here that the relative FBI for each LFA farm type is much closer to that of Dairy farms than when considering FBI alone.

Out of the LFA farms, SDA Sheep farms reported the highest relative profit across the timeseries (£27.80 in 2022-23) except for the 2013-14 financial year. SDA Grazing and DA Grazing have followed similar trends to SDA Grazing farms, and, like SDA Sheep and Dairy farms, they have shown considerable variation over the timeseries.

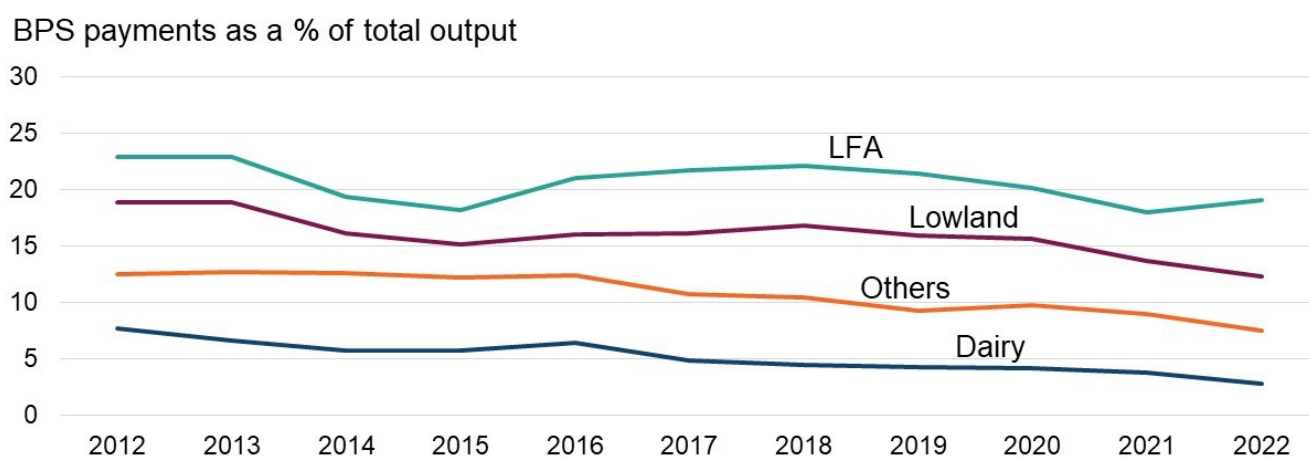
This variation can be attributed to the heightened sensitivity of the measure of relative FBI that factors in the impact of changes in cost headings for farm types year-on-year and gives an indication of the often volatile profit margins within the agricultural economic sector.

Of particular importance here is the small difference in relative profit between SDA Sheep and Dairy farms, with Dairy farms reporting just £3.24 profit per £100 costs more than SDA Sheep farms for 2022-23. This is in stark contrast to the FBI trends reported in Figures 4 and 5 which suggest a much greater difference between the two farm types, when looking at total farm income alone. This demonstrates the importance of not relying on FBI alone to draw conclusions on farm finances in Wales.

Long term trends and shares of BPS payments

This section shows trends and shares of BPS payments in each farm type. This will be considered in relation to the agricultural output of farms in Wales in addition to the impact on relative FBI in each farm type. A breakdown of [the different components of farm income of which includes BPS payments is available on StatsWales](#).

Figure 8. Long term trends of BPS payment as a share of total output by farm type, 2012-13 to 2022-23

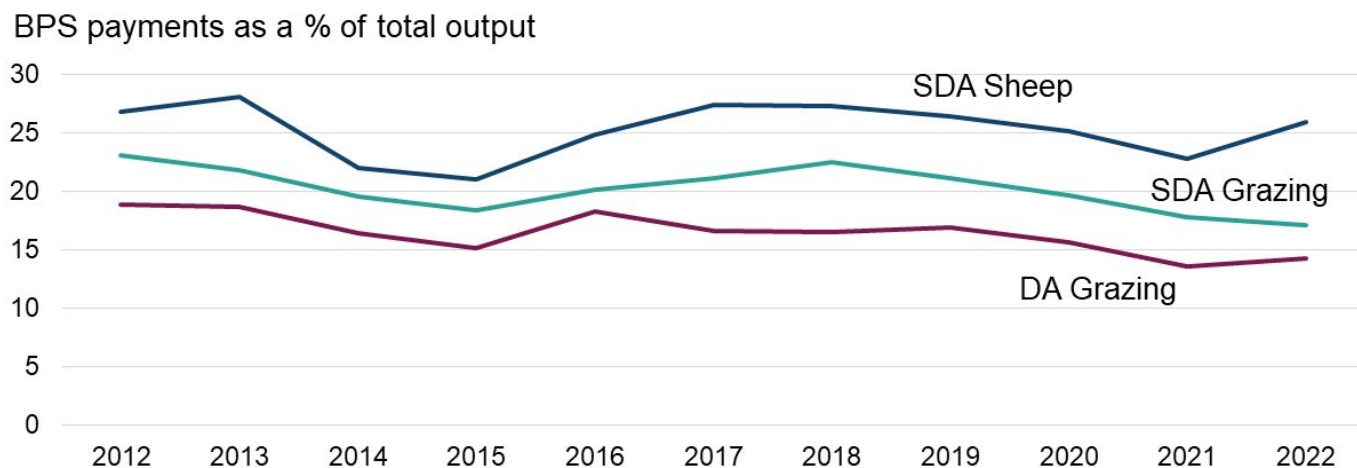


Description of Figure 8: A line chart showing the trend of BPS payments as a percentage of agricultural output by farm type in Wales for each year between 2012-13 and 2022-23. The trends are relatively stable throughout the time frame.

LFA farms consistently hold the highest proportion of output attributed to BPS, ranging from 18% in 2021-22 to 23% in 2012-13. This is followed by Lowland farms with a high of 19% in 2012-13 and a low of 12% in 2022-23. Other farm types showed a similar degree of stability with a high of 13% in 2013-14 and a low of 8% in 2022-23. Dairy farms consistently report the smallest proportion of their total output being accounted for by BPS and reported just 3% in 2022-23. This has also varied in previous years between 4% and 8%.

When referring back to figure 3 of this article, it is interesting to note that whilst LFA farm types account for the lowest shares of agricultural output in Wales, they account for the greatest share of BPS payment for that output.

Figure 9. Long term trends of BPS payment as a share of total output by LFA farm type,



2012-13 to 2022-23

Description of Figure 9: A line chart showing the trend of BPS payments as a percentage of agricultural output by LFA farm type in Wales for each year between 2012-13 and 2022-23. The trends are slightly more volatile when looking at the individual LFA farms but remain fairly stable overall.

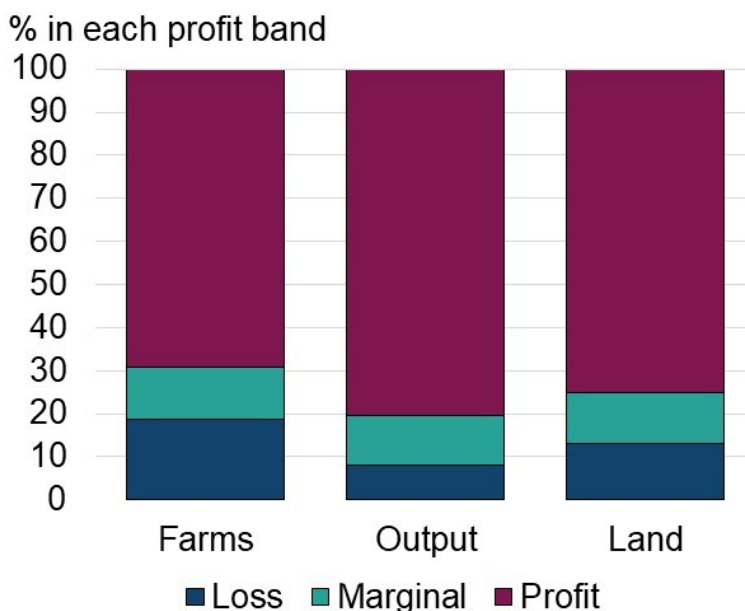
Of the LFA farms, SDA Sheep farms consistently hold the highest proportion of output attributed to BPS, ranging from 21% in 2015-16 to 28% in 2013-14. This is followed by SDA Grazing farms with a high of 23% in 2012-13 and a low of 17% in 2022-23. DA Grazing farms consistently hold the lowest proportion of agricultural output attributed to BPS (of the LFA farms) with a high of 19% in 2012-13 and a low of 14% in 2021-22.

It is worth noting that both figures 8 and 9 use the same scale and this means that SDA Sheep farms hold the highest proportion of output attributed to BPS not only amongst LFA farms, but also all farm types in Wales.

Shares of farms, output, and land by relative profit band

This section shows trends in the proportion of farm type, total output, and land in Wales by relative profit band. The profit bands referenced in the figures below use the following size bands: 'Loss' refers to all negative values, 'Marginal' refers to at least zero but under £10 profit per £100 costs and 'Profit' refers to at least £10 profit per £100 costs.

Figure 10. Share of farms, output, and land by relative profit band, 2022-23



Description of Figure 10: A stacked column chart showing the proportion of farms, output and land in Wales making a loss, a marginal profit, or a profit for 2022-23.

Overall, it is evident that the majority of farms, output and land fall into the profit category, meaning that they are achieving at least £10 profit per £100 costs.

There is a greater proportion of farms (19%) and land (13%) in the loss category than there is agricultural output (8%). This can be attributed to the greater proportion of Lowland and DA Grazing farms making a loss and – as shown in Figure 3 – reporting smaller contributions to agricultural output in Wales as a whole.

Figure 11a. Share of farms by relative profit band by farm type, 2022-23



Description of Figure 11a: A stacked column chart showing the proportion of farms in Wales making a loss, a marginal profit, or a profit for 2022-23 split out by farm type.

[Note 1] Loss and marginal categories have been combined for Dairy farms as there were less than 5 farms in the loss category and presented a statistical disclosure risk.

[Note 2] Loss and marginal categories have been combined for Other farms as there were less than 5 farms in the loss and marginal categories and presented a statistical disclosure risk.

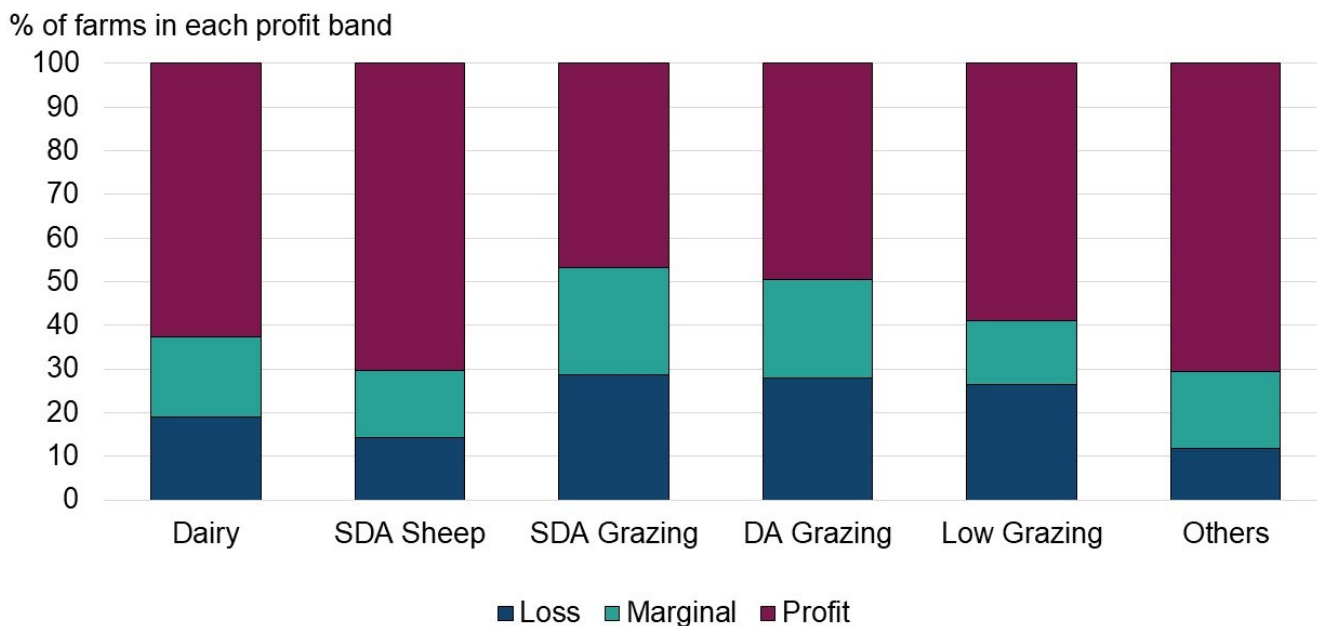
Dairy farms have the highest percentage of farms in the Profit band where 90% are making at least £10 profit per £100 costs and just 10% are either making a loss or marginal profit.

Whereas 30% of DA Grazing farms are making a loss and just 62% are making at least £10 profit per £100 costs. Other farms also hold a high percentage of profitable farms where 89% are making at least £10 profit per £100 costs and 11% are either making a loss or marginal profit.

57% of SDA Grazing farms are in the profitable category whilst 25% are making a loss and 18% are marginal. Low Grazing is somewhat comparable where 63% of farms fall into the profitable category, 24% of farms fall into the loss-making category and 14% make a marginal profit.

It should be noted that Figure. 13a looks at the latest year data at the time of this publication which is the 2022-23 financial year, and this was a particularly profitable year for Dairy farms. Figure 13b. below looks at an earlier and less profitable year for farms, the 2018-19 financial year.

Figure 11b. Share of farms by relative profit band by farm type, 2018-19



Description of Figure 11b: A stacked column chart showing the proportion of farms in Wales making a loss, a marginal profit, or a profit for 2018-19 split out by farm type.

Other farms have the highest percentage of farms in the Profit band where 71% are making at least £10 profit per £100 costs. This was closely followed by SDA Sheep farms at 70% and Dairy farms at 69% making at least £10 profit per £100 costs. Dairy farms also had a higher proportion of farms making a loss at 19%, whereas SDA Sheep farms reported only 14% making a loss and Other farms 12%.

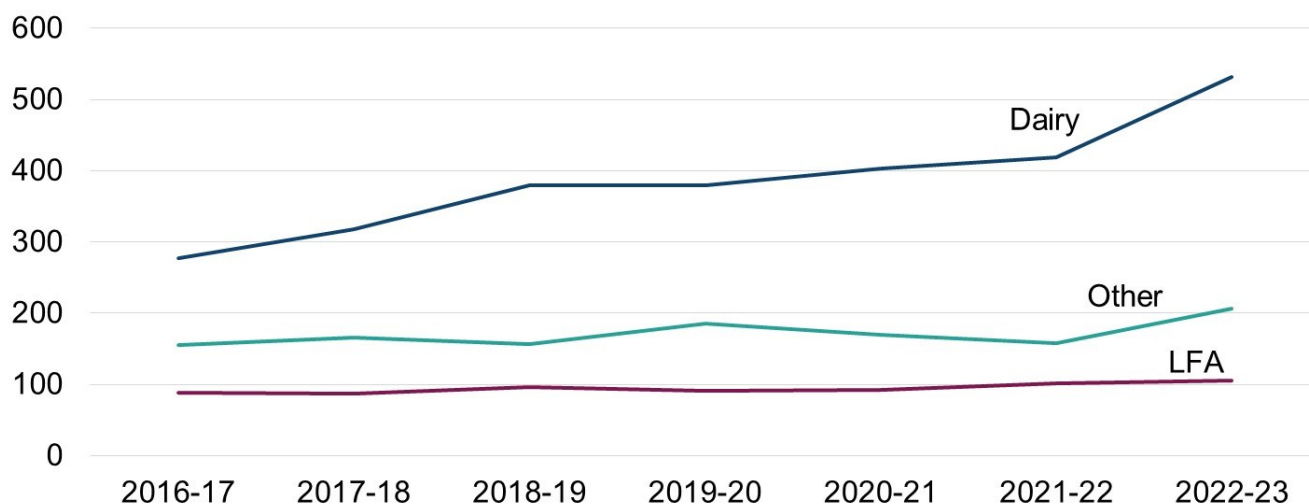
Less than half (47%) of SDA Grazing farms are in the profitable category whilst 29% are making a loss and 24% are marginal. Low Grazing farms report 59% of farms fall into the profitable category, 26% of farms fall into the loss-making category and 15% make a marginal profit.

Long term trends of farm business costs

This section shows trends in the average total costs incurred by each farm type and how this varies over time. A more detailed breakdown of individual cost headings by farm type and year can be accessed on StatsWales.

Figure 12. Average total costs by farm type, 2016-17 to 2022-23

Average farm business costs (£000)

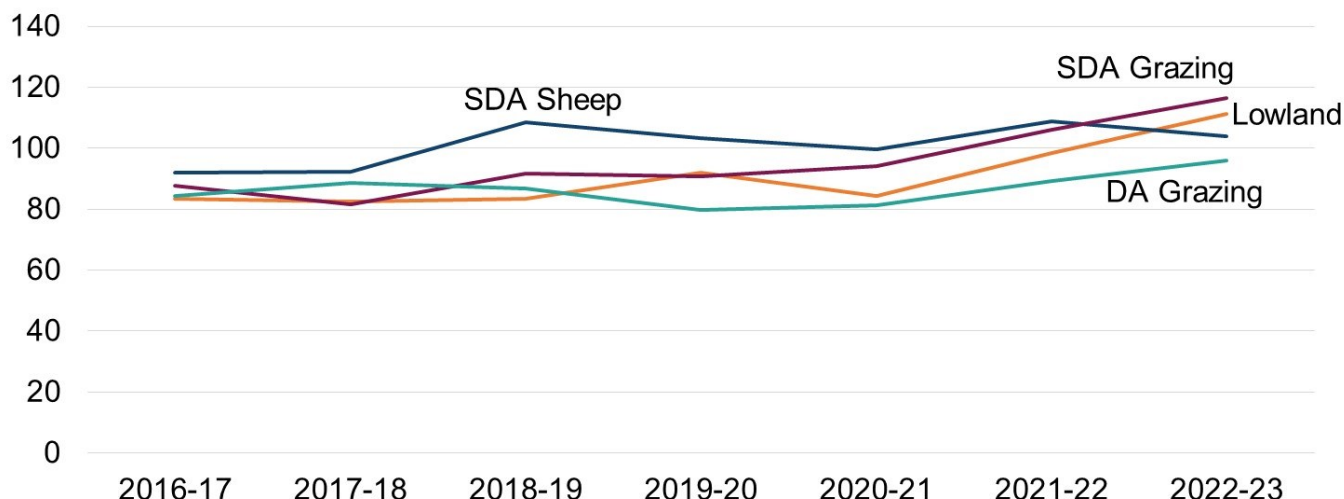


Description of Figure 12: A line chart showing the trend of farm business costs by farm type in Wales for each year between 2016-17 and 2022-23. The trends in total costs for each farm type have remained relatively stable throughout the years with Dairy farms always reporting the highest costs.

In recent years, both Dairy and Other farms have reported more considerable increases in costs, with Dairy farms reporting a 27% increase and Other farms reporting a 31% increase in 2022-23. LFA farms have remained the most stable over the time series with just a 4% increase in costs for 2022-23. These increases can be attributed most notably for purchased feed and fodder and fertiliser costs.

Figure 13. Average total costs by LFA farm type, 2016-17 to 2022-23

Average farm business costs (£000)



Description of Figure 13: A line chart showing the trend of farm business costs by LFA and lowland farm types in Wales for each year between 2016-17 and 2022-23. The trends in total costs for each farm type have varied throughout the years with different farm types reporting the highest and lowest costs in different years.

Costs have increased most notably in 2022-23, where all LFA and lowland farm types reported an increase in overall costs except for SDA Sheep farms where a decrease of 5% in overall costs was reported.

Lowland farms reported the highest increase in costs at 13% for 2022-23, this was followed by SDA Grazing and DA Grazing at 10% and 7% increases respectively.

The decrease in costs for SDA Sheep farms and subsequent large increase in costs for Dairy farms for 2022-23 is likely to have partially attributed to the similarities in relative profit estimates for Dairy and SDA Sheep for this year.

It should be noted that a further split of cost headings was attempted but there was no single cost heading that was dominant for each farm type over the timeseries and fluctuated depending on the year shown. Further analysis of the costs incurred by farms including specific cost headings by farm type and year can be seen on the [average farm business costs in Wales by farm type on StatsWales](#).

Conclusion

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 with farm-level factors influencing variations in production and costs.

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.

External factors such as weather conditions, rises in the cost of living and pandemic will have also had an impact on farm businesses. However, the severity of this impact will vary between farms.

Whilst this article has sought to summarise the various complications and variation within farm finance measures derived from the FBS, it is not definitive.

It is possible to do further analyses including but not limited to:

- Cash profit rather than FBI
- Productivity rather than profit
- Regional distributions (will be limited by sample numbers)

We are interested in hearing from you regarding this analysis and would welcome feedback and suggestions for future analysis. Please email stats.agric@gov.wales to discuss further.

Useful links

- More detailed statistics or other statistics about agriculture in Wales can be found below on the Welsh Government [farming statistics pages](#).
- [DEFRA publish technical information, notes and guidance for the Farm Business Survey for both England and Wales](#).
- 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](#).
- [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.

Notes on the use of statistical articles

Statistical articles generally relate to one-off analyses for which there are no updates planned, at least in the short-term, and serve to make such analyses available to a wider audience than might otherwise be the case. They are mainly used to publish analyses that are exploratory in some way, for example:

- introducing a new experimental series of data
- a partial analysis of an issue which provides a useful starting point for further research but that nevertheless is a useful analysis in its own right
- drawing attention to research undertaken by other organisations, either commissioned by the Welsh Government or otherwise, where it is useful to highlight the conclusions, or to build further upon the research
- an analysis where the results may not be of as high quality as those in our routine statistical releases and bulletins, but where meaningful conclusions can still be drawn from the results.

Where quality is an issue, this may arise in one or more of the following ways:

- being unable to accurately specify the timeframe used (as can be the case when using an administrative source)
- the quality of the data source or data used
- other specified reasons.

However, the level of quality will be such that it does not significantly impact upon the conclusions. For example, the exact timeframe may not be central to the conclusions that can be drawn, or it is the order of magnitude of the results, rather than the exact results, that are of interest to the audience.

The analysis presented does not constitute a National Statistic, but may be based on National Statistics outputs and will nevertheless have been subject to careful consideration and detailed checking before publication. An assessment of the strengths and weaknesses in the analysis will be included in the article, for example comparisons with other sources, along with guidance on how the analysis might be used, and a description of the methodology applied.

Articles are subject to the release practices as defined by the release practices protocol, and so, for example, are published on a pre-announced date in the same way as other statistical outputs.

Missing value symbols used in the article follow the standards used in other statistical outputs, as outlined below.

- .. The data item is not available
- . The data item is not applicable

- The data item is not exactly zero, but estimated as zero or less than half the final digit shown
- * The data item is disclosive or not sufficiently robust for publication



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