

Measuring income of farming households: Methodological and practical considerations

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Direct Payments will be phased out in England over the next few years as part of the Agricultural Transition

Defra would like to fully understand the impact of this on farm businesses

Farm Household Income is generally understood to mean the disposable income of a farming household

It includes income from farming and off-farm sources

Off-farm income is an important consideration to understand what farming households are doing to bring in additional income over the Agricultural Transition period



Why collect farm household income data?

Farm Household Income in England: A Brief History

2004/05 – 2014/15

- FBS began collecting farm household income data:
 1. Off-farm income of primary household (to nearest £50)
 2. Percentage of drawings taken by households
 3. Composition of households (number of pensioners, adults and children)
- Annual Farm Household Income statistics published

2015/16 – 2020/21

- Break in data collection
- No statistics published

2021/22 – 2022/23

- Data collection resumed, however:
 - Only banded off-farm income data collected
 - Off-farm income only collected for farmer and spouse of primary household
 - Household composition only collected number of adults and children in primary household
 - Percentage of private drawings not collected in 2022/23

Why reduce the data collection?

Off-farm income data hadn't been collected in the FBS for 8 years

Farmers felt uncertain about providing data to Defra about their off-farm income

Data collection was reduced to limit the burden on the farmers

2021/22

2022/23

2023/24

(ENGLAND VERSION) N HOUSEHOLD INCOME

Household Codes (column 1)		Dwelling Codes (column 2)	
First household (principal farmer)	1	First dwelling	1
Remainder sequential	2	Second dwelling	2
		Third dwelling	3
		Fourth dwelling	4
		Fifth and subsequent dwellings	5
Status of Household Codes (column 3)		Other Household Income Codes (column 8)	
Farmer / farmer and spouse	1	<i>For negative income, the corresponding negative code apply</i>	
Unpaid partner other than farmer	2	Zero	1
Unpaid director or manager other than farmer	3	£1 to below £1,000	2
Combination of farmer / farmer and spouse with one or more unpaid partners, unpaid directors or unpaid managers in the farm household	4	£1,000 to below £2,500	3
Other	5	£2,500 to below £5,000	4
		£5,000 to below £7,500	5
		£7,500 to below £10,000	6
		£10,000 to below £15,000	7
		£15,000 to below £20,000	8
		£20,000 to below £25,000	9
		£25,000 to below £30,000	10
		£30,000 to below £40,000	11
		£40,000 to below £50,000	12
		£50,000 to below £60,000	13
		£60,000 to below £80,000	14
		£80,000 to below £100,000	15
		£100,000 to below £150,000	16
		£150,000 to below £200,000	17
		£200,000 or more	18

(ENGLAND VERSION) N HOUSEHOLD INCOME

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		£15,000 to below £20,000	8
		£20,000 to below £25,000	9
		£25,000 to below £30,000	10
		£30,000 to below £40,000	11
		£40,000 to below £50,000	12
		£50,000 to below £75,000	13
		£75,000 to below £100,000	14
		£100,000 to below £150,000	15
		£150,000 to below £200,000	16
		£200,000 or more	17
Structure Codes for Farmer / Spouse (columns 10 and 11)			
None	0		
Below state pension age	21		
Of state pension age	22		

N HOUSEHOLD INCOME

N.B. Income generated from farm resources should be recorded in Section I

Missing Data and Respondent Codes		Income Range Codes	
Completed Section N return for adults in the household (where adults are either both the farmer and spouse, or only the farmer if no spouse)	1	Zero	1
Farm not approached because not a family farm (out of scope for module)	2	£1 to below £1,000	2
Farm not approached - reasons include : a. farmer not available to answer module questions b. not enough time to ask the module questions c. respondent cannot talk freely about this topic (e.g. in a room with other people) d. RO's previous experience of working with the farmer	3	£1,000 to below £15,000	3
Farm approached but refused	4	£15,000 to below £20,000	4
Completed Section N for farmer, spouse refused	6	£20,000 to below £25,000	5
Completed Section N for farmer, spouse refused	4	£25,000 to below £30,000	6
Completed Section N for farmer, spouse refused	6	£30,000 to below £40,000	7
Completed Section N for farmer, spouse refused	6	£40,000 to below £50,000	8
Completed Section N for farmer, spouse refused	6	£50,000 to below £75,000	9
Completed Section N for farmer, spouse refused	6	£75,000 to below £100,000	10
Completed Section N for farmer, spouse refused	6	£100,000 to below £150,000	11
Completed Section N for farmer, spouse refused	6	£150,000 to below £200,000	12
Completed Section N for farmer, spouse refused	6	£200,000 or more	13
Completed Section N for farmer, spouse refused	6	£200,000 or more	14
Completed Section N for farmer, spouse refused	6	£200,000 or more	15
Completed Section N for farmer, spouse refused	6	£200,000 or more	16
Completed Section N for farmer, spouse refused	6	£200,000 or more	17
Completed Section N for farmer, spouse refused	6	£200,000 or more	18

For negative income, the corresponding negative codes apply

K FULLY INDEPENDENT ACTIVITIES OF FARMERS AND SPOUSE

Sources of Other household income Code (column 15)		N.B. Income generated from farm resources should be recorded in Section I	
At least 50% of income from working on this farm	1	Missing Data Codes (Wales only)	
At least 50% of income from working on another farm	2	No data missing	0
At least 50% of income from working in an occupation or for a business with strong links to local farming (eg. machine hire, machinery dealer) on another farm	3	Presence of off-farm income, but data refused by co-operator	7
At least 50% of income from working in any other occupation or for a business with strong links to local farming (eg. machine hire, machinery dealer) on another farm	4	Data refused by co-operator	7
At least 50% of other household income from investments	5	Data otherwise unavailable for farmer and spouse	8
At least 50% of other household income from social and pension payments	6	Data otherwise unavailable for farmer or spouse	9
Less than 50% of other household income from any NI	7		

Household Code	Dwelling Code	Status of Household Code
1	2	3

Missing Data and Respondent Codes (England only)		Income Range Codes	
Completed Section N return for farmer and spouse	1	Zero	1
Farm not approached because not suitable for module (out of scope)	2	£1 to below £1,000	2
Farm not approached - not selected for other reason	3	£1,000 to below £2,500	3
Farm approached but refused	4	£2,500 to below £5,000	4
Completed Section K return for farmer only	6	£5,000 to below £7,500	5
		£7,500 to below £10,000	6
		£10,000 to below £15,000	7
		£15,000 to below £20,000	8
		£20,000 to below £25,000	9
		£25,000 to below £30,000	10
		£30,000 to below £40,000	11
		£40,000 to below £50,000	12
		£50,000 to below £75,000	13
		£75,000 to below £100,000	14
		£100,000 to below £150,000 (England only)	15
		£150,000 to below £200,000 (England only)	16
		£200,000 or more (England only)	17
		£200,000 or more (Wales only)	18
		£200,000 or more	19

For negative income, the corresponding negative code apply

Missing Data Codes	
1. Completed Section N return for farmer and spouse	03
2. Completed Section N return for farmer only, spouse refused	04
3. Completed section 16 only (not suitable for code)	05
4. Farm not approached because not suitable for module	06
5. Farm not approached - not selected for other reason	07
6. Farm approached but refused	08

Item Code	Missing Data Code	Farmer	Spouse	Farmer and Spouse
Hours worked annually	03			
Employment	04			
Self-employment	+ or - 05			
Investments	+ or - 06			
Pensions	07			
Social payments	+ or - 08			
Other income n.e.s.	+ or - 09			
Net income from green energy technologies	11			
Total (lines 04 to 09 plus 11)	+ or - 10			

For later research use only

Respondent	Item Code	1
	300	

Sources of Other household income Code (column 15)		How refused in your household an off-farm income to supplement your farm income? (Only complete where information for columns 8 & 15 is not available (column 14))	
At least 50% of income from working on this farm	1	Off farm income is my main source of income, farm income is supplementary income and is not needed to cover living expenses	1
At least 50% of income from working on another farm	2	Off farm income is as important as farm income, both are needed to cover living expenses	2
At least 50% of income from working in an occupation or for a business with strong links to local farming (eg. machine hire, machinery dealer) on another farm	3	Farm income is my main source of income to cover living expenses, off farm income is supplementary	3
At least 50% of income from working in any other occupation or for a business with strong links to local farming (eg. machine hire, machinery dealer) on another farm	4		
At least 50% of other household income from investments	5		
At least 50% of other household income from social and state pension payments	6		
Less than 50% of other household income from any other single NI	7		
	8		

Household Code	Dwelling Code	Status of Household Code	Structure of Household						Drawings as Proportion of Total Drawings at FAS 24.G.73 (rounded to nearest %)	Other Household Income Code	Sources of Other Household Income Code	Households Refused as off-farm Income
			CODE for Farmer & Spouse Column 10 & 11		NUMBER of Persons Column 12, 13 and 14							
			Code for Farmer	Code for Spouse (even if not doing farm work)	Below State Pension Age	Of State Pension Age	Children	Other				
1	2	3	10	11	12	13	14	7	8	15	16	

Missing Data Codes

1. Completed Section N return for farmer and spouse	12
2. Completed Section N return for farmer only, spouse refused	13
3. Completed section 16 only (Information for columns 8 & 15 not available)	14
4. Farm not approached because not suitable for module (out of scope)	15
5. Farm not approached - not selected for other reason	16
6. Farm approached but refused	17

Missing Data Codes	Item Code	1
	300	

Item Code	Missing Data Code	Farmer and Spouse		
		Farmer 1	Spouse 2	Farmer and Spouse 3
Hours worked annually	03			
Employment	04			
Self-employment	+ or - 05			
Investments	+ or - 06			
Pensions	07			
Social payments	+ or - 08			
Other income n.e.s.	+ or - 09			
Net income from green energy technologies	11			
Total (lines 04 to 09 plus 11)	+ or - 10			

Item Code	Missing Data Code	Adults in Household d	Children aged 14-17 in Household 5	Children aged 0-13 in Household 6	Drawings as Proportion of Total Drawings at FAS 24.G.73 (rounded)
Primary household	12				7

For later research use only

Respondent	Item Code	1
	300	

2023/24 Survey (currently being collected)

- Combined household (N) and off-farm (K) income sections
 - Off-farm income part collects:
 - Hours worked off-farm for farmer and spouse (separately)
 - Banded off-farm income earned by farmer and spouse (combined)
 - Off-farm income is also broken down by type of income:
 - Employment, self-employment, investments, pensions, social payments, green energy, other
 - Household part collects, for the primary household:
 - Household composition (number of adults, number of children 14-17, number of children 0-13)
 - Percentage of private drawings taken by the household
 - Ensuring data is only collected for family farms
-

A farm which is managed and operated by an individual or a family (a group of people related by blood, adoption or marriage)

At least one member of the family works on the farm full-time, except in the case of spare- or part-time farms

The individual/family's finances are heavily influenced by the farm's economic performance, and they will usually define themselves as farmers and/or take part in farming culture

This would exclude farms run by a board of directors



How do we define a 'family farm'?

FBI or drawings?

Most measures of Farm Household Income use farm income as the personal income from the farm
But does this approach make sense?

Private drawings

- Amount taken for:
 - personal taxes
 - corporation tax
 - private insurance premiums
 - national insurance for farmer and spouse
 - living expenses
- Personal share of expenses shared with business (e.g. fuel) is estimated from bank statements / talking with farmer

Farm Business Income (FBI)

- Essentially, the net profit of the farm (farm outputs minus farm costs)
- Doesn't include drawings as a cost
- Uses depreciation of machinery to account for reinvestment (but not improvement)
- If positive, most must be set aside for future reinvestment in the farm
- Can be negative

Case studies

A sole trading dairy farmer who has had a profitable year and takes drawings

£200k output from agriculture and subsidies

£135k spent on feed, machinery, fertilisers, etc.
(excludes imputed labour and rent)



FBI Farm Household Income	£65k
Drawings Farm Household Income	£12k

Farmer usually takes more in drawings

But has been saving for a new and improved milk parlour

A tenant cereal farmer who has made a loss this year – takes drawings from the farm and wife is a teacher

£110k output from agriculture and subsidies

£160k spent on feed, machinery, fertilisers, etc.

£35k from wife's salary



FBI Farm Household Income	-£15k
Drawings Farm Household Income	£43k

The farmer has money saved in the farm from previous years

So was able to take £8k of drawings

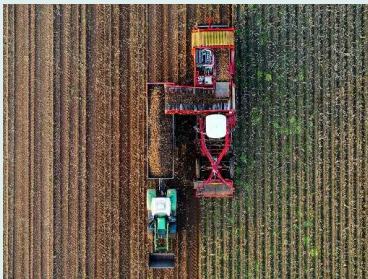
Case studies

A sole trading potato farmer, takes drawings, daughter works part-time

£140k output from agriculture and subsidies

£90k spent on feed, machinery, fertilisers, etc.

£5k wages paid from farm to daughter



FBI Farm Household Income	£55k
Drawings Farm Household Income	£27k

Farm is in a flood-prone area – so makes major losses some years

Farmer always saves money in profitable years to cover for future loss years

Two hill farmers in a partnership – principal farmer takes two thirds of the drawings and owns a rental property

£121k output from agriculture and subsidies

£100k spent on feed, machinery, fertilisers, etc.

£20k rental income

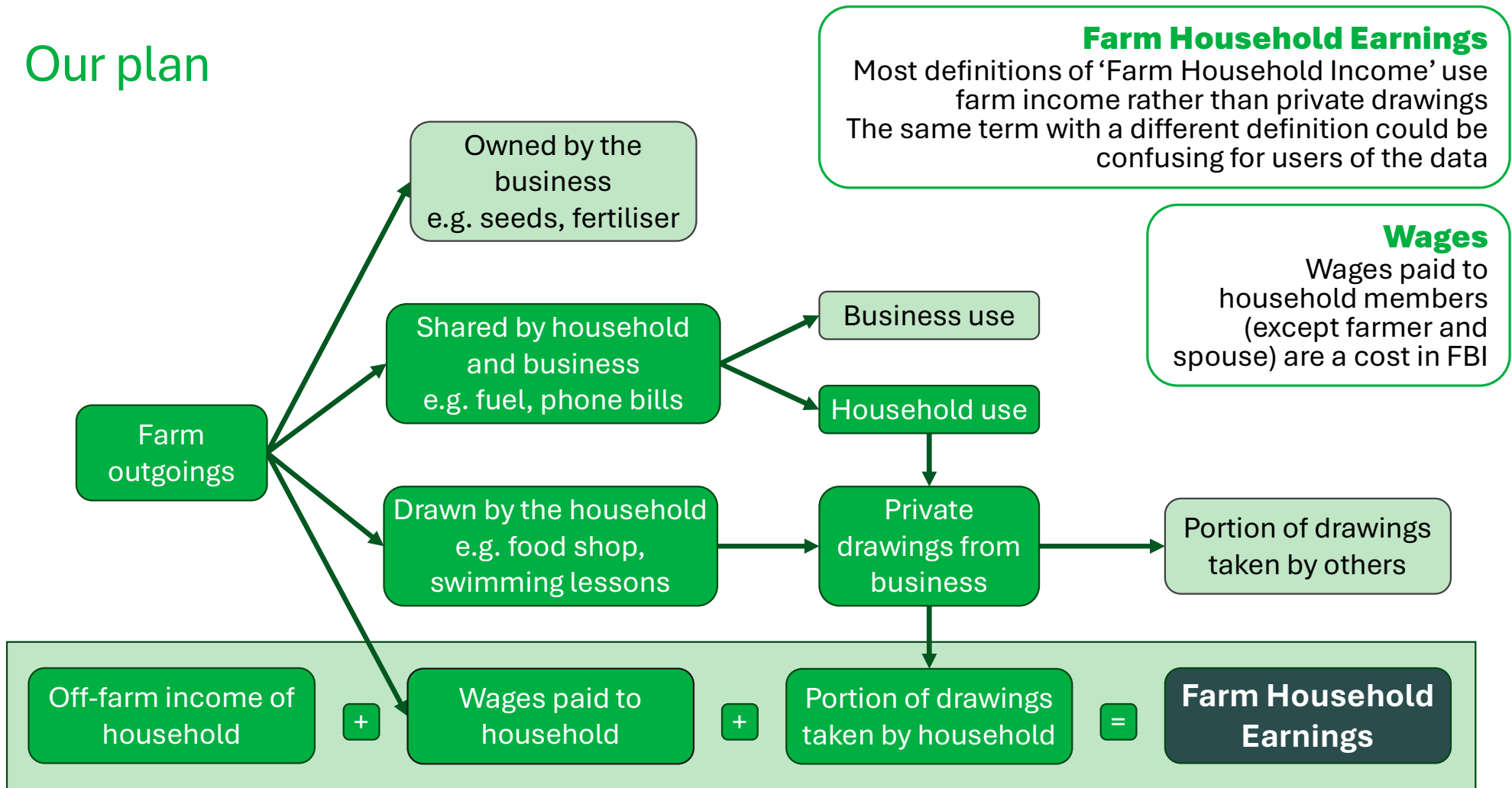
FBI Farm Household Income	£34k
Drawings Farm Household Income	£32k



The measures are similar for this farm

The principal farmer needed to draw almost her full share of the FBI to cover this year's private expenses (e.g. mortgage on rental property)

Our plan





Thanks for listening
Any questions?