

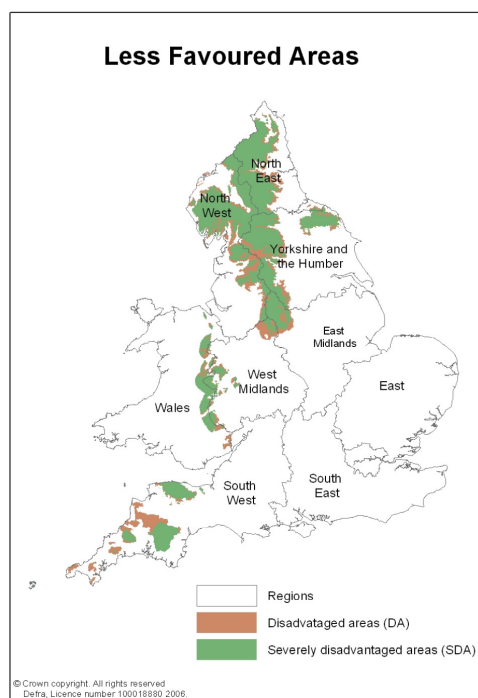
## Briefing 1072

# Hill farming

Less Favoured Areas (LFAs) England make up 17% of the total farmed area of England. The average LFA farm is 137ha, half owned and half rented and run by a 55 year old farmer with 33 beef cows and 308 ewes. His net income including Single Farm Payment, any diversification income and putting a charge on his family's labour left him a loss of £3354 in 2008/2009. This was an improvement on the previous year when he lost £9,958

This paper is summarised from Hill Farming in England, 2008/2009, taken from the Farm Business Survey and prepared by David Harvey and Charles Scott. The report can be accessed at: <http://www.ruralbusinessresearch.co.uk/>

The Less Favoured Areas (LFAs) England make up 17% of the total farmed area of England. This total is made up of Severely Disadvantaged Areas (SDAs) (67%) and Disadvantaged Areas (DA) (33%). The Moorland designation of semi-natural vegetation covers 42% of the LFA area. These are areas where farming is more difficult because of poor climate, soils and terrain leading to lower yields and higher production and transportation costs.



30% of beef cows and 44% of breeding sheep are in the LFA.

Farming plays a crucial role in maintaining the distinctive landscape of such areas.

The average LFA Grazing Livestock farm has 137 ha and is part owned (67 ha) and part rented (70 ha), and most of the farm (79 ha) is in permanent grass. The average LFA farmer is 55 years old, has 30 beef cows and 308 upland breeding ewes. Cattle and Sheep youngstock and fatstock make up the total to 83 cattle and 606 sheep on the farm. The average LFA Grazing Livestock farm earns 59% of its total

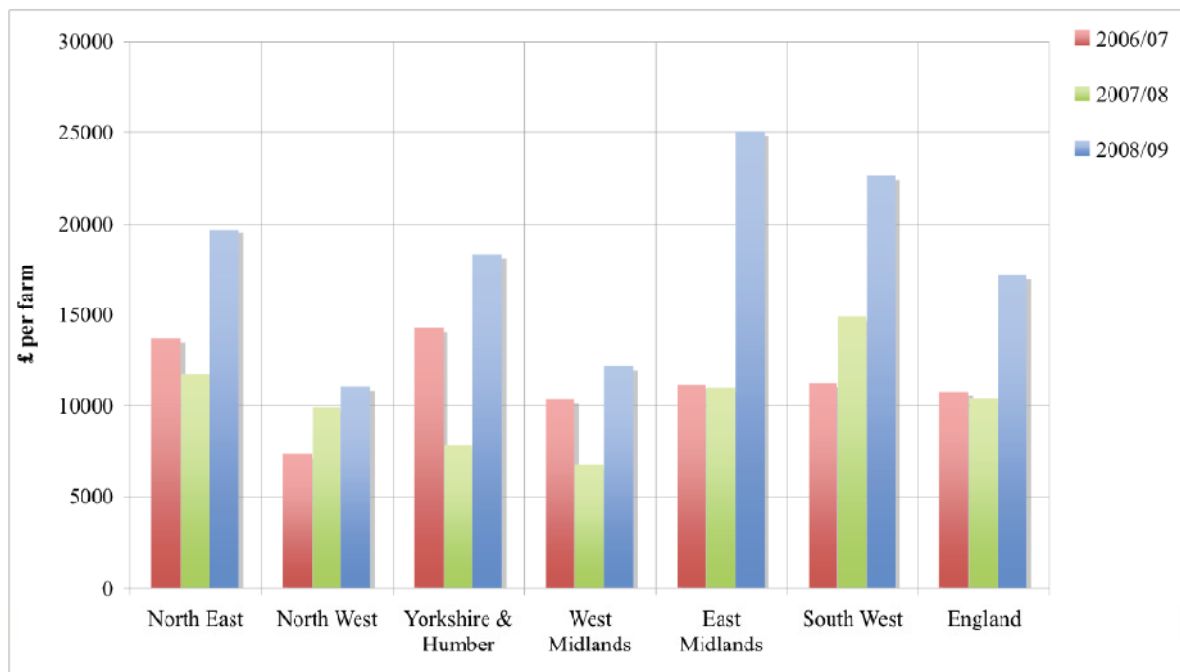
revenue (output) from farming activities with 24% coming from the Single Farm Payment, and 13% from specific agri-environment payments.

The average LFA farm made an £8,347 Agricultural Business Income loss (before unpaid labour) in 2008/9. This is a 51% reduction in the loss from the previous year (of -£17,134). Revenues earned from the single farm payments, agri-environment schemes and diversification more than offset the losses of the traditional farming enterprises to generate a Farm Business Income of £17,137 in 2008/9, a 65% increase on the previous year.

Nevertheless, this income is not sufficient to cover the opportunity costs of the unpaid labour (provided mainly by the farmer and family) estimated at £20,491 per farm. As a result, Farm Corporate Income shows a loss of £3,354 per farm (a 66% improvement on the £9,958 loss in the previous year). Adjusting for the net interest payments made by the farm, Farm Investment Income (which represents the return on risk and entrepreneurship on all capital invested in the farm business whether borrowed or not) is -£1,387.

LFA farms depend to a substantial extent on public payments (Single Payment Scheme, Hill Farm Allowance, and Agri-environmental payments) together accounting for 37% of their revenues. Although there is substantial variation, most of these farms could not survive in their present form as commercial businesses without the public payments.

**Figure 2 LFA Farm Business Income per farm, by region (2006/7 to 2008/9)**



Alan Spedding, July 5, 2010

RuSource briefings provide concise information on current farming and rural issues for rural professionals. They are circulated weekly by email and produced by Alan Spedding in association with the Arthur Rank Centre, the national focus for the rural church. Previous briefings can be accessed on the Arthur Rank Centre website at [http://www.arthurrankcentre.org.uk/projects/rusource\\_briefings/index.html](http://www.arthurrankcentre.org.uk/projects/rusource_briefings/index.html)

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