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Financing The Farm Business

by

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FINANCING THE FARM BUSINESS

A study based on financial and physical records of 72 farms in South West England for the ten-year period, 1949/50 to 1958/59

by

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PREFACE

The circumstances which condition man's actions and thereby the political, social, financial and economic arrangements into which society must from time to time enter to ensure that a particular section of men, e.g. farmers, makes its maximum contribution to national well-being, need to be fully understood if such arrangements are to be the best possible. Agricultural economists among others are charged with a study of these circumstances which, to say the least, are extremely complex in every respect. It is not surprising that more attention has been paid to some of the circumstances than to others.

It may, however, be surprising to have to admit that so little attention has possibly been paid to the farmer himself, to some of the circumstances of his life and of agricultural organisations which condition his actions, in other words, the farmer in business. To quote A. W. Ashby, "It appears probable, to say the least, that somewhat different mental attitudes arise in finance or commerce from those which arise in industries, i.e. material production. Aptitudes, preferences, appreciations of the short and the long-run, vary between these fields". This general observation would apply equally, if not more so, to those engaged in the business of farming. In particular, in agriculture, very little study has been given to the mode or rate of saving farming capital. General studies have established the broad position, the importance of inheritance, gift and marriage on the one hand as a source of farming capital and of savings out of income by each generation of farmers, on the other hand. Thus, between the two world wars it was estimated, as far as the United Kingdom is concerned, that the former means accounted for about two-thirds of farming capital (excluding real property) and savings for one-third.

The demands made on the industry over the past twenty years during which the output of farms has doubled, the rapidity with which this was brought about and the high costs which resulted, the current need for some drastic rationalisation in order to preserve farmers' living standards and at the same time reduce the very considerable load of public financial support, have all combined to focus attention on the very important subject of farming finance. All kinds of special provisions to augment the capital needs of the industry have been devised and put into practice. Had more been known about the subject there is little doubt but that some improvements in these arrangements and in advice given to farmers by those charged with these tasks would have been possible. The main claim for this study is that it represents a pioneering venture into a new and largely unexplored field of the general subject of agricultural economics. Allowing for any shortcomings in approach, in content and handling of the material and the conclusions drawn, the main purpose in presenting this study, apart from the fact that it does add to the very limited knowledge now available in this field, is the hope that it will stimulate others to develop further studies, but particularly to apply critical minds to the methodology of the subject.

This study would not have been possible but for the foresight of my predecessor, the late R. Henderson, who, despite some discouragement, persisted in the belief that the farm trading account was of only limited value if not accompanied by an annual statement of the capital position. This Department, alone among the centres of the Provincial Agricultural Economics Service, has based its recording effort over the whole period of its thirty-four years of existence on farm financial accounts, a high proportion of which have been audited annually and for the past fifteen years, at least, have been accompanied by the balance sheet which, while a source of mystery to most farmers, contains a mine of information for the student of farm finance.

In the next place it owes much of its being to one who devoted the greater part of his very fruitful life to unravelling the mysteries of man in society, Professor Ashby, friend, teacher, adviser, inspiration and example to a generation of students who gratefully remember him. For him, agricultural economics was never an academic subject. " The functions of agricultural economists consist," he claimed, " of recording continuing and changing economic experiences in and concerning agriculture, and of interpreting these experiences in relation to both private and social economics." And again, " In my work in agricultural economics it has always seemed to me that the philosophy of economic science with which we are provided in the general studies of method in economics, and in general statements of the aims of economic science, is quite inadequate for our purposes. Agricultural economics is an applied science, that is, it is a methodical pursuit of knowledge of economic processes and organisations in agriculture and of their results for the purpose of stabilising, adapting and modifying them ; and, if and when necessary, of changing their results ". His interest in this study was in keeping with this philosophy. In his Presidential Address to the Agricultural Economics Society in 1952, on the subject of " The Farmer in Business ", use was made of some data produced for a pilot run of this study.

Finally, this study would not have been possible without the efforts of all those members of staff, in particular G. D. D. Davies, and former members of staff who, over a number of years, laboured to collect and examine the tremendous volume of data on which the report is based. In addition to the three authors, whose names appear on the title page of this work, I would like to mention Mrs. N. Luxton, who contributed to the pilot study, and C. H. Craig who has assisted with the vast amount of tabulating and computing work. However, by far the major contribution to this report has been made by my colleague and co-author, R. C. Rickard, who has been responsible for much of the analysis and writing, under the general direction of H. W. B. Luxton and myself.

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INTRODUCTION

Whenever the subject of agricultural finance is discussed, it is not long before two apparently contradictory views emerge. On the one hand we are told that the British farmer is conservative to the core and will, as a rule, borrow only with regret and with the intention of discharging that debt at the earliest possible opportunity. On the other hand it is often argued that what our farmers need is more credit, that the existing facilities do not meet the needs of present-day farming. Some exponents of this view go even further and press not only for more credit but also that it should be granted at a rate cheaper than that prevailing in the money market. The question might well be asked—is it possible to reconcile the fact that farmers are reluctant to borrow with the urgent demands for more and cheaper credit ? Or is it simply that a dissatisfied minority is being particularly vociferous in crying for more credit while the majority of farmers are passively satisfied with what facilities are available ?

There is, of course, no paradox in this situation. Reluctance to borrow and shortage of credit both reflect the far-reaching changes which have taken place in our agriculture in the years since the end of the Second World War. There are many men farming today who learned their business in the hard school of the thirties. During the inter-war period agriculture suffered heavily and, even when industry began its slow recovery from the slump of the early thirties, agriculture remained depressed. Against such a background it is hardly surprising that an attitude of distrust became inbred in the farming community to whom spending and especially borrowing became unwarrantable risks. Even today one cannot journey very far in farming areas without meeting many farmers with whom such ideas die hard. They are reluctant to use credit of any kind and when they are operating on borrowed capital their main ambition is to free themselves from the burden of debt.

However much one may admire the rugged individualism which prompts such views, to maintain them at the present time is to ignore the developments which have taken place in agriculture during the post-war period. Gone are the days when the capital requirements in farming could be sustained from the three traditional sources—patrimony, parsimony and matrimony. These by themselves are rarely sufficient to maintain, let alone increase, the economic efficiency of our agriculture.

What are the changes which have so greatly affected the financial structure of farming ? An important factor contributing to increased capital requirements has been the drive for social progress in agriculture: a desire on the part of farmers to achieve standards of living which roughly compare with the rising trend of incomes outside agriculture. The main burden of sustaining the increased income requirement has fallen on the expansion of the capital employed on the farm. In its turn, a large farm capital necessitates an ability to accumulate and manage it effectively under the difficult circumstances presented in farming. This further entails incomes which compare favourably with alternative opportunities for the managerial qualifications demanded. The large investment requirements, with their elements of greater capital risk, have in themselves required the setting up of larger reserves in the form of liquid funds to safeguard against risk and uncertainty. Incidentally, the need for these additional resources suggests that estimates frequently made of the capital requirements for farming operations err far too much on the conservative side, and that any farmer using such estimates could well find himself in serious difficulties should conditions turn out to be less favourable than was originally thought.

Not only has total farm investment increased in magnitude but it has also undergone significant changes in form. The dominant aspect has undoubtedly been the growth of non-real estate capital on the farm. Much of the change in this respect can be attributed to the increase in mechanised power whereby the outlay on machinery and equipment has exceeded the investment in such permanent improvements as the expansion and modernisation of farm buildings and land improvement. It also shows up prominently in the greater dependence on such production inputs as fuel and equipment which have taken the place of farm-based power.

The rapid growth of mechanised power has not only increased the capital requirements of the industry but has also had a marked effect on the process and character of capital saving. Mechanisation has meant that a greater proportion of tenants' capital is a wasting asset with a high rate of depreciation and also substantial maintenance and repair costs. As with all machinery, improved and more costly models are continually being produced and provisions for depreciation are usually insufficient to finance their renewal. This applies quite apart from inflation, the effect of which has been to render the rates of depreciation based on historic rather than replacement costs quite inadequate.

Less prominent but nevertheless significant in the changing pattern of farm investment has been the increased interdependence of the various capital elements. Formerly, control of a unit of land gave fair claim to effective establishment in farming. The necessary complement of working capital, in its more limited amount and less critical relation, could generally be garnered by some means or other in the process of establishment. Nowadays one demands the other and, of the two, an effective complement of working capital has become the more crucial requirement. Access to land only furnishes the inroad to a farming career. Survival and progress depend upon sufficient auxiliary capital to ensure compatible efficiency of operation.

This general broadening and greater diversification of farm investment should not, however, obscure the fact that land with its fixed equipment remains, and is likely to remain, the most important single item of farm capital. The decline in the landlord-tenant system and the consequent increase in owner-occupation has raised the capital requirements of farmers. Until recently the Agriculture Act of 1947 prompted many landlords to sell farms as they became vacant, thereby avoiding the difficulties over such matters as raising rent or terminating a tenancy. The necessity for farm purchase has affected would-be farmers most severely owing to the higher prices that have had to be paid for farms with vacant possession, but tenant farmers have also been affected by the need to purchase their farms when a landlord has decided to sell his estate.

These changes in capital structure have altered the basis of entry into farming. Gone, in essence, is the former wage-saving process whereby young men could combine accumulation of experience and money-saving in farm employment as an effective means of getting started in farming. In place of the wage-earning entry, there has been some development in working partnerships between younger and more experienced men. In such cases capital arrangements are made involving the leasing and sharing of working capital wherein additional commitments and risks are accepted on the chance of obtaining above-average incomes.

The general change in the basis of access to farming has also been effected by the growing incursion of commercial investment from outside the industry. Its diverse forms of activity include the highly-specialised and developed hobby farms, the operations of individual investors seeking capital gains and tax benefits (now somewhat restricted), and other advantages of land ownership. The main effect of this urban invasion into farming, whether desirable or not, rests in carrying land values out of the range of the ordinary farmer, especially the young man who wants to get started in farming. This is not to suggest that unsupported farmers have not been able to gain access to farming over the past ten or fifteen years. In this they have been aided by a generally favourable income situation, but even then they have only been able to do so through sheer sacrifice and often extraordinary personal effort. They have, however, done so in greatly reduced numbers which may further decline with the more restrictive farm income situation.

To sum up, these changes in the investment position can be said to have had a marked effect on the capital structure of our farming. For the would-be farmer, the value of land with vacant possession has risen so sharply in recent years as to put owning a farm, for many, out of reach. For both the new and the established farmer, greater and more complex capital needs have put heavier pressure on the funds available to maintain the working efficiency of the farm. Greater reliance on depreciable elements of capital, purchased production inputs and larger claims of minimum family support have established high fixed cost ratios and have made larger reserves necessary as buffers against risk and uncertainty.

It is when we try to evaluate the above trends in money terms that the task becomes difficult. For all the advances in other spheres of agricultural economics we still have only a limited knowledge of the amount and distribution of capital employed in our agriculture. Still less can we make valid judgements of capital requirements. We have national estimates of livestock, machinery and vehicles and the value of growing crops—so-called tenants' capital. There are also some less precise estimates of the value of landlords' capital—land and fixed equipment. Figures are available showing the monthly advances made by the banks to agriculture and fishing generally, which include advances made to agricultural merchants and livestock dealers. Precise information is published periodically relating to the loans outstanding to farmers and landowners from the Agriculture Mortgage Corporation, the Lands Improvement Company and other institutional lenders. Finally, some very rough estimates, which in reality are little more than informed guesses, are in circulation concerning the volume of private lending to farmers and the amounts outstanding from agricultural merchants, livestock dealers and others.

Such figures as are available, however, are subject to criticism on three main grounds. First, even accepting the validity of the estimates which have been made, one must be fully alive to the difficulty of assembling statistics for an industry so diverse as agriculture. It is probably the most complex industry in the United Kingdom with some 350,000 separate holdings, covering a wide variation of soils and with great differences in climate, all of which are reflected in the multiplicity of the types of farming practised.

In the second place, although figures are available showing the supply of credit to farmers, there is little, if any, precise information of their net position in respect of debtors and creditors. Information on debts owed to farmers is particularly scarce. The only information of this kind seems to be that given by Mr. A. W. Tuke in his address to the Farmers' Club[1] in which he stated that, in February, 1956, "for each £1 that the farmer customers owed my bank (Barclays), my bank owed its customers £1 14s. 8d."

Third, a more serious lack of knowledge concerns the mode and rate of saving of farm capital out of profits. Economic conditions in our agriculture during the past century have been, and largely still are, determined by the fact that the farmer lives at his workplace and is often aided by his wife, sons, daughters and other relatives. As farming is predominantly a family enterprise, expenditure on family living and production automatically compete for shares of the farm budget. Funds for saving and investment are residual after family living expenses and other charges, such as income tax, have been met. It is the seemingly inextricable manner in which personal and business fortunes are mixed which makes it well-nigh impossible to study any aspect of the finances of farmers in isolation. Therefore, it is only by examining the financial position of the farmer himself and by including private as well as business transactions that one can view the problems of agricultural capital and credit in a true light.

With this idea generally in mind, a detailed examination was carried out of the financial records of as large a sample as possible in the South West of England for the ten years from 1949/50 to 1958/59. The study was confined to those farmers, seventy two in all, for whom full-audit accounts had been prepared by this Department for each year. Access was obtained to all financial records, comprising private and business receipts and expenditure. It was possible, therefore, to build up a complete picture of the money received from all sources and to examine the way in which it was spent on current needs, invested on the farm or accumulated in the form of reserves. The study endeavours to show what circumstances induced investment in farm assets and the manner in which it varied from year to year in kind and intensity. And finally, it shows what sources provided the financing of these assets.

REFERENCES

[1] TUKE, A. W. (1956). "Agricultural Finance". Journal of the Farmers' Club.

II

CAPITAL IN THEORY AND PRACTICE

As has been stated earlier, this is a study based on the financial records, including trading accounts and balance sheets, of a sample of 72 farms over a period of ten years. An economic interpretation has been given to information prepared in accordance with conventional accounting procedure. Terms have consequently been used to which are sometimes assigned different meanings by the economist and the accountant who are far from speaking the same language in this field. To avoid any misunderstandings in their use and to reconcile any apparently contradictory meanings, there follows a short discussion of the various terms which are commonly used in the broad sphere of capital and investment, for measurement cannot begin until theoretical problems of definition have been solved.

It is customary in economic theory to group all factors of production under the three broad headings of land, labour and capital. Land includes all kinds of natural resources. Labour includes all types of labour from the chairman of directors to the labourer. The capital of a community comprises all its physical assets or possessions measured at a given moment of time. It is a stock, an inventory, a fund, in contrast to output or income which is a flow over time—so much per week, per month or per year.

The classification of land, labour and capital is, however, a technological rather than an economic one. However widely these factors may differ from one another, the differences are mainly of origin and physical nature. Economically they differ in degree rather than in kind, and for that reason the old classification has been subjected to criticism in recent years.

In the first place it is objected that none of these factors are homogeneous quantities. Each is capable of sub-division and, to a considerable extent, one may replace the other. Even within each category there are numerous grades of land, labour and capital. It would be more accurate, therefore, to speak of an infinite number of factors rather than the three broad categories.

Perhaps even more important is the criticism directed against the traditional distinction between land and capital which has occupied so prominent a place in economic theory since the days of Ricardo. The basis for the distinction lies in what are regarded as fundamental differences in the origin and supply of land and other forms of durable producers' goods. Land was placed in a separate category on the grounds that, being a gift of nature, its supply was fixed or inelastic. Capital, on the other hand, was considered due to human productive effort. It was a fact of observation that its supply could be easily expanded or contracted. Thus a clear line was drawn between durable producers' goods that are themselves products of economic effort and responsive to economic decisions, and those provided by nature whose supply is essentially fixed.

More recent economic thinking has tended to dismiss this distinction between land and capital as superficial. It is argued that, although the gross acreage of a country or region cannot be altered, it is still possible to increase its productive acreage by means closely resembling the manner in which buildings and equipment are increased. The value of agricultural land can be raised by the application of money and effort to fertilise, drain, clear or irrigate it, or to bring it closer to urban markets by the building of railways and roads. In short, if the basic criterion is value in use rather than physical dimension, the value of land can be increased by the investment of current labour and capital.

The unqualified inclusion of land within the definition of capital, however, does not seem entirely satisfactory. Wieser[1] divides all productive means into cost productive means (labour and capital) and specific productive means (land). He defines specific productive means as factors of production that are important for one purpose only. Cost productive means, on the other hand, can be used for alternative purposes and, therefore, the question of alternative cost enters into their use.

It is obvious that some factors of production have a more specific character than others. In the newer countries, where land is almost wholly agricultural and where climatic conditions confine its use mainly to a particular crop, it is highly specific in its use. But in a developed country land has become less specific, at any rate in the long run. In England, for example, much land is competed for by alternative uses except in the short period, so that the difference between land and capital becomes one of degree rather than kind.

TYPES OF CAPITAL

For the sake of convenience, capital is often classified in various ways according to its uses in different forms of business. Some of the terms are purely arbitrary and probably tend to obscure rather than throw light on the inner nature of capital.

Such definitions as producers' and consumers' capital need little explanation since they are in no sense fundamental. Although no clear distinction can be drawn between the two classes, it is sometimes convenient to use them on the understanding that they may be vague. The term lucrative capital is often used to emphasise the somewhat obvious fact that a great deal of capital is held in the form of reserves of purchasing power which usually affords an income to its owner in the form of interest.

The usual classification, however, is that into fixed and circulating, or working, capital. Mill's definition,[2] which is generally accepted by economists, distinguishes circulating capital, " which fulfills the whole of its office in the production in which it is engaged, by a single use ", from fixed capital, " which exists in a durable shape and the return to which is spread over a corresponding duration ". Thus, factories, warehouses and other buildings used in industry and trade, together with plant, machinery and equipment, are referred to as fixed capital. Circulating, or working, capital includes such items as raw materials, fuel, goods in the process of manufacture and stock held by producers and traders.

In general terms, it is true to say that there is no clear-cut line of separation between fixed and circulating capital and that certain forms of capital are difficult to classify with precision. Rather, the concept of capital can best be understood as a whole range of constituents from the more specific, which retain their form over a long period of time, to the less specific, which are being used up in the productive process. Nevertheless, when discussing the capital structure of a particular industry and not the community as a whole, classification of the various kinds of capital according to Mill's definition is not so difficult.

The transfer of capital is effected through the medium of money, which gives command over an almost infinite variety of goods. This fact explains why capital is usually regarded as money, for modern business is so complex that, without the help of money, it would be impossible to collect the essentials of production easily and quickly. The process is made much more efficient by the use of borrowed money, credit, which will be considered later. Monetary capital may be defined as homogeneous free capital on which an equal return may be expected in every alternative use to which it may be put.

THE BUSINESS CONCEPT OF CAPITAL

In an exchange economy, capital is always expressed in monetary form. As Cannan[3] has pointed out, capital in the business world is not conceived as a stock of goods but as sums of money brought together with the object of making further acquisitions. These sums include both cash reserves and investments that can be liquidated at short notice. Capital invested in repayable short- or long-term loans is often called loan capital. Money capital is continually being transformed into loan capital when investments are made, and back again into money capital when the loans are repaid.

The language of the business world distinguishes the capital assets of an undertaking from its money capital. It excludes from capital assets the money reserves kept for the purpose of enlarging the business, for those are included in the concept of money capital.

Capital assets refer to the capital actually invested in the business and include the funds held against current expenses, outstanding loan capital, and natural capital in the form of materials and equipment. Natural capital, when consumed, is made good out of the gross income of the business. Working capital, which is included in capital assets, is constantly changing from natural to money capital, and back again to natural capital. In some enterprises these transformations are very rapid. What applies to working capital is true of fixed capital though the transformation periods are much longer. There is thus a certain unity between the various forms of the capital of a business due to the fact that they all tend to assume a monetary character. This, in turn, leads to a tendency towards equality between the incomes derived from all forms of capital.

The concept of capital assets as distinct from money capital indicates that even from the monetary angle the notion of capital is by no means clearly defined. Where capital has been invested in forms that for some reason or other have become immobile, popular language even denies to it the name of capital. Where, for instance, the working capital of a concern has been locked up in improvements, as is often the case, the business is said to be short of capital. This confusion arises from the fact that people assume that the whole of the capital invested in a business must possess the characteristics of working capital.

Again, it is often argued that money capital ceases to be capital when it is not used in the business enterprise. It is claimed that, in such cases, it ceases to be capital and becomes property, as in the case of a man buying a house for his own occupation. The above arguments, together with the fact that money does not express the ultimate nature of capital, are some of the difficulties in the way of arriving at a satisfactory definition.

THE MANAGEMENT OF CAPITAL

The theoretical definitions of capital in its various forms may be suitable for discussing the problems of a particular industry in general terms, but, due to their arbitrary nature, they lack the necessary precision for use in the administration of a business. It is obvious that a business cannot be conducted, both from a short- and a long-term point of view, on the basis of a terminology which is not universally accepted and which is likely to vary from industry to industry. A standard form of presentation has, therefore, been found necessary which can be used by accountants and advisers alike.

As far as the individual business is concerned, whatever its size, the balance sheet is the document which sets out to show where the money used in the business comes from, and where in the business it is used. It lists the money used in the business as a liability, whatever its source, and the disposition of that money as an asset. In order to invest in buildings, machinery, stock and goods, a business borrows money from various sources, such as a bank or credit institution, relatives and the owner himself who lends his savings to the business. In accounting parlance, the balance sheet is the means whereby liabilities are balanced against assets.

Assets

Assets represent the total capital employed in any business. They range from money, which may feature as cash in hand or in the bank, to property. There are mainly two forms of assets—current and fixed. A third form—deferred assets—is sometimes used but they cannot be realised and arise through accounting procedure as a means of stating such items as bad debts which have not been written off.

The actual order in which the various kinds of assets are listed on the balance sheet is important because they usually appear in descending order of liquidity, or, in other words, in order of the ease with which they can be turned into money. It will be appreciated that this arrangement is fundamentally the same as the economist's view in which capital is conceived as a gradually merging range of constituents from liquid and less durable assets, which are continually being transformed into money and back again, to the more specific, retaining their form over long periods of time.

Briefly, assets may be conveniently listed in the following order :—

A. CURRENT ASSETS
1. Liquid assets (a) Cash in hand
   (b) Cash at bank
   (c) Trade debtors.
2. Working assets—stocks of goods and stores on hand.
3. Investments held by the business in other concerns realisable on demand.

B. FIXED ASSETS
   1. Equipment and machinery.
   2. Buildings.
   3. Property.

Liabilities

Any money which a business borrows, or which it owes, will one day have to be paid back to the lender or creditor. It is, therefore, a liability on the business. An arrangement similar to that made with assets is adopted with regard to liabilities. Following the above example, they will be listed on the balance sheet in the order in which they have to be paid and are usually grouped under three headings—current liabilities, long-term loans and net worth. The latter is sometimes referred to as capital or net capital, but this is a misleading term which really only states the proprietors' stake in the business.

Current liabilities are those which a business may have to honour within a short period of time, usually during the ensuing financial year. Net worth is that part of total liabilities which has been contributed by profits, investors and the proprietor himself, which has to be repaid over a longer period. It is, therefore, the total investment of the proprietor or shareholders, which will only be repaid after adequate notice has been given to the business and after all other liabilities have been met.

Liabilities are usually classified in the following order : —

A. CURRENT LIABILITIES
   1. Trade creditors.
   2. Bank overdraft.
   3. Short-term loans.
   4. Any other item which has to be repaid during the year.

B. LONG-TERM LOANS AND MORTGAGES

C. NET WORTH
   1. Profit account.
   2. Investments by proprietor, partners or shareholders.

Working Capital

Economists and accountants use the term working capital in different ways. As has been stated above, in economic theory working capital is synonymous with circulating capital and comprises such items as raw materials, fuel, goods in the process of manufacture and stocks held by manufacturers and traders. This category is normally referred to as working assets by the accountant.

From a business standpoint, working capital is that fund from which current expenses are met. The demand for cash for this purpose may be constant or seasonal but it is always necessary to know the amount of working capital available. In business terminology, working capital is the excess of total current assets over total current liabilities and the following classification follows that suggested by Pearce.[4]

A. CURRENT ASSETS
   1. Liquid assets (a) Cash in hand
      (b) Cash at bank
      (c) Trade debtors.

2. Working assets—stocks of goods and stores on hand.

B. CURRENT LIABILITIES

1. Trade creditors.
2. Bank overdraft.
3. Short-term loans.
4. Any other short-term commitments.

Working capital equals A minus B.

FARMING CAPITAL

For the purposes of this study it is necessary to draw a distinction between agriculture and farming, the latter being a much narrower definition—comprising the aggregate of the business units themselves. Capital invested in our agriculture as a whole would include not only that employed on the actual farms but also the investment in research and advisory services, marketing organisations, transport and other widespread ramifications. This enquiry, however, is concerned with the first type of investment which will be referred to as farming capital.

Even if one were to accept the theoretical distinction between land and capital, the problem of evaluating them separately is insoluble at the moment. A solution would involve putting a value on farm buildings as distinct from farm land and, as Colin Clark[5] has recently stated, our knowledge of this subject is so slight that " we are not entitled to say anything at all about the supposed capital requirements of agriculture in the form of buildings ". Furthermore, this is mainly a financial study in which the purpose was to examine the sources and disposal of farm finances. Opportunities for investment in land, buildings, machinery, equipment and livestock all compete with one another for the scarce resource—money. It seems evident, therefore, that as far as this study is concerned, expenditure on the acquisition or improvement of agricultural land should be treated in the same way as other forms of capital investment.

A major difficulty in measuring the amount of farming capital lies in the fact that it is not possible to separate farm investment on the basis of use in production and in consumption. This problem was encountered in a recent study of the formation and financing of capital in agriculture in the U.S.A. It would be desirable, as Tostlebe[6] says, to include only that part of capital used in production. But how can a useful division be made between the productive and consumptive use of the farm residence and the farmer's car ?

The farmhouse not only provides a convenient dwelling near the fields and buildings for the farmer's family, the main components of the labour force, but it occasionally serves to house and feed hired workers. Moreover, the farmhouse is also used as an office for keeping records and transacting business, and it is, of course, used consumptively by the farmer and his family. For income tax purposes in this country, an adjustment (usually two-thirds of the rental value plus rates) is made to farming profits as a charge for the private use of the dwelling house, but such an apportionment of the total value of the house would be of little use in a study of this kind. In the first place, the division would be purely arbitrary and, as such, would be open to question. Second, and more important, the provision of a house for the farmer and his family is just as essential an investment as any other kind of building on the farm. The course adopted in this enquiry is the same as that taken in the above-mentioned American study, namely, to include the entire value of the residence in farming capital. However, by including the whole amount, the total farming capital is overstated in comparison with other industries, in which the housing of proprietors or workers is not taken into account.

A similar problem arises in dealing with the farmer's car. Any division into private and farm use can only be arbitrary which could lead to errors equally as large as those which the calculation was designed to avoid. In this study, the purchase of private cars has been separately recorded but will be wholly included in farming, as distinct from private, capital.

In applying the theoretical definitions of capital to farming, fixed capital is that sunk permanently or for long periods in land and buildings, and in the purchase of machinery and equipment. Circulating capital is that used for short periods in the cultivation of crops and in the production of livestock and livestock products.

However, the more commonly accepted classification of farming capital is that of landlord and tenant, and it should be noted that these terms are not synonymous with fixed and circulating capital. Tenants' capital includes all kinds of capital which in general practice are owned by the tenant—that spent on livestock, crops and machinery and the amount of cash kept on hand to meet current outgoings. But, in view of the fact that information has hitherto been unavailable, it has been customary to exclude cash requirements from tenants' capital. Landlords' capital is that spent on land and permanent equipment in the form of buildings. Care should be taken not to mis-interpret these terms and assume that tenants' capital is that invested by the tenant, since he might expend money and effort on the erection of buildings which would rank as landlords' capital.

A classification of farming capital is summarised as follows :

FARMING CAPITAL

FINANCIAL ASSETS
- A. LIQUID ASSETS
  1. Cash in hand and at bank.
  2. Trade debtors.
- B. FINANCIAL RESERVES

PHYSICAL ASSETS
- A. TENANTS'*
  1. Crops and stores.
  2. Livestock (a) Other than breeding
     (b) Breeding.
  3. Machinery and equipment.
- B. LANDLORDS'
  1. Buildings.
  2. Land and property.

*It is realised that the above classification makes no specific reference to tenant-right. This valuation, which includes a balancing figure of improvements against dilapidations, is not usually assessed annually but only on the cessation of a tenancy. In general practice, therefore it does not appear on the tenant farmer's balance sheet.

For the purposes of this study, the general classification of landlords' and tenants' capital has been retained, but a distinction has been made between financial and physical assets. Financial assets have themselves been divided into liquid assets and the financial reserves at the farmers' disposal.

It will be noted that the assets are listed in descending order of liquidity with the most liquid of all assets, cash, at the top and the most durable assets at the bottom. Attention should also be drawn to the distinction made between the two different classes of livestock—the breeding herd or flock, and store and other animals which can be sold at short notice without impairing the production of budgeted lines.

From the above schedule it is possible to calculate current assets which are liquid assets plus tenants' working assets (crops and stores, and other than breeding livestock). By deducting current liabilities from current assets is obtained working capital which should be available to meet any expenses payable on demand.

FARMING CREDIT

Credit and the machinery of borrowing and lending nowadays form an integral part of our industrial system, but credit for farming has come to be regarded as a problem on its own. Our farming still mainly "consists of a number of relatively small enterprises, the success of which depends on there being an adequate agricultural substitute for the industrial joint stock method of obtaining working as well as initial capital."[7]

Although it is true to say that changes in the business organisation of farming are taking place, there is as yet nothing comparable to the public company which is commonly found in other industries. There are signs that the private limited company is becoming more popular in agriculture but this is being incorporated as a device to lessen the burden of taxation and estate duty on the proprietors. A recent estimate,[8] however, shows that approximately 97 per cent. of the farm businesses in England and Wales is organised on a sole trader or partnership basis.

The most common classification of agricultural credit is long-term, intermediate and short-term, according to the purposes for which the credit is required. However, as was pointed out by Kendall[9] when using these definitions, it is not always easy to draw a rigid line of demarcation. Kendall defined each type of credit as follows :—

1. Short-term—that required for the financing of the current year's farming operations.
2. Intermediate-term—for financing operations such as the purchase of livestock and machinery over a rather longer period.
3. Long-term—for the purchase of land and carrying out improvements and structural alterations.

By and large, the first and second categories are provided by the banks and merchants in the form of overdrafts and unpaid accounts. Long-term credit is made available by finance corporations, private lenders and, to a certain extent, by the banks. Such loans are usually secured against the deposit of title deeds or by the execution of mortgages or land charges.

Only some very rough estimates exist of the indebtedness of British farming and it is hoped that the information presented in this report will go some way in throwing light on the extent to which farmers use borrowed money and the purposes for which such credit is used.

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III

DEFINITIONS AND PROCEDURE

It is customary to present the financial results obtained in farming in a standard form derived from the normal profit and loss account and balance sheet. This method of presentation has been mainly designed for the purposes of farm business analysis. It has been found necessary to devise a standard form for diagnostic purposes, to enable the results for any particular farm to be compared with those of a group of farms of similar type and size in the neighbouring locality.

It is not proposed here to discuss in detail the differences which exist between net farm income, the excess of gross output over total cost, and profit as it usually appears on the accountant's profit and loss account since they have been adequately explained elsewhere.[1] However, it is worth noting that the farm business analysis treats all farms, whether tenant- or owner-occupied, as tenanted farms. Thus, on an owner-occupied farm, a fair rent is substituted for such expenses as the net Schedule A value or major building repairs which may be regarded as landlords' expenditure. The farm management adviser and the accountant also treat family labour in a different way. The former usually makes a standard charge for any unpaid work of the farmer and his family, while the accountant charges only the wages actually paid.

Although the farm business analysis method has proved itself satisfactory for the purpose of evaluating productive efficiency, it does not readily lend itself to a wider interpretation such as that undertaken in this study. In order to discover the extent to which farmers financed the increase in farm capital from profits, it was important to determine the actual cash income from farming which was more easily obtained from the profit and loss account with its fewer imputed values. Information relating to capital formation was provided by the balance sheet and details of private transactions were taken from the farmers' personal records.

The accompanying diagrams, Figures 1 and 2, show the sources from which farming funds have been accumulated in any particular year and the manner of their disposal.*

INCOMING FUNDS

Own Funds

In the first place, a distinction has been made between OWN, either the farmer's or his wife's, and BORROWED sources. The former has been sub-divided into income derived directly or indirectly from farming operations and that of a personal or non-farming nature.

Gross Farm Income

Funds from this source are those which have been directly derived from farming operations during the year and comprise the following.

1. Surplus of receipts over expenditure. In arriving at the surplus of receipts over expenditure, certain adjustments were made to the profit and loss account. These involved the exclusion of opening and closing livestock inventories and the deletion of all imputed or non-cash items

*Since the terms described in this chapter will be employed later in the report a Glossary of Terms has been provided in the Appendix, p. 147, for convenient reference.

of receipts and expenditure. The following examples show the type of adjustment which has been made.

For the farmer who owned his farm, either wholly or in part, no imputed rental value or net Schedule A charge has been included. In those instances where the latter has been charged, it has, for the purposes of this study, been added back to the profit and loss account. The actual amount of Schedule A income tax paid by the farmer has been taken as a CHARGE UPON INCOME which appears in Figure 2. Also included under this heading are loan interest payments other than those in respect of bank overdrafts, the latter having been treated as a cash operating expense. The reasons for the differentiation between the two types of interest are as follows. In the first place, it was not found possible to separate the service charge from the bank interest payment. Second, the bank overdrafts were usually granted for the purposes of meeting current operating expenses, and even when a loan was specifically made for a particular purpose, some form of temporary accommodation was more often than not included in the overdraft.

Labour costs, other than those upon which there was an actual money outlay, have been excluded. Thus, no allowance has been made for unpaid family labour. A further modification has been to exclude the farmer's wife's wages from the profit and loss account, even when they have in fact been paid over to her. It was considered that the wife's wages are of the nature of a farm income to the farmer and his wife. Such wages as were paid are shown as an outgoing fund, either having been spent on family living or saved as a means of increasing the financial reserves at the farmer's disposal.

The practice of including the depreciation of fixed plant, machinery and equipment in the profit and loss account is not one which is always followed but it is usually regarded as a production expense. In this study, since depreciation is a non-cash item of expenditure, it has not been taken into account. An alternative method of treating depreciation might have been to allocate this item of expense to a reserve fund to be used for replacement purposes. But there is no evidence to suggest that farmers do create such a reserve fund. As K. O. Campbell[2] has stated, " they consider outlays to replace worn-out machinery and buildings to be in the same class as those made for additions ". In fact, farmers appear to have a well-defined propensity to replace machinery and equipment whenever liquidity conditions are favourable.

The profit and loss account is credited with all sales made during the year and includes those items for which payment is due to the business but has not been made by the end of the trading year. These outstanding items, conventionally referred to as book debts, appear on the balance sheet as debtor balances. The cash receipts from trading will, therefore, exclude those amounts owing at the end of the year. It is also true, of course, that payments will be received in respect of book debts owing at the end of the previous year, and this money will be available for disposal during the current year. Total cash receipts for a particular year will consequently have to be adjusted to take account of the settlement of any book debts outstanding from previous years and those current sales for which payment has not been received by the end of the accounting year.

The procedure adopted with regard to debtor balances in this study has been to note the change which occurred in the total of amounts owed at the beginning and at the end of the year. If the opening total of debtors exceeded the closing total, then the amount of this excess represents a cash addition to the receipts from the current year's trading. Thus, a fall in the total of debtor balances means that extra cash has been made available by way of a reduction in the sum of liquid assets on hand at the beginning of the year. This cash addition is shown in Figure 1—INCOMING FUNDS—as a REDUCTION IN FINANCIAL (LIQUID) ASSETS.

However, should an increase have occurred in debtor balances, due to the total at the end of the year having exceeded the sum of amounts owed at the beginning of the year, the net effect would have been to deprive the farmer of a given amount of disposable cash income which he would have received probably in the early part of the following year. The increase in debtor balances during the year is shown in Figure 2—OUTGOING FUNDS—as an INCREASE IN FINANCIAL (LIQUID) ASSETS. It is assumed to be a supply of cash likely to be available within a short period of time to meet current demands such as merchants' accounts—a purpose similar to that for which a current account is maintained at the bank.

As regards expenditure, an adjustment was first necessary to take into account the amounts of money owed by the farmer in respect of trading—sundry creditor balances—at the beginning and end of the year. For this purpose a procedure, similar to that adopted with regard to debtor balances, was used which involved calculating the difference between the opening and closing creditor balances. If the latter exceeded the former, this would represent an increased use of merchants' credit, which has been classified as additional borrowing from NON-FAMILY (TRADERS) sources. Conversely, a fall in creditor balances over the year in question would be classified as DEBT REDUCTION as shown in Figure 2.

To sum up, therefore, surplus of receipts over expenditure is the amount of cash surplus arising from farming operations in a given year. Due to the fact that the farmer will owe and be owed sums of money—creditor and debtor balances—at the beginning and end of each financial year, adjustments have been made to take changes in these balances into account. With debtor balances a fall has been treated as an addition to cash income brought about by a reduction in liquid assets, while a rise has been assumed to have been an increase in liquid assets held. Similarly an increase in creditor balances over the year has been classified as additional borrowing from traders while a fall in creditor balances has been taken as a debt reduction in a manner similar to a loan repayment.

2. Changes in valuations of livestock and crops and stores. Changes in livestock inventories during the year are included in farm revenue. These changes in valuations, therefore, appear as a non-cash element of farm profit. The same also applies to the value of the stocks on hand of crops and stores but, since the sample was composed predominantly of livestock farms, such inventories were of relatively minor importance. Valuation changes have been included in total farm funds but shown

separately, partly because they are in non-cash form, but especially because they represent changes in investment in farming assets.

Increased livestock inventories are additions to physical farm capital which may be produced at home. Such additions require no special financing but this does not mean that they are costless. Where a marketable product is withheld and added to capital stock, some sacrifice of realisable income is clearly involved. Such action may lead indirectly to a reduction of accumulated liquid assets or even to an increase in debt. These eventualities will occur if the amount of effort and farm product devoted directly to increasing capital is so great that realised, or cash net income, falls short of family personal expenditure which can only be fully met by drawing on liquid assets or by borrowing.

It is true that changes in livestock valuations arise from a variety of causes. They may be due to a conscious increase in livestock investment, the replacement of breeding stock from external or internal sources, a rise or fall in unit values, or some form of livestock depreciation. Some attempt has been made to examine real changes in livestock investment in a subsidiary analysis, but for the main part of the study the actual changes at current values have been noted and appear as a part of FARM INVESTMENT in Figure 2.

3. Farm produce consumed, private use of car, etc. The value of farm produce consumed in the house normally appears on the receipts side of the farm trading account. An allowance is usually made also for the private use of any of the production inputs or expenses by deducting them from expenditure. Thus, allowances are made for the purely residential as distinct from the business use of the farmhouse, for any farm stores or services used for personal purposes and for the private use of the motor-car. The net effect of these adjustments, whether added to the receipts side or deducted from expenditure, is to provide a non-cash income to the farmer which augments his expenditure on family living. This additional income has, therefore, been included in the total of GROSS FARM INCOME in Figure 1 and is also shown in Figure 2 as FAMILY LIVING (NON-CASH).

4. Sales of physical assets. Sales of certain capital assets, property, machinery, plant and equipment, are not trading receipts and do not appear on the profit and loss account. Nevertheless they constitute a source of funds at the farmer's disposal. In some instances, particularly with plant and machinery, existing items are replaced by new ones, in which case the farmer has to bear only the cost of replacement but, since some sales involve no replacement, a uniform method of treatment is necessary. The proceeds of sales of such assets, whether or not an exchange deal is involved, have been treated as a source of farm funds and replacements, if any, shown at their gross cost rather than at the net cost of replacement.

5. Capital grants. Government assistance to farming in the form of grants and subsidies is, broadly speaking, of two kinds. There are those grants which are directly in aid of production, such as fertiliser, ploughing, hill cattle and hill sheep subsidies; and those in aid of capital expenditure, for example, the Farm Improvement Scheme and the Livestock Rearing Land Improvement Grants. Grants are also available from

local authorities for new cottages, the improvement of existing houses and cottages and the provision of standard amenities in existing dwellings.

Production grants, where given, are entered in the profit and loss account and have consequently been included in the surplus of receipts over expenditure. Capital grants, however, do not appear as a trading receipt and have been included as an additional source of farm funds in the year of receipt. A similar treatment has been accorded to contributions made by local authorities in respect of expenditure incurred by the occupier on farmhouses and cottages.

Non-Farm Receipts

In addition to the income obtained from business operations, the farmer and his wife are frequently in receipt of money derived from non-farming sources. Part of these funds is received at regular intervals in the form of income—for example, rents from private property, family allowances, pensions and interest on investments. The rest is of a once-for-all nature, such as gifts, legacies and, in one instance, a windfall in the form of a win on the football pools.

The existence of private sources of funds and also the extent of the financial reserves have an important bearing on the amount of investment which farmers are prepared to undertake and largely conditions their attitude towards borrowing and the use of credit. It is for this reason that private funds have been included with the incoming surplus from the business sector towards the total financial resources available to the farmer during any given year.

Reduction in Financial Assets

GROSS FARM INCOME in any year may be supplemented by drawing on the financial assets which have been accumulated and held by farmers. A distinction has been drawn between the two main kinds of financial assets—LIQUID ASSETS and FINANCIAL RESERVES.

A reduction in liquid assets, as has been explained earlier, may have arisen through a fall in debtor balances over the year. It may also have occurred by drawing on holdings of cash or money held on current account at the bank. The amount of these drawings, if any, has been arrived at by measuring the decrease in the holdings of cash and the positive current balances at bank at the beginning and end of the year.

A reduction in financial reserves is brought about by the liquidation of assets which farmers hold as a reserve in one form or another. Examples of this are the withdrawal of sums of money from savings accounts, the cashing of investments, the surrender or maturity of annuities or life assurance policies, the recall or repayment of private loans made by the farmer and, often as a last resort, the sale of land and property other than that actually farmed.

Borrowed Funds

As was stated earlier, a fundamental distinction has been drawn between funds provided by the farmer and his wife, either from the farm business or personal sources, and those which were borrowed. BORROWED funds have been divided into FAMILY and NON-FAMILY loans.

Family

These are loans which have been made to the farmer by members of his family other than his wife. Several instances of this have occurred in the sample during the ten-year study and the loans have been mainly provided by the parents of the farmer or his wife.

The word " loan " should, however, not be interpreted too literally in cases such as this. The term may be somewhat misleading, implying an advance upon which interest has to be paid, the principal being subject to repayment at intervals or at call. In fact, the majority of the family loans discovered in this study neither bore any interest nor were there any apparent arrangements concerning repayment. More often than not they could more accurately be described as advances against what the farmer or his wife will ultimately receive as legacies. However, since these advances appear on the balance sheet as loans and since the situation might arise, although the possibility is rather remote, in which the loan has to be repaid, the term " loan " has been retained on the understanding that it is used with a certain amount of caution.

Non-Family

The extent to which farmers obtain funds from outside the farm and the family circle is shown by the amount of money borrowed from NON-FAMILY sources. This broad category has been split up into three sub-divisions—TRADERS, INSTITUTIONS and PRIVATE.

Borrowing from merchants and traders has been mentioned earlier in this chapter, so there is little need to go into it again in detail. In this analysis it represents an increase in borrowing from merchants in a given year, arrived at by comparing the total of creditor balances outstanding at the beginning and end of the year. An increase would, therefore, indicate further credit having been obtained in the form of overdue accounts.

Institutional borrowings are the funds obtained from sources which are generally at the disposal of farmers. In England and Wales these sources are mainly the joint stock banks, by means of overdraft facilities or loans for specific purposes, the Agricultural Mortgage Corporation and the Lands Improvement Company.

Finally, there are the loans and mortgages secured from private lenders who are important suppliers of long-term capital for the purchase and improvement of farms. Under this heading have been included privately negotiated loans from solicitors, other farmers and landowners and personal acquaintances. Little information exists concerning these sources of finance for farming and it is hoped that the data presented in this study will shed some light on the extent to which farmers rely on private loans for the development of their holdings.

OUTGOING FUNDS

The manner in which the total incoming funds, shown in Figure 1, have been distributed during any year is summarised in the outgoing funds diagram, Figure 2.

Charges upon Income

Reference has been made earlier to this section. It comprises interest charges on loans other than bank overdrafts and payments of income tax, both Schedules A and D. It should be noted, moreover, that the income tax payments are those actually paid during the year and are not necessarily related to the assessed farming profits for the previous year.

The payments might also have included arrears of tax relating to past years and, therefore, do not represent merely the farmer's current income tax liability.

Family Living

Personal expenditure on family living has been divided into two constituents, NON-CASH and CASH. The former consists of the adjustments which have been made to farm revenue to take account of farm produce consumed in the house and the private share of certain items of trading expenses. Allowances have consequently been made for the residential as distinct from the business use of the farm dwelling, the private use of the motor car, fuel, electricity and other supplies.

Cash family living expenditure includes all items of a personal nature, ranging from self-employed National Health contributions to the private share of repairs and renovations carried out to the farmhouse.

Farm Investment

Under this general heading have been included the gross additions to physical capital made during the year. The total for the year has been divided into those categories listed beneath FARM INVESTMENT in Figure 2.

Where investment has been undertaken in respect of improvements to land, services and buildings, the total expenditure has been recorded gross of any contributions which may have been made by way of Government grant or, in the case of the tenant-occupied farm, from the landlord. From what has been described earlier, it will be recollected that these contributions have been included as an item of incoming funds. In those instances where capital expenditure has been incurred on a farmhouse, the outlay has been apportioned between business and residential use, the former being recognised as a farm investment and the latter as an item of family living expenditure.

It should be pointed out, however, that the outlay as shown in this study on the improvement of land, services and buildings probably understates the full extent of capital formation in these sectors. A certain amount of the capital used in farming is produced through the direct efforts of farmers themselves. Such is undoubtedly the case on the sample farms where, in accordance with normal accounting procedure, only the actual cash outlay has been recorded. The materials used in improvements of various kinds have, therefore, been charged as a capital expense, similarly any hired labour specially employed but generally no allowance has been made for the work undertaken by the farmer or his regular employees.

Regarding the investment in machinery and equipment, gross expenditure again has been recorded. Where existing machinery has been replaced by new, any part-exchange allowances have been included as part of total incoming funds.

The two final categories—livestock, crops and stores—comprise a different kind of farm investment in that no direct cash payments may be involved. Reference has been made earlier to the fact that changes in valuations constitute a part of farm revenue and appear in incoming funds as a non-cash farming item for any year. The amount of the valuation changes have been taken as representing a corresponding increase or decrease in the value of these assets.

Debt Reduction

In this section have been placed the sums of money which have been allocated for the reduction of the farmer's indebtedness to outside sources. The means by which this is done fall broadly into three categories—the repayment of loans, either wholly or in part, the reduction of bank overdrafts and in the amounts owed to traders and merchants, the latter being the extent to which the total of creditor balances at the beginning of the year exceeded that at the end.

Increase in Financial Assets

In addition to the physical capital used in farming, farmers own various types of assets, somewhat loosely termed financial assets or reserves. Among these the more prominent types are money held on demand at the banks, deposit and savings bank accounts, the surrender value of insurance policies, a very wide assortment of investments and holdings of land and property. Such assets are accumulated and held in a variety of forms, not all of which are essential to, or even associated with, the operation of a farm.

In this study, the FINANCIAL ASSETS of farmers have been separated into two fairly well-defined groups. The first consists of assets that are held as working balances or LIQUID ASSETS. They are needed to meet current operating and family living expenses and they are likely to vary in amount according to the demands made upon them. The second class, FINANCIAL RESERVES, consists of assets that are held as reserves of one kind or another and as a source of off-farm income. As is true of most classifications, the distinction between the two groups is not clear-cut in every particular. Money held in deposit accounts at the banks, for example, is almost as easily realisable as that held on current account. Despite such overlapping, however, the distinction is usually real enough so that there is in fact little difficulty in singling out the funds considered by farmers themselves as essential to the operation of their farms and those that are held for other purposes.

The analysis undertaken in this study is designed to show in each of the ten years under examination the extent to which funds have been directed towards increasing the financial assets under the farmer's control. Some of the incoming funds have been devoted to increasing the liquid assets on hand to meet the demands of current working expenses. It will be seen that increases in debtor balances, the amounts owed to farmers, have, for reasons given earlier, been treated as fulfilling this purpose. The remainder has been invested with varying degrees of liquidity and can be regarded not as capital used in farming but as a convenient source which, together with income and credit, may be called upon to provide additions to the capital that is actively employed in farming.

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Figure 1

INCOMING FUNDS

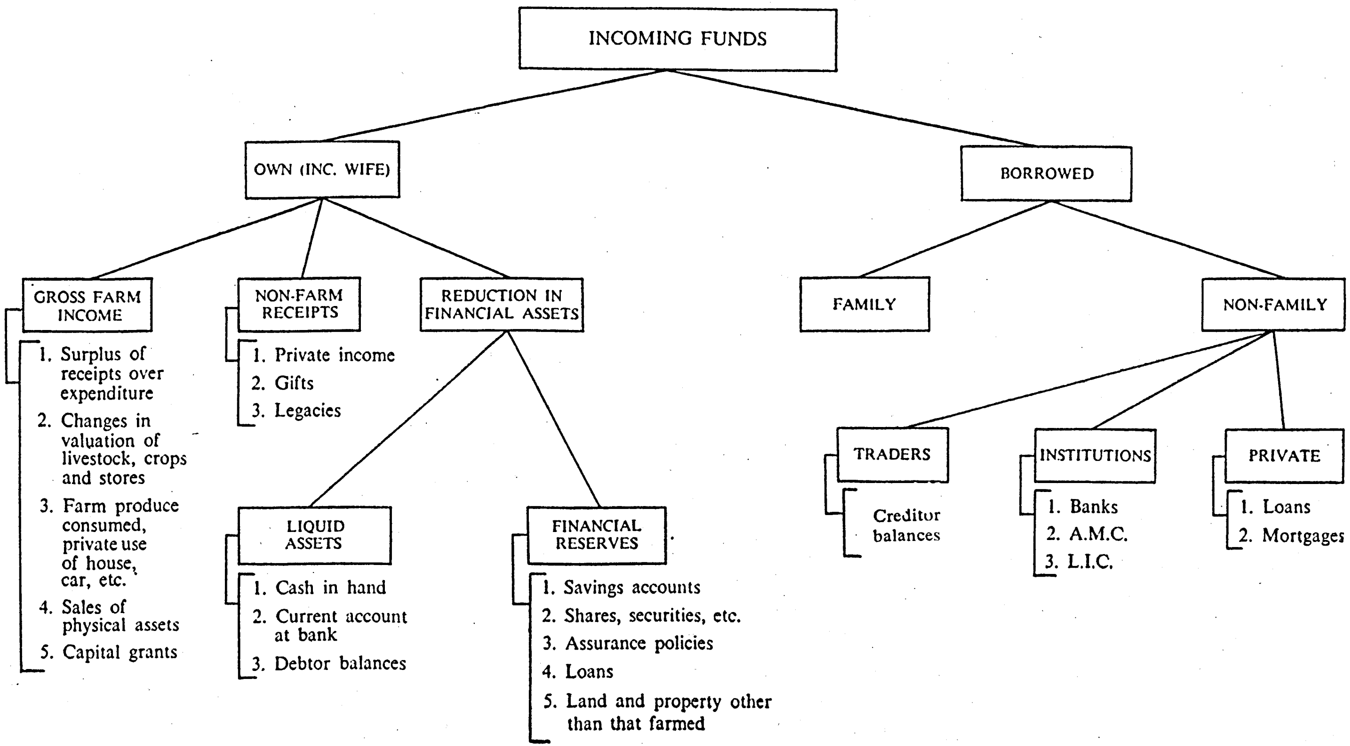
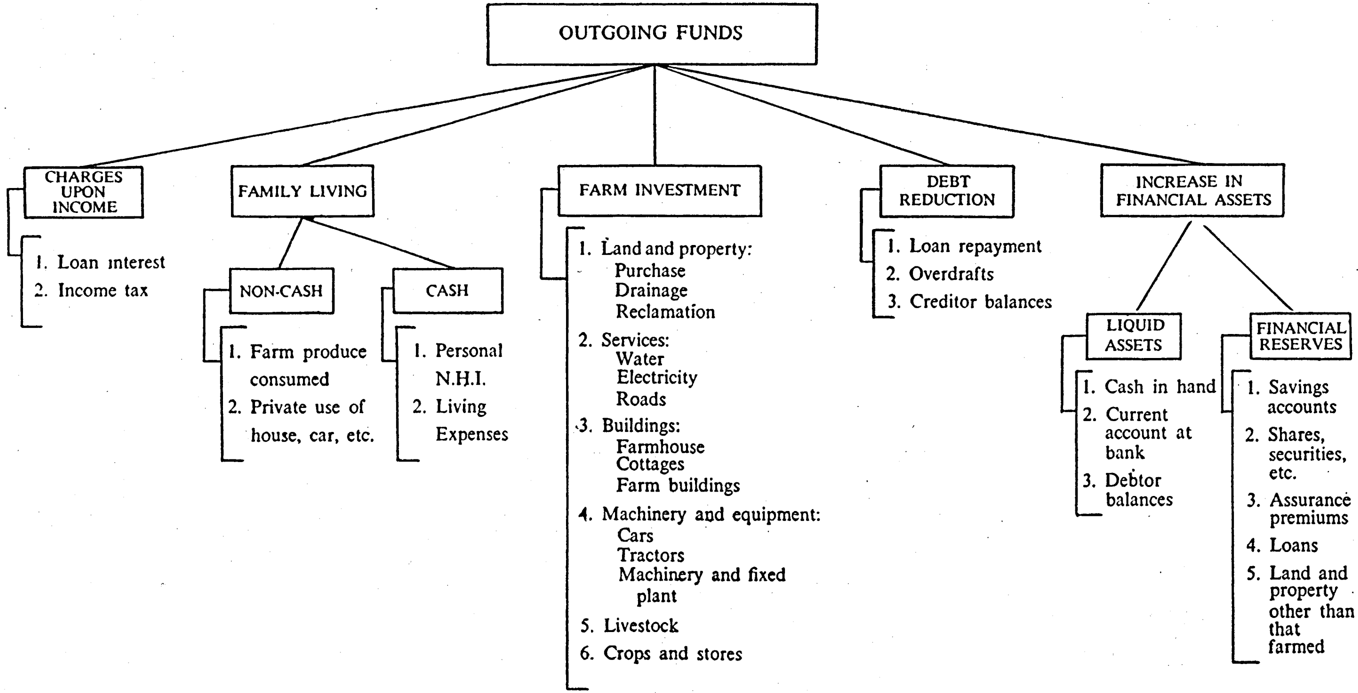


Figure 2 OUTGOING FUNDS



IV

THE SAMPLE

INTRODUCTION

Each year almost 300 farm accounts are collected and analysed by this Department in connection with the national Farm Management Survey. In order to increase the accuracy of the information obtained, it has for some years been the policy of the Department to encourage co-operating farmers to keep detailed records so that balance sheets could be prepared in support of the farm profit and loss account. In consequence of this, full-audit accounts were continuously available for an identical sample of 72 farms for the ten-year period 1949/50 to 1958/59. The records from these farms form the basis from which the following analyses were made.

No statistical sampling methods were employed in selecting the farms in the sample. The intention was rather to collect records for as large a continuing sample of farmers as was possible and to include only those accounts which were sufficiently comprehensive to enable a picture of the farm and family finances to be built up. The sample cannot, therefore, claim to be statistically representative but there is little reason to suppose that the farmers included are not typical in background and outlook of the majority of those living in the West Country.

Of the 72 farms studied, 22 were in Cornwall, 47 in Devon and three in Dorset. They were not located in any particular area but were fairly evenly distributed over the region as a whole.

With one exception, the accounting periods ended at Michaelmas, Christmas or Lady Day, although a few farms did change their year-ending date during the ten-year period. In the last year, 1958/59, 43 farmers accounted to Lady Day, 16 to Christmas, 12 to Michaelmas and one to June.

Details of the farmers' ages are given in Table 1. Approximately half the total were under 50 years of age in 1958/59, while 40 per cent. were within the age group 41 to 50 years.

There were 27 farms on which there was at least one son actively engaged on the farm. Of these 27 there were five instances in which the son was formally associated with his father in partnership, three of which occurred where the father was over 60 years of age.

The fact that there were sons working with their fathers does go some way towards meeting the criticism of an identical sample over a period of years being an " ageing " one. Not only do these sons perform a major part of the manual work but they are also taking a gradually increasing share of the managerial functions, with the advantage of being able to call upon the experience of the older farmer.

In a few cases it was the practice to prepare separate accounts for enterprises run by the farmer's wife or other members of the family. For the purposes of this study, separate accounts, where they exist, have been amalgamated to form one set of records for the entire farm.

The majority of operators, 47 in all, have been farming on their own account since before the 1939-45 war. The remaining 25 started on their own during the 10 years from 1939 to 1949.

The first year of the study, 1949/50, marked the first year in farming on their own of five farmers, two of whom continued the business which had formerly been in family hands. A record is, therefore, available of the first ten years' progress of three farmers.

There were 18 farmers, a quarter of the total, who carried on an existing family business. This, together with the fact that sons were actively participating on 27 farms, points to the continuing family nature of the farming business.

SYSTEM OF TENURE

For the purposes of this analysis, occupiers have been divided into two main groups : —

A. Tenants or mainly tenants—renting 50 per cent. or more of the land they occupy.

B. Owners or mainly owners—owning 50 per cent. or more of the land they occupy.

The occupiers have been classified by system of tenure for each year of the study period and the results are shown in Table 3. For comparative purposes, a similar classification has been made of a larger identical sample of 160 farms for which data is available from the Department's Farm Management Survey.

It will be observed that there has been a marked trend towards owner-occupier status in both samples. There was no sudden movement in any one particular year, the change being a gradual one over the ten-year period. There was only one instance of an owner-occupier reverting to tenant status when he sold his farm and took over the tenancy of another.

There are, however, some qualifications to be made in respect of this analysis. In the first place, it might happen that a mainly owner, on the basis of the classification employed, would rent additional land which would be sufficient to result in his being re-classified as a mainly tenant. Second, instances have occurred during the ten-year period in which partnerships have been formed. The partnership has then become a tenant to the partner who was formerly the sole proprietor. To cite a typical example—an owner-occupier might contract a formal partnership agreement with his son, and the partnership rent the farm from the father. Where this has in fact occurred, it has been assumed that the status has remained unchanged since the formation of the partnership did not disturb the existing farming organisation.

In 1949/50 tenants occupied 68 per cent. of the sample farms but by 1958/59 the proportion had fallen to 46 per cent. Over the same period, the number of owner-occupied farms almost doubled, from 11 to 21. No relationship was found to exist between size of holding and system of tenure. Nor were the farms purchased or enlarged predominantly of any particular size group.

Further evidence of the trend towards owner-occupancy is provided by Table 4 in which the total owned and tenanted acreage is shown for each of the ten years. The total area farmed increased by 557 acres, or 6.2 per cent., from 9,022 in 1949/50 to 9,579 acres in 1958/59. More significant, however, was the decline of 19 per cent. in the tenanted acreage and the corresponding increase of 97 per cent. in acreage owned.

By 1958/59 the tenanted acreage had fallen to 60 per cent. of the total compared with 78 per cent. in 1949/50, the rate of decrease being gradual over the whole period.

The information given in Tables 3 and 4, although conveying a general picture of the changes in acreage and occupancy, does not adequately reveal the true nature of the changes which have taken place within the sample. These variations have been summarised in Table 5.

Of the entire sample of 72 farms there were only 38, or just over a half, whose acreage and system of occupancy remained unaltered throughout the ten-year period. A notable feature of the changes which concerned those farmers who were tenants in 1949/50 was that, by 1958/59, 12 had become owner-occupiers, two of whom had purchased land in addition to their farms. A further four tenants bought land. As for the remainder of the sample, changes were constantly occurring, the main tendency being to acquire more land either by renting or buying.

SIZE OF FARM

It will already have been observed from Table 4 that the total acreage farmed gradually increased during the period. In Table 6 it will be seen that the average size of farm increased from 112 adjusted acres in 1949/50 to 120 in 1958/59, a rise of the order of seven per cent. Regarding size distribution, the principal change occurred with farms of under 100 acres in size, of which there were 30 in 1949/50. By 1958/59 this number had fallen to 25, amounting to 35 per cent. of the total compared with 42 per cent. in the first year. In the 100 to 149 acre group, the 18 farms increased to 20; and in the 150 to 199 and 200 acres and over groups they increased from 13 to 15 and 11 to 12 respectively.

TYPE OF FARMING

All the farms studied were essentially livestock farms and only for the first two years of the study did the contribution of livestock and livestock products fall below 90 per cent. of the total gross output.

Some idea of the type of farming practised may be gained from the following classification which is similar to the one used in the analysis of this Department's Farm Management Survey results.[1] The details of this classification are as follows : —

Group 1. Dairy. Primarily dairy farms with supplementary pigs and poultry.

Group 2. Devon and Cornwall Dairy and Mixed. Livestock farms with dairying the main enterprise, widely dispersed in North and South Devon and Cornwall.

Group 3. Devon and Cornwall Mixed Livestock. Mixed livestock farms with little or no cash cropping and milk comprising less than one-third of gross output.

Group 4. Devon and Cornwall Mixed with Crops. Farms similar to Group 3 but with some cash cropping. Gross output of cash crops not less than 15 per cent. of total.

Group 5. Devon and Cornwall Cattle and Sheep.

(a) Lowland. Cattle more important than sheep, considerable proportion of stock sold fat. Some summer fattening of cattle on grass.

(b) Upland. Sheep more important than cattle. Most stock sold store. Breeding stock, particularly ewes, an important sale product.

Group 6. Cornwall Dairy and Pigs. Densely stocked farms in Cornwall which rely heavily on purchased feedingstuffs.

In Table 7 the sample farms have been classified into the above groups.

Dairying predominated on the 23 farms in the first two groups and was present to a lesser extent on the six intensive Cornwall dairy and pigs farms on which pig production played an important part, especially during the latter part of the study. The remaining 43 farms were all mainly devoted to livestock production, varying from the mixed livestock farms on which some milk was sold to the more extensive stock-rearing farms in the cattle and sheep group.

CROPPING

Details of the cropping for the 72 farms are presented in Table 8. The trend over the ten years studied is broadly similar to that for the South West as a whole. The tillage area fell by almost a third and the cereal acreage fell from 22.4 per cent. of the total in 1949/50 to 15.4 per cent. in 1958/59. The only two crops to show any increase were barley and kale, the former replacing oats and mixed corn and the latter at the expense of the fodder root crops.

The acreage of grass, both temporary and permanent, cut for hay and silage increased from 20.1 to 24.0 per cent. The area available for grazing rose from 49.9 to 54.5 per cent., the most significant increase apparently being in the acreage under permanent grass. This latter trend should not, however, be considered too literally since it may be affected by causes other than a conscious change in cropping policy. First, any additional land acquired by either renting or purchase could materially affect the composition of cropping. Second, what is temporary or permanent grass is open to interpretation in a variety of ways which may not be entirely consistent over a period of years.

The overall picture to be gained from this analysis of cropping is that of a sample of predominantly livestock farms such as are commonly found in the South West of England and especially Cornwall and Devon.

STOCKING

Details of stocking on farms in the sample are set out in Table 9. It will be noted the closing inventory for 1948/49 has been included in this table in order that the change in 1949/50 can be recorded.

The overall rate of stocking rose steadily over the period, although the increase was more pronounced with some classes of livestock than with others. The numbers of cows and cattle carried showed little change during the first five years. There were subsequently two slight increases, the first in 1953/54 and the second in 1957/58. However, the expansion in cattle numbers was small in comparison with the other branches of livestock.

There was a considerable increase in sheep numbers. The total of ewes and other sheep rose from 59.2 per 100 adjusted acres in 1948/49 to 98.5 in 1958/59. A moderate rate of increase occurred until the end of 1951/52, after which date numbers, especially of ewes, expanded quite rapidly.

The most marked rate of increase was in the two intensive enterprises, pigs and poultry. The former were seven times as numerous at the end as they were at the beginning of the period and poultry numbers doubled from 140 to 283 per 100 adjusted acres.

When the density of stocking in 1958/59 on the 72 farms is compared with that for the 255 Farm Management Survey farms in the South West, a fairly close similarity will be noted between the two sets of figures, especially in the case of cattle and pigs but to a somewhat lesser extent with regard to sheep and poultry.

FINANCIAL RESULTS

The ten-year trend in gross output, costs and net farm income per adjusted acre for the 72 farms is shown in diagrammatic form in Figure 3 together with the financial results for the Farm Management Survey farms costed by this Department. The latter is not an identical sample but consists of the aggregate results achieved annually by a group of farms varying in number each year from approximately 220 to 260. The similarity between the two groups is a close one and in comparing them it can be said that the results obtained by the study sample fairly reflect variations in production and income on farms in the South West in as far as they are represented by the Farm Management Survey sample.

For the 72 farms, gross output, costs and net farm income approximately doubled over the period. From 1949/50 to 1958/59, gross output increased from £20.9 per adjusted acre to £41.2. The annual increase averaged £2.3 per acre and varied from £0.4 between 1957/58 and 1958/59 and £4.1 per acre between 1950/51 and 1951/52. Costs rose at an average annual rate of £1.8 per acre from £15.3 in 1949/50 to £31.2 in 1958/59.

The combined effect of the changes in gross output and costs is reflected in net farm income which increased at an average annual rate of £0.5 per acre. Net farm income rose in each year except 1950/51, 1954/55, and 1958/59 when it dropped, £1.1, £1.5 and £0.3 per acre respectively, below the level of the preceding year.

To sum up, the trend over the ten-year period was one of rising production associated with rising costs but, except for 1950/51, 1954/55 and 1955/56, when the rise in costs exceeded the increase in the value of gross output, costs increased less than production. Net farm income in 1958/59 was £10.0 per adjusted acre compared with £5.6 in the first year of the study.

Details of gross output and inputs per farm for each year are given in Table 10 showing how the different enterprises have contributed to total gross output and how the various cost items have changed within total inputs.

Table 11 contains a summary of the changes that took place in the constituents of gross output and inputs over the ten-year period.

Dairy produce remained the largest single item of gross output throughout the ten-year period. It amounted to one-third of the total in 1949/50 and a quarter in 1958/59, having risen by 66 per cent. between the two years. All the other livestock products, however, increased to a much greater extent. The value of pig output rose almost five-fold, from seven per cent. of the total in 1949/50 to 19 per cent. in 1958/59, and that of both sheep and poultry were one and a half times higher.

A high proportion of the increased inputs was for feedingstuffs which, from 1954/55 onwards, replaced labour as the largest single item of costs. This is hardly surprising in view of the rising output of pigs, poultry and dairy produce and the fact that feedingstuffs were de-rationed in 1953/54. Expenditure on feedingstuffs increased by 300 per cent. from £376 per farm in 1949/50 to £1,509 in 1958/59. The next largest increase was in power and transport costs which roughly doubled over the period, reflecting the, by now, familiar trend in the growing use of mechanised power. Manures, rents and rates and labour costs were each almost 60 per cent. higher at the end than they were at the beginning of the period.

Management and investment income per farm in 1958/59 was just over double what it had been in 1949/50. The charge made for the labour of the farmer and his wife increased by 60 per cent. over the period. When this amount is added back to management and investment income, the resultant net farm income will be seen to have doubled from £630 in 1949/50 to £1,206 per farm in 1958/59. Although on average net farm income doubled over the ten years, this rate of increase varied from farm to farm. The distribution of farms by size of net farm income for each year is shown in Table 12.

In all but the last year, losses were incurred by one or more farms in the sample, ranging from six farms in 1950/51 to one in 1951/52 and 1957/58. At the other end of the scale, there was a marked increase in the number of farms in the higher income groups particularly from 1952/53 onwards. For the first three years of the study, the number of farms earning a net farm income of £1,000 or more did not exceed 12 but in the last three years the corresponding number had risen to 37, 39 and 40 farms respectively. Perhaps the most notable feature of the trend is the change in the pattern of income distribution. In 1949/50, 34 farms, amounting to almost 50 per cent. of the sample, fell in the £400 to £799 net farm income range, the remainder being symmetrically grouped on either side. During the latter part of the period, net farm incomes tended generally to move in an upward direction but at the same time farms became much more evenly dispersed over the entire range of net farm income.

SUMMARY

In this chapter, the intention has been to furnish a descriptive background against which the facts to be presented later should be judged. The general information has for the most part been presented in a form which is conventionally used in expressing the financial results from farming. Data have also been provided in order to show that the results achieved by the sample farms are by no means untypical when compared with the position in the South West as a whole. In fact a close similarity has been noted between the trend and levels of gross output, costs and income for the study farms and for the Farm Management Survey farms investigated annually by this Department.

The fact that the study comprised an identical sample of 72 farm businesses might give the impression of a static situation in which there was very little change during the ten-year period. But such is far from being the case. As will have been seen, the sizes of farm and systems of occupancy were continually altering. The volume of farm production rose, with the necessary accompaniment of an increase in farm investment. It is with the impact of these changes and the need for and supply of funds that the remainder of this report is concerned.

REFERENCES

[1] MORRIS, S. T., LUXTON, H. W. B. and DAVIES, G. D. D. (1962). "Farm Organisation and Incomes in South West England, 1960-61." Report No. 128. University of Exeter, Department of Economics (Agricultural Economics), Newton Abbot.

Table 1 FARMERS' AGE CLASSIFICATION AT 1958/59 AND THE NUMBER OF INSTANCES IN WHICH SONS WERE ACTIVELY ENGAGED ON THE FARM

Age Group	Number of Farmers	Per Cent. of Total	Number of Farms with a Son, or Sons, actively engaged.
40 years and under	10	14	1
41 to 45	14	19	3
46 to 50	15	21	6
51 to 55	11	15	4
56 to 60	12	17	6
Over 60 years	10	14	7
Total	72	100	27

Table 2 DATE STARTED FARMING ON OWN ACCOUNT

Date	Number of Farmers
Pre-1939	47
1939-45	7
1946	3
1947	5
1948	5
1949	5
Total	72

Table 3 CLASSIFICATION OF OCCUPIERS BY SYSTEM OF TENURE

Study Sample, 72 farms, and Sample of 160 F.M.S. farms, 1949/50 to 1958/59.

	1949/50		1950/51		1951/52		1952/53		1953/54		1954/55		1955/56		1956/57		1957/58		1958/59	
	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%
Study sample																				
Tenants	49	68	48	67	45	63	43	60	41	57	40	56	38	53	38	53	34	47	33	46
Mainly tenants	6	8	6	8	6	8	6	8	7	10	8	11	9	13	8	11	9	13	8	11
Owners	11	16	12	17	13	18	14	20	16	22	16	22	16	21	17	23	19	26	21	29
Mainly owners	6	8	6	8	8	11	9	12	8	11	8	11	9	13	9	13	10	14	10	14
Total	72	100	72	100	72	100	72	100	72	100	72	100	72	100	72	100	72	100	72	100
F.M.S. sample																				
Tenants	104	65	102	64	97	61	95	59	88	55	86	54	82	51	80	50	76	48	70	44
Mainly tenants	8	5	9	6	9	6	9	6	12	7	12	7	14	9	15	9	15	9	16	10
Owners	33	21	34	21	34	21	35	22	38	24	41	26	42	26	43	27	46	29	49	31
Mainly owners	15	9	15	9	20	12	21	13	22	14	21	13	22	14	22	14	23	14	25	15
Total	160	100	160	100	160	100	160	100	160	100	160	100	160	100	160	100	160	100	160	100

Table 4 CLASSIFICATION OF ACREAGE* BY SYSTEM OF TENURE

72 farms, 1949/50 to 1958/59

	1949/50		1950/51		1951/52		1952/53		1953/54		1954/55		1955/56		1956/57		1957/58		1958/59	
	Acres	%	Acres	%	Acres	%	Acres	%	Acres	%	Acres	%	Acres	%	Acres	%	Acres	%	Acres	%
Tenanted	7,066	78	6,988	77	6,716	74	6,525	71	6,349	70	6,499	70	6,443	70	6,106	66	5,873	62	5,730	60
Owned	1,956	22	2,036	23	2,382	26	2,598	29	2,763	30	2,774	30	2,743	30	3,120	34	3,608	38	3,849	40
Total	9,022	100	9,024	100	9,098	100	9,123	100	9,112	100	9,273	100	9,186	100	9,226	100	9,481	100	9,579	100

* Including rough grazings.

Table 5 SUMMARY OF CHANGES IN OCCUPANCY OF LAND

72 farms, 1949/50 to 1958/59

	Status in 1949/50				
	Tenants	Mainly Tenants	Owners	Mainly Owners	Total
Number of farmers who:—					
Retained the same acreage and status	23	5	8	2	38
Rented more land	11	—	1	1	13
Gave up rented land	1	—	—	—	1
Bought land	6	—	2	1	9
Sold land	1	—	—	3	4
Bought farm	12	1	—	—	13
Sold farm	—	—	1	—	1
Total	54	6	12	7	79*

* Including 1 tenant who bought land and gave up rented land
1 tenant who both bought and rented more land
1 tenant who bought a farm and sold some land
2 tenants who bought farms and more land
1 owner who sold his farm and rented another
1 owner who sold and rented some land

Table 6

SIZE DISTRIBUTION OF FARMS

72 farms, 1949/50 to 1958/59

Size Group acres*	1949/50		1950/51		1951/52		1952/53		1953/54		1954/55		1955/56		1956/57		1957/58		1958/59	
	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%
Under 50	10	14	10	14	10	14	10	14	10	14	10	14	10	14	10	14	10	14	9	13
50 to 99	20	28	20	28	19	26	19	26	18	25	17	24	18	25	17	23	17	24	16	22
100 to 149	18	25	18	25	19	26	18	25	19	26	19	26	19	26	19	26	19	26	20	28
150 to 199	13	18	13	18	13	18	15	21	16	22	15	21	14	19	15	21	15	21	15	21
200 and over	11	15	11	15	11	15	10	14	9	13	11	15	11	15	11	15	11	15	12	17
Total	72	100	72	100	72	100	72	100	72	100	72	100	72	100	72	100	72	100	72	100
Average Size	Acres																			
Unadjusted	125		125		126		127		127		128		128		128		130		133	
Adjusted	112		112		113		114		114		115		116		116		118		120	

* Including rough grazings

Table 7 CLASSIFICATION OF FARMS BY TYPE OF FARMING

72 farms, 1958/59

	Number of Farms		Per Cent. of Total	
1. Dairy		10		14
2. Devon and Cornwall Dairy and Mixed ..		13		18
3. Devon and Cornwall Mixed Livestock		24		33
4. Devon and Cornwall Mixed with Crops		5		7
5. Devon and Cornwall Cattle and Sheep:				
(a) Lowland	11		15	
(b) Upland	3	14	4	19
6. Cornwall Dairy and Pigs		6		9
Total		72		100

Table 8

ANALYSIS OF CROPPING

72 farms, 1949/50 to 1958/59, and comparative data for 255 F.M.S. farms in 1958/59

Per 100 adjusted acres

	1949/50	1950/51	1951/52	1952/53	1953/54	1954/55	1955/56	1956/57	1957/58	1958/59 72 Farms	1958/59 255 F.M.S. Farms
Wheat	2.1	2.5	1.5	1.8	2.3	1.5	1.1	0.8	0.6	1.1	3.2
Barley	2.6	1.9	2.0	2.2	1.5	1.5	2.0	2.5	4.1	5.8	9.7
Oats	10.3	8.7	6.8	6.2	6.0	4.6	4.6	5.5	4.5	4.0	3.4
Mixed corn	7.4	8.1	8.5	8.8	9.0	8.8	8.0	6.9	5.6	4.5	2.7
Potatoes	2.2	1.8	1.2	1.0	0.9	0.8	0.7	0.8	0.7	0.6	0.9
Turnips and swedes ..	1.3	1.5	1.5	1.4	1.7	1.6	1.5	1.1	1.5	1.1	0.8
Mangolds	0.9	1.0	1.0	0.9	0.8	0.7	0.7	0.7	0.6	0.6	0.5
Rape	1.8	2.0	1.6	2.0	1.8	2.1	1.6	1.2	1.2	1.1	0.7
Kale	0.5	0.6	1.0	1.2	1.2	1.2	1.6	2.1	2.0	2.1	3.2
Cabbage	0.4	0.6	0.4	0.4	0.4	0.2	0.3	0.1	0.1	0.1	0.1
Other crops	0.5	0.5	1.1	0.9	0.9	1.5	0.8	0.5	0.7	0.5	0.8
Total tillage	30.0	29.2	26.6	26.8	26.5	24.5	22.9	22.2	21.6	21.5	26.0
Temporary grass for hay*	11.8	12.6	12.9	13.5	12.7	12.4	12.6	12.6	12.6	14.5	16.9
Permanent grass for hay*	8.3	5.9	7.3	7.9	9.0	8.2	11.2	10.2	10.3	9.5	10.7
Total hay	20.1	18.5	20.2	21.4	21.7	20.6	23.8	22.8	22.9	24.0	27.6
Temporary grazing ..	11.8	12.1	12.5	13.5	10.4	9.2	7.4	9.6	9.2	8.0	10.3
Permanent grazing ..	34.4	36.4	36.9	34.4	37.4	41.6	41.9	41.4	42.2	42.8	32.8
Rough grazing (pasture equivalent)	2.6	2.7	2.7	2.8	3.0	3.1	3.1	3.1	3.2	2.9	2.5
Orchards	1.1	1.1	1.1	1.1	1.0	1.0	0.9	0.9	0.9	0.8	0.8
Total grazing	49.9	52.3	53.2	51.8	51.8	54.9	53.3	55.0	55.5	54.5	46.4
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

*Including silage

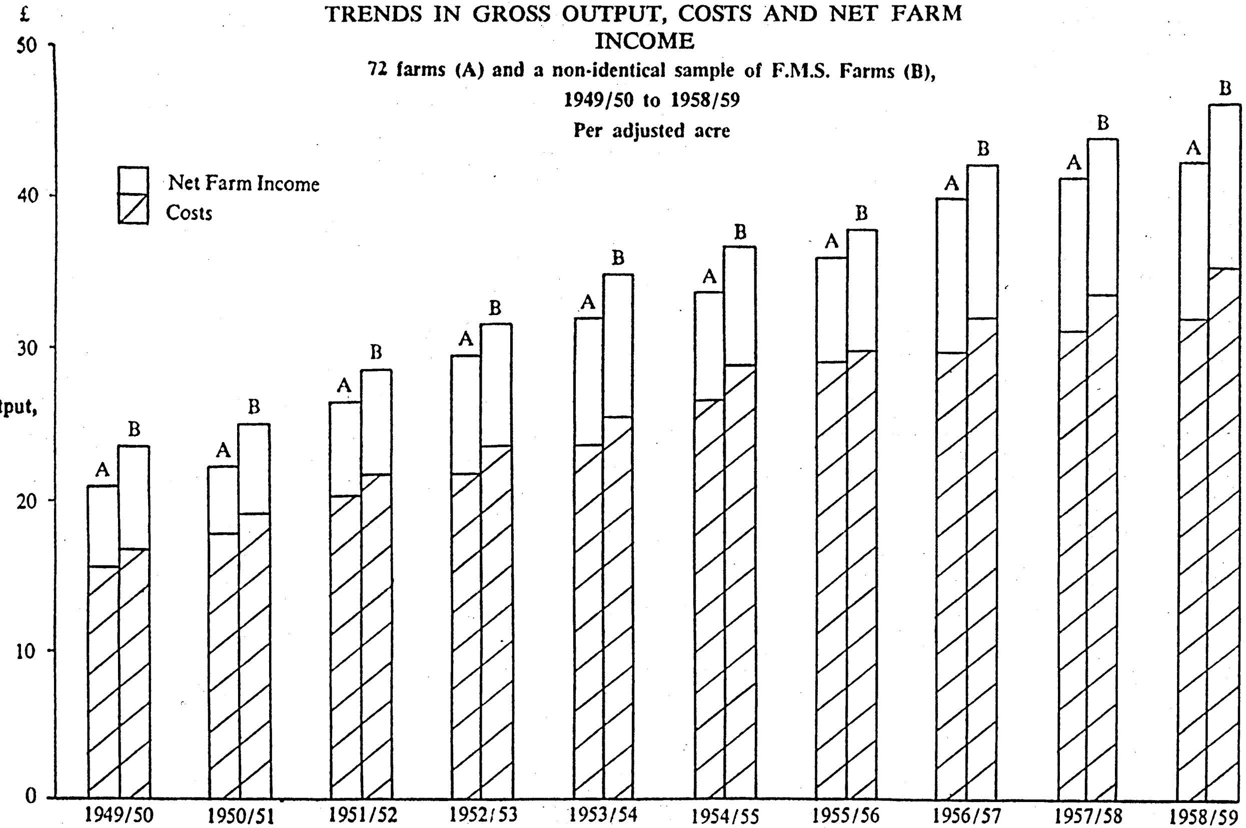
Table 9

ANALYSIS OF STOCKING

72 farms, 1948/49 to 1958/59 and comparative data for 255 F.M.S. farms in 1958/59
Closing Valuation per 100 adjusted acres

	1948/49	1949/50	1950/51	1951/52	1952/53	1953/54	1954/55	1955/56	1956/57	1957/58	1958/59 72 Farms	1958/59 255 F.M.S. Farms
Horses	1.5	1.4	1.4	1.2	1.1	1.1	1.0	0.9	0.8	0.7	0.6	0.3
Cattle												
Bulls	0.6	0.6	0.5	0.4	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3
Cows	12.3	12.8	12.1	11.5	12.6	13.0	12.8	13.0	13.7	14.5	14.5	17.6
Heifers-in-calf ..	2.5	2.7	2.5	3.3	2.8	3.0	2.8	3.2	2.8	3.4	3.4	3.6
Stores over 2 years	4.2	4.1	4.3	4.2	4.2	4.8	4.4	5.2	5.0	4.0	4.8	3.4
Stores 1-2 years ..	6.6	7.4	8.5	7.6	7.2	7.7	8.8	8.5	7.7	8.2	8.2	7.8
Stores 0-1 year ..	10.2	10.5	9.5	8.4	9.3	10.3	9.7	9.6	10.2	11.0	11.9	10.9
Total	36.4	38.1	37.4	35.4	36.4	39.1	38.8	39.8	39.7	41.4	43.1	43.6
Sheep												
Ewes	28.1	29.0	28.2	29.1	32.9	35.0	35.4	37.7	43.0	46.2	44.4	35.3
Others	31.1	36.0	32.3	37.6	42.1	45.4	39.8	42.2	45.1	51.4	54.1	40.3
Total	59.2	65.0	60.5	66.7	75.0	80.4	75.2	79.9	88.1	97.6	98.5	75.6
Pigs												
Sows and in-pig gilts	0.7	0.8	1.1	1.2	1.2	1.8	2.1	2.0	2.2	2.6	2.2	3.1
Others	3.7	6.4	7.5	10.3	13.0	18.6	24.4	24.5	25.3	28.9	27.5	28.2
Total ..	4.4	7.2	8.6	11.5	14.2	20.4	26.5	26.5	27.5	31.5	29.7	31.3
Poultry	140	161	150	141	152	178	215	248	261	267	283	225

Figure 3



TRENDS IN GROSS OUTPUT, COSTS AND NET FARM INCOME*

72 farms (A) and a non-identical sample of F.M.S. Farms (B), 1949/50 to 1958/59

Per adjusted acre

*Excluding labour of farmer and wife

Table 10 GROSS OUTPUT, INPUTS, MANAGEMENT AND INVESTMENT INCOME AND NET FARM INCOME

72 farms, 1949/50 to 1958/59

Per farm

	1949/50		1950/51		1951/52		1952/53		1953/54		1954/55		1955/56		1956/57		1957/58		1958/59	
	£	%	£	%	£	%	£	%	£	%	£	%	£	%	£	%	£	%	£	%
Gross output																				
Crops	367	15	191	8	273	9	239	7	205	6	157	4	271	7	259	6	293	6	295	6
Cattle	490	21	530	21	612	21	634	19	744	20	812	21	821	20	908	20	970	20	1,058	22
Dairy produce ..	755	32	825	33	855	29	987	30	1,043	29	1,032	27	1,049	25	1,166	26	1,199	25	1,254	25
Sheep and wool ..	234	10	265	11	386	13	430	13	452	12	437	12	409	10	463	10	568	12	604	12
Pigs	159	7	253	10	388	13	515	15	640	18	788	21	912	22	978	21	930	19	937	19
Poultry	276	12	348	14	366	12	399	12	467	13	510	13	609	15	717	15	741	16	690	14
Sundries	65	3	62	3	72	3	120	4	63	2	59	2	60	1	83	2	97	2	112	2
Total	2,346	100	2,474	100	2,952	100	3,324	100	3,614	100	3,795	100	4,131	100	4,574	100	4,798	100	4,950	100
*Inputs**																				
Feedingstuffs	376	19	573	26	683	27	739	27	931	31	1,194	35	1,411	39	1,476	39	1,439	36	1,509	36
Seeds	85	4	68	3	100	4	92	3	66	2	76	2	81	2	64	2	71	2	76	2
Manures	147	7	135	6	192	7	221	8	164	6	164	5	205	6	199	5	213	5	232	5
Rent and rates ..	151	8	159	7	164	6	170	6	172	6	187	6	199	5	210	6	227	6	240	6
Labour*	755	38	778	35	820	32	850	31	917	31	956	29	988	27	1,037	27	1,116	28	1,193	28
Power and transport ..	315	16	361	15	420	17	479	18	521	17	534	16	546	15	561	15	637	16	655	16
Miscellaneous ..	172	8	174	8	191	7	192	7	227	7	245	7	231	6	243	6	296	7	299	7
Total	2,001	100	2,248	100	2,570	100	2,743	100	2,998	100	3,356	100	3,661	100	3,790	100	3,999	100	4,204	100
	£		£		£		£		£		£		£		£		£		£	
Management and investment income ..	345		226		382		581		616		439		470		784		799		746	
Add																				
Wages—farmer and wife	285		283		305		324		345		353		365		394		428		460	
Net farm income ..	630		509		687		905		961		792		835		1,178		1,227		1,206	

*Including labour of farmer and wife.

Table 11 PERCENTAGE CHANGE IN GROSS OUTPUT, INPUTS, MANAGEMENT AND INVESTMENT INCOME AND NET FARM INCOME

1949/50 to 1958/59

72 farms

	Percentage Change 1949/50 to 1958/59
Gross output	%
Crops	— 20
Cattle	+116
Dairy produce	+ 66
Sheep and wool	+158
Pigs	+489
Poultry	+150
Sundries	+ 72
Total	+111
*Inputs**	
Feedingstuffs	+301
Seeds	— 11
Manures	+ 58
Rent and rates	+ 59
Labour*	+ 58
Power and transport	+108
Miscellaneous	+ 74
Total	+110
Management and investment income	+116
Wages—farmer and wife	+ 61
Net farm income	+ 91

*Including labour of farmer and wife

Table 12

DISTRIBUTION OF FARMS BY SIZE OF NET FARM INCOME

72 farms, 1949/50 to 1958/59

Net Farm Income per Farm	1949/50		1950/51		1951/52		1952/53		1953/54		1954/55		1955/56		1956/57		1957/58		1958/59	
£	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%
Loss	3	4.2	6	8.3	1	1.4	2	2.8	2	2.8	5	6.9	5	7.0	2	2.8	1	1.4	—	—
0 to 199	4	5.6	5	6.9	5	6.9	1	1.4	1	1.4	7	9.7	2	2.8	2	2.8	2	2.8	2	2.8
200 to 399	12	16.6	10	13.9	10	13.9	5	6.9	6	8.3	5	6.9	8	11.1	7	9.7	3	4.2	4	5.6
400 to 599	17	23.6	20	27.8	12	16.7	9	12.5	9	12.5	13	18.1	14	19.4	6	8.3	7	9.7	7	9.7
600 to 799	17	23.6	18	25.0	18	25.0	12	16.7	17	23.6	13	18.1	15	20.8	9	12.5	6	8.3	10	13.9
800 to 999	7	9.7	8	11.1	14	19.4	16	22.2	7	9.7	11	15.3	8	11.1	9	12.5	14	19.4	9	12.5
1,000 to 1,199	4	5.6	4	5.6	7	9.7	10	13.9	10	13.9	6	8.3	5	6.9	7	9.7	10	13.9	10	13.9
1,200 to 1,399	5	6.9	1	1.4	1	1.4	8	11.1	5	7.0	3	4.2	4	5.6	5	7.0	5	6.9	7	9.7
1,400 to 1,599	2	2.8	—	—	1	1.4	2	2.8	6	8.3	2	2.8	3	4.2	6	8.3	4	5.6	7	9.7
1,600 and over	1	1.4	—	—	3	4.2	7	9.7	9	12.5	7	9.7	8	11.1	19	26.4	20	27.8	16	22.2
Total	72	100.0	72	100.0	72	100.0	72	100.0	72	100.0	72	100.0	72	100.0	72	100.0	72	100.0	72	100.0

V

SOURCES AND DISPOSAL OF FARMING FUNDS

A TEN-YEAR STUDY OF 72 FARMS

SUMMARY OF TRENDS, 1949/50 TO 1958/59

A broad view of the results for the ten years as a whole may be obtained from the aggregated summary shown in Table 13. In all there were just over a million pounds available for disposal by the 72 farmers and 91 per cent. of this total came from their own resources which, in turn, was almost wholly derived from farming operations. Nine per cent. of the total was provided by a net increase in borrowing, that is, additional borrowings less repayments made during the period.

Of the million pounds available for disposal, 92 per cent. was expended in one form or another, the bulk having been invested in the farm businesses in the directions listed under farm investment. Over a third of the total was spent on family living; five per cent. was used to meet charges upon income in the form of loan interest and income tax; the remaining eight per cent. was absorbed in the increased level of financial assets.

The relationship between the total funds obtained from the farmers' own resources and total expenditure (the sum of charges upon income, family living expenses and farm investment) is an important one. The ten-year aggregate of total expenditure amounted to £959,906 and, of that sum, 98 per cent., namely £940,665, was provided by the farmers' own resources.

A summary of the results in total for the 72 farms in each of the ten years is given in Table 14 and in Tables 15 and 16 the results are presented per farm and per 100 adjusted acres respectively. The trend is shown in index form in Table 17 and in diagrammatic form in Figure 4. The percentage composition of the total available funds and their disposal appears in Table 18.

In keeping with the trend in net farm income already described in the previous chapter, gross farm income approximately doubled over the period. If the receipts from non-farming sources are included, the total funds available from the farmers' own resources showed a similar movement. The upward trend can be seen to have occurred in three quite distinct stages. For the first three years, total own resources remained at about the 1949/50 level. There was a marked increase in 1952/53 when the total rose to 45 per cent. above that of the first year. This level was sustained until 1956/57 when the index rose to 179. In the following year there was a further substantial increase, with a similar result being achieved in the final year, 1958/59. It is worthy of note that in no year was there any reduction in the overall level of financial assets for the sample as a whole.

The position for each individual year may be readily seen from Figure 4. In five of the years studied, a certain amount of borrowing was resorted to in order to meet the demands of total expenditure. Even so, the proportion of total expenditure provided by own resources in any particular year never fell below 87 per cent. During the other five years own resources were sufficient to cover all expenditure.

The net increase in borrowing, that is, additional sums borrowed less loan repayments made during the year, varied considerably throughout the period. The incidence of borrowing was at its highest in 1958/59 when, as will be seen from Table 18, it amounted to 18 per cent. of total incoming funds. For the five-year period from 1952/53 to 1956/57 inclusive, net borrowings remained below 10 per cent. of the total funds available for disposal.

Financial assets, comprising liquid assets and financial reserves, generally showed an upward movement, although almost negligible in 1950/51 and 1955/56. An increase in financial assets might arise through the need to keep larger sums of money in the form of liquid assets in order to meet the rise in current operating expenses brought about by a rising level of production. It might also be due to a surplus of funds remaining after all expenditure has been met, or a combination of both factors. An attempt to assess their relative importance will be made in a more detailed analysis later in the study.

The summary results have been further expressed on a per farm basis in Table 15 and per 100 adjusted acres in Table 16. It may be of interest to compare the levels of gross farm income and total incoming funds with that of net farm income as conventionally calculated.

The general picture is, therefore, one of an expanding size of business and a near self-sufficiency in the provision of funds for expansion. Similar conclusions were, in fact, drawn in a survey of 53 Devon farms published by this Department in 1957.[1] In that study it was noted that the great majority were prepared to carry out particular investments with their own savings but were unwilling to borrow for the purpose.

At this preliminary stage, however, there are two important qualifications to be made. First, although farmers' own resources may have appeared adequate for the sample as a whole, there were some farms on which the level of income was insufficient to permit investment without recourse to borrowing and also a number on which gross income was large enough to yield a residue of funds after family living and investment commitments had been met. Second, and this is largely inter-related with the first point, the figures as yet presented give no indication whether the funds available from the farmers' own resources have been adequate to permit a technically desirable level of investment or whether investment has in fact been curtailed to enable it to be met from the personal funds at the farmers' disposal. It is hoped that the following detailed examination of the results contained in the summary tables will shed some light on the factors underlying the levels of borrowing and investment undertaken by the farmers in the sample.

INCOMING FUNDS

Gross Farm Income

Gross farm income contributed by far the major part of the total funds available for disposal. It will have been seen from Table 18 that in no year did this proportion fall below 79 per cent. and in four years it was over 90 per cent. of the total.

Surplus of Receipts over Expenditure

The more detailed analysis in Table 20 shows that easily the largest share of gross farm income in each year studied was provided by the surplus of receipts over expenditure. In 1956/57, the proportion was at its highest, 82 per cent., while the lowest, 67 per cent., was recorded in 1955/56 and 1958/59. Other forms of farming cash receipts, namely those from sales of physical assets and from capital grants, were of relatively minor importance varying from four per cent. of total gross farm income in 1949/50 to 13 per cent. in each of the years 1954/55, 1957/58 and 1958/59.

The remainder of gross farm income came from non-cash sources—annual changes in the valuations of livestock, crops and stores, the value of farm produce consumed in the farmhouse and an adjustment made for the private share of certain expenses met by the farm business. Over the whole period, these non-cash items together amounted on average to approximately 20 per cent. of the total gross farm income.

Changes in Valuations

Closing inventories for the study period are shown in financial and physical terms in Tables 21 and 22. The value of crops and stores showed little change from year to year but, as has been noted in the previous chapter, there was a substantial increase in the value and numbers of livestock.

In money terms, the total livestock valuation per farm almost doubled over the period, from an opening total of £1,513 in 1949/50 to a closing total of £2,961 in 1958/59, the rate of expansion being greater in the later years. Among the different classes of livestock, pig valuations showed the greatest increase, from a low level of £43 per farm at the beginning to £274 at the end of the period. Next in importance were sheep for which the value in 1958/59 had risen by almost two and a half times, followed by poultry and cattle which were respectively 88 and 77 per cent. above their levels at the beginning of the period.

Changes in the value of livestock inventories are the result of a combination of several factors. They may be brought about by changes in the actual numbers of livestock kept or in their unit values which may in turn be due to fluctuations in market values, to some measure of livestock depreciation or to changes in the quality of livestock kept and in the different types within any given class.

Changes in the physical inventories may be seen in Table 22. There was a more than seven-fold rise in pig numbers, a rate of increase which is somewhat greater than that expressed in money terms. This apparent fall in unit values was due to a marked expansion in the number and size of fattening enterprises which is clearly evident from a comparison of the ratio of sows and in-pig gilts to other pigs at the beginning and end of the period in Table 21. Poultry numbers more than doubled which again is greater than the rise in the financial valuation. Total sheep increased by 78 and cattle by 27 per cent. Although the ratio of ewes to other sheep decreased slightly, there was little change in the composition of the cattle inventories.

The general impression is, therefore, one of an all-round expansion in livestock kept, the rate at which it occurred depending on the nature of the enterprise itself. With cattle, the basic enterprise, there was a moderate increase. In the case of sheep, the mainly complementary enterprise, numbers rose to a slightly greater extent and the increase was most pronounced with the supplementary enterprises, pigs and poultry, which are not dependent for their existence on farm feed supplies.

Farm Produce Consumed, etc.

As has been described above, this non-cash item in gross farm income comprises two quite distinct constituents—the value of farm produce consumed and an adjustment to take account of the private share of certain farm expenses. This broad division is shown in Table 23.

Private consumption of farm produce, consisting mainly of such foodstuffs as milk, eggs, potatoes and poultry, was by far the most important single item in the total of these non-cash private adjustments. In all probability, the estimates of farm produce consumed fairly represent the value of the amounts used in the farmhouse. The adjustment made for the private use of a car may seem on the low side when expressed on a per farm basis. It should, however, be pointed out that there were seven farmers who did not own a private car during the period and also that the number of occasions when the car was used solely for personal purposes was much less often than might be imagined at first sight. A similar argument might be used regarding the use of other farm inputs such as the telephone, electricity, coal, etc.

A more difficult problem arises in attempting to assess the purely residential value of each farmhouse in the sample, a task which could hardly be justified in view of the relatively unimportant part the result would play in this particular study. For the sake of convenience, the allowance for the residential value of the farmhouse follows the conventional accounting procedure, namely, an annual credit of two-thirds of the sum of the rental value and rates of the farmhouse.

It was decided previously that the farmer's house should be considered as part of farming capital and it may, therefore, seem inconsistent at this stage to include an estimate of its value as a residence. However, this part of the study is concerned with the sources and disposal of farming funds, part of which is spent on family living. Since figures were already available of the private adjustments made in the accounts, it was considered advisable to include them as an addition to farming income and also as a family living expense, on the condition that they be suitably qualified and their limitations recognised.

Sales of Physical Assets

It has been shown previously in Table 20 that the proceeds from the sales of physical assets during the ten-year period varied from four to 12 per cent. of gross farm income. A detailed analysis of this item has been made in Table 24. Except in some of the later years, the total was comprised almost entirely of sales of vehicles, plant and machinery, of which private motor-cars were the most important single item. In the majority of cases, the sale proceeds arose through exchange deals and this was particularly so in regard to motor-cars and tractors. The rising trend in the number and value of exchange transactions is itself a reflection of the increase in mechanisation, a feature of farm investment which will be discussed in a later section dealing with the disposal of funds.

From 1954/55 onwards, sales of land and property formed a substantial part of the sales of physical assets. In that particular year, one owner-occupier sold his farm which he, as a sitting tenant, had bought several years previously. Being not entirely satisfied with this holding, he took the opportunity, through a family connection, of becoming the tenant of a much better farm at a reasonable rent. In subsequent years, there were also sales of land and property, including some from newly-acquired farms, the sale of part of which with vacant possession assisted in the purchase of the remainder.

Capital Grants

The contribution of capital grants to gross farm income may appear to be of quite minor importance. As already seen in Table 20, Exchequer grants at their greatest, in 1955/56 and 1958/59, amounted to no more than three per cent. of gross farm income. However, the amount of these grants should be seen in relation to the level of investment undertaken in each of the respective years. The importance, or otherwise, of capital grants may, therefore, be more fully assessed later when the amounts and types of farm investment are discussed. For the present, a more detailed analysis of the grants received is given in Table 25.

The grants have been classified not according to their precise titles, but rather to the type of work carried out. Thus, for example, grants in respect of the erection and improvement of farm buildings may have been received under the Marginal Land, Farm Improvement or the Livestock Rearing Land Schemes.

The total grants received showed a general increase over the period, although there were some fluctuations from year to year. In the last year, 1958/59, there were 16 grant-aided improvements involving £3,627. In addition to the grants shown in the table, there were four instances of assistance, totalling £470, having been given to tenant-occupiers by their landlords towards the cost of installing water and electricity and farmhouse improvements. Two years excepted, grants for buildings, including farmhouses and cottages, and yards formed the major part of the total. In that particular group farm buildings took the greatest share. Second in importance were the installation of water and electricity supplies and the building of roads.

The rise in the number and value of grants received was due to a combination of a number of factors, and their relative importance will be given some attention later. In the first place, there was an increase in the number of schemes becoming available from 1949/50 onwards, coupled with a growing awareness on the part of farmers of their existence. Second, as has been noted earlier, there was a considerable movement towards owner-occupier status in the sample and consequently an increase in the opportunities for "landlord-type" investments which themselves became more important with an expanding size of business. Finally, increased profits provided the necessary funds, and income tax allowances a stimulus, for this kind of investment.

Non-Farm Receipts

Non-farm receipts—incoming sums of money which cannot be directly attributed to farming operations—made quite a small contribution to the total disposable funds. In four years, as shown in Table 18, they amounted to no more than three per cent. of the total incoming funds and were at their highest level, namely six per cent., in three other years.

In Table 26 non-farming receipts have been divided into four categories. Private income consists of those receipts which are of an annually recurring nature, comprising interest from investments and deposit accounts, rents from land and property other than that farmed by the occupier, family allowances and pensions. Gifts and legacies are self-explanatory and could quite easily be identified from the records available. Miscellaneous receipts may be defined as those incoming non-farm funds which are non-recurring and, as may well be imagined, are so diverse as to preclude any further breakdown. They range from a fairly large sum in settlement of a personal accident insurance claim to small sums of money derived from the sale of personal effects. There were even two wins on the football pools large enough to warrant special mention in the farmers' financial records and also, in the earlier years of the study, several private receipts the exact nature of which could not be identified. It is in consequence hardly surprising that private income is the only single item of non-farm receipts in which any definite trend over the period is discernible, the receipts from the remaining three categories being quite fortuitous.

Net Reduction in Financial Assets

For the sample of 72 farms, in no year was there on balance a reduction in the level of financial assets. In fact they increased in each year of the study. However, at this stage there are two qualifications to be borne in mind which will be considered later in greater detail. In the first place, there were farms on which the level of financial assets fell but these decreases were more than offset by the increase on other farms. Second, the term financial assets comprises two main types—liquid assets and financial reserves. There were some years in which the level of liquid assets fell but that of the financial reserves rose by an amount sufficient to result in an overall positive change in total financial assets. In fact this kind of change frequently occurred merely because farmers transferred liquid assets, money in bank current accounts for example, which were surplus to working requirements into income-earning deposits and investments.

Net Increase in Borrowing

In order to avoid any possible misunderstanding, it may be desirable to repeat an earlier definition of net increase in borrowing. The term represents the additional sums borrowed during any one accounting year less loan repayments made. It will already have been seen from Table 18 that the contribution of net increase in borrowing to total incoming funds varied considerably during the period. In 1958/59, for example, additional net borrowing provided as high a proportion as 18 per cent. of total incoming funds, while, during the five years from 1952/53 to 1956/57, the proportion did not reach 10 per cent. and, in two of those years, did not exceed three per cent. of the total. The actual composition of net increase in borrowing for each year is shown in Table 27.

The additional net borrowing during each year has first been divided into two broad groups—the loans obtained from family and those from non-family sources. In certain years, notably 1949/50, 1952/53 and 1954/55, the former type was quite important, amounting respectively to 37, 25 and 40 per cent. of the total additional credit acquired. In spite of the definition used in the financial records, however, it hardly seems satisfactory to use the term " loan " in connection with these advances from the farmers' relatives. As has been stated earlier, such so-called loans assume more the characteristics of a gift since, in quite a number of cases, there was no indication either that repayments were made or even interest paid. In such instances it would appear that the " loans " might be more accurately regarded as advance payments of what would eventually become a legacy.

In the non-family sector, a substantial part of the increase in borrowing, 1956/57 excepted, came from accounts owed by the farmers. The annual increases shown in Table 27 are in fact net changes measured by comparing the total of the creditor balances at one year-end with that of the previous year. It is always difficult to decide whether changes in the level of creditor balances are intentional on the farmers' part or fortuitous; whether an increase in creditor balances reflects deliberate borrowing or is due to a delay in rendering accounts for goods supplied and services rendered. However, whatever may be the case, the overall effect is the same and farmers are given credit in the form of a time-lag between the supply and use of goods and services and the settlement of the account. A further consideration arises in connection with the term " traders " which has been used to describe this kind of borrowing. It should be pointed out that the definition is a much broader one than is usually understood by the commonly accepted term " merchants' credit ". As will shortly be seen, a much larger field is involved embracing not only amounts owing to agricultural merchants but also those due to other farmers, to landlords in respect of rents due, to workers, family and others for wages due and for professional services.

In this study, institutional credit refers wholly to borrowings from the joint stock banks. There was no record of any borrowing from other institutions such as the Agricultural Mortgage Corporation or the Lands Improvement Company. Neither did any farmer avail himself of hire-purchase facilities.

The net increase in borrowing from the banks has been arrived at by a method similar to that adopted with regard to creditor balances. It is the change in the total of the closing debit balances between one year and the next. With the exception of 1952/53, there was in each year a net increase (an excess of fresh borrowing over repayments) in borrowing from the banks. It will be apparent from Table 27 that, in four of the ten years studied, 1950/51, 1951/52, 1954/55 and 1958/59, the joint stock banks provided the greatest contribution to the total of net borrowing from sources outside the farm.

Privately negotiated loans and mortgages became of increasing importance from 1955/56 onwards, a trend which coincided with the rising investment in land and property. It may be of interest to note that interest rates on these private loans, although they increased over the period, did not vary greatly within any particular year. Such loans as were obtained during the early years of the study carried an interest charge of four and a half per cent., while in the last year the rate was either six or six and a half per cent. Repayments of loans, both family and private, are also shown in Table 27.

A more detailed examination of the purposes for which the various types of credit were obtained now follows and concludes this section dealing with the sources of incoming funds at the farmers' disposal.

Family loans and loans from private sources other than the farmers' relatives have been analysed in greater detail and the results are shown in Table 28. It will be noted that the total of private advances rose quite sharply during the latter part of the period studied, a trend which is hardly surprising in view of the movement towards owner-occupier status which was occurring at that time. Family loans, on the other hand, remained reasonably constant, at least from 1950/51 onwards. Greater significance, however, lies in the purposes for which the two types of loans were obtained. With the exception of three small advances totalling £500 during the first three years, there was a total of ten private loans, all of a long-term nature. Nine were provided for the purchase of land and property and one in respect of a water installation scheme. With family loans, on the other hand, a much greater diversity can be seen. Throughout the period there were various small sums of money borrowed to assist in the purchase of machinery and equipment and in quite a number of instances the loans were merely temporary accommodation, repayment being made in the same year.

A breakdown of the closing creditor balances for each year has been made in Tables 29, 30 and 31. The totals show a more or less steady rate of increase over the period, being just over three and a half times greater in 1958/59, at £620 per farm, compared with £174 per farm at the beginning. Of the more important items, accounts owing in respect of feedingstuffs increased almost six-fold between 1948/49 and 1958/59, from £34 to £206 per farm. Because of the substantial increase in credit for feedingstuffs, the relative importance of most of the remaining items either declined or stayed fairly constant, although in each case the rate of increase kept pace with that of the totals. Thus, for example, the relative importance of manures and fertilisers fell from 15 to nine per cent. between 1948/49 and 1958/59 but in absolute terms more than doubled from £26 to £58 per farm.

The upward trend in closing creditor balances is perhaps better illustrated in Table 31 by the changes in the size distribution from year to year. Whereas at the commencement of the study 91 per cent. of the farms had closing creditor balances of under £400, by 1958/59 the proportion had fallen by more than a half, to 44 per cent. At the other end of the scale, only one farm had a balance of £1,000 or over at the start but in 1958/59 there were ten farms, or 14 per cent. of the sample, in this size group.

In each year the banks have been relatively important suppliers of borrowed funds for farming. It has already been noted in connection with Table 27 that, during four of the ten years studied, they provided the major share of the advances. The bank loans have been more closely examined in Tables 32, 33 and 34.

The overall indebtedness to banks, Table 32, increased from an opening total of £8,565 in 1949/50 to a closing total of £49,377 in 1958/59. The rate of increase, however, was by no means constant over the period. Until the end of 1951/52, total overdrafts rose quite sharply at an annual rate of approximately £5,000. In the following year, the total fell by a slight amount and subsequently, until 1957/58, rose gradually by about £2,000 each year. By the end of the final year, 1958/59, overdrafts had risen by £19,000 and this increase itself almost equalled the total overdrafts outstanding at the end of 1951/52. This almost six-fold increase in indebtedness to the banks can be attributed to more farmers having availed themselves of borrowing facilities and an increase in the average size of overdraft. The number of farmers with overdrafts rose from 18 to 30, that is 25 per cent. of the farmers at the beginning compared with 42 per cent. at the end. The average size of overdraft increased over the period from £476 to £1,646.

A comparison of the relative levels of overdraft indicates that for the first half of the study the average for the owner-occupiers exceeded that for the tenants but in the second half the position was reversed. Regarding this reversal of trend, however, it should be pointed out that during the later years there was considerable buying of land and property, mainly undertaken by the tenants, and some of these purchases were assisted by bank loans. In some instances the purchase of land was not sufficient to result in a change of status from tenant to owner-occupier (i.e. the tenanted portion still remained more than half the total acreage farmed). Where the land bought was sufficient to cause a change in status, then the tenant would have been classified as an owner-occupier in the year following that in which the purchase was made. In view of the changing number of farms, both tenanted and owner-occupied, with overdrafts any comparisons between the two categories should be made with the above reservations in mind.

Frequency distributions of bank overdrafts at the end of each year, from 1948/49 to 1958/59, are shown in Table 33. It will be recalled that the average overdraft increased from £476 to £1,646, and the number of farms with overdrafts from 18 to 30, over the ten-year period. A closer examination of the distribution reveals that at the commencement of the study 13 of the 18 farms, or 72 per cent. of the total, had overdrafts of under £400 and there were none of £1,000 and above. By the end of 1958/59, however, the number of farms with overdrafts of under £400 had fallen to six, or 20 per cent. of the total, but there were 14, almost half the total of 30 farms, with overdrafts of £1,000 and over.

An attempt has been made in Table 34 to estimate the purpose for which bank loans were granted. It is not always easy, though, from an examination of past records to state with any degree of accuracy what the precise purposes were. In those instances where the amount borrowed is large, it is relatively simple to identify the item of expenditure for which the loan was incurred. The purchase of land and property can be taken as an illustration of this point. Where the amounts involved are smaller, however, they are much more difficult to identify. Thus, for example, if a farmer's overdraft has risen by £450 and he is seen to have purchased a machine for £500, carried out building improvements to the value of £300 and the livestock valuation has increased by £400, one cannot exactly state the purpose of the additional loan. Hence attention should be drawn to the heading of Table 34 in which the word " estimate " is used.

Bank overdrafts were increased or incurred for the first time for a wide variety of reasons and ranged from long-term loans for the purchase of land and property to purely short-term accommodation. The commonest reason, that which occurred in every year, was the buying of machinery and equipment. It is also true that instances occurred in each year of bank overdrafts having been increased for " sundry purposes " but this category was composed entirely of small amounts for which no specific purpose could be seen and probably in most cases had been brought about by the need for larger working balances in the day-to-day operation of the farm business. It will be noted that in 1955/56 an overdraft of a private nature was obtained. In this particular case, the farmer was the principal beneficiary under a parent's will. The estate consisted mainly of the family farm but, under the terms of the will, there were some legacies to be paid in cash. In order to meet these legacies without selling part of the farm recourse was had to a loan from the bank.

It should, of course, be realised that the level of bank overdrafts, and also the amounts owed to creditors, relate to balances outstanding at the end of the year. They do not take into account the purely short-term facilities which these sources provide during the year and it is to be expected that the amounts borrowed in this manner are likely to fluctuate from month to month according to the credit needs of farming operations. In this study, it was not found possible to ascertain the extent of seasonal variations in creditor balances but some additional analysis of monthly bank balances was carried out over a limited period. The results of this analysis will be discussed in fuller context later when changes in the level of positive balances are dealt with.

OUTGOING FUNDS

Charges upon Income

Charges upon income, comprising income tax and interest payments on loans other than those from a bank, were of importance in that they had a priority call upon disposable income. But as regards amount, they formed quite a small proportion of outgoing funds. It will already have been noted from Table 18 that charges upon income were two per cent. of the total in 1949/50 and increased steadily to eight per cent. in 1958/59.

As will be seen from Table 35, income tax payments were easily the most important constituent and, in view of the rising trend of profits for the sample as a whole, it is hardly surprising that the liability for income tax increased sharply. But, for a host of reasons, it would be unwise to try to establish for these farmers any precise relationship between the level of profits and the incidence of income tax. The movement towards owner-occupier status meant that more and more farmers became liable to tax under Schedule A. The liability to Schedule D tax would have been affected by many factors such as changes in the current rates of taxation ; in the amounts claimed as capital allowances brought about by a generally rising level of farm investment and changes in the rates of allowances; in the rates and situations qualifying for personal allowances and so on. Moreover, there were occasional instances of back-duty payments of tax in respect of years previous to the current assessment year.

Family Living

Farmers utilise their yearly incomes in two major ways, family living and farm investment. It has already been shown in Table 18 that, throughout the ten-year period, the former varied between 29 and 45 per cent. of total outgoing funds and the latter between 43 and 58 per cent. It will also have been noted from Tables 14 and 17, that, although the level of farm investment fluctuated from year to year, family living expenditure did not vary to the same extent. With the exception of 1953/54, family living expenditure increased at a steady rate from 1949/50 to 1958/59.

It is reasonable to suppose that of these two major expenditure groups, that for family living is the less flexible. In an economy such as ours, farm families purchase many of their living requirements—clothing, health services, housing and even food. An established standard of living, however, consists of considerably more than these physical necessities. It is a complex of habits and standards which is considered by the family to be an essential social or cultural requirement. Physical necessities plus these culturally or socially stimulated desires tend to make farm families resist any sharp decline in their accustomed standards of living.

The trend of family living expenditure is shown in Table 36. It is comprised of two main parts, non-cash and cash. Non-cash expenditure consists of those adjustments in respect of private consumption of farm produce and private use of farm resources which have been previously described in Table 23. These non-cash items amounted to between one-fifth and one-sixth of the total expenditure on family living.

Cash items were in total much more important and in no year did they fall below four-fifths of total family living expenditure. As might well be expected, cash items covered a very wide range from consumption expenditure on food, drink, tobacco, newspapers, etc. to consumers' durables such as furniture and furnishings for the house. They included the farmers' own national health contributions, school fees and a proportion (the conventional one-third) of any improvements carried out to the farmhouse.

Total expenditure on family living increased from an average of £384 per farm in 1949/50 to £661 in 1958/59, a rise of 72 per cent. Non-cash adjustments increased by just under a half and cash expenditure by 79 per cent. Apart from a slight decrease in 1953/54, the increase was a gradual one throughout the period.

Farm Investment

During each year of the study, farm investment as a whole claimed the biggest share of the total funds available for disposal. Reference to Table 18 will show that the highest proportion was recorded in 1949/50 with 58 per cent. of the available funds having been diverted to farm investment. The lowest proportion, 43 per cent., occurred in 1956/57 and in six of the ten years the percentage was 50 or more.

Table 37 contains a broad analysis and summary of the different types of investment for each year. The overall pattern of investment during the period showed three fairly distinct phases. In 1950/51 and 1951/52 investment fell below the level of the first year, with indices of 76 and 85 respectively. For the succeeding five years, the total invested fluctuated at slightly above the 1949/50 figure. However, there was a pronounced increase in the final two years during which expenditure ran at roughly twice that of the first year.

Table 37 also contains an analysis of the types of asset upon which expenditure was incurred. Machinery and equipment, which includes private motor-cars, lorries and vans, comprised the biggest single item. Prior to 1957/58, machinery and equipment amounted to between 46 and 62 per cent. of the total. In 1957/58 and 1958/59, although purchases of machinery and equipment themselves increased by almost 50 per cent. over the levels of the previous years, their relation to total expenditure fell to 38 and 37 per cent. respectively. This relative decline was due mainly to a substantial rise in the buying and improvement of land and also to a somewhat lesser extent, in the value of livestock inventories. Expenditure on the erection and improvement of buildings and on the installation and improvement of services together amounted to only six per cent. of the total in 1949/50 but, with the general movement towards owner-occupier status, it became of increasing relative importance from 1951/52 onwards. In 1956/57 this type of expenditure, at 22 per cent. of the total, ranked second to machinery and equipment.

A comparison between the investment undertaken by the tenants and owner-occupiers has been made in Table 38. The results have been expressed per farm and per 100 adjusted acres and on these bases the average total investment of the owner-occupiers exceeded that of the tenants in most years. This difference can largely be accounted for by the greater purchases, on average, of land and property by the former. On aggregate there was little difference between the two groups but, since there was a larger number of tenants in each year, the majority of whom did not buy any land, the effect was to reduce the average per tenant. Under the classification "owner-occupiers" there were included some mainly owner-occupiers formerly owning more than 50 per cent. of the land farmed who were able to buy the tenanted portions to complete the ownership of their holdings. These reasons tend to bias the average results for "landlord-type" investment. Where no sample bias exists, in the purchase of machinery and plant and livestock, there was little difference between the average levels of investment undertaken by tenants and owner-occupiers.

With the exception of annual changes in the livestock valuations which have already been described in Tables 21 and 22, a detailed analysis of the various types of farm investment is contained in the Tables 39 to 45 inclusive. All figures relating to farm investment have hitherto been expressed in terms of gross expenditure, that is, before deducting the value of any assets sold, grants and the amount by which assets owned have depreciated during the year. It will be recollected that the proceeds from sales and capital grants have been included as receipts under the sources of incoming funds. Attempts have consequently been made where possible to arrive at net and gross investment in the ensuing tables.

The acquisition of land and property together with improvements to land in the form of reclamation and field drainage are shown in Table 39. Expenditure on each of these items is shown in two ways, gross and net—net of sales in the case of land and property and net of grants for reclamation and drainage. During the last five years of the study, from 1954/55 onwards, there were substantial sales of land and property, in terms of value if not in number. In 1954/55, as already noted, one farmer sold his farm and took over the tenancy of another. In 1957/58, a farmer sold one of the two farms which he bought and which he had formerly tenanted as one holding. In the three remaining years, there were four instances of parts of holdings being sold, the owners continuing to farm the remainder. The effect of these sales was to reduce, significantly in some years, the net purchases of land and property by the farmers in the sample.

With regard to reclamation and drainage work, twelve such schemes were undertaken during the ten years studied. It is interesting to note that all except three were grant-aided and the grants were sufficient to reduce the expenditure actually incurred by the farmer to almost a half of what it otherwise might have been.

Expenditure on services—the installation of water and electricity and the building of roads—may have seemed a relatively unimportant part of total farm investment, Table 37. Yet, as will be seen from Table 40, during most of the years between roughly 10 and 15 per cent. of the farmers carried out this kind of work. For the whole period there were 71 schemes undertaken, of which 39 were for the installation of water, 24 for electricity and eight for the building of roads. Grants were obtained for 19 water schemes, two electricity installations and six road construction schemes.

During the early part of the period, from 1949/50 to 1952/53, water schemes were easily the most important, both in number and value. In the later years, however, there was little to choose between the three classes of expenditure as far as relative importance was concerned. Moreover, during this period the incidence of grants was greater and was sufficient to result in a substantially lower net expenditure. This can be clearly seen by referring to the gross and net totals per farm and per 100 adjusted acres from 1955/56 to 1958/59.

Generally speaking, expenditure on farm buildings, Table 37, ranked third in importance in the pattern of farm investment. In common with the other types of investment, the trend of expenditure on the erection and improvement of farm buildings was an upward one, being especially pronounced in the latter half of the study.

In Table 41, farm buildings have been divided into two broad categories—farmhouses and cottages, and farm buildings and yards. On the whole, gross expenditure on farmhouses and cottages did not represent a great proportion of the total but varied considerably from one per cent. in 1954/55 to 41 per cent. in 1956/57.

Grants towards the cost of erecting and improving farmhouses and cottages were more important in later years, but for the whole period amounted to six in number out of a total of 26 schemes. Twenty-four grants were received towards the ten-year total of 144 farm building improvements. In three particular years, 1955/56, 1957/58 and 1958/59, these capital grants were sufficient to reduce the gross expenditure by a proportion varying between one-fifth and a quarter.

Net investment has so far involved merely deducting from gross expenditure the value of sales from the purchases of land and property and that of grants from the cost of other improvements. It is recognised that, to be strictly accurate, net investment in the case of the latter should take into account some form of depreciation on existing assets but for a number of reasons it was not found possible to make this adjustment. In the first place, no separate value could be placed on the farm buildings as distinct from the land, at the commencement of the study. Second, no estimates exist of the life of all the different kinds of farm buildings; therefore, no annual amounts of depreciation could be determined. Third, it may well be that many improvements carried out have resulted in an appreciation in the value of the farm as a whole in excess of their actual cost.

With machinery and equipment, however, it is possible to determine an annual charge for depreciation, although even here the estimate must be somewhat arbitrary. The rates used in the following tables are those which were readily available for the sample farms, namely 20 per cent. for tractors and 10 per cent. for all other machinery and equipment, all calculations being worked on a diminishing value basis. The fact that an attempt has been made to calculate net investment should not be taken as a contradiction of an earlier statement that farmers do not regard depreciation as an annually recurring item of expenditure. Rather, it is intended to show the net capital formation in respect of these assets and to indicate an estimated extent to which farmers are adding to their machinery inventories over and above sales and any allowances which might be made for the replacement of existing equipment. The depreciation rates used should, therefore, be borne in mind when examining the levels of net investment as shown in the following tables.

It has been previously shown in Table 37 that expenditure on machinery and equipment, including motor vehicles of all kinds, was the most important single item of gross investment, varying annually from 37 to 62 per cent. of the total. Investment in machinery and equipment, gross and net, for each of the ten years has been analysed in detail in Tables 42 to 45.

It will be seen from Table 42 that, in terms of gross expenditure, the relative importance of the three main sub-divisions—cars, tractors and other machinery and equipment—did not vary greatly. Other machinery and equipment was generally the most important category, followed closely by cars and tractors in that order. Total gross investment per farm rose, with some fluctuations, from £284 in 1949/50 to £479 in 1958/59. However, increased mechanisation brought in its train the need to make greater provision for replacement in the form of rising annual depreciation charges which trebled over the period. The effect of deducting sales and depreciation charges has been to create a considerable difference between the levels of gross and net investment. Whereas annual gross investment rose increasingly above the 1949/50 figure, net investment remained below that level for the ensuing nine years, although it recovered somewhat in 1957/58 and 1958/59.

The three tables 43 to 45 inclusive, contain the results of a further analysis of investment in the three principal types of machinery and equipment noted in Table 42. First, private cars are dealt with in Table 43.

The number of cars bought annually ranged from 19 in 1949/50 to eight in 1958/59 and they were mostly new rather than second-hand. By comparing the numbers bought with the numbers sold, it will be apparent that a high proportion of the purchases involved exchanging an existing car. In 1952/53 and 1958/59, the number of sales exceeded purchases, this arising through two farmers each replacing a private car with a van. Apart from two farmers who each changed their cars five or six times, the majority changed their cars infrequently. Investment gross, net of sales, and net of sales and depreciation, all followed the same general pattern. Starting at a moderately high level in 1949/50, investment fell in two years, then rose, and, maintaining that increase during the middle years, finally declined somewhat during the last three years of the study.

In a manner similar to that noted regarding private cars, purchases of tractors, Table 44, for the most part involved an exchange deal. A further similarity was that for the whole ten-year period the total numbers of tractors bought was 135 compared with 126 cars. There was a gradual decline in annual tractor gross investment and investment net of sales during the first five years but an increase took place in the latter half of the study, especially in 1957/58 and 1958/59. In three years, 1953/54, 1955/56 and 1956/57, investment net of sales was not sufficient to cover total charges for depreciation and consequently an element of disinvestment occurred. It should, however, be re-iterated that the depreciation on tractors has been calculated at a 20 per cent. rate of the written-down value, and it is on this basis that net investment has been determined. Other rates of depreciation would obviously give a different answer.

Table 45 contains a breakdown of the investment in other machinery and equipment. In the harvesting category have been included such expensive machines as combine-harvesters and pick-up balers. Motor vehicles such as vans, pick-ups and lorries appear under the heading transport and power.

The relative importance of the gross outlay on most of the items varied from year to year. Harvesting and transport and power were the only two categories consistently important during the ten-year period. Expenditure on the former type of equipment rose quite sharply during the latter years, being mainly due to purchases of balers and combines. In fact, during 1957/58 and 1958/59, 17 farmers bought balers and seven bought combine-harvesters. Of the total of 24 there were six joint purchases in collaboration with neighbouring farmers.

In every year except 1950/51 gross investment and investment net of sales showed an approximately similar upward trend. In most years investment net of sales and depreciation was appreciably below the 1949/50 level and only in 1958/59 did it rise significantly above this figure.

In ending this analysis of farm investment, some comments may be appropriate on the subject of depreciation. It should be pointed out again that the introduction of the concept " investment net of sales and depreciation " has been of an incidental nature in a study principally concerned with the sources and disposal of funds in farming. The depreciation charge used was one of two possible alternatives conveniently available—the rates used in the Farm Management Survey and those appearing on the farm balance sheets. The former were chosen on the grounds that they were more consistently realistic since the latter in some years, though not all, might have included varying initial and investment allowances. These allowances, along with the current annual wear and tear allowances, would have resulted in a very steep writing-down of the value of machinery and equipment. It should also be pointed out that, in accordance with normal accounting practice, depreciation has been calculated on the basis of original cost. But if one is intending to measure net investment in real terms, depreciation at original cost is irrelevant and net capital formation should be calculated on the basis of constant prices rather than with depreciation at original cost and expenditure at current prices, as in this study. To have done this would have involved a major investigation of its own which would have been outside the scope of this particular study of the sources and disposal of funds in farming.

Net Reduction in Borrowing

For the sample of 72 farms, in no year was there, on balance, a reduction in the level of borrowing. As has already been shown in Table 14, additional net borrowing, i.e. fresh borrowing less repayments, occurred in each of the ten years.

Net Increase in Financial Assets

There was a net increase in financial assets, comprising liquid assets and financial reserves, in every year of the study. In other words, sums accruing in the form of liquid assets or placed in reserve, on balance exceeded the use and withdrawal of these assets.

The net increase in financial assets varied widely from year to year. It has already been shown in Table 15 that, in 1949/50, 1950/51 and 1955/56, the increase was negligible, amounting only to £27, £6 and £7 per farm in these respective years. By contrast, in 1956/57 and 1957/58, the increases were substantial, £210 and £264 per farm, and in both years amounted to 13 per cent. of the total incoming funds.

The extent to which changes occurred among the various constituents of financial assets may be seen from Table 46. As defined in an earlier chapter, liquid assets consist of holdings of cash, money in the bank, and debtor balances—the sums owed to farmers at the end of each year. Holdings of cash were found to be of very minor importance, so that changes in cash and current account at bank virtually means changes in the total of positive bank balances from one year-end to the next.

It will be readily apparent from Table 46 that changes in positive bank balances varied widely from year to year. In four years there were additions to the preceding year's totals and decreases in the remaining six years. However, in every year except 1953/54, there were increases in the total of debtor balances, sums owing to farmers, sometimes sufficient to offset the falls in positive bank balances. Consequently, total liquid assets increased in all but three years, 1950/51, 1954/55 and 1958/59. Not all drawings on bank accounts were caused by the demands of farm operating expenditure or farm investment. It was found that on several occasions substantial sums were withdrawn from current account and placed to financial reserves in one or more of the forms listed in Table 46. In view of the fact that current accounts at the bank earned no interest, it seems quite logical that money surplus to current requirements should have been so invested as to yield an interest.

Financial assets other than liquid assets have been broadly classified as financial reserves. It will be noted that these reserves appear in descending order of liquidity, that is, in order of the ease with which they can be funded or turned into cash. With each item, the net annual change is shown in Table 46. Thus the change in savings accounts was the excess of deposits over withdrawals or vice versa, and with assurance policies it was the difference between the annual premiums paid and the sums received in respect of maturing policies. Although there was a slight fall in 1955/56, a year in which farming income fell but investment and expenditure rose, Table 14, financial reserves increased every year. As might be expected, financial reserves were continually changing form and reductions in some types of reserve were usually accompanied by increases in others. Only in one year, 1957/58, was there an all-round rise in financial reserves but even this coincided with a drop in the holdings on current account at the bank.

Changes in the level of the different types of financial assets have been examined in greater detail, commencing with positive bank balances in Tables 47 and 48.

At the start of the study period there were 54, or 75 per cent., of the farmers who had positive balances at the bank. From 1949/50 onwards the trend, with some slight deviations, was in a downward direction and by 1958/59 there were 42 farmers, 58 per cent., with positive bank balances. Although in the first half of the period there were more tenants with positive balances than owner-occupiers, during the latter part the proportion was approximately the same. In total, the money held on current account at bank did not fall to the same extent as the reduction in the number of farms with positive balances. Consequently the average balance was somewhat higher at the end than it was at the beginning of the period. This is evident from a comparison between the levels of the first and the last three years.

Frequency distributions of positive balances at each year-end are shown in Table 48. A comparison of the distribution at the beginning and end of the period shows that there was a tendency for the proportion of farms with smaller balances to diminish and of those with higher balances to increase. A similar trend occurred with both tenants and owner-occupiers.

Brief mention was made earlier of the fact that the levels of bank balances, both positive and negative, hitherto presented in this study were those shown on the balance sheet at the end of the financial year.

In order to examine the probable seasonal variations during the farming year some additional analysis was made of the monthly bank balances in the calendar years 1957 and 1958. There were 51 farms for which complete calendar year records were available and the net total of their bank balances is shown month by month in Figure 5.

For 1957, a fairly pronounced seasonal trend can be seen. In June and July the net total changed from a positive to a negative amount and thus for those two months the sample farmers were on balance borrowers from the banks. The first nine months of 1958 were a close duplication of the corresponding period in the previous year but from September, 1958, the trends for the two years diverged. There were many reasons for this sharp decline—some substantial farm investments, one large settlement of back-duty income tax and several instances of sums having been withdrawn from current account and placed to reserve.

Although Figure 5 does provide partial evidence of seasonal demands on the part of farmers for temporary credit, it should be admitted that any such examination of the monthly bank balances of a group of farms is not likely to indicate very accurately the dependence of any individual farm on outside sources. The actual level of short-term bank borrowing would for a sample of farms depend on a number of interrelated factors. Short-term needs might be met from sources other than the banks, such as the use of merchants' credit, either directly or in the form of "contra" trading, the use of financial reserves or borrowing from convenient family sources. The level of bank balances might also be affected by the purchase of capital items or by the demands of family living expenditure. The differing farming systems practised within the sample would tend to cancel out individual variations when farms are considered as a group, although the 51 farms studied here are, for the most part, livestock farms with a similar seasonal pattern of receipts and expenditure.

It is apparent that the question of seasonal demands on farm credit can be viewed from two quite distinct aspects. When approached from the standpoint of a group of farms, the issue tends to become obscured by many incidental factors. The seasonal requirements of the individual farm is a different matter altogether. In farm advisory work and particularly in the process of capital budgeting, the balancing of expected monthly receipts and expenses is an important consideration. But the estimated seasonal pattern should be calculated with the circumstances of the individual farm in mind rather than by applying a trend in bank balances observed on any given sample of farms.

The other constituent of liquid assets—debtor balances—has been analysed in detail in Tables 49, 50 and 51. These debtor balances represent the sums of money owed to farmers at the end of the financial year. As was pointed out earlier with regard to creditor balances, there may well have been a seasonal fluctuation in debtor balances but no additional analysis was undertaken to substantiate the contention.

The total of the end-of-year debtor balances rose throughout the period. By the end of 1958/59, it was three times as high as it was at the beginning of 1949/50. At the commencement of the study there were three major items on the schedule of debtors—milk, potatoes and subsidies and grants. These respectively comprised 44, 21 and 12 per cent. of the total. By 1958/59, milk and subsidies and grants were still important, each amounting to 30 and 16 per cent. of the total. Potatoes, however, had declined to negligible importance and livestock had become the biggest single item. The substantial rise in amounts owing in respect of livestock can be attributed to two main causes—the increase in sales, especially of pigs, and, from 1954/55 onwards, the inclusion of deficiency payments in debtor balances.

Frequency distributions of farms by size of debtor balance at the end of each year are shown in Table 51. It is significant that in 1948/49 there were 60 farms with closing debtor balances of under £200 but this number gradually decreased over the period to 33 at the end of 1958/59. Furthermore, 13 per cent. of the farms had debtor balances of £600 or more at the end compared with none at the beginning of the period.

Borrowing in the form of bank overdrafts and unpaid merchants' accounts have so far been considered separately from farmers' lending in the form of positive balances at bank and debtor balances. It may be of interest to reconsider them under the headings of the farmers' relationship with the banks and with debtors and creditors. This has been done in Table 52.

Dealing first with the position *vis à vis* the banks, the number of farmers with overdrafts increased from 18 to 30, and the number with positive balances fell from 54 to 42, over the period. The average size of overdraft, which stood at £476 at the start of 1949/50, increased considerably until it reached a closing figure of £1,646 in 1958/59. For the corresponding period the average positive balance also increased but to nothing like the same extent—from £615 to £750. The net position was that the sample farmers were on balance lenders to the banks in all except the final year. In 1948/49, the banks owed the sample farmers an average of £351 each. This amount gradually declined over the period and at the end of 1958/59 the situation was reversed, with the farmers having on average each borrowed £249 from the banks.

In comparing the relationship between farmers' debts and the amounts owed to them, it will be seen that in each year the former exceeds the latter. Both creditor and debtor balances increased over the duration of the study, the former, however, to a slightly greater degree. At the end of 1948/49, unpaid farmers' debts exceeded incoming amounts due by an average of £62 per farm. At the end of the period the corresponding indebtedness had risen to £278.

Net changes in financial reserves have already been illustrated in Table 46 and the sums withdrawn from and placed to reserve have been noted. An attempt has also been made to measure the actual levels of financial reserves at the end of each year and the results are shown in Table 53. Before examining the contents of the table in detail, however, some comments on its compilation may be necessary.

All investments have been valued at their purchase price. Where money has been invested in savings or deposit accounts, the question of fluctuating market values does not arise but it does arise with shares and securities. As far as this sample is concerned, the latter holdings may be classified into three broad groups of approximately equal importance—

government securities, industrial shares and investments in building societies. Building society investments retain their purchase value at which they are redeemable but there have been changes in the market value of other shares and securities. Most of the government securities held by the sample farmers showed some depreciation but the holdings of shares were of such a wide variety, ranging from the small local business, the shares of which are not quoted, to foreign companies, some well-known, others obscure. Because of the difficulty in applying an index of values to such investments, it was decided that they should be entered at purchase prices and duly qualified.

The value of the life assurance policies is the sum of the premiums paid plus any bonuses declared. It is true that the current surrender value of these policies would be considerably less than that shown in the level of financial reserves. However, since they are a long-term investment and are unlikely to be cashed except in an emergency, it was decided to retain them at their paid-up value. Finally, land and property owned but not farmed by farmers in the sample has been entered at its purchase price.

It will be seen from Table 53 that the level of financial reserves slightly more than doubled over the period, from an opening average of £735 per farm in 1949/50 to £1,610 in 1958/59. There were, in addition, some significant changes among the different types of reserve. Shares and securities were by far the most important item at the commencement of the study. The average holding was £510 per farm, amounting to 69 per cent. of all financial reserves. At the end of 1958/59, shares and securities were still at about the commencing level in absolute terms but their relative importance had declined to 31 per cent. of the total. Within this category there was a tendency towards a reduction in holdings of securities and a corresponding increase in shares, with some fairly substantial investments in building societies. Holdings in savings and deposit accounts increased ten-fold over the period and finally just supplanted shares and securities as the most important single item. The paid-up value of assurance policies also increased noticeably and, by the end of 1958/59, amounted to almost a quarter of the financial reserves. It seems probable that this type of investment, with its premiums being partially allowable for income tax purposes, became increasingly popular with those farmers whose profits rendered them liable for the higher rates of tax.

Although the average levels may give the impression of an adequacy of financial reserves, it will be noted from Table 54 that the averages themselves concealed a wide range of variation. A study of the information contained in the table might at first glance indicate a gradual upward progression, with more or less constant increases occurring throughout the range but in reality changes both up and down the range were taking place from year to year. Large reserves were being almost liquidated on some farms and on others substantial sums were being withdrawn from bank current accounts and invested off the farm. The gradual upward trend in reserves for this group of farms, therefore, conceals the fact that considerable changes were continually taking place on individual farms.

The extreme ranges of the distributions shown in Table 54 are particularly noteworthy. At the lower end of the scale, between 29 and 21 per cent. of the farmers possessed no financial reserves and their only financial assets were liquid assets in the form of positive bank and debtor balances. It will also be observed that there was a small number of farmers who owned financial reserves of some magnitude. In 1958/59, 10 per cent. had reserves of £5,000 or more.

In concluding this chapter, it will be recalled that in Figure 4 a comparison was made between the supply of funds from the farmers' own resources and total expenditure. It was noted that in five years of the study own resources were more than sufficient to meet total expenditure which had to be met by borrowing in the remaining five years. This relationship may be expressed in another way—by balancing the net increase in borrowing against the net increase in financial assets. Should, in any given year, the former have exceeded the latter, then the sample farmers would have been, on balance, borrowers from outside sources; should the opposite have occurred, the sample farmers would, on balance, be lenders.

The yearly position is shown in Table 55. It will be seen that in 1949/50, 1950/51, 1951/52, 1955/56 and 1958/59, the sample farmers were, on balance, borrowers from external sources. In the remaining five years, after meeting the demands of charges upon income, family living and farm investment, they were in a position to be net lenders to the rest of the community.

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Table 13 TEN-YEAR AGGREGATE OF INCOMING AND OUTGOING FUNDS

72 farms, 1949/50 to 1958/59

	Ten-year Aggregate, 72 Farms	Per Cent. of Total
	£	%
Incoming funds		
Gross farm income	898,202	87
Non-farm receipts	42,463	4
Net reduction in financial assets ..	—	—
Total own resources	940,665	91
Net increase in borrowing	97,164	9
Total incoming funds	1,037,829	100
Outgoing funds		
Charges upon income	54,371	5
Family living	377,218	36
Farm investment:		
Land and property	111,941	11
Services	16,982	2
Buildings	51,132	5
Machinery and equipment	243,403	23
Livestock, crops and stores ..	104,859	10
Total investment	528,317	51
Total expenditure	959,906	92
Net increase in financial assets	77,923	8
Net reduction in borrowings	—	—
Total outgoing funds	1,037,829	100
Total own resources as a percentage of total cxpenditure	% 98	

N.B. When comparing related figures in different tables, especially when calculated on a per farm or per 100 adjusted acres basis, minor discrepancies may subsequently be noted. These are due to the process of rounding.

Table 14 TOTAL ANNUAL INCOMING AND OUTGOING FUNDS

72 farms, 1949/50 to 1958/59

	1949/50	1950/51	1951/52	1952/53	1953/54	1954/55	1955/56	1956/57	1957/58	1958/59
	£	£	£	£	£	£	£	£	£	£
Gross farm income	59,912	55,169	64,265	88,286	88,354	92,379	85,035	105,966	129,083	129,753
Non-farm receipts	2,944	4,145	3,819	2,789	2,367	3,086	5,587	6,711	6,568	4,447
Net reduction in financial assets ..	—	—	—	—	—	—	—	—	—	—
Total own resources	62,856	59,314	68,084	91,075	90,721	95,465	90,622	112,677	135,651	134,200
Net increase in borrowing	11,505	7,453	8,800	4,384	6,242	3,151	8,782	1,914	14,892	30,041
Total incoming funds	74,361	66,767	76,884	95,459	96,963	98,616	99,404	114,591	150,543	164,241
Charges upon income	1,853	3,673	3,445	3,749	4,064	5,964	5,540	6,655	6,914	12,514
Family living	27,689	30,116	32,206	35,984	34,882	38,884	40,532	43,473	45,884	47,568
Farm investment	42,880	32,509	36,475	50,353	48,469	43,033	52,837	49,361	78,725	93,675
Total expenditure	72,422	66,298	72,126	90,086	87,415	87,881	98,909	99,489	131,523	153,757
Net increase in financial assets	1,939	469	4,758	5,373	9,548	10,735	495	15,102	19,020	10,484
Net reduction in borrowing	—	—	—	—	—	—	—	—	—	—
Total outgoing funds	74,361	66,767	76,884	95,459	96,963	98,616	99,404	114,591	150,543	164,241

Table 15 ANNUAL INCOMING AND OUTGOING FUNDS

72 farms, 1949/50 to 1958/59

Per farm

	1949/50	1950/51	1951/52	1952/53	1953/54	1954/55	1955/56	1956/57	1957/58	1958/59
	£	£	£	£	£	£	£	£	£	£
Gross farm income	832	766	893	1,226	1,227	1,283	1,181	1,472	1,793	1,802
Non-farm receipts	41	58	53	39	33	43	78	93	91	62
Net reduction in financial assets ..	—	—	—	—	—	—	—	—	—	—
Total own resources	873	824	946	1,265	1,260	1,326	1,259	1,565	1,884	1,864
Net increase in borrowing	160	103	122	61	87	44	122	27	207	417
Total incoming funds	1,033	927	1,068	1,326	1,347	1,370	1,381	1,592	2,091	2,281
Charges upon income	26	51	48	52	57	83	77	92	96	174
Family living	384	418	447	500	484	540	563	604	637	661
Farm investment	596	452	507	699	673	598	734	686	1,094	1,301
Total expenditure	1,006	921	1,002	1,251	1,214	1,221	1,374	1,382	1,827	2,136
Net increase in financial assets	27	6	66	75	133	149	7	210	264	145
Net reduction in borrowing	—	—	—	—	—	—	—	—	—	—
Total outgoing funds	1,033	927	1,068	1,326	1,347	1,370	1,381	1,592	2,091	2,281

Table 16 ANNUAL INCOMING AND OUTGOING FUNDS

72 farms, 1949/50 to 1958/59

Per 100 adjusted acres

	1949/50	1950/51	1951/52	1952/53	1953/54	1954/55	1955/56	1956/57	1957/58	1958/59
	£	£	£	£	£	£	£	£	£	£
Gross farm income	743	682	789	1,079	1,079	1,114	1,021	1,265	1,524	1,501
Non-farm receipts	37	51	46	34	29	37	66	80	77	51
Net reduction in financial assets ..	—	—	—	—	—	—	—	—	—	—
Total own resources	780	733	835	1,113	1,108	1,151	1,087	1,345	1,601	1,552
Net increase in borrowing	143	92	108	54	76	38	105	23	176	347
Total incoming funds	923	825	943	1,167	1,184	1,189	1,192	1,368	1,777	1,899
Charges upon income	23	46	42	46	50	72	67	80	82	142
Family living	344	371	395	439	426	469	485	519	542	553
Farm investment	532	402	448	616	592	519	634	589	929	1,083
Total expenditure	899	819	885	1,101	1,068	1,060	1,186	1,188	1,553	1,778
Net increase in financial assets	24	6	58	66	116	129	6	180	224	121
Net reduction in borrowing	—	—	—	—	—	—	—	—	—	—
Total outgoing funds	923	825	943	1,167	1,184	1,189	1,192	1,368	1,777	1,899

Table 17

TRENDS IN INCOMING AND OUTGOING FUNDS

72 farms, 1949/50 to 1958/59

1949/50 = 100

	1949/50	1950/51	1951/52	1952/53	1953/54	1954/55	1955/56	1956/57	1957/58	1958/59
Gross farm income	100	92	107	147	147	154	142	177	215	217
Non-farm receipts	100	141	130	95	80	105	190	228	223	151
Net reduction in financial assets ..	—	—	—	—	—	—	—	—	—	—
Total own resources	100	94	108	145	144	152	144	179	216	214
Net increase in borrowing	100	65	76	38	54	27	76	17	129	261
Total incoming funds	100	90	103	128	130	133	134	154	202	221
Charges upon income	100	198	186	202	219	322	299	359	373	675
Family living	100	109	116	130	126	140	146	157	166	172
Farm investment	100	76	85	117	113	100	123	115	184	218
Total expenditure	100	92	100	124	121	121	137	137	182	212
Net increase in financial assets	100	24	245	277	492	554	26	779	981	541
Net reduction in borrowing	—	—	—	—	—	—	—	—	—	—
Total outgoing funds	100	90	103	128	130	133	134	154	202	221

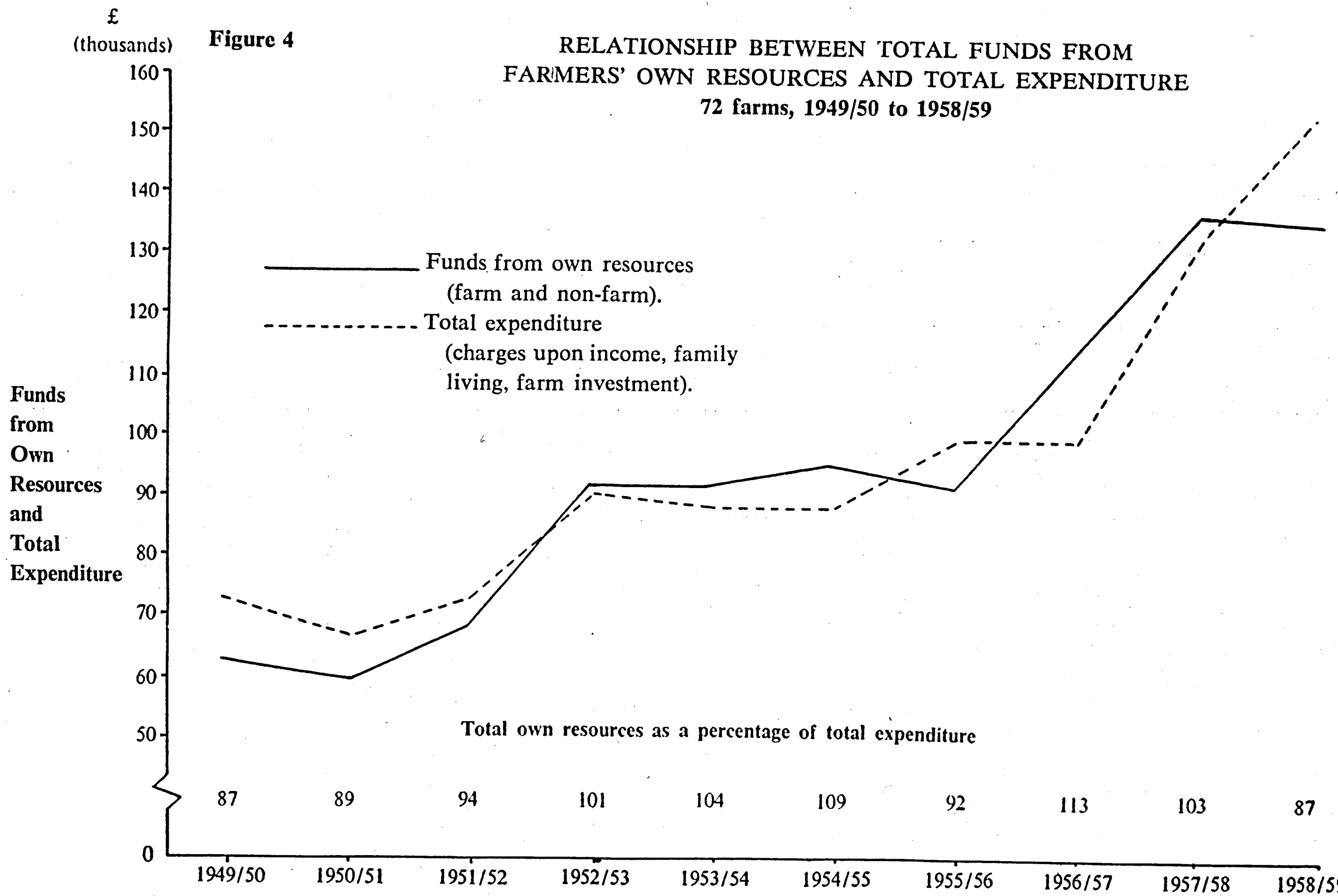
£
(thousands)
Figure 4
RELATIONSHIP BETWEEN TOTAL FUNDS FROM FARMERS' OWN RESOURCES AND TOTAL EXPENDITURE
72 farms, 1949/50 to 1958/59
160
150
140
130
120
110
100
90
80
70
60
50
0
Funds from own resources (farm and non-farm).
Total expenditure (charges upon income, family living, farm investment).
Funds from Own Resources and Total Expenditure
Total own resources as a percentage of total expenditure
87
89
94
101
104
109
92
113
103
87
1949/50
1950/51
1951/52
1952/53
1953/54
1954/55
1955/56
1956/57
1957/58
1958/59

Table 18 PERCENTAGE COMPOSITION OF INCOMING AND OUTGOING FUNDS

72 farms, 1949/50 to 1958/59

	1949/50	1950/51	1951/52	1952/53	1953/54	1954/55	1955/56	1956/57	1957/58	1958/59
	%	%	%	%	%	%	%	%	%	%
Gross farm income	81	83	84	92	91	94	85	92	86	79
Non-farm receipts	4	6	5	3	3	3	6	6	4	3
Net reduction in financial assets ..	—	—	—	—	—	—	—	—	—	—
Total own resources	85	89	89	95	94	97	91	98	90	82
Net increase in borrowing	15	11	11	5	6	3	9	2	10	18
Total incoming funds	100	100	100	100	100	100	100	100	100	100
Charges upon income	2	5	4	4	4	6	6	6	5	8
Family living	37	45	42	37	36	39	41	38	30	29
Farm investment	58	49	48	53	50	44	53	43	52	57
Total expenditure	97	99	94	94	90	89	100	87	87	94
Net increase in financial assets	3	1	6	6	10	11	..	13	13	6
Net reduction in borrowing	—	—	—	—	—	—	—	—	—	—
Total outgoing funds	100	100	100	100	100	100	100	100	100	100

Table 19 GROSS FARM INCOME, TOTAL INCOMING FUNDS AND NET FARM INCOME

72 farms, 1949/50 to 1958/59

Per farm

Year	Net Farm Income	Gross Farm Income	Total Incoming Funds	Net Farm Income as % of	
				Gross Farm Income	Total Incoming Funds
	£	£	£	%	%
1949/50	630	832	1,033	76	61
1950/51	509	766	927	66	55
1951/52	687	893	1,068	77	64
1952/53	905	1,226	1,326	74	68
1953/54	961	1,227	1,347	78	71
1954/55	792	1,283	1,370	62	58
1955/56	835	1,181	1,381	71	60
1956/57	1,178	1,472	1,592	80	74
1957/58	1,227	1,793	2,091	68	59
1958/59	1,206	1,802	2,281	67	53

Table 20

GROSS FARM INCOME

72 farms, 1949/50 to 1958/59

	1949/50		1950/51		1951/52		1952/53		1953/54		1954/55		1955/56		1956/57		1957/58		1958/59	
	£		£		£		£		£		£		£		£		£		£	
All farms																				
Surplus of receipts over expenditure	44,236		41,686		47,207		64,207		60,871		70,492		56,944		86,502		87,918		86,906	
Changes in valuations of livestock, crops and stores	8,096		5,048		6,148		11,525		15,915		3,113		11,457		7,316		17,806		18,436	
Farm produce consumed, etc. ..	5,367		5,614		6,154		6,426		6,392		6,592		6,771		6,992		7,273		7,666	
Sales of physical assets	2,213		2,612		4,367		4,921		4,680		11,475		7,356		4,302		14,133		13,118	
Capital grants	—		209		389		1,207		496		707		2,507		854		1,953		3,627	
Total	59,912		55,169		64,265		88,286		88,354		92,379		85,035		105,966		129,083		129,753	
	£	%	£	%	£	%	£	%	£	%	£	%	£	%	£	%	£	%	£	%
Per farm																				
Surplus of receipts over expenditure	613	74	579	76	657	74	892	73	845	69	979	76	791	67	1201	82	1221	68	1207	67
Changes in valuations of livestock, crops and stores	113	14	70	9	85	10	160	13	221	18	43	3	159	13	102	7	247	14	256	14
Farm produce consumed, etc. ..	75	9	78	10	85	10	89	7	89	7	92	7	94	8	97	7	101	6	107	6
Sales of physical assets	31	4	36	5	61	7	68	6	65	5	159	12	102	9	60	4	197	11	182	10
Capital grants	—	—	3	..	5	..	17	1	7	..	10	1	35	3	12	1	27	2	50	3
Total	832	100	766	100	893	100	1226	100	1227	100	1283	100	1181	100	1472	100	1793	100	1802	100
	£		£		£		£		£		£		£		£		£		£	
Per 100 *adjusted acres*																				
Surplus of receipts over expenditure	549		516		580		785		744		849		684		1,033		1,038		1,005	
Changes in valuations of livestock, crops and stores	100		62		75		141		194		38		137		87		210		213	
Farm produce consumed, etc. ..	67		69		75		78		78		79		81		83		86		89	
Sales of physical assets	27		32		54		60		57		139		89		52		167		152	
Capital grants	—		3		5		15		6		9		30		10		23		42	
Total	743		682		789		1,079		1,079		1,114		1,021		1,265		1,524		1,501	

Table 21 TOTAL CLOSING VALUATIONS OF LIVESTOCK, CROPS AND STORES

72 farms, 1948/49 to 1958/59

	1948/49	1949/50	1950/51	1951/52	1952/53	1953/54	1954/55	1955/56	1956/57	1957/58	1958/59
	£	£	£	£	£	£	£	£	£	£	£
Horses	4,417	3,898	3,861	3,445	2,972	3,090	2,894	2,430	2,084	2,361	2,411
Cattle	77,175	81,362	83,868	84,979	90,356	99,023	101,536	108,830	111,360	120,811	136,607
Sheep	18,365	20,461	20,930	23,937	28,472	32,030	29,293	31,383	34,272	39,718	43,414
Pigs	3,102	4,696	7,027	9,709	11,844	15,117	17,056	18,103	19,622	21,601	19,716
Poultry	5,886	6,365	6,109	5,679	6,008	6,662	7,562	9,113	10,018	10,075	11,069
Total livestock	108,945	116,782	121,795	127,749	139,652	155,922	158,341	169,859	177,356	194,566	213,217
Crops and stores	25,108	25,367	25,402	25,596	25,218	24,863	25,557	25,496	25,315	25,911	25,696
Total	134,053	142,149	147,197	153,345	164,870	180,785	183,898	195,355	202,671	220,477	238,913
					Numbers of Livestock						
Horses	121	112	112	99	86	89	82	71	64	63	50
Cattle: Bulls	49	47	39	32	24	27	24	24	21	23	25
Cows	992	1,036	977	937	1,032	1,064	1,066	1,084	1,145	1,227	1,259
Heifers-in-calf	203	219	203	267	227	245	231	269	232	289	292
Stores over 2 years ..	334	332	348	345	343	394	363	434	418	341	418
Stores 1-2 years ..	535	593	683	616	588	632	728	705	649	697	705
Stores 0-1 year ..	824	848	781	684	765	839	805	796	857	931	1,031
Total	2,937	3,075	3,031	2,881	2,979	3,201	3,217	3,312	3,322	3,508	3,730
Sheep : Ewes	2,264	2,340	2,280	2,372	2,689	2,863	2,933	3,142	3,603	3,910	3,838
Others	2,514	2,905	2,616	3,062	3,440	3,718	3,303	3,518	3,779	4,359	4,680
Total	4,778	5,245	4,896	5,434	6,129	6,581	6,236	6,660	7,382	8,269	8,518
Pigs: Sows and in-pig gilts ..	59	62	85	96	101	149	176	169	187	220	194
Others	296	517	613	842	1,062	1,520	2,020	2,038	2,118	2,445	2,378
Total	355	579	698	938	1,163	1,669	2,196	2,207	2,305	2,665	2,572
Poultry	11,274	13,020	12,142	11,500	12,437	14,563	17,830	20,645	21,844	22,598	24,430

Table 22

CLOSING VALUATIONS OF LIVESTOCK

72 farms, 1948/49 to 1958/59

Per farm

	1948/49	1949/50	1950/51	1951/52	1952/53	1953/54	1954/55	1955/56	1956/57	1957/58	1958/59
	£	£	£	£	£	£	£	£	£	£	£
Horses	61	54	54	48	41	43	40	34	29	33	33
Cattle	1,072	1,130	1,165	1,180	1,255	1,375	1,410	1,512	1,547	1,678	1,897
Sheep	255	284	291	332	395	445	407	436	476	551	603
Pigs	43	65	97	135	165	210	237	251	272	300	274
Poultry	82	89	85	79	84	93	105	126	139	140	154
Total	1,513	1,622	1,692	1,774	1,940	2,166	2,199	2,359	2,463	2,702	2,961
Indices (1948/49=100)											
Horses	100	89	89	79	67	70	66	56	48	54	54
Cattle	100	105	109	110	117	128	132	141	144	157	177
Sheep	100	111	114	130	155	175	160	171	187	216	236
Pigs	100	151	226	314	384	488	551	584	633	698	637
Poultry	100	109	104	96	102	113	128	154	170	171	188
All livestock	100	107	112	117	128	143	145	156	163	179	196
Numbers											
Horses	1.7	1.6	1.6	1.4	1.2	1.2	1.1	1.0	0.9	0.9	0.7
Cattle	40.8	42.7	42.1	40.0	41.4	44.5	44.7	46.0	46.1	48.7	51.8
Sheep	66.4	72.8	68.0	75.5	85.1	91.4	86.6	92.5	102.5	114.8	118.3
Pigs	4.9	8.0	9.7	13.0	16.2	23.2	30.5	30.7	32.0	37.0	35.7
Poultry	156.6	180.8	168.6	159.7	172.7	202.3	247.6	286.7	303.3	313.9	339.3
Indices (1948/49=100)											
Horses	100	94	94	82	71	71	65	59	53	53	41
Cattle	100	105	103	98	101	109	110	113	113	119	127
Sheep	100	110	102	114	128	138	130	139	154	173	178
Pigs	100	163	198	265	331	473	622	627	653	755	729
Poultry	100	115	108	102	110	129	158	183	194	200	217

Table 23 PRIVATE CONSUMPTION OF FARM PRODUCE AND PRIVATE USE OF FARM RESOURCES

72 farms, 1949/50 to 1958/59

	1949/50		1950/51		1951/52		1952/53		1953/54		1954/55		1955/56		1956/57		1957/58		1958/59	
	£		£		£		£		£		£		£		£		£		£	
All farms																				
Farm produce consumed	3,819		3,936		4,272		4,456		4,289		4,350		4,379		4,388		4,423		4,494	
Private use of: farmhouse ..	786		840		829		833		900		956		1,006		1,072		1,109		1,276	
car	612		670		844		945		941		913		971		1,027		1,084		1,036	
other	150		168		209		192		262		373		415		505		657		860	
Total	5,367		5,614		6,154		6,426		6,392		6,592		6,771		6,992		7,273		7,666	
	£	%	£	%	£	%	£	%	£	%	£	%	£	%	£	%	£	%	£	%
Per farm																				
Farm produce consumed	53	71	55	71	59	69	62	70	60	67	61	66	61	65	61	63	62	61	63	58
Private use of: farmhouse ..	11	15	12	15	11	13	11	12	12	13	13	14	14	15	15	16	15	15	18	17
car	9	12	9	12	12	14	13	15	13	15	13	14	13	14	14	14	15	15	14	13
other	2	2	2	2	3	4	3	3	4	5	5	6	6	6	7	7	9	9	12	12
Total	75	100	78	100	85	100	89	100	89	100	92	100	94	100	97	100	101	100	107	100
	£		£		£		£		£		£		£		£		£		£	
Per 100 *adjusted acres*																				
Farm produce consumed	47		49		52		54		53		52		53		52		52		52	
Private use of: farmhouse ..	10		10		10		10		11		12		12		13		13		15	
car	8		8		10		12		11		11		11		12		13		12	
other	2		2		3		2		3		4		5		6		8		10	
Total	67		69		75		78		78		79		81		83		86		89	
Indices (1949/50=100)																				
Farm produce consumed	100		103		112		117		112		114		115		115		116		118	
Private use of: farmhouse ..	100		107		105		106		115		122		128		136		141		162	
car	100		109		138		154		154		149		159		168		177		169	
other	100		112		139		128		175		249		277		337		438		573	
All items	100		105		115		120		119		123		126		130		136		143	

Table 24

SALES OF PHYSICAL ASSETS

72 farms, 1949/50 to 1958/59

	1949/50		1950/51		1951/52		1952/53		1953/54		1954/55		1955/56		1956/57		1957/58		1958/59	
	No.	£	No.	£	No.	£	No.	£	No.	£	No.	£	No.	£	No.	£	No.	£	No.	£
All farms																				
Cars	11	1,247	10	1,670	9	2,740	14	3,210	16	3,004	12	3,636	12	2,823	9	1,607	10	3,470	10	2,864
Vans and lorries ..	—	—	—	—	1	200	2	288	2	157	—	—	—	—	—	—	1	140	2	394
Tractors	3	500	2	607	4	762	5	680	4	587	12	1,844	7	1,556	6	1,346	9	1,489	9	2,940
Balers	—	—	—	—	—	—	—	—	1	135	—	—	—	—	—	—	—	—	1	851
Combine harvesters	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	1	575
Other machy. and equipt.	12	441	10	335	11	665	17	743	19	797	21	995	12	414	16	1,219	25	1,034	19	915
Total	26	2,188	22	2,612	25	4,367	38	4,921	42	4,680	45	6,475	31	4,793	31	4,172	45	6,133	42	8,539
Land and property	1	25	—	--	—	—	—	—	—	—	1	5,000	2	2,563	1	130	2	8,000	3	4,579
Total	27	2,213	22	2,612	25	4,367	38	4,921	42	4,680	46	11,475	33	7,356	32	4,302	47	14,133	45	13,118
Per farm	£	%	£	%	£	%	£	%	£	%	£	%	£	%	£	%	£	%	£	%
Cars	18	57	23	64	38	62	45	66	42	65	50	32	39	38	22	37	49	24	40	22
Vans and lorries ..	—	—	—	—	3	5	4	6	2	3	—	—	—	—	—	—	2	1	5	3
Tractors	7	23	8	22	11	18	9	13	8	12	26	16	22	22	19	32	21	11	41	22
Balers	—	—	—	—	—	—	—	—	2	3	—	—	—	—	—	—	—	—	12	7
Combine harvesters	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	8	4
Other machy. and equipt.	6	20	5	14	9	15	10	15	11	17	14	9	6	6	17	28	14	7	12	7
Total	31	100	36	100	61	100	68	100	65	100	90	57	67	66	58	97	86	43	118	65
Land and property	..	..	—	—	—	—	—	—	—	—	69	43	35	34	2	3	111	57	64	35
Total	31	100	36	100	61	100	68	100	65	100	159	100	102	100	60	100	197	100	182	100
Per 100 adjusted acres	£		£		£		£		£		£		£		£		£		£	
Vehicles, machinery and equipment ..	27		32		54		60		57		78		58		50		73		99	
Land and property ..	..		—		—		—		—		61		31		2		94		53	
Total	27		32		54		60		57		139		89		52		167		152	

Table 25

CAPITAL GRANTS
72 farms, 1949/50 to 1958/59

Type of Grant-aided Work	1949/50		1950/51		1951/52		1952/53		1953/54		1954/55		1955/56		1956/57		1957/58		1958/59	
	No.	£	No.	£	No.	£	No.	£	No.	£	No.	£	No.	£	No.	£	No.	£	No.	£
All farms																				
Land: Reclamation	—	—	—	—	—	—	—	—	—	—	—	—	1	207	—	—	—	—	—	—
Drainage	—	—	—	—	1	166	1	185	—	—	3	175	—	—	1	13	1	39	1	16
Total	—	—	—	—	1	166	1	185	—	—	3	175	1	207	1	13	1	39	1	16
Services: Water	—	—	1	63	2	223	4	497	—	—	1	87	4	597	2	284	2	101	3	520
Electricity	—	—	—	—	—	—	—	—	—	—	—	—	—	—	1	200	—	—	1	152
Roads	—	—	—	—	—	—	—	—	—	—	—	—	1	216	1	171	2	424	2	527
Total	—	—	1	63	2	223	4	497	—	—	1	87	5	813	4	655	4	525	6	1,199
Buildings and yards:																				
Farmhouse and cottages ..	—	—	—	—	—	—	—	—	—	—	—	—	3	935	1	150	2	628	—	—
Buildings	—	—	1	146	—	—	2	525	1	446	2	445	2	552	1	36	3	464	8	2,274
Silos	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	2	297	—	—
Yards	—	—	—	—	—	—	—	—	1	50	—	—	—	—	—	—	—	—	1	138
Total	—	—	1	146	—	—	2	525	2	496	2	445	5	1,487	2	186	7	1,389	9	2,412
Total grants	—	—	2	209	3	389	7	1,207	2	496	6	707	11	2,507	7	854	12	1,953	16	3,627
Per farm	£	%	£	%	£	%	£	%	£	%	£	%	£	%	£	%	£	%	£	%
Land	—	—	—	—	2	40	3	18	—	—	3	30	3	9	..	..	1	4	..	..
Services	—	—	1	33	3	60	7	41	—	—	1	10	11	31	9	75	7	26	17	34
Buildings and yards:																				
Farmhouse and cottages ..	—	—	—	—	—	—	—	—	—	—	—	—	13	37	2	17	9	33	—	—
Other	—	—	2	67	—	—	7	41	7	100	6	60	8	23	1	8	10	37	33	66
Total	—	—	2	67	—	—	7	41	7	100	6	60	21	60	3	25	19	70	33	66
Total grants	—	—	3	100	5	100	17	100	7	100	10	100	35	100	12	100	27	100	50	100
Per 100 adjusted acres	£		£		£		£		£		£		£		£		£		£	
Land	—		—		2		2		—		2		2		..		..		..	
Services	—		1		3		6		—		1		10		8		6		14	
Buildings and yards	—		2		—		7		6		6		18		2		17		28	
Total grants	—		3		5		15		6		9		30		10		23		42	

Table 26

NON-FARM RECEIPTS

72 farms, 1949/50 to 1958/59

All farms	1949/50	1950/51	1951/52	1952/53	1953/54	1954/55	1955/56	1956/57	1957/58	1958/59
	£	£	£	£	£	£	£	£	£	£
Private income	1,051	906	1,085	1,285	1,229	1,430	1,648	1,234	1,532	2,519
Gifts	434	561	304	445	—	25	1,000	300	—	5
Legacies	201	1,075	63	418	573	923	1,615	1,644	—	180
Miscellaneous receipts	1,258	1,603	2,367	641	565	708	1,324	3,533	5,036	1,743
Total	2,944	4,145	3,819	2,789	2,367	3,086	5,587	6,711	6,568	4,4 7

Per farm	1949/50		1950/51		1951/52		1952/53		1953/54		1954/55		1955/56		1956/57		1957/58		1958/59	
	£	%	£	%	£	%	£	%	£	%	£	%	£	%	£	%	£	%	£	%
Private income	15	37	13	22	15	28	18	46	17	52	20	47	23	29	17	18	21	23	35	57
Gifts	6	15	8	14	4	8	6	15	—	—	..	..	14	18	4	4	—	—	..	..
Legacies	3	7	15	26	1	2	6	15	8	24	13	30	22	28	23	25	—	—	3	5
Miscellaneous receipts	17	41	22	38	33	62	9	23	8	24	10	23	19	24	49	53	70	77	24	39
Total	41	100	58	100	53	100	39	100	33	100	43	100	78	100	93	100	91	100	62	100

Per 100 adjusted acres	1949/50	1950/51	1951/52	1952/53	1953/54	1954/55	1955/56	1956/57	1957/58	1958/59
	£	£	£	£	£	£	£	£	£	£
Private income	13	11	13	16	15	17	19	15	18	29
Gifts	5	7	3	5	—	..	12	3	—	..
Legacies	3	13	1	5	7	11	19	20	—	2
Miscellaneous	16	20	29	8	7	9	16	42	59	20
Total	37	51	46	34	29	37	66	80	77	51

Table 27 NET INCREASE IN BORROWING

72 farms, 1949/50 to 1958/59

	1949/50		1950/51		1951/52		1952/53		1953/54		1954/55		1955/56		1956/57		1957/58		1958/59	
All farms	£		£		£		£		£		£		£		£		£		£	
Family loans	4,450		180		1,397		1,601		692		2,023		960		568		1,100		1,200	
Non-family: Traders—net	5,342		3,213		1,803		2,775		5,751		919		4,642		—		6,295		2,900	
Institutions—net ..	2,063		4,436		5,827		—		1,543		2,143		3,016		337		3,136		19,174	
Private loans	300		—		200		2,000		100		—		1,245		3,000		5,750		8,500	
Total	7,705		7,649		7,830		4,775		7,394		3,062		8,903		3,337		15,181		30,574	
Total	12,155		7,829		9,227		6,376		8,086		5,085		9,863		3,905		16,281		31,774	
Less repayments: Traders—net ..	—		—		—		—		—		—		—		1,485		—		—	
Institutions—net	—		—		—		861		—		—		—		—		—		—	
Loans	650		376		427		1,131		1,844		1,934		1,081		506		1,389		1,733	
Total ..	650		376		427		1,992		1,844		1,934		1,081		1,991		1,389		1,733	
Net increase in borrowing	11,505		7,453		8,800		4,384		6,242		3,151		8,782		1,914		14,892		30,041	
Per farm	£	%	£	%	£	%	£	%	£	%	£	%	£	%	£	%	£	%	£	%
Family loans	62	37	2	2	19	15	22	25	10	9	28	40	13	9	8	15	15	7	17	4
Non-family: Traders—net	74	44	45	42	25	20	38	43	80	71	13	18	65	48	—	—	87	38	40	9
Institutions—net ..	29	17	61	56	81	63	—	—	21	19	30	42	42	31	5	9	44	20	266	60
Loans	4	2	—	—	3	2	28	32	1	1	—	—	17	12	41	76	80	35	118	27
Total	107	63	106	98	109	85	66	75	102	91	43	60	124	91	46	85	211	93	424	96
Total	169	100	108	100	128	100	88	100	112	100	71	100	137	100	54	100	226	100	441	100
Less loan repayments	9	—	5	—	6	—	27	—	25	—	27	—	15	—	27	—	19	—	24	—
Net increase in borrowing	160	—	103	—	122	—	61	—	87	—	44	—	122	—	27	—	207	—	417	—

Continued overleaf

Table 27—Continued

NET INCREASE IN BORROWING

72 farms, 1949/50 to 1958/59

	1949/50	1950/51	1951/52	1952/53	1953/54	1954/55	1955/56	1956/57	1957/58	1958/59
Per 100 *adjusted acres*	£	£	£	£	£	£	£	£	£	£
Family loans	55	2	17	20	8	24	11	7	13	14
Non-family: Traders—net	66	40	22	34	70	11	56	—	74	33
Institutions—net ..	26	55	72	—	19	26	36	4	37	222
Loans	4	—	2	24	1	—	15	36	68	98
Total	96	95	96	58	90	37	107	40	179	353
Total	151	97	113	78	98	61	118	47	192	367
Less loan repayments	8	5	5	24	22	23	13	24	16	20
Net increase in borrowing	143	92	108	54	76	38	105	23	176	347

Table 28

FAMILY AND PRIVATE LOANS

72 farms, 1949/50 to 1958/59

Type and Purpose of Loan	1949/50		1950/51		1951/52		1952/53		1953/54		1954/55		1955/56		1956/57		1957/58		1958/59	
	No	£	No	£	No	£	No	£	No	£	No	£	No	£	No	£	No	£	No	£
Family loans																				
Purchase of land and property ..	1	4,300	—	—	—	—	2	1,300	—	—	1	1,973	—	—	—	—	1	1,100	1	1,200
Water schemes	—	—	1	130	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Farm buildings	—	—	—	—	—	—	1	301	—	—	—	—	2	600	—	—	—	—	—	—
Machinery and equipment	2	150	1	50	2	1,397	—	—	2	692	1	50	2	360	2	568	—	—	—	—
Total	3	4,450	2	180	2	1,397	3	1,601	2	692	2	2,023	4	960	2	568	1	1,100	1	1,200
Private loans																				
Purchase of land and property ..	—	—	—	—	—	—	1	2,000	1	100	—	—	1	1,245	1	3,000	3	5,750	2	7,500
Water schemes	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	1	1,000
Farm buildings	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Machinery and equipment	1	300	—	—	2	200	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Total	1	300	—	—	2	200	1	2,000	1	100	—	—	1	1,245	1	3,000	3	5,750	3	8,500
Total family and private loans																				
Purchase of land and property ..	1	4,300	—	—	—	—	3	3,300	1	100	1	1,973	1	1,245	1	3,000	4	6,850	3	8,700
Water schemes	—	—	1	130	—	—	—	—	—	—	—	—	—	—	—	—	—	—	1	1,000
Farm buildings	—	—	—	—	—	—	1	301	—	—	—	—	2	600	—	—	—	—	—	—
Machinery and equipment	3	450	1	50	4	1,597	—	—	2	692	1	50	2	360	2	568	—	—	—	—
Total	4	4,750	2	180	4	1,597	4	3,601	3	792	2	2,023	5	2,205	3	3,568	4	6,850	4	9,700

Table 29

CREDITOR BALANCES AT END OF YEAR

72 farms, 1948/49 to 1958/59

	1948/49	1949/50	1950/51	1951/52	1952/53	1953/54	1954/55	1955/56	1956/57	1957/58	1958/59
	£	£	£	£	£	£	£	£	£	£	£
All farms											
Feedingstuffs	2,482	3,496	5,795	5,919	6,103	9,071	12,320	13,623	13,443	12,488	14,807
Seeds	997	1,568	853	1,284	1,655	1,155	1,229	1,664	1,075	749	951
Manures	1,832	2,186	1,674	2,893	2,942	3,257	2,346	3,204	3,624	3,793	4,170
Total	5,311	7,250	8,322	10,096	10,700	13,483	15,895	18,491	18,142	17,030	19,928
Machinery and repairs	1,325	2,279	1,457	2,933	2,378	2,819	2,587	3,104	3,477	4,373	5,194
Fuel and oil	196	219	452	575	638	597	715	744	825	921	896
Wages	1,773	2,628	2,981	2,640	3,450	4,123	3,327	3,535	3,837	4,994	4,162
Rent and rates	1,753	2,273	2,399	2,607	2,662	2,733	3,110	3,704	4,298	3,921	3,845
Contract services	566	752	1,275	822	849	1,036	968	1,162	1,038	1,269	1,891
Other repairs	456	499	678	746	516	974	950	733	856	1,075	1,201
Veterinary and medicines	285	406	454	571	900	1,070	1,093	1,267	988	1,267	1,585
Livestock	114	337	515	407	1,256	2,764	1,889	2,016	522	3,033	1,808
Other	742	1,220	2,543	1,482	2,305	1,806	1,790	2,210	1,498	3,893	4,166
Total	12,521	17,863	21,076	22,879	25,654	31,405	32,324	36,966	35,481	41,776	44,676

	1948/49		1949/50		1950/51		1951/52		1952/53		1953/54		1954/55		1955/56		1956/57		1957/58		1958/59	
Per farm	£	%	£	%	£	%	£	%	£	%	£	%	£	%	£	%	£	%	£	%	£	%
Feedingstuffs	34	20	49	20	81	28	82	26	85	24	126	29	171	38	189	37	187	38	173	30	206	33
Seeds	14	8	22	9	12	4	18	6	23	6	16	4	17	4	23	4	15	3	10	2	13	2
Manures	26	15	30	12	23	8	40	12	41	12	45	10	33	7	45	9	50	10	53	9	58	9
Total	74	43	101	41	116	40	140	44	149	42	187	43	221	49	257	50	252	51	236	41	277	44
Machinery and repairs	18	10	32	13	20	7	41	13	33	9	39	9	36	8	43	8	48	10	61	11	72	12
Fuel and oil	3	2	3	1	6	2	8	2	9	3	8	2	10	2	10	2	12	2	13	2	12	2
Wages	25	14	36	15	42	14	37	12	48	14	57	13	46	10	49	10	53	11	69	12	58	9
Rent and rates	24	14	31	12	33	11	36	11	37	10	38	9	43	10	52	10	60	12	54	9	53	9
Contract services	8	5	10	4	18	6	11	3	12	3	14	3	14	3	16	3	14	3	18	3	26	4
Other repairs	6	3	7	3	10	4	10	3	7	2	14	3	13	3	10	2	12	2	15	3	17	3
Veterinary and medicines	4	2	6	2	6	2	8	3	12	3	15	3	15	3	18	4	14	3	18	3	22	4
Livestock	2	1	5	2	7	2	6	2	17	5	39	9	26	6	28	5	7	2	42	7	25	4
Other	10	6	17	7	35	12	21	7	32	9	25	6	25	6	31	6	21	4	54	9	58	9
Total	174	100	248	100	293	100	318	100	356	100	436	100	449	100	514	100	493	100	580	100	620	100

Table 30

CREDITOR BALANCES AT END OF YEAR

72 farms, 1948/49 to 1958/59

	1948/49	1949/50	1950/51	1951/52	1952/53	1953/54	1954/55	1955/56	1956/57	1957/58	1958/59
Per 100 *adjusted acres*	£	£	£	£	£	£	£	£	£	£	£
Feedingstuffs	31	43	72	73	75	111	148	164	160	147	171
Seeds	12	19	11	16	20	14	15	20	13	9	11
Manures	23	27	20	35	36	40	28	38	43	45	48
Total	66	89	103	124	131	165	191	222	216	201	230
Machinery and repairs ..	16	28	18	36	29	34	31	37	42	52	60
Fuel and oil	2	3	6	7	8	7	9	9	10	11	10
Wages	22	33	37	33	42	50	40	43	46	59	48
Rent and rates	22	28	30	32	33	33	37	44	51	46	45
Contract services	7	10	16	10	11	13	12	14	12	15	22
Other repairs	6	6	8	9	6	12	12	9	10	12	14
Veterinary and medicines ..	4	5	6	7	11	13	13	15	12	15	18
Livestock	1	4	6	5	15	34	23	24	6	36	21
Other	9	15	31	18	28	22	22	27	18	46	48
Total	155	221	261	281	314	383	390	444	423	493	516
Indices (1948/49=100)											
Feedingstuffs	100	141	233	238	246	365	496	549	542	503	597
Seeds	100	157	86	129	166	116	123	167	108	75	95
Manures	100	119	91	158	161	178	128	175	198	207	228
Total	100	137	157	190	201	254	300	348	342	321	375
Machinery and repairs ..	100	172	110	221	179	213	195	234	262	330	392
Fuel and oil	100	112	231	293	326	305	365	380	421	470	457
Wages	100	148	168	149	195	233	188	199	216	282	235
Rent and rates	100	130	137	149	152	156	177	211	245	224	219
Contract services	100	133	225	145	150	183	171	205	183	224	334
Other repairs	100	109	149	164	113	214	208	161	188	236	263
Veterinary and medicines ..	100	142	159	200	316	375	384	445	347	445	556
Livestock	100	296	452	357	1,102	2,425	1,657	1,768	458	2,661	1,586
Other	100	164	343	200	311	243	241	298	202	525	561
Total	100	143	168	183	205	251	258	295	283	334	357

Table 31 DISTRIBUTION OF FARMS BY SIZE OF CREDITOR BALANCE AT END OF YEAR

72 farms, 1948/49 to 1958/59

Creditor Balance at End of Year	1948/49	1949/50	1950/51	1951/52	1952/53	1953/54	1954/55	1955/56	1956/57	1957/58	1958/59
£					Number of Farms						
Under 200	42	40	35	28	26	21	16	12	14	16	14
200 to 399	23	21	18	25	23	19	23	22	21	15	17
400 to 599	3	4	12	12	13	21	15	18	19	16	11
600 to 799	2	4	2	2	5	3	8	7	8	10	11
800 to 999	1	1	4	2	2	2	5	3	6	6	9
1,000 to 1,499	1	2	1	3	2	3	3	6	—	5	5
1,500 and over	—	—	—	—	1	3	2	4	4	4	5
Total farms	72	72	72	72	72	72	72	72	72	72	72
£					Per Cent.						
Under 200	59	55	49	39	36	29	22	17	20	22	20
200 to 399	32	29	25	35	32	27	32	31	29	21	24
400 to 599	4	6	17	16	18	29	21	25	26	22	15
600 to 799	3	6	3	3	7	4	11	10	11	14	15
800 to 999	1	1	5	3	3	3	7	4	8	8	12
1,000 to 1,499	1	3	1	4	3	4	4	8	—	7	7
1,500 and over	—	—	—	—	1	4	3	5	6	6	7
Total farms	100	100	100	100	100	100	100	100	100	100	100

Table 32

BANK OVERDRAFTS AT END OF YEAR

72 farms, 1948/49 to 1958/59

	1948/49		1949/50		1950/51		1951/52		1952/53		1953/54		1954/55		1955/56		1956/57		1957/58		1958/59	
									Number													
Tenants	55		55		54		51		49		48		48		47		46		43		41	
Owner-occupiers ..	17		17		18		21		23		24		24		25		26		29		31	
Total	72		72		72		72		72		72		72		72		72		72		72	
With overdrafts	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%
Tenants	12	22	12	22	18	33	14	27	14	29	14	29	18	38	19	40	15	33	16	37	17	41
Owner-occupiers ..	6	35	6	35	9	50	8	38	7	30	8	33	8	33	9	36	7	27	9	31	13	42
Total	18	25	18	25	27	38	22	31	21	29	22	31	26	36	28	39	22	31	25	35	30	42
Total overdrafts	£		£		£		£		£		£		£		£		£		£		£	
Tenants	5,044		5,695		8,803		11,112		11,859		13,805		16,108		21,039		19,445		21,638		28,160	
Owner-occupiers ..	3,521		4,933		6,261		9,779		8,171		7,768		7,608		5,693		7,624		8,567		21,219	
Total	8,565		10,628		15,064		20,891		20,030		21,573		23,716		26,732		27,069		30,205		49,379	
Average size of overdraft:																						
Tenant	420		474		489		794		847		986		895		1,107		1,296		1,352		1,656	
Owner-occupier	587		822		696		1,222		1,167		971		951		632		1,089		952		1,632	
Total	476		590		558		950		954		981		912		955		1,230		1,208		1,646	

Table 33

DISTRIBUTION OF FARMS BY SIZE OF OVERDRAFT AT END OF YEAR

72 farms, 1948/49 to 1958/59

Overdraft at End of Year	1948/49		1949/50		1950/51		1951/52		1952/53		1953/54		1954/55		1955/56		1956/57		1957/58		1958/59	
£	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%
Tenants																						
Under 200	5	42	4	33	7	39	2	14	2	14	2	15	3	16	2	11	4	26	1	6	2	12
200 to 399	4	33	2	17	4	22	5	36	3	22	2	14	5	28	4	21	—	—	1	6	—	—
400 to 599	—	—	3	25	3	17	1	7	2	14	2	14	1	5	2	11	1	7	1	6	2	12
600 to 799	1	8	1	8	—	—	1	7	2	14	2	14	2	11	3	16	1	7	4	25	2	12
800 to 999	2	17	—	—	—	—	—	—	—	—	2	14	4	22	2	11	2	13	2	13	4	23
1,000 to 1,499	—	—	2	17	3	17	4	29	3	22	2	14	1	6	3	15	4	27	4	25	1	6
1,500 and over	—	—	—	—	1	5	1	7	2	14	2	15	2	11	3	15	3	20	3	19	6	35
Total	12	100	12	100	18	100	14	100	14	100	14	100	18	100	19	100	15	100	16	100	17	100
Owner-occupiers																						
Under 200	3	50	—	—	—	—	1	13	1	14	3	37	1	13	3	33	1	14	1	11	3	23
200 to 399	1	16	4	67	6	67	1	13	1	14	1	13	1	13	3	33	2	29	2	23	1	8
400 to 599	—	—	—	—	—	—	1	12	—	—	—	—	2	25	1	11	1	14	3	33	—	—
600 to 799	1	17	—	—	2	22	—	—	—	—	—	—	—	—	—	—	—	—	—	—	2	15
800 to 999	1	17	—	—	—	—	—	—	1	14	1	13	1	12	—	—	—	—	—	—	—	—
1,000 to 1,499	—	—	—	—	—	—	3	37	2	29	—	—	1	12	—	—	1	14	—	—	2	15
1,500 and over	—	—	2	33	1	11	2	25	2	29	3	37	2	25	2	23	2	29	3	33	5	39
Total	6	100	6	100	9	100	8	100	7	100	8	100	8	100	9	100	7	100	9	100	13	100
All farmers																						
Under 200	8	44	4	22	7	26	3	14	3	14	5	23	4	15	5	18	5	23	2	8	5	17
200 to 399	5	28	6	33	10	37	6	27	4	19	3	14	6	23	7	25	2	9	3	12	1	3
400 to 599	—	—	3	17	3	11	2	9	2	10	2	9	3	12	3	11	2	9	4	16	2	7
600 to 799	2	11	1	6	2	8	1	4	2	10	2	9	2	8	3	11	1	4	4	16	4	13
800 to 999	3	17	—	—	—	—	—	—	1	4	3	13	5	19	2	7	2	9	2	8	4	13
1,000 to 1,499	—	—	2	11	3	11	7	32	5	24	2	9	2	8	3	10	5	23	4	16	3	10
1,500 and over	—	—	2	11	2	7	3	14	4	19	5	23	4	15	5	18	5	23	6	24	11	37
Total	18	100	18	100	27	100	22	100	21	100	22	100	26	100	28	100	22	100	25	100	30	100

Table 34 ESTIMATED TYPE OF EXPENDITURE IN RESPECT OF WHICH BANK LOANS WERE INCURRED

72 farms, 1949/50 to 1958/59

Type of Expenditure	1949/50	1950/51	1951/52	1952/53	1953/54	1954/55	1955/56	1956/57	1957/58	1958/59
	%	%	%	%	%	%	%	%	%	%
Purchase of land and property	70	22	35	—	—	4	—	—	30	65
Improvements and additions to buildings	7	28	22	—	27	27	5	27	33	9
Installation of water and electricity ..	—	—	—	37	—	41	—	—	—	—
Purchase of machinery and equipment ..	8	29	31	20	68	21	64	58	19	19
Purchase of livestock	6	13	—	37	—	—	8	11	10	3
Private	—	—	—	—	—	—	17	—	—	—
Sundry purposes	9	8	12	6	5	7	6	4	8	4
Total	100	100	100	100	100	100	100	100	100	100

Table 35

CHARGES UPON INCOME

72 farms, 1949/50 to 1958/59

	1949/50		1950/51		1951/52		1952/53		1953/54		1954/55		1955/56		1956/57		1957/58		1958/59	
	£		£		£		£		£		£		£		£		£		£	
All farms																				
Loan interest	216		367		602		482		385		475		390		493		692		854	
Income tax	1,637		3,306		2,843		3,267		3,679		5,489		5,150		6,162		6,222		11,660	
Total	1,853		3,673		3,445		3,749		4,064		5,964		5,540		6,655		6,914		12,514	
Per farm	£	%	£	%	£	%	£	%	£	%	£	%	£	%	£	%	£	%	£	%
Loan interest	3	12	5	10	8	17	7	14	5	9	7	8	5	6	7	8	10	10	12	7
Income tax	23	88	46	90	40	83	45	86	52	91	76	92	72	94	85	92	86	90	162	93
Total	26	100	51	100	48	100	52	100	57	100	83	100	77	100	92	100	96	100	174	100
Per 100 *adjusted acres*	£		£		£		£		£		£		£		£		£		£	
Loan interest	3		5		7		6		5		6		5		6		8		10	
Income tax	20		41		35		40		45		66		62		74		74		132	
Total	23		46		42		46		50		72		67		80		82		142	
Indices (1949/50=100)																				
Loan interest	100		170		279		224		178		220		181		228		321		396	
Income tax	100		202		174		200		224		335		314		377		380		713	
Total	100		198		186		202		219		322		299		359		373		675	

Table 36 FAMILY LIVING EXPENDITURE

72 farms, 1949/50 to 1958/59

	1949/50	1950/51	1951/52	1952/53	1953/54	1954/55	1955/56	1956/57	1957/58	1958/59
	£	£	£	£	£	£	£	£	£	£
All farms										
Non-cash	5,367	5,614	6,154	6,426	6,392	6,592	6,771	6,992	7,273	7,666
Cash	22,322	24,502	26,052	29,558	28,490	32,292	33,761	36,481	38,611	39,902
Total	27,689	30,116	32,206	35,984	34,882	38,884	40,532	43,473	45,884	47,568

	1949/50		1950/51		1951/52		1952/53		1953/54		1954/55		1955/56		1956/57		1957/58		1958/59	
Per farm	£	%	£	%	£	%	£	%	£	%	£	%	£	%	£	%	£	%	£	%
Non-cash	75	20	78	19	85	19	89	18	89	18	92	17	94	17	97	16	101	16	107	16
Cash	309	80	340	81	362	81	411	82	395	82	448	83	469	83	507	84	536	84	554	84
Total	384	100	418	100	447	100	500	100	484	100	540	100	563	100	604	100	637	100	661	100
	£		£		£		£		£		£		£		£		£		£	
Per 100 *adjusted acres*																				
Non-cash	67		69		75		78		78		79		81		83		86		89	
Cash	277		302		320		361		348		390		404		436		456		464	
Total	344		371		395		439		426		469		485		519		542		553	
Indices (1949/50=100)																				
Non-cash	100		105		115		120		119		123		126		130		136		143	
Cash	100		110		117		133		128		145		151		164		173		179	
Total	100		109		116		130		126		140		146		157		166		172	

Table 37

GROSS FARM INVESTMENT

72 farms, 1949/50 to 1958/59

	1949/50	1950/51	1951/52	1952/53	1953/54	1954/55	1955/56	1956/57	1957/58	1958/59
All farms	£	£	£	£	£	£	£	£	£	£
Land and property	11,446	3,919	6,324	10,629	4,557	6,345	7,407	8,450	23,184	29,679
Services	544	794	1,646	2,301	1,739	1,602	1,887	1,765	1,095	3,609
Buildings	2,329	5,102	2,001	3,381	2,874	5,180	7,383	8,994	6,415	7,473
Machinery and equipment	20,465	17,646	20,356	22,517	23,384	26,793	24,703	22,836	30,225	34,478
Livestock, crops and stores	8,096	5,048	6,148	11,525	15,915	3,113	11,457	7,316	17,806	18,436
Total	42,880	32,509	36,475	50,353	48,469	43,033	52,837	49,361	78,725	93,675

Per farm	1949/50 £	1949/50 %	1950/51 £	1950/51 %	1951/52 £	1951/52 %	1952/53 £	1952/53 %	1953/54 £	1953/54 %	1954/55 £	1954/55 %	1955/56 £	1955/56 %	1956/57 £	1956/57 %	1957/58 £	1957/58 %	1958/59 £	1958/59 %
Land and property	159	27	55	12	88	17	147	21	63	9	88	15	103	14	117	17	322	30	412	32
Services	8	1	11	2	23	5	32	4	24	4	22	4	26	3	24	4	16	1	50	4
Buildings	32	5	71	16	28	5	47	7	40	6	72	12	103	14	125	18	89	8	104	8
Machinery and equipment	284	48	245	54	283	56	313	45	325	48	373	62	343	47	318	46	420	38	479	37
Livestock, crops and stores	113	19	70	16	85	17	160	23	221	33	43	7	159	22	102	15	247	23	256	19
Total	596	100	452	100	507	100	699	100	673	100	598	100	734	100	686	100	1094	100	1301	100

	1949/50	1950/51	1951/52	1952/53	1953/54	1954/55	1955/56	1956/57	1957/58	1958/59
Per 100 adjusted acres	£	£	£	£	£	£	£	£	£	£
Land and property	142	49	78	130	56	77	89	101	273	343
Services	7	10	20	28	21	19	23	21	13	42
Buildings	29	63	25	41	35	62	89	107	76	86
Machinery and equipment	254	218	250	276	286	323	296	273	357	399
Livestock, crops and stores	100	62	75	141	194	38	137	87	210	213
Total	532	402	448	616	592	519	634	589	929	1083
Indices (1949/50=100)										
Land and property	100	34	55	93	40	55	65	74	203	259
Services	100	146	303	423	320	294	347	324	201	663
Buildings	100	219	86	145	123	222	317	386	275	321
Machinery and equipment	100	86	99	110	114	131	121	111	148	168
Livestock, crops and stores	100	62	76	142	197	38	142	90	220	228
Total	100	76	85	117	113	100	123	115	184	218

Table 38 GROSS INVESTMENT—TENANTS AND OWNER-OCCUPIERS

72 farms, 1949/50 to 1958/59

	1949/50		1950/51		1951/52		1952/53		1953/54		1954/55		1955/56		1956/57		1957/58		1958/59	
Tenants	55		54		51		49		48		48		47		46		43		41	
Per farm	£	%	£	%	£	%	£	%	£	%	£	%	£	%	£	%	£	%	£	%
Land and property	120	21	70	16	73	15	113	17	45	6	17	3	4	1	36	7	91	10	423	35
Services	6	1	8	2	16	4	18	3	28	4	23	4	40	6	30	6	23	2	11	1
Building	25	4	43	9	11	2	27	4	17	2	54	10	32	5	52	10	51	6	34	3
Machinery and equipment ..	303	54	264	58	279	58	315	49	385	53	413	78	368	60	316	60	471	51	460	38
Livestock, crops and stores ..	110	20	69	15	101	21	173	27	253	35	26	5	173	28	91	17	284	31	272	23
Total	564	100	454	100	480	100	646	100	728	100	533	100	617	100	525	100	920	100	1200	100
Per 100 adjusted acres	£		£		£		£		£		£		£		£		£		£	
Land and property	103		59		62		94		38		14		3		30		73		352	
Services	6		7		13		15		24		19		32		24		18		10	
Buildings	21		37		9		23		14		45		26		43		42		27	
Machinery and equipment ..	262		226		236		262		322		341		297		259		379		383	
Livestock, crops and stores ..	95		59		86		144		212		21		139		74		229		226	
Total	487		388		406		538		610		440		497		430		741		998	
Owner-Occupiers	17		18		21		23		24		24		25		26		29		31	
Per farm	£	%	£	%	£	%	£	%	£	%	£	%	£	%	£	%	£	%	£	%
Land and property	286	41	9	2	124	22	206	25	100	18	207	28	288	30	259	27	659	49	389	27
Services	11	2	21	5	40	7	77	10	15	3	43	6	1	—	18	2	10	1	110	8
Buildings	57	8	155	35	69	12	89	11	86	15	107	15	235	25	254	26	145	11	196	14
Machinery and equipment ..	223	32	188	42	293	51	309	38	205	36	291	40	296	31	319	33	344	25	504	35
Livestock, crops and stores ..	120	17	72	16	46	8	132	16	157	28	79	11	133	14	120	12	193	14	235	16
Total	697	100	445	100	572	100	813	100	563	100	727	100	953	100	970	100	1351	100	1434	100
Per 100 adjusted acres	£		£		£		£		£		£		£		£		£		£	
Land and property	287		9		123		207		98		200		288		243		610		324	
Services	11		21		40		77		15		42		1		17		9		92	
Buildings	57		157		68		89		84		103		235		239		134		164	
Machinery and equipment ..	224		190		290		310		200		281		296		301		318		420	
Livestock, crops and stores ..	120		73		46		133		153		76		133		113		179		196	
Total	699		450		567		816		550		702		953		913		1,250		1,196	

Table 39 PURCHASES OF LAND AND PROPERTY AND IMPROVEMENTS TO LAND—GROSS AND NET *

72 farms, 1949/50 to 1958/59

	1949/50		1950/51		1951/52		1952/53		1953/54		1954/55		1955/56		1956/57		1957/58		1958/59	
All farms	No	£	No	£	No	£	No	£	No	£	No	£	No	£	No	£	No	£	No	£
Purchase of land and property	3	11,446	1	3,919	2	5,942	3	10,169	2	4,557	2	5,914	3	6,971	3	8,396	8	23,016	8	29,286
less Sales	1	25	—	—	—	—	—	—	—	—	1	5,000	2	2,563	1	130	2	8,000	8	4,579
Net	—	11,421	—	3,919	—	5,942	—	10,169	—	4,557	—	914	—	4,408	—	8,266	—	15,016	—	24,707
Reclamation	—	—	—	—	—	—	—	—	—	—	—	—	1	436	—	—	—	—	—	—
less Grants	—	—	—	—	—	—	—	—	—	—	—	—	1	207	—	—	—	—	—	—
Net	—	—	—	—	—	—	—	—	—	—	—	—	—	229	—	—	—	—	—	—
Drainage	—	—	—	—	1	382	1	460	—	—	3	431	—	—	1	54	2	168	3	393
less Grants	—	—	—	—	1	166	1	185	—	—	3	175	—	—	1	13	1	39	1	16
Net	—	—	—	—	—	216	—	275	—	—	—	256	—	—	—	41	—	129	—	377
Total gross investment ..	3	11,446	1	3,919	3	6,324	4	10,629	2	4,557	5	6,345	4	7,407	4	8,450	10	23,184	11	29,679
Total net investment	—	11,421	—	3,919	—	6,158	—	10,444	—	4,557	—	1,170	—	4,637	—	8,307	—	15,145	—	25,084

Table 39—Continued

	1949/50		1950/51		1951/52		1952/53		1953/54		1954/55		1955/56		1956/57		1957/58		1958/59	
Per farm	£	%	£	%	£	%	£	%	£	%	£	%	£	%	£	%	£	%	£	%
Land and property: gross	159	100	55	100	83	94	141	96	63	100	82	93	97	94	116	99	320	99	407	99
net	159	100	55	100	83	97	141	97	63	100	13	81	62	95	114	99	209	99	343	99
Reclamation: gross	—	—	—	—	—	—	—	—	—	—	—	—	6	6	—	—	—	—	—	—
net	—	—	—	—	—	—	—	—	—	—	—	—	3	5	—	—	—	—	—	—
Drainage: gross	—	—	—	—	5	6	6	4	—	—	6	7	—	—	1	1	2	1	5	1
net	—	—	—	—	3	3	3	3	—	—	3	19	—	—	1	1	1	1	5	1
Total gross investment	159	100	55	100	88	100	147	100	63	100	88	100	103	100	117	100	322	100	412	100
Total net investment	159	100	55	100	86	100	144	100	63	100	16	100	65	100	115	100	210	100	348	100
Per 100 adjusted acres	£		£		£		£		£		£		£		£		£		£	
Land and property: gross	142		49		73		124		56		72		84		100		271		339	
net	142		49		73		124		56		11		53		98		177		286	
Reclamation: gross	—		—		—		—		—		—		5		—		—		—	
net	—		—		—		—		—		—		3		—		—		—	
Drainage: gross	—		—		5		6		—		5		—		1		2		4	
net	—		—		3		4		—		3		—		1		2		4	
Total gross investment	142		49		78		130		56		77		89		101		273		343	
Total net investment	142		49		76		128		56		14		56		99		179		290	

* Land and property net of sales. Improvements net of grants.

Table 40

INVESTMENT IN SERVICES—GROSS AND NET OF GRANTS

72 farms, 1949/50 to 1958/59

	1949/50		1950/51		1951/52		1952/53		1953/54		1954/55		1955/56		1956/57		1957/58		1958/59	
All farms	No.	£	No.	£	No.	£	No.	£	No.	£	No.	£	No.	£	No.	£	No.	£	No.	£
Water	2	544	4	715	8	1,374	8	1,701	1	24	5	559	4	1,432	2	581	2	271	3	1,230
less Grants	—	—	1	63	2	223	4	497	—	—	1	87	4	597	2	284	2	101	3	520
Net	—	544	—	652	—	1,151	—	1,204	—	24	—	472	—	835	—	297	—	170	—	710
Electricity	—	—	1	79	2	143	3	600	5	1,596	4	1,043	1	23	4	784	—	—	4	976
less Grants	—	—	—	—	—	—	—	—	—	—	—	—	—	—	1	200	—	—	1	152
Net	—	—	—	79	—	143	—	600	—	1,596	—	1,043	—	23	—	584	—	—	—	824
Roads	—	—	—	—	1	129	—	—	1	119	—	—	1	432	1	400	2	824	2	1,403
less Grants	—	—	—	—	—	—	—	—	—	—	—	—	1	216	1	171	2	424	2	527
Net	—	—	—	—	—	129	—	—	—	119	—	—	—	216	—	229	—	400	—	876
Total gross investment	2	544	5	794	11	1,646	11	2,301	7	1,739	9	1,602	6	1,887	7	1,765	4	1,095	9	3,609
Total net investment	—	544	—	731	—	1,423	—	1,804	—	1,739	—	1,515	—	1,074	—	1,110	—	570	—	2,410
Per farm	£	%	£	%	£	%	£	%	£	%	£	%	£	%	£	%	£	%	£	%
Water: gross	8	100	10	91	19	82	24	75	—	—	8	36	20	77	8	33	4	25	17	34
net	8	100	9	90	16	80	17	68	—	—	7	33	12	80	4	27	3	25	10	30
Electricity: gross	—	—	1	9	2	9	8	25	22	92	14	64	—	—	11	46	—	—	14	28
net	—	—	1	10	2	10	8	32	22	92	14	67	—	—	8	53	—	—	11	33
Roads: gross	—	—	—	—	2	9	—	—	2	8	—	—	6	23	5	21	12	75	19	38
net	—	—	—	—	2	10	—	—	2	8	—	—	3	20	3	20	6	75	12	37
Total gross investment	8	100	11	100	23	100	32	100	24	100	22	100	26	100	24	100	16	100	50	100
Total net investment	8	100	10	100	20	100	25	100	24	100	21	100	15	100	15	100	9	100	33	100
Per 100 adjusted acres	£		£		£		£		£		£		£		£		£		£	
Water: gross	7		9		17		21		—		7		17		7		3		14	
net	7		8		14		15		—		6		10		3		2		8	
Electricity: gross	—		1		2		7		19		12		—		9		—		12	
net	—		1		2		7		19		12		—		7		—		10	
Roads: gross	—		—		1		—		2		—		6		5		10		16	
net	—		—		1		—		2		—		3		3		5		10	
Total gross investment	7		10		20		28		21		19		23		21		13		42	
Total net investment	7		9		17		22		21		18		13		13		7		28	

Table 41

INVESTMENT IN BUILDING—GROSS AND NET OF GRANTS
72 farms, 1949/50 to 1958/59

	1949/50		1950/51		1951/52		1952/53		1953/54		1954/55		1955/56		1956/57		1957/58		1958/59	
All farms	No.	£	No.	£	No.	£	No.	£	No.	£	No.	£	No.	£	No.	£	No.	£	No.	£
Farmhouses and cottages	1	254	1	1,060	2	554	5	1,273	1	267	2	93	7	2,504	2	3,720	4	1,698	1	611
less Grants	—	—	—	—	—	—	—	—	—	—	—	—	3	935	1	150	2	628	—	—
Net	—	254	—	1,060	—	554	—	1,273	—	267	—	93	—	1,569	—	3,570	—	1,070	—	611
Farm buildings and yards	7	2,075	15	4,042	8	1,447	12	2,108	14	2,607	21	5,087	17	4,879	20	5,274	14	4,717	16	6,862
less Grants	—	—	1	146	—	—	2	525	2	496	2	445	2	552	1	36	5	761	9	2,412
Net	—	2,075	—	3,896	—	1,447	—	1,583	—	2,111	—	4,642	—	4,327	—	5,238	—	3,956	—	4,450
Total gross investment	8	2,329	16	5,102	10	2,001	17	3,381	15	2,874	23	5,180	24	7,383	22	8,994	18	6,415	17	7,473
Total net investment ..	—	2,329	—	4,956	—	2,001	—	2,856	—	2,378	—	4,735	—	5,896	—	8,808	—	5,026	—	5,061
Per farm	£	%	£	%	£	%	£	%	£	%	£	%	£	%	£	%	£	%	£	%
Farmhouses and cottages	3	9	15	21	8	29	18	38	4	10	1	1	35	34	51	41	23	26	8	8
less Grants	—	—	—	—	—	—	—	—	—	—	—	—	13	—	2	—	9	—	—	—
Net	3	9	15	22	8	29	18	45	4	12	1	1	22	27	49	40	14	21	8	11
Farm buildings and yards	29	91	56	79	20	71	29	62	36	90	71	99	68	66	74	59	66	74	96	92
less Grants	—	—	2	—	—	—	7	—	7	—	6	—	8	—	1	—	10	—	33	—
Net	29	91	54	78	20	71	22	55	29	88	65	99	60	73	73	60	56	79	63	89
Total gross investment	32	100	71	100	28	100	47	100	40	100	72	100	103	100	125	100	89	100	104	100
Total net investment ..	32	100	69	100	28	100	40	100	33	100	66	100	82	100	122	100	70	100	71	100
Per 100 adjusted acres	£		£		£		£		£		£		£		£		£		£	
Farmhouses and cottages	3		13		7		15		3		1		30		44		20		7	
less Grants	—		—		—		—		—		—		11		2		8		—	
Net	3		13		7		15		3		1		19		42		12		7	
Farm buildings and yards	26		50		18		26		32		61		59		63		56		79	
less Grants	—		2		—		7		6		6		7		—		9		28	
Net	26		48		18		19		26		55		52		63		47		51	
Total gross investment	29		63		25		41		35		62		89		107		76		86	
Total net investment ..	29		61		25		34		29		56		71		105		59		58	

Table 42 INVESTMENT IN CARS, MACHINERY AND EQUIPMENT—GROSS AND NET OF SALES AND DEPRECIATION

72 farms, 1949/50 to 1958/59

	1949/50		1950/51		1951/52		1952/53		1953/54		1954/55		1955/56		1956/57		1957/58		1958/59	
All farms	£		£		£		£		£		£		£		£		£		£	
Gross investment:																				
Cars	7,544		6,915		5,626		8,479		9,682		8,947		9,601		6,292		9,037		7,092	
Tractors	5,090		4,603		4,592		4,286		3,249		6,991		4,865		4,978		8,211		8,435	
Other machinery and equipment	7,831		6,128		10,138		9,752		10,454		10,855		10,237		11,566		12,977		18,951	
Total	20,465		17,646		20,356		22,517		23,385		26,793		24,703		22,836		30,225		34,478	
Less: Sales	2,188		2,612		4,367		4,921		4,680		6,475		4,793		4,172		6,133		8,539	
Depreciation	5,355		6,974		9,050		9,951		13,005		13,920		14,311		13,998		14,477		15,636	
Total	7,543		9,586		13,417		14,872		17,685		20,395		19,104		18,170		20,610		24,175	
Net investment	12,922		8,060		6,939		7,645		5,700		6,398		5,599		4,666		9,615		10,303	
Per farm	£	%	£	%	£	%	£	%	£	%	£	%	£	%	£	%	£	%	£	%
Gross investment:																				
Cars	105	37	96	39	78	27	118	38	135	42	124	33	133	39	87	27	126	30	99	21
Tractors	70	25	64	26	64	23	60	19	45	14	97	26	68	20	69	22	114	27	117	24
Other machinery and equipment	109	38	85	35	141	50	135	43	145	44	151	41	142	41	161	51	180	43	263	55
Total	284	100	245	100	283	100	313	100	325	100	372	100	343	100	317	100	420	100	479	100
Less: Sales	31	11	36	15	61	21	68	22	65	20	90	24	67	19	58	18	86	20	118	25
Depreciation	74	26	97	39	126	45	139	44	181	56	193	52	198	58	194	61	199	48	218	45
Total	105	37	133	54	187	66	207	66	246	76	283	76	265	77	252	79	285	68	336	70
Net investment	179	63	112	46	96	34	106	34	79	24	89	24	78	23	65	21	135	32	143	30

Table 42—Continued

	1949/50	1950/51	1951/52	1952/53	1953/54	1954/55	1955/56	1956/57	1957/58	1958/59
Per 100 *adjusted acres*	£	£	£	£	£	£	£	£	£	£
Gross investment:										
Cars	94	85	69	104	118	108	115	75	107	82
Tractors	63	57	56	53	40	84	58	60	97	98
Other machinery and equipment	97	76	125	119	128	131	123	138	153	219
Total	254	218	250	276	286	323	296	273	357	399
Less: Sales	27	32	54	60	57	78	58	50	73	99
Depreciation	67	86	111	122	159	168	171	167	170	180
Total	94	118	165	182	216	246	229	217	243	279
Net investment	160	100	85	94	70	77	67	56	114	120
Index of net investment (1949/50=100)	100	62	54	59	44	50	43	36	74	78

Table 43 INVESTMENT IN CARS—GROSS AND NET OF SALES AND DEPRECIATION

72 farms, 1949/50 to 1958/59

	1949/50		1950/51		1951/52		1952/53		1953/54		1954/55		1955/56		1956/57		1957/58		1958/59	
All farms	No.	£	No.	£	No.	£	No.	£	No.	£	No.	£	No.	£	No.	£	No.	£	No.	£
Gross investment ..	19	7,544	11	6,915	9	5,626	13	8,479	17	9,682	13	8,947	14	9,601	12	6,292	10	9,037	8	7,092
less Sales	11	1,247	10	1,670	9	2,740	14	3,210	16	3,004	12	3,636	12	2,823	9	1,607	10	3,470	10	2,864
Investment net of sales	—	6,297	—	5,245	—	2,886	—	5,269	—	6,678	—	5,311	—	6,778	—	4,685	—	5,567	—	4,228
less Depreciation ..	—	1,013	—	1,185	—	1,854	—	2,010	—	2,719	—	3,084	—	2,806	—	2,894	—	2,781	—	2,694
Net investment ..	—	5,284	—	4,060	—	1,032	—	3,259	—	3,959	—	2,227	—	3,972	—	1,791	—	2,786	—	1,534
		£		£		£		£		£		£		£		£		£		£
Per farm																				
Gross investment ..		105		96		78		118		135		124		133		87		126		99
Investment net of sales		87		73		40		73		93		74		94		65		77		59
Net investment ..		73		56		14		45		55		31		55		25		39		21
		£		£		£		£		£		£		£		£		£		£
Per 100 *adjusted acres*																				
Gross investment ..		94		85		69		104		118		108		115		75		107		82
Investment net of sales		78		65		35		64		82		64		81		56		66		49
Net investment ..		66		50		13		40		48		27		48		21		33		18
Indices (1949/50=100)																				
Gross investment ..		100		92		75		112		128		118		127		83		120		94
Investment net of sales		100		83		46		84		106		84		108		74		88		67
Net investment ..		100		77		19		62		75		42		75		34		53		29

Table 44

INVESTMENT IN FARM TRACTORS—GROSS AND NET OF SALES AND DEPRECIATION

72 farms, 1949/50 to 1958/59

	1949/50		1950/51		1951/52		1952/53		1953/54		1954/55		1955/56		1956/57		1957/58		1958/59	
All farms	No.	£	No.	£	No.	£	No.	£	No.	£	No.	£	No.	£	No.	£	No.	£	No.	£
Gross investment ..	13	5,090	17	4,603	15	4,592	12	4,286	7	3,249	14	6,991	10	4,865	11	4,978	16	8,211	20	8,435
less Sales	3	500	2	607	4	762	5	680	4	587	12	1,844	7	1,556	6	1,346	9	1,489	9	2,940
Investment net of sales	—	4,590	—	3,996	—	3,830	—	3,606	—	2,662	—	5,147	—	3,309	—	3,632	—	6,722	—	5,495
less Depreciation ..	—	1,240	—	1,709	—	1,546	—	1,660	—	3,284	—	3,491	—	3,700	—	3,831	—	4,398	—	5,076
Net investment ..	—	3,350	—	2,287	—	2,284	—	1,946	—	—622	—	1,656	—	—391	—	—199	—	2,324	—	419
Per farm		£		£		£		£		£		£		£		£		£		£
Gross investment ..		70		64		64		60		45		97		68		69		114		117
Investment net of sales		63		56		53		51		37		71		46		50		93		76
Net investment ..		47		32		32		27		—9		23		—5		—3		32		6
Per 100 *adjusted acres*		£		£		£		£		£		£		£		£		£		£
Gross investment ..		63		57		56		53		40		84		58		60		97		98
Investment net of sales		57		49		47		44		33		62		40		43		79		64
Net investment ..		42		28		28		24		—8		20		—5		—2		27		5
Indices (1949/50=100)																				
Gross investment ..		100		90		90		84		64		137		96		98		161		165
Investment net of sales		100		87		83		78		58		112		72		79		146		120
Net investment ..		100		68		68		58		—19		49		—12		—6		69		13

Table 45 INVESTMENT IN OTHER MACHINERY AND EQUIPMENT—GROSS AND NET OF SALES AND DEPRECIATION

72 farms, 1949/50 to 1958/59

	1949/50		1950/51		1951/52		1952/53		1953/54		1954/55		1955/56		1956/57		1957/58		1958/59	
All farms	£	%	£	%	£	%	£	%	£	%	£	%	£	%	£	%	£	%	£	%
Gross investment:																				
Ploughs and cultivators	1,650	21	1,019	16	890	9	1,245	13	487	5	1,111	10	485	5	611	5	765	6	893	5
Sowing and fertilising ..	726	9	1,019	16	938	9	1,347	14	1,086	10	945	9	803	8	793	7	2,202	17	1,314	7
Harvesting	1,556	20	1,146	19	3,290	32	3,431	35	2,982	29	3,700	34	4,243	41	4,291	37	5,145	40	11,207	59
Barn and farmyard ..	214	3	156	3	828	8	304	3	419	4	826	8	209	2	603	5	109	1	1,170	6
Dairying	1,095	14	472	8	484	5	880	9	505	5	464	4	300	3	412	4	549	4	659	4
Transport and power ..	1,309	17	1,293	21	2,588	26	1,371	14	1,764	17	1,495	14	2,431	24	2,728	24	2,690	21	2,152	11
Fixed equipment ..	1,198	15	1,023	17	1,018	10	863	9	2,748	26	2,064	19	1,615	16	1,887	16	1,193	9	1,368	7
Other	83	1	—	—	102	1	311	3	463	4	250	2	151	1	241	2	324	2	188	1
Total	7,831	100	6,128	100	10,138	100	9,752	100	10,454	100	10,855	100	10,237	100	1,1566	100	12,977	100	18,951	100
less: Sales	441	—	335	—	865	—	1,031	—	1,089	—	995	—	414	—	1,219	—	1,174	—	2,735	—
Depreciation ..	3,102	—	4,080	—	5,650	—	6,281	—	7,002	—	7,345	—	7,805	—	7,273	—	7,298	—	7,866	—
Total	3,543	—	4,415	—	6,515	—	7,312	—	8,091	—	8,340	—	8,219	—	8,492	—	8,472	—	10,601	—
Net investment	4,288	—	1,713	—	3,623	—	2,440	—	2,363	—	2,515	—	2,018	—	3,074	—	4,505	—	8,350	—
Per farm	£		£		£		£		£		£		£		£		£		£	
Gross investment ..	109		85		141		135		145		151		142		161		180		263	
Investment net of sales ..	103		80		129		121		130		137		136		144		164		226	
Net investment	60		24		50		34		33		35		28		43		64		116	
Per 100 *adjusted acres*	£		£		£		£		£		£		£		£		£		£	
Gross investment ..	97		76		125		119		128		131		123		138		153		219	
Investment net of sales ..	92		72		114		107		114		119		118		124		139		188	
Net investment	53		21		44		30		29		30		24		37		54		97	
Indices (1949/50=100) ..																				
Gross investment ..	100		78		129		125		133		139		131		148		166		242	
Investment net of sales ..	100		78		125		117		127		133		133		140		160		219	
Net investment	100		40		85		57		55		59		47		72		105		195	

Table 46

NET ANNUAL CHANGES IN FINANCIAL ASSETS

72 farms, 1949/50 to 1958/59

	1949/50	1950/51	1951/52	1952/53	1953/54	1954/55	1955/56	1956/57	1957/58	1958/59
All farms	£	£	£	£	£	£	£	£	£	£
Liquid assets:										
Cash and current account at bank ..	—495	—2,727	+1,552	+12	+7,031	—4,659	—3,494	+5,539	—1,145	—3,350
Debtor balances	+1,411	+49	+2,974	+3,111	—3,249	+2,292	+4,213	+729	+1,817	+3,277
Total	+916	—2,678	+4,526	+3,123	+3,782	—2,367	+719	+6,268	+672	—73
Financial reserves:										
Savings and deposit accounts ..	+297	+2,268	—925	+4,545	+1,711	+6,255	+120	+5,148	+8,434	+6,407
Shares and securities	—828	—1,484	—855	—4,628	—268	+1,777	+13	+3,050	+3,252	—763
Loans	—94	+204	—150	+40	+2,379	+2,867	—955	+100	+1,898	—615
Assurance policies	+1,648	+2,159	+2,162	+2,293	+1,944	+2,243	+598	+686	+2,696	+4,399
Land and property other than farmed	—	—	—	—	—	—40	—	—150	+2,068	+1,129
Total	+1,023	+3,147	+232	+2,250	+5,766	+13,102	—224	+8,834	+18,348	+10,557
Total financial assets	+1,939	+469	+4,758	+5,373	+9,548	+10,735	+495	+15,102	+19,020	+10,484
Per farm	£	£	£	£	£	£	£	£	£	£
Total liquid assets	+13	—37	+63	+44	+53	—33	+10	+87	+9	—1
Total financial reserves	+14	+44	+3	+31	+80	+182	—3	+123	+255	+146
Total financial assets	+27	+7	+66	+75	+133	+149	+7	+210	+264	+145
Per 100 *adjusted acres*	£	£	£	£	£	£	£	£	£	£
Total liquid assets	+11	—33	+55	+38	+46	—29	+9	+75	+8	—1
Total financial reserves	+13	+39	+3	+28	+70	+158	—3	+105	+216	+122
Total financial assets	+24	+6	+58	+66	+116	+129	+6	+180	+224	+121
Indices (1949/50=100)										
Total liquid assets	100	—292	+494	+341	+413	—258	+78	+684	+73	—8
Total financial reserves	100	+308	+23	+220	+564	+1,280	—22	+863	+1,794	+1,032
Total financial assets	100	+24	+245	+277	+492	+554	+26	+779	+981	+541

Table 47 POSITIVE BANK BALANCES AT END OF YEAR—CURRENT ACCOUNT

72 farms, 1948/49 to 1958/59

	1948/49		1949/50		1950/51		1951/52		1952/53		1953/54	
No. of tenants	55		55		54		51		49		48	
No. of owner-occupiers	17		17		18		21		23		24	
Total	72		72		72		72		72		72	
	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%
With positive balances												
Tenants	43	78	43	78	36	67	37	73	35	71	34	71
Owner-occupiers ..	11	65	11	65	9	50	13	62	16	70	16	67
Total	54	75	54	75	45	62	50	69	51	71	50	69
Total positive balances	£		£		£		£		£		£	
Tenants	26,823		26,709		24,942		23,238		21,714		24,769	
Owner-occupiers ..	6,395		6,014		5,054		8,310		9,846		13,822	
Total	33,218		32,723		29,996		31,548		31,560		38,591	
Average size of positive balance :	£		£		£		£		£		£	
Tenant	624		621		693		628		620		729	
Owner-occupier ..	581		547		562		639		615		864	
Total	615		606		667		631		619		772	

	1954/55		1955/56		1956/57		1957/58		1958/59	
No. of tenants	48		47		46		43		41	
No. of owner-occupiers	24		25		26		29		31	
Total	72		72		72		72		72	
	No.	%	No.	%	No.	%	No.	%	No.	%
With positive balances										
Tenants	30	62	28	60	31	67	27	63	24	59
Owner-occupiers ..	16	67	16	64	19	73	20	69	18	58
Total	46	64	44	61	50	69	47	65	42	58
Total positive balances	£		£		£		£		£	
Tenants	22,455		16,231		21,733		20,494		18,358	
Owner-occupiers ..	11,478		14,208		14,245		14,339		13,125	
Total	33,933		30,439		35,978		34,833		31,483	
Average size of positive balance :	£		£		£		£		£	
Tenant	749		580		701		759		765	
Owner-occupier ..	717		888		750		717		729	
Total	738		692		720		741		750	

Table 48

DISTRIBUTION OF FARMS BY SIZE OF POSITIVE BANK BALANCE AT END OF YEAR—CURRENT ACCOUNT

72 farms, 1948/49 to 1958/59

Positive Balance at End of Year	1948/49		1949/50		1950/51		1951/52		1952/53		1953/54		1954/55		1955/56		1956/57		1957/58		1958/59	
£	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%
Tenants																						
Under 200	7	16	7	16	7	19	10	27	11	31	11	32	7	23	3	11	7	23	2	8	6	25
200 to 399	11	26	11	26	6	17	6	16	3	9	3	9	5	17	7	25	6	19	4	15	2	8
400 to 599	7	16	7	16	6	17	6	16	7	20	4	12	4	13	7	25	2	6	6	22	3	13
600 to 799	4	9	5	11	3	8	2	6	4	11	4	12	—	—	5	18	6	19	3	11	1	4
800 to 999	3	7	2	5	5	14	1	3	3	9	—	—	3	10	3	11	4	13	2	7	3	13
1,000 to 1,499	9	21	9	21	6	17	9	24	3	9	6	17	8	27	2	7	3	10	10	37	6	25
1,500 and over	2	5	2	5	3	8	3	8	4	11	6	18	3	10	1	3	3	10	—	—	3	12
Total	43	100	43	100	36	100	37	100	35	100	34	100	30	100	28	100	31	100	27	100	24	100
Owner-occupiers																						
Under 200	3	28	3	28	4	45	2	15	1	6	1	6	4	25	5	31	3	16	3	15	2	11
200 to 399	2	18	1	9	1	11	3	23	8	50	3	19	3	19	3	19	2	11	3	15	3	17
400 to 599	1	9	2	18	1	11	1	8	—	—	2	12	3	19	—	—	7	37	5	25	3	17
600 to 799	2	18	1	9	—	—	3	23	2	13	3	19	2	13	2	12	1	5	4	20	2	11
800 to 999	1	9	2	18	—	—	1	8	2	13	1	6	—	—	—	—	1	5	1	5	4	22
1,000 to 1,499	2	18	2	18	2	22	2	15	1	6	3	19	2	12	3	19	2	10	3	15	2	11
1,500 and over	—	—	—	—	1	11	1	8	2	12	3	19	2	12	3	19	3	16	1	5	2	11
Total	11	100	11	100	9	100	13	100	16	100	16	100	16	100	16	100	19	100	20	100	18	100
All farms																						
Under 200	10	19	10	19	11	24	12	24	12	23	12	24	11	24	8	18	10	20	5	11	8	19
200 to 399	13	24	13	24	7	16	9	18	11	21	6	12	8	17	10	23	8	16	7	15	5	12
400 to 599	8	15	8	15	7	16	7	14	7	14	6	12	7	15	7	16	9	18	11	23	6	14
600 to 799	6	11	7	13	3	6	5	10	6	12	7	14	2	4	7	16	7	14	7	15	3	7
800 to 999	4	7	3	5	5	11	2	4	5	10	1	2	3	7	3	7	5	10	3	6	7	17
1,000 to 1,499	11	20	11	20	8	18	11	22	4	8	9	18	10	22	5	11	5	10	13	28	8	19
1,500 and over	2	4	2	4	4	9	4	8	6	12	9	18	5	11	4	9	6	12	1	2	5	12
Total	54	100	54	100	45	100	50	100	51	100	50	100	46	100	44	100	50	100	47	100	42	100

Figure 5 NET MONTHLY BANK BALANCES—CURRENT ACCOUNT

51 farms, 1957 and 1958

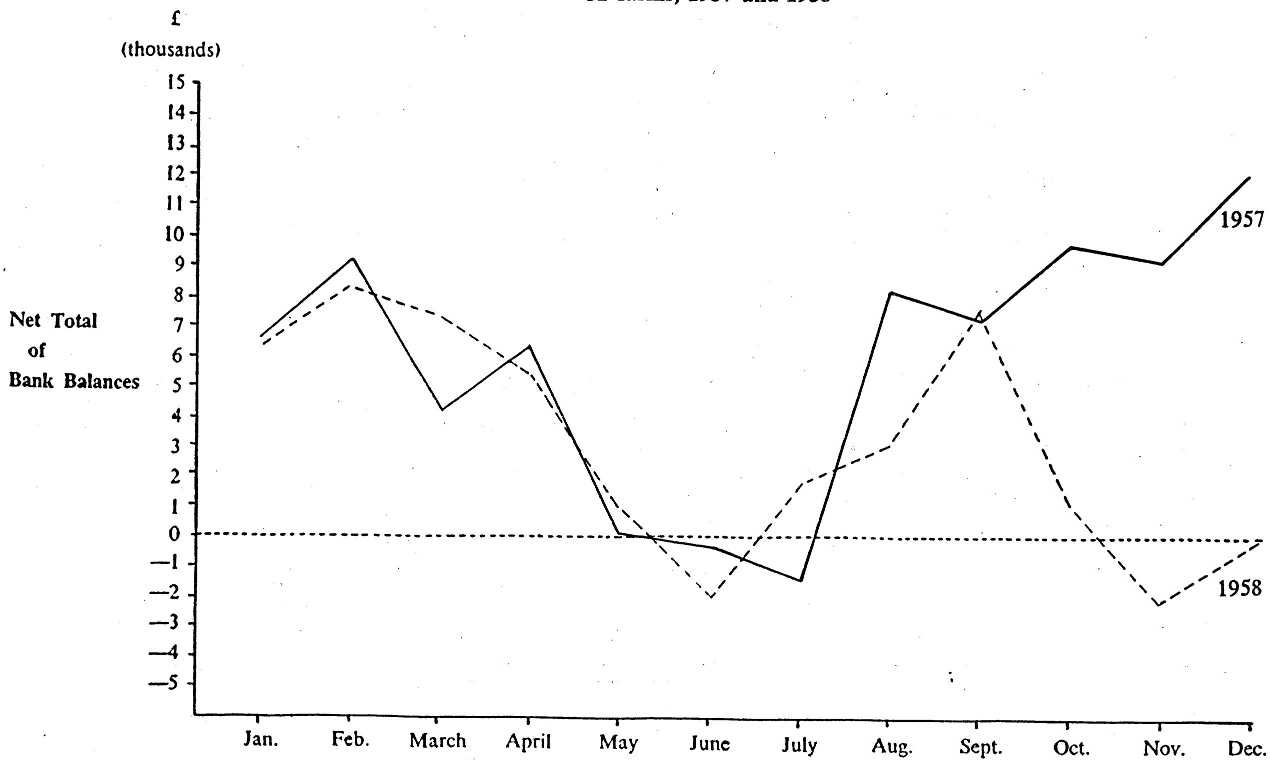

Table 49

DEBTOR BALANCES AT END OF YEAR

72 farms, 1948/49 to 1958/59

	1948/49	1949/50	1950/51	1951/52	1952/53	1953/54	1954/55	1955/56	1956/57	1957/58	1958/59
All farms	£	£	£	£	£	£	£	£	£	£	£
Livestock*	429	1,216	1,545	2,817	4,110	1,868	4,069	5,903	6,741	7,630	8,091
Milk	3,482	4,189	4,659	5,434	6,144	6,155	6,208	6,556	6,909	7,171	7,391
Eggs	17	8	70	506	246	215	462	784	921	763	845
Wool	88	296	383	702	1,171	661	1,144	922	189	120	447
Cereals*	451	443	451	541	143	435	333	536	651	1,273	1,308
Potatoes	1,613	601	459	354	118	159	16	318	4	105	170
Other crops	679	1,187	402	725	819	440	295	385	881	667	380
Subsidies and grants	1,020	725	832	629	1,905	1,336	1,290	2,361	1,815	1,773	3,940
Pre-payments	25	50	55	58	278	250	43	141	507	416	784
Other	241	741	649	713	656	822	773	940	957	1,474	1,313
Total	8,045	9,456	9,505	12,479	15,590	12,341	14,633	18,846	19,575	21,392	24,669

	1948/49		1949/50		1950/51		1951/52		1952/53		1953/54		1954/55		1955/56		1956/57		1957/58		1958/59	
Per farm	£	%	£	%	£	%	£	%	£	%	£	%	£	%	£	%	£	%	£	%	£	%
Livestock*	6	5	17	13	21	16	39	22	57	26	26	15	56	28	82	31	94	35	106	36	112	33
Milk	49	44	58	44	65	49	75	43	85	39	86	50	86	42	91	35	96	35	100	34	103	30
Eggs	..	..	..	..	1	1	7	4	4	2	3	2	6	3	11	4	13	5	10	3	12	4
Wool	1	1	4	3	5	4	10	6	16	8	9	5	16	8	13	5	3	1	2	1	6	2
Cereals*	6	5	6	4	6	5	7	4	2	1	6	4	5	2	8	3	9	3	18	6	18	5
Potatoes	23	21	8	6	6	4	5	3	2	1	2	1	..	..	4	1	..	..	1	..	2	1
Other crops	10	9	17	13	6	4	10	6	11	5	6	4	4	2	5	2	12	4	9	3	5	1
Subsidies and grants	14	12	10	8	12	9	9	5	26	12	19	11	18	9	33	13	25	9	25	9	55	16
Pre-payments	..	..	1	1	1	1	1	1	4	2	3	2	1	..	2	1	7	3	6	2	11	3
Other	3	3	10	8	9	7	10	6	9	4	11	6	11	6	13	5	13	5	20	7	18	5
Total	112	100	131	100	132	100	173	100	216	100	171	100	203	100	262	100	272	100	297	100	342	100

* From 1954/55 onwards deficiency payments, introduced in July, 1954, are included in these amounts.

Table 50

DEBTOR BALANCES AT END OF YEAR

72 farms, 1948/49 to 1958/59

	1948/49	1949/50	1950/51	1951/52	1952/53	1953/54	1954/55	1955/56	1956/57	1957/58	1958/59
Per 100 adjusted acres	£	£	£	£	£	£	£	£	£	£	£
Livestock*	5	15	19	34	50	23	49	71	80	90	94
Milk	43	52	57	66	75	75	75	79	83	85	85
Eggs	..	..	1	6	3	3	6	9	11	9	10
Wool	1	4	5	9	14	8	14	11	2	1	5
Cereals*	6	5	6	7	2	5	4	6	8	15	15
Potatoes	20	7	6	4	1	2	..	4	..	1	2
Other crops	9	15	5	9	10	5	3	5	11	8	4
Subsidies and grants	13	9	10	8	23	16	15	28	22	21	46
Pre-payments	..	1	1	1	4	4	1	2	6	5	9
Other	3	9	8	9	8	10	9	11	11	17	15
Total	100	117	118	153	190	151	176	226	234	252	285
Indices (1948/49=100)											
Livestock*	100	283	360	657	958	435	948	1,376	1,571	1,779	1,886
Milk	100	120	134	156	176	177	178	188	198	206	212
Eggs	100	47	412	2,976	1,447	1,265	2,718	4,612	5,416	4,488	4,971
Wool	100	336	435	798	1,331	751	1,300	1,048	215	136	508
Cereals*	100	98	100	120	32	96	74	118	144	282	290
Potatoes	100	37	28	22	7	10	1	20	..	7	11
Other crops	100	175	59	107	120	65	43	57	130	98	56
Subsidies and grants	100	71	82	62	187	131	126	231	178	174	386
Pre-payments	100	200	220	232	1,112	1,000	172	564	2,028	1,664	3,136
Other	100	307	266	296	272	341	321	390	397	612	545
Total	100	118	118	155	194	153	182	234	243	266	307

*From 1954/55 onwards deficiency payments, introduced in July, 1954, are included in these amounts.

Table 51 DISTRIBUTION OF FARMS BY SIZE OF DEBTOR BALANCE AT END OF YEAR

72 farms, 1948/49 to 1958/59

Debtor Balance at End of Year	1948/49	1949/50	1950/51	1951/52	1952/53	1953/54	1954/55	1955/56	1956/57	1957/58	1958/59
					Number						
£											
Under 200	60	61	55	51	41	53	40	41	40	33	33
200 to 399	7	6	14	13	21	14	24	12	17	26	18
400 to 599	5	4	3	4	5	3	6	11	7	6	12
600 to 799	—	1	—	4	3	1	1	5	4	1	3
800 to 999	—	—	—	—	2	—	—	2	2	3	2
1,000 to 1,499	—	—	—	—	—	1	1	1	—	2	2
1,500 and over	—	—	—	—	—	—	—	—	2	1	2
Total farms	72	72	72	72	72	72	72	72	72	72	72
					Per Cent.						
£											
Under 200	83	85	76	71	57	74	56	57	56	46	46
200 to 399	10	8	20	18	29	20	33	17	23	36	25
400 to 599	7	6	4	5	7	4	9	15	10	9	16
600 to 799	—	1	—	6	4	1	1	7	5	1	4
800 to 999	—	—	—	—	3	—	—	3	3	4	3
1,000 to 1,499	—	—	—	—	—	1	1	1	—	3	3
1,500 and over	—	—	—	—	—	—	—	—	3	1	3
Total farms	100	100	100	100	100	100	100	100	100	100	100

Table 52 SUMMARY OF BANK POSITION AND FARMERS' DEBTORS AND CREDITORS AT END OF YEAR

72 farms, 1948/49 to 1958/59

	1948/49		1949/50		1950/51		1951/52		1952/53		1953/54		1954/55		1955/56		1956/57		1957/58		1958/59	
Bank Position	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%
No. of farms with																						
Overdraft	18	25	18	25	27	38	22	31	21	29	22	31	26	36	28	39	22	31	25	35	30	42
Positive balance ..	54	75	54	75	45	62	50	69	51	71	50	69	46	64	44	61	50	69	47	65	42	58
	£		£		£		£		£		£		£		£		£		£		£	
Average size of																						
Overdraft	476		590		558		950		954		981		912		955		1,230		1,208		1,646	
Positive balance ..	615		606		667		631		619		772		738		692		720		741		750	
Average bank position ..	+351		+315		+207		+148		+161		+236		+142		+52		+124		+64		—249	
Farmers' Creditors and Debtors	£		£		£		£		£		£		£		£		£		£		£	
Average amount owed by farmers (creditors) ..	174		248		293		318		356		436		449		513		493		580		620	
Average amount owed to farmers (debtors) ..	112		131		132		173		216		171		203		262		272		297		342	
Average net indebtedness position	62		117		161		145		140		265		246		251		221		283		278	

Table 53

FINANCIAL RESERVES AT END OF YEAR

72 farms, 1948/49 to 1958/59

	1948/49		1949/50		1950/51		1951/52		1952/53		1953/54		1954/55		1955/56		1956/57		1957/58		1958/59	
All farms	£		£		£		£		£		£		£		£		£		£		£	
Savings accounts . .	3,821		4,118		6,386		5,461		10,006		11,717		17,972		18,092		23,240		31,674		38,081	
Shares and securities	36,703		35,875		34,391		33,536		28,908		28,640		30,417		30,430		33,480		36,732		35,969	
Loans	973		879		1,083		933		973		3,352		6,219		5,264		5,364		7,262		6,647	
Assurance policies . .	6,208		7,856		10,015		12,177		14,470		16,414		18,657		19,255		19,941		22,637		27,036	
Land and property other than farmed	5,211		5,211		5,211		5,211		5,211		5,211		5,171		5,171		5,021		7,089		8,218	
Total	52,916		53,939		57,086		57,318		59,568		65,334		78,436		78,212		87,046		105,394		115,951	
Per farm	£	%	£	%	£	%	£	%	£	%	£	%	£	%	£	%	£	%	£	%	£	%
Savings accounts . .	53	7	58	8	89	11	76	10	139	17	163	18	250	23	251	23	323	27	440	30	529	33
Shares and securities	510	69	498	66	478	60	466	58	402	49	398	44	422	39	423	39	465	38	510	35	499	31
Loans	14	2	12	2	15	2	13	2	13	1	46	5	86	8	73	7	74	6	101	7	92	6
Assurance policies . .	86	12	109	14	139	18	169	21	201	24	228	25	259	24	267	24	277	23	314	21	376	23
Land and property other than farmed	72	10	72	10	72	9	72	9	72	9	72	8	72	6	72	7	70	6	99	7	114	7
Total	735	100	749	100	793	100	796	100	827	100	907	100	1,089	100	1,086	100	1,209	100	1,464	100	1,610	100

Continued overleaf

FINANCIAL RESERVES AT END OF YEAR

Table 53—Continued

72 farms, 1948/49 to 1958/59

	1948/49	1949/50	1950/51	1951/52	1952/53	1953/54	1954/55	1955/56	1956/57	1957/58	1958/59
Per 100 *adjusted acres*	£	£	£	£	£	£	£	£	£	£	£
Savings accounts ..	47	51	79	67	122	143	217	217	277	374	440
Shares and securities	455	445	425	412	354	350	367	365	400	433	416
Loans	12	11	13	11	12	41	75	63	64	86	77
Assurance policies ..	77	97	124	149	177	200	225	231	238	267	313
Land and property other than farmed	65	65	65	64	64	64	62	62	60	84	95
Total	656	669	706	703	729	798	946	938	1,039	1,244	1,341
Indices (1948/49=100)											
Savings accounts ..	100	108	167	143	262	307	470	473	608	829	997
Shares and securities	100	98	94	91	79	78	83	83	91	100	98
Loans	100	90	111	96	100	345	639	541	551	746	683
Assurance policies ..	100	127	161	196	233	264	300	310	321	365	435
Land and property other than farmed	100	100	100	100	100	100	99	99	96	136	158
Total	100	102	108	108	113	123	148	148	164	199	219

Table 54 DISTRIBUTION OF FARMS BY SIZE OF FINANCIAL RESERVE AT END OF YEAR

72 farms, 1948/49 to 1958/59

Financial Reserve at End of Year	1948/49	1949/50	1950/51	1951/52	1952/53	1953/54	1954/55	1955/56	1956/57	1957/58	1958/59
						Number					
£											
Nil	21	21	19	19	17	17	16	17	17	16	15
Under 200	18	17	16	16	16	16	16	17	16	15	14
200 to 499	15	15	16	18	18	16	13	13	11	10	9
500 to 999	8	8	8	8	8	8	7	7	8	7	8
1,000 to 1,999	7	7	8	8	6	5	7	6	5	6	8
2,000 to 2,999	—	1	1	2	3	4	5	6	6	8	7
3,000 to 4,999	3	3	4	1	3	4	4	2	4	4	4
5,000 to 9,999	—	—	—	—	1	2	3	3	2	3	4
10,000 to 14,999	—	—	—	—	—	—	1	1	2	2	2
15,000 and over	—	—	—	—	—	—	—	—	1	1	1
Total	72	72	72	72	72	72	72	72	72	72	72
						Per Cent.					
£											
Nil	29	29	27	27	24	24	22	24	24	22	21
Under 200	25	24	22	22	22	22	22	24	22	21	19
200 to 499	21	21	22	25	25	22	18	18	15	14	12
500 to 999	11	11	11	11	11	11	10	10	11	10	11
1,000 to 1,999	10	10	11	11	9	7	10	8	7	8	11
2,000 to 2,999	—	1	1	3	4	6	7	8	8	11	10
3,000 to 4,999	4	4	6	1	4	5	6	3	6	6	6
5,000 to 9,999	—	—	—	—	1	3	4	4	3	4	6
10,000 to 14,999	—	—	—	—	—	—	1	1	3	3	3
15,000 and over	—	—	—	—	—	—	—	—	1	1	1
Total	100	100	100	100	100	100	100	100	100	100	100

Table 55

NET ANNUAL CHANGES IN EXTERNAL BORROWING AND LENDING

72 farms, 1949/50 to 1958/59

	1949/50	1950/51	1951/52	1952/53	1953/54	1954/55	1955/56	1956/57	1957/58	1958/59
	£	£	£	£	£	£	£	£	£	£
All farms										
Net increase in borrowing	11,505	7,453	8,800	4,384	6,242	3,151	8,782	1,914	14,892	30,041
Net increase in financial assets	1,939	469	4,758	5,373	9,548	10,735	495	15,102	19,020	10,484
Net increase in external borrowing ..	9,566	6,984	4,042	—	—	—	8,287	—	—	19,557
Net increase in external lending ..	—	—	—	989	3,306	7,584	—	13,188	4,128	—
Per farm										
Net increase in borrowing	160	103	122	61	87	44	122	27	207	417
Net increase in financial assets	27	6	66	75	133	149	7	210	264	145
Net increase in external borrowing ..	133	97	56	—	—	—	115	—	—	272
Net increase in external lending ..	—	—	—	14	46	105	—	183	57	—
Per 100 *adjusted acres*										
Net increase in borrowing	143	92	108	54	76	38	105	23	176	347
Net increase in financial assets	24	6	58	66	116	129	6	180	224	121
Net increase in external borrowing ..	119	86	50	—	—	—	99	—	—	226
Net increase in external lending ..	—	—	—	12	40	91	—	157	48	—

VI

LIABILITIES, ASSETS AND PROPRIETORS' NET WORTH

1950 AND 1959

This study was principally concerned with an examination of the incoming and outgoing funds on a sample of 72 South Western farms over a ten-year period. Although the intention was not to measure the value and distribution of farming capital at the end of each year of the study, it was felt that an assessment of the total capital involved at the beginning and end of the period would be of value. Consequently two summary balance sheets for the sample as a whole have been compiled, in which are listed the total liabilities and assets at the end of the 1949/50 and 1958/59 accounting years.

It will be noted that the first summary balance sheet is dated 1949/50 and not 1948/49, which would have been strictly more correct as an opening statement at the beginning of the period. There were two reasons for selecting 1949/50 in preference to the previous year. In the first place, as has been pointed out in an earlier chapter, there were some farmers for whom 1949/50 was their first year in business. Consequently, a summary balance sheet at the year-end 1948/49 would not have included all 72 farms. Second, an attempt will be made to relate gross output and management and investment income in 1949/50 and 1958/59 to the capital employed in 1949/50 and 1958/59. As as basis of comparison it was necessary to use the schedule of assets either at the beginning or end of those years. The latter alternative was chosen, namely, the capital in use at the end of the 1949/50 and 1958/59 years.

Some comment is also necessary on the procedure adopted with regard to the valuation of the physical assets. For tenants' physical assets, the valuation of livestock, crops and stores is that shown in Table 21; machinery and equipment have been depreciated at Farm Management Survey rates (20 per cent. for tractors and 10 per cent. the remainder), a similar method to that used in arriving at net investment in Table 42.

The procedure adopted in respect of landlords' physical assets, buildings, land and property, has involved a greater degree of estimation. The method employed was to make an estimate of the value with vacant possession of all the land and property owned at the end of the period and an estimate was similarly made at the end of 1949/50. The normal accounting method of valuing land and buildings at cost was, therefore, not employed, except in so far that the price paid was used when the purchase was made during the last year of the study. Financial assets, in particular the holding of funds as financial reserves, have been taken at the value assumed in Table 53 and the qualifications made pertaining to that table also apply to the valuation here.

Total liabilities and assets, their value per farm and per 100 adjusted acres for 1949/50 and 1958/59 are set out in Table 56. Considering first the right-hand side of the table, assets totalled £5,376 per farm in 1949/50 compared with £10,975 in 1958/59. In the earlier year, 75 per cent. of the total assets was in the form of physical assets and this proportion was only three per cent. higher in 1958/59 in spite of an increase in the number of owner-occupiers. The importance of total tenant-type physical assets fell slightly from 48 to 44 per cent., with the value of livestock, crops and stores declining from 37 to 30 per cent. and machinery and equipment increasing from 11 to 14 per cent. Total financial assets also decreased slightly in importance due to a fall from 11 to 7 per cent. in liquid assets, partially offset by a one per cent. rise in financial reserves.

On the left-hand side of the schedule, total current liabilities—those liabilities which have to be met in the short run, usually during the ensuing financial year—rose from £495 per farm in 1949/50 to £1,402 in 1958/59. In relation to total liabilities they increased from 9 to 13 per cent., being comprised of a two per cent. increase in trade creditors and a similar rise in bank overdrafts. As noted at the foot of the table, loans from the banks specifically granted for long-term purposes are included as long-term loans and mortgages, which increased their contribution to total liabilities from four to five per cent. Proprietors' net worth, that part of total liabilities which has been contributed by profits and the farmers themselves, amounted to 87 per cent. of the total in 1949/50 and 82 per cent. in 1958/59. These figures illustrate once more the fact that the increase in assets was achieved largely from the farmers' own resources.

The change in liabilities and assets, 1958/59 as a percentage of 1949/50, is shown in Table 57. Total liabilities and assets doubled between 1949/50 and 1958/59, a trend which compares quite closely with the increase in gross output and net farm income over the same period.

Financial assets on the whole increased by 79 per cent., with liquid assets rising to a lesser extent, by 33 per cent., than financial reserves, 115 per cent. The value of total physical assets more than doubled. Machinery and equipment and landlords' physical assets both rose by one and a half times, which was a much greater rate of increase than that which occurred with the inventories of livestock, crops and stores.

On the other side of the balance sheet, there was a fairly substantial increase in the farmers' indebtedness to outside sources. However, since external indebtedness in 1958/59 amounted to no more than 19 per cent. of total liabilities, proprietors' net worth still showed a 92 per cent. increase over the nine-year period.

In an earlier chapter, some terms were discussed and suggestions were made whereby farmers and their advisers may be assisted in the management of capital. A distinction was made between physical and current assets. The latter comprises liquid assets, as already shown in Table 56, and working assets, consisting of stocks of crops and stores on hand and animals other than breeding stock which can be sold at short notice without impairing the production of budgeted lines. Working capital, the fund available to meet current expenses, is the difference between current assets, and current liabilities as shown in Table 56.

The relationship of these various measures to total physical assets and total assets in 1949/50 and 1958/59 is presented in Table 58.

The relation of current assets to all physical assets and to total assets remained approximately the same in 1949/50 and 1958/59. A fall in the proportion of liquid assets was matched by an increase in that of working assets, with the resultant totals of current assets amounting to practically the same figure in both years. Thus, in 1949/50 and 1958/59, current assets were 33 per cent. of all physical assets and 25 and 26 per cent. respectively of all assets employed. However, a rise in current liabilities reduced the percentage of working capital to all physical assets from 21 to 16 per cent. over the period and of working capital to total assets from 16 to 13 per cent.

By utilising the information already obtained in the study, it is now possible to arrive at the amounts of the various kinds of farm capital which have been used to supply a given unit of agricultural production in 1949/50 and 1958/59. It is also possible to make some estimate of the return on capital in the two years.

The relationship between farm capital and gross output is first given in Table 59. Total gross output for the sample farms was £168,932 in 1949/50 and £356,416 in 1958/59. Although a comparison between 1949/50 and 1958/59 does reveal a varying relationship between gross output and the different types of farm capital, yet its relation to all physical assets and total assets remained virtually the same in the two years. The proportions of gross output to financial assets and to tenants' assets both increased, the former from 176 to 207 per cent, and the latter from 92 to 104. This is roughly a 10 per cent. increase in both cases. On the other hand, the ratio of gross output to landlords' physical assets declined from 158 to 131 per cent.

In assessing the decline in the ratio of gross output to landlords' physical assets, it should be borne in mind that the sample farmers did make substantial purchases of land and property over the period, Table 13. Moreover, this was not additional land purchased from which extra production might have been expected, but for the most part consisted of acquiring the ownership of holdings already tenanted by the farmers themselves. In view of the substantial nature of these investments it is hardly surprising that the ratio of gross output to landlords' physical assets showed a decline over the period.

Between 1949/50 and 1958/59, the relation of gross output to current assets showed little change. However, a fall in the ratio of gross output to current liabilities meant that a higher level of current liabilities accompanied a given level of gross output. Since working capital has been defined as the excess of current assets over current liabilities, the ratio of gross output to working capital increased over the period. Expressed in another way, £100 of working capital was needed for a gross output of £278 in 1949/50; in 1958/59 it could sustain a gross output of £354.

Finally, an attempt has been made to measure the return on capital in 1949/50 and 1958/59 and the findings are presented in Table 60.

The results have been expressed as a percentage return on tenants' and total assets. Tenants' assets comprise tenants' physical assets and financial assets which, together with total assets, have been listed in Table 56. The basis for calculating the different kinds of return was the conventional management and investment income, the difference between gross output and total inputs which include a labour charge for the farmer and his wife and a rental charge for that part of the farm owned. By adding to management and investment income any income earned from financial reserves and deducting any loan interest paid, tenants' management and investment income was obtained. Tenants' management and investment income, which represents a reward to the farmers for their management and investment in tenants' assets, amounted to 9.2 per cent of tenants' assets in 1949/50 and 10.7 per cent. in 1958/59. For total tenants' income, a reward for manual labour, management and investment in tenants' assets, the percentage return on tenants' assets was 16.5 and 17.1 respectively.

In calculating the return on total assets employed, the rental charge has been added back to tenants' management and investment income. Total management and investment income, which represents the farmers' return for management and total investment in their business, was 7.2 per cent. of total assets in 1949/50 and 8.0 per cent. in 1958/59. The overall return for labour, management and investment, which varied only slightly between the two years, was 12.5 per cent. in 1949/50 and 12.2 per cent. in 1958/59.

Table 56

TOTAL LIABILITIES AND ASSETS AT END OF YEAR

72 farms, 1949/50 and 1958/59

Liabilities	1949/50 Total	1949/50 Per Farm	1949/50 Per 100 Adj. Acres	1949/50 Per Cent of Total	1958/59 Total	1958/59 Per Farm	1958/59 Per 100 Adj. Acres	1958/59 Per Cent. of Total
Current liabilities	£	£	£	%	£	£	£	%
Trade creditors ..	17,863	248	221	4	44,676	620	517	6
Tax commitments	3,306	46	41	1	10,500	*146	121	1
Bank overdrafts†	10,628	148	132	3	36,595	508	423	5
Short-term loans	3,806	53	47	1	9,215	128	107	1
Total	35,603	495	441	9	100,986	1,402	1,168	13
Long-term loans† and mortgages	14,591	203	181	4	42,061	584	486	5
Proprietors' net worth ..	336,840	4,678	4,177	87	647,197	8,989	7,484	82
Total liabilities	387,034	5,376	4,799	100	790,244	10,975	9,138	100

Assets	1949/50 Total	1949/50 Per Farm	1949/50 Per 100 Adj. Acres	1949/50 Per Cent. of Total	1958/59 Total	1958/59 Per Farm	1958/59 Per 100 Adj. Acres	1958/59 Per Cent. of Total
Financial assets	£	£	£	%	£	£	£	%
Liquid assets:								
Cash in hand and at bank ..	32,723	455	406	9	31,483	437	364	4
Trade debtors	9,456	131	117	2	24,669	342	285	3
Total ..	42,179	586	523	11	56,152	779	649	7
Financial reserves ..	53,939	749	669	14	115,951	1,610	1,341	15
Total ..	96,118	1,335	1,192	25	172,103	2,389	1,990	22
Physical assets								
Tenants':								
Livestock, crops and stores ..	142,149	1,974	1,762	37	238,913	3,318	2,763	30
Machinery and equipment ..	41,732	580	518	11	106,457	1,479	1,231	14
Total ..	183,881	2,554	2,280	48	345,370	4,797	3,994	44
Landlords':								
Buildings, land and property	107,035	1,487	1,327	27	272,771	3,789	3,154	34
Total ..	290,916	4,041	3,607	75	618,141	8,586	7,148	78
Total assets ..	387,034	5,376	4,799	100	790,244	10,975	9,138	100

*Estimated.
†Long-term loans from banks have been excluded from bank overdrafts and included under long-term loans and mortgages.

Table 57 CHANGE IN LIABILITIES AND ASSETS

72 farms, 1958/59 as a percentage of 1949/50

Liabilities		Assets	
	%		%
Current liabilities		*Financial assets*	
Trade creditors	250	Liquid assets:	
Tax commitments	318	Cash in hand and at bank	96
Bank overdrafts	344	Trade debtors	261
Short-term loans	242	Total liquid assets	133
		Financial reserves	215
Total current liabilities	284	*Total financial assets*	179
		Physical assets	
		Tenants':	
Long-term loans and mortgages	288	Livestock, crops and stores	168
Proprietors' net worth	192	Machinery and equipment	255
		Total tenants' physical assets	188
		Landlords':	
		Buildings, land and property	255
		Total physical assets	213
Total liabilities	204	Total assets	204

Table 58

SOME FACTORS IN THE MANAGEMENT OF CAPITAL

72 farms, 1949/50 and 1958/59

	Proportion of all Physical Assets		Proportion of Total Assets	
	1949/50	1958/59	1949/50	1958/59
	%	%	%	%
Liquid assets	14	9	11	7
Working assets	19	24	14	18
Current assets	33	33	25	26
Current liabilities ..	12	16	9	13
Working capital	21	16	16	13

Table 59

RELATIONSHIP BETWEEN GROSS OUTPUT AND FARM CAPITAL

72 farms, 1949/50 and 1958/59

	1949/50	1958/59
	%	%
Gross output as a percentage of:		
Financial assets	176	207
Tenants' physical assets	92	103
Landlords' physical assets	158	131
All physical assets	58	58
Total assets	44	45
Current assets	175	177
Current liabilities	474	353
Working capital	278	354

Table 60

RETURN ON CAPITAL

72 farms, 1949/50 and 1958/59

	1949/50	1958/59
	%	%
Return on tenants' assets: (a)		
Tenants' management and investment income (b) as a percentage of tenants' assets	9.2	10.7
Total tenants' income (c) as a percentage of tenants' assets	16.5	17.1
Return on total assets:		
Total management and investment income (d) as a percentage of total assets	7.2	8.0
Total income (e) as a percentage of total assets ..	12.5	12.2

Notes:
- (a) Financial assets plus tenants' physical assets
- (b) Management and investment income plus income earned by financial reserves less loan interest
- (c) Tenants' management and investment income plus wages of farmer and wife
- (d) Tenants' management and investment income plus rental charge for property owned by farmers in the sample
- (e) Total management and investment income plus wages of farmer and wife

VII

INVESTMENT AND BORROWING IN RELATION TO FARM INCOME

It was noted in an earlier chapter that, from a ten-year aggregate of the results, funds for family living and farm investment of all kinds were provided almost entirely from the farmers' own resources. This pattern, however, was by no means the same for all years, in five of which borrowing was needed to sustain the level of total expenditure. In the remaining five years, the sample farmers were, on balance, lenders and the funds from their own resources were, on balance, more than sufficient to meet their needs.

Since farm income was found to be crucially important in determining the amount of funds available for disposal, a further examination has been made of the results obtained by farms of differing income levels. A division of the sample farms was made in the following manner. A three-year average of net farm income was calculated at the start and end of the period for each farm and for the entire sample. The average total increase for all farms was found to have been 94 per cent. On this basis, the farms were divided into two main groups, each with two sub-categories.

A	*Higher incomes (above average at start of period)*	1 Rising more than average. 2 Rising less than average, constant or declining.
B	*Lower incomes (below average at start of period)*	1 Rising more than average. 2 Rising less than average, constant or declining.

The farms, as shown below, were fairly evenly distributed between the above groups : —

Group	*No.*	*Group*	*No.*
A 1	16	B 1	19
2	21	2	16
Total	37	Total	35

The average net farm income for each group is shown in Table 61. Except for group B2, there was little difference between the average size of farm in each of the four groups and, in terms of acreage, both small and large farms were represented throughout. Taking a ten-year average as an indication of farm size, the position was as follows :—

Income Group	*Size of Farm* adjusted acres	*Range*
A 1	135	39 to 311
2	127	34 to 299
B 1	114	16 to 217
2	81	28 to 148
All farms	115	16 to 311

The trend towards owner-occupancy for the sample as a whole has been remarked upon in an earlier chapter. However, as shown in Table 62, purchases of land and property became less important at the lower levels of income, and with the B2 farms, the number of tenants and owner-occupiers remained unchanged throughout the period. Buying of land and property occurred more extensively on the higher income farms and took the form of either additions to a farm already owned or rented, or the purchase of a holding by a sitting tenant. In the B2 group of farms the acquisitions were not large enough to cause a change in their system of tenure.

The buying of farms by tenants can be considered from more than one aspect. On the one hand, the coming onto the market of these farms may be regarded as chance occurrences and the opportunity for purchase might well have presented itself to any farmer whatever his income level. These fortuitous situations seem to have arisen with greater frequency on the higher income farms since there was no record of any change of landlord on the low income, tenanted farms. On the other hand, there were farmers who had sufficient funds at their disposal or were willing to borrow money in order to make an offer high enough to induce the landlord to sell. The greater incidence of farms purchased among the higher income groups may, therefore, be attributed partly to chance and partly to the availability of funds. In this study no clear distinction between the two causes can be drawn.

A summary of the incoming and outgoing funds for the entire period of the study is presented in Table 63. Data for each of the four income groups have been expressed as ten-year aggregates per 100 adjusted acres. Taking first the two higher income groups, A1 and A2, funds from the farmers' own resources were slightly more than sufficient to cover total expenditure on farm investment, family living and charges upon income. Expressed as a percentage of total expenditure, funds from own resources amounted to 101 per cent. in both groups. Although borrowing net of repayments did rise over the period, there was a slightly greater increase in the levels of financial assets. As a result, therefore, the farmers in both groups were, to a very slight extent, lenders rather than borrowers to the rest of the community. The greater accumulation of funds from own resources in the A1 group was mainly utilised in farm investment, in both landlords' and tenants' assets. It is also true that family living expenditure was somewhat higher on the A1 than on the A2 farms but the increase was quite small when compared with the difference in the levels of farm investment in the two groups.

A much greater disparity is apparent between the results for the two initially low income groups, B1 and B2. It is significant to note that the B1 group was the only one of the four which, on aggregate, relied on borrowed sources to meet the demands of total expenditure. In this group 15 per cent. of the total of incoming funds was borrowed and three per cent. was devoted to increasing the level of financial assets. Twelve per cent. of total expenditure was, therefore, met from borrowing, or, as expressed in Table 63, the contribution of own resources to total expenditure amounted to 88 per cent.

By contrast, the B2 farmers were those whose total own resources exceeded total expenditure by the greatest amount, the former being 105 per cent. of the latter. In some respects this low income group closely resembled the other groups, for example in investment in services and farm buildings which compared quite favourably with groups A2 and B1. In other respects, family living expenditure and private receipts, the B2 group was the highest in the entire sample. It should be noted, however, that private receipts did include the settlement of a substantial insurance claim, which appears also as an increase in financial assets, but even had this amount been excluded, private receipts for the B2 group would still have been slightly higher than those for the remainder. Investment in land and property, machinery and livestock was well below the level in groups A1, A2 and B1.

A comparison of the results achieved by groups A2 and B1 reveals a close similarity in aggregate investment and expenditure. Greater recourse to borrowing was had by the latter group and it is interesting to observe the levels of net farm income for these two groups of farms at the beginning and end of the period. From Table 61 it can be calculated that, for the first three years of the study, the average net farm income for the A2 group (average size 127 adjusted acres) was £854 and, for the last three years, was £1,101. For the B1 group (average size 114 adjusted acres) the corresponding results were £353 and £1,193 respectively.

Aggregate net increases in borrowing were highest for the B1 farms (£1,715), followed by group A1 (£1,401), A2 (£856) and B2 (£524). The sources from which this additional credit was acquired are listed in Table 64.

Half of the relatively small amount of borrowing undertaken by the farmers in group B2 came from the banks, with a roughly similar amount in the form of merchants' credit. Since there was little long-term investment on these farms, there was a notable absence of private loans and mortgages. In the other three groups, the banks also played an important part in the supply of credit, taking the greatest share in A1 and A2, and second place to private loans in B1. Traders and merchants provided between approximately a quarter and a third of the total additional borrowings. Family loans were by no means insignificant, particularly in groups A1 and B1, but on the A2 farms they amounted to no more than a third of the privately negotiated loans.

Although the ten-year aggregate of total own resources exceeded total expenditure in the three income groups, A1, A2 and B2, and the opposite occurred with the B1 farms, the relationship varied from year to year. The yearly position has been illustrated in Figure 6. With income group A1, total own resources exceeded total expenditure for four years; in one year, 1950/51, they were equal and for the remaining five years total expenditure was the greater. With group A2, total own resources exceeded expenditure in eight years of the study, for three years on the B1 farms and eight years on the B2 farms. Thus, by combining these observations, it will be noted that recourse was had to borrowing in only two years of the study by those farmers whose trend in incomes did not reach the average rate of increase. The farmers in group A1, whose incomes were high to start with and rose at a steeper than average rate, resorted to borrowing during five years. The B1 farmers, those with low incomes at the beginning and whose rate of increase was greater than average, availed themselves of borrowed funds in seven of the ten years.

A more detailed analysis of the sources and disposal of funds for each of the income groups during the ten-year period is given in Tables 65 to 68. From the results for group A1 in Table 65, it will be seen that gross farm income, total own resources and total incoming funds each increased almost threefold over the period. On the expenditure side, family living expenses approximately doubled and a similar rate of increase occurred in farm investment. The result of this divergence in trend between receipts and expenditure may also be seen by comparing the net increase in borrowing with the net increase in financial assets in the earlier and later years of the study. Whereas for the first four years, 1950/51 excepted, borrowing was undertaken with no increase in financial assets, the position during the last three years was reversed and there was a substantial increase in financial assets with a relatively unimportant net increase in borrowing.

With the A2 group, Table 66, the total funds derived from the farmers' own resources increased by just over half during the period. A similar trend in total incoming funds occurred up to and including 1957/58 but there was a rise of some magnitude during the last year due mainly to fairly heavy borrowing which amounted to 26 per cent. of the total incoming funds for that year. Family living expenditure increased by just over a half, from £410 per farm in 1949/50 to £642 in 1958/59. Farm investment, however, did not greatly vary until 1958/59 during which year it rose sharply to twice the level of the previous year. As will be seen later, this increase was due to purchases of land and property for which purpose financial assets were reduced by £93 per farm and borrowing net of repayments increased by £624 per farm.

Table 67 contains the results for the 19 farms in group B1. Gross farm income increased by more than threefold, from £521 per farm in 1949/50 to £1,644 in 1958/59. Total incoming funds, including net increases in borrowing, in 1958/59 were two and a half times above the 1949/50 level. Family living expenditure almost doubled, with a slightly greater rate of increase in farm investment, although the rise occurred mainly in 1957/58 and 1958/59.

Finally, Table 68 contains the results for the 16 farms in group B2. Gross farm income, total own resources and total incoming funds each rose by only a third, a much smaller rate of increase than that achieved in the other groups of farms. Although family living expenditure increased at a rate comparable with the other groups, farm investment, apart from some isolated exceptions, remained at a fairly low level throughout the period. Furthermore, with the exception of 1957/58, family living claimed the biggest share of total expenditure. As has been noted earlier in this chapter, in all but two of the ten years, increases in the level of financial assets exceeded the additional borrowing undertaken.

A comparison of farm investment per 100 adjusted acres has been made in Figure 7 for each of the four income groups. In comparing the levels of farm investment undertaken by each group, the consistently high expenditure of the A1 farms is evident. By contrast, the A2 group shows, with the exception of 1958/59, a constant or declining level of investment and in this connection it should be remembered that the figures quoted relate to gross investment, before making any allowance for the depreciation of machinery already owned by the farmers. There was a generally rising level of investment in the B1 group of farms, especially during the last two years of the study. As will have been noted from Table 67, this was a period of relatively high gross farm income which coincided with substantial borrowing from outside sources. Finally, the consistently low investment expenditure on the 16 farms in group B2 can be seen at the foot of Figure 7. For these farms, 1957/58 was the peak year of investment but almost 50 per cent. of the total investment was in the form of an increase in the livestock inventory. It is also interesting to note from Table 68 that the relatively high level of investment which took place in 1957/58 was more than covered by the funds from the farmers' own resources.

Purchases of land and property figured with consistent prominence in the annual investment undertaken in the A1 group. In six of the ten years studied, this type of expenditure amounted to 25 per cent. or more of the total investment. With the A2 farms, land was a less important item but with the B1 group, purchases of land and property were an important part of farm investment and came to 51, 34 and 40 per cent. of the total respectively in 1956/57, 1957/58 and 1958/59. For the B2 farms, the acquisition of land and property was almost negligible. A broadly similar pattern occurred with the other landlord-type investments —improvements such as the installation of services and the erection of farmhouses, cottages and buildings.

With the exception of some isolated years, investment in machinery and plant was the most important type of investment in all income groups. It will also be noted that the value of machinery and plant purchased fluctuated from year to year. An attempt was made to ascertain whether this type of investment varied according to the Inland Revenue rates of initial and investment allowances currently in force. During the period 1949/50 to 1958/59, the capital allowances which might have been claimed were subject to considerable changes as Table 69 shows.

It will be seen that the allowances claimable refer to the period in which the purchase was made and not to the specific farming years employed in this study. Consequently it is hardly surprising that a comparison of Table 69 and Figure 7 reveals little relationship between the initial and investment allowances currently available and the levels of investment in machinery and plant.

However, even if it were possible to arrange a coincidence in the dates, it is doubtful whether any relationship could be established between Inland Revenue allowances and investment. It is probable that there were some farmers in the sample for whom income tax allowances were one of the factors influencing their decision to purchase machinery and equipment. But for the majority the availability of funds would seem to have been the overriding consideration, whatever the tax concessions. It should, moreover, be recognised that there was a fairly large number of farmers who were liable to little or no income tax, due either to their low level of profits or to the fact that they were able to claim substantial family allowances.

In conclusion, therefore, it is evident that, for this sample of farmers, the biggest share of the funds available for disposal came from the farmers' own resources. Only in one income group, B1, was there any reliance on borrowed funds. For these 19 farmers, own resources contributed 88 per cent. of the total expenditure for the ten-year period. The relatively high income farms in group A1 were able to sustain a high level of investment from their own funds which in aggregate over the period slightly exceeded total expenditure. By contrast, it was on the consistently low income farms in group B2 that the greatest excess of own funds over total expenditure occurred and farm investment totalled but a third of that of the A1 group and a half of the other two groups. Moreover, an examination of the annual results did not show any great deviation from the pattern as shown by the ten-year summaries. Thus, for example, the B1 farmers resorted to borrowing during seven of the ten years studied, see Figure 7, compared with only two years in group B2. But with each of the four income groups, funds from own resources and total expenditure did not deviate to any great extent from each other throughout the ten-year period.

However tempting it might be, it would be incorrect to ascribe the rising incomes of the third group entirely to a willingness to borrow money. In the first place, the general level of borrowing was not unduly high—in total it came to only 12 per cent. of total expenditure. Second, their success must to a considerable degree be attributed to the managerial ability of the farmers themselves. Nevertheless, an ability to farm and manage, together with a confidence in their capacity to achieve, an expanding scale of business with the judicious use of credit, is reflected in a rising level of income and a consolidation of their farming business.

Table 61

NET FARM INCOME BY INCOME GROUP

72 farms, 1949/50 to 1958/59

Per farm

Income Group		1949/50	1950/51	1951/52	1952/53	1953/54	1954/55	1955/56	1956/57	1957/58	1958/59
		£	£	£	£	£	£	£	£	£	£
A	1	769	621	1,011	1,212	1,451	1,104	1,370	1,963	2,097	1,937
	2	923	789	851	1,102	1,067	1,018	844	1,047	1,174	1,082
B	1	363	268	429	746	741	724	686	1,307	1,075	1,196
	2	426	316	455	529	592	346	454	413	607	650
All farms		630	509	687	905	961	792	835	1,178	1,227	1,206

Table 62 ANNUAL DISTRIBUTION OF FARMS BY TENURE STATUS AND INCOME GROUP

72 farms, 1949/50 to 1958/59

Income Group	Tenure Status	1949/50	1950/51	1951/52	1952/53	1953/54	1954/55	1955/56	1956/57	1957/58	1958/59
					Number of Farms						
A 1	Tenants	13	13	13	11	11	10	9	9	9	8
	Owners	3	3	3	5	5	6	7	7	7	8
	Total	16	16	16	16	16	16	16	16	16	16
A 2	Tenants	17	16	14	14	14	13	13	13	12	11
	Owners	4	5	7	7	7	8	8	8	9	10
	Total	21	21	21	21	21	21	21	21	21	21
B 1	Tenants	15	15	14	14	13	15	15	14	12	12
	Owners	4	4	5	5	6	4	4	5	7	7
	Total	19	19	19	19	19	19	19	19	19	19
B 2	Tenants	10	10	10	10	10	10	10	10	10	10
	Owners	6	6	6	6	6	6	6	6	6	6
	Total	16	16	16	16	16	16	16	16	16	16
All farms	Tenants	55	54	51	49	48	48	47	46	43	41
	Owners	17	18	21	23	24	24	25	26	29	31
	Total	72	72	72	72	72	72	72	72	72	72

Table 63 TEN-YEAR AGGREGATE OF INCOMING AND OUTGOING FUNDS BY INCOME GROUP

72 farms, 1949/50 to 1958/59

Per 100 adjusted acres

	Income Group							
	A1		A2		B1		B2	
	£	%	£	%	£	%	£	%
Incoming funds								
Gross farm income	14,310	88	10,537	90	9,198	81	8,385	85
Non-farm receipts	491	3	366	3	478	4	907	9
Net reduction in financial assets	—	—	—	—	—	—	—	—
Total own resources	14,801	91	10,903	93	9,676	85	9,292	94
Net increase in borrowing	1,401	9	856	7	1,715	15	524	6
Total incoming funds	16,202	100	11,759	100	11,391	100	9,816	100
Outgoing funds								
Charges upon income	839	5	617	5	624	6	484	5
Family living	4,552	28	4,275	36	4,437	39	5,297	54
Farm investment:								
Land and property	1,993	12	1,252	11	1,512	13	207	2
Services	294	2	160	1	202	2	152	2
Buildings	1,106	7	397	4	498	4	455	5
Machinery and equipment	4,186	26	2,935	25	2,544	22	1,507	15
Livestock, crops and stores	1,688	10	1,207	10	1,202	11	783	8
Total investment	9,267	57	5,951	51	5,958	52	3,104	32
Total expenditure	14,658	90	10,843	92	11,019	97	8,885	91
Net increase in financial assets	1,544	10	916	8	372	3	931	9
Net reduction in borrowing	—	—	—	—	—	—	—	—
Total outgoing funds	16,202	100	11,759	100	11,391	100	9,816	100
	%		%		%		%	
Total own resources as a percentage of total expenditure	101		101		88		105	

Table 64 DISTRIBUTION OF AGGREGATE ADDITIONAL BORROWING BY INCOME GROUP AND SOURCE

72 farms, 1949/50 to 1958/59

Per cent

	Income Group							
	A1		A2		B1		B2	
	%		%		%		%	
Source								
Family		17		6		13		5
Non-family:								
Traders	34		29		24		45	
Institutions	42		48		30		50	
Private	7	83	17	94	33	87	—	95
Total		100		100		100		100

Figure 6 RELATIONSHIP BETWEEN TOTAL FUNDS FROM FARMERS' OWN RESOURCES AND TOTAL EXPENDITURE BY INCOME GROUP

72 farms, 1949/50 to 1958/59

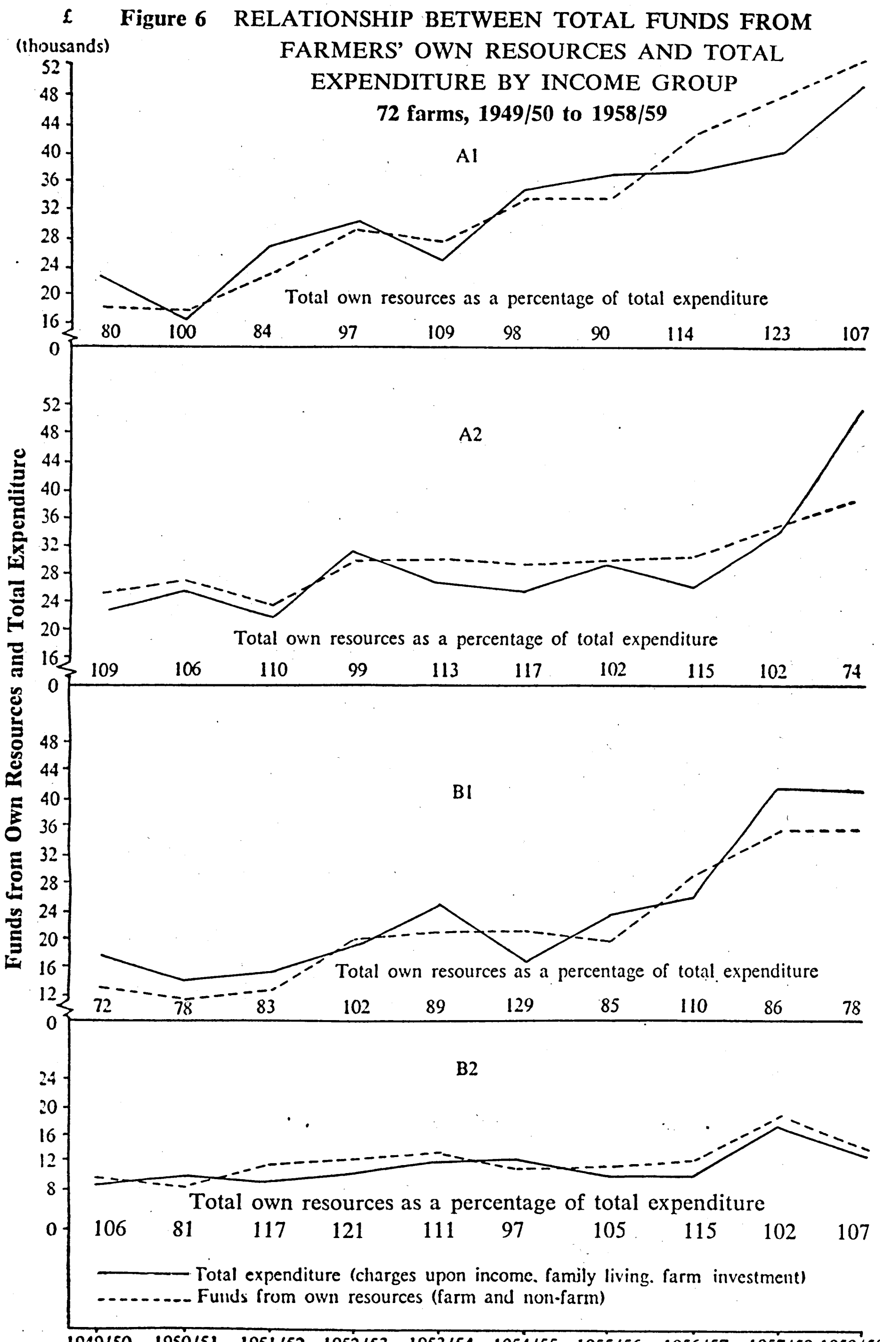

Table 65 ANNUAL INCOMING AND OUTGOING FUNDS—GROUP A1

16 farms, 1949/50 to 1958/59

Per farm and per 100 adjusted acres

	1949/50	1950/51	1951/52	1952/53	1953/54	1954/55	1955/56	1956/57	1957/58	1958/59
Per farm	£	£	£	£	£	£	£	£	£	£
Gross farm income ..	1,077	979	1,274	1,727	1,660	2,094	1,915	2,432	2,958	3,167
Non-farm receipts ..	9	56	27	37	22	23	112	204	39	130
Net reduction in financial assets ..	57	—	88	27	—	—	36	—	—	—
Total own resources	1,143	1,035	1,389	1,791	1,682	2,117	2,063	2,636	2,997	3,297
Net increase in borrowing	267	239	247	62	178	251	216	87	—	397
Total incoming funds ..	1,410	1,274	1,636	1,853	1,860	2,368	2,279	2,723	2,997	3,694
Charges upon income ..	31	48	66	91	70	154	134	133	159	242
Family living	424	461	524	540	563	647	676	732	753	814
Farm investment ..	955	522	1,046	1,222	913	1,358	1,469	1,455	1,526	2,020
Total expenditure ..	1,410	1,031	1,636	1,853	1,546	2,159	2,279	2,320	2,438	3,076
Net increase in financial assets ..	—	243	—	—	314	209	—	403	503	618
Net reduction in borrowing	—	—	—	—	—	—	—	—	56	—
Total outgoing funds ..	1,410	1,274	1,636	1,853	1,860	2,368	2,279	2,723	2,997	3,694

Continued overleaf

Table 65—Continued

ANNUAL INCOMING AND OUTGOING FUNDS—GROUP A1

16 farms, 1949/50 to 1958/59

Per farm and per 100 adjusted acres

	1949/50		1950/51		1951/52		1952/53		1953/54		1954/55		1955/56		1956/57		1957/58		1958/59	
Per 100 *adjusted acres*	£	%	£	%	£	%	£	%	£	%	£	%	£	%	£	%	£	%	£	%
Gross farm income ..	799	76	727	77	946	78	1,282	93	1,232	89	1,554	88	1,421	84	1,804	89	2,195	99	2,350	86
Non-farm receipts ..	7	1	42	4	20	2	27	2	17	1	17	1	83	5	152	8	29	1	97	3
Net reduction in financial assets ..	42	4	—	—	65	5	20	2	—	—	—	—	27	2	—	—	—	—	—	—
Total own resources	848	81	769	81	1,031	85	1,329	97	1,249	90	1,571	89	1,531	91	1,956	97	2,224	100	2,447	89
Net increase in borrowing	199	19	177	19	183	15	46	3	132	10	187	11	160	9	65	3	—	—	294	11
Total incoming funds ..	1,047	100	946	100	1,214	100	1,375	100	1,381	100	1,758	100	1,691	100	2,021	100	2,224	100	2,741	100
Charges upon income ..	23	2	36	4	49	4	67	5	52	4	115	7	100	6	99	5	118	5	180	6
Family living	315	30	342	36	389	32	401	29	418	30	480	27	501	30	543	27	559	25	604	22
Farm investment ..	709	68	388	41	776	64	907	66	678	49	1,008	57	1,090	64	1,080	53	1,132	51	1,499	55
Total expenditure ..	1,047	100	766	81	1,214	100	1,375	100	1,148	83	1,603	91	1,691	100	1,722	85	1,809	81	2,283	83
Net increase in financial assets ..	—	—	180	19	—	—	—	—	233	17	155	9	—	—	299	15	373	17	458	17
Net reduction in borrowing	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	42	2	—	—
Total outgoing funds ..	1,047	100	946	100	1,214	100	1,375	100	1,381	100	1,758	100	1,691	100	2,021	100	2,224	100	2,741	100

Table 66 ANNUAL INCOMING AND OUTGOING FUNDS—GROUP A2

21 farms, 1949/50 to 1958/59

Per farm and per 100 adjusted acres

	1949/50	1950/51	1951/52	1952/53	1953/54	1954/55	1955/56	1956/57	1957/58	1958/59
Per farm	£	£	£	£	£	£	£	£	£	£
Gross farm income ..	1,128	1,103	1,089	1,415	1,381	1,314	1,327	1,404	1,564	1,697
Non-farm receipts ..	54	81	15	34	42	61	56	27	66	29
Net reduction in financial assets ..	—	89	—	—	—	—	—	—	—	93
Total own resources	1,182	1,273	1,104	1,449	1,423	1,375	1,383	1,431	1,630	1,819
Net increase in borrowing	106	—	72	94	19	—	16	14	266	624
Total incoming funds ..	1,288	1,273	1,176	1,543	1,442	1,375	1,399	1,445	1,896	2,443
Charges upon income ..	26	66	73	60	85	97	104	100	81	93
Family living	410	406	476	551	475	574	618	627	665	642
Farm investment ..	645	732	453	849	698	505	629	512	850	1,708
Total expenditure ..	1,081	1,204	1,002	1,460	1,258	1,176	1,351	1,239	1,596	2,443
Net increase in financial assets ..	207	—	174	83	184	148	48	206	300	—
Net reduction in borrowing	—	69	—	—	—	51	—	—	—	—
Total outgoing funds ..	1,288	1,273	1,176	1,543	1,442	1,375	1,399	1,445	1,896	2,443

Continued overleaf

Table 66—Continued

ANNUAL INCOMING AND OUTGOING FUNDS—GROUP A2

21 farms, 1949/50 to 1958/59

Per farm and per 100 adjusted acres

	1949/50		1950/51		1951/52		1952/53		1953/54		1954/55		1955/56		1956/57		1957/58		1958/59	
Per 100 *adjusted acres*	£	%	£	%	£	%	£	%	£	%	£	%	£	%	£	%	£	%	£	%
Gross farm income ..	886	88	866	87	855	93	1,111	92	1,084	96	1,032	96	1,042	95	1,102	97	1,227	82	1,332	69
Non-farm receipts ..	42	4	63	6	12	1	27	2	33	3	48	4	44	4	22	2	52	4	23	1
Net reduction in financial assets ..	—	—	70	7	—	—	—	—	—	—	—	—	—	—	—	—	—	—	73	4
Total own resources	928	92	999	100	867	94	1,138	94	1,117	99	1,080	100	1,086	99	1,124	99	1,279	86	1,428	74
Net increase in borrowing	83	8	—	—	56	6	74	6	15	1	—	—	12	1	11	1	209	14	490	26
Total incoming funds ..	1,011	100	999	100	923	100	1,212	100	1,132	100	1,080	100	1,098	100	1,135	100	1,488	100	1,918	100
Charges upon income ..	21	2	52	5	57	6	47	4	67	6	76	7	82	8	79	7	63	4	73	4
Family living	322	32	319	32	373	40	433	36	373	33	451	42	486	44	492	43	522	35	504	26
Farm investment ..	506	50	574	57	356	39	666	55	548	48	397	37	493	45	402	36	668	45	1,341	70
Total expenditure ..	849	84	945	94	786	85	1,146	95	988	87	924	86	1,061	97	973	86	1,253	84	1,918	100
Net increase in financial assets ..	162	16	—	—	137	15	66	5	144	13	116	11	37	3	162	14	235	16	—	—
Net reduction in borrowing	—	—	54	6	—	—	—	—	—	—	40	3	—	—	—	—	—	—	—	—
Total outgoing funds ..	1,011	100	999	100	923	100	1,212	100	1,132	100	1,080	100	1,098	100	1,135	100	1,488	100	1,918	100

Table 67 ANNUAL INCOMING AND OUTGOING FUNDS—GROUP B1

19 farms, 1949/50 to 1958/59

Per farm and per 100 adjusted acres

	1949/50	1950/51	1951/52	1952/53	1953/54	1954/55	1955/56	1956/57	1957/58	1958/59
Per farm	£	£	£	£	£	£	£	£	£	£
Gross farm income ..	521	511	521	984	1,052	1,094	910	1,418	1,850	1,644
Non-farm receipts ..	47	54	145	61	32	48	38	79	13	30
Net reduction in financial assets ..	101	25	—	—	45	—	104	—	—	—
Total own resources	669	590	666	1,045	1,129	1,142	1,052	1,497	1,863	1,674
Net increase in borrowing	267	163	156	75	146	—	184	86	322	567
Total incoming funds ..	936	753	822	1,120	1,275	1,142	1,236	1,583	2,185	2,241
Charges upon income ..	19	52	28	15	32	40	29	83	100	318
Family living	339	401	425	503	508	535	542	592	625	598
Farm investment ..	578	300	346	504	735	312	665	688	1,450	1,226
Total expenditure ..	936	753	799	1,022	1,275	887	1,236	1,363	2,175	2,142
Net increase in financial assets ..	—	—	23	98	—	249	—	220	10	99
Net reduction in borrowing	—	—	—	—	—	6	—	—	—	—
Total outgoing funds ..	936	753	822	1,120	1,275	1,142	1,236	1,583	2,185	2,241

Continued overleaf

Table 67—Continued

ANNUAL INCOMING AND OUTGOING FUNDS—GROUP B1

19 farms, 1949/50 to 1958/59

Per farm and per 100 adjusted acres

	1949/50		1950/51		1951/52		1952/53		1953/54		1954/55		1955/56		1956/57		1957/58		1958/59	
Per 100 *adjusted acres*	£	%	£	%	£	%	£	%	£	%	£	%	£	%	£	%	£	%	£	%
Gross farm income ..	456	56	448	68	456	63	862	88	921	83	958	96	797	74	1,241	90	1,620	84	1,439	73
Non-farm receipts ..	41	5	47	7	127	18	53	5	28	2	42	4	33	3	69	5	11	1	27	1
Net reduction in financial assets ..	89	11	22	3	—	—	—	—	39	3	—	—	91	8	—	—	—	—	—	—
Total own resources	586	72	517	78	583	81	915	93	988	88	1,000	100	921	85	1,310	95	1,631	85	1,466	74
Net increase in borrowing	233	28	142	22	137	19	66	7	128	12	—	—	161	15	75	5	282	15	496	26
Total incoming funds ..	819	100	659	100	720	100	981	100	1,116	100	1,000	100	1,082	100	1,385	100	1,913	100	1,962	100
Charges upon income ..	16	2	45	7	24	3	13	1	28	2	35	4	25	2	73	5	87	5	278	14
Family living	297	36	352	53	372	52	440	45	444	40	468	47	475	44	518	38	547	29	524	27
Farm investment ..	506	62	262	40	303	42	442	45	644	58	274	27	582	54	602	43	1,270	66	1,073	55
Total expenditure ..	819	100	659	100	699	97	895	91	1,116	100	777	78	1,082	100	1,193	86	1,904	100	1,875	96
Net increase in financial assets ..	—	—	—	—	21	3	86	9	—	—	218	22	—	—	192	14	9	—	87	4
Net reduction in borrowing	—	—	—	—	—	—	—	—	—	—	5	—	—	—	—	—	—	—	—	—
Total outgoing funds ..	819	100	659	100	720	100	981	100	1,116	100	1,000	100	1,082	100	1,385	100	1,913	100	1,962	100

Table 68 ANNUAL INCOMING AND OUTGOING FUNDS—GROUP B2

16 farms, 1949/50 to 1958/59

Per farm and per 100 adjusted acres

	1949/50	1950/51	1951/52	1952/53	1953/54	1954/55	1955/56	1956/57	1957/58	1958/59
Per farm	£	£	£	£	£	£	£	£	£	£
Gross farm income ..	569	414	695	765	801	655	576	666	861	764
Non-farm receipts ..	49	32	20	21	32	34	118	85	269	73
Net reduction in financial assets ..	—	68	—	—	—	27	—	—	—	—
Total own resources	618	514	715	786	833	716	694	751	1,130	837
Net increase in borrowing	—	124	23	—	14	20	94	—	255	—
Total incoming funds ..	618	638	738	786	847	736	788	751	1,385	837
Charges upon income ..	28	33	21	48	35	44	40	53	49	41
Family living	366	412	360	388	391	395	402	459	499	605
Farm investment ..	192	193	228	212	326	297	219	142	557	137
Total expenditure ..	586	638	609	648	752	736	661	654	1,105	783
Net increase in financial assets ..	28	—	129	136	95	—	127	8	280	43
Net reduction in borrowing	4	—	—	2	—	—	—	89	—	11
Total outgoing funds ..	618	638	738	786	847	736	788	751	1,385	837

Continued overleaf

Table 68—Continued

ANNUAL INCOMING AND OUTGOING FUNDS—GROUP B2

16 farms, 1949/50 to 1958/59

Per farm and per 100 adjusted acres

	1949/50		1950/51		1951/52		1952/53		1953/54		1954/55		1955/56		1956/57		1957/58		1958/59	
	£	%	£	%	£	%	£	%	£	%	£	%	£	%	£	%	£	%	£	%
Per 100 adjusted acres																				
Gross farm income ..	706	92	513	65	861	94	947	97	992	94	812	89	715	73	825	89	1,067	62	947	91
Non-farm receipts ..	60	8	40	5	25	3	26	3	40	4	41	4	146	15	105	11	334	20	90	9
Net reduction in financial assets ..	—	—	84	11	—	—	—	—	—	—	34	4	—	—	—	—	—	—	—	—
Total own resources	766	100	637	81	886	97	973	100	1,032	98	887	97	861	88	930	100	1,401	82	1,037	100
Net increase in borrowing	—	—	153	19	28	3	—	—	18	2	25	3	116	12	—	—	315	18	—	—
Total incoming funds ..	766	100	790	100	914	100	973	100	1,050	100	912	100	977	100	930	100	1,716	100	1,037	100
Charges upon income ..	35	5	41	5	26	3	59	6	43	4	54	6	50	5	66	7	60	4	50	5
Family living	453	59	510	65	446	49	480	50	484	46	489	54	498	51	568	61	619	36	750	72
Farm investment ..	238	31	239	30	283	31	263	27	405	39	369	40	271	28	176	19	690	40	170	17
Total expenditure ..	726	95	790	100	755	83	802	83	932	89	912	100	819	84	810	87	1,369	80	970	94
Net increase in financial assets ..	35	4	—	—	159	17	169	17	118	11	—	—	158	16	10	1	347	20	53	5
Net reduction in borrowings	5	1	—	—	—	—	2	—	—	—	—	—	—	—	110	12	—	—	14	1
Total outgoing funds ..	766	100	790	100	914	100	973	100	1,050	100	912	100	977	100	930	100	1,716	100	1,037	100

Figure 7 ANNUAL FARM INVESTMENT BY INCOME GROUP

72 farms, 1949/50 to 1958/59

Per 100 adjusted acres

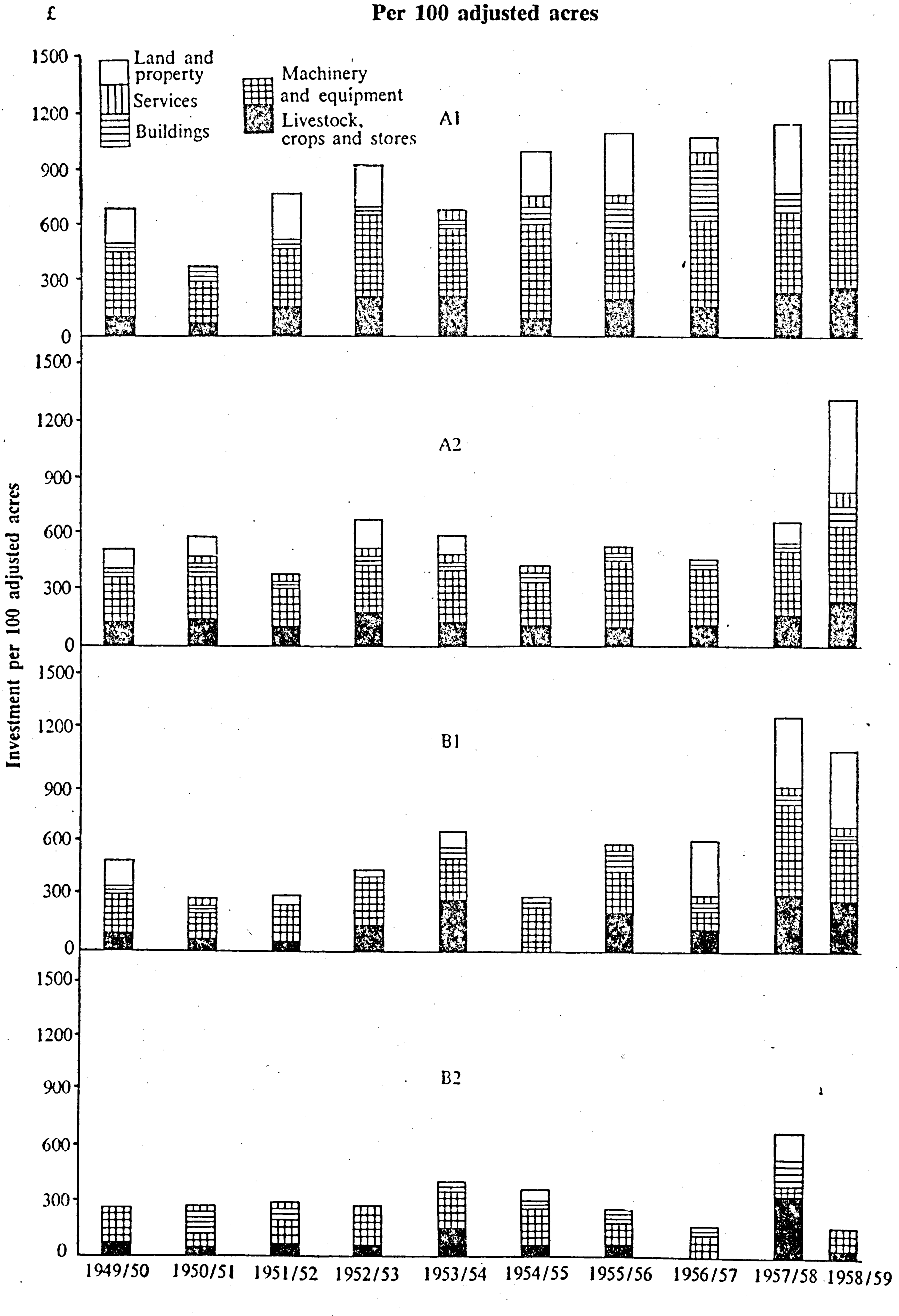

Table 69

INITIAL AND INVESTMENT ALLOWANCES ON FARM MACHINERY AND EQUIPMENT

Period in which Purchase was made	Initial Allowance	Investment Allowance
	Rate per Cent.	Rate per Cent.
6 Apr., 1949 to 5 Apr., 1952	40	Nil
6 Apr., 1952 to 14 Apr., 1953	Nil	Nil
15 Apr., 1953 to 5 Apr., 1954	20	Nil
6 Apr., 1954 to 17 Feb., 1956	20 (on 2nd hand equipment and cars) or	20 (on new equipment other than cars)
18 Feb., 1956 to 14 Apr., 1958	20	Nil
15 Apr., 1958 to 7 Apr., 1959	30	Nil
8 Apr., 1959 onwards	10 plus	20 (on new equipment other than cars)
or	30 (on 2nd hand equipment and cars)	Nil

VIII

SUMMARY

The object of this study has been to throw some light upon a little known aspect of our farming—the sources from which farmers obtain their finance and the manner in which they dispose of it. With this aim in view, it was decided some years ago that the Department should build up a nucleus of fully-audited accounts which would form the basis of such an enquiry. The information presented in this investigation has been derived from a detailed analysis of the financial records supplied by 72 co-operating farmers in the counties of Cornwall, Devon and Dorset during the ten-year period, 1949/50 to 1958/59 inclusive.

Since an economic interpretation has been given to information prepared in accordance with conventional accounting procedure, the various terms commonly used are discussed. An analytical procedure is also suggested to assist in the management of capital as applied to the farm business.

A description is given of the method of analysis used. The basic approach, an all-embracing one, has been to record, for any given year, the total incoming funds which include the cash surplus from farming operations, any other funds provided by the farmer and his wife and borrowings from outside sources. An examination was then made of the manner of disposal of total incoming funds—charges upon income, family living expenditure, farm investment, debt reduction and increasing the level of financial assets. Since the primary aim has been to show the sources and pattern of disposal of farming funds, current money values have been employed throughout.

In order that the information relating to these farms may be seen in its proper perspective, a description has been given of their physical characteristics and financial results in the form conventionally used in farm management analysis.

The 72 businesses studied were engaged in a pattern of livestock farming traditionally common to the West Country. In every year of the study livestock and livestock products contributed more than 80 per cent. of total gross output. The pattern of cropping, with its emphasis on grassland, was that usually associated with livestock farming. The overall rate of stocking rose steadily over the period, although the increase was more pronounced with some classes of livestock than others. There was a slight rise in cattle and a moderate increase in sheep numbers. Poultry numbers doubled and pigs increased seven-fold.

The trend over the ten-year period was one of rising production associated with rising costs. From 1949/50 to 1958/59, gross output increased from £20.9 to £41.2 per adjusted acre and costs from £15.3 to £31.2. Net farm income was £10.0 per adjusted acre in 1958/59 compared with £5.6 in the first year of the study. Dairy produce, the value of which increased by 66 per cent. over the period, remained the largest single item of gross output throughout. It amounted to one-third of the total in 1949/50, but had fallen to a quarter in 1958/59. The value of pig output increased almost five-fold over the period, that of sheep and poultry was one and a half times higher. A high proportion of the increase in inputs was for feedingstuffs which, from 1954/55 onwards, replaced labour as the largest single item of costs.

There was a marked trend towards owner-occupier status from 1949/50 to 1958/59. In 1949/50, tenants and mainly tenants occupied 68 per cent. of the sample farms, but, by 1958/59, the proportion had fallen to 46 per cent. The total acreage farmed gradually increased over the period. The average size of farm was 112 adjusted acres in 1949/50 compared with 120 in 1958/59.

When the sources and disposal of farming funds were examined, it was found from a ten-year aggregate of the results that 36 per cent. of the total funds available for disposal was spent on family living and 51 per cent. on farm investment. It is perhaps more significant that 98 per cent. of total expenditure, that is, charges upon income, family living expenditure and farm investment, incurred from 1949/50 to 1958/59 was provided from the farmers' own resources. In five of the years studied, own resources were more than sufficient to cover total expenditure and in the other five years recourse was had to borrowing. At no time did the proportion of own resources to total expenditure fall below 87 per cent. and during 1956/57, after a sharp rise in farm income, it was as high as 113 per cent.

Gross farm income contributed by far the major part of total incoming funds. In no year did the proportion fall below 79 per cent. and in four out of the ten years it was in excess of 90 per cent. of the total. By far the largest share of gross farm income was provided in the form of cash by the surplus of receipts over expenditure. Other forms of farming cash receipts, those from sales of physical assets and capital grants, were of relatively minor importance. Non-cash items—annual changes in the valuation of livestock, crops and stores, the value of farm produce consumed in the farmhouse and an adjustment made for the private share of certain expenses met by the farm business—amounted to approximately 20 per cent. of total gross farm income.

Capital grants received showed a general increase over the period. Two years excepted, grants for buildings, including farmhouses, cottages and yards, formed the major part of the total of such grants, with farm buildings taking the greatest share. Second in importance were the installation of water and electricity supplies, and the building of roads.

Non-farm receipts made, on average, a quite small contribution to total incoming funds, varying between three and six per cent. of the total from one year to another.

Additional borrowing, net of repayments, increased from year to year but varied considerably in importance as between years. In 1958/59, a year of high farm investment, it provided as high a proportion of incoming funds as 18 per cent., while in 1954/55 and 1956/57, when a rise in farm incomes coincided with relatively low farm investment, the proportion did not exceed three per cent.

On occasions, borrowing from family sources was quite important. A substantial part of the additional borrowing from non-family sources came from increased amounts owed by farmers in respect of goods supplied and services rendered, creditor balances, and from increased bank overdrafts. Creditor balances showed a fairly steady rate of increase over the period, rising from £174 per farm at the beginning, to £620 per farm at the end of 1958/59. The total volume and number of bank overdrafts increased considerably. In 1949/50, 25 per cent. of the farmers had overdrafts compared with 42 per cent. in 1958/59. The average size of overdraft increased over the period from £476 to £1,646.

Charges upon income, comprising income tax and interest payments on loans other than those from a bank, varied between two and eight per cent. of total outgoing funds.

Measured in terms of current money values, there was a gradual increase in family living expenditure during the period, from an average of £384 per farm in 1949/50 to £661 in 1958/59.

Farm investment claimed the biggest share of total outgoing funds, ranging from 43 per cent. in 1956/57 to 58 per cent. in 1949/50. Machinery and equipment, including motor cars, lorries and vans, was the biggest single item of investment, although in the latter part of the study there was a substantial rise in the purchase of land and property and in expenditure on the erection and improvement of farm buildings. By deducting sales and assumed depreciation charges from gross investment in machinery and equipment, a considerable difference was noted between the levels of gross and net investment.

There was a net increase in financial assets in each of the ten years, although in three years it was quite negligible. Total liquid assets increased in all but three years and total financial reserves in all except one year.

In 1949/50, 75 per cent. of the farmers had positive current account balances at the bank compared with 58 per cent. in 1958/59, but the average positive current account balance was somewhat higher at the end than it was at the beginning of the period. An additional analysis of the monthly bank balances of 51 farmers in 1957 and 1958 revealed a fairly pronounced seasonal trend with demands for credit during the months of June and July.

Regarding the net position concerning the banks, the sample farmers were, on average, lenders to the banks in all except the final year. In 1948/49, the banks owed the sample farmers an average of £351 each. At the end of 1958/59, a year of high investment, the situation was reversed, with the farmers having, on average, borrowed £249 from the banks.

Debtor balances, that is, sums of money owed to the farmers in the course of trading at the end of the financial year, rose throughout the period and, at the end of 1958/59, were three times as high as at the beginning of 1949/50.

Both creditor and debtor balances, sums owed in the course of trading to and by farmers, increased over the period, the former to a slightly greater extent. At the end of 1948/49, unpaid debts by farmers exceeded amounts due to farmers by an average of £62 per farm and, by the end of the period, the corresponding indebtedness had risen to £278.

The level of financial reserves slightly more than doubled over the ten years from an average of £735 per farm to £1,610. There were, however, notable changes among the different kinds of reserve.

The value of the total assets employed by the sample farmers has roughly doubled over the period, from an average of £5,376 per farm in 1949/50 to £10,975 in 1958/59.

Proprietors' net worth, that part of total liabilities of the business which has been contributed by the farmers themselves, amounted to 87 per cent. of the total assets employed in 1949/50 and 82 per cent. in 1958/59.

Tenants' management and investment income amounted to 9.2 per cent. of tenants' assets in 1949/50 and 10.7 per cent. in 1958/59. Total tenants' income, a reward for manual labour, management and investment in tenants' assets, was 16.5 and 17.1 per cent. respectively. Total management and investment income was 7.2 per cent. of total assets in 1949/50 compared with 8.0 per cent. in 1958/59. The overall return for labour, management and investment varied only slightly between the two years, from 12.5 per cent. in 1949/50 to 12.2 per cent. in 1958/59.

In view of the close relationship between the amount of the farmers' own resources and the level of investment they were prepared to undertake, an additional examination was made of the incoming and outgoing funds on four groups of farms with differing income levels and trends. With the two groups which achieved relatively high net farm incomes, it was apparent that total expenditure almost exactly balanced the supply of funds that the farmers were able to provide. The group of farmers, whose incomes were below average at the beginning of the study but which rose at a greater than average rate, did resort to borrowing. For the entire ten-year period, total funds derived from their own resources amounted to 88 per cent. of total expenditure and, on balance, credit was resorted to in seven of the ten years. The group whose net farm income remained below average throughout the period showed a generally low level of investment, the greatest surplus of funds from their own resources over expenditure and a dependence, albeit very slight, on borrowed money in only two of the ten years studied.

IX

CONCLUSIONS

The general picture which emerges from this study is one of a number of family farms in which personal and business fortunes were closely intermingled. Their financial requirements were for the most part met from within the family business. The results of this study closely accord with the findings of the investigation into farmers' attitudes to finance and investment carried out by this Department in 1957 and quoted earlier in this report. It was then noted that a high proportion of the farmers questioned preferred to rely on their own profits and savings to finance their operations. In fact, it was stated that 86 per cent. of the farmers normally pay for improvements to buildings in this way and over 80 per cent. normally pay promptly for farm requisites such as machinery, livestock, fuel, feed, seed and fertilisers. This general unwillingness to borrow and a preference for financing from own resources may be partly explained in terms of risk and uncertainty. But it also stems in part from a lack of awareness of the rate of return on extra capital inputs on the farm, shared both by farmers and by those whose business it is to lend money. Hence there has been capital rationing by both borrowers and lenders. More recent years have seen the growing co-operation between farmers, their advisers and the credit institutions, and there seems little doubt that this is a development worthy of encouragement and stimulation. A further aspect of the attitude of the farmers towards the financing of farm investment may be seen in the high proportion of financial to total assets employed in the farm business. Liquid assets and financial reserves together amounted to approximately a quarter of total assets both at the beginning and end of the period studied.

It has been shown that the value of the assets employed by the sample farmers has roughly doubled over the period, from an average of £5,376 per farm in 1949/50 to £10,975 in 1958/59. In itself, this increase is quite striking but it raises two important and not wholly unrelated problems.

First, can the traditional methods of self-financing, which were showing some signs of strain in the last year of the study, be expected to continue in the future? There can be little doubt that the decline in the landlord-tenant system and the consequent increase in owner-occupation has raised the capital needs of farmers. The higher prices which have recently had to be paid for land with vacant possession have severely affected would-be farmers. Even where credit facilities have been available, the size of the mortgage has placed a very heavy burden on the farm business by way of capital and interest repayment. Tenant farmers have also been affected by the need to purchase their farms when a landlord has decided to sell his estate. Not only have farmers been called upon to supply more landlords' physical capital, but there has also been a striking increase in tenants' capital, mainly machinery—a need which has arisen from the substitution of capital for manual labour. The rise in machinery investment has brought in its train the necessity to make greater provision for depreciation. The importance of adequate replacement is likely to increase as, with all machinery, improved and more costly models are continually being produced. In the recent past, the situation has been rendered more difficult by inflation which has had the effect of making current provisions for depreciation quite inadequate for replacement. For these reasons, and others such as taxation, it is doubtful whether the process of capital accumulation by saving can continue for the small business unit. For the relatively high income farmers the problem is not likely to be very acute. But there are a great many farmers, not necessarily those with very low incomes, whose farm profits are not high enough to enable them to sustain an adequate level of investment after the claims of a modest standard of living have been met.

Second, another implication behind the rise in the value of assets employed by the sample farmers is that the capital side of the business is not an aspect which can be left entirely to chance. It is already well recognised that financial as well as technical considerations have an important part to play in farm mangement. However, it is now becoming increasingly obvious that more attention should also be paid to the volume and distribution of assets throughout the business. The ratio of financial to physical assets and the amount of working capital available are aspects of a business which are likely to become just as important in the successful running of a farm business as in any other commercial enterprise. In recent years attention has been focused on the profit and loss account, but in the future there will be need for greater consideration of the balance sheet, and its use not merely as an historical document but as an important aid in allocating the capital throughout the farm business.

To this end, some of the characteristics a balance sheet should possess have been discussed in this report. It is hoped that the suggestions made will stimulate an awareness of its value. Moreover, a greater degree of standardisation will enable the development of measures of capital requirements and efficiency in use along lines similar to the efficiency standards which have been developed mainly from the farm trading account for use in farm management.

APPENDIX

GLOSSARY OF TERMS

The following terms are normally used in farm management analysis : —

Gross Output is a measure of the value actually added on the farm during any year by producing crops, livestock and livestock products. It is calculated by subtracting the sum of opening valuation plus purchases from the sum of closing valuation plus sales.

Costs or Expenses are those which cannot be charged directly to any one item of gross output, or to any one department of the farm, except by a complete system of cost accounting. They include such items as rent, rental value, rates, feedingstuffs, manures and repairs, depreciation on machinery and equipment, and wages (excluding farmer and wife).

Inputs are the total of costs plus inputed wages of farmer and wife.

Net Farm Income is the excess of gross output over costs. It is the income which the farmer and his wife receive from the farm business and represents the reward for their manual labour, management and investment in tenants' capital.

Management and Investment Income is the difference between gross output and total inputs, and is obtained by deducting from net farm income a charge, at the standard minimum agricultural wage rate, for the manual labour of the farmer and his wife. It thus represents the reward for management and investment in tenants' capital.

Adjusted Acreage has been arrived at by adding to the area of crops and grass an estimated pasture equivalent of the rough grazing.

Tenants' Capital includes all kinds of capital usually provided by the tenant farmer—livestock, crops and stores, machinery and equipment and the amount of cash kept on hand to meet current outgoings.

Landlords' Capital is that invested in land and permanent equipment in the form of buildings.

In the course of this study the following terms have been used and are defined as follows : —

Farming Capital consists of all assets employed in the farm business, listed in descending order of liquidity. They are divided into two main groups—financial and physical assets.

Financial Assets are

Liquid assets which are in the form of cash or near-cash, consisting of cash in hand or on current account at bank and trade debtors (sums of money owed to the farmer), *and*

Financial reserves which are assets held as reserves of one kind or another, providing also a source of non-farm income.

Physical Assets comprise

Tenants' physical assets which include crops and stores, livestock (sub-divided into breeding and other than breeding livestock) and machinery and equipment, *and*

Landlords' physical assets such as buildings and land and property.

Working Assets are part of tenants' physical assets and consist of crops and stores and livestock kept for other than breeding purposes.

Current Assets are the sum of liquid assets and working assets.

Liabilities consist of the money which the business itself has borrowed, listed in the order in which they fall due for payment.

Current Liabilities are those which the business may have to honour within a short period of time.

Net Worth is that part of total liabilities which has been contributed by profits and the proprietor himself.

Working Capital is the fund from which current expenses are met and is represented by the excess of total current assets over total current liabilities.

Incoming Funds are those which have become available to the farmer during the year from either his own, including his wife's, or borrowed, sources.

Own sources comprise

Gross farm income which is obtained by aggregating the surplus of cash receipts over cash expenditure, as derived from the profit and loss account; any changes in the valuation of livestock, crops and stores; adjustments for farm produce consumed in the house and allowances for the private use of certain farm expenses; the proceeds from the sale of farm physical assets; and capital grants received, *and*

Non-farm receipts which consist of private income of the farmer and his wife and any once-for-all receipts such as gifts, legacies, etc., *and*

A reduction in financial assets brought about by a fall in liquid assets (debtor balances or holdings of cash and money on current account at bank) or the liquidation of any part of financial reserves.

Borrowed sources are divided into

Family loans provided by members of the farmer's family other than his wife, *and*

Non-family loans which are sub-grouped into borrowing from traders (indicated by an increase in creditor balances), institutions (the banks) and private sources.

Outgoing Funds show the manner in which total incoming funds have been distributed in a particular year—charges upon income, family living, farm investment, debt reduction and an increase in financial assets.

Charges upon Income comprise interest charges on loans other than bank overdrafts and income tax payments.

Family Living Expenditure has been divided into two constituents,

Non-cash which consists of the adjustments made to take account of farm produce consumed in the house and the private share of certain trading expenses, *and*

Cash which includes all items of a personal nature.

Farm Investment consists of the gross expenditure on additions to physical assets made during the year. The total has been grouped according to expenditure on the purchase of and improvements to land and property, installation of services, erection of and improvements to dwellings and farm buildings, purchases of machinery and equipment and additions to inventories of livestock, crops and stores.

Debt Reduction includes the sums of money allocated for the reduction of the farmer's indebtedness to outside sources—the repayment of loans, the reduction in bank overdrafts and in the amounts owed to traders and merchants.

Increase in Financial Assets is the addition made to

> *Liquid assets,* in the form of cash, positive bank balances and debtor balances, *and*
>
> *Financial reserves* which consist of assets which are held as reserves in a variety of forms and as a source of non-farm income.