Department for Environment Food & Rural Affairs

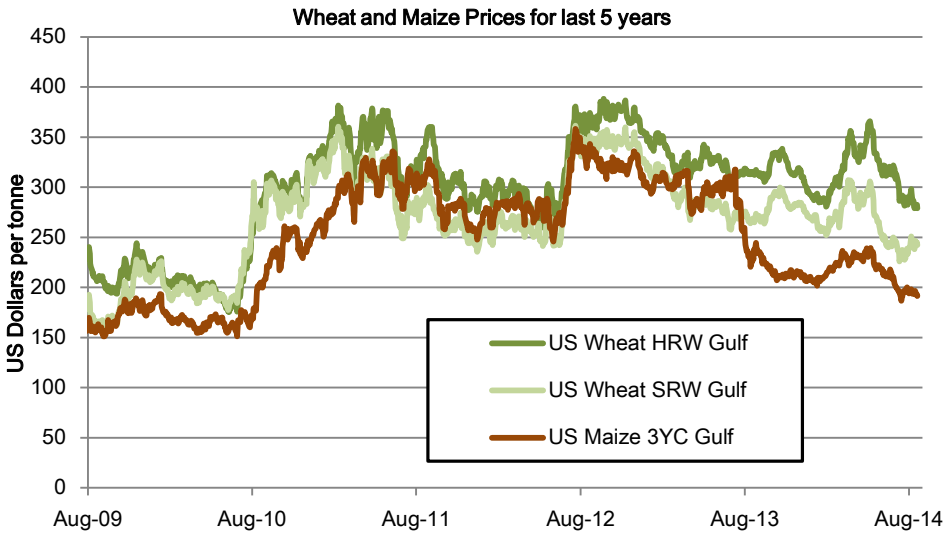
August 2014

Farming and Food Brief

Headline summary

Cereal prices fall

The July 2014 average price for Hard Red winter wheat was $293 per tonne, which was a 14% decline from the May 2014 average price of $342 as markets react to the latest harvest information. The 2014 decline in prices has been steeper than that seen in 2013 when prices of Hard Red winter wheat fell from $330 in May to $311 in June. Soft Red winter wheat followed a similar pattern.



Source: International Grains Council

Farm household Income

Defra published final estimates of farm household income for 2012/13 on the 28th August. The results are sourced from Defra's Farm Business Survey. Farm household income comprises Farm Business Income (including that from diversified enterprises), the off farm income of the principal farmer and their spouse/common law partner and income from other household members. The average household income (before tax) of the principal farmer was £52,500 in 2012/13. This is 17% lower than a year earlier, driven by a fall in Farm Business Income, as the effect of the poor growing season and harvest was felt across both cropping and livestock sectors.

UK crop development

To date, 76% of the combinable area has been harvested, resulting in a harvested crop of approximately 3mt. Winter barley and winter oilseed rape is now harvested except for a few fields in Scotland. Good progress has been made with winter wheat (55% complete), spring barley (42% complete), oats (60% complete) and combining peas (71% complete).

Basic Horticultural Statistics

The latest data for 2013 has been released and provides comprehensive statistics on the area, yield, production, trade and valuation of the main fruit and vegetable crops grown in the United Kingdom. There were 160 thousand hectares dedicated to fruit and vegetables in the UK in 2013. The overall vegetable area increased slightly in 2013 by 2% to 131 thousand hectares whereas the total fruit area has remained unchanged at 29 thousand hectares.

Contents

Headline summary 1

1. Overall economic position 3

2. Farming 4

2.1. Economic 4
2.1.1. Prices and Market Information – Commodities 4
2.1.2. Farm Household income and household composition, England 2012/13 6
2.1.3. UK crop development, 2014 7
2.1.4. Basic Horticultural Statistics, 2014 8

3. Environment, Health and Welfare 9

3.1. Health and Welfare 9
3.1.1. TB Statistics May 2014 – Great Britain 9

4. Food 10

4.1. Food inflation: consumer and retail prices 10

4.2. International Trade in Food, Feed and Drink 11

1. Overall economic position

Consumer Price Index

- The Consumer Prices Index (CPI) grew by 1.6% in the year to July 2014, down from 1.9% in June.
- Falls in clothing prices provided the largest contribution to the fall in the rate. Other large downward effects came from the alcohol, financial services and food product groups.
- The largest, partially offsetting, upward effect came from the transport group.

More details are in the full statistical bulletin from the Office for National Statistics.

Labour Market Statistics

- For April to June 2014, there were 30.6 million people in work, 167,000 more than for January to March 2014 and 820,000 more than a year earlier.
- For April to June 2014, there were 2.08 million unemployed people, 132,000 fewer than for January to March 2014 and 437,000 less than a year earlier.
- For April to June 2014, there were 8.86 million economically inactive people (those out of work but not seeking or available to work) aged from 16 to 64. This was 15,000 more than for January to March 2014 but 130,000 fewer than a year earlier.
- For April to June 2014, pay including bonuses for employees in Great Britain was 0.2% lower than a year earlier, but pay excluding bonuses was 0.6% higher.

Retail Sales

- In July 2014, the quantity bought in the retail industry increased by 2.6% compared with July 2013 and by 0.1% compared with June 2014.
- In July 2014, the amount spent in the retail industry increased by 1.7% compared with July 2013 and fell by 0.1% compared with June 2014. Non-seasonally adjusted data show that the average weekly spend in the retail industry in July 2014 was £7.0 billion compared with £6.9 billion in July 2013 and £7.0 billion in June 2014.

GDP – Second Estimate, Q2 2014

- GDP increased by 0.8% in Q2 2014, the second consecutive quarter on quarter increase of 0.8%. This figure is unrevised from the preliminary estimate of GDP published on 25 July 2014.
- Output increased in two of the four main industrial groupings within the economy in Q2 2014 compared with Q1 2014. In order of their contribution, output increased by 1.0% in services and by 0.3% in production. However, output was flat in construction and decreased by 0.2% in agriculture.
- The estimate is subject to revision as more data become available.

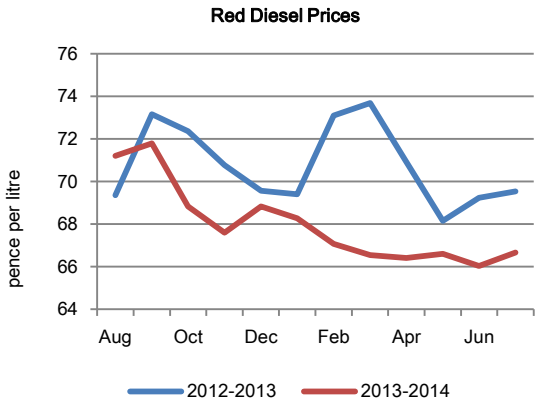
2. Farming

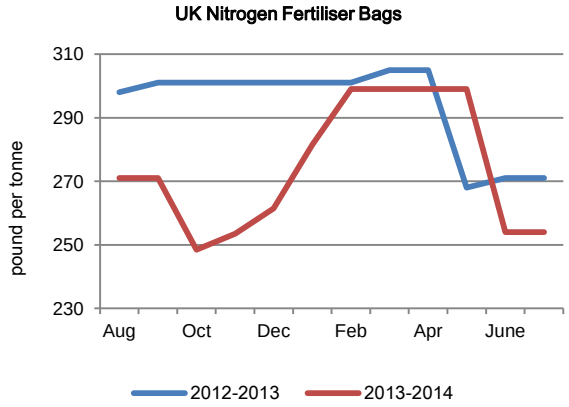
This section brings together the latest economic position for the farming sector (including UK and international input and commodity price intelligence) and the highlights of recently published evidence and research.

2.1. Economic

UK Prices – Inputs:

- **Red Diesel**: In July 2014, the average price for red diesel rose to 66.67 pence per litre. Current prices are 4.1% lower than July 2013.
- **Fertiliser**: The average price for 34.5% UK Ammonium Nitrate bags remained unchanged at £254 per tonne. Current prices are 6% lower than July 2013. *(Source: Dairy Co Datum)*





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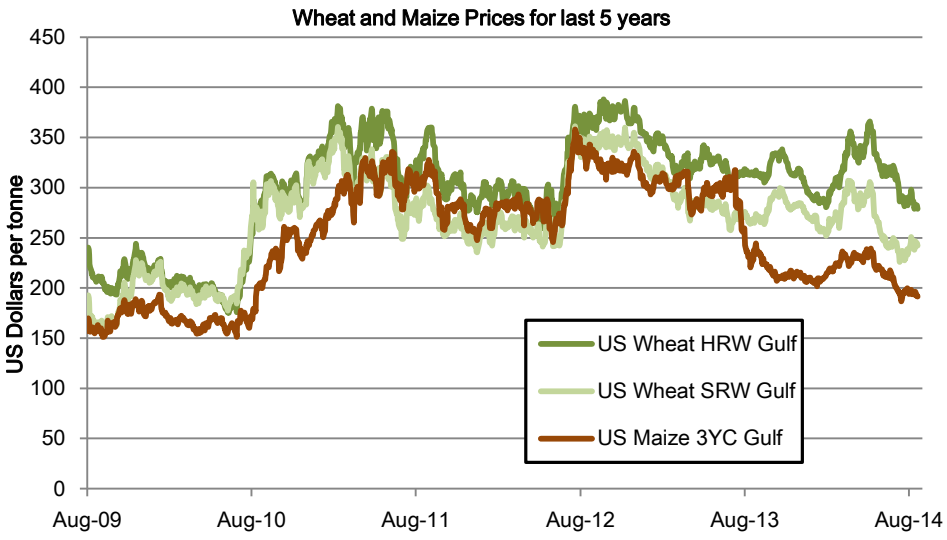
2.1.1. Prices and Market Information – Commodities

Cereals

- The July 2014 average price for Hard Red winter wheat was $293 per tonne, which was a 14% decline from the May 2014 average price of $342 as markets react to the latest harvest information. The 2014 decline in prices has been steeper than that seen in 2013 when prices of Hard Red winter wheat fell from $330 in May to $311 in June. Soft Red winter wheat followed a similar pattern.



Source: International Grains Council

- Maize prices have fallen from a record high of $358 per tonne in July 2012 to $195 per tonne in mid-August 2014 (0.7% lower than the June average price).
- The USDA published their latest bulletin on 12 August 2014. For **Wheat** the USDA increased world production for 2014/15 by 10.9Mt to a record 716.1Mt. Increases are seen for the US, Russia, China and Ukraine. The increases for Russia (+6Mt) and Ukraine (+1Mt) were based on harvest reports indicating very high yields for winter wheat whereas the increase for China (+2Mt) reflect latest government estimates. Forecasts for global wheat consumption increased by 6.9Mt reflecting the predicted increase in feeding wheat. The largest increase in feed is forecast for the EU (+2.5Mt) where excessive rainfall in several countries has increased the quantity of feed quality wheat. Global wheat trade for 2014/15 is largely unchanged with increases in US and Russia (larger crops) offsetting a reduction in the EU (quality issues). With supplies rising faster than usage global ending supplies are increased 3.4Mt to 193Mt and remain at a 3 year high.
- For **Maize** the USDA made an increase to their global production estimate but this was towards the lower end of market expectations. The increase was 4Mt lifting production to 985.4Mt.
- For **Soyabean** the USDA have forecast a slight reduction in global soyabean output for 2014/15, down 0.1Mt to 304.69Mt. Although the estimate for US production was increased from 103.42Mt to 103.85Mt due to increased yields this was offset by reductions elsewhere such as India where the late monsoons have reduced the planted area. Despite this global production of soyabean is expected to be 7.3 per cent higher year on year.

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- **Animal Feed** (source Defra)**:** During June 2014 (the latest period for which data is available), the total GB retail production of animal feed was 885 thousand tonnes, down 2% compared to July 2013. Total GB integrated poultry feed production was 236 thousand tonnes, down 4% during June 2014 compared to the same period in 2013.
- **Flour** (source Defra)**:** During June 2014, the total amount of wheat milled in the UK was 601 thousand tonnes, 2% higher than in June 2013. The total amount of home grown wheat milled in the UK for June 2014 was 480 thousand tonnes, up 33% compared with June 2013. There were 121 thousand tonnes of imported wheat milled in June 2014, down 47% compared with June 2013. The poorer quality 2012 UK crop resulted in greater use of imported wheat, however June 2014 has shown millers continuing to revert back to using a greater proportion of home grown wheat from the better quality 2013 wheat crop. Flour production for the same period was 468 thousand tonnes, 1.2% higher than in June 2013.
- **Brewers, Distillers and Maltsters** (source Defra)**:** During June 2014, the total usage of barley by brewers, distillers and maltsters was 164 thousand tonnes, up 2% compared to June 2013.

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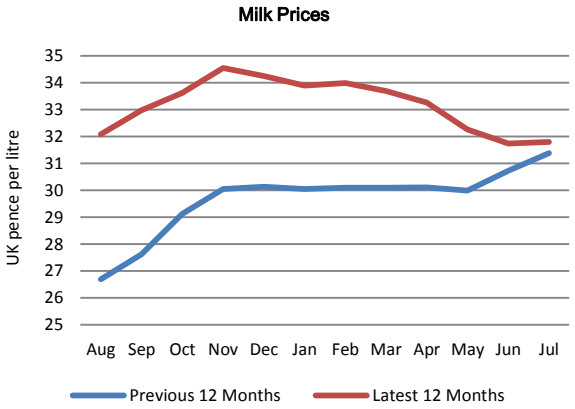
Livestock *(source: Defra)*

- **Sheep:** UK home-killed production of mutton and lamb was 28.7 thousand tonnes in July 2014, 5.4% higher than in July 2013. Between January and July 2014 production rose by 3.4% with average carcase weights remaining above last year. This month, both sheep carcase weights and adult sheep weights were up compared to July 2013.
- **Cattle:** UK home-killed production of beef and veal was 78.6 thousand tonnes in July 2014, 3% higher compared to July 2013. Whilst numbers slaughtered remain similar to the same period in 2013, higher average carcase weights have provided an increase in production of 2.8%.
- **Pigs:** UK home-killed production of pigmeat was 80.4 thousand tonnes in July 2014, 1.7% higher compared to the same period in 2013. Between January and July 2014, production rose by 2.5%. Average carcase weights remain slightly higher than in 2013.

Livestock products



- **Milk Volumes:** The provisional volume of wholesale milk delivered to UK dairies during July 2014 was 8% higher than the same period last year, at 1.2 billion litres, 87 million litres higher than July 2013. This was the highest volume of milk production during July since the 2003/04 milk year. Relatively low feed costs and favourable grazing conditions are both factors encouraging milk production. (source: RPA).
- **Milk Prices:** The average UK milk price for July 2014 shows a minor increase of 0.2% on the previous month at 31.79 pence per litre (inc. bonus payments). This levelling off of the milk price comes after recent falls due to the continued decline in global commodity markets as UK milk production moves into the winter seasonal profile. However, competition at retail level continues to put pressure on milk prices, as many of the major retailers are selling liquid milk on promotion. (source: Defra).
- **Eggs:** During the second quarter of 2014, 6.8 million cases of eggs were packed in the UK, of which 5 million (74%) were packed in England and Wales. 52% of eggs packed were produced intensively and 43% of eggs packed during the period were free range. The average packer to producer price during Q2 2014 for all egg types was 85.4 pence per dozen. This was a decrease of 6.1% on the same period the previous year, reflecting the increased domestic production. (source: Defra).

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Contact: Helen Hoult, Farming Statistics (Livestock), Helen.Hoult@defra.gsi.gov.uk

2.1.2. Farm Household income and household composition, England 2012/13

On the 28th August 2014 Defra published final estimates of farm household income for 2012/13. The results are sourced from Defra's Farm Business Survey. Farm household income comprises Farm Business Income (including that from diversified enterprises), the off farm income of the principal farmer and their spouse/common law partner and income from other household members. The key results are:

- The average household income (before tax) of the principal farmer was £52,500 in 2012/13. This is 17% lower than a year earlier, driven by a fall in Farm Business Income, as the effect of the poor growing season and harvest was felt across both cropping and livestock sectors.
- Changes in farm household income tend to be driven by changes in Farm Business Income (FBI). In 2012/13, FBI accounted for almost three quarters (72%) of farm household income. Non-farm income (off-farm income of the farmer and their spouse or common law partner and income of other household members) has remained largely unchanged year on year at between £14,000-£15,000 per household.
- 91% of farm households have off-farm income from the principal farmer and their spouse or common law partner; 11% have income from other household members.
- For those households with off-farm income for the farmer and spouse or common law partner, the average income from this source was £14,600 per household. For those with income from other household members, the average income from this source was £14,200 per household.
- While the average (mean) household income was £52,500 per household in 2012/13, 25% of principal farmers' households had an income of less £18,500 and 25% had an income greater than £67,500.
- 36,700 farm businesses (65%) are comprised of a single household. Analysing data for these businesses reveals a stark contrast between income and assets. For example, 25% had a household income of below £17,500, but the median net worth of this group was £537,000.

The full report is available here.

Contact: Katherine Merrett, Farming Statistics (Farm Business Survey), katherine.merrett@defra.gsi.gov.uk

2.1.3. UK crop development, 2014

The week up to Tuesday 26 August was characterised by a mixture of sunshine and showers. Most of the rain occurred on Monday and average rainfall over the period was 21mm (ranging from 9mm in Yorkshire and the North East and 30mm in the South West and South East). Temperatures were below the seasonal average. It is estimated that 500,000 tonnes of combinable crops were harvested during this week, mostly of wheat and spring barley. To date, 76% of the combinable area has been harvested, resulting in a harvested crop of approximately 3mt. Winter barley and winter oilseed rape is now harvested except for a few fields in Scotland. Good progress has been made with winter wheat (55% complete), spring barley (42% complete), oats (60% complete) and combining peas (71% complete).

Wheat yields are available for all regions and the national yield is estimated at between 8.4t/ha and 8.6t/ha, higher than the 10 year average of 7.7t/ha. The quality of milling wheat has been good, although this week's rainfall saw the first noticeable decline in quality to a small proportion of ripe crops. **Winter barley** has yielded above the 10 year average of 6.4t/ha with an estimated national average yield of 7.2-7.4t/ha. The winter barley harvest is now complete whereas around 56% of the spring barley area has now been harvested. **Oat** yields are above average at an estimated 5.8-6.1t/ha with crops grown heavy soil doing particularly well. The oat harvest is now 72% complete with the winter crop virtually complete; this progress is ahead of any during the last 5 years.

The **winter oilseed rape** harvest is now complete with average yields estimated at between 3.4–3.6t/ha compared to a 10 year average of 3.3t/ha. The harvest of spring oilseed rape has just started. To date, 76% of the combining pea area has been harvested, with yields close to or slightly above the average of 3.9t/ha. There have been reports of lower yielding crops in the East Midlands and Eastern regions where seed beds on heavy soil were in poor condition. The size and colour of peas remains good overall.

Source: ADAS

Contact: Allan Howsam, Farming Statistics (Crops), allan.howsam@defra.gsi.gov.uk

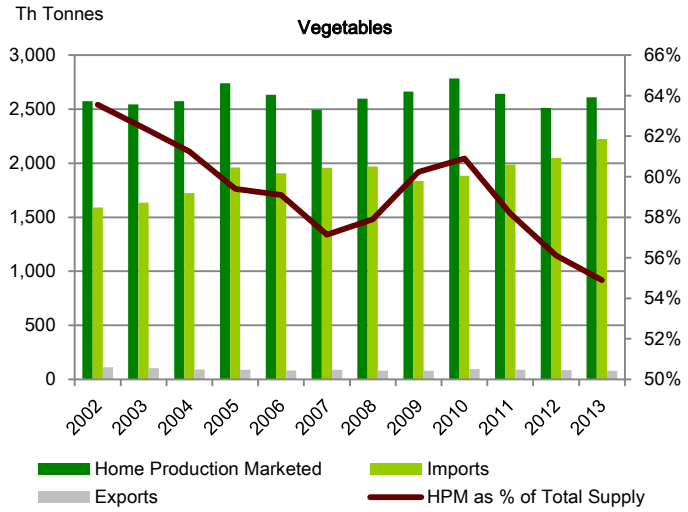
2.1.4. Basic Horticultural Statistics, 2014

This annual publication provides basic statistics on the United Kingdom's area, production and value of horticulture crops from 1985 to 2013 and external trade of horticulture crops from 1988 to 2013. Around 50 of the main fruit and vegetable crops (excluding potatoes) are covered separately. In addition to this, around 25 types of ornamental plants and flowers are shown with historic data from 1986 to 2004 and value, imports and exports data now up to 2013. Information in this publication will be of interest to policy makers, traders, growers and researchers.

Key statistics:

- The total vegetable area increased slightly in 2013 by 2% at 131 thousand hectares while the total fruit areas remained relatively unchanged at 29 thousand hectares.
- The overall quantity of vegetable production was up by 4% and fruit production was also up by 5% in 2013 compared to 2012.
- The total value of production for vegetables showed an overall increase of 5% in 2013 on 2012. The value of fruit production has remained in line with that for 2012.
- Fruit and vegetables were collectively valued at almost £1.9 billion in 2013, a 4% increase on 2012.
- Total suppy increased by 6.2% for vegetables and by 3.3% for fruit in 2013. Household consumption figures for 2013 will be published here in December 2014.

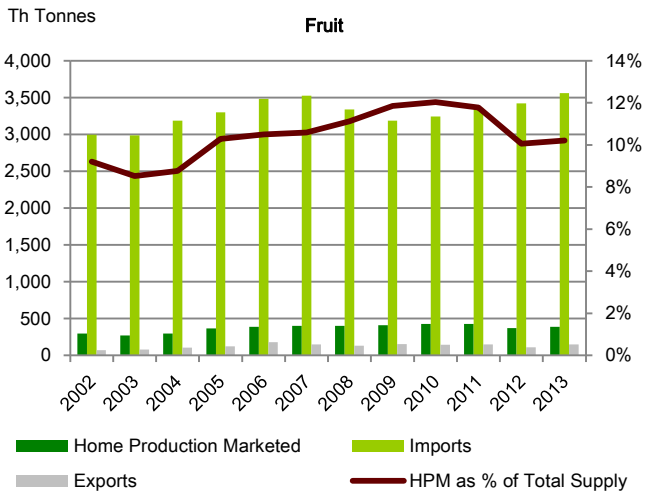
This chart shows home production as a percentage of total supply for 2013 for all vegetables was 55%, compared to an average of 59% for the last five years.



This chart shows home production as a percentage of total supply for all fruit in 2013 was 10%, similar to 2012 after reaching 12% in the previous three years.

The full report is available here.

Contact: Julie Dobson, Farming Statistics (Crops), julie.dobson@defra.gsi.gov.uk



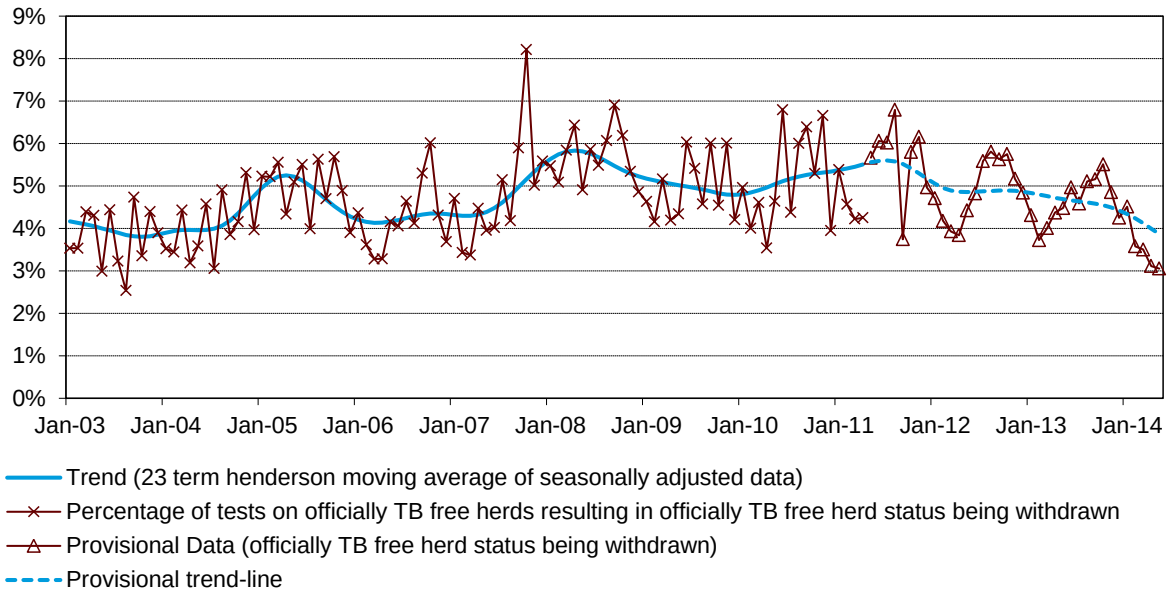
3. Environment, Health and Welfare

3.1. Health and Welfare

3.1.1. TB Statistics May 2014 – Great Britain

- Short term changes in these statistics should be considered in the context of long term trends. The charts and tables in this statistical notice illustrate how the trend in bovine TB incidence has changed since 1996.
- The provisional incidence rate for January to May 2014 is 3.6% compared to 4.2% for January to May 2013. However, care needs to be taken not to read too much into short term figures, especially as this figure includes a number of unclassified incidents. As such, the incidence rates are subject to further revisions as more tests and their results for the period are input.
- The number of new herd incidents during the period January to May 2014 was 2,136 compared to 2,211 for January to May 2013. The number of tests on officially TB free herds was 38,227 during January to May 2014, compared to 35,490 during January to May 2013.
- The number of cattle compulsorily slaughtered as reactors or direct contacts was 14,413 during January to May 2014, compared to 15,246 during January to May 2013.

Chart 1: Number of officially TB free status being withdrawn breakdowns, as a percentage of tests on officially TB free herds (from 2003)



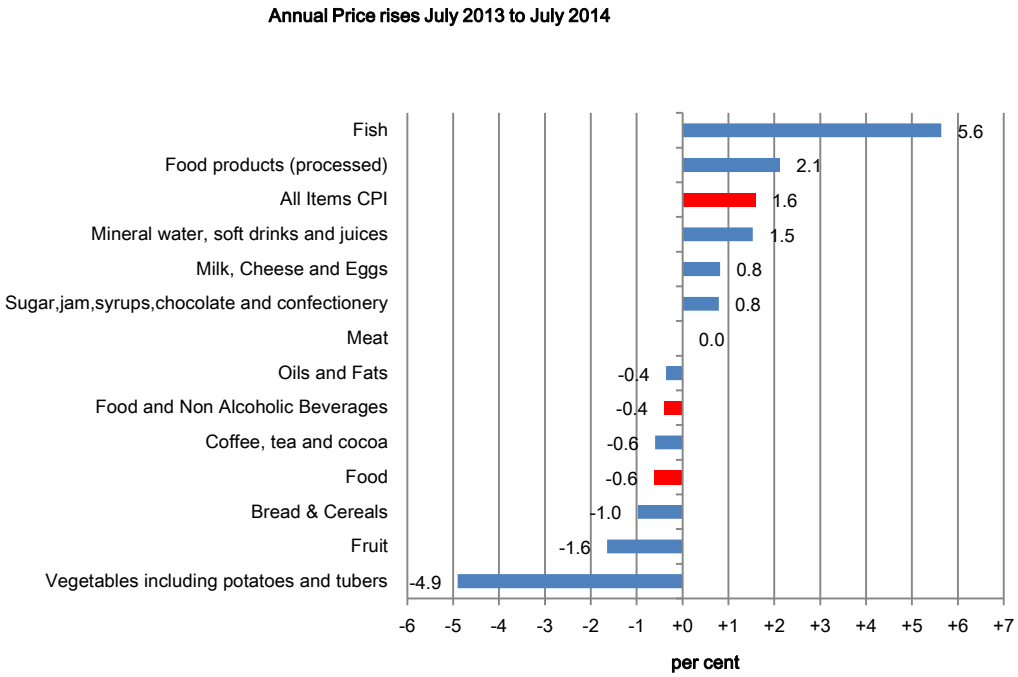
Contact: Animal and Plant Health Evidence and Analysis (APHEA), tbstatistics@defra.gsi.gov.uk

4. Food

This section highlights current trends in food price inflation and drivers of future price changes together with the latest trade figures for food and drink.

4.1. Food inflation: consumer and retail prices

Year on year food prices have fallen with an annual rate of inflation of -0.4 per cent in the year to July 2014. This follows the unchanged annual inflation last month of 0.0 per cent in the year to June. Food inflation is below general inflation at 1.6 per cent, which fell from 1.9 per cent in June. The month on month food inflation rate was -0.2 per cent between June and July, down from 0.1 per cent in June.



The largest contribution to the decrease from the previous month came from bread and cereals; sugar, jam, syrups, chocolate and confectionery; meat; and fruit. This was partially offset by an increase in fish prices.

Annual all items inflation was 1.6 per cent in the year to July 2014, an increase on June. The largest contributions to the decrease in the annual rate came from clothing & footwear, alcohol & tobacco, food & non-alcoholic drinks and miscellaneous goods and services (including financial services such as bank overdraft charges and fees for bankers' drafts). The largest upward contribution was from transport.

Below are the average retail prices of selected items on 15th July 2014:

1 pint of milk	£0.46
Loaf of sliced white bread (800g)	£1.14
Cheese (kg)	£7.98
Eggs (dozen large free range)	£3.09
Potatoes, old white (kg)	£0.83
Apples (kg)	£1.98
Sugar (kg)	£0.89

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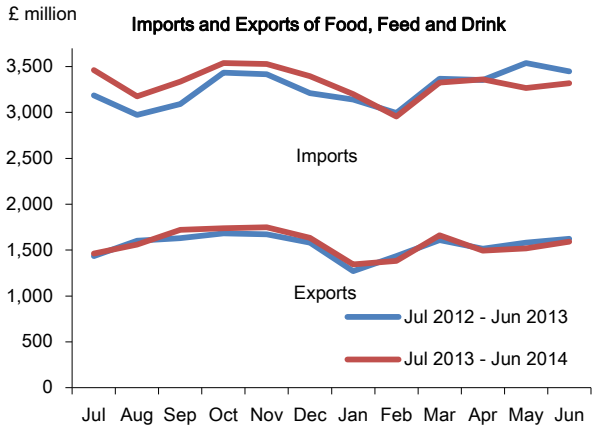
4.2. International Trade in Food, Feed and Drink

This section shows the latest available trade figures (to June 2014).

In June:

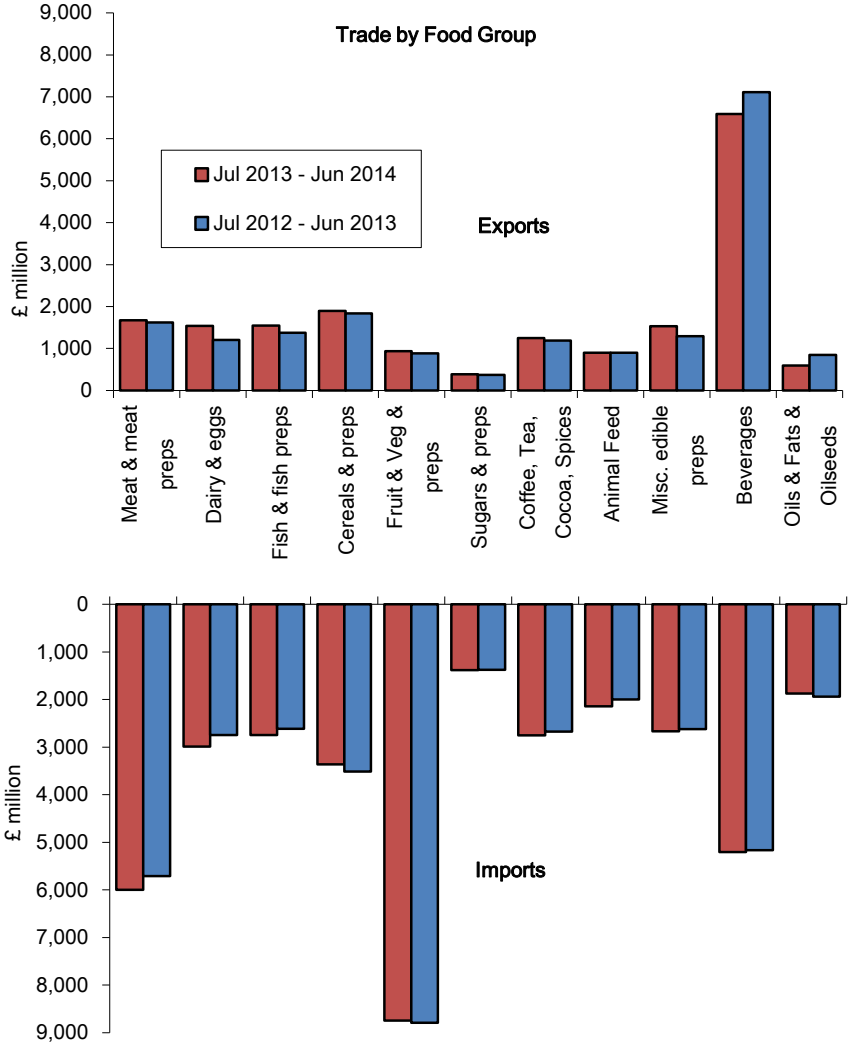
- The value of exports was £1.6 billion, 2.0% lower than in June 2013;
- The value of imports was £3.3 billion, 3.7% lower than the previous June;
- This resulted in a crude trade gap of minus £1.7 billion, 5.3% narrower than in June 2013.



The following chart shows annual trade by food group for the periods July 2012 – June 2013 and July 2013 – June 2014.

The key points on the change between these periods are as follows:

- Imports of **meat and meat preparations** rose by £287m (5.0%), while exports rose by £54m (3.3%)
- Imports of **dairy products and eggs** rose by £247m (9.0%), while exports rose by £336m (27.8%)
- Imports of **fish and fish preparations** rose by £128m (4.9%) while exports rose by £167m (12.2%)
- Imports of **cereals and cereal preparations** fell by £149m (-4.3%), while exports rose by £60m (3.3%)
- Imports of **fruit and vegetables** fell by £47m (0.5%), while exports rose by £54m (6.1%)
- Imports of **beverages** rose by £82m (3.1%) while exports rose by £57m (-4.8%)



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