Department for Environment Food & Rural Affairs

September 2014

Farming and Food Brief

Headline summary

UK cereal harvest and crop development, 2014

Harvest 2014 started earlier than most recent and overall progress was good with cereal crops as a whole completed by 23 September.

ADAS report that cereal yields are expected to be higher than the 10 year average.

	Predicted yield (ADAS) (tonnes per hectare)	10 year average (tonnes per hectare)
Wheat	8.4 – 8.6	7.7
Barley, winter	7.2 – 7.4	6.4
Barley, spring	6.0 – 6.3	5.4
Oats	5.9 – 6.1	5.7

Soil preparation and drilling has started for the 2015 harvest. Drilling of **winter oilseed rape** was completed by early. For **wheat** the first drilling took place in mid – September although there have been some delays due to the dry weather. Most drilling progress has been in the South West (40 per cent complete) and Yorkshire and Humber (30 per cent complete). For **winter barley** the South West and Yorkshire and Humber have seen the most progress at 25 per cent and 20 per cent respectively. For **Oats** the only drilling activity has been in the South West (15 per cent).

Source: ADAS

USDA cereal forecasts

The USDA published their latest bulletin on 11 September and have increased their forecast for wheat supplies. This is a result of increased opening stocks due to less feed wheat used in China than predicted and increased production in the EU and the Ukraine. They also increased global demand for wheat but this is less than the increase in production leading to higher stocks to use ratio. The markets have reacted to the latest information with wheat prices continuing to decline.

The USDA also predicted a similar picture for maize with increased production offset by an increase in demand leading to a slight increase in the stocks to use ratio. This has seen the price for maize fall and is now 5.2% lower than the average August price

Campaign for the Farmed Environment (CFE)

In the 2013/14 crop year there were 450 thousand hectares of land under voluntary unpaid environmental measures. Nearly half of the farms have some voluntary environmental measure on their land. Of the remainder the main reason for not undertaking these measure were that they already felt they were doing enough for the environment.

When farmers make decisions about their land around 80% considered the 'efficient use of inputs' and 'protecting soil and water' as very important.

Contents

1. Overall economic position

Consumer Price Index

- The Consumer Prices Index (CPI) grew by 1.5% in the year to August 2014, down from 1.6% in July.
- The largest contributions to the decrease in the annual rate came from falls in the prices of motor fuels and food & non-alcoholic.
- The largest upward contribution was from clothing, transport services and alcohol.

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

Labour Market Statistics

- Comparing the estimates for May to July 2014 with those for February to April 2014, employment continued to rise and unemployment continued to fall. These changes continue the general direction of movement since late 2011/early 2012.
- The proportion of people aged from 16 to 64 in work (the employment rate), was 73.0%, slightly higher than for February to April 2014 (72.9%) and higher than for a year earlier (71.6%).
- There were 2.02 million unemployed people, 146,000 fewer than for February to April 2014 and 468,000 fewer than a year earlier. This is the largest annual fall in unemployment since 1988.
- The economic inactivity rate was 22.1%, higher than for February to April 2014 (21.8%) but lower than for a year earlier (22.3%).
- Pay including bonuses for employees in Great Britain was 0.6% higher than a year earlier. Pay excluding bonuses for employees in Great Britain was 0.7% higher than a year earlier.

Retail Sales

- Compared with July 2014, the quantity bought in the retail industry in August 2014 was estimated to have risen by 0.4%. Compared with August 2013 the growth was much stronger with the quantity bought increasing by 3.9%.
- This year-on-year increase is now the 17th month of consecutive year-on-year growth, it would be true to say that the underlying picture is one of growth.
- The quantity bought in household goods stores in August 2014 increased by 12.7% compared with August 2013. This is the largest year-on-year increase in this series since October 2001 (16.2%). The main contribution to this increase in growth was from furniture stores The year-on-year increase of 23.4% in these stores was the largest growth since records began in 1988. Feedback from retailers suggested that this was in part due to better than average sales.
- However, average store prices fell in August 2014 by 1.2% compared with August 2013, the largest fall since July 2009. The slowing of prices at petrol stations, down 5.0%, provided the main contribution to this fall. It is worth noting that prices at food stores fell by 0.1%, the first annual fall in prices at these stores since December 2004 when it also fell by 0.1%.

GDP

- 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.

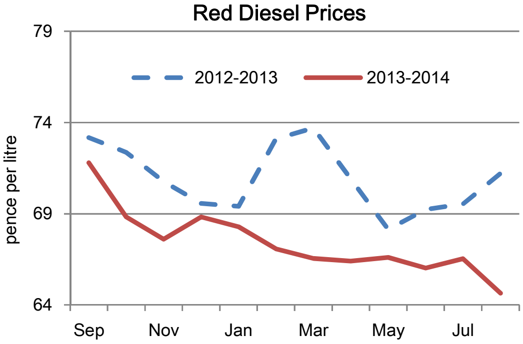
2. Farming

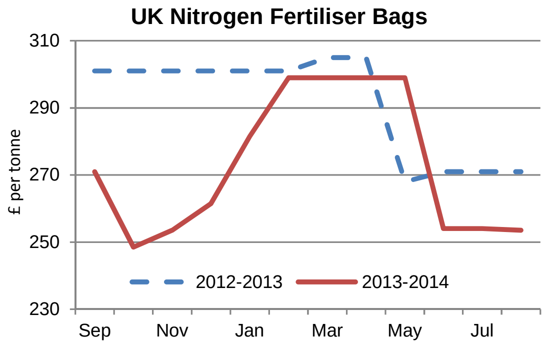
This section brings together the latest economic position for the farming sector (including UK and international input and commodity price intelligence) and the highlights of recently published evidence and research.

2.1. Economic

UK Prices – Inputs:

- **Red Diesel**: In August 2014, the average price for red diesel fell to 64.64 pence per litre. Current prices are 9.2% lower than August 2013.
    - **Fertiliser**: The average price for 34.5% UK Ammonium Nitrate bags fell to £253.50 per tonne. Current prices are 6% lower than August 2013. *(Source: Dairy Co Datum)*





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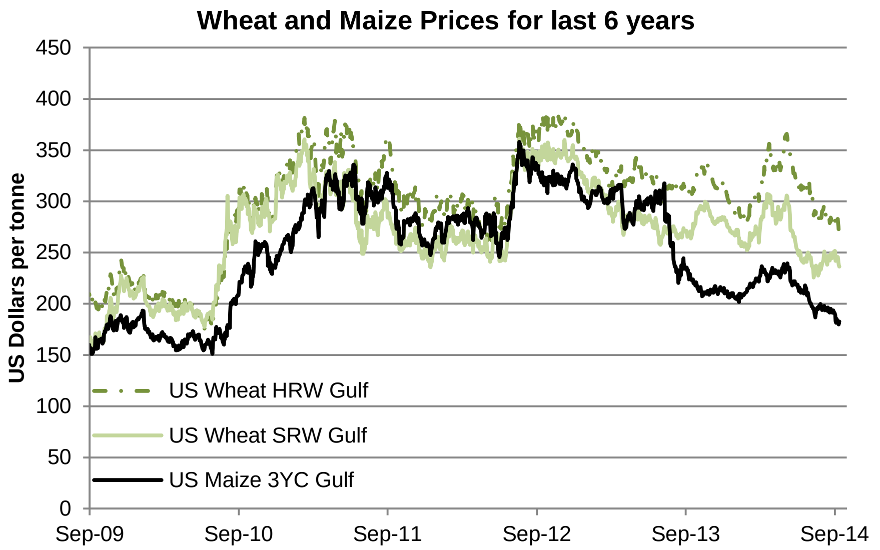
2.1.1. Prices and Market Information – Commodities

Cereals

- The August 2014 average price for Hard Red winter wheat was $285 per tonne, which was a 17% 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.
- Maize prices have fallen from a record high of $358 per tonne in July 2012 to $184 per tonne in mid-September 2014 (5.2% lower than the August average price).



Source: International Grains Council www.igc.int

- The USDA published their latest bulletin on 11 September 2014. For **Wheat** the USDA increased world wheat supplies. Opening stocks were increased by 2.8Mt as China's consumption of feed wheat in

2013/14 was reduced, hence more available to carry over into 2014/15. Revisions were also made to Canadian stock levels to take into account latest official figures. Global production was revised higher by 3.9Mt to a record 719.95Mt, this increase was mainly due to increased production in the EU (up 3.1Mt to 150.97Mt) and Ukraine (up 2Mt to 24Mt). Although the global demand estimate has also been raised by 3.2Mt to 710Mt this is not enough to offset the increase in production leading to a higher stocks to use ratio forecast (27.7%) compared to last month.

- For **Maize** the USDA made an increase to their global production by 2.1Mt to 987.52Mt. US production was raised by 9.2Mt (2.6%) to a record 365.7Mt on the back of higher estimated yields and EU production was increased by 1.3Mt to 68.35Mt. These increases were partially offset by a 5Mt decrease forecast for China due to drought. On the demand side overall consumption was increased by just over 2Mt to 970.69Mt although the animal feed portion of demand was revised slightly lower by 0.4Mt to 594.02Mt. The resulting supply and demand balance indicates a small increase in global stocks to use ratio (19.6%) compared with the estimates made in August.
- For **Soyabean** the USDA have forecast an increase of 6.5Mt in production to 311.3 Mt for 2014/15. The main gains come from US and Brazil thanks to higher projected yields and planted area respectively. None of the production estimates for the main global producers has been revised lower. Compared to the major revision to production numbers the upward revision to consumption numbers is relatively modest 1.6Mt. The stocks to use ratio is 1.4 percentage points higher than August at 31.6%

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- **Animal Feed** (source Defra)**:** During July 2014 (the latest period for which data is available), the total GB retail production of animal feed was 790 thousand tonnes, down 3% compared to July 2013. Total GB integrated poultry feed production was 197 thousand tonnes, down 0.5% during July 2014 compared to the same period in 2013.
- **Flour** (source Defra)**:** During July 2014, the total amount of wheat milled in the UK was 514 thousand tonnes, 0.6% higher than in July 2013. The total amount of home grown wheat milled in the UK for July 2014 was 387 thousand tonnes, up 21% compared with July 2014. There were 127 thousand tonnes of imported wheat milled in July 2014, down 34% compared with July 2013. This is because we are comparing this year's data against July 2013 data which was heavily influenced by a poor quality harvest. Flour production for the same period was 402 thousand tonnes, 0.1% lower than in July 2013.
- **Brewers, Distillers and Maltsters** (source Defra)**:** During July 2014, the total usage of barley by brewers, distillers and maltsters was 155 thousand tonnes, down 0.3% compared to July 2013.

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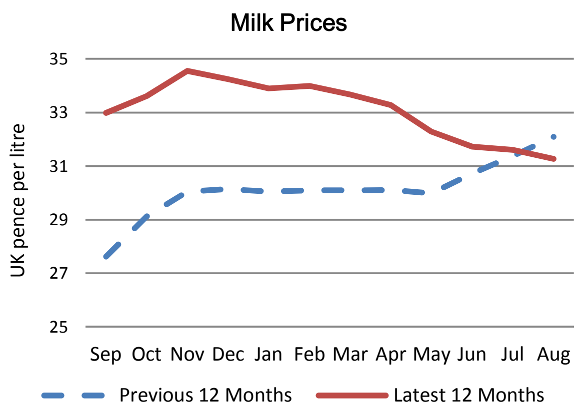
Livestock *(source: Defra)*

- **Sheep:** UK home-killed production of mutton and lamb was 24.6 thousand tonnes in August 2014, 1% higher than in August 2013. Between January and August 2014 production rose by 3.1% with average carcase weights remaining above last year.
- **Cattle:** UK home-killed production of beef and veal was 64.5 thousand tonnes in August 2014, 12% higher compared to August 2013 .Both slaughter numbers and carcase weights are higher than August 13 providing an increase in production of 3.8%
- **Pigs:** UK home-killed production of pigmeat was 64.7 thousand tonnes in August 2014, 2.2% higher compared to the same period in 2013. Between January and August 2014, production rose by 2.5%. As was the case last month, average carcase weights continue to remain slightly higher than in 2013.

Livestock products

- **Milk Volumes:** The provisional volume of wholesale milk delivered to UK dairies during August 2014 was 1.2 billion litres, 7% (77m litres) higher than in August 2013 and 9% higher than the previous 10 year average as producers responded to higher prices and improved feed availability earlier in the year. Milk production remains high across the EU; EU27 milk production for January to June 2014 was 5% higher than the same period in 2013 and 7% higher than the average for the same period in 2006-2013. The increase in global and EU milk production is now putting downward pressure on commodity prices which will send the market signal through to producers to ease back and bring supply and demand back into balance (source: RPA).



- **Milk Prices:** The average UK farmgate milk price for August 2014 was 31.27 pence per litre (inc. bonus payments); 1.1% lower than July 2014 and 2.5% lower than August 2013. The usual seasonal uplift in prices is not apparent. Falling returns from global dairy commodity markets and increased milk production, both in the UK and EU, have led milk processors to reduce the price they pay to farmers for their raw milk supply (source: Defra).

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2.1.2. UK cereal harvest and crop development, 2014

Harvest 2014 started earlier than most recent years with July seeing good progress with the winter barley harvest. August was unsettled so harvest progress slowed to a steadier rate for winter wheat and other crops although there were no major disruptions. September saw local delays due to heavy rain showers but overall progress was good e.g. winter barley was harvested earlier and quicker than any of the last 5 years and cereal crops as a whole were completed by 23 September.

ADAS report that for **wheat** yields are above the 10 year average (7.7t/ha) at between 8.4 - 8.6t/ha. These higher yields are spread across all regions and soil types and apply to feed, biscuit and milling varieties. **Winter Barley** yields are forecast to be between 7.2 - 7.4t/ha (10 year average 6.4t/ha) and **Spring Barley** 6.0 – 6.3t/ha (10 year average 5.4t/ha). For **Oats** ADAS forecast yields of 5.9 – 6.1 t/ha, slightly higher than the 10 year average 5.7t/ha.

Soil preparation and drilling has started for the 2015 harvest. Drilling of **winter oilseed rape** was completed during mid-August to early September with germination slow for the later sown crops due to the dry conditions. Damage by slugs and flea beetles has been reported. For **wheat** most farmers have completed their primary tillage operations and the first drilling took place in mid – September although there have been some delays due to the dry weather. Most drilling progress has been in the South West (40 per cent complete) and Yorkshire and Humber (30 per cent complete). For **winter barley** the South West and Yorkshire and the Humber have seen the most progress at 25 per cent and 20 per cent respectively. For **Oats** the only drilling activity has been in the South West (15 per cent).

Source: ADAS

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

2.1.3. Farming Statistics – final crop areas and cattle, sheep and pig populations at 1 June 2014: England

Final results from the 2014 June Survey of Agriculture and Horticulture were published on 18 September 2014 showing the final estimates of crop areas and cattle, sheep and pig populations on agricultural holdings in England on 1 June 2014. The results can be found here.

Key results included little change in the utilised agricultural area (UAA) in England which stands at almost 9.0 million hectares in June 2014. The total croppable area accounts for just over half (54%) of the UAA and decreased by 0.8% to 4.8 million hectares in 2014.

As a result of improved weather conditions in 2014, farmers have been able to once again plant crops on land that had to be left out of production in 2013. This has led to a 38% decrease in the area of uncropped arable land which fell from 237 thousand hectares in 2013 to 146 thousand hectares in 2014. The area of land used for cereal crops saw a 5.7% increase in 2014 and now stands at 2.6 million hectares. The ratios between winter and spring sown crops have also returned to more typical levels seen prior to 2013.

The total number of cattle and calves in England is just under 5.4 million in June 2014, showing little change since 2013. Sheep and lambs increased by 3.1% from 14.9 million in 2013 to 15.4 million in 2014. The total number of pigs in England decreased by 2.8% to just under 4.0 million animals in 2014.

2.1.4. Campaign for the Farmed Environment (CFE) - Survey of land managed voluntarily in 2013/14 farming year (England)

Unpaid environmental land management

- During the 2013/14 crop year, there were 450 thousand hectares managed under the listed unpaid environmental measures with an additional 9,760 skylark plots and 7,387 km of fenced watercourses.
- Fertiliser free permanent pasture (161 thousand hectares) covered the largest land area of the measures listed, followed by over-wintered stubbles which accounted for 109 thousand hectares.
- 44% of holdings have some form of unpaid land from the measures listed. Of the 56% who do not, the main reason for not undertaking any of the listed voluntary measures was that the farmer considered that they were already doing enough for the environment (50% of holdings who undertook no environmental measures).

Attitudes towards the environment

- When making decisions about their land, farmers placed greatest importance in ‘efficient use of inputs’ and ‘protecting soil and water’. Around 80% of farmers considered these options fall into the category “very important”.

Understanding and awareness of CFE

- Between the 2012/13 and 2013/14 cropping years the proportion of farmers who consider themselves to have a good understanding of the Campaign for the Farmed Environment has remained steady at 15%.

3. Environment, Health and Welfare

3.1. Health and Welfare

3.1.1. TB Statistics June 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 June 2014 is 3.6% compared to 4.2% for January to June 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 June 2014 was 2,398 compared to 2,535 for January to June 2013. The number of tests on officially TB free herds was 42,819 during January to June 2014, compared to 39,439 during January to June 2013.
- The number of cattle compulsorily slaughtered as reactors or direct contacts was 17,063 during January to June 2014, compared to 17,282 during January to June 2013.

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

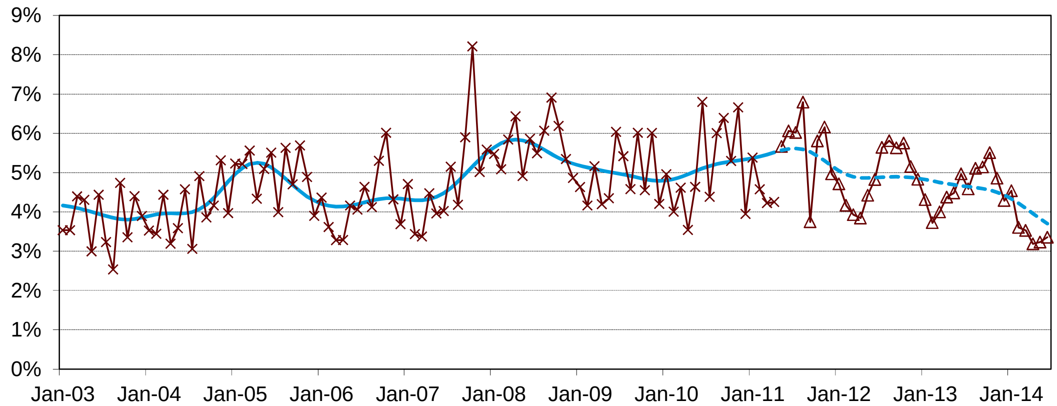
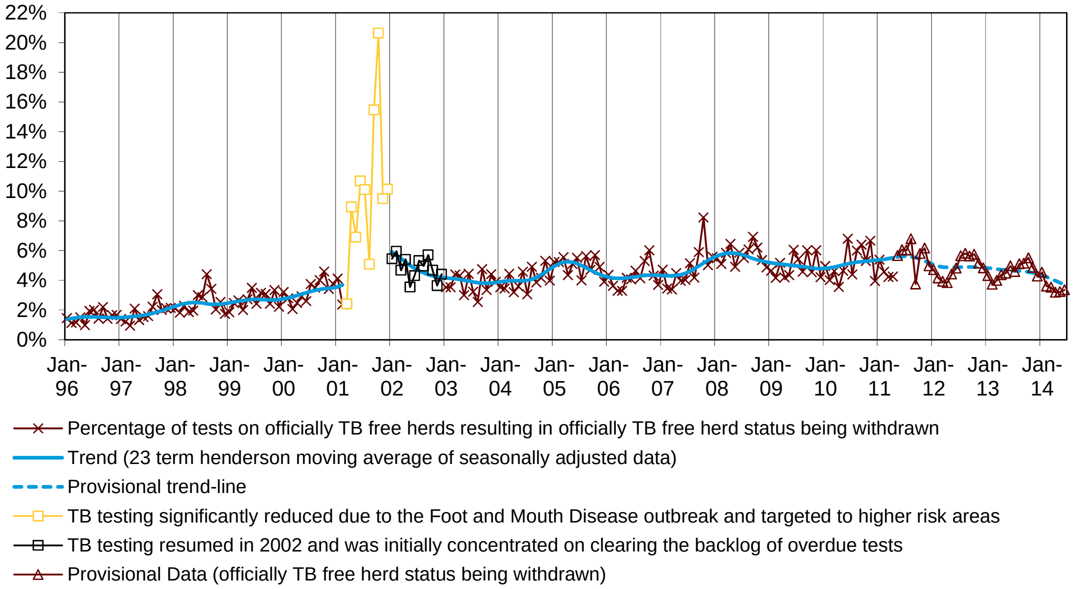


Chart 2: Number of officially TB free herd status being withdrawn incidents, as a percentage of tests on officially TB free herds



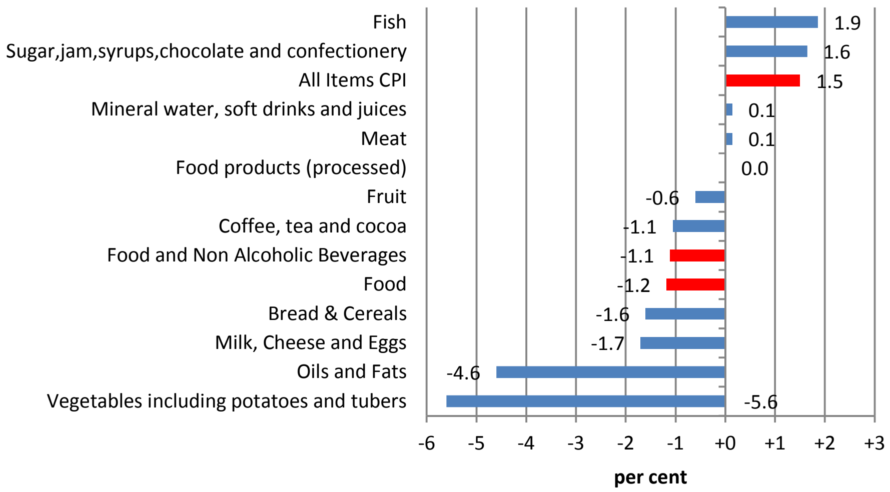
4. Food

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 1.1% in the year to August 2014. Food inflation was last lower in June 2002 (-2.2%). Food inflation is well below general inflation at 1.5%, which fell from 1.6% in July.

Annual Price rises August 2013 to August 2014



The fall in food prices over the last year has been driven by significant declines in international food commodity prices, a stronger Pound and, more recently, intense price competition by supermarkets

Prices fell by 0.2% between July and August this year but rose by 0.5% between the same two months a year ago. There were small downward effects from a number of product groupings with the largest coming from milk, cheese & eggs due principally to price changes for cheese and yoghurts.

Annual all items inflation was 1.5% in the year to August 2014, a decrease on July. The largest contributions to the decrease in the annual rate came from falls in the prices of motor fuels and food & non-alcoholic. The largest upward contribution was from clothing, transport services and alcohol.

Below are the average retail prices of selected items in August 2014:

1 pint of milk	£0.46
Loaf of sliced white bread (800g)	£1.14
Cheese (kg)	£8.07
Eggs (dozen large free range)	£3.04
Potatoes, old white (kg)	£0.81
Apples (kg)	£1.96
Sugar (kg)	£0.88

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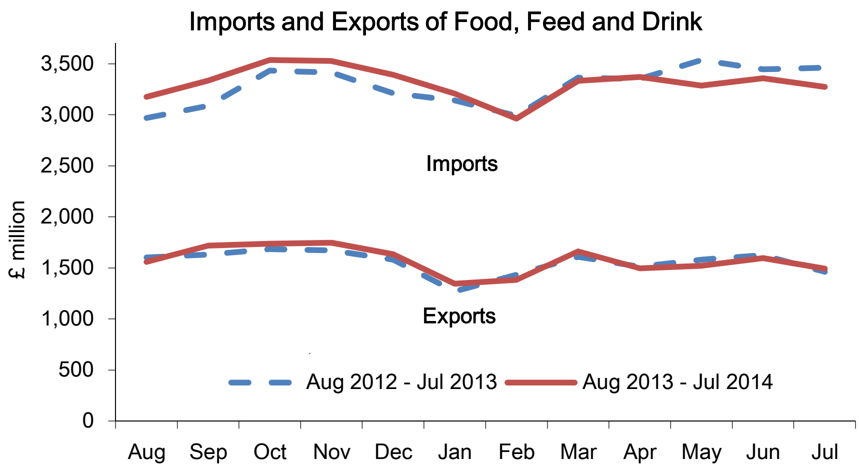
4.2. International Trade in Food, Feed and Drink

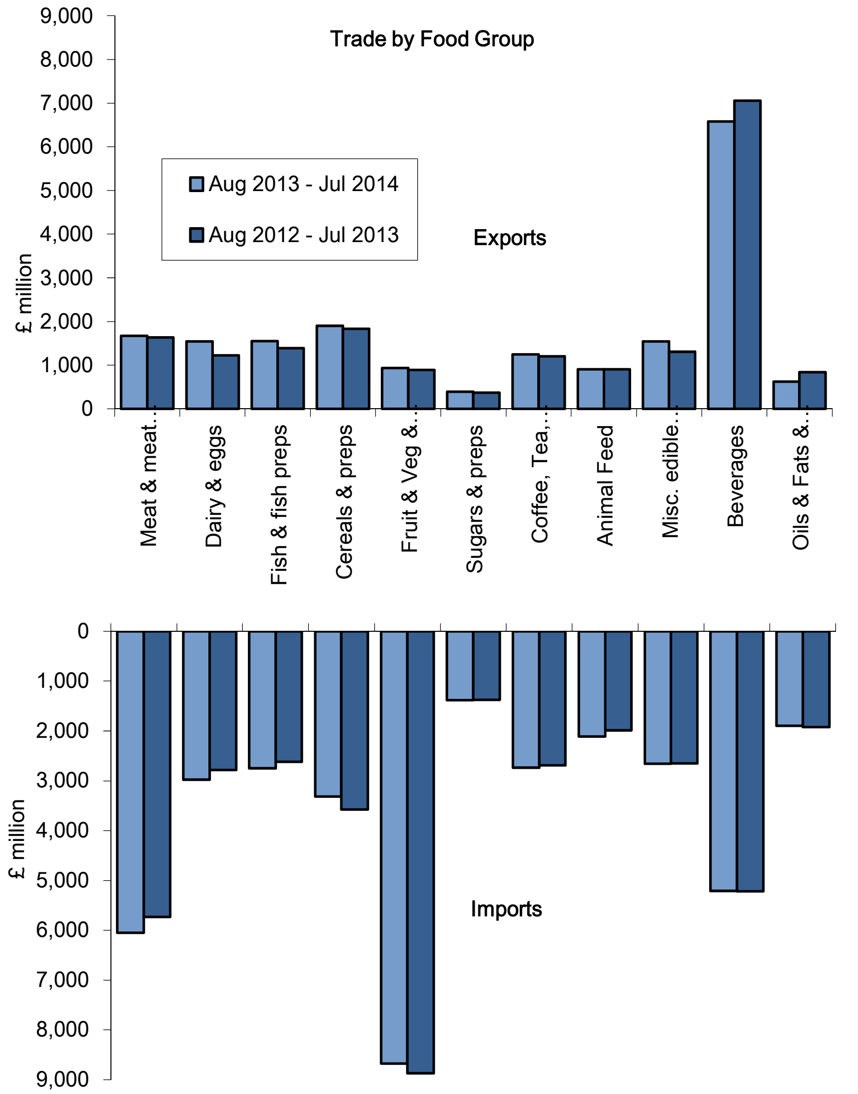
This section shows the latest available trade figures (to July 2014).



In July:

- The value of exports was £1.5 billion, 2.2% higher than in July 2013;
- The value of imports was £3.3 billion, 5.4% lower than the previous July;
- This resulted in a crude trade gap of minus £1.8 billion, 10.9% narrower than in July 2013.

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



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

- Imports of **meat and meat preparations** rose by £320m (5.6%), while exports rose by £35m (2.1%)
- Imports of **dairy products and eggs** rose by £198m (7.1%), while exports rose by £321m (26.1%)
- Imports of **fish and fish preparations** rose by £125m (4.8%) while exports rose by £161m (11.6%)
- Imports of **cereals and cereal preparations** fell by £263m (-7.3%), while exports rose by £62m (3.4%)
- Imports of **fruit and vegetables** fell by £192m (-2.2%%), while exports rose by £41m (4.6%)
- Imports of **beverages** fell by £5m (-0.1%) while exports fell by £476m (-6.7%)

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