

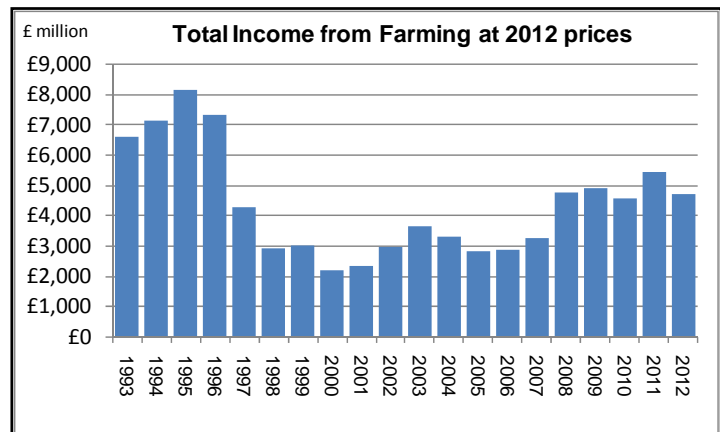


Headline summary

The monthly farming and food brief summarises the latest statistical and economic information relating to the agricultural sector. In particular, it highlights the results of recently published evidence and research.

Fall in farm incomes

Total Income from Farming, is estimated to have fallen between 2011 and 2012 by 14 per cent (£737 million) in real terms to £4,704 million. The fall was due to changes in the Pound to Euro exchange rate and the impact of poor weather. Strong prices for some livestock were offset by higher input prices ([see section 2](#))



Severe weather affecting the sheep sector

Heavy snowfall and drifting across Wales, Northern England and Scotland during late March has resulted in the additional deaths of thousands of livestock, especially sheep and lambs. The number of animal deaths due to the weather is still unclear. However, industry estimates expect additional losses attributable to the heavy snowfall to exceed 20,000 sheep and lambs. ([see section 3](#))

Fertiliser use continues to fall

Defra has published detailed evidence on the use of the nutrients nitrogen, phosphorus and potash on agricultural crops and grassland. These nutrients are vital for agricultural production but have environmental impacts. The rate of use of nitrogen on all tillage has remained relatively constant over the last 25 years at around 145 - 150 kg/ha but there have been substantial falls in the use of nitrogen on grassland (because of falling livestock numbers and improved efficiency of use of fertilisers and organic manures). The use of phosphate and potash on tillage crops has been declining since the late 1990's. ([see section 3](#))

Low domestic milk production

In March 2013, the provisional volume of wholesale milk delivered to dairies was 7.6 per cent lower than March last year at 1.1 billion litres, the lowest recorded level for March since 1995/96. ([see section 2](#))

Increased imports of wheat

During February 2013, imports of wheat increased by 233 per cent as millers were unable to source quality milling wheat from the UK as a result of the poor domestic wheat harvest. ([see section 2](#))

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1. Overall economic position

Inflation rate remains unchanged

The headline rate of inflation, the Consumer Prices Index (CPI), remained unchanged at 2.8 per cent.

The contributions to change in the CPI from the various detailed categories were relatively small compared with most months. The largest upward contribution came from the recreation and culture sector where there were price rises for audio-visual equipment and books, newspapers and stationery. The largest downward contributions came from furniture and furnishings, motor fuels and meat.

More details are in the full [statistical bulletin](#) from the Office for National Statistics.

Small increase in unemployment rate

The unemployment rate for December 2012 to February 2013 was 7.9 per cent of the economically active population, up 0.2 per cent from September to November 2012. There were 2.56 million unemployed people, up 70,000 from September to November 2012.

Retail sales down

In March 2013, the quantity bought in the retail sector decreased by 0.5 per cent. This follows strong year-on-year growth of 2.5 per cent in February 2013. The largest contribution to the year-on-year decrease came from the non-food sector where, compared with March 2012, the quantity of goods bought decreased by 2.6 per cent.

Rise in GDP

Gross Domestic Product (GDP) was estimated to have increased by 0.3 per cent in the first quarter of 2013. The largest upward contribution came from the service sector output, which was estimated to have increased by 0.6 per cent, while construction sector output was estimated to have decreased by 2.5 per cent in Q1 2013.

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

2.1.1. UK Prices – Inputs

- **Red Diesel:** Despite recent falls in crude oil prices, the average March price for red diesel has risen to 73.70 pence per litre, which follows the seasonal profile seen at the same time last year.
- **Fertiliser:** The average price for 34.5 per cent UK Ammonium Nitrate bags remained stable for the seventh month running at £301 per tonne. This keeps the monthly price below the 2011/12 equivalent. (Source: Dairy Co Datum)

Contact: Julie Rumsey, Farming Statistics (Accounts and Prices), Julie.Rumsey@defra.gsi.gov.uk

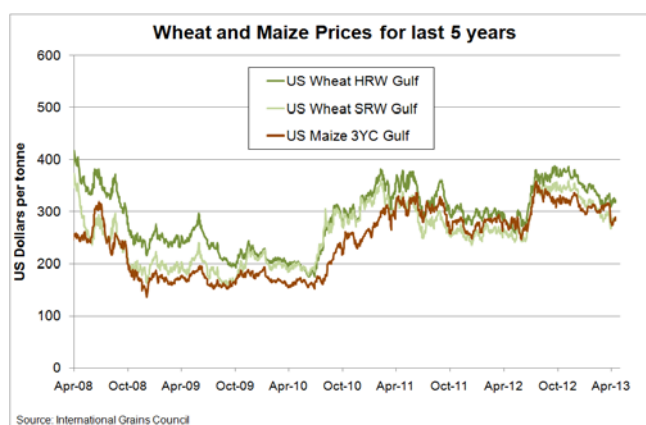
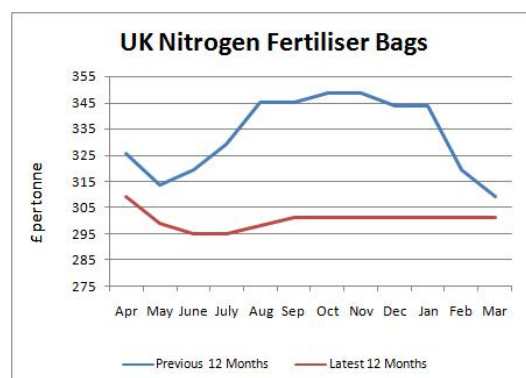
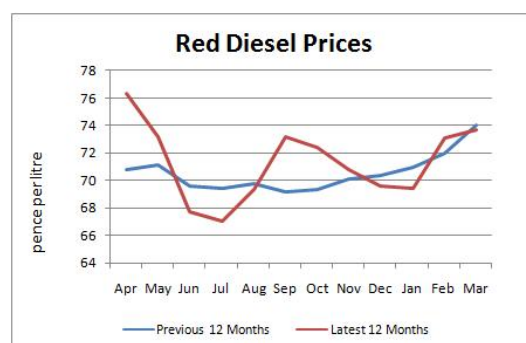
2.1.2. Prices and Market Information – Commodities

The **United Nations Food and Agriculture Organisation (FAO)** Food Price Index averaged 212 points in March 2013. This was 11 per cent lower than its record high in February 2011. It rose by 1 per cent between February 2013 and March 2013. In March, dairy prices increased by 11 per cent, influenced by the effect of drought on New Zealand dairy production. The index has fallen by 2 per cent between March 2012 and March 2013. (*United Nations FAO – 11 April 2013*)

Cereals

- The March average price of Hard Red winter wheat was \$322 per tonne, 2.5 per cent lower than February. For Soft Red winter wheat the average March price was \$289, a 4.4 per cent decrease on February. Prices available to mid April show small decreases on the February average price.
- Maize prices have fallen from a record high of \$358 per tonne in July 2012 to reach \$280 per tonne by mid April.
- In their latest report (10 April) the US Department of Agriculture (USDA) made little change to estimates of 2012/13 global wheat production. They increased estimates of 2012/13 maize production by almost 2Mt from the March figure to 855.92Mt, with a 1.5Mt increase in the Brazilian crop estimate to 74Mt. Demand is estimated to be weaker, cut by 5.24Mt to 862.51Mt.
- For soyabeans, the USDA have revised world production by an increase of 1.6Mt to 269.6Mt, due to higher production in Paraguay and Uruguay; Argentina and Brazil were left unchanged. Consumption was revised down by 1.1Mt due to lower crushing in Argentina and Brazil. Imports by China were reduced by 2Mt which led to lower exports from Argentina and Brazil to compensate.

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



- **Animal Feed (source Defra):** During February 2013, the total GB retail production of animal feed was 890 thousand tonnes, up 6 per cent on the same period in 2012. There has been an increase in the retail production of animal feed in recent months due to the wet weather and livestock having to be housed longer. The poor quality of the current forage crop has also been a factor. Total GB integrated poultry feed production was 204 thousand tonnes, down 2.5 per cent during February 2013 compared to the same period in 2012.
- **Flour (source Defra):** During February 2013, the total amount of wheat milled in the UK was 520 thousand tonnes, 15 per cent higher than in February 2012. For the same period, imported wheat milled was 164 thousand tonnes, up 233 per cent due to the poor quality UK wheat harvest. Millers are experiencing difficulties sourcing quality UK milling wheat, so imports are being used to meet the shortfall. The total amount of home grown wheat milled in the UK for February 2013 was 356 thousand tonnes, down 12 per cent compared with February 2012. Flour production for the same period was 416 thousand tonnes, 14 per cent higher than in February 2012.
- **Brewers, Distillers and Maltsters (source Defra):** During February 2013, the total usage of barley by brewers, distillers and maltsters was 146 thousand tonnes, down 2 per cent compared to the same period in 2012.

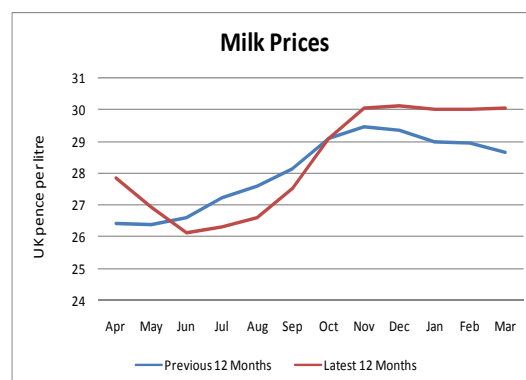
Contact: Tom Johnson, Farming Statistics (Crops), tom.johnson@defra.gsi.gov.uk

Livestock (source: Defra)

- **Sheep:** UK home-fed production of mutton and lamb in March 2013 was 4.3 per cent higher than in March 2012, with production for the first quarter 7.9 per cent higher. Despite the recent adverse weather, slaughterings of sheep remained strong, increasing by 9.5 per cent compared to March 2012 following the difficulties getting sheep marketed for slaughter in 2012. The March 2013 average weight of 19.1 kg was 4.2 per cent lighter than the previous year and was the lowest recorded March weight since 2000.
- **Cattle:** In March 2013 UK home-fed production of beef and veal was 5.6 per cent lower than March 2012 at 64 thousand tonnes as recent bad weather disrupted trade in some regions. With supplies still tight, the cattle trade continues to be firm.
- **Pigs:** UK home-fed production of pigmeat was slightly lower in March 2013 compared to 2012. Production in the first quarter of 2013 increased by 1.4 per cent as weights remained strong. Following usual seasonal patterns, pig prices continue to rise after the post Christmas lull.

Livestock products

- **Milk:** In March 2013, the provisional volume of wholesale milk delivered to dairies was 7.6 per cent lower than March last year at 1.1 billion litres, the lowest recorded level for March since 1995/96. Cumulative milk production for the full milk year April 2012 to March 2013 was 12.97 billion litres, a 3.9 per cent fall on the previous year. This would provisionally leave the UK around 14 per cent below quota. (source: RPA).
- The average UK milk price for March 2013 at 30.04 pence per litre (exc. bonuses) represents a rise of 1.39 pence per litre (4.9 per cent) on the same month last year. Reduced supply is providing upward pressure on the producer price, although profit margins remain tight for some producers as high input costs continue to impact. (source: Defra).
- **Eggs:** UK packing station throughput for Q1 2013 has increased by 2 per cent from Q4 2012 to 6.7 million cases. The current average packer to producer price for all egg types has risen by 3 per cent from Q4 2012 to 92.2 pence per dozen.



Contact: Julie Rumsey, Farming Statistics (Accounts and Prices), Julie.Rumsey@defra.gsi.gov.uk

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

2.1.3. Total Income from Farming for the United Kingdom – 1st estimate of 2012

Total Income from Farming, the income to those with an entrepreneurial interest in the agricultural industry, typically farmers and partners, is estimated to have fallen between 2011 and 2012 by 14 per cent (£737 million) in real terms to £4,704 million. Total Income from Farming per annual work unit (AWU) of entrepreneurial labour (farmers and other unpaid labour) is also estimated to have fallen by 14 per cent. The fall in Total Income from Farming was due to an increase in the value of inputs and other costs that was greater than an increase in the value of output, coupled with a fall in the value of direct payments to farmers due primarily to changes in the Pound to Euro exchange rate.

Over the longer term, Total Income from Farming per Annual Work Unit (AWU) of entrepreneurial labour has performed better than Total Income from Farming owing to a decline in the number of farmers and other unpaid workers. Looking over the longer period, Total Income from Farming has remained at a level higher than in the late 1990s/early 2000s though below the peak seen in the mid-1990s.

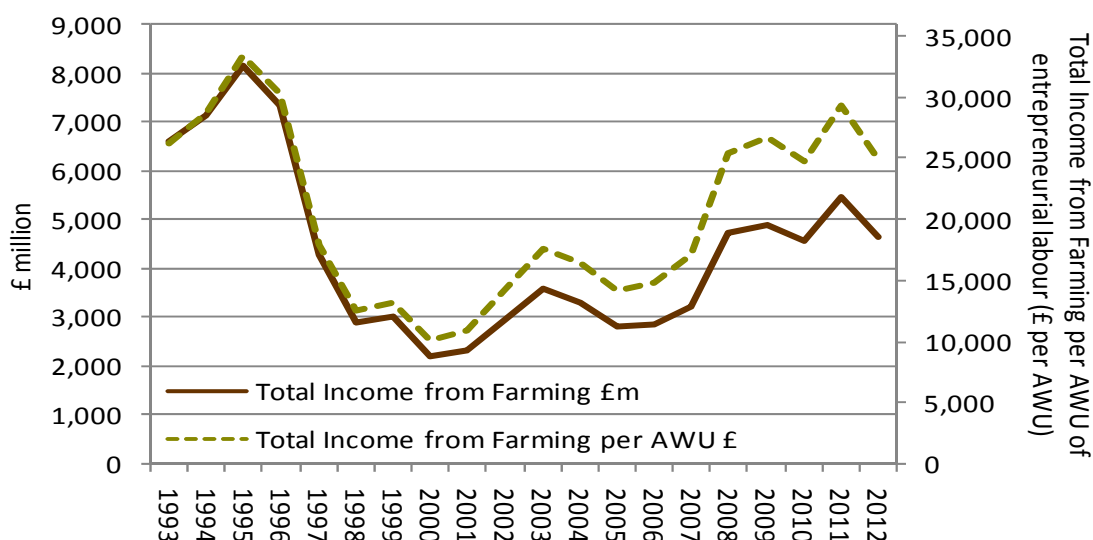
The value of total crop output fell by £170 million (-1.9 per cent) to £8,682 million, largely due falls in the value of output of wheat, oilseed rape and potatoes. The wheat harvest fell by 13 per cent compared to 2011 due primarily to a 14 per cent fall in yield as a result of poor weather conditions. Poor weather interrupted planting of potatoes in the spring and led to low yielding potato crops and increased wastage.

The value of output of cattle primarily produced for meat rose by £192 million (7.4 per cent) to £2,776 million. Supplies of prime cattle were significantly down compared to 2011 but tight supply helped maintain strong prices for much of the year. The value of sheep output fell by 11 per cent partly due to lower production but also to lower lamb prices compared to exceptionally strong prices seen in 2011. The value of output of pigs and poultry both rose due to increased production and higher prices. The value of milk production rose slightly by 0.8 per cent with a fall in production offset by an increase in average annual price paid to farmers, which masked some volatility in farm gate prices during the year. The value of egg production increased by 18 per cent due to stronger prices.

The cost of animal feed rose by 5.2 per cent, largely driven by an increase in compound feed and the cost of energy, principally motor and machinery fuels, is estimated to have increased by 5.4 per cent. Direct payments received as a consequence of engaging in agricultural production, principally the Single Payment Scheme and agri-environment schemes, fell by 5.8 per cent mainly due to changes in the Pound and Euro exchange rate.

The detailed release is available [online](#).

Agricultural industry income trends in the UK (in real terms)



Contact: Keith Seabridge, Farming Statistics (Agricultural Accounts), keith.seabridge@defra.gsi.gov.uk

3. Environment, Health and Welfare

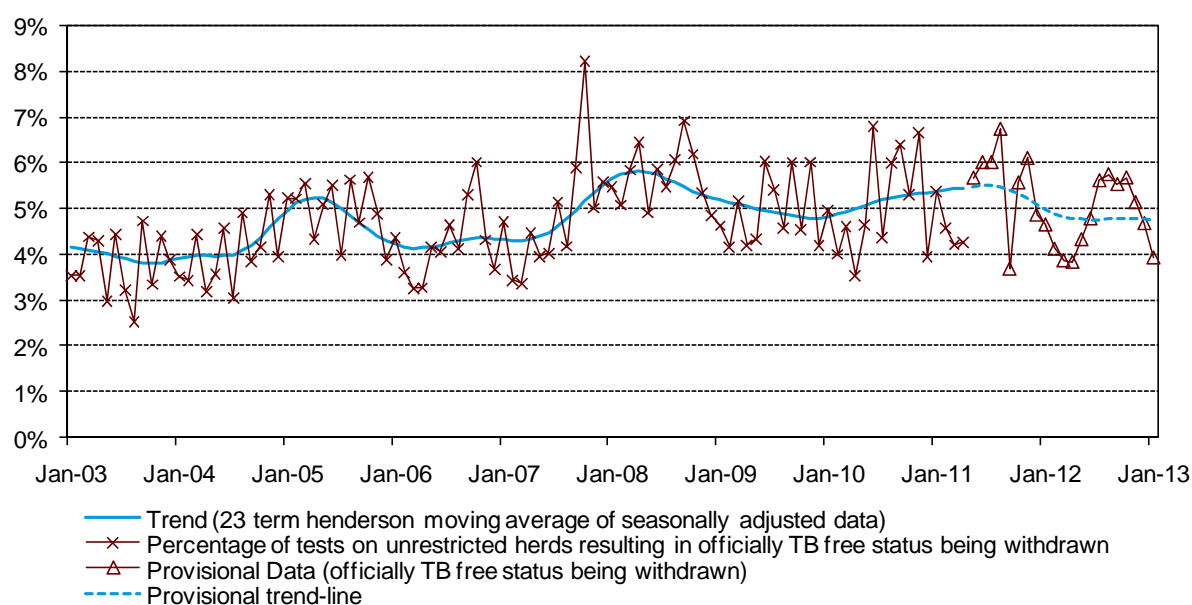
3.1 Health and Welfare

3.1.1 TB Statistics January 2013 - Great Britain

The provisional January 2013 ([published on 17 April](#)) incidence rate is 3.9 per cent, compared to 4.6 per cent in January 2012. 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 January 2013 was 492 compared to 483 for January 2012. The number of tests on officially TB free herds was 7,327 during January 2012, compared to 6,997 during January 2012. The number of cattle compulsorily slaughtered as reactors or direct contacts was 3,202 during January 2013, compared to 2,580 during January 2012.

Figure 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

3.1.2 Severe weather affecting the sheep sector

Heavy snowfall and drifting across Wales, Northern England and Scotland during late March, has resulted in the additional deaths of thousands of livestock, especially sheep and lambs. The number of animal deaths due to the weather is still unclear. However, industry estimates expect additional losses attributable to the heavy snowfall to exceed 20,000 sheep and lambs.

The National Fallen Stock Company has [published](#) statistics on the number of animal carcasses collected between January and March 2013. This shows an additional 20,000 sheep being collected in the UK during January to March 2013 (148,600) compared to the same period in 2012 (when 128,700 were collected). In England, sheep collections have increased by 9,500, an increase of 18 per cent (61,900 from 52,400). This recorded increase will mainly reflect the poorer weather seen prior to the onset of the recent snow, as the National Fallen Stock Company notes that these figures will largely exclude losses from the worst affected areas, as the snow will not have cleared to allow the removal of animals by the end of March. These figures also exclude dead animals that will be disposed of by other means.

There are other weather related issues affecting all of the sheep sector. Poor weather in the second half of 2012 resulted in difficulty in finishing last season's lambs; and poor quality grazing that has subsequently pushed up feed prices. Lamb prices also fell in the second half of 2012 due to an increase in global supply and cheaper imports. Demand from the export market has also fallen, particularly in the Eurozone due to the continuing economic crisis.

Poor grass growth will probably result in both higher costs through supplementary feed. Lambs are likely to take longer to finish as ewes may not milk as well and the lambs will not grow as well as usual. This means the pattern of lamb marketing could be disrupted this season if it takes longer for lambs to finish.

The unusually cold March is likely to have resulted in higher than usual lamb mortality throughout the month, before the heavy snowfall.

In addition to weather related issues, Schmallenberg Virus (SBV) also affects the sector. Although the actual number of sheep and lamb deaths is unknown, industry estimates expect losses attributable to SBV in 2013 to be in the "tens of thousands".

Key facts on the UK Sheep Industry

- In June 2012, there was 32.2 million sheep and lambs in the UK.
- The value of output (mainly from meat) was £1.1 billion in 2011.
- In the UK in 2012, around 14 million sheep and lambs were slaughtered for meat production.
- The UK is the largest producer of sheep meat in the EU-27.
- In 2012, the UK imported 86 thousand tonnes of mutton and lamb worth £369 million and exported 95 thousand tonnes worth £352 million. Around 85 per cent of imported carcass meat and cuts come from Australia and New Zealand, whereas 87 per cent of UK exports go to EU countries.

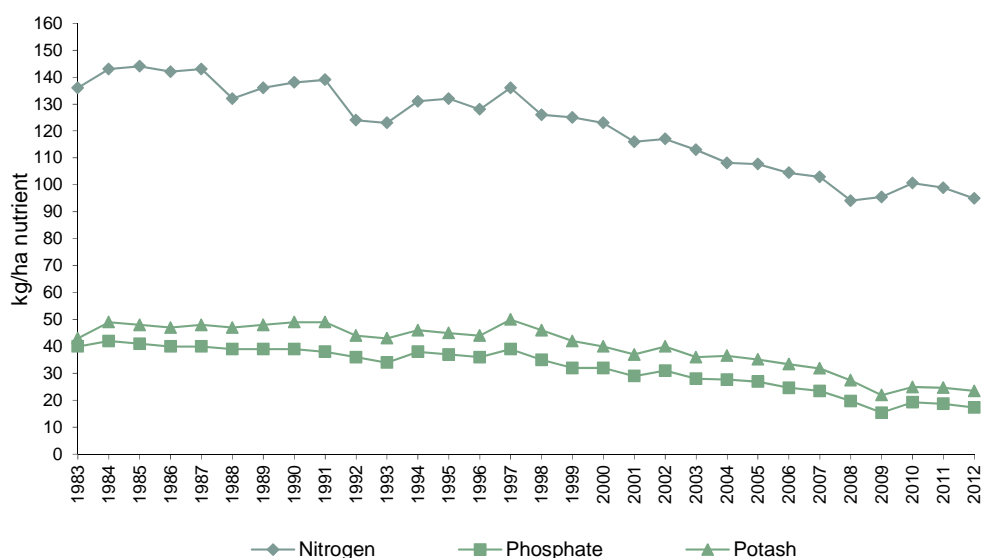
Contact: Ian Lonsdale, Farming Statistics (Animal Health and Welfare), ian.a.lonsdale@defra.gsi.gov.uk

3.2 Environment

3.2.1 The British Survey of Fertiliser Practice 2012

The annual report on the use of the nutrients nitrogen, phosphorus and potash on agricultural crops and grassland in Great Britain for 2012 was published on 11 April 2013. This survey also collected information on applications of sulphur fertilisers, organic manures and lime. The data are collected to monitor best practice and because of the environmental impacts that fertilisers may have e.g. on river water or air quality (they form an important part of the national greenhouse gas inventory).

Figure 2 Overall fertiliser use (kg/ha) on all crops and grass, Great Britain 1983 - 2012



- The total nitrogen rate on tillage and grassland in 2012 was 95 kg/ha, 4kg/ha lower than in 2011. Overall phosphate use on tillage crops and grassland in 2012 decreased by 2 kg/ha to 17 kg/ha, continuing the gradual decline observed since 2004. For potash the total rate on tillage crops and grassland was 25kg/ha in 2012 compare to 25 kg/ha in 2011.
- Overall nitrogen levels on *tillage* crops were at the levels seen in 2007 and in 2010 following relatively lower application rates in 2008 and 2009 when fertiliser prices were at historically high levels. The rate of use on all tillage has remained relatively constant over the last 25 years at around 145 - 150 kg/ha and in 2012 was 144kg/ha, 2 kg/ha lower than in 2011. On grassland, the 2kg ha reduction in the application rate between 2011 and 2012 to 55 kg/ha is consistent with the declining long term trend. Since 2000, the overall applications made to grass have fallen consistently relative to those made to tillage crops. The recent decline in cattle numbers is thought to have contributed to this reduction in the nitrogen rate on grassland, possibly in conjunction with some improvement in manure use efficiency, encouraged by a higher nitrogen fertiliser price.
- Overall phosphate use on tillage crops has declined gradually since 1983 and more notably from the late 1990s from 66 kg/ha to 50 kg/ha in 2012 and for grassland it has fallen from 28 kg/ha to 9 kg/ha. Overall rates were 17 kg/ha in 2012.
- Overall potash use on tillage crops was relatively stable from 1983 to the late 1990s at 60-68 kg/ha but has declined since then and was 34 kg/ha in 2012. A similar pattern has been seen with potash use on grassland where rates in earlier years were 28-35 kg/ha but also started to decline from the late 1990s and was just 12kg/ha in 2012. The overall rate in 2012 was 23 kg/ha.

The full statistical release is available on the Defra [website](#).

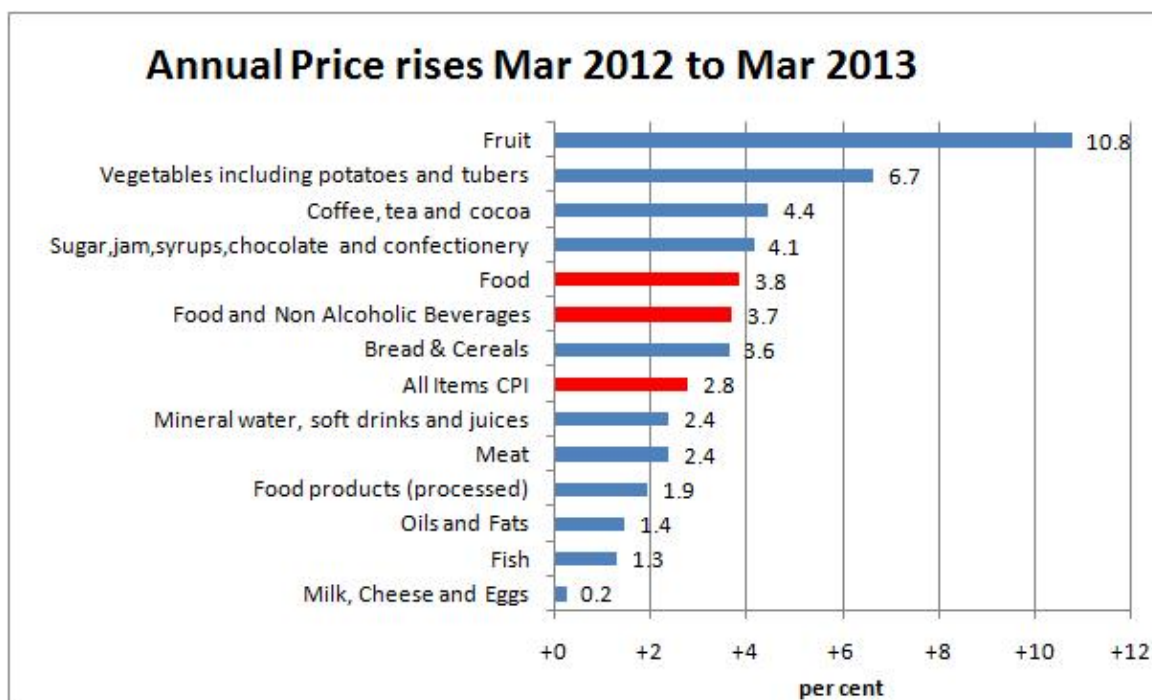
Contact: Lindsay Holmes, Farming Statistics (Crops), lindsay.holmes@defra.gsi.gov.uk

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

Food inflation remained unchanged from February at 3.7 per cent in March but is still well above general inflation which has also remained unchanged at 2.8 per cent.



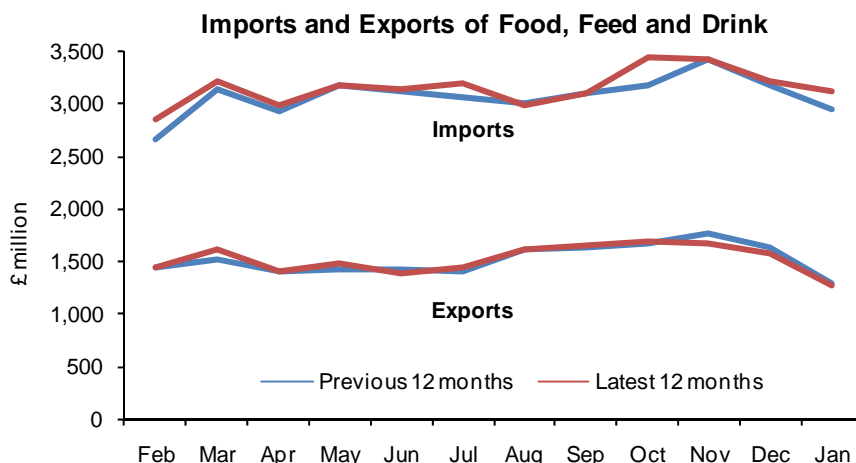
Contact: Julie Rumsey, Farming Statistics (Accounts and Prices), Julie.Rumsey@defra.gsi.gov.uk

4.2. International Trade in Food and Drink

This section shows the latest available trade figures (to January 2013).

In January:

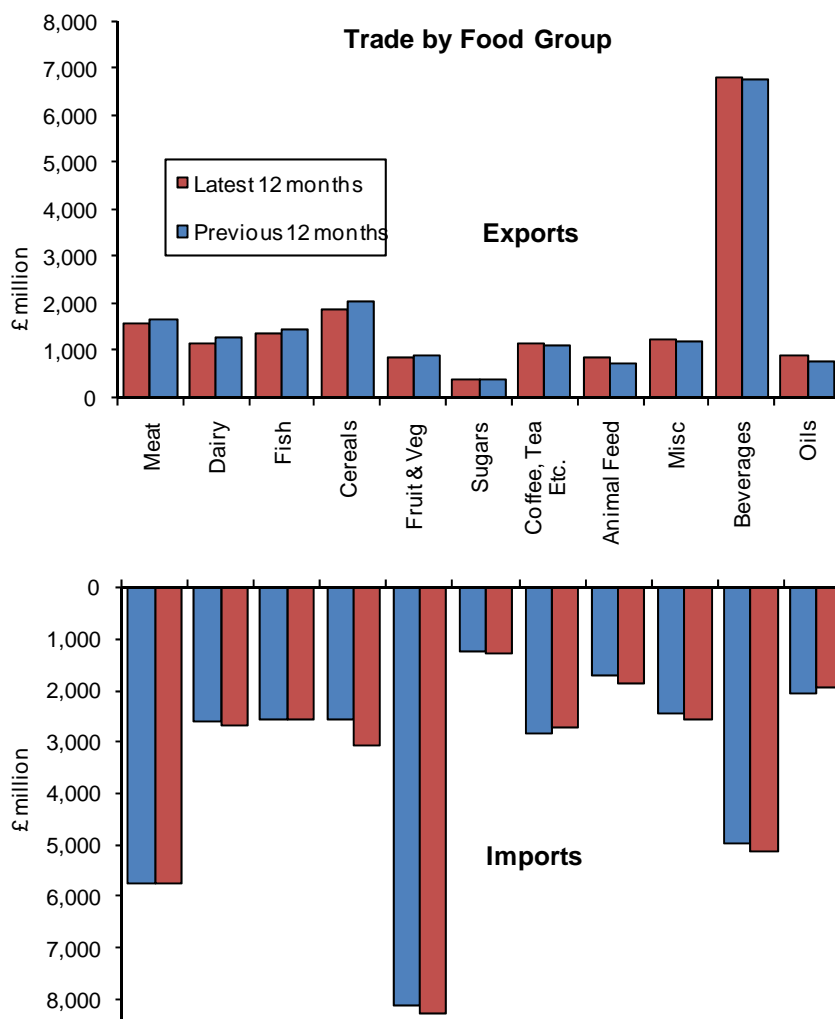
- the value of exports was £1.3 billion, 2.7 per cent lower than in January 2012;
- the value of imports was £3.1 billion, 6.1 per cent higher than the previous January;
- this resulted in a crude trade gap of minus £1.9 billion, 13.0 per cent wider than in January 2012.



The following chart shows annual trade by food group for the periods February 2011 – January 2012 and February 2012 – January 2013.

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

- imports of **dairy products and eggs** rose by £54m (2.1 per cent), while exports fell by £94m (-7.5 per cent)
- imports of **cereals and cereal preparations** rose by £507m (19.8 per cent), while exports fell by £156m (-7.6 per cent)
- imports of **fruit and vegetables** rose by £151m (1.9 per cent), while exports fell by £21m (-2.4 per cent)
- imports of **beverages** rose by £153m (3.1 per cent) while exports rose by £72m (1.1 per cent)
- imports of **oils and fats** fell by £122m (-5.9 per cent) while exports rose by £143m (19.1 per cent)



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Contact: Joanne Gardiner, Farming Statistics (Trade), joanne.gardiner@defra.gsi.gov.uk