



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.

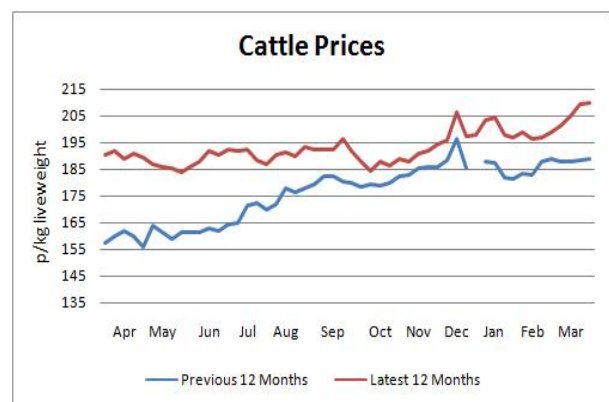
Livestock prices increase

Strong demand and limited supply has seen both the liveweight and deadweight cattle prices continue to rise to record levels (see chart).

Favourable market conditions have also pushed lamb prices higher.

UK farmgate milk price set to increase

Milk prices have been largely unchanged for the last four months and are now around 1p per litre above 2012 levels. There are reports that supermarkets have begun a round of milk price increases, starting 1 April, with the best price at 33.5 pence per litre. ([see section 2](#))



Declining national pig herd

The UK pig herd has fallen to its lowest level for over 10 years, according to the latest Defra estimates. Pig numbers fell by 2.4 per cent in 2012 to a total of approximately 4.2m. ([see section 2](#))

Food price inflation falls

The annual rate of food inflation fell to 3.7 per cent in February (from 4.2 per cent in January) but is still well above general inflation which has risen to 2.8 per cent after remaining unchanged at 2.7 per cent for four months. ([see section 4](#))

On-farm computer usage

Defra has published detailed evidence on computer usage by farmers in England. There is still a significant minority of farmers without access to a computer. Those without access tend to be older, have smaller farms or be grazing livestock. Almost all (97 per cent) of those that do have a computer on the farm have some form of internet access. ([see section 2](#))

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1. Overall economic position

Small rise to Inflation rate

The headline rate of inflation, the Consumer Prices Index (CPI), rose to 2.8 per cent following four consecutive months when it stood at 2.7 per cent.

The largest upward pressure came from electricity and gas where average bills rose as expected. Petrol prices rose by 4.0 pence per litre between January and February 2013 compared with a more modest 1.9 pence per litre rise in 2012. Similarly, diesel prices rose by 3.7 per litre in 2013 compared with 1.4 pence per litre in 2012.

Partly offsetting these upward effects, overall food and non-alcoholic drink prices pushed down the headline rate between January and February. The effect came principally from chocolate and confectionery, and from soft drinks. Off-sales of alcohol also had a downward effect with lower sales of certain spirits and wines in February this year compared with price rises following promotional periods in 2012.

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

No change in unemployment rate

The unemployment rate for November 2012 to January 2013 was 7.8 per cent of the economically active population, unchanged from August to October 2012. There were 2.52 million unemployed people, up 7,000 from August to October 2012.

Retail sales up

Following subdued year-on-year retail sales growth rates since September 2012, in February 2013 both the volume and value spent in the retail sector increased by 2.6 per cent on the same period in 2012. The largest contributions to the increase in quantity bought came from other stores, particularly computer and telecommunications equipment retailers, internet retailers and department stores.

Fall in production output

Gross Domestic Product (GDP) was estimated to have decreased by 0.3 per cent between the third and fourth quarter of 2012. Output of the production industries was estimated to have decreased by 1.9 per cent, while construction sector output was estimated to have increased by 0.9 per cent in Q4 2012.

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:** The average February price for red diesel has risen to 73.11 pence per litre following a 3.2 per cent rise on the January 2013 crude oil price.
- **Fertiliser:** The average price for 34.5 per cent UK Ammonium Nitrate bags remained stable for the sixth month running at £301 per tonne. This keeps the monthly price below the 2011/12 equivalent. (Source: Dairy Co Datum)

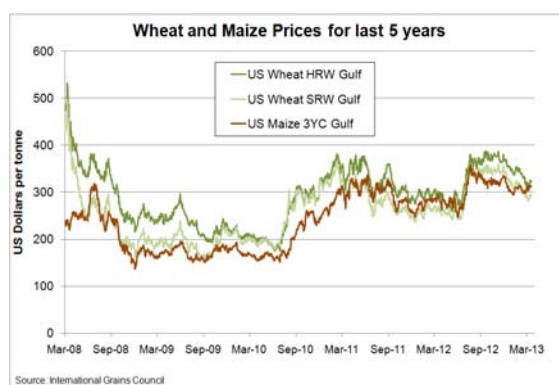
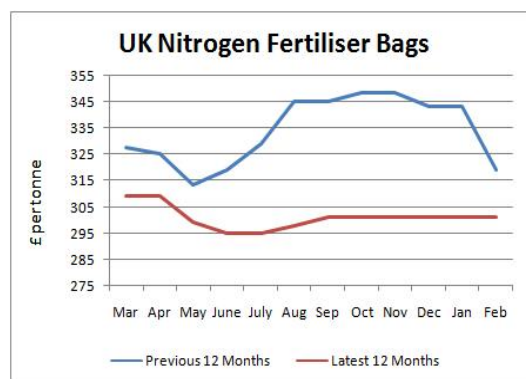
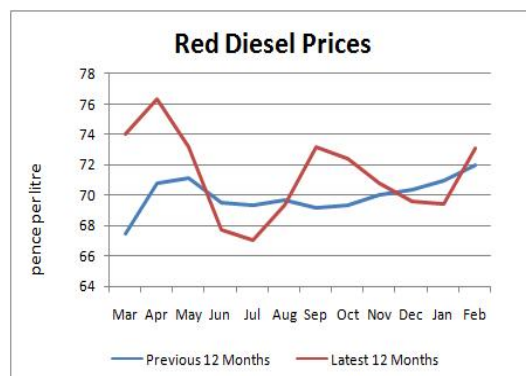
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2.1.2. Prices and Market Information – Commodities

The **United Nations Food and Agriculture Organisation** (FAO) Food Price Index averaged 210 points in February 2013. This was 11 per cent lower than its record high in February 2011. It remained unchanged between January 2013 and February 2013. In February dairy prices increased most, followed by oils and fats, whereas cereals and, especially, sugar prices fell. The index has fallen by 3 per cent between February 2012 and February 2013. ([United Nations FAO](#) – 7 March 2013)

Cereals

- The February average price of Hard Red winter wheat was \$331 per tonne, 4.5 per cent lower than January. For Soft Red winter wheat the average February price was \$303, a 4.1 per cent decrease on January. Prices available to mid March show a decrease of 3.5 per cent for Hard Red winter wheat and 4.7 per cent for Soft Red winter wheat on the February average price.
- Maize prices have fallen from a record high of \$358 per tonne in July to reach \$310 per tonne by mid March.
- In their latest report, released on 8 March, the US Department of Agriculture (USDA) does not see much change in supply and demand estimates from last month. For wheat, global production is revised almost 2Mt higher to 655.48Mt, with larger crops in the EU and India outweighing slightly higher demand.
- The USDA also sees little change in the maize sector, global production was revised just 0.31Mt lower due to small declines in Argentina and South Africa. Export estimates for the US are reduced by almost 2Mt to 20.96Mt, meaning that Argentina and Brazil forecast to export around 19Mt this season are close to becoming the top exporter, replacing the US from its long established position.
- For soyabeans the USDA have revised world production lower by 1.5Mt to 268Mt, the reduction solely down to revised production figures for Argentina.



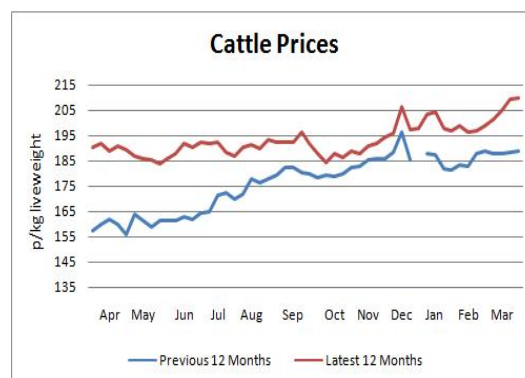
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- **Animal Feed (source Defra):** During January 2013, the total GB retail production of animal feed was 882 thousand tonnes, up 11 per cent on the same period in 2012. There has been an increase in the retail production of animal feed in recent months 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 200 thousand tonnes, down 2.1 per cent during January 2013 compared to the same period in 2012.
- **Flour (source Defra):** During January 2013, the total amount of wheat milled in the UK was 528 thousand tonnes, 10 per cent higher than in January 2012. For the same period, imported wheat milled was 150 thousand tonnes, up 187 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 January 2013 was 378 thousand tonnes, down 11 per cent compared with January 2012. Flour production for the same period was 404 thousand tonnes, 5.2 per cent higher than in January 2012.
- **Brewers, Distillers and Maltsters (source Defra):** During January 2013, the total usage of barley by brewers, distillers and maltsters was 151 thousand tonnes, down 5.2 per cent compared to the same period in 2012.

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Livestock (source: Defra)

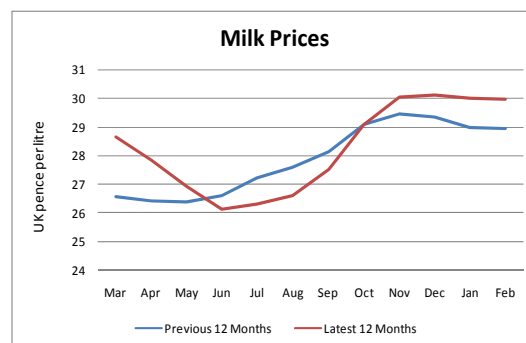
- **Sheep:** UK home-fed production of mutton and lamb in February 2013 was 9.8 per cent higher than in February 2012, as the carryover of lambs from last year increased slaughter numbers. February's throughput was the highest since 2009, up 14 per cent on the year. Weights continue to be lighter than the previous year.
- Demand is strong in the liveweight lamb trade, with the weakened sterling helping the export trade. Demand is expected to remain strong with the approach of Easter.
- The total number of sheep and lambs in the UK rose by 4.4 per cent between December 2011 and 2012 to just under 23.0 million. The increase in the UK's breeding flock of 0.4 per cent was below that predicted by the industry in autumn 2012. This may reflect the challenging conditions faced by the sheep sector in the second half of 2012, such as falling lamb prices, poor weather, increased production costs, stronger competition from overseas, and a rise in the number of farms infected by the Schmallenberg Virus.
- **Cattle:** In February 2013 UK home fed-production of Beef and Veal was 2.8 per cent lower than February 2012 at 68 thousand tonnes as supplies of cattle remain tight. Prime cattle slaughter throughput stayed below the previous year's levels.
- The tight supply and strong demand has seen both liveweight and deadweight cattle prices continue to rise.
- Total cattle numbers in the UK increased by 0.5 per cent between December 2011 and 2012 to 9.7 million. The main dairy herd remained unchanged from 2011 at 1.8 million cows, while the main beef herd continued to shrink, falling by 0.8 per cent to 1.6 million.
- **Pigs:** UK home-fed production of pigmeat was 2.8 per cent higher in February 2013 compared to 2012. Production in the first two months of 2013 increased by 2.0 per cent as slaughter numbers and weights remained strong.



- UK pig numbers have decreased by 2.4 per cent since December 2011 to just over 4.2 million. The breeding pig herd increased by 2.0 per cent to 500 thousand, while fattening pigs fell by 115 thousand animals to 3.7 million. Producers faced rapidly rising feeding costs in 2012, which may explain the decrease in pig numbers.

Livestock products

- **Milk:** In February 2013, the provisional volume of wholesale milk delivered to dairies was 7.7 per cent lower than last year at 0.98 billion litres. A record low for milk production during February since monthly recording began in 1994/5. Cumulative production for eleven months of the milk year was 3.5 per cent, or 435.6m litres, below last year's level at 11.9 billion litres as the poor conditions continue to affect milk production.
- The average UK milk price for February 2013 remains at similar levels to the previous three months, at 29.99 pence per litre. This reflects the continued low levels of domestic milk production and recent increased returns from milk products. This represents a rise of 1.05 pence per litre (4 per cent) on the same month last year. (source: Defra).
- [Farmer's Weekly](#) (25 Mar 2013) report that supermarkets have begun a round of milk price increases, starting 1 April, with the best price at 33.5 pence per litre.



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2.1.3. Computer usage by farmers in England - 2012

Results from questions on computer usage from the October 2012 Farm Practices Survey and the 2011/12 Farm Business Survey were [published](#) on 20 March. Whilst the results are broadly comparable, there are some key differences between the two surveys that may explain varying results. The surveys suggest that:

- There is still a significant minority of farmers without **access to a computer**. The FPS suggests this may be around 14 per cent of farms, the FBS suggests around 5 per cent of farm businesses. Both surveys suggest that those without access tend to have older farmers, to be smaller or to be grazing livestock farms. The FPS also suggests that being in the SDA is a significant factor lowering uptake. For those farms with a computer, both surveys suggest that around 95 per cent use it for the farm business.
- Almost all (97 per cent) of those that do have a computer on the farm have some form of **internet access**. The FPS provides a more complete picture of the type of connection (2 per cent have no connection, 6 per cent have dial up, 92 per cent have broadband) and suggests that for around two thirds of those with broadband, the connection speed is 2MBps¹ or less (although it is recognised that there may be an element of farmers' perception in distinguishing between the two broadband speeds presented on the survey form (up to 2MBps and more than 2MBps)). The FBS findings were more qualitative; 13 per cent of businesses using a computer for the farm business reported that they could not get reliable access to the internet/broadband whilst 77 per cent reported good broadband internet access. For both surveys there were reported differences between those in and outside the Severely Disadvantaged Areas (SDA)².
- Both surveys report high levels of **computer usage** for government forms and online banking, the FBS more so than the FPS, but this might be reflective of the survey coverage/methods. The FBS results highlight the link with farm economic performance; 47 per cent of low performing businesses that used a

¹ The Government is committed to ensuring that almost all premises in the UK have access to a basic broadband service of at least 2MBps by 2015.

² Largely upland in nature.

computer for the farm business had all the main farm documents (business plan/financial accounts etc) on the computer compared to 66 per cent of high performing businesses.

- Faster broadband and/or better internet connections were the most frequently cited **factors that would increase usage** (by 54 per cent of those with a computer) but having more time, skills and confidence in security were also common factors (by around 40 per cent). Whilst not necessarily an indication of lack of skills, the FPS highlights that as the age of farmers increases it is more likely that another family member or employee uses the farm computer. The FBS suggests that, overall, for 70 per cent of farm businesses there is a member of the farm team proficient in Word/Excel/email and web searching. The proportion increased with economic performance and decreased as the age of the farmer increased (from 54 per cent where the farmer is aged 65 and over to 85 per cent for those under 40).

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2.1.4. Organic farming

An [Organic Market Report](#) published by the Soil Association highlights key areas of growth in online retail, independent outlets and a shift towards younger consumers during 2012. Overall, the market has dipped by 1.5 per cent as the UK continues through its most challenging economic downturn for many decades. However, the report predicts a positive future for the UK organic market. ([Soil Association](#) – 20 Mar 2013)

Farmer's Weekly (25 Mar 2013) report that farmers are embracing organic farming techniques as they strive to keep a lid on rising input costs - without actually going organic. Conventional farmers are showing increasing interest in organic techniques as a means of controlling expenditure on fuel, fertiliser and crop establishment.

3. Environment, Health and Welfare

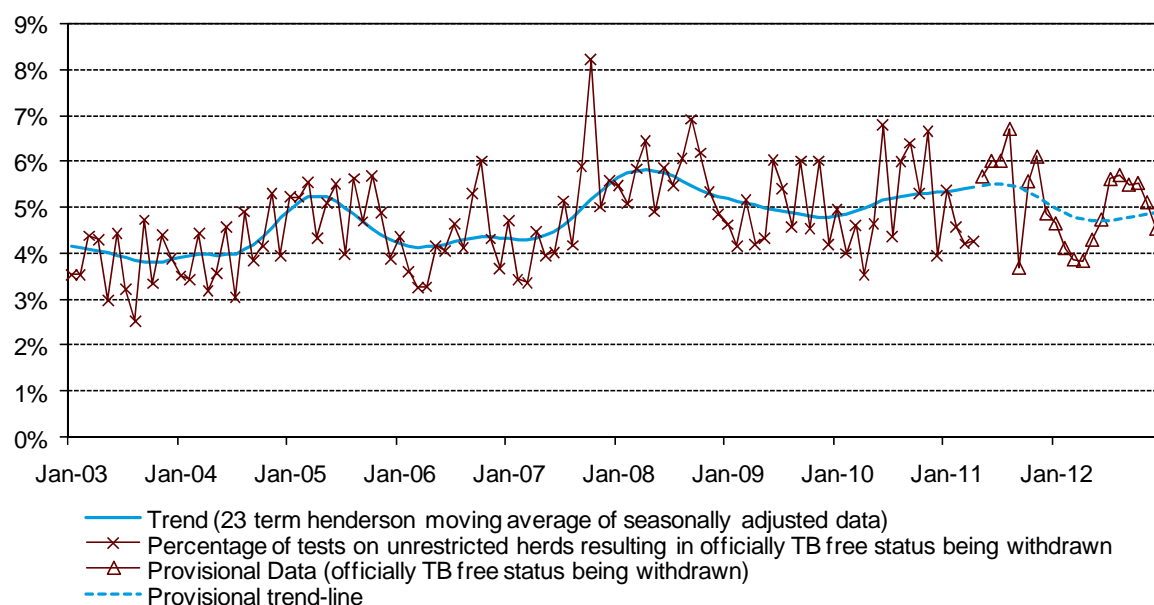
3.1 Health and Welfare

3.1.1 TB Statistics December 2012 - Great Britain

The provisional December 2012 ([published on 13 March](#)) incidence rate is 4.5 per cent, compared to 4.9 per cent in December 2011. 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 December 2012 was 5,171 compared to 4,901 for January to December 2011. The number of tests on officially TB free herds was 73,627 during January to December 2012, compared to 62,481 during January to December 2011. The number of cattle compulsorily slaughtered as reactors or direct contacts was 37,753 during January to December 2012, compared to 34,247 during January to December 2011.

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



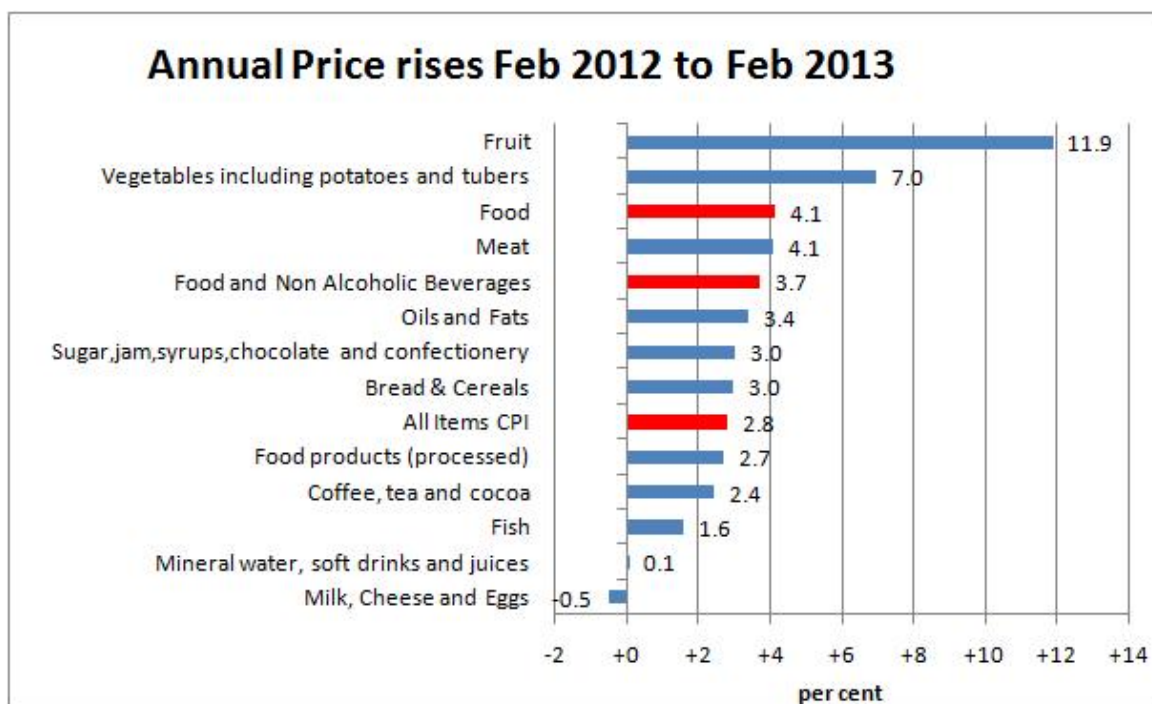
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4. Food

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

The annual rate of food inflation fell to 3.7 per cent in February but is still well above general inflation which has risen to 2.8 per cent after remaining unchanged at 2.7 per cent for four months. Prices rose by 0.7 per cent between January and February 2013, compared with a rise of 0.6 per cent between the same two months in 2012.



Food and non-alcoholic beverages prices rose 0.7 per cent between January and February 2013, compared with a larger rise of 1.2 per cent a year earlier. A downward push came from sugar, jam, syrups, chocolate and confectionery, where prices fell this year but rose a year ago, particularly for bags of sweets and chocolate.

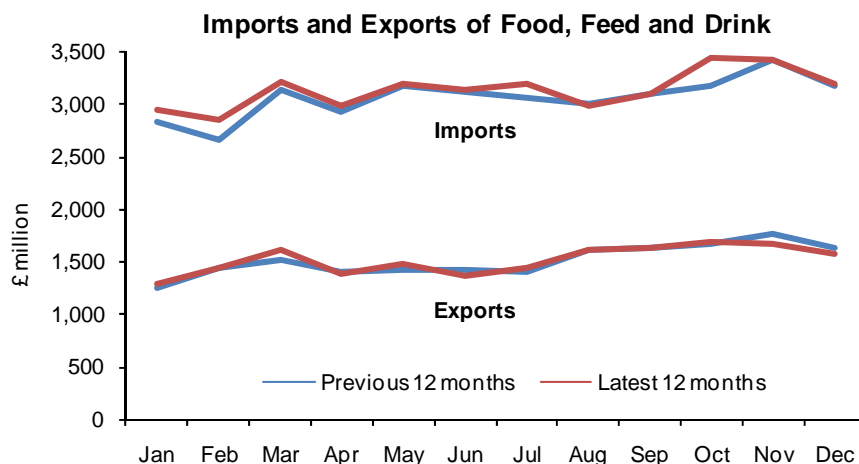
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4.2. International Trade in Food and Drink

This section shows the latest available trade figures (to December 2012).

In December:

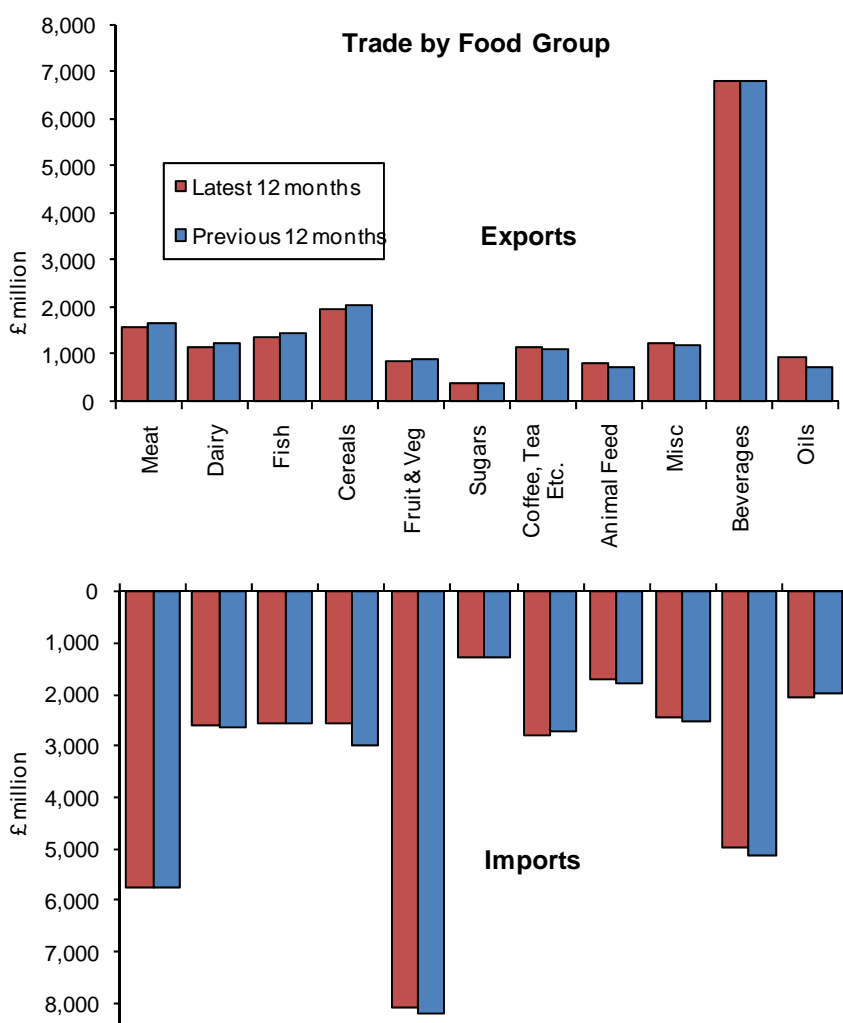
- the value of exports was £1.6 billion, 4.1 per cent lower than in December 2011;
- the value of imports was £3.2 billion, 0.5 per cent higher than the previous December;
- this resulted in a crude trade gap of minus £1.6 billion, 5.5 per cent wider than in December 2011.



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

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

- imports of **dairy products and eggs** rose by £67m (2.6 per cent), while exports fell by £78m (-5.6 per cent)
- imports of **cereals and cereal preparations** rose by £430m (16.9 per cent), while exports fell by £90m (4.5 per cent)
- imports of **fruit and vegetables** rose by £116m (1.4 per cent), while exports fell by £27m (-3.1 per cent)
- imports of **beverages** rose by £154m (3.1 per cent) while exports rose by £14m (0.2 per cent)
- imports of **oils and fats** fell by £54m (-2.6 per cent) while exports rose by £197m (27.2 per cent)



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