



Department
for Environment
Food & Rural Affairs

November 2013

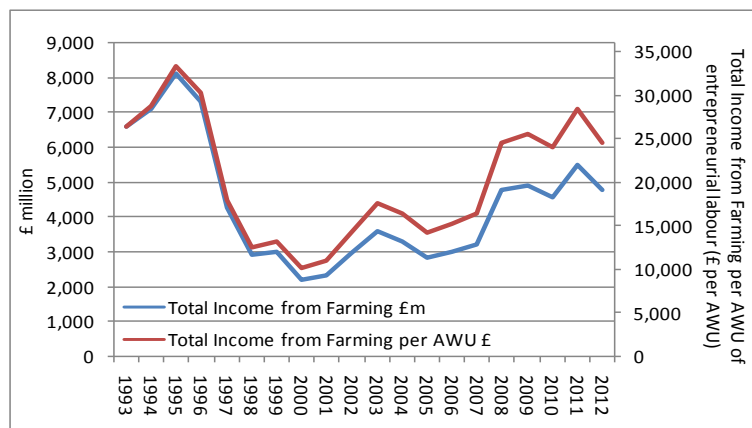
Farming and Food Brief

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.

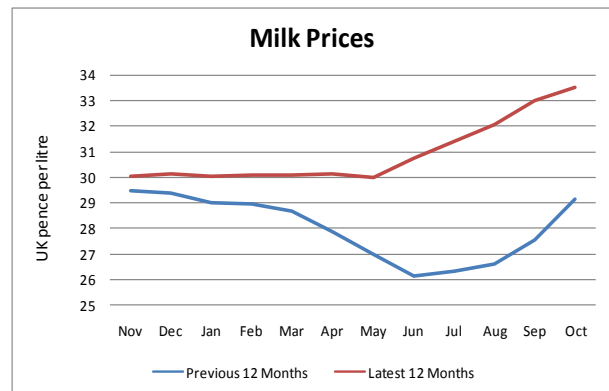
Fall in farm incomes

Total Income from Farming is estimated to have fallen between 2011 and 2012 by 13% (£721 million) in real terms to £4,810 million. Two main contributors to the fall in Total Income from Farming were: the poor weather that affected both the volume and quality of the harvested crops as well as increasing the value of inputs used; and a fall in the value of direct payments to farmers due to changes in the Pound to Euro exchange rate. (see section 2)



Increases to milk prices and production

The average UK milk price for October rose to 33.5 pence per litre (exc. bonuses), which is 15.1% higher than October 2012. Monthly milk production for October 2013 is higher (9.7%) than the same period last year and the highest October figure for 10 years. (see section 2)



Increased imports of wheat

During September 2013, imports of wheat were over 1.5 times more than in September 2012. The high level of imports is a continued requirement by millers due to the poor quality 2012 UK wheat harvest but are now beginning to shift back to using more home-grown wheat from the better quality 2013 domestic crop. (see section 2)

Food prices continue to rise

Although food prices are still rising, food inflation fell to an annual rate of 3.9% in the year to October, down from 4.3% in September. This is still well above the Consumer Price Index (CPI) measure of inflation for the wider economy, which was 2.2% in the year to October 2013. Between September and October 2013 food and non-alcoholic drink prices rose by 0.1%. In the same period last year food prices increased by 0.5%, hence the drop in the annual rate of food inflation.

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1. Overall economic position

Consumer Price Index

The Consumer Prices Index (CPI) fell to 2.2% in the year to October 2013 from 2.7% in September.

The largest contributions to the fall in the CPI annual rate came from transport (notably motor fuels) and education, particularly the smaller impact of the rise in the cap for tuition fees introduced last year. The CPI annual rate was last this low in September 2012 and the last time it was lower than this was in November 2009 at 1.9%.

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

Slight fall in unemployment rate

The unemployment rate was 7.6% of the economically active population, down 0.2 percentage points from April to June 2013 and from a year earlier. There were 2.47 million unemployed people aged 16 and over, down 48,000 from April to June 2013 and from a year earlier.

Retail sales

In October 2013, non-seasonally adjusted data show that the proportion of online sales increased by 1.1% compared with October 2012 and accounted for 10.5% of all retail sales (excluding automotive fuel). Feedback from retailers suggests online specific promotions were the contributing factor to this increase.

GDP – Second Estimate, Q3 2013

GDP increased by 0.8% in Q3 2013 compared with Q2 2013. Output of the agriculture, forestry & fishing industries fell by 1.4% in Q3 2013, revised down from the previously estimated 1.4% increase. In Q3 2013, production output increased by 0.6%, revised up from the previously estimated 0.5% increase, and follows a 0.8% increase in Q2 2013. Within the production category, manufacturing output increased by 0.9% between Q2 2013 and Q3 2013 unrevised from the previous estimate.

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. Total Income from Farming for the United Kingdom – 2nd 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 13% (£721 million) in real terms to £4,810 million. Total Income from Farming per annual work unit (AWU) of entrepreneurial labour (farmers and other unpaid labour) is estimated to have fallen by 14% in real terms. Two main contributors to the fall in Total Income from Farming were: the poor weather that affected both the volume and quality of the harvested crops as well as increasing the value of inputs used; and a fall in the value of direct payments to farmers due to changes in the Pound to Euro exchange rate.

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.

Further details (at current price)

The value of total crop output fell by £62 million (0.7%) to £8,807 million as the difficult weather conditions affected the volume and quality of harvested crops. The bad weather had a large affect on wheat, oilseed rape and potatoes whose yields and quality were down on last year leading to their combined value falling by £383 million. The poor weather did not have the same impact on barley whose value increased by £165m as prices increased to meet demands for cereal grain.

The value of outputs from livestock increased by £508 million (4.0%) to £13,139 million in 2012. All livestock outputs apart from sheep saw their value increase in 2012. The value of sheep output fell by 11%, largely a result of lower production as the poor weather delayed marketing of lambs and lower lamb prices than the exceptional prices seen in 2011. The value of eggs rose by 18% (£102m) on the back of strong prices. Increased prices also saw the value of cattle, pigs and poultry meat rise by more than 5%.

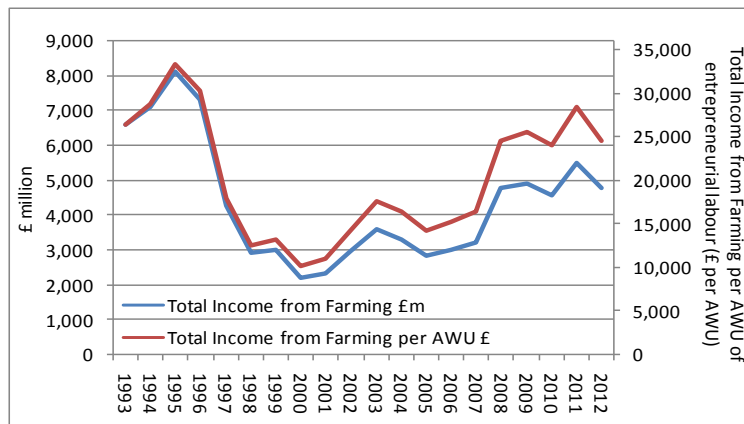
The cost of animal feed rose by 7.8% to £4,729 million, largely driven by an increase in the value of compound feed. The value for energy, principally motor and machinery fuels is estimated to have increased by 4.1% to £1,430 million.

Direct payments received as a consequence of engaging in agricultural production, principally the Single Payment Scheme and agri-environment schemes, fell by 6.9%, due principally to changes in the Pound and Euro exchange rate.

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

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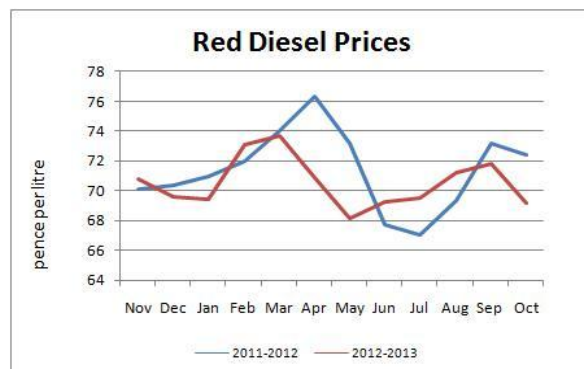
Agricultural industry income trends in the UK (in real terms)



2.1.2. UK Prices – Inputs

- **Red Diesel:** In October 2013, the average price for red diesel fell to 69.15 pence per litre. Current prices are 4.4% lower than October 2012.
- **Fertiliser:** The average price for 34.5% UK Ammonium Nitrate bags fell to £249 per tonne. Current prices are 17% lower than October 2012. (Source: Dairy Co Datum)

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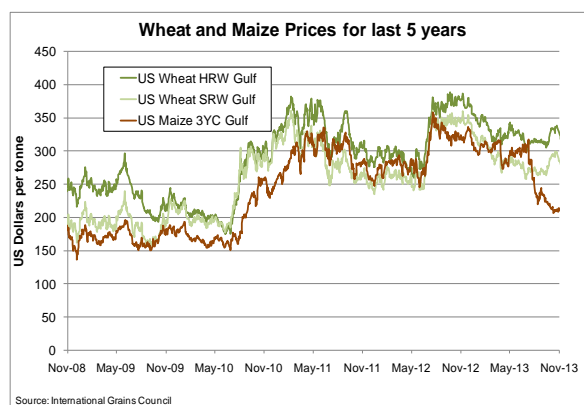
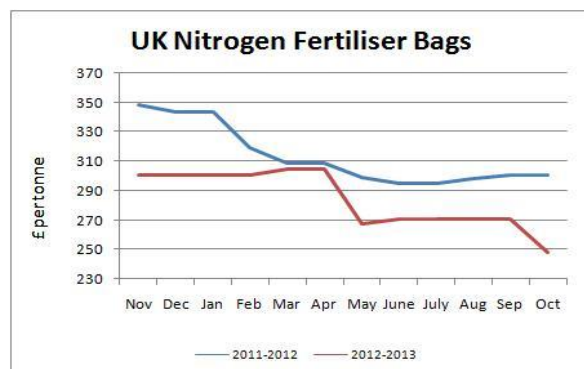


2.1.3. Prices and Market Information – Commodities

Cereals

- The October average price of Hard Red winter wheat was \$333 per tonne, 6.1% higher than September. For Soft Red winter wheat the average October price was \$293, an increase of 7.3% from September. Prices available to mid November show a decrease of 4.7% for Hard Red Winter wheat on the October average price and an increase of 4.3% for Soft Red Winter wheat.
- Maize prices have fallen from a record high of \$358 per tonne in July 2012 to \$214 per tonne in mid November (1.0% higher than the October average price).

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- **Animal Feed** (source Defra): During September 2013 (the latest period for which data is available), the total GB retail production of animal feed was 924 thousand tonnes, up 4.1% on the same period in 2012. Total GB integrated poultry feed production was 267 thousand tonnes, down 0.5% during September 2013 compared to the same period in 2012.
- **Flour** (source Defra): During September 2013, the total amount of wheat milled in the UK was 561 thousand tonnes, 10% lower than in September 2012. The total amount of home grown wheat milled in the UK for September 2013 was 366 thousand tonnes, down 28% compared with September 2012. To compensate, there were 195 thousand tonnes of imported wheat milled in September 2013, over 1.5 times more than the 117 thousand tonnes milled in September 2012. The high level of imports is a continued requirement by millers due to the poor quality 2012 UK wheat harvest but are now beginning to shift back to using more home-grown wheat from the better quality 2013 domestic crop. Flour production for the same period was 440 thousand tonnes, 7.3% lower than in September 2012.
- **Brewers, Distillers and Maltsters** (source Defra): During September 2013, the total usage of barley by brewers, distillers and maltsters was 150 thousand tonnes, down 3% compared to September 2012.

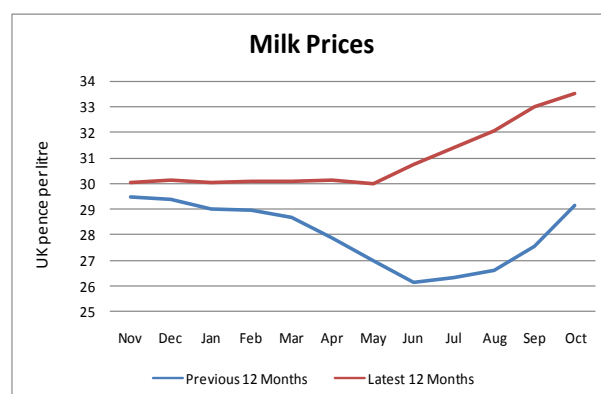
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Livestock (source: Defra)

- **Sheep:** UK home-killed production of mutton and lamb was 3.9% higher in October 2013 compared to October 2012. Production for January to October 2013 rose by 5.1%, a result of higher lamb slaughterings and good carcase weights.
- **Cattle:** UK production of beef and veal in October 2013 was 5.6% lower than the same month in 2012. Production for January to October 2013 fell by 4.3% as supplies remained tight.
- **Pigs:** UK home-killed production of pigmeat was 1.9% higher in October 2013 compared to 2012, with average carcase weights remaining strong. Production for January to October 2013 rose by 1.1% compared to the year previous.

Livestock products

- **Milk volumes:** The provisional volume of wholesale milk delivered to UK dairies during October 2013 was 9.7% higher than the same period last year, at 1.1 billion litres, 96 million litres higher than October 2012, and the highest October figure for 10 years. Continued favourable conditions and increased buffer feeding (in this instance buffer feeding suppliments grazed grass for high yielding cows) have both contributed to the increase in production. Cumulative production for the first seven months of the milk year of 7.9 billion litres was 1.6% higher than 2012/13 and is now tracking above the equivalent 2012/13 levels. (source: RPA).
- **Milk prices:** The average UK milk price for October 2013 shows a slight increase of 1.6% on the previous month at 33.5 pence per litre (exc. bonuses) after milk purchasers announced improved payments to farmers. This represents a rise of 15.1% (4.4 pence per litre) on October 2012. (source: Defra).
- **Eggs:** During the third quarter of 2013, 6.7 million cases of eggs were packed in the UK, of which 5.0 million (74%) were packed in England and Wales. 50% of eggs packed were produced intensively and 44% of eggs packed during Q3 2013 were free range. The average packer to producer price during Q3 2013 for all egg types was 89.2 pence per dozen. This was a 1.9% decrease on Q2 2013. (source: Defra)



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2.1.4. Defra UK Wheat and Barley Cereals Balance Sheet 2012/13

First Official UK Cereal Supply and Demand Balance Sheet.

The first official forecast of the 2013/14 UK cereal supply and demand balance sheet based on the 2013 harvest was released on 27 November 2013. Forecasting supply and demand this season, particularly for wheat given the low production figure, is challenging at this relatively early stage of the season.

The lower planted area for the 2013 harvest has resulted in **wheat** production of 12.1Mt, 9% lower than last year but of better quality. This year imports are forecast to be 1.615Mt compared to 3.0Mt for the 2012/13 season. The better quality UK grain will result in a higher proportion of home-grown wheat usage by millers compared to last year. Despite this lower import figure the UK is forecast to be a net importer of wheat this season. The amount of wheat expected to be used by the Human and Industrial sector (H&I) is 7.9Mt, 3% higher than last year. A more typical flour extraction rate and weaker first quarter demand by flour millers are offset by the start – up of both UK bio-ethanol plants. Demand for wheat by the distilling sector is expected to be similar to last year as some plants may use maize as an alternative. Wheat used for animal feedstuffs is forecast to be 14% lower than last year at 6.0Mt due to a combination of better forage availability, more normal weather patterns and availability of alternative barley, oats and maize.

Barley production is estimated to be at a 15 year high of 7.1Mt tonnes mainly due to an increase of 21% in the planted area. The high output and reasonable quality of the crop means that imports are forecast to be much lower than last season's 235kt at 65Kt. H&I usage for barley is forecast to grow by less than 1%, demand from the distilling sector remains strong but is operating at near full capacity hence growth is limited. The amount of barley used for animal feed is forecast 6% higher due to surplus UK stock and a discounted price to feed wheat. When availability, demand and operating stocks are taken into account 2.0Mt is available to export or retain as free stock.

Maize: The 2012/13 balance sheet has been revised to show imports of 1.7Mt, total demand of 1.9Mt and closing stock of 216kt. Investigations have supported greater use of maize for animal feed and held as stocks. For 2013/14 imports of maize are forecast at 1.6Mt, 7% lower than last year. Maize feed usage during the summer was lower than last year but is expected to rise from late autumn to reach an estimated 1.0Mt for the year. H&I usage is forecast to rise 18% to 485kt due to greater distilling of the grain for both fuel and alcohol.

The UK 2013 oat harvest was the biggest for 30 years at an estimated 975kt and 56% higher than last year's production. The combination of greater supply and improved quality will cause a reduced need for imports this year, forecast at 30kt. H&I usage is forecast at 505kt, a 3% increase from last year. Demand for animal feed is expected to more than double to 397kt. Due to competition from the major European oat producers exports are expected to be only 50kt, this will result in a large closing stock of 105kt, 40% higher than last year.

The full statistical release can be found [here](#). The second review of the balance sheet for 2012/13 will be published on 30 January 2014.

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3. Environment, Health and Welfare

3.1. Health and Welfare

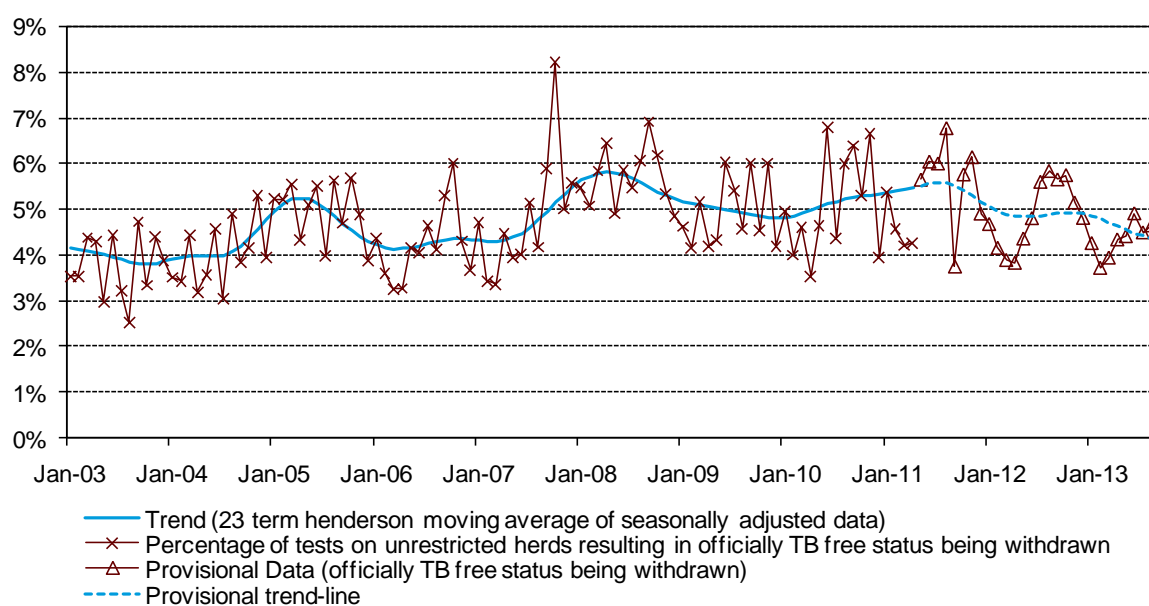
3.1.1. TB Statistics August 2013 – Great Britain

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 (published on 13 November) for January to August 2013 is 4.3% compared to 4.5% for January to August 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 the period January to August 2013 was 3,204 compared to 3,398 for January to August 2012. The number of tests on officially TB free herds was 47,270 during January to August 2013, compared to 49,789 during January to August 2012.. The number of cattle compulsorily slaughtered as reactors or direct contacts was 22,512 during January to August 2013, compared to 24,571 during January to August 2012..

Chart 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

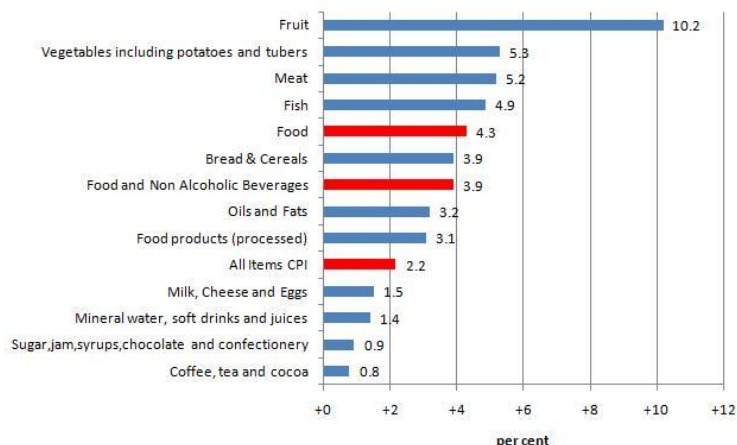
The Consumer Prices Index (CPI) fell to 2.2% in the year to October 2013 from 2.7% in September.

The largest contributions to the fall in the CPI annual rate came from transport (notably motor fuels) and education (tuition fees). The CPI annual rate was last this low in September 2012 and the last time it was lower than this was in November 2009 at 1.9%.

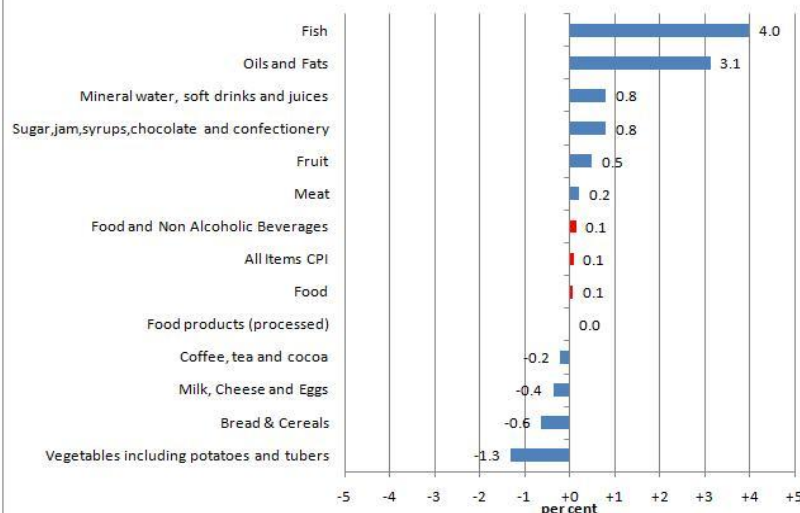
Although food prices are still rising, food inflation fell to an annual rate of 3.9% in the year to October, down from 4.3% in September. Between September and October 2013 food and non-alcoholic drink prices rose by 0.1%. In the same period last year food prices increased by 0.5%, hence the drop in food inflation.

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Annual Price rises October 2012 to October 2013



Monthly Price Changes for Food Groups

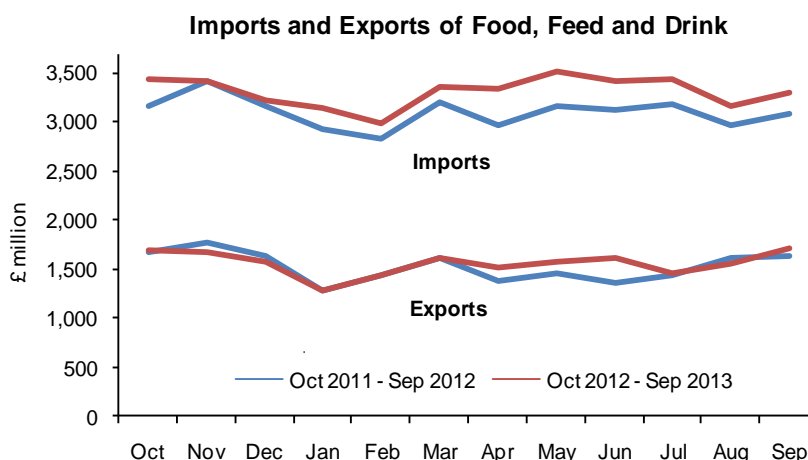


4.2. International Trade in Food, Feed and Drink

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

In September:

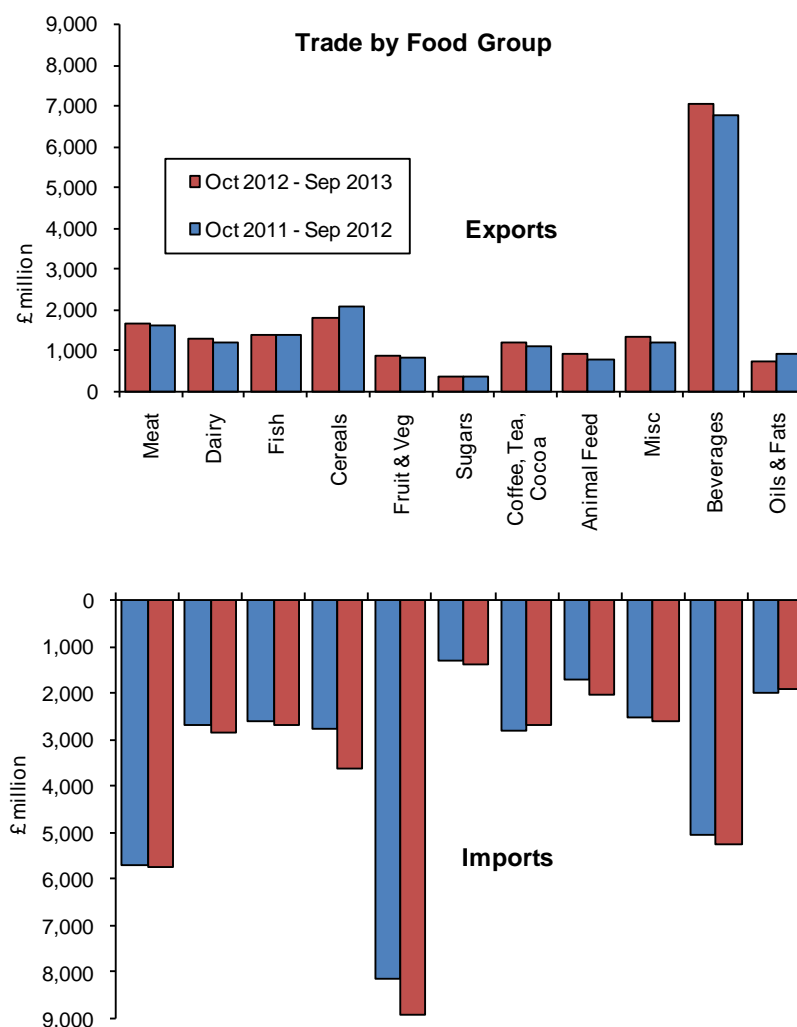
- the value of exports was £1.7 billion, 5.0% higher than in September 2012;
- the value of imports was £3.3 billion, 6.6% higher than the previous September;
- this resulted in a crude trade gap of minus £1.6 billion, 8.3% wider than in September 2012.



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

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

- imports of **dairy products and eggs** rose by £178m (6.6%), while exports rose by £101m (8.5%)
- imports of **cereals and cereal preparations** rose by £863m (31.4%), while exports fell by £264m (-12.8%)
- imports of **fruit and vegetables** rose by £766m (9.4%), while exports rose by £52m (6.1%)
- imports of **beverages** rose by £206m (4.1%) while exports rose by £293m (4.3%)
- imports of **oils and fats** fell by £50m (-2.5%) while exports fell by £219m (-23.3%)



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