Department for Environment Food & Rural Affairs

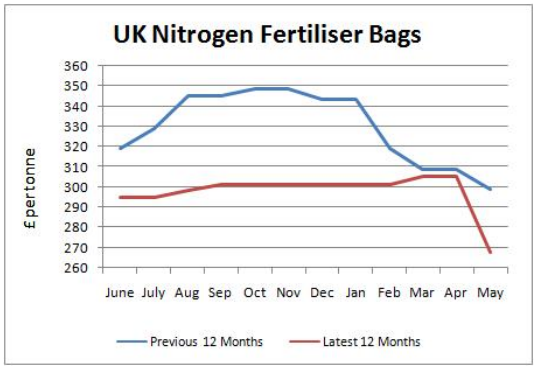
June 2013

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.

Input prices fall



Following recent crude oil price drops, May's price for red diesel has fallen to 68.45 pence per litre. The average price for 34.5 per cent UK Ammonium Nitrate bags fell to £268 per tonne. Fertiliser prices have been dropped to try and secure sales. (see section 2)

Organic farming continues to decline

Defra has published detailed evidence on the organic farming sector in the United Kingdom. The total area of in-conversion and organic land in the UK fell again in 2012. Areas fell by 13 per cent and 7.4 per cent respectively to 32 thousand hectares of in-conversion land and 573 thousand hectares of organic land. 2012 saw falling numbers across the board for all UK organic livestock sectors. The number of organic producers and processors has fallen for the fourth year running (by 6.4 per cent) to around 6,500 at the end of 2012. (see section 2)

Agriculture's contribution to the economy

Agriculture's contribution to the local economy may be indicated by its share of regional gross value added. Agriculture made a contribution of 0.62 per cent to the economy in England but contributes greater proportions in a number of regions, particularly the South West, East of England, and East Midlands. (see section 2)

Campaign for the Farmed Environment

Defra has published detailed evidence on the campaign for the farmed Environment. The results covers area managed under unpaid voluntary environmental management in the 2012/13 farming year together with farmers' attitudes towards the farmed environment and CFE. There is a strong link between the level of understanding of CFE and the amount of uptake; uptake rose from around 30 per cent of those with limited understanding or little/no idea about CFE to 67 per cent of those with a good understanding. (see section 3)

Contents Page

1. Overall economic position

Slight rise in inflation

The headline rate of inflation, the Consumer Prices Index (CPI), grew by 2.7 per cent.

The only notable but relatively small downward contribution to the annual CPI rate came from food and non-alcoholic beverages, where prices were unchanged between April and May this year compared with a rise of 0.3 per cent between the same two months 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 February to April 2013 was 7.8 per cent of the economically active population, unchanged from the period November 2012 to January 2013. There were 2.51 million unemployed people, down 5,000 from November 2012 to January 2013.

Retail sales up

In May 2013, the quantity bought in the retail sector increased by 1.9 per cent compared with May 2012, resulting in the quantity bought being at its highest level since the series began. Over the same period, the amount spent in the retail sector increased by 3.1 per cent to again the highest level on record. The main source of upwards pressure in the amount spent came from the food sector, where, compared with May 2012, the amount spent increased by 3.4 per cent.

Rise in GDP

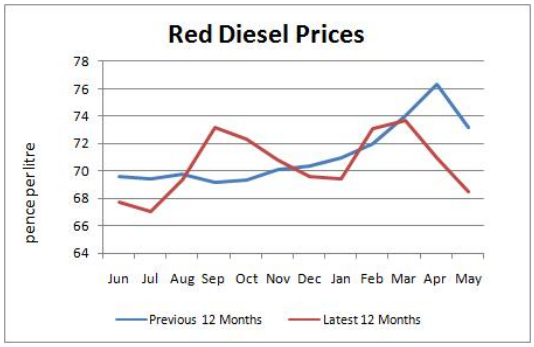
UK gross domestic product (GDP) in volume terms was estimated to have increased by 0.3 per cent between Q4 2012 and Q1 2013, unrevised from the previous publication. In current prices, GDP was estimated to have increased by 0.9 per cent for the same period.

2. Farming

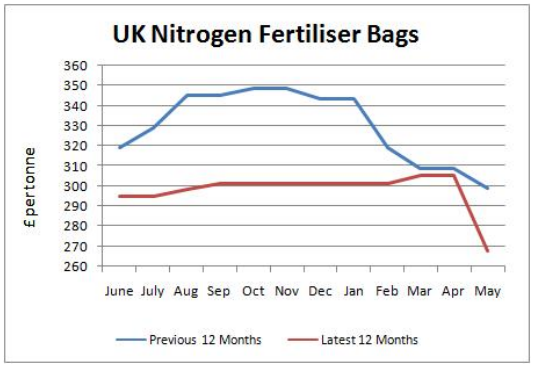
This section brings together the latest economic position for the farming sector (including UK and international input and commodity price intelligence) and the highlights of recently published evidence and research.

2.1. Economic

2.1.1. UK Prices – Inputs



- **Red Diesel:** Following recent crude oil price drops, May's price for red diesel has fallen to 68.45 pence per litre.



- **Fertiliser**: The average price for 34.5 per cent UK Ammonium Nitrate bags fell to £268 per tonne. Fertiliser prices have been dropped to try and secure sales. *(Source: Dairy Co Datum)*

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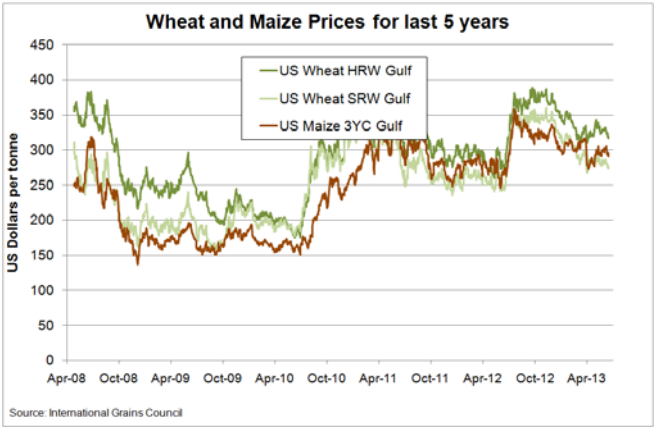
2.1.2. Prices and Market Information – Commodities

The ***United Nations Food and Agriculture Organisation*** (FAO) Food Price Index averaged 215.2 points in May 2013. This was 10 per cent lower than its record high in February 2011. It fell by slightly between April and May 2013. The small decline in May was the result of falling dairy and sugar prices, which more than offset an increase in cereals. Oils and meat prices remained unchanged. The index has risen by 5 per cent between May 2012 and May 2013. (*United Nations FAO – 6 June 2013*)

Cereals



- The May average price of Hard Red winter wheat was $330 per tonne, an increase of 2.6 per cent from April. For Soft Red winter wheat the average May price was $284, unchanged from April. Prices available to mid June show a decrease of 2.0 per cent for Hard Red Winter wheat on the May average price and a decrease of 1.3 per cent for Soft Red Winter wheat.

- Maize prices have fallen from a record high of $358 per tonne in July 2012 to $299 per tonne in mid June (0.5 per cent higher than the May average price).

- In their latest report (12 June) the US Department of Agriculture (USDA) published its latest world supply and demand estimates. The USDA made little change to estimates of old crop wheat production although minor changes in consumption led to downwards revision of ending stocks to 179.9Mt from 180.2Mt. For the new crop, world wheat production is forecast to increase year on year by 695.9Mt. This is a lower than May's forecast of 701.1 Mt due to lower estimates for Ukraine (-2.5Mt), Russia (-2Mt) and the EU 27 (-1.3Mt) offsetting an increase in US production of 1Mt. The reduced estimates for Ukraine and Russia are due to dry conditions whereas the increase for the US is due to better prospects for the winter wheat crop (despite this increase the 2013/14 crop is still estimated at 8 per cent below 2012/13 due to it poor condition).

- For maize, the UDSA have forecast a decrease in world end of season stocks for 2012/13 by 1.1Mt from the May estimate due to a reduction in Chinese production estimates. World 2012/13 production now stands at 855.7. Estimates for 2013/14 world production show a year on year increase to 962.6Mt

although this 3.4Mt lower than the May forecast due to a 3.5Mt decline in the US forecast (later sown maize crop is more vulnerable to hot summer temperatures). 2013/14 ending stocks are decreased to 151.8Mt (-2.8Mt) as a result of lower production forecast which is only partly balanced by slightly lower consumption.

- Estimates for the 2012/13 soyabean production estimates are reduced by 1.5Mt to 267.6Mt entirely due to a lower Brazilian crop of 82Mt. End of season stock has decreased by 1.25Mt to 61.2Mt. The USDA have made little change to the 2013/14 forecasts with production at 285.3Mt, consumption at 270.2Mt and opening stocks at 73.7Mt (1.3Mt lower than May).

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

- **Animal Feed (source Defra):** During April 2013, the total GB retail production of animal feed was 983 thousand tonnes, up 20.4 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 7.8 per cent during April 2013 compared to the same period in 2012.

- **Flour (source Defra):** During April 2013, the total amount of wheat milled in the UK was 505 thousand tonnes, 8 per cent higher than in April 2012. Imported wheat milled was 189 thousand tonnes, up 256 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 April 2013 was 316 thousand tonnes, down 24 per cent compared with April 2012. Flour production for the same period was 389.7 thousand tonnes, 2.6 per cent higher than in April 2012.

- **Brewers, Distillers and Maltsters (source Defra):** During April 2013, the total usage of barley by brewers, distillers and maltsters was 143 thousand tonnes, down 6 per cent compared to April 2012.

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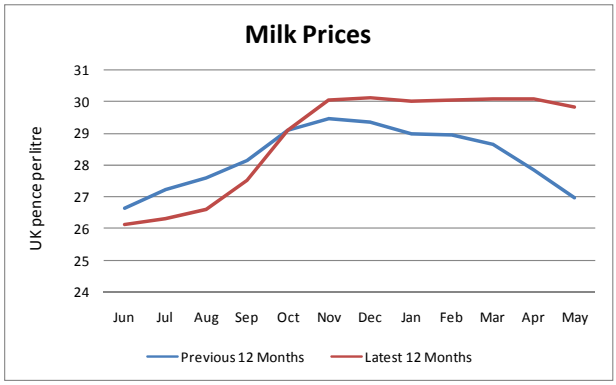
Livestock *(source: Defra)*

- **Sheep:** For the first time this year, clean sheep slaughterings in May were lower than the previous year (5.5 per cent lower than May 2012). Cumulative production January to May 2013 was 4.9 per cent higher than 2012, despite lighter weights the higher throughputs seen January through to April boosted production. The average weight for May 2013 at 19.2 kg was 0.7 kg down on last year. As increased numbers of new season lambs enter the market, recent prices have fallen in line with the expected seasonal pattern.

- **Cattle**: With average weights remaining lower compared to last year and prime cattle slaughterings down by 1.9 per cent in May 2013, UK home fed-production of beef and veal was 4.9 per cent lower than May 2012 at 65 thousand tonnes.

- **Pigs**: UK home-fed production of pigmeat was 1.7 per cent lower in May 2013 compared to 2012. During January to May 2013, production rose by 1.1 per cent on 2012 levels as heavier average weights continue.

Livestock products



- **Milk:** In May 2013, the provisional volume of wholesale milk delivered to dairies in the UK was 1.2 billion litres, which was 1.8 per cent lower than the same period last year. Improved weather during May has lead to a recovery in UK milk supplies, however cumulative production for the milk year is still below the 5 year average (source: RPA).

- The average UK milk price was 29.82 pence per litre (exc. bonuses) in May 2013 a fall of 0.27 pence (0.9 per cent) on the previous month, although it remains well ahead of the May 2012 price which was 11 per cent lower at 26.94 pence per litre (source: Defra).

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. UK Crop development

The weather in May was variable but generally favoured crop development. There were periods of dry cloudy weather interspersed with wetter conditions in the second and last week of the month. Temperature and sunshine amounts varied, typically temperatures were at or below average in mid month with hotter conditions at the start and end of the month.

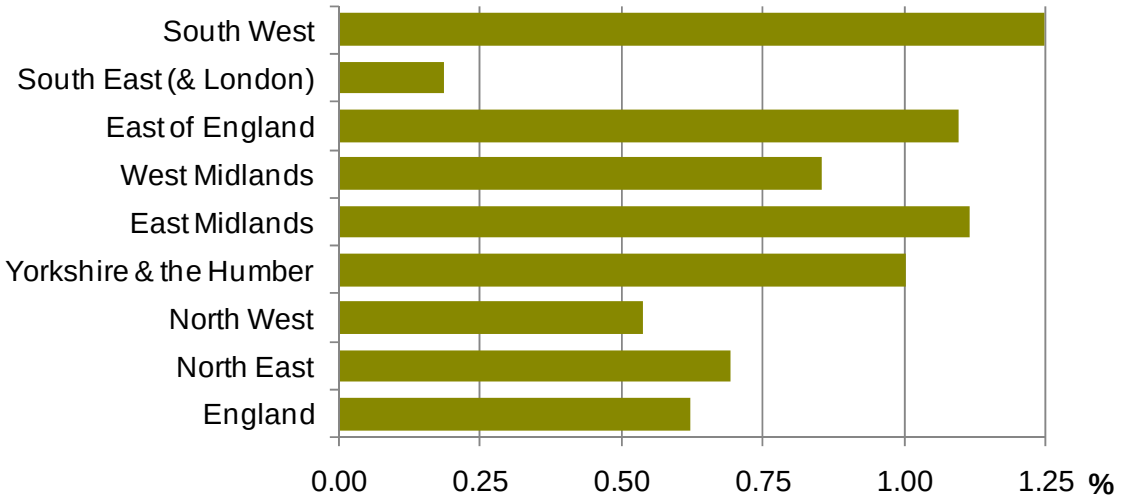
By the end of May winter sown crops were still 10-14 days behind normal despite favourable conditions for most of April and May. Crops developed quite rapidly during May due to lengthening day light hours and periods of warmer conditions. Generally the condition of cereal crops is better than for oilseed rape. Spring crops have germinated and established well, the exception being early in the month when, following a dry end to April some crops on sandy light soils in the Eastern region and Yorkshire and Humberside showed signs of water stress (rain mid month helped alleviate the situation). Favourable conditions have meant that the last of the spring crops notably wheat, barley, oilseed rape and maize have now been drilled.

2.1.4. Agriculture gross value added – English regions, 2011

The latest statistics on agriculture in the English regions were published on 13 June.

Agriculture's contribution to the local economy may be indicated by its share of regional gross value added. Agriculture made a contribution of 0.62 per cent to the economy in England but contributes greater proportions in a number of regions, particularly the South West, East of England, and East Midlands. Agriculture makes the least contribution to the local economy in the South East and London.

Chart 1: Agriculture gross value added as a percentage of regional gross value added 2011



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

2.1.5. Organic farming statistics – UK, 2012

The latest statistics relating to the organic farming sector in the United Kingdom were released on 13 June 2013. The release presents data gathered during 2012 for organic crops and livestock, and also numbers of organic producers and processors who are registered with UK Organic Certification Bodies. The key results are given below.

- The total area of in-conversion and organic land in the UK fell again in 2012. Areas fell by 13 per cent and 7.4 per cent respectively to 32 thousand hectares of in-conversion land and 573 thousand hectares of organic land. Temporary and permanent pasture land makes up the majority of all organic land (84 per cent) and has fallen by 7.1 per cent to 512 thousand hectares of in-conversion and fully organic land in 2012.

- 2012 saw falling numbers across the board for all UK organic livestock sectors. Sheep numbers fell by 0.8 per cent to 1.1 million head. Cattle and poultry numbers both fell by 13 per cent to 290 thousand and 2.5 million respectively. Organic pig numbers fell most sharply by 34 per cent to 35 thousand head in 2012.

- The number of organic producers and processors has fallen for the fourth year running (by 6.4 per cent) to around 6,500 at the end of 2012. All UK regions have shown decreases with Northern Ireland and Scotland showing the largest percentage drops of 13 per cent and 10 per cent respectively.

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3. Environment, Health and Welfare

3.1. Environment

3.1.1 Campaign for the Farmed Environment (CFE) – Survey of land managed voluntarily in 2012/13 farming year (England)

This survey collected areas managed under unpaid voluntary environmental management in the 2012/13 farming year together with farmers' attitudes towards the farmed environment and CFE. The results have been raised to represent all lowland farms with at least 10 hectares of crops and/or grassland. Results were published on the 18 June. The key findings are highlighted below.

Attitudes towards the environment

- Farmers placed greater importance on the 'efficient use of inputs' and 'protecting soil and water' when making decisions about their land, crops and livestock than on 'protecting or benefiting farm wildlife' or 'reducing greenhouse gas emissions'. Around 80 per cent of lowland farmers considered the former two to be very important compared to 61 per cent and 30 per cent for the latter two respectively.

Attitudes to and awareness of CFE

- In 2013, 66 per cent of lowland farmers had at least some understanding of CFE. Levels of understanding increased with farm size and were greatest on cereal farms (85 per cent having at least some understanding) and lowest on grazing livestock farms (55 per cent having at least some understanding).

- The farming press remains the most common source of information about CFE (for 67 per cent of lowland holdings in 2013), followed by CFE leaflets (53 per cent). More than 80 per cent of those having information from these two sources found it to be useful.

Unpaid environmental land management

- Overall, 45 per cent of lowland holdings had land within one of the 22 listed voluntary measures in March 2013. Uptake increased with farm size and was and was significantly lower on those predominantly grassland farms now within scope for CFE. There was a strong link with the level of understanding of CFE; uptake rose from around 30 per cent of those with limited understanding or little/no idea about CFE to 67 per cent of those with a good understanding.

- In March 2013, there were 677 thousand hectares managed under the listed unpaid environmental measures with an additional 6,778 skylark plots and 6,781 km of fenced watercourses. Over wintered stubbles accounted for the greatest area (266 thousand hectares), followed by fertiliser free permanent pasture (232 thousand hectares).

- The adverse weather and soil conditions of 2012/13 meant that many fields remained uncultivated in early spring that would usually have been planted and the autumn establishment of measures to benefit wildlife were not undertaken. The results suggest that, as a result, the area of over-wintered stubbles and field corners recorded within the survey under unpaid environmental management were 93 per cent and 36 per cent higher than planned levels respectively.

- Of the 55 per cent of lowland holdings that had not implemented any of the listed voluntary measures, half gave their main reason as "already doing enough for the environment" and a further quarter as "none

of the measures were appropriate". Of those not implementing the voluntary measures, 87 per cent indicated that they did not intend to do so.

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3.1.2 Agri-environment Indicators, (DE3) – Population trends for common Pipistrelle bat

The Pipistrelle is the commonest bat species in the UK. It has a wide distribution which includes farmland. This species provides a useful indicator of changes at lower levels of the food chain due to its insectivorous diet. The amount and quality of hedgerows and the level of insecticide/pesticide usage are considered to be important for this species.

This indicator was updated on 19 June 2013. It presents the Field Survey results from the National Bat Monitoring Programme for England from 1998 to 2012. In 2012, 32 per cent of the sites in England were surveyed. Key headlines are:

- Provisional results for 2012 indicate that the index is approximately 52 per cent above the 1999 baseline.
- The positive trend equates to an average annual increase of 3.3 per cent.

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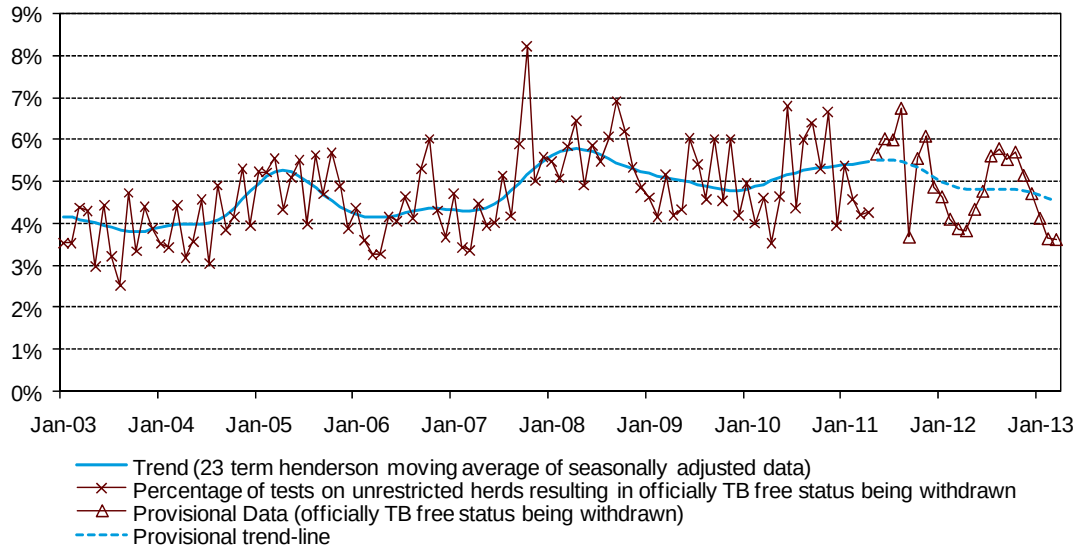
3.2. Health and Welfare

3.2.1 TB Statistics March 2013 – Great Britain

The provisional March 2013 (published on 13 June) incidence rate is 3.6 per cent, compared to 3.9 per cent in March 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 March 2013 was 1,407 compared to 1,534 for January to March 2012. The number of tests on officially TB free herds was 22,878 during January to March 2013, compared to 24,981 during January to March 2012. The number of cattle compulsorily slaughtered as reactors or direct contacts was 9,278 during January to March 2013, compared to 9,474 during January to March 2012.

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



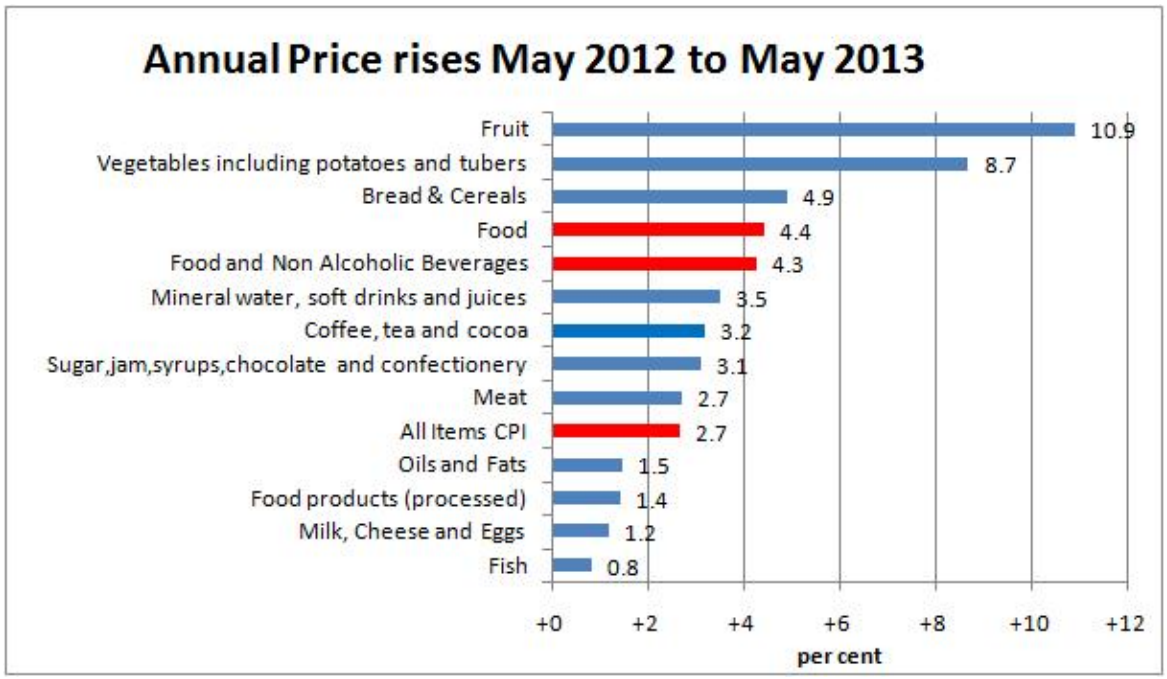
Contact: Animal and Plant Health Evidence and Analysis (APHEA), tbstatistics@defra.gsi.gov.uk

4. Food

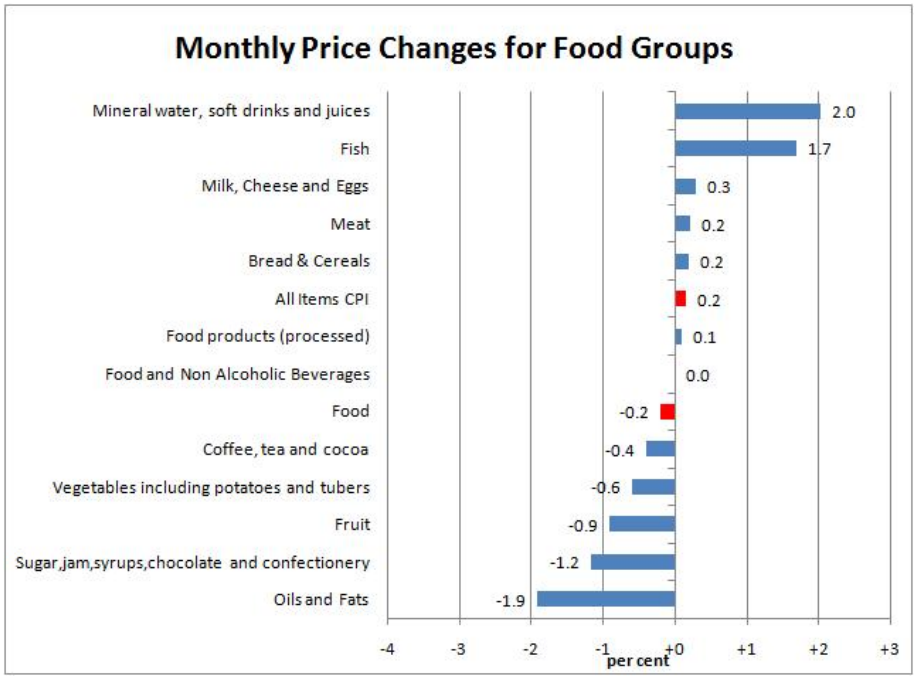
This section highlights current trends in food price inflation and drivers of future price changes together with the latest trade figures for food and drink.

4.1. Food inflation: consumer and retail prices

Food inflation fell to 4.3 per cent in May and is still well above general inflation which has fallen to 2.7 per cent.



Food and non alcoholic beverages had a small downward effect on the CPI annual rate.



Further detailed analysis of individual food groups:

Sugar, jams, syrups etc.

- Small downward effect. Prices overall fell this year but rose a year ago, particularly for bags of non-chocolate sweets.

Vegetables, including potatoes

- Large downward effect, due to cauliflowers and premium potato crisps, partially offset by lettuces. Cauliflower prices overall fell this year but rose a year ago. Following last month's price increases, due to the supply shortages caused by cold weather, cauliflower prices are now easing as the English season begins. Premium potato crisp prices fell overall this year, but rose a year ago. Lettuces had a partially offsetting effect, cold weather has delayed the British harvest, while Spanish supply is also reduced as the season is coming to an end and cooler weather earlier this year resulted in lower production.

Meat

- Small downward effect. Prices overall rose this year by less than a year ago, with the main downward contributions coming from home killed beef products. This was partially offset by small upward contributions from fresh/chilled chickens and pork sausages.

Bread and cereals

- Small upward effect. Prices overall rose this year but fell a year ago, with the main upward contribution coming from frozen pizzas. Partially offset by a small downward contribution from dried potted snacks, where prices overall fell this year but rose a year ago.

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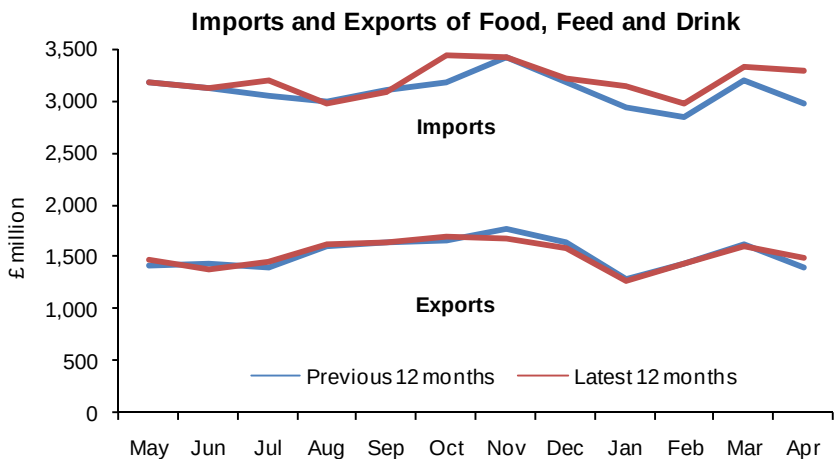
4.2. International Trade in Food and Drink

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

In April:

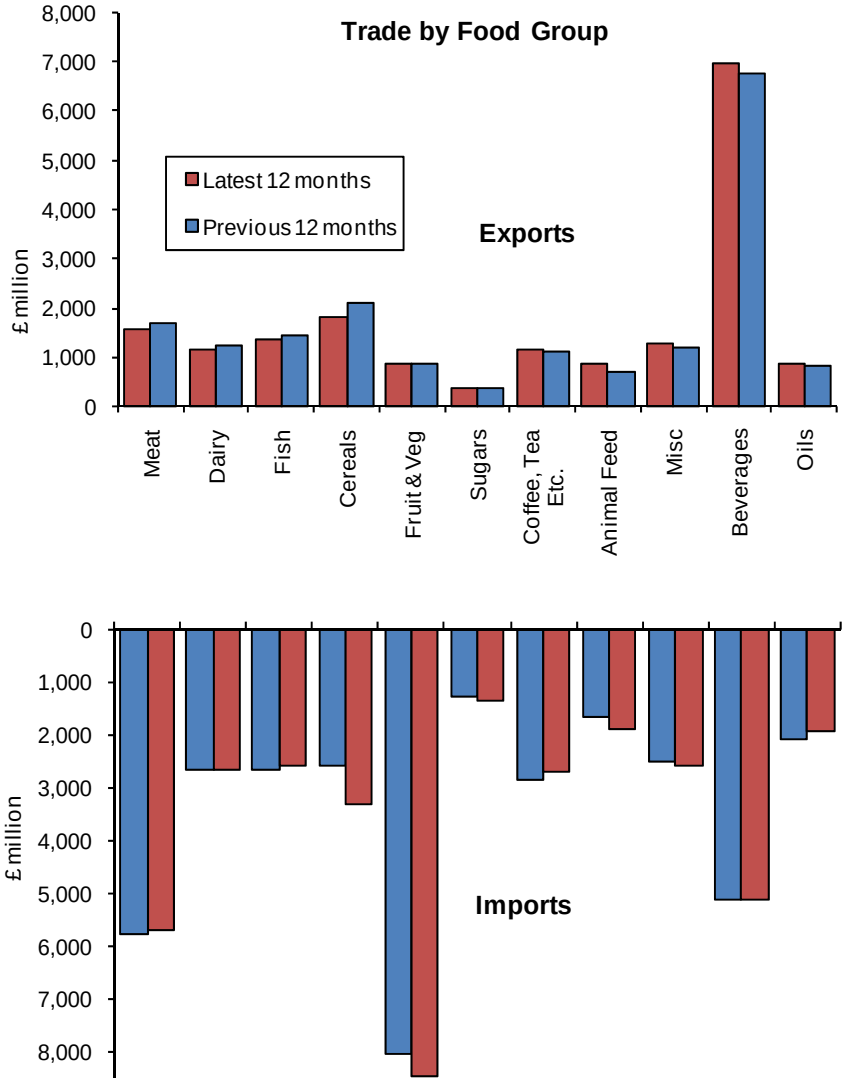
- the value of exports was £1.5 billion, 6.9 per cent higher than in April 2012;
- the value of imports was £3.3 billion, 10.4 per cent higher than the previous April;
- this resulted in a crude trade gap of minus £1.8 billion, 13.5 per cent wider than in April 2012.



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

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

- imports of **dairy products and eggs** rose by £3m (0.1 per cent), while exports fell by £85m (-6.9 per cent)
- imports of **cereals and cereal preparations** rose by £737m (28.6 per cent), while exports fell by £269m (-12.9 per cent)
- imports of **fruit and vegetables** rose by £435m (5.4 per cent), while exports rose by £13m (1.6 per cent)
- imports of **beverages** rose by £25m (0.5 per cent) while exports rose by £193m (2.9 per cent)
- imports of **oils and fats** fell by £117m (-5.7 per cent) while exports rose by £25m (3.0 per cent)



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