



## Headline summary

### Falling farm gate milk prices

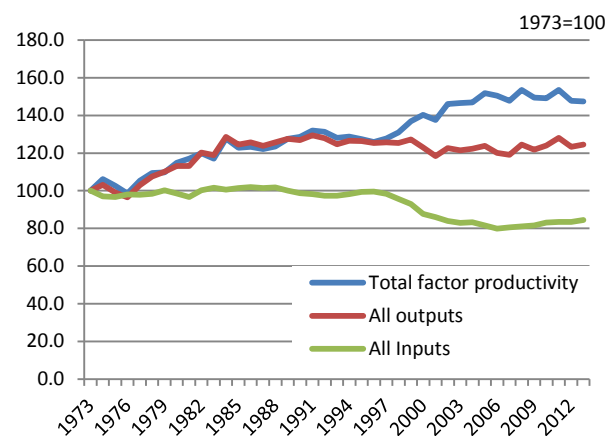
Consecutive months of high domestic milk production, combined with the ban on dairy imports to Russia and falling returns from global commodity markets have resulted in the overall fall in milk price as the largest UK milk processors have reduced the payments to farmers for raw liquid milk. Further price falls have been publicly announced by several large processors for the coming months. ([see section 2.1.1.](#))

### Rise in Total Income from Farming

In 2013 Total Income from Farming rose by £823 million to £5,638 million, a 17% increase on 2012 and is 2.3% higher than the 2011 total. The key contributors to the change were the increases in: milk by £504 million; potatoes by £282 million; poultry by £250 million and barley by £214 million. This was somewhat offset by an increase of £671 million in animal feed and a £245 million decrease in the value of oilseed rape. ([see section 2.1.2.](#))

### Total Factor Productivity of the agricultural industry falls

Total factor productivity of the agricultural industry in the United Kingdom is estimated to have fallen by 0.2% between 2012 and 2013. Compared to 2012 there was a 1% increase in the volume of outputs but a larger 1.2% increase in the volume inputs. This is the second year in a row that total factor productivity has fallen. The effects of the poor weather in 2012 also impacted on the 2013 figures. ([see section 2.1.3.](#))



### Agricultural Contracting on English Farms

Agricultural contractors are a key part of the agricultural industry. A report summarising evidence from Defra surveys was published on 4<sup>th</sup> November, and shows that most farms make some use of agricultural contractors. ([see section 2.1.4.](#))

### Area of Crops Grown for Bioenergy in England and the UK

An estimated 51 thousand hectares of agricultural land in the UK were used for bioenergy in 2013. The area of crops grown for bioenergy equated to 0.8% of all arable land in the UK in 2013. Just over 80% of the land used for bioenergy in 2013 was for biofuel (biodiesel and bioethanol) crops for the UK road transport market. ([see section 2.1.5.](#))

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## 1. Overall economic position

### Consumer Price Index

- The Consumer Prices Index (CPI) grew by 1.3% in the year to October 2014, up from 1.2% in September.
- Smaller falls in transport costs than a year ago – notably for motor fuels and air fares, and price rises for computer games were the main contributors to the rise in the rate of inflation. More details are in the full [statistical bulletin](#) from the Office for National Statistics.

### Labour Market Statistics

- Comparing the estimates for July to September 2014 with those for April to June 2014, employment continued to rise and unemployment continued to fall. These changes maintain the general direction of movement since late 2011/early 2012.
- There were 30.79 million people in work. This was 112,000 more than for April to June 2014 and 694,000 more than for a year earlier.
- There were 1.96 million unemployed people, 115,000 fewer than for April to June 2014 and 529,000 fewer than for a year earlier.
- There were 9.03 million people aged from 16 to 64 who were out of work and not seeking or available to work (known as economically inactive). This was 38,000 more than for April to June 2014 but 16,000 fewer than for a year earlier.

### Retail Sales

- Continuing a sustained period of year-on-year growth, in October 2014, the quantity bought in the retail industry increased by 4.3% compared with October 2013. This is the nineteenth period of consecutive year-on-year growth.
- On the month the quantity bought increased by 0.8% compared with September 2014. There was growth in all sectors, except non-store retailing. Clothing stores showed growth of 0.5%; however, as growth in this store type fell by 5.9% in September the rise does not cancel out the fall seen last month.
- Average store prices fell by 1.5% in October 2014 compared with October 2013. This was the largest fall since December 2002 when prices also fell by 1.5%. Once again the largest contribution to the year-on-year fall came from petrol stations where petrol/diesel prices were at their lowest level since the end of 2010.
- The proportion of sales made online fell by 0.1% to account for 11.2% of all sales in October 2014. Online sales increased by 7.5% compared with October 2013, this was the lowest year-on-year increase since November 2012 (6.9%).

### GDP

- Change in gross domestic product (GDP) is the main indicator of economic growth. GDP increased by 0.7% in Q3 2014 compared with growth of 0.9% in Q2 2014.
- Output increased in all four main industrial groupings within the economy in Q3 2014. In order of their contribution, output increased by 0.7% in services, 0.5% in production, 0.8% in construction and 0.3% in agriculture.
- The preliminary estimate of GDP is produced using the output approach to measuring GDP. At this stage, data content is less than half of the total required for the final output estimate. The estimate is subject to revision as more data become available, but these revisions are typically small between the preliminary and third estimates of GDP.

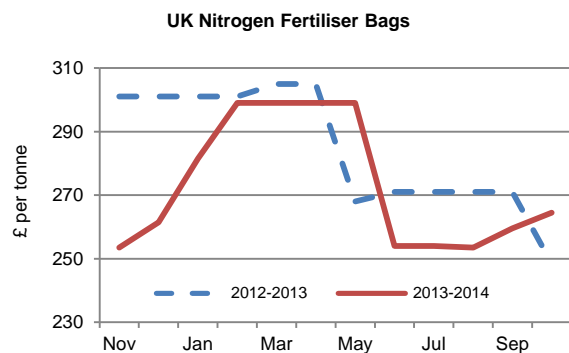
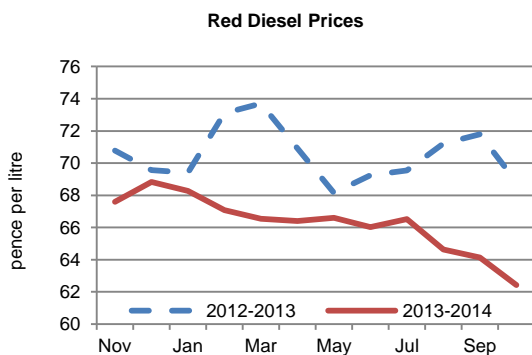
## 2. Farming

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 October 2014, the average price for red diesel fell to 62.42 pence per litre. Current prices are 9.3% lower than October 2013.
- **Fertiliser:** The average price for 34.5% UK Ammonium Nitrate bags rose to £264.50 per tonne. Current prices are 1.9% lower than October 2013. (Source: Dairy Co Datum)

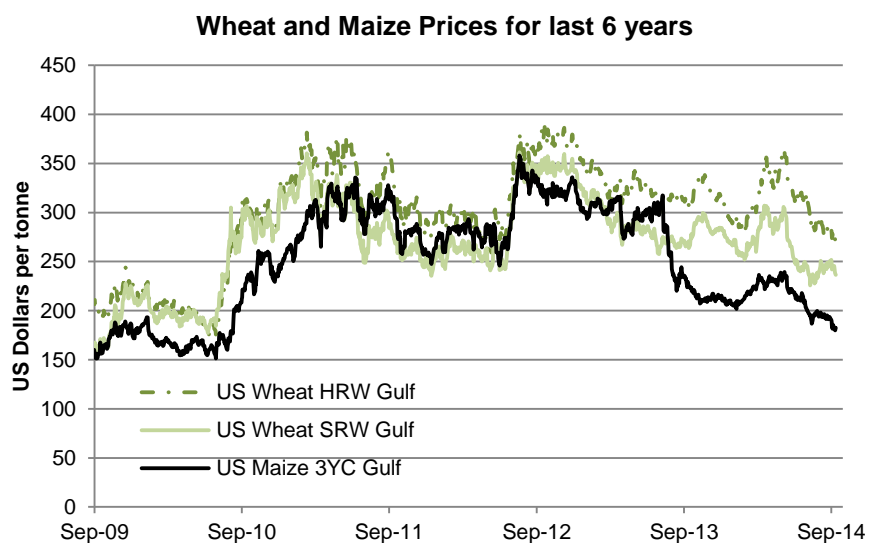


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#### 2.1.1. Prices and Market Information – Commodities

##### Cereals

- The October 2014 average price for Hard Red winter wheat was \$277 per tonne, which was a 16% 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 \$194 per tonne in mid-November 2014 (5.8% higher than the October average price).



Source: International Grains Council [www.igc.int](http://www.igc.int)

- The USDA published their latest bulletin on 10 November 2014. For **Wheat** the USDA Made reductions to both production and demand which largely offset in each to leave global end of season stocks slightly

higher. As expected Australian wheat production was reduced by 1Mt to 24Mt (27Mt last season), due to a continuation of the dry weather in October. There were also reductions to production from Egypt (0.8Mt) and Kazakhstan (0.5Mt). In contrast EU output is forecast to increase by 1.4Mt to 155Mt. End of season stocks for 2014/15 are now forecast 0.3Mt tonnes higher than the October estimate and 7.2Mt higher than last season.

- For **Maize** the USDA made additions of 2Mt to both EU and Ukrainian production but these increases were offset by reductions of 3.0Mt to Chinese output and a -1.7Mt reduction for the US based on lower yields. Overall 2014/15 production is reduced by 0.3Mt from October's forecast to 990.3Mt (1.1Mt higher than 2013/14). Global maize demand has been reduced due to a fall in Chinese consumption whereas in the US demand was forecast to increase on due to raised usage from the animal feed and ethanol sectors. Overall demand was reduced by 1.3Mt to 971.8Mt. End of season stocks are forecast at 191.5Mt, 18.5Mt higher than 2013/14.
- For **Soyabean** the USDA have revised US forecasts, increasing yields has led a further 0.9Mt added to production. Demand forecasts for the US and China were increased due to increased exports (US) and revised opening stocks (China). There were no production changes to the major South American exporters. Overall production is forecast at 312.1Mt (311.2Mt in 2013/14) and end of season stocks at 90.3Mt (56.3Mt in 2013/14).

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- **Animal Feed** (source Defra): During September 2014 (the latest period for which data is available), the total GB retail production of animal feed was 846.2 thousand tonnes, down 8.3% compared to September 2013. Recent compound feed usage has been lower than last year due to recent mild weather and grass growth, enabling livestock to continue grazing outdoors, and therefore reducing the need for supplementary feed. Total GB integrated poultry feed production was 242 thousand tonnes, down 1.8% during September 2014 compared to the same period in 2013.
- **Flour** (source Defra): During September 2014, the total amount of wheat milled in the UK was 642 thousand tonnes, 14% higher than in September 2013, due to increased usage by UK bioethanol plants. The total amount of home grown wheat milled in the UK for September 2014 was 522 thousand tonnes, up 44% compared with September 2013, reflecting the availability of good quality domestic milling wheat. There were 120 thousand tonnes of imported wheat milled in September 2014, down 40% compared with September 2013. Flour production for the same period was 492 thousand tonnes, 11.8% higher than in September 2013.
- **Brewers, Distillers and Maltsters** (source Defra): During September 2014, the total usage of barley by brewers, distillers and maltsters was 162 thousand tonnes, up 7% compared to September 2013.

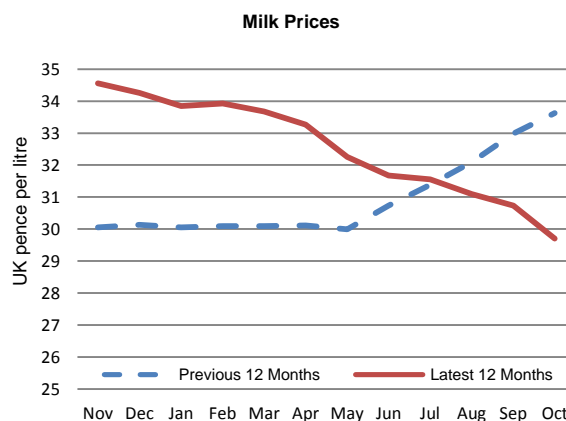
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#### **Livestock** (source: Defra)

- **Pigs:** UK clean pig slaughterings were 1.8% higher than in October 2013 at 1030 thousand head. Pigmeat production was 88 thousand tonnes, 3.5% higher than in October 2013.
- **Sheep:** UK clean sheep slaughterings were 0.9% higher than in October 2013 at 1519 thousand head. Mutton and lamb production was 34 thousand tonnes, 0.1% lower than in October 2013.
- **Cattle:** UK prime cattle (steers, heifers and young bulls) slaughterings were 2.1% higher than in October 2013 at 202 thousand head, the highest total since October 2011. Beef and veal production was 91 thousand tonnes, 3.5% higher than in October 2013 and the largest amount since October 2012.

## Livestock products

- Milk Volumes:** The provisional volume of wholesale milk delivered to UK dairies during October 2014 was 1.2 billion litres, 6.2% (67m litres) higher than in October 2013 and 7% higher than the previous 10 year average as dairy farmers responded to higher prices earlier in the year and lower feed costs. 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 has resulted in downward pressure on dairy commodity markets which could be a signal for farmers to cut back on milk production (source: RPA).
- Milk Prices:** Continued high levels of domestic milk production and low global dairy commodity prices have resulted in a 3.3% (1.02p per litre) decrease on the UK average farm gate milk price since last month to 29.7p per litre. This represents an 11.6% decrease on the October 2013 price and is in contrast to the seasonal uplift usually seen in prices at this time of year. Further price reductions have been announced by major dairies for the coming months. (source: Defra).
- Eggs:** During the third quarter of 2014, 6.9 million cases of eggs were packed in the UK, of which 5 million (74%) were packed in England and Wales. 53% of eggs packed were produced intensively and 42% of eggs packed during the period were free range. The average packer to producer price during Q3 2014 for all egg types was 82.3 pence per dozen. This represents a fall of 3.7% on the previous quarter. This continues the recent trend of falling egg prices reflecting lower input costs for producers. (source: Defra).



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### 2.1.2. Total Income from Farming for the United Kingdom 2013, 2nd estimate

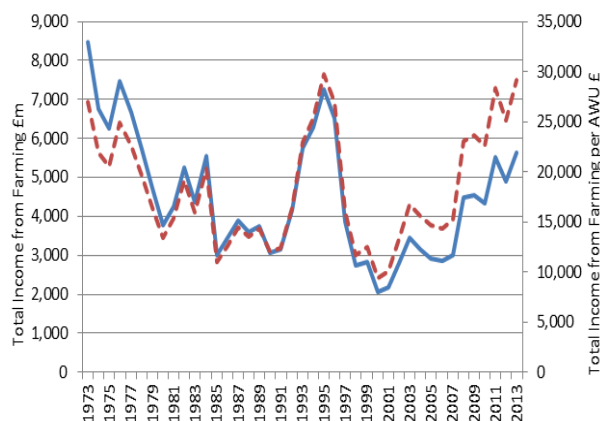
The latest [published](#) figures show Total Income from Farming recovered from the fall seen in 2012 and is 2.3% higher than the 2011 total.

In 2013 Total Income from Farming rose by £823 million to £5,638 million, a 17% increase on 2012. The key contributors to the change were the increases in: milk by £504 million; potatoes by £282 million; poultry by £250 million and barley by £214 million. This was somewhat offset by an increase of £671 million in animal feed and a £245 million decrease in the value of oilseed rape.

Gross value added at basic price, which identifies agriculture's contribution to the Gross Domestic Product (GDP), rose by £763 million to £9,418 million, an 8.8% increase. Gross value added at basic price is the total value of outputs (plus any product related subsidies) less the value of intermediate consumption.

The aggregate balance sheet for agriculture values the total assets and liabilities at the end of each calendar year and estimates the total net worth of the industry. Net worth is estimated to be £255 billion in December 2013. This shows a £27 billion increase on 2012, largely driven by a £24 billion increase in the estimate of the value of land, principally driven by a 13% rise in land prices.

### Total Income from Farming in the United Kingdom



More data are available for the 2nd estimate of total income from farming and as a result of the changes the estimate for TIFFF has increased by 3.2% compared to the figure published in April.

Contact: Helen Mason, Farming Statistics (Agricultural Accounts), [helen.mason@defra.gsi.gov.uk](mailto:helen.mason@defra.gsi.gov.uk)

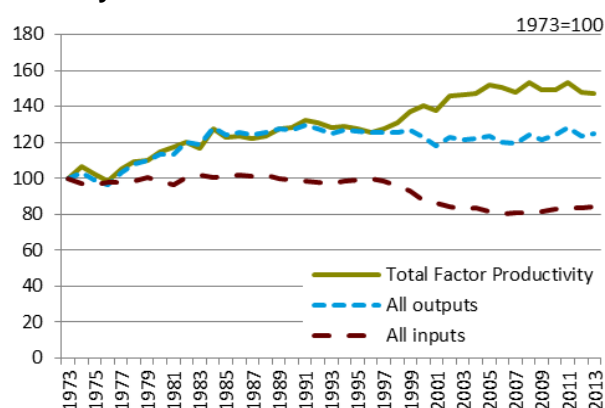
### 2.1.3. Total Factor Productivity of the UK agricultural industry 2013, 2nd estimate

The latest [published](#) figures show total factor productivity of the agricultural industry in the United Kingdom is estimated to have fallen by 0.2% between 2012 and 2013. Compared to 2012 there was a 1% increase in the volume of outputs but a larger 1.2% increase in the volume inputs.

This is the second year in a row that total factor productivity has fallen. The effects of the poor weather in 2012 also impacted on the 2013 figures.

In 2013, high output prices saw farmers maximise profits with a slight fall in total factor productivity. Defra data shows that overall the price of outputs rose by 6% compared to a 3% increase in the price of inputs (Agricultural Price Indices). This was most notable for dairy where milk prices increased by 12%, encouraging farmers to increase output in order to maximise returns. As a result the volume of milk increased by 0.7%. Increasing output required increasing inputs and the volume of animal feed rose by 4.6%. Part of this increase was due to a cold spring which meant livestock were put out to grass later than normal.

**Total factor productivity of the UK agricultural industry**



In the arable sector, the wet autumn in 2012 reduced the amount of winter cereals drilled. As a result, greater amounts of spring sown crops were planted in 2013 leading to an increase in the amount of seeds. Spring crops do not yield as well as winter crops, but the better conditions in 2013 saw a small increase in the output of cereal crops compared to 2012.

Looking back just 5 years to 2008 total factor productivity fell by 3.9%, as all inputs rose by 4.2% with little change in the volume of all outputs. A 7.6% fall in the volume of crop outputs was offset by a 3.5% increase in the volume of livestock outputs. Total intermediate consumption is estimated to be 6.5% higher than in 2008. This was driven by large increases in plant protection products and energy expenses, in particular motor and machinery fuels. All of this reduction in productivity is related to the fall seen in the last two years on the back of the bad weather during 2012.

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#### 2.1.4. Contracting on English Farms: evidence from Defra surveys

Agricultural contractors are a key part of the agricultural industry. From the farmer's perspective they permit the efficient and timely completion of key field operations without the need to take on extra staff or to buy expensive machinery. From Defra's perspective they have an important role in meeting the organisation's objectives relating to the competitiveness of the farming industry and protecting the environment, particularly through the uptake of modern, efficient machinery.

A [report](#) published on 4<sup>th</sup> November summarises the existing evidence on agricultural contracting from Defra surveys. The main conclusions are:

- Farm Business Survey data suggest that most farms make some use of agricultural contractors, although rates of usage are lower for poultry and horticultural farms. June Agricultural Census data from 2010 suggests a somewhat lower rate of farms using contractors, particularly for pig farms; some of this difference may relate to the different populations and definitions.
- Nevertheless, June data shows that contract labour makes up less than a quarter of labour requirements on all farm types, except for the largest cereals farms. Similarly, FBS data shows that contracting costs are generally small compared to other machinery costs. Hence it appears that most farmwork on most farms is still carried out using their own labour (family or paid).
- Large livestock farms are generally more likely to use contractors than smaller ones. On cropping farms, smaller farms use contractors more, particularly for combining and other operations requiring expensive equipment. Farms with a high proportion of unpaid family labour tend to make less use of contractors.
- Large numbers of farms are also gaining income from contracting, but this is also generally at a low level, with few farms generating more than 10% of their farm business output from agricultural contracting. Many farms gain income from agricultural contracting, but also use contractors themselves.
- The overall FBS estimate of income from agricultural contracting in 2011 was around 75% of the total costs of contracting, suggesting that around a quarter of contract work is done by businesses that are not farms in the FBS population.

Important gaps remain in our knowledge of contractors, particularly relating to those contractors which are not part of a farm business and which are therefore not covered by farm surveys. The NFU are currently planning their own survey, specifically targeted at agricultural contractors, and we are working with them to improve our joint knowledge.

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#### 2.1.5. Area of Crops Grown For Bioenergy in England and the UK: 2008 - 2013

Updated statistics on the areas of oilseed rape, sugar beet, wheat, maize, miscanthus, short rotation coppice and straw crops grown in the UK for use as bioenergy were [published](#) on the 25<sup>th</sup> November.

The key results are:

- An estimated 51 thousand hectares of agricultural land in the UK were used for bioenergy in 2013.
- The area of crops grown for bioenergy equated to 0.8% of all arable land in the UK in 2013.
- Just over 80% (42 thousand hectares) of the land used for bioenergy in 2013 was for biofuel (biodiesel and bioethanol) crops for the UK road transport market.
- Provisional estimates indicate that 787 thousand tonnes of UK produced crops were used for the UK road transport market in 2013/14.
- In 2014, maize grown for use in anaerobic digestion accounted for 17% (29,373 hectares) of the total maize area in England, which was 0.5% of England's total arable area.

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### 2.1.6. UK Wheat and Barley Cereals Balance Sheet 2014/15

The first official forecast of the 2014/15 UK cereal supply and demand balance sheet based on the 2014 harvest was [released](#) on 26<sup>th</sup> November. This forecasts supply and usage of the important cereals crops and maize until the end of June 2015. Forecasting supply and demand is challenging at this relatively early stage of the season and will evolve as the season progresses.

**Wheat:** availability is 19.9Mt, 22% higher compared to 2013/14. This is mainly due to higher production from the 2014 harvest at 16.6Mt (provisional), the largest since 2008. This represents a 4,700kt increase in production compared to last year, the largest year on year gain since records dating back to the late 19<sup>th</sup> Century. Imports are forecast at 1.3Mt for 2014/15, 41% lower than last year reflecting both the quality and quantity of this year's harvest. Human and Industrial consumption is estimated at 7.8Mt, 5% higher than 2013/14 with increased utilisation by the biofuels sector offsetting lower demand from flour millers.

Whilst total demand for cereals in animal feed is forecast to be 1% lower in 2014/15 the amount of wheat in the feed ration is forecast to increase 9% year on year to 6.7Mt. This increase reflects the price competitiveness of feed wheat against other grains. Total feed is expected to decline due to good forage, mild weather and a decline in milk and beef prices affecting demand from the cattle sector. After taking into account the balance of availability and domestic consumption, together with an operating stock requirement of 1.5Mt then a total of 3.5Mt is available to be exported or held as carry over stock at the end of the season.

**Barley:** availability in 2014/15 is seen as 4% higher than last season. Provisional Defra data puts production at 7.0Mt, only slightly below last year's levels. Higher opening stocks are the main driver for this season's higher availability. Imports are forecast at 95kt, 5kt lower than last year. Human and Industrial consumption is forecast at 2.0Mt, 2% higher than last year. Demand from the Maltsters, Distillers and Brewers remains strong, although further growth could be checked by limited capacity. Barley use in animal feed is forecast to fall by 3% as barley loses market share to wheat. 2.2Mt is forecast to be available for export or carry over into 2015/16. By the end of September, UK exports were ahead of last year at 294.9kt.

**Maize:** availability is 38% lower than 2013/14 at 1.6Mt due to a decline in imports. The lower imports are expected to offset the higher opening stocks which were more than double those of 2013/14. Last season a record amount of maize was imported which was primarily used in animal feed. Imports are forecast at 1.1Mt, almost half last year's volume due to lower demand from both the animal feed and to a lesser extent Human and Industrial.

**Oats:** opening stocks of oats are 141% higher than last season at 166kt due to 2013's large crop. Provisional Defra data shows another large crop this season at 828Kt. While this is 14% lower than last year, it is still one of the largest harvests in recent years and production is above the 5 year average. Imports are expected to be low at around 20kt and total availability is 6% lower year on year. Human and Industrial demand is forecast to be 1% higher at 515kt and animal feed is expected to be similar to last year at 345kt, but with a higher proportion of Fed on Farm utilised and a lower amount of compound feed. At 131kt the balance between availability and demand is 35% lower than last year and once forecasted exports (50kt) are taken into account, 138kt of oats is expected to be carried over into 2015/16, 17% lower than last year.

The second review of the balance sheet for 2014/15 will be published on 28 January 2015.

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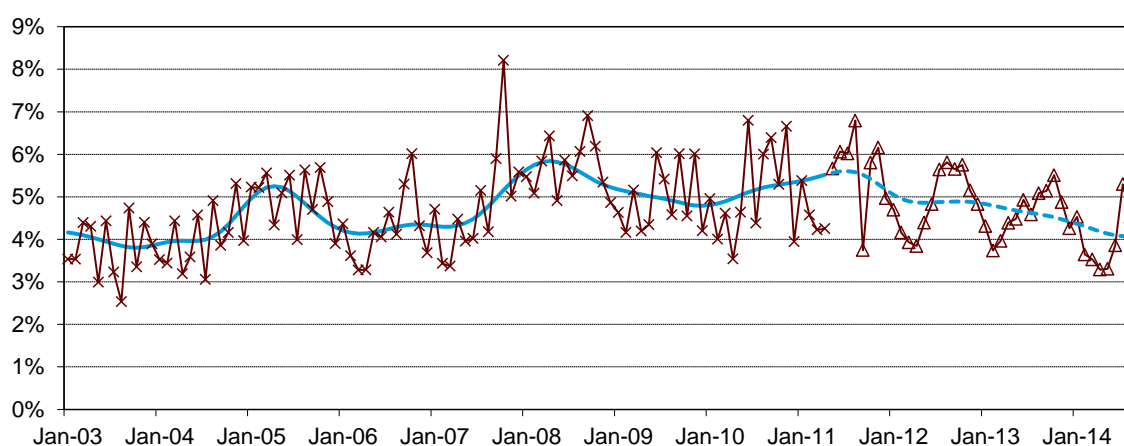
### 3. Environment, Health and Welfare

#### 3.1. Health and Welfare

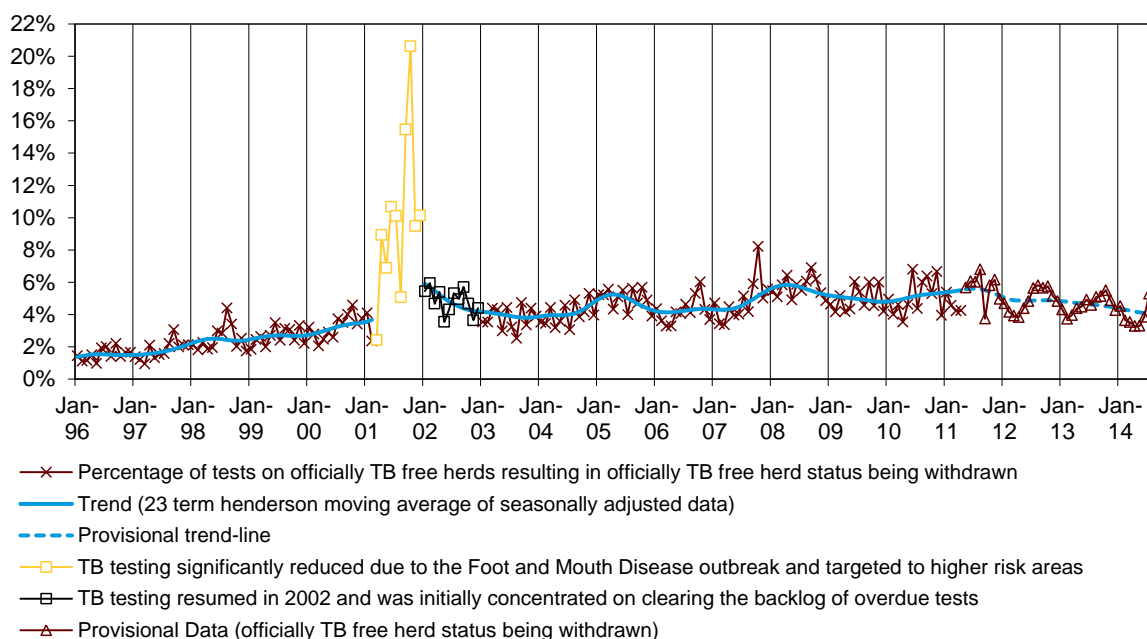
##### 3.1.1. TB Statistics August 2014 – Great Britain

- The provisional incidence rate for January to August 2014 is 3.9% compared to 4.3% for January to August 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 August 2014 was 3,017 compared to 3,137 for January to August 2013. The number of tests on officially TB free herds was 51,766 during January to August 2014, compared to 47,714 during January to August 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**



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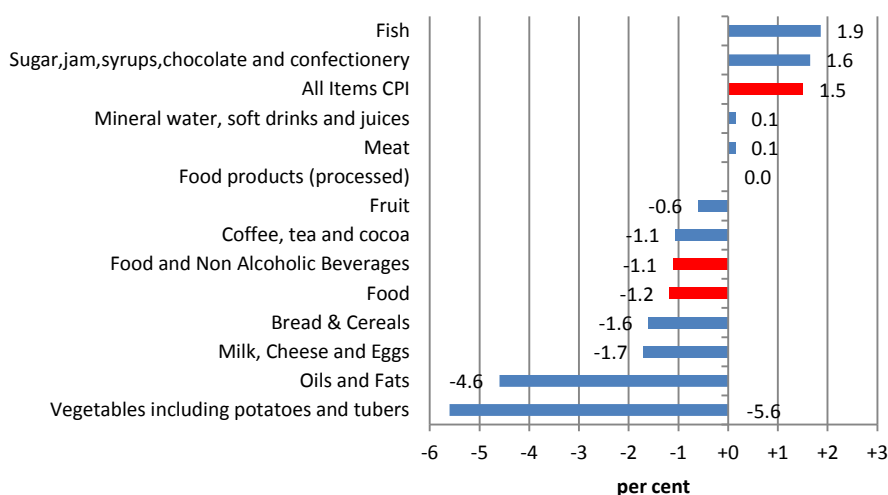
## 4. Food

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

Year on year food prices have fallen, with an annual rate of inflation of -1.4% in the year to October 2014. Food inflation was last lower in June 2002 (-2.2%). Food inflation is well below general inflation at 1.3%, which rose from 1.2% in September.

**Annual Price rises August 2013 to August 2014**

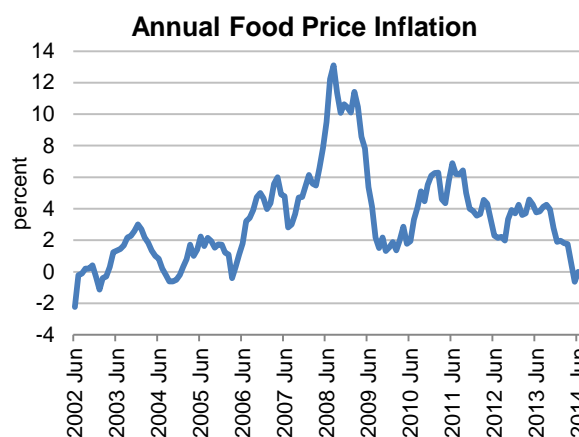


The fall in food prices over the last year has been driven by significant declines in international food commodity prices, a stronger Pound, falling wheat prices and more recently, intense price competition by supermarkets.

There were upward contributions coming from fruit, bread and cereals; with the main upward contributions coming from strawberries, pears, organic dessert apples, blueberries, wholemeal sliced bread, unsweetened breakfast cereals, cereal bars and frozen pizza. Offset by downward contributions coming from meat; sugar, jam, syrups, chocolate and confectionery; and food products not elsewhere covered, with the main downward contributions coming from cooked ham, bacon, individual meat pies and carton/boxes of chocolates.

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

1 pint of milk	£0.46
Loaf of sliced white bread (800g)	£1.15
Cheese (kg)	£7.83
Eggs (dozen large free range)	£3.10
Potatoes, old white (kg)	£0.81
Apples (kg)	£1.95
Sugar (kg)	£0.87



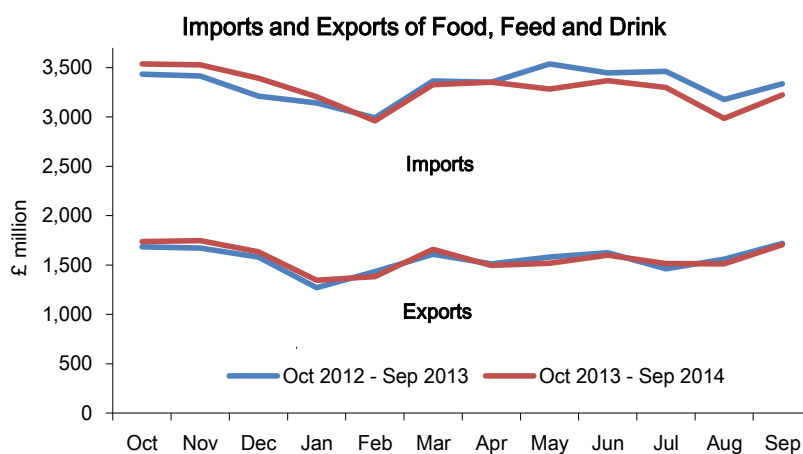
Contact: Julie Rumsey (Food Statistics), [Julie.Rumsey@defra.gsi.gov.uk](mailto:Julie.Rumsey@defra.gsi.gov.uk)

## 4.2. International Trade in Food, Feed and Drink

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

In September:

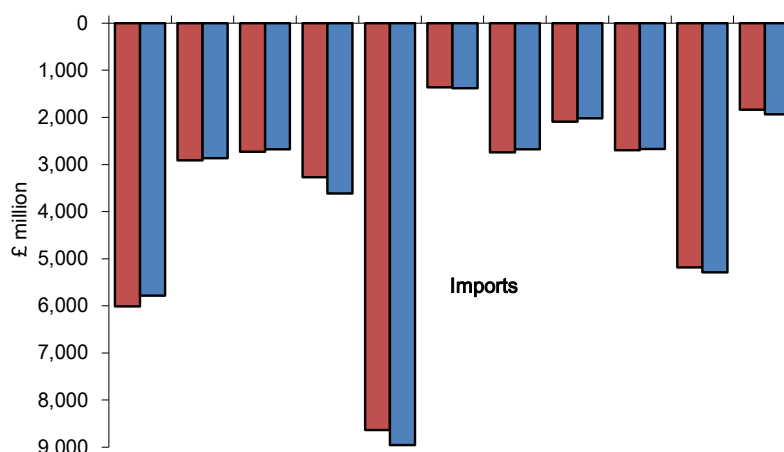
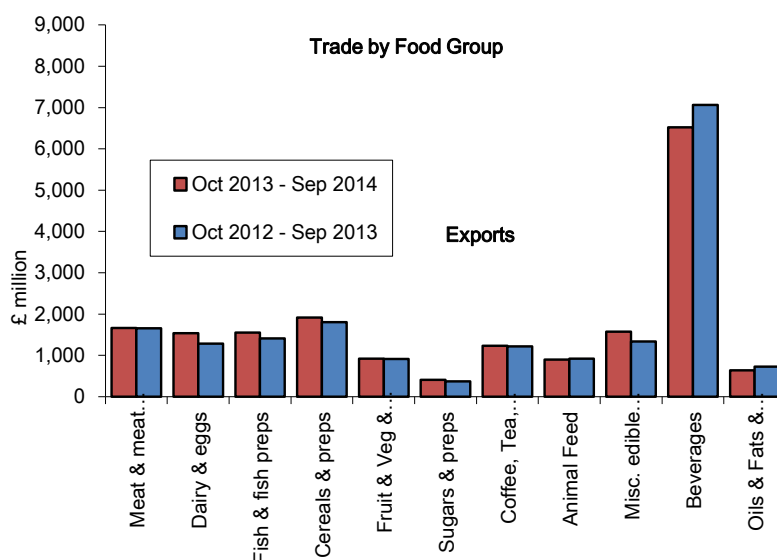
- The value of exports was £1.7 billion, 0.8% lower than in September 2013;
- The value of imports was £3.2 billion, 3.4% lower than the previous September;
- This resulted in a crude trade gap of minus £1.5 billion, 6.0% narrower than in September 2013.



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

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

- Imports of **meat and meat preparations** rose by £229m (4.0%), while exports rose by £9m (0.6%)
- Imports of **dairy products and eggs** rose by £41m (1.4%), while exports rose by £249m (19.3%)
- Imports of **fish and fish preparations** rose by £51m (1.9%) while exports rose by £141m (10%)
- Imports of **cereals and cereal preparations** fell by £345m (-9.5%), while exports rose by £111m (6.1%)
- Imports of **fruit and vegetables** fell by £316m (-3.5%), while exports rose by £14m (1.5%)
- Imports of **beverages** fell by £106m (-2.0%) while exports fell by £546m (-7.7%)



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