



July 2014

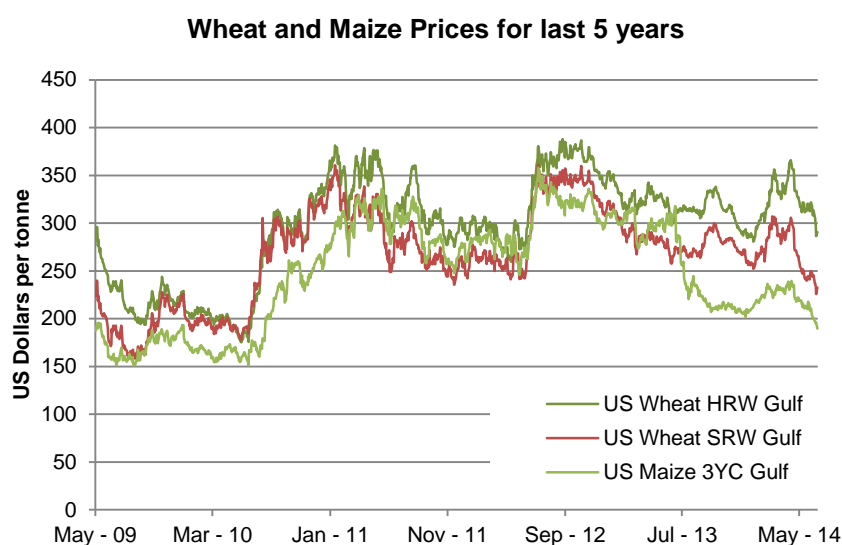
Farming and Food Brief

Headline summary

Cereal prices fall

The June average price of Hard Red winter wheat was \$316 per tonne, 7.6% lower than May. For Soft Red winter wheat the average June price was \$246, 12% lower than June. Prices available to mid July show a decrease of 8% for Hard Red Winter wheat on the June average price and a decrease of 12% for Soft Red Winter wheat.

Maize prices have fallen from a record high of \$358 per tonne in July 2012 to \$197 per tonne in mid July 2014 (7.4% lower than the June average price).



Source: International Grains Council

Balance sheet analysis and farming performance

Defra has conducted an analysis of the profitability and resilience of farms in England from 2010/11 to 2012/13. The results are sourced from Defra's Farm Business Survey. Key results are shown below, though for each measure there is a wide range of performance across farms.

- Across all farms average (mean) liabilities (debt) are £150,000 per farm.
- Average (mean) net worth (assets minus liabilities) across all farms is £1.2 million.
- The average (mean) gearing ratio (liabilities as a proportion of assets) across all farms is 11%.
- The median Return on Capital Employed (ROCE) across all farms is 1%.

Soil nutrient balances

Defra released provisional soil nutrient balances for 2013 on 23rd July. Soil nutrient balances estimate the loadings of nitrogen and phosphorus to agricultural soils. They indicate the potential risk of impacts on air quality, water quality and climate change due to losses of nutrients to the environment. The nitrogen balance in England was a surplus of 89 kg/ha, a decrease of 2% on 2012 and of 18% since 2000. The phosphorus balance in England was a surplus of 5.8 kg/ha, an increase of 3% on 2012 but a fall of 36% since 2000.

Farm Practices Survey

Defra published results from the 2014 Farm Practices Survey covering greenhouse gas mitigation on 24th July. Key results included:

- The proportion of holdings with a nutrient management plan rose from 46% in 2006 to 60% in 2014.
- 74% of livestock holdings had a farm health plan in 2014, while 73% used a ration formulation programme or nutritional advice to plan the feeding regime of livestock, unchanged from 2013.

Contents

Headline summary	1
1. Overall economic position	3
2. Farming	4
2.1. Economic	4
2.1.1. Prices and Market Information – Commodities	4
2.1.2. Balance sheet analysis and farming performance, England 2010/11-2012/13	6
2.1.3. Soil nutrient balances 2013	7
2.1.4. Agricultural Statistics and Climate Change	8
2.1.5. Farm Practices Survey	8
3. Environment, Health and Welfare	9
3.1. Health and Welfare	9
3.2.1. TB Statistics March 2014 – Great Britain	9
4. Food	10
4.1. Food inflation: consumer and retail prices	10
4.2. International Trade in Food, Feed and Drink	11

1. Overall economic position

Consumer Price Index

- The Consumer Prices Index (CPI) grew by 1.9% in the year to June 2014, up from 1.5% in May.
- The largest contributions to the rise in the rate came from the clothing, food & non-alcoholic drinks and air transport sectors.

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

Unemployment Rate

- Comparing the estimates for March to May 2014 with those for December 2013 to February 2014, employment continued to rise and unemployment continued to fall. These changes continue the general direction of movement over the past two years. There were 30.64 million people in work, 254,000 more than for December 2013 to February 2014 and 929,000 more than a year earlier.
- The unemployment rate continued to fall, reaching 6.5% for March to May 2014, the lowest since October to December 2008.
- The proportion of people aged from 16 to 64 who were out of work but not seeking or available to work (known as the economic inactivity rate) continued to fall, reaching 21.7% for March to May 2014. The economic inactivity rate last reached 21.7% in July to September 1990 and, since records began in 1971, it has never been lower.

Retail Sales

- In June 2014, all retail sectors showed estimated increases in the quantity bought year-on-year. The last time this was seen was in March 2012.
- In June 2014, the amount spent in the retail industry increased by 3.5% compared with June 2013 and by 0.8% compared with May 2014. Non-seasonally adjusted data show that the average weekly spend in the retail industry in June 2014 was £7.1 billion compared with £6.8 billion in June 2013 and £6.9 billion in May 2014.

GDP – Preliminary Estimates, Q2 2014

- GDP increased by 0.8% in Q2 2014, the second consecutive quarter on quarter increase of 0.8%.
- Output increased in two of the four main industrial groupings within the economy in Q2 2014 compared with Q1 2014. In order of their contribution, output increased by 1.0% in services and by 0.4% in production. However, output decreased by 0.5% in construction and by 0.2% in agriculture.
- The estimate is subject to revision as more data become available.

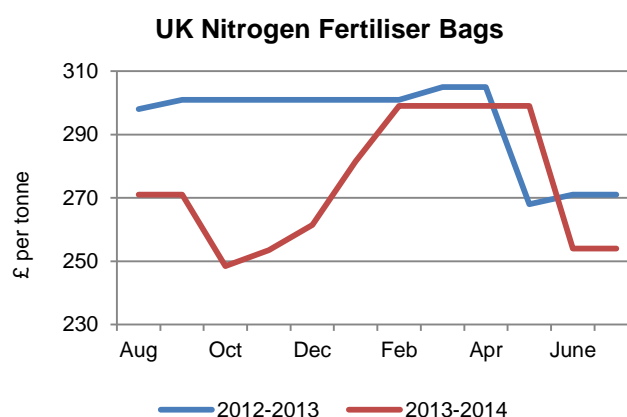
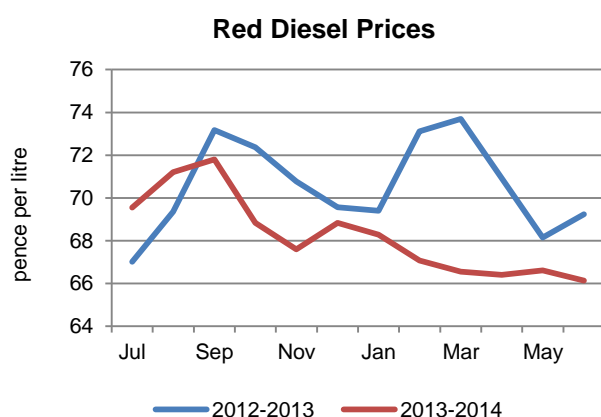
2. Farming

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 June 2014, the average price for red diesel fell to 66.14 pence per litre. Current prices are 4.5% lower than June 2013.
- **Fertiliser:** The average price for 34.5% UK Ammonium Nitrate bags remained unchanged at £254 per tonne. Current prices are 6% lower than July 2013. (Source: Dairy Co Datum)

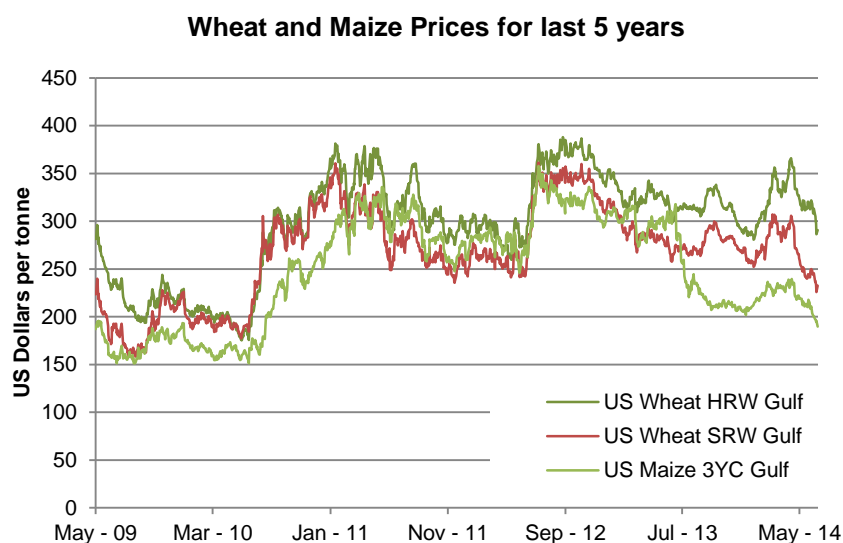


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2.1.1. Prices and Market Information – Commodities

Cereals

- The June average price of Hard Red winter wheat was \$316 per tonne, 7.6% lower than May. For Soft Red winter wheat the average June price was \$246, 12% lower than June. Prices available to mid July show a decrease of 8% for Hard Red Winter wheat on the June average price and a decrease of 12% for Soft Red Winter wheat.
- Maize prices have fallen from a record high of \$358 per tonne in July 2012 to \$197 per tonne in mid July 2014 (7.4% lower than the June average price).



Source: International Grains Council

- The USDA published their latest bulletin on 11 July 2014. For **Wheat** the USDA made few alterations to the 2013/14 crop though there were increases in demand estimates, notably for North Africa (+0.4Mt) and the Middle East (0.2Mt) The overall effect was a 1.8Mt decrease to global carry over stocks forecast, now projected at 184.3Mt but still 9Mt higher than 2012/13. For 2014/15 the USDA revised global production up 3.55Mt from the June forecast to 705Mt. US wheat output was increased 1.4Mt to 54Mt as Hard Red Spring wheat crops in Northern areas benefitted from favourable soil moisture content and weather conditions. Favourable weather conditions were also cited for increases to EU production estimates to 147.9Mt (+1.6Mt) and Ukraine to 21Mt (+1Mt). These increases were partly offset by decreased estimates for Kazakhstan of -1Mt due to dry weather and for Canada (-0.5Mt) and Australia (-0.5Mt) due to revised Government data. Early estimates suggest a high stocks-to-use ratio of 30.1% for 2014/15, which if realised would be the highest since 2010/11.
- For **Maize** the USDA made key changes to the 2014/15 estimates. Production was increased to 984.5Mt (an increase of 2.56Mt compared to June) due to increased production forecasts for Brazil (+2Mt) and demand was reduced due to lower animal feed usage in the US outweighing increased bio-ethanol usage. The higher carry over also affects the 2014/15 balance sheet. Lower US production was partly offset by lower animal feed demand and higher EU production. 2014/15 global production is forecast at 981Mt.
- For **Soyabeans** the USDA have not made major changes to the 2013/14 forecasts, with the exception of increasing US end of season stocks. For 2014/15 the main change was increased US production (based on revised planted area data) to 103.4Mt, further into record territory. Increased demand forecast for the US and China was not enough to offset higher production. Global soyabean stocks are projected at 85Mt for 2014/15 compared to 67Mt at the end of 2013/14 and 56.8Mt for 2011/12.

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- **Animal Feed** (source Defra): During May 2014 (the latest period for which data is available), the total GB retail production of animal feed was 809 thousand tonnes, down 5.8% on the same period in 2013 due to better forage feed availability and improved weather conditions. Total GB integrated poultry feed production was 202 thousand tonnes, up 2.1% during May 2014 compared to the same period in 2013.
- **Flour** (source Defra): During May 2014, the total amount of wheat milled in the UK was 506 thousand tonnes, 1.2% higher than in May 2013. The total amount of home grown wheat milled in the UK for May 2014 was 410 thousand tonnes, up 33% compared with May 2013. There were 96 thousand tonnes of imported wheat milled in May 2014, down 50% compared with May 2013. The poorer quality 2012 UK crop resulted in greater use of imported wheat, however May 2014 has shown millers continuing to revert back to using a greater proportion of home grown wheat from the better quality 2013 wheat crop. Flour production for the same period was 396 thousand tonnes, 0.8% higher than in May 2013.
- **Brewers, Distillers and Maltsters** (source Defra): During May 2014, the total usage of barley by brewers, distillers and maltsters was 166 thousand tonnes, up 1.5% compared to May 2013.

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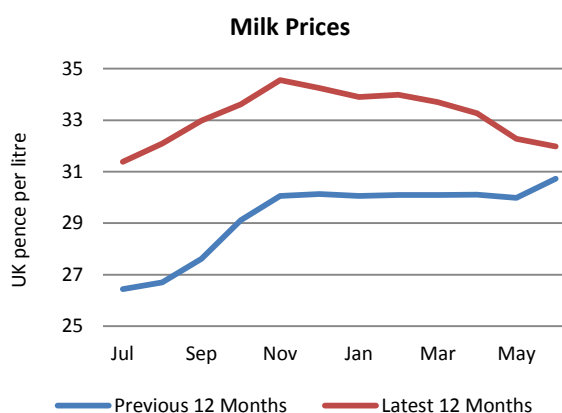
Livestock (source: Defra)

- **Sheep:** UK home-killed production of mutton and lamb in June 2014 was 4.9% higher than in June 2013. During January to June 2014 production rose by 2.7% with average carcass weights remaining slightly above last year although this month sheep carcase weights were slightly lower whereas adult sheep weights were up.
- **Cattle:** UK home-killed production of beef and veal was 2.6% higher in June 2014 compared to June 2013. With slaughterings slightly down on last year and higher average carcase weights, production in the first six months of 2014 was 2.4% higher than the previous year.

- **Pigs:** UK home-killed production of pigmeat was 5.5% higher in June 2014 compared to 2013. During January to June 2014, production rose by 3.7%. Average carcase weights remain higher than 2013.

Livestock products

- **Milk Volumes:** The provisional volume of wholesale milk delivered to UK dairies during June 2014 was 5% higher than the same period last year, at 1.2 billion litres, 62 million litres higher than June 2013. This represents the highest level of milk production during June since the 2003/04 milk year. Rainfall in the latter part of May had affected production, but more favourable weather in June has appeared to alter the degree of decline. (source: RPA).
- **Milk Prices:** Further reductions in prices paid to dairy farmers by a large proportion of dairies this month has resulted in the average UK milk price for June 2014 shows a minor decrease of 0.9% on the previous month at 31.98 pence per litre (inc. bonus payments), but the current monthly price still represents an increase of 4% (+1.25ppl) on the same period the previous year. June saw a smaller decline in the farm-gate price compared to recent months as the seasonal reduction in UK milk production renewed buying interest. However, uncertainty over supply levels is keeping buyers focused on short-term cover. (source: Defra).



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2.1.2. Balance sheet analysis and farming performance, England 2010/11-2012/13

On the 10th July 2014 Defra published results from an analysis looking at the profitability and resilience of farms in England 2010/11 to 2012/13. The results are sourced from Defra's Farm Business Survey. The notice examines six measures; liabilities, net worth, gearing ratios, liquidity, net interest payments as a proportion of Farm Business Income and Return on Capital Employed (ROCE). The key results are:

Liabilities

Liabilities are the total debt (short and long term) of the farm business including mortgages, long term loans and monies owed for hire purchase, leasing and overdrafts.

- Across all farms average (mean) liabilities (debt) are £150,000 per farm.
- Ten percent of all farms have liabilities of £400,000 or more and therefore would require consistent income flows to ensure that interest on borrowing can be paid. Over a quarter of farms have liabilities of less than £10,000.
- Pig & poultry farms have the highest levels of liabilities whilst grazing livestock farms have the lowest.
- Levels of debt (liabilities) increase with farm size.

Net worth

Net worth is the difference between the value of total assets and total liabilities.

- Average (mean) net worth across all farms is £1.2 million. Around 40% have a net worth of £1 million or more. This indicates that these farm businesses are likely to be resilient to fluctuations in income, at least in the short term.
- Cereal and general cropping farms have the highest average net worth, driven by the larger average area of land owned by these farm types, at between £1.6-1.7 million.
- Horticulture, LFA grazing livestock and pig & poultry farms have the lowest average net worth at approximately £700,000.
- As might be expected, net worth tends to increase with farm size; averaging £740,000 per farm for spare time and part time farms to £2.4 million for very large farms.

- Mixed mainly owner occupied farms have a greater average net worth (£1.7 million) than other tenure types.

Gearing ratio

The gearing ratio gives a farm's liabilities as a proportion of its assets. The gearing ratio provides a measure of the long term financial viability of a farm.

- The average (mean) gearing ratio across all farms is 11%, with around half of farms having a gearing ratio of less than 5%, suggesting that the vast majority of farms are viable over the longer term.
- Pig & poultry farms have the highest average gearing ratio at nearly 30%.
- Tenanted farms have a higher average gearing ratio (28%) compared to owner occupied farms (10%) and those of mixed tenure (9% for mixed mainly owner occupied and 17% for mixed mainly tenanted farms).

Liquidity

The liquidity ratio is current assets divided by current liabilities. The liquidity ratio provides a measure of the short term financial viability of farms.

- The average (mean) liquidity ratio across all farms is 246%.
- The majority of farms have a strong liquidity ratio, with over 60% having a ratio of at least 200%, indicating that the majority of farms are able to meet their current liabilities using current assets. However, 17% of farms potentially face financial difficulties with a liquidity ratio of less than 100%.
- On average, cereals and lowland grazing livestock farms have a liquidity ratio of over 300%. However, for dairy farms the average ratio is 143%.
- The liquidity ratio decreases with farm size from 330% for spare/part time and small farms to 195% for very large farms.

Net Interest payments as a proportion of Farm Business Income

- Net interest payments are on average (mean) 6% of Farm Business Income, ranging from 5% for cereal farms to 13% for pig & poultry farms.
- For nearly a third of all farms net interest payments are less than 5% of their Farm Business Income. This suggests that these farms are able to meet interest charges on borrowed capital.
- Five percent of farm businesses have negative Farm Business Income and therefore would not have been able to pay some or all of the interest on their debts, without further borrowing or drawing on their assets.

Return on Capital Employed

Return on capital employed (ROCE) is a measure of the return that a business makes from the available capital.

- The median Return on Capital Employed (ROCE) across all farms is 1%, but there is a wide range of performance across farms.
- Cereal, general cropping, dairy and pig & poultry farms have a greater ROCE than other farm types.
- Grazing livestock and horticultural farms have a negative median ROCE.
- Larger farms tend to have a greater ROCE than smaller farms.

The full report is available [here](#).

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2.1.3. Soil nutrient balances 2013

Defra released provisional 2013 figures for the UK and England soil nutrient balances on 23rd July.

Soil nutrient balances provide a method for estimating the annual nutrient loadings of nitrogen and phosphorus to agricultural soils. They give an indication of the potential risk associated with losses of nutrients to the environment; losses which can impact on air and water quality and on climate change. The nutrient balances are used as a high level indicator of farming's pressure on the environment and of how that pressure is changing over time. The balances do not estimate the actual losses of nutrients to the environment but significant nutrient surpluses are directly linked with losses to the environment. The key results for England are:

- The nitrogen balance was a surplus of 89 kg/ha. This is a decrease of 2 kg/ha (-2%) compared to 2012, and a reduction of 19 kg/ha (-18%) compared to 2000, continuing the long term downward trend.

The decrease between 2012 and 2013 has been mainly driven by a small reduction in inputs from inorganic (manufactured) fertilisers, partially offset by reductions in offtake (particularly harvested crops and crop residue).

- The phosphorus balance was a surplus of 5.8 kg/ha. This is an increase of 0.2 kg/ha (+3%) compared with 2012 and driven by a small increase in inputs (mainly via livestock manure) while outputs remained virtually unchanged on 2012.

As with nitrogen, the long term trend is downward (with similar drivers). The total surplus has fallen from 9.1kg/ha in 2000, a reduction of 36%.

The full results can be found under "Soils" at: <https://www.gov.uk/government/organisations/department-for-environment-food-rural-affairs/series/agri-environment-analysis>

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2.1.4. Agricultural Statistics and Climate Change

The fifth edition of Agricultural Statistics and Climate Change was published on the 30th July. The publication brings together a range of statistics that relate directly and indirectly to emissions, which can give an indication of whether agriculture is increasing its efficiency in ways that reduce GHG emissions. These include data on slaughter weights and ages, feed conversion ratios, livestock mortality, fertiliser and land use. Also included are links to data relating to on-farm practices that can give a picture of farmer awareness and the degree of uptake of measures to reduce emissions. The publication also incorporates details of developing research and provides some international comparisons.

The publication can be found on the internet at: <https://www.gov.uk/government/organisations/department-for-environment-food-rural-affairs/series/agricultural-statistics-and-climate-change>

2.1.5. Farm Practices Survey

Results from the 2014 Farm Practices Survey covering greenhouse gas mitigation measures were published on 24 July 2014. Topics covered include nutrient and manure management plans, uptake of anaerobic digestion, manure and slurry storage, fertiliser, manure & slurry spreaders, farm health plans and cattle and sheep breeding and feeding practices. The results can be found via the following link: <https://www.gov.uk/government/collections/farm-practices-survey>.

Key results include a steady increase in the proportion of holdings with a nutrient management plan from 46% in 2006 to 60% in 2014. Those holdings with nutrient management plans in 2014 accounted for 74% of the farmed area. Over the past four years more holdings reported a financial benefit (49% in 2014) from having such a plan than an environmental one (34% in 2014). Of those without a plan, 22% would not be motivated to create one. The number of livestock holdings with a farm health plan is 74% in 2014. Of those holdings with a plan in 2014, 82% use their plan either routinely or when possible during the year to inform decisions on disease management.

In 2014, 71% of farmers spread manure or slurry on their grassland or arable crops either themselves or hiring a contractor to do so and 84% spread fertiliser. Just over two thirds of holdings (67%) with livestock had storage facilities for solid manure in temporary heaps in fields and over half (55%) could store it on a

solid base. The proportions of holdings with the facilities to store slurry in a tank or a lagoon are 20% and 18% respectively. The majority of manure and slurry stores are uncovered.

In some situations sowing grassland with a clover mix or high sugar grasses can be a cost-effective method of increasing production and improving environmental protection. In 2014, 78% of livestock holdings had sown some or all of their temporary grassland with a clover mix and 58% have sown their temporary grassland with high sugar grasses. Livestock feeding regimes can also play an important role in productivity and efficiency, factors which can impact on GHG emissions. In 2014, around three quarters (73%) of holdings used a ration formulation programme or nutritional advice when planning the feeding regime of their livestock, unchanged from 2013.

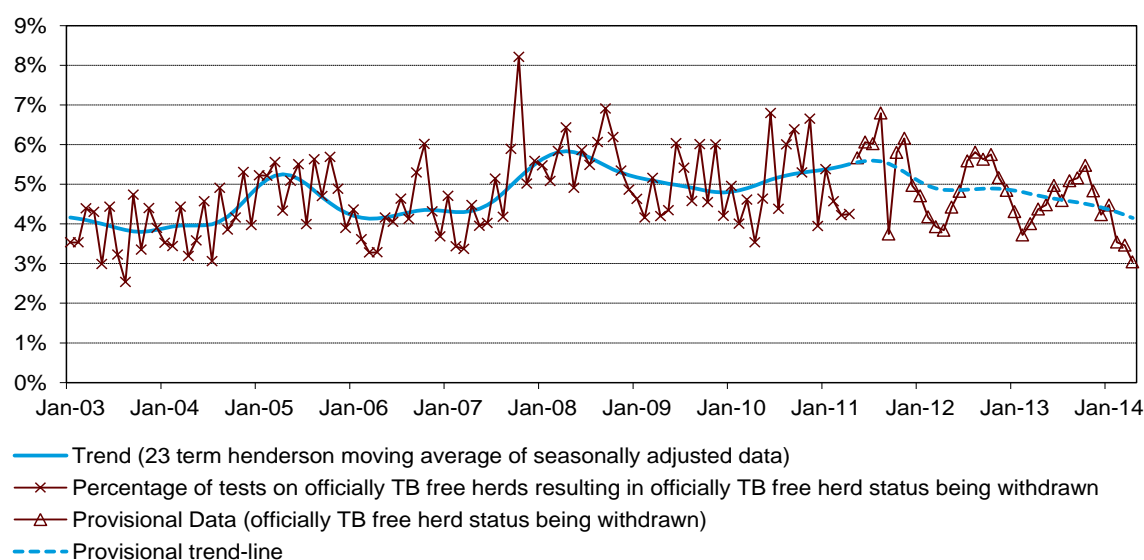
3. Environment, Health and Welfare

3.1. Health and Welfare

3.2.1. TB Statistics March 2014 – 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 for January to April 2014 is 3.7% compared to 4.1% for January to April 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 April 2014 was 1,767 compared to 1,809 for January to April 2013. The number of tests on officially TB free herds was 31,287 during January to April 2014, compared to 29,526 during January to April 2013.
- The number of cattle compulsorily slaughtered as reactors or direct contacts was 11,689 during January to April 2014, compared to 12,003 during January to April 2013.

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



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

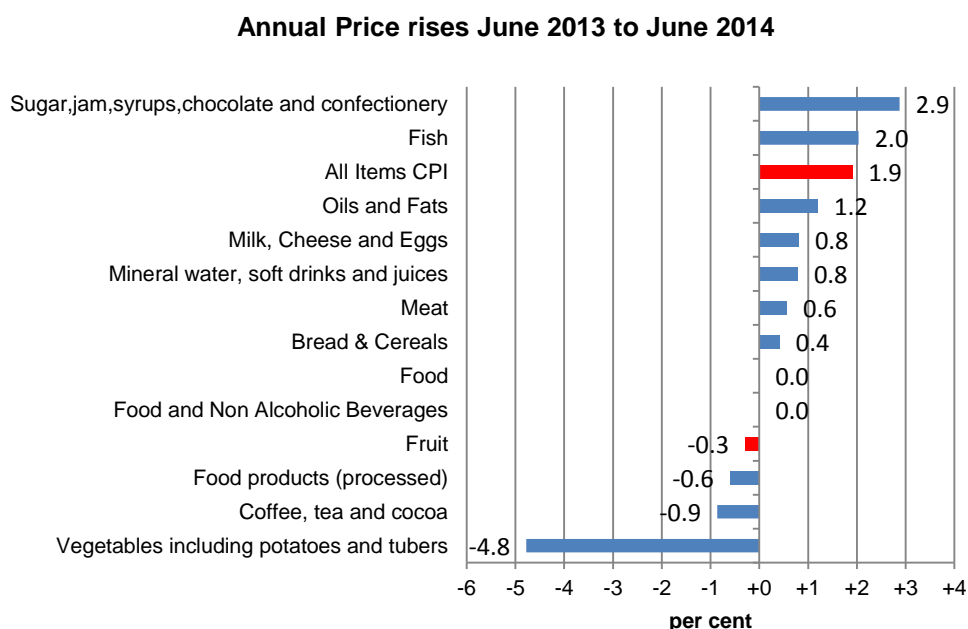
Year on year food prices have remained unchanged with an annual rate of inflation of 0.0 % in the year to June 2014. This follows the year on year price fall last month, with -0.6% inflation in the year to May. Food inflation is below general inflation at 1.9%, which rose from 1.5% in May.

The largest contributions to the rise in the general inflation rate came from the clothing, food & non-alcoholic drinks and air transport sectors.

Annual all items inflation was 1.9% in the year to June 2014, an increase on May. The largest contributions to the increase in the annual rate came from clothing, food & non-alcoholic drinks and air transport. There were no large downward effects to offset the change.

Food only inflation was also unchanged at 0.0% in the year to June. The largest contribution to the increase from the previous month came from vegetables including potatoes; and, to a lesser extent, bread and cereals; sugar, jam, syrups, chocolate and confectionery; and milk, cheese and eggs. This was partially offset by meat, food products not elsewhere covered and fish.

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4.2. International Trade in Food, Feed and Drink

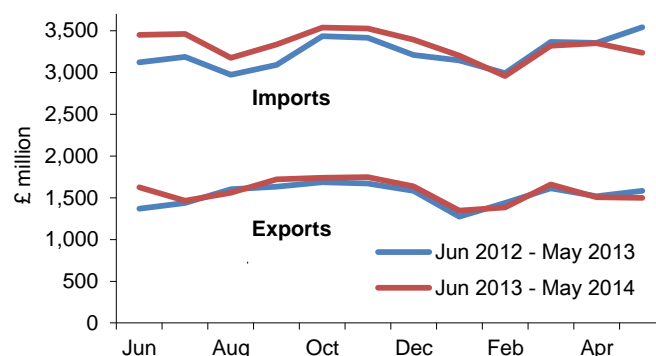
This section shows the latest available trade figures (to May 2014).

In May:

- The value of exports was £1.5 billion, 5.3% lower than in May 2013;
- The value of imports was £3.2 billion, 8.6% lower than the previous May;
- This resulted in a crude trade gap of minus £1.7 billion, 11.2% narrower than in May 2013.

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

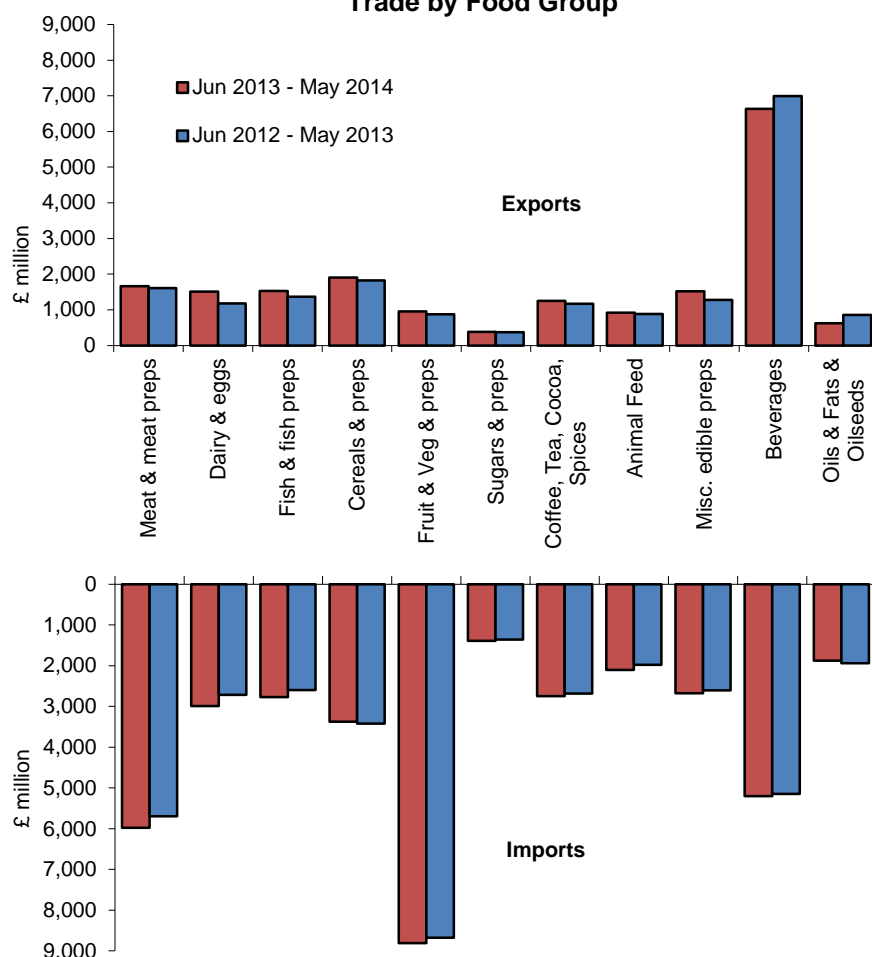
Imports and Exports of Food, Feed and Drink



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

- Imports of **meat and meat preparations** rose by £288m (10.1%), while exports rose by £55m (3.4%)
- Imports of **dairy products and eggs** rose by £274m (10.1%), while exports rose by £337m (28.6%)
- Imports of **fish and fish preparations** rose by £173m (6.6%) while exports rose by £164m (12.0%)
- Imports of **cereals and cereal preparations** fell by £48m (-1.4%), while exports rose by £84m (4.6%)
- Imports of **fruit and vegetables** rose by £141m (1.6%), while exports rose by £80m (9.1%)
- Imports of **beverages** rose by £58m (1.1%) while exports fell by £355m (-5.1%)

Trade by Food Group



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