Department for Environment Food & Rural Affairs

June 2014

Farming and Food Brief

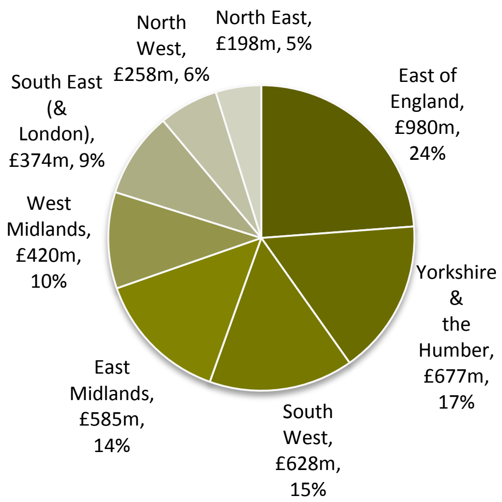
Headline summary

Agriculture in the English regions 2013, 1st estimate

Total income from Farming in England is estimated to have risen by 12% (£440 million) to £4,120 million between 2012 and 2013. England contributed 75% to the United Kingdom total (£5,464 million), Scotland 15%, Northern Ireland 5% and Wales 4%.

Over the past five years, Total Income from Farming increased in all English regions, ranging from 9% in the North West to 36% in East of England. Livestock output was predominant in the South west and North West while crop output was greatest in East England.

Total Income for Farming by region 2013



Organic farming in England, 2013

The area of organically farmed land in England declined by 3.0% in 2013 to 316,000 hectares, representing 3.5% of the total agricultural area. Land entering conversion fell to 14,000 hectares in 2013, the lowest recorded, while the area of fully organic land declined to 302,000 hectares. The number of organic producers and processors fell by 3.8% to 4,419 in 2013. Over a third of all organic producers and processors are in the south west of England.

Increased production for Beef and Dairy sector

UK home-killed production of beef and veal was 4.9% higher in May 2014 compared to May 2013. With supplies of cattle outstripping demand both at home and abroad, GB prime cattle prices have been under pressure and have fallen throughout 2014. In May, prices were at their lowest level since mid-2012 and some 15-20% lower than the peak reached in 2013.

Recent high commodity prices have stimulated milk production globally, in the EU and in the UK. The provisional volume of wholesale milk delivered to UK dairies during May 2014 was 8% higher than the same period last year, at 1.3 billion litres. This volume represents the highest level of milk production during May since the 2003/04 milk year. The increase in global and EU production is now putting downward pressure on commodity prices which signals producers to ease back, to bring supply and demand into balance. Many processors have recently announced reductions of around 1-2 ppl to take effect between May and July. This would bring the farm gate price back closer to, but still above, the level seen in the first half of 2013.

Contents

1. Overall economic position

Consumer Price Index

- Year on year food prices have fallen for the first time since 2006 with an annual rate of inflation of -0.6 per cent in the year to May 2014. This is down from 0.5 per cent inflation in April. Food inflation is below general inflation at 1.5 per cent, which fell from 1.8 per cent in April.
- Annual all items inflation was 1.5 per cent in the year to May 2014, a decrease on April. The largest contributions to the decrease in the annual rate came from clothing & footwear, food & non-alcoholic drinks and transport. The largest upward contributions came from motor fuels and recreation and culture.

More details are in the full statistical bulletin from the Office for National Statistics.

Unemployment Rate

- Comparing February to April 2014 with November 2013 to January 2014, there was a large increase in employment and a large fall in unemployment. There was a further fall in the number of economically inactive people aged from 16 to 64. These changes continue the general direction of movement over the past two years.
- The unemployment rate was 6.6% of the economically active population (those in work plus those seeking and available to work) for February 2014 to April 2014, down from 7.2% for November 2013 to January 2014 and down from 7.8% a year earlier.

Retail Sales

- In May 2014, the amount spent in the retail industry increased by 3.2% compared with May 2013. However, on the month the amount spent decreased by 0.5% compared with April 2014. Non-seasonally adjusted data show that the average weekly spend in the retail industry in May 2014 was £7.0 billion, compared with £6.8 billion in May 2013 and £7.0 billion in April 2014.
- Average prices of goods sold in May 2014 showed continued deflation of 0.7%, fuel once again providing the largest contribution, falling by 2.2%. Food stores were the only sector to show an increase (0.4%) however, this series continues to fall and is now at its lowest level since March 2006 (0.3%).

GDP – Second Estimates, Q1 2014

- GDP increased by 0.8% in Q1 2014 unrevised from the previous estimate of GDP published 29 April 2014.
- GDP was 3.1% higher in Q1 2014 compared with the same quarter a year ago. Again unrevised from the previously published 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

UK Prices – Inputs

- **Red Diesel:** In May 2014, the average price for red diesel rose to 66.83 pence per litre. Current prices are 1.9% lower than May 2013.

- **Fertiliser**: The average price for 34.5% UK Ammonium Nitrate bags remained unchanged at £299 per tonne. Current prices are 12% higher than May 2013. *(Source: Dairy Co Datum)*

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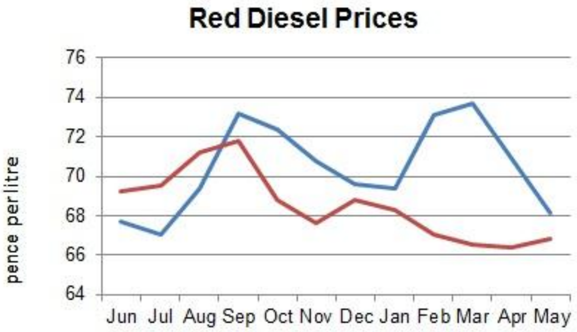
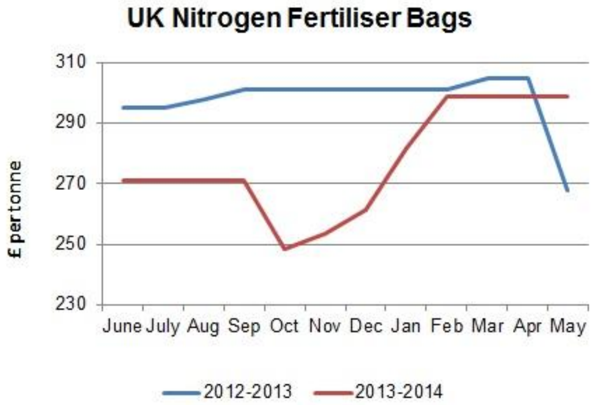




2.1.1. Prices and Market Information – Commodities

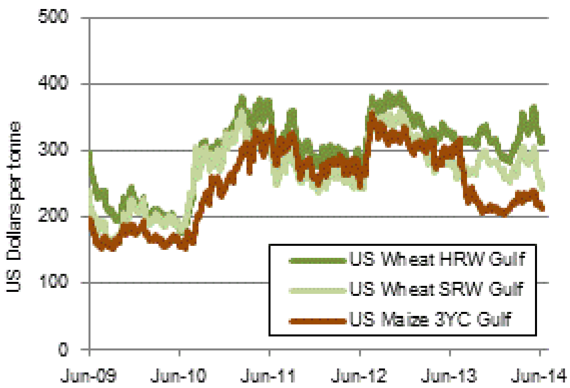
Cereals

- The May average price of Hard Red winter wheat was $342 per tonne, 1.7% higher than April. For Soft Red winter wheat the average May price was $280, -2.7% lower than April. Prices available to mid June show a decrease of 8% for Hard Red Winter wheat on the May average price and a decrease pf 12% 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 June (5.9% lower than the May average price).

- The USDA published their latest bulletin on 11 June 2014. For **Wheat** the USDA made few alterations to the 2013/14 crop though total food usage was revised slightly higher. The overall effect was a 0.5Mt decrease to global carry over stocks forecast, now projected at 186.5Mt (175.3Mt in 2012/13). For 2014/15 the USDA revised global production up 4.6Mt although this is still 12.4Mt lower than last year's record. Larger crops are forecast for the EU28 (+1.4Mt to 146.3Mt), India (+1.9Mt to 95.9Mt), China (+1.0Mt to 124Mt) and Russia (+1.0Mt to 53Mt) due to favourable conditions supporting yields Overall production in 2014/15 is forecast at 701.6Mt. These increases offset a forecast decline of 0.6Mt for the US to 52.9Mt caused by drought conditions. Although demand has increased as well it is not enough to offset the higher production figure and leads to a small increase to end of season stock projections (188.6Mt). The demand estimate is raised to 699.1Mt because of expected higher food usage in India and increased animal feed demand in China and the EU28

Wheat and Maize prices for last 5 years



Source: International Grains Council

- For **Maize** the USDA increased 2013/14 global production and demand with carry over stocks increased as a result. End of season stocks are now projected 32.8Mt higher than 2012/13. The most notable changes are increased production in Brazil (+1Mt) and South Africa (+0.5Mt) as well as an extra 1.0Mt on the EU animal feed number. For 2014/15 the combination of slightly higher carry-over stocks and increased production greater than demand gives a heavier supply and demand balance than previously forecast. Production is forecast at 981.1Mt, 2Mt higher than the the May forecast due to increased production in Russia and Ukraine. Demand is forecast at 967.5Mt, 16.5MT higher than last year due to increased animal feed demand and closing stocks at 182.7Mt, 1.1Mt higher than last year.

- For **Soyabeans** the USDA have not made major changes to the 2013/14 forecasts, with both Brazilian (87.5Mt) and Argentine (54Mt) production at record levels, unchanged from the May forecast. For 2014/15 only small changes were made to the May forecast. Opening stocks are forecast at 67.2Mt, 10.1Mt higher than 2013/14 Production is forecast at 300Mt, (+16.2Mt), demand 10.6Mt higher at 280.6Mt and end stocks 15.7Mt higher at 82.9Mt. The USDA also increased its Forecast of EU rapeseed production by 0.5Mt to 22Mt based on a revised forecast from EU based analysts Strategie Grains.

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- **Animal Feed** (source Defra)**:** During April 2014 (the latest period for which data is available), the total GB retail production of animal feed was 865 thousand tonnes, down 12% on the same period in 2013 due to better forage feed availability and improved weather conditions. Total GB integrated poultry feed production was 194 thousand tonnes, up 0.7% during April 2014 compared to the same period in 2013.

- **Flour** (source Defra)**:** During April 2014, the total amount of wheat milled in the UK was 503 thousand tonnes, 0.2% lower than in April 2013. The total amount of home grown wheat milled in the UK for April 2014 was 414 thousand tonnes, up 33% compared with April 2013. There were 88 thousand tonnes of imported wheat milled in April 2014, down 54% compared with April 2013. The poorer quality 2012 UK crop resulted in greater use of imported wheat, however April 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 390 thousand tonnes, 0.1% lower than in April 2013.

- **Brewers, Distillers and Maltsters** (source Defra)**:** During April 2014, the total usage of barley by brewers, distillers and maltsters was 157 thousand tonnes, up 7.7% compared to April 2013.

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Livestock *(source: Defra)*

- **Sheep:** UK home-killed production of mutton and lamb in May 2014 was 8.2% higher than in May 2013. During January to May 2014 production rose by 2.3% with average carcase weights remaining above last year.

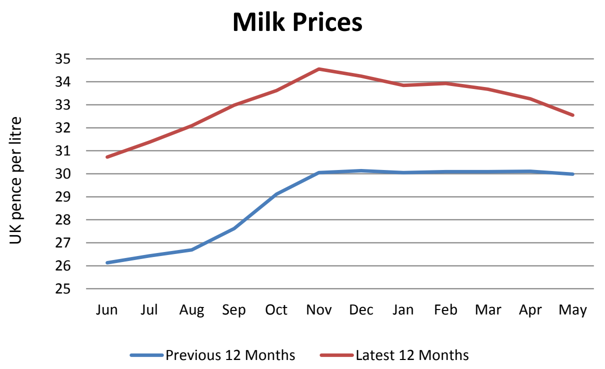
- **Cattle:** UK home-killed production of beef and veal was 4.9% higher in May 2014 compared to May 2013. With slaughterings up on last year and higher average carcase weights, production in the first five months of 2014 was 2.4% higher than the previous year. With supplies of cattle outstripping demand both at home and abroad, GB prime cattle prices have been under pressure and have fallen throughout 2014. In May, prices were at their lowest level since mid-2012 and some 15-20% lower than the peak reached in 2013 on the back of the horsemeat revelations.

- **Pigs:** UK home-killed production of pigmeat was 5.1% higher in May 2014 compared to 2013. During January to May 2014, production rose by 2.2% as heavier average weights continue.

Livestock products

- **Milk Volumes:** Recent high commodity prices have stimulated milk production globally, in the EU and in the UK. The provisional volume of wholesale milk delivered to UK dairies during May 2014 was 8%

higher than the same period last year, at 1.3 billion litres. This volume represents the highest level of milk production during May since the 2003/04 milk year. (source: RPA)



- **Milk Prices:** The average UK milk price for May 2014 shows a minor decrease of 2.1% on the previous month at 32.6 pence per litre, but still represents an 9% increase (+2.6ppl) on the same period in 2013. The increase in global and EU production is now putting downward pressure on commodity prices which signals producers to ease back, to bring supply and demand into balance. Many processors have recently announced reductions of around 1-2 ppl to take effect between May and July. This would bring the farm gate price back closer to, but still above, the level seen in the first half of 2013. (source: Defra)

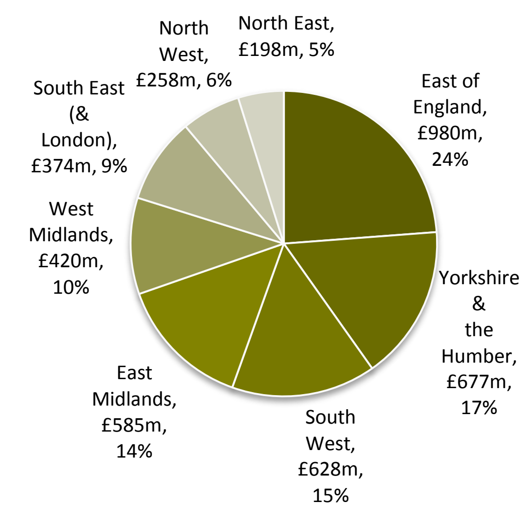
Contact: Julie Rumsey, Farming Statistics (Accounts and Prices), Julie.Rumsey@defra.gsi.gov.uk

Contact: Helen Hoult, Farming Statistics (Livestock), Helen.Hoult@defra.gsi.gov.uk

2.1.2. Agriculture in the English regions 2013, 1st estimate

These statistics describe the relative growth in Total Income from Farming and the contribution that the agricultural industry makes to the regional economy. Key components of the production and income accounts for 2013 are summarised.

Total Income for Farming by region 2013



Total income from Farming in England is estimated to have risen by 12% (£440 million) to £4,120 million between 2012 and 2013. England contributed 75% to the United Kingdom total, Scotland 15%, Northern Ireland 5% and Wales 4%.

The greatest contribution to the total value of output in England was the production of milk (£2,728 million), wheat (£1,941 million), poultry meat (£1,893 million), cattle reared for meat (£1,327 million) and fresh vegetables (£1,136 million). Farmers also received £2,060 million as direct payments in 2013.

Key expenditure in England was on animal feed £3,724 million, a £589 million increase when compared to 2012 and the largest rise for any input in 2013. Other key costs were labour £1,883 million, fertiliser £1,095 million and energy £1,078 million

Over the past five years, Total Income from Farming increased in all English regions, ranging from 9% in the North West to 36% in East of England. Livestock output was predominant in the South west and North West while crop output was greatest in East England.

In 2013 agriculture employed 1.08% of the total workforce in England.

The full report is available here.

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2.2. Organic farming in England, 2013

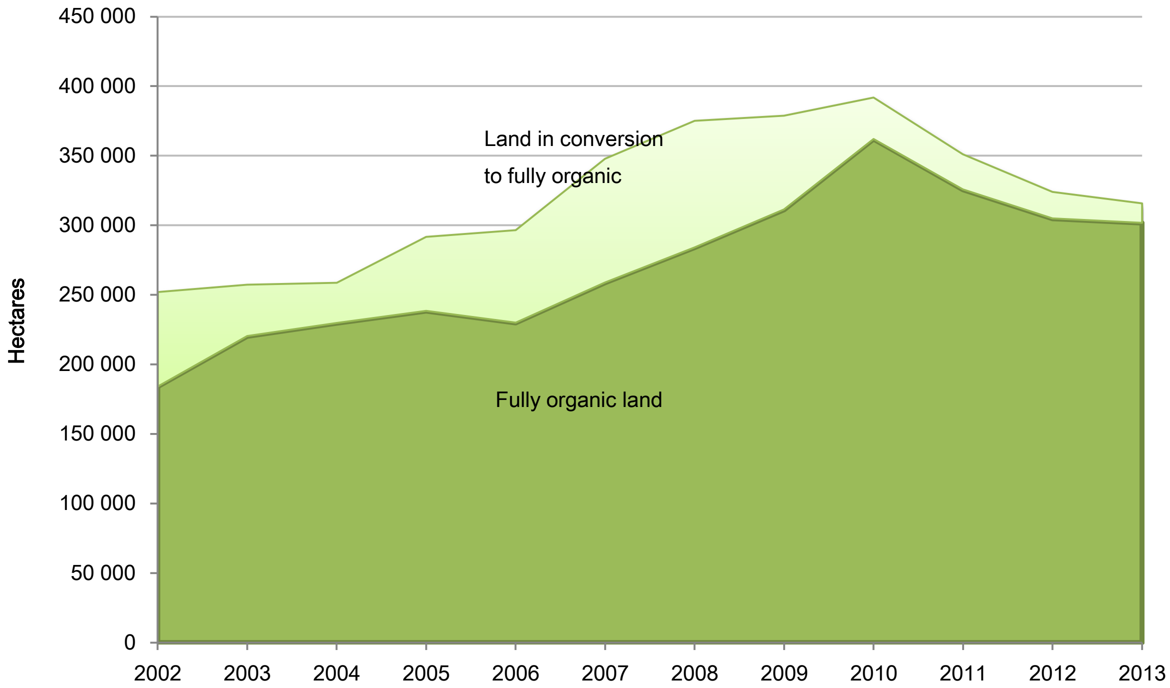
The area of organically farmed land in England declined by 3.0% in 2013 to 316,000 hectares, representing 3.5% of the total agricultural area. Land entering conversion fell to 14,000 hectares in 2013, the lowest recorded, while the area of fully organic land declined to 302,000 hectares.

The area of organically farmed land was at a record high in 2008 but has since declined by 23%, which may be attributed to a fall in consumer spending on organic products during the economic downturn. The proportion of land that is farmed organically varies widely within England, from 48% in the South West to 5% in North West, East Midlands and East regions and 3% in Yorkshire and Humberside

The area of organic crops and the number of organic livestock have also declined in 2013, which is to be expected as the total area of organically farmed land has fallen, although organic poultry has seen a small 1.2% increase.

The number of organic producers and processors fell by 3.8% to 4,419 in 2013. There were 2,415 producers and 1,852 processors with a small number of enterprises that encompassed both farming and processing. Over a third of all organic producers and processors are in the south west of England.

Area of organically farmed land in England



Contact: Julian Groom, farming Statistics (Organic Farming), julian.groom@defra.gsi.gov.uk

3. Environment, Health and Welfare

3.1. Health and Welfare

3.2.1. TB Statistics March 2014 – Great Britain

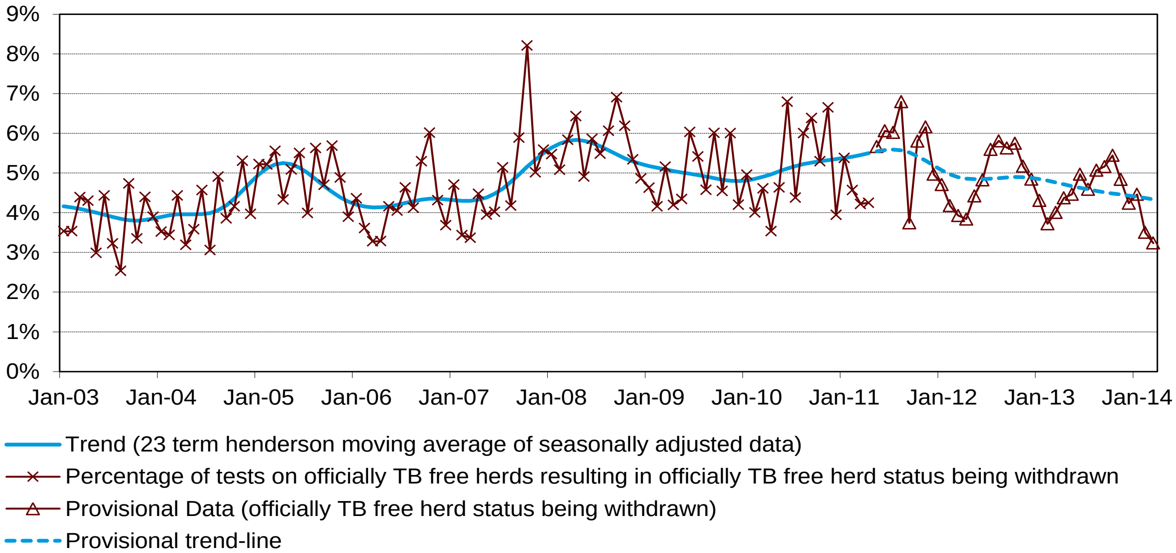
- Short term changes in these statistics should be considered in the context of long term trends. The charts and tables in this statistical notice illustrate how the trend in bovine TB incidence has changed since 1996.

- The provisional incidence rate for January to March 2014 is 3.7% compared to 4.0% for January to March 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 March 2014 was 1,404 compared to 1,386 for January to March 2013. The number of tests on officially TB free herds was 24,421 during January to March 2014, compared to 22,919 during January to March 2013.

- The number of cattle compulsorily slaughtered as reactors or direct contacts was 8,823 during January to March 2014, compared to 9,277 during January to March 2013.

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

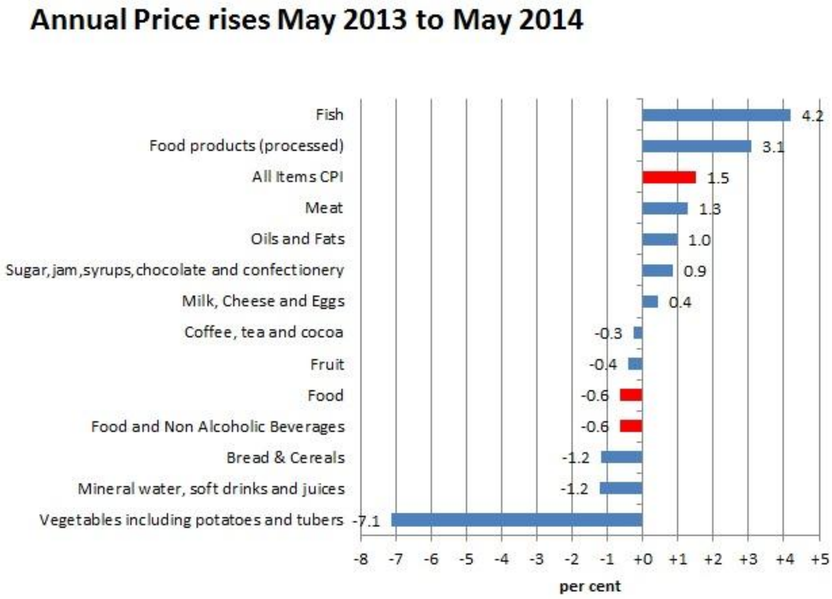
This section highlights current trends in food price inflation and drivers of future price changes together with the latest trade figures for food and drink.

4.1. Food inflation: consumer and retail prices

Year on year food prices have fallen for the first time since 2006 with an annual rate of inflation of -0.6% in the year to May 2014. This is down from 0.5% inflation in April. Food inflation is below general inflation at 1.5%, which fell from 1.8% in April.

This is the first price fall on the year since March 2006. However, since March 2006, food prices have increased more than half as much again as all items (42% compared with 27%).

The month on month food inflation rate was -1.1% between April and May, down from -0.5% in April.



Annual all items inflation was 1.5% in the year to May 2014, a decrease on April. The largest contributions to the decrease in the annual rate came from clothing & footwear, food & non-alcoholic drinks and transport. The largest upward contributions came from motor fuels and recreation and culture.

The figures quoted above include non-alcoholic beverages. Food only inflation was also -0.6% in the year to May. The largest contribution to the decrease came from vegetables including potatoes and, to a lesser extent, bread and cereals.

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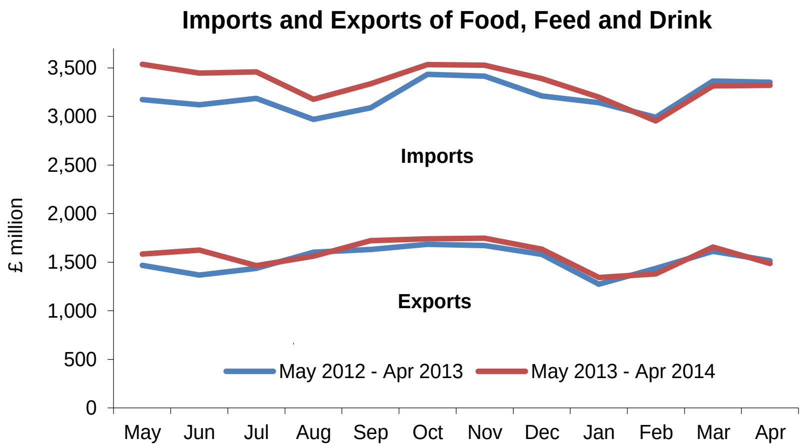
4.2. International Trade in Food, Feed and Drink

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

In April:

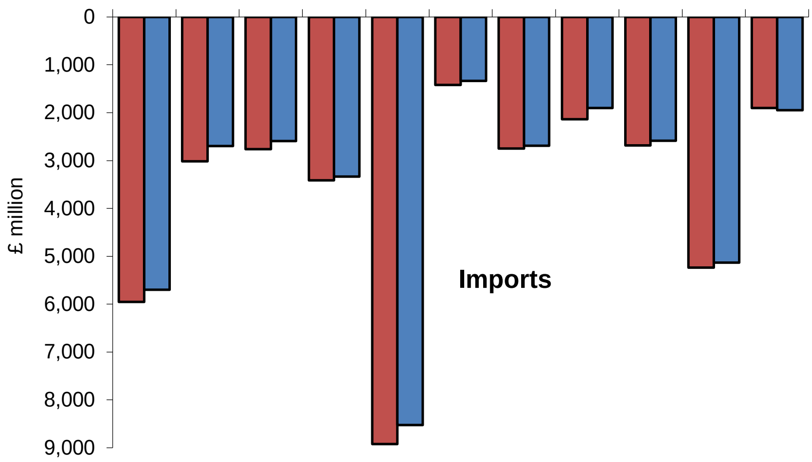
- The value of exports was £1.5 billion, 2.0% lower than in April 2013;
- The value of imports was £3.3 billion, 1.0% lower than the previous April;
- This resulted in a crude trade gap of minus £1.8 billion, 0.1% narrower than in April 2013.



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

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

- Imports of **meat and meat preparations** rose by £254m (4.4%), while exports rose by £87m (5.5%)
- Imports of **dairy products and eggs** rose by £317m (11.7%), while exports rose by £337m (29.1%)
- Imports of **fish and fish preparations** rose by £170m (6.5%) while exports rose by £146m (10.8%)
- Imports of **cereals and cereal preparations** rose by £80m (2.4%), while exports rose by £73m (4.0%)
- Imports of **fruit and vegetables** rose by £395m (4.6%), while exports rose by £91m (10.5%)
- Imports of **beverages** rose by £102m (2.0%) while exports fell by £267m (-3.8%)



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