



April 2014

Farming and Food Brief

Headline summary

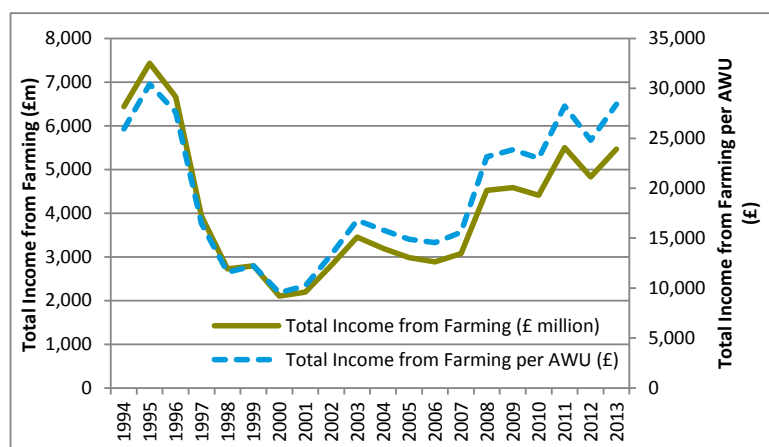
Total Income from farming rises

In 2013 Total Income from Farming is estimated to be £5,464 million. This is a 13% (£631 million) rise in real terms compared to 2012.

Total Income from Farming per annual work unit (AWU) of entrepreneurial labour (farmers and other unpaid labour) is estimated to have risen by 15% in real terms to £28,426 in 2013.

In 2012 Total Income from Farming and Total Income from Farming per AWU of entrepreneurial labour were negatively affected by the poor weather. In 2013 they have both recovered back to 2011 levels. Compared to 2011 Total Income from Farming is 0.7% lower while Total Income from Farming per AWU of entrepreneurial labour is 0.6% higher. Looking over the longer period, Total Income from Farming has remained at a level higher than in the late 1990s/early 2000s but is still 26% less than the peak of 1995.

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



Fertiliser use continues to fall

Defra has published detailed evidence on the use of the nutrients nitrogen, phosphorus and potash on agricultural crops and grassland. These nutrients are vital for agricultural production but have environmental impacts. This survey also collected information on applications of sulphur fertilisers, organic manures and lime. The rate of use of nitrogen on all tillage has remained relatively constant over the last 25 years at around 145 - 150 kg/ha, but fell to 136kg/ha in 2013 as a result of the weather and resulting cropping changes. Since 2000, the overall applications made to grass have fallen consistently relative to those made on tillage crop (because of falling livestock numbers and improved efficiency of use of fertilisers and organic manures). The use of phosphate and potash on tillage crops has been declining since the late 1990's, although rates have been more stable since 2010. In 2013 sulphur was used on 43-53 % of cereal crops and 73% of oilseed rape, compared to just 3-6% and 8% respectively in 1993. Around 68% of farms in the survey used organic manures on at least one field on the farm. ([see section 3](#))

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. Total Income from Farming for the United Kingdom – 1st estimate of 2013 | 6 |
| 3. Environment, Health and Welfare | 7 |
| 3.1. Health and Welfare | 7 |
| 3.2.1. TB Statistics January 2014 – Great Britain | 7 |
| 3.2.2. The British Survey of Fertiliser Practice 2012 | 8 |
| 4. Food | 9 |
| 4.1. Food inflation: consumer and retail prices | 9 |
| 4.2. International Trade in Food, Feed and Drink | 9 |

1. Overall economic position

Consumer Price Index

- Food inflation fell to an annual rate of 1.7% in the year to March, down from 1.8% in February. Food inflation is above general inflation at 1.6%, which fell from 1.7% in February.
- The largest contributions to the fall in the CPI annual rate came from transport, 'clothing and footwear' and 'furniture, household equipment and maintenance'. The largest upward contributions came from 'restaurants and hotels' and 'alcohol and tobacco'.

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

Unemployment Rate

- Latest estimates show that the number of people in employment continued to increase. Unemployment continued to fall, as did the number of economically inactive people aged from 16 to 64. The unemployment rate was 6.9% of the labour force (those unemployed plus those employed) for December 2013 to February 2014, down from 7.1% for September to November 2013 and from 7.9% for a year earlier.
- Pay including bonuses for employees in Great Britain for December 2013 to February 2014 was 1.7% higher than a year earlier, with pay excluding bonuses 1.4% higher.

Retail Sales

- In March 2014, the quantity bought in the retail industry increased by 4.2% compared with March 2013 and by 0.1% compared with February 2014. The quantity bought also increased in Q1 2014 compared with Q1 2013, by 3.8%. This continues a pattern of year-on-year growth since early 2013.

GDP - Q4 2013

- GDP is estimated to have increased by 1.7% in 2013, compared with 2012, revised down 0.1 percentage points from the previously estimated 1.8% increase.
- The households' saving ratio was estimated to be 5.1% in 2013 compared with 7.3% in 2012.

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 March 2014, the average price for red diesel fell to 66.75 pence per litre. Current prices are 9.4% lower than March 2013.
- **Fertiliser:** The average price for 34.5% UK Ammonium Nitrate bags rose to £299 per tonne. Current prices are 2% lower than March 2013. (Source: Dairy Co Datum)

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2.1.1. Prices and Market Information – Commodities

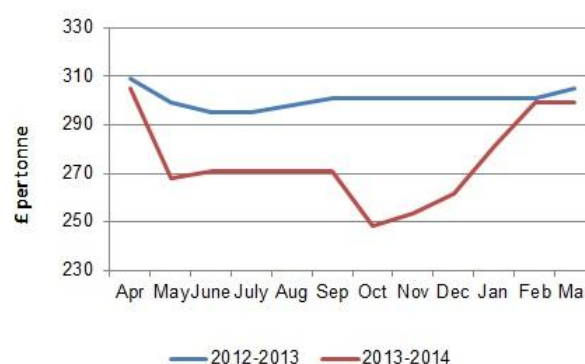
Cereals

- The March average price of Hard Red winter wheat was \$335 per tonne, 11% higher than February. For Soft Red winter wheat the average March price was \$295, an increase of 10% from February. Prices available to mid April show a decrease of 0.8% for Hard Red Winter wheat on the March average price and a decrease of 2.8% for Soft Red Winter wheat.
- Maize prices have fallen from a record high of \$358 per tonne in July 2012 to \$233 per tonne in mid April (0.7% higher than the March average price).
- The USDA published their latest bulletin on 9 April 2014. For **Wheat** the USDA have increased their global ending stocks forecast by 2.9Mt to 186.9Mt which is higher than trade expectations. The main reason for this increase was a anticipated reduction in feed wheat demand from China of 2Mt and trade adjustments accounting for the rest. EU feed wheat consumption is forecast higher by 1Mt at 49Mt, this is offset by an increase in opening stocks and a decline in imports to leave ending stocks at 11.7Mt, up 0.6Mt.
- For **Maize** the USDA increased global production by 6.4Mt, based on a 2.0Mt increase for Brazil and a 1.0 Mt increase for both South Africa and Russia. Higher production is offset by higher feed and trade, leaving end of season stocks down by 0.5Mt at 158Mt, in line with expectations. Maize imports into the EU are expected to increase for food, seed and industrial use.

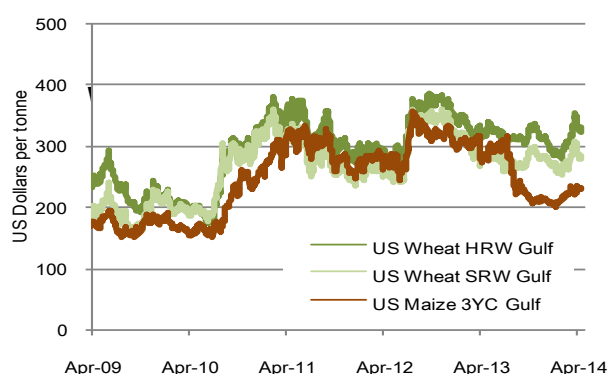
Red Diesel Prices



UK Nitrogen Fertiliser Bags



Wheat and Maize prices for last 5 years



Source: International Grains Council

- The USDA have reduced their **Soyabean** end of season stocks forecast by 1.2Mt to 69.4Mt which is towards the lower end of trade expectations. Global production was reduced by 1.4Mt due to lower Brazilian estimates where higher harvested area is offset by lower yields. For trade US exports were forecast to increase by 1.4Mt to 43Mt reflecting strong activity, especially to China.

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- **Animal Feed** (source Defra): During February 2014 (the latest period for which data is available), the total GB retail production of animal feed was 888 thousand tonnes, down 2.5% on the same period in 2013. Total GB integrated poultry feed production was 196 thousand tonnes, up 0.1% during February 2014 compared to the same period in 2013.
- **Flour** (source Defra): During February 2014, the total amount of wheat milled in the UK was 482 thousand tonnes, 8% lower than in February 2013. The total amount of home grown wheat milled in the UK for February 2014 was 406 thousand tonnes, up 14% compared with February 2013. There were 76 thousand tonnes of imported wheat milled in February 2014, down 56% compared with February 2013. The poorer quality 2012 UK crop resulted in greater use of imported wheat, however February 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 382 thousand tonnes, 9% lower than in February 2013.
- **Brewers, Distillers and Maltsters** (source Defra): During February 2014, the total usage of barley by brewers, distillers and maltsters was 159 thousand tonnes, up 9% compared to February 2013.

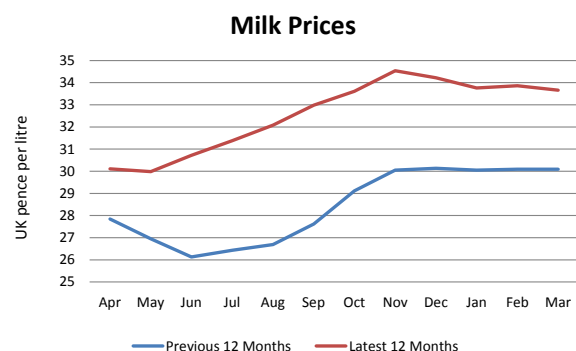
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Livestock (source: Defra)

- **Sheep:** UK home-killed production of mutton and lamb in March 2014 was 1.8% lower than in March 2013. Production in the first quarter of 2014 was 3.3% lower, with continued heavier weights helping to offset the reduction in sheep and lambs available for slaughter.
- **Cattle:** With increased slaughterings and strong carcase weights, UK home-killed production of Beef and Veal was 8.1% higher in March 2014 compared to March 2013. Production in the first quarter of 2014 was 2.9% higher.
- **Pigs:** UK home-killed production of pigmeat was 3.4% higher in March 2014 compared to 2013. Production in the first quarter of 2014 increased by 1.8%, driven by strong carcase weights.

Livestock products

- **Milk volumes:** The provisional volume of wholesale milk delivered to UK dairies during March 2014 was 12.1% higher than the same period last year, at 1.2 billion litres, 135 million litres higher than March 2013. As was the situation in February, this is the highest level of production for the month of March since RPA records began in 1994/95. Cumulative production for the 2013/14 milk year (Apr-Mar) of 13.7 billion litres was 696m litres (5%) higher than 2012/13. The increase in production during the current milk year has been encouraged by positivity in the industry, helped by stronger milk prices, and favourable weather conditions throughout the period (source: RPA).
- **Milk prices:** The average UK milk price for March 2014 shows a very minor decrease of 0.6% on the previous month at 33.7 pence per litre (inc. bonus payments), but still represents a healthy increase of



11.9% on the same period the previous year. A slight slowdown in global commodity prices combined with continued good levels of milk supply has tempered the recent monthly rises to the farmgate price (source: Defra).

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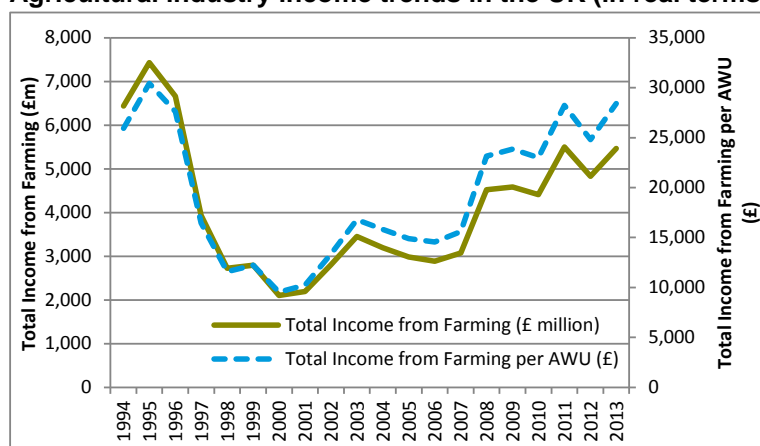
2.1.2. Total Income from Farming for the United Kingdom – 1st estimate of 2013

Total Income from Farming, the income to those with an entrepreneurial interest in the

agricultural industry, typically farmers and partners, is estimated to have risen between 2012 and 2013 by 13% (£631 million) in real terms, to £5,464 million. Total Income from Farming per annual work unit (AWU) of entrepreneurial labour (farmers and other unpaid labour) is estimated to have risen by 15% in real terms to £28,426 in 2013. In 2012 Total Income from Farming and Total Income from Farming per AWU of entrepreneurial labour were negatively affected by the poor weather. In 2013 they have both recovered back to 2011 levels. Compared to 2011 Total Income from Farming is 0.7% lower while Total Income from Farming per AWU of entrepreneurial labour is 0.6% higher.

Looking over the longer period, Total Income from Farming has remained at a level higher than in the late 1990s/early 2000s but is still 26% less than the peak of 1995.

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



Further details (at current price)

Overall output of crops rose by £334 million (3.7%) to £9,288 million. A key contributor to this increase was potatoes whose value increased by £210 million to £940 million. 2013 saw prices rise following a poor harvest in 2012, a result of the wet weather conditions, which led to reduced supplies.

Cereals were a mixed picture in 2013. Wheat value fell by £75 million to £2,085 million, despite improved yield and quality, overall production was down due to a reduction in the area harvested. Oilseed rape value fell by £245 million to £741 million, as both yield and area were down in 2013, despite prices remaining strong. In contrast the value of barley was up £199 million to £1,125 million. Increased production due to additional spring plantings and increased yields were key to the rise in value.

Overall the total value of livestock rose by £1,110 million (8.5%) to £14,241 largely driven by the increased value of milk, up £505 million to £4,271 million, a result of higher prices. The output value of livestock products for meat continues to be a strong performer, with increases seen across all sectors.

The cost of animal feed rose by £740 million (15%), increases in the number of pigs and poultry along with the lack of grass and fodder growth due to the cold weather at the start of the year led to an increase in demand for feed which led to prices rising. There was also a 20% increase in the value of seeds to £814 million as plantings increased, notably spring barley.

Direct payments received as a consequence of engaging in agricultural production, principally the Single Payment Scheme and agri-environment schemes rose by £90 million to £3,330 million due principally to changes in the Pound and Euro exchange rate.

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

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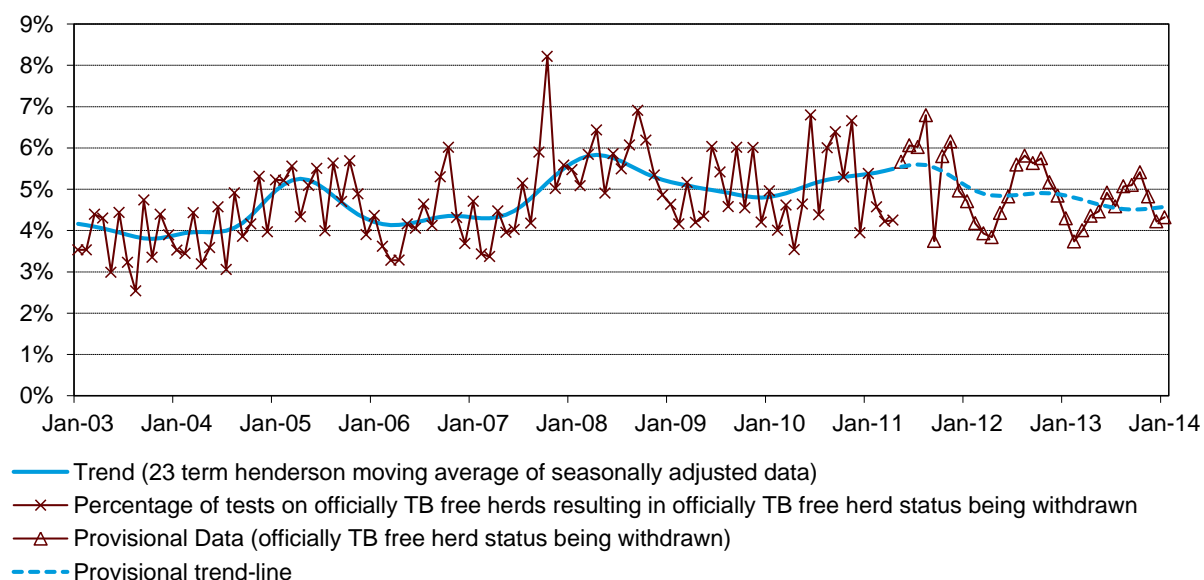
3. Environment, Health and Welfare

3.1. Health and Welfare

3.2.1. TB Statistics January 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 2014 is 4.3% compared with 4.3% for January 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 January 2014 was 534 compared with 498 for January 2013. The number of tests on officially TB free herds was 8,086 during January 2014, compared with 7,347 during January 2013.
- The number of cattle compulsorily slaughtered as reactors or direct contacts was 2,924 during January 2014, compared with 3,200 during January 2013.

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

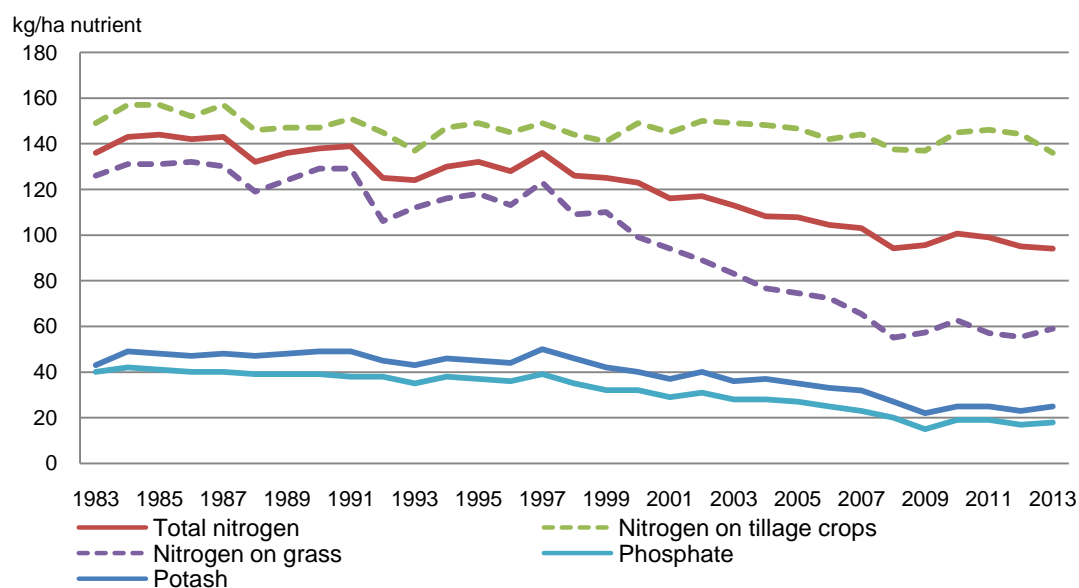


Contact: Animal and Plant Health Evidence and Analysis (APHEA), tbstatistics@defra.gsi.gov.uk

3.2.2. The British Survey of Fertiliser Practice 2012

The 2013 report on this annual survey which collects information on the use of the main nutrients nitrogen, phosphorus and potash on agricultural crops and grassland in Great Britain for 2013 was published on 8 April 2014. This survey also collected information on applications of sulphur fertilisers, organic manures and lime. The data are collected to monitor best practice and because of the environmental impacts that fertilisers may have e.g. on river water or air quality (they form an important part of the national greenhouse gas inventory).

Figure 1: Overall fertiliser use (kg/ha) on all crops and grass, Great Britain 1983 - 2013



The weather was a major influence on fertiliser use in the 2013 crop year. A very wet 2012 autumn made drilling difficult and impacted on survival of crops through the winter, resulting in a swing to spring sown crops which often require less fertiliser. The cold spring of 2013 then delayed fertiliser applications.

The total nitrogen application rate on all crops and grassland reduced by 1 kg/ha between 2012 and 2013 to 94 kg/ha. Overall nitrogen rates on tillage crops over the last 25 years have been relatively constant in the range 145-150 kg/ha, but fell to 136 kg/ha in 2013 as a result of the weather and cropping changes outlined above. Nitrogen applied to grassland is lower than on tillage but increased by 4 kg/ha in 2013 to 59 kg/ha; rates in 2012 were the lowest recorded since the survey began in 1983. Since 2000, the overall applications made to grass have fallen consistently relative to those made to tillage crops. The recent decline in cattle numbers is thought to have contributed to this reduction in the nitrogen rate on grassland, possibly in conjunction with some improvement in manure use efficiency.

Overall, phosphate and potash use on tillage crops and grassland was 18 and 25 kg/ha respectively. Rates have been more stable since 2010 although the longer term trend has been one of decline, mainly due to a significant reduction in the proportion of crops treated. The overall application rates of both phosphate and potash on tillage crops in Scotland have been maintained largely over the longer term.

In 2013 sulphur was used on 43-53 % of cereal crops and 73% of oilseed rape, compared to just 3-6% and 8% respectively in 1993. Oilseed rape is particularly sensitive to sulphur deficiency.

Around 68% of farms in the survey used organic manures on at least one field on the farm. Cattle manure from beef and dairy farms is by far the largest volume of manure type used.

The full statistical release is available on the Defra [website](#).

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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

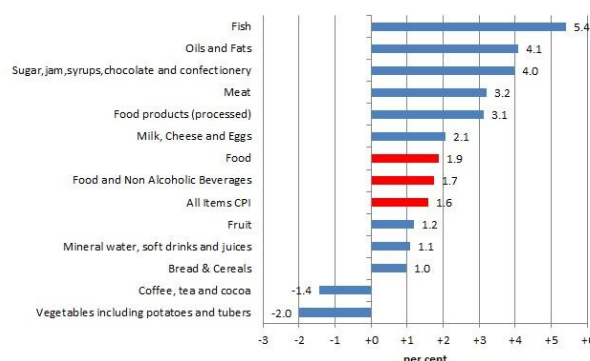
Food inflation fell to an annual rate of 1.7% in the year to March, down from 1.8% in February. Food inflation is above general inflation at 1.6%, which fell from 1.7% in February. Between February and March 2014 food and non-alcoholic drink prices fell by 0.5%.

Annual all items inflation was 1.6% in the year to March 2014, the lowest rate in five years. The largest contributions to the fall in the CPI annual rate came from transport, 'clothing and footwear' and 'furniture, household equipment and maintenance'. The largest upward contributions came from 'restaurants and hotels' and 'alcohol and tobacco'.

The figures quoted above include non-alcoholic beverages. For food only, inflation was 1.9% in the year to March, which had a negligible effect on the overall all items rate. There was an upward effect from fruit, meat and oils and fats offset by a downward effect from bread and cereals, milk, cheese and eggs, and vegetables including potatoes.

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Annual Price rises March 2013 to March 2014

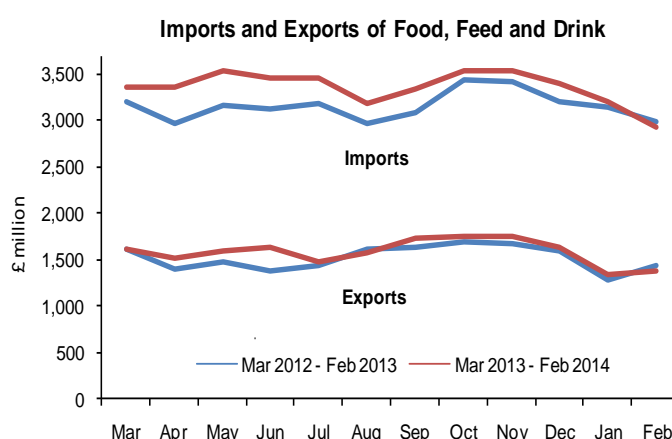


4.2. International Trade in Food, Feed and Drink

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

In February:

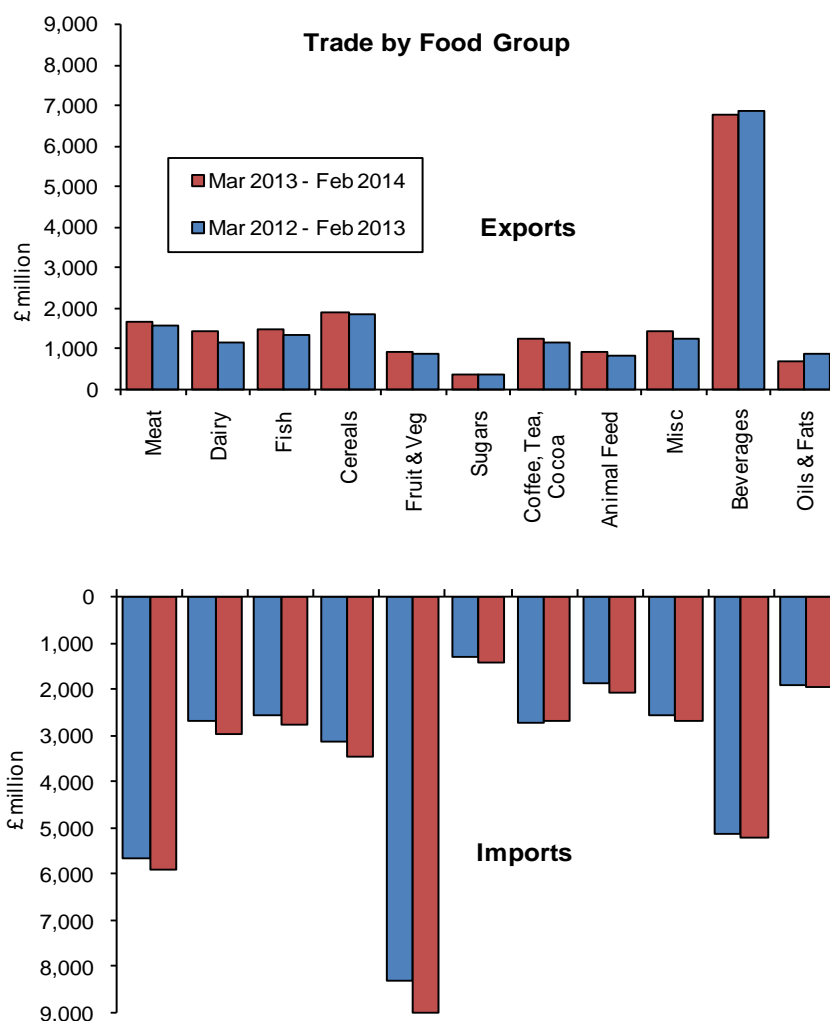
- The value of exports was £1.4 billion, 4.5% lower than in February 2013;
- The value of imports was £2.9 billion, 2.3% lower than the previous February;
- This resulted in a crude trade gap of minus £1.5 billion, 0.2% narrower than in February 2013.



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

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

- Imports of **dairy products and eggs** rose by £305m (11.4%), while exports rose by £255m (21.9%)
- Imports of **fish and fish preparations** rose by £192m (7.4%) while exports rose by £145m (10.8%)
- Imports of **cereals and cereal preparations** rose by £317m (10.0%), while exports rose by £42m (2.3%)
- Imports of **fruit and vegetables** rose by £671m (8.1%), while exports rose by £92m (10.7%)
- Imports of **beverages** rose by £86m (1.7%) while exports fell by £121m (-1.8%)



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