



May Agricultural Price Index

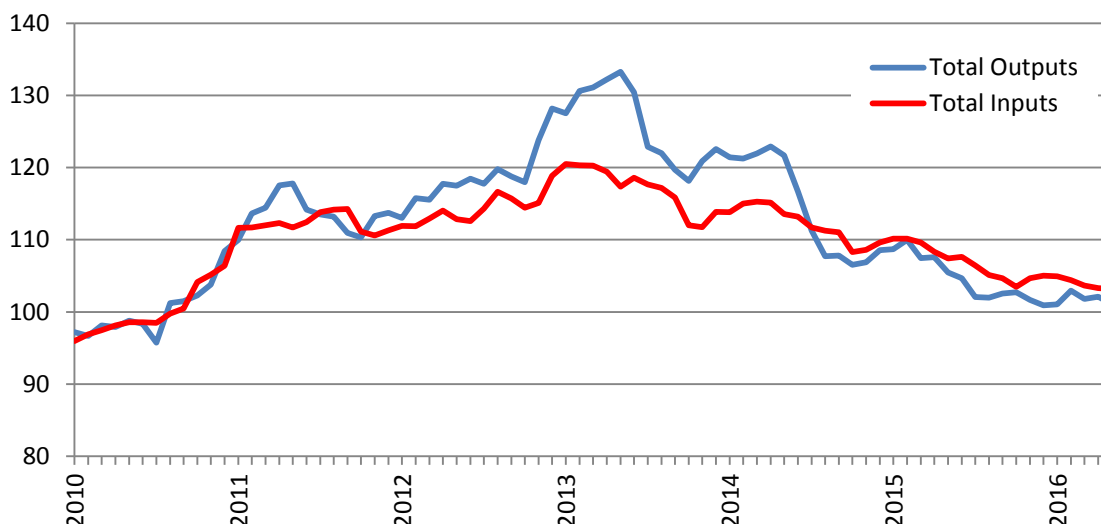
The Agricultural Price Index (API) measures price changes in agricultural outputs and inputs for the UK. The output series reflects the price farmers receive for their products, also referred to as farm gate price. Information is collected for all major crops (for example wheat and potatoes) and on livestock and livestock products (for example sheep, milk and eggs).

The input series reflects the price farmers pay for goods and services. This is split into two groups: goods and services currently consumed; and goods and services contributing to investment. Goods and services currently consumed refer to items that are used up in the production process, for example fertiliser or seed. Goods and services contributing to investment relate to items that are required but not consumed in the production process, such as tractors or buildings.

Key points

In May 2016, the monthly price index for all outputs was 4.2% lower than May 2015 and the price index for all inputs was 3.9% lower. Figure 1 shows the monthly price indices for agricultural inputs and outputs from January 2010 to May 2016.

Figure 1: Agricultural price indices



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Outputs

Overall the price index for all crop products was 1.4% higher in May 2016 compared to May 2015.

The price index for all crop products fell by 0.8% between April and May 2016 compared to a 2.0% fall between the same two months a year earlier.

The large UK harvest in 2015, on the back of the bumper 2014 harvest, resulted in plentiful supplies and high stock levels putting downward pressure on prices throughout 2015.

This price decline continued into 2016 but the cereal price index recovered slightly in May with a 0.8% rise between April and May. This compared to a 6.5% fall in the same period a year previous. Overall the index was 8.8% lower in May 2016 compared to May 2015.

The overall potato price index was 57% higher in May 2016 compared to May 2015. This was partly due to the reduction in planted area to a record low in 2015.

The potato index rose by 9.8% between April and May as stocks fell. This compares to a 7.8% rise between April and May the previous year when stocks were higher.

The Fresh fruit index was 19% lower in May 2016 compared to May 2015.

This was partly due to the Strawberry price index which was 26% lower in May 2016 compared to May 2015 when demand was much higher.

Overall the price index for all animals and animal products was 8.4% lower in May 2016 compared to May 2015.

The pig price index remains low compared to 2015. In May 2016 it was 12% lower than May 2015. The index rose 2.4% between April and May 2016. An increase in demand domestically and in the EU helped push the price up. The ongoing weakness of the EU pig market, combined with fluctuations of the pound against the euro, kept downward pressure on domestic prices despite the rise between April and May.

The price index for animal products was 15% lower in May 2016 compared to the same time last year and fell 4.4% between April and May. This compares to a 1.9% fall between the same two months a year earlier.

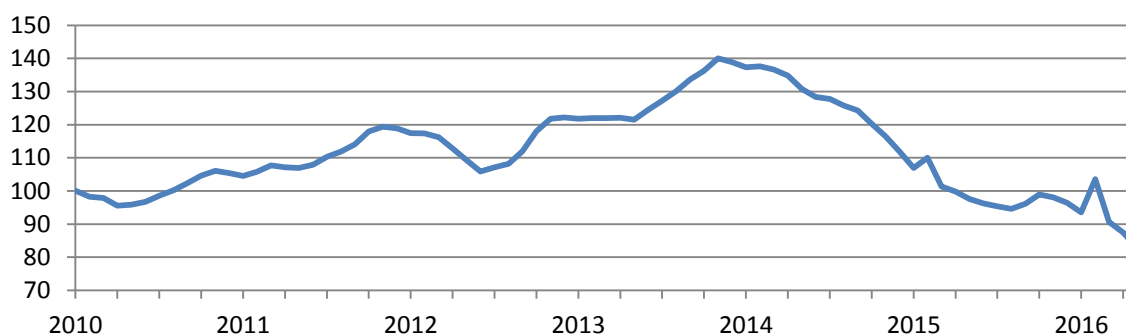
Milk production rose in May in line with the seasonal trend seen in previous years.

The price index for milk fell by 5.3% between April and May 2016 and was 15% lower when compared to May 2015.

Figure 2 overleaf shows the price index for milk between January 2010 and May 2016. For more detailed information on milk prices please see the link below to our website. <https://www.gov.uk/government/collections/milk-prices-and-composition>

Figure 2: Milk price index

(2010=100)



Inputs

The price index for animal feedstuffs was 6.8% lower in May 2016 compared to May 2015. This reflects the continued low cereal prices due to plentiful supplies. A similar pattern is forecast to continue as yields and stocks from the 2015 harvest are high across the EU.

The price index for fertilisers and soil improvers was 22% lower in May 2016 compared to the same month last year. Prices have fallen steadily across 2016 and the downward trend looks set to continue as falling demand has put pressure on the industry.

Data uses

Farmers use the agricultural price index to help set prices for their output and monitor the price paid for inputs. Analysts in Government, industry and academia use the data to assess the impact that price changes have on industry and consumers.

The Office of National Statistics (ONS) uses API data in the production of the Producer Price Index (PPI), which is one of the key measures of inflation.

Methodology

Defra collect prices from a wide variety sources to produce the monthly API. This includes data from our own surveys, information from the Agricultural, Horticultural Development Board (AHDB), and the ONS. For some items we only receive quarterly or annual data, for example, electricity prices. When no new data are available the data for the previous month is carried forward until new data becomes available.

The methodology used is described in the [Handbook for EU Agricultural Prices](#) and is standard across the EU.

Weights

Each item is assigned a weight which reflects their contribution to the overall index. The weights are based upon the value of the item, for example, if the value of animal feed is three times more than fertilisers then the weight for animal feed will be three times more than the fertiliser.

The overall weight for an item is either split equally between the 12 months or reflects the yearly pattern of sales or purchases. For example, if the sales of apples in October are double June sales then October weight is double the June weight for apples. Some outputs are seasonal, for example strawberries, and these will only have a weight for the months they are in season.

To note all weights are based upon base year data which is 2010.

Table 1 Index of Agricultural Outputs UK (2010=100)

									Yearly	Monthly	
	Apr-15	May-15	Dec-15	Jan-16	Feb-16	Mar-16	Apr-16	May-16	May 2015 to May 2016	April 2016 - May 2016	April 2015 - May 2015
All Outputs	107.6	105.5	100.9	101.0	103.0	101.8	102.1	101.1	-4.2%	-1.0%	-2.0%
Crop products	106.3	104.2	97.8	100.1	100.2	103.6	106.5	105.7	1.4%	-0.8%	-2.0%
Cereals	112.5	105.2	96.8	96.4	97.0	97.5	95.2	95.9	-8.8%	0.8%	-6.5%
Wheat	111.4	103.2	95.2	95.0	94.9	94.9	93.1	93.1	-9.8%	0.0%	-7.3%
Barley	117.2	113.0	100.8	99.1	101.5	102.4	101.3	106.2	-6.0%	4.9%	-3.6%
Oats	110.8	112.7	103.6	105.0	105.1	105.2	104.8	113.2	0.5%	8.0%	1.6%
Potatoes	98.3	106.0	112.6	117.0	118.9	130.3	151.6	166.5	57.2%	9.8%	7.8%
Industrial Crops	102.5	100.5	96.6	96.6	96.7	96.8	97.8	99.8	-0.6%	2.1%	-2.0%
Oilseed Rape	95.3	96.2	96.7	96.5	96.8	96.8	98.5	100.8	4.8%	2.3%	1.0%
Sugar Beet	115.6	115.6	96.1	96.1	96.1	96.1	96.1	96.1	-16.9%	0.0%	0.0%
Forage plants	99.7	98.1	88.4	90.0	91.2	91.7	93.8	94.0	-4.2%	0.1%	-1.7%
Fresh Vegetables	107.3	103.7	82.1	101.4	96.6	106.7	115.6	112.2	8.2%	-2.9%	-3.4%
Fresh Fruit	97.9	107.0	96.1	97.4	102.1	104.7	105.2	86.9	-18.7%	-17.4%	9.2%
Flowers and plants	107.0	107.8	107.0	106.8	106.1	106.2	106.4	106.1	-1.6%	-0.3%	0.8%
Other crop products	102.9	102.9	102.9	102.9	102.9	102.9	102.9	102.9	0.0%	0.0%	0.0%
Animals and animal products	108.3	106.5	102.8	101.6	104.9	100.7	99.5	97.6	-8.4%	-2.0%	-1.7%
Animals (for slaughter & export)	111.9	111.4	104.8	105.2	105.6	106.4	105.4	106.9	-4.0%	1.5%	-0.5%
Cattle and calves	125.0	123.2	123.6	121.4	120.2	118.6	116.1	118.8	-3.6%	2.3%	-1.4%
Pigs	92.7	92.0	87.3	82.2	79.0	78.7	79.4	81.4	-11.5%	2.4%	-0.8%
Sheep and lambs	115.5	110.1	93.9	100.0	107.8	110.3	110.9	111.1	1.0%	0.2%	-4.7%
All Poultry	103.7	106.4	100.9	101.7	100.7	104.6	103.6	103.2	-3.0%	-0.3%	2.6%
Animal products	102.4	100.4	99.7	95.4	103.7	92.6	89.8	85.9	-14.5%	-4.4%	-1.9%
Milk	99.8	97.6	96.4	93.5	103.6	90.6	87.5	82.9	-15.1%	-5.3%	-2.2%
Eggs	118.2	118.2	117.2	104.4	104.4	104.4	104.4	104.4	-11.7%	0.0%	0.0%

Table 2 Index of Agricultural Inputs UK (2010=100)

									Yearly	Monthly	
	Apr-15	May-15	Dec-15	Jan-16	Feb-16	Mar-16	Apr-16	May-16	May 2015 to May 2016	April 2016 - May 2016	April 2015 - May 2015
All Inputs	108.4	107.4	105.0	104.9	104.4	103.6	103.3	103.2	-3.9%	-0.1%	-0.9%
All goods and services currently consumed in agriculture	108.0	106.8	104.1	103.9	103.3	102.5	102.0	101.8	-4.7%	-0.2%	-1.0%
Seeds	96.0	95.5	94.9	95.4	95.5	96.3	99.4	99.2	3.8%	-0.2%	-0.5%
Energy and lubricants	102.1	102.1	109.6	110.5	105.5	90.7	88.6	88.2	-13.7%	-0.5%	0.1%
Fertilisers and soil improvers	105.9	105.7	93.6	92.0	89.9	88.1	83.8	82.4	-22.1%	-1.7%	-0.1%
Plant protection products	104.5	101.8	95.7	104.4	106.3	104.9	103.9	101.9	0.2%	-1.9%	-2.6%
Veterinary services	107.7	107.7	107.7	107.7	107.6	107.9	107.9	107.9	0.2%	0.0%	0.0%
Animal feedingstuffs	111.7	109.5	101.9	101.6	100.9	101.5	101.2	102.1	-6.8%	0.9%	-2.0%
Straight feedingstuffs	110.7	106.6	95.6	97.1	95.3	95.5	96.8	101.2	-5.1%	4.5%	-3.7%
Compound feedingstuffs	112.4	111.8	106.1	104.6	104.9	104.8	104.0	102.8	-8.1%	-1.2%	-0.6%
Maintenance of Materials	110.9	110.6	111.0	111.2	111.4	111.7	111.8	112.2	1.4%	0.3%	-0.3%
Maintenance of Buildings	109.7	109.9	106.6	106.9	106.2	107.0	107.9	108.3	-1.5%	0.4%	0.2%
Other goods and services	109.8	109.9	109.7	109.8	109.8	110.5	111.3	111.3	1.3%	0.0%	0.1%
Goods and services contributing to investment	110.4	110.4	109.6	109.8	109.6	110.0	110.2	110.3	-0.1%	0.1%	-0.1%
Materials	110.8	110.7	110.4	110.5	110.5	110.8	110.7	110.7	0.0%	0.0%	-0.1%
Buildings	107.7	107.9	105.8	106.0	105.5	106.1	106.7	107.0	-0.8%	0.3%	0.1%
Other (Engineering and soil improvement operations)	114.5	114.0	113.5	113.8	113.5	114.0	114.9	115.0	0.9%	0.1%	-0.4%