



August 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).

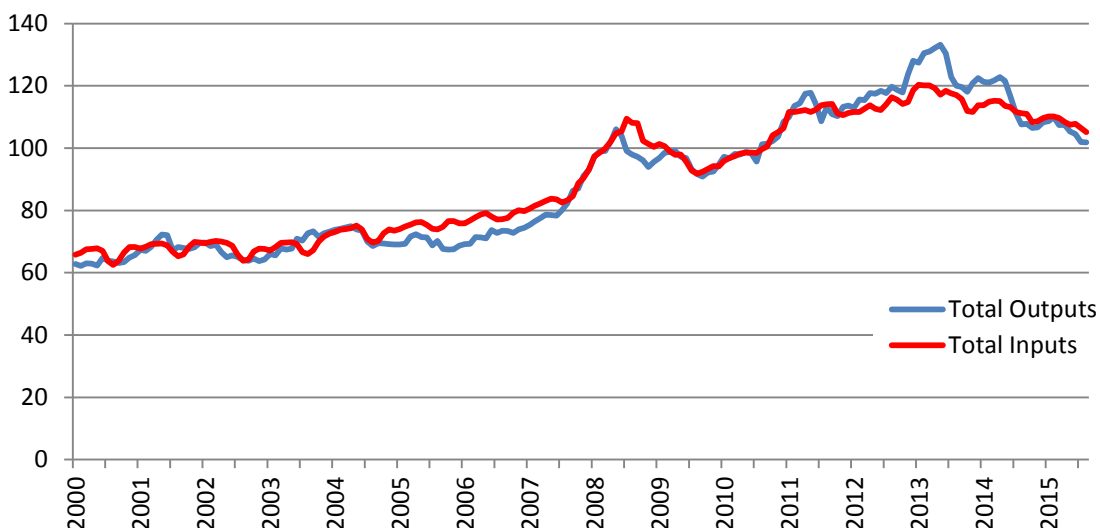
The input series reflects the price farmers pay for goods and services. This is split into two groups: goods and services currently consumed; and goods and services contributing to investment. Goods and services currently consumed refer to items that are used up in the production process, for example 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 August 2015, the monthly price index for all outputs was 5.3% lower than August 2014 and the price index for all inputs was 5.4% lower.

Figure 1: Agricultural price indices

(2010=100)



Enquiries on this publication to: Graham Brown, Rm 201 Foss House, Kings Pool, 1-2 Peasholme Green, York, YO1 7PX Tel: 01904 455331/455355 email: prices@defra.gsi.gov.uk

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Outputs

Overall the price index for all crop products was 1.1% lower in August 2015 compared to August 2014.

The price index for all crop products rose 2.4% between July and August 2015 compared to a 3.6% fall between the same two months a year earlier.

The cereal price index was 9.1% lower in August 2015 compared to August 2014. Cereal price indices fell 5.0% between July and August 2015 compared to a 16% fall between July and August 2014.

The bumper UK and worldwide harvest in 2014 resulted in very low cereal prices as supplies were plentiful. The downward pressure on prices continued through 2015 as farmers retained high stocks because of the low prices on offer. A similar pattern is being forecast as yields from the 2015 harvest are high across the EU.

The wheat index fell 4.9% between July and August 2015 compared to an 18% fall between July and August the previous year. The price index for wheat was 10% lower in August 2015 compared to August 2014.

The barley price index followed a similar pattern. It fell by 5.5% between July and August 2015 compared to a 10% fall between July and August 2014. The price index for barley was 8.3% lower in August 2015 compared to August 2014.

The overall potato price index was 18% higher in August 2015 compared to August 2014. The potato index rose 29% between July and August 2015 compared to a 63% rise between July and August the previous year. This rise was higher than usual and was due to the unusually low index price for early potatoes in July 2014.

The price index for fresh vegetables was 7.3% higher in August 2015 compared to August 2014. This rise was mainly due to sharp increases in the index price for cabbage and carrots when comparing the two years. Lower supplies but similar demand pushed prices up in August 2015 compared to August 2014.

Overall the price index for all animals and animal products was 11% lower in August 2015 compared to August 2014.

The pig price index has firmed over the last six months after a period of steady decline over the preceding six months. Despite the firming in prices, the pig price index remains low compared to 2014 and in August 2015 was 17% lower than August 2014.

The sheep and lamb price index has continued on a downward trend since March 2015.

In August 2015 the sheep and lamb price index was 8.8% lower than August 2014.

Continued high supplies, reduced demand for pork and lamb and pressure on prices in the EU have all contributed to the decline in prices.

The price index for animal products was 21% lower in August 2015 compared to the same time last year. The price index for animal products fell by 1.0% between July and August 2015 compared to a 1.5% fall between the same two months a year earlier.

High domestic production across the year has continued to depress the milk price. Despite the usual seasonal drop in production in August, the price index was 25% lower when compared to August 2014 and is at its lowest since August 2009.

The milk price index fell 0.8% between July and August 2015 compared to a 1.5% fall between July and August 2014.

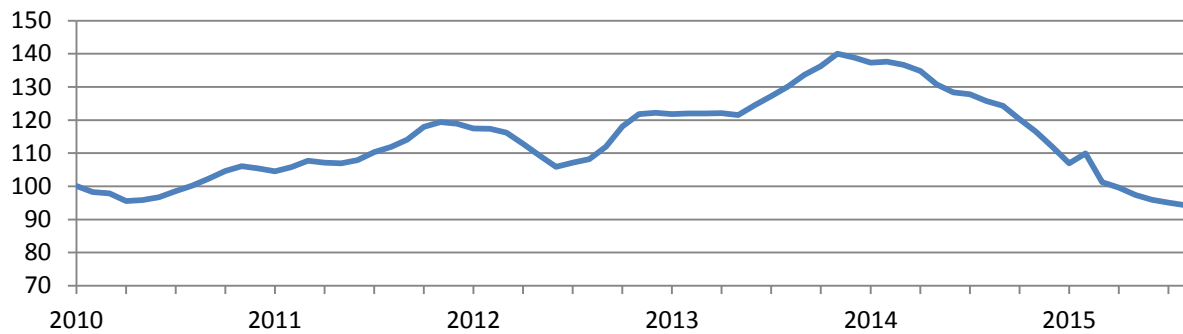
The continued high domestic production combined with the ban on dairy imports to Russia and falling returns from global commodity markets has had a large impact on the industry. In consequence, the majority of UK milk processors reduced the payments to farmers for raw liquid milk.

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 straight animal feedstuffs was 11% lower in August 2015 compared to August 2014.

The price index for straight animal feedstuffs fell 5.4% between July and August 2015 compared to a 6.6% fall between the same two months a year earlier.

This reflects the continued low cereal prices following the large 2014 harvest and retention of grain stocks by farmers. A similar pattern is being forecast as yields from the 2015 harvest are high across the EU.

The price index for energy and lubricants was 19% lower in August 2015 compared to the same month last year.

World oil prices have remained relatively low and this has kept prices down despite fuel prices rising recently.

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)

	Jul-14	Aug-14	Mar-15	Apr-15	May-15	Jun-15	Jul-15	Aug-15	Yearly August 2014 to August 2015	Monthly July-August 2015	Monthly July-August 2014
All Outputs	111.2	107.6	107.4	107.5	105.4	104.6	102.0	101.9	-5.3%	-0.1%	-3.2%
Crop products	103.5	99.7	104.0	106.3	104.2	102.2	98.5	100.9	1.1%	2.4%	-3.6%
Cereals	126.8	106.9	112.8	112.5	105.2	101.4	102.3	97.2	-9.1%	-5.0%	-15.7%
Wheat	130.8	107.5	111.2	111.4	103.2	99.6	101.6	96.6	-10.1%	-4.9%	-17.9%
Barley	118.3	106.2	117.4	117.2	113.0	109.2	103.1	97.4	-8.3%	-5.5%	-10.2%
Oats	120.1	100.7	106.7	110.8	112.7	109.0	113.3	106.0	5.3%	-6.4%	-16.2%
Potatoes	68.7	112.1	93.9	98.0	105.6	115.4	102.2	132.3	18.0%	29.4%	63.2%
Industrial Crops	98.2	88.3	99.4	99.1	98.3	100.5	95.2	94.8	7.4%	-0.4%	-10.1%
Oilseed Rape	97.1	85.9	95.6	95.3	96.2	99.0	93.8	93.4	8.8%	-0.5%	-11.6%
Sugar Beet	106.7	106.7	105.7	105.7	105.7	105.7	105.7	105.7	-1.0%	0.0%	0.0%
Forage plants	109.5	100.6	100.1	99.7	98.1	96.6	94.9	89.7	-10.9%	-5.5%	-8.1%
Fresh Vegetables	95.9	91.6	95.6	107.5	103.9	104.0	97.9	98.2	7.3%	0.4%	-4.5%
Fresh Fruit	100.1	103.3	104.5	97.9	107.0	88.9	88.7	105.7	2.3%	19.1%	3.2%
Flowers and plants	108.1	105.7	109.6	109.0	109.8	109.9	109.9	108.3	2.4%	-1.5%	-2.2%
Other crop products	98.7	98.7	98.7	98.7	98.7	98.7	98.7	98.7	0.0%	0.0%	0.0%
Animals and animal products	117.3	115.1	109.5	108.2	106.4	106.5	104.7	102.8	-10.7%	-1.8%	-1.9%
Animals (for slaughter & export)	111.5	108.1	113.5	111.9	111.3	111.5	107.7	105.7	-2.2%	-1.8%	-3.1%
Cattle and calves	118.3	122.3	128.7	125.0	123.2	127.1	127.8	126.6	3.5%	-0.9%	3.5%
Pigs	113.6	111.4	93.0	92.7	92.0	92.6	93.1	92.7	-16.8%	-0.4%	-1.9%
Sheep and lambs	104.6	96.0	117.8	115.5	110.1	106.3	90.8	87.5	-8.8%	-3.6%	-8.3%
All Poultry	105.5	96.3	102.5	103.5	106.2	103.6	99.6	100.0	3.8%	0.4%	-8.7%
Animal products	127.0	125.1	103.9	102.2	100.2	99.9	99.7	98.7	-21.1%	-1.0%	-1.5%
Milk	127.8	125.8	101.3	99.6	97.4	96.0	95.1	94.3	-25.0%	-0.8%	-1.5%
Eggs	119.5	119.5	120.8	118.2	118.2	118.2	118.2	118.2	-1.1%	0.0%	0.0%

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

									Yearly	Monthly	
	Jul-14	Aug-14	Mar-15	Apr-15	May-15	Jun-15	Jul-15	Aug-15	August 2014 to August 2015	July-August 2015	July-August 2014
All Inputs	111.7	111.2	109.7	108.5	107.5	107.8	106.5	105.2	-5.4%	-1.2%	-0.4%
All goods and services currently consumed in agriculture	112.0	111.5	109.5	108.1	107.0	107.3	105.8	104.3	-6.4%	-1.4%	-0.5%
Seeds	91.7	90.6	93.3	93.1	92.6	92.1	89.7	90.5	-0.1%	0.8%	-1.3%
Energy and lubricants	119.1	117.7	105.5	102.2	102.2	102.2	100.0	94.9	-19.3%	-5.1%	-1.2%
Fertilisers and soil improvers	106.0	105.7	108.1	105.9	105.7	106.6	98.6	97.2	-8.0%	-1.4%	-0.3%
Plant protection products	99.5	123.6	106.1	104.5	101.8	99.1	99.1	126.3	2.2%	27.4%	24.2%
Veterinary services	106.9	107.0	107.8	107.7	107.8	107.8	107.7	107.7	0.7%	0.0%	0.1%
Animal feedingstuffs	118.8	115.4	113.5	111.7	109.5	109.1	108.2	105.7	-8.5%	-2.3%	-2.8%
Straight feedingstuffs	116.8	109.1	112.4	110.7	106.6	105.3	102.9	97.4	-10.8%	-5.4%	-6.6%
Compound feedingstuffs	120.3	120.1	114.2	112.4	111.8	111.6	112.0	111.8	-6.9%	-0.2%	-0.1%
Maintenance of Materials	110.3	110.7	111.0	110.9	110.6	110.8	110.5	110.5	-0.2%	0.0%	0.3%
Maintenance of Buildings	111.1	110.9	110.3	109.7	109.9	109.5	108.8	108.5	-2.2%	-0.3%	-0.2%
Other goods and services	111.0	109.9	110.6	111.1	111.3	111.1	111.3	110.9	0.9%	-0.3%	-1.0%
Goods and services contributing to investment	109.8	109.8	110.4	110.5	110.4	110.2	109.9	109.8	0.0%	-0.1%	0.0%
Materials	110.2	110.3	110.7	110.8	110.7	110.4	110.2	110.1	-0.2%	-0.1%	0.1%
Buildings	108.5	108.4	108.1	107.7	107.9	107.6	107.1	106.9	-1.4%	-0.2%	-0.1%
Other (Engineering and soil improvement operations)	110.5	110.2	113.9	114.6	114.1	114.3	114.4	114.5	3.9%	0.1%	-0.2%