



Headline Summary

The monthly farming and food brief summarises the latest statistical and economic information relating to the agricultural sector. In particular, it highlights the results of recently published evidence and research.

Food prices continue to fall

Year on year food prices have continued to fall, with an annual rate of inflation of -2.3 per cent in the year to September 2015, according to official figures released today. General inflation is -0.1 per cent, down from 0.0 per cent or negligible in August.

(More details: see section 4.)

Continuing sharp decline in Winter Wheat price

The September 2015 average price for Hard Red winter wheat was \$216 per tonne, which was a 36% decline from the May 2014 average price of \$342 as markets react to the latest harvest information. The 2014 and 2015 decline in prices has been steeper than that seen in 2013 when prices of Hard Red winter wheat fell from \$330 in May to \$311 in June. Soft Red winter wheat followed a similar pattern and is 25% lower than the May 2014 average price.

(More details: see section 2)

Milk volumes and prices

The provisional volume of wholesale milk delivered to UK dairies during September 2015 was 1.2 billion litres, 0.8% (9.2m litres) higher than in September 2014. With volumes at similar levels to the same period last year and some producers moving on to Winter contracts the UK average milk price has seen a small rise of 1.3% compared to last month to 23.61p per litre. This is a 7.07p per litre (23%) decrease on the September 2014 price.

(More details: see section 2)

Water Usage on farms in England 2013/14

In 2013/14, the Farm Business Survey (FBS) collected data on the sources of water used on farms and the proportion of water used from each of these sources. The results from these questions were published on the 20th October 2015. In 2013/14 farms sourced, on average, two thirds of their water from the mains supply, 18% from bore holes and abstracted 12% from rivers/streams/springs for immediate use.

(More details: see section 2.1.3.)

Farm Incomes, England 2014/15

The latest results from the Farm Business Survey in England were published on the 29 October 2015. These figures are for the year ending February 2015 with the latest estimates covering the 2014 harvest and the 2014 rate of Single Farm Payment (which is included within total farm output and therefore contributes to Farm Business Income). Average Farm Business Income fell across all farm types in 2014/15 apart from grazing livestock farms in the lowland and Less Favoured Area. There have been further falls in commodity prices since February 2015. Forecasts of income by farm type for the year ending February 2016 and covering the 2015 harvest will be published in January 2016.

(More details: see section 2.1.4.)

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1. Overall economic position

Consumer Price Index

- The Consumer Prices Index (CPI) fell to -0.1% in the year to September 2015, compared to 0.0% or negligible in the year to August 2015.
- The largest downward contributions came from clothing and footwear.

Labour Market Statistics

- Comparing the estimates for June to August 2015 with those for the 3 months to May 2015, employment rose and unemployment fell.
- There were 31.12 million people in work, 140,000 more than for March to May 2015 and 359,000 more than for a year earlier.
- There were 22.77 million people working full-time, 291,000 more than for a year earlier. There were 8.35 million people working part-time, 68,000 more than for a year earlier.
- The employment rate (the proportion of people aged from 16 to 64 who were in work) was 73.6%, the highest since comparable records began in 1971.
- There were 1.77 million unemployed people (people not in work but seeking and available to work), 79,000 fewer than for March to May 2015 and 198,000 fewer than for a year earlier.
- There were 970,000 unemployed men, 125,000 fewer than for a year earlier. There were 803,000 unemployed women, 73,000 fewer than for a year earlier.
- The unemployment rate fell to 5.4%, lower than for March to May 2015 (5.6%) and for a year earlier (6.0%). It has not been lower since March to May 2008. The unemployment rate is the proportion of the labour force (those in work plus those unemployed) who were unemployed.
- There were 9.01 million people aged from 16 to 64 who were economically inactive (not working and not seeking or available to work), little changed compared with March to May 2015 but down slightly (13,000) compared with a year earlier.
- The inactivity rate (the proportion of people aged from 16 to 64 who were economically inactive) was 22.1%, little changed compared with March to May 2015 and with a year earlier.
- Comparing June to August 2015 with a year earlier, pay for employees in Great Britain increased by 3.0% including bonuses and by 2.8% excluding bonuses.

More details: <http://www.ons.gov.uk/ons/rel/lms/labour-market-statistics/october-2015/index.html>

Retail Sales

- Year-on-year estimates in the quantity bought in the retail industry continued to show growth for the 29th consecutive month in September 2015, increasing by 6.5% compared with September 2014.
- The underlying pattern in the data, as suggested by the 3 month on 3 month movement in the quantity bought, showed growth for the 22nd consecutive month, increasing by 0.9%.
- Compared with August 2015, the quantity bought in the retail industry is estimated to have increased by 1.9%.
- Average store prices (including petrol stations) fell by 3.6% in September 2015 compared with September 2014, the 15th consecutive month of year-on-year price falls.
- The amount spent in the retail industry increased by 2.7% in September 2015 compared with September 2014 and by 1.4% compared with August 2015.
- The value of online sales increased by 15.2% in September 2015 compared with September 2014 and increased by 4.5% compared with August 2015.

More details: <http://www.ons.gov.uk/ons/rel/rsi/retail-sales/september-2015/index.html>

GDP

- UK GDP in volume terms was estimated to have increased by 0.7% between Quarter 1 (Jan to Mar) 2015 and Quarter 2 (Apr to June) 2015, unrevised from the second estimate of GDP published 28 August 2015.
- Annual GDP in volume terms was estimated to have increased by 2.9% in 2014, compared with 2013, revised down 0.1 percentage points from the previously published estimate.

2. Farming

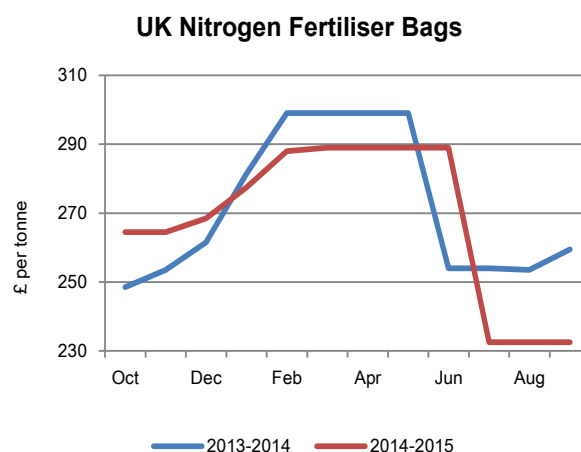
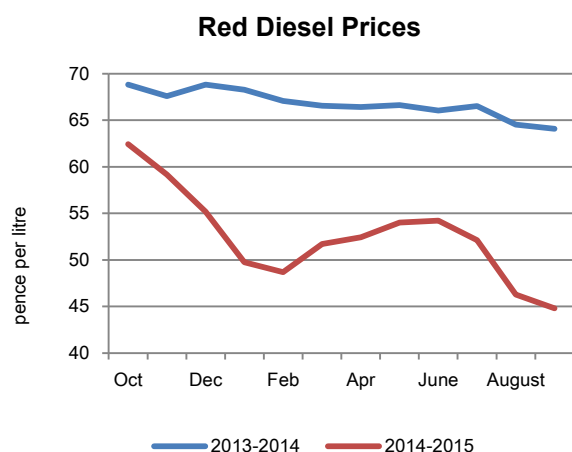
This section brings together the latest economic position for the farming sector (including UK and international input and commodity price intelligence) and the highlights of recently published evidence and research.

2.1. Economic

2.1.1. UK Prices – Inputs

- **Red Diesel:** In September 2015, the average price for red diesel was 45 pence per litre. Current prices are 30% lower than September 2014.
- **Fertiliser:** In September the average price for 34.5% UK Ammonium Nitrate bags was £232.50 per tonne. Current prices are 10% lower than September 2014.

(Source: Dairy Co Datum).

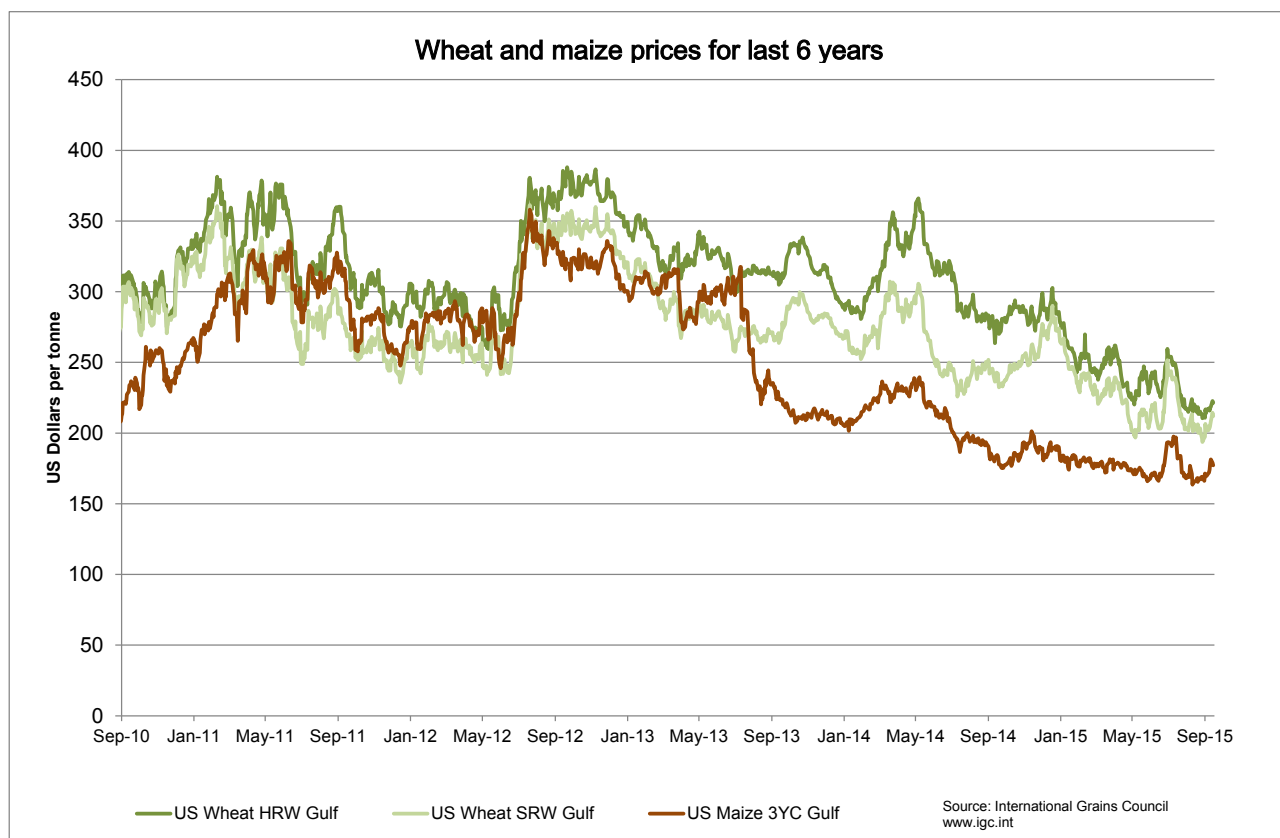


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2.1.2. Prices and Market Information – Commodities

Cereals

- The September 2015 average price for Hard Red winter wheat was \$216 per tonne, which was a 36% decline from the May 2014 average price of \$342 as markets react to the latest harvest information. The 2014 and 2015 decline in prices has been steeper than that seen in 2013 when prices of Hard Red winter wheat fell from \$330 in May to \$311 in June. Soft Red winter wheat followed a similar pattern and is 25% lower than the May 2014 average price.
- Maize prices have fallen from a record high of \$358 per tonne in July 2012 to \$174 in June 2015. Over recent weeks prices have fluctuated and were \$179 per tonne in mid-October 2015.



- The USDA published their World Agricultural Supply and Demand 2015/16 production forecasts on 09 October. For **wheat**, global supplies were projected higher due to increased production for the EU and Canada. Australian production was increased by 1Mt to 27Mt due to sufficient sub-soil moisture but there are still some concerns regarding the dry conditions on crop potential. Overall production for 2015/16 is increased by 1.2Mt from the September forecast and is now forecast to be 7.3Mt higher than 2014/15 at 732.8Mt.
- For **maize** the USDA reduced its global maize production to 972.6Mt from 978.1Mt in September due to lower production estimates for several major exporters; US down 0.8Mt to 344.3Mt, Ukraine down 2Mt to 25Mt and Argentina down 1Mt to 24Mt. These declines were only partially offset by an increase of 1Mt to Brazilian production, while the EU-28 crop was unchanged at 58Mt. Demand was also forecast to decline which meant that global closing stocks for 2015/16 were only slightly lower than last month at 187.6Mt compared to 2014/15 closing stocks of 196Mt. The USDA decreased its US forecast of **soyabean** production by 1.3Mt from its September estimate to 105.8Mt due to lower harvested area. However this decrease in US production along with forecast reductions for India and the Ukraine were more than offset by a 3Mt projected increase in Brazilian output. Brazilian output in 2015/16 is forecast to reach a record 100Mt, local prices have been protected from global declines by the weaker Real, which is expected to lead to an increased planted area. Global production is forecast at 320.5Mt (319.6Mt in September) which is 1.5Mt higher than 2014/15.

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- **Animal Feed** (source Defra): During August 2015 (the latest period for which data is available), the total GB retail production of animal feed was 847 thousand tonnes, up 4% compared to August 2014. Total GB integrated poultry feed production was 167 thousand tonnes, down 17% during August 2015 compared to the same period in 2014. We have reviewed some IPU's (Integrated Poultry Units) which produce both feed for their own use and feed for retail sale. We have adjusted the data from August 2015 which has resulted in an increase in compound poultry feed and a decrease in IPU feed.
- **Flour** (source Defra): During August 2015 (the latest period for which data is available), the total amount of wheat milled in the UK was 502 thousand tonnes, down 5.1% compared to August 2014. The total amount of home grown wheat milled in the UK for August 2015 was 426 thousand tonnes, up 15% compared with August 2014. There were 76 thousand tonnes of imported wheat milled in August 2015, down 52% compared with August 2014, due to home grown wheat being readily available for Millers to

use. Flour production (including Starch Manufacture and Bioethanol Production) for the same period was 397 thousand tonnes, down 2% compared to August 2014.

- **Brewers, Distillers and Maltsters** (source Defra): During August 2015, the total usage of barley by brewers, distillers and maltsters was 147 thousand tonnes, down 10% compared to August 2014.

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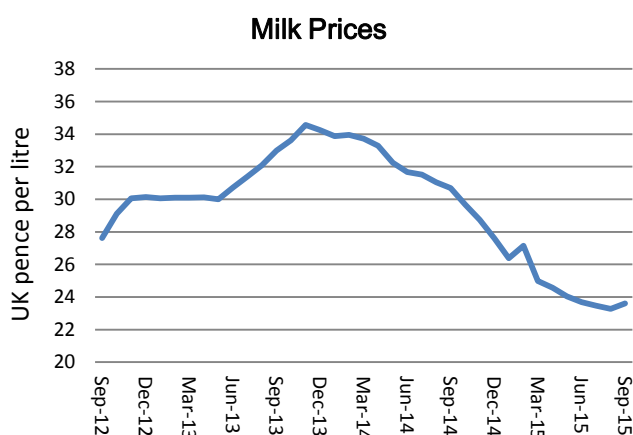
Livestock (source: Defra)

- **Pigs:** UK clean pig slaughterings were 0.8% higher than in September 2014 at 0.8 million head. Pigmeat production was 70 thousand tonnes, 0.6% higher than in September 2014.
- **Sheep:** UK clean sheep slaughterings were 12% higher than in September 2014 at 1.3 million head. Mutton and lamb production was 29 thousand tonnes, 13% higher than in September 2014.
- **Cattle:** UK prime cattle (steers, heifers and young bulls) slaughterings were 5.8% lower than September 2014 at 142 thousand head. Beef and veal production was 66 thousand tonnes, 3.1% lower than in September 2014.

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Livestock products (source: Defra)

- **Milk Volumes:** The provisional volume of wholesale milk delivered to UK dairies during September 2015 was 1.2 billion litres, 0.8% (9.2m litres) higher than in September 2014.



- **Milk Prices:** With volumes at similar levels to the same period last year and some producers moving on to Winter contracts the UK average milk price has seen a small rise of 1.3% compared to last month to 23.61p per litre. This is a 7.07p per litre (23%) decrease on the September 2014 price.

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2.1.3. Water usage on farms, England 2013/14

In 2013/14, the Farm Business Survey (FBS) collected data on the sources of water used on farms and the proportion of water used from each of these sources. Volumes were not collected. The results cover the year ending spring 2014 (including the 2013 harvest). The results from these questions were published on the 20th October 2015. Key results are given below:

Water Sources

- Mains supply was the most common source of water on farms (86% in 2013/14), particularly for those in the east of England and those outside Less Favoured Areas (LFA).
- 28% of farms abstracted water from rivers/streams/springs for immediate use. Usage was more likely on LFA grazing livestock farms, farms in the South West, farms in severely disadvantaged areas (SDA) and

lower performing farms.

- 24% of farms used water from bore holes. Usage was more likely on specialist dairy, pig and poultry farms, very large farms and farms in the South West.

Average proportions of water used per farm by source

- In 2013/14 farms sourced, on average, two thirds of their water from the mains supply, 18% from bore holes and abstracted 12% from rivers/streams/springs for immediate use.
- Cereal farms, spare and part time (very small) farms and farms in the east of the country tended to source a greater proportion of their water from the mains supply than other farms.
- Dairy farms, very large farms and farms in the South West tended to source a greater proportion of their water from bore holes than other farms.
- LFA grazing livestock farms and farms in North East, Yorkshire & Humber tended to abstract a greater proportion of the water that they used than other farms.

Link to full release: <https://www.gov.uk/government/statistics/water-usage-on-farms-results-from-the-farm-business-survey-england-201314>

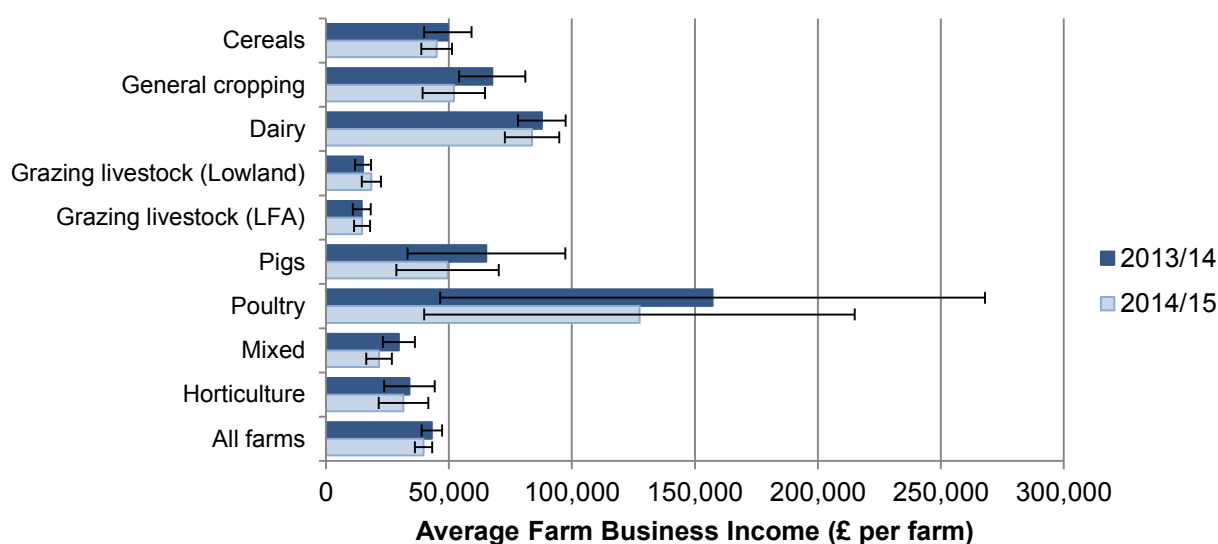
Contact: Katherine Merrett, Farming Statistics (Farm Business Survey), katherine.merrett@defra.gsi.gov.uk

2.1.4. Farm Business Survey 2014/15 England Income Results

The latest results from the Farm Business Survey in England were published on the 29 October 2015. These figures are for the year ending February 2015 with the latest estimates covering the 2014 harvest and the 2014 rate of Single Farm Payment (which is included within total farm output and therefore contributes to Farm Business Income). Forecasts of income by farm type for the year ending February 2016 and covering the 2015 harvest will be published in January 2016.

Average Farm Business Income fell across all farm types in 2014/15 apart from grazing livestock farms in the lowland and Less Favoured Area.

Average farm business income (£'s) by farm type, with 95% confidence interval, England 2013/14 and 2014/15



- For cropping farms, improved weather and a return to more usual cropping patterns saw an increased area of winter crops compared to the previous year and a substantial improvement in yields. However, the increased production was offset by lower commodity prices due to a strong pound and plentiful supplies on global markets.
- On dairy farms the lower average income was driven by lower output from milk production. Milk prices fell gradually throughout the year but for the first six months they were higher than for the same period in 2013. This together with increased volumes partially offset the lower average price for the year as a whole. Agricultural input prices also fell with lower feed and fertiliser costs partially offset by an increase in contracting, property costs and interest payments.
- Incomes increased on lowland grazing livestock farms due to a higher output from both agri-environment and diversified activities and slightly lower farm business costs. In the less favoured area (LFA) average

incomes on grazing livestock farms were broadly unchanged as farm business output and farm business costs fell by a similar amount.

- Average incomes fell on pig and poultry farms due to a reduced output for pig and poultry meat.
- The higher value of the pound against the euro led to a lower Single Payment and had a negative impact on prices as domestic production had to compete with cheaper imports and alternative suppliers for export markets.

Link to full release <https://www.gov.uk/government/statistics/farm-business-income>

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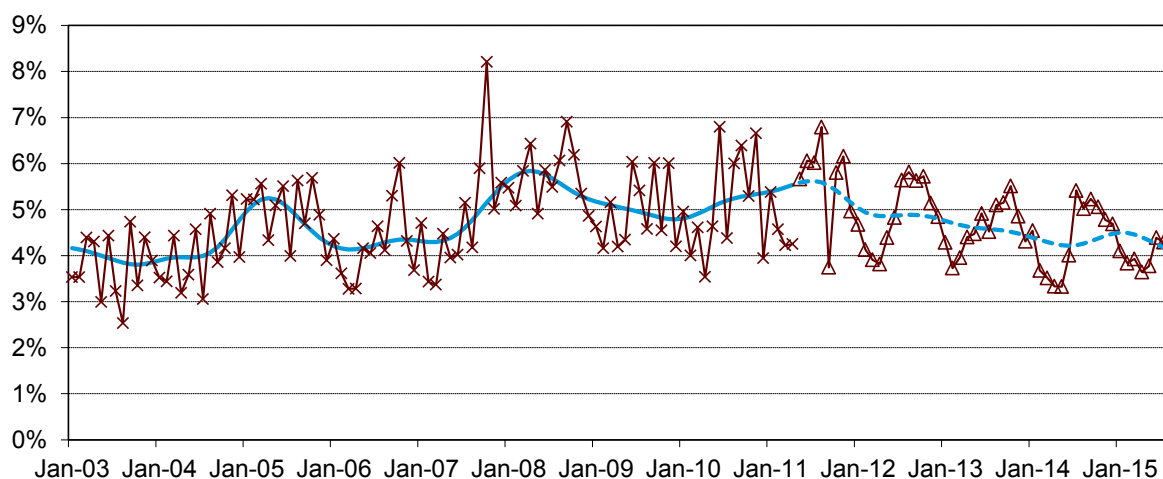
3. Environment, Health and Welfare

3.1. Health and Welfare

3.1.1. TB Statistics July 2015 – Great Britain

- The provisional incidence rate for January to July 2015 is 4.0% compared to 3.9% for January to July 2014. 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 to July 2015 was 2,819 compared to 2,728 during January to July 2014. The number of tests on officially TB free herds was 48,495 during January to July 2015, compared to 47,366 during January to July 2014.

Herd incidence of bovine TB (bTB) in GB: number of new incidents of bTB leading to the withdrawal of officially TB free (OTF) herd status, as a percentage of tests carried out in OTF herds each month since 2003:



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

4. Food

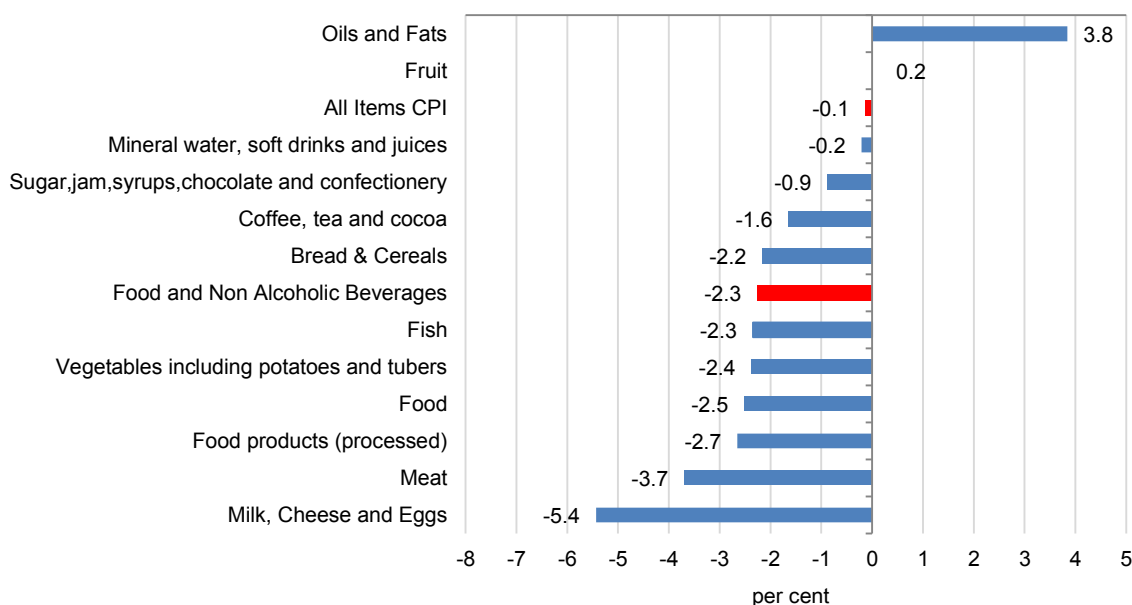
This section highlights current trends in food price inflation and drivers of future price changes together with the latest trade figures for food and drink.

4.1. Food inflation

4.1.1. Consumer and retail prices

Year on year food prices have continued to fall, with an annual rate of inflation of -2.3 per cent in the year to September 2015, according to official figures released today. General inflation is -0.1 per cent, down from 0.0 per cent or negligible in August.

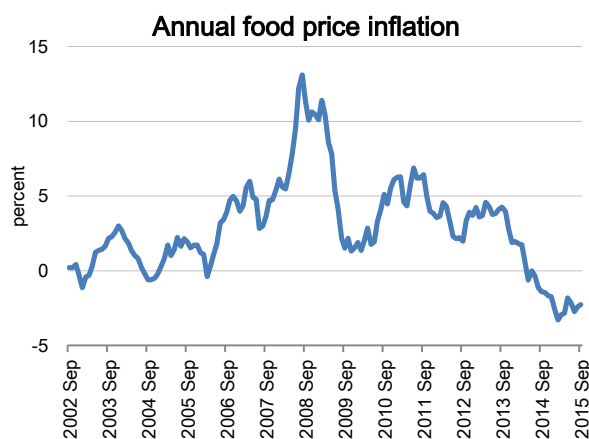
Changes in CPI Indices September 2014 to September 2015 (2005=100)



The fall in in food prices over the last year has been driven by significant declines in international food commodity prices, falling oil prices and continuing intense price competition between supermarkets. Some of these effects take time to feed through to inflation.

Annual all items inflation was -0.1 per cent in the year to September 2015, down from 0.0 per cent or negligible in August. A large downward effect came from clothing and footwear, where prices, overall, rose by 2.8% between August and September this year compared with a larger rise of 4.0% between the same 2 months a year ago. As prices rose by less than a year ago, this resulted in a downward contribution to the CPI 12-month rate. Clothing prices, overall, always rise between August and September. However this was the weakest growth since 2008 with a higher proportion of clothing items on sale in September 2015 when compared with September last year. Taking the summer (May to September) as a whole, clothing and footwear prices increased by 0.4% compared with larger increases of 0.9% and 1.2% over the same period in 2013 and 2014 respectively.

Small downward effects came from:



- Fuels and lubricants (part of the 'transport' category), where prices, overall, fell by 2.9% between August and September this year compared with a smaller fall of 0.6% between the same 2 months a year ago. The largest downward contribution came from petrol, with prices falling by 3.7 pence per litre between August and September this year compared with a fall of 0.8 pence per litre between the same 2 months a year ago. Diesel prices are now at their lowest level since December 2009, standing at 110.2 pence per litre; and
- Gas (part of the 'housing and household services' category), where prices, overall, fell by 2.1% between August and September this year, compared with no change between the same two months a year ago, with price reductions from a major supplier.

There were no notable upward contributions to the change in the CPI 12-month rate between August and September 2015.

Below are the average retail prices of selected items on 11th August 2015:

1 pint of milk	£0.43 (unchanged from August)
Loaf of sliced white bread (800g)	£1.01 (down from £1.02 in August)
Cheese (kg)	£7.56 (up from £7.55 in August)
Eggs (dozen large free range)	£2.73 (down from £2.74 in August)
Potatoes, old white (kg)	£0.77 (down from £0.78 in August)
Apples, dessert (kg)	£2.00 (up from £1.98 in August)
Sugar (kg)	£0.71 (down from £0.72 in August)

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4.2. International Trade in Food, Feed and Drink

4.2.1. Value of Trade

This section shows the latest available trade figures (to August 2015).

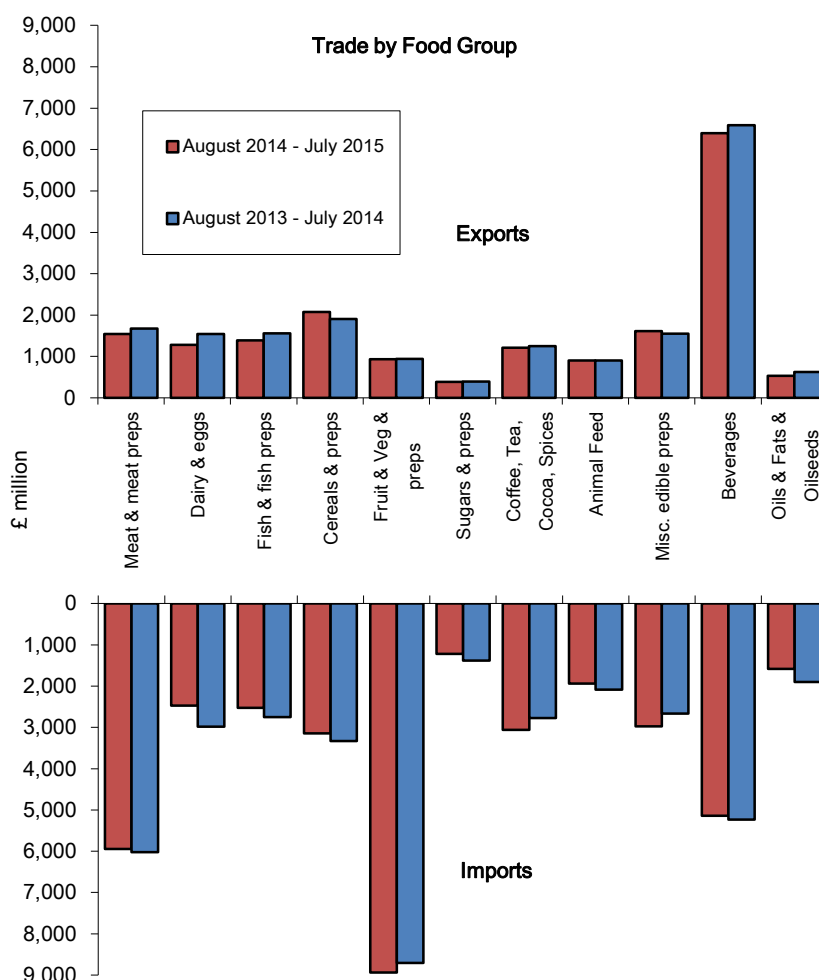
In August:

- The value of exports was £1.5 billion, 3.9% lower than in August 2014;
- The value of imports was £3.0 billion, 1.3% lower than the previous August;
- This resulted in a crude trade gap of minus £1.5 billion, 1.5% wider than in August 2014.

The following chart shows annual trade by food group for the periods September 2013 – August 2014 and September 2014 – August 2015.

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

- Imports of **dairy products and eggs** fell by £523m (-



17.8%), and exports fell by £270m (-17.5%)

- Imports of **Coffee, Tea, Cocoa, Spices** rose by £302m (+10.8%), while exports fell by £14m (-1.1%)
- Imports of **fish and fish preparations** fell by £244m (-8.9%) and exports also fell, by £165m (-10.7%)
- Imports of **cereals and cereal preparations** fell by £164m (-5.0%), while exports rose by £152m (+7.9%)
- Imports of **meat and meat preparations** fell by £75m (-1.2%), and exports also fell, by £143m (-8.6%)
- Imports of **fruit and vegetables** rose by £342m (+4.4%) and exports rose, too, by £19m (+2.1%)

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Please note that Julian is leaving Defra on the 18th of December 2015. Please contact the trade data team's shared inbox, at: trade-stats@defra.gsi.gov.uk with any enquiries about trade data after that date.