Department
for Environment
Food & Rural Affairs

July 2015 Farming and Food Brief

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 -2.2 per cent in the year to June 2015, according to official figures released on 14th July 2015. General inflation is 0.0 per cent, down from 0.1 per cent in May.

(See section 4.)

Organic Farming

In 2014, the United Kingdom had a total area of 548,600 hectares of land farmed organically (i.e. the fully converted area and area under conversion), down from 576,000 hectares in 2013. Since 2008 when the area of land farmed organically peaked, the organically farmed area has declined by **26** per cent. The organically farmed area represents 3.2 per cent of the total utilised agricultural land area in the United Kingdom. The area in conversion continued to decline in 2014 though the decline has slowed in the last four years compared to the period between 2007 and 2010.

(See section 2.2)

Volumes of Exports and Imports of Food, Feed and Drink

The overall volume of exports of food, drink and animal feed hardly changed in 2014 compared to 2013. Over the longer term the volume of exports is rising and in 2014 was 28% higher than in 2005. The volume of imports of food, drink and animal feed rose by 15% between 2005 and 2014, just over half as much as the percentage rise in exports. In 2015 from January to May the volume of imports was down by 1.5% compared to the same period in 2014.

(See section 4.2.2)

UK average farm gate milk price continues to fall

The average farm gate milk price fell by 0.37p per litre in June to 23.7p per litre. This is 8p per litre lower than in June 2014.

(See section 2.1.2)

Contents

1. Overall economic position

Consumer Price Index

- The Consumer Prices Index (CPI) fell to 0.0% in the year to June 2015, compared to 0.1% in the year to May 2015.
- The largest downward contribution came from clothing and footwear prices.

Labour Market Statistics

- Comparing the estimates for March to May 2015 with those for the 3 months to February 2015, there was a slight fall in employment and rise in unemployment, the first quartely fall in employment since February to April 2013.
- There were 30.98 million people in work, 67,000 fewer than for the 3 months to February 2015 and 265,000 more than for a year earlier.
- There were 1.85 million unemployed people. This was 15,000 more than for the 3 months to February 2015, the first quarterly increase since January to March 2013 and 273,000 fewer than for a year earlier.
- The proportion of the economically active population who were unemployed (the unemployment rate) was 5.6%, little changed compared with the 3 months to February 2015 but lower than for a year earlier (6.5%). Economically active people are those in work plus those seeking and available to work.
- There were 9.02 million people aged from 16 to 64 who were out of work and not seeking or available to work (known as economically inactive), 30,000 more than for the 3 months to February 2015 and 104,000 more than for a year earlier.

Retail Sales

- Year-on-year estimates of the quantity bought in the retail industry continued to show growth for the 27th consecutive month in June 2015, increasing by 4.0% compared with June 2014. This was the longest period of sustained year-on-year growth since May 2008, when there were 31 periods of growth.
- The underlying pattern in the data, as suggested by the 3 month on 3 month movement in the quantity bought, continued to show growth for the 28th consecutive month, increasing by 0.7%. This is the longest period of sustained growth since consistent records began in June 1996.
- Compared with May 2015, the quantity bought in the retail industry was estimated to have decreased by 0.2%. Falls were reported by predominantly food stores, other stores, household goods stores and petrol stations.
- In June 2015, the amount spent in the retail industry increased by 0.9% compared with June 2014, but decreased by 0.1% compared with May 2015. Non-seasonally adjusted data show that the average weekly spend in the retail industry was £7.1 billion, unchanged from the previous month and the June 2014 figure.
- The value of sales made online in June 2015 increased by 1.4% compared with May 2015 and accounted for 12.4% of all retail sales. Online sales increased by 11.4% compared with June 2014.

GDP

- UK GDP in volume terms was estimated to have increased by 0.3% between Quarter 4 (Oct to Dec) 2014 and Quarter 1 (Jan to Mar) 2015, unrevised from the previous estimate of GDP published 28 April 2015.
- GDP was estimated to have increased by 2.8% in 2014, compared with 2013, unrevised from the previously published estimate.

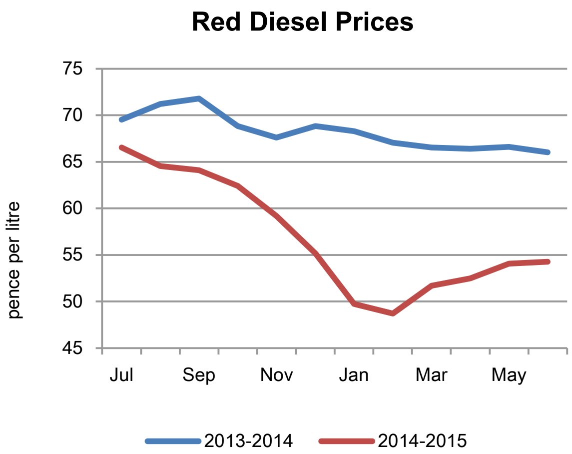
2. Farming

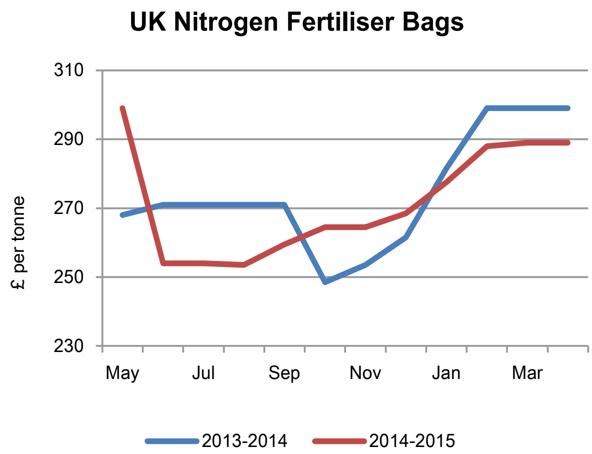
This section brings together the latest economic position for the farming sector (including UK and international input and commodity price intelligence) and the highlights of recently published evidence and research.

2.1. Economic

2.1.1. UK Prices – Inputs

- **Red Diesel**: In June 2015, the average price for red diesel was 54 pence per litre. Current prices are 18% lower than June 2014.
- **Fertiliser**: In April the average price for 34.5% UK Ammonium Nitrate bags rose to £289.00 per tonne. Current prices are 3% lower than April 2014. Updated figures are currently unavailable. We are hoping that new data will be available from July (Source: Dairy Co Datum).





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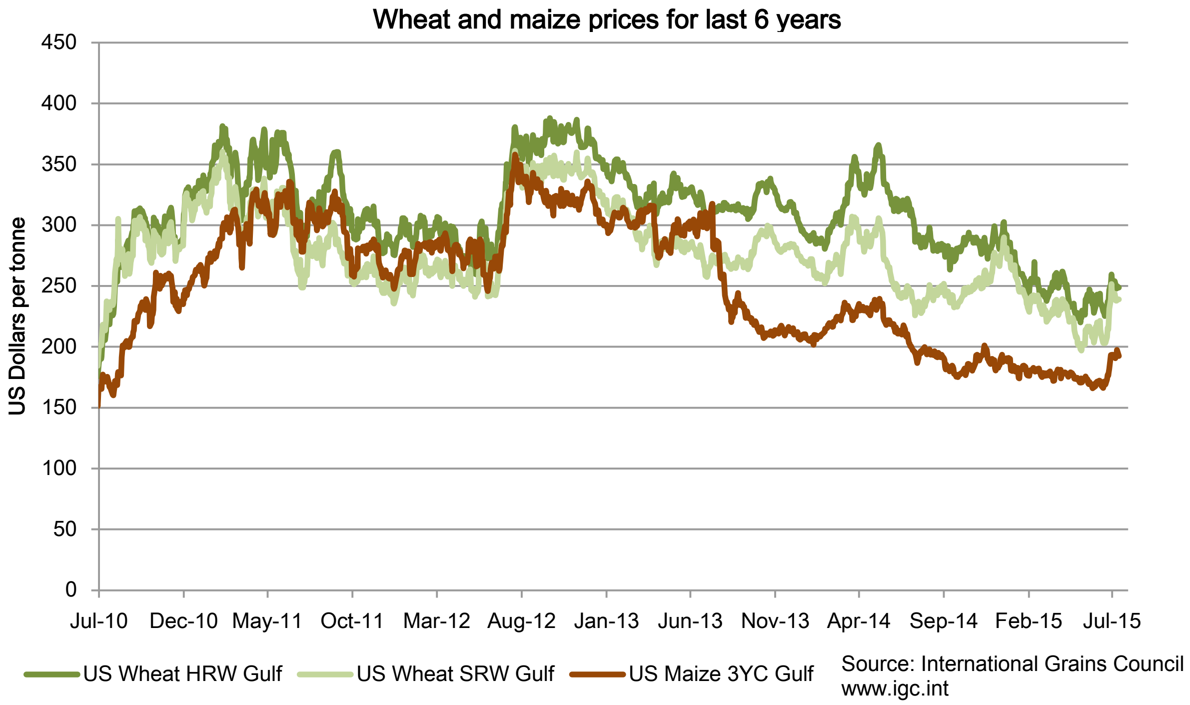
2.1.2. Prices and Market Information – Commodities

Cereals

- The June 2015 average price for Hard Red winter wheat was $233 per tonne, which was a 31% 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 24% lower than the May 2014 average price.
- Maize prices have fallen from a record high of $358 per tonne in July 2012 to $193 per tonne in mid-July 2015 (11% higher than the May average price of $174).
- The USDA published their World Agricultural Supply and Demand 2015/16 production forecasts on 10 July. For **wheat** the global supply and demand situation looks much heavier than forecast in the June report. This change is due to significant changes to the opening stocks figures for both 2014/15 and 2015/16 seasons; on the back of retrospective reductions in estimates of animal feed usage of animal feed usage in China. Use of wheat as an animal feed is also projected lower in 2015/16. These changes resulted in a 11.7Mt increase in global wheat carry-out from 2014/15 to 212Mt, a level which represents 30% of 2014/15 demand compared to 28% in previous estimates. For 2015/16 production was raised slightly as larger wheat crops for the US (+0.7Mt), Russia (+2Mt), Ukraine (1Mt) and Kazakhstan (+1Mt) more than offset reductions for the EU and Canada. Canadian wheat production was reduced by 2.8Mt to

27.5Mt and EU production was reduced by 2.8Mt to 147.9Mt as a result of recent hot dry conditions. The increased global output, combined with lower demand from China means that the USDA now forecast a further build up of global wheat stocks in 2015/16 (219.8Mt compared to 212.1Mt for 2014/15). In contrast to wheat the USDA forecast a tighter balance for **maize**, changes largely influenced by US data (higher US usage in 2014/15 meant lower season to season carryover into 2015/16 and a lower US production due to a smaller planted area). The tighter balance sheet was also supported by lower production forecasts for the EU (hot weather) and higher Chinese feed demand to give a reduced 2015/16 end season stock projections for 190Mt (June forecast 195.2Mt) compared to 194Mt for 2014/15.

- **Soyabean** supplies were forecast lower for the US and globally due to increased estimates for US demand in 2014/15. The resulting lower opening stock figure of 81.7Mt for 2015/16 was partially offset by increased US production (higher area). Demand from China reduces the projected production to demand surplus but global soyabean stocks are still forecast to build over 2015/16. For 2015/16 end of season stocks the USDA are forecasting 91.3Mt (June forecast 93.2Mt), 12% higher than the 2014/15 forecast of 81.7Mt. .



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- **Animal Feed** (source Defra)**:** During May 2015 (the latest period for which data is available), the total GB retail production of animal feed was 801.8 thousand tonnes, down 1.3% compared to May 2015. Total GB integrated poultry feed production was 198.2 thousand tonnes, down 2.1% during May 2015 compared to the same period in 2015.

- **Flour** (source Defra)**:** During May 2015 (the latest period for which data is available), the total amount of wheat milled in the UK was 543 thousand tonnes, up 7.7% compared to May 2014. The total amount of home grown wheat milled in the UK for May 2015 was 460 thousand tonnes, up 11% compared with May 2014. There were 84 thousand tonnes of imported wheat milled in May 2015, down 8% compared with May 2014. Flour production (including Starch Manufacture and Bioethanol Production) for the same period was 424 thousand tonnes, up 7.4% compared to May 2014.

- **Brewers, Distillers and Maltsters** (source Defra)**:** During May 2015, the total usage of barley by brewers, distillers and maltsters was 156 thousand tonnes, down 6.3% compared to May 2014.

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Livestock *(source: Defra)*

- **Pigs** UK clean pig slaughterings were 5.1% higher than in June 2014 at 813 thousand head. Pigmeat production was 68 thousand tonnes, 6.0% higher than in June 2014.

- **Sheep:** UK clean sheep slaughterings were 3.2% higher than in June 2014 at 957 thousand head. Mutton and lamb production was 22 thousand tonnes, 4.3% higher than in June 2014.

- **Cattle:** UK prime cattle (steers, heifers and young bulls) slaughterings in June 2015 were 7.1% lower than June 2014 at 141 thousand head. Beef and veal production was 63 thousand tonnes, 6.4% lower than in June 2014.

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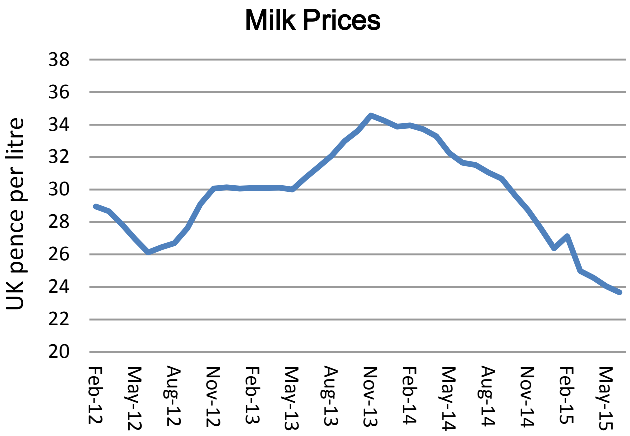
Livestock products *(source: Defra)*

- **Milk Volumes:** The provisional volume of wholesale milk delivered to UK dairies during June 2015 was 1.3 billion litres, 3.9% (48.9m litres) higher than in June 2014. Good weather conditions have led to well performing herds, which has kept domestic milk production at the current high levels.



- **Milk Prices:** High levels of domestic milk supply has led to a 1.5% (0.37p per litre) decrease on the UK average farm gate milk price since last month to 23.7p per litre. This represents an 8p per litre decrease on the June 2014 price. The current strength of Sterling against the Euro is also adding downward pressure on UK dairy prices.

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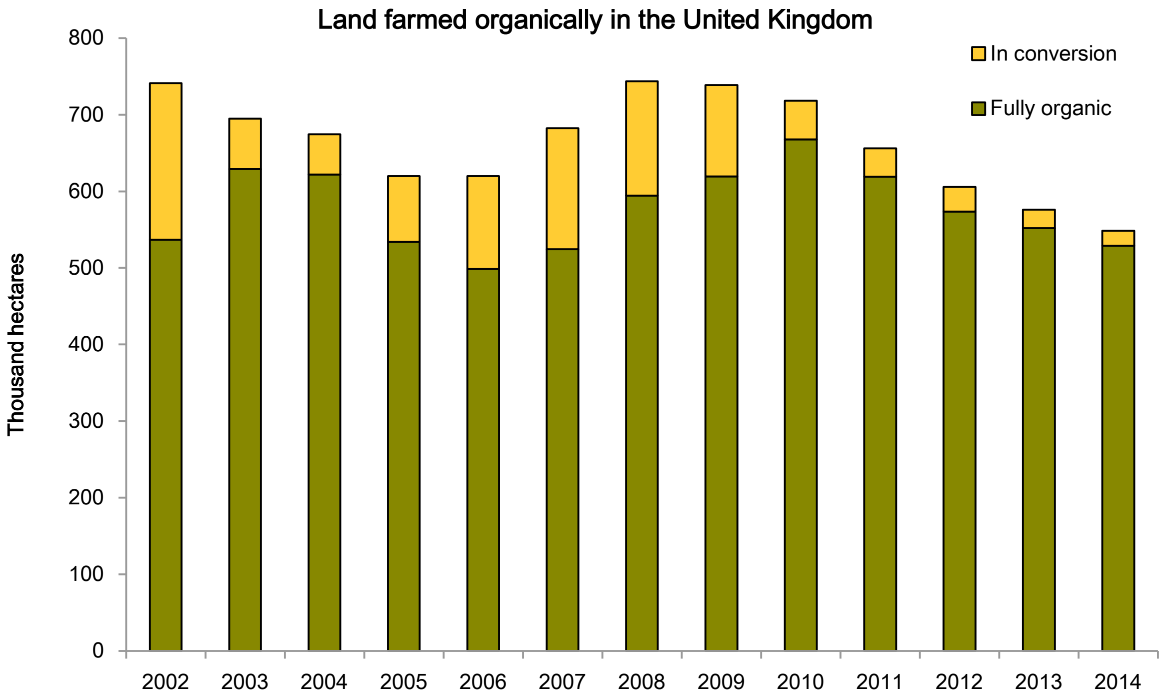
2.2. Organic Farming

In 2014, the United Kingdom had a total area of 548,600 hectares of land farmed organically (i.e. the fully converted area and area under conversion), down from 576,000 hectares in 2013. Since 2008 when the area of land farmed organically peaked, the organically farmed area has declined by **26** per cent. The organically farmed area represents 3.2 per cent of the total utilised agricultural land area in the United Kingdom. The area in conversion continued to decline in 2014 though the decline has slowed in the last four years compared to the period between 2007 and 2010.



Other key points are:

- In 2014, there were 3,695 agricultural producers registered with the organic certification bodies in the United Kingdom, down from 3,918 in 2013. The number of producers has declined by 33 per cent since 2007, mirroring the decline in the land area farmed
- Permanent pasture accounts for the biggest share of the organic area (about 67%) followed by temporary pasture (around 17%) and cereals (around 8%). The three main crop types grown organically are cereals, vegetables and potatoes, and other arable crops. All have shown a decline since the late 2000s, mirroring the fall in the land area farmed organically since 2008.
- Organic livestock figures for 2014 show that, with respect to cattle, sheep and pigs, sheep was the most popular species, around 959 thousand animals in 2014. Both sheep and pigs numbers continued to decline in 2014 but cattle numbers increased by 7.4 per cent following three years of downturn.
- There were 2,481 certified organic processors (including agricultural producers who are also processors) in 2014, a 7.1 per cent increase compared to 2013, reversing a long-term decline. Food manufacturing activities may be grouped using NACE Rev. 2 classification. Other than the manufacture of 'other food products', most processors in the United Kingdom were engaging in the processing and preserving of meat and production of meat products (18.1%), and the processing and preserving of fruit and vegetables (18.9%).

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2.3. Soil Nutrient Balances

Defra released provisional 2014 figures for the UK and England soil nutrient balances on 23rd July.

Soil nutrient balances provide a method for estimating the annual nutrient loadings of nitrogen and phosphorus to agricultural soils. They give an indication of the potential risk associated with losses of nutrients to the environment; losses which can impact on air and water quality and on climate change. The nutrient balances are used as a high level indicator of farming's pressure on the environment and of how that pressure is changing over time. The balances do not estimate the actual losses of nutrients to the environment but significant nutrient surpluses are directly linked with losses to the environment. The key results for England are:

Nitrogen

- Provisional estimates for 2014 show that the nitrogen balance for England was a surplus of 85 kg/ha of managed agricultural land. This is a decrease of 3 kg/ha (-4%) compared to 2013 and a reduction of 23 kg/ha (-21%) compared to 2000, continuing the long term downward trend.

  The reduction between 2013 and 2014 has been driven by increase in offtake (particularly harvested crops and crop residue). This more than offset a smaller increase to inputs (mainly from inorganic manufactured fertilisers).

Phosphorus

- Provisional estimates for 2014 show that the phosphorus balance for England was a surplus of 4 kg/ha of managed agricultural land. This is a decrease of 2 kg/ha (-30%) compared to 2013 and a reduction of 5 kg/ha (-57%) compared to 2000.

  As with nitrogen, the reduction between 2013 and 2014 has been driven by an increase in offtake which offset a much smaller increase in inputs. Again, the long term trend is downward

The full results can be found at: https://www.gov.uk/government/statistics/uk-and-england-soil-nutrient-balances-2014

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2.4. Agricultural Statistics and Climate Change

The 6th edition of Agricultural Statistics and Climate Change was published on the 30th July. The publication brings together a range of statistics that relate directly and indirectly to emissions, which can give an indication of whether agriculture is increasing its efficiency in ways that reduce GHG emissions. These include data on slaughter weights and ages, feed conversion ratios, livestock mortality, fertiliser and land use. Also included are links to data relating to on-farm practices that can give a picture of farmer awareness and the degree of uptake of measures to reduce emissions. The publication also incorporates details of developing research and provides some international comparisons.
The publication can be found on the internet at: https://www.gov.uk/government/organisations/department-for-environment-food-rural-affairs/series/agricultural-statistics-and-climate-change

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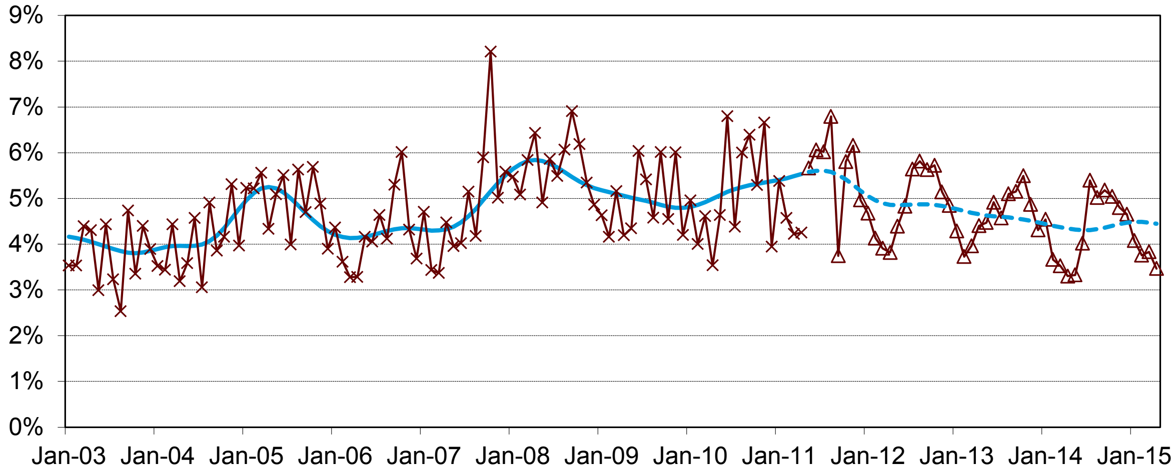
3. Environment, Health and Welfare

3.1. Health and Welfare

3.1.1. TB Statistics April 2015 – Great Britain

- Theprovisional incidence rate for January to April 2015 is 3.8% compared to 3.8% for January to April 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 April 2015 was 1,806 compared to 1,768 during January to April 2014. The number of tests on officially TB free herds was 32,851 during January to April 2015, compared to 31,303 during January to April 2014.

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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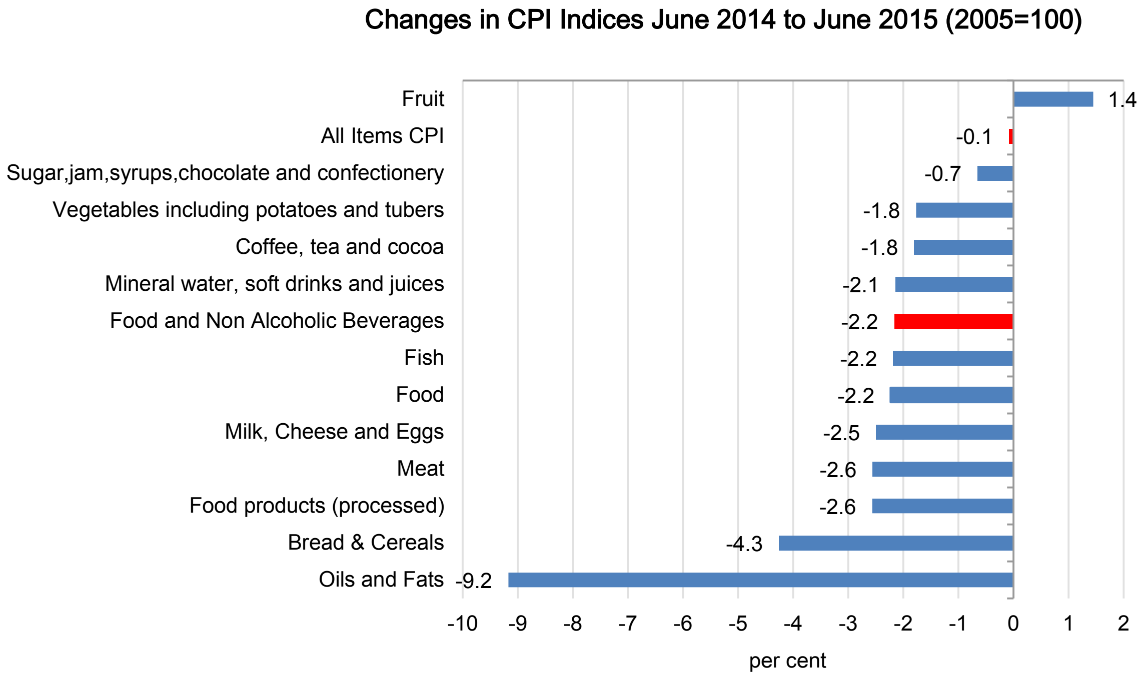
4. Food

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

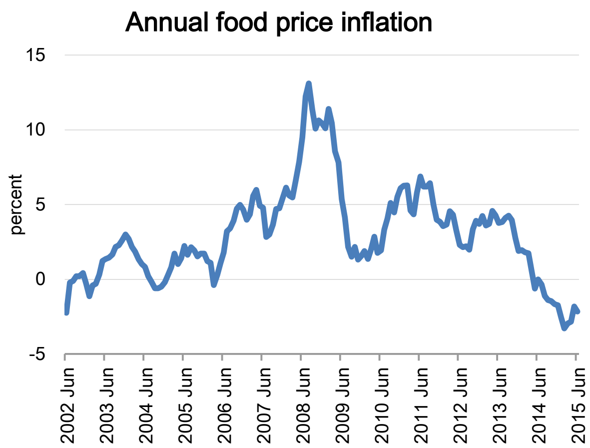
4.1.1. Consumer and retail prices

Year on year food prices have continued to fall, with an annual rate of inflation of -2.2 per cent in the year to June 2015, according to official figures released on 14th July 2015. General inflation is 0.0 per cent, down from 0.1 per cent in May.



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 0.0 per cent in the year to June 2015, down from May. There was a small upward effect from miscellaneous goods and services, where prices overall rose by 0.2 per cent between May and June this year, compared with a fall of 0.1 per cent a year earlier. There were large downward effects from clothing and footwear, prices falling by 0.4 per cent between May and June, compared with a rise of 0.6 per cent a year ago; from transport, prices rising by 0.2 per cent between May and June compared with a rise of 0.6 per cent a year ago; and food and non-alcoholic beverages, .falling 0.2 per cent between May and June compared with a rise of 0.1 per cent between the same months a year ago.



Below are the average retail prices of selected items on 9th June 2015:

1 pint of milk	£0.44 (unchanged from May)
Loaf of sliced white bread (800g)	£1.02 (down from £1.03 in May)
Cheese (kg)	£7.82 (up from £7.58 in May)
Eggs (dozen large free range)	£2.76 (down from £2.79 in May)
Potatoes, old white (kg)	£0.77 (unchanged from May)
Apples (kg)	£1.93 (down from £1.96 in May)
Sugar (kg)	£0.74 (unchanged from May)

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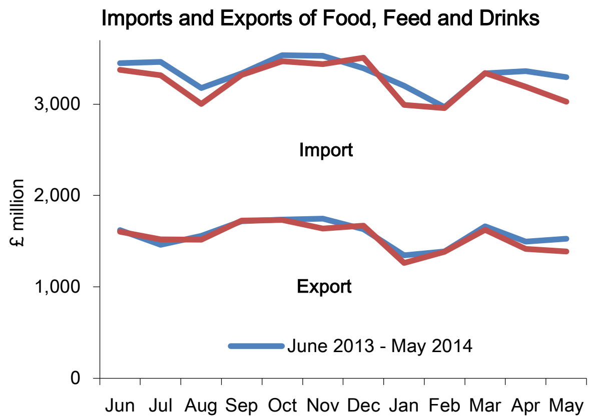
4.2. International Trade in Food, Feed and Drink

4.2.1. Value of Trade

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

In May:

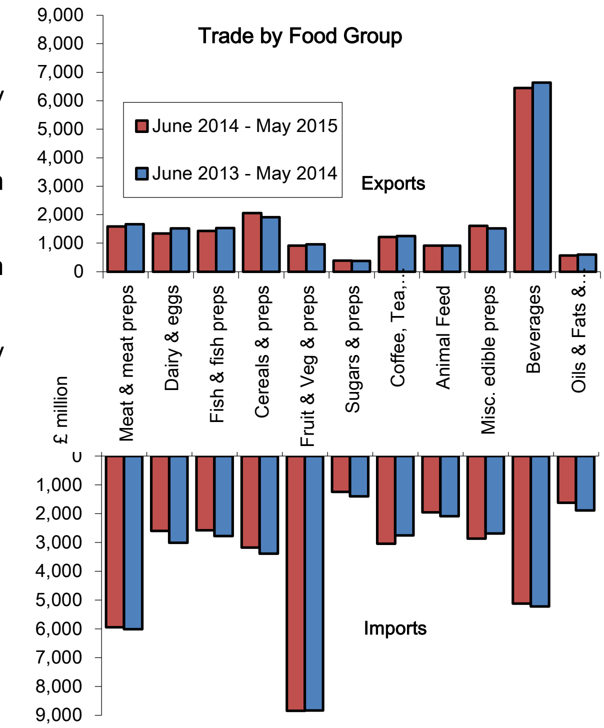
- The value of exports was £1. 4 billion, 9.0% lower than in May 2014;
- The value of imports was £3.0 billion, 8.1% lower than the previous May;
- This resulted in a crude trade gap of minus £1.6 billion, 7.3% wider than in May 2014.



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

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

- Imports of **meat and meat preparations** fell by £64m (1.1%), and exports fell by £77m (-4.6%)
- Imports of **dairy products and eggs** fell by £415m (-13.8%), while exports also fell by £174m (-11.5%)
- Imports of **fish and fish preparations** fell by £202m (-7.3%) and exports also fell by £98m (-6.4%)
- Imports of **cereals and cereal preparations** fell by £221m (-6.5%), while exports rose by £145m (7.6%)
- Imports of **fruit and vegetables** rose by £9m (0.1%), while exports fell by £47m (-4.9%)
- Imports of **beverages** fell by £103m (-2.0%) and exports fell by £194m (-2.9%)



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4.2.2. **Volumes of Exports and Imports of Food, Feed and Drink to May 2015**

We measure the volume of trade using an index that combines the changes in volumes of trade of specific commodities. The index gives greater weighting to higher value commodities and provides a robust overall measure of the trends in volume of trade.

EXPORTS

The overall volume of exports of food, drink and animal feed hardly changed in 2014 compared to 2013. Over the longer term the volume of exports is rising and in 2014 was 28% higher than in 2005.

- volume of exports of meat and meat preparations rose 60% between 2005 and 2014
- volume of exports of animal feed rose 67% between 2005 and 2014
- volume of exports of fruit and vegetables were lower in 2014 than in 2005

Volume of exports of food, feed and drink, 2005=100

In 2015 with data from January to May the volume of exports was 0.5% up on the same period in 2014 with rises in export of cereals, sugar products, vegetables and fruit and beverages.

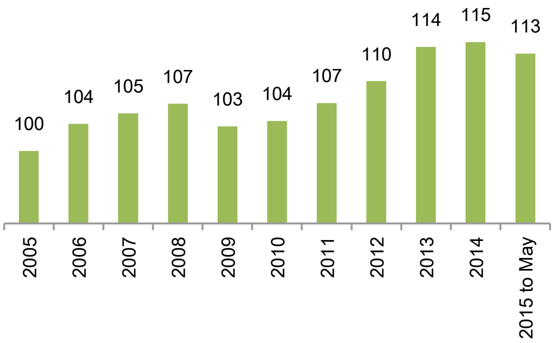
While the volume of exports rose 28% between 2005 and 2014 the real terms value of exports rose by 54%. In 2015 January to May the value of exports has dropped by 2.2% compared to the same period in 2014.

IMPORTS

The volume of imports of food, drink and animal feed rose by 15% between 2005 and 2014, just over half as much as the percentage rise in exports. In 2015 from January to May the volume of imports was down by 1.5% compared to the same period in 2014.

While the volume of imports rose 15% between 2005 and 2014 the real terms value of imports rose by 37%. In 2015 from January to May the value of imports has dropped by 3.8% compared to the same period in 2014.

Volume of imports of food, feed and drink, 2005=100



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