



## 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 -2.4% in the year to August 2015, according to official figures released on 15<sup>th</sup> September 2015. General inflation is 0.0%, down from 0.1% in July.

(More details: see section 4.)

### **Sharp Decline in Winter Wheat price**

The August 2015 average price for Hard Red winter wheat was \$216 per tonne, which was a 37% 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 28% 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 August 2015 was 1.2 billion litres, 1.8% (20.8m litres) higher than in August 2014. UK average farm gate price for milk fell 0.2p per litre in August to 23.26p per litre, a 7.8 pence per litre (25%) fall on the August 2014 price.

(More details: see section 2)

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## 1. Overall economic position

### Consumer Price Index

- The Consumer Prices Index (CPI) fell to 0.0% in the year to August 2015, compared to 0.1% in the year to July 2015.
- The largest upward contributions came from furniture, household equipment and maintenance.

### Labour Market Statistics

- Comparing the estimates for May to July 2015 with those for the 3 months to April 2015, there was little change in employment and no change in unemployment.
- There were 31.09 million people in work, 42,000 more than for February to April 2015 and 413,000 more than for a year earlier.
- There were 22.74 million people working full-time, 361,000 more than for a year earlier. There were 8.36 million people working part-time, 52,000 more than for a year earlier.
- The employment rate (the proportion of people aged from 16 to 64 who were in work) was 73.5%, little changed compared with February to April 2015 but higher than for a year earlier (72.8%).
- There were 1.82 million unemployed people (people not in work but seeking and available to work), 10,000 more than for February to April 2015 but 198,000 fewer than for a year earlier.
- The unemployment rate was 5.5%, unchanged compared with February to April 2015 but lower than for a year earlier (6.2%). The unemployment rate is the proportion of the labour force (those in work plus those unemployed) who were unemployed.
- There were 8.99 million people aged from 16 to 64 who were economically inactive (not working and not seeking or available to work), 24,000 fewer than for February to April 2015 and 65,000 fewer than for 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 February to April 2015 but down slightly from a year earlier (22.3%).

### Retail Sales

- Continuing a sustained period of year-on-year growth, the volume of retail sales in August 2015 is estimated to have increased by 3.7% compared with August 2014. This was the 29th consecutive month of year-on-year growth.
- The underlying pattern in the data, as suggested by the 3 month on 3 month movement in the quantity bought, showed growth for the 30th consecutive month, increasing by 0.4%.
- Compared with July 2015, the quantity bought in the retail industry is estimated to have increased by 0.2%.
- Average store prices (including petrol stations) fell by 3.3% in August 2015 compared with August 2014; the 14th consecutive month of year-on-year price falls.
- The amount spent in the retail industry increased by 0.2% in August 2015 compared with August 2014, but decreased by 0.3% compared with July 2015.
- The value of online sales increased by 7.4% in August 2015 compared with August 2014, but decreased by 2.7% compared with July 2015.

## 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

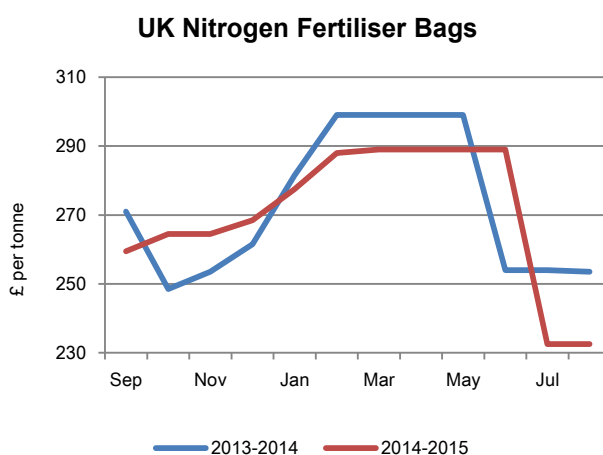
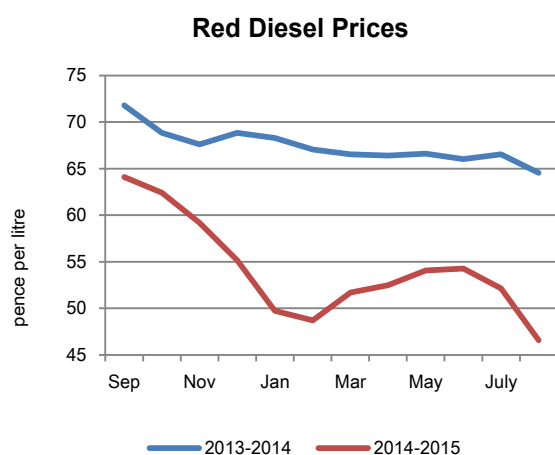
This section brings together the latest economic position for the farming sector (including UK and international input and commodity price intelligence) and the highlights of recently published evidence and research.

### 2.1. Economic

#### 2.1.1. UK Prices – Inputs

- **Red Diesel:** In August 2015, the average price for red diesel was 47 pence per litre. Current prices are 28% lower than August 2014.
- **Fertiliser:** In August the average price for 34.5% UK Ammonium Nitrate bags was £232.50 per tonne. Current prices are 8% lower than August 2014.

(Source: Dairy Co Datum).



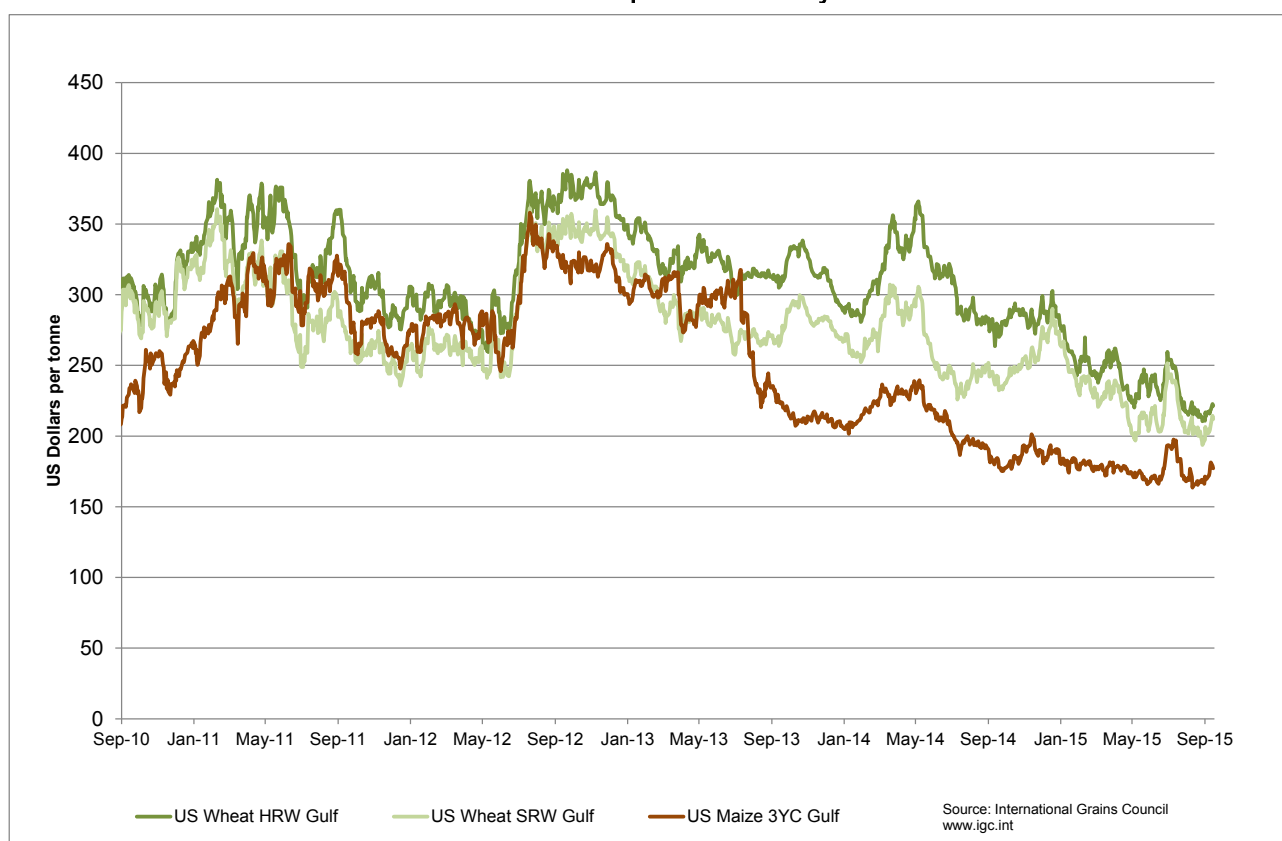
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#### 2.1.2. Prices and Market Information – Commodities

##### Cereals

- The August 2015 average price for Hard Red winter wheat was \$216 per tonne, which was a 37% 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 28% 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 \$175 per tonne in mid-September 2015.

## Wheat and maize prices for last 6 years



- The USDA published their World Agricultural Supply and Demand 2015/16 production forecasts on 11 September. For **wheat**, the global production forecast has been increased by 5.1Mt to 731.6Mt (which compares to the actual level of production of 725.25Mt for 2014/15). The increase in the forecast is due to higher forecasts from Europe (higher than expected yields), up 6.3Mt to 154Mt and also increased production from Russia and Ukraine. These increases have offset lower than expected production in Canada and India. Exports have been revised up for Europe and Ukraine has a result of these higher forecasts of crop size but in contrast exports have been reduced for the US in the face of greater international competition. Despite a forecast increase in global feed demand this is not enough to catch up with increased global supplies, therefore global end of season stocks are increased by 5.1Mt to 226.6Mt.
- For **maize** the USDA reduced its US maize production to 345.1Mt from 347.6Mt in August due to lower estimated yields. EU maize production is forecast to fall by another 4.3Mt. World maize output has been cut by 7.5Mt to 978.1Mt (almost 30Mt lower than 2014/15). 2015/16 global end of season stocks are forecast 5.4Mt lower than August's report at 189.7Mt and well below market expectations. Despite another ample global production year the revised USDA forecasts means the global maize deficit now stands at 7.5Mt, indicating a tighter supply situation than markets were expecting. The USDA increased its US forecast of soyabean production by 0.5Mt from its August estimate due to higher yield projections; this was against market expectations but not enough to offset lower forecasts for Canada and Ukraine. Global end of season stocks have been reduced by 1.9Mt to 85Mt as a result of lower projected stocks in Argentina, Brazil, Canada, Ukraine and the US. EU Rapeseed production were increased along with those of Canada but were offset by reductions for India and Turkey.

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- **Animal Feed** (source Defra): During July 2015 (the latest period for which data is available), the total GB retail production of animal feed was 831 thousand tonnes, up 2.1% compared to July 2014. Total GB integrated poultry feed production was 193 thousand tonnes, down 1.7% during July 2015 compared to the same period in 2014.
- **Flour** (source Defra): During July 2015 (the latest period for which data is available), the total amount of wheat milled in the UK was 508 thousand tonnes, down 1.1% compared to July 2014. The total amount of home grown wheat milled in the UK for July 2015 was 429 thousand tonnes, up 9.5% compared with July 2014. There were 78 thousand tonnes of imported wheat milled in July 2015, down 35% compared

with July 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 402 thousand tonnes, down 0.1% compared to July 2014.

- **Brewers, Distillers and Maltsters** (source Defra): During July 2015, the total usage of barley by brewers, distillers and maltsters was 151 thousand tonnes, down 2.6% compared to July 2014.

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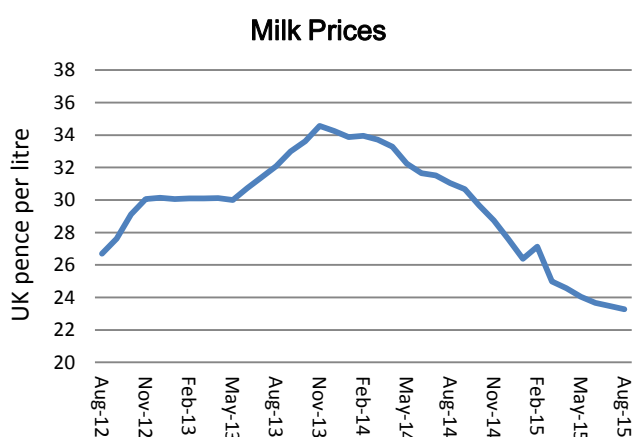
#### Livestock (source: Defra)

- **Pigs:** UK clean pig slaughterings were 5.8% higher than in August 2014 at 0.8 million head. Pigmeat production was 68 thousand tonnes, 5.9% higher than in August 2014.
- **Sheep:** UK clean sheep slaughterings were 5.4% higher than in August 2014 at 1.1 million head. Mutton and lamb production was 26 thousand tonnes, 4.6% higher than in August 2014.
- **Cattle:** UK prime cattle (steers, heifers and young bulls) slaughterings were 1.1% lower than August 2014 at 140 thousand head. Beef and veal production was 65 thousand tonnes, 1.6% higher than in August 2014.

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#### Livestock products (source: Defra)

- **Milk Volumes:** The provisional volume of wholesale milk delivered to UK dairies during August 2015 was 1.2 billion litres, 1.8% (20.8m litres) higher than in August 2014.



- **Milk Prices:** Global oversupply of milk combined with weak demand continues to put pressure on wholesale prices. These factors have led to a 0.8% (0.2p per litre) fall on the UK average farm gate milk price since last month to 23.26p per litre. This represents a 7.8 pence per litre (25%) decrease on the August 2014 price.

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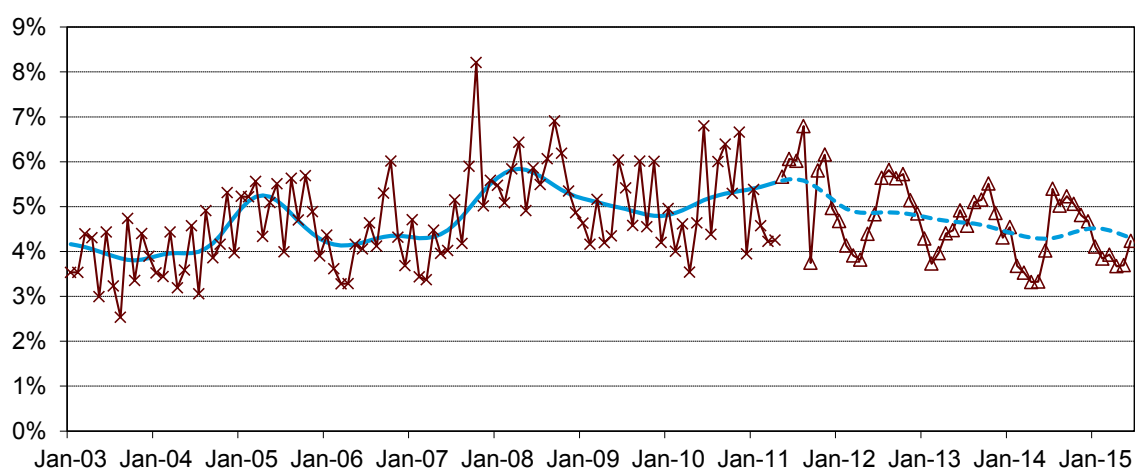
## 3. Environment, Health and Welfare

### 3.1. Health and Welfare

#### 3.1.1. TB Statistics June 2015 – Great Britain

- The provisional incidence rate for January to June 2015 is 3.9% compared to 3.7% for January to June 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 June 2015 was 2,453 compared to 2,407 during January to June 2014. The number of tests on officially TB free herds was 43,107 during January to June 2015, compared to 42,834 during January to June 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](mailto:tbstatistics@defra.gsi.gov.uk)

## 4. Food

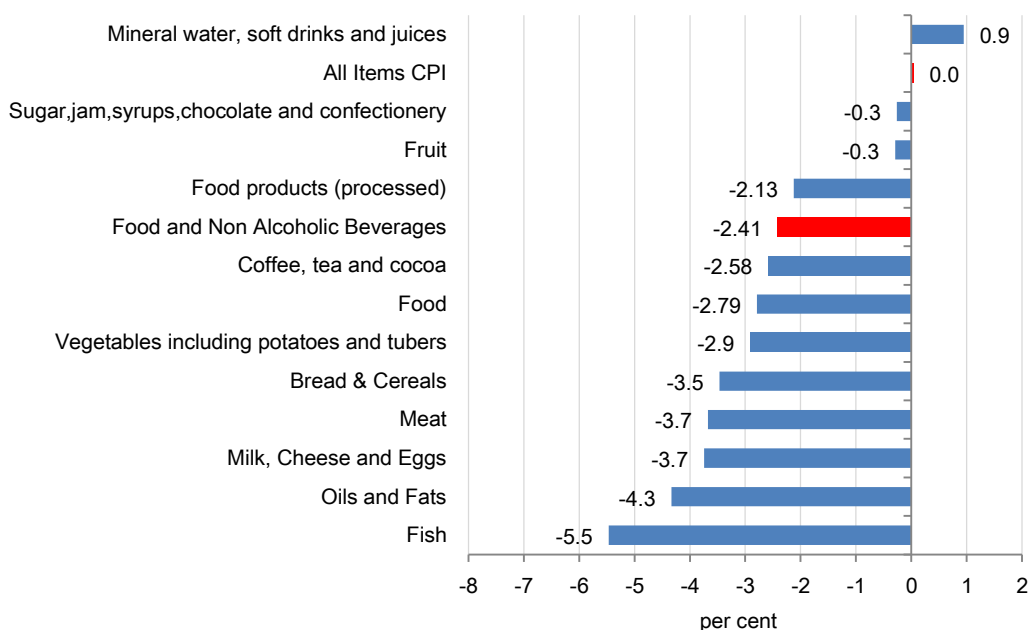
This section highlights current trends in food price inflation and drivers of future price changes together with the latest trade figures for food and drink.

### 4.1. Food inflation

#### 4.1.1. Consumer and retail prices

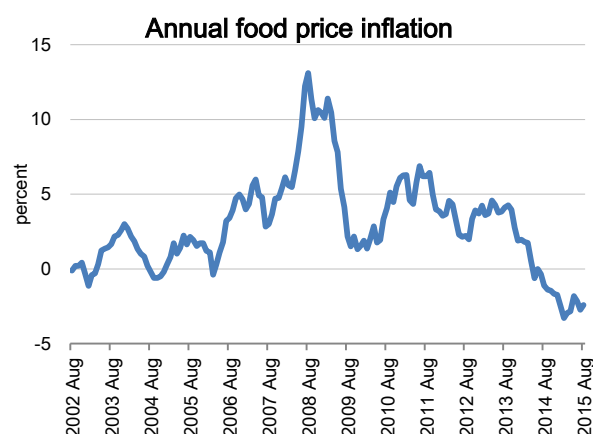
Year on year food prices have continued to fall, with an annual rate of inflation of -2.4% in the year to August 2015, according to official figures released on 15<sup>th</sup> September 2015. General inflation is 0.0%, down from 0.1% in July.

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



The fall 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 (zero or negligible) in the year to August 2015, down from 0.1 per cent in July. There were large upward effects from furniture, household equipment and maintenance, where prices overall rose by 1.7% between July and August this year compared with a rise of 1.0% between the same 2 months a year ago. The upward effect came principally from price rises for furniture and furnishings.



There were large downward effects from transport, where prices overall rose by 0.1% between July and August this year compared with a larger rise of 0.8% between the same 2 months a year ago. Within transport, the largest downward contribution came from motor fuels, with another large downward contribution from sea transport, with fares rising by less than a year ago. These effects were partially offset by a small upward contribution from air fares, which rose by more than a year ago, particularly on long-haul routes. There were also downward effects from clothing and footwear, where prices overall rose by 1.5% between July and August this year compared with a rise of 2.6% between the same 2 months a year ago. Prices of clothing and footwear usually rise between July and August as autumn ranges start to enter the shops following the summer sales season. The smaller rise this year follows a sales period in which prices fell by less than a year ago. The downward contributions came from price movements across a range of garments but particularly from women's outerwear; and recreation and culture, where prices overall fell by 0.4% between July and August this year compared with a fall of 0.1% a year ago. The downward contribution came from a range of sectors, most notably books and cultural services.

Below are the average retail prices of selected items on 11<sup>th</sup> August 2015:

1 pint of milk	£0.43 (unchanged from July)
Loaf of sliced white bread (800g)	£1.02 (unchanged from July)
Cheese (kg)	£7.55 (down from £7.77 in July)
Eggs (dozen large free range)	£2.74 (up from £2.73 in July)
Potatoes, old white (kg)	£0.78 (up from £0.75 in July)
Apples (kg)	£1.98 (down from £2.00 in July)
Sugar (kg)	£0.72 (down from £0.73 in July)



## 4.2. International Trade in Food, Feed and Drink

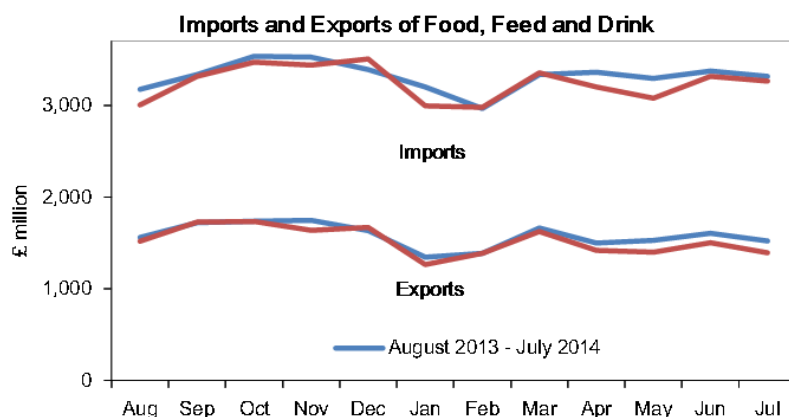
### 4.2.1. Value of Trade

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

In July:

- The value of exports was £1.4 billion, 8.5% lower than in July 2014;
- The value of imports was £3.3 billion, 1.6% lower than the previous July;
- This resulted in a crude trade gap of minus £1.9 billion, 4.2% wider than in June 2014.

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



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

- Imports of **dairy products and eggs** fell by £515m (17.3%), and exports fell by £261m (-16.9%)
- Imports of **Coffee, Tea, Cocoa, Spices** rose by £285m (10.3%), while exports fell by £38m (-3.0%)
- Imports of **fish and fish preparations** fell by £220m (-8.0%) and exports also fell by £170m (-10.9%)
- Imports of **cereals and cereal preparations** fell by £186m (-5.6%), while exports rose by £173m (9.1%)
- Imports of **meat and meat preparations** down by £76m (-1.3%), while exports fell by £126m (-7.5%)
- Imports of **fruit and vegetables** rose by £235m (2.7%) and exports fell by £5m (-0.6%)

