



## January 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).

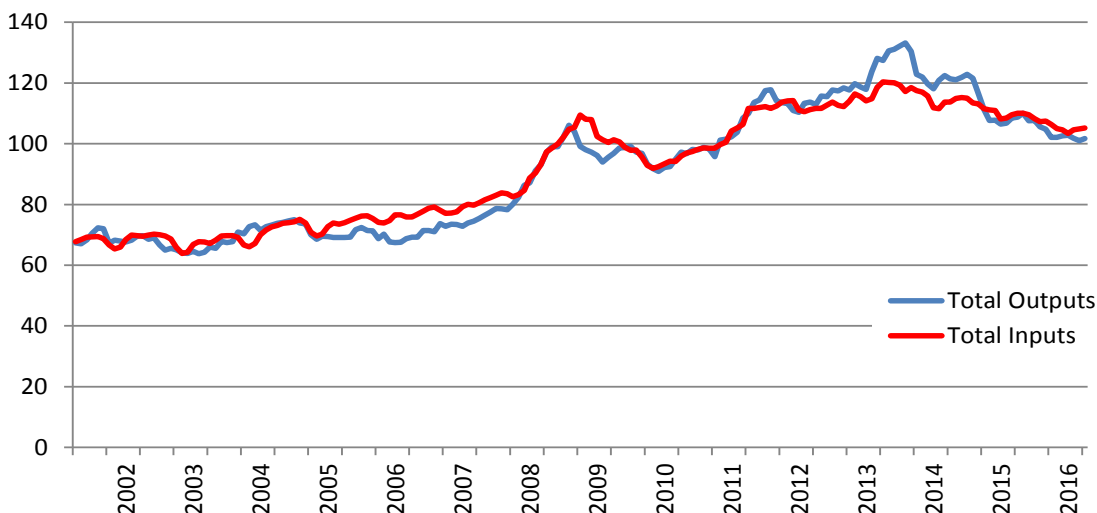
The input series reflects the price farmers pay for goods and services. This is split into two groups: goods and services currently consumed; and goods and services contributing to investment. Goods and services currently consumed refer to items that are used up in the production process, for example 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 January 2016, the monthly price index for all outputs was 6.5% lower than January 2015 and the price index for all inputs was 4.4% lower. Figure 1 shows the monthly price indices for agricultural inputs and outputs from January 2001 to January 2016.

**Figure 1: Agricultural price indices**

(2010=100)



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## Outputs

Overall the price index for all crop products was 2.2% lower in January 2016 compared to January 2015.

The price index for all crop products rose by 2.9% between December 2015 and January 2016 compared to a 1.6% rise 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 has continued into 2016 with the cereal price index 0.5% lower in January 2016 than December 2015, compared to a 1.4% rise in the same period a year previous. This compares to an 11% fall in the cereal price index between January 2016 and January 2015.

The overall potato price index was 33% higher in January 2016 compared to January 2015. This was partly due to the reduction in planted area to a record low in 2015. The potato index rose by 3.9% between December 2015 and January 2016 as stocks fell. This compares to a 0.4% rise between December and January the previous year.

Overall the price index for all animals and animal products was 8.9% lower in January 2016 compared to January 2015.

The pig price index has declined again and remains low compared to 2014. In January 2016 it was 17% lower than January 2015. Pig supplies have continued to outstrip demand with the pattern exacerbated by the mild winter. The ongoing weakness of the EU pig market, combined with fluctuations of the pound against the euro, has kept downward pressure on domestic prices.

The sheep and lamb price index rose by 6.5% in January 2016 compared to December 2015. Demand remained strong at the start of the year, and combined with less stock being brought to market and the recent weakening of sterling against the euro, prices rose. Despite this increase the sheep and lamb price index was 10% lower than January 2015.

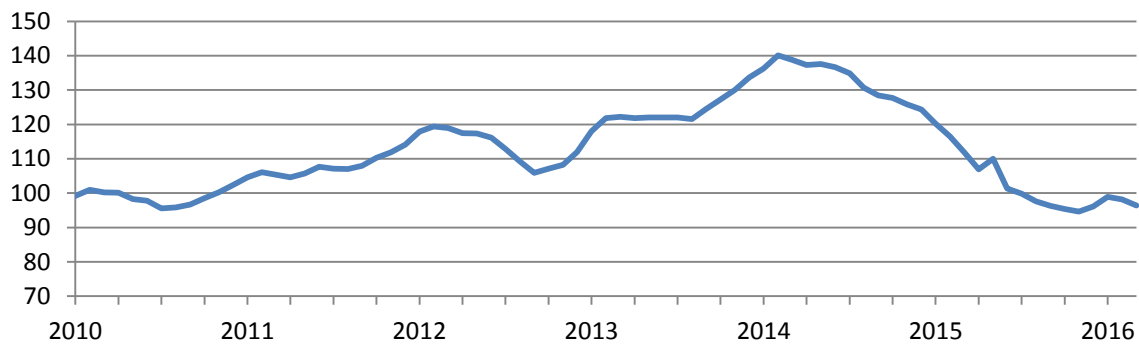
The price index for animal products was 11% lower in January 2016 compared to the same time last year and fell by 2.3% between December 2015 and January 2016. This compares to a 3.5% fall between the same two months a year earlier.

Following the usual seasonal pattern milk production rose slightly in January. The price index for milk fell by 2.7% between December 2015 and January 2016 and was 12% lower when compared to January 2015. The continued high domestic production combined with the ban on dairy exports to Russia and falling returns from global commodity markets has had a large impact on the industry.

Figure 2 overleaf shows the price index for milk between January 2010 and January 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 straight animal feedstuffs was 13% lower in January 2016 compared to January 2015. This reflects the continued low cereal prices due to plentiful supplies. A similar pattern is being 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 15% lower in January 2016 compared to the same month last year. Prices fell steadily across 2015 and the downward trend looks set to continue.

## **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	
	Dec-14	Jan-15	Aug-15	Sep-15	Oct-15	Nov-15	Dec-15	Jan-16	January 2015 to January 2016	December 2015 - January 2016	December 2014 - January 2015
<b>All Outputs</b>	108.5	108.8	102.1	102.6	102.8	101.8	101.0	101.7	-6.5%	0.7%	0.3%
<b>Crop products</b>	101.6	103.3	101.1	99.6	99.2	98.3	98.1	101.0	-2.2%	2.9%	1.6%
Cereals	107.1	108.6	97.2	93.7	95.6	98.8	96.8	96.4	-11.3%	-0.5%	1.4%
Wheat	106.5	107.1	96.6	92.2	94.0	97.8	95.2	95.0	-11.4%	-0.2%	0.6%
Barley	109.7	112.6	97.4	96.1	99.5	101.9	100.8	99.1	-12.0%	-1.7%	2.6%
Oats	100.8	107.7	106.0	106.1	106.7	108.6	103.6	105.0	-2.5%	1.4%	6.8%
Potatoes	87.4	87.7	132.3	116.5	106.3	106.8	112.3	116.6	33.0%	3.9%	0.4%
Industrial Crops	100.0	102.5	95.9	100.6	95.4	96.0	96.6	96.6	-5.8%	0.0%	2.5%
Oilseed Rape	92.7	95.4	93.4	94.3	94.7	95.6	96.7	96.5	1.2%	-0.2%	2.9%
Sugar Beet	115.6	115.6	115.6	115.6	96.1	96.1	96.1	96.1	-16.9%	0.0%	0.0%
Forage plants	99.0	100.0	89.6	88.8	88.2	88.4	88.4	89.9	-10.1%	1.7%	1.0%
Fresh Vegetables	84.4	96.1	98.2	96.6	95.9	84.7	82.4	101.6	5.7%	23.3%	13.9%
Fresh Fruit	97.6	102.2	105.7	106.9	109.4	111.7	96.1	97.4	-4.7%	1.4%	4.7%
Flowers and plants	110.5	109.8	108.3	107.4	108.9	108.3	109.0	112.8	2.7%	3.4%	-0.6%
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%
<b>Animals and animal products</b>	112.7	112.2	103.0	105.2	105.1	104.3	102.8	102.2	-8.9%	-0.6%	-0.5%
Animals (for slaughter & export)	112.6	114.0	105.8	108.3	106.5	105.8	104.8	105.0	-7.9%	0.2%	1.2%
Cattle and calves	127.8	129.8	126.6	126.2	123.7	121.0	123.6	121.1	-6.7%	-2.1%	1.6%
Pigs	101.1	98.5	92.7	91.6	89.6	88.4	87.3	82.2	-16.6%	-5.9%	-2.5%
Sheep and lambs	107.9	111.6	87.5	88.8	83.6	89.2	93.9	99.9	-10.4%	6.5%	3.4%
All Poultry	106.0	105.6	100.2	107.8	108.5	107.4	100.9	101.7	-3.8%	0.8%	-0.3%
Animal products	112.9	109.0	99.0	100.3	102.3	101.7	99.7	97.4	-10.7%	-2.3%	-3.5%
Milk	111.9	106.9	94.6	96.1	98.9	98.2	96.4	93.8	-12.3%	-2.7%	-4.4%
Eggs	119.0	120.8	118.3	118.3	117.2	117.2	117.2	117.3	-2.9%	0.1%	1.5%

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

									Yearly	Monthly	
	Dec-14	Jan-15	Aug-15	Sep-15	Oct-15	Nov-15	Dec-15	Jan-16	January 2015 to January 2016	December 2015 - January 2016	December 2014 - January 2015
<b>All Inputs</b>	109.5	110.0	105.0	104.6	103.4	104.5	104.9	105.2	-4.4%	0.3%	0.4%
<b>All goods and services currently consumed in agriculture</b>	109.4	110.0	104.1	103.7	102.2	103.5	104.0	104.2	-5.2%	0.3%	0.5%
Seeds	92.7	93.1	90.5	90.1	92.2	92.2	92.2	92.2	-1.0%	0.0%	0.4%
Energy and lubricants	117.1	116.7	94.6	95.0	96.2	104.6	109.6	110.6	-5.2%	0.9%	-0.3%
Fertilisers and soil improvers	107.0	107.8	97.2	97.4	95.7	95.5	93.6	92.0	-14.7%	-1.7%	0.8%
Plant protection products	96.0	104.4	126.3	105.2	96.3	96.5	95.7	104.4	0.0%	9.1%	8.7%
Veterinary services	107.6	107.5	107.7	107.6	107.6	107.7	107.7	107.7	0.2%	0.0%	-0.1%
Animal feedingstuffs	111.8	113.3	106.2	106.3	101.5	101.7	101.9	103.0	-9.1%	1.1%	1.3%
Straight feedingstuffs	110.4	112.2	97.4	95.2	96.4	96.4	95.6	97.5	-13.1%	2.0%	1.6%
Compound feedingstuffs	112.7	114.1	112.8	113.0	105.1	105.2	106.1	106.8	-6.4%	0.7%	1.2%
Maintenance of Materials	110.2	110.7	110.7	110.6	110.7	110.8	111.0	111.2	0.5%	0.2%	0.5%
Maintenance of Buildings	110.5	110.2	108.7	107.9	107.9	107.4	106.6	106.9	-3.0%	0.3%	-0.3%
Other goods and services	109.4	109.1	109.6	109.5	109.6	109.6	109.7	109.8	0.7%	0.1%	-0.3%
<b>Goods and services contributing to investment</b>	110.1	110.2	109.7	109.6	109.7	109.6	109.6	109.7	-0.5%	0.1%	0.1%
Materials	110.4	110.7	110.1	110.2	110.3	110.3	110.4	110.5	-0.1%	0.1%	0.3%
Buildings	108.1	107.9	107.0	106.5	106.6	106.3	105.8	106.0	-1.8%	0.2%	-0.2%
Other (Engineering and soil improvement operations)	112.5	112.7	113.0	113.1	113.2	113.1	113.1	113.1	0.4%	0.0%	0.2%