



## 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).

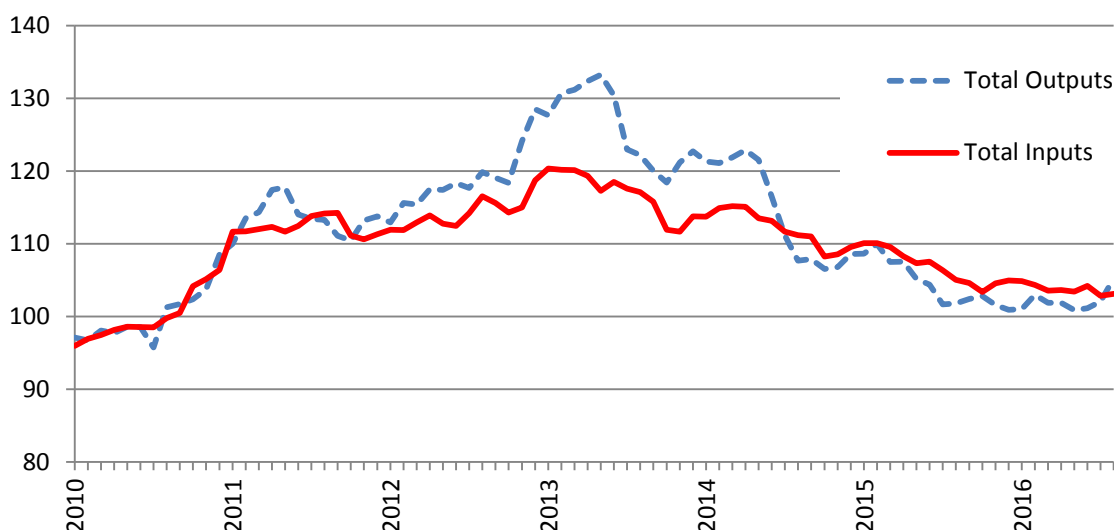
The input series reflects the price farmers pay for goods and services. The series is in two groups: goods and services currently consumed; and goods and services contributing to investment. Goods and services currently consumed refer to items that are used up in the production process, for example fertiliser 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 2016, the monthly price index for all outputs was 3.4% higher than August 2015 and the price index for all inputs was 1.9% lower.

Figure 1 shows the monthly price indices for total agricultural inputs and outputs from January 2010 to August 2016.

**Figure 1: Monthly indices for total Outputs and total Inputs**



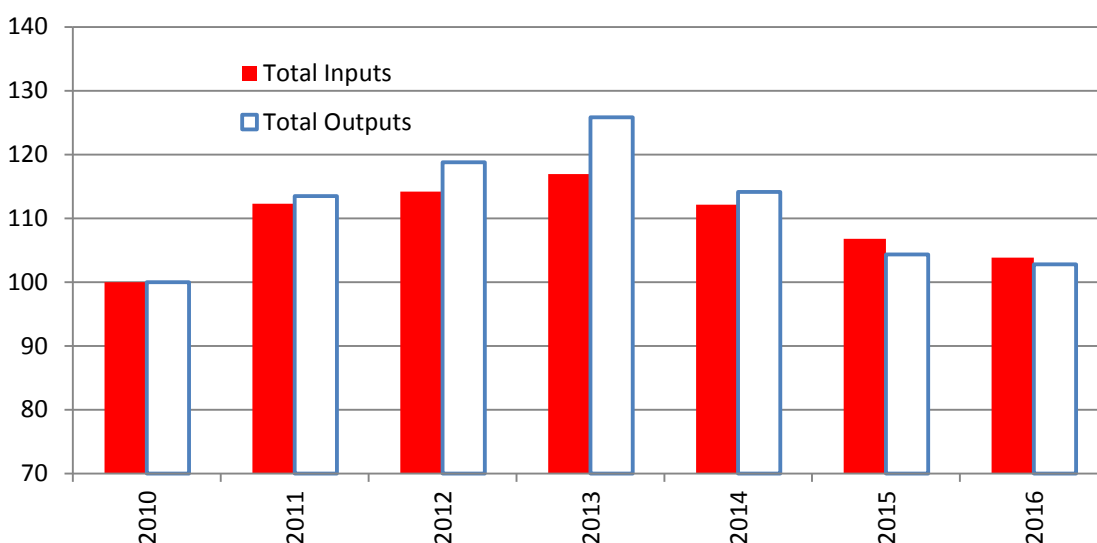
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Figure 2 shows a comparison of the average annual price indices for total agricultural inputs and outputs from January 2010 to August 2016.

**Figure 2: Comparison of annual average indices for total Inputs and total Outputs**

(2010=100)



## Outputs

Overall the price index for all crop products was 7.2% higher in August 2016 compared to August 2015.

The price index for all crop products rose by 5.5% between July and August 2016 compared to a 2.4% rise between the same two months a year earlier.

The low cereal price levels of 2016 finally took an upturn and overall the cereal price index was 3.6% higher in August 2016 compared to August 2015.

The cereal price index rose 3.5% between July and August 2016 boosted by the 4.0% rise in the wheat price index, and compares to a 5.0% fall between the two months last year. A return to a more usual harvest level and the fall in the value of sterling have both bolstered cereal prices.

The fresh fruit index was 19% higher and the fresh vegetables index was 12% higher in August 2016 compared to August 2015 due to supplies of some produce being lower than in August 2015.

Overall the price index for animals and animal products was 0.2% lower in August 2016 compared to August 2015.

The pig price index was 3.0% higher in August 2016 compared to August 2015.

A reduction in domestic supply, good export demand and weak sterling have all helped support the UK price recently and the price index rose 6.0% between July and August 2016.

In August 2016 the sheep and lamb price index was 21% higher than in August 2015.

The price usually falls quite sharply at this time of year as increased numbers of lambs come onto the market but the sharp drop in sterling after the EU exit referendum result supported lamb prices. The price index fell by just 1.2% between July and August 2016 compared to a 2.1% fall between the same two months last year.

The price index for animal products was 9.4% lower in August 2016 compared to the same time last year and rose 2.4% between July and August 2016. This compares to a 0.5% fall between the same two months a year earlier.

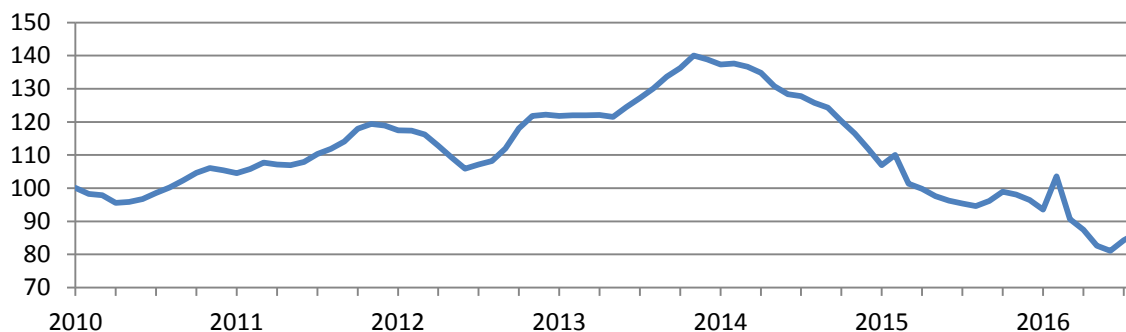
Milk production fell in August in line with the seasonal trend seen in previous years and was at a similar level to that seen in 2013.

The price index for milk rose by 2.7% between July and August 2016 and was 9.0% lower when compared to August 2015.

Figure 3 shows the price index for milk between January 2010 and August 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 3: Milk price index

(2010=100)



### Inputs

The price index for animal feedstuffs was 1.3% lower in August 2016 compared to August 2015 and the price index fell 1.4% between July and August 2016 despite the upturn in cereal prices. There was a 2.1% fall between the same two months a year ago.

The price index for fertilisers and soil improvers was 19.5% lower in August 2016 compared to the same month last year. Prices have fallen steadily across 2016 as falling demand has put pressure on the industry. The price index rose 2.9% in August 2016 compared to July 2016 aided by the fall in sterling.

## **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	
	Jul-15	Aug-15	Mar-16	Apr-16	May-16	Jun-16	Jul-16	Aug-16	August 2015 to August 2016	July 2016 - August 2016	July 2015 - August 2015
<b>All Outputs</b>	101.7	101.8	101.9	101.9	100.8	101.1	102.0	105.2	3.4%	3.1%	0.1%
<b>Crop products</b>	98.5	100.9	103.6	106.5	105.7	105.4	102.5	108.1	7.2%	5.5%	2.4%
Cereals	102.3	97.2	97.5	95.2	95.9	95.7	97.3	100.7	3.6%	3.5%	-5.0%
Wheat	101.6	96.6	94.9	93.1	93.1	92.9	96.0	99.9	3.4%	4.0%	-4.9%
Barley	103.1	97.4	102.4	101.3	106.2	106.4	98.4	101.2	3.9%	2.8%	-5.5%
Oats	113.3	106.0	105.2	104.8	113.2	116.0	115.8	109.6	3.3%	-5.4%	-6.4%
Potatoes	102.6	132.6	130.3	151.6	166.5	175.0	107.5	133.7	0.8%	24.4%	29.3%
Industrial Crops	96.3	95.9	96.8	97.8	99.8	101.3	99.1	103.6	8.0%	4.6%	-0.4%
Oilseed Rape	93.8	93.4	96.8	98.5	100.8	102.7	99.4	104.5	11.9%	5.2%	-0.5%
Sugar Beet	115.6	115.6	96.1	96.1	96.1	96.1	96.1	96.1	-16.9%	0.0%	0.0%
Forage plants	94.9	89.7	91.7	93.8	94.0	94.1	94.9	96.7	7.8%	1.9%	-5.5%
Fresh Vegetables	97.8	98.1	106.7	115.6	112.2	106.6	109.3	109.4	11.5%	0.2%	0.4%
Fresh Fruit	88.7	105.7	104.7	105.2	86.9	85.4	103.0	125.9	19.2%	22.2%	19.1%
Flowers and plants	107.9	106.3	106.2	106.4	106.1	107.3	107.3	105.3	-0.9%	-1.9%	-1.5%
Other crop products	102.9	102.9	102.9	102.9	102.9	102.9	102.9	102.9	0.0%	0.0%	0.0%
<b>Animals and animal products</b>	104.2	102.6	100.8	99.2	97.1	97.6	101.6	102.4	-0.2%	0.8%	-1.5%
Animals (for slaughter & export)	107.7	106.0	106.7	105.2	106.9	108.3	110.7	112.1	5.8%	1.3%	-1.6%
Cattle and calves	127.8	126.6	118.6	116.1	118.8	121.2	123.8	126.8	0.2%	2.5%	-0.9%
Pigs	93.1	92.7	78.7	79.4	81.4	84.8	90.1	95.4	3.0%	6.0%	-0.4%
Sheep and lambs	90.3	88.4	112.1	109.7	110.7	109.0	108.1	106.9	20.9%	-1.2%	-2.1%
All Poultry	99.7	100.2	104.6	103.6	103.2	103.6	106.6	106.8	6.7%	0.3%	0.4%
Animal products	98.3	97.8	92.5	89.3	85.0	83.8	86.6	88.7	-9.4%	2.4%	-0.5%
Milk	95.4	94.6	90.6	87.5	82.6	81.1	84.2	86.5	-8.5%	2.7%	-0.8%
Eggs	118.3	118.3	104.4	100.3	100.3	100.3	100.3	100.3	-15.2%	0.0%	0.0%

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

									Yearly	Monthly	
	Jul-15	Aug-15	Mar-16	Apr-16	May-16	Jun-16	Jul-16	Aug-16	August 2015 to August 2016	July 2016 - August 2016	July 2015 - August 2015
<b>All Inputs</b>	106.4	105.0	103.6	103.6	103.4	104.2	102.8	103.1	-1.9%	0.2%	-1.2%
<b>All goods and services currently consumed in agriculture</b>	105.6	104.2	102.4	102.4	102.1	102.9	101.2	101.6	-2.5%	0.3%	-1.4%
Seeds	93.4	94.2	96.3	99.4	99.2	99.1	95.4	97.2	3.1%	1.9%	0.8%
Energy and lubricants	100.0	94.6	90.7	88.6	87.9	91.1	93.3	93.6	-1.0%	0.4%	-5.5%
Fertilisers and soil improvers	98.6	97.2	88.1	83.8	82.4	79.6	76.1	78.3	-19.5%	2.9%	-1.4%
Plant protection products	99.1	126.3	104.9	103.9	101.9	99.0	97.8	127.0	0.5%	29.8%	27.4%
Veterinary services	107.7	107.7	107.9	108.0	108.0	107.9	108.1	108.1	0.4%	0.0%	0.0%
Animal feedingstuffs	108.5	106.2	101.5	103.0	103.6	105.0	106.3	104.9	-1.3%	-1.4%	-2.1%
Straight feedingstuffs	102.9	97.4	95.5	96.8	101.2	105.0	107.4	103.6	6.4%	-3.6%	-5.4%
Compound feedingstuffs	112.5	112.8	104.8	106.9	105.5	105.0	105.6	105.9	-6.2%	0.3%	0.3%
Maintenance of Materials	110.7	110.7	111.7	111.8	112.2	112.4	112.2	112.3	1.4%	0.1%	0.0%
Maintenance of Buildings	109.5	108.7	107.0	107.9	108.3	109.0	109.3	110.1	1.3%	0.7%	-0.7%
Other goods and services	109.5	109.1	110.1	110.9	111.0	111.0	111.3	111.6	2.3%	0.3%	-0.4%
<b>Goods and services contributing to investment</b>	110.0	109.7	110.0	110.2	110.2	110.4	111.0	111.2	1.4%	0.2%	-0.2%
Materials	110.2	110.1	110.8	110.6	110.5	110.6	111.4	111.5	1.2%	0.1%	-0.1%
Buildings	107.6	107.0	106.1	106.7	107.0	107.5	107.7	108.3	1.2%	0.6%	-0.5%
Other (Engineering and soil improvement operations)	113.5	113.0	114.0	115.1	115.4	115.4	115.6	116.0	2.7%	0.4%	-0.5%