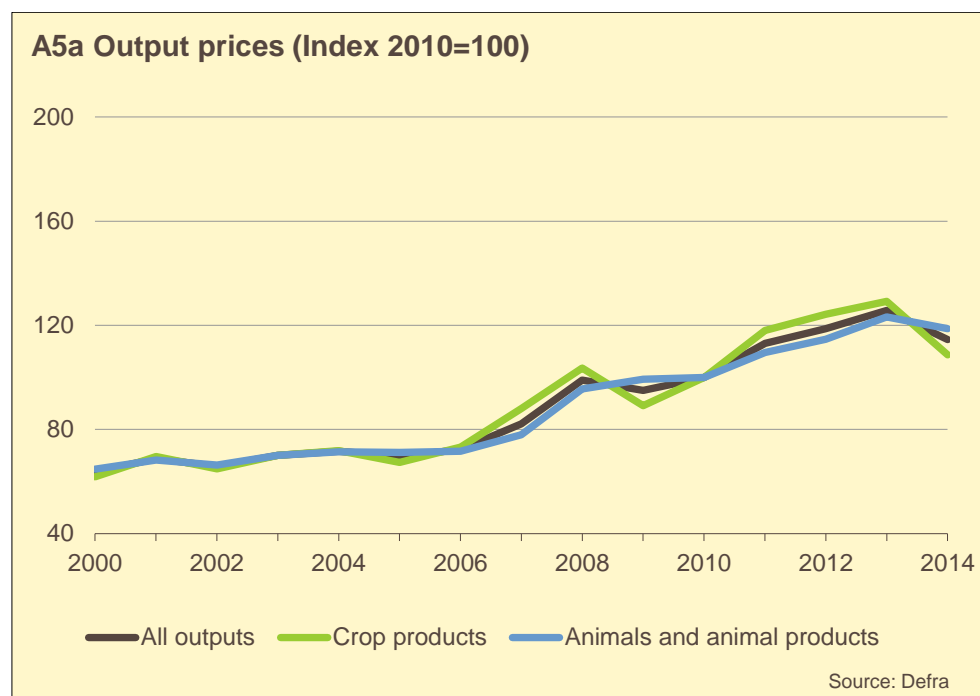


Observatory monitoring framework – indicator data sheet

Mechanism

Indicator A5: Product prices

Commodity prices are a key factor determining business profitability and hence the structure and management of constituent enterprises.



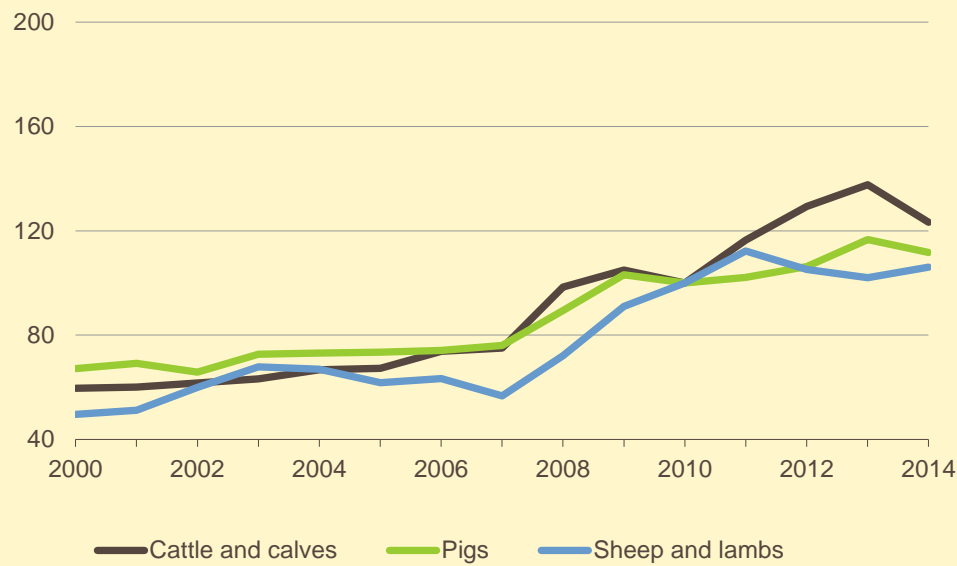
Between 2013 and 2014:

- the price index for all outputs was 8.9% lower;
- crop products prices were 15.9% lower;
- animals and animal product prices were 3.6% lower.

Overall since 2000:

- all output prices have risen over the period with rapid increases driven by global shortages.

A5b Livestock prices (Index 2010=100)



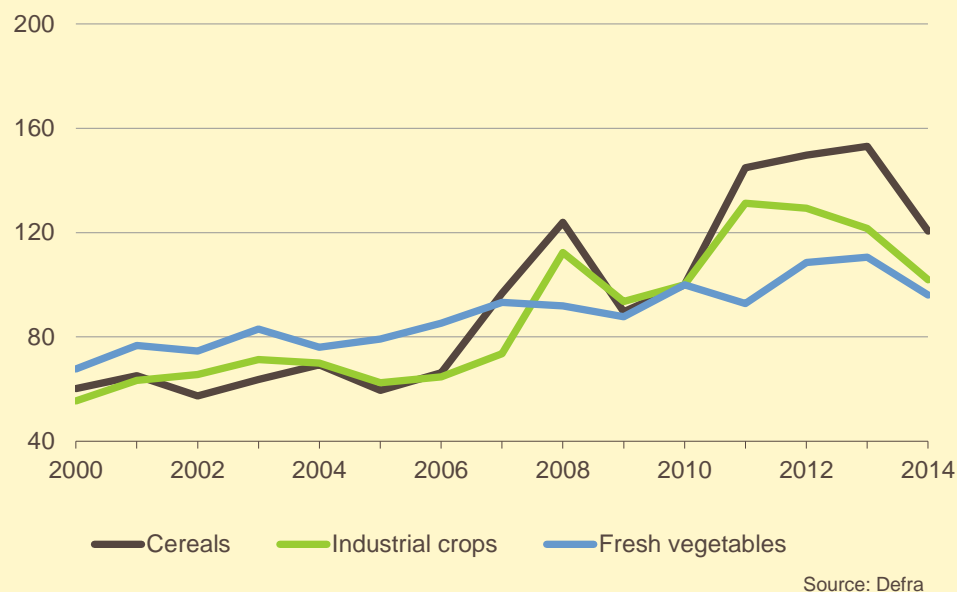
Between 2013 and 2014:

- cattle and calves prices were 10.5% lower;
- sheep and lambs prices have risen by 4%;
- pig prices were 4.3% lower;
- cereal prices were 21.2% lower due to abundant global production;
- industrial crop prices (includes OSR) were 16.2% lower, due to record OSR production in Europe;
- fresh vegetable prices were 13.1% lower.

Overall since 2000:

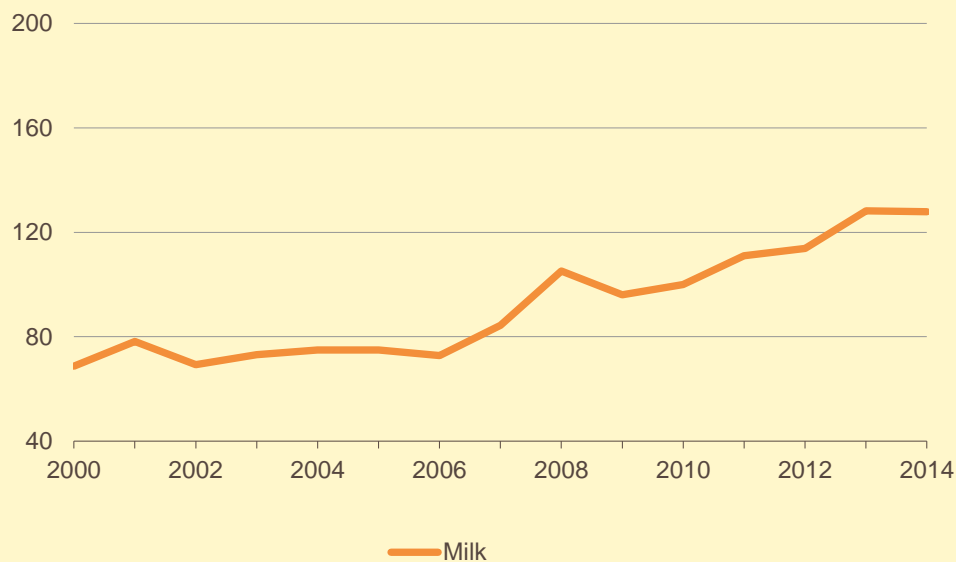
- Livestock prices have increased
- Crop prices have increased with fluctuations generally as a result of the supply and demand situation which is heavily influenced by climatic conditions. For cereals the expanding interest in biofuels has added pressure to the demand side of the market

A5c Crops prices (Index 2010=100)



- In respect of sheep and lambs, the peak in 2011 was due to strong competition for British lambs as a result of reduced global supplies.

A5d Milk prices (Index 2010=100)



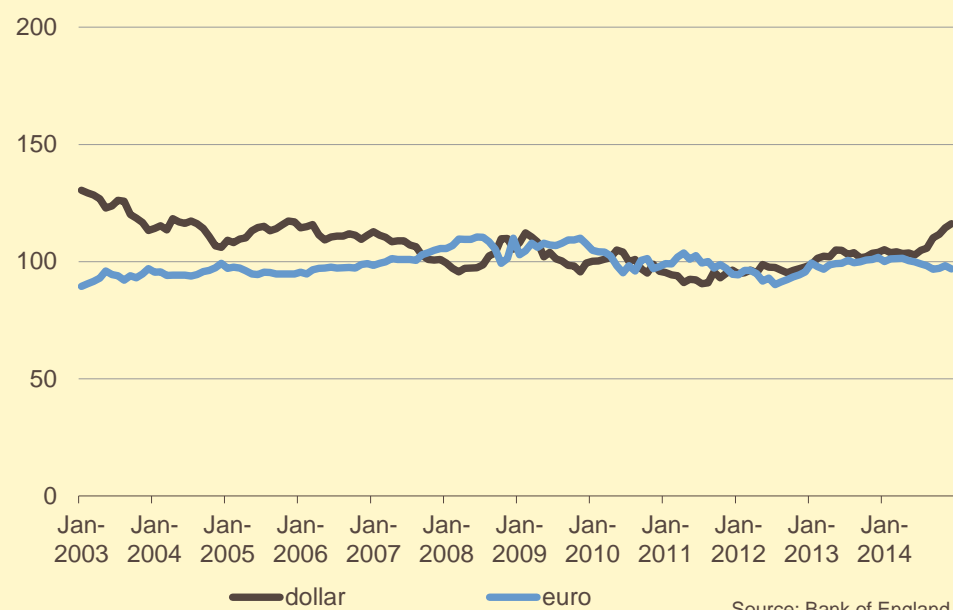
In 2014:

- milk prices were 0.3% lower than 2013;

Overall since 2000:

- milk prices have increased.

A5d £ exchange rates (Index 2010=100)



Exchange rates are a key factor, particularly the pound/euro rate. The chart opposite shows the sterling exchange rates with both the euro and the dollar.

This indicator was updated in March 2015. The next update will be in March 2016.

Further information and contact

Background information can be found in the accompanying fact sheet.

For queries or information on this indicator contact Defra's Observatory team on +44 (0) 1904 455058 or email observatory@defra.gsi.gov.uk

Observatory monitoring framework – indicator fact sheet

Mechanism

Indicator A5: Product prices

<i>Indicator</i>	Product prices
<i>Data</i>	Indices of product prices
<i>Geographic coverage</i>	UK
<i>Years</i>	2000 – 2014 (2010=100)
<i>Source</i>	Defra, Agricultural price index.
<i>Origin of data</i>	The data to form the indices come from a variety of sources.
<i>Updates</i>	This indicator will be updated annually. The next update will be in March 2016.
<i>Background</i>	<p>This indicator uses data from the Agricultural Price Index (API) to monitor changes in commodity prices. Prices received for commodities together with the cost of inputs are key factors in determining business profitability and therefore have a strong influence on decisions affecting the future structure and management of the business. Following the decoupling of support in 2005, production decisions should be more sensitive to the costs of inputs relative to the value of the product.</p> <p>Output prices increased during the late 1980s and early 1990s particularly after the pound left the European Exchange Rate Mechanism (ERM) in 1992. In the late-1990s, the strength of the pound against the euro and the impact of the “MacSharry” reforms, resulting in reductions in market support, caused output prices to fall.</p> <p>The agricultural price indices provide a framework for price reporting, measuring the prices of inputs (and outputs) against a base period. Both monthly and annual indices are available.</p> <p>In 2013, the Agricultural Price Index for 1988 onwards was reweighted using 2010 as a base year. The latest data contained in the graphs is for September 2014. The charts below display information from 2000 onwards. Annual data from 1988 are available within the accompanying dataset.</p>
<i>Statistical & methodological information</i>	<p>The API is constructed using a Laspeyres type index. It is usually rebased every 5 years and the current base year is 2010=100. The API is overseen by Eurostat who try to ensure that the rebasing timetable and methodologies used are standard across the EU.</p> <p>The milk price index is a weighted average price received by all producers for their milk, and as such has been affected by Dairy Farmers of Britain going into receivership. This resulted in some producers not receiving any payment for the milk supplied in May 2009, and a lower average milk price. Users should be careful when comparing this price with figures for previous months.</p>

*Further
information*

Monthly and annual data for the API can be found at:

<https://www.gov.uk/government/organisations/department-for-environment-food-rural-affairs/series/agricultural-price-indices>

Exchange rate data can be found in the statistics section of the Bank of England website:

<http://www.bankofengland.co.uk/statistics/index.htm>