



## Headline Summary

### Food prices continue to fall

The fall in food prices over the last year has been driven by significant declines in international food commodity prices, a stronger Pound, falling oil prices and continuing intense price competition between supermarkets

Year on year food prices have continued to fall, with an annual rate of inflation of -2.5 per cent in the year to January 2015. General inflation is 0.3 per cent, down from 0.5 per cent in December.

These are the lowest food and all Items CPI 12-month rates on record since the official series began in January 1997.

[\(see section 4.\)](#)

### UK Wheat and Barley Cereals Balance Sheet 2014/15

The second official forecast of the 2014/15 UK cereal supply and demand balance sheet based on the 2014 harvest was released on 28 January 2015.

UK **wheat** availability (opening stocks, production and imports) for the 2014/15 crop marketing year is now estimated at 19.9Mt, 22% higher than the year before. This is the largest availability since 2008. It includes a forecast of imported wheat at 1.3Mt, 41% lower than 2013/14. The pace of imports has slowed since the first three months of the season as millers have gradually increased their usage of home-grown wheat.

**Barley** availability is 8.4Mt, a 2% increase over 2012/13. Imports are forecast to be 10kt lower than last season at 85kt.

**Maize:** availability is seen 30% lower than 2013/14 at 1.840Mt. Imports are expected to be less than last year's record of 2.394Mt at 1.363Mt. H&I demand for maize is forecast to be 3% lower than last season at 647kt. Demand from the animal feed is forecast at 941kt, 25% lower than last year.

The availability of **oats** is forecast at 1.008Mt, 7% lower than last year. Imports are expected to be low at around 22kt. H&I demand is forecast 1% higher at 511kt and animal feed is expected to be 19% lower than last year at 281kt.

[\(see section 2.1.2\)](#)

### USDA cereal forecasts

The USDA published their latest bulletin on 10 February 2015. For **Wheat** the USDA forecast a small upward revision in global production of 1.6Mt. The USDA forecast for 2014/15 global production now stands at 725Mt, 1.1% higher than last year. Global demand is forecast to be 10.5Mt higher than last year at 714.7Mt.

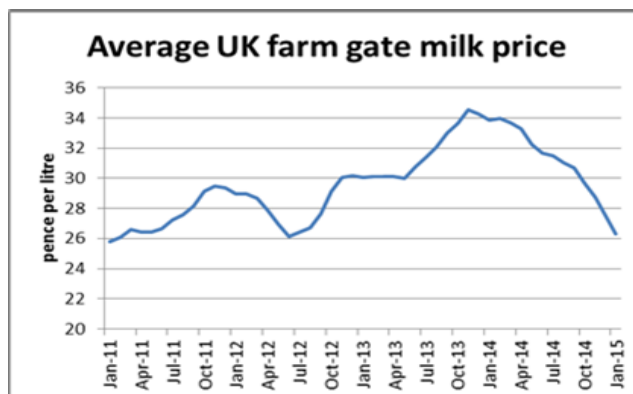
EU trade exports are forecast to increase by 1Mt to 31Mt whereas US wheat exports are expected to decrease by 0.7Mt on the back of slower than expected pace of exports to date. Global end of season stocks are forecast at 197.9Mt, 10.4Mt higher than last season.

[\(see section 2.1.1.\)](#)

### Milk prices

High global and domestic milk production, combined with the ban on dairy imports to Russia and falling returns from global commodity markets have resulted in the overall fall in milk price as the majority of UK milk processors have reduced the payments to farmers for raw liquid milk. The effects of previously announced price falls by several large processors will continue to feed through in the coming months.

[\(see section 2.1.1.\)](#)



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## 1. Overall economic position

### Consumer Price Index

- The Consumer Prices Index (CPI) grew by 0.3% in the year to January 2015, down from 0.5% in December 2014.
- The main contributions to the fall came from falling prices for food and non-alcoholic beverages, lower rises in alcoholic beverage and tobacco prices compared with the same two months a year earlier, and the continuing drop in motor fuel prices.

### Labour Market Statistics

- Comparing the figures for October to December 2014 with those for July to September 2014, employment continued to rise and unemployment continued to fall. These changes maintain the general direction of movement since late 2011/early 2012.
- There were 30.90 million people in work. This was 103,000 more than for July to September 2014 and 608,000 more than for a year earlier.
- There were 1.86 million unemployed people, 97,000 fewer than for July to September 2014 and 486,000 fewer than for a year earlier.
- There were 9.05 million people aged from 16 to 64 who were out of work and not seeking or available to work (known as economically inactive). This was 22,000 more than for July to September 2014 and 6,000 more than the year earlier.

### Retail Sales

- Continuing a sustained period of year-on-year growth, retail sales in January 2015 were estimated to have increased by 5.4% compared with January 2014. This is the 22nd consecutive month of year-on-year growth and the longest period of sustained year-on-year growth since May 2008 when there were 31 periods of growth.
- The underlying pattern in the rolling three-month on three-month movement in the quantity bought showed continued growth for the 23rd consecutive month, increasing by 2.3%. This was the strongest growth since April 2002 when the quantity bought grew by 2.5% and was the longest period of sustained growth since November 2007 when there were 25 periods of consecutive growth..
- Average store prices fell by 3.1% in January 2015 compared with January 2014. This was the largest year-on-year fall since consistent records began in 1997. The largest contribution to the year-on-year fall once again came from petrol stations which fell by 15.1%, the largest year-on-year fall in this store type on record.
- The value of Internet sales decreased by 0.2% in January 2015 compared with December 2014 and accounted for 11.6% of all retail sales in January 2015. Online sales increased by 12.0% compared with January 2014.

### GDP

- GDP increased by 0.5% in the fourth quarter of 2014 compared with the third quarter 2014. The largest contribution to the increase came from the services sector, which increased by 0.8%. The increase in GDP followed growth of 0.8% in the third quarter 2014. In the latest quarter there were increases in two of the four main aggregates; output increased by 0.8% in services, 1.3% in agriculture. In contrast output decreased by 1.8% in construction and 0.1% in production
- GDP was 2.7% higher the fourth quarter of 2014 compared with the same quarter a year ago. GDP in 2014 as a whole was up 2.6% on 2013.

- Output increased in two of the four main industrial groupings within the economy in Q4 2014. In order of their contribution, output increased by 0.8% in services and 1.3% in agriculture. In contrast, output decreased by 1.8% in construction and 0.1% in production.

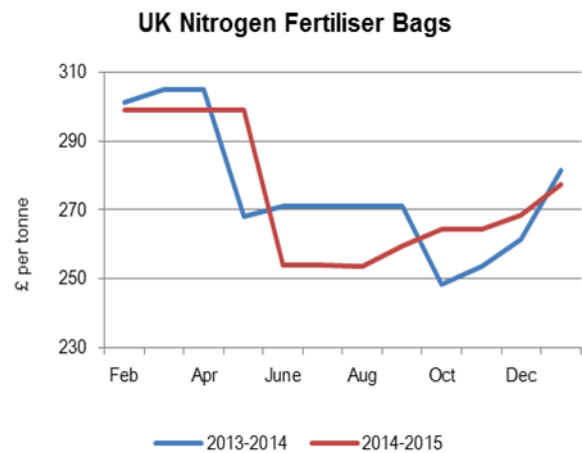
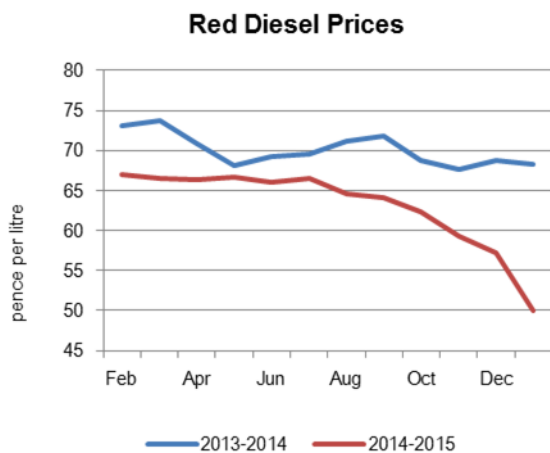
## 2. Farming

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

#### UK Prices – Inputs:

- **Red Diesel:** In January 2015, the average price for red diesel fell to 50.04 pence per litre. Current prices are 26.7% lower than January 2014.
- **Fertiliser:** The average price for 34.5% UK Ammonium Nitrate bags rose to £277.50 per tonne. Current prices are 1% lower than January 2014. (Source: Dairy Co Datum)



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

##### Cereals

- The January 2015 average price for Hard Red winter wheat was \$261 per tonne, which was a 24% decline from the May 2014 average price of \$342 as markets react to the latest harvest information. The 2014 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.

- Maize prices have fallen from a record high of \$358 per tonne in July 2012 to \$180 per tonne in mid-February 2015 (unchanged from the January average price).
- The USDA published their latest bulletin on 10 February 2015 For **Wheat** the USDA forecast a small upward revision in global production of 1.6Mt reflecting harvest progress in Argentina (+0.5Mt) and updated official figures from Ukraine, Turkey and Kazakhstan. The USDA forecast for 2014/15 global

### Wheat and Maize Prices for last 6 years



production now stands at 725Mt, 1.1% higher than last year. Global demand has been increased due to higher food usage in Egypt and Russia (+0.5Mt each) and animal feed usage in Turkey (+0.3Mt). Global demand is forecast to be 10.5Mt higher than last year at 714.7Mt. For trade EU exports are forecast to increase by 1Mt to 31Mt whereas US wheat exports are expected to decrease by 0.7Mt on the back of slower than expected pace of exports to date. Global end of season stocks are forecast at 197.9Mt, 10.4Mt higher than last season.

- For **maize** production estimates were increased 3.2Mt from the January forecast to 991.3Mt mainly due increased production estimates from Argentina (+1Mt, favourable growing conditions) and the Ukraine (+1.5Mt, updated official statistics). EU production forecasts were increased by 0.2Mt to 74.2Mt while the Brazilian crop was left unchanged at 75Mt. Global production is forecast to be 2.3Mt higher than last season. US ethanol usage is forecast to increase by 1.9Mt on the back of a higher forecast of gasoline consumption by the US Energy Information Agency. US closing stocks were reduced as a result. EU animal feed usage was increased by 1Mt. End of season stocks are forecast at 189.6Mt, 15.8Mt higher than last season.
- **Soyabean** production is forecast to increase to 315.1Mt, 0.7Mt higher than the January forecast and 31.3Mt higher than last season. South American forecasts showed variation between Argentina (+1Mt) and Brazil (-1Mt) caused by favourable growing conditions in Argentina and a drought in eastern Brazil. US exports were raised 0.6Mt following record shipments in January, which together with strong domestic demand saw US end of season stocks lowered by 0.7Mt to 10.5Mt but still higher than last year's 2.5Mt. On a global scale end of season stocks are forecast at 189.6Mt, 15.8Mt higher than last season.

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- **Animal Feed** (source Defra): During December 2014 (the latest period for which data is available), the total GB retail production of animal feed was 1,017 thousand tonnes, up 2.6% compared to December 2013. Total GB integrated poultry feed production was 218 thousand tonnes, down 5.5% during December 2014 compared to the same period in 2013.
- **Flour** (source Defra): During December 2014, the total amount of wheat milled in the UK was 674 thousand tonnes, 14% higher than in December 2013, due to increased usage by UK bioethanol plants. The total amount of home grown wheat milled in the UK for December 2014 was 569 thousand tonnes, up 17% compared with December 2013, reflecting the availability of good quality domestic milling wheat. There were 105 thousand tonnes of imported wheat milled in December 2014, up 2% compared with December 2013. Flour production for the same period was 512 thousand tonnes, 12.1% higher than in December 2013.
- **Brewers, Distillers and Maltsters** (source Defra): During December 2014, the total usage of barley by brewers, distillers and maltsters was 164 thousand tonnes, up 3% compared to December 2013.

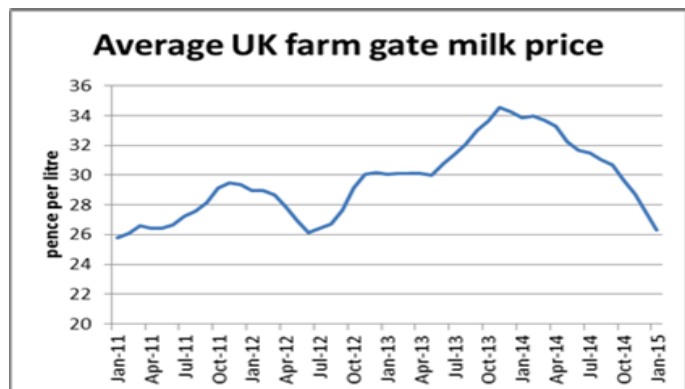
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#### Livestock (source: Defra)

- **Pigs:** UK clean pig slaughterings were 3.0% lower than in January 2014 at 912 thousand head. Pigmeat production was 79 thousand tonnes, 1.6% lower than in January 2014.
- **Sheep:** UK clean sheep slaughterings were 8.4% higher than in January 2014 at 1142 thousand head. Mutton and lamb production was 26 thousand tonnes, 3.1% higher than in January 2014.
- **Cattle:** UK prime cattle (steers, heifers and young bulls) slaughterings were 0.7% higher than in January 2014 at 182 thousand head. Beef and veal production was 84 thousand tonnes, 2.3% higher than in January 2014.

#### Livestock products

- **Milk Prices:** The average UK farmgate milk price for January 2015 was 26.30 pence per litre (inc. bonus payments); High levels of domestic milk supply and low global dairy commodity prices have resulted in a 4.7% (1.29p per litre) decrease since December. This represents a 22% (7.57p per litre) decrease on the January 2014 price. (source: Defra).



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## 2.1.2. Defra UK Wheat and Barley Cereals Balance Sheet 2014/15

- The second official forecast of the 2014/15 UK cereal supply and demand balance sheet based on the 2014 harvest was released on 28 January 2015. Forecasting supply and demand is challenging at this relatively early stage of the season and will evolve as the season progresses.
- UK **wheat** availability (opening stocks, production and imports) for the 2014/15 crop marketing year is now estimated at 19.9Mt, 22% higher than the year before. This is the largest availability since 2008. It includes a forecast of imported wheat at 1.3Mt, 41% lower than 2013/14. The pace of imports has slowed since the first three months of the season as millers have gradually increased their usage of home-grown wheat. Human and Industrial consumption is forecast at 8.0Mt, 8% higher year on year. Demand from the bio-ethanol sector is more than offsetting reduced usage by flour millers, however the recent fall in energy prices makes future forecasting uncertain.

Demand from the flour milling sector has been weak and coupled with higher extraction rates has meant that less wheat has been required. Wheat consumption in animal feed is forecast to be 6% higher than last year at 6.545Mt. The forecasted balance of availability and domestic demand in 2014/15 is 5.0Mt, slightly more than double year on year. After the estimated operating stock is taken into account this leaves 3.5Mt to be exported or to be carried over as free stock into 2015/16.

- **Barley** availability in 2014/15 is now estimated at 8.4Mt, 2% higher than last year. Imports are forecast to be 10kt lower than last season at 85kt. Demand from the H&I sector is forecast at 2Mt, 2% higher than last year mainly due to continued strong demand from the distilling sector. Demand from the animal feed sector is forecast at 3.3Mt, 4% lower than last season. The balance of availability and domestic demand is 5.5Mt, 2% lower than 2014/15. After the operating stock is taken into account, 2.1Mt is available to export or carry over into 2015/16.
- **Maize:** availability is seen 30% lower than 2013/14 at 1.840Mt. Imports are expected to be less than last year's record of 2.394Mt at 1.363Mt. H&I demand for maize is forecast to be 3% lower than last season at 647kt. Demand from the animal feed is forecast at 941kt, 25% lower than last year.
- The availability of **oats** is forecast at 1.008Mt, 7% lower than last year. Imports are expected to be low at around 22kt. H&I demand is forecast 1% higher at 511kt and animal feed is expected to be 19% lower than last year at 281kt. At 193kt the balance between availability and demand is seen 4% lower than last year and once forecast exports (55kt) are taken into account 138kt of oats is expected to be carried over into 2015/16, 17% lower than last year but higher than the 5 year average.
- Defra is reviewing how it uses survey estimates to achieve consistent cereals balance sheet estimates. The aim is to ensure that stocks forecasts in the balance sheets are in line with survey estimates of stocks held by farms, merchants, ports and coops. Currently Defra estimates 2014/15 opening wheat and maize stocks as approximately 380-400Kt and 230-250Kt, respectively, above the results of the stocks survey published in August 2014. These opening stocks figures are under review and could impact the estimates for wheat and maize availability in 2014/15.

Stocks survey estimates are published by Defra at <https://www.gov.uk/government/statistics/cereal-stocks>.

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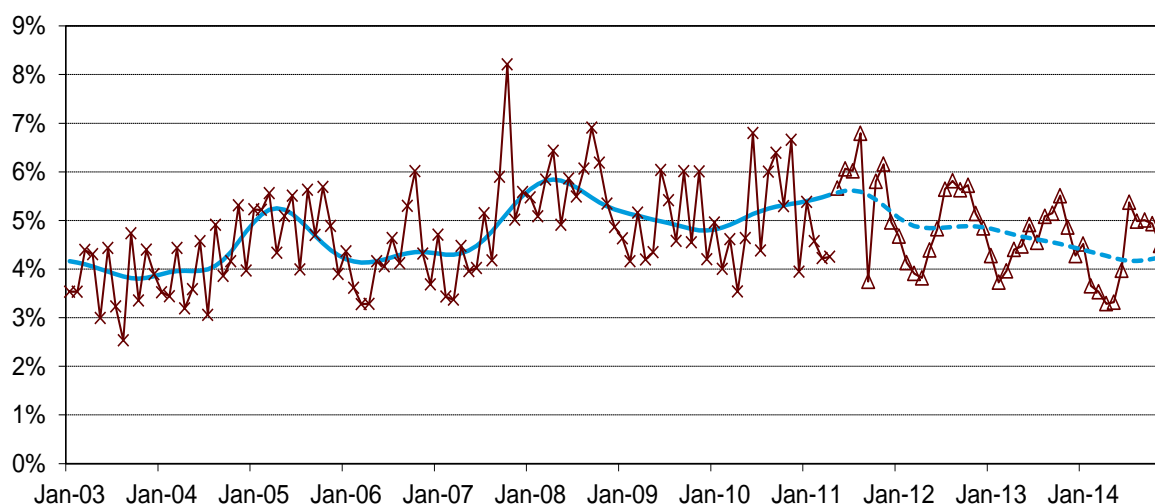
### 3. Environment, Health and Welfare

#### 3.1. Health and Welfare

##### 3.1.1. TB Statistics November 2014 – Great Britain

- The provisional incidence rate for January to November 2014 is 4.2% compared to 4.6% for January to November 2013. 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 the period January to November 2014 was 4,341 compared to 4,459 for January to November 2013. The number of tests on officially TB free herds was 71,562 during January to November 2014, compared to 66,280 during January to November 2013.

**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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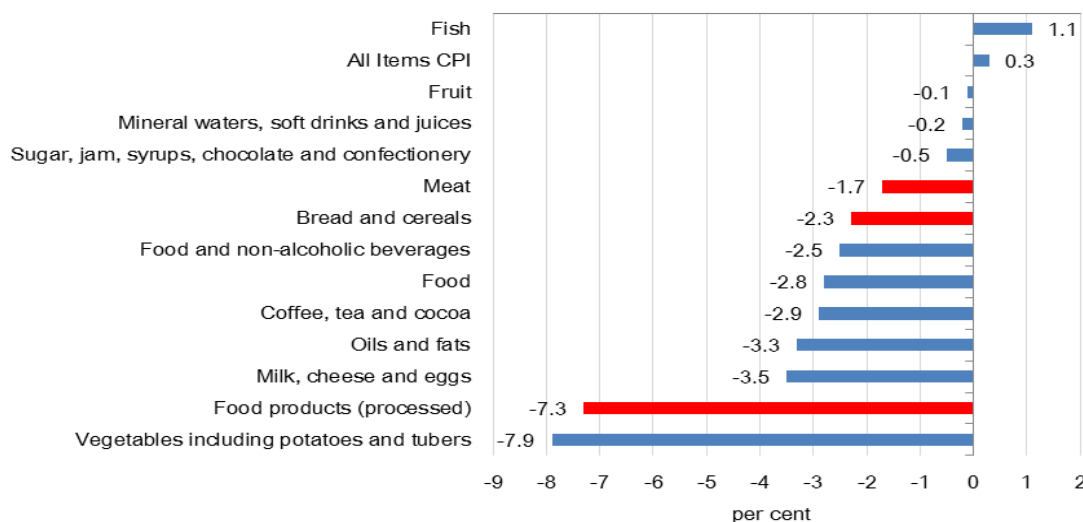
### 4. Food

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.

Year on year food prices have continued to fall, with an annual rate of inflation of -2.5 per cent in the year to January 2015. General inflation is 0.3 per cent, down from 0.5 per cent in December. These are the lowest food and all items CPI 12-month rates on record since the official series began in January 1997.

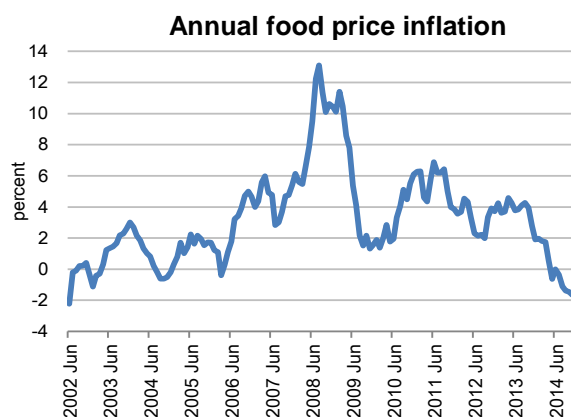
## 4.1. Food inflation: consumer and retail prices

### Annual Price rises January 2014 to January 2015



The fall in food prices over the last year has been driven by significant declines in international food commodity prices, a stronger Pound, falling oil prices and continuing intense price competition between supermarkets.

Annual all items inflation was 0.3 per cent in the year to January 2015, a decrease on December. There were no notable upward contributions to the rise in the rate of inflation between December and January, as there were lower rises in clothing, footwear, furniture, household equipment and routine maintenance prices between December 2014 and January 2015 compared with the same two months a year earlier. There were significant downward effects from the continuing fall in transport prices, down 2.0 per cent with an average petrol price of 108.3 pence per litre and 115.6 pence average price for diesel. Petrol is now at its lowest price since November 2009 and diesel at its lowest price since February 2010. Alcoholic beverage and tobacco prices rose by 1.4 per cent between December 2014 and January 2015, compared with a rise of 3.1 per cent in the same months a year earlier. Much of the downward trend came from a fall in the price of beer compared with a rise in the previous year.



Below are the average retail prices of selected items in January 2015:

1 pint of milk	£0.44
Loaf of sliced white bread (800g)	£1.09
Cheese (kg)	£7.98
Eggs (dozen large free range)	£2.97
Potatoes, old white (kg)	£0.80
Apples (kg)	£1.96
Sugar (kg)	£0.83

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

This section shows the latest available trade figures (to December 2014).

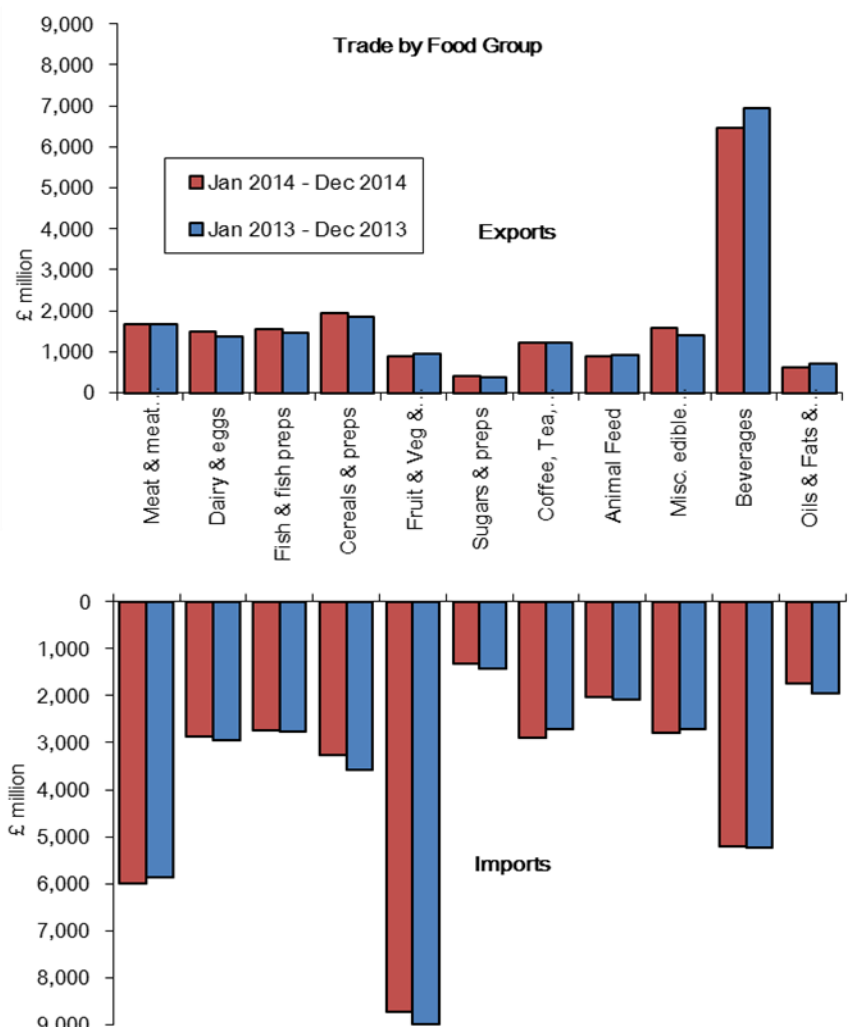
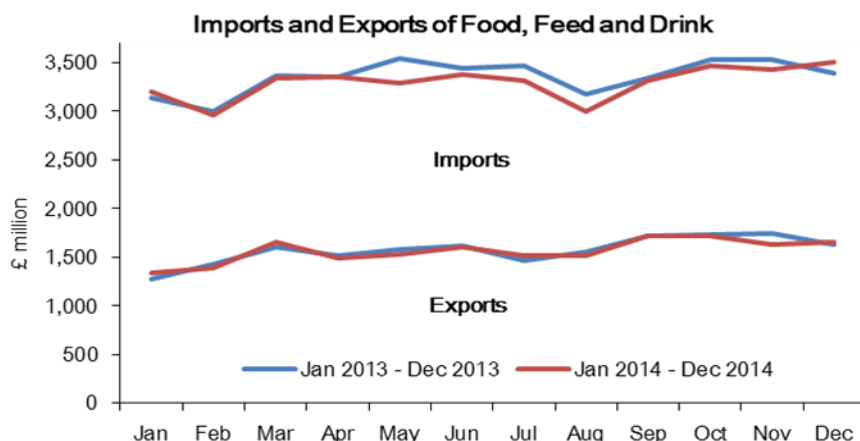
In December:

- The value of exports was £1.6 billion, 1.0% higher than in December 2013;
- The value of imports was £3.5 billion, 3.2% higher than the previous December;
- This resulted in a crude trade gap of minus £1.9 billion, 5.3% wider than in December 2013.

The following chart shows annual trade by food group for the periods Jan 2013 – Dec 2013 and Jan 2014 – Dec 2014.

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

- Imports of **meat and meat preparations** rose by £112m (1.9%), while exports fell by £4m (-0.3%)
- Imports of **dairy products and eggs** fell by £76m (-2.6%), while exports rose by £122m (8.8%)
- Imports of **fish and fish preparations** fell by £21m (-0.8%) while exports rose by £95m (6.5%)
- Imports of **cereals and cereal preparations** fell by £317m (-8.9%), while exports rose by £72m (3.9%)
- Imports of **fruit and vegetables** fell by £262m (-2.9%), while exports fell by £56m (-5.8%)
- Imports of **beverages** fell by £44m (-0.8%) while exports fell by £468m (-6.7%)



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