May 2015 Farming and Food Brief

Department for Environment Food & Rural Affairs

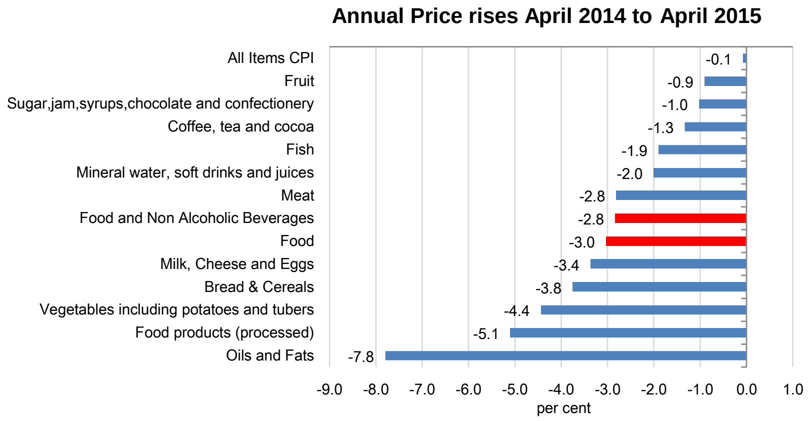
Headline Summary

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

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.

Year on year food prices have continued to fall, with an annual rate of inflation of -2.8 per cent in the year to April 2015, according to official figures released today. General inflation is -0.1 per cent, down from 0.0 per cent in March. This is the first time the CPI has fallen over the year since official records began in 1996 and the first time since 1960 based on comparable historic estimates.



(See section 4.)

Fall in Total Income from Farming

In 2014 Total Income from Farming fell by £247 million to £5,379 million, a 4.4% decrease on 2013 and is 1.2% lower than the 2011 total.

The strengthening sterling against the euro reduced the value of payments received from the EU by $459 million in 2014 pushing Total Income from Farming below 2013 levels. Falling price offset by increased production saw the value of outputs fall by £142 million to £2,580 million. The value of intermediate consumption, the goods and services consumed or used as inputs in the productive process, is estimated to have reduced by £613 million (3.7%) to £1,590 million.

Gross value added at basic price, which identifies agricultures contribution to the Gross Domestic Product (GDP), rose by £471 million to £9,922 million, a 5.0% increase.

Rise in Total Factor Productivity of the agricultural industry

Total factor productivity of the agricultural industry in the United Kingdom, an indication of the efficiency and competitiveness of the industry, increased by 6% between 2013 and 2014. Weather conditions had a key role in this increase; the good weather conditions in 2014 after the poor conditions in 2013 saw the volume of outputs increase.

The volume of all outputs rose by 6.5% in 2014, driven by a 13% increase in crop yields. This was offset by a 0.4% increase in the volume of all inputs.

(See section 2.1.2.)

Milk prices

For April 2015 there has been a 1.5% (0.38p per litre) decrease in the UK average farm gate milk price since last month to 24.59p per litre. This represents a 26% decrease on the April 2014 price.

(See section 2.1.1.)

Contents

1. Overall economic position

Consumer Price Index

- The Consumer Prices Index (CPI) fell by 0.1% in the year to April 2015, compared to no change (0.0%) in the year to March 2015.
- The largest downward contribution came from transport services - notably air and sea fares, with the timing of Easter this year a likely factor.

Labour Market Statistics

- Comparing the estimates for January to March 2015 with those for October to December 2014, employment continued to rise and unemployment continued to fall. These changes maintain the general direction of movement since late 2011 to early 2012.
- There were 31.10 million people in work, 202,000 more than for October to December 2014 and 564,000 more than for a year earlier.
- There were 1.83 million unemployed people. This was 35,000 fewer than for October to December 2014; the smallest quarterly fall since June to August 2013. Comparing January to March 2015 with a year earlier, there were 386,000 fewer unemployed people.
- There were 8.98 million people aged from 16 to 64 who were out of work and not seeking or available to work (known as economically inactive), 69,000 fewer than for October to December 2014 but little changed compared with a year earlier.

Retail Sales

- Continuing a sustained period of year-on-year growth, retail sales in April 2015 are estimated to have increased by 4.7% compared with April 2014.
- The underlying pattern in the data, as suggested by the 3 month on 3 month movement in the quantity bought, continued to show growth for the 26th consecutive month, increasing by 0.7%. This is the longest period of sustained growth since consistent records began in June 1996.
- This was the 25th consecutive month of year-on-year growth, the longest period of sustained growth since May 2008 when there were 31 periods of growth.
- Average store prices (including petrol stations) fell for the 10th consecutive month, falling by 3.2% compared with April 2014. The largest contribution to the year-on-year fall once again came from petrol stations which fell by 11.5%, the 20th consecutive month of year-on-year falling prices in this store type.
- The value of sales made online increased by 3.7% compared with March 2015 and accounted for 12.2% of all retail sales in April 2015. Online sales increased by 13.1% compared with April 2014.

GDP

- UK GDP in volume terms was estimated to have increased by 0.3% between Quarter 4 (Oct to Dec) 2014 and Quarter 1 (Jan to Mar) 2015, unrevised from the previous estimate of GDP published 28 April 2015.
- GDP was estimated to have increased by 2.8% in 2014, compared with 2013, unrevised from the previously published estimate.

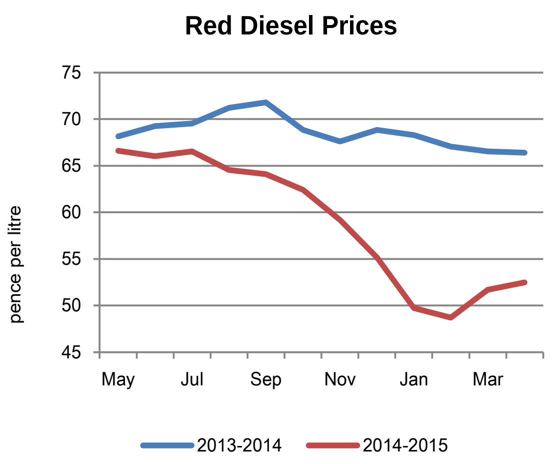
2. Farming

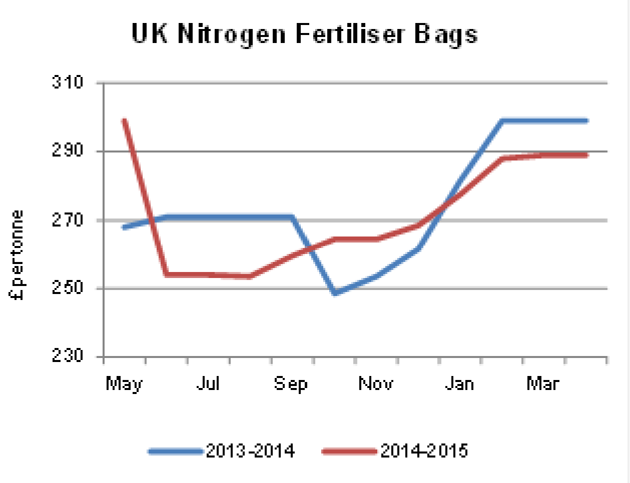
This section brings together the latest economic position for the farming sector (including UK and international input and commodity price intelligence) and the highlights of recently published evidence and research.

2.1. Economic

UK Prices – Inputs:

- **Red Diesel**: In April 2015, the average price for red diesel rose to 52.5 pence per litre. Current prices are 21% lower than April 2014.
- **Fertiliser**: The average price for 34.5% UK Ammonium Nitrate bags rose to £289.00 per tonne. Current prices are 3% lower than April 2014. (Source: Dairy Co Datum)





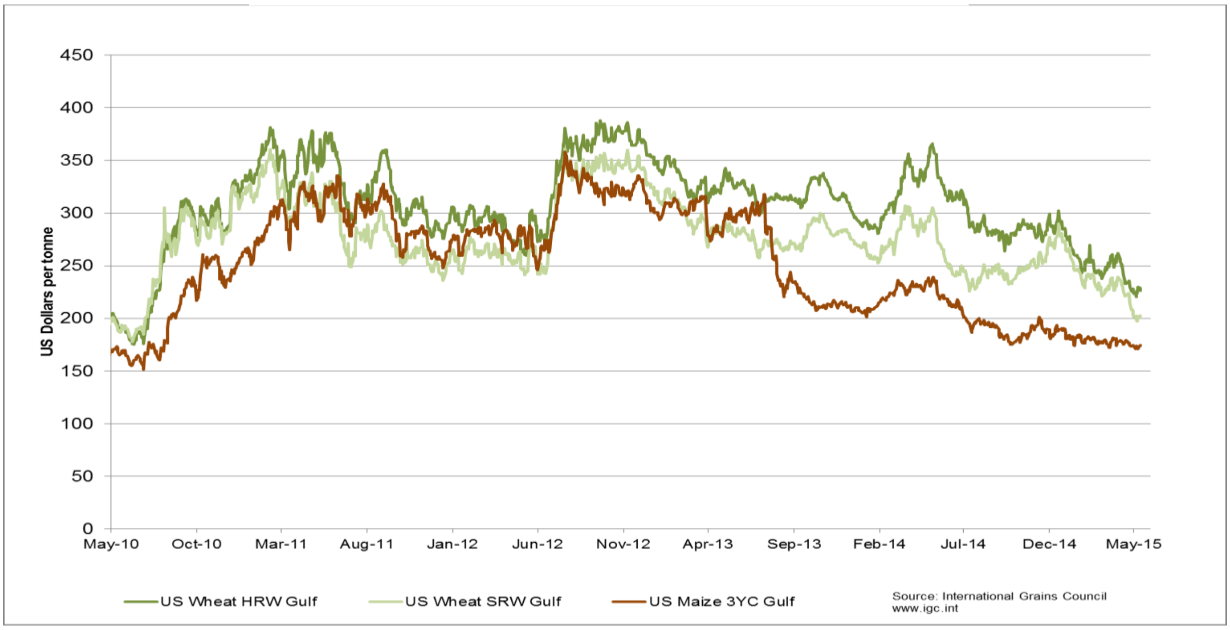
Contact: Graham Brown, Farming Statistics (Accounts and Prices), graham.brown@defra.gsi.gov.uk

2.1.1. Prices and Market Information – Commodities

Cereals

- The April 2015 average price for Hard Red winter wheat was $241 per tonne, which was a 30% 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 $173 per tonne in mid-May 2015 (2.1% lower than the April average price).
- The USDA published its first estimates of global supply and demand for the new crop (2015/16) season. Whilst tentative these early estimates give the new crop market a starting point and will be updated throughout the season. For **wheat** tear on year global production is expected to fall by 7.5Mt but still with a small surplus. The current season stocks to use are currently expected to be in excess of 28% so there would need to be a sizable deficit in 2015/16 to cause market concerns. For **maize** production is forecast to fall by 6.3Mt year-on-year with a small deficit as a result of lower production and a 1.3% increase in demand. Unlike wheat and maize **soya beans** are expected to show a noticeable surplus in 2015/16. .

Wheat and Maize Prices for last 6 years



Contact: Allan Howsam, Farming Statistics (Crops), allan.howsam@defra.gsi.gov.uk

- **Animal Feed** (source Defra)**:** During March 2015 (the latest period for which data is available), the total GB retail production of animal feed was 1.1 million tonnes, up 3.1% compared to March 2014. Total GB integrated poultry feed production was 234.5 thousand tonnes, down 0.6% during March 2015 compared to the same period in 2014.
- **Flour** (source Defra)**:** During March 2015, the total amount of wheat milled in the UK was 553 thousand tonnes, down 1.3% compared to March 2014. The total amount of home grown wheat milled in the UK for March 2015 was 455 thousand tonnes, down 3.1% compared with March 2014. There were 97.7 thousand tonnes of imported wheat milled in March 2015, up 8.4% compared with March 2014. Flour production (including Starch Manufacture and Bioethanol Production) for the same period was 439.1 thousand tonnes, down 0.7% compared to March 2014. A slight increase in flour milling was offset by reduced usage from UK bioethanol plants.
- **Brewers, Distillers and Maltsters** (source Defra)**:** During March 2015, the total usage of barley by brewers, distillers and maltsters was 163 thousand tonnes, down 3.3% compared to March 2014.

Contact: Tom Johnson, Farming Statistics (Crops), tom.johnson@defra.gsi.gov.uk

Livestock *(source: Defra)*

- **Pigs** UK clean pig slaughterings were 3.4% higher than in April 2014 at 969 thousand head. Pigmeat production was 82 thousand tonnes, 4.4% higher than in April 2014.

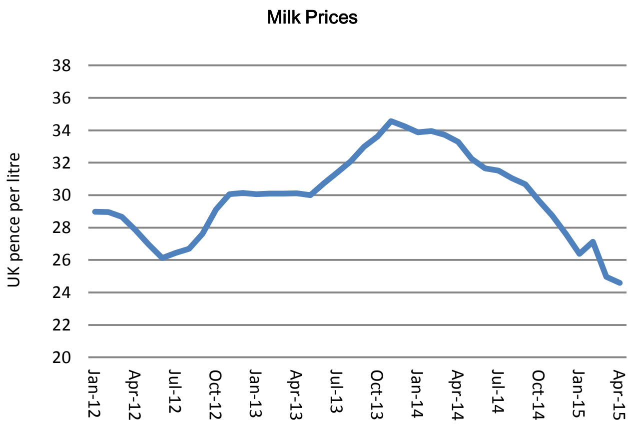
- **Sheep:** UK clean sheep slaughterings were 4.2% lower than in April 2014 at 1058 thousand head. This is the first month there has been a drop in throughput year on year since March 2014. Mutton and lamb production was 25 thousand tonnes, 6.1% lower than in April 2014.

- **Cattle:** UK prime cattle (steers, heifers and young bulls) slaughterings in February 2015 were 2.6% lower than April 2014 at 184 thousand head. Beef and veal production was 81 thousand tonnes, 2.2% lower than in April 2014.

Livestock products

Milk Volumes: The provisional volume of wholesale milk delivered to UK dairies during April 2015 was 1.3 billion litres, 17% (186.9m litres) higher than in April 2014.

Milk Prices: For April 2015 there has been a 1.5% (0.38p per litre) decrease in the UK average farm gate milk price since last month to 24.59p per litre. This represents a 26% decrease on the April 2014 price.



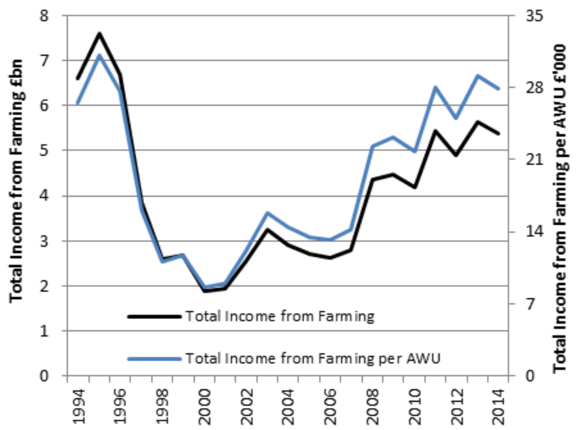
Contact: Helen Hoult, Farming Statistics (Livestock), helen.hoult@defra.gsi.gov.uk

2.1.2. Total Income from farming 2014, 1st estimate

In 2014 Total Income from farming is estimated to have fallen by £247 million to £5,379 million, a 4.4% fall on 2013 (in real terms).

UK weather conditions in 2014 were favourable, compared to unfavourable conditions in 2013. This resulted in increased UK crop production in 2014, offset by lower commodity prices given increased global production and stocks. Livestock was a mixed picture, the value of milk increased whereas the value of livestock, primarily for meat, decreased.

Total Income from Farming in the United Kingdom



At the start of 2014, milk production and prices were both high, with prices subsequently falling throughout 2014. Annual milk production in 2014 was at its highest level since 1987, and resulted in the value of milk increasing by £331 million to £4,602 million, compared to 2013. The value of livestock primarily for meat fell by £311 million to £7,455 million, largely due to the lower prices.

In 2014 the overall value of outputs fell by 2.2% in real terms, driven by lower prices.

However lower prices saw a reduction of 5.4% in intermediate consumption. Animal feed account for the majority of this fall.

Gross value added (GVA) which identifies agriculture's contribution to GDP, rose by 3.2% (£306 million) to £9,922 million.

The pound/Euro exchange rate was less favourable than in recent years and resulted in downward pressure on UK farm gate prices and reduced subsidy payments (as subsidies are calculated in Euro and then converted to sterling). The less favourable exchange rate resulted in Single Farm Payments being £459 million lower in 2014 than in 2013.

Despite the increase in GVA the fall in subsidies and slight increases in other costs saw total income from farming to fall by £247 million in 2014.

Total Income from Farming per annual work unit (AWU) is estimated to have fallen between 2013 and 2014 by 4.4% in real terms to £27,847 and is marginally lower than the 2011 value. An AWU is equivalent to the input of one person engaged in agricultural activities of the farm business on a full-time basis for one year The full report is available here.

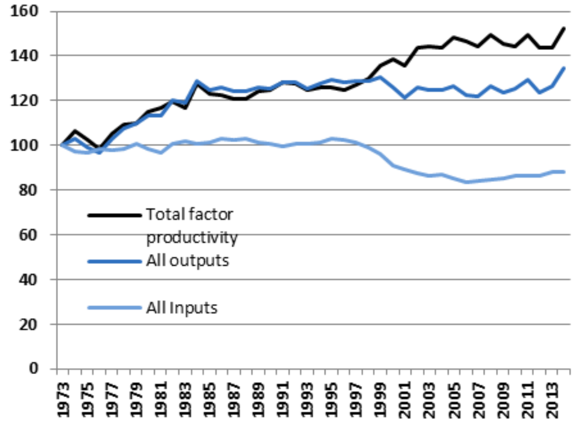
Contact: Helen Mason, Farming Statistics (Agricultural Accounts), helen.mason@defra.gsi.gov.uk

2.1.3. Total Factor Productivity of the UK agricultural industry 2014, 1st estimate

Total factor productivity of the agricultural industry in the United Kingdom, an indication of the efficiency and competitiveness of the industry, increased by 6% between 2013 and 2014. Weather conditions had a key role in this increase; the good weather conditions in 2014 after the poor conditions in 2013 saw the volume of outputs increase.

The volume of all outputs rose by 6.5% in 2014, driven by a 13% increase in crop yields. This was offset by a 0.4% increase in the volume of all inputs.

Total factor productivity of the UK agricultural industry (1973=100)



Long term trends in total factor productivity are more meaningful than year to year changes, as year to year variations in weather and/or disease may affect production. Therefore, as productivity in 2012 and 2013 were negatively affected by the bad weather it is interesting to compare 2014 against 2011. Here there is a more moderate 1.7% increase in total factor productivity with a 3.8% increase in the volume of all outputs offset by a 2.1% increase in all inputs.

Since 1973, total factor productivity has increased by 52%, driven by a 34% increase in outputs and a 12% decrease in inputs.

The full report is available here.

Contact: Helen Mason, Farming Statistics (Agricultural Accounts), helen.mason@defra.gsi.gov.uk

2.1.4 British Survey of Fertiliser Practice

Results of the 2014 British Survey of Fertiliser Practice were published on the 1st April 2014.

Key results:

- In terms of weather conditions, the 2014 crop year was more typical than 2013 and saw a return to a more usual balance of winter and spring sown crops.
- The total nitrogen application rate on all crops and grassland increased by 5 kg/ha between 2013 and 2014 to 99 kg/ha. This increase was driven by a large 10 kg/ha rise in the overall nitrogen rates on tillage crops compared to the relatively low rate of 136 kg/ha in 2013 (the result of adverse weather conditions). 2014 also saw a larger area of winter crops which generally have higher nitrogen rates.

Nitrogen applied to grassland is lower than tillage and was 60kg/ha in 2014, an increase of 1 kg/ha on 2013.

- Application rates of phosphate and potash on all crops and grassland were 18 and 25 kg/ha respectively in 2014, similar to rates in 2013. Rates have been relatively stable in recent years although the longer term trend has been downward, mainly due to a fall in the proportion of crops treated.

- The overall application rate for sulphur on tillage crops was 31 kg/ha in 2014, an increase of 4kg/ha on 2013 and the highest rate recorded in the last 5 years. Overall application rates on grass have been more stable, albeit with an increase from 2 kg/ha in 2013 to 4 kg/ha in 2014.

- Around 66% of farms in the survey used organic manures on at least one field on the farm. Cattle manure from beef and dairy farms is by far the largest volume of manure type used.

The full report can be found at: https://www.gov.uk/government/statistics/british-survey-of-fertiliser-practice-2014

Contact: Alison Wray, Farming Statistics (Agri-environment), alison.wray@defra.gsi.gov.uk

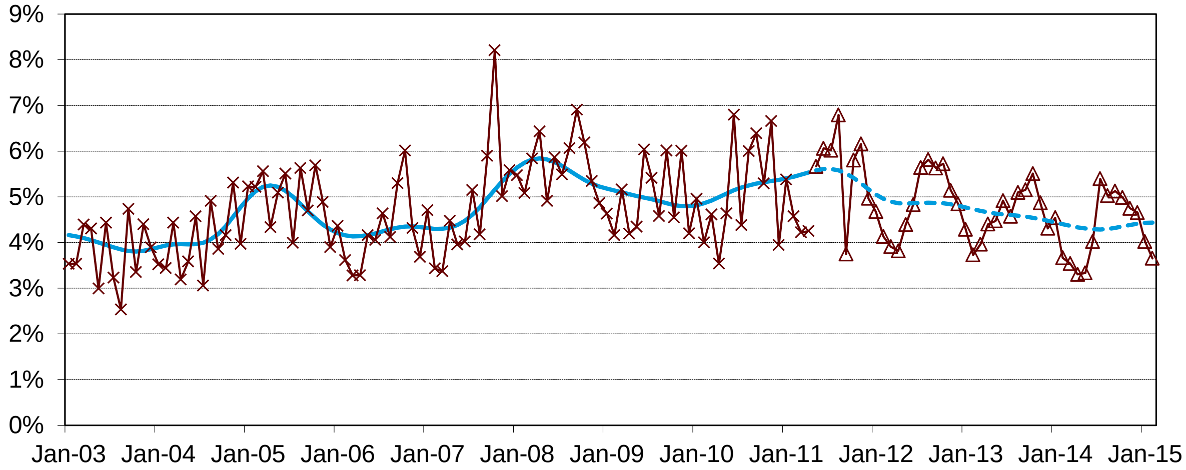
3. Environment, Health and Welfare

3.1. Health and Welfare

3.1.1. TB Statistics February 2015 – Great Britain

- The provisional incidence rate for January to February 2015 is 3.8% compared to 4.1% for January to February 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 February 2015 was 938 compared to 963 during January to February 2014. The number of tests on officially TB free herds was 16,662 during January to February 2015, compared to 16,031 during January to February 2014.

Number of officially TB free status being withdrawn breakdowns, as a percentage of tests on officially TB free herds (from 2003)

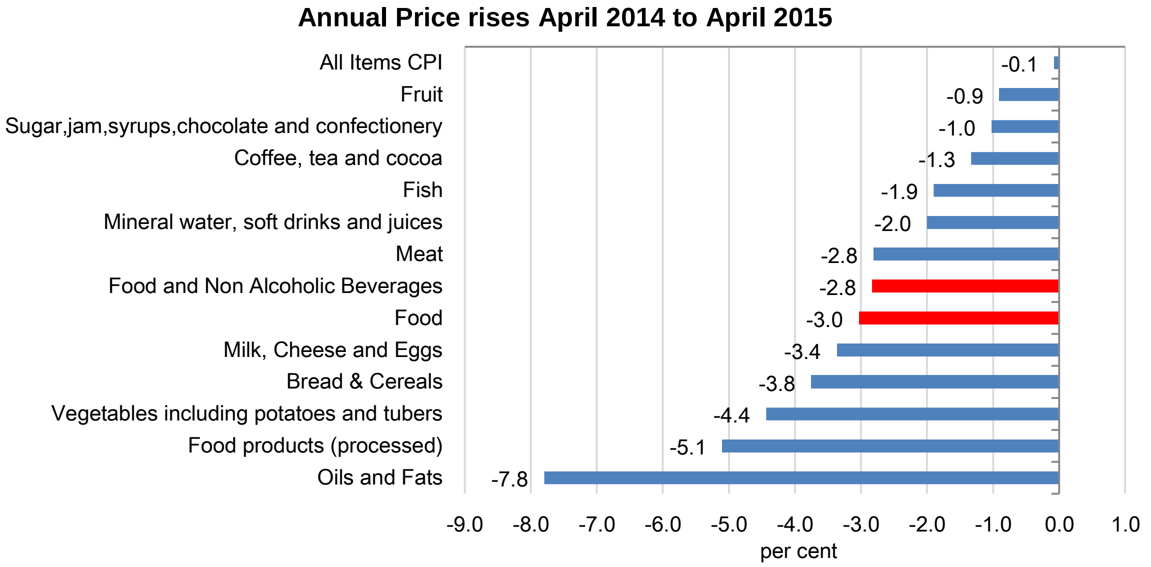


Contact: Animal and Plant Health Evidence and Analysis (APHEA), tbstatistics@defra.gsi.gov.uk

4. Food

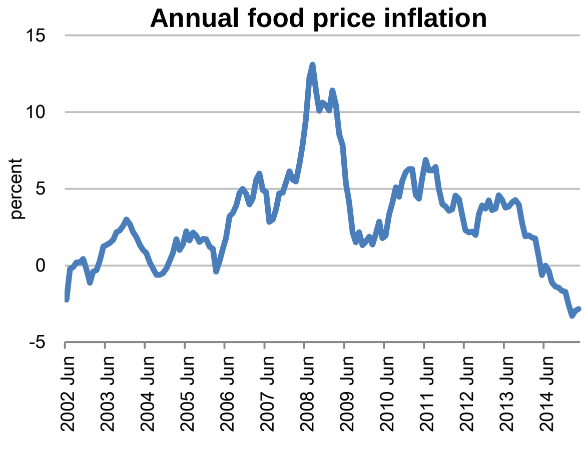
This section highlights current trends in food price inflation and drivers of future price changes together with the latest trade figures for food and drink. Year on year food prices have continued to fall, with an annual rate of inflation of -2.8 % in the year to April 2015. General inflation is -0.1 %, down from 0.0 % in March. This is the first time the CPI has fallen over the year since official records began in 1996 and the first time since 1960 based on comparable historic estimates.

4.1. Food inflation: consumer and retail prices



The fall in 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 -0.1 per cent in the year to April 2015, down from March. There was a large downward effect from transport services, where prices overall rose by 2.4% per cent between March and April this year, compared with a rise of 7.9 per cent in the same months a year ago. There were smaller downward effects from housing and household services, clothing and footwear, furniture, household equipment and routine maintenance, and alcoholic beverages and tobacco. These downward effects were negated by a large upward effect from motor fuels, where prices overall rose by 1.6 per cent between March and April compared with a fall of 0.1 per cent between the same months a year earlier



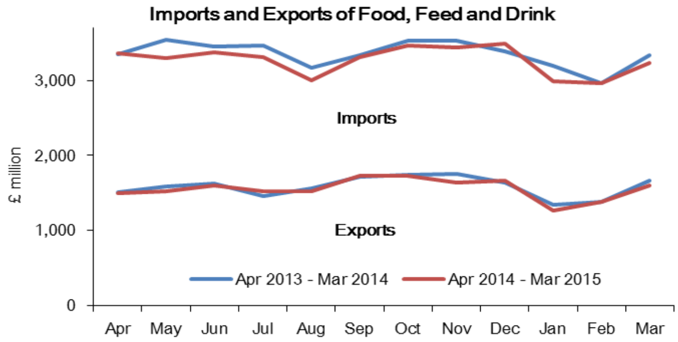
Below are the average retail prices of selected items on 14th April 2015:

1 pint of milk	£0.44 (unchanged from March)
Loaf of sliced white bread (800g)	£1.02 (down from £1.08 in March)
Cheese (kg)	£7.78 (down from £7.83 in March)
Eggs (dozen large free range)	£2.80 (up from £2.79 in March)
Potatoes, old white (kg)	£0.76 (down from £0.77 in March)
Apples (kg)	£1.95 (up from £1.91 in March)
Sugar (kg)	£0.74 (down from £0.78 in March)

Contact: Andrew Scaife (Food Statistics), andrew.scaife@defra.gsi.gov.uk

4.2. International Trade in Food, Feed and Drink

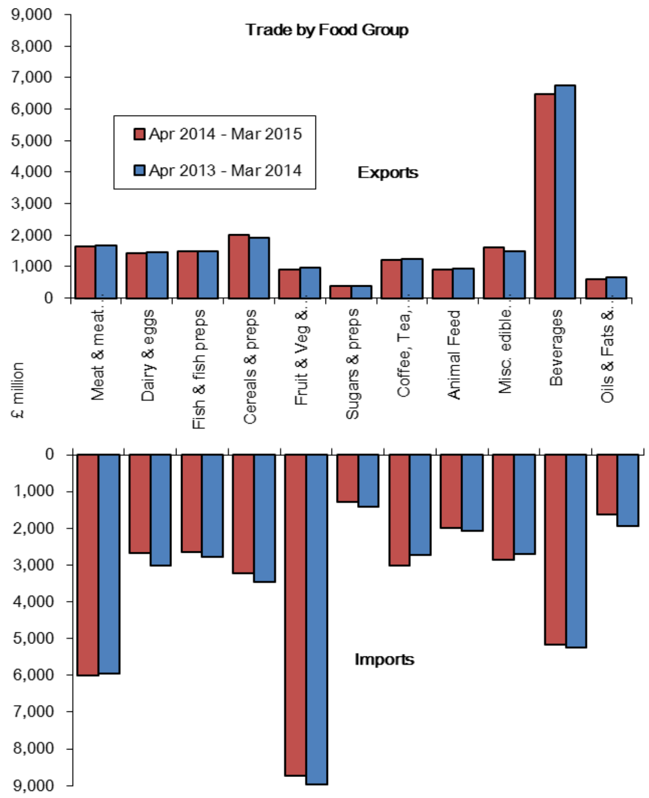
This section shows the latest available trade figures (to March 2015).



In March:

- The value of exports was £1.6 billion, 3.7% lower than in March 2014;
- The value of imports was £3.2 billion, 3.1% lower than the previous March;
- This resulted in a crude trade gap of minus £1.6 billion, 2.5% narrower than in March 2014.

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



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

- Imports of **meat and meat preparations** rose by £55m (0.9%), while exports fell by £26m (-1.5%)
- Imports of **dairy products and eggs** fell by £327m (-10.9%), while exports also fell by £34m (-2.3%)
- Imports of **fish and fish preparations** fell by £132m (-4.8%) while exports also fell by £18m (-1.2%)
- Imports of **cereals and cereal preparations** fell by £255m (-7.4%), while exports rose by £92m (4.8%)
- Imports of **fruit and vegetables** fell by £237m (-2.6%), while exports fell by £62m (-6.4%)
- Imports of **beverages** rose by £296m (10.9%) while exports fell by £26m (-2.1%)

Contact: Julian Groom, Farming Statistics (Trade), julian.groom@defra.gsi.gov.uk