



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.

Forecasts of Farm Business incomes for the 2013 Harvest

Forecasts of Farm Business Income by farm type in England for 2013/14 were published on 30th January 2014. These figures are for March/February years with the latest estimates covering the **2013 harvest**. The forecasts are intended as a broad indication of how each farm type is expected to fare compared with 2012/13. Average Farm Business Income is expected to be higher across the livestock sector due to an increase in the value of output driven by higher prices for milk and finished livestock. The increases are substantial for dairy (96%) and specialist pig farms (90%) but less so for lowland livestock (15%), LFA livestock (33%) and specialist poultry (10%). For the arable sector average incomes are expected to fall by 28% on specialist cereal farms to £49,000 and by 8% on general cropping farms to £84,000. These figures reflect the continuing impact of the wet autumn in 2012 which resulted in a switch to lower yielding spring crops for the harvest of 2013. In addition, prices of key commodities fell as record harvests around the world caused a fall in global markets. (see section 2)

Agriculture's contribution to the economy

Agriculture's contribution to the local economy may be indicated by its share of regional gross value added. Agriculture made a contribution of 0.61% to the economy in England but contributes greater proportions in a number of regions, particularly the South West, East of England, and East Midlands. (see section 2)

Area of Crops Grown For Bioenergy

Defra released updated experimental statistics on the areas of oilseed rape, sugar beet, wheat, miscanthus, short rotation coppice and straw crops grown in the UK for use as bioenergy on the 19th December 2013. Approximately 26 thousand hectares or 0.4% of UK arable land planted in 2011 were grown for production of bioenergy during 2012. In 2012, 389 thousand tonnes of purpose grown crops were fed into on-farm anaerobic digestion plants in the UK, while 16 thousand tonnes were fed into commercial plants. (see section 2)

Fall in productivity

Total factor productivity of the agricultural industry in the United Kingdom is estimated to have fallen by around 3% between 2011 and 2012, its lowest level since 2007. This is the largest single year fall in total factor productivity since 1985. The fall in total factor productivity reflects the impact of poor weather on the agricultural production process during 2012 (see section 2)

Chart 1: Value of agriculture expressed as a percentage of regional GVA 2012



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1. Overall economic position

Consumer Price Index

The Consumer Prices Index (CPI) fell to 2.0% in the year to December 2013 from 2.1% in November. The largest contributions to the fall in the CPI annual rate came from 'food and non-alcoholic drinks' and 'recreation and culture'. The largest upward contribution came from the transport sector with prices rising at a quicker rate than between the same two months in 2012. The majority of this rise was petrol and diesel prices.

Most foodstuffs and non-alcoholic beverages contributed to a downwards effect on food inflation with the largest contributions coming from fruit and meat prices. These downward contributions were partially offset by an upward contribution from bread and cereals prices where the rate of price increases has accelerated.

Looking over the longer term, inflation for 'food and non-alcoholic beverages' has grown at a faster rate than overall inflation in each of the last eight years.

More details are in the full [statistical bulletin](#) from the Office for National Statistics.

Unemployment Rate - August to October 2013

The percentage of the economically active population aged 16 and over who were unemployed (the unemployment rate) was 7.4%. The unemployment rate is down 0.3 percentage points from May to July 2013 and down 0.5 from a year earlier. There were 2.39 million unemployed people aged 16 and over, down 99,000 from May to July 2013 and down 121,000 from a year earlier.

Retail Sales

Non-seasonally adjusted data show that small stores experienced higher growth year-on-year than large stores with the amount spent in small stores increasing by 8.1% compared with 2.6% in large stores. Non-food stores provided the main contribution to the growth in the amount spent at small stores. Contractions in the quantity bought in food stores and petrol stations continued to offset growth in the quantity bought in non-food stores and non-store retailing.

Internet sales, which are seasonally adjusted for the first time in this release, increased by 11.8% in December 2013 compared with December 2012 and by 1.8% compared with November 2013.

GDP – Quarterly National Accounts, Q3 2013

UK gross domestic product (GDP) in volume terms was estimated to have increased by 0.8% between Q2 2013 and Q3 2013, unrevised from the Second Estimate of GDP published 27 November 2013. In volume terms GDP increased by 1.9% when comparing Q3 2013 with Q3 2012, revised up 0.4 percentage points from the previously estimated 1.5% increase.

In Q3 2013 GDP in volume terms was estimated to be 2.0% below the peak in Q1 2008, as compared with 2.5% below this peak as previously estimated.

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

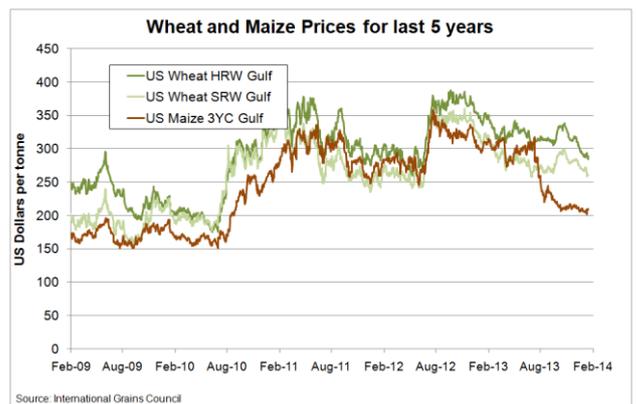
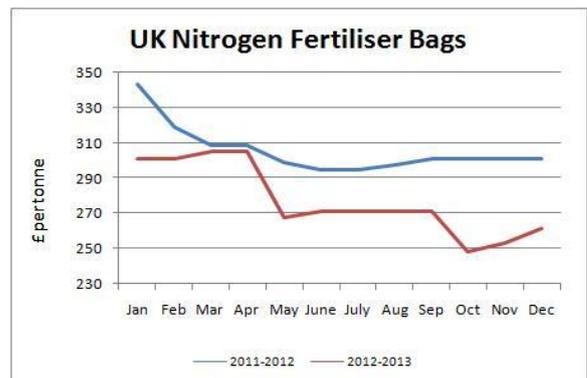
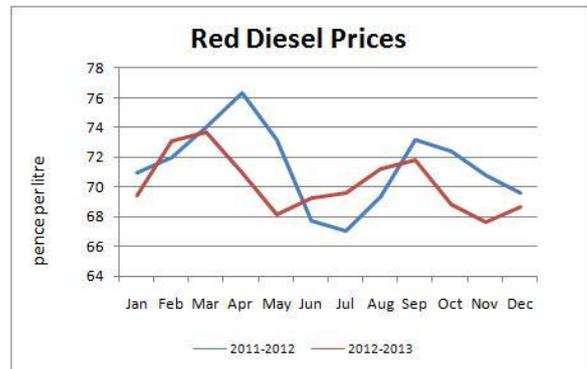
- **Red Diesel:** In December 2013, the average price for red diesel rose to 68.65 pence per litre. Current prices are 1.3% lower than December 2012.
- **Fertiliser:** The average price for 34.5% UK Ammonium Nitrate bags rose to £262 per tonne. Current prices are 13% lower than December 2012. (Source: Dairy Co Datum)

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2.1.1. Prices and Market Information – Commodities

Cereals

- The December average price of Hard Red winter wheat was \$301 per tonne, 5% lower than November. For Soft Red winter wheat the average December price was \$275, a decrease of 2.5% from November. Prices available to mid January show a decrease of 3.8% for Hard Red Winter wheat on the December average price and an increase of 3.4% for Soft Red Winter wheat.
- Maize prices have fallen from a record high of \$358 per tonne in July 2012 to \$206 per tonne in mid (1.5% lower than the December average price).
- The USDA published their *World Supply and Demand Estimates* on 10 January. For **Wheat** the USDA have revised their production estimates for Argentina by 0.5Mt to 10.5Mt and the EU BY 0.2Mt. These decreases were offset by increases of 1Mt and 0.6Mt in China and Russia respectively. Global consumption forecasts are revised downwards by 1.1Mt to 703Mt due to reduced usage in the US and EU. Overall higher production and lower consumption led to global ending stocks forecast to increase by 2.6Mt to 185Mt.
- For **Maize** the US production was revised lower by 1.6Mt and Argentina by 1.0Mt. However these decreases were offset by a large 6Mt increase in Chinese production which brought it in line with Chinese Government estimates. A near 2Mt decline in opening stocks due to an increase in exports to Brazil meant overall availability was changed by only 0.7Mt. The only major demand change was in the US where additional maize usage for both wheat and ethanol resulted in an increased consumption of 2.5Mt. Overall global stocks were forecast down by 2.2Mt to 160Mt.



- The USDA have made only minor changes to their **Soyabean** forecast, the net effect was virtually unchanged global demand. Global ending stocks were increased 1.7Mt to 72Mt.

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- **Animal Feed** (source Defra): During November 2013 (the latest period for which data is available), the total GB retail production of animal feed was 867 thousand tonnes, down 2.8% on the same period in 2012. Due to the recent wet weather and flooding, it is anticipated that compound feed production will increase as Cattle and Sheep are housed for longer. Total GB integrated poultry feed production was 193 thousand tonnes, down 6.6% during November 2013 compared to the same period in 2012.
- **Flour** (source Defra): During November 2013, the total amount of wheat milled in the UK was 535 thousand tonnes, 3% lower than in November 2012. The total amount of home grown wheat milled in the UK for November 2013 was 446 thousand tonnes, up 5% compared with November 2012. There were 89 thousand tonnes of imported wheat milled in November 2013, down 30% compared with November 2012. The poorer quality 2012 UK crop resulted in greater use of imported wheat, however November 2013 has shown millers starting to revert back to using a greater proportion of home grown wheat from the better quality 2013 wheat crop. Flour production for the same period was 419 thousand tonnes, 4.7% lower than in November 2012.
- **Brewers, Distillers and Maltsters** (source Defra): During November 2013, the total usage of barley by brewers, distillers and maltsters was 160 thousand tonnes, up 4% compared to November 2012.

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Livestock (source: Defra)

- **Sheep:** In 2013 sheep and lamb home-killed production was 5.3% higher than in 2012 at 290 thousand tonnes, with overall lamb slaughterings 4.8% higher than last year and adult sheep slaughterings 12% higher. However, the 2012 lamb crop was particularly low following adverse weather conditions.
- **Cattle:** In 2013 UK home-killed production of beef and veal was 4.2% lower than 2012 levels at 848 thousand tonnes, as prime cattle slaughterings fell by 1.8%, cull cow throughputs fell by 5.6% but calve slaughtering increased by 24%. Lower carcass weights and adverse weather conditions earlier in the year were the main contributors to the drop in production.
- **Pigs:** UK home-killed production of pig meat was 833 thousand tonnes in 2013, 1.0% higher than 2012. With UK clean pig slaughterings only slightly higher than last year this rise was driven by increased carcass weights, which were higher throughout the year and on average were 1.0% higher at 79.2kg.

Livestock products

- **Milk volumes:** The provisional volume of wholesale milk delivered to UK dairies during December 2013 was 10.7% higher than the same period last year, at 1.2 billion litres. This is the highest December figure for 18 years. Favourable weather conditions after the late spring, good prices for raw milk and a slight reduction in feed costs have allowed this increase in production. Cumulative production for the nine month period (Apr-Dec) of 10.2 billion litres was 326m litres (3.3%) higher than 2012/13 (source: RPA).
- **Milk prices:** The average UK milk price for December 2013 shows a slight decrease of 0.7% on the previous month at 34.3 pence per litre as the usual seasonal slowdown of the milk market in the run up to Christmas takes effect. Compared to December 2012, this represents a rise of almost 14% (4.1 pence per litre) (source: Defra).



- **Poultry:** In 2013 poultry meat production rose by 3.4% to 1.7 million tonnes as broiler meat production rose by 5.0% to 1.4 million tonnes.

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2.1.2. Forecasts of Farm Business Income by type of farm in England – 2013/14

Forecasts of Farm Business Income by farm type in England for 2013/14 were published on 30th January 2014. These figures cover the year ending February 2014 and therefore relate to the 2013 harvest and the Single Farm Payment due in the 2013/14 accounting year.

The forecast incomes for 2013/14 are based largely on information available by mid January 2014 for prices, animal populations, marketings, crop areas, yields and input costs. They are intended as a broad indication of how each farm type is expected to fare compared with 2012/13. They are subject to a margin of error, reflecting, in particular, the fact that farm income is derived as the relatively small difference between total output and total input so that small percentage changes in either of these amounts can result in large percentage changes in income. There is additional uncertainty around the figures presented here as the impacts of the poor weather both last spring and more recently are difficult to estimate. Also note that these figures represent average incomes which will mask a wide distribution of income levels across farms.

Average Farm Business Income is expected to be higher across the livestock sector due to an increase in the value of output driven by higher prices for milk and finished livestock. The increases are substantial for dairy (96%) and specialist pig farms (90%) but less so for lowland livestock (15%), LFA livestock (33%) and specialist poultry (10%). For dairy and grazing livestock farms these figures represent a recovery from substantial falls in income in 2012/13. Input costs are expected to increase slightly but feed costs are expected to remain similar to those in 2012/13 despite the fall in cereal prices and improved grazing and forage conditions. This is because feed prices were at their peak during the cold spell in the spring of 2013 and during lambing when demand was at its highest.

For the arable sector average incomes are expected to fall by 28% on specialist cereal farms to £49,000 and by 8% on general cropping farms to £84,000. These figures reflect the continuing impact of the wet autumn in 2012 which resulted in a switch to lower yielding spring crops for the harvest of 2013. In addition, prices of key commodities fell as record harvests around the world caused a fall in global markets. Input costs are also expected to fall slightly due to reduced volumes and some easing of prices for key inputs, particularly fertiliser and fuel. However this reduction in costs is only expected to partially offset the reduced value of output.

For the [full results](#), please visit us online.

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2.1.3. Defra UK Cereals Balance Sheet 2013/14

Second Official UK Cereal Supply and Demand Balance Sheet.

The second official forecast of the 2013/14 UK cereal supply and demand balance sheet was released on 29 January 2014.

Defra published revised 2013 production figures on 19 December 2013. For wheat this resulted in a reduction of 180kt from the provisional production estimate at 11.921Mt which is 10% lower than 2012/13. This year imports are forecast at 1.630Mt, 45% lower than last year. The reduction is mainly due to millers switching back to sourcing good quality UK wheat from the 2013 harvest. Wheat usage from the Human and Industrial Sector (H&I) is forecast 1% lower than last year at 7.498Mt due to lower flour and bioethanol production. The amount of wheat used in animal feed is forecast at 6.003Mt down 12% year on year and reflects the wheat price premium over barley, oats and maize. Total animal feed demand was strong in the early part of the season with year on year growth reported but has started to weaken due to milder weather and better forage availability than 2012/13. Demand has been particularly strong in the dairy and poultry (compound feed) sectors. The wheat availability and demand balance is now estimated at 1.880Mt, 36% lower than 2012/13.

Barley production has been reduced to 7.092Mt, a 10Kt reduction from the provisional estimate. This is still 22% higher than 2012/13. Barley for the H&I sector is estimated to reach 1.897Mt, 3% higher than last year due to a strong Brewing, Malting and Distilling sector. Barley use in animal feed has also increased due to its availability and discount to wheat. Usage for animal feed is forecast at 3.542Mt, 8% higher than last year. The barley supply and demand balance is now 2.529Mt which is 83% higher than last season.

Due to higher demand, **maize** imports are forecast at 1.726Mt . The pace of imports started to increase in November following the delayed French and Ukrainian harvest entering the UK . Maize used in animal feed has increased and the 2013/14 forecast usage of 1.762Mt is 13% higher than last year.

UK **Oats** production was revised downwards by 11kt to 964kt. H&I demand is forecast at 505kt. Although oats are plentiful and competitively priced, their use in animal feed is somewhat constrained by technical practicalities. Nevertheless oats consumption in animal feed is forecast 61% higher than 2012/13 at 397kt. The availability and demand balance stands at 231kt, 2.5 times higher than last year. Trade in oats has been lack lustre this season with the UK and European markets adequately covered to meet requirements.

The full balance sheet can be found at [here](#).

The third review of the balance sheet for 2013/14 will be published on 26 March 2014
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2.1.4. Gross Value Added - Agriculture in the English regions 2012, 2nd estimate

The latest statistics on agriculture in the English regions were [published](#) on 16 January 2014.

These statistics describe the relative growth in Total Income from Farming and the contribution that the agricultural industry makes to the regional economy. Key components of the production and income accounts are summarised.

Agriculture's contribution to the local economy may be indicated by its share of regional gross value added (GVA). Chart 1 shows agriculture made a contribution of 0.61% to the economy in England but contributes greater proportions in a number of regions, particularly the South West, East Midlands and East of England. Agriculture makes the least contribution to the local economy in the South East and London however the overall value contributed is higher than other regions as illustrated in Chart 2.

Chart 1: Value of agriculture expressed as a percentage of regional GVA 2012

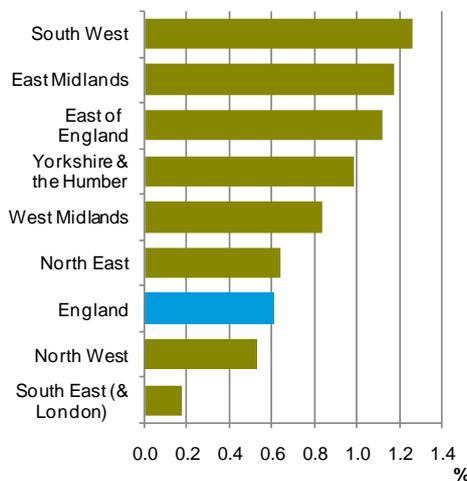
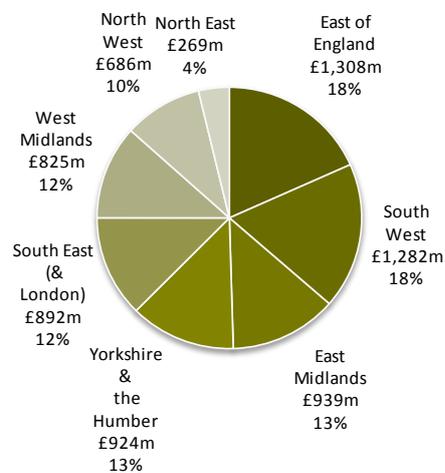


Chart 2: Gross value added by region 2012



Livestock output was predominant in the South West and North West while crop output was greatest in East of England.

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2.1.5. Total Factor Productivity of the UK agricultural industry 2012, 2nd estimate

Total factor productivity of the agricultural industry in the United Kingdom is estimated to have fallen by around 3% between 2011 and 2012, its lowest level since 2007. This is the largest single year fall in total factor productivity since 1985. The fall in total factor productivity reflects the impact of poor weather on the agricultural production process during 2012.

Over the longer period, the volume of final output has remained largely unchanged between 1986 and 2012 while the volume of all inputs and entrepreneurial labour fell by 19%, leading to total factor productivity increasing by 21%. Total factor productivity was broadly level between the mid-1980s and mid-1990s, increased by 18% between 1997 and 2005 and has since remained steady with year to year variations.

Crop output was particularly affected by poor weather during 2012, with the volume of wheat output falling by 9.4% compared to 2011 to its lowest level since 2001. The volume of oilseed rape output fell by 7.3% between 2011 and 2012 following very poor weather during spring and summer 2012, partly offset by an increase in area following favourable planting conditions in autumn 2011, but remained 28% higher than in 2007. The volume of output of potatoes was down 23% compared to 2011 as poor weather interrupted planting in the spring and led to low yielding potato crops and increased wastage. Output of sugar beet, down 14%, and fruit, down 8.5%, were also affected by cold and wet weather.

Livestock output was generally less impacted by the poor weather in 2012 other than sheep output, down 4.5%, where poor weather in the second half of the year hampered the marketing of lambs resulting in a large carryover of the 2012 lamb crop into 2013.

The full report is available [here](#).

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3. Environment, Health and Welfare

3.1. Environment

3.1.1 Area of Crops Grown For Bioenergy in England and the UK: 2008 – 2012

Defra released updated experimental statistics on the areas of oilseed rape, sugar beet, wheat, miscanthus, short rotation coppice and straw crops grown in the UK for use as bioenergy on the 19th December 2013. The release also included a new section on anaerobic digestion.

The key results are:

- Approximately 26 thousand hectares or 0.4% of UK arable land planted in 2011 were grown for production of bioenergy during 2012. This comprised of 6 thousand hectares of oilseed rape, 3 thousand hectares of sugar beet and 6 thousand hectares of wheat. These areas produced 303 thousand tonnes of crop for biofuel production for the UK road transport market.
- A further 8 thousand hectares of miscanthus and 3 thousand hectares of short rotation coppice grown in England were used for bioenergy production. Approximately 45 thousand tonnes of miscanthus and 14 thousand tonnes of short rotation coppice were used in power stations for electricity generation in 2011/12.
- Around 215 thousand tonnes of straw (approximately 2% of typical production) were used as fuel in biomass power stations in England in 2011/12.
- In 2012, 389 thousand tonnes of purpose grown crops were fed into on-farm anaerobic digestion plants in the UK, while 16 thousand tonnes were fed into commercial plants.

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3.2. Health and Welfare

3.2.1 TB Statistics October 2013 – Great Britain

Some statistics on TB incidence are currently suspended from publication. For further information see the current stats notice showing data to end October 2013. See the link :- <https://www.gov.uk/government/publications/incidence-of-tuberculosis-tb-in-cattle-in-great-britain>.

The number of cattle compulsorily slaughtered as reactors or direct contacts was 27,474 during January to October 2013, compared to 31,143 during January to October 2012.

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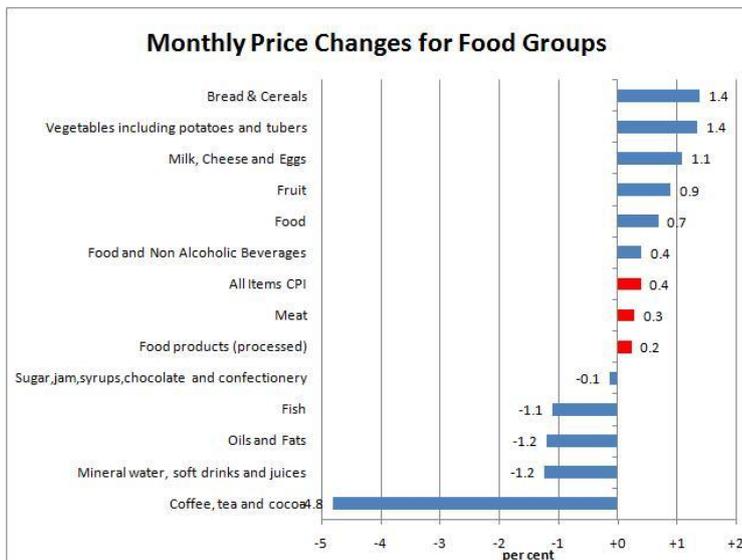
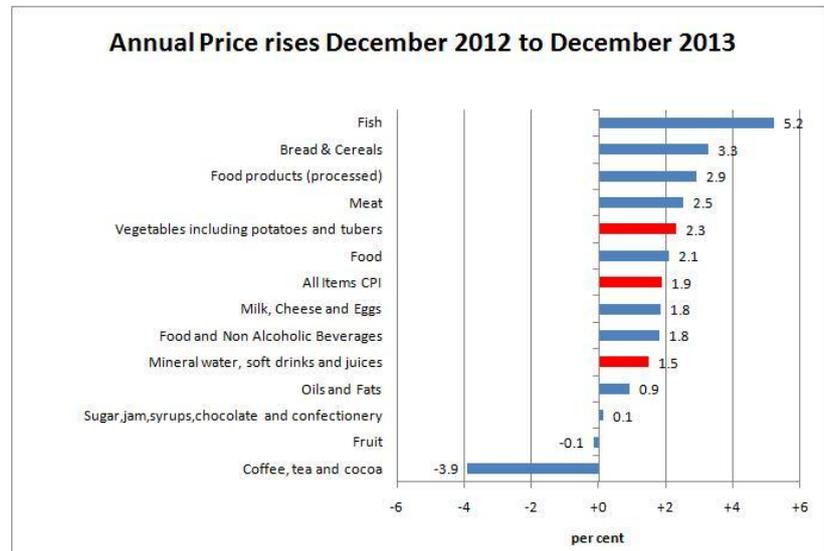
4. Food

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.

4.1. Food inflation: consumer and retail prices

The Consumer Prices Index (CPI) fell to 2.0% in the year to December 2013 from 2.1% in November.

The largest contributions to the fall in the CPI annual rate came from 'food and alcoholic drinks' and 'recreation and culture'. The largest upward contribution came from the transport sector with prices rising at a quicker rate than between the same two months in 2012. The majority of this rise was petrol and diesel prices.



Most foodstuffs and non-alcoholic beverages contributed to a downwards effect on food inflation with the largest contributions coming from fruit and meat prices. These downward contributions were partially offset by an upward contribution from bread and cereals prices where the rate of price increases has accelerated.

Looking over the longer term, inflation for 'food and non-alcoholic beverages' has grown at a faster rate than overall inflation in each of the last eight years

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4.2. International Trade in Food, Feed and Drink

This section shows the latest available trade figures (to November 2013).

In November:

- the value of exports was £1.7 billion, 2.6% higher than in November 2012;
- the value of imports was £3.4 billion, 0.3% higher than the previous November;
- this resulted in a crude trade gap of minus £1.7 billion, 2.0% narrower than in November 2012.

The following chart shows annual trade by food group for the periods December 2011 – November 2012 and December 2012 – November 2013.

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

- imports of **dairy products and eggs** rose by £205m (7.6%), while exports rose by £176m (15.0%)
- imports of **cereals and cereal preparations** rose by £707m (24.5%), while exports fell by £158m (-7.9%)
- imports of **fruit and vegetables** rose by £675m (8.2%), while exports rose by £114m (13.5%)
- imports of **beverages** rose by £128m (2.5%) while exports rose by £196m (2.9%)
- imports of **oils and fats** fell by £64m (-3.2%) while exports fell by £258m (-27.3%)

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