



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.

Increases to milk production and prices

The provisional volume of wholesale milk delivered to UK dairies during February 2014 was 11.5% higher than the same period last year, at 1.1 billion litres. This is the highest level of production for the month of February since RPA records began in 1994/95. The average UK milk price for February 2014 shows a slight increase of 0.3% on the previous month at 33.9 pence per litre (inc. bonus payments), which is 12.5% higher than February 2013. (see section 2.1.1)



UK cereal supply and demand estimates 2013/14

The second official forecast of the 2013/14 UK cereal supply and demand balance sheet was released on 26 March 2014.

- **Wheat** imports have been increased to 1.8Mt although this is still 39% lower than last year. Wheat imports have been particularly strong in December and January and the cumulative July to January figure reached 1.466Mt. There has been good demand from price competitive imported milling wheat into the north of the country. Despite improved weather conditions and better forage availability than last season demand for animal feed for all cereals is only 1% lower than 2012/13
- **Barley** availability is 8.174Mt, a 22% increase over 2012/13. Barley has proved price competitive to wheat for animal feed and as a result has increased its share of the feed ration.
- Due to higher demand, **maize** imports are forecast at 2.010Mt. Maize used in animal feed is the main reason and the 2013/14 forecast usage of 1.233Mt is 19% higher than last year.
- **Oat** availability is forecast at 1.071Mt, 34% higher than last year due to the large 2013 crop (highest for over 30 years). (see section 2.1.2)

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1. Overall economic position

Consumer Price Index

- Food inflation fell to an annual rate of 1.8% in the year to February, down from 2.0% in January. Food inflation is above general inflation at 1.7%, which fell from 1.9% in January.
- The largest contributions to the fall in the CPI annual rate came from 'transport', 'housing and household services' and 'clothing and footwear'. The largest upward contributions came from 'furniture, household equipment and maintenance' and 'recreation and culture'.

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

Unemployment Rate

- Latest estimates show that the number of people in employment continued to increase. Unemployment continued to fall, as did the number of economically inactive people aged from 16 to 64. These changes continue the general direction of movement over the past two years. The unemployment rate was 7.2% of the labour force (those unemployed plus those employed) for November 2013 to January 2014, down from 7.4% for August to October 2013 and from 7.8% the previous year.
- Pay including bonuses for November 2013 to January 2014 was 1.4% higher than a year earlier, with pay excluding bonuses 1.3% higher.

Retail Sales

- Year-on-year estimates of the quantity bought in the retail industry continued to show growth. In February 2014, the quantity bought increased by 3.7% compared with February 2013. On the month the quantity bought increased by 1.7%. Non seasonally adjusted data show that the average weekly spend in the retail industry in February 2014 was £6.6 billion compared with £6.3 billion in February 2013 and £6.4 billion in January 2014.

GDP - Second Estimate of GDP, Q4 2013

- GDP is estimated to have increased by 1.8% in 2013, compared with 2012, revised down 0.1 percentage points from the previously estimated 1.9% increase.

2. Farming

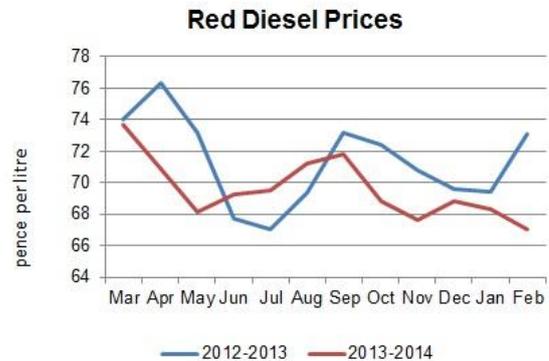
This section brings together the latest economic position for the farming sector (including UK and international input and commodity price intelligence) and the highlights of recently published evidence and research.

2.1. Economic

UK Prices – Inputs

- **Red Diesel:** In January 2014, the average price for red diesel fell to 67.07 pence per litre. Current prices are 8.3% lower than February 2013.
- **Fertiliser:** The average price for 34.5% UK Ammonium Nitrate bags rose to £299 per tonne. Current prices are 2% lower than March 2013. (Source: Dairy Co Datum)

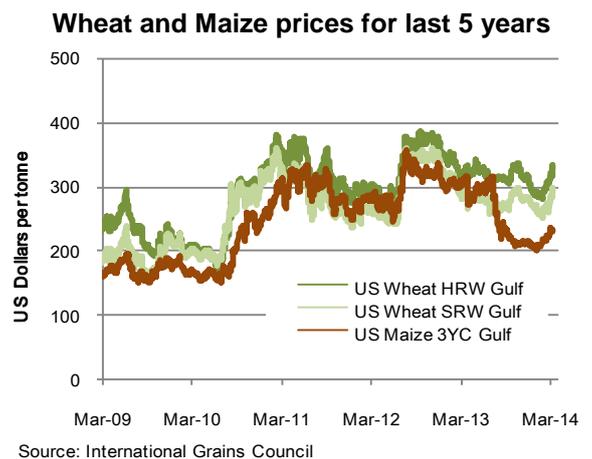
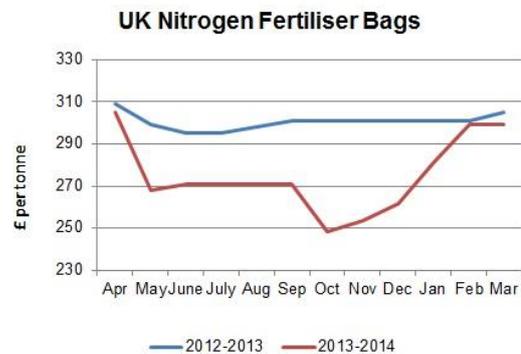
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2.1.1. Prices and Market Information – Commodities

Cereals

- The February average price of Hard Red winter wheat was \$302 per tonne, 5.1% higher than January. For Soft Red winter wheat the average February price was \$267, an increase of 2.6% from January. Prices available to mid March show an increase of 6.8% for Hard Red Winter wheat on the February average price and an increase of 7.6% for Soft Red Winter wheat.
- Maize prices have fallen from a record high of \$358 per tonne in July 2012 to \$233 per tonne in mid March (5.4% higher than the February average price).
- The USDA published their *World Supply and Demand Estimates* on 10 March. For **Wheat** the USDA have made little change from their February forecast with the global stocks-to-use ratio remaining virtually unchanged at 26%. The wheat import figure was adjusted upwards by 3Mt to 155Mt primarily due to increases for the Middle East (especially Iran) and North Africa. For the EU the wheat export figure is increased by 1.5Mt to 29Mt but is offset by a reduction in animal feed usage (replaced by maize). This increase came as a response to the EU granting wheat export licences which has kept EU prices at a large premium to US values. This is likely to keep EU wheat stocks fragile.
- For **Maize** the USDA made no change to the production estimates for Brazil (70Mt) and Argentina (24Mt). Slightly stronger estimates for US exports has reduced the closing stocks and therefore dragged the country's stocks-to-use ratio from 11.14% to 10.93% (7.89% last year).
- The USDA have reduced their Brazilian **Soyabean** production forecast by 1.5Mt to 88.5Mt (82Mt last year) due to less than ideal growing conditions. US exports were increased slightly by 0.5Mt to 41.6Mt (35.91Mt last season). Given the accumulated US exports so far this season this revised forecasts suggests the USDA expects some export orders to be cancelled. These could be outright cancellations



or substituted by cheaper South American supplies as and when available. This has had a negative effect on soyabean prices and on the wider oilseed market.

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- **Animal Feed** (source Defra): During January 2014 (the latest period for which data is available), the total GB retail production of animal feed was 902 thousand tonnes, down 0.3% on the same period in 2013. Total GB integrated poultry feed production was 199 thousand tonnes, up 4% during January 2014 compared to the same period in 2013.
- **Flour** (source Defra): During January 2014, the total amount of wheat milled in the UK was 515 thousand tonnes, 5% lower than in January 2013. The total amount of home grown wheat milled in the UK for January 2014 was 433 thousand tonnes, up 11% compared with January 2013. There were 82 thousand tonnes of imported wheat milled in January 2014, down 47% compared with January 2013. The poorer quality 2012 UK crop resulted in greater use of imported wheat, however January 2014 has shown millers continuing 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 402 thousand tonnes, 3.3% lower than in January 2013.
- **Brewers, Distillers and Maltsters** (source Defra): During January 2014, the total usage of barley by brewers, distillers and maltsters was 147 thousand tonnes, down 3% compared to January 2013.

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Livestock (source: Defra)

- **Sheep:** UK home-fed production of mutton and lamb in February 2014 was 8.5% lower than in February 2013. Production in the first two months of 2014 was 4.4% lower but this follows the considerable increase in slaughterings in early 2013 due to the large carryover of lambs from 2012. Strong weights have helped to offset the fall in slaughterings.
- **Cattle:** In February 2014 UK home fed-production of Beef and Veal was 1.6% higher than February 2013 at 70 thousand tonnes. With prime cattle slaughterings virtually unchanged the increase was a result of strong carcase weights.
- **Pigs:** UK home-fed production of pigmeat was 0.8% higher in February 2014 compared to 2013. Production in the first two months of 2014 increased by almost 1% as weights remained strong.

Livestock products

- **Milk volumes:** The provisional volume of wholesale milk delivered to UK dairies during February 2014 was 11.5% higher than the same period last year, at 1.1 billion litres. This is the highest level of production for the month of February since RPA records began in 1994/95. Many farmers have boosted milk production, encouraged by high farmgate prices and relatively mild weather through the winter period. Cumulative production for the eleven month period (Apr-Feb) of 12.4 billion litres was 551m litres (5%) higher than 2012/13 (source: RPA).
- **Milk prices:** The average UK milk price for February 2014 shows a slight increase of 0.3% on the previous month at 33.9 pence per litre (inc. bonus payments). Excellent milk supply has tempered the recent monthly increases in the farmgate price. Compared to February 2013, the latest monthly price represents a rise of 12.5% (3.8 pence per litre) (source: Defra).

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2.1.2. Defra UK Cereals Balance Sheet 2013/14

Third 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 26 March 2014.

Wheat imports have been increased to 1.8Mt although this is still 39% lower than last year. Wheat imports have been particularly strong in December and January and the cumulative July to January have reached 1.466Mt. There has been good demand from price competitive imported milling wheat into the north of the country. Demand from the Human and Industrial (H&I) sector is forecast at 7.400Mt, a reduction of 2% from last year's total of 7.572Mt. This reduction is mainly due to reduced flour and ethanol production. Despite improved weather conditions and better forage availability than last season demand for animal feed for all cereals is only 1% lower than 2012/13. Demand for compound feed has been particularly strong from the dairy sector on the back of improved milk prices. Pigs have shown a modest increase due to higher carcass weights. For wheat specifically animal feed is forecast at 6.123Mt, 10% lower than last year due to replacement in the feed ration by competitively priced alternative grains e.g. barley and maize. Wheat availability and demand balance is estimated at 2.029Mt due to increased availability. With operating stock set at 1.450Mt this leaves a surplus of 579kt to be held as free stock or available for export. Exports from July 2013 to January 2014 totalled 270kt.

Barley availability is 8.174Mt, a 22% increase over 2012/13. Demand from the H&I sector is forecast at 1.892Mt, 3% higher than last year, mainly due to a strong demand from the Brewing, Distilling and Malting sector. Barley has proved price competitive to wheat for animal feed and as a result has increased its share of the feed ration. Year on year consumption is forecast 7% higher at 3.503Mt. The barley supply and demand balance is forecast at 2.594Mt which is 88% higher than last season. With an operating stock requirement of 713kt this leaves a surplus of 1.881Mt. Barley exports for July to January totalled 848kt but are starting to slow, increasing the likelihood of more barley being carried over as stock into next season.

Due to higher demand, **maize** imports are forecast at 2.010Mt. The pace of imports started to increase in November following the delayed French and Ukrainian harvest entering the UK and has continued at a high level through December and January. Imports are expected to remain high during February and March and then slow down in the latter part of the season. Maize used in animal feed is the main reason and the 2013/14 forecast usage of 1.233Mt is 19% higher than last year.

Oat availability is forecast at 1.071Mt, 34% higher than last year due to the large 2013 crop (highest for over 30 years). Demand from the H&I sector is forecast at 515kt, 5% higher than last season and animal feed at 349kt, 76% higher than last year. The availability and demand balance is forecast at 184kt; more than double that for 2012/13.

The full balance sheet can be found at [here](#). The fourth review of the balance sheet for 2013/14 will be published on 22 May 2014.

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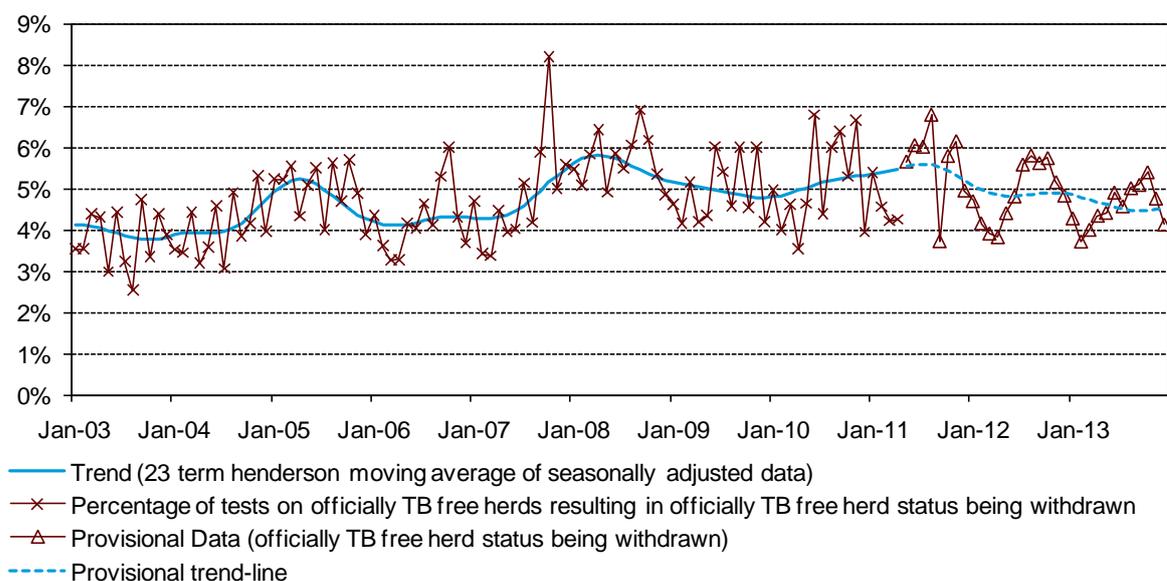
3. Environment, Health and Welfare

3.1. Health and Welfare

3.2.1. TB Statistics December 2013 – Great Britain

- Short term changes in these statistics should be considered in the context of long term trends. The charts and tables in this statistical notice illustrate how the trend in bovine TB incidence has changed since 1996.
- The provisional incidence rate for January to December 2013 is 4.5% compared to 4.8% for January to December 2012. 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 December 2013 was 4,815 compared to 5,153 for January to December 2012. The number of tests on officially TB free herds was 72,143 during January to December 2013, compared to 73,658 during January to December 2012.
- The number of cattle compulsorily slaughtered as reactors or direct contacts was 32,620 during January to December 2013, compared to 37,734 during January to December 2012.

Chart 1: 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

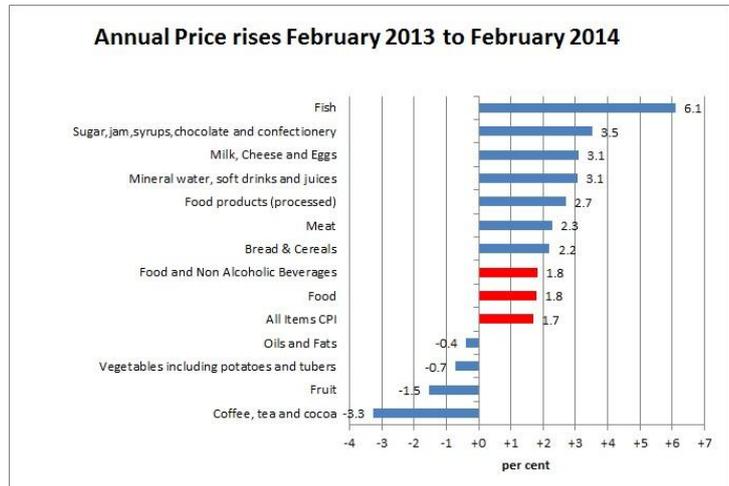
This section highlights current trends in food price inflation and drivers of future price changes together with the latest trade figures for food and drink.

4.1. Food inflation: consumer and retail prices

Food inflation¹ fell to an annual rate of 1.8% in the year to February, down from 2.0% in January according to official figures released today. Food inflation¹ is above general inflation at 1.7%, which fell from 1.9% in January.

Food inflation excluding non-alcoholic beverages had a small downwards effect on the overall all items rate, as while prices rose by 0.5% between January and February 2014, they rose by a greater amount in the period in 2013, hence the drop in food price inflation.

Fruit had the largest downward effect and to a lesser extent, 'vegetables including potatoes', 'meat', 'oils and fats'. This was partially offset by small upward contributions from 'bread and cereals', 'sugar, jam, syrups, chocolate and confectionery', 'fish', 'milk, cheese and eggs'.



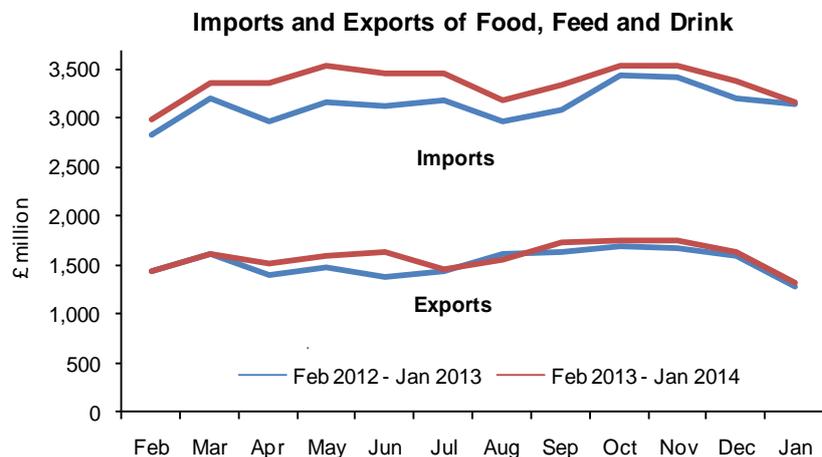
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4.2. International Trade in Food, Feed and Drink

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

In January:

- the value of exports was £1.3 billion, 4.0% higher than in January 2013;
- the value of imports was £3.2 billion, 0.7% higher than the previous January;
- this resulted in a crude trade gap of minus £1.8 billion, 1.5% narrower than in January 2013.



¹ food inflation here refers to food and non-alcoholic beverages of the Consumer Price Index

The following chart shows annual trade by food group for the periods February 2012 – January 2013 and February 2013 – January 2014.

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

- imports of **dairy products and eggs** rose by £286m (10.6%), while exports rose by £246m (21.2%)
- imports of **fish and fish preparations** rose by £195m (7.6%) while exports rose by £119m (8.9%)
- imports of **cereals and cereal preparations** rose by £468m (15.3%), while exports fell by £5m (-0.3%)
- imports of **fruit and vegetables** rose by £708m (8.6%), while exports rose by £93m (10.8%)
- imports of **oils and fats** fell by £4m (-0.2%) while exports fell by £201m (-22.4%)

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