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1. Introduction

1.1. Overall economic position

- **Inflation** was 4.7% for the year to August 2008, up from 4.4% in July. This is measured using the Government's target measure, the Consumer Price Index (CPI). The largest upward pressure came from increases in energy bills and also food inflation, which reached a record 14.5% on the year.
- The **employment** rate for people of working age was 74.7% in the three months to July 2008, down 0.2 from the three months to April 2008 but up 0.2 compared to one year ago.
- The **unemployment** rate was 5.5% in the three months to July 2008, up 0.2 from the three months to April 2008 and up 0.2 compared to one year ago.
- **Gross Domestic Product** (GDP) growth was 0.0% in second quarter of 2008.
- **Sterling** reached a record low against the euro at the beginning of September, falling to 81.62 pence per euro.

1.2. Statistical releases during October 2008

Publication	Publication Date
Animal Feedingstuffs - August 2008	02/10/2008
Brewers, Distillers and Maltsters Usage and Stocks (UK) - Aug 2008	02/10/2008
Wheat Milled and Flour Production - August 2008	02/10/2008
June Agricultural survey - UK Provisional Results	02/10/2008
UK Milk Prices	09/10/2008
GB Bacon and Ham Production	10/10/2008
UK Slaughter Statistics	16/10/2008
UK Cereals and Oilseed Production - UK Provisional Results	30/10/2008
Utilisation of Milk by Dairies in England and Wales	16/10/2008
TB in Cattle Statistics	22/10/2008
Poultry and Poultrymeat Statistics Notice	23/10/2008
Pig Statistics	24/10/2008
Egg Statistics Notice (UK)	30/10/2008
Food Statistics Pocketbook 2008	30/10/2008

2. Farming

2.1. 2008 harvest

Progress with the 2008 harvest in the United Kingdom has been delayed owing to cooler weather delaying crop development and higher than average rainfall in July and August.

As at 24 September:

- The recent dry weather conditions has allowed good progress with the harvest. This has allowed the majority of the wheat and spring barley in England and Wales to be harvested, although there remains some odd fields in most regions which have yet to be harvested. In Scotland approximately 80-85% of the wheat has been harvested and 90% of the spring barley. The settled weather means that the remainder of the wheat and spring barley is likely to be harvested by the weekend. This is the case for oats also. Yields of late harvested wheat have been generally good where there has been no lodging or serious sprouting but the quality is poor.
- There has been good progress with the harvest of spring oilseed rape where wheat has been harvested. There has been some progress with harvesting winter beans, although priority has been given to harvesting cereal crops and drilling oilseed rape. Most pea crops have been either harvested or abandoned depending on the level of collapse and sprouting. It is estimated that approximately 10-15% of the crop will not be harvested this year.

2.2. June survey of agriculture and horticulture: provisional results for England

The June survey results for England were published on Thursday 18 September. These show the provisional estimates of land use, crop areas and livestock numbers on agricultural holdings on 1 June 2008. The key findings from the survey are summarised below:

- Due to the removal of set-aside and strong market prices there has been a large increase in the areas of cereals planted by June 2008. Wheat is, as always, the dominant crop with an area of 1.94 million hectares, an increase of almost 14% since June 2007. The area of barley is 670 thousand hectares, 16% higher than in June 2007. This comprises a 10% increase in the area of winter sown barley and a 24% increase in the spring sown crop.
- The area of arable land not in production (the equivalent of bare fallow and uncropped set-aside land in 2007) has fallen steeply, by almost 63%, to 158 thousand hectares, in response to the reduction to 0% set-aside. This equates to 3.3% of the total croppable area and is in line with estimates from the early Single Payment Scheme (SPS) 2008 data. Earlier expectations from Defra surveys (Farm Business Survey in November 2007 and the December Survey in 2007) estimated that around 50% of arable land would be brought back into production. The larger reduction shown in the June survey estimates is possibly caused by farmers taking advantage of the higher crop prices and re-cropping more land in the spring than originally planned. However, these figures should be treated with caution until updated figures are available from the Single Payment Scheme database and final June results are published.
- There were 5.5 million cattle on agricultural holdings in England on 1 June 2008, according to Cattle Tracing Scheme (CTS) data, 2.0% lower than in June 2007.
- The sheep breeding flock has fallen by only 0.3% since 2007 to 6.9 million. This includes a fall of 0.3% in the number of ewes kept for further breeding but a 10% rise in the number of ewes which are intended for slaughter.
- The size of the pig breeding herd continues to decline and now stands at 346 thousand. This is a 7.6% decrease on the numbers recorded in June 2007.

Whilst these provisional survey estimates give a good indication of trends, they may be subject to amendment as further survey responses come in. Final results for England will be published on 20 November 2008.

The results may be found on the Defra website at:

https://statistics.defra.gov.uk/esg/statnot/Jun08_prov_Eng.pdf

2.3. Basic Horticultural Statistics 2008

The publication, Basic Horticulture Statistics 2008, was published on 28 August 2008. This publication provides comprehensive statistics on the production and value of horticultural crops grown in the United Kingdom. The key statistics are:

- The production of vegetables in the United Kingdom declined to 2,491 thousand tonnes in 2007, the lowest level of production for over 10 years. Imports have increased over this period. This has resulted in a fall in the proportion of home produced vegetables to the total supply available for use in the UK from 71% in 1997 to 60% in 2007.
- The production of fruit in the United Kingdom rose to 398 thousand tonnes, the highest level of production for over 10 years. Imports have also increased over this period. The proportion of home produced fruit to the total supply available for use in the UK in 2007 was 11%, unchanged from that in 1997.

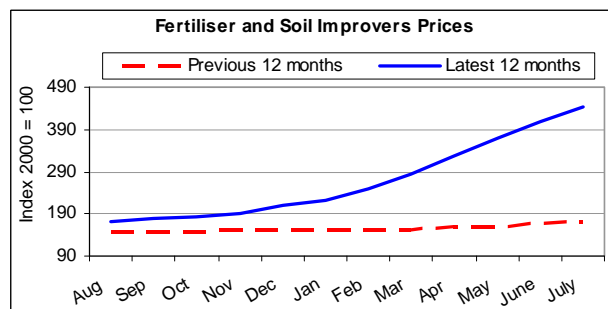
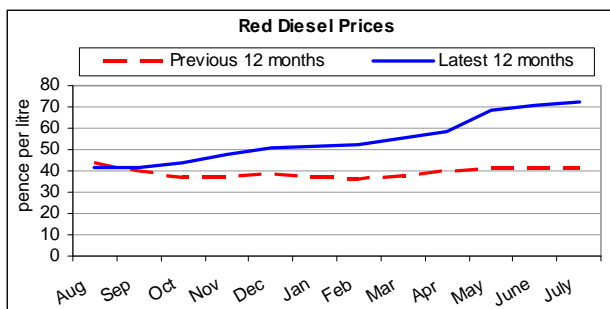
Basic Horticultural Statistics 2008 may be found on the Defra website at:

<https://statistics.defra.gov.uk/esg/publications/bhs/2008/default.asp>

2.4. Prices: inputs

Diesel Oil (Source: BERR): July's **red (agricultural) diesel** price increased to 72.51 pence per litre, an increase of 2.9% compared to June's price. This is 74.3% higher than July 2007 price.

Fertiliser and soil improvers (Source:API): According to the Agricultural Price Index, July's provisional fertiliser and soil improvers price was 8.1% higher than June and almost 161% higher than what it was in July 2007.



2.5. Prices: commodities

Cereals (Source: Agriculture and Horticulture Development Board)

- The **feed wheat** price was £104.60 per tonne for the week ending 13 September. This is 36.7% lower than the equivalent week in 2007. Wheat prices came under further pressure as markets reacted to reports of higher yields in the UK and across east and west Europe.
- The **bread-making wheat** prices was £149.40 per tonne for the week ending 13 September. This is 22.6% lower than the equivalent week in 2007. Wheat prices came under further pressure as markets reacted to reports of higher yields in the UK and across east and west Europe. Uncertainty over this year's wheat quality has kept prices down.
- The **malting barley** prices was £158.10 per tonne for the week ending 13 September. This is 19.3% lower than the equivalent week in 2007.
- The **feed barley** price was £103.10 per tonne for the week ending 13 September. This is 32.7% lower than the equivalent week in 2007.

Potatoes (Source: Agriculture and Horticulture Development Board)

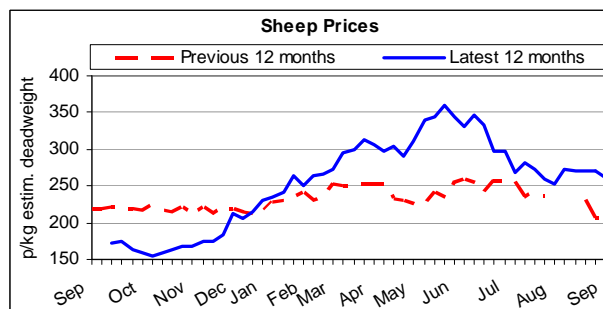
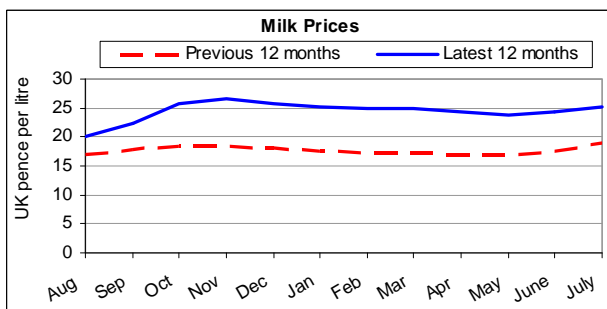
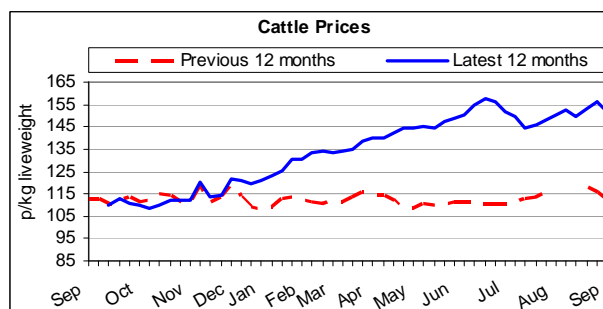
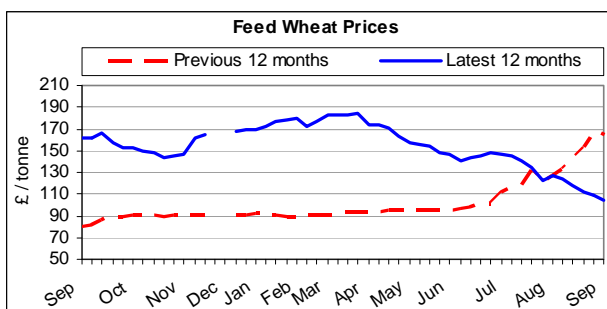
- The **main crop potato** prices currently stand at £141.57 per tonne for the week ending 13 September, 22.0% higher than the equivalent week in 2007. Increases are due to delayed harvest from heavy rain in the past fortnight restricting supplies together perhaps with some concern about future prospects should the bad weather continue.

Livestock (Source: Agriculture and Horticulture Development Board)

- **Cattle** prices were 152.11 pence per kilogram liveweight for the week ending 13 September, 35.9% higher than the equivalent week in 2007. The liveweight trade has continued to strengthen owing to quality prime cattle being harder to find in numbers and a weaker pound making imports more expensive.
- **Sheep** prices were 262.09 pence per kilogram deadweight for the week ending 13 September, 27.5% higher than the equivalent week in 2007. Prices have firmed following a seasonal decline between June and August.
- **Pig** prices were 136.05 pence per kilogram deadweight for the week ending 13 September, 25.3% higher than the equivalent week in 2007. Prices have continued to be supported by tight supplies.
- **Turkey** prices (source: London Markets) for August averaged 284.67 pence per kilo, 39.6% higher than in August 2007. Prices are being supported by tight supplies in the wake of a shrinking breeding flock.

Livestock products (Source: Defra)

- The average **milk** farm gate price for July 2008 was 25.80, 6.15 pence per litre higher than in July 2007.



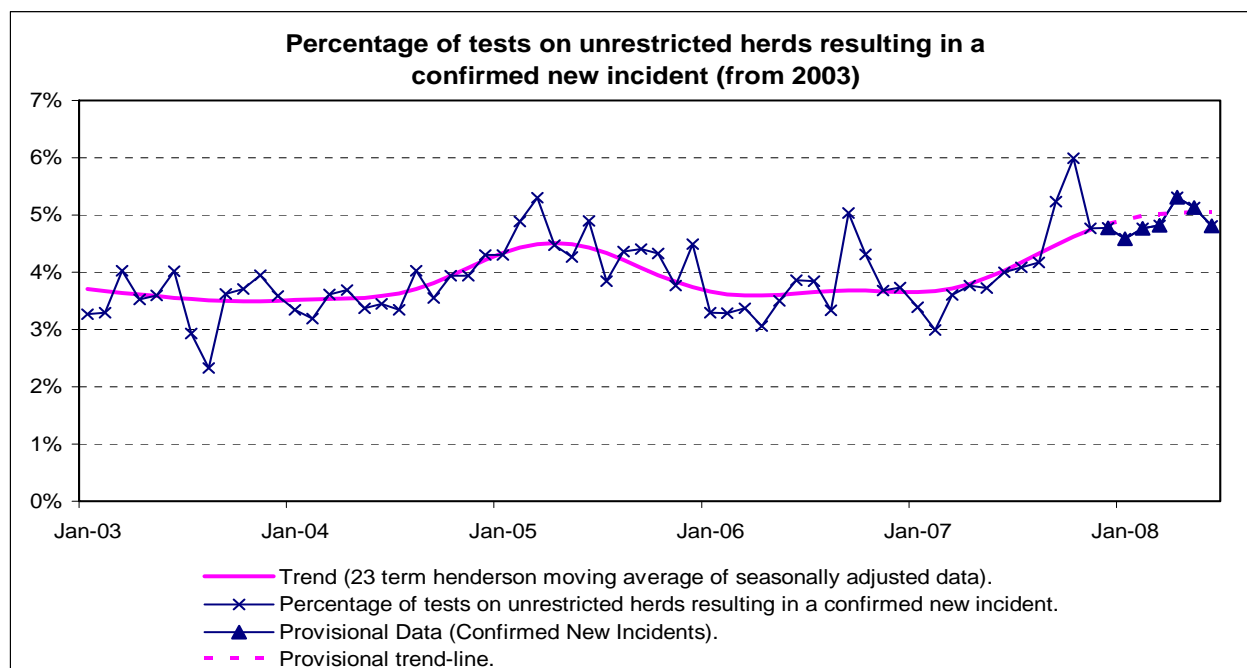
2.6. Commodity news

- **Milk** (source: RPA): The volume of wholesale milk delivered to dairies in August 2008 was 1,056.1 million litres, 1.7% lower than August 2007. This is the lowest level for the month of August since changes in milk marketing arrangements in 1994/95 and is largely due to poor weather. Cumulative production for the period April 2008 to August 2008 was 2.0% lower than in the same period in 2007.
- **Beef and Veal** (source: Defra): UK home-fed production of beef and veal in January to August 2008 was 3.3% lower compared to the same period in 2007. However, production in August 2008 was up by 1.3% on August 2007 when production was affected by disease related movement restrictions in place at that time.
- **Mutton and Lamb** (source: Defra): UK home-fed production of mutton and lamb in January to August 2008 was 1.0% higher than the same period in 2007. Production in August 2008 was 21.7% higher compared to August 2007, which was affected by the disease related movement restrictions in place at that time.
- **Pork** (source: Defra): UK home-fed production of pork in the period in January to August 2008 fell by 1.2% compared to the same period in 2007. Pork production in August 2008 was 10.1% higher compared to August 2007, which was interrupted by the disease related movement restrictions in place at that time.

2.7. TB statistics: June 2008 – Great Britain

The provisional June 2008 estimate lies above the incidence rate for June 2007. However, care needs to be taken not to read too much into a single month's figure, especially as this figure includes a high number of unclassified incidents. As such the incidence rates are subject to further revisions as more tests and their results are input.

The provisional average confirmed incidence rate (confirmed new TB incidents, as a proportion of tests on unrestricted herds) was 4.9% for January - June 2008, compared to 3.5% for the same period in 2007.



3. Food

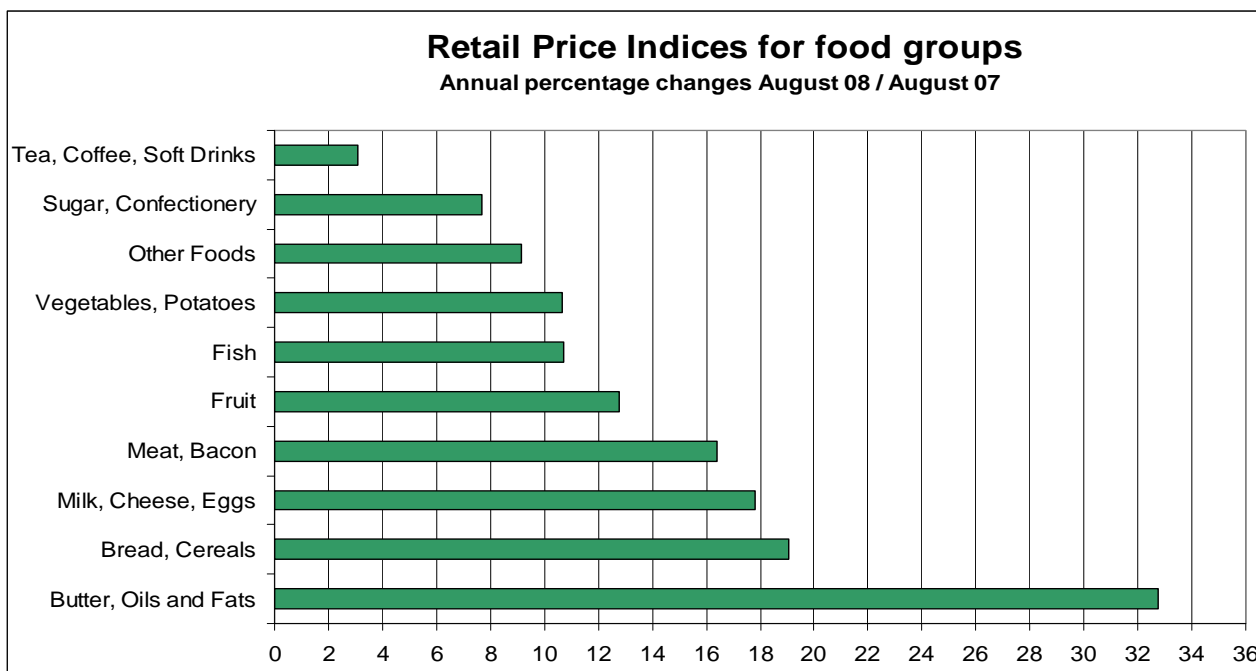
3.1. Changes in retail and producer prices

Producer and retail prices August 2008 (compared with August 2007)

	August 08 / August 07	July 08 / July 07
All Items Retail Price Index (RPI)	+ 4.8	+ 5.0
Retail food prices (RPI - food)	+ 12.8	+ 12.2
Seasonal foods	+ 11.9	+ 12.3
Non-seasonal foods	+ 13.0	+ 12.2
Food manufacturers' output prices	+ 12.5	+ 11.9
Food manufacturers' input prices (materials and fuel)	+ 16.6	+ 20.2
Home-produced food products	+ 19.5	+ 24.3
Imported food	+ 24.7	+ 26.2

All Items Retail Price Index annual inflation fell to 4.8%, down from 5.0% in July. There was a large upward contribution from food where, overall, prices rose by more than year ago. The effect came mainly from sausages and ham, processed fish, fresh fruit and other foods, including ready-cooked meals, pizzas and burgers. These were partly offset by poultry and fresh vegetables other than potatoes, where prices rose last year but fell this year. Rising food inflation has been driven by a combination of rising world commodity prices, rising energy prices and a weakening of sterling.

The Retail Price Index has fallen while the Consumer Price Index has risen to 4.7% from 4.4% in July. This is due to a large downward contribution to the RPI from housing, mainly mortgage interest payments and depreciation, which are not included in the CPI.



Meat

- **Beef** prices are 21.1% higher than a year ago, having risen 0.9% in the last month.
- **Pork** prices are 26.5% higher than last year, having risen 1.4% in the last month.
- **Bacon** prices are 16.1% higher than last year, having risen 0.3% in the last month.
- Home killed **lamb** prices are 18.1% higher than last year, having fallen 0.5% in the last month.
- **Poultry** prices are 17.6% higher than last year, having fallen 3.6% in the last month.
- **Other meats** (including sausages and ham) are 13.4% higher than last year, having risen by 2.1% in the last month.
- **Processed fish** prices are 20.4% higher than last year, having risen by 4.4% in the last month.
- Overall prices for **meat and bacon** combined are 16.4% higher than a year ago, having risen 0.2% in the last month.

Fruit and vegetable

- **Fresh potato** prices are also 33.0% higher than a year ago, having risen 3.0% in the last month.
- **Fresh fruit** prices are 13.7% higher than a year ago, having risen 4.8% in the last month.

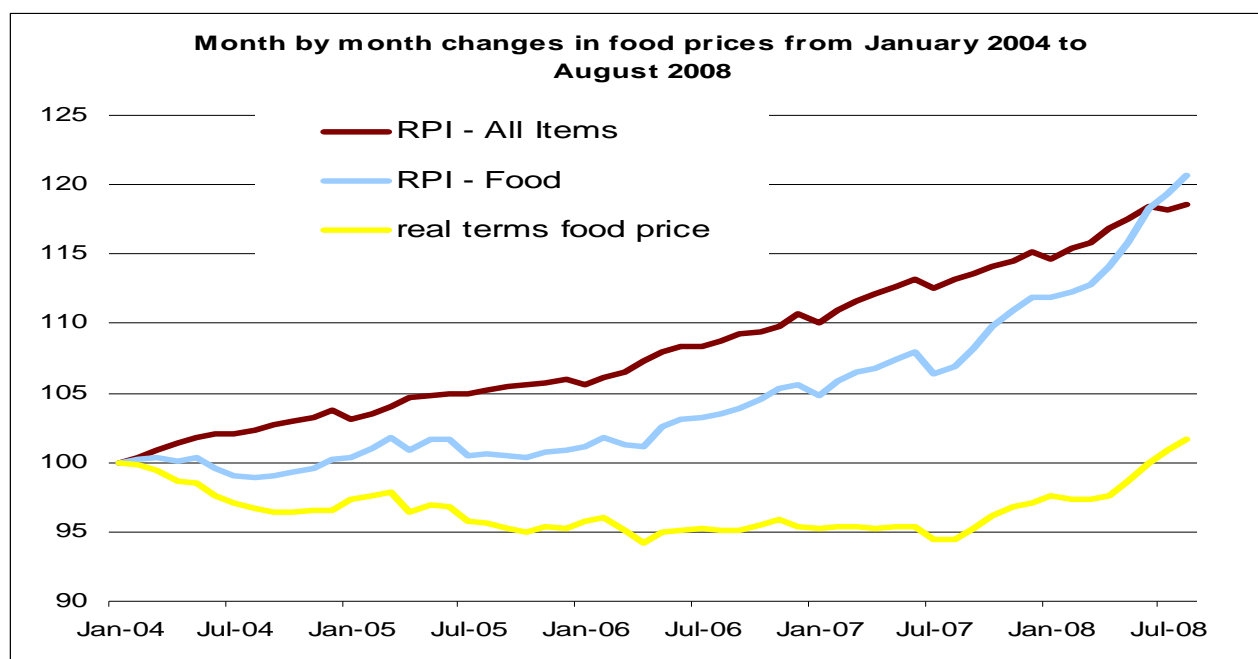
Other items

- **Biscuits and cakes** are 17.1% higher than a year ago, having risen by 0.4% in the last month.
- **Butter** are 39.3% higher than a year ago, having risen by 1.2% in the last month.
- **Cheese** prices are 19.6 higher than a year ago, having risen by 1.8% in the last month.

Foods with prices rising less than RPI

- **Fresh vegetable** prices (excluding potatoes) are 4.2% higher than a year ago, having fallen by 1.2% in the last month.
- **Soft drink** prices are 2.2% higher than a year ago.
- **Fresh fish** prices are 1.4% higher than a year ago.

Looking further back



- Since January 2004 food prices have risen 20.6% while the RPI all items index has risen by 18.6%.
- Since August 2007 food prices have risen by 12.8%, which is above the RPI all items index which has risen by 4.8%.
- Since 1998 food prices have risen by 29.7% while the RPI all items index has risen by 36.2%.

3.2. International trade: trade in food and drink

The latest trade figures show that for the three month to June 2008, the value of **imports** of food, feed and drink was £7.9 billion, 20.7% higher than the same period a year ago, while the value of **exports** was 15.5% higher at £3.1 billion. The crude trade gap of £4.8 billion deficit was 24.2% wider than the same period a year ago.

