



21 March 2013

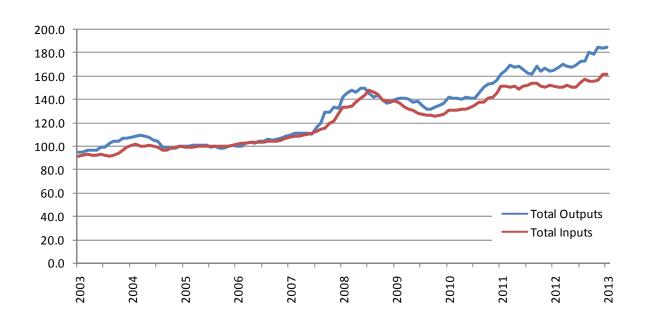
January Agricultural Price Index

The Agricultural Price Index (API) measures the monthly price changes in agricultural outputs and inputs for the UK. The output series reflects the price farmers receive for their products, also referred to as farm gate price. Information is collected for all major crops (for example wheat and potatoes) and on livestock and livestock products (for example sheep, milk and eggs).

The input series reflects the price farmers pay for goods and services. This is split into two groups: goods and services currently consumed; and goods and services contributing to investment. Goods and services currently consumed refer to items that are used up in the production process, for example fertiliser, or seed. Goods and services contributing to investment relate to items that are required but not consumed in the production process, such as tractors or buildings.

Key points

Figure 1: Agricultural price indices (2005=100)



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The January price index for all agricultural outputs rose by 0.3% in January and is 11.9% higher than the same time last year. The index for all agricultural inputs fell by 0.1% in January and is 6.5% up on January 2012.

Outputs

The poor harvest in 2012 continues to keep crop prices high. All crop products are 28% higher than this time last year. Increases in crop prices on the year are seen throughout, most notably with:

- main crop potatoes whose price has more than doubled since January 2012;
- cereal prices have increased 33% on the year;

Inputs

The poor 2012 harvest also had an effect on agricultural inputs. Poor quality forage, due to wet conditions at harvest, has increased demand for winter feed and the increased cereal prices have contributed to an overall rise in animal feeding stuff. Compared to last year animal feeding stuff is up by 20%. Some seeds have also been in short supply due to the wet harvest and prices are up by 18% compared to the same time last year.

Data uses

The agricultural price index is used by farmers to help set their output prices and monitor the prices they are paying for inputs. The data is also used by analysts in Government, industry and academia to assess the impact that changing prices may have on the industry and consumers.

Data from the API is used by the Office of National Statistics (ONS) in the production of the Producer Price Index (PPI) which is one of the key measures of inflation

Methodology

Defra collect prices from a wide variety sources to produce the monthly API. This includes data from our own surveys, information from the Agricultural, Horticultural Development Board (AHDB), and the ONS. For some items we only receive quarterly or annual data. For example, we only receive electricity prices annually, which are then split evenly between the 12 months. If there is no new data the previous series will be carried forward until the new data is available.

The methodology used is described in the <u>Handbook for EU Agricultural Prices</u> and is standard across the EU.

Weights

To reflect the importance of each item on the overall index weights are assigned. The weights used are based upon the value of the item, for example, if the value of animal feed is three times more than fertilisers then the weight for animal feed will be three times more than the animal feed weight.

The overall weight for an item is either split equally between the 12 months or reflects the yearly pattern of sales or purchases. For example, if the sales of apples in October are double June sales then October weight is double the June weight for apples. Some outputs are seasonal, for example strawberries, and these will only have a weight for the months they are in season.

To note all weights are based upon base year data (2005).

Table 1 Index of Agricultural Outputs UK (2005=100)

							1 month	12 month
	Aug-12	Sep-12	Oct-12	Nov-12	Dec-12	Jan-13	change	change
All Outputs	172.9	180.7	179.6	185.2	184.5	184.9	0.3%	11.9%
Crop products	186.6	201.1	203.6	213.2	212.7	217.8	2.4%	28.4%
Cereals	261.4	260.6	264.0	277.7	305.8	299.9	-1.9%	33.5%
Wheat	274.2	268.2	269.6	286.0	315.7	305.3	-3.3%	38.7%
Barley	240.7	242.7	246.2	257.2	285.3	284.0	-0.5%	24.3%
Oats	275.1	270.9	288.9	303.9	310.6	309.3	-0.4%	3.8%
Potatoes	199.1	204.5	194.1	220.3	237.1	237.1	0.0%	102.2%
Industrial Crops	220.0	179.3	183.4	180.4	178.9	160.5	-10.3%	5.9%
Oilseed Rape	274.2	288.4	288.0	282.9	279.1	280.5	0.5%	4.2%
Sugar Beet	98.2	98.2	106.5	106.5	106.5	106.5	0.0%	8.5%
Forage plants	202.3	186.4	190.3	207.6	213.5	215.5	0.9%	11.2%
Fresh Vegetables	139.1	146.8	151.7	150.0	154.2	149.1	-3.3%	36.1%
Fresh Fruit	138.8	141.1	172.2	169.2	183.9	168.1	-8.6%	27.4%
Flowers and plants	168.5	165.8	164.7	164.6	166.6	164.1	-1.5%	-1.0%
Other crop products	120.7	120.7	120.7	120.7	120.7	120.9	0.2%	0.2%
Animals and animal products	160.8	161.8	162.6	165.3	167.4	166.3	-0.7%	2.2%
Animals (for slaughter & export)	169.4	167.2	163.2	165.3	169.0	167.0	-1.2%	0.5%
Cattle and calves	187.8	188.0	182.9	188.6	197.1	194.6	-1.3%	8.2%
Pigs	144.5	147.0	151.5	153.8	154.3	152.2	-1.3%	10.2%
Sheep and lambs	169.8	155.1	141.9	138.8	137.4	133.4	-2.9%	-30.3%
All Poultry	156.1	155.2	157.2	157.1	160.4	161.4	0.6%	6.4%
Animal products	149.5	154.0	161.6	165.4	165.2	165.3	0.0%	5.0%
Milk	144.5	149.5	157.6	162.7	163.1	162.5	-0.4%	3.5%
Eggs	176.8	176.8	181.3	181.3	181.3	183.5	1.2%	14.9%
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Table 2 Index of Agricultural Inputs UK (2005=100)

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All Inputs	157.3	155.6	155.8	156.7	161.7	161.2	-0.3%	6.2%
All goods and services currently consumed in agriculture	164.5	162.1	161.9	163.4	169.7	169.0	-0.4%	7.0%
Seeds	103.5	103.5	138.1	138.1	138.1	138.1	0.0%	18.2%
Energy and lubricants	179.5	185.8	184.3	178.5	180.9	180.8	-0.1%	-2.0%
Fertilisers and soil improvers	216.6	215.5	214.2	215.2	214.7	213.3	-0.6%	-8.3%
Plant protection products	108.4	107.0	106.1	106.3	105.2	105.2	0.0%	1.5%
Veterinary services	123.0	123.0	123.0	124.2	124.2	125.8	1.3%	5.1%
Animal feedingstuffs Straight feedingstuffs Compound feedingstuffs	214.4 242.4 190.7	207.7 232.2 189.8	211.7 227.7 198.6	217.6 242.6 198.6	225.2 261.3 198.5	222.9 255.9 198.5	-1.0% -2.1% 0.0%	19.2% 27.9% 12.3%
Maintenance of Materials	135.3	135.6	135.4	135.3	135.4	136.2	0.6%	1.2%
Maintenance of Buildings	142.0	142.5	143.3	142.7	142.1	143.0	0.6%	0.8%
Other goods and services	126.9	126.5	127.3	127.3	127.7	127.7	0.0%	1.2%
Goods and services contributing to investment	122.9	123.1	123.4	123.2	123.7	123.9	0.2%	0.2%
Materials	117.4	117.5	117.6	117.6	118.6	118.7	0.1%	0.0%
Buildings	135.7	136.0	136.6	136.2	135.8	136.4	0.4%	0.6%
Other (Engineering and soil improvement operations)	122.5	122.6	123.0	122.9	122.9	122.9	0.0%	0.4%