

## INFLUENCE OF EXCHANGE RATES ON TRADE

ACCORDING to the latest figures released by DARD's Policy and Economics Division the gross turnover of the NI Food and Drinks Processing Sector is estimated at £3,994 million for 2011, a 6.7 per cent increase on the £3,744 million recorded in 2010.

The largest increases in gross turnover are estimated to have occurred in the milk and milk products (+£110.7m), beef and sheepmeat (+£62.6m) and poultrymeat (+£43.2m) subsectors. Northern Ireland's ability to access export markets for our agricultural produce has a key role to play in achieving this level of turnover and this is strongly influenced by the sterling/euro exchange rate.

The value of the euro has strengthened significantly against sterling over the last month as indicated in Figure 1 which displays the euro/sterling exchange rate for the last nineteen months. The average exchange rate last week was €1= £0.86p. This is an improvement on the lowest recorded exchange rate during the last year of €1=£0.78 in July 2012.

The weak sterling has helped put NI, and the UK, in a strong position in terms of agricultural exports within the EU as our produce is now comparatively better value than produce from other countries within the Eurozone.

However while the current exchange rate makes NI and UK export products more competitive it will also lead to imports into the UK becoming less affordable. A weak

sterling could therefore be expected to cause an increase in the level of exports but a decline in the volume of some imports.

The increasing competitiveness of UK/NI agricultural products on the export market, combined with increased domestic demand due to reduced competition from cheaper imports, could lead to an improvement in farmgate prices in sterling terms. This does not necessarily mean an improvement in profitability as given the dependence of agriculture on imports such as oil and fertiliser. A weak sterling will make these inputs more expensive which could further increase the costs of production.

The EU Deadweight Cattle prices league table ranks 17 EU countries in terms of the farmgate price paid for R3 grade heifers (Table 1). It provides a useful example of the influence a weakening in sterling against euro has on agricultural prices.

Table 1 outlines the prices paid for R3 grade heifers in the week ending 3 February 2013 and the week ending 6 January 2013. The value of the euro against sterling increased from €1=£1.81.3p in the week ending 6 January 2013 to €1=£1.85.7p in the week ending 3 February 2013. During this period the average R3 heifer price in the EU increased by 1.9c/kg to 409.6c/kg in the week ending the 03 February 2013.

If we consider the average R3 heifer price

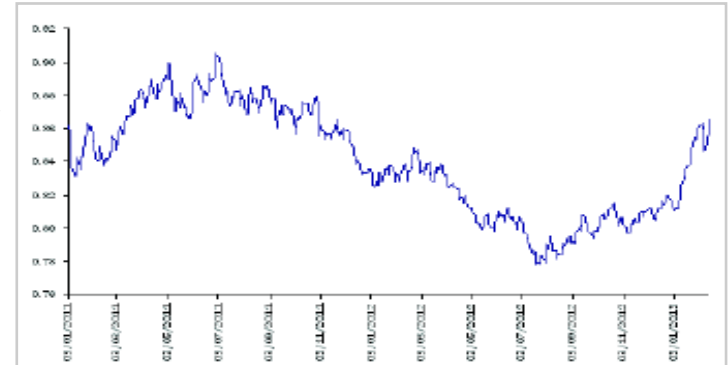
in NI between the two weeks tabulated the average farmgate price has declined by 17.1c/kg in euro terms, moving it down three positions from fifth to eighth. However in sterling terms the average R3 heifer price had actually increased by 3.2p/kg.

Similarly if we consider the average R3 heifer price in GB during the same period it was down 24.9c/kg, moving it from second position to third position on the table. In sterling terms however the average price was down just 2.1p/kg. These examples should help to highlight how shifts in the euro/sterling exchange rate can strongly influence the competitiveness of NI and UK agricultural produce within and beyond the EU.

From a Northern Ireland perspective a weaker sterling provides NI with a competitive advantage over ROI when selling beef into the UK market. At present ROI is NI's major competitor in accessing this valuable market but the current euro/sterling exchange rate is working to the advantage of the NI market.

The exchange rate has also worked to the advantage of NI sheep producers. The increased value of the euro has increased interest from ROI processors in Northern Ireland hoggets due to them being comparatively better value than domestic stock in ROI. This has helped to stimulate increased exports to ROI for direct slaughter in recent weeks and boost the deadweight prices in NI due to reduced availability of hoggets.

Figure 1: Sterling/Euro exchange rate from January 2011 to February 2013



Position last Mth	Position this Mth	Country	Price last Mth (w/e 06.01.13)	Price this Mth (w/e 03.02.13)	Change on Mth (cents)
4	1	France	422.0	432.0	+10.0
3	2	Sweden	426.2	426.4	+0.2
2	3	Great Britain	449.7	424.8	-24.9
1	4	Greece	-	423.0	-
7	5	Ireland	412.9	418.0	+5.1
6	6	Italy	414.7	416.0	+1.3
8	7	Spain	409.8	415.5	+5.7
5	8	Northern Ireland	417.7	400.6	-17.1
9	9	Luxembourg	400.5	396.8	-3.7
10	10	Germany	389.6	390.7	+1.0
11	11	Denmark	386.3	387.6	+1.3
12	12	Austria	367.6	362.0	-5.6
13	13	Belgium	341.5	346.5	+5.0
14	14	Slovenia	338.7	337.1	-1.6
15	15	Poland	314.2	314.7	+0.5
16	16	Czech Republic	297.9	291.8	-6.1
17	17	Lithuania	264.9	267.9	+3.0
EU Average			407.7	409.6	+1.9
Euro/Sterling exchange rate			81.3	85.7	

Official prices reported to the EC Dressing Specification

# EU SHEEP PRODUCTION DOWN IN 2012

The most recent sheep market report released from GIRA has indicated a 2.9 per cent reduction in sheepmeat production across the EU during 2012. This decline in total EU production was due to a combination of factors in some major sheep producing countries.

UK sheep meat accounts for about one third of total EU production and difficult weather conditions during 2012 resulted in delays in the marketing of lambs and also led to a reduction in the quality of lambs presented for slaughter. Continued restructuring of the sheep sector in Spain resulted in a declining output in 2012 while in France an improvement in pastures has resulted in lower culling rates and a higher retention rate than 2011 which has reduced the availability of sheep for slaughter.

In addition to this the level of imports into the EU during 2012 were at record lows, down eleven per cent on the already low levels of 2010 and 2011

with New Zealand, Australia and South America all failing to fill their EU import quotas. There were a variety of reasons for this failure to fulfil import quotas including sluggish consumer demand for sheep meat within the EU, reduced supply in major exporting countries and increasing competition for these reduced global supplies from the growing Middle East and North African markets.

The Middle East and African Markets have also provided opportunities for the EU and as a result exports of sheep meat to these regions have increased. In addition to this a live trade market has developed between the EU and Mediterranean countries.

The combination of increased exports of sheep meat to third party countries and reduced levels of imports have resulted in a short supply of sheep meat within the EU. As a result retail prices have remained high at a time when consumers in the EU have reduced spending capacity due to the economic downturn. This has impacted

on consumption levels within the EU 27 with falling demand in key markets such as France, Spain and the UK. Fortunately however strong ethnic and traditional markets in some EU countries have helped to support consumption levels despite the high retail prices. It is important that effective marketing is utilised to promote lamb consumption at a time when consumption is declining in response to high retail prices.

The 'Agneau Presto' campaign in France supported by Interbev, Bord Bia and all of the UK levy-bodies (including LMC) is currently ongoing and is aimed at encouraging consumers to buy 'Presto' cuts in stores. Average sheep meat consumption in the EU in 2012 was 2kg per head of the population.

The lack of profitability in sheep production in Southern Europe due to a reliance on expensive cereals to finish lambs is expected to drive down production in 2013, particularly in Spain (-4.9 per cent). Meanwhile in Northern Europe the sheep flock is

expected to grow marginally as it can benefit from utilising more grass in finishing lambs and thereby has comparatively lower costs of production.

When considering both of these factors GIRA have forecasted a 1.2 per cent increase in net production in the EU in 2013 due to a marginally higher sheep flock with higher slaughterings as a result. They have also predicted a minor increase in carcase weights as sheep production declines in the light lamb producing regions of Southern Europe and increases in the heavy lamb producing areas of Northern Europe.

The level of imports into the EU in 2013 is forecasted to increase by 3.6 per cent on very low 2012 import levels as lamb availability from New Zealand and Australia improves. However with weak consumer demand expected to continue due to the high retail price the market could be subdued. GIRA has forecasted that this could potentially reduce EU heavy lamb prices by 1.9 per cent and EU light lamb prices by 1.2 per

cent.

With higher supplies of lambs predicted in 2013 within the EU, combined with a weakened domestic demand it is perhaps more important than ever that markets outside the EU are fully utilised. The Organisation for Economic Co-operation and Development (OECD) has estimated that the total world consumption of sheep meat will increase by two per cent a year by 2020 with average global per capita consumption to show a moderate increase from 1.6kg to 1.8kg over the same period.

As income levels rise and population numbers increase in developing countries the demand for sheep meat is expected to rise, particularly in areas of the Middle East and Africa. With demand in the EU projected to be weak efforts should be made to access these potential markets to maximise returns to the EU sheep industry.



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## CATTLE TRADE

### NI FACTORY QUOTES FOR CATTLE

(P/KG DW)	This Week 11/02/13	Next Week 18/02/13
<b>Prime</b>		
U-3	334-338p	334-338p
R-3	328-332p	328-332p
O+3	322-326p	322-326p
* Plus 8p/kg in spec bonus where applicable		
<b>Cows</b>		
O+3 & better	265-285p	265-285p
Steakers	180-255p	180-255p
Blues	160-190p	160-190p

### REPORTED NI CATTLE PRICES - P/KG

W/E 09/02/13	Steers	Heifers	Young Bulls
U-3=	344.9	352.9	328.0
U=3=	342.7	350.1	328.1
U=4=	340.3	353.0	-
R=3=	340.7	347.4	327.7
R=4=	341.8	343.9	-
O+3=	338.3	339.1	324.9
O=3=	329.6	336.1	316.9
Average	335.6	340.4	319.2

### REPORTED COW PRICES NI W/E 09/02/13

Grades	Price (p/kg)	Avg Wgt
O+3=	288.8	328.4
O-3+	271.9	303.8
P+2+	248.9	283.9
P+3+	257.1	299.9
P-1-	170.9	216.4

## COMMODITIES

### COMMODITY PRICE

W/E 09/02/13	Price (£) per tonne / 1000litre	% weekly change
Barley	212.50	-0.93
Wheat	230.00	-0.21
Soya	485.00	n/c
Straw	16.00	
Red Diesel	720-750	

### Deadweight Cattle Trade

**B**ASE quotes from the plants this week for U-3 grade prime cattle have been within the range of 334-338p/kg. In general quotes for steers have been 334-336p/kg with quotes for heifers 336-338p/kg. Quotes for first quality cows have ranged from 260-285p/kg. Similar quotes are expected next week and deals will probably be made at higher prices. Several plants are now insisting on Farm Quality Assured Status as a requirement of trade with penalties for non Farm Quality Assured stock ranging from £30-70 across the plants. There have been an increased number of applications to the NIBL FQAS scheme in recent weeks as a result.

Throughput of prime cattle last week was similar to previous weeks with 7,123 head slaughtered with total prime cattle throughput for the first six weeks of 2013 two per cent ahead of the same period in 2012. Meanwhile the cow throughput last week totalled 1,927 head with total cow throughput for the first six weeks of 2013 running 18 per cent ahead of the corresponding period last year.

The prices paid for prime cattle in NI last week generally increased with the average steer price up by 2.5p/kg to 335.6p/kg while the average heifer price increased by 1.9p/kg to 340.4p/kg. The average steer and heifer prices in GB last week were up by just over a penny to 366.8p/kg and 363.5p/kg respectively.

The R3 steer price in GB last week increased by 1.9p/kg to 370.6p/kg with the reported R3 steer price up in all the GB regions. The R3 heifer price increased by 1.7p/kg to 367.9p/kg. R3 heifer prices across the regions were up in the region of 1.5p/kg to 2.5p/kg with the exception of Southern England where the average price was almost unchanged at 364.3p/kg. A continuing strong trade for cull cows across the GB regions has meant average prices last week were up in all regions. In Scotland the average cow price increased by 4p/kg to 270.9p/kg while in the Midlands the cow price increased by 8.3p/kg to 262.6p/kg. Prices in ROI remained fairly steady last week in sterling terms with reported prices within 1p/kg of the previous week's reported prices. The R3 steer price last week was 345.2p/kg while the R3 heifer price was 360.4p/kg.

### This week's Marts

**F**INISHED first quality steers sold to an average of 199p/kg across the marts this week with second quality animals selling to an average of 183p/kg. Finished heifers meanwhile also sold to an average of 199p/kg with second quality animals selling to 180p/kg. Good quality beef cows sold from 156-221p/kg (av 171p/kg) with poorer quality beef cows selling from 120-155p/kg (av 137p/kg). Dairy type cows sold from 90-146p/kg depending on quality.

Good store cattle continue to be a strong trade with first quality bullocks from 400-500kg selling to an average of 207p/kg, up 4p/kg on last week. Plainer type animals in the same weight range sold to an average of 175p/kg, back 8p/kg on last week's prices.

### LAST WEEK'S DEADWEIGHT CATTLE PRICES (UK / ROI)

W/E 09/02/13	Northern Ireland	Rep of Ireland	Scotland	Northern England	Midlands & Wales	Southern England	GB
Steers	U3	345.3	353.9	376.7	377.6	382.2	378.8
	R3	343.1	345.2	372.6	370.4	371.0	370.6
	R4	341.6	345.7	374.4	375.2	369.5	372.5
	O3	331.4	331.0	356.8	354.9	353.5	353.9
AVG	335.6	-	372.3	367.7	365.9	358.1	366.8
Heifers	U3	350.1	371.1	375.9	378.5	382.2	379.1
	R3	346.5	360.4	368.8	368.1	368.6	367.9
	R4	342.8	360.2	372.2	369.6	366.4	368.7
	O3	334.5	343.9	351.4	350.2	353.2	349.8
AVG	340.4	-	370.0	362.8	363.8	352.8	363.5
Young Bulls	U3	331.5	346.9	359.9	354.6	369.2	363.9
	R3	327.9	342.4	353.9	347.3	355.9	353.0
	O3	317.2	331.8	338.3	331.6	337.4	336.1
	AVG	319.2	-	339.2	334.1	346.9	339.0
Prime Cattle Price Reported	6011	-	7517	6184	5513	4061	23275
Cows	O3	276.3	286.0	278.4	276.6	276.3	272.1
	O4	282.1	289.0	284.5	278.6	282.8	276.7
	P2	231.1	250.9	216.1	236.5	226.3	216.8
	P3	256.0	276.6	238.9	259.0	239.1	242.8
AVG	253.9	-	270.9	260.2	262.6	225.5	252.8

Notes: (i) Prices are p/kg Sterling-ROI prices converted at 1 euro=85.87p Stg  
 (ii) Shading indicates a lower price than the previous week.  
 (iii) AVG is the average of all grades in the category, not just those listed

### LATEST LIVEWEIGHT CATTLE MART PRICES NI

W/E 09/02/13	1st QUALITY			2nd QUALITY		
	From	To	Average	From	To	Average
<b>Finished Cattle (p/kg)</b>						
Steers	193	218	199	175	192	183
Friesians	157	172	160	137	156	147
Heifers	190	211	199	170	189	180
Beef Cows	156	221	171	120	155	137
Dairy Cows	115	146	120	90	114	102
<b>Store Cattle (p/kg)</b>						
Bullocks up to 400kg	180	198	189	160	179	170
Bullocks 400kg - 500kg	187	227	207	165	185	175
Bullocks over 500kg	184	215	195	163	183	173
Heifers up to 450kg	185	209	193	164	184	174
Heifers over 450kg	180	203	191	156	179	170
<b>Dropped Calves (£/head)</b>						
Continental Bulls	220	350	250	120	218	175
Continental Heifers	170	300	220	80	168	120
Friesian Bulls	135	180	158	60	130	95
Holstein Bulls	50	130	100	4	48	25

## SHEEP TRADE

### HOGGET QUOTES

(P/Kg DW)	This Week 11/02/13	Next Week 18/02/13
NI Factories	340-350p	350-355p
ROI Factories	350p	350p

Notes: (i) Hoggets up to 22kg

(ii) ROI prices converted at 1 euro=85.87p Stg

### REPORTED HOGGET PRICES - P/KG

(P/KG DW)	W/E 26/01/13	W/E 02/02/13	W/E 09/02/13
NI Liveweight	295.4p	304.2p	310.2p
NI Deadweight	317.4p	333.7p	340.6p
ROI Deadweight	334.9p	343.2p	346.9p
GB Deadweight	333.5p	333.4p	346.4p

### Deadweight Sheep Trade

**Q**UOTES from the plants this week increased to 350p/kg for R3 grading hoggets with some reports of deals being made at 360p/kg as availability of hoggets starts to tighten slightly. With the increase in quotes last week the NI deadweight price also showed an increase, up 6.9p/kg to 340.6p/kg. Meanwhile GB deadweight prices increased by 13p/kg to 346.4p/kg.

A total of 5,440 hoggets were slaughtered in NI last week, back 370 head on the previous week. However total throughput in NI during the first six weeks of 2013 was 36,324 head, a 31.3 per cent increase on throughput in the same period in 2012. Exports of hoggets to ROI for direct slaughter last week were similar to the previous week at 13,190 head.

### This week's marts

**T**RADER across the marts this week was generally improved on last week with 420 hoggets selling from 300-335p/kg (av 313p/kg) in Kilrea on Monday compared to 500 hoggets last week selling from 300-314p/kg (av 307p/kg). Hoggets sold to an average of 324p/kg in Saintfield on Tuesday compared to an average of 312p/kg last week. In Enniskillen on Wednesday 623 hoggets sold to an average of 325p/kg compared to 725 hoggets last week selling to an average of 310p/kg. The strong cull ewe trade has also continued with top prices of over £90 reported in Donemana, Swatragh and Kilrea this week.

### LATEST SHEEP MARTS

From: 09/02/13 To: 14/02/13		Hoggets (P/KG LW)			
		No.	From	To	Average
Saturday	Omagh	1082	298	338	-
	Hilltown	320	300	333	325
	Donemana	334	308	330	316
Monday	Newtownstewart	288	300	322	315
	Swatragh	750	313	325	319
	Massereene	1060	310	354	-
Tuesday	Kilrea	420	300	335	313
	Saintfield	611	311	350	324
	Rathfriland	772	294	352	319
Wednesday	Armoy	284	315	330	324
	Enniskillen	623	313	348	325
	Ballymena	1231	300	359	318
Thursday	Markethill				
	Downpatrick				

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