

DEVELOPMENTS IN NI SHEEP KILL & EXPORTS

ONE feature of the strong sheep market in recent years has been increasing demand for NI lambs from ROI factories. The pressure on the price of sheep over April and May has been disappointing for producers and it has come at a time when interest in NI lambs from southern factories appears to have slowed, for the time being at least. Given the importance of the live export trade in the market generally, it is worth considering some of the recent trends in NI sheep exports and their potential impact.

The closure of Foyle Meats' lamb processing line in July 2010 was a shock to the system in the NI red meat trade. It was the one factory in NI with a dedicated sheep line and traditionally the largest lamb processor in NI. Its closure raised the question; what's going to happen to Foyle's supply base? In hindsight the answer was quite obvious. Sheep exports from NI to ROI increased sharply with other local processors picking up a proportion of the excess lambs.

Foyle's lamb exit could be seen as a consequence of the competition for sheep hotting-up across Ireland up as supplies dwindled over the course of 2010. That decision to stop processing lambs also proved to be the catalyst for an exodus of more NI sheep to the south. The events of 2010 reflected the widespread tightness in sheep supplies across Ireland as a whole.

In 2010, the NI sheep kill was down 37 per cent. Despite increased imports from NI, ROI slaughterings were down by 12 per cent year-on-year. With such a tight supply across the entire island, dedicated sheep plants came under pressure to maintain throughput. With a favourable exchange rate southern buyers turned to NI where they were able to compete for northern sheep in the rings given the benefit of a strong euro. It was in this environment that more sheep were exported to ROI.

In early 2011 supplies continued to come under pressure across Ireland year-on-year, but eventually slaughter numbers started to stabilise and by Q4 2011, the number of sheep slaughtered on both sides of the border was higher year-on-year. This increase continued into 2012 and in the last quarter the NI kill was 24 per cent higher than Q1 2011. In the south the kill was 14 per cent higher year-on-year. Southern interest in NI lambs appears to have declined somewhat

since supplies across the island have begun to edge upwards. Indeed farmgate sheep prices in ROI have lagged NI prices since the autumn (see figure 1) which is bound to be a factor in more sheep being slaughtered on the local market.

Exchange rate fluctuations have had a significant impact on the motivation and inclination of southern sheep buyers to cross the border to buy NI lambs. The euro has fallen in value steadily over the course of the spring. This time last year it was worth around 88p and more recently in March 2012 it was worth 83p. By this week it had hit a new low against sterling with the single currency just dipping below 80p on Wednesday. That decline has a significant impact on the cross-border lamb market and this is illustrated in Table 1 below.

Table 1 illustrates the impact of the exchange rate developments by assuming a fixed price of 420p/kg for lambs over the last year. It shows how this time last year, when the exchange rate was around £1 = €1.14, a NI lamb worth 420p/kg would have cost a southern buyer €100. In May, with the exchange rate at £1=1.25, the lamb costing 420p/kg in NI would cost the southern buyer €110.

This certainly illustrates how the weaker euro has taken the competitive edge of NI lambs in the live export market. With lower prices on the southern market generally and a weaker euro, ROI buyers perhaps haven't had the scope to outbid local factory buyers for NI lambs. As a result the local factories have been procuring and processing more sheep on the home market.

In May, for the first time in about 18 months the weekly sheep kill in Northern Ireland outnumbered exports for direct slaughter to ROI on two consecutive weeks (see figure 2). Since mid-2010 about 60 per cent of NI sheep have been slaughtered in southern factories. Since early April this year, this figure has been closer to 50 per cent and last week 47 per cent of NI sheep were slaughtered in southern factories.

It is difficult to know whether this is the start of a longer term shift back towards increased slaughterings on the home market. It must be pointed out that at various points over the last 18 months, the proportion of available NI lambs exported for direct slaughter has dipped back to about 50 per cent. Figure 2 would indicate that there may be a seasonal element to the live

export trade which might suggest that the sheep exports could rebound when more stock come onto the market as the year progresses. Much of this will be determined by the ongoing developments in exchange rates.

A shift back towards increased sheep slaughtering in NI would also require interest from the local factories to match any increased availability. It is very possible that some factories may show renewed interest in lamb, particularly as the farmgate price has edged back. If the current trend of reduced exports and increased local slaughter was to be sustained, then it is important for producers to consider how they might avail of the best prices on the local market and the wider industry should also be considering how best to market the greater number of lambs that are available, particularly in the current tough economic conditions.

Adapting to greater supplies

One way in which sheep producers can keep their market options open is to ensure that their stock is quality assured. Quality assurance is generally a pre-requisite of GB multiple trade and is a cornerstone of red meat marketing in NI. Over recent years, when a greater proportion of NI lambs were going south, FQAS approval may not have been the highest priority for some sheep producers. With significantly more lamb on the market, producers should bear in mind that by ensuring that their lamb is quality assured, they are keeping their market options open, particularly if the live export route is not as attractive as finishing on the home market.

There is of course a modest financial incentive for sheep farmers to join FQAS given that quality assured stock generally attracts an extra 5p/kg over base. Last year the incentives were greater with £2/head and £4/head bonuses paid for quality assured sheep at different plants.

One of the features of the tougher trading conditions this spring has been observations about increased numbers of heavy hoggets on the market. In an environment where supplies were tight and every kilo counted, it is not surprising that the volume of overweight stock may rise. When the trade was buoyant in recent years and a huge proportion of stock was going through the live ring, specifications perhaps became less relevant. With prices under pressure and greater supplies, it may now be

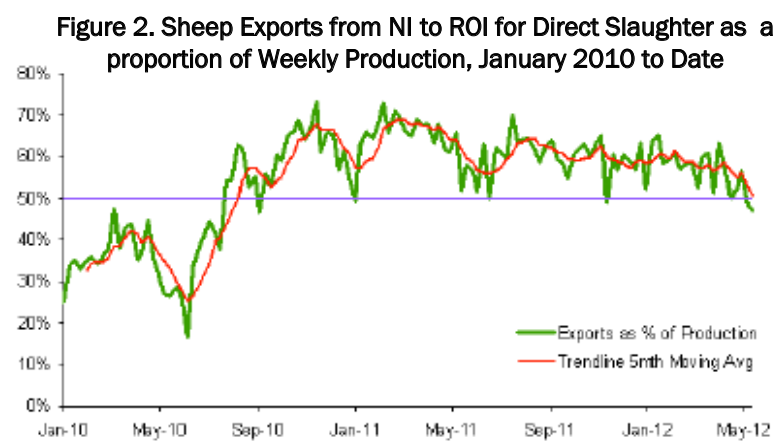
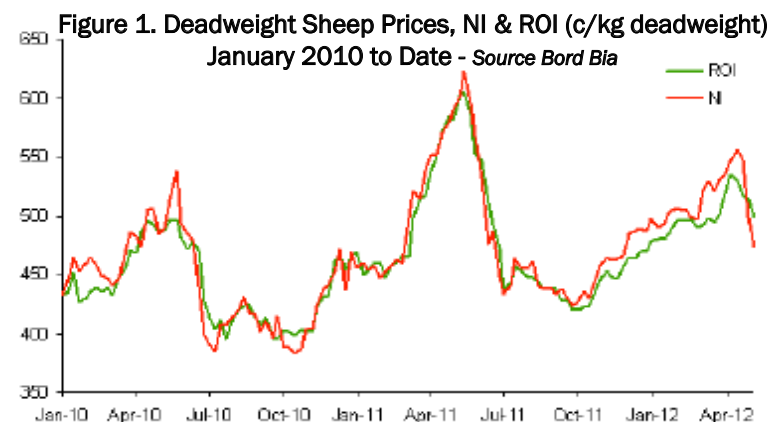


Table 1. NI Deadweight Lamb Price Expressed in Euros Assuming a Fixed Price of 420p/kg for NI lambs

	Exchange Rate GBP v EUR	Price Euro c/kg	Price / Head 21kg Lamb
May-2011	1.14	479c	€101
Mar-2012	1.20	504c	€106
May-2012	1.25	525c	€110

the case that processors have the scope and luxury to become choosier when buying stock around the rings. In this environment the producer that presents lambs at the desired weight may benefit.

Finally, the industry should always be alive to the possibilities in other markets, which hitherto may not have been regarded as a priority. The poor state of the economies in the traditional markets for NI sheepmeat is a concern. GB remains in recession and lamb consumption there has been very much subdued in the last year. There are reports of weak demand on the French side and its EuroZone status also gives rise to concern. Within those markets there are large Muslim populations with the reputation of being significant sheepmeat consumers. Further afield are lucrative Middle Eastern markets for sheepmeat and sheep offal. At present the NI industry undertakes little or no Halal slaughter and is effectively absent from those markets.

There are perhaps good reasons for that; none more so perhaps than the policy of some existing customers that may not accept meat slaughtered from plants exercising ritual slaughter. Nevertheless, there are several important reasons for the industry to explore different markets at the present time, if for no other reason than to keep the marketing options open.

All of this may be merely an academic debate if ROI lamb processors showed a renewed interest in NI sheep and the live export trade was to liven up again. It is noteworthy from Figure 2 that NI sheep prices have fallen behind ROI levels recently which could allow this to happen. It is also worth remembering that the supply of lamb remains very tight compared to levels prior to 2010. Nonetheless, it is always useful for producers and the industry generally to appraise their current position and how well positioned they are to adapt to change.

WEEKLY BEEF & LAMB MARKETS



CATTLE TRADE

CATTLE QUOTES		
(P/KG DW)	This Week 14/05/12	Next Week 21/05/12
U-3	324 - 328p	322 - 326p
R-3	318 - 322p	316 - 320p
O+3	312 - 316p	310 - 314p
Cows	280 - 290p	280 - 290p

Plus 8p/kg in-spec bonus where applicable.

LAST WEEK'S NI CATTLE PRICES - P/KG				
W/E 12/05/12	Steers	Heifers	Young Bulls	Cows
U-3=	334.3	340.6	329.9	-
U=3=	338.9	339.3	329.1	-
U=4=	333.4	334.4	330.0	-
R=3=	335.9	336.9	329.0	292.8
R=4=	332.5	332.1	-	298.4
O=3=	318.2	316.7	309.5	287.4
O+3=	327.3	327.7	317.7	294.9
O+4=	322.8	324.2	-	293.4
P+2=	301.1	-	295.4	250.0
P+3=	300.4	302.5	298.0	276.2
Average	326.8	327.7	315.8	261.1

Note: The table above shows prices for selected grades from the 15-point scale. The table below merges grades down to the 5-point scale for comparison with GB regions and ROI.

LAST WEEK'S CATTLE PRICES (UK / ROI)						
W/E 12/05/12	Scotland	Northern England & Wales	Southern England	Northern Ireland	Republic of Ireland	Price Reported
U3	358.5	349.6	349.0	344.1	336.4	327.9
R3	351.3	340.4	338.4	333.5	334.7	320.7
R4	353.2	348.0	338.9	332.0	331.7	320.4
O3	340.4	336.4	320.4	311.5	320.8	307.3
Average	351.5	341.8	334.7	316.9	326.8	-
U3	358.5	350.8	348.8	345.4	341.5	341.8
R3	350.3	337.9	337.5	331.3	335.3	330.5
R4	352.0	341.5	338.8	331.4	332.1	330.3
O3	338.7	320.7	321.3	313.5	322.0	316.8
Average	350.2	339.0	333.9	323.5	327.7	-
U3	348.2	338.3	343.0	341.5	329.0	326.2
R3	341.1	329.8	330.2	325.8	326.4	319.7
O3	314.6	307.8	310.3	311.1	309.3	309.1
Average	337.2	319.6	323.5	324.8	315.8	-
Prime Cattle	6988	5686	5281	3872	5002	-
Price Reported						
O3	295.9	286.2	283.1	261.3	283.8	283.9
O4	297.6	285.0	283.7	263.1	287.4	286.3
P2	242.1	235.2	244.6	218.8	247.3	245.3
P3	255.1	263.3	265.1	240.1	273.9	279.5

Notes:

- (i) Prices are p/kg Sterling-ROI prices converted at 1 euro=80.46p Stg.
- (ii) Shading indicates a lower price than the previous week.

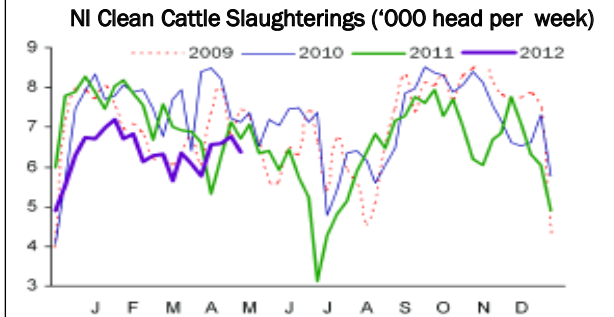
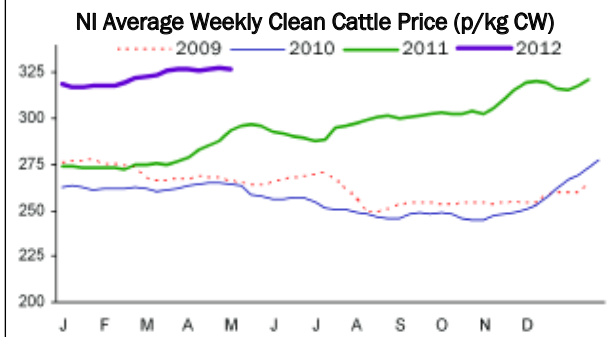
Deadweight Cattle Trade

THE seasonal pressure on the cattle trade continued this week with deadweight quotes continuing to edge back. The factories were quoting 322-326p/kg for U-3 grade prime cattle mid week and similar quotes are expected for Monday.

One factor in the lower quotes has been increased supply with producers clearing sheds. Poor weather and scarcity of grass have also had an impact. However, some buyers have been reporting that supply is tightening again and last week the kill was lower with just under 8,000 head slaughtered. This was seven per cent lower than the previous week and about six per cent lower than the same week last year.

Last week's reported prices from the factories confirmed that the trade has been under some pressure. Reported U3 steer and heifer prices were back by 2p/kg. R3 heifer prices were back by 4p/kg. The average young bull price was down by 3p/kg with the average reported cow price about 4p/kg lower.

In GB last week the trade was slightly softer. On average, steer and heifer prices were down by 2 - 3p/kg in Scotland. On average steer and heifer prices were back marginally in Northern England. In the midlands heifer prices were 3p/kg lower while steer prices were down 2p/kg. Average prices were back 3p/kg in Southern England. ROI prices were firm, demonstrating the value of the weakening Euro across the border. In sterling terms ROI prices were back about 3p/kg which will make ROI beef more competitive in the GB market.



More detailed information on prices and explanations of these tables and charts are available from the LMC Technical Department: Call 028 9263 3000.

LATEST NI BEEF MARTS

LATEST NI BEEF MARTS									
Finished Cattle (£/100kg LW)				Store Cattle (£/100kg LW)				Dropped Calves (£/head)	
	from	to		from	to		from	to	
Steers			Store bullocks up to 400kg			Continental bull calves			
1st quality	186	208	1st quality	195	235	1st quality	260	355	
2nd quality	167	185	2nd quality	168	194	2nd quality	200	258	
Friesians	124	165							
			Store bullocks 400kg-500kg			Continental heifer calves			
Heifers			1st quality	196	217	1st quality	220	335	
1st quality	187	211	2nd quality	170	195	2nd quality	150	215	
2nd quality	167	186							
			Store bullocks over 500kg			Friesian bull calves			
Beef Cows			1st quality	190	221	1st quality	180	280	
1st quality	160	198	2nd quality	170	189	2nd quality	100	178	
2nd quality	120	159							
			Store heifers up to 450kg			Holstein Bull Calves			
Dairy Cows			1st quality	190	221				
1st quality	127	142	2nd quality	163	189				
2nd quality	107	125							
			Store heifers over 450kg						
			1st quality	202	220				
			2nd quality	172	200				

Taken from a sample of beef marts in the week ended 11/05/12

Deadweight Sheep Trade

THE deadweight trade remains under pressure with factory quotes for lamb falling from 400p/kg to 390p/kg during the week in some plants. There are as yet no definite quotes for next week and while there is some expectation that the trade will stabilise, one buyer was not ruling out some further pressure on price. Slaughter numbers remain high with over 5,000 sheep slaughtered in NI last week. This is slightly higher than the previous week, but 22 per cent more than the same week last year.

SHEEP QUOTES		
(P/KG DW)	This Week 14/05/12	Next Week 21/05/12
Lambs	390p	NO QUOTES

Hoggets paying upto 22kgs & Spring Lambs upto 21kgs

REPORTED COMBINED LAMB/HOGGET PRICES - P/KG			
(P/KG)	W/E 28/04/12	W/E 05/05/12	W/E 12/05/12
NI Liveweight	376.4p	366.3p	360.4p
NI Deadweight	409.3p	384.8p	381.4p
GB Deadweight	430.8p	419.0p	434.4p

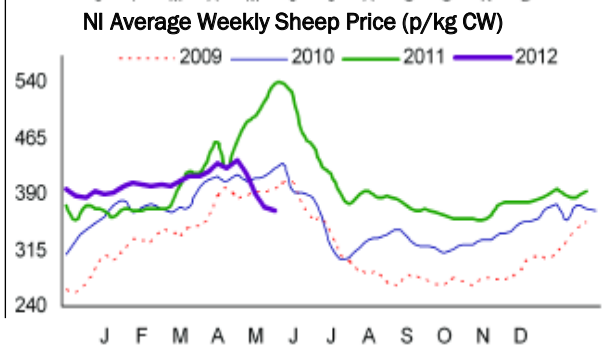
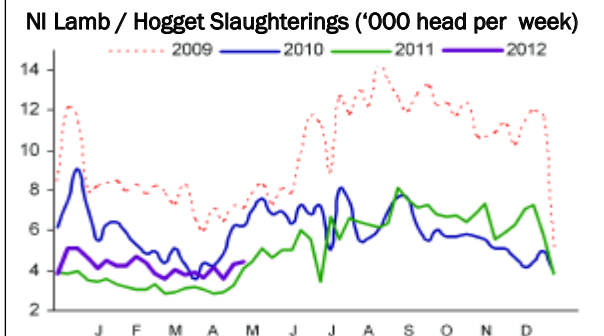
LATEST SHEEP MARTS

From: 12/05/2012 To: 18/05/2012		Hoggets (P/KG LW)				Spring Lambs (P/KG LW)			
		No.	From	To	Average	No.	From	To	Average
Saturday	Omagh	155	283	327	-	130	365	406	-
Monday	Massereene	-	-	-	-	445	375	400	-
	Kilrea	-	-	-	-	550	362	389	365
Tuesday	Saintfield	-	-	-	-	361	340	380	364
	Rathfriland	112	225	256	231	251	340	387	373
Wednesday	Ballymena	207	220	292	260	603	350	386	355
	Markethill					480	340	373	
	Newtowns'					75	330	365	

This week's marts

THE liveweight sheep trade remained under pressure this week with spring lambs starting to appear in more numerous quantities around the rings and hogget numbers dwindling by comparison. Spring lamb prices averaged 355p/kg in Ballymena on Wednesday, down from 378p/kg last week. The average hogget price was back 30p/kg from last week in Ballymena. In Markethill on Wednesday evening spring lambs prices ranged from 340-373p/kg down from 355-385p/kg last week. The weaker euro obviously is proving to be a drag on the trade with southern buyers more restricted in what they can offer in sterling terms.

SHEEP TRADE



Contact us:

FQAS Helpline: 028 9263 3024

Website: www.lmcni.com

Answerphone: 028 9263 3011

Telephone: 028 9263 3000

Comments: bulletin@lmcni.com

Fax: 028 9263 3001

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