LMC BULLETIN
WEEKLY PUBLICATION OF THE LIVESTOCK AND MEAT COMMISSION FOR NORTHERN IRELAND
Saturday 25 July 2015
Issue No. 2378

DIFFERENTIAL BETWEEN NI AND GB R3 STEER PRICES WIDENS

In recent weeks there has been an improvement in deadweight cattle prices in NI with reports indicating that tighter supplies of prime cattle and a firming in the trade in GB led to the increase in base quotes. This week however the major processors have indicated that supplies of prime cattle in NI are now outpacing demand and as a result opening base quotes for early next week are 332-336p/kg. .

In the last four weeks a total of 20,644 prime cattle have been slaughtered in NI plants compared to 17,069 head in the corresponding four weeks in 2014. Imports of prime cattle from ROI during the last four weeks have totalled 2,062 head and accounted for 10 per cent of the total NI cattle kill. In the corresponding period in 2014 a total of 1,351 prime cattle were imported from ROI for direct slaughter in NI plants and these accounted for 8 per cent of prime cattle throughput in NI.

Meanwhile in GB reports have indicated a tightening in prime cattle supplies in recent weeks with competition between the factories for throughput having a positive influence on deadweight prices. Figure 1 outlines the R3 steer price in GB, NI and ROI from January 2014 to July 2015. In the last four weeks the R3 steer price in NI has increased by 12.9p/kg to 346.3p/kg last week. Over the same period the average R3 steer price in GB price increased by 18.5p/kg to 362.4p/kg last week. This has widened the price differential between NI and GB to 16.1p/kg last week.

However while deadweight prices for prime cattle in NI and GB have recorded an improvement in recent weeks the deadweight trade for prime cattle in ROI has declined in sterling terms. A weakening in the value of euro against sterling has been a key factor in this. The R3 steer price in ROI last week was the equivalent of 296.6p/kg, 49.7p/kg below the equivalent price in NI and 65.8p/kg lower than the equivalent price in GB.

The differential in R3 steer prices between NI and GB is now at its widest level since early October 2014. From January to May 2015 the differential in R3 steer prices between NI and GB was an average of 4.5p/kg but since early June this has been gradually widening. A report commissioned by LMC and completed by Oxford Economics back in December 2013 explored the reasons behind the existence of a price differential in beef prices between NI and GB and several factors were identified as playing a role in this.

One key factor identified through the completion of the study by Oxford Economics was the additional costs of transporting live cattle to GB processors for direct slaughter. The report estimated this cost at 10-12p/kg when measured as a carcase weight equivalent and this indicates that when the differential is wider than this it may trigger producers to consider exporting to GB.

In addition to the costs associated with transporting cattle to GB for direct slaughter the report highlighted the complexities of building longer term cross channel relationships to facilitate the movement of cattle for direct slaughter. One factor impacting this is the more seasonal nature of cattle supplies in NI relative to GB.

However as outlined in Figure 1 the differential in the deadweight prices for prime cattle became very small in the first half of 2015 and have only recently started to widen again as cattle supplies in GB have tightened and put upward pressure on the deadweight trade.

Figure 2 outlines the differential in R3 steer prices between NI and GB for the period January 2014-to July 2015 (red line) and plots this against the level of export of prime cattle from NI for direct slaughter in GB (blue line). As you would expect as the differential in R3 steer prices between NI and GB widens the level of export for direct slaughter increases and as the differential narrows the level of export tends to record a decline.

As indicated in Figure 2 the level of export from NI for direct slaughter in GB plants has increased in recent weeks in response to the widening differential. A total of 105 prime cattle were exported last week taking the average for the last four weeks to 79 head. This compares to an average of 40 prime cattle per week for the period January to June 2015.

With prime cattle supplies remaining under pressure in GB and the recent widening in the price differential between NI and GB it remains to be seen what effect this will have on the NI deadweight trade and the level of exports for direct slaughter in the weeks ahead.

Figure 1: R3 steer prices in GB, NI and ROI for the period January 2014- July 2015

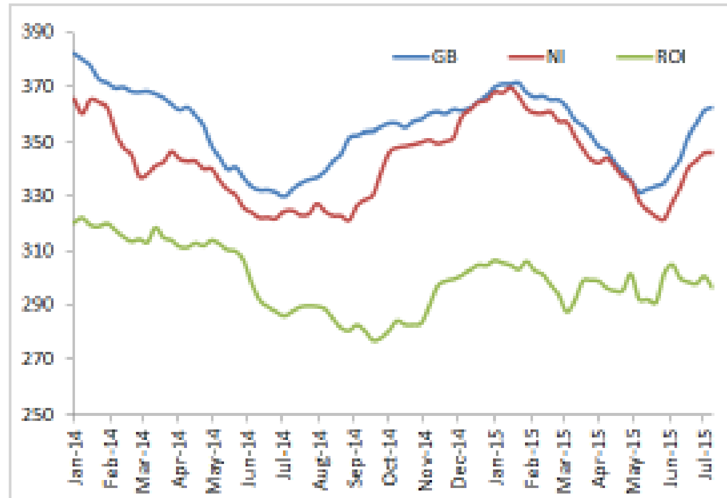
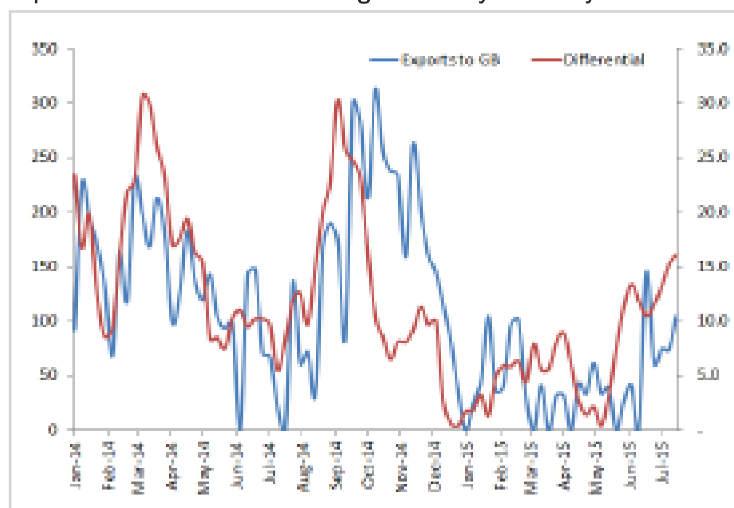


Figure 2: Differential in R3 steer prices between NI and GB and prime cattle exports from NI to GB for direct slaughter January 2014- July 2015



EU COMMISSION SHORT TERM OUTLOOK

THE EU commission has recently published its short term outlook for EU meat production.

Beef

The EU livestock survey in December 2014 indicated a contraction in the EU suckler herd by 290,000 from December 2010 levels while the EU dairy herd has expanded by the same number to keep the total EU cattle population stable. This shift from suckler to dairy cows indicates that EU beef production will become more reliant on the EU dairy herd as a source of raw material in the future.

Total beef production in the EU during 2014 has been estimated at 2.5 per cent above 2013 levels with the most significant growth in production recorded in Poland (+77,000 tonnes), Ireland (+64,000 tonnes) and the UK (+30,000 tonnes). According to the latest report from the EU Commission this growth in production is expected to continue with total beef output expected to be 1.4 per cent above 2014 levels in 2015 and is expected to grow by a further 0.6 per cent in 2016.

In 2014 EU meat export volumes increased by 29 per cent or 46,000 tonnes on year earlier levels with increased exports to Hong Kong, Western Balkans and the Philippines. With the implementation of the Russian import ban EU beef was redirected to alternative markets.

Meanwhile imports from Argentina to the EU recorded volume declines due to their internal policy restricting exports to limit rises in domestic consumer prices. However this decline in imports from Argentina was counteracted by an increase in imports from Australia (+21 per cent) and Brazil (+3 per cent).

Higher beef availability on the EU domestic market during 2014 allowed for a recovery in beef consumption to 10.5kg/capita and this is expected to increase further to 10.6kg/capita in 2015 and 10.7kg/capita in 2016. This improvement in consumption however may be hindered by rising beef prices.

Lamb

In 2014 EU sheep and goat meat production increased by 2.5 per cent and reversed the long term trend of previous years. This increase in total production was driven by increases in production in the UK (+ 8,000 tonnes) and Romania (+32,000 tonnes) and occurred despite a notable reduction in production in Spain (-6,600 tonnes) and Italy (-10,000 tonnes). The report indicates that the combination of favourable prices, good forage conditions and the implementation of coupled support for sheep and goat producers in some member states should help maintain the interest in sheep and goat farming.

The sheep flock in the EU in 2014 increased by 1.1 per cent on 2013 levels with increases in flock sizes in the UK (+ 1 million head) and Romania (+270,000 head). Meanwhile there were declines in flock sizes in Spain, Greece and a number of other smaller producing member states. As a result EU sheep and goat meat production is expected to increase by 2 per cent in 2015.

In 2014 tighter supplies of lamb in New Zealand and a reorientation of exports to China led to lower exports to the EU (-12,700 tonnes). This contributed to a six per cent reduction in total lamb imports into the EU when compared to 2013 levels. However imports in the first four months of 2015 were 5.6 per cent higher than year earlier levels with imports expected to increase modestly in 2015.

EU lamb consumption is expected to increase slightly in 2015 to 1.9kg/capita but this is dependent on available supply.

WEEKLY BEEF & LAMB MARKETS

LMC

CATTLE TRADE

NI FACTORY QUOTES FOR CATTLE

(P/KG DW)	This Week 20/07/15	Next Week 27/07/15
Prime		
U-3	338 - 340p	332 - 336p
R-3	332 - 334p	326 - 330p
O+3	326 - 328p	320 - 324p
	Including bonus where applicable	
Cows		
O+3 & better	240 - 260p	240 - 260p
Steakers	140 - 170p	140 - 170p
Blues	120 - 130p	120 - 130p

Cow quotes vary depending on weight and grade.
Pricing policies vary from plant to plant. Producers are advised to check pricing policies before presenting cattle for slaughter.

REPORTED NI CATTLE PRICES - P/KG

W/E 18/07/15	Steers	Heifers	Young Bulls
U3	347.9	351.4	343.8
R3	344.7	344.6	339.6
O+3	337.9	336.4	329.0

*Prices exclude AA, HER and Organic cattle

REPORTED COW PRICES NI - P/KG

w/e 18/07/15	Wgt <220kg	Wgt 220-250kg	Wgt 250-280kg	Wgt >280kg
P1	142.4	152.4	165.8	188.8
P2	200.0	197.5	198.0	230.5
P3	-	205.5	237.6	248.5
O3	240.0	240.3	249.9	263.2
O4	-	-	260.4	267.6
R3	-	-	265.6	289.3

Deadweight Cattle Trade

QUOTES from the major processors this week remained fairly steady and ranged from 338-340p/kg for in spec U-3 grade prime cattle. However opening quotes for Monday range from 332-336p/kg with reports from the plants indicating weaker demand for beef. Quotes for good quality O+3 grade cows range from 240-260p/kg with the majority of processors quoting at the upper end of this scale.

Reports from the processors have indicated a slight improvement in the availability of prime cattle for slaughter. Many plants were operating fewer killing days last week due to public holidays with prime cattle throughput in the NI plants totalling 4,925 head. This was a reduction of 583 head from the previous week but 550. Cow throughput in the NI plants last week totalled 1,093 head. This was a notable decline from the previous week but as outlined above many plants operated fewer kill days due to the public holidays. Reports from the processors have indicated steady supplies of cows coming forward for slaughter.

Imports of prime cattle from ROI for direct slaughter in NI plants last week were similar to previous weeks at 427 head and accounted for nine per cent of total prime cattle throughput. Meanwhile a total of 122 cows were imported from ROI for slaughter in NI plants with a further 66 cows imported from GB for direct slaughter. Exports of cows from NI to ROI for direct slaughter last week totalled 62 head, the lowest weekly output for the year to date. Exports to GB for direct slaughter last week consisted of 105 prime cattle and 7 cows.

The deadweight cattle trade steadied in NI last week with the majority of reported prices similar to the previous week. The average steer price in NI last week was unchanged at 336.7p/kg while the R3 steer price was within half a penny of the previous week at 346.3p/kg. The average heifer price in NI last week was 340.3p/kg, up 1.4p/kg from the previous week while the R3 heifer price was up by a similar margin to 346.6p/kg. This takes the R3 heifer price in NI to its highest level since March this year. The trade for young bulls in NI has also remained steady with an average young bull price of 330.7p/kg and an R3 young bull price of 339.6p/kg.

Meanwhile in GB the average steer price increased by 1.8p/kg to 356.9p/kg while the R3 steer price increased by 1.2p/kg to 362.4p/kg. R3 steer prices in Scotland and Northern England increased in the region of 2.5p/kg to 375.6p/kg and 356.5p/kg respectively while the R3 steer price in the Midlands and Southern England were back slightly. The average heifer price was unchanged in GB last week at 356.3p/kg while the R3 heifer price was up by 1.1p/kg to 363.1p/kg. R3 heifer prices increased in all of the GB regions with the strongest increase recorded in the Midlands where it was up by 3.3p/kg to 357.9p/kg.

The deadweight trade in ROI has remained steady in euro terms but a weakening in euro against sterling meant reported prices were back in sterling terms. The R3 steer price in ROI last week was back by the equivalent of 4p/kg to 296.6p/kg while the R3 heifer price was back by a similar margin to 304.9p/kg.

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

W/E 18/07/2015		Northern Ireland	Rep of Ireland	Scotland	Northern England	Midlands & Wales	Southern England	GB
Steers	U3	348.4	305.3	380.5	366.7	369.3	365.2	371.0
	R3	346.3	296.6	375.6	359.8	356.5	354.4	362.4
	R4	340.5	296.7	379.0	365.5	359.4	353.2	366.6
	O3	332.8	284.5	362.7	336.0	331.8	332.1	341.7
	AVG	336.7	-	375.0	355.8	346.9	343.2	356.9
Heifers	U3	351.6	315.9	383.4	370.2	369.7	369.7	374.0
	R3	346.6	304.9	376.6	357.8	357.9	356.1	363.1
	R4	345.3	304.4	378.5	361.2	357.1	353.7	364.4
	O3	331.6	293.8	355.0	333.4	326.4	327.0	337.1
	AVG	340.3	-	374.8	355.3	346.8	338.5	356.3
Young Bulls	U3	343.8	302.4	377.6	351.4	360.6	359.4	360.5
	R3	339.6	295.2	368.4	340.5	347.8	347.1	348.3
	O3	318.8	280.5	334.0	303.5	322.6	330.0	320.0
	AVG	330.7	-	368.4	331.9	342.8	342.7	343.7
Prime Cattle Price Reported		4053	-	6577	6404	5920	4322	23223
Cows	O3	261.5	255.0	273.5	264.0	252.3	248.5	262.2
	O4	267.3	256.7	275.0	262.2	256.3	248.8	261.8
	P2	213.6	227.0	200.9	225.8	211.2	204.2	209.4
	P3	245.6	250.5	231.8	246.3	223.6	231.6	232.5
	AVG	251.8	-	261.7	244.1	224.9	217.8	239.0

Notes: (i) Prices are p/kg Sterling-ROI prices converted at 1 euro=70.42p 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

	1st QUALITY			2nd QUALITY		
W/E 11/07/15	From	To	Avg	From	To	Avg
Finished Cattle (p/kg)						
Steers	192	221	200	170	191	180
Friesians	154	167	160	129	145	138
Heifers	193	220	203	165	192	178
Beef Cows	145	188	160	100	144	122
Dairy Cows	108	133	117	65	107	85
Store Cattle (p/kg)						
Bullocks up to 400kg	203	240	214	160	202	180
Bullocks 400kg - 500kg	191	197	195	160	190	175
Bullocks over 500kg	193	207	198	158	186	172
Heifers up to 450kg	204	230	214	155	200	176
Heifers over 450kg	200	225	213	150	198	175
Dropped Calves (£/head)						
Continental Bulls	280	362	320	180	278	230
Continental Heifers	260	395	300	120	258	190
Friesian Bulls	170	285	200	50	168	100
Holstein Bulls	70	185	120	4	68	40

SHEEP TRADE

SHEEP QUOTES		
(P/Kg DW)	This Week 20/07/15	Next Week 27/07/15
Lambs	300-305>21kg	290-300>21kg

REPORTED SHEEP PRICES			
(P/KG)	W/E 04/07/15	W/E 11/07/15	W/E 18/07/15
NI Lambs L/W	281.9	297.1	285.4
NI Lambs D/W	307.8	320.4	321.9
GB Lambs D/W	349.3	346.5	345.0
ROI D/W	311.9	323.6	317.0

Deadweight Sheep Trade

QUOTES from the major NI plants ended this week at 290-300p/kg with plants paying up to 21kg. Reports have indicated increasing supplies of lambs coming available for slaughter. Throughput in the NI plants was lower last week due to the shorter working week with 9,198 head slaughtered. A total of 2,297 sheep were exported from NI to ROI for direct slaughter last week. The average lamb price in NI last week was similar to the previous week at 321.9p/kg. In the corresponding week last year the average lamb price was 353.5p/kg. The deadweight lamb trade in ROI has remained fairly steady but a reduction in the value of euro against sterling meant that the average deadweight price was back in sterling terms to 317p/kg.

This week's marts

THERE were strong numbers of lambs passing through the sale rings this week due to most marts being closed last week. In Massereene on Monday 1,308 lambs sold from 265-290p/kg while a similar trade in Kilrea saw 644 lambs sold from 264-288p/kg. An entry of 1,073 lambs in Rathfriland on Tuesday sold to an average of 275p/kg while in Enniskillen on Wednesday 758 lambs sold to an average of 280p/kg. In Ballymena on Wednesday an entry of 1,188 lambs sold from 250-321p/kg (avg 266p/kg). In Markethill this week a large entry of 1,450 lambs sold from 250-288p/kg. Top reported prices for cull ewes this week were generally in the region of £75 to £90 with a top reported price of £106 in Omagh last Saturday.

LATEST SHEEP MARTS					
From: 18/07/15		Lambs (P/KG LW)			
To: 24/07/15		No	From	To	Avg
Saturday	Omagh	922	268	303	-
	Swatragh	1269	243	273	-
Monday	Kilrea	644	264	288	-
	Massereene	1308	265	290	-
Tuesday	Saintfield	755	255	300	-
	Rathfriland	1073	251	338	275
Wednesday	Ballymena	1188	250	321	266
	Enniskillen	758	262	294	280
	Markethill	1450	250	288	-
	Armoy	712	-	-	266

Contact us:

Website: www.lmcni.com

Telephone: 028 9263 3000

Fax: 028 9263 3001

FQAS Helpline: 028 9263 3024

Answerphone: 028 9263 3011

Comments: bulletin@lmcni.com

LMC