

SHEEP TRADE UNDER PRESSURE IN RECENT WEEKS

THE sheep trade has been under considerable pressure over the last fortnight with prices lower in the livestock marts and factory quotes down sharply compared to previous weeks. Producers are understandably concerned, particularly those who have not yet disposed of hoggets bought in the autumn as expensive store lambs or those that have been producing lambs for earlier finishing. There are a range of factors that might be behind this decline and coming as it does at a time when prices are typically firm, it may be useful to put these trends in a wider context and consider some explanations for the weaker trade.

Prices under pressure

Reported prices from DARD show that NI liveweight prices were back by nearly 22p/kg last week compared to the previous week. Deadweight prices were down by 10p/kg. This week the pressure on the trade continued. Factories were reluctant to quote for sheep any more than one day ahead of the kill and prices in the live ring continued to come under pressure. By mid-week, hogget quotes were down by 50-60p/kg compared to last week while spring lamb quotes were down by 70p/kg. In the live sale at Ballymena this Wednesday the average price of hoggets was 340p/kg. This compared with 360p/kg last week and 382p/kg the week before. Spring lambs averaged 395p/kg in Ballymena on Wednesday. This was back from 440p/kg last week and 515p/kg the week before.

This decline in prices has caused concern, not least due to the sharp nature of the slide and the timing. At this stage last year spring lamb prices were continuing their inexorable ascent towards 550p/kg DCW in mid-May. Current price trends appear even more precipitous when compared to last spring. Current developments appear to have more in common with 2010 trends, when Easter was also earlier and the spring lamb trade came under pressure in April before stabilising in May.

Greater throughput

One trend in the lamb trade that has not been widely reported has been an increased kill this year. The Bulletin has certainly drawn attention to the increased NI kill in the last two quarters

but in the greater scheme of things NI lamb production only represents a small proportion of overall production in Ireland, never mind the wider European and global picture. In this respect and given that the majority of NI lambs are exported live to ROI, it is useful to consider availability of sheep across the island of Ireland. In the last quarter, according to Bord Bia figures (2012 Q1) the all-Ireland sheep kill was up 16 per cent compared to the same period last year. In the last quarter of 2011 the sheep kill across the island of Ireland was six per cent higher year-on-year. It is also worth adding that in NI at least, hoggets have been 0.5kgs heavier for the year to date. This coupled with increased throughput will have led to increased production in Ireland as a whole. The sheep kill for the entire British Isles in the last quarter was up by 5 per cent year-on-year (see Figure 1). Notwithstanding the fact that farmgate prices remained firm during the first quarter of the year, this may provide an indication that there is a supply side element to the decline in prices.

At the NI Red Meat Prospects Conference at the end of March there were indications that the lamb trade may come under some pressure in 2012 relative to last year. Stuart Ashworth, Economist at QMS gave a very informative presentation on GB supply prospects for the year ahead. Increased breeding ewe numbers and improved productivity in the last couple of years were two factors in his forecast for improved sheepmeat availability on the UK market in 2012 (see Figure 2). Ashworth also indicated a correlation between availability of sheepmeat on the home market and farmgate prices in the UK, the implication being a potential weakening in farmgate prices in 2012.

Marginal increase in global production forecast

Another possible reason for a potential increase in availability of lamb on the market in 2012 is an increase in sheepmeat exports from the southern hemisphere. Spring time (lambing season) in the southern hemisphere is our autumn time. A better spring in New Zealand and Australia meant improved lamb production and given that it is now autumn time down under any increase in the lamb crop will mean that increased production may now be having an impact on the trade in their key export markets.

Speaking at the NI Red Meat Prospects Conference, Rupert Claxton from Gira forecasted increased lamb exports from New Zealand this year and with the EU importing a large proportion of New Zealand lamb we could well be witnessing the impact of such an increase in markets at the present time. It is worth bearing in mind however, that while global sheepmeat production is expected to increase in 2012, it is unlikely to return to the kind of levels that existed prior to 2010 and this should provide some reassurance with regard to these trends.

Exchange rate impacts

While increased imports have an impact on the trade, it is also worth bearing in mind that NI exports large volumes of lambs live to ROI and sheepmeat to the Eurozone. The euro was worth 81.54p on Tuesday, its lowest value since 29 June 2010. A weaker euro means that there is less scope for southern buyers to generate upward price pressure in the northern marts, to say nothing of the impact it has on French demand for UK sheepmeat. Demand generally is a concern throughout the EU, with the level of austerity measures and economic uncertainty that currently prevails. There have been reports of weak French demand although recent Kantar data does indicate that GB retail lamb consumption is at last beginning to stabilise following a long period of decline.

Spring comes early

While New Zealand producers were benefitting from a better lambing season, the winter was also easier on local farmers. If we cast our minds back to the winter of 2010-2011 and 2009-2010, we will recall very harsh weather and farmers in NI will not forget the difficulties they faced with losses and the lamb crop stymied. Clearly that led to an even sharper reduction in supplies over the last couple of years and set lambs back which in turn contributed to stronger prices early in the year.

The milder winter in 2011-12 ought to contribute to increased productivity this year and with Easter three weeks earlier this year more producers may have opted for earlier lambing which may have boosted supplies in earlier in the month of April. This year factories started to quote for spring lambs around St Patrick's Day. Last year, the factories did not quote for spring lambs until mid-April.

Earlier lambing this year may be a factor in the current pressure on prices since it brings forward additional slaughter stock relative to last year meaning that the overlap between hoggets and spring lambs is lengthened. Indeed it may also be useful to ask the question; is what we are seeing now a similar trend to last year, brought forward by about a month? It is also worth making the point that we often see uncertainty in the trade during the period shortly before buyers switch to lambs from hoggets. There was a wobble in the trade around the same time in 2010 with spring lamb prices coming under pressure, before stabilising / recovering in early May. With hogget numbers drying up around the rings this week producers will be hoping that will help to stabilise the trade and even be the catalyst for some kind of recovery in spring lamb prices.

Figure 1. Quarterly Slaughterings, All Sheep - British Isles 2007-2012

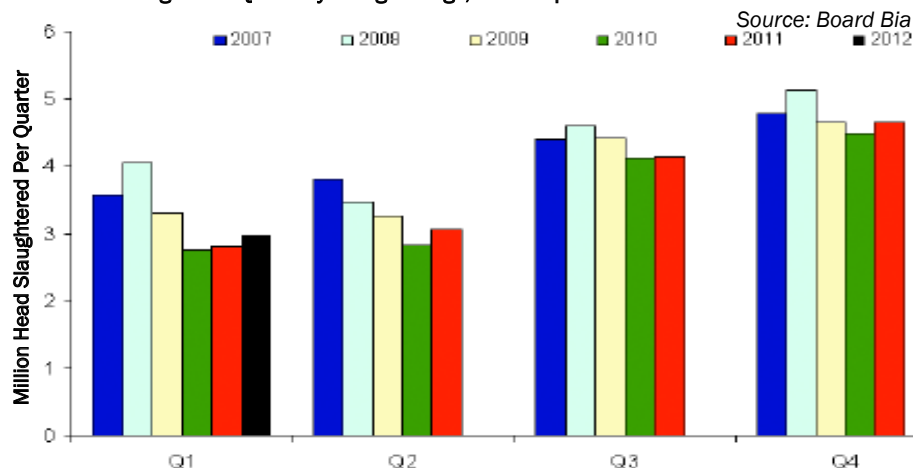


Figure 2. Sheepmeat Availability on UK Market - 2006-2011
Average Farmgate Price Displayed in Figures (p/kg in chart)



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WEEKLY BEEF & LAMB MARKETS



CATTLE TRADE

| CATTLE QUOTES | | |
|---------------|-----------------------|-----------------------|
| (P/KG DW) | This Week 23/04/12 | Next Week 30/04/12 |
| U-3 | 330 - 332p | 330 - 332p |
| R-3 | 324 - 326p | 324 - 326p |
| O+3 | 318 - 320p | 318 - 320p |
| Cows | 280 - 290p | 280 - 290p |

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

| LAST WEEK'S NI CATTLE PRICES - P/KG | | | | |
|-------------------------------------|--------|---------|-------------|-------|
| W/E 21/04/12 | Steers | Heifers | Young Bulls | Cows |
| U-3= | 337.6 | 345.1 | 333.4 | - |
| U=3= | 338.1 | 353.1 | 335.3 | 308.0 |
| U=4= | 341.8 | 343.7 | - | - |
| R=3= | 335.8 | 339.7 | 327.6 | 292.2 |
| R=4= | 332.4 | 333.4 | 324.0 | 304.3 |
| O=3= | 319.0 | 324.6 | 312.5 | 281.3 |
| O+3= | 328.9 | 330.2 | 323.0 | 293.9 |
| O+4= | 327.3 | 327.3 | 312.0 | 296.9 |
| P+2= | 296.8 | 297.9 | 296.1 | 256.6 |
| P+3= | 304.5 | 302.2 | 306.3 | 270.6 |
| Average | 328.7 | 330.2 | 317.6 | 261.5 |

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 21/04/12 | Scotland | Northern England | Midlands & Wales | Southern England | Northern Ireland | Rep of Ireland |
| Steers | | | | | | |
| U3 | 360.7 | 353.7 | 352.8 | 349.1 | 338.4 | 331.7 |
| R3 | 355.0 | 343.3 | 341.7 | 337.4 | 335.7 | 323.8 |
| R4 | 356.3 | 346.7 | 342.1 | 335.9 | 333.2 | 323.8 |
| O3 | 339.9 | 334.9 | 323.4 | 315.3 | 322.1 | 310.4 |
| Average | 354.4 | 342.0 | 337.9 | 320.3 | 328.7 | - |
| Heifers | | | | | | |
| U3 | 360.8 | 352.5 | 353.9 | 347.2 | 347.2 | 345.6 |
| R3 | 354.1 | 341.9 | 341.5 | 337.1 | 339.1 | 334.6 |
| R4 | 354.8 | 342.7 | 341.3 | 335.4 | 333.3 | 333.7 |
| O3 | 337.3 | 324.8 | 324.7 | 314.5 | 324.8 | 321.3 |
| Average | 353.1 | 338.7 | 339.5 | 325.6 | 330.2 | - |
| Young Bulls | | | | | | |
| U3 | 348.5 | 339.5 | 346.6 | 346.2 | 332.1 | 328.6 |
| R3 | 342.8 | 334.8 | 332.4 | 332.4 | 326.7 | 322.6 |
| O3 | 324.2 | 312.8 | 313.9 | 316.5 | 312.5 | 312.2 |
| Average | 334.4 | 321.7 | 324.0 | 320.9 | 317.6 | - |
| Prime Cattle Price Reported | 6629 | 6199 | 5669 | 4417 | 4685 | - |
| Cows | | | | | | |
| O3 | 294.7 | 284.5 | 284.0 | 263.2 | 282.5 | 284.6 |
| O4 | 297.4 | 288.2 | 286.2 | 268.1 | 286.3 | 287.2 |
| P2 | 240.2 | 229.4 | 238.7 | 217.9 | 250.5 | 247.0 |
| P3 | 267.0 | 261.5 | 256.0 | 238.3 | 268.7 | 280.7 |

Notes:

- (i) Prices are p/kg Sterling-ROI prices converted at 1 euro=82.02p Stg.
- (ii) Shading indicates a lower price than the previous week.

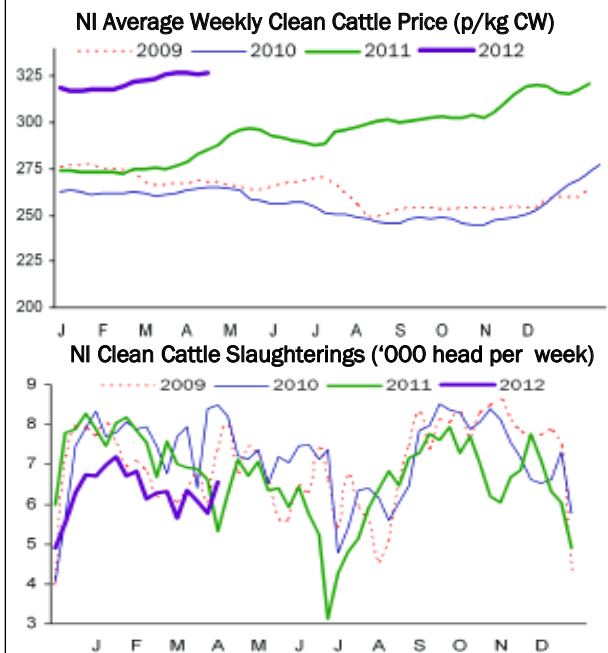
Deadweight Cattle Trade

THIS week the factories continued to quote 330-332p/kg for U-3 grade steers and heifers. These quotes were similar to previous week levels with cow quotes also remaining very firm. Factories are quoting 280-290p/kg for good cows, again similar to recent weeks.

Reported prices from the factories confirm that the trade remains firm. Last week, U3 heifer prices were up by 4p/kg, now averaging 347.2p/kg. U3 steer prices also increased last week; by almost 2p/kg. The strength of heifer prices in the market over the course of the last few months is noteworthy, given that quotes for heifers typically only exceed steer quotes by 2p/kg. The gap between the U3 steer and heifer price was 9p/kg last week. It is a clear indication of the strong prices available in the market.

The figures show that there was an increased kill last week as expected and last week was the first time this year that the prime kill was greater than for the corresponding week in 2011. To a large extent this was to be expected, particularly given that the kill last April was so low.

Average steer and heifer prices were broadly stable in Scotland last week, with U3 steer and heifer prices continuing to average just over 360p/kg. Steer and heifer prices were generally stable in the Midlands and Southern England, with average Northern England prices down by 1-2p/kg. R3 steer prices in ROI were up by 1.2p/kg and 0.3p/kg respectively.



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 | | | | | | | | | | | | | | |
|------------------------------|--------|-----|-----|-----|----------------------------|------|----------------------------|-------------|-----|---------------------------|------|--|-------------------------|--|
| Finished Cattle (£/100kg LW) | from | | to | | Store Cattle (£/100kg LW) | from | | to | | Dropped Calves (£/head) | from | | to | |
| | Steers | | | | | | Store bullocks up to 400kg | | | | | | Continental bull calves | |
| 1st quality | 202 | 215 | 200 | 243 | 1st quality | 200 | 243 | 1st quality | 320 | 440 | | | | |
| 2nd quality | 180 | 201 | 168 | 198 | 2nd quality | 168 | 198 | 2nd quality | 250 | 318 | | | | |
| Friesians | 132 | 168 | | | Store bullocks 400kg-500kg | | | | | Continental heifer calves | | | | |
| Heifers | | | | | 1st quality | 214 | 239 | 1st quality | 260 | 340 | | | | |
| 1st quality | 196 | 215 | 190 | 212 | 2nd quality | 190 | 212 | 2nd quality | 200 | 258 | | | | |
| 2nd quality | 170 | 195 | | | Store bullocks over 500kg | | | | | Friesian bull calves | | | | |
| Beef Cows | | | | | 1st quality | 200 | 223 | 1st quality | 180 | 270 | | | | |
| 1st quality | 166 | 223 | 180 | 199 | 2nd quality | 180 | 199 | 2nd quality | 120 | 178 | | | | |
| 2nd quality | 125 | 165 | | | Store heifers up to 450kg | | | | | Holstein Bull Calves | | | | |
| Dairy Cows | | | | | 1st quality | 190 | 224 | 1st quality | 14 | 202 | | | | |
| 1st quality | 125 | 156 | 200 | 234 | 2nd quality | 165 | 189 | 2nd quality | | | | | | |
| 2nd quality | 100 | 124 | 175 | 198 | Store heifers over 450kg | | | | | | | | | |
| | | | | | 1st quality | 200 | 234 | | | | | | | |
| | | | | | 2nd quality | 175 | 198 | | | | | | | |

Taken from a sample of beef marts in the week ended 20/04/12

Deadweight Sheep Trade

ON Friday none of the factories were prepared to quote for lambs for next week, given the uncertainty in the trade and given that some of them are not killing until Tuesday. The trade remained under pressure this week with hogget quotes falling from 450p/kg at the end of last week, to 390-400p/kg this week. Spring lamb quotes fell from 510p/kg at the end of last week to 440p/kg this week. Last week the total sheep kill was almost 5,000 head, 16 per cent higher than the previous week.

| SHEEP QUOTES | | |
|--------------|-----------------------|-----------------------|
| (P/KG DW) | This Week 23/04/12 | Next Week 30/04/12 |
| Hoggets | 400p | NO QUOTE |
| Spring Lambs | 440-450p | NO QUOTE |

Hoggets paying upto 22kgs & Spring Lambs upto 21kgs

| COMBINED LAMB/HOGGET PRICES - P/KG | | | |
|------------------------------------|--------------|--------------|--------------|
| (P/KG) | W/E 07/04/12 | W/E 14/04/12 | W/E 21/04/12 |
| NI Liveweight | 406.9p | 420.4p | 398.8p |
| NI Deadweight | 453.6p | 459.6p | 449.5p |
| GB Deadweight | 468.2p | 466.2p | 467.3p |

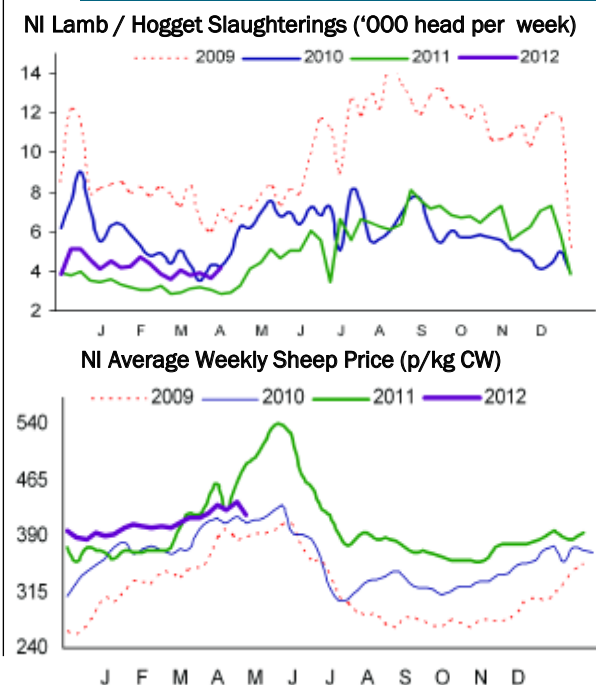
LATEST SHEEP MARTS

| From: 20/04/2012 To: 26/04/2012 | | Hoggets (P/KG LW) | | | | Spring Lambs (P/KG LW) | | | |
|---------------------------------|-------------|-------------------|------|-----|---------|------------------------|------|-----|---------|
| | | No. | From | To | Average | No. | From | To | Average |
| Saturday | Omagh | 203 | 300 | 379 | - | 25 | 396 | 400 | - |
| | Donemana | 251 | - | - | 330 | 58 | - | - | 431 |
| Monday | Massereene | 720 | 350 | 380 | - | 167 | 400 | 430 | - |
| | Kilrea | 210 | Top | 368 | - | 35 | Top | 409 | - |
| Tuesday | Saintfield | 344 | - | - | 345 | 71 | - | - | 415 |
| | Rathfriland | 157 | 300 | 350 | 330 | 173 | 382 | 409 | 398 |
| | Armoyle | 268 | 340 | 363 | 352 | 16 | - | - | 405 |
| Wednesday | Ballymena | 505 | 320 | 392 | 340 | 204 | 375 | 469 | 395 |
| | Enniskillen | 167 | 350 | 392 | 365 | 41 | 400 | 425 | 410 |
| | Markethill | 380 | 340 | 372 | - | 150 | 400 | 415 | - |
| Thursday | Downpatrick | 170 | 316 | 360 | 330 | 25 | 360 | 390 | 382 |

This week's marts

AT the sheep marts prices continued to come under pressure this week with a weaker trade in hoggets and spring lambs. In Rathfriland hogget prices averaged 330p/kg, 10p/kg lower than the previous week. Spring lamb prices were also significantly lower in Rathfriland at 398p/kg. The trade was similar in Downpatrick on Thursday where hogget prices averaged 330p/kg and spring lamb prices averaged 382p/kg. Prices appeared to be stronger in Saintfield and Enniskillen where lamb prices averaged 415 and 410p/kg respectively.

SHEEP TRADE



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