LMC BULLETIN

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# PAID CATTLE PRICES NOW SIGNIFICANTLY MORE THAN QUOTES OFFERED

Next week we expect that the majority of factories will be quoting 326-328p/kg for U-3 grade prime cattle. However, recent reported prices would indicate that factories have been prepared to pay significantly more for cattle than base quotes. This article will provide a comparison between quotes and reported prices in recent weeks and will help provide some clarity on prices that are currently available in the market for beef finishers.

Any analysis of prices quoted and actual prices paid by plants is complicated by the fact that it is not a like-for-like comparison. Factories provide base quotes each week which are an indication of what they will pay for finished cattle. These quotes are based on the U-3 grade and exclude bonuses and penalties. Quotes for other grades can be calculated from this base quote using the cattle pricing grid agreed between factory and producer representatives back in late 2010. This is outlined in Table 1 below. EU legislation means that factories are obliged to report the actual prices they paid for cattle in the previous week. These actual prices are published in this Bulletin each week, however, unlike base quotes, these reported prices are inclusive of all bonuses and penalties which makes comparison slightly more complicated

In addition to the base quotes an 8p/kg in spec bonus is available for cattle that kill out within specification. Significant bonuses are available for Aberdeen Angus cattle (8-36p/kg) and Hereford cattle (8-20p/kg) dependent upon the grade and scheme operating at individual factories. Deductions are also in place for cattle that are overage, overweight and for non-FQAS cattle. A summary of the bonuses and deductions currently in place are outlined in Tables 2,3 and 4. The combination of these factors affect the final price paid to the producer and when we undertake any comparison this must be considered.

Due to the extra bonuses available for Hereford and Aberdeen Angus prime cattle these have been removed for the sake of this analysis. In the overall average price these account for about 1p/kg of a difference. Last week the seven major plants were quoting a base price of 324-326p/kg for U-3 grade steers. The average price paid for 113 U-3 steers last week was 336p/kg. This price includes those cattle that qualified for the 8p/kg bonus and those that did not. This average price paid was 10p/kg above top steer quote of 326p/kg last week. This price paid indicates that all steers killed and price reported in NI last week qualified for the 8p/kg bonus and that none received any deductions for killing outside specification. Even if you make these unrealistic assumptions the paid prices are still 2p/kg above the base prices quoted. This is an indicator that much stronger prices have been paid.

The difference between the prices quoted and the prices paid is slightly more pronounced if we look at the price paid for U-3 grade heifers. Base quotes from the plants for heifers last week were 326-328p/kg and the average paid price was 339p/kg. If we assume that all heifers were paid at the top base quote of 328p/kg, that all heifers qualified for the 8p/kg bonus and that no heifers received any deductions then there is still a differential of 3p/kg between prices quoted and prices paid. Once again this clearly shows that stronger prices are available that the base quotes suggest. Similar differences in the prices quoted and the prices paid can also be observed if we look at R grading cattle last week. Using the grid in Table 1 and a base quote of 328p/kg an R=3 grading heifer should be quoted at most at 324p/kg. The average price paid for the 86 R=3 heifers killed last week was 335p/kg, 11p/kg more than the base quotes would suggest. R=3 heifers qualify for the 8p/kg bonus if they meet all the other spec criteria. Again if we assume that this is the case for all cattle within this grade the reported price is still at least 3p/kg higher than quotes.

The difference between quotes and prices could be explained in two ways. One explanation is that the average price of 339p/kg for U-3 grade heifers is broadly representative of the prices paid to all producers. This would imply that all producers are receiving the 8p/kg bonus and more besides. A more realistic explanation is that while some producers are being paid at the base prices quoted by the factories, some are receiving much more. Indeed LMC analysed the spread of prices paid for cattle in Bulletin issue 2208. This analysis clearly showed that a wide range of prices were available, with the top third of cattle attracting as much as 15-20p/kg more than the base quotes in early March 2012. Meanwhile quotes were found to be more in line with the prices paid for the bottom third of cattle.

It is likely that the wide range in prices is explained not only by the difference in price paid for in and out of spec cattle, but also on the ability of producers to negotiate the best price. Producers who have a good relationship with the processors due to a history of producing sufficient numbers of high quality cattle to the right spec are in a strong position to negotiate better prices. This is particularly relevant when cattle numbers are tight. Prime cattle slaughterings for the week ending the 23/06/2012 were 6,214 head, 3.5 per cent lower than the kill in the same week last year. The total prime cattle kill for the year to date stands at 157,686, almost 12 per cent down on the same period last year. With supplies remaining tight producers continue to have leverage in the market and with this in mind we would advise producers to take the base quotes as being subject to further negotiation.

## Table1: Pricing grid for Prime Cattle in Northern Ireland

| Conformation | Fat Cover | 1 | | | 2 | | | 3 | | | 4 | | | 5 | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | 1- | 1= | 1+ | 2- | 2= | 2+ | 3- | 3= | 3+ | 4- | 4= | 4+ | 5- | 5= | 5+ |
| E | + | -16 | -14 | -12 | BASE | +2 | +4 | +6 | +6 | +6 | +4 | BASE | -4 | -8 | -12 | -16 |
| | = | -16 | -14 | -12 | BASE | +2 | +4 | +6 | +6 | +6 | +4 | BASE | -4 | -8 | -12 | -16 |
| | - | -16 | -14 | -12 | BASE | +2 | +4 | +6 | +6 | +6 | +4 | BASE | -4 | -8 | -12 | -16 |
| U | + | -18 | -16 | -14 | -2 | BASE | +2 | +4 | +4 | +4 | +2 | -2 | -6 | -10 | -14 | -18 |
| | = | -20 | -18 | -16 | -4 | -2 | BASE | +2 | +2 | +2 | BASE | -4 | -8 | -12 | -16 | -20 |
| | - | -22 | -20 | -18 | -6 | -4 | -2 | BASE | BASE | BASE | -2 | -6 | -10 | -14 | -18 | -22 |
| R | + | -24 | -22 | -20 | -8 | -6 | -4 | -2 | -2 | -2 | -4 | -8 | -12 | -16 | -20 | -24 |
| | = | -26 | -24 | -22 | -10 | -8 | -6 | -4 | -4 | -4 | -6 | -10 | -14 | -18 | -22 | -26 |
| | - | -28 | -26 | -24 | -12 | -10 | -8 | -6 | -6 | -6 | -8 | -12 | -16 | -20 | -24 | -28 |
| O | + | -34 | -32 | -30 | -18 | -16 | -14 | -12 | -12 | -12 | -14 | -18 | -22 | -26 | -30 | -34 |
| | = | -40 | -38 | -36 | -24 | -22 | -20 | -18 | -18 | -18 | -20 | -24 | -28 | -32 | -36 | -40 |
| | - | -46 | -44 | -42 | -30 | -28 | -26 | -24 | -24 | -24 | -26 | -30 | -34 | -38 | -42 | -46 |
| P | + | -52 | -50 | -48 | -36 | -34 | -32 | -30 | -30 | -30 | -32 | -36 | -40 | -44 | -48 | -52 |
| | = | -58 | -56 | -54 | -42 | -40 | -38 | -36 | -36 | -36 | -38 | -42 | -46 | -50 | -54 | -58 |
| | - | -64 | -62 | -60 | -48 | -46 | -44 | -42 | -42 | -42 | -44 | -48 | -52 | -56 | -60 | -64 |

Effective from 28th March 2011 in seven Northern Ireland red meat processing factories; In spec grades inside Gold Box.

## Table 2: Specification for 8p/kg bonus on steers and heifers

| Bonus Specification Steers and Heifers Only | Criteria |
|---|---|
| Grades attracting bonus | E,U,R, 3, 4-, 4= and O+3 |
| Weight | 280-380kg |
| Age | Under 30 Months |
| FQAS | Yes |
| Country of Origin | UK Only |

There may be variations from these criteria at different factories and some factories apply additional criteria

## Table 3: Specification where deductions may apply

| Category | Criteria | Quoted Deduction |
|---|---|---|
| S, H | Over 30 Months | 10p/kg |
| YB | Over 16 Months | 10p/kg |
| YB | Over 24 Months | 20p/kg |
| S, H, YB | Under 260kg | £12.50/head |
| S, H, YB | Under 240kg | £24/head |
| S, H, YB | Over 420kg | 10p/kg |

All Deductions from applicable base price. Factories paying base price for cattle between 260-280kg and 380-420kg. There may be variations from these criteria at different factories.

## Table 4: Specification for Angus and Hereford bonus on steers and heifers

| Bonus Specification | | |
|---|---|---|
| Breed | Aberdeen Angus | Hereford |
| Bonus available | 8-36p/kg | 10-20p/kg |
| Grades attracting bonuses | O3,O4,R3,R4,U3,U4 | O3,O4,R3,R4,U3,U4 |
| Weight | 240-400kg | 240-400kg |
| Age | Under 30 Months | Under 30 Months |
| FQAS | Yes | Yes |
| Country of Origin | Northern Ireland | Northern Ireland |

There may be variations from these criteria at different factories and some factories apply additional criteria


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### FQAS Helpline

If you have had a recent inspection and need help and advice to rectify any non-conformances, contact the FQAS helpline:
028 9263 3024

### Answerphone Service

Factory Quotes &
Mart Results
Updated 5pm Daily

Tel: 028 9263 3011

### Text Service

Free Price Quotes sent to your mobile phone weekly

Email - bulletin@lmcni.com
Tel: 028 9263 3000

# WEEKLY BEEF & LAMB MARKETS

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## CATTLE TRADE

| CATTLE QUOTES | | |
|---|---|---|
| (P/KG DW) | This Week 25/06/12 | Next Week 02/07/12 |
| U-3 | 324 - 328p | 322 - 328p |
| R-3 | 318 - 322p | 316 - 322p |
| O+3 | 312 - 316p | 308 - 316p |
| Cows | 280 - 290p | 280 - 290p |

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

| LAST WEEK'S NI CATTLE PRICES - P/KG | | | | |
|---|---|---|---|---|
| W/E 23/06/12 | Steers | Heifers | Young Bulls | Cows |
| U-3= | 335.3 | 341.4 | 328.0 | 310.0 |
| U=3= | 334.9 | 336.6 | 326.9 | - |
| U=4= | 326.5 | 341.9 | - | - |
| R=3= | 334.7 | 335.6 | 324.3 | 290.0 |
| R=4= | 327.6 | 331.0 | 318.7 | 296.0 |
| O=3= | 320.4 | 316.7 | 310.4 | 285.5 |
| O+3= | 328.5 | 327.7 | 316.8 | 295.6 |
| O+4= | 324.4 | 320.8 | - | 299.4 |
| P+2= | 298.2 | 310.0 | 301.5 | 244.2 |
| P+3= | 305.8 | 293.9 | 303.6 | 275.6 |
| Average | 327.5 | 327.4 | 315.0 | 267.3 |

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 23/06/12 | | Scotland | Northern England | Midlands & Wales | Southern England | Northern Ireland | Rep of Ireland |
| Steers | U3 | 363.0 | 353.7 | 351.3 | 349.0 | 337.2 | 335.0 |
| | R3 | 356.4 | 346.6 | 343.0 | 337.3 | 335.0 | 327.8 |
| | R4 | 358.2 | 347.7 | 341.5 | 336.8 | 329.1 | 327.0 |
| | O3 | 344.4 | 337.1 | 322.3 | 316.0 | 322.1 | 314.7 |
| | Average | 355.8 | 343.3 | 336.8 | 318.3 | 327.5 | - |
| Heifers | U3 | 360.9 | 353.3 | 355.8 | 348.9 | 339.6 | 349.0 |
| | R3 | 354.6 | 343.2 | 340.3 | 338.4 | 336.3 | 338.8 |
| | R4 | 357.0 | 343.0 | 342.7 | 335.9 | 332.1 | 337.6 |
| | O3 | 340.6 | 335.9 | 329.9 | 321.5 | 323.8 | 322.8 |
| | Average | 354.4 | 340.7 | 339.6 | 327.4 | 327.4 | - |
| Young Bulls | U3 | 350.4 | 339.7 | 344.8 | 347.4 | 328.2 | 335.4 |
| | R3 | 345.6 | 331.5 | 333.6 | 327.9 | 324.3 | 327.4 |
| | O3 | 327.1 | 310.7 | 315.0 | 311.4 | 309.6 | 315.1 |
| | Average | 342.5 | 319.5 | 330.8 | 326.6 | 315.0 | - |
| Prime Cattle Price Reported | | 6693 | 5745 | 4893 | 4109 | 3720 | - |
| Cows | O3 | 297.2 | 289.9 | 282.4 | 266.2 | 286.5 | 284.2 |
| | O4 | 299.6 | 291.2 | 287.9 | 275.5 | 293.0 | 285.7 |
| | P2 | 233.3 | 239.9 | 243.1 | 233.0 | 247.4 | 252.4 |
| | P3 | 251.8 | 269.6 | 253.2 | 239.2 | 272.7 | 281.1 |

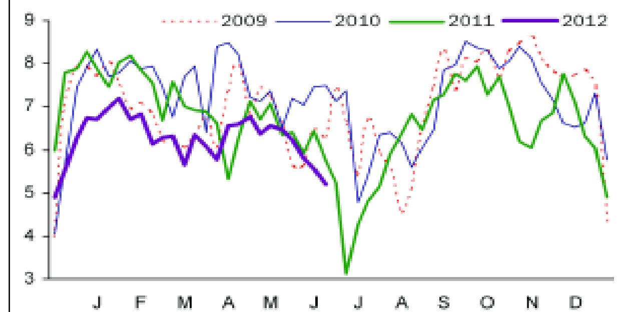
Notes:
(i)Prices are p/kg Sterling-ROI prices converted at 1 euro=80.57p Stg.
(ii) Shading indicates a lower price than the previous week.

## Deadweight Cattle Trade

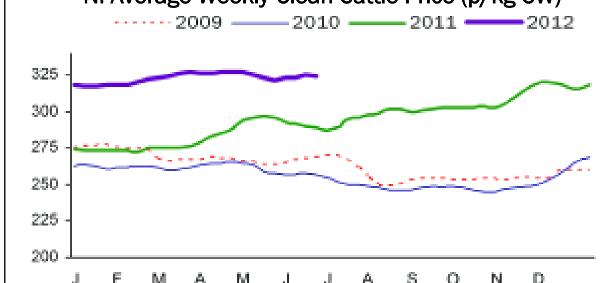
BASE quotes of 326-328p/kg were available this week with the majority of plants quoting 328p/kg for heifers. Similar quotes are available for Monday but one plant has reduced quotes to 322-324p/kg. The strong trade for fat cows continues with quotes for first quality cows ranging from 280-290p/kg. Last week's reported prices indicate a fairly steady trade with average prices for all classes of cattle similar to the previous week. Average steer and heifer prices showed a slight decline of about 1p/kg with the average price paid for steers and heifers 327.5p/kg and 327.4p/kg respectively. Average young bull prices were 315p/kg last week, back 1.6p/kg on the previous week. Cattle numbers remain tight with 5,204 prime cattle slaughtered last week, down from 5,560 the previous week. In the same week last year 6438 prime cattle were slaughtered, representing a decline of 19.1 per cent.

Trade remains strong across the other regions of the UK. In Scotland average steer and heifer prices increased by around 1.5p/kg. Average steer and heifer prices also increased in Northern England. Average steer prices were up almost 0.8p/kg to 343.3p/kg and average heifer prices were up 2.1p/kg to 340.7p/kg. R3 steer and heifer prices were up 2p/kg and 4.3p/kg respectively. Prices for prime cattle in Southern England have also shown an increase with average R3 steer prices up by almost 5p/kg to 337.3p/kg with R3 heifer prices increasing by 7.7p/kg to 338.4p/kg. The price paid for U3 grade young bulls increased by 4.1p/kg to 347.4p/kg. Prices paid for all cattle in ROI remained fairly consistent with the previous weeks in sterling terms. With shifts in the value of the euro prices improved slightly in euro terms with the average R3 steer price up 1.3c/kg and the average R3 heifer price up 2.6c/kg.

NI Clean Cattle Slaughterings ('000 head per week)




NI Average Weekly Clean Cattle Price (p/kg CW)




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) | | | Store Cattle (£/100kg LW) | | | Dropped Calves (£/head) | | |
| | from | to | | from | to | | from | to |
| Steers | | | Store bullocks up to 400kg | | | Continental bull calves | | |
| 1st quality | 196 | 213 | 1st quality | 190 | 211 | | | |
| 2nd quality | 180 | 195 | 2nd quality | 162 | 189 | 1st quality | 300 | 400 |
| Friesians | 134 | 172 | | | | 2nd quality | 220 | 298 |
| | | | Store bullocks 400kg-500kg | | | | | |
| Heifers | | | 1st quality | 195 | 214 | Continental heifer calves | | |
| 1st quality | 180 | 213 | 2nd quality | 170 | 194 | | | |
| 2nd quality | 160 | 179 | | | | 1st quality | 250 | 350 |
| | | | Store bullocks over 500kg | | | 2nd quality | 160 | 248 |
| Beef Cows | | | 1st quality | 195 | 215 | | | |
| | | | 2nd quality | 170 | 194 | Friesian bull calves | | |
| 1st quality | 167 | 205 | | | | | | |
| 2nd quality | 130 | 166 | Store heifers up to 450kg | | | 1st quality | 180 | 265 |
| | | | 1st quality | 200 | 228 | 2nd quality | 100 | 178 |
| Dairy Cows | | | 2nd quality | 166 | 198 | | | |
| | | | | | | Holstein Bull Calves | | |
| 1st quality | 120 | 147 | Store heifers over 450kg | | | | 25 | 210 |
| 2nd quality | 100 | 119 | 1st quality | 182 | 204 | | | |
| | | | 2nd quality | 160 | 180 | | | |

Taken from a sample of beef marts in the week ended 22/06/12

## Deadweight Sheep Trade

THE lamb quotes for the end of the week were 375-380p/kg, back from the 380-385p/kg available late last week. Lamb slaughterings in NI remain strong with 8036 head killed last week, approx 800 more than the previous week and almost 60% ahead of the same week last year. The higher lamb kill is due to an increased supply of lamb and a decrease in exports to ROI. Last week 5,535 lambs were exported to ROI for direct slaughter, almost 40 per cent less than the 8,920 exported in the same week last year. With increased supplies of lambs south of the border the slaughterings in ROI are running 5.5 per cent ahead of the same time last year despite the reduced imports from NI.

**SHEEP QUOTES**

| (P/KG DW) | This Week 25/06/12 | Next Week 02/07/12 |
|---|---|---|
| Spring Lambs | 375 - 380p | 375-380p |

*Lambs up to 21kgs.*

**REPORTED LAMB PRICES - P/KG**

| (P/KG) | W/E 09/06/12 | W/E 16/06/12 | W/E 23/06/12 |
|---|---|---|---|
| NI Liveweight | 351.3p | 369.6p | 355.9p |
| NI Deadweight | 350.8p | 386.7p | 375.3p |
| GB Deadweight | 407.2p | 422.2p | 434.7p |

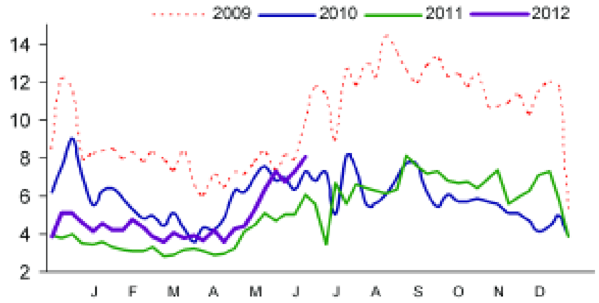
**LATEST SHEEP MARTS**

| From: 23/06/2012 To: 29/06/2012 | | Spring Lambs (P/KG LW) | | | |
|---|---|---|---|---|---|
| | | No. | From | To | Average |
| Saturday | Omagh | 319 | 351 | 386 | - |
| | Donemana | 538 | 338 | 368 | - |
| | Swatragh | 419 | 371 | 378 | - |
| Monday | Kilrea | 520 | Upto 359 | | 345 |
| | Massereene | 739 | 350 | 381 | - |
| Tuesday | Saintfield | 640 | 338 | 396 | 362 |
| | Rathfriland | 861 | 330 | 365 | 354 |
| | Armoy | 163 | 340 | 373 | 358 |
| Wednesday | Ballymena | 688 | 340 | 409 | 350 |
| | Enniskillen | 414 | 356 | 382 | 365 |
| | Markethill | 750 | 348 | 362 | 352 |
| | Newtownstewart | 506 | 342 | 364 | 352 |

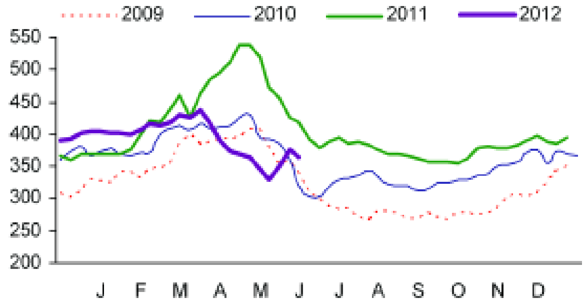
## This week's marts

THE numbers passing through many of the sale rings increased this week. The trade has generally been similar to the previous week. In Saintfield on Tuesday 640 lambs sold from 338-396p/kg compared to 560 lambs selling to 340-394 the previous week. A larger show of lambs in Markethill on Wednesday saw a slightly easier trade with 750 lambs selling to an average of 352p/kg compared to 450 lambs the previous week selling to an average of 360p/kg. The strong trade for good quality cull ewes continues with top prices in excess of £90 per head in Saintfield, Massereeene and Rathfriland during the week.

**NI Lamb / Hogget Slaughterings ('000 head per week)**




**NI Average Weekly Sheep Price (p/kg CW)**




*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