LMC BULLETIN

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CONFORMATION STATISTICS UPDATE

Mechanical grading in the form of Video Imaging Analysis (VIA) was introduced in seven NI factories for the grading of beef carcases in March 2011. The VIA machine was calibrated to a grading standard set by a panel of EU expert graders using the fifteen point scale (U-, R+, O= etc). It replaced the LMC classifiers who had previously graded the carcases manually on a five point scale (U, R, O etc).

Tighter grading standard

From a producer perspective, perhaps the most obvious impact of the introduction of VIA is the tighter grading standard to which the machines have been calibrated (relative to manual grading) and a change in the distribution of grades as a result. Using data associated with price reported prime cattle in NI, (about 75 per cent of the kill) this article will outline the key changes in grade distribution for prime cattle between April 2010 - March 2011, when cattle were manually graded, and April 2011-March 2012, when cattle were mechanically graded using VIA. It will also look at how the grading statistics have developed as the last year has progressed. Due to space considerations this article will focus primarily on changes in conformation (and not on fat class) since the introduction of VIA for the purposes of comparison.

Table 1 clearly outlines that there have been shifts in grade distribution and grading has been somewhat tighter in the year ending March 2012 when compared to the year ending March 2011. In the year ending March 2011 22.9 per cent of prime carcases were classified as U grade by manual graders. In the year ending March 2012 this had declined to 15.8 per cent under VIA. In the same period there were slight changes in the proportion of cattle grading at R and O grades and the proportion of P grades (almost exclusively dairy origin) increased from 3.9 per cent to 10.9 per cent under the new system.

Slide down the scale

Immediately after the introduction of VIA and the tighter grading standard there was effectively a slide in grades down the scale, presumably in borderline cases. For example, cattle that may previously have scraped in as a U grade may now be grading R+. It is noteworthy that there has been no corresponding increase in R grades and this is because those borderline R/O+ cases may be more likely to kill at O+ under VIA. The same is the case with O grades with poorer conformed animals now slipping back into P grades. Under manual grading only the worst dairy-origin stock would have been awarded P grades but with the tighter grading standard under VIA there has been a sharp increase in P grades.

Price neutrality

It is difficult to demonstrate that the introduction of the tighter grading standard was price neutral and should not disadvantage producers. However, there are several factors that ought to provide producers with reassurance. Firstly the introduction of the new pricing grid along with mechanical grading has meant that slipping down a sub grade (e.g. U- to R+) results in a 2p/kg deduction. Under the old system, the difference between a U and R grade was more substantial at 6p/kg. Furthermore, there is evidence that demonstrates that the market has compensated for the tighter grading standard by attaching a greater relative value to each grade (see LMC Quarterly, Pilot Issue).

Other factors

To a large extent, these shifts in grade can be attributed to the tightening of the grading standard by the introduction of VIA and the adoption of the 15 point scale grading scale. However it is important that other factors that have the potential to affect carcase conformation are also considered. The decisions taken at farm level in terms of production systems (e.g. length of finishing period, level of feeding and live-weight at slaughter) can have a direct effect on the finished carcase grade.

Recovery in grading performance

Readers who recall the grading statistics for the first six months of VIA will recognise that the grading statistics for the entire first year are somewhat more positive than those of the first half of the year. Figure 1 shows the number of U grading prime cattle between April 2010 and June 2012 as a proportion of total prime cattle slaughterings and it demonstrates how the proportion of U grades had fallen following the introduction of VIA and subsequently recovered to some extent.

Figure 1 shows how from April 2010 – March 2011, when cattle were being manually graded, there was some seasonality in the proportion of U grade prime cattle but the overall trend line indicates that the proportion didn't change drastically over the course of the year. Following the introduction of VIA grading in April 2011 the proportion of U grading cattle in the slaughter mix declined to 12.3 per cent (April – May 2011). However, as the year progressed, there appeared to be a gradual increase in the proportion of U grades. By April / May 2012, the proportion of U grades increased to 18.2 per cent of the price reported prime cattle kill.

DARD have provided assurances that the mechanical grading system has not been changed or tweaked during that period and as such it ought to be possible to conclude that the increase in the number of better conformed animals being presented for slaughter indicate that producers have adjusted production systems. There is evidence that carcase weights and feed usage have increased during that period which indicates that producers are slaughtering animals at heavier weights to maximise returns.

Heavier carcase weights

Table 2 shows carcase weights of prime cattle by grade for April / May 2010-12. The 2010 figures represent cattle that were graded manually and the 2011/2012 figures represent cattle that were graded by machine with a tighter grading standard.

A comparison of the 2010 versus the 2011 figures provides an insight into the impact of the tighter grading standard. There was no year-on-year change in average carcase weights in April/May 2011. However, with the shift in the grading standard, there was a marked increase in the average carcase weight (ACW) of each grade and therefore it appeared to take a heavier carcase to get into the better grades. For example the ACW of U grades increased by 12kgs while the ACW weight of P grades was up by 14kgs.

A comparison of the 2011 and 2012 figures provides further food for thought. In April / May of this year there has been a sharp increase in slaughter weights generally with the average carcase weight of all prime cattle increasing by 12.3kg year-on-year. It is possible that this has been an important factor in leading to changes in grading results over the course of the last year.

With increases in beef prices producers may be pushing animals into heavier weights with the motivation that additional carcase weight driving increased gross revenue. It is also possible that the new grading system has been a driver of this trend with some producers perhaps chasing better conformation grades and have changed their finishing practices accordingly.

Increased feed use per head

Data available from DARD with regards to Animal Feed Statistics show an increase in the levels of concentrates purchased during the first quarter. Purchases of beef coarse mixes and blends increased by almost 5 per cent in the first quarter of 2012 when compared to the corresponding period in 2011. During the same twelve week period the total number of cattle slaughtered was down just over 16 per cent which, when taken in conjunction with the increase in purchased feed, indicates higher meal feeding levels per head of stock. One explanation for increasing meal purchases may be the lengthening of the final finishing period by producers to achieve higher carcase weights. The increase in meal feeding levels may also be as a response to VIA grading results. This may be true where producers have traditionally been producing U grade cattle but have slipped back a grade under the VIA mechanical grading (i.e. from a U-grade to an R+).

It is worth bearing in mind that this may be a consideration of producers who may be lengthening the final finishing stage and increasing feed levels per head. It may also be worth considering whether this extra investment is always worthwhile. This will be discussed in a brief follow-up article in the coming weeks along with fat class statistics.

When VIA was initially introduced DARD made a commitment to review the performance of the machines and to consider if any improvements could be made to their calibration after the system had been in place for a year. A press release from DARD last week outlined that overall the machines have performed consistently with high scores for grading accuracy. Analysis of the first year's data has allowed DARD, with the agreement of the relevant UK and EU authorities, to make small refinements to the technical specification used in VIA. It should be noted that these changes were applied to all the machines at the same time at the end of May 2012 and will result in only subtle changes to grade distribution.

LMC QUARTERLY

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Figure 1: Proportion of U grades
in price reported prime cattle kill 2010-2012

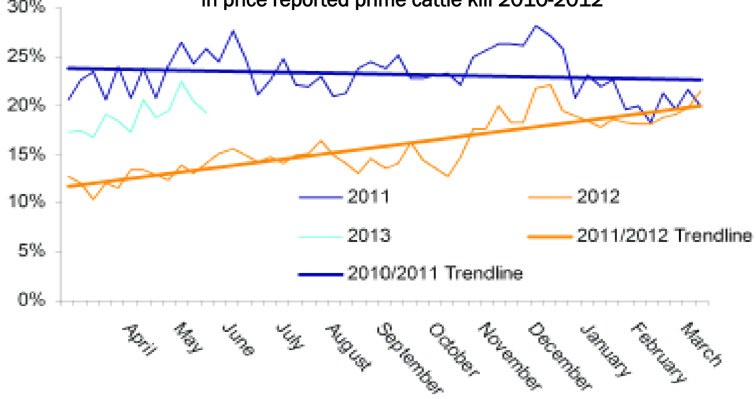

Table 1: Manual Grading results (April2010- March 2011)
VIA Grading results (April 2011-March 2012)

	Conformation				
Year	E	U	R	O	P
2010/2011	1.00%	22.90%	38.80%	33.30%	3.90%
2011/2012	0.30%	15.80%	40.70%	32.40%	10.90%

TABLE 2: Average carcss weights for April-May 2010-2012

	Conformation (Avg Cold Wt)					
Year	E	U	R	O	P	Total
2010	412.31	372.83	335.18	294.49	250.41	327.81
2011	419.62	385.08	345.46	305.59	264.69	327.49
2012	460.82	396.27	352.12	310.22	272.57	339.75

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

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WEEKLY BEEF & LAMB MARKETS

LMC

CATTLE TRADE

CATTLE QUOTES		
(P/KG DW)	This Week 02/07/12	Next Week 09/07/12
U-3	322 - 328p	318-320p
R-3	316 - 322p	312 - 314p
O+3	308 - 316p	306 - 308p
Cows	280 - 290p	275p

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

THIS WEEK'S NI CATTLE PRICES - P/KG				
W/E 30/06/12	Steers	Heifers	Young Bulls	Cows
U-3=	336.2	340.2	329.2	309.3
U=3=	332.7	343.8	331.1	320.6
U=4=	329.8	339.6	336.0	312.0
R=3=	334.0	337.6	325.1	308.9
R=4=	330.3	334.4	316.0	308.9
O=3=	317.9	318.7	309.6	288.4
O+3=	328.0	327.2	313.0	300.1
O+4=	327.1	323.4	-	297.2
P+2=	296.3	282.7	296.4	252.5
P+3=	300.5	298.2	288.9	276.5
Average	325.5	328.3	316.3	271.5

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 30/06/12		Scotland	Northern England	Midlands & Wales	Southern England	Northern Ireland	Rep of Ireland
Steers	U3	365.2	354.8	353.7	349.1	336.8	335.3
	R3	357.1	347.9	344.5	338.1	333.5	327.3
	R4	359.0	350.0	343.4	337.9	329.6	327.2
	O3	343.6	337.0	326.0	315.2	318.8	314.7
	Average	356.7	345.0	339.6	319.2	325.5	-
Heifers	U3	363.8	352.9	358.1	348.2	341.4	348.3
	R3	354.6	345.1	347.2	336.9	336.0	337.4
	R4	358.3	347.5	345.0	338.9	333.3	336.8
	O3	337.0	334.5	334.1	320.1	322.2	322.9
	Average	355.7	344.4	340.1	328.0	328.3	-
Young Bulls	U3	352.7	341.2	346.4	346.6	329.3	335.5
	R3	347.7	330.8	334.3	332.8	324.3	329.4
	O3	328.1	314.8	316.8	314.2	309.5	315.9
	Average	344.2	326.5	330.8	326.1	316.3	-
Prime Cattle Price Reported		6438	6153	5079	4549	3720	-
Cows	O3	295.5	290.5	291.6	276.1	289.3	284.5
	O4	299.7	290.5	292.3	279.3	291.6	286.4
	P2	239.5	239.5	237.1	236.1	248.0	253.5
	P3	258.8	268.9	259.4	255.3	273.2	279.7

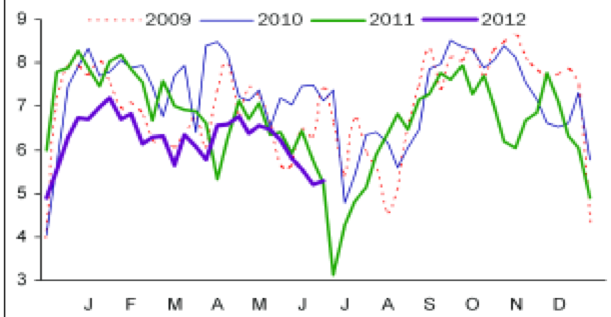
Notes:
(i) Prices are p/kg Sterling-ROI prices converted at 1 euro=80.16p Stg.
(ii) Shading indicates a lower price than the previous week.

Deadweight Cattle Trade

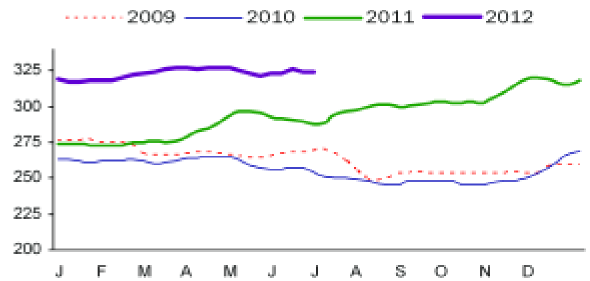
This week trade remained steady with plants in general continuing to offer base quotes of 326-328p/kg for U-3 grade prime cattle. Quotes for cows also remained similar at 280-290p/kg. Plants are reporting a reduction in base quotes for prime cattle on Monday to 318-320p/kg but many have stated that they have the majority of cattle already purchased. Prime cattle slaughterings last week totaled 5292, a slight increase on the 5204 head killed the previous week. The cow kill has also remained strong last week with 1760 head slaughtered, up from 1683 the previous week.

The average steer price in NI last week was 325.5p/kg, down 2p/kg from the previous week while average heifer prices have shown an increase of around 1p/kg to 328.3p/kg. Average R=3= steer prices were back 0.7p/kg to 334p/kg while R=3= heifer prices increased by 2p/kg to 337.6p/kg. Trade has remained relatively steady across the other UK regions with average steer and heifer prices up 0.9p/kg and 1.3p/kg respectively in Scotland. Average young bull prices in Scotland have also shown an increase, up 1.7p/kg to 344.2p/kg. The average steer price in the Midlands increased by 2.8p/kg to 339.6p/kg. Average R3 steer prices in Northern England increased by 1.3p/kg to 347.9p/kg while average heifer prices increased by 1.9p/kg to 345.1p/kg. Meanwhile in Northern Ireland average R3 steer and heifer prices were down 1.5p/kg and 0.3p/kg respectively. The differential between Northern England and NI last week was 14.4p/kg for R3 grading steers and 9.1p/kg for R3 grading heifers. Trade has remained very steady in ROI in sterling terms but with improvements in the value of the euro the average U3 steer and heifer prices have increased by 2.3c/kg and 1.2c/kg respectively.

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	190	207	1st quality	206	254			
2nd quality	168	189	2nd quality	175	205	1st quality	255	395
Friesians	132	165				2nd quality	200	250
			Store bullocks 400kg-500kg					
Heifers			1st quality	182	200	Continental heifer calves		
1st quality	192	214	2nd quality	170	181			
2nd quality	169	191				1st quality	240	350
			Store bullocks over 500kg			2nd quality	160	235
Beef Cows			1st quality	181	211			
			2nd quality	160	180	Friesian bull calves		
1st quality	175	197						
2nd quality	125	174	Store heifers up to 450kg			1st quality	205	250
			1st quality	185	250	2nd quality	100	200
Dairy Cows			2nd quality	164	184			
						Holstein Bull Calves		
1st quality	130	164	Store heifers over 450kg				18	225
2nd quality	105	129	1st quality	190	246			
			2nd quality	164	189			

Taken from a sample of beef marts in the week ended 06/07/12

Deadweight Sheep Trade

With stronger supplies of lambs the pressure on prices has continued this week with plants paying 370-375p/kg for R3 grading lambs, down from the 380p/kg available last week. Plants are quoting 360-365p/kg for Monday. Throughput in the plants remained markedly higher than the same week last year with increased supply and lower levels of live export. 8075 sheep were slaughtered last week compared to 5406 the same week last year, almost a 50 per cent increase. The average NI Deadweight price last week was 371.0p/kg, down from the 375.3p/kg paid the previous week. Deadweight prices are currently 58.3p/kg behind average prices in mainland GB.

SHEEP QUOTES		
(P/KG DW)	This Week 02/07/12	Next Week 09/07/12
Spring Lambs	370-375p	360-365p

Lambs up to 21kgs.

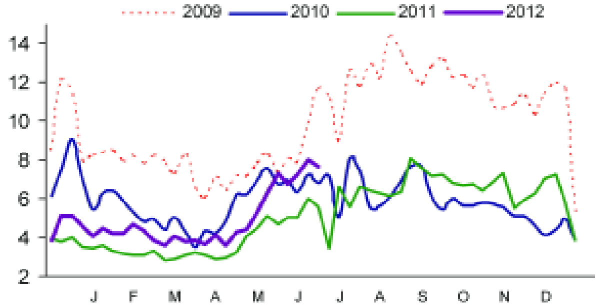
REPORTED LAMB PRICES - P/KG			
(P/KG)	W/E 16/06/12	W/E 23/06/12	W/E 30/06/12
NI Liveweight	369.6p	355.9p	354.1p
NI Deadweight	386.7p	375.3p	371.0p
GB Deadweight	422.2p	434.7p	429.3p

LATEST SHEEP MARTS						
From: 30/06/2012 To: 06/07/2012		Spring Lambs (P/KG LW)				
		No.	From	To	Average
Saturday	Omagh	568	363	392	
	Donemana	725	326	381	
	Swatragh	520	up to 406		
Monday	Kilrea	650	348	362	350
	Massereene	922	345	374	
Tuesday	Saintfield	781	340	387	355
	Rathfriland	800	332	411	350
	Armoy	303	340	363	352
Wednesday	Ballymena	1314	320	365	330
	Enniskillen	694	335	354	340
	Markethill	850	330	351	340
	Newtownstewart	622	320	355	336

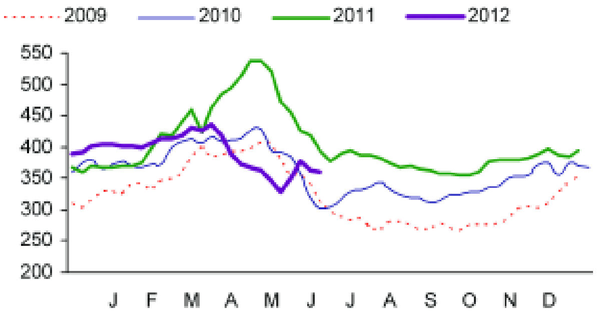
This week's marts

The marts have reported larger throughput this week as the number of lambs available increases. Trade has been back slightly with 781 lambs selling to an average of 355p/kg in Saintfield on Tuesday, back from the 640 lambs selling to an average of 362p/kg last week. A similar trend has been reported elsewhere. In Enniskillen on Wednesday almost 700 lambs sold from 335-354p/kg, down from the 356-382p/kg available for 414 lambs sold last week. The strong trade for cull ewes continues across NI. The majority of marts are closed next week and sales will recommence as usual from Monday 16th July.

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



NI Average Weekly Sheep Price (p/kg CW)



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