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NI RETAIL BEEF AND LAMB MARKET OVERVIEW SEPTEMBER 2012

THE latest retail data from Kantar has indicated that the value of beef sales in NI for the year ending September 2012 increased by 12 per cent when compared to the year ending September 2011 (Figure1). This increase in the value of sales is due primarily to an increase in the retail beef price as there has actually been a 5.5 per cent decline in the amount of beef sold in NI year on year (Figure2). The retail price has increased from £5.93/kg to £7.03/kg during this period. This increase by £1.10/kg accounts for a 18.5 per cent increase in the average retail price and has led to an increase in beef's value share of total meat sales to 36 per cent. Beef's volume share of total meat sales has also increased in the year up to September 2012, up from 28.4 per cent to 29.8 per cent year on year.

Despite the rising average retail price of beef and the decline in the volume of beef sold market penetration has remained fairly similar to the previous year at 94 per cent. However an important change has been that consumers are now spending more on beef with the annual spend on beef per customer in NI increasing by 9.7 per cent to £171.70 year on year.

Meanwhile the value of lamb sales in NI for the same period increased by 14.4 per cent (Figure1). As with beef this increase in the value of sales occured as a result of a rising retail price. This increase has been a key factor in reducing the volume of lamb sold in NI, down 2.1 per cent per cent year on year (Figure 2).

With the average retail price increasing from £6.73 to £7.86 year on year, an increase of 18 per cent, there was a decline in market penetration from 58.8 per cent to 48.3 per cent. This decline is likely to be due to reduced consumer spending power combined with the rising retail price of lamb. Those customers continuing to buy lamb have however spent more with annual spend per customer increasing to £52.20 per year, a 37.7 per cent increase on the £37.90 the previous year.

The rising retail price of lamb products has meant that the value of lamb's market share of total meat market sales has increased slightly to 5.6 per cent. Lamb's market share of total meat sales has also increased in terms of volume sales, up to 4.2 per cent from 3.8 per cent the previous year.

Figure 1: Year on Year growth in meat sales by value for the year ending September 2012

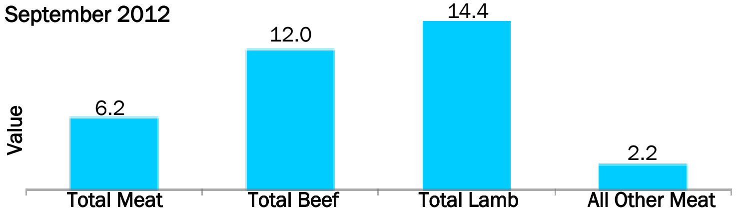
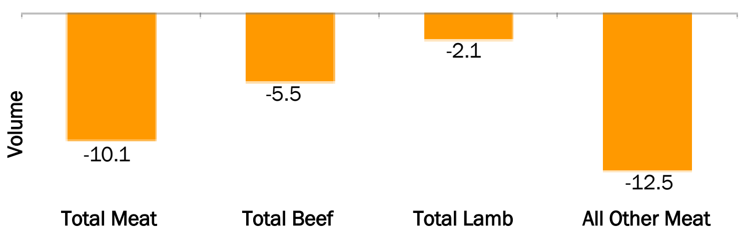


Figure 2: Year on Year growth in meat sales by volume for the year ending September 2012



GROWING FUTURE DEMAND FOR BEEF

THE recent World Meat Market in Transition report from Agra Europe has indicated that recent global economic developments have had significant impacts on beef consumption patterns around the world. One of the biggest changes has been an increase in per capita beef consumption in emerging economies such as Brazil, South Africa and China as incomes increase. Meanwhile growth in consumption per capita in developed countries such as the US and the EU has been declining due to the economic downturn and health concerns.

As these changes in beef consumption occur and global economies continue to develop it is likely that a new pattern of international demand will emerge over the next few decades. With the world population expected to have grown by 761 million people between 2010 and 2012 and with rising living standards across the developing world the global demand for beef and beef products is expected to increase over the next decade.

The NI industry sees this increased demand as an opportunity, but the question is how does the sector capitalise on this potential? Sustainable growth to increase supply is the objective but current difficulties with weather, rising production costs and tight margins highlight just how difficult it is to achieve growth. Ongoing work to improve industry efficiency and optimal marketing of the entire carcase is crucial in this regard. Producers and processors alike should be encouraging an efficient beef industry which maximises output per hectare, produces a product which the consumer wants and can consistently support a margin for all levels of the supply chain.

The ability of the NI beef industry to capitalise on the opportunities provided by growing future demand is ultimately constrained by supply. Current supply remains under pressure and the prospects for increased supply are limited in the short term at least. The latest slaughter statistics from DARD have indicated that for the year to date 268,662 prime cattle have been killed in NI, a 5 per cent reduction on the 282,784 head killed in the same period last year. The total amount of beef produced from prime cattle over this period has fallen by 3.3 per cent.

However much of this decline in beef production occurred in the first quarter of the year when cattle numbers were tight. Cattle slaughterings have shown signs of recovery in recent months with increasing throughput in the plants. The early housing of cattle due to poor weather conditions may have meant animals are finishing earlier in the year than anticipated and has resulted in the traditional ‘back end’ flush of cattle coming through to slaughter 3-4 weeks earlier than usual. As a result the plants are expecting prime cattle numbers to tighten in the coming weeks

The throughput of prime cattle in the plants over the last twelve weeks has been fairly similar to the same period last year but with 82,967 head of prime cattle killed throughput is still below levels during the same period in 2009 and 2010 as outlined in Table 1. Meanwhile beef production from the prime kill during the last twelve weeks in NI has decreased slightly to 28,056 tonnes, a one per cent decrease on the 28,247 tonnes produced in the same twelve week period last year. This slight decrease in beef production can be attributed to the reduction in the prime kill by 460 head when comparing the two twelve week periods. However during the last twelve weeks there has been a slight increase in average carcass weights compared to the same period in 2011 (+ 0.5kg to 339kg).

The tightness in supply experienced in NI during 2012 is also reflected elsewhere in the world. A recent report from the USDA Foreign Agricultural Service has indicated a one per cent contraction in cattle numbers across the EU between 2012 and 2013 due to increasing input costs and a phasing out of government support in some EU nations. This decline is expected to reduce EU beef production by 8 million tonnes and further reduce the availability of beef for export to non EU countries. The report indicates a decline in exports from the EU by 40 per cent in the first half of the year. In contrast to the declining cattle herd in the EU the preliminary results of the June 2012 Agricultural Census indicated a two per cent increase in total cattle numbers in NI in 2012 compared to 2011.

Table 1: Breakdown of slaughter statistics August-October 2009-2012

	2009	2010	2011	2012
Prime Kill	85,168	87,679	83,427	82,967
Average Carcase weight (kg)	331	332	338	339
Total Carcase weight (tonne)	28,269	29,095	28,247	28,056

OPTIMISING CARCASE WEIGHTS

FOR some producers increasing carcase weights offers them a way of maximising the value of finished animals. However, the current high cost of feed highlights the importance of maximising efficiency and before pushing cattle into heavier weights producers need to consider the cost of production for each additional kg of carcase weight added. The benefits must also be considered, particularly where overweight penalties are applied by the factories and the grade the animal is likely to achieve. In some instances it may actually be more beneficial to producers to finish adequately fleshed animals at lower carcase weights.

Where it makes sense to push animals into heavier weights producers should still aim to produce animals within factory specifications. The introduction of an 8p/kg bonus by the processors for steers and heifers that are killed ‘within spec’ was an effort to increase the proportion of prime cattle produced that meet the specification of their customers. An increase in the number of smaller households in NI combined with reduced spending power has meant that the average weight per purchase and pack sizes have steadily declined over the long term. This has probably been a key driver for the factories incentivising the production of 280-380kg carcase weights by offering the 8p/kg bonus as the size of the individual cuts from carcases within this weight range meet customer requirements. It is however worth noting that depending on circumstances penalties on weight may not be applied rigidly and bonus payments may be more widespread In September 2012 28.4 per cent of steers and heifers qualified for this bonus payment.

Slaughter statistics for September 2012 have indicated that 61.2 per cent of price reported steers and heifers had carcase weights in the 280-380kg range and therefore have the potential to achieve the 8p/kg bonus if they fulfil the rest of the in spec bonus criteria (i.e. Correct grade, FQ assured status, number of movements and under 30 months). This compares to 64.6 per cent in September 2011. Meanwhile there has been a slight increase in the number of cattle with carcase weights 380-420kg, up from 15.6 per cent of the kill in September 2011 to 15.8 per cent in September 2012. The proportion of carcases over 420kg in September 2012 was 7.8 per cent, up from 7.5 per cent in August 2011. There has also been an increase in the proportion of cattle killed with carcase weights <260kg, up from 5.4 per cent in September 2011 to 8.0 per cent in September 2012.
Producers should be aiming to produce cattle that the processors want (in-spec) and that leave the biggest margin over the costs of production. With tight margins in beef production at present every opportunity should be made to maximise returns.

WEEKLY BEEF & LAMB MARKETS

LMC

CATTLE TRADE

NI FACTORY QUOTES FOR CATTLE (P/KG DW)	This Week 22/10/12	Next Week 29/10/12
Prime		
U-3	310-314p	310-314p
R-3	304-308p	304-308p
O+3	298-302p	298-302p
* Plus 8p/kg in spec bonus where applicable		
Cows		
O+3 & better	260-270p	260-275p
Steakers	180-240p	180-245p
Blues	160-175p	160-180p

REPORTED NI CATTLE PRICES - P/KG

W/E 20/10/12	Steers	Heifers	Young Bulls
U-3=	319.8	326.0	316.4
U=3=	322.9	325.0	316.7
U=4=	330.3	312.0	300.0
R=3=	317.7	322.2	311.4
R=4=	314.1	317.0	-
O=3=	300.0	308.0	297.6
O+3=	313.6	317.2	301.4
Average	309.1	311.5	303.2

REPORTED COW PRICES NI W/E 20/10/12

Grades	Price (p/kg)	Avg Wgt
O+3=	270.2	329.9
O-3+	258.6	309.0
P+2+	243.9	290.8
P+3+	247.6	311.2
P-1-	172.0	223.9

COMMODITIES

COMMODITY PRICE

W/E 27/10/12	Price (£) per tonne / 1000litre	% weekly change
Barley	200.50	+1.5
Wheat	215.50	+0.9
Soya	477.00	-0.4
Straw	16.00	-
Red Diesel	720-750	-

Deadweight Cattle Trade

QUOTES from the plants for U-3 grade prime cattle this week were 310-314p/kg. The majority of plants are quoting 312p/kg for steers and heifers with quotes of 314p/kg available for heifers in several plants. Similar quotes for prime cattle are expected for Monday. Some plants are however reporting a slightly tighter supply of prime cattle on previous weeks. The quotes for cows have remained in the range of 260-275p/kg this week with the average reported cow price in NI last week up 2.2p/kg on the previous week. The plants are reporting strong supplies of cows with several factories booked up with cows for the next two weeks.

The average steer price in NI last week remained fairly similar to the previous week at 309.1p/kg while the heifer price was up 1.4p/kg to 311.5p/kg. Meanwhile NI R3 steer and heifer prices showed slight increases on the previous week to 319.3p/kg and 321.2p/kg respectively. There was a similar trend observed in Scotland where the R3 steer and heifer prices showed slight increases to 362.9p/kg and 359.7p/kg respectively. Trade in the other regions of the UK was generally back on the previous week. R3 steer and heifer prices in the Midlands were back 1.3p/kg and 2.6p/kg respectively with R3 prices in Southern England back by similar amounts. Average young bull prices decreased across all the UK regions with the biggest decline seen in Southern England where prices came back 9p/kg.

The differential between NI and GB last week for R3 steers and heifers was 36.1p/kg and 29.9p/kg respectively. Meanwhile the price differential for R4 steers and heifers was wider at 42.4p/kg and 35.7p/kg respectively. Exports to GB for direct slaughter last week totalled 231 head.

Prices in ROI increased in sterling terms last week as the euro strengthened against sterling. Prices paid for steers and heifers in ROI were up in the range of 1-2p/kg. The R3 steer price increased by 1.2p/kg to 299.7p/kg, 19.6p/kg less than the price in NI. The R3 heifer price in ROI was 312.2p/kg, 9p/kg behind the price paid in NI.

This weeks marts

TRADE in the marts this week was fairly similar to last week. The average price for first and second quality steers remained steady at 185p/kg and 170p/kg respectively. First quality heifer prices were back on average 8p/kg to 176p/kg while second quality heifers were a similar trade at 160p/kg. Big entries of cull cows have been reported across the marts over the last few weeks with first quality continental bred cows selling to 158p/kg (160p/kg last week). First quality dairy bred cows sold to an average of 106p/kg (117p/kg last week) while second quality dairy bred cows sold to 85p/kg (95p/kg last week).

In general prices for first quality stores remained similar to last week. Meanwhile the trade for second quality store cattle was more changeable. Second quality bullocks up to 400kg sold to 186p/kg (+6p/kg) while second quality bullocks 400-500kg sold to 182p/kg (-8p/kg).

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

W/E 20/10/2012		Northern Ireland	Rep of Ireland	Scotland	Northern England	Midlands & Wales	Southern England	GB
Steers	U3	321.1	309.7	364.7	357.6	358.4	357.0	359.8
	R3	319.3	299.7	362.9	359.1	349.4	346.6	355.4
	R4	315.3	298.9	365.7	362.7	349.8	345.7	357.7
	O3	305.1	284.4	352.4	350.8	331.9	327.2	342.9
	AVG	309.1	-	362.3	354.1	344.0	336.9	350.7
Heifers	U3	324.9	322.7	367.9	359.0	361.0	356.9	362.1
	R3	321.2	312.2	359.7	349.4	347.5	343.9	351.1
	R4	317.8	310.8	362.1	351.9	350.1	345.4	353.5
	O3	308.6	296.3	340.9	336.9	334.8	323.8	335.3
	AVG	311.5	-	359.7	346.0	344.4	334.7	347.7
Young Bulls	U3	315.1	310.6	354.6	343.6	350.3	353.0	348.3
	R3	310.8	300.6	346.2	333.7	339.0	336.5	337.7
	O3	297.5	289.2	330.4	316.9	323.5	318.8	320.6
	AVG	303.2	-	336.8	324.4	332.5	322.4	328.0
Prime Cattle Price Reported		5396	-	7035	6391	5745	4356	23527
Cows	O3	263.0	252.6	271.1	261.5	265.5	253.1	262.4
	O4	265.3	253.8	272.1	263.0	267.2	255.1	264.0
	P2	227.5	228.1	223.3	214.7	227.3	195.2	213.0
	P3	247.7	246.1	228.2	236.8	238.8	221.2	229.6
	AVG	233.9	-	259.1	230.6	252.0	208.5	234.1

Notes: (i) Prices are p/kg Sterling-ROI prices converted at 1 euro=81.07p Stg
(ii) Shading indicates a lower price than the previous week.

LATEST LIVEWEIGHT CATTLE MART PRICES NI

	1st QUALITY			2nd QUALITY		
W/E 20/10/12	From	To	Average	From	To	Average
Finished Cattle (p/kg)						
Steers	180	199	185	160	179	170
Friesians	145	159	150	124	144	135
Heifers	170	197	176	150	169	160
Beef Cows	145	217	158	115	144	130
Dairy Cows	97	134	106	75	96	85
Store Cattle (p/kg)						
Bullocks up to 400kg	198	234	200	175	197	186
Bullocks 400kg - 500kg	195	226	198	170	194	182
Bullocks over 500kg	183	203	188	165	182	174
Heifers up to 450kg	167	187	177	146	166	156
Heifers over 450kg	165	185	175	140	164	155
Dropped Calves (£/head)						
Continental Bulls	200	300	240	130	198	160
Continental Heifers	172	255	220	100	170	135
Friesian Bulls	80	150	100	20	78	50
Holstein Bulls	45	100	65	2	42	20

SHEEP TRADE

LAMB QUOTES

(P/Kg DW)	This Week 22/10/12	Next Week 29/10/12
NI Factories to 21kg	335-340p	340p
NI Factories to 22kg	-	335p
ROI Factories	335p	335p

Notes: (i)Lambs up to 21kg
(ii)ROI prices converted at 1 euro=81.07p Stg

REPORTED LAMB PRICES - P/KG

(P/KG DW)	W/E 06/10/12	W/E 13/10/12	W/E 20/10/12
NI Liveweight	290.4p	293.4p	296.9p
NI Deadweight	330.1p	320.9p	335.3p
ROI Deadweight	341.5p	337.6p	340.8p
GB Deadweight	366.1p	364.8p	364.9p

Deadweight Sheep Trade

THE factories have introduced a two tiered payment system this week with 335p/kg available up to 22kg and 340p/kg available up to 21kg. Throughput in the plants last week increased by 1,001 lambs on the previous week to 11,401 head. Slaughterings for the year to date in NI are currently running 45 per cent ahead of the same period last year. Exports to ROI for direct slaughter also increased last week, up by 690 head to 12,434. Also 301 lambs were exported to GB for direct slaughter last week. The average deadweight lamb price in NI last week increased by almost 15p/kg to 335.3p/kg while the deadweight price in GB remained almost unchanged at 364.9p/kg. These changes in the deadweight prices have reduced the differential between NI and GB to 29.6p/kg.

This week's marts

IN general trade in the marts this week has been similar to or better than the trade last week. In Sainfield on Tuesday 1101 lambs sold from 292-318p/kg (av 304), an improvement on last week when 985 lambs sold from 285-315p/kg (av296). Meanwhile the trade in Armoy on Tuesday evening was fairly similar to last week with 446 lambs selling to an average price of 298p/kg compared to 428 lambs last week selling to an average of 296p/kg. The trade in Markethill on Wednesday was also fairly similar to last week with 1,050 lambs selling to an average of 296p/kg compared to 750 lambs last week selling to 294p/kg. A good trade for well fleshed cull ewes remain with a top reported price of £92 for heavy ewes in Kilrea on Monday.

LATEST SHEEP MARTS

From: 20/10/2012 To: 25/10/2012		Lambs (P/KG LW)			
		No.	From	To	Average
Saturday	Omagh	1230	296	355	-
	Donemana	972	291	313	-
Monday	Kilrea	500	298	310	304
	Massereene	1218	290	314	
Tuesday	Saintfield	1101	292	318	304
	Armoy	446	284	310	298
	Rathfriland	1053	288	320	303
Wednesday	Ballymena	1908	275	324	292
	Enniskillen	618	290	322	308
	Markethill	1050	290	305	296
	Newtownstewart	370	275	300	295

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