

GLOBAL FOOD PRICES DECLINE AS COSTS OF PRODUCTION INCREASE

THE latest Food and Agriculture Organisation (FAO) Food Price Index has just been published and indicates that in 2012 to date food prices have been an average of eight per cent cheaper than the same ten month period in 2011. The FAO Food Price Index is a measure of the monthly change in international prices of a basket of food commodities and includes indexes for meat, dairy, cereals, oils and fats and sugar.

The FAO price index for meat for the month of October 2012 has remained the same as September 2012 at 174 points and is down slightly from the 176 points recorded in October 2011. At a producer level this means that on a global basis the average retail price of meat products has not changed over the course of the year while the cost of the cereals utilised in meat

production have markedly increased. The FAO cereal price index in October 2012 was 259 points, a decrease of 4 points on the previous month but 18 index points higher than the figure in October 2011. This represents an increase in cereal costs by twelve per cent over the course of the year.

However the use of one index for a category of food masks the differing changes in the sales of the major products within that category. For example the price of poultry and pig meat has increased by five per cent between January and October 2012 while the price of beef and sheep meat have declined by five per cent and eight per cent respectively during the same period.

The FAO have also just released their latest food outlook report which forecasts the global balance between

the supply and demand of cereals to tighten further in 2012/13. This tightening is due mainly to forecasted declines in wheat and maize production. The report has indicated that global cereal production is expected to decline in the region of 2.7 per cent 2012 due to uncharacteristic weather conditions across the world this year which have resulted in lower crop yields.

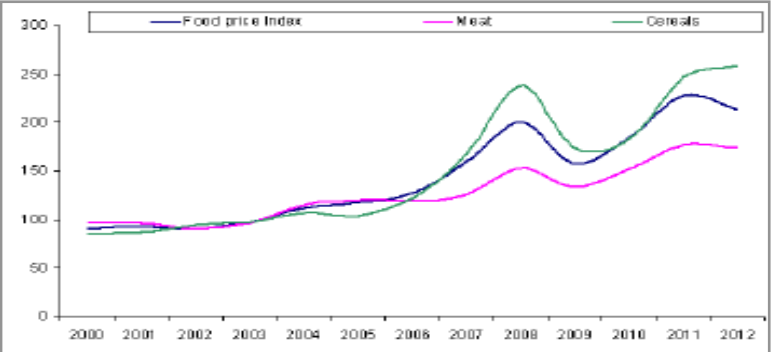
This forecasted decline is the equivalent of 25 million tonne of cereals. The overall decrease in cereal production is due primarily to a 5.5 per cent reduction in wheat production and a 2.5 per cent decline in coarse grains such as maize. The global crop yields of wheat and coarse grains have been reduced this year due to severe droughts in the US, Europe and parts of central Asia. This decline in supplies could lead to further increases in

cereal costs due to increasing competition for limited resources. This will drive up the costs of production for meat, particularly intensive production systems such as pork, chicken and barley beef.

The report has also indicated a forecasted growth in global meat

production of less than two per cent in 2012 as global markets are challenged by increasing cereal costs, and a stagnation in meat consumption levels. At present the levels of meat consumption is being negatively influenced by the rising international prices and as a result a slackening in world trade.

Figure 1: FAO Food Price Index prices: total food prices, meat and cereals 2000-2011.



CLASSIFICATION ANALYSIS MAY-OCTOBER 2012

SHEEP: BUILDING A PROFITABLE SHEEP BUSINESS

Greenmount Campus Antrim
Wednesday 5th December
11am

This event is organised by CAFRE in conjunction with the National Sheep Association, the Agri-Food and Biosciences Institute, Agrisearch and the Livestock and Meat Commission

This event will focus on:

- Breed crosses delivering lamb numbers
- Strategies for selecting replacements
- Grassland management techniques as a means to deliver profitability.

Programme

- 11.00am Tour of 180 ewe sheep flock**
- Featuring New Zealand Genetics, outdoor lambing and high prolificacy
- 01.30pm Conference**
- Key speakers will focus on building a profitable sheep business
- 04.00pm National Sheep Association AGM.**

The event costs £10, to include tea/coffee and lunch. To register contact CAFRE (by the 28th November) on 028 9442 6770 or email rebecca.coalter@dardni.gov.uk Cheques (made payable to DARD) should be forwarded to Technology Administration at:

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 Greenmount campus
 45 Tirgracy Road
 Muckamore
 Antrim
 BT41 4PS

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An analysis of the prime cattle classification statistics for price reported cattle for the six month period May-October 2012 have identified some interesting trends when compared to the same period in 2011. It should be noted that the proportion of steers, heifers and young bulls in the prime kill was unchanged between the two periods.

The average carcass weight for suckler origin prime cattle for the period May-October 2012, was 355.7kg. This is 7.2kg heavier than the 348.5kg average carcass weight during the same period in 2011. However if we were to look only at the five major continental beef breeds (Limousin, Charolais, Simmental, Blonde d'Aquitaine and Belgian Blue), which account for 75 per cent of all beef sired calf registrations, then the difference in carcass weights of suckler sourced prime cattle between the two periods is 8.2kg with an average carcass weight in the 2012 period of 363.6kg.

Alongside this increase in the carcass weights of prime cattle sourced from the suckler herd there has been a general upward movement in carcass grades as indicated in Figure 2. Table 1 outlines the proportion of prime cattle produced from the suckler herd that fall within each base grade during the period May-October 2012 compared to the same period in 2011. The general improvement in

the grades of cattle produced from the suckler herd has led to a decline in the proportion of R grading animals between the two periods while the proportion of U grading animals has increased. The proportion of these prime cattle achieving a U grade has increased from 21.5 per cent in May-October 2011 to 25.0 per cent in the same period in 2012. Meanwhile the proportion of R grading cattle has declined slightly from 54.5 per cent in May-October 2011 to 51.9 per cent in May-October 2012. This is most likely a consequence of prime cattle being pushed into heavier weights and thus helping to move them up a grading sub class i.e. from an R+ to a U-

The increase in average carcass weights has also coincided with a slight reduction in the proportion of O grading animals from the suckler herd from 21.7 per cent to 20.7 per cent year on year. With the proportion of P grading animals remaining fairly almost constant at 1.8 per cent one likely cause for the decline in O grades is a greater proportion of animals achieving an R grade for conformation due to an increase in carcass weights. (i.e O+ improving to R-). Recent work from Bovis has found that increasing carcass weights by 10kg has the potential to move cattle up one grading sub class.

A similar trend can be observed if we look at prime cattle produced from

the dairy herd between the period May-October 2011 and 2012 (table 2). The average carcass weight of these prime cattle increased slightly from 299.2kg in the 2011 period to 300.8kg in the 2012 period (+1.6kg). However the increase in carcass weight is more pronounced if we compare prime cattle of the five major continental breeds which have been sourced from the dairy herd. The carcass weights of these animals have increased from

327.7kg in the 2011 period to 332.1kg (+4.4kg). The general trend of improvement in the grades achieved can also be observed with the proportion of O grading animals declining from 56.0 per cent to 53.7 per cent while the proportion of R grading animals increased from 13.4 per cent to 14.6 per cent between the two periods. There has also however been a one per cent increase in the proportion of P grades to 30.8 per cent.

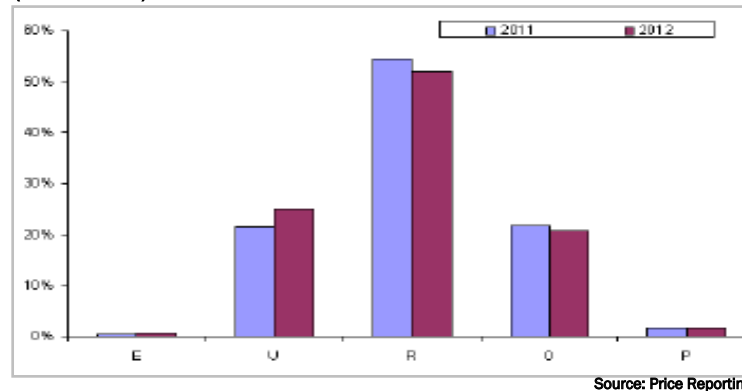
Table1: Grading of suckler origin prime cattle May-October 2011-2012 (Suckler dam)

Year	E	U	R	O	P	Prices	Avg Cold Wt (kg)
2011	0.3%	21.5%	54.5%	21.7%	1.9%	73,246	348.5
2012	0.5%	25.0%	51.9%	20.7%	1.8%	73,522	355.7

Table 2: Grading of dairy origin prime cattle May-October 2011-2012 (dairy dam)

Year	E	U	R	O	P	Prices	Avg Cold Wt (kg)
2011	0.0%	0.8%	13.4%	56.0%	29.9%	39,635	299.2
2012	0.0%	1.0%	14.6%	53.7%	30.8%	38,095	300.8

Figure 2: Grading of suckler origin prime cattle May-October 2011-2012 (Suckler dam)



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WEEKLY BEEF & LAMB MARKETS



CATTLE TRADE

NI FACTORY QUOTES FOR CATTLE

(P/KG DW)	This Week 12/11/12	Next Week 17/11/12
Prime		
U-3	316-320p	320-324p
R-3	310-314p	314-318p
O+3	304-308p	308-312p
* Plus 8p/kg in spec bonus where applicable		
Cows		
O+3 & better	260-275p	260-275p
Steakers	180-245p	180-245p
Blues	160-180p	160-180p

REPORTED NI CATTLE PRICES - P/KG

W/E 10/11/12	Steers	Heifers	Young Bulls
U-3=	332.2	331.3	320.4
U=3=	331.3	335.9	322.3
U=4=	-	326.2	-
R=3=	325.3	326.0	318.5
R=4=	322.8	324.8	-
O=3=	308.6	308.9	302.3
O+3=	320.5	320.7	313.3
Average	316.2	318.0	308.9

REPORTED COW PRICES NI W/E 10/11/12

Grades	Price (p/kg)	Avg Wgt
O+3=	276.0	312.1
O-3+	258.0	307.7
P+2+	243.0	287.8
P+3+	252.5	311.4
P-1-	168.3	221.8

COMMODITIES

COMMODITY PRICE

W/E 16/11/12	Price (£) per tonne / 1000litre	% weekly change
Barley	214.50	+2.88
Wheat	230.00	+3.60
Soya	475.00	-2.86
Straw	16.05	-
Red Diesel	717-750	-

Deadweight Cattle Trade

BASE quotes from the plants this week for U-3 grade prime cattle have increased to 320-324p/kg with the plants reporting a tightening in the supply of prime cattle. The weekly prime cattle kill has been gradually reducing since early October and last week totalled 6,559 head. Meanwhile the cow kill has remained strong with 2,783 head slaughtered last week and the plants reporting plenty of availability. The quotes for first quality cows range from 260-275p/kg.

Imports of prime cattle from ROI for direct slaughter have remained strong with 915 prime cattle imported last week, accounting for fourteen per cent of the total prime kill. Meanwhile exports to GB for direct slaughter have remained similar to the previous week with 315 cattle being exported. The average steer price in NI last week increased by 4.2 p/kg to 316.2p/kg while the heifer price increased by 2.7p/kg to 318.0p/kg. These prices are similar to the same week last year when average steer and heifer prices were 316.9p/kg and 317.8p/kg respectively. Young bull prices in NI last week increased by 5.4p/kg to 308.9p/kg. This is 2p/kg higher than the 306.9p/kg paid the same week last year.

In Scotland last week average steer prices were similar to the previous week at 361.5p/kg while heifer prices increased by 1p/kg to 358.7p/kg. An improvement in price for the largest majority of reported grades in the other UK regions has resulted in stronger increases in average prices being observed with steer and heifer prices up in the range of 2-6p/kg. The differential in the R3 steer price between NI and the GB average last week was 29.2p/kg. This ranged from 20.6p/kg in Southern England and generally increases as you move north to 34.1p/kg in Scotland.

In ROI last week the prices paid generally increased in euro terms with R3 steers and heifers up 3.4c/kg and 4.9c/kg respectively. However a slight weakening in the euro against sterling meant prices were relatively unchanged in sterling terms. The differential between NI and ROI for R3 steers last week was 28.3p/kg while the differential for R3 grading heifers was 16.1p/kg.

This week's marts

FINISHED first quality steers sold to an average of 195p/kg this week with second quality finished steers selling to an average of 176p/kg. This was a similar trade to last week. Good quality finished heifers sold to an average of 205p/kg compared to 187p/kg last week with plainer finished heifers selling to 178p/kg (+8p/kg). Beef cows sold to an average of 163p/kg for first quality lots and 133 for less well fleshed cows. The trade for dairy type cows was fairly similar to the previous week, selling in the range of 90-135p/kg.

The trade for store bullocks up to 400kg was similar to last week with good quality animals selling to an average of 194p/kg with second quality animals selling to 168p/kg. The trade for first quality store heifers was similar to last week with average prices for second quality animals showing increases in the region of 5-8p/kg.

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

W/E 10/11/2012	Northern Ireland	Rep of Ireland	Scotland	Northern England	Midlands & Wales	Southern England	GB	
Steers	U3	330.5	309.0	366.4	363.1	361.1	360.7	363.0
	R3	326.9	298.6	361.0	358.9	353.1	347.5	356.1
	R4	325.0	298.7	364.8	359.6	352.1	348.0	357.7
	O3	311.4	283.9	351.1	350.1	337.8	331.5	344.5
	AVG	316.2	-	361.5	354.6	348.1	338.8	352.2
Heifers	U3	334.3	323.8	366.8	363.2	365.8	360.5	364.7
	R3	328.3	312.2	357.5	351.9	352.2	349.0	353.2
	R4	324.8	310.9	362.1	354.8	350.4	345.8	354.8
	O3	313.6	296.0	339.0	341.5	334.2	329.2	336.3
	AVG	318.0	-	358.7	350.0	345.7	333.4	348.7
Young Bulls	U3	321.2	306.9	355.0	349.8	350.8	355.0	351.7
	R3	318.1	302.5	344.4	338.6	341.6	340.2	340.5
	O3	303.8	288.4	327.5	321.2	321.8	319.4	321.7
	AVG	308.9	-	338.0	329.3	334.6	327.9	331.6
Prime Cattle Price Reported	4501	-	6850	6328	5192	4084	22454	
Cows	O3	264.2	251.4	263.1	255.9	249.8	245.4	253.6
	O4	264.2	253.6	267.1	258.9	256.1	245.2	256.6
	P2	228.6	223.5	200.3	212.1	212.1	201.1	204.0
	P3	248.0	242.4	219.1	230.2	224.4	221.9	223.4
	AVG	233.9	-	255.7	229.1	239.0	208.7	231.0

Notes: (i) Prices are p/kg Sterling-ROI prices converted at 1 euro=79.86p 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 LIVELWEIGHT CATTLE MART PRICES NI

W/E 10/11/12	1st QUALITY			2nd QUALITY		
	From	To	Average	From	To	Average
Finished Cattle (p/kg)						
Steers	188	209	195	165	187	176
Friesians	125	146	131	110	124	120
Heifers	190	221	205	167	189	178
Beef Cows	147	195	163	120	146	133
Dairy Cows	115	135	122	90	114	102
Store Cattle (p/kg)						
Bullocks up to 400kg	190	209	194	144	189	168
Bullocks 400kg - 500kg	180	205	192	140	179	160
Bullocks over 500kg	182	210	190	145	181	165
Heifers up to 450kg	175	195	185	150	174	162
Heifers over 450kg	170	192	181	140	169	155
Dropped Calves (£/head)						
Continental Bulls	255	390	325	160	252	200
Continental Heifers	175	320	230	100	172	140
Friesian Bulls	110	170	122	10	108	50
Holstein Bulls	70	150	100	2	65	35

SHEEP TRADE

LAMB QUOTES

(P/Kg DW)	This Week 12/11/12	Next Week 19/11/12
NI Factories to 22kg	330-335p	335p
ROI Factories	330p	330p

Notes: (i) Lambs up to 22kg
(ii) ROI prices converted at 1 euro=79.86p Stg

REPORTED LAMB PRICES - P/KG

(P/KG DW)	W/E 27/10/12	W/E 03/11/12	W/E 10/11/12
NI Liveweight	295.9p	287.7p	294.3p
NI Deadweight	333.8p	327.1p	322.0p
ROI Deadweight	339.2p	333.4p	
GB Deadweight	364.6p	356.9p	361.1p

Deadweight Sheep Trade

QUOTES from the plants for R3 grading lambs have increased slightly from 330p/kg last week to 335p/kg this week. The plants are all paying up to 22kg. Good supplies lambs have been reported by the plants with 10,750 lambs killed last week, 350 more than the previous week.

The NI deadweight price last week was back 5.1p/kg to 322p/kg while the GB Deadweight price increased by 4.2p/kg to 361p/kg. The combination of these changes widened the NI and GB differential to almost 40p/kg last week (£8.80 on a 22kg lamb). Live exports to ROI have continued at similar levels to previous weeks with 11,083 lambs exported to ROI for direct slaughter.

This week's marts

TRADER across the marts this week has shown an improvement on last week with many marts reporting a similar throughput of lambs as the same time last year. In Kilrea on Monday 250 lambs sold to an average of 293p/kg compared to 300 lambs last week selling to an average of 280p/kg. In Saintfield on Tuesday 608 lambs sold in the range of 294-320p/kg (av 303p/kg) compared to 702 last week selling from 280-300 (av 280). In Ballymena on Wednesday 1409 lambs sold to an average of 299p/kg, up 7p/kg from last week's average of 292p/kg. A slightly better trade in Markethill this week saw 810 lambs sell from 290-315 (av 300) compared to 900 lambs last week selling from 290-312p/kg (av 296p/kg).

LATEST SHEEP MARTS

From: 10/11/2012 To: 15/11/2012		Lambs (P/KG LW)			
		No.	From	To	Average
Saturday	Omagh	734	289	325	-
	Donemana	612	286	316	292
	Hilltown	550	287	310	290
Monday	Swatragh	458	-	-	318
	Kilrea	250	290	300	293
	Massereene	1043	300	325	-
Tuesday	Saintfield	608	294	320	303
	Rathfriland	583	280	329	301
Wednesday	Ballymena	1409	285	317	299
	Enniskillen	306	294	322	308
	Markethill	810	290	315	300
	Newtownstewart	160	291	311	302

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Answerphone: 028 9263 3011

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