

## TIGHT CATTLE SUPPLIES IN FIRST HALF OF 2012

An ongoing feature of the cattle trade in NI for the last 15 months has been very tight cattle supplies, with numbers down sharply relative to earlier levels. The slaughter statistics for June 2012 provide further confirmation that cattle supplies remain under significant pressure in NI with processors struggling to maintain throughput.

Several plants have been operating shorter working weeks in 2012 and in late June 2012 only a couple of plants killed cattle on a five-day week basis with some factories killing on only a two or three days per week. This has been driven by the tightness in cattle supplies with numbers particularly tight during June.

Table 1 clearly shows that the prime cattle kill was under significant pressure in June, with overall numbers down by 10 per cent year-on-year. This was driven to a large extent by a decline in the heifer and young bull kill while the steer kill has held up slightly better.

The heifer kill was down by 15 per cent this June compared to June 2011. This is a continuation of the trend for the year to date with the heifer kill down by

14 per cent between January and June year-on-year. This has largely been driven by an increase in the proportion of heifers retained for breeding with the obvious consequence being a decline in the number of heifers being finished for beef. The decline in the young bull kill evident in the figures for June 2012 is a continuation of the trend for reduced slaughterings compared to last year. Producers appear to have switched away from intensive bull beef production in NI, favouring steer production. The result has been a steeper decline in the bull kill (-15 per cent) compared to the steer kill, which has seen a reduction of 5 per cent

The decline in the June kill was not confined to prime cattle. The cow kill which had been reasonably stable earlier in the year has started to slip with slaughter numbers down by 14 per cent in June. The kill for the year-to-date is three per cent lower compared to the same period last year.

The tightness in supplies has been a keen driver of the strong prices in the cattle trade in the last few months and contrasts with the sheep trade where the NI kill has been buoyant and prices

have been under pressure year-on-year.

In the first six months of the year, the NI sheep kill was up by 29 per cent when compared to the same period in 2011. This is a significant increase with an additional 33,000 lambs

having been slaughtered to the end of June in NI. In June however, this increase in the kill appears to have accelerated with numbers up by 39 per cent year-on-year. This increase reflects reduced exports of NI lambs to ROI for direct slaughter, along with increased availability generally.

With factories under pressure due to reduced cattle throughput, the increased lamb kill may come as a welcome reprieve for those factories processing sheep given that it may help offset some of those higher unit costs associated with reduced throughput on the cattle side.

Table 1: NI CATTLE AND SHEEP SLAUGHTERINGS

	June			Year to Date		
	(4 weeks ended 30/06/12)			(26 weeks ended 30/06/12)		
	Jun-11	Jun-12	% Change	2011	2012	Change
<b>CATTLE - FOODCHAIN</b>						
Steers	10,472	9,946	-5%	79,185	75,075	-5%
Heifers	8,458	7,197	-15%	68,580	59,151	-14%
Young Bulls / Calves	5,947	5,160	-13%	36,901	31,148	-16%
Total Prime Cattle	24,877	22,303	-10%	184,666	165,374	-10%
Cows	7,520	6,488	-14%	40,395	39,378	-3%
Mature Bulls	744	450	-40%	4,884	2,898	-41%
<b>Total Cattle</b>	<b>33,141</b>	<b>29,241</b>	<b>-12%</b>	<b>229,945</b>	<b>207,650</b>	<b>-10%</b>
<b>SHEEP</b>						
Lambs & Hoggets	20,758	29,693	43%	96,980	128,946	33%
Ewes & Rams	2,028	2,038	0%	15,951	16,840	6%
<b>Total Sheep</b>	<b>22,786</b>	<b>31,731</b>	<b>39%</b>	<b>112,931</b>	<b>145,786</b>	<b>29%</b>

# ECONOMICS OF IMPROVING CONFORMATION

In a previous bulletin we looked at how the tighter grading standard implemented with the use of Video Imaging Analysis (VIA) and the fifteen point grading scale has affected grade distribution within the prime cattle kill. When VIA was first introduced in April 2011 there was a noticeable shift in the spread of grades as outlined in Table 2. There was a marked reduction in the proportion of U grading animals in particular if we compare the 2010/2011 (manual grading) and 2011/2012 (mechanical grading) financial year. The proportion of R and O grading prime cattle in the slaughter mix remained fairly unchanged while the number of P grading cattle has increased from 3.9 per cent to 10.9 per cent.

There has however been a slight upward shift in grading results as the first year of VIA grading progressed with the proportion of U grading cattle in the prime kill gradually increasing. In the first 8 weeks of VIA (April-May 2011) U grading carcasses accounted for 12.3 per cent of the prime kill and this increased to 18.2 per cent in the same period in 2012. There could be a number of reasons for these changes and it is likely that the changes are a result of a combination of several factors.

The shift in grade classification since VIA was introduced has coincided with an increase in the average carcase weight (ACW) of all grades of prime cattle by 12.3kg. This increase in carcase weights could be a result of producers aiming to maximize returns per head of stock by pushing animals into higher weights before slaughter. The high cost of store cattle at present combined with the rising costs of beef production has incentivized producers to maximize carcase weights to increase the value of the animal at slaughter. It is however very important that producers continue to produce animals within the required factory specification to avoid financial penalties.

A perception by some producers is that increasing the length of the feeding period can increase carcase weights and also help improve carcase conformation. Recent work from AFBI has suggested that increasing carcase weight by 10kg can help to improve the carcase grade by one sub class. With the improvement in grading performance and the coinciding increase in carcase weights it is possible that production practices have been changed slightly on finishing farms to help increase returns. These changes may also have come about as

a result of producers' response to VIA grading results. This is possible where producers were traditionally producing U grade cattle but with the implementation of the tighter grading standard their stock are now grading R+ and production practices have been altered to rectify this.

The economics of lengthening the final feeding period to achieve improvements in the grade by one sub class and the associated increase in carcase weights is however questionable. For example to increase a continental steer's carcase weight by 10kg the live-weight at slaughter will have to be increased by 18kg (assuming a 56 per cent kill out). The current unsettled weather and poor ground conditions have forced many producers to house forward cattle for finishing. In this situation with a typical indoor steer finishing ration costing approx £2.80 per day (6kg ration at £240/tonne plus silage at £34 per tonne) and the steer gaining 1kg per day the additional feed cost is £50.40 for an 18 day longer finishing period. At current beef prices a 370kg steer carcase grading R+ would be worth 320p/kg, assuming it qualified for the 8p/kg bonus, and the carcase value would be £1184. A 380kg carcase grading U- would be worth 322p/kg,

again assuming it qualified for the 8p/kg bonus, and the carcase value would be £1216. While this shows an improvement in the carcase value by £32 it is important that the additional feed costs, the cost of keeping the animal on the farm for longer and the potential for shifts in the beef price are considered when looking at the economic viability of the system.

In some cases it may be viable for producers finishing large numbers of cattle to increase carcase weights and improve carcase grades as they can potentially benefit from lower costs of production due to economies of scale when buying expensive inputs such as concentrates. Costs of production will also be potentially lower where cattle have been finished off grass. When producers are making the decision to push animals into higher weights it is important that the cattle being finished are still within factory specifications. Failure to remain within these specifications may result in the 8p/kg bonus not being paid. Carcase weight, grade and fat cover are all closely

linked so changing the feeding regime to increase carcase weight could also cause changes in fat cover. When carcase weights exceed the 380kg upper limit or are outside spec for fat cover there is a potential loss of up to £30.40 by missing out on the bonus payment. This will quickly erode the benefits of pushing the animal into higher weights.

It is however worth bearing in mind that feeding animals into higher weights and improved conformation could be advantageous for some producers who have developed a strong relationship with their particular processor. Furthermore producers finishing large numbers of cattle to the same specification may have more leverage with the processors when negotiating deals. Decisions on what grade and carcase weights to aim for are very much determined at individual farm level and a strong relationship with the processors is necessary to ensure that animals produced meet the required specification.

**Table 2: Breakdown of grade allocation by base grade 2011-2012**

Year	E	U	R	O	P	Prices
2011	1.0%	22.9%	38.8%	33.3%	3.9%	290774
2012	0.3%	15.8%	40.7%	32.4%	10.9%	248252



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# WEEKLY BEEF & LAMB MARKETS



## CATTLE TRADE

CATTLE QUOTES		
(P/KG DW)	This Week 23/07/12	Next Week 30/07/12
U-3	314 - 316p	310 - 316p
R-3	308 - 310p	304 - 310p
O+3	302 - 304p	298 - 304p
Cows	275 - 280p	270 - 280p

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

LAST WEEK'S NI CATTLE PRICES - P/KG				
W/E 21/07/12	Steers	Heifers	Young Bulls	Cows
U-3=	328.3	332.4	322.5	308.1
U=3=	328.2	335.5	326.5	-
U=4=	315.8	329.3	314.0	312.0
R=3=	328.2	328.1	320.8	297.4
R=4=	316.5	321.2	310.0	299.4
O=3=	308.9	309.0	302.5	279.9
O+3=	328.4	321.9	307.7	289.8
O+4=	315.0	319.5	-	289.4
P+2=	291.6	284.2	289.6	257.1
P+3=	292.3	277.9	-	270.9
Average	318.3	319.3	308.9	263.6

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 21/07/12	Scotland	Northern England	Midlands & Wales	Southern England	Northern Ireland	Rep of Ireland	
Steers	U3	361.3	353.0	350.1	343.7	327.2	318.0
	R3	356.3	350.4	337.8	333.2	328.1	308.3
	R4	359.2	354.1	339.3	331.2	321.2	307.3
	O3	345.7	337.6	317.8	307.8	313.8	293.3
	Average	356.3	344.5	334.5	310.2	318.3	-
Heifers	U3	362.0	350.8	348.1	346.2	334.4	327.9
	R3	352.9	341.5	341.7	333.4	328.9	317.9
	R4	355.6	344.7	339.5	333.4	324.3	316.9
	O3	328.0	336.6	319.3	317.5	312.4	302.9
	Average	352.3	340.2	336.2	325.3	319.3	-
Young Bulls	U3	349.6	337.3	341.2	337.9	322.3	321.1
	R3	344.1	330.0	327.8	319.7	318.0	310.9
	O3	325.5	307.8	308.7	308.2	302.6	297.1
	Average	340.6	320.4	329.7	315.5	308.9	-
Prime Cattle Price Reported	6446	6002	4904	4705	4098	-	
Cows	O3	291.5	276.3	275.2	261.5	282.3	263.8
	O4	290.5	276.0	279.3	264.4	285.6	264.9
	P2	240.5	222.7	234.9	219.4	247.0	233.0
	P3	259.9	259.3	256.0	242.5	268.9	259.4

Notes:  
 (i) Prices are p/kg Sterling-ROI prices converted at 1 euro=78.32p Stg.  
 (ii) Shading indicates a lower price than the previous week.

## Deadweight Cattle Trade

Base quotes this week were 314-316p/kg for prime cattle with an 8p/kg bonus available for cattle that kill out within factory specifications. Quotes from the plants for Monday are 310-316p/kg. Plants are reporting a good supply of cattle with 5660 prime cattle slaughtered in NI last week, similar to the previous week when 5608 prime cattle were slaughtered. However for the year to date prime cattle slaughterings are down 7.4 per cent on 2011, declining from 194,560 to 180,106 head. The decline in base quotes in recent weeks has resulted in lower average prices being paid for all classes of livestock in NI last week. Average steer, heifer and young bull prices were 5-6p/kg back on the previous week. Average cow prices were back 4p/kg to 263.6p/kg.

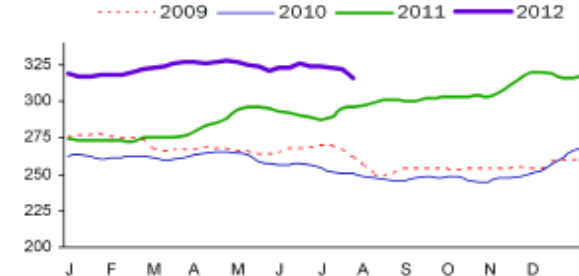
A similar trend was observed generally across all the other UK regions. Average steer prices in Scotland were back 1.9p/kg to 356.3p/kg while average heifer prices were back 2.7p/kg to 352.3p/kg. R3 steer and heifer prices were back 2.1p/kg and 2.8p/kg respectively. In Northern England the average R3 heifer price was back 7.1p/kg to 341.5p/kg while the average heifer price was back 5.0p/kg to 340.2p/kg. In Southern England the average steer price was back 3.6p/kg to 310.2p/kg while the average R3 price was back 3.8p/kg to 333.2p/kg. Average heifer prices did however show an increase in the region by 2.9p/kg to 325.3p/kg.

Prices for prime cattle in ROI continued to show a decline last week. Average R3 steer prices were back the equivalent of 10p/kg to 308.3p/kg while the average R3 heifer price was back the equivalent of 10.5p/kg to 317.9p/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						
Steers			Store bullocks up to 400kg		Continental bull calves					
	1st quality	187	205	1st quality	200	244				
	2nd quality	170	186	2nd quality	175	199				
	Friesians	128	164			1st quality	270	360		
		Store bullocks 400kg-500kg		2nd quality		200	268			
Heifers			1st quality		185		210			
			2nd quality		170		183			
			Store bullocks over 500kg				1st quality	250	360	
Beef Cows			1st quality		180		217			
			2nd quality		165		179			
			Store heifers up to 450kg				1st quality	180	290	
Dairy Cows			1st quality		180		200			
			2nd quality		160		179			
			Store heifers over 450kg				2nd quality	100	178	
		1st quality		110		133	Holstein Bull Calves			
		2nd quality		85		109	1st quality		10	185
		1st quality					2nd quality			
		2nd quality								

Taken from a sample of beef marts in the week ended 20/07/12

## Deadweight Sheep Trade

Base quotes for lambs early this week were 360-370p/kg and by the end of the week quotes were 365-370p/kg. Plants are reporting a steady trade and similar quotes are expected for Monday. The deadweight price for lambs in NI last week showed an increase of 6.2p/kg to 358.6p/kg. Meanwhile the differential in deadweight prices between NI and GB continues to increase. Average GB deadweight prices increased by 16.2p/kg last week, widening the differential to 65.1p/kg. The beginning of the Ramadan festival last week and the Olympics in London may have had a strong role to play in the increase observed in the GB deadweight price.

### SHEEP QUOTES

(P/KG DW)	This Week 23/07/12	Next Week 30/07/12
Lambs	360 - 370p	365 - 370p

Lambs up to 21kgs.

### REPORTED LAMB PRICES - P/KG

(P/KG)	W/E 07/07/12	W/E 14/07/12	W/E 21/07/12
NI Liveweight	338.9p	331.0p	335.3p
NI Deadweight	364.2p	352.4p	358.6p
GB Deadweight	406.7p	407.5p	423.7p

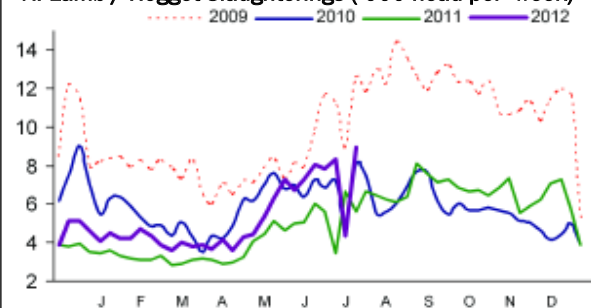
### LATEST SHEEP MARTS

From: 14/07/2012 To: 19/07/2012		Spring Lambs (P/KG LW)			
		No.	From	To	Average
Saturday	Omagh	722	327	354	-
	Donemana	773	325	352	-
	Hilltown	1200	313	407	350
Monday	Kilrea	700	336	350	342
	Massereene	1209	330	371	340
Tuesday	Saintfield	970	335	372	350
	Rathfriland	1170	327	390	345
Wednesday	Ballymena	1370	322	372	331
	Enniskillen	574	328	365	340
	Markethill	1230	320	353	337
Thursday	Newtownstewart	580	320	362	334
	Downpatrick	310	320	357	335

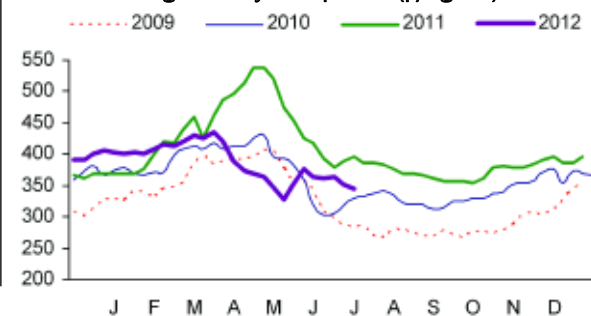
### This week's marts

There was a good trade reported across the marts this week with a strong demand for lighter lambs in particular. In Massereene on Monday 1209 lambs sold from 330-371p/kg with an average price of 340p/kg. A similar trade was reported in Kilrea where 700 lambs sold to an average price of 342p/kg. On Wednesday in Ballymena 1370 lambs sold in the range of 322-372p/kg to an average price of 331p/kg. This compares to an average price of 332p/kg last week. The cull ewe trade remains firm with prices of £80-100 available for first quality ewes

### NI Lamb / Hogget Slaughtering ('000 head per week)



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



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