

BASE QUOTES A STARTING POINT FOR NEGOTIATION

QUOTES from the processors for U-3 grade prime cattle have shown increases over the last number of weeks and this week ranged from 330-336p/kg. There is some variation across the plants but in general quotes for steers are 332-334p/kg and quotes for heifers are 334-336p/kg. Throughput in the plants since the New Year has been similar to the same period last year with 6,821 prime cattle slaughtered last week but reports from some of the plants have indicated the availability of prime cattle has tightened slightly in recent weeks.

With cattle numbers showing signs of tightening and reports from producers of higher prices being available than quotes would suggest it is a useful time to compare base quotes from the plants with the actual prices paid. Prime cattle are generally paid on a pricing grid which uses a base quote of U-3 to work out the relative value of each individual grade.

Pricing grid, penalties and bonuses

The pricing grid was introduced at the same time VIA was introduced and is subject to a further set of penalties and bonuses for in and out of spec cattle. These have been in place since November 2009. Through careful analysis it is possible to compare quotes against what is actually being paid. It should be noted however that the quotes, the pricing grid and the associated in spec bonuses/penalties is a rather notional arrangement. In

practice the prices paid are driven by the effects of immediate supply and demand issues and negotiation.

The requirements which need to be fulfilled to qualify for the 8p/kg bonus are outlined in Table 1. The bonus payment was introduced in November 2009 to encourage producers to finish cattle within a desired specification which meets the requirements of some of the processor's major customers.

Additional bonuses are also available for Aberdeen Angus, Hereford and Organic cattle but these cattle have been removed from the data to allow for a like for like analysis. In December 2012 30.6 per cent of price reported steers and heifers killed in NI qualified for the 8p/kg in spec bonus payment.

For the purposes of analysis we have examined the prices paid for 1710 R-3 grade steer prices which, according to the pricing grid introduced, should be 6p/kg below the current base quote for U-3 grade prime cattle. Figure 1 displays the average base quote for R-3 grade steers, the R-3 grade steer base quote including the 8p/kg in spec bonus and the average price paid for all R-3 grade steers for the last twelve weeks.

Quotes vs prices paid

If quotes were representative of prices paid then the line indicating the average price for R-3 steers should fall somewhere between the other two lines on the graph. However if we consider Figure 1 it is apparent that the average R-3 steer price (blue line) is actually above the quoted R-3 grade price including the 8p/kg in spec bonus. This was the case for all of the twelve week period outlined in Figure 1. Last week the average price paid for all R-3 steers was 339.8p/kg. This was 13.8p/kg above the average base quote of 326p/kg and 5.8p/kg higher than the average base quote plus the 8p/kg bonus. This indicates that much higher prices are available than base quotes would suggest.

In spec R-3 steers

For further analysis, Figure 2 plots the average base quote against the price paid for in spec R-3 grade steers and out of spec R-3 steers. As expected the average prices paid for in spec cattle are higher than the base quote due to the payment of the 8p/kg bonus. The

difference however between the average base quote and the price paid for in spec cattle has shown some variance during the period in question, ranging from 11.2p/kg in the week ending the 18 November 2012 to 15p/kg last week. This is a significant variation on the expected 8p/kg difference and should encourage producers to negotiate and shop around for deals.

For the purpose of this analysis we have used the average base quote but in all of the weeks under analysis the difference between the average quoted base price and the price paid for in spec cattle was wider than 8p/kg. Where the differential is wider than 8p/kg in-spec cattle have been paid for at prices higher than base quotes would suggest.

Out of spec R-3 steers

If we consider the price paid for out of spec R-3 steers, as displayed in Figure 2, they have been paid more than the average base quote between November 2012 and January 2013. Prices paid for out of spec R-3 steers would be expected to be well below quoted prices, particularly given some of the penalties supposedly in place e.g. 10p/kg on overweight cattle.

In reality however these penalties are not being strictly enforced as indicated by average prices for out of spec R-3 steers being above the quoted price. The degree to which these out of spec penalties are implemented is strongly influenced by the supply of prime cattle and demand from the market.

In reality the base quotes, the pricing grid and the bonus/penalty structure is used as a guide when purchasing cattle and in many cases acts as a starting point for negotiation. Producers should remember this when presenting cattle for slaughter. This analysis also serves to highlight the importance of finishing cattle within specification as in spec carcasses are attracting higher prices than out of spec carcasses. With only about one third of steers and heifers fulfilling all of the criteria for the 8p/kg bonus there is significant room for improvement in the type of cattle presented for slaughter across the major NI plants.

Table 1: Specification for 8p/kg bonus on steers and heifers

Bonus Specification	Criteria
Steers and Heifers Only	
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 2: 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.		

Figure 1: Graph plotting the average R-3 base quote against the average R-3 reported steer price and the average base quote +8p/kg bonus

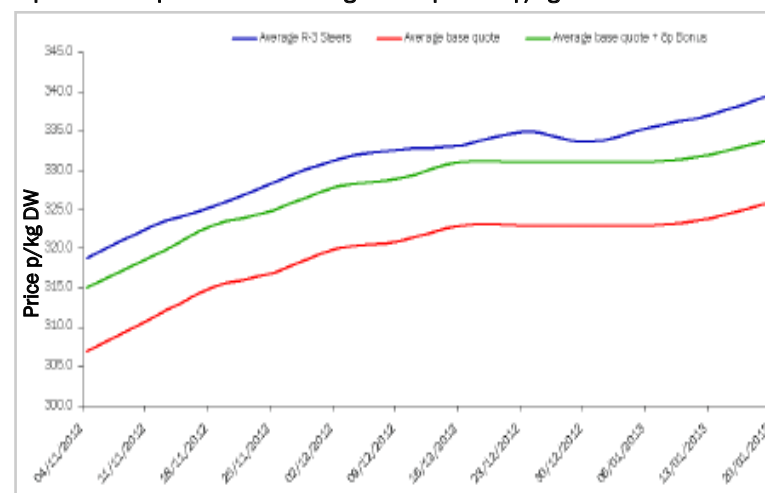


Figure 2: Graph plotting the average R-3 base quotes against the average reported R-3 in spec steer price and the average reported R-3 out of spec steer price.



FQAS LIAISON OFFICER MART CLINICS TIMETABLE

Kilrea	Wednesday 30/01/2013
Omagh	Monday 04/02/2013
Ballymena	Friday 08/02/2013

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CATTLE TRADE

NI FACTORY QUOTES FOR CATTLE

(P/KG DW)	This Week 21/01/13	Next Week 28/01/13
Prime		
U-3	330-336p	330-336p
R-3	324-330p	324-330p
O+3	318-324p	318-324p
* Plus 8p/kg in spec bonus where applicable		
Cows		
O+3 & better	265-285p	265-285p
Steakers	180-255p	180-255p
Blues	160-190p	160-190p

REPORTED NI CATTLE PRICES - P/KG

W/E 19/01/13	Steers	Heifers	Young Bulls
U-3=	342.7	349.2	333.7
U=3=	344.5	345.8	335.7
U=4=	333.9	344.3	330.0
R=3=	340.7	341.8	328.9
R=4=	334.6	338.1	325.0
O+3=	337.6	332.1	320.8
O=3=	327.6	324.0	318.1
Average	333.3	335.3	323.0

REPORTED COW PRICES NI W/E 19/01/13

Grades	Price (p/kg)	Avg Wgt
O+3=	285.5	339.2
O-3+	265.7	302.8
P+2+	251.3	296.1
P+3+	255.6	293.2
P-1-	175.1	218.1

COMMODITIES

COMMODITY PRICE

W/E 19/01/13	Price (£) per tonne / 1000litre	% weekly change
Barley	213.50	+1.66
Wheat	228.50	+2.70
Soya	479.00	-
Straw	16.00	-
Red Diesel	715-750	-

* Table shows the latest available commodity data in NI

Deadweight Cattle Trade

QUOTES for U-3 grade prime cattle this week ranged from 330-336p/kg. In general the quotes for steers are 332-334p/kg and quotes for heifers are 334-336p/kg. The 8p/kg bonus is also available for in spec steers and heifers. Quotes should be treated as a starting point for negotiation as higher prices have been paid than quotes would suggest. The quotes for cows have remained strong this week with quotes for first quality cows ranging from 265-285p/kg. Similar quotes are expected for Monday morning.

The throughput of prime cattle last week totalled 6,821 head, similar to the corresponding week last year. There have however been reports from some plants of prime cattle numbers getting slightly tighter in recent weeks. As prices in ROI have improved the number of prime cattle being imported to NI for direct slaughter has declined with 385 head imported last week, well back from the 1,237 imported in the last week of September 2012.

The average steer price in NI last week increased by 3.5p/kg to 333.3p/kg while the average heifer price increased by 1.5p/kg to 335.3p/kg. Meanwhile average steer and heifer prices in GB were almost unchanged from the previous week at 366.4p/kg and 363.6p/kg respectively. The differential between NI and GB average prices last week was 33.1p/kg for steers and 28.3p/kg for heifers.

Steer and heifer prices in Scotland last week were relatively unchanged from the previous week with average steer and heifer prices in Southern England up 1.5p/kg and 3.2p/kg respectively. In Northern England steer prices last week were back 3.5p/kg to 365.7p/kg with heifer prices back 1p/kg to 362.8p/kg. R3 steer and heifer prices in the region were back by 2-3p/kg to 368.5p/kg and 365.4p/kg respectively. In the Midlands last week the R3 steer price was up 2.5p/kg to 370.8p/kg while the heifer price was up 1.4p/kg to 369.2p/kg.

An improvement in the euro/sterling exchange rate to €1=0.84 in recent weeks has resulted in prime cattle prices in ROI showing strong increases in sterling terms with the R3 steer quote up the equivalent of 6.5p/kg to 334.8p/kg with R3 heifer prices up 7.2p/kg to 349.8p/kg. The average R3 heifer price in ROI last week was 7p/kg higher than corresponding price in NI.

This week's Marts

THE strong trade for finished prime cattle continued this week with first quality steers selling to an average of 200p/kg. Second quality finished steers sold to an average of 185p/kg, up 9p/kg on last week. Finished heifers were also an improved trade with first quality selling to 198p/kg (+8p/kg) and second quality to 181p/kg (+9p/kg). The trade for cull cows has remained similar with good quality beef cows selling from 160-216p/kg.

Store cattle continue to be a good trade with first quality bullocks up to 400kg selling to a top price of 216p/kg (av 206p/kg). First quality heifers up to 450kg sold from 180-212p/kg, to an average of 188p/kg.

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

W/E 19/01/13	Northern Ireland	Rep of Ireland	Scotland	Northern England	Midlands & Wales	Southern England	GB
Steers	U3	342.9	343.5	376.4	376.3	376.4	376.2
	R3	341.4	334.8	376.2	368.5	370.8	364.8
	R4	336.7	334.8	378.1	375.6	369.1	367.9
	O3	329.7	321.1	358.7	352.5	350.8	344.0
AVG	333.3	-	374.3	365.7	365.2	355.3	366.4
Heifers	U3	348.0	360.9	373.7	378.4	379.3	375.5
	R3	342.8	349.8	371.6	365.4	369.2	362.0
	R4	340.2	348.3	373.0	368.5	366.0	364.6
	O3	327.9	333.2	346.5	350.0	355.3	345.7
AVG	335.3	-	369.4	362.8	363.8	355.3	363.6
Young Bulls	U3	335.1	338.8	364.2	356.6	365.7	367.9
	R3	329.7	334.7	358.9	346.0	353.4	357.0
	O3	317.3	323.6	341.1	331.0	333.8	336.6
	AVG	323.0	-	345.0	336.1	341.0	334.7
Prime Cattle Price Reported	5288	-	7479	6303	5290	3780	22852
Cows	O3	272.4	280.9	279.5	270.0	267.4	256.6
	O4	277.1	282.6	281.3	272.1	274.5	261.3
	P2	230.7	252.9	224.2	228.8	220.9	206.8
	P3	254.1	272.4	242.3	252.7	246.5	241.1
AVG	249.8	-	268.9	251.6	259.0	226.2	250.0

- Notes: (i) Prices are p/kg Sterling-ROI prices converted at 1 euro=83.26p 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 LIVEWEIGHT CATTLE MART PRICES NI

W/E 19/01/13	1st QUALITY			2nd QUALITY		
	From	To	Average	From	To	Average
Finished Cattle (p/kg)						
Steers	196	208	200	175	195	185
Friesians	145	176	158	100	144	122
Heifers	193	211	198	175	192	181
Beef Cows	160	216	175	120	159	135
Dairy Cows	120	145	130	100	119	105
Store Cattle (p/kg)						
Bullocks up to 400kg	200	216	206	176	199	187
Bullocks 400kg - 500kg	188	219	201	165	187	177
Bullocks over 500kg	184	204	190	160	183	172
Heifers up to 450kg	180	212	188	160	179	170
Heifers over 450kg	180	209	190	160	179	170
Dropped Calves (£/head)						
Continental Bulls	200	300	265	140	198	165
Continental Heifers	165	270	220	100	160	130
Friesian Bulls	100	162	125	40	98	70
Holstein Bulls	60	122	90	1	58	30

SHEEP TRADE

HOGGET QUOTES

(P/Kg DW)	This Week 21/01/13	Next Week 28/01/13
NI Factories	315-320p	320p
ROI Factories	325p	325p

Notes: (i) Hoggets up to 22kg

(ii) ROI prices converted at 1 euro=83.26p Stg

REPORTED HOGGET PRICES - P/KG

(P/KG DW)	W/E 05/01/13	W/E 12/01/13	W/E 19/01/13
NI Liveweight	291.0p	290.2p	281.4p
NI Deadweight	317.4p	325.0p	313.9p
ROI Deadweight	334.9p	333.9p	330.5p
GB Deadweight	334.2p	332.6p	327.2p

Deadweight Sheep Trade

QUOTES from the plants early this week for R3 grading hoggets were 315p/kg to 22kgs and increased to 320p/kg to 22kgs as the week progressed. Plants came under some pressure to increase quotes as an increase in the value of the euro against sterling has made ROI buyers more active in NI. Throughput in the NI plants last week totalled 6,206 head, back 1,132 head on the previous week. Meanwhile exports of hoggets to ROI increased by 1,900 to 13,055 head. The deadweight hogget price in NI last week was 313.9p/kg, back 11p/kg on the previous week. Meanwhile deadweight prices in ROI were back the equivalent of 3.4p/kg to 330.5p/kg. The differential between NI and ROI deadweight price was 16.6p/kg last week. Deadweight prices in GB were back 5.4p/kg last week to 327.2p/kg but prices were still 13.3p/kg ahead of the NI average price.

This week's marts

TRADER across the marts this week was generally improved with 753 hoggets in Ballymena on Wednesday selling to an average of 294p/kg compared to 1,087 last week selling to an average of 282p/kg. Earlier in the week in Kilrea 530 hoggets sold from 290-308p/kg (av 296p/kg) compared to 500 last week selling from 270-300p/kg (av 288p/kg). In Armoy on Tuesday 108 hoggets sold to an average of 298p/kg compared to 238 hoggets last week selling to 294p/kg. Well fleshed cull ewes continue have generally sold in the range of £55-70 with a top reported price of £87 in Kilrea on Monday.

LATEST SHEEP MARTS

From: 19/01/13 To: 24/01/13		Hoggets (P/KG LW)			
		No.	From	To	Average
Saturday	Omagh	367	263	303	-
	Hilltown	240	282	309	-
Monday	Kilrea	530	290	308	296
	Massereene	701	290	310	-
Tuesday	Saintfield	342	295	313	302
	Rathfriland	202	288	323	307
Wednesday	Armoy	108	290	304	298
	Enniskillen	322	290	318	300
	Ballymena	753	280	321	294
Thursday	Markethill	420	300	330	308
	Downpatrick	150	295	305	300

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

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