

EXPERTS FORECAST ROBUST BEEF MARKET FOR 2013

NORTHERN Ireland is a net exporter of beef with approximately 80 per cent of our beef exported and it is therefore vitally important that markets within, and beyond, the EU are fully utilised to add maximum value to the NI beef sector. With this in mind LMC, in conjunction with Invest NI, have purchased a global market report from GIRA which outlines important global and EU market trends and opportunities for both beef and sheep.

GIRA is a strategic market analyst and research firm, founded over 30 years ago, which focuses on the agri-food and retail chain. They provide analysis of European and worldwide markets in some product sectors such as meat, fish and dairy. GIRA hold annual conferences where they provide an overview of the European and global food markets and use these conferences to engage with worldwide industry representatives and share their forecasts on the performance of the sector over the next twelve month period.

Meat consumption trends

In their latest report GIRA have outlined increasing levels of total meat consumption and expenditure on a global scale, although at a slower rate than has been recorded in recent years due to higher prices. Poor harvests due to weather difficulties have driven up the cost of cereals and resulted in an increase in the costs of production for all meats across many regions of the world. These high costs are expected to keep meat prices at high levels well into 2013. The costs of production in

agriculture are closely linked to the price of oil and with oil prices expected to remain high in the future the same is expected with regards to production costs in agriculture.

GIRA highlighted how important it is that the higher prices now being paid by the consumer for meat are fairly distributed back to the production chain to help cover the increasing costs of production and the increased prices being paid by the processor for raw materials as a result. It is equally important that lower value cuts, which currently have a low demand within the EU, are effectively marketed on a global scale as this will help to add carcass value and increase returns to the EU meat industry. Demand for cheaper cuts have shown significant growth in areas such as the Middle East and North Africa as economies develop and incomes increase.

The market analysis reports produced by GIRA contain huge volumes of information on the EU and Global meat markets but for the purposes of this article we will focus on their analysis of the beef markets

EU beef supplies

The latest analysis from GIRA in terms of the performance of the EU beef sector has highlighted the downward trend in beef production across the EU while high prices have continued. In 2012 there has been a three per cent reduction in domestic consumption of beef within the EU with the primary reason for this being the increasing cost of beef on the super market shelves. This is very much in line with

the latest NI consumer data from Kantar which indicated a 3.3 per cent drop in the volume of beef purchased in NI in the year ending the 23 December 2012 when compared to the previous year. It is worth noting that the value of beef sales in NI increased by 12.3 per cent over the same period indicating continued strong consumer demand for beef

The availability of other global markets for beef to third country exporters, combined with tight global supplies, have meant that imports of beef into the EU have been below quota in recent years. The reduced level of imported beef has further increased the beef scarcity within the EU and helped to maintain high beef prices.

The GIRA market research indicates that supplies of finished cattle will remain tight across much of the EU over the next twelve months. There will however be increased supplies of finished cattle in Ireland due to an increase in the number of calves retained for beef production in 2011 coming fit for slaughter in 2013. The problem of reduced availability in the EU is being exacerbated by the live export of cattle to North Africa and the Middle East as these further reduce the availability of cattle for slaughter. However the lower availability of cattle for slaughter is not just confined to the EU. At present the supplies of slaughter cattle across the globe are tight with the lack of profitability, competition for land and the high costs of beef production discouraging cattle production in many regions.

Future EU beef supplies

The most recent figures from GIRA have indicated that 66 per cent of the cow herd in the EU is dairy cattle which acts as an important source of beef animals for the beef sector. While some countries, such as Ireland, have shown slight dairy growth the general trend across the EU has been an overall decline with the dairy cow herd back 1.2 per cent in 2012 with a further, but slower, decline forecasted for 2013 of 0.4 per cent. Some of this decline in dairy cow numbers can be attributed to higher yielding cows increasing milk output from a smaller cow herd.

In the longer term this reduction in dairy cow numbers could reduce the availability of beef cattle from the dairy sector. In addition increasing dairy production costs and an over reliance on the liquid milk sector in mainland EU has reduced confidence in the sector and this inhibits growth despite the opportunities the ending of the milk quota in 2015 will bring.

The EU beef cow herd accounts for the remaining 34 per cent of the EU cow herd and in 2012 was back 1.2 per cent on the previous year. GIRA however predict a slight increase in the suckler cow herd (+0.5 per cent) with increased confidence in the sector due to stronger beef prices. This recovery in suckler cow numbers has however been stalled by high feed costs which are driving up the costs of production and the current high cull cow prices across the EU. Whilst demand for beef in the EU may have shown a decline the EU has become a net exporter of beef and this has helped keep beef prices at a reasonably strong level.

Global beef market

With firm producer prices across the globe and an increasing global demand for beef the biggest barrier affecting future possible growth is the rising costs of production. For example in Italy where beef production systems are heavily dependent on large inputs of cereals the costs of production have increased markedly. As a result levels of beef production have started to show declines due to increasing costs and diminishing returns.

Competition for land from other sectors is also an important factor when considering future global beef supply. The rising global demand for cereals for feed and bio-fuels has meant large areas of traditional ruminant producing regions of South America have been converted to arable production with

beef production pushed out onto more marginal lands. Competition from other industries such as dairy must also be considered e.g. in New Zealand beef production is competing against a rapidly expanding dairy industry for land. With reduced profitability in beef production farmers are changing land uses and production practices to increase incomes.

On a more positive note however the demand for beef is on the increase across the globe, particularly in the Middle East and North Africa, which will open potential export markets at a time when domestic sales within the EU are sticky. Both regions also have a strong demand for live imports of cattle with Turkey in particular having a preference for live cattle over imported beef and altered tariffs during 2012 to encourage more imports of cattle for breeding and slaughter. Another important export market for the EU is Russia which has a huge demand for manufacturing beef which it uses in further processing. The majority of demand from Russia would be for dairy origin cattle with limited demand for prime cattle. The UK now has access to this important market as of late 2012.

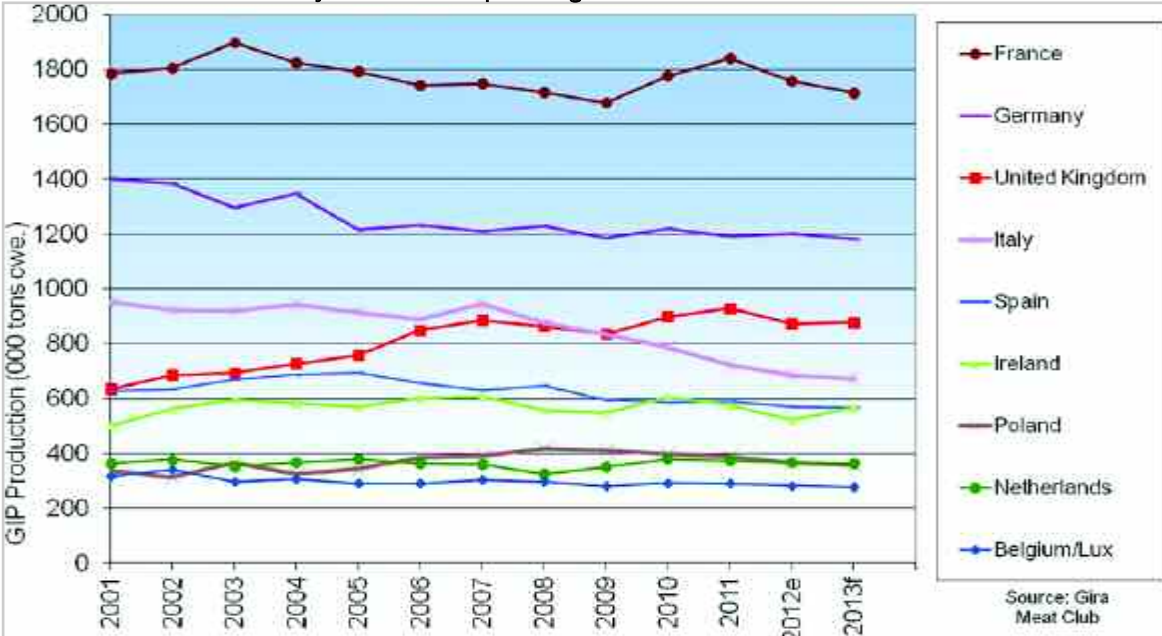
Future Opportunities

The latest GIRA report has indicated opportunities for the EU to export beef to other regions of the world where beef demand is on the increase and it is important that these markets are utilised. However it has also highlighted that within the EU the increasing costs of production have increased beef prices across the region and this has made beef less attractive to the average consumer. As a result it has predicted some further declines in EU beef consumption during 2013.

It should however be noted that increasing cereal costs may actually work to the advantage of beef producers by increasing the cost of alternative meats such as chicken and pork, which are totally dependent on costly cereals. This is particularly relevant in the UK and Ireland where our ability to utilize grass and forage to finish cattle reduces our dependence on cereals and has the potential to keep our costs of production markedly below our counterparts in the rest of the EU.

* A copy of the latest GIRA reports for Beef and Lamb are available at LMC offices for inspection.

Chart 1: Production levels of major beef and veal producing countries within the EU 2001-2013



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028 9263 3024

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WEEKLY BEEF & LAMB MARKETS



CATTLE TRADE

NI FACTORY QUOTES FOR CATTLE

| (P/KG DW) | This Week 04/02/13 | Next Week 11/02/13 |
|---|-----------------------|-----------------------|
| Prime | | |
| U-3 | 334-336p | 334-336p |
| R-3 | 328-330p | 328-330p |
| O+3 | 322-324p | 322-324p |
| * 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 02/02/13 | Steers | Heifers | Young Bulls |
|--------------|--------|---------|-------------|
| U-3= | 341.8 | 349.6 | 330.0 |
| U=3= | 341.0 | 350.7 | 332.2 |
| U=4= | 335.7 | 341.5 | - |
| R=3= | 339.4 | 344.1 | 327.5 |
| R=4= | 332.4 | 339.6 | 320.8 |
| O+3= | 339.6 | 335.9 | 321.6 |
| O=3= | 327.8 | 330.6 | 316.2 |
| Average | 333.1 | 338.5 | 319.5 |

REPORTED COW PRICES NI W/E 02/02/13

| Grades | Price (p/kg) | Avg Wgt |
|--------|--------------|---------|
| O+3= | 289.2 | 314.5 |
| O-3+ | 270.2 | 317.9 |
| P+2+ | 242.6 | 277.0 |
| P+3+ | 257.0 | 308.1 |
| P-1- | 173.8 | 218.1 |

COMMODITIES

COMMODITY PRICE

| W/E 02/02/13 | Price (£) per tonne / 1000litre | % weekly change |
|--------------|------------------------------------|--------------------|
| Barley | 214.50 | -0.46 |
| Wheat | 229.00 | -0.21 |
| Soya | 469.00 | n/c |
| Straw | 16.00 | - |
| Red Diesel | 720-750 | - |

* Table shows the latest available commodity data in NI

Deadweight Cattle Trade

QUOTES from the plants this week for U-3 grade prime cattle have been similar to previous weeks with 334-336p/kg being quoted for steers and 336p/kg for heifers. Quotes for cows have remained within the range of 265-285p/kg. There have been reports of factory agents insisting that all cattle they are purchasing are Farm Quality Assured and as a result there has been a notable increase in applications to the NIBL FQAS scheme over the last number of weeks.

Prime cattle throughput last week totalled 7,114 head, an increase of 340 head on the previous week and similar to throughput in the corresponding week last year. With the increasing value of the euro against sterling and rising finished cattle prices in ROI imports of prime cattle for direct slaughter in NI have declined. Last week 322 prime cattle were imported accounting for 4.5 per cent of the total prime kill.

Average steer prices in NI last week were almost unchanged at 333.1p/kg while average heifer prices were up almost 1p/kg to 338.5p/kg. Meanwhile in GB average steer and heifer prices were within a fraction of a penny of the previous week at 365.5p/kg and 362.4p/kg respectively. A similar trend can be observed across the majority of the UK regions with average steer and heifer prices in Scotland, Northern England and the Midlands generally within 1p/kg of the previous week. In Southern England average steer prices were up 2.5p/kg to 356.4p/kg while average heifer prices were back 1.7p/kg to 350.5p/kg.

The average R4 steer price in GB last week was back 0.6p/kg to 372.1p/kg while in NI the R4 steer price was back 2.2p/kg to 336.4p/kg. Meanwhile the R4 heifer price in GB was back 1.1p/kg to 366.7p/kg while it increased marginally in NI to 341.7p/kg.

Prices in ROI have remained fairly steady in euro terms with prices within 1c/kg of the previous week for the majority of grades reported. However the strengthening of euro against sterling has meant prices have increased in sterling terms for all reported grades. In sterling terms the R4 steer price was up 4.9p/kg to 344.7p/kg while the R4 heifer price was up 5.8p/kg to 360p/kg. These prices are 8.3p/kg and 18.3p/kg higher respectively than the corresponding NI price.

This week's Marts

FINISHED first quality steers sold to an average of 203p/kg this week compared to 199p/kg last week while finished first quality heifers sold to 203p/kg compared to 196p/kg last week. The strong trade for cull cows continued with well fleshed continental type cows selling to a top of 199p/kg (average 175p/kg). The trade for good quality dairy origin cows was similar to last week, selling to 125p/kg.

A strong trade for store cattle this week saw good quality bullocks up to 400kg sell to 210p/kg (+15p/kg) while first quality heifers up to 450kg sold to 195p/kg (+5p/kg).

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

| W/E 02/02/13 | Northern Ireland | Rep of Ireland | Scotland | Northern England | Midlands & Wales | Southern England | GB | |
|--------------------------------|---------------------|-------------------|----------|---------------------|---------------------|---------------------|-------|-------|
| Steers | U3 | 342.2 | 353.0 | 375.9 | 376.3 | 379.2 | 378.6 | 377.4 |
| | R3 | 340.7 | 344.6 | 371.3 | 368.7 | 368.4 | 364.7 | 368.7 |
| | R4 | 336.4 | 344.7 | 375.7 | 375.9 | 366.6 | 364.8 | 372.1 |
| | O3 | 330.1 | 330.4 | 357.5 | 355.9 | 352.7 | 344.9 | 353.6 |
| AVG | 333.1 | - | 371.2 | 366.6 | 363.7 | 356.4 | 365.5 | |
| Heifers | U3 | 350.6 | 371.5 | 375.8 | 376.0 | 378.8 | 364.3 | 375.2 |
| | R3 | 345.3 | 360.4 | 367.3 | 365.6 | 366.7 | 364.4 | 366.2 |
| | R4 | 341.7 | 360.0 | 370.7 | 367.1 | 364.9 | 361.0 | 366.7 |
| | O3 | 330.5 | 343.5 | 350.6 | 349.8 | 353.1 | 344.1 | 349.4 |
| AVG | 338.5 | - | 368.9 | 363.0 | 362.2 | 350.5 | 362.4 | |
| Young Bulls | U3 | 332.8 | 347.3 | 357.2 | 359.9 | 369.1 | 366.4 | 364.4 |
| | R3 | 328.7 | 342.4 | 358.3 | 344.3 | 355.6 | 355.0 | 352.6 |
| | O3 | 316.3 | 331.3 | 339.2 | 328.5 | 336.3 | 342.2 | 334.9 |
| | AVG | 319.5 | - | 343.6 | 336.1 | 350.2 | 339.7 | 343.0 |
| Prime Cattle Price Reported | 5766 | - | 7477 | 6359 | 5363 | 3959 | 23158 | |
| Cows | O3 | 273.3 | 286.5 | 279.8 | 272.2 | 272.6 | 259.5 | 270.8 |
| | O4 | 276.8 | 289.1 | 279.8 | 276.4 | 275.2 | 262.7 | 273.6 |
| | P2 | 229.4 | 252.9 | 229.2 | 230.8 | 210.8 | 198.1 | 218.4 |
| | P3 | 255.5 | 275.4 | 244.4 | 254.0 | 236.4 | 228.5 | 242.0 |
| AVG | 251.0 | - | 266.9 | 256.3 | 254.3 | 222.7 | 249.0 | |

Notes: (i) Prices are p/kg Sterling-ROI prices converted at 1 euro=85.70p 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 02/02/13 | 1st QUALITY | | | 2nd QUALITY | | |
|--------------------------------|-------------|-----|---------|-------------|-----|---------|
| | From | To | Average | From | To | Average |
| Finished Cattle (p/kg) | | | | | | |
| Steers | 197 | 215 | 203 | 175 | 196 | 185 |
| Friesians | 140 | 163 | 145 | 118 | 139 | 130 |
| Heifers | 190 | 223 | 203 | 172 | 189 | 180 |
| Beef Cows | 160 | 199 | 175 | 123 | 159 | 140 |
| Dairy Cows | 120 | 159 | 125 | 90 | 119 | 105 |
| Store Cattle (p/kg) | | | | | | |
| Bullocks up to 400kg | 191 | 220 | 210 | 170 | 190 | 180 |
| Bullocks 400kg - 500kg | 197 | 221 | 203 | 170 | 196 | 183 |
| Bullocks over 500kg | 183 | 208 | 196 | 165 | 182 | 175 |
| Heifers up to 450kg | 185 | 205 | 195 | 165 | 184 | 175 |
| Heifers over 450kg | 180 | 204 | 188 | 160 | 179 | 170 |
| Dropped Calves (£/head) | | | | | | |
| Continental Bulls | 215 | 350 | 270 | 140 | 212 | 176 |
| Continental Heifers | 208 | 290 | 242 | 100 | 205 | 150 |
| Friesian Bulls | 100 | 162 | 130 | 50 | 98 | 75 |
| Holstein Bulls | 75 | 150 | 100 | 1 | 72 | 35 |

SHEEP TRADE

HOGGET QUOTES

| (P/Kg DW) | This Week 04/02/13 | Next Week 11/02/13 |
|---------------|-----------------------|-----------------------|
| NI Factories | 340-350p | 340-350p |
| ROI Factories | 350p | 350p |

Notes: (i) Hoggets up to 22kg

(ii) ROI prices converted at 1 euro=85.70p Stg

REPORTED HOGGET PRICES - P/KG

| (P/KG DW) | W/E 19/01/13 | W/E 26/01/13 | W/E 02/02/13 |
|----------------|-----------------|-----------------|-----------------|
| NI Liveweight | 281.4p | 295.4p | 304.2p |
| NI Deadweight | 313.9p | 317.4p | 304.3p |
| ROI Deadweight | 330.5p | 334.9p | 343.2p |
| GB Deadweight | 327.2p | 333.5p | 333.4p |

Deadweight Sheep Trade

QUOTES from the factories early this week for R3 grading hoggets were 340p/kg and increased to 350p/kg in some plants later in the week. There have been reports of a slight tightening in the availability combined with increased competition from the southern plants for hoggets. Similar quotes are expected from the plants for Monday. A total of 5,809 hoggets were slaughtered in NI last week, an increase of 550 head on the previous week. With the euro strengthening against sterling exports of lambs to ROI for direct slaughter have increased with 13,969 hoggets exported last week. This is an increase of 2,491 head on the previous week. Exports to ROI for the month of January 2013 totalled 61,452, a 43 per cent increase on the 42,959 head exported in January 2012.

This week's marts

IN Massereene on Monday 1,246 hoggets sold from 310-350p/kg compared to 1,026 hoggets last week selling from 310-330p/kg. In Saintfield on Tuesday a similar trade saw 718 hoggets sell to an average of 312p/kg compared to 829 last week selling to an average of 310p/kg. In Rathfriland this week average prices were up 8p/kg on last week with an average price of 316p/kg for the 500 hoggets on offer. The strong trade for cull ewes continues with a top reported price in Newtownstewart of £97 with top prices generally in the region of £80 across the marts.

LATEST SHEEP MARTS

| From: 02/02/13 To: 07/02/13 | | Hoggets (P/KG LW) | | | |
|--------------------------------|----------------|-------------------|------|-----|---------|
| | | No. | From | To | Average |
| Saturday | Omagh | 881 | 298 | 335 | - |
| | Hilltown | 580 | 313 | 331 | 315 |
| Monday | Donemana | 375 | 306 | 332 | 319 |
| | Newtownstewart | 100 | - | - | 314 |
| | Massereene | 1246 | 310 | 350 | - |
| Tuesday | Kilrea | 500 | 300 | 314 | 307 |
| | Saintfield | 718 | 300 | 330 | 312 |
| Wednesday | Rathfriland | 500 | 301 | 330 | 316 |
| | Armoy | 104 | 298 | 320 | 304 |
| | Enniskillen | 725 | 298 | 328 | 310 |
| | Ballymena | 1102 | 285 | 331 | 306 |
| | Markethill | 800 | 310 | 345 | 318 |

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