

STRONGER INCENTIVES TO PRODUCE TO SPECIFICATION AS DEADWEIGHT CATTLE TRADE FIRMS

THIS week some factories announced that they have amended their bonus system for in-spec steers and heifers. The 8p/kg in-spec bonus has been increased to 10p/kg and a further 4p/kg supplement is now available providing those in-spec cattle have resided on no more than four farms. LMC understands that there will be no change to the quoted price penalties on out of specification cattle.

This development comes at a time when prices for cattle are rising with top base quotes this week at 366p/kg for U-3 heifers. With the bonus included, this means that top quotes are now 380p/kg. This is a significant lift in the trade following the decline

in price since August when base quotes fell to 350p/kg (358p/kg for in-spec).

LMC understands that one processing group has been operating this payment structure for the past week and that other factories are likely to follow suit with a similar incentive scheme in the coming days. This development comes in a year when specification has become an increasingly important factor in the deadweight cattle trade. Earlier in the year penalties on non-FQAS cattle increased sharply and country of origin became a more important issue. The revised incentive on in-spec cattle, coupled with the new incentive based on the number of farm residencies reflects this

general trend.

The criteria for the in-spec bonus of 10p/kg remains the same as it did prior to this initiative. The bonus remains attached to FQAS steers and heifers, under 30 months of age and weighing between 280 and 380kg DW. Qualifying grades include E,U,R, 3, 4-/+ and O+3 and cattle must be of UK origin. This accounts for approximately a third of steers and heifers. Additional criteria may be in place at some factories. For example, some plants may require that cattle spend a minimum length of time on the last farm. Producers should therefore consult individual factories about their own individual specifications and bonus criteria.

The additional 4p/kg bonus for cattle that have resided on no more than four farms will be applicable to the majority of in-spec cattle. In 2013 to date, 94 per cent of slaughtered steers and heifers had resided on four farms or fewer.

Most beef finishers will be acutely aware of the specifications of cattle by the NI beef plants to fulfil the needs of their main retail and foodservice customers and these stronger incentives will be welcomed as a signal from the supply chain that rewards are available to deliver the type of cattle that the market wants.

BEEF PERFORMANCE INDICATORS AUGUST 2013

FINISHED prime cattle prices in NI remained strong during August 2013 with an average price of 353.9p/kg, a 13.6 per cent increase on August 2012 when the average price was 311.6p/kg. This accounts for an increase of 42.3p/kg year on year.

The R3 steer price can be used as a good indicator of the direction of the trade and the average R3 steer price during August 2013 was 367.7p/kg, a 14.5 per cent increase on August 2012 when the average price was 321.1p/kg as indicated in Figure 1. This increase accounts for an average increase in returns of £154 on a 330kg R3 grade carcass over the course of the year. Strong increases in the prices paid for R3 steers were also recorded in ROI and GB when comparing August 2012 and August 2013 with prices up by 14.8 per cent and 11.5 per cent respectively.

Figure 2 plots the R3 steer price in NI, ROI and GB over the 52 week

period ending the 31 August 2013. The improvement in the prices paid in recent weeks in all the regions will have been welcomed by producers to cover the higher costs of production this year. However with limited increases in retail beef prices the margins of the processors will potentially be tighter year on year.

The increase in prime cattle prices has been driven by a decline in the availability of prime cattle with slaughterings during August 2013 totalling 23,547 head, an 11 per cent decline on throughput in August 2012. The average carcass weight have also come back year on year, most likely due to the combined effects of last year's poor summer and fodder difficulties this spring. The average prime cattle carcass weight in August 2013 was 321.2kg, 18.7kg lighter than the previous August when the average carcass weight was 339.9kg.

The number of cows slaughtered during August 2013 was also back year on year with throughput totalling 7,089, a 9.8 per cent decline on the 7,863 cows slaughtered in August 2012. Average cow carcass weights have however increased by 5.6kg to 298.5kg. This 1.9 per cent increase in carcass weights can be attributed to the increased proportion of the cow kill sourced from the suckler herd. In August 2012 33 per cent of the cow kill was sourced from the suckler herd and in August 2013 this had increased to 51 per cent.

Imports for direct slaughter during August 2013 were back 28.2 per cent on August 2012 levels at 3,061 head. There has however been a marked increase in recent weeks. Meanwhile exports of cattle for direct slaughter increased by 18.3 per cent to 1,665 during August 2013 with the majority of these exported to GB for direct slaughter. In addition to this exports of cattle to GB for further breeding and production during August 2013 totalled 1,173 head, a 23 per cent increase on August 2012 levels.

The number of cattle aged 12-30 months (beef sired +dairy males) on the ground during August 2013 totalled 444,450 head, a 1.7 per cent reduction on the number recorded in August 2012. The number of beef sired animals aged 12-30 months was back 2.6 per cent between the two periods while the number of dairy sired males increased by 7.5 per cent.

Calf registrations during August 2013 totalled 25,983 head, a 5.9 per cent decline on the number registered in August 2012. Beef sired calf registrations were back 5.7 per cent to 21,580 head year on year as outlined in Figure 3. Meanwhile dairy sired (male only) calf registrations were back by 7.1 per cent to 4,403 head between the two periods. This drop in both beef and dairy sired calf registrations is not surprising given reports of poor fertility last year and the increase in the number of cows slaughtered during 2013 to date as a result. This will give cause for concern about supplies of cattle for slaughter in late 2014 and into 2015.

STATE OF THE BEEF TRADE

NI Beef Industry Key Performance Indicators (August Snapshot)			
	Aug-12	Aug-13	% Change
Finished Cattle Prices (p/kg)			
Average Prime Cattle Price	311.6	353.9	13.6%
Average Cow Price	241.4	263.3	9.1%
Average R3 Steer Price (NI)	321.1	367.7	14.5%
Average R3 Steer Price (ROI)	303.2	348.0	14.8%
Average R3 Steer Price (GB)	348.9	389.1	11.5%
Slaughterings			
Total Clean Slaughterings (Head)	26,462	23,547	-11.0%
Total Cow Slaughterings (Head)	7,863	7,089	-9.8%
Average Clean Carcass Weight (kg)	339.9	321.2	-5.5%
Average Cow Carcass Weight (kg)	292.9	298.5	1.9%
Trade (Head)			
Live Imports for Direct Slaughter	4,263	3,061	-28.2%
Live Exports for Direct Slaughter	1,408	1,665	18.3%
Availability (Head)			
No. Cattle on the Ground*	452,216	444,450	-1.7%
Beef Sired	411,367	400,526	-2.6%
Dairy Sired (Male Only)	40,849	43,924	7.5%
Calf Births Registrations (Head)			
Calf Births	27,625	25,983	-5.9%
Beef Sired	22,885	21,580	-5.7%
Dairy Sired (Male Only)	4,740	4,403	-7.1%
Euro / Stg Exchange Rate (€ / £)	78.82	85.90	9.0%
* Aged between 12-30 mths (Beef + Dairy Male Only)			
All NI Figures Unless Otherwise Stated			

Figure 1: Average R3 steer prices January 2011- August 2013

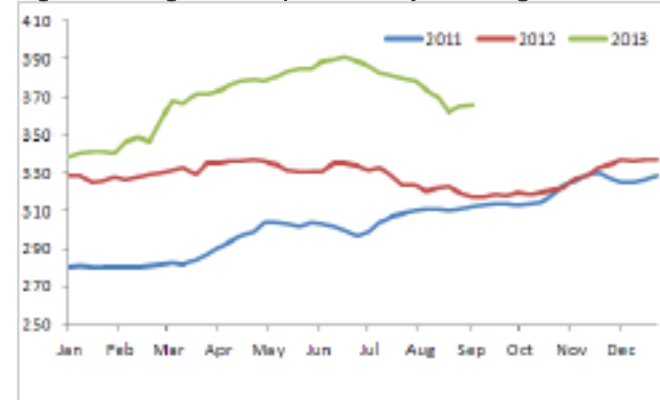


Figure 2: Average R3 steer prices in NI, ROI and the UK in the 52 weeks ending the 31 August 2013

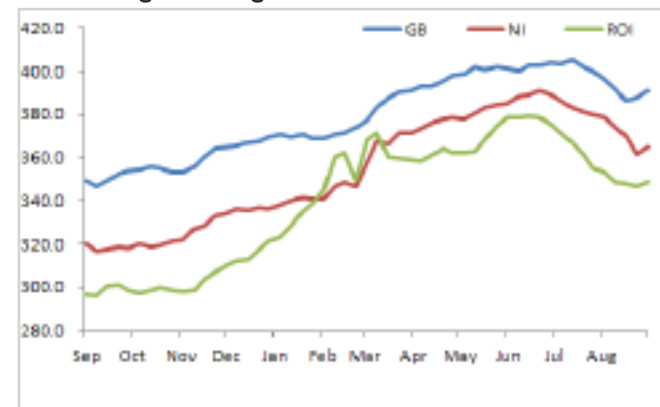
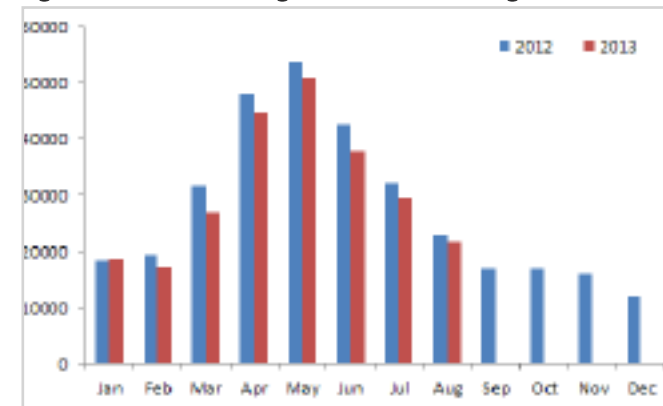


Figure 3: Beef sired calf registrations Jan 2012-Aug 2013



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WEEKLY BEEF & LAMB MARKETS



CATTLE TRADE

NI FACTORY QUOTES FOR CATTLE

(P/KG DW)	This Week 16/09/13	Next Week 23/09/13
Prime		
U-3	354-360p	364-366p
R-3	346-354p	358-360p
O+3	340-348p	352-358p
* Plus 8-14p/kg in spec bonus where applicable		
Cows		
O+3 & better	274-280p	275-290p
Steakers	250-270p	250-270p
Blues	180-185p	180-185p

REPORTED NI CATTLE PRICES - P/KG

W/E 14/09/13	Steers	Heifers	Young Bulls
U-3=	372.2	371.9	346.1
U=3=	366.9	374.7	353.6
U=4=	381.7	384.2	-
R=3=	368.3	373.8	346.7
R=4=	362.3	365.5	-
O+3=	366.4	363.3	340.0
O=3=	353.4	359.3	326.7
Average	358.4	361.4	337.2

REPORTED COW PRICES NI W/E 14/09/13

Grades	Price (p/kg)	Avg Wgt
O+3=	288.3	327.8
O-3+	274.2	300.3
P+2+	253.2	282.0
P+3+	261.1	307.5
P-1-	174.2	219.9

COMMODITY PRICE

W/E 14/09/13	Price (£) per tonne / 1000litre	% weekly change
Barley	160.00	n/c
Wheat	168.50	n/c
Straw	17.14	-
Diesel	715-725	-

Deadweight Cattle Trade

THE plants have increased quotes for U-3 grade prime cattle this week and base quotes are generally 364p/kg for steers and 364-366p/kg for heifers. This is an increase of 10p/kg by some plants over the course of the week and is in response to increased demand for cattle and supply remaining tight. The revised bonus scheme adopted by several processors this week, as discussed on the previous page, means that the price for in spec steers and heifers is effectively up by a further 6p/kg. Quotes for O+3 grade cows also increased this week to 275-290p/kg.

Prime cattle slaughterings in NI plants last week totalled 5,739 head, an increase of 310 head on the previous week when 5,429 head were slaughtered. With reports of supplies remaining tight prime cattle throughput last week was 16 per cent lower than the 6,824 slaughtered in the corresponding week in 2012. Cow slaughterings in the NI plants last week totalled 1,606 head representing a 7 per cent increase on the previous week.

Imports of prime cattle from ROI for direct slaughter increased to 1,119 last week and accounted for 19.5 per cent of the prime kill in NI plants. A total of 189 cows were also imported from ROI for direct slaughter with 205 cows exported out of NI for slaughter in ROI plants. Exports of prime cattle from NI to GB last week totalled 289 head bringing the total for the year to date to 8,056 head.

The average steer price in NI last week was 358.4p/kg, an increase of 2p/kg on the previous week. Meanwhile the average heifer price was 361.4p/kg, an increase of 5p/kg on the previous week. The R3 heifer price increased by 4.3p/kg to 369.7p/kg while the O3 heifer price was up by 8.4p/kg to 358.4p/kg. The cow price also showed a strong increase, up 6.2p/kg on the previous week to 253.9p/kg with the tabulated grades increasing in the range of 3-7p/kg.

In GB the average steer price increased by 2.7p/kg to 394.5p/kg with average steer prices up in all the GB regions in the range of 3-6p/kg with the exception of Northern England where average prices were back 1.2p/kg to 393.7p/kg. The average GB heifer price increased by 4.9p/kg with particular strong increases recorded in the Midlands and Southern England where prices were up by 9.1p/kg and 12.3p/kg respectively. The average young bull price in GB was up 8p/kg to 372.6p/kg with average prices up in all GB regions. The trade for finished cattle in ROI continues to be under pressure with the R3 steer and heifer prices back the equivalent of 7p/kg to 334.9p/kg and 343.9p/kg respectively.

This week's marts

FINISHED first quality steers sold from 216-244p/kg (av 220p/kg) this week with second quality selling from 190-215p/kg (av 200p/kg). Finished heifers sold to a top price of 227p/kg this week with first quality selling to an average of 214p/kg and second quality selling to an average of 190p/kg. A good trade for heavier store cattle saw first quality store bullocks over 500kg selling to an average of 210p/kg with second quality selling to an average of 183p/kg. Heifers over 450kg sold to an average of 210p/kg for first quality and 187p/kg for second quality.

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

W/E 14/09/13		Northern Ireland	Rep of Ireland	Scotland	Northern England	Midlands & Wales	Southern England	GB
Steers	U3	367.8	343.7	416.4	398.1	401.9	396.1	404.4
	R3	366.4	334.9	410.1	392.5	391.8	386.4	396.1
	R4	366.7	333.6	416.7	405.3	391.5	390.9	403.4
	O3	357.2	318.2	397.3	384.8	375.9	368.1	383.1
	AVG	358.4	-	412.3	393.7	387.2	378.2	394.5
Heifers	U3	373.7	355.7	416.3	398.7	406.8	400.2	407.1
	R3	369.7	343.9	406.7	391.1	396.8	389.2	397.0
	R4	365.4	343.1	410.9	395.9	392.5	386.4	398.1
	O3	358.4	326.6	379.9	380.8	377.1	361.3	375.5
	AVG	361.4	-	405.2	392.8	389.8	380.2	393.5
Young Bulls	U3	352.9	340.6	410.3	384.9	389.1	391.0	391.2
	R3	347.1	332.6	399.7	371.2	378.6	377.2	378.7
	O3	329.8	303.0	359.2	346.4	358.2	370.3	356.0
	AVG	337.2	-	386.4	364.1	373.3	374.4	372.6
Prime Cattle Price Reported		3633	-	6413	5887	5594	4044	21938
Cows	O3	278.8	267.5	283.1	281.7	281.3	264.9	277.0
	O4	282.3	269.1	289.0	283.9	284.6	267.7	281.1
	P2	233.6	232.7	213.1	228.6	230.4	216.1	220.5
	P3	259.0	256.7	247.0	253.5	247.4	229.3	244.3
	AVG	253.9	-	276.2	255.3	265.0	227.0	253.4

Notes: (i) Prices are p/kg Sterling-ROI prices converted at 1 euro=84.15p 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 14/09/13	1st QUALITY			2nd QUALITY		
	From	To	Average	From	To	Average
Finished Cattle (p/kg)						
Steers	216	244	220	190	215	200
Friesians	152	190	160	100	149	135
Heifers	207	227	214	180	206	190
Beef Cows	140	202	172	110	139	124
Dairy Cows	110	148	119	80	109	94
Store Cattle (p/kg)						
Bullocks up to 400kg	210	253	223	170	209	190
Bullocks 400kg - 500kg	200	243	213	160	199	180
Bullocks over 500kg	200	236	210	168	199	183
Heifers up to 450kg	200	226	213	160	199	182
Heifers over 450kg	200	248	210	165	199	187
Dropped Calves (£/head)						
Continental Bulls	250	365	300	180	248	210
Continental Heifers	200	300	250	130	198	165
Friesian Bulls	140	245	160	50	138	85
Holstein Bulls	80	168	105	5	78	40

SHEEP TRADE

LAMB QUOTES

(P/Kg DW)	This Week 16/09/13	Next Week 23/09/13
NI Factories	360p	360p
ROI Factories	360p	360p

REPORTED LAMB PRICES - P/KG

(P/KG DW)	W/E 31/08/13	W/E 07/09/13	W/E 14/09/13
NI Liveweight	338.7p	330.5p	324.2p
NI Deadweight	379.6p	372.1p	360.9p
ROI Deadweight	375.2p	362.6p	353.6p
GB Deadweight	410.8p	400.2p	394.0p

Deadweight Sheep Trade

QUOTES from the plants this week for R3 grade lambs have steadied at 360p/kg with the plants continuing to pay up to 21kg. Strong supplies of lambs have been reported with 12,549 lambs slaughtered last week, 1,000 more than the previous week. Exports of lambs to ROI last week totalled 8,060 head compared to 9,834 head the previous week. This decline by 1,774 head has been driven by a fall in the value of the euro against sterling. The average deadweight price in NI last week was 360.9p/kg, a drop of 11.2p/kg from the previous week. In the corresponding week in 2012 the deadweight lamb price was 345.6p/kg. Meanwhile in GB the deadweight lamb price has dipped below the 400p/kg mark to 394.0p/kg. This was a drop of 6.2p/kg on the previous week.

This week's marts

THE trade across the marts this week was fairly similar to last week with average prices ranging from 314-335p/kg compared to 313-340p/kg last week. In Kilrea on Monday 380 lambs sold from 318-333p/kg (av 322p/kg) compared to 450 lambs last week selling from 318-324p/kg (av 320p/kg). A large entry of 1,568 lambs in Ballymena on Wednesday sold from 300-335p/kg (av 315p/kg) compared to 1,509 lambs last week selling from 300-347p/kg (av 313p/kg). The quality of cull ewes has been variable across the marts with top prices generally ranging from £65-75.

LATEST SHEEP MARTS

From: 14/09/13 To: 19/09/13		Lambs (P/KG LW)			
		No.	From	To	Avg
Saturday	Omagh	1131	331	382	-
	Donemana	1190	311	360	333
	Hilltown	1800	-	-	314
Monday	Newtownstewart	225	300	325	316
	Massereene	1023	310	338	-
	Kilrea	380	318	333	322
Tuesday	Saintfield	692	330	365	-
	Rathfriland	1210	320	360	335
Wednesday	Ballymena	1568	300	335	315
	Enniskillen	532	312	342	318
	Markethill	825	315	337	322

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