

CHANGES TO IN-SPEC INCENTIVES FROM 1 APRIL 2014

LMC understands that NI beef factories are planning to make significant changes to the incentive structure for in-spec cattle from 1st April 2014. These changes will take effect at most of the large beef factories and will involve penalties on out-of-spec cattle and a simplification of the payment structure with bonuses incorporated into the standard weekly quote.

Currently, the factories quote a base price for prime cattle, with an 8-14p/kg bonus payable for in-spec steers and heifers, over and above this base quote. From early April, this bonus will be stopped. Instead, this bonus will be incorporated in the prime cattle quotes, which will presumably be revised upwards so as not to disadvantage producers. Factories are also planning to introduce stiffer penalties on out-of-spec cattle from 1 April 2014. The in-spec criteria and associated out-of-spec penalties are outlined below:

Farm Quality Assurance: In 2013, most factories increased penalties for non-FQAS cattle, with some now applying penalties of up to £150 per head on these cattle. These penalties are already in place and will continue from 1 April 2014.

Number of Farm Residencies: In-spec cattle are those that have resided on no-more than four farms. Cattle that have resided on five or more farms will be subject to a penalty of up to £150. This penalty is likely to vary from plant to plant.

Standstill: In-spec cattle are those that have resided on the last farm for at least 30 days. This will vary on a plant by plant basis and some

factories may require a standstill period of at least 90 days on the last farm. Cattle that do not meet these standstill requirements will be subject to a penalty of up to £150. This is likely to vary from plant to plant.

Age: In-spec steers and heifers are those that are slaughtered under-30 months. This will vary on a plant by plant basis and some factories have an age specification of 36 months for steers and heifers. Cattle that do not meet these age requirements will be subject to a penalty of up to £150. This is likely to vary from plant to plant. In-spec young bulls are those slaughtered under-16 months. A penalty of 50p/kg is currently being quoted on over 16 month young bulls at most factories.

Country of Origin: In-spec cattle are of UK origin. Non-UK origin prime cattle are regarded as out of spec and producers should consult with individual factories about their payment policies on these cattle. Factories have indicated that they do not want Non UK origin cows. These cows will be subject to deductions which will be determined on a factory-by-factory basis.

Weight: Penalties are currently in place for underweight (<260kg) and overweight (>420kg) prime cattle. Weight remains an important part of the specification and it is likely that penalties will remain in place after 1 April 2014 on over/under weight cattle. These will be set on a plant by plant basis. We understand that some plants are considering reducing the upper weight limit for prime cattle.

Grade: We understand that there are no changes to the prime cattle price grid, notwithstanding the removal of the 8 - 14p/kg bonus for gold box grades that meet the other specification criteria. This will potentially reduce the price differential between current gold box grades and other grades of cattle.

No. of Farm Residencies

The basic retail specification includes a requirement that cattle presented for slaughter have resided on no more than four farms. It is important to note that this requirement refers to the **number of farm residencies NOT the number of moves.**

Example

Consider a steer that is born on Farm A, sold to Farm B as a calf, sold again to Farm C as a weanling and sold again to Farm D as a store and then finished and sold to the factory. This steer will be in-spec as it has resided on four farms only. LMC understands that a trading premises herd number is deemed as a farm residency. Movements to and from marts and to factories have no impact on the number of farm residencies.

Since April 2013, less than five per cent of slaughtered prime cattle had been resident on more than four farms, with over 95 per cent of prime cattle slaughtered having been resident on four farms or fewer.

Summary

The information above is indicative and it is likely that there will be differences in the specifications and associated incentives at different factories.

Context

These changes which are planned for the start of April, come after a 12 month period during which there were many adjustments to incentive payments for in-spec cattle. There were changes to bonus payments, increased penalties on non-FQAS cattle and on over-age bulls. However, the payment system for cattle became increasingly complicated over the course of the last year and this simplification of incentive payments is to be welcomed given that it should make it easier for producers to understand how they are being paid for their cattle. In addition, the simplification of the payment structure makes price comparisons simpler and this should provide more transparency in the market.

There will be concerns among some producers that the removal of the 8-14p/kg in-spec bonus will disadvantage them somehow. However, assuming that the trade remains steady during the week that this new payment system is introduced, it is likely that there will be an increase in quotes. LMC will monitor developments in average prices before and after 1 April 2014 to ascertain any impact of these changes. Producers will need to weigh up how these changes will impact their own farm business and consider whether they need to make any changes. In this regard, it would be useful for producers to speak with factory procurement staff to better understand the pricing policies of individual plants.

VALUE AND VOLUME OF MEAT SALES DECLINES YEAR ON YEAR

CONSUMPTION data for the final quarter of 2013 has recorded a decline in both the value and volume of sales in Northern Ireland for all categories of meat. The value of total meat sales was back 9.6 per cent during the final quarter of 2013 compared to the same period in 2012 while the total volume of meat sold was back 13.3 per cent year on year.

The value of beef sales in NI during the final quarter of 2013 was back 11.3 per cent on the same period in 2012 with the volume of beef purchased back by 14.9 per cent year on year. Data for the 52 week period ending the 05 January 2014 has indicated an average retail price of beef of £7.56/kg, an increase of 31p/kg or 4.3 per cent on the previous 52 week period when the average retail price was £7.25/kg.

Despite this increase in retail price and a slight increase in the proportion of households buying beef both the volume and value of sales has come back year on year. This indicates that while more consumers are buying beef they are buying it in smaller volumes and spending less. The average spend per household on beef was £152.60 during

2013, back £22.60 from the previous year when the average household spend was £175.20.

Meanwhile sales of lamb in NI during the final quarter of 2013 also recorded declines in terms of both value and volume when compared to the same period in 2012. The value of lamb sales were back by 15.1 per cent between the two periods while the volume of sales was back by 6.7 per cent year on year.

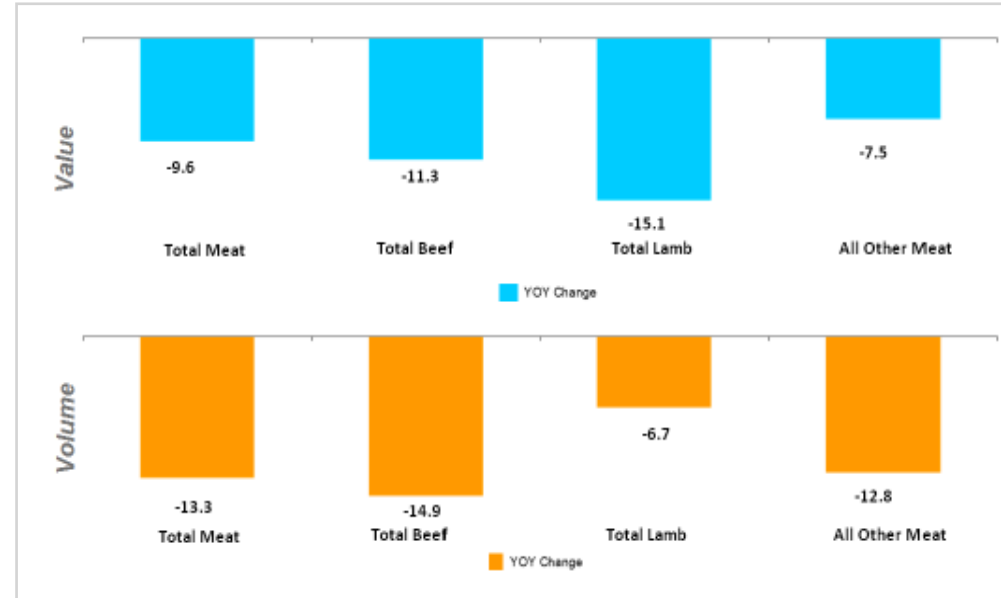
The drop in the value of lamb sales has been driven by a decline in the average retail price year on year. During 2013 the average retail price for lamb was £7.38, down £0.73/kg from the previous year when the average retail price was £8.11/kg. A drop in the proportion of households purchasing lamb by 2.5 percentage points year on year will also have contributed to this downward movement in the value of sales. During 2013 the average household spend on lamb in NI was £48.40 compared to £54.40 the previous year. This £6 decline represents an 11 per cent drop in household expenditure on lamb year on year.

With both the value and volume of beef and lamb

sales under pressure in NI in recent months it is timely that LMC is running a high profile beef and lamb advertising campaign in the first quarter of

2014. The campaign is aimed at stimulating consumers to buy NI FQAS beef and lamb as part of a healthy balanced diet.

Figure 1: Percentage change in the value and volume of beef sales in NI between 2012 and 2013.



FQAS Helpline

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028 9263 3024

Answerphone Service
Factory Quotes &
Mart Results
Updated 5pm Daily

Tel: 028 9263 3011

Text Service
Free Price Quotes sent to your mobile
phone weekly

Email - bulletin@lmcni.com
Tel: 028 9263 3000

WEEKLY BEEF & LAMB MARKETS



CATTLE TRADE

NI FACTORY QUOTES FOR CATTLE

(P/KG DW)	This Week 10/02/14	Next Week 17/02/2014
Prime		
U-3	336-340p	328-332p
R-3	330-334p	322-326p
O+3	324-328p	316-320p
* Plus 8-14p/kg in spec bonus where applicable		
Cows		
O+3 & better	230-244p	230-240p
Steakers	150-200p	150-200p
Blues	110-130p	110-130p

REPORTED NI CATTLE PRICES - P/KG

W/E 08/02/14	Steers	Heifers	Young Bulls
U-3=	358.0	370.2	324.2
U=3=	357.6	367.8	319.0
U=4=	357.4	370.6	316.0
R=3=	360.4	363.4	321.0
R=4=	354.4	360.0	-
O+3=	356.0	349.0	335.8
O=3=	342.4	337.4	303.6
Average	350.8	357.7	317.2

REPORTED COW PRICES NI W/E 08/02/14 (p/kg)

Grades	Wgt <220kg	Wgt 220- 250kg	Wgt 250- 280kg	Wgt >280kg
O+3=	-	210.0	-	253.5
O-3+	-	-	240.0	238.9
P+2+	-	213.0	212.2	221.4
P+3+	-	170.0	-	214.5
P-1-	125.9	129.6	-	-

COMMODITY PRICE

W/E 08/02/14	Price (£) per tonne / 1000litre	% weekly change
Barley	155.00	-0.6
Wheat	174.50	+0.9
Straw	17.30	-
Diesel	715-725	-

Deadweight Cattle Trade

QUOTES from the plants this week ranged from 336-340p/kg for U-3 grade prime cattle. In the majority of cases plants were quoting 338p/kg for steers and 340p/kg for heifers. Three plants have quoted a base price in the range of 228-332p/kg for Monday with the remainder not quoting until early next week. The quotes for O+3 cows ranged from 230-240p/kg with the majority of plants quoting in the region of 240p/kg.

The NI processors have reported steady supplies of prime cattle to meet demand with throughput of prime cattle last week totalling 6,581. While this is similar to previous weeks it is eight per cent lower than the 7,123 prime cattle killed in the corresponding week last year. The average prime cattle carcass weight for the year to date has been 328.9kg, back 3.7kg on the same period in 2012 when the average carcass weight was 332.6kg. Quotes for prime cattle in NI came back early last week and this was reflected by a drop in the prices paid. The average steer price in NI last week was back 4.7p/kg to 350.8p/kg with the average heifer price back by 2.5p/kg to 357.7p/kg. The young bull price has also continued to come under pressure with the average price back by 7p/kg to 317.2p/kg last week.

Meanwhile in GB deadweight prices have also continued to come under pressure with processors reporting a combination of lower consumer demand for beef and strong supplies of prime cattle. The average steer price in GB last week was back 2.4p/kg from the previous week to 368.9p/kg. All the GB regions recorded a decline in average steer prices of 2-3p/kg with the exception of Southern England where average prices were up in the region of a penny to 353.7p/kg. The biggest decline was recorded in Scotland where the average steer price was back by 3.7p/kg to 383.2p/kg. Average heifer prices in GB last week were back by 1.9p/kg to 367.9p/kg with average prices back in all the GB regions. Average young bull prices in GB last week were back by 4.2p/kg to 327.9p/kg. The average cow price in NI last week increased by 7.4p/kg to 234.9p/kg, 15.3 p/kg higher than the GB average price of 219.7p/kg.

Deadweight prices in ROI last week remained similar to the previous week in euro terms but were up slightly in sterling terms due to an improvement in the exchange rate. The R3 steer price in ROI last week was the equivalent of 320.1p/kg while the R3 heifer price was 335.1p/kg.

This week's marts

FINISHED first quality steers sold from 200-211p/kg liveweight this week while second quality sold from 160-199p/kg. Finished heifers sold to a top price of 213p/kg with first quality selling to an average of 203p/kg. Plainer type finished heifers sold to an average of 170p/kg. A firm trade for good quality store cattle saw bullocks up to 400kg sell from 203-250p/kg (avg 225p/kg) with first quality heifers up to 450kg selling from 196-240p/kg (avg 205p/kg). Heifers over 450kg sold to an average of 200p/kg for first quality while second quality sold to an average of 175p/kg.

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

	W/E 08/02/2013	Northern Ireland	Rep of Ireland	Scotland	Northern England	Midlands & Wales	Southern England	GB
Steers	U3	359.7	326.3	392.8	375.8	376.7	373.6	380.6
	R3	362.2	320.1	382.0	369.6	367.4	364.2	371.4
	R4	358.8	321.9	384.3	382.3	368.4	360.7	376.4
	O3	344.4	307.5	355.1	362.2	346.4	344.7	352.2
	AVG	350.8	-	383.2	372.2	361.3	353.7	368.9
Heifers	U3	368.4	346.3	394.3	378.0	379.5	376.2	383.1
	R3	362.4	335.1	379.1	366.5	367.1	361.5	369.5
	R4	361.7	334.7	382.1	372.0	366.3	360.6	371.9
	O3	347.3	318.8	358.6	351.3	350.0	337.4	350.0
	AVG	357.7	-	381.5	368.5	361.4	352.8	367.9
Young Bulls	U3	324.9	296.1	378.1	338.8	359.1	354.5	352.5
	R3	322.1	288.9	370.2	329.1	349.7	325.5	340.7
	O3	314.6	265.8	329.6	307.0	321.3	325.9	318.2
	AVG	317.2	-	345.4	316.8	333.4	327.9	327.9
Prime Cattle Price Reported		5441	-	6247	5665	5106	3749	20767
Cows	O3	242.6	239.2	238.8	236.6	255.1	217.3	233.4
	O4	247.1	240.7	243.5	238.6	256.6	226.0	238.2
	P2	202.0	199.2	182.4	188.4	197.1	165.6	178.6
	P3	218.4	225.1	201.7	217.7	210.3	190.2	204.2
	AVG	234.9	-	233.9	220.4	246.9	196.8	219.7

Notes: (i) Prices are p/kg Sterling-ROI prices converted at 1 euro=82.95p 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 08/02/14	1st QUALITY			2nd QUALITY		
	From	To	Average	From	To	Average
Finished Cattle (p/kg)						
Steers	200	211	205	160	199	180
Friesians	160	170	168	134	153	145
Heifers	192	213	203	150	191	170
Beef Cows	151	190	175	120	150	135
Dairy Cows	94	113	100	50	93	72
Store Cattle (p/kg)						
Bullocks up to 400kg	203	250	225	150	202	176
Bullocks 400kg - 500kg	213	235	218	155	212	182
Bullocks over 500kg	196	223	205	160	195	187
Heifers up to 450kg	196	240	205	165	195	180
Heifers over 450kg	192	215	200	160	191	175
Dropped Calves (£/head)						
Continental Bulls	270	390	310	170	268	220
Continental Heifers	220	320	280	100	218	160
Friesian Bulls	100	125	112	30	98	70
Holstein Bulls	50	100	75	2	48	25

SHEEP TRADE

HOGGET QUOTES

(P/Kg DW)	This Week 10/02/14	Next Week 17/02/14
NI Factories	390p > 22kg	390p > 22kg
ROI	380 > 22.5kg	380p > 22.5kg

REPORTED HOGGET PRICES - P/KG

(P/KG DW)	W/E 25/01/14	W/E 01/02/14	W/E 08/02/14
NI Liveweight	347.9p	348.5p	349.8p
NI Deadweight	380.6p	388.2p	386.5p
ROI Deadweight	363.7p	371.4p	374.7p
GB Deadweight	397.2p	404.3p	406.4p

Deadweight Sheep Trade

THE hogget trade has remained steady this week with plants continuing to quote 390p/kg up to 22kg for R3 grading hoggets. The local plants are reporting good supplies of hoggets and steady demand for sheep meat. A total of 7,638 hoggets were slaughtered in NI plants last week with a further 8,263 hoggets exported for direct slaughter in ROI plants. The average deadweight price in NI last week was 386.5p/kg, back 1.7p/kg on the previous week. Meanwhile in GB the average deadweight price increased by 2.1p/kg to 406.4p/kg. In ROI the average deadweight lamb price was 374.7p/kg, up 3.3p/kg from the previous week.

This week's marts

GOOD numbers of hoggets have continued to pass through the marts this week with trade generally similar to last week. Some marts have indicated a greater number of heavier lambs being offered for sale which has had a negative effect on average prices in some cases. In Massereene on Monday 916 hoggets sold from 345-370p/kg compared 1,216 hoggets last week selling from 345-378p/kg. In Rathfriland on Tuesday 753 hoggets sold to an average of 355p/kg compared to 524 hoggets last week selling to an average of 359p/kg. In Ballymena on Wednesday 1,023 hoggets sold to an average of 353p/kg compared to 1,589 hoggets last week selling to an average of 347p/kg. Top prices for good quality cull ewes ranged from £70-85 across the marts.

LATEST SHEEP MARTS

From: 07/02/14		Hoggets (P/KG LW)			
To: 14/02/14		No	From	To	Avg
Saturday	Omagh	1140	338	374	
	Newtownstewart	85	-	-	353
	Swatragh	1050	345	398	-
Monday	Massereene	916	345	370	-
	Kilrea	450	347	362	-
Tuesday	Saintfield	611	347	400	-
	Rathfriland	753	330	389	355
Wednesday	Ballymena	1023	335	396	353
	Enniskillen	742	342	376	-
	Markethill	750	340	369	361

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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