LMC BULLETIN

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SHORT TERM OUTLOOK FOR THE EU MEAT MARKET

THE EU'S mild economic recovery is expected to encourage an increase in meat consumption during 2014 and 2015 according to the latest short term outlook released by the European Commission. The forecast also indicates that an increase in beef and pork production is expected after two years of tight supplies. However issues of political uncertainty, sanitary barriers and self sufficiency targets are all expected to negatively affect meat exports with a forecasted decline in total EU meat exports of 4.7 per cent.

Beef

A decline in the EU suckler herd by 300,000 head between 2011 and 2014 and the restocking of farms with 400,000 additional dairy cows over the same period has increased total cow numbers to 35.4 million head in December 2013. This decline in the number of beef cows combined with the increasing number of dairy cows has led to an 8.3 per cent reduction in EU beef production between 2011 and 2013. There is however an expectation of increased cattle availability during 2014 and 2015 as a result of the higher female retention rate in dairy herds resulting in increased calf births.

In the first third of 2014 total EU cattle slaughterings were running marginally lower than the corresponding period in 2013 but there is significant variation across the member states. Higher beef throughputs during 2014 to date have been recorded in Ireland (+13 per cent), Poland (+12 per cent), the UK (+3 per cent) and Germany (+4 per cent) while declines have been recorded in Italy (-21 per cent), France (-2 per cent) and Hungary (-9 per cent).

The short term outlook report indicates that it expects beef production in the EU to recover by 1.4 per cent in 2014 and a further 2.3 per cent in 2015. This recovery in production is expected to increase beef exports from the EU by five per cent with sustained demand from Russia, Switzerland and Bosnia Herzegovina. Deadweight beef prices across the EU have continued to decline in recent weeks with this drop in price expected to stimulate an increase in domestic beef consumption to 10.7kg/capita in 2015.

Lamb

Sheep production in the EU has shown signs of stabilisation due to improved margins in the sector according to the latest EU Outlook Report. Production data for 2013 indicates a slight recovery in lamb production after a strong drop the previous year. Improved production conditions across Northern regions of the EU during 2014 to date combined with lower cereal costs are expected to lower production costs and stimulate some moderate growth in production levels.

Lamb shortages in New Zealand and an increase in the proportion of New Zealand lamb exports destined for Asian markets such as China are expected to reduce imports into the EU by 2.5 per cent in 2014. The expected increase in imports of lamb from Australia into the EU is not expected to fill the gap left by the fall in New Zealand imports and thus increasing demand for lamb produced within the EU.

Pork

Meanwhile pig meat production in the EU is forecast to increase marginally (+0.2 per cent) in 2014 with higher supplies in Denmark and the Netherlands expected to offset potential production declines in France, Germany and Spain. Production volumes are forecast to grow by a further 0.8 per cent in 2015.

In the first four months of 2014 shipments of pork to Russia declined by 80 per cent compared to the same period in 2013 following the identification of African Swine Fever in Lithuania and Poland. A strong increase in demand from Asian markets however is expected to help to offset some of this decline with total exports for 2014 forecast to be 7 per cent down on 2013 levels. Domestic consumption within the EU is expected to reach 31.4kg/capita in 2015 due to a firm demand for pork and prices five per cent below the 2012-2013 average.

EXPENDITURE ON BEEF UP TWO PER CENT BUT VOLUME SALES DOWN OVER LAST YEAR

EXPENDITURE on beef in the UK totalled £2.1 billion in the 52 weeks ending 25 May 2014, a two per cent increase on the previous 52 week period according to the latest consumer data from Kantar. The increase in expenditure on beef has occurred despite a five per cent contraction in the volume of UK sales and has been driven by an increase in the average retail price. The average retail price for beef during the 52 weeks ending 25 May 2014 was £7.65, an eight per cent increase on the previous 52 week period.

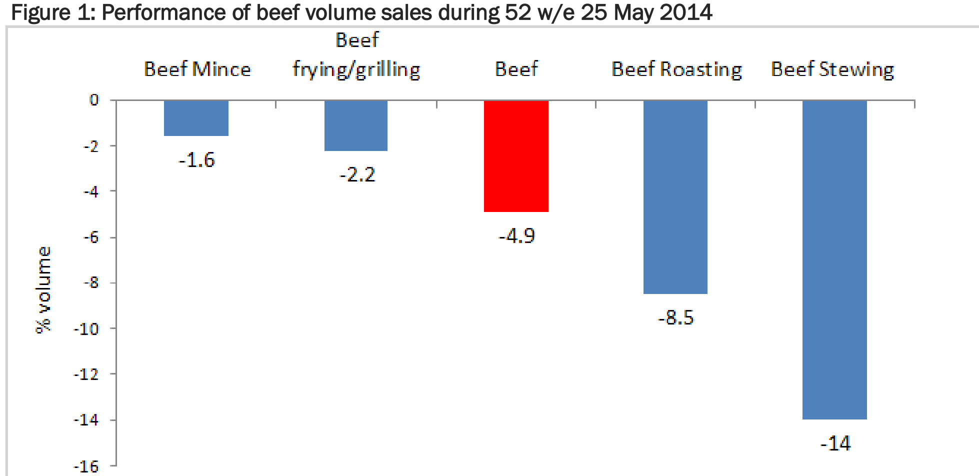
Meanwhile household penetration has remained almost unchanged at 85.5 per cent during the period under analysis while the volume purchased per household was back five per cent to 12.2kg. This would indicate that while similar numbers of consumers are buying beef they are buying it in smaller volumes with the increased retail price likely to be the key driver behind this trend.

During the 52 week period ending 25 May 2014 all the major cuts of beef recorded volume declines in sales as indicated in Figure 1. Sales of mince and beef frying steaks were back by 1.6 per cent and 2.2 per cent respectively compared to year earlier levels. Meanwhile sales of the larger and more expensive roasting joints showed a more marked decline, back by 8.5 per cent with volume sales of beef stewing pieces back 14 per cent year on year.

In the shorter term volume beef sales have shown some signs of improvement. In the four week period ending 25 May 2014 volume sales of beef were three per cent higher than the corresponding period in 2013. This was primarily due to increases in the volume sales of beef mince (+9.4 per cent) and beef frying/grilling steaks (+9.1 per cent). Sales of roasting joints have continued to decline with volume sales in the four week period ending 25 May 2014 back 16.4 per cent on year earlier levels.

The average retail price of beef during the four week period ending 25 May 2014 was £7.42, one per cent higher than year earlier levels. This increase in the retail price combined with the three per cent increase in volume sales has resulted in a four per cent increase in total expenditure on beef during the four week period ending 25 May 2014 to £150 million. Household penetration during the four weeks ending 25 May 2014 was four percentage points higher than year earlier levels however the average weight purchased was back two per cent to 1.5kg.

Figure 1: Performance of beef volume sales during 52 w/e 25 May 2014



DECLINE IN LAMB CONSUMPTION AS PRICE PER KG INCREASES

LAMB consumption data from Kantar for the four weeks ending 25 May 2014 has recorded a steep decline in both the volume and value of sales when compared to year earlier levels. Total expenditure on lamb in the UK during the four weeks ending 25 May 2014 was down 18% on the same period in 2013 while the volume of lamb purchased by consumers was back 27% year on year.

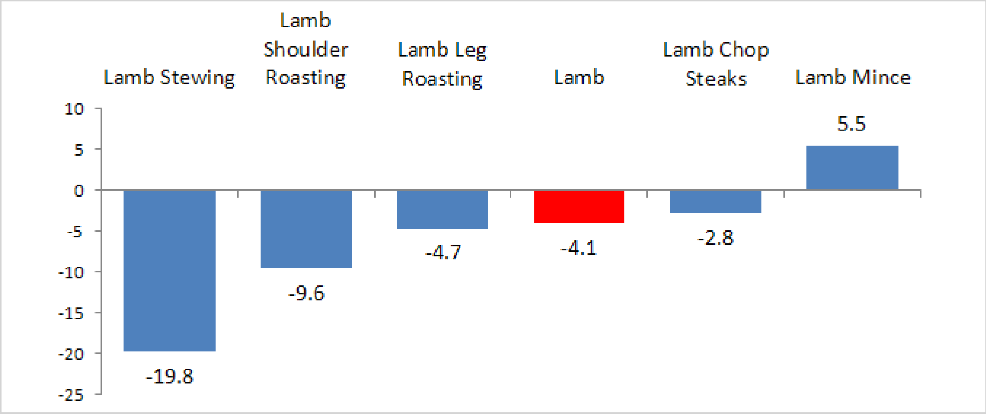
Meanwhile the average retail price of lamb increased by 12% to £8.88 per kg for the same four week period. This increase in the retail price is likely to be a key driver behind the 17 per cent decline in market penetration for lamb and a 12 per cent decline in average weight purchased when comparing the four week period ending 25 May 2014 and the same period in 2013.

While significant declines were also recorded in volume sales of beef and pork cuts during the four weeks ending 25 May 2014 sales of lamb showed the most significant decline. Volume sales of lamb leg roasting cuts down were back 44% on the same time the previous year and lamb stewing pieces were also down heavily with a decrease of 28.7%. Meanwhile during this time volume sales of lamb shoulder roasting joints increased by 2.4% and volume sales of lamb mince increased by 1.8 per cent on year earlier levels.

Looking at the 52 week period ending 25 May 2014 total expenditure on lamb in the UK was £647 million, almost unchanged from the previous 52 week period. The average retail price of lamb increased by four per cent from the corresponding period in 2013 to £8.18/kg with the data indicating a four per cent decline in the volume of lamb purchased when compared to the previous 52 week period. The percentage of houses purchasing lamb decreased by three percentage points year on year with 58 per cent of households buying lamb in the 52 weeks ending 25 May 2014. This drop in household penetration will have contributed to the overall drop in sales.

The decline in the volume of lamb sold is emphasised in greater detail in Figure 2 which shows the volume of different cuts sold decreasing across the board. One exception to this was lamb mince which showed an increase of 5.5 per cent in volume sales for the 52 week period ending 25 May 2014. This decrease in volume sales was also evident with beef and pork which showed decreases of 4.9% and 1.2% respectively.

Figure 2: Performance of lamb volume sales during 52 w/e 25 May 2014



WEEKLY BEEF & LAMB MARKETS

LMC

CATTLE TRADE

NI FACTORY QUOTES FOR CATTLE

(P/KG DW)	This Week 07/07/14	Next Week 15/07/14
Prime		
U-3	314-318p	314-318p
R-3	308-312p	308-312p
O+3	302-306p	302-306p
	Including bonus where applicable	
Cows		
O+3 & better	230-256p	230-256p
Steakers	140-170p	140-170p
Blues	120-130p	120-130p

REPORTED NI CATTLE PRICES - P/KG

W/E 05/07/14	Steers	Heifers	Young Bulls
U3	324.6	328.1	313.5
R3	319.5	322.3	311.6
O+3	311.5	310.7	294.8

*Prices exclude AA, HER and Organic cattle

REPORTED COW PRICES NI - P/KG

w/e 05/07/14	Wgt <220kg	Wgt 220-250kg	Wgt 250-280kg	Wgt >280kg
O+3=	-	-	-	255.8
O-3+	-	220.0	224.1	236.1
P+2+	-	-	209.6	224.4
P+3+	-	218.0	212.1	226.4
P-1-	134.0	143.7	140.2	-

COMMODITY PRICE

W/E 05/07/14	Price (£) per tonne / 1000litre	% weekly change
Barley	143.00	-1.7
Wheat	164.50	-1.2
Straw	17.00	-

Deadweight Cattle Trade

BASE quotes from the plants this week ranged from 314-318p/kg with plants reporting a tightening in the supplies of prime cattle coming forward for slaughter. Similar quotes are expected for early next week. Quotes for cows have remained similar to previous weeks with quotes ranging from 230-256p/kg.

Weekly prime cattle throughput in NI plants has continued to decline with 4,643 clean cattle slaughtered last week. In the corresponding week last year 6,040 prime cattle were killed in NI plants, representing a 23 per cent decline year on year. Imports of prime cattle from ROI last week for direct slaughter totalled 300 head with a further 70 prime cattle imported from GB. Combined these accounted for eight per cent of prime cattle throughput in the NI plants. Meanwhile cow throughput in NI last week was similar to previous weeks with 1,366 cows slaughtered. A total of 76 cows were imported from ROI last week for direct slaughter with a further 74 cows imported from GB.

Average steer and heifer prices in NI last week were within a penny of the previous week at 313.4p/kg and 314.4p/kg respectively indicating a steadying in the trade. The R3 heifer price in NI last week was 322.4p/kg, 3.1p/kg higher than the previous week and markedly above what base quotes would suggest. The quoted R-3 heifer price in NI last week was generally 308-310p/kg including bonuses where applicable with the average price paid of 320.9p/kg. This puts the price paid for R-3 heifers 10.9p/kg above the highest quote. A similar trend can be observed with R-3 steer prices so producers are encouraged to shop around to ensure they get the best possible deal for their cattle.

The decline in prime cattle deadweight prices in GB has continued with average steer prices back by half a penny to 326.9p/kg last week. However there has been some variation across the regions. Average steer prices in the Midlands and Southern England were back in the region of 2p/kg to 310.9p/kg and 307.6p/kg respectively while in Northern England the average steer price was up almost 1p/kg to 333.7p/kg. The R3 steer price in Northern England last week was 329p/kg, 7.1p/kg higher than the equivalent price in NI. The differential between the two regions in the corresponding week last year was 19.7p/kg.

Young bull prices in GB last week were up by half a penny to 306.1p/kg however there was also some variation across the regions. Average prices in Northern England and Southern England were within a penny of the previous week while in Scotland the average price was back by 3.7p/kg to 330.2p/kg. Meanwhile in the Midlands the average young bull price was up 2.7p/kg to 306.3p/kg.

Prices in ROI have continued to come under pressure with R3 steer and heifer prices back in the region of 2p/kg to 287.7p/kg and 296.5p/kg respectively last week. There have been reports that prime cattle numbers are starting to tighten in ROI after a period of high supply. The ROI prime cattle kill for the year to date is running 16.4 per cent higher than the corresponding period last year.

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

W/E 05/07/2014		Northern Ireland	Rep of Ireland	Scotland	Northern England	Midlands & Wales	Southern England	GB
Steers	U3	325.8	295.4	353.5	341.9	336.5	332.7	343.0
	R3	321.9	287.7	345.3	329.0	327.3	318.7	331.6
	R4	322.9	285.1	346.7	350.3	327.9	317.1	340.0
	O3	307.0	272.7	322.7	301.1	292.5	297.4	304.3
	AVG	313.4	-	343.3	333.7	310.9	307.6	326.9
Heifers	U3	328.5	312.1	354.8	342.3	338.4	334.6	344.2
	R3	322.4	296.5	343.8	327.5	326.1	318.7	330.7
	R4	318.6	293.7	347.2	336.8	328.3	317.5	334.9
	O3	305.5	277.8	326.5	320.7	293.3	305.5	313.0
	AVG	314.4	-	345.6	335.5	318.3	309.8	330.4
Young Bulls	U3	314.5	287.9	349.0	315.2	323.4	326.2	325.2
	R3	311.7	281.4	339.1	307.6	311.7	308.9	313.2
	O3	285.2	254.4	284.2	261.9	286.3	281.8	277.1
	AVG	297.7	-	330.2	295.7	306.3	305.1	306.1
Prime Cattle Price Reported		3725	-	7230	5887	5571	4125	22813
Cows	O3	243.1	227.8	256.0	250.4	253.1	241.1	250.2
	O4	245.9	229.5	261.0	251.3	258.4	246.7	253.6
	P2	201.1	202.0	201.4	206.1	193.9	188.9	198.2
	P3	224.0	220.8	225.5	225.3	204.4	216.6	220.8
	AVG	226.9	-	244.8	232.0	244.8	214.4	232.1

Notes: (i) Prices are p/kg Sterling-ROI prices converted at 1 euro=79.69p 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 05/07/14	1st QUALITY From	To	Average	2nd QUALITY From	To	Average
Finished Cattle (p/kg)						
Steers	192	215	202	170	191	182
Friesians	134	147	140	114	133	126
Heifers	180	218	192	165	179	172
Beef Cows	148	219	160	112	147	128
Dairy Cows	102	139	116	75	101	90
Store Cattle (p/kg)						
Bullocks up to 400kg	185	201	193	140	184	162
Bullocks 400kg - 500kg	200	214	203	170	199	185
Bullocks over 500kg	200	214	205	160	199	180
Heifers up to 450kg	190	223	206	175	189	182
Heifers over 450kg	175	200	192	150	174	162
Dropped Calves (£/head)						
Continental Bulls	280	390	335	170	275	220
Continental Heifers	235	380	285	100	230	165
Friesian Bulls	100	188	140	20	98	60
Holstein Bulls	95	165	140	10	60	38

SHEEP TRADE

LAMB QUOTES		
(P/Kg DW)	This Week 07/07/14	Next Week 14/07/14
Lambs	350-370p>21kg	370>21kg

REPORTED LAMB PRICES - P/KG			
(P/KG DW)	W/E 21/06/14	W/E 28/06/14	W/E 05/07/14
NI Liveweight	406.2	372.7	327.2
NI Deadweight	428.8	424.2	388.8
ROI Deadweight	411.7	412.3	373.7
GB Deadweight	502.1	469.1	459.8

Deadweight Sheep Trade

QUOTES from the plants this week for R3 grade lambs ranged from 350-370p/kg with plants paying up to 21kg. Quotes for early next week are 370p/kg up to 21kg. The factories are reporting strong supplies of high quality lambs with 14,359 lambs killed in NI plants last week, the highest recorded weekly kill since August 2009. A further 3,668 lambs were exported to ROI for direct slaughter last week. The average deadweight price in NI last week was 388.8p/kg, down 35.4p/kg from the 424.2p/kg paid the previous week. Prices have come under similar pressure in ROI due to the increased supplies with prices back by 38.6p/kg to the equivalent of 373.7p/kg. Meanwhile in GB last week the average deadweight price was 459.8p/kg, back 9.3p/kg from the previous week.

This Week's Marts

SMALLER numbers were recorded in some of the marts this week with the trade generally similar to the previous week for good quality lambs. In Saintfield on Tuesday 533 lambs sold from 325-370p/kg compared to 683 lambs last week selling within the same price range. In Ballymena on Wednesday an improved trade saw 607 lambs selling from 310-377p/kg compared to 809 lambs last week selling from 300-342p/kg. In Markethill this week 370 lambs sold from 310-361p/kg compared to 800 lambs last week selling from 300-357p/kg. The trade for good quality cull ewes has remained fairly steady with top reported prices generally ranging from £80-90 and a top reported price of £98 in Rathfriland on Tuesday.

LATEST SHEEP MARTS					
From: 05/07/14		Lambs (P/KG LW)			
To: 11/07/14		No	From	To	Avg
Saturday	Swatragh	500	326	341	-
Monday	Massereene	602	330	395	-
Tuesday	Saintfield	533	325	370	-
	Rathfriland	1025	332	387	354
Wednesday	Ballymena	607	310	377	332
	Markethill	370	310	361	335
	Armoy	212	325	361	340

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