

FARMS OF RESIDENCY - SUMMARY OF FINDINGS

OVER recent months LMC has been in contact with farming representatives, marts and meat processors about the contentious issue regarding the number of farm residencies. LMC is grateful for the engagement with stakeholders on this issue and certainly feel better informed about concerns around this area of specification, the associated pricing incentives and impact on businesses.

Following consultation on the issue with the other parties and our own research into the issue, LMC has developed a protocol which could help the industry to deal with such issues of specification and associated incentives in the future. We feel that the principles outlined in the protocol outlined below would help to form a basis for dealing with the current issues around this area of specification.

The requirement on the number of residencies is an area of specification that is both long standing and common in the specifications of major retail and foodservice customers. There is clear evidence demonstrating this and it is required by customers due to a combination of their concerns around animal welfare and eating quality of meat. LMC understands that this requirement is included in sourcing policies of major GB customers throughout the UK and ROI markets. It is unlikely that there will be any desire on behalf of customers to relax the specification and make a special case for Northern Ireland. In any case, with only five per cent of cattle not meeting the specification, it is clear that the requirement, as it currently stands,

is workable for the wider industry.

The issue has become the focus of attention since the introduction of financial incentives by factories for the delivery of cattle meeting this area of specification in 2013 and 2014. This was seen as a new development, but it is worth noting that as far back as 2001, some factories had an in-spec bonus payment that was dependent on adherence to this aspect of specification. It is an important principle that the market indicates what it wants through price signals and it seems appropriate that the price paid for cattle reflects the value of end markets and compliance with specifications. These price signals will change, not only with changes to customer specifications, but also with changes in the value of respective markets.

The implementation of such price signals, must where possible, give producers time to adjust and take account of normal production cycles. In this regard, communication from processors on the subject of the number of farm residencies has been poor and this led to a level of resentment and scepticism among producers and livestock markets. Better communication would have benefited farmers and would have helped improve understanding of the issue throughout the wider supply chain.

The presence of a bonus / penalty on slaughter cattle based on the number of farm residencies has an obvious implication for cattle finishers when buying store cattle. It has become more important for finishers to see information on the

number of farm residencies on the cattle that they are buying. The same principle applies with regard to other animal data, such as age, FQAS status and breed. NI livestock marts have proved to be very co-operative with regards to the provision of this data at sales. This information allows producers to identify the cattle that they want to buy; it contributes to price formation and helps to facilitate the production of in-spec cattle at a wider industry level. These are credible objectives and for these reasons we suggest that it is essential that information on the number of farm residencies is made available at the marts.

LMC is particularly concerned about the unsatisfactory position currently faced by cattle finishers buying store cattle without access to important information that affects the value of that animal. LMC is sympathetic to marts' concerns that a ceiling on the number of farms will have an impact on their throughput. However, we also believe that there will continue to be trade in cattle that have exceeded four farm residencies. A major concern for marts is that retail or foodservice customers would reduce the maximum number of farm residencies in the future. It is worth adding such a change would also be of major concern to farmers and processors.

With this in mind, we suggest that in the event of any major retail customer proposing / requesting a general change to its specification which includes a reduction in the maximum number of farm residencies, the industry will co-operate to defend the current position, with LMC taking a lead role.

To provide reassurance LMC will immediately start to prepare a document in support of this position following an agreement on the issue.

In summary, LMC concludes the following:

- the number of farm residencies is a genuine market requirement
- it is appropriate that the market rewards delivery to specification and that price signals indicate what the market wants
- that in future, changes to specifications / associated incentives, must be better communicated by processors
- the provision of accurate animal data is essential to facilitate trade in cattle and this extends to the provision of information on the number of farm residencies in marts and farm to farm sales
- the industry must work in cooperation to resist any reduction in the specification of the maximum number of farm residencies

These points, among others, are covered in Table 1 below which lists principles that all parties in a joined up supply chain should be able to support. LMC has presented the details of the proposed protocol to farming, processing and mart stakeholder groups and they have been asked to reflect on it with their stakeholder constituents and respond to LMC with their views by 1 August 2014.

LMC PROPOSED RED MEAT INDUSTRY PROTOCOL

Objective

Table 1 outlines the principles of the Red Meat Industry Protocol proposed by LMC. The Northern Ireland Red Meat Industry is committed to maintaining and developing access to premium markets. All parties to this agreement fully support the need to work together as a supply chain to deliver this objective. All parties recognise that they are part of a wider red meat supply chain and that each has responsibilities to end customers and to others in the supply chain. The industry will work in a spirit of cooperation to achieve our objective and adhere to these principles.

Table 1: Principles of the Red Meat Industry Protocol	
1	Specifications reflect market requirements.
2	It is appropriate that the price paid for cattle reflects the value of end markets and compliance with specifications.
3	Factory pricing policies and structures must be transparent and simple to interpret for their suppliers.
4	Without exception, in the trading of cattle, the provision of accurate animal data is essential to facilitate the delivery of product to meet market specifications and customer orders. All parties, including DARD, producers, markets and processors have responsibilities in this regard.
5	Where possible, any broad change to specifications and associated incentives / penalties must be clearly communicated in a manner that takes account of farmers' normal production cycles, with appropriate timescales and opportunities to adjust.
6	There will be prior consultation in advance of any broad change to specifications or associated incentives.
7	Changes to specifications have the potential to impact the capacity of the industry to deliver. The Northern Ireland supply chain will work together and in conjunction with partners in GB / ROI to ensure that customers are properly informed about the impact of any proposed changes to specification and to ensure that any such changes are workable.
8	LMC will lead any such work and act as an advocate for the entire Northern Ireland industry in that regard. LMC will establish a forum that may be convened by any party to this agreement to respond to market developments that could impact specifications or associated incentives.

FQAS NOTICE ONLINE PAYMENTS

LMC has launched an online payment system for the Farm Quality Assurance Scheme. This allows producers to pay annual membership renewal and initial registration fees through the LMC website.

www.lmcni.com



LMC QUARTERLY

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WEEKLY BEEF & LAMB MARKETS



CATTLE TRADE

NI FACTORY QUOTES FOR CATTLE

(P/KG DW)	This Week 16/07/14	Next Week 21/07/14
Prime		
U-3	316-320p	316-320p
R-3	310-314p	310-314p
O+3	304-308p	304-308p
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 12/07/14	Steers	Heifers	Young Bulls
U3	331.9	327.7	313.7
R3	322.1	323.2	309.8
O+3	309.2	312.7	296.8

*Prices exclude AA, HER and Organic cattle

REPORTED COW PRICES NI - P/KG

w/e 12/07/14	Wgt <220kg	Wgt 220- 250kg	Wgt 250- 280kg	Wgt >280kg
O+3=	-	-	-	261.4
O-3+	-	240.0	-	242.8
P+2+	168.0	224.2	225.7	231.2
P+3+	-	200.0	217.5	232.1
P-1-	141.9	145.4	148.9	-

COMMODITY PRICE

W/E 12/07/14	Price (£) per tonne / 1000litre	% weekly change
Barley	141.50	-1.1
Wheat	161.00	-2.1
Straw	17.00	-

Deadweight Cattle Trade

QUOTES from the plants this week for U-3 grade prime cattle ranged from 316-320p/kg (inclusive of bonuses in some plants) with similar quotes expected for early next week. Quotes for O+3 grade cows ranged from 230-256p/kg this week. The processors are reporting tighter supplies of cattle coming forward for slaughter with demand for beef remaining subdued.

Prime cattle throughput has continued to decline in the NI plants with 4,375 prime cattle slaughtered last week. This is a reduction of 268 head on the previous week when 4,643 prime cattle were killed. In the corresponding week last year 5,391 prime cattle were killed in NI plants representing a 14 per cent reduction year on year. Cow throughput in the NI plants last week increased by 120 head from the previous week with 1,486 cows slaughtered. This was the highest weekly throughput of cows since late March this year.

Tighter prime cattle availability in NI appears to have helped to steady the deadweight cattle trade with an R3 steer price in NI last week of 324.6p/kg, up 2.7p/kg from the previous week. Meanwhile the average steer price was up by 1p/kg to 314.3p/kg. The R3 heifer price in NI last week was 325.1p/kg, up 2.7p/kg from the previous week while the average heifer price was up by 2.4p/kg to 316.8p/kg. However the average price for young bulls last week was back by 3p/kg to 294.7p/kg with the R3 price back by 1.5p/kg to 310.2p/kg.

In GB last week the deadweight prime cattle trade was broadly similar to the previous week with average steer and heifer prices within half a penny of the previous week at 327.2p/kg and 330.1p/kg respectively. The R3 steer price in GB last week was back by 1.5p/kg to 330.1p/kg with prices in the Midlands showing the most notable decline, back by 3.2p/kg to 324.1p/kg. Meanwhile the average R3 heifer price in GB was unchanged at 330.8p/kg last week despite reductions of 2p/kg in R3 heifer prices in the Midlands and Southern England and a reduction in the region of half a penny in Scotland.

Young bull prices in GB last week averaged 309.2p/kg, up 3.1p/kg from the previous week with average prices increasing in all the regions. In Scotland the average young bull price increased by 5.3p/kg to 335.5p/kg while in Southern England the average young bull price was up 8.1p/kg to 313.2p/kg. Meanwhile average cow prices in GB last week were back by 2.6p/kg to 229.5p/kg while in NI the average cow price was up by a penny to 228p/kg.

In ROI last week prices continued to come under pressure with R3 steer prices back by the equivalent of 1.6p/kg to 286.1p/kg and R3 heifer prices back by 3.5p/kg to 293p/kg. This puts the differential in R3 steer prices between ROI and NI at 38.5p/kg or £127 on a 330kg carcass. The differential in R3 heifer prices between ROI and NI last week was 32.1p/kg or £106 on a 330kg carcass.

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

W/E 12/07/2014	Northern Ireland	Rep of Ireland	Scotland	Northern England	Midlands & Wales	Southern England	GB
Steers	U3	332.1	292.0	353.8	338.6	337.2	341.8
	R3	324.6	286.1	344.6	329.4	324.1	330.1
	R4	321.8	283.9	348.1	353.2	331.7	341.7
	O3	307.2	272.6	325.8	302.1	291.4	304.2
	AVG	314.3	-	345.3	334.3	312.5	305.4
Heifers	U3	327.8	307.5	355.1	340.0	335.8	342.5
	R3	325.1	293.0	343.3	331.2	324.4	330.8
	R4	319.1	292.8	345.5	337.6	326.4	333.8
	O3	310.0	278.6	325.1	318.0	297.4	310.5
	AVG	316.8	-	344.9	336.9	319.5	306.7
Young Bulls	U3	315.4	287.7	348.6	315.8	324.7	326.0
	R3	310.2	279.2	339.9	303.7	310.7	312.0
	O3	286.5	255.1	289.8	261.7	287.1	283.6
	AVG	294.7	-	335.5	295.9	308.3	309.2
	Prime Cattle Price Reported	3725	-	7210	5850	5583	3953
Cows	O3	246.0	230.2	253.6	249.8	257.3	249.2
	O4	250.8	231.9	254.1	250.4	251.4	250.5
	P2	204.8	203.1	191.5	207.6	209.4	195.7
	P3	229.4	223.8	221.2	227.1	230.6	222.1
	AVG	228.0	-	243.4	231.4	247.5	210.7

Notes: (i) Prices are p/kg Sterling-ROI prices converted at 1 euro=79.45p 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 12/07/14	1st QUALITY			2nd QUALITY		
	From	To	Average	From	To	Average
Finished Cattle (p/kg)						
Steers	186	198	192	165	185	175
Friesians	130	147	140	112	128	123
Heifers	180	208	194	160	179	170
Beef Cows	135	173	145	110	134	122
Dairy Cows	100	128	110	70	98	84
Store Cattle (p/kg)						
Bullocks up to 400kg	192	200	195	150	191	174
Bullocks 400kg - 500kg	195	209	200	170	194	182
Bullocks over 500kg	180	191	186	165	179	172
Heifers up to 450kg	190	207	197	164	189	174
Heifers over 450kg	195	213	202	166	194	180
Dropped Calves (£/head)						
Continental Bulls	295	405	350	180	290	235
Continental Heifers	200	245	220	100	198	150
Friesian Bulls	80	110	95	28	78	50
Holstein Bulls	60	110	80	28	58	45

SHEEP TRADE

LAMB QUOTES

(P/Kg DW)	This Week 16/07/14	Next Week 21/07/14
Lambs	355-360p>21kg	360p>21kg

REPORTED LAMB PRICES - P/KG

(P/KG DW)	W/E 28/06/14	W/E 05/07/14	W/E 12/07/14
NI Liveweight	372.7	327.2	335.6
NI Deadweight	424.2	388.8	365.0
ROI Deadweight	412.3	373.7	358.6
GB Deadweight	469.1	459.8	419.4

Deadweight Sheep Trade

QUOTES from the NI plants at the end of this week were 360p/kg with plants paying up to 21kg. Similar quotes are expected for early next week. The plants are reporting good supplies of quality lambs to meet demand with 11,823 lambs slaughtered in NI plants last week. Throughput of lambs in the NI plants for the six week period ending 12 July 2014 totalled 68,917 head, a 39 per cent increase on the 49,719 lambs killed in the corresponding period last year. The deadweight lamb price in NI last week was back 23.8p/kg to 365p/kg with prices in ROI back by the equivalent of 15.1p/kg to 358.6p/kg. The deadweight lamb price in GB last week was 419.4p/kg, down 40.4p/kg from the previous week

This Week's Marts

A steady trade was reported across the marts for good quality finished lambs this week with a strong trade for good quality store lambs also reported. In Rathfriland on Wednesday 907 lambs sold to an average of 337p/kg compared to 1,025 lambs the previous week selling to an average of 354p/kg. In Markethill this week 650 lambs sold from 320-352p/kg compared to 370 lambs last week selling from 310-361p/kg. In Armoys this week 484 lambs sold from 319-368p/kg compared to 212 lambs last week selling from 325-361p/kg. A good entry of 1,046 lambs in Hilltown on Thursday sold to an average of 374p/kg. The firm trade for good quality cull ewes has continued with top prices of over £90 recorded in several marts.

LATEST SHEEP MARTS

From: 12/07/14		Lambs (P/KG LW)			
To: 18/07/14		No	From	To	Avg
Monday	Massereene	510	330	351	-
	Kilrea	-	318	340	-
Tuesday	Rathfriland	907	319	453	337
Wednesday	Enniskillen	488	316	341	-
	Markethill	650	320	352	-
	Armoys	484	319	368	-
Thursday	Hilltown	1046	336	483	374

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