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Price Differential Research Launched

The Livestock and Meat Commission today launched new research into the UK cattle market in a report titled Regional Price Disparities in Deadweight Cattle: Understanding the GB / NI Price Differential. The research examines the differences in cattle prices between NI and GB from 2009 to 2012 and was conducted by analysts from Oxford Economics in conjunction with a project steering group led by LMC. The research involved extensive consultation with industry coupled with detailed analysis of trade data.

LMC Economist, Conall Donnelly, explained that LMC had several reasons for instigating the research last year. He said, "this issue has been a regular source of contention within the NI beef industry and sometimes debate on the issue has strayed into speculation and conjecture. At the very least we hope that this report will help improve understanding of the issue, which in turn might be useful from an industry relations perspective. However, a better understanding of the price differential should help decision making and puts industry in a better position to change the situation. The report has identified key areas for action in that regard."

The report concludes that the differential in cattle prices varies across different classifications, with higher prices paid for prime cattle in GB compared to NI, while NI processors paid higher prices for cull cows. On average, R3 steer prices were 14p/kg higher in GB between 2009 and 2012, while the difference in R4 steer prices was 21p/kg. From 2009 to 2012 the NI P2 cow price was 9p/kg higher than equivalent prices in GB.

The research identified no single cause of the differential in prime cattle prices, instead placing the emphasis on three major factors, namely;

- the additional costs associated with distance from the GB market coupled with animal health regulations that prevent the fluid movement of live cattle from NI to GB for direct slaughter
- the more seasonal nature of NI production relative to the GB industry which means that NI farmers present a greater proportion of their cattle for slaughter in the autumn
- the proximity of a weaker prime cattle market in ROI which acts as a constraint on NI prices relative to GB

The research also identified a number of factors that had a medium impact on the differential. These included issues such as the structure of finishing and processing in Northern Ireland which has an impact on producer bargaining power. The report also cited the impact of end markets for beef, adherence to specification and higher processing costs in NI as having a medium impact on the price differential.

Commenting on the findings, Donnelly added; "the conclusions are quite clear in identifying the market drivers that contribute to the differential, but we would encourage interested parties to read the entire report and not to focus only on specific issues. There is a lot of new information within the pages of the report that is useful in its own right and relevant beyond the issue of the price differential."

LMC Chief Executive Ian Stevenson remarked on the wider significance of the research: He said "This project complements the work of the Agri-Food strategy board by identifying constraints on the local trade and how we might begin to address those issues and LMC will be exploring the report recommendations in conjunction with the red meat sub-group of the Agri-Food Strategy Board".

Click here to download the report.

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