

STERLING MAKING GAINS AGAINST EURO

This week, the euro continued its slide and remains at a 22 month low relative to sterling. The decline reflects the ongoing concerns dogging the Eurozone economies around sovereign debt and political uncertainty in Holland and France in particular is contributing to the weakness of the single currency. Exchange rates have a great bearing, directly and indirectly on farmers' incomes in NI and beef and lamb producers will be anxious to hear about the forecasted fortunes for the single currency in the coming months.

Firstly we ought to remember that the euro remains relatively strong compared to 2008 levels against sterling and a foreign exchange value of €1=81p is much stronger than in January 2007 when the euro was worth 66p. However, back in 2008 the euro appreciated to a high of 98p by the end of that December and since then its value has remained relatively strong, outperforming some economists' expectations. In the intervening period since December 2008 the Euro has hit highs of 94p (October 2009) and a low of 81p (June 2010), but since the end of 2008, its trajectory has been generally downwards as shown in Figure 1.

It is worth asking the question, will it remain above the 80p threshold and if not, the entire

industry will be considering the impact of this on their business in terms of input costs, farmgate prices, export returns and single farm payments.

It is notoriously difficult to forecast currency movements, but there are some economists and analysts who specialise in that field and Bloomberg, the financial news provider publishes an analysis of the average currency forecasts of about 40 foreign exchange analysts.

The latest figures compiled by Bloomberg show that the average forecast value of the euro among those analysts for Q2 and Q3 2012 is approximately €1 = 82p. After that in Q4 2012 and Q1 2013, the average forecasted exchange rate is about €1= 81p.

These forecasters make their predictions based on the relative strengths of the Eurozone and UK economies among other factors. Behind that average forecast there are some very divergent views however. One analyst for example foresees the value of the euro steadily rising back above 90p by Q1 2013 with another forecasting that the euro will fall to a value of 70p. These are the extreme ends of this analysis which serve to demonstrate the level of uncertainty in foreign exchange markets and indeed the potential for significant changes over the next year.

If the average forecast was to transpire then it would have implications for single farm payment receipts in 2012 / 2013 which have been buoyed in recent years when the euro was stronger. It would also have implications for red meat exports to mainland Europe and ROI which were made more competitive with sterling weak relative to

the euro. On the flipside, input costs have been a concern in recent years, some of which are imported from mainland Europe. With sterling stronger against the Euro and the US Dollar, that ought to have the impact of easing any upward pressure on feed, fuel and fertiliser prices.

Euro versus Sterling Exchange Rate from Peak
29 December 2008 - 3rd May 2012



STRONGER STERLING HELPS DRIVE UP UK PRICES IN MAINLAND EUROPE

THE Bulletin regularly carries an update of UK and Irish deadweight cattle prices relative to our neighbours' prices in the rest of the EU and in recent years, the league table of EU prices (see Table 1) has generally shown the Greeks and Italians to have the highest prices. In the last year however, different rates of price increase around Europe, coupled with exchange rate fluctuations have meant that there has been some significant

shifts in relative prices and in the third week of April, GB, NI and ROI prices were in the top four in the league table of EU prices (expressed in euro).

In the third week of April for example, GB and NI prices were up by 8c/kg and 11c/kg respectively compared to the week ending 25 March 2012. This increase was driven by a mixture of exchange rate developments and rising domestic farmgate prices. For example, Northern Ireland R3 heifer prices were up by about 4p/kg during that period, but in euro terms this increase was magnified due to a stronger pound.

The combined impact is that UK farmgate prices are now slightly less competitive relative to other EU countries with NI prices moving up to third from sixth in the table last month.

ROI prices were also up by about 4c/kg during that period, but overall, average prices across the entire EU were only up by 1.5c/kg. Prices have eased in Spain (-5c/kg) and Sweden (-3c/kg), but have risen in Italy (+6c/kg) and France (+3c/kg).

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Table 1. EU Deadweight Cattle Prices - Heifers R3 Equivalent (€ Cents)

Position last Mth	Position this Mth	Country	Price last Mth (w/e 25.03.12)	Price this Mth (w/e 22.04.12)	Change on Mth (cents)
1	1	Greece	426.8	425.6	-1.1
2	2	Great Britain	409.6	417.5	+7.9
6	3	Northern Ireland	400.2	410.7	+10.5
5	4	Ireland	401.2	405.5	+4.2
3	5	Sweden	404.8	401.9	-3.0
7	6	Italy	394.4	400.6	+6.2
4	7	Spain	401.6	396.4	-5.2
9	8	France	376.0	379.0	+3.0
8	9	Denmark	377.9	376.3	-1.6
10	10	Germany	358.0	361.1	+3.1
11	11	Luxembourg	352.5	358.6	+6.1
12	12	Austria	337.2	337.6	+0.4
13	13	Slovenia	320.5	324.6	+4.1
14	14	Belgium	304.0	304.5	+0.5
15	15	Poland	299.1	300.1	+1.0
16	16	Czech Republic	292.5	289.3	-3.2
17	17	Lithuania	256.1	264.7	+8.5
EU 16 Average			384.4	385.9	+1.5
Exchange Rate - Euro to Sterling			83.3p	82.0p	

Official prices reported to the EC Dressing Specification



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CATTLE TRADE

CATTLE QUOTES

(P/KG DW)	This Week 30/04/12	Next Week 07/05/12
U-3	328 - 330p	326 - 328p
R-3	322 - 324p	320 - 322p
O+3	316 - 318p	314 - 316p
Cows	280 - 290p	280 - 290p

* Plus 8p/kg in-spec bonus where applicable.

LAST WEEK'S NI CATTLE PRICES - P/KG

W/E 28/04/12	Steers	Heifers	Young Bulls	Cows
U-3=	337.6	342.8	331.2	320.0
U=3=	340.6	346.6	334.3	300.0
U=4=	332.5	339.9	-	-
R=3=	337.4	338.3	326.0	297.5
R=4=	332.1	332.2	324.0	300.4
O=3=	320.0	318.8	309.9	286.8
O+3=	332.1	330.9	319.0	290.0
O+4=	324.5	325.4	-	296.1
P+2=	300.1	304.0	292.3	257.9
P+3=	308.1	298.2	292.0	273.3
Average	329.1	330.3	318.6	267.7

Note: The table above shows prices for selected grades from the 15-point scale. The table below merges grades down to the 5-point scale for comparison with GB regions and ROI.

LAST WEEK'S CATTLE PRICES (UK / ROI)

W/E 28/04/12	Scotland	Northern England	Midlands & Wales	Southern England	Northern Ireland	Rep of Ireland
Steers	U3	359.2	355.2	353.5	348.7	339.7
	R3	355.0	345.9	341.0	336.4	336.9
	R4	357.5	350.1	341.9	334.7	333.3
	O3	343.2	336.0	322.1	315.7	322.1
Average	355.1	344.9	338.6	320.2	329.1	-
Heifers	U3	361.6	353.1	354.4	350.7	345.7
	R3	352.7	341.2	341.2	337.3	339.4
	R4	355.5	343.3	342.0	336.2	333.5
	O3	339.7	325.8	326.9	314.7	323.0
Average	353.9	339.1	339.6	325.6	330.3	-
Young Bulls	U3	348.6	338.9	345.8	347.0	331.5
	R3	343.9	330.6	335.6	324.0	327.2
	O3	325.7	314.3	319.5	321.1	312.0
Average	339.3	323.6	327.7	315.8	318.6	-
Prime Cattle Price Reported		6672	6129	5840	4518	5926
	O3	293.9	288.4	287.2	262.0	285.0
	O4	295.3	286.9	285.4	268.8	289.8
	P2	244.3	239.9	241.0	224.4	251.1
	P3	255.0	262.5	243.5	245.8	270.7

Notes:

(i) Prices are p/kg Sterling-ROI prices converted at 1 euro=81.66p Stg.

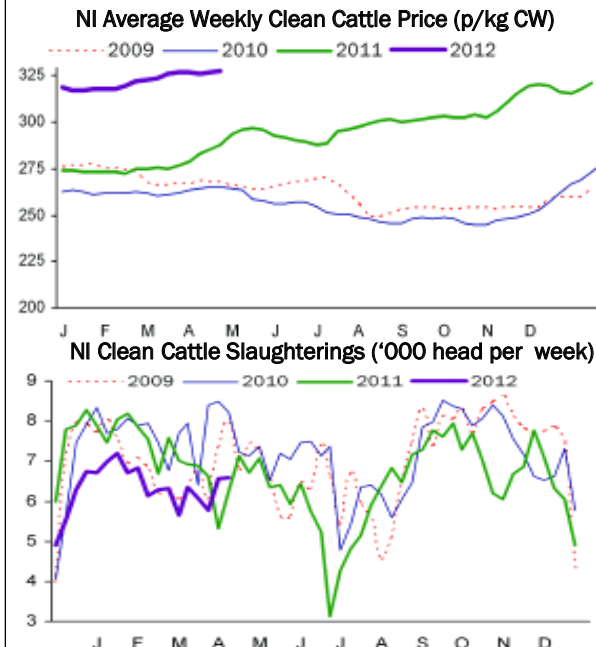
(ii) Shading indicates a lower price than the previous week.

Deadweight Cattle Trade

THIS week U-3 steer and heifer quotes were slightly softer at 328-330p/kg. On Friday morning three factories quoted 326-328p/kg for next week and with the bank holiday only a couple of plants are killing on Monday.

Price reports show that the trade last week was reasonably steady. Average steer prices were up by 0.4p/kg, heifer prices were unchanged and average young bull prices increased by 1p/kg. U3 steer prices hit 340p/kg, up by 1.3p/kg on the previous week, while U3 heifer prices were back by 1.5p/kg to 345.7p/kg. R3 steer prices were up by 1p/kg while R3 heifer prices were also up marginally.

Last week the factories slaughtered a total of 8,400 cattle, five per cent more than the previous week and the first week this year that the weekly kill was higher year-on-year. In the corresponding week last year only 6,400 head were slaughtered. At the moment the kill has received what ought to be a temporary boost with more cattle coming out of the house and grass not plentiful. The factories imported about 530 head for direct slaughter last week, fewer than earlier in the month. Elsewhere, steer and heifer prices were firm last week. Average Scottish steer and heifer prices were up by about 1p/kg with average young bull prices up by 5p/kg. Young bull prices were also up sharply in the midlands and Wales, but in Southern England bull prices were down 5p/kg with steer and heifer prices unchanged. Prices were generally steady in ROI.



More detailed information on prices and explanations of these tables and charts are available from the LMC

Technical Department:

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LATEST NI BEEF MARTS

Finished Cattle (£/100kg LW)		Store Cattle (£/100kg LW)		Dropped Calves (£/head)				
	from	to		from	to			
Steers			Store bullocks up to 400kg		Continental bull calves			
	1st quality	190	214	1st quality	200	235		
	2nd quality	172	189	2nd quality	180	198		
	Friesians	124	166			1st quality	270	395
		Store bullocks 400kg-500kg		2nd quality		200	268	
Heifers			1st quality		200		228	
	1st quality	189	210	2nd quality		180	198	
	2nd quality	170	188			Continental heifer calves		
		Store bullocks over 500kg		1st quality		250	385	
Beef Cows			1st quality		200		209	
	1st quality	150	187	2nd quality		180	198	
	2nd quality	125	149			Friesian bull calves		
		Store heifers up to 450kg		1st quality		150	225	
Dairy Cows			1st quality		200		224	
	1st quality	130	150	2nd quality		180	199	
	2nd quality	100	129			Holstein Bull Calves		
		Store heifers over 450kg		1st quality		200	224	
		2nd quality		175		198	20	180

Taken from a sample of beef marts in the week ended 27/04/12

Deadweight Sheep Trade

THE deadweight sheep trade remained under pressure this week with factories quoting 410-420p/kg for spring lambs and 370-380p/kg for hoggets. With no lamb kill on Monday, none of the factories were prepared to quote for next week. Last week's kill was 16 per cent lower than the previous week with just over 4,200 sheep slaughtered. Only 5,000 head were exported to ROI last week meaning that of all the NI sheep that were slaughtered in Ireland last week, 45 per cent were killed in the north. In the last three weeks, close to 50 per cent of those NI sheep killed in Ireland, have been slaughtered in the north.

SHEEP QUOTES

(P/KG DW)	This Week 30/04/12	Next Week 07/05/12
Hoggets	370 - 380p	NO QUOTE
Spring Lambs	410 - 420p	

Hoggets paying upto 22kgs & Spring Lambs upto 21kgs

COMBINED LAMB & HOGGET PRICES - P/KG

(P/KG)	W/E 14/04/12	W/E 21/04/12	W/E 28/04/12
NI Liveweight	420.4p	398.8p	376.4p
NI Deadweight	459.6p	449.5p	409.3p
GB Deadweight	466.2p	467.3p	430.8p

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LATEST SHEEP MARTS

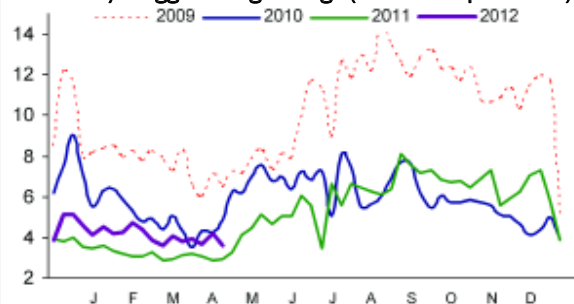
From: 27/04/2012 To: 03/05/2012		Hoggets (P/KG LW)			Spring Lambs (P/KG LW)				
		No.	From	To	Average	No.	From	To	Average
Saturday	Omagh	52	306	346	-	18	391	401	-
Monday	Massereene	306	320	340	-	267	390	418	-
Tuesday	Saintfield	200	-	-	335	153	-	-	400
	Rathfriland	100	300	380	328	134	370	400	390
	Armooy	142	330	365	358	10	-	-	382
Wednesday	Ballymena	264	310	346	330	208	374	428	390
	Enniskillen	97	310	345	322	79	358	390	375
	Markethill	450	300	323		260	360	410	
	Newtowns'	50			305	67			386
Thursday	Downpatrick	120	280	340	300	70	330	390	365

This week's marts

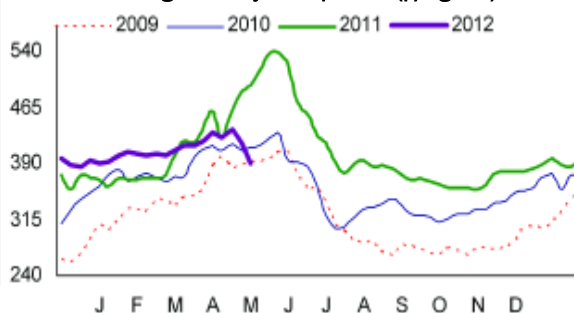
THE liveweight sheep trade remains subdued with seemingly reduced southern interest in NI lambs and hoggets. Hogget numbers in Ballymena and Massereene were well down this week, although the sale in Markethill was slightly greater. Hogget prices averaged 330p/kg in Ballymena on Wednesday, down from 340p/kg last week, with spring lamb prices down 5p/kg on the week at 390p/kg. Rathfriland reported a similar trade although the reported prices out of Downpatrick were weaker on Thursday. There are reports of mixed quality of spring lambs. The poor April weather may mean that more poorly finished lambs have been presented for sale dragging down average prices.

SHEEP TRADE

NI Lamb / Hogget Slaughterings ('000 head per week)



NI Average Weekly Sheep Price (p/kg CW)



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