

## BEEF SALES UNDER PRESSURE

### ...BUT CONSUMER EXPENDITURE HOLDING UP

In the last few weeks, there have been ongoing anecdotal reports of weak beef demand. Concerns have been raised about consumers' willingness to buy beef at higher retail prices and some pundits are pointing to a weaker demand to explain the recent pressure on farmgate beef prices across the UK. Demand was certainly a concern in the last quarter of 2011, although higher prices and reduced volumes have combined to ensure that consumer expenditure on beef has held up, at least in the last quarter of 2011.

The latest monthly report from Kantar Worldpanel shows that retail beef prices in GB, our largest market, have risen sharply in recent months. The Kantar data is based on a large panel of GB shoppers who record details of their purchases when they arrive home with their shopping. The figures for all shoppers are aggregated and

extrapolated to give an indication of the national picture with regard to shopping habits. These figures are a useful indication of GB beef demand trends.

While farmgate prices had increased sharply early in 2011, there was no immediate response at a retail level and consumer prices remained unchanged earlier in the year. Indeed, it was only in the late summer that participants in this ongoing survey started to record discernable increases in retail beef prices. In the four weeks ending 27 November 2011, prices were 10 per cent higher than in the same period last year. This was not a short-term blip. Retail prices were seven per cent higher over the 12 weeks ending 27 November 2011.

With higher prices, demand ultimately gave way to a certain extent and volumes sold fell sharply in

the last quarter of 2011. In November sales were down by nine per cent, driven to a large degree by the 10 per cent price increase mentioned above. Over the longer 12 week period from September - November, volume sales were back by six per cent. The reduced sales in November have been characterised by a reduced proportion of consumers buying beef on their shopping trips. Around 56 per cent of GB consumers purchased beef in November 2011. This was down from 60 per cent in the same period in 2010. It also appears that those producers that did buy beef, bought less of it. The average weight per purchase in November 2011 was 1.7kgs. This was down slightly from 1.8kgs in the same period in 2010.

During November, sales of all beef cuts were under pressure relative to the same period last year. Volumes of beef frying / grilling cuts were

down by 19 per cent year on year. Beef roasting volumes were down by 13 per cent, with mince (-6%) and stewing (-8%) beef volumes also down sharply. Given that this data only represents sales over a four week period, it is also worth remarking that similar (albeit smaller changes) trends are also evident in the longer 12 week period.

The combination of reduced volume sales and increased prices has meant that consumer expenditure on beef was unchanged during November 2011 compared to the same period in 2010. During the 12 weeks ending 27 November, expenditure increased by one per cent. Beef supplies are known to be tight at present, but at a time when there is much uncertainty around the demand side of the price equation, steady expenditure figures for the end of 2011 should provide some reassurance to producers.

Figure 1. GB Retail Price of Beef 2009-2011 (Four Weekly Periods)

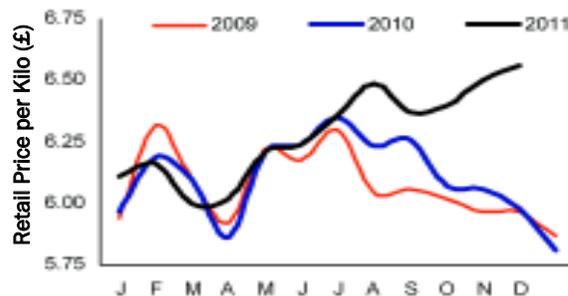


Figure 2. GB Volume Demand for Beef 2009-2011 (Four Weekly Periods)

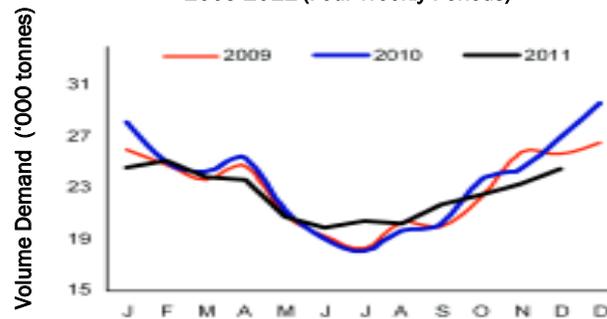
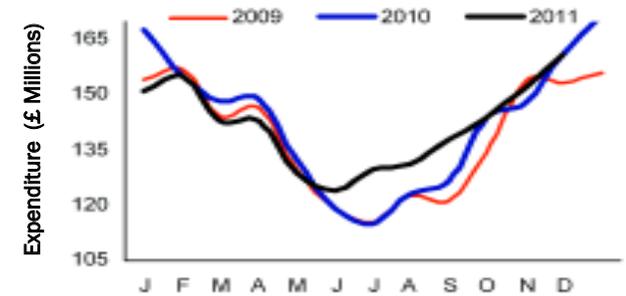


Figure 3. GB Consumer Expenditure on Beef 2009-2011 (Four Weekly Periods)



# REDUCED LAMB DEMAND IN GB

WHILE GB beef expenditure has been holding up well in recent months, demand for lamb remains weak according to the figures from Kantar Worldpanel. Higher prices and reduced availability of lamb on the shelves are the key factors in the reduced level of consumption.

In November 2011 (4 weeks ending 28 November), sales of lamb were down by more than a fifth compared to the same period in 2010. This is quite concerning since sales in November 2010 were also lower than previous year levels. The reduced sales have been driven to some extent by reduced penetration of lamb. During November 2011, slightly less than one fifth of those consumers surveyed purchased lamb. This was down from 22.5 per cent penetration in the same period in 2010.

Price was a clear factor in these changes in demand with retail prices up by 18 per cent year on year. Despite this increase in price, overall expenditure on lamb was down by nine per cent compared to the same period last year. It is worth reiterating that supply is a key factor in these consumption figures. With reduced availability generally and buoyant export levels, consumption is somewhat constrained by availability.



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# BULK OF LOCAL LAMBS CONTINUE TO BE SLAUGHTERED IN ROI

ONE of the most significant features of the lamb trade in recent years has been the increased numbers exported to ROI for direct slaughter. Back in the first half of 2010, the export trade to ROI represented a smaller yet significant trade. However, since the closure of Foyle Meat's lamb processing unit (the largest in NI) in July 2010, numbers exported to the south increased sharply.

An average of almost 10,500 head per week were exported from mid-July to December 2010. This trend on increasing exports continued throughout 2011.

In the first half of 2011 an average of 7,700 head were exported from NI farms for direct slaughter in ROI. This compares with about 4,000 per week in the same period in 2010.

In the second half of 2011, exports to ROI

continued to grow relative to 2010 levels. An average of 11,300 head has been exported to ROI in the period from mid-July to December 2011. On average, this is 900 head per week more than in the same period last year. Exports to ROI for direct slaughter accounted for about 60 per cent

of all NI sheep available for slaughter in the last quarter (excluding cull ewe exports to GB). Ongoing movements in the value of the euro may be expected to have some impact on this trade, but it remains to be seen.

Figure 4. NI Live Exports of Lamb for Direct Slaughter 2010-2011 (weekly)



# WEEKLY BEEF & LAMB MARKETS



## CATTLE TRADE

CATTLE QUOTES		
(P/KG DW)	This Week 16/01/12	Next Week 23/01/12
U-3	320 - 322p	320-322p
R-3	314 - 316p	314-316p
O+3	308 - 310p	308-310p
Cows	260 - 275p	260 - 275p

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

LAST WEEK'S NI CATTLE PRICES - P/KG				
W/E 14/01/12	Steers	Heifers	Young Bulls	Cows
U-3=	328.9	336.8	321.9	290.7
U=3=	329.5	337.7	322.5	294.0
U=4=	321.3	327.6		275.0
R=3=	328.7	327.6	317.3	281.1
R=4=	324.8	325.4	310.0	282.4
O=3=	309.4	315.1	302.9	268.2
O+3=	320.6	321.3	309.2	280.8
O+4=	318.6	315.2	315.7	277.3
P+2=	295.3	282.9	288.7	244.3
P+3=	294.4	295.0	292.1	257.4
Average	320.1	321.8	309.2	248.5

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 14/01/12	Scotland	Northern England	Midlands & Wales	Southern England	Northern Ireland	Republic of Ireland
Steers	U3	350.9	345.9	340.9	338.8	329.7
	R3	343.0	336.5	328.9	322.4	328.1
	R4	345.0	342.0	332.5	322.4	324.3
	O3	330.1	317.8	309.5	301.9	312.3
Average	343.3	334.1	325.6	311.2	320.1	-
Heifers	U3	350.6	345.8	341.6	333.8	336.2
	R3	340.8	336.6	329.1	323.2	329.1
	R4	343.9	335.2	331.5	322.2	325.6
	O3	327.4	319.7	318.4	302.8	315.9
Average	342.1	332.9	328.4	315.5	321.8	-
Young Bulls	U3	337.5	330.0	329.8	323.6	322.3
	R3	329.7	318.8	318.4	310.7	317.5
Bulls	O3	312.3	300.1	300.0	299.6	304.3
	Average	320.5	310.9	302.6	305.3	309.2
Prime Cattle Price Reported		7172	5959	5424	3743	5022
	O3	264.5	258.4	266.4	242.2	268.8
	O4	269.6	263.1	262.5	246.2	270.8
	P2	194.2	216.2	226.2	199.6	237.5
	P3	219.5	237.1	241.5	229.3	253.4

Notes:

(i) Prices are p/kg Sterling-ROI prices converted at 1 euro=82.84p Stg.

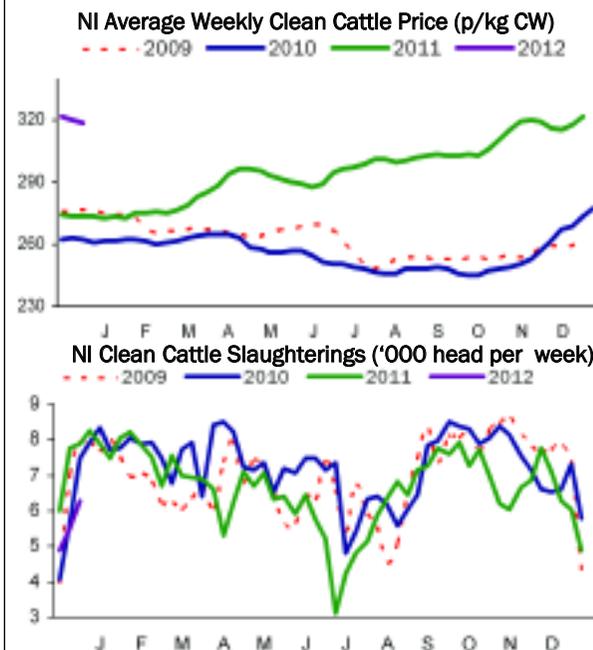
(ii) Shading indicates a lower price than the previous week.

## Deadweight Cattle Trade

It is expected that the beef trade will remain reasonably steady next week with quotes of 320-322p/kg for U-3 grade prime cattle. The latest price reports indicate that strong prices have been paid for heifers, relative to quotes, and producers should be shopping around for the best price. Quotes for cull cows are expected to remain at 260-275p/kg.

The NI beef trade came under some pressure last week with slightly lower prices paid for prime cattle and cows. Average steer prices were back by 2p/kg, although there was a slight increase in reported U3 steer prices. Average heifer prices were more-or-less steady, while average young bull prices were back by 1.5p/kg last week. O3 cow prices fell by 1p/kg. Beef supplies remain tight and last week, almost 8,200 head were slaughtered in NI. This was 15 per cent fewer than in the same week last year. This decline was driven by reduced prime cattle supplies for the most part.

GB prices were under significant pressure last week. Average heifer prices were down by almost 4p/kg in Scotland, with steer prices down by 2p/kg. The price pressure was more severe in England, with steer and heifer prices down by 3p/kg in Northern England. In Southern England steer prices were down by 4.5p/kg on average. NI R3 steer prices are now higher than Southern England levels and are similar to levels in the Midlands and Wales. However, Scottish R3 steer prices remain 15p/kg higher than NI levels. Prices continued to rise in ROI last week by 1-2c/kg, but in sterling terms prices were more-or-less unchanged.



More detailed information on prices and explanations of these tables and charts are available from the LMC  
 Technical Department:  
 Call 028 9263 3000.

LATEST NI BEEF MARTS							
Finished Cattle (£/100kg LW)		Store Cattle (£/100kg LW)		Dropped Calves (£/head)			
	from	to	from	to	from	to	
<b>Steers</b>			<b>Store bullocks up to 400kg</b>		<b>Continental bull calves</b>		
	1st quality	191	206	1st quality	180	206	
	2nd quality	170	190	2nd quality	160	179	
	Friesians	120	165			1st quality	285
		<b>Store bullocks 400kg-500kg</b>				2nd quality	210
<b>Heifers</b>			<b>Store bullocks over 500kg</b>		<b>Continental heifer calves</b>		
	1st quality	180	209	1st quality	182	222	
	2nd quality	158	179	2nd quality	160	181	
<b>Beef Cows</b>			<b>Store heifers up to 450kg</b>				
	1st quality	153	195	1st quality	189	216	
	2nd quality	120	152	2nd quality	165	188	
			<b>Store heifers over 450kg</b>		<b>Friesian bull calves</b>		
<b>Dairy Cows</b>					1st quality		
	1st quality	116	145	1st quality	182	192	
				2nd quality		80	
				2nd quality		160	
						<b>Holstein Bull Calves</b>	
						20	
						170	

Taken from a sample of beef marts in the week ended 13/01/12

## Deadweight Sheep Trade

**T**HIS week there has been upward pressure on the trade with reports of reduced availability. Prices have been higher in the marts and the deadweight trade is improving also. On Wednesday some factories increased quotes by 5p to 425p/kg and quotes of 430p/kg are expected for Monday. Availability of hoggets for slaughter remains greater than this time last year, however, seasonality is kicking in and numbers are now lower than December levels. Last week 5,670 sheep were slaughtered in NI with over 10,400 NI sheep slaughtered in the south.

### SHEEP QUOTES

(P/KG DW)	This Week 16/01/12	Next Week 23/01/12
Hoggets	415 - 420p*	430p

All plants paying up to 22kgs for FQAS hoggets.

### REPORTED LAMB / HOGGET PRICES - P/KG

(P/KG)	W/E 31/12/11	W/E 07/01/12	W/E 14/01/12
NI Liveweight	381.9p	376.8p	380.9p
NI Deadweight	414.7p	409.9p	408.7p
GB Deadweight	458.2p	453.4p	444.0p

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### LATEST SHEEP MARTS

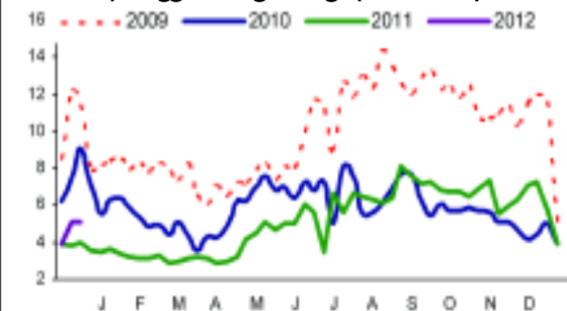
From: 14/01/2012 To: 19/01/2012		Hoggets (P/KG LW)			
		No.	From	To	Average
Saturday	Donemana	351	N/A	N/A	402
	Omagh	645	386	416	N/A
Monday	Kilrea	400	upto	408	385
	Masserene	742	375	420	N/A
Tuesday	Armooy	426	380	420	391
	Rathfriland	476	379	428	394
	Saintfield	611	383	420	390
	Gortin	470	360	440	N/A
	Lisahally	720	365	439	N/A
	Ballymena	1262	370	416	384
Wednesday	Enniskillen	445	372	409	N/A
	Markethill	800	367	410	390
	Newtownstewart	154	378	390	383

### This week's marts

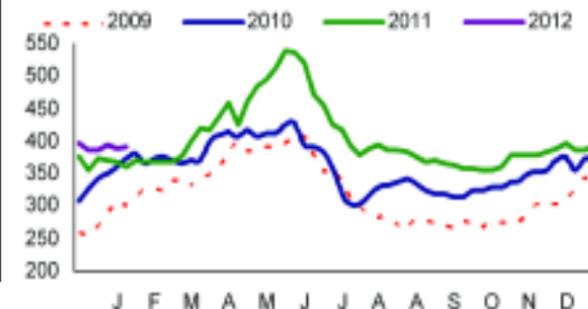
**P**RICES in the marts were somewhat stronger this week with top prices generally in excess of 420p/kg. Average prices ranged from 380-395p/kg, well up from last week's levels. Hogget prices averaged 384p/kg in Ballymena on Wednesday, up from 371p/kg last week. Likewise prices in Saintfield averaged 390p/kg on Tuesday, up from 375p/kg last Tuesday.

## SHEEP TRADE

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



### NI Average Weekly Sheep Price (p/kg CW)



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