

EU MARKET OUTLOOK

EU BEEF PRODUCTION TO RISE IN 2015

THE EU livestock survey in June 2014 indicated a stabilisation in suckler cow numbers and the results of the December 2014 survey have indicated a 1.3 per cent increase in EU suckler cow numbers from year earlier levels. The most notable increases in suckler cow numbers in the EU-15 were in Spain and in France where herd size increased by 114,000 head and 32,000 head respectively. Meanwhile suckler cow numbers have recorded declines in the UK, NI and ROI.

There have been key changes to both total cow herd size and in the dairy/beef herd mix at individual member state level. These changes have been driven mainly by competition for land between the dairy and beef sectors as well as issues around profitability in some regions.

Coupled support

The increasing demand for beef across the EU and the implementation of the Voluntary Coupled Support in the beef sector under the new CAP have also been key factors behind an increase in suckler cow numbers in some member states. Voluntary Coupled Support will represent ten per cent of the estimated €41 million in the total Direct Payments

envelope from the EU in 2015.

According to the latest Short Term Market Outlook for the EU, which was published recently, around forty per cent of the total Voluntary Coupled Support envelope from the EU will be allocated to the beef sector. This equals approximately €1.7 billion of coupled support for the beef and veal sectors at EU level in 2015.

Dairy beef production

Total EU beef production in the EU during 2014 is estimated to have been 2.1 per cent higher than year earlier levels. This increase in beef production follows on from several years of decline in total beef production.

The increase in beef production can be partly attributed to higher dairy cow numbers across the EU in recent years with additional animals being produced for beef production as a result. The latest EU figures estimate that two thirds of total beef production in the EU is sourced from the dairy herd.

In addition to this there was a higher culling rate of dairy origin cows in some EU member states during 2014 which contributed to higher beef production.

The increased culling of dairy cows can be partly attributed to drops in the milk price as well as moves by producers to cull cows to prevent over quota milk production.

Lower feed costs

Lower feed costs and more favourable grazing conditions across the EU in 2014 also helped contribute to increased beef production due to an increase in average carcass weights. The EU Short Term Market Outlook has indicated that total beef production could increase by a further two per cent in 2015.

This expected increase in EU beef production will be driven by increased production capacity across the member states and some further culling from the dairy herd in some regions due to genetic improvements increasing milk output per head. While total beef production in the EU is expected to increase demand for beef is expected to remain firm on both EU and global markets.

Exports

In 2014 the volume of beef exports from the EU increased by 29 per cent or 46,000 tonnes from year earlier levels.

This puts estimated export volumes at 224,000 tonnes for 2014. The most notable increases in export volumes year on year were to Hong Kong, and the Western Balkans while the opening of the Philippines market also provided an important outlet for EU beef. The opening of the US market to moderate volumes of Irish beef and the resumption of exports from the EU to Turkey were also important developments in the EU beef market.

Exports of live animals from the EU in 2014 were 5.4 per cent higher than year earlier levels with 45 per cent of all live exports destined for Lebanon. Another important development was the reopening of the Turkish market in October 2014 which is expected to significantly increase the level of live exports out of the EU. The EU Market Outlook Report estimates live exports in 2015 to increase to the equivalent of 130,000 tonnes (carcass weight equivalent).

Imports

EU beef imports are expected to be almost unchanged from year earlier levels during 2015. In 2014 imports from Uruguay and Argentina recorded volume declines from year earlier levels

due to lower export availability while imports from Australia and Brazil increased by 21 per cent and three per cent respectively. However with tight cattle supplies in Australia its ability to export beef onto the EU market is expected to be much lower in 2015. It is expected that an increase in volume imports from Brazil in 2015 will offset the expected lower level of imports from Australia.

EU beef prices

Beef prices across the EU showed a downward trend until July 2014 but since then have shown a gradual recovery with current EU beef prices well above the 2007-2011 average price. World beef prices are expected to remain high during 2015 due to tighter supplies and increased demand in the US and Asia.

Consumer demand

Demand for beef in the EU has remained firm with the increased availability of beef in the EU in 2014 allowing per capita consumption to increase to 10.5kg, although a rising beef price could limit the upward movement of this trend.

EURO REMAINS WEAK AGAINST STERLING

THE euro-sterling exchange rate from the European Central Bank on Wednesday this week was €1 = £0.704. This is the lowest euro-sterling exchange rate since late 2007 although it showed a slight recovery to €1 = £0.715 on Friday.

Figure 1 displays the euro-sterling Exchange rate for the period 2008-2015 and indicates that the value of

the euro against sterling fell below early 2008 levels during February 2015 and has continued to record a general decline since then.

This strengthening in sterling against euro in recent months could make imports such as cereals, fertiliser and fuel cheaper if they are sourced in the Eurozone or traded in euros and thereby help reduce production costs

for NI beef and sheep producers. However while a strengthening in the value of sterling reduces input costs a strong sterling makes NI and UK beef and lamb more expensive in euro terms. This makes trading on the EU, and on the wider global market, much more difficult.

The average R3 heifer price in NI last week in euro terms was 490.3c/kg, 87.4c/kg higher than the EU average price which was 402.9c/kg. In monetary terms the differential is the equivalent of €280 on a 320kg R3 grade carcass. Meanwhile the R3 heifer price in ROI last week was 413.7c/kg, 76.6c/kg lower than the equivalent price in NI or €245 on a 320kg R3 grade carcass.

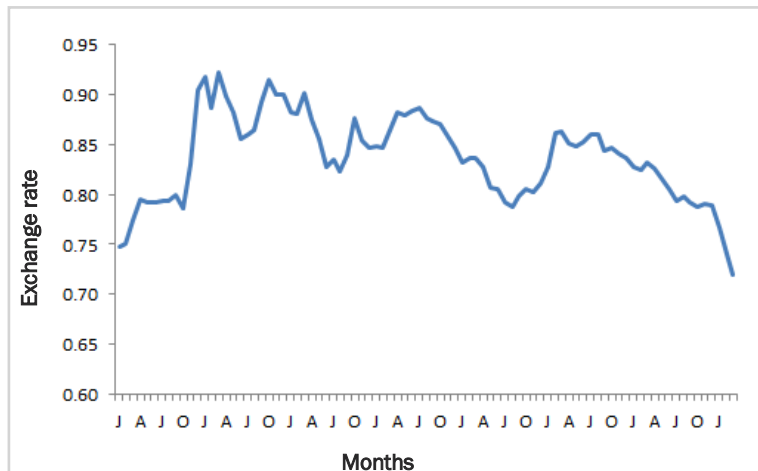
By comparison the differential in R3 heifer prices between NI and ROI in the first week of January 2015 was 67.2c/kg or €215 on a 320kg R3 grade carcass. This accounts for a widening in the differential since the start of the year by €30 which is an increase of 14 per cent.

The differential between R3 heifer prices in NI and the EU average price has also progressively widened since January 2015 as the euro has weakened against sterling.

In the first week of January 2015 the R3 heifer price in NI was the equivalent of 463.6c/kg while the EU average price was 397.8c/kg. This put the differential at 65.8c/kg or €210 on a 320kg carcass. This widening in the differential in R3 heifer prices between NI and the EU average by €70 accounts for a 33 per cent increase since the start of 2015.

While the largest majority of NI beef is destined for the UK retail market the NI beef industry it is still influenced by the EU and wider global markets as these offer valuable outlets for manufacturing beef and fifth quarter products. There is also competition on the UK retail market to be considered with some retailers stocking both UK and ROI origin beef on their shelves, with the latter becoming comparatively less expensive as sterling has gained against the euro.

Figure 1: Monthly Sterling- Euro exchange rate January 2008-March 2015



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.

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WEEKLY BEEF & LAMB MARKETS



CATTLE TRADE

NI FACTORY QUOTES FOR CATTLE

(P/KG DW)	This Week 09/03/15	Next Week 16/03/15
Prime		
U-3	348 - 352p	344 - 350p
R-3	342 - 346p	338 - 344p
O+3	336 - 340p	332 - 338p
P+3	290 - 302p	286 - 300p
Including bonus where applicable		
Cows		
O+3 & better	230-255p	230-250p
Steakers	140-170p	140-170p
Blues	120-130p	120-130p

Cow quotes vary depending on weight and grade.

Pricing policies vary from plant to plant. Producers are advised to check pricing policies before presenting cattle for slaughter.

Deadweight Cattle Trade

QUOTES this week for U-3 grade steers and heifers ranged from 348-352p/kg across the major plants with quotes for Monday morning expected to be in the region of 344-350p/kg. Quotes for cows have remained unchanged with the majority of plants quoting 250-254p/kg for good quality O+3 cows.

The plants have reported steady supplies of cattle coming forward for slaughter to meet demand with 7,043 prime cattle slaughtered last week. This was an increase of 76 head from the previous week and is the second highest weekly prime kill for 2015 so far. Total throughput for 2015 to date has totalled 66,054 head compared to 64,007 head killed in the same period in 2014. This accounts for a three per cent increase in throughput year on year. The cow kill in NI last week totalled 1,482 head bringing throughput for the year to date to 15,946 head, similar to year earlier levels when 16,079 cows were killed.

Imports of cattle for direct slaughter from ROI last week consisted of 542 prime cattle and 77 cows with a further 35 cows imported from GB for direct slaughter. Imports of prime cattle accounted for eight per cent of total prime cattle throughput in NI last week, similar to the corresponding week in 2014. Exports of cattle to ROI last week for direct slaughter consisted of 36 prime cattle and 217 cows while no cattle were exported from NI to GB last week for direct slaughter.

The average steer price in NI last week was 347.7p/kg, back 2.4p/kg from the previous week. Meanwhile the R3 steer price was back by 3.5p/kg to 357.3p/kg, representing a drop of 10.4p/kg from the 368.1p/kg paid for R3 steers in the week ending 10 January 2015. The average heifer price in NI last week was back in the region of 1p/kg to 350.8p/kg while the R3 heifer price held steady at 357.9p/kg.

The deadweight cattle trade has held steady in GB with average prices for steers and heifers in all reporting regions last week within 1p/kg of the previous week. The R3 steer price in GB last week was unchanged at 365.2p/kg, 7.9p/kg higher than the equivalent price in NI, while the R3 heifer price was within half a penny of the previous week at 365.3p/kg. The R3 heifer price in NI last week was 7.4p/kg lower than the average GB price and was the lowest in the UK.

The prime cattle kill in ROI last week totalled 24,282 head bringing throughput for the year to date to 240,204 head. This was an increase of 4,927 head from the same period in 2014 when 235,277 prime cattle were killed. This represents a two per cent increase in throughput. The strong supplies of cattle coming forward for slaughter in ROI has put pressure on deadweight prices. A drop in prices in euro terms combined with the further weakening in euro against sterling resulted in R3 steer prices to be back by the equivalent of 3.7p/kg to 293.8p/kg while the R3 heifer price was back by the equivalent of 5p/kg to 302.1p/kg. This puts the NI-ROI differential at 63.5p/kg for R3 grade steers and 55.8p/kg for R3 grade heifers.

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

	W/E 07/03/2015	Northern Ireland	Rep of Ireland	Scotland	Northern England	Midlands & Wales	Southern England	GB
Steers	U3	358.9	302.5	376.6	372.2	372.9	378.5	374.5
	R3	357.3	293.8	370.3	361.7	364.9	361.7	365.2
	R4	355.8	294.1	372.1	371.5	364.5	362.2	368.6
	O3	343.0	279.7	352.6	341.4	336.9	mjmj331.	341.2
	AVG	347.7	-	370.6	361.4	352.8	348.4	359.4
Heifers	U3	363.5	313.7	378.5	376.7	377.6	376.2	377.4
	R3	357.9	302.1	368.7	362.3	365.4	363.3	365.3
	R4	354.7	301.6	369.8	365.8	364.1	360.8	365.8
	O3	342.3	287.2	350.6	343.5	338.1	341.1	344.0
	AVG	350.8	-	369.4	360.7	358.5	351.1	361.2
Young Bulls	U3	341.4	294.0	363.5	340.0	365.9	365.7	357.0
	R3	339.2	287.0	354.8	335.1	342.2	353.8	343.4
	O3	325.9	274.4	317.6	307.6	320.1	319.3	315.5
	AVG	324.7	-	324.9	316.0	324.1	327.5	322.5
Prime Cattle Price Reported		5949	-	6064	5474	5162	3657	20357
Cows	O3	246.5	244.3	269.1	260.4	251.4	246.0	258.2
	O4	253.2	245.9	269.9	263.5	251.9	248.3	259.5
	P2	200.4	211.3	200.5	224.8	193.5	184.3	200.2
	P3	224.5	237.1	225.4	244.4	208.1	217.2	223.9
	AVG	225.6	-	257.9	244.0	215.2	218.9	235.1

Notes: (i) Prices are p/kg Sterling-ROI prices converted at 1 euro=72.60p 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

REPORTED NI CATTLE PRICES - P/KG

W/E 07/03/15	Steers	Heifers	Young Bulls
U3	358.7	363.2	342.4
R3	356.6	357.8	338.9
O+3	347.6	346.7	336.0

*Prices exclude AA, HER and Organic cattle

REPORTED COW PRICES NI - P/KG

w/e 07/03/15	Wgt <220kg	Wgt 220- 250kg	Wgt 250- 280kg	Wgt >280kg
P1	141.3	148.9	153.1	177.3
P2	157.7	179.4	196.5	218.2
P3	183.3	200.1	220.0	229.4
O3	212.0	228.0	238.4	247.5
O4	-	-	247.2	253.5
R3	-	-	-	272.7

LATEST LIVEWEIGHT CATTLE MART PRICES NI

W/E 07/03/15	1st QUALITY			2nd QUALITY		
	From	To	Avg	From	To	Avg
Finished Cattle (p/kg)						
Steers	190	213	200	150	189	170
Friesians	140	174	156	131	139	135
Heifers	190	212	197	160	189	175
Beef Cows	151	196	158	100	150	125
Dairy Cows	100	132	110	60	99	80
Store Cattle (p/kg)						
Bullocks up to 400kg	234	261	246	200	216	208
Bullocks 400kg - 500kg	235	266	244	180	230	200
Bullocks over 500kg	220	254	230	170	218	188
Heifers up to 450kg	200	214	207	180	199	190
Heifers over 450kg	200	224	212	160	199	180
Dropped Calves (£/head)						
Continental Bulls	300	400	350	180	298	240
Continental Heifers	260	395	325	100	258	180
Friesian Bulls	100	180	140	40	98	72
Holstein Bulls	60	155	100	15	58	35

SHEEP TRADE

HOGGET QUOTES

(P/Kg DW)	This Week 09/03/15	Next Week 16/03/15
Hoggets	410-415>22kg	410-415>22kg

REPORTED HOGGET PRICES - P/KG

(P/KG DW)	W/E 21/02/15	W/E 28/02/15	W/E 07/03/15
NI Liveweight	356.3	359.7	364.5
NI Deadweight	394.1	397.0	399.2
ROI Deadweight	378.7	377.2	388.2
GB Deadweight	425.7	428.1	437.4

Deadweight Sheep Trade

QUOTES from the major NI plants this week for R3 grade hoggets ranged from 410-415p/kg up to 22kg with reports of reduced availability of hoggets for slaughter. Hogget throughput in the NI plants last week totalled 5,258 head with a further 5,889 hoggets exported to ROI for direct slaughter. The deadweight hogget price in NI last week was 399.2p/kg, up 2.2p/kg from the previous week. In the corresponding week last year the average hogget price in NI was 421.3p/kg. In euro terms the ROI hogget price last week increased by 19.4c/kg from the previous week to 534.7c/kg while in sterling terms it increased by 11p/kg to 388.2p/kg.

This Week's Marts

A firm trade has been reported across the marts this week with reports of a tightening in hogget availability. In Kilrea on Monday 530 hoggets sold from 362-397p/kg compared to 560 hoggets last week selling from 356-373p/kg. In Saintfield this week 525 hoggets sold from 356-410p/kg compared to 400 hoggets last week selling from 353-400p/kg. In Ballymena this week a similar trade to last week saw 1,147 hoggets sold to an average of 356p/kg. Meanwhile in Enniskillen this week a sharper trade saw 875 hoggets sold to an average of 385p/kg compared to 628 hoggets last week selling to an average of 355p/kg. A firm trade in Armoy this week saw 620 hoggets sell to an average of 380p compared to 580 hoggets last week selling to an average of 365p/kg. The firm trade for well fleshed cull ewes has continued with a top reported price of £142 in Omagh last Saturday.

LATEST SHEEP MARTS

From: 07/03/15		Hoggets (P/KG LW)			
To: 13/03/15		No	From	To	Avg
Saturday	Omagh	778	345	395	-
	Swatragh	517	339	428	-
Monday	Massereene	912	360	392	-
	Kilrea	530	362	397	-
Tuesday	Saintfield	525	356	410	-
	Rathfriland	660	338	383	358
Wednesday	Ballymena	1147	340	391	356
	Enniskillen	875	370	418	385
	Armoy	620	360	420	380

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