

## ROLE OF THE 5TH QUARTER IN EMERGING EXPORT MARKETS

**B**EEF expenditure by UK consumers has increased by six per cent between 2011 and 2012 but with the UK domestic consumption per capita remaining fairly constant at 17kg this increase in expenditure is driven primarily by the rise in the average price of beef. While the domestic market is an important outlet for beef in the UK the export market is the area showing the greatest potential for expansion and growth as beef consumption and total meat consumption per head increases across the globe.

There are a range of figures available for average world meat consumption but research figures from the Food and Agriculture Organisation of the United Nations (FAO) in 2010 put the figure at 46.6kg per capita. The same report estimates total meat consumption in the UK to be 85.5kg per capita. With an ever growing global population the demand for meat globally will continue to increase as countries develop. Increasing personal wealth and an increase in living standards in the developing world has meant people are incorporating greater quantities of meat into their diets, thereby opening huge opportunities for countries with the capacity to produce meat and meat products for export.

The most dramatic increases in demand are from China as its population becomes increasingly more affluent and meat becomes an ever more important part of their diet. China's annual meat consumption of 71 million tonnes accounts for more than a quarter of all the meat consumed globally and is more than

double the consumption of the US. With China's ever increasing population this level of consumption will undoubtedly increase further. In particular there is a rising demand for beef and beef products in China, with beef consumption showing substantial increases over the last few decades. Beef consumption in China is relatively low at 4.3kg per capita per year when compared to other countries, with consumption levels only a fraction of the quantities of pork and poultry consumed. However with a Chinese population of 1.35 billion it is a substantial target market for expanding beef exports as even a small increase in the amount of beef consumed per capita can result in huge potential markets.

Whilst market access is still a major barrier to the local industry being able to fully exploit all potential opportunities provided by the increasing global demand for meat, it is none the less important that all available export markets are fully exploited. The global increase in demand for beef and beef products has coincided with a decrease in the global supply of beef.

Traditionally the forerunners in beef production and export have been the US, Australia, New Zealand and South America. The US has seen its national herd decline to 91.3 million head as of 1st January 2012, a 1.5% decline on the previous year and the smallest recorded herd since 1958. Even with a decline in domestic consumption in the US the amount available for the export market has been limited, down 11 per cent for Jan-May 2012 when compared to 2011 (US Department of Agriculture). In the last few years New

Zealand has experienced a marked decline in beef cattle numbers as farming enterprises change and Australian production has been hampered by environmental disasters in recent years. Exports from South America into the EU have also been dramatically reduced in recent times due to concerns over disease and traceability, as well as a sharp rise in domestic consumption. These developments occur in tandem with a declining South American beef herd as the Pampas region, the traditional cattle finishing area, is becoming more converted to cereal production. The combination of these factors reduces potential beef production levels and the role that South America has to play in the beef export market.

These global changes in beef production and supply places the UK, and the EU, in a favorable position to capitalize on new export opportunities and further develop their strong export markets. The rising GDP and living standards of many of the world's developing countries will lead to ever increasing demands for meat products and thereby open potential export opportunities. The main target markets for exports on the back of projected increases of consumption will be Asia (particularly China), and the Middle East and North Africa. The rising demand for protein in these developing nations gives the UK beef industry an opportunity to expand its export markets. In particular there is an opportunity to increase the value of the fifth quarter in these emerging markets.

The fifth quarter represents 45-50 per cent of the total live-weight of a beef animal and is made up of two main

categories, edible by products (e.g. red offal, liver, heart, kidneys and tail) and inedible by products (e.g. stomach, green offal, digestive tract and hide). Demand and markets for the fifth quarter is limited in the UK and its value on the domestic UK market is therefore limited. There are however key opportunities to add value to the carcass by identifying and establishing export markets for the fifth quarter.

It is vitally important that the beef industry works towards achieving the maximum value for the carcass by exploring all opportunities for potential markets. A project commissioned by the Meat and Livestock Commercial Services Ltd (MLCSL) in the UK is reported to have turned an annual cost to the industry for offal disposal of £2.2 million into an income of £13.3 million. The UK project helped to highlight the potential value of the fifth quarter, in particular in the emerging export markets of the developing world.

In the UK the beef animal fifth quarter is estimated to be worth approximately £80-100 per head (EBLEX presentation IMS World Meat Congress Paris June 2012). There is scope to increase this much further if market access issues can be resolved and the legacy of stringent EU BSE controls can be further eased to reflect the reduced risks currently prevailing. The rising value of the fifth quarter provides an excellent opportunity for the NI and UK beef sectors to add value to the beef industry. Figures from EBLEX also suggest that global exports of offal are estimated to be around £140 million and this accounts for approximately eight per cent of the global meat

market. Utilising the fifth quarter to a greater extent will help add value to the beef industry by maximizing returns for the by-products of beef production.

LMC plays a key strategic role facilitating the opening of new markets through its membership of the UK Export Certification Partnership. LMC is a co funder of this joint industry/government programme, the aim of which is to establish access for UK red meat products into third country markets. The rising value of the fifth quarter on the export market and the growing global demand for protein derived from meat has encouraged LMC to invest in a multi client study into the Global Market for the fifth quarter. It is expected that this project will be completed in 2013 and this information should inform and empower marketers in the NI red meat sector. The aim of the study is to aid the NI red meat sector to exploit the full value of the beef carcass and the by products to add value to the NI Beef Industry.

A further benefit of increasing the utilisation of the fifth quarter is the potential improvement in the green image of current beef production. Increasing the amount of the beef animal being utilised increases the efficiency of the beef system and reduces the amount of waste material produced. This improved efficiency has the potential to markedly reduce the carbon cost of beef production and thereby adding to the green image of Northern Ireland's expanding beef industry.

**LMC QUARTERLY  
JUNE 2012**

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# FQAS CORNER: HERD REGISTERS AND APHIS ONLINE

**A**NIMAL identification and traceability lie at the heart of the Northern Ireland Beef and Lamb Farm Quality Assurance Scheme.

As all members of FQAS should be aware it is a requirement of the scheme that details of identification, births, deaths and movements of cattle are kept, maintained on farm and are in accordance with current EU, UK and regional legislation.

At present herd books/registers are required in order to keep these records. These can be in the form of a paper version of a herd book as provided by local DVO's or can be from the DARD approved list of computerised versions e.g. Kingswood, Farm Wizard etc... (List of approved software available from DARD Website).

Recently there have been a number of queries arising with use of APHIS Online print outs as opposed to keeping a herd register. The current situation is that a herd book/register is still required as part of both FQAS and legislation, it is vital for the validation of traceability that contemporaneous (real time) records are kept that can be reconciled with APHIS.

An amendment to APHIS cannot be made without strong evidence from within the herd register. The herd register also provides a strong back up system for identification, births, deaths and movements. The herd register plays a key role in traceability alongside APHIS. Unfortunately APHIS online print outs do not currently provide all the information to satisfy cattle identification, registration and movement legislation or FQAS requirements and therefore failure to have an up

to date herd register will result in a non-conformance being issued during FQAS inspections. For Further information please contact the FQAS Helpline on 028 9263 3024.



## FQAS Helpline

If you have had a recent inspection and need help and advice to rectify any non-conformances, contact the

FQAS helpline:  
028 9263 3024

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# WEEKLY BEEF & LAMB MARKETS



## CATTLE TRADE

### CATTLE QUOTES

| (P/KG DW) | This Week<br>23/07/12 | Next Week<br>06/08/12 |
|-----------|-----------------------|-----------------------|
| U-3       | 310 - 316p            | 312 - 316p            |
| R-3       | 304 - 310p            | 306 - 310p            |
| O+3       | 298 - 304p            | 300 - 304p            |
| Cows      | 270 - 280p            | 264 - 285p            |

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

### LAST WEEK'S NI CATTLE PRICES - P/KG

| W/E 28/07/12 | Steers | Heifers | Young Bulls | Cows  |
|--------------|--------|---------|-------------|-------|
| U-3=         | 324.0  | 329.8   | 318.3       | 304.4 |
| U=3=         | 328.7  | 342.8   | 320.0       | 310.0 |
| U=4=         | 317.8  | 319.0   | 310.0       | 298.0 |
| R=3=         | 321.9  | 325.2   | 311.5       | 295.4 |
| R=4=         | 315.3  | 324.5   | -           | 293.9 |
| O=3=         | 305.2  | 304.7   | 299.2       | 279.3 |
| O+3=         | 315.7  | 321.5   | 305.5       | 288.7 |
| O+4=         | 314.8  | 314.7   | 300.0       | 286.6 |
| P+2=         | 281.9  | 288.0   | 291.1       | 253.4 |
| P+3=         | 288.9  | 278.9   | 292.0       | 267.5 |
| Average      | 315.2  | 318.6   | 307.6       | 257.8 |

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 28/07/12                | Scotland | Northern England | Midlands & Wales | Southern England | Northern Ireland | Rep of Ireland |
|-----------------------------|----------|------------------|------------------|------------------|------------------|----------------|
| Steers                      | U3       | 360.2            | 352.3            | 350.6            | 338.4            | 324.5          |
|                             | R3       | 354.4            | 348.2            | 339.4            | 328.1            | 323.5          |
|                             | R4       | 358.0            | 352.1            | 340.8            | 329.2            | 318.5          |
|                             | O3       | 341.4            | 336.3            | 319.3            | 306.6            | 309.6          |
| Average                     | 353.6    | 343.7            | 334.6            | 305.5            | 315.2            | -              |
| Heifers                     | U3       | 361.4            | 350.9            | 349.4            | 327.1            | 330.1          |
|                             | R3       | 351.2            | 345.8            | 338.7            | 329.8            | 326.9          |
|                             | R4       | 356.7            | 342.3            | 342.3            | 328.1            | 323.9          |
|                             | O3       | 326.9            | 332.6            | 321.9            | 319.5            | 312.5          |
| Average                     | 352.1    | 341.2            | 336.4            | 318.8            | 318.6            | -              |
| Young Bulls                 | U3       | 348.1            | 337.7            | 337.1            | 339.8            | 318.8          |
|                             | R3       | 341.7            | 326.4            | 324.5            | 323.3            | 313.7          |
|                             | O3       | 318.9            | 309.8            | 304.1            | 316.0            | 300.3          |
|                             | Average  | 337.9            | 318.7            | 321.9            | 318.0            | 307.6          |
| Prime Cattle Price Reported | 6107     | 5806             | 3775             | 3890             | 4191             | -              |
| Cows                        | O3       | 282.5            | 270.1            | 275.0            | 262.1            | 278.1          |
|                             | O4       | 288.0            | 271.5            | 275.4            | 265.9            | 280.5          |
|                             | P2       | 232.5            | 224.2            | 242.1            | 231.1            | 247.6          |
|                             | P3       | 252.3            | 254.3            | 249.0            | 243.7            | 264.3          |

Notes:

(i) Prices are p/kg Sterling-ROI prices converted at 1 euro=78.15p Stg.

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

## Deadweight Cattle Trade

QUOTES from the plants this week were 312-316p/kg for U-3 grade prime cattle, similar to last week's quotes. Plants are reporting a steady supply of cattle and similar quotes are expected for Monday. Prime cattle slaughterings last week were 5,619, down slightly from the 5,660 the previous week but ahead of the 4,797 killed the same week last year. There were 715 cattle imported from ROI for direct slaughter last week. With a total cattle kill of 7,728 head ROI imports accounted for 9.3 per cent of the total kill. In the same week last year ROI imported cattle accounted for 1.9 per cent of the kill. For the year to date 17,331 head have been imported for direct slaughter from ROI, almost 12 per cent higher than in the same period in 2011. The level of cattle imports from ROI are strongly dictated by the value of sterling against the euro, currently £1= €1.28.

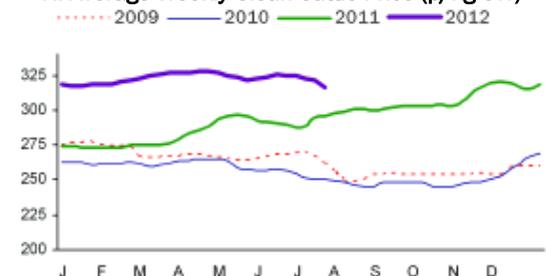
Average NI steer prices last week were down 3p/kg to 315.2p/kg while heifer prices were back almost 1p/kg to 318.6p/kg. Average R3 steer and heifer prices in NI were back 4.6p/kg and 2.0p/kg respectively. In Scotland average steer prices were back 2.7p/kg to 353.6p/kg, with heifer prices remaining reasonably similar at 352.1p/kg. In Northern England average steer prices were back almost 1p/kg to 343.7p/kg while heifer prices were up 1p/kg to 341.2p/kg. Prices in Southern England have experienced the biggest decrease with average steer and heifer prices back 4.7p/kg and 6.5p/kg respectively. R3 steer prices in the region averaged 328.1p/kg, back 5.1p/kg. The R3 heifer price was back 3.6p/kg to 329.8p/kg while the U3 heifer price was back 19.1p/kg to 327.1p/kg.

ROI prices have continued to show a decline in sterling terms with R3 steer prices back 4.3p/kg to 304.0p/kg and R3 heifer prices back 3.2p/kg to 314.7p/kg

NI Clean Cattle Slaughterings ('000 head per week)



NI Average Weekly Clean Cattle Price (p/kg CW)



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                        |             |             |     |
| Steers                       |             |                           | Store bullocks up to 400kg |                         | Continental bull calves   |             |             |     |
|                              | 1st quality | 188                       | 212                        | 1st quality             | 187                       | 210         |             |     |
|                              | 2nd quality | 170                       | 187                        | 2nd quality             | 160                       | 186         |             |     |
|                              | Friesians   | 122                       | 160                        |                         |                           | 1st quality | 230         | 375 |
| Heifers                      |             |                           | Store bullocks 400kg-500kg |                         | Continental heifer calves |             |             |     |
|                              | 1st quality | 180                       | 209                        | 1st quality             | 190                       | 233         |             |     |
|                              | 2nd quality | 160                       | 179                        | 2nd quality             | 165                       | 189         |             |     |
|                              |             |                           |                            |                         |                           |             | 1st quality | 200 |
| Beef Cows                    |             |                           | Store bullocks over 500kg  |                         | Friesian bull calves      |             |             |     |
|                              | 1st quality | 161                       | 183                        | 1st quality             | 182                       | 213         |             |     |
|                              | 2nd quality | 120                       | 160                        | 2nd quality             | 160                       | 181         |             |     |
|                              |             |                           |                            |                         |                           |             |             |     |
| Dairy Cows                   |             |                           | Store heifers up to 450kg  |                         | Holstein Bull Calves      |             |             |     |
|                              | 1st quality | 120                       | 148                        | 1st quality             | 180                       | 205         |             |     |
|                              | 2nd quality | 90                        | 119                        | 2nd quality             | 160                       | 179         |             |     |
|                              |             |                           |                            |                         |                           |             |             |     |

Taken from a sample of beef marts in the week ended 27/07/12

## Deadweight Sheep Trade

The plants were quoting 370p/kg early in the week with 380p/kg available later in the week. Plants have been reporting good supplies of lambs with 10,093 lambs slaughtered in NI last week, the highest weekly throughput since December 2009. Exports to ROI also showed a significant increase last week to 12,485 head with reports of southern plants actively seeking lambs. This is an increase by 5,269 head on the previous week, a 73 per cent increase week on week. The NI deadweight price last week was 357.6p/kg, back 1p/kg on the previous week. Meanwhile the GB deadweight price increased by 4.5p/kg to 428.2p/kg, increasing the differential between NI and GB to 70.6p/kg. A shortage of lamb has been reported in GB and it can be assumed that this is a key driver in this differential. In the last two weeks of July 1,046 lambs were exported to GB for direct slaughter from NI.

### SHEEP QUOTES

| (P/KG DW) | This Week<br>30/07/12 | Next Week<br>06/08/12 |
|-----------|-----------------------|-----------------------|
| Lambs     | 365 - 370p            | 380p                  |

Lambs up to 21kgs.

### REPORTED LAMB PRICES - P/KG

| (P/KG)        | W/E<br>14/07/12 | W/E<br>21/07/12 | W/E<br>28/07/12 |
|---------------|-----------------|-----------------|-----------------|
| NI Liveweight | 331.0p          | 335.3p          | 329.2p          |
| NI Deadweight | 352.4p          | 358.6p          | 357.6p          |
| GB Deadweight | 407.5p          | 423.7p          | 428.2p          |

## LATEST SHEEP MARTS

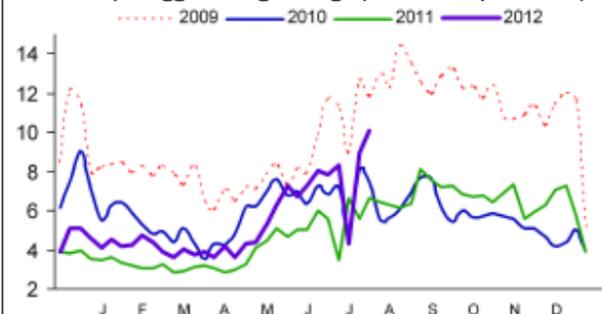
| From: 27/07/2012<br>To: 02/08/2012 |                | Spring Lambs (P/KG LW) |      |     |         |
|------------------------------------|----------------|------------------------|------|-----|---------|
|                                    |                | No.                    | From | To  | Average |
| Saturday                           | Omagh          | 692                    | 327  | 346 | -       |
|                                    | Donemana       | 631                    | 327  | 353 | -       |
| Monday                             | Kilrea         | 700                    | 330  | 368 | 350     |
|                                    | Massereene     | 1085                   | 340  | 382 | -       |
| Tuesday                            | Saintfield     | 1003                   | 335  | 380 | 345     |
|                                    | Rathfriland    | 1026                   | 325  | 371 | 342     |
| Wednesday                          | Ballymena      | 1536                   | 320  | 388 | 330     |
|                                    | Enniskillen    | 687                    | 332  | 363 | 340     |
|                                    | Markethill     | 920                    | 330  | 352 | 335     |
|                                    | Newtownstewart | 607                    | 320  | 356 | 333     |
| Thursday                           | Downpatrick    | 225                    | 320  | 340 | 335     |

### This week's marts

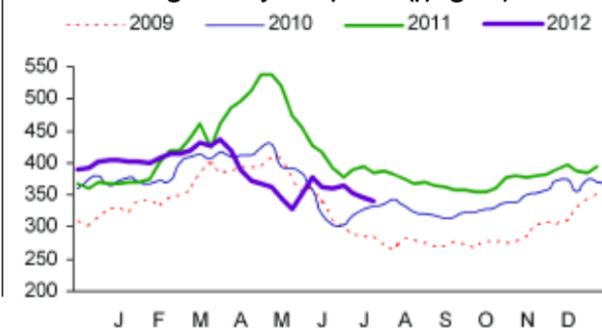
THIS week's marts are reporting a similar trade to last week with good numbers of lambs passing through the sale rings. Average prices across the marts range from 330-350p/kg. In Rathfriland on Tuesday 1,026 lambs sold to an average of 342p/kg compared to 1,170 lambs last week selling to an average of 345p/kg. In Enniskillen on Wednesday 687 lambs sold from 332-363p/kg (average 340). The strong trade for cull ewes continues across the marts with first quality ewes selling to a top of £92 and £94 in Saintfield and Rathfriland respectively.

## SHEEP TRADE

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



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



Contact us:

Website: [www.lmcni.com](http://www.lmcni.com)

Telephone: 028 9263 3000

Fax: 028 9263 3001

FQAS Helpline: 028 9263 3024

Answerphone: 028 9263 3011

Comments: [bulletin@lmcni.com](mailto:bulletin@lmcni.com)

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