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EXPORT MARKET DEVELOPMENTS

CHINA

CHINA'S rapidly expanding population and the growth of its middle class has resulted in a rapidly increasing demand for beef in recent years. A total of 28,000 tonnes of beef (excluding offal) was imported into China in the first two months of 2013. This is more than seven times the amount of beef imported during the same period in 2012 and is an indication that China will emerge as one of the largest global markets for beef.

China is currently the world's second largest economy after the United States by Gross Domestic Product (GDP) and is the world's fastest growing economy. A report released by the Asia Development Bank this week has forecasted China's GDP to grow by 8.2 percent in 2013, up from last year's 7.8 percent, due to strong consumption and fiscal spending.

China is the largest exporter in the world with exported goods and services accounting for 30 per cent of China's GDP. The increasing wealth and purchasing power of the Chinese population in recent times has led to an increase in the level of imports with China now the second largest importer of goods and services in the world.

As the Chinese economy has prospered and the standard of living of its population has improved the demand for meat as a protein source in the diet has grown. Domestic production has been unable to keep pace with this growing demand, particularly for beef, and thus the increasing opportunities for exporting countries to capitalise on this market.

Until recently however China's official beef imports were relatively small with only 20,000 tonnes imported in 2011. A rapid increase in imports in the second half of 2012 pushed annual imports for 2012 to over 60,000 tonnes. At present there is no certification in place to allow the UK to export beef to mainland China but with the rapid expansion in demand in China gaining this certification is certainly a priority. Even without access, the increasing level of imports into China takes beef off the international markets and has the potential to put upward pressure on price

Australia has quickly established itself as China's top beef supplier with 12,490 tonne exported into China in the first two months of 2013, accounting for 45 per cent of all beef imports. In the same period in 2012 less than 1,000 tonne of beef was imported from Australia.

During the same period imports of beef from Uraguay increased to a total of 8,473 tonne, accounting for 30 per cent of imports while beef imports from New Zealand increased to 4,327 tonnes to account for 16 per cent of total beef imports. Canada and Argentina were the only other two countries which exported into China during January and February this year, accounting for 7 per cent and 2 per cent of total imports respectively.

A recent report from the USDA's Foreign Agricultural Service has indicated that favourable currency movements combined with an increasing demand for beef has fuelled the increase in imports. The average import price in 2012 was nearly $4,150 per tonne compared to an average domestic price of $7,188.

With growing household incomes in China those who can afford it prefer to eat high quality beef cuts from both domestic and imported sources at high end hotels and restaurants. However the demand for high quality beef for home preparation is showing growth potential.

Despite this growing demand for beef in China domestic beef production has not grown as quickly as the other meat sectors due to the proportionally higher costs of production and competing claims on grazing land. Furthermore the lower food efficiency of beef cattle in feedlots compared to pigs for example has limited production growth, China has one fifth of the world's population and is limited in terms of land and water supplies so relies more heavily on more efficient sources of animal proteins such as pork, poultry and farmed fish.

RUSSIA

Access to the Russian beef market has recently been secured for UK red meat. This market had been closed to UK beef after the outbreak of BSE in 1996 and was kept in place until the 6 December 2012, despite the ban being lifted elsewhere in 2006.

A shortage of beef combined with an increase in domestic demand in Russia has provided the UK with an important opportunity to export beef. The lifting of the ban will allow the UK to export boneless beef from cattle under 30 months of age, subject to the approval of processing plants in the UK by the Russian authorities.

With the small Russian market for high end cuts of beef already well serviced through domestic production and well established relationships with Australia the main opportunity for the UK will be in meeting the growing demand for manufacturing beef. While the first steps have been made in accessing what could be a very important market for the UK, exporting beef to Russia has the potential to be a complicated process.

In recent weeks there have been a series of restrictions placed on purchases of animal products from EU member states with Russia currently preparing to suspend imports of chilled meat from Spain and the Netherlands

The Russian state veterinary service has stated that the Dutch authorities have failed to correct problems highlighted by Russian inspectors during a visit to processing plants late in 2012. Similar restrictions are to be imposed on Spain, a country which has previously escaped criticism from the Russian authorities.

CLASSIFICATION UPDATE: QUARTER 1 2013

LAST week's Bulletin provided an update on NI cattle slaughterings in the first quarter of 2013 compared to the same period in 2012. While these provide a useful comparison it is important that the classification of the cattle presented for slaughter is also compared between the two periods.

Analysis of the conformation statistics for the first quarter of 2013 have indicated some interesting trends when compared to the corresponding period in 2012. If we consider the steer kill as outlined in Table 1 there appears to be a general downward movement in the grades awarded when comparing the 2013 and 2012 periods.

The proportion of steer carcases awarded a U grade was down 2.8 per cent to 19 per cent in the first quarter of 2013 while the proportion of R grading carcases was down by 0.5 percentage points to 38.6 per cent of the kill. Meanwhile the proportion of the steer carcases awarded O grades increased by 1.8 per cent to 31.4 per cent with the proportion of P grades increasing by 1.5 per cent to 10.8 per cent of the total steer kill.

Table 1: Classification of steers slaughtered Quarter 1 2013

	E	U	R	O	P	Avg Wt
2012	0.2%	21.8%	39.1%	29.6%	9.3%	359.3
2013	0.2%	19.0%	38.6%	31.4%	10.8%	350.7

Table 2: Classification of heifers slaughtered Quarter 1 2013

	E	U	R	O	P	Avg Wt
2012	0.1%	15.1%	51.1%	29.2%	4.6%	314.7
2013	0.1%	16.3%	50.6%	28.7%	4.2%	309.4

Table 3: Classification of young bulls slaughtered Quarter 1 2013

	E	U	R	O	P	Avg Wt
2012	0.9%	18.4%	26.2%	33.0%	21.5%	326.2
2013	1.3%	18.0%	26.8%	31.8%	22.1%	320.4

One reason for this movement down the grading scale may be due to the lighter weights at which steers have been slaughtered. In the first quarter of 2012 the average steer carcase weight was 359.3kg and in 2013 this was back 8.6kg to 350.7kg. These lighter carcase weights are likely to be down to a number of factors including the poor performance of cattle at grass last summer causing a reduction in housing weights and subsequently liveweight at slaughter.

Cattle are also likely to be lighter at point of slaughter in Quarter 1 2013 due to a reduction in the quality of silage fed on many farms this winter resulting in lower than anticipated liveweight gains during housing. This combined with the current high cereal costs and some reports of reduced concentrate quality due to poor cereal growth last year may have encouraged producers to kill cattle at lower carcase weights.

Average heifer carcase weights also declined in the first quarter of 2013, back 5.3kg to 309.4kg. There has not however been the same slide in grades seen with the steers as shown in Table 2. The proportion of U grading heifer carcases increased by 1.2 per cent between the two periods while the proportion of R, O and P grading carcases were within half a per cent of the same period in 2012.

Meanwhile the average young bull carcase weight declined by 5.8kg to 320.4kg when comparing the two periods. The breakdown of the young bull kill by conformation was fairly similar between the two periods as outlined in Table 3. The most notable change was the decrease in the proportion of O grading young bulls, down 1.2 per cent to 31.8 per cent. There was no change in the source of the young bull kill between the two periods, i.e. similar proportions of young bulls were sourced from the dairy and suckler herds in both periods.

NON-FQAS PENALTIES TO INCREASE

THE Northern Ireland Farm Quality Assurance Scheme (NIBL FQAS) was first introduced 20 years ago to provide consumers with assurances about the farm end of the production chain. Farm quality assured status is now a requirement of trade with many of the key retailers and food service operators and has acted as a useful tool when accessing markets for NI beef and lamb.

The enhanced assurances of traceability and safety provided by Farm Quality Assured Beef has led to a renewed interest in the scheme in light of the recent European wide horse-meat crisis involving processed beef. The increasing importance of FQAS status on cattle at the point of slaughter in recent months has led to a marked increase in the number of applications received by the NIBL FQAS scheme.

Until recently the penalty for non FQAS finished stock from the processors was £30 per head but this increased to as much as £70 per head in recent months. There have now been reports from some major processors that the penalty for non-FQAS stock is set to increase to as much as £150 per head due to the limited markets for non FQAS beef. There are also increased costs associated with processing non FQAS cattle due to ever decreasing numbers of non-FQAS cattle making it difficult to make up batches for processing and marketing

For any queries in relation to Farm Quality Assured Scheme membership or assistance in rectifying non conformances from inspection please contact LMC's FQAS helpline on 028 9263 3024.

WEEKLY BEEF & LAMB MARKETS

LMC

CATTLE TRADE

NI FACTORY QUOTES FOR CATTLE

(P/KG DW)	This Week 08/04/13	Next Week 15/04/13
Prime		
U-3	366-368p	366-368p
R-3	360-362p	360-362p
O+3	354-356p	354-356p
* Plus 8p/kg in spec bonus where applicable		
Cows		
O+3 & better	275-310p	275-310p
Steakers	255-280p	255-280p
Blues	170-185p	170-185p

REPORTED NI CATTLE PRICES - P/KG

W/E 06/04/13	Steers	Heifers	Young Bulls
U-3=	371.7	379.0	363.4
U=3=	378.3	380.7	361.9
U=4=	376.5	373.5	-
R=3=	371.9	376.0	358.3
R=4=	369.1	372.8	-
O+3=	370.1	369.6	353.2
O=3=	356.6	355.7	345.0
Average	365.2	369.5	347.0

REPORTED COW PRICES NI W/E 06/04/13

Grades	Price (p/kg)	Avg Wgt
O+3=	310.3	319.0
O-3+	293.0	299.9
P+2+	256.9	288.3
P+3+	277.4	316.1
P-1-	190.3	222.4

COMMODITIES

COMMODITY PRICE

W/E 06/04/13	Price (£) per tonne / 1000litre	% weekly change
Barley	205.50	+0.7
Wheat	226.00	+0.2
Straw	18.50	-
Red Diesel	730-750	-

Deadweight Cattle Trade

QUOTES from the plants this week for U-3 grade prime cattle have remained fairly steady at 366-368p/kg. Plants are reporting a slight improvement in the number of prime cattle coming forward for slaughter this week with feed availability becoming a problem on many farms. The quotes for first quality cows range from 290-310p/kg across the plants with one plant quoting 275p/kg.

Last week a total of 5,590 prime cattle were slaughtered in NI plants, back 677 head on the previous week when 6,267 head were killed. In the same week last year 6,089 prime cattle were slaughtered. The cow kill last week was 1,087 head compared to 1,434 head the previous week.

Imports of cattle for direct slaughter from ROI last week totalled 247 head taking the total for the year to date to 5,922 head. In the same period last year 7,698 head were imported representing a reduction of 23 per cent year on year. A total of 3,799 head, mostly cows, have been exported from NI to ROI for direct slaughter in 2013 to date, up from 2,886 head the same period last year. Exports to the UK for direct slaughter have also increased with 3,770 head crossing the water this year to date, up from 1,304 head in the same period last year.

The average steer price in NI last week was 365.2p/kg, up 1.2 p/kg on the previous week with the young bull price up 2.5p/kg to 347.0p/kg. The average heifer price meanwhile was back 1p/kg to 369.5p/kg. In general reported prices in NI were within 2p/kg of the previous week for steers, heifers and young bulls.

In GB last week the R3 steer price increased by 1p/kg to 392.7p/kg while the R3 heifer price increased by 1.8p/kg to 389.5p/kg. This puts the differential with NI at 19.4p/kg and 13.0p/kg for R3 steers and heifers respectively. The average U3 steer price has remained above the 400p/kg mark in Scotland and the Midlands with U3 heifer prices over 400p/kg in Scotland, Northern England and the Midlands.

In ROI last week prices were fairly similar to the previous week with an equivalent R3 steer price of 358.1p/kg and an equivalent R3 heifer price of 379.2p/kg.

This week's marts

THE trade for finished cattle across the marts this week was generally similar to last week with finished first quality steers selling to an average of 218p/kg liveweight and second quality steers selling to an average of 195p/kg. Finished first quality heifers sold to a top price of 237p/kg this week with an average of 218p/kg. Second quality finished heifers sold from 180-208p/kg (av 194p/kg) compared to 185-209p/kg (av 197p/kg) last week.
The strong trade for cull cows has also continued with first quality beef cows selling to an average of 170p/kg this week compared to an average of 172p/kg last week. Second quality beef cows sold to an average of 135p/kg this week compared to 137p/kg last week. Dairy bred cows sold from 90-130p/kg depending on quality.

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

W/E 06/04/13		Northern Ireland	Rep of Ireland	Scotland	Northern England	Midlands & Wales	Southern England	GB
Steers	U3	373.7	364.9	404.9	399.8	401.1	397.6	401.4
	R3	373.3	358.1	396.9	395.7	388.4	389.3	392.7
	R4	369.4	359.5	400.8	398.2	390.3	386.8	395.4
	O3	362.2	344.5	390.3	382.1	375.2	367.1	379.8
	AVG	365.2	-	399.1	392.8	387.3	377.3	390.6
Heifers	U3	382.4	391.8	403.7	400.9	404.4	396.8	402.4
	R3	376.5	379.2	394.1	388.5	388.1	386.0	389.5
	R4	373.3	378.6	398.3	390.6	388.3	384.3	391.3
	O3	363.2	360.6	376.9	380.5	375.5	362.2	374.6
	AVG	369.5	-	396.0	387.4	387.9	371.8	387.4
Young Bulls	U3	363.1	354.3	386.5	380.3	392.0	393.0	389.0
	R3	357.5	348.1	381.7	371.7	378.2	378.6	376.6
	O3	344.1	333.7	362.9	354.8	360.1	368.5	360.1
	AVG	347.0	-	369.7	361.0	366.6	370.3	366.3
Prime Cattle Price Reported		4671	-	6650	5454	4864	3579	20547
Cows	O3	295.9	296.6	311.2	301.1	301.8	279.2	297.7
	O4	298.7	300.4	319.9	304.7	305.6	289.6	304.9
	P2	246.0	255.5	260.6	242.5	257.1	227.4	244.0
	P3	275.3	287.3	282.4	271.4	270.0	246.8	267.7
	AVG	271.2	-	303.6	273.2	281.7	240.6	272.4

Notes: (i) Prices are p/kg Sterling-ROI prices converted at 1 euro=84.80p 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

LATEST LIVEWEIGHT CATTLE MART PRICES NI

W/E 06/04/13	1st QUALITY From	1st QUALITY To	1st QUALITY Average	2nd QUALITY From	2nd QUALITY To	2nd QUALITY Average
Finished Cattle (p/kg)						
Steers	210	242	218	180	209	195
Friesians	-	-	-	-	-	-
Heifers	209	237	218	180	208	194
Beef Cows	152	206	170	120	150	135
Dairy Cows	115	130	121	90	114	102
Store Cattle (p/kg)						
Bullocks up to 400kg	No Sale					
Bullocks 400 - 500kg						
Bullocks over 500kg						
Heifers up to 450kg						
Heifers over 450kg						
Dropped Calves (£/head)						
Continental Bulls	220	390	259	150	218	180
Continental Heifers	200	355	235	120	198	150
Friesian Bulls	85	145	105	40	82	60
Holstein Bulls	45	105	70	1	42	22

HOGGET/LAMB QUOTES

bred cows sold from 90-130p/kg depending on quality.

SHEEP TRADE

REPORTED HOGGET PRICES - P/KG

(P/KG DW)	W/E 23/03/13	W/E 30/03/13	W/E 06/04/13
NI Liveweight	387.7p	382.0p	386.2p
NI Deadweight	440.9p	437.4p	435.6p
ROI Deadweight	432.8p	429.1p	428.0p
GB Deadweight	455.4p	450.4p	454.8p

REPORTED SPRING LAMB PRICES - P/KG

(P/KG DW)	W/E 30/03/13	W/E 06/04/13
NI Liveweight	493.2p	491.9p
NI Deadweight	521.0p	526.4p
GB Deadweight	531.6p	-

Deadweight Sheep Trade

QUOTES from the plants for R3 grading hoggets this week were 440-445p/kg up to 22kg with quotes for spring lambs of 520-530p/kg up to 21kg across the plants. Similar quotes are expected for early next week. The deadweight hogget price in NI last week was back almost 2p/kg to 435.6p/kg while in GB it increased by 4p/kg to 454.8p/kg. The NI spring lamb deadweight price increased by 5p/kg to 526.4p/kg last week.

A total of 4,262 sheep were slaughtered in the NI plants last week with 7,320 head exported to ROI for direct slaughter. This takes the total exports for the year to date to 151,870 head, an almost fifty per cent increase on the same period in 2012 when 102,323 head were exported.

This week's marts

THE number of hoggets passing through many of the marts has started to decline as numbers have started to dry up. Small numbers of spring lambs continuing to appear in some marts. In Saintfield on Tuesday 402 hoggets sold to an average of 390p/kg compared to 604 hoggets last week selling to an average of 392p/kg. In Enniskillen on Wednesday a good trade saw 694 hoggets sold from 387-428p/kg (av 410p/kg). Meanwhile in Markethill a quieter trade saw 480 hoggets sold to an average of 382p/kg compared to 750 last week selling to an average of 391p/kg. A small entry of spring lambs sold to an average of 500p/kg.

HOGGET/LAMB QUOTES

(P/Kg DW)		This Week 08/04/13	Next Week 15/04/13
NI Factories	Hoggets upto 22kg	435-440p	440-445p
	Spring Lambs	520-540p	520-530p

LATEST SHEEP MARTS

From: 06/04/13 To: 11/04/13		Hoggets (P/KG LW)				Spring Lambs (P/KG LW)			
		No.	From	To	Avg	No.	From	To	Avg
Saturday	Hilltown	300	385	438	390	80	520	553	-
	Omagh	448	364	421	-	52	461	545	-
Monday	Massereene	1317	400	434	-	65	500	520	-
Tuesday	Saintfield	402	380	420	390	64	-	-	500
	Rathfriland	541	364	430	391	77	-	-	510
Wednesday	Enniskillen	694	387	428	410	-	-	-	-
	Ballymena	1038	360	453	382	120	410	479	450
	Markethill	480	375	408	382	63	470	528	500

Contact us:

Website: www.lmcni.com

Telephone: 028 9263 3000

Fax: 028 9263 3001

FQAS Helpline: 028 9263 3024

Answerphone: 028 9263 3011

Comments: bulletin@lmcni.com