

INCREASING MARKETS FOR THE FIFTH QUARTER

An increasing demand for meat on a global scale has been driven primarily by economic growth in the emerging economies in recent years. Improving standards of living and increasing levels of disposable income have driven increases in expenditure and meat consumption.

In Asia especially there has been an increasing taste for meat and with a large and growing population the demand is expected to increase in the future. With domestic production limited in many regions by land and water availability, technical production knowledge or climate there is strong potential for exporters to meet the rising demand for meat.

This increasing demand in developing economies has gone against the trend in Europe where demand for meat has been static and in North America where demand has shown some signs of declining. It is also worth noting that in contrast to western diets there is a preference for fifth quarter meat products which are perceived as a delicacy in many Asian regions. For example in Japan beef tongue is a delicacy which Japanese people are prepared to pay for while in China liver, kidney and tail prices were five times higher than the equivalent US price in 2011.

In the meat industry the main cuts of carcasses are

taken from the four quarters that provide prime and processing meat and these have the highest sales value. The fifth quarter represents 45-50 per cent of the total liveweight 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).

Traditionally products from the fifth quarter are considered to be of poorer quality, especially as these are not usually included in the modern diets of the western world where there is a preference for prime cuts. Demand for edible products from the fifth quarter is fairly limited on the domestic market but there are obvious opportunities for processors to increase carcass value by exporting fifth quarter products to the developing world where demand is much higher. Prime cuts are considered bland by some Asian consumers and many Asian dishes use strong tasting fifth quarter products.

A key opportunity for the processors to add value to the carcass is through the identification and establishment of markets for fifth quarter products. The main markets for fifth quarter products are currently China, Russia, the Middle East and North Africa, with smaller markets also in the Caribbean and parts of Southern Europe.

LMC plays a key strategic role in gaining access to 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.

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) with scope to increase this much further if market access issues can be resolved. One key issue is the legacy of stringent EU BSE controls which could be further eased to reflect the reduced risks currently prevailing. The rising demand for fifth quarter products provides an excellent opportunity for the NI and UK beef sectors to add value to the beef industry.

It is however worth noting that while both prices and demand for fifth quarter products are fairly strong at the minute the market is notoriously volatile due to the nature of the trade with developing countries.

The key focus should be on capturing the full value of fifth quarter products and this begins at farm level in the management of flock and herd health and in the slaughter hall where most fifth quarter products are collected, cleaned, selected and

preserved for shipping. Improving processes at this stage can reduce losses and easily increase the value of the fifth quarter. The strong demand for fifth quarter products from Asia in particular and the growing number of uses for the by-products of animal slaughter will help to further strengthen the value of the fifth quarter in the future.

The opportunity to add value to the fifth quarter was demonstrated in the UK where a project commissioned by the Meat and Livestock Commercial Services Ltd (MLCSL) 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, especially in the emerging export markets of the developing world.

A further benefit of increasing the utilisation of the fifth quarter is the potential improvement in the sustainability of current beef and sheep production. Increasing the amount of the animal being utilised increases the efficiency of the production system and reduces the amount of waste material produced. This improved efficiency has the potential to markedly reduce the carbon cost of beef and sheep production and adding to the bottom line of Northern Ireland's red meat sector.

IMPORTS FROM ROI SHOW SEASONAL INCREASE

IMPORTS of prime cattle from ROI for direct slaughter in NI plants totalled 1,001 head last week, the highest recorded level since early October 2012. This is an increase of 413 head on the previous week when 588 head of prime cattle were imported for direct slaughter and represents an increase of 70 per cent week on week.

The latest available census figures for ROI for December 2012 indicated that the total number of cattle in ROI was 6,253,200 head, a 5.5 per cent increase on December 2011 figures. This increase was mainly due to increases in male cattle aged 1-2 years (+ 17 per cent), male cattle under 1 year (+ 9.5 per cent) and female cattle aged 1-2 years (+ 8.4 per cent). A good proportion of these cattle will have already been slaughtered but many will be coming fit for slaughter within the next few months.

This increase in cattle availability in ROI has resulted in an increase in the prime cattle throughput this year. The prime cattle kill in ROI has totalled 715,688 head during 2013 to date, an 8.5 per cent increase on the corresponding period in 2012. Cattle production peaks annually in ROI in the autumn with a large number of prime cattle finishing off grass. This leads to a flush of cattle becoming available for potential export to NI plants for direct slaughter every autumn as indicated in Figure 1.

This increase in imports of cattle from ROI has come at a time when the

processors in NI are reporting a tight supply of prime cattle. While prime cattle throughputs in NI for 2013 to date are running one per cent ahead of the corresponding period last year prime cattle throughput during the last six weeks has been 13 per cent behind the corresponding period in 2012.

In some cases cattle from ROI have been used to maintain throughput with imports from ROI accounting for 18.4 per cent of the total prime kill throughput in NI plants last week compared to 11 per cent the previous week. This increase in the proportion of the kill imported should be viewed in the context of reduced local supplies rather than simply an increase in the number of animals imported. Imports of prime cattle for direct slaughter have risen to similar levels to those recorded in Autumn 2012 with imports for the last six weeks 23 per cent behind the corresponding period last year.

It is however also worth noting that the majority of plants operating in NI have interests in plants in ROI and reports indicate that much of the ROI sourced beef slaughtered in NI will be transported back to ROI for further processing and distribution. Several plants in NI are registered as Bord-Bia assured so all beef animals which have completed the required residency on farms in ROI and slaughtered in these NI facilities can qualify to carry the Bord Bia Quality Assurance Logo and can be marketed as such in ROI.

Store Trade

Imports of cattle from ROI for breeding and further production on NI farms during August 2013 totalled 1,094 head, a 51 per cent decline on the 2,217 head imported during the corresponding month in 2012. This marked drop in the level of imports is due to the reluctance of the major NI processors to handle cattle born in ROI but finished on NI farms (often referred to as NOMADs)

During the period January to August 2013 8,347 store cattle were imported from ROI compared to 13,041 head in the corresponding period in 2012. This represents a 36 per cent drop in the number of cattle being imported year on year. The level of imports each month in 2013 to date has been behind the number imported in the corresponding month in 2012 as indicated in Figure 2.

Beef produced from cattle born in ROI but finished on NI farms can qualify to carry the Northern Ireland Farm Quality Assurance Logo, provided that it has completed the required 90 days residency on a NIBL FQAS farm prior to slaughter. The beef produced does not however qualify to carry the Red Tractor Logo which requires cattle to be UK born and UK finished. This limits the markets available to the processors for beef from these ROI origin cattle animals as a large proportion of beef processed in NI is destined for UK markets which use the Red Tractor Logo and is labelled as British beef.

Figure 1: Imports of cattle from ROI to NI for direct slaughter January 2011 to August 2013

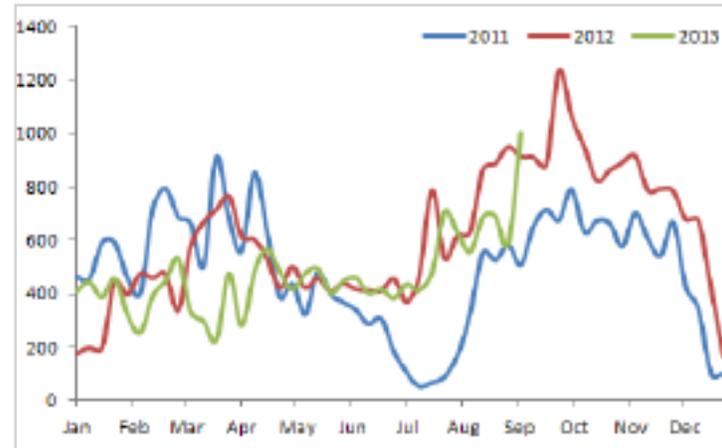
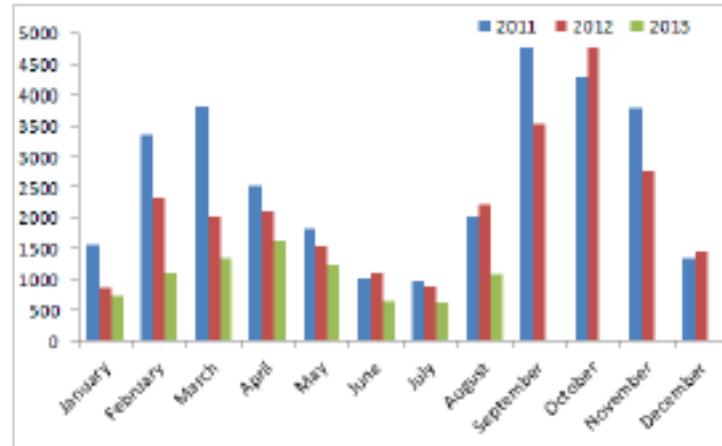


Figure 2: Imports of cattle from ROI to NI for further breeding and production January 2011 to August 2013



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WEEKLY BEEF & LAMB MARKETS



CATTLE TRADE

NI FACTORY QUOTES FOR CATTLE

(P/KG DW)	This Week 09/09/13	Next Week 16/09/13
Prime		
U-3	352-356p	354-360p
R-3	346-350p	348-354p
O+3	340-344p	342-348p
* Plus 8p/kg in spec bonus where applicable		
Cows		
O+3 & better	274-280p	275-285p
Steakers	250-270p	250-270p
Blues	180-185p	180-185p

REPORTED NI CATTLE PRICES - P/KG

W/E 07/09/13	Steers	Heifers	Young Bulls
U-3=	368.2	368.7	351.0
U=3=	364.1	376.9	358.0
U=4=	358.5	379.3	-
R=3=	363.6	367.0	348.8
R=4=	364.4	367.3	-
O+3=	376.2	359.7	334.4
O=3=	347.2	350.5	328.7
Average	356.4	356.4	335.8

REPORTED COW PRICES NI W/E 07/09/13

Grades	Price (p/kg)	Avg Wgt
O+3=	292.8	312.6
O-3+	269.5	295.4
P+2+	248.2	295.5
P+3+	265.2	308.5
P-1-	170.8	219.2

COMMODITY PRICE

W/E 31/08/13	Price (£) per tonne / 1000litre	% weekly change
Barley	160.00	+0.6
Wheat	169.00	+0.6
Soya	20.00	-
Straw	715-725	-

Note: Latest available figures w/e 31/08/2013

Deadweight Cattle Trade

QUOTES from the plants increased this week to 354-360p/kg for U-3 grade prime cattle with the 8p/kg bonus available for steers and heifers that kill out in spec. The quotes for cows ranged from 275-285p/kg across the plants this week.

The plants have reported a tight supply of prime cattle with throughput last week similar to the previous week at 5,429 head. In the corresponding week in 2012 7,367 prime cattle were slaughtered in NI plants, representing a 26 per cent decline in throughput. Cow throughput last week totalled 1,494 head compared to 2,134 in the same week last year, a decline of 30 per cent. Imports of prime cattle from ROI for direct slaughter in NI plants last week totalled 1,001 head, an increase of 413 head on the previous week and the highest level recorded since early October 2012. A total of 296 cows were also imported from ROI for direct slaughter while 189 cows were exported from NI for slaughter in ROI plants. Meanwhile exports of prime cattle for direct slaughter in GB last week were similar to previous weeks at 248 head.

The average steer price in NI last week was 356.4p/kg, an increase of 1.9p/kg on the previous week with the R3 steer price up 1p/kg to 366.0p/kg. The average heifer price was back 1.8p/kg to 356.4p/kg last week while the R3 heifer price was back marginally to 365.4p/kg. Meanwhile the average young bull price increased by 4.1p/kg to 335.8p/kg.

In GB last week average steer and heifer prices were up in the region of 3p/kg to 391.8p/kg and 388.6p/kg respectively with average steer and heifer prices showing an increase across all the regions. The strongest increases were recorded in Southern England where average steer prices were up 6.3p/kg to 373.8p/kg and average heifer prices were up 5.6p/kg to 367.9p/kg. The trade for young bulls showed a marked improvement in GB last week with average prices up 8.3p/kg to 364.6p/kg. The average price in Southern England increased by 13.5p/kg to 362.1p/kg while the average price in Northern England increased by 9.6p/kg to 358.5p/kg.

In ROI last week an increase in throughput resulted in prices coming back by 1-2c/kg for the majority of reported grades. However with a drop in the value of euro against sterling prices were back in the region of 6-7p/kg in sterling terms. The R3 steer price in ROI last week was the equivalent of 341.9p/kg while the R3 heifer price was 350.9p/kg, 24.1p/kg and 14.5p/kg behind NI prices respectively.

This week's marts

FINISHED steers sold to an average of 215p/kg (+3p/kg) for first quality this week with second quality selling to an average of 192p/kg (+5p/kg). Finished heifers sold to an average of 214p/kg (+8p/kg) for first quality and 187p/kg (+4p/kg) for second quality.

The store trade has remained strong with first quality bullocks up to 400kg sold from 215-263p/kg (av 228p/kg) while second quality sold from 160-214p/kg (av 187p/kg). Heifers up to 450kg sold to a top price of 244p/kg with first quality selling to an average of 215p/kg.

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

W/E 07/09/13	Northern Ireland	Rep of Ireland	Scotland	Northern England	Midlands & Wales	Southern England	GB	
Steers	U3	365.4	351.0	410.4	397.5	398.3	392.6	400.4
	R3	366.0	341.9	409.1	395.2	386.1	379.9	393.2
	R4	362.3	342.0	415.2	403.3	387.5	378.3	399.9
	AVG	357.1	326.0	393.5	386.5	367.2	365.5	380.0
Heifers	U3	371.2	363.1	413.0	397.6	398.8	391.0	401.7
	R3	365.4	350.9	404.3	385.0	384.9	376.4	389.2
	R4	361.1	350.0	410.5	396.0	383.1	380.7	394.9
	AVG	356.4	335.4	387.2	379.2	367.1	363.7	375.9
Young Bulls	U3	353.4	342.1	404.0	375.0	383.7	383.1	388.1
	R3	349.4	334.5	393.6	364.9	370.1	371.6	371.3
	O3	325.0	311.2	363.2	345.3	349.3	356.6	351.4
	AVG	335.8	-	383.4	358.5	365.3	362.1	364.6
Prime Cattle Price Reported		3493	-	6418	5854	5320	3981	21573
Cows	O3	275.9	273.0	284.5	276.8	271.3	262.3	275.3
	O4	277.6	273.4	286.0	278.1	278.8	267.7	277.6
	P2	227.0	240.3	219.6	233.4	228.3	218.3	223.9
	P3	251.8	262.3	253.3	256.4	239.3	238.1	249.8
AVG	247.7	-	280.8	254.1	256.1	223.9	252.7	

Notes: (i) Prices are p/kg Sterling-ROI prices converted at 1 euro=84.48p 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 07/09/13	1st QUALITY			2nd QUALITY		
	From	To	Average	From	To	Average
Finished Cattle (p/kg)						
Steers	205	233	215	180	204	192
Friesians	145	166	160	110	143	135
Heifers	205	255	214	170	204	187
Beef Cows	150	223	165	120	149	134
Dairy Cows	100	156	115	80	99	90
Store Cattle (p/kg)						
Bullocks up to 400kg	215	263	228	160	214	187
Bullocks 400kg - 500kg	220	262	230	170	219	195
Bullocks over 500kg	210	230	217	170	209	190
Heifers up to 450kg	205	244	215	160	204	185
Heifers over 450kg	200	229	214	165	199	182
Dropped Calves (£/head)						
Continental Bulls	300	420	355	200	298	250
Continental Heifers	225	385	265	150	220	185
Friesian Bulls	100	168	130	40	98	70
Holstein Bulls	45	95	70	5	42	24

SHEEP TRADE

LAMB QUOTES

(P/Kg DW)	This Week 09/09/13	Next Week 16/09/13
NI Factories	360-370p	360p
ROI Factories	360-370p	360p

REPORTED LAMB PRICES - P/KG

(P/KG DW)	W/E 24/08/13	W/E 31/08/13	W/E 07/09/13
NI Liveweight	338.7p	338.7p	330.5p
NI Deadweight	387.3p	379.6p	372.1p
ROI Deadweight	382.8p	375.2p	362.6p
GB Deadweight	422.0p	410.8p	400.2p

Deadweight Sheep Trade

QUOTES have come under pressure this week as supplies of finished lambs have increased with the plants quoting 360p/kg up to 21kg for R3 grading lambs. A total of 11,543 lambs were processed by NI plants last week, an increase of 1,317 on the previous week. Exports to ROI for direct slaughter also increased last week with 9,834 sheep exported, an increase of 2,133 on the previous week.

The average deadweight price in NI last week was 372.1p/kg, back 7.5p/kg on the previous week. Meanwhile in GB the deadweight price was back 10.6p/kg to 400.2p/kg. This places the differential between GB and NI last week at 28p/kg.

This week's marts

THE trade in the marts this week was generally back on previous weeks with average prices ranging from 320-340p/kg. Good numbers of lambs have been passing through the sale rings with 684 lambs in Saintfield on Tuesday selling from 315-356p/kg compared to 785 lambs last week selling from 335-395p/kg. In Rathfriland this week 1,258 lambs sold from 298-358p/kg (av 326p/kg) compared to 1,231 lambs last week selling from 320-377p/kg (av 342p/kg). In Markethill this week a quieter trade saw 920 lambs sell from 320-342p/kg (av322p/kg). The top reported cull ewe prices ranged from £57-78 across the marts this week.

LATEST SHEEP MARTS

From: 07/09/13 To: 12/09/13		Lambs (P/KG LW)			
		No.	From	To	Avg
Saturday	Omagh	1049	326	391	-
	Donemana	1090	322	364	340
	Hilltown	1200	324	358	332
Monday	Newtownstewart	260	328	343	-
	Massereene	1306	320	352	-
	Kilrea	450	318	324	320
Tuesday	Saintfield	684	315	356	-
	Rathfriland	1258	298	358	326
Wednesday	Ballymena	1509	300	347	313
	Enniskillen	628	318	346	330
	Markethill	920	320	342	322

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

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