

A CLOSER LOOK AT BEEF PRICE TRENDS

BACK in March, the LMC Bulletin took a detailed look at the range in prices paid for cattle in Northern Ireland. It showed that some cattle were attracting significantly higher prices than others of the same grade. This week we will re-examine this issue in more detail and in the context of a weakening trade over the summer. This report specifically examines the prices paid for in-spec R3 steers and heifers and compares these with quotes.

Beef finishers went into 2012 in a strong position with very tight supplies, particularly in the first quarter. Producers with good loads of cattle were able to assert themselves strongly in the market. Figures 1 and 2 show how this was the case even as recently as late June / early July.

In late June factories were quoting 322-328p/kg for U-3 grade prime cattle. That meant that R3 quotes including the 8p/kg in-spec bonus ranged from 324-334p/kg (see Quotes Explained in the box below).

According to quotes therefore, the very most that producers could expect for in-spec R3 steers and heifers was 334p/kg. **In reality much higher prices were paid for many cattle.**

This is illustrated in Figure 1 which shows the proportion of cattle bought at various price intervals relative to quotes. In the last week of June almost 13 per cent of R3 steers and

heifers attracted prices greater than 342p/kg, at least 8p/kg more than top quotes including bonus. About a third of cattle were bought at prices at least 2p/kg higher than top quotes.

Factories reduced quotes over the course of the summer with the top quotes available for in-spec R3 steers and heifers down by 16p/kg from 334p/kg to 318p/kg. This decline is illustrated in Figure 2 which shows the weekly range in quotes and how they have declined. The decline in the average reported price for in-spec R3 steers is also illustrated. By the first week of September, the average in-spec R3 steer and heifer price had fallen to 321p/kg, down nearly 15p/kg from the last week of June.

Stronger prices still available

A seasonal increase in supply has been one factor in the weaker deadweight trade. The steer and heifer kill in the first week of September was 45 per cent higher than in the last week of June. However, it is clear that even in the last six weeks, when the trade was under pressure, a sizeable proportion of cattle continue to be purchased at prices much higher than top quotes.

For example, during August about nine per cent of the kill received prices at least 8p/kg higher than the top quote of 320p/kg. In the first week of September, about 20 per cent of the kill received prices at least 8p/kg higher than the top quote. This

perhaps is a sign of an underlying improvement in the trade.

Despite the current pressure on the trade, this may indicate that there is an underlying firmness in the market. It should also encourage producers to shop around for deals given that some producers are clearly receiving much more than quotes, despite the greater availability of finished cattle on the market at the present time.

Resistance to reduced quotes?

Figure 2 also provides a very good insight into what happens when factories reduce quotes. The factories reduced quotes on several occasions during the summer. For example, the trade weakened sharply in the week ending 8 July when some factories reduced quotes by about 8p/kg.

Figure 2 shows that on several occasions when quotes were reduced the prices paid for cattle remained strong and were significantly higher than those lower quotes. Figure 1 shows that in the first week of July for example, less than 20 per cent of cattle were bought at the new lower quote. There are several explanations for this.

Firstly, it is likely that there were a good number of cattle forward bought at previous weeks' prices and killed in the week of the price decline. This probably explains a large part of the difference between quotes and prices in those particular weeks. However, it

is also possible that there was some resistance to the price decline which may have meant that some producers continued to negotiate higher prices for their stock.

Causes of wide price range

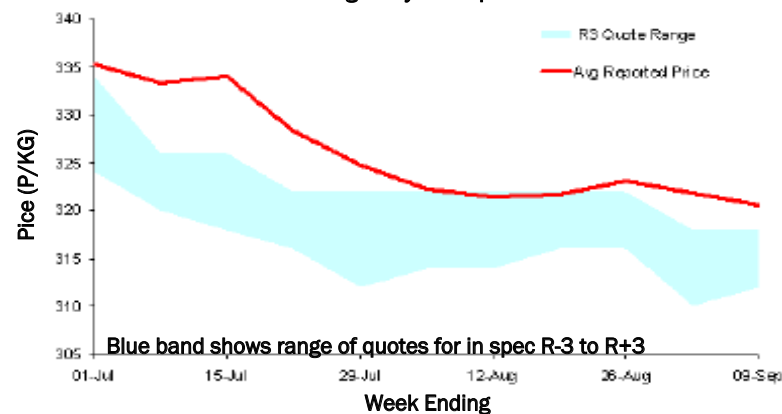
The range of prices paid for R3 steers and heifers over the summer was wide and this is illustrated in Figure 1. This may be driven by a range of factors. Higher prices paid by some factories relative to others may explain some of the difference. There were times during the summer when some factories were quoting as much as 6p/kg less than others. Another issue may be higher prices paid to individual producers with greater numbers of in-spec cattle and therefore more leverage to negotiate higher prices in the market. It is also a fact that heifer

prices have been substantially higher than steer prices for much of 2012, despite the fact that factories rarely quote more than 2p/kg extra for heifers compared to steers.

Quotes: The first offer in negotiation - even in a tough market

The analysis of prices paid versus quotes clearly shows that there is strong potential for producers to earn higher returns for their cattle than the prices quoted by factories. While the trade has weakened significantly since early July, it is clear that some cattle are still attracting prices that are very strong relative to quotes, despite the weaker market. The best advice to producers remains to shop around for the best deals, because even in a tough market, stronger prices are often available.

Figure 2. Quotes and reported average prices for in-spec R3 grade steers and heifers in NI, (Excl Angus, Hereford & Organic) Week Ending 1 July - 9 September 2012



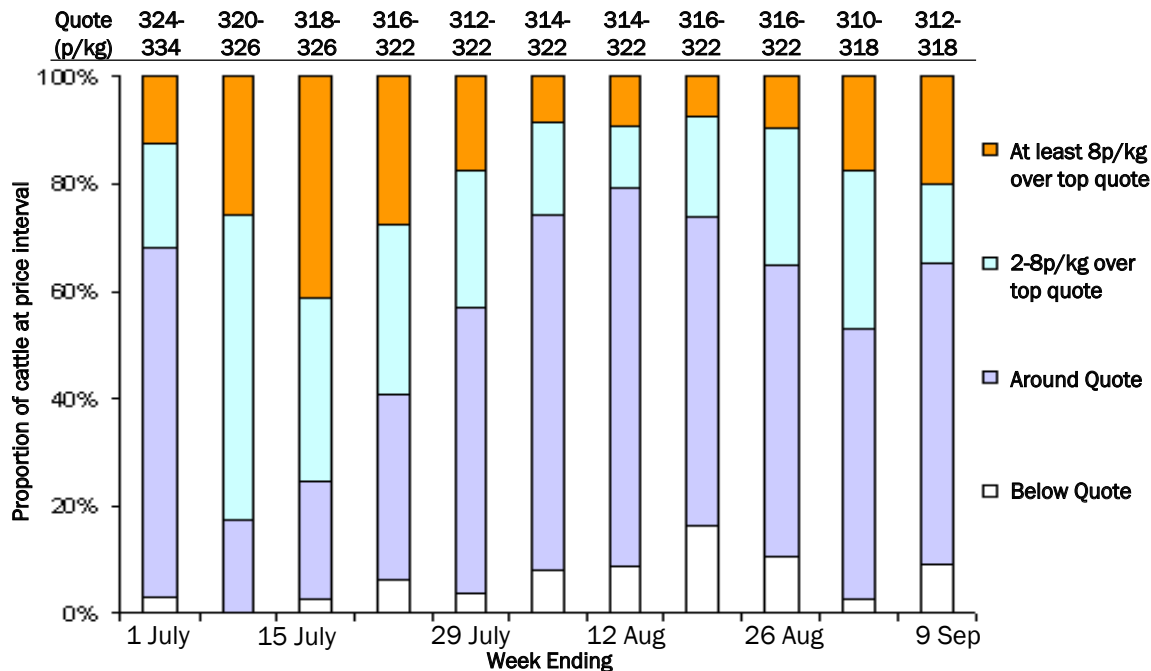
Figures 1 & 2 Explained

Figures 1 & 2 outline the price paid for all in-spec R3 steer and heifers relative to quotes over the 11 weeks ending 9 September in Northern Ireland. It only shows prices for in-spec cattle and excludes Angus, Hereford and Organic.

In Figure 1, the quote for each week is illustrated at the top of each bar. Each bar represents the range of prices paid for all in-spec R3 cattle in each of those weeks. The purple bar represents the proportion of cattle purchased at or around the quoted price. The blue bar represents the proportion of cattle purchased at prices 2 - 8p/kg higher than TOP quotes. The orange bar represents the proportion of cattle purchased at a price at least 8p/kg more than the TOP quote.

For example, in the last week of June, the top quote for in-spec R+3 steers and heifers was 334p/kg. About 13 per cent of in-spec R3 steers and heifers attracted at least 8p more than this. In the same week, Around 65 per cent of cattle were bought at or around the quote.

Figure 1. Quotes and reported average prices for in-spec R3 grade steers and heifers in NI, (Excl Angus, Hereford & Organic): Proportion of cattle purchased at four different price intervals relative to factory quotes + bonuses
Week Ending 1 July - Week Ending 9 September



Quotes Explained

This article focuses on the price range for in-spec R3 steer and heifers. It is important to clarify the range of quotes available for R3 cattle. Factories are currently quoting 310-312p/kg for U-3 grade steers and heifers. This means that R3 steer and heifer quotes currently range between 304p/kg (for R-3) and 310p/kg (for R+3).

This analysis refers only to in-spec cattle which attract an 8p/kg bonus. Therefore, quotes for these R3 cattle effectively range from 312-318p/kg. Angus, Hereford and organic cattle which attract further bonuses are excluded from the analysis.



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WEEKLY BEEF & LAMB MARKETS



CATTLE TRADE

NI FACTORY QUOTES FOR CATTLE

| (P/KG DW) | This Week 17/09/12 | Next Week 24/09/12 |
|---|-----------------------|-----------------------|
| Prime | | |
| U-3 | 310-312p | 310-312p |
| R-3 | 304-306p | 304-306p |
| O+3 | 298-300p | 298-300p |
| * Plus 8p/kg in spec bonus where applicable | | |
| Cows | | |
| O+3 & better | 260-275p | 260-275p |
| Steakers | 180-245p | 180-245p |
| Blues | 160-180p | 160-180p |

REPORTED NI CATTLE PRICES - P/KG

| W/E 15/09/12 | Steers | Heifers | Young Bulls |
|--------------|--------|---------|-------------|
| U-3= | 321.4 | 325.1 | 311.1 |
| U=3= | 321.0 | 327.8 | 313.3 |
| U=4= | 307.0 | 319.4 | - |
| R=3= | 316.3 | 317.8 | 308.3 |
| R=4= | 314.8 | 314.0 | 303.1 |
| O=3= | 302.9 | 300.2 | 294.1 |
| O+3= | 309.4 | 313.2 | 301.6 |
| Average | 306.6 | 310.1 | 300.4 |

REPORTED COW PRICES NI W/E 15/09/12

| Grades | Price (p/kg) | Avg Wgt |
|--------|--------------|---------|
| O+3= | 274.1 | 333.4 |
| O-3+ | 254.2 | 307.6 |
| P+2+ | 242.1 | 293.1 |
| P+3+ | 251.4 | 315.9 |
| P-1- | 173.1 | 222.4 |

COMMODITIES

COMMODITY PRICE

| W/E 22/09/12 | Price (£) per tonne / 1000litre | % weekly change |
|--------------|------------------------------------|--------------------|
| Barley | 202.50 | +1.0% |
| Wheat | 219.00 | +1.6% |
| Soya | 487.50 | -1.8% |
| Straw | 15.17 | - |
| Red Diesel | 715-760 | - |

Deadweight Cattle Trade

BASE quotes from the plants this week remained in the range of 310-312p/kg. The majority of factories are quoting 310p/kg for steers and 312p/kg for heifers with the plants reporting a fairly constant supply of prime cattle this week. Quotes for cows continue to be in the range of 260-275p/kg with some plants reporting an increase in availability.

The average steer price in NI last week was 306.6p/kg, down 1.2p/kg while the average heifer price was 310.1p/kg, down 3.7p/kg on the previous week. In the same week last year average steer and heifer prices were 302.5p/kg and 306.2p/kg respectively. Despite the plants reporting good supplies of cattle last week's prime cattle kill was back almost 550 head on the previous week. The steer kill showed a marked decline, down 484 head week on week (-19 per cent). The heifer kill meanwhile was back 131 head (4 per cent) on the previous week. Imports of prime cattle from ROI for direct slaughter have remained constant at just over 900 head. Meanwhile 340 head of cattle were exported to GB for direct slaughter last week, the highest level since early in July.

Steer prices in GB last week were steady at 342.2p/kg while heifer prices were up slightly to 344.4p/kg. In Scotland average steer prices came back 1.3p/kg to 358.2p/kg while heifer prices increased by the same margin to 356.9p/kg. There was a similar trend in Northern England where steer prices were back 2.4p/kg and heifer prices increased by 1.5p/kg. Steer prices in Southern England increased by 3.7p/kg to 318.0p/kg while heifer prices increased by almost 1p/kg to 330.7p/kg. The current differential between NI and Southern England is 11.4p/kg for steers and 20.6p/kg for heifers and this differential widens further as you move north.

Prices improved in ROI last week with R3 steer prices up 4.6p/kg to 300.8p/kg while heifer prices increased by 7.2p/kg to 312.5p/kg. These increases in sterling terms were a result of rising beef prices in ROI combined with an improvement in the value of the euro.

This week's marts

TRADE for finished prime cattle through the marts this week showed a slight improvement on last week. First quality steer prices increased by 5p/kg to 191p/kg while second quality steers were up by the same margin to 178p/kg. Finished heifer prices were up in the region of 5-10p/kg.

In general prices for lighter store bullocks were back on last week with the average price for good quality 400kg bullocks back 7p/kg to 192p/kg. Second quality bullocks were back on average 11p/kg. Store bullocks over 500kg were a similar trade to last at 185p/kg while second quality animals were back 10p/kg to 162p/kg. Good quality heifers over 450kg sold in the region of 170-211p/kg (av 185p/kg) compared to 170-181p/kg (av 175p/kg) last week. Plainer type heifers in this range had a similar trade, selling to an average of 158p/kg compared to 162p/kg the previous week.

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

| W/E 15/09/2012 | Northern Ireland | Rep of Ireland | Scotland | Northern England | Midlands & Wales | Southern England | GB |
|--------------------------------|---------------------|-------------------|----------|---------------------|---------------------|---------------------|-------|
| Steers | U3 | 321.2 | 310.5 | 365.9 | 351.9 | 352.8 | 345.8 |
| | R3 | 317.2 | 300.8 | 359.6 | 348.2 | 343.6 | 340.5 |
| | R4 | 314.2 | 300.4 | 361.5 | 354.4 | 342.0 | 340.1 |
| | O3 | 304.0 | 286.3 | 349.4 | 332.6 | 326.9 | 315.7 |
| AVG | 306.6 | - | 358.2 | 346.8 | 336.8 | 318.0 | 342.2 |
| Heifers | U3 | 324.2 | 323.0 | 363.8 | 353.9 | 351.3 | 350.2 |
| | R3 | 320.6 | 312.5 | 356.8 | 343.3 | 341.6 | 335.6 |
| | R4 | 319.8 | 311.5 | 360.4 | 345.5 | 342.4 | 336.4 |
| | O3 | 307.4 | 296.0 | 343.3 | 337.0 | 332.0 | 323.2 |
| AVG | 310.1 | - | 356.9 | 343.4 | 339.9 | 330.7 | 344.4 |
| Young Bulls | U3 | 312.6 | 310.7 | 354.8 | 343.6 | 345.8 | 347.5 |
| | R3 | 307.9 | 302.6 | 347.3 | 333.6 | 331.3 | 327.6 |
| | O3 | 293.6 | 287.6 | 329.5 | 314.1 | 313.6 | 315.7 |
| | AVG | 300.4 | - | 340.5 | 328.6 | 328.8 | 320.9 |
| Prime Cattle Price Reported | 4980 | - | 6730 | 6224 | 4525 | 4130 | 21609 |
| Cows | O3 | 262.9 | 252.2 | 283.6 | 276.2 | 277.5 | 263.6 |
| | O4 | 266.7 | 255.5 | 288.4 | 277.9 | 278.0 | 267.5 |
| | P2 | 229.5 | 226.9 | 227.0 | 232.0 | 238.1 | 223.5 |
| | P3 | 248.7 | 248.0 | 252.1 | 252.3 | 246.6 | 243.9 |
| AVG | 231.9 | - | 272.5 | 254.3 | 251.4 | 222.3 | 249.9 |

Notes: (i) Prices are p/kg Sterling-ROI prices converted at 1 euro=80.16p Stg
(ii) Shading indicates a lower price than the previous week.

LATEST CATTLE MART PRICES NI (P/KG LW)

| W/E 15/09/12 | 1st QUALITY | | | 2nd QUALITY | | |
|--------------------------------|-------------|-----|---------|-------------|-----|---------|
| | From | To | Average | From | To | Average |
| Finished Cattle (p/kg) | | | | | | |
| Steers | 187 | 203 | 191 | 170 | 186 | 178 |
| Friesians | 145 | 173 | 150 | 124 | 144 | 134 |
| Heifers | 175 | 200 | 183 | 160 | 174 | 167 |
| Beef Cows | 148 | 184 | 160 | 115 | 147 | 131 |
| Dairy Cows | 113 | 134 | 122 | 90 | 112 | 101 |
| Store Cattle (p/kg) | | | | | | |
| Bullocks up to 400kg | 184 | 212 | 192 | 160 | 183 | 172 |
| Bullocks 400kg - 500kg | 182 | 218 | 192 | 160 | 181 | 170 |
| Bullocks over 500kg | 175 | 197 | 185 | 150 | 174 | 162 |
| Heifers up to 450kg | 180 | 208 | 190 | 150 | 178 | 164 |
| Heifers over 450kg | 170 | 211 | 185 | 145 | 169 | 158 |
| Dropped Calves (£/head) | | | | | | |
| Continental Bulls | 240 | 340 | 275 | 180 | 238 | 205 |
| Continental Heifers | 200 | 300 | 240 | 120 | 198 | 160 |
| Friesian Bulls | 120 | 205 | 150 | 70 | 118 | 95 |
| Holstein Bulls | 70 | 140 | 105 | 1 | 68 | 35 |

SHEEP TRADE

LAMB QUOTES

| (P/Kg DW) | This Week 17/09/12 | Next Week 24/09/12 |
|---------------|-----------------------|-----------------------|
| NI Factories | 350-355p | No Quote |
| ROI Factories | 361p | 361p |

Notes: (i) Lambs up to 21kg
(ii) ROI prices converted at 1 euro=80.16p Stg

REPORTED LAMB PRICES - P/KG

| (P/KG DW) | W/E 01/09/12 | W/E 08/09/12 | W/E 15/09/12 |
|----------------|-----------------|-----------------|-----------------|
| NI Liveweight | 320.4p | 306.6p | 307.9p |
| NI Deadweight | 365.6p | 347.6p | 345.6p |
| ROI Deadweight | 357.5p | 355.1p | 351.9p |
| GB Deadweight | 416.8p | 413.7p | 403.3p |

Deadweight Sheep Trade

QUOTES from the plants this week were 350p/kg for R3 grading lambs. None of the plants are quoting for next week until Monday. The lamb kill last week was 10,374 head, down almost seven per cent from the 11,121 killed the previous week. Last week the NI Deadweight price came back 2p/kg to 345.6p/kg while in GB the deadweight price was back 10.4p/kg to 403.3p/kg. The differential in price between NI and GB for a 21kg lamb is currently just over £12. Exports of lambs to ROI for direct slaughter totalled 11,019 head last week, back just over 300 head on the previous week. Quotes from ROI factories for NI lambs this week were 450c/kg (361p/kg).

This week's marts

TRADER was generally quieter across the marts this week with several marts reporting an abundance of heavy lambs outside current factory specifications that are pulling down average sale prices. In Saintfield on Tuesday 742 lambs sold from 300-325p/kg (av 310p/kg) compared to 602 lambs last week selling from 310-336p/kg (av 321). In Armoy 436 lambs sold to an average of 312p/kg compared to 376 lambs last week selling to an average of 321p/kg. In Ballymena on Wednesday 1710 lambs sold to an average of 293p/kg compared to 1344 lambs last week selling to 304p/kg. A similar trade in Newtown Stewart on Wednesday saw 702 lambs sell to an average of 296p/kg. The trade for well finished cull ewes remains fairly strong with demand for plainer grazing type ewes coming under pressure.

LATEST SHEEP MARTS

| From: 15/09/2012 To: 20/09/2012 | | Lambs (P/KG LW) | | | |
|------------------------------------|-----------------|-----------------|------|-----|---------|
| | | No. | From | To | Average |
| Saturday | Omagh | 1238 | 304 | 373 | - |
| Monday | Kilrea | 450 | 300 | 316 | 310 |
| | Massereene | 1406 | 300 | 330 | - |
| Tuesday | Saintfield | 742 | 300 | 325 | 310 |
| | Armoy | 436 | 295 | 331 | 312 |
| | Rathfriland | 1101 | 285 | 319 | 303 |
| Wednesday | Ballymena | 1710 | 290 | 360 | 293 |
| | Markethill | 700 | 300 | 327 | 308 |
| | Newtown Stewart | 702 | 292 | 310 | 296 |

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