

## Inside this Quarter

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- New opportunities in Russia for NI industry

### Information Point

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## GROCERY CODE ADJUDICATOR TO ADDRESS LMC RED MEAT PROSPECTS CONFERENCE

LMC is pleased to announce that it will welcome the new Grocery Code Adjudicator, Christine Tacon to the NI Red Meat Prospects Conference in Greenmount College on 20 March 2013.

Ms Tacon and Peter Mitchell, Purchasing Manager at OSI Food Solutions will provide the keynote speeches at the conference on a theme of: **Progress through Partnership**. Delegates will also be briefed on the prospects for the trade in 2013 and speakers will discuss the importance of building alliances and partnerships through the supply chain.

The ability of the industry to

deliver on its undoubted potential has been explored in 2012/13 by NI Agri-Food Strategy Board and it is recognised that good supply chain partnerships, alliances and relationships will be key factors in the success of the red meat sector.

In any supply chain, negotiation, competition, fairness and trust are integral elements to successful commercial relationships. With a tough production and economic environment, relationships have been tested over the last year. In the context of this natural tension, the challenge is to maintain partnerships and build alliances that will serve to create a stronger and more

profitable industry for all.

This year the LMC Red Meat Prospects Conference explores themes around the development of partnerships and communication throughout the supply chain and examines the general prospects for the trade in 2013. LMC welcomes producers, processors and other stakeholders to Greenmount on 20 March 2013 to attend what promises to be a very informative event.

The conference will run from 9:30am - 4pm on 20 March. Booking is free. Spaces are limited and anyone who would like to book a seat should contact LMC immediately.

**Further details inside.**

## Red Meat Prospects Conference

Greenmount: 20 March 2013

Book your Free Seat Now - Further Details Inside

## NEW OPPORTUNITIES IN RUSSIA FOR NI RED MEAT INDUSTRY

IN November 2012, it was announced that the UK and Russian governments had reached a deal allowing exports of red meat from the UK to Russia. A ban on UK imports had been in place in Russia since 1996 following the outbreak of BSE.

This deal followed a long period of groundwork by the UK Export Certification Partnership (part-funded by LMC) which works in conjunction with industry and government to help develop export certificates for these crucial third country markets. The UKECP facilitated a Russian inspection of GB and

NI farms and factories in February 2012 as part of the process of developing access to the Russian market.

With access to the Russian market now secured, it is over to the Northern Ireland industry to capitalise on the opportunities available in Russia. In early February, NI red meat processors, supported by InvestNI, participated in a trade mission to Russia in an effort to identify and capitalise on opportunities there.

LMC has recently taken delivery of a specially commissioned report on Meat

Market Opportunities in Russia. This comprehensive report is available to industry stakeholders and provides very practical information for those marketers and salespeople attempting to develop routes into the Russian market. It also provides information on trends and the performance of the Russian market.

A flavour of this information is provided in this issue of LMC Quarterly to give readers some insight into opportunities that exist in Russia and the potential impact on the local trade.

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# RED MEAT PROSPECTS CONFERENCE

## GROCERY CODE ADJUDICATOR TO DELIVER KEYNOTE ADDRESS

THE keynote address at the 2013 Red Meat Prospects Conference will be given by Christine Tacon, the newly appointed Grocery Code Adjudicator.



Christine Tacon, Grocery Code Adjudicator

LMC is delighted to invite Ms Tacon to Northern Ireland to brief delegates on her plans to develop this new office.

With incomes from farming under significant pressure in the last year and intensive debate around fairness in the supply chain, many commentators have expressed high hopes in the new Grocery Code legislation to iron out inequalities in food supply chains. Having been appointed in late January, Ms Tacon will brief delegates on

her plans to develop the role and outline details of her powers under the legislation.

Ms Tacon has a wealth of experience in the food sector, most recently as Managing Director of Co-operative Farms where she integrated the Co-operative Group's 50,000 acre farm into the £8bn food retailing business.

Her record in transforming the Co-operative Farm business from making a £6m loss in 2000 to a £6m profit is

impressive and these figures will certainly resonate with NI industry.

With her substantial experience in the supply chain, from farming, through to processing and retailing, Ms Tacon is ideally placed to comment on how we can attempt to build better supply chain relationships and improve profitability through alliances with customers and suppliers.

## Red Meat Prospects Conference: Greenmount: 20 March 2013 Progress Through Partnership

### Free Booking

Conference booking is **FREE** and includes lunch and refreshments. The deadline for bookings is 15 March. We are taking bookings on a first-come / first-served basis.

Register now to avoid disappointment.

### Book by Phone / Email

Reserve your seat by email or phone. Tell us your name, address, the number of seats you require and any special dietary requirements.

Email: [conference@lmcni.com](mailto:conference@lmcni.com)  
Phone: 028 9263 3000.

### 2012 Conference

Reports and presentations from last year's conference are available on the LMC website:

<http://www.lmcni.com>  
Click Market Information then Conference 2012 for details.



#### Richard Wright: Agricultural Editor, BBC Northern Ireland Conference Chair

Richard, an Economics graduate from Queen's University Belfast, has been an agricultural journalist for almost 30 years. As the BBC Northern Ireland agricultural correspondent he provides excellent service to the industry through his daily Farmgate reports on Radio Ulster. He has an excellent reputation as a commentator and writes regular columns on EU farm policy for a range of publications.



#### Angela McGowan: Chief Economist, Danske Bank 2013 - Emergence from Economic Stagnation?

Danske Bank is at the forefront of agricultural lending in NI and Angela provides analysis and commentary on local and global economic developments, in particular those elements of economic performance which impact the Bank's personal and business portfolios. Angela will brief delegates on economic trends that will contribute to the success of the sector in the coming year.



#### Aodhan O'Donnell, Director of Policy, Consumer Council for Northern Ireland Rising Food Prices: The Consumer Response

The Consumer Council recently undertook its own investigation into the impact rising food prices are having on NI consumers. The "Hard to Stomach" report presents a challenge to those that maintain that consumers are not paying enough for food. Aodhan will brief delegates on the research findings which shed light on the behaviour and attitudes of NI consumers, a key market for NI beef and lamb.



#### Peter Mitchell, Purchasing Manager, OSI Food Solutions Building Secure Supply Chains

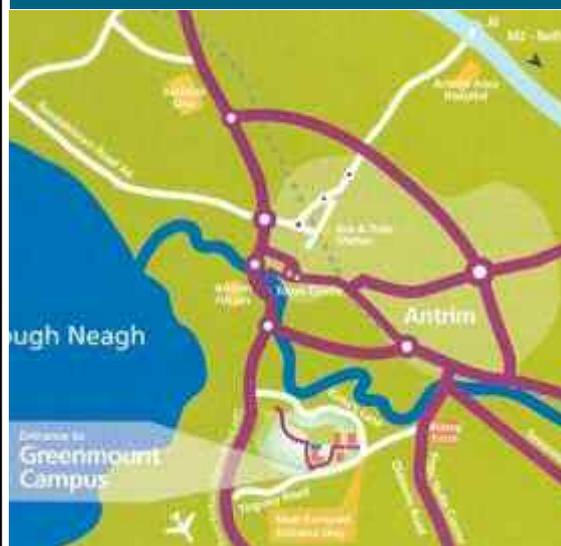
OSI Food Solutions employs 10,000 staff, in 42 locations in 18 countries and is McDonald's premier food provider. Peter is responsible for the procurement of the equivalent of 7,500 cattle per week for OSI's UK operation, with over 12 per cent of their beef coming from NI. As a further processor, Peter will brief delegates on how OSI builds mutually beneficial partnerships with suppliers.

# EVENT PROGRAMME AND SPEAKERS

## 20 MARCH 2013: CONFERENCE ITINERARY

Introduction	
09:15 - 09:45	Registration, Tea / Coffee / Biscuits
09:45 - 10:00	Conference Introduction, Welcome, Housekeeping
Morning Session	
10:00 - 10:20	<b>Angela McGowan: Chief Economist, Danske Bank</b> 2013 - Emergence from Economic Stagnation?
10:20 - 10:40	<b>Aodhan O'Donnell, Director of Policy, Consumer Council for NI</b> Rising Food Prices: The Consumer Response
10:40 - 11:15	<b>Peter Mitchell, Purchasing Manager, OSI Food Solutions</b> Building Secure Supply Chains
11:15 - 11:45 Mid-Morning Break - Tea / Coffee / Scones	
11:45 - 12:20	<b>Christine Tacon, Grocery Code Adjudicator (GCA)</b> Good Supply Chain Practice and the Role of the GCA
12:20 - 12:45	<b>Andrew Taylor, Veterinary Director, UK Export Certification Ltd</b> Developing Access to Emerging Markets
12:50 - 13:15 Panel Discussion	
13:15 - 14:15 Lunch	
Afternoon Session	
14:15 - 15:45	<b>UK and Irish Regional Supply and Trade Forecasts</b> Stuart Ashworth, Head of Economic Services, QMS Joe Burke, Beef Sector Manager, Bord Bia Conall Donnelly, Economist, LMC

## CONFERENCE LOCATION



Greenmount College is located close to Antrim Town and is easily accessible from the M1 and M2 motorways and Belfast City and International Airports.

Greenmount Campus,  
45 Tirgracy Road,  
Antrim, Co. Antrim,  
BT41 4PS



### **Andrew Taylor, Veterinary Director of UK Export Certification Limited** **Developing Access to Emerging Markets**

The UKECP is a UK government / industry partnership which works to establish third country export market access and develop health certificates for the export of UK livestock and livestock products. Andrew has been at the forefront of recent successes in gaining UK access to key markets such as the Russian beef and lamb market.



### **Stuart Ashworth, Head of Economic Services, Quality Meat Scotland (QMS)** **GB Cattle and Sheep Supply Prospects**

Stuart joined QMS in 2003 and his team has responsibility for monitoring and reporting on the business environment facing the red meat sector in Scotland from market supply, demand and price trends through enterprise profitability measures and the machinations of trade flows to the impact of national, EU and global agricultural, environmental, economic and trade policies on the Scottish industry.



### **Joe Burke, Beef Sector Manager, Bord Bia / Irish Food Board** **Beef and Lamb Trade Prospects in ROI**

Joe is the Beef Sector Manager with Bord Bia, the Irish Food Board. He grew up on a beef finishing farm in Co. Limerick and graduated from Agricultural Science in University College Dublin. Joe previously worked in management in the meat industry and also spent a few years working as a beef nutrition advisor.



### **Conall Donnelly, Economist, Livestock and Meat Commission, NI** **NI Beef and Lamb Trade Prospects**

Conall takes responsibility for analysis of the NI red meat market and is editor of the LMC Bulletin and regularly briefs industry on a range of market issues. Conall will brief delegates on the supply situation in NI and will give a detailed examination of farmgate beef price trends in the local market.

# NEW OPPORTUNITIES IN RUSSIA FOR NI RED MEAT INDUSTRY

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## Strong potential in the Russian Meat Market

Since the emergence of economic recession, the BRIC countries (Brazil, Russia, India, China) have been widely lauded for strong economic growth in the midst of the global downturn. Much of the economic growth in Russia has been a result of exportation of their rich reserves of oil and gas. As long as the European economy (and elsewhere) needs growing volumes of gas and oil Russia will enjoy positive economic growth and this in turn will drive rising meat consumption in the region.

The Russians have defined food security as a major political objective and the goal is to reach 85 per-cent self-sufficiency in meat by 2015. While this objective is not particularly realistic, the poultry and pork sectors have experienced significant growth in recent years as the Russian government is strongly supportive of domestic meat production growth. However, there is no short-term recovery in beef production forecast.

## Beef consumption to rise

In Russia, poultry is the dominant meat product in terms of consumption. Because of constrained availability and high prices, beef consumption has been under pressure, edging back slightly since the middle of the last decade.

In spite of relatively high prices at the present time, it is forecast that beef demand will recover in Russia in the coming years. This is expected to be driven to some extent by the rise of the middle classes. The US and Australia have capitalised to some extent on that more affluent market by exporting greater volumes of high quality product into

Russia.

In 2012, per capita beef consumption in Russia was estimated to be 17.9kg. This is expected to rise to 19.1kg by 2020. In terms of total beef consumption growth between 2012 and 2020, this is an increase of almost five per cent.

## Dependence on beef imports

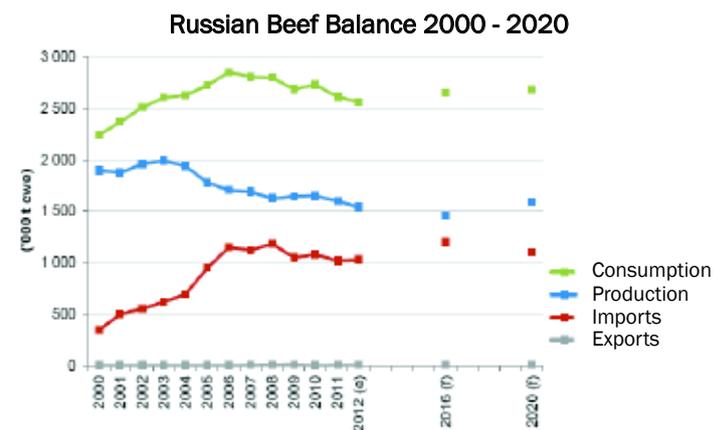
Beef production in Russia, is typically a by-product of the dairy industry. The dairy sector has been increasing productivity in recent years, but this has been achieved through improved efficiency with no increase in herd numbers. Because of stability in the dairy herd, coupled with an under-developed suckler-beef sector, there is a chronic shortage of beef in Russia, with significant dependence on imports.

Russia accounts for approximately 14 per cent of world beef imports and between 2000 and 2011, Russian beef imports have risen by 191 per cent. That is almost a three-fold increase. Sheepmeat imports have risen to a similar degree. Beef is the only species where import volumes will continue to rise until 2016, after which they are forecast to decline.

Russia is currently importing large volumes of manufacturing beef for use in further processed products and it is expected that global beef imports will continue to significantly exceed the Tariff Rate Quota.

## Brazil remains a key supplier

The trading landscape in Russia has changed significantly since 2005 when beef imports were dominated by Argentine and Brazilian suppliers. With domestic beef production in Argentina curtailed in recent years due to some very unhelpful



economic policies, gaps of sales, but the retail landscape is changing fast.

appeared in the Russian market. This was compounded by an ongoing decline in Russian beef self-sufficiency.

These opportunities were capitalised on by Uruguay, Paraguay, the USA, EU and Australia, all of whom increased exports to an increasingly attractive Russian market. Brazil remains the key supplier into the Russian market.

Russia will continue to import high levels of red meat because of the persistent shortages in domestic beef supply and because this market is particularly attractive to quota holders.

Furthermore, Russian costs are higher, productivity levels are lower and the disease situation is a problem creating an ongoing threat for the sector.

## Distribution channels

Entrants to the Russian market will be dealing with an increasingly sophisticated retail market. The retail environment is changing rapidly, with a movement towards modern retailing and away from traditional shops and open markets. In 2003, modern retail represented just eight per cent of meat sales. In 2012, this had increased to 29 per cent. Open markets and traditional shops still account for about 60 per cent

Russian retail groups have experienced significant growth over the last decade through organic expansion (new store openings). However, it is a highly fragmented sector with the top 11 retailers having no more than 18 per cent of the total modern retail food market. The leading groups are Russian, with the notable exception of Metro Group (German) and Auchan (French).

The foodservice market is also developing. In 2011, catering sales accounted for nine per cent of retail food sales in Russia, with commercial catering the fastest growing segment. Fast food is another dynamic market, contributing 45 per cent to the growth of the catering market in 2011. McDonalds dominates the sector which promises to yield future strong growth and development into the regions.

## Opportunities

Shortages in domestic supplies, robust consumption patterns and increasingly developed distribution channels mean that there are significant opportunities for exporters into the Russian beef market. Russian prices are attractive by international standards and access to this huge market creates new marketing options for the NI red meat industry over the course of the coming years.