LMC BULLETIN

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EURO/STERLING EXCHANGE RATE INFLUENCES LAMB TRADE

DEADWEIGHT lamb prices in NI have steadied in recent weeks with the major NI processors quoting in the region of 305-310p/kg for R3 grade lambs up to 21kg this week.

However while the market has steadied deadweight prices are significantly lower than year earlier levels as indicated in Figure 1. The R3 lamb price in NI last week was 309.9p/kg compared to 349.4p/kg in the corresponding week last year. This 39.5p/kg decline in the R3 lamb price accounts for a £8.29 decline in the value of a 21kg R3 grade lamb carcase year on year.

A combination of factors have put downward pressure on the deadweight lamb trade in NI with prices gradually declining since Easter. With a large proportion of NI lamb exported to the EU there is a strong relationship between the deadweight lamb trade and the value of the euro against sterling.

The value of the euro against sterling during 2015 to date has been significantly lower than the corresponding period in 2014. The average exchange rate for 2015 to date has been €1=72.8p compared to €1=81.6p in the corresponding period in 2014. This accounts for an 11 per cent decline year on year and this has put downward pressure on the deadweight lamb trade in NI.

However while there has been a notable decline in the value of lambs in NI in sterling terms during 2015 the decline is much less significant if we convert NI lamb prices into euros. In euro terms the R3 lamb price in NI during the four weeks ending 15 August 2015 was 431.2c/kg compared to 442.8c/kg in the same period in 2014. This accounts for an 11.6c/kg decline year on year. The value of R3 grade lambs/hoggets in NI expressed in euro terms for the period January 2014 to August 2015 is outlined in Figure 2.

Figure 2 helps to highlight the influence that the euro sterling exchange rate has on the deadweight lamb trade in NI but there are also other factors that influence the deadweight lamb trade that need to be considered.

Consumer demand for lamb has been weak in the EU during 2015 to date in response to the continuing economic crisis. Reports have indicated that in France retail purchases of lamb during the first five months of 2015 were 10 per cent lower than year earlier levels. There has also been weaker demand for lamb on the UK domestic market with the latest Kantar data for the 12 weeks ending 19 July 2015 indicating an eight per cent decline in retail volume sales when compared to the same period in 2014. There was also increased availability of New Zealand lamb on UK retail shelves this year which put pressure on local deadweight prices.

To coincide with weaker demand for NI lamb from EU and domestic markets there has been an increase in lamb production in both GB and ROI which will increase competition in accessing key markets in the EU. Lamb/hogget throughput by GB processors is 3.8 per cent higher than year earlier levels during 2015 to date while throughput in ROI, the UK's biggest competitor on the EU market, is running 1.2 per cent higher.

The latest available export data from HMRC for the period January-June 2015 indicated that 94 per cent of UK mutton and lamb exports were destined for EU markets with a total of 35,146 tonnes exported during the first six months of 2015. This was a seven per cent reduction from year earlier levels. France continues to be the biggest market in the EU for UK lamb with 19,716 tonnes exported during the first half of 2015 and accounting for 56 per cent of total UK exports to the EU. There has also been a decline in the volume of UK lamb being exported to Belgium, Italy and the Netherlands during the first half of 2015 while the volume of exports to Germany and Ireland have grown by 8.4 per cent and 9.3 per cent respectively.

Meanwhile there have also been declines in the volume of lamb being exported from the UK to non EU markets during 2015 to date. According to the latest HMRC data exports to non EU countries totalled 2,247 tonnes during the first half of 2015 compared to 10,643 tonnes in the same period in 2014. This decline was driven primarily by the decline in exports to Hong Kong from 8,021 tonnes in the 2014 period to 1,261 in the 2015 period.

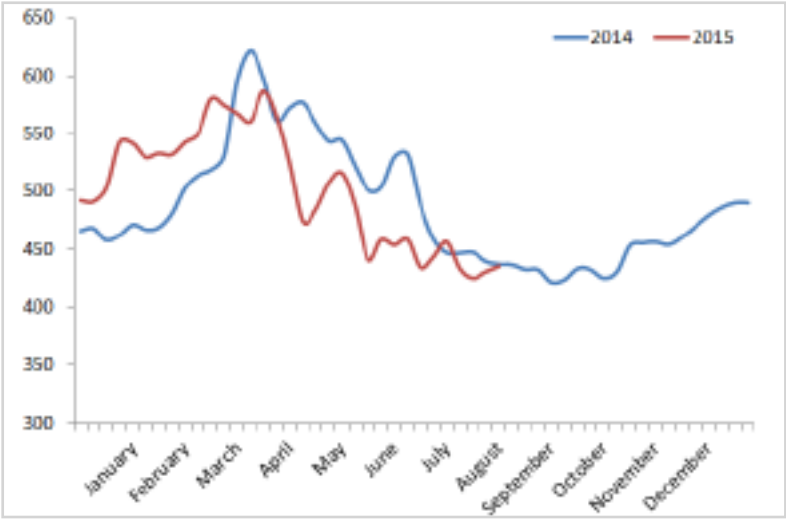
The trading of sheepmeat has become an increasingly globalised market and as a result the NI and UK sheep markets are influenced by many factors beyond their control. Factors such as the drop in the value of the fifth quarter, increased rendering costs, changeable demand for offal products and a drop in the value of sheep skins have all had a role to play in the pressure on deadweight lamb prices in NI.

Gaining access to important markets in Asia, Northern America and the Middle East have been identified as a key priority by meat exporters and strenuous efforts are being made to open these markets. LMC plays a strategic role facilitating the opening of new markets through its membership of the UK Export Certification Partnership (UKECP). LMC is a co-founder of this joint industry/government programme, the aim of which is to establish access for UK red meat products into third country markets.

As we move into the autumn LMC will intensify its lamb promotion through a TV and radio advertising campaign, a series of press adverts and an increase in our online presence to encourage local consumers to choose NIFQAS lamb for their meat purchases.

Figure 1: R3 lamb prices in NI January 2013 - August 2015

Figure 2: R3 lamb prices in NI converted to euro January 2014 - August 2015



MAXIMISE RETURNS BY MEETING MARKET SPECIFICATIONS

Reports from the plants have indicated that the lambs currently being presented for slaughter are generally of very good quality with good supplies coming forward. The current specification from the major NI processors is for U and R grade FQAS lambs with a carcase weight of 17-21kg and a fat cover of 2 or 3.

The average lamb carcase weight in NI during the six week period ending 15 August 2015 was 21.3kg compared to 21.7kg in the corresponding period in 2014. Producers are currently paid to a limit of 21kg. With lamb throughput during the six weeks ending 15 August 2015 totalling 71,771 head a total of 21.5 tonnes of lamb were produced outside weight specification. This is a notable improvement on the previous year when 70,926 lambs were slaughtered in NI plants and 49.6 tonnes of lamb was produced outside specification.

Producers are encouraged to slaughter lambs once they become ready for slaughter as keeping them longer will lead to heavier out of spec lambs and increase the costs of production while providing no financial return to the producer for the extra carcase weight produced, unless there is a price uplift.

Meanwhile the proportion of price reported lambs achieving the desired U and R grade for conformation has remained steady year on year at 98 per cent. There has however been an increase in the proportion of U grading lambs to 41 per cent in the six weeks ending 15 August 2015 compared to 30 per cent in the corresponding period in 2014. Meanwhile the proportion of R grade lambs decreased from 68 per cent of the price reported lamb kill to 57 per cent over the same period.

The largest majority of lambs presented for slaughter have met the desired fat class criteria. In the six weeks ending 15 August 2015 16 per cent of the lamb kill were fat class 2 compared to 18 per cent in the 2014 period. Meanwhile 76 per cent of lambs achieved a fat class 3 in the 2015 period compared to 75 per cent in 2014 period.

A small proportion of the NI lamb kill were awarded a 4L for fat cover (7 per cent) during the six week period ending 15 August 2015. This was a slight increase from the corresponding period in 2014 when 6 per cent of the lamb kill were awarded a 4L. Lambs that are awarded a 4L for fat cover attract a penalty of 5-10p/kg across the NI plants while lambs awarded a 4H or a 5 attract a 20p/kg and a 30p/kg penalty respectively. There are also penalties for lambs finished at a fat score 1 although there may be some exceptions to this with regards to very well conformed carcases.

FQ status on lambs has become increasingly important when meeting the criteria of major retailers. While some processors offer a bonus of 5p/kg for FQ lambs other processors will not handle non-FQ lambs. Producers are therefore encouraged to present FQ lambs for slaughter to ensure they maximise returns and keep their marketing options open.

WEEKLY BEEF & LAMB MARKETS

LMC

CATTLE TRADE

NI FACTORY QUOTES FOR CATTLE

(P/KG DW)	This Week 17/08/15	Next Week 24/08/15
Prime		
U-3	318 - 326p	320 - 326p
R-3	312 - 318p	314 - 318p
O+3	306 - 312p	308 - 312p
P+3	268-290p	270-290p
	Including bonus where applicable	
Cows		
O+3 & better	224 - 240p	224 - 240p
Steakers	140 - 170p	140 - 170p
Blues	120 - 130p	120 - 130p

Cow quotes vary depending on weight and grade.
Pricing policies vary from plant to plant. Producers are advised to check pricing policies before presenting cattle for slaughter.

REPORTED NI CATTLE PRICES - P/KG

W/E 15/08/15	Steers	Heifers	Young Bulls
U3	328.8	338.2	326.3
R3	327.5	329.4	325.3
O+3	320.5	321.1	312.1

*Prices exclude AA, HER and Organic cattle

REPORTED COW PRICES NI - P/KG

w/e 15/08/15	Wgt <220kg	Wgt 220-250kg	Wgt 250-280kg	Wgt >280kg
P1	130.5	138.1	147.4	155.3
P2	148.2	178.6	194.1	209.0
P3	-	189.8	214.4	221.5
O3	180.0	215.8	225.9	238.1
O4	-	236.1	232.5	242.1
R3	-	-	-	259.9

Deadweight Cattle Trade

QUOTES from the major NI processors this week have steadied at 320-326p/kg for in spec U-3 grade steers and heifers. Quotes for good quality O+3 grade cows this week ranged from 224-240p/kg across the plants.

Some of the plants have reported slightly tighter supplies of prime cattle coming forward for slaughter with 5,300 prime cattle killed last week. This was back 212 head from the previous week and 461 head lower than the prime cattle kill in corresponding week last year. The cow kill has remained strong with 1,947 cows killed in NI plants last week. Cow throughput in NI for the last four weeks is running 28 per cent ahead of the corresponding period in 2014.

Imports of prime cattle from ROI for direct slaughter last week was similar to previous weeks with 280 head imported. These accounted for 5.3 per cent of the total prime cattle kill in NI. A total of 43 cows were also imported from ROI for direct slaughter. Meanwhile 301 cows were exported from NI for slaughter in ROI plants. Exports of prime cattle to GB last week for direct slaughter totalled 161 head, the highest weekly level of export for 2015 to date, while 39 cows were also exported.

Deadweight prices for prime cattle in NI last week recorded a decline for all reported grades in response to the drop in base quotes from the plants. The average steer price in NI last week was back 4.1p/kg to 320.5p/kg while the R3 steer price was back by 6.2p/kg to 329.1p/kg. The average heifer price in NI last week was back by 1.4p/kg to 325.8p/kg while the R3 heifer price was back by 6.1p/kg to 330.3p/kg.

The deadweight trade for steers in GB has also continued to come under pressure despite a decline in prime cattle throughput, although to a lesser degree than experienced in NI. The average steer price in GB last week was back by 2.2p/kg to 346.5p/kg while the R3 steer price was back by 1.2p/kg to 354.1p/kg. This has further widened the differential in R3 steer prices between NI and the GB average to 25p/kg. The average heifer price in GB last week was 344.6p/kg, back 4p/kg from the previous week with strong declines recorded in all of the GB regions. The R3 heifer price in GB was back by 3p/kg to 352.8p/kg last week putting the differential with NI at 22.5p/kg. This is an increase in the differential by 3.1p/kg from the previous week.

The deadweight trade for cows has come under significant pressure in NI as cows continue to come forward for slaughter in strong numbers. The O3 cow price in NI last week was back by 12.6p/kg to 236.8p/kg with cow prices also coming under pressure in all of the GB regions. The average O3 cow price in GB last week was back by 4.7p/kg to 234.5p/kg. Meanwhile the cow trade in ROI has remained steady in sterling terms with an equivalent O3 cow price of 249.9p/kg.

The R3 steer price in ROI last week was back the equivalent of 1.7p/kg to 288.9p/kg while the R3 heifer price was back by 2.3p/kg to 296.4p/kg. This puts the differential between ROI and NI at 40.2p/kg for R3 grade steers and 33.9p/kg for R3 grade heifers.

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

W/E 15/08/2015		Northern Ireland	Rep of Ireland	Scotland	Northern England	Midlands & Wales	Southern England	GB
Steers	U3	328.7	297.9	368.7	356.9	357.1	353.7	359.8
	R3	329.1	288.9	367.4	352.8	348.3	343.4	354.1
	R4	328.7	288.7	370.5	362.4	346.7	341.5	358.7
	O3	317.5	275.4	345.9	338.1	319.3	323.5	332.0
	AVG	320.5	-	364.2	351.7	332.2	330.7	346.5
Heifers	U3	338.2	305.5	374.3	362.7	358.3	354.9	364.5
	R3	330.3	296.4	366.3	350.9	347.5	341.5	352.8
	R4	329.6	295.6	365.7	353.3	348.8	338.3	354.0
	O3	318.1	282.9	345.3	331.1	318.6	315.0	329.1
	AVG	325.8	-	361.0	348.0	331.5	323.9	344.6
Young Bulls	U3	326.4	296.6	364.7	340.3	349.6	339.2	347.2
	R3	324.4	287.5	361.0	329.2	333.1	331.7	335.4
	O3	304.4	270.3	325.8	294.2	305.9	313.2	305.5
	AVG	310.8	-	350.2	321.0	332.3	324.2	330.0
Prime Cattle Price Reported		4557	-	6395	6110	5555	3888	21948
Cows	O3	236.8	249.9	247.0	231.0	231.5	220.3	234.5
	O4	241.7	251.4	255.0	233.0	233.8	224.2	238.5
	P2	196.1	222.1	184.5	193.3	191.2	176.9	186.8
	P3	219.0	244.7	202.5	209.2	201.1	197.4	203.0
	AVG	214.4	-	236.2	207.8	196.6	187.5	209.5

Notes: (i) Prices are p/kg Sterling-ROI prices converted at 1 euro=71.12p 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

	1st QUALITY			2nd QUALITY		
W/E 15/08/15	From	To	Avg	From	To	Avg
Finished Cattle (p/kg)						
Steers	192	208	200	165	191	178
Friesians	-	-	-	-	-	-
Heifers	187	205	200	160	186	173
Beef Cows	130	169	146	100	129	115
Dairy Cows	100	123	110	60	99	80
Store Cattle (p/kg)						
Bullocks up to 400kg	200	231	212	150	196	173
Bullocks 400kg - 500kg	208	226	216	150	206	178
Bullocks over 500kg	200	214	205	142	198	170
Heifers up to 450kg	193	203	197	139	186	165
Heifers over 450kg	187	207	196	152	186	170
Dropped Calves (£/head)						
Continental Bulls	270	370	320	170	268	220
Continental Heifers	230	335	280	120	228	175
Friesian Bulls	125	200	160	45	122	85
Holstein Bulls	75	125	100	25	72	45

SHEEP TRADE

SHEEP QUOTES

(P/Kg DW)	This Week 17/08/15	Next Week 24/08/15
Lambs	310-315>21kg	305-310>21kg

REPORTED SHEEP PRICES

(P/KG)	W/E 01/08/15	W/E 08/08/15	W/E 15/08/15
NI Lambs L/W	272.6	276.4	284.5
NI Lambs D/W	300.8	302.3	309.9
GB Lambs D/W	327.9	339.1	341.7
ROI D/W	308.3	305.6	317.1

Deadweight Sheep Trade

QUOTES from the major NI plants ended the week at 305-310p/kg after opening the week at 310-315p/kg. The plants are reporting good supplies of lambs coming forward for slaughter with throughput last week totalling 12,192 head. This is an increase of 1,056 head on the corresponding week in 2014. Exports to ROI for direct slaughter last week remained steady at 6,826 head. The deadweight lamb price in NI last week increased by 7.6p/kg to 309.9p/kg. A firming in the trade and a slight improvement in the value of the euro meant the deadweight lamb price in ROI was up the equivalent of 11.5p/kg to 317.1p/kg last week.

This week's marts

A steady trade has been reported across the marts this week with reports of good quality lambs passing through the sale rings. In Kilrea on Monday a similar trade to previous weeks saw an entry of 550 lambs sold from 276-311p/kg. In Saintfield this week 773 lambs sold from 258-300p/kg compared to 519 lambs last week selling from 283-330p/kg. A smaller entry of 1,008 lambs in Rathfriland this week sold to an average of 287p/kg compared to 1,621 lambs last week selling to an average of 293p/kg. In Markethill this week 1,450 lambs sold from 260-302p/kg (avg 285p/kg) compared to 1,540 lambs last week selling from 270-312p/kg (avg 287p/kg). Top prices of over £90 for well fleshed cull ewes were reported in several of the marts this week.

LATEST SHEEP MARTS

From: 15/08/15		Lambs (P/KG LW)			
To: 22/08/15		No	From	To	Avg
Saturday	Omagh	1197	286	339	-
	Swatragh	1175	276	326	-
Monday	Kilrea	550	276	311	-
	Massereene	1028	265	302	-
Tuesday	Saintfield	773	258	300	-
	Rathfriland	1008	256	308	287
Wednesday	Ballymena	1787	250	302	266
	Enniskillen	772	272	302	-
	Markethill	1450	260	302	285

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