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BREXIT AND ITS IMPLICATIONS FOR THE NI RED MEAT SECTOR

LMC is an Executive Non-Departmental Public Body which was established in 1967 to assist the development of the livestock and livestock products industries. LMC collects statutory levies from beef and sheep producers and slaughterers in Northern Ireland and in return provides a range of services to the industry. LMC also advises DAERA and wider Government on matters relating to the sector.

Brexit is perhaps the biggest challenge that the NI beef and sheep sector has faced in recent times and it has the potential to cause massive changes in both our production and processing sectors. With this in mind the role of LMC to the local red meat industry is more important than ever.

With the correct policy environment, and support from government Brexit has the potential to provide a unique opportunity for the NI agriculture industry to influence and shape its own future. The NI red meat sector in particular is well positioned to grow and strengthen and continue to be a significant contributor to the wider NI economy. LMC has been actively working with both producer and processor stakeholders to identify key priorities for the beef and sheepmeat industries moving forward.

LMC has developed a three year strategic plan which is focused on the achievement of 6 key strategic objectives. These objectives are detailed in Table 1 and highlight the relevance of LMC's role in the NI

red meat industry to ensure its continued success and development. This has become even more important now following the decision by the UK to leave the European Union.

A key aspect of LMC's role in the NI beef and sheepmeat industries is to ensure our stakeholders, DAERA and wider Government are well informed and in doing so advise and influence the policy making process. As we move ever closer to Brexit LMC has been proactive in delivering these objectives to ensure that our stakeholders are equipped with impartial and unbiased information regarding how leaving the EU will potentially affect the NI red meat industry.

A key area of work has been the identification of priorities for both our processor and producer stakeholders through working closely with the Ulster Farmers' Union (UFU) and the Northern Ireland Meat Exporters Association (NIMEA). Nine key priorities for the beef and sheepmeat industries have been identified through this

consultation with our stakeholders and have been outlined in more detail in the enclosed information leaflet.

One of the most important priorities identified is to secure a trade agreement that provides tariff free and frictionless access to EU markets and in the interim period maintain the status quo until an agreement is reached. This solution must also recognise the unique issue of the Irish border and minimise disruption to trade.

Given the potential implications of Brexit on trade it is also important that industry continues to work towards securing new market outlets for NI beef and lamb. 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.

Gaining access to important markets beyond the EU in Asia, Northern America and the Middle East is a key priority for Northern Ireland's meat exporters. This access to third country markets has become increasingly important in recent times following the decision by the UK to leave the EU and the uncertainty that surrounds continued access to this market outlet.

LMC have also been working on a project along with stakeholders to explore the potential implications Brexit could have for the NI red meat sector if we leave the EU with no trade deal and default to WTO rules. A key focus of the report will be identifying tariff and non-tariff barriers to trade and the potential costs that these will incur for the NI red meat industry. The full report is expected to be available in late summer/early autumn 2017.

Image 1: LMC have published a priorities paper for the NI red meat sector in conjunction with UFU and NIMEA

Table 1: LMC Strategic Objectives 2016-2019

	Strategic Objectives
1	The industry is equipped with the tools to encourage its commercial development.
2	A better-informed industry, and general public.
3	Advising and influencing the policy making process.
4	Facilitating industry relationships, with impartiality, and integrity.
5	To be a relevant customer focused organisation that stakeholders understand, and meets their agreed requirements.
6	To have in place an effective, efficient and sustainable organisation.



FQAS Helpline

If you have had a recent inspection and need help and advice to rectify any non-conformances, contact the FQAS helpline: 028 9263 3024

Answerphone Service
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GIRA: GLOBAL MEAT MARKET OUTLOOK

GIRA is a strategic consultancy and market research firm founded over 40 years ago which provides valuable information for a variety of drink and food sectors, including the red meat industry.



In the latest Global Meat Market Report from Gira, published in June 2017, it has forecast production increases in all meat categories during 2017. This follows on from

the cautious growth in production recorded in all meat sectors during 2016.

Demand for meat has remained firm during 2017 to date despite the volatile global and political situation in various regions of the world which had the potential to reduce global meat demand and disrupt global trade in meat products in the short term.

Global import demand during the first half of 2017 was better than expected with trade being conducted at a slightly stronger

pricing than previous forecasts had suggested. This was driven primarily by positive demand from China and MENA (Middle East and North Africa), in particular for red meat.

Global meat prices during the first half of 2017 have been described as erratic with lower pressure on prices than previously expected. In the US producer prices have been higher than expected and despite a strong USD export demand in terms of both volume and prices has remained firm. Domestic demand for all types of meat has remained

robust in the US which has helped to maintain prices.

In China pork and poultry prices have been falling faster than previous forecasts due to higher than expected pork production and continuing problems with avian influenza. Meanwhile in Brazil well publicised corruption scandals have caused disruption to meat markets. Below some key developments in some of the most important global meat markets (the EU, China, the US and Brazil) are outlined in more detail.

CHINA

MEAT demand in China has remained strong with meat consumption per capita now well ahead of nutritional guidelines according to the latest GIRA report. Continuing economic stimulus from the Chinese Government has contributed to a still growing economy.

There has been some recovery in domestic pork supplies in China during 2017 to date when compared to year earlier levels and this combined with an oversupply of imports has depressed domestic pork prices. There has also been reduced demand for pork at consumer level which has resulted in negative price pressure. This has made it difficult for EU exporters to compete due to high EU prices at the expense of Canada where there has been a sustained export push and a weak Canadian Dollar.

GIRA forecasts have indicated a small recovery in monthly import volumes of pork from current low levels which will bring imports to higher than 2015 levels, although nowhere near the record import levels recorded in 2016.

Poultry prices in China have also been under pressure due to weak demand as a consequence of fears around HPAI (avian influenza). Poultry imports are expected to be behind initial forecast levels with reduced demand, competition for market share from pork and higher import prices all contributing to the decline. However import prices are expected to come under some pressure in the second half of the year due to increased competition from the US and a damaged Brazilian reputation.

Beef prices in China remained stable during 2017 to date despite

tight supplies. Some consumer resistance has created a ceiling for beef prices and with supplies expected to remain tight beef prices are expected to remain stable in the short term. Demand for beef of all qualities is strong in China although current prices have limited any growth in this demand. There continues to be a firm demand for imported beef with domestic production failing to meet demand.

Beef imports are expected to stabilise at high 2016 levels with direct imports constrained by high Australian prices and supply limitations in Uruguay. Indirect shipments through the grey channel of Indian beef via Vietnam have continued, although with some issues. The US and China have made significant progress in opening market access although significant volumes of imports from the US are not expected until the final quarter of 2017. US product is expected to compete with higher end Australian beef in the initial phase of imports.

Domestic sheep prices in China have recovered slightly after a sharp decline in summer 2016. Drought resulted in a sheep cull at this time which increased supplies of sheepmeat and depressed prices. This has led to a tightening in supply and higher prices during the first half of 2017. This will contribute to higher import levels with higher demand in particular for more high value cuts for the high end food service market.

The UK hosted an inspections team from China in May 2017 and the roadmap to market access could see the first shipments of locally produced beef heading to China in 2021.

UNITED STATES

A strong US dollar has the potential to negatively affect the US meat market by creating export challenges and attracting imports. This puts pressure on farmgate prices and also impedes margins. However during 2017 to date the reverse has been the case in the US with all of the major meat markets performing strongly whilst consumer spending on food is becoming more robust.

As expected beef production in the US has increased during the first half of 2017 when compared to 2014-2016 levels. Beef throughput during the first half of 2017 was 6 per cent higher than 2016 levels although some of this has been offset by lower carcass weights. This increase in production levels is unlikely to continue however with margins in cow-calf systems not enough to encourage further expansion. Good forage conditions across the US have encouraged cow retention which should help maintain the herd in the short term. Longer term US beef production is expected to continue its long term trend of slight decline.

Domestic beef demand during 2017 to date has been much better than previous GIRA forecasts had suggested which has absorbed the increased levels of production and also contributed to higher than expected beef prices. Exports of beef have also increased with a notable improvement in export levels to Japan, South Korea and Mexico. Exports to Hong Kong have declined and are expected to fall further now that the US has direct access to the Chinese market.

There is a positive outlook for the US pork sector with US pork production expected to increase strongly in response to increased

domestic and export demand. There has also been significant investment in slaughtering facilities in the US which will increase slaughter capacity by up to 10 per cent by the end of 2017.

US pork exports recorded a 19 per cent increase in volume terms during the first four months of 2017 despite a 4 per cent increase in average prices per kg. While exports to Hong Kong and China are down there has been strong export growth to other regions including Colombia, Australia and South Korea. US pork imports during the first half of 2017 were lower than anticipated with imports from Canada being redirected to China. This decline in imports combined with increased exports and firm domestic demand has resulted in improvements in domestic prices.

As expected poultry meat production in the US has continued to increase in the first half of 2017 with production levels 2 per cent higher than the corresponding period in 2016. While domestic consumption of poultry meat remains strong in the US increased emphasis is being placed on the export market as the US takes advantage of the open markets in the wake of the ending of the Avian Influenza bans. Exports during 2017 are expected to be 7 per cent higher than 2016 levels. This demand for exports combined with firm domestic demand has contributed to higher prices.

The UK is working on market access for UK beef to the USA and, in follow up to a substantial questionnaire on BSE controls in the UK, an inspection visit by the USA authorities to the UK is being actively pursued.

EU

PREVIOUS GIRA forecasts expected the average beef price in the EU to record a 1.7 per cent increase in 2017 however this forecast has now been revised upwards to 3 per cent in response to the better than expected political and economic climate in the EU. Stable beef production levels and increases in beef consumption per capita during 2017 to date have also contributed to the revised forecast.

EU beef imports during the first four months of 2017 were six per cent lower than the corresponding period in 2016. This decline was primarily a reflection of reduced imports from Brazil however there were notable increases in imports from Uruguay and Argentina which have helped to offset some of the decline.

Beef exports from the EU have recorded a 17 per cent increase in volume terms when compared to 2016 levels according to the latest report from GIRA (beef and live exports CWE). Exports of beef to Turkey have come back during the early part of 2017 due to the reinstatement of tariffs on meat imports by the region. However live

cattle exports to Turkey have been sustained while live cattle exports to Lebanon, Israel and Libya have also continued to increase. Beef exports from the EU have increased to a variety of destinations with exports to Hong Kong in particular recording strong volume growth early in 2017.

Deadweight pig prices in the EU have recorded a strong increase during 2017 to date which is higher than GIRA initially expected. This has resulted in GIRA revising its price forecast upwards to 2.7 per cent for 2017 (2.1 per cent in previous forecast).

The improvement in deadweight pig prices have been driven by improved export performance. Overall pork exports from the EU during the first four months of 2017 were 3 per cent lower in volume terms but 14 per cent higher in value terms when compared to the same period in 2016. Exports of pork to China were back by 14 per cent in volume terms from the same period in 2016 however this has been partly offset by an 8 per cent increase in the average import price year on year. There have also been good export volumes and

values to other regions including Japan and South Korea.

In the initial 2017 forecast GIRA forecast a 2.3 per cent increase in poultry producer prices in the EU however this has been revised downwards due to higher than expected production levels. Imports of poultry products by the EU have declined marginally in the early part of 2017 compared to 2016 levels. Reduced imports from Brazil have been offset to some degree by the continued increase in imports from Ukraine. More trade between EU

countries, particularly from Poland, has also contributed to the decline in demand for imports.

EU poultry exports have continued to increase with exports during the first quarter of 2017 up 1.6 per cent from year earlier levels. However while poultry exports have increased to a range of destinations it has done so at lower prices. The poultry products being exported from the EU are primarily the by-products of the EU's preference and demand for breast meat.

Image 2 : Beef exports from the EU have recorded a 17 per cent increase in volume terms when compared to 2016 levels



BRAZIL

THE economic improvement in Brazil through the second half of 2016 and early 2017 has been disrupted by the political uncertainty caused by the latest corruption scandal. This weakening in the economy weakens domestic demand for meat. Lower inflation and the recovery of disposable incomes is expected to result in a slow recovery in meat demand.

Beef prices in Brazil have eased after a prolonged period of record highs as more cattle come forward for slaughter. There were short supplies of cattle throughout 2016 as producers continued to hold cattle back and this kept prices high. Beef production is expected to increase by 2.3 per cent in 2017. This will be aided by lower feed costs which will encourage higher feedlot throughput and is also expected to increase average carcase weights.

Brazilian beef exports during the first quarter of 2017 were down with notable declines to both China and Russia. The Brazilian Real remains weak which has also reduced the value of export

revenues. However despite the short lived closure of many markets during April as a consequence of meat scandals export volumes are expected to end 2017 5 per cent ahead of 2016 levels. China and Hong Kong are set to be the two key markets for Brazilian exporters with volume growth in exports to both regions expected by the end of 2017.

The Brazilian poultry sector had a difficult 2016 with rising production and weak markets in the first half of the year leading to a margin crisis for producers. In the second half of the year poultry production in Brazil was back by 4.4 per cent. Production has started to recover in 2017 as lower feed costs start to help improve profitability. Domestic poultry consumption in Brazil declined in 2016 as weaker disposable incomes damaged demand and consumption is expected to remain similar in 2017.

Brazilian poultry exports have continued to grow despite domestic problems and further growth is expected in 2017. The Middle East continues to be the main market for

Brazilian poultry exports however there has been a shift in the type of product being exported from whole birds towards higher value cuts.

Pork represents a minor protein source in Brazil and production has continued to grow at a slow rate. Production is expected to increase during 2017 however at a slower rate than recorded in previous years. Higher feed costs in 2016 reduced margins for Brazilian pork producers and slaughterings slowed slightly but remained 5 per cent above 2015 levels. Reduced

feed costs should help improve profitability for Brazilian pork producers in 2017.

The volume of Brazilian pork exports increased by 33 per cent during 2016 and are forecast to increase by a further 10 per cent during 2017. Russia remains the key market however export levels to Hong Kong increased sharply in 2016. The opening of China to Brazilian exports is key to Brazil with exports to the region expected to grow in 2017.

Figure 1: Deadweight beef and pork producer prices in Brazil July 2009 to April 2017 (Source: GIRA)



MAKE USE OF BVD PI REMOVAL INCENTIVISATION SCHEME

BOVINE viral diarrhoea (BVD) is a highly contagious viral disease of cattle that can be transmitted as easily as the common cold. It can be spread directly by infected animals, or indirectly by contaminated visitors or equipment.

Infection of the unborn calf between approximately 30 and 120 days of pregnancy will result in it becoming persistently infected (PI) with BVD virus if the calf is not aborted. These PI animals will shed BVD virus at high levels for life and PI animals are therefore the most significant source of infection.

PI animals can look entirely normal, particularly at birth, but may become stunted and ill-thriven as they grow. PI animals often develop a severe **Image 3: PI calves may appear healthy but will shed virus at high levels and are therefore the most significant source of infection**



and always fatal wasting condition called mucosal disease (MD). This typically occurs between 6 and 18 months of age. The majority of PI animals are dead before reaching breeding age or slaughter weight, either from MD or other infections (particularly scour and pneumonia).

BVD virus persists in herds by creating further PI calves. Therefore identification and removal of PI cattle is the key to control. Vaccination to maintain immunity in breeding stock can offer further protection where susceptible pregnant cattle are exposed to BVD virus.

The BVD PI Removal Incentivisation Scheme has been open for applications in NI since February this year and will remain open for applications until the end of September 2017. To date £83,890 has been paid out to producers under the scheme with 71 per cent of claims submitted fulfilling all the requirements of the scheme and qualifying for payment.

There are two key reasons identified why some claims have been deemed ineligible which are easily avoidable by meeting the following criteria. Producers **MUST** ensure that any calf claimed for has been humanely destroyed and had its death recorded on APHIS within **four** weeks of receiving a positive BVD result or within **six** weeks where the farmer has opted to get a retest done. Producers **MUST** also ensure that the death of

all calves is recorded on APHIS or notified to DAERA within **seven** days of death. This is a key requirement of the scheme but is also worth noting that failing to do so is a cross-compliance issue.

The scheme is being delivered in partnership between DAERA, AHWNI and LMC. Farmers who may have an animal eligible for payment will receive a claim form from AHWNI, which must be completed and returned to LMC. All details regarding eligibility and how to claim will be included in the accompanying guidance and is also available on the LMC, DAERA and AHWNI websites.

SCHEME CONTACT DETAILS

Queries relating to making a claim and for further information regarding scheme eligibility should contact LMC on 028 9263 3000.

Queries relating to the testing of animals and accessing test results should be directed to AHWNI on 028 7963 9333.

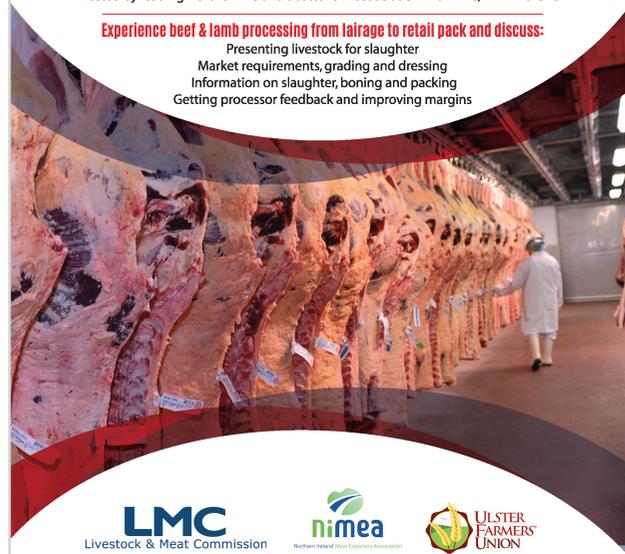
Queries relating to recording and confirming birth and death information on APHIS should be directed to the DAERA helpline on 0300 200 7840.

WALK THE LINE PLANT VISITS

WALK THE LINE PROCESSING PLANT VISITS 2017

Free events for beef and lamb producers
hosted by leading Northern Ireland abattoirs in association with LMC, NIMEA & UFU

Experience beef & lamb processing from lairage to retail pack and discuss:
Presenting livestock for slaughter
Market requirements, grading and dressing
Information on slaughter, boning and packing
Getting processor feedback and improving margins



Contact LMC on 028 9263 3000 for a list of "Walk The Line" event dates to book your place

LMC is encouraging producers to avail of the Walk the Line Processing Plant Visits. These events are being hosted by leading NI beef and Lamb Processors in association with LMC, NIMEA and UFU.

These events provide producers with the opportunity to experience beef and lamb processing from the lairage right through to the retail pack and discuss issues such as current market requirements, grading, dressing specs and much more.

To date 70 producers have visited some of the major NI plants and feedback from the visits has been very positive. There are more events planned throughout the year so pick up the phone and call LMC to book your place on one of these highly informative events.
LMC: 028 9263 3000

LMC MARKET INFORMATION

LMC'S Market Information Services are designed to support, examine and inform the NI red meat industry. The service aspires to support producers and processors with their decision making by producing accurate and timely information that creates a better understanding of the trade.

LMC is committed to creating an environment where our stakeholders are well-informed whether this is through our Market Information publications, the provision of basic statistics, further analysis of this data or the delivery of information through public events.

LMC encourages all of its stakeholders to utilise the Market Information section of the LMC website which provides a valuable source of statistics relating to beef and sheep meat production. If you require any further information or analysis please contact us directly via email at bulletin@lmcni.com or via telephone at 028 9263 3000.

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