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HUGE POTENTIAL IN CHINESE MARKET

THIS month LMC assisted Invest Northern Ireland in delivering a seminar focusing on opportunities for the meat sector in China. The event was well attended by key producer and processor stakeholders from the red meat industry.

The event was well timed with UK based beef processors recently being granted approval to service the valuable Chinese market for beef with the agreement estimated to be worth a total of £230 million over the first five years of access. The first UK beef products are expected to reach China directly by early 2020.

The lifting of the ban followed a series of visits and negotiations between UK and Chinese officials, which culminated in an inspection of UK beef production systems earlier this year. The visit was organised and funded by the UK Export Certification Partnership (UKECP), of which LMC is a

founding member.

Direct access

Direct access to the Chinese market offers huge opportunities for the UK beef industry. Rising income levels in China and growing numbers of middle class consumers has resulted in strong demand for more westernised diets, with a growing demand for beef in particular.

China has the second largest economy in the world and although GDP is still relatively low when compared to mature developed countries it is expected to continue to grow strongly. This will contribute to the higher demand for imported beef products.

Chinese beef imports

China is the biggest importer of meat from the world market and relies on imports for 30 per cent of all the beef it consumes. The latest available figures from Gira have indicated a sharp increase in the

volume of beef (+58 per cent), poultry (+50 per cent) and pork (+36 per cent) being imported by China in the first half of 2019 when compared to the same period in 2018.

Demand for beef has been growing strongly in China however given the issues with African Swine fever in recent times and its impact on pork production the demand for beef is expected to grow even faster. This provides opportunities for growth in the level of imports however this will be limited by the global availability and cost of beef.

Grey channel

Direct imports of beef to China accounts for approximately 50 per cent of all beef imports into the region with the remaining 50 per cent arriving in China indirectly through the grey channel (via Hong

Kong, Vietnam and Thailand). India and Brazil are the main grey channel suppliers although there are also significant volumes of US beef using this access route.

The volume of beef passing through the grey channel is expected to decline as more countries and processing plants are granted direct access. The cost of exporting product to China through the grey channel has also increased which has made it less attractive.

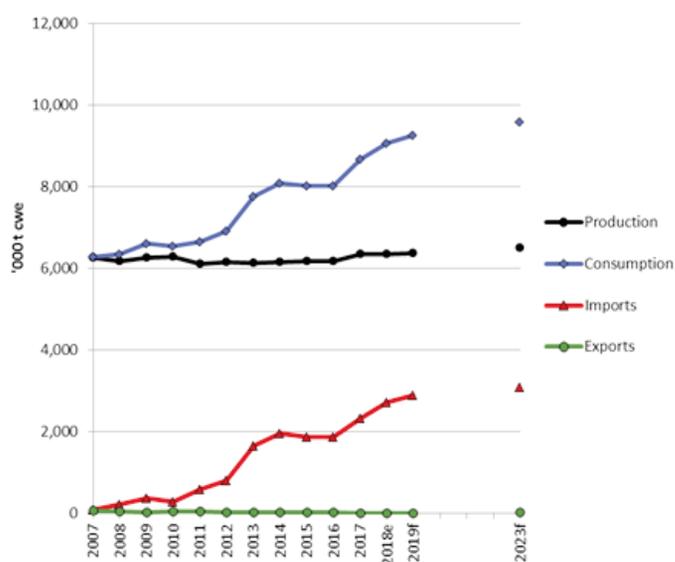
Product demand

The bulk of the beef market in China is for lower quality products however there is a rising demand for premium and mid-range beef. A growing middle class and more health conscious consumers seeking a more diversified and healthy diet have contributed to this trend.

Figure 1: Chinese beef imports by channel 2018 (e) Source: Gira



Figure 2: Chinese beef balance 2007- 2023 (f) Source: Gira



FQAS Helpline

If you have had a recent inspection and need help and advice to rectify any non-conformances, contact the

FQAS helpline:
Tel: 028 9263 3024

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Updated 5pm Daily

Tel: 028 9263 3011

Text Service

Free Price Quotes sent to your mobile phone weekly

Email: bulletin@lmcni.com
Tel: 028 9263 3000



LAMB PRICES BELOW FIVE YEAR AVERAGE

WHILE the deadweight lamb trade shows some volatility from year to year due to shifts in supply and demand current deadweight prices have now dipped below the five year average price as indicated in Figure 3.

A number of factors have contributed to the downward pressure on the local lamb deadweight trade this autumn. Steady supplies of lambs have continued to come forward for slaughter with 53,235 lambs killed in local plants during the six weeks ending 19 October 2019,

lamb processors in NI export half of their lamb throughput to the EU while the remainder is marketed on the domestic UK market.

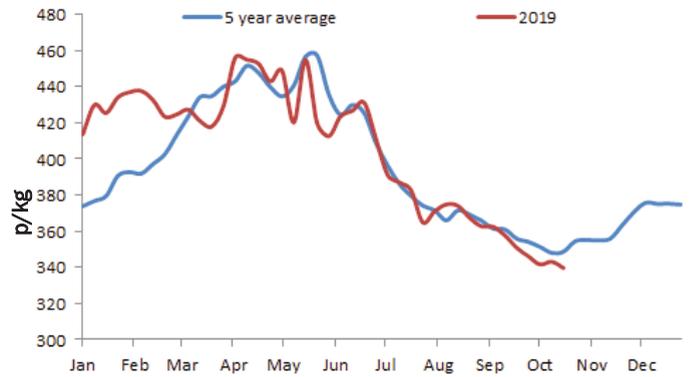
GB lamb market

Increased lamb throughput in GB in recent weeks has increased supplies of lamb on the market and therefore competition for our local processors in finding customers for the lamb produced in NI.

Reports have indicated that producers in GB have pushed lambs to finish earlier to avoid any negative impact that Brexit may have on the deadweight trade. During September 2019 (latest available figures) there were 1,149,540 lambs killed in GB, an increase of 84,059 lambs from September 2018 levels.

While there has been increased lamb production in the UK as a whole demand from the domestic market is stagnant at best. During the 12 weeks ending 06 October 2019 retail sales of lamb in GB were valued at £114.8 million, back 2.1 per cent from the same period in 2018. Volume sales also came under pressure, back 2.8 per cent

Figure 3: Deadweight lamb/hogget prices in NI during 2019 to date vs the five year average price



to 11,780 tonnes during the same period.

On a more positive note there has been a notable decline in the volume of lamb being imported by the UK from New Zealand and Australia. Reduced lamb production in these regions combined with the redirection of exports to Asian markets has reduced the amount of lamb being exported to the UK.

EU lamb market

Local processors still have unrestricted access to the valuable

EU market while Brexit negotiations continue reports have indicated some difficulties in securing longer term contracts for lamb exports.

Consumer demand for lamb in the EU has continued to come under pressure at a time when total lamb production in the trading block is expected to increase marginally. The EU market accounts for approximately 75 per cent of total lamb outputs from NI so any change in demand in this market impacts the local deadweight trade.

R3 Lamb Quotes

October 2019
340-345p/kg up to 21kg.

October 2018
370-380p/kg up to 21kg.

While this was ten per cent lower than throughput in the same time last year reports from the plants have reported subdued demand from major customers. Currently

DEADWEIGHT CATTLE TRADE UNDER PRESSURE

THE average price paid for an R3 steer in NI during the w/e 19 October 2019 was 321.7p/kg. This is the lowest R3 steer price recorded in NI since June 2016.

Deadweight prices for prime cattle have been under pressure in NI since early in 2019 as outlined in Figure 4. The value of a 350kg R3 grading steer carcass has come back from £1,222 in the first week of the year to £1,126 in the w/e 19 October. This accounts for a decline of £96/head over the last ten months.

Figure 4: Average R3 steer prices in NI 2017-2019 Source: LMC Price Reporting



The weakening of beef prices can be attributed to an imbalance between supply and demand. Good supplies of prime cattle for slaughter during 2019 in all parts of the UK combined with heavier carcass weights has resulted in more beef available on the market.

Reports have also indicated that there was beef put into storage before the original Brexit deadline of March 2019 and as this has come back onto the market it has further contributed to the downward pressure on the deadweight trade.

Retail beef sales

The domestic UK market is the biggest, and most valuable, outlet for the UK beef industry and takes approximately 80 per cent of all beef produced in the region. However consumer demand for beef has not matched the increased supplies on the market which has further impacted the deadweight trade.

UK retail sales of fresh and frozen beef decreased by 1.6 per cent in volume terms during the 12 w/e 06 October 2019 according to the latest available data from Kantar. There was however a 3.5 per cent drop in expenditure on beef during this period to £454.5 million. The mixed performance of individual cuts has contributed to the more notable decline in the value of sales.

Declines in volume sale of higher value cuts such as roasting joints and frying grilling steaks during this period have contributed to the reduction in the value of beef sales. Household penetration has meanwhile remained unchanged with 70 per cent of households buying beef during the 2019 period.

WHY DO WE USE AN R3 STEER PRICE?

R3 steers are the most commonly price reported type of prime cattle in Northern Ireland. Analysis of R3 steer prices therefore provides the most representative indicator of the overall trade for prime cattle in the region.

In some GB regions the prices paid for R4 grading steers are used for analysis purposes. These animals are much less frequent in the Northern Ireland slaughter mix.

Market outlets for beef from R4 grading prime cattle is more limited as carcasses with a fat class 4+ do not meet the widest range of customer specifications and can attract penalties at point of slaughter in local plants which can distort any analysis completed.

IMPROVEMENT IN CATTLE CONFORMATION

There has been a general improvement in the conformation scores achieved by all classes of prime cattle in NI during the period July-September 2019 when compared to the same period in 2018.

Steers

During the 2019 period 17.6 per cent of price reported steers achieved a U grade, up from 16.5 per cent in the same period in 2018 as outlined in Figure 5.

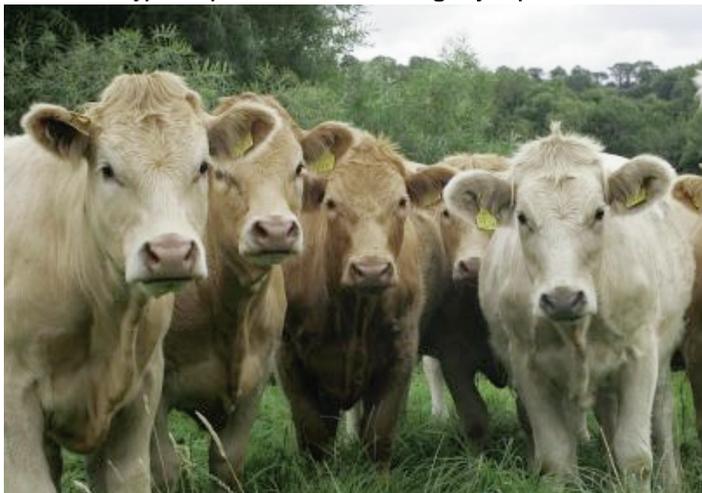
The proportion of R grading steers increased by 0.9 percentage points to account for 35.6 per cent of the price reported kill. Meanwhile the proportion of O grading carcasses in the NI steer kill was back by half a percentage point to 36.8 per cent during the 2019 period with the proportion of P grading carcasses back by 1.6 percentage points to 9.7 per cent of the kill.

Average carcase weights July-September 2019

Steers: 362kg **+10kg yoy**
 Heifers: 324kg **+10kg yoy**
 Y Bulls: 350kg **+7kg yoy**

Steers killed during the 2019 period had an average carcase weight of 362kg, up 10kg from the corresponding period in 2018. This increase in carcase weight may have contributed to the general improvement recorded in the conformation scores during the 2019 period. Steers killed in the 2019 period had an average age at slaughter of 803 days (26.4 months), 10 days longer than the same period in 2018.

Image 1: There has been a general improvement in the conformation scores of all types of prime cattle in NI during July-September 2019.



Heifers

There was also a slight improvement in the conformation scores achieved by heifers killed in local plants during June-September 2019. U grading heifers accounted for 14.3 per cent of the price reported kill in NI during the 2019 period, up from 13.6 per cent in the corresponding period last year.

The proportion of R grading heifers was back marginally to 43 per cent while the proportion of O grading carcasses increased slightly to account for 36.7 per cent of the kill. P grading heifers accounted for 5.8 per cent of the local kill in the 2019 period, back from 6.6 per cent in the same period in 2018.

There was also a notable improvement in the average carcase weight of heifers. During the 2019 period the average carcase weight was 324kg, up by 10kg from year earlier levels. However unlike the steers there was no change in the average age at slaughter of heifers which remained at 805 days (26.5 months).

Young bulls

There was also some improvement in the conformation scores achieved by young bulls killed in local plants during the 2019 period. U grading young bulls accounted for 28.5 per cent of price reported young bulls during the 2019 period, an increase of 1.5 percentage points from the same period in 2018.

Meanwhile the proportion of R and O grading young bulls in the NI slaughter mix both recorded declines to account for 34.4 and 26.8 per cent of the kill respectively

Figure 5: Conformation scores of price reported steers in NI during July-September 2018 and 2019

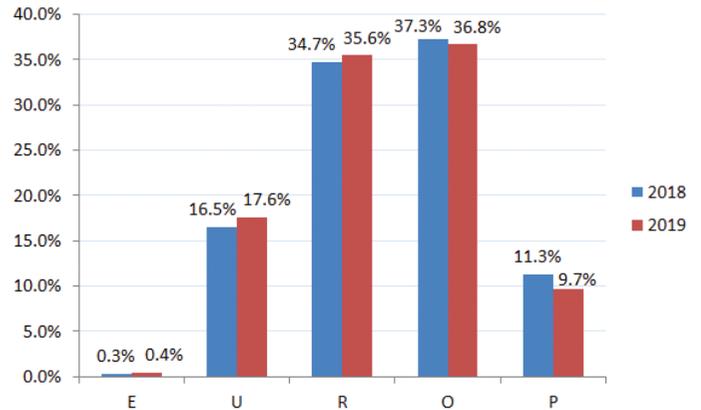


Figure 6: Conformation scores of price reported heifers in NI during July-September 2018 and 2019

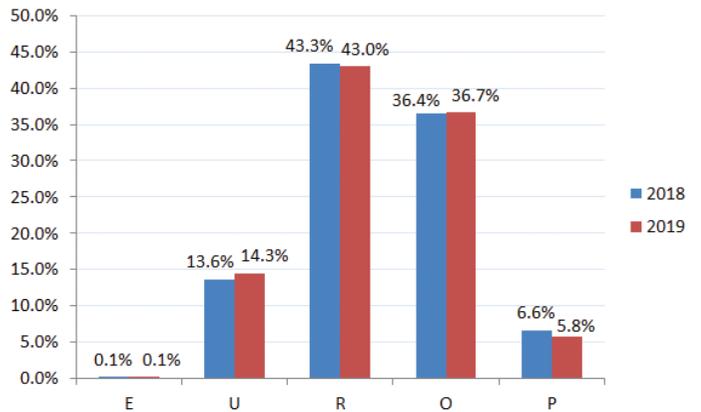
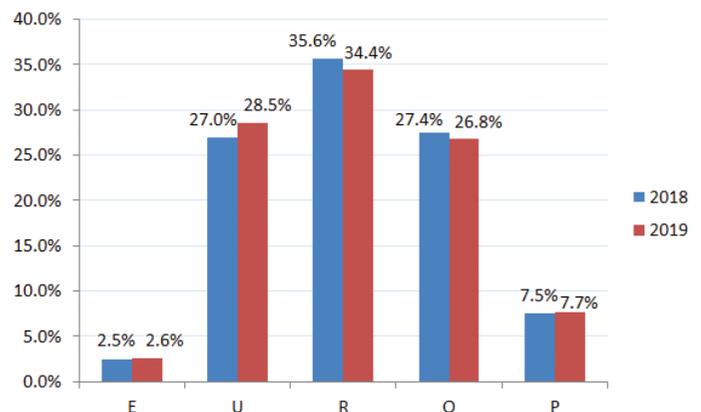


Figure 7: Conformation scores of price reported young bulls in NI during July-September 2018 and 2019



during the 2019 period. P grading young bulls accounted for 7.7 percent of the price reported kill during the 2019 period, up marginally from the same period in 2018.

The average carcase weight of young bulls killed in NI during the 2019 period was 350kg, up from 343kg in the corresponding three

month period in 2018. This increase in carcase weight occurred despite young bulls being killed at a slightly younger age. During July-September 2019 young bulls were killed at an average of 477 days (15.7 months), back from 482 days (15.9 months) in the same period in 2018.

FUTURE PROOFING YOUR SHEEP BUSINESS



SHEEP CONFERENCE 2019

Future Proofing your Sheep Business

EARLIER this month LMC joined up with CAFRE, AFBI, UFU and NSA to deliver the biennial sheep conference in Greenmount and Omagh with a focus this year on 'Future Proofing your Sheep Enterprise'. Both events were very well attended and positive feedback has been received from those in attendance.

One important area of discussion was the production of lambs that meet market specification.

Current Market Specification

R/U grading lambs
18-21kg
Fat class 2/3
FQ Assured

Producing what the market wants will help producers maximise returns from their sheep enterprise. Processors also have a strong preference for lambs with FQ status with bonuses available in some plants while other plants will not handle non assured lambs.

The importance of weighing lambs regularly and also handling them to assess conformation and fat class was also discussed. This will ensure that lambs are selected for slaughter as soon as they meet current market specifications. Finishing lambs at heavier carcase weights or with higher levels of fat cover increases production costs while providing no additional financial return.

The importance of good husbandry and lamb management prior to slaughter were also highlighted as these can cause damage to the carcase and have a detrimental effect on the value to the processor. Bruising of lambs through poor handling and during transportation as well as the presence of abscesses due to poor needle practice were highlighted as particular issues.

Another key issue discussed was the cleanliness of animals being presented for slaughter. Lambs in dirty condition cannot be accepted for slaughter as dirty fleeces have a greater risk of carcase contamination. Dirty lambs will have to be clipped with an additional cost to the producer of approximately £0.50/head.

Image 2: The organising committee for the biennial Sheep Conference which was held in Omagh and Greenmount this year



MARKET INFORMATION SURVEY RESULTS

A key function of LMC is the provision of Market Information Services which are designed to support, examine and inform the Northern Ireland 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.

Earlier this year LMC's Market Information Department employed the services of a company called Social Market Research to consult with our stakeholders regarding the services we currently provide. This exercise was undertaken to ensure that the information being generated is meeting user needs.

The survey focused in particular on current printed outputs from the Market Information Department (e.g. LMC Bulletin, LMC News, LMC Quarterly) but also on other information streams such as text messaging, email, website, social media and through public events such as our annual beef/lamb

conference and our attendance at Balmoral Show.

We would like to take this opportunity to thank everyone who participated in this survey through attendance at one of our focus groups, completion of the online surveys or through one of the in depth stakeholder interviews conducted by the research agency. Good stakeholder participation in this review process has allowed us to identify what Market Information outputs are currently valued by stakeholders and also to identify any other areas that may need improvement.

The Market Information Department will be working through the recommendations of the report over the next few months and making changes to our services in line with suggestions from our stakeholders.

If you would like to provide any further comment on our services please email us at bulletin@lmcni.com



LMC; educating Northern Ireland school pupils for 20 years



Since 1999, the Livestock and Meat Commission (LMC's) beef and lamb school cookery demonstrations have been an eagerly anticipated event in the calendars of post-primary schools across Northern Ireland.

Growing from humble beginnings 20 years ago, the initiative was established by LMC, alongside ABP Food Group, to help educate local pupils on how to cook with beef and lamb and the benefits of incorporating these as part of a healthy, balanced diet. In the first year, a small number of schools were visited but it's safe to say the demonstrations have grown from strength to strength during the last two decades.

Encouragingly in 2016, the Northern Ireland Beef and Lamb Farm Quality Assurance Scheme (NIBL FQAS), owned and managed by LMC, was added to the GCSE Food and Nutrition and A Level Nutrition and Food Science syllabuses. In 2018 LMC introduced annual workshops for Food and Nutrition teachers, where they can learn about the key pillars of the

NIBL FQAS and can develop their skills and confidence when cooking with beef and lamb in the classroom.

In the past academic year a record-breaking 350 demonstrations were carried out between September 2018 and March 2019 reaching over 7,000 school pupils.

LMC's education programme continues to grow with the introduction of a pilot scheme in September 2019 which aims to make beef and lamb more accessible to classes studying food related subjects. Through the 'MeatSchools' scheme, pupils will have the chance to win £100 worth of NIBL FQAS beef and lamb for use in their Food and Nutrition classes.

During the last 20 years, LMC have helped to educate approximately 100,000 pupils from across Northern Ireland, something which the organisation is immensely proud of. With exciting plans for the future, LMC looks forward to being an important part of Food and Nutrition classes for many years to come.

For educational resources visit our website: www.food4life.org.uk



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