

PROSPECTS FOR UK AGRICULTURE

LMC Chief Executive Ian Stevenson recently attended the first of a series of Spring Seminars hosted by the Andersons Centre across Great Britain examining the prospects of UK Agriculture for 2023.

Farm Profitability

One of the issues that has most featured in topics of conversation over the last two years has been that of inflation. Whilst the general population will be very aware of the dramatic rise in the prices of goods and services through 2021 and 2022 the situation in agriculture is even more pronounced with agricultural inflation (agflation) having peaked at well over 20 per cent in late 2022.

Animal feed is traditionally the largest segment of costs associated with UK farming at approximately 25 per cent (when averaged across all farming sectors) and whilst a lot of attention has focused on fertiliser it is worth remembering that in the five years 2017 to 2021 total farm spending on fertiliser accounted for only a five per cent share of UK farming costs. Increases in output prices have helped to offset some of the worst impacts of agflation with sector profitability in cattle and sheep farms having improved in the 2021/22 year in Northern Ireland with some easing back forecast by Andersons for 2022/23.

Direct payments remain critical to the profitability of Northern Irish Farming and whilst the production of food will continue to be the core business focus of most farms it is essential that

claimants consider how their farm businesses will make best access to future agricultural support payments as they change over the coming years.

Grazing Livestock

Drilling down into the grazing livestock sectors there are some interesting trends playing out over time. In the ten-year period from 2012 to 2022 the UK dairy cow population has increased by three per cent with suckler cow populations declining by 12 per cent. At a UK level dairy cow numbers now outnumber suckler cow numbers by about 400,000 head compared to 2012 when the difference was 130,000 head.

As greenhouse gas emissions become more of a focus within the beef sector it is worth considering what levers farmers have to lower their carbon footprints. Productivity improvement on UK farms has shown a slow but unspectacular upward trend in recent years. The average yearly improvement of UK farming productivity since 1973 is 1.3 per cent and since 2005 it has been 0.7 per cent so huge potential remains to drive this upwards. Key areas such as using better genetics and reducing age at slaughter of prime cattle are increasingly coming into the focus of policy makers.

Beef and Sheep Issues for 2023 Onwards

According to the Andersons Centre recent good prices in the beef and sheep sectors have masked many of the longer-term issues that both sectors face. Across the UK grazing livestock farms have become reliant on direct payments and whilst



business deficits in England are likely to increase as BPS payments are phased out, other parts of the UK will not escape this pressure over time. Elevated production costs are expected to be a feature of business for some time to come and will no doubt add to the growing pressure for structural change within the sectors.

There is a strong prevalence of part time and lifestyle farmers within the beef and sheep sectors which may influence the rate and extent to which structural change will happen, at least in the short term. Recent high-level reports by the Intergovernmental Panel on Climate Change and UK Climate Change Committee on carbon emission reductions at global and UK level have highlighted the increasing importance of the grazing livestock sectors greenhouse gas emission challenges. With retailers and processors also focusing on their supply chain emissions more

proactive businesses are starting to act, as this central focus can no longer be ignored. The Andersons Centre analysis also highlights the extra competition that there is likely to be in the market for domestic product in the future as new trade deals are ratified and signed by the UK.

In summary the Andersons Centre concludes that UK farming is going through a decade of disruption but with disruption also comes opportunity. There is no doubt that the environment is now a driver of agricultural land use and competition for land is likely to increase for diversification, woodland, peatland restoration and other biodiversity uses. Every farm will have to consider what it can best do with the assets at its disposal but there remains the real opportunity for good profits to be made from farming for the best operators.

DIRECTION OF THE HOGGET TRADE LOOKS PROMISING

Base quotes from the NI processors for R3 grade hoggets have shown increases over the last number of weeks and this week ranged from 550-560p/kg with all plants currently paying up to 22kg. Preliminary base quotes of 555-565p/kg have been received for early next week.

As the quotes strengthen the paid prices has also increased with an average deadweight hogget price in NI last week of 545.4p/kg. This is an increase of 11p/kg from the previous week. Producers with good quality hoggets available that fit ideal market specifications should negotiate hard as the rising market conditions would suggest that deals can be done above the base quotes.

The average carcass weight of hoggets killed in local plants during the last four weeks has fulfilled requirements at 22.3kg, remaining steady from the previous four week period.

There has been an increased demand for NI lambs from processing plants in ROI in recent weeks. During the four weeks ending 18 March 2023 22,130 hoggets were exported from NI for slaughter in ROI which was up from 21,032 head exported during the four weeks prior.

The strengthening trade has also been observed in GB and ROI. Last week in GB the average deadweight hogget price was 522.5p/kg an increase of 16.1p/kg from the previous week equating to a £3.54 increase on the value of a 22kg hogget carcass. Similarly, in ROI last week the average deadweight hogget price was the equivalent of 562.4p/kg, an increase of 6.6p/kg from the previous week and a 23.2p/kg increase during the fortnight.

An improved trade is being driven by plants currently in production for the Easter period, therefore with an increase in consumer demand producers should be in an improved position for negotiation.

Moreover, the muslim Ramadan festival is a key event in the UK lamb market calendar, this year taking place from 22 March to 20 April 2023. This religious festival has boosted demand and helped the trade for prime sheepmeat in the past few weeks.

Producers are reminded current market specifications require hogget carcasses with a fat class 2 or 3, and conformation scores of R and U. Hoggets fulfilling these requirements will be in a position to secure the greatest prices available.

COW TRADE UPDATE

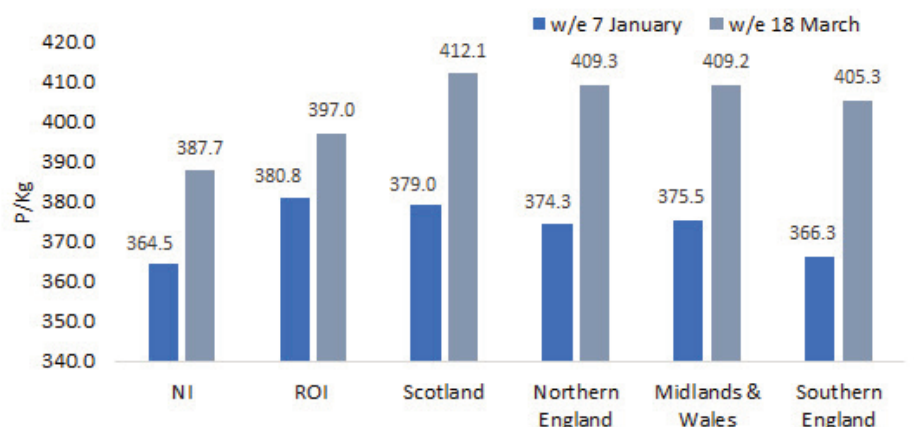
The deadweight cow trade in Northern Ireland remains strong with prices continuing to increase from the beginning of 2023 and staying well ahead of previous years. Base quotes for cows from the local processors have held relatively steady in recent weeks with plants quoting 360-374p/kg for good quality O+3 grading cows, with few processors quoting at the lower end of the range.

The O3 cow price in NI last week was 387.7p/kg, up 2.1p/kg from the previous week. The cow trade has also been improving in GB with prices in all regions ahead of current NI prices and well over

400p/kg. The average O3 cow price in GB last week was 408.7p/kg, 21p/kg ahead of the equivalent price in NI.

Despite recording a decline last week the cow trade in ROI has also been very strong in recent weeks. Last week in sterling terms an average O3 cow price of 397p/kg was reported. This has increased by 16.2p/kg since the first week of January 2023. **Figure 1** outlines the change in cow trade across the UK and in ROI during the year to date.

Figure 1: O3 cow prices in NI, ROI and GB regions w/e 07 January 2023 vs w/e 18 March 2023. Source: LMC Deadweight Price Reporting, AHDB and DAFM.



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WEEKLY BEEF & LAMB MARKETS

CATTLE TRADE

NI FACTORY BASE QUOTES FOR CATTLE

(P/KG DW)	This Week 20/03/23	Next Week 27/03/23
Prime		
U-3	450 - 470p	450 - 470p
R-3	444 - 464p	444 - 464p
O+3	438 - 458p	438 - 458p
P+3	382 - 402p	382 - 402p
	Including bonus where applicable	
Cows		
O+3	360 - 374p	360 - 374p

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.

Deadweight Cattle Trade

Base quotes from the plants this week for in spec U-3 grading prime cattle ranged from 450-470p/kg with similar quotes expected early next week for both steers and heifers. Quotes for good quality O+3 grade cows generally remained firm at 360-374p/kg with similar quotes expected on Monday. The majority of plants are quoting at the top end of this range and producers are encouraged to shop around to get the best price for their cattle.

Throughput of prime cattle in local plants was down significantly last week with 6,118 head processed, back 888 head from the previous week. This was also back 714 head from the 6,832 prime cattle processed in local plants in the corresponding week last year. Cow throughput in NI last week was back 144 head from the previous week to total 1,792 head.

Imports of cattle from ROI for direct slaughter last week consisted of 158 prime cattle and 63 cows with no cattle imported from GB last week for direct slaughter in local plants. Exports of cattle from NI to ROI for direct slaughter consisted of three prime cattle and 17 cows with no cattle being exported from NI to GB last week for direct slaughter.

The NI deadweight trade for prime cattle continued at record levels last week. The average NI steer price increased by 2p/kg from the previous week to 473.1p/kg while the NI R3 steer price reported an increase of 2.4 p/kg to 483.1p/kg. The average heifer price in NI last week was 472.7p/kg, back just over a penny from the previous week while the R3 heifer price reported a slight improvement to 487.3p/kg. This is well above the same week last year when the R3 heifer price reported in NI was 417p/kg. The young bull trade in NI last week remained firm with the average young bull price up 2.3p/kg to 457.9p/kg and the R3 young bull price up 7.5p/kg to 474.5p/kg. Meanwhile last week the average cow price remained steady from the previous week at 357.3p/kg while the O3 cow price reported an increase of 2.1p/kg to 387.7p/kg.

In GB last week the deadweight trade for prime cattle came under some pressure across the regions from the previous week but was up on average at GB level. The average steer price in GB last was up 0.8p/kg to 485.5p/kg, with the R3 steer price up 0.3p/kg to 491.8p/kg. The average heifer price in GB last week increased marginally from the previous week to 483.2p/kg with the R3 heifer price up by just over a penny to 492.4p/kg. Meanwhile the cow trade in GB remained firm last week with the average cow price up marginally from the previous week to 384.3p/kg and the O3 cow price reporting an increase of 1.3p/kg to 408.7p/kg.

Deadweight cattle prices in ROI last week came under pressure in sterling terms. The R3 steer price in ROI last week reported a decline of 4.9p/kg to the equivalent of 463.5p/kg, 19.6p/kg behind current NI levels. The R3 heifer price in ROI also reported a decrease last week of 4.5p/kg to the equivalent of 467.1p/kg, widening the differential with NI to 15.9p/kg. The O3 cow price in ROI was back by the equivalent of 3.9p/kg to 397p/kg, 9.3p/kg above the same price in NI.

Deadweight Sheep Trade

Base quotes for R3 grade hoggets strengthened mid week to range from 555-560p/kg up to 22kg with base quotes of 555-565p/kg expected early next week. Hogget throughput declined last week by 1,612 head with a total of 7,996 head processed locally. In the corresponding week last year 5,092 hoggets were processed in local NI plants. A further 5,116 hoggets were exported to ROI last week, down 743 head from the previous week. The average NI deadweight hogget price increased last week by 11p/kg to 545.4p/kg while the average deadweight hogget price in ROI increased by the equivalent of 6.6p/kg to 562.4p/kg.

Liveweight Sheep Trade

Steady numbers of hoggets passed through the sale rings this week with trade generally up from last week. In Swatragh last Saturday 1,080 hoggets sold from 440-586p/kg compared to 1,540 hoggets the previous Saturday selling from 480-545p/kg. On Monday in Markethill 1,150 hoggets sold from 500-525p/kg compared to 700 hoggets last week selling from 500-538p/kg. This week in Rathfriland 300 hoggets sold from 488-530p/kg (avg 503p/kg) compared to last week when 420 hoggets sold from 488-520p/kg (avg 502p/kg). In Ballymena on Wednesday a large sale of 2,706 hoggets sold from 480-561p/kg (avg 505p/kg) compared to 1,809 hoggets last week selling from 485-561p/kg (avg 510p/kg). Top reported prices for culled ewes ranged from £170-250 this week.

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

	W/E 18/03/23	Northern Ireland	Rep of Ireland	Scotland	Northern England	Midlands & Wales	Southern England	GB
Steers	U3	487.4	472.4	495.7	494.2	501.3	500.8	497.4
	R3	483.1	463.5	493.2	489.6	493.4	490.8	491.8
	R4	482.6	466.3	495.5	494.8	489.9	490.7	493.9
	O3	471.0	454.4	477.3	471.9	472.3	467.5	471.4
	AVG	473.1	-	492.5	485.0	483.7	480.3	485.5
Heifers	U3	487.3	479.0	502.4	498.4	507.9	503.2	503.8
	R3	483.0	467.1	495.9	488.5	493.9	491.5	492.4
	R4	480.2	470.6	495.6	491.0	492.4	489.0	493.0
	O3	473.4	460.7	469.7	472.3	465.5	464.7	467.2
	AVG	472.7	-	493.7	483.6	479.5	475.3	483.2
Young Bulls	U3	476.9	460.8	488.9	489.0	493.7	496.3	490.8
	R3	474.5	452.1	484.3	483.7	479.9	474.2	481.2
	O3	458.3	436.6	459.9	445.6	452.0	453.3	452.5
	AVG	457.9	-	476.7	463.7	467.3	467.6	468.0
Prime Cattle Price Reported	5,116	-	6,326	6,946	7,326	5,294	25,892	
Cows	O3	387.7	397.0	412.1	409.3	409.2	405.3	408.7
	O4	395.0	395.4	415.0	410.1	407.8	407.8	409.5
	P2	350.9	360.1	370.0	373.3	366.9	367.4	368.4
	P3	365.8	382.3	390.6	390.2	386.9	387.0	387.7
	AVG	357.3	-	409.5	389.6	379.0	374.5	384.3

Notes: (i) Prices are p/kg Sterling-ROI prices converted at 1 euro=87.80p 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 LIVELWEIGHT CATTLE MART PRICES NI

	W/E 18/03/23	1st QUALITY			2nd QUALITY		
		From	To	Avg	From	To	Avg
Finished Cattle (p/kg)							
Steers		280	321	295	210	279	240
Friesians		229	265	240	169	228	200
Heifers		285	314	300	220	284	240
Beef Cows		240	279	250	185	239	210
Dairy Cows		160	220	175	75	159	115
Store Cattle (p/kg)							
Bullocks up to 400kg		320	400	345	250	319	285
Bullocks 400kg - 500kg		280	329	300	210	279	245
Bullocks over 500kg		270	310	280	200	269	235
Heifers up to 450kg		300	360	320	220	299	250
Heifers over 450kg		240	296	260	195	239	210
Dropped Calves (£/head)							
Continental Bulls		380	505	420	250	375	300
Continental Heifers		320	470	370	200	315	255
Friesian Bulls		100	195	140	5	95	50
Holstein Bulls		80	180	120	2	32	15

REPORTED NI CATTLE PRICES - P/KG

W/E 18/03/23	Steers	Heifers	Young Bulls
U3	487.2	487.1	476.2
R3	482.0	482.2	473.3
O+3	474.9	475.4	463.6

*Prices exclude AA, HER and Organic cattle

REPORTED COW PRICES NI - P/KG

W/E 18/03/23	Weight Bands			
	<220kg	220-250kg	250-280kg	>280kg
P1	279.7	296.5	307.4	324.6
P2	309.5	326.4	349.6	363.2
P3	306.6	339.3	361.2	368.9
O3	344.4	395.5	384.3	388.2
O4	-	-	386.6	395.3
R3	-	-	-	411.2

SHEEP TRADE

NI SHEEP BASE QUOTES

(P/Kg DW)	This Week 20/03/23	Next Week 27/03/23
R3 Hoggets up to 22kg	550p	555 - 565p

REPORTED SHEEP PRICES

(P/KG)	W/E 04/03/23	W/E 11/03/23	W/E 18/03/23
NI L/W Hoggets	482.9	504.2	505.1
NI D/W Hoggets	518.9	534.4	545.4
GB D/W Hoggets	504.6	506.4	522.5
ROI D/W	539.2	555.8	562.4

LATEST SHEEP MARTS (P/KG LW)

From: 18/03/23		Hoggets			
To: 23/03/23		No	From	To	Avg
Saturday	Swatragh	1080	440	586	-
	Omagh	596	495	542	-
Monday	Kilrea	560	494	527	-
	Markethill	1150	500	525	-
Tuesday	Saintfield	488	495	530	-
	Rathfriland	300	488	530	503
Wednesday	Ballymena	2706	480	561	505
	Enniskillen	805	480	527	-
	Armoy	419	500	568	-

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