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EU AND UK MOVING TO PHASE TWO OF BREXIT NEGOTIATIONS

FOLLOWING a period of intense negotiations the UK Prime Minister and EU Commission President Jean-Claude Juncker announced that an agreement in principle had been made in early December last year regarding the terms under which the UK will leave the bloc in 2019

This outline agreement covered three key areas which the EU identified as needing clarified before the UK left the EU. These areas were the special status of Ireland and Northern Ireland, the UK budget settlement, and the rights of UK citizens living in the EU (and vice-versa). All three of these areas could have the potential to significantly impact the NI red meat industry moving forward.



A recent article from Agra Europe has outlined that the uncertain future for farm trade between the UK and Ireland post Brexit was the major discussion topic at a EURACTIV roundtable discussion held in London earlier this month. EURACTIV is a European media platform specialising in the online publication of articles focusing on European policymaking.

A particular area of discussion at this roundtable discussion was the complex dynamics of cross-border farm and animal trade between NI and ROI and the maintenance of a frictionless border between the two regions.

A key aspect of the outline agreement between the UK and the EU is 'regulatory alignment' which effectively means continuing to follow at least some of the rules of the EU's single market, in order to avoid the return of a 'Hard Border'. However, the final details have still to be worked out and agreed.

Since the announcement that an agreement had been met both the UK and ROI governments have reiterated a firm commitment "to the avoidance of a hard border between NI and ROI and this includes any physical infrastructure or related checks and controls."

While a negotiated deal on future trade and other arrangements between the UK and the EU remains the primary goal, a clause in the new agreement states that, as a fall back position, there will be regulatory 'alignment' to ensure there is no disruption in either North-South trade on the island of Ireland, or 'East-West' trade which refers to the trade of goods and services between NI and mainland GB.

Given the UK's commitment to leave both the single market and the Customs Union, and its parallel commitment not to create a regulatory regime for Northern Ireland which is separate from the rest of the UK, it is not clear how this will work according to policy experts with Agra Europe.

According to Agra Europe at face value, the agreement does appear to open up at least the possibility of the UK retaining a very close

regulatory alignment with the EU on trade-related matters after Brexit, even if full membership of the single market and Customs Union remain (nominally) ruled out.

In any case, the pledge to keep trading relationships fluid between NI and ROI will be a relief to red meat producers and processors on both side of the border given the

closely integrated supply chains which they currently share.

This outline agreement announced in early December 2017 allows the UK and the EU to move to Phase 2 of negotiations which cover the future trade relationship between the two parties with these talks expected to commence early in 2018.

Image 1: Phase two of Brexit negotiations are expected to focus on the future trading relationship between the UK and the EU



Image 2: The maintenance of fluid trading relationships between NI and ROI is important for the entire red meat supply chain.



FQAS Helpline

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MORE BEEF CROSS CATTLE IN NI SLAUGHTER MIX

THE combination of weaker milk prices, a relatively stable dairy cow herd and strong demand for beef sired calves has resulted in a notable increase in the proportion of dairy cows in NI served with a beef bull in recent years.

In 2017 there were 123,175 beef sired calves registered to dairy dams in NI. This has steadily increased year on year with just 74,210 beef sired calves registered to dairy cows in 2012. This increase by 48,965 head represents a 66 per cent increase over the five year period.

While there has been an overall increase in the number of beef cross calves registered in NI there has also been a notable shift in the type of beef bull used by dairy producers as indicated in Table 1.

Bonuses for Aberdeen Angus and Hereford cattle at point of slaughter have increased demand for these types of calves and this has been a key driver behind the shift between breeds. Both of these breeds also have the advantage of lower birth

rates and shorter gestations than continental bred bulls which also proves beneficial to the dairy producer.

There were a 24,693 Aberdeen Angus calves registered to dairy cows in 2012 and these accounted for 33 per cent of total beef cross calves registrations. By 2017 the number of AA calf registration increased to 46,123 head and these accounted for 37 per cent of all registrations.

In 2012 there were 7,085 Hereford calves registered to dairy cows in NI and these accounted for 9.5 per cent of all beef cross registrations. In 2017 19,389 Hereford calves were registered to dairy dams, accounting for 16 per cent of total registrations.

The increase in the number of beef cross calves being registered is having an increasing influence on NI slaughter mix with beef cattle sourced from the dairy herd accounting for 23 per cent of prime cattle throughput in local plants in 2017 compared to 18 per cent in 2016.

Table 1: Number of beef sired calves registered to dairy dams in NI by breed during 2012 and 2017

	2012	2017
AA	24693	46123
LIM	18787	21624
HER	7085	19389
BB	10615	17786
SIM	4479	6891
CH	2962	4239
Other	5589	7123
Total	74210	123175

Image 3: The number of beef calves registered to dairy cows in NI has increased by 66 per cent since 2012.



CHANGE TO YOUNG BULL SLAUGHTER MIX

ANALYSIS of price reporting data for the final quarter of 2017 has indicated a general downward movement in the conformation scores achieved by both steers and heifers when compared to previous years.

This change has been partly driven by an increasing proportion of beef sired steers and heifers originating from the dairy herd. Another key factor has been the increasing use of native breed bulls such as Aberdeen Angus and Hereford in NI whose offspring tend to achieve poorer conformation scores at slaughter than the heavier continental breeds.

However if we consider the conformation scores achieved by the young bull kill in NI the opposite has occurred. In the final quarter of 2017 18.4 per cent of young bulls killed in NI achieved a U grade, a 3.2 percentage point increase from the same period in 2016.

The proportion of R grading carcasses has also recorded an increase, up from 21.4 per cent in quarter four 2016 to 25.4 per cent in quarter four 2017. Meanwhile the

proportion of O grading carcasses has declined from 39.4 per cent in the 2016 period to 32.3 per cent in the 2017 period. The proportion of P grading carcasses has remained fairly steady at 22.4 per cent in the 2017 period.

While the conformation scores of the steer and heifer kill have been impacted by more beef cross cattle and more traditional sired stock the opposite has occurred with regards to the young bull kill. As indicated in Figure 1 below 52 per cent of the NI young bull kill during the final quarter of 2017 were of suckler origin. This was a seven percentage point increase from the corresponding period in 2016 when 45 per cent of young bulls originated from the suckler herd.

There was also an increase in the number of beef sired young bulls that originated from the dairy herd. In the 2017 period these cattle accounted for 17 per cent of young bull throughput in local plants, up from 12 per cent in the same period in 2016.

Meanwhile the proportion of dairy sired young bulls in the local kill

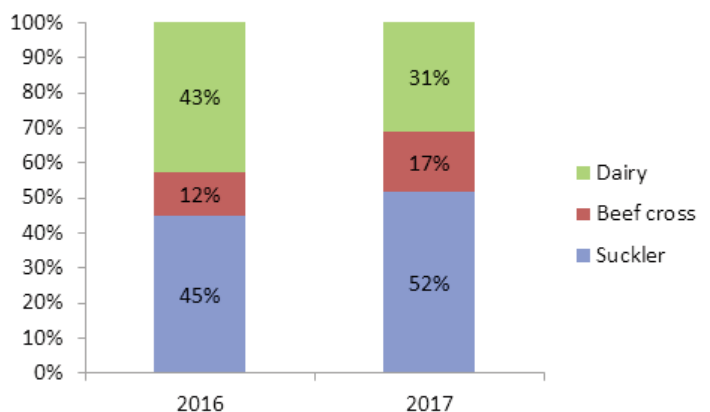
declined from 43 per cent in the final quarter of 2016 to 31 per cent in the final quarter of 2017. Aberdeen Angus accounted for five per cent of young bull throughput in the final quarter of 2017 with Hereford accounting for a further five per cent. These proportions increased slightly from four per cent and three per cent respectively in the same period in 2016.

The increasing proportion of suckler origin young bulls in the NI slaughter mix is an indication that some producers are aiming to produce heavier young bulls within

the 16 month age deadline and are doing this by utilising the greater efficiency and growth potential of beef bred animals.

In the final quarter of 2017 79 per cent of price reported young bulls killed in the major NI beef processing plants met the under 16 month deadline compared to 85 per cent in the same period in 2016. Good planning and regular monitoring is essential to make sure young bulls reach their target weight and finish within the 16 month age limit.

Figure 1: Price reported young bull kill by source during quarter four of 2016 and 2017

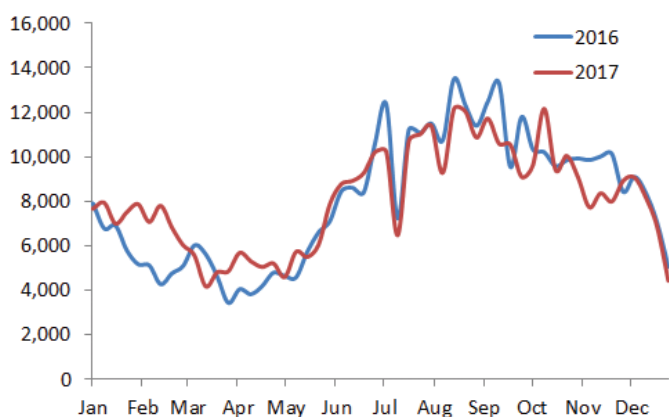


MORE NI LAMBS BEING EXPORTED TO ROI

Image 4: A larger proportion of NI lambs were exported to ROI for direct slaughter in the second half of 2017.



Figure 2: Weekly lamb/hogget slaughterings in NI 2016-2017



DURING the last six months of 2017 a total of 247,975 lambs were killed in NI. This was a seven per cent decline from the corresponding period in 2016 when 266,435 lambs were killed locally.

ROI continues to act as an important outlet for the NI sheep sector with lamb exports for direct slaughter during the second half of 2017 totalling 193,925 head. This was a three per cent increase from the same period in 2016 when 187,857 lambs were exported.

Lamb exports to ROI for direct slaughter accounted for 44 per cent of total lamb output from NI during the second half of 2017. This was a three percentage point increase from the same period in 2016 when exports to ROI accounted for 41 per cent of NI lamb output. This has meant that the proportion of NI origin lambs killed locally has declined from 59 per cent in the second half of 2016 to 56 per cent in the second half of 2017.

The number of lambs being exported to ROI for direct slaughter

is impacted by the supply/demand balance for lambs in both NI and ROI. Another key factor is the strength of euro against sterling. When the euro is strong against sterling NI origin lambs tend to be more attractive to plants in ROI. However a stronger euro also helps local processors as it makes NI product much more competitive on the important EU market.

Total lamb output from the NI sheep sector in the second half of 2017 was 441,900 head. This was a 2.7 per cent decline from the same period in 2016 when 454,292 lambs were either killed in local plants or exported to ROI for direct slaughter.

This decline in total lamb output has occurred despite a one per cent increase in the number of lambs recorded on NI farms in the June 2017 agricultural census. This would indicate that more lambs have been carried forward into 2017 to be killed as hoggets. The local processors have indicated good availability of hoggets for slaughter in the first few weeks of 2018 with the quality of those being killed generally very good.

LIGHTER CARCASS WEIGHTS RECORDED IN 2017

AN important aspect of current beef retail specifications is carcass weight as this determines the size of individual cuts that are produced. The majority of the major retailers require cuts from steers and heifers with a carcass weight between 280-380kg although the majority of the local beef processing plants will generally allow carcasses of up to 400kg before applying penalties.

During 2017 the average steer carcass in NI was 349kg, back 5kg from 2016 when the average carcass weight was 354kg as indicated in Figure 3. However despite the decline in the average carcass weight year on year the proportion of carcasses falling within the desired weight range of 280-380kg held steady at 63 per cent.

A further 13 per cent of price reported steers had a carcass weight of between 380-400kg, 9 per cent had a carcass weight of 400-420kg while 7 per cent had a carcass weight of over 420kg. The remaining 9 per cent of price reported steers had carcass weights below 280kg.

The average heifer carcass weight in NI during 2017 was 315kg, back 3kg from 2016 levels when the average heifer carcass weight was 318kg. Analysis of price reporting data has shown that 73 per cent of heifers produced carcasses within the 280-380kg weight range during 2017, back slightly from 75 per cent of heifer carcasses in 2016.

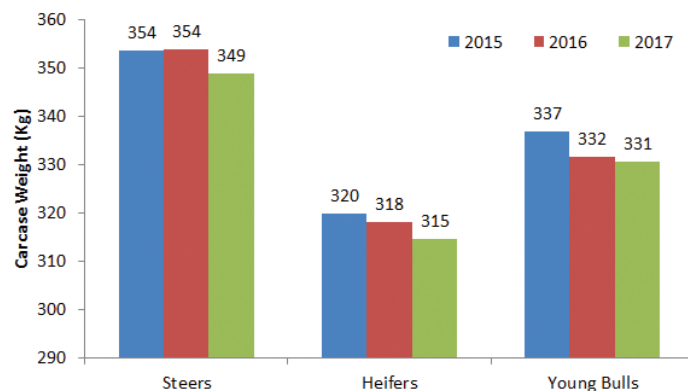
A further 5 per cent of heifers produced carcasses between 380-400kg while 2 per cent were between 400-420kg. Heifer carcasses between 260-280kg accounted for 11 per cent of price reported heifers in 2017 while a further 8 per cent had carcass weights under 260kg.

While processors can find a customer for beef from carcasses outside the desired 280-380kg weight range there is a more limited range of options. It is therefore important that producers consult with the procurement staff of the individual processors before finishing cattle to ensure the cattle presented for slaughter meet current market requirements.

Image 5: Steer and heifer carcass weights have both recorded a decline in 2017



Figure 3: Average carcass weight of prime cattle by category 2015-2017



GIRA: GROWTH IN EU BEEF PRODUCTION

THE latest reports from Gira have indicated that EU beef production increased by 1.1 per cent during 2017 which was higher than previous forecasts had expected.



A stalling in the recovery in milk prices in the first half of 2017 will have been one factor behind this increase in beef production, while another important driver was a decline in feed input costs. Lower feed costs will have encouraged finishers to push cattle into higher carcass weights and thereby contributing to higher beef production.

There was little change to prime cattle slaughterings in the EU during 2017 although total cow throughput in the region was back by 1.7 per cent from the very strong cow throughput recorded in 2016.

In 2017 65 per cent of the overall cow herd in the EU were dairy cows however the latest report from Gira suggests that the EU dairy sector is slowly improving the quality of its meat output through the increasing use of sexed semen and beef sires. There has also been an increase in the levels of supplementary feeding in finishing systems which has helped to increase carcass weights and improve quality.

Gira estimates suggest that beef production in the EU will grow by a further 0.4 per cent in 2018 with a reduction in the proportion of cull animals in the overall cattle slaughter mix expected despite weaker confidence in the dairy sector.

A weaker sterling has impacted the EU beef market during 2017 by improving the competitiveness of UK beef products against other exporting countries within the EU. The effects of the improved UK competitiveness will have been most apparent in ROI as they are producing similar products and

competing for similar market opportunities. While a weaker sterling will have benefitted the beef trade, and in particular the cow beef trade, in the UK it has had a negative impact on ROI who have had to reduce prices to maintain competitiveness.

EU beef exports increased by 13.1 per cent during 2017 when compared to year earlier levels. This is driven primarily by growth to markets within the Mediterranean Rim. Exports are expected to grow by a further 3.1 per cent during 2018 with continued growth in exports to the Mediterranean markets.

EU beef imports declined by 2.5 per cent during 2017, with a notable decline in imports from Brazil. However imports are expected to recover in 2018 with total beef imports up 4.9 per cent from 2017 levels as Brazil returns to the market and the Comprehensive Economic and Trade Agreement between the EU and Canada (CETA) gains some momentum.

The average beef consumption in the EU last year was 15kg/head with total EU beef demand recording a marginal increase of 0.5 per cent from year earlier levels. Gira's latest forecasts have indicated a further 0.5 per cent increase in EU beef consumption in 2018 due to a stable demand for beef.

This growth in consumption has been driven by improved economic conditions across the EU and an increase in disposable incomes. There has been an increase in demand for steak cuts in particular which has helped with carcass balance.

According to Gira Brexit has the potential to create shockwaves in the EU beef market if not handled correctly. At present there is little clarity on what the post-Brexit trading relationship between the two regions will look like and it could be the final quarter of 2018 before any light can be shed on what agreement will be put in place.

WALK THE LINE PLANT VISITS

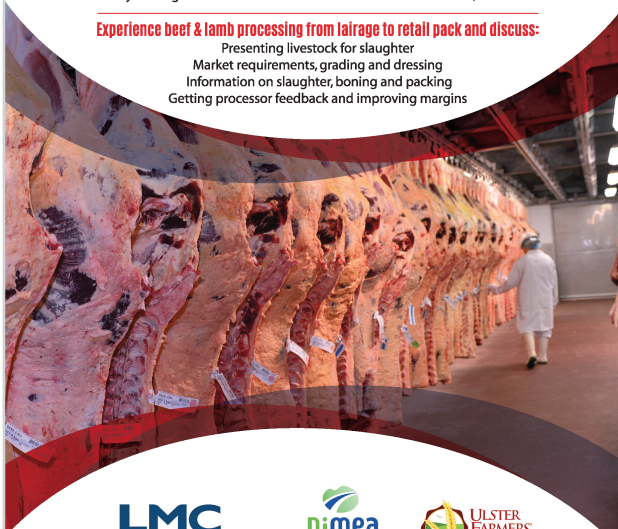
WALK THE LINE PROCESSING PLANT VISITS

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



LMC
Livestock & Meat Commission

nimea
Northern Ireland Meat Exporters Association

ULSTER FARMERS UNION

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 over 100 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

NIFCC SUCCESSFULLY MAINTAIN UKAS ACCREDITATION

NORTHERN Ireland Food Chain Certification (NIFCC), the Certification Body which is responsible for inspection and certification of members of the Northern Ireland Beef and Lamb Farm Quality Assurance Scheme (NIBL FQAS), has recently completed its annual accreditation audit by the United Kingdom Accreditation Service (UKAS). Following the successful audit, Noel Lavery, NIFCC Operations Manager, commented 'NIFCC have continuously maintained UKAS accreditation for the past 15 years, which is a ringing endorsement of the robustness and integrity of the assurance schemes operated by NIFCC. I would like to commend the NIFCC staff and our entire scheme membership for continuing to contribute to the success of quality assurance within the Northern Ireland agri-food sector.' For further information about NIFCC and the quality assurance schemes available
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