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IS SUSTAINABILITY THE NEW FOOD SAFETY?

SUSTAINABILITY is a word that has become part of the daily vocabulary and practice of the entire red meat supply chain, from animal feed companies through to retailers. This is similar to the way in which food safety has been part of every-day language in the sector for many years now.

In 2002 the European Union defined legal responsibilities for all food business operators to ensure that the requirements of food law are met within the food businesses under their control. Whilst sustainability in the red meat supply chain is not defined legally under EU law we see that sustainability assessment and demonstration of continuous improvement has become the new benchmark for trade with many major meat industry customers around the world. One notable example of this is McDonalds who are publicly committed to sourcing beef from verifiable sustainable sources from 2016.

People often ask what is sustainability? From the start of this decade LMC has been playing an active part in global sustainability discussions through our membership of the International Meat Secretariat (IMS), the Sustainable Agriculture Initiative (SAI) Platform and the Global Roundtable for Sustainable Beef (GRSB).

The SAI Platform is a global food industry initiative for sustainable agriculture and defines sustainable agriculture as 'the efficient production of safe, high quality agricultural products, in a way that protects and improves the natural environment, the social and economic conditions of farmers,

their employees and local communities, and safeguards the health and welfare of all farmed species'. This definition captures very succinctly the social, environmental and economic parameters that sustainability is all about.

Depending on who you talk to or listen to there are many different opinions on how sustainable the red meat supply chain is. Some Non-Governmental Organisations (NGO's) and single interest lobby groups will argue that the red meat industry does not do enough to protect animal welfare (in some parts of the world); that we should be eating less meat to preserve global fresh water and crops for feeding direct to humans rather than livestock; that methane emissions from livestock are contributing too much to global warming.

However others will argue, including LMC, that livestock farming is a crucial element in the sustainability of a global population that is anticipated to reach 9 billion people by 2050; that meat from livestock is a valuable source of nutritious and versatile protein for feeding people; that ruminant livestock can convert human inedible protein (e.g. grasses) to edible protein; that livestock can efficiently maintain and manage agricultural lands that cannot grow arable crops and by so doing increase the carbon sequestration potential of those lands, and; that livestock are a source of wealth generation for all operators in the meat supply chain.

Farmers' representatives from around the world will often argue that unless they get paid sustainable prices there will be no livestock

production, which then raises another question, What are sustainable prices? When we consider sustainability in the local context in Northern Ireland we have to think about sustainability as the whole package.

The Greenhouse Gas Implementation Partnership (of which LMC is an active member) has been working since 2011, when it launched the Efficient Farming Cuts Greenhouse Gases strategy and action plan. The aim of this plan was to drive efficiency and profitability improvement at farm level through the widespread adoption of knowledge and technology in farming systems. The strategy is based on the pretext that the industry should focus on factors within its control as the end market will not reward inefficiency in the supply chain.

When we focus on the beef and lamb sector Northern Ireland has a very good sustainability story to tell. Almost 100% of our beef and lamb at slaughter has been independently assured through FQAS to a range of

Figure 1: LMC has been playing an active part in global sustainability discussions through our membership of the International Meat Secretariat (IMS), the Sustainable Agriculture Initiative (SAI) Platform and the Global Roundtable for Sustainable Beef (GRSB).

quality parameters covering animal welfare, care for the environment and food safety; our livestock and meat is traced by one of the most sophisticated traceability systems in the world in APHIS; the compound feed for our livestock is supplied through the world leading Food Fortress Initiative; we have some of the most professional and knowledgeable farmers and processing companies in the world; we have an abundant water and forage supply to play an active part in feeding a growing global demand for animal protein; and we have passionate and forward thinking people in industry, government, research and support sectors to lead our growth ambitions.

The one thing we have not been good at in Northern Ireland is telling others outside the region how good we really are and from an LMC perspective that has to be a key strategic focus for our sector going forward to ensure that we maintain a sustainable industry in this ever more volatile and competitive global marketplace.



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

Factory Quotes & Mart Results
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

NI SHEEP MARKET OVERVIEW 2015

THE NI sheep trade started 2015 on a positive note with reported deadweight prices above the corresponding period in 2014. However the seasonal increase in prices that usually occurs during the spring and early summer failed to materialise as outlined in Figure 2.

Deadweight lamb prices in NI followed a general decline until late July 2015 and stayed relatively steady after this point for the remainder of 2015. If we consider

2015 as a whole the deadweight lamb/hogget price was 349p/kg compared to 393.8p/kg during 2014. This change accounts for an 11.4 per cent decline year on year and is the equivalent of £10 per head on a 22kg carcase.

A key factor behind the decline in 2015 deadweight prices in NI when compared to previous years is the influence of the sterling euro exchange rate. Sterling traded strongly against euro for much of 2015 with an average exchange

rate of €1=72.6p compared to €1=80.6p during 2014. This has made NI origin lambs more expensive in euro terms and resulted in reduced demand from ROI processors for NI origin lambs. The strength of euro against sterling also caused difficulties for NI processors when competing on the EU market.

Deadweight lamb prices also came under pressure in GB during 2015 although not to the same extent as recorded in NI. During 2015 the average deadweight lamb price in GB was 384p/kg compared to 422.5p/kg during 2014, accounting for a 9.1 per cent decline year on year.

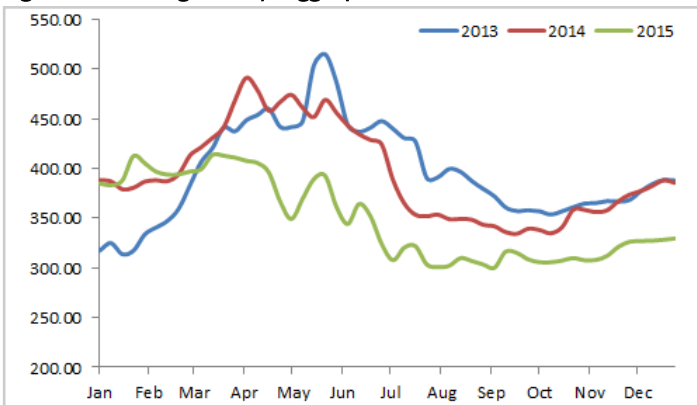
In ROI during 2015 the average deadweight lamb price was the equivalent of 351.4p/kg compared to 383.6p/kg during 2014 accounting for an eight per cent decline year on year. However in euro terms the deadweight lamb price in ROI increased from 475.2c/kg in 2014 to 483.5c/kg in 2015.

During 2015 lamb/hogget throughput in the NI plants totalled 467,320 head. This was a notable increase of 22,377 head from 2014 when a total of 444,943 lambs were slaughtered in NI plants. The average lamb/hogget carcase weight in NI remained unchanged between 2014 and 2015 at 21.8kg.

Meanwhile ewe and ram throughput during 2015 totalled 35,672 head, a decrease of 15,125 head from 50,797 head in 2014. Ewe and ram average carcase weights also remained steady with an average carcase weight of 28kg during 2015.

ROI continues to act as an important outlet for the NI sheep sector with 331,480 sheep exported from NI for direct slaughter in ROI during 2015. This was a decrease of 38,104 head from the 369,584 sheep exported during 2014.

Figure 2: Deadweight lamb/hogget prices in NI 2013-2015



INCREASE IN PRIME CATTLE SUPPLIES EXPECTED IN SECOND HALF OF 2016

DURING 2013 and the first half of 2014 there was a notable decrease in beef sired calf registrations in NI. This was a result of difficult production conditions on NI farms during 2012 and 2013 which had a negative influence on cow productivity. This situation was mirrored in ROI and in GB where calf registrations also recorded notable declines.

Reduced calf registrations in NI combined with a decline in exports from ROI for further production on NI farm led to tighter prime cattle supplies for NI processors throughout 2015. However in the second half of 2014 and throughout 2015 beef sired calf registrations in NI recovered as indicated in Figure 3.

During 2015 a total of 338,378 beef sired calves were registered on NI farms compared to 312,818 beef calves registered during 2014. This represents an increase of eight per cent year on year. The number of beef sired calves registered to suckler origin cows during 2015 was six per cent higher than 2014 levels while the number of beef sired calves registered to dairy

cows increased by 14 per cent year on year.

This increase in beef sired calves from the dairy herd highlights the importance of the NI dairy industry as a source of raw material for the NI beef herd. In addition to this there has been a notable increase in the number of dairy sired male cattle on NI farms during 2015.

The strength of euro against sterling for much of 2015 made NI (and GB) dairy origin bull calves more expensive in euro terms and as a result there was a decrease in the proportion of these calves exported to mainland Europe for further production. At the end of December the number of male dairy sired cattle aged under 18 months on NI farms totalled 72,372 head, a 13 per cent increase on year earlier levels.

The improvement in calf registrations and reduced level of calf exports will start to become apparent later this year with an increase in supplies of prime cattle expected to come forward for slaughter as indicated in Figure 4.

Figure 3: Beef sired calf registrations in NI 2013-2015

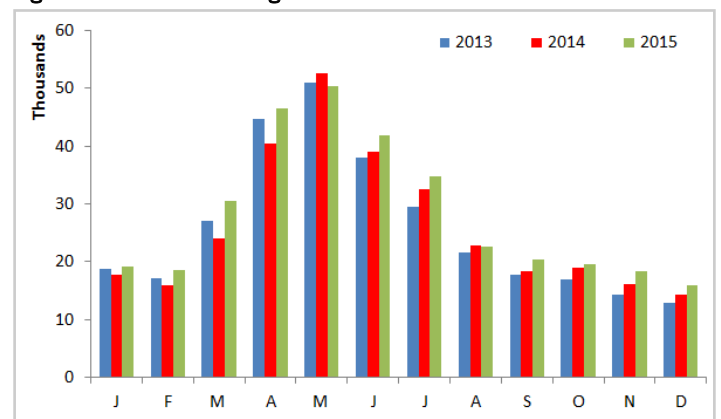
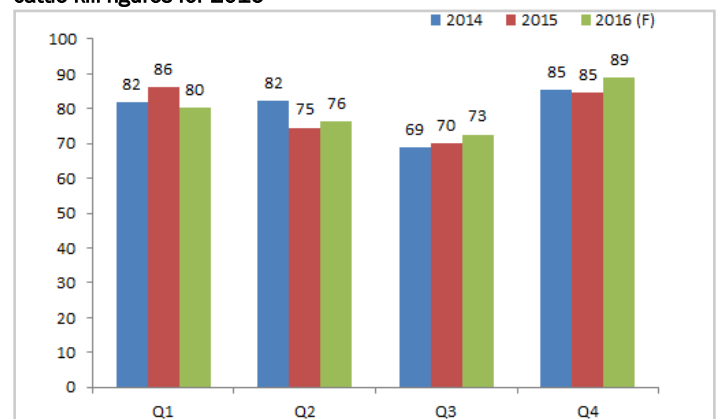


Figure 4: Prime cattle slaughterings in NI 2014-2015 and forecast prime cattle kill figures for 2016



BEEF MARKET OVERVIEW 2015

FIGURE 5 displays R3 steer prices in NI during 2014 and 2015 and provides a useful representation of the deadweight trade for prime cattle in NI. The R3 steer price is used for comparison purposes as it is the single most common base grade in NI and therefore provides the most robust sample for analysis.

As indicated in Figure 5 the deadweight cattle trade for prime cattle in NI started 2015 relatively strong with prices during the first half of 2015 broadly similar to the corresponding period in 2014. During the period June to September 2015 deadweight prices in NI were higher than the corresponding period in 2014 however as the year progressed deadweight cattle prices in NI started to come under pressure with the expected seasonal lift in prices in the autumn failing to appear.

A variety of factors contributed to the downward pressure on the deadweight cattle trade in NI recorded in the second half of 2015 including steady supplies of prime cattle being presented for slaughter, weaker demand for beef from major retailers and more difficult trading conditions for processors due to the strength of sterling against euro.

The average R3 steer price in NI during 2015 was 337.7p/kg, a decline of 4.2p/kg from 2014 levels when the R3 steer price was 341.9p/kg. However while using average prices is useful for comparison purposes they can also hide notable changes year on year. For example during December 2015 the average R3 steer price in NI had declined to its lowest level since October 2011 at 313.8p/kg.

Perhaps the most notable trend in deadweight prime cattle prices during 2015 was the widening in the price differential for R3 grade steers between NI and GB. R3 steer prices in NI and GB were broadly similar to each other during May 2015 however after this point the differential steadily widened to as wide as 33.4p/kg in October 2015. The differential then stayed at around this level for several months but started to narrow as we moved into 2016.

A total of 315,485 prime cattle were slaughtered in NI during

2015, a one per cent decline on 2014 as outlined in Table 1. However despite the slight drop in prime cattle throughput the volume of beef from prime cattle processed by the plants recorded a two per cent increase year on year. This was driven by an increase in the average carcass weight of prime cattle from 331kg in 2014 to 340kg in 2015.

Meanwhile cow throughput in the NI plants increased by five per cent on 2014 levels to total 87,110 head during 2015. This increase in cow throughput combined with cow carcass weights remaining steady at 306kg contributed to a six per cent increase in cow beef throughput in NI plants during 2015 as indicated in Table 2.

The combination of the increase in the carcass weights of prime cattle and the increase in cow throughput has resulted in a one per cent increase in the total volume of beef processed by NI plants during 2015 when compared to 2014 levels.

Imports of prime cattle for direct slaughter in NI plants during 2015 primarily came from ROI and totalled 22,909 head. These accounted for 8.1 per cent of total prime cattle throughput in NI during 2015. This compares to 25,644 prime cattle imported during 2014 which accounted for 7.2 per cent of prime cattle throughput. Meanwhile total exports of prime cattle from NI for direct slaughter during 2015 totalled 7,205 head compared to 8,184 prime cattle exported during 2014.

Imports of cows for direct slaughter in NI plants during 2015 totalled 7,004 head, a notable increase from the 5,190 cows imported during 2014. Meanwhile there has been a notable increase in the number of cows exported from NI for direct slaughter in GB and ROI. A total of 13,976 cows were exported out of NI for direct slaughter in 2015 compared to 10,322 cows during 2014.

During 2015 beef sired calf registrations in NI totalled 338,378 head, a notable increase of 25,560 head from the 312,818 beef sired calves registered in 2014 as outlined in more detail in the article on Page 2. The increase in registrations can be attributed to an increase in both suckler and dairy cow numbers on NI farms during 2015 as recorded in the June 2015

Agricultural Census and an improvement in production conditions on NI farms.

The increased calf registrations during 2014/2015 resulted in an increase in the number of cattle for beef production on NI farms with 339,478 head on NI farms aged 12-30 months in December 2015. This was an increase of 9,939 head on December 2014 levels when the number of cattle for beef production in this age category totalled 329,539 head.

The level of male cattle imports from ROI for further breeding and production on NI farms during 2015

remained steady with 7,332 head imported. While this was similar to 2014 levels it was well below the 10,130 male cattle imported from ROI for further production on NI farms during 2013. A small number of male cattle were also imported onto NI farms from GB for further production during 2015.

Meanwhile exports of male cattle from NI to GB for further production during 2015 totalled 8,879 head, a 14 per cent increase from the 7,813 head exported during 2014. Exports of male cattle to ROI for further production also continued on a small scale with 539 head exported during 2015.

Figure 5: R3 steer prices in NI 2014-2015

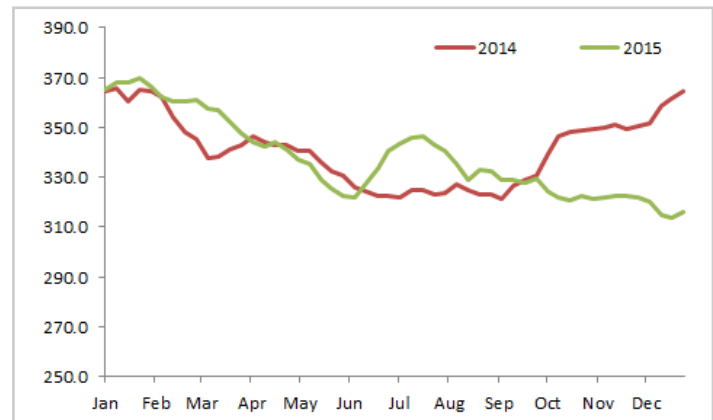


Table 1: NI CATTLE SLAUGHTERINGS (Head)

| | December | | | Year to Date | | |
|---------------------------|--------------------------|---------------|------------|---------------------------|----------------|------------|
| | (4 weeks ended 26/12/15) | | | (52 weeks ended 26/12/15) | | |
| | Dec-14 | Dec-15 | % Change | 2014 | 2015 | % Change |
| Steers | 12,411 | 13,837 | +11% | 153,903 | 167,910 | +9% |
| Heifers | 9,427 | 9,341 | -1% | 120,454 | 116,692 | -3% |
| Young Bulls | 2,000 | 2,519 | +26% | 43,862 | 30,883 | -30% |
| Total Prime Cattle | 23,838 | 25,697 | +8% | 318,219 | 315,485 | -1% |
| Calves | 449 | 598 | +33% | 9,163 | 6,499 | |
| Cows | 7,039 | 7,413 | +5% | 82,855 | 87,110 | +5% |
| Mature Bulls | 402 | 294 | -27% | 6,752 | 3,968 | -41% |
| Total Cattle | 31,728 | 34,002 | +7% | 416,989 | 413,062 | -1% |

Table 2: NI BEEF PRODUCTION (Tonnes)

| | December | | | Year to Date | | |
|---------------------------|--------------------------|---------------|-------------|---------------------------|----------------|------------|
| | (4 weeks ended 26/12/15) | | | (52 weeks ended 26/12/15) | | |
| | Dec-14 | Dec-15 | % Change | 2014 | 2015 | % Change |
| Steers | 4,330 | 4,960 | +15% | 53,227 | 59,391 | +12% |
| Heifers | 2,959 | 3,025 | +2% | 37,613 | 37,310 | -1% |
| Young Bulls | 659 | 847 | +29% | 14,499 | 10,422 | -28% |
| Total Prime Cattle | 7,947 | 8,832 | +11% | 105,303 | 107,122 | +2% |
| Calves | 84 | 117 | +39% | 1,950 | 1,352 | -31% |
| Cows | 2,077 | 2,247 | +8% | 25,200 | 26,630 | +6% |
| Mature Bulls | 175 | 136 | -22% | 2,740 | 1,791 | -35% |
| Total Beef | 10,283 | 11,331 | +10% | 135,193 | 136,896 | 1% |

EU BEEF PRODUCTION UP 1% IN 2015

GIRA is a strategic consultancy and market research firm which provides key insights into the food and drink sectors on a European scale and also on a global scale for some products such as meat, fish and dairy. A key part of their work is providing insight and research on EU and global meat production.



The latest update from GIRA has indicated a one per cent increase in total beef production within the EU during 2015. This increase in beef production has been attributed to an increase in adult cattle slaughterings with a notable increase in dairy cow throughput in processing plants across the EU.

A slackening in global demand for dairy products just as quota restrictions came to an end in the EU and producers increased production capacity has put pressure on milk prices across the EU. A consequence of this increase in production and drop in demand has been an increase in cow slaughterings in many of the key dairy producing regions. Figures from GIRA suggest a 2.3 per cent increase in adult bovine slaughterings during 2015 when compared to 2014 levels.

There were some notable variations in total beef production between

individual countries across the EU during 2015 with countries such as Poland and France recording increases in total beef production while production in ROI and the UK during 2015 was lower than year earlier levels.

In general lower feed costs and good grass growing conditions for much of Europe during Spring 2015 worked in favour of beef producers. However despite the improved production conditions the average carcass weight in the EU remained stable at 341kg which indicates that factors other than feed costs are influencing average carcass weights. This is in contrast to NI where average carcass weights for prime cattle increased from 331kg in 2014 to 340kg in 2015. The increase in average carcass weights in NI may be due to producers pushing cattle into heavier weights as finishers attempted to increase returns per head.

Consumer demand for beef within the EU recorded a marginal improvement during 2015 according to the latest GIRA report although it has indicated that demand remains weak overall. GIRA research has indicated that there has been a continuing recovery in the volume of steak sales across the EU however the improvements have been described as slow with the ongoing economic uncertainty in many EU countries.

As outlined previously there has been an increase in cow slaughterings across the EU and this combined with an increase in the availability of lower cost Polish beef on markets across the EU following the closure of the Russian market has placed downward pressure on retail beef prices across the EU when compared to year earlier levels.

It is likely that the drop in the average retail price of beef across the EU will have helped stimulate the small increases recorded in beef consumption within the EU. GIRA figures suggest EU beef consumption increased by one per cent on year earlier levels during 2015 with a notable reduction in the volume of beef sold on promotion when compared to 2014 levels.

Forecast

The latest GIRA forecast is indicating a slight increase in total beef production across the EU during 2016 when compared to 2015. With a lower throughput of cattle expected during 2016 this increase in production is expected to be primarily driven by heavier carcass weights.

Average carcass weights are expected to increase during 2016 in response to lower feed input costs. A reduction in the proportion of cows in the slaughter mix is also expected with dairy cow throughput in particular expected to return to

more normal levels as EU dairy producers adjust to the new quota free market.

With continuing economic uncertainty in some EU regions demand for beef is forecast to remain weak with little or no increase expected in terms of volume growth. Consumption per capita is expected to remain relatively steady at 15.4kg/head within the EU during 2016.

Lower feed and energy costs across the EU during 2016 are expected to help reduce the cost of production for EU beef producers when compared to previous years and while this is welcomed there are other factors that must be considered. Lower grain and fuel prices will also help reduce the costs of production for chicken and pork which are the major competitors against beef for market share.

Suckler cow numbers across the EU are expected to stay relatively steady and account for 35 per cent of the EU cow herd in 2016. Meanwhile dairy cows are expected to account for the remaining 65 per cent of the EU cow herd in 2016 which outlines the importance of the dairy industry as a source of raw material for EU beef production. Dairy cow numbers are forecast to decline by 1.2 per cent in 2016 as EU dairy producers come to terms with the new post quota environment they are operating in.

FQAS NOTICE ONLINE PAYMENTS

LMC has launched an online payment system for the Farm Quality Assurance Scheme. This allows producers to pay annual membership renewal and initial registration fees through the LMC website.

www.lmcni.com



LMC Information Point

LMC BULLETIN:

Read it Weekly
in the
Farming Life or online at
www.lmcni.com

FARMGATE:

LMC Price Reports
Weekday Mornings
& Evenings on
BBC Radio Ulster

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 making available 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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