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CONTINUED GROWTH IN GLOBAL DEMAND FOR BEEF



THE latest available figures from Gira have indicated continuing growth in global demand for beef. While consumption levels are rising in most parts of the world demand growth is being driven primarily by growing populations and rising levels of disposable income in some developing regions. Figure 1 provides a breakdown of global beef consumption share in 2018.

Gira figures show a two per cent increase in global beef consumption in 2017/18 which is the equivalent of an additional 1.3 million tonnes of beef being consumed when compared to the previous year. Gira has forecast for this to increase by a further 1.4 per cent or 950,000 tonnes in 2018/19.

During 2017/18 beef demand in China increased by 400,000 tonne which accounted for almost a third

of the total global increase in beef demand. Demand for beef in China is expected to increase by a further 2.9 per cent or approx 250,000 tonne in 2018/19.

Beef consumption is also expected to grow in other Asian countries such as Japan, Korea, Indonesia and the Philippines. This is a highly diverse market with a huge range in the type and level of demand for individual beef products. Gira figures suggest an increase in consumption of approx 120,000 tonnes in total beef consumption during 2017/18 which is a 2.8 per cent increase from the previous year. A similar increase in beef consumption is forecast for 2018/19 across the region.

The EU recorded the second biggest growth in beef demand in volume terms during 2017/18 with an additional 200,000 tonnes of beef consumed. This accounted for a 2.5 per cent increase from year earlier levels. This was driven primarily by increased availability of beef, a reduction in average retail prices and some slight rises in per capita consumption as economic

conditions improved across the trading bloc. This trend however is expected to be short lived with consumption forecast to decrease by 70,000 tonnes or almost one per cent in 2018/19.

Image 1: Global beef consumption increased by 1.3 million tonnes in 2017/18



Strong beef consumption increases have also been recorded in the US during 2017/18 (+130,000 tonnes/1.2 per cent) and this is forecast to increase by a further 110,000 tonnes in 2018/19 (+ 1 per cent). Beef consumption has continued to follow an upward trend in the US despite a rise in retail prices, a growing anti-meat agenda and competition from other proteins.

Consumption has also generally improved in South America with Brazil in particular experiencing consumption increases. In 2017/18 beef consumption in Brazil increased by approx 120,000 tonnes (+1.7 per cent) and is forecast to increase by approx 180,000 tonnes in 2018/19 (+2.2 per cent). Rising domestic consumption is being driven by increased beef availability however this growth is constrained by rising retail prices and competition for product from valuable export markets.

outlook for beef is relatively positive with opportunities for growth in developing markets in particular. Strong growth in beef exports from South America (Brazil in particular) and India over the next five years are expected to fulfil growing global demand for beef.

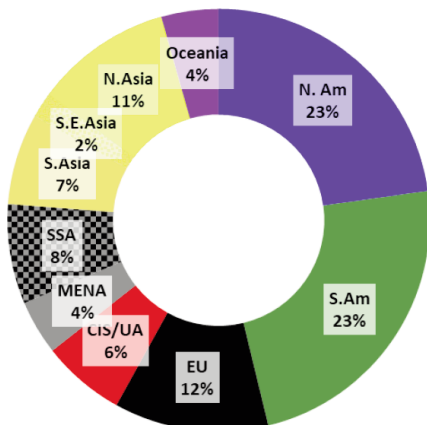
Demand for beef products on a global scale will create opportunities for the local beef market provided that we have the right market access. Gaining access to important markets beyond the EU in Asia, Northern America and the Middle East is a key priority for Northern Ireland's meat exporters. This access 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 plays a strategic role facilitating the opening of new markets through its membership of the 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.

Growing global demand for beef is positive news for the local beef industry following recent negative press about the impacts of red meat on health and the environment in the future. LMC continues to support the consumption of red meat as part of a healthy balanced diet on our domestic market through our work in local schools and our on-going media campaigns.

With growing global demand the

Figure 1: Global consumption of beef by region 2018 (Source: Gira)



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OVERVIEW OF NI RED MEAT PRODUCTION 2018

DURING 2018 there were 451,339 cattle slaughtered in NI processing plants which was a one per cent increase from the 446,112 cattle killed locally during the previous year.

the slight increase in the total number of cattle slaughtered but increases in average carcass weights for all types of cattle will also have been a contributory factor.

The prime cattle kill increased marginally to 336,991 head during 2018 however there were more notable changes to the type of prime cattle being slaughtered as outlined in Table 1. The young bull kill increased by 24 per cent to total 44,845 head while the heifer kill increased by 4 per cent to total 131,414 head. The steer kill in local plants declined by six per cent from 2017 levels to total 160,732 head.

Lamb and hogget throughput in NI during 2018 totalled 392,867 head which was a seven per cent reduction from the 423,247 lambs/hoggets processed locally during 2017.

A smaller carryover of hoggets into 2018 than previous years combined with production difficulties on NI farms as a result of the harsh spring and warm summer all contributed to reduced output from the NI sheep flock in 2018. In addition a weaker sterling during 2018 made NI lambs very attractive to processors in ROI which increased competition for the stock available. There was also a notable decrease in ewe/ram throughput during 2018 although this remains a very small market locally.

The NI cow kill started the year strongly with producers opting to cull unproductive stock in the early months of the year due to fodder shortages and again in the summer due to drought conditions and poor grass growth. However cow throughput tailed off in the final quarter which brought total cow throughput back into line with 2017 levels at 103,533 head.

Average carcass weights held relatively steady in 2018 with the volume of sheep meat processed by local plants back by 8 per cent from 2017 levels.

Beef production in NI totalled 147,606 tonnes during 2018 which was a two per cent increase from 2017 levels. This was in part due to

Table 1: Throughput of cattle and sheep in NI processing plants 2017 and 2018 (Source: DAERA)

CATTLE	2017	2018	Change
Steers	170,480	160,732	-6%
Heifers	126,135	131,414	+4%
Young Bulls	36,100	44,845	+24%
Total Prime Cattle	332,715	336,991	+1%
Calves	6,287	6,107	-3%
Cows	103,440	103,533	0%
Mature Bulls	3,670	4,708	+28%
Total Cattle	446,112	451,339	+1%
SHEEP			
Lambs & Hoggets	423,247	392,867	-7%
Ewes & Rams	30,255	24,744	-18%
Total Sheep	453,502	417,611	-8%

Table 2: Beef and sheepmeat production in NI processing plants 2017 and 2018 (tonnes) (Source : DAERA)

CATTLE	2017	2018	Change
Steers	59,479	56,683	-5%
Heifers	39,712	41,596	+5%
Young Bulls	11,956	15,100	+26%
Total Prime Cattle	111,147	113,379	+2%
Calves	1,198	1,175	-2%
Cows	30,676	31,055	+1%
Mature Bulls	1,666	1,996	+20%
Total Beef	144,688	147,606	+2%
SHEEP			
Lambs & Hoggets	9,117	8,454	-7%
Ewes & Rams	844	679	-19%
Total Sheep	9,961	9,134	-8%

POSITIVE START TO 2019 FOR NI SHEEP PRODUCERS

DURING January 2019 to date the local processors have reported steady supplies of hoggets coming forward for slaughter to meet demand for product from the major retailers

and from the export market.

A weaker sterling has made NI lambs more attractive to plants in ROI which has had a positive influence on the local deadweight

lamb market with local processors having to compete more strongly for lambs. A weaker sterling has also aided deadweight prices in NI by making lambs processed in the region more competitive on key EU export markets such as France and Germany.

This puts total lamb output from the NI sheep flock at 481,765 head, four per cent lower than the corresponding seven month period in 2017 when total lamb output was 501,907 head.

Figure 2: Weekly R3 lamb/hogget price in NI 201-2019 (p/kg)

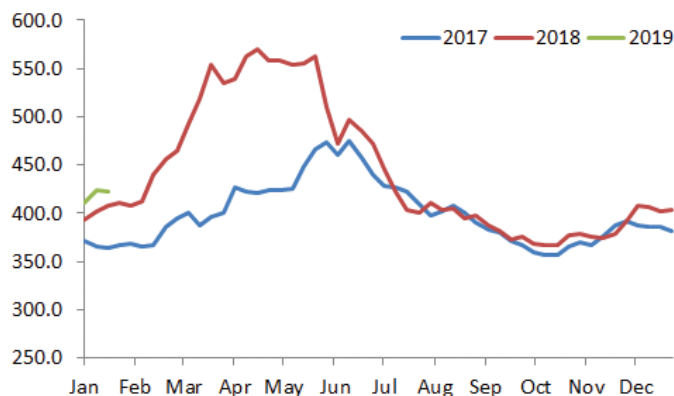


Figure 3: Value of a 22kg R3 grading hogget during the w/e 19/01/2019 and the corresponding weeks in 2017 and 2018



The average R3 hogget price in NI during the w/e 19 January 2019 was 421.9p/kg which puts the value of a 22kg carcass at £92.81 as indicated in Figure 3. This is almost £3 per head higher than the value of the same hoggets in the corresponding week in 2018 and over £12 per head higher than the same week in 2017.

The preliminary results of the June 2018 DAERA Agricultural Census indicated a two per cent reduction in lamb numbers on NI farms. This reduction can be attributed to the extremely difficult production conditions on NI farms last spring and a two per cent reduction in the ewe flock.

Due the relatively short production cycle and the variability of flock performance from year to year it is always very difficult to project sheep numbers on farm that will be coming available for slaughter over the next few months. However lamb throughput in local plants during the last seven months of 2018 totalled 262,481 head while a further 219,284 lambs were exported to ROI for direct slaughter.

Whilst a difficult summer in terms of grazing management delayed lamb finishing on many NI farms more favourable production conditions in the latter months of 2018 allowed many producers to get lambs fit for slaughter. This increase in output in the last few months of 2018 combined with the overall lower lamb crop has meant that the carryover of hoggets is expected to be just slightly ahead of the number carried from 2017 into 2018.

REDUCTION IN PRIME CATTLE KILL IN 2019

ANALYSIS of APHIS data for the end of December 2018 has indicated an overall decline in the number of cattle for beef production on NI farms when compared to previous years. This decline is primarily driven by the continued decline in calf registrations in the province, particularly to suckler origin cows.

production on NI farms in this age category which was a slight reduction from 206,920 cattle in this age bracket at the end of December 2017. This would indicate that prime cattle availability during the early months of 2019 will be similar to the steady supplies experienced early last year.

The number of cattle available for slaughter in local plants can also be impacted by the level of imports of prime cattle for direct slaughter, exchange rates and age at slaughter. The age at slaughter of prime cattle can in turn be impacted by a range of factors including the weather, the availability of forage, grass growth and the level of concentrate feeding.

The APHIS data has indicated a decline in cattle for beef production in younger age cohorts at the end of 2018 which suggests that as 2019 progresses cattle availability for slaughter from local farms will tighten, and in particular in the second half of the year as outlined in Figure 4.

In December 2018 there were 127,943 cattle for beef production in the 12-18 month age category, back 5.6 per cent from year earlier levels when there were 135,546 cattle in this age bracket. Meanwhile there were 243,862 cattle in the 6-12 month age bracket in December 2018 which was back 5.4 per cent from the 257,909 head in this range in December 2017.

At the end of December 2018 there were 205,533 cattle for beef

The latest cattle kill forecasts have indicated a four per cent decline in

Figure 4: Quarterly prime cattle kill in NI 2017 and 2018 and projected kill in 2019

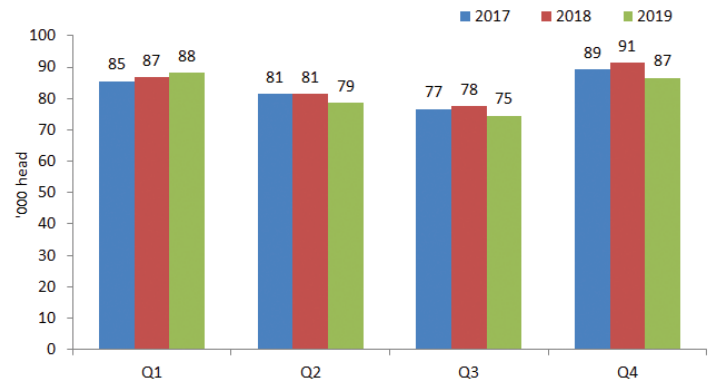


Table 3: Quarterly prime cattle kill in NI 2017 and 2018 and projected kill in 2019

	2017	2018	2019 (f)
Q1	85,430	86,738	88,250
Q2	81,474	81,359	78,502
Q3	76,560	77,583	74,500
Q4	89,251	91,311	86,500
Total	332,715	336,991	327,752

the NI prime kill in Q3 when compared to the same period in 2018 with a similar reduction expected in Q4.

2018 levels and 5,000 head behind 2017 levels. As previously outlined however there are a range of factors that affect slaughter throughput in local plants which may alter this forecast as the year progresses.

For 2019 as a whole the NI prime cattle kill is forecast to be approx 328,000, back 9,000 head from

NATIVE BREED CALF REGISTRATIONS INCREASE

DURING 2018 there were 346,675 beef sired calves registered in NI which was a 5.2 per cent reduction from 2017 levels. This represents 18,922 fewer beef sired calves born on NI farms. There has also been a reduction in the number of dairy sired calf registrations to 75,001 head, back 5.8 per cent from 79,586 head in 2017.

5. There have however been some slight shifts in the proportion of each breed in total beef sired registrations between 2017 and 2018.

Limousin continues to be the most popular beef sire in NI with 89,593 Limousin calves registered which accounted for 25.8 per cent of beef registrations during 2018. This was back however from 2017 levels when 99,920 Limousin calves were registered and accounted for 27.3 per cent of total beef registrations.

Beef sired calf registrations continue to be dominated by six major breeds as outlined in Figure

Figure 5: Proportion of beef sired calf registrations in NI by breed 2018

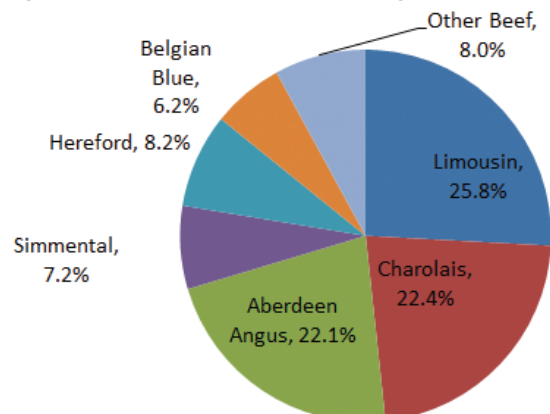


Image 2: Hereford and Aberdeen Angus calf registrations have continued to increase in NI



There has been a similar trend observed in Charolais calf registrations which is the second most popular beef sire used. In 2018 77,810 Charolais calves were registered in NI which accounted for 22.4 per cent of all beef registrations. In 2017 84,036 Charolais calves were registered which accounted for 23 per cent of beef calf registrations.

per cent of total registrations. This was an increase from 2017 levels when 74,237 Aberdeen Angus calves were registered and accounted for 20.3 per cent of total registrations.

Aberdeen Angus remains the third most popular beef sire used in NI with 76,606 calves registered in 2018 which accounted for 22.1

In 2018 28,404 Hereford calves were registered in NI and these accounted for 8.2 per cent of all beef sired registrations. In numbers terms this was back slightly from 29,256 calves in 2017 but accounted for a slightly larger share of overall beef sired registrations.

UK GAINS ACCESS TO JAPANESE MARKET

In recent weeks the UK has regained access to the valuable Japanese market for both beef and lamb with the agreement estimated to be worth a total of £127 million over the first five years of access.

The lifting of the ban follows a series of visits and negotiations between UK and Japanese officials, which culminated in an inspection of UK beef and lamb production systems in 2018. The visit was organised and funded by the UK Export Certification Partnership (UKECP), of which LMC is a founding member.

Over the last decade the demand for meat in Japan has increased by 1.2 per cent per annum and is expected to continue to grow by a further 0.9 per cent per annum over the next five years according to the latest forecast data available from Gira. There is also strong demand for offal cuts in Japan which will provide a valuable outlet for fifth quarter products for UK exporters.

Japan is heavily reliant on meat imports to meet growing domestic

demand with imports accounting for 53 per cent of total consumption in 2017. Analysis from GIRA expects this reliance on imports to meet demand for meat to increase further over the next five years. While pig and poultry meat account for 81 per cent of total meat consumption in Japan there is growing demand for beef whilst sheepmeat remains a very small but growing market.

Image 3: Access to the Japanese market is expected to be worth £127 million over the next 5 years.



The high prices of domestic product combined with increasing per capita consumption of beef in Japan is expected to drive further growth in beef imports over the next five years. Japan has a population of 126.7 million inhabitants and although the population has been in slow decline since 2011 access

to this market could create huge opportunities for the UK beef sector.

Domestic beef production has been slowly declining in Japan with a contraction in the beef herd due to high costs of production and poor returns, despite relatively high farmgate prices. Aging producers leaving the sector without successors and price competition from cheaper imported beef have also contributed to the decline in domestic beef production.

Beef production in Japan totalled 459,000 tonnes during 2017 and accounted for 13.8 per cent of total meat production in the region. According to GIRA beef production levels are expected to slowly decline in Japan to 450,000 tonnes by 2022 which creates opportunities for countries that have access to this growing market.

Domestic demand for locally produced beef in Japan is constrained by high retail prices although demand for beef is expected to improve as the availability of cheaper imported product on the market increases.

While pork and poultry imports continue to account for the largest majority of Japanese meat imports there was a strong increase of 13.8 per cent in beef imports recorded during 2017, albeit from a smaller base than the poultry and pork markets.

This growth in beef imports in Japan has been driven by the growing demand for chilled beef in particular. Beef imports are expected to grow by 0.8 per cent per annum over the next five years to compensate for dropping domestic production. There is a particularly strong demand for beef imports from the food service sector in Japan.

Demand for sheepmeat is also growing in Japan, although from a very low base. Sheepmeat consumption totalled 32,000 tonnes in 2017 according to GIRA and is expected to grow to 36,000 tonnes by 2022. Much of the increasing demand for sheepmeat is coming from the food service sector with almost all product imported from Oceania.

GIRA DATA AVAILABLE TO LMC STAKEHOLDERS



LMC'S Market Information Department purchases information annually from Gira on behalf of our stakeholders. Gira has provided strategic market consultancy and forecasting at every level of the food supply chain and has just provided LMC with its final reports for the beef and lamb sectors for 2018 as well as a general meat market overview. The content available for 2018 is outlined in Table 4 below.

free of charge upon request although there are some restrictions regarding its further distribution.

Earlier this year LMC also purchased a further multi-client Gira report which looked Long Term Strategic Trends in World Meat Demand and its Market Segmentation, Supply and Trade through 2027 which is also available to LMC stakeholders. If you have any queries about getting access to this information please contact the Market Information team on 028 9263 3000 or email bulletin@lmcni.com

All of this information is available to LMC stakeholders

Table 4: Individual country reports received from GIRA for 2018

General Meat Market Overview	Beef Reports	Sheep Reports
Global Market Report	Global Beef Synthesis	New Zealand
European Union	European Union	Australia
Russia	Brazil	European Union
US	Argentina	Middle east and North Africa
Brazil	US/Canada	China
China	Australia	Special Topic: Brexit thoughts
	India	
	China	
	Other Asia	
	Special Topic: Meat Alternatives	
	Special Topic: Climate Change	

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