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PRIME CATTLE SUPPLIES TO IMPROVE IN Q3

THE number of prime cattle coming forward for slaughter in NI plants from local producers tends to increase as we move into the autumn months with producers finishing prime cattle off grass and 2016 is going to be no exception to this.

Figure 1 outlines beef sired calf registrations on NI farms from 2014-2016 with the level of registrations steadily increasing year on year. As indicated in the chart beef sired calf registrations in NI follow a seasonal pattern with calf registrations increasing in the spring and early summer to suit our grass based production systems.

Some growth in suckler cow numbers on NI farms and an increase in the proportion of dairy origin cows served with a beef sire has resulted in a recovery in beef sired calf registrations in NI over the last 18 months. In addition to this there has been an increase in the number of dairy origin male calves retained on NI farms for further production. The combination of these factors has resulted in the increase in the number of cattle intended for beef production currently on NI farms.

A reduction in the number of store cattle being exported to GB for further production will have also played a role. There has however been a notable decline in the number of ROI store cattle being imported for further production on NI farms. This is a direct consequence of increased penalties at point of slaughter for these mixed origin cattle in many of the major NI processing plants.

Figure 2 provides a breakdown of beef sired cattle intended for beef production by age category on NI farms at the end of July 2016. The number of beef sired cattle aged 18-24 months on NI farms at the end of July 2016 totalled 89,837, a 13.4 per cent increase on July 2015 levels. Meanwhile the proportion of dairy sired male cattle on NI farms in this age category was unchanged from year earlier levels at 16,945 head.

With the typical average age at slaughter during September-November 2015 for beef sired steers of 26 months and 25.6 months for beef sired heifers the majority of the cattle on NI farms in the 18-24 month age category are expected to come forward for slaughter in the coming months. This increase in cattle supplies is expected to last through to summer 2017.

In addition to this an increase in average carcass weights is expected to also drive up the volume of beef from prime cattle being processed by NI plants. The average steer carcass weight in NI during 2016 to date was 356.1kg compared to 351.1kg during the corresponding period in 2015. Meanwhile the average heifer carcass weight increased from 317.9kg in the 2015 period to 320.6kg in the 2016 period.

The number of prime cattle imported from ROI for direct slaughter in NI plants also tends to increase in the autumn months with imports accounted for 11.5 per cent of the total prime cattle kill in NI from September-November 2015. However with the recent drop

Figure 1: Beef sired calf registrations in NI January 2014-July 2016

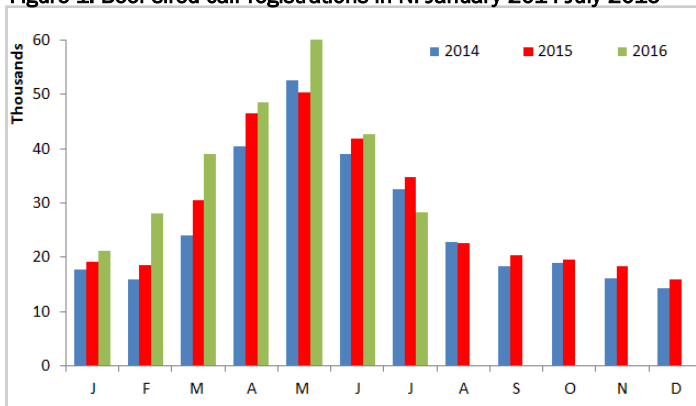
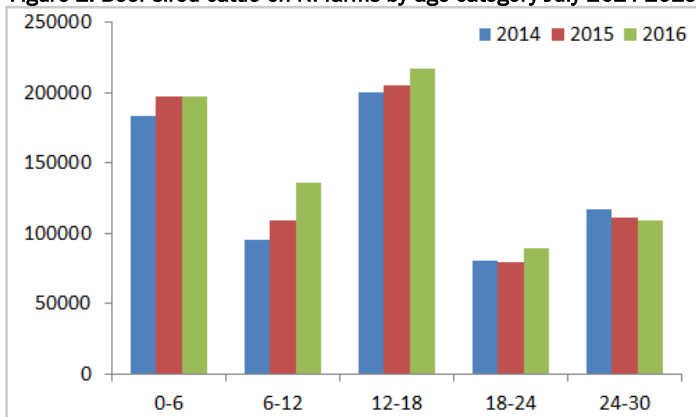


Figure 2: Beef sired cattle on NI farms by age category July 2014-2016



in the value of sterling against euro the level of import for direct slaughter in recent weeks has been running well below the levels recorded in previous years. It remains to be seen if this trend will continue into the autumn. If the level of import for direct slaughter remains subdued it will help to offset some of the forecast increase in local cattle supplies.

Cow throughput in NI during 2016 has been very strong with 51,314 cows killed in the seven months ending 31 July 2016, a 15 per cent

increase on the corresponding period in 2015. With more cows on NI farms and continued pressure on returns from dairy production in particular this increase in throughput is expected to continue into the autumn as producers cull cows that are not fulfilling their economic potential. With cow throughput increasing and the average cow carcass weight holding relatively steady the volume of cow beef handled by NI processors during the first seven months of 2016 was 15.6 per cent higher than the same period in 2015.

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

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CONVENIENCE DRIVING RETAIL SALES

A recent report by the Meat Trades Journal based on Kantar Wordpanel retail data has highlighted that convenience has become an increasingly important factor for consumers when doing their weekly food shop.

Image 1: Kantar Worldpanel are global experts in global consumer behaviour



The growing importance of convenience has been cited as a key driver behind the strong growth in ready meal consumption over recent years, particularly by young professionals.

According to Kantar there has been a continuous increase in the value of ready meal sales year on year since 2013. Kantar data, based on the purchasing habits of 30,000 UK households, has indicated that during the year ending 24 April 2016 the value of the ready meals market increased by 3.8 per cent when compared to the previous 12 month period. This level of growth followed on from the 3.4 per cent increase recorded during the previous year.

Most notably meat-based ready meals account for the majority share of the market, generating a significant 79.2 per cent of sales in

terms of value compared to fish-based ready meals which generated 18.1 per cent of sales. Meanwhile vegetarian and vegan ready meals accounted for a total of 2.7 per cent of sales in terms of value.

The Kantar sales data has indicated that chilled ready meals continued to trade ahead of frozen ready meal sales in the last year recording a notable increase in the value of sales by 5.7 per cent. Meanwhile the value of frozen ready meals sales recorded a drop in sales of three per cent. This is valuable information for the NI food processing sector when undertaking product development to ensure they achieve maximum returns.

According to an annual report on prepared meals for 2015 by market analyst Mintel, 30 per cent of UK adults eat a ready meal at least once a week. The report highlighted that more ready meals are consumed in the UK than any other European country with 16 per cent of adults in France for example eating a ready meal at least once a week, almost half of those consumed in the UK.

With ready meals now providing a healthier alternative to convenience foods such as take-aways, the report by the Meat Trades Journal highlights that ready-meals are continually making better use of high-quality, natural ingredients.

Kantar Worldpanel found that the total value of retail red meat sales in NI during the twelve week period ending 19 June 2016 was £29 million, a three per cent decline on the corresponding period in 2015. Red meat sales accounted for 46 per cent of total meat sales by value in NI during the twelve week period under analysis which is an increase from the corresponding period in 2015 when red meat accounted for 43 per cent of sales.

The latest Kantar figures have indicated that the volume of beef sales in NI during the 12 weeks ending 19 June 2016 totalled 3,309 tonnes, a 1.6 per cent decrease on the corresponding period in 2015 when beef sales totalled 3,364 tonnes. The total volume of lamb sold in NI during the twelve weeks ending 19 June

Image 2: The latest report from Kantar has recorded a strong increase in ready meal sales



2016 was 535 tonnes, a five per cent decrease from the 563 tonnes sold during the corresponding period in 2015.

LMC is committed to promoting the true nutritional value of red meat and cooking beef and lamb with confidence and therefore aim to increase red meat's market share of total meat sales year on year.

LMC's current advertising campaign, which was launched in early July this year, promotes the relevance of farm quality assured beef and lamb from Northern Ireland as a dietary choice for couples with young families. They also link, in a very creative way, the fact that redmeat consumption is a key driver for a healthy and active lifestyle.

Through the Northern Ireland Beef and Lamb Farm Quality Assurance Scheme LMC offers consumers assurances about the origin and traceability of their food. This includes the quality of production methods used, the quality of care for animals which is practiced, the quality of the farm environment and above all the quality of concern for the customer in producing beef and lamb which is wholesome, safe and free from unnatural substances. Clear labelling of Farm Quality Assured Beef and Lamb provide the consumer with a guarantee of these factors and ultimately of the premium flavour produced.

APHIS TO BE REPLACED BY NEW TRACEABILITY SYSTEM

A £8.7million contract for the delivery of a new state of the art food, animal health and traceability system has been announced by agriculture minister Michelle McIlveen.

The new system known as NIFAIS (the Northern Ireland Food Animal Information system) is expected to be an improved replacement for the current (APHIS) Animal and Public Health Information System.

Belfast based software and services company AMT-SYBEX, part of Capita PLC, has been awarded the contract for a nine-year period initially. Brian Mitchell, Head of Technical Delivery at AMT-SYBEX, commented: "We're delighted to have been selected to deliver NIFAIS in partnership with DAERA, and look forward to

providing a functionally rich and highly configurable system which will support DAERA's business through the next 15 years and beyond."

Speaking of the new contract, Minister Michelle McIlveen stated that the award of the NIFAIS contract represents a significant investment in the infrastructure of the local agri-food industry. "The commitment of £8.7 million of capital and resources, over an initial nine year period, reflects the Department's commitment to build on the success of APHIS as a world-class traceability system".

She highlighted that by building on the support of APHIS, the new NIFAIS system will under-pin the North's animal disease control programmes and enable

improvements in animal health, welfare and genetic potential.

Minister McIlveen added "NIFAIS traceability is also fundamental to the delivery of our Going for Growth strategy, assuring consumer confidence in local

Image 3: The new NIFAIS system will further improve the current world class APHIS traceability system.



markets, and assisting with access into demanding export markets for our animals and produce well into the future." It is planned that the new system will be implemented on a phased basis beginning autumn 2017 through to summer 2019.

NI SHEEP SECTOR UPDATE

THE deadweight lamb market in NI has remained relatively firm during summer 2016 with the trade notably above year earlier levels. There has however been some volatility in prices during early summer 2016 in response to shifts in the balance between the supply and demand of lambs.

During the first seven months of 2016 sheep throughput in NI plants totalled 199,334 head, a decline of 30,953 head from year earlier levels when 230,287 sheep were killed in NI plants. This accounts for a 13.4 per cent decrease year on year. This reduced throughput may have been a contributory factor in the improvement in the NI deadweight trade year on year.

The volume of sheep meat handled by the NI processors during 2016 to date has totalled 4,285 tonnes, a 14.7 per cent decline from 2015 levels. This decrease can be mainly attributed to the decrease in sheep throughput although the average

carcase weight of lambs has also declined marginally year on year.

Deadweight lamb prices in NI during 2016 to date have generally been higher than the corresponding period in 2015. The average reported R3 lamb price in NI during July 2016 was 392.1p/kg, an increase from 310.1p/kg in July 2015. This accounts for an 82p/kg increase year on year or £17 on a 21kg carcass. However while lamb prices in NI during summer 2016 have been above the prices paid in the corresponding period in 2015, they remain below the record prices paid to producers during 2013.

A key factor influencing the deadweight lamb trade in NI is the euro/sterling exchange rate. The decision by Britain to leave the EU resulted in a notable strengthening in the value of euro against sterling which made NI origin lambs much more attractive to processing plants in ROI.

The increased demand from ROI processors has helped to firm the NI deadweight trade and also resulted in an improved liveweight trade with firm demand in the marts for good quality lambs. The dual origin labelling issues which caused some disruption to exports to ROI for direct slaughter during 2015 no longer appear to be an issue.

Exports to ROI during the first seven months of 2016 totalled 204,260 head, accounting for 51 per cent of total NI sheep flock output for the year to date. During the corresponding period in 2015 sheep exports to ROI for direct slaughter totalled 154,688 head, which accounted for 40 per cent of the total NI sheep output.

While increased demand for lambs from ROI processors will have helped firm the NI lamb market another key factor behind the improvement in the NI deadweight trade is that a strong euro makes it

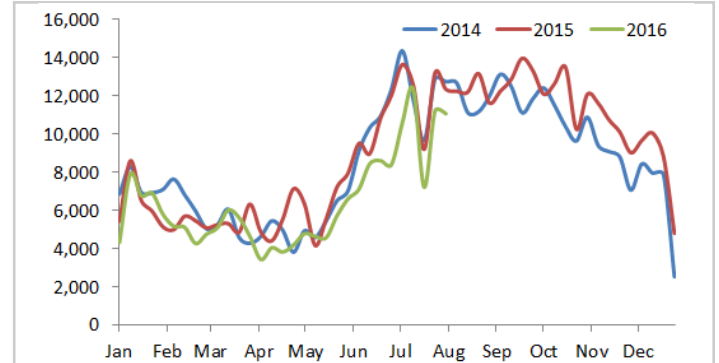
easier for NI (and GB) processors to compete on key European markets against other lamb producing regions within the Eurozone. Currency movements are a key factor in driving patterns of trade in livestock and meat and the UK's decision to leave the EU will put currency monitoring to the top of the agenda in the short term for any business involved in trading outside the UK.

The domestic UK market and the EU market currently account for almost all NI lamb exports however it is important that every effort is made to gain access to more third country markets for NI and GB origin lambs. LMC are actively working in this area through their participation in the UK Export Certification Partnership (UKECP) and good progress is being made in accessing some key priority markets, in particular Asia and North America.

Image 4: A larger proportion of NI origin lambs have been exported to ROI for direct slaughter during 2016 to date.



Figure 3: Weekly throughput of lambs/hoggets in NI plants 2015/2016



ANALYSIS OF NI SHEEP CARCASS CLASSIFICATION

THE major NI processors have reported that the quality of lambs being presented for slaughter in recent months has generally been very high.

Figure 4 provides a breakdown of the conformation scores achieved by lambs killed during the period April-June 2016 and the corresponding period in 2015. U grade lambs accounted for 44 per cent of the price reported lamb kill in NI during this period, a six percentage point increase from the corresponding period in 2015 when 38 per cent of the price reported NI lamb kill were awarded a U grade.

The increase in the proportion of U grade lambs in the NI slaughter mix coincided with a decrease in the proportion of R grade lambs. In the 2016 period 54 per cent of the

price reported lamb kill were awarded an R grade compared to 61 per cent of the kill in the corresponding period in 2015. This accounts for a seven percentage point decrease year on year.

This improvement in the conformation of the price reported lamb kill has occurred despite a slight decrease in the average carcass weight year on year. In the period April-June 2016 the average carcass weight was 21.5kg compared to 21.7kg in the corresponding period in 2015.

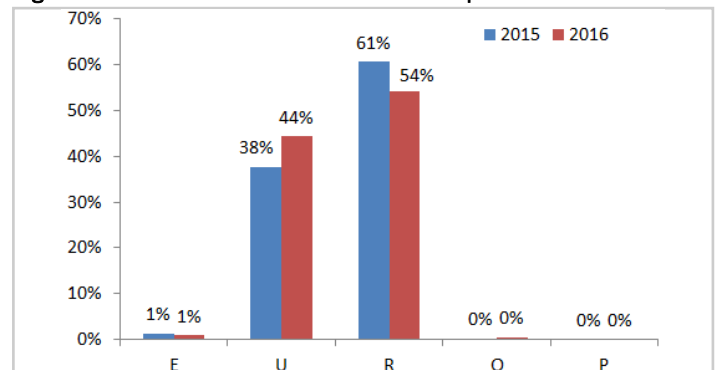
While there has been a general upward movement in the conformation scores awarded to the price reported lamb kill the fat scores awarded have recorded a notable decrease. The proportion of the lamb kill awarded a fat cover of

2 more than doubled from 15 per cent during April-June 2015 to 32 per cent during the period April-June 2016.

Meanwhile 60 per cent of the price reported lamb kill awarded achieved a fat cover of 3 during the 2016 period, a decline of 16 percentage points from the

corresponding period in 2015. The proportion of lambs awarded a 4L for fat cover decreased slightly to account for seven per cent of the kill in the 2016 period. This reduction in levels of fat cover is likely to be due to poorer weather conditions experienced this spring/early summer when compared to the 2015 period.

Figure 4: Conformation scores of NI lamb kill April-June 2015 and 2016



MOVING FORWARD POST BREXIT

THE decision by the UK public to leave the EU in the June 23rd Referendum has caused political upheaval and dented business confidence within the UK but also in the rest of the EU and indeed around the world.

The vacuum of uncertainty that has been created by the decision of the UK to leave the EU is already impacting on business investment decisions and clarity is urgently needed around future UK agricultural policy, trading arrangements with the EU, the regulatory framework that will be applied in the UK and arrangements for accessing labour from EU member states for work in the UK.

UK farmers have relied on subsidies from the EU's common agricultural policy (CAP) for more than 40 years as well as access to significant export markets in Europe and tariff free access to 500 million consumers. However following the vote to leave the EU it is uncertain how changes to existing subsidies under the CAP and access to the tariff-free European single market for UK exports will impact the UK agricultural sector.

While in the short term a drop in the value of sterling against euro has made UK agricultural produce more competitive on the EU market the decision by the UK to leave the EU has created some longer term

uncertainty with regards to market access. It is therefore critically important the profound impact of the EU exit on the UK agricultural sector is highlighted while our politicians are negotiating the UK's exit from the single market and then renegotiating trade deals and market access.

In this period of uncertainty it is also critically important that the UK agricultural sector works together to maintain our important export markets in the EU while also continuing to develop new trading relationships with countries outside the EU.

Gaining access to valuable markets in Asia, Northern America

and the middle East have been identified as a key priority by the NI red meat industry and strenuous efforts are being made to open these markets.

LMC plays a strategic role facilitating the opening of new markets through its membership of the UK Export Certification Partnership (UKECP). LMC is a co-founder of this joint industry/government programme on behalf of the NI red meat industry, the aim of which is to establish access for UK red meat products into third country markets.

EU SUPPLY CHAIN DEVELOPMENTS

IN June this year the EU Parliament adopted a non-binding resolution urging the Commission to put forward proposals against unfair trading practices in the food supply chain.

MEPs stress that selling below the cost of production, and the serious misuse of basic agricultural foods such as dairy, fruit and vegetables as "loss leaders" by large-scale retailers, threaten the long-term sustainability of EU production of these items.

The resolution highlights that voluntary and self-regulatory schemes have so far shown limited results owing to a lack of proper

enforcement, under-representation of farmers, conflicts of interest between the parties, dispute settlement mechanisms that fail to reflect the supplier "fear factor" and the fact that they do not apply to the whole supply chain.

Eurocommerce – a Brussels-based organisation representing EU retail and wholesale – stated that the current milk and livestock crisis is structural and comes from farmers increasing production at a time of collapsing prices and low demand; while retailers have only limited influence in markets they have very few direct relationships with farmers.

Eurocommerce added that retailers need and support a farming sector which is better organised through cooperatives or producer organisations, more responsive to consumer demand and more responsive to market signals.

Whilst this resolution is non-binding on the EU Commission the principles involved, if taken through to implementation, would have an impact on the entire EU supply chain.

Image 5: LMC Chairman Gerard McGivern, MEP Diane Dodds, LMC CEO Ian Stevenson and MLA William Irwin visiting the EU Parliament



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



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 producing 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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