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EU BEEF PRODUCTION INCREASES IN 2016

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.



Production and Throughput

According to the latest available data from GIRA beef production in the EU during 2016 was up 2.4 per cent from year earlier levels. This increase in beef throughput has been attributed to an increase in cow throughput and a reduction in heifer retention as a consequence of weaker milk prices.

While total cattle throughput has increased across the EU the average carcase weight of cattle slaughtered has remained similar to previous years at 343kg. Steady carcase weights and increased cow throughput has resulted in total beef production increasing in almost all EU markets, with the exception of a few countries in Eastern Europe.

GIRA have forecast that total beef production in the EU during 2017 will increase by 0.2 per cent from 2016 levels. The growth in beef production recorded over the past few years across the EU is expected to slow down as a result of reduced dairy cow culling as milk prices begin to show signs of recovery. There may also be some herd

rebuilding in some dairy producing regions of the EU as producers take advantage of rising milk prices and a quota free market.

With feed costs expected to remain relatively low in response to good cereal harvests the average carcase weights across the EU are expected to remain at current high levels.

Figure 1 below outlines total beef production in ten EU regions during the period 2005-2017. Beef production in these ten regions accounted for 89 per cent of total beef production in the EU during 2016. As indicated in the chart a mixed performance is expected across the EU in terms of changes in total beef production during 2017.

The biggest growth in total beef

production will be in Ireland and Spain where beef production is expected to increase by 5.7 per cent and 2.3 per cent respectively. GIRA have also forecast growth in production in France, Poland and Belgium during 2017. Meanwhile total beef production in Germany, the UK, the Netherlands and Austria are all expected to record declines in the region of one per cent in 2017.

Beef Demand

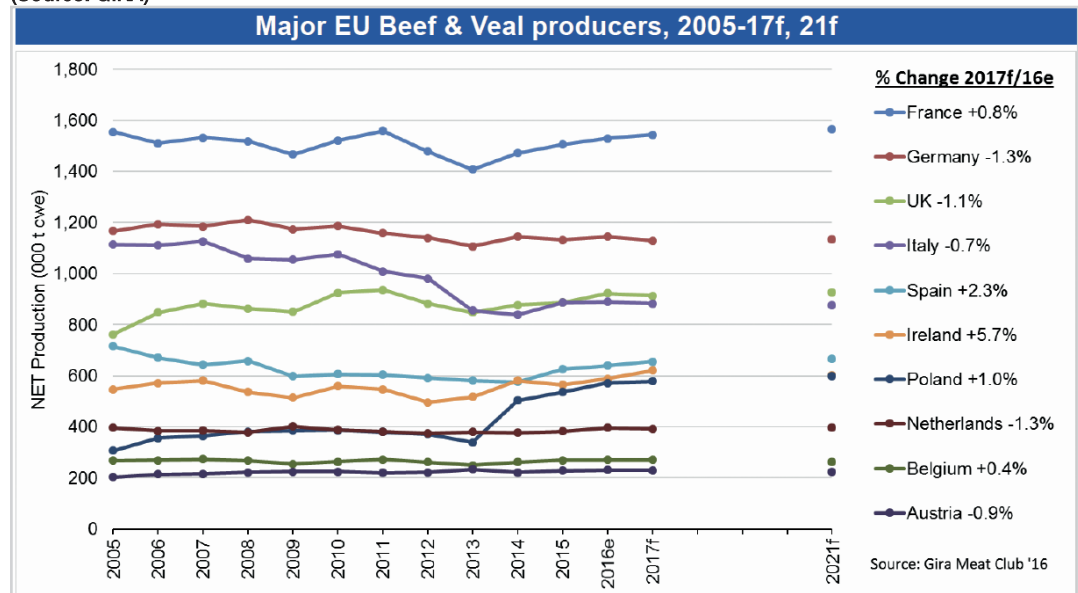
Demand for beef within the EU recorded a marginal recovery during 2016 with some recovery in several Eurozone countries and in particular Spain. The recovery demand for steak continued during 2016 however this was at lower retail prices. The lower prices have helped to encourage higher volume sales with consumption running 2.2 per cent ahead of 2015 levels.

This level of beef consumption is expected to remain stable in 2017 with GIRA forecasting a 0.2 per cent increase in total consumption. Ongoing economic uncertainty within the EU is expected to be a key factor behind the slow growth in total consumption forecast for 2017.

Herd Growth

The total EU dairy herd remained stable in 2016 and accounted for 65 per cent of total cow numbers. Dairy cow numbers in the EU are expected to decrease by 0.8 per cent during 2017 although some growth in dairy cow numbers is expected in Ireland and the UK. Suckler cow numbers in the EU increased by 2.7 per cent in 2016 with suckler cows accounting for 35 per cent of the total EU cow herd. Suckler cow numbers are forecast to increase in the region of one per cent across the EU in 2017.

Figure 1: Total beef production in the ten largest beef producing countries of the EU from 2005-2017 (Source: GIRA)



FQAS Helpline

If you have had a recent inspection and need help and advice to rectify any non-conformances, contact the FQAS helpline:
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PROGRESSIVE BEEF PRODUCTION CONFERENCE

LMC, AFBI, CAFRE and the UFU came together in November 2016 to jointly host the 'Progressive Beef Production' conference. Over 300 people from across the beef sector attended the successful event which was held at CAFRE Greenmount campus.

The focus of the event was on assessing current practice in the beef sector and exploring the scope for change in farm management and systems to improve efficiency and ultimately profitability of NI beef production. The aim was also to provide a forum where farmers and other industry representatives could discuss the challenges they face in beef production.

At the event delegates heard presentations from a range of top quality speakers on a range of issues including soil fertility, grassland management, animal health, genetics and breeding animals which suit the type of land being farmed.

One of the key take home messages was that while producers have little or no influence on what goes on beyond their farm gate there are several measures that can be adopted within each

individual farm business which can help improve both profitability and efficiency.

Several of the speakers including Kevin Farrell, Simon Marsh and Robert Parker discussed the production systems currently in place on their own farms and how these systems have been changed and adapted over time in response to market signals. Changing production systems allowed the speakers to improve efficiency at farm level and also to produce the type of cattle that meet the specifications of the markets they are supplying.

A key message running through all of the presentations was the importance of knowing your costs at all stages of production. It is only through getting a handle on the costs of current production systems that producers can identify areas where efficiency could potentially be improved.

A very challenging presentation from UFU Poultry Chairman Tom Forgrave outlined how efficiencies in the poultry sector have been both achieved and improved upon. He highlighted that it is vital for a producer to know the cost of

production before any improvement in efficiency or output could be achieved.

While he acknowledged that beef production in NI can be heavily influenced by environmental and meteorological conditions and that there is a much more diverse range of production systems in operation when compared to poultry production in NI there are still some valuable lessons that can be transferred between the two industries.

The CAFRE Benchmarking Programme is an excellent source of support for producers who want to identify the costs associated with their current production systems and improve their efficiency. The

programme allows producers to gauge their own progress by comparing their farms with other similar enterprises to identify improvement measures.

It will also help producers to focus on the main factors affecting the profitability and cost control of their business. The new Business Development Groups which have recently been established will also be a great support vehicle for farmers seeking to improve the competitiveness and sustainability of their businesses.

For more details contact the Countryside Agri-Rural Partnership directly on 0845 026 7537 or at benchmarking@countysiderural.co.uk

Image 1: The Progressive Beef Production Conference jointly hosted by LMC, AFBI, CAFRE and the UFU in November 2016 attracted a large attendance with representatives from across the beef industry.



NI COW KILL ENDS 2016 STRONGLY

Cow throughput in the local processing plants during 2016 totalled 99,943 head, a 15 per cent increase from the 87,110 head slaughtered during 2015.

Some of this increase can be attributed to growth in the NI cow herd with more dairy and suckler cows recorded on NI farms in the June 2016 DAERA Agricultural Census. Suckler cow numbers recorded a four per cent increase to 269,700 head while dairy cow numbers increased by two per cent to 317,100 head. However some of the increase in cow throughput in NI plants can also be attributed to a notable reduction in the number of cows exported to ROI for direct slaughter during 2016 when compared to 2015 levels.

During 2016 a total of 9,137 NI origin cows made the journey to

plants in ROI for direct slaughter, a 28 per cent decrease from 2015 levels. Fluctuations in exchange rates and good cow supplies in ROI will have contributed to the decline year on year. Statistics from DAFM in ROI have indicated a total cow kill in ROI of 363,733 head in 2016, a 12.5 per cent increase from 2015 levels.

Despite the increase in the total cow kill in NI there has been little or no change to the proportion of the kill sourced from the dairy and suckler herds. During 2016 62 per cent of price reported cows were of dairy origin with the remaining 38 per cent sourced from the suckler herd as outlined in Figure 2.

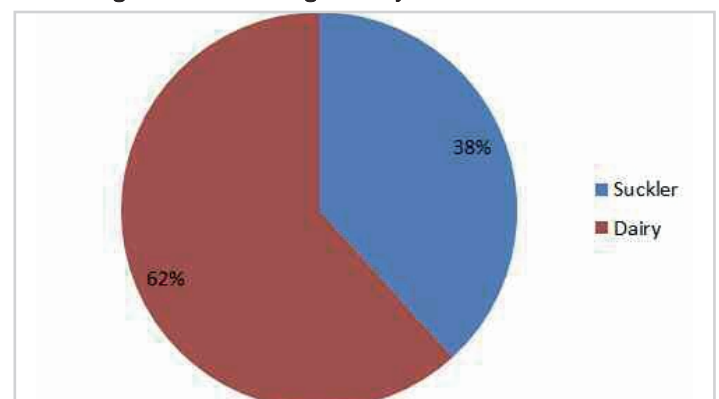
One notable change year on year has been the decline in average carcass weights. The average cow carcass weight in NI during 2016 was 301.2kg, back 4.5kg from

2015 when the average carcass weight was 305.7kg.

The average carcass weight of price reported suckler origin cows was 342kg during 2016, back marginally from 2015 levels. Meanwhile the average carcass weight of dairy origin cows declined

by 2kg from 2015 levels to average 276kg in 2016. This decline in average carcass weights year on year has offset to some degree the increase in cow throughput in local plants. A total of 29,994 tonnes of cow beef was handled by local processors during 2016, a 12.6 per cent increase from 2015 levels.

Figure 2: The proportion of cows sourced from the dairy and suckler herds in NI during 2016 was unchanged from year earlier levels.



MEETING CURRENT WEIGHT SPECIFICATIONS

CARCASE weight is a key component of many of the major retailer specifications for beef from prime cattle with the majority of specifications looking for carcasses of 280-380kg.

Carcasses within this weight range are preferred by local processors as they produce cuts suitable for a range of potential customers. In addition the major cuts from these

carcasses fit into retail packs and are therefore much more easily marketed than cuts from carcasses outside this weight range.

It should however be noted that the major NI processors do have market outlets for beef from prime cattle with carcase weights above and below the desired weight range. These markets are however much more limited and individual

producers should consult with the processors before finishing these types of cattle to ensure there is a market outlet that will provide a return to the finishing system being operated.

The average steer carcase weight in NI during 2016 was 354kg, up marginally from 353kg in 2015. During 2016 63 per cent of price reported steers in NI had carcase weights within the desired 280-380kg weight range. This was a slight improvement from 2015 levels when 62 per cent of price reported steer carcasses were within the desired weight range.

Meanwhile 30 per cent of price reported steers had carcase weights in excess of 380kg during 2016, back slightly from 31 per cent in 2015. Steers with carcase weights under 280kg accounted for 7 per cent of price reported steer carcasses during 2016, unchanged from 2015 levels.

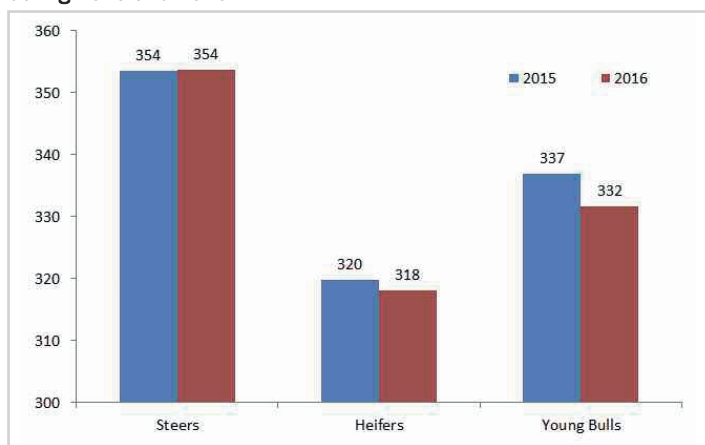
The average heifer carcase weight in NI during 2016 was 318kg, back

2kg from 2015 levels when the average carcase weight was 320kg. During 2016 period 75 per cent of price reported heifer carcasses were within the desired 280-380kg weight range, unchanged from year earlier levels.

Meanwhile 8 per cent of price reported heifers had carcase weights in excess of 380kg during 2016 with the remaining 17 per cent of price reported heifers having carcase weights of under 280kg. The proportion of heifer carcasses within both these categories was also unchanged from year earlier levels.

To maximise returns to their farming enterprises producers are encouraged to finish cattle within current market specifications as these carcasses meet the widest range of retailer specifications. It is however equally important that the major NI processors engage with beef producers and reward those that produce cattle that meet current market specifications.

Figure 3: Average carcase weights of prime cattle by category killed in NI during 2015 and 2016



MORE BEEF CROSS CALVES REGISTERED IN 2016

THE NI dairy herd is a valuable source of raw material for the NI beef industry for both slaughter and further production. Beef cross male calves produced from the dairy herd provide throughput for local processors while beef cross heifer calves can be used for beef production or utilised as replacements for NI's suckler herd.

A total of 118,042 beef sired calves were registered to dairy cows during 2016, a notable 22 per cent increase from 2015 levels when 96,858 beef cross calves were registered in NI. This increase in the use of beef genetics on the dairy herd can be attributed to lower milk prices during 2015/16 which stagnated the demand from the NI

dairy herd for replacement heifers. As a result many dairy producers opted to use beef bulls on their dairy cows to produce higher value calves.

Beef sired calves from the dairy herd accounted for 32.2 per cent of total beef sired registrations in NI during 2016, an increase from 2015 when they accounted for 28.7 per cent of total registrations.

Table 1 provides a breakdown of beef calf registrations to dairy cows during 2015 and 2016. As indicated in the table Aberdeen Angus, Hereford and Limousin remain the most popular beef sires used, accounting for 71 per cent of all beef cross calf registrations in 2016.

Prime cattle slaughterings

During 2016 beef cross cattle accounted for 22 per cent of the price reported prime kill in NI, a slight increase from 2015 levels when it accounted for 19 per cent of prime cattle throughput. Dairy male cattle accounted for a further 14 per cent of throughput during 2016, up from 13 per cent in 2015.

The average carcase weight of beef sired steers from the dairy herd in 2016 was 340kg with 78 per cent of these steer carcasses meeting the current market specification for weight (280-380kg). Meanwhile the average carcase weight of beef sired heifers sourced from the NI dairy herd in 2016 was 303kg with 71 per cent of carcasses weighing between 280-380kg.

The average carcase weight of beef sired young bulls from the dairy herd was 321kg in 2016, back from 324kg in 2015. The current market specification for young bulls in terms of age is under 16 months and during 2016 80 per cent of beef sired young bulls from the dairy herd fulfilled this requirement.

As indicated above beef sired prime cattle from the dairy herd provide a valuable source of throughput for local processors and tend to meet current weight requirements very well. With increased numbers of beef cross animals coming available on the market for finishing it is encouraging that these animals can be managed effectively to meet current in spec requirements.

Image 2: A total of 118,042 beef cross calves were registered in NI during 2016



Table 1: Total beef sired calf registrations to dairy cows broken down by breed 2014-2016

	2014	2015	2016
AA	28841	33112	42310
LIM	19482	20650	22345
HER	10986	14571	19024
BB	12139	13000	16181
SIM	4899	6150	7369
CH	3099	3500	3956
Other	5520	5875	6857
Total	84966	96858	118042

OVERVIEW OF NI SHEEP SECTOR 2016

THE deadweight lamb trade in NI ended 2016 strongly with an average price reported R3 lamb price during October-December 2016 of 371.8p/kg, compared to 317.6p/kg in the corresponding period in 2015. This accounts for a 54.2p/kg increase year on year or £11 on a 21kg carcass.

A key factor influencing the deadweight lamb trade in NI is the euro/sterling exchange rate. A weaker sterling makes NI origin lambs more attractive to processors in ROI and increases the level of export for direct slaughter. This increased demand for lambs usually results in an improvement in the deadweight trade due to shifts in the supply and demand balance. In addition to this a weaker sterling makes NI lamb more cost competitive on the valuable EU market and this makes it easier for NI processors to secure market outlets for NI origin lamb.

Throughput

Lamb throughput during the last quarter of 2016 totalled 117,941 head. This is a 13 per cent reduction on the corresponding period in 2015 when 135,408 lambs were killed in NI plants. During the whole of 2016 lamb throughput in NI plants totalled 423,896 head, nine per cent lower than 2015 levels when throughput totalled 467,320 head.

With the strengthening of euro

against sterling in recent months there has been an increase in the proportion of NI origin lambs exported to ROI for direct slaughter. Exports during October-December 2016 totalled 102,649 head, accounting for 46 per cent of total lamb output from NI producers. In the corresponding period in 2015 a total of 101,398 lambs were exported from NI for direct slaughter in ROI plants which accounted for 43 per cent of total NI lamb output. While the number of lambs exported has remained steady year on year in terms of total numbers, exports for direct slaughter accounted for a larger proportion of total NI lamb output in the 2016 period.

Image 3: 46% of NI lambs exported to ROI for direct slaughter during Q4



Lamb output from NI sheep producers during the second half of 2016 was notably lower than the previous year despite an increased number of lambs recorded on NI farms in the DAERA June 2016 census. The unsettled weather conditions during the summer will have impacted lamb performance at grass and increased finishing periods. This resulted in more

lambs still being on farm during the last quarter of 2016 and a bigger carryover of hoggets into 2017.

Conformation

Reports have indicated that the quality of lambs being presented for slaughter in NI plants during recent months has generally been very high. U grade lambs accounted for 42 per cent of the price reported lamb kill in NI during October-December 2016, a five percentage point increase from the corresponding period in 2015 when 37 per cent of the price reported NI lamb kill were awarded a U grade. R grading lambs accounted for 55 per cent of price reported lambs in the 2016 period compared to 61 per cent of the kill in the corresponding period in 2015.

There has also been some upward movement in fat scores awarded during the final quarter of 2016 with 72 per cent of the kill achieving a fat class 3, up from 67 per cent during the corresponding period in 2015. The proportion of lambs awarded 2 for fat cover decreased slightly year on year to account for 18 per cent of the kill in the 2016 period.

Although lambs have been slower to finish in 2016 due to the unfavourable production conditions on NI farms during summer 2016 analysis of the price reporting statistics would indicate that lambs presented for slaughter continue to be of a high quality.

Carcass weights

In the period October-December 2016 the average lamb carcass weight in NI was 21.6kg, almost unchanged from the corresponding period in 2015 when the average carcass weight was 21.7kg. The volume of lamb handled by the NI processors during October-December 2016 totalled 2,392 tonnes, a decrease from the 2,938 tonnes handled during October-December 2015 accounting for a decrease of 10 per cent year on year. The decline in lamb throughput combined with steady average carcass weights will have contributed to this decrease.

ROI

Lamb throughput in ROI recorded an increase during October-December 2016 with a total of 732,136 lambs slaughtered in ROI plants. This was a four per cent increase on the corresponding period in 2015. During the 2016 period NI lambs accounted for 12 per cent of total lamb throughput in ROI plants, almost unchanged from year earlier levels.

The Future

With ROI acting as such a valuable outlet for the NI sheep sector in the form of lambs for direct slaughter and the EU as a whole being such a valuable market for NI lamb products it is important that every effort is made to maintain these valuable market outlets following the decision of the UK to leave the EU.

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



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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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