LMC

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INCREASE IN PRIME CATTLE PRICES CONTINUES

QUOTES from the major plants in NI this week for U-3 grade prime cattle ranged from 356-364p/kg with the majority of plants quoting 358p/kg for steers and 360p/kg for heifers. Prime cattle in NI are generally paid for on a pricing grid which uses the U-3 base quote to work out the relative value of other individual grades. It should however be noted that this pricing grid is there as a guide only and their may be some variation to its application from plant to plant.

In reality the deadweight prices available for individual grades of prime cattle is driven by supply and demand and the price paid is open to negotiation between producers and processors. Given the degree of flexibility in the current pricing system there are often notable differences between what the plants are quoting for prime cattle and what is actually being paid.

Every individual plant will be servicing a range of different end customers for their beef and the cattle that best fit the market specification profile will generally be the ones most sought after. Analysis of price reporting data allows a comparison to be drawn between the prices being quoted by the plants and the prices they actually paid.

For the purposes of analysis we have used the deadweight prices paid for 2,187 R-3 grade steers during 2017 to date as this is the most popular price reported grade in NI and therefore provides the most robust indicator of changes in the deadweight cattle trade. Only steers that are in spec for age, weight, grade, number of farms resided on and FQ status have been included in the dataset. Premium cattle (Aberdeen Angus, Hereford and Organic) have also been removed as any bonuses paid for these cattle are not included in base quotes from the major processors.

The blue line on Figure 1 indicates the price paid for in-spec R-3 grade steers during 2017 to date. As indicated in the chart deadweight prices for R-3 grade steers have been steadily improving in recent weeks with an R-3 steer price last week of 357.8p/kg. In the corresponding week last year the R-3 steer price in NI was 314p/kg.

The red line on Figure 1 displays the top quote for in spec R-3 grade steers from the major NI processors for 2017 to date. As indicated in the chart the differential between what the plants were quoting for in spec R-3 grade steers and what they actually paid for them has gradually narrowed as the year has progressed.

In the first week of January the differential in quotes and prices paid was as wide as 10p/kg and this narrowed to 2p/kg in the week ending 14 May 2017. This narrowing of the differential has meant that the quotes from the major processors have gradually become more indicative of what prices are available. The differential in quotes for prime cattle and the prices paid however widened last week to 6p/kg as the processors competed to secure prime cattle.

Throughput of prime cattle in NI has remained firm with 6,832 head slaughtered last week. This takes prime cattle throughput for the last six weeks to 37,881 head, five per cent higher than the corresponding period in 2016. With a firm demand for beef from the major retailers and reports indicating that there is very little beef in storage across the UK deadweight prices have improved as processors compete for prime cattle to meet demand.

Firm demand for beef combined with competition between processors for cattle in GB have also contributed to improvements in deadweight beef prices in recent weeks although the differential in prices between NI and GB has narrowed. The R3 steer price in GB last week was 363.5p/kg, just above the 362.4p/kg paid in NI.

Figure 1: R-3 quotes and prices paid for R-3 grade steers during 2017 to date

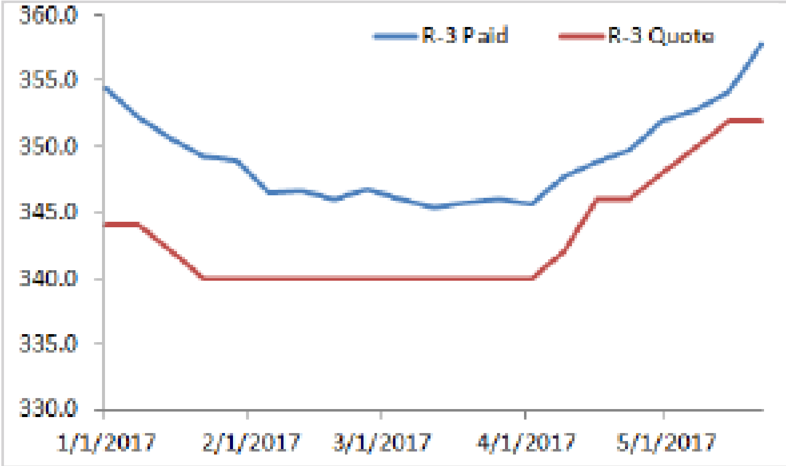
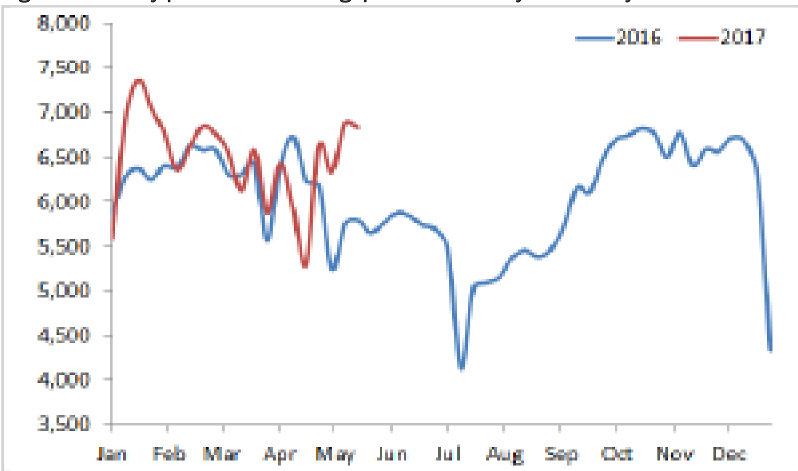


Figure 2: Weekly prime cattle throughput in NI January 2016- May 2017



STRONG DECLINE IN UK LAMB IMPORTS

ACCORDING to the latest available data from HMRC UK lamb imports during the first quarter of 2017 totalled 22,646 tonnes. This is a 23 per cent reduction from the corresponding period in 2016 when 29,586 tonnes of lamb was imported by the UK.

Imports of lamb from the EU accounted for 12 per cent of total lamb imports into the UK during the first quarter of 2017. This is an increase from 8 per cent during the same period in 2016. A total of 2,764 tonnes of lamb was imported from the EU during the first quarter of 2017, a 19 per cent increase from the corresponding period in 2016 when 2,315 tonnes of lamb was imported.

Imports from ROI accounted for 75 per cent of total lamb imports from the EU with imports from the region during the first quarter of 2017 running 31 per cent ahead of year earlier levels at 2,082 tonnes. Imports of lamb from Spain during the 2017 period increased by 18 per cent from 2016 levels to 273 tonnes. Meanwhile the volume of lamb imported by the UK from France declined by 28 per cent to 97 tonnes during the 2017 period.

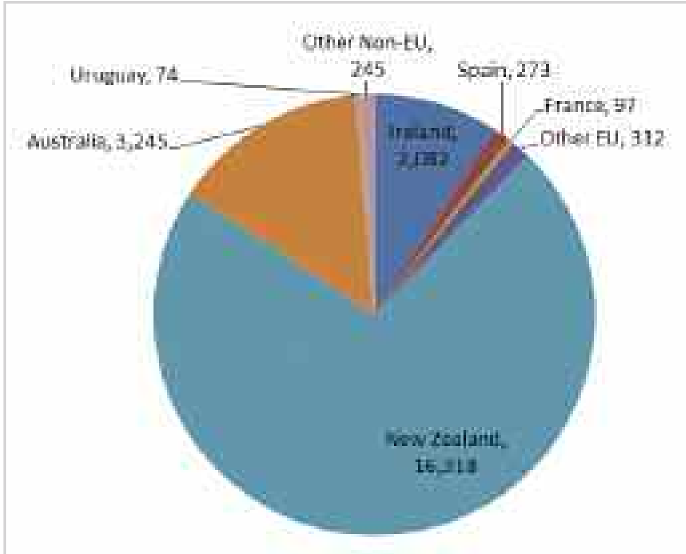
The largest majority of UK lamb imports are sourced from non EU countries, primarily New Zealand and Australia. Total imports from non EU regions during the first quarter of 2017 totalled 19,882 tonnes and accounted for 88 per cent of total lamb imports into the region. In the corresponding period in 2016 imports from non EU countries totalled 27,271 tonnes which accounts for a 27 per cent decline year on year.

UK lamb imports from New Zealand during the 2017 period totalled 16,318 tonnes, a notable 33 per cent reduction from year earlier levels when 24,527 tonnes of lamb was imported from the region. Beef and Lamb New Zealand have just released their mid-season update which has forecast total lamb exports in 2016-17 to be back 3.6 per cent from year earlier levels.

This reduction is expected due to a smaller lamb crop and an increase in the number of hoggets retained for breeding. Strong demand for lamb from other international markets such as China and the strengthening of the NZD against sterling have all contributed to the notable decline in the volume of New Zealand origin lamb destined for the UK market.

UK imports of lamb from Australia totalled 3,245 tonnes during the first quarter of 2017, a 41 per cent increase from the same period in 2016 when 2,297 tonnes of Australian lamb was imported by the UK. Australian lamb accounted for 16 per cent of total lamb imports from non-EU countries during the first quarter of 2017, up from 8 per cent of non-EU imports during the same period in 2016.

Figure 3: UK lamb imports by source region during January to March 2017 (tonnes)



ARTICLE 50 NEGOTIATIONS TO BEGIN

THE European Council has authorised the opening of the Article 50 negotiations with the UK and nominated the European Commission as Union negotiator.

The first phase of the Article 50 negotiations will focus on three main areas. The first of these is safeguarding the status and rights of citizens, both EU 27 citizens and their families living and working in the UK and also UK citizens and their families living and working in the EU27. The second area that will be focused on will be reaching an agreement on the principles of the financial settlement between the UK and the EU following the UK's decision to leave the EU. The third element of negotiations will focus on providing for the new external borders of the EU. This will include the protection of the Good Friday Agreement and finding imaginative solutions in order to avoid a hard border on the island of Ireland.

Other issues that will be included in the negotiations will be arrangements regarding dispute settlement and the governance of the withdrawal agreement between the UK and the EU. The Commission has published its transparency policy for the negotiations, which aims to ensure full transparency during the whole negotiating process.

Formal negotiations will begin as soon as the UK is ready. In preparation for the first meeting between the EU and UK negotiators the Commission will share draft negotiating documents with the EU27 Member States.

WEEKLY BEEF & LAMB MARKETS

CATTLE TRADE

NI FACTORY BASE QUOTES FOR CATTLE

(P/KG DW)	This Week 22/05/17	Next Week 29/05/17
Prime		
U-3	356 - 360p	356 - 364p
R-3	350 - 354p	350 - 358p
O+3	344 - 348p	344 - 352p
P+3	292 - 308p	292 - 312p
	Including bonus where applicable	
Cows		
O+3 & better	260 - 270p	260 - 280p
Steakers	140 - 170p	140 - 170p
Blues	120 - 130p	120 - 130p

Cow quotes vary depending on weight and grade.
Pricing policies vary from plant to plant. Producers are advised to check pricing policies before presenting cattle for slaughter.

REPORTED NI CATTLE PRICES - P/KG

W/E 20/05/17	Steers	Heifers	Young Bulls
U3	363.0	367.1	354.8
R3	359.0	358.6	353.6
O+3	349.6	349.7	343.5

*Prices exclude AA, HER and Organic cattle

REPORTED COW PRICES NI - P/KG

W/E 20/05/17	Wgt <220kg	Wgt 220-250kg	Wgt 250-280kg	Wgt >280kg
P1	178.9	194.6	204.9	220.3
P2	191.6	224.5	235.1	253.4
P3	214.0	236.2	248.7	257.8
O3	-	241.7	276.1	276.3
O4	252.0	334.0	271.8	281.6
R3	-	-	-	295.3

Deadweight Cattle Trade

QUOTES from the major NI processing plants for in spec U-3 grade prime cattle ended this week ranging from 356-364p/kg. Quotes for good quality O+3 grade cows have remained steady with the majority of plants quoting from 260-280p/kg. Similar quotes are expected early next week for all types of cattle.

Throughout of prime cattle in the local plants has remained firm with 6,832 head killed last week. This was similar to the 6,874 head killed the previous week however was notably higher than the 5,793 head killed in local plants during the same week last year. The average carcase weight of prime cattle killed in local plants last week was 336kg compared to 339kg in the same week last year. This decline by 3kg has helped to offset some of the increase in throughput. Cow throughput in NI last week totalled 1,755 head, up from the previous week when 1,510 cows were killed. Cows accounted for 20 per cent of total cattle throughput in NI last week compared to 18 per cent of total cattle throughput in the same week last year.

Imports of cattle from ROI for direct slaughter last week consisted of 205 prime cattle and 68 cows with a further 18 prime cattle and 116 cows imported from GB. Imports accounted for four per cent of total cattle throughput in NI plants last week, almost unchanged from five per cent in the same week last year. There were no cattle exported from NI to GB last week for direct slaughter while 94 prime cattle and 209 cows were exported from NI to ROI. This was the highest level of export for 2017 to date.

Deadweight prices for prime cattle continued to improve in NI last week with the average steer price up 5.5p/kg to 354.4p/kg while the R3 steer price was up by 2.5p/kg to 362.4p/kg. Meanwhile the average heifer price in NI increased by 1.1p/kg to 353.8p/kg with the R3 heifer price up by 0.7p/kg to 360.9p/kg. This brings R3 heifer prices in NI to their highest recorded levels since early February 2015. A firm demand for beef combined with limited supplies of beef in storage across the UK have been identified as key drivers behind the improvements in the deadweight trade. In GB last week the average R3 steer price was 363.5p/kg, just above the equivalent price in NI. Meanwhile the R3 heifer price in GB was 365.4p/kg.

The O3 cow price in NI last week increased by 1.7p/kg to 275.6p/kg bringing it to its highest recorded levels since October 2013. The O3 cow price in NI was marginally above the 274.2p/kg paid for O3 cows in GB last week however it was 13p/kg lower than the 288.6p/kg paid for O3 grade cows in ROI.

In ROI last week deadweight prices for prime cattle continued to improve with the R3 steer price up by 7.5p/kg to 346.8p/kg. The R3 heifer price increased by a similar margin to 356.2p/kg. This puts the differential with NI at 15.6p/kg for R3 grade steers and 4.7p/kg for R3 grade heifers. Prime cattle throughput in ROI last week totalled 22,413 head, back 1,199 head from the previous week.

LAST WEEK'S DEADWEIGHT CATTLE PRICES (UK / ROI)

W/E 20/05/2017		Northern Ireland	Rep of Ireland	Scotland	Northern England	Midlands & Wales	Southern England	GB
Steers	U3	364.3	356.7	376.8	363.4	368.0	366.8	368.9
	R3	362.4	346.8	375.4	356.1	360.3	361.0	363.5
	R4	362.1	347.6	377.1	370.2	357.3	361.2	367.6
	O3	350.6	332.8	348.1	329.1	333.3	335.8	336.5
	AVG	354.4	-	372.0	352.2	348.3	348.5	355.6
Heifers	U3	368.0	367.4	386.3	368.5	374.4	370.9	375.6
	R3	360.9	356.2	379.1	355.1	363.8	359.7	365.4
	R4	358.3	357.4	377.4	362.4	362.8	359.4	366.0
	O3	349.5	341.8	358.0	334.7	337.1	338.1	342.4
	AVG	353.8	-	376.6	355.3	352.9	347.1	358.7
Young Bulls	U3	355.0	349.6	372.6	353.3	355.3	361.1	359.0
	R3	353.4	342.0	365.3	344.5	346.0	352.8	349.8
	O3	334.9	325.6	322.1	307.6	313.6	326.1	315.9
	AVG	339.9	-	357.9	334.2	334.3	342.5	339.9
Prime Cattle Price Reported		5994	-	6941	7637	7258	4866	26702
Cows	O3	275.6	288.6	285.2	270.7	272.2	276.6	274.2
	O4	281.2	289.6	281.2	274.2	275.5	274.0	275.6
	P2	238.5	265.5	228.4	231.4	218.0	232.3	225.5
	P3	254.7	282.8	233.3	249.6	232.3	248.4	239.7
	AVG	261.5	-	273.3	250.7	239.9	247.0	247.5

Notes: (i) Prices are p/kg Sterling-ROI prices converted at 1 euro=85.56p Stg
(ii) Shading indicates a lower price than the previous week.
(iii) AVG is the average of all grades in the category, not just those listed

LATEST LIVEWEIGHT CATTLE MART PRICES NI

	1st QUALITY			2nd QUALITY		
W/E 20/05/17	From	To	Avg	From	To	Avg
Finished Cattle (p/kg)						
Steers	216	236	223	180	215	198
Friesians	157	174	165	130	153	143
Heifers	210	233	220	180	209	192
Beef Cows	160	213	180	125	159	140
Dairy Cows	120	138	126	70	119	95
Store Cattle (p/kg)						
Bullocks up to 400kg	225	266	240	190	224	208
Bullocks 400kg - 500kg	220	258	235	180	219	200
Bullocks over 500kg	200	221	210	175	199	188
Heifers up to 450kg	210	254	225	175	209	192
Heifers over 450kg	200	222	212	170	199	185
Dropped Calves (£/head)						
Continental Bulls	325	450	360	200	322	260
Continental Heifers	280	440	320	160	278	200
Friesian Bulls	140	295	185	80	138	105
Holstein Bulls	100	190	135	2	98	50

SHEEP TRADE

SHEEP BASE QUOTES

(P/Kg DW)	This Week 22/05/17	Next Week 29/05/17
Lambs >21kg	460-470p	470-480p

REPORTED SHEEP PRICES

(P/KG)	W/E 06/05/17	W/E 13/05/17	W/E 20/05/17
NI Lambs L/W	416.2	424.9	434.4
NI Lambs D/W	440.0	442.6	448.8
GB Lambs D/W	474.9	469.7	480.6
ROI D/W	437.4	445.6	458.4

Deadweight Sheep Trade

QUOTES from the major processors early this week for R3 grade lambs were 460-470p/kg and these firmed to 470-480p/kg as the week progressed. Reports have indicated that the availability of lambs for slaughter have remained tight with throughput in the local plants last week back slightly from the previous week at 5,496 head. In the same week last year 5,736 lambs were killed in local plants. Exports of sheep to ROI for direct slaughter last week totalled 3,707 head compared to 4,378 head the previous week. The average deadweight lamb price in NI last week was 448.8p/kg, up 6.2p/kg from the previous week. In the same week last year the average lamb price in NI was 423.6p/kg. The sheep trade in ROI has also continued to firm with a combined hogget/lamb price last week the equivalent of 458.4p/kg.

This week's marts

THE number of lambs passing through local sale rings has remained small with a firm trade reported for any good quality lambs on offer. In Omagh last Saturday 393 lambs sold from 424-495p/kg compared to 121 lambs the previous Saturday selling from 429-472p/kg. In Massereene on Monday a firmer trade was reported with 544 lambs selling from 460-500p/kg compared to 310 lambs last week selling from 420-445p/kg. In Rathfriland this week 370 lambs sold from 432-520p/kg (avg 477p/kg) compared to 361 lambs last week selling from 411-471p/kg (avg 442p/kg). The trade for well fleshed cull ewes has remained firm with top reported prices generally ranging from £90-£110 across the marts.

LATEST SHEEP MARTS

From: 19/05/17		Lambs (P/KG LW)			
To: 25/05/17		No	From	To	Avg
Friday	Newtownstewart	120	432	452	-
Saturday	Omagh	393	424	495	-
	Swatragh	115	420	463	-
Monday	Kilrea	240	465	489	-
	Massereene	544	460	500	-
Tuesday	Saintfield	444	443	480	-
	Rathfriland	370	432	520	477
Wednesday	Ballymena	702	440	550	460
	Enniskillen	320	468	512	-
	Markethill	900	450	505	-
	Armoy	136	445	520	-

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