LMC

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IMPACTS OF POST BREXIT TRADE AGREEMENTS ON UK AGRICULTURE

A report published by AFBI this week has highlighted the significant impact that Brexit could have on UK commodity markets due to notable changes in trade flows. The report authors have used FAPRI modelling systems which have been substantially updated to account for changes in the trading relationship between the UK and the EU as the basis for their analysis.

The report focuses on three potential trade scenarios for the UK following Brexit and compares them to a Baseline in which the UK is fully integrated with the UK market. While the report looks at a range of commodities the potential impacts of each of these three trading arrangements on the UK beef and lamb sectors are outlined below.

Bespoke Free Trade Agreement (FTA) with the EU

Under this scenario the UK would retain tariff and quota free access to the EU and vice versa whilst the UK continues to use the EU tariff structure for imports from the rest of the world. A 5 per cent trade facilitation cost has been factored in to account for the cost of cross border administration and paperwork between the UK and the EU 27.

The report indicates that under this scenario there would be a 3 per cent increase in the domestic UK beef price above the baseline by 2025 while beef production would remain stable over the same period as indicated in Table 1. Meanwhile there would be a one per cent decline in domestic lamb prices in the UK over the baseline model under this trading scenario with production levels remaining unchanged.

WTO default

In the absence of a trade deal between the UK and the EU, WTO tariff rates would apply on goods traded between the two regions. As these default tariffs are in the main very high there would be a significant adjustment in trade which would have significant impacts on the domestic UK markets. As the UK is currently a net importer of beef domestic producer prices and output value are expected to increase greatly, as with the application of WTO tariffs beef imports would not be competitive on the UK market.

Under this scenario producer prices for sheep would come under notable pressure as the UK currently exports large quantities of sheepmeat to the EU. The application of WTO tariffs would negatively impact the competitiveness of UK lamb on the EU market which would result in an increase in product availability on the UK market. The projected decline in price as a consequence of reduced exports and an oversupplied domestic market would depress UK sheep meat production.

Unilateral Trade Liberalisation

To avoid applying high WTO import tariffs the UK could potentially opt for unilateral trade liberalisation where tariffs on imports from the EU, and the rest of the world, are reduced. Meanwhile export tariffs would still be applied to UK exports destined for the EU and the rest of the world. This would have a depressing impact on UK prices and outputs for all commodities, but in particular for beef and lamb as producers in other parts of the world are very competitive in these sectors.

Under this scenario UK beef prices are forecast to fall by 45 per cent, production would decline by 10 per cent and the value of outputs would decline by 50 per cent compared to the baseline model. There would be a similar situation for the UK sheep sector with prices back by 29 per cent, production back 11 per cent and the value of outputs back 36 per cent.

Conclusion

The scenarios outlined above are designed to show the potential impact of a broad range of possible trade arrangements whilst in practice the trade arrangements finally adopted by the UK are likely to be a hybrid of these scenarios and may vary by sector.

This report highlights the importance of the UK securing a trade agreement that provides tariff free and frictionless access to EU markets and in the interim period maintain the status quo until an agreement is reached. It is also imperative that this solution recognises the unique issue of the Irish border and minimises any disruption to trade.

Table 1: % Change in UK Commodity Prices, Production and Value of Output under three trade scenarios compared to the baseline in 2025

		Bespoke FTA with the EU	WTO default	Unilateral Trade Liberalisation
Beef	Price	3%	17%	-45%
	Production	0%	10%	-10%
	Output value	3%	29%	-50%
Sheep	Price	-1%	-30%	-29%
	Production	0%	-11%	-11%
	Output value	-1%	-38%	-36%

LMC PROMOTING LOVE LAMB WEEK 2017

LOVE Lamb Week is running from 01 to 07 September 2017 and LMC, along with the UFU, are encouraging consumers to celebrate everything that is good about locally produced Farm Quality Assured Lamb. Northern Ireland farmers produce some of the best quality lamb using the highest standards of animal husbandry, animal welfare and traceability and this is recognised both locally and on export markets. It is important that local consumers understand the versatility of locally produced Farm Quality Assured lamb and how it can be used to produce delicious, nutritious and easily cooked meals to suit busy lifestyles.

LMC's Cherrie Kenny and her team of demonstrators will be working with the UFU during Love Lamb Week to hand out tasty, freshly made samples of lamb dishes to consumers as they do their weekly grocery shop. "LMC is delighted to be supporting Lamb Week by carrying out cooking and sampling sessions. These events will highlight how quickly and simply Northern Ireland Farm Quality Assured lamb can be prepared and cooked. They will also emphasise the nutritional benefits of including lamb as part of a healthy balanced diet. The Love Lamb Week campaign will give consumers the opportunity to sample and enjoy dishes they may not have considered before."

LMC have a website dedicated to the promotion of NI FQAS Beef and Lamb which contains a wide range of easy to cook lamb recipes and video guides and gives you a flavour of how tasty and versatile lamb is. www.beefandlambni.com

Image 1: UFU hill farming chairman John Kennedy, food demonstrator Liz Brown, LMC education services manager, Cherrie Kenny and UFU beef and lamb chairman Crosby Cleland gear up to celebrate #LoveLambWeek 1-7 September.

VALUABLE MARKET ACCESS TO PHILIPPINES SECURED FOR UK BEEF

GAINING market access to a range of high value markets for UK beef and lamb is a key priority for the NI red meat industry. This has become increasingly important following the UK's decision to leave the EU and the ongoing uncertainty regarding future access to this key market. During 2016 89 per cent of UK beef/veal exports and 96 per cent of lamb/mutton exports were destined for EU markets.

In recent weeks the UK has been approved to export beef to the Philippines, one of South East Asia's largest markets. Beef exports to the Philippines, which has a population of 103m people, are expected to be worth £34m to the UK economy and it is believed that this trade could be worth £5.5m to the industry in Northern Ireland over the next five years.

Access to this valuable market for beef follows formal endorsement last month of NI as an area of negligible risk for BSE by the World Organisation for Animal Health. The UK already has permission to export pork, lamb and poultry to the south-east Asian nation however the market had been closed to UK beef imports since the BSE crisis. Beef exports to the Philippines are already a significant trade for some of the UK's European competitors and the NI industry here is keen to benefit commercially.

LMC's Ian Stevenson said "Securing access to new markets is a long process however the work put in to date is already paying off. Last autumn saw an official delegation from the Philippines visit Great Britain and Northern Ireland, an initiative that was part funded by LMC."

Stevenson confirmed that LMC is playing a strategic role at a number of levels in helping to secure new export opportunities for Northern Ireland's beef and sheep industry. "A case in point is our membership of the UK Export Certification Partnership (UKECP). This is a Government /Industry grouping that is dedicated to securing and maintaining market access for UK meat and livestock producers."

"Established in 2008, this body provides a forum to coordinate and prioritise efforts to negotiate export health certificates with third countries on behalf of the UK. It also assists in the drafting of export health certificates which are generally required before exports can take place. All of these requirements are critically important when it comes to securing new export markets."

Significantly, Stevenson believes that the certification partnership has worked to take full account of the export priorities set for the beef and sheep industry in Northern Ireland. "And, no doubt, this will continue. Government has been made fully aware of the opportunities which local industry can avail of in a host of new markets. We are an export focussed region and this message must continue to be taken fully on board, properly resourced and prioritised."

The trade for beef between the UK/NI and the Philippines is expected to start once export paperwork has been agreed between the two regions.

WEEKLY BEEF & LAMB MARKETS

LMC

CATTLE TRADE

NI FACTORY BASE QUOTES FOR CATTLE

(P/KG DW)	This Week 14/08/17	Next Week 21/08/17
Prime		
U-3	358 - 362p	352 - 360p
R-3	352 - 356p	346 - 354p
O+3	346 - 350p	340 - 348p
P+3	288 - 310p	282 - 308p
	Including bonus where applicable	
Cows		
O+3 & better	270 - 280p	260 - 274p
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 12/08/17	Steers	Heifers	Young Bulls
U3	370.1	372.6	366.4
R3	366.1	367.3	360.7
O+3	355.7	352.5	354.6

*Prices exclude AA, HER and Organic cattle

REPORTED COW PRICES NI - P/KG

W/E 12/08/17	Wgt <220kg	Wgt 220-250kg	Wgt 250-280kg	Wgt >280kg
P1	186.2	203.2	221.6	223.5
P2	198.9	230.6	248.0	260.0
P3	208.3	249.3	264.7	269.5
O3	-	262.1	276.3	286.5
O4	-	250.0	271.6	290.1
R3	-	-	300.0	304.9

Deadweight Cattle Trade

QUOTES from the plants this week for U-3 grade prime cattle ranged from 358-362p/kg with quotes for Monday morning ranging from 352-360p/kg. Quotes for good quality O+3 grading cows held steady this week, ranging from 270-280p/kg across the plants with quotes for early next week of 260-274p/kg..

The plants have reported steady supplies of prime cattle coming forward to meet demand for beef with 5,412 prime cattle killed locally last week. This was a reduction of 703 head from the previous week however throughput was just above the 5,368 prime cattle killed in the corresponding week in 2016. The average carcase weight of prime cattle last week was 335kg, very similar to the corresponding week last year when it was 336kg.

Imports for direct slaughter last week from ROI consisted of 221 prime cattle and 81 cows while exports from NI to ROI included 42 prime cattle and 86 cows. A further 20 prime cattle and 127 cows were imported from GB for direct slaughter last week while no cattle were exported from NI for slaughter in GB plants. The narrow differential in deadweight prices between NI and GB has discouraged the export of cattle to GB for direct slaughter in recent months. In the corresponding week last year 90 prime cattle and 19 cows were exported to GB for direct slaughter.

The deadweight trade for prime cattle came under some pressure in NI last week with the prices paid for the majority of reported grades recording a decline. Paid prices however continue to be higher than base quotes from the plants would suggest. The average steer price in NI last week was unchanged at 361.6p/kg while the R3 steer price was back by a penny to 370.4p/kg. The average heifer price in NI was back by 3.4p/kg to 360.1p/kg last week while the R3 heifer price was back by 0.7p/kg to 369.6p/kg. The trade for young bulls was also back with an average price of 353.7p/kg, down 2.5p/kg from the previous week. The cow trade in NI last week remained stable with the O3 cow price up 1.7p/kg to 285.7p/kg.

The deadweight trade for prime cattle in GB last week was very similar to the previous week with the average steer price unchanged at 370.2p/kg and the R3 steer price back marginally to 382.0p/kg. Meanwhile the average heifer price was back by a penny to 374.1p/kg while the R3 heifer price was back by a similar margin to 380.6p/kg. The differential in R3 steer and heifer prices between NI and GB was in the region of 11p/kg last week, the widest the differential has been since November 2016. The cow trade in GB has remained steady with an average O3 price last week of 283.6p/kg, 1.9p/kg lower than the equivalent price in NI.

The deadweight trade in ROI has continued to come under pressure with notable declines in the prices paid for prime cattle in euro terms last week. The continued strengthening of euro against sterling however has made the decline in prices paid smaller in sterling terms. The R3 steer price in ROI last week was 351.5p/kg, back 2.3p/kg from the previous week. The R3 heifer price was back by a similar margin to 361.1p/kg.

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

W/E 12/08/2017		Northern Ireland	Rep of Ireland	Scotland	Northern England	Midlands & Wales	Southern England	GB
Steers	U3	371.8	361.6	397.2	377.2	377.5	383.8	383.5
	R3	370.4	351.5	396.8	373.5	377.1	379.4	382.0
	R4	369.8	351.3	397.6	384.6	375.7	379.3	385.2
	O3	356.3	335.0	375.9	345.6	346.7	348.8	354.3
	AVG	361.6	-	393.0	364.7	358.9	363.1	370.2
Heifers	U3	372.8	373.5	403.3	379.4	387.6	387.2	389.5
	R3	369.6	361.1	396.8	371.6	373.3	379.0	380.6
	R4	366.3	361.0	397.5	376.2	376.3	377.2	382.1
	O3	358.9	344.9	382.1	348.2	355.8	352.0	360.2
	AVG	360.1	-	395.4	367.7	365.0	365.9	374.1
Young Bulls	U3	366.7	357.6	384.4	366.1	370.2	373.7	372.0
	R3	361.6	345.8	382.0	359.4	359.3	369.8	364.3
	O3	347.2	328.2	342.6	318.1	322.7	342.0	327.3
	AVG	353.7	-	375.5	345.4	347.8	358.9	353.8
Prime Cattle Price Reported		5292	-	6209	6845	6879	4132	24065
Cows	O3	285.7	290.2	295.3	276.2	282.9	291.6	283.6
	O4	288.8	291.2	294.1	279.3	280.4	287.7	282.6
	P2	250.1	268.9	245.1	228.9	230.2	248.3	237.0
	P3	267.3	284.4	258.6	245.0	240.7	263.3	247.8
	AVG	267.5	-	282.8	252.6	242.1	258.5	251.6

Notes: (i) Prices are p/kg Sterling-ROI prices converted at 1 euro=90.48p 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 12/08/17	From	To	Avg	From	To	Avg
Finished Cattle (p/kg)						
Steers	210	224	216	170	200	185
Friesians	155	161	158	142	150	147
Heifers	200	211	205	164	194	180
Beef Cows	142	187	155	120	141	134
Dairy Cows	112	130	120	70	110	90
Store Cattle (p/kg)						
Bullocks up to 400kg	225	251	240	200	224	212
Bullocks 400kg - 500kg	215	248	230	195	214	205
Bullocks over 500kg	200	232	216	180	199	190
Heifers up to 450kg	210	245	230	170	209	190
Heifers over 450kg	200	217	210	170	199	185
Dropped Calves (£/head)						
Continental Bulls	330	460	385	220	328	275
Continental Heifers	230	435	300	140	228	185
Friesian Bulls	165	230	185	100	162	125
Holstein Bulls	110	195	140	65	108	85

SHEEP TRADE

SHEEP BASE QUOTES

(P/Kg DW)	This Week 14/08/17	Next Week 21/08/17
Lambs >21kg	405-410p	410-415p

REPORTED SHEEP PRICES

(P/KG)	W/E 29/07/17	W/E 05/08/17	W/E 12/08/17
NI Lambs L/W	364.2	365.1	371.8
NI Lambs D/W	409.7	399.0	402.9
GB Lambs D/W	452.7	440.6	442.1
ROI D/W	434.2	422.4	428.0

Deadweight Sheep Trade

QUOTES from the major plants for R3 grading lambs steadied this week at 410p/kg up to 21kg. Steady demand for lambs from local plants combined with a tightening in supplies and increased competition from ROI due to a stronger euro has helped steady the trade with similar quotes expected early next week. Throughput in local plants totalled 9,278 head last week, back 2,101 head from the previous week. Meanwhile a total of 5,627 lambs were exported to ROI for direct slaughter last week. The average price paid in NI last week was up almost 4p/kg to 402.9p/kg which puts it 12.1p/kg higher than the corresponding week last year when the average price paid was 390.8p/kg. The average lamb price in ROI last week was the equivalent of 428p/kg.

This week's marts

STRONG numbers of lambs passed through the sale rings this week with many of the marts reporting an improvement in trade. In Omagh last Saturday 1,441 lambs sold from 381-411p/kg compared to 951 lambs the previous Saturday selling from 381-435p/kg. In Kilrea on Monday 620 lambs sold from 369-400p/kg compared to 375 lambs last week selling from 358-371p/kg. In Saintfield on Tuesday 866 lambs sold from 373-416p/kg compared to 688 lambs last week selling from 366-404p/kg. In Ballymena this week a large entry of 2,341 lambs sold to an average of 379p/kg compared to 1,751 lambs the previous week selling to an average of 367p/kg. In Armoy on Wednesday 624 lambs sold from 365-415p/kg compared to 442 lambs last week selling from 345-390p/kg. The ewe trade has come back slightly with a top reported price of £109 in Rathfriland on Tuesday.

LATEST SHEEP MARTS

From: 11/08/17		Lambs (P/KG LW)			
To: 17/08/17		No	From	To	Avg
Friday	Newtownstewart	385	340	392	-
Saturday	Omagh	1441	381	411	-
	Swatragh	1100	360	400	-
Monday	Kilrea	620	369	400	-
	Massereene	1076	375	402	-
Tuesday	Saintfield	866	373	416	-
	Rathfriland	1028	370	406	379
Wednesday	Ballymena	2341	360	406	379
	Markethill	1250	370	409	-
	Armoy	624	365	415	-

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