

QUOTED PRICES VS PAID PRICES FOR IN-SPEC PRIME CATTLE

THE deadweight beef trade has remained relatively steady in NI during the second half of 2017 and during 2018 to date with steady supplies of prime cattle coming forward for slaughter and a firm demand for beef from major retailer and food service customers.

A weaker sterling against euro has made beef imports from ROI less competitive on the UK market whilst at the same time making UK exports more competitive on the valuable EU market. These factors combined with the firm demand for beef will have contributed to the steady beef trade recorded in NI in recent months.

Base quotes from the major NI processors for in spec U-3 grading steers and heifers this week ranged from 350-358p/kg. Prime cattle slaughtered in NI are generally paid for on a pricing grid which uses the U-3 price to work out a relative value of other individual grades.

It should be noted however that the pricing grid is there as a guide and there

may be some variation in its application across the plants. In practice the price paid for individual grades is driven by the supply and demand of prime cattle for slaughter and is open to negotiation between producers and processors.

Given the flexibility of the pricing system currently in place across the NI plants there are often marked differences in the quotes from the plants and the actual price paid. Analysis of price reporting data allows a comparison to be drawn between base quotes from the major plants and the prices that they actually paid. For the purposes of analysis we have used the deadweight prices paid for 1,168 in-spec R-3 grade steers during the 12 week period ending the 17 March 2018.

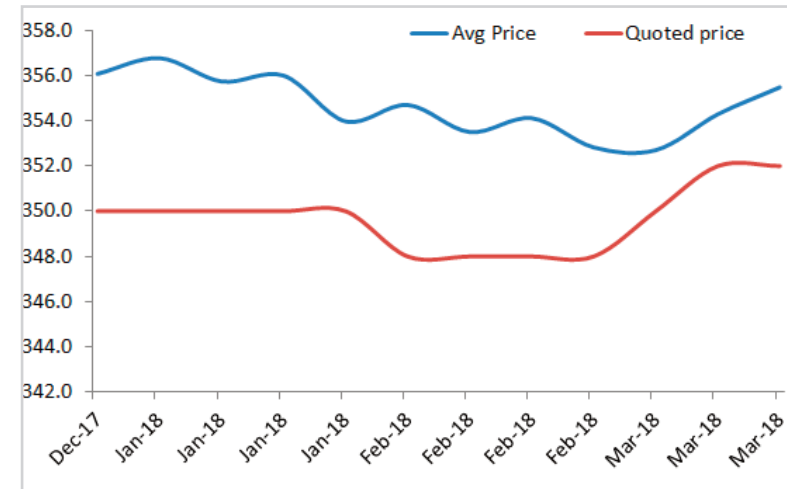
The R-3 grade is used as this is the most popular price reported grade in NI and therefore provides the most reliable indicator of changes in the deadweight cattle trade. Aberdeen Angus, Hereford and Organic cattle have been removed as any bonuses paid for these cattle are not included in base quotes from the major processors.

As indicated in Figure 1 the average price paid for in spec R-3 grading steers has been consistently above the quoted base price throughout the period under analysis. The differential between the quoted price and paid price varied from 2.3p/kg to 6.8p/kg across the 12 week period with an average differential of 5p/kg. The differential between quotes and prices has generally narrowed in recent weeks with a difference of 3.5p/kg last week.

As displayed in Figure 1 there is a slight lag in the trends shown between the top quoted price and the prices paid. This is to be expected given that prime cattle in NI may be bought at an agreed price a week, or in some cases several weeks, before they are slaughtered. By the time these cattle have been killed and price reported there may have been changes in the deadweight cattle trade.

While there is a differential between the quoted base prices from the plants and the average price paid for in spec R-3 grade steers analysis of price reporting data has shown that some cattle were bought at and below the top quoted

Figure 1: Average in-spec R-3 steer prices and the top quoted in spec R-3 steer prices during 12 week period ending 17 March 2018



price during the period under analysis.

With a range in the prices paid for in-spec R-3 grade steers during any particular week producers are encouraged to use the base quotes for prime cattle from the major plants as a starting point for negotiation where possible and to shop around for the

best possible deal. Changes in the base quotes for prime cattle from the major processors should also be used as an indicator of the direction of movement in the deadweight cattle trade.

SOME PROGRESS MADE IN UK AND EU BREXIT NEGOTIATIONS

EARLIER this week the EU and UK negotiating teams reached an agreement on some aspects of the transition period following Brexit. However while formal agreements have been reached in some areas other areas need some further clarifications. In some other areas there has been no agreement as yet and the most notable of these unresolved issues is the management of the border between NI and ROI.

Both the UK and the EU remain committed to all aspects of the joint report issued in December 2017 and have agreed that a backstop solution must form part of the legal text of the Withdrawal Agreement. This would fully align Northern Ireland with the rules of the EU in order to avoid a hard border. However it has been made clear by both sets of negotiators that this option will only apply if another solution cannot be found.

Some aspects of the protocol have been agreed between the UK and the EU including those related to the Common Travel Area and North-South Co-operation. Areas of co-operation include the areas of environment, health, agriculture, transport, education and tourism, as well as energy, telecommunications, broadcasting, inland

fisheries, justice and security, higher education and sport.

Image 1: EU and UK negotiators agreed a transition period post-Brexit until December 2020



The agreement reached by the UK and EU negotiators earlier this week outlined a transition period post Brexit which will last for a period of 21 months up to December 2020. During this time the UK will keep all of the advantages of being in the Single Market, Customs Union and the European Policies but will not take part in the EU decision making process.

All international agreements which arise from EU membership during the transition period will also be available to the UK. However the UK will only be able to sign and ratify new trade deals once the implementation period is over.

One key area finalised in discussions earlier this week was regarding citizens rights. This will provide some certainty to the 4.5 million EU and UK citizens affected by Brexit. EU nationals arriving in the UK during the transition period will have the rights as those that arrived prior to the UK leaving the EU. This will also apply to UK nationals arriving in the EU during this period.

Plans have also been set out to create an ambitious partnership on foreign policy and defence collaboration between the UK and the EU post-Brexit. This is expected to go far beyond any current relationship the EU has with any third country.

Good progress has also been made with regards to issues such as customs procedures, continued circulation of goods, UK engagements on nuclear issues and the protection of trademarks and designs. Other areas that need further negotiation include data protection, geographical indicators and governance of the withdrawal agreement. A joint committee made up of EU and UK representatives will be established as a means to resolve concerns as they arise.

DECLINE IN CATTLE IMPORTS FROM ROI

DURING 2018 to date 544 prime cattle and 231 cows have been imported from ROI for direct slaughter in local plants. This is a notable decline from the corresponding period in 2017 when 1,818 prime cattle and 613 cows were imported for direct slaughter.

A number of factors have played a role in this decline in imports year on year. Strong levels of beef sired calf births in NI over the past few years has resulted in an increase in the number of slaughter age cattle currently on NI farms. Local processors have therefore been able to source a larger proportion of their kill from local producers. A weaker sterling against euro has also made ROI sourced cattle relatively more expensive than previous year and therefore more difficult for processors to make a margin on these imported animals.

While imports from ROI for direct slaughter have recorded a decline the level of import from the region for further breeding and production in NI have followed a similar trend. During the first two months of 2018 (latest available data) a total of 1,362 cattle were imported from ROI for breeding and production. This was a marked decline from the same period in 2017 when 2,273 cattle were imported from the region.

These figures include both dairy and beef origin stock and indicate that total cattle imports into NI from ROI have recorded a decline year on year. If we consider male weanling and store cattle imports (to remove the dairy influence) there were just 105 animals imported during the first two months of 2018, back from 406 head during the same period in 2017. At its peak in 2010 there were 4,488 cattle in this category imported from ROI for further production on NI farms. Significant penalties at point of slaughter for cattle born in ROI and finished on farms in NI has impacted the economic viability of importing cattle for further production. A weaker sterling against euro will also have made ROI origin animals more expensive than in previous years.



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WEEKLY BEEF & LAMB MARKETS



CATTLE TRADE

NI FACTORY BASE QUOTES FOR CATTLE

(P/KG DW)	This Week 19/03/18	Next Week 26/03/18
Prime		
U-3	350 - 358p	350 - 358p
R-3	344 - 352p	344 - 352p
O+3	338 - 346p	338 - 346p
P+3	292 - 308p	292 - 308p
Including bonus where applicable		
Cows		
O+3 & better	260 - 290p	270 - 290p
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.

Deadweight Cattle Trade

BASE quotes from the major NI processing plants for U-3 grade prime cattle ranged from 350-358p/kg this week. Quotes for early next week for steers and heifers are expected to be in the region of 350-358p/kg. The trade for good quality O+3 grade cows firmed this week with quotes ranging from 270-290p/kg. Similar quotes for good quality cows are expected for early next week.

Prime cattle throughput in NI last week totalled 6,577 head, an increase of 126 head from the 6,451 head slaughtered the previous week. Throughput of prime cattle during 2018 to date has totalled 74,680 head, a two per cent increase on the corresponding period in 2017 when 72,977 prime cattle were slaughtered. There has also been a slight increase in average carcase weights from 333kg during the 2017 period to 335kg in 2018. In NI last week the numbers of cows slaughtered totalled 2,333 head an increase of 252 cows on the previous week. Cow throughput in NI plants during 2018 to date has totalled 23,395 head, a nine per cent increase on the 21,485 cows killed in the same period in 2017.

Imports from ROI for direct slaughter in NI plants last week consisted of 64 prime cattle and 35 cows while 13 prime cattle and 64 cows were exported from NI for direct slaughter in ROI. Imports from GB for direct slaughter in NI last week consisted of 129 cows and nine prime cattle compared to 193 cows and 18 prime cattle the previous week.

The average steer price in NI last week increased 2.3p/kg from the previous week to 351.6p/kg, while the R3 steer price was up half a penny to 359.0p/kg. In the corresponding week in 2017 the R3 steer price was 350.5p/kg, an increase of 8.5p/kg year on year. The average heifer price in NI last week was 351.3p/kg, an increase of 1.1p/kg from the previous week while the R3 heifer price was up by 0.7p/kg to 358.7p/kg. In the corresponding week in 2017 the R3 heifer price was 350.2p/kg, an increase of 8.5p/kg year on year.

The deadweight trade for prime cattle in GB held relatively steady. The average steer price increased by 1.8p/kg to 357.5p/kg while the R3 steer price increased by 1.4p/kg to 365.3p/kg. This puts the differential in R3 steer in NI and GB at 6.3p/kg compared to a differential of 4.4p/kg in the same week in 2017. The average heifer price in GB last week was 358.2p/kg, back 0.8p/kg from the previous week. The R3 heifer price in GB last week was up marginally by 0.2p/kg to 365.5p/kg putting the differential with NI at 6.8p/kg. In the same week in 2017 the differential was similar at 6.6p/kg.

In ROI last week a weakening in euro against sterling meant the deadweight trade was back slightly in sterling terms. The R3 steer price was the equivalent of 346.2p/kg, back 1.7p/kg from the previous week while the R3 heifer price was the equivalent of 357.3p/kg, back 2.3p/kg from the previous week. This puts the differential with NI at 12.8p/kg for R3 steers and 1.4p/kg for R3 grade heifers.

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

	W/E 17/03/2018	Northern Ireland	Rep of Ireland	Scotland	Northern England	Midlands & Wales	Southern England	GB
Steers	U3	363.3	357.2	370.0	371.4	371.3	370.8	370.9
	R3	359.0	346.2	369.8	361.8	364.3	364.7	365.3
	R4	360.8	347.3	369.6	374.1	364.0	362.8	368.8
	O3	349.3	329.5	346.3	334.6	336.2	343.4	339.8
	AVG	351.6	-	365.1	358.4	352.9	352.4	357.5
Heifers	U3	366.1	370.1	378.3	375.2	378.9	375.5	377.3
	R3	358.7	357.3	370.1	361.0	365.1	364.8	365.5
	R4	357.1	357.7	372.1	364.6	365.9	360.3	366.3
	O3	350.8	341.7	354.3	340.1	340.3	347.4	345.9
Young Bulls	AVG	351.3	-	369.5	358.3	353.7	349.2	358.2
	U3	352.4	348.9	363.0	358.9	363.3	342.0	358.7
	R3	346.8	339.4	357.7	346.3	357.5	353.0	352.2
	O3	332.7	324.2	321.0	312.1	321.2	307.9	316.9
Prime Cattle Price Reported	AVG	332.7	-	334.3	327.3	327.9	323.5	328.5
		5759	-	6616	7381	7402	4826	26225
Cows	O3	287.1	291.6	289.6	279.7	282.8	282.8	282.8
	O4	291.1	293.1	288.4	280.9	285.0	279.6	283.1
	P2	252.8	258.9	235.6	231.0	229.5	248.1	235.8
	P3	268.2	282.0	254.1	252.7	250.0	264.6	254.0
	AVG	267.5	-	275.9	258.9	249.4	253.3	255.2

Notes: (i) Prices are p/kg Sterling-ROI prices converted at 1 euro=88.52p 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

REPORTED NI CATTLE PRICES - P/KG

W/E 17/03/18	Steers	Heifers	Young Bulls
U3	362.0	365.9	351.8
R3	356.4	357.9	346.2
O+3	348.6	350.2	339.0

*Prices exclude AA, HER and Organic cattle

REPORTED COW PRICES NI - P/KG

W/E 17/03/18	Wgt <220kg	Wgt 220- 250kg	Wgt 250- 280kg	Wgt >280kg
P1	192.4	202.9	216.3	218.3
P2	208.8	231.7	251.7	265.0
P3	227.2	245.3	265.3	272.6
O3	226.1	271.3	283.3	288.3
O4	-	285.0	289.4	291.2
R3	-	-	-	310.1

LATEST LIVELWEIGHT CATTLE MART PRICES NI

W/E 17/03/18	1st QUALITY			2nd QUALITY		
	From	To	Avg	From	To	Avg
Finished Cattle (p/kg)						
Steers	216	234	220	185	215	200
Friesians	168	171	169	150	158	154
Heifers	204	218	210	170	194	185
Beef Cows	160	220	175	125	159	142
Dairy Cows	124	141	128	75	123	100
Store Cattle (p/kg)						
Bullocks up to 400kg	240	281	255	200	239	220
Bullocks 400kg - 500kg	225	268	235	195	224	210
Bullocks over 500kg	200	224	212	170	199	185
Heifers up to 450kg	215	253	235	180	214	195
Heifers over 450kg	200	231	215	170	199	185
Dropped Calves (£/head)						
Continental Bulls	300	390	340	180	298	240
Continental Heifers	225	350	285	120	222	170
Friesian Bulls	120	200	150	70	118	85
Holstein Bulls	85	160	120	2	82	45

SHEEP TRADE

SHEEP BASE QUOTES

(P/Kg DW)	This Week 19/03/18	Next Week 26/03/18
Hoggets >22kg	500-520p	500-510p

REPORTED SHEEP PRICES

(P/KG)	W/E 03/03/18	W/E 10/03/18	W/E 17/03/18
NI L/W Hoggets	421.6	458.9	451.2
NI D/W Hoggets	462.7	490.3	514.2
GB D/W Hoggets	493.9	506.8	511.2
ROI D/W	461.7	497.2	507.7

Deadweight Sheep Trade

QUOTES from the major processors for R3 grade hoggets ranged from 500-520p/kg this week with plants paying up to 22kg. Similar quotes are expected for early next week. The NI plants reported throughput last week totalled 5,729 head, back 420 head from the previous week. Throughput for the year to date has totalled 70,856 head, a six per cent decrease from the 75,438 head killed in local plants in the same period last year. Exports of hoggets from NI to ROI last week totalled 8,842 head taking exports for the year to date to 87,282 head. This is a 16 per cent increase from 75,012 head in the same period in 2017. The deadweight hogget price in NI last week increased for the seventh consecutive week to 514.2p/kg. The deadweight hogget price in ROI last week also increased by the equivalent of 10.5p/kg to 507.7p/kg.

This week's marts

THERE was a slightly quieter trade across some of the marts this week with many of the marts reporting smaller numbers being offered for sale. In Omagh last week a smaller show of 672 hoggets sold from 444-488p/kg compared to 1094 hoggets previous week selling from 477-523p/kg. In Massereene this week 806 hoggets sold from 460-536p/kg compared to 1369 hoggets last week selling from 450-520p/kg. In Ballymena this week 1,423 hoggets sold from 420-512p/kg (avg 458p/kg) compared to 2,341 hoggets last week selling from 430-518p/kg (avg 460p/kg). In Markethill this week 1,150 hoggets sold from 440-514p/kg compared to 1,400 hoggets last week selling from 470-514p/kg. The cull ewe trade has remained fairly steady for well fleshed ewes with top reported prices ranging from £110-147 across the marts.

LATEST SHEEP MARTS

From: 16/03/18		Hoggets (P/KG LW)			
To: 22/03/18		No	From	To	Avg
Friday	Newtownstewart	145	449	498	-
Saturday	Omagh	672	444	488	-
Monday	Massereene	806	460	536	-
	Kilrea	600	451	513	-
Tuesday	Saintfield	502	453	600	-
	Rathfriland	610	431	546	467
Wednesday	Ballymena	1423	420	512	458
	Enniskillen	832	455	489	-
	Armoyle	486	435	520	-
	Markethill	1150	440	513	-

Contact us:

Website: www.lmcni.com

Telephone: 028 9263 3000

Fax: 028 9263 3001

FQAS Helpline: 028 9263 3024

Answerphone: 028 9263 3011

Comments: bulletin@lmcni.com

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