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DEADWEIGHT COW TRADE CONTINUES TO COME UNDER PRESSURE

THE deadweight cow trade in NI has come under pressure in recent weeks with strong numbers of cows coming forward for slaughter. The on-going dry spell and the resulting tight grass supplies has encouraged producers to offload unproductive stock. This increase in throughput has come at a time when the major processors are reporting a weaker demand for beef from major retail customers.

Quotes in NI for good quality O+3 grading cows towards the end of this week ranged from 252-265p/kg with the majority of local plants quoting in the region of 265p/kg. Base quotes for good quality O+3 grading cows are expected to range from 252-280p/kg next week.

The average O3 cow price in NI last week was back by 5.5p/kg to 278.5p/kg which takes it to its lowest level since early January this year. This was the fifth consecutive week in which the O3 cow price in NI recorded a decline with it declining by 25p/kg over this five week period. On a 300kg cow carcase this equates to a decline of £75.

Cow throughput in NI last week totalled 2,346 head taking throughput for the last six weeks to 10,883 head. This was a two per cent decline from the corresponding six week period in 2017 when 11,110 cows were killed locally. Cow throughput for 2018 to date is running 7.5 per cent ahead of the same period in 2017.

Cow imports for direct slaughter in local plants last week totalled 156 head, with 136 cows imported from GB and a further 20 cows imported from ROI. These accounted for 6.6 per cent of total cow throughput. Cow imports for direct slaughter have been operating at relatively low levels in recent weeks as the deadweight trade for cows comes under pressure in NI.

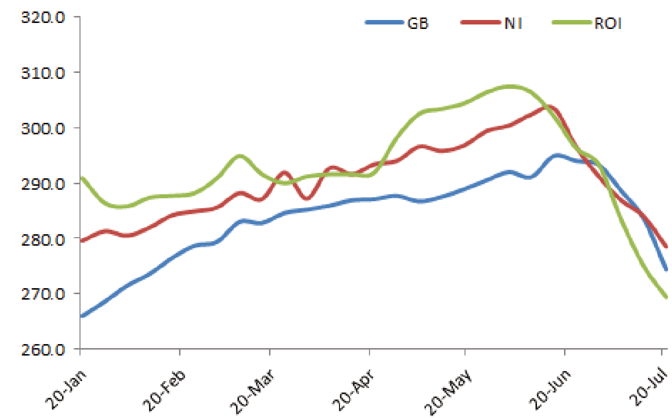
The deadweight cow trade has also continued to come under pressure in GB with an average O3 cow price last week of 274.4p/kg which puts the average GB O3 cow price 4.1p/kg lower than the equivalent price in NI as indicated in Figure 1. This was the fifth consecutive week in which GB has recorded a decline with the O3 cow price back by 20p/kg over this period. This equates to a decline of £60 on a 300kg carcase.

There is however significant variation in cow prices in GB across the regions with prices tending to improve as you move northwards. In Scotland last week the average O3 cow price was 282p/kg, 3.5p/kg higher than the NI price. Meanwhile the O3 cow price in Southern England was 270p/kg, 8.5p/kg below the same price in NI.

Cow throughput has also been strong in GB with 47,612 cows killed during June 2018 (latest available figures). This was a 21 per cent increase from June 2017 levels when 39,383 cows were killed in GB plants.

In ROI the O3 cow price was the equivalent of 269.4p/kg last week, back 5.6p/kg from the previous week.

Figure 1: Weekly O3 cow prices in GB, NI and ROI during 2018 to date (p/kg)

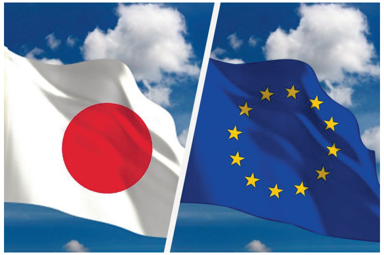


This places it 9.1p/kg below the equivalent price in NI which puts the differential in the value of a 300kg carcase at £27. Cow throughput in ROI has also been very strong in recent weeks with 52,515 cows killed during the six week period ending 21 July 2018. This was a 13 per cent increase from the corresponding period in 2017 when 46,519 cows were slaughtered in ROI plants.

The deadweight trade for cows was relatively firm in ROI between January 2018 and early June with prices remaining above NI levels but since then the trade has come under pressure as outlined in Figure 1. The level of export for direct slaughter from NI to ROI has been operating at just over 100 cows per week for much of 2018 to date however numbers have declined in the last few weeks with just 71 cows exported last week.

DEVELOPMENTS IN ACCESS TO VALUABLE JAPANESE MARKET

EUROPE'S agri food sector is expected to gain significantly from the establishment of a Free Trade Zone between Japan and the EU. Japan is currently the EU's fifth largest agri-food export market and was worth an estimated €6.4 billion in 2017.



The agreement, which still needs approval by the European Parliament and its Japanese counterpart, the Diet, is expected to come into force in 2019. The deal offers economic benefits to both parties by removing billions of euros of tariffs, simplifying customs procedures as well as tackling other barriers to trade.

Providing that the UK continues to work closely with the EU with regards to trade and production standards this deal is positive news for the UK red meat industry. This agreement is expected to allow the EU to increase its beef exports to Japan substantially. Earlier this month the UK hosted a delegation of Japanese officials who were inspecting production facilities to allow the export of UK beef and lamb to Japan. The visit was organised and funded by the UK Export Certification Partnership (UKECP), of which LMC is a founding member.

Over the last decade the demand for meat in Japan has increased by 1.2 per cent per annum and is expected to continue to grow by a further 0.9 per cent per annum over the next five years according to the latest forecast data available from GIRA.

Japan is heavily reliant on meat imports to meet growing domestic demand with imports accounting for 53 per cent of total consumption in 2017. Analysis from GIRA expects this reliance on imports to meet demand for meat to increase further over the next five years. While pig and poultry meat account for 81 per cent of total meat consumption in Japan there is growing demand for beef whilst sheepmeat remains a very small market.

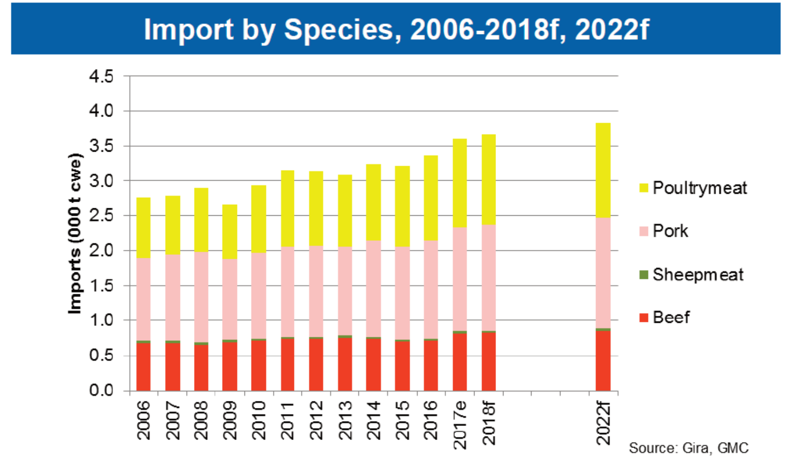
The high prices of domestic product combined with increasing per capita consumption of beef in Japan is expected to drive further growth in beef imports over the next five years. Japan has a population of 126.7 million inhabitants and although the population has been in slow decline since 2011 access to this market could create huge opportunities for the UK beef sector.

Domestic beef production has been slowly declining in Japan with a contraction in the beef herd due to high costs of production and poor returns, despite relatively high farmgate prices. Aging producers leaving the sector without successors and price competition from cheaper imported beef have also contributed to the decline in domestic beef production.

Beef production in Japan totalled 459,000 tonnes during 2017 and accounted for 13.8 per cent of total meat production in the region. According to GIRA beef production levels are expected to slowly decline in Japan to 450,000 tonnes by 2022 which creates opportunities for countries that have access to this growing market.

Domestic demand for locally produced beef in Japan is constrained by high retail prices although demand for beef is expected to improve as the availability of cheaper imported product on the market increases. While pork and poultry imports continue to account for the largest majority of Japanese meat imports there was a strong increase of 13.8 per cent in beef imports recorded during 2017, albeit from a smaller base than the poultry and pork markets.

Figure 2: Japanese meat imports by species 2006-2022 (Source:GIRA)



This growth in beef imports in Japan has been driven by the growing demand for chilled beef in particular. Beef imports are expected to grow by 0.8 per cent per annum over the next five years to compensate for dropping domestic production. There is a particularly strong demand for beef imports from the food service sector in Japan.

Demand for sheepmeat is also growing in Japan, although from a very low base. Sheepmeat consumption totalled 32,000 tonnes in 2017 according to GIRA and is expected to grow to 36,000 tonnes by 2022. Much of the increasing demand for sheepmeat is coming from the food service sector with almost all product imported from Oceania.

WEEKLY BEEF & LAMB MARKETS

LMC

CATTLE TRADE

NI FACTORY BASE QUOTES FOR CATTLE

(P/KG DW)	This Week 23/07/18	Next Week 30/07/18
Prime		
U-3	348 - 352p	348 - 352p
R-3	342 - 346p	342 - 346p
O+3	336 - 340p	336 - 340p
P+3	290 - 300p	290 - 300p
	Including bonus where applicable	
Cows		
O+3 & better	252 - 290p	252 - 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 21/07/18	Steers	Heifers	Young Bulls
U3	357.1	362.6	352.7
R3	354.2	356.0	349.1
O+3	345.5	347.1	340.3

*Prices exclude AA, HER and Organic cattle

REPORTED COW PRICES NI - P/KG

W/E 21/07/18	Wgt <220kg	Wgt 220-250kg	Wgt 250-280kg	Wgt >280kg
P1	168.9	180.2	198.0	209.8
P2	191.0	211.9	239.1	251.1
P3	209.2	229.8	252.1	258.6
O3	203.6	252.2	271.2	279.7
O4	192.1	259.4	271.8	282.1
R3	-	-	291.4	298.9

Deadweight Cattle Trade

Base quotes towards the end of the week for in spec U-3 grade steers and heifers this week ranged from 348-352p/kg across the local plants with similar quotes expected next week. The cow trade has come under pressure this week in NI with base quotes next week for good quality O+3 cows expected to range from 252-280p/kg.

Prime cattle slaughterings in local plants last week totalled 6,076 head which brings prime cattle throughput for the last six weeks to 34,456 head. This is an increase of 1,049 head from the corresponding period in 2017 when prime cattle throughput totalled 33,407 head. This accounts for a three per cent increase year on year. Cow slaughterings in NI last week totalled 2,346 head which brings cow throughput for the last six weeks to 10,883 head, two per cent less than the 11,110 cows killed in the same period in 2017.

Cattle imports from ROI last week for direct slaughter consisted of 14 prime cattle and 20 cows with a further 10 steers and 136 cows imported from GB. Meanwhile exports from NI for direct slaughter in ROI consisted of 53 prime cattle and 71 cows while 36 prime cattle and 16 cows made the journey to GB for direct slaughter.

The deadweight trade for prime cattle in NI continued to come under pressure last week with the majority of cattle grades reporting declines in prices. The average steer price was 351.3p/kg, back 5.8p/kg from the previous week while the R3 steer price was back by 3.2p/kg to 361.3p/kg. Meanwhile the average heifer price in NI last week was also back by 3p/kg to 353.5p/kg while the R3 heifer price was back by 1.8p/kg to 359.7p/kg. The average young bull price in NI last week declined by 4.3p/kg to 338.7p/kg with R3 young bulls back by 1.9p/kg to 349.4p/kg from the previous week.

The deadweight trade in GB has also come under pressure again last week with the majority of prices back from the previous week. The average steer price reported a decrease of 4.7p/kg to 363.1p/kg last week while the R3 steer price was back 7.1p/kg to 369.9p/kg. This puts the differential in R3 steer prices last week between NI and GB at 8.6p/kg or £30 on a 350kg carcase. The average heifer price in GB last week was back 6.9p/kg to 364.2p/kg while the R3 heifer price reported a decline of 3.3p/kg to 372p/kg from the previous week. This puts the differential in R3 heifer prices last week between NI and GB at 12.3p/kg or £39 on a 320kg carcase.

In ROI last week the deadweight trade for prime cattle also continued to come under pressure and even with an improvement in the value of the euro the equivalent sterling prices recorded declines for all cattle grades. The R3 steer price in ROI last week was the equivalent 344.9p/kg, back 1.7p/kg from the previous week while the R3 heifer price indicated a decline of 2.8p/kg to 355.1p/kg. The O3 cow price recorded a decrease of 5.6p/kg to 269.4p/kg, 9.1p/kg less than the equivalent price in NI.

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

W/E 21/07/2018		Northern Ireland	Rep of Ireland	Scotland	Northern England	Midlands & Wales	Southern England	GB
Steers	U3	358.2	354.9	380.5	371.6	370.7	373.3	373.9
	R3	361.3	344.9	382.6	367.7	364.2	366.1	369.9
	R4	362.3	344.8	388.0	379.7	370.3	363.5	378.1
	O3	357.1	329.2	361.7	347.0	340.8	345.5	348.9
	AVG	351.3	-	380.4	363.9	353.3	352.1	363.1
Heifers	U3	363.4	367.4	386.4	379.8	375.6	376.5	379.5
	R3	359.7	355.1	382.4	368.6	370.6	365.3	372.0
	R4	360.9	355.7	386.0	375.5	370.7	369.6	375.9
	O3	355.5	339.1	370.4	346.3	338.3	349.3	351.7
	AVG	353.5	-	383.3	365.0	351.7	355.0	364.2
Young Bulls	U3	352.6	353.1	375.3	352.3	360.4	360.8	360.9
	R3	349.4	344.4	369.2	354.1	354.2	350.0	356.5
	O3	330.4	320.7	333.1	321.3	318.9	320.0	322.7
	AVG	338.7	-	365.0	342.7	346.8	345.9	349.0
Prime Cattle Price Reported		5610	-	6758	6933	6427	4520	24638
Cows	O3	278.5	269.4	282.0	273.2	275.2	270.0	274.4
	O4	280.1	271.1	285.6	274.8	274.9	261.3	273.4
	P2	237.6	237.9	230.0	227.3	225.3	234.0	228.4
	P3	254.9	259.9	248.2	248.5	246.2	244.7	246.5
	AVG	258.5	-	279.9	248.2	236.3	231.0	242.7

Notes: (i) Prices are p/kg Sterling-ROI prices converted at 1 euro=88.97p 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 21/07/18	From	To	Avg	From	To	Avg
Finished Cattle (p/kg)						
Steers	202	214	206	187	197	193
Friesians	165	175	173	132	147	140
Heifers	202	212	207	180	199	190
Beef Cows	150	197	165	125	149	137
Dairy Cows	110	125	118	80	109	94
Store Cattle (p/kg)						
Bullocks up to 400kg	215	236	225	190	214	200
Bullocks 400kg - 500kg	215	231	222	175	214	195
Bullocks over 500kg	200	226	210	170	199	185
Heifers up to 450kg	220	308	235	180	219	200
Heifers over 450kg	190	205	200	170	189	185
Dropped Calves (£/head)						
Continental Bulls	325	450	380	250	320	285
Continental Heifers	225	300	270	150	220	190
Friesian Bulls	100	145	120	50	98	75
Holstein Bulls	70	130	90	35	68	50

SHEEP TRADE

SHEEP BASE QUOTES

(P/Kg DW)	This Week 23/07/18	Next Week 30/07/18
Lambs >21kg	390-400p	400-410p

REPORTED SHEEP PRICES

(P/KG)	W/E 07/07/18	W/E 14/07/18	W/E 21/07/18
NI L/W Lambs	395.4	373.5	358.9
NI D/W Lambs	446.7	423.2	402.1
GB D/W Lambs	462.0	440.3	417.3
ROI D/W	484.5	475.9	-

Deadweight Sheep Trade

QUOTES from the plants this week remained fairly steady as more lambs become available for slaughter. The plants ended the week quoting 390-400p/kg for R3 grading lambs up to 21kg with quotes early next week ranging from 400-410p/kg. Lamb throughput in local plants last week totalled 9,040 head which was the highest weekly throughput for the year to date. In the same week last year lamb throughput in local plants totalled 10,709 head. Exports of lambs to ROI for direct slaughter last week totalled 7,013 head. In the corresponding week in 2017 a total of 6,709 lambs were exported to ROI for direct slaughter. The deadweight lamb price in NI last week was back by 21.1p/kg to 402.1p/kg.

This week's marts

THE live trade for lambs also remained steady this week with many of the marts reporting good numbers of lambs passing through the sale rings. In Omagh on Saturday 742 lambs sold from 358-388p/kg. In Kilrea on Monday 420 lambs sold from 348-362p/kg compared to 450 lambs last week selling from 345-368p/kg. In Rathfriland this week 660 lambs sold to an average of 369p/kg compared to 805 lambs last week selling to an average of 354p/kg. In Ballymena on Wednesday an entry of 1,400 lambs sold to an average of 362p/kg compared to 1,474 lambs last week selling to an average of 360p/kg. In Armoy this week 674 lambs sold from 335-390p/kg compared to 364 lambs last week selling from 370-410p/kg. Top reported prices for cull ewes were ranging from £83-£119 across the marts.

LATEST SHEEP MARTS

From: 20/07/18		Lambs (P/KG LW)			
To: 26/07/18		No	From	To	Avg
Friday	Newtownstewart	231	346	379	-
Saturday	Omagh	742	358	388	-
	Swatragh	715	330	412	-
Monday	Massereene	1005	365	392	-
	Kilrea	420	348	362	-
Tuesday	Saintfield	977	353	389	-
	Rathfriland	660	343	392	369
Wednesday	Ballymena	1400	310	420	362
	Enniskillen	500	347	402	-
	Armoy	674	335	390	-
	Markethill	800	370	400	-

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