

GROWTH IN UK BEEF EXPORTS DURING FIRST HALF OF THE YEAR

UK beef exports during the first half of 2018 totalled 56,464 tonnes according to the latest available data from HMRC. This accounts for 12.5 per cent of total beef production in the UK during this period. In the same period in 2017 the UK exported 49,636 tonnes of beef which accounted for 11.2 per cent of total beef production in the region. Total beef exports during the first half of 2018 were 14 per cent higher than the corresponding period in 2017.

The EU market continues to be the largest single export market for UK beef with 49,686 tonnes exported to the region during the first six months of 2018. This is a 19 per cent increase from the same period in 2017 when the UK exported 41,758 tonnes of beef to the EU.

A weaker sterling has made UK beef much more competitive on key EU markets. The average exchange rate

during the first half of 2018 was €1 = 88p compared to €1 = 86p in the first half of 2017. The EU was the destination for 88 per cent of all beef exports out of the UK during the first half of 2017, an increase from 84 per cent in the same period last year.

Ireland continues to be the largest market outlet within the EU for UK beef exports with 19,566 tonnes of beef exported to the region during the first half of 2018. This accounted for 35 per cent of UK beef exports to the EU and was a 22 per cent increase from the same period in 2017 when 16,057 tonnes of beef were exported from the UK to Ireland. The volume of beef exported to Ireland during the first half of 2018 was similar to the corresponding period in 2016 when the UK exported 19,275 tonnes of beef to Ireland.

Netherlands is the second biggest market for UK beef exports with 13,284

tonnes of beef exported there during the first half of 2018 which accounted for 24 per cent of total UK beef exports to the EU. This is a 32 per cent increase from the corresponding period in 2017 when 10,076 tonnes of UK beef was exported to the Netherlands.

There was also strong growth recorded in the volume of UK beef that was exported to France, Belgium, Germany, Denmark and Spain, although the volumes involved are small in comparison the UK trade with Ireland and the Netherlands. The strongest percentage increase in exports from the UK to the EU was to Germany where the volumes exported increased by 60 per cent to 2,630 tonnes during the first half of 2018.

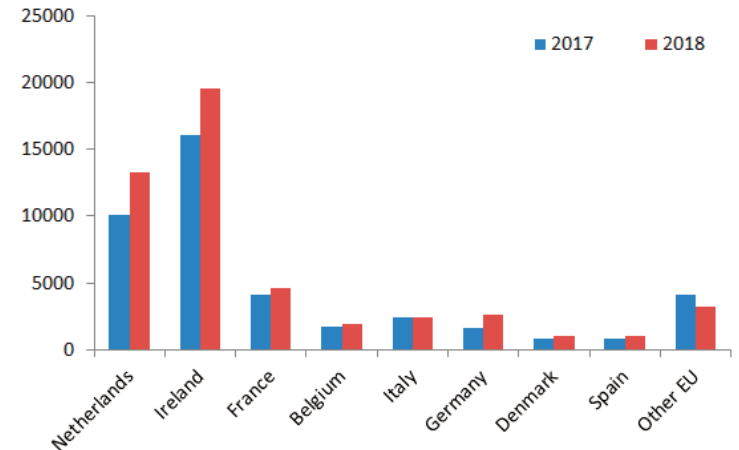
Exports of beef from the UK to non-EU markets totalled 6,779 tonnes during the first half of 2017. While this was 14 per cent lower than the same period in 2017 it was still notably higher than the

5,432 tonnes exported to non-EU destinations during the same period in 2016.

Exports of beef to Hong Kong totalled 3,862 tonnes during the 2018 period

which accounted for 57 per cent of all non-EU destined beef. This is an increase from the corresponding period in 2016 when Hong Kong received 43 per cent of all non-EU destined beef from the UK.

Figure 1: Beef exports from the UK to the EU during January to June 2017/18 (tonnes).



EURO PERFORMS STRONGLY AGAINST STERLING

WHILE the largest majority of NI beef is destined for the UK retail market the NI beef industry is still influenced by the EU and wider global markets. These markets offer valuable outlets for prime beef, manufacturing beef and a range of fifth quarter products which provide an important carcass balancing function for the NI beef industry.

There is also competition on the UK retail market to be considered with some retailers stocking both UK and ROI origin beef on their shelves, with the latter becoming comparatively more expensive as the euro gains against sterling.

Figure 2: Daily euro/sterling exchange rate 2016-2018 (Source: European Central Bank)

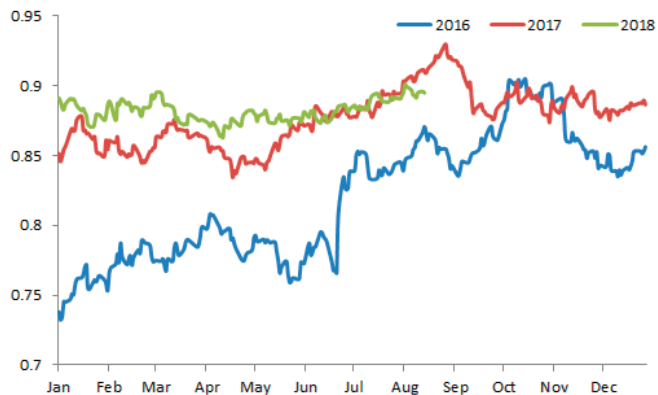


Figure 2 displays the euro-sterling exchange rate from January 2016 to date. Exchange rates have a direct impact on meat trade, relative prices and the costs of production.

The average euro-sterling exchange rate from the European Central Bank during 2018 to date was €1 = 88.2p. In the corresponding period in 2017 the average exchange rate was €1 = 86.7p while during the same period in 2016 €1 = 79.3p. The value of the euro has gradually increased against sterling in recent weeks with uncertainty over what the final Brexit deal will look like contributing to this

upward trend.

With discussions between the UK and the EU aimed at averting the UK crashing out of the European Union without a trade deal continuing, investors remain nervous which limits potential gains for the pound. According to Reuters, investors and companies have grown increasingly concerned Britain will not be able to secure an arrangement with its largest trading partner before it is scheduled to leave the EU at the end of March 2019.

At current exchange rates imports such as cereals, fertiliser and fuel could be more expensive for NI and UK producers than previous years if they are sourced in the Eurozone or traded in euros. However whilst a strong euro against sterling can increase input costs for UK producers it makes NI and UK beef and lamb less expensive in euro terms which can make trading on the EU, and on the wider global market much easier.

The value of the single farm payment to UK producers is also impacted by the sterling/euro exchange rate. When calculating Single Farm Payments in currencies other than the euro the member state in question will use

the average exchange rate set by the European Central Bank (ECB) during the month of September. Basic Payments to producers in the UK will continue in their current form up until 2020 but it is as yet unclear what format subsidy payments will take after this point.

There is certainly the possibility of less direct support at farm level and more exposure to world markets moving forward. With this in mind every effort should be made to improve efficiency at all levels of the supply chain as well as securing market access to valuable export markets. Global competition in the meat sector is extremely challenging but there is no doubt that with the right market access Northern Ireland beef and lamb processors have the quality of products, levels of service and the overall desire to provide high quality beef and lamb to discerning consumers all over the world.

LMC plays a strategic role facilitating the opening of new markets through its membership of the UKECP. LMC is a co-founder of this joint industry/government programme, the aim of which is to establish access for UK red meat products into third country markets.

UK PREPARES FOR A NO DEAL BREXIT

THIS week the UK government has published 25 "technical notices" setting out what it is doing to prepare for the UK leaving the EU without an agreement in place. About 80 notices are expected to be released in the coming weeks and this first batch of 25 covers areas such as medical supplies, financial services, nuclear safeguards, farming and organic food production. The guidance released includes instructions for businesses that could face extra paperwork at borders and contingency plans to avoid disruptions. Ministers say reaching a deal is their top priority but that short term disruption is possible without an agreement in place.

The UK will cease to be a member of the EU on **29 March 2019** however a transition period has been agreed between both parties up until the **31 December 2020**. Following the release of the documents the EU has said that Brexit would lead to disruption "with a deal or without a deal and that it is important that everybody, and in particular economic operators, need to be prepared". The EU has already published its own assessment of no deal, saying there would be "no specific arrangement" for EU citizens living in the UK and vice versa and warning of "significant delays" at borders.

With Brexit negotiations continuing there is an increasingly realistic possibility that the EU and UK will fail to reach a free trade deal prior to the official leaving date. If this is the case WTO trading rules will be applied. LMC commissioned a report late last year to explore the potential implications of WTO trading conditions on the NI beef and sheepmeat industries. The report was completed by the Anderson Centre, a UK based team of farm business and research consultants, in conjunction with Oxford Economics. The report findings identified significant disruptions for the NI beef and sheepmeat industries under WTO trading conditions. Copies of the full report are available on the LMC website www.lmcni.com or by contacting LMC on 028 9263 3000.



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CATTLE TRADE

NI FACTORY BASE QUOTES FOR CATTLE

(P/KG DW)	This Week 20/08/18	Next Week 27/08/18
Prime		
U-3	350 - 354p	350 - 354p
R-3	344 - 348p	344 - 348p
O+3	338 - 342p	338 - 342p
P+3	292 - 302p	292 - 302p
Including bonus where applicable		
Cows		
O+3 & better	254 - 270p	254 - 275p
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

QUOTES from the major processing plants this week for U-3 grade prime cattle ranged from 350-354p/kg with the majority of plants quoting from 350-352p/kg. Quotes for early next week have held steady in most plants. The trade for cows held steady this week with quotes for O+3 cows ranging from 254-270p/kg across the plants. Similar quotes are expected for early next week.

The plants have reported good numbers of all types of cattle coming forward for slaughter. Prime cattle throughput in local plants last week totalled 5,834 head, up 217 head from the previous week. In the corresponding week in 2017 prime cattle throughput in local plants totalled 5,592 head. Cow throughput has also remained steady with 1,942 cows killed in NI last week. This was similar to the previous week and an increase of 204 cows when compared to the same week in 2017.

Cattle imports to NI for direct slaughter from ROI last week included 44 prime cattle and 25 cows while a further six prime cattle and 102 cows were imported from GB. Cattle exports from NI to ROI last week included 111 cows with no cattle exported to GB for direct slaughter last week.

The deadweight cattle trade in NI generally remained steady last week with average steer and heifer prices up marginally from the previous week. The average steer price in NI was 347.3p/kg, up 0.3p/kg however the R3 steer price was back by 1.9p/kg to 355.7p/kg. Meanwhile the average heifer price in NI last week slightly increased to 351.4p/kg with the R3 heifer price up by 1.9p/kg to 358.8p/kg. The young bull trade was also similar to the previous week with the average price back 0.8p/kg to 336.1p/kg, while the R3 young bull price was up 1.6p/kg to 347.1p/kg. The cow trade in NI firmed compared to the previous week with an increase in the average cow price of 5.9p/kg to 247.2p/kg while the O3 cow price was up 2.1p/kg to 267.5p/kg.

In GB last week the deadweight trade for prime cattle improved in the majority of regions. The average steer price was up 3.5p/kg to 358.7p/kg compared to the previous week while the R3 steer price was up by 4.2p/kg to 367.4p/kg. This widened the differential in R3 steer prices between NI and GB last week to 11.7p/kg or £41 on a 350kg carcass. The average heifer price in GB last week was also up 4.9p/kg to 360.9p/kg while the R3 heifer price was up by 5.7p/kg to 367.9p/kg compared to the previous week. This widened the differential in R3 heifer prices to 9.1p/kg which is the equivalent of £29 on a 320kg carcass. Cow prices also improved in the majority of regions with the O3 cow price up 2.5p/kg to 261.2p/kg.

The deadweight trade for prime cattle generally held steady for the majority of grades in euro terms though a slight weakening in the euro has resulted in the R3 steer price coming back marginally to 344.4p/kg last week, while the R3 heifer price was up by 0.9p/kg to the equivalent price of 354.6p/kg. While the O3 cow price improved by the equivalent of 2p/kg to 274p/kg, 6.5p/kg higher than the same price in NI.

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

W/E 18/08/2018	Northern Ireland	Rep of Ireland	Scotland	Northern England	Midlands & Wales	Southern England	GB
Steers	U3	354.1	353.2	379.0	366.7	363.3	370.0
	R3	355.7	344.4	377.7	364.9	361.7	367.4
	R4	355.5	344.1	382.5	372.2	363.4	372.0
	O3	350.5	328.2	354.4	344.1	338.4	348.0
AVG	347.3	-	374.7	359.5	347.1	353.2	358.7
Heifers	U3	361.2	365.6	385.5	374.6	372.3	371.6
	R3	358.8	354.6	377.0	366.1	363.3	366.2
	R4	359.2	353.8	383.8	372.2	364.9	371.9
	O3	352.9	338.9	359.6	346.3	336.1	342.1
AVG	351.4	-	378.3	363.1	349.9	349.6	360.9
Young Bulls	U3	350.7	350.4	368.8	348.2	357.4	359.5
	R3	347.1	340.4	363.7	342.6	348.7	348.4
	O3	325.6	323.8	327.0	311.4	314.6	336.3
AVG	336.1	-	360.0	333.6	334.8	340.1	339.9
Prime Cattle Price Reported	4608	-	6266	6486	6653	3726	23131
Cows	O3	267.5	274.0	262.0	264.1	259.2	261.5
	O4	273.4	275.6	263.7	268.4	260.2	257.8
	P2	227.3	242.8	222.0	219.9	210.3	226.3
	P3	248.8	263.4	232.1	231.4	229.1	236.4
AVG	247.2	-	251.4	236.0	216.6	220.0	224.9

Notes: (i) Prices are p/kg Sterling-ROI prices converted at 1 euro=89.37p 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 18/08/18	Steers	Heifers	Young Bulls
U3	353.0	361.0	350.3
R3	351.4	355.1	346.5
O+3	345.2	346.7	333.6

*Prices exclude AA, HER and Organic cattle

REPORTED COW PRICES NI - P/KG

W/E 18/08/18	Wgt <220kg	Wgt 220- 250kg	Wgt 250- 280kg	Wgt >280kg
P1	164.7	171.5	179.4	196.6
P2	187.7	212.3	223.2	237.0
P3	-	228.8	246.3	250.7
O3	207.8	-	251.9	269.5
O4	254.1	260.0	262.2	274.4
R3	-	-	-	288.1

LATEST LIVEWEIGHT CATTLE MART PRICES NI

W/E 18/08/18	1st QUALITY			2nd QUALITY		
	From	To	Avg	From	To	Avg
Finished Cattle (p/kg)						
Steers	209	221	213	184	204	194
Friesians	154	164	159	148	153	150
Heifers	200	219	207	175	198	186
Beef Cows	150	192	163	125	149	137
Dairy Cows	108	128	116	80	99	88
Store Cattle (p/kg)						
Bullocks up to 400kg	220	257	232	180	219	200
Bullocks 400kg - 500kg	225	259	235	190	224	205
Bullocks over 500kg	208	226	215	165	207	188
Heifers up to 450kg	210	242	225	175	209	192
Heifers over 450kg	190	206	198	160	189	175
Dropped Calves (£/head)						
Continental Bulls	300	380	340	200	290	245
Continental Heifers	250	360	295	145	245	195
Friesian Bulls	125	230	170	48	115	95
Holstein Bulls	110	155	125	38	95	65

SHEEP TRADE

SHEEP BASE QUOTES

(P/Kg DW)	This Week 20/08/18	Next Week 27/08/18
Lambs >21kg	395-400p	385-390p

REPORTED SHEEP PRICES

(P/KG)	W/E 04/08/18	W/E 11/08/18	W/E 18/08/18
NI L/W Lambs	376.5	365.8	363.6
NI D/W Lambs	411.6	403.5	404.5
GB D/W Lambs	421.5	423.6	434.9
ROI D/W	475.2	424.3	425.3

Deadweight Sheep Trade

BASE quotes from the plants this week for R3 grading lambs ranged from 395-400p/kg with all plants paying up to 21kg. The plants have reported steady supplies of lambs coming forward for slaughter with 10,242 lambs slaughtered locally last week. This was similar to the previous week when 10,455 lambs were killed in local plants. Exports of lambs to ROI last week for direct slaughter totalled 8,439 head which was an increase of 945 head from the previous week. This was the highest level of weekly export recorded since early March this year. The deadweight lamb price in NI last week was 404.5p/kg, up a penny from the previous week. In the corresponding week last year the deadweight lamb price in NI was 408.7p/kg.

This week's marts

A steady demand for good quality lambs was reported across the marts this week with good numbers passing through many of the sale rings however the trade was generally back from last week. In Massereene on Monday 976 lambs sold from 345-378p/kg compared to 967 lambs last week selling from 364-398p/kg. In Saintfield this week 633 lambs sold from 340-375p/kg compared to 850 lambs last week selling from 356-385p/kg. In Ballymena this week 1680 lambs sold from 320-372p/kg (avg 335p/kg) compared to 1,805 lambs last week selling from 350-388p/kg (avg 365p/kg). In Enniskillen there was a similar trade this week with 898 lambs selling from 340-400p/kg compared to 742 lambs last week selling from 340-402p/kg. Good numbers of cull ewes passed through the sale rings this week with top reported prices ranging from £90-130.

LATEST SHEEP MARTS

From: 17/08/18		Lambs (P/KG LW)			
To: 23/08/18		No	From	To	Avg
Friday	Newtownstewart	258	354	380	-
Saturday	Omagh	996	358	439	-
	Swatragh	1000	311	384	-
Monday	Massereene	976	345	378	-
	Kilrea	500	350	386	-
Tuesday	Saintfield	633	340	375	-
	Rathfriland	854	334	391	357
Wednesday	Ballymena	1680	320	372	335
	Enniskillen	898	340	400	-
	Armoyn	338	328	370	-
	Markethill	1000	325	351	-

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