LMC
Livestock & Meat Commission

WEEKLY PUBLICATION OF THE LIVESTOCK AND MEAT COMMISSION FOR NORTHERN IRELAND

Saturday 10 August 2019 Issue No. 2581

HIGHER VARIABLE COSTS FOR SUCKLER BEEF PRODUCERS IN 2017/18

Department of Agriculture, Environment and Rural Affairs
www.daera-ni.gov.uk

THE average cost of production for suckler beef in Northern Ireland during the 2017/18 financial year was £4.20/kg according to the latest information from DAERA's Farm Business Survey. This is an increase of 23p/kg from 2016/17 when the average cost of production was £3.97/kg.

Variable Costs

The 2017/18 Farm Business Survey results from DAERA have calculated variable costs associated with suckler beef production at £2.01/kg, up 19p/kg from the previous year. This notable increase in variable costs follows on from two years where the variable costs of suckler beef production decreased.

Difficult production conditions on many NI beef farms, particularly in the second half of 2017/18, contributed to this strong increase in variable costs which brings them to their highest recorded level since 2014/15. The cost of concentrate inputs was the key driver behind the increase in variable costs with higher volumes of concentrates utilised for suckler beef production and also an increase in the average price. The cost of concentrates contributed 81p/kg to the total variable cost of suckler beef production in 2017/18, up 18p/kg from the previous year.

There was also an increase in forage/grazing costs, up by 5p/kg from the previous year. A poorer summer in 2017 impacted the quantity and quality of forage available in NI and this was followed by a particularly harsh winter which increased demand for feedstuffs. Meanwhile herd replacement costs during 2017/18 were back from the previous year while veterinary and miscellaneous costs remained similar.

The cost of concentrates for beef production increased from £166/t in 2016/17 to £182/t in 2017/18

Fixed Costs

Fixed costs associated with suckler beef production were £2.19/kg in 2017/18 according to the DAERA Farm Business Survey. This was up 4p/kg from the previous year. While the majority of fixed costs during 2017/18 were similar to the previous year there was an increase in costs associated with building repairs. This suggests a slight increase in investment expenditure during 2017/18.

Depreciation of machinery and the upkeep of machinery are the biggest fixed costs to suckler beef producers in NI. They added 53p/kg and 58p/kg respectively to average production costs which was unchanged from previous years.

Depreciation continues to account for around 20 per cent of costs associated with suckler beef production. These costs come from current or historical investment in fixed assets or machinery. The cost of the intitial investment is accounted for in the form of depreciation in the farm accounts for the following 10 years.

Carcase Weights

The average carcase weight of price reported suckler origin cattle was 351.5kg during 2017/2018, unchanged from the previous year. This means that the overall costs of production (both fixed and variable) have been shared out over a similar volume of beef produced.

Average Prices

Figure 1 provides a comparison between suckler beef production costs and farmgate prices paid from the 2013/14 financial year through to the 2017/18 financial year. The blue bar on the chart indicates costs of production excluding depreciation, the red bar shows depreciation costs while the green line indicates the average price paid for prime cattle sourced from the suckler herd (Source: LMC DW Price Reporting). These costs do not include a return on farmers' own land, labour and working capital.

The average suckler beef price was £3.57/kg in 2017/18, 63p/kg below the cost of production (including depreciation).

As indicated in the chart the average price reported suckler beef price in 2017/18 was £3.57/kg which was 23p/kg above the cost of production when depreciation costs are excluded. However when depreciation costs are included the average suckler beef price was 63p/kg below the cost of production.

It is important to consider that these figures are based on average costs calculated from the accounts of a wide range of suckler to beef farms participating in the DAERA Farm Business Survey. Some of these farms will be more efficient, with lower costs of production, while other farms are less efficient with higher costs of production.

This may mean that some beef farms did not cover their cash costs during 2017/18. On the other hand, some suckler beef enterprises will have covered their costs and made a margin from their enterprise during this period.

A large number of beef finishers in NI buy cattle as weanlings and while stronger prices for quality store cattle have improved returns for suckler calf producers it will have impacted the profitability of beef finishing enterprises. The individual margins of production for store producers and beef finishers are not reflected in this analysis.

For further information see www.daera-ni.gov.uk/topics/statistics

WHAT COSTS ARE INCLUDED?

The figures used to calculate the cost of suckler beef production in NI are from farm enterprises that rear and/or finish suckler calves. These costs are for a combination of steer, heifer and young bull production including suckler cow maintenance costs.

These costs include:	These costs exclude:
- Costs of purchased inputs	- Unwaged family labour
- Depreciation costs	- Opportunity cost of own land
- Bank interest and rent	- Opportunity cost of Working Capital
- Herd replacement costs	

Opportunity/Notional Costs

With no provision for opportunity/notional costs in these figures, producers need to consider that the enterprise must also cover the cost of their own labour, land and working capital.

Depreciation

Depreciation, which is associated with current and historical investment in capital, contributes significantly to overall farm costs. It is important to note however, that this type of capital investment is not entirely funded by the suckler enterprise with other revenue streams such as the Single Farm Payment, LFACA, Farm Nutrient Management Scheme and Farm Modernisation Scheme important factors in driving investment. Care should therefore be taken when interpreting these figures given that these grants and subsidies are important factors in the investment decision.

Mixed Farms

On any farm business there may be a number of different enterprises. For example, a suckler producer may also be involved in lamb production alongside a broiler breeder operation. Care is taken in the Farm Business Survey to ensure that costs for each enterprise are allocated correctly and proportionately.

Figure 1: Suckler Beef Production 2013/14 until 2017/18: Average Costs v Average Farmgate Price Paid for Suckler Origin Beef

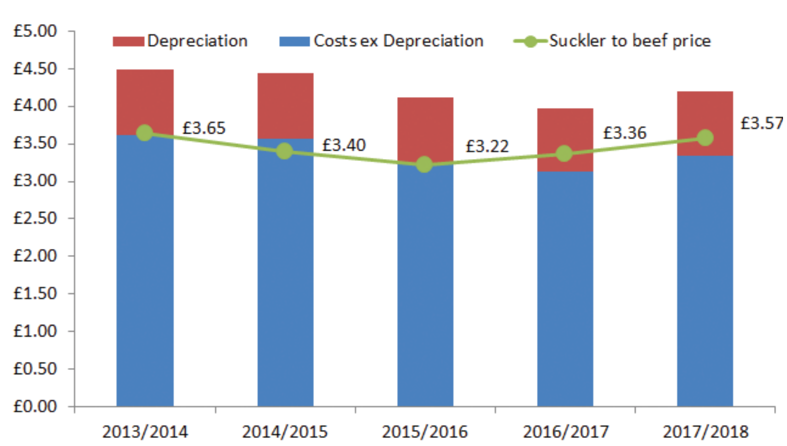

Image 1: The average cost of production for suckler beef during 2017/18 was £4.20/kg, up 23p/kg from the previous year.

WEEKLY BEEF & LAMB MARKETS

LMC

CATTLE TRADE

NI FACTORY BASE QUOTES FOR CATTLE

(P/KG DW)	This Week 05/08/19	Next Week 12/08/19
Prime		
U-3	320 - 330p	320 - 326p
R-3	314 - 324p	314 - 320p
O+3	308 - 318p	308 - 314p
P+3	260 - 272p	260 - 268p
	Including bonus where applicable	
Cows		
O+3 & better	235 - 250p	235 - 250p
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 03/08/19	Steers	Heifers	Young Bulls
U3	330.4	336.5	321.3
R3	328.5	332.5	321.7
O+3	321.1	323.3	316.4

*Prices exclude AA, HER and Organic cattle

REPORTED COW PRICES NI - P/KG

W/E 03/08/19	Wgt <220kg	Wgt 220-250kg	Wgt 250-280kg	Wgt >280kg
P1	151.2	163.2	169.5	187.1
P2	168.0	202.3	213.3	228.6
P3	215.0	205.8	230.4	239.4
O3	160.0	240.7	245.4	256.0
O4	-	240.0	253.1	260.4
R3	-	-	-	273.5

Deadweight Cattle Trade

BASE quotes from the local processors for in spec U-3 grading steers and heifers held steady this week at 320-330p/kg. The majority of plants are quoting 324p/kg for both steers and heifers. Quotes for next week are expected to range from 320-326p/kg. Quotes for good quality O+3 grading cows ranged from 235-250p/kg in NI this week.

The processors have reported sufficient supplies of prime cattle coming forward for slaughter to meet demand for beef. Prime cattle throughput last week totalled 5,604 head, up 518 head from the previous week. In the corresponding week in 2018 5,481 prime cattle were slaughtered in local plants. Cow throughput in NI last week totalled 1,892 head, up 190 head from the previous week when the cow kill totalled 1,702 head.

Imports of prime cattle for direct slaughter last week in local plants from ROI included 393 prime cattle and 73 cows with a further 8 prime cattle and 112 cows imported from GB. Meanwhile 92 prime cattle and 50 were exported from NI to ROI for direct slaughter while no cattle made the journey to GB for direct slaughter.

The NI deadweight trade for prime cattle was mixed last week with the average steer price up by just under a penny to 324.1p/kg. The R3 steer price in NI last week was 334.2p/kg an increase of 1.7p/kg. The average heifer price in NI last week was up by 0.6p/kg to 329.4p/kg while the R3 heifer price increased by 0.8p/kg to 336.5p/kg. The average cow price in NI last week was back just under a penny to 236p/kg while the O3 cow price was back marginally to 255.2p/kg.

In GB last week there was a mixed deadweight trade reported across the regions. The average steer price was up by 0.4p/kg to 326.8p/kg while the R3 steer price was back half a penny to 333.2p/kg. The R3 steer price was back in Northern England (-2.8p/kg) and the Midlands and Wales (-3.1p/kg), while increases were reported in Scotland (+1.4p/kg) and Southern England (+2.7p/kg). Meanwhile the average heifer price in GB last week was back 1.3p/kg to 327.8p/kg with the R3 heifer price remaining steady at 333.2p/kg. R3 heifer prices were up in Southern England (+1.6p/kg), Scotland (+1.2p/kg) and Northern England (+3.9p/kg) while a decline was reported in the Midlands and Wales (-3.4p/kg). The cow trade came under pressure in all of the GB regions with the average cow price back by 3.3p/kg to 230.5p/kg. Meanwhile the O3 cow price remained steady at 256.4p/kg, 1.2p/kg higher than the average O3 cow price in NI last week.

In ROI the deadweight trade for prime cattle was generally back in euro terms for the majority of grades however this has been mostly counteracted by a stronger euro. The R3 steer price last week was up by the equivalent of 3.3p/kg to 317.2p/kg while the R3 heifer price was also up by a similar margin to 327.4p/kg. The O3 cow price in ROI last week increased by 5.9p/kg to 257.9p/kg, 2.7p/kg higher than the average O3 cow price in NI last week. The prime cattle kill in ROI last week was back by 3,809 head to total 22,840 head.

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

W/E 03/08/19		Northern Ireland	Rep of Ireland	Scotland	Northern England	Midlands & Wales	Southern England	GB
Steers	U3	331.3	327.6	342.2	339.7	332.4	331.6	336.5
	R3	334.2	317.2	344.5	335.1	327.7	327.1	333.2
	R4	330.4	317.1	348.1	342.7	329.2	324.7	338.7
	O3	326.6	301.1	325.9	317.7	307.1	308.2	314.8
	AVG	324.1	-	341.3	330.2	317.8	315.3	326.8
Heifers	U3	337.9	338.8	347.8	344.0	340.3	332.0	341.5
	R3	336.5	327.4	341.3	338.5	329.8	326.4	333.2
	R4	335.0	326.5	348.1	336.5	333.7	326.7	337.1
	O3	328.9	313.8	320.8	315.5	303.5	308.1	311.6
	AVG	329.4	-	344.2	329.7	319.4	316.3	327.8
Young Bulls	U3	321.7	323.1	325.6	329.4	322.0	318.5	325.1
	R3	320.8	305.7	324.7	320.1	317.7	313.9	319.2
	O3	304.8	286.4	297.9	289.1	280.3	292.3	287.1
	AVG	311.3	-	319.0	315.3	309.6	302.9	311.9
Prime Cattle Price Reported		4,667	-	6,148	6,624	7,143	4,197	24,112
Cows	O3	255.2	257.9	256.7	257.7	256.2	255.2	256.4
	O4	260.1	258.6	259.7	260.4	255.2	248.9	256.0
	P2	219.1	234.3	210.5	211.8	211.4	219.2	213.6
	P3	238.0	249.4	228.2	223.2	231.2	236.8	231.3
	AVG	236.0	-	250.0	236.9	225.6	223.9	230.5

Notes: (i) Prices are p/kg Sterling-ROI prices converted at 1 euro=91.27p 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 03/08/19	From	To	Avg	From	To	Avg
Finished Cattle (p/kg)						
Steers	201	211	205	170	199	185
Friesians	148	158	153	-	-	-
Heifers	203	209	205	175	197	185
Beef Cows	145	184	155	115	143	130
Dairy Cows	106	127	110	60	105	85
Store Cattle (p/kg)						
Bullocks up to 400kg	215	243	228	190	214	205
Bullocks 400kg - 500kg	210	229	218	170	209	190
Bullocks over 500kg	185	212	195	160	184	172
Heifers up to 450kg	210	233	220	180	209	195
Heifers over 450kg	185	197	192	160	184	175
Dropped Calves (£/head)						
Continental Bulls	300	370	340	200	295	260
Continental Heifers	230	320	280	150	225	180
Friesian Bulls	165	285	188	60	160	100
Holstein Bulls	130	170	157	22	125	70

SHEEP TRADE

SHEEP BASE QUOTES

(P/Kg DW)	This Week 05/08/19	Next Week 12/08/19
Lambs up to 21kg	370-380p	370-380p

REPORTED SHEEP PRICES

(P/KG)	W/E 20/07/19	W/E 27/07/19	W/E 03/08/19
NI L/W Lambs	345.2	336.5	348.6
NI D/W Lambs	382.6	364.9	370.9
GB D/W Lambs	414.6	399.5	395.5
ROI D/W	410.3	400.4	392.3

Deadweight Sheep Trade

BASE quotes from the major processors for R3 grading lambs were 370-380p/kg this week. Similar quotes are expected for early next week with all plants paying up to 21kg. Lamb throughput in local plants last week totalled 10,412 head which was is up 1,013 head from the previous week and the highest weekly throughput of lambs to date in 2019. Meanwhile exports of lambs from NI for direct slaughter in ROI were up 170 head from last week to 7,684 head. Ewe and ram exports to ROI for direct slaughter last week totalled 3,080 head with 563 ewes/rams slaughtered locally. The average deadweight lamb price in NI last week increased by 6p/kg to 370.9p/kg while the average lamb price in ROI came back by 8.1p/kg to 392.3p/kg.

This week's marts

STRONG numbers passed through the marts with an improvement in trade across many of the marts. In Omagh last Saturday a large entry of 1,118 lambs sold from 357-402p/kg compared to 920 lambs the previous week selling from 347-403p/kg. In Kilrea on Monday 550 lambs sold from 340-388p/kg, similar to the previous week when 450 lambs sold from 330-390p/kg. In Saintfield this week 655 lambs sold from 335-410p/kg compared to 703 lambs last week selling from 330-400p/kg. In Ballymena on Wednesday 1,690 lambs sold from 330-380p/kg (avg 345p/kg). Last week in Ballymena 1,958 lambs sold from 340-390p/kg (avg 352p/kg). Cull ewe numbers have also increased in many of the marts with top prices ranging from £90-£152.

LATEST SHEEP MARTS (P/KG LW)

From: 02/08/19		Lambs			
To: 08/08/19		No	From	To	Avg
Friday	Newtownstewart	528	300	362	-
Saturday	Swatragh	1200	335	374	-
	Omagh	1118	357	402	-
Monday	Massereene	973	350	375	-
	Kilrea	550	340	388	-
Tuesday	Saintfield	655	335	410	-
	Rathfriland	1035	344	401	370
Wednesday	Ballymena	1690	330	380	345
	Armoy	633	335	395	-
	Markethill	1540	350	390	-

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

LMC