

NI – GB Livestock Price Differential

Producers in Northern Ireland of beef, pork and lamb products are experiencing difficulties with farm gate price returns similar to farmers are all over Europe. Currency has had a major influence on both imports and exports from the United Kingdom and while this is to a degree understandable, one area which continues to raise questions is the difference in farmgate prices for beef, pork and lamb in Northern Ireland compared with Great Britain. The following provides a summary of the concerns we wish to highlight in relation to these matters.

Beef market update

- In the past 12 months the price paid to Northern Ireland's beef producers has been in decline.
- Prices in Northern Ireland in October 2015 are on average 7% (23p/kg) lower than in October 2014, compared with Great Britain where prices have reduced by 0.85% (3p/kg).
- This reduction in price for NI producers means that a 350kg beef animal in October 2015 is worth £80 less than it was in October 2014.
- The reduction in value multiplied by the number of prime cattle slaughtered in October 2015 in Northern Ireland equates to a total reduction in value of just over £2.5million for the month or £647,000 per week of October.
- This reduction on income is undoubtedly having an impact on farm income with reliance on the new Basic Payment Scheme likely to be very high.
- This is highlighted by recent DARDNI statistics which outline that the average beef cost of production in Northern Ireland is £4.49.
- Average NI price to the end of October 2015 for male steer cattle - £3.34 (£3.50 in GB).

Factors affecting price

Over 80% of Northern Ireland's beef is exported to the British market; the Eurozone is our second biggest market; with smaller 3rd country markets in regions such as Hong Kong and West Africa. While the UK market is our best paying market, it has become increasingly volatile for farm gate prices and there are a number of reasons for this:

1. The weak Euro has had a major impact on the red meat industry with overall red meat exports from the UK decreasing 10% in 2015 while imports to the UK have increased by 12%.
2. A further complication has been the closure of the Russian market for all EU food products which has increased supply of red meat in Western Europe and has created more competition in the UK and Eurozone markets from cheap eastern European beef, which as a consequence is inflicting more pressure on UK beef prices.
3. There have also been sizeable fluctuations in supply of cattle and sheep from both the UK and the Republic of Ireland due to inconsistent market returns and uncertainty around CAP.

NI – GB Price Differential

- While the Union is aware that factors on price such as currency and foreign policy are largely out of farmers’ control one area we continue to be concerned by is the difference in farm gate prices between what farmers in Northern Ireland are paid and what farmers in Great Britain are paid.
- UK retailers have a preference for beef which complies with the EU country of origin labelling laws which identifies that an animal must be born, reared and slaughtered in one Member State in order to carry a national identity, eg. UK.
- In order to comply with Red Tractor farm quality assurance, beef must carry a UK country of origin label.
- Northern Ireland beef produced to NI Farm Quality Assurance standards holds equivalence with Red Tractor and is indeed sold under the Red Tractor label in Great Britain.
- While there are five main processing companies in Northern Ireland, the three largest meat processors, ABP, Foyle Meats and Dunbia also operate sizable processing plants in Great Britain – beef farmers in all UK regions can supply one or all of these plants.
 - These processors are members of both the NI Meat Exporters Association (NIMEA) and also the British Meat Processors Association (BMPA).
- All of these processors have contracts with the UK’s major retailers.
- The table below highlights regional retail prices for a number of beef cuts in the UK compared against the regional deadweight (DW) price for cattle (steers and heifers) that farmers receive:

Regional retail beef prices vs regional cattle prices (pence per kilo)

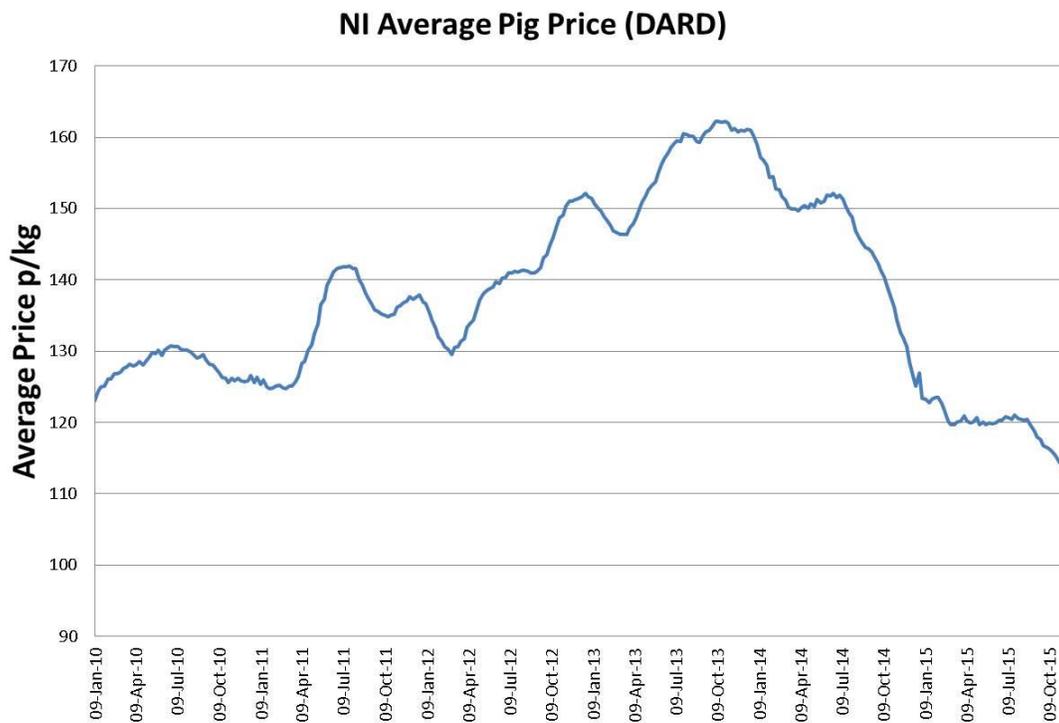
	GB	England	Scotland	Wales	N. England	S. England	Midlands	Northern Ireland
Topside	1076	1045	1215	1032	1118	1028	944	975
Sirloin Steak	2150	2077	2520	1917	2226	2010	1907	1754
Rump Steak	1487	1443	1680	1435	1520	1490	1328	1568
Fillet Steak	3501	3401	3998	3215	3659	3253	3087	3213
Diced Stewing Steak	911	857	1147	847	916	833	770	806
Braising Steak	965	921	1171	884	971	845	851	857
Premium Mince	773	757	870	668	809	645	704	700
Standard Mince	629	622	685	542	672	546	553	390
DW Steers	346		366		348	331	332	314
DW Heifers	346		367		347	329.2	329	316

Source – AHDB, LMC and Ulster Farmers’ Union (week beginning 23/11/15)

- As you can see the highest deadweight price for cattle is in Scotland and the highest retail prices for beef are also in Scotland.
- At the other end of the scale, Northern Ireland has the lowest deadweight cattle prices but not necessarily the lowest beef retail prices.
- What is also important to highlight is that over 80% of Northern Ireland’s beef is exported into the GB market and sold under the premium Red Tractor label.
- This will mean that retailers will be charging a GB price to consumers for beef purchased from Northern Ireland farmers at much lower prices than are being paid to GB producers.
- We believe this has been a regular occurrence for many years.
- On a separate but linked matter, the attached spread sheet demonstrates what processors in GB are paying beef producers compared with what NI are paying beef producers.
 - This has been a long standing issue and is costing NI beef farmers at least £17m a year in lost income.

Pork Market Update:

- Prices being paid to pig farmers in Northern Ireland are at their lowest levels in over five years, having fallen from the peak of 162p/kg in October 2013 to less than 114p/kg today. A reduction of 30% (48p/kg).
- Over the last 12 months alone, the price paid to Northern Ireland's pig farmers has fallen by almost 18% (25p/kg) from 139p/kg to less than 116p/kg.
- Based on an average 85kg deadweight pig, this reduction equates to farmers receiving £40.80 less per pig from October 2013 and £21.25 less per pig since October 2014.
- Currently, the NI pig industry income is down over £901,398 per week compared to October 2013 and £372,039 per week compared to October 2014.
- As a result, profitability of many pig farmers in Northern Ireland is under significant pressure.

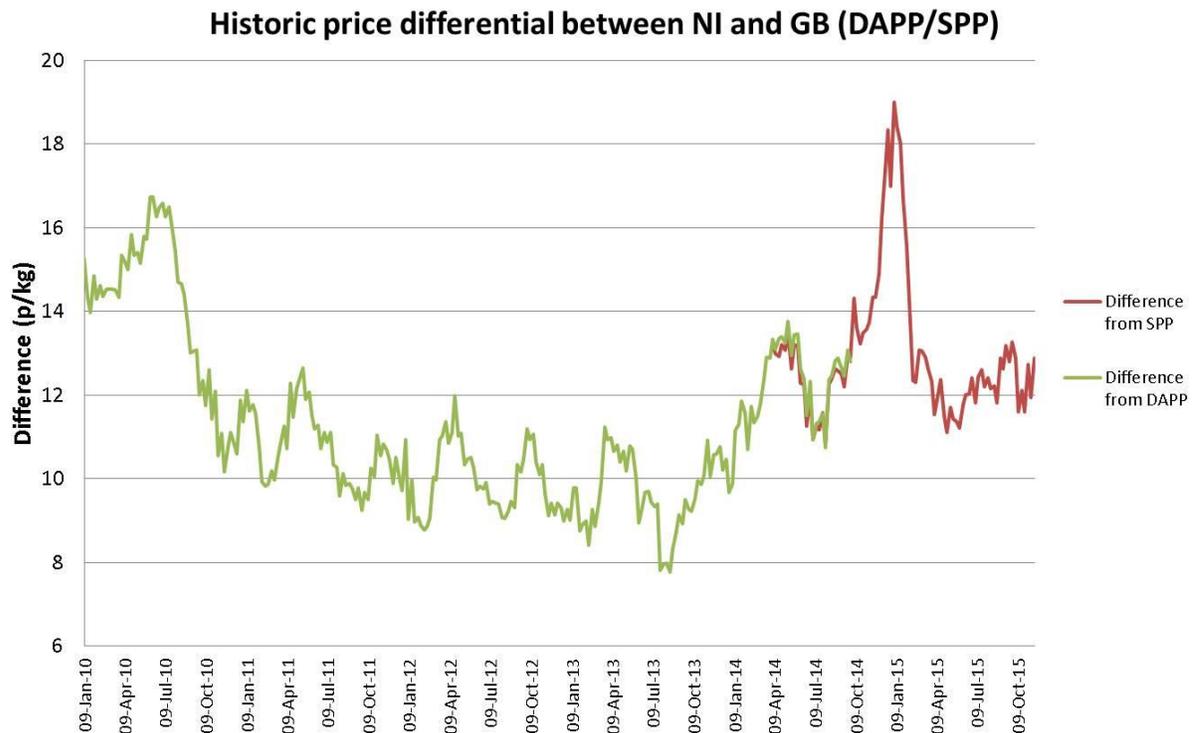


Causes:

- This situation has occurred as a result of multiple macro political and economic factors:
 - a) The Russian trade embargo which historically imported around 24% of EU pork exports and has resulted in an oversupply of pork in the EU market.
 - b) The strength of the GBP verse the Euro since summer 2013 (from 1.145 to 1.42 today) which has made UK exports into the EU more difficult.
 - c) A slow down in the Chinese economy (the world's top pork consuming nation), which has resulted in a global decrease in pork demand.
 - d) A continued increase in EU pork production (up 6% between 2014-2015).

UK Price Differential:

- Whilst as a Union we acknowledge that much of this price reduction remains outside of the control of NI farmers or politicians, we continue to be increasingly frustrated by the differential in price that is paid by processors to farmers in NI compared to our GB counterparts for the same quality of Red Tractor Assured meat.



- When the UFU Pork and Bacon committee briefed the NI Assembly Agriculture (ARD) committee in early 2015, the price differential between NI and GB had risen to over 19p/kg. At its height, this differential equated to over £355,300 lost to the NI farmers per week compared to our GB counterparts (based on 19p/kg, average deadweight of 85kgs, and 22,000 local pigs being slaughtered per week).
- As a result of the combined efforts of the UFU and the ARD committee, we were able to see this price differential temporarily reduced to 11p/kg (still a loss of £205,700 to the NI farmer compared to our GB counterparts).
- However, we are yet to see the differential return to the 2011-2013 average of 10.1p/kg or the market low of 8p/kg in April 2013.
- In fact, over the summer months the trend in this differential began to widen again to around 13p/kg.
- As a result of this differential, farmers in Northern Ireland are collectively £9,965,339 worse off than their GB counterparts this year already.
- Adding further insult to injury is the knowledge that much of the pork slaughtered in NI is eventually destined for the higher paying market in GB.

Lamb Market Update

- Prices paid to producers for Northern Ireland lamb have declined in 2015 compared with 2014.
- Lamb prices in October 2015 were on average 10% (35p/kg) lower than October 2014, compared with Great Britain where prices have reduced by 5% (17p/kg) for the same period.
- This reduction in price means that a 21kg lamb in October 2015 is worth £7.35 than it was in October 2014.
- The reduction in value multiplied by the number of prime lambs slaughtered in October 2015 in Northern Ireland equates to a total reduction in value of nearly £800,000 for the month.
- Statistics obtained from DARDNI (CAFRE) show that the average cost of production for lamb in Northern Ireland is £3.87 (for both upland and lowland flocks).
- The average price in October 2015 for prime lambs in Northern Ireland was £3.08 (£3.37 in GB).

Factors affecting price

Approximately 40% of Northern Ireland lamb is consumed within the UK, with the majority of the remainder exported to France. As with beef and pork, the volatility in the market has been caused by a number of issues:

1. The weak Euro has had a major impact on the sheep industry in the United Kingdom, with exports to date this year down 20%.
2. The UK imports a significant amount of lamb from New Zealand each year (56,000tonnes to September 2015) which is almost the equivalent of what is exported from the UK.
 - a. Where the original EU quota agreement with New Zealand was for a set tonnage of lamb, the product which is shipped today is completely different to what was being sent in the early years of the agreement.
 - b. In 1990 NZ exported approx. 50% meat cuts and 50% carcase.
 - c. In 2014 99% of NZ exports were sheep meat cuts.
 - d. These cuts are often premium cuts such as lamb legs, chops and leg steaks which means the value of the product NZ sends is much greater and more targeted than it previously was.
 - e. Considerable quantities of NZ lamb enter the UK during the UK peak lamb season and this is undermining UK sheep production and farmers income.

NI – GB Price Differential

- While we are aware that currency is a factor which is out of the control of farmers, we believe that the EU needs to revise their quotas with New Zealand and the UK Farming Unions have begun a process to request that the Commission takes a closer look at this.
- Aside of this one area which needs tackled at a UK level is the price differential between Northern Ireland and the rest of GB for lamb.

- As with beef and pork UK retailers have a preference for lamb which complies with the EU country of origin labelling laws which identifies that a sheep must be reared and slaughtered in one Member State in order to carry a national identity, eg. UK.
- In order to comply with Red Tractor farm quality assurance lamb must carry a UK country of origin label.
- Northern Ireland lamb produced to NI Farm Quality Assurance standards holds equivalence with Red Tractor and is indeed sold under the Red Tractor label in Great Britain.
- The three largest lamb meat processors in Northern Ireland are ABP, Linden and Dunbia
 - They all operate processing plants in Great Britain – sheep farmers in all UK regions have the option of supplying one or all of these plants.
 - These processors are members of the NI Meat Exporters Association (NIMEA) with Dunbia and ABP also members of the British Meat Processors Association (BMPA).
- All of these processors have contracts with the UK’s major retailers.
- It is currently quite difficult to compare prices between Northern Ireland and Great Britain because there is no EU legislation for compulsory price reporting (unlike beef and pork).
- As a result we have to use what we have and in this sense the 3 main NI sheep processing plants voluntarily price report for DARDNI while in GB 4 plants voluntarily price report to AHDB.
- Data sourced from both AHDB and the Livestock and Meat Commission details the cost of this price differential to the Northern Ireland sheep industry between May and October 2015:

NI Lambs slaughtered (in NI & ROI) Beginning of May '15 - End of October 15	295801
Av. Weight	21.45
Total kilos	6344931
Price Diff (p/kg)	38
Total value (£)	2,411,074
	Difference per animal (£)
	8

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Areas for Investigation

As you will gather our major concern is that farmers in Northern Ireland are being paid the lowest deadweight prices in the UK for beef, pork and lamb yet the vast majority of this produce is being sold in the high value markets of Great Britain. In some ways you could draw comparisons with the approach some retailers took to paying the ‘living wage’ to their staff. Initially one retailer in particular was prepared to pay the living wage to staff in GB but did not want to Northern Ireland. Does this logic apply sourcing food from Northern Ireland as well?

There are a number of areas that need to be investigated to clarify who is getting the most benefit out of this. We certainly do not feel that either the farmer or the consumer is getting any advantage from this situation.

Questions for Government:

- Based on the evidence supplied, does the EFRA committee, the DEFRA Minister and the Farming Minister agree that Northern Ireland's producers are at a distinct disadvantage to producers in other UK regions and do they agree that this is unacceptable?
- Is Government prepared to scrutinise the unfair price pressure being applied on NI farmers by retailers and/or processors?
- **Will Government call upon retail and processing representatives to publically explain the ongoing NI – GB price differential at the EFRA committee?**

Questions for meat processors and retailers:

- What is the retailer/processor rationale behind the NI- GB price differential?
 - How can they justify this?
- Do retailers pay the same price for beef, lamb and pork all over the United Kingdom?
 - If they do are processors in Northern Ireland taking a higher margin off NI farmers?
 - Or is it the other way round and that retailers apply pressure on NI processors to get meat at a cheaper price?
- If the retailer pays a price based on regional deadweight prices for beef, pork and lamb, are processors from Northern Ireland undercutting processors in GB to get business?
 - This would inevitably put more pressure on NI producers.
- Which region's in the United Kingdom is Northern Ireland beef, pork and lamb distributed to for sale under the premium Red Tractor label?
 - Clarification on this would help identify the GB retail prices being charged for produce which has originated from Northern Ireland.

Should you require any further information please contact Elliott Bell (beef and sheep) or Geoff Thompson (pigs and poultry) at Ulster Farmers' Union. Our telephone number is 028 9037 0222 or via email on ebell@ufuhq.com or geoffthompson@ufuhq.com.