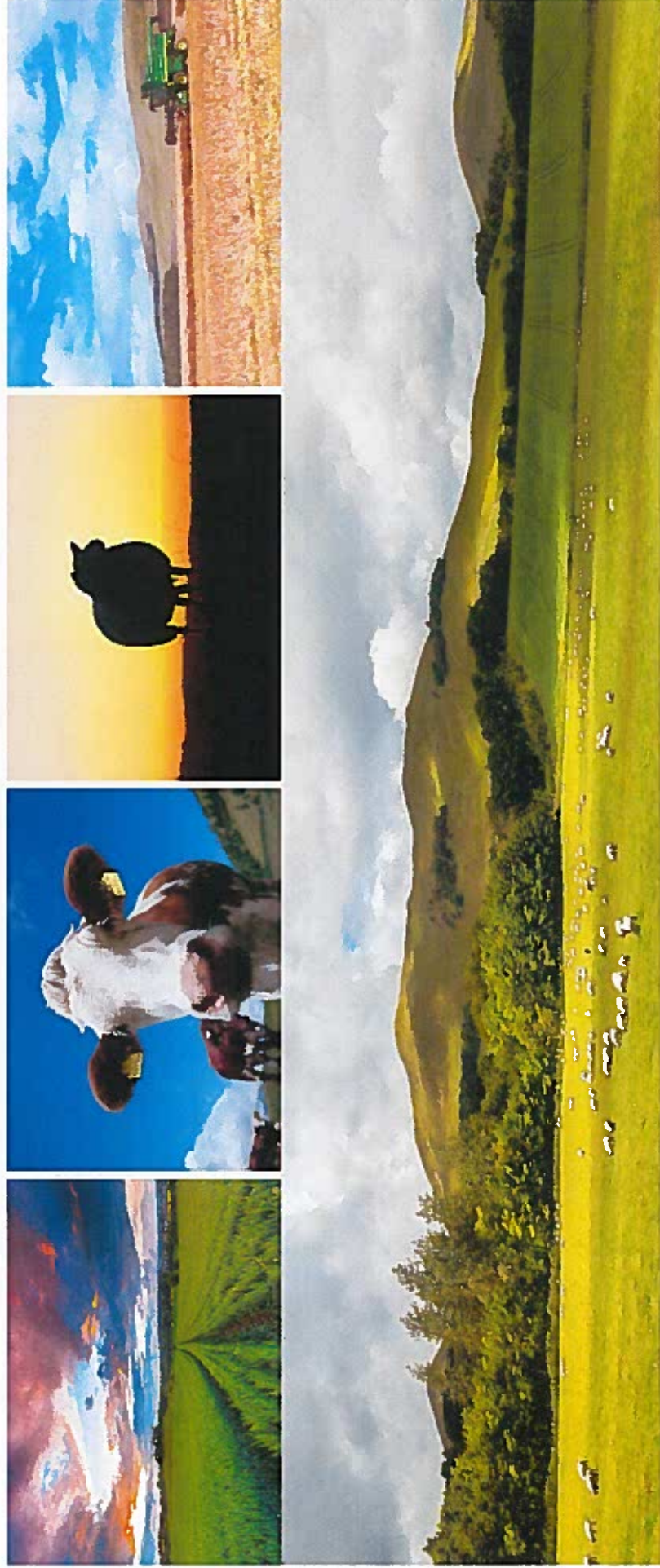


Beef & Sheep Market Outlook



FARM
ADVISORY
SERVICE



Robert.Logan@sac.co.uk
Livestock Business Consultant

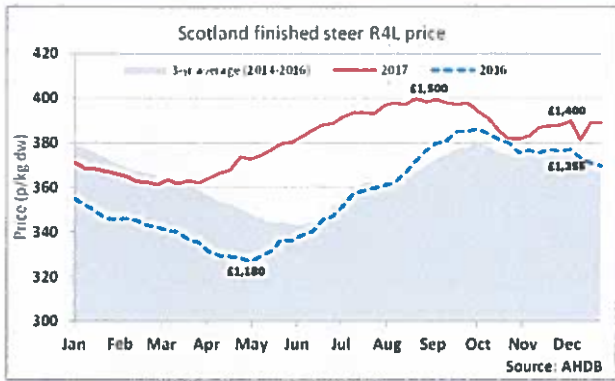
18 Jan 2018



The European Agricultural Fund
for Rural Development
Europe Investing in rural Areas



Finished cattle market

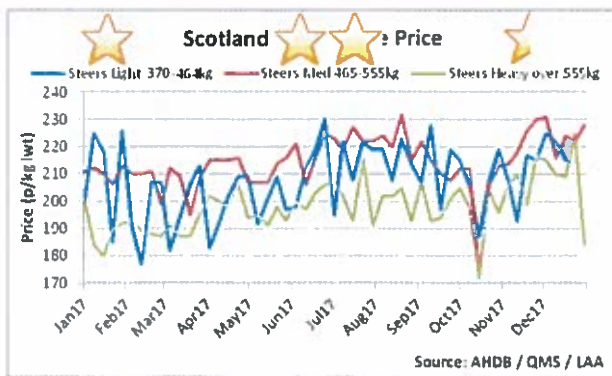


Finished cattle market

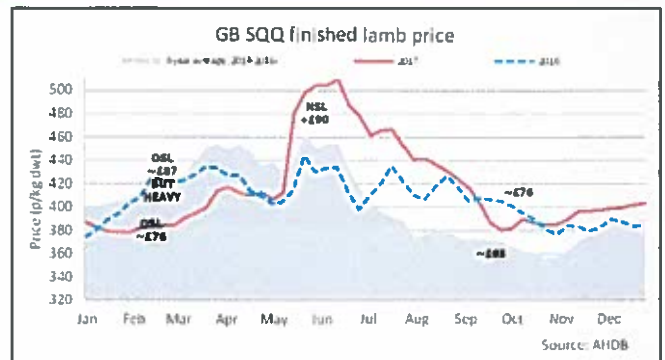


- Young Bulls (currently +5p on year but wider steer diff)
- Scotch premium c.15p over SE but 0p over NE
- AA premium c.390/kg dwt (+10p depending)
- Cull cows
 - Higher throughput this autumn (-4%)
 - Waiting lists
 - Manufacturing beef, exports

Store cattle



Prime lamb market



At the mart

- Cull ewes
 - 10% fewer cull ewe throughput 2017
 - Ave £ back £2/hd but leaner? (and big range)

Store lambs

- Sticky start to season
- Long-keep within reach of Easter
- Grass available?

Over the next few months...



Key dates



	2017	2018	2019
Brexit	-	-	29 Mar
Mother's Day	26 Mar	11 Mar	31 Mar
Easter	16 Apr	01 Apr	21 Apr
Ramadan – start	27 May	16 May	06 May
Eid al-Fitr – festival of fast breaking	25 Jun	14 Jun	04 Jun
Eid al-Adha – festival of sacrifice	01 Sept	21 Aug	11 Aug
Christmas		25 Dec	

NSL supply 2018?



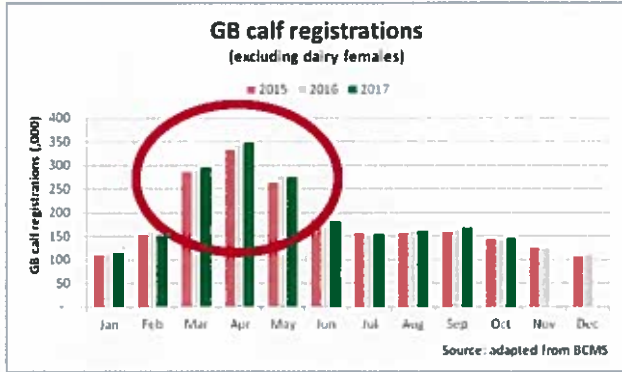
- More ewes

Approx. no's:	Breeding ewe numbers 2005*	Breeding ewe numbers 2017*	Change since decoupling	Change on year 2016 - 2017
UK	14,567,000	13,749,000	-6%	2.1%
Scotland	3,142,000	2,661,000	-15%	2.0%

June Agricultural Census (home nations)*
Ewes used for breeding in the previous season*

- More lamb carryover
- ...Growing national ewe flock (?)

Future cattle supply



Change in livestock no's

- UK beef cow herd **1,580,000**
 - Down 0.4% on year
 - Down 9% since 2005
- Scotland beef cow herd **432,812**
 - Down 1% on year
 - Down 14% since 2005



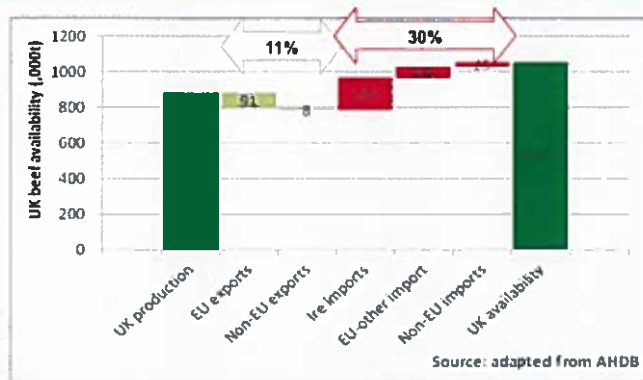
Timelines

- 29 March 2019

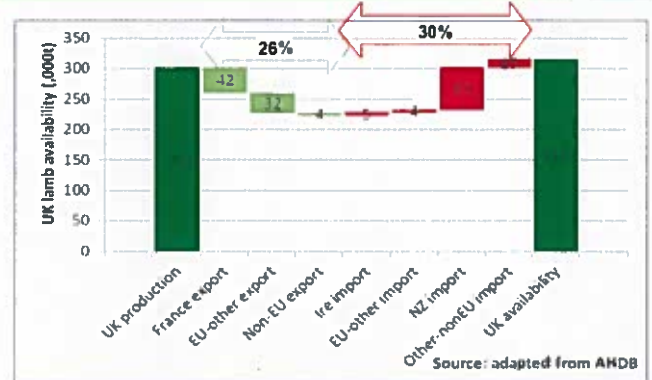
Yearling cattle sold from bulling 2018

The lambs born from tuppung 2018

Beef production & trade, 2015



Lamb production & trade, 2015



What we think we know



- At least 2 year transition expected post 2019
- Overall PI and PII budget remains until 2022
- Some stability before significant change
- BAP by 2022 (?) – Command paper due soon - Scot Gov input where doesn't prejudice trade negotiations
- Change towards payment for public goods (loose def.), productivity and volatility mgmt
- 25 year Enviro Plan to be published shortly

Brexit: Watch closely but control the controllables



"Whichever scenario [of the 3 considered] is chosen, **higher-performing farms remain profitable** in every sector. These farms are best placed to weather the negative impacts of any of the Brexit scenarios."

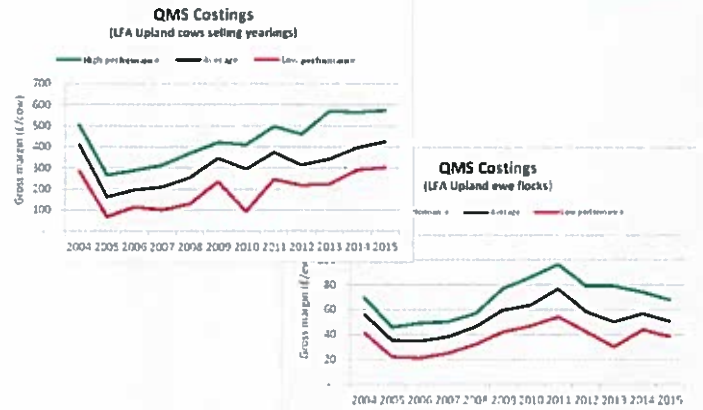
"This suggests taking steps to improve productivity and performance would enable farmers to mitigate potentially negative impacts of Brexit, even before details on agricultural trade or policy emerge."

Horizon, Brexit scenarios – and impact assessment, AHDB Oct/Nov 2017
<https://ahdb.org.uk/brexit/default.aspx>

“It’s nae whit ye hae
but whit ye dae wi
whit ye hae”

...mostly true
...and increasingly so

Cumulative benefits



Diff between top & ave



- Opportunity

Gross Margin	Upland sucklers selling yearlings (£/cow)	Upland ewe flocks (£/ewe)
GM top	574	70
GM ave	453	55
Diff	121 per cow	15 per ewe

Source: Cattle and Sheep Enterprise Profitability in Scotland

Profitability



Is average going to be good enough?

Also need to think about...

- Capital intensive
- Labour availability
- Safety (esp. lone working)

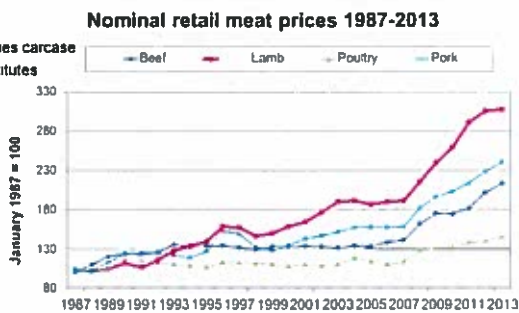


Increase value per head



"the consumer will just need to pay more"??

- Mince – devalues carcasse
- Threat of substitutes



Challenges - Beef



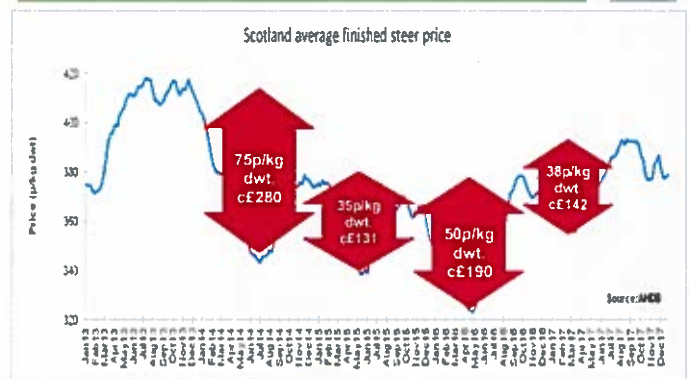
1. Lack of profitability
Headage payment maxed ~£400/cow unit
2. Dairy beef
3. Poultry and other proteins
4. Long-term volatility

Long-term volatility



- Key drivers of price inflation:
 - Vastly lower headage payment & effectively no intervention
 - Falling national herd
 - Global beef reduction
 - Horsegate but now with greater volatility!

Long-term volatility



Long-term volatility

- How to even out the bumps?
 - Don't, ...just hold on and enjoy the ride
 - Livestock market insurance
 - React to forecasting models
 - Direct supply chain
 - Direct supply agreements
 - Criteria – Price, weight, type/frame, health, treatments, breed, age, transition diet...

Challenges - Beef

1. Lack of profitability
 - Headage payment maxed ~£400/cow unit
2. Dairy beef
3. Poultry and other proteins
4. Long-term volatility
5. **Straw availability / cost**
6. **Deadweight limit changes**
7. **Competitive land/labour use**

Challenges



- Successive low profitability
 - Market volatility
 - Lack of reinvestment
 - Ageing farmer profile
- CAP budget trending lower
- High production costs
- Dependent on the weather
 - Grassland management
 - Slow springs
- Wormer resistance & antibiotic usage
- Exposed to the exchange rate

- Changing carcass requirements
 - Store cattle
 - Breeding and genetics
 - 'Glass ceiling' for sale price
 - Low food price inflation policy
 - Aggressive retail environment
-
- Falling consumption and timing of imports
 - Produce something the retailer (and consumer cannot ignore!)



Options



Disperse (part or all)?



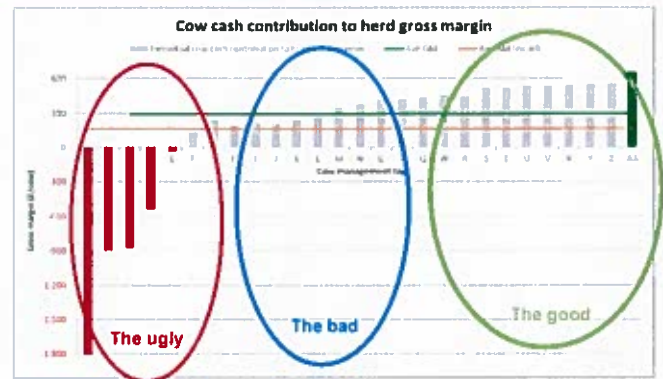
- Positive gross margin i.e. still a positive contribution to cover fixed costs
 - Will fixed costs fall?
- Other benefits?
 - Conservation
 - Mixed grazing (worm control)
 - Spread risk
 - Aid cash flow

Increase value per head



- How?
- Specification
- Breed
- Health status
- Market (breeding stock)
- Timing of sale
- Weight (but remember cost of weight gain)

Super cow project



Turning the ship around



- Assuming the right type of bull is on farm!
- Bull out Summer 2018
- Calving Spring 2019
- Heifer offspring to bull Summer 2021?
- Heifer calving Spring 2022
- Finisher produced Spring 2024?
- That replacement heifer is only 50% of the 'new/ revised' genetics
- It will take 10 years to reflect a new breeding policy

Q: The group



- What type of heifer are you currently selecting?
 - Homebred heifer criterion
 - Purchased heifer criterion
 - Bucket calves
 - Bulling heifers
 - In-calf
 - Calf at foot

Who is more profitable?



	Farmer A	Farmer B
Average Sale Price	£948	£888
Top Price	£1180	£1020

Who is more profitable?



	Farmer A	Farmer B
Average Sale Price	£948	£888
Top Price	£1180	£1020
Av weight	447kg	440kg
Calves Sold	73	82
Total Return	£69,204	£72,816
Cows to the bull	90	88

More live calves / farm unit



	Farmer A	Farmer B
Total Return	£69,204	£72,816

- That is only the difference in sales
- Reduced cost of maintaining barren cow ↔
- Reduced cost of maintaining big cows ↔
- More smaller cows per shed space / silage bale ↔
- More cows per labour unit ↔

Mortality and morbidity



- Calf health
- Calf thrift
- Calf intakes and growth
- Diet formulation
- Calf stress

Cow efficiency



	Bull calves	Heifer calves
Cow weights	Efficiency factor	Efficiency factor
501-550	52.1	49.2
551-600	53.9	45.3
601-650	51.6	43.4
651-700	46.1	39.5
701-750	42.0	38.1
+751	39.4	37.2

- SAC funded by QMS (2009)
- It is just one trial
- But also showed not necessarily smaller calves at finishing

Kg of calf weaned per kg cow – herd



	SAC Monitor Farm	Simon Frost
Cow weight (kg)	667 x 100 = 66,700	595 x 100 = 59,500
Calf 200 day wt (kg)	291 x 85 = 24,735	336 x 95 = 31,920
Herd efficiency (% of cow weight)	37	54

<40% = too low
41-45% = ok (but improvable)
46-50% = good
>50% = excellent

So avoid big cows with low calving %'s delivering poor growth rates!

The group



- Body condition scoring?
- Forage budget?
- Two or three year old calving?
- Who is using EBV's?

Benchmarks / KPI's



- Minimum standard or Aspirational target
 - To help address a particular issue
 - To help identify an over-riding problem
- To instigate or to prevent change
- Benchmark like for like
- Use as accurate info as possible
- Should be easy to report





Islay's vital stats



- Farms (BRNs) (active/non-active)
- Breeding cows with calf
- Total cattle
- Breeding ewes
- Total sheep

Diff between top & ave



- Opportunity

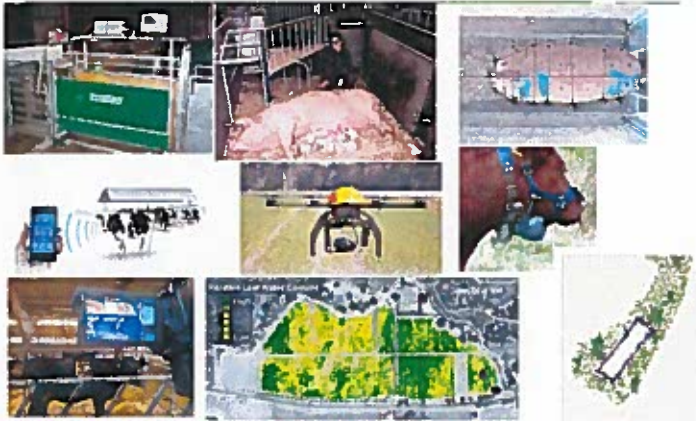
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Industry Publications



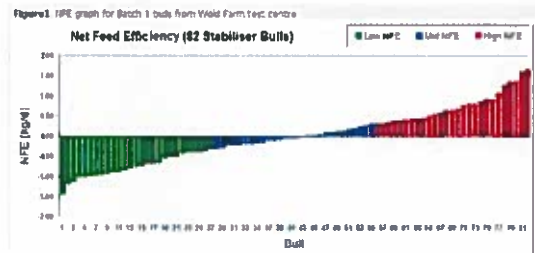
New Technology



Feed efficiency



- Net Feed Efficiency
- First batch 82 bulls
 - Individual basis 25% diff in feed intake for same gain = £96/hd over 200d
 - Top 1/3 v bottom 1/3 diff = £48/hd over 200d finishing period



Thank you

Robert.Logan@sac.co.uk

SAC Consulting | Livestock Business Consultant | 07909 840 534

Beef & Sheep Team

SAC Consulting is a division of Scotland's Rural College
 Leading the way in Agriculture and Rural Research, Education and Consulting

