

Outlook for Sheep

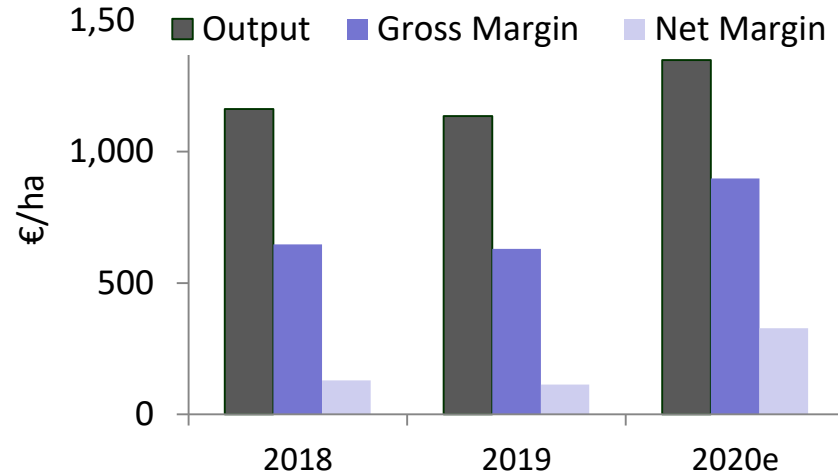
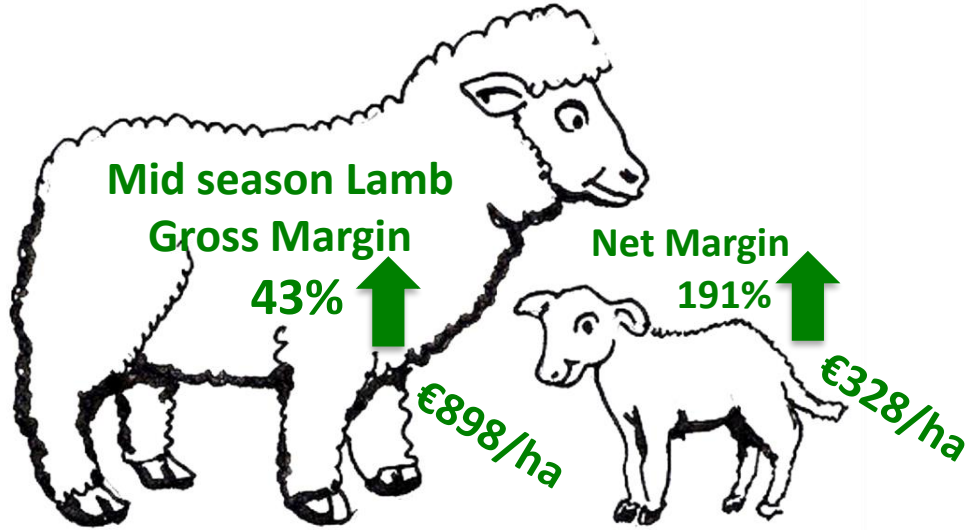
Anne Kinsella and Kevin Hanrahan



Focus on the Mid season lowland lamb enterprise

- predominant lowland sheep system in Ireland
- only farms with greater than 20 breeding ewes included

Gross margins increase 43% in 2020



**Average Output & Margins
2017-2019, 2020 estimate**

2019

€630/ha

€113/ha

Output Value



HIGHER

Input Spend



HIGHER

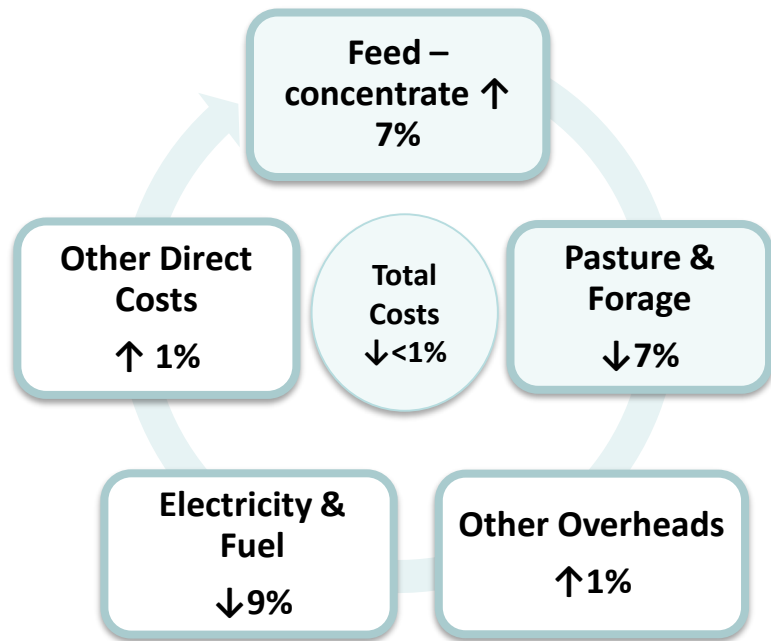
Income



HIGHER

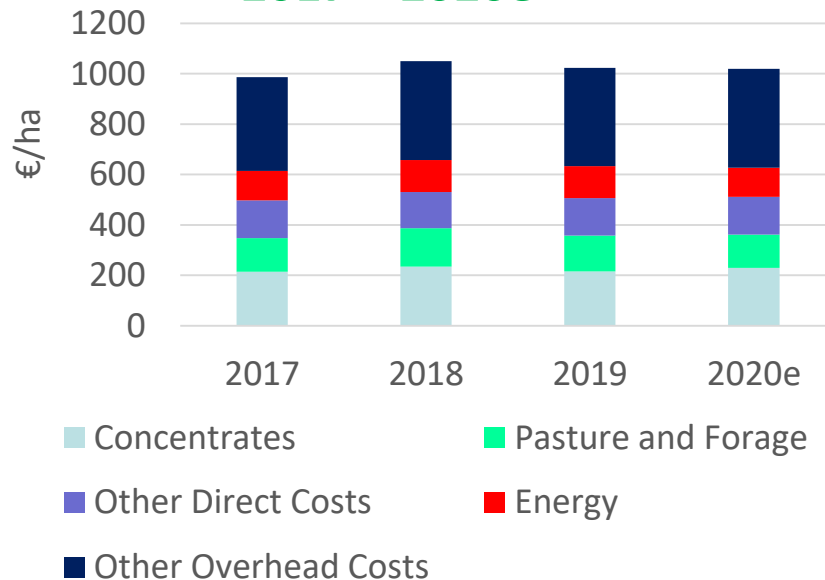
Increase of 1% in Sheep Direct Input Costs - 2020

2020 costs per ha



Expenditure change relative to 2019
based on average mid season lowland lamb farm

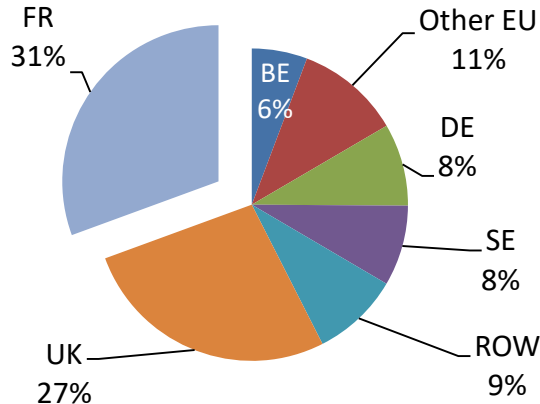
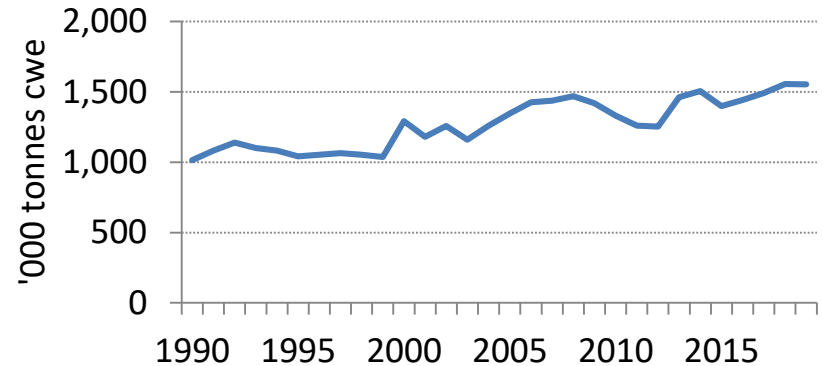
Average Sheep production costs 2017 – 2020e



Growth in Global Lamb export trade

Since 1990 - Global trade has grown by > 40 %

- International trade - dominated by Australia & NZ
- In 2019 - Accounted > 2/3 value of global sheep meat exports
- China – changing the dynamics - largest producer, consumer & importer
- NZ - Tariff Rate Quota – access EU markets v China



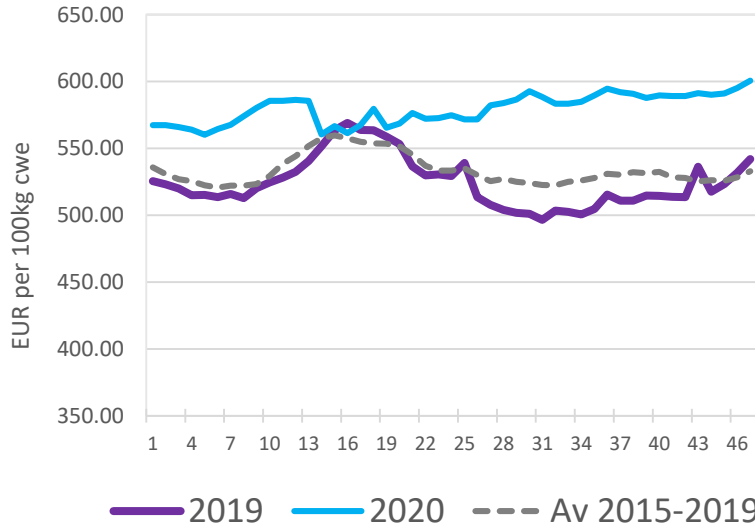
Export Markets for Irish lamb - 2020

Bulk Irish sheep meat destined for foreign markets

- 2019 - 55,000 tonnes cwe exported - > 75% exported
- Lamb price developments Ireland's export markets - critical
- Solid fundamentals – support D Irish lamb

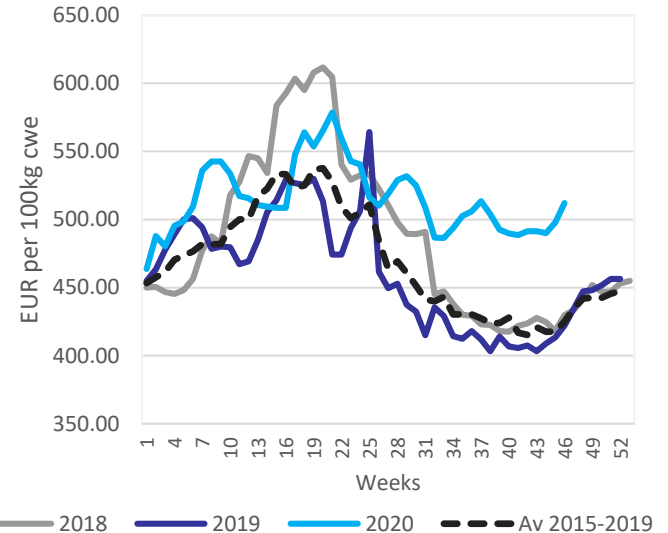
Higher Lamb Prices 2020

Evolution of Heavy Lamb prices in EU



Source: DG-Agri-G3, Meat sector

Heavy Lamb Price - Ireland

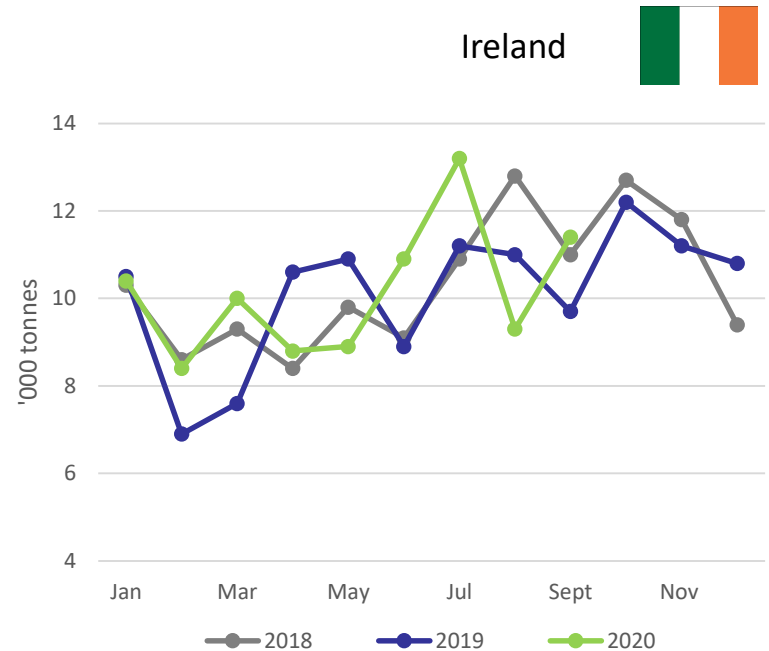


- EU sheep/lamb mkt - characterised by higher P
- Steady EU Domestic D - Av. P – c. 10% higher
- Well ahead Prices for 5 yr period (2015 - 2019)

- Nov 2020 – Lamb P 7% higher
- 2020 P – well ahead of 5 Yr Av 2015-2019
- Expectation – Estimate P 9% Higher

Sheep throughput up 5%

- Slaughter figures – 5% higher to date verses corresponding period in 2019
- Over 2.42 m heads of sheep were slaughtered
- Number of ewes slaughtered YTD 5% lower
- Cumulative % - lamb/hoggets and Spring lambs up 5%, 7% respectively



Source: Source: CSO Statbank, September 2020

2021 Outlook



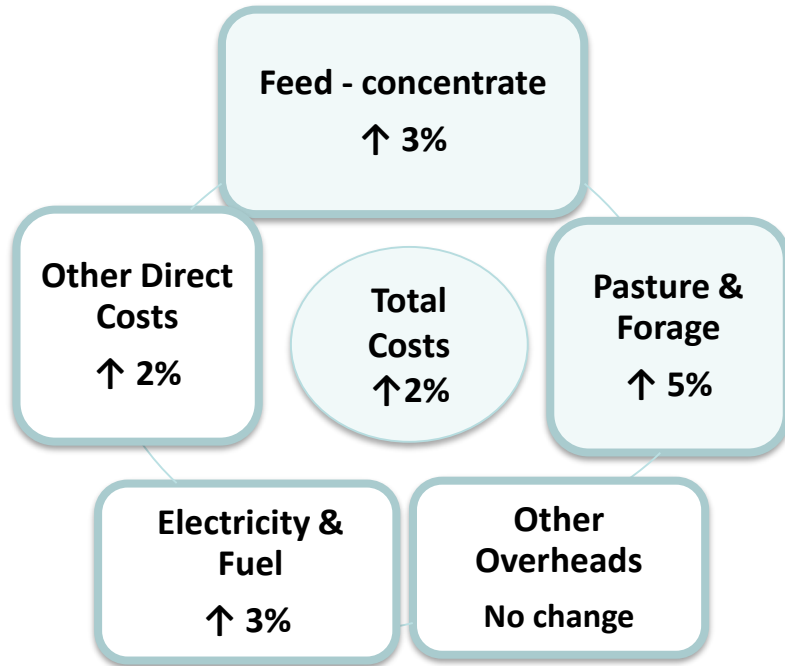
Sheep, but not Just Sheep

- But, Sheep & Cattle
- For 2019, Teagasc National Farm Survey – on average, over 52% Market Gross Output on “Mainly Sheep” System from Sheep
- While mid-season farms analysed represented over 9,800 farms nationally – only > 1,200 of farms had 100% sheep
- No positive correlation between % Sheep LU and highest GM/Ha – in fact, highest GM on farms with lowest % Sheep LU
- So on most Sheep farms – Cattle and other Livestock co-habit more than well



Forecast 2% increase in Sheep Total Costs

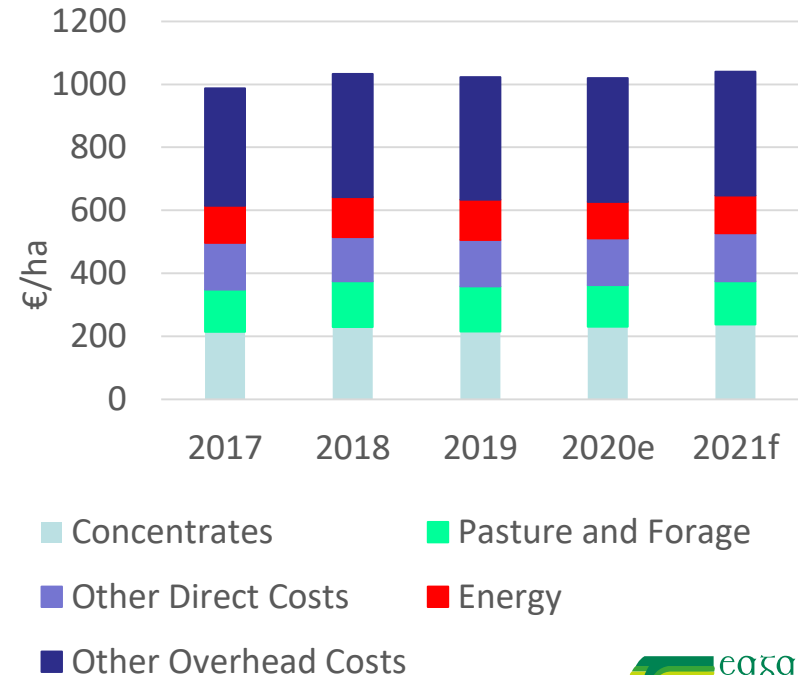
2020 costs per ha



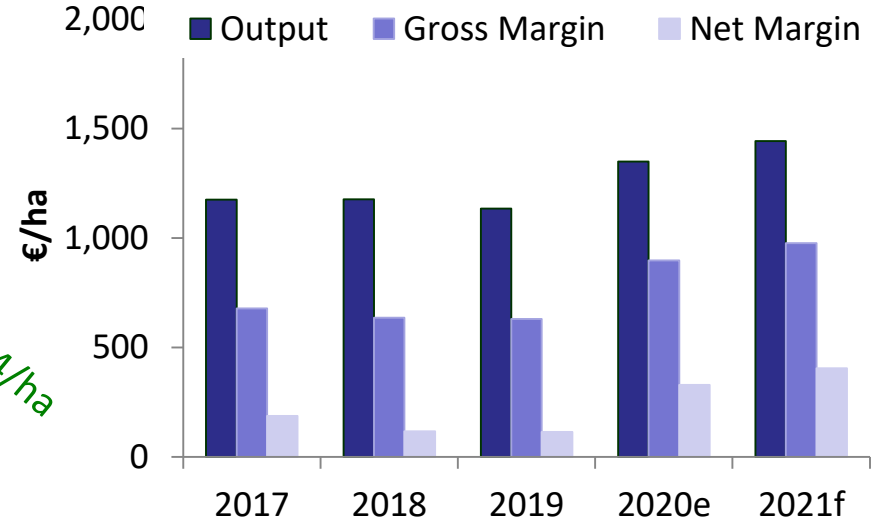
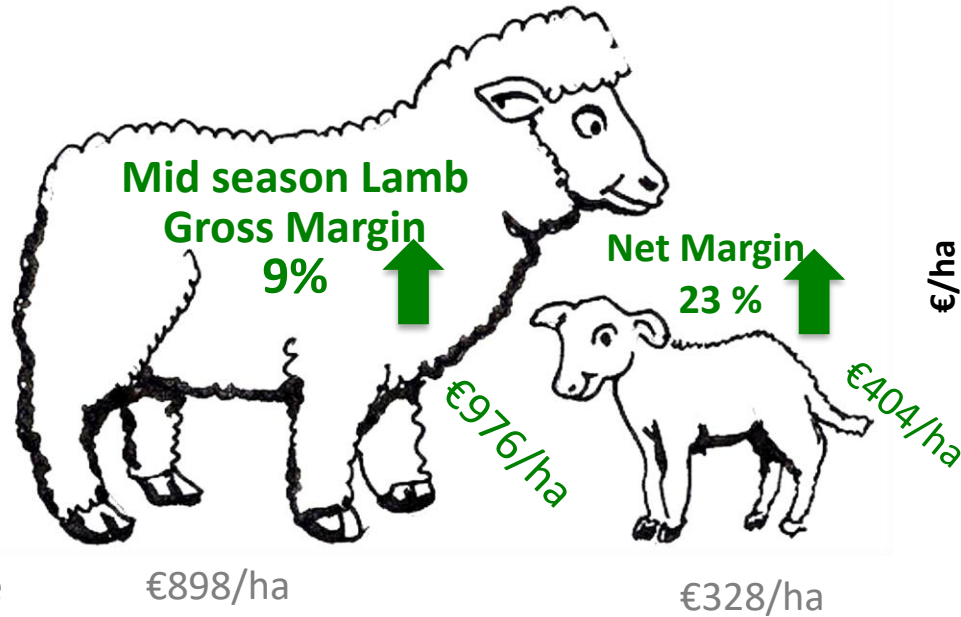
Expenditure change relative to 2019

based on average mid season lowland lamb farm

Average Sheep production costs 2017 – 2020e, 2021f



Increased Sheep Margins – 2021 Forecast



Output Value



UP

Input Spend



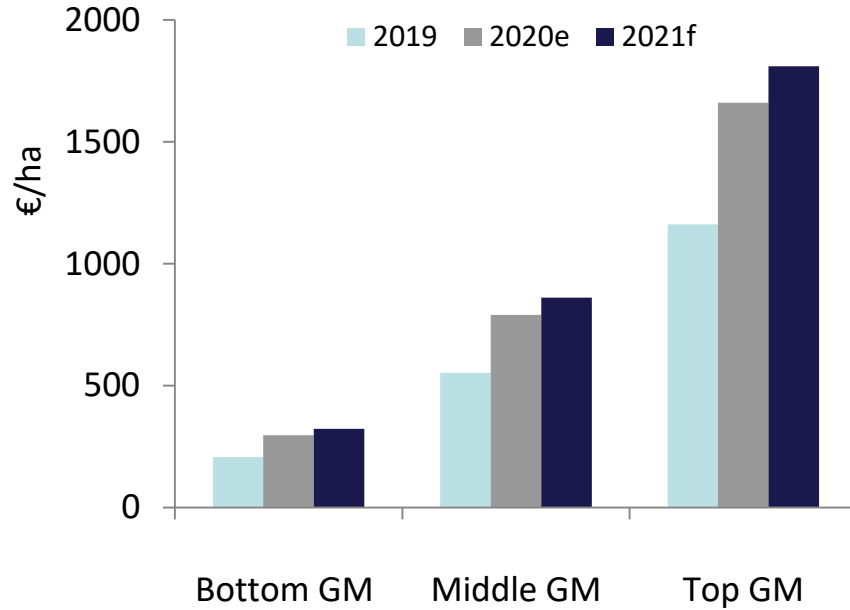
UP

Income

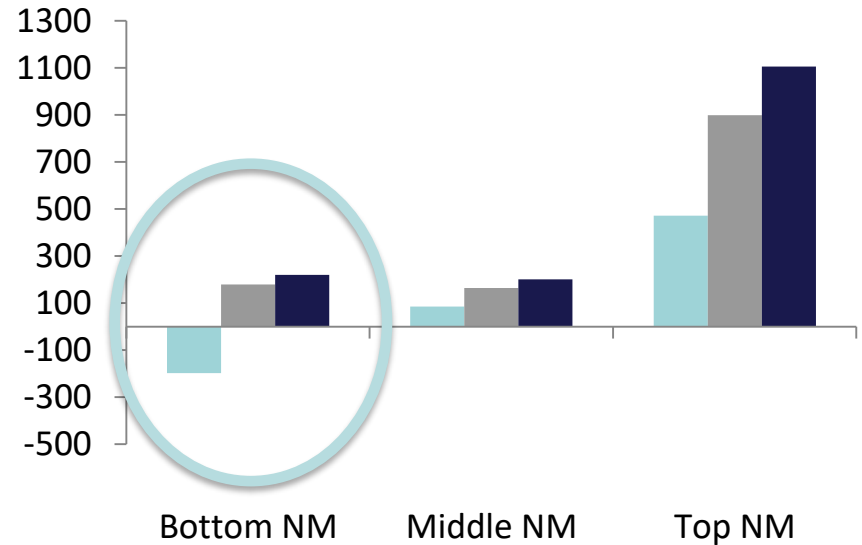


UP

Average Margins – Conceals Variability – 2021f



Gross Margin – 2021f



Net Margin – 2021f

BOTTOM – 1/3
Poorest performing

MIDDLE – 1/3

TOP - 1/3
Best performing



Opportunities for mixed drystock farms?

- Provides some “food for thought”?
- Sheep v Cattle
- Traditional enterprise mix
- Facilitation Off-farm job - % employed off farm
- Labour requirements
- Barriers to that entry?
- Knowledge



2021 – A Good Year for Specialist Sheep farmers



Stable EU market situation



5% increase in pasture and forage costs



Increased lamb prices – 7% higher than 2020



1% decline in total costs



Feed use stable
Feed prices up 3%



Gross margins per hectare, on average €976/ha
Up 9%



Other direct costs
Up 2% on 2020 level



Net margins forecast to increase 23% - to €404/ha





Thank you
Sheep Review and Outlook