



SITUATION AND OUTLOOK For Irish Agriculture July 2020

Trevor Donnellan, Kevin Hanrahan, Anne Kinsella, John Lennon, Brian Moran and Fiona Thorne

Agricultural Economics & Farm Surveys Department
Teagasc
Athenry,
Co Galway
Ireland

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Acknowledgement

The provision of the National Farm Survey 2019 is a vital stepping stone in producing a forecast of margin and income developments on farms in 2020.

The authors wish to thank all who contributed to the National Farm Survey 2019, including the farmers who participate voluntarily, the Central Statistics Office who select the sample and provide the population weights.

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Agricultural Economics and Farm Surveys Department
Teagasc
Athenry
Co Galway
H65 R718
Ireland

INTRODUCTION

This mid-year update is a supplement to the annual Situation and Outlook published by Teagasc in December 2019. It begins with a summary of current economic conditions, looking at the international macroeconomic picture and recent exchange rate developments. This is followed by a review of weather condition and inputs markets. The update then provides a summary of the developments that have taken place in commodity markets during the first half of 2020. Finally, there is an assessment of the performance of the main farm systems in that period.

The report takes a short-term outlook perspective to the year end, assessing likely future developments and how they would influence commodity prices, production costs and farm profitability.

Across the various farm sectors, access to timely official data on production volumes, output prices, input utilisation volumes and prices, remains a challenge across the EU. Official data sources tend to lag behind the actual market situation by three months and more in some cases. It is therefore necessary to rely on unofficial data sources, industry expertise and even anecdotal evidence to form an up to date assessment of output and input prices, production and input usage.

In this publication the situation and outlook is summarised. For each commodity sector, production, consumption, output price, input market developments and income are assessed and then given either a positive, neutral or a negative ranking.

This exercise is carried out in respect of the Situation, representing the first half of 2020, and the Outlook representing the second half of 2020. The categorisation is performed with respect to the farmer's perspective on the impact of market price, supply and demand developments on farm profitability.

The categorisation takes account of the position in the previous period. So for example a fall in milk prices in the first half of the year in comparison with the same period in

the previous year would be categorised as a **negative** situation.

However, if milk prices were anticipated to rise in the outlook period relative to the same period in the previous year this would be described as a **positive** outlook.

Examples of positive developments would include:

- A rise in output prices
- A fall in inputs prices
- A decrease in international supply
- An increase in international demand
- Favourable weather conditions
- A weaker domestic exchange rate

Conversely, examples of negative developments would include:

- A fall in output prices
- A rise in inputs prices
- An increase in international supply
- A decrease in international demand
- Poor weather conditions
- A stronger domestic exchange rate

Where either the situation or the outlook suggests no change relative to the corresponding period in the previous year, this is categorised as **neutral**.

Finally, in instances where it is either too early to make an informed judgement or where there is a deficit of the necessary data on which a judgement should be made, it may not be possible to determine whether a positive, negative or neutral symbol should be used. Such instances are represented by a question mark.

This approach is designed to highlight the key market developments that have recently taken place and that are likely to take place in the short term and to highlight, if necessary, key uncertainties regarding the short-run outlook. The associated information is then distilled down to a series of summary tables.



Positive



Negative



Neutral





COVID-19

At the time of writing uncertainty remains with regard to evolution of the COVID-19 epidemic. The virus had been suppressed in Europe but cases continue to mount globally. It seems for the moment that the worst fears in terms of the short-term impact on agri-food commodity markets have not materialised. However, the virus will have some negative impact on farm prices and farm incomes in 2020.

BREXIT

While the UK has left the EU, it remains in a transition phase until the end of 2020. Negotiations between the EU and UK regarding the future relationship continue, but the risk remains that no agreement will be reached and that tariff and non-tariff barriers could come into play for EU/UK trade from 2021. Uncertainty about the future relationship could affect market conditions (prices and exchange rates) later in 2020.

COMMODITY SECTOR SUMMARY



Dairy	
Situation	Outlook
 Negative	 Positive

PRODUCTION: Global milk supply growth in H1 2020 is depressed, but there has still been an overall increase in milk production in the major exporting regions. Irish milk production for H1 2020 is up 3.5% compared to the same period last year.

PRICES: Irish milk prices fell in Q1 of 2020, but the reduction has been reversed by the end of Q2. A stronger than expected recovery in demand has limited the COVID-19 related price drop. For the year as a whole, Irish milk prices could yet be close to the 2019 level.

COSTS: H1 of 2020 has seen some unfavourable weather, but the impact on milk production has been negligible. Feed use in 2020 is up marginally on the 2019 level as is fertiliser use. Feed and fertiliser prices in 2020 are both lower than in 2019. Total production costs for 2020 are forecast to fall marginally relative to 2019.

MARGINS: Average dairy net margin in 2020 could be on a par with the 2019 figure of 10 cent per litre. An average dairy farm income of about €68,000 in 2020 is possible.



Beef	
Situation	Outlook
 Negative	 Negative

PRODUCTION: Irish beef production decreased by 3% in H1 2020 due to the COVID19 related closure of the European food service industry. Over the course of the full year, assuming no repeat of the Spring 2020 COVID-19 shutdown, production is forecast to end the year 2% lower.

PRICES: Finished cattle prices are forecast to be 4% lower in 2020. Both EU demand and supply have contracted in response to COVID-19 and the pandemic related recession now affecting the UK and Eurozone will suppress demand in 2020.

COSTS: Costs of production are set to decrease in 2020 due to lower feed, fertiliser and energy prices and this will mitigate the impact of lower marketed output value on farm incomes.

MARGINS: Output value will be supported by the announced Pandemic payments targeted at beef finishers. Despite this support, overall output value is still expected to decline. Despite lower direct costs gross margins per hectare on Cattle Rearing farms and Cattle Finishers are forecast to fall by 1% and 5% respectively.



Sheep	
Situation	Outlook
 Positive	 Positive

PRODUCTION: Irish sheep slaughter at sheep export premises in H1 2020 is 6% higher compared to 2019. However, when measured on a tonnage basis (cwe), when Jan-June 2020 compared with corresponding period of 2019 sheep slaughterings increased by somewhat less, circa 2%.

PRICES: EU and Irish heavy lamb prices are to date one fifth higher in 2019 compared to 2020. This reflects higher prices in the EU for heavy lamb, which are forecast to persist over the remainder of 2020.

COSTS: Costs of production on Irish sheep farms are forecast to decline in 2020. Overall, the large decrease in fuel, fertiliser and feed prices are expected to lead to a 5% reduction in total costs of production for 2020.

MARGINS: The forecast reduction in costs in 2020 coupled with more favourable lamb and sheep prices will impact positively on gross margins. For 2020 gross margin per hectare are forecast to grow strongly, increasing by over 20% to €780/ha.

Tillage	
Situation	Outlook
 Negative	 Negative

PRODUCTION: In Ireland, unfavourable sowing and growing conditions have meant that yields in 2020 are likely to be well behind those of 2019. Whilst it is still early days in the harvest season, first production estimates for 2020 indicate a 20% decrease in total cereal tonnage compared to 2019 is likely.

PRICES: The estimates for EU production, demand and ending stocks for this harvest are creating some upward movement on green wheat prices this harvest compared to 2019, with prices quoted for green wheat about 15% up on 2019 harvest prices. Prices quoted for barley are not benefiting to the same extent as wheat, with prices up at best 5 % compared to 2019.

COSTS: Production costs in 2020 are likely to be about 10% lower than in 2019.

MARGINS: The decrease in cereal and straw yields in 2020 will not be offset by slight increases in cereal and straw prices. With costs decreasing slightly, it is estimated that family farm income on specialist tillage farms in 2020 will be struggle to reach €30,000.

GLOBAL ECONOMY



MACRO ECONOMY and EXCHANGE RATES

The short-term macroeconomic outlook will continue to be governed heavily by the need to contain the COVID-19 pandemic. Growth rates for 2020 and beyond have been revised down dramatically since the outset of 2020.

As a result of the lockdown measures to contain the virus, economic activity globally contracted dramatically in H1 of 2020. Emergency measures have been required by governments around the world to minimise the adverse impact in terms of business bankruptcy and unemployment.

The temporary closure of manufacturing, retail and services providers indirectly affected food demand, with increased home consumption and a collapse in food consumption outside the home.

Even though at the time of writing (July 2020), it would appear that the worst of the economic disruption associated with COVID-19 has passed, an overall contraction in economic activity in 2020 is inevitable, with growth forecasts for the early years of this decade also now lower than had been anticipated.

The value of the euro against the US dollar weakened slightly in H2 of 2019 and the euro has strengthened slightly over H1 of 2020. Over the course of the last year the US dollar/euro exchange rate has moved over a very narrow range.

There has been a bit more fluctuation in the exchange rate between the sterling and the euro over the course of the past year, with a range of about 6 pence. Sterling remains at a comparatively low rate against the euro, currently close to 90p, which continues to be a source of concern for Irish exporters to the UK.

The continuing Brexit related weakness of sterling is a negative for Irish agri-food exports, making them less competitive on the UK market. The general weakness of sterling reflects uncertainty about the future economic growth prospects of the UK beyond the Brexit negotiations on a future relationship between the EU and UK have continued into the transition period, which will end at the end of 2020.

Progress in these negotiations is said to have been minimal to date.

The possibility of a no deal remains at the end of the UK's transition period. In addition to uncertainty around exchange rate movements, this would pose further challenges for exporters in the form of tariff and non-tariff barriers.

Figure 1: Euro/Dollar Exchange Rate 2008 -2020



Source: European Central Bank

Figure 2: Euro/Sterling Exchange Rate 2008 -2020



Source: European Central Bank

WEATHER CONDITIONS



WEATHER CONDITIONS

Weather conditions in 2020 have shown considerable variation relative to normal and this has had an impact on both grazing conditions and grass growth as various points in the first half of 2020.

Extremely heavy rainfall in February was followed by below normal temperatures in March, contributing to a slow start to the grazing seasons in some areas. This was then followed by a period of usually low rainfall levels, which lasted until June, leading to drought conditions in some areas and widespread soil moisture deficits.

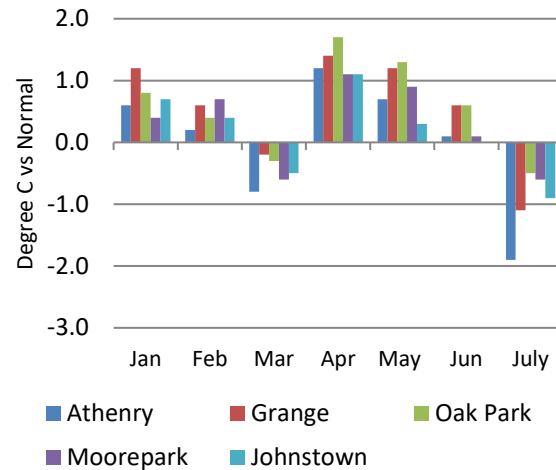
Figure 3 provides a summary of deviations in air temperature to date this year compared to normal levels for a range of Teagasc locations. Similarly, Figure 4 illustrates an index of monthly rainfall amounts relative to normal across a number of Teagasc locations through to July 2020.

Weather conditions in June were close to normal, but July has seen cooler temperatures, with less sunshine and considerably more rainfall than normal, particularly in Athenry. By contrast, rainfall levels in Moorepark in July were below normal

The impact of the brief drought conditions is evident in Figure 5, which shows a clear dip in grass growth in June, as measured by PastureBase Ireland. However, the period of low rainfall did not extend long enough to have a serious impact on production. With the return to more normal weather in June of 2020, grass growth rates quickly reverted to normal in July.

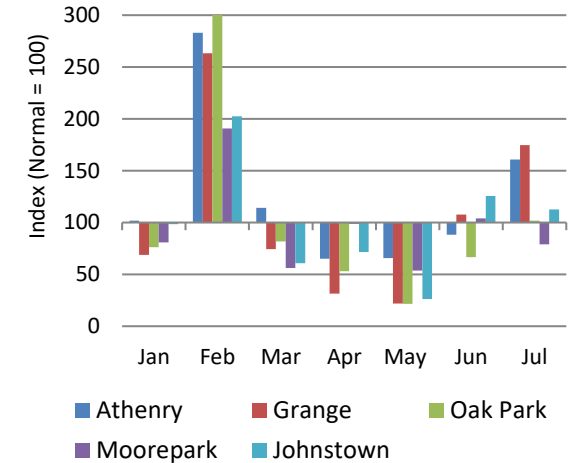
Note: Normal weather is defined as the 30 year average from 1981 to 2010.

Figure 3: Jan. to July 2020 Mean Temperature Relative to Normal (1981-2010)



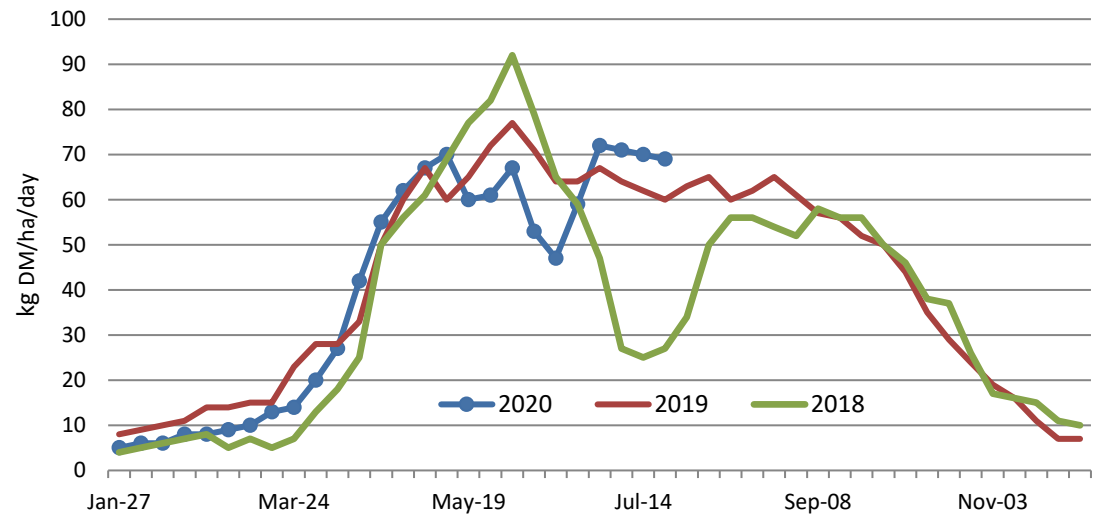
Source: Met Eireann

Figure 4: Jan. to July 2020 Rainfall Relative to Normal (1981-2020)



Source: Met Eireann

Figure 5: Irish Grass Growth 2018, 2019 and 2020



Source: Teagasc Pasture Base Ireland

FARM INPUTS



FEED MARKET

A feature of 2019 was the sizable reduction in ruminant feed use resulting from the return to normal weather conditions in the aftermath of the drought of summer 2018. Based on DAFM and CSO data, average dairy feed use per head in 2019 is estimated to have been about 1,120 kg per cow in 2019, a decrease of 18% on the previous year. Beef feed usage per head in 2019 was down about 18% on the 2018 level, while sheep feed use also decreased substantially in 2019.

For 2020, similar levels of feed use to those observed in 2019 are anticipated. This implies that feed prices changes will largely determine any change in the level of expenditure on feed in 2020.

As of July 2020, official data on feed use in the current year are limited, with DAFM sales data available for Q1 only. These data show that the aggregate volume of dairy feed sales in Q1 2020 was up 4% on the same period in 2019, perhaps reflecting a continuing increase in dairy cow numbers and a slower start to the grazing season in 2020.

Aggregate beef feed sales decreased in Q1 of 2020 by 14% relative to the same period in 2019, with this decrease coinciding with a further decline in cattle numbers, but also perhaps reflecting weaker demand due to pressure on margins associated with lower cattle prices.

For the year as a whole, it is estimated that beef feed use will be lower than in 2019. In 2020 sheep feed use should remain at the 2019 level.

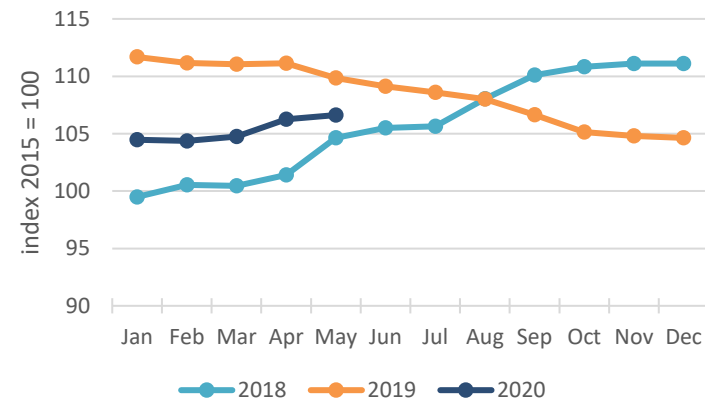
Overall, given the growth in the dairy cow herd, early indications are that aggregate dairy feed use will increase slightly over the full year, with feed use per head also up marginally relative to 2019.

Taking a more global view, it is still too early in the year to be fully confident, but it would appear that the global wheat harvest is forecast to decrease slightly in 2020 by about 1%. However, perhaps more importantly, stocks are expected to remain low in the main export regions, especially the EU and the Black Sea region. Overall, this suggests that there will be a slight increase in cereal prices on the Irish market at harvest 2020 relative to 2019. At present (July 2020), a 15% increase in farm gate wheat prices for the 2020 harvest is expected. The price outlook for barley is not as optimistic as wheat, with world barley production forecast to change very little in 2020 compared to 2019. Consequently, virtually no change is forecast for barley prices at harvest 2020 compared to harvest 2019.

As shown in Figure 6 and Figure 7, feed prices have moved downwards in H2 of 2019,

but have begun to move upwards marginally in H1 of 2020. The decrease in prices at the end of 2019, and continued low prices at the start of 2020 reflects the decrease in cereal harvest prices in 2019. Significant pressure for further increases in feed price later in year are unlikely, given the market indications for virtually 'no change' in barley price at harvest 2020. Averaging across the full year it is likely that feed prices in 2020 will be marginally lower than in 2019.

Figure 6: Index of Monthly Irish Feed Prices 2018-2020



Source: Central Statistics Office

Figure 7: Longer Term Index of Monthly Irish Feed Prices 2006-2020



Source: Central Statistics Office

FERTILISER MARKET

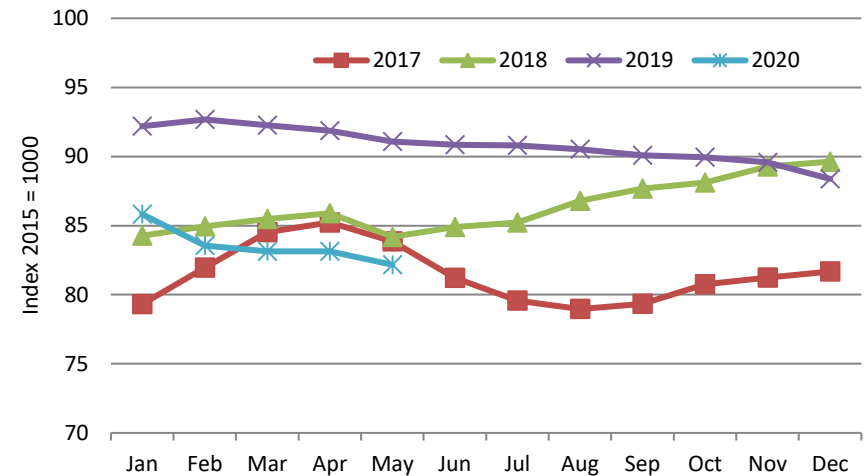
Energy prices, particularly for oil, decreased in H1 of 2020, having moved upwards steadily in the previous couple of years. This unanticipated energy price decrease relates to the COVID-19 crisis and the related knock-on impact on economic activity. Fertiliser prices are influenced by supply and demand in the market, but also reflect production costs, which are heavily related to energy prices. Figure 8 contains official monthly fertiliser price data from the CSO. Downward movement in prices observed in 2019 accelerated in 2020. It is anticipated that prices for the remainder of 2020 will continue to remain subdued.

In terms of fertiliser sales in Ireland, the available official data covers the first six months of the fertiliser year (Oct 2019 – Mar 2020). For this six month period Figure 9 shows an increase of 8% in nitrogen sales volume over the same period in the previous year. Sales of phosphorous and potassium also increased, up 7% and 5% respectively compared to the same period in 2018/19.

The continuing expansion in milk production is most likely the driver of the observed increase. While it is difficult to be certain, it is assumed these higher fertiliser usage levels will persist through the rest of the current fertiliser year.

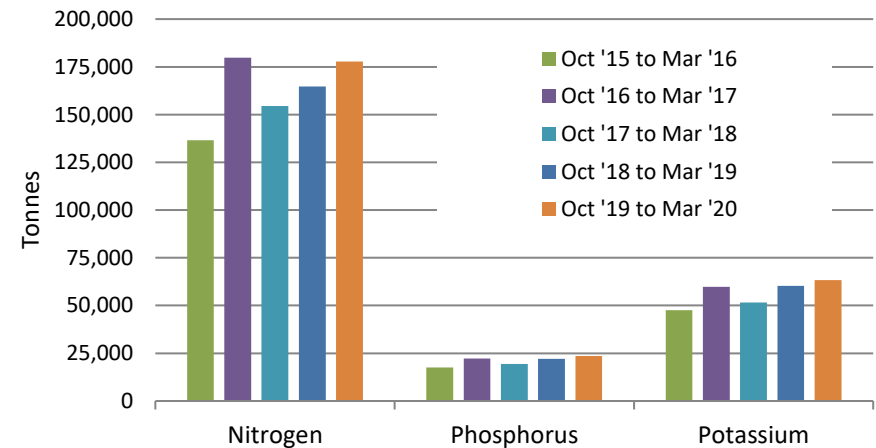
Fertiliser usage associated with cereal production tends to be more predictable from year to year than that experienced on grassland farms. On cereal farms any changes in fertiliser volume will tend to be associated with a shift in the total crop area sown, i.e. shifts in cropping pattern between winter and spring sown crops and nutrient off takes from the previous year yields. Hence, for the 2020 harvest, it is expected that fertiliser volume on cereal farms will be up down due to a slight in cereal area and a decrease in winter sown crops.

Figure 8: Index of Monthly Irish Fertiliser Prices 2017-2020



Source: Central Statistics Office

Figure 9: Irish Fertiliser Sales in first 6 months of fertiliser year 2015-2020



Source: DAFM

ENERGY MARKETS

While fuel and electricity are less significant input items than feed and fertiliser in grassland systems, the price of energy has implications that extend throughout the economy, given the importance of energy as a cost item in the production and distribution of goods.

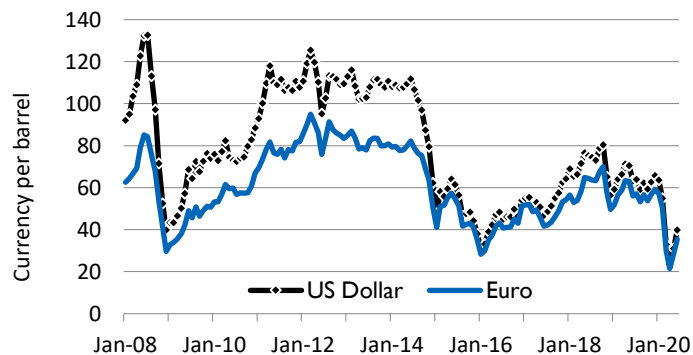
Crude oil prices have dropped dramatically in 2020, reflecting the subdued demand for aviation and ground transport and the negative outlook for economic growth.

There have been some attempts to limit supplies as crude oil inventories have built up and this has contributed to a slight recovery in prices more recently.

The monthly average Brent crude oil price was just under US\$65 in December 2019, as illustrated in Figure 10. However, prices declined sharply in February and March of 2019, to a little over US\$20. Prices have since recovered somewhat and are moving towards €40 per barrel. European natural gas prices have also moved down sharply in recent months, mirroring the reduction in crude oil prices.

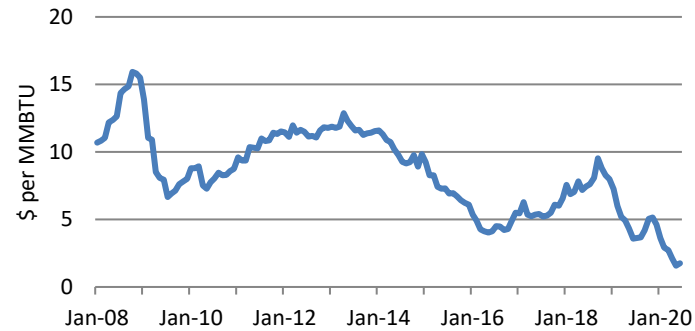
The price reduction in energy markets, has affected motor fuel and electricity prices, with motor fuel prices in particular showing a sharp decrease of more than 20 percent since the beginning of the year.

Figure 10: Brent Oil Prices in Euro and US Dollar Terms 2008 -2020



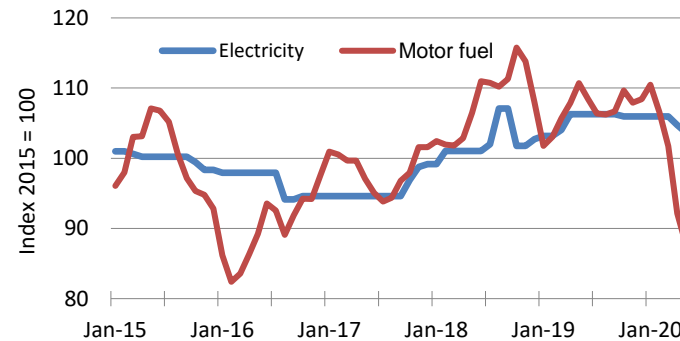
Source: Adapted from the St Louis Fed

Figure 11: European Natural Gas Average Import Price 2008 2020



Source: World Bank

Figure 12: Index of monthly fuel and electricity prices 2015-2020





Source: CSO

DAIRY





DAIRY

Global Supply

Situation	Outlook
 Neutral	 Neutral



- In the key export regions, milk production growth has been stronger in 2020 than in 2019.
- Falling milk production in some key milk regions has been more than offset by production growth elsewhere.
- In 2020, milk production to the end of May has fallen in NZ by -1.5%, in the UK by -0.7% and in Italy by -2.8%.
- By contrast, EU milk production has increased thus far in 2020 by 1.8%. US milk production has also increased by a more modest 1.2%

Global Demand

Situation	Outlook
 Negative	 Neutral



- International dairy product demand in H1 2020 has been adversely affected by COVID-19
- Drinking milk and other fresh products were particularly affected. Demand for milk powders has also been depressed.
- Demand for butter and cheese have not been affected to the same extent.
- Lower dairy product prices in regions where demand has been depressed, have helped to make exports more competitive.
- While Chinese import demand was disrupted in the early stages of the pandemic, exports to China from the EU were broadly on a par with the 2019 level by the end of May 2020.

Milk Prices

Situation	Outlook
 Negative	 Neutral



- European wholesale dairy prices have dropped in 2020, reflecting the COVID emergency.
- Butter reached a low of €2,900 per tonne, in May 2020, but have since begun to recover.
- SMP prices have managed to stay above intervention levels and have strengthened to €2,100 per tonne in recent weeks-
- Cheddar prices have moved over a fairly narrow range.
- Monthly Irish farm milk prices in 2020 have fallen in response to COVID-19 but have recently stabilised and begun to recover.
- Short-term milk price prospects will depend on COVID-19 developments, but overall milk prices for 2020 could be close to the 2019 level.

Irish Production

Situation	Outlook
 Positive	 Positive



- Production conditions in 2020 were affected by heavy early season rain followed by an extended dry period. This led to restricted grass growth in May and June.
- The growth in Irish dairy cow numbers continues, with an increase of just over 2% likely in 2020.
- Milk yields to date in 2020 are up slightly on the 2019 level.
- Milk fat and protein levels in 2020 have increased further and are likely to be up 2 to 3 basis points on the 2019 level.
- With normal weather and no deterioration in milk prices over the rest of 2020, Irish milk production is likely to be up about 3% to 4% on the 2019 level.

Input Cost

Situation	Outlook
 Positive	 Positive

- Feed prices in H1 of 2020 have been 5% lower than in H1 2020 and little price movement is anticipated over the rest of 2020
- Dairy feed sales in Q1 2020 have increased slightly relative to 2019. Overall, feed use in 2020 will depend on late season weather conditions. An increase of 2% per head is assumed.
- Energy prices in 2020 have fallen due to lower oil and gas prices. Fertiliser prices are down about 9%.
- Fertiliser sales are up slightly in the first half of the fertiliser year.
- Total production costs per litre in 2020 could be down 1 cent or more on the 2019 level.

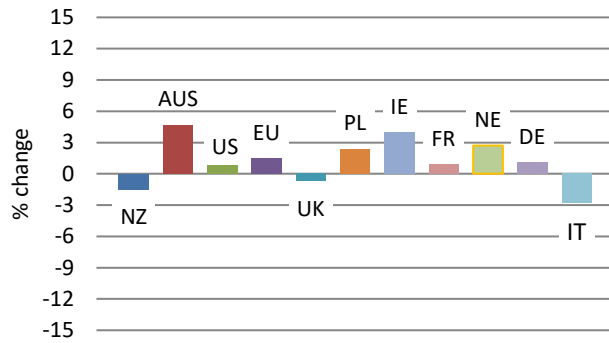
Irish Farm Income

Situation	Outlook
 Negative	 Positive

- Average net margin in 2020 is likely to be about 10 cent per litre, but will depend on grass growing conditions and input requirement in H2.
- Savings on feed, fertiliser and fuel expenditure in 2020 relative to 2019 will help to offset any decline in milk prices.
- The current forecast is that the average Irish dairy farm could see a net margin per ha in 2020 on a par with 2019.
- Early indications are that average dairy farm income is likely to be in around €68,000 in 2020, but uncertainties remain.
- EU/UK Brexit negotiations continue and any prospect of an adverse outcome could weigh negatively on commodity prices.

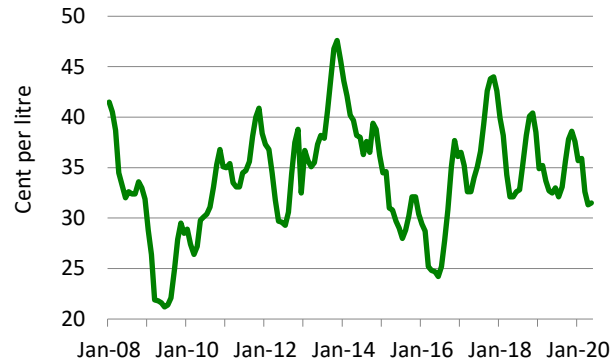
DAIRY

Figure 13: % Change in Milk Production Jan- May 2020



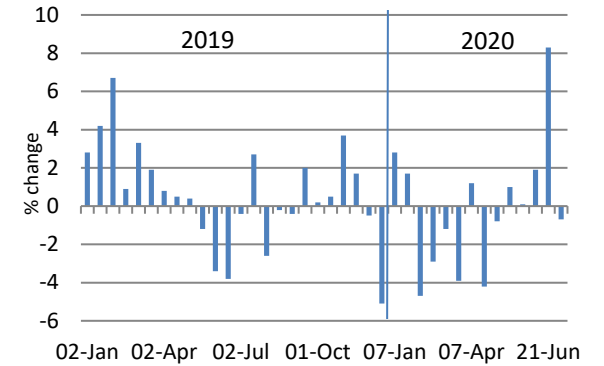
Source: Eurostat, USDA, Dairy Australia, DCANZ

Figure 14: Monthly Irish Farm Milk Prices (actual fat)



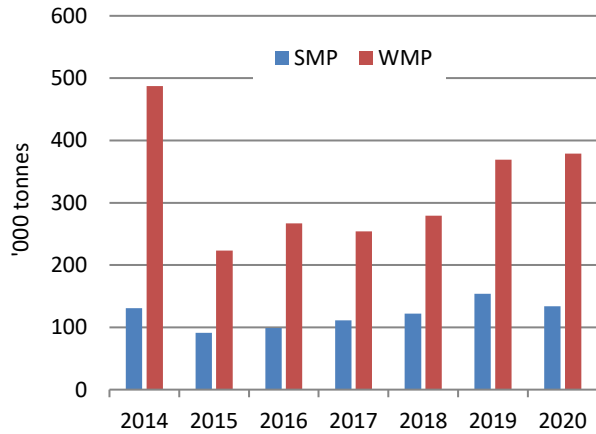
Source: CSO

Figure 15: GDT Auction Index Fortnightly Price Movements in 2019 and 2020



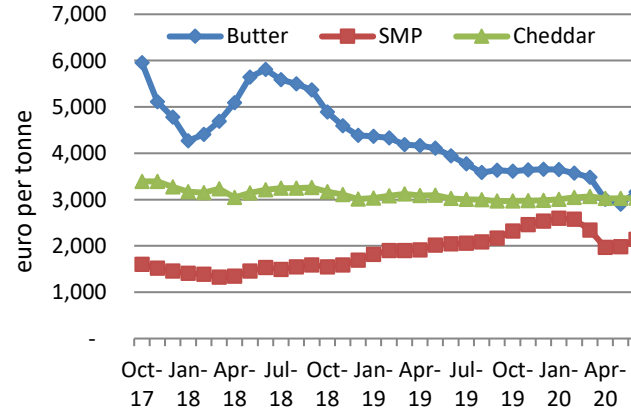
Source: GDT

Figure 16: Chinese Powder Imports Jan-May 2014-2020



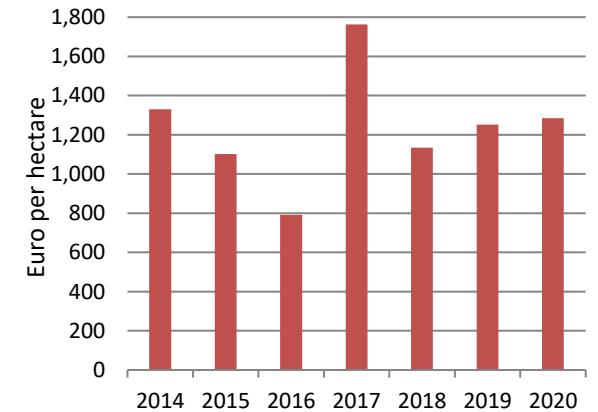
Source: US Dairy Export Council

Figure 17: EU27 Wholesale Dairy Product Prices Oct 2017 to May 2020



Source: DG Agri

Figure 18: Dairy Net Margin per hectare 2014 to 2019 and Forecast for 2020



Source: Teagasc NFS 2014-2019, 2020 Author forecast.

BEEF

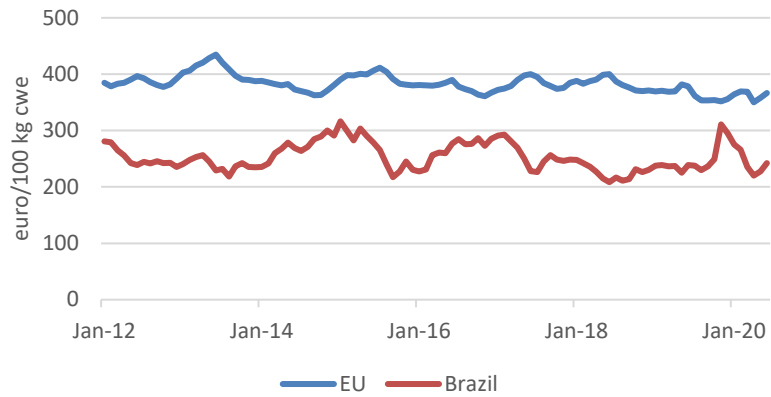


BEEF

EU Supply		EU Demand		Beef Prices		Irish Production		Input Costs		Farm Income	
Situation	Outlook	Situation	Outlook	Situation	Outlook	Situation	Situation	Situation	Outlook	Situation	Outlook
 Negative	 Neutral	 Negative	 Negative	 Negative	 Negative	 Negative	 Neutral	 Positive	 Positive	 Negative	 Negative
<ul style="list-style-type: none"> EU production in H1 2020 decreased by over 5% vs H1 2019. Q2 2020 EU cattle slaughtering was dramatically lower COVID-19 affected demand and supply of beef. As the EU economy reopens, beef production is forecast to recover in Q3 and Q4 2020. EU imports of beef have declined dramatically and are forecast to be 7% lower for 2020. EU beef supply is expected to be almost 2% lower in 2020. 		<ul style="list-style-type: none"> EU consumption of beef declined dramatically in Q2 2020. The effective closure of much of the EU food service industry had a dramatic impact on demand for beef. As the EU and UK economies reopen, demand is recovering but this will not undo the losses for the year to date due to the pandemic induced recession. Total EU domestic use of beef is forecast (conditional on there being no further closure of food service outlets) to contract by more than 2%. 		<ul style="list-style-type: none"> Price forecasts are conditional on our assumption of no future COVID-19 outbreak in the EU. Average EU male finished cattle prices were 3% lower in H1 2020 relative to H1 2019. Irish finished prime cattle prices have decreased by 3% to 5% in H1 2020 relative to H1 2019. For 2020, Irish finished cattle prices are forecast to fall by about 4% relative to 2019. In H1 2020, weanling prices are up 2% on H1 2019. Over all of 2020, weanling prices are forecast to be 2% higher relative to 2019. Store cattle prices are also forecast to increase by 2% relative to 2019- 		<ul style="list-style-type: none"> Irish beef production in H1 2020 was over 3% lower than in H1 2019. This fall was due to dramatically reduced factory throughput in April and May due to the COVID-19 collapse in food service demand for beef in the UK and EU. In June and July beef slaughter has returned to normal levels. For 2020 as a whole, Irish beef production is forecast to decline by almost 2% compared to 2019 on the assumption of no further COVID-19 related demand shocks. 		<ul style="list-style-type: none"> Direct costs of beef production are dominated by purchased feed and pasture costs. A modest decrease in overall feed demand is forecast in 2020 For the year to date, both feed and fertiliser prices have been lower than in 2019. For the year as a whole, feed prices should be 5% lower than in 2020 and fertiliser prices 9% lower than in 2019. Total costs of production on single suckling and cattle finishing farms are forecast to decline by more than 5% in 2020. 		<ul style="list-style-type: none"> Output value on cattle finishing farms in 2020 will be supported by the €50m COVID-19 pandemic aid package. Pandemic payments are assumed to equal the BEAM payments received in 2019. Lower finished cattle prices and disposals are reflected in lower output value on cattle finishing enterprises. Gross margins on single suckling and cattle finishing farms are forecast to fall by 1% and 5%. With lower overhead costs, FFI on Cattle Rearing farms is forecast to increase by 7%, while FFI on Cattle Other farms is forecast to fall by 4%. 	

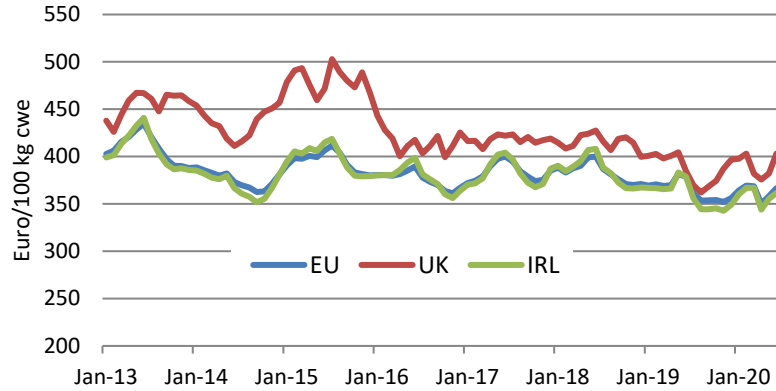
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Figure 19: Monthly EU and Brazilian Steer Prices 2012-2020



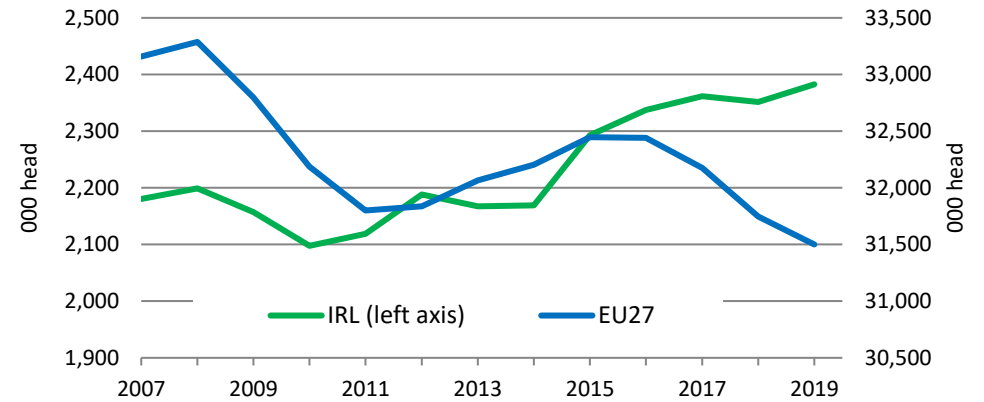
Source: DG Agriculture and Rural Development and Consorcio de Exportadores de Carnes Argentinas ABC

Figure 21: Monthly EU, UK and Irish Finished Cattle Prices 2013 to 2020



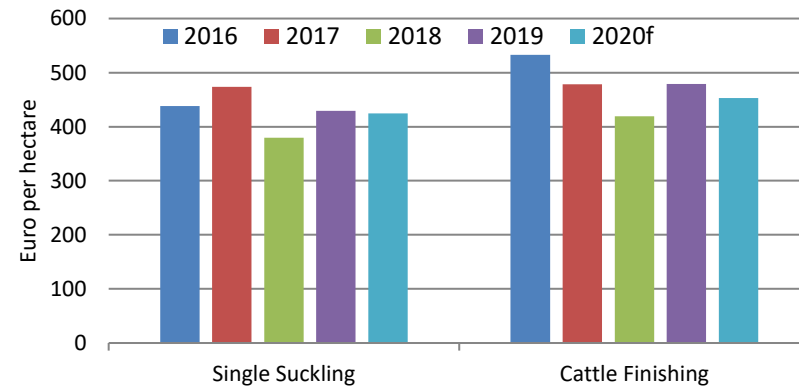
Source: DG Agriculture and Rural Development

Figure 20: Irish and EU27 cow inventories (December) 2007-2019



Source: Eurostat

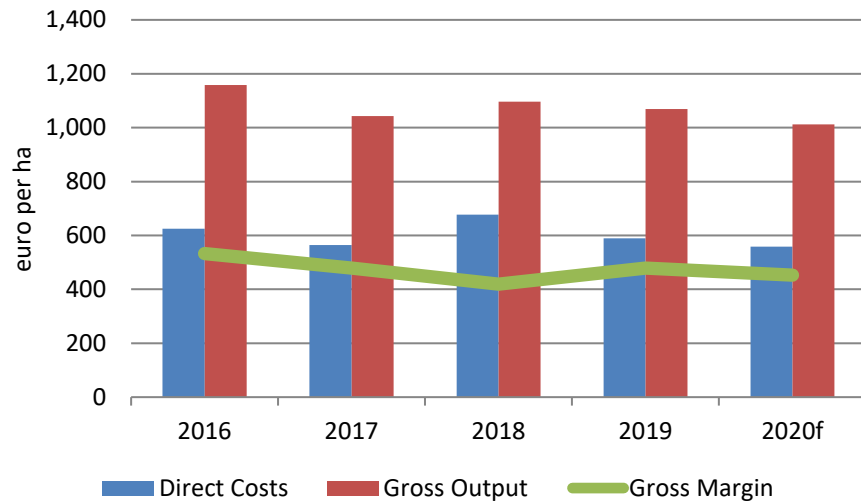
Figure 22: Single Suckling and Cattle Finishing Gross Margin per hectare 2016-2019 and Forecast for 2020



Source: Teagasc NFS 2015-2018 and Author forecast for 2019.

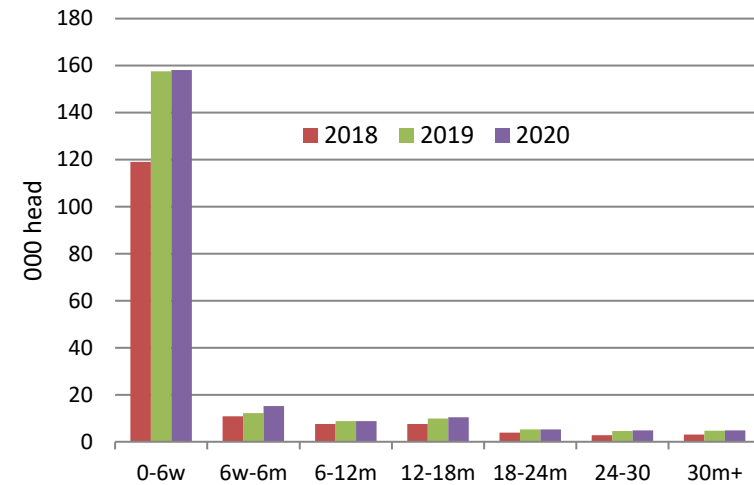
BEEF

Figure 23: Cattle Finishing Gross Output, Direct Costs and Gross Margin per hectare



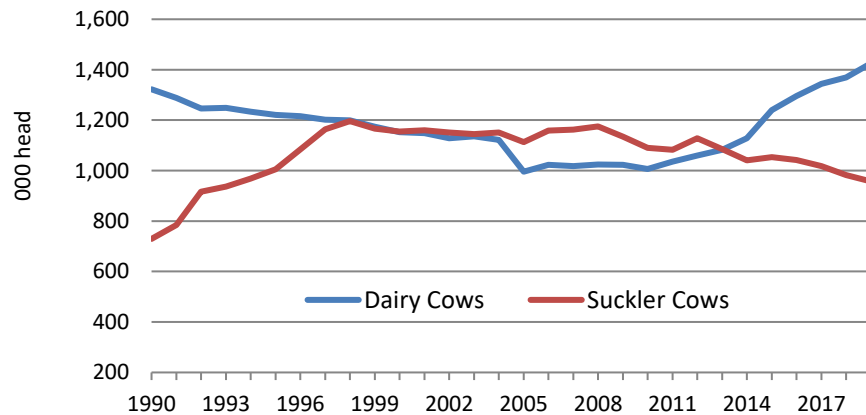
Source: Teagasc NFS

Figure 24: Irish Live Cattle Exports January – May 2018, 2019 & 2020



Source: DAFM

Figure 25: Long Term trends in Dairy and Suckler Cow Inventories (December)



Source: Eurostat

SHEEP

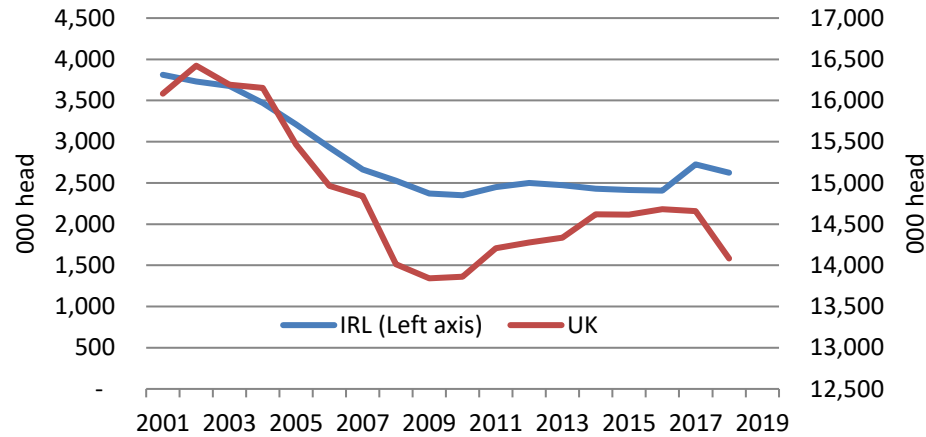


SHEEP

EU Supply		EU Demand		Lamb Prices		Irish Production		Input Costs		Farm Income	
Situation	Outlook	Situation	Outlook	Situation	Outlook	Situation	Outlook	Situation	Outlook	Situation	Outlook
 Negative	 Neutral	 Negative	 Negative	 Positive	 Positive	 Positive	 Positive	 Positive	 Positive	 Positive	 Positive
<ul style="list-style-type: none"> Over the year as a whole, EU sheep meat production is forecast to marginally decline. Following reductions of flocks and fewer ewes put to the ram in 2019, total EU sheep meat slaughter is forecast to decline. Exceptions to this were in Ireland and Romania where, owing to expanding flocks, more sheep were slaughtered. EU imports of lamb are expected to be 5% lower in 2020 compared to 2019. EU lamb imports are dominated by NZ & Australia. Total NZ export volumes are forecast to be lower. Expected decrease in 2020 shipments with tight availability. 		<ul style="list-style-type: none"> EU sheep meat consumption in 2020 is forecast to decline by circa 3%, following a rise in consumption in 2019. Taking consumption back on par with 2017 levels. Seasonal demand in the first half of 2020 is not forecast to continue over the remainder of 2020. EU per capita consumption of sheep meat in 2020 is expected to decline, as a consequence of lower imports and tight supply. Following an almost 10% increase in EU exports in 2019, a further small increase is forecast for 2020. 		<ul style="list-style-type: none"> Heavy lamb prices in the EU for the year to date are 18% higher than in 2019 and for the year as a whole are forecast to remain well ahead of 2019 prices. Irish prices for the year to date are over 5% higher than in 2019, remaining well above the 5 year average price (2015-2019). With the seasonal reduction in lamb prices underway following the Eid festival, lamb prices for 2020 as a whole, are forecast to average approximately 6% higher than in 2020. 		<ul style="list-style-type: none"> For the year to date, total sheep slaughter is 6% higher than in 2019 at sheep export premises. Total sheep throughput in Ireland, for the year to date, is just over 1.58m. Increases in spring lamb has accounted for 38% of this, up 14% year to date at 600,000. One major contributing factor to this has been an increase in carcass weight limits and active sourcing by export plants for factory ready lambs. Good grass growing conditions has been another positive contributing factor. Despite difficult market conditions, Irish lamb has performed well to date in 2020. 		<ul style="list-style-type: none"> Direct costs of production on Irish sheep farms are dominated by concentrate, pasture and forage costs. Owing to good grass growth, use of feed is expected to remain below 2019 levels. For the year to date, fertiliser, feed and fuel prices have been lower than in 2019. Overall, the large decrease in fuel prices, fertiliser prices and feed price coupled with feed use decline, is expected to lead to a 5% reduction in total costs of production for 2020. 		<ul style="list-style-type: none"> Margins earned from sheep production in 2020 are forecast to increase compared to 2019, due mainly to higher sheep and lamb prices. Direct costs of production on sheep farms are expected to be much lower in 2020. In 2020 the net margin from mid-season lowland lamb production is forecast to more than double to circa €230 per hectare. The average gross margin per hectare is forecast to increase by one quarter to €780/ha. Incomes on sheep farms are set to be up by more than 15% in 2020, due to growth in output value, stable direct payments and lower total costs of production. 	

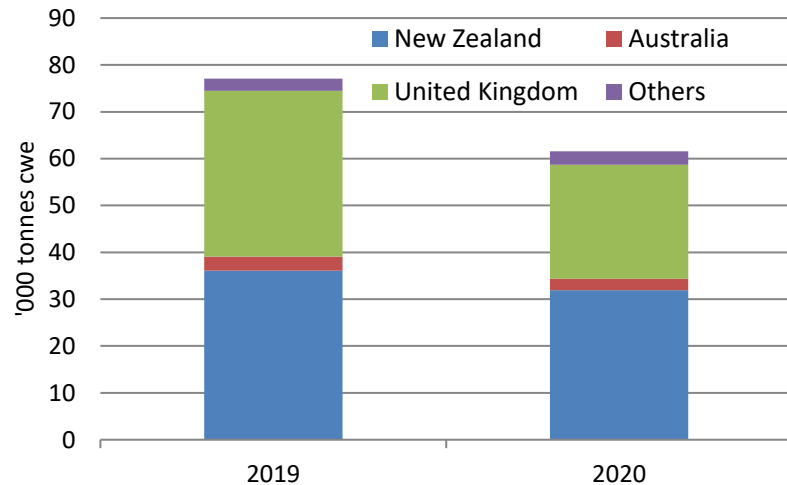
SHEEP

Figure 26: UK and Irish Ewe Inventories (December) 2001-2019



Source: Eurostat

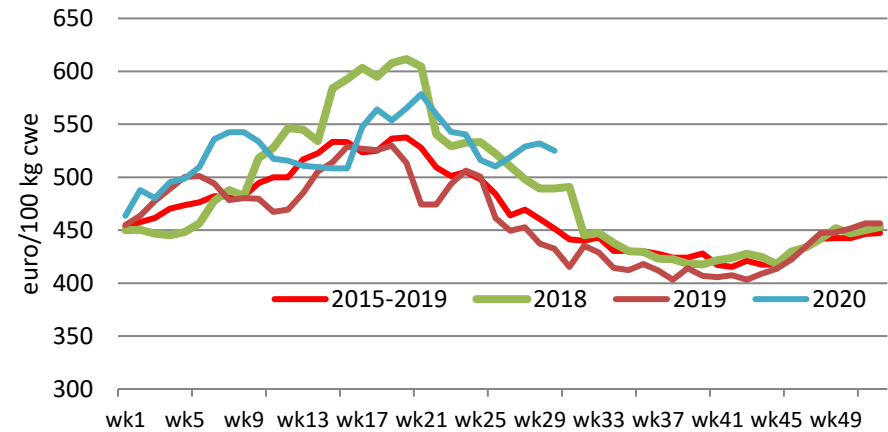
Figure 28: EU Sheep & Goat meat imports* (January – May) 2019 and 2020



Source: DG Agriculture and Rural Development

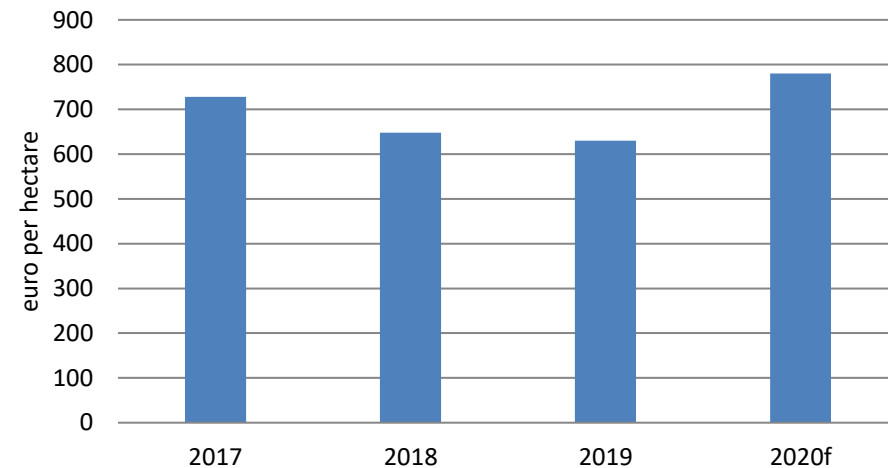
*EU imports shown with UK included

Figure 27: Weekly Irish Lamb Prices 2020, 2019, 2018 and average 2015-2019



Source: DG Agriculture and Rural Development

Figure 29: Mid-Season Lowland Lamb Gross Margin per hectare 2017-2019 & Forecast 2020



Source: Teagasc NFS 2017-2019 and Author forecast for 2020

TILLAGE

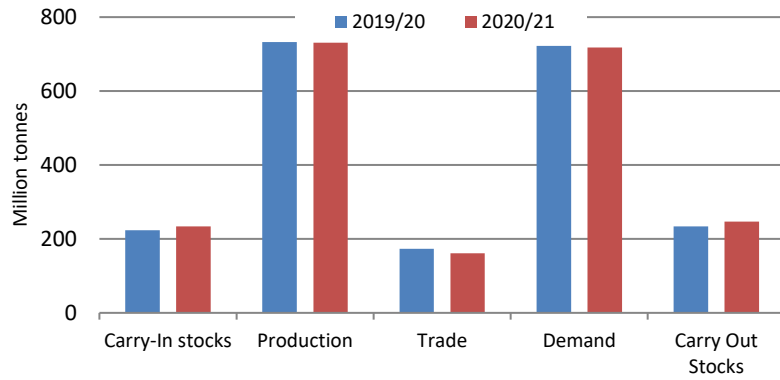


TILLAGE

Wheat Market		Barley Market		Prices		Irish Production		Input Costs		Farm Income	
Situation	Outlook	Situation	Outlook	Situation	Outlook	Situation	Outlook	Situation	Outlook	Situation	Outlook
 Positive		 Unchanged		  Positive		 Negative		 Positive	 Positive	 Negative	
<ul style="list-style-type: none"> EU wheat production in 2020/2021 is expected to be about 137.6Mt, with a 17.1 Mt year-on-year harvest reduction. World wheat production in 2020/21 is expected to be 731.1 Mt, down 1.5 Mt on 2019/20. World demand for human and industrial purposes is expected to increase slightly by 2.8 Mt, whilst feed demand is expected to decline by 7.4 MT year on year. World ending stocks are expected to be up by 13.3 Mt in 2020/21 compared to 2020/19. However, stocks are expected to remain low in the main export regions, especially the EU and the Black Sea region. 	<ul style="list-style-type: none"> Aggregate EU barley production is set to increase by about 3% compared to 2019. World barley supply is forecast at 155.6 Mt, which is more or less unchanged since 2019/20. World demand is expected to be slightly higher this year, with this year's demand estimated at 153.2 Mt. World ending stocks are forecast to be approx. 27.8 Mt in 2020/21, up from 25.3 Mt in 2019/20. The stock to use ratio of world barley is projected to be 18.1%, in 2020/21, which is up from 16.8% in 2019/20. The EU balance sheet also shows an increase in the stock to use ratio for the marketing year compared to last. 	<ul style="list-style-type: none"> Wheat: signals at present indicate a slight increase in harvest price in 2020 relative to 2019. Barley: signals at present indicate very little change in harvest price for barley this year compared to last year. July MATIFF futures indicate a slight increase in 2020 harvest prices for wheat, with on account green harvest prices in the Irish market quoted 15% higher than 2019. Virtually no change is forecast for barley prices. Demand for straw appears to be sluggish compared to 2019, despite lower overall straw availability. Despite sluggish demand, some increase in straw prices compared to 2019 is likely but this will not be enough to compensate for reduced straw volume. 	<ul style="list-style-type: none"> Provisional data from DAFM show that all Irish winter cereal crops decreased in area, with increases in spring area recorded in 2020. Total cereal area decreased by just over 1% in 2020. It is too early to accurately forecast Irish yields for 2020, but early indications are that cereal crop yields will be lower than in 2019. Spring barley yield in particular is expected to show significant yield decline relative to 2019, due to drought conditions in many parts of the country during crop establishment and the key growing period. First estimates of total Irish cereal tonnage in 2020 are down by over 20% on 2019 levels. 	<ul style="list-style-type: none"> In 2020, there has been a slight decrease in total direct costs, on a per hectare basis. Fertiliser prices are estimated to have decreased by about 9%, seed prices down by 7% and fuel down over 10% for the year to date. The decrease in the area of winter crops is expected to contribute to a further decrease in total farm direct costs. The downward movement in energy prices should mean reductions on some overhead cost items. Anecdotal evidence suggests that land rental prices have remained static. Overall, it is estimated that total costs on the average tillage farm in 2020 will be about 10% lower than in 2019. 	<ul style="list-style-type: none"> With only slightly higher output prices for wheat and straw, coupled with more significant decreases in yields for the main cereal crops, Irish cereal output value is forecast to be down in 2020. Overall costs in 2020 are forecast to decrease. Average income on tillage farms in 2020 is expected to struggle to reach €30,000. However, much uncertainty still surrounds the full yield potential of all crops at this stage of the harvest. Much uncertainty surrounds regional yield variation associated with sowing dates and weather impacts. 						

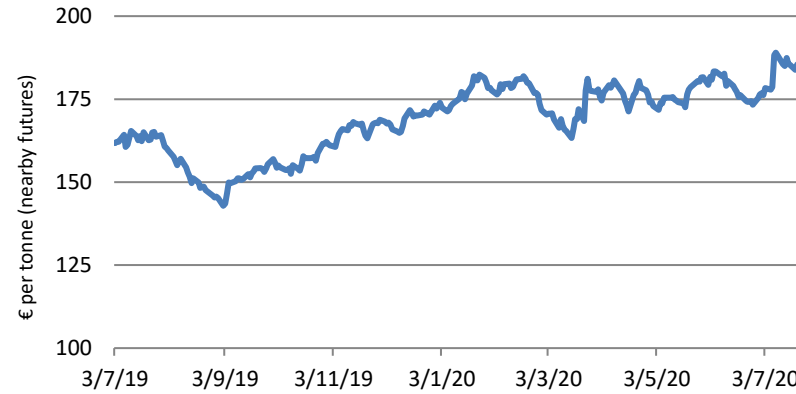
TILLAGE

Figure 30: World Wheat Balance Sheet (Mt)



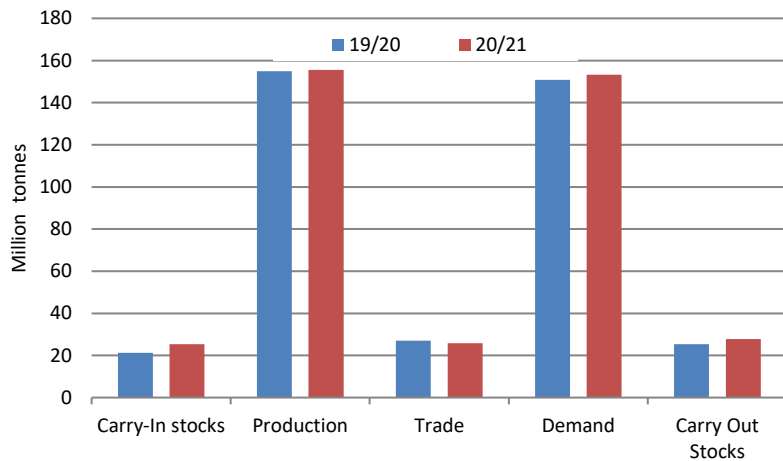
Source: Strategie Grains

Figure 31: Nearby Futures Prices – July 2018 – July 2020 (€ per tonne)



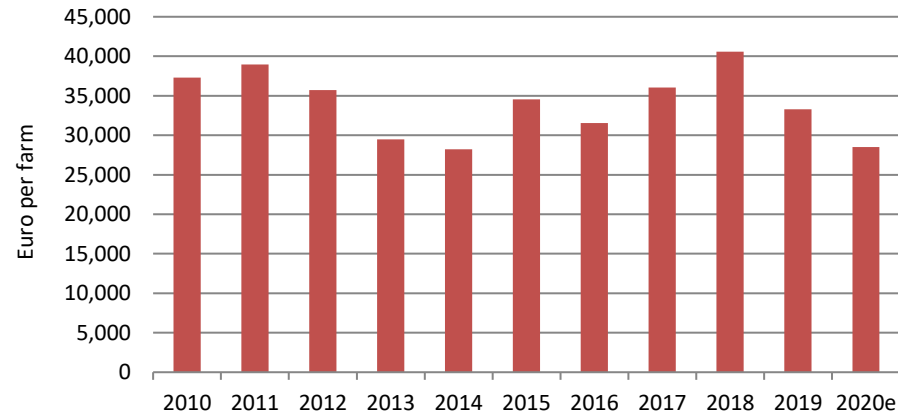
Source: AHDB (MATIFF nearby futures)

Figure 32: World Barley Balance Sheet (Mt)



Source: Strategie Grains

Figure 33: Average Irish Tillage Farm Income (2010-2020e)



Source: Teagasc, National Farm Survey 2010-2019 and Author estimate 2020.

