





AGRICULTURE AND FOOD DEVELOPMENT AUTHORITY





Review and Outlook Inputs and Crops

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Overview

■ 2020 Inputs and Crops

- Where we are now in terms of the farm gate
 - » Input costs, yields, price gross and net margin



■ 2021 Inputs and Crops

- Where we are going in terms of the farm gate
 - » Input costs, yields, price gross and net margin



Inputs Review and Outlook





2021

2020

2019



Inputs 2020 (Price > volume change)



Fertiliser

↓ Price
- 10 %
↑ Volume
+ 3%



Fuel

↓ Price
- 10%
farm gate



Electricity

↓ Price
- 1 %



Feed

↓ Price
- 1 %
↑ Volume
+ 4% in aggregate

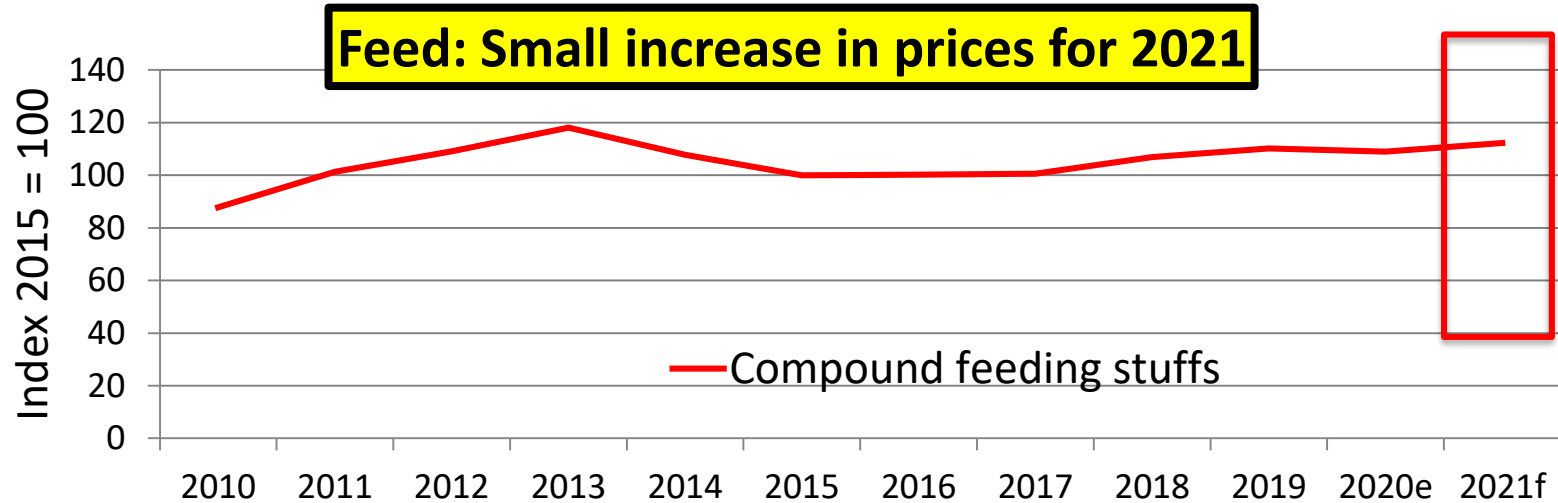


Total Costs



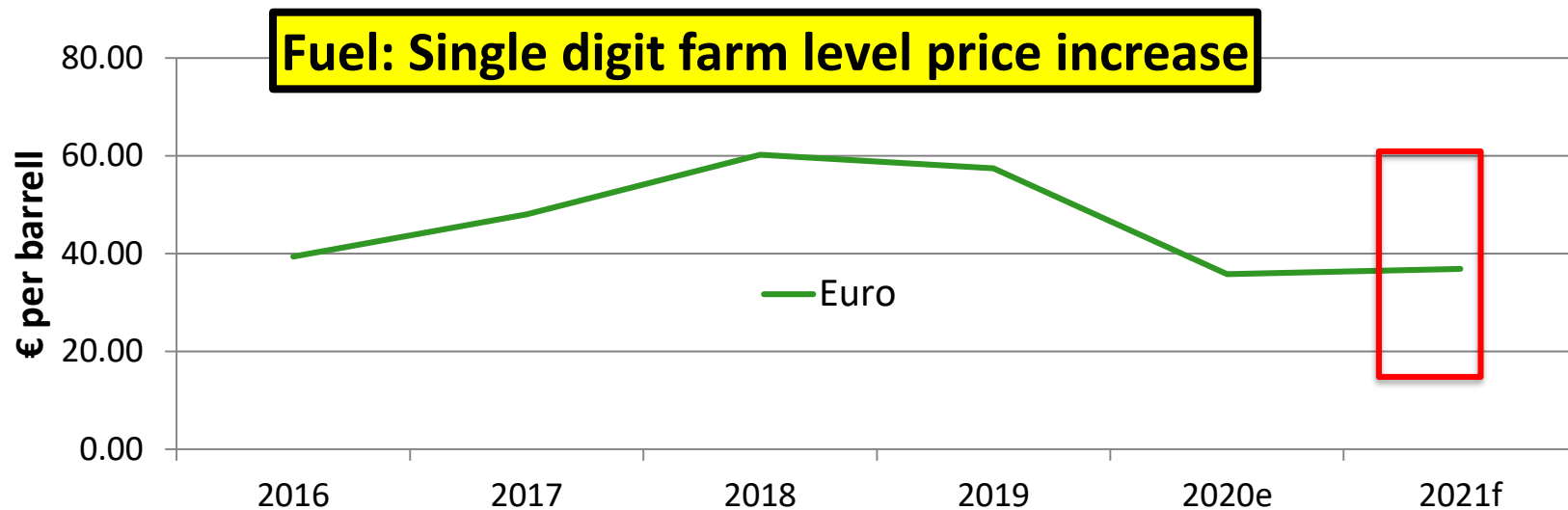


2021 Input Story: Minimal Price Increases



- **Feed price is a tale of two halves**
 - Increase in H1 2021 ('hangover' from 2020 production decreases & strong demand)
 - Decrease in H2 2021 (still much production uncertainties, but trend yields affecting prices)
 - **3 percent increase for the year**
- **Feed volume no change (on a per head basis)**

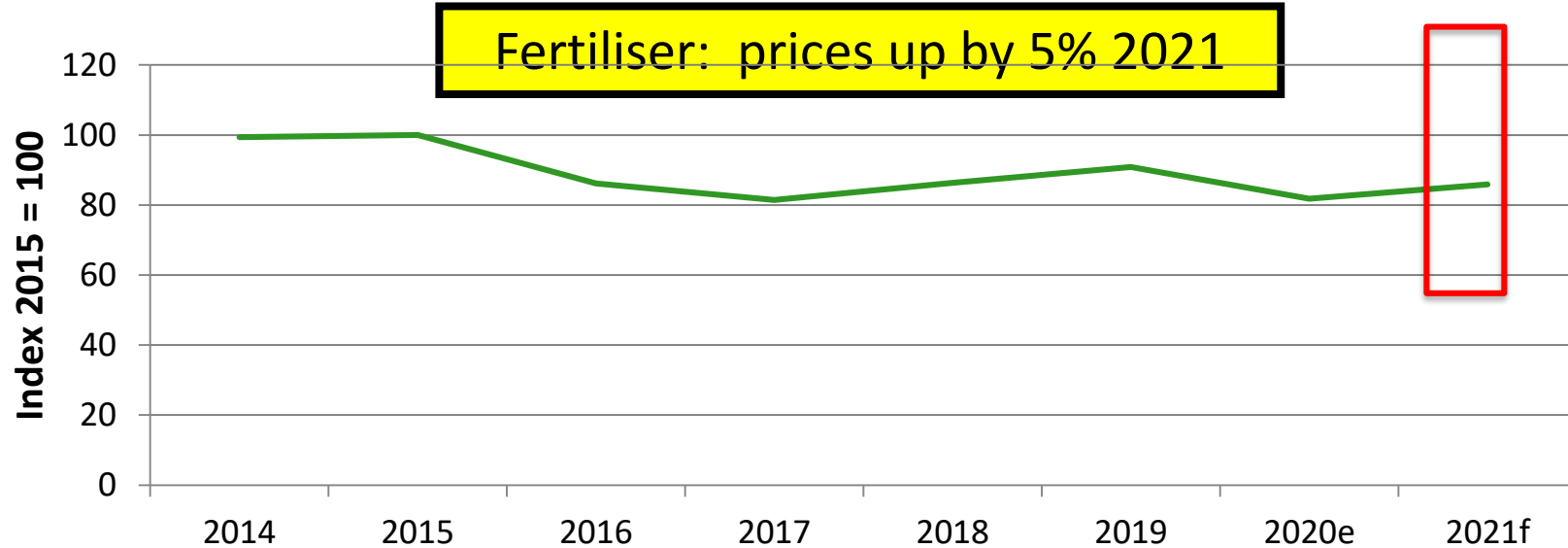
2021 Input Story: Minimal Price Increases



■ **Brent crude oil: little change overall in 2021**

- 3% increase in Euro terms at the farm gate
 - » Including carbon tax increases
 - » Slightly higher increase in US\$, but ER to dampen € increase

2021 Input Story: Minimal Price Increases



■ Price up slightly in 2021

- Reflecting slight increase in demand
 - » Winter cereal area in the EU
 - » Indian demand from tender processes
- Reflecting slight increase in energy prices

Inputs 2021 (Slight upward price pressure)



Fertiliser



Price

+ 5%

Volume

Mostly no
change



Fuel



Price

+ 3% at farm
gate



Electricity

Price

No change at
the farm gate



Feed



Price

+ 3%

Volume

No change



Total Costs



Very small
increases but
sector
specific

From Inputs Summary to....Crops



- **Inputs summary**

- For 2021 smaller price changes overall
- Little volume change per hectare (some differences at sector & whole farm level)
- Some upward pressure on prices
 - Feed, fertiliser, seed

- **Implications**

- Sector specific story in inputs for 2021

- **Begin with margin story for crops**

- Given the importance of feed for other sectors



Crops Review and Outlook



2020 – A Negative News Story for Cereals



Average 11 %
decrease in crop
yield per hectare



8% decrease
in costs



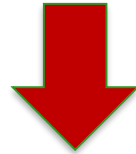
Winter cereal area
decrease



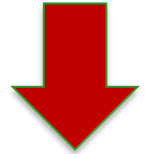
15% decrease in gross
margin



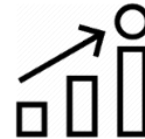
20% decrease cereal
production



Approx. €80 per ha
decrease in cereal net
margins



10 - 20% increase in
cereal prices

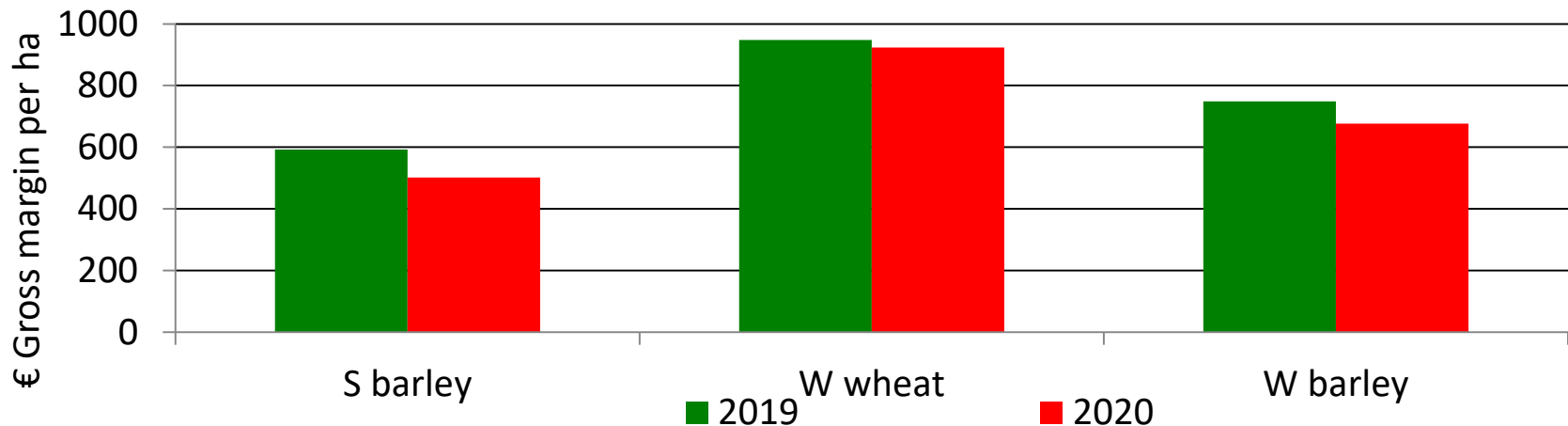


50 % of cereal farmers
earn negative net margin



2020 – A Negative News Story for Cereals

Average 15% decrease in gross margin

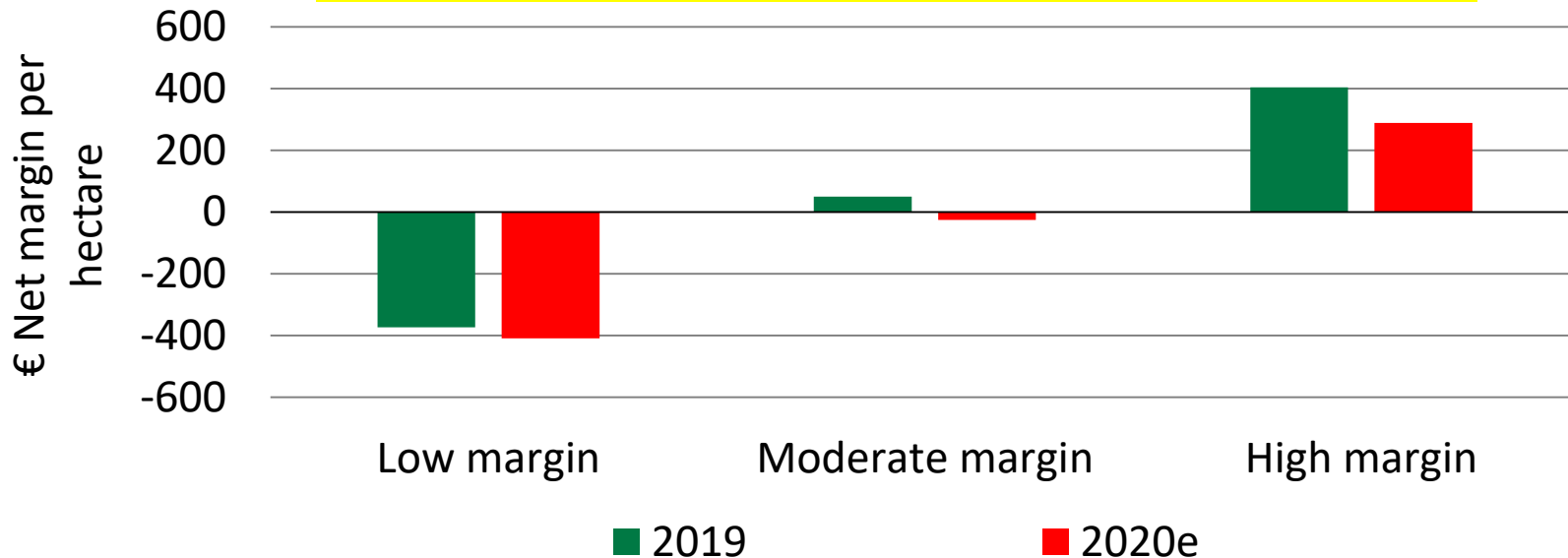


■ Decrease in yield not negated by cereal and straw prices

- Margins already declined significantly in 2019
- Spring barley: Down €90 per hectare
- Winter barley and winter wheat down €70 and €30 respectively
- Variability around margins

2020 – A Negative News Story for Cereals

€75 per hectare decrease in net margin in 2020

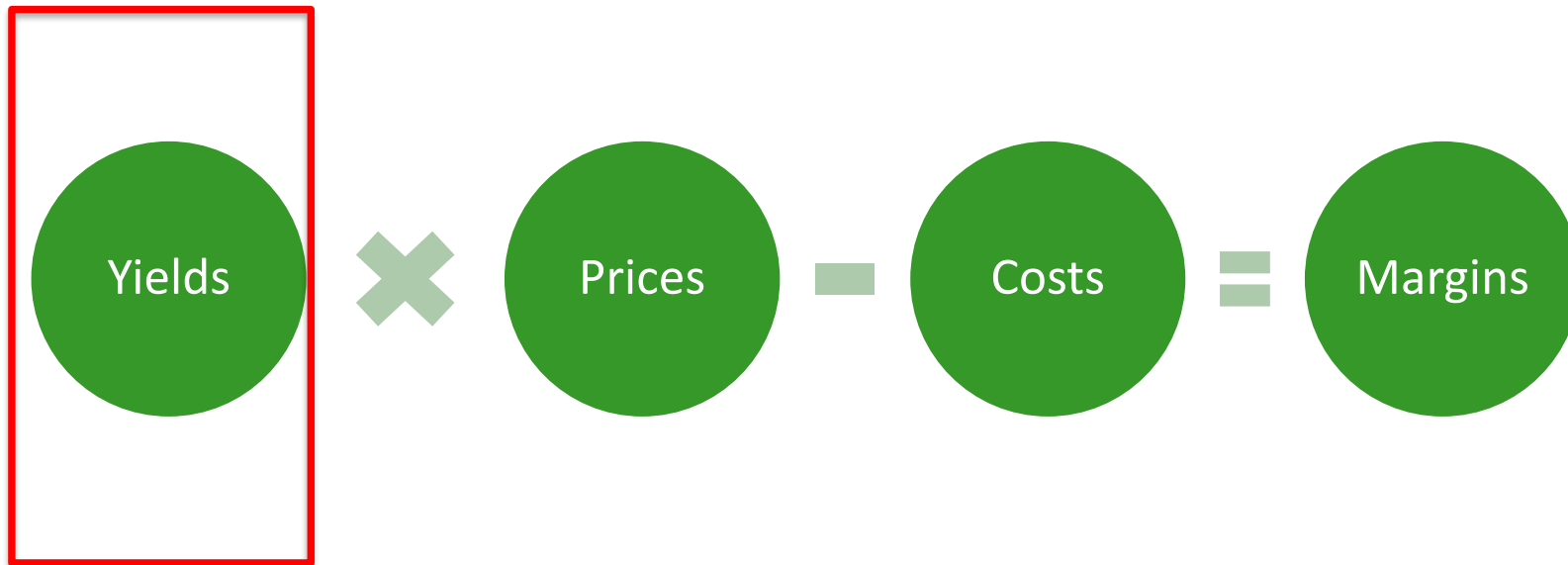


■ 50 % earn a negative net margin in 2020

- Average = minus € 40 per ha.
- High margin farms = €300 per ha.
- Low margin farms = - €400 per ha.



2021 – The Calculations



2021 Production To Increase

■ Decrease in stock/use ratios internationally in 2020

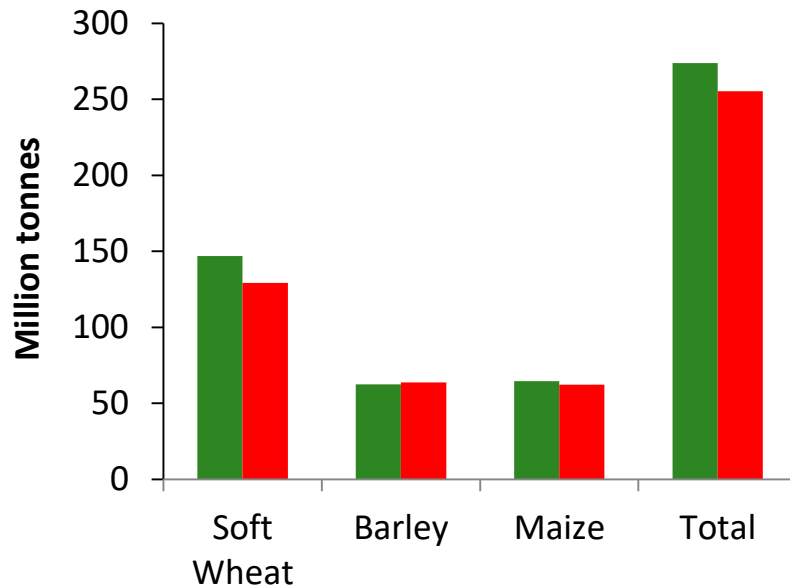
- Decrease EU wheat production
- 7 percent decrease in EU grains
- Decrease in EU stocks of wheat and maize
- Increase in wheat and barley prices



■ Will '20 global harvest be replicated in '21?

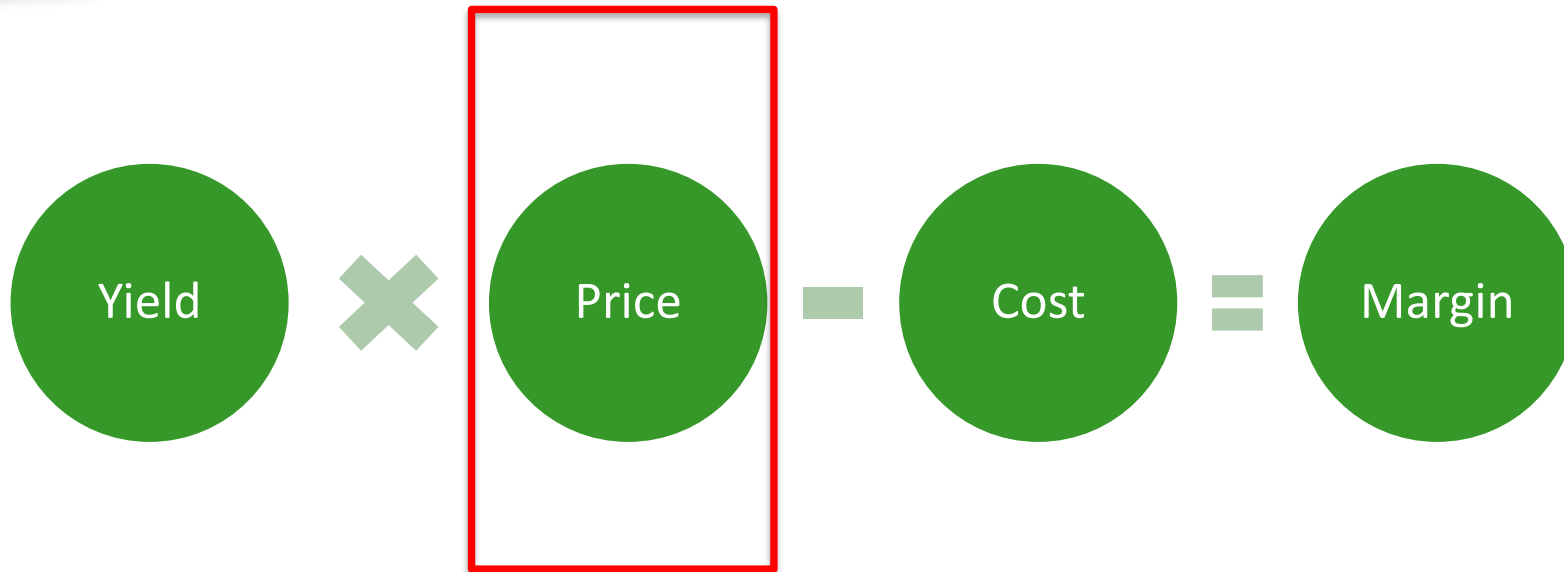
- Increase in winter plantings EU
- Return to trend yield in 2021, higher yield potential

Decrease in EU production and stocks of grain in 2020

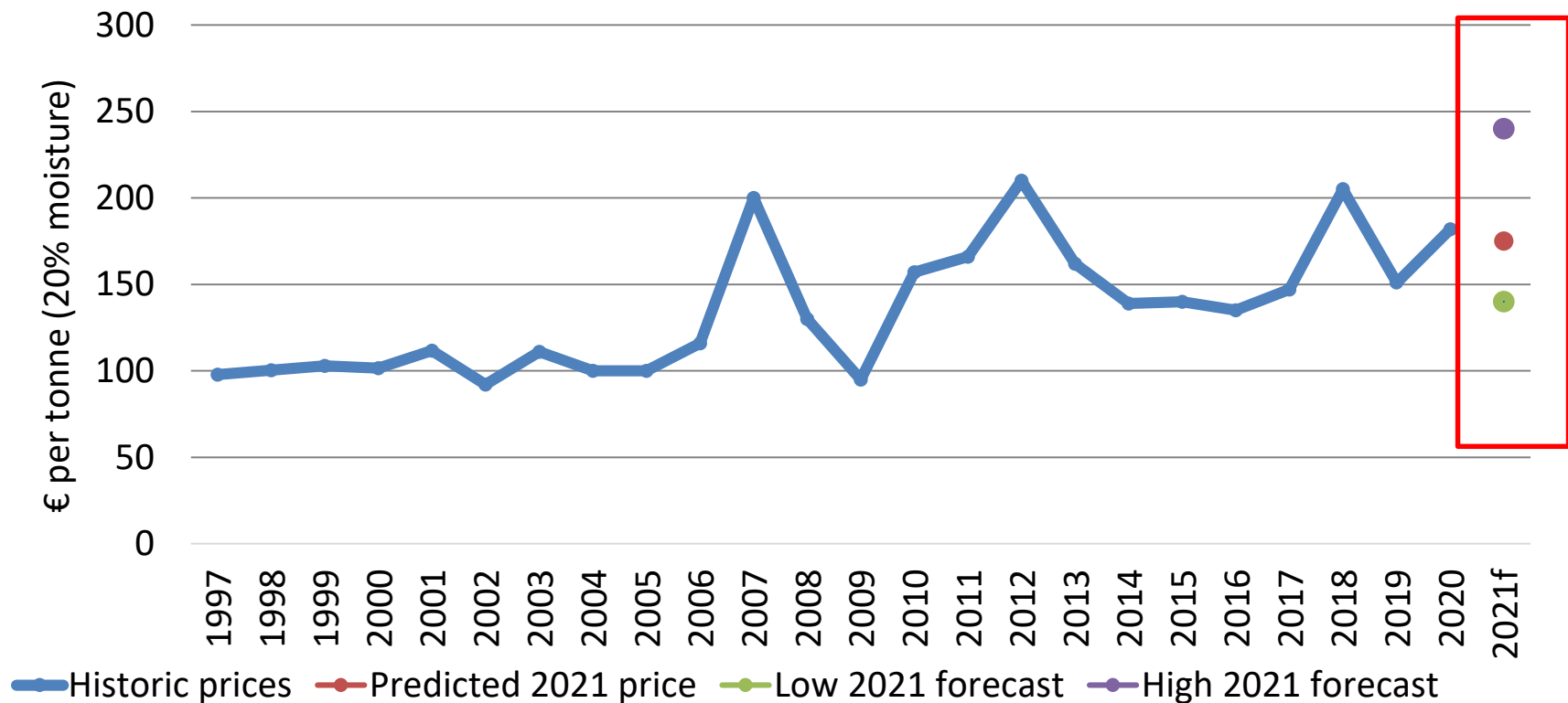


■ Production 2019/20 ■ Production 2020/21

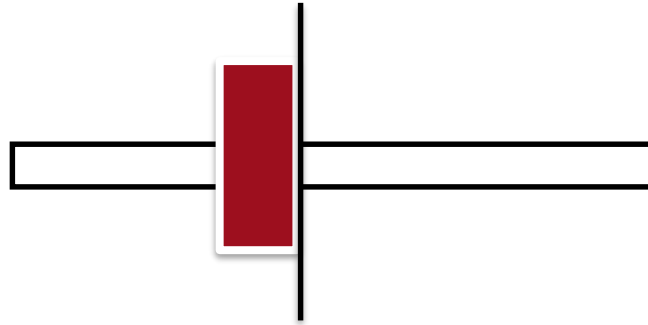
2021 – The Calculations



2021 Futures Wheat Harvest Price to Decline (by 5%)



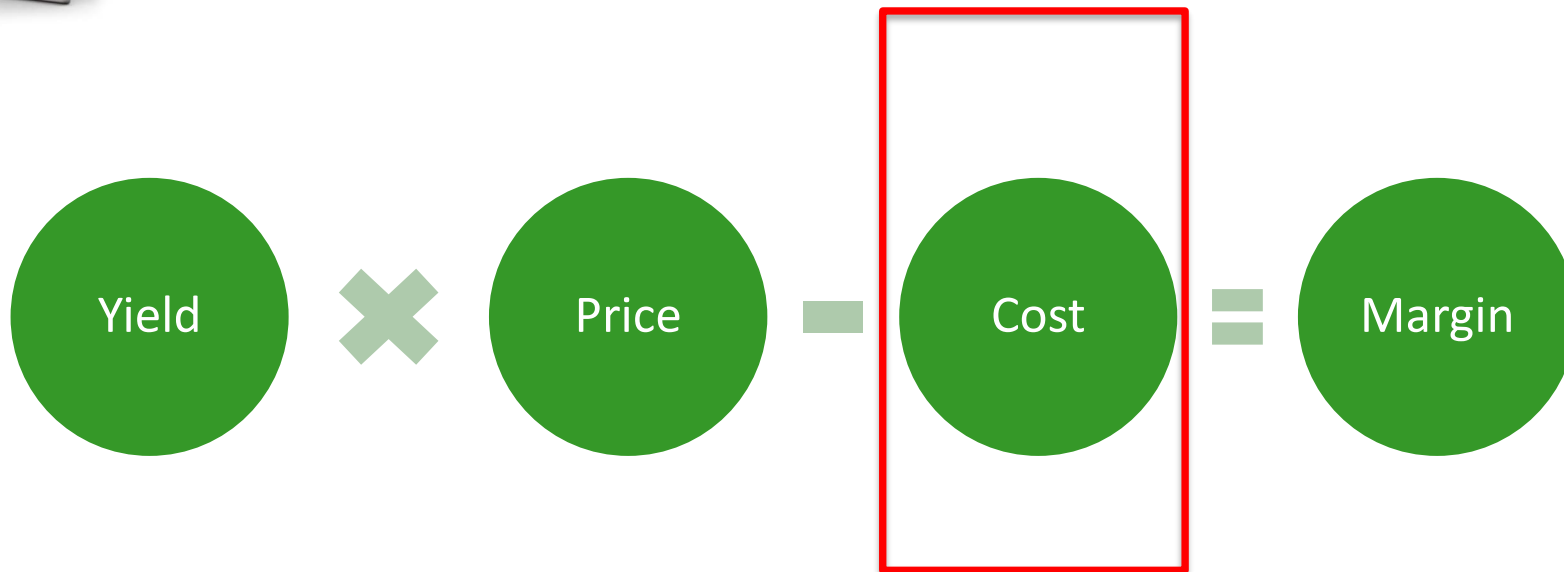
2021 Futures Harvest Price to Decline



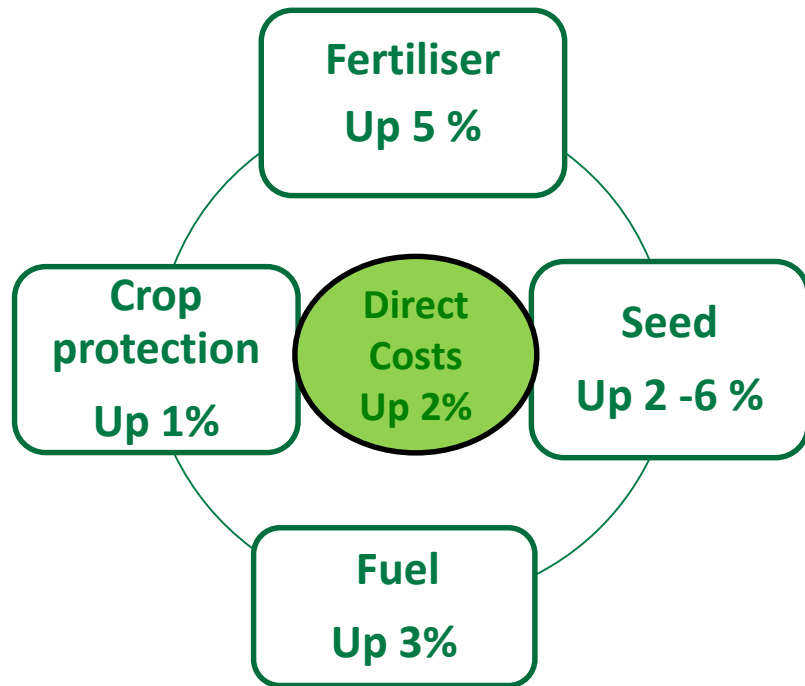
Trend yields
Winter cereal area

Weather woes – El nino
Trade negotiations for imports
Exchange rates
'Loyalty bonuses'
Grain quality and moisture

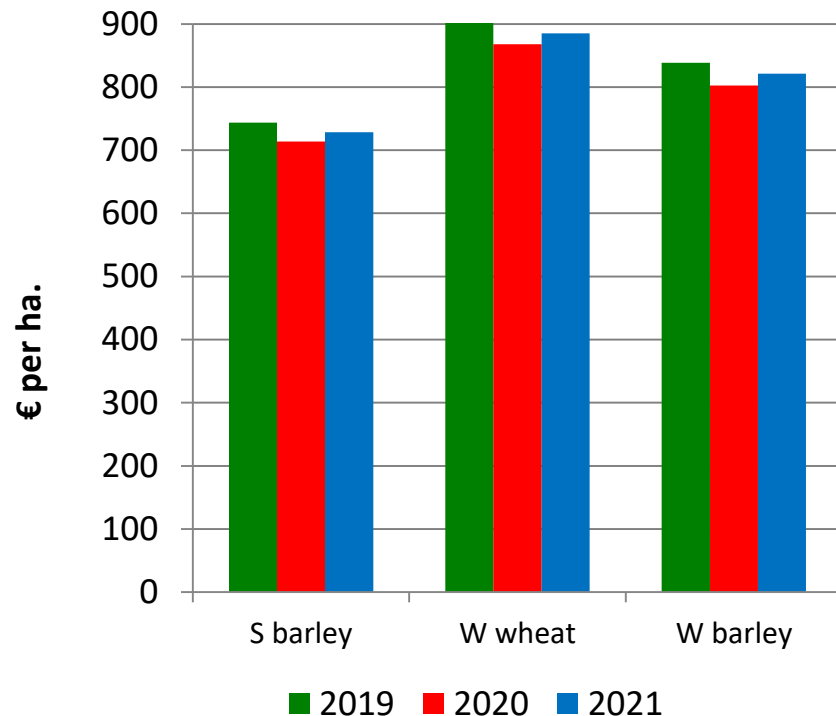
2021 – The Calculations



Overall increase in direct costs in 2021



2021 direct costs per hectare



Source: Authors' estimate for 2020 and forecast for 2021



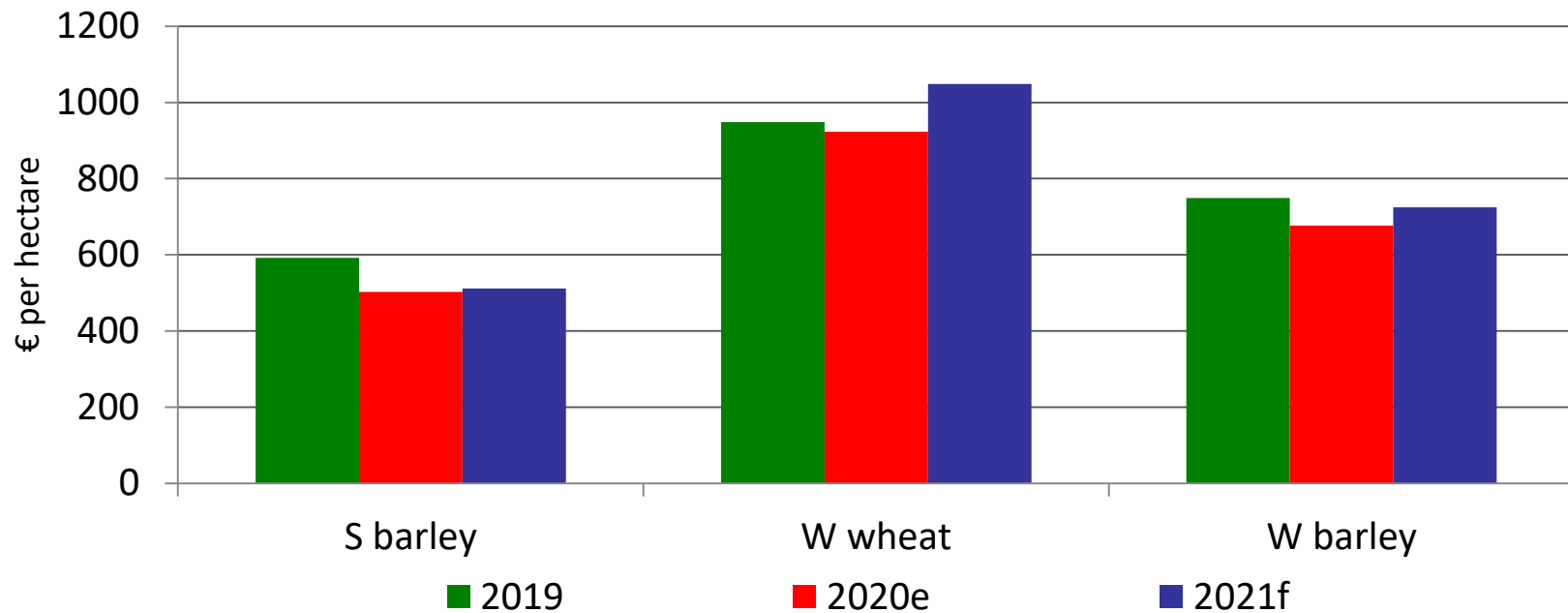
2021 – The Calculations



$$\text{Yield} \times \text{Price} - \text{Cost} = \text{Margin}$$

Increase in 2021 Gross and Net Margins

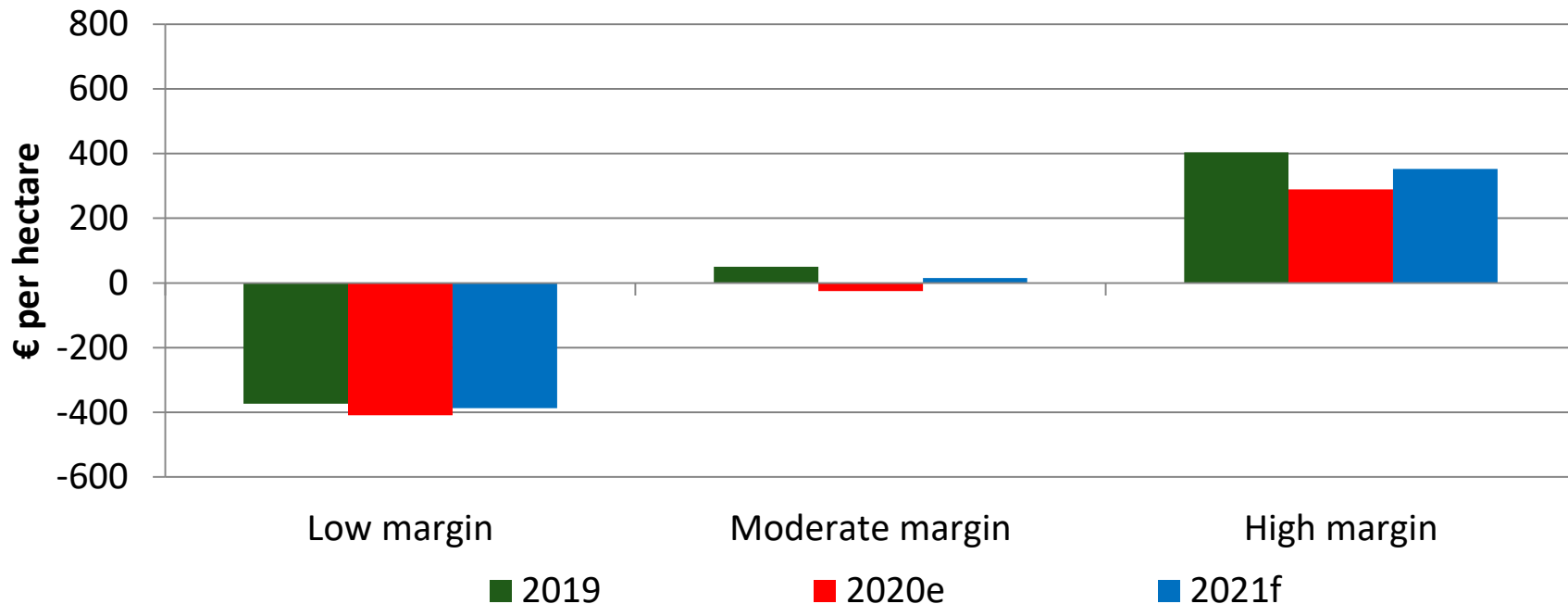
Gross margin per hectare to increase by €10 for spring barley and €125 for winter wheat and €50 for winter barley



Source: Authors' estimate for 2020 and forecast for 2021

Increase in 2020 Gross and Net Margins

Net margin per hectare forecast to increase by over €40 per hectare



Source: Authors' estimate for 2020 and forecast for 2021

Summary of 2021 Crops Forecast

■ Forecast 2021

- Prices
 - Probability that price will decrease at harvest 2021 by approx. 5%
 - Much uncertainties about 2021 price at present
- Reversion to trend yields – increase in yields
- Costs to increase by on average 2%
- Overall increase in gross and net margins in 2021
- Average cereal based net margin will still struggle to be positive in 2021



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