

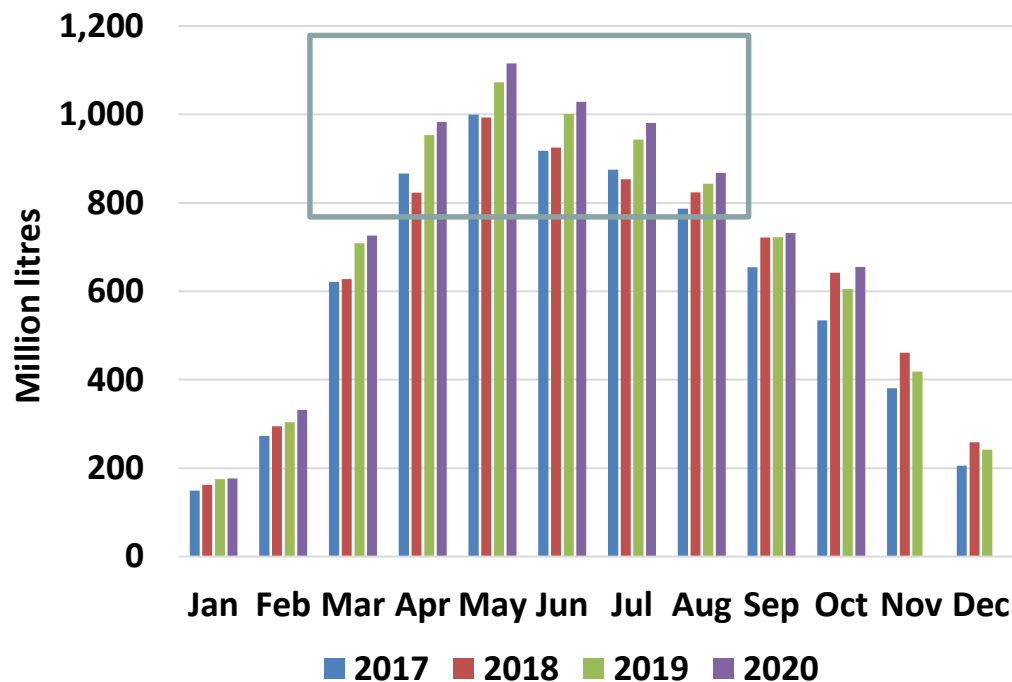


# Dairy Review and Outlook

Trevor Donnellan

- **2020 review and 2021 outlook**
  - **Domestic and global perspectives**
  - **Production**
  - **Prices**
  - **Inputs**
  - **Dairy enterprise margins**

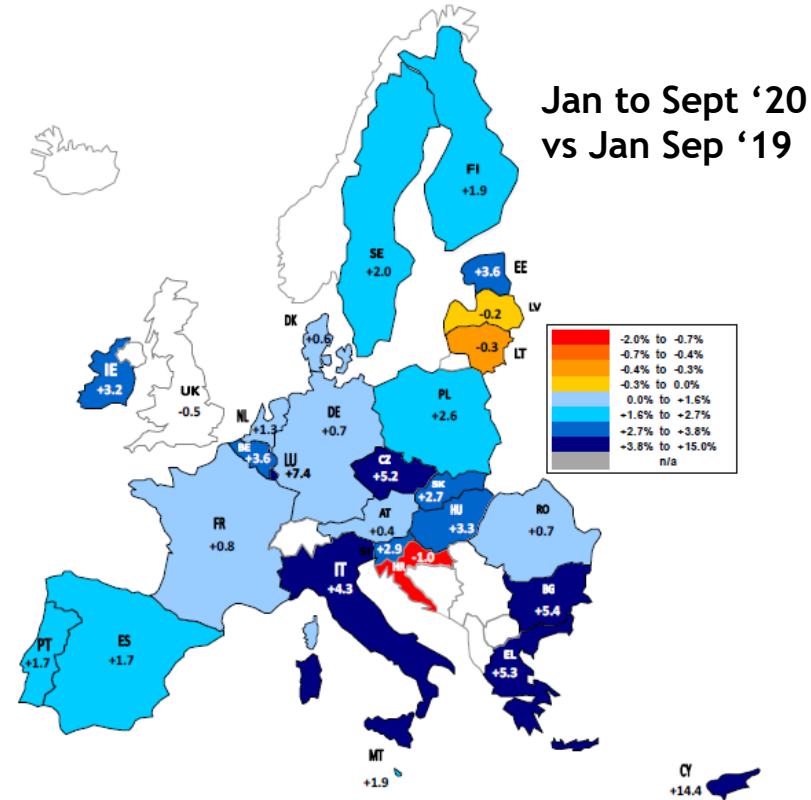
# Irish Milk Production 2020



- Continued growth in dairy herd ( $\uparrow 4\%$ ) in 2020
- Milk yield per cow down marginally ( $\downarrow 1\%$ )
- Milk Production  $\uparrow 3.7\%$  Jan – Oct 2020
  - likely  $\uparrow 3.5\%$  for the full year 2020

# EU milk production 2020

- Stronger supply growth than 2019
  - est. +1.8% growth for EU27 for year to Sept 2020
  - +1.5% for full year 2020
- MS growth rates variable
  - Lower feed costs
  - But lower milk prices in some MS
  - Stronger production growth – ITA, BEL, IRL
  - Weaker production growth - FR, GER, NL



Source: EU Commission MMO

# Change in Milk Production

## - key exporters 2020 (calendar year)

### Overall Stronger Production growth in 2020

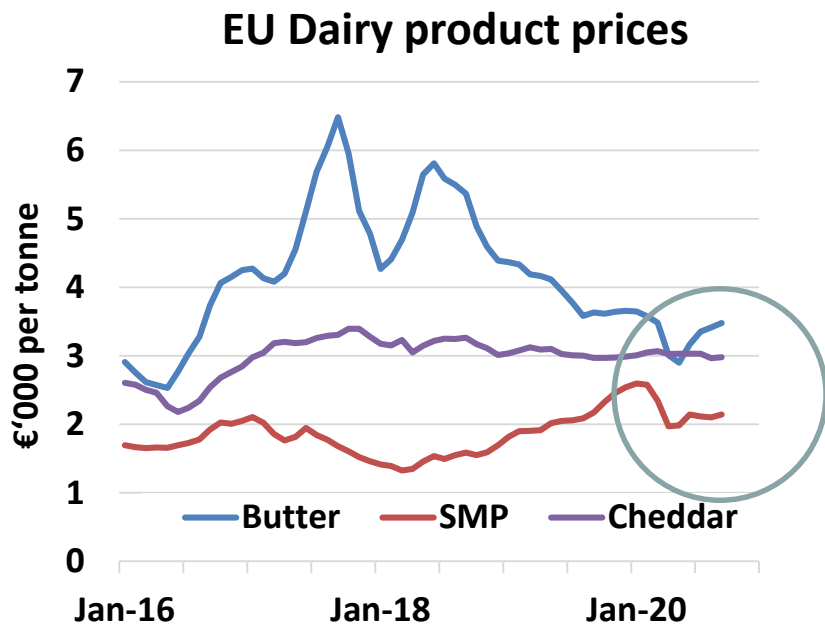
|      | 2017           | 2018  | 2019  | 2020e |
|------|----------------|-------|-------|-------|
|      | Million Tonnes |       |       |       |
| EU27 | 3.09           | 1.29  | 0.61  | 2.11  |
| NZ   | 0.28           | 0.47  | -0.16 | 0.41  |
| US   | 1.33           | 0.96  | 0.36  | 1.77  |
| AUS  | -0.01          | -0.02 | -0.60 | 0.38  |
| ARG  | -0.05          | 0.92  | -0.43 | 0.74  |
| Sum  | 4.64           | 3.62  | -0.21 | 5.41  |

### 2020

- EU – strong growth
- US – strong growth
- NZ – growth due to favourable weather
- AUS – showing modest recovery
- ARG – strong growth

Source: Eurostat, DCANZ USDA and author estimates

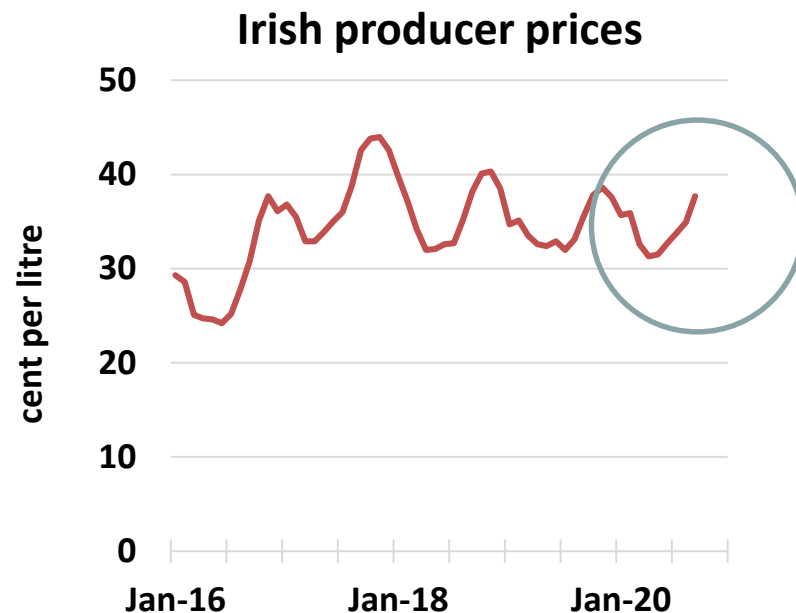
# Dairy Product and Milk Prices 2020



Source: USDA

## Price dip due to COVID-19

- Negative impact on butter and SMP prices
- But quick recovery for butter, less so for SMP



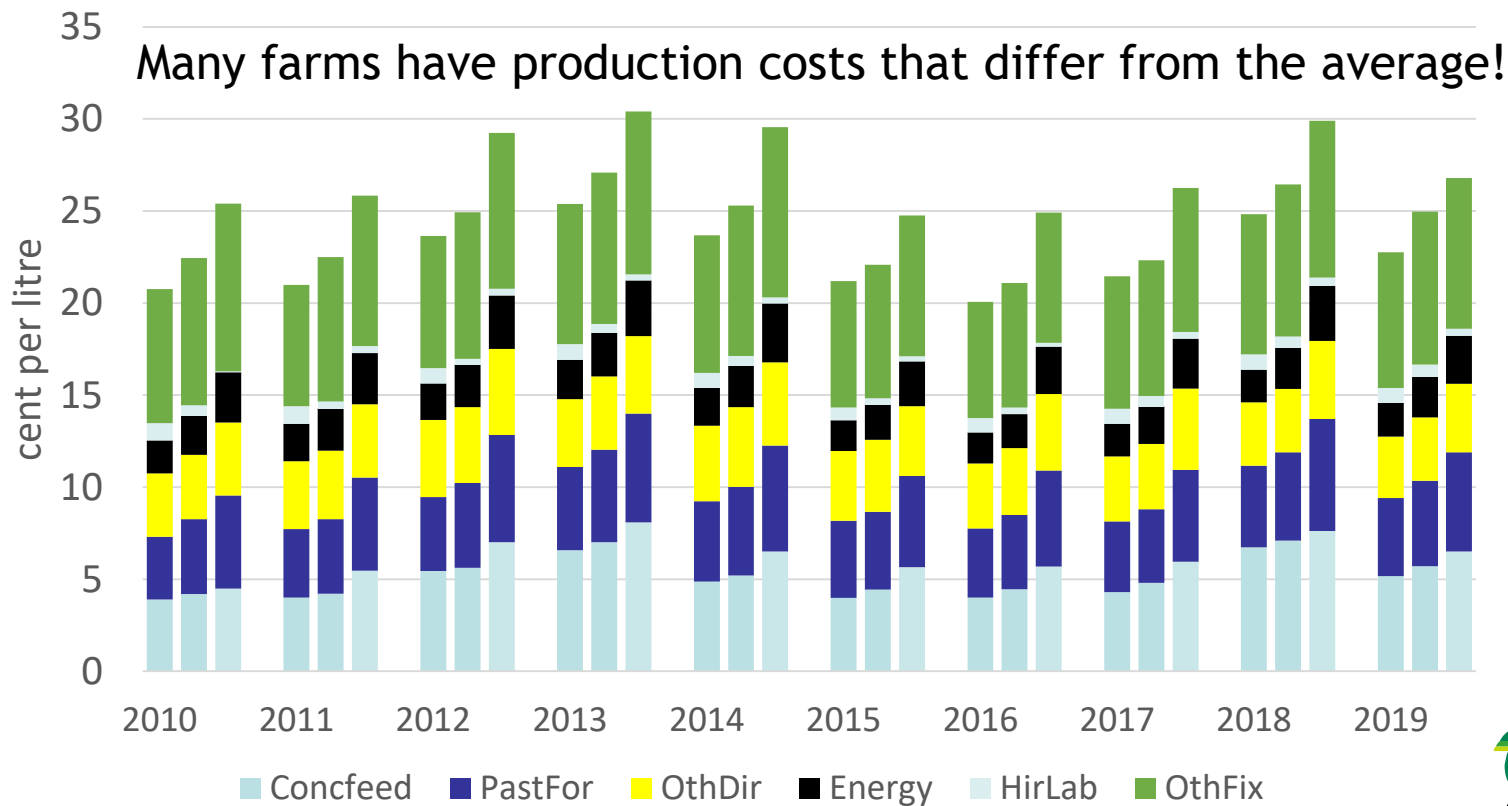
Source: CSO

## Avg. Irish milk price unchanged in 2020 (vs 2019)

- 34.4 cent per litre (act. fat/protein)

# Dairy enterprise analysis

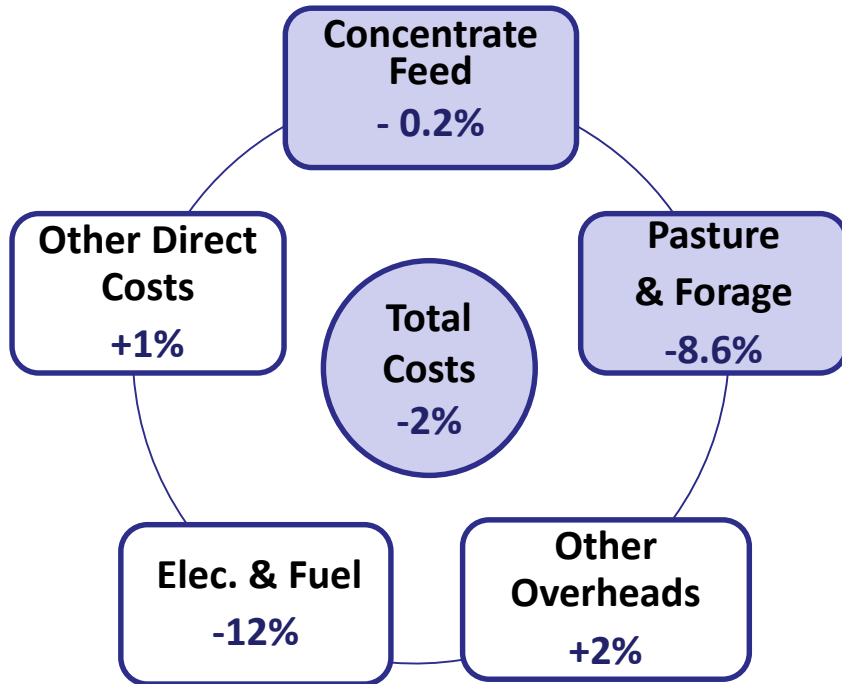
# Milk Production Range of Costs per Litre Top, Middle and Bottom thirds 2010-2019



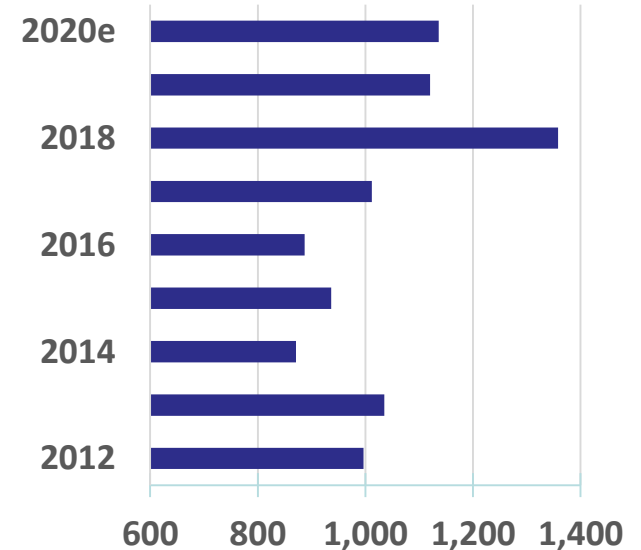
# Few Cost Pressures in 2020

## Costs per litre 2020e

Expenditure change relative to 2019



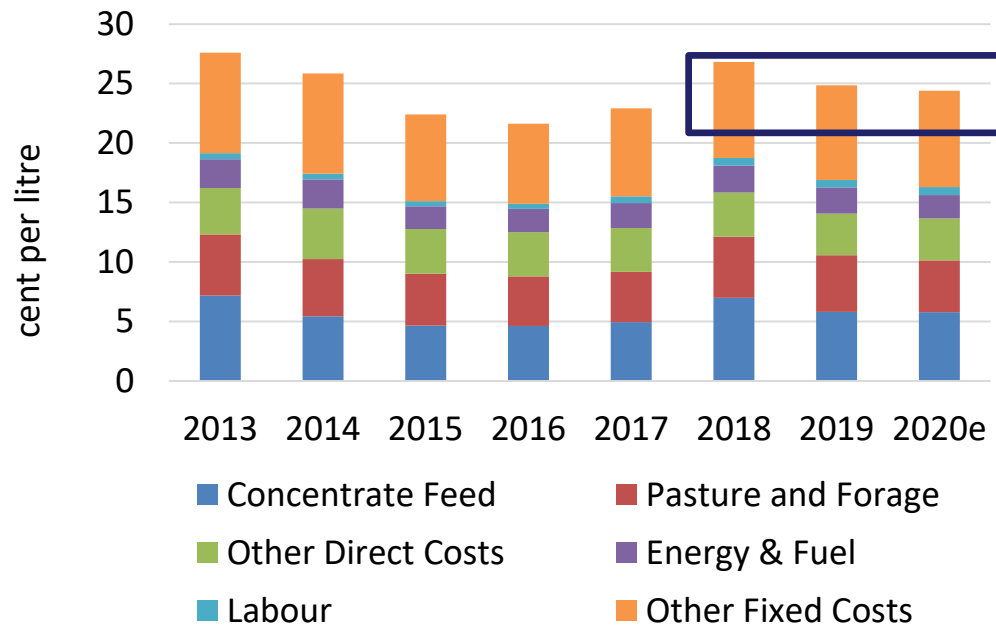
## Average Dairy compound feed use (kg per head)



- 2020 Feed use **up 2% to 1,136 kg** per cow
- 2020 Fertiliser use also up marginally

# Marginal reduction in 2020 input costs lower feed, fertiliser and fuel price

Expenditure change relative to 2019

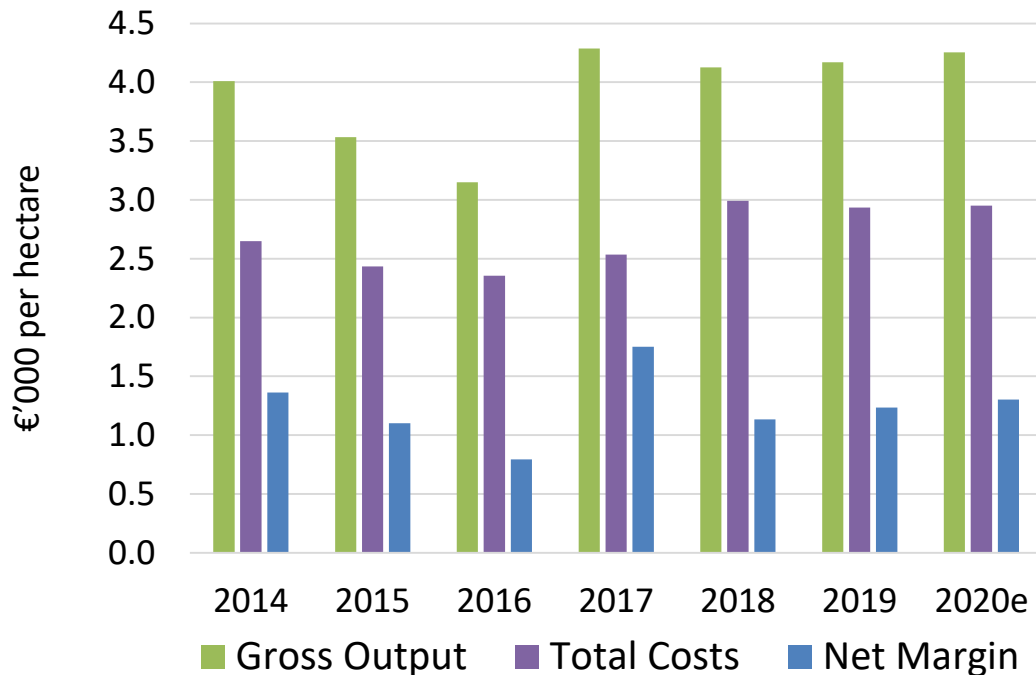


- Average costs 24.4 cpl in 2020
  - Down from 24.9 cpl in 2019
- Concentrate costs 5.8 cpl
- Pasture and forage 4.4 cpl
- Net margin 10.5 cpl (up 5%)



# Average net margin up marginally in 2020

**Average net margin per ha. €1,302 in 2020**



Gross output per ha ↑2%

Costs per ha unchanged

Net margin per ha ↑5%

# 2020 Dairy Summary



< 1 % fall in milk  
yield per cow



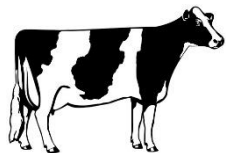
2% decrease  
in costs per litre (24.4c)



3.5% increase in  
milk production



4.7% increase in net  
margin per litre (10.5c)



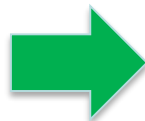
4% increase in dairy  
cow population



5.4% increase in net  
margin per hectare



No change in milk  
price



# Dairy Outlook 2021



# Dairy Outlook 2021



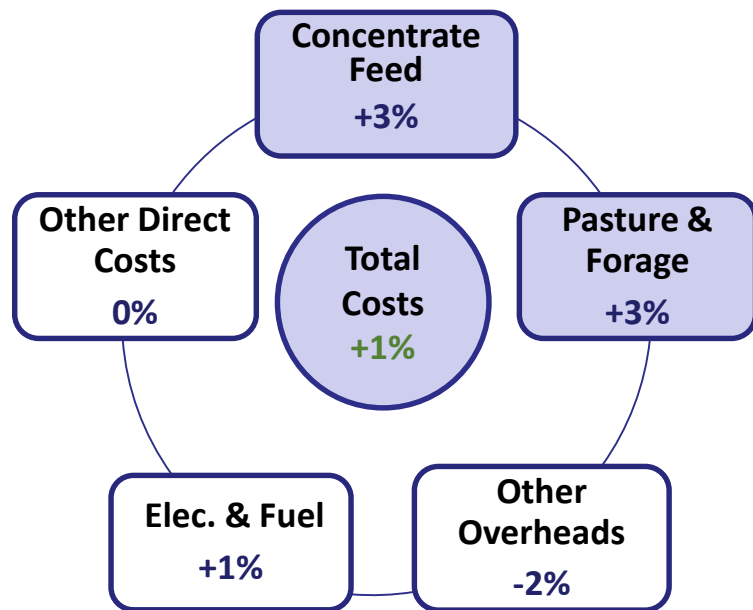
- Global dairy markets
  - Continuing **supply growth**
  - Matched by **demand growth** (assuming COVID-19 abates)
  - Relatively **stable international dairy price outlook**
- Irish dairy sector outlook
  - Production **volume forecast +3%**
  - Irish milk price outlook subject to **Brexit uncertainty**
  - Production **costs marginal increase**
  - **7% fall in milk price** (to 32cpl actual constituents vat incl.)

**2021**

# Dairy input costs to rise in 2021

## Costs per litre 2021f

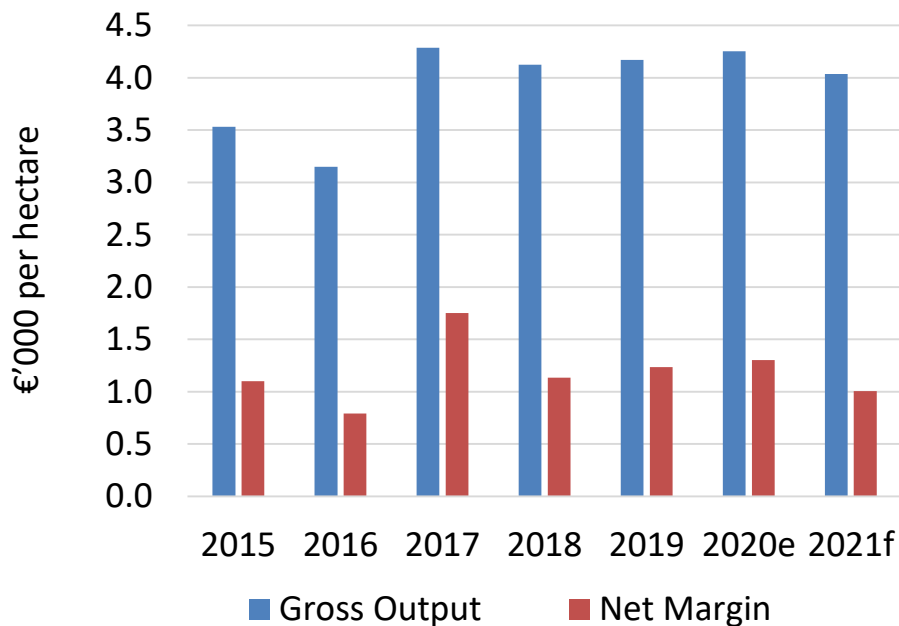
Expenditure change relative to 2020



- Feed Use per litre unchanged
  - but modest price rise anticipated
- Marginal increase in fertiliser use
  - modest price rise anticipated
- Minor increase in fuel prices
- Slight decrease in overhead costs/litre

# Net margin forecast for 2021

**2021f Average net margin per ha. €1,004**

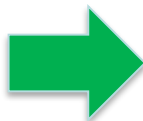


- Normal weather assumed
- Production to ↑ 3%
- Gross output per ha ↓ 5%
- Net margin per ha ↓ 23%

# 2021 Dairy Summary



No increase in milk yield



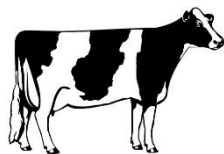
1% increase in costs per litre (24.6c)



3% increase in milk production



23% decrease in net margin per ha (7.9c)



3% increase in dairy cow population



21% decrease in net margin per hectare



7% drop in milk price (No Brexit Deal)



# Summary

- **2020 remarkably uneventful** year for dairy in spite of COVID-19
  - Stable milk price – with COVID-19 price dip in Q2 offset by improvement later in year
  - **Fall in** key input **costs**
  - **Increase in net margin** and farm income
- **2021 - Uncertain environment** due to Brexit and COVID-19
  - **Stable international dairy product price** environment
  - **Irish milk price reduction of 7%** due to absence of FTA with UK
  - Slightly higher feed, fertiliser and fuel expenditure
  - **Decline in net margin of 23% per ha and 21% per litre**