SITUATION AND OUTLOOK
For Irish Agriculture
July 2021

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Acknowledgement

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Particular acknowledgement is due to the Teagasc research staff involved in the collection and validation of the farm data: J. Colgan, A Curley, L. Deane, L. Delaney, P. Harnett, P. Healy, G. Kenny, P. Madden, J. McConnon,, K. McNamara, M. Nicholson, J. Robinson, J. Teehan and to M. Clarke for the administration of the survey.

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INTRODUCTION

In December of 2020 Teagasc published its annual Situation and Outlook for 2021. This was revised in February 2021 to reflect the outcome of the Brexit negotiations. In July of 2021 Teagasc has published this mid-year update on its outlook for 2021 to reflect ongoing market developments

The mid-year outlook 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 conditions and input markets. The update then provides a summary of the developments that have taken place in commodity markets during the first half (H1) of 2021. Finally, there is an assessment of the performance of the main farm systems in H1 2021.

The report then takes a short-term outlook perspective to the end of 2021, 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 are 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 2021, and the Outlook representing the second half of 2021. 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

Positive

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

Negative

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

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.

COVID-19

Due to the vaccination programme, the COVID-19 pandemic is having a reduced impact on economic activity in high income economies. The assumption in this Outlook is the influence of COVID-19 on economic activity continues to recede.

However, it continues to remain a concern and creates some uncertainty about the future economic outlook.

BREXIT

A trade deal between the EU and UK was agreed in December of 2020. This is now in place, although some aspects of the deal have to be fully operationalised.

COMMODITY SECTOR SUMMARY

Dairy

Situation	Outlook
Positive	Positive

PRODUCTION: Global milk supply growth in H1 2021 has slowed, but there has still been an overall increase in milk production in the major exporting regions. Irish milk production for H1 2021 is like to be up 8% compared to the same period last year.

PRICES: Irish milk prices rose in H1 of 2021. Weaker global milk production growth has been coupled with firm dairy export demand and higher prices. For the year as a whole, Irish milk prices in 2021 could be up over 10% compared with 2020.

COSTS: H1 of 2021 has seen somewhat mixed weather. Higher cow numbers have helped to boost feed use in 2021, while fertiliser use is also likely to be higher. Feed and fertiliser prices in 2021 are both higher than in 2020. Total production costs for 2021 are forecast to rise by 5% relative to 2020.

MARGINS: Average dairy net margin per ha in 2021 could be on a par with the high of 2017. An average dairy farm income in excess of €85,000 in 2021 is possible.

Beef

Situation	Outlook
Positive	Positive

PRODUCTION: Irish beef production decreased by 7% in H1 2021 due to lower production in the first quarter. Over the course of the full year, production is forecast to end the year 4% lower.

PRICES: Finished cattle prices are forecast to be 12% higher in 2021. Retail demand for beef is increasing in the EU. Demand from the foodservice sector is increasing strongly in the UK with the re-opening of the economy. China's rising demand for beef is increasing global beef prices. Beef supply in 2021 is lower in both the EU and the UK and this influences the price for Irish beef in 2021.

COSTS: Costs of production have increased in 2021 due to higher feed and fertiliser prices and higher prices for overheads including fuel and electricity. These rising costs will offset some of the positive impact of higher marketed output value on farm incomes.

MARGINS: Average gross margin per ha is forecasted to increase on Cattle Rearing farms and Cattle Finishing farms by 7% and 10% respectively. Average Cattle Farm incomes are forecasted to increase by approximately 5% in 2021.

Sheep

Situation	Outlook
Positive	Positive

PRODUCTION: Irish sheep slaughter during period Jan - June 2021 is 9% lower compared to the corresponding period in 2020. However, when measured on a tonnage basis (cwe), sheep slaughterings decreased by somewhat more, circa 11%.

PRICES: EU and Irish heavy lamb prices are to date over one quarter higher in 2021 compared to 2020. This reflects higher prices in the EU for heavy lamb, which are forecast to persist over the remainder of 2021.

COSTS: Costs of production on Irish sheep farms are forecast to increase in 2021. Overall, the increases in fuel, fertiliser and feed prices are expected to lead to an 8% increase in total costs of production for 2021.

MARGINS: The forecast increase in costs in 2021, coupled with more favourable lamb and sheep prices, will impact positively on gross margins. For 2021 gross margin per hectare are forecast to grow strongly, increasing by over 35% to over €800/ha.

Tillage

Situation	Outlook
Positive	Positive

PRODUCTION: In Ireland, favourable sowing and growing conditions mean yields in 2021 will exceed 2020. Whilst it is early in the harvest season, first production estimates for 2021 indicate a 15 percent increase in total cereal tonnage compared to 2020 is likely.

PRICES: The estimates for EU production, demand and ending stocks for 2021 are creating upward movement on cereal prices this harvest compared to 2020, with prices quoted for green barley about 15% up on 2020 harvest prices.

COSTS: Prices for the main input items on tillage farms are all increased on the 2020 levels. In addition the use of direct costs of production are likely to be up on 2020 also due to the increase in winter cereal sowing. Total farm costs on tillage farms are expected to be up over 10%.

MARGINS: The increase in cereal and straw yields in 2021, coupled with an increase in cereal prices will likely lead to a significant increase in gross output. Even accounting for cost inflation, it is estimated that family farm income on specialist tillage farms will be in excess of €40,000 in 2021.

GLOBAL ECONOMY

MACRO ECONOMY and EXCHANGE RATES

While a global economic recovery is underway, the short-term macroeconomic outlook will continue to be influenced by the need to contain the COVID-19 pandemic, in particular the spread of vaccine resistant COVID-19 variants. Unsurprisingly, economic growth rates for 2021 are likely to be larger than normal, reflecting the recovery in 2021 from the negative growth experienced in many of the world's major economies in 2020.

While the US dollar weakened in value against the euro in 2020, it has since stabilised and the exchange rate has moved over a relatively narrow range so far in 2021.

There has been a bit more fluctuation in the exchange rate between the sterling and the euro over the course of the past year, over a range of about 6 pence. Sterling remained at a comparatively low rate against the euro, currently close to 90p, towards the end of 2020 as the BREXIT negotiations went down to the wire. However, when a trade agreement between the EU and UK was finally reached in December of 2020, this removed some of the uncertainty facing the UK economy and sterling has strengthened against the euro over the first half of 2021.

The recovery of sterling is welcome from the perspective of Irish agri-food exporters with business in the UK, since it makes Irish exports more competitive on the UK market. However, Irish exporters will be experiencing additional Brexit related non-tariff based trade frictions in exporting to the UK, and via the UK to continental Europe, which will add to their cost base.

Figure 1: Euro/Dollar Exchange Rate 2008 -2021

Source: European Central Bank

Figure 2: Euro/Sterling Exchange Rate 2008 -2021

Source: European Central Bank

WEATHER CONDITIONS

WEATHER CONDITIONS

Weather conditions in 2021 have shown considerable variation relative to normal and this has had an impact on both grazing conditions and grass growth at various points in the first half of 2021.

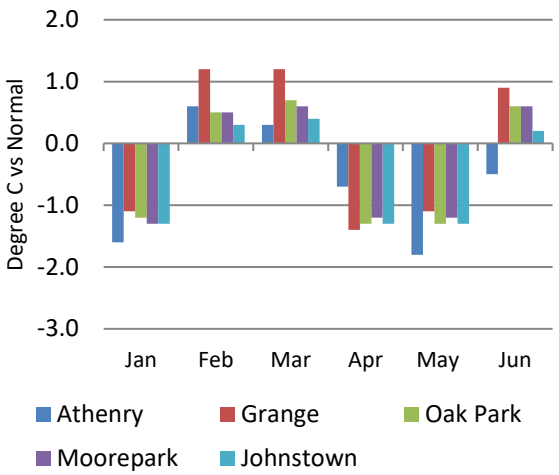
High levels of rainfall in February were followed by rainfall levels that were well below normal in March and April. This contributed to below par grass growth levels in April and May, which were also unseasonably cold, particularly at night. Grass growth recovered in June, but has dipped again in July due to a dry period with unusually high temperatures.

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 the end of June 2021.

The variability in weather conditions across the country, relative to normal has been widespread, with no noteworthy region specific deviations.

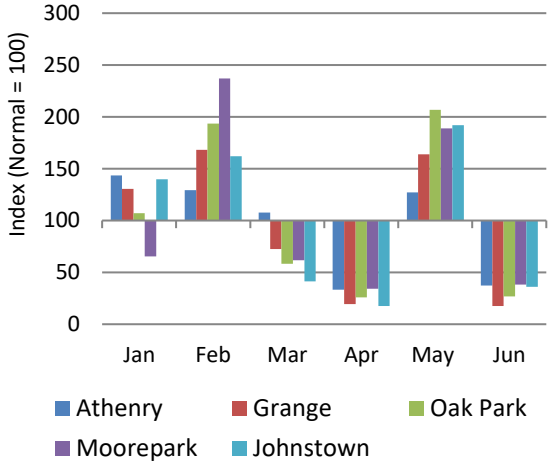
Note: Normal weather is defined as the 30 year average from 1981 to 2010.

Figure 3: Jan. to June 2021 Mean Temperature Relative to Normal (1981-2010)



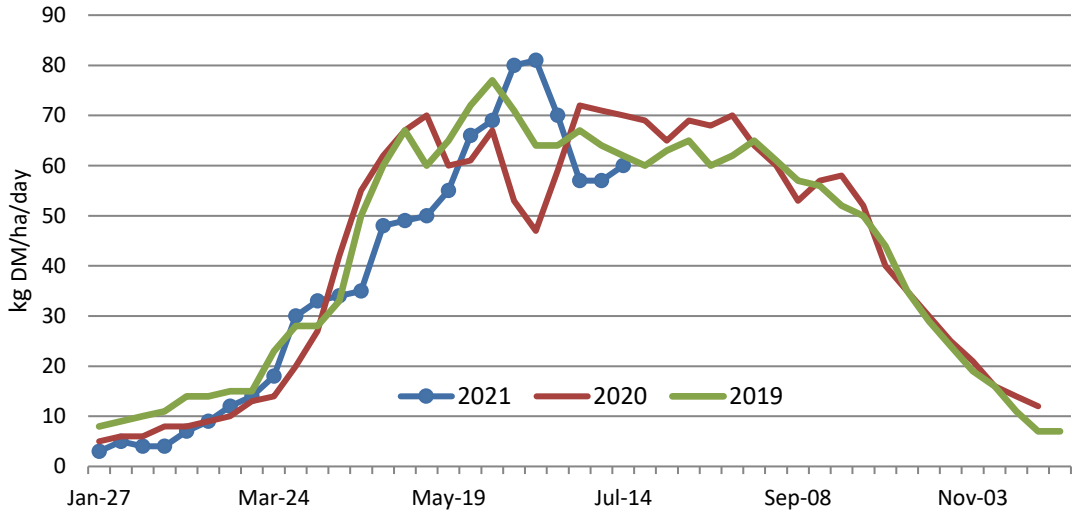
Source: Met Eireann

Figure 4: Jan. to June 2021 Rainfall Relative to Normal (1981-2020)



Source: Met Eireann

Figure 5: Irish Grass Growth 2019, 2020 and 2021



Source: Teagasc Pasture Base Ireland

FARM INPUTS

FEED MARKET

Based on DAFM and CSO data, average dairy feed use per head is estimated to have been about 1,120 kg per cow in 2020, down very slightly on the 2019 level. Beef feed usage per head in 2020 was also down slightly on the 2019 level, while sheep feed use increased in 2020.

For 2021, early indications are that dairy feed usage volume may increase relative to the 2020 level. The volume of sheep feed used also looks like being higher in 2021 relative to 2020. The outlook for beef feed usage in 2021 is less clear, as further data is required.

Feed prices in 2021 have been on the increase, continuing the upward trend which was observed right through 2020. Higher cereal harvest prices in 2020 and increased demand for feed grain markets in the first half of 2021 are the main drivers of this feed price increase in 2021.

As of July 2021, official data on feed use in the current year are limited, with DAFM feed sales data available for Q1 only. These data show that the aggregate volume of dairy feed sales in Q1 2020 was up 6% on the same period in 2020, perhaps reflecting the continuing increase in dairy cow numbers, strong milk yield growth and a slower start to the grazing season in 2021. High lamb prices may also have prompted the higher sheep feed sales that has been observed inQ1 2021 .

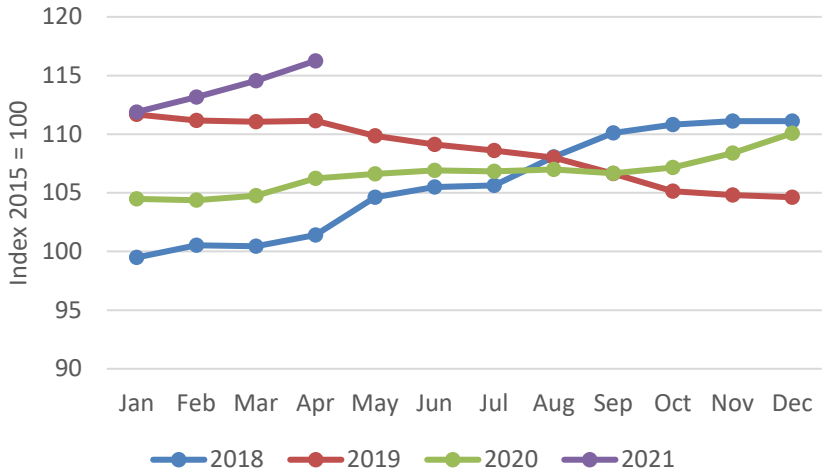
Overall, given the growth in the dairy cow herd, early indications are that aggregate dairy feed use will be higher in 2021, with an increase in feed use per head relative to 2020 also likely.

Aggregate beef feed sales decreased in Q1 of 2021, but were only a little lower than in Q1 2020. For 2021 as a whole, it is possible that beef feed use will be on a par with 2020, but further data is required to be more confident of that outcome. In 2021 sheep feed use is likely to be higher than in 2020.

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 and barley harvest are both forecast to increase in 2021 by about 3%. However, demand is also expected to increase by 3 to 4%, with stocks expected to remain low, with a further decrease in the ending stock/use ratio in 2021/22 compared to 2020/21. Overall, this suggests that there will be an increase in cereal prices on the Irish market at harvest 2021 relative to 2020. At present (July 2021), a 15% increase in farm gate winter barley prices for the 2021 harvest is expected.

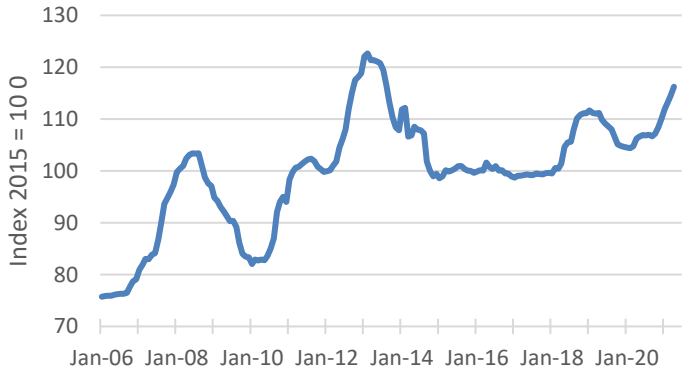
As shown in Figure 6 and Figure 7, feed prices have moved upwards in H2 of 2020, and have continued to remain 'bullish' in H1 of 2021. The increase in prices at the end of 2020, and continued high prices in H1 of 2021 reflects the decrease in stocks to use ratios on the international balance sheets. Averaging across the full year it is likely that feed prices in 2021 will be about 9 percent higher than in 2020.

Figure 6: Index of Monthly Irish Feed Prices 2018-2021



Source: Central Statistics Office

Figure 7: Longer Term Index of Monthly Irish Feed Prices 2006-2021



Source: Central Statistics Office

FERTILISER MARKET

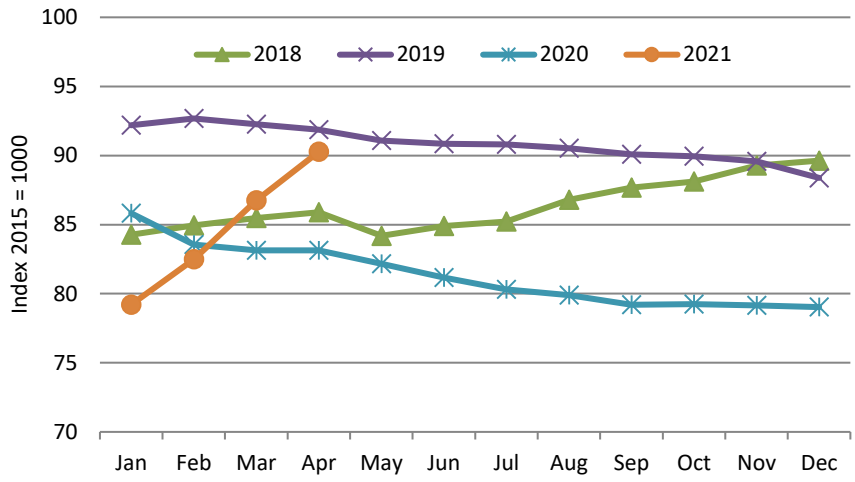
Energy prices, particularly for oil were significantly lower in 2020. This unanticipated energy price decrease was a result of the COVID-19 crisis and the related knock-on impact on economic activity. Fertiliser prices are influenced by supply and demand in the market, but also reflect production costs, 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 and this continued right through 2020.

However, energy prices have recovered in H1 of 2021 and this has also prompted a recovery in fertiliser prices in H1 2021, bringing fertiliser prices back up to 2019 price levels.

In terms of fertiliser sales in Ireland, the available official data covers the first six months of the fertiliser year (Oct 2020 – Mar 2021). For this six month period Figure 9 shows a very sharp increase in nitrogen, phosphorus and potassium sales. It is not yet clear whether this will necessarily mean an increase in usage in the 2021 fertiliser year, as some of these fertiliser purchases will have been made to build up stocks on farm in the knowledge that there would be a large increase in fertiliser prices in 2021.

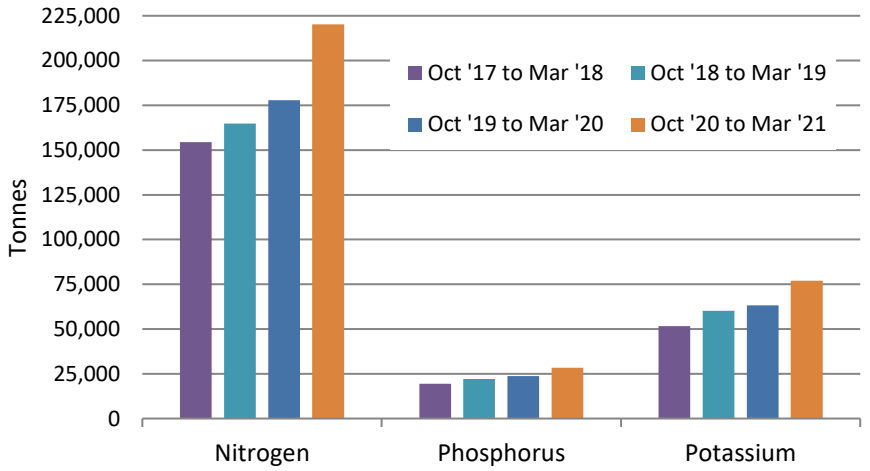
Fertiliser usage associated with cereal production tends to be more predictable from year to year than that experienced on grassland farms. On cereal farms any changes in fertiliser volume will tend to be associated with a shift in the total crop area sown, i.e. shifts in cropping pattern between winter and spring sown crops and nutrient off takes from the previous year yields. Hence, for the 2021 harvest, it is expected that fertiliser volume on cereal farms will be up due to an increase in winter sown crops.

Figure 8: Index of Monthly Irish Fertiliser Prices 2018-2021



Source: Central Statistics Office

Figure 9: Irish Fertiliser Sales in first 6 months of fertiliser year 2015-2021



Source: DAFM

ENERGY MARKETS

Fuel and electricity are less significant input items than feed and fertiliser in grassland systems. However, 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.

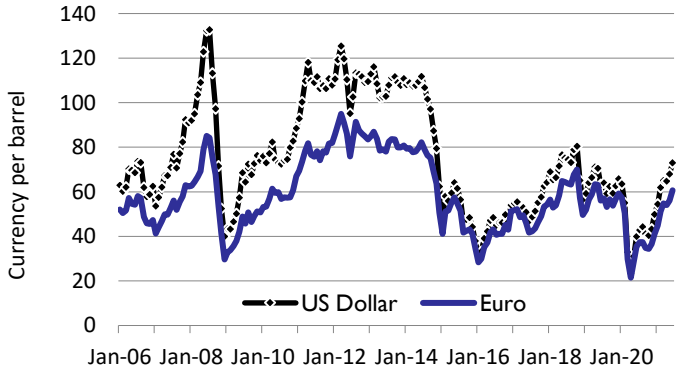
Crude oil prices dropped dramatically in 2020, reflecting the subdued demand for aviation and ground transportation and the negative economic growth related to the COVID-19 pandemic.

Energy prices began to recover slowly through H2 2020 and into H1 2021 the recovery has accelerated.

Having been as low as US$20 at one point in Q2 of 2020, the monthly average Brent crude oil price recovered to just under US$50 in December 2020, as illustrated in Figure 10. Brent crude oil prices have risen further through H1 2021, reaching a level of US$73 per barrel in June 2021. European natural gas prices have also moved sharply upwards in H1 2021, mirroring the recovery in crude oil prices.

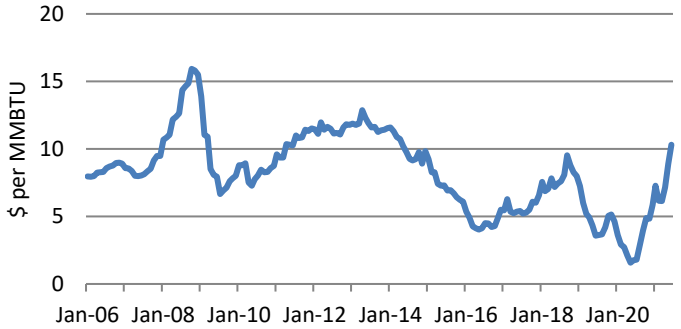
The price recovery in energy markets, has affected motor fuel and electricity prices, with motor fuel prices in particular showing a sharp increase since the beginning of 2021.

Figure 10: Brent Oil Prices in Euro and US Dollar Terms 2008 -2021



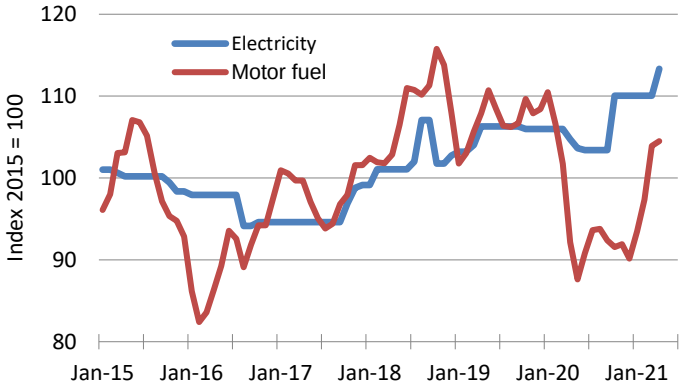
Source: Adapted from the St Louis Fed

Figure 11: European Natural Gas Average Import Price 2008 2021



Source: World Bank

Figure 12: Index of monthly fuel and electricity prices 2015-2021



Source: CSO

DAIRY

DAIRY

Global Supply

Situation	Outlook
Positive	Positive

- In the key export regions, milk production growth has been slower in 2021 than in 2020.
- Milk production in the UK and EU has slowed, while it has remained stronger in NZ and US.
- In 2021, milk production to the end of May has increased in NZ by almost 6%, in the US by close to 3%.
- By contrast, EU milk production has increased in the period January to May 2021 by 0.4%. UK milk production has grown by over 1% in the same period.
- Higher feed costs could put a brake on growth, later in the year. Adverse weather in EU is also a concern.

Global Demand

Situation	Outlook
Positive	Neutral

- International dairy product demand in H1 2021 has remained solid.
- China remains an important part of the global demand picture, with imports remaining strong in 2021
- COVID-19, while receding as a concern in rich economies, remains a concern elsewhere.
- High shipping costs and logistical bottlenecks remain a concern for international trade.
- COVID restrictions are easing faster in the US than in Europe, where a return to a more normal lifestyles may take until 2022.

Milk Prices

Situation	Outlook
Positive	Neutral

- European wholesale dairy prices have improved in 2021.
- Butter reached €4,100 per tonne, in June 2021, a 20% increase relative to December 2020.
- SMP prices have also increased reaching €2,600 per tonne in June 2021, an increase of 18% since December 2020.
- By contrast, cheddar prices have moved over a fairly narrow range.
- Peak season monthly Irish farm milk prices in 2021 are about 5 cent (15%) higher than the same point on 2020.
- Short-term prospects are more uncertain, following a succession of recent negative GDT auction outcomes.

Irish Production

Situation	Outlook
Positive	Positive

- Production conditions in 2021 were affected by heavy early season rain and lower than normal temperatures. This led to restricted grass growth in April and May.
- The growth in Irish dairy cow numbers continues, with an increase of just over 3% likely in 2021.
- Milk yields to date in 2021 are up slightly on the 2020 level, perhaps driven by higher feed use.
- Milk fat and protein levels in 2021 have increased marginally.
- With normal weather and no deterioration in milk prices over the rest of 2021, Irish milk production is likely to be up at least 6% on the 2020 level.

Input Cost

Situation	Outlook
Negative	Negative

- Feed prices in H1 of 2021 have been 10% higher than in H1 2020 and further upward price movement is likely over the rest of 2021.
- Dairy feed sales in Q1 2021 have increased relative to 2010. Overall, feed use in 2021 will depend on late season weather conditions. An increase of 2% per head is assumed.
- Energy and fertiliser prices in 2021 have risen due to higher oil and gas prices.
- Fertiliser sales are up but this may be a hedge against further price increases.
- Total production costs per litre in 2021 could be up 5% on the 2020 level.

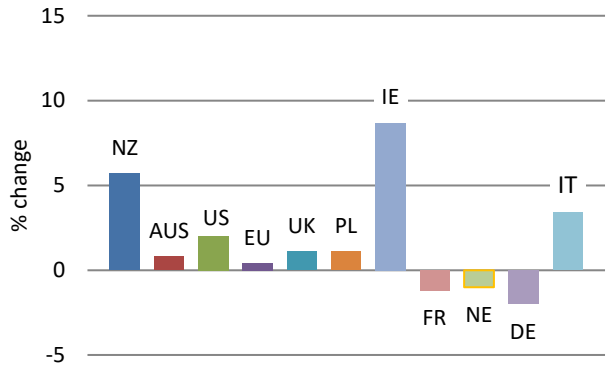
Irish Farm Income

Situation	Outlook
Positive	Positive

- Average net margin in 2021 could hit 14 cent per litre, but will depend on grass growing conditions and input requirement in H2.
- Higher feed, fertiliser and fuel expenditure in 2021 relative to 2020 will partially offset higher milk prices.
- The current forecast is that the average Irish dairy farm could see a net margin per ha in 2021 in excess of €1,700 on a par with the high of 2017.
- Early indications are that average dairy farm income could exceed €85,000 in 2021, with incomes boosted by strong production growth.

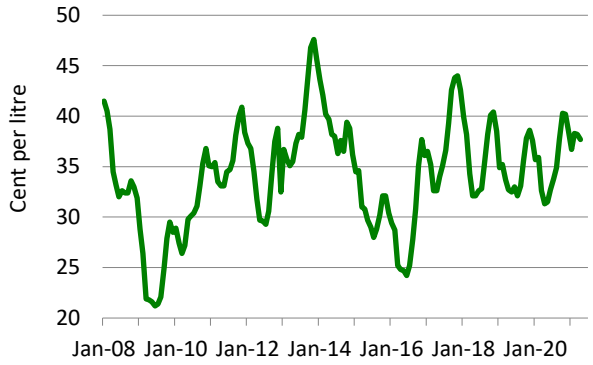
DAIRY

Figure 13: % Change in Milk Production Jan- May 2021



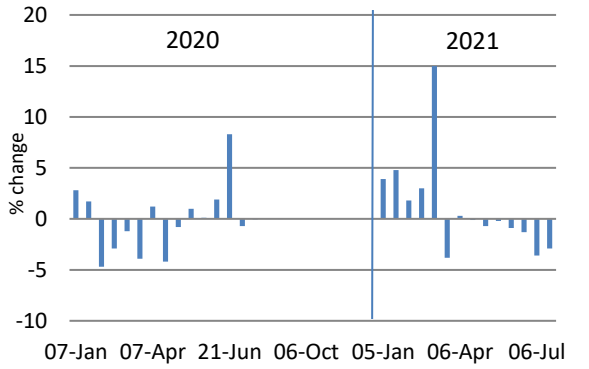
Source: Eurostat, AHDB, USDA, Dairy Australia, DCANZ
Growth rates are adjusted for 2020 leap year

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



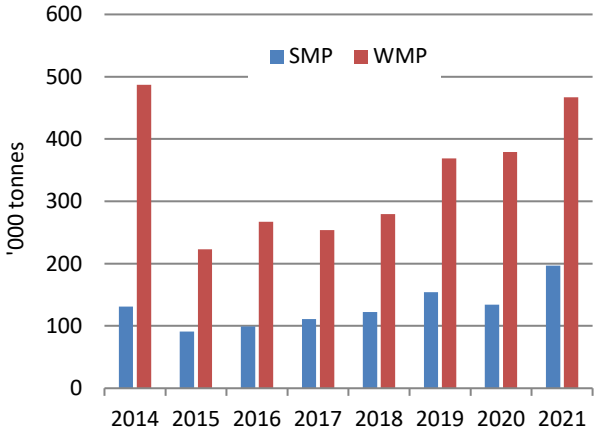
Source: CSO

Figure 15: GDT Auction Index Fortnightly Price Movements in 2020 and 2021



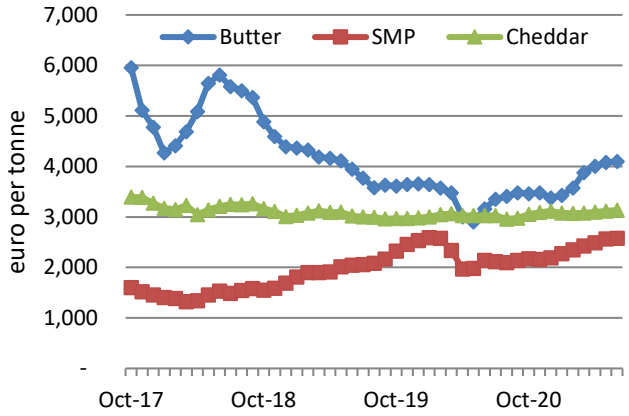
Source: GDT

Figure 16: Chinese Powder Imports Jan-May 2014-2021



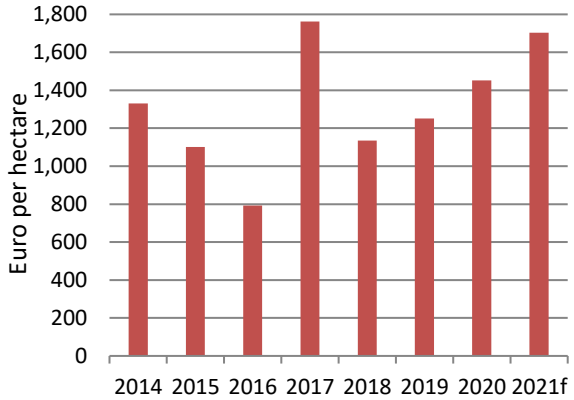
Source: IHS Markit

Figure 17: EU27 Wholesale Dairy Product Prices Oct 2017 to May 2021



Source: DG Agri

Figure 18: Dairy Net Margin per hectare 2014 to 2019 and Forecast for 2021



Source: Teagasc NFS 2014-2020, 2021 Author forecast.

BEEF

BEEF

EU+UK Supply

Situation	Outlook
Positive	Positive

- EU beef production in H1 2021 decreased by 1% vs H1 2020.
- EU beef supply is expected to be 1.4% lower in 2021.
- The forecast decline in EU beef production is mainly due to a reduction in the size of the cow herd (beef and dairy).
- Exports to high value markets are expected to increase due to recent trade agreements with Canada and Japan.
- EU imports of beef are expected to recover significantly and are forecast to be 8% higher in 2021.

EU+UK Demand

Situation	Outlook
Negative	Neutral

- Due to lower foodservice demand in H1 2021, the total EU domestic use of beef is forecast to decrease by 1% in 2021.
- Retail demand for beef has increased in EU member states such as France and Germany.
- Foodservice demand is recovering in key export destinations and particularly in the United Kingdom.

Beef Prices

Situation	Outlook
Positive	Positive

- Average EU male finished cattle prices were 6% higher in H1 2021 relative to H1 2020.
- Irish finished prime cattle prices have increased by 10% in H1 2021 relative to H1 2020.
- For 2021, Irish finished cattle prices are forecast to increase by about 12% relative to 2020.
- In H1 2021, weanling prices are up 5% on H1 2020. Over all of 2021, weanling prices are forecast to be 7% higher relative to 2020.
- Store cattle prices are forecast to increase by 10% relative to 2020.

Irish Production

Situation	Situation
Negative	Negative

- Irish beef production in H1 2021 was approximately 7% lower than in H1 2020.
- This fall was due to reduced factory throughput in February and March.
- For 2021 as a whole, Irish beef production is forecast to decline by approximately 4% compared to 2020.

Input Costs

Situation	Outlook
Negative	Negative

- Direct costs of beef production are dominated by purchased feed and pasture costs.
- For the year to date, both feed and fertiliser prices have been significantly higher than in 2020.
- For the year as a whole, both feed and fertiliser prices are forecast to be 9% higher than in 2020.
- Motor fuel prices are forecast to be 10% higher in 2021 relative to 2020.
- Total costs of production on single suckling and cattle finishing enterprises are forecast to increase by 3% and 6% respectively in 2021.

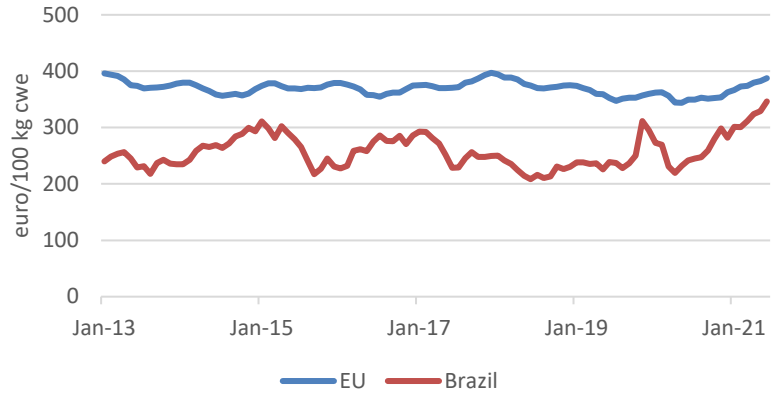
Farm Income

Situation	Outlook
Positive	Positive

- The impact of output value growth is forecasted to exceed that of input expenditure growth for both single suckling and cattle finishing enterprises in 2021.
- Gross margins on single suckling enterprises are forecast to increase by 7%.
- Gross margins on cattle finishing farms are forecast to increase by 10%.
- Despite higher overhead costs, FFI on Cattle Rearing farms is forecast to increase by 5%, while FFI on Cattle Other farms is forecast to increase by 4%.

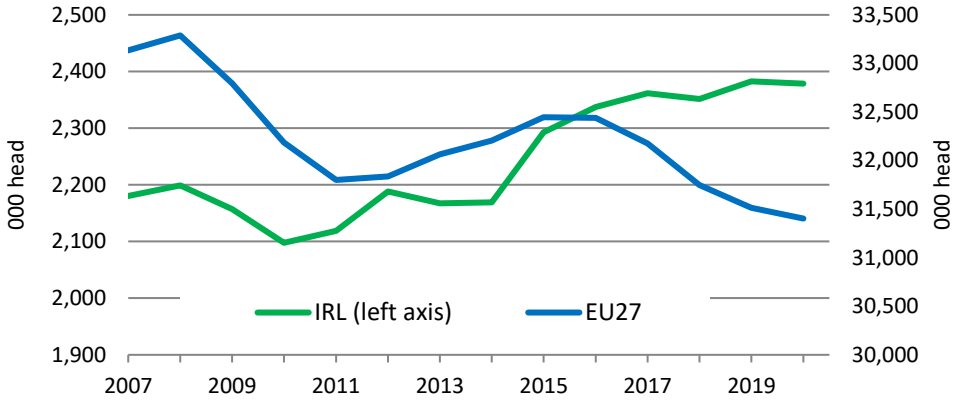
BEEF

Figure 19: Monthly EU Young Bull and Brazilian Steer Prices 2013-2021



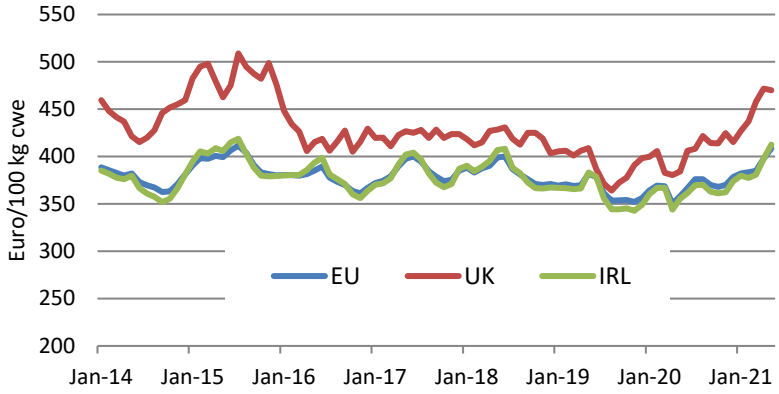
Source: DG Agriculture and Rural Development and Consorcio de Exportadores de Carnes Argentinas ABC

Figure 20: Irish and EU27 cow inventories (December) 2007-2020



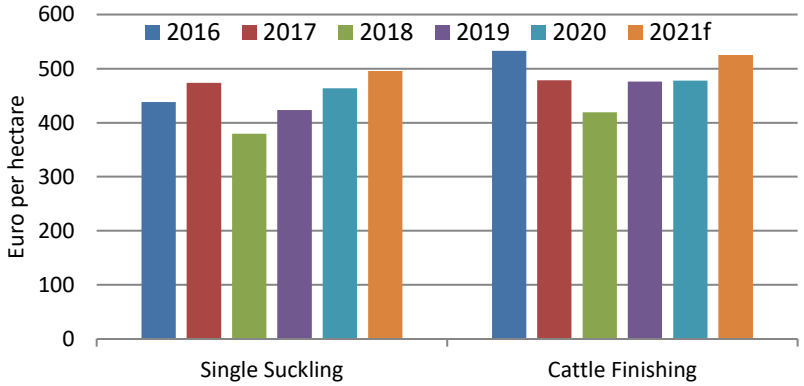
Source: Eurostat

Figure 21: Monthly EU, UK and Irish Finished Cattle Prices 2013 to 2021



Source: DG Agriculture and Rural Development, AHDB and ECB

Figure 22: Single Suckling and Cattle Finishing Gross Margin per hectare 2016-2020 and Forecast for 2021



Source: Source: Teagasc NFS 2016-2020 and Author forecast for 2021'

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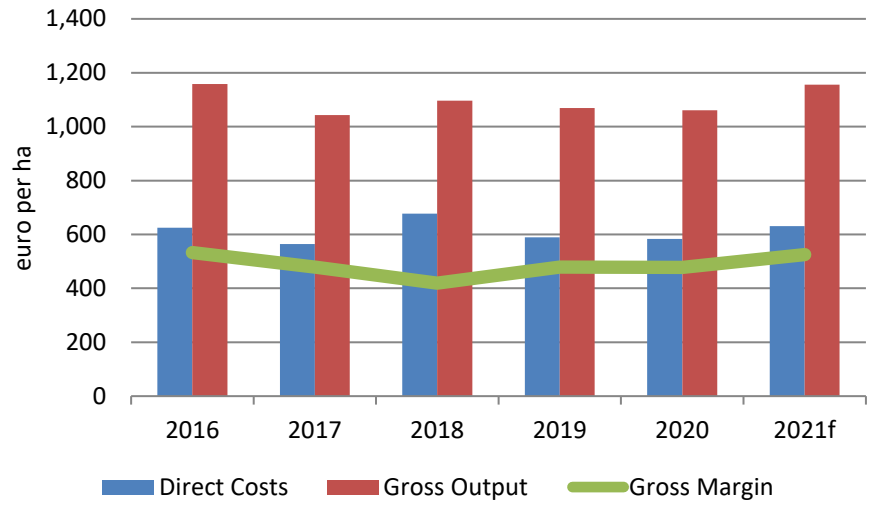
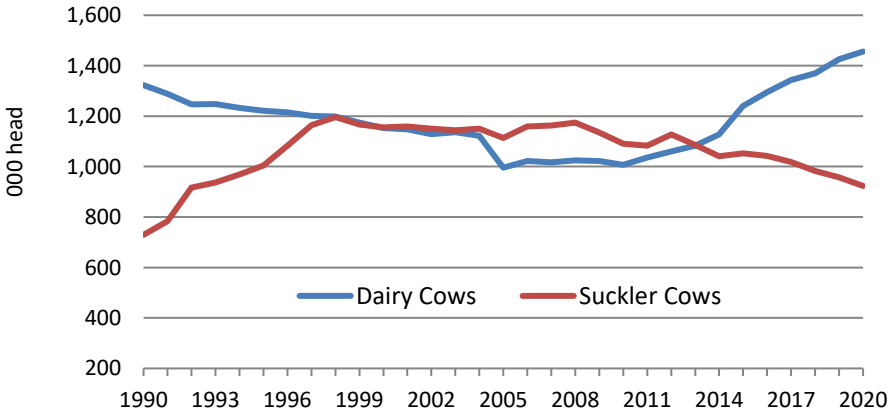
Figure 23: Cattle Finishing Gross Output, Direct Costs and Gross Margin per hectare



Source: Teagasc NFS

Figure 24: Long Term trends in Dairy and Suckler Cow Inventories (December)



Source: Eurostat

SHEEP

SHEEP

EU+UK Supply

Situation	Outlook
Neutral	Neutral

- Outlook is for stable indigenous EU supply.
- World demand, driven mostly by China, is absorbing more of NZ & Australia output.
- Further augmented by large correction in UK production, lowering supplies on EU market.
- With stable EU production, EU sheep meat market face global & domestic supply shortages.
- Continuing trade friction between UK & EU has put volumes under pressure. UK sheep meat exports to EU, have declined a quarter year on year.
- Year to date EU lamb imports are expected to be 25% lower compared to 2020, almost entirely driven by lower imports from NZ & Australia.

EU+UK Demand

Situation	Outlook
Neutral	Neutral

- EU sheep meat demand is stable, so that lower supplies is reflected in higher prices.
- EU sheep meat exports are heavily affected by the trade relation with UK.
- High UK domestic prices, are reducing British lamb price competitiveness in EU and has put volumes under pressure.
- Overall for 2021 year, a decline of circa 5% in EU exports is expected.

Lamb Prices

Situation	Outlook
Positive	Positive

- Heavy lamb prices in the EU for the year to date are 16% higher than in 2020, and for the year as a whole are forecast to remain ahead of 2020 prices.
- Irish prices for the year to date are almost 30% higher than in 2020, remaining well above the 5 year average price (2016-2020).
- With the seasonal reduction in lamb prices underway following the Eid festival, lamb prices for 2021 as a whole, are forecast to average approximately 25% higher than in 2020.

Irish Production

Situation	Outlook
Negative	Positive

- For the period January to May 2021, total sheep slaughter is almost 9% lower when compared with corresponding period in 2020 at sheep export premises.
- Total sheep throughput in Ireland, for the year January to May, is just over 1.30m, while on tonnage basis (cwe) this equates to 27.5 up to June, down 11% on corresponding period for 2021.
- Below par grass growing conditions has been another negative contributing factor.

Input Costs

Situation	Outlook
Negative	Negative

- Direct costs of production on Irish sheep farms are dominated by concentrate, pasture and forage costs.
- Owing to weather impacts on grazing conditions and below average grass growth, use of feed is expected to be well ahead of 2020 levels.
- For the year to date, fertiliser, feed and fuel prices have been higher than in 2020.
- Overall, the large increase in fuel prices, fertiliser prices and feed price coupled with feed use increase, is expected to lead to an 8% increase in total costs of production for 2021.

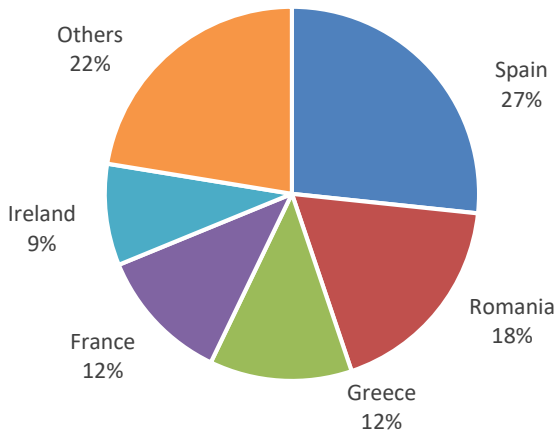
Farm Income

Situation	Outlook
Positive	Positive

- 2021 margins earned from sheep production are forecast to increase compared to 2020, due mainly to higher sheep and lamb prices.
- Direct costs of production on sheep farms are expected to be much higher in 2021.
- In 2021, the net margin from mid-season lamb production is forecast to almost double to circa €315 per hectare.
- The average gross margin per hectare is forecast to increase by over one third to €825/ha.
- Incomes on sheep farms are set to increase by more than 40% in 2021, due to growth in output value, more than offsetting higher total costs of production.

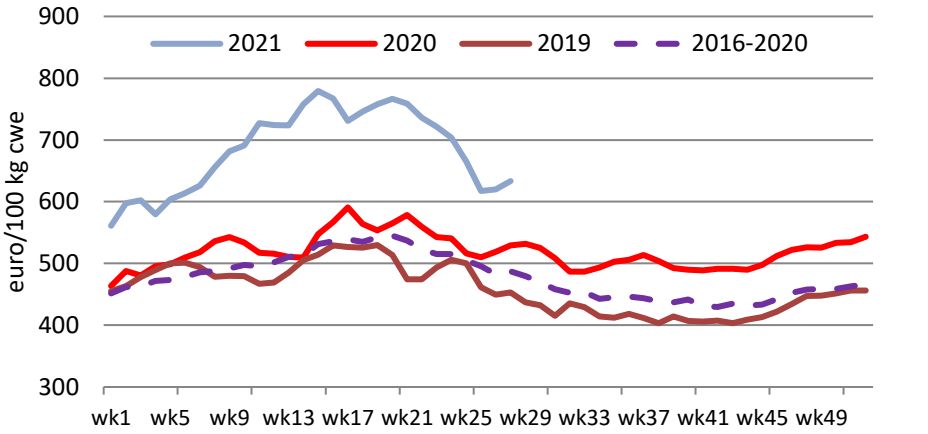
SHEEP

Figure 25: EU Sheep Meat producers ('000's slaughtered heads)



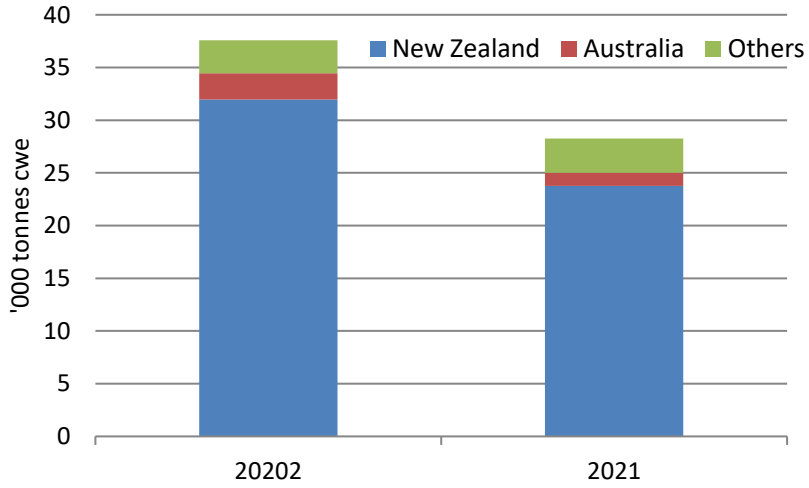
Source: Eurostat

Figure 26: Weekly Irish Lamb Prices 2021, 2020, 2019 and average 2016-2020



Source: DG Agriculture and Rural Development

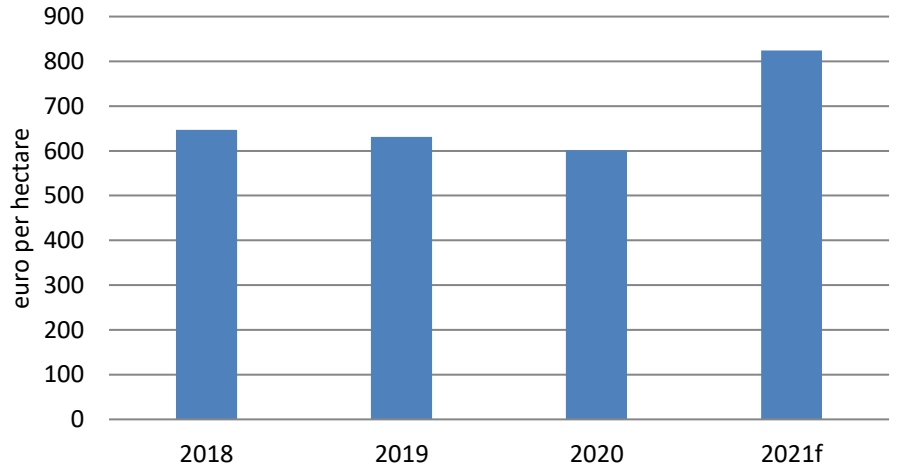
Figure 27: EU Sheep & Goat meat imports* (January – May) 2020 and 2021



Source: DG Agriculture and Rural Development

*EU imports shown with UK included

Figure 28: Mid-Season Lowland Lamb Gross Margin per hectare 2018-2020 & Forecast 2021



Source: Teagasc NFS 2018-2020 and Author forecast for 2021

TILLAGE

TILLAGE

Wheat Market

Situation	Outlook
Positive	?

- EU soft wheat production in 2021/2022 is expected to be about 133.3Mt, with a 14.2 Mt year-on-year harvest increase.
- World soft wheat production in 2021/22 is expected to be 730.4 Mt, up 24 Mt on 2020/21.
- World demand for human, industrial and feed purposes is expected to increase by 24.9 Mt year on year.
- World ending stocks are expected to be up by 6.2 Mt in 2021/22 compared to 2020/21. However, stocks are expected to remain low in the main export regions.
- The ending stocks to use ratio on the international balance sheet is forecast to be down slightly to 32.2%.

Barley Market

Situation	Outlook
Positive	?

- Aggregate EU barley production is set to decrease by about .4Mt in 2021.
- World barley supply is forecast at 153 Mt, which is down from 159.9 Mt in 2020/21.
- World demand is expected to be down slightly this year, with this year's demand estimated at 154.2 Mt.
- World ending stocks are forecast to be approx. 20.6 Mt in 2021/22, down from 21.7 Mt in 2020/21.
- The stock to use ratio of world barley is projected to be 13.3%, in 2021/22, which is down slightly from 13.5% in 2020/21.
- The EU balance sheet for 2021/22 is showing a decrease in the production of barley and a slight increase in stocks to use ratio as a result.

Prices

Situation	Outlook
Positive	?

- Wheat: signals at present indicate an increase in harvest price in 2021 relative to 2020.
- Barley: signals at present also an increase in harvest price for barley this year compared to last year.
- July MATIFF futures indicate an increase in 2021 harvest prices for wheat.
- On account green harvest winter barley prices in the Irish market quoted in mid July 2021 are 15-20% higher than 2020 harvest prices.
- Demand for straw appears to be strong, despite higher overall straw yields in 2021. With uptake high on the newly introduced straw incorporation scheme, straw prices appear to be holding firm.

Irish Production

Situation	Outlook
Positive	?

- Based on provisional figures from DAFM the cereal area in 2021 has increased by 3.4% (approx.. 9,000 ha).
- 2021 has also witnessed a return to normal winter cereal area following the difficult autumn of 2019. DAFM provisional figures indicate that winter cereal area for harvest 2021 increased by 42,318ha, while spring barley reduced by 24,999ha from 2020.
- It is too early to accurately forecast Irish yields for 2021, but early indications are that cereal crop yields will be significantly higher than in 2020.
- First estimates of total Irish cereal tonnage in 2021 are up by over 15% on 2020 levels.

Input Costs

Situation	Outlook
Negative	Negative

- In 2021, there has been an increase in total direct costs, on a per hectare basis. Fertiliser prices are estimated to have increased by about 9%, seed prices up by 3% and fuel up over 10% for the year to date.
- The increase in the area of winter crops is expected to contribute to a further increase in total farm direct costs.
- The upward movement in energy prices should mean an increase in 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 2021 will be up about 10% compared to 2020.

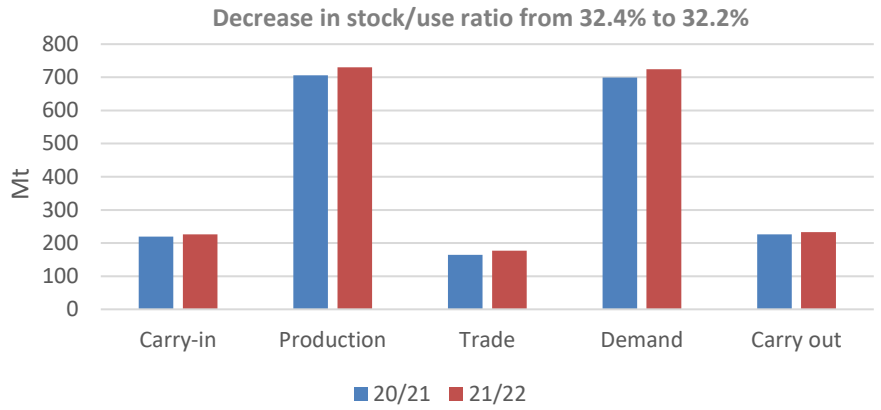
Farm Income

Situation	Outlook
Positive	?

- With higher output prices for wheat and barley, coupled with significant increases in yields for the main cereal crops, Irish cereal output value is forecast to be up in 2021.
- The straw incorporation scheme will further boost output value on specialist tillage farms.
- Overall costs in 2021 are forecast to increase. However, the forecast increase in costs is not expected to be enough to negate the increase in output value.
- Average income on tillage farms in 2021 is expected to be in excess of €40,000.
- However, much uncertainty still surrounds the full yield potential of all crops at this stage of the harvest.

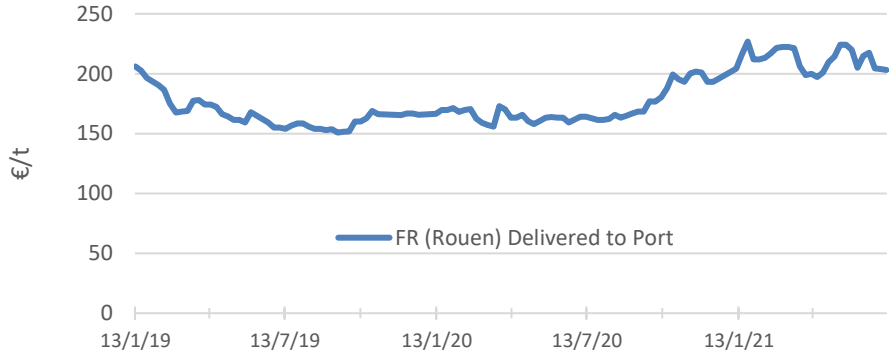
TILLAGE

Figure 29: World Soft Wheat Balance Sheet (Mt)



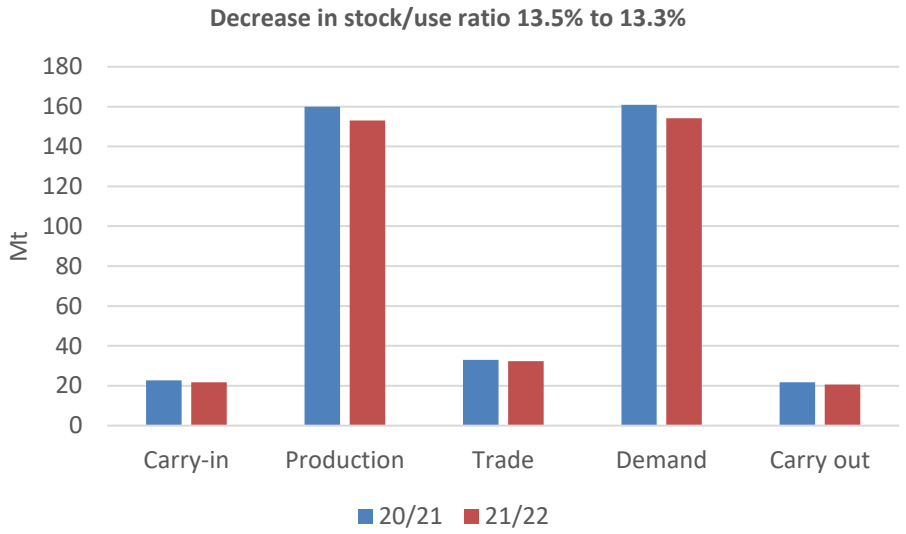
Source: Strategie Grains

Figure 30:– EU Market prices for feed barely July 2013 – July 2021 (€ per tonne)



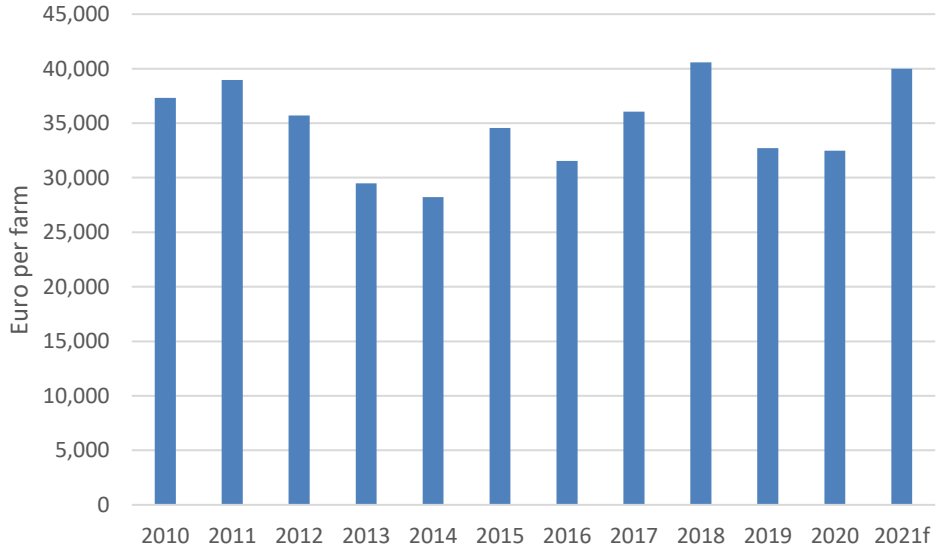
Source: European Commission, cereals statistics

Figure 31: World Barley Balance Sheet (Mt)



Source: Strategie Grains

Figure 32: Average Irish Tillage Farm Income (2010-2021f)



Source: Teagasc, National Farm Survey 2010-2020 and Author estimate 2021.