Costs a concern for 2022

After a good year in 2021, beef farmers will need to plan their use of slurry and fertiliser carefully.

Aidan Murray
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Say it quietly, but 2021 was a good year on cattle farms. Beef price began to rise in spring and like the tide that raises all ships, weanling and store prices followed and have remained buoyant.

This was borne out at a Teagasc outlook and review webinar, which showed that steers, weanling and store prices increased by 12%, 8% and 9% respectively. So, all good on the output side.

In order to generate output, you require inputs, and they too have increased on average across all cattle systems by about 8% in 2021.

In the diagram below, we can see that on cattle finishing farms, expenditure went up by 9%, with energy costs, feed and fertiliser the main drivers. This reflects their increased prices in the second half of 2021.

The big question being asked is what way are inputs prices likely to be in 2022?

Predictions are that input costs will increase again in 2022 on 2021 prices. Big movers are fertiliser, energy and fuel and feed, with other smaller increases anticipated in other direct and overhead costs.

Feed costs are estimated to increase by 10% and from talking to merchants, it is likely to be at least that. Barley being sold at €300/t today to farmers can only be bought at that price now by merchants.

Adding processing, haulage and margin on this could see barley rise by a further €40-45/t. Maize is currently costing €293, so may well go to nearer €325/t. Soya hulls have risen by close to €100/t in little over a year.

Donegal beef farmers Johnny and Curtis Weir.

The level of uncertainty means that many farmers are finding it difficult to fix prices for more than a two month period.

Fertiliser prices are the other input which will see the biggest potential price rise. Although there is a lot of talk of supply being a problem, ultimately price will be the bigger issue.

Some people have already forward bought some of next year's requirement, while others are taking more of a 'wait and see' approach. Indications at present suggest that we are facing into high prices for the first six months of the year, after which we may see some easing.

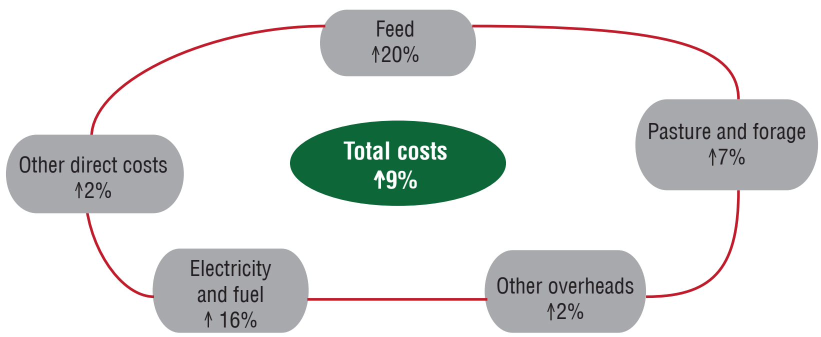
The production of nitrogen is heavily reliant on natural gas as an energy source. The price of natural gas has seen seen a five-fold increase on wholesale markets.

The Dutch natural gas price is really the benchmark for gas prices in Europe and we have seen it go from €17.89/megawatt hour (MWH) in January 2021 to €89.93/MWH on 6 December 2021. The quoted price in December is what will stand in January 2022.

The projected increase in energy and fuel costs will mainly impact electricity and contractor/machinery running costs. There was some fear in the oil industry that the Omicron variant would impact global demand, but those fears have been allayed somewhat by recent medical reports and the future price in February 2022 has risen to $75.50/barrel. The oil price will remain volatile.

With what is coming down the tracks regarding costs, a rethink will be needed at farm level as to how

Expenditure change in 2021.



Silage fields should be prioritised to ensure there is sufficient available for winter 2022/23.

best to mitigate the effect, because the value of output, in our case beef and weanlings/store cattle prices, is unlikely to cover the increase.

As the line graph shows, steer beef prices rose by 12% in 2021, which also resulted in higher weanling and store prices. It is likely that we will have slaughtered around 1.69m cattle in 2021, down from 1.79m in 2020.

Certainly, predictions suggest that we will see an increase in cattle supply in 2022 spread across the year. Slaughter numbers are forecast to be around 1.76m for 2022.

Bord Bia has predicted that prime cattle supplies for 2022 will rise by about 50,000 head over the 2021 figure and cull cow numbers will increase by around 11,000 head.

Predictions also suggest that cattle supplies in the UK will be similar to 2021 levels, while production across Europe will be down this year.

With increased shipping costs, imports into Europe will also be back in 2022, which may help keep a floor on prices here, certainly for the first half of the year.

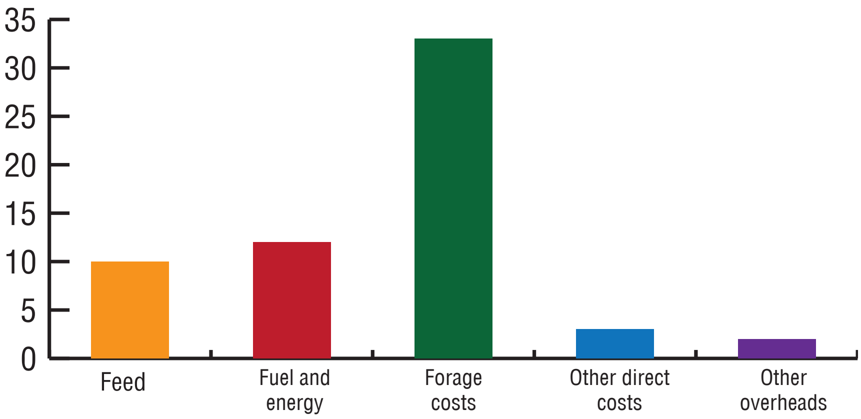
In a nutshell, it looks as though prices will stay firm, but the increase in costs will leave us with less money in our pockets.

Exposure to increased costs will vary

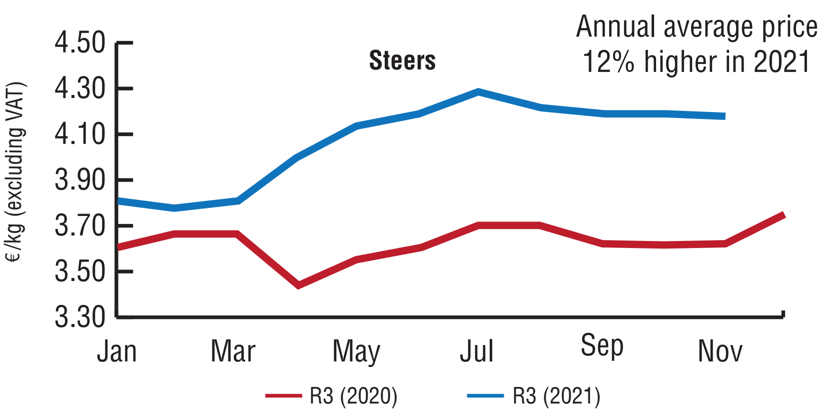
The level of exposure to these increased costs will depend on your level of intensity and farming system.

As the two pie charts on the next page show, you have the variable costs of a suckler-to-weanling store system versus those of a calf-to-beef system. Total variable costs for the calf-to-

Predicted percentage rise in income costs 2022.



Irish beef prices are higher in 2021.



Source: European Commission and DAFM

Johnny Weir, Aidan Murray and Curtis Weir.

How Donegal cattle finisher Johnny Weir will tackle challenges of 2022

"Our farm is limed and soil tested regularly, so soil P and K indices and pH are good. We may look to reduce P and K rates to just a maintenance level on high index fields on the grazing ground in 2022," says Johnny.

He has recently fitted his slurry tanker with a dribble bar to get more value from slurry.

"Silage ground will be prioritised for slurry application," he adds.

"To reduce grass demand on grazing land, we will aim to finish more cattle out of the shed in the spring. Top priority will be to get silage in and have the pits full going into the summer."

beef system are €1,070/ha compared to €508/ha on the suckler system.

The higher costs on the calf-to-beef system reflect a much higher output and stocking rate than the suckler system, but their exposure to increased costs in 2022 is also higher.

Meal feeding and fertiliser costs on the calf-to-beef system account for 66.8% of total costs, compared to 47.8% on the suckler-to-weanling system.

It is important to realise that, irrespective of your farming system and level of intensity, a plan of how to tackle the input cost issue will be needed and burying your head in the sand is not a solution.

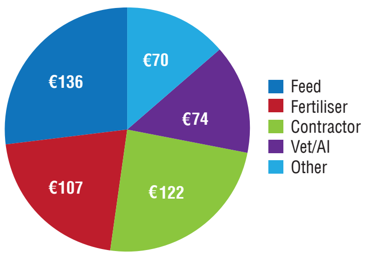
You will read a lot about this issue in the agricultural press in the next few months and a number of options will be put forward, some of which will be applicable to you and others which will not be. Advice around soil fertility and using lime to correct soil pH to make nutrients available will be applicable to most.

Better use of slurry in terms of timing and application method will help cut fertiliser requirements. Applying fertiliser at times which will maximise response is crucial.

Some cattle that can be finished out of the shed in the first half of the year will reduce the demand at grass rather than turning them out. Empty cows should be moved on. Some people will opt to buy silage stocks to save their own supply, so that less silage will have to be cut. Some may opt to keep less stock.

I think it is vitally important that we look at the bigger picture. We need to prioritise our requirement for feed next winter by conserving sufficient silage this year, otherwise we will just be pushing the problem down the road.

Suckling to weaning/store variable costs per hectare 2020.



Calf to beef variable costs per hectare 2020.