



**AGRICULTURE AND FOOD DEVELOPMENT AUTHORITY**



# Review and Outlook Inputs and Crops



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**Outlook 2022 Conference  
Webinar December 13<sup>th</sup>, 2022**

# Overview

## ■ 2022 Inputs and Crops

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



## ■ 2023 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



An open notebook with lined pages is shown. A pair of black-rimmed glasses rests on the left page. A silver and black pen lies on the right page. A blue rectangular overlay is positioned on the left page, containing a 3D graphic of the year 2022. The '20' is on a flat white block, while the '22' is on a white block with a 3D effect, showing the numbers '21' on its side.

2022

# Inputs 2022 (Price > volume change)



## Fertiliser

### Price

+ 155 / +195 %

### Volume

-14/26/24% NPK  
in aggregate



## Fuel

### Price

+80% green  
+40% white  
farm gate



## Electricity

### Price

+ 44%



## Feed

### Price

+ 28%

### Volume

+ 3% in  
aggregate



## Total Costs



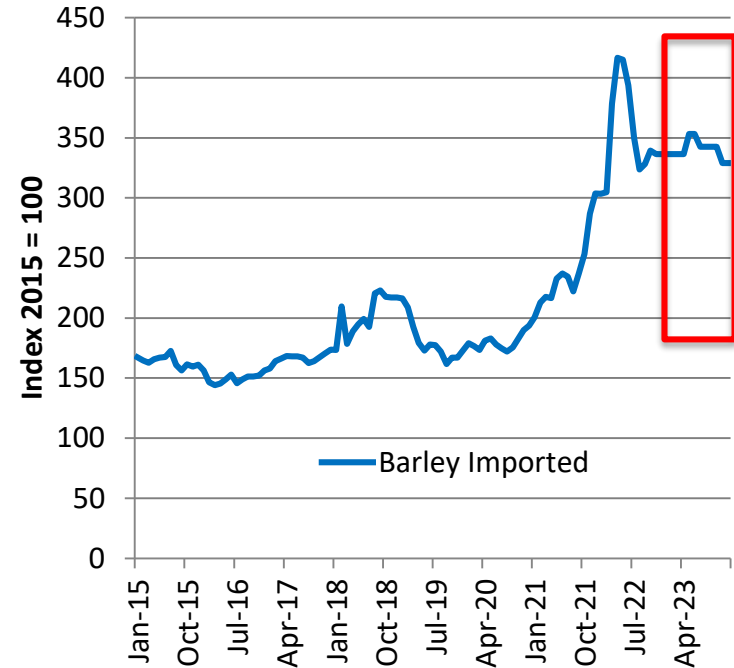
Sector specific





# 2023 Input Story: Mixed input price story

Feed: More price increases on top of 2022



## ■ Feed price is a tale of two halves

- » Increase in H1 2023 compared to same period of 2022
  - 'Hangover' from 2022 harvest price increases
- » Decrease in H2 2023 compared to same period of 2022
  - Still much production uncertainties
- **10 percent increase for the year**
  - Remember it is an annual average price

## ■ Feed volume: No change

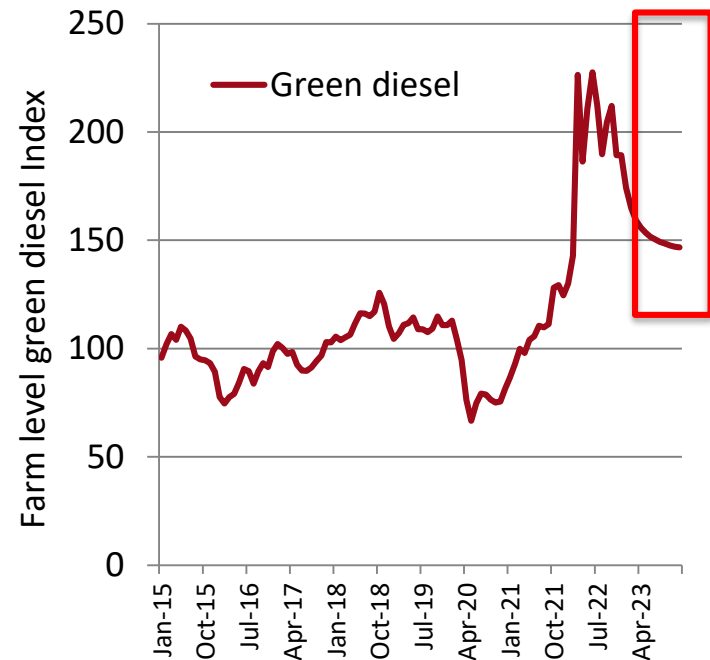
- » Due to feed price story

Source: CSO and Author's estimates



# 2023 Input Story: Mixed Input Price Story

Fuel: Price decreases in 2023 for the full year



- **Fuel: price decreases in 2023 for the year as a whole**

- Brent crude oil 13% decrease in Euro terms

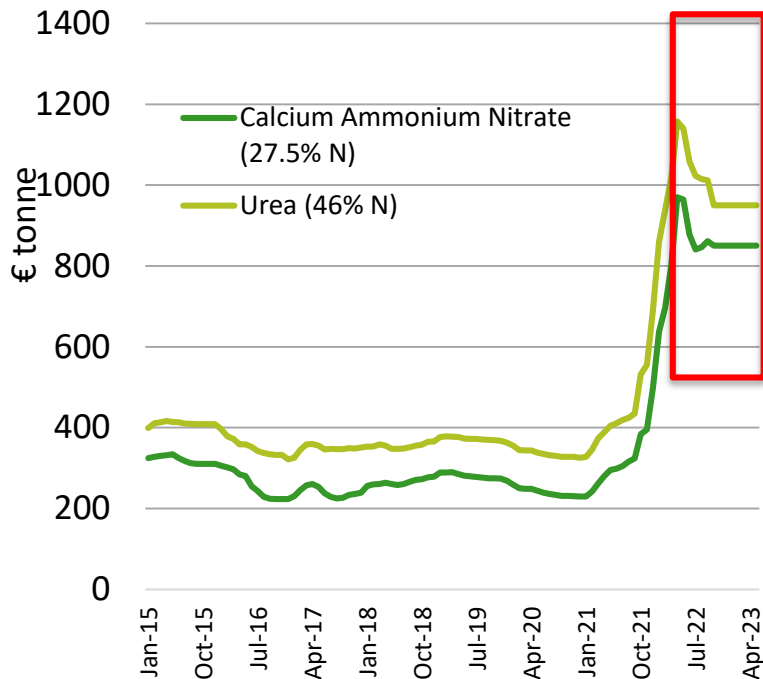
- **Account for price transmission at the farm level**

- » Green diesel 18% decrease in 2023 at farm level
- » Motor fuel index 14% decrease in 2023 at farm level
- » Sector specific price decreases take usage into account

Source: CSO and author's estimates

# 2023 Input Story: Mixed Input Price Story

Fertiliser: Much uncertainty, but much less inflation in fertiliser price, if any, in 2023



## Prices for N appear to have reached their peak

- Reflecting fuel price changes
- Remember fertiliser purchasing patterns
- Assumption: no price declines until after first cut silage

## Nitrogen based products for grassland

- Urea prices unchanged in 2023 v. 2022, annual average

## Nitrogen and compounds on tillage land

- Timing of purchase is important
- P and K, less volatile than N
- Overall, likely +10% in 2023

Source: CSO and authors' estimates

# Inputs 2023 (Much less price pressure)



## Fertiliser

### Price

No change on  
Urea

### Volume

No change



## Fuel

### Price

↓  
- 14 to 18 %  
at farm gate



## Electricity

### Price

↑  
Plus 30%



## Feed

### Price

↑  
+ 10%

### Volume

No change



## Total Costs

↑  
Single digit  
but sector  
specific

# From Inputs Summary to....Crops

- **Inputs summary**

- For 2023 much smaller price changes overall
  - Remember – annual average
- Downward pressure on
  - Fuel and perhaps fertiliser as the year progresses??
- Still upward pressure on prices
  - Feed, seed and crop protection

- **Implications**

- Sector specific story in inputs for 2023

- **Begin with margin story for crops**

- Given the importance of feed for other sectors



# Crops Review and Outlook



# 2022 –Positive Income Story for Cereals



In general, increase  
in crop yield per  
hectare



Approx. 55%  
increase  
in direct costs



Winter cereal area  
increase



34% increase in gross  
margin



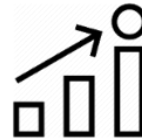
4% increase cereal  
production



Approx. €235 per ha  
increase in cereal net  
margins



Over 40 % increase  
in cereal prices

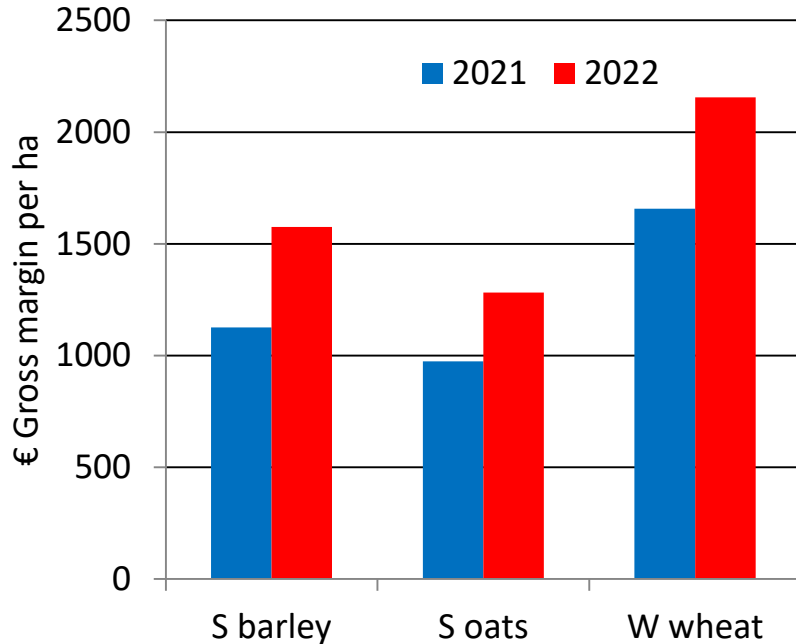


90 % of cereal farmers  
earn positive net margin



# 2022 – A Positive News Story for Cereals

Average 34% increase in gross margins for cereal crops in 2022

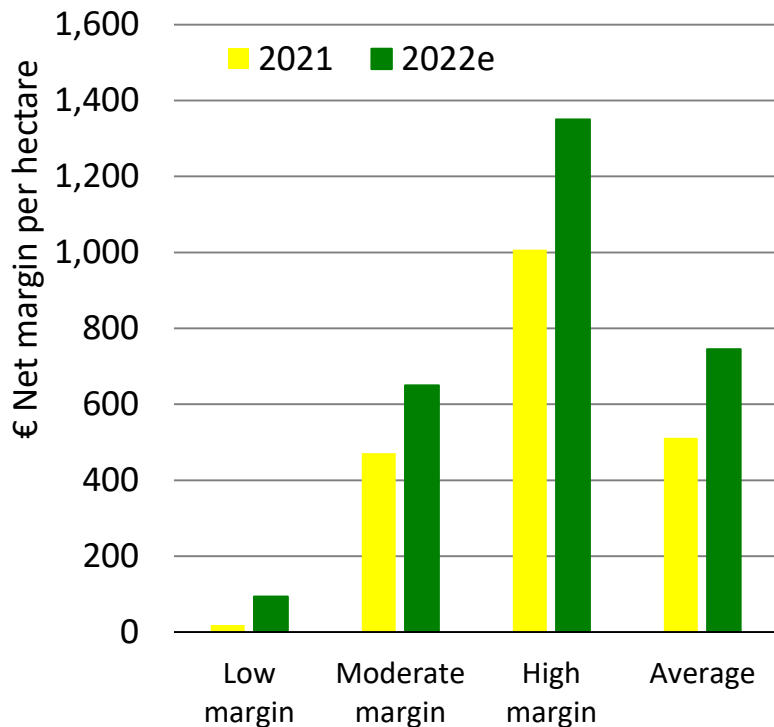


- Increase in yield, price, moisture bonuses, and Straw Incorporation Measure (SIM)
- Remember 2021 margins were extremely high
  - Spring barley: Up €450 per hectare
  - Winter barley: Up €235 per hectare
  - Winter wheat: Up €500 per hectare
  - Variability around margins



# 2022 – A Positive News Story for Cereals

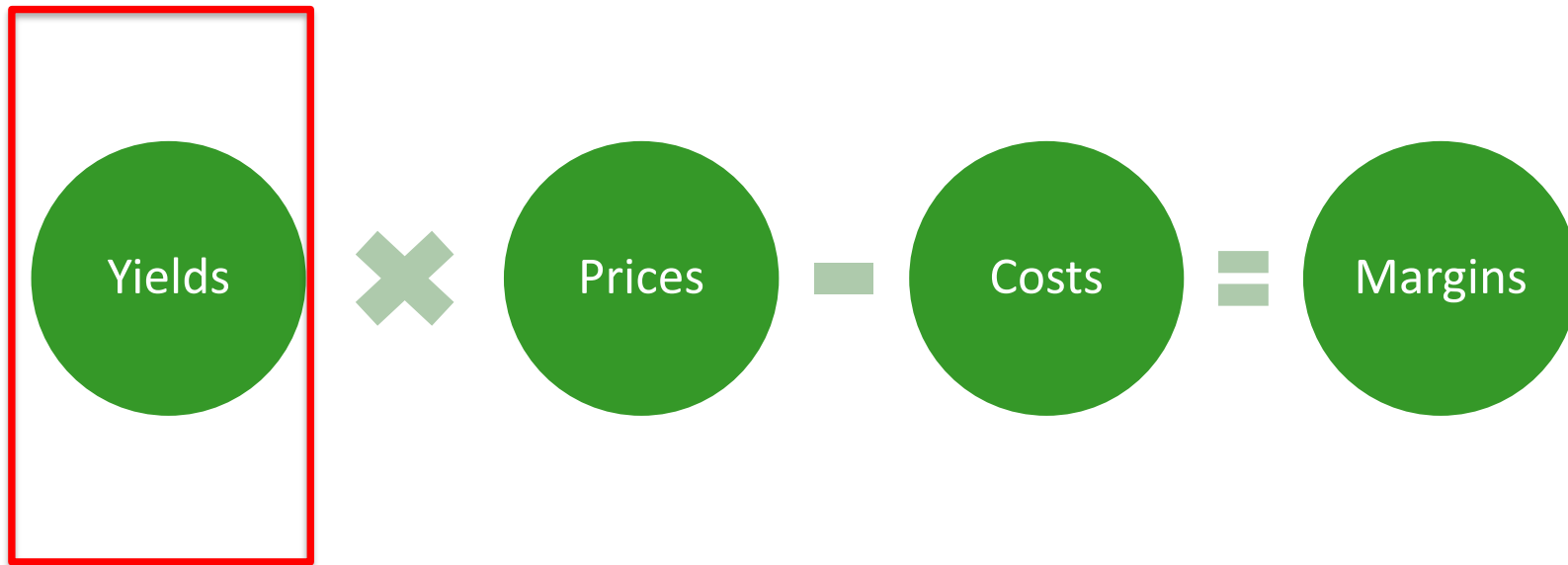
€235 per hectare increase in net margin in 2022



- **Average cereal based enterprise on specialist tillage farms**
  - Net margin
  - SIM taken account of in FFI
- **90% earn a positive net margin in 2022**
  - Average = €745 per ha.
  - High margin farms = €1350 per ha.
  - Low margin farms = €95 per ha.



# 2023 – The Calculations





# 2023 Production To Increase Very Slightly

Very slight increase in EU production potential in 2023 forecast

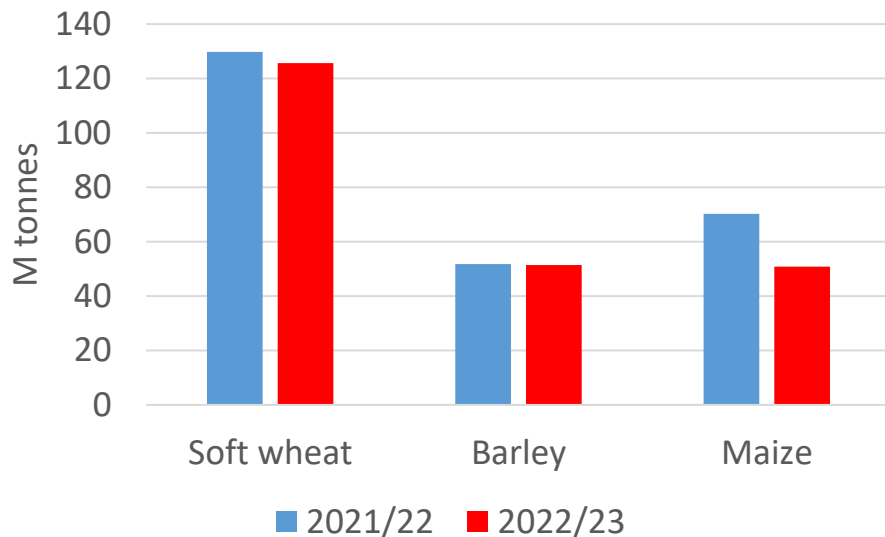
## ■ Decrease EU production in 2022

- 10% decrease EU, wheat, barley and maize production
- Much uncertainty regarding Ukraine stocks
- Increase in wheat and barley prices (2022)
- But also decrease in demand for wheat and maize
- Leaving some increase stock/use ratios internationally

## ■ Will '22 global harvest be replicated in '23?

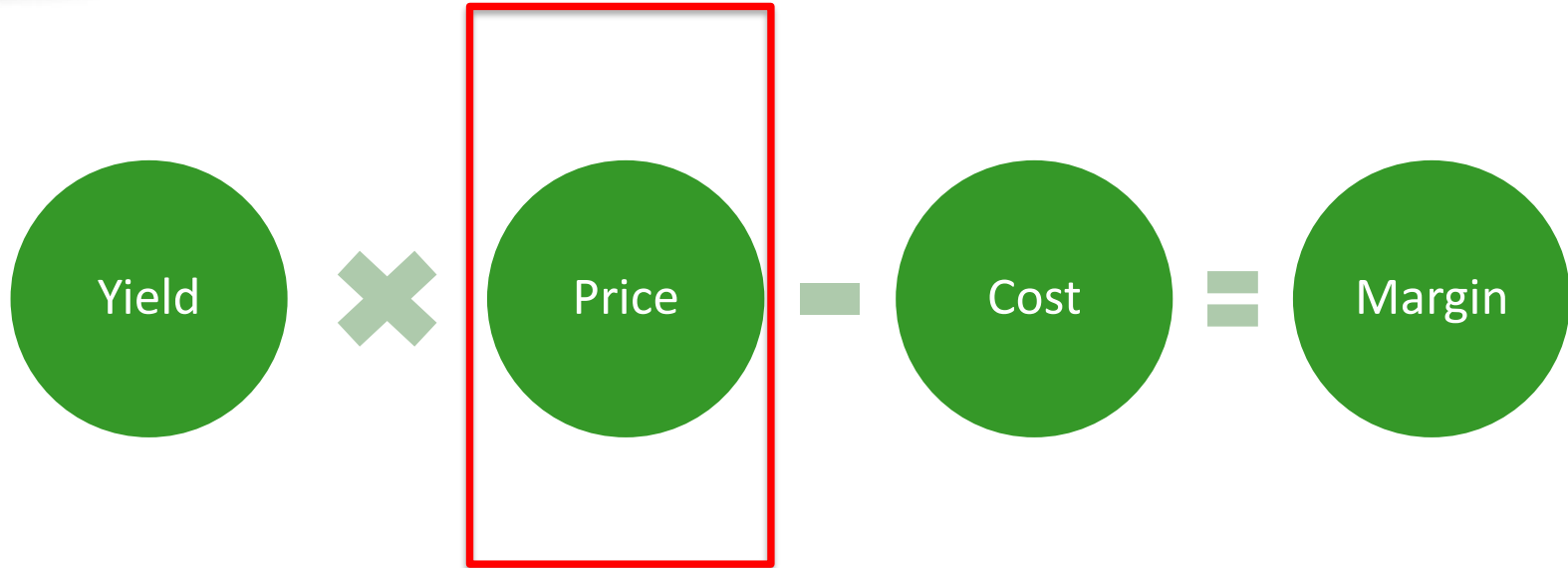
- Return to trend yield in 2023
  - » Higher EU yield potential
  - » Lower Irish yield potential

Actual and Estimated EU Production  
2021/22 and 2022/23

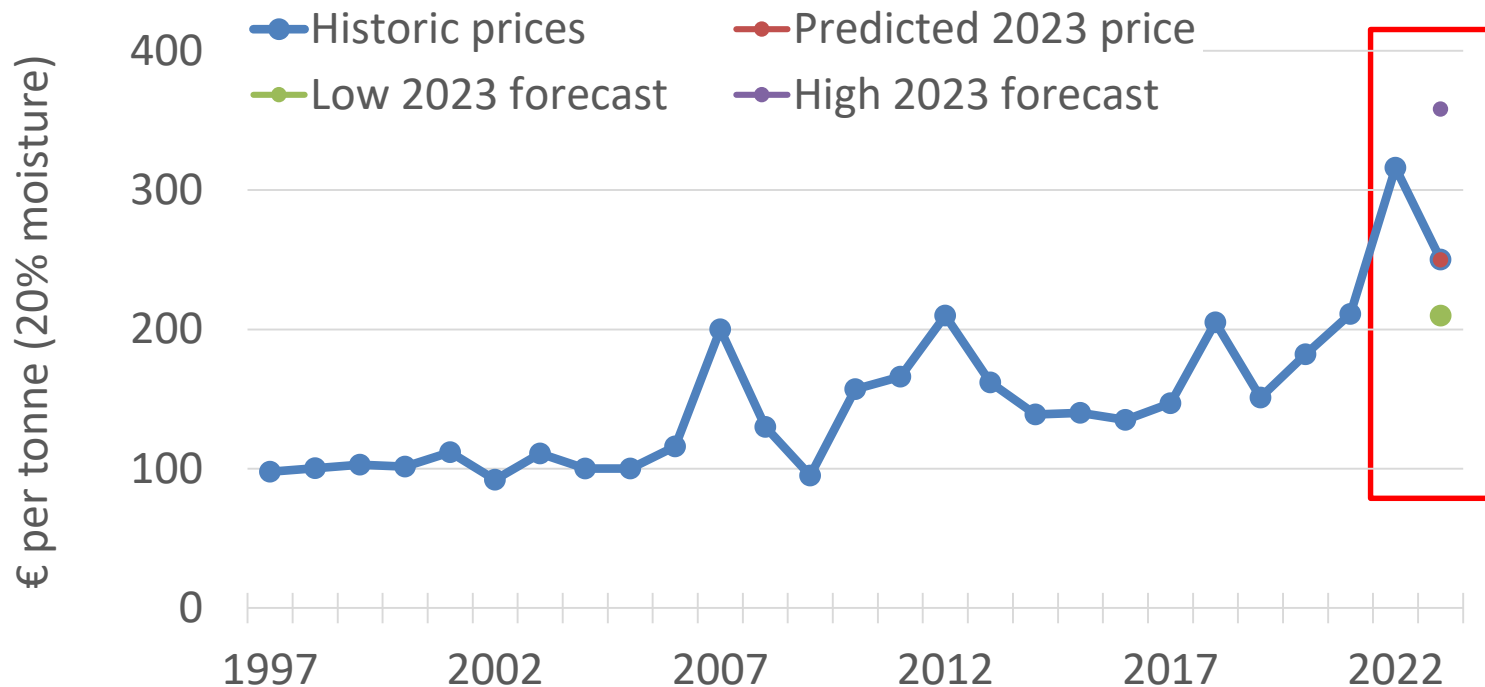


Source: Strategie Grains, November 2022

# 2023 – The Calculations

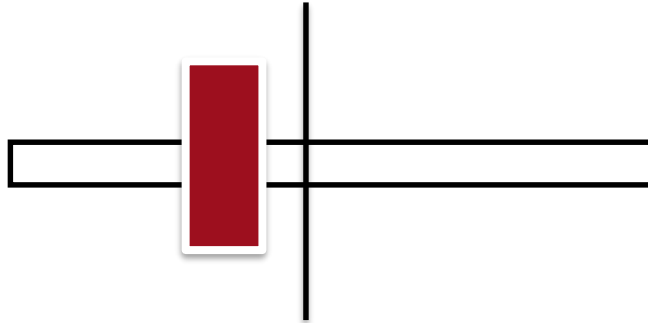


# 2023 Futures Wheat Harvest Price to Decrease (by 20%)



Source: Authors' own estimates and forecasts

# 2023 Futures Harvest Price to Decrease



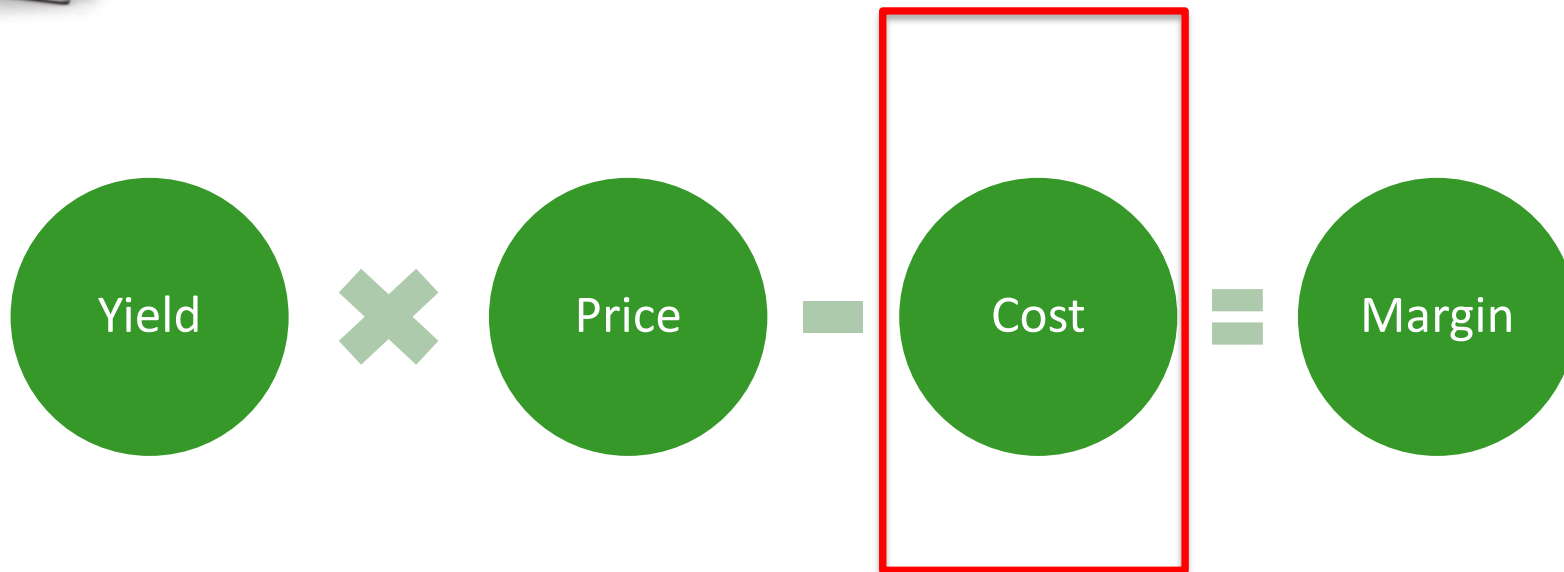
*'EU trend yields'  
'Grain quality and moisture'  
'Market fundamentals more in balance'  
'Less panic buying'*

Negative -20%

*'Virtually no change in winter cereal area'  
'Supply chain difficulties'  
'La Nina weather'*

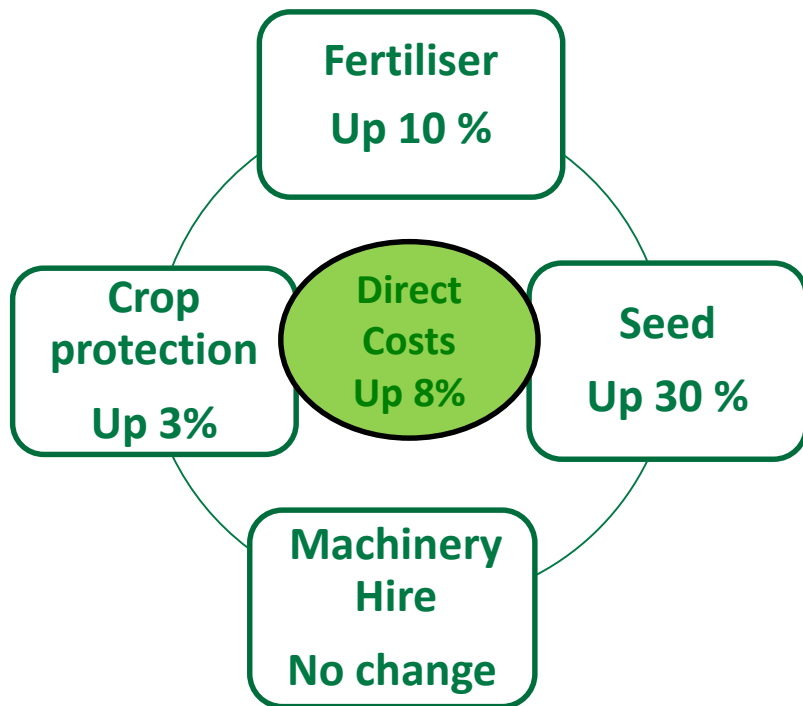


# 2023 – The Calculations

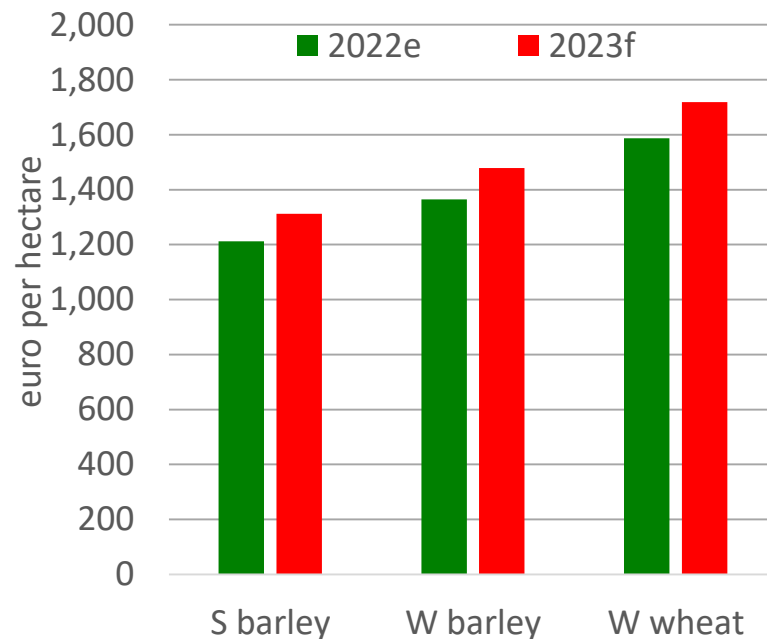


# Overall increase in direct costs in 2023

2023 direct costs per hectare



2023 direct costs per hectare



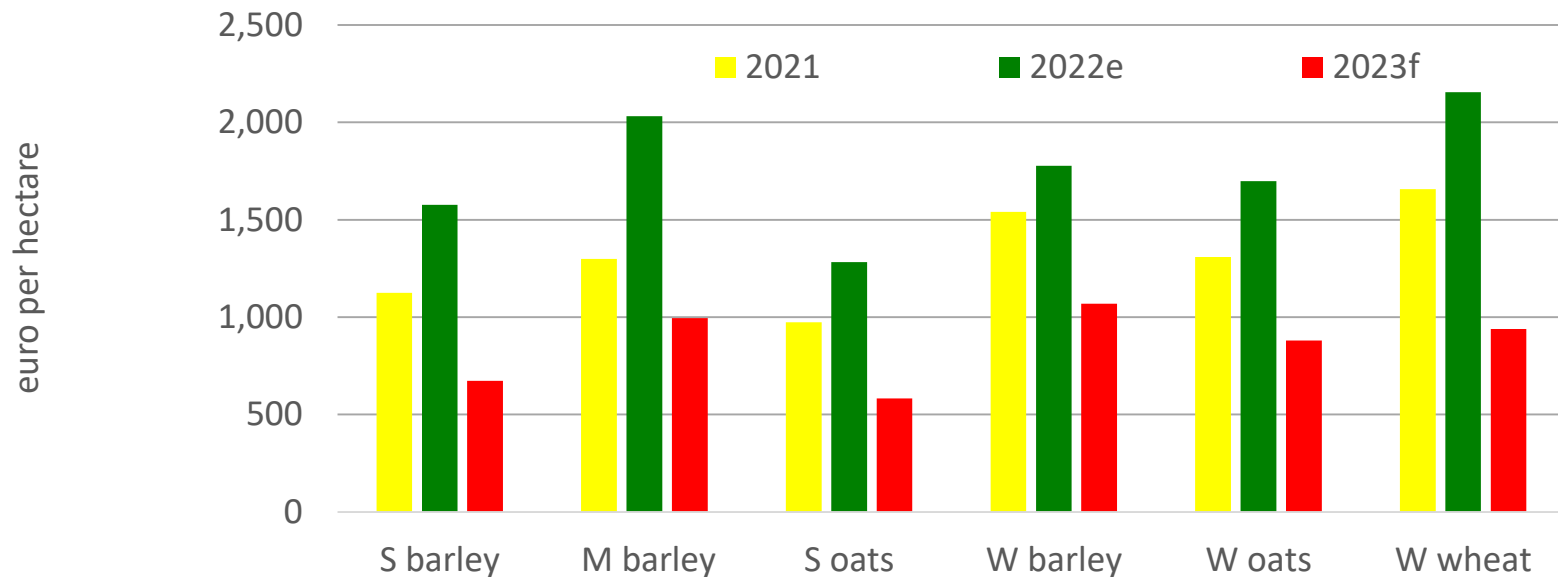
Source: Authors' estimate for 2022 and forecast for 2023

# 2023 – The Calculations



# Decrease in 2023 Gross Margins

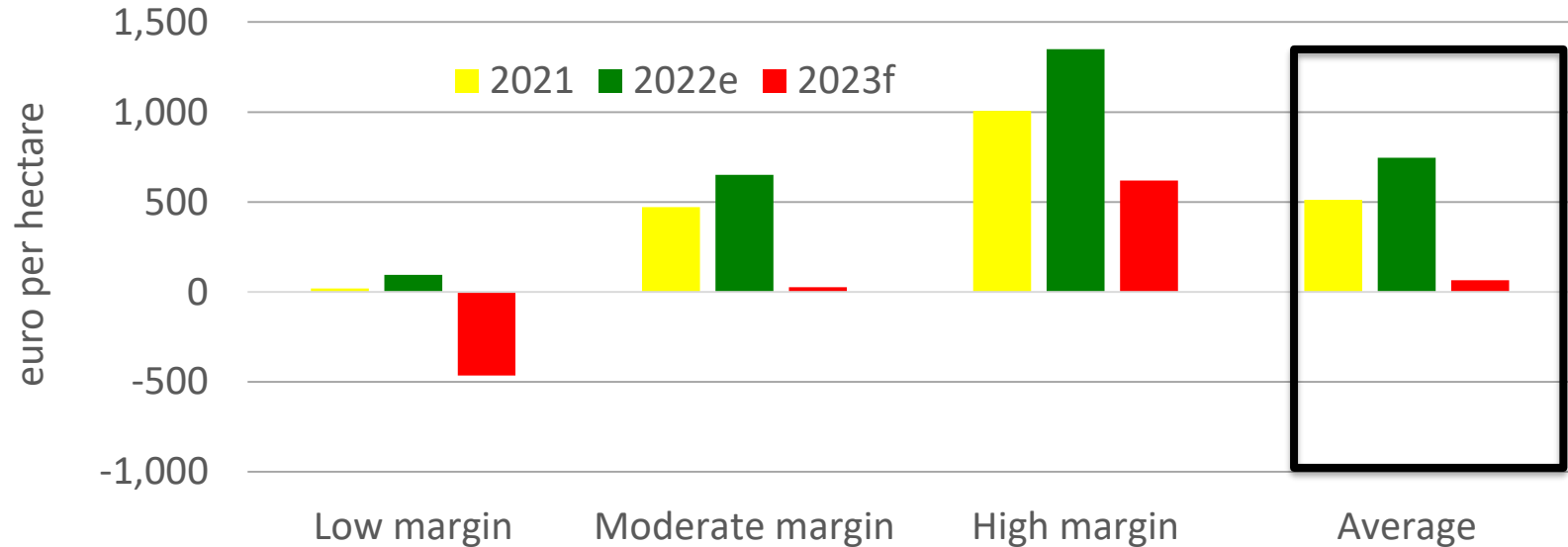
**Gross margin per hectare to decrease by €900 for spring barley and €1215 for winter wheat and €700 for winter barley**



Source: Authors' estimate for 2022 and forecast for 2023

# Decrease in 2023 Net Margins

**Net margin per hectare forecast to decrease by over €350 per hectare**



Source: Authors' estimate for 2022 and forecast for 2023

# Summary of 2023 Crops Forecast

## ■ Forecast 2023

- Prices
  - Probability that price will decrease at harvest 2023 by approx. 20%
  - Much uncertainties about 2023 price at present
- Reversion to trend yields – decrease in Irish yields
- Direct costs to increase by on average 8%
- Overall decrease in gross and net margins in 2023
- Average net margin for cereal enterprise €65 in 2023
- Average cereal based net margin will be negative on 50% of specialist tillage farms

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