SITUATION AND OUTLOOK
For Irish Agriculture
September 2022

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Contents - Situation and Outlook for Irish Agriculture (September 2022)

Acknowledgement

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The authors wish to express their thanks to all who contribute to the National Farm Survey, particularly the farmers who participate voluntarily and the Central Statistics Office who select the sample and provide the population weights.

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, P. Harnett, P. Healy, G. Kenny, P. Madden, J. McConnon,, K. McNamara, M. Nicholson, J. Robinson, D. Schilder, J. Teehan, J. Brennan, T. Doyle, M. Murphy, S. Hegarty and to M. Clarke for the administration of the survey.

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INTRODUCTION

In December 2021 Teagasc published its annual Situation and Outlook for 2022. The Russian Federation's illegal invasion of Ukraine in February 2022, set in train a range of inflationary effects and required a revision of the agricultural outlook for 2022, which was then published in April.

The war continues to have significant economic consequences globally, with Europe being one of the regions most affected.

Ukraine is a major grains and oilseeds exporter. Similarly, Russia has a significant presence in grain and oilseed export markets. The reduced supply of grains and oilseeds on world markets has led to a sharp increase in international grain and oilseed prices.

Fossil fuel prices have also risen sharply, while fertiliser prices, which were already on the rise, have now reached levels never previously experienced.

In agriculture, production costs have increased substantially in 2022. However, output prices have also increased to varying degrees across commodity markets.

This outlook assesses the situation for 2022 as a whole based on data available at the end of August 2022. It should be noted that important changes in the level of input use that have occurred are more difficult to determine accurately since some quantity data is not reported as frequently as price data. Therefore some assumptions have had to be made about the volume of input use in particular systems.

In this publication the likely outcome for 2022 is summarised. For each commodity sector, an assessment of production, consumption, output price, input market price developments and income is made with each given either a positive, neutral or negative ranking in terms of situation and outlook.

This exercise is carried out in respect of the current Situation, representing the first half of 2022, and the Outlook representing the second half of 2022. The categorisation is performed with respect to the farmer's perspective on the impact of market price, supply and demand developments on farm profitability.

Examples of **positive** developments would include:

- A rise in output prices
- A fall in input prices
- A decrease in international supply
- An increase in international demand
- Favourable weather conditions
- A weaker domestic exchange rate

Conversely, examples of **negative** developments would include:

- A fall in output prices
- A rise in input prices
- An increase in international supply
- A decrease in international demand
- Poor weather conditions
- A stronger domestic exchange rate

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

Finally, where it is too early to make an informed judgement, or there is insufficient data, such instances are represented by a question mark.

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Inflation

The rate of inflation has increased sharply in 2022, with inflation approaching double digit levels last seen in Ireland in the 1980s.

Inflation erodes the value of money. A euro today cannot buy the same volume of goods or services as it would have 12 month ago.

All monetary amounts mentioned in this text are in nominal terms and therefore this does not take account of the impact of inflation on the purchasing power of incomes.

Where incomes increase by less than the rate of inflation those incomes have fallen in real terms.

GLOBAL ECONOMY

MACRO ECONOMY and EXCHANGE RATES

Inflation is now a major issue globally, fuelled in part by strong post COVID demand and more recently by the surge in a wide range of commodity prices driven by the increase in energy prices. Europe and the US are experiencing rates of inflation last seen in the 1980s. Interest rates have been rising across the US, EU and UK to dampen inflation.

The weakness of the Euro against the US dollar has also contributed to the increase in inflation in Europe. The US dollar has continued to strengthen against the Euro and Sterling, due to the lower growth prospects in Europe in light of Russia's illegal invasion of Ukraine.

The Euro has reached parity with the US dollar in Q3 of 2022, representing the Euro's lowest value against the US dollar since the currency came into being over 20 years ago.

Economic growth prospects internationally are being revised downward, with expectations that a global recession is now imminent.

The Economic and Social Research Institute (ESRI) continues to revise downwards the short-term growth outlook for the Irish economy. However, the ESRI notes that economic growth in Ireland should still remain positive, with modified domestic demand (MDD) forecast to increase by 5.0% in 2022 and by 4.5% in 2023.

The ESRI also notes that the conflict has fuelled higher inflation, which is now forecast to average 7.1% in Ireland in 2022 and 5% in 2023.

The unemployment rate in Ireland is forecast by the ESRI to continue to fall to 6.0% in 2022 and 4.8% in 2023 and it notes that due to the tightening labour market there is a continuing risk of upward pressure on wages.

Overall, Ireland's economic prospects still remain favourable in spite of the sharp increase in price inflation.

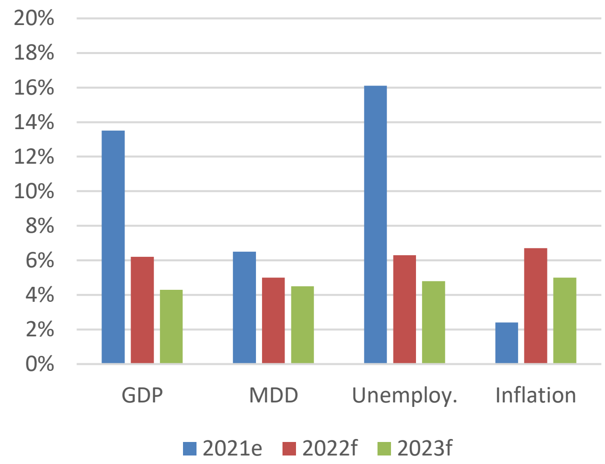
Figure 1: Euro/Dollar Exchange Rate 2007-2022

Source: European Central Bank

Figure 2: Euro/Sterling Exchange Rate 2007-2022

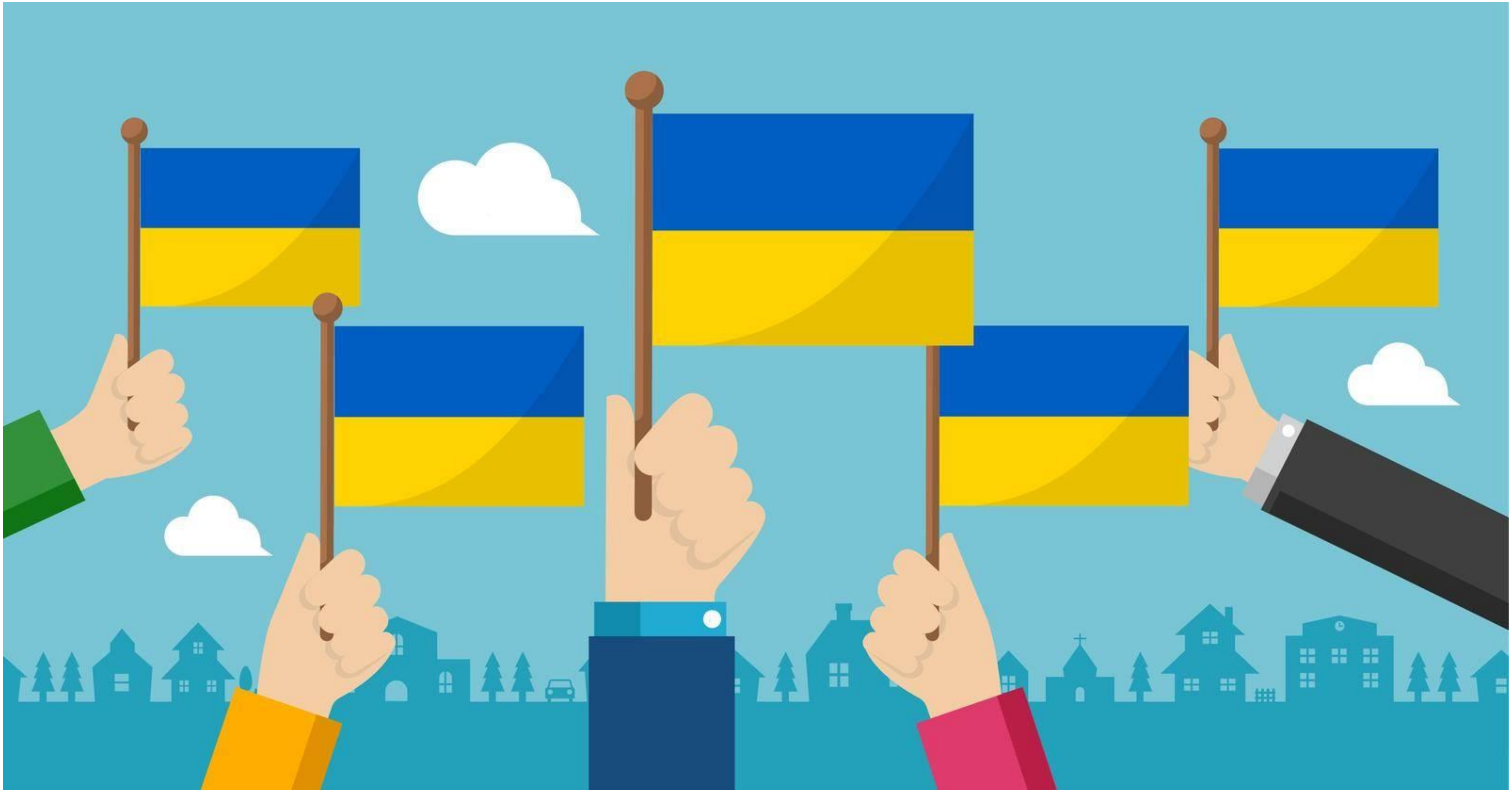
Source: European Central Bank

Figure 3: Key economic indicators Ireland 2021-2023f



Source: Economic and Social Research Institute, Summer 2022

Invasion of Ukraine



Invasion of Ukraine

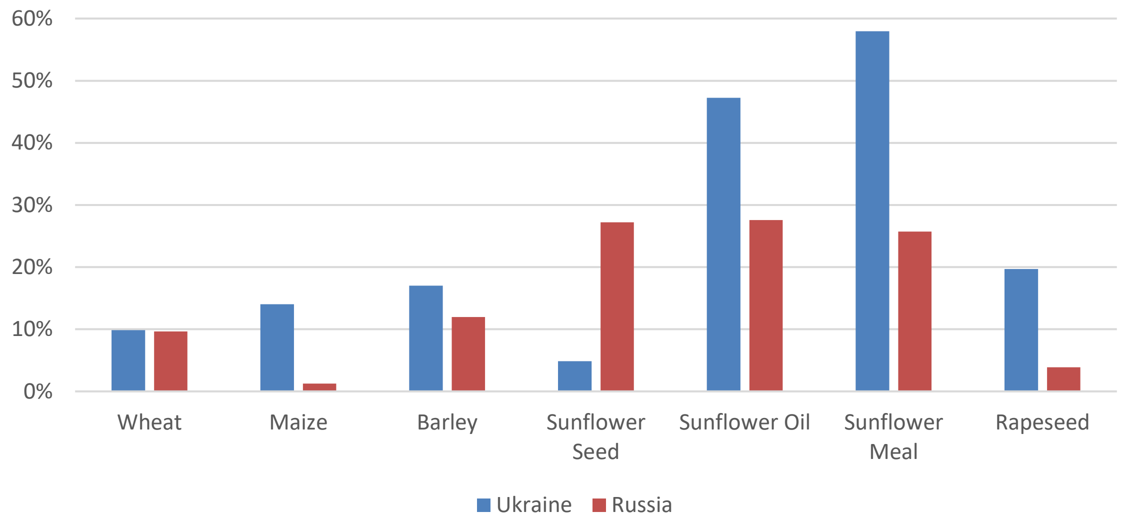
Russia's illegal invasion of Ukraine has had dramatic consequence for the people of Ukraine and its economy. The international economic impact of the war has resulted in a substantial increase in a broad range of commodity prices.

Both Ukraine and Russia play an important role in global grain and oilseed export markets. Initially prices in the wheat, maize, barley, sunflower seed and rapeseed markets rose sharply reflecting the tightening of supplies. Other grain and oilseed markets were also affected.

The consequences of the war have also prompted sharp increases in energy and fertiliser prices, two other important inputs in agricultural production. The high cost of agricultural inputs has driven increases in dairy and meat prices also. .

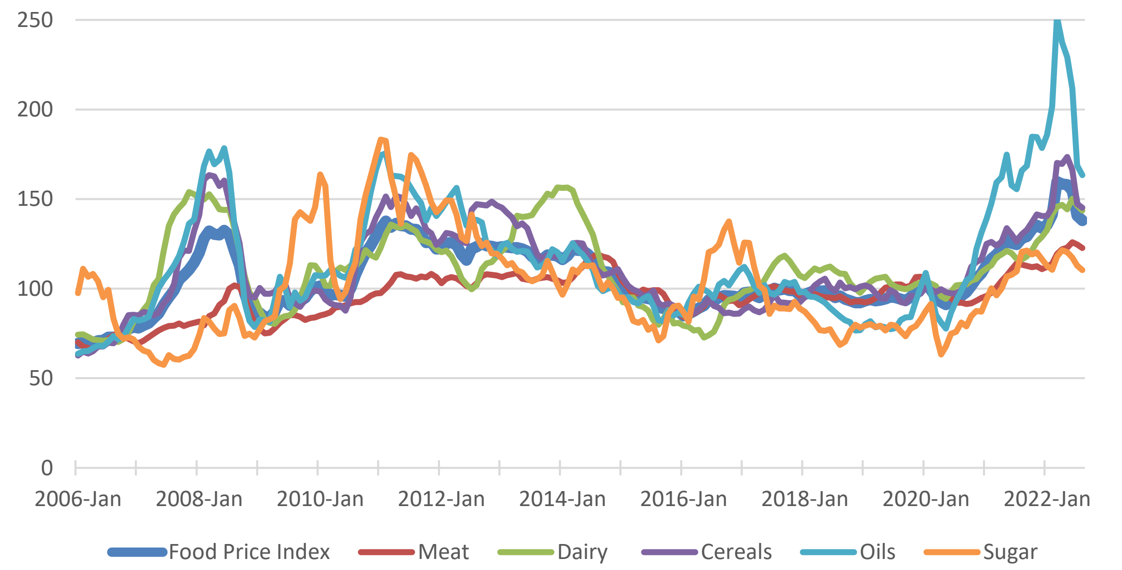
Higher commodity prices have led to sharply higher food inflation. The latest Food and Agriculture Organisation (FAO) Monthly Food Price Index shows that prices have begun to ease slightly, but remain well above their level of 12 months ago. Oils and cereals have experienced the largest price increases, while the price increases for dairy and meats have been lower, but significant.

Figure 4: Ukraine and Russia share of world export volume for various crop outputs in 2020



Source: USDA

Figure 5: FAO Monthly Food Price Index and Associated Indices January 2010 to August 2022



Source: UN Food and Agriculture Organisation

WEATHER CONDITIONS

WEATHER CONDITIONS

Weather conditions in Ireland 2022 have been unusual and this has had an impact on grass growth, crop yields and crop moisture levels.

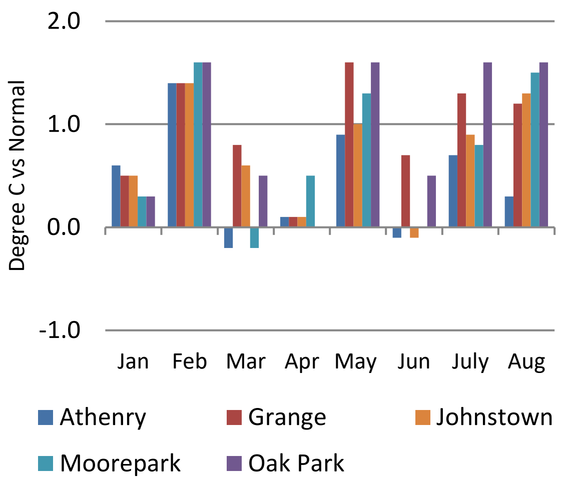
High levels of rainfall in February 2022 were followed by rainfall levels that were well below normal in March, April and May. Rainfall levels in June were closer to normal, but particularly dry conditions followed in July and August. This resulted in much lower levels of grass growth in July and August than would be normally expected, particularly in the South and South East of the country. Higher than normal rainfall levels in September have seen a recovery in grass growth to a more normal level for the time of year.

While weather conditions thus far in 2022 have not been good for grass growth, they were favourable for cereal crop establishment and growth. Furthermore, warm, dry weather at harvest time resulted in cereal crops with lower moisture levels than would normally be obtained.

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

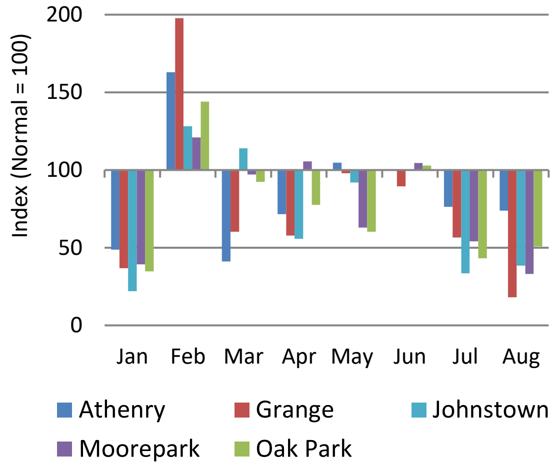
Note: Normal weather is defined as the 30 year average from 1981 to 2010.

Figure 3: Jan. to Aug 2022 Mean Temperature Relative to Normal (1981-2010)



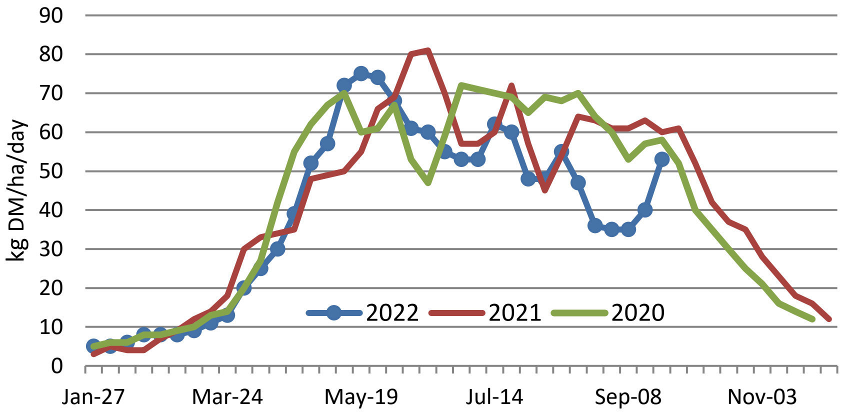
Source: Met Eireann

Figure 4: Jan. to Aug 2022 Rainfall Relative to Normal (1981-2020)



Source: Met Eireann

Figure 5: Irish Grass Growth 2020, 2021 and 2022



Source: Teagasc Pasture Base Ireland

FARM INPUTS

FEED MARKET

As of September 2022, official data on feed sales in the current year are available from the Depart of Agriculture Food and the Marine (DAFM) for Q1 and Q2. These data show that the change in feed use in grassland systems has been modest. However, low rainfall levels across the summer particularly in the South and East have had an adverse impact on grass availability, so higher feed sales or the use of silage in Q3 cannot be ruled out.

Across the first half of 2022 feed usage volumes on dairy farms seem to be broadly in line with the same period in 2021. The volume of sheep feed use in the first half of 2022 has fallen, but this is in the context of unusually high feed use in the first half of 2021 due to high lamb prices. Beef feed usage in the first half of 2022 is up slightly on the same period in 2021.

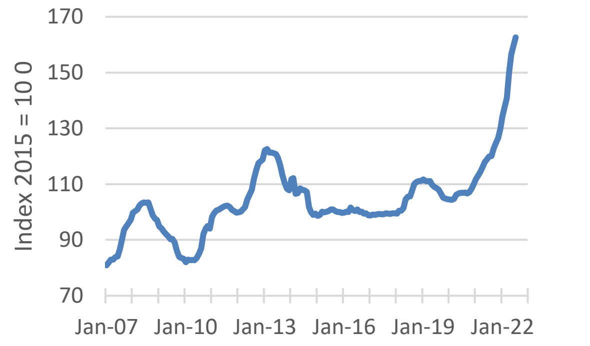
Feed prices thus far in 2022 have continued to follow a strong upward trajectory.-Irish feed prices by the middle of 2022 were about 50% higher than they were at the beginning of the year, with feed availability continuing to be limited by the impact of the illegal invasion of Ukraine. The recent deal to facilitate Ukrainian exports brokered by the UN and Turkey, has increased feed availability internationally. Low yields across Europe due to adverse weather is also a factor that has driven prices upwards.

Overall, global cereal and oilseed market developments, as reflected in the 'on account' harvest prices reported at harvest 2022, indicate an increase in Irish cereal prices relative to 2021. A 35% increase in farm-gate cereal prices for the 2022 harvest is forecast.

Despite a forecast increase in world production of soft wheat and barley in 2022/23, reduced ending stocks for global maize and disappointing yields for EU wheat and maize have impacted heavily on the upward movement in feed prices in 2022. According to the latest report from Strategie Grains (September 2022) global wheat and barley production estimates for the 2022/23 harvest were revised upwards as the harvest progressed whilst total demand for grains continues to wane. However, the tight maize market will limit, but not prevent, further falls for wheat and barley prices. Hence, as the feed market moves into the final quarter of 2022 the fundamentals in the market are indicating a reduction in international feed wheat and barley prices.

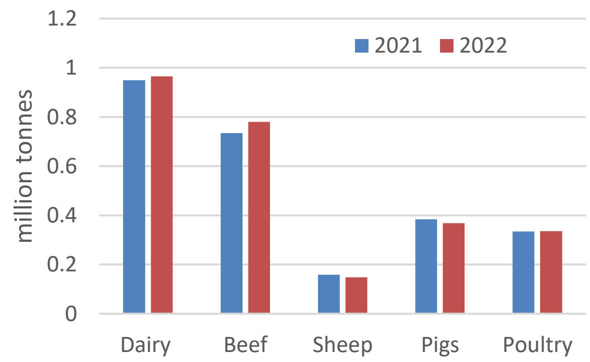
Averaging across the full year, it is likely that farm gate feed prices in 2022 will be approximately 25% higher than in 2021.

Figure 6: Longer Term Index of Monthly Irish Feed Prices 2007-2022 (July)



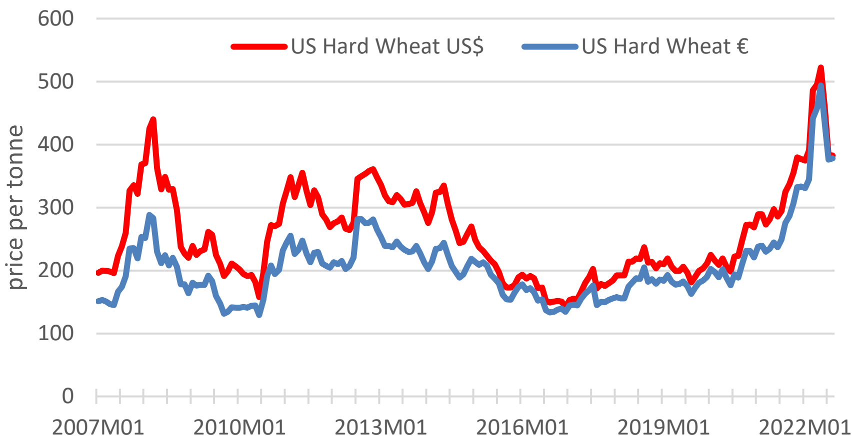
Source: CSO

Figure 7: Compound Feed use in Ireland for first 6 months of 2021 and 2022 by the main species



Source: DAFM

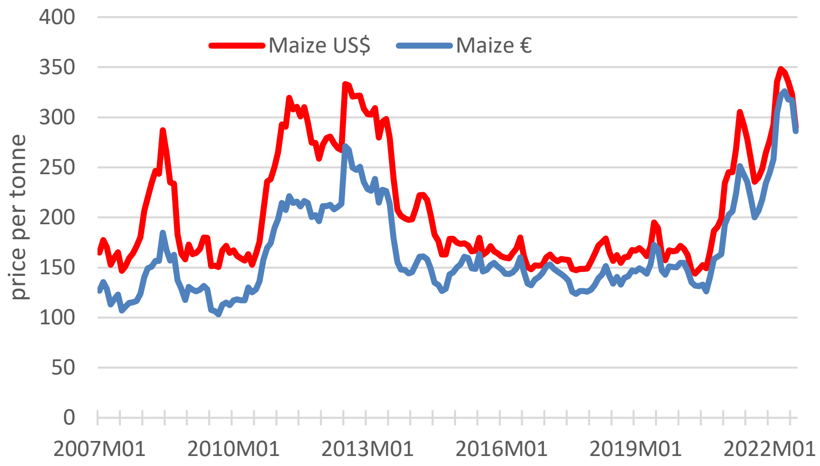
Figure 8:US Hard Wheat Price 2007-2022



Source: World Bank

Note: US No1 Hard Red Winter Wheat Gulf Export Price

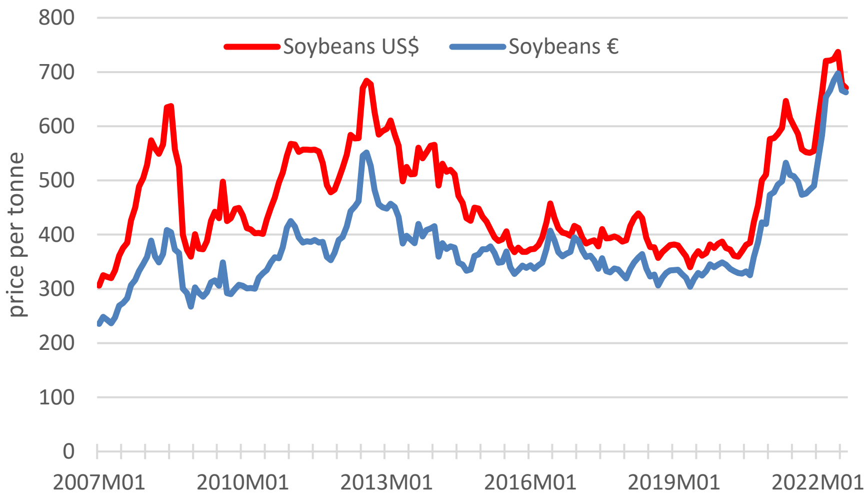
Figure 9: US Maize Price 2007-2022



Source: World Bank

Note: No 2 Yellow f.o.b. US Gulf Ports

Figure 10: International Soybean Price 2007-2022



Source: World Bank

Note: US Gulf Yellow Soybean #2 c.i.f. Rotterdam

FERTILISER MARKET

Fertiliser prices are influenced by the supply and demand balance in the market, but are also reflective of production costs, which are heavily related to energy prices. Energy prices were significantly higher in 2021, due mainly to a recovery in demand as the COVID pandemic began to recede. However, energy prices have continued to increase dramatically in 2022 due to the illegal invasion of Ukraine and the decline in natural gas availability in Europe.

Upward movement in energy prices through 2021 and into Q2 and Q3 of 2022 have been reflected in higher fertiliser prices.

Prices for fertilisers have risen very dramatically over the last 12 months and while prices have eased slightly more recently, they remain two to three times higher than what would be considered as normal.

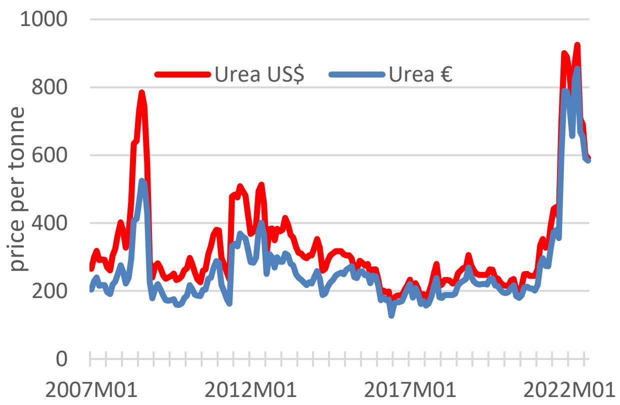
The available official data on fertiliser sales in Ireland covers the first nine months of the fertiliser year (Oct 2021 to June 2022). For this nine month period there has been a sharp volume decrease in nitrogen, phosphorus and potassium sales relative to the sales levels in the same period in the previous fertiliser year (2020/2021).

On farm fertiliser stocks at the end of 2021 were considerable, but anecdotally at least the decrease in fertiliser use in 2022 is closely aligned with the observed decline in sales. Accurate data on fertiliser usage in 2022 will not be available until the middle of 2023. However, evidence suggests that grassland farmers have reduced fertiliser usage considerably in 2022 due to the high fertiliser price level. Farmers seem to be relying on silage stocks that have already been built up as a means of ensuring the supply of fodder for the coming winter. Feed use has increased on some farms also, particularly where grass availability has been limited by drought and where fodder supplies for the coming winter are less plentiful.

Fertiliser use on tillage farms is likely to have remained closer to normal, given that reductions in use can easily impact on yields. Again, accurate data on this will not be available until early 2023.

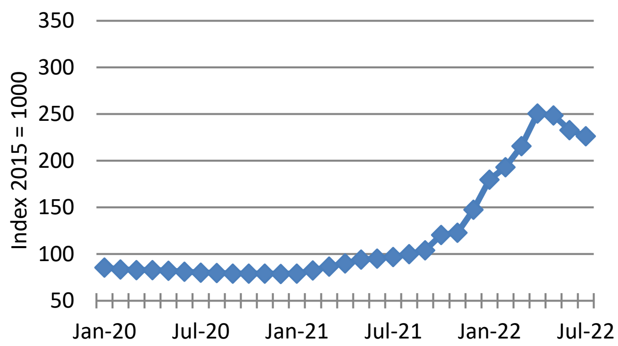
In spite of the reduction in fertiliser use, the expenditure of fertiliser across most farms in Ireland in 2022 will have more than doubled relative to 2021.

Figure 11: International Urea Price Monthly 2007-2022



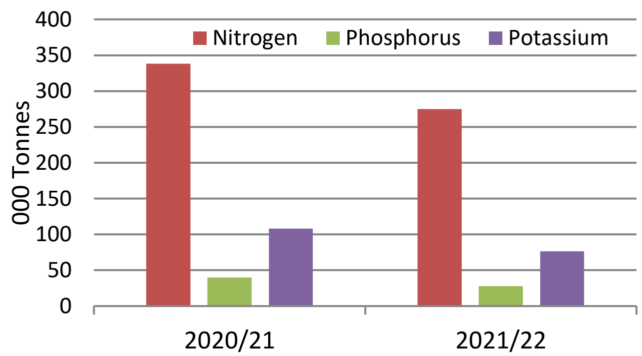
Source: World Bank
Note: Ukraine Black Sea f.o.b.

Figure 12: Index of Monthly Irish Fertiliser Prices 2018-2022



Source: Central Statistics Office

Figure 13: Irish Fertiliser Sales in the first 9 months of fertiliser years (Oct to June) 2020/21 and 2021/22



Source: DAFM

ENERGY MARKETS

The escalation in energy prices in 2022 has become a serious issue for wider society and has been covered extensively in the mainstream media.

As in other sectors of the economy, energy expenditure is a production cost in agriculture, particularly for more intensive farm systems, particularly, pigs and poultry. However, it is also a notable cost in dairy production and tillage, and to a lesser extent in drystock production.

Nevertheless, the magnitude of the increase in energy prices that is currently being experienced means that it is significant for all farms, especially since the increase in energy prices has also triggered an increase in other farm inputs such as fertiliser.

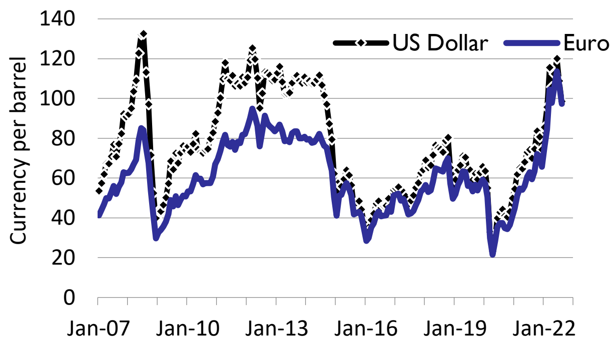
The shortage of gas on the European Market continues to be the main driver of the increase in energy prices. At the time of writing this situation is assumed to persist with no relief from these high energy prices in prospect in the short term.

Crude oil prices, along with prices for other fossil fuels, have risen in response to the increased demand for alternatives to natural gas. Brent crude oil prices have settled at above the $US 100 market through the first half of 2022.

Given that US dollar pricing is the norm in international energy markets, the energy price escalation has been compounded by the sharp decline in the value of the Euro against the US dollar over the course of 2022. This has added further to the increase in energy prices in Euro terms.

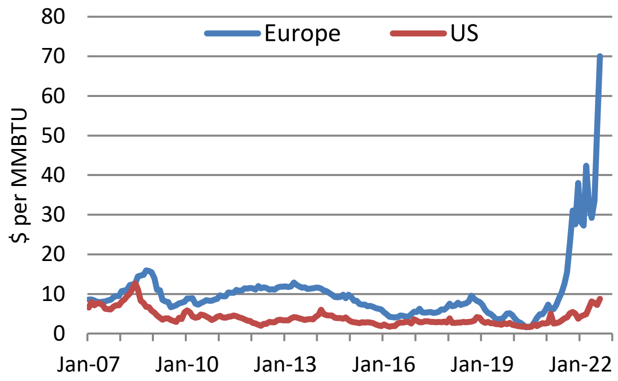
The ratcheting up of prices in energy markets, has affected motor fuel and electricity prices, with motor fuel prices in particular showing a sharp increase over the last 2 years. Farm diesel is not subject to the same level of taxation as regular (full duty) petrol or diesel. However, this means that the transmission of crude oil prices increases into farm diesel prices is stronger than in the case of regular petrol and diesel.

Figure 14: Brent Oil Prices Monthly 2007 -2022



Source: World Bank

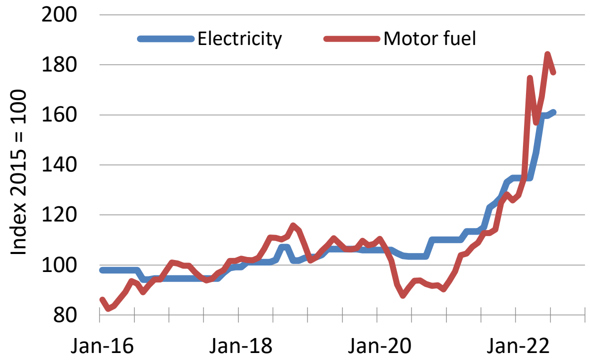
Figure 15: European & US Natural Gas Prices 2008-2022



Source: World Bank

Note: Natural Gas (Europe) Netherlands. Natural Gas (US) Henry Hub

Figure 16: Index of Irish fuel and electricity prices 2016-2022



Source: CSO

Note: Motor fuel price series relates to petrol and auto-diesel

DAIRY

DAIRY

	Global Supply	Global Demand	Milk Prices	Irish Production	Input Cost	Irish Farm Income
Situation	Positive	Positive	Positive	Neutral	Negative	Positive
Outlook	Neutral	Neutral	Positive	Neutral	Negative	Positive

Global Supply

- Production has contracted in the main dairy exporting countries in 2022.
- Adverse weather in a number of production regions, and a sharp rise in input costs internationally, has put a brake on global milk production growth.
- The tight dairy market situation is contributing to a sharp rise in dairy product prices.
- The strength of the US dollar against other major currencies has added to the inflationary pressures coming from rising US dollar feed, fuel and fertiliser prices.
- However, the strength of the US dollar has also boosted the international price of dairy products in local currency terms.

Global Demand

- International dairy product demand in H2 2021 right through to Q3 of 2022 has remained solid, in spite of high dairy product price levels.
- The high price of dairy substitutes has meant that high dairy product prices have not really impacted on dairy demand.
- China remains an important part of the global demand picture.
- The deteriorating macroeconomic situation and the threat of recession is a source for concern for future dairy demand.

Milk Prices

- European dairy product prices increased substantially through 2021.
- Dairy prices have risen even further from Q1 through to Q3 of 2022, with prices expected to remain at very high levels through the remainder of 2022.
- Butter and SMP prices surpassed the €7,000 and €4,000 per tonne mark respectively for the first time ever in August 2022. Cheese prices have also risen sharply in recent months.
- Relative to EU competitors' prices, Irish milk prices have benefitted to a greater extent from the buoyant global dairy market.
- Irish milk prices in 2022 are now likely to be over 40% higher than in 2021.
- However, some producers have significant shares of their output in fixed milk prices contracts, well below prevailing spot milk prices.

Irish Production

- Fertiliser price inflation had led to significantly reduced fertiliser use in 2022.
- Low levels of summer grass production have been supplemented by additional use of concentrate feed and some silage.
- Dairy cow numbers in 2022 are up marginally and milk yields per cow appear to have fallen slightly relative to 2021.
- Barring a late season surge, no increase in Irish milk production is envisaged in 2022.

Input Cost

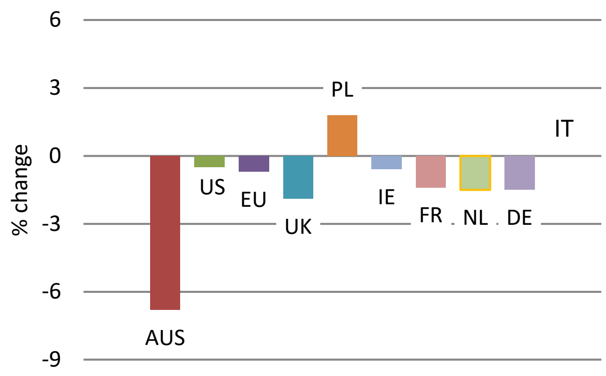
- Fertiliser prices in 2022 have been 2 to 3 times their 2021 level due to high natural gas prices.
- Feed prices in 2022 are almost 25% higher than their level in 2021.
- Total milk production costs per litre in 2022 could be up by as much as 35% on the 2021 level, reaching almost 36 cent per litre on average.
- Farms that have a lower reliance on purchased inputs are likely to fare better than farms that have a greater dependence on bought in inputs.

Irish Farm Income

- Higher feed, fertiliser and fuel expenditure in 2022 relative to 2021, will be more than offset by higher milk prices.
- In 2022 the average Irish dairy farm should see a net margin per hectare of over 22 cent per litre, an increase of 60%.
- This average net margin would translate into an average income level in excess of €130000, an increase of over 30% compared to 2021.
- However, fixed milk price contracts, paying well below the spot milk price, will adversely affect incomes on some farms, especially where a high proportion of the milk produced has been sold at the fixed price.

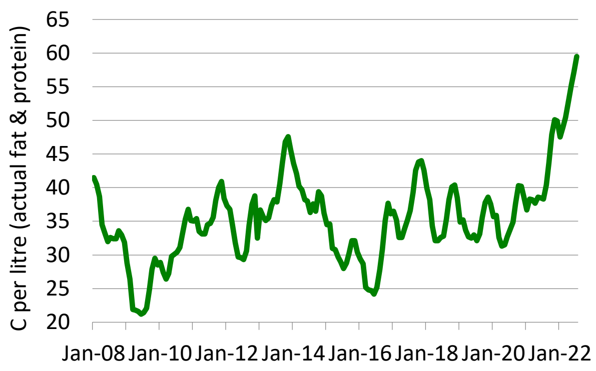
DAIRY

Figure 17: % Change in Milk Production 2022 H1 vs 2021 H1



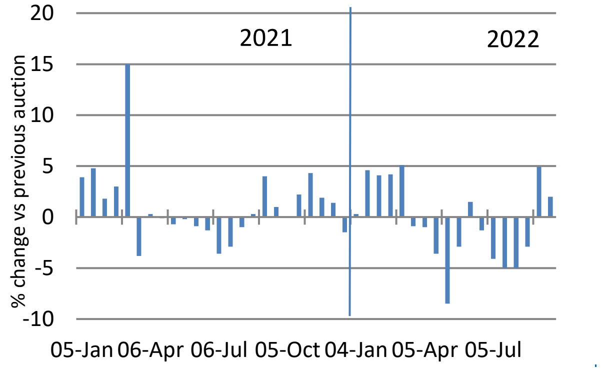
Source: Eurostat, AHDB, USDA, Dairy Australia, DCANZ

Figure 18: Monthly Irish Milk Prices 2008 -2022



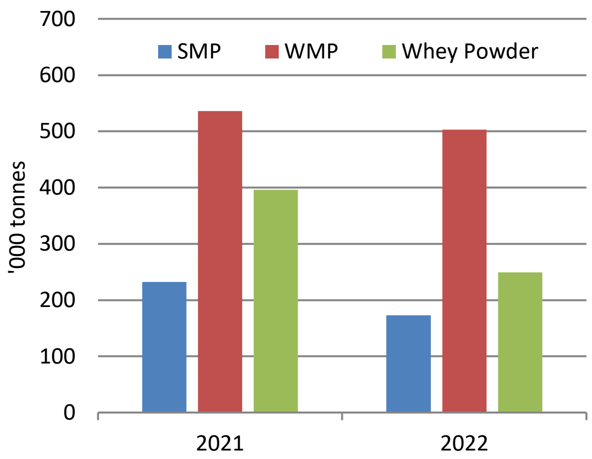
Source: CSO

Figure 19: GDT Auction Index Fortnightly Price Movements in 2021 and 2022



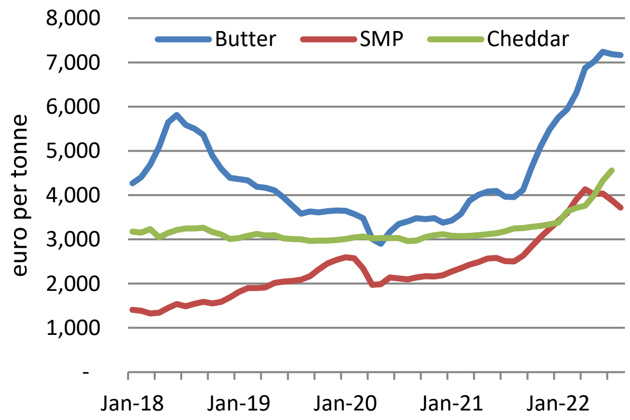
Source: GDT

Figure 20: Chinese Powder Imports 2022 H1 vs 2021 H1



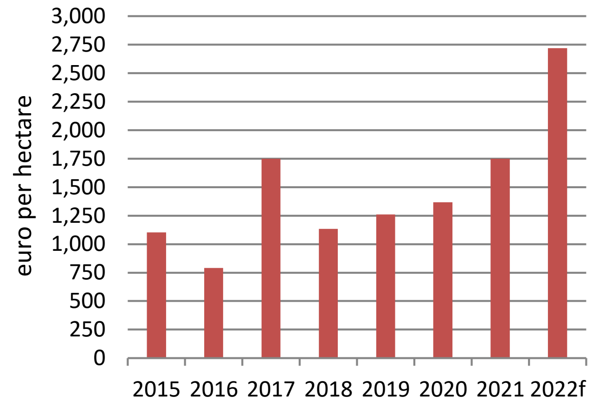
Source: IHS Markit

Figure 21: EU27 Wholesale Dairy Product Prices Jan 2018 to Jul 2022



Source: DG Agri

Figure 22: Average Dairy Net Margin per hectare 2015 to 2021 and Forecast for 2022



Source: Teagasc NFS 2016-2021 and Author Forecast for 2022

BEEF

BEEF

EU+UK Supply

Situation	Outlook
Positive	Positive

- EU beef supply is expected to be 0.5% lower in 2022, mainly due to a reduction in the size of the cow herd.
- Strong milk prices will incentivise EU dairy farmers to limit cow disposals.
- EU exports to high value markets are expected to increase although constrained by the relatively high prices at EU level.
- EU imports of beef are expected to increase in 2022.
- UK Beef production is similar in 2022 compared to 2021.

EU+UK Demand

Situation	Outlook
Positive	Positive

- Total EU domestic use of beef is forecast to be similar in 2022 relative to 2021.
- Retail and foodservice demand remains strong in the European Union and the United Kingdom.
- Retail demand for Irish beef has increased in the United Kingdom.
- Continued absence of UK customs checks on agri-food imports from Ireland will support continued Irish beef exports to UK.

Beef Prices

Situation	Outlook
Positive	Positive

- For 2022, Irish finished cattle prices are forecast to increase by 17% relative to 2021.
- In 2022, weanling prices are forecast to increase by 8% relative to 2021.
- Store cattle prices in 2022 are forecast to increase by 11% relative to 2021.
- For individual farm businesses, the timing of cattle marketing is proving important in determining margins in 2022.

Irish Production

Situation	Outlook
Positive	Positive

- Irish prime beef production in H1 2022 was approximately 6% higher than in H1 2021.
- For 2022 as a whole, Irish prime beef production is forecast to increase by 4% compared to 2021.
- The number of prime finished cattle is forecast to increase by 6% relative to 2021.
- A small decline in slaughter weight is forecast to partially offset higher factory throughput in 2022.

Input Costs

Situation	Outlook
Negative	Negative

- The war in Ukraine has led to large increases in fertiliser prices and in costs of purchased feed and forage production relative to 2021.
- Feed prices, motor fuel prices and particularly fertiliser prices are forecast to be substantially higher than in 2021.
- Overhead costs are forecast to be 10% higher in 2022.
- Total costs of production on single suckling and cattle finishing enterprises are forecast to increase by 23% and 29% respectively in 2022.

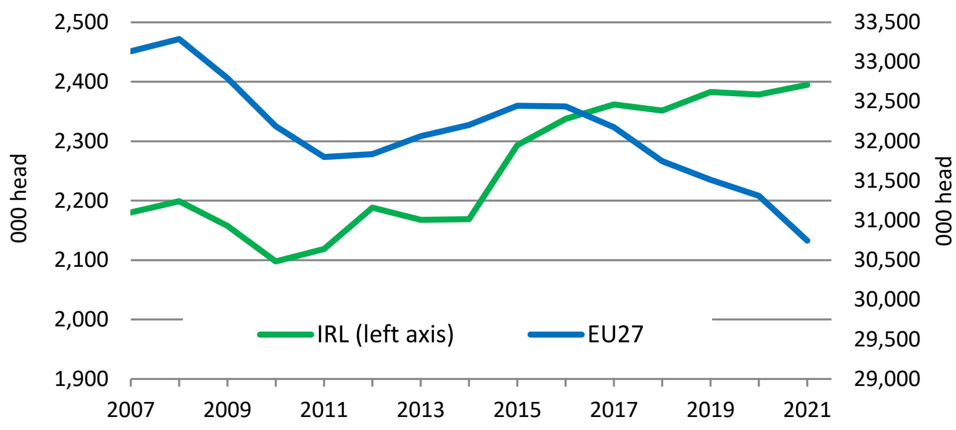
Farm Income

Situation	Outlook
Negative	Negative

- Average gross margin on the single suckling enterprise in 2022 is forecast to decrease by approximately 10%.
- Average gross margin on cattle finishing farms is expected to increase by 10% in 2022.
- A negative average net margin per hectare of €-110 is forecast for the Single Suckling Enterprise in 2022.
- A negative average net margin per hectare of €-20 is forecast for the Cattle Finishing Enterprise in 2022.
- The Fodder scheme is expected to contribute to income on most cattle farms in 2022.
- Cattle Rearing FFI is forecast to decrease by 17% in 2022.
- Cattle Other FFI is forecast to remain unchanged in 2022.

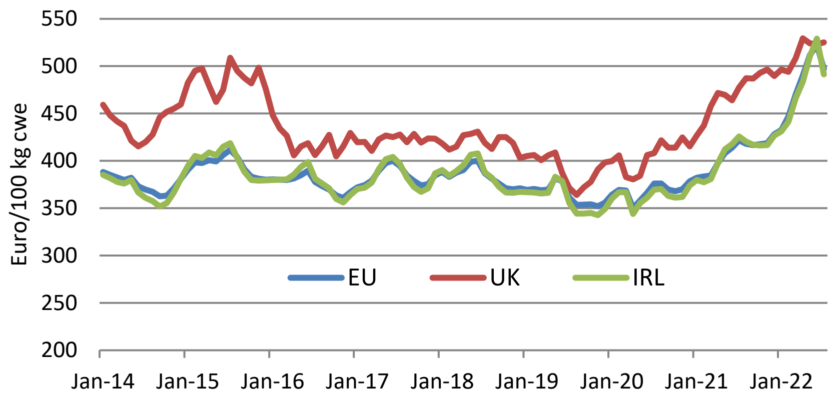
BEEF

Figure 23: Irish and EU27 cow inventories (December) 2007-2021



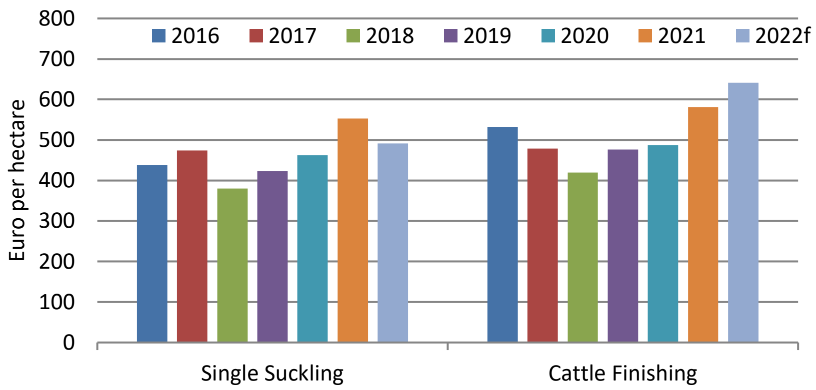
Source: Eurostat

Figure 24: Monthly EU, UK and Irish Finished Cattle Prices 2014 to 2022 (Excl. VAT)



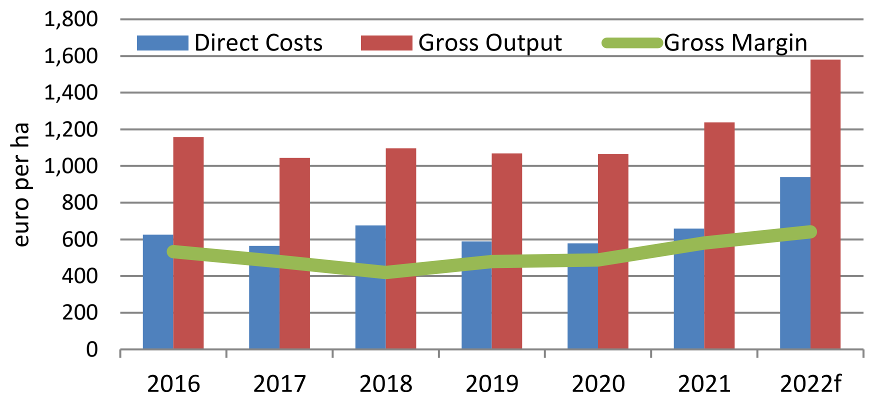
Source: DG Agriculture and Rural Development, AHDB and ECB

Figure 25: Single Suckling and Cattle Finishing Gross Margin per hectare 2016-2021 and Forecast for 2022



Source: Teagasc NFS 2016-2021 and Author Forecast for 2022

Figure 26: Cattle Finishing Gross Output, Direct Costs and Gross Margin per hectare 2016-2021 and Forecast for 2022



Source: Teagasc NFS 2016-2021 and Author Forecast for 2022

SHEEP

SHEEP

EU+UK Supply

Situation	Outlook
Postive	Positive

- The Outlook is for stable indigenous EU supply.
- World demand, driven mostly by China, is absorbing more of NZ and Australian output.
- Reduced UK production and exports have reduced supplies to the EU market.
- There was a modest increase in EU sheep meat production in 2021, influenced by positive sheep prices.
- While EU flock size has stayed relatively stable in the last five years, there has been some shifts in production shares between Member States.
- In 2022 EU sheep production is forecast to grow modestly.

EU+UK Demand

Situation	Outlook
Neutral	Neutral

- EU demand for sheep meat is stable, with lower supplies reflected in higher prices.
- EU lamb prices have increased despite increased EU imports.
- Post-Brexit, UK exports to the EU are subject to normal third country customs processes and resulting trade costs will continue to affect the competitiveness of UK sheep meat exports to the EU.
- The continuing absence of UK customs checks on agri-food imports from Ireland will support UK demand for Irish sheep meat.

Lamb Prices

Situation	Outlook
Positive	Positive

- Heavy lamb prices in the EU for the year to date are almost 8% above the same period in 2021.
- Higher EU prices for heavy lamb, which are currently on a seasonal downward trajectory, are forecast for the remainder of 2022.
- Average Irish prices for the year to date are over 6% higher than in 2021, remaining well above the 5 year (2017-2021) average price levels.
- On the back of a record year for prices in 2021, prices remained strong in 2022. During May and June, lamb prices were well ahead of 2021, with prices up to 19% ahead in some weeks.
- With the seasonal decline in lamb prices currently underway, annual prices are forecast to average about 5% higher than in 2021.

Irish Production

Situation	Outlook
Positive	Positive

- Based on CSO slaughter data, for the period January to June 2022, the number of sheep slaughtered was over 12% higher when compared with the corresponding period in 2021.
- On a per tonnage basis, 32,000 tonnes of sheep meat was slaughtered, up 16% on the corresponding period (Jan-to June) for 2021.
- Ireland was the fifth largest sheep meat producer in the EU in 2021, producing 8% of total EU production (2.97m heads slaughtered).
- With higher prices and increased output volume, sheep output value is forecast to increase in 2022.

Input Costs

Situation	Outlook
Negative	Negative

- Direct costs of production on Irish sheep farms are dominated by concentrate, pasture and forage costs.
- In 2022, fertiliser, feed and fuel prices have been much higher than in 2021.
- Costs of production on Irish sheep farms are forecast to increase substantially in 2022 due to the escalation in fertiliser and forage costs in particular.
- The large increase in fuel, fertiliser and feed prices coupled with some modest increase in feed use, is expected to lead to a 33% increase in total costs of production for 2022.

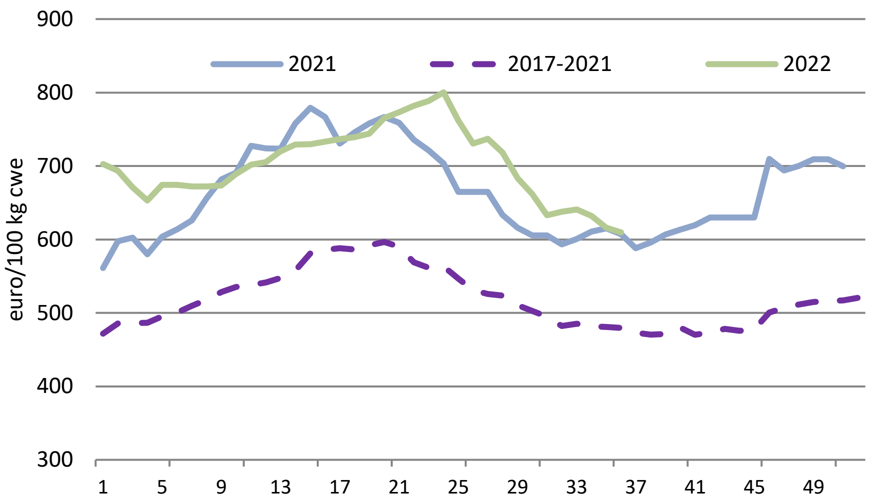
Farm Income

Situation	Outlook
Negative	Negative

- For 2022, margins earned from sheep production are forecast to decline from the record levels achieved in 2021.
- Higher lamb and sheep prices in 2022 will not be sufficient to cover the substantial increase in average production costs.
- Average gross margin per hectare in 2022 is forecast to decline by over 11%, to just over €800 per hectare.
- Net margin from mid-season lamb production is forecast to decline to about €60 per hectare, the lowest net margin per hectare for this enterprise in a number of years.

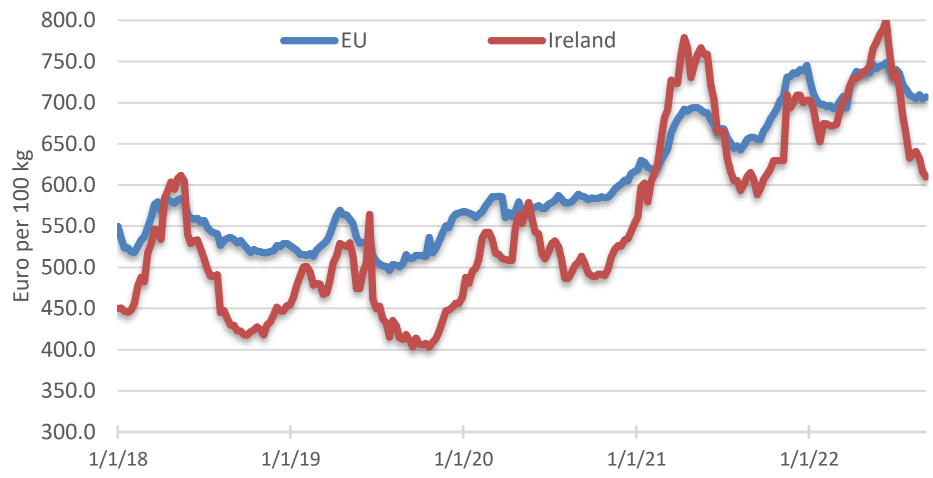
SHEEP

Figure 27: Weekly Irish Lamb Prices 2021, 2022 and average 2017-2022



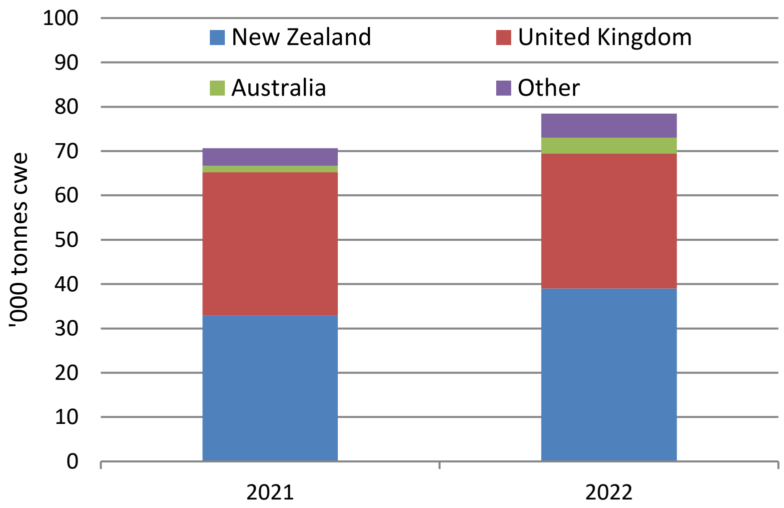
Source: DG Agriculture and Rural Development

Figure 28: Lamb Price evolution – EU and Ireland – heavy lamb 2018-2022 (to date)



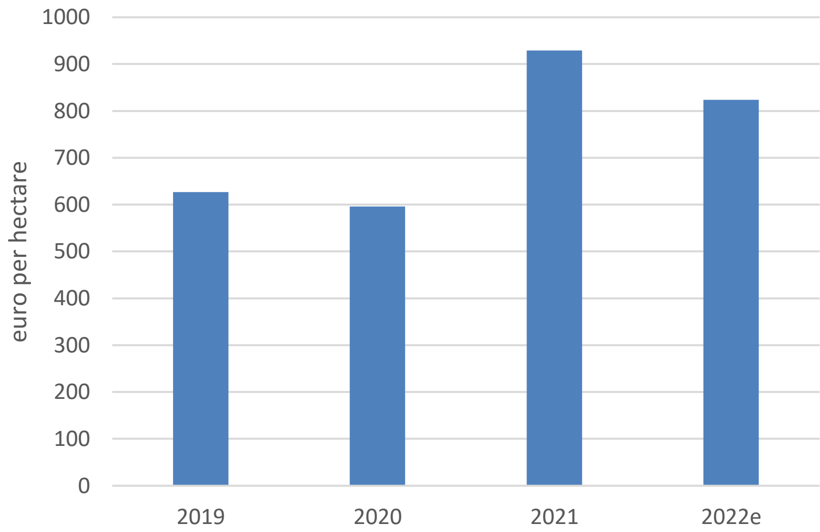
Source: DG Agriculture and Rural Development

Figure 29: EU27 Sheep & Goat meat imports (Jan-Jul) 2021 & 2022



Source: DG Agriculture and Rural Development

Figure 30: Mid-Season Lowland Lamb Gross Margin per hectare 2019-2022e



Source: Teagasc NFS 2019-2021, Author Forecast for 2022

TILLAGE

TILLAGE

Wheat Market

Situation	Outlook
Positive	?

- World soft wheat production in 2022/23 is expected to be 721.3 Mt, which is slightly up on 2021/22.
- World demand for human, industrial and feed use is expected to decrease by 1.1Mt year on year.
- World ending stocks are expected to be up by 7.2 Mt in 2022/23, with stocks expected to remain low in the main export regions.
- Early forecasts of very low ending wheat stocks dissipated somewhat due to the UN/Turkish-led agreement between Russia and Ukraine on Ukranian exports. Pressure on prices also eased due to higher than expected wheat harvest in Russia, North America, and Kazakhstan.

Other grains market

Situation	Outlook
Positive	?

- The war in Ukraine has severely disrupted international grain markets.
- With regards to barley, the war in Ukraine has placed a focus on the international balance sheet for 2022/23, with ending stocks projected to remain low for the coming season.
- With regards to maize, the global ending stocks to use ratio for maize is forecast to be down to 23.1 % from 23.9% in 2021/22.
- The ultimate level of Ukrainian maize exports now holds the key to potential equilibrium on the European market for all grains.
- Latest trade data suggests that the tight global maize market will limit, but not prevent, further falls for wheat and barley prices.

Prices

Situation	Outlook
Positive	?

- Wheat and barley: signals at present indicate very large increases in harvest price in 2022 relative to 2021.
- Farm gate cereal prices on offer from on account prices mentioned are at least 30 percent higher than prices paid at harvest 2021.
- Dry weather conditions at harvest have also meant that moisture bonus payment will positively impact prices.
- Despite significant increases mentioned for on account harvest prices, there remains much volatility in the market, with minimal business taking place due to uncertainty.
- Futures prices for wheat for November are currently around €350 per tonne at dried prices, with barley prices trading about €10 per tonne less than wheat.

Irish Production

Situation	Outlook
Positive	?

- DAFM Basic Payment Scheme area figures indicate that cereal area increased in 2022, with area up 3.8% compared to 2021.
- The provisional harvest report from Teagasc indicates that the yield per hectare outcome for 2022 was somewhat mixed. Most crops did increase yields per hectare compared to 2021, with notable exceptions for winter barley and spring wheat where yields were disappointing.
- Taking area and yield data together for 2022, it is estimated that total production of cereals was up in 2022.
- Total cereal production is estimated at 2.4 Mt tonne in 2022 compared to 2.3 Mt tonne in 2021, which represents a 2% increase in tonnage.

Input Costs

Situation	Outlook
Negative	Negative

- In 2022, there has been a very significant increase in total direct costs.
- Whilst some of the increases in production costs were already forecast back in the December 'Outlook 2022' document, the war in Ukraine has exacerbated the inflationary pressure.
- Inflation in fertiliser and fuel (and feed on specialised tillage farms with a subsidiary livestock enterprise), are the main items of concern.
- The upward movement in energy prices and capital stock has also impacted overhead cost items.
- Overall, it is estimated that total costs on the average tillage farm in 2022 will be up over 30% compared to 2021.

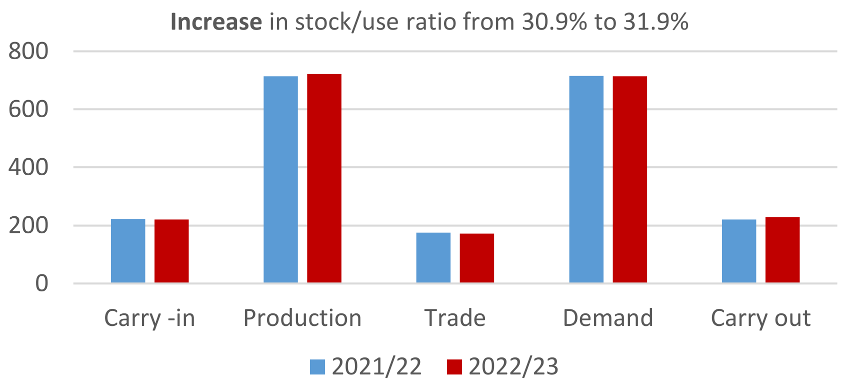
Farm Income

Situation	Outlook
Negative	Negative

- With higher output prices for wheat and barley, coupled with an increase in production volume, Irish cereal output value is forecast to be up in 2022.
- The Straw Incorporation Scheme and the Tillage Incentive Scheme will boost output value in certain circumstances.
- Overall costs in 2022 are estimated to increase. The significant increase in costs is expected to be enough to negate the increase in output value.
- Average income on tillage farms in 2022 is expected to be in the low €50,000's, which represents a 10% decline over 2021 figures.

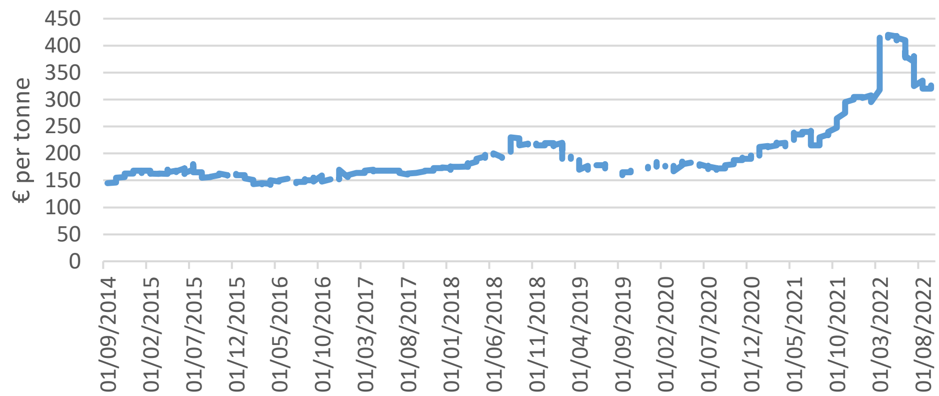
TILLAGE

Figure 31: World Soft Wheat Balance Sheet (Mt)



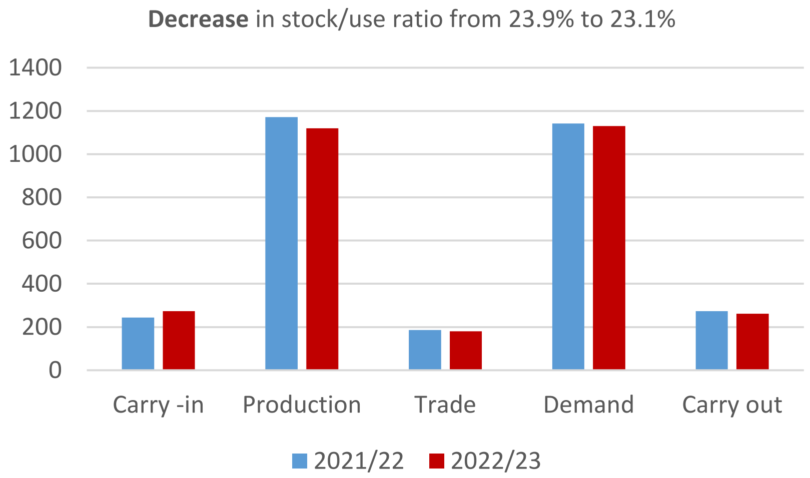
Source: Strategie Grains

Figure 32:– Monthly average imported feed barley price (Dublin port) 2014 –22



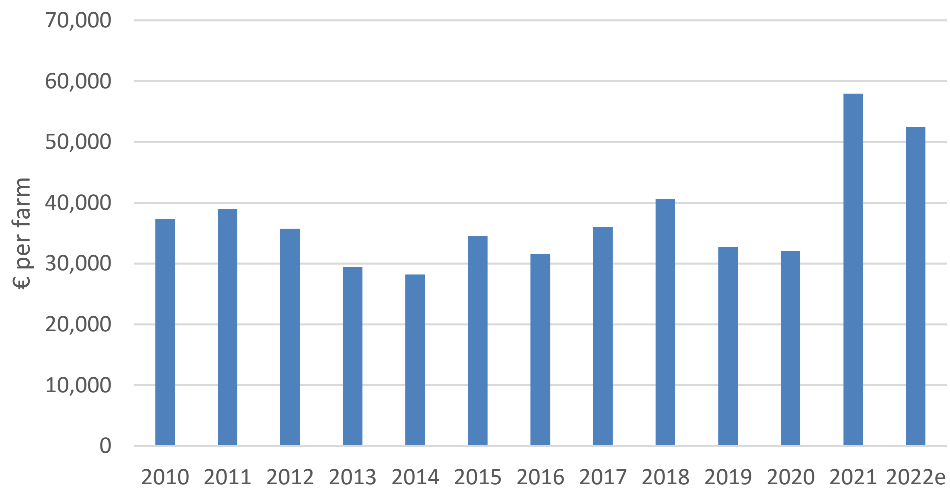
Source: European Commission, cereals statistics

Figure 33: World Maize Balance Sheet (Mt)



Source: Strategie Grains

Figure 34: Average Irish Tillage Farm Income (2010-2022f)



Source: Teagasc NFS 2010-2021 and Author Forecast for 2022

PIGS

PIGS

	EU Supply	Global Demand	Prices	Irish Production	Input Costs	Farm Income
Situation	Positive	Positive	Negative	Negative	Negative	Negative
Outlook	Positive	Positive	Positive	Positive	Positive	Positive

EU Supply

- EU pigmeat supply is declining due to the negative margins over the last 18 months.
- Germany, Poland, Netherlands, France and the UK are all seeing significant declines in their national sow herd populations.
- It is forecast that the aggregate decline to date in these countries is 10% or 540,000 sows.
- This reduction will equate to about 14 million fewer pigs per annum from those countries
- DEFRA estimates the decline in the UK to be 18%, which would equate to a decline of >50,000 sows.
- The average sale weight of slaughter pigs is falling in Spain & Germany (0.3-0.5kg), reflecting the demand for finisher pigs.

Global Demand

- EU pigmeat demand has been increasing since Q2 2022 and this trend is expected to continue due to tightening supply of product and substitution from more expensive meats.
- Chinese import demand for Irish pigmeat was low in Q1+Q2 2022, down -41% year-on-year, reflecting the recovery from African Swine Fever.
- Chinese demand is expected to increase dramatically in Q3+Q4 2022 as their domestic pig price has increased by 80% over the last 6 months, due to their contracting sow herd.
- Irish pigmeat exports to Japan rose strongly (+25%) in the first 7 months of 2022.

Prices

- The Irish pig price has risen from a low level during Q1 2022 to an historic high price in Q3 2022. However it is still not generating a breakeven for producers given the inflationary cost environment.
- The price needs to rise to €2.20 to produce a breakeven in Sept. 2022.
- The pig price in other EU countries rose strongly during Q2-Q3 2022.
- The French & UK prices are now at an historic level of €2.42 & €2.36 per kg. respectively.
- EU prices are expected to continue to rise throughout 2022 and into 2023 as pigmeat supply tightens due to the declining EU sow herd.

Irish Production

- The Irish sow herd has remained very stable over the last 20 years, ranging from 145,000 to 150,000 sows.
- In Q2 2022, the national sow herd reduced dramatically. Pig units with a combined 12,500 sows began destocking.
- Since this initial destock wave the national herd has stabilised with no further commercial herds beginning destocking.
- The very high level of debt that these destocking farms have accumulated, due to recent historic losses, will preclude the possibility of restocking.
- The potential loss of pigmeat exports (primary & secondary) arising from the loss of 12,500 sows is forecast at €65 million.

Input Costs

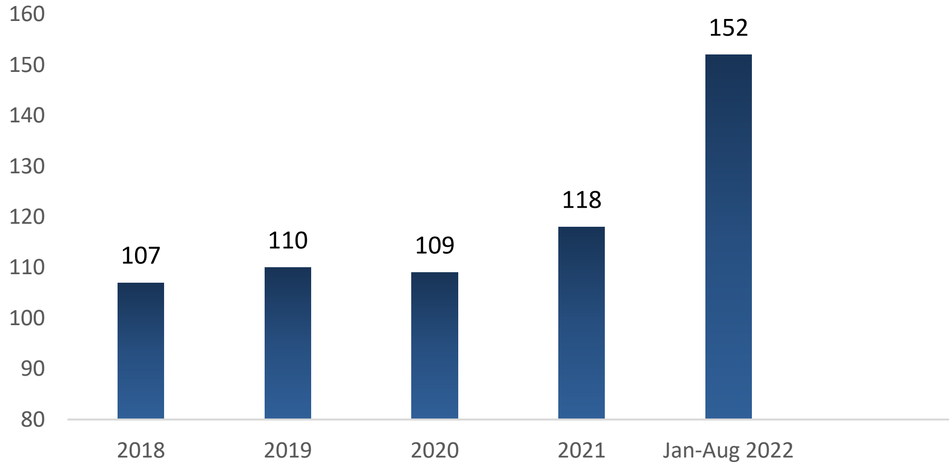
- Feed is the largest input in pig production, currently representing 76% of the total cost of production.
- The tight stocks of global feed ingredients at the start of 2022 were further severely restricted when the invasion of Ukraine began.
- Composite feed prices have risen by €94/tonne since the beginning of the year to give an estimated composite feed price of €476/tonne (Sept.22).
- Feed ingredients prices have fallen by over €100/tonne since the peak of mid-May. However, due to higher energy & transport costs the reduction in compound feed prices may be very modest (minus €20-€30/tonne).

Farm Income

- The sector has had an income loss for 13 consecutive months (Aug.21 /Sept. 22).
- Historic high feed prices, a relatively modest pig price and increasing energy costs imply an annual estimated loss in 2022 of €339,000 per average 600 sow pig unit.
- Margin over feed was at an historic low of 6c/kg in March 2022 but has since began to recover to 46c/kg (Sept.22).
- It is expected that the sector will return to profitability from October 2022 onwards.
- The 2023 outlook is for profitability with high pig prices expected.
- The level of this profitability will be dependent on the extent that feed ingredient prices fall during 2023.

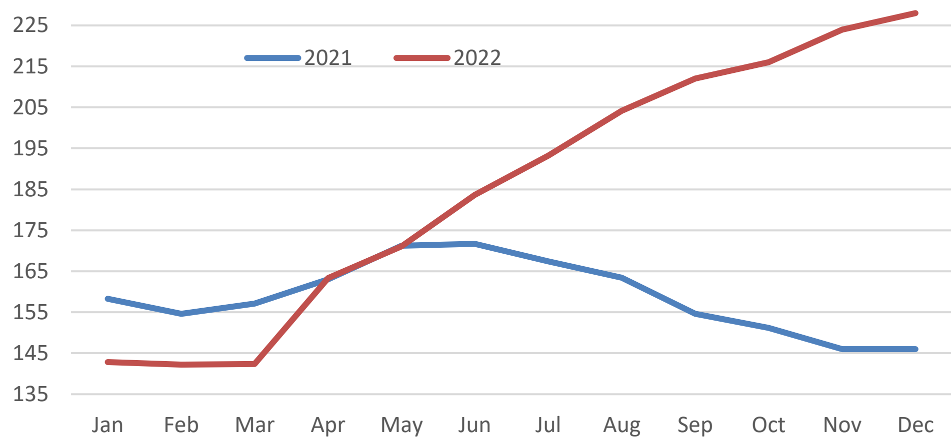
PIGS

Figure 35: Composite Pig Feed Costs c/kg 2018-2021 and forecast for 2022



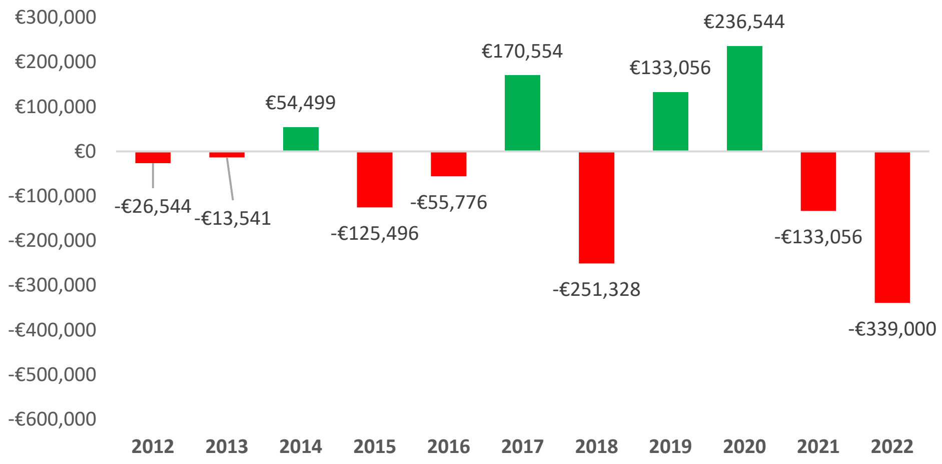
Source: Teagasc Pig Dept.

Figure 36: Monthly Irish Pig Price c/kg for 2021, Jan-Aug 2022 & forecast Sept-Dec 2022



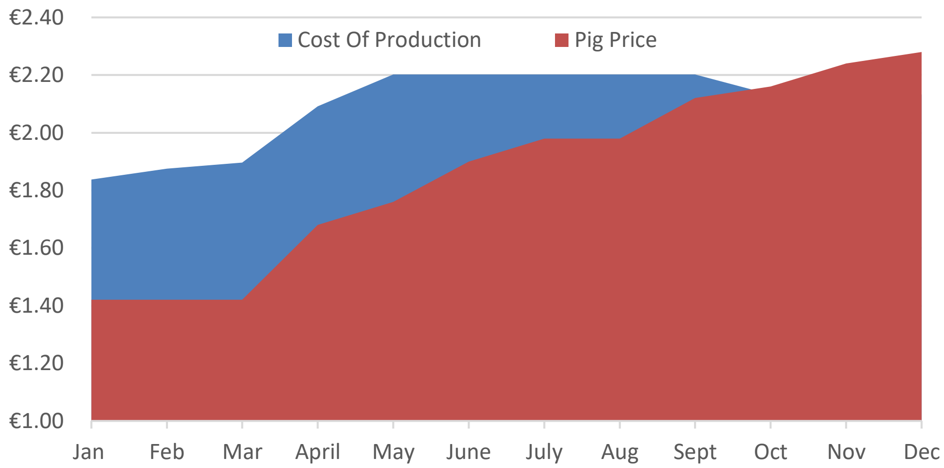
Source: Teagasc Pig Dept.

Figure 37: Estimated annual profit/loss for 600 sow unit 2012-2021 and forecast for 2022



Source: Teagasc Pig Dept.

Figure 38: Monthly cost of production & pig price c/kg for 2022 (forecast Sept-Dec)



Source: Teagasc Pig Dept.

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