

NOVEMBER 28TH 2023

OUTLOOK 2024

Situation and Outlook for Irish Agriculture

DAIRY





Teagasc Outlook 2024 – November 28th 2023

Outline

- Domestic and global perspectives
- Production
- Prices
- Inputs
- Dairy enterprise margins

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REVIEW OF 2023

Situation and Outlook for Irish Agriculture



2023 Dairy Review

- Global dairy markets

- Recovery in supply growth
- Weaker international demand
- Sharp drop in dairy product prices



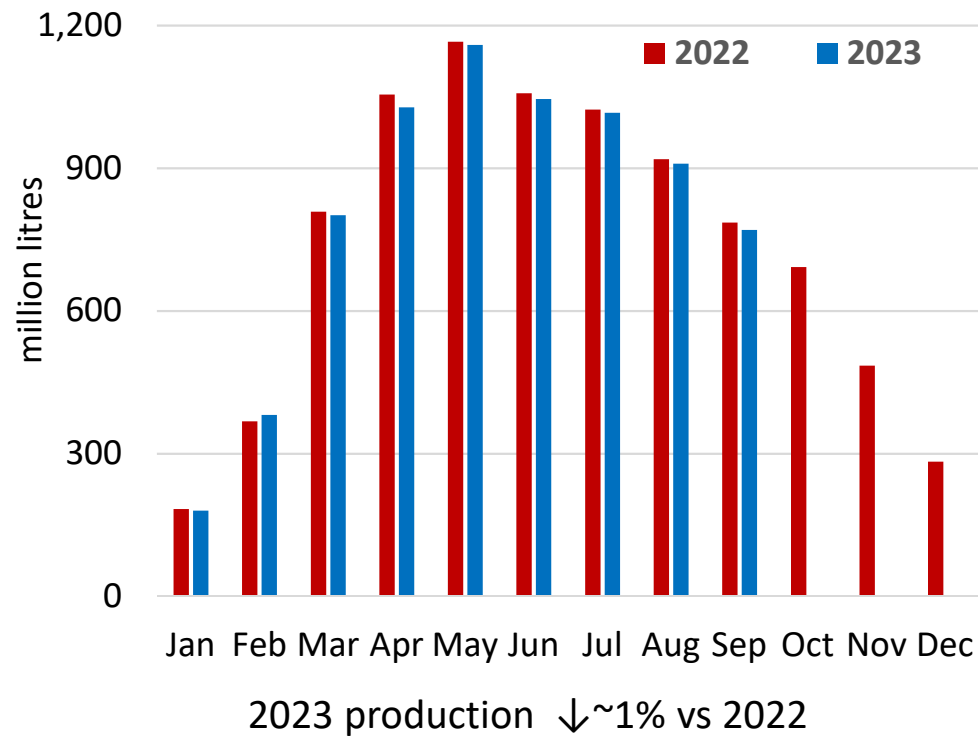
- Irish Dairy sector

- High input prices
- Challenging production conditions at times
- Slight drop in milk production (lower yields)
- Major drop in milk price and margins
- Irish milk price declined to one of the lowest in EU



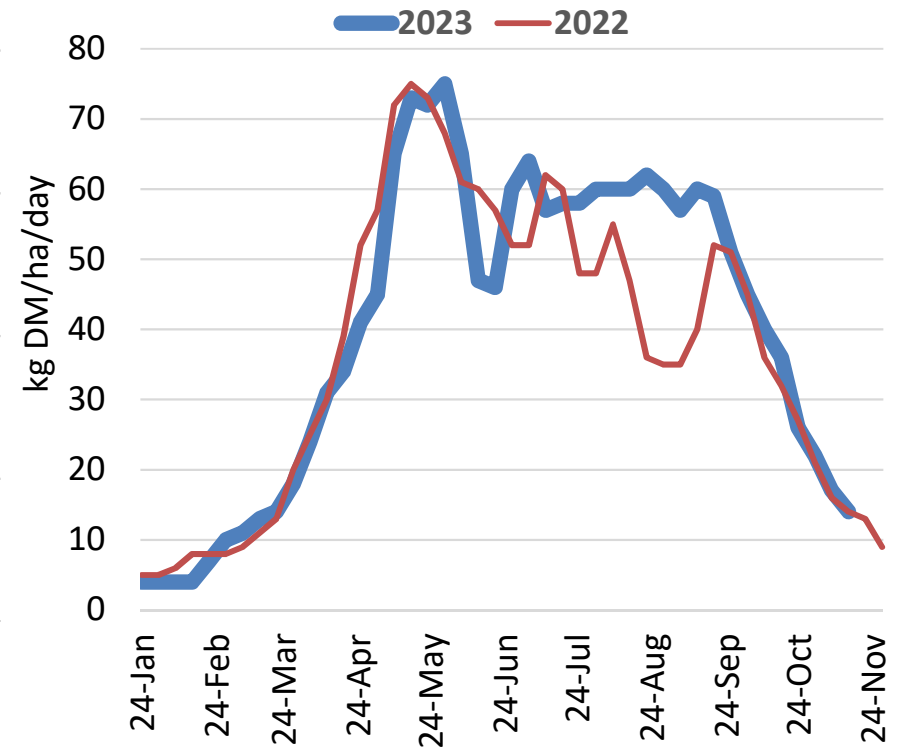
Slight Drop in Irish Milk Production in 2023

Reduced yields, despite small increase in cow numbers



Source: CSO (2023)

Improved grass growth overall

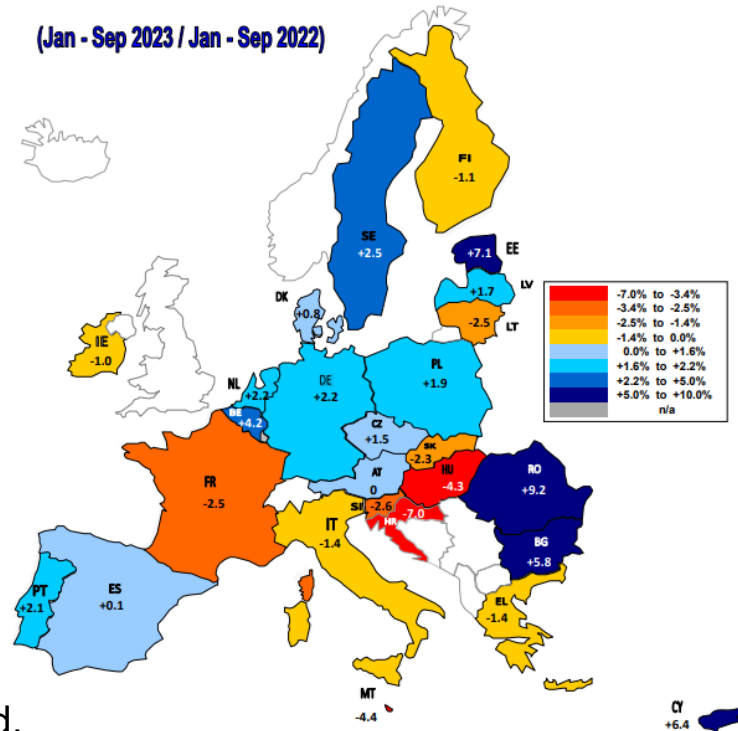


Source: PastureBase Ireland (2023)

EU milk production up slightly in 2023

- Modest production increase in 2023
 - Mixed supply developments across EU MS
 - Production increase <1% expected
- Improved production conditions v 2022
 - Improved yields despite reduced cow numbers
 - Persistence of high cost environment
- Variation in milk price across MS
 - Lower prices led to lower production in some MS e.g. Ireland, France and Italy.
 - Output less price elastic elsewhere e.g. Germany, Poland.

EU Milk Deliveries compared to last period (in %)



Source: EU Commission MMO

Production recovery among some key exporters in 2023

Annual milk production change (Million tonnes)					
	2019	2020	2021	2022	2023e
EU27	0.24	1.71	0.26	-0.05	1.00
NZ	-0.16	0.09	0.02	-0.83	0.30
US	0.37	2.19	1.38	0.09	0.31
AUS	-0.61	0.25	-0.03	-0.53	-0.05
ARG	-0.19	0.77	0.44	0.05	-0.02
Sum	-0.35	5.01	2.07	-1.27	1.54

Source: Eurostat, DCANZ USDA and author estimates

2023 relative to 2022



EU
NZ
US

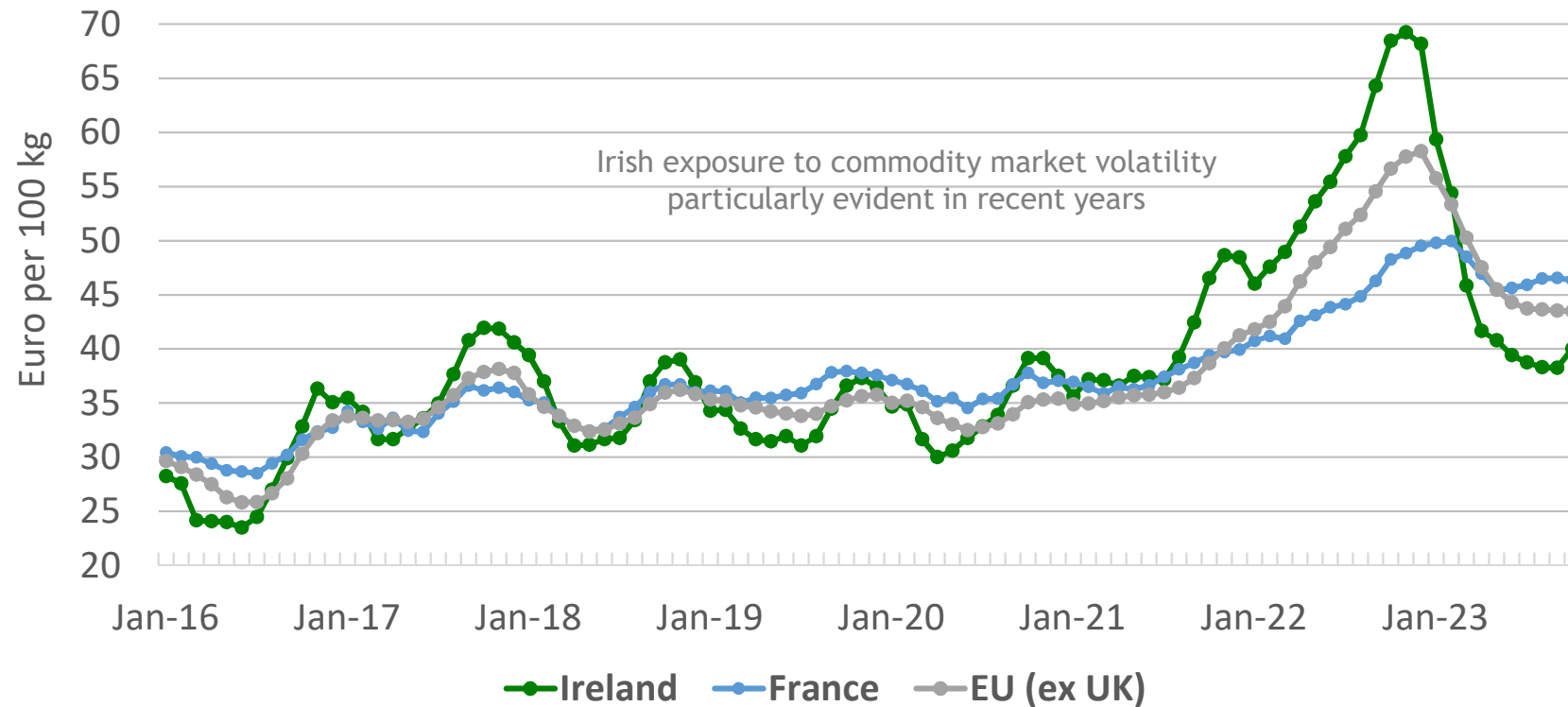


AUS
ARG



EU milk price variation

Raw milk price 2016 - 2023

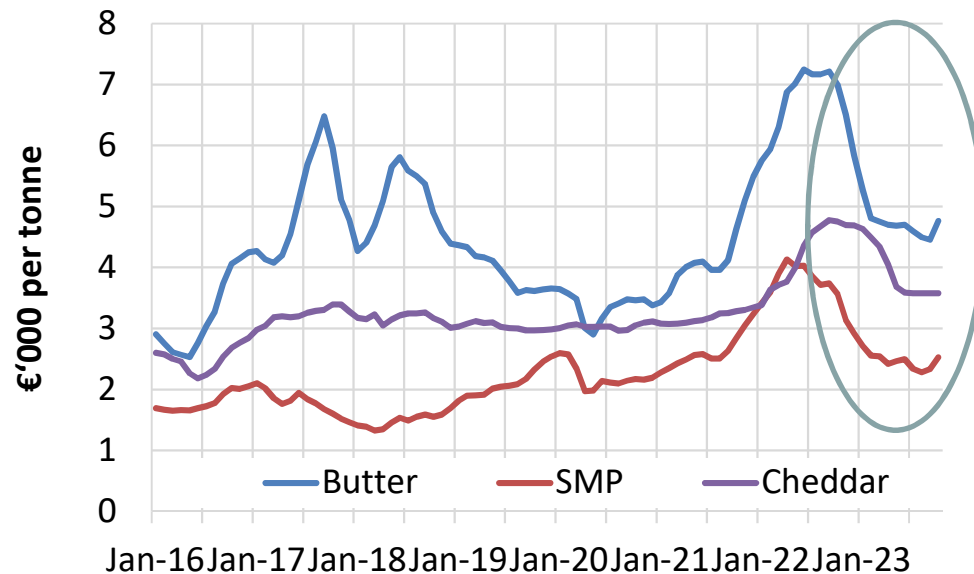


Source: Milk Market Observatory

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Dairy Product and Milk Prices 2023

EU Dairy product prices



Source: MMO

Significant price drop for Butter, SMP & Cheddar

- Declines ongoing since Q4 2022
- First signs of price recovery in recent weeks

Irish producer prices



Source: CSO

Avg. Irish milk price down sharply (28%) in 2023 (vs 2022)

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

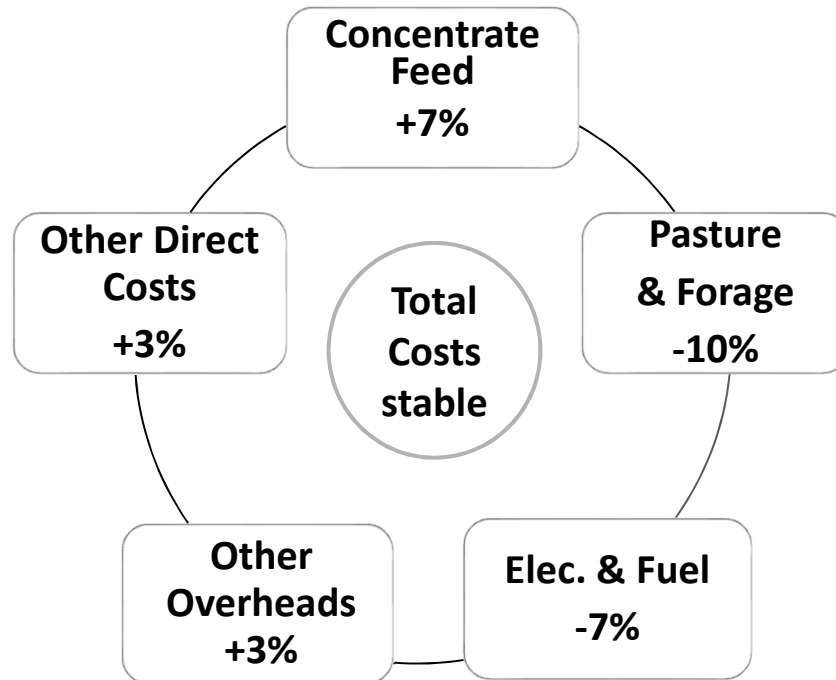
Dairy enterprise analysis

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Cost Pressures continued in 2023

Costs per litre 2023e

Expenditure change relative to 2022

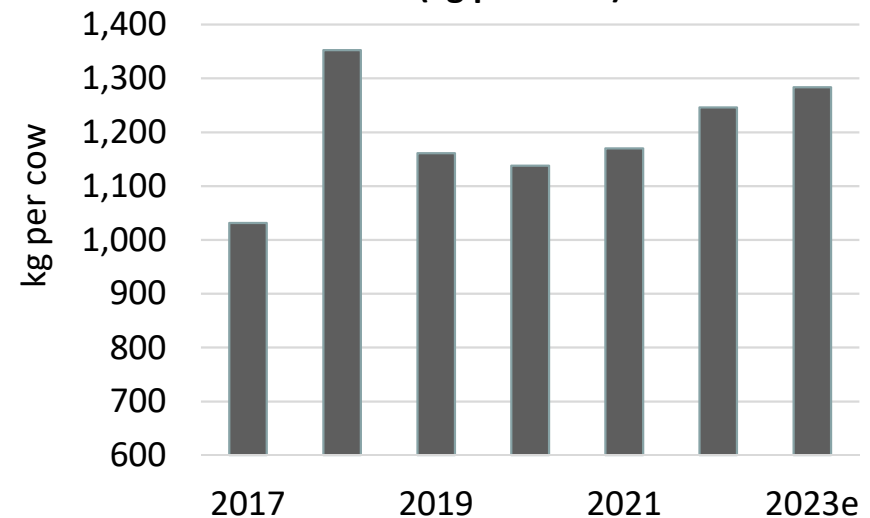


Source: Teagasc NFS data and Authors' estimate for 2023

* Assume 1% reduction in farm milk production

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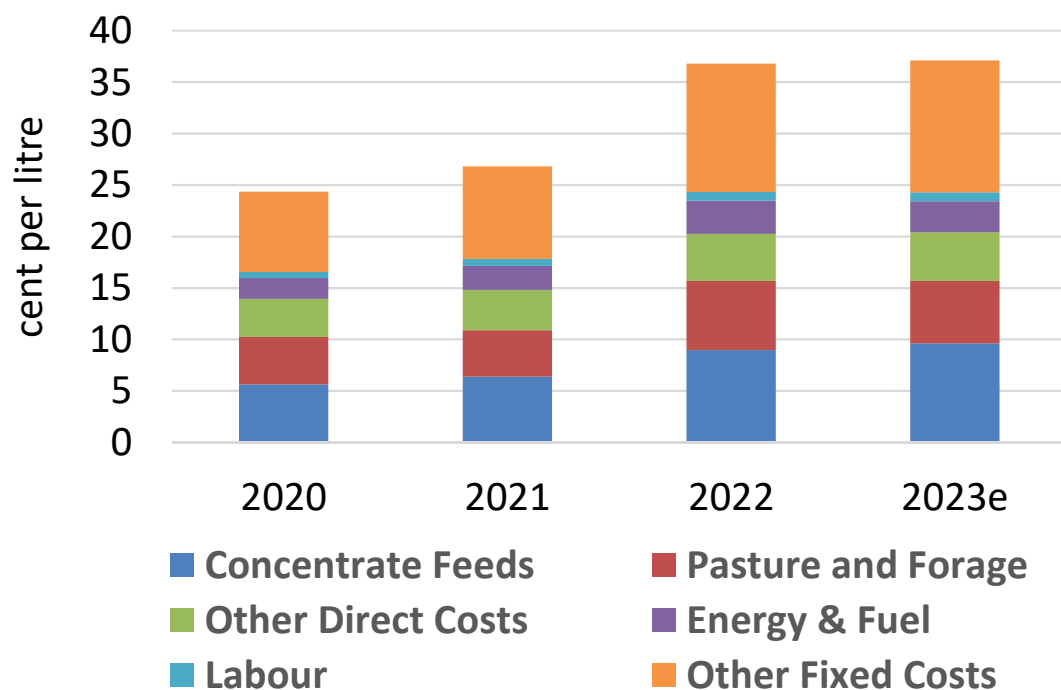
Average Dairy Compound Feed Use (kg per head)



- 2023e Feed use up 3% to 1,283 kg per cow
- Feed use elevated in Q2 2023
- Farm specific drivers

Production costs remained very high in 2023

Average Cost of Milk Production per Litre



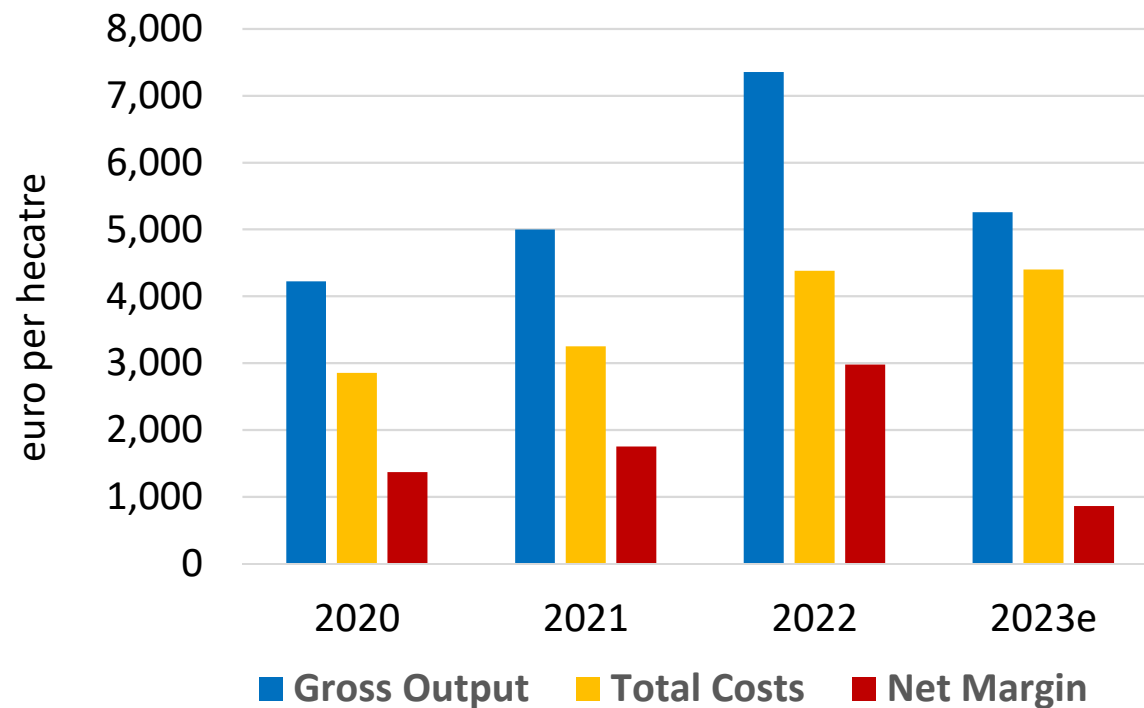
- Average costs ~37.1 cpl in 2023
 - Elevated but stable compared to 2022
 - Concentrate feed and labour spend up
 - Fertiliser, fuel and electricity spend down
- Concentrate costs ~9.6 cpl
- Pasture and forage ~6.1 cpl
- Net margin ~7.1 cpl (↓71%)



Source: Teagasc NFS data and Authors' estimate for 2023

Average net margin down substantially in 2023

Average net margin per ha. ~ €860 in 2023



- Gross output per ha ↓ 29%
- Total costs per ha unchanged
- Net margin per ha ↓ 72%



Source: Teagasc NFS data and Authors' estimate for 2023e

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2023 Dairy Estimate Summary



28% ↓ milk price

Slight drop in milk yield per cow

71% ↓ net margin per litre (7.1cpl)

72% ↓ net margin per ha (€859)



Slight drop in Irish milk production

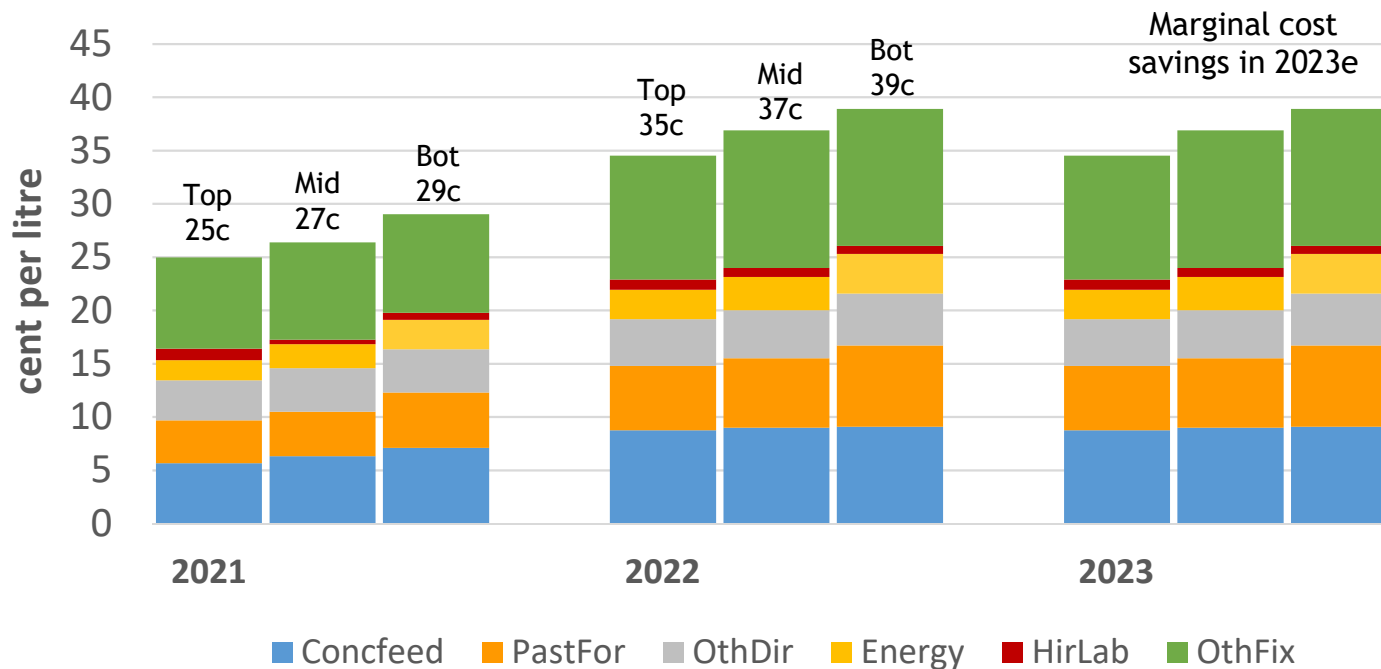
Total costs unchanged (37.1 cpl)



1% ↑ in dairy cow numbers

Milk Production Range of Costs per Litre Top, Middle and Bottom groupings 2021-2023e

Many farms have production costs that differ from the average!



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OUTLOOK FOR 2024

Situation and Outlook for Irish Agriculture



Dairy Outlook 2024

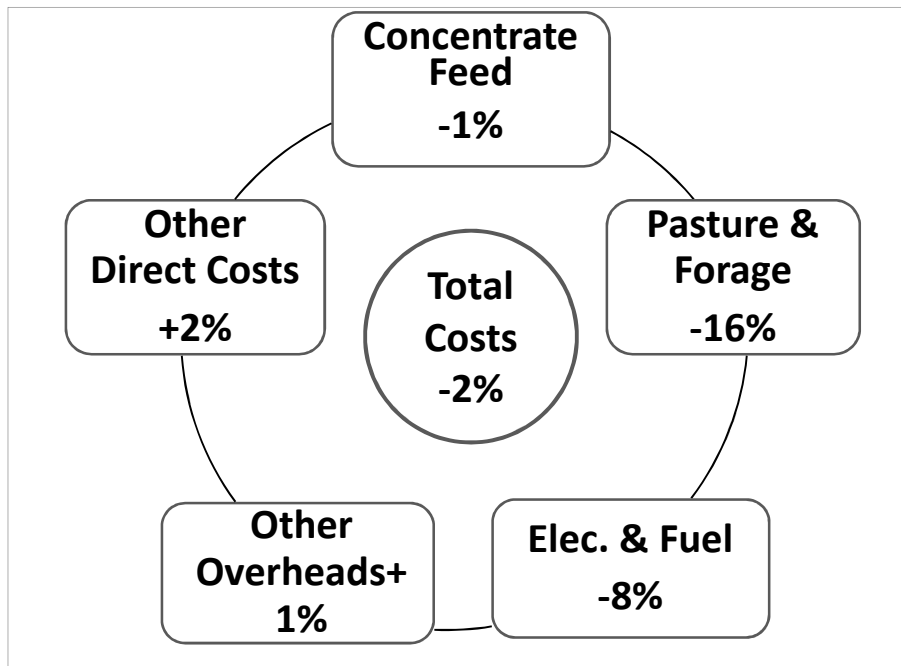
- Global dairy markets
 - Uncertain economic outlook
 - Some supply growth expected across main exporters
 - Modest improvement in prices anticipated
- Irish dairy sector outlook
 - Irish milk price forecast to increase by ~10% (average)
 - ~47 cpl (actual const. vat incl.)
 - Production volume forecast to remain relatively stable
 - Production costs to remain elevated in 2024



Some easing in input cost pressures in 2024

Costs per litre 2024f

Expenditure change relative to 2023



- Input prices will continue to fall slightly in 2024
 - Feed, fertiliser and fuel
- Cost of production to stay high (~36.3 cpl, avg.)
 - Concentrate costs ~9.5 cpl
 - Pasture and forage ~5.1 cpl
 - Improved net margin ↑ 73% (~12.2 cpl)



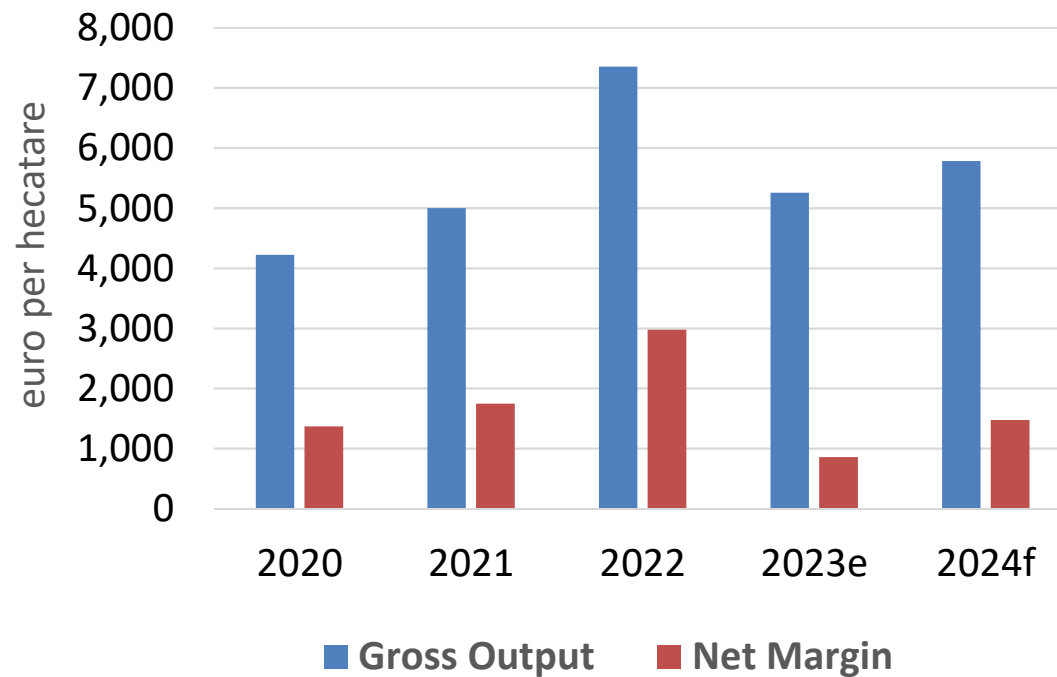
Source: Teagasc NFS data and Authors' forecast for 2024

* Assume no change in farm production

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Improved net margin forecast for 2024

2024f Average net margin per ha. ~ €1,500



- Normal weather assumed
- Gross output per ha ↑10%
- Net margin per ha ↑72%



Source: Teagasc NFS data and Authors' forecast for 2024



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2024 Dairy Forecast Summary



Higher milk price (~ 47cpl avg.)

74% ↑ net margin per litre (~ 12 cpl avg.)

72% ↑ in net margin per ha. (~ €1,480)



2% ↓ costs (~ 36 cpl avg.)



Milk production unchanged

Stable cow numbers and yields

Overall Dairy Summary

- 2023 – dramatic fall in dairy commodity and milk prices
 - Impact particularly strong in terms of Irish milk prices
 - Elevated cost environment remained
 - Decline in average net margin from record high in 2022
- 2024 forecast – more uncertain
 - Some upward movement in international dairy product prices
 - Expect disproportionate improvement in Irish milk price
 - Continuation of generally high cost environment
 - Particular challenges on some farms e.g. nitrates banding and derogation changes



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THANK YOU



@dillonemj
@TrevorDonnellan



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