



SITUATION AND OUTLOOK For Irish Agriculture July 2023

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Contents - Situation and Outlook for Irish Agriculture (July 2023)

Introduction	2
Global Economy	3
Macro Economy and Exchange Rates	4
Agri Commodity and Food Prices	5
Farm Inputs	7
Feed Market	8
Fertiliser Market	10
Energy Market	11
Dairy	12
Beef	15
Sheep	18
Tillage	21
Pigs	24

Acknowledgement

The provision of the National Farm Survey data is a vital stepping stone in producing a forecast of margin and income developments on Irish farms.

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.

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INTRODUCTION

In December 2022 Teagasc published its annual Situation and Outlook for 2023. This mid-year assessment published in July 2023 takes on board developments in the first half of 2023 in order to provide a revised assessment of the likely outcome for the year as a whole.

Russia's illegal invasion of Ukraine continues to have significant economic consequences globally, with Europe being one of the regions most affected.

In agriculture, production costs remain at extraordinarily high levels.

Both Ukraine and Russia are major grains and oilseeds exporters. Russia is also a major supplier of natural gas to much of Europe. The reduced supply of grains and oilseeds on world markets has led to a sharp increase in international grains and oilseeds prices.

Fossil fuel prices rose sharply in 2022, but have eased somewhat in 2023. Fertiliser prices have been declining in recent months, but remain very high compared to the level of two years ago.

By contrast, some farm output prices have decreased substantially in 2023, notably for milk and cereals.

This outlook assesses the situation for 2023 as a whole based on data available at the end of July 2023. In some cases official data is only available for Q1 of 2023 and it is necessary to approximate what has happened in Q2. Therefore some assumptions have had to be made about the volume of input use and price developments that have already occurred for Q2 of 2023.

In this publication the likely outcome for 2023 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 2023, 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 where there is insufficient data, such instances are represented by a question mark.



Inflation

The rate of consumer price inflation increased sharply in 2022, reaching about 8% in Ireland. While inflation in Ireland has not been as high in 2023, it remains much higher than the European Central Bank's target level and it is likely to be about 5% in 2023.

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

While inflation has moderated, it remains a major issue globally. High prices for energy and agricultural commodities have been among the stronger drivers of inflation over the last 18 months. The high rate of inflation has prompted a long series of progressive interest rate increases designed to slow inflation. In some economies it is now considered that recession may be required to bring inflation back to a desirable rate.

In 2023 the Euro has recovered somewhat from the exceptionally low level it reached against the US dollar in Q4 of 2022 and traded at close to US\$1.10 in Q2 of 2023.

The Euro has moved over a relatively narrow range against Sterling over the first half of 2023, averaging about £0.87.

The Economic and Social Research Institute (ESRI) has revised downwards its growth forecast for the Irish economy for 2023 and 2024. No GDP growth is expected in 2023, with growth of 3.5% forecast for 2024. However, the ESRI is more positive with respect to the modified domestic demand (MDD) measure, which is more representative of the growth rate in the Irish economy than GDP. MDD is forecast to increase by 3.6% in 2023 and by 4.0% in 2024.

The ESRI forecasts that inflation will slow from the 7.8% recorded in 2022, to 5% in 2023 and 3% in 2024. In 2023 inflation in the US has fallen faster than in the EU or UK.

The unemployment rate in Ireland in 2022 was 4.95%. The ESRI forecasts that the unemployment rate will decline further to 3.90% in 2023 and 3.70% in 2024. The tight labour market and high general inflation are a concern, as both could drive wage inflation.

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

Figure 1: Euro/Dollar Exchange Rate 2008-2023



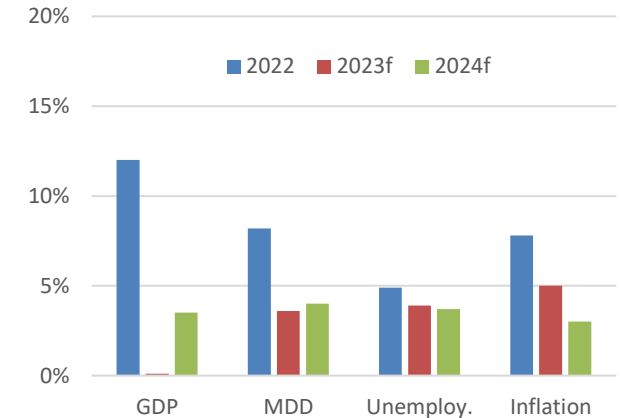
Source: European Central Bank

Figure 2: Euro/Sterling Exchange Rate 2008-2023



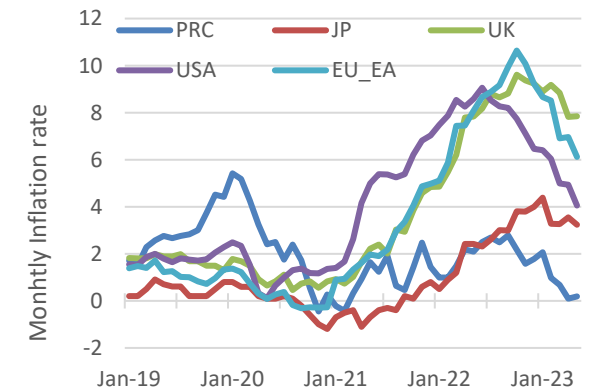
Source: European Central Bank

Figure 3: Key economic indicators Ireland 2022-2024f



Source: Economic and Social Research Institute, Summer 2023

Figure 4: Inflation rate in major economies 2019-2023



Source: IMF and Eurostat

Invasion of Ukraine



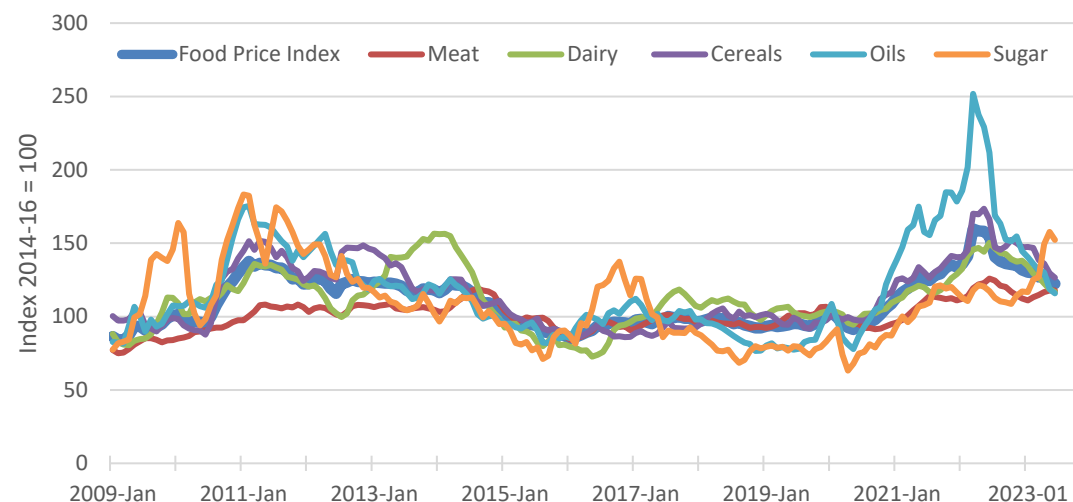
Agri Commodity and Food Prices

Russia's illegal invasion of Ukraine contributed to a sharp rise in agricultural commodity prices, energy prices and fertiliser prices internationally in 2022. The rise in agricultural prices was as a result of more limited supplies as well as higher production costs. While some easing in prices has occurred in 2023 relative to 2022, agricultural commodity prices remain well above their 2021 level.

The latest Food and Agriculture Organisation (FAO) Monthly Food Price Index shows that prices for several foods in the index continue to decline slowly from a sharp peak in 2022, but prices remain well above their level of 18 months ago. Oils and cereals have experienced the largest price volatility, but price fluctuations for dairy and meats have also been substantial. Sugar prices have been an exception to the easing in prices for other commodities. Sugar prices have continued to rise in 2023 due to the impact of adverse weather on production in key regions.

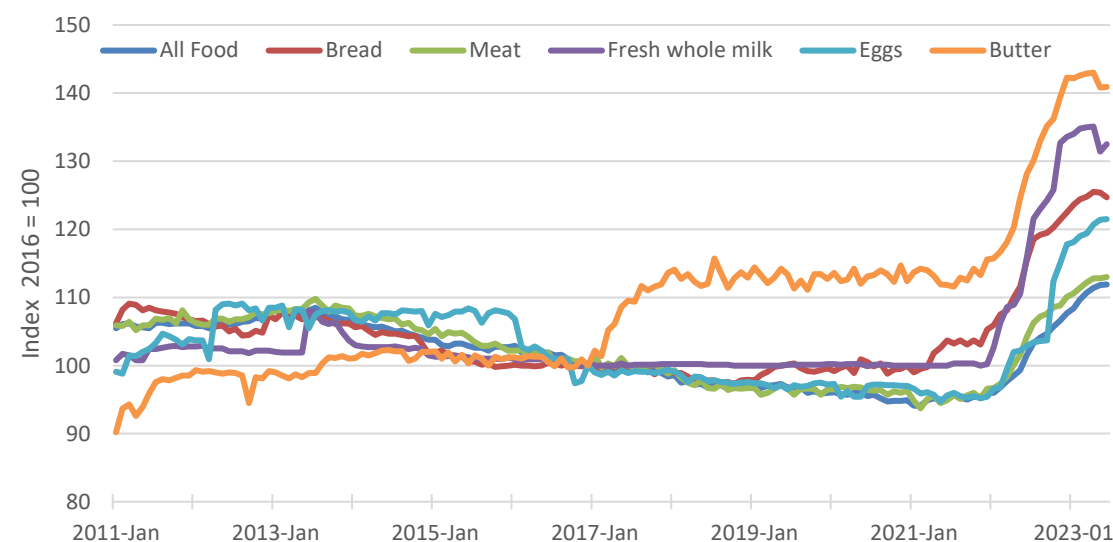
In Ireland retail food prices increased sharply in 2022 and this growth continued into 2023 in response to the rise in agricultural commodity prices and increases in energy, transport, labour and other costs associated with farm production, food processing, distribution and retailing. Some retail prices appear to have plateaued in Q2 of 2023.

Figure 4: FAO Monthly Food Price Index and Associated Indices January 2011 to 2023 (June)



Source: UN Food and Agriculture Organisation

Figure 5: Selected Monthly Irish Retail Food Price Indices 2010 – 2023 (June)



Source: Central Statistics Office

WEATHER CONDITIONS



WEATHER CONDITIONS

Weather conditions in Ireland in the first half of 2023 were unusually warm relative to the benchmark 30 year long term average. The first half of 2023 was also particularly dry.

These unusual weather conditions have had an impact on grass growth and will impact on crop yields.

Across Ireland temperatures have been above normal throughout the first half of 2023, with June in particular being notable as the hottest June on record in Ireland.

Unusually low levels of rainfall throughout Ireland in February 2023 were followed by an exceptionally wet March in all areas, leading to a delayed onset of spring growing conditions. By comparison, rainfall levels in April were closer to normal for the time of year. Rainfall levels in May and June were again well down on normal levels across much of Ireland, leading to near drought conditions in some eastern and southern areas.

While data for the full month of July was not yet available when this report was being produced, rainfall levels were well above normal in many areas.

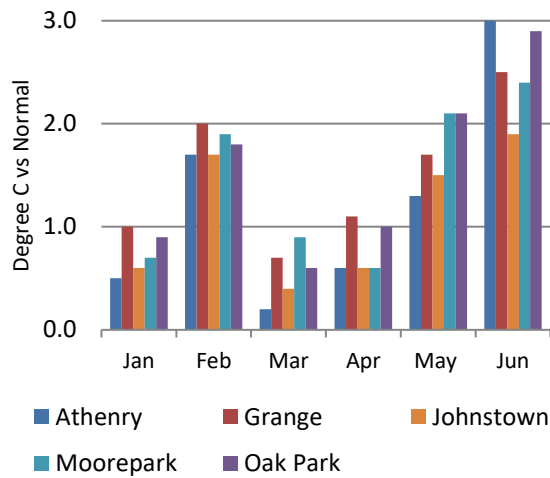
Weather conditions in the first half of 2023 have meant that grass growth has tended to lag behind the same period in 2022. The lack of rainfall in May and June led to a sharp drop in grass production in what would normally be a peak period for grass growth.

Weather conditions in the current season were not favourable for cereal crop establishment and growth, with spring barley crops particular impacted. Furthermore, the recent very wet weather has hampered the harvesting of winter barley and oilseed rape, with losses increasing in fields through dropped heads and crop lodging.

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

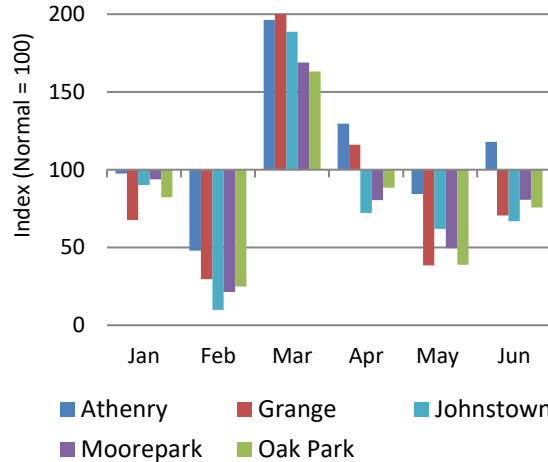
Note: Normal weather is defined as the 30 year average from 1981 to 2010.

Figure 3: Jan. to Jun. 2023 Mean Temperature Relative to Normal (1981-2010)



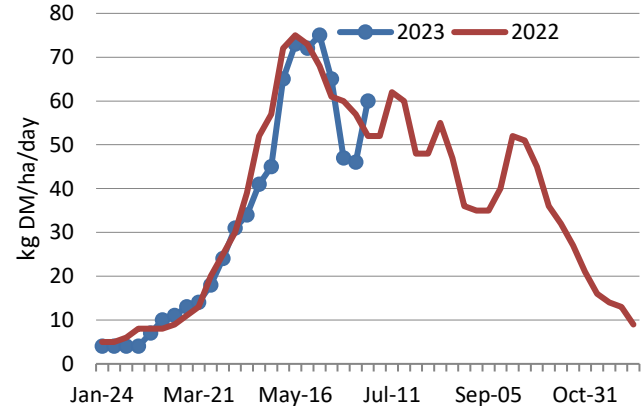
Source: Adapted from Met Eireann data

Figure 4: Jan. to Jun. 2023 Rainfall Relative to Normal (1981-2020)



Source: Adapted from Met Eireann data

Figure 5: Irish Grass Growth 2022 and 2023



Source: Teagasc Pasture Base Ireland

FARM INPUTS



FEED MARKET

As of July 2023, official data on feed sales in the current year are available from the Department of Agriculture Food and the Marine (DAFM) for Q1 only. These data show that bovine feed sales fell by 3% in Q1 2023 relative to the same period in 2022, while dairy feed sales were up 5% in volume terms.

The volume of sheep feed use in Q1 of 2023 was down 12% on the same period in 2022. This was in the context of high feed prices and lower lamb prices for the year to date.

Pig feed sales were lower in Q1 of 2023 compared to the same period in 2022, reflecting the contraction in the size of the Irish pig population that has occurred. Poultry feed sales in Q1 of 2023 were up slightly on the same period in 2022.

Feed prices thus far in 2023 have remained at very elevated levels and are about 15% higher than the same period in 2022. However, it should be understood that Irish feed prices remain about 50% higher than they were during the first half of 2021.

Looking ahead to the rest of 2023, global cereal market developments, as reflected in the ‘on account’ harvest prices reported at harvest 2023, indicate a significant decrease in Irish cereal prices relative to 2022. A 20% decrease in farm-gate cereal prices for the 2023 harvest is forecast.

Despite a forecast decrease in world production of soft wheat and barley in 2023/24, increased global maize production and a higher stocks/use ratio for maize have impacted heavily on the downward movement in feed prices in 2023. According to the latest report from Strategie

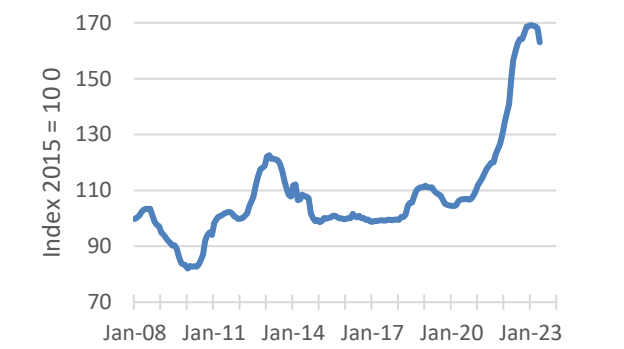
Grains (July 2023) world grain markets are now caught in the crossfire between decreasing global harvests for wheat and barley on the one hand, and demand undermined by inflation on the other.

As the feed market moves into the Q4 of 2023 the fundamentals in the market are indicating a reduction in international feed wheat and barley prices.

Some market analysts have warned that prices could rise again in the event of further cuts to grain harvests – still a possibility at this stage (especially in Europe for wheat and barley) – and animal sector demand could increase more sharply than currently projected. There is also significant volatility in the market associated with the cessation of the Black Sea Grain Initiative. However, any sharp rise in prices is unlikely to be sustainable because it would undermine already weak demand.

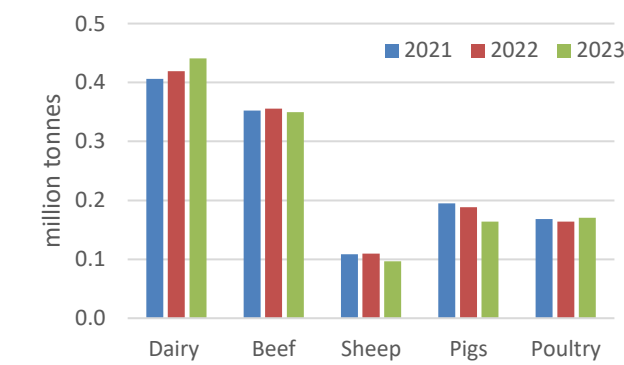
Averaging across the full year, it is likely that Irish farm gate feed prices in 2023 will be approximately 10% higher than in 2022.

Figure 6: Longer Term Index of Monthly Irish Feed Prices 2008-2023 (May)



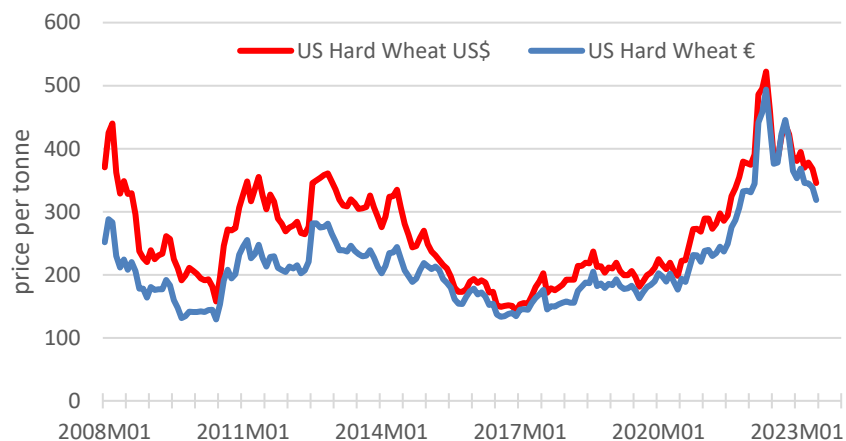
Source: CSO

Figure 7: Compound Feed use in Ireland for first 3 months of 2021, 2022 and 2023 by the main species



Source: DAFM

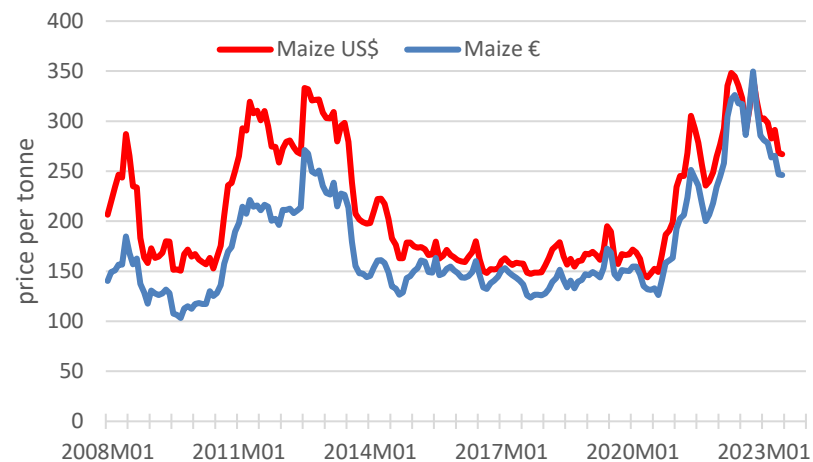
Figure 8: Monthly US Hard Wheat Price 2008-2023 (June)



Source: World Bank

Note: US No1 Hard Red Winter Wheat Gulf Export Price

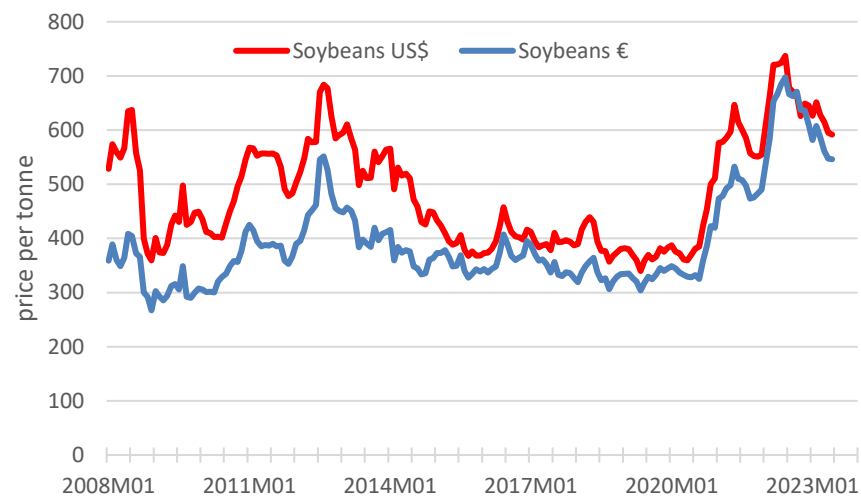
Figure 9: Monthly US Maize Price 2008-2023 (June)



Source: World Bank

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

Figure 10: Monthly International Soybean Price 2008-2023 (June)



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. Fertiliser prices rose significantly in 2021, due mainly to a recovery in demand as the COVID pandemic began to recede. Further fertiliser price increases followed in 2022 due to Russia's illegal invasion of Ukraine and the decline in natural gas availability in Europe, which pushed up natural gas prices and in turn fertiliser production costs. In 2023 international fertiliser prices have begun to fall, but it can take time for these price reductions to feed through to the farm level. It would appear that much of the benefit of lower farm level fertiliser prices will not be felt in 2023 as much of the fertiliser to be used in 2023 will have been bought at high prices.

The available official data on fertiliser sales in Ireland covers the first six months of the fertiliser year (Oct 2022 to Mar 2023). For this six 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 (2021/2022).

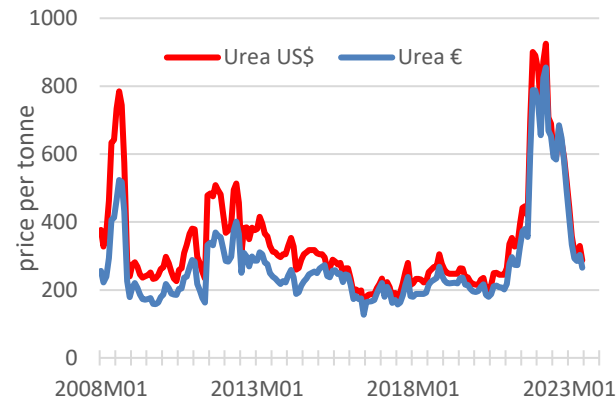
Accurate data on fertiliser sales in Ireland in the 2023 fertiliser year will not be available until late 2023. Industry sources indicate that fertiliser sales volumes have recovered as 2023 has progressed. However, the current evidence suggests that grassland farmers in Ireland may further reduce their fertiliser usage in 2023 compared with 2022.

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

Combining a reduction in use, with a 10% fall in prices over the first half of 2023, the expenditure on fertiliser in

Ireland will decline in 2023.

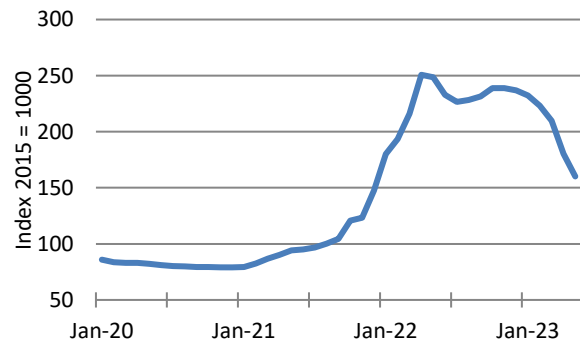
Figure 11: Monthly International Urea Price 2008-2023



Source: World Bank

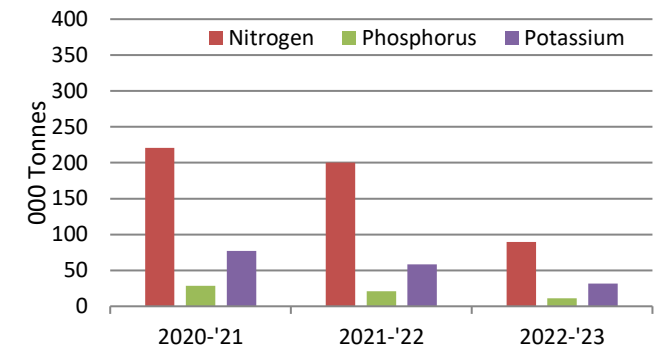
Note: Ukraine Black Sea f.o.b.

Figure 12: Index of Monthly Irish Fertiliser Prices 2020-2023



Source: Central Statistics Office

Figure 13: Irish Fertiliser Sales in the first 6 months of fertiliser years (Oct to Mar) 2021, 2022 and 2023



Source: DAFM

ENERGY MARKETS

The escalation in energy prices in 2022 and 2023 has been a key driver of the high rate of general inflation that has emerged in the last year to 18 months.

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 systems, and to a lesser extent in drystock production.

While wholesale natural gas prices on the European Market have fallen back to levels that are closer to normal, it is not clear whether natural gas prices will remain at these more moderate levels as we move into the coming winter.

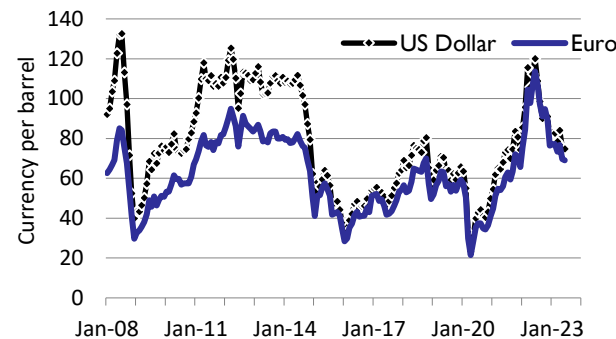
Crude oil prices, along with prices for other fossil fuels, have fallen in response to reduced demand. Brent crude oil prices have dipped below the \$US 80 mark by June of 2023, whereas it was at \$120 in June of 2022.

The fluctuation in the value of the Euro against the US dollar over the last 12 months has added to the volatility in oil prices in euro terms.

The volatility in international energy prices has affected motor fuel and electricity prices. While motor fuel prices have quickly responded to the fall in oil prices in 2023, consumer electricity prices still remain high, but are expected to decline later in 2023. 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 price movements into farm diesel prices is stronger than in the case of regular petrol and diesel.

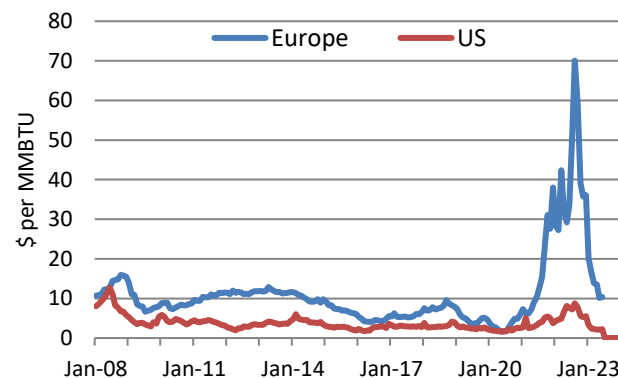
Overall, Irish agriculture will see a decline in expenditure on fuel in 2023 compared to 2022, but expenditure on electricity in 2023 is likely to be higher than in 2022.

Figure 14: Brent Oil Prices Monthly 2008 -2023



Source: World Bank

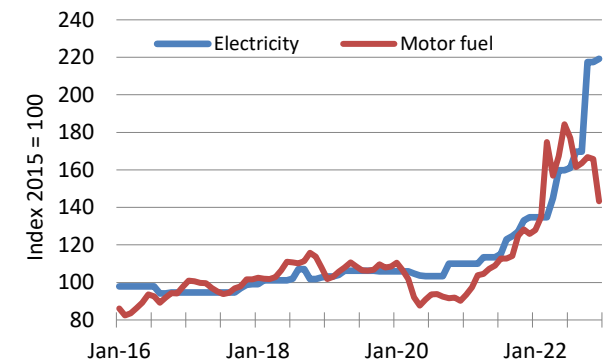
Figure 15: European & US Natural Gas Prices 2008-2023



Source: World Bank

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

Figure 16: Index of Irish fuel and electricity prices 2016-2023















Source: CSO

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

DAIRY

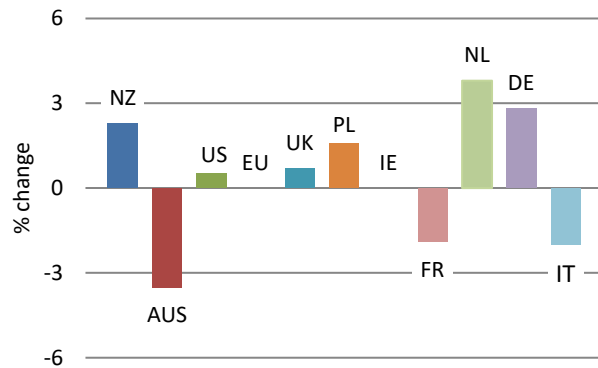


DAIRY

Global Supply		Global Demand		Milk Prices		Irish Production		Input Costs		Irish Farm Income	
Situation	Outlook	Situation	Outlook	Situation	Outlook	Situation	Outlook	Situation	Outlook	Situation	Outlook
 Negative	 Neutral	 Negative	 Neutral	 Negative	 Negative	 Neutral	 Neutral	 Neutral	 Neutral	 Negative	 Negative
<ul style="list-style-type: none"> At the global level in 2023 milk production is on the increase in NZ, and the US, but is relatively static in the EU. Within the EU, milk production in 2023 relative to 2022 is higher in some key MS (NL, DE) and lower in others (IE, FR, IT). UK milk production is also up in 2023. Weaker global dairy demand has led to a sharp decline in international dairy product prices in 2023. 		<ul style="list-style-type: none"> International dairy product demand in H1 and H2 2023 has remained sluggish even though dairy product prices have declined considerably from their high in 2022. Chinese imports of powders in 2023 have fallen relative to 2022. The challenging cost of living situation is limiting dairy demand growth on the EU market. 		<ul style="list-style-type: none"> European dairy product prices have decreased substantially thus far in 2023. Dairy prices fell sharply in Q1 of 2023 and continued to decline in Q2, with prices expected to remain little changed on current levels through the remainder of 2023. Butter and SMP prices have fallen to €4,600 and €2,400 per tonne respectively by July of 2023. Cheddar prices have also fallen considerably in H1 2023. The average Irish milk price for 2023 is now likely to be down 25% on the average for 2022. Relative to EU competitors' milk prices, Irish milk prices have fallen to a greater extent over the last 12 months, which is a typical occurrence for the Irish price in a weakening global dairy market. 		<ul style="list-style-type: none"> Milk production in the year to May 2023 is down 0.7% on the same period in 2022. Grass growth conditions have been somewhat unfavourable in 2023, but there are no concerns for grass availability or silage production at present. Reflecting the trend of recent years, feed use continues to increase in 2023. Dairy cow numbers in 2023 are up marginally and milk yields per cow appear to be down slightly relative to 2022. No increase in Irish milk production is envisaged for 2023 as a whole. 		<ul style="list-style-type: none"> Fertiliser prices have been declining in 2023, but it remains very expensive relative to prices two years ago. The volume of fertiliser sold is likely to be lower in 2023 relative to 2022. Lower expenditure on fertiliser, perhaps a reduction of 20% relative to 2022, is anticipated. Feed prices in 2023 are likely to be about 10% higher than their level in 2022. Average total milk production costs per litre in 2023 are likely to be little changed on the 36 cent per litre recorded in 2022. 		<ul style="list-style-type: none"> With little change in total milk production costs likely, the extent of the decline in milk prices in 2023 will determine farm margins. In 2023 the average Irish dairy farm should see a net margin of close to 9 cent per litre, a decrease of over 60% on the 2022 level. This average net margin would translate into an average income level of close to €70,000 in 2023, a decrease of over 50% compared to 2022. 	

DAIRY

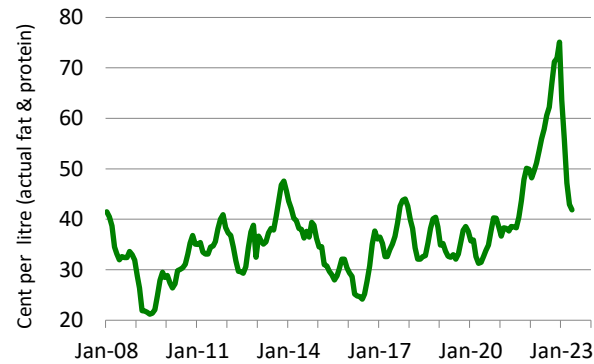
Figure 17: % Change in Milk Production 2023 vs 2022 (year to date)



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

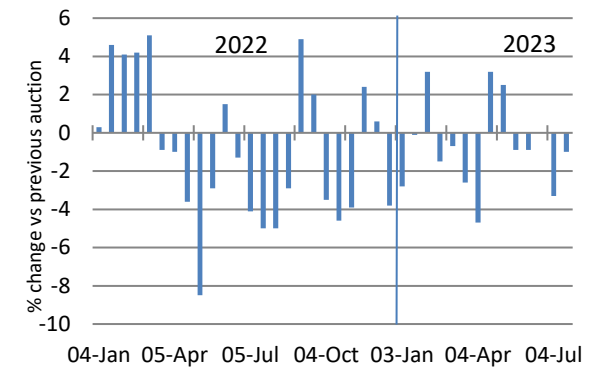
Year to April 2023 (May 2023 for IE, UK)

Figure 18: Monthly Irish Milk Prices 2008 -2023 (May)



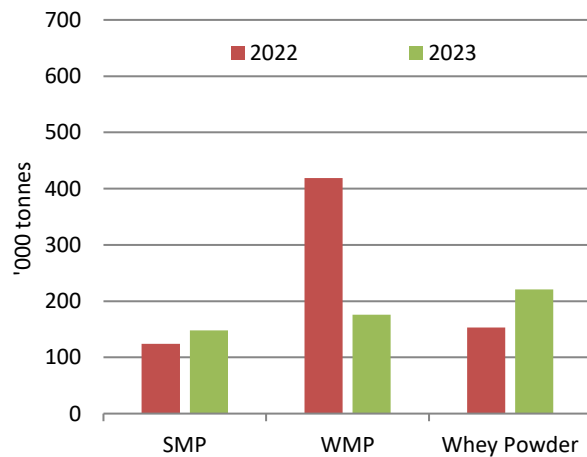
Source: CSO

Figure 19: GDT Auction Index Fortnightly Price Movements in 2022 and 2023



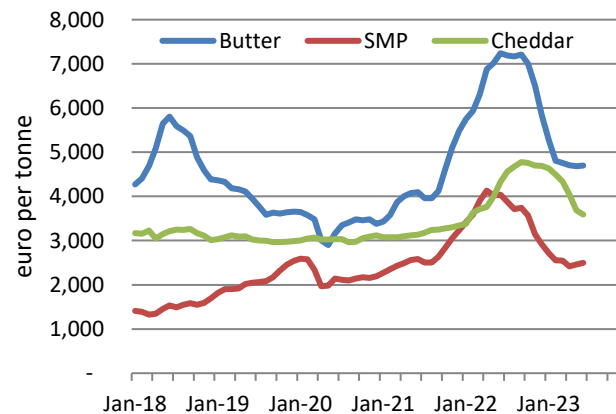
Source: GDT

Figure 20: Chinese Powder Imports 2023 Jan-Apr vs 2022 Jan-Apr



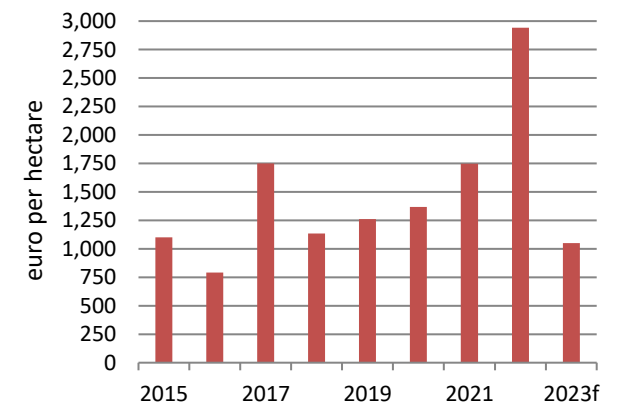
Source: IHS Markit

Figure 21: EU27 Wholesale Dairy Product Prices Jan 2018 to Jun 2023



Source: DG Agri

Figure 22: Average Dairy Net Margin per hectare 2015 to 2022 and Forecast for 2023



Source: Teagasc NFS 2015-2022 and Author Forecast for 2023

BEEF

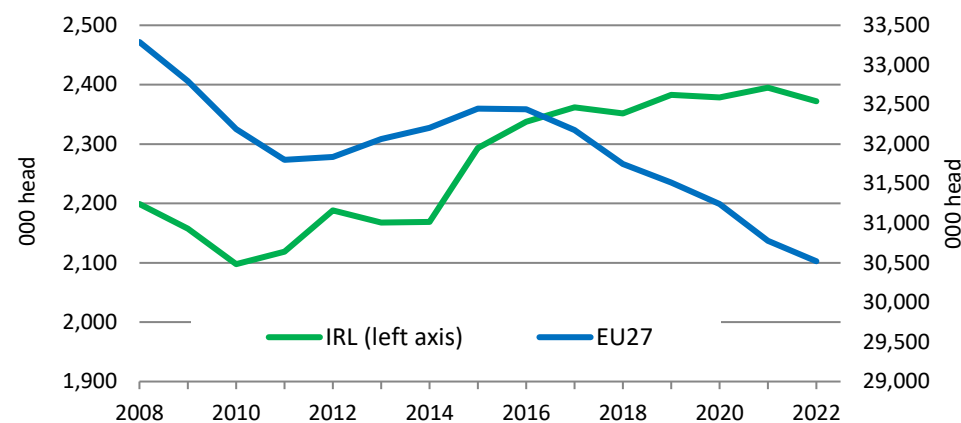


BEEF

EU+UK Supply		EU+UK Demand		Beef Prices		Irish Production		Input Costs		Farm Income	
Situation	Outlook	Situation	Outlook	Situation	Outlook	Situation	Outlook	Situation	Outlook	Situation	Outlook
											
Positive	Positive	Negative	Negative	Positive	Positive	Negative	Negative	Neutral	Neutral	Positive	Positive
<ul style="list-style-type: none"> EU beef supply declined by 3.7% in Q1 2023 relative to Q1 2022. EU beef supply is expected to be 2% lower in 2023, mainly due to a reduction in the size of both the dairy and beef cow herds. EU beef exports are expected to decrease by 5% due to more competition in high-value markets and higher EU prices. EU imports of beef are expected to increase in 2022. UK beef production is expected to be 1.7% lower in 2023 relative to 2022. 		<ul style="list-style-type: none"> Total EU domestic use of beef is forecast to be lower in 2023 relative to 2022. High inflation, particularly in meat prices, is having a negative effect on consumer demand for meat in the EU and UK. Low economic growth in the UK impacts negatively on demand for beef. However, export demand for UK beef (from EU) and higher prices for other meats will support UK beef prices. 		<ul style="list-style-type: none"> In H1 2023, Irish finished cattle prices were 9% higher than in H1 2022. Irish finished cattle prices are forecast to increase by 5% relative to 2022. In 2023, weanling and store prices are forecast to increase by 5% relative to 2022. For individual farm businesses, the timing of cattle marketing is proving important in 2023. Improved prices for beef are supported by higher prices for both pigs and poultry in response to animal disease outbreaks. UK prices are expected to increase in 2023 largely due to the contraction in UK beef supply being ahead of the decline in UK consumer demand. 		<ul style="list-style-type: none"> Irish prime beef production in H1 2023 was approximately 4% lower than in H1 2022. For 2023 as a whole, Irish prime beef production is forecast to decrease by 2% compared to 2022. High feed prices may have delayed cattle finishing on some farms. Beef production is expected to peak in Q3 of 2023. 		<ul style="list-style-type: none"> Feed prices remain elevated. Fertiliser prices have declined in H1 2023 but remain well above historical levels. Direct costs are forecast to be 2% lower in 2023. Overhead costs are forecast to be 2% higher in 2023. Total costs of production on single suckling and cattle finishing enterprises are forecast to be unchanged in 2023. 		<ul style="list-style-type: none"> Average gross margin on the single suckling enterprise is forecast to increase by 14%. Average gross margin on the cattle finishing farms is forecast to increase by 7% in 2023. Average net margin per hectare of €-10 is forecast on Single Suckling Enterprise in 2023. Average net margin per hectare of €+80 is forecast on Cattle Finishing Enterprise in 2023. FFI on Cattle Rearing farms is forecast to increase by 15% in 2023. FFI for Cattle Other farms is forecast to increase by just 5% in 2023. 	

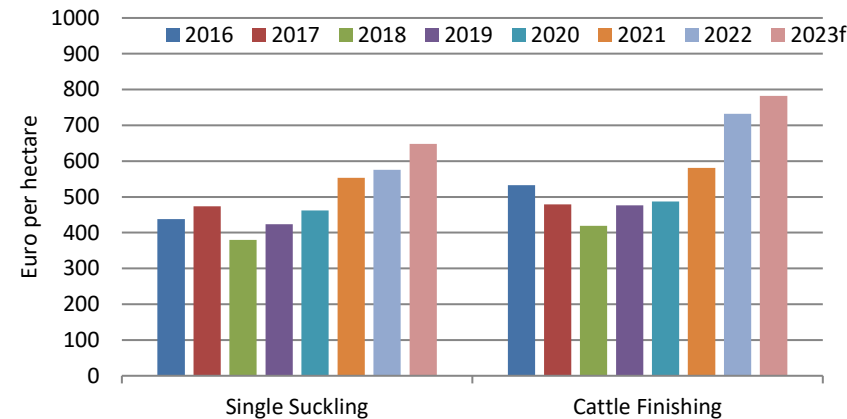
BEEF

Figure 23: Irish and EU27 cow inventories (December) 2008-2022



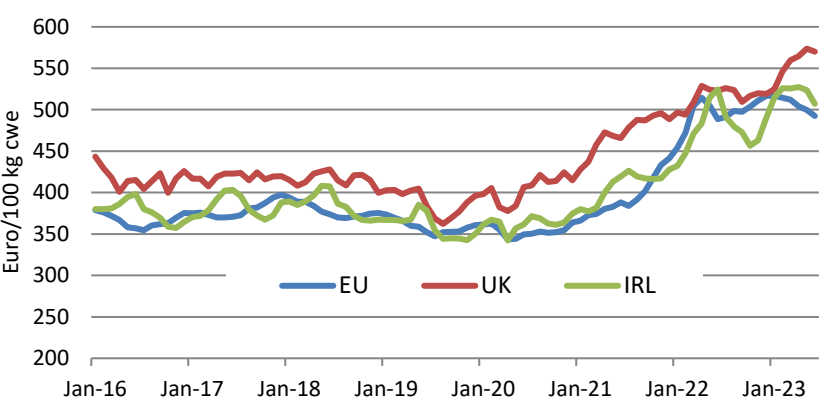
Source: Eurostat

Figure 25: Single Suckling and Cattle Finishing Gross Margin per hectare 2016-2022 and Forecast for 2023



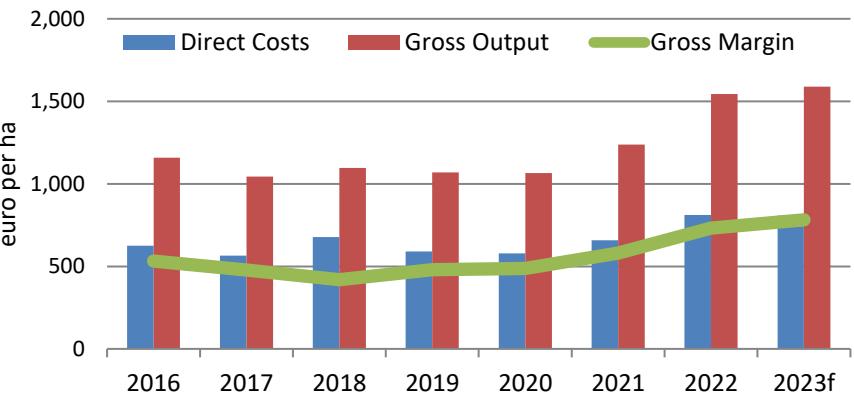
Source: Teagasc NFS 2016-2022 and Author Forecast for 2023

Figure 24: Monthly EU, UK and Irish Finished Cattle Prices 2016 to 2023 (Excl. VAT)



Source: DG Agriculture and Rural Development, AHDB and ECB. Ireland and UK Steer R3, EU27 Young Bull R3.

Figure 26: Cattle Finishing Gross Output, Direct Costs and Gross Margin per hectare 2016-2022 and Forecast for 2023



Source: Teagasc NFS 2016-2022 and Author Forecast for 2023

SHEEP

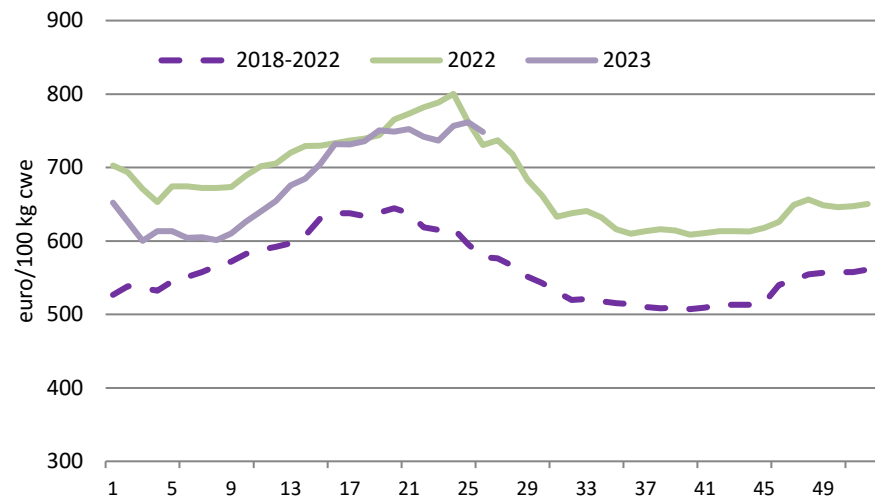


SHEEP

EU+UK Supply		EU+UK Demand		Lamb Prices		Irish Production		Input Costs		Farm Income	
Situation	Outlook	Situation	Outlook	Situation	Outlook	Situation	Outlook	Situation	Outlook	Situation	Outlook
 Positive	 Neutral	 Neutral	 Neutral	 Neutral	 Positive	 Positive	 Positive	 Negative	 Negative	 Neutral	 Positive
<ul style="list-style-type: none"> Despite positive EU production growth in Q1, driven by earlier timing of religious celebrations, EU sheep meat production is expected to decline slightly in 2023 (1.5%). The historically low EU sheep flock has pushed slaughtering down. For 2023, more sheep meat imports from NZ and the UK are expected, due to favourable lambing conditions and high EU prices. 		<ul style="list-style-type: none"> EU sheep meat demand has remained relatively stable. The price attractiveness of the EU market is likely to lead to increased EU sheep meat imports from the UK and NZ. For the period Jan- May 2023, imports of sheep meat into EU from NZ are over 19% higher than in the same period in 2022, while imports from the UK are 14% higher. EU sheep meat consumption has been revised marginally upwards (+1.4%). 		<ul style="list-style-type: none"> EU heavy lamb prices for the year to date are 2% above the same period in 2022. These slightly higher EU prices for heavy lamb are forecast to stabilise for the remainder of 2023. Average Irish lamb prices for the year to date are 5% lower than in 2022, but still remain well above the 5 year (2018-2022) average price level. Irish prices have stabilised over the past few weeks. Annual average lamb prices are forecast to remain modestly positive for 2023 year as a whole. 		<ul style="list-style-type: none"> Based on CSO slaughter data, for the period January to May 2023, the number of sheep slaughtered was almost 4% higher when compared with the corresponding period in 2022. In Jan to May 2023, 28,300 tonnes of sheep meat was produced, up over 5% on the corresponding period for 2023. Despite the marginal increase in output volume in the year to date, it is forecast that overall factory supplies will remain close to the 2022 level. Coupled with marginally higher prices, sheep output value is forecast to remain modestly positive for 2023. 		<ul style="list-style-type: none"> Direct costs of production on Irish sheep farms are dominated by concentrate, pasture and forage costs. In 2023, concentrate feed prices have been higher than in 2022. Fertiliser prices have declined slightly relative to 2022 Costs of production on Irish sheep farms are forecast to increase in 2023, due to the escalation in feed prices in particular. Higher feed prices are expected to lead to an overall increase in the feed bill. This will be somewhat offset by lower prices for other inputs, resulting in an increase in total costs of production for 2023. 		<ul style="list-style-type: none"> For 2023, margins earned from sheep production are forecast to remain on par with 2022 levels, but down from the record levels achieved in 2021. The increase in average production costs will not be offset by output value changes. Average gross margin per hectare in 2023 is forecast to remain on a par with 2022, at just over €750 per hectare. Sheep farm incomes are forecast to increase by about 5%, to an average of €17,300 in 2023, boosted by payments under the new ACRES scheme and additional income from cattle enterprises on these farms. 	

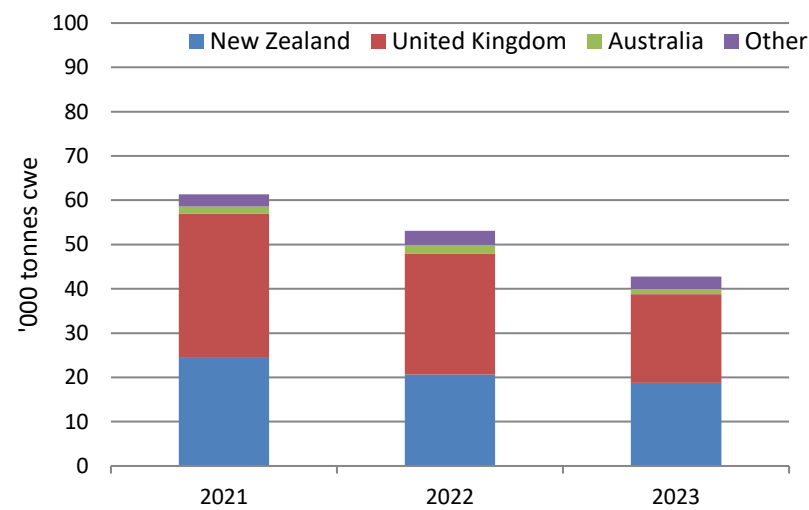
SHEEP

Figure 27: Weekly Irish Lamb Prices 2022, 2023 and average 2018-2022



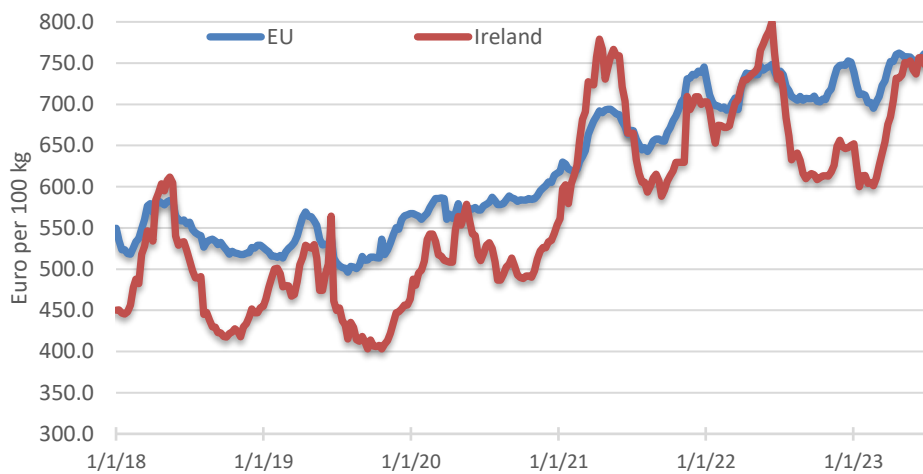
Source: DG Agriculture and Rural Development

Figure 29: EU27 Sheep & Goat meat imports (Jan-Apr) 2022 & 2023



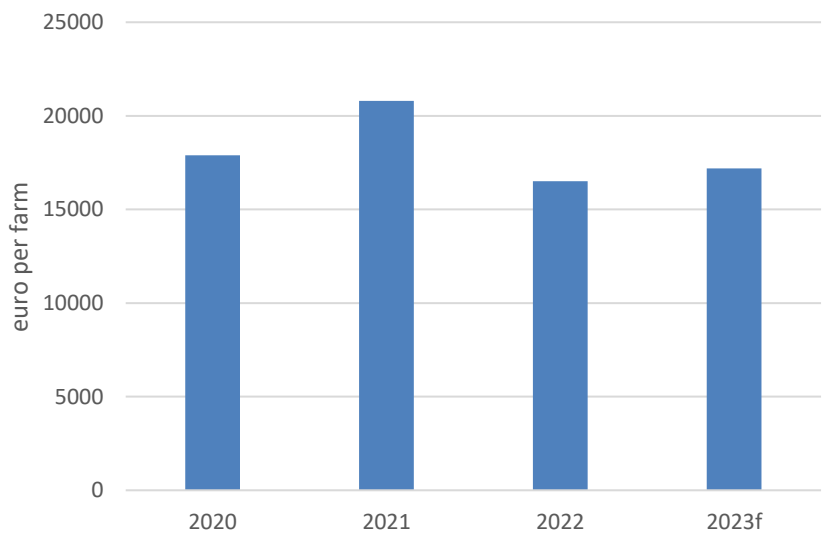
Source: DG Agriculture and Rural Development

Figure 28: Lamb Price evolution – EU and Ireland – heavy lamb 2018-2023 (to date)



Source: DG Agriculture and Rural Development

Figure 30: Sheep farm income 2020-2023f








Source: Teagasc NFS 2020-2022, Author Forecast for 2023

TILLAGE

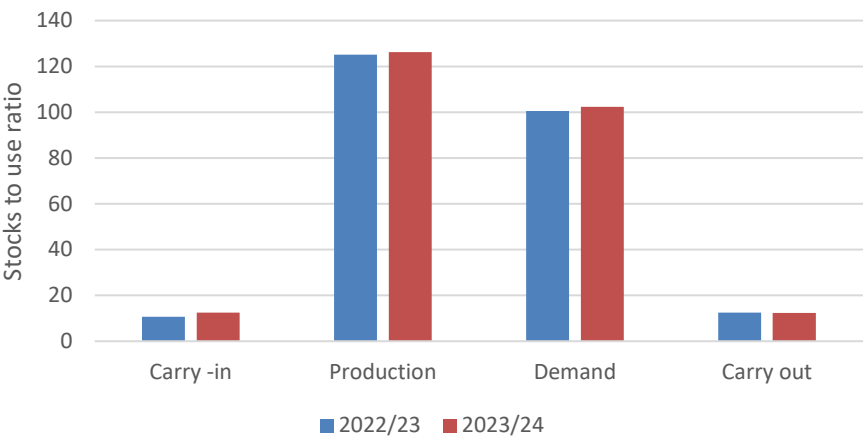


TILLAGE

Wheat Market		Other grains market		Prices		Irish Production		Input Costs		Farm Income	
Situation	Outlook	Situation	Outlook	Situation	Outlook	Situation	Outlook	Situation	Outlook	Situation	Outlook
 Negative	?	 Negative	?	 Negative	?	 Negative	?	 Positive	?	 Negative	 Negative
<ul style="list-style-type: none"> • EU soft wheat production in 2023/24 is expected to be 126.2 Mt, which is slightly up on 2022/23. • While the EU harvest is now in full swing, latest trade forecasts are that EU wheat production could decrease depending on how weather evolves and crops ultimately perform. • EU demand for human, industrial and feed use is expected to increase only very slightly by 0.1Mt year-on-year. • EU ending stocks are still expected to be relatively high in 2023/24, at 12.4 Mt. 		<ul style="list-style-type: none"> • Overall EU barely production is estimated at 47.1 Mt in 2023/24 compared to 51.3 Mt in 2022/24. • Excessive Spring humidity in Europe is reported to be the cause of lower yields. • EU maize production is estimated to increase in 2023/24 to 60.8Mt (compared to 52.1 Mt in 2022/23). • World grain markets are subject to decreasing global harvests on the one hand and demand undermined by inflation on the other. • Crop price formation in EU markets is influenced by competitor crops, hence supply and demand of all crops must be taken into consideration when making inferences for price formation. 		<ul style="list-style-type: none"> • Wheat and barley: signals at present indicate very large decreases in harvest price in 2023 relative to 2022. • Farm gate 'on account' cereal prices on offer in the third week in July are at least 20 percent lower than prices paid at harvest 2022. • Wet weather conditions at harvest have also meant that moisture bonus payments will negatively impact on grain prices. • Despite the significant decreases mentioned for on account harvest prices, there remains much volatility in the market. • Futures prices for wheat for November 2023 are currently around €265 per tonne at dried prices, with barley trading about €20 per tonne less. 		<ul style="list-style-type: none"> • DAFM area figures indicate that cereal area decreased in 2023, down 6% compared to 2022. • The provisional harvest report from Teagasc indicates that crop yields for harvest 2023 will be close to the five-year average. • On yield performance, one exception is spring barley, where the yield is expected to be significantly below the five-year average. • Taking area and yield data together, total production of cereals in 2023 will likely be down by 300,000 tonnes, which represents a 13% decrease on 2022 levels. 		<ul style="list-style-type: none"> • In 2023, there has been a decrease in some cost items, whilst other costs have continued to increase. • Cost decreases have occurred for key items such as fertiliser and fuel. • Increases in seed costs, electricity and plant protection products (and feed on specialised tillage farms with a subsidiary livestock enterprise) are the main items of concern. • Overall, it is forecast that total costs on the average tillage farm in 2023 will be down by less than 10% compared to 2022. 		<ul style="list-style-type: none"> • With lower output prices for cereals, coupled with a decrease in production volume, Irish cereal output value is forecast to be down significantly in 2023. • The Straw Incorporation Scheme, Tillage Incentive Scheme and Organic Farming Scheme will boost output value in certain circumstances. • Total production costs in 2023 are forecast to decrease, but this drop will be small in magnitude compared to the decline in output value. • Average tillage farm income in 2023 is expected to be approximately €37,000, which represents a decline of 50% on the 2022 level. 	

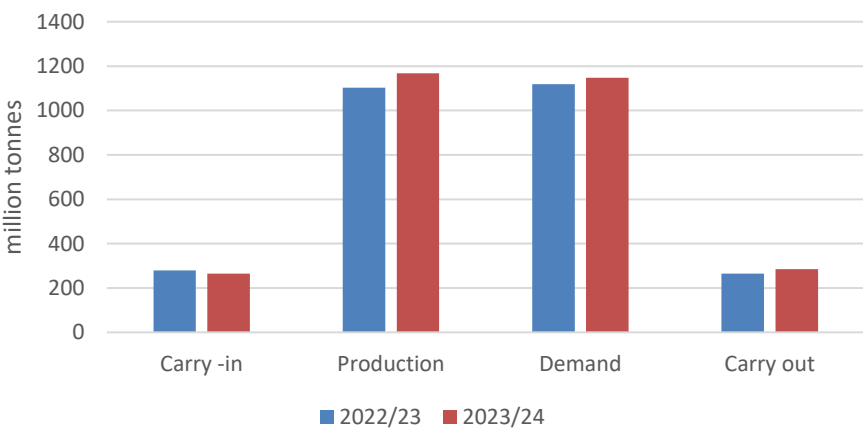
TILLAGE

Figure 31: EU Soft Wheat Balance Sheet (Mt)



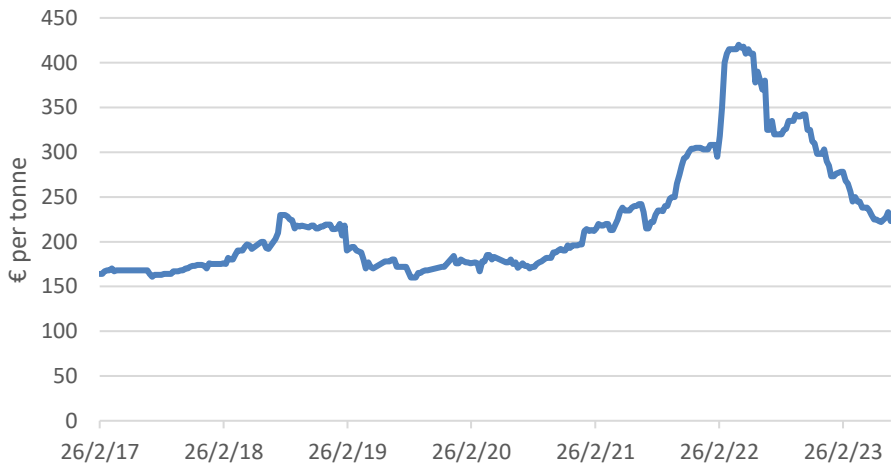
Source: Strategie Grains

Figure 33: World Maize Balance Sheet



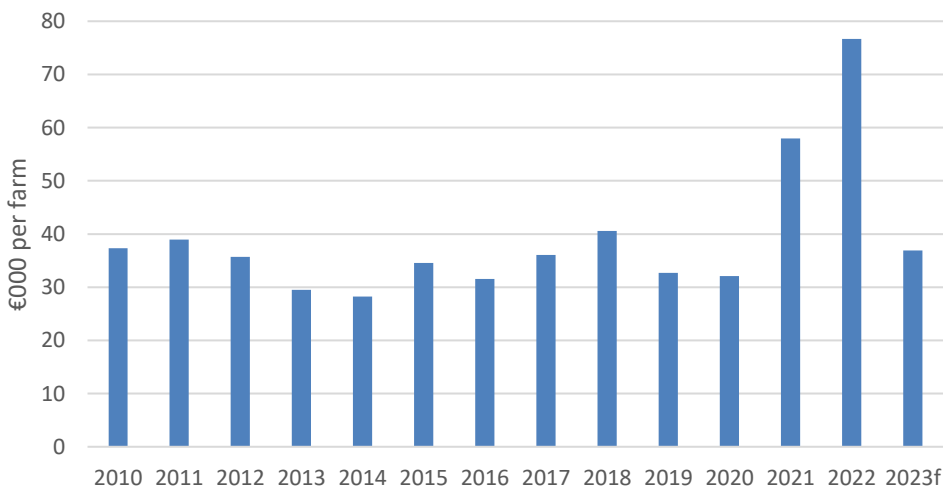
Source: Strategie Grains

Figure 32: Monthly average imported feed barley price (Dublin port) 2017 –2023



Source: European Commission, cereals statistics

Figure 34: Average Irish Tillage Farm Income (2010-2023f)



Source: Teagasc NFS 2010-2021 and Author Estimate for 2023

PIGS

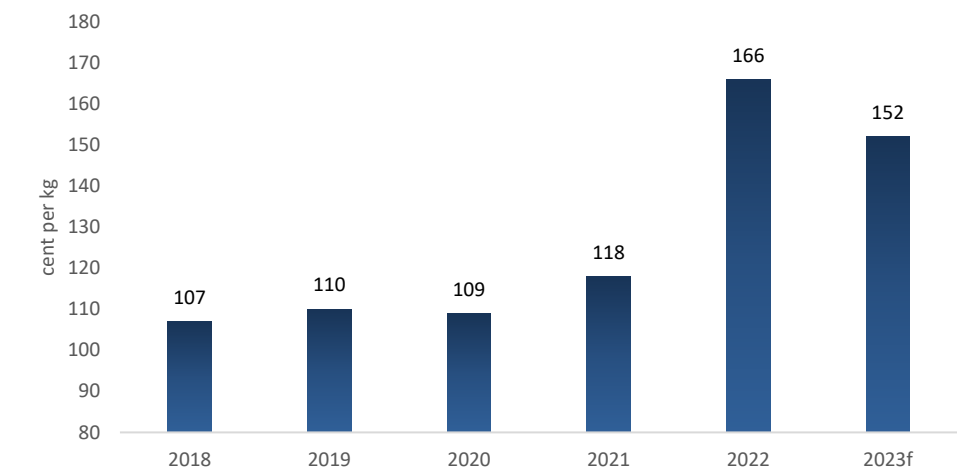


PIGS

EU Supply		Global Demand		Prices		Irish Production		Input Costs		Farm Income	
Situation	Outlook	Situation	Outlook	Situation	Outlook	Situation	Outlook	Situation	Outlook	Situation	Outlook
											
Positive	Positive	Negative	Positive	Positive	Positive	Negative	Positive	Negative	Positive	Negative	Positive
<ul style="list-style-type: none"> • EU pigmeat supply is contracting due to the negative margins observed over the previous 24 months. • It is estimated that the European sow herd has declined by 920,000 head since 2021. • This represents a sow herd decrease of 8.4%. • This reduction equates to an estimated 23 million fewer pigs for sale per annum. • Overall EU pigmeat production in 2023 is expected to fall by 5.2%, giving the lowest supply volume in a decade • The Spanish pig herd, the largest in Europe, has suffered a disease outbreak which has resulted in a supply contraction of 9.2% in Jan-Apr 2023 compared to 2022. 		<ul style="list-style-type: none"> • Consumption of pigmeat in the EU has been in decline in recent years. • This trend is expected to continue, with EU domestic consumption forecast to fall from 31.8kg to 30kgs per capita. • Chinese demand for EU pigmeat imports peaked in 2020 at 3.4m tonnes prompted by its ASF disease outbreak. • Chinese import demand has since declined and in Q1 2023 it imported 323,369 tonnes from the EU. • Total Irish pigmeat exports in Jan-Apr 2023 are down 12% in volume, but up 1% in value, reflecting the strong international pigmeat price. 		<ul style="list-style-type: none"> • The current Irish pig price of 2.36c/kg is an historic high. • The Irish pig price has risen from a low level in March 2022 (€1.42/kg) to the current high. However, this high price plateau would need to continue until April 2024 if producers are to recoup 2021-22 losses. • Pig prices in other EU countries are also at historic highs, up about 40% year-on year. • The Irish pig price is expected to be maintained at current levels / moderate increase, over the rest of 2023. • EU pig prices are expected to remain at their current high plateau throughout 2023 due to tight EU pigmeat supply volumes. 		<ul style="list-style-type: none"> • 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 Irish sow herd contracted significantly through a 12,500 sow reduction. • The national herd has since more or less stabilised, with only limited further destocking occurring. • Government support via the PEPS payments helped to mitigate some of the cashflow problems experienced. • Year-to-date pig slaughter is down 11% and is expected to fall further to 13%, before a modest recovery emerges. • Live exports to Northern Ireland are down 17% year to date. 		<ul style="list-style-type: none"> • Feed is the largest input in pig production, currently representing 75% of the total cost of production. • Tight global feed ingredient stocks, combined with the invasion of Ukraine, brought feed prices to an historic high in 2022. • Composite feed prices rose from €361/tonne (Dec. 2021) to €482 (Dec. 2022) a rise of 33%. • Feed ingredient prices have fallen by about €130/tonne from the peak in October 2022. • Composite feed prices have declined by about €60/tonne and are expected to fall further this autumn with the new harvest. • Energy prices increased sharply in 2022 but are now reducing. 		<ul style="list-style-type: none"> • The sector had an income loss for 20 consecutive months (Aug. 2021 -Mar. 2023). • Historic high feed and energy prices, combined with a relatively modest pig price, generated an estimated loss from Aug. 2021 - Mar. 2023 of €522,000 per average 600 sow unit. • Margin over feed was at an historic low of 6c/kg in March 2022, but by June 2023 had recovered to 74c/kg. • The Outlook for 2023 as a whole is for the sector to remain profitable due to declining feed prices and pig prices remaining high. • There will be a modest recovery in pig numbers in 2024. 	

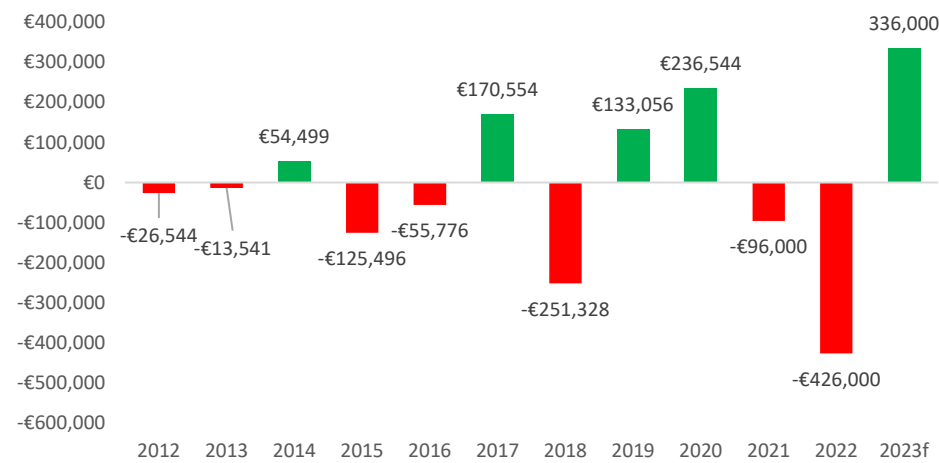
PIGS

Figure 35: Composite Pig Feed Costs 2018-2022 and forecast for 2023



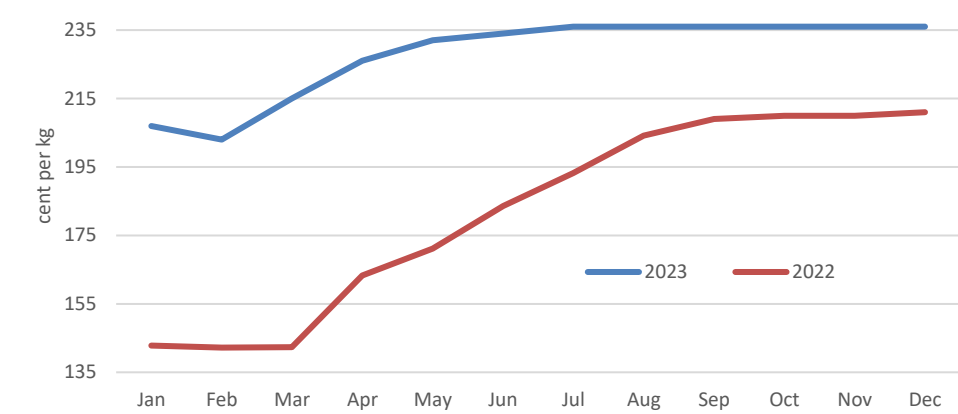
Source: Teagasc Pig Dept.

Figure 37: Estimated annual profit/loss for 600 sow unit 2012-2022 and forecast for 2023



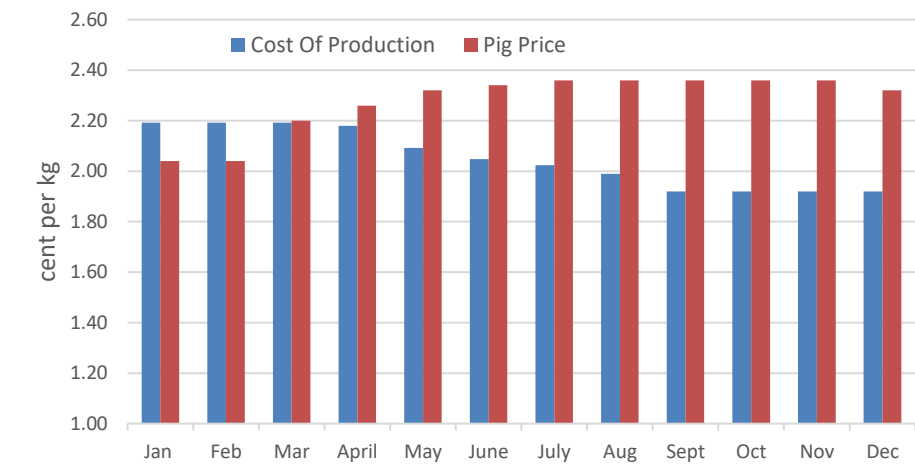
Source: Teagasc Pig Dept.

Figure 36: Monthly Irish Pig Price for 2022, Jan-June 2023 & forecast July-Dec 2023



Source: Teagasc Pig Dept.

Figure 38: Monthly cost of production and pig price for 2023 (forecast July-Dec)



Source: Teagasc Pig Dept.

