

# Outlook 2010 for Cattle and Sheep

James Breen, Kevin Hanrahan and Anne  
Kinsella

Rural Economy Research Centre  
January 15th, 2010  
Heritage Hotel Portlaoise



Outlook 2010 - "Economics of Agriculture"  
15th January 2010

**RERC**

# Overview

- Cattle
- Sheep
  - Background
  - Inputs
  - Outputs
  - Margins
  - Take Home Messages



# Situation and Outlook for Cattle

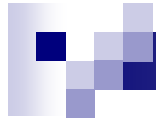


Outlook 2010 - "Economics of Agriculture"  
15th January 2010

**RERC**

# Background

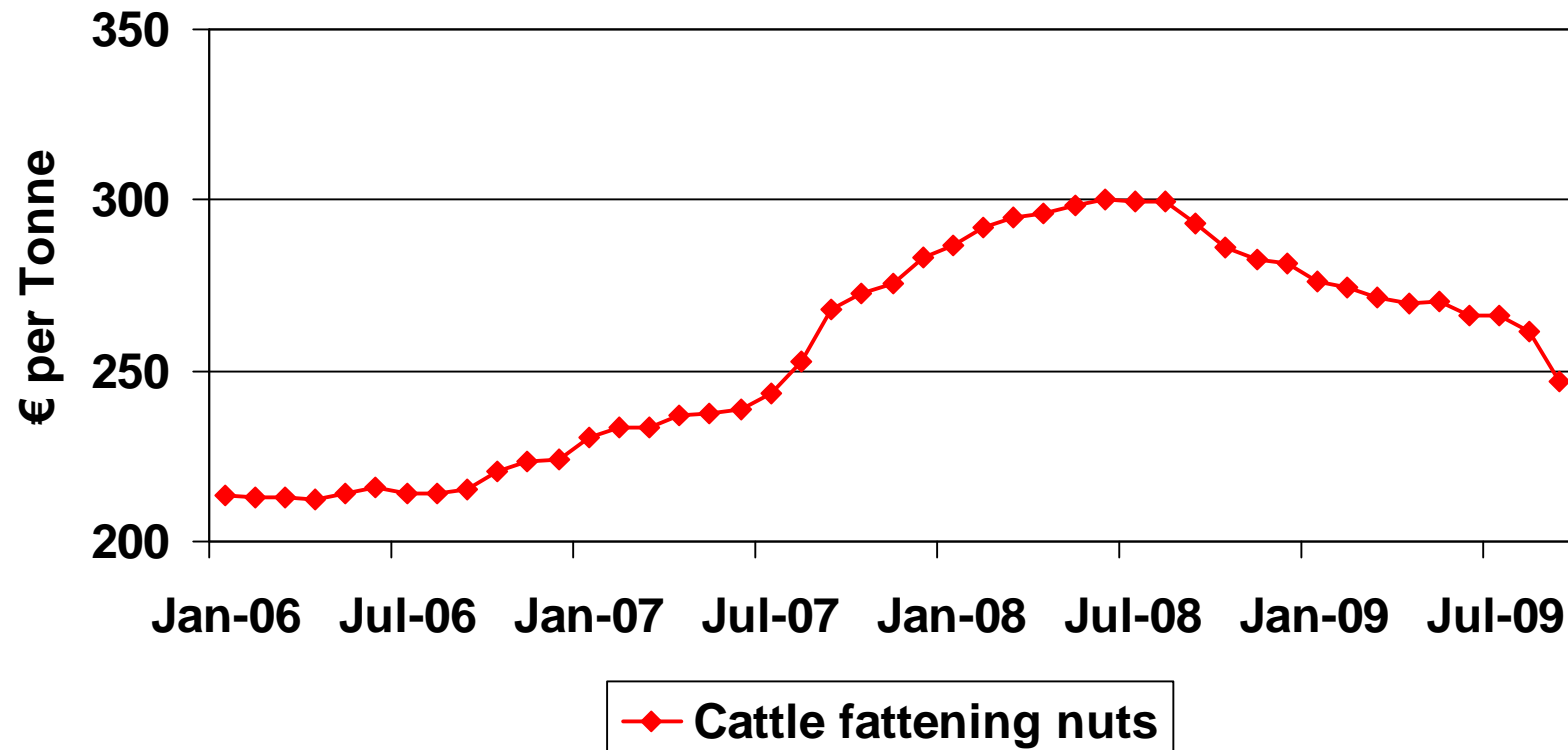
- Wide variety of production systems
- All margins are market-based margins
- Suckler Cow Welfare Payment is included in margins as its coupled to production



# Total Production Costs 2008, 2009 and 2010



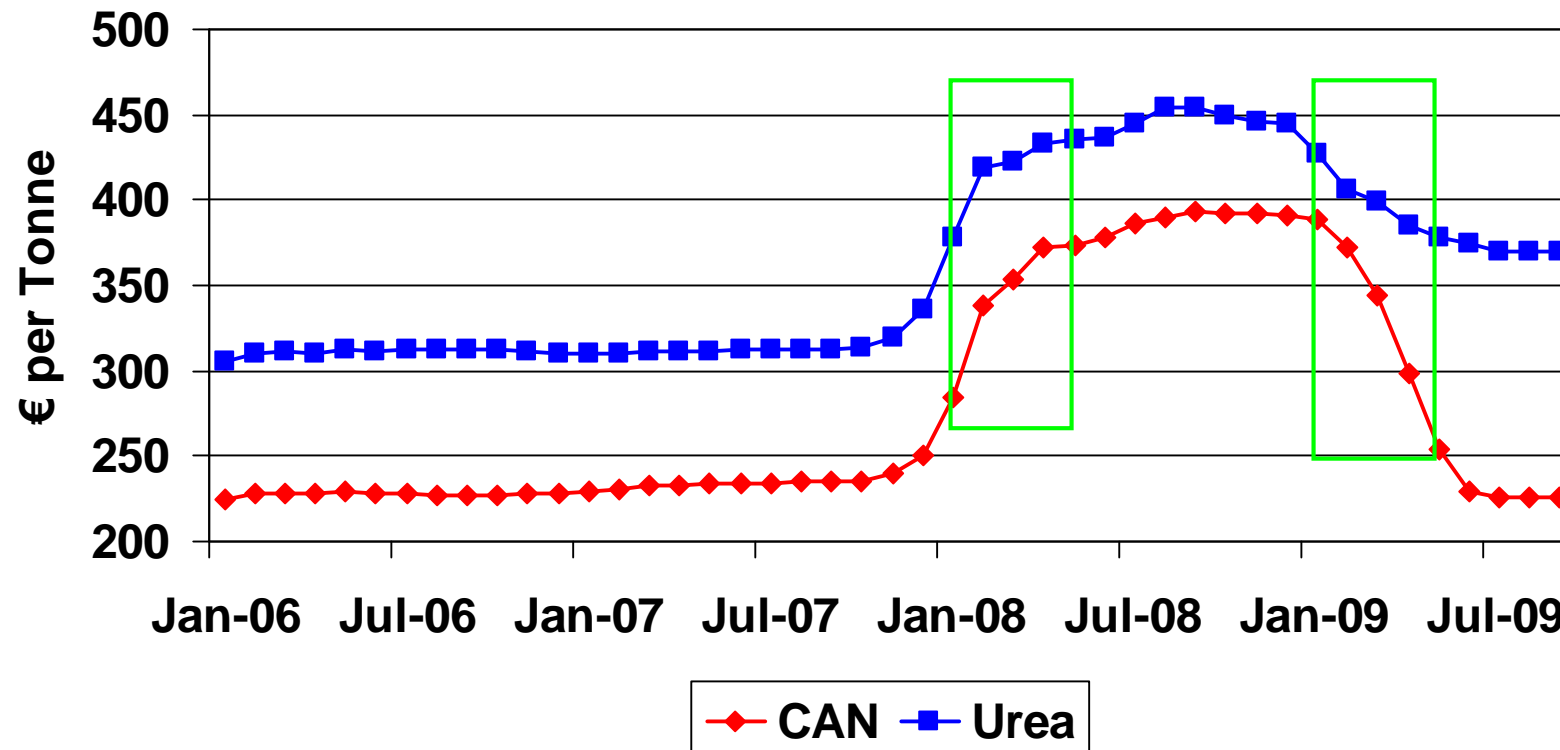
# Costs of Production



Source: CSO



# Costs of Production



Source: CSO



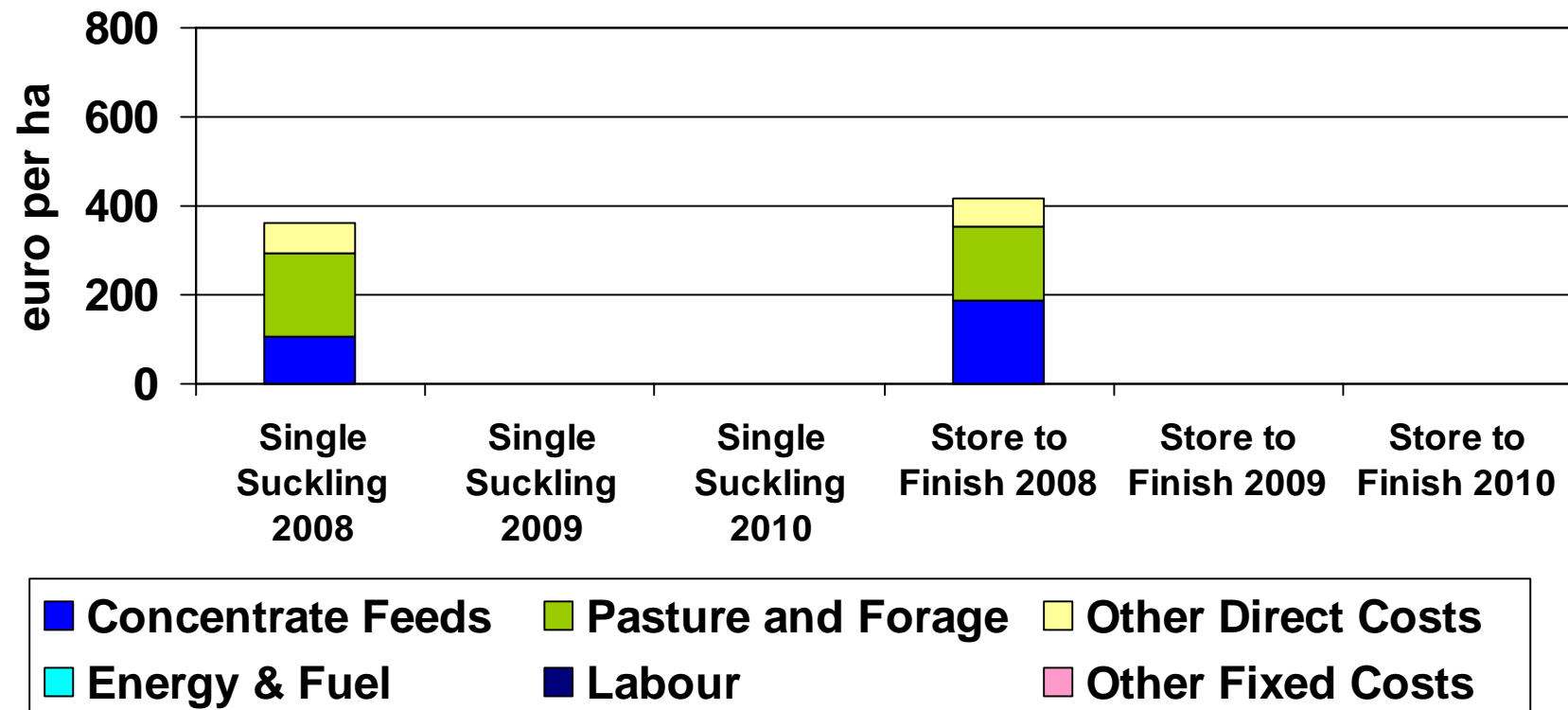
# Costs of Production 2008

- Concentrate feed and pasture and winter Forage costs are principal cost components
- Concentrate
  - Cattle fattening ration up approx €40/t
- Fertilizer
  - CAN and Urea up approx €100/t at start of 2008
- Contracting Charges
  - Up approximately €25/ha

# Costs of Production 2009

- Concentrates
  - Feed price down 10%
  - Feed volume up 10%
- Fertilizer
  - Fertilizer prices down but most of change occurred in second half of year
  - Assume expenditure down 5%
- Contracting Charges
  - Down approximately 10%
- Fuel down 15%, electricity up 5%
- Labour down 5%
- Other direct and fixed costs up 2%

# Costs of Production by System

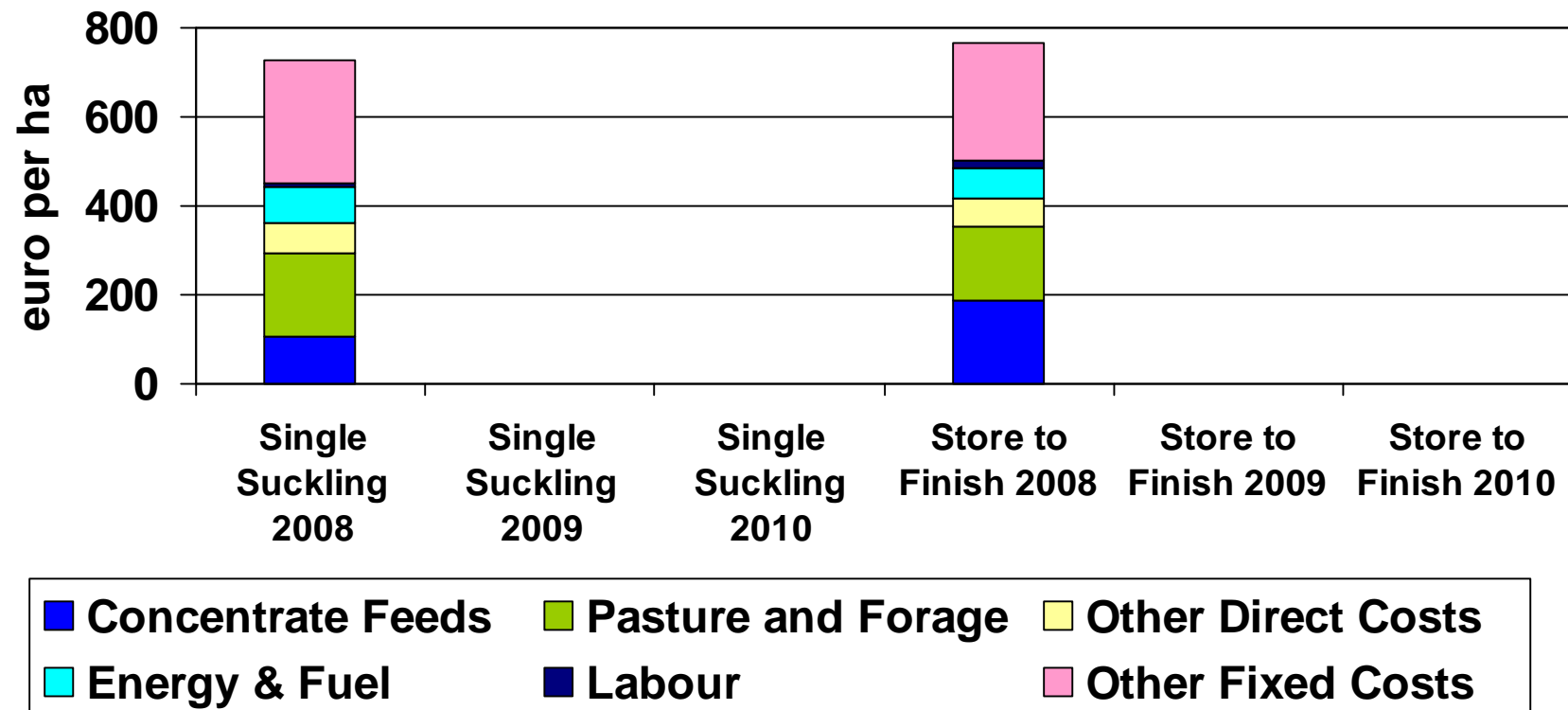


Source: 2008 NFS, 2009 Estimate, 2010 Forecast

Outlook 2010 - "Economics of Agriculture"  
15th January 2010

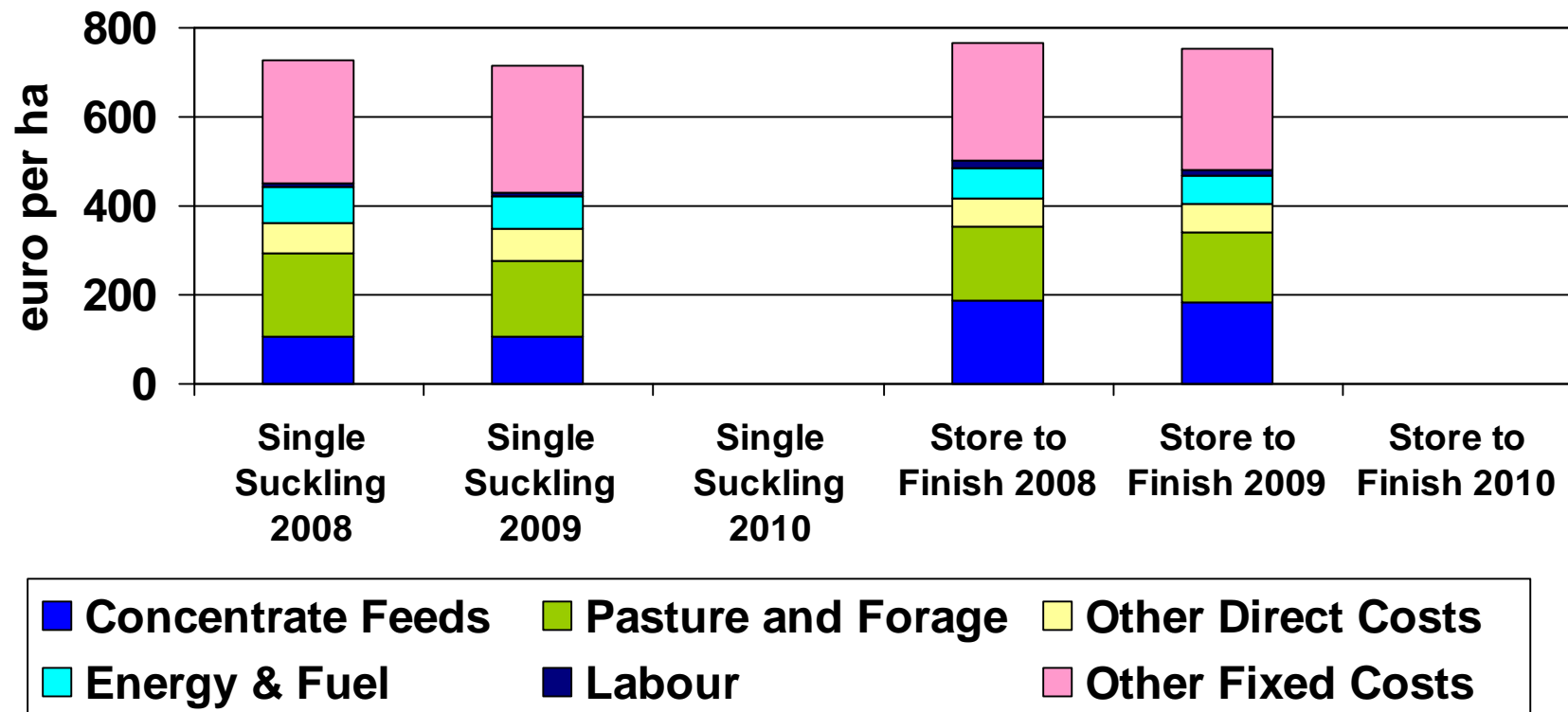


# Costs of Production by System



Source: 2008 NFS, 2009 Estimate, 2010 Forecast

# Costs of Production by System



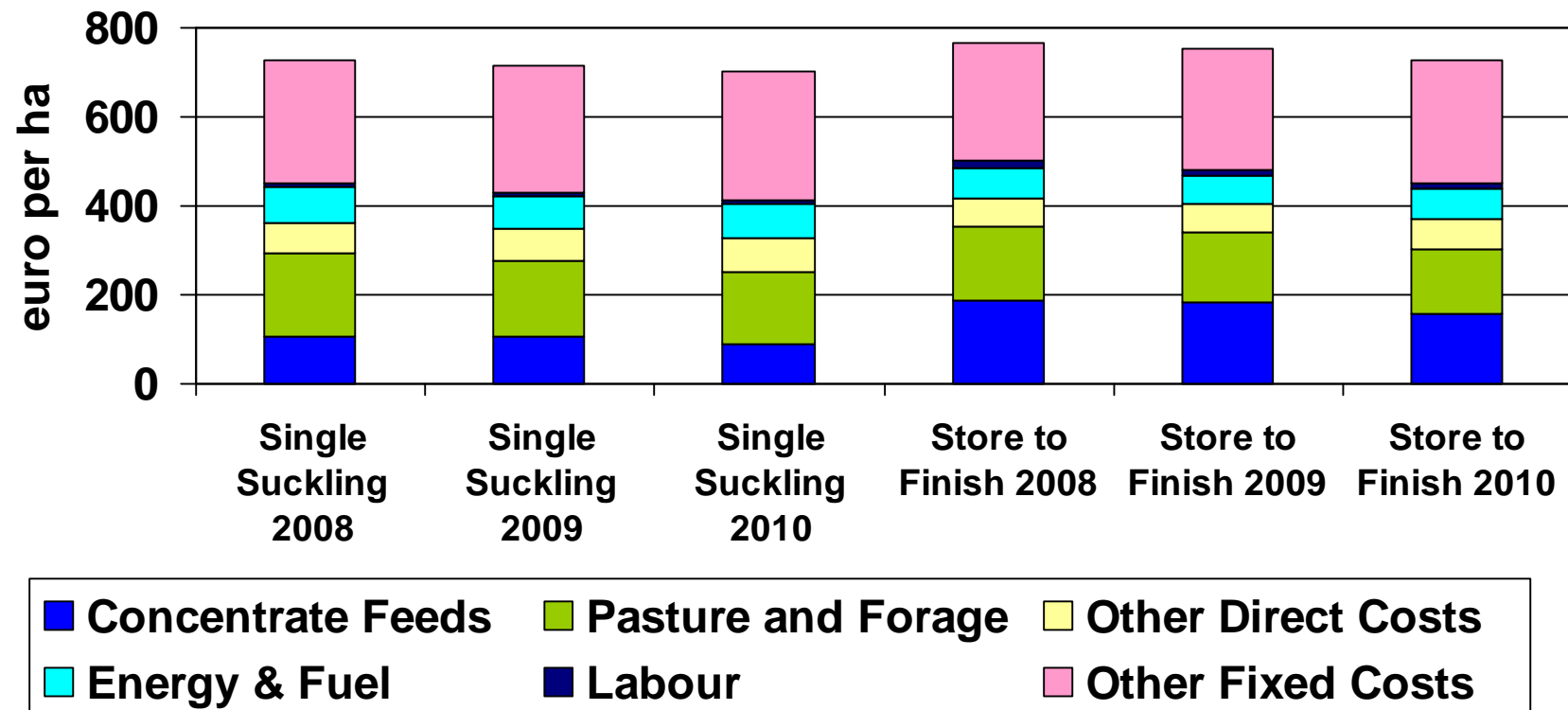
Source: 2008 NFS, 2009 Estimate, 2010 Forecast



# Costs of Production 2010 vs 2009

- Concentrates
  - Feed price down 15%
  - No change in feed volume
- Fertilizer
  - Fertilizer prices down 15%
  - Assume no change in usage
- Contracting Charges
  - Increase approximately 5% due to higher oil prices
- Fuel up 10%, electricity up 10%
- Labour unchanged
- Other direct and fixed costs up 2%

# Costs of Production by System



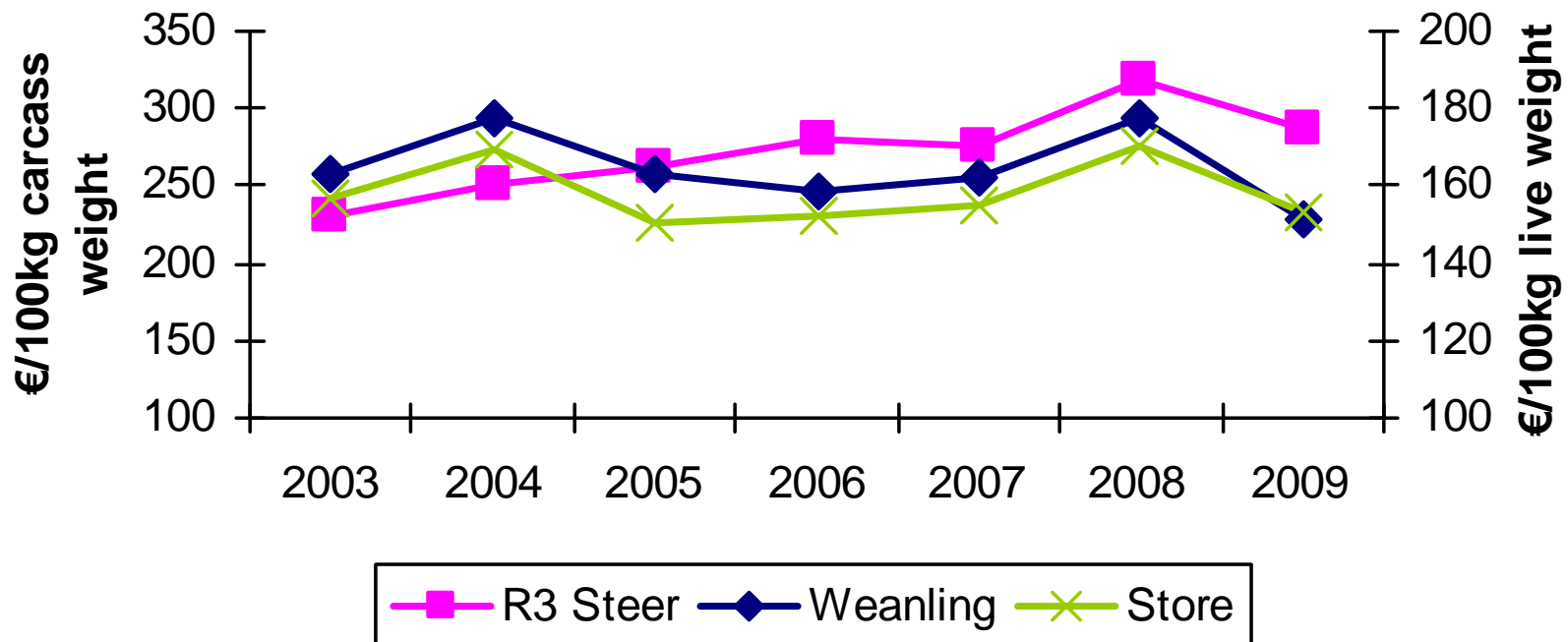
Source: 2008 NFS, 2009 Estimate, 2010 Forecast



# Gross Output 2008, 2009 and 2010



# Cattle Prices



Source: DG Agri, CSO



# Cattle Prices



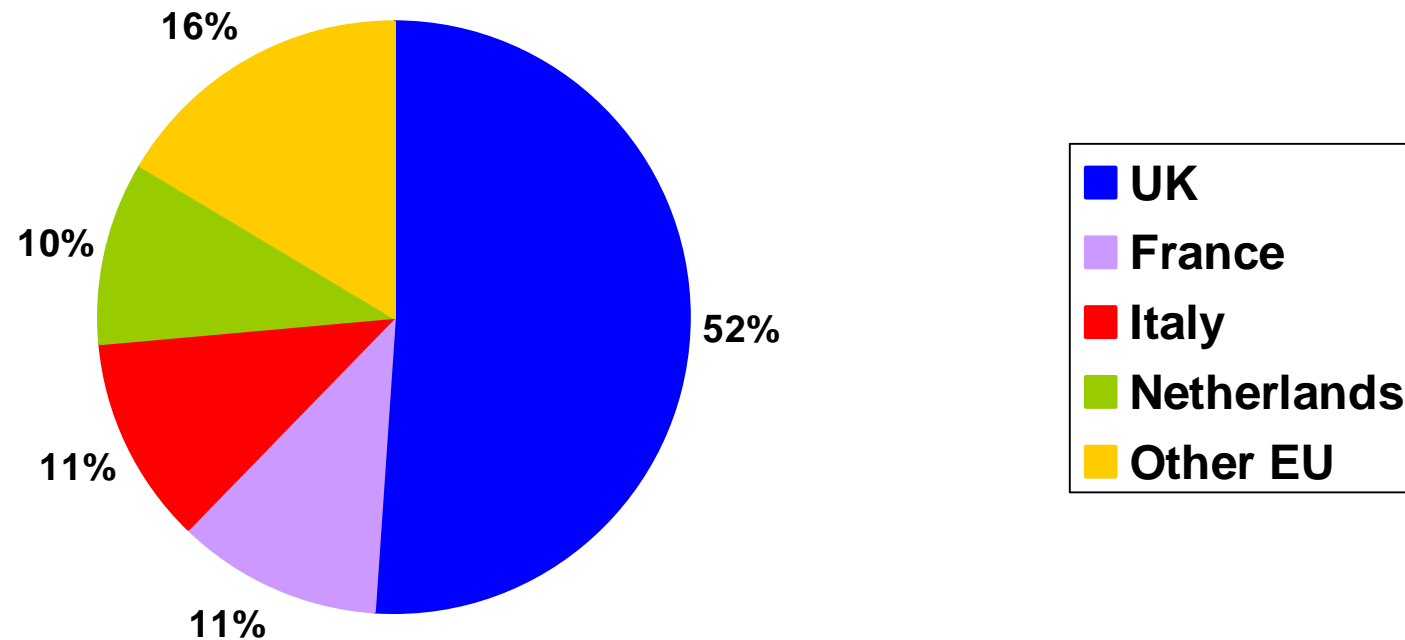
Source: DG Agri, CSO

# Cattle Prices

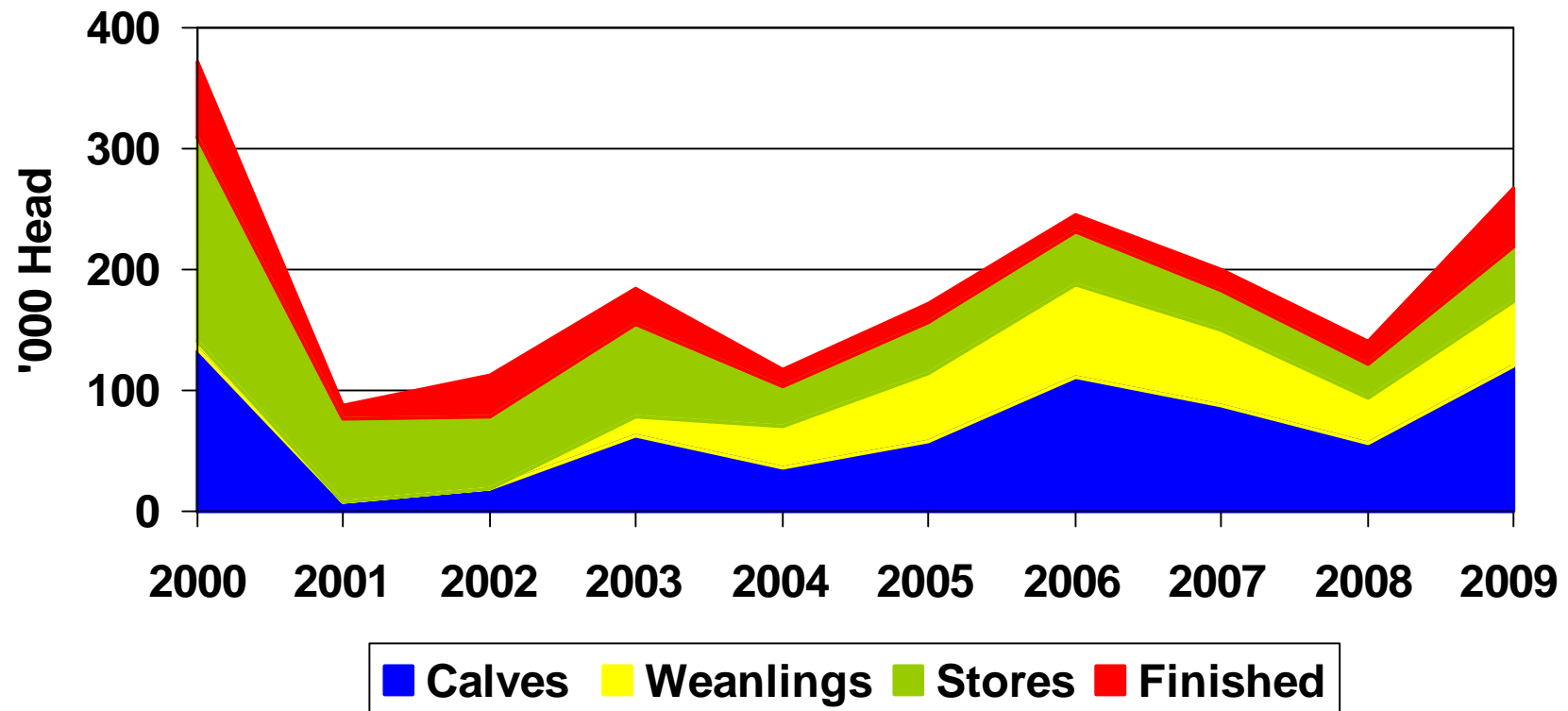


Source: DG Agri, CSO

# Volume of Irish Beef Exports 2008



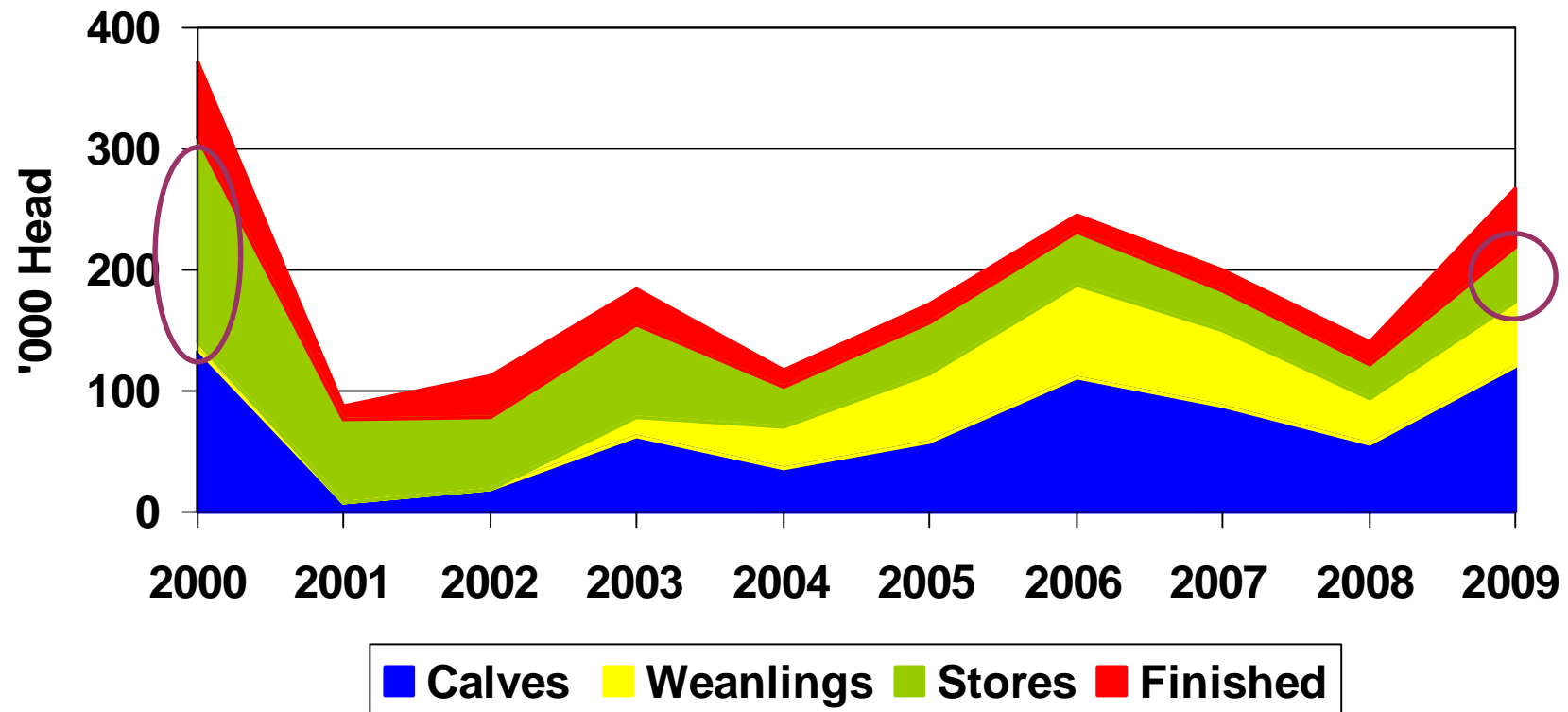
# Irish Live Exports



Source: Bord Bia



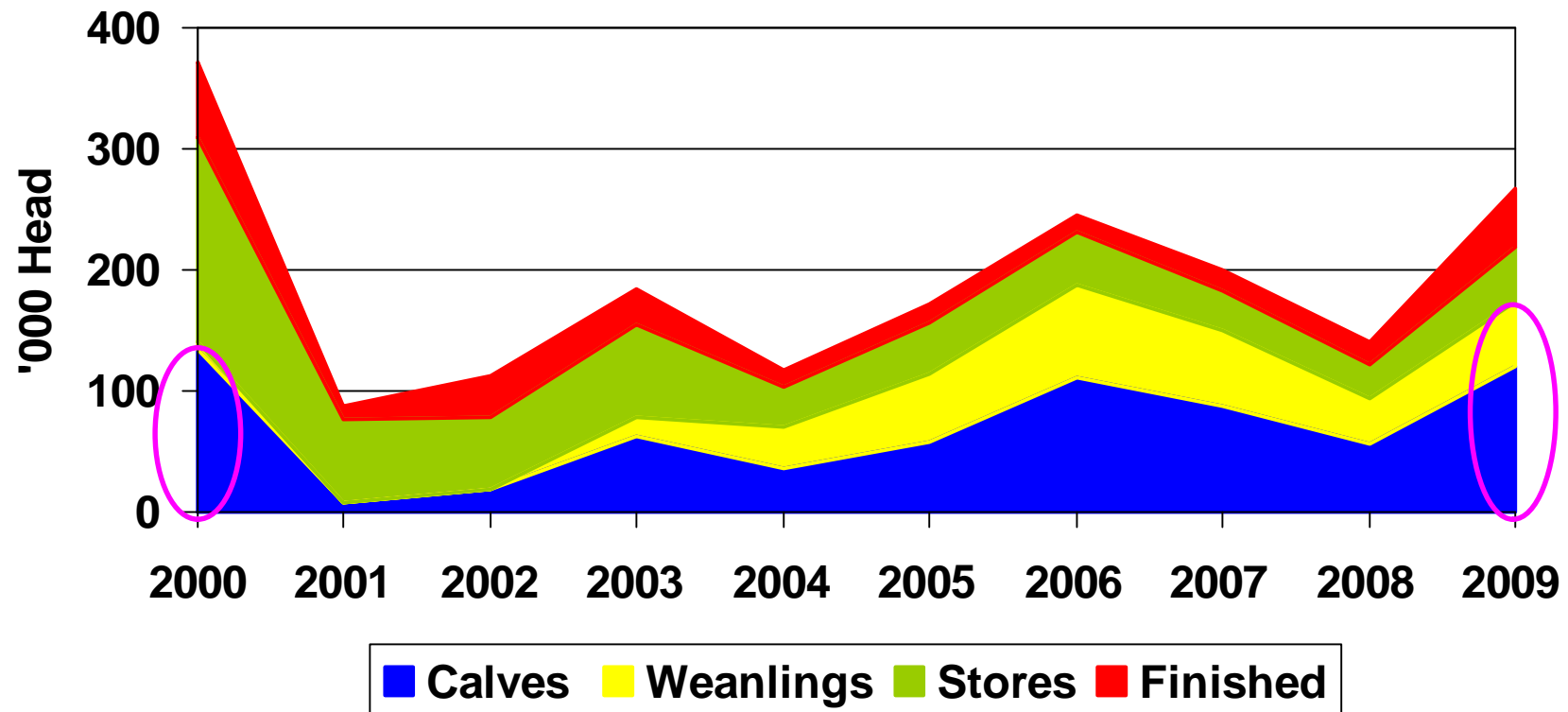
# Irish Live Exports



Source: Bord Bia



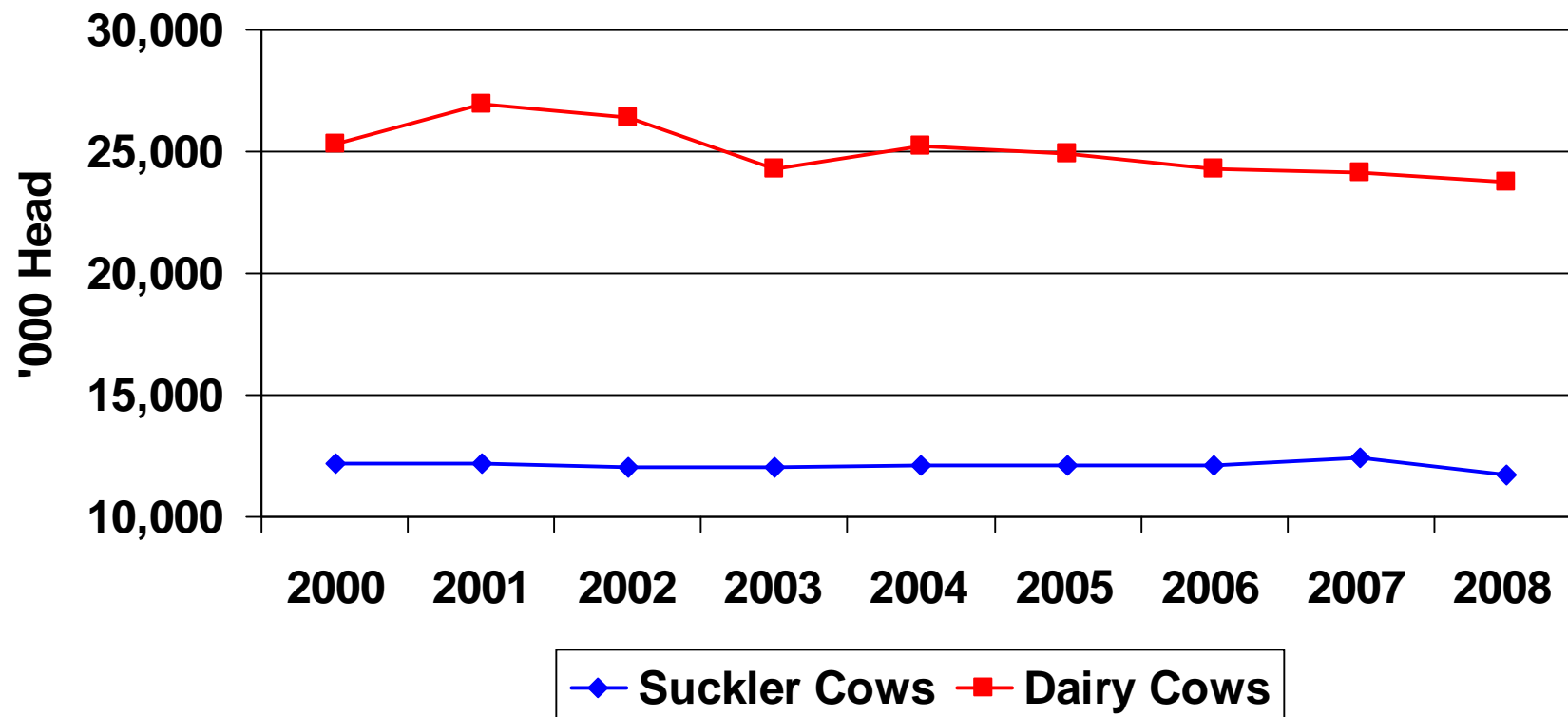
# Irish Live Exports



Source: Bord Bia



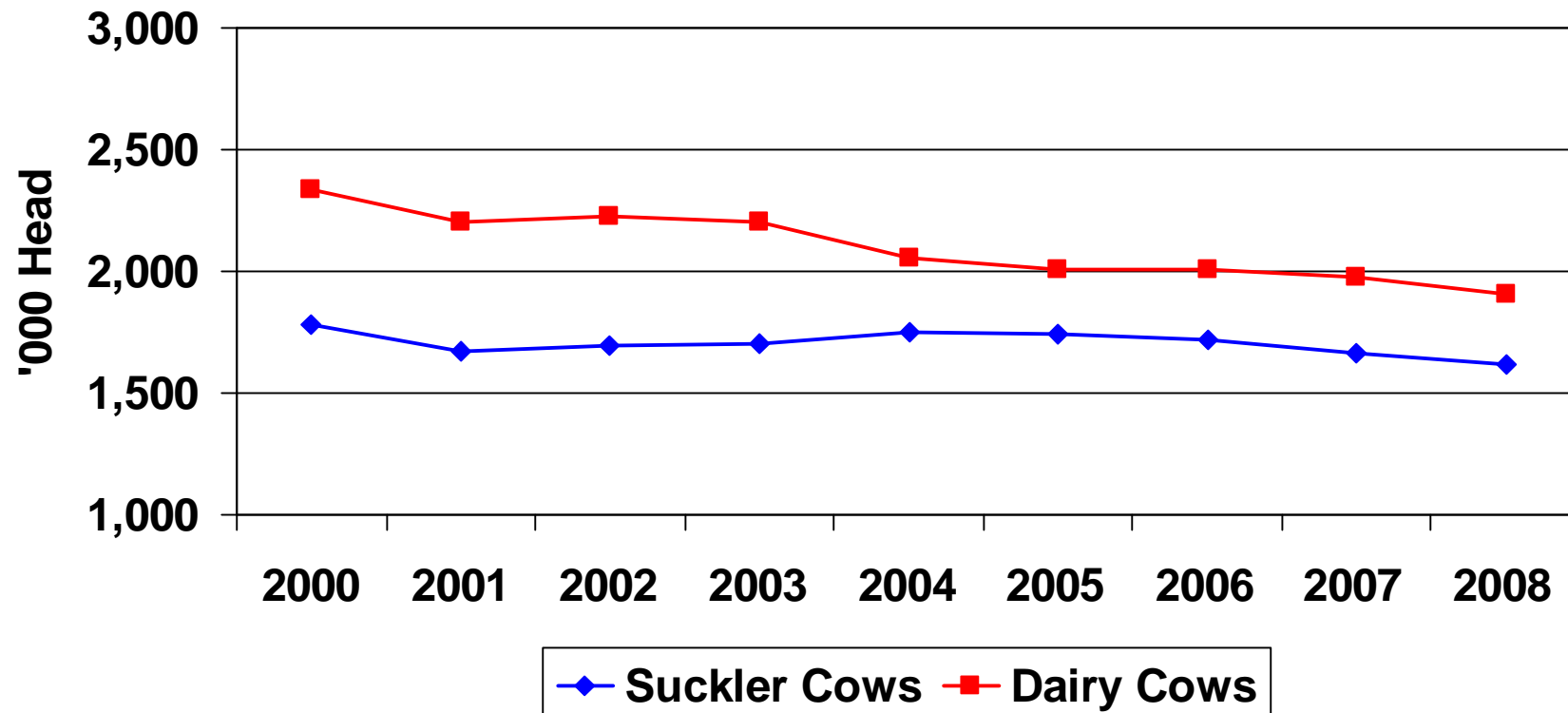
# EU Cow Numbers



Source: Eurostat



# UK Cow Numbers



Source: Eurostat



# Gross Output

- Cattle Prices down substantially in 2009
  - Prices of younger animals have fallen most
- Change in value of sterling is a big driver
- Growth in Live Export trade
- Contracting EU cow herd size
- Prices forecasted to increase 4% in 2010

# Gross Output by System



Source: 2008 NFS, 2009 Estimate, 2010 Forecast

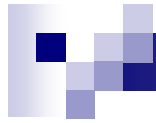
Outlook 2010 - "Economics of Agriculture"  
15th January 2010



# Gross Output by System



Source: 2008 NFS, 2009 Estimate, 2010 Forecast



# Gross & Net Margins 2008, 2009 and 2010



# Gross Margin by System



Source: 2008 NFS, 2009 Estimate, 2010 Forecast

Outlook 2010 - "Economics of Agriculture"  
15th January 2010

# Gross Margin by System



Source: 2008 NFS, 2009 Estimate, 2010 Forecast



# Net Margin by System

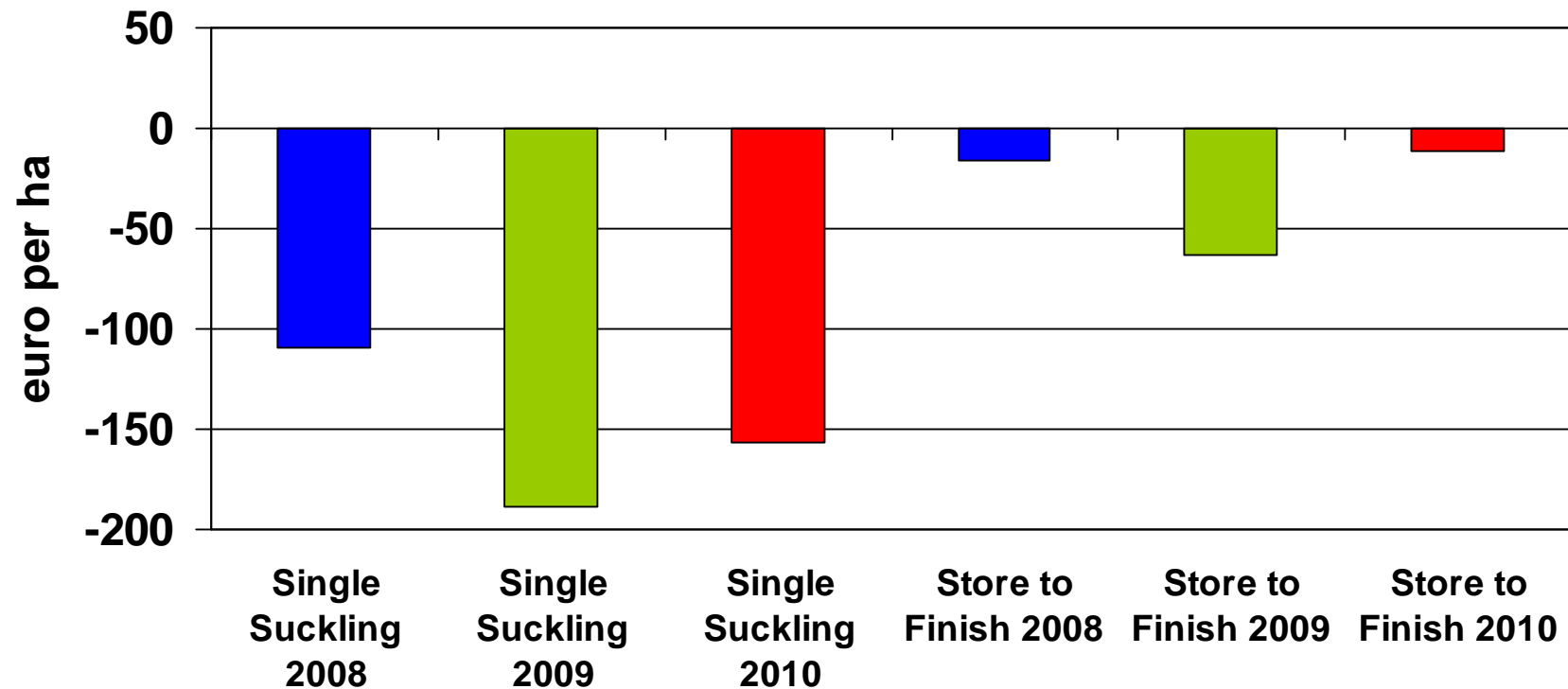


Source: 2008 NFS, 2009 Estimate, 2010 Forecast

Outlook 2010 - "Economics of Agriculture"  
15th January 2010



# Net Margin by System

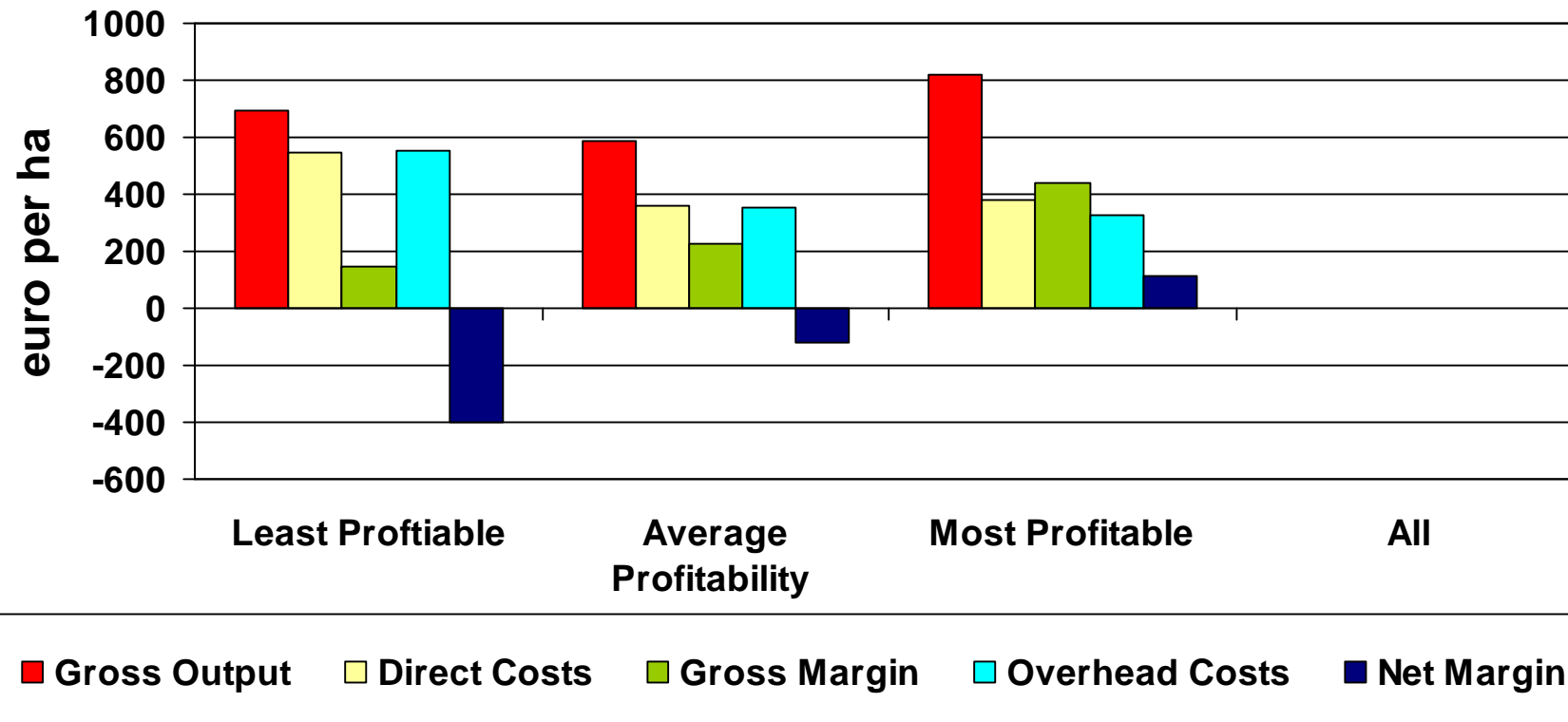


Source: 2008 NFS, 2009 Estimate, 2010 Forecast

Outlook 2010 - "Economics of Agriculture"  
15th January 2010



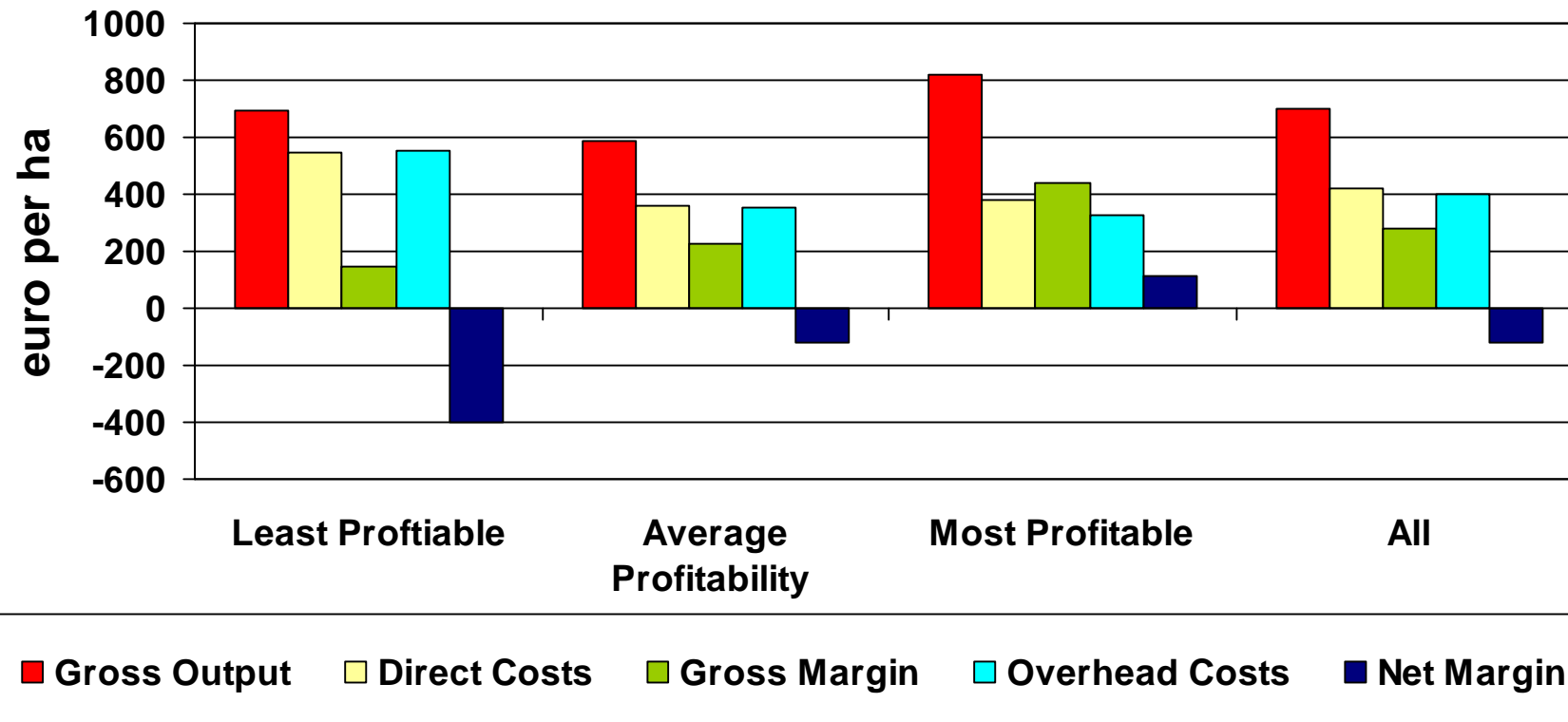
# Financial Performance of All Cattle Farms 2010



Source: 2010 Forecast



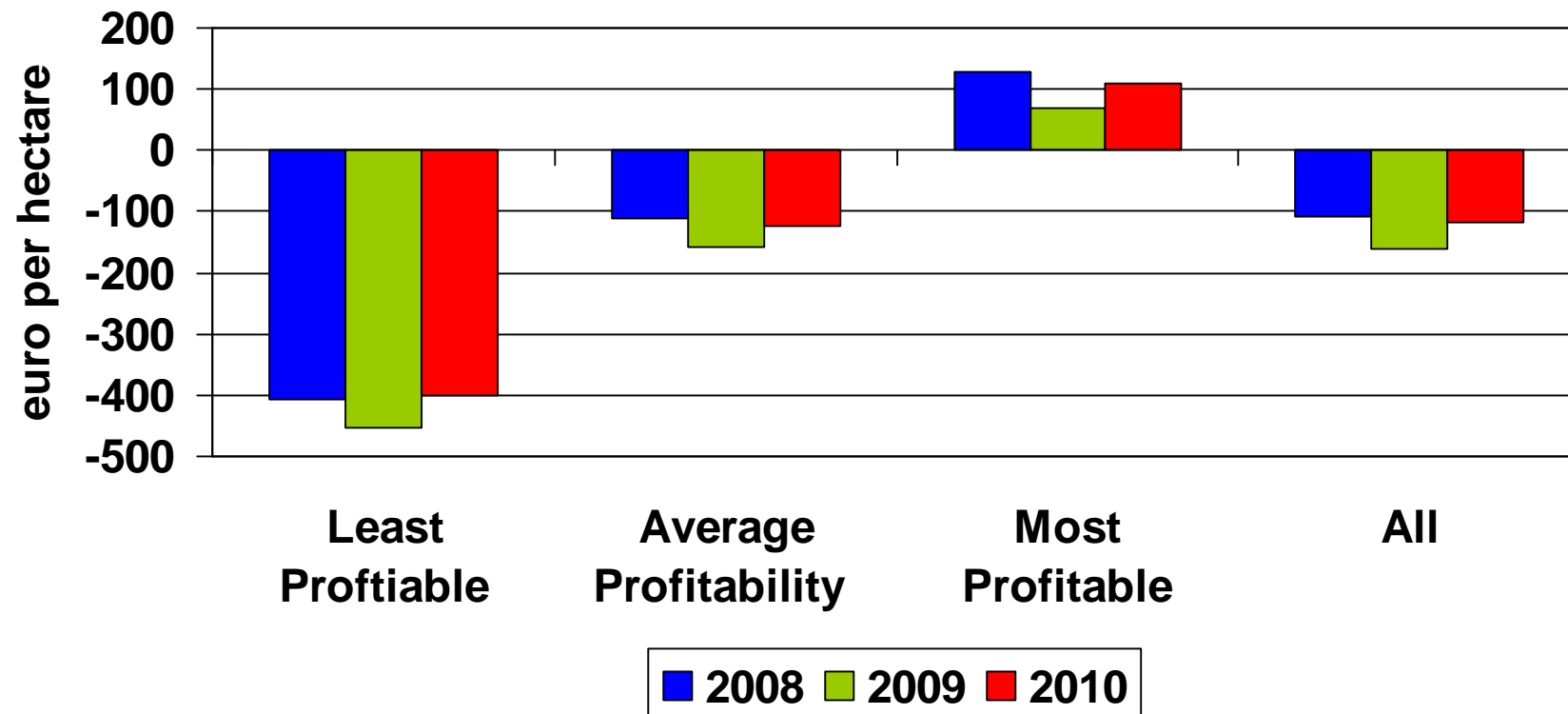
# Financial Performance of All Cattle Farms 2010



Source: 2010 Forecast



# Net Margin All Cattle Farms



Source: 2008 NFS, 2009 Estimate, 2010 Forecast



# Take Home Messages - Cattle

- 2008 - high prices and high costs
- 2009 - significant fall in prices
  - but some improvement in costs of production
- 2010 - some recovery in cattle prices likely
  - but not back to 2008 levels
  - decline in Concentrate and Fertilizer prices
  - increase in energy costs
  - some improvement in net margin likely
  - but still negative for approximately 2/3 of cattle farms

# Situation and Outlook for Sheep



Outlook 2010 - "Economics of Agriculture"  
15th January 2010

**RERC**

# Sheep Meat Markets 2009

- Decline in sheep and flock numbers
  - Flock numbers down from 33,700 to 31,750
  - Average flock size declines from 102 to 97 ewes
- Lamb slaughtering down 6% in Ireland
  - France down 26% (first 9 months)
- Total NZ lamb exports down and expected to fall further by 3% in 2009/10
- Declining EU sheep numbers and static NZ Imports have led to higher EU and Irish lamb prices

# Mid-Season Lamb - Financial Performance 2008

---

	Average	Top 1/3
Output	748	1,106
Direct Costs	374	350
Gross Margin	374	756

---

Source: NFS 2008



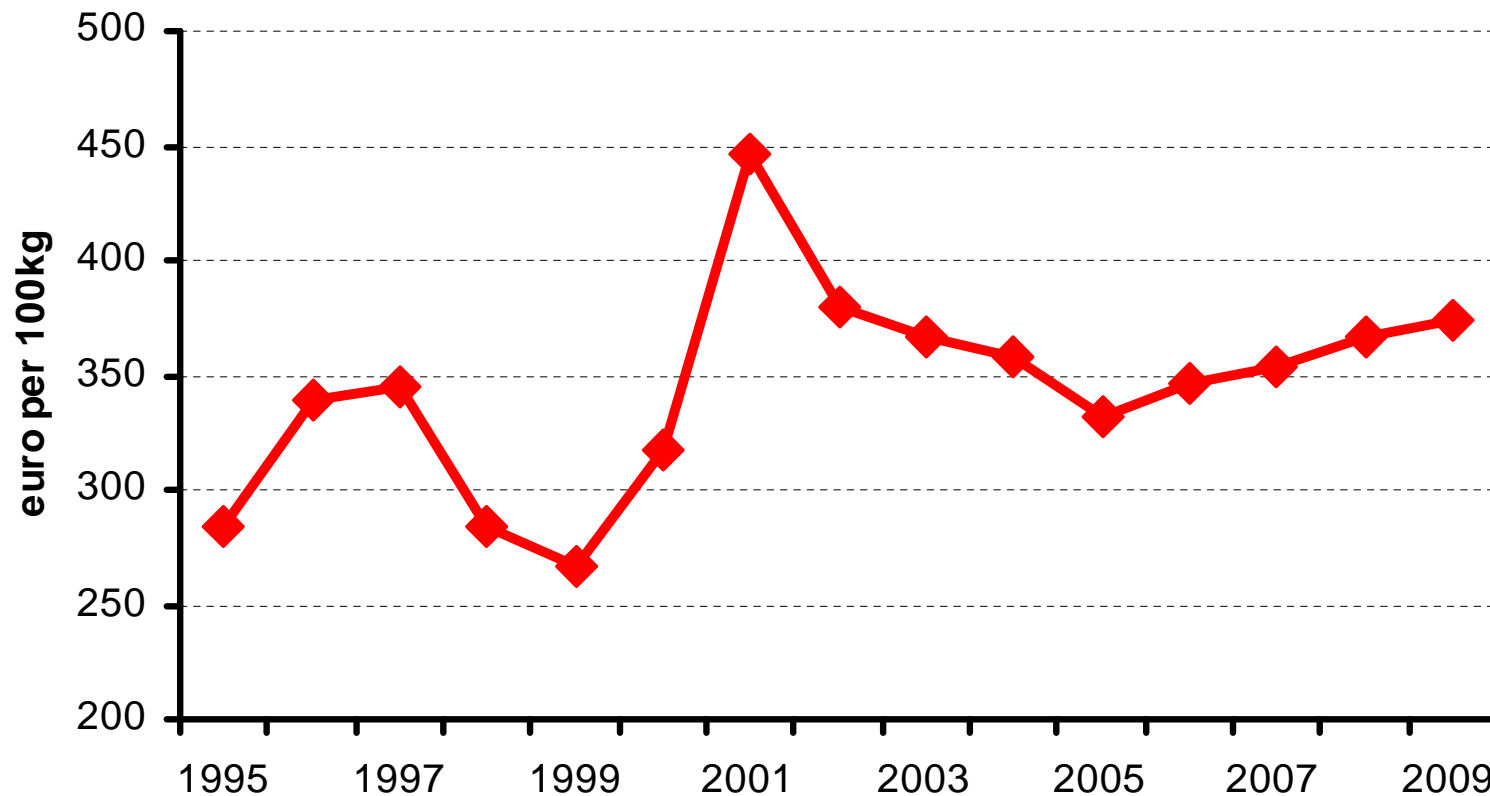
# Mid-Season Lamb - Technical Performance 2008

	Average	Top 1/3
Lambing %	149	159
Weaning %	138	149
Ewes/ha	7.9	9.7
Lamb carcass (kg)/ha	202	289

Source: NFS 2008



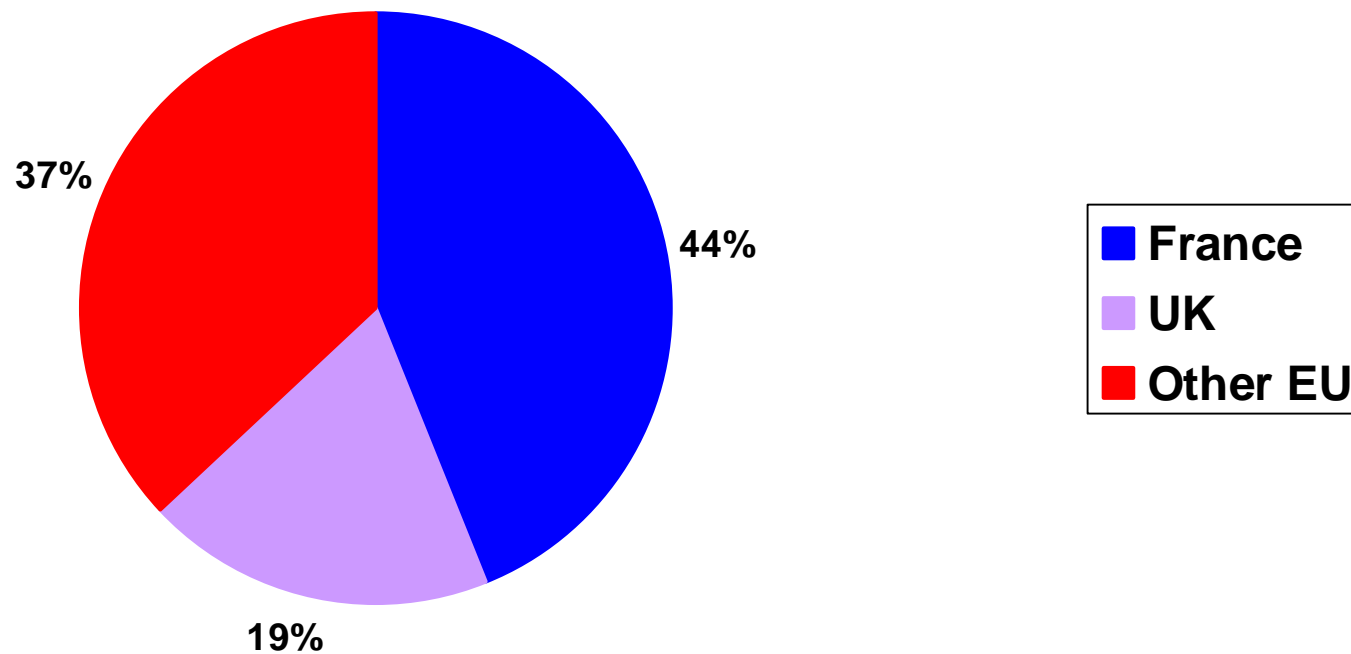
# Irish Lamb Price, 1995 – 2009



Source: Bord Bia



# Volume of Irish Lamb Exports 2008



# Sheep Gross Margin

	2007	2008	2009	2010
	euro/ha			
Early Lamb	483	401	428	477
Mid-Season Lamb	444	374	404	436
	euro/ewe			
Hill-Blackface	6	5	7	9

# Take Home Message - Sheep

- 2010 prices are likely to remain at or slightly above 2009
- Declining feed prices (biggest input item)
- Gross margins are forecasted to increase in 2010 by approx. 10%
  - Dependent on maintenance of 2008 stocking rate per ha and weaning rate per ewe