

Outlook 2010 Tillage

Daragh Clancy & Fiona Thorne

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



Outlook 2010 "Economics of Agriculture"
15th January 2010

RERC

Overview

- Input Costs
- Yields, Prices & Production
- Gross & Net Margins
- Actual '08, Estimate '09, Forecast '10

Input Costs



Outlook 2010 "Economics of Agriculture"
15th January 2010

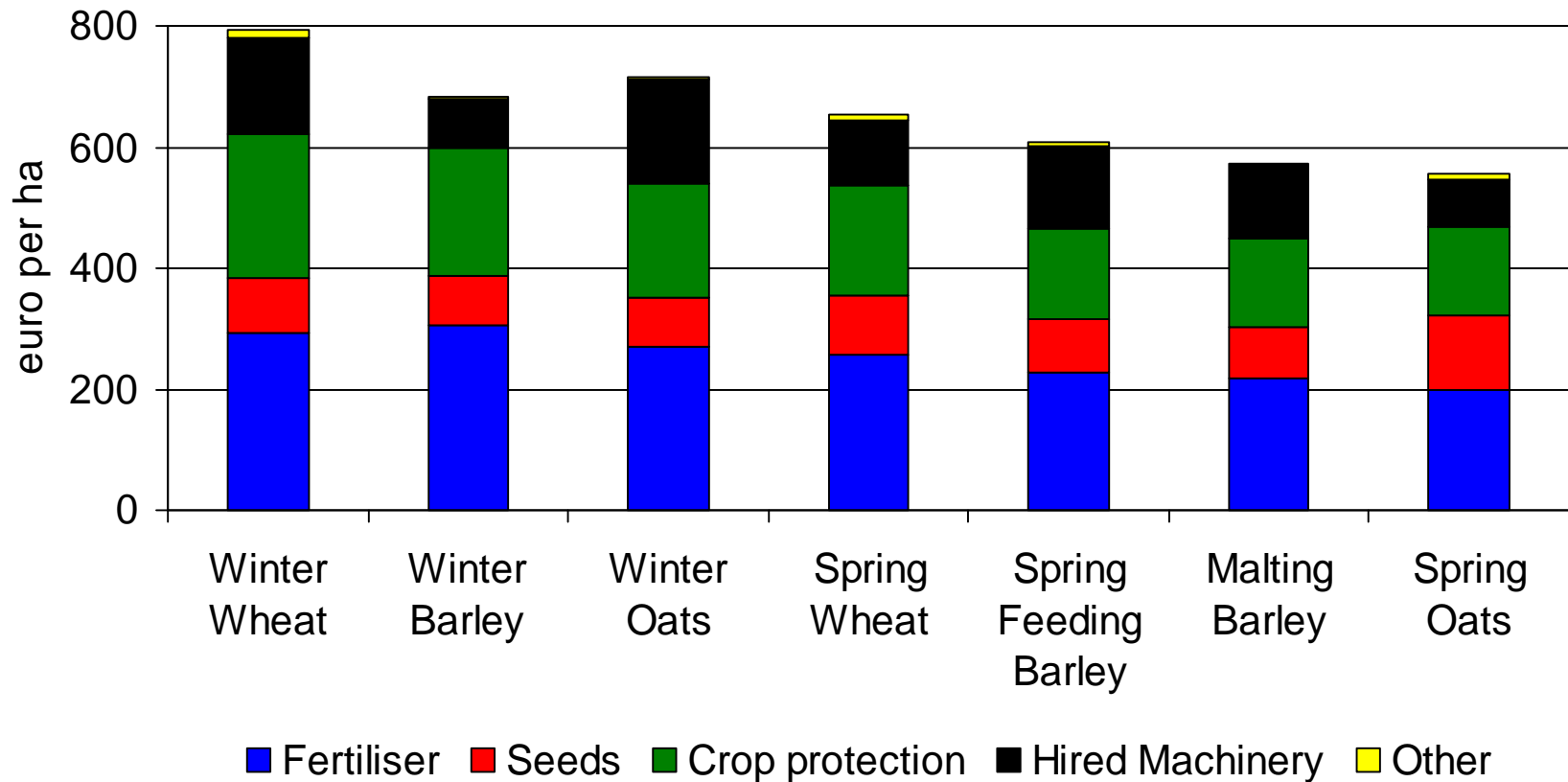
RERC

Input Costs

■ Input Expenditure

- Fertiliser
- Crop Protection
- Seed
- Energy and Fuel
- Other Costs

'08 Direct Costs



Source: National Farm Survey (2009)



Inputs Costs in 2010

- Expenditure change relative to 2009
 - Fertiliser ↓ 23%
 - Crop Protection ↔ 0%
 - Seed ↓ 18%
 - Other Direct Costs ↑ 2%
 - Energy and fuel ↑ 5%
 - Labour ↔ 0%

- Total direct costs increased ↓ 9 to 12%



Yields, Prices & Production



Outlook 2010 "Economics of Agriculture"
15th January 2010

RERC



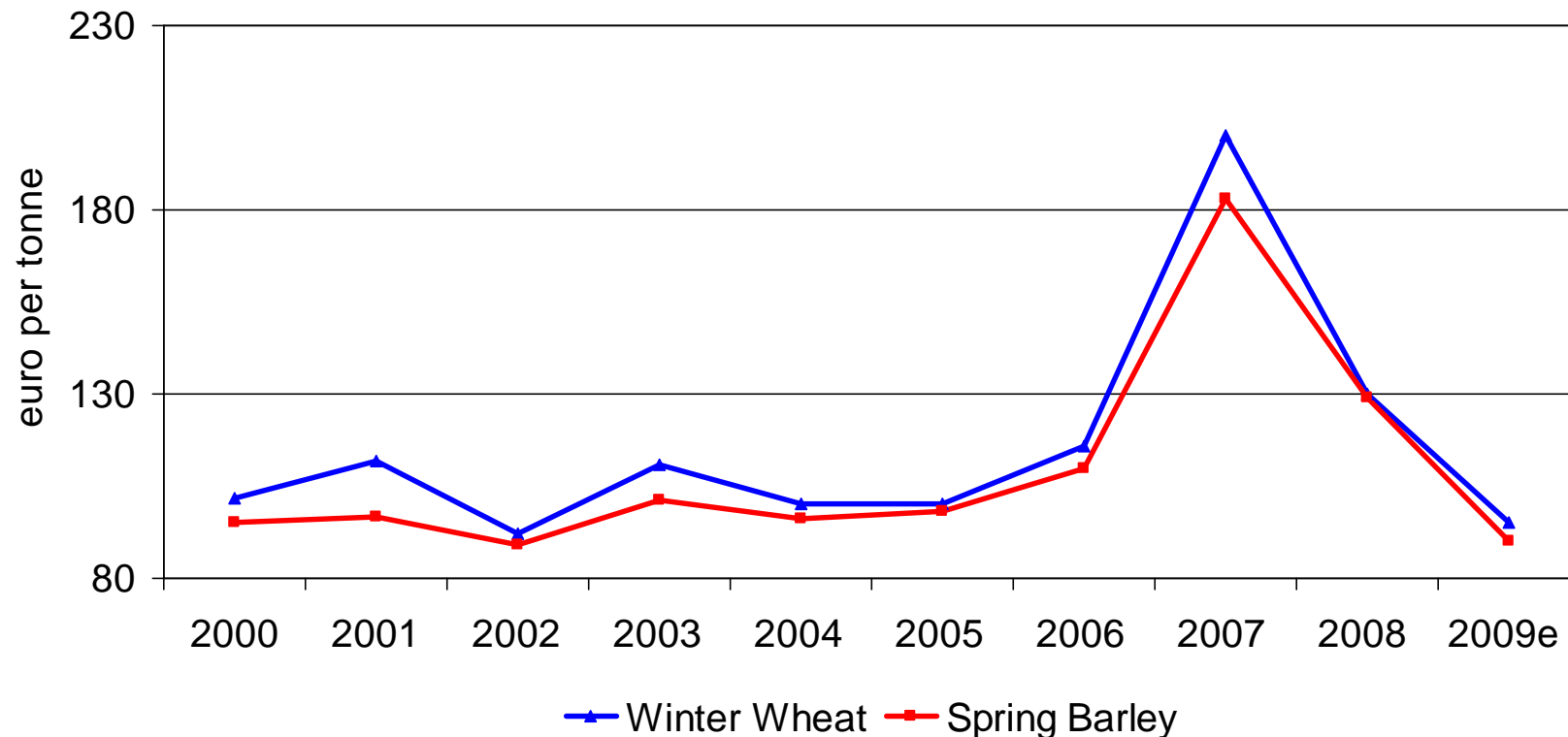
Yield and Moisture Level

	Yield (tonne per ha)		Moisture (percent)	
	2008	2009e	2008	2009e
Winter Wheat	9.8	8.6	22.0	20.0
Spring Barley	6.7	6.1	22.0	18.5



Source: Central Statistics Office (2008). Teagasc Harvest Report (2009)

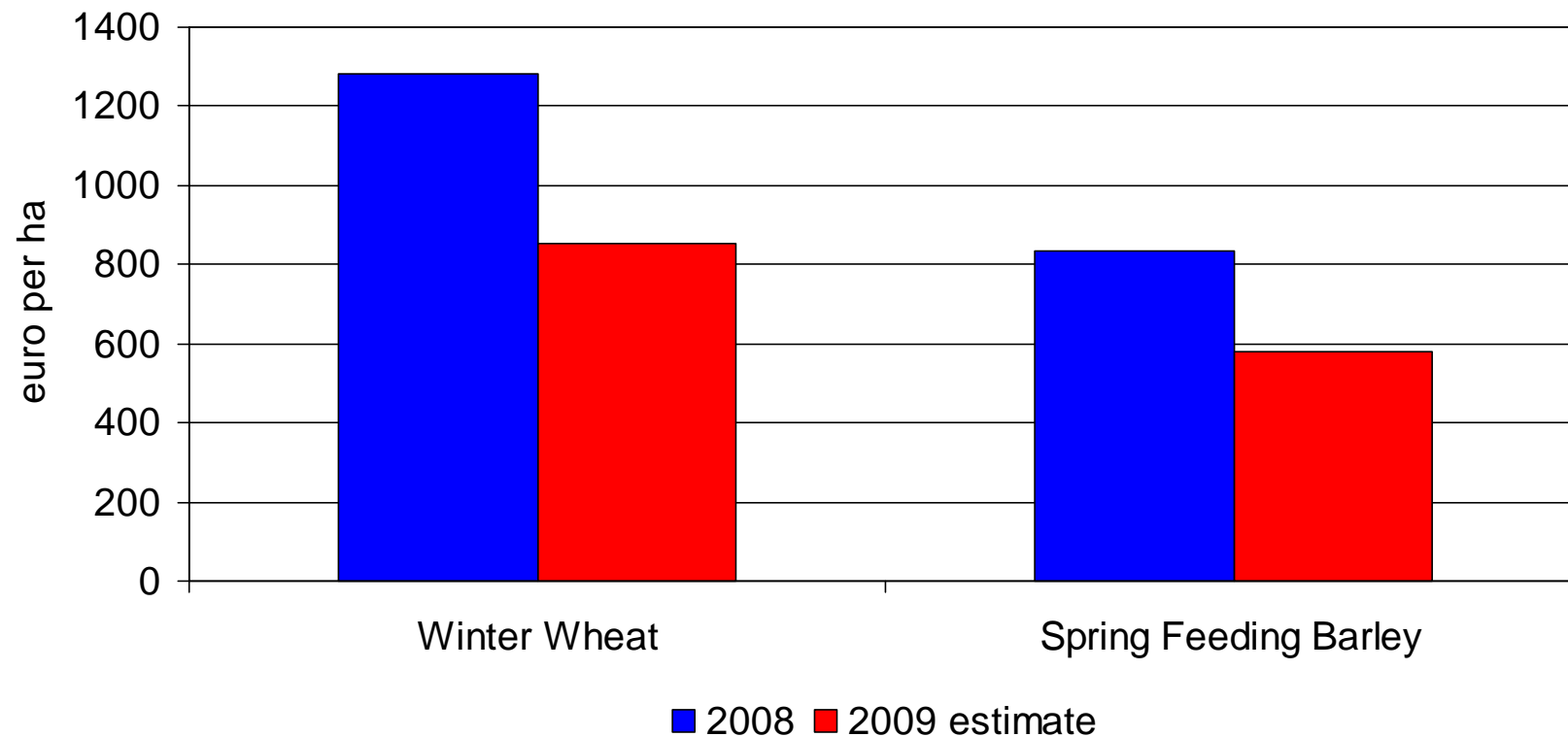
Price



Source: Central Statistics Office (2000 - 2008). Authors own estimate (2009)

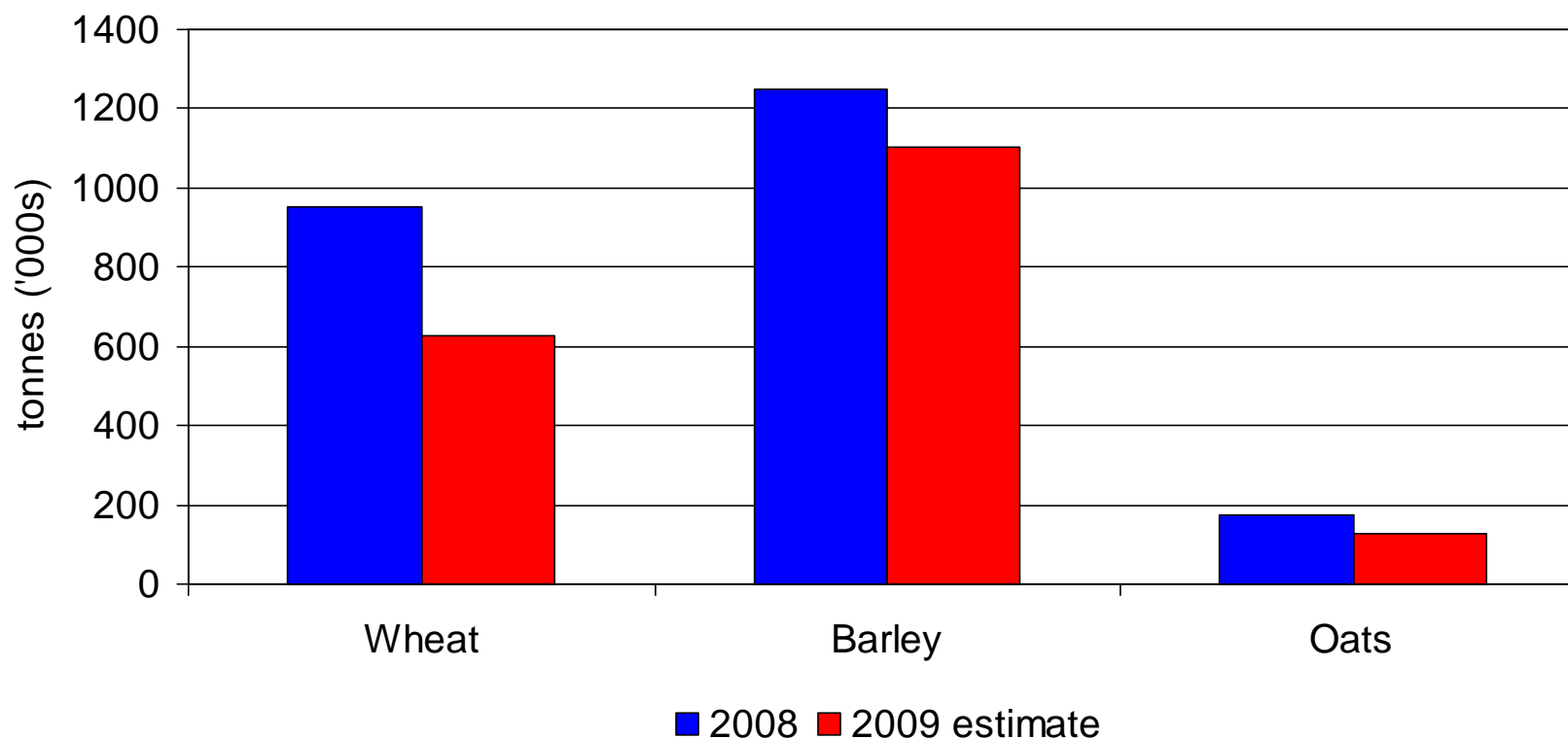


Total Gross Output



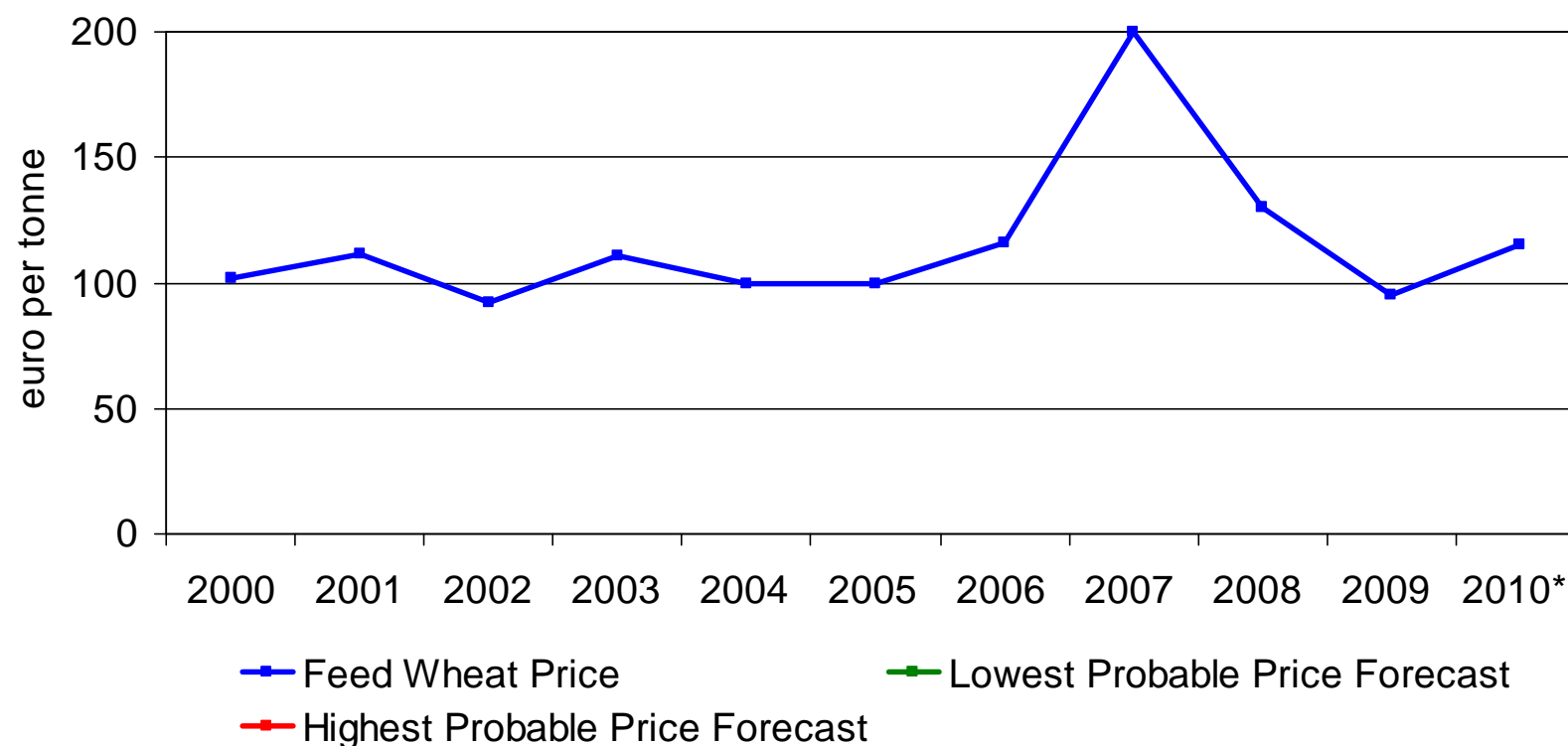
Source: National Farm Survey (2008). Authors own estimate (2009)

Cereal Production



Source: Central Statistics Office (2008). Teagasc Harvest Report (2009)

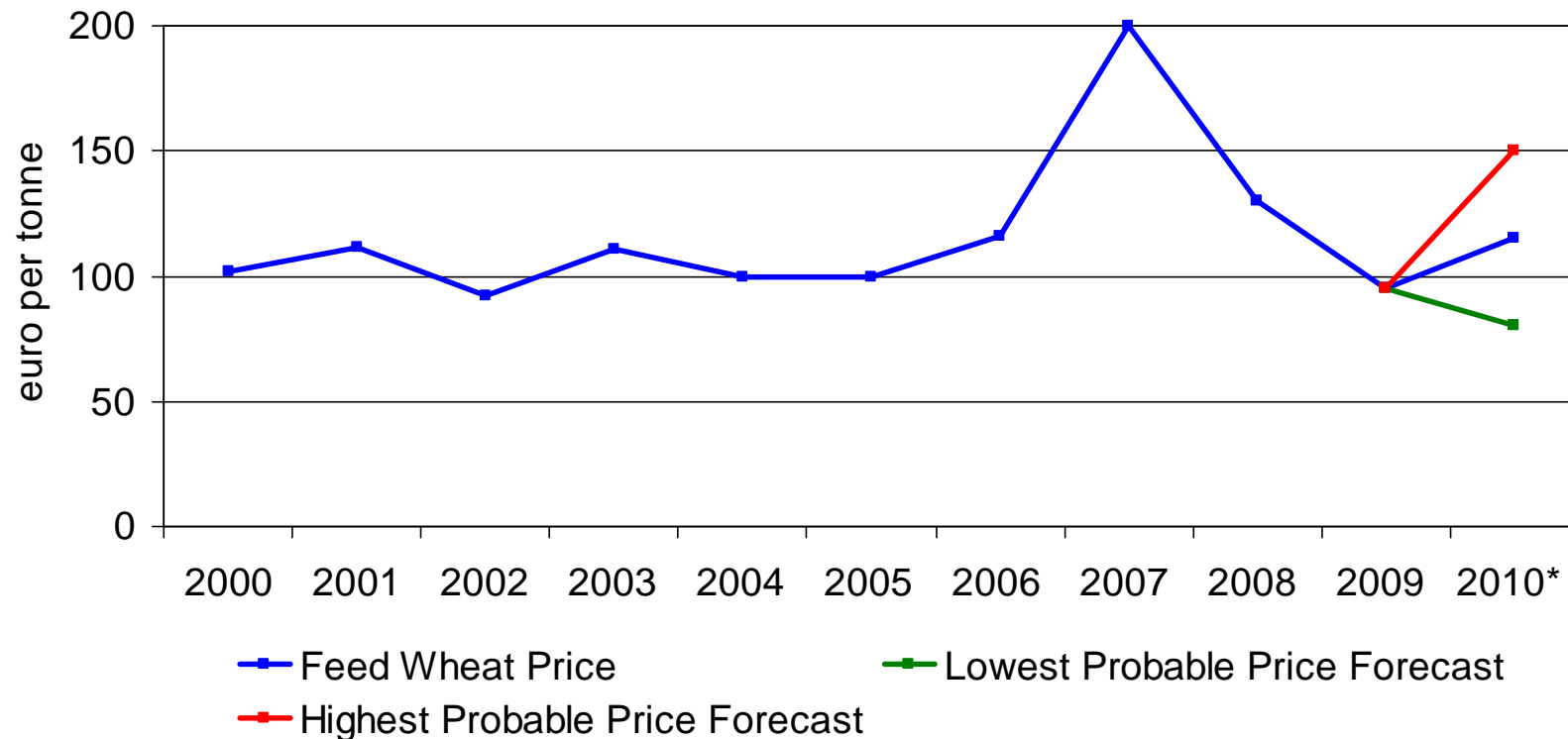
Historic, Estimated and Forecast Feed Wheat Price



Source: Central Statistics Office (2000 - 2008). Authors own estimate (2009 - 2010)



Historic, Estimated and Forecast Feed Wheat Price



Source: Central Statistics Office (2000 - 2008). Authors own estimate (2009 - 2010)



Gross & Net Margins



Outlook 2010 "Economics of Agriculture"
15th January 2010

RERC

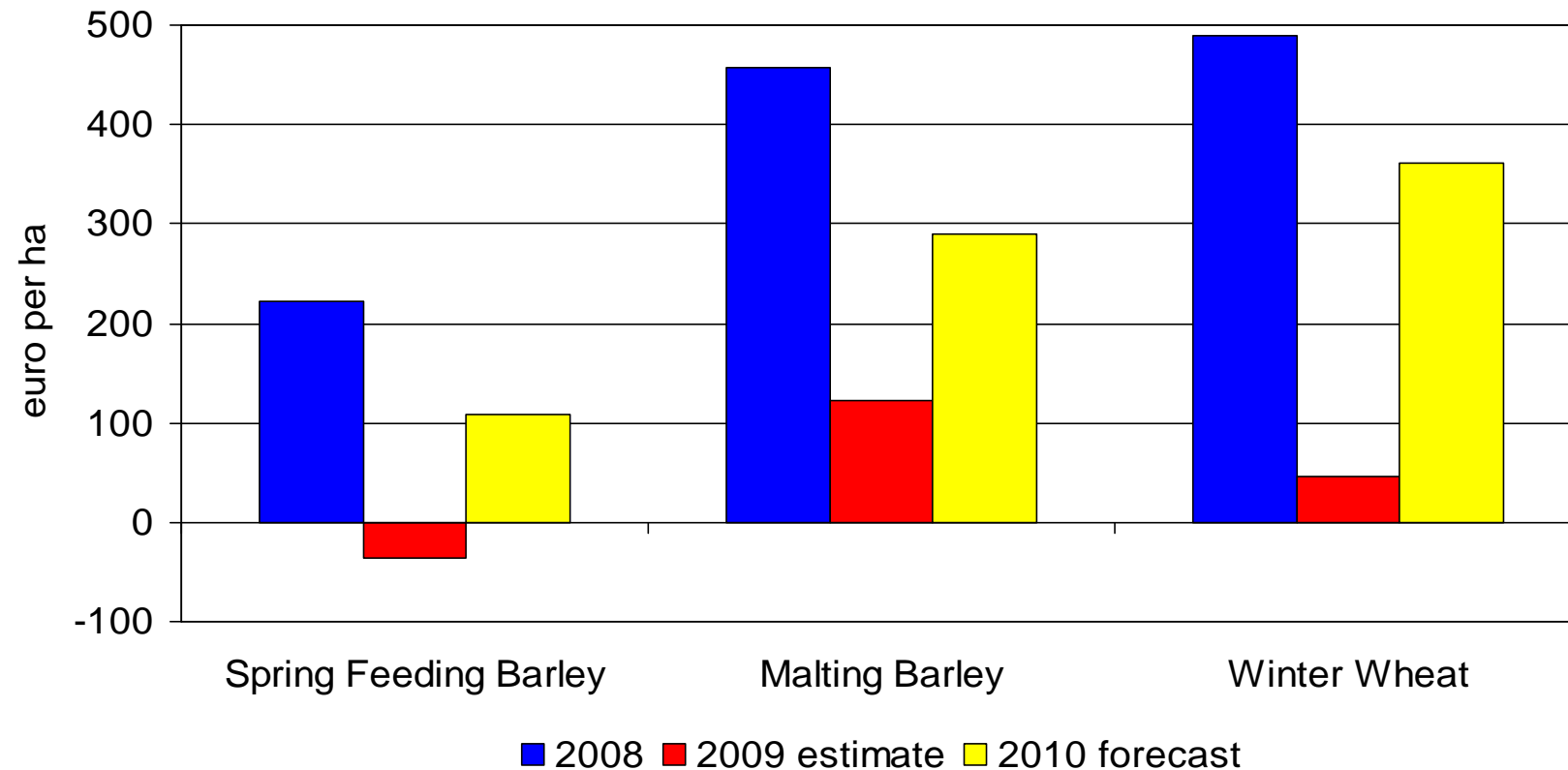
Gross and Net Margin: '08 & '09

- Gross Margin
 - $(\text{Yield} \times \text{Price}) - (\text{Direct Costs})$
- Net Margin
 - $(\text{Gross Margin}) - (\text{Allocated Overheads})$

Gross and Net Margin: '10

- Yield Level
 - Three year average
- Output Price
 - 14% increase on 2009 levels, with a 90% confidence interval on this forecast
- Input Costs
 - 10% decrease on expenditure relative to '09

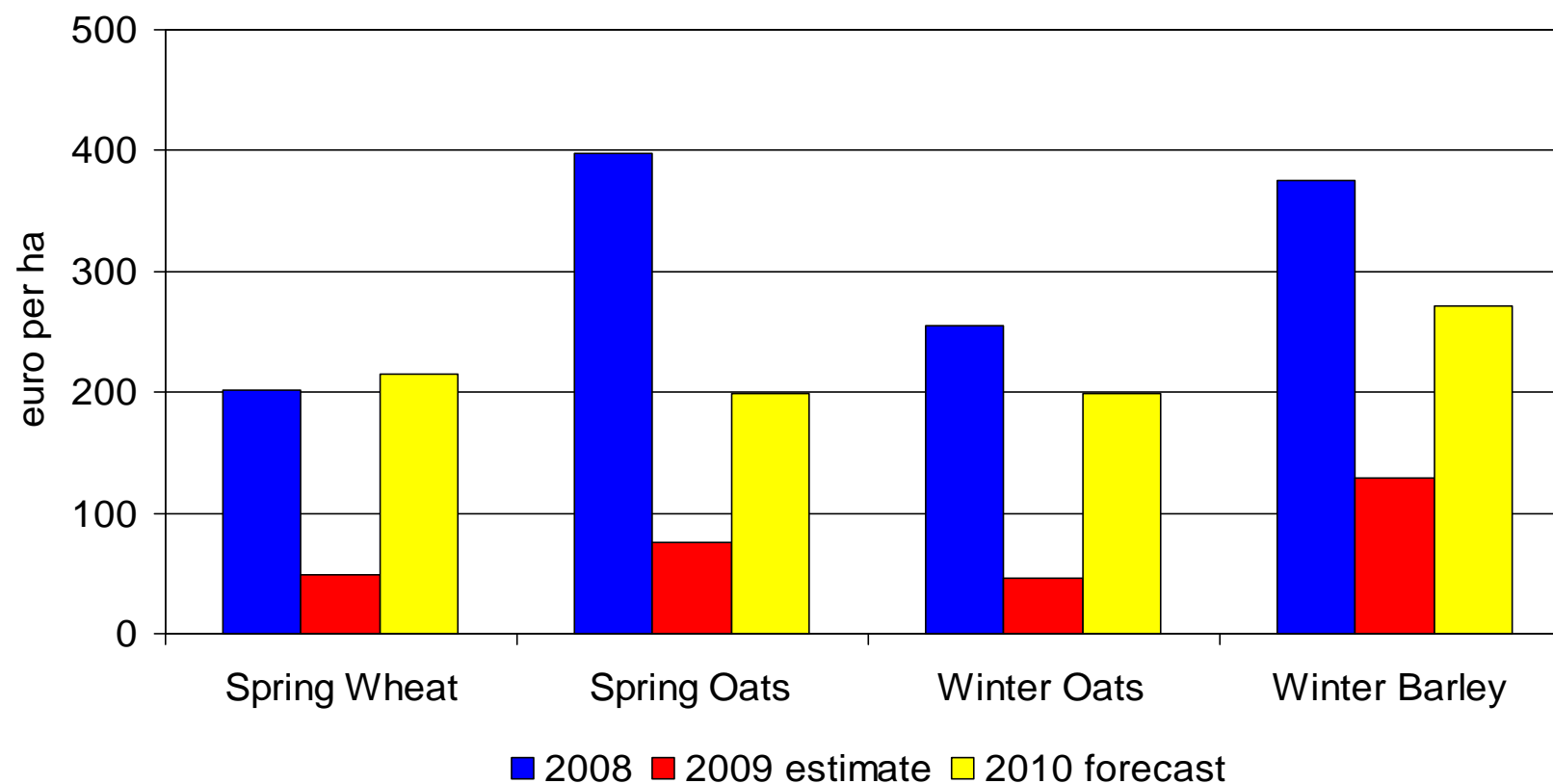
Gross Margin: Major Cereals



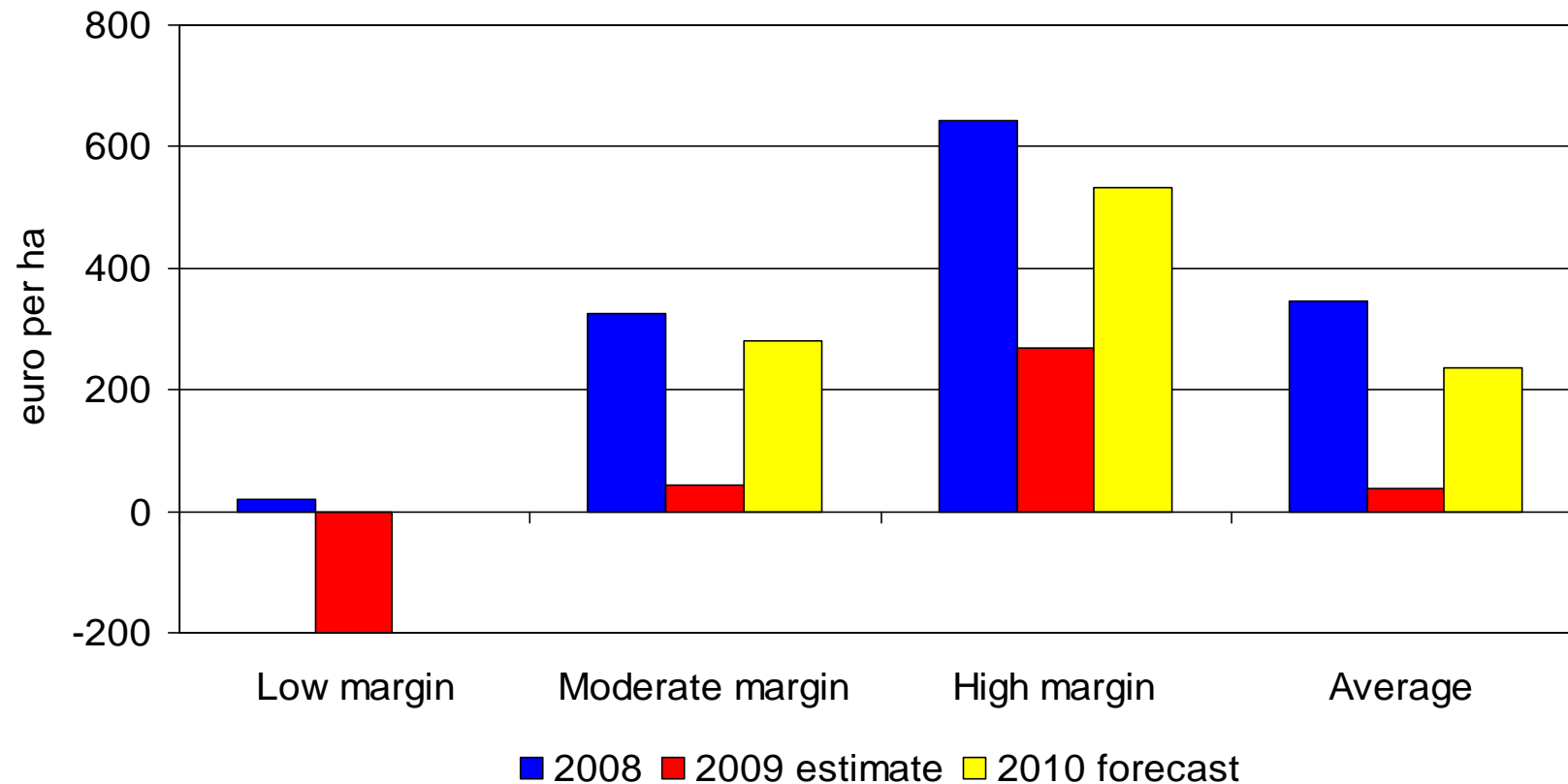
Source: National Farm Survey (2008). Authors own estimates (2009 - 2010)



Gross Margin: Minor Cereals



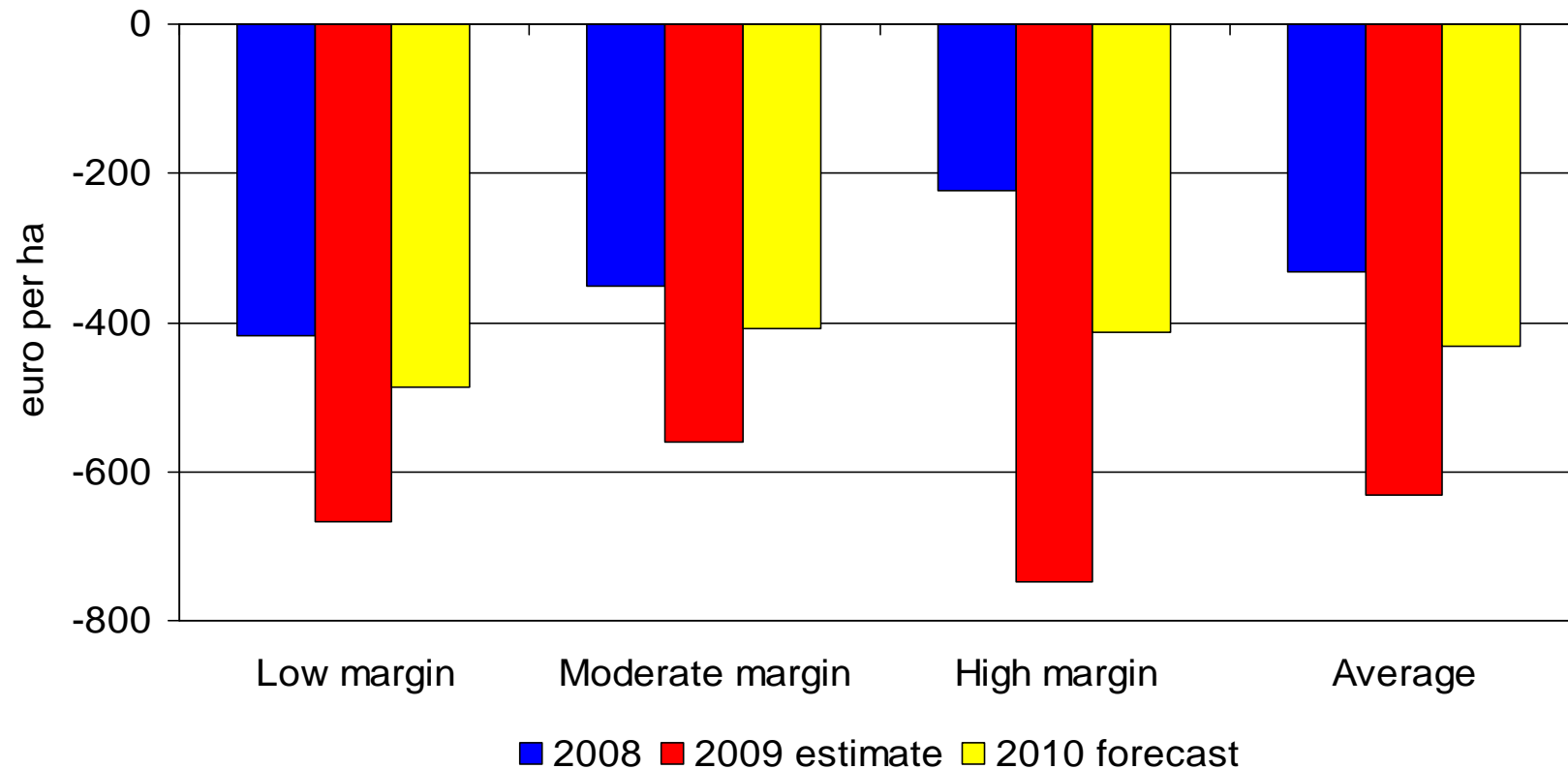
Gross Margin: Cereal Enterprise on Specialist Tillage Farms



Source: National Farm Survey (2008). Authors own estimates (2009 - 2010)

Outlook 2010 "Economics of Agriculture"
15th January 2010

Net Margin: Cereal Enterprise on Specialist Tillage Farms



Source: National Farm Survey (2008). Authors own estimates (2009 - 2010)

Outlook 2010 "Economics of Agriculture"
15th January 2010

Take Home Messages

- 2009
 - Price cost squeeze and lower than average yields
 - Negative net margins for many cereal farmers
- 2010
 - Increased output prices and decreased input costs will help margins
 - Likely not sufficient to produce positive net margins

Thank You

Papers available from

www.agresearch.teagasc.ie/merc



Outlook 2010 "Economics of Agriculture"
15th January 2010

RERC