

Agricultural Outlook for 2017

Recent analysis produced by Teagasc economists indicates that farm margins fell on most farms in Ireland this year. Supplies of milk, beef and grain internationally have been running ahead of demand and this has led to a fall in farm prices. In addition the fall in sterling due to Brexit is already creating challenges for the agriculture sector in Ireland. On the plus side lower production costs in 2016 have offset some of the effects of falling output prices. For the second year in a row lower oil prices led to a significant fall in fuel prices and there has also been a gradual decline in fertiliser prices over the course of the year.

Milk prices fell by an estimated 11%, but Irish milk production is estimated to have increased by about 5% in 2016. While dairy production costs fell, Irish dairy farm margins were lower in 2016 due to the drop in the value of milk sales. However a late season rally in milk prices, along with the additional volume of milk produced this year, has limited the drop in dairy farm income in 2016. That said, Irish dairy farms are the lowest cost producers internationally in 2016.

Increased supplies of cow beef coupled with slow demand growth led to lower cattle prices in 2016 compared to 2015. Beef Data Genomics Programme (BDGP) payments have offset some of the negative impact of lower prices on margins on suckler farms. Cattle finishing farms have had lower margins due to lower output prices in 2016. Sheep prices in 2016 declined marginally compared to 2015 but taking account of lower costs of production, margins earned on sheep farms are estimated to have increased by 3%.

In spite of the fall in margins, overall, agricultural income in Ireland in 2016 is broadly in line with the 2015 level, as the annual receipts from the Basic Payment Scheme and GLAS should be higher in 2016 than in the previous year.

2017 Outlook

The outlook for 2017 is mixed. A slowdown in growth in global milk production should mean that dairy margins will increase in 2017, with milk prices forecast to be 20% higher. By contrast, the Irish beef sector is facing into a difficult year again in 2017 with beef supplies across the EU forecast to increase in 2017. Demand for beef in the EU is not particularly strong and EU beef prices are likely to fall by up to 10%. Given that the importance of the UK market for Irish beef exports the weakness of sterling will also have an adverse impact on beef prices in Ireland which are forecast to decline by 12%.

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