Outlook 2010 for Cattle and Sheep

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Rural Economy Research Centre
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Heritage Hotel Portlaoise
Overview

- Cattle
- Sheep
  - Background
  - Inputs
  - Outputs
  - Margins
  - Take Home Messages
Situation and Outlook for Cattle
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

Costs of Production by System

Costs of Production by System

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

Gross Output
2008, 2009 and 2010
Cattle Prices

Source: DG Agri, CSO
Cattle Prices

Finished Animal Price down 10%

Source: DG Agri, CSO

R3 Steer, Weanling, Store

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

Price of Stores down 11%
Price of Calves and Weanlings down 15%

Source: DG Agri, CSO
Volume of Irish Beef Exports 2008

Source: Eurostat
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

Gross Output by System

Gross & Net Margins
2008, 2009 and 2010
Gross Margin by System

Gross Margin by System


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Net Margin by System

Net Margin by System


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15th January 2010
Financial Performance of All Cattle Farms 2010

Source: 2010 Forecast

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15th January 2010
Financial Performance of All Cattle Farms 2010

Source: 2010 Forecast
Net Margin All Cattle Farms

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
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

<table>
<thead>
<tr>
<th></th>
<th>Average</th>
<th>Top 1/3</th>
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<tbody>
<tr>
<td>Output</td>
<td>748</td>
<td>1,106</td>
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<tr>
<td>Direct Costs</td>
<td>374</td>
<td>350</td>
</tr>
<tr>
<td>Gross Margin</td>
<td>374</td>
<td>756</td>
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</tbody>
</table>

Source: NFS 2008
## Mid-Season Lamb - Technical Performance 2008

<table>
<thead>
<tr>
<th></th>
<th>Average</th>
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</thead>
<tbody>
<tr>
<td>Lambing %</td>
<td>149</td>
<td>159</td>
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<tr>
<td>Weaning %</td>
<td>138</td>
<td>149</td>
</tr>
<tr>
<td>Ewes/ha</td>
<td>7.9</td>
<td>9.7</td>
</tr>
<tr>
<td>Lamb carcass (kg)/ha</td>
<td>202</td>
<td>289</td>
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Source: NFS 2008
Irish Lamb Price, 1995 – 2009

Source: Bord Bia
Volume of Irish Lamb Exports 2008

Source: Eurostat
# Sheep Gross Margin

<table>
<thead>
<tr>
<th></th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
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<tbody>
<tr>
<td><strong>Early Lamb</strong></td>
<td>483</td>
<td>401</td>
<td>428</td>
<td>477</td>
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<tr>
<td><strong>Mid-Season Lamb</strong></td>
<td>444</td>
<td>374</td>
<td>404</td>
<td>436</td>
</tr>
<tr>
<td><strong>Hill-Blackface</strong></td>
<td>6</td>
<td>5</td>
<td>7</td>
<td>9</td>
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</table>

<table>
<thead>
<tr>
<th></th>
<th>euro/ha</th>
<th>euro/ewe</th>
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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