Beef and Sheep Outlook 2012

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Overview

• Cattle
• Sheep
  – Inputs
  – Outputs
  – Margins
  – Take Home Messages

Situation and Outlook for Cattle

Background

• Wide variety of production systems
• All margins exclude decoupled payments
• Suckler Cow Welfare Payment is included in margins as its coupled to production
  – Presentation concentrates on Single Suckling and Store to Finish
  – Details for other systems in the paper

Total Production Costs
2010, 2011 and 2012
**Costs of Production 2010 vs. 2011**

- Concentrates expenditure up 12.5%
  - Feed Price up 16%
  - Feed Volume down 3%
- Fertilizer expenditure up 19%
  - Fertilizer Prices up 25%
  - Applications down by 5%
- Contracting Charges
  - Up approximately 5%
- Fuel up by approximately 18%
- Other direct and fixed costs to have increased by 1%

**Costs of Production by System**


**Costs of Production 2012 vs. 2011**

- Concentrates expenditure down 5%
  - Feed Price down 8%
  - Feed Volume up 3%
- Fertilizer expenditure up 7%
  - Fertilizer Prices up 7%
  - Use unchanged
- Fuel expenditure unchanged
  - Contracting Charges unchanged
- Labour up 1%
- Other direct and fixed costs are assumed to be largely unchanged also

**Costs of Production by System**


**Gross Output**

2010, 2011 and 2012
Cattle Prices 2011 and 2012

• 2011 has seen a considerable increase in Irish cattle prices

Supply Factors

– Tightening cattle supplies within Ireland
– Declining cow numbers within the EU

Irish Live Cattle Exports

Source: Bord Bia

Finished Animal Price up 18%

Price Weanlings up 36%
Price of Stores up 20%
**Cattle Prices 2011 and 2012**

- 2011 has seen a considerable increase in Irish cattle prices
- **Supply Factors**
  - Tightening cattle supplies within Ireland
  - Declining cow numbers within the EU
- **Demand Factors**
  - Strong demand for beef globally in 2011
  - Increased EU exports to third countries

**Irish Beef Exports to the EU 2011**

- 2011 has seen a considerable increase in Irish cattle prices
- **Supply Factors**
  - Tightening cattle supplies within Ireland
  - Declining cow numbers within the EU
- **Demand Factors**
  - Strong demand for beef globally in 2011
  - Increased EU exports to third countries
- 2012 a modest decline in cattle prices forecast
  - Weakening EU demand in 2012
  - However this is dependent on the EU macroeconomic outlook

**Composition of Gross Output by System in 2010**

<table>
<thead>
<tr>
<th></th>
<th>Single Suckling</th>
<th>Store to Finish</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cattle Sales ha⁻¹</td>
<td>651</td>
<td>2,153</td>
</tr>
<tr>
<td>Cattle Purchases ha⁻¹</td>
<td>84</td>
<td>1,451</td>
</tr>
<tr>
<td>Other ha⁻¹</td>
<td>-61</td>
<td>-88</td>
</tr>
<tr>
<td>SCWS ha⁻¹</td>
<td>23</td>
<td>0</td>
</tr>
<tr>
<td>Total ha⁻¹</td>
<td>529</td>
<td>615</td>
</tr>
</tbody>
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**Gross Output by System**

Take Home Messages - Cattle

- 2011 – Substantial increase in cattle prices
  - Partially offset by higher direct costs of production
- 2012 – Cattle prices expected to remain strong but some modest decline expected
  - Concentrate prices expected to fall, but fertiliser prices likely to increase
  - No significant change in total costs
  - Leading to a likely dis-improvement in net margins in 2012 relative to 2011 but remaining ahead of 2010
- Higher Prices won’t guarantee economic viability

Situation and Outlook for Sheep

Costs of Production

- Concentrate Feed and Pasture and Winter Forage Costs are dominant direct costs
  - Account for 70% of direct costs
  - Large degree of variation in level of direct costs per hectare
  - Higher expenditure per hectare not always matched by higher output

Mid-season Lamb Costs of Production 2010

Costs of Production in 2011 & 2012

- Feed expenditure up 3.5% in 2011 but forecast to decrease by 5% in 2012.
  - Increase in prices with a reduced volume fed in 2011
  - Lower prices in 2012 and a modest increase in use forecast
- Pasture and Winter Forage expenditure increased by 12% in 2011 and is forecast to increase in 2012 by a further 6%.
  - Higher fertiliser prices in 2011 are the main factor here
  - Fertiliser prices forecast to increase further in 2012
- Other direct costs of production are estimated to remain largely unchanged in 2011 and 2012

Mid-season Lamb Costs of Production 2010, 2011 & 2012

Sheep Meat Markets 2011 & 2012

- Irish sheep and flock numbers stabilised in 2010
- Increases in sheep numbers forecast for 2011 and 2012
- Lamb slaughtering in 2011 up 5% in Ireland
- Ewe slaughter down 8%
- Declining EU lamb production and NZ imports below TRQ in 2011
- Led to strong growth in prices (+9% in Ireland)
- Total NZ lamb production & exports forecast to increase in 2011/12
- NZ will fill its EU TRQ in 2012
- Supply stabilising in EU in 2012 with growth in some markets, recovery in imports from NZ and weakening demand in EU
  - Prices forecast to be 5% lower in 2012

Volume of Irish Lamb Exports 2010

- 21% France
- 20% UK
- 59% Other EU

Source: Eurostat

Irish Lamb Price, 1995 – 2011

Source: DG AGRI & Bord Bia

Output and Gross Margins 2010, 2011 and 2012

Gross Output Direct Costs Gross Margin

2011 GM up 12%
2012 GM down 8%


Source: 2010 Teagasc NFS
Take Home Message - Sheep

• Higher intensity and tight control of costs per ewe key to dramatic differences in profit
• 2012 prices are forecasted to be 5% lower than 2011
• A slight increase in direct costs of production forecast for 2012
• Lower prices and higher costs combine to give a 8% forecast reduction in 2012 gross margins
• Despite the forecast decline in 2012 Gross Margin higher than in 2010

Thank – You

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