



The Irish Agriculture and Food Development Authority

## The Outlook for Agri Inputs and Dairy Market



Trevor Donnellan  
Ag Econ and Farm Surveys Dept.,  
Teagasc  
Outlook 2013



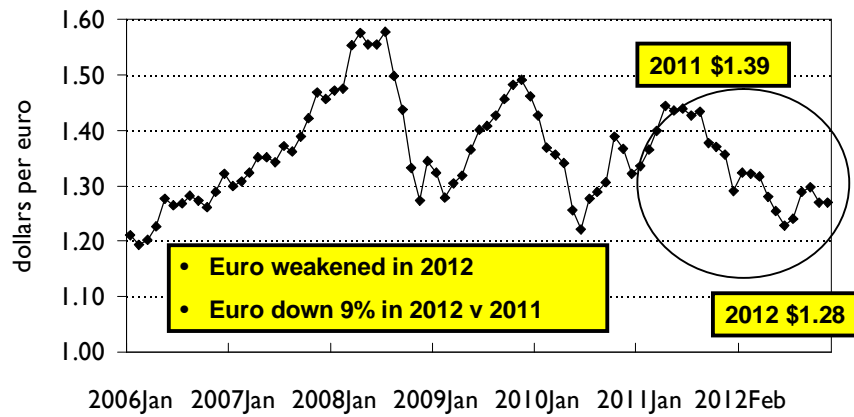
The Irish Agriculture and Food Development Authority

# Overview

- **Begin with a review of the input story in 2012**
  - Feed, Fertiliser, Energy (Fuel and Electricity)
  - Labour, Other Costs
- **Prospects for those inputs in 2013**
- **Review of Dairy Market in 2012**
- **Dairy Market prospects for 2013**

# Agri Inputs: Review of 2012

## Monthly Euro US dollar exchange rate 2006 and 2012



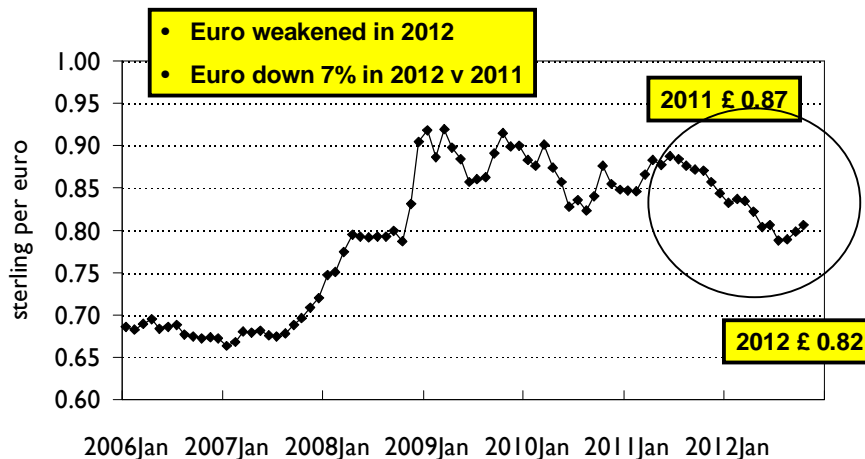
Source: ECB

Note: Text box values are annual averages



The Irish Agriculture and Food Development Authority

## Monthly Euro Sterling exchange rate 2006 and 2012



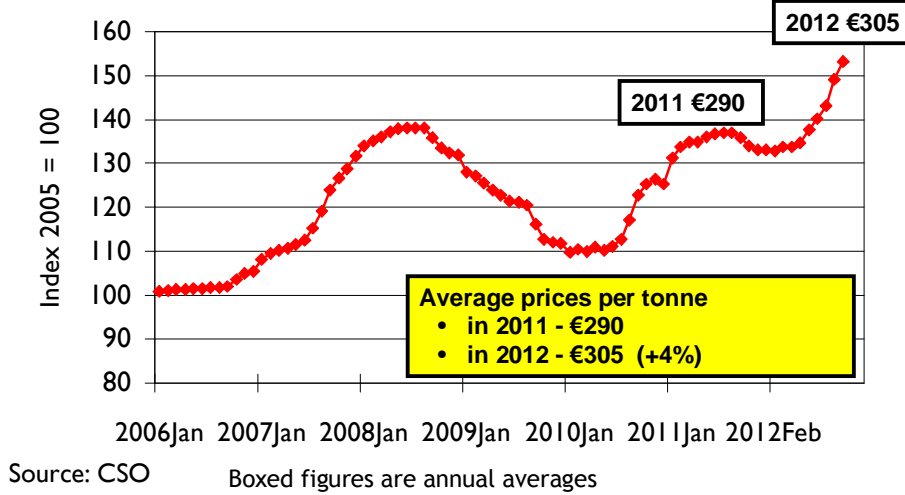
Source: ECB

Boxed figures are annual averages

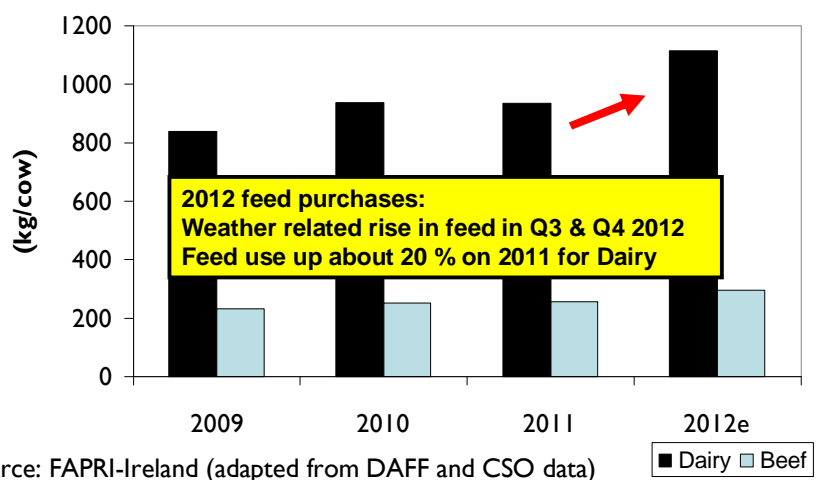


The Irish Agriculture and Food Development Authority

## Feed Prices: 2006 to 2012 (Cattle Meal Index)



## Dairy and Beef Compound Feed Usage 2009 to 2012



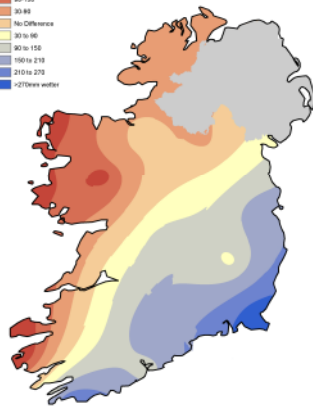
Source: FAPRI-Ireland (adapted from DAFF and CSO data)  
2012 figure is an estimate

## Change in Regional Rainfall 2012

Jan to Dec 2012 vs 2011

Rainfall Difference (mm)  
2012 compared to 2011

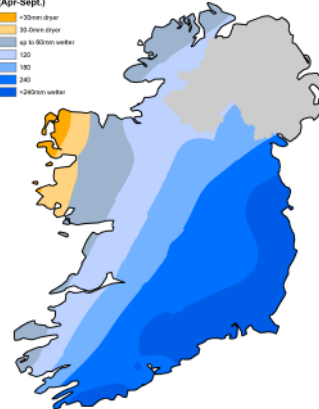
- >100mm dryer
- 66 to 100
- 30 to 66
- No Difference
- 30 to 66
- 60 to 150
- 150 to 210
- 210 to 270
- >270mm wetter



Apr to Sept 2012 vs Apr to Sept 2011

Rainfall Difference (mm)  
2012 compared to 2011  
(Apr-Sept)

- >20mm dryer
- 20 to 60mm dryer
- 60 to 80mm wetter
- 100
- 150
- 200
- >240mm wetter



Maps courtesy of Stuart Green (REDP, Teagasc)



The Irish Agriculture and Food Development Authority

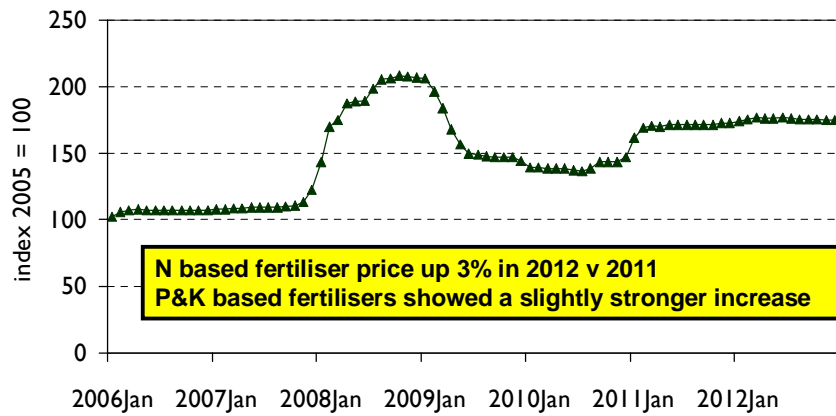
## Feed expenditure 2012

- Adverse weather caused higher feed use
  - Highest increase in **south/east** (more normal in other regions)
- Higher cereal prices in 2011 and 2012
  - Pushed up feed prices in 2012
- **AVERAGE** grassland feed bill up 15% to 25% in 2012
  - But wide variation by location/system around the average
  - Extremely high increases in feed spend on some farms



The Irish Agriculture and Food Development Authority

## Fertiliser Prices 2006 to 2012

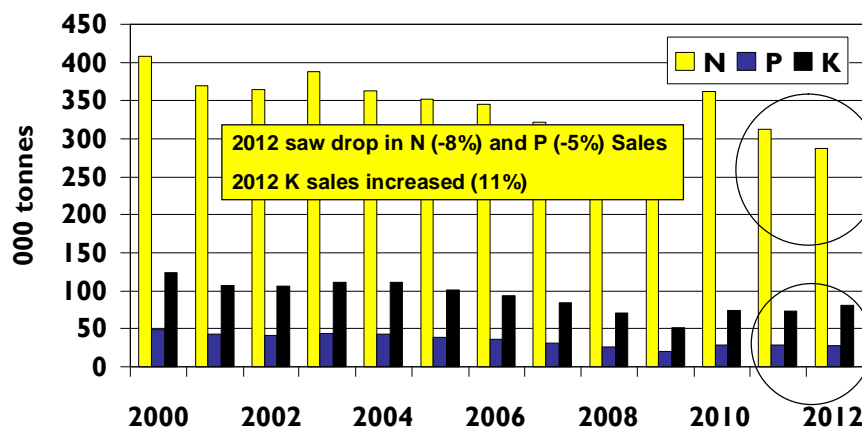


Source: CSO



The Irish Agriculture and Food Development Authority

## Irish Fertiliser Sales volume by Compounders 2000 to 2012



Source: DAFM

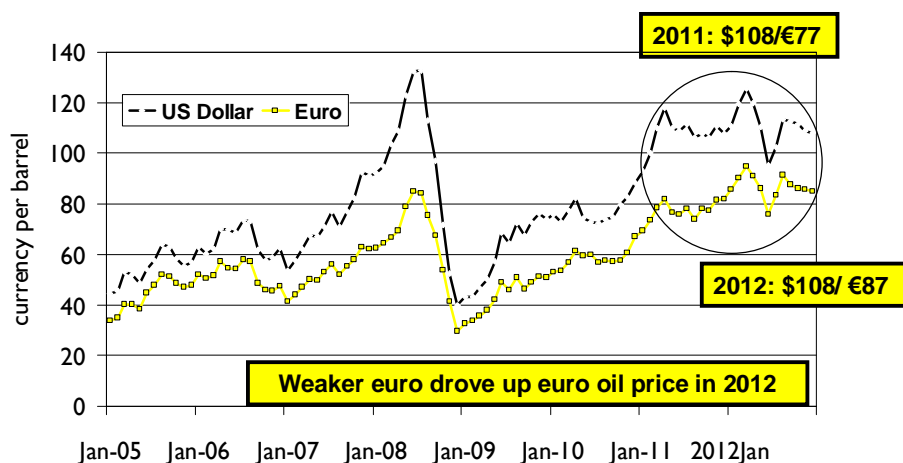


The Irish Agriculture and Food Development Authority

## Fertiliser & Contracting Costs 2012

- **Grassland Fertiliser prices**
  - up 3% in 2012 vs 2011
- **Cropland Fertiliser prices**
  - up 7% in 2012 vs 2011
- **Contracting Costs**
  - no hard numbers for 2012 to hand
  - anecdotally silage making costs rose by 10% to 15%
  - other contracting charges more stable

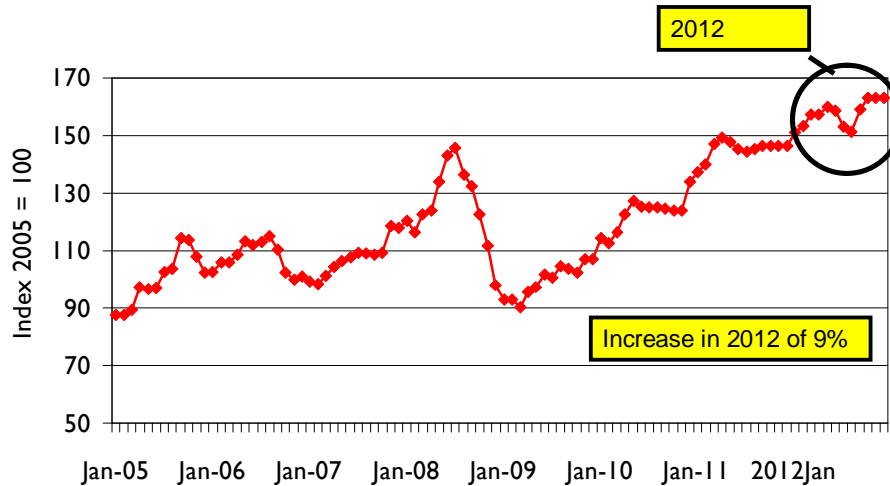
## Brent Crude price 2005 to 2012



Source: St Louis Fed

Note: Text box values are annual averages

## Index of Motor Fuel (Diesel) Prices



Source: CSO



The Irish Agriculture and Food Development Authority

## Fuel, Electricity & other costs 2012

- Fuel prices up 9%
- Electricity price increase authorised in 2012
  - Average price in 2012 increased 9% on the 2011 level
- Labour and other costs are relatively price inelastic
  - Volume likely to change little year on year
- Labour costs:
  - Up 1% in 2012 (relative to 2011)
- Other input items:
  - Up 1% in 2012 (relative to 2011)



The Irish Agriculture and Food Development Authority



# Looking ahead to Agri Inputs in 2013



The Irish Agriculture and Food Development Authority

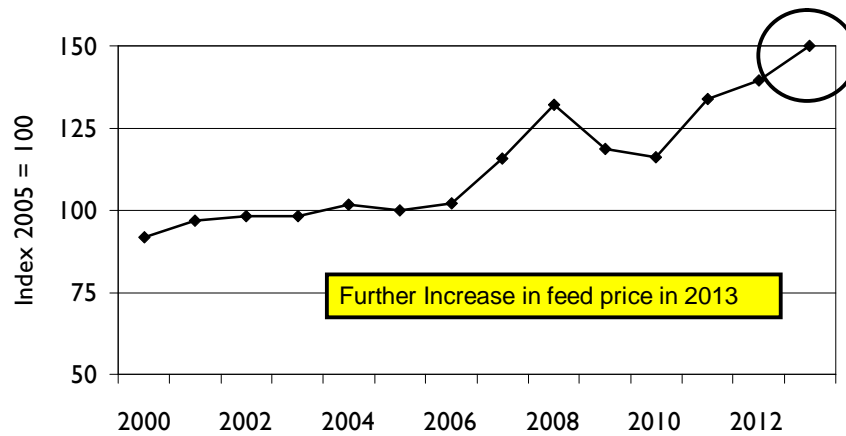
## Feed in 2013

- **Dependent on cereal prices**
  - In 2012 cereal prices were up 20% on 2011 level
  - For 2013 crop growing conditions are a big question mark
  - Cereal prices continue to rise in Q1, Q2 2013 and fall thereafter
- **Feed Prices: Price rise of 7% in 2013 v 2012 level**
- **Feed usage: Weather conditions have a strong impact**
  - “Normal” Irish weather in 2013 - volume to fall significantly
  - But Q1 2013 grassland feed use will still be at elevated levels (due to poor fodder production in 2012)



The Irish Agriculture and Food Development Authority

## Feed Prices Index 2013 (Cattle Compound Feed)



Source: CSO



The Irish Agriculture and Food Development Authority

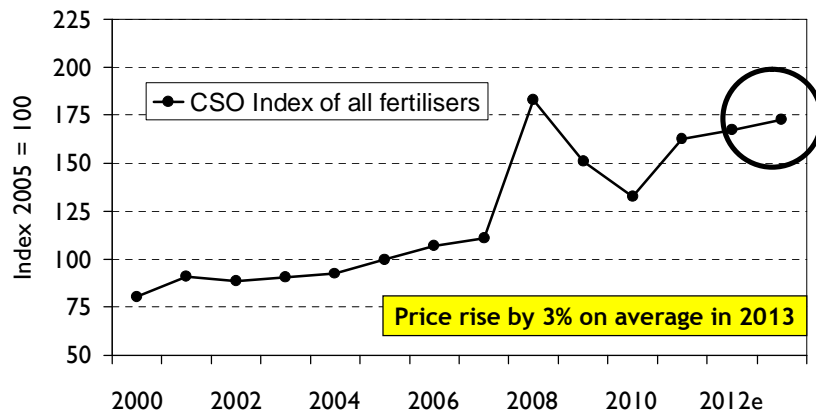
## Fertiliser in 2013

- No prospect of fertiliser price reduction
  - Energy and commodity prices remain high
  - High planting rate globally continues to support prices
- Price rises of 0% to 7% in 2013 depending on elements
- Fertiliser application:
  - Increase for N and P in 2013 - Aggregate N use to rise 5%
  - Reflects a reversal of application difficulties in 2012
  - Larger percentage increase on dairy farms than on beef farms



The Irish Agriculture and Food Development Authority

## Fertiliser Price Index 2013



Source: CSO

Author's Forecast for 2013



The Irish Agriculture and Food Development Authority

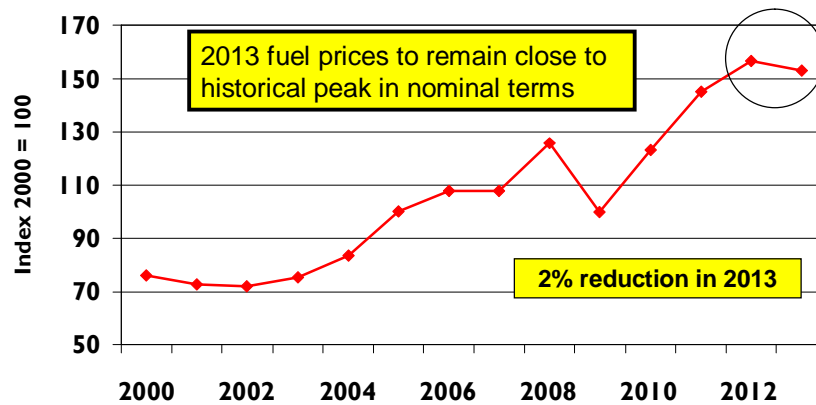
## Fuel, Electricity & other prices in 2013

- **Look at Brent futures market as of November 2013**
  - crude oil futures price on average for 2013 \$108 pb / € 85 pb
  - slight decrease on the 2012 level (at \$1.28 / € exchange rate)
- **Forecast fuel price to decline slightly in 2013**
  - A drop in price of about 2%
- **Electricity**
  - Forecast no change in price in 2013
- **Labour & Other costs**
  - To rise by 1%



The Irish Agriculture and Food Development Authority

## Motor Fuel (Diesel) Price Index



Source: CSO

Author's Forecast for 2013



The Irish Agriculture and Food Development Authority

## Summary

- Overall, production costs increased in 2012
  - Adverse local weather a driver of increased feed use
  - Actual change in costs in 2012 highly farm specific
- Mixed story for input expenditure in 2013 vs 2012
  - Feed expenditures to fall considerably (despite price rise)
  - Energy expenditure to remain flat
  - Fertiliser expenditure to rise (higher prices and usage)
  - Slight inflation in other costs
- Overall for 2013
  - Relatively flat grassland costs and rise in cereal and pig costs



The Irish Agriculture and Food Development Authority

# The Outlook for Dairy



Ag Econ and Farm Surveys Dept.,  
Teagasc  
Outlook 2013  
10<sup>th</sup> December 2013



The Irish Agriculture and Food Development Authority

## Outline

- **Costs of Production**
  - Estimates for 2012
  - Forecasts for 2013
- **Milk Prices & Milk Production**
  - Estimates for 2012
  - Forecasts for 2013



The Irish Agriculture and Food Development Authority

# Dairy Costs of Production



The Irish Agriculture and Food Development Authority

## Dairy Inputs Costs per ha

- Expenditure change relative to previous year

	2012	2013
– Feed		up 25%
– Pasture and forage		up 13%
– Other Direct Costs		up 1%
– Energy and fuel		up 10 %
– Labour		up 1%
– Other Overhead Costs		down 2%

- Total dairy costs per ha **up 8%**



The Irish Agriculture and Food Development Authority

## Dairy Inputs Costs per ha

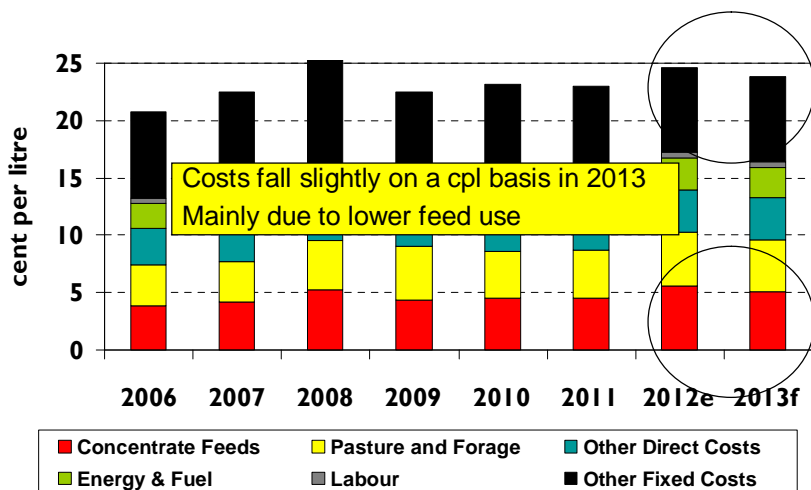
- Expenditure change relative to previous year

	2012	2013
– Feed	up 25%	down 9%
– Pasture and forage	up 13%	down 5%
– Other Direct Costs	up 1%	up 1%
– Energy and fuel	up 10 %	down 2%
– Labour	up 1%	up 1%
– Other Overhead Costs	down 2%	no change
• Total dairy costs per ha	up 8%	down 3%



The Irish Agriculture and Food Development Authority

## Costs of Dairy Production (cpl)



Source: Teagasc NFS (Various Years)



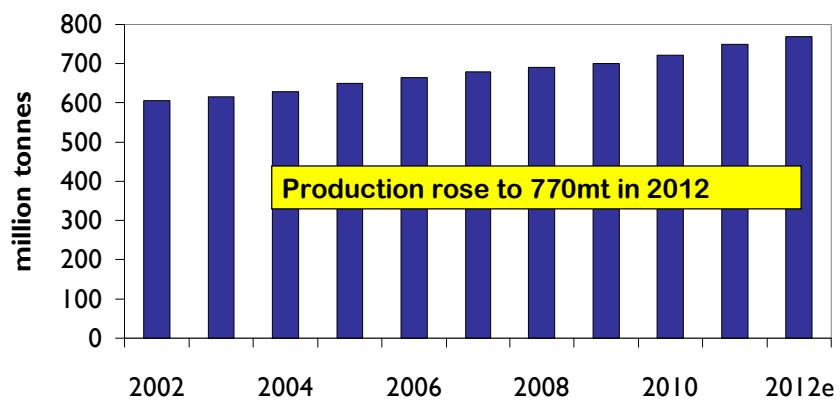
The Irish Agriculture and Food Development Authority

# Milk Production and Prices



The Irish Agriculture and Food Development Authority

# Global Dairy Production



Source: IDF and Authors' estimate



The Irish Agriculture and Food Development Authority



## Global Dairy Production in 2012

- Production situation:

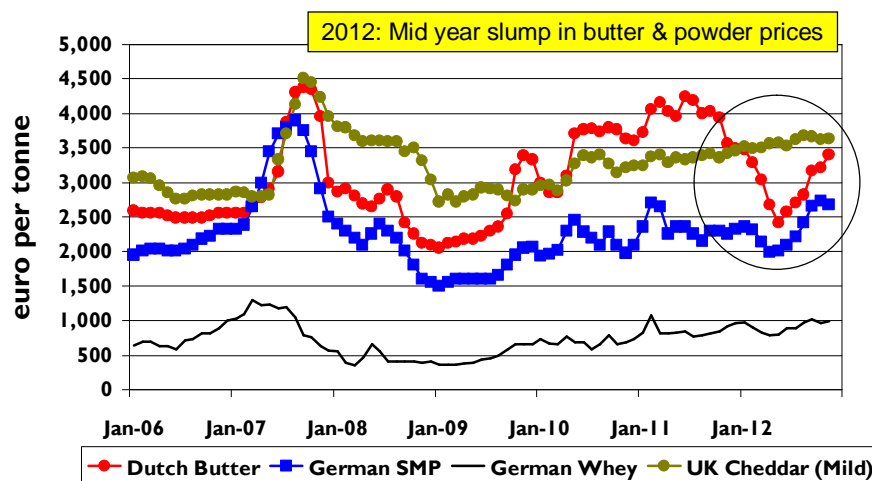
- ARG up 4.6% (Jan to Sept 2012)
- AUS up 3.3% (Jan to Oct 2012)
- US up 2.2 % (Jan to Nov 2012)
- NZ up 11.0% (Jan to Oct 2012)
- EU up 1.5% (Jan to Aug 2012)
- IE down 2.5% (Jan to Oct 2012)

Source: CLAL & CSO Increase is relative to corresponding 2011 period



The Irish Agriculture and Food Development Authority

## EU Dairy Prices 2006 to 2012

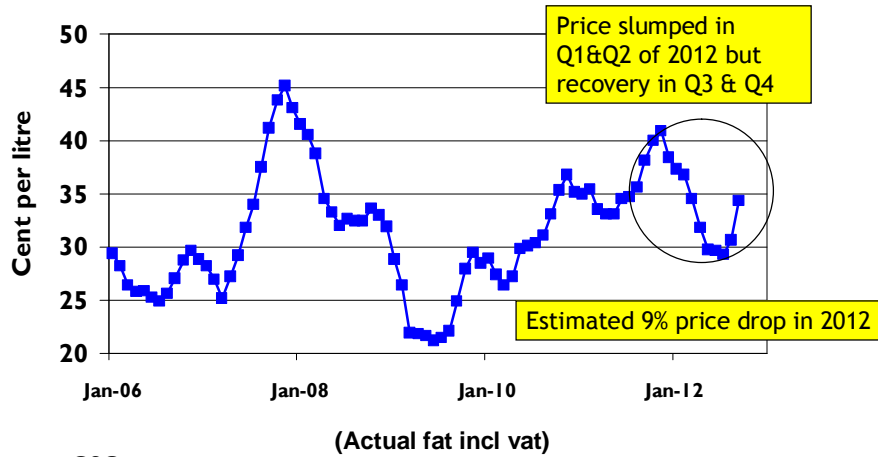


Source: Dutch Dairy Board



The Irish Agriculture and Food Development Authority

## Monthly Irish producer milk prices 2006 to 2012

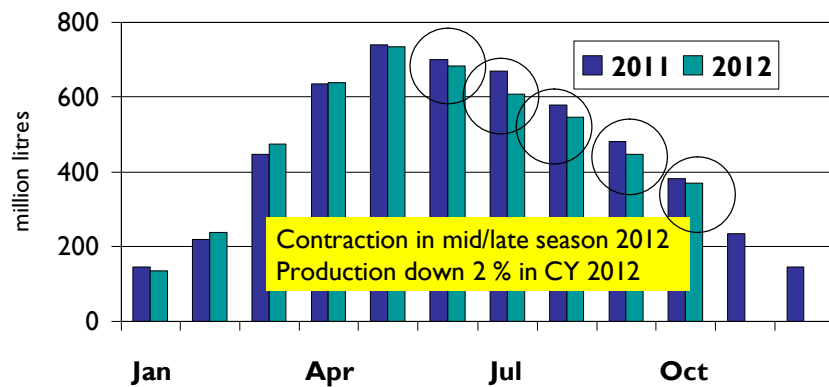


Source: CSO



The Irish Agriculture and Food Development Authority

## Irish Milk Deliveries 2011 and 2012

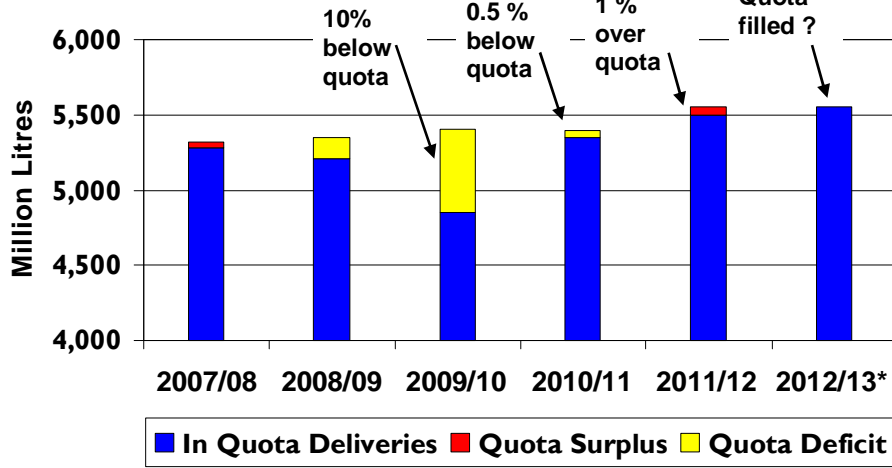


Source: CSO and DAFM



The Irish Agriculture and Food Development Authority

## Irish Milk Deliveries (quota year)

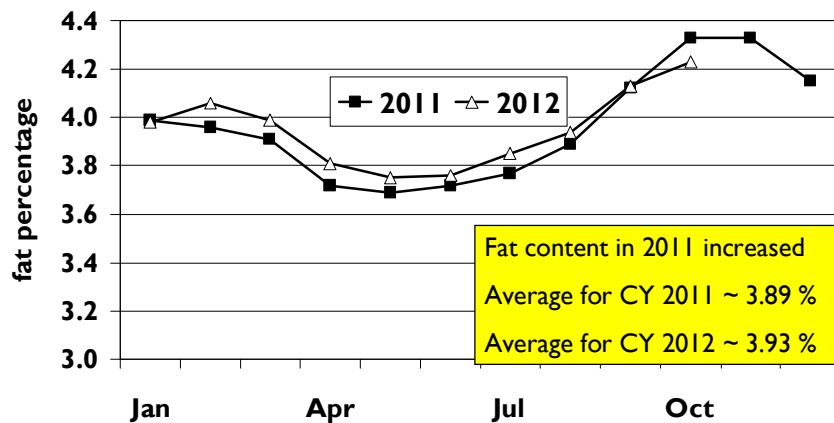


Source: CSO & Author's Estimate for 2011/12 \*Forecast



The Irish Agriculture and Food Development Authority

## Fat Content in Irish Milk Deliveries



Fat content in 2011 increased  
 Average for CY 2011 ~ 3.89 %  
 Average for CY 2012 ~ 3.93 %



The Irish Agriculture and Food Development Authority

## Global Dairy in 2013 ?

- Dairy market is a good position at end of 2013
  - No sign of dairy product surplus seen 12 months ago
- Dairy prices holding steady at end 2012 level well into 2013
- Main negative concerns in 2013
  - Rise in 2013 EU production due to elevated milk price levels
  - Weak EU economy (sluggish demand)
  - Could put on some downward price pressure in from Q3 2013



The Irish Agriculture and Food Development Authority

## Irish Milk Price and Production in 2013

- Prospects: Irish milk prices to rise in 2013
  - Good balance between supply and demand
  - Provides an environment for prices to remain at current spot levels
  - No peak season price slump
- Forecast milk price increase of 5% in 2013
  - Average milk price of approx 33.5 cpl vat incl.
- Good early season 2013 production ?
  - Required to fill Irish milk quota in 2012/13
- Dairy margins discussion to follow in the margins presentation



The Irish Agriculture and Food Development Authority

# Thank you

Content available at  
<http://www.agresearch.teagasc.ie/merc>



The Irish Agriculture and Food Development Authority