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Outlook for Inputs



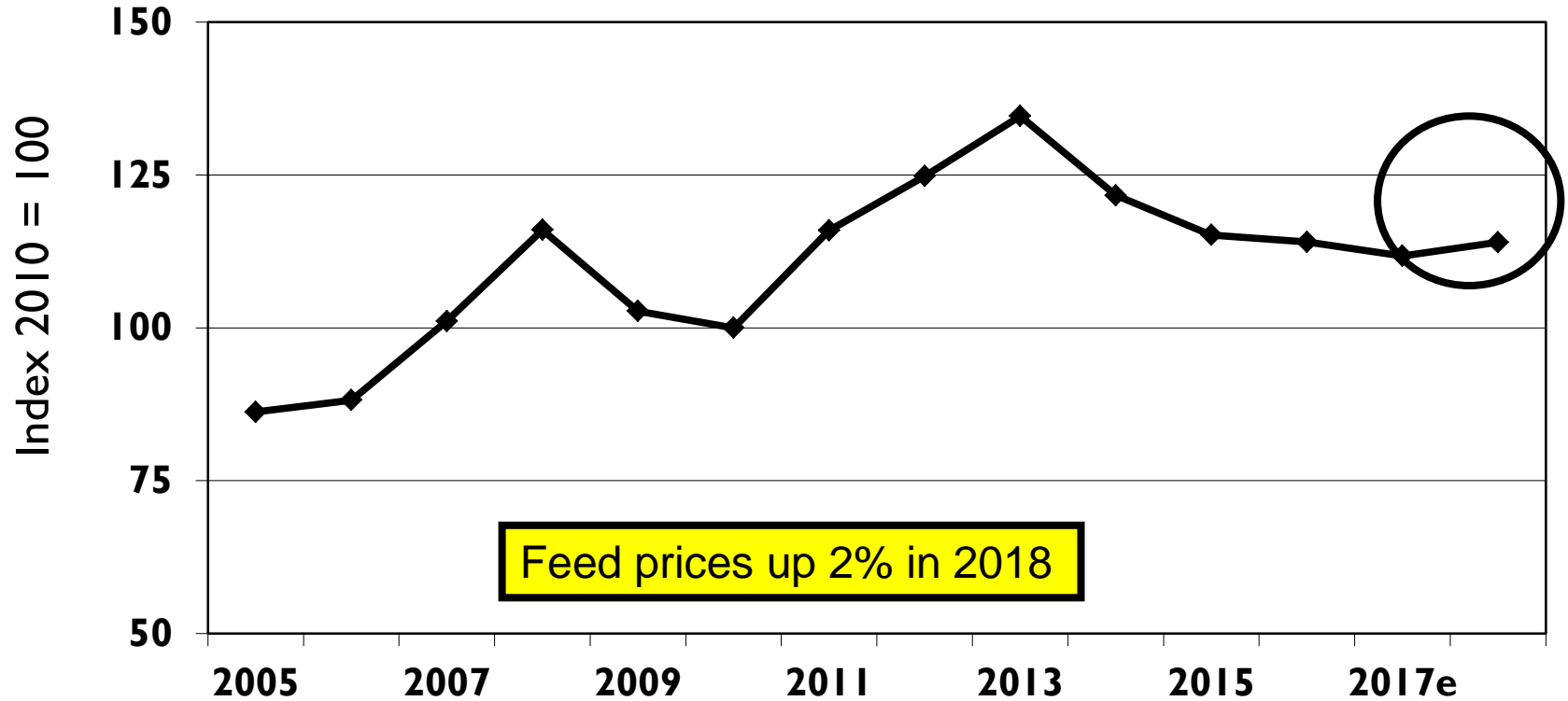
Recovery in commodity prices in 2017 as year progressed

- Low commodity prices coming into 2017
 - Energy, metals and ag commodities (with exceptions)
- Volatile year for oil
 - Reaching a low of US\$ 47 per barrel mid 2017
 - Recovery toward US\$ 60 mark later in year
 - Leaves prices up 20 % for year as a whole
- Agriculture costs as a whole mixed story
 - Higher petrol and farm diesel prices (+8%)
 - Lower fertiliser prices
 - Magnitude of changes very sector specific

Feed in 2018

- Cereal prices
 - Futures harvest prices for 2018 up 7% on 2017 level
- Feed Prices
 - Up 2% in 2018 v 2017 level
 - Price gradually trending up as 2018 progresses
- Feed usage
 - Likely to increase in dairy on aggregate but stable per head basis
 - Higher milk prices drove dairy feed use per head in 2017
 - Slight aggregate increase in beef due to higher stock numbers
 - Beef feed use per head likely to be stable

Feed Prices Index 2018 (Cattle Compound Feed)

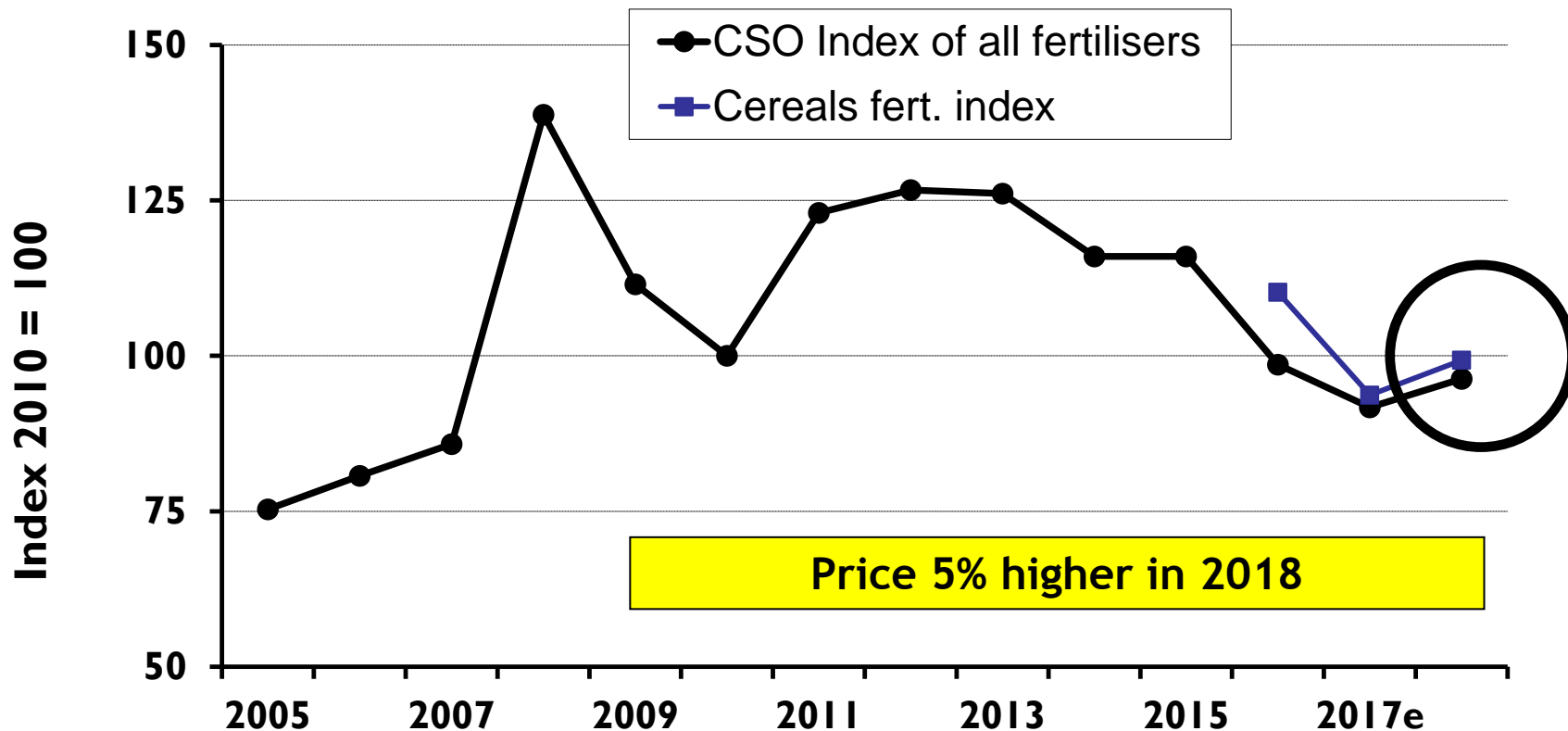


Source: CSO with Authors' Estimate 2017 and Forecast for 2018

Fertiliser in 2018

- Fertiliser prices in 2018
 - Spot prices show some upward movements
 - But coming from a lower level than 12 months ago
- Fertiliser price
 - HI 2018 prices will generally be above level of HI 2017
 - 5 percent increase in 2018 for grassland on an annual basis
 - Slightly higher price increase for winter cereals, + 8 %
 - Remember seasonality of purchases
- Fertiliser application
 - Expect no change in fertiliser use in 2018

Fertiliser Price Index 2018



Source: CSO with Authors' Estimate 2017 and Forecast for 2018

Fuel, Electricity & other prices in 2018

- Oil prices should remain around the current \$60 mark
 - 2018 prices will average higher even if no increase in spot price
 - Suggests a rise in fuel price of about 2% in 2018
- Electricity Prices
 - To rise by 4% in 2018
- Labour Costs
 - To rise by 2% in 2018
- Other costs
 - To rise by 2% in 2018
 - Recent inflation has moderated in the sector

Price per hectare '17 & '18

- Price change relative to previous year

	2017	2018
– Feed	down 2%	up 2%
– Fertiliser	down 5 to 12 %	up 5 to 7 %
– Seed	no change	up 2%
– Crop Protection	up 2%	up 2%
– Other Direct Costs	down 1%	up 2%
– Fuel	up 7%	up 2%
– Rent	up 5%	up 5% ???
– Other Overhead Costs	down 1%	stable

From Inputs to....Crops

- Mostly upward pressure on inputs for 2018
- Different implications for individual commodities
- To begin with
 - look at crops as the feed market is important for other enterprises

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Outlook for Cereals

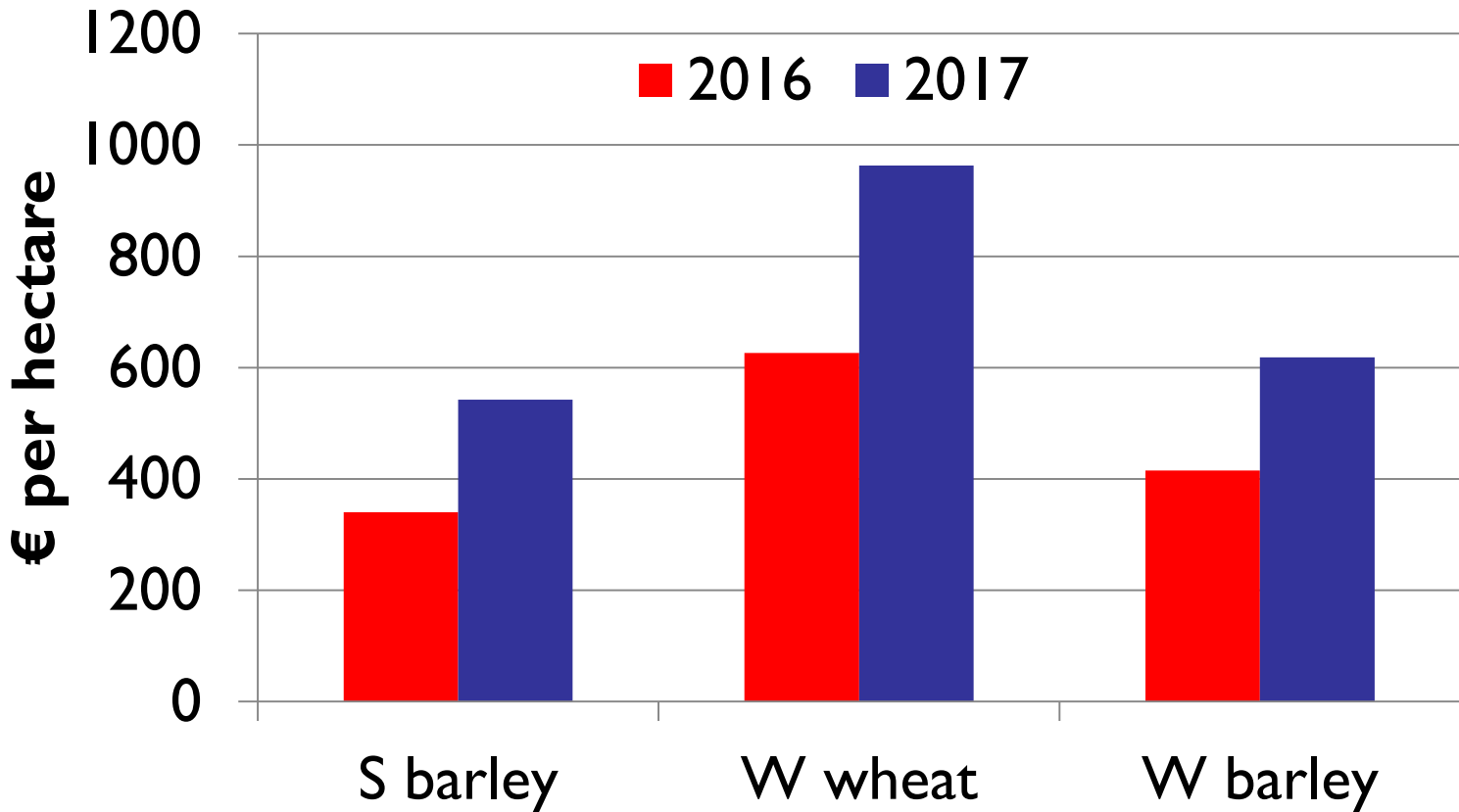


Summary of Cereal Situation in 2017

- Mixed story for direct inputs for 2017, slight downward pressure
- Yields and prices generally higher
- Resulting in higher gross and net margins in 2017
- But cereal enterprise net margin negative on approx. 50% of farms
 - **Remember: DPs accounted for 85% of FFI in cereal farms ('16)**

Gross Margin - major cereals ('16 - '17)

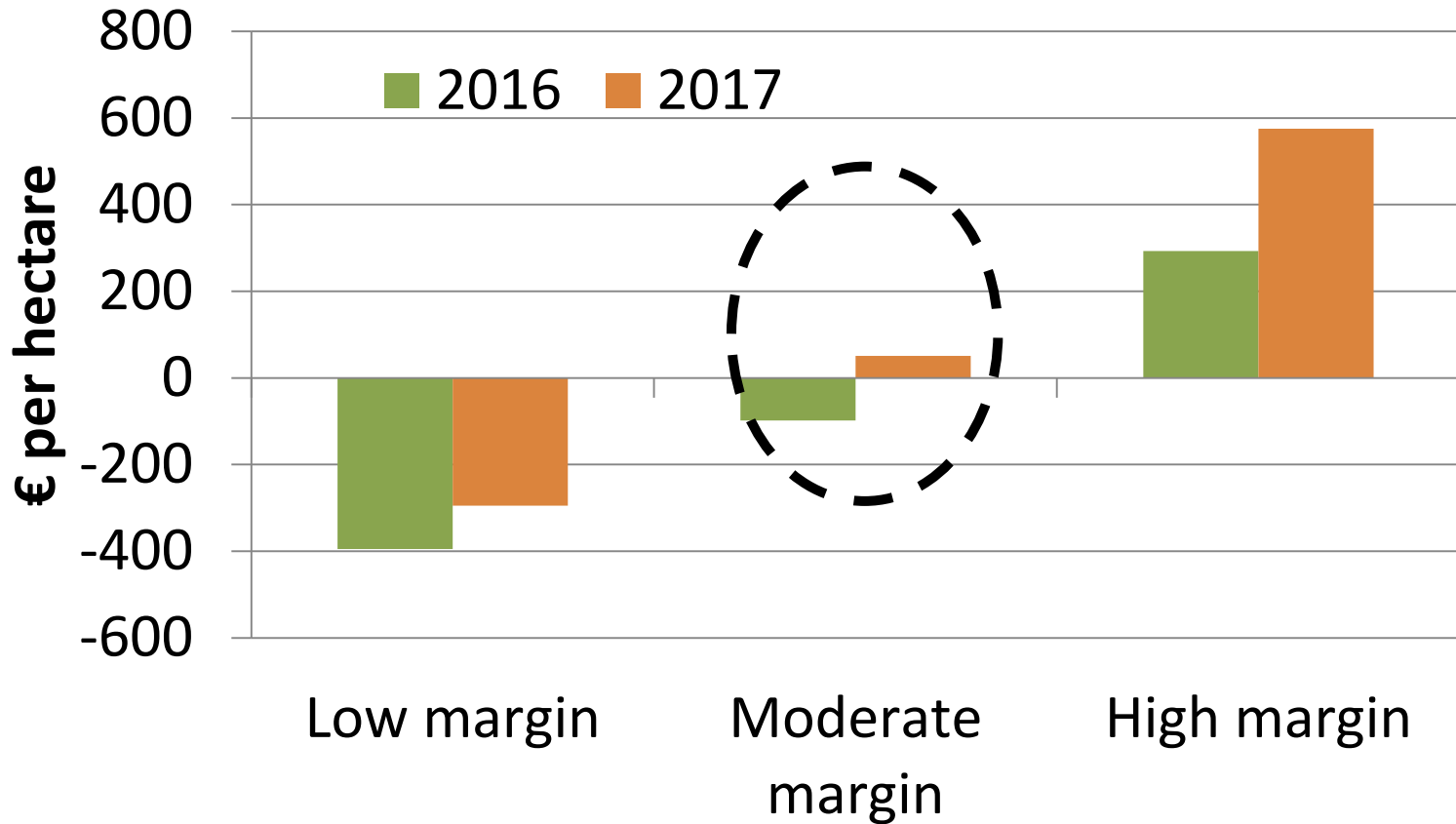
Gross margins up by €200 on average



Source: Teagasc, National Farm Survey & Author's estimates

Cereal Enterprise Net Margin ('16 - '17)

The average cereal farmer will make a positive market based net margin in 2017 of approx. €50 per hectare



Source: NFS and Authors own estimates

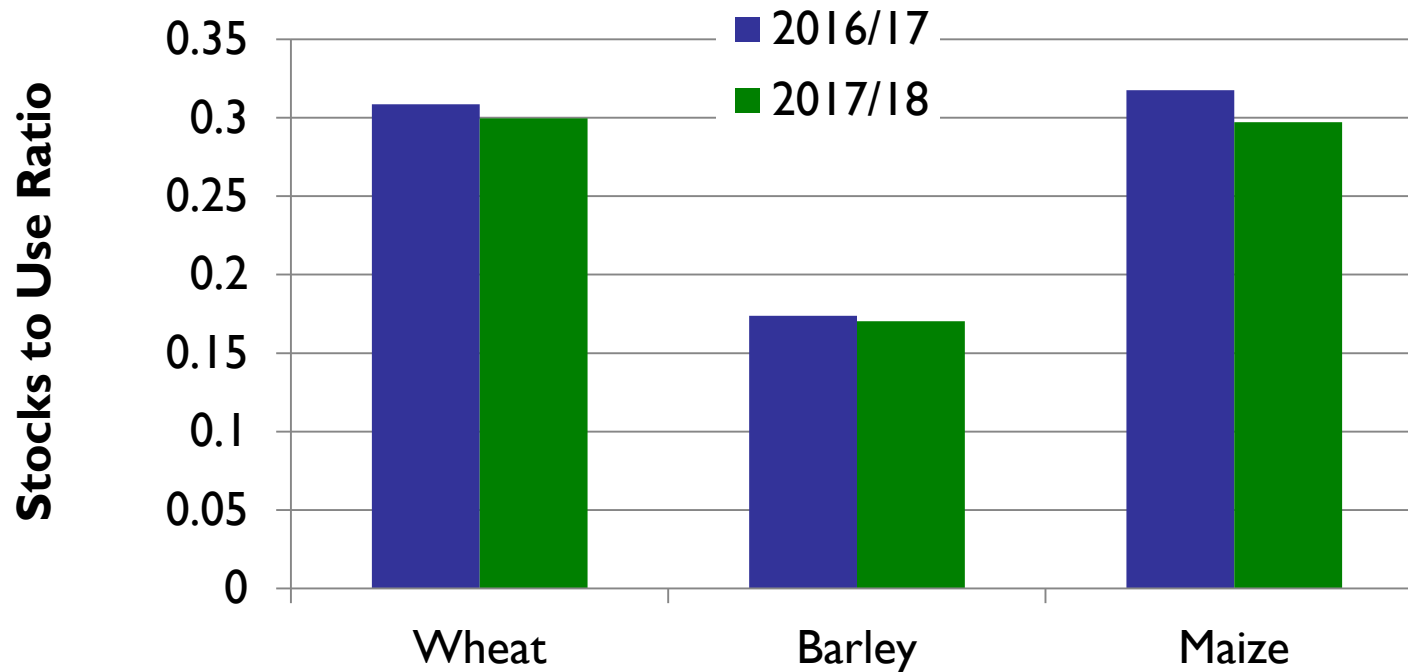
Global Cereal Markets in '17/'18

- Global market comfortable stock to use ratio at end of 2017
 - Nothing in supply and demand to lift in prices until harvest 2018
- But will 2017 global harvest be replicated in 2018?
 - March 2018 before forecasts are anyway reliable
 - Planting decisions based on 2017 gross margins
 - Some problems with Winter crop planting in Northern EU
 - Record world harvest in 2017 v's return to trend yield in 2018?
 - Consumption levels likely to be high based on 2017 price levels
- Cereal prices likely to be higher at harvest 2018 ~ + 7%
 - Current futures prices for November 2018 (relative to harvest 2017)
 - Euro versus \$ and £ exchange rates

EU & World Cereals Balance Sheet

Marketing Year

Ending stocks decreased slightly for most cereals '17/'18

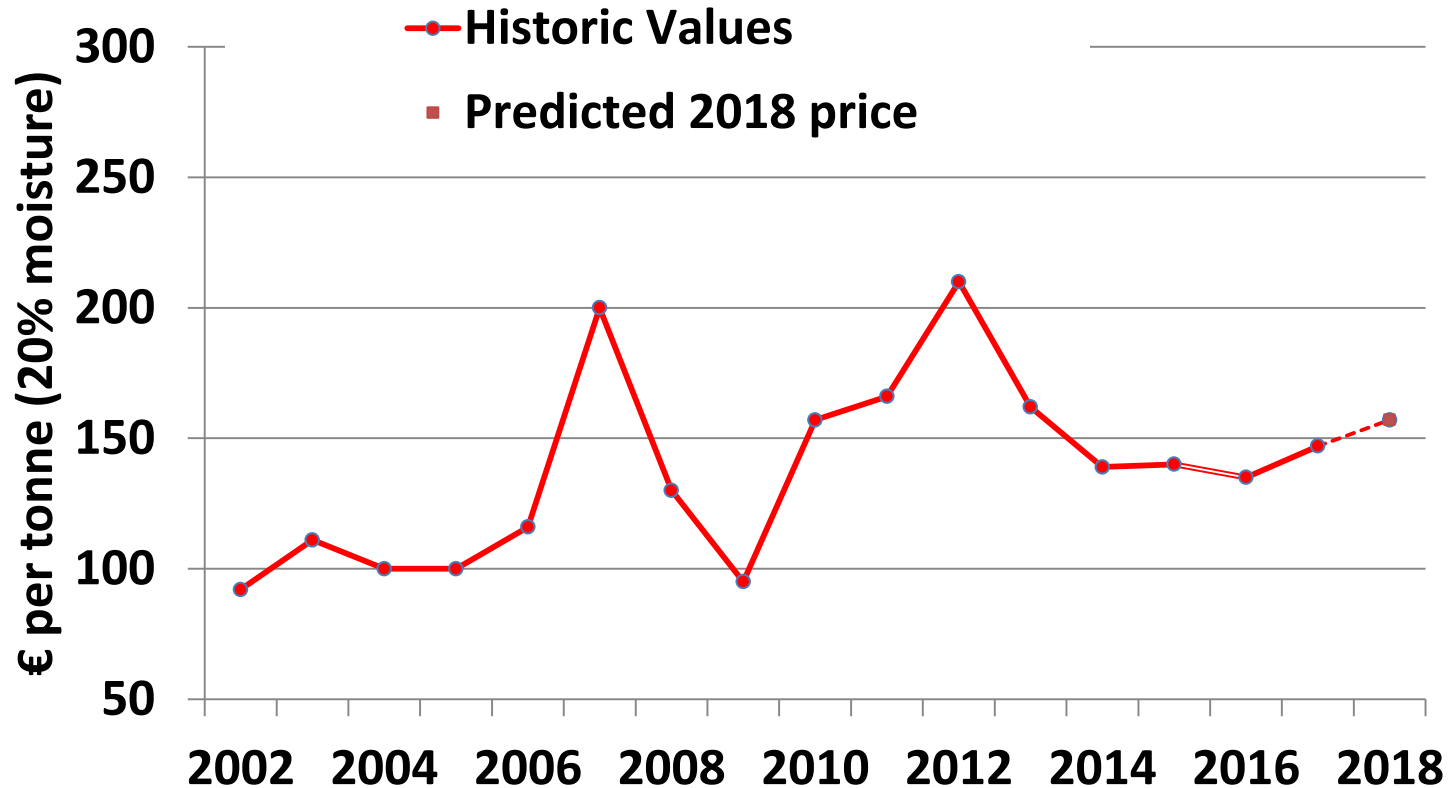


Source: Strategie Grains

Wheat Harvest Price: Historic & Forecast

Highest probability that price in 2018 will be higher than 2017

But still a range of estimates [€130 to €190]



Source: Authors own estimates & forecast

Yields in 2018

- Assume trend yields for 2018
 - Know that this is a large unknown at this stage
 - March of the harvest year before production estimates are ‘informed’
- Record yields for two of the past three harvests in Ireland
 - Assume 3 year average for 2018
- Translates into a mixed story for 2018 yields
 - Winter wheat – 1%
 - Spring barley – 3 %
 - Winter barley +2 %

Cereal Costs per hectare 2018

- Expenditure change relative to previous year

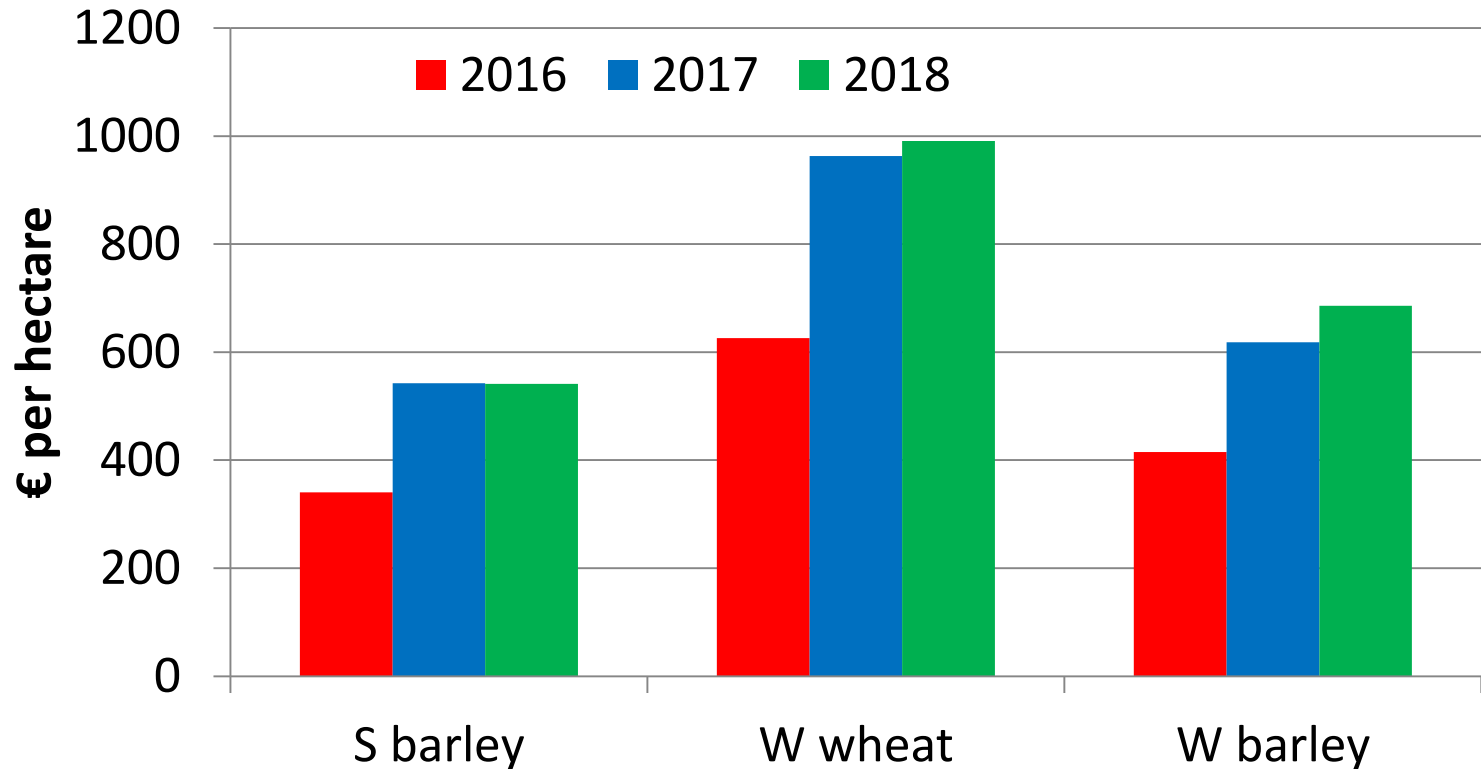
	2017	2018
– Fertiliser	down 5 to 10 %	up 5 to 7 % ??
– Seed	no change	up 2 %
– Crop Protection	up 2%	up 2%
– Other Direct Costs	down 1 %	up 1%
– Fuel	up 7 %	up 3%
– Land rent	up 5%	up 5% ??
– Other Overhead Costs	no change	no change

– Overall, slight cost inflation in 2018

Implications for 2018 margins

Gross Margin - major cereals ('16-'18)

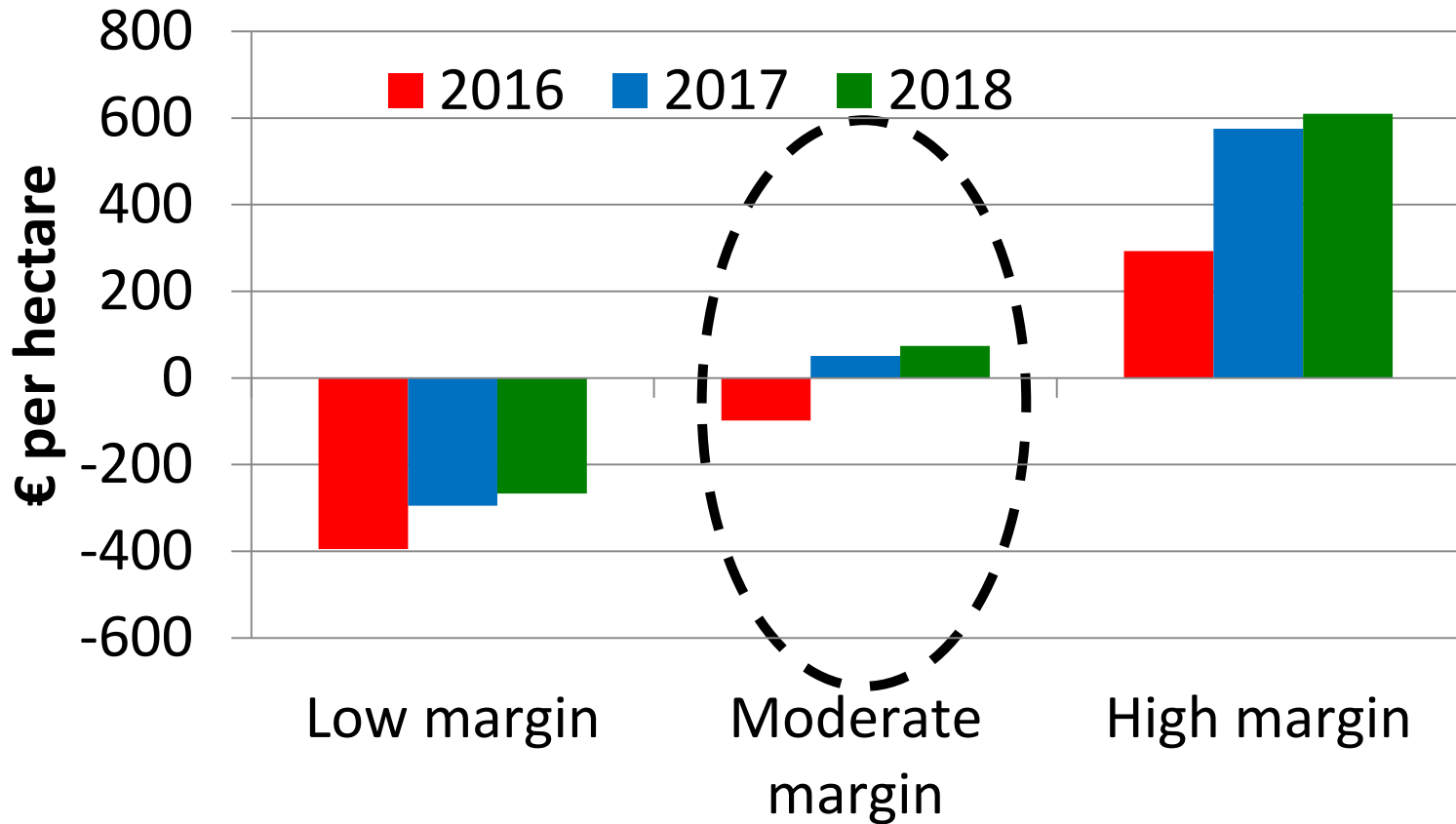
Very little change in gross margins for 2018



Source: Teagasc, National Farm Survey & Author's estimates

Cereal Enterprise Net Margin ('16 - '18)

The average cereal farmer will continue to struggle to make a positive net margin in 2018



Source: NFS and Authors own estimates

Summary of Crops Forecast

- Forecast 2018

- Prices

- Probability that price will increase in 2018 by about 7%

- Reversion to trend yields – mixed across crops

- Costs to increase slightly

- Overall not much change in gross margins from 2017

- About half of tillage farmers in negative market based net margin territory