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Outlook for Sheep

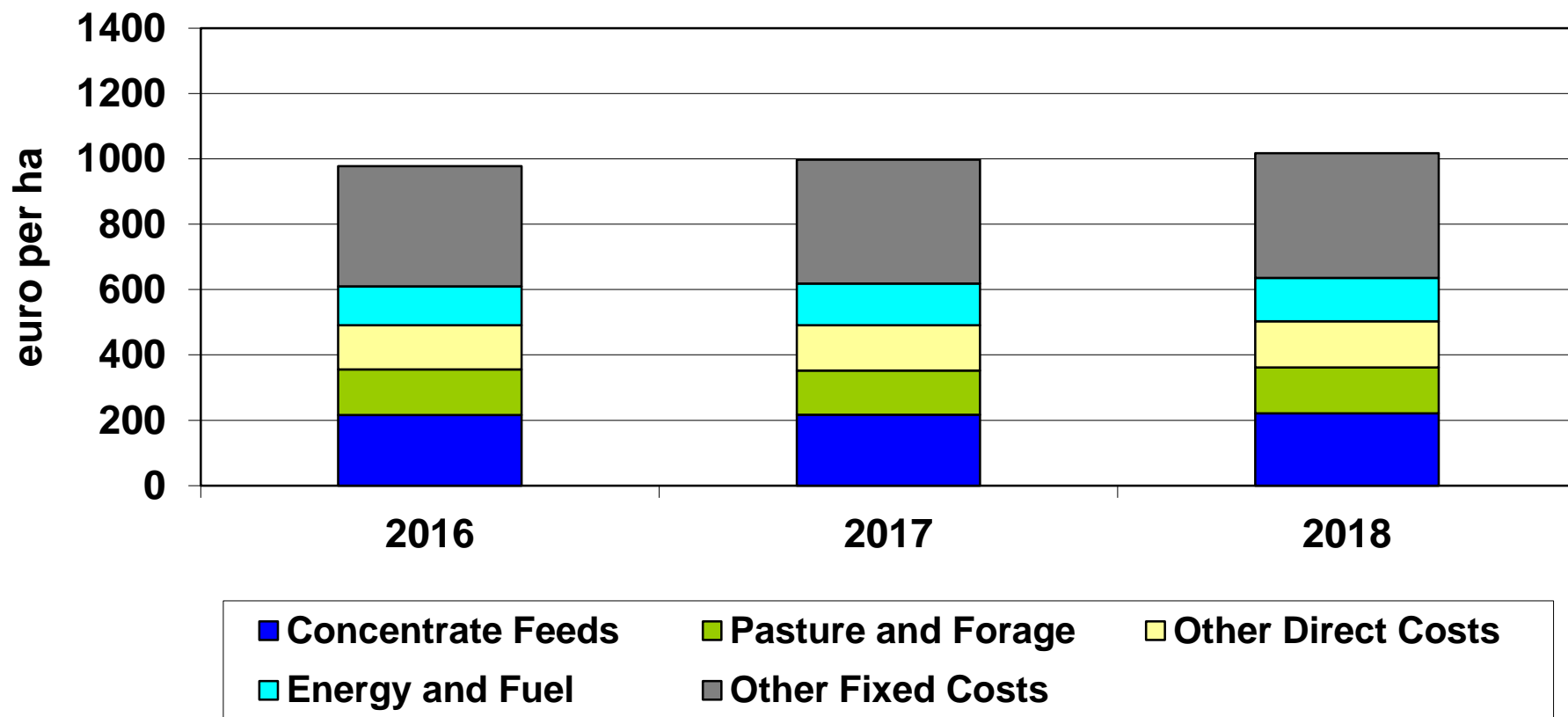
Ag Econ and Farm Surveys Dept.



Summary of Sheep Situation 2017

- Stable direct costs but slightly higher overhead costs
- EU demand and supply largely in balance
- Slightly higher EU prices and Irish prices
- Exchange rate movements disadvantaged Irish sheep farmers in 2017
 - Increased competitiveness of UK exports in France
- Gross and net margins per hectare both higher in 2017
 - Increase in output volume per hectare & higher prices
 - Receipt of Sheep Welfare Scheme payment

Lowland Lamb Enterprise Costs of Production

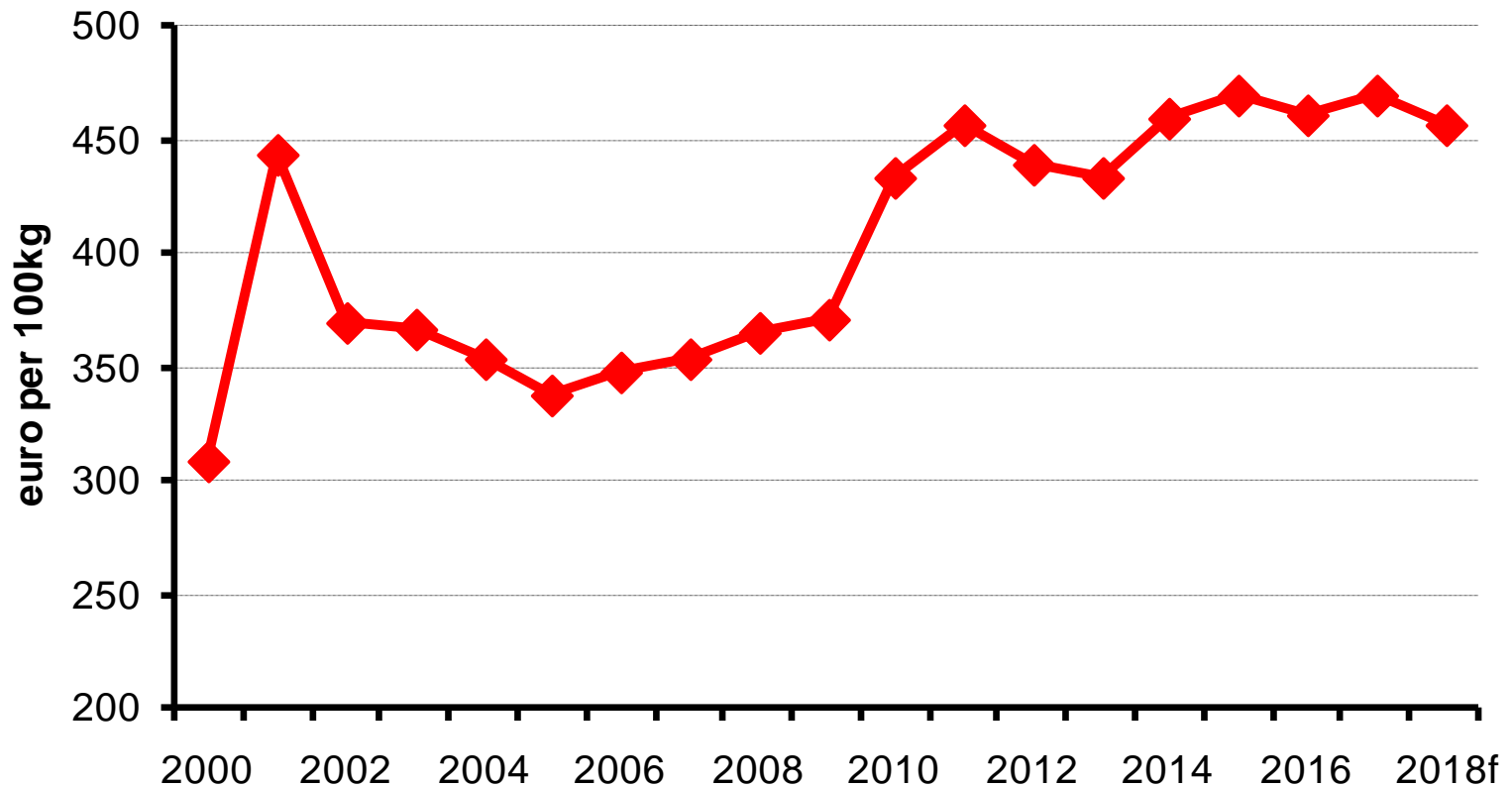


Source: 2016 Teagasc NFS, 2017 Estimate, 2018 Forecast

Sheep Forecast 2018

- Largely stable costs of production forecast
- EU sheep meat supply growth (primarily from UK and Ireland) and higher imports from outside EU
 - Rise in imports primarily from New Zealand
- Domestic EU market not growing quickly enough to absorb additional supply without lower prices
- Moderate decline in EU and Irish lamb prices forecast
- **Contraction** in Irish output value in 2018

Irish Lamb Price 2018 Forecast

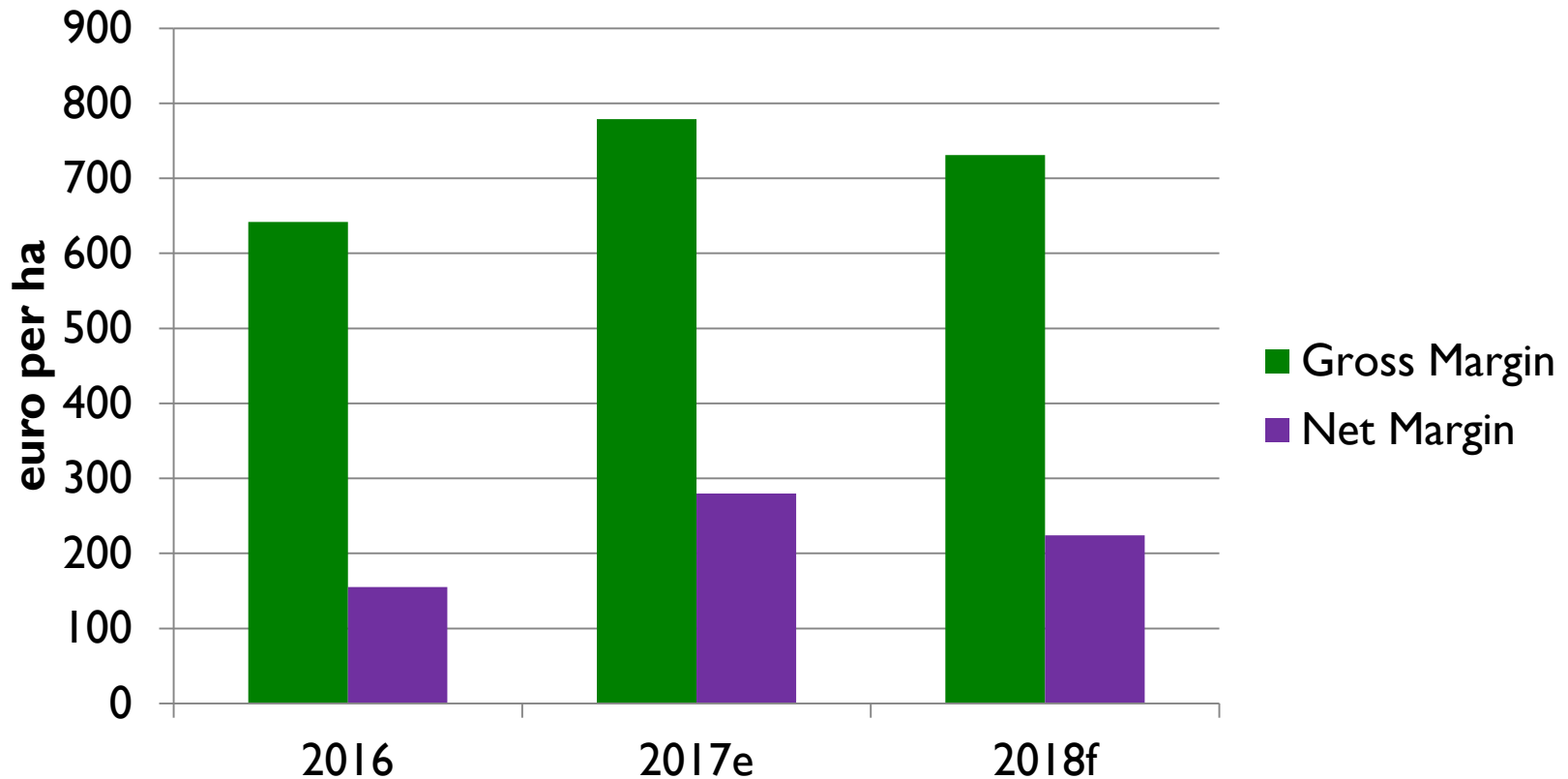


Source: DG AGRI, Author Estimate 2017 and Forecast 2018

Gross & Net Margins

Mid-season Lowland Lamb

Growth in margins due partly to higher output per ha and stable costs
Policy matters - without Sheep Welfare Scheme much smaller gain in margins



Source: 2016 NFS, 2017 Estimate, 2018 Forecast

Sheep Conclusions

- Outlook for Irish sheep prices
 - Delicately balanced EU demand and supply
 - Slightly Lower Output price forecast in 2018
 - Net margins remain positive
- Growth in EU production and imports
- Margins in lowland lamb production
 - Forecast to decline slightly in 2018
 - Increasingly dependent on Sheep Welfare Scheme