



AGRICULTURE AND FOOD DEVELOPMENT AUTHORITY

The Irish Agriculture and Food Development Authority

What About Brexit?



Brexit Assumption



- **Brexit timeline (as things stand on Dec 4th 2018)**
 - UK will leave the EU on March 29th 2019
 - No future trade relationship in place at present
 - Withdrawal Agreement required to allow Transition period
 - Transition to a new EU/UK trade relationship at end of 2020?
 - Withdrawal Agreement currently being considered by House of Commons
- **Our Brexit Assumption for 2019**
 - Transition relationship is agreed and comes into place at end of March
 - Brexit therefore has no immediate impact on EU/UK trade relations
 - Brexit has no impact on agricultural markets in 2019
- **Later we will discuss implications of alternative outcomes**



A photograph of several stacks of coins of various colors (copper, gold, silver) on a dark, reflective surface. The background is a warm, blurred orange-gold gradient. The text is overlaid on the lower part of the image.

Macroeconomic Outlook

Trevor Donnellan

World Economy 2018

- Eurozone GDP growth has been broadly steady
 - Continuing growth and falling unemployment
- ECB monetary policy measures
 - Eurozone remains a low inflation environment
- Oil based economies benefitted from higher crude oil prices
 - Improvement in government budget balances
 - Benefits for agri-food trade
- Russian Embargo
 - Has continued



Ongoing Economic & Political Developments

- Europe

- UK - Brexit situation means that sterling remains weak
- UK economy - lowest economic growth rate in EU
- Eurozone economy growing, but some Eurozone concerns (Italy)



- US

- US economy continue to perform well



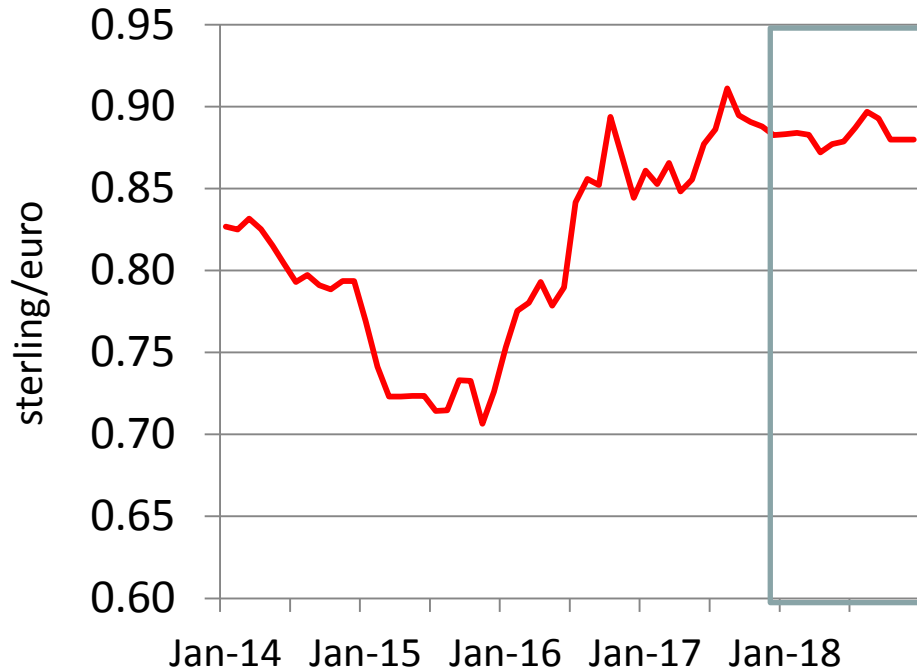
- China

- Concern about Chinese growth due to US/China tariff war
- Temporary “cease fire” declared to allow talks

- Short and Medium term issues for Agri-food

- UK/EU trade relations, CAP Reform, environmental policy

Monthly £/€ exchange rate 2014-2018

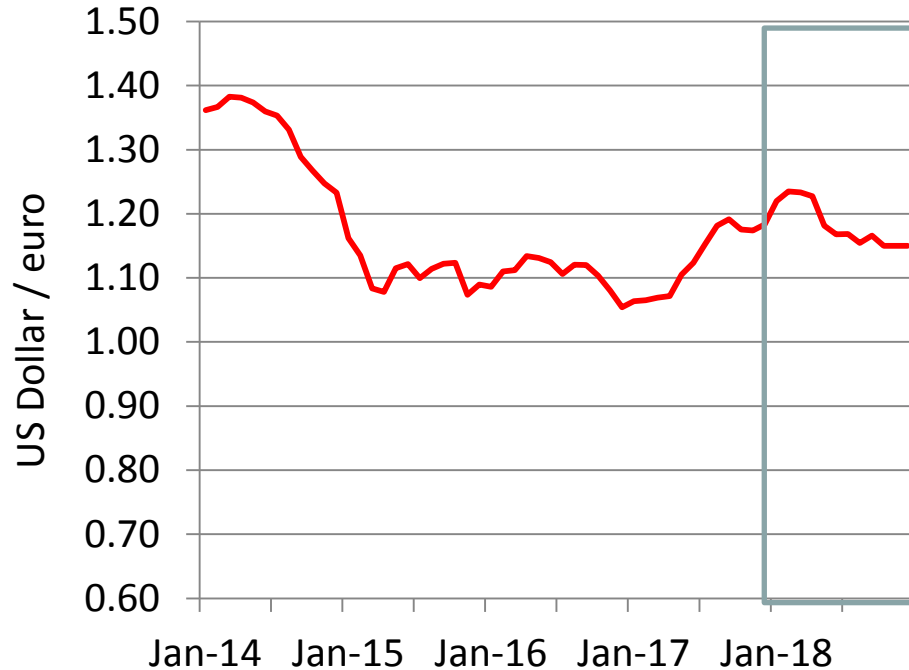


Source: ECB



- Exchange rate relatively stable in 2018
- 2016 = £**0.82** / euro
- 2017 = £**0.87** / euro
- 2018 = £**0.88** / euro
- Spot = £**0.88** / euro

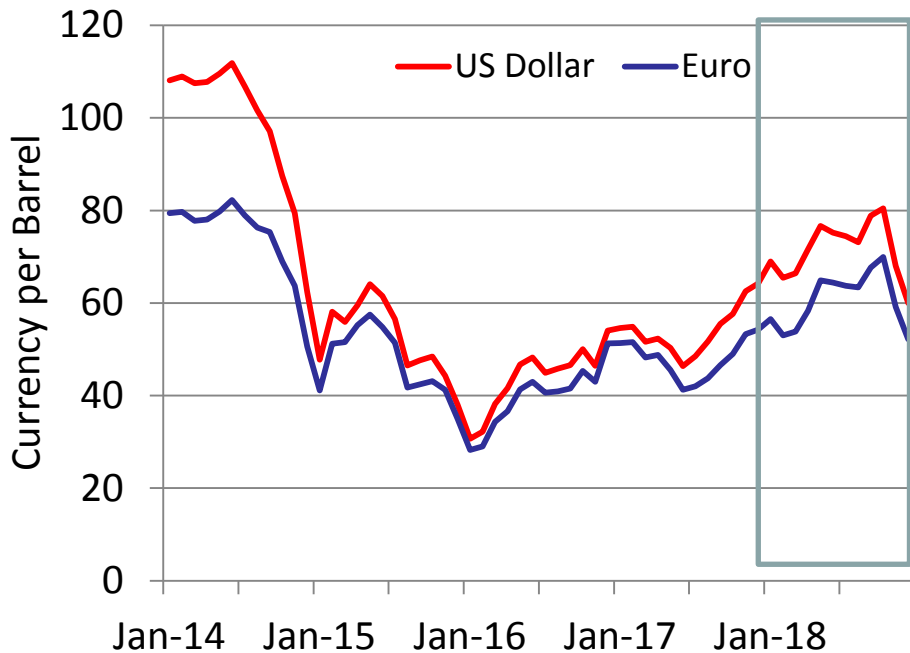
Monthly US \$/€ exchange rate 2014-2018



- Euro started 2018 on a high
- But has weakened against the US\$ as the year progressed
- 2016 = US\$ **1.11** / euro
- 2017 = US\$ **1.13** / euro
- 2018 = US\$ **1.18** / euro
- Spot = US\$ = **1.14** / euro

Source: ECB

Brent Crude Price 2014 to 2018



- 2016= US\$ **44**
- 2017 = US\$ **54**
- Strong prices rise Q1 to Q3 2018
- Followed by a slump in Q4
- 2018 = US\$ **72**
- New agreement on supply controls would firm up prices

- Current Spot price = US\$ **62**
- OPEC may renew limits on supplies

Source: St Louis Fed

Irish Economy 2018

- Strong economic performance
 - Real GDP growth of 8.8% in 2018
 - Real GNP growth of 8.9% in 2018 (ESRI)
- Unemployment rate continues to fall
 - Now < 6% (employment now >2.25 million)
 - Down from a peak of 15.1% in 2012
- Increase in economic activity
 - Personal consumption up
 - Investment up
 - Property market and building activity
- Export growth 7.5%

Source: ESRI 2018

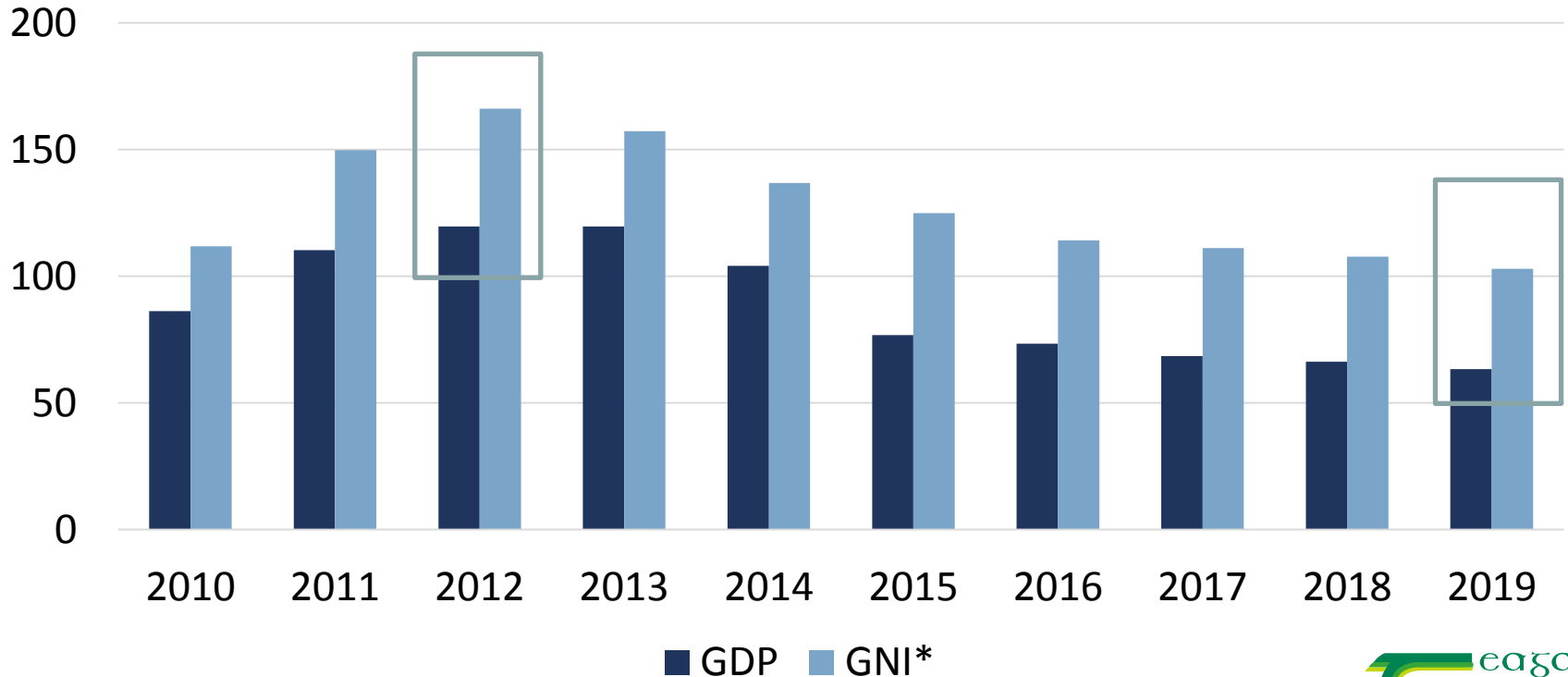


Irish Economy 2019



- GDP growth to remain strong
 - 4.5%
 - But downside risks remain!
- Falling unemployment rate
 - Down to 5.1 % in 2019
- Increase in employment
 - To reach 2.313 million in 2019 (+2.5%)
- Export growth
 - 5.2% (lower than in 2017)
- ButIrish growth prospects tied to Brexit developments
 - And global events elsewhere

Ireland's Debt to GDP & Debt to GNI* ratio



International Outlook 2019



- US & Eurozone Economy



- UK economy

- Brexit uncertainty rolls on beyond Brexit date



- Commodity Prices

- No strong price drivers (except for cereals)



- Uncertainty Abounds



AGRICULTURE AND FOOD DEVELOPMENT AUTHORITY

The Irish Agriculture and Food Development Authority

Review and Outlook Inputs and Crops



Fiona Thorne

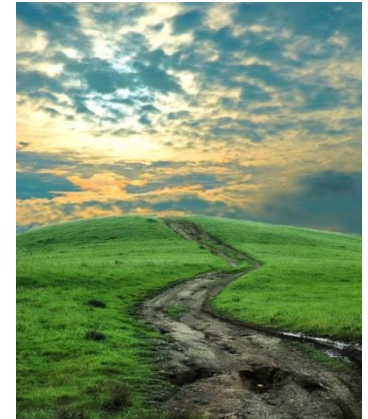
Overview

• 2018 Inputs and Crops

- Where we are now in terms of the farm gate
 - Price, production, input costs, gross and net margin

• 2019 Inputs and Crops Future

- Where we are going in terms of the farm gate
 - Price, production, input costs, gross and net margin
 - Final note on margins versus income on tillage farms



Inputs Review and Outlook



Inputs 2018



Fertiliser

Price

↑4-7%

Volume

↑ for all
grassland
farms

Fuel

↑10 % at the
farm gate

Electricity

↑8 %

Feed

Price

↑5%

Volume

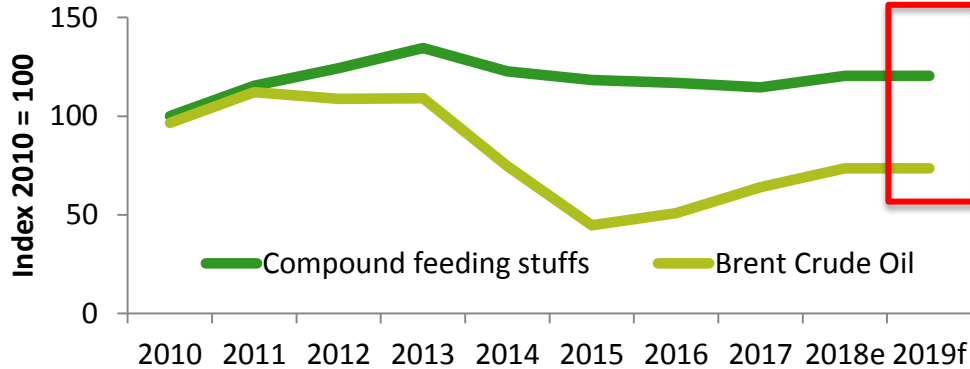
↑ for all
grassland
farms

Total Costs

↑↑↑

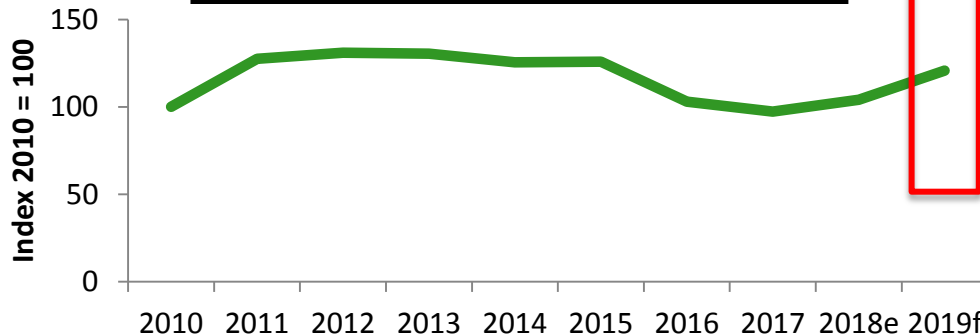
2019 input story is variable

No change in feed and oil prices for 2019



- Brent crude oil no change
- Feed price is a tale of two halves
 - Rise in first half of year
 - Decline in second half
- Feed volume change
 - Decline by between 25 – 30%

Fertiliser prices up by 16 % 2019



- Price will be up again in 2019
 - +16% for N
- Volume down
 - By 5 to 10 % on grassland

Inputs 2019



Fertiliser

Price

↑16%

Volume

↓ for all
grassland
farms

Fuel

No change at
the farm gate

Electricity

No change at
the farm gate

Feed

Price

no change

Volume

↓ for all
grassland
farms

Total Costs

**Sector
specific**

From Inputs to....Crops

Inputs Summary

- For 2019 mostly stable prices
 - Except fertiliser
- BUT big story on volume

Implications

- Very sector specific story on inputs for 2019

Begin with crops

- Given the importance of feed for other sectors

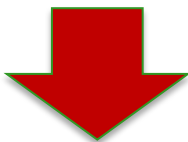
Crops Review and Outlook



2018 – an interesting year for cereals



Average 20% decrease in crop yield



3% increase in costs



4.9% decline in cereal area



Average 30% increase in gross margins



23% cereal production



€165 per ha increase in cereal net margins



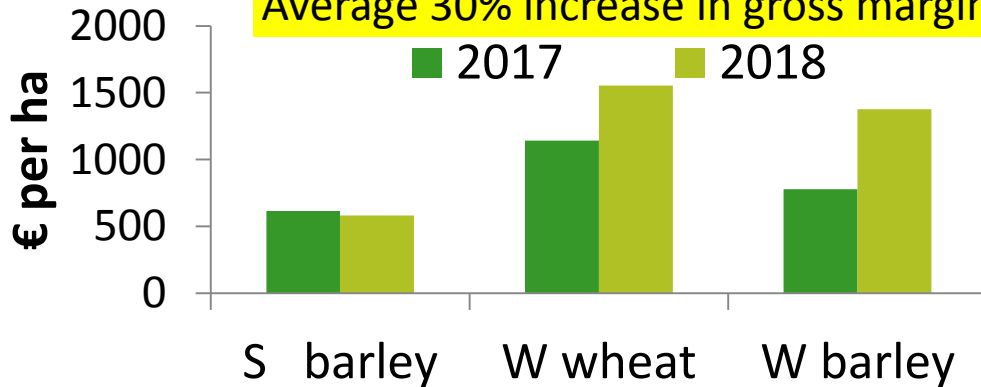
30 - 40% increase in cereal prices



78% of cereal farmers have a positive net margin

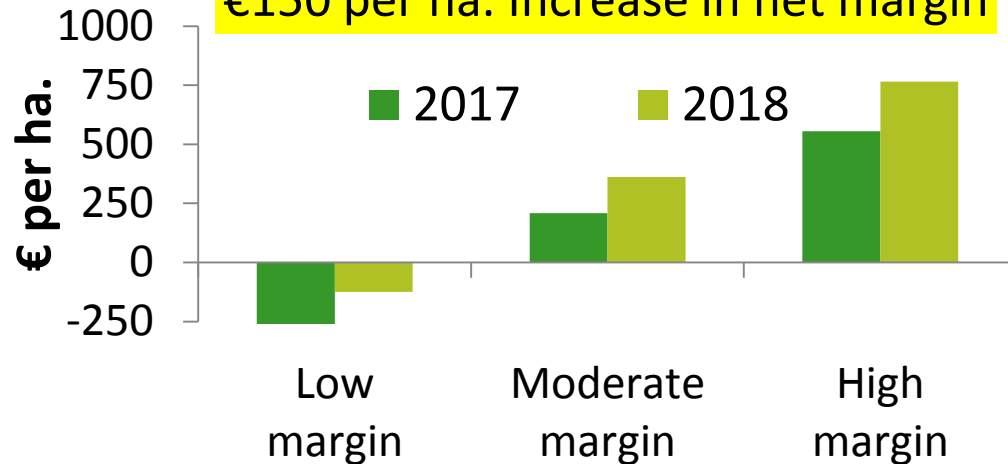
2018 – an interesting year for cereals

Average 30% increase in gross margin



- Decrease in yield was negated by cereal and straw prices
- Spring barley & protein beans only crops not to increase gross margin
 - Due to dramatic yield reductions

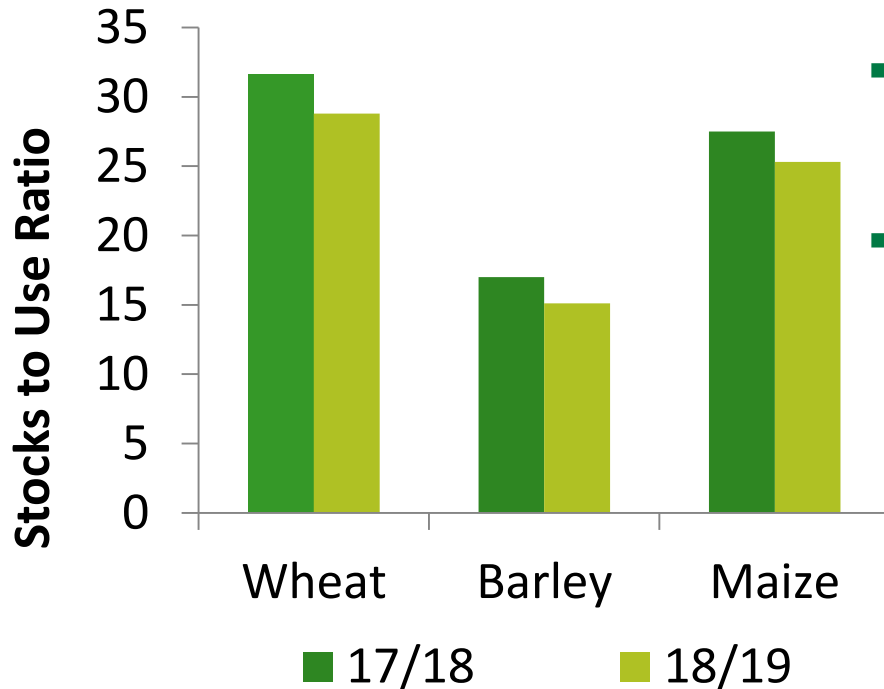
€150 per ha. Increase in net margin



- 1 in 5 earning a negative net margin in 2018
- Average = €400 per ha.
- High margin farms = €765 per ha.

2019 production recovery

Decline in wheat and barley stocks/use in 2018



- **Decrease wheat & barley production in '18**
 - Minus 30MT (Wheat) and Minus 6MT (Barley)
- **Decrease stock to use ratio at end of '18**
 - Putting upward pressure on wheat and barley prices
- **Will '18 global harvest be replicated in '19?**
 - March 2019 before forecasts are 'informed'
 - Planting decisions based on 2018 margins
 - » Increase in winter plantings internationally
 - Return to trend yield in 2019, higher yield potential
 - Demand likely to be lower based on 2018 price levels

2019 production recovery



- EU winter wheat increased by 0.5 million ha.



- US increased wheat by 1.5 million ha.



- Russia increase area by 0.5 million ha.

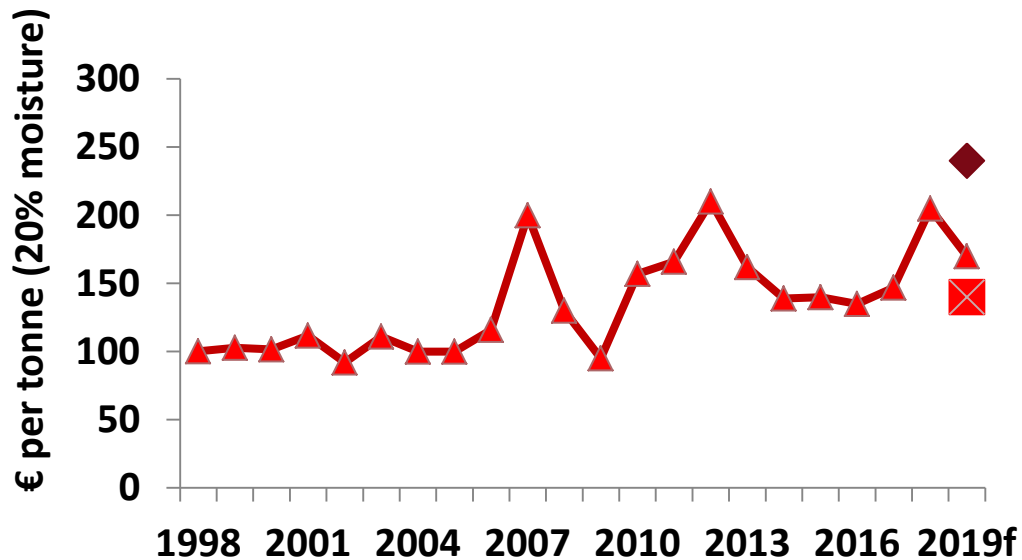


- Winter wheat by 8,100 ha.



2019 price decrease

2019 prices down by nearly 20 per cent



▲ Wheat price

✕ Low 2019 forecast

◆ High 2019 forecast

Area

- Higher cereal planting internationally
- Higher winter planting in Ireland

Yields

- Return to trend yields
- Upward movement in yields internationally

Effect on price

- Downward pressure on 2019 price

Futures not always get it right

- Weather, trade wars and market dynamics

Inputs 2019



Crop Protection

Price
↑1%

Fuel

No change
based on oil
price
projections

Fertiliser

Price
↑12 – 14%

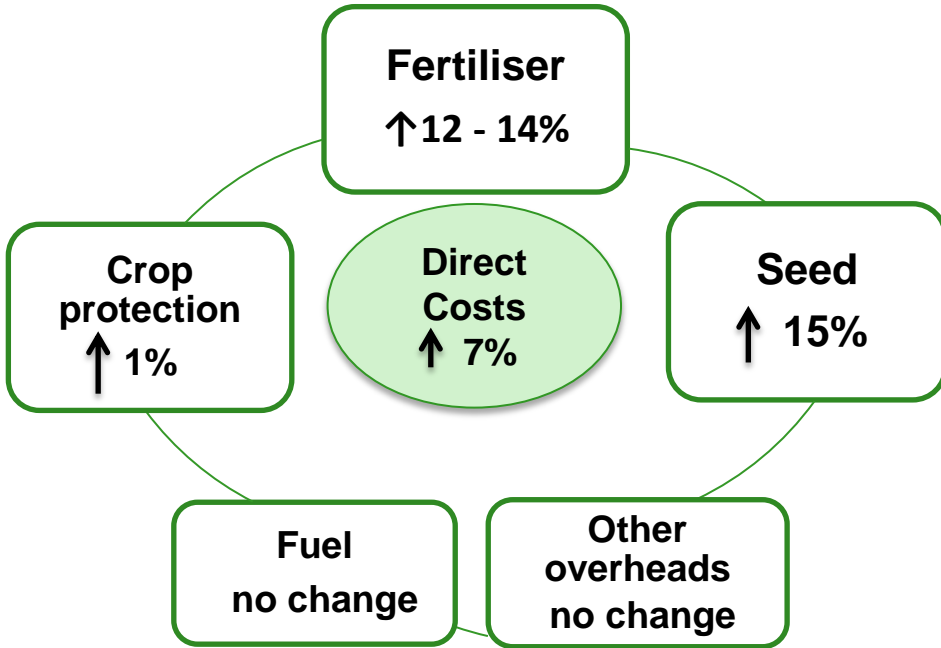
Seed

Price
↑15%

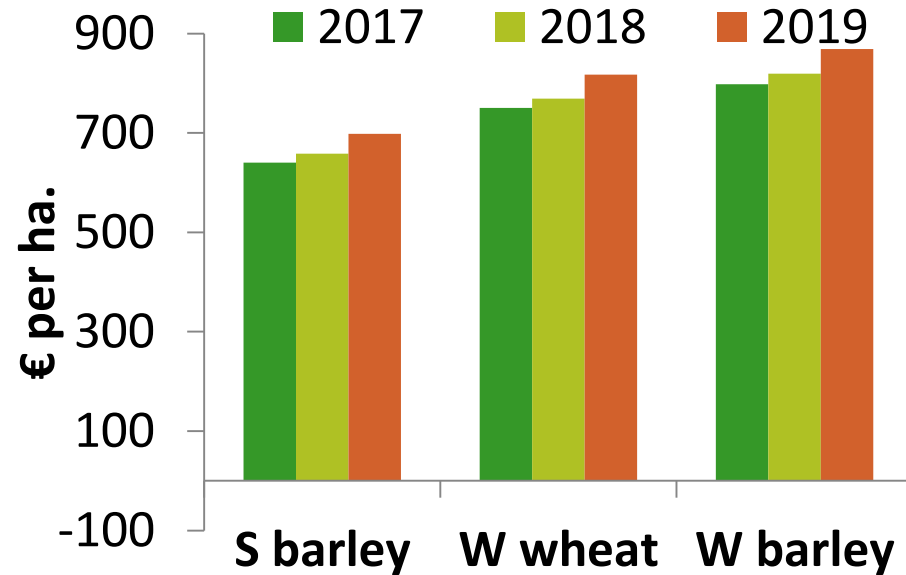
Total Direct Costs

+ 7%

Overall increase in input costs in 2019



Average 7% increase in direct costs



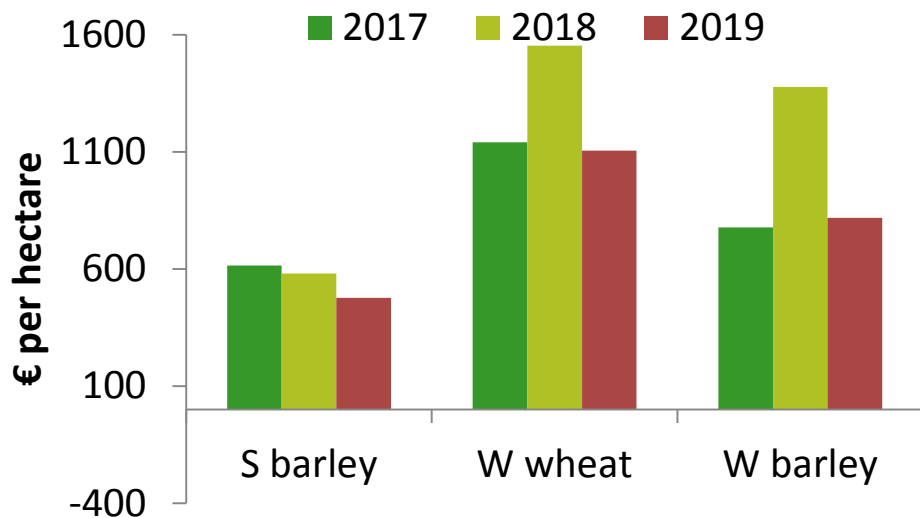
2019 direct costs per hectare

Source: Authors' estimate for 2018 and forecast for 2019

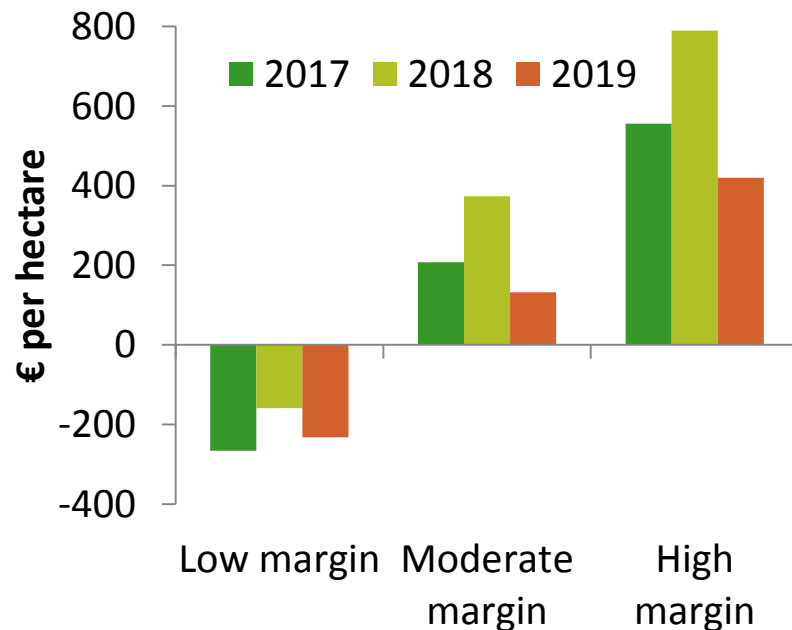
Teagasc Outlook 2019 – December 4th 2018

Decline in 2019 Gross and Net Margins

Gross margin per hectare forecast to decline by €100 for spring barley and €450 for winter wheat



Net per hectare forecast to decline by over €250

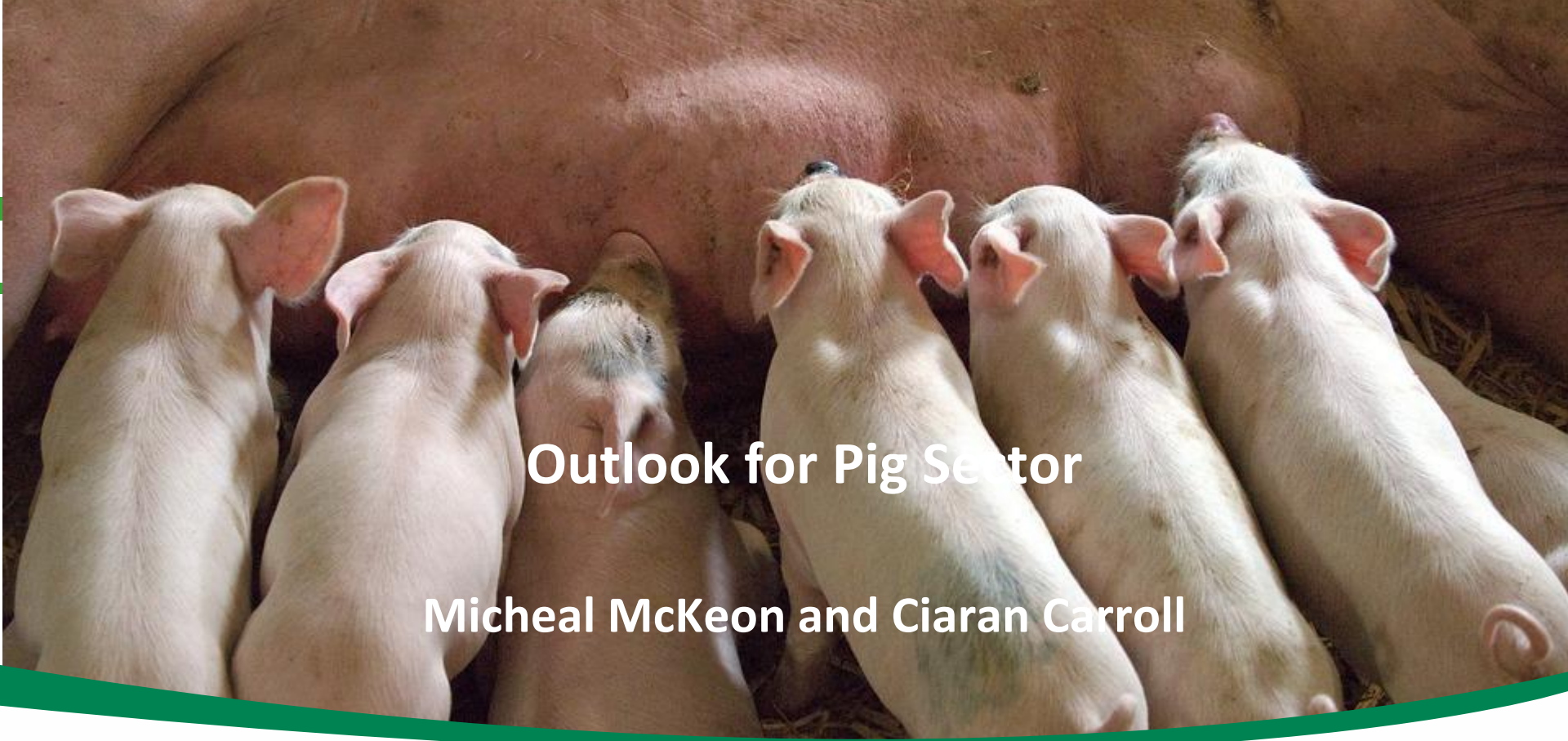


Source: Authors' estimate for 2018 and forecast for 2019

Summary of 2019 Crops Forecast

- Forecast 2019
 - **Prices**
 - Probability that price will decrease in 2019 by approx. 20%
 - **Reversion to trend yields – increase across crops**
 - **Costs to increase by on average 7%**
 - **Overall decline in gross and net margins in 2019**
 - **About 1/3 of tillage farmers in negative market based net margin territory**

Thank You



Outlook for Pig Sector

Micheal McKeon and Ciaran Carroll

Irish Industry Stats



2017
Exports €715m



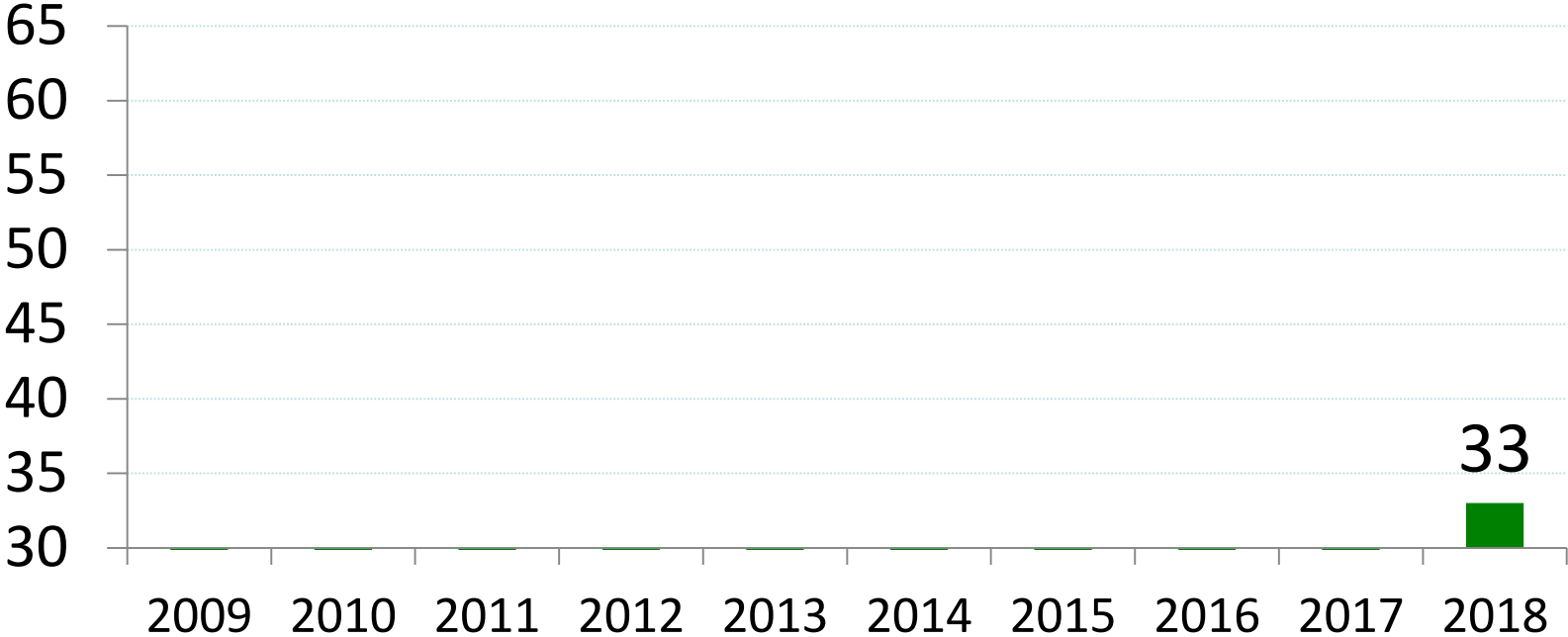
Ave. Herd Size 728 sows



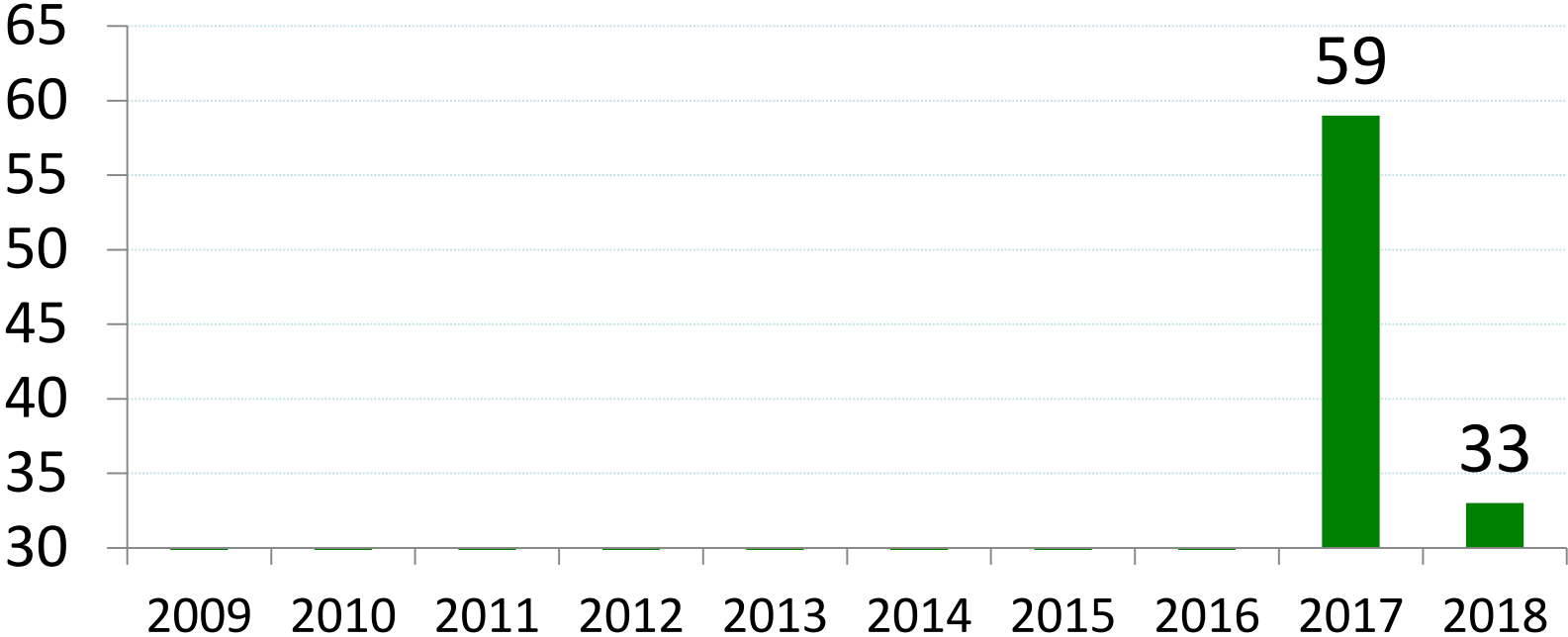
8,000 rural employment
(directly & indirectly)



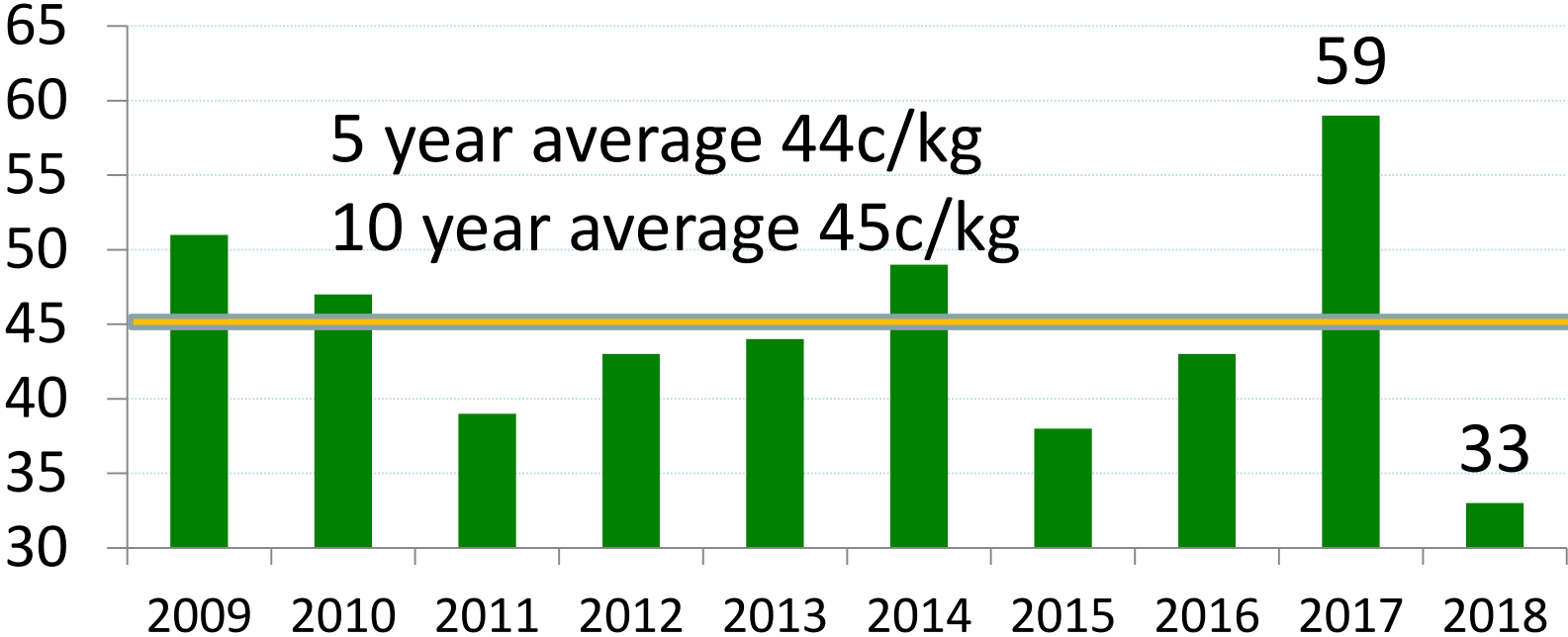
2018 – MOF (c/kg dwt)



2018 – MOF (c/kg dwt)



2018 – MOF (c/kg dwt)



2018 - Overview

Profit / Loss

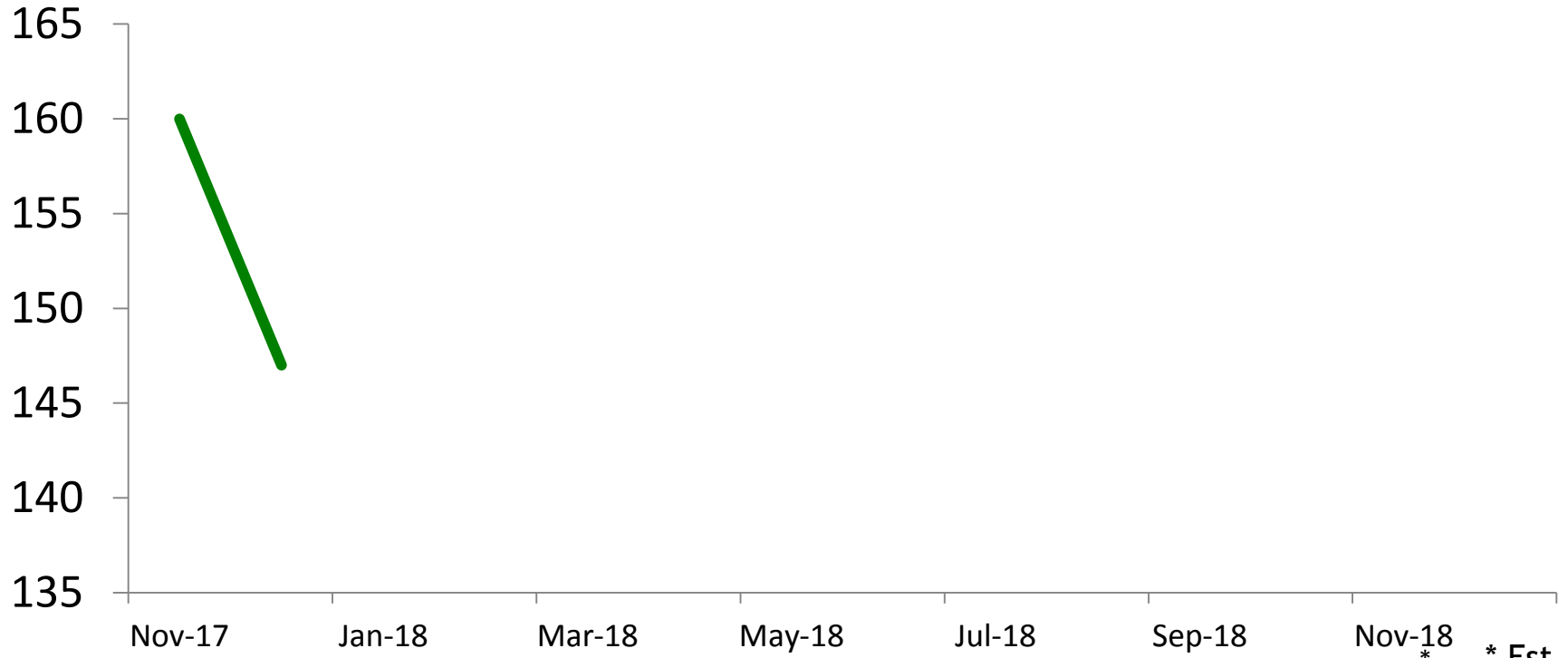
Loss per kg produced	17c/kg
Loss per pig produced	€14.38
Loss per average farm	€283,650

2018 - Overview

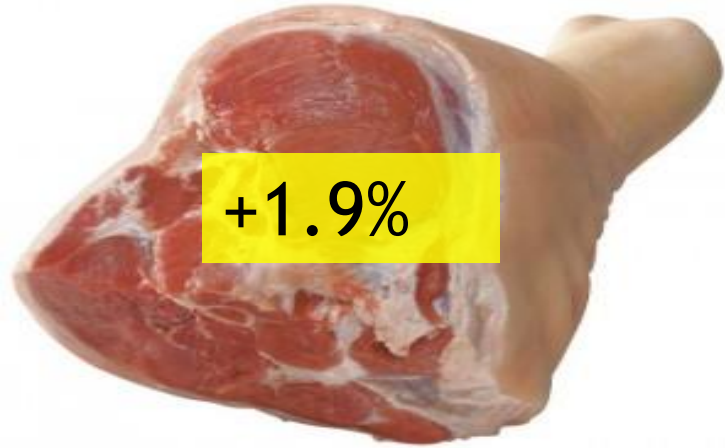
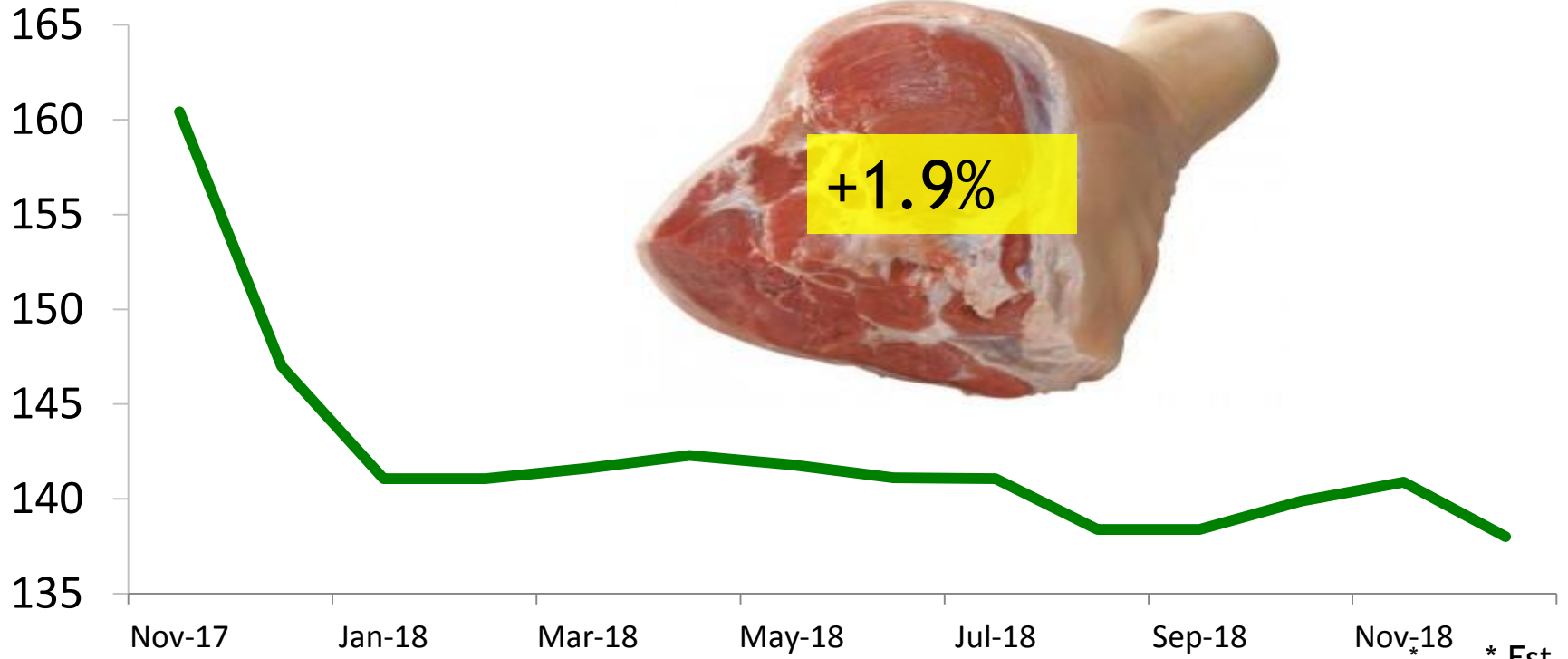


WHY

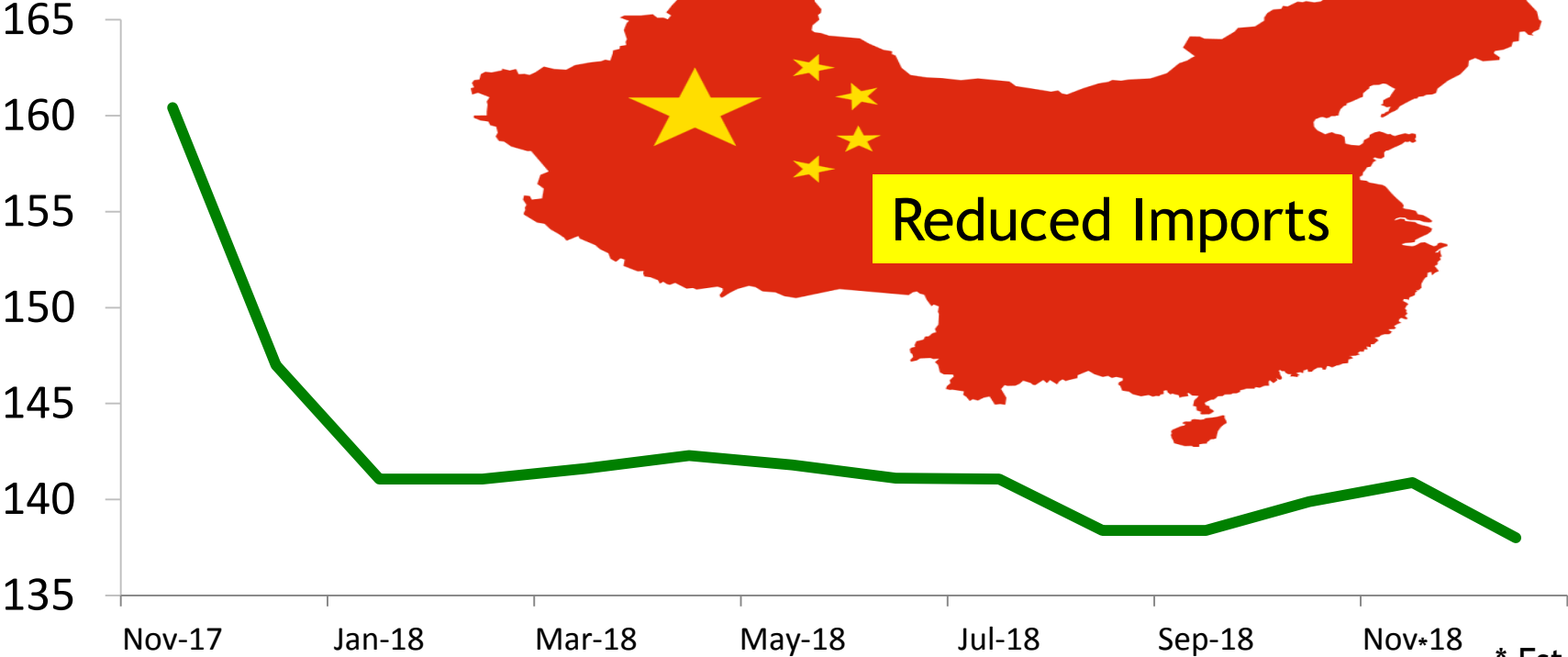
2018 – Pig Prices (c/kg dwt.)



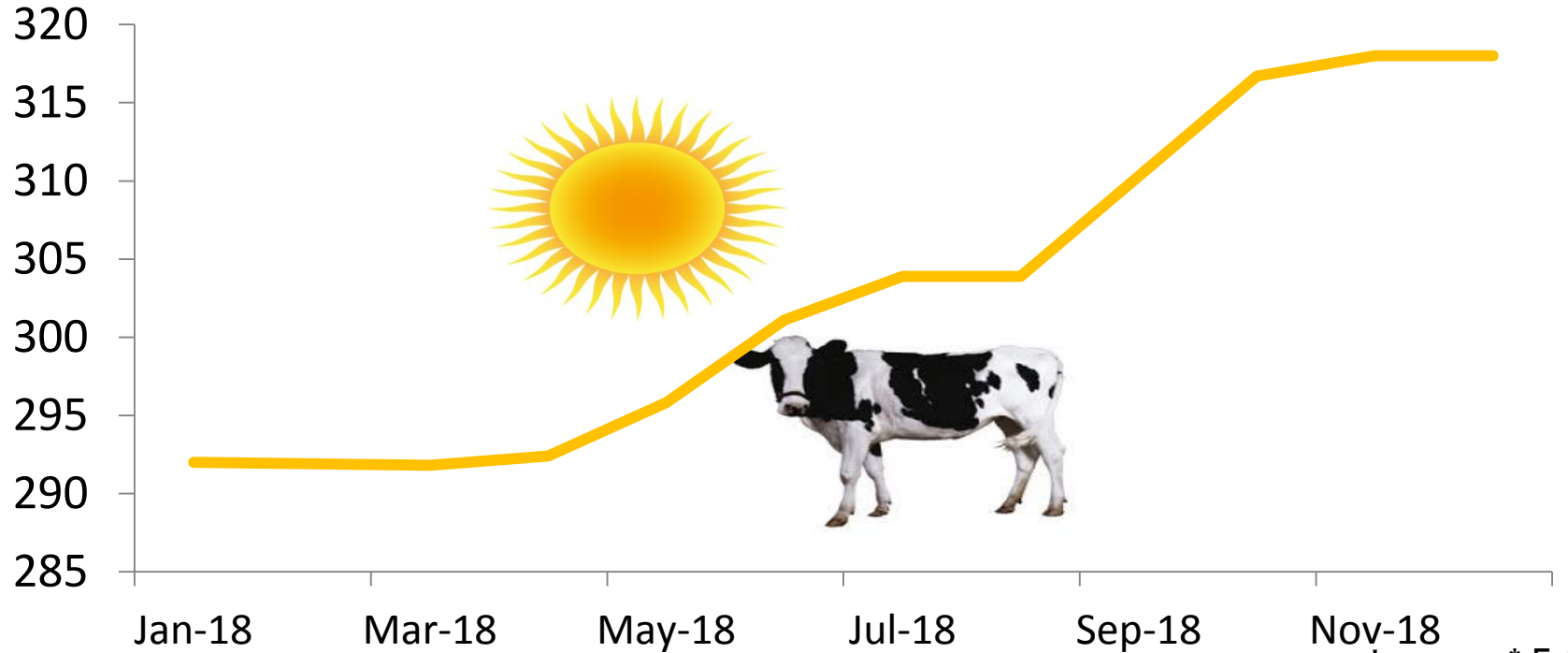
2018 – Pig Prices (c/kg dwt.)



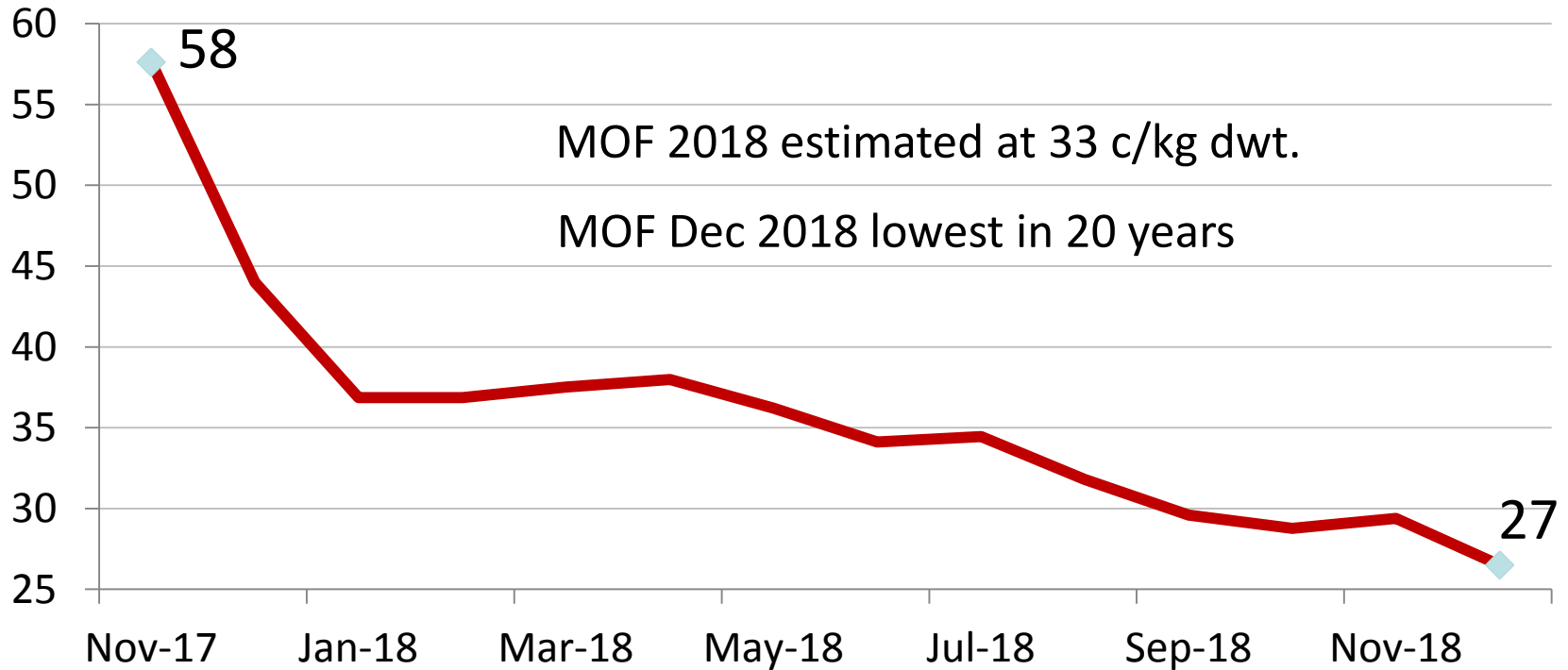
2018 –Pig Prices (c/kg dwt.)



2018 – Feed Prices (€/ tonne)



2018 –MOF (c/kg dwt.)





Feed Outlook

Soyabean



- Record Brazilian crop expected – 118 MT
- Significant US stock in storage
- US-Chinese trade war
 - Increasing S.A. imports by 20 MT
 - Will increased competition affect EU imports – GM EU license

Feed Outlook

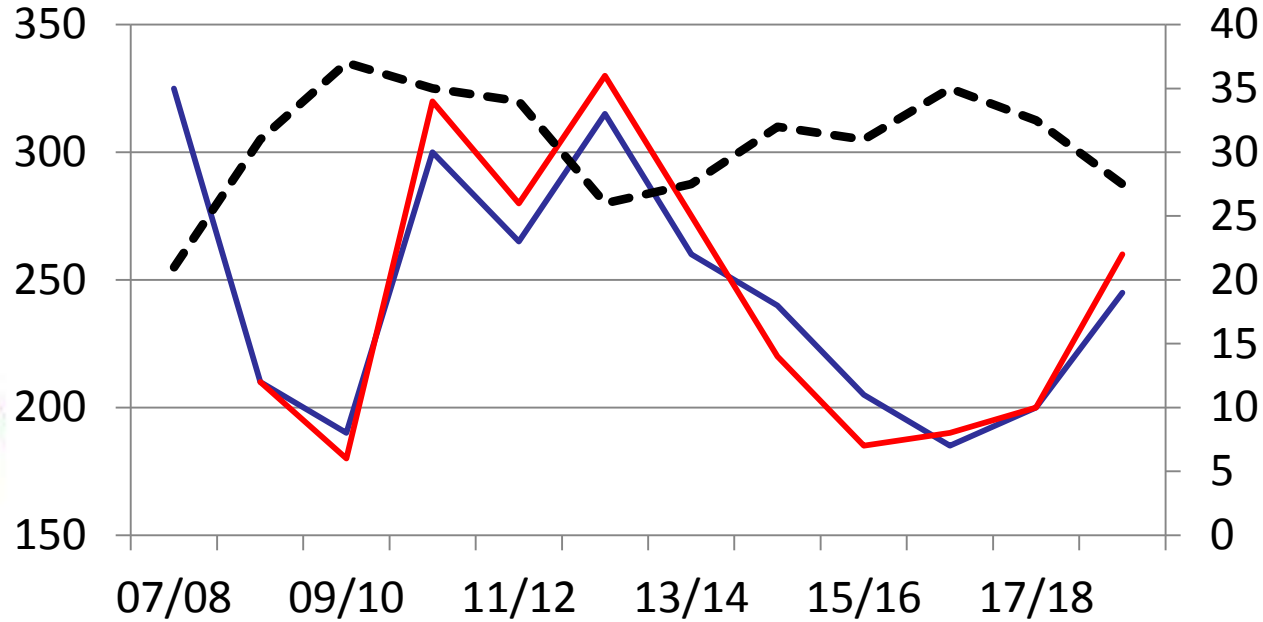
Wheat



- Despite the local shortages in 2018 the stock:use ratio is very positive: Wheat 28%

Feed Outlook

Wheat



- US SRW wheat price Fob Gulf \$/t (LHS)
- French wheat price fob Rouen \$/t (LHS)
- - Main Exporters stocks/use ratio % (RHS)

Feed Outlook

Wheat



- Forecast harvest 2019 prices should be lower – provided 5 year average
- However the Australian harvest outlook is currently poor – 11 Mt export

Feed Outlook

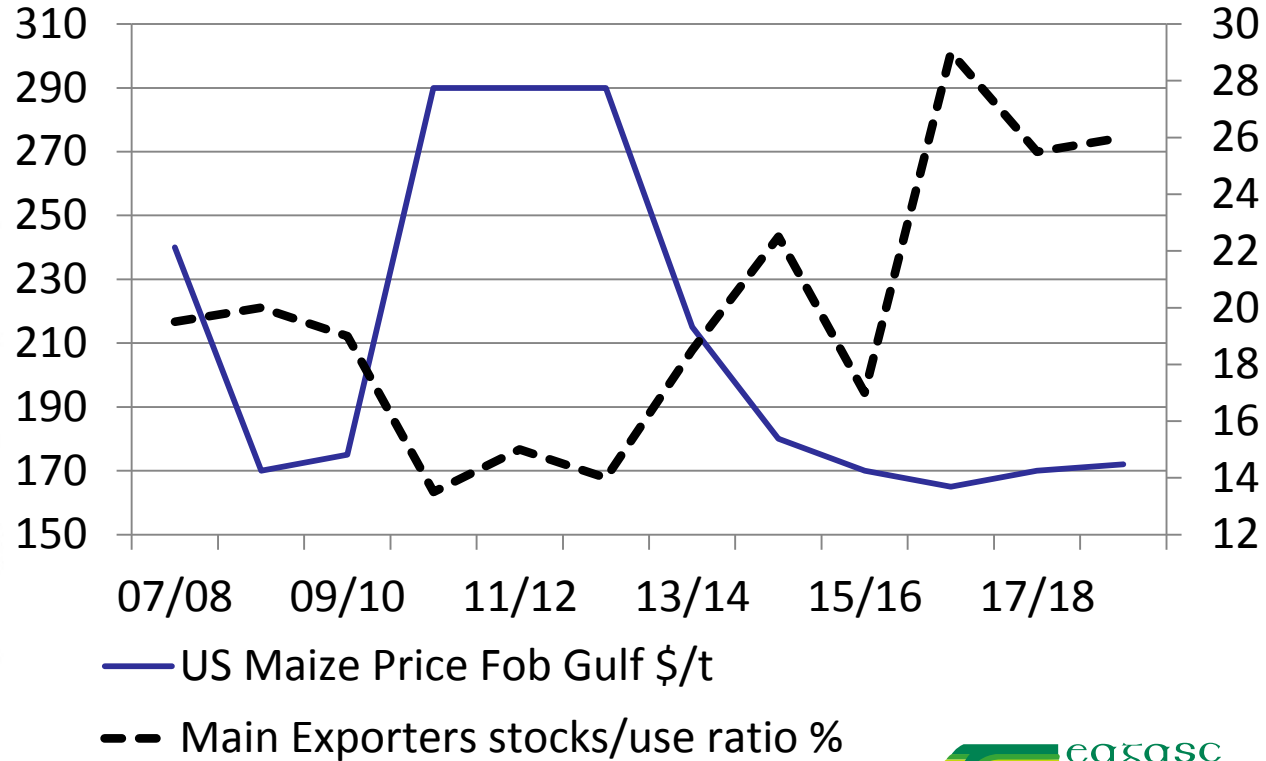
Maize

- Similar to wheat there is a good stock:use ratio at 25%



Feed Outlook

Maize



Feed Outlook



- The outlook for harvest 2019 is good with forecasted reduction in pig feed ingredient prices of 5%
- However there may be upward pressure on compound feed prices in the interim - spring 2019
- The 2019 annualised compound pig feed price is forecast marginally higher at €318 (estimated €303 in 2018)

Pig Price Outlook



- The output of the Irish herd is expected to continue to rise in 2019 to 3.88 million pigs (+2%)
- European sow herds are expected to stabilise in the next 12 months (except Spanish)
- The volume of EU pigmeat being produced is also expected to stabilise with a slight reduction in Q4

Pig Price Outlook

African Swine Fever



- Mentioned in previous years but became more relevant in 2018 :
 - Small outbreak in Belgium
 - Extensive spread in China
- Expectation for significant culling policy to begin in China in 2019.
- This will increase their pigmeat import requirement
- If US-China Trade war continues, EU will be the main supplier

2019 – In Conclusion

Feed Prices



Harvest 2019 will see a reduction in prices
On an annualised basis slight increase on 2018 (€318 vs 303)

Pig Prices



EU pig supply will steady
Increased Chinese imports will result in prices increasing

Profitability



Q1 & Q2 will continue to be difficult
Return to profit in Q3 & Q4

Thank you for your attention



Outlook for Forestry

Tom Houlihan
Teagasc Forestry Development Department

Overview

- Forest Sector 2018
- Outlook 2019:
 - Annual Planting Levels
 - Timber Prices
 - Timber Mobilisation
 - Timber Supply Chain / Brexit
- Conclusions



Almost 22,000 private owners
49% of forest area
83% farmers



12,000 jobs
(mainly rural)



Ireland's woodlands & forests and Forestry Programme supporting...

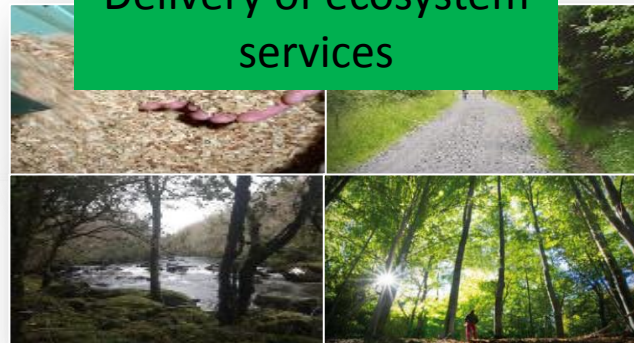


770,020 ha
11% of land area

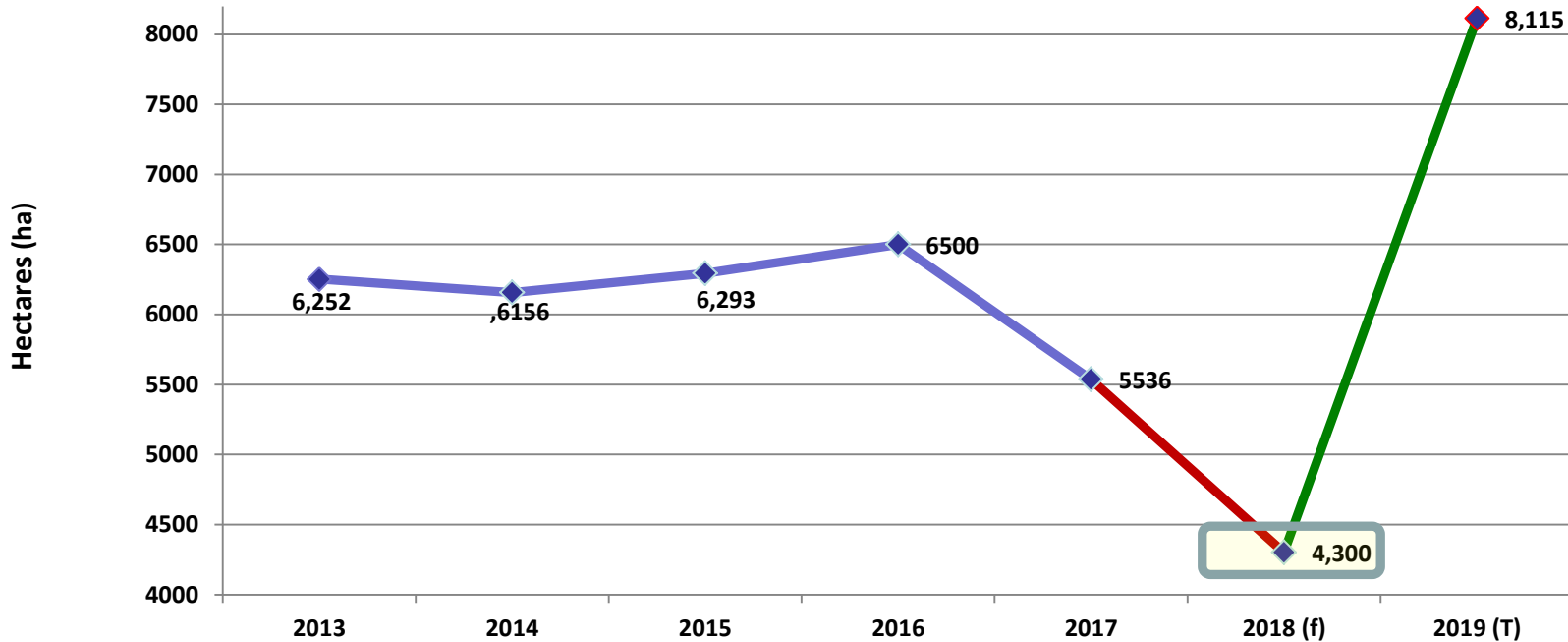
Forestry sector worth
€2.3 billion



Delivery of ecosystem services



Annual planting from 2013, with 2018 forecast and 2019 target



Source: DAFM (Various years)

Products

Pulpwood / Energywood / Stakewood



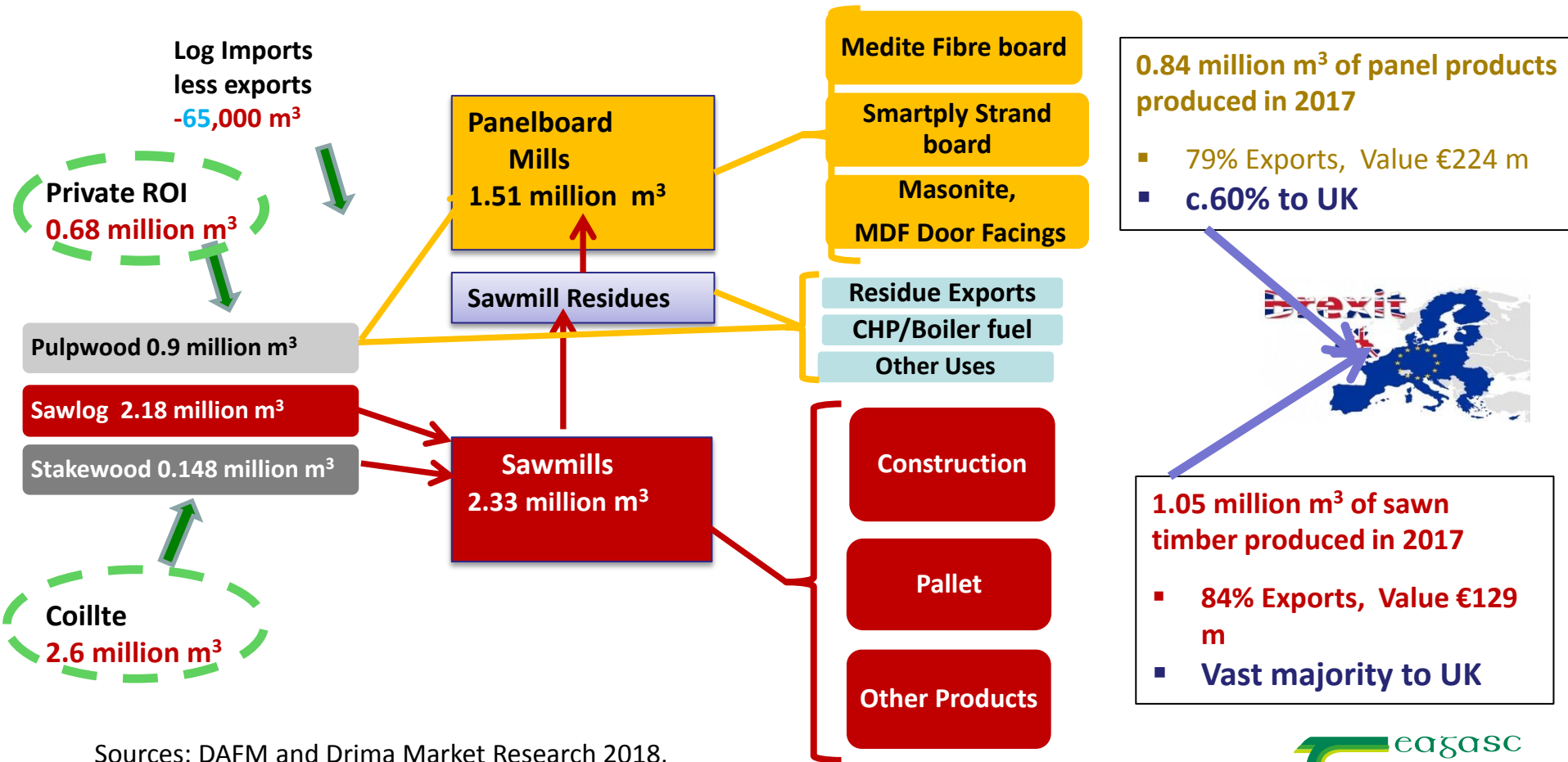
Palletwood



Sawlog



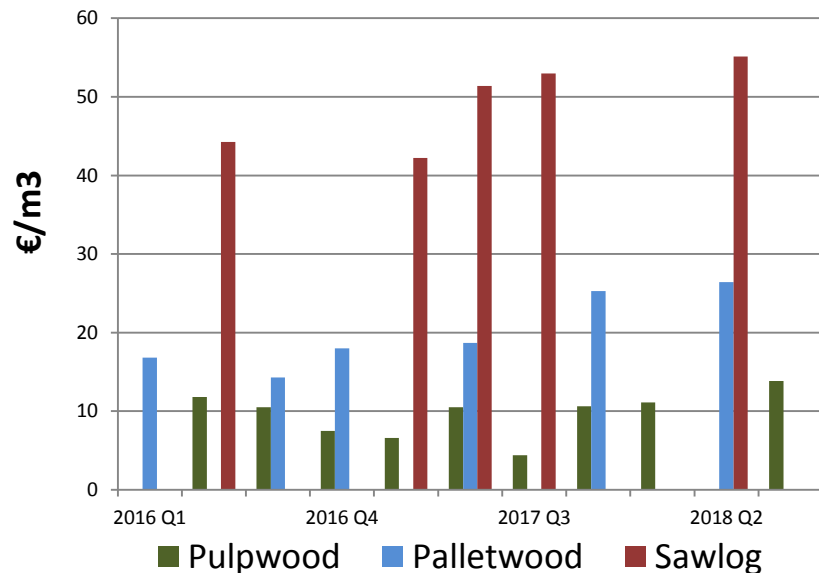
Timber Supply Chain (2017)



Sources: DAFM and Drima Market Research 2018, and Forestry Commission, 2018

Timber Prices

Private Quarterly Roundwood Prices (€/m³), Jan 2016 to Sept 2018



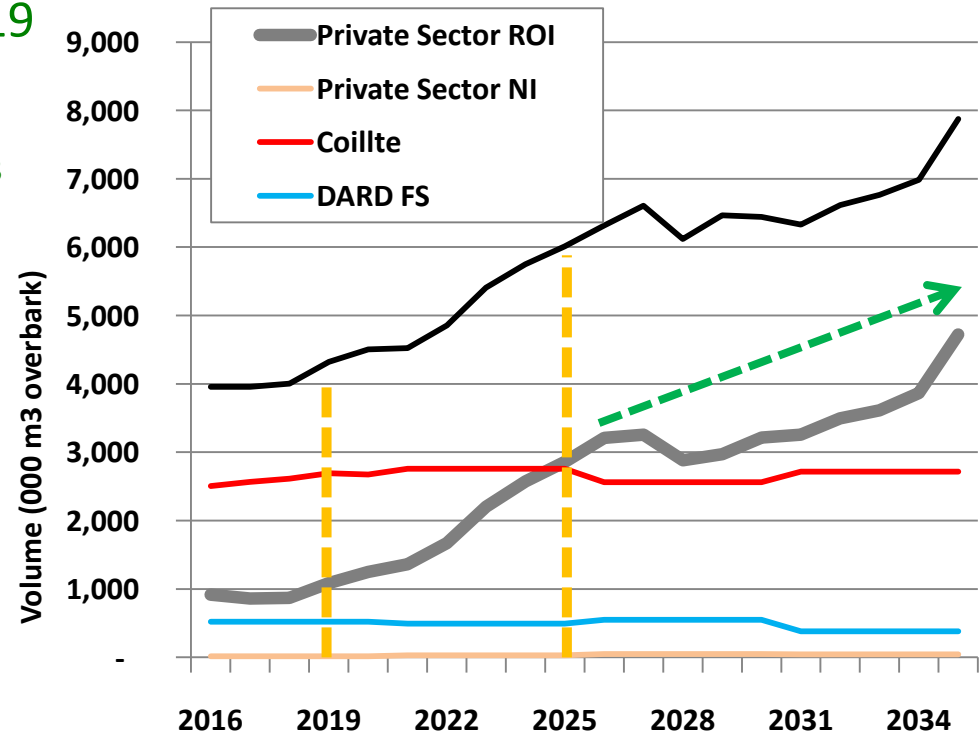
Source: www.itga.ie

- Welcome increases in timber prices during 2018
- Record prices recorded in Coillte standing sales April to June 2018
- Variation in timber prices according to geographical and site factors
- Level of confidence among timber processors for 2019, despite signals of a slowdown in UK construction growth

All-island demand and supply

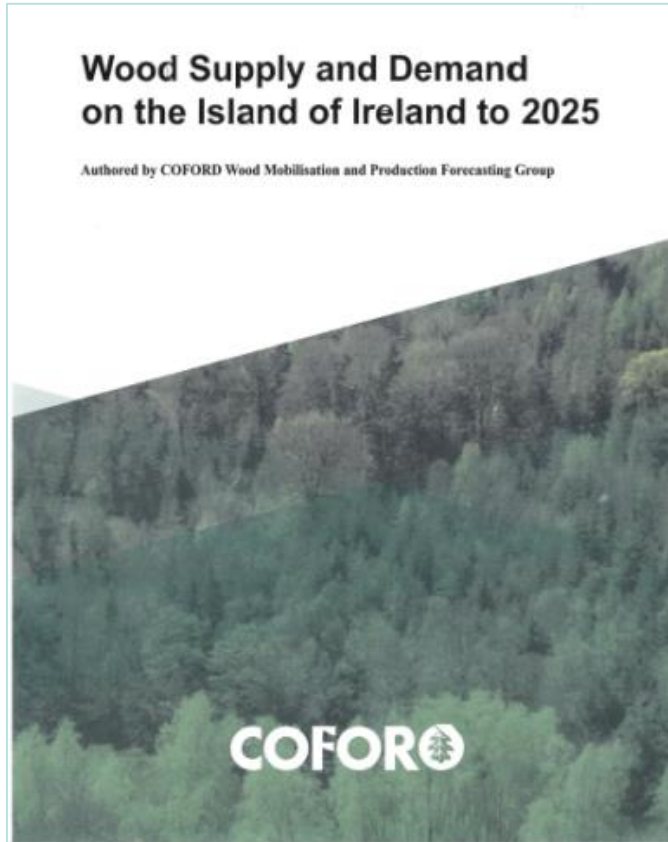
- Net demand of 6.15 million m³ in 2019
- Total net realisable volume (NRV) production in 2019 at 4.32 million m³
- Private sector NRV of 1.08 million m³
- By 2025, almost 48% of the forecasted 6.0 million m³ NRV production will be from private forests.

Forecast of Total Net Realisable Volume Production to 2035 (000m³)



Source: All-Ireland Roundwood Production Forecast 2016-2035 (COFORD, 2016)

Future demand/supply by sector

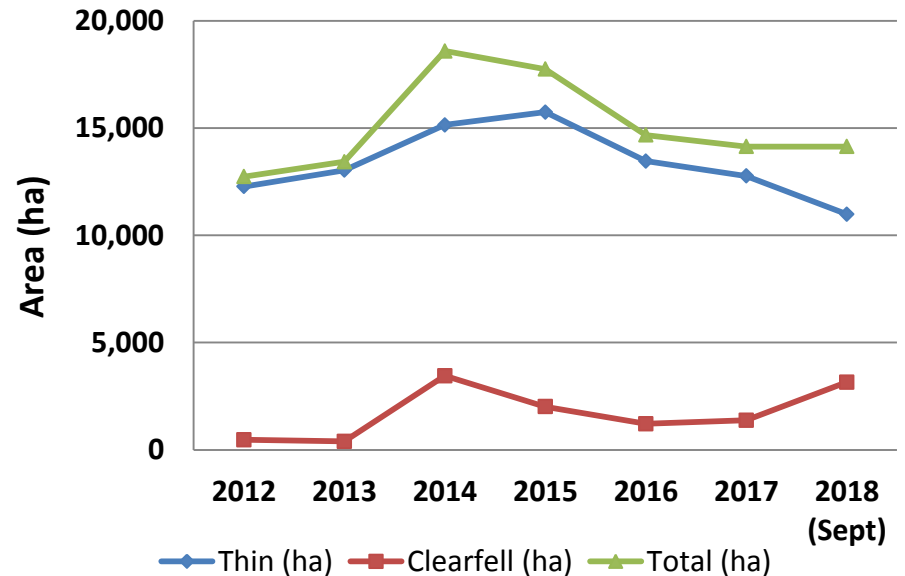


- Shortfall in supply of roundwood to **Sawmilling** sector reaching 0.73 million m³ per annum in 2020
- Supply demand in balance by 2025
- Demand for wood for process use in **Wood Based Panel** sector predicted to be met in full by 2025
- Significant deficits in **Wood Energy** sector
 - 2.8 million m³ by 2020
 - 3.0 million m³ by 2025

Mobilising the private timber resource

- Significant rise in areas of private forests licenced for clearfelling (to Sept) 2018
- Further owner engagement in forest management
 - Management planning
 - Knowledge transfer
- Road infrastructure
- Certification

Felling licence-approved areas for private forests, 2012-2018 (Sept.)

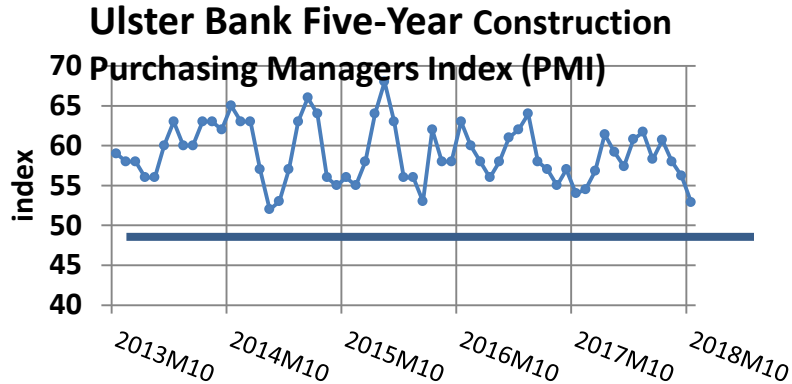
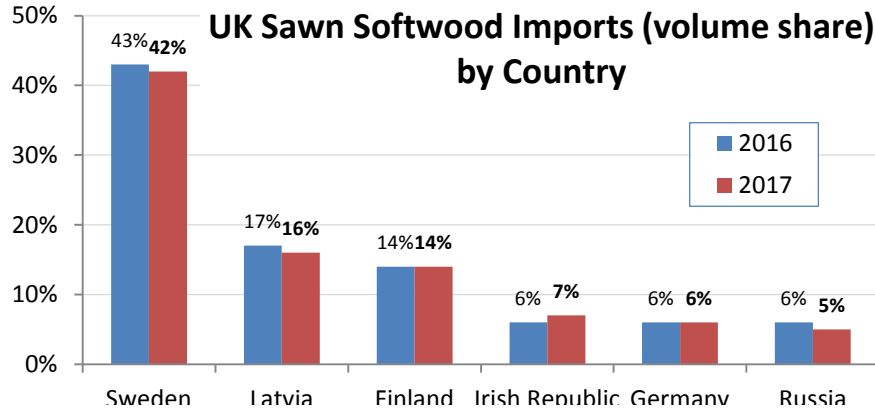


Source: DAFM (Various years)

Brexit Issues

- Since 2007 Ireland's share of UK sawn softwood market increased from 3.3% to 7%
- 40,000 truck movements each year
- UK market largely supplied on 'just in time' basis
 - Swift and uninterrupted north-south and east-west movements are essential
- Future custom and plant health regimes must be capable of supporting such rapid movements
- Investments in the UK to defray risks
- Comprehensive engagement in 2018 (UK and EU)
- High quality unhindered access is essential

Tail Winds



- Industry mobilisation to deal with various scenarios
- Massive UK product demand forecast to continue
- Irish volume demand increasing

Conclusions

Key targets 2019:

- Planting levels
- Timber mobilisation :
 - 6% increase in overall demand 2019
 - 3.5% increase in sawlog demand 2019
 - substantial increase in wood biomass demand (2020)
- Balanced approach to development of our wood resources
- Irish wood product markets will remain export orientated
- Importance of UK market access


























Thank You

A photograph of a herd of cattle in a grassy field. In the center, a large black cow with a white blaze on its face is eating green grass. To its right, a brown calf and a light-colored cow are visible. On the far left, another brown and white cow is partially shown. The background consists of green trees and a blue sky with scattered white clouds. A green curved banner is at the bottom of the image.

Outlook for Cattle

Jason Loughrey
and Kevin Hanrahan

2018 Summary – Difficult year for cattle farming

	Lower calf prices down 10% on the 2017 level			Feed Prices up 5% Feed use up 30%	 
	R3 Steer price up 1% on the 2017 level			Other Direct Costs up 1% on the 2017 level	
	Weanling and Store prices down 3% and down 8% respectively			Fuel prices up 10% on the 2017 level	
	Weather Conditions Very difficult Spring and Summer			Total Input Costs up significantly in 2018	
	Grass Availability Well below normal			Gross Margin (Suckler) down 19% on the 2017 level Gross Margin (Finisher) down 11% on the 2017 level	 
	Fertiliser Prices up 7% on 2017 level Fertiliser Use up 10% on 2017 level	 			

Cattle Rearing – Review 2018

Gross Output

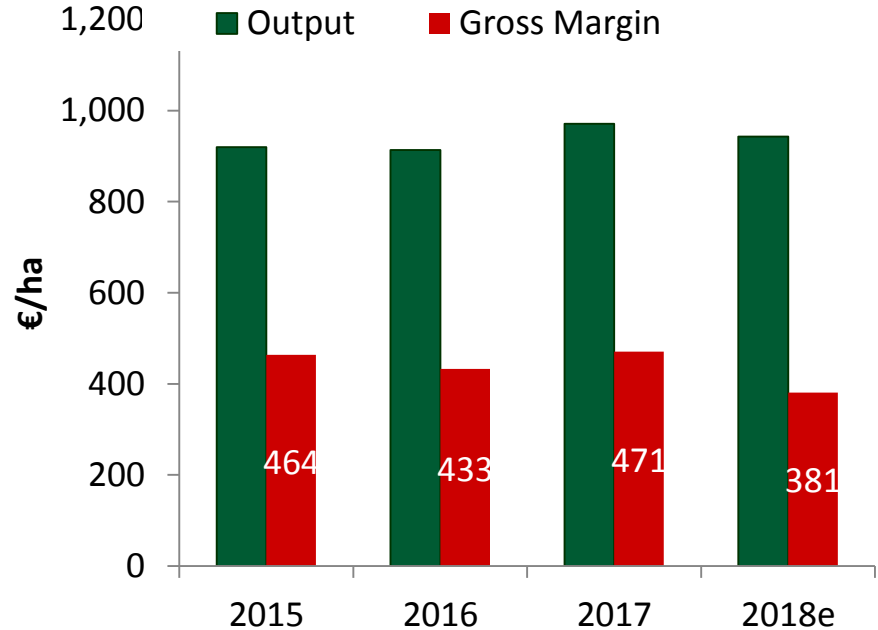
↓ 3%



Gross Margin

↓ 19%

Average Net Margin per hectare declines from -€3 in 2017 to -€104 in 2018



Average Output & Margin 2015-2017, 2018 estimate

Cattle Finishing – Review 2018

Gross Output

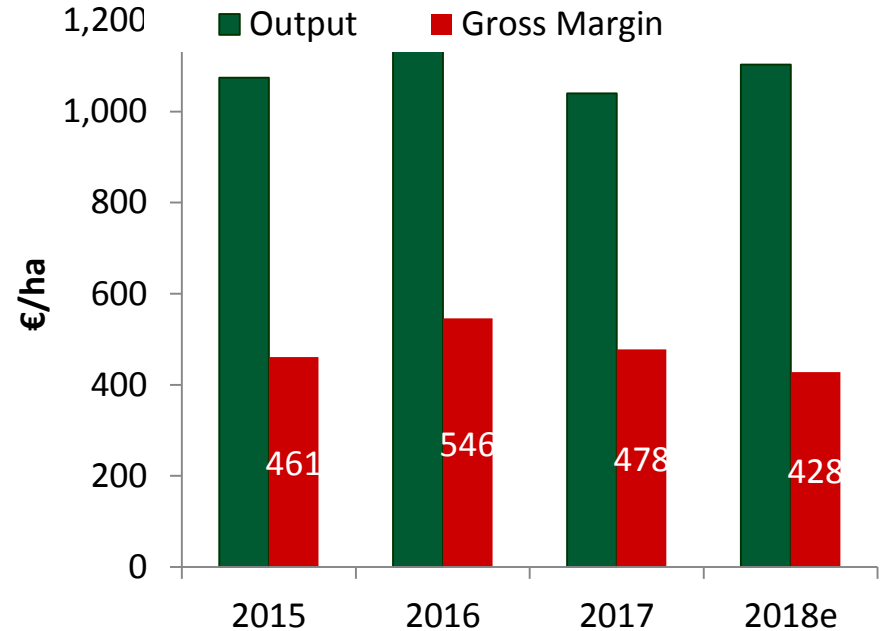
↑ 6%



Gross Margin

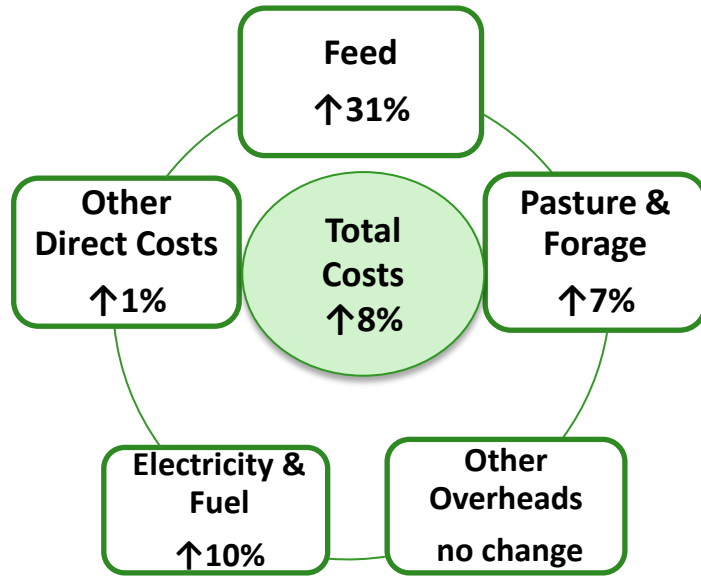
↓ 11%

Average Net Margin per hectare declines from -€10 in 2017 to -€72 in 2018



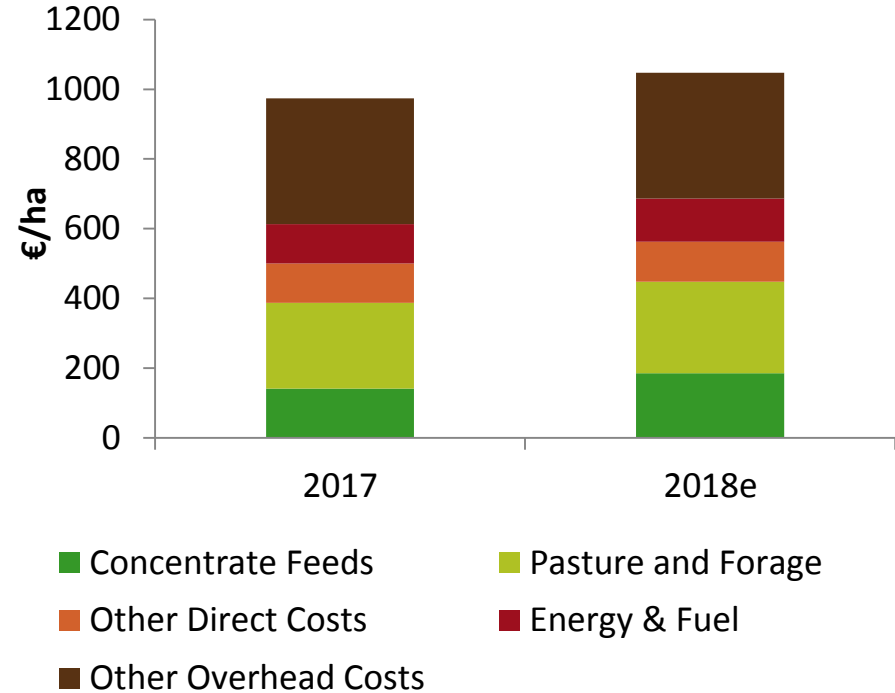
Average Output & Margin 2015-2017, 2018 estimate

Cattle Rearing Input Expenditure

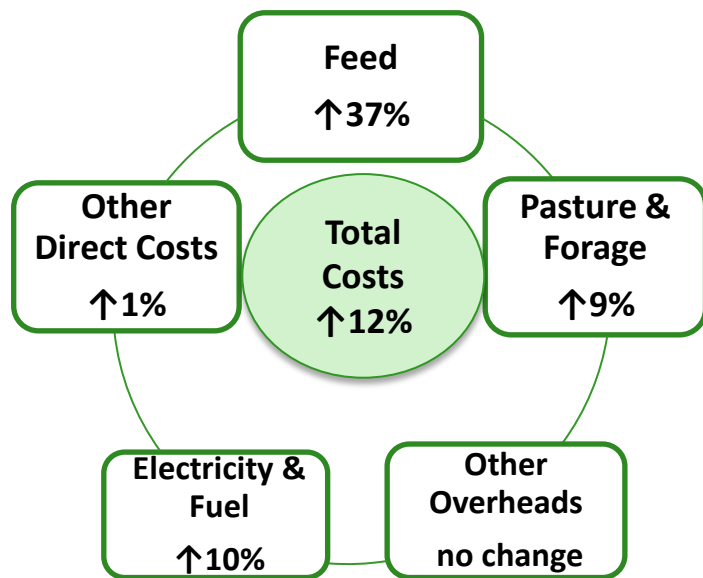


2018 costs per hectare

Expenditure change relative to 2017

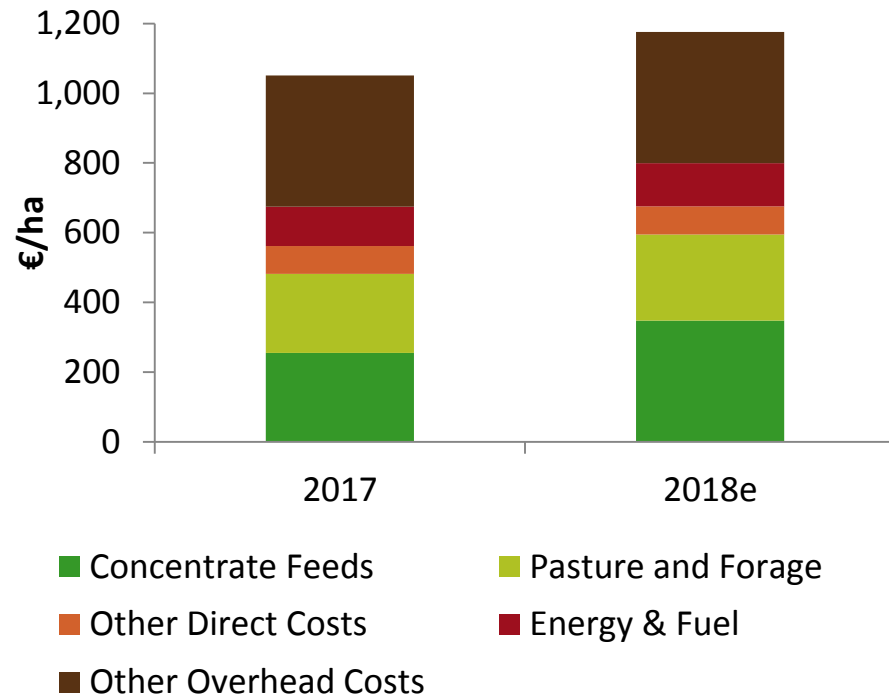


Cattle Finishing Input Expenditure

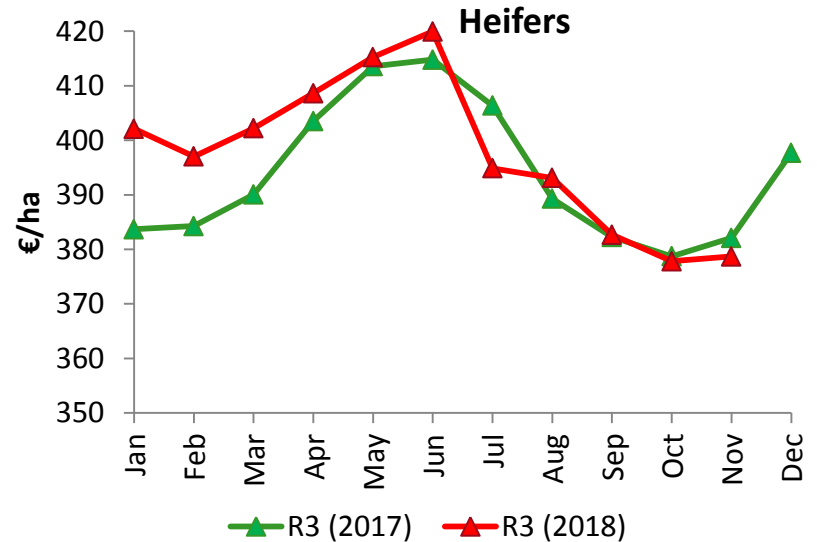
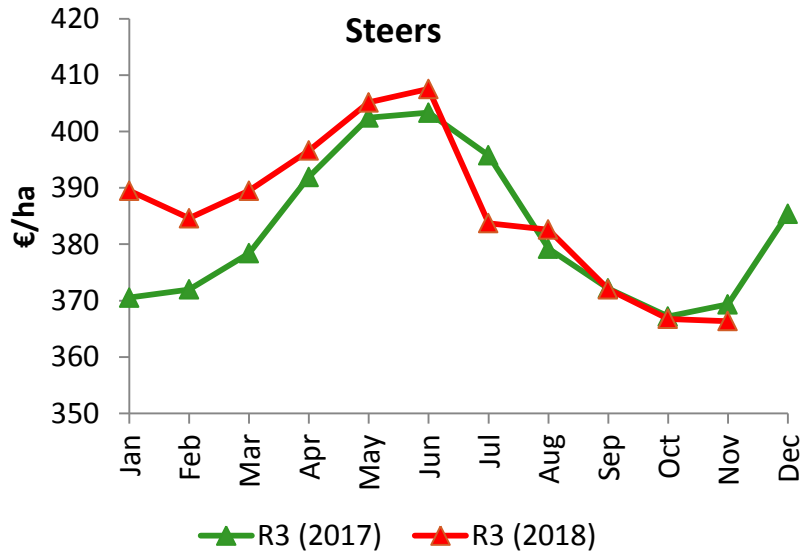


2018 costs per hectare

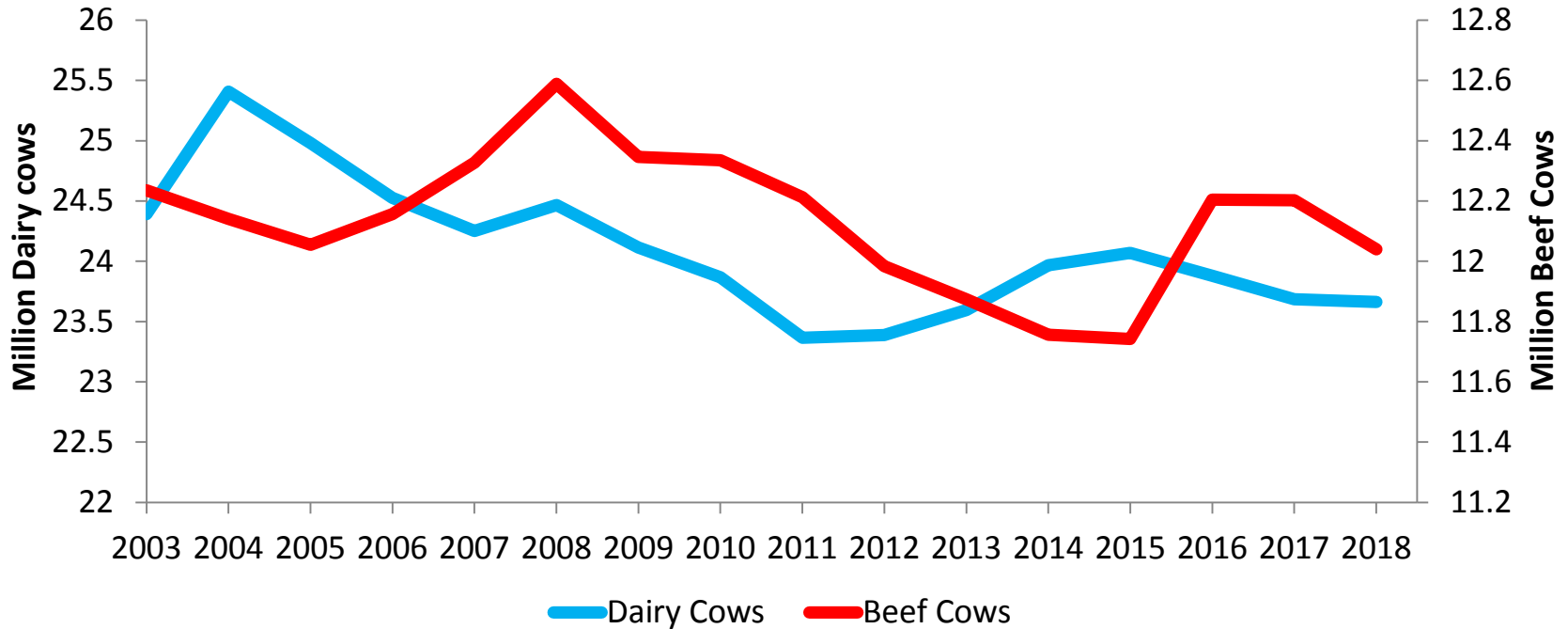
Expenditure change relative to 2017



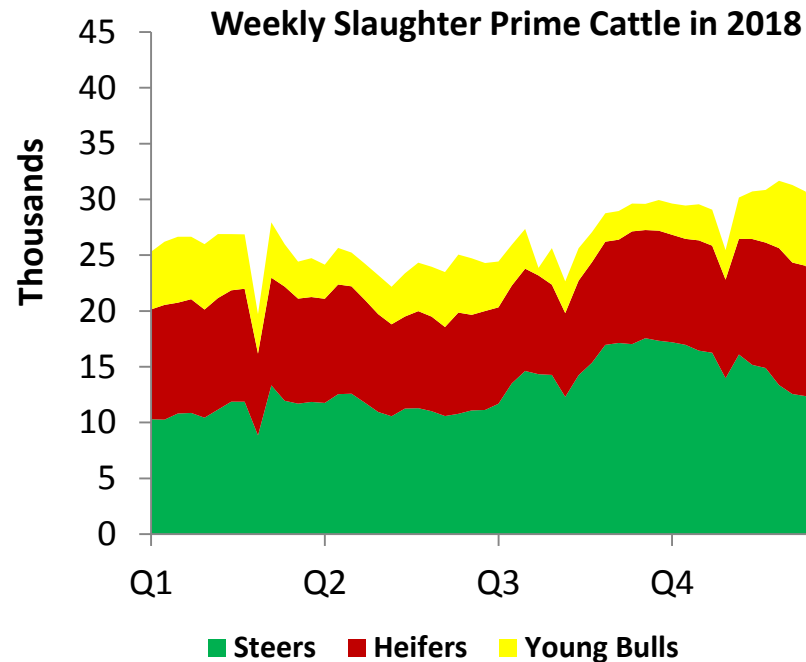
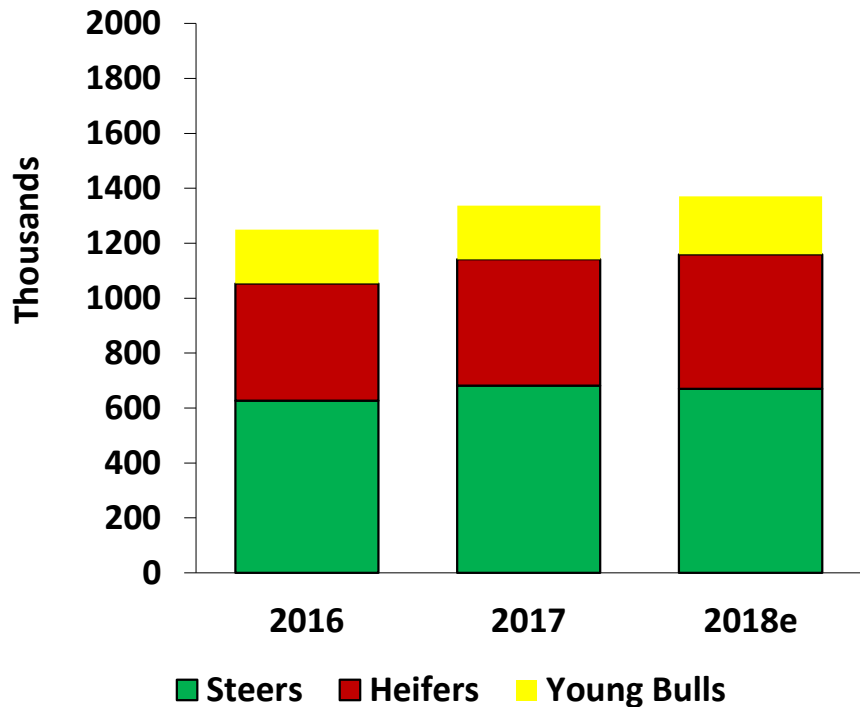
Irish Beef Prices 2018



EU28 Dairy and Beef Cows 2003-2018

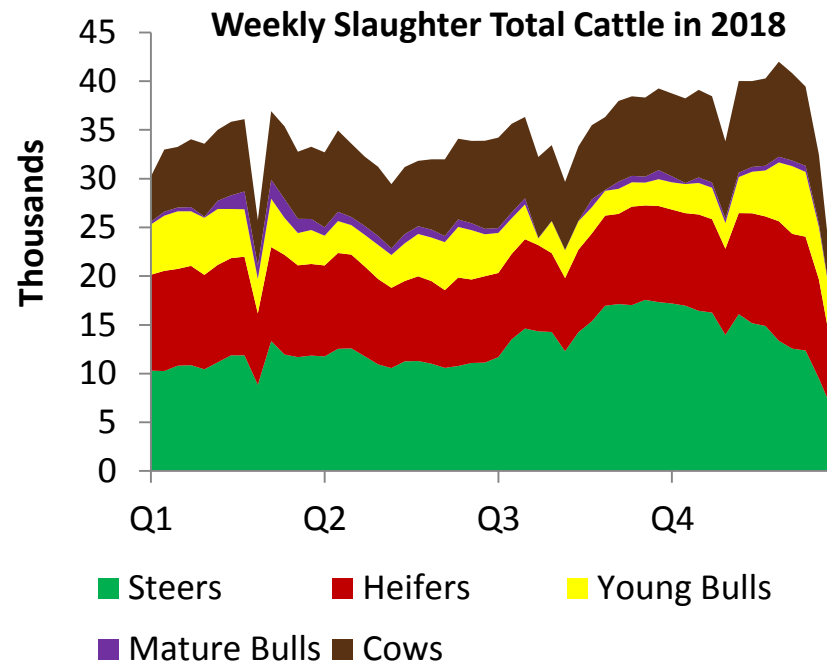
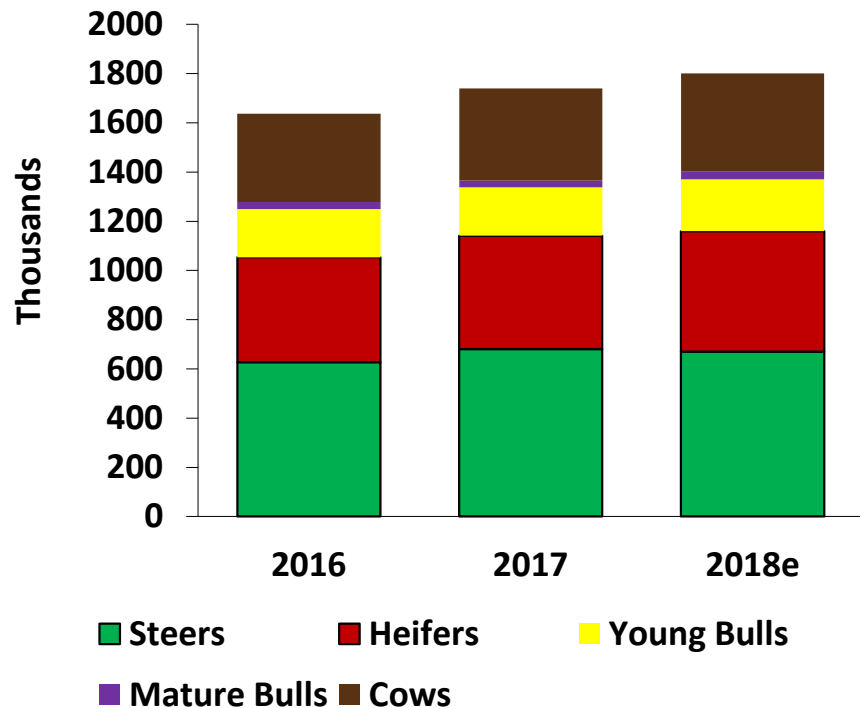


Prime Cattle Production 2018 (000's)



Source: DAFM Weekly Meat Market Reports

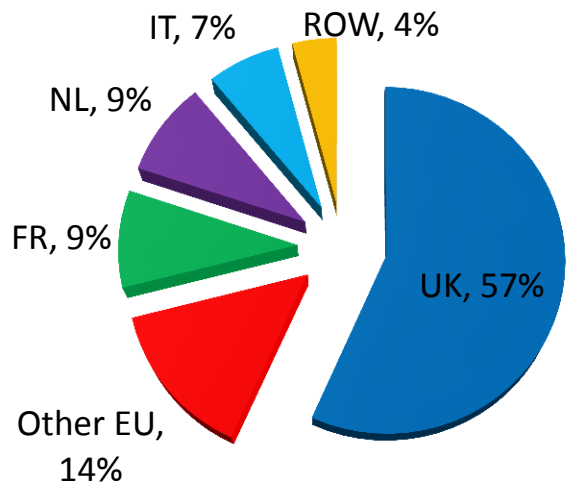
Total Cattle Production 2018 (000's)



Source: DAFM Weekly Meat Market Reports

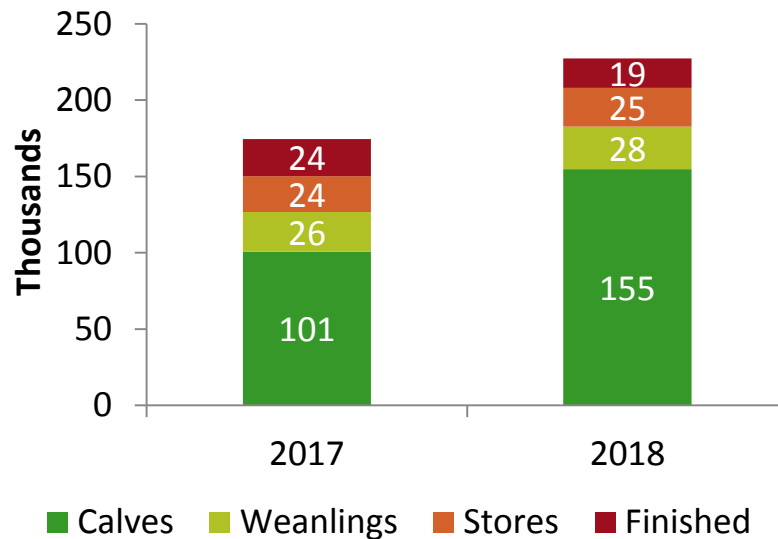
Exports 2018

Beef Exports



Source: Eurostat COMEXT (year through September)

Live Exports



Source: Bord Bia (year through October)

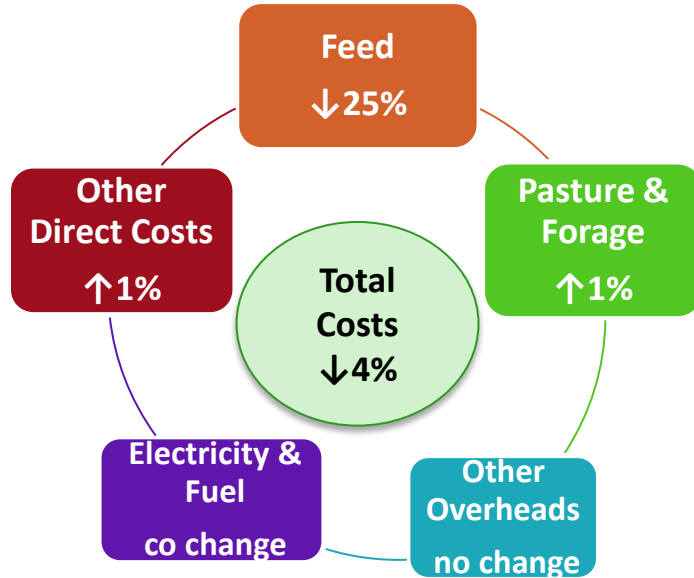
2019 Outlook



Outlook 2019 Input Expenditure

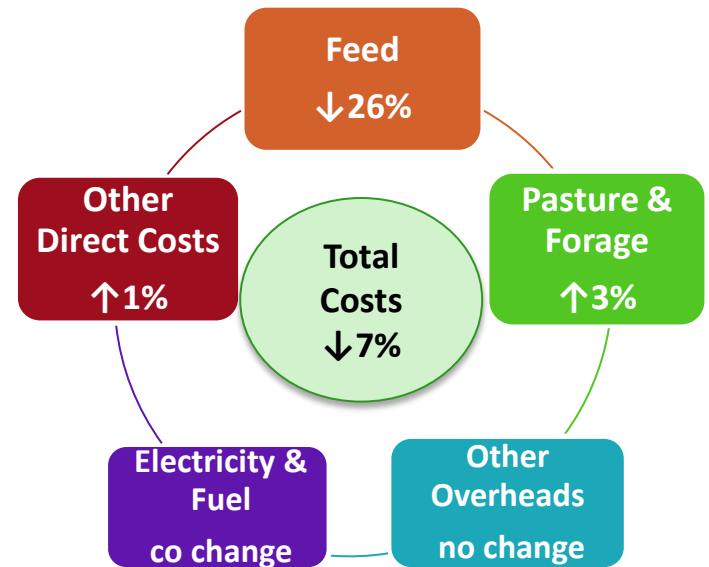
Single Suckling

Expenditure change relative to 2018



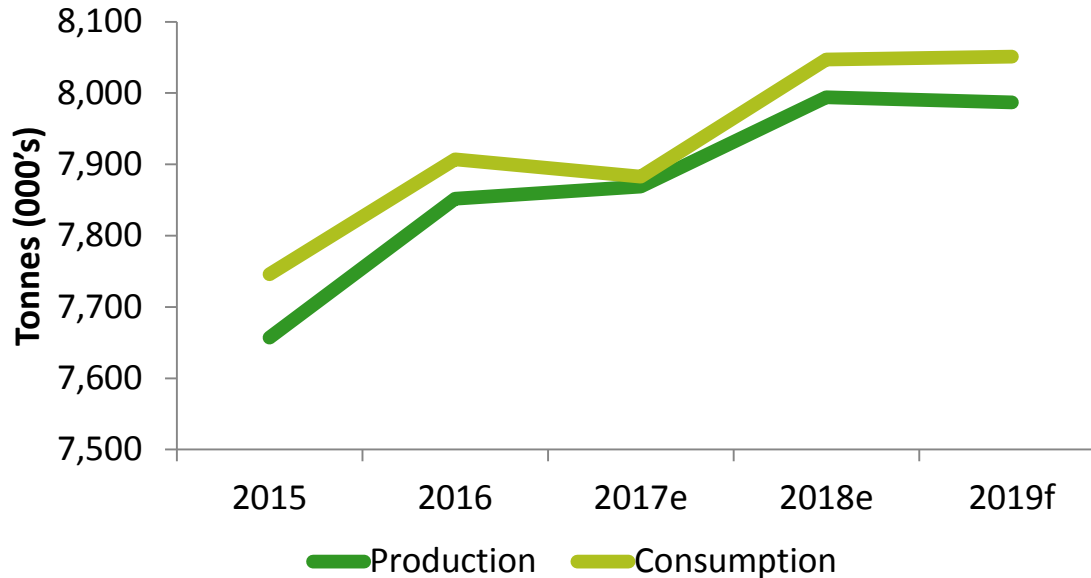
Cattle Finishing

Expenditure change relative to 2018



Source: Authors' estimate for 2018 and forecast for 2019

EU-28 Production and Consumption 2019



Modest Price Growth in the EU for 2019 given supply and demand projections

AHDB forecasts 2% decline in UK production

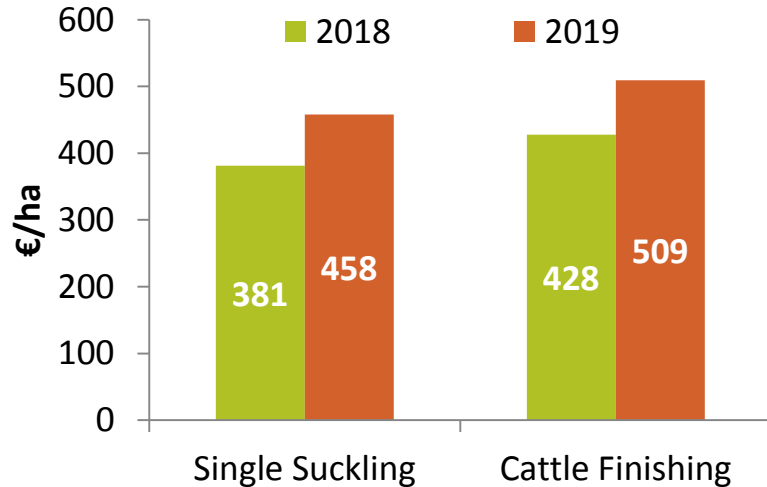
Source: European Commission Short-term outlook

Outlook 2019

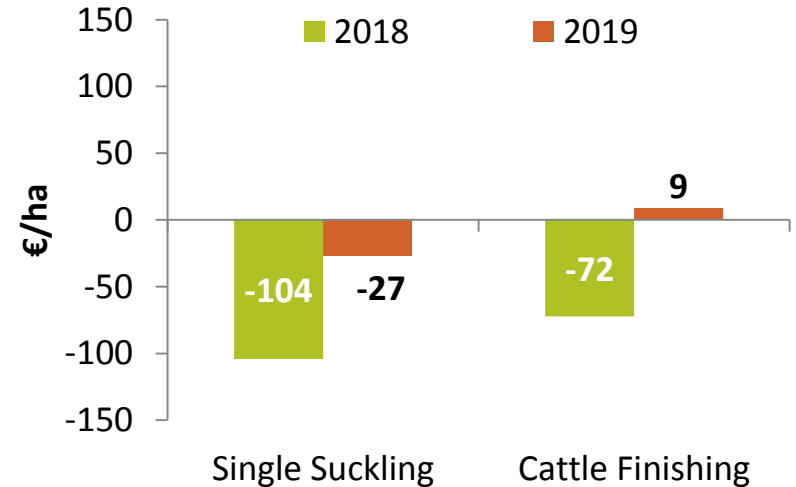
- 2% growth in Irish beef prices
- 1% increase in Irish beef production and 2% decline in the UK
- Return to normal weather conditions
 - 25% decline in feed expenditures
 - 4-7% decline in total expenditures
- 4% increase in young cattle prices
- 20% increase in Gross Margins
- Recovery in pigmeat prices is important
- Continued market access to the UK market is pivotal

Increase in 2019 Gross and Net Margins

Gross Margin per hectare forecast Single Suckling and Cattle Finishing



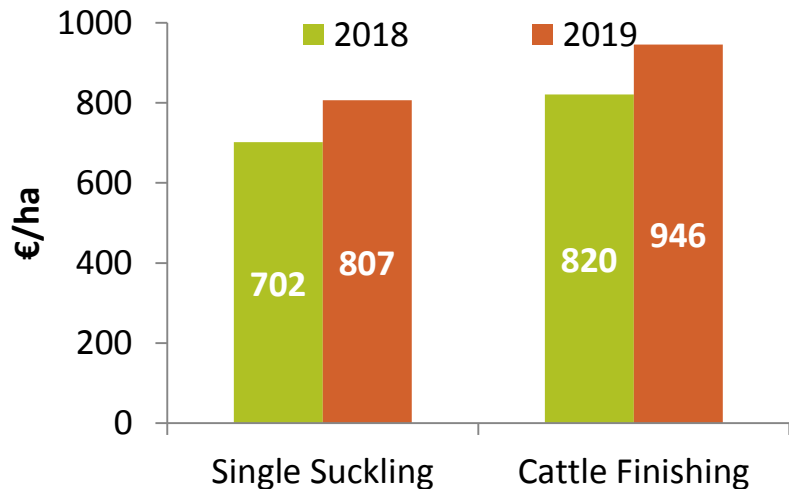
Net Margin per hectare forecast Single Suckling and Cattle Finishing



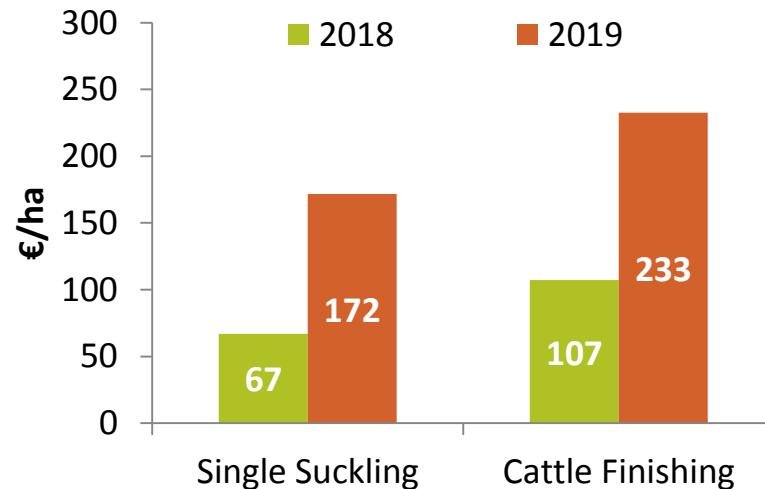
Source: Authors' estimate for 2018 and forecast for 2019

Increase in 2019 Gross and Net Margins

Gross Margin per hectare forecast Top one third Single Suckling and Cattle Finishing



Net Margin per hectare forecast Top one third Single Suckling and Cattle Finishing



Source: Authors' estimate for 2018 and forecast for 2019



AGRICULTURE AND FOOD DEVELOPMENT AUTHORITY

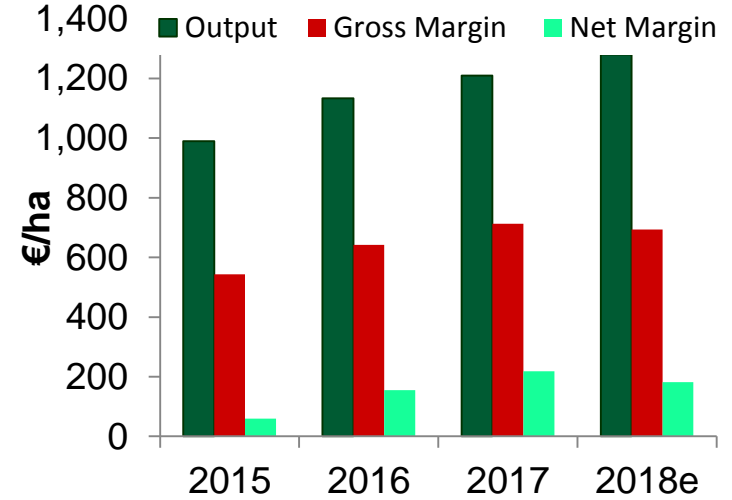
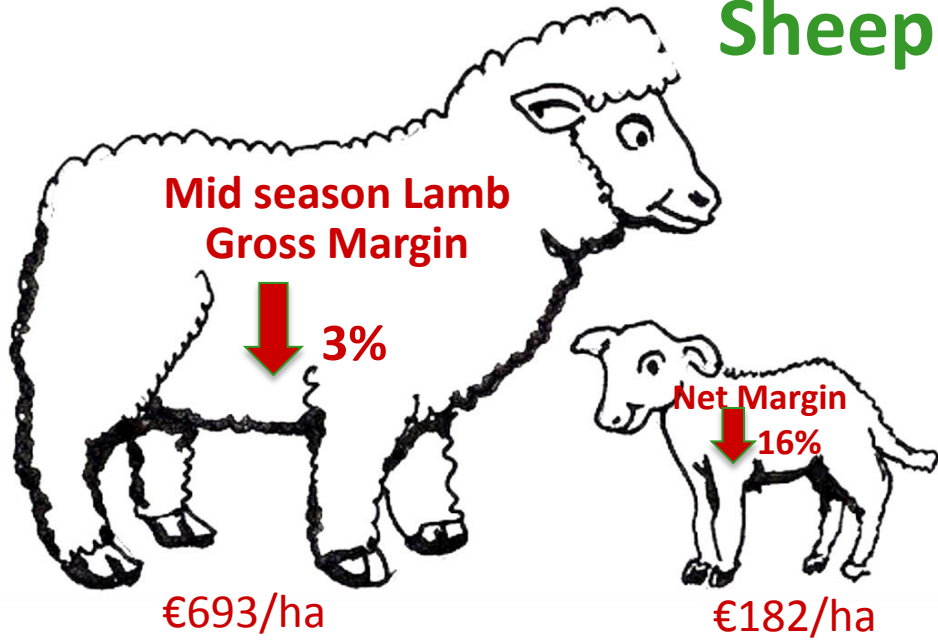
The Irish Agriculture and Food Development Authority



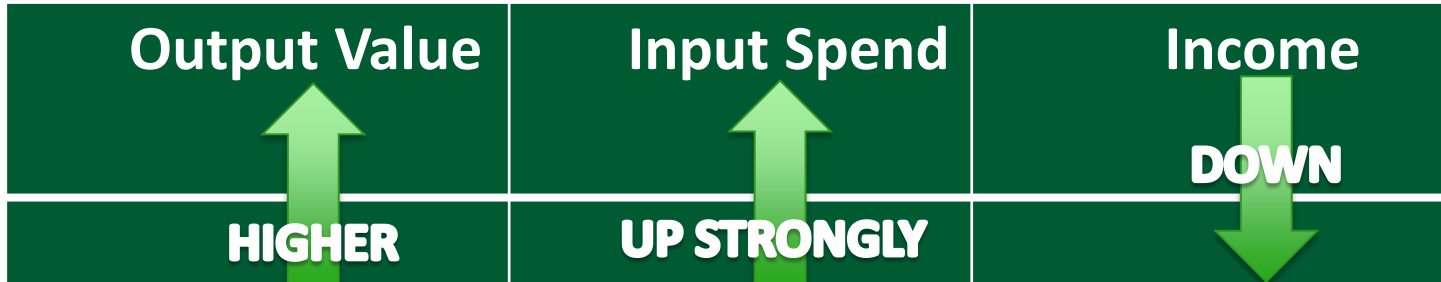
Outlook for Sheep

Kevin Hanrahan and Anne Kinsella

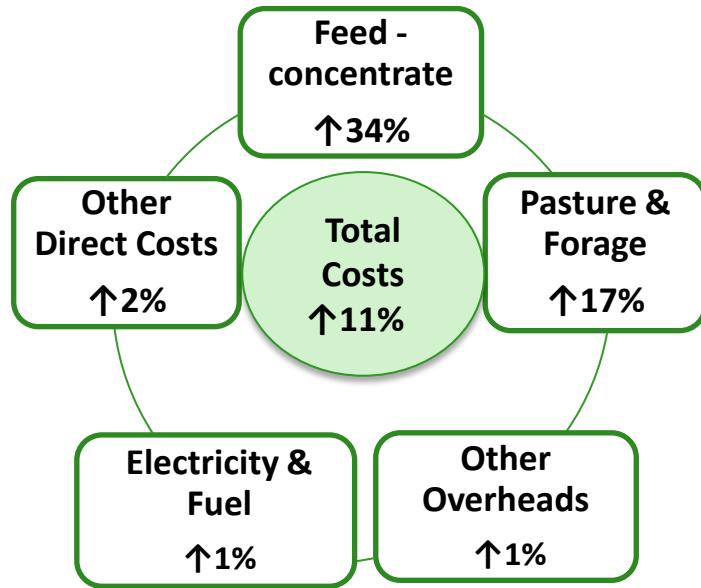
Sheep – Summary Review 2018



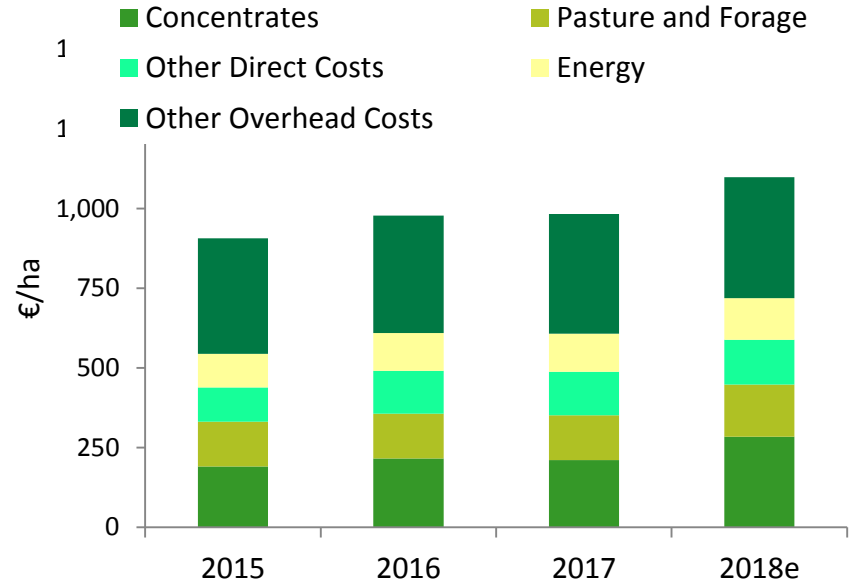
Average Output & Margin 2015-2017, 2018 estimate



Sheep Input Costs - 2018



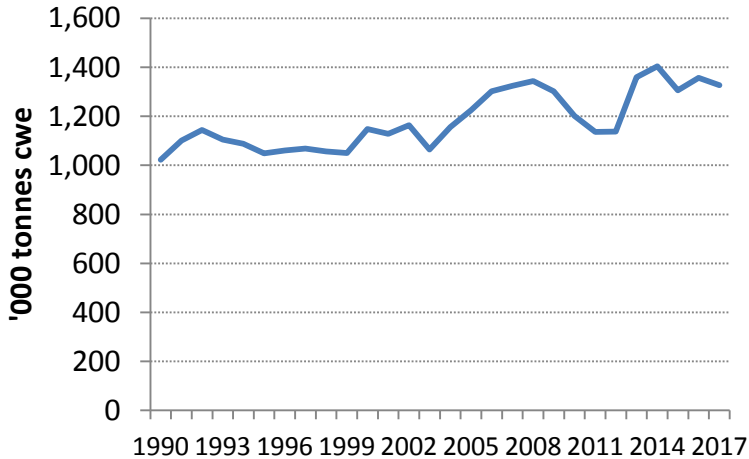
2018 costs per ha



Average Sheep production costs 2015 – 2018e, 2019f

**Expenditure change relative to 2017
based on average mid season lowland lamb farm**

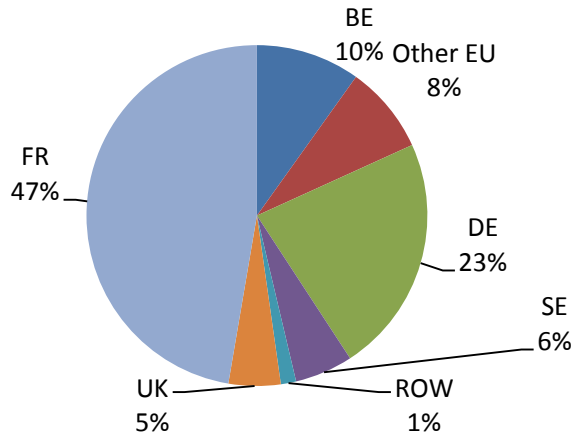
Global Lamb exports 1990– 2017



Since 1990 - Global trade has grown by > 30 %

- International trade - dominated by **Australia & NZ**
- In 2017 - Accounted > 2/3 of the value of global sheep meat exports
- In all years since 1990 > 70 % sheep meat internationally traded

Irish Sheep & Lamb Meat Exports 2018



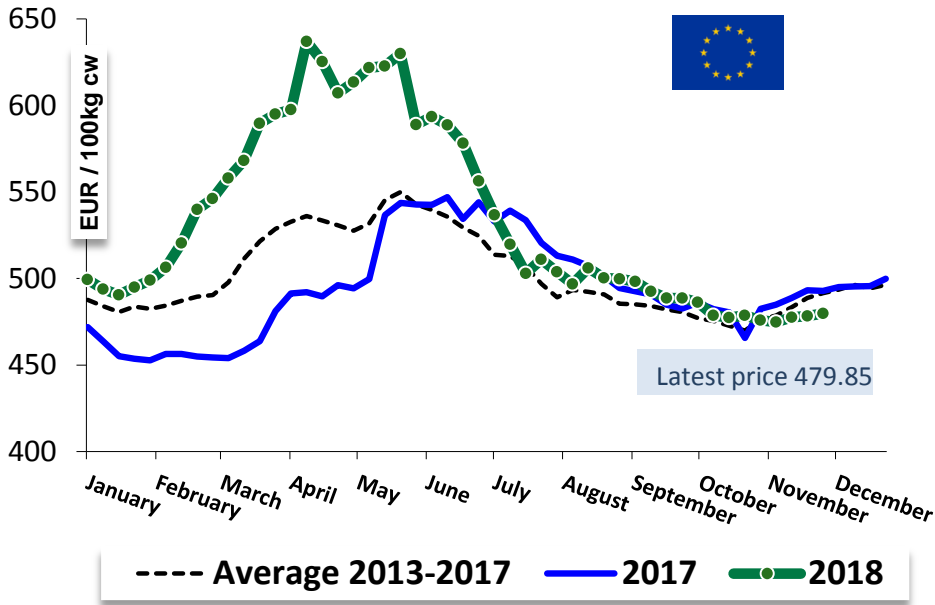
Bulk Irish sheep meat destined for foreign markets

- 2017 - > 70% exported
- Irish self-sufficiency increased - from 335% to 365% (2015-2017)
- Lamb price developments Ireland's export markets is critical

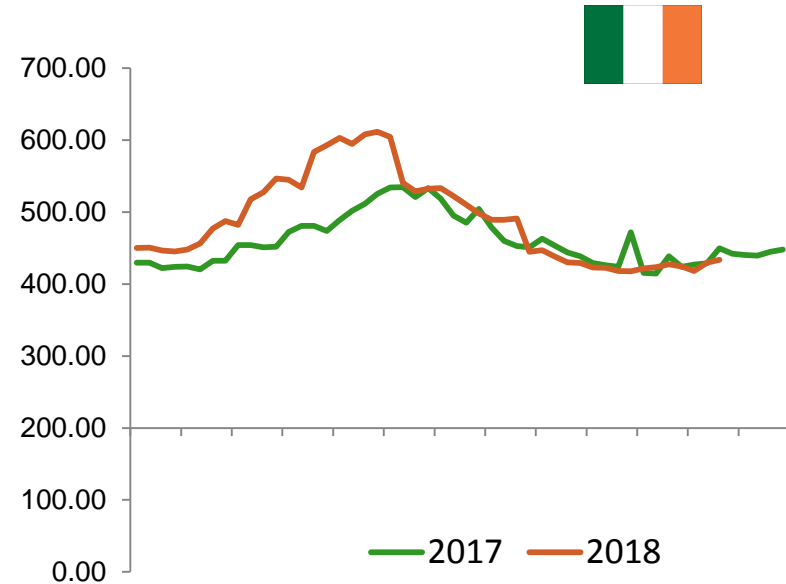
Source: OCED & Eurostat

Lamb Prices 2019

Evolution of Heavy Lamb prices in EU



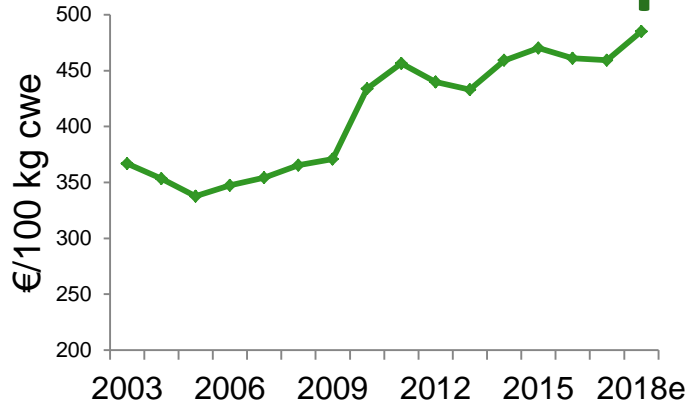
Heavy Lamb Price - Ireland



- EU sheep & lamb market - characterised by higher prices
- 2018 average prices - higher than in 2017
- Well ahead prices for the 5 year period (2013 to 2017)
- Up to June 2018 – lamb prices averaged > **10%** higher
- Expectation - average prices for 2018 significantly above 2017 prices

Source: DG-Agri-G3, Meat sector

Sheep meat prices - 2018



Sheep price 2003-2017, 2018 estimate

Global demand remained strong - supported international prices

- Stable EU S – Outlook EU Sheep meat Prices – EU D driven
- 2018 Prices European lamb - higher than in 2017 (particularly H1)
- Average lamb price in Ireland - remain higher – yr estimate 5.6 %

Global Sheep meat prices - Pronounced seasonal pattern

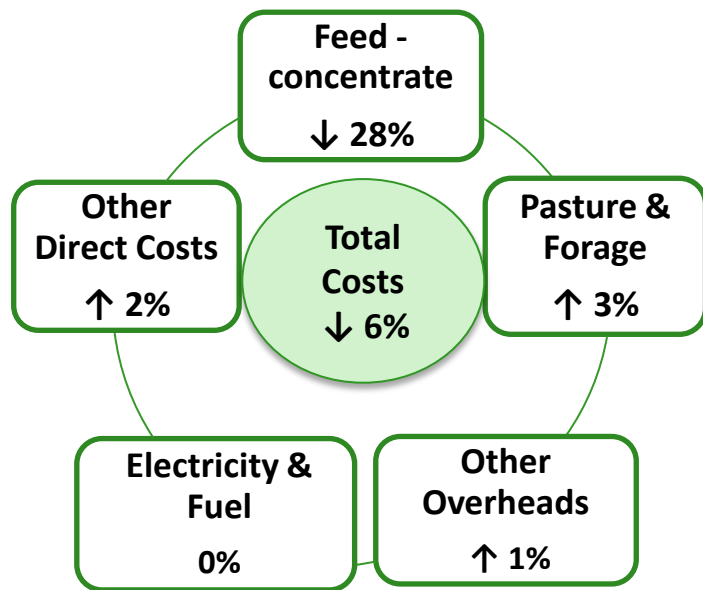
- + overall D development
- Growing pop. - lamb consuming societies
- Other factors ? Seasonal prices driven by religious holidays i.e Eid and **Easter**
- Time interval – important factor



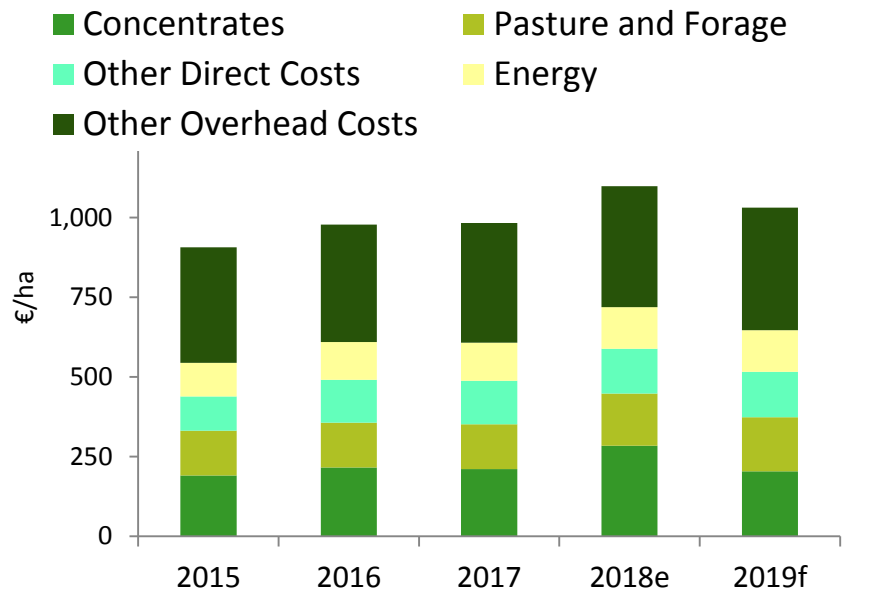
2019 Outlook



Sheep Input Costs – Outlook 2019



2019 costs per ha

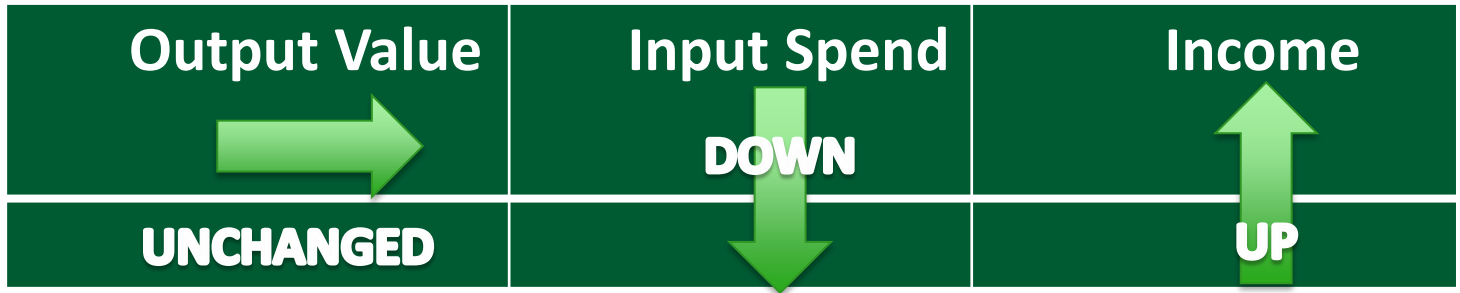
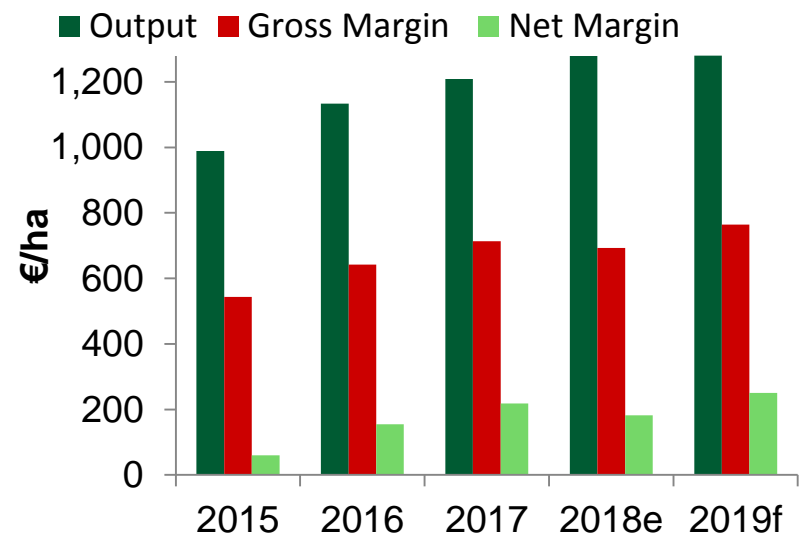
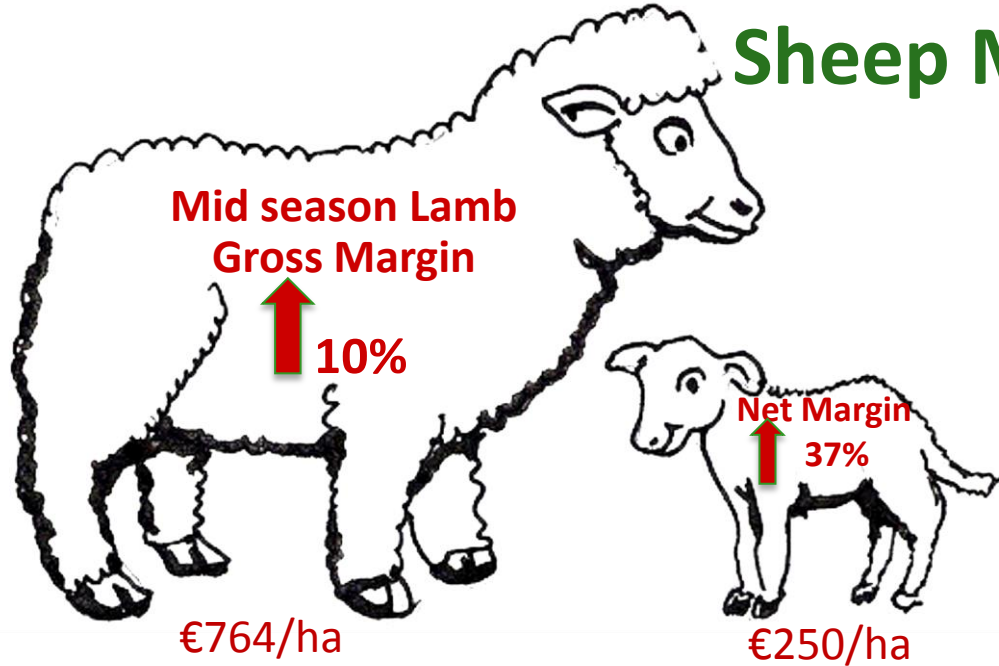


Average Sheep production costs 2015 – 2018e, 2019f

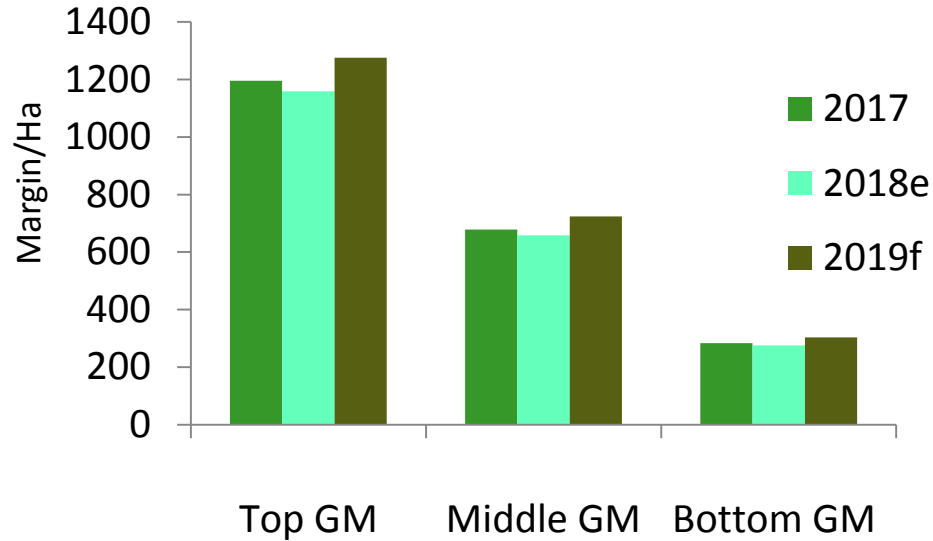
**Expenditure change relative to 2018
based on average mid season lowland lamb farm**

Source: Authors' estimate for 2018 and forecast for 2019

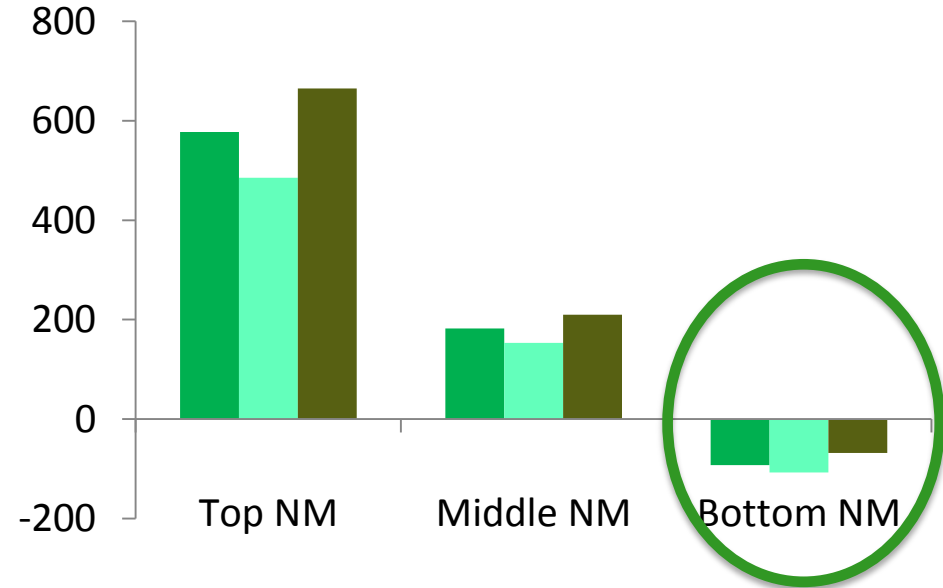
Sheep Margins – 2019 Forecast



Sheep Margins – 2019 Forecast – 3 groups



Gross Margin



Net Margin

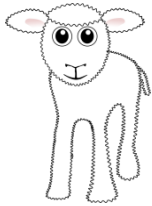
2019 – Forecast for Sheep



Stable EU market situation



3% increase in pasture and forage costs



Stable lamb prices - on par with 2018



6% decline in total costs



Feed use down 28%
Feed prices stable



Gross margins per hectare, on average €764/ha
Up 10%



2% increase in other direct costs



Net margins forecast to increase 37% - to €250/ha





Sheep Review and Outlook

Thank you



AGRICULTURE AND FOOD DEVELOPMENT AUTHORITY

The Irish Agriculture and Food Development Authority

A wide-angle photograph of a rural landscape at sunrise or sunset. The sun is low on the horizon, casting a warm, golden glow over the scene. Several cows are grazing in a lush green field in the foreground. In the background, there are rolling hills and a line of trees. The sky is filled with soft, wispy clouds, some of which are illuminated by the low sun. The overall atmosphere is peaceful and serene.

Dairy Review and Outlook

Trevor Donnellan and Emma Dillon

Outline

- 2018 review and 2019 outlook
 - Global and domestic perspectives
 - Production
 - Prices
 - Inputs
 - Dairy enterprise margins

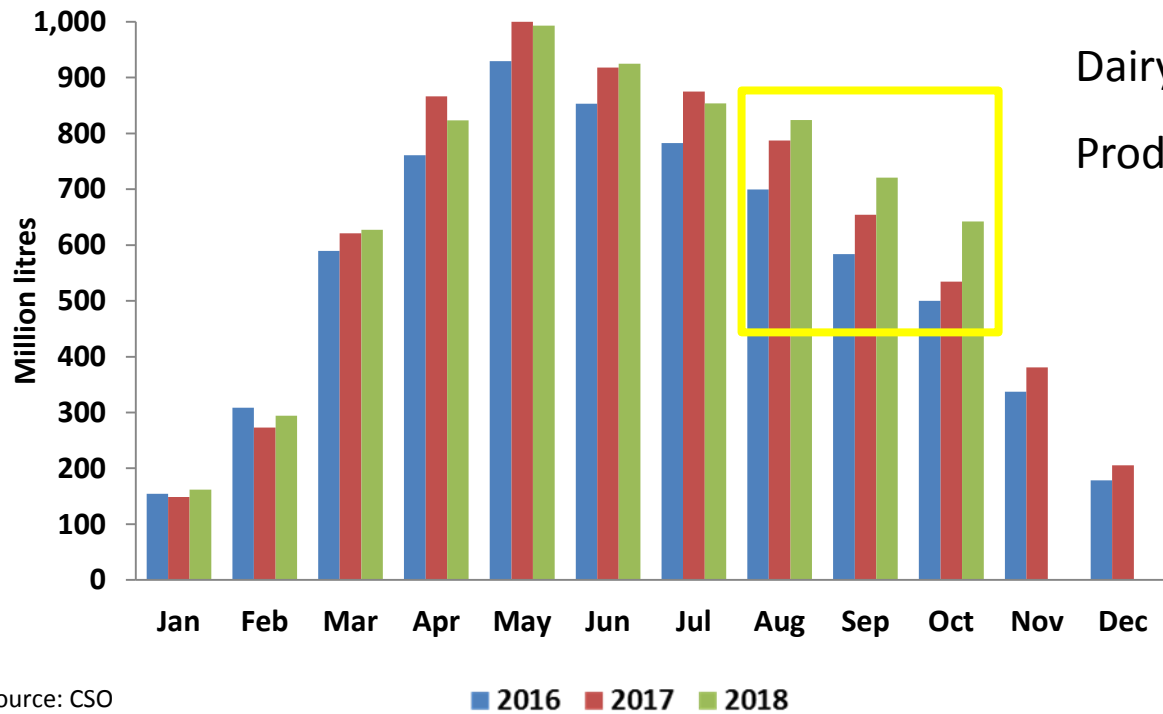


Weather woes in 2018

- Challenging conditions
 - Dramatic increase in feed use
 - Farm specific impact
 - Q4 production recovery
- Global picture
 - Moderate growth in dairy production continued
 - Reduced milk price
 - Some closing of the gap between fat and protein prices
 - Reduced butter price and improved SMP price



Irish Milk Production 2018



Dairy herd continues to grow \uparrow 3.5%
Production up 2.8% on Jan – Oct 2017

- Butter \uparrow 15.5% 2018
- Strong recovery in Q4
- October \uparrow 20% year-on-year

Source: CSO

Annual Change in Milk Production - key exporters

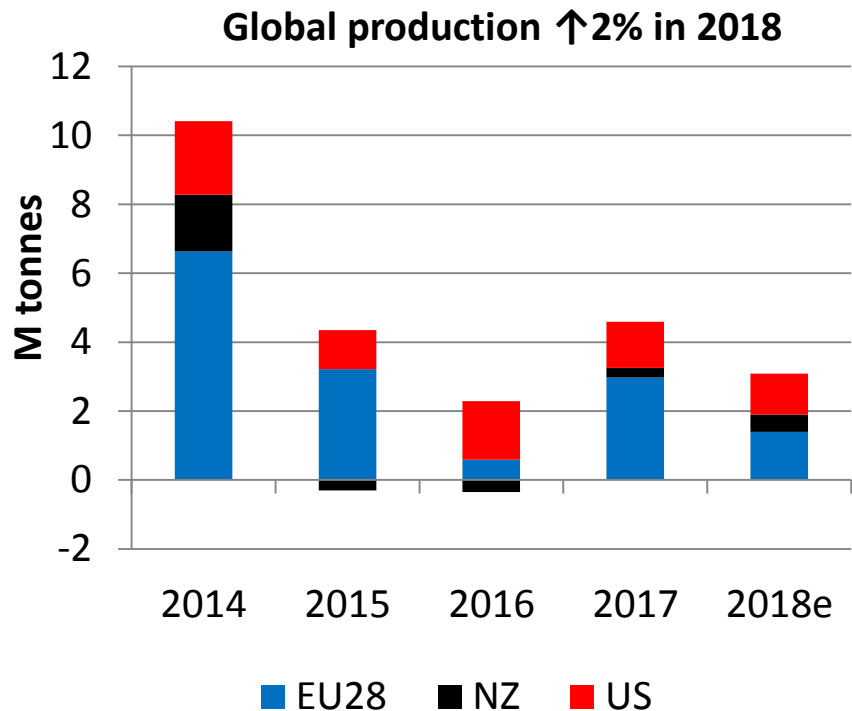
	2014	2015	2016	2017	2018
Mt					
EU28	6.63	3.22	0.59	2.97	1.40
NZ	1.65	-0.30	-0.35	0.28	0.50
US	2.13	1.13	1.70	1.34	1.19
Total	10.41	4.05	1.94	4.59	3.09



NZ signs of recovery after a slow start ↑2.5%

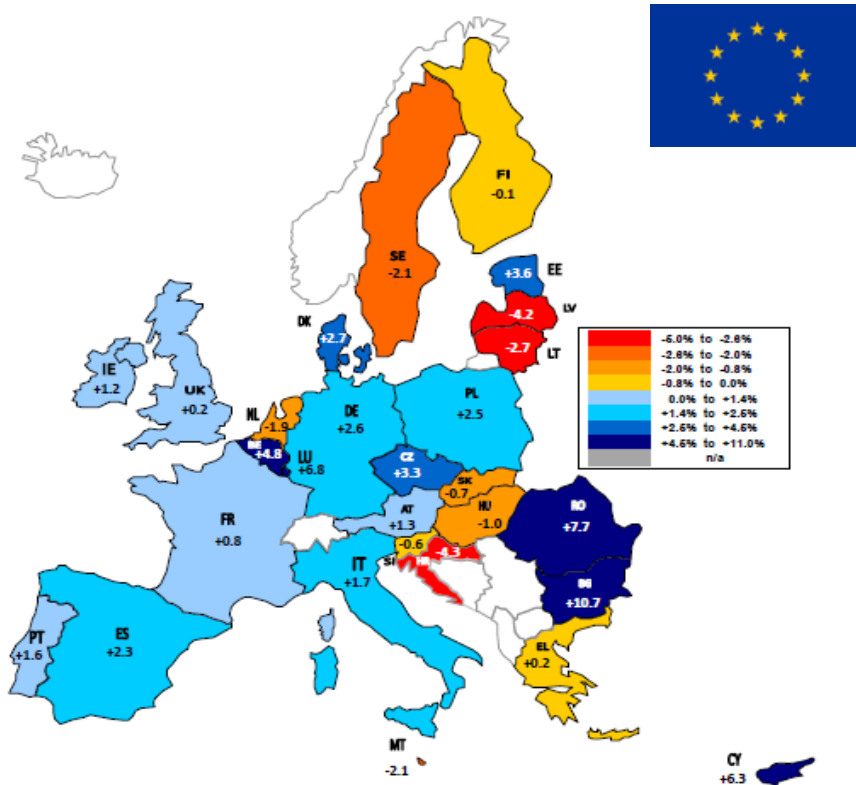


US mixed growth ↑1%



EU Milk Deliveries compared to last period (in %)

(Jan - Sep 2018 / Jan - Sep 2017)

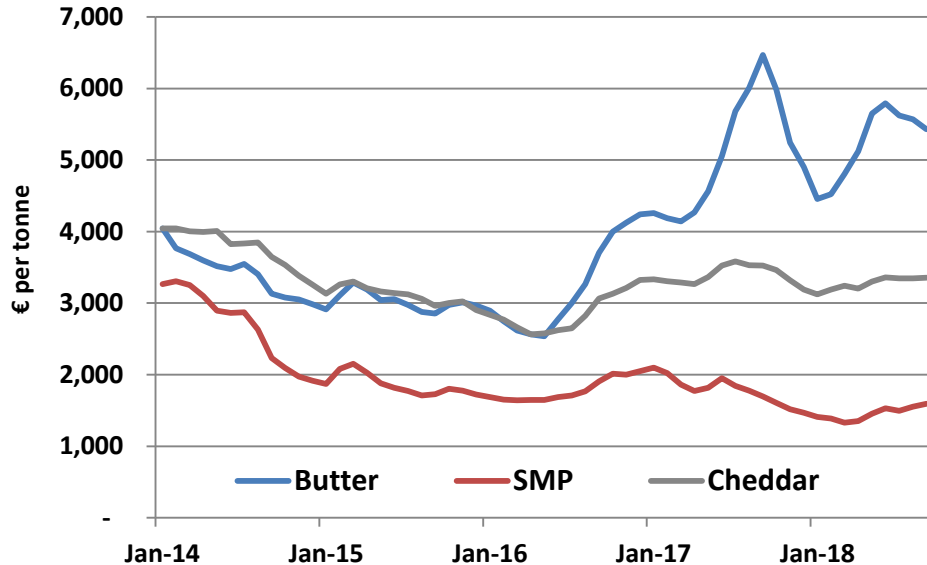


EU production 2018

- Impact of summer drought
- EU production growth continued \uparrow 1%
- Variability at MS level
- EU intervention stocks reduced by 100,000 tonnes in 2018

Dairy Product and Milk prices 2018

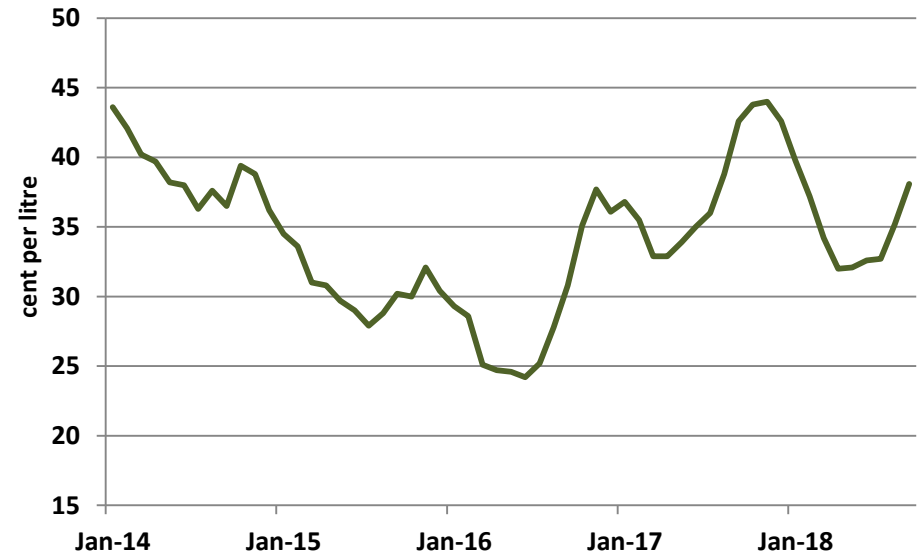
EU Dairy product prices



Source: USDA

- Gap closing between fat and protein prices
 - Butter prices remain high
 - Some recovery in powder prices

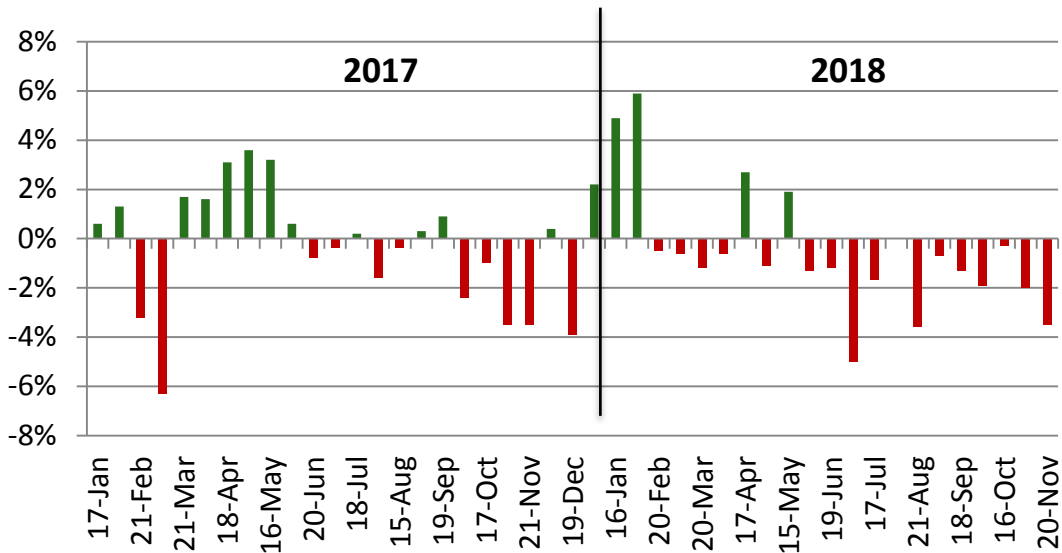
Irish producer prices



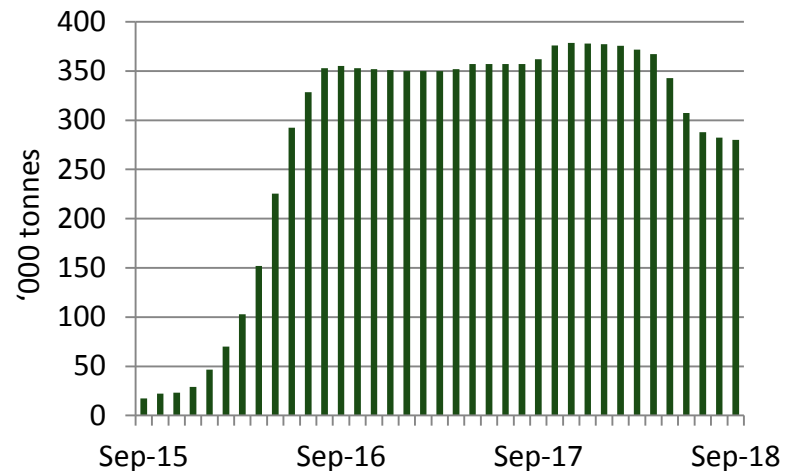
Source: CSO

- Average Irish milk price ↓7% in 2018
 - 34 cent per litre (actual fat and protein)
 - Improved during the year

NZ GDT Auction Index 2017/2018



Reduction in EU SMP intervention



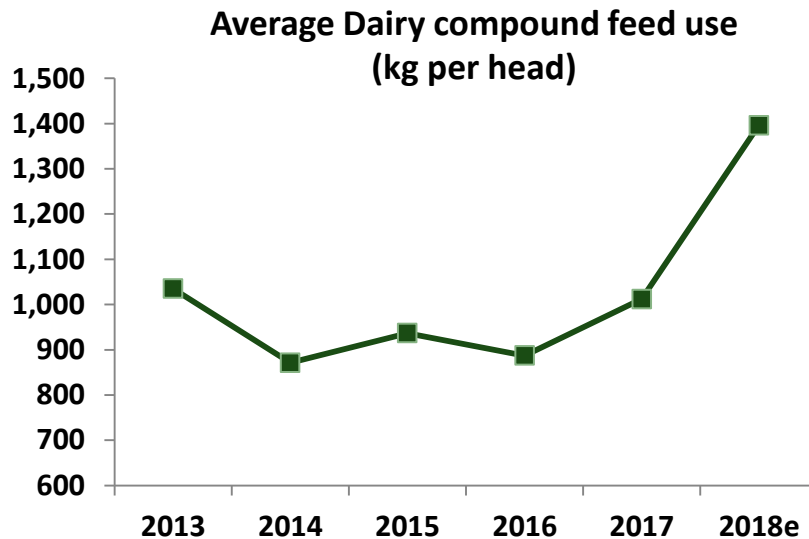
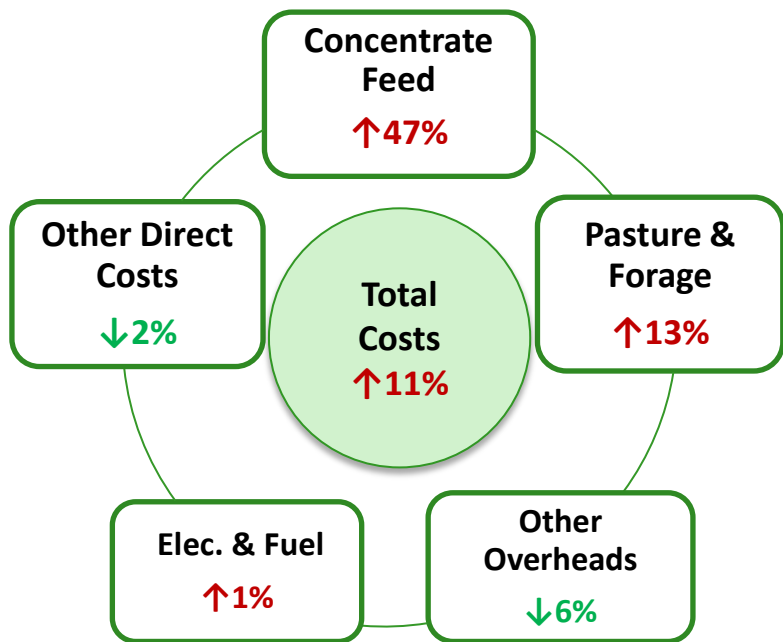
Source: EU Commission

Source: GDT Platform

- Slow and continuous downward trend from Q2 2018
- Reflective of negative sentiment in the market
- Global markets not well integrated

- Despite some improvement SMP price remains weak

Dramatic increase in Irish dairy feed use in 2018

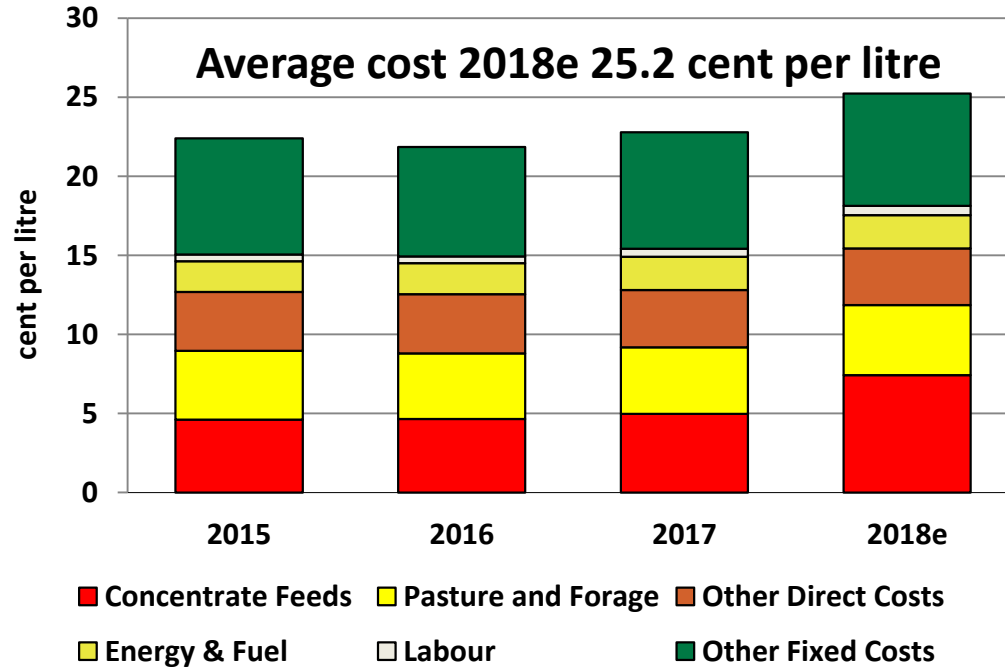


Source: DAFM

Costs per litre 2018e
Expenditure change relative to 2017
based on average farm with 3% expansion in 2018

Feed use varied greatly across farms in 2018
 - estimated to be up 38% on average to 1,396 kg per cow

Increased costs of production in 2018



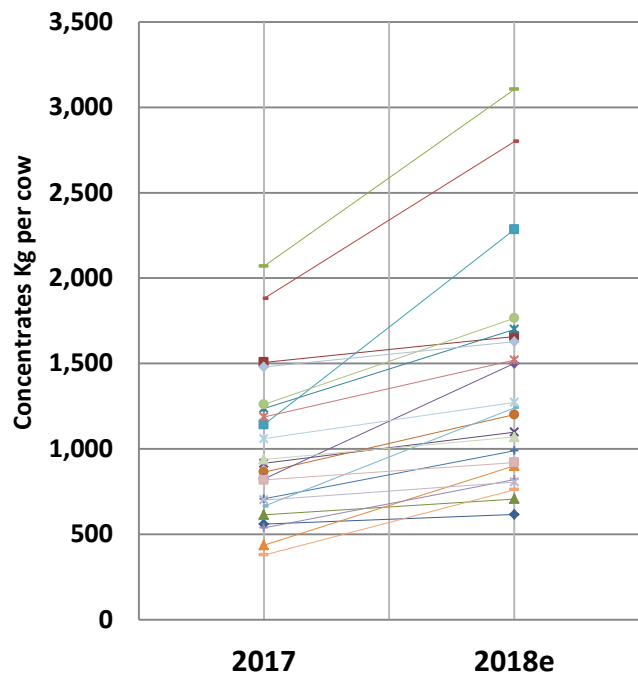
- Up from 22.8 in 2017
- Concentrate costs 7.4cpl
- Pasture and forage 4.4cpl



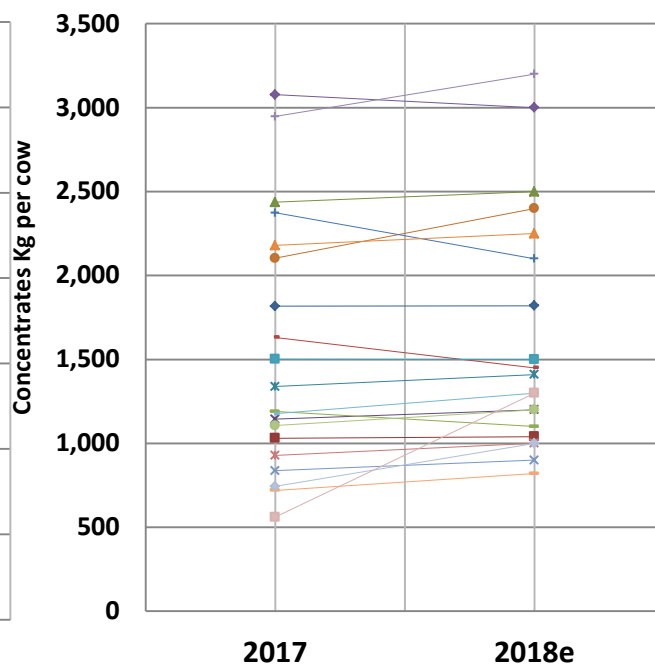
**Expenditure change (cent per litre) relative to 2017
based on average farm with 3% expansion in 2018**

2018 concentrate feed use on a sample of NFS farms

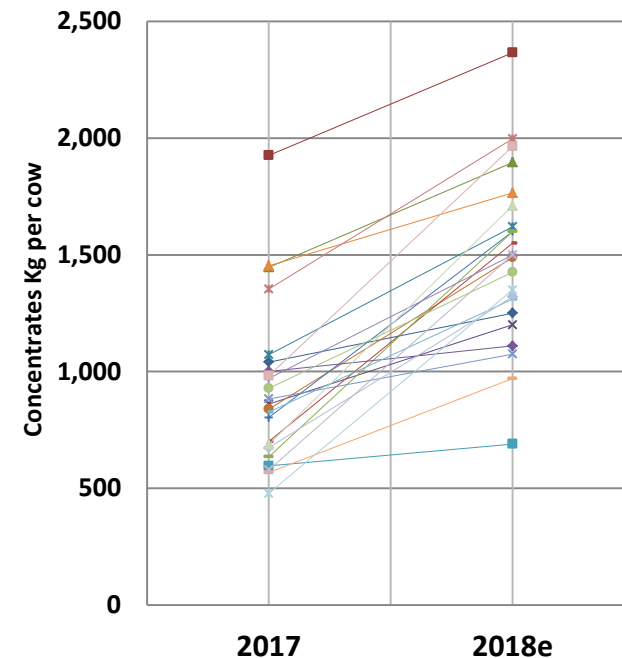
South



North & West

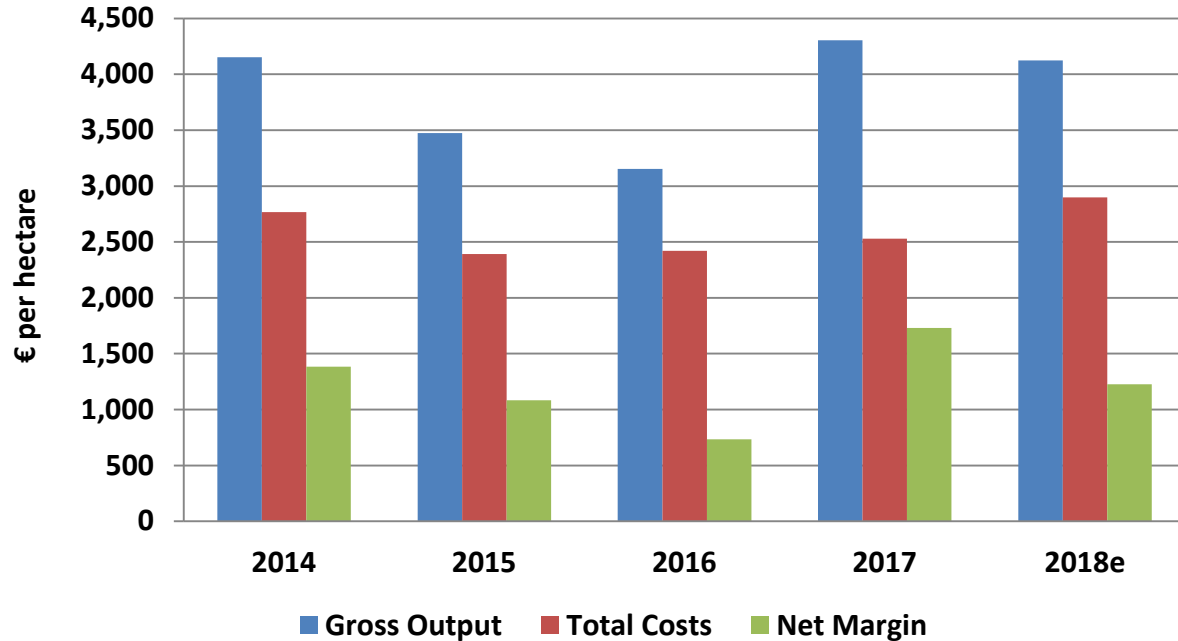


East & Mid.



Much variation across and within regions - highly farm specific

Net margin decline in 2018



Average net margin per ha. €1,227 in 2018

= 9.8 cent per litre, down 34% on 2017

Net margin per ha ↓ 29%

Gross output ↓ 4%

Costs ↑ 11%



Farm specific factors important

- Region
- Soil type
- Stocking rate
- Feed dependency

Dairy Summary 2018



Irish Milk Production
up 3% on the 2017 level



Feed Prices up 6% in 2018
Feed use up 38% per head



Irish Milk price
down 7% on the 2017 level



Total Costs per litre of milk
up 11% on the 2017 level



Weather Conditions
extremely challenging for much of the
year. South and East worst affected.



Net Margin for Dairy Enterprise
down 34% per litre on 2017



Dairy Outlook 2019

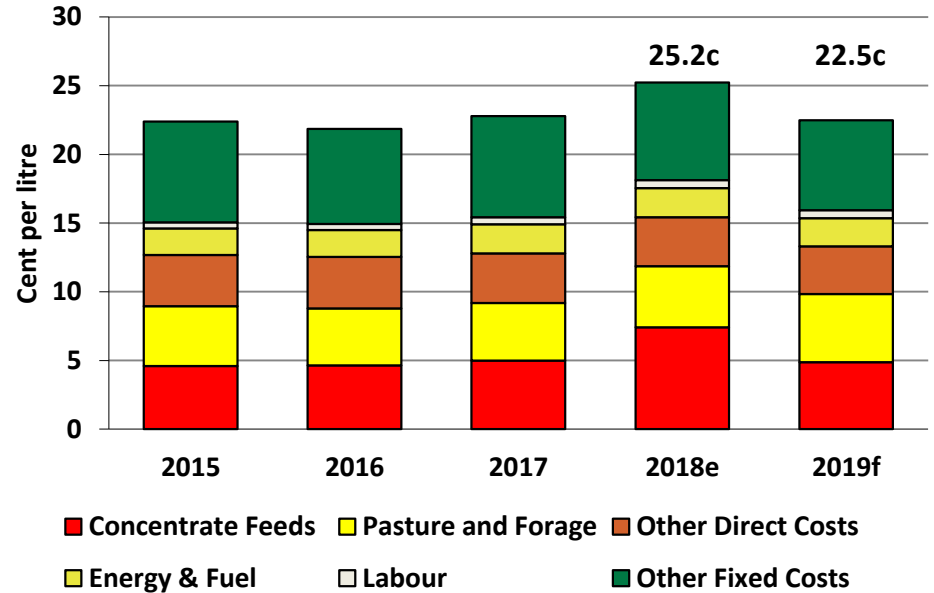
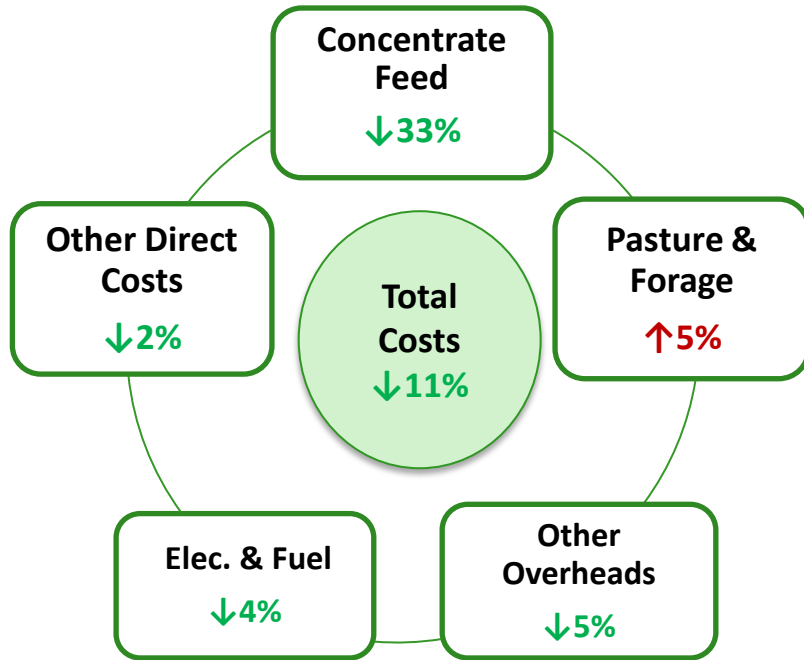


Dairy Outlook 2019

- Ireland
 - Production growth forecast +6%
 - Milk price likely to fall slightly -5%
 - Brexit uncertainty continues
 - Resilience to weather shocks important
- Dairy markets
 - EU supply may outpace demand
 - Better conditions in EU, NZ, Aus.
 - Feed prices a factor
 - No dramatic movement in prices



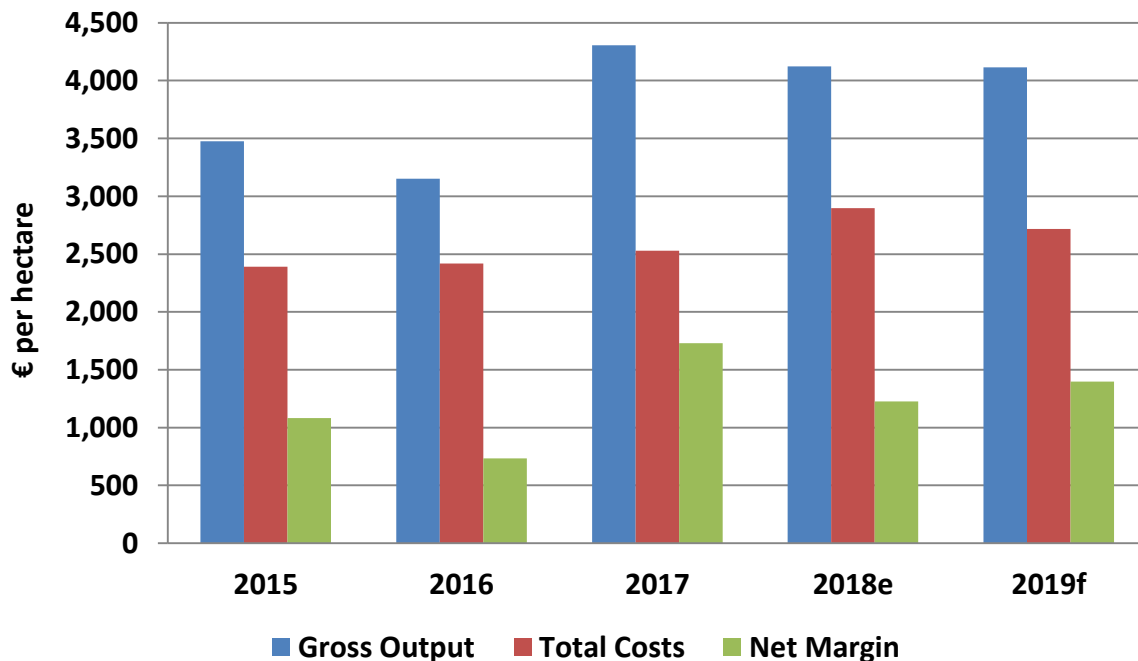
Dairy input costs forecast to fall in 2019



- Overall costs expected to return to 2017 level
 - Higher fertiliser prices but reversion of feed volumes to normal levels

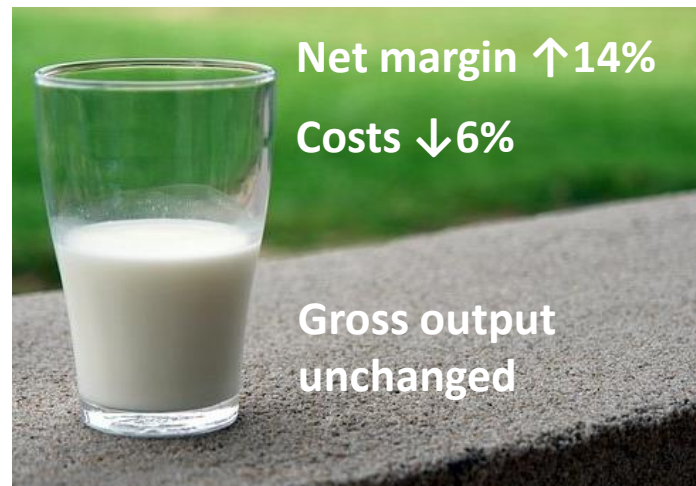
2019 costs per litre
Expenditure change relative to 2018
based on average farm with 6% expansion in 2019

Net margin forecast to improve in 2019



Average net margin per ha. €1,398 in 2019

= 10.8 cent per litre, up 10% on 2018



Production to increase by 6%

More milk at lower marginal cost

Normal weather assumed

Dairy Outlook 2019



Irish Milk Production
up 6% on the 2018 level



Fertiliser Prices up 16%
Fertiliser Use down on 2018



Irish Milk price
down 5% on the 2018 level



Feed Prices unchanged in 2019
Feed use down 30% per head



Grass Availability
assumed to be normal



Net Margin for Dairy Enterprise
up 10% per litre on 2018



Summary

- Difficult weather conditions in 2018
 - Dramatic escalation in feed expenditure on many farms
 - Decline in margins and income on average
 - Milk price fall less than expected – a cushion
- Return to normality in 2019
 - Higher output and lower costs
 - Some reduction in milk price
 - Macro, political and climate risks remain



AGRICULTURE AND FOOD DEVELOPMENT AUTHORITY

The Irish Agriculture and Food Development Authority



Outlook for Income

Trevor Donnellan

Measuring Income

Output

Value of Production
(Price X Volume)

-
Costs

Direct and Overhead Production Costs
(Price X Volume)

+
Supports

BPS, Areas of National Constraint,
Beef Genomics, AEOS, Organics, GLAS

=
Income

Return to Land, Labour and Capital



Key Points to Understand about Farm Income

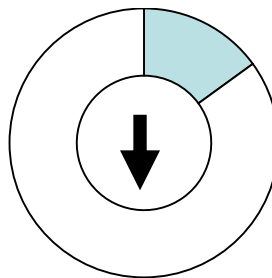
- Individual farms have multiple enterprises
 - i.e. a farm can produce multiple outputs
- **Margin analysis** focuses on a farm's **principal output**
- To calculate **Farm Income by Farm type**
 - Sum the margins from the enterprises
 - Add the value of decoupled supports



Income estimate for 2018

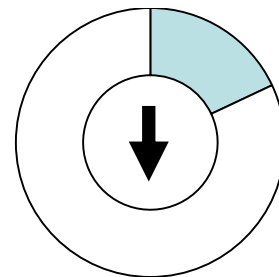
- **Output Prices**
 - Lower for milk and pigs
 - Stable for finished cattle
 - Higher for lamb, cereals and straw
- **Output Volume**
 - Cereal yields well down
- **Output Value**
 - Total output value down
- **Inputs**
 - Prices increase for feed, fertiliser, fuel
 - Volume increases for feed & fertiliser
- **Support payments**
 - Broadly in line with 2017 level

Average NFS Farm Income



Down 15%

Aggregate Sector Income



Down 18%

2019

Income forecast for 2019

- Output Prices

- Down for milk & cereals
- Stable for cattle & sheep
- Up for pigs

- Output Volume

- Volume to increase for milk, cattle, pigs & poultry

- Output Value

- Total output value up

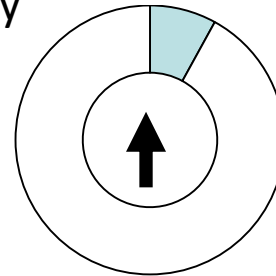
- Inputs

- Price increases for feed & fertiliser
- Volume reductions for feed and fertiliser

- Support payments

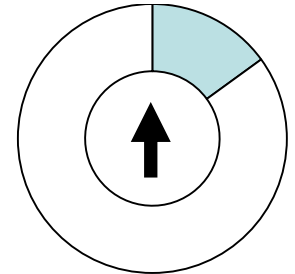
- Broadly in line with 2018 level

Average NFS Farm Income



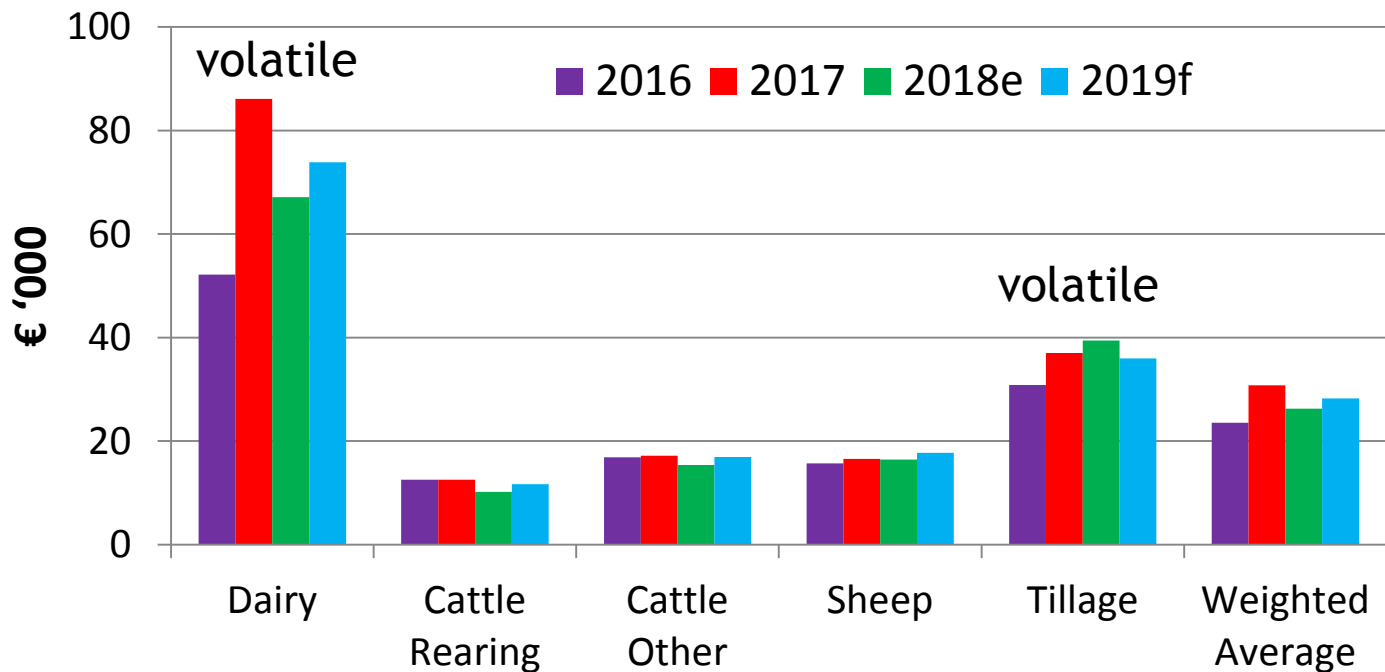
Up 8%

Aggregate Sector Income



Up 15%

NFS Family Farm Income 2016, 2017, 2018e & 2019f



NFS Family Farm Income

2016,2017, 2018e & 2019f

	2016	2017	2018e	2019f		2018 v 2017	2019 v 2018
			Euro			% change	% change
Dairy	52,154	86,069	67,113	73,863		-22%	10%
Cattle Rearing	12,516	12,529	10,175	11,670		-19%	15%
Cattle Other	16,853	17,199	15,412	16,902		-10%	10%
Sheep	15,708	16,586	16,433	17,756		-1%	8%
Tillage	30,840	37,028	39,431	35,714		6%	-4%
Weighted Average	23,573	30,779	26,244	28,259		-15%	8%



END