

DECEMBER 3RD 2024

# OUTLOOK 2025

Situation and Outlook for Irish Agriculture

## DAIRY

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# REVIEW OF 2024

Situation and Outlook for Irish Agriculture



# 2024 Dairy Review

- Global dairy markets

- Some recovery in supply
- Mixed demand
- Improved dairy product prices



- Irish Dairy sector

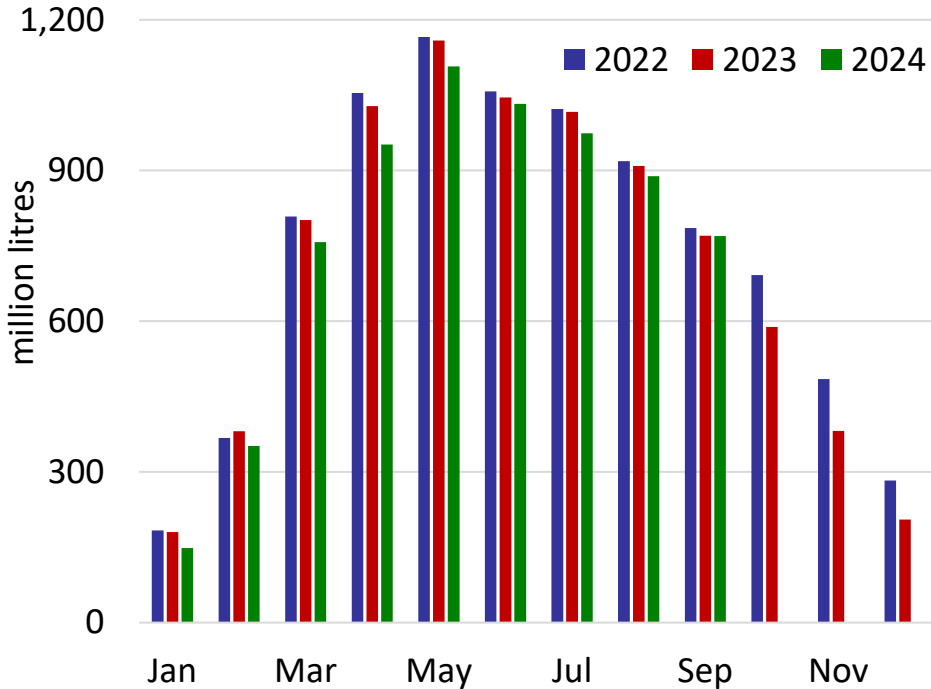
- Reduction in some input prices
- Some challenging production conditions
- Milk production below expectations but improved in H2
- Improving milk price and margins



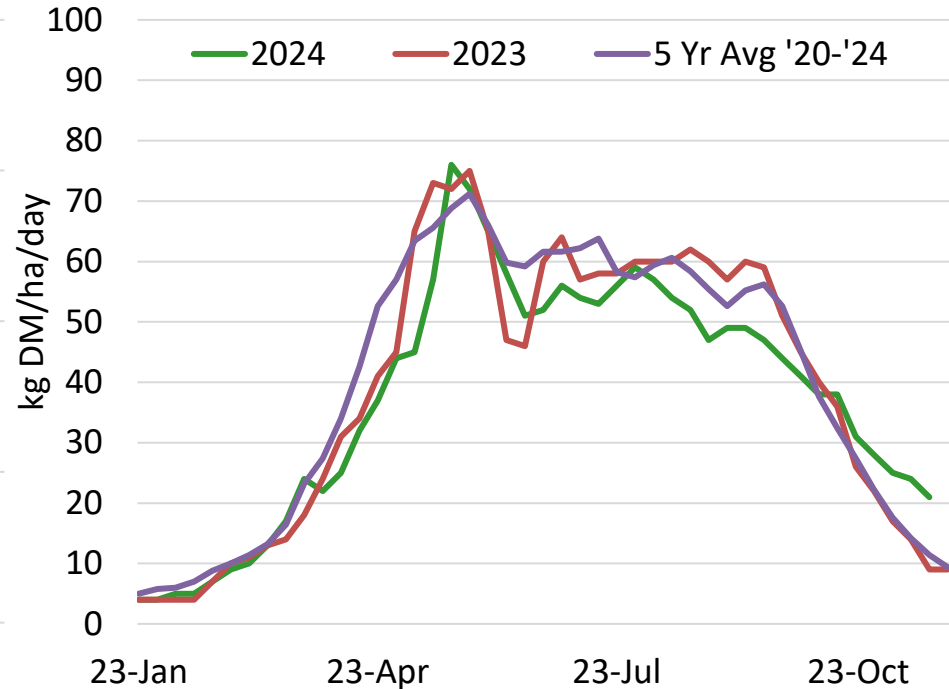
# Lower Irish Milk Production in 2024

Some recovery in H2 but production down 2%

Some challenging grass growth conditions



Source: CSO (2024)

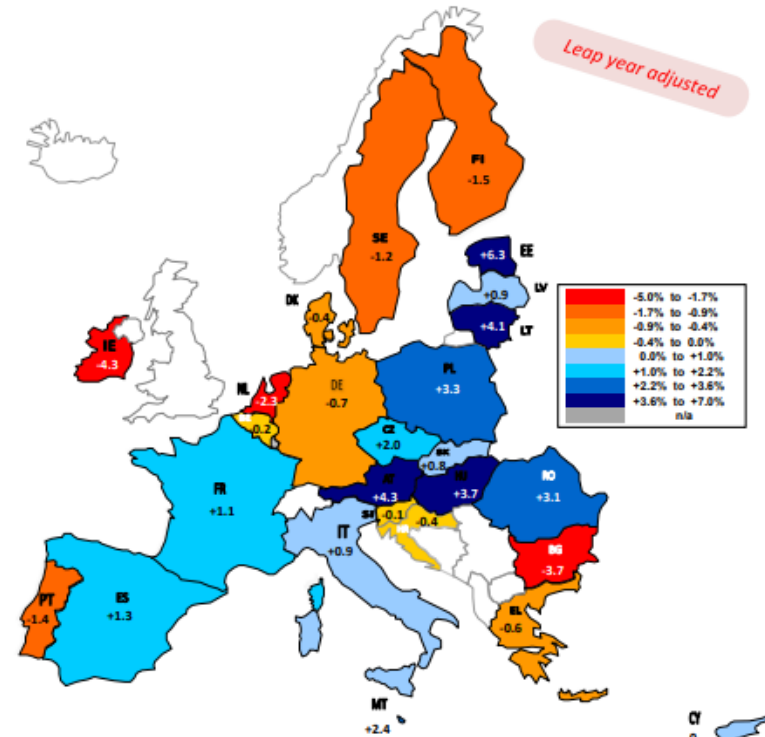


Source: PastureBase Ireland (2024)

# EU Milk Production Up Slightly in 2024

- Modest production increase
  - A year of two halves
  - Milk supply + <0.5% expected
- Production challenges across some MS
  - Significant decline in IE an outlier
  - Persistence of high cost environment
- Improvement in milk price across EU
  - Strong milk price growth in IE, DE, NL

Milk Deliveries Jan – Sept 2024 v 2023 (%)



Source: EU Commission MMO

# 2024 Production Recovery Across Key Global Exporters

Annual milk production change (Million tonnes)

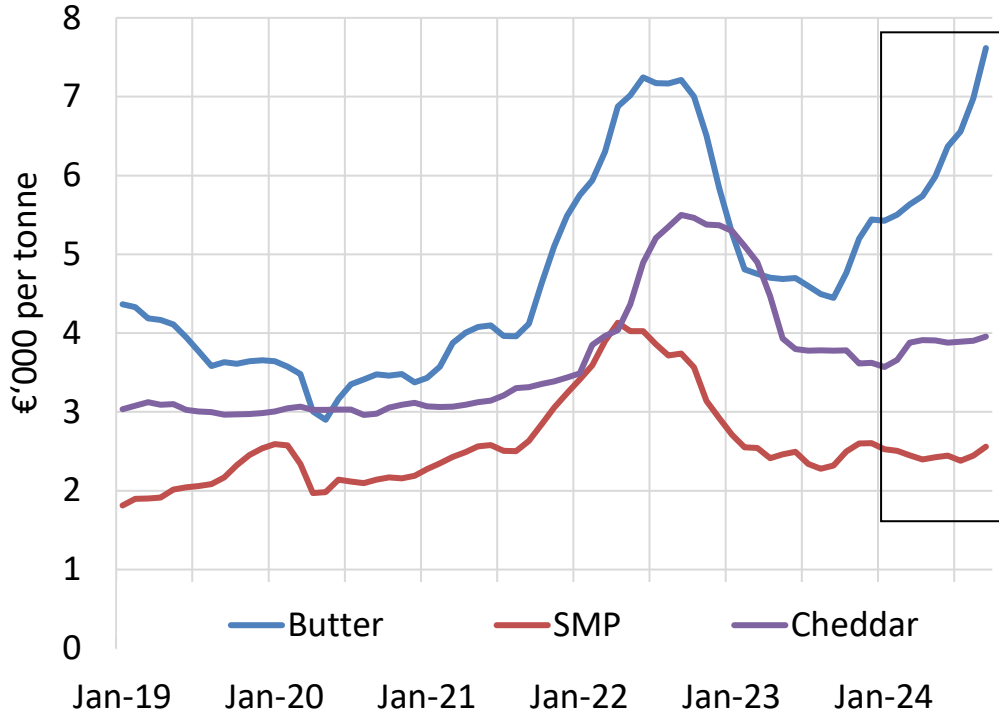
	2020	2021	2022	2023	2024e
<b>EU27</b>	1.71	0.26	0.02	-0.04	0.83
<b>NZ</b>	0.09	0.02	-0.83	0.19	0.50
<b>US</b>	2.19	1.38	0.09	-0.04	0.00
<b>AUS</b>	0.25	-0.03	-0.53	-0.07	0.22
<b>ARG</b>	0.77	0.44	0.05	-0.28	-0.81
<b>Sum</b>	5.01	2.07	-1.2	-0.24	0.74

- General return to growth
- Driven by H2 performance
- Challenges e.g. weather, disease
- Some reduction in costs
- Improved margins
- Production slowing in China

Source: Eurostat, DCANZ USDA and author estimates

# Upward Movement in Dairy Product Prices 2024

## EU Dairy product prices 2019 - 2024



- Sharp rise in Butter price +35%
  - Strong demand, limited supply
- SMP more stable across the year
- Cheddar price slower to recover -5%
- Some reduction in EU exports

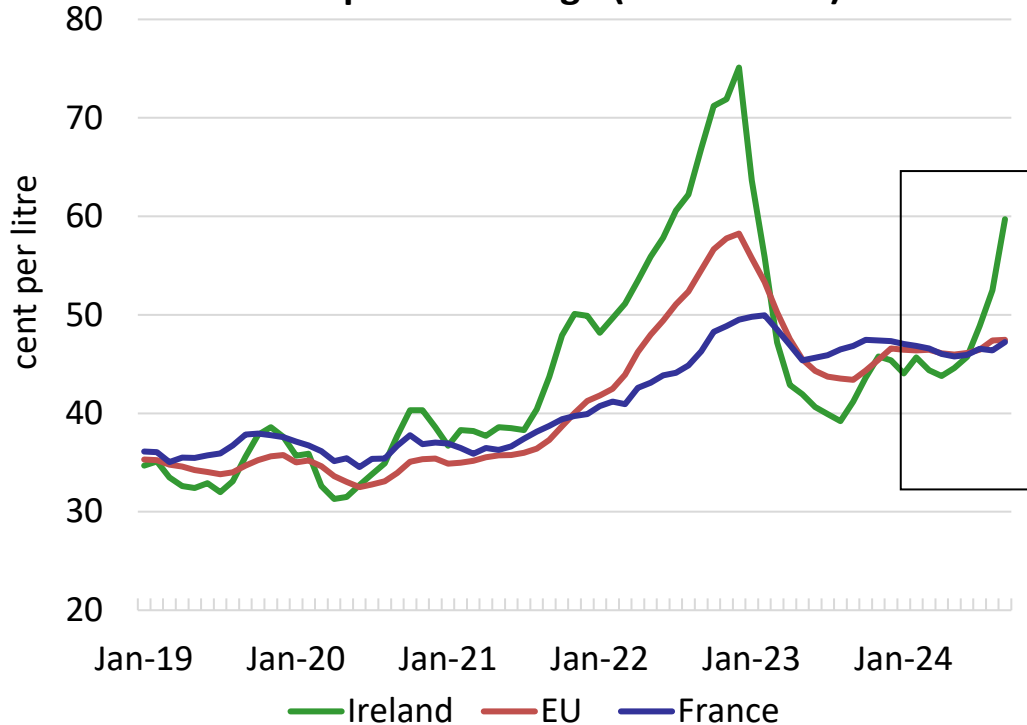


Source: MMO



# Strong Improvement in Irish Milk Price in 2024

Raw milk price - average (2016 - 2024)



- Avg. Irish milk price +15% YOY
- ~49.7 cpl (act. fat and protein)
- Stronger Irish price recovery
  - Tighter international market
  - Butter price important determinant
  - Volatile commodity market

Source: CSO

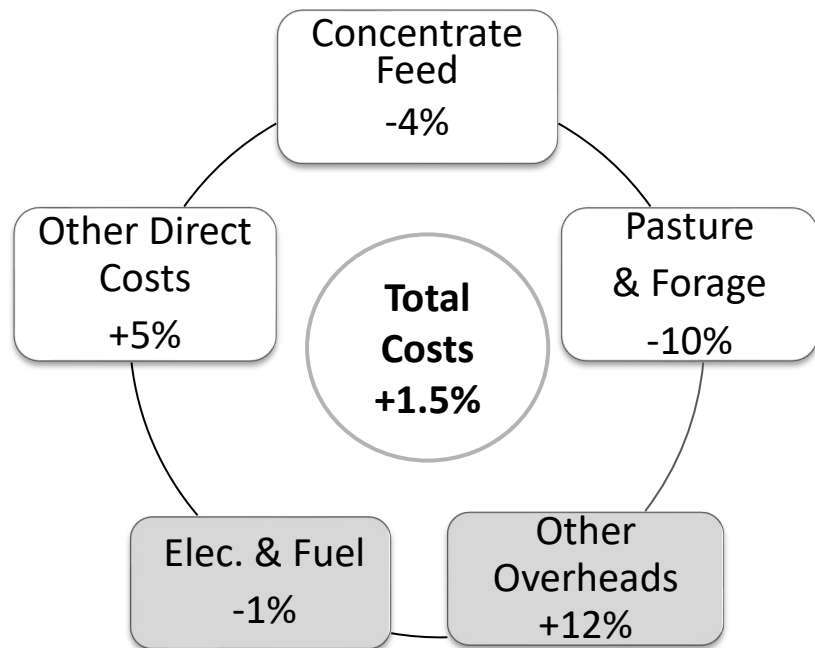
# Dairy enterprise analysis



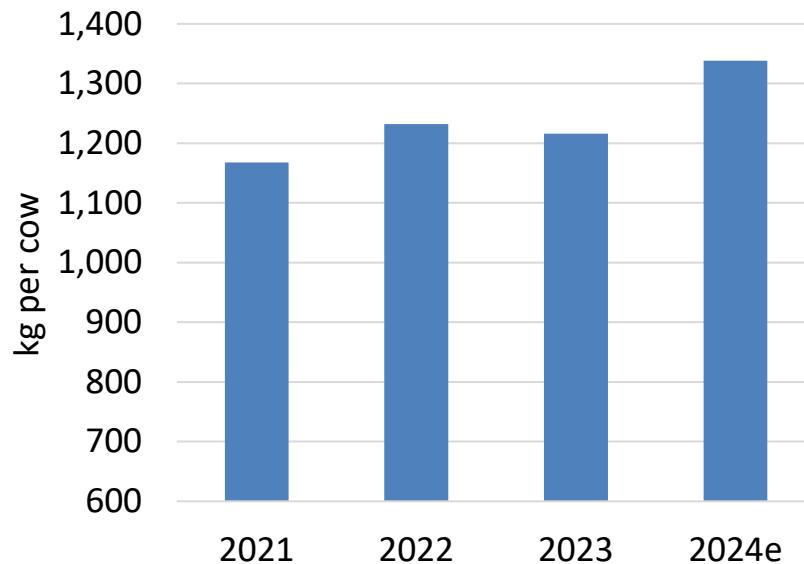
# Costs Remained Elevated in 2024

## Costs per litre 2024e

Expenditure change relative to 2023



## Average Dairy Compound Feed Use (kg per head)



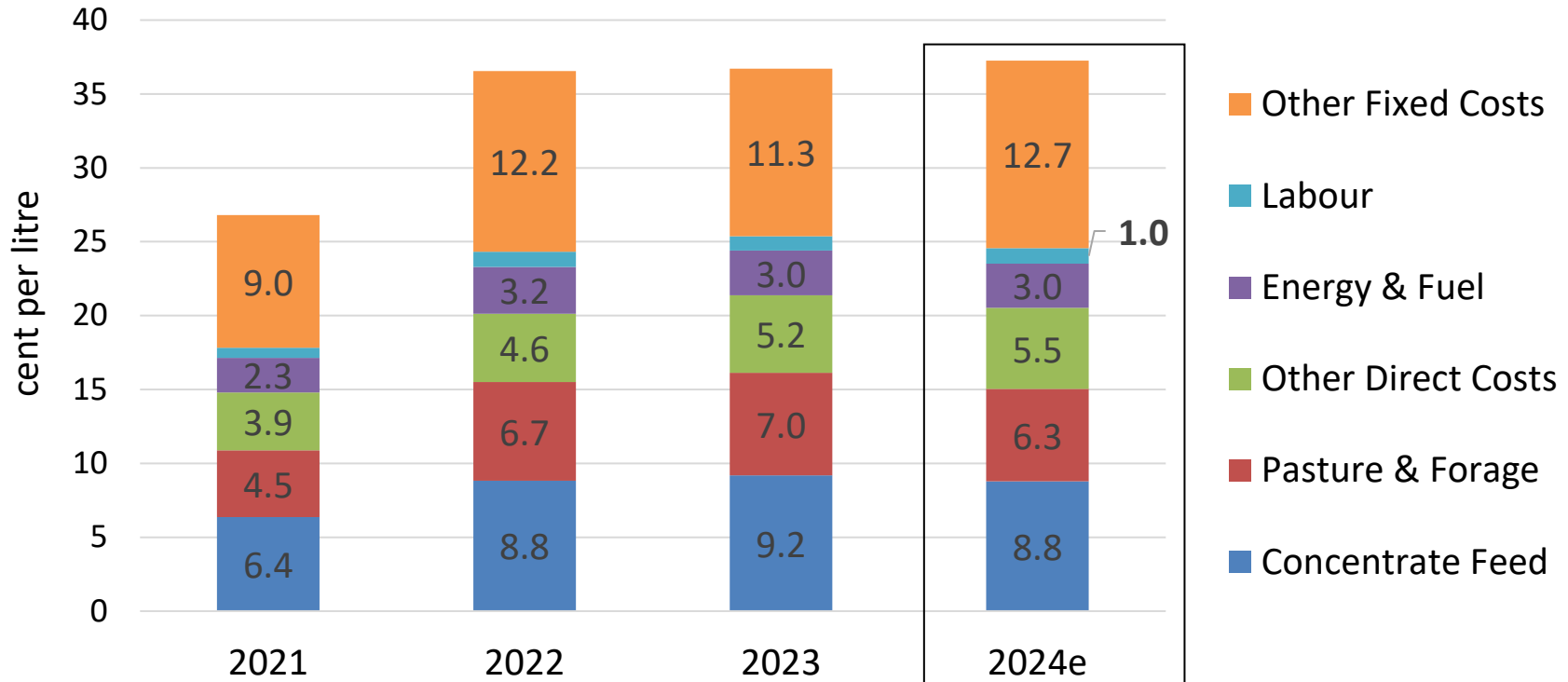
2024e feed use up 10% to 1,338 kg per cow

Source: Teagasc NFS data and Authors' estimate for 2024

\* Assume 2% reduction in farm milk production

# 2024 Production Costs In Line With Recent Years

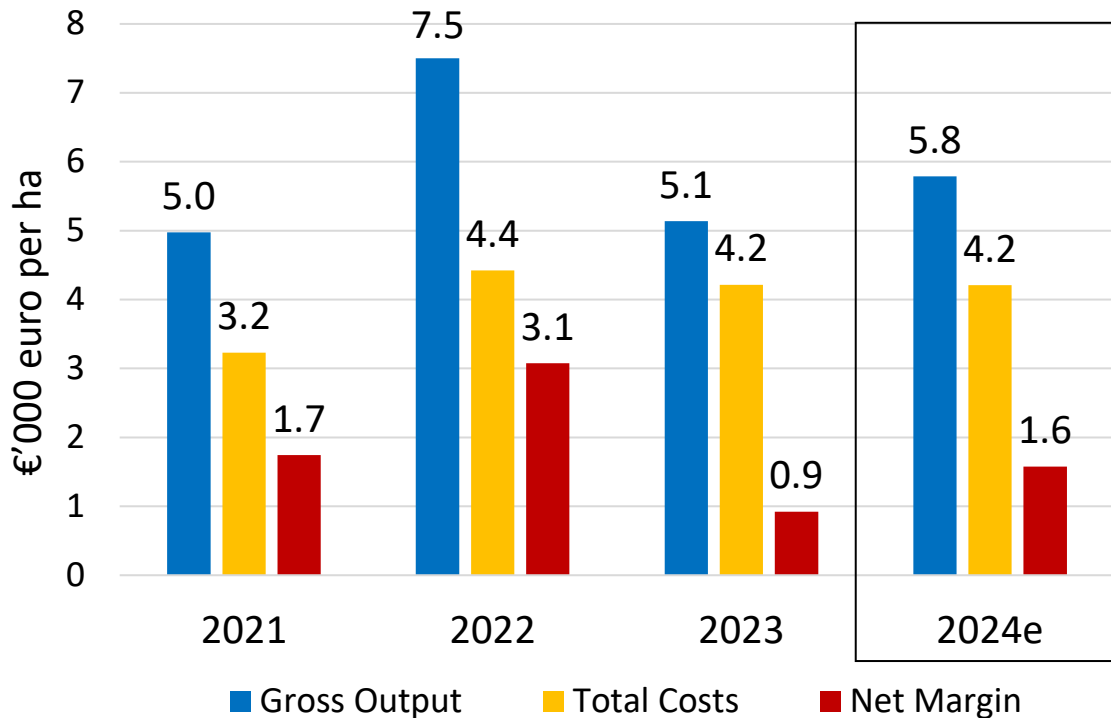
Average Cost of Milk Production per Litre 37.3cpl (2024)



Source: Teagasc NFS data and Authors' estimate for 2024

# Net Margin Improvement in 2024

Average net margin per ha. €1,580 (2024e)



- Gross output per ha +13%
- Total Costs per ha unchanged
- Net margin per ha +71%
- Net margin per litre +84%  
(13.3 cpl average)

Source: Teagasc NFS data and Authors' estimate for 2024e

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# OUTLOOK FOR 2025

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# Positive Dairy Outlook for 2025



- **Global dairy markets**

- Uncertain economic outlook - geopolitical & trade tensions
- Some supply growth expected across main exporters
- Modest improvement in prices anticipated for year as a whole

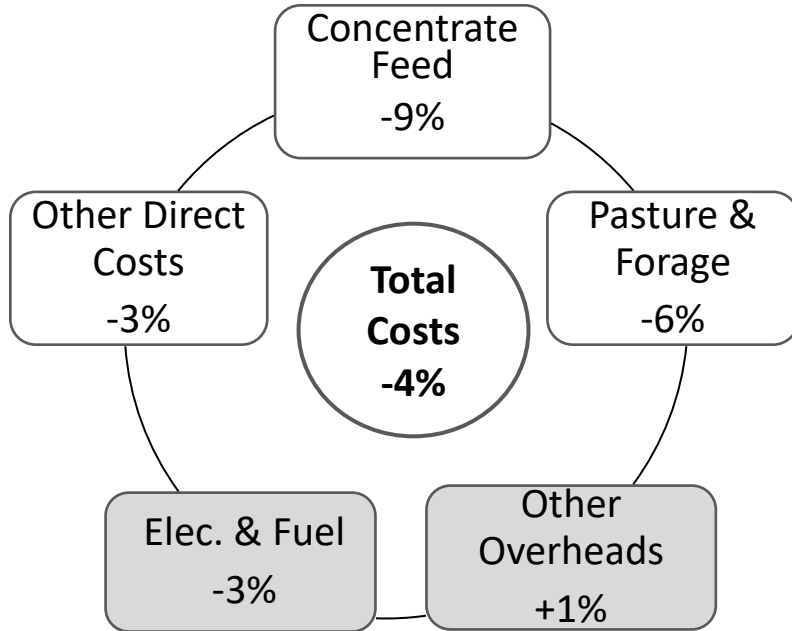
- **Irish dairy sector outlook**

- Irish milk price forecast to be remain strong ~52 cpl (act. const. vat incl.)
- Production volume forecast to recover (+4%)
- Some respite in production costs expected

# Some Easing in Input Cost Pressures in 2025

## Costs per litre 2025f

Expenditure change relative to 2024



- Some cost savings expected
  - Decrease in feed usage and cost
  - Fertiliser prices will continue to fall
- Other costs remaining relatively stable
- Overall costs to remain high (~36 cpl avg.)



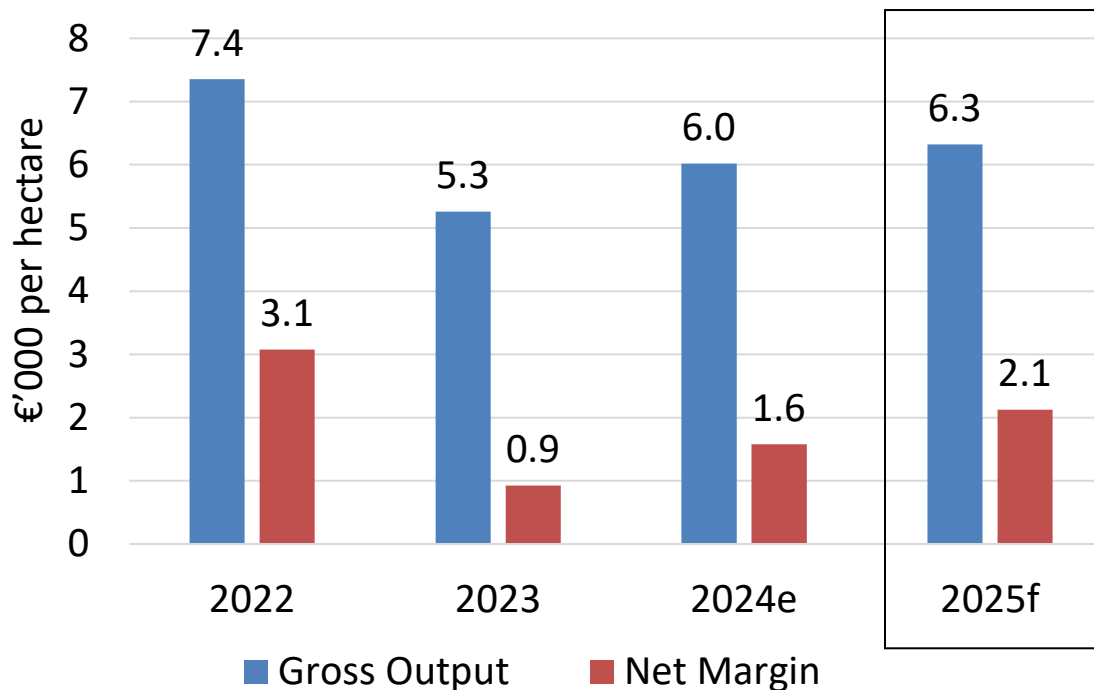
Source: Teagasc NFS data and Authors' forecast for 2025

\* Assume 4% increase in farm production



# Production Recovery and Improved Net Margin in 2025

Average net margin per ha. €2,130 (2025f)



- Normal weather assumed
  - Gross output per ha +9%
  - Net margin per ha +35%
  - Net margin per litre +29%
- (17 cpl average)



Source: Teagasc NFS data and Authors' forecast for 2025

# Overall Dairy Summary

- 2024 – Recovery in dairy commodity and milk prices but reduced production
  - Impact particularly strong in terms of Irish milk prices
  - Elevated cost environment remained
  - Increase in average net margin following a difficult 2023
- 2025 forecast – more uncertain given geopolitical and trade tensions
  - Continued upward movement in international dairy product prices expected in H1
  - Generally a disproportionate improvement in Irish farmgate milk price
  - Some easing in terms of input expenditure
  - Challenges remain e.g. potential changes to nitrates derogation problematic for some

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# THANK YOU

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