



**AGRICULTURE AND FOOD DEVELOPMENT AUTHORITY**



# Review and Outlook Inputs and Crops



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# Overview

## ■ 2022 Inputs and Crops

- Where we are now in terms of the farm gate
  - » Input costs, yields, price, gross and net margin



## ■ 2023 Inputs and Crops

- Where we are going in terms of the farm gate
  - » Input costs, yields, price, gross and net margin



# Inputs Review and Outlook





# Inputs 2022 (Price > volume change)



## Fertiliser

### Price

+ 155 / +195 %

### Volume

-14/26/24% NPK  
in aggregate



## Fuel

### Price

+80% green  
+40% white  
farm gate



## Electricity

### Price

+ 44%



## Feed

### Price

+ 28%

### Volume

+ 3% in  
aggregate



## Total Costs



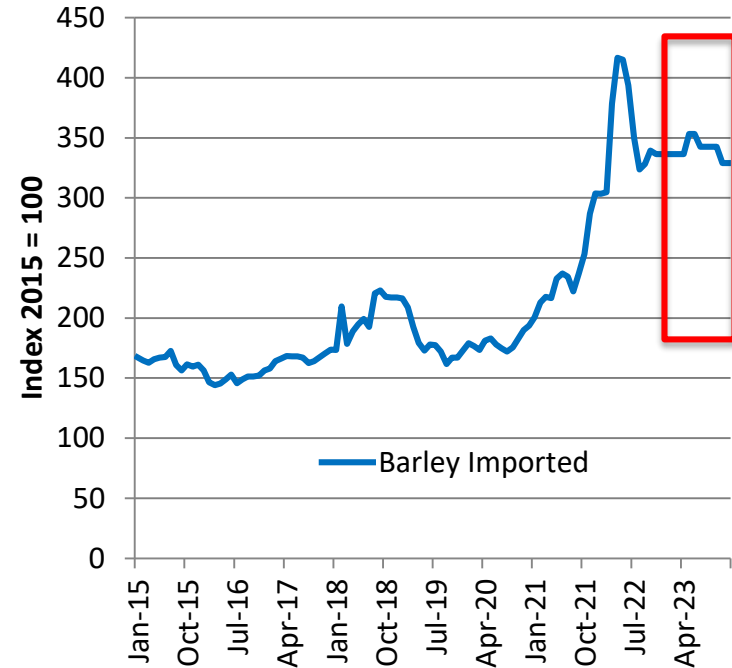
Sector specific



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# 2023 Input Story: Mixed input price story

Feed: More price increases on top of 2022



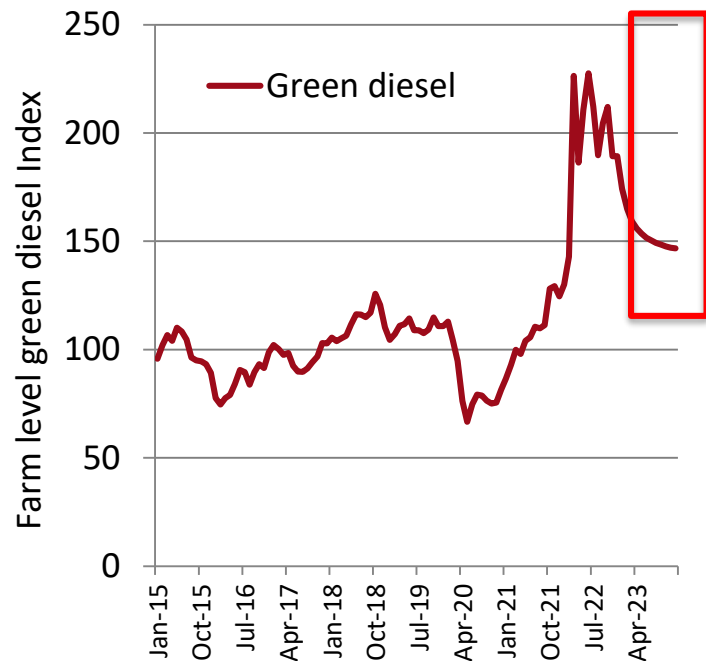
- **Feed price is a tale of two halves**
  - » Increase in H1 2023 compared to same period of 2022
    - 'Hangover' from 2022 harvest price increases
  - » Decrease in H2 2023 compared to same period of 2022
    - Still much production uncertainties
- **10 percent increase for the year**
  - Remember it is an annual average price
- **Feed volume: No change**
  - » Due to feed price story

Source: CSO and Author's estimates



# 2023 Input Story: Mixed Input Price Story

Fuel: Price decreases in 2023 for the full year

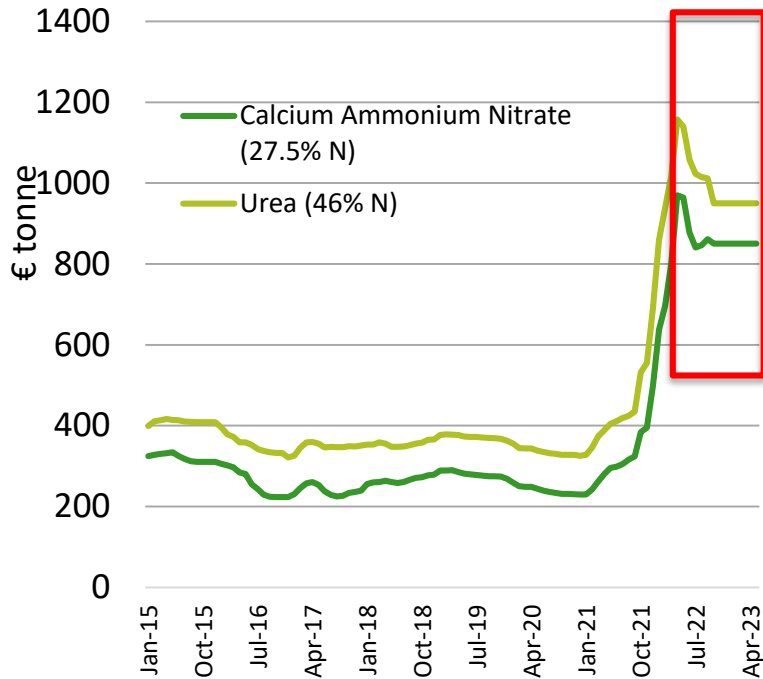


- **Fuel: price decreases in 2023 for the year as a whole**
  - Brent crude oil 13% decrease in Euro terms
- **Account for price transmission at the farm level**
  - » Green diesel 18% decrease in 2023 at farm level
  - » Motor fuel index 14% decrease in 2023 at farm level
  - » Sector specific price decreases take usage into account

Source: CSO and author's estimates

# 2023 Input Story: Mixed Input Price Story

Fertiliser: Much uncertainty, but much less inflation in fertiliser price, if any, in 2023



- **Prices for N appear to have reached their peak**
  - Reflecting fuel price changes
  - Remember fertiliser purchasing patterns
  - Assumption: no price declines until after first cut silage
- **Nitrogen based products for grassland**
  - Urea prices unchanged in 2023 v. 2022, annual average
- **Nitrogen and compounds on tillage land**
  - Timing of purchase is important
  - P and K, less volatile than N
  - Overall, likely +10% in 2023

Source: CSO and authors' estimates

# Inputs 2023 (Much less price pressure)



## Fertiliser

### Price

No change on Urea

### Volume

No change



## Fuel

### Price

↓ - 14 to 18 %  
at farm gate



## Electricity

### Price

↑ Plus 30%



## Feed

### Price

↑ + 10%

### Volume

No change



## Total Costs

↑ Single digit  
but sector  
specific

# From Inputs Summary to....Crops

- **Inputs summary**

- For 2023 much smaller price changes overall
  - Remember – annual average
- Downward pressure on
  - Fuel and perhaps fertiliser as the year progresses??
- Still upward pressure on prices
  - Feed, seed and crop protection

- **Implications**

- Sector specific story in inputs for 2023

- **Begin with margin story for crops**

- Given the importance of feed for other sectors



# Crops Review and Outlook



# 2022 – Positive Income Story for Cereals



In general, increase in crop yield per hectare



Approx. 55% increase in direct costs



Winter cereal area increase



34% increase in gross margin



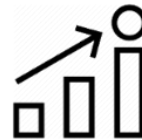
4% increase cereal production



Approx. €235 per ha increase in cereal net margins



Over 40 % increase in cereal prices

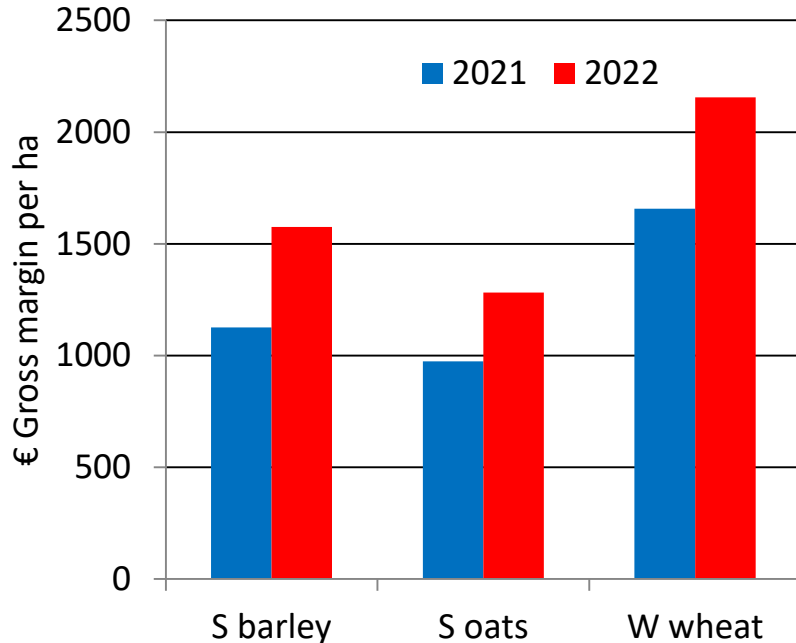


90 % of cereal farmers earn positive net margin



# 2022 – A Positive News Story for Cereals

Average 34% increase in gross margins for cereal crops in 2022

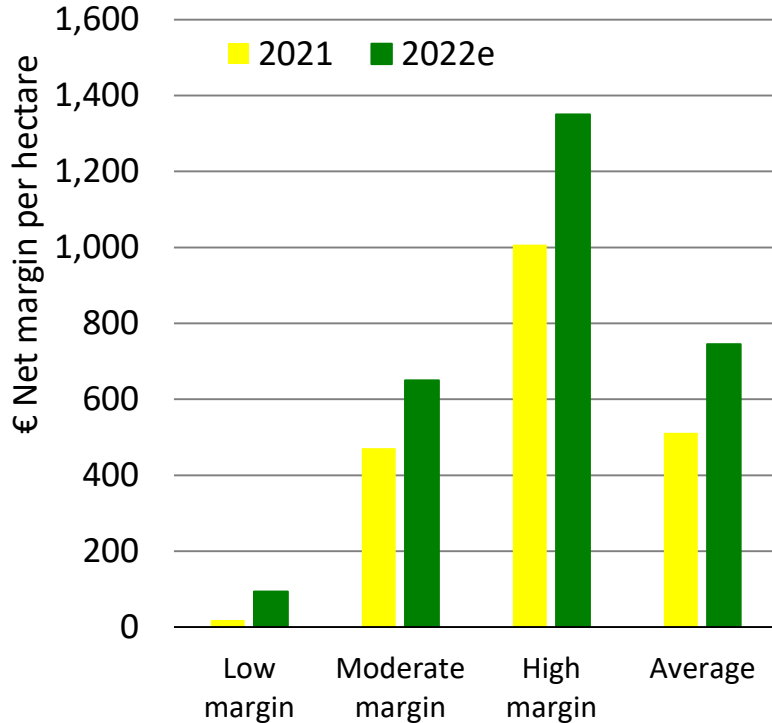


- Increase in yield, price, moisture bonuses, and Straw Incorporation Measure (SIM)
- Remember 2021 margins were extremely high
  - Spring barley: Up €450 per hectare
  - Winter barley: Up €235 per hectare
  - Winter wheat: Up €500 per hectare
  - Variability around margins

Source: Teagasc, NFS and authors' estimates

# 2022 – A Positive News Story for Cereals

€235 per hectare increase in net margin in 2022

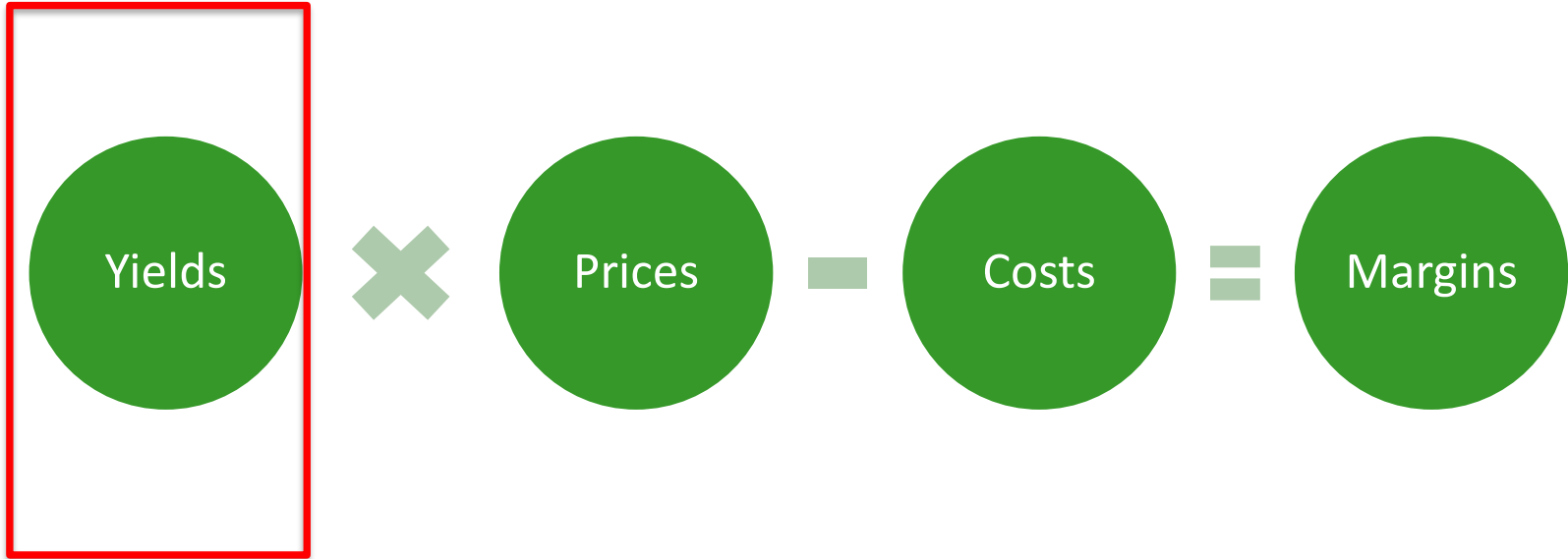


- **Average cereal based enterprise on specialist tillage farms**
  - Net margin
  - SIM taken account of in FFI
- **90% earn a positive net margin in 2022**
  - Average = €745 per ha.
  - High margin farms = €1350 per ha.
  - Low margin farms = €95 per ha.





# 2023 – The Calculations





# 2023 Production To Increase Very Slightly

Very slight increase in EU production potential in 2023 forecast

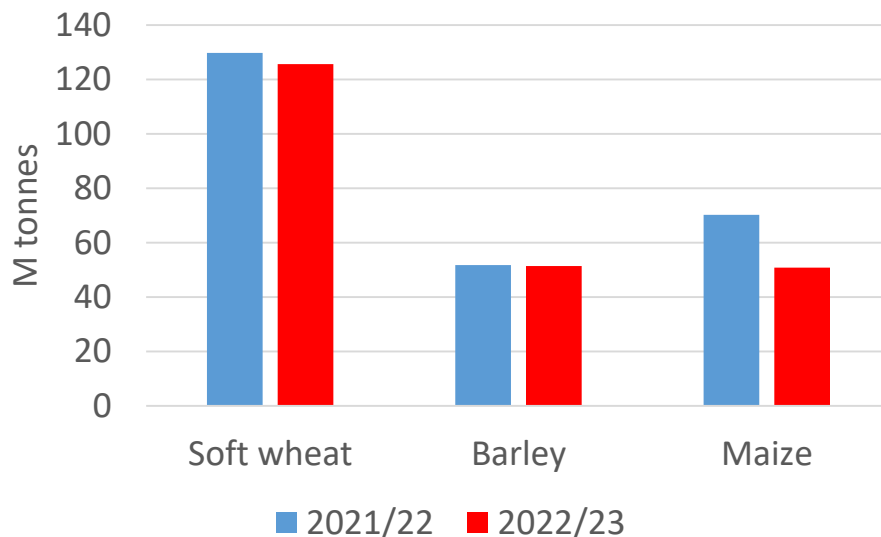
## ■ Decrease EU production in 2022

- 10% decrease EU, wheat, barley and maize production
- Much uncertainty regarding Ukraine stocks
- Increase in wheat and barley prices (2022)
- But also decrease in demand for wheat and maize
- Leaving some increase stock/use ratios internationally

## ■ Will '22 global harvest be replicated in '23?

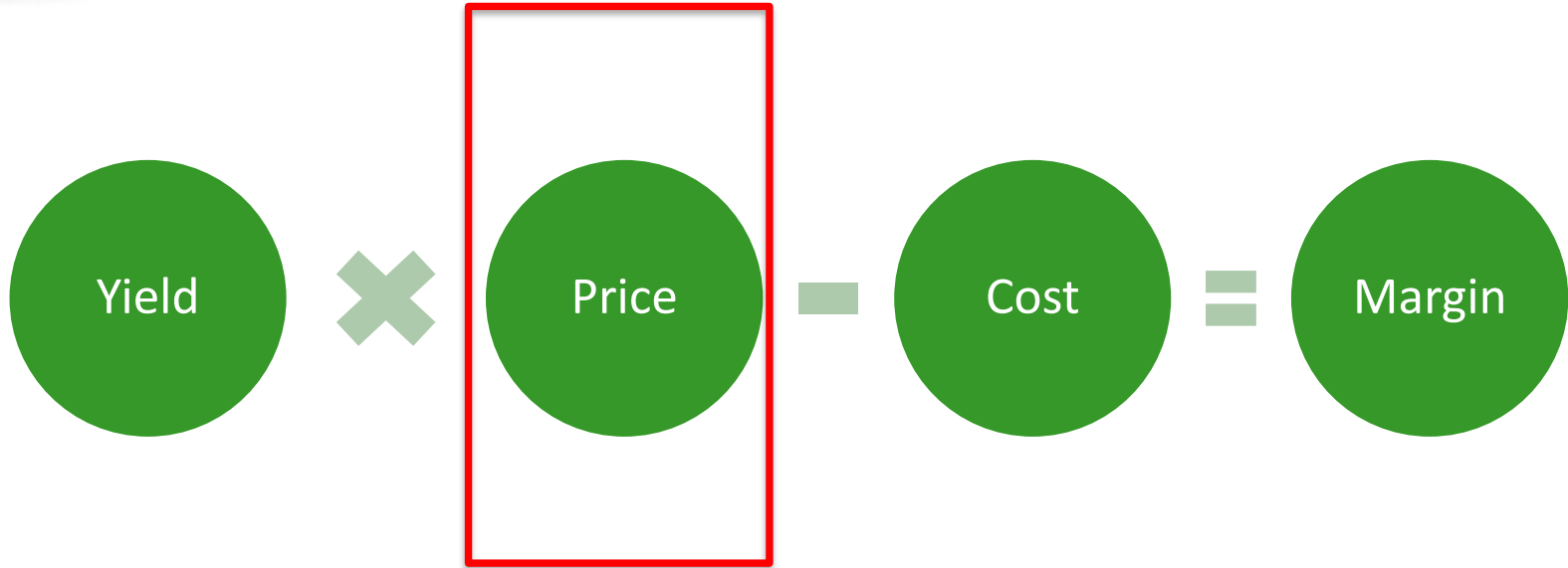
- Return to trend yield in 2023
  - » Higher EU yield potential
  - » Lower Irish yield potential

Actual and Estimated EU Production  
2021/22 and 2022/23

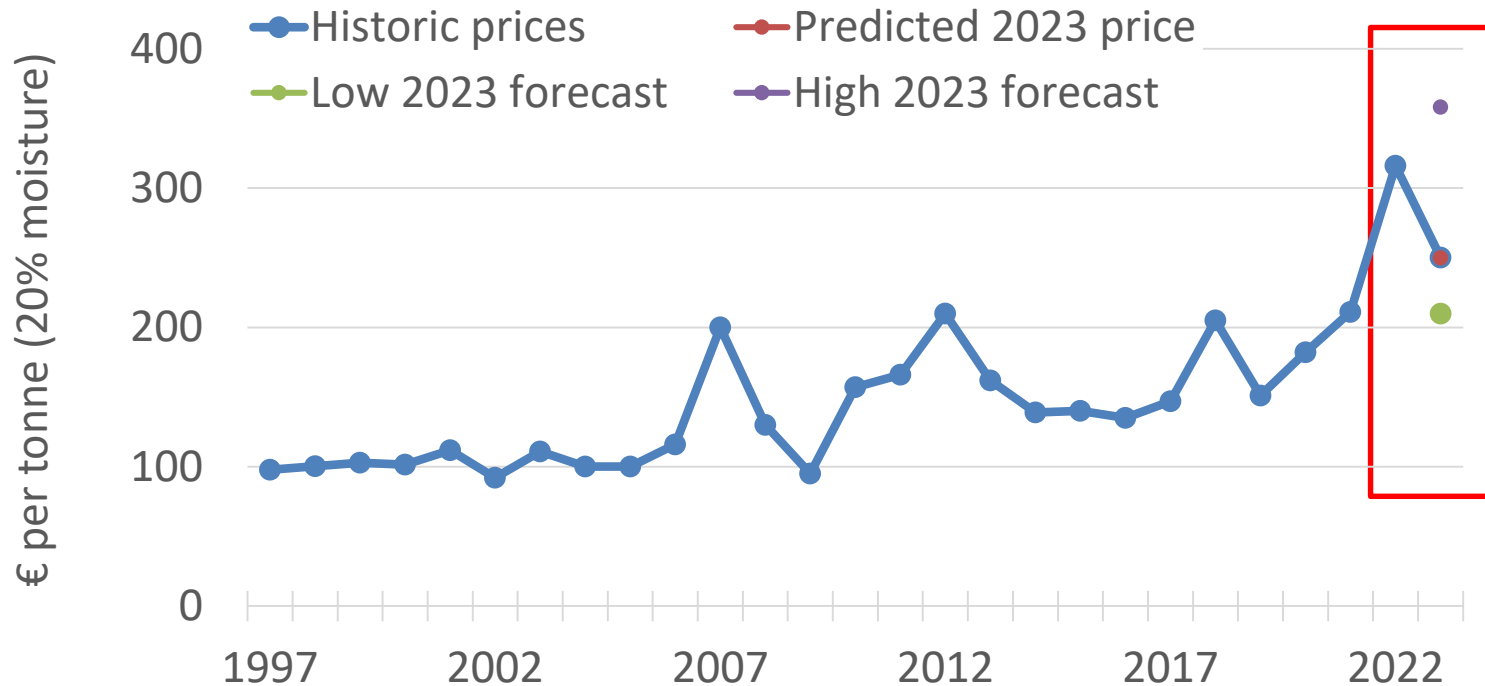


Source: *Strategie Grains*, November 2022

# 2023 – The Calculations

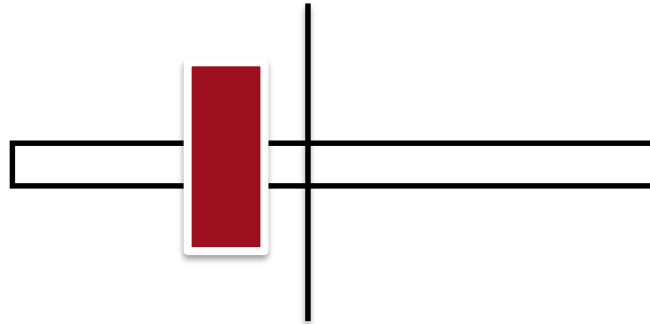


# 2023 Futures Wheat Harvest Price to Decrease (by 20%)



Source: Authors' own estimates and forecasts

# 2023 Futures Harvest Price to Decrease

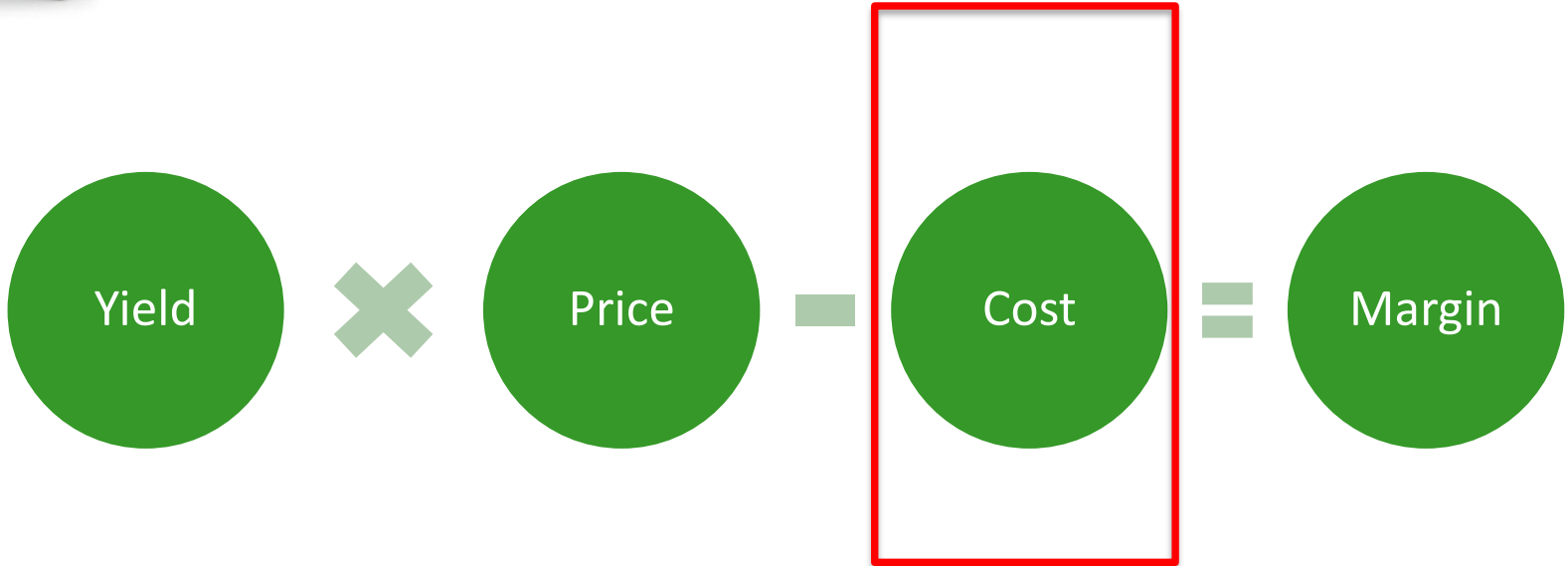


*'EU trend yields'  
'Grain quality and moisture'  
'Market fundamentals more in balance'  
'Less panic buying'*

Negative -20%

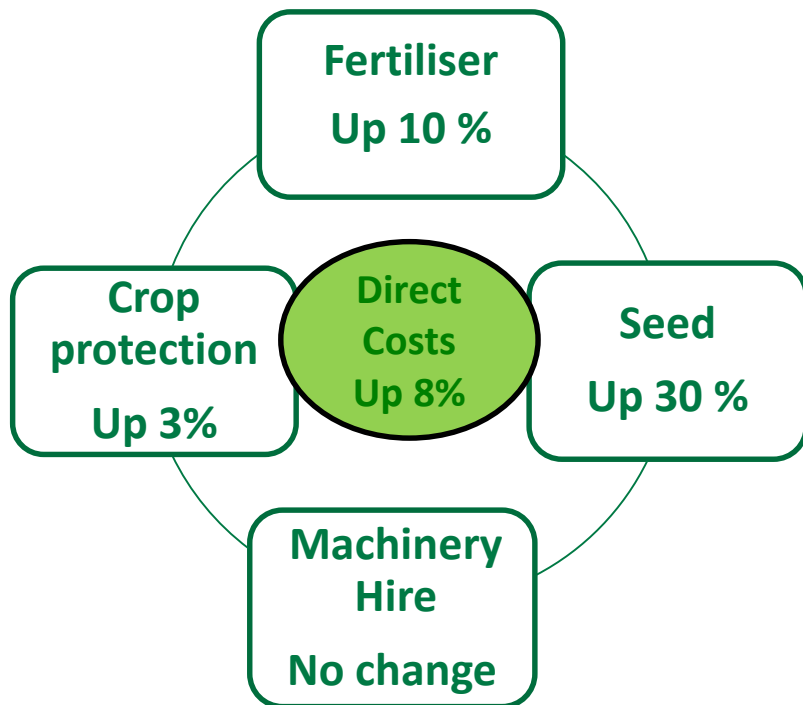
*'Virtually no change in winter cereal area'  
'Supply chain difficulties'  
'La Nina weather'*

# 2023 – The Calculations

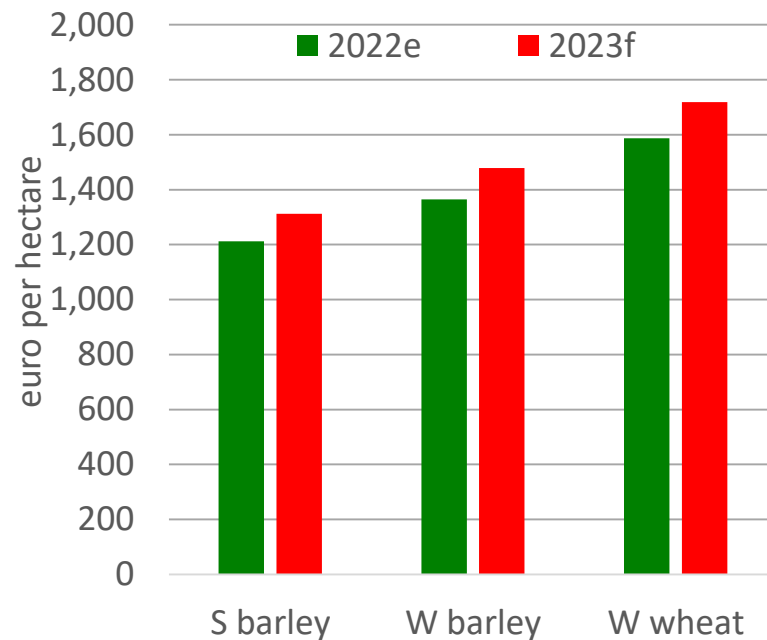


# Overall increase in direct costs in 2023

## 2023 direct costs per hectare



## 2023 direct costs per hectare



Source: Authors' estimate for 2022 and forecast for 2023

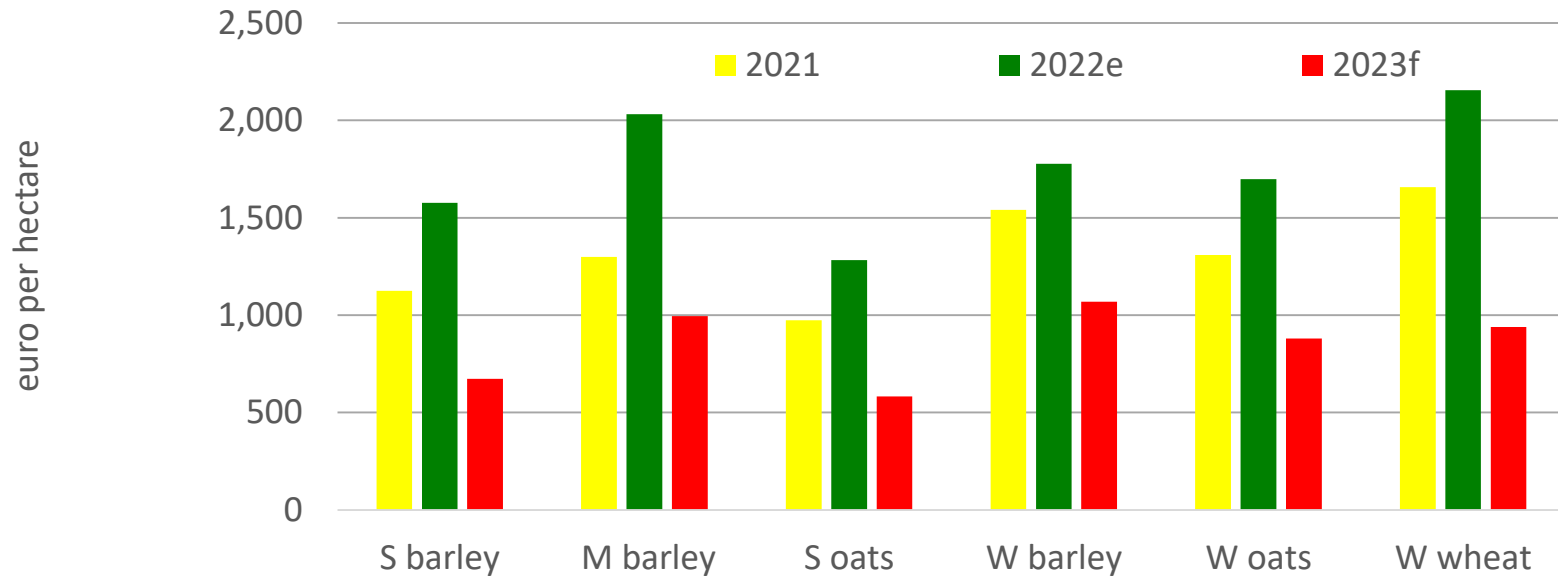


# 2023 – The Calculations



# Decrease in 2023 Gross Margins

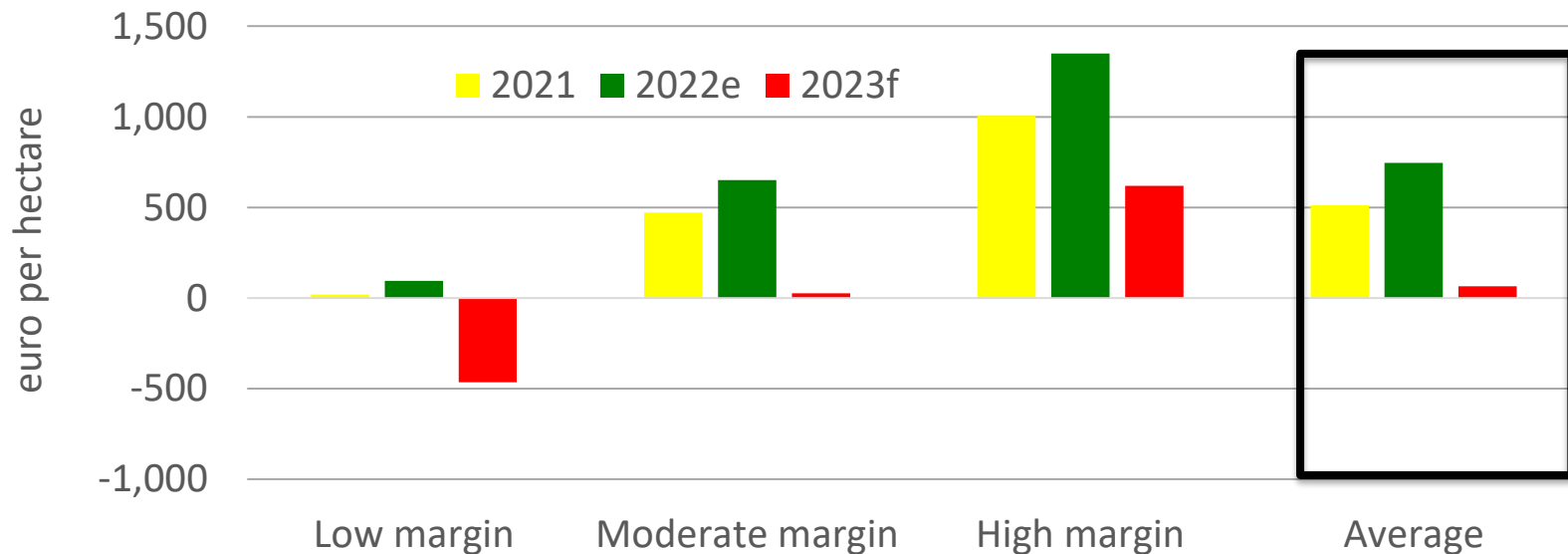
Gross margin per hectare to decrease by €900 for spring barley and €1215 for winter wheat and €700 for winter barley



Source: Authors' estimate for 2022 and forecast for 2023

# Decrease in 2023 Net Margins

**Net margin per hectare forecast to decrease by over €350 per hectare**



Source: Authors' estimate for 2022 and forecast for 2023

# Summary of 2023 Crops Forecast

## ■ Forecast 2023

- Prices
  - Probability that price will decrease at harvest 2023 by approx. 20%
  - Much uncertainties about 2023 price at present
- Reversion to trend yields – decrease in Irish yields
- Direct costs to increase by on average 8%
- Overall decrease in gross and net margins in 2023
- Average net margin for cereal enterprise €65 in 2023
- Average cereal based net margin will be negative on 50% of specialist tillage farms

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