Outlook for Sheep 2022/2023

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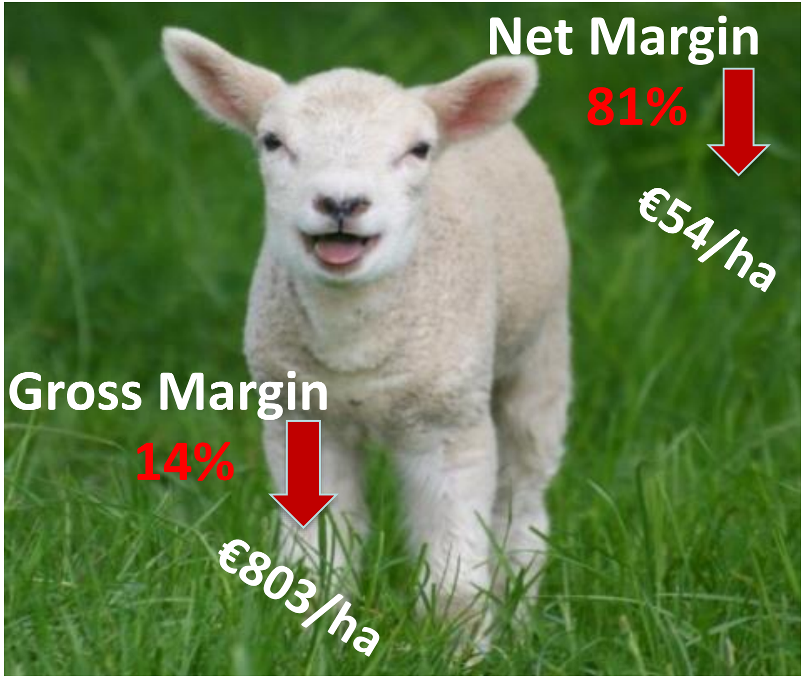
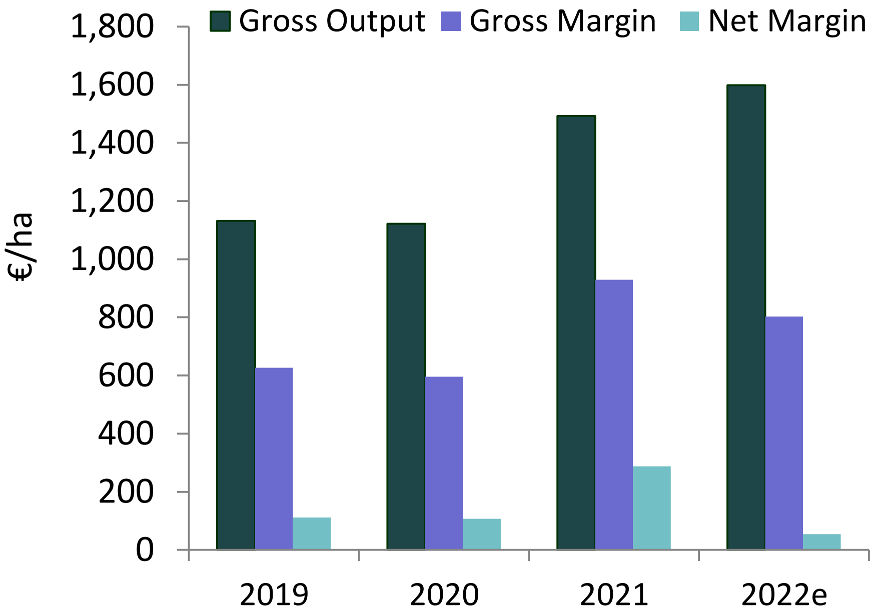
Focus on the

Mid season lowland lamb enterprise

- predominant lowland sheep system in Ireland
- only farms with greater than 20 breeding ewes included

Gross margins decrease 14% in 2022





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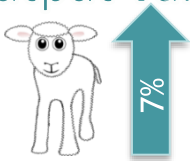

HIGHER

Input Spend

HIGHER

Margin

LOWER

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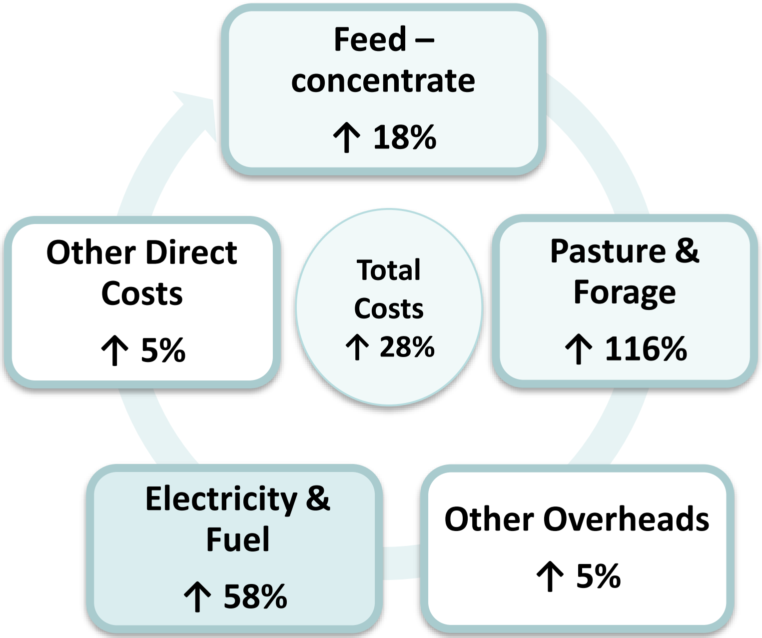
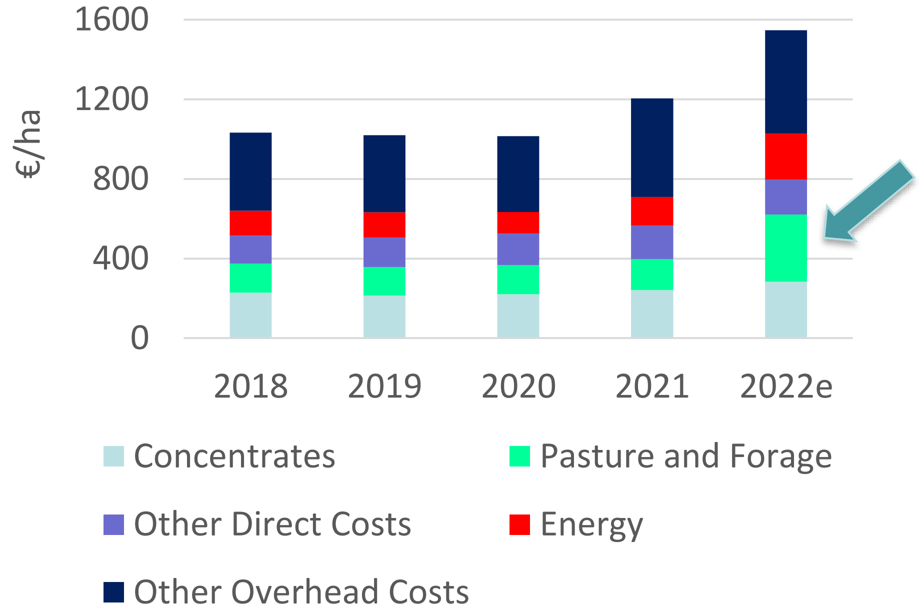
Increase of 28% in Sheep Total Costs - 2022

2022 costs per ha



Average Sheep production costs 2018 – 2022e



Expenditure change relative to 2021

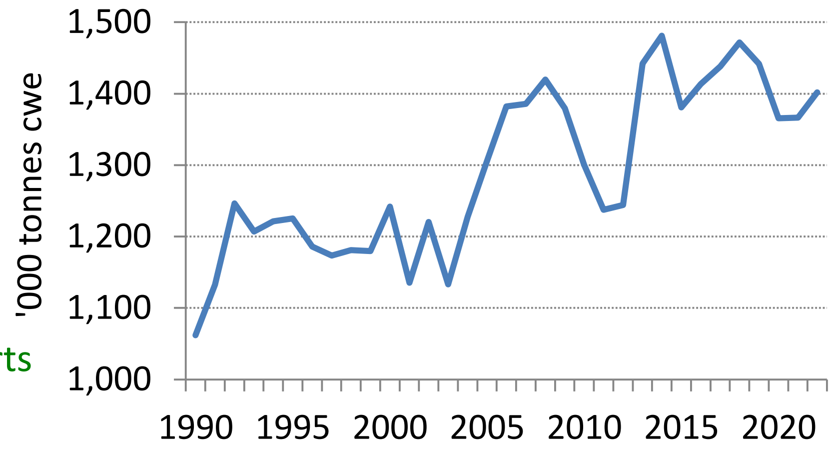
based on average mid season lowland lamb farm

Source: Authors' estimate for 2022

Growth in Global export trade

Since 1990 - Global trade has grown by 30 %

- Global trade fell back in 2020 (COVID) - recovering
- International trade - dominated by NZ & Australia
- China – continues to change the dynamics - largest producer, consumer & importer
- Owing to high prices – EU sheep meat exports have declined (3% , 2022)
- Tight EU domestic S – expected to continue, limit exports
- Ireland ranked 5th in terms of EU sheep production (comprising 8% of total heads slaughtered, 2021)



Source: OCED

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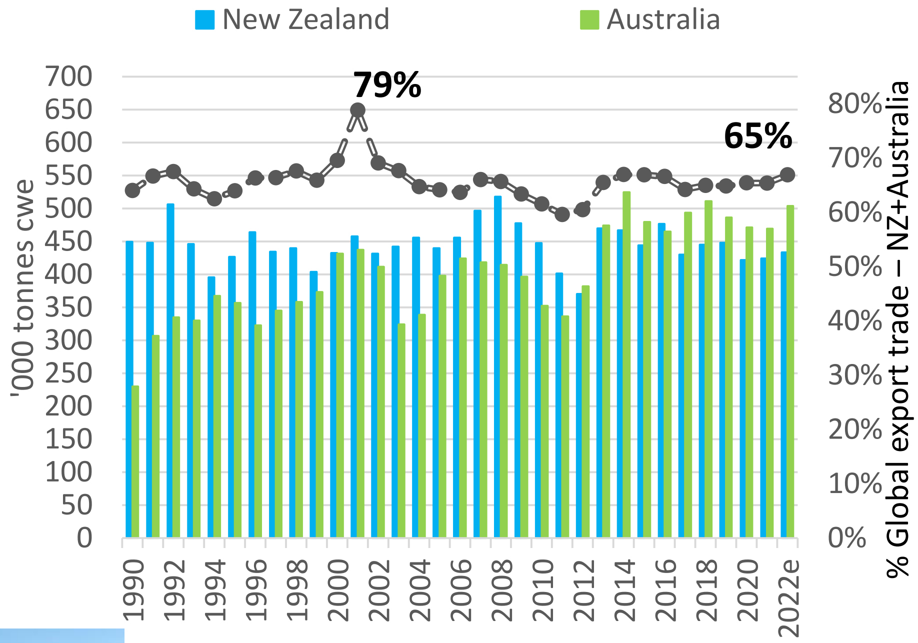
NZ & Australia – Dominate Global export trade

- Comprise 65% global export mkt – higher % early 2000
- Over past decade, Australian prop. outpaced NZ
- Elevated Global shipping costs – competiveness into EU mkt remain suppressed
- Vol. exports to China ⬇ but Asia remains key mkt
- Australia-UK free trade deal – ? lead to large increase in Australian lamb into UK in % terms
- Expected to displace volumes from elsewhere – rather than increase total UK imports



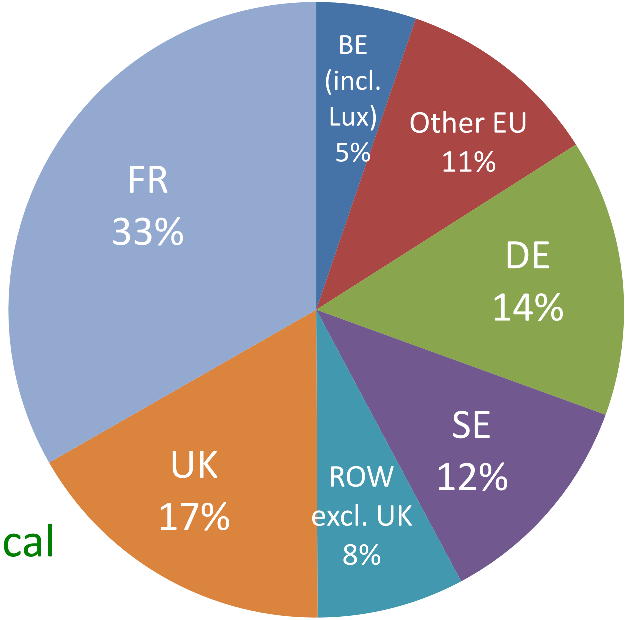
Source: OCED




Export Markets for Irish lamb – 2021/22

Bulk Irish sheep meat destined for foreign markets

- 2021: > 54,500 tonnes cwe exported
  - > 75% exported
- Year, end Aug, exports up 15%
- Highest Proportion to France - 33%
- UK remains NB Mkt - albeit lower % - 17%
- Lamb price developments Ireland’s export markets – critical
- Solid fundamentals – support D Irish lamb



Eurostat COMEXT (Volume, year to end Aug 2022)

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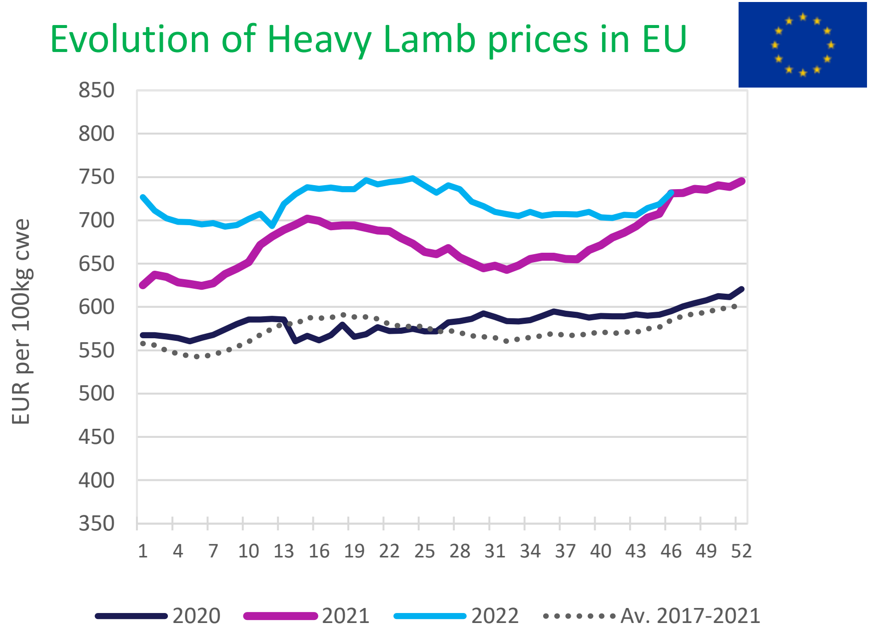
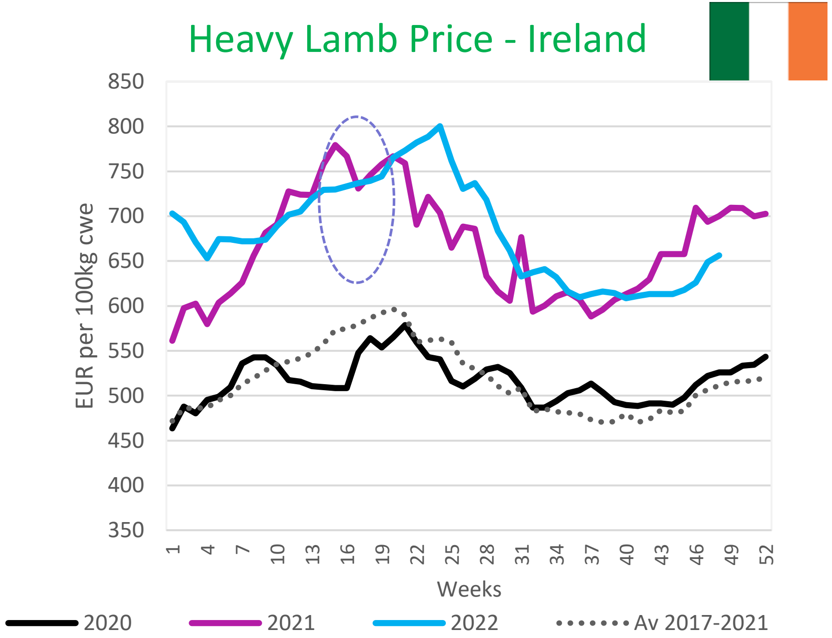
Higher Lamb Prices 2022



Source: DG-Agri-G3, Meat sector



- EU sheep/lamb mkt - characterised by higher P
- Steady EU Domestic D - Av. P – > 7% higher
- Well ahead Prices 5 yr period (2017 - 2021)

- Nov 2022 – Lamb P 3% higher
- 2022 P – well ahead of 5 Yr Av 2017-2021
- Expectation – P estimate 4% Higher

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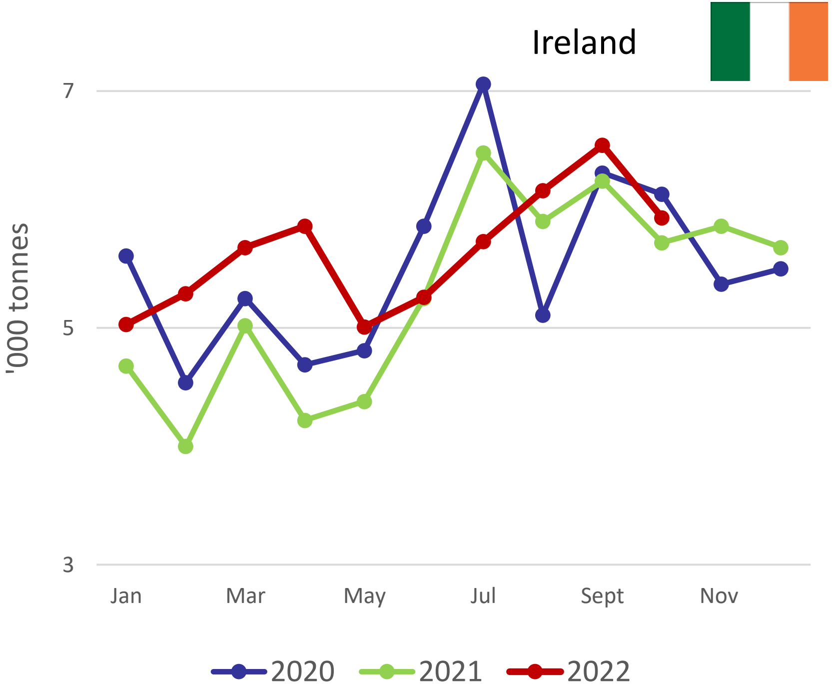
Sheep throughput up 9%

- 2022 Slaughter figures – throughput 9% higher
- Over 2.6 m heads slaughtered - 7% higher
  - (end Oct -CSO) verses corresponding period 2021
- Number of ewes slaughtered 8% higher*
- Cumulative % - Lamb/Hoggets up 30% &
- Spring lambs slightly lower,- 4% (end Nov)



Source: CSO Statbank, October 2022

*Dept. of Agriculture, Food and the Marine

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Outlook 2023

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Forecast 1% increase in Sheep Total Costs

2023 costs per ha

Feed - concentrate
↑ 10%

Other Direct Costs
↑ 4%

Total Costs
↑1%

Pasture & Forage
↔ no change

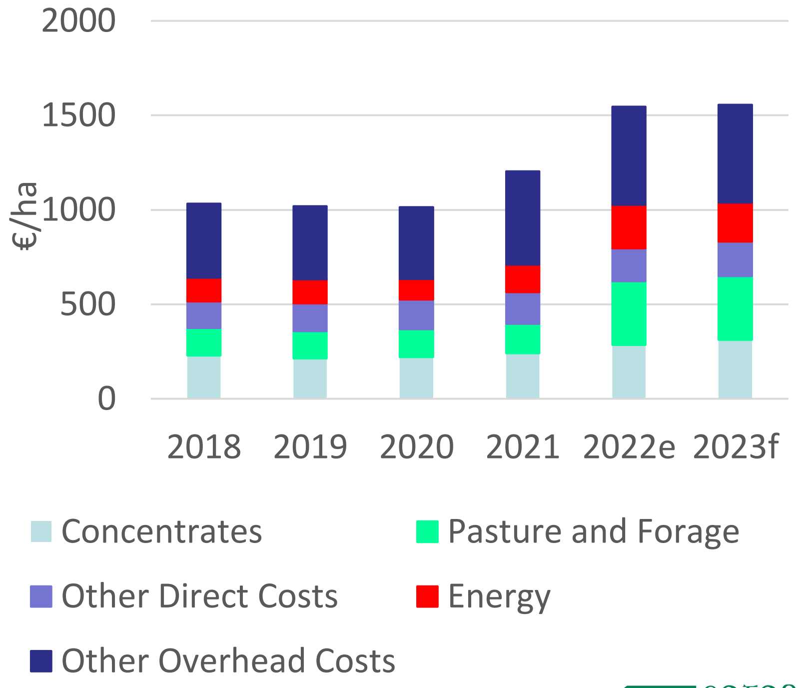
Electricity & Fuel
↓ 11%

Other Overheads
↔ no change

Expenditure change relative to 2022

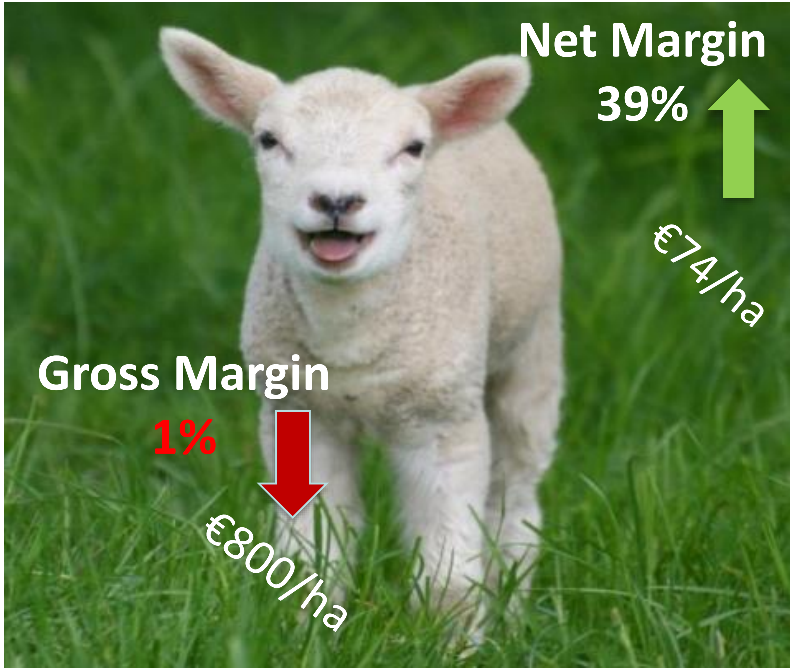
based on average mid season lowland lamb farm

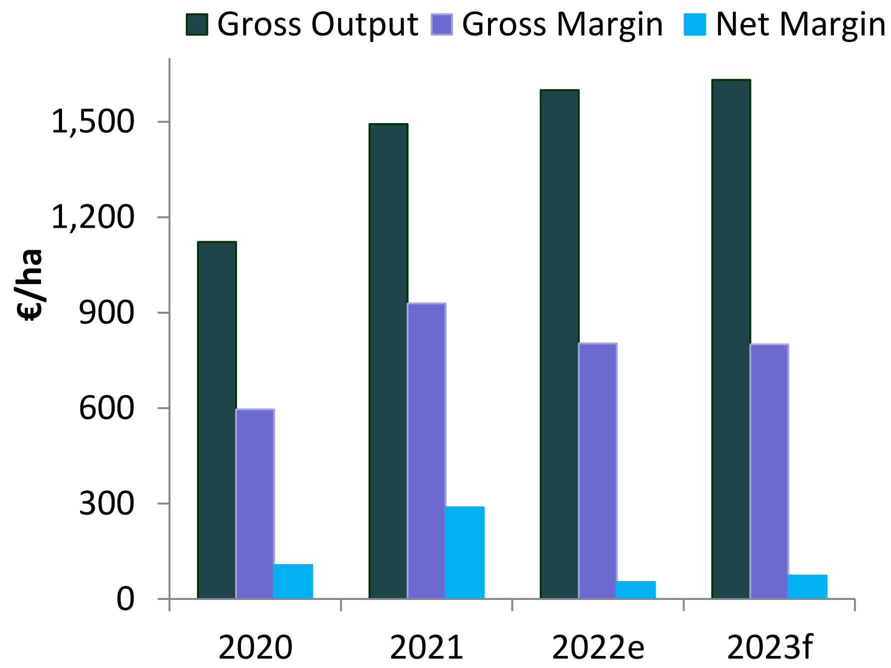
Average Sheep production costs 2017 – 2022e, 2023f



Source: Authors' estimate for 2022 and forecast for 2023

Declining Sheep Margins – 2023 Forecast





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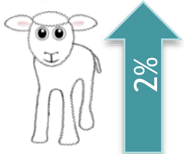
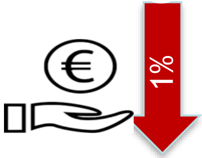


HIGHER

Input Spend

HIGHER

Margin



LOWER

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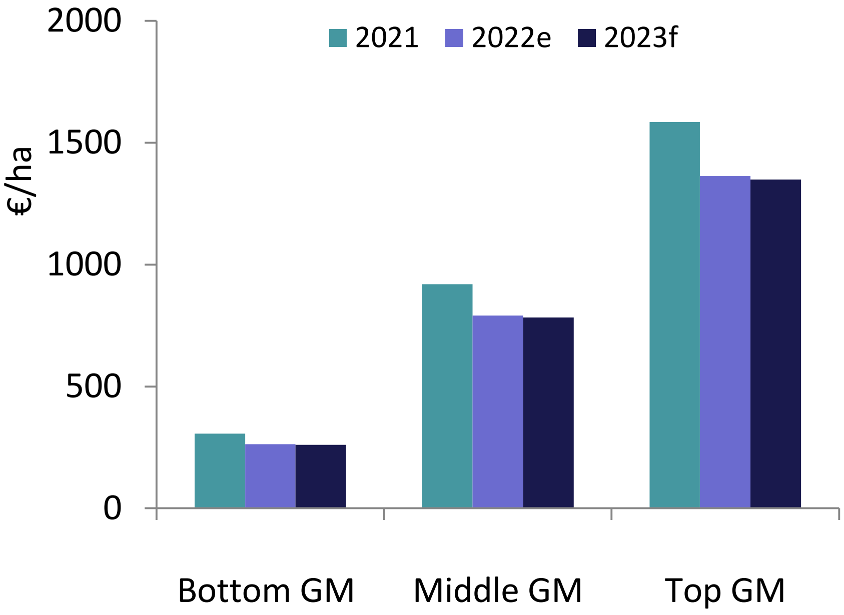
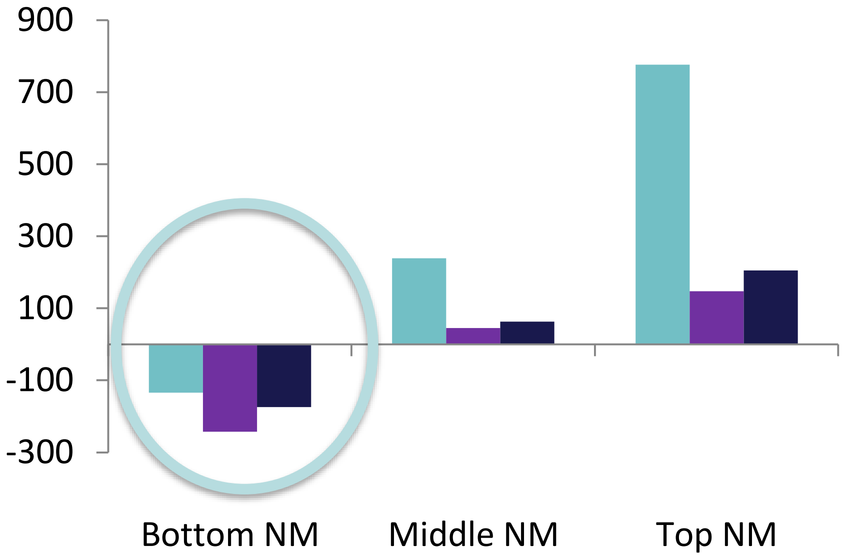
Average Margins – Conceals Variability – 2023f



Gross Margin – 2022e



Net Margin – 2023f

BOTTOM – 1/3 **Least Profitable**	**MIDDLE – 1/3**	**TOP - 1/3** **Best performing**

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2023 – A “mixed” Year for Sheep farmers

Relatively Stable EU mkt situation, Tight Supply

Lamb prices – 2% higher than 2022

Feed use stable
Feed prices up 10%

Other direct costs
Up 4% on 2022 level

Pasture & forage costs
Remain relatively stable

Overhead Costs
3% decline
Total Costs
1 % increase

Gross margins
on average €800/ha
Down 1%

Net margins
forecast to increase
39% - to €74/ha

Sheep Review & Outlook 2023

Thank you

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