

SCSI/TEAGASC AGRICULTURAL LAND MARKET REVIEW & OUTLOOK 2019



2019

Report designed by:

 **Future Analytics**
Planning | Research | Economics

A: 23 Fitzwilliam Square S, Dublin
M: +353 (0) 1 639 4836
E: info@futureanalytics.ie

2019

Contact Details	Áine Myler Director General Society of Chartered Surveyors Ireland 38 Merrion Square Dublin 2 T (01) 6445500 E amyler@scsi.ie www.scsi.ie Edward McAuley Head of Practice & Policy Society of Chartered Surveyors Ireland 38 Merrion Square Dublin 2 T (01) 6445500 E edward@scsi.ie www.scsi.ie Trevor Donnellan Agricultural Economics and Farm Surveys Department Rural Economy and Development Programme Teagasc Athenry Co Galway T (091) 845 220 E trevor.donnellan@teagasc.ie www.teagasc.ie Kevin Hanrahan Agricultural Economics and Farm Surveys Department Rural Economy and Development Programme Teagasc Athenry Co Galway T (091) 845 221 E kevin.hanrahan@teagasc.ie www.teagasc.ie Jason Loughrey Agricultural Economics and Farm Surveys Department Rural Economy and Development Programme Teagasc Athenry Co Galway T (091) 845 203 E jason.loughrey @teagasc.ie www.teagasc.ie Brian Leonard Agricultural Economics and Farm Surveys Department Rural Economy and Development Programme Teagasc Athenry Co Galway T (091) 845 203 www.teagasc.ie Paul W Kelly, Agricultural Economics and Marketing. T +353 (0)87 4178955 E paul@paulwkelly.com	Contents	01 Introduction 1 02 Key Findings 9 03 Irish Agricultural Sector 15 04 Farmer perceptions of impediments to land transfer in Ireland 23 05 Land Market Survey 29 06 Overview of Irish Agriculture by Region 41 07 Analysis of the SCSi / Teagasc Agricultural Land Survey 45 08 Statistical Annex 69
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01 Introduction

We would like to welcome you to the Society of Chartered Surveyors Ireland/Teagasc Agricultural Land Market Review and Outlook 2019. This is the sixth in a series of annual reports on the state of the land market produced by the Society of Chartered Surveyors Ireland (SCSI) and the Agricultural Economics and Farm Surveys Department of Teagasc.

This annual SCSI/Teagasc Land Market Review and Outlook 2019 provides an in-depth analysis of key agricultural farmland market trends in 2018 and provides an outlook for 2019. The review provides insights on agricultural land values, rents and views on anticipated agricultural land market activity levels over the next twelve months. The review's findings are based on a SCSI survey that was conducted on a nation-wide basis over a four-week period in February 2019. This survey was completed by members of the Society of Chartered Surveyors Ireland who are Auctioneers and Valuers operating in the land sales and rental market.

The price paid to purchase or rent agricultural land will be affected by a whole range of economic (and non-economic) factors. Therefore, those contemplating the sale, purchase or rental of land need to possess a good understanding of the current state of both Irish agriculture and the agricultural land market in Ireland. The report brings together the respective expertise of both the SCSI and Teagasc to increase the range and quality of the data that are available on the agricultural land market in Ireland.



Professor Gerry Boyle
Director, Teagasc



Miah McGrath
SCSI Rural Agency
Chair

The report provides a regional breakdown of sale and rental transactions for different agricultural land sizes. It also includes the views on the state of the market from members of the SCSI and commentary from Teagasc economists on the current economic situation in agriculture and the short term economic outlook for the sector.

Almost three years on from the Brexit referendum in the UK, there remains uncertainty about how it will affect trade between the UK and the EU27. While it had been anticipated that the UK would leave the EU in March 29th 2019, the date of departure has been delayed due to the inability of the UK Parliament to coalesce around an agreed form of Brexit.

A hard (No Deal) Brexit remains a possibility and this would have adverse consequences for Irish agri-food exports to the UK, with an associated negative impact on agriculture and the agricultural land market in Ireland. However, for the purposes of the Outlook for 2019 in this report, it has been assumed that no change in EU/UK trade relations takes place in 2019.

In a special section of this year's report, Dr Brian Leonard (now of Galway County Council's Economic, Community and Rural Development Department) provides a summary of his completed PhD research on the topic of succession and inheritance in Irish agriculture. This analysis is based on interviews of farmers in counties Cork and Mayo and provides insights into the varying concerns of farmers, in both counties, in relation to the process of succession and inheritance.

We hope that you find that this edition of the report is informative and we commend the SCSI staff, Teagasc staff, and SCSI members involved.

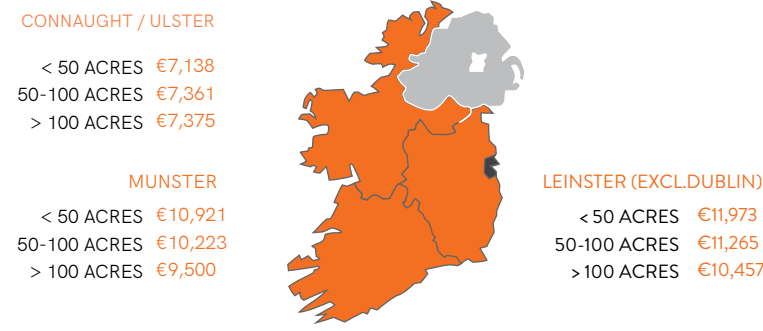
Ballynacargy
Co. Westmeath -
c.75 acres

Ballynacargy Co. Westmeath

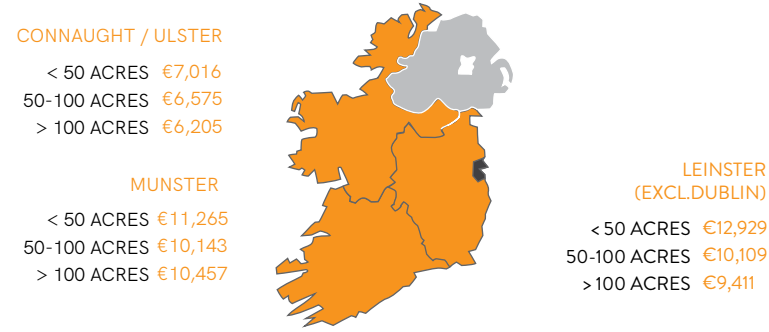
Key Findings



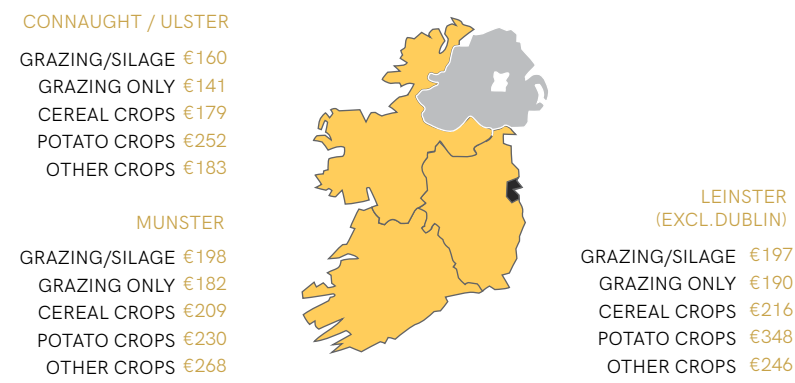
2018 Values per acre for agricultural land with a residence



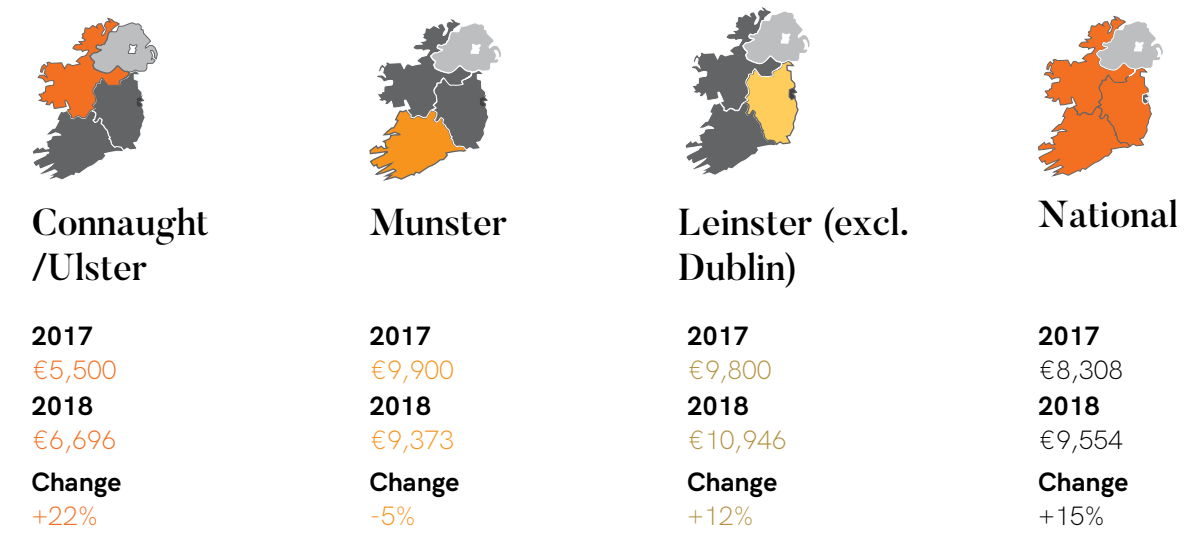
2018 Values per acre for agricultural land without a residence



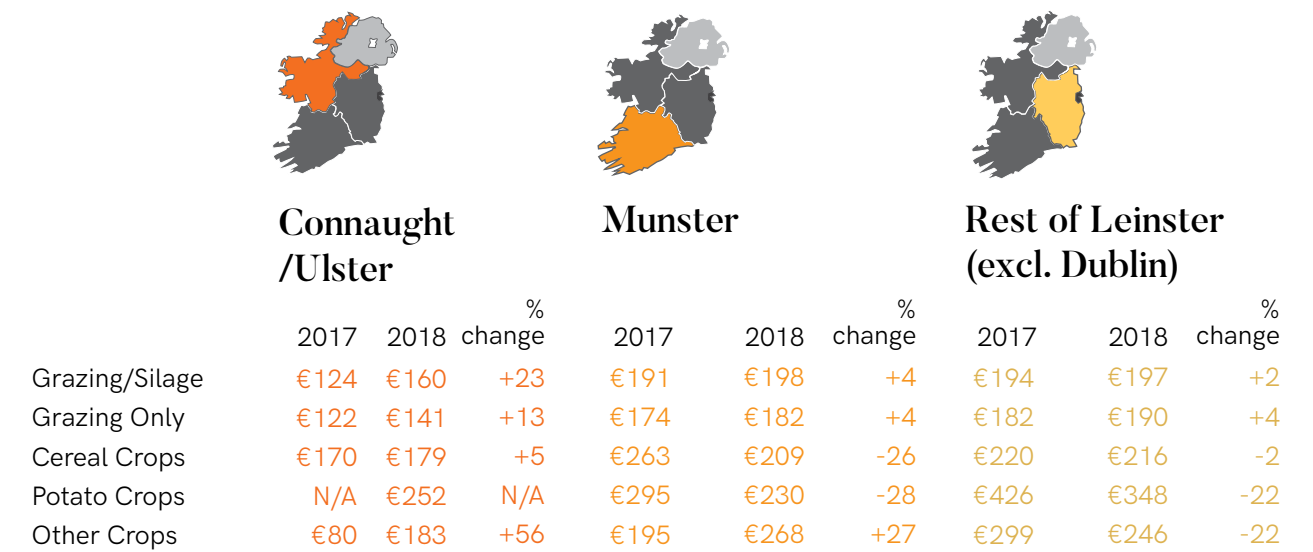
Rental values per acre in 2018



Comparison with 2017 land without a residence



Rental value



2019

Key Findings



“The winter of 2017/18 was particularly long with heavy snow occurring in late February.”

02

Key Findings

Agriculture in 2018 and the Outlook for 2019

The economic performance of the Irish agricultural economy from year to year is affected by developments in input and output prices, changes in the volumes of inputs used and output produced and changes in agricultural policy relating to income support subsidies. In 2018, difficult weather conditions played a major role in affecting the grassland and tillage sectors in Ireland, with adverse consequences in other parts of Europe also.

The winter of 2017/18 was particularly long with heavy snow occurring in late February. The eastern part of Ireland was worst affected, with snow on the ground for over a week in some places. The long winter delayed the start of the grazing season for cattle and sheep and had an impact on crop planting also.

The unusually long winter was followed by a once in a generation summer period, which brought an extended period of very high temperatures and drought conditions from June

through to mid -August. This led to a collapse in grass growth and poor development of spring planted tillage crops. Again, the east and south east were the worst affected areas.

Dairy farmers were particularly hit by the drought, with many using up all available grass and fodder supplies and incurring a dramatic increase in feed costs. Beef and sheep farmers were also affected, but not to the same extent as dairy farmers, due to their location and their generally lower stocking rates. When normal weather returned in late August, the deficit in soil moisture levels was quickly restored and grass growing conditions in the latter stages of the year were very good.

While, harvest conditions were quite good, tillage farmers incurred a severe fall in yields for spring sown crops and to a lesser extent for winter sown crops.

In 2018, output prices for milk decreased in comparison with 2017, while lamb and cereal prices increased relative to 2017. Milk prices decreased by about 6%, weanling prices declined by 3% and R3 finished cattle prices were largely unchanged. Lamb prices were up about 5% in 2018. Cereal prices also increased, by about 30% to 40%, reflecting the low yields and resulting low harvest volumes. The difficult weather conditions pushed up production costs.

“Overall, there was a large reduction in the average farm income in Ireland in 2018, largely driven by the weather related increase in production costs.”

The broad decrease in output prices and increase in production costs led to lower margins across most grassland enterprises in 2018. Dairy farms in particular were hit by the increase in production costs and a decrease in milk prices. Overall, there was a large reduction in the average farm income in Ireland in 2018, largely driven by the weather related increase in production costs.

In 2019, input costs are expected to decrease, with lower input volumes anticipated relative to 2018, based on the assumption that normal weather prevails. Brexit is not assumed to impact on trade volume between Ireland and the UK in 2019 and is not assumed to impact further on farm prices in Ireland in 2019. On balance, it appears that the continued uncertainty around Brexit is having a negative effect on farm prices.

Irish dairy farm incomes in 2019 are expected to increase, due to a forecast reduction in production costs and a continuing increase in milk volume. Milk prices may be slightly weaker than in 2018.

Cattle prices are expected to be lower in 2019, with lamb prices expected to be unchanged. With lower production costs however, incomes are expected to improve on sheep and cattle finishing farms in 2019. On Single Suckling farms, the decline in young cattle prices means that incomes are unlikely to change significantly from the levels reported in 2018.

The outcome for the tillage sector in 2019 will be contingent on international market developments, but a significant drop in prices is likely, assuming that Irish and global harvest yields improve considerably on the 2018 level. Overall, a reduction in tillage margins is anticipated in 2019.



Agricultural land market in 2018
Sales and Purchases

National

According to the data supplied to the SCSi/Teagasc Land Market survey by SCSi Auctioneers and Valuers, the national average price of agricultural land which included a residential holding was €10,326 per acre, (€25,515 per ha). The average national price per acre for agricultural land without a residential holding was €9,554 per acre, (€23,608 per ha).

Nationally, the average price per acre for land both with and without a residential holding reported a decline in values for larger parcels of land. The national average price per acre fell from €10,690 in the less than 50 acre class to €9,629 in the 50 to 100 acre class and €9,193 in the 100+ acres class.

The average value per acre for agricultural land including a residential holding showed a very slight decline in value with size, presumably as the relative influence of the value of the dwelling on the value of the parcel declined. Values per acre declined from €10,826 for parcels of less than 50 acres, to €10,321 for parcels between 50 and 100 acres to €9,699 for parcels over 100 acres.

For parcels without a residential holding, which would be a better indication of the expected returns to the land from farming activity alone, there was also a decline in value with parcel size. Average values ranged from €10,576 per acre for parcels of less than 50 acres to €9,041 and €8,738 for parcels of 50 to 100 acres and over 100 acres respectively.

Connaught/Ulster

The values per acre for farmland with a residential holding, appeared to have increased in 2018 from those reported in 2017. However, this may be connected with the small number of transactions reported. Average value per acre for agricultural land without a residential holding in Connaught increased by 46 per cent for parcels less than 50 acres and by 57 per cent and 67 per cent for the 50 to 100 acre and over 100 acre categories. Nevertheless, the negative relationship between parcel size and price per acre was maintained for land both with and without a residential holding.



“The land market is becoming a two-tier market depending on whether the land is for dairy or drystock and the price is highly dependent on entitlements.”

Dillon Murtagh BSc, Murtagh Brothers, Mullingar.

Munster

In Munster, the average price per acre for agricultural land with and without a residential holding appeared to have stabilised in 2018 from its 2017 level. There was a slight increase (6 per cent), in the price per acre for land with a residential holding in the under 50 acres category, but in 50 to 100 acre and over 100 acre categories there was virtually no change in the value.

Stabilisation was also the case for land without a residential holding, values in 2018 were about four per cent above those of 2017, for smaller parcels of less than 50 acres, but virtually the same for larger ones.



Leinster

Year-on-year land values also stabilized in Leinster, (excluding Dublin) with negligible changes of no more than four per cent in any size group for both land with and without a residential holding. It is not possible to ascribe the stability to any particular feature but it is likely to have been linked to relatively stable incomes and prices and the uncertainty due to Brexit.



“All purchases of agricultural land for ownership and rental involve the buyers taking a view of future returns”



Land rental

There were slight increases in the rent per acre paid for grass, both for grazing and preservation, in all areas of the country. It is difficult to ascribe specific causes for this, but it is certainly the case that increases in milk production are linked to increased demand for grass and weather conditions resulting in fodder shortages. The value of land to rent for cereal crops increased slightly in Connaught/Ulster, decreased in Munster and was virtually unchanged in Leinster. The price of land to rent for potatoes fell to €230 in Munster and €352 in Leinster, falls of 22 per cent and 17 per cent respectively.

All purchases of agricultural land for ownership and rental involve the buyers taking a view of future returns. The normal uncertainties have been added to by those due to Brexit. It is clear from the responses to this survey that respondents considered that this was having large deterrent effects on both sellers (46 per cent) and buyers (71 per cent). Some respondents considered that it was also encouraging sellers. Presumably this was on the grounds that the sellers expected future land values and/or farm incomes to decline.



Lilliput
Co. Westmeath - Derelict
Residential on c.115 acres



Slanemore
Co. Westmeath

This section reviews the performance of Irish agriculture in 2018 and looks at prospects for 2019. There is an overview at the broad sectoral or enterprise level, followed by a focus on the key subsectors within agriculture.

03 Irish Agriculture Sector >

Agriculture in 2018 and the Outlook for 2019

Weather conditions in 2018 were extremely difficult and played a significant role in reducing farm incomes. Grass growth was well down on normal over the summer months although weather conditions improved in the final third of the year. Due to the difficult weather conditions, there was a large drop in cereals yields for spring sown crops. In 2018, Irish cereal yields for major crops were down about 20 percent on the 2017 level.

Overall input expenditures increased substantially for all grassland enterprises in 2018, largely attributable to the rise in the quantity of concentrate feed usage in addition to the increase in the price of those concentrates. In 2018, prices increased for a range of other inputs including fertiliser, electricity and motor fuel and these contributed to the overall increase in input cost expenditures.

The adverse weather conditions led to shortages of fodder in some parts of the country and placed pressure on farmers to produce additional late season grass and silage. Limited grass supplies led to an increase in grassland fertiliser sales volume in 2018.

Output prices for milk decreased by 6% in 2018, with average annual prices declining to 33 cent per litre (standardised fat and protein) for the year. Irish milk production expanded by over 4% relative to the 2017 level. In 2018, the increased production was offset by the increased input costs, leading to a decline in the average dairy net margin per litre to less than 10 cent per litre.

In 2018, the prices for finished cattle remained stable relative to the 2017 level. Gross margins for beef finishers decreased by 11% in 2018, due mainly to the substantial increase in production costs. Suckler farmers experienced a 19% decrease in gross margins in 2018, relative to 2017. The relatively larger decline in single suckling enterprises is due to the combination of lower prices for younger cattle and the substantial rise in the costs of production.

Sheep farmers saw their margins fall in 2018 despite higher output relative to the previous year. The rise in feed input expenditures more than offset the value of the increase in output value. The coupled Sheep Welfare Scheme continued to support margins and incomes.

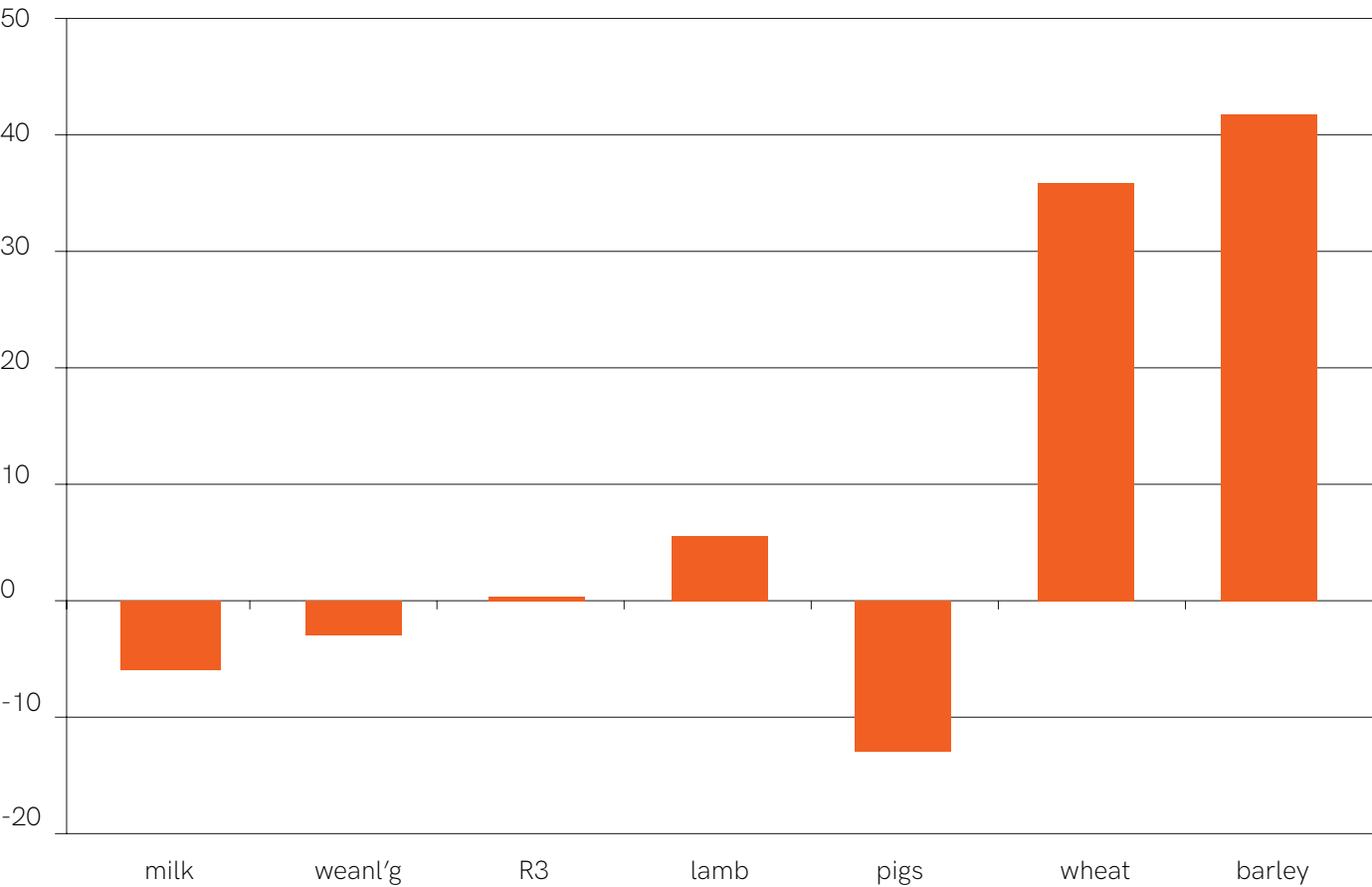
In 2018, Irish cereal yields for major crops were down on the 2017 level. The lower global harvest in 2018 contributed to an improvement in cereal prices from the relatively low prices of 2017. Cereal direct costs increased slightly in 2018. A combination of higher cereal and straw prices contributed to an increase in cereal margins in 2018.

Key commodity price changes in 2018 compared with 2017 are shown in Figure 2.1.



“Sheep prices are expected to remain stable in 2019. Production costs are forecast to decline and the Sheep Welfare Payment scheme will continue to support margins.”

Figure 2.1: Change in Output Prices 2018 vs. 2017 (Source: CSO and DG Agri)



Early forecasts for 2019 are made on the basis of normal weather. In the first quarter, grass growth conditions have improved significantly relative to 2018. A continuation of normal weather conditions should manifest itself in significantly reduced feed bills for all grassland enterprises. Feed prices are forecast to be unchanged relative to 2018.

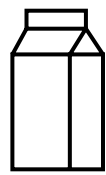
Fertiliser prices are expected to rise in 2019, but usage levels are expected to decline. Fuel prices are forecast to be unchanged in 2019, as oil prices are likely to be similar to the average level in 2018. Electricity prices are forecast to remain unchanged in 2019. Global dairy commodity prices in 2019 have been a little bit stronger than might have been anticipated and any change in the annual average milk price in 2019 relative to 2018 is likely to be modest. Following a severe drought in summer 2018, with the return of normal grass growth in 2019, milk production costs in Ireland should decrease significantly, reflecting the decrease in supplementary feed requirements.

Prices for young cattle and finished cattle are forecast to decline by approximately 4 per cent in 2019, even with the assumption of continued unimpeded access to the UK market (i.e. that Brexit occurs smoothly in the context of a transition agreement). Nevertheless, the forecast decline in cattle prices can be partly attributed to the increase

in slaughter numbers (cows and heifers) and the continued uncertainty around Brexit. On average, the costs of production for beef are forecast to decrease significantly, leading to some improvement in margins for cattle finishers. The introduction of the Beef Environmental Efficiency Pilot (BEEP) scheme will add to margins on the single suckling enterprises, which have entered the programme. It is however, expected that the average net margin on single suckling enterprises will be negative in 2019. On the average cattle finishing enterprise, the situation is a little more promising with the net margin expected to break-even in 2019.

Sheep prices are expected to remain stable in 2019. Production costs are forecast to decline and the Sheep Welfare Payment scheme will continue to support margins. Again, this forecast is based on an orderly Brexit in the second half of 2019 (i.e. Transition Agreement).

Stock levels on international grain markets have begun to fall due to a lower global harvest. Irish cereal prices at harvest in 2019 will be highly dependent on growing conditions globally. On the assumption that global yields revert to normal, global supply and stock levels in 2019 are expected to rise over the 2018 level. Cereal prices for 2019 are forecast to decline relative to 2018. Overall costs on cereal farms look set to increase in 2019, as farmers face higher fertiliser prices compared with 2018.

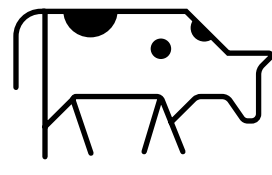


Dairy

Dairy farms utilise about one quarter of the grassland area in Ireland and are most prominent in the eastern half of Munster and in the southern counties of Leinster.

Milk prices decreased over the course of 2018. As a result, the annual average national milk price for 2018, decreased by 6% with the price for the year as a whole estimated to be 33 cent per litre. Largely due to adverse weather, milk production costs are estimated to have increased substantially in 2018 by about 11%. With the increase in production costs per litre and in spite of an increase in milk production, it is estimated that the net margin per litre of milk produced decreased by 34% to just under 10 cent per litre in 2018.

Dairy markets are expected to remain relatively steady in 2019, with little change in Irish producer milk price anticipated.

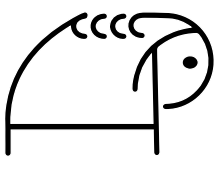


Cattle

Beef farming remains the largest agricultural enterprise activity in Ireland in terms of land use and farm numbers and occupies more than two thirds of the grassland area in Ireland. Teagasc reports the performance of two main beef farm enterprises (cattle rearing and cattle finishing).

In 2018, weanling prices declined by 3% while prices for older store cattle declined less significantly. When assessed over the year as a whole, finished cattle prices remained largely unchanged relative to 2017. Movements in prices for beef animals varied over the course of 2018. For both young cattle and finished cattle, prices in the first half of 2018 exceeded those in the first half of 2017. In 2018, the onset of the summer drought in North Western Europe and low milk prices led to a significant increase in the volume of cows slaughtered in the EU. This increase in beef production contributed to a sizeable decrease in beef prices in the second half of the year.

The direct costs of production increased for cattle farms in 2018 mainly due to higher feed usage. The increase in costs of production contributed to a significant decrease in average gross margins per hectare for Cattle Finishing enterprises and a more appreciable decrease in average gross margins in the case of Single Suckling enterprises. In 2018, the average gross margin per hectare earned on Single Suckling enterprises is estimated to have been €381 per hectare, a 19% decrease on the 2017 level. In 2018, the average gross margin per hectare earned on Cattle Finishing enterprises is estimated to be €428 per hectare in 2016, 11% down on the 2017 level.

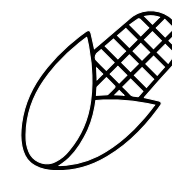


Sheep

Sheep production takes place on about one tenth of the grassland area in Ireland, and can also be found on the several hundred thousand hectares of commonage land in Ireland. Sheep farms are disbursed throughout the country, but tend to be most common in counties with hilly terrain and particularly in counties along the western seaboard, where soil conditions are less favourable for other agricultural production systems.

In 2018, lamb prices in Ireland were up marginally on the 2017 level. Costs of production for Irish mid-season lowland lamb enterprises increased in 2018 with significant increases in feed volume during the first half of the year. Gross margins per hectare for Irish mid-season lowland lamb producers are estimated to have decreased in 2018, with increased output volume and higher lamb prices offset by the rise in production costs. In 2018, gross margins on mid-season lowland enterprises are estimated to be €692 per hectare.

The outlook for Irish and EU lamb prices for 2019 is reasonably positive. Our forecast is that gross margins earned by the average mid-season lamb enterprise in 2019 will increase relative to those estimated for 2018, due largely to significantly lower costs of production as concentrate feed usage returns to normal levels. Global supplies of mutton and lamb are forecasted to tighten in 2019. EU lamb production is set to be relatively stable and a somewhat higher level of EU imports is forecast to leave EU and Irish lamb prices similar to 2018 levels. Overall, an increase in gross margins from mid-season lowland lamb production is expected in 2019.



Cereal

Tillage production is limited to about 7% of the agricultural land base in Ireland and is most commonly found in pockets of mid and south Leinster and east Munster.

In 2018, final prices received by farmers increased while yields were down significantly on the 2017 level. The upward movement in cereal prices in 2018 was associated with several factors, the most important of which was a decrease in the production estimates for some crops in key producing countries. Lower production globally resulted in a decrease in stocks and a more constrained global supply and demand balance in 2018/19.

Direct costs of production on cereal farms increased slightly in 2018 compared to 2017. There was an increase in the gross margins on most categories of cereal crops in 2018. It is estimated that the average cereal enterprise on specialist tillage farms returned a positive net margin in 2018 of the order of €340 per hectare, although a wide variation remains in terms of the economic performance of individual cereal farms nationally. The estimated gross margins for winter barley and winter wheat increased in 2018, but slight declines were recorded for spring and malting barley and a larger decline in the margin for spring beans.

In 2019, cereal prices are expected to be lower than in 2018 and the costs of production on cereal farms in 2018 are expected to increase slightly relative to the 2018 level, due to increases in fertiliser and seed prices. With a projected decrease in output value, a reversion to trend yields, and slightly higher direct costs, it is forecasted that the 2019 margins for most cereals will decrease relative to 2018 margins. It is forecast that the average tillage farmer will record a positive net margin of about €150 per hectare in 2019.

“ It is forecast that the average tillage farmer will record a positive net margin of about €150 per hectare in 2019.”

2019

“Land transfer can be considered to have three stages, with succession, inheritance and retirement each representing key phases in passing on the land to the next generation.”

04 Farmer perceptions of impediments to land transfer in Ireland >



Farmer perceptions of impediments to land transfer in Ireland

The process of land transfer to the next generation can be a cause of concern for farmers and successors alike. Land transfer can be considered to have three stages, with succession, inheritance and retirement each representing key phases in passing on the land to the next generation. Succession refers to the handing over of managerial control from the operator to a successor; inheritance denotes the legal transfer of assets from the operator to a successor, while retirement indicates the exit of the operator from farming. Notably many farmers in Ireland rarely enter full retirement, but often enter a stage of semi-retirement in which they remain involved in the day to day running of the farm.

The farm transfer process generally requires the input of professionals such as agricultural advisors, solicitors and accountants. In addition to this the members of a farm family are often involved. Together with the influence of the various individuals mentioned, farmers must also consider their own situation, both personally and financially before making a final farm transfer decision.

Farm demographics and transfer incentives

Current government initiatives to promote young farmer entry include a 25% top up on the Basic Farm Payment for farmers aged 40 and under, and reliefs on Capital Acquisitions Tax, Capital Gains Tax, and Stamp Duty. Despite these incentives 30% of farmers in Ireland are aged 65 years and over (CSO, 2018), indicating that land mobility in Ireland remains low.



Teagasc research

In 2018 Teagasc conducted research focused on farmer decision making with regard to farm transfer, this involved interviews with 24 farmers in counties Cork and Mayo. Just 8% of farmers in Cork were aged under 35 (8%) whilst a low percentage of farmers were 65 and over (20%). By contrast Mayo had the lowest percentage under 35 (4%) and the highest percentage of farm operators aged 65 and over (33%) (see maps 3.1 and 3.2 derived from CSO 2012 data*). This pattern is reflected at regional level with the Border Midlands and Western region being home to 23% of farmers aged 65 and over, while in the South and East region 18% of farmers are aged 65 and over (CSO, 2018). In addition to demographic differences, farm systems differ also, with dairy being a prominent system in Cork, while Mayo has a high number of beef (cattle rearing and cattle other) farms. Notably these farm systems differ significantly with regard to income. Average Family Farm Income for dairying stands at €66,788, while cattle rearing systems accrue €12,568 on average (figures based on 3 year average for period 2015 – 2017 using Teagasc National Farm Survey data). Notably all dairy farmers interviewed were full time farming, while all but two of the beef farmers interviewed either worked off farm or had retired from off-farm employment. One possible reason for this relates to the nature of dairy farming, which generally requires higher farm labour input in comparison to cattle rearing. The main issues raised by farmers interviewed for this research are summarised below.

**Most up to date available county level data.*



Capital taxation

Farmers who were interviewed had varying opinions with regard to capital taxation. Generally opinions on capital taxation differed by farm system. Those involved in beef farming were concerned about the negative effect that capital tax would have on both themselves and their successor. On the contrary, dairy farmers felt that planning in advance of farm transfer would avoid any negative effects stemming from capital tax. Dairy farmers cited regular contact with a professional (accountant or farm advisor) as a key element of their financial planning with regard to land transfer to the next generation. Notably beef farmers interviewed had less contact with professionals, indicating a lack of knowledge around capital tax reliefs available.



Marital breakdown

One core concern raised by dairy farmers was that of risk of successor marital breakdown. A majority of dairy farmers interviewed highlighted that they were reluctant to transfer the farm to their successor because they had reservations about the possibility that their successor would get divorced and the farm would have to be sold or split. In some cases farm successors did not have partners, but the issue remained to the forefront for the farmers regardless. Some interviewees noted the possibility of a pre-nuptial agreement as a solution to this problem; however, agreements of this nature generally have no legal standing in these instances.



Retirement income

Similar to taxation, farmers had differing views regarding retirement income. For dairy farmers, retirement income took the form of a private pension which they contributed to over time from the income they made from farming. However, beef farmers faced the possibility of being dependant on a contributory state pension. For these farmers, the low income from farming in old age was required to provide for them financially later in life.

Cost of long term care

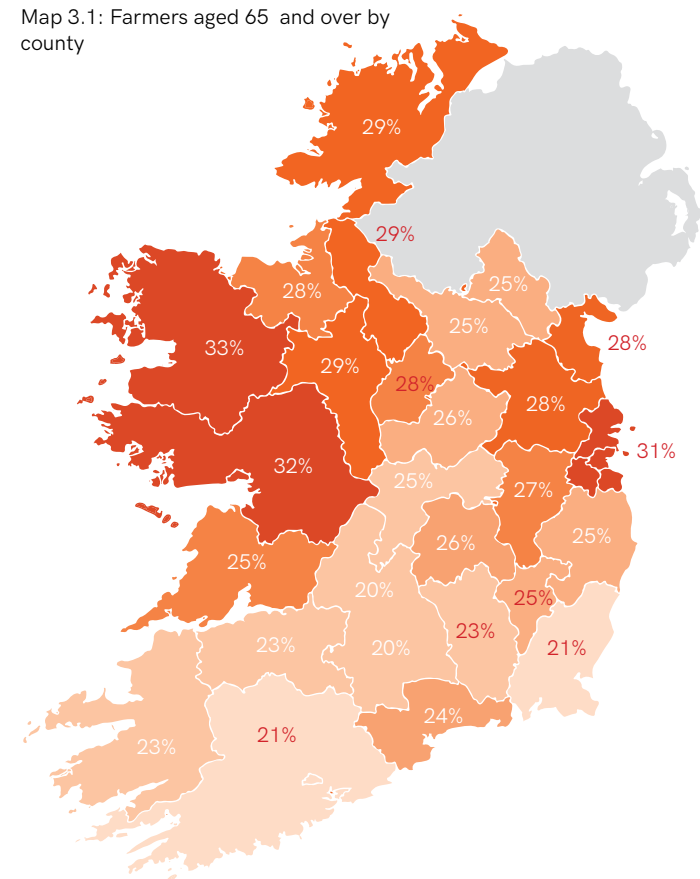
The final issue raised by interviewees was that of long term care costs, in this case both beef and dairy farmers had similar concerns. The unpredictability of long term care needs together with the high cost of nursing home care contributed to farmer reluctance to engage in the process of land transfer. At the centre of this was the possibility that a successor would come under serious financial pressure to pay for long term care, resulting in the failure of the business and eventual sale of the farm. Several farmers noted the inability of state efforts such as the Fair Deal Scheme to assist members of the farming community with long term care costs.

Recommendations

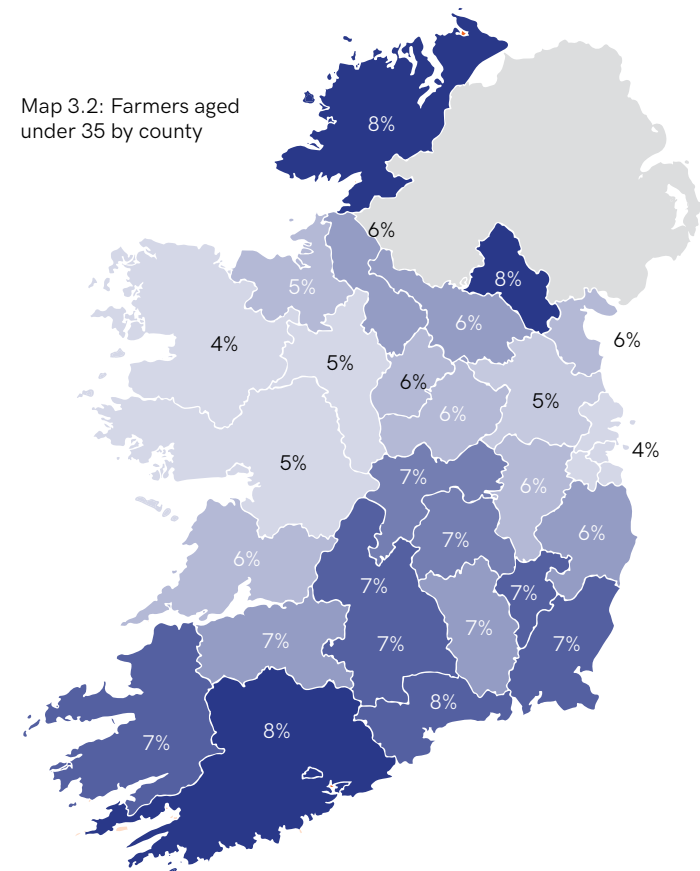
A key element of the results presented here is the reluctance of farmers to engage in generational land transfer due to economic factors. Ensuring financial security for farmers intending to retire (or semi retire) must be a central aspect of future generational renewal policy in order to encourage the timely entry of younger farmers to the sector, while also facilitating the gradual exit of outgoing farmers. This may take the form of dissemination of knowledge regarding current capital taxation reliefs. Additionally, a state pension top up for those who do not have private pensions could provide a source of financial security for those considering handing the farm over to the next generation.

Dr Brian Leonard, *Economic, Community and Rural Development Department, Galway County Council.*

Map 3.1: Farmers aged 65 and over by county



Map 3.2: Farmers aged under 35 by county



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05 Land Market Survey Report 2018

Basis of the results

The SCSi/Teagasc Land Market Review and Outlook for 2018 is based on the responses to a survey of SCSi members. A total of 303 responses were received of which 146 were from members who had dealt in agricultural land. These were defined as respondents who replied “Yes” to the question “Were you involved in the sale and/or letting and/or valuation of agricultural farmland in 2018?” The survey was carried out over a four week period in February and March 2019.

The view is that these SCSi members who responded, were very well placed to report on regional trends in the markets they served. The forecasts about likely future trends provide a valuable resource at a time of limited authoritative information on developments in the land market, both for sale and rental.

“A total of 303 responses... the number of respondents who replied “Yes” to the question “Were you involved in the sale and/or letting and/or valuation of agricultural farmland in 2018?”

Overall price for agricultural land for farming

In 2018, the overall average price for agricultural land was €9,910 per acre, which was an increase of 12 per cent on 2017. The national average price for farmland with a residence was €10,325 per acre and for land without a residence it was €9,554 per acre.

Table 5.1: Overall price for agricultural land for farming by region and in total, (€ per acre)

	Overall price per acre with a residence	Overall price per acre without a residence	Overall price for all parcels of land
Connaught/Ulster	7,272	6,696	6,919
Munster	10,242	9,373	9,784
Leinster (excl. Dublin)	11,294	10,946	11,115
Overall for combined regions	10,326	9,554	9,910

Table 5.2: Agricultural Land Prices in Ireland 2017 and 2018 (€ per acre) and percentage change from 2017.

		Leinster excl. Dublin		Munster		Connaught/Ulster	
		With a residence	Without a residence	With a residence	Without a residence	With a residence	Without a residence
< 50 acres	2017	12,173	10,873	11,616	9,846	6,222	6,225
	2018	11,973	12,929	10,921	11,265	7,137	7,016
	% change	-2	+16	-6	+14	+15	+13
50-100 acres	2017	10,493	9,552	10,719	10,000	5,000	4,938
	2018	11,265	10,109	10,223	10,143	7,361	6,575
	% change	+7	+6	-5	+1	+47	+33
>100 acres	2017	9,750	9,000	10,111	9,813	4,600*	4,500
	2018	10,457	9,411	9,500	10,457	7,375	6,205
	% change	+7	+5	-6	+7	+60	+38

*Data for the two larger size categories in Connaught/Ulster should be treated with caution due to small sample number.

Generally speaking, the price of agricultural land rose in Leinster (excluding Dublin), except for the average price per acre in the less than 50 acres size class, ‘with a residence’. In Munster the average price per acre for land with a residence declined slightly, whilst the price of land without a residence rose for all size classes. This might be expected if farmers were adding to their holdings in the expectation of slightly increased future returns. It is likely, but not proven, that this

was related to expectations of continuing relatively high returns to dairying. Also, increased dairy farm incomes in 2017 would have facilitated some extra cash towards land purchase. This may be influential despite the decline in incomes in 2018.

Figure 5.1: Average price (€/acre) for agricultural land in 2018, with and without a residence, by region and overall

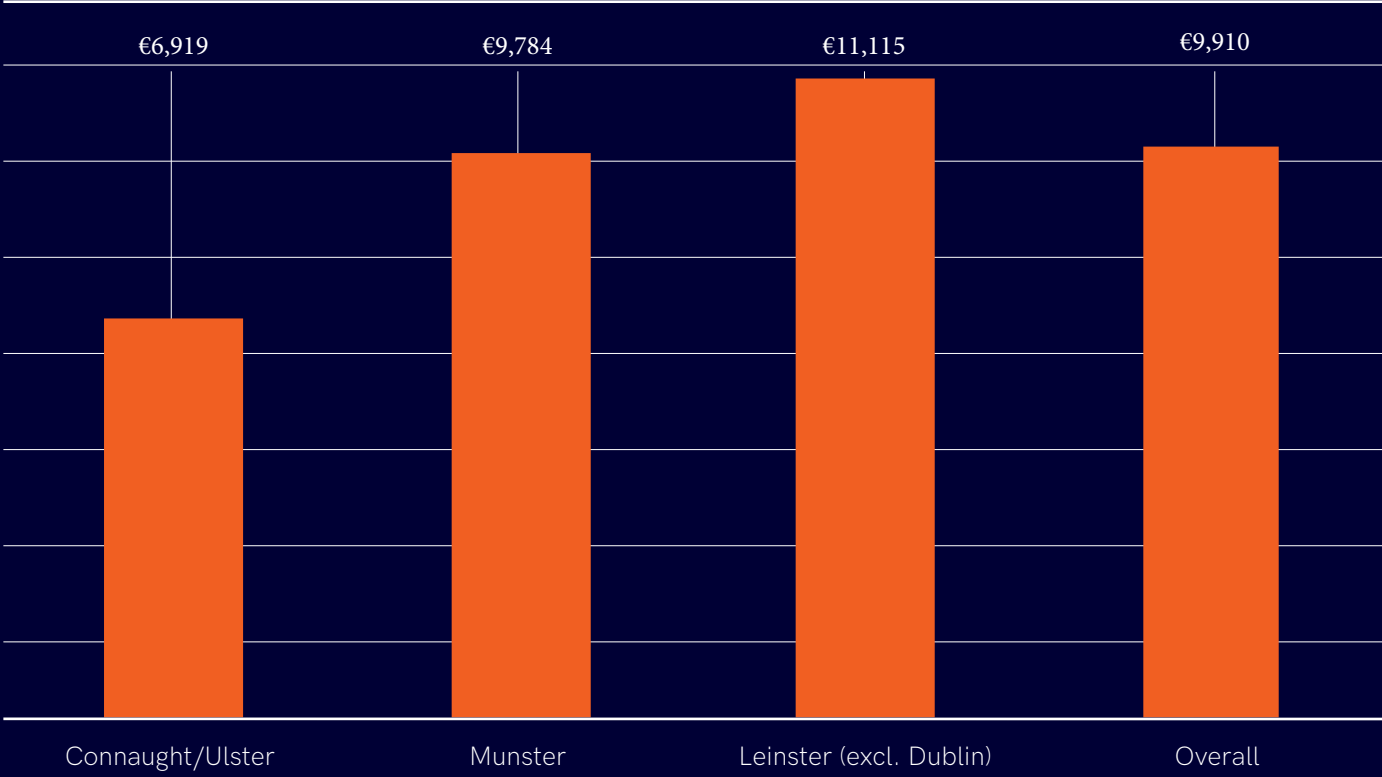
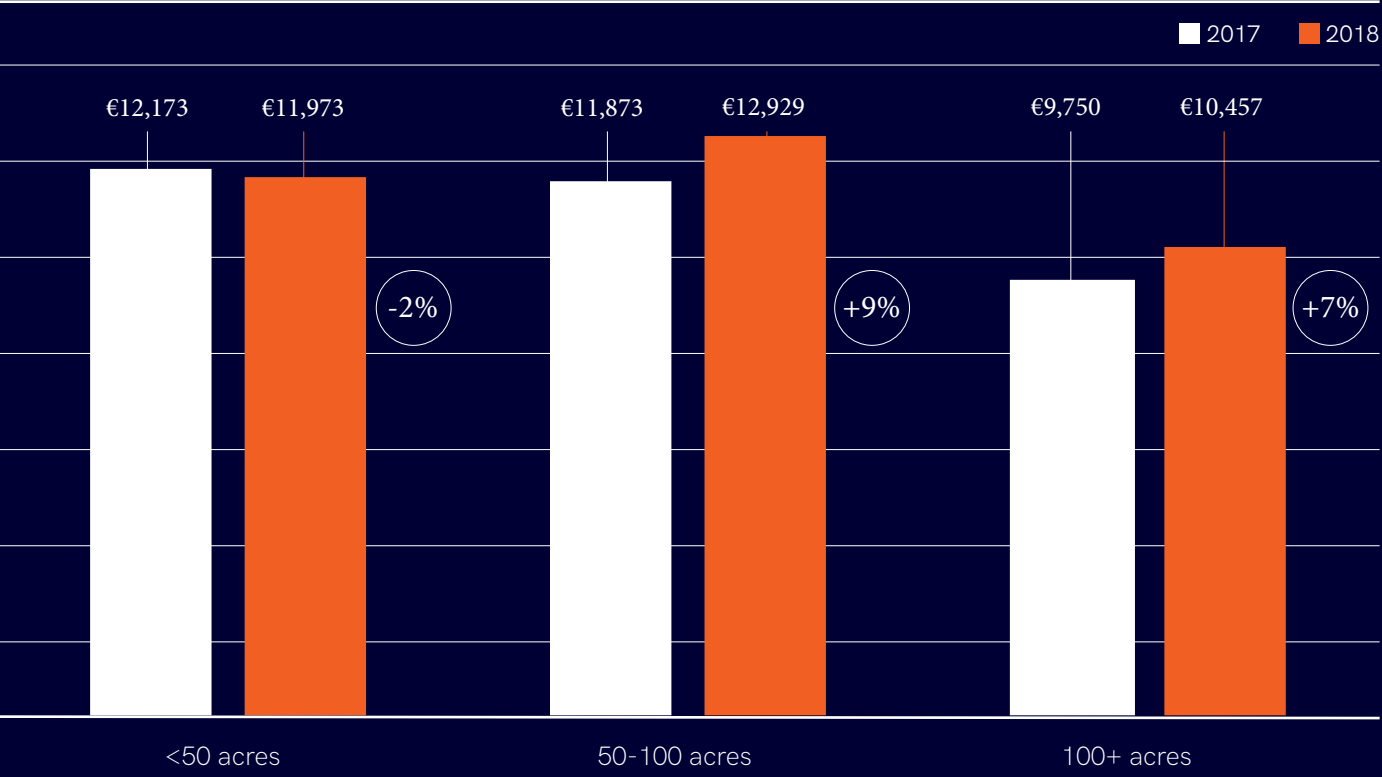


Figure 5.2: Leinster price (€/acre) with a residence by size class 2017 and 2018 and % change



Edgeworthstown Co.
Longford - 40 acres

“We have noticed that the main factor affecting sales activity in the Mullingar area and North Leinster seems to be beef prices, but beef farmers tend to be cautious - possibly more cautious than dairy farmers.

Dillon Murtagh BSc, Murtagh Brothers, Mullingar.

Figure 5.3: Munster price/acre with a residence by size class 2017 and 2018 and % change



Figure 5.4: Connaught/Ulster price/acre with a residence by size class, 2017 and 2018 and % change

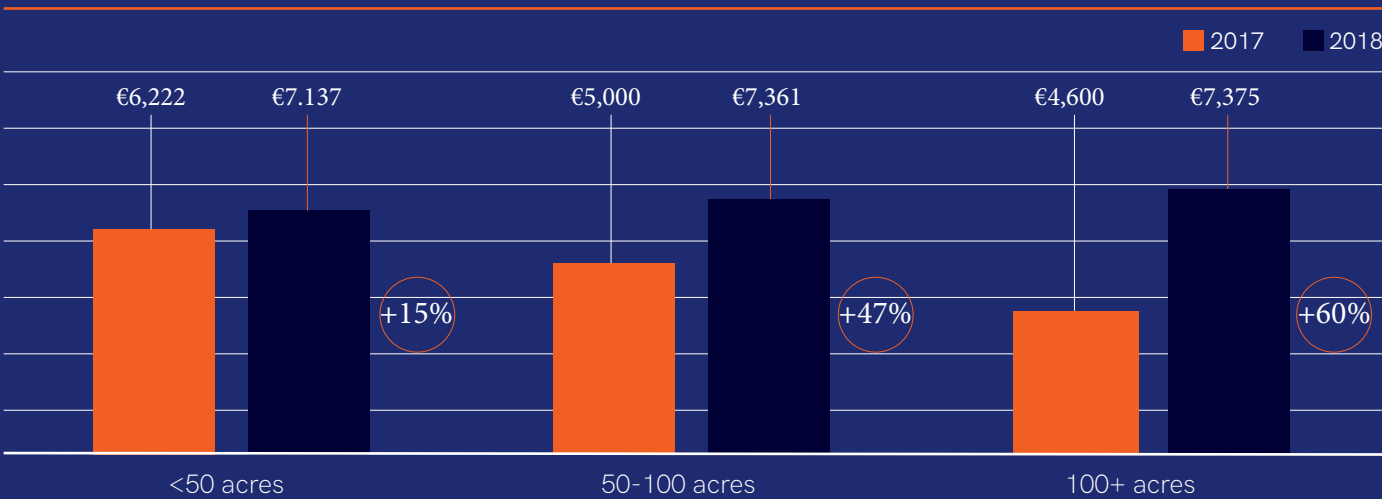


Figure 5.5: Leinster price/acre without a residence, 2017 and 2018 and % change

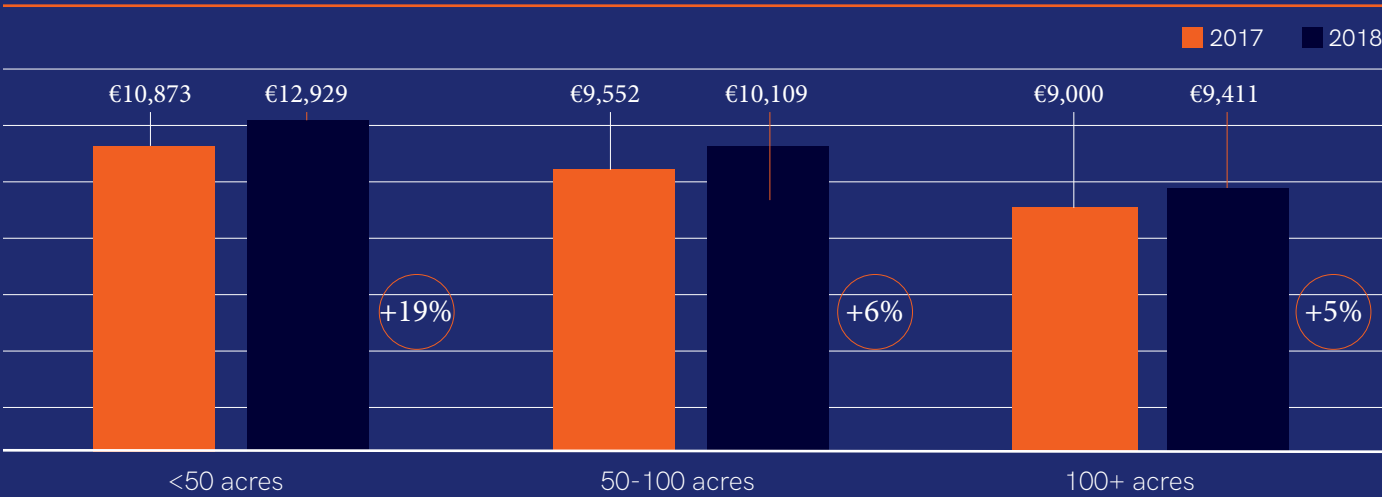


Figure 5.6: Munster price/acre without a residence, 2017 and 2018 and % change

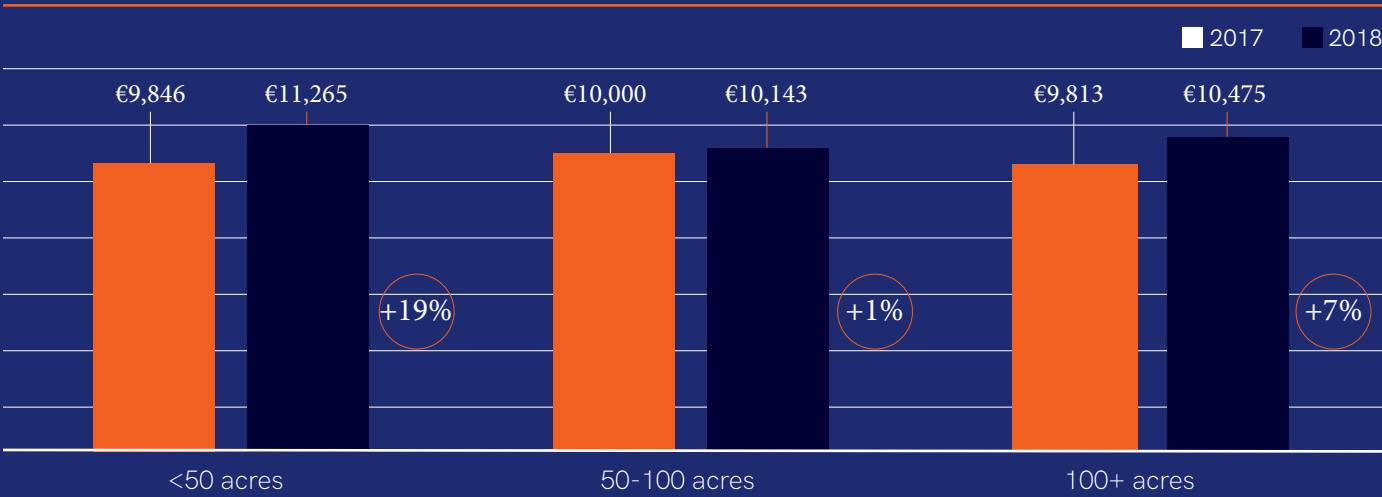
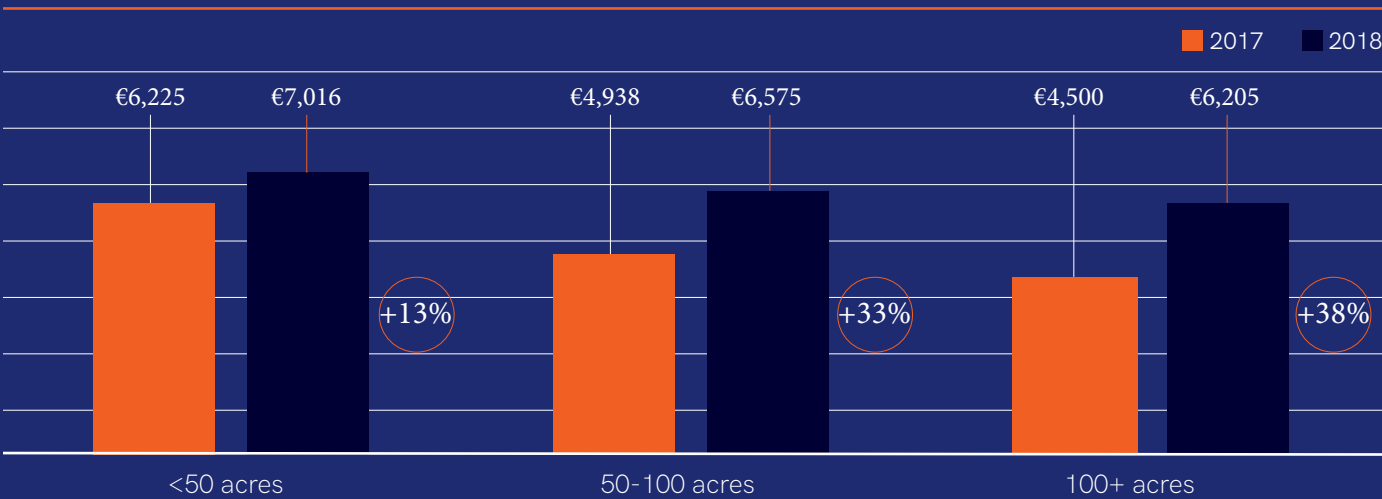


Figure 5.7: Connaught/Ulster price/acre without a residence, 2017 and 2018 and % change



Land prices and size of parcel

The price per acre of agricultural land tends to decline with the size of parcel. This pattern is apparent in the results for 2018.

In Leinster, (excluding Dublin), the average price per acre declined from almost €12,000 per acre in the less than 50 acre size class to about €10,500 per acre in the largest, (over 100 acres), class. A similar pattern was repeated for land without a residence, where the price per acre declined from about €13,000 per acre in the smallest size class to about €9,400 per acre in the largest class.

For Munster the position for farmland with a residence was roughly the same, with the price per acre declining from about €11,000 per acre for parcels in the under 50 acres class to about €10,200 per acre in the 50 to 100 acre class and €9,500 for parcels in the largest class of over 100 acres.

The decline of price with size class was not as pronounced for parcels without a residence, although the price per acre was lowest for the smallest (up to 50 acre), class size.

Land sales

The most active class of sellers of agricultural land are executors or others making probate sales. This is because most agricultural land is held until death. Unlike many businesses, farmers do not tend to sell up their businesses when they retire. However, the second most active group of sellers were landowners who had inherited land but had 'no desire to farm the land'. This group were said to be 'very active', (by 21 per cent of respondents) or 'somewhat active' (by 73 per cent).

Less active types of sellers were: developers; farmers who were not longer interested in or had retired from farming and those who were continuing to farm but had decided to sell a portion of the farm. This last group includes farmers who were re-structuring their holdings or simply sold some land to raise cash. Developers and investors were not very active and would not hold a large amount of land, relative to farmers.

“Forestry is a key underlying feature of the land market in the NW. Poor agricultural land suitable only for grazing will make about €5,500 per acre, whilst land for forestry is a viable economic proposition at about €4,000 per acre.”

*John Murphy,
Murphy and Sons,
Auctioneers, Sligo*

The Rental Market

Agricultural land rental prices for 2018 are shown in Figures 5.8, 5.9 and 5.10.

Figure 5.8: Leinster, rental prices (€/acre) 2017 and 2018 by use

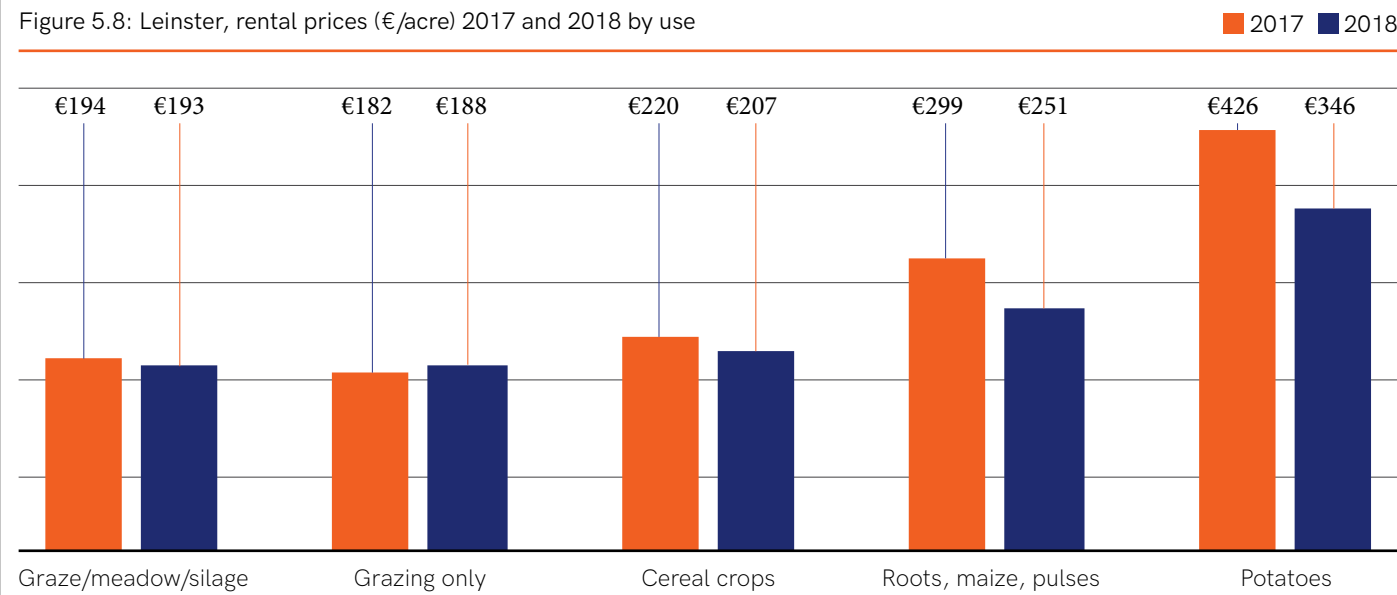


Figure 5.9: Munster, rental prices (€/acre) 2017 and 2018 by use

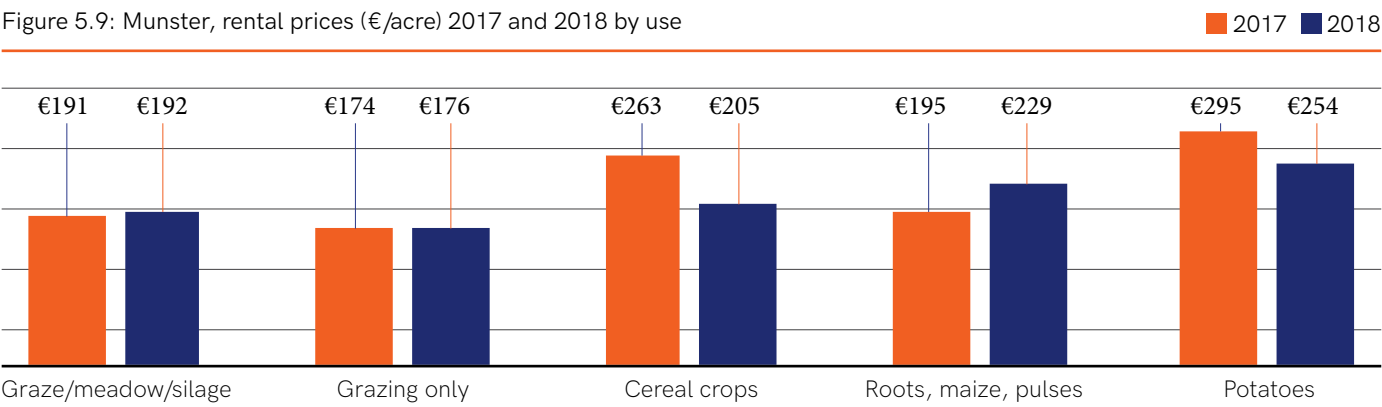
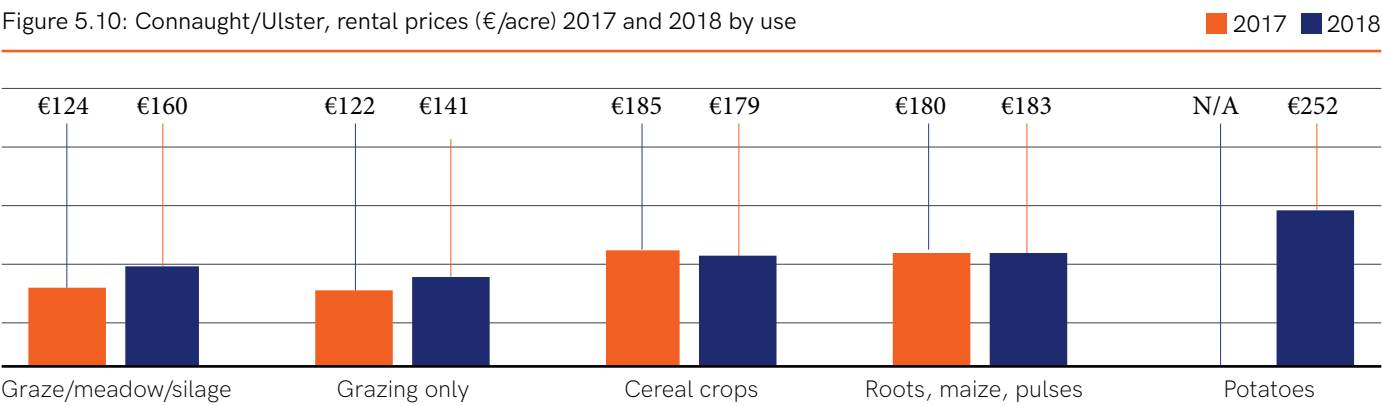


Figure 5.10: Connaught/Ulster, rental prices (€/acre) 2017 and 2018 by use



The main points to note about the land rental market in 2018 were that rents for grassland, for ‘grazing/meadowing/silage’ remained largely unchanged except for an increase in Connaught/Ulster. For ‘grazing only’, the rental price increased very slightly in Leinster and Munster. In Connaught/Ulster it increased by about 25 per cent.

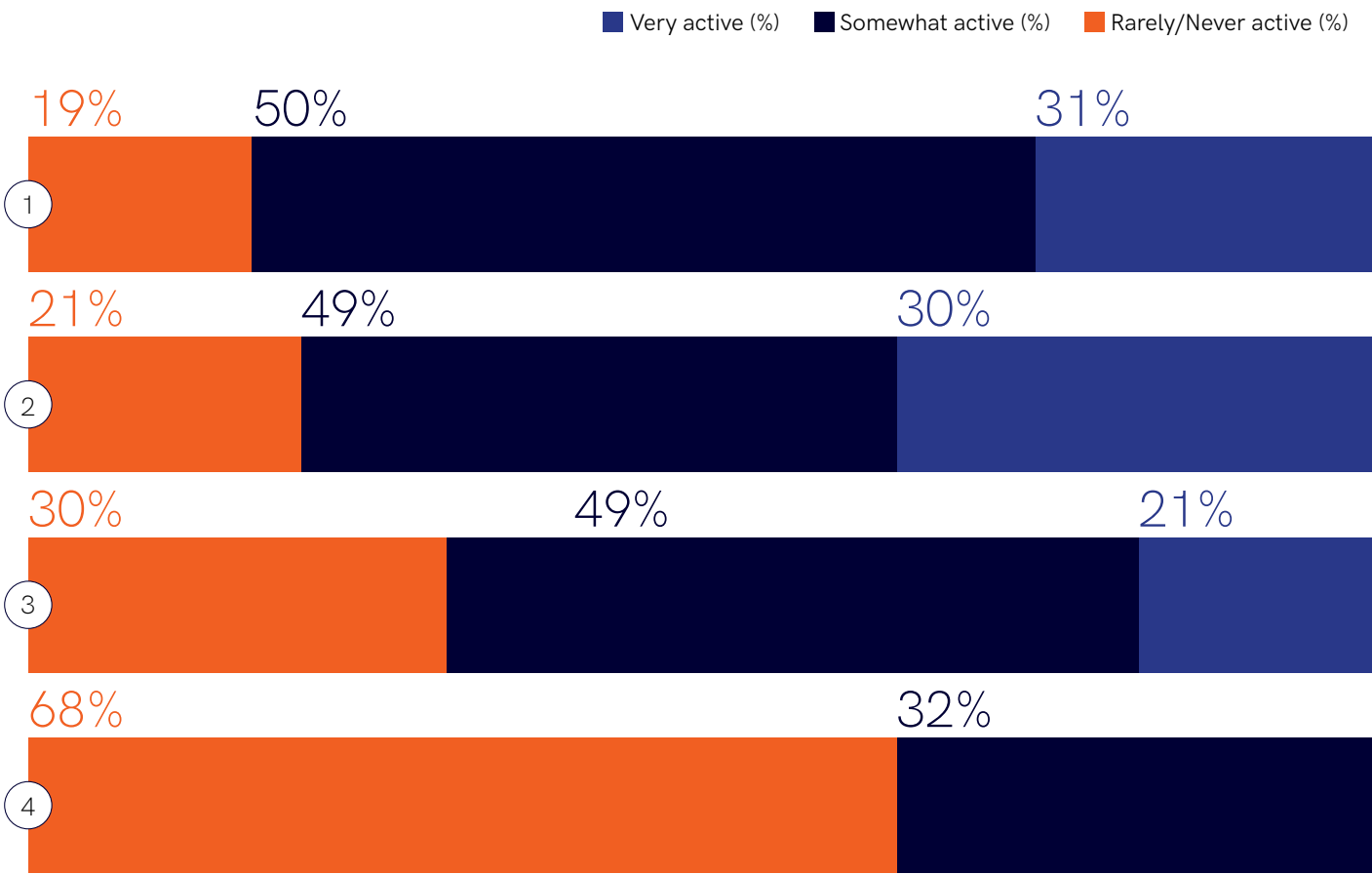
Rental price for land used for cereal crops declined in Leinster and Munster and remained the same in Connaught/Ulster. The reasons for this are not clear from this survey but the changes were not large.

Rental prices for land used for ‘root crops, maize and pulses’, declined in Leinster and Connaught/Ulster and rose in Munster. Since this price is derived from supply of land to rent and the expected returns from a variety of crops some variation would be expected.

Rental prices for land used for potatoes declined in 2018 from their 2017 levels, by 19 per cent in Leinster and 14 per cent in Munster.

Activity in the rental market

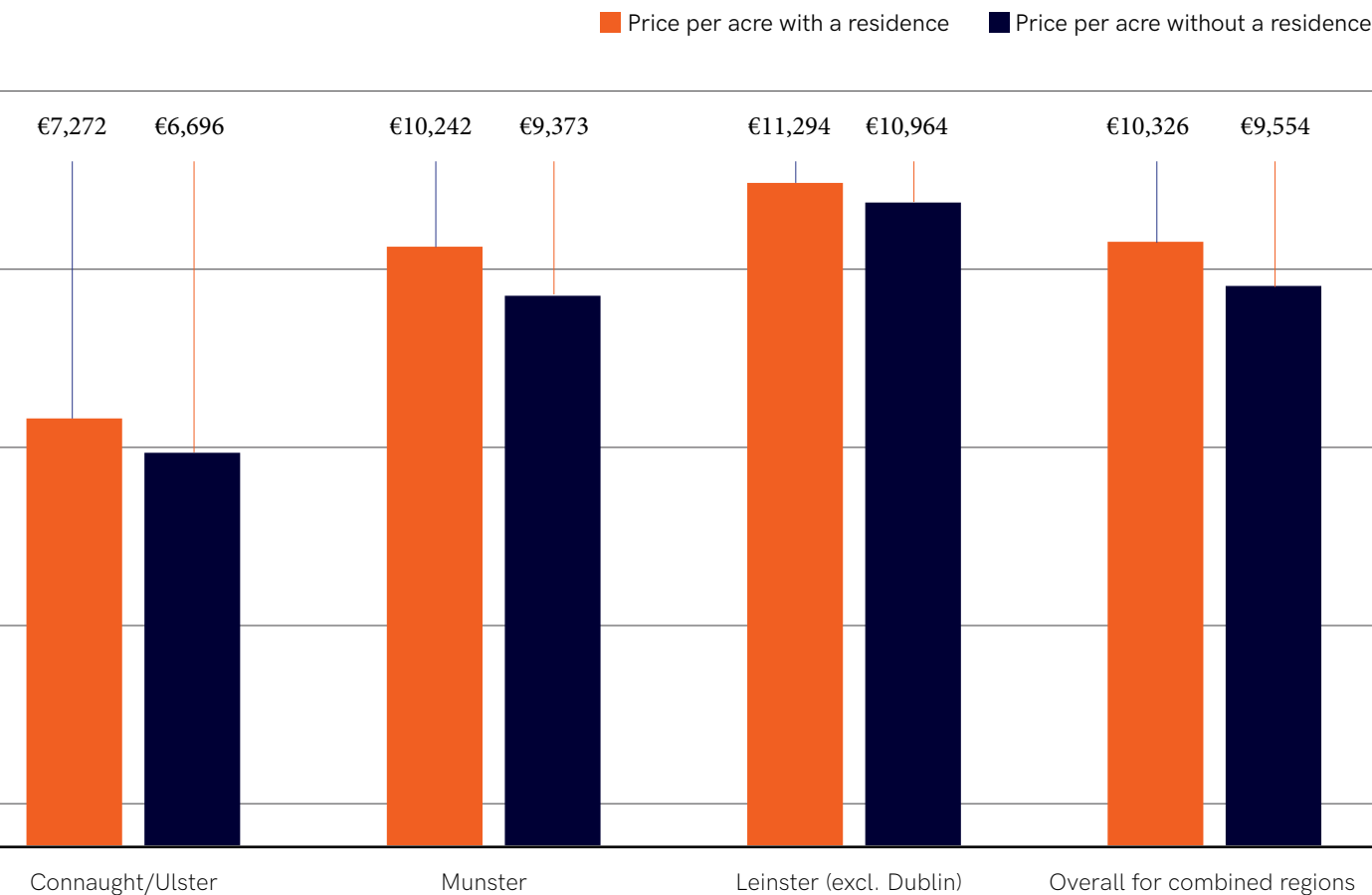
Figure 5.11 Land market activity by type of owner, 2018



- 1 A farmer who has retired and is no longer interested in farming
- 2 A farmer who has inherited land but has no desire to farm the land
- 3 A farmer who is continuing to farm but has decided to lease a portion of his farm
- 4 Other

The most active categories of landlord, according to the replies from members were farmers who had retired but were no longer interested in farming and farmers who had inherited land but had no desire to farm it. The combined percentages of ‘very active’ and ‘somewhat active’ for these two groups were 81 and 79 per cent. The least active group of landlords were farmers who were continuing to farm but had decided to lease only a portion of the farm. The number of responses in relation to the ‘other’ category who were ‘rarely’ or only ‘somewhat’ active was too low to draw conclusions about the nature of these landlords.

Figure 5.12 Land price, (€/acre), with and without a residence, by region and overall, 2018



The overall price for agricultural land for farming, expressed as € per acre was highest in Leinster at €11,115 followed by Munster at €9,784 and Connaught/Ulster at €6,919.

The relative prices followed the order of previous years but the absolute value of land prices in Connaught/Ulster appeared to have risen significantly. This may be a function of the low number of observations from members in this region. Some of the transactions appear to have been for high prices. The reasons for the apparently large increase in price per acre in Connaught/Ulster are not clear.

Land with a residence was sold at a higher price than land without, €10,326 per acre versus €9,554 per acre for land without reflecting the increased value attributable to the dwelling.

06 Overview of Irish Agriculture by Region

While there are no radical differences in climactic and agronomic conditions across Ireland, there are differences in the importance of different agricultural production systems at a regional level that are likely to be reflected in both demand for and supply of agricultural land for sale and rent. The differences in the nature of agricultural activity in the various regions of Ireland in part is reflective of underlying soil and other physical characteristics, with farm

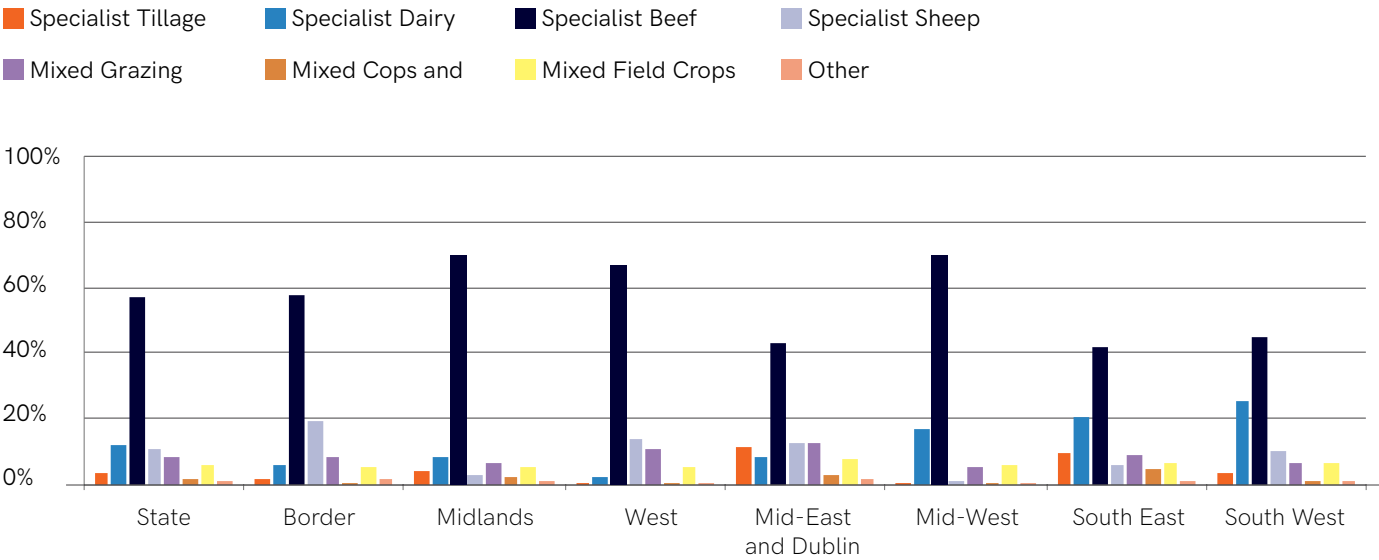
size, human capital, age of operator, off farm employment and access to finance also being factors.

The Farm Structures Survey (FSS), produced by the Central Statistics Office (CSO), provides detailed information on the regional pattern of agricultural activity and farm structures in Ireland. The most recent survey of this kind relates to 2016. Regional economic accounts for agriculture are also produced by the CSO on an annual basis and these allow us to see regional differences in agricultural output and incomes across Ireland. FSS data are presented at NUTS III level which is the same level of aggregation used in the CSO Regional Accounts for Agriculture and corresponds somewhat with the regions used in the SCSi survey of agricultural land markets.

The prevalence of various farm types (and associated land uses) differs regionally as illustrated in Figure 6.1. which shows data for 2016. Comparing results with the previous farm structures survey in 2013 indicates that very little has changed in 2016. In all regions, farms classed as specialist beef production account for at least 40% of farms, with the proportion highest in the Midlands (69%) and lowest in the South East region (42%). The regional importance of dairying and tillage farming vary substantially. In the South

West (Cork and Kerry) close to 25% of all farms are specialist dairy farms, by contrast in the West (Galway, Mayo and Roscommon) less than 3% of farms are specialist dairy farms. Specialist tillage farms account for a little over 3% of farms nationally, but in the South East Region (Carlow, Kilkenny, South Tipperary, Waterford, Wexford) almost 10% of farms are specialist tillage farms. Specialist tillage farms also represented 11% of farms in the Mid-East (Kildare, Meath and Wicklow) and Dublin region.

Figure 6.1: Prevalence of Farm Type by NUTS III region in 2016 (Source: CSO Farm Structures Survey 2016)



The importance of different farm types by region is reflected in the varying composition of the agricultural output produced across the regions of Ireland in 2017, as illustrated in Figure 6.2. The prominence of cattle output can be observed across all regions, with the cattle output share varying from 25% in the South-West region to 57% in the West region. However, the importance of milk and cereal and root crop output varies widely across the NUTS III regions. The prevalence of dairying (milk) is highest in the South West, Mid-West and South East regions.

The relatively high level of milk price in 2017, along with the continuing growth in milk production of recent years, has pushed milk production into first place in terms of the share of output delivered at a national level. This trend can also be observed in the dairy heartland of the South West and Mid-West, where milk production is also the largest sector in output value terms.

The varying regional prevalence of dairying and tillage output is also reflected in the differences in the importance of income subsidies in total agricultural sector income by region, illustrated in Figure 6.3. Regions that are more dependent on dairying in terms of agricultural output derive more of their farm income directly from the margin their farm business earns and less of their farm income comes from subsidies. This largely reflects the higher net margins per hectare of milk and tillage production systems when compared with drystock. The relatively high milk price in 2017 along with the continuing volume growth in milk production increased the value of output in the agricultural sector relative to earlier years.

At a national level, income subsidies accounted for 47% of agricultural sector income in 2017, a substantial drop from the figure of 61% in 2016. At a regional level, in 2017 the share of income derived from subsidies was lowest in the south-west region at 34% and highest in the Midlands at close to 71%. However, in both regions this represented a significant drop relative to the previous year. This dramatic difference is indicative of the much greater market orientation of agricultural production in the South West region relative to the Midlands. This is associated with the dominance of milk production in the South-West.

“The relatively high level of milk price in 2017, along with the continuing growth in milk production of recent years, has pushed milk production into first place in terms of the share of output delivered at a national level.”

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CSO (2018) Farm Structures Survey 2016. Available at <https://www.cso.ie/en/releasesandpublications/ep/p-fss/farmstructuresurvey2016/>

CSO (2018) Regional Accounts for Agriculture 2017. Available at: <https://www.cso.ie/en/releasesandpublications/er/raa/regionalaccountsforagriculture2017/>

Figure 6.2: Agricultural Output (excl. forage) at Producer Prices 2017 Shares by NUTS III Region (Source: CSO Regional Account for Agriculture 2016)

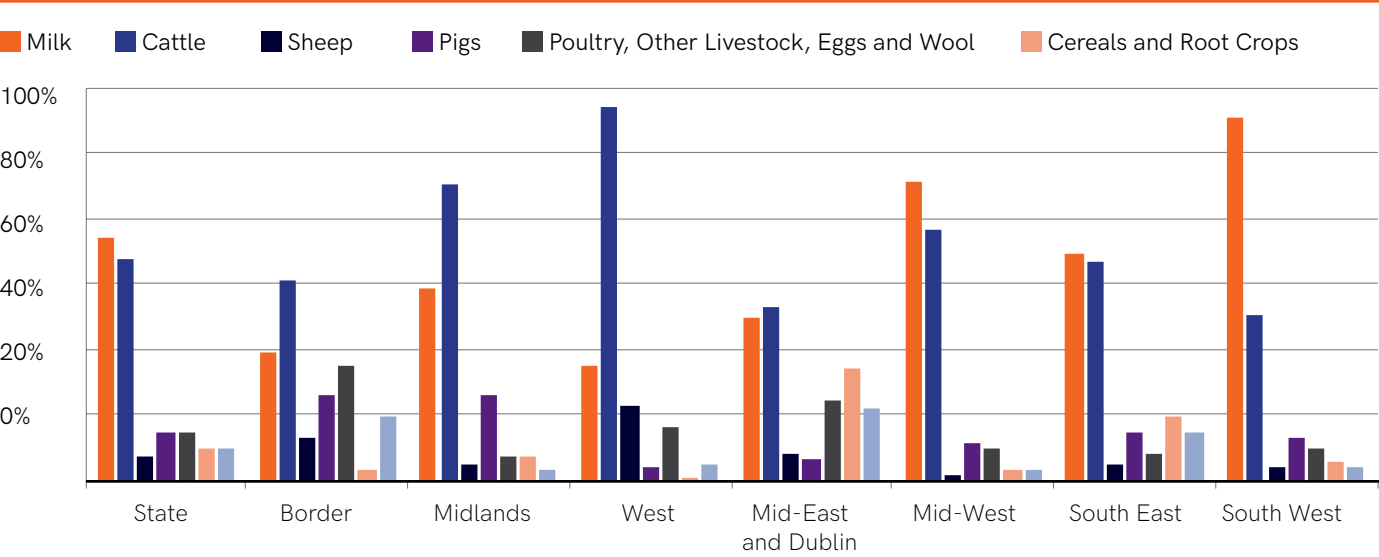
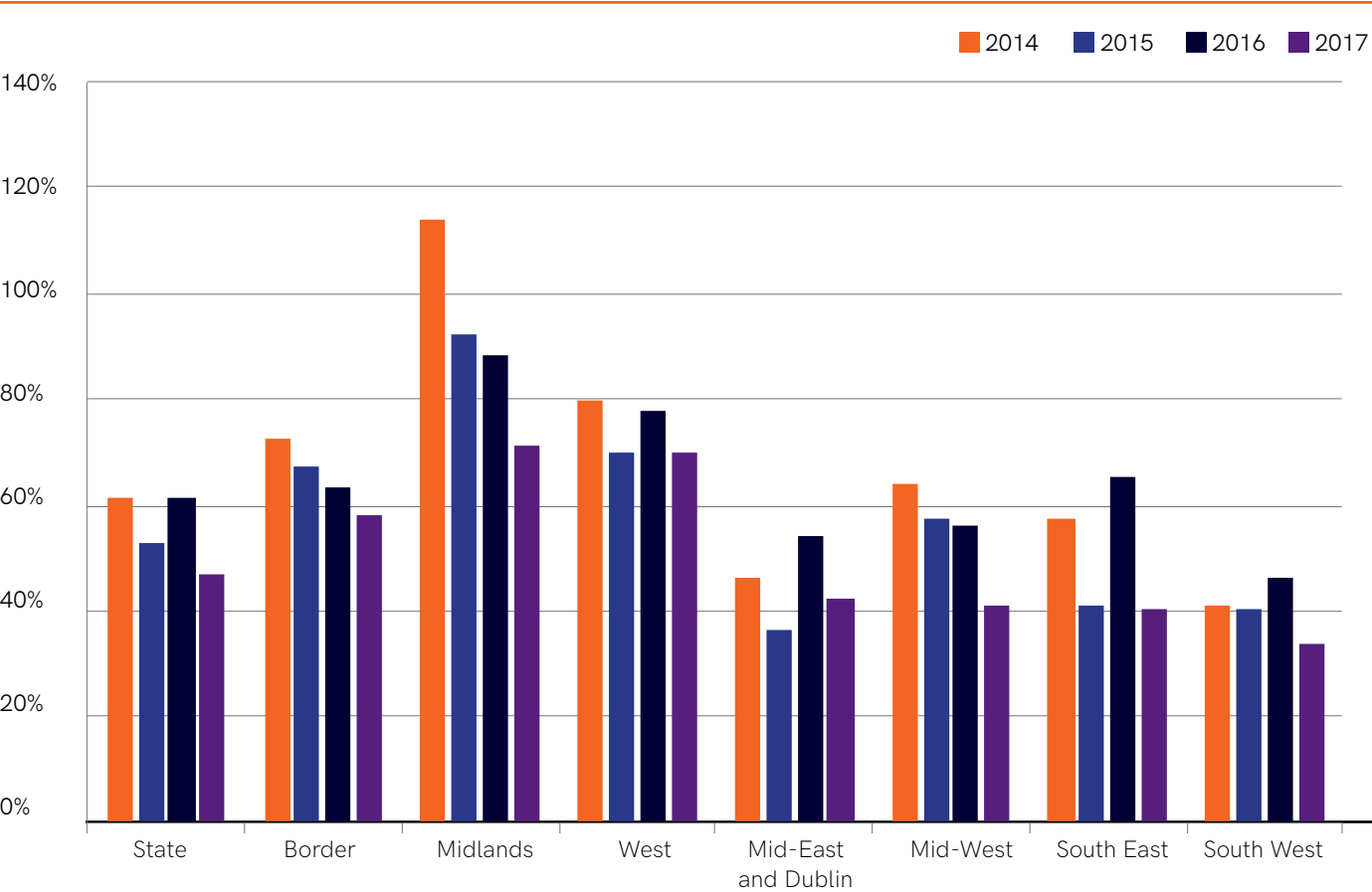


Figure 6.3: Net Subsidies as a share of Agricultural Sector Income in 2014-2017 by NUTS III Region (Source: CSO Regional Account for Agriculture 2014-2017)



2019

Analysis of the SCSI /Teagasc Agricultural Land Survey >

“...members were relatively optimistic about the prospects for the agricultural land market in all the regions”

07

Analysis of the
SCSI /Teagasc
Agricultural
Land Survey

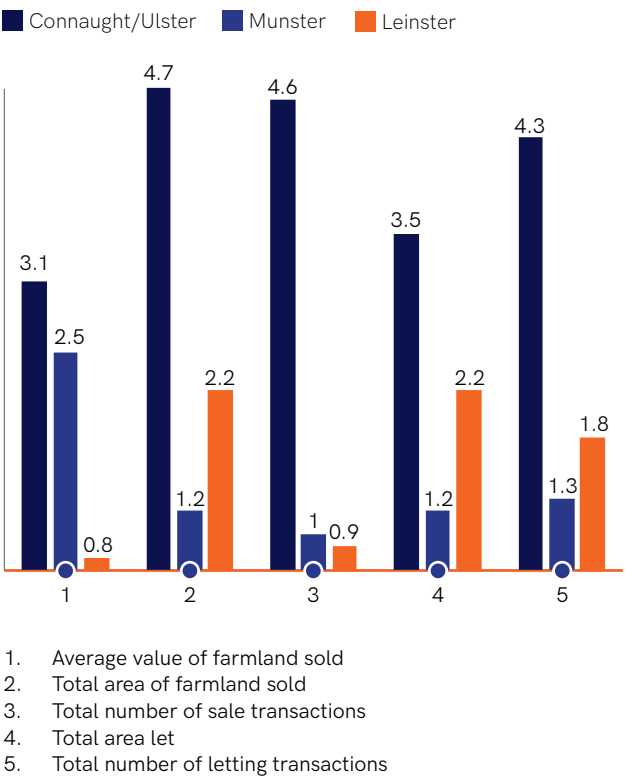
Expectations for
the future

As a result of their practical knowledge and professional education and training, the views about the future of SCSI members who had dealt in agricultural land were assumed to be those of reliable experts.

Members were asked for their expectations about the percentage change in five aspects of the agricultural land market. These were (a) the average value of farmland, (b) the total area, (c) the total number of transactions, (d) the total area let and (e) the total number of letting transactions.

Figure 7.1 shows that members were relatively optimistic about the prospects for the agricultural land market in all the regions. Increases were expected in values, area sold, number of sales, total area let and total number of lettings. Although increases were expected they were generally modest, between about one and two per cent for all the features of the land market, except in Connaught/Ulster where increases were expected across the board, ranging from an expected increase in value of 3 per cent to an expected increase in the area sold of 5 per cent on average. These averages conceal some differences between members but over half the respondents were generally positive.

Figure 7.1: Market expectations (% change) for 2019 by region



“As a result of their practical knowledge and professional education and training, the views about the future of SCSI members who had dealt in agricultural land were assumed to be those of reliable experts.”

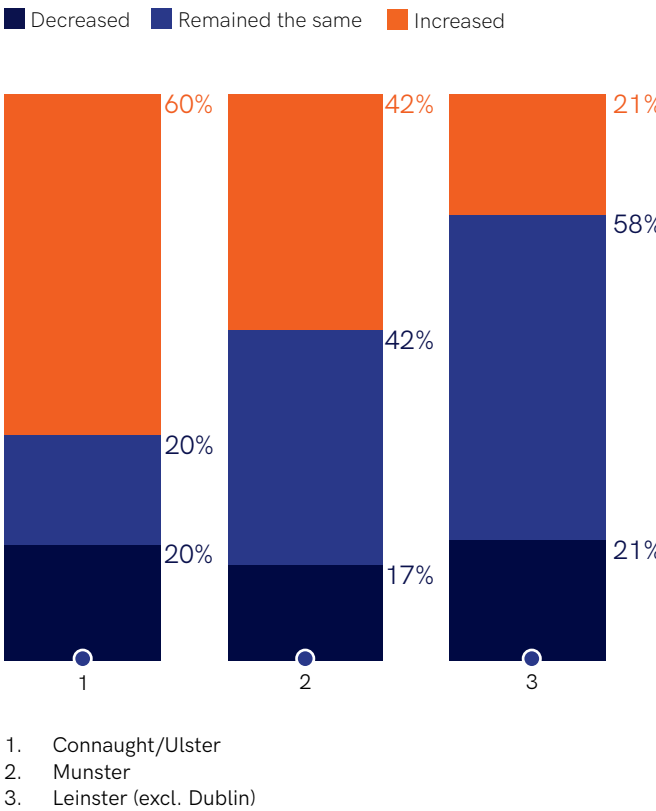
Views on the
past year, (2018)

In relation to ‘times past’, members were asked how they thought some important measures of land market activity had changed in 2018 compared to 2017. The results for the changes in the volume of land sold are shown in Figure 7.2.

The majority of members who responded indicated that in 2018, the volume of land sold had either increased, (a 60 per cent increase in Connaught/Ulster), or remained the same. About 20 per cent indicated that they had sold a smaller volume.

As was the case with value of land sales, respondents in all regions reported that, in general, values had remained the same or increased. For most respondents 2018 was a busier year than 2017.

Figure 6.2: Change in volume of land sold, 2018 vs 2017 by region



Farmland valuation activity, 2018 v 2017

A further indication of increased market activity in 2018 relative to 2019 was the perceived change in the number of valuers carrying out farmland valuations.

The number of valuers reporting higher levels of valuation activity increased in Connaught/Ulster and Munster by 48 and 57 per cent respectively. Even in the rest of Leinster, (not including Dublin) the number of valuers reporting higher levels of valuation activity increased by 35 per cent. 50% of valuers in rest of leinster reported no change in valuation activity in 12 months

The number of valuations for inter-generation land transfer was reported as remaining the same by about half the respondents in Connaught/Ulster and the rest of Leinster. In Munster only about 38 per cent of respondents thought that valuations for inter-generational transfer had remained the same. About 14 per cent reported that it had declined. Nevertheless, the proportion reporting an increase was still about 30 per cent in all regions. The proportion of those who did not know was higher in Connaught/Ulster and Munster, (12 and 19 per cent) than in Leinster. The valuation of land for inter-generational transfer was still a common activity for SCSi members dealing in agricultural land.

Figure 7.3: Change in valuation activity, 2018 v 2017, by region

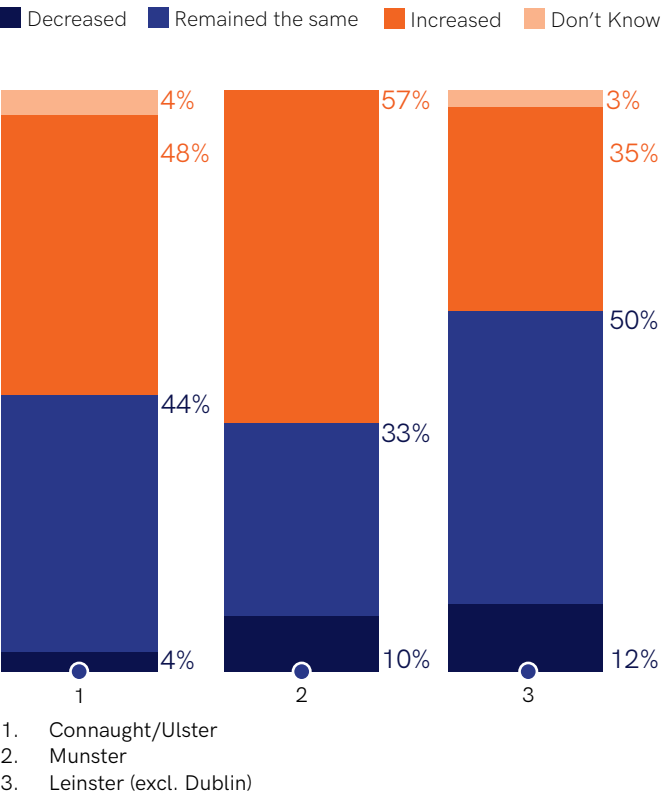
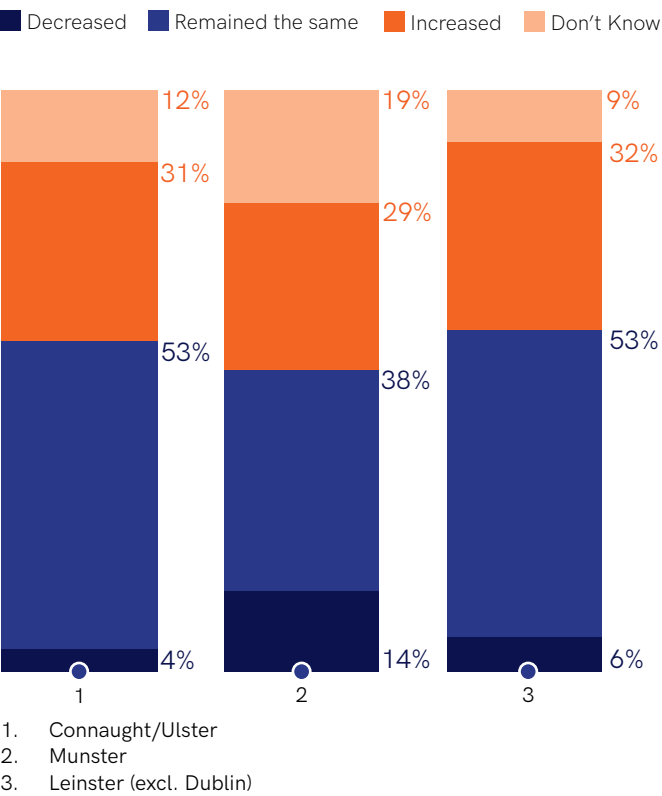


Figure 7.4: Changes in no of valuations for inter-generational transfer, 2018 v 2017, by region



Who was active in the land market?

Members were asked who, in their experience, were the most active classes of participants in the land market in 2018.

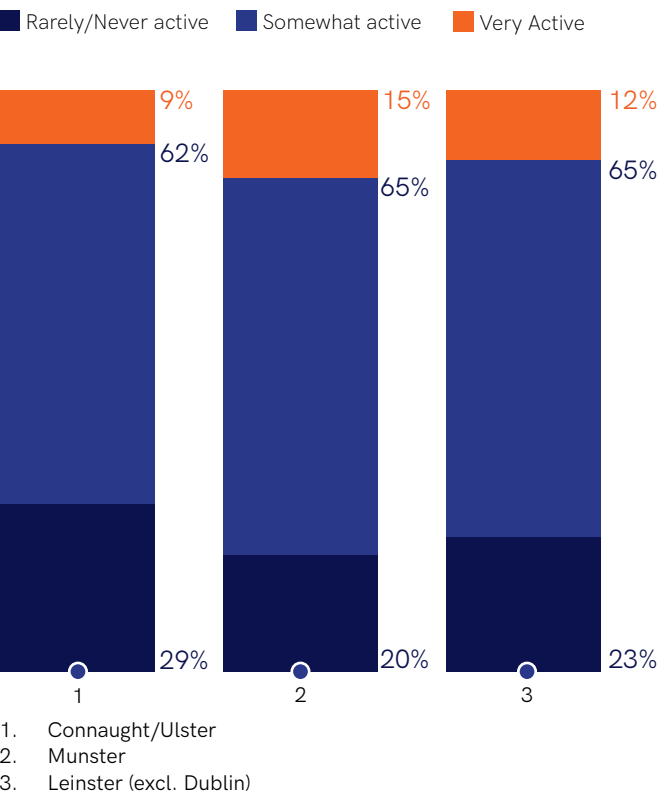
The classes of participants selling land were described as:

- a. 'A farmer who is no longer interested in, or has retired from farming';
- b. 'A farmer who has decided to sell but has continued to farm a small portion of his farm';
- c. 'A landowner who has inherited land but who has no desire to farm the land';
- d. 'An investor';
- e. 'A financial institution';
- f. 'A developer';
- g. 'An executor/probate sale';
- h. 'Others'.

The following Figures show the breakdown of these participants by activity level and region.

Figure 7.5 shows that across the regions, farmers who were no longer interested in or had retired from farming continued, not surprisingly, to be the group from which between 70 and 80 per cent of sales activity originated. This group provided the lowest level of sales activity in Connaught/Ulster (71 per cent and the highest proportion in Munster. The notable feature of this information is that the activity levels are relatively similar across regions, except for Connaught/Ulster, where sales activity from this group of sellers was slightly lower than elsewhere.

Figure 7.5: Levels of selling activity by farmers who were no longer interested in or had retired from farming, 2018, by region

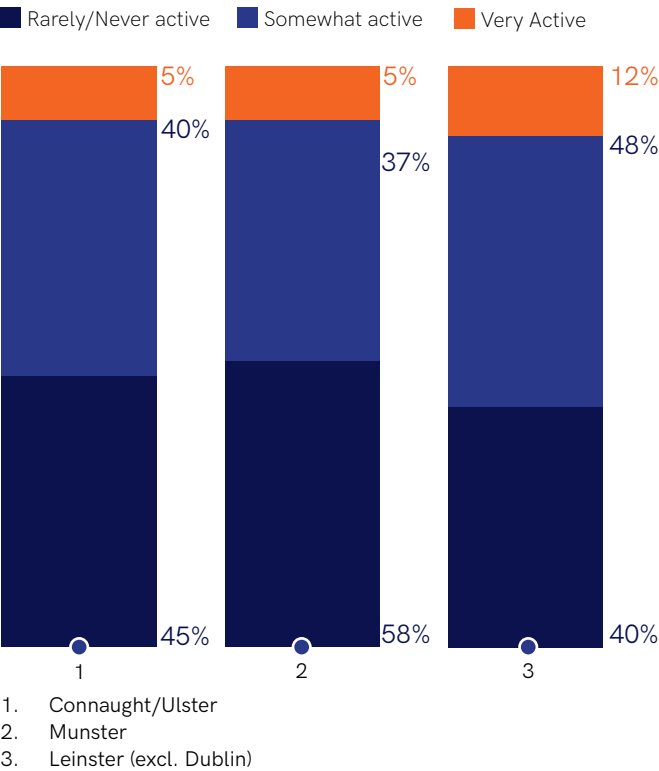


“The notable feature of this information is that the activity levels are relatively similar across regions, except for Connaught/ Ulster, where sales activity from this group of sellers was slightly lower than elsewhere.”

Levels of selling activity by farmers who had decided to sell but continued to farm a small portion of the land are in Figure 7.6.

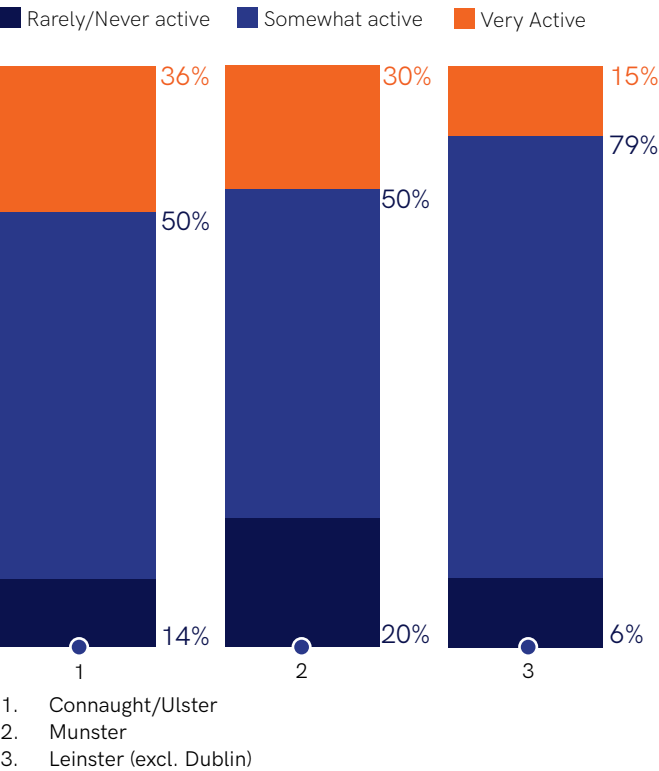
Farmers who had decided to sell but at the same time continue to farm a small portion of their land were seldom a ‘very active’ group. In Connaught/Ulster and Munster they were cited as being ‘very active’ by only five per cent of respondents. There seemed to have been more market activity from this group in Leinster than in Connaught/Ulster and Munster. In Munster, this group was cited as being ‘rarely or never active’ by 58 per cent of respondents.

Figure 7.6: Selling activity by farmers who had decided to sell but continued to farm a portion, by region, 2018



The sale of land by beneficiaries who had inherited land was a common source of sales, especially in Leinster. In all three regions, respondents said that in their experience this type of seller was ‘active’ or ‘very active’ in selling agricultural land. The combined proportions of respondents indicating these sellers were ‘somewhat’ or ‘very’ active were 86 per cent in Connaught/Ulster, 80 per cent in Munster and 94 per cent in Leinster. Beneficiaries seemed slightly more inclined to keep their inheritance in Connaught/Ulster than in Leinster.

Figure 7.7: Selling activity by farmers who had inherited land but had no desire to farm it, 2018

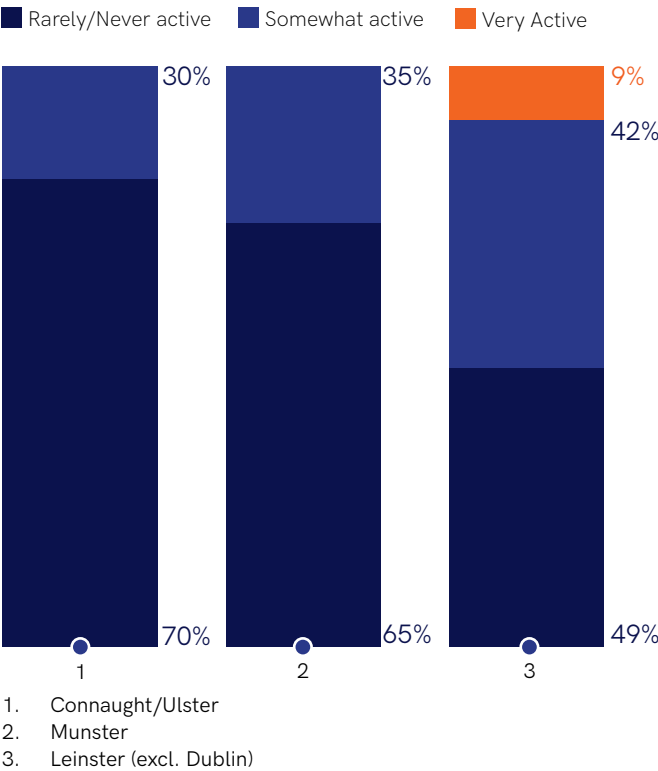


Investors

Selling activity from ‘investors’ seemed a rare activity, probably because ‘investors’ are not a common group of owners of agricultural land. Different levels of sales activity from ‘investors’ are shown in Figure 7.8.

Investors, as sellers, were not reported as having been ‘very active’ in either Connaught/Ulster or Munster. There was some reporting of a high level of activity in Leinster but this was probably because ‘investors’ were more common in this region in any event. In Connaught/Ulster and Munster, ‘investors’ were reported as being ‘rarely or never active’ by between 65 and 70 per cent of respondents.

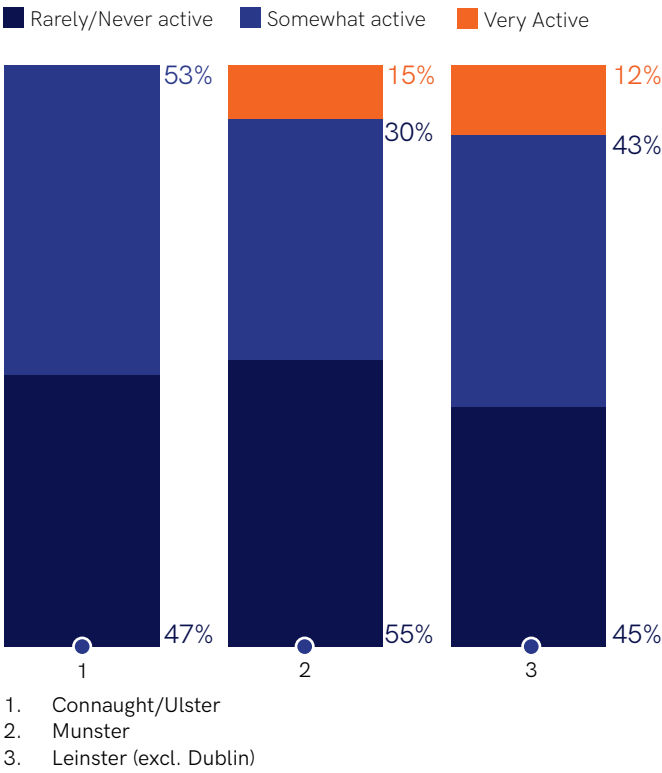
Figure 7.8: Selling activity by investors by region 2018



“In Connaught/Ulster and Munster, ‘investors’ were reported as being ‘rarely or never active’ by between 65 and 70 per cent of respondents.”

Financial institutions

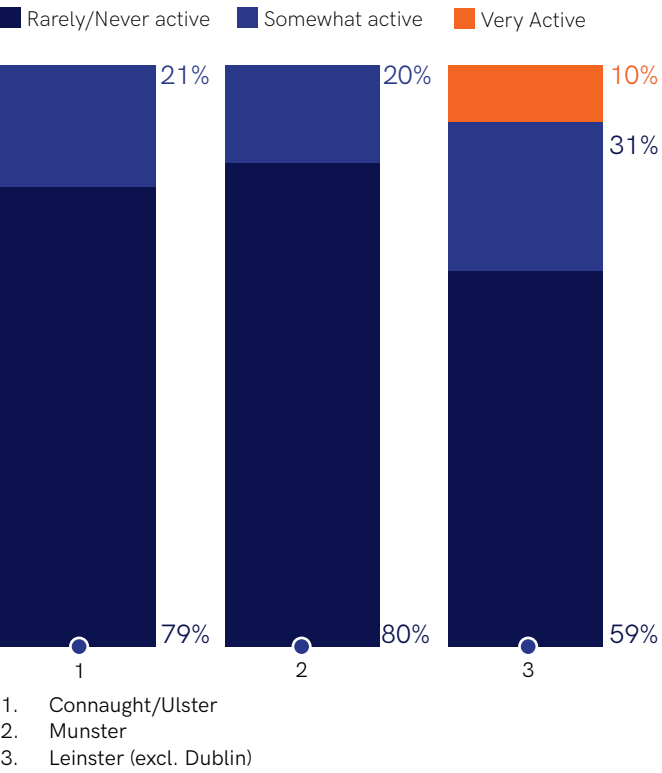
Figure 7.9: Selling activity by financial institutions, by region, 2018



Financial institutions had not been a particularly active source of sales either but were more commonly cited as being ‘somewhat active’ or ‘very active’ than investors. Financial institutions appeared to have been less active as sellers in Munster than in Connaught/Ulster or Leinster. They were cited as being ‘somewhat’ or ‘very’ active by 53 per cent of respondents in Connaught/Ulster, 45 per cent in Munster and 55 per cent in Leinster. The main message from Figure 7.9 is that across all three regions, about half the respondents to the survey replied that in their experience, financial institutions were ‘rarely or never’ active sellers of agricultural land.

Developers

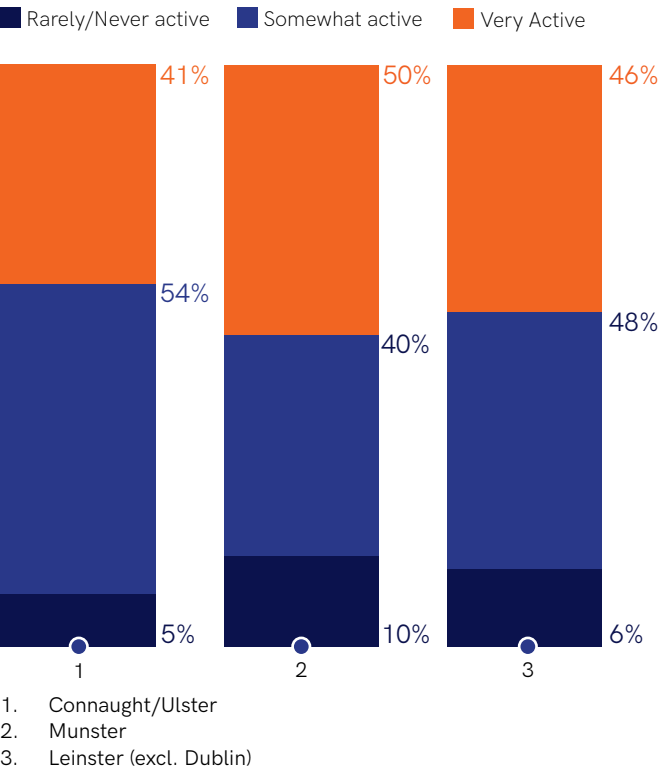
Figure 7.10: Selling activity by developers, by region, 2018



Selling activity by developers was very low in Connaught/Ulster and Munster. In these regions, about 80 percent of respondents reported that developers were ‘rarely or never’ active. The situation was rather different in Leinster where about 60 of respondents reported that developers were ‘rarely or never’ active. In Leinster about 40 per cent of respondents said that developers were either ‘somewhat active’ or ‘very active’ as sellers of agricultural land.

Executors/Probate sales

Figure 7.11: Selling activity from executors and probate sellers, by region, 2018



The most active class of sellers of agricultural land was ‘executor/probate’ sales. At least 90 per cent of respondents in all three regions that this class of sellers had been ‘somewhat active’ or ‘very active’ in selling agricultural land in their region in 2018

Levels of selling activity by ‘other’ sellers are not reported due to the low number of sales by this group and its varied nature.

Effect of Brexit by region

It would be strange if the uncertainty caused by the ‘Brexit’ was not affecting buyers and sellers of agricultural land. This would particularly be the case for potential buyers. They are making a large investment, usually of a very long term nature. It would be normal for them to be reluctant to buy in a time of heightened uncertainty. On the other hand, it has already been shown that beneficiaries of gifts and executors and ‘probate sellers’ are active participants in the market. Demography in the form of the death rate is a major factor in this case and it will not be affected by Brexit.

It might be the case that there could be some regional differences, especially where the land is close to the border with Northern Ireland. This would be the case in Connaught/Ulster and north Leinster.

The results of the land market survey in relation to Brexit, classified by region, are given below.

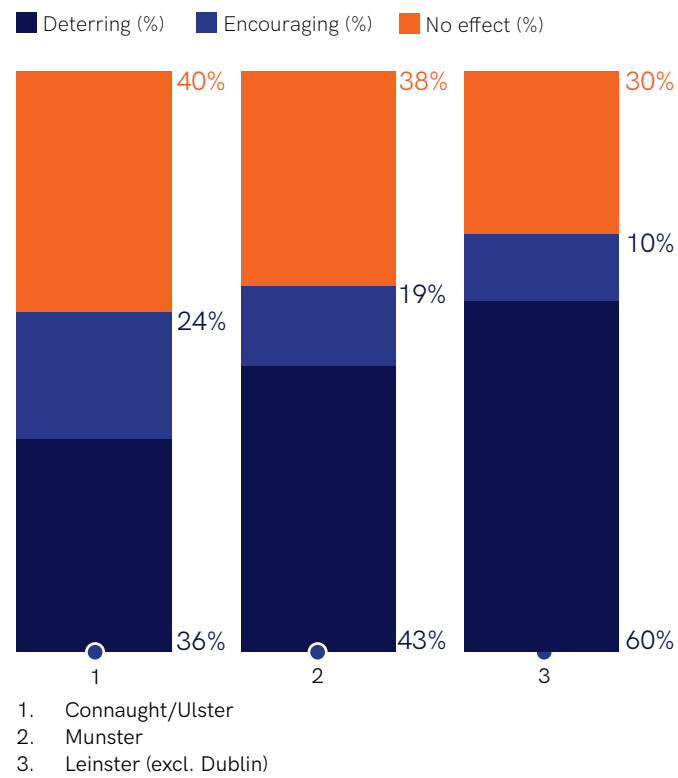
The question that was asked was “In your opinion, please indicate the effect that Brexit is having on the following actors in the land market”.

The actors were:

- (a) Sellers;
- (b) Buyers;
- (c) Landowners letting land;
- (d) Renters of land;

For sellers, the effects, shown as a percentage of responses, are shown in Figure 7.12

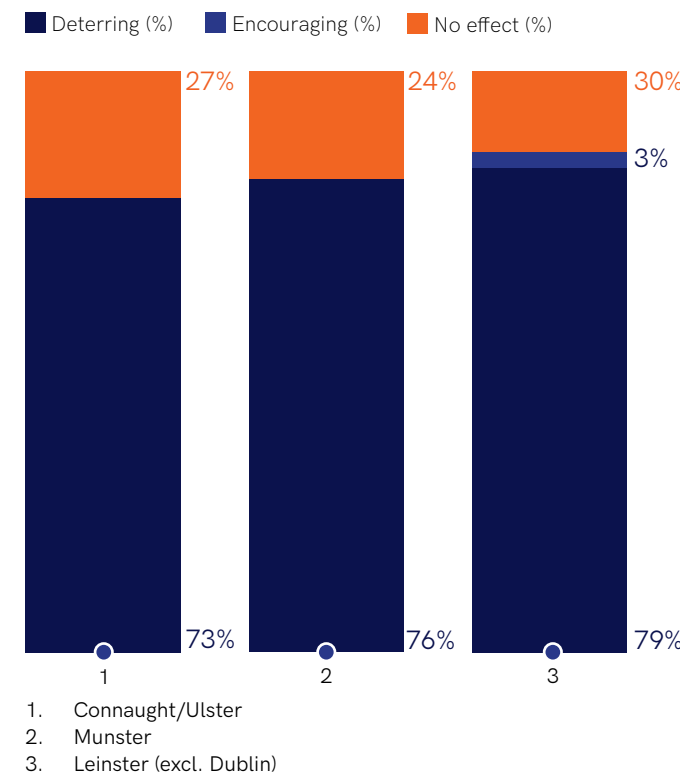
Figure 7.12: Effect of Brexit on sellers, by region



As might be expected from the results of the survey about the activity levels of sellers, the deterrent effect of Brexit appears to have been mitigated by the high proportion of sales by ‘executors and probate sellers’, especially in the case of Connaught/Ulster. The largest deterrent effect on sellers was in Leinster.

Respondents’ opinions on the effects of Brexit on buyers are shown in Figure 6.17.

Figure 7.13: Effects of Brexit on buyers, by region



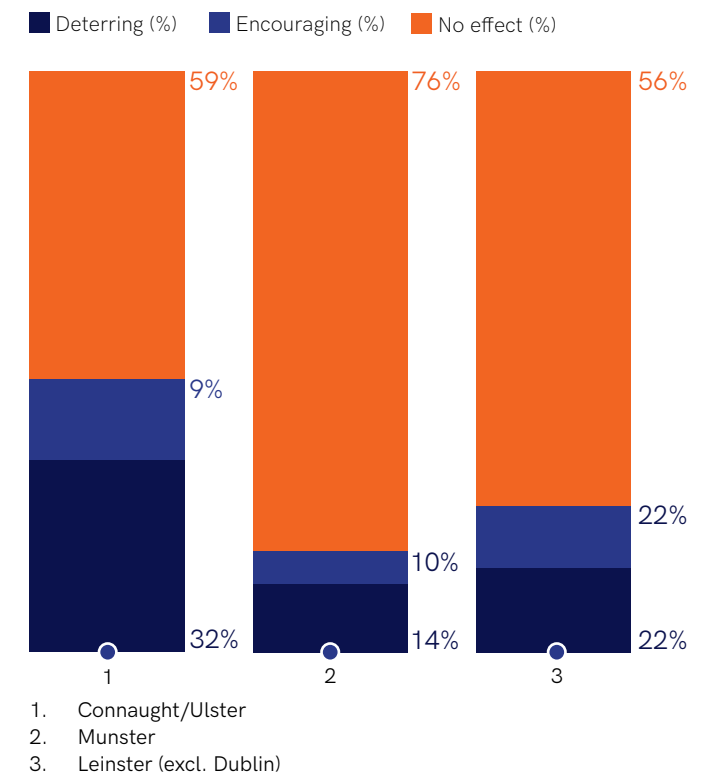
The results showing the opinions of respondents are very much what would be expected. Respondents clearly considered that Brexit had large deterrent effect on buyers; over 70 per cent for all regions. The prospect of Brexit clearly offered no encouragement to buyers.

Letting

In the case of land letting it would not be expected that the effects would be so pronounced, as the decision is not as long term as buying. However, potential tenants may face more uncertainty about the future than landlords. For example, beef cattle conceived in 2018 would not be finished until well after Brexit.

So the prospect of Brexit would not deter ‘lettors’ of land as much as ‘takers’ of land but the price may be lower than it

Figure 7.14: Effects of Brexit on lettors of land, by region



otherwise would have been as a result of the uncertainty facing the people who ‘take’ the land, especially for livestock enterprises.

The results by region for the effect of Brexit on the landowners letting their land are shown in Figure 7.14.

Brexit appears to have had a deterrent effect on landowners letting land but the effect varies by region. The greatest deterrent effect was in Connaught/Ulster (32%) whilst landowners were viewed as being least affected in Munster (14%). In Leinster the deterrent and encouraging effects of Brexit were viewed as having equal effects, although different parts of the region may have given rise to different results. Although the deterrent and encouraging, and also no effect response rates differed between regions, it is not possible to differentiate the effects of different forces in different parts of the regions. They are just ‘mixed’.

Market Activity 2018, by type of seller

Figure 7.15: Market activity 2018 by type of seller

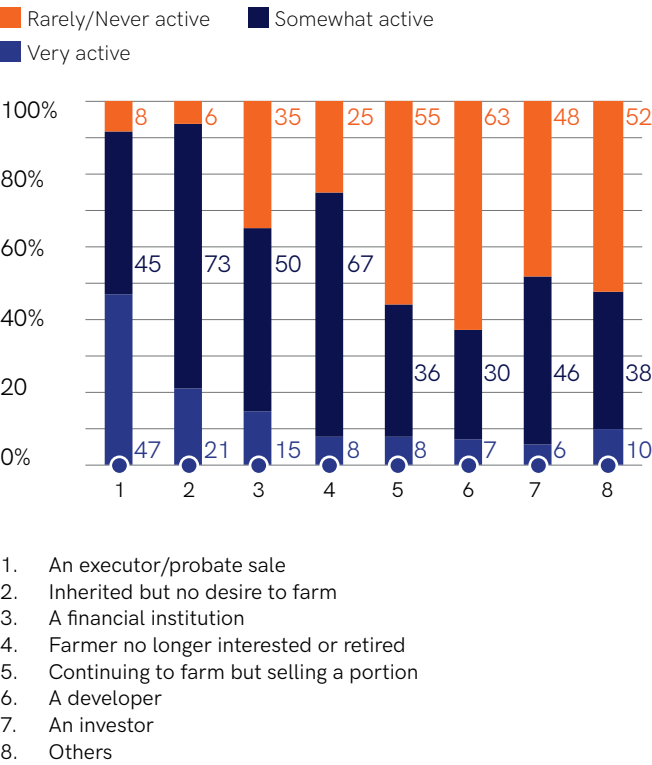
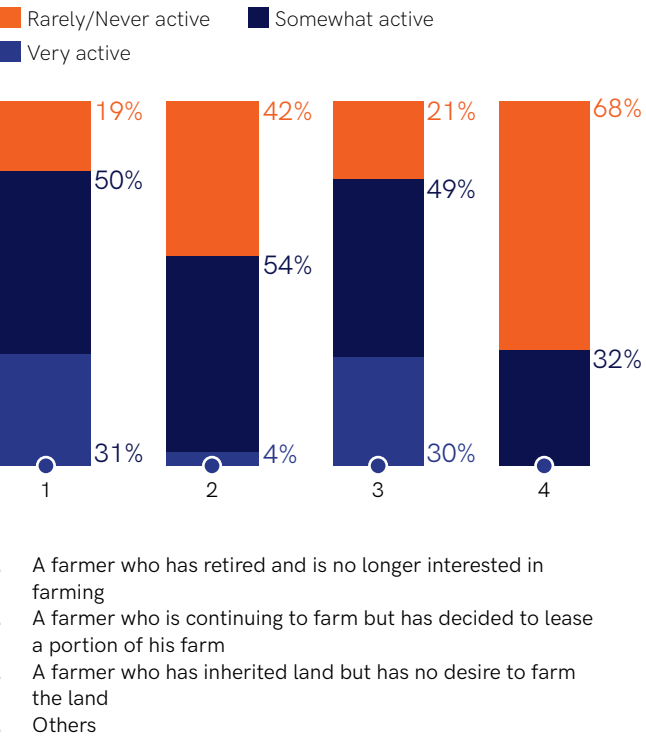


Figure 7.16: Rental market activity by type of owner, 2018



Effect of 'Brexit' on the land market

Figure 7.17: Effect of Brexit on sellers, 2018

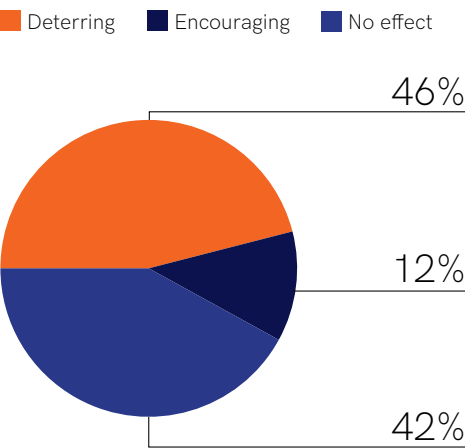
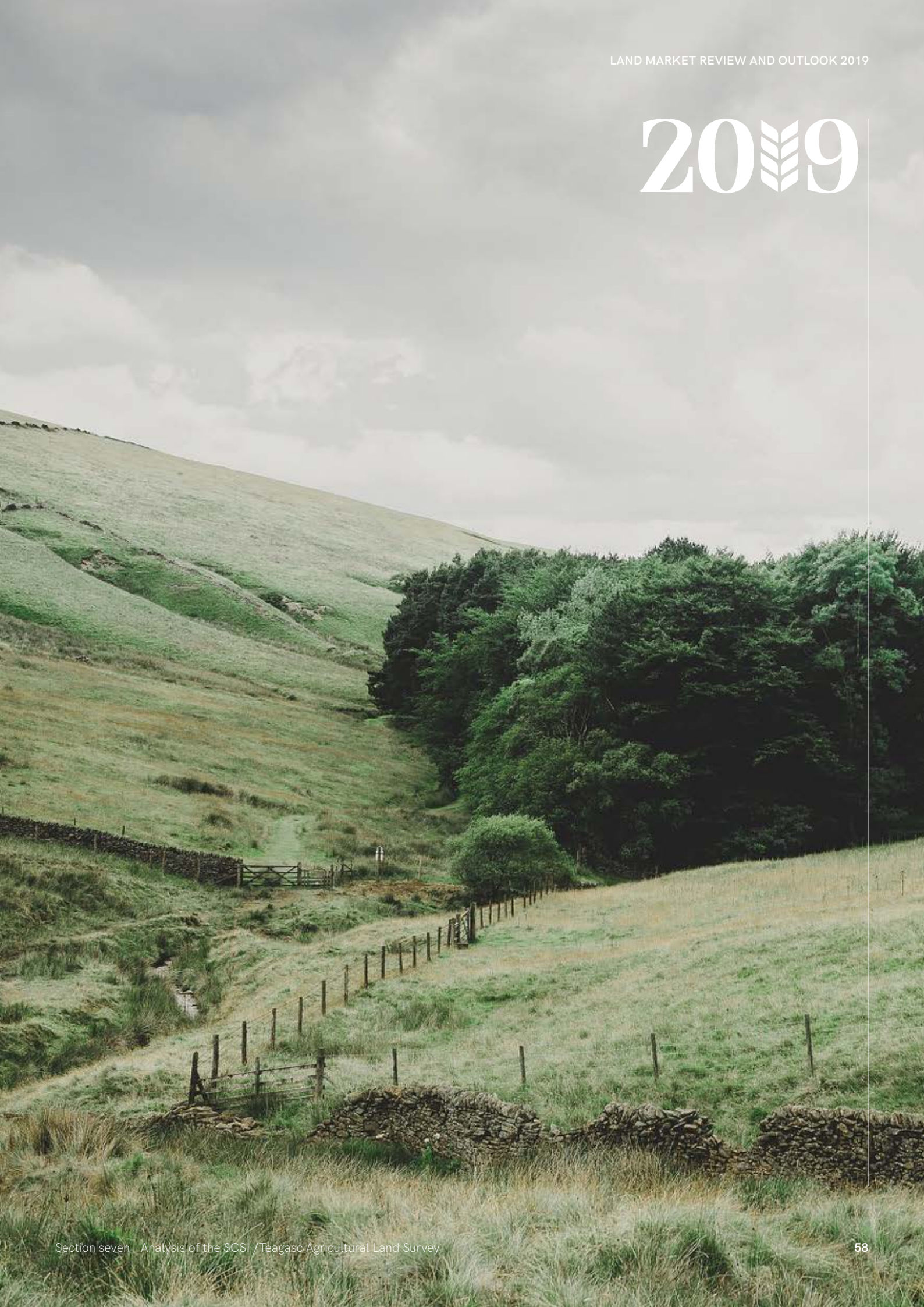
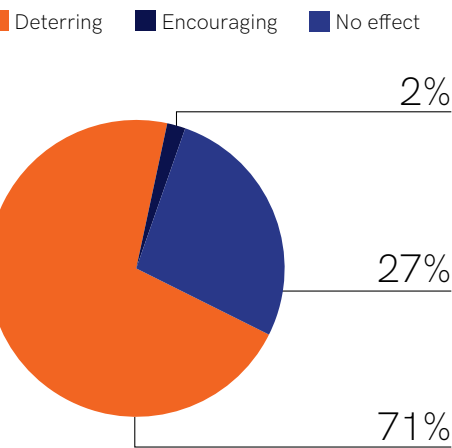


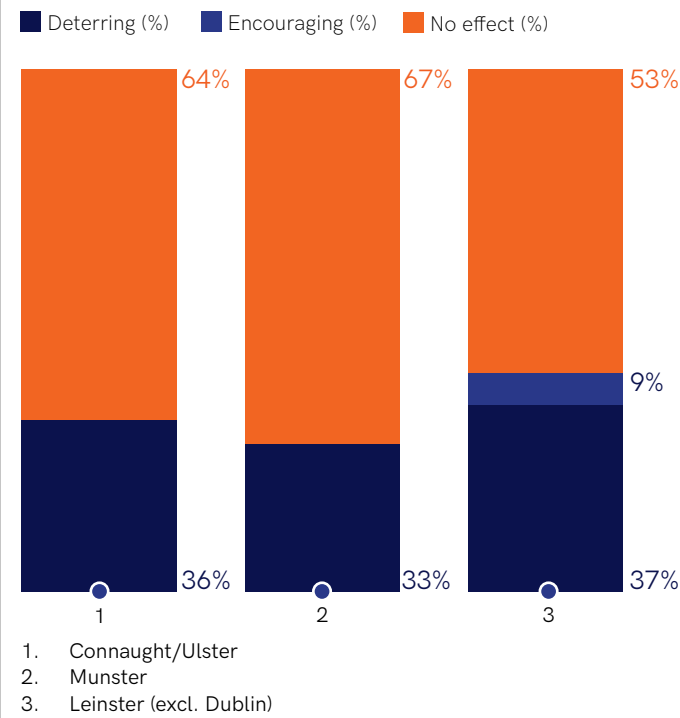
Figure 7.18: Effect of Brexit on buyers in 2018



2019

Effects of Brexit on renters (takers) of land

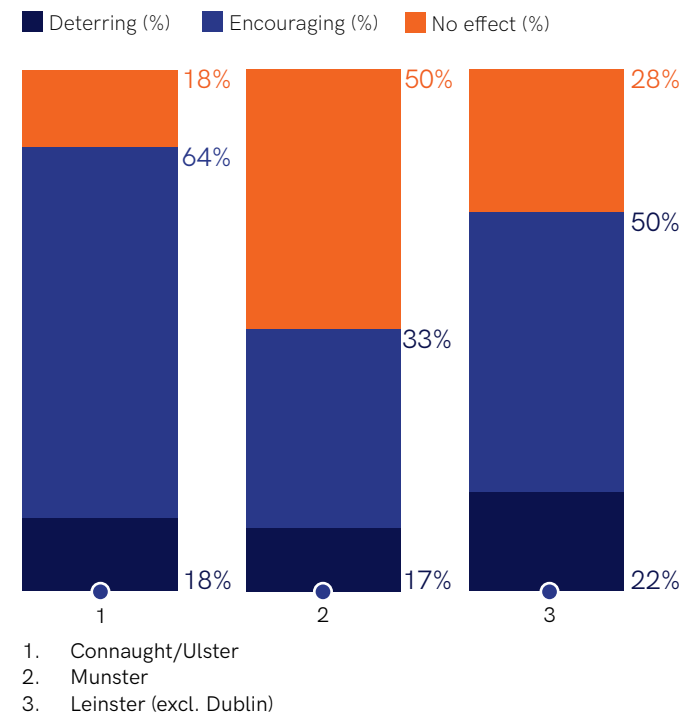
Figure 7.19: Effect of Brexit on renters (takers) of land



It is clear from the Figure 7.19 that Brexit was certainly not having an ‘encouraging’ effect on farmers ‘taking’ land. The most common effect was ‘no effect’ and this was the case in each of the three regions. The main effect, was a deterrent one, which is in line with what might be expected as described above. About one third of respondents in each of the regions held the opinion that Brexit was having a deterrent effect on the ‘taking’ of land.

Land rental activity by region

Figure 7.20: Land leasing by farmer no longer interested in farming



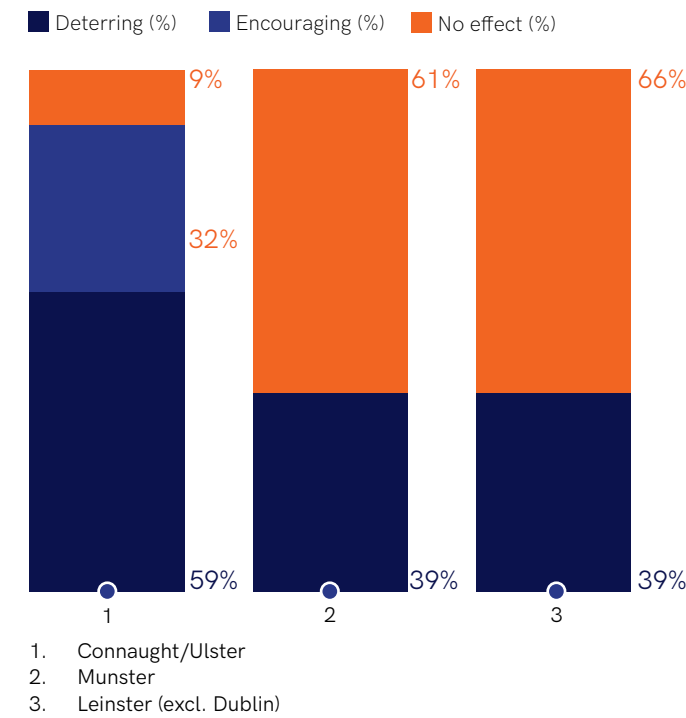
The land rental market is an important way that farmers can increase farm size without purchasing land, (the others being gifts, inheritance and marriage). Essentially farmers who lease land from a landlord are seeking to achieve economies of scale; improve farm efficiency by consolidation of the holding or both. Sometimes farmers may rent land in order to provide for a rotation of crops. For example, producers of brassicas such as cabbage, cauliflower and swede turnips may do this as a long break is required to prevent disease build up. These farmers form the customer base for landowners.

In this survey, member respondents were asked, “In your experience, how active were the following types of landlords in leasing agricultural farmland in your region in 2018?”

The types of landowners that respondents could specify were:

- A farmer who has retired and is no longer interested in farming;
- A farmer who is continuing to farm but has decided to lease a portion of his farm;
- A landowner who has inherited land but has no desire to farm the land.
- ‘Others’
- An analysis of the different types of landowners, by province, in 2018 is shown in Figures 7.20 to 7.24.

Figure 7.21: Level of activity of land leasing by a farmer continuing to farm but leasing a part

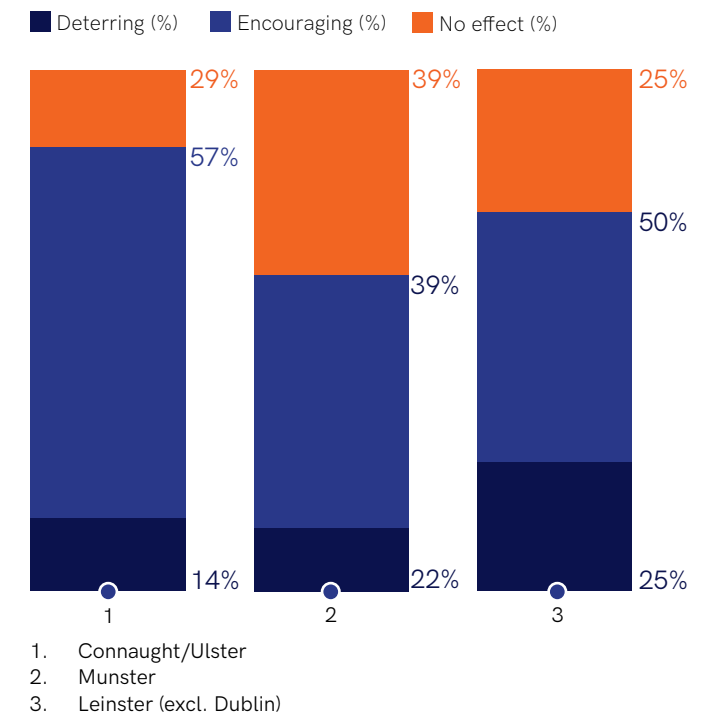


Farmers who have retired or were no longer interested in farming, were ‘somewhat active’ or ‘very active’ to approximately the same degree across all three regions. They were much more often classed as ‘very active’ in Munster than in the other but two regions overall about 20 per cent of respondents said that this type of landlord had been ‘inactive’ in their region and about 80 per cent reported activity by this group.

The analysis of leasing activity by region by landlords classed as ‘a farmer continuing to farm but has decided to lease a part of his farm’ is shown in Figure 7.21.

In all three regions, farmers who continue to farm but who have decided to lease a part of their farms are not at all active. Mostly they were ‘somewhat’ or ‘rarely/never’ active. Activity by farmers who let out part of their farm was more common in Munster and Leinster than in Connaught/Ulster. It may well be that this is because there is much less crop farming, in Connaught/Ulster than in the other two regions.

Figure 7.22: Leasing activity by owners who had inherited but had no desire to farm



A group of landlords who might well be expected to be more active than practising farmers, is ‘landowners who have inherited land but have no desire to farm the land’. This was indeed the case in 2018 as shown in Figure 7.22.

This group was least active in Connaught/Ulster but were more active in Munster and Leinster.

‘Other’ types of landlords were seldom active in the rental market and the number of responses in relation to ‘other’ landlords was too low to provide meaningful analysis.

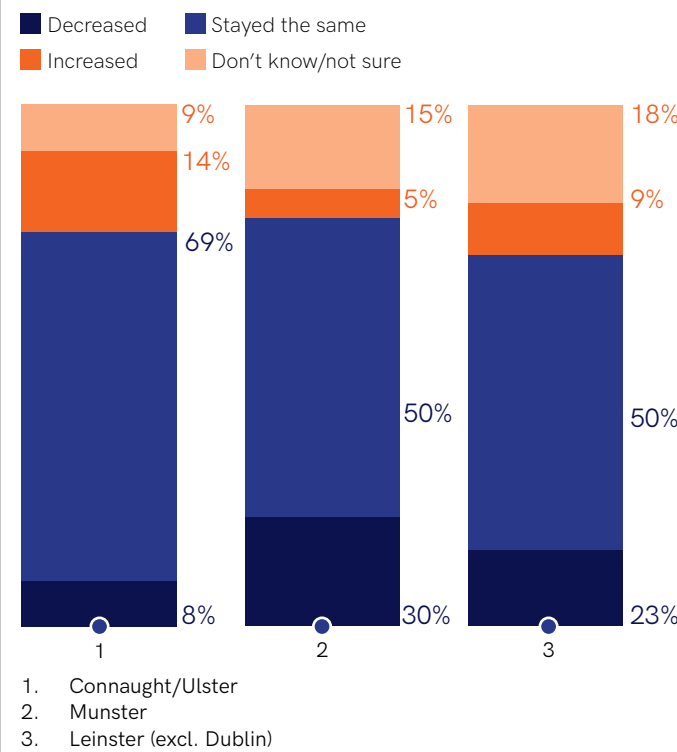
Conacre letting

A variety of factors affect the quantity of land rented as Conacre, (a short rental of less than twelve months duration). Farmers may wish to rent some extra land to obtain extra grazing, or for tillage. Their expectations in relation to cattle and crops will affect their desire to do this. Natural factors such as the weather may also come into play. Farmers may wish to rent land to provide fodder in a year of shortage or provide grazing for cattle they wish to keep to expand a herd or to sell later than planned.

To assess the change in the amount of conacre let in 2018 relative to 2019, the survey asked ‘in relation to conacre in 2018, would you describe the area let relative to 2017 as having: decreased, stayed the same, increased or ‘don’t know?’”

The percentage change in conacre lettings in 2018 relative to 2017 are shown in Figure 7.23.

Figure 7.23: Change in conacre letting in 2018 v 2017, by region



Long term leases

The situation for long term leasing is different from that for conacre. Changes in the law relating to long term leasing that make it more attractive appear to have result in greater use of this way of obtaining land. The change in demand for long term leases in 2018 relative to 2017 is shown in Figure 7.24.

The demand for long term leases appeared to have increased significantly in 2018 relative to 2017. This increase was slightly more pronounced in Munster and Connaught/Ulster than in Leinster but the trend was similar. In Connaught/Ulster, none of the survey respondents reported a decrease in demand for long term leases.

The average duration of lease agreements also appeared to be stable or increasing in all three regions, as shown in Figure 7.25.

Figure 7.24: Change in the demand for long term leases, 2018 v 2017, by region

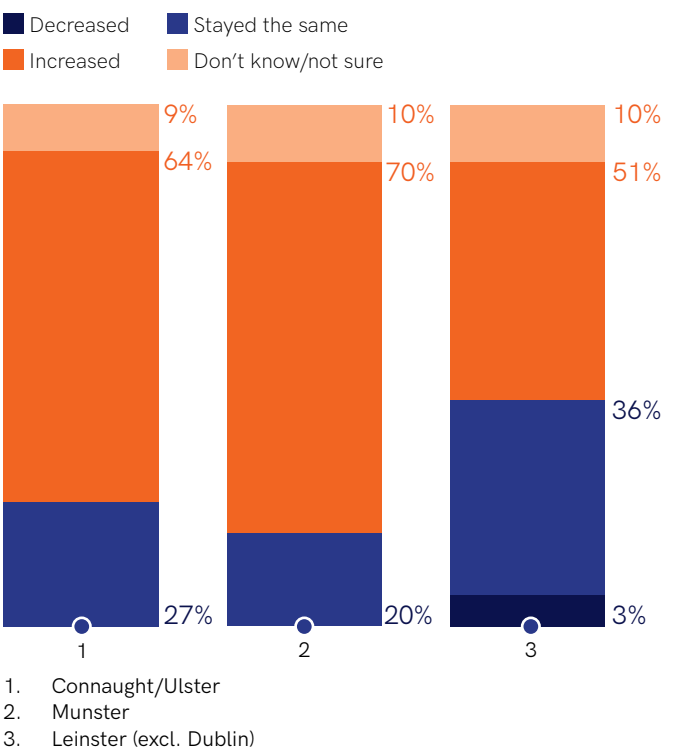
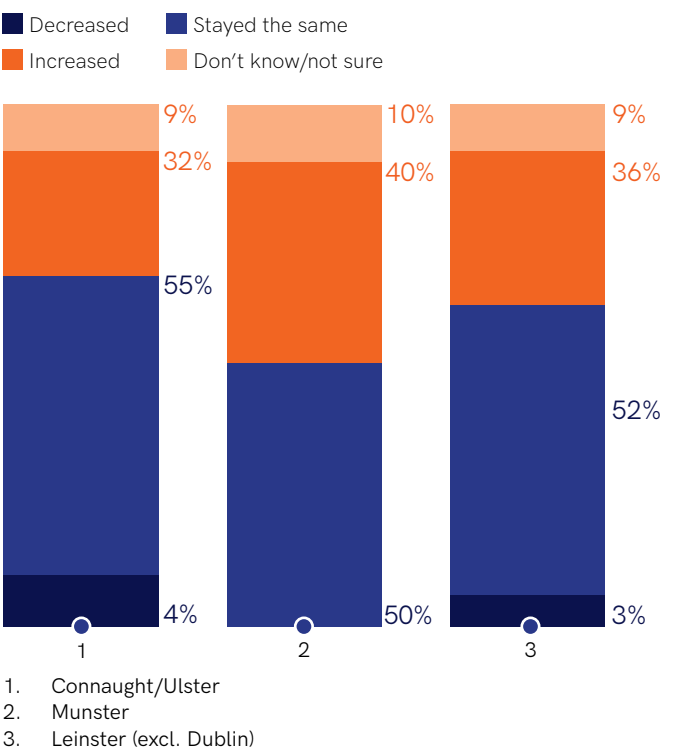


Figure 7.25: Change (%) in average duration of lease agreements, 2018 v 2017



CAP payment entitlements

The price of agricultural land is not always related to the income that can be made solely by farming it. Ownership of the land can also include an entitlement to a land related payment. So the buyer is purchasing two things, the land and the entitlement. In this sense, the entitlement is somewhat like a bond that pays interest.

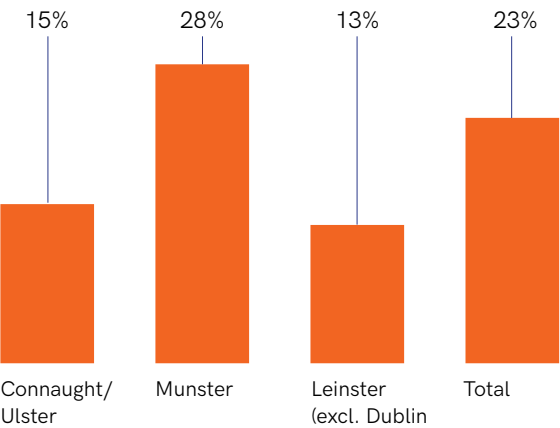
Respondents were asked “what proportion (%) of agriculture related transfers your firm sold in your region in 2018 included an associated CAP payment?” Figure 7.26 shows the results.

According to members’ replies to this question, 23 per cent of all transfers in the three regions included were sold with a payment. Munster was the region where transfers were most likely to be sold with an entitlement, (28%), whilst in Connaught/Ulster and Leinster the proportion was less at 15 and 13 per cent respectively.

Because it is possible for entitlements to be sold independently of farmland, they can form a market in their own right.

The sale of entitlements exclusive of land was not a common activity amongst respondents. Across the three regions only nine per cent of respondents reported that they had been involved with this. There was not much difference between regions but in Munster the sale of entitlements exclusive of land was more common. Fifteen per cent of respondents had been involved in this.

Figure 7.26: Proportion of transfers of land sales sold with a CAP entitlement 2018.

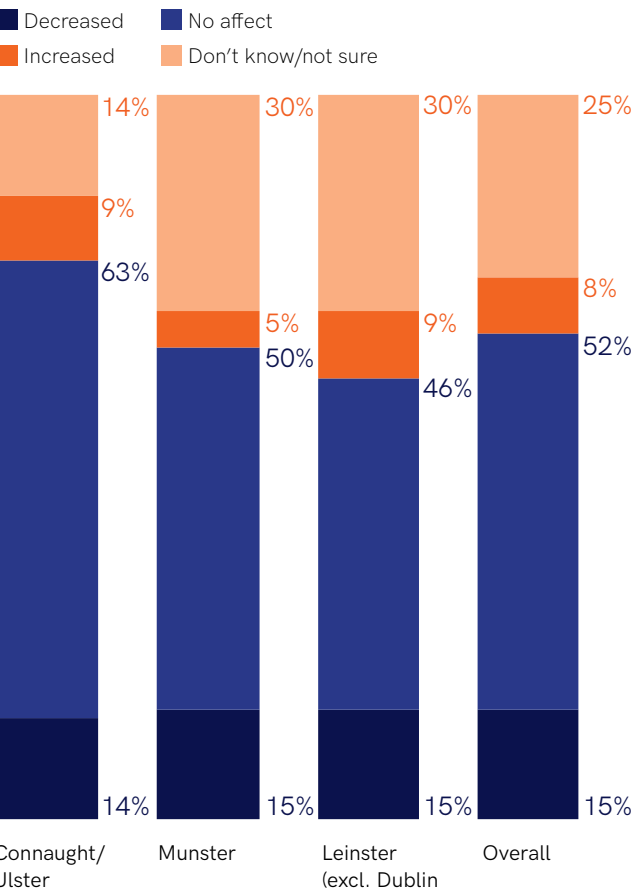


Some effects of taxation measures on the land market

As reported in the Land Market Review and Outlook for 2018, the Finance Act 2018 made significant changes to the tax treatment of agricultural land transfer. Stamp duty relief for transactions with non-family members was withdrawn. Members were asked again in 2019 if this measure had affected the volume of agricultural land offered for sale in 2018. The question was “In your opinion did the withdrawal of stamp duty relief on sales of land by farmers to non-family members affect the volume of agricultural land offered for sale in 2018.

The responses are shown in Figure 7.27.

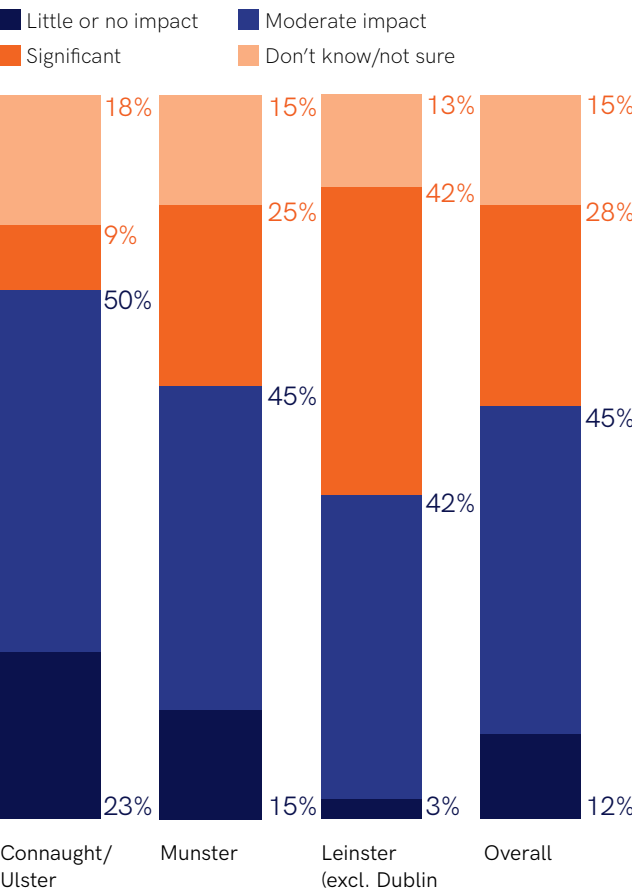
Figure 7.27: Effect on the volume of sales of withdrawal of stamp duty relief, 2018



For many respondents, about 52 per cent across the regions, the changes did not affect the volume of land sales. There was some indication that the change in stamp duty relief had, in the opinion of members, decreased the volume of land sales by about 15 per cent. This was the position in all three regions. Other members, an even smaller proportion, thought that the changes had increased the volume of land sales. But a relatively large proportion (between 14 and 30 per cent) said that they either did not know or were not sure of the effect.

An earlier but significant taxation measure that was introduced in 2016 was tax relief for long term leasing of land. The question asked was, “What impact did tax relief for long term leasing of land, introduced in Budget 2016, have on the volume of transactions for agricultural farmland with long term leases in 2018?” Members generally thought that this measure had a ‘moderate’ or ‘significant’ impact. A significant proportion (15%) also said that they did not know or were unsure. Their responses are shown in Figure 7.28.

Figure 7.28: Impact of tax relief for long term leasing, 2018 by region and overall



Expectations about the future in the market for land to rent

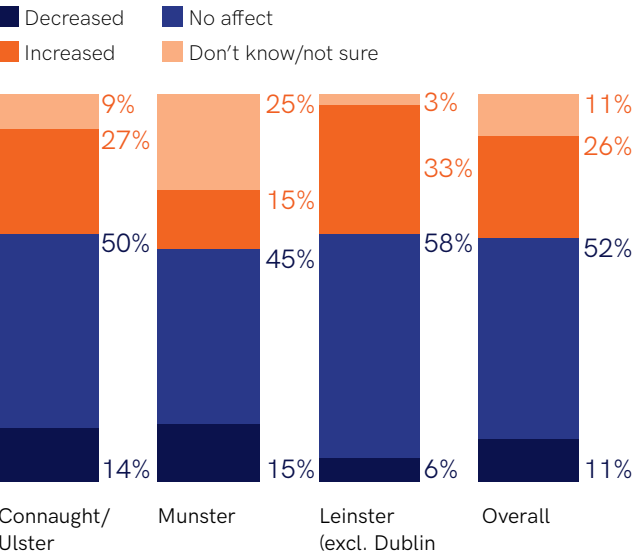
Members’ expectations about some features of the agricultural land market will be affected by the expected impact of future events. It is considered that as a result of their qualifications, members expectations will be based on a considered and well informed view of the future.

Leasing

Members’ expectations in relation to land leasing are shown in 7.29. Members who had dealt in the agricultural land market were asked, “Would you say that in 2019 the volume of agricultural farmland for lease in your region is likely to (a) decrease, (b) stay the same, (c) increase and (d) don’t know or not sure”.

Broadly speaking, about half the responses indicated that members expected that the volume of agricultural farmland that would be leased in 2019 would stay the same. Across all the regions, more respondents expected an increase in the volume of farmland to be leased than expected a decrease. Only a small proportion indicated that they did not know or were not sure, except in Munster where one quarter of respondents indicated that they were unsure. It is safe to say that in general, members considered that the volume of farmland that would be leased in 2019 would be more than in 2018.

Figure 7.29: Expectations for volume of land to be leased in 2019



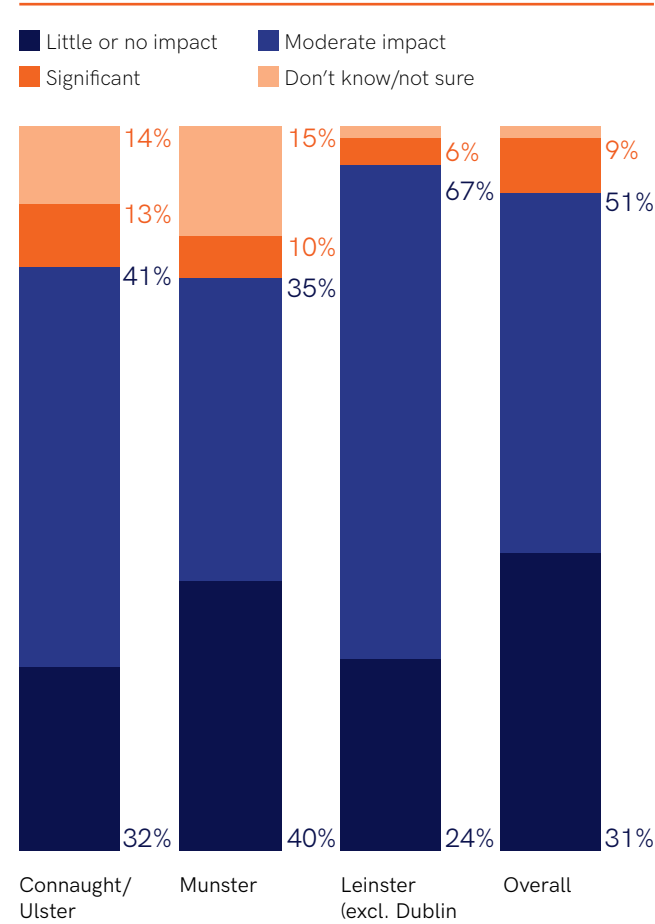
Dairy farms

The removal of dairy quotas and the subsequent possibility of achieving economies of scale, even without considering movements in the prices of milk and dairy inputs, should mean that some dairy farmers would wish to buy or lease land in order to expand their holdings.

Members were asked whether or not they expected the demand from dairy farmers to purchase land to change in 2019 relative to 2018. Their opinions are shown in Figure 7.30.

Members across all three regions expected that the demand from dairy farmers to purchase land during 2019 would increase. The increases in demand that were expected were mostly described as ‘moderate’, especially in Leinster. Overall increases in demand were expected to be greatest in Leinster where 70 percent of respondents expected a ‘moderate’ or ‘significant’ increase in demand by dairy farmers for land to purchase. Even in Connaught/Ulster and Munster, the proportion of respondents expecting an increase in demand from dairy farmers was greater than the proportion that expected ‘little or no change’. The proportions of respondents who indicated that they were not sure in relation to this expected change in demand were of the order of 15 per cent in Connaught/Ulster and Munster and were as low as three per cent in Leinster.

Figure 7.30: Expectations about demand from dairy farmers to purchase land in 2109, by region and overall



Leasing

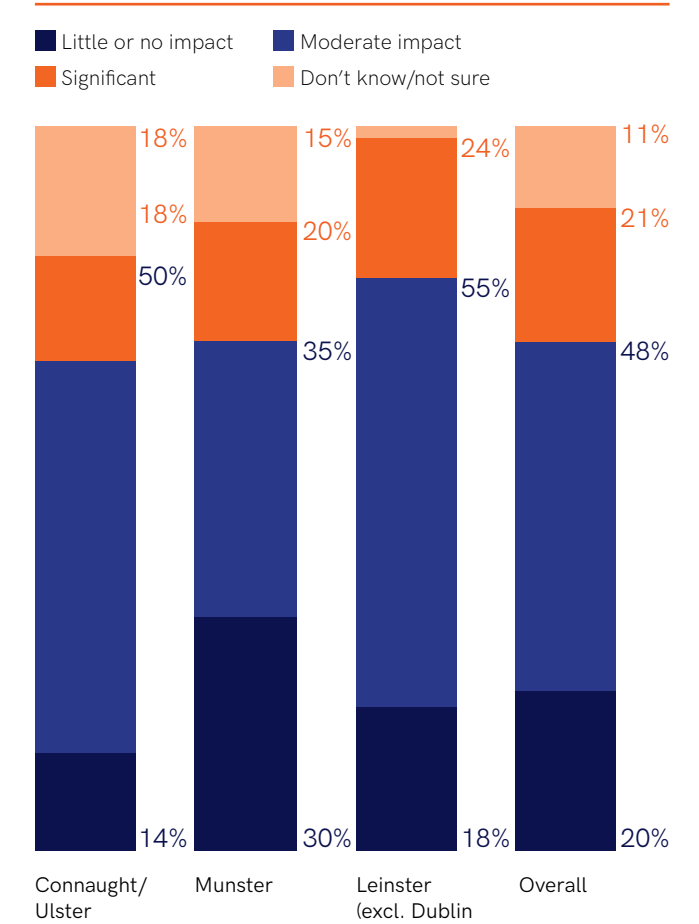
Demand from dairy farmers for land to lease was also investigated.

The results from the question, “Do you expect demand from dairy farmers to lease agricultural land in your region during 2019 to ...?”

The responses are shown in Figure 7.31

Moderate or significant increases in demand from dairy farmers for land to rent were expected across all regions, especially in Leinster, where 79 percent of the respondents expected demand to increase. In Munster, little or no change was expected by 30 per cent of respondents, compared to 14 and 18 per cent in Connaught/Ulster and Leinster. As was the case with the demand from dairy farmers for land to purchase, there was less uncertainty amongst respondents in Leinster but 18 and 15 percent of respondents in Connaught/Ulster and Munster indicated that they did not know or were not sure how any change in demand from dairy farmers might be manifested.

Figure 7.31: Expectations about demand from dairy farmers to lease land in 2019

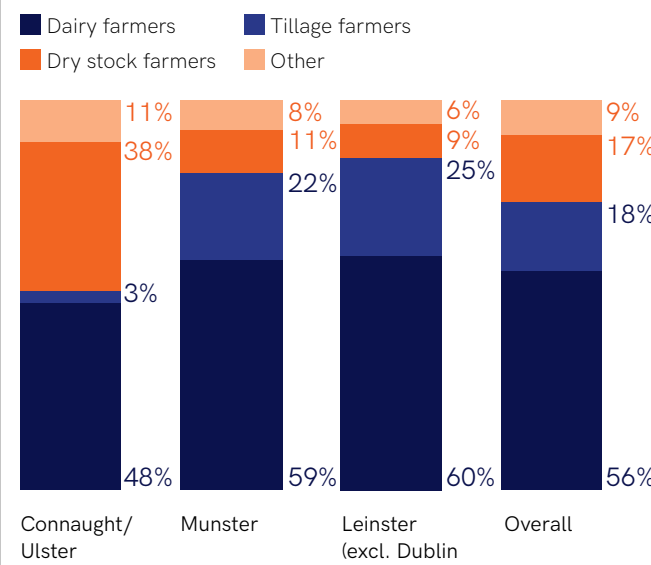


Expectations about market activity by different groups of farmers

Members were asked who they thought would be the principal types of farmers who would be seeking to buy land in 2019. Their replies are in Figure 7.32.

In all three regions, dairy farmers were expected to be the category of farmer most likely to be seeking to buy farmland. This seems to be a confirmation of the intention of many dairy farmers to expand their enterprise. The proportion was lower in Connaught as might be expected but the proportions were about the same (60 per cent) in Munster and Leinster. Tillage farmers were not expected to be seeking to buy land in Connaught/Ulster, (three per cent), but were expected to be the second most active group in Munster and Leinster. In Connaught/Ulster, dairy farmers were expected to be the principal types of buyers by 48 per cent of respondents. Several types of ‘farmers’ were mentioned as falling into the ‘other’ category. These included ‘investors’, ‘hobby farmers’ and ‘forestry’.

Figure 7.32: Expectations about types of farmer seeking to buy land in 2019 by region and overall



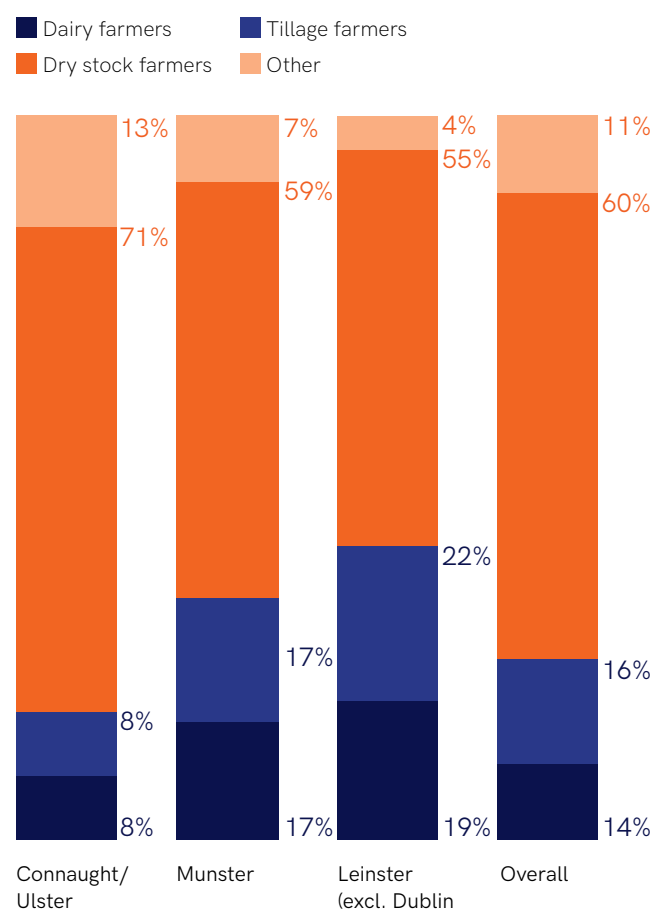
Expectations about sellers

Members also had expectations about the types of farmer likely to be seeking to sell farmland. These sellers were grouped as ‘dairy farmers’, ‘tillage farmers’, ‘drystock farmers’ and ‘others’. Investigation of the ‘other’ category showed that they had all been described as ‘executors’ and ‘estates’, which is in keeping with the results shown in Figure 7.33, which shows this group as active sellers.

The principal types of farmers who members thought would be seeking to sell farmland in their regions are shown in Figure 7.33.

In all three regions and overall, the main type of farmers seeking to sell farmland, is expected to be drystock farmers. Dairy farmers were unlikely to be seeking to sell land.

Figure 7.33: Expectations about types of farmer seeking to sell land in 2019 by region and overall

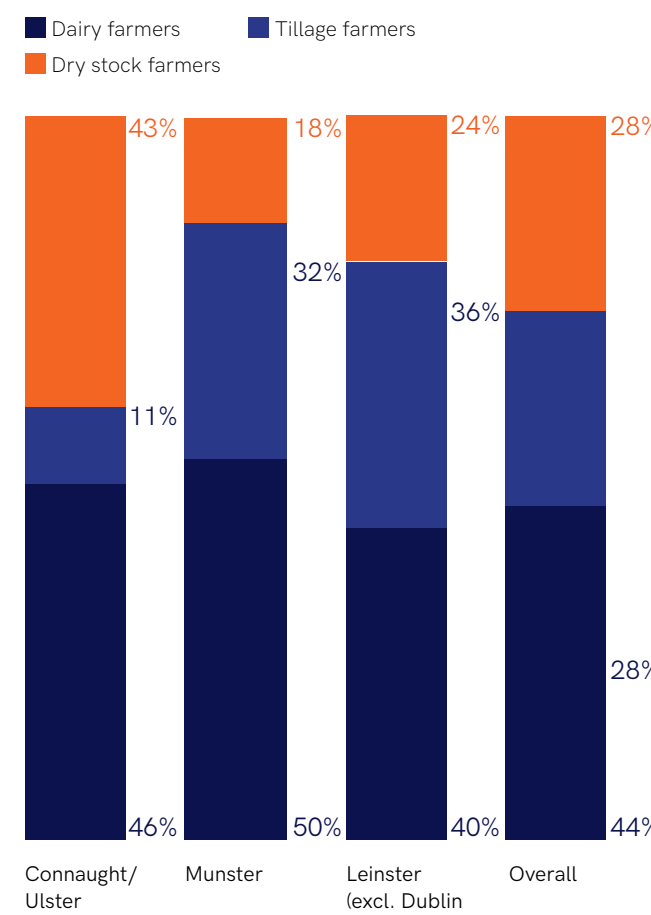


Expectations about types of lessor

In all three regions the main types of farmers who were expected to be seeking to lease land in 2019 were dairy farmers, in much the same way that dairy farmers were thought to be likely to be seeking to buy land.

Members expected that dairy farmers would be the main type of farmer seeking to lease land in 2019. On a country-wide basis, tillage and drystock farmers will be equally active. However, on a regional basis, tillage farmers are expected to be more important in the leasing market than drystock farmers. In Connaught/Ulster, tillage farmers were only expected to be the main type of farmer leasing land by eleven per cent of respondents. This is a reflection of the relatively smaller amount of tillage in Connaught/Ulster than in Munster and Leinster.

Figure 7.34: Expectations about types of farmer seeking to lease, (take) land in 2019, by region and overall



2019

08
Statistical
Annex

Land prices
2010 to 2018

Chart 8.1: Leinster, price per acre, with a residence, 2010-2018

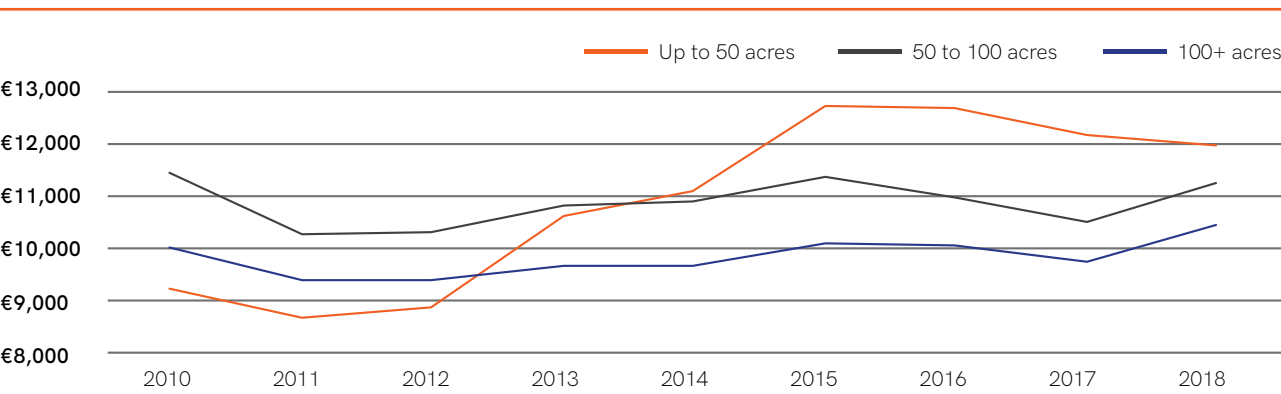


Chart 8.2: Leinster, price per acre, without a residence, 2010 - 2018

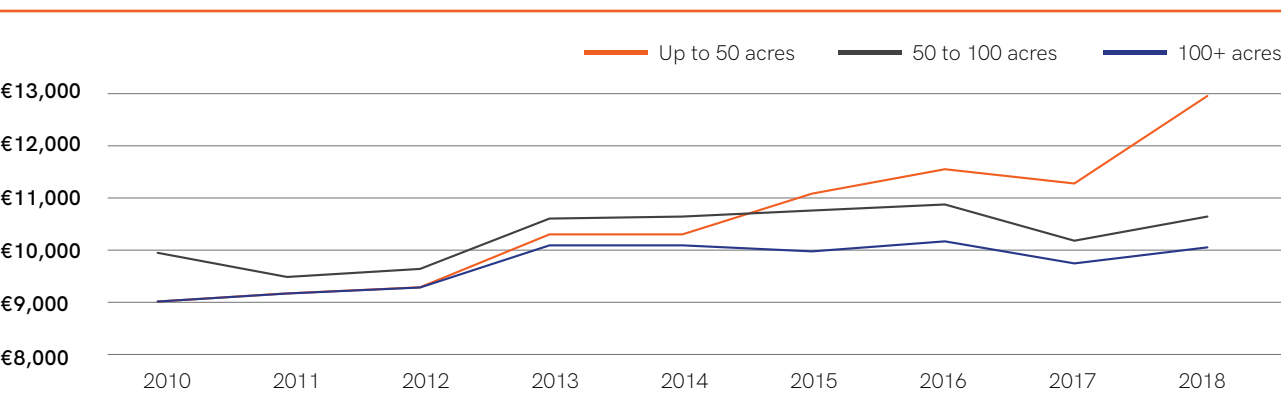


Chart 8.3: Munster, price per acre, land with a residence, 2010 - 2018

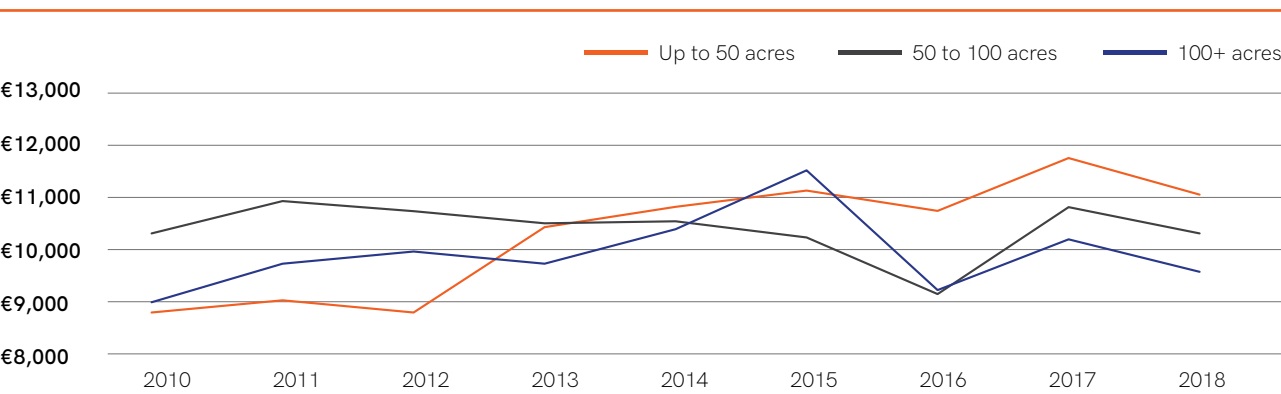


Chart 8.4: Munster, price per acre, without a residence, 2010-2018

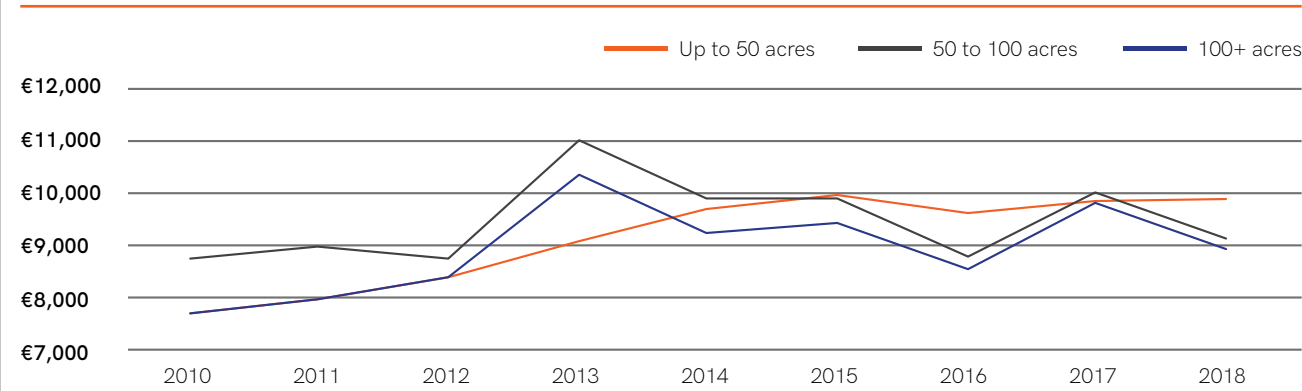


Chart 8.5: Connaught/Ulster, price per acre, with a residence 2010 - 2018

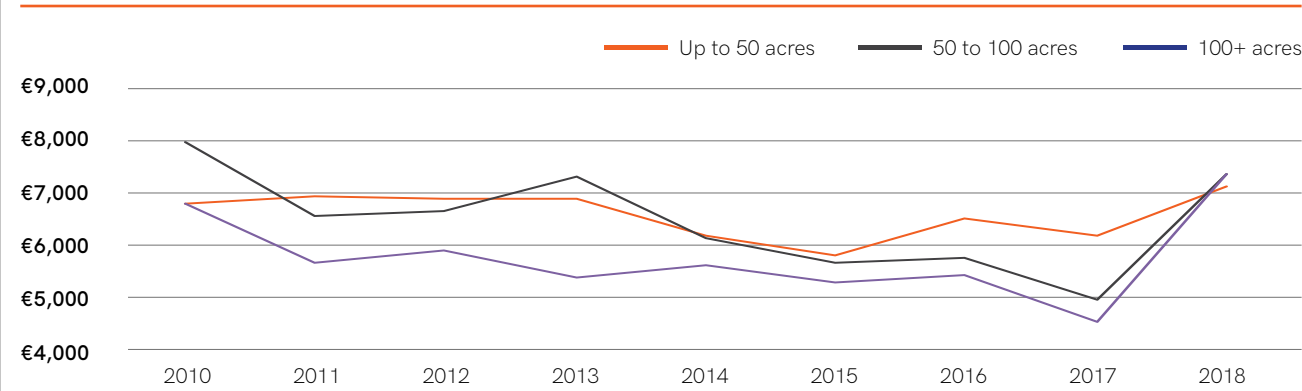
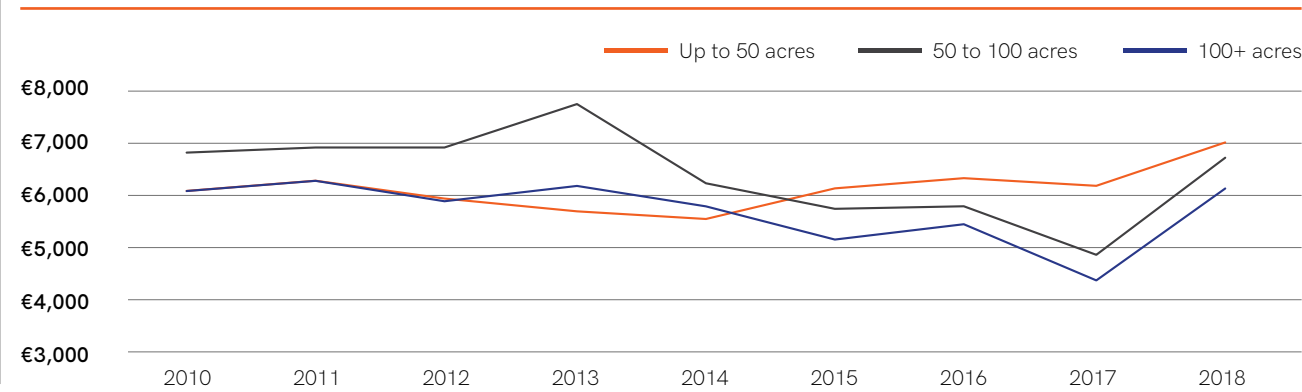


Chart 8.6: Connaught/Ulster, price per acre, without a residence, 2010 - 2018



Rental prices 2010 to 2018

Chart 8.7: Leinster, rental prices, euro/acre, by crop type, 2010 - 2018

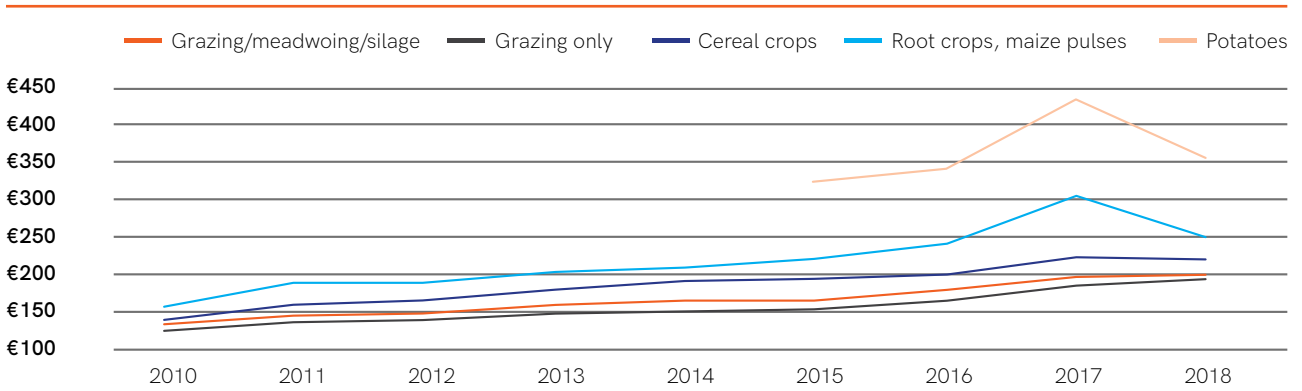


Chart 8.8: Munster, rental prices, euro/acre by crop type, 2010 - 2018

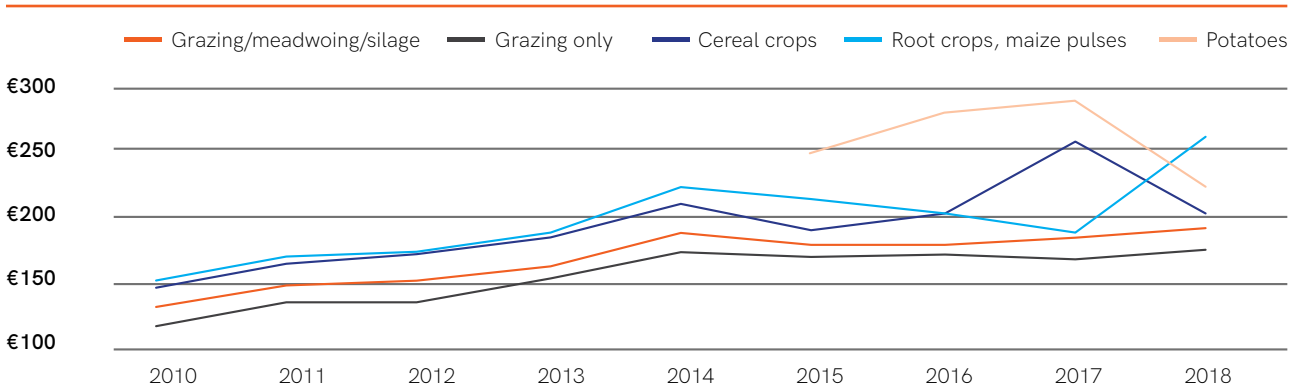
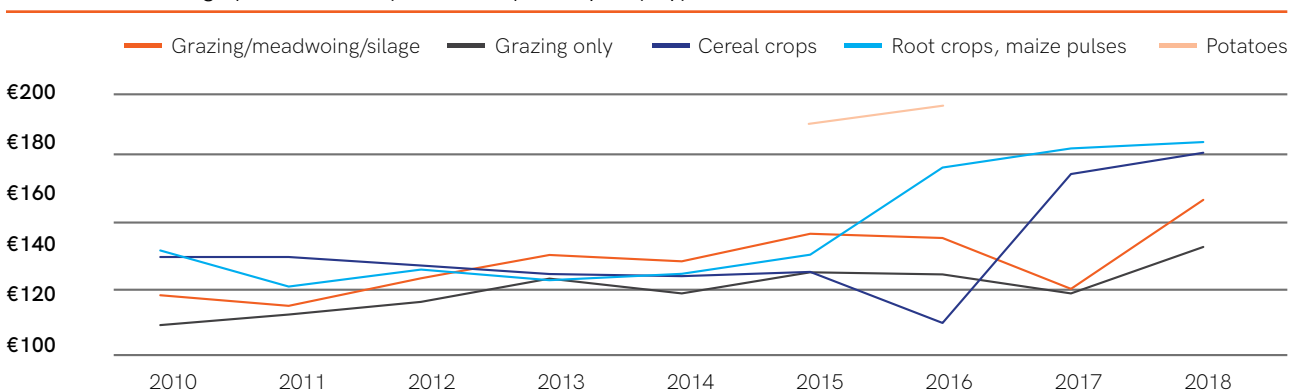


Chart 8.9: Connaught/Ulster, rental prices, euro/acre by crop type, 2010 - 2018



AGRICULTURAL LAND VALUES 2010 TO 2018

Value (€) per acre

		With a residence			Without a residence		
	Year	Up to 50 acres	50 to 100 acres	100+ acres	Up to 50 acres	50 to 100 acres	100+ acres
LEINSTER (EXCL DUBLIN)	2010	€9,235	€11,450	€10,020	€8,085	€9,235	€8,085
	2011	€8,685	€10,261	€9,375	€8,269	€8,685	€8,269
	2012	€8,868	€10,300	€9,400	€8,438	€8,868	€8,438
	2013	€10,619	€10,812	€9,664	€9,664	€10,052	€9,429
	2014	€11,092	€10,885	€9,671	€9,689	€10,126	€9,456
	2015	€12,711	€11,361	€10,096	€10,608	€10,242	€9,316
	2016	€12,666	€10,988	€10,043	€11,204	€10,391	€9,518
	2017	€12,173	€10,493	€9,750	€10,873	€9,552	€9,000
	2018	€11,973	€11,265	€10,457	€12,929	€10,109	€9,411
MUNSTER	2010	€8,770	€10,210	€8,935	€7,745	€8,770	€7,745
	2011	€8,979	€10,807	€9,674	€8,016	€8,979	€8,016
	2012	€8,752	€10,625	€9,896	€8,450	€8,752	€8,450
	2013	€10,313	€10,417	€9,669	€9,098	€10,963	€10,356
	2014	€10,700	€10,455	€10,289	€9,689	€9,875	€9,245
	2015	€11,017	€10,131	€11,396	€9,970	€9,900	€9,434
	2016	€10,622	€9,092	€9,154	€9,636	€8,800	€8,577
	2017	€11,616	€10,719	€10,111	€9,846	€10,000	€9,813
	2018	€10,921	€10,223	€9,500	€11,265	€10,143	€10,457
CONNAUGHT/ ULSTER	2010	€6,825	€7,990	€6,835	€6,145	€6,825	€6,145
	2011	€6,955	€6,608	€5,721	€6,321	€6,955	€6,321
	2012	€6,926	€6,663	€5,938	€5,973	€6,926	€5,953
	2013	€6,929	€7,321	€5,420	€5,773	€7,750	€6,250
	2014	€6,213	€6,187	€5,632	€5,594	€6,260	€5,836
	2015	€5,839	€5,710	€5,320	€6,163	€5,821	€5,260
	2016	€6,556	€5,779	€5,457	€6,375	€5,838	€5,529
	2017	€6,222	€5,000	€4,600	€6,225	€4,938	€4,500
	2018	€7,138	€7,361	€7,375	€7,016	€6,755	€6,205

AGRICULTURAL RENTAL VALUES 2010 TO 2018

Value (€) per acre

	Year	Grazing/ meadowing/ silage	Grazing only	Cereal crops	Root crops/ maize and pulses	Potatoes
LEINSTER (EXCL DUBLIN)	2010	€130	€121	€135	€154	
	2011	€142	€132	€155	€184	
	2012	€143	€134	€160	€184	
	2013	€156	€143	€175	€198	
	2014	€160	€148	€187	€204	
	2015	€162	€150	€189	€216	€317
	2016	€177	€160	€195	€235	€336
	2017	€194	€182	€220	€299	€426
	2018	€197	€190	€216	€246	€348
MUNSTER	2010	€138	€124	€153	€159	
	2011	€155	€142	€171	€176	
	2012	€159	€142	€178	€180	
	2013	€169	€161	€192	€195	
	2014	€194	€180	€217	€230	
	2015	€186	€177	€197	€220	€254
	2016	€186	€178	€209	€210	€286
	2017	€191	€174	€263	€195	€295
	2018	€198	€182	€209	€268	€230
CONNAUGHT/ ULSTER	2010	€121	€109	€137	€139	
	2011	€117	€114	€137	€125	
	2012	€128	€119	€133	€132	
	2013	€138	€128	€130	€127	
	2014	€135	€122	€129	€130	
	2015	€146	€131	€131	€138	€190
	2016	€144	€130	€110	€173	€197
	2017	€124	€122	€170	€180	
	2018	€160	€141	€179	€183	€252

**Due to small sample size figure not reported*

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Report designed by:

 **Future Analytics**
Planning | Research | Economics

A: 23 Fitzwilliam Square S, Dublin
M: +353 (0) 1 639 4836
E: info@futureanalytics.ie

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