

Society of Chartered Surveyors Ireland / Teagasc

Land Market Review and Outlook 2020 8



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2018

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INTRODUCTION

We would like to welcome you to the Society of Chartered Surveyors Ireland/ Teagasc Land Market Review and Outlook 2018. This is the fifth 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 2018 provides an in-depth analysis of key agricultural farmland market trends in 2017 and provides an outlook for 2018. The review provides insights on agricultural land values, rents and views on anticipated 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 and March 2018. This survey focussed on perceptions and opinions of chartered surveyors who are land and estate agents from small to large auctioneering firms. Chartered surveyors are best placed to report on regional trends within the markets, and the forecasts provided by chartered surveyors are valuable information.

The report brings together the respective expertise of both organisations to increase the range and quality of the data that is available on the agricultural land market in Ireland. Our ability to understand the challenges and opportunities farmers face depends on our capacity to produce relevant data and analysis, to allow us to interpret a wide range of issues relating to the agriculture sector, including the operation of the land market.

Land sale and rental values 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 provides a regional breakdown of sale and rental transactions for different agricultural land uses types and for land transactions of varied 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 situation in agriculture and the short term economic outlook for the sector.

While Brexit negotiations continue, uncertainty about the impact on the agriculture industry in Ireland remains. The prospect of trade tariffs being imposed represents a threat to the viability of the industry and by extension the agricultural land market. However, Brexit is not the only issue of concern for the agricultural sector. The imposition of stamp duty as part of the Finance Bill enacted in 2018 has placed an additional cost on sales that will be borne by the land sales sector.

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.



Professor Gerry Boyle
Director, Teagasc



Miah McGrath
SCSI Rural Agency
Chair

LAND MARKET REVIEW AND OUTLOOK 2018



Key Summary Findings | SCSI Members Survey

2017 Values per acre (Residential Land)

CONNAUGHT / ULSTER

< 50 ACRES	€6,222
50-100 ACRES	€5,000
> 100 ACRES	€4,600

MUNSTER

< 50 ACRES	€11,616
50-100 ACRES	€10,719
> 100 ACRES	€10,111

LEINSTER (EXCL.DUBLIN)

< 50 ACRES	€12,173
50-100 ACRES	€10,493
> 100 ACRES	€9,750



2017 Values per acre (Non-residential Land)

CONNAUGHT / ULSTER

< 50 ACRES	€6,225
50-100 ACRES	€4,938
> 100 ACRES	€4,500

MUNSTER

< 50 ACRES	€9,846
50-100 ACRES	€10,000
> 100 ACRES	€9,813

LEINSTER (EXCL.DUBLIN)

< 50 ACRES	€10,873
50-100 ACRES	€9,552
> 100 ACRES	€9,000



Rental values per acre in 2017

CONNAUGHT / ULSTER

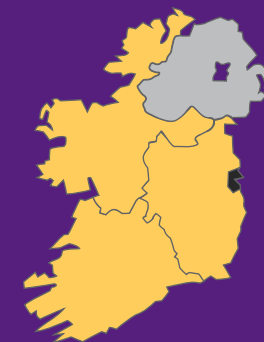
GRAZING/SILAGE	€124
GRAZING ONLY	€122
CEREAL CROPS	€170
OTHER CROPS	€180

MUNSTER

GRAZING/SILAGE	€191
GRAZING ONLY	€174
CEREAL CROPS	€263
OTHER CROPS	€195
POTATO CROPS	€295

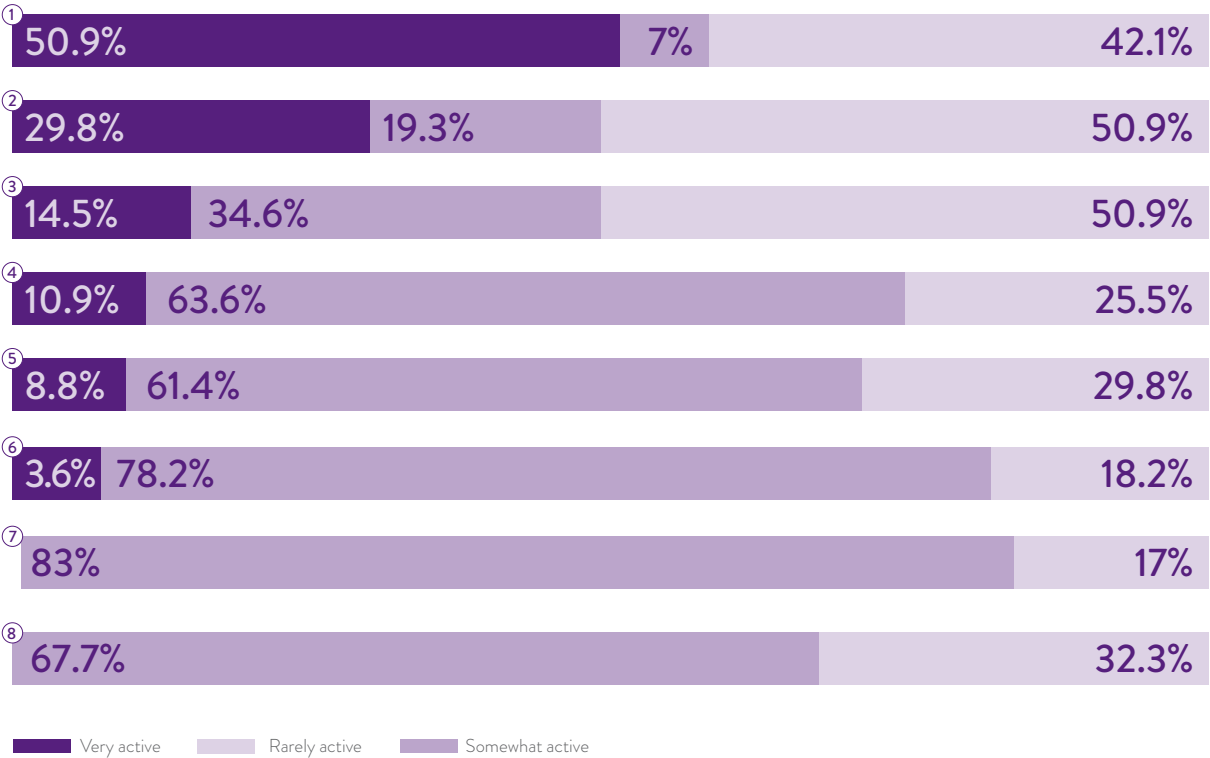
LEINSTER (EXCL.DUBLIN)

GRAZING/SILAGE	€194
GRAZING ONLY	€182
CEREAL CROPS	€220
OTHER CROPS	€299
POTATO CROPS	€426



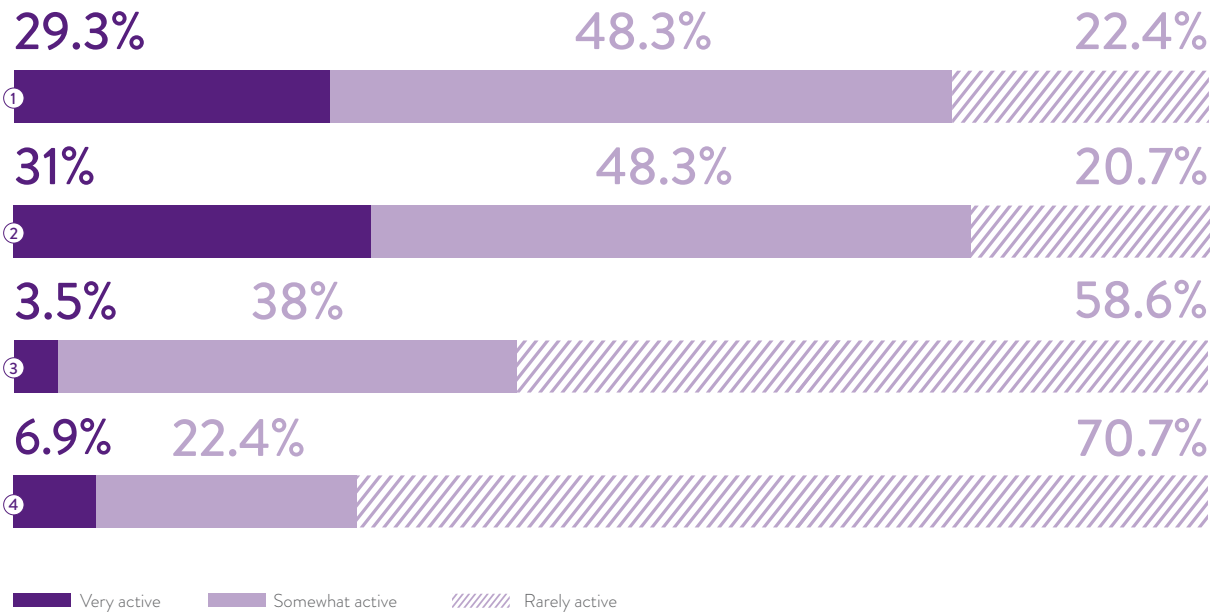
How active were the following in selling agricultural farmland?

- 1 An executor / probate sale
- 2 A land owner who has inherited land but who has no desire to farm the land
- 3 A farmer who is no longer interested in or who has retired from farming
- 4 A financial institution
- 5 A farmer who is continuing to farm but who has decided to sell a portion of his farm
- 6 An investor
- 7 A Developer
- 8 Others



How active were the following types of landlords in leasing agricultural farmland in 2017?

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



Irish Agricultural Sector in 2017



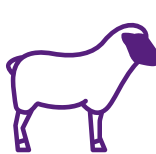
Milk prices
UP 34%



Beef prices
UP 2%



Cereal prices
UP 9%



Lamb prices
UP 2%



Irish Agricultural Sector Outlook in 2018



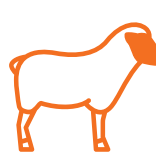
Milk prices
down 10%



Beef prices
UP 3%



Cereal prices
UP 7%



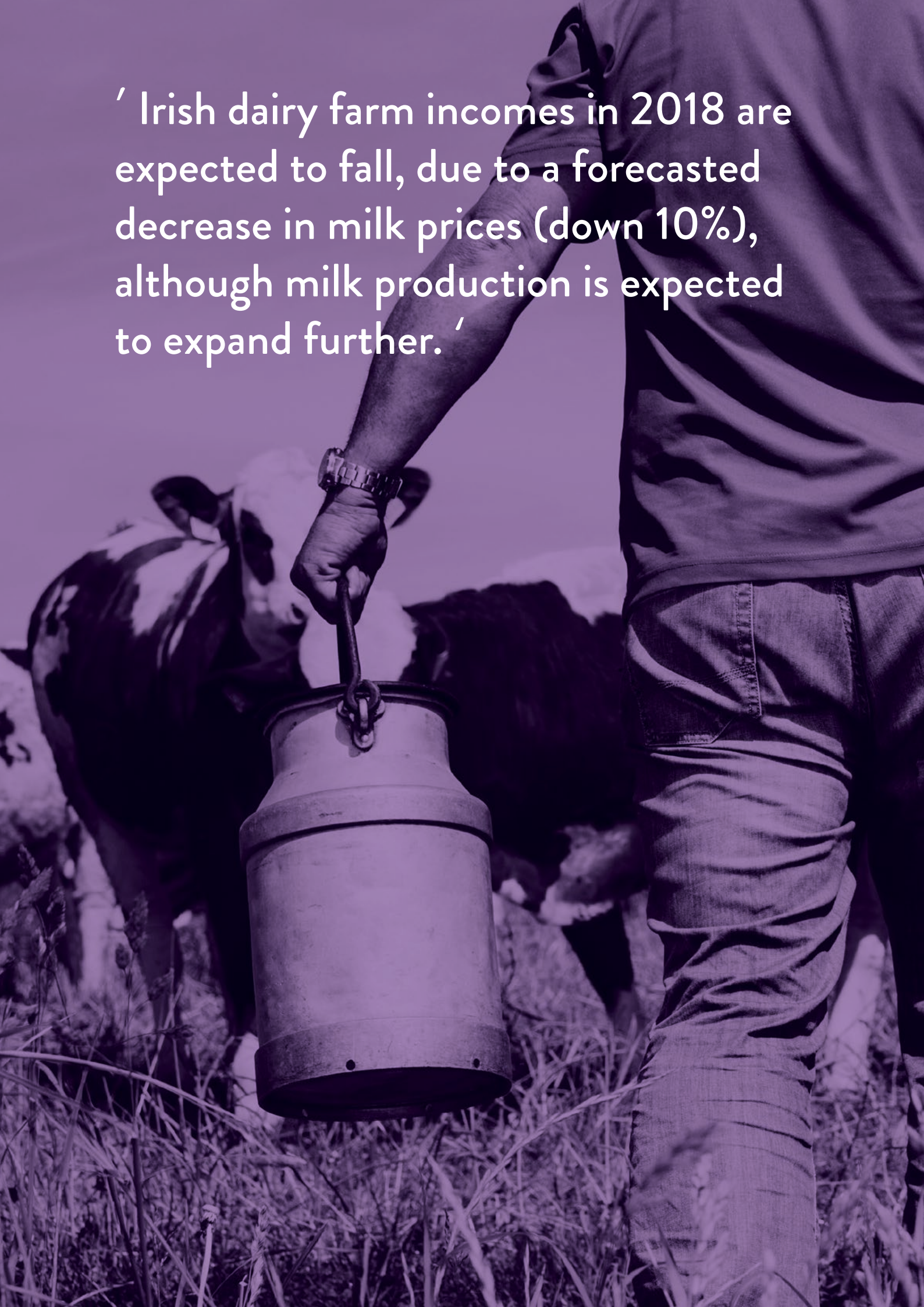
Lamb prices
down 3%





Key Findings





‘ Irish dairy farm incomes in 2018 are expected to fall, due to a forecasted decrease in milk prices (down 10%), although milk production is expected to expand further. ’

KEY FINDINGS

AGRICULTURE IN 2017 AND THE OUTLOOK FOR 2018

The economic performance of the Irish agricultural economy from year to year is affected by changes to input and output prices, changes to the volume of inputs used and output produced, and changes in agricultural policy relating to income supports. In 2017, weather conditions remained favourable throughout much of Ireland until about September, but at that point wet weather and difficult ground conditions began to emerge, particularly in the North West. This affected the extent of the silage harvest on some farms and there was also a need to house cattle earlier than normal. However, the overall picture in terms of production costs was one of little change in 2017.

Across almost all enterprises in 2017 output prices increased in comparison with 2016, with weanling prices being the one exception. Milk prices increased by over 30%, weanling prices declined by 4% and R3 finished cattle prices increased by 2%. Lamb prices were up very slightly in 2017. Cereal prices also increased, by about 10%.

The increase in output prices, led to higher margins across most enterprises in 2017. Dairy farms in particular benefitted from the large increase in milk price and further growth in milk production. Overall, there was a large jump in the average farm income in Ireland in 2017, but this was mainly driven by the dramatic increase in the profitability of dairy farming. In 2018, input costs are expected to increase slightly. Many farmers have had to cope with a shortage of fodder and have incurred higher feeding costs as a result. However, farm income developments in 2018 are still expected to be largely driven by output price movements.

Irish dairy farm incomes in 2018 are expected to fall due to a forecast decrease in milk prices (down 10%), although milk production is expected to expand further.

Cattle prices are expected to increase slightly in 2018, (up 3%), but sheep prices are expected to fall (down 3%). However, with higher production costs expected due to the late spring, little change in income is expected on dry stock farms in 2018. The outcome for the tillage sector in 2018 will be

contingent on international market developments, with a modest increase in margins a possibility. The poor early season weather in 2018 has hampered the development of autumn planted crops and delayed the planting of spring crops. This will mean a late harvest will be required, with increased potential for poor yields.

AGRICULTURAL LAND MARKET IN 2017

NATIONAL: The national average agricultural land value in 2017 was €8,308 per acre for non-residential land. This figure varies considerably on a provincial basis, with Munster reporting an average per acre value of €9,900, Leinster (excluding Dublin) reporting €9,800 per acre and Connaught/Ulster reporting €5,500 per acre.

MUNSTER: Higher dairy farm incomes appear to have led to strong positive land value developments in Munster. In Munster, value across all land sale size categories (both with and without a residence) increased.

CONNAUGHT/ULSTER: In 2017 value changes in Connaught/Ulster were negative for residential farms, particularly for larger sized transactions. The declines for non-residential farms were equally stark with values reductions recorded from 5% to 16%.

LEINSTER: In the Leinster region (excluding Dublin), land values were negative in 2017. Values dropped across all categories. Land values in Leinster on average are similar to Munster values but are nearly double the values recorded in Connaught/ Ulster.

In general terms, values on a per acre basis decline as the size of the land for sale increases. For most land sale size categories, the value per acre for residential farms was higher than equivalent sales without a residence, as one would expect.

RENTAL LAND: In terms of rental land, an increase in rents in 2017 relative to 2016 was observed in Leinster. Rent in Munster and Connaught/Ulster, with a few exceptions – notably tillage tended to show stability.

Interestingly, tillage land rents increased sharply in Munster, with an increase also evident in Leinster. This was in spite of the moderate income levels recorded in the tillage sector in recent years. One possibility is that the driver of the increase in tillage rental values may actually be due to demand from dairy farmers, which may be pushing up tillage land rental rates in areas where dairy farming is prevalent.

Irish Agriculture Sector



IRISH AGRICULTURE SECTOR

This section reviews the performance of Irish agriculture in 2017 and looks at prospects for 2018. There is an overview at the broad sectoral or enterprise level, followed by a focus on the key subsectors within agriculture.

OVERVIEW OF AGRICULTURE IN 2017 AND 2018

Weather conditions in 2017 were generally favourable to agricultural production. Grass growing and ground conditions were reasonable but deteriorated in some areas in late season. Cereal production conditions in 2017 were better than in 2016 contributing to higher yields. Overall input costs were little changed in 2017 relative to the previous year. Declines in feed and fertiliser values in 2017 were partially offset by higher fuel prices. Higher volumes of both fertiliser and feed were used in grassland systems, with feed use spiking in Q4 of 2017 due to the early onset of winter conditions. There were also some silage losses due to difficult harvesting conditions particularly in the North West.

Output prices for milk increased by 34% in 2017 with average annual values rising to over 37 cents per litre for the year. Irish milk production expanded by over 9% relative to the 2016 level. In 2017 high milk prices combined with increased production and relatively stable input costs, led to a sharp rise in the average dairy net margin per litre of over 120% to over 15 cents per litre.

In 2017 the price for finished cattle increased by 1% relative to the 2016 level. Gross margins for beef finishers increased by 8% in 2017, due mainly to higher values for prime cattle in the presence of stable production costs. Suckler farmers experienced little change in gross margins in 2017 relative to 2016. The stability in single suckling gross margins is due to stable young cattle prices and a slight fall in the costs of production.

Commercial forestry is having an impact on beef farmers. While demand for land for beef is strong and beef prices remain good, commercial forestry is having an impact on the market. For land previously used for beef production, beef farmers cannot compete with values offered by commercial forestry companies with tax break and grants available to them, particularly for moderate to low quality beef land.

JOHN MURPHY, Managing Director
Murphy & Sons Auctioneers, Sligo



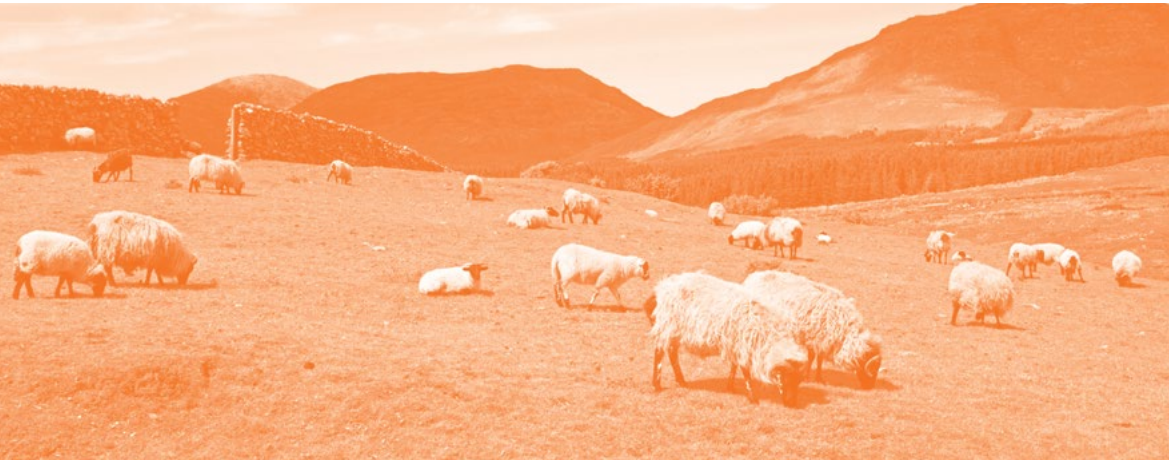
Sheep farmers saw their margins improve substantially in 2017, as output volumes increased and lamb values improved relative to the 2016 level. The coupled Sheep Welfare Scheme also helped to boost margins and incomes.

In 2017 Irish cereal yields for major crops were up on the 2016 level. However, a good global harvest has meant that the low cereal prices only saw a modest improvement in 2017 from the relatively low prices of 2016. Cereal direct costs fell slightly in 2017, and this was also accompanied by an increase in yields and straw returns. As a consequence cereal margins improved in 2017, off a very low base in 2016. This means that despite margins improving in 2017 cereal enterprise net margins still remained negative on many farms in 2017.

Key commodity price changes in 2017 compared with 2016 are shown in Figure 1.

Early forecasts for 2018 are made on the basis of normal weather. However spring conditions have been slow to emerge in 2018 and this was further exacerbated by extreme weather in March of 2018 which brought significant amounts of snow, particularly in eastern and southern regions. The short-term impact of the delayed start to the growing season will be felt in higher feed bills for all grassland enterprises in the short term. Fertiliser prices are expected to rise in 2018 but usage levels are expected to remain stable. A rise in fuel prices is forecast in 2018, as oil prices are likely to be higher over the course of 2018 than they were in 2017. Electricity prices are also forecast to rise slightly.

Irish milk prices are likely to be 10% lower in 2018 relative to 2017, as global supply growth is expected to run ahead of the growth in demand. Production costs should increase slightly in 2018, reflecting the increase in fertiliser and fuel prices.



Production costs in Q1 of 2018 are likely to be abnormally high due to the inability to get cows out on grass early in the season.

Prices for young cattle and finished cattle are forecast to increase slightly in 2018 due to weaker supplies of beef across the EU. On average the costs of production for beef are forecast to increase slightly, but not by as much as the increase in cattle prices, leading to a slight improvement in margins on both single suckling and cattle finishing enterprises in 2018. Where adverse weather and a shortage of fodder has been a major issue, costs of production are likely to increase by a greater extent and no improvement in margins may occur in 2018.

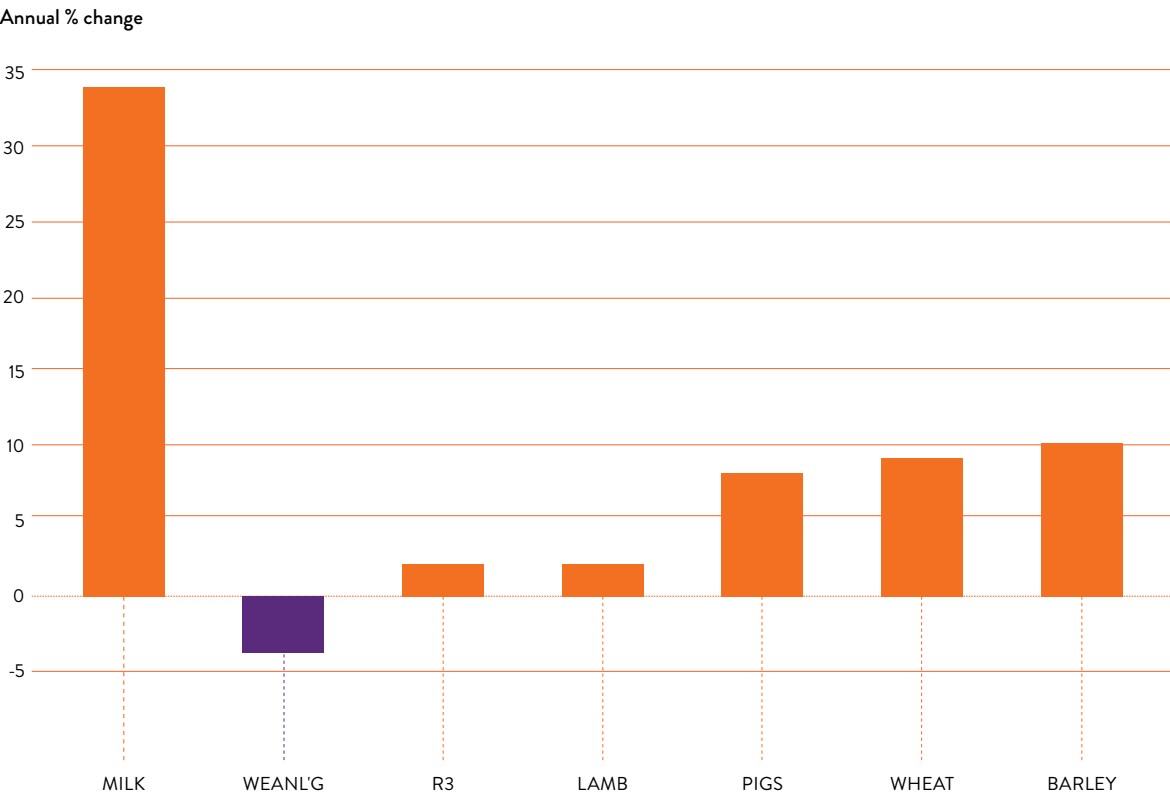
Sheep prices are expected to decrease slightly in 2018. Although production costs are forecast to increase, the Sheep Welfare Payment should prevent a major drop in sheep margins.

While stock levels on international grain markets have dipped slightly in 2017, they remain plentiful following successive strong global harvests. Cereal prices at harvest in 2018 will be highly dependent on future growing conditions globally. On the assumption that global yields revert to normal, global supply and stock levels in 2018 are not forecast to increase over the 2017 level. Cereal prices for 2018 are forecast to improve slightly relative to 2017. Overall costs on cereal farms are set to increase in 2018, as farmers face higher fertiliser costs compared with 2017. Uncertainty with respect to yields in Ireland in 2018 will have been increased by the unseasonably poor weather experienced in the spring of 2018.

Prospects for higher margins will depend on the extent of the cereal price improvement in 2018 and the extent to which adverse weather impacts on yields.

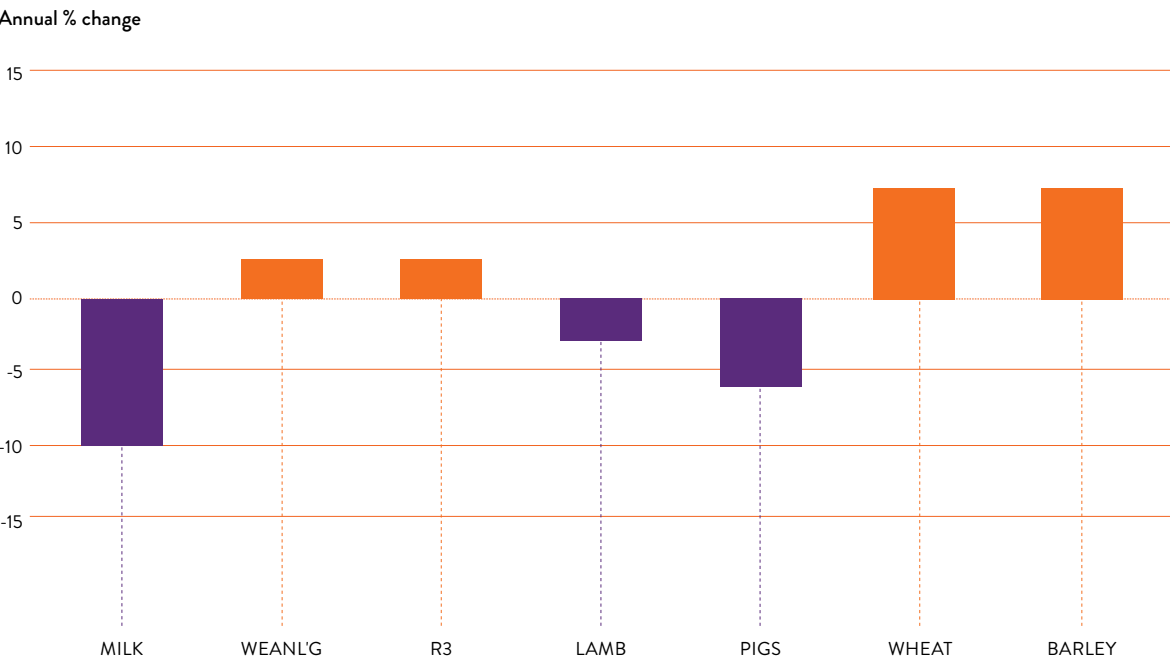
Forecast commodity price changes for 2018 taken from Teagasc's Situation and Outlook 2017 report are shown in Figure 2.

Figure 1: Change in Output Values 2017 vs. 2016



(Source: CSO and DG Agri)

Figure 2: Forecast Change in Output Values 2018 vs. 2017



(Source: Teagasc Situation and Outlook 2017)

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 increased substantially right through the course of 2017. Peak season prices in 2017 were the highest observed since 2014. As a result the annual average national milk price for 2017 increased by 34% with the price for the year as a whole estimated to be 37 cents per litre. In Ireland aggregate milk production increased by 9% in 2017.

Overall milk production costs are estimated to have increased in 2017 on a per hectare basis by 4 %, with a 1 % decline recorded on a per litre basis, owing to increased milk production and the dilution effect it has on overhead costs. With the reduction in production costs per litre and increase in milk production, it is estimated that the net margin per litre of milk produced increased to over 15 cents per litre in 2017.

Dairy markets are expected to weaken in 2018. It is forecast that the annual average milk price will decrease by 10% in 2018 relative to the 2017 level, bringing the annual average milk price to 33 cents per litre. Further growth in Irish national milk production (4%) is forecast in 2018.

The slow arrival of spring has meant that grass growth has been behind schedule in Ireland in 2018. A shortage of fodder has developed on some dairy farms as a result. Higher costs for fodder and additional usage of concentrate feeds will mean that production costs will be elevated in the first half of 2018. On some farms this will eat into margins for milk in 2018 but profitability in general will remain high.

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).

Movements in prices for beef animals in 2017 varied by category, with weanling and store values down marginally and higher prices paid for prime cattle.

The direct costs of production declined for cattle farms in 2017 mainly due to lower fertiliser values. The decrease in costs of production ensured that little change occurred in the average gross margins per hectare for Single Suckling enterprises and more appreciable increase in average gross margins in the case of Cattle Finishing enterprises.

In 2017 the average gross margin per hectare earned on Single Suckling enterprises is estimated to have been €438 per hectare, little changed on the 2016 level. The receipt of payments from the Beef Data Genomics Programme in 2017 helped to keep margins at this level.

In 2017 the average gross margin per hectare earned on Cattle Finishing enterprises is estimated to be €592 per hectare, 8% up on the 2016 level.

The international outlook for beef prices in 2018 is for a strengthening of prices at the EU level. EU production is forecast to decline, EU imports are expected to increase and world prices are expected to rise. The UK remains Ireland's most important beef market and the Brexit referendum result and the movement in sterling against the euro continues to present a competitiveness challenge for the Irish beef industry.

Irish finished cattle values are forecast to increase by 3% in 2018 relative to the 2017 level. Young cattle prices are also forecast to increase by 3% relative to the 2017 level. Direct costs of production on Single Suckling and Cattle Finishing enterprises are forecast to increase by approximately 2 % in 2018.

With higher output prices and higher direct costs of production, the gross margins are expected to increase slightly in 2018 for both Single Suckling and Cattle Finishing enterprises. In 2018, the gross margin per hectare on Single Suckling enterprises is forecast to increase by 4 % to €455 per hectare.

The positive impact of higher cattle prices on margins will be partially offset by higher production costs and producers will also benefit from receipt of coupled nationally financed direct payments under the Beef Data Genomics Programme. Gross margins on Cattle Finishing enterprises are forecast to be 5 % higher at €619 per hectare. The very poor grass growth and

associated shortage of fodder is likely to leave purchased feed bills higher than anticipated in 2018. It remains to be seen whether these ongoing developments will be sufficient to lead to reduced cattle margins in 2018 as compared to 2017.

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 distributed 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 2017 lamb prices in Ireland were up marginally on the 2016 level. Costs of production for Irish mid-season lowland lamb enterprises increased marginally in 2017, even though input prices fell slightly. The rise in production costs was due to increased input usage.

Gross margins per hectare for Irish mid-season lowland lamb producers are estimated to have increased strongly in 2017, with increased output volume and higher lamb prices more than offsetting the rise in production costs. In 2017, gross margins on mid-season lowland enterprises are estimated to be €779 per hectare, continuing the trend of increasing margins observed in recent years.

The outlook for Irish and EU lamb costs for 2018 is not positive. Despite a forecast tightening in global supplies of mutton and lamb that is likely to prevent an increase in imports to the EU, EU lamb production is set to increase to a greater extent than EU demand with the result that a slight decrease in EU and Irish lamb prices is likely. A slight increase in the costs of production on Irish sheep farms is also expected in 2018.

Output volume may also be affected on some Irish farms due to an increase in lamb mortality associated with the heavy snowfall in March 2018. Overall, a decrease in gross margins from mid-season lowland lamb production is expected in 2018.

TILLAGE

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 2017, final costs received by farmers increased and yields were also up on the 2016 level. Direct costs of production on cereal farms decreased very slightly in 2017 compared to 2016. There was an increase in the gross margins on all main categories of cereal crops in 2017. It is estimated that the average cereal enterprise on specialist tillage farms returned a slightly positive net margin in 2017 of the order of €50 per hectare, although a wide variation remains in terms of the economic performance of individual cereal farms nationally.

In 2018 cereal prices are expected to be higher than in 2017 and the costs of production on cereal farms in 2018 are expected to increase slightly relative to the 2017 level. The net effect of an increase in output value, a reversion to trend yields, and slightly higher direct costs would be an increase in forecast 2018 margins for most cereals relative to 2017.

However, a big uncertainty is the impact which the adverse weather conditions in spring 2018 might have on yields at harvest time. Poor weather and difficult ground conditions have affected spraying and fertiliser application for winter sown crops, while ploughing has been delayed for spring sown crops. If yields are poor then this could mean that there is no improvement in margins in 2018.

Land Values & Rental Market 2017





LAND VALUES & RENTAL MARKET 2017

Each year SCSl conducts a survey of its members, collecting data on agricultural land values and rents, together with their views on the market. This is further supplemented by telephone interviews with key members located throughout the

country. This section of the report is based on the outputs from the survey and the interviews with members. A more detailed analysis of the survey data is contained in Section 6 of the Report.

Table 1: Agricultural land values in Ireland 2017 (€ per acre and annual percentage change; based on land with no entitlements)

	LEINSTER (EXCL DUBLIN)		MUNSTER		CONNAUGHT/ULSTER	
	With a residence	Without a residence	With a residence	Without a residence	With a residence	Without a residence
Up to 50 acres	€12,173 √4%	€10,873 √3%	€11,616 ^10%	€9,846 ^2%	€6,222 √5%	€6,225 √2.5%
Up to 50-100 acres	€10,493 √4.5%	€9,552 √8%	€10,719 ^17%	€10,000 ^13.5%	€5,000 √13.5%	€4,938 √15.5%
Up to 100+ acres	€9,750 √3%	€9,000 √6%	€10,111 ^10.5%	€9,813 ^14.5%	€4,600 √15.5%	€4,500 √18.5%

Source: SCSl/Teagasc agricultural land survey 2018

There was a very mixed provincial performance for the agricultural land market in 2017. In Munster values for all categories of land sales increased strongly, while land values of all categories in Leinster and Connaught/Ulster declined.

On a provincial basis, values performed strongest in Munster overall, with value increases observed across all farm size categories. Across the board, values in Leinster and in the Connaught/Ulster region showed a reduction in 2017. The reductions in value were largest in Connaught/Ulster with the largest reductions recorded for larger land parcel sales. Reductions in Leinster in general were limited to 5% or less.

Munster has the greatest concentration of dairy farming nationally and given the continuing expansion of dairy production and the fact that 2017 was a positive year for dairy farming profitability, this could go some way towards explaining the strong performance of the Munster land sales market in 2017.

37% of the SCSl members surveyed reported an increase in the volume of agricultural farmland sold. In Leinster (excluding Dublin) the experience was similar, with 33% of Leinster based survey respondents reporting an increase in sales activity. By contrast, in Connaught/Ulster, only 13% of survey respondents reporting an increase in sales activity in the region. Whilst SCSl members reported that activity had risen, many reported that the quality of the farmland coming to the market had dis-improved.

The variability between regions, in terms of land market activity, is also evident in relation to the amount of land leased. In Connaught/Ulster, only 12% of respondents reported an increase in the level of land leasing activity in 2017, broadly in line with the 2016 figure. This contrasted with Leinster (excluding Dublin), where 41% of survey respondents reported an increase in land leasing activity.

The variability in the feedback from SCSl members in different regions means that the national picture in relation to the agricultural land market is decidedly mixed. Nationally, 29% of survey respondents reported an increase in the volume of agricultural land being sold, 29% reported a decrease in the volume of sales and 34% reported the same volume as 2016 (a further 9% stating - don't know/not sure). The national picture with regard to the volume of agricultural land leased was also mixed, with 42% stating it had not changed compared with 2016, 29% stating it had increased and 17% stating it decreased (with 12% stating don't know / not sure).



LEINSTER:

In Leinster, agricultural lands (both with and without a residence) decreased in values in 2017. This pattern applied regardless of the size of the land parcel.

In Leinster, all categories of agricultural lands decreased in values in 2017. In Leinster, lower values were achieved regardless of the size of the land parcel. Value reductions were generally 5% or less with the exception of sales of between 50 and 100 acres without a residence where the reduction in value compared to 2016 was 8%. In 2017, agricultural lands up to 50 acres in Leinster recorded value reductions of 4% with a residence and 3% without a residence. For larger land holdings, there were slightly larger percentage price reductions, with a decline of 8% for land holdings of between 50 and 100 acres (without a residence) and a decrease in price of 5% for land holdings of between 50 and 100 acres (with a residence). In the case of land holdings in excess of 100 acres, the Leinster results point to a decline in selling price of 3% (with a residence) and a decrease of 5% (without a residence).

MUNSTER:

Land in Munster recorded value increases during 2017, with land values up to 50 acres increasing by 9% (with a residence) and increasing by 2% (without a residence). Values for land holdings of between 50 and 100 acres showed a significant increase of 17% (with a residence) and 14% (without a residence). Increases in land values Munster for non-residential holdings in excess of 100 acres of 14% were recorded, while values for similar sized residential holdings increased by 10%.

CONNAUGHT/ULSTER:

In 2017, values in Connaught/Ulster decreased for all size categories, effectively eroding the increase in values in 2016 that was recorded in the 2017 SCSl/Teagasc Land Market Review and Outlook. In this region, the decline in land values was most acute for medium and larger sized holdings. The decline in values for land parcels (with and without a residence) of less than 50 acres was less and or equal to 5%. The value of land holdings of between 50 and 100 acres declined by 13% for sales with a residence, while the decline in sales value for holdings 50-100 acres without a residence was 15% in 2017. The largest declines in land sales values were for holdings of more than 100 acres in the Connaught/Ulster region. Values in 2017 declined by 16% for holdings with a residence and declined by 19% for holdings without a residence in the 100 plus acres category.

THE RENTAL MARKET

Agricultural land rental values increase in Leinster, with generally more modest changes in Munster and Connaught/ Ulster

LEINSTER:

Rents in Leinster increased in 2017 for all categories of agricultural land except potato ground. Rental values in Leinster increased by between 10% and 14% for grazing land. In the same province, rental values increased by 13% for cereal crop lands and 27% for other crops (including maize and beans). Rents for land allocated to

potato crops fell by 11%. Relative to 2010, rents for cereal crop lands were 63% higher, while rents for grazing lands are about 50% higher in 2017.

MUNSTER:

Rental values for grazing land changed slightly during 2017. An increase of 26% is reported however in relation to cereal crop land in Munster. Land allocated to other crops showed a rental value decrease of 7%, while rental values for land allocated to potato crops increased by 3%. In comparative terms, rental values are no longer higher than in Leinster for grazing land but rental values in Munster remain higher than in Leinster for cereal crop land.

CONNAUGHT/ULSTER:

Rental values for grazing land fell relative to their 2014 levels. At the same time, the results point to a

significant increase of 55% in rental values for cereal crop lands, with values reaching €170 per acre, which is still far lower than in the other two regions. A modest increase of 4% was recorded for rental values associated with land used for other crops (including maize and beans).

The overall findings in relation to the land rental market suggest that the rise in long-term leasing is placing pressure on the conacre rental market in Leinster and Munster. Rental values are rising as a consequence. In Connaught/Ulster, there is less evidence for such a trend.

In terms of the volume of land sales, an increased percentage of respondents expressed the view that the volume of agricultural land sales will increase over the course of 2018, compared with 12 months ago.

With the high level of profitability in dairy farming, survey respondents expect the demand from dairy farmers to purchase farmland to increase in 2018

Table 2: Agricultural rental values (€ per acre) 2017

	LEINSTER (EXCL DUBLIN)	MUNSTER	CONNAUGHT/ULSTER
Grazing / meadowing / silage	194	191	124
Grazing Only	182	174	122
Cereal Crops	220	263	170
Root crops, maize and pulses	299	195	180
Potatoes	426	295	*

*Due to small smaple size figure not reported.

Harnessing Technology to Describe the Agricultural Land Base in Ireland



From a farmer’s perspective, the primary purpose of agricultural land is the production of food. However, farmers and the public in general are increasingly appreciative that agricultural land can and should deliver a variety of benefits to society. Here we examine the role of technology in measuring the agricultural and non-agricultural outputs produced

Technology has always been part of farming and land management from the first human drawn ploughs on to “big data” analytics. In recent years technology growth has expanded into all areas of farming; sometimes explicitly, as with the adoption of smart phones, but sometimes the technology is more hidden, such as in the genetic analysis of breeding traits behind the breeding index.

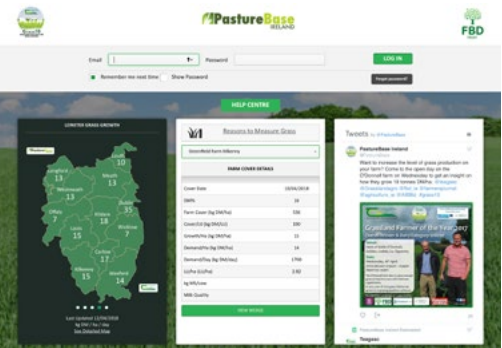
Teagasc is exploiting new technologies to help in land management in order to improve outputs, whilst minimising inputs, reducing negative environmental impacts and promoting actions that are environmentally beneficial.

PASTUREBASE

PastureBase Ireland is the online grassland management system developed by Teagasc and now has merged with AgriNet Grass. It allows farmers to manage their grass/feed data at the paddock scale.

The platform can then automatically generate grass wedges, rotation planners and feed budgets allowing for better grass and herd management. The background data on farms, such as soil fertility and the linking of growth data with local weather reports will allow for new applications on farm and land management to be added to the platform.

Figure 3: Pasture Base landing page (Source: <https://pasturebase.teagasc.ie/V2/login.aspx>)



Source: <https://pasturebase.teagasc.ie/V2/login.aspx>

GRASS Q

This initiative is developing automated ‘real-time’ grass quality measurement techniques to enhance grassland management information systems such as Pasturebase. To provide ‘real-time’ objective information in an automated and easily interpreted manner to the farmer, the project uses optical sensors on a variety of platforms to instantaneously predict and map the grass quality measures of dry matter, organic matter digestibility and crude protein.

FARM HABITAT MAP-APP

Traditionally, habitat surveys involve visits to individual farms, which is expensive and time-consuming. Teagasc has collaborated with Bord Bia to develop a cost-effective method to map farm habitats. This involved the use of aerial imagery to identify the main habitat types on the farm. The research also trialled a new app that would allow a farm advisor or farmer (using aerial photography, GPS and smart phone cameras) to identify potential habitats and for validated maps of the farm habitats to be created. The farmer gets a habitat map of their farm, along with background information on the habitats present and guidelines on how to enhance the habitats on the farm.

Figure 4: Example of the kind of map produced for farmers in the pilot habitat map app



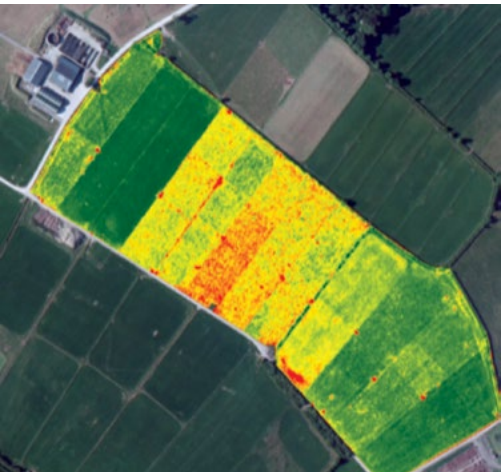
DRAINMAP

Drones will become an increasing feature on Irish farms. Drone acquired videos are already used to promote land sales and contractors can map, with very high precision, farm and field boundaries for farm planning and Basic Payment Scheme applications.

Drainmap is a research initiative which is using drones to help develop affordable, tailored,

surface runoff management plans for farms. Using photogrammetric technology we can create 3D models of farm, field or paddock and model where surface run-off occurs, at a fraction of the cost of a conventional LIDAR survey.

Figure 5: Intra- and inter-field variation identified through drone mapping



Teagasc has produced maps of the country, using satellites, showing areas where artificial drainage exists and more excitingly, Teagasc is developing methods using drone mounted thermal cameras that allow the investigation of the efficiency of underground drainage.

EARTH OBSERVATION

Ireland is imaged by orbiting earth observation satellites multiple times a day. These images can be used to map farm management practice such as stocking density, grassland management or planting dates. Internationally large agribusinesses now offer services that monitor yield and performance of tillage crops using Earth Observation data. Teagasc has developed a machine learning algorithm that can accurately measure current grassland biomass on a paddock using European Space Agency satellite data. This research work is now being expanded nationally, combining with weather data to give weekly estimates of grass biomass for all farms.

Technology can never supersede the knowledge of a farm that can be derived on the ground, but technology can support or even increase our understanding of the farm. Much of the technology in development now will allow farmers to manage farms more efficiently and to manage larger enterprises. Importantly the technology will provide evidence to support farmers in demonstrating that they are managing their land in a sustainable manner.



Overview of Irish Agriculture by Region



OVERVIEW OF IRISH AGRICULTURE BY REGION

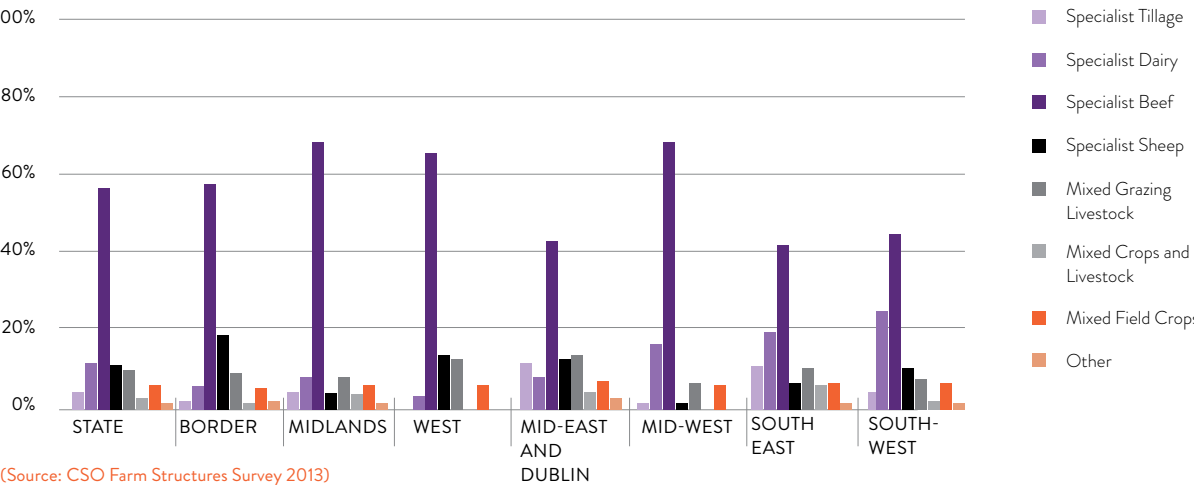
While there are no radical differences in climactic and agronomic conditions across Ireland, there are differences in the importance of various agricultural production systems at a regional level that are likely to be reflected in both demand for and supply of agricultural land for sale and rent. The 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 2013. The CSO 2016 FSS is expected to be published during April/ May 2018 and will contain updated information on the structural characteristics of agricultural

production across the regions of Ireland. 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 SCSl survey of agricultural land markets.

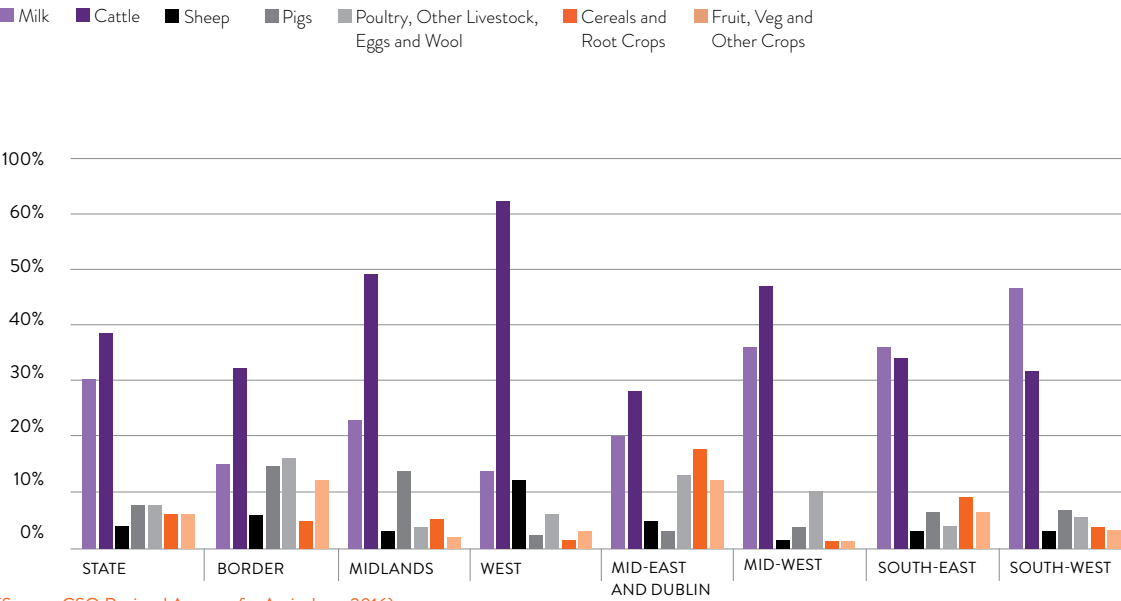
The prevalence of various farm types (and associated land uses) differs regionally as illustrated in Figure 6. In all regions, farms classed as specialist beef production account for at least 40% of farms, with the proportion highest in the Midlands (68%) and lowest in the South-East region (41%). The 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 less than 4% of farms nationally, but in the South-East Region (Carlow, Kilkenny, South Tipperary, Waterford, Wexford) almost 11% 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: Prevalence of Farm Type by NUTS III region in 2013



(Source: CSO Farm Structures Survey 2013)

Figure 7: Agricultural Output (excl. forage) at Producer Values 2016 Shares by NUTS III Region

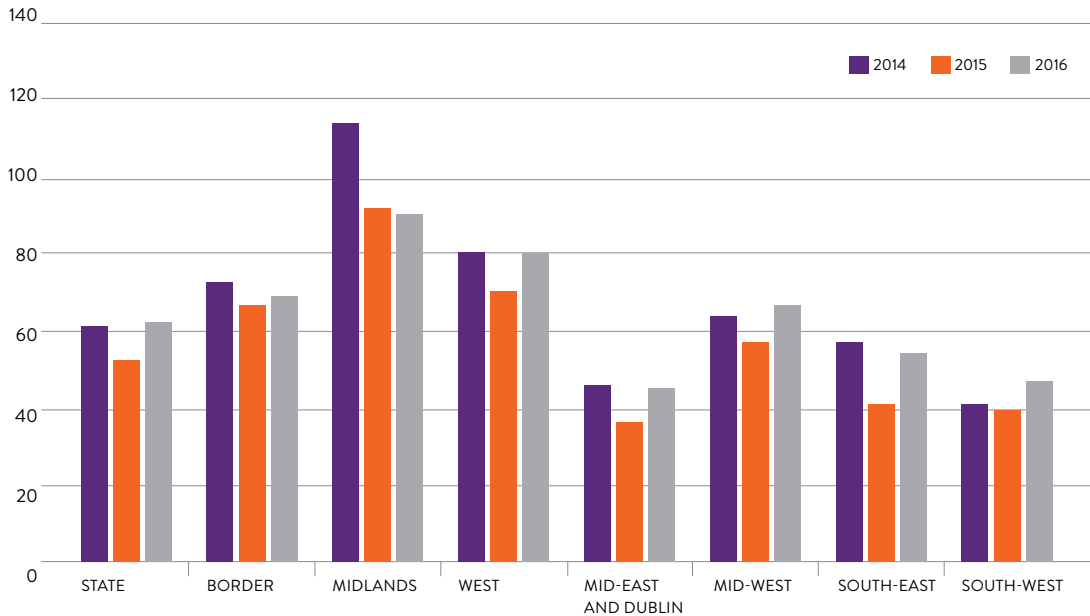


(Source: CSO Regional Account for Agriculture 2016)

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 2016, as illustrated in Figure 7. The prominence of cattle output can be observed across all regions, with the cattle

output share varying from 28% in the Dublin Mid East region to 62% 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 is highest in the South-West, Mid-West and South-East regions.

Figure 8: Net Subsidies as a share of Agricultural Sector Income in 2014, 2015 and 2016 by NUTS III Region



(Source: CSO Regional Account for Agriculture 2014, 2015 and 2016)

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 8. 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 production when compared with drystock, tillage and other agricultural land uses.

At a national level, income subsidies accounted for over 62% of agricultural sector income in 2016, an increase from 53% in 2015. This increase in the importance of subsidies as a contributor to incomes in 2016, was driven by a drop in the level of support payments received, with little change in overall Gross Value Added produced by the sector. At a regional level, in 2016 the share of income derived from subsidies was lowest in the Mid-East and Dublin region at 45% and highest in the Midlands at close to 91%. This dramatic difference is indicative of the much greater market orientation of agricultural production in the Mid-East and Dublin region. With the exception of the Midlands, the subsidies share of income increased across all regions in 2016.

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Agricultural Land Values Survey



ANALYSIS OF SCSi/ TEAGASC AGRICULTURAL LAND SURVEY

AGRICULTURAL LAND SURVEY RESULTS

This annual SCSi/Teagasc Land Market Review and Outlook 2018 provides an in-depth analysis of key agricultural farmland market trends in 2017 and provides an outlook for 2018, in terms of agricultural land values, rents and views on anticipated activity levels. The survey results are based on a nationwide survey of 193 SCSi members conducted for the SCSi over a four-week period in February and March 2018. The SCSi members, located throughout the country, are amongst those best placed to report on regional trends within the markets they serve, and the forecasts provided by SCSi members are a valuable resource at a time of limited authoritative data sources on agricultural land market (sale and rental) developments.

NATIONAL TRENDS

SALES

According to SCSi members responding to the 2018 survey, the overall national average value of residential and non-residential farmland in 2017 was €8,835 per acre. The national average for non-residential agricultural land is €8,308 per acre.

SCSi members in Munster reported the highest increases in values since 2016 with growth across all categories with an average increase of 11%. This is in contrast to the Leinster (excluding Dublin) and Connaught/ Ulster regions which experienced a decline in values across all categories. In Leinster there was an average decline of 4% on values reported across all categories, while Connaught reported an average decline of 11.5% across all categories.

The highest growth rate in values per acre nationally was reported in the category of '50-100 acres with a residence', where values have increased by 17% since 2016. The biggest decline in land sales values nationally came in Connaught/Ulster in the category of '100+ acres without a residence'. The largest decline in values in Leinster came in the '50-100 acre without a residence' category, in which SCSi members reported a decline of 8%.

' The overall national average value for sales across all land categories (residential and non-residential land) is €8,835 per acre. '

Small farms have been moving well with local demand, and larger farms are getting good interest from outside operators looking to expand. It is the medium sized land holdings between 50 and 100 acres that tend to be more difficult to sell or lease – they can be too large for local farmers, and not large enough for outside operators.

PAT O'HAGAN FSCSI FRICS,
SCSi Rural Agency Professional Group, Past Chair

Head Auctioneer & Regional Sales Manager
Savills Country Homes, Farms and Estates



Table 3: Average value per acre for agricultural farmland sold by region in 2010 to 2017 (with and without a residential holding), with no entitlements

		WITH A RESIDENCE			WITHOUT A RESIDENCE		
		Up to 50 acres	50-100 acres	100+ acres	Up to 50 acres	50-100 acres	100+ acres
Rest of Leinster (ex. 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	10,086	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
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
Connacht / 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	5,953	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

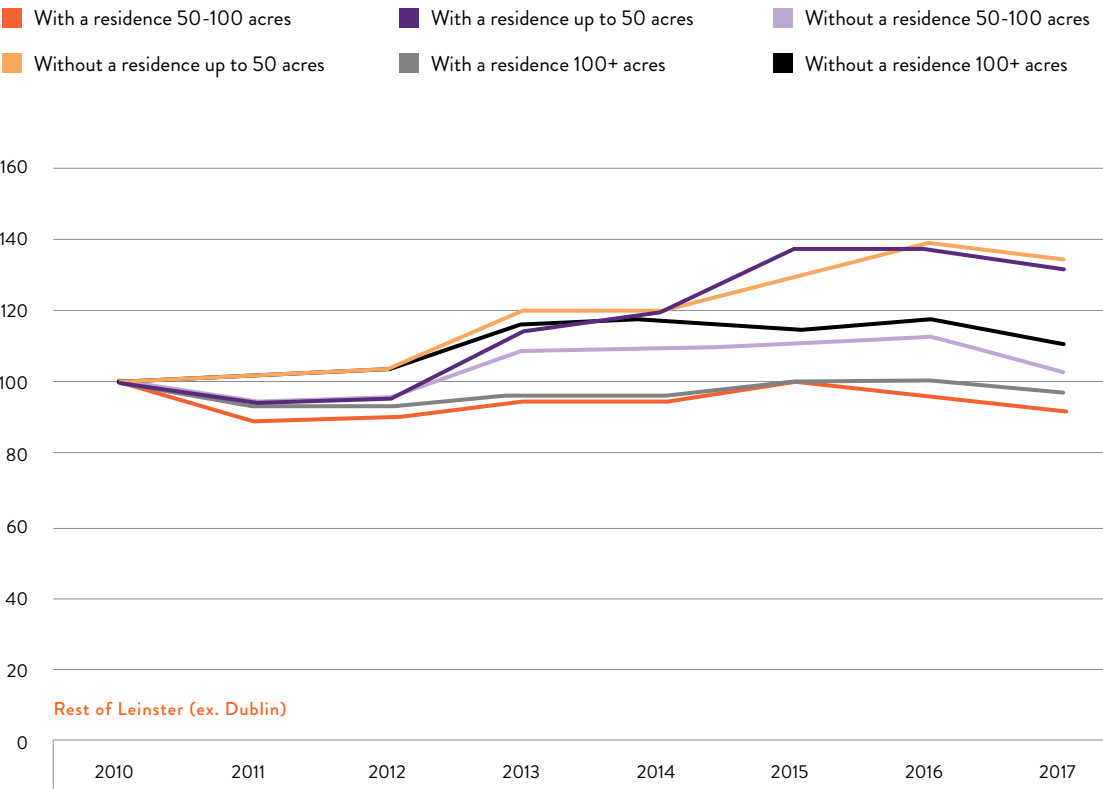
The overall national average value across all land categories for non-residential land is €8,308 per acre.

LEINSTER (EXCLUDING DUBLIN)

While land values in Leinster experienced an overall decline, it has remained relatively stable with an average decline of 4.5% across all categories. In the categories ‘100+ acres with a residence’ and ‘up to 50 acres without a residence’ there were declines in land values of only 3-4%.

As can be seen in figure 9 below, since 2015 land sales of up to 50 acres have shown significant growth in value. Despite some decline in 2017, values of up to 50 acres in Leinster remained significantly higher than in 2010.

Figure 9: Average value per acre for agricultural farmland sold in Leinster in 2010 to 2017 (with and without a residential holding), with no entitlements. (Note value is indexed based on Table 3 figures)

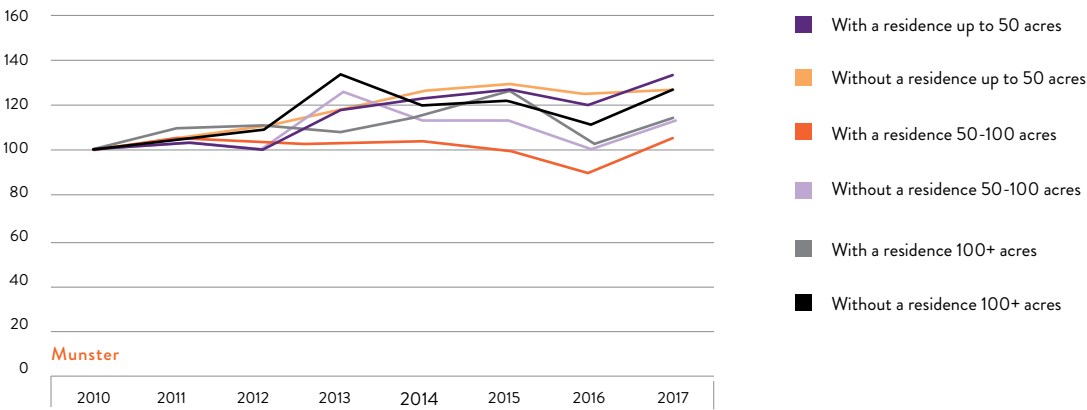




In Munster for all categories of land, SCSl members reported an increase in values for 2017. This is in stark contrast to 2016 when declines in values were reported across the board. Of particular note for 2017 were increases in the value for land categories of 50-100 acres with a residence (+18%); without a residence (+14%); as

well as sales for transactions of 100+ acres without a residence (+14%). As can be seen in figure 10 below, the overall increases reported by SCSl members in Munster means that values in Munster are for many categories returning to the high levels observed in 2013.

Figure 10: Average value per acre for agricultural farmland sold in Munster in 2010 to 2017, with no entitlements. (Note value is index of Table 3 figures)

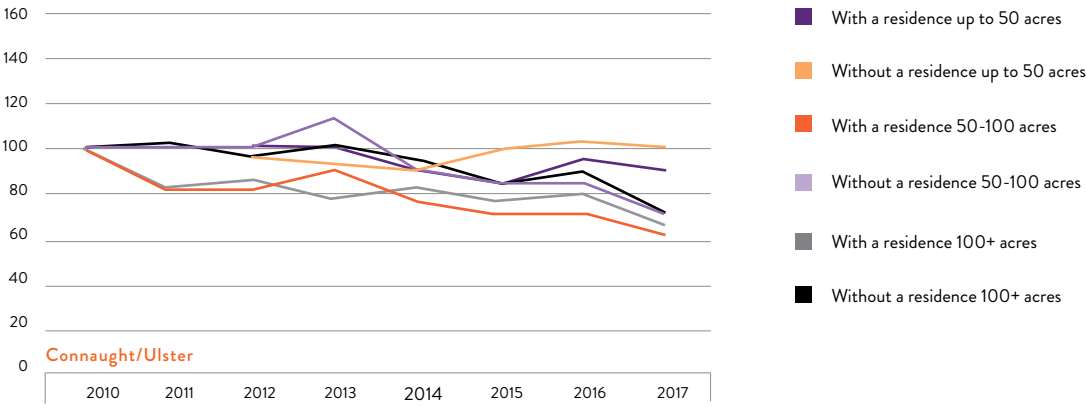


CONNAUGHT/ULSTER

In Connaught/Ulster all categories of land experienced a decline in values. While the smaller land holdings appear to have largely maintained their values relatively speaking, the larger land categories above 50 acres have declined in value per acre by between 14% (50 to 100 acres with a

residence) and 19% (100+ acres without a residence). Figure 11 shows that since 2010, smaller land holdings have maintained their sale value per acre, while there has been a general decline in value for landholdings of above 50 acres without a residence.

Figure 11: Average value per acre for agricultural farmland sold in Connaught/Ulster in 2010 to 2017 (with and without a residential holding), with no entitlements (Note value is index of Table 2 figures)



Smaller landholdings are still realising significantly higher values in Connaught / Ulster while farmers seek to consolidate their farms to sizes above 100 acres.

JOHN MURPHY,
FSCSI FRICS, MANAGING DIRECTOR,
MURPHY & SONS AUCTIONEERS, SLIGO

NATIONAL SALES VALUE FORECASTS FOR NON-RESIDENTIAL AGRICULTURAL LAND

In projecting the potential change in average sales values per acre (figure 12 below), an average of 1% increase in values was identified by SCSl members. Applying this to the reported figures in table 2 above allows for a projected average change in agricultural land values per acre for 2018. It is forecast that for all categories of agricultural land without a residence there will be increases in sales

value (see Figure 12 and 13 below). Consistent with trends since 2015, land of over 100 acres being the least valuable per acre while land of up to 50 acres is forecast to be the most valuable. The average sales value per acre from across all land categories without a residence is forecast to be €8,397 in 2018.

Figure 12: Value (€) per acre for different land categories (without a residence) 2010 to 2017 and forecast for 2018

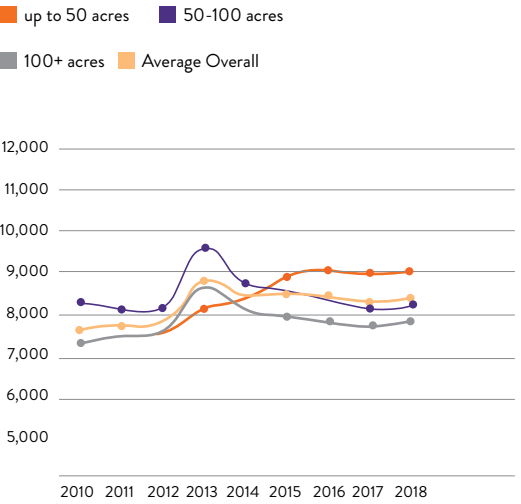
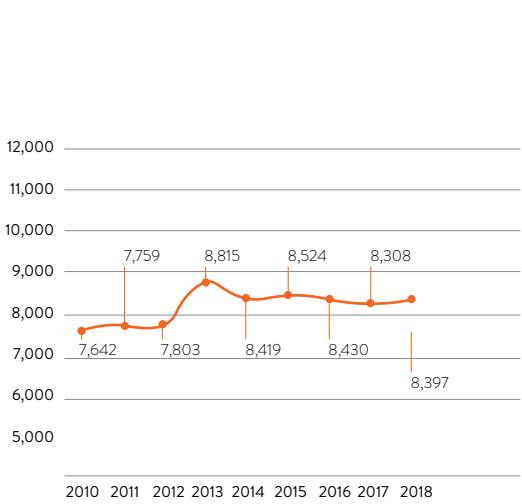


Figure 13: Average value (€) per acre across all land categories (without a residence) 2010 to 2017 and forecast for 2018



NATIONAL SALES AND RENTAL MARKET ACTIVITY

Overall levels of activity including valuations, leases and sales for agricultural land markets in 2017 have increased. For example, 29% of those surveyed have reported an increase in the volume of both rentals and sales transactions taking place.

Meanwhile, the reported incidence of valuations activity (including those associated with the inter-generational transfer of land) has remained broadly similar to 2016 with 32% of respondents indicating that they observed increases in the number of valuations, and 29% for inter-generational transfer valuations carried out in 2017.

Figure 14: Nationwide activity levels amongst different vendor categories selling agricultural farmland in 2017

How did the following change in 2017 compared to 2016?

- 1 The number of valuations of agricultural farmland providing for the inter-generational transfer of land
- 2 The total number of agricultural farmland VALUATIONS
- 3 The volume of agricultural farmland you LEASED
- 4 The volume of agricultural farmland you SOLD

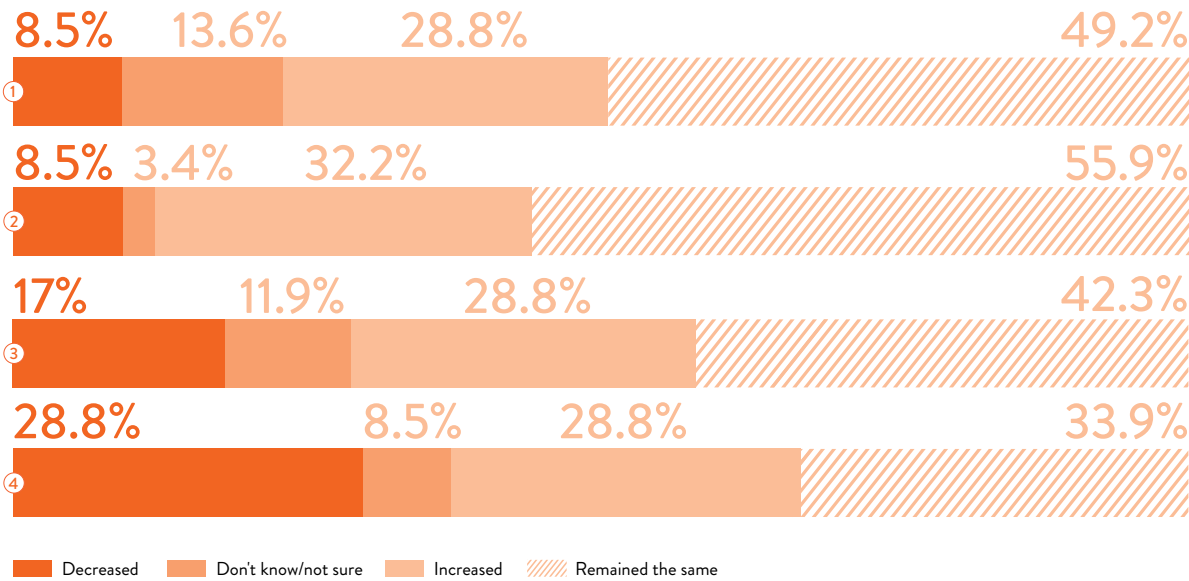
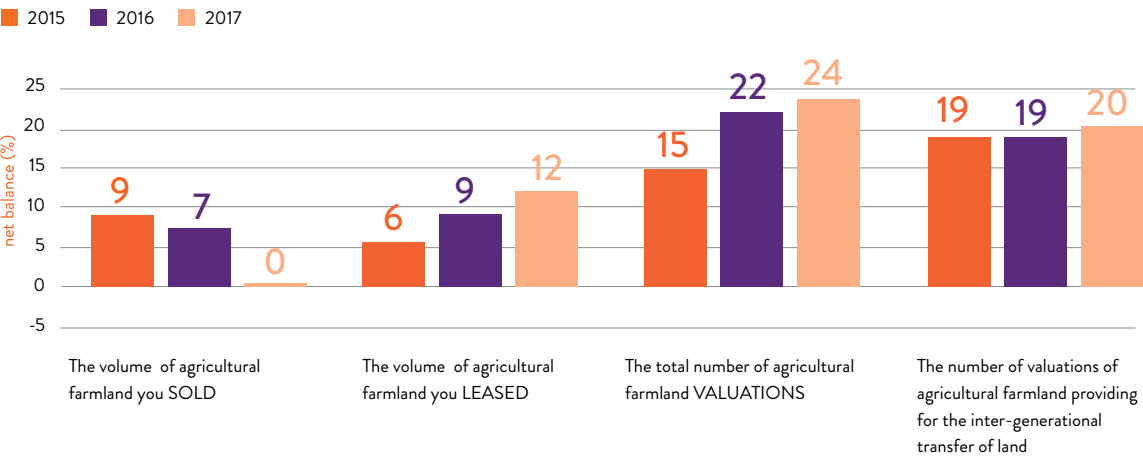


Figure 15: Sentiment analysis¹ for in types of vendor activity from 2015 to 2017



NATIONAL SALES AND RENTAL MARKET ACTIVITY

The volume of rental market transactions was strongest in Leinster compared to Connaught/Ulster and Munster. One in three of respondents

in Leinster indicated that the volumen had increased compared to Munster (24) and Connaught/Ulster (10%)

Table 4: Reported increases in activity levels amongst different vendor categories in 2016, by region

	LEINSTER (EXCL DUBLIN)	MUNSTER	CONNAUGHT/ULSTER
The volume of agricultural farmland you SOLD	36%	19%	35%
The volume of agricultural farmland you LEASED	33%	24%	10%
The total number of agricultural farmland VALUATIONS	30%	43%	15%
The number of valuations of agricultural farmland providing for the inter-generational transfer of land	27%	29%	25%

12.5% of respondents in Connaught/Ulster indicated an increase in sales activity which is half of what is experienced in Munster and Leinster.

The increase in the volume of land sold being experienced is highest again in Munster and Leinster respondents, over double compared to Connguht/Ulster.

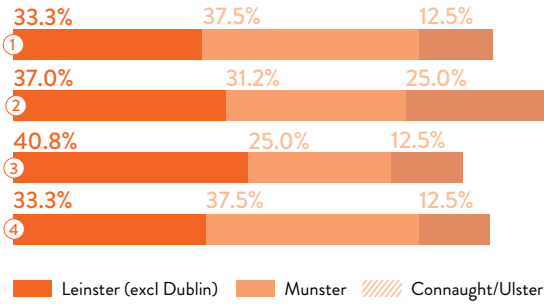
We are seeing a lot of farm re-structuring and general improvements being made due to finance being available where it wasn't before. We are seeing a lot more valuations on the foot of this.

DILLON MURTAGH,
MSCSI MRICS, Director, Murtagh Bros., Mullingar

¹ A positive sentiment implies that more respondents are seeing increases than decreases (in the underlying variable), a negative sentiment implies that more respondents are seeing decreases than increases and a zero net balance implies an equal number of respondents are seeing increases and decreases.

Farmland valuations for the purposes of inter-generational transfer of land, appears to be more prevalent in Munster and Leinster rather than Connaught/Ulster as 33% and 37% of respondents indicated an increase in such activity, respectively.

Figure 16: Reported increases in activity levels amongst different vendor categories in 2017, by region



- 1 The number of valuations of agricultural farmland providing for the inter-generational transfer of land
- 2 The total number of agricultural farmland VALUATIONS
- 3 The volume of agricultural farmland you LEASED
- 4 The volume of agricultural farmland you SOLD

41% of SCSl members in Leinster (excl. Dublin) reported an increase in the volume of agricultural farmland rentals in 2017.

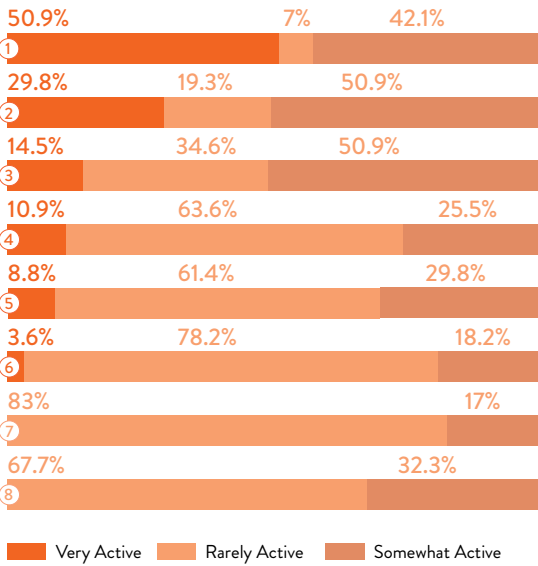
37% of SCSl members in Leinster reported an increase in the total number of agricultural farmland valuations in 2017.

Q9: In your experience, how active were the following in selling agricultural farmland in 2017 (national result)?

51% of respondents ranked sales by executors or probate sales as the dominant sales activity in their practice in 2017. This represents a marked upturn in such sales when compared to 2016 when this type of sale was reported to be the dominant sale type by 41% of respondents. The second and third most active sale type identified was where landowners have no desire to farm (30%), and where farmers are no longer interested in farming or have retired from farming (14.5%).

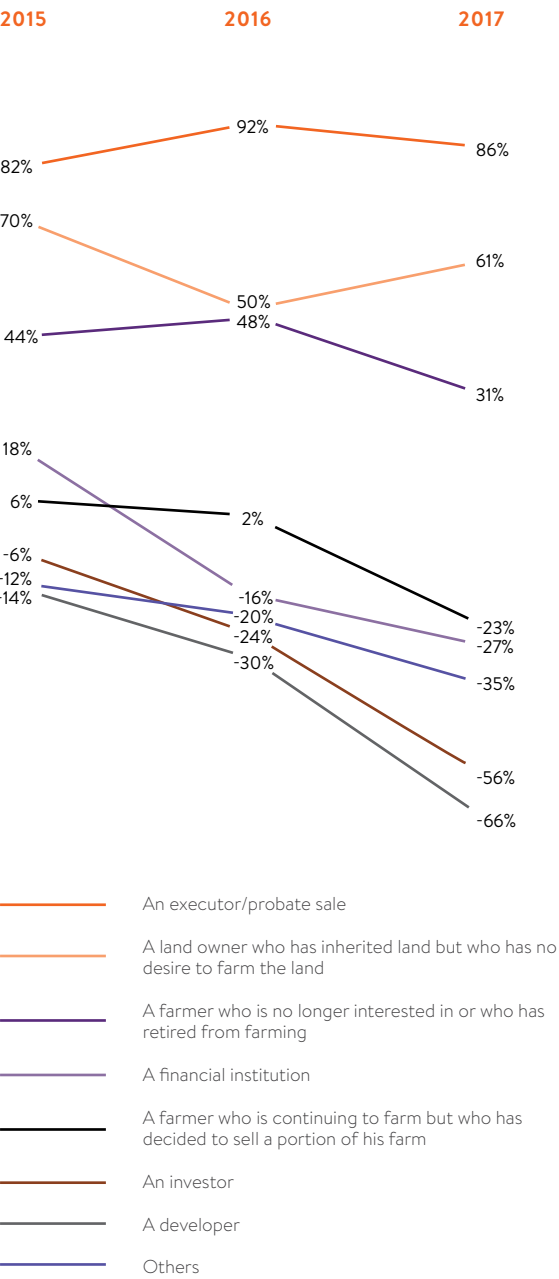
In terms of overall trends in sale types nationally, figure 17 shows the national trends for the most active sale types over three years since 2015. This shows that sales involving ‘a developer’, ‘an investor’ or a financial institution have dropped off significantly. It further shows that the dominant trend since 2015 are sales involving an executor (probate sale), a farm inherited by someone with no desire to farm the land, and a farmer who is no longer interested in the farm or is retired from farming.

Figure 17: Most active agricultural sale types nationally in 2017



- 1 An executor/probate sale
- 2 A land owner who has inherited land but who has no desire to farm the land
- 3 A farmer who is no longer interested in or who has retired from farming
- 4 A financial institution
- 5 A farmer who is continuing to farm but who has decided to lease a portion of his farm
- 6 An investor
- 7 A developer
- 8 Others

Figure 18: National trends for the most active agricultural sale types 2015 to 2017

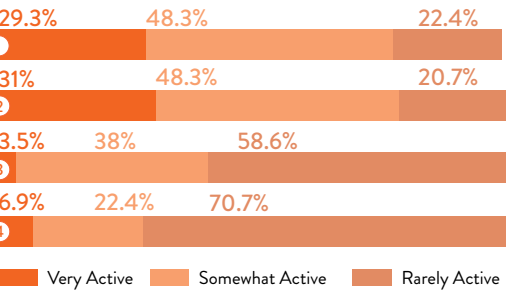


Q9: In your experience, how active were the following in selling agricultural farmland in 2017 (national result)?

Reflecting the figures for sales, the most active type of landlord leasing out agricultural farmland in 2017 was reported to be farmers who are no longer interested in farming or have retired (31%), or landowners who have no desire to farm (30%). The least active type of lease is reported as being a farmer who is continuing to farm but decided to lease out a portion of their farm.

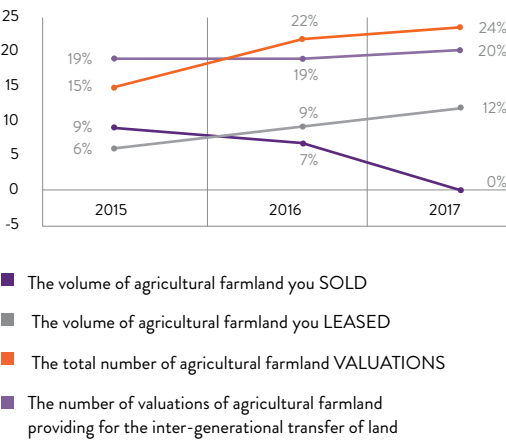
2 A positive sentiment implies that more respondents are seeing increases than decreases (in the underlying variable), a negative sentiment implies that more respondents are seeing decreases than increases and a zero net balance implies an equal number of respondents are seeing increases and decreases.

Figure 19: Most active agricultural lease types nationally in 2017



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

Figure 20: Sentiment analysis² lease activity types from 2015 to 2017



'The least active type of leasing is reported as being a farmer who is continuing to farm but decided to sell a portion of their farm.'

The new generation of farmers are tech savvy, having had training in a multitude of farm-specific software packages designed for increased efficiency and production analysis. A widespread problem is that transfer of land from farmers of the older generation does not have the benefit of data that might otherwise be available.

MIAH MCGRATH, MSCSI MRICS SCSi Rural Agency Chair
Managing Director, McCarthy McGrath, Midleton, Co Cork

CONACRE AND THE LEASING OF AGRICULTURAL FARMLAND

Nationally, 52% of SCSi members surveyed reported no change in the area let under conacre in 2017, compared to 56% in 2016. In 2017, 7% of SCSi members reported an increase in the area let via conacre, this proportion declined from 11% in 2016.

In 2017, there was a marked increase in SCSi members reporting increased demand for long-term leases (tenures in excess of 5 years). The net balance grew from 59% in 2016 to 72% in 2017. This means that the number of positive responses from members increased compared to those members reporting a decrease in activity.

There was also an increase from 39% to 46% in the average duration of lease agreements over 2016 and 2017 respectively. Again, this positive movement shows that more respondents indicated increases in lease durations than those reporting a decline.

Figure 21: Conacre and the leasing of agricultural land in 2017, relative to 2016

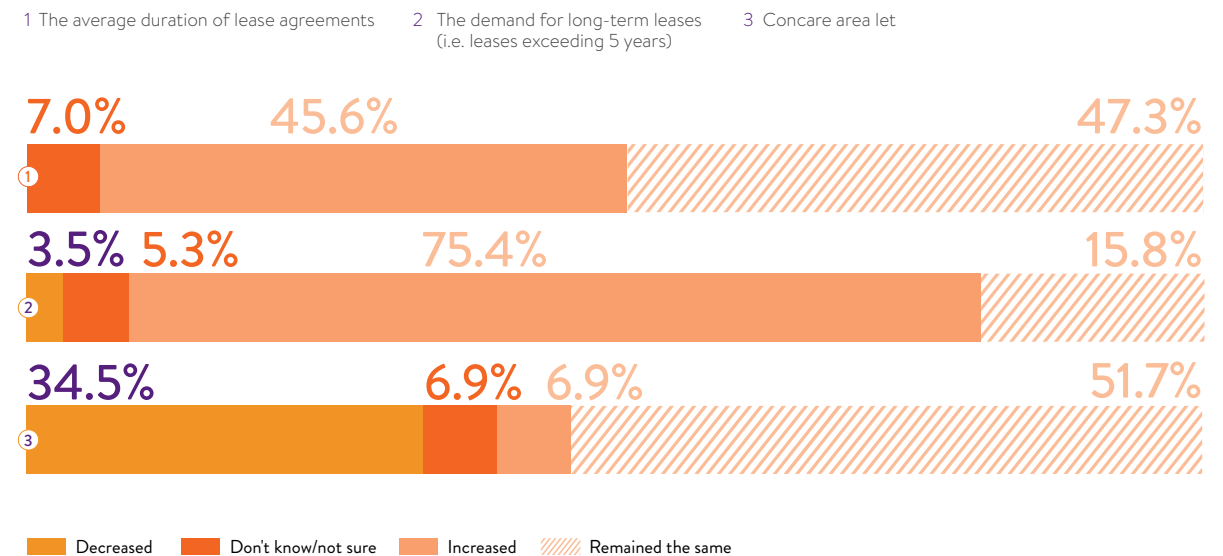
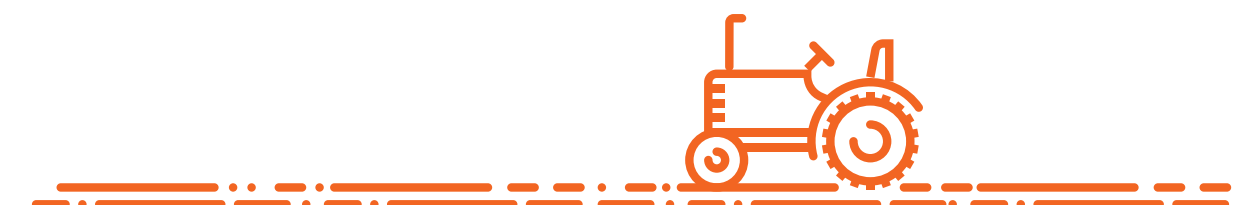
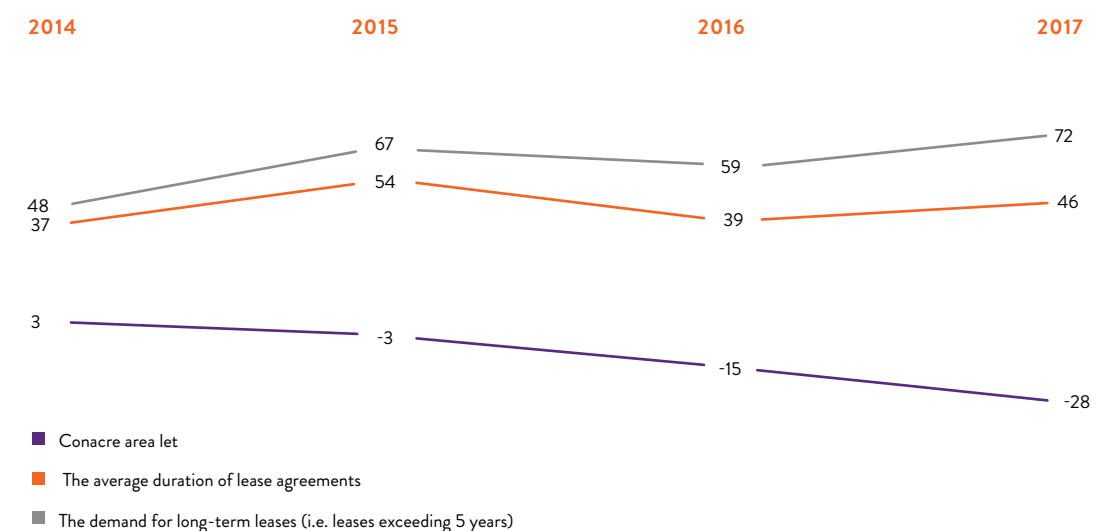


Figure 22: National trends in conacre and the leasing of agricultural land in 2014 to 2017



A positive sentiment implies that more respondents are seeing increases than decreases (in the underlying variable), a negative sentiment implies that more respondents are seeing decreases than increases and a zero net balance implies an equal number of respondents are seeing increases and decreases.

Leasing farmland is an increasingly widespread practice for farmers as it allows the property to stay within their family and on their bank balance. It provides a flexible and tax-free alternative to selling.

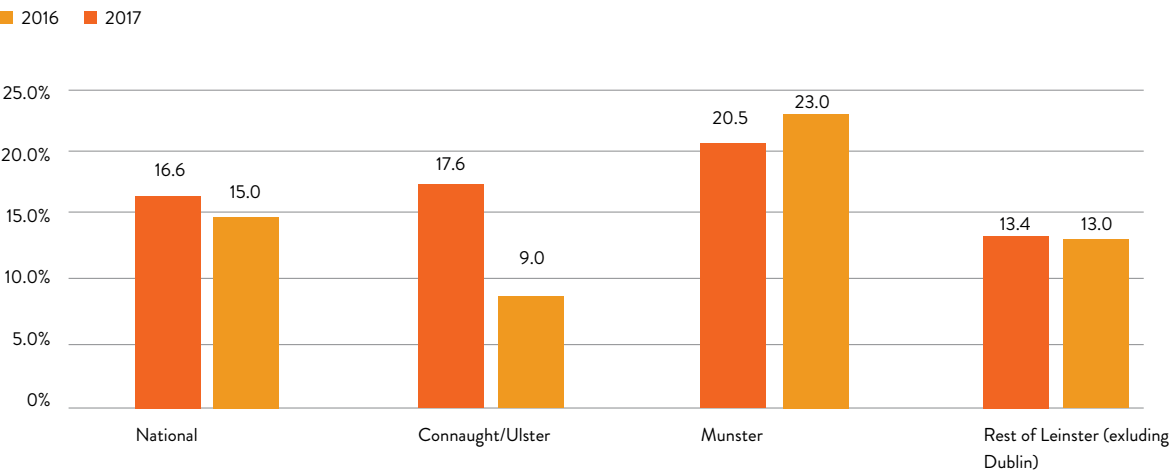
DILLON MURTAGH, MSCSI MRICS
Director, Murtagh Bros., Mullingar

CAP PAYMENTS

Nationally, SCSi members reported that 16.5% of agricultural farmland transactions in 2017 included a CAP payment entitlement as part of the land sale. This is a marginal increase on the levels reported in 2016. In 2017 the Connaught/Ulster region showed the greatest increase in land sales with an associated CAP payment in 2017. SCSi members reported that 17.5% of transactions included CAP payments in 2017 as compared with 9% in 2016.

The region with the highest reported share of land sales with CAP payment entitlements was Munster, where 20.5% of land sales were associated with the transfer of CAP payment entitlements. This level represents a reduction in the share of land sales with a CAP payment entitlement as compared to the level reported for this region in 2016.

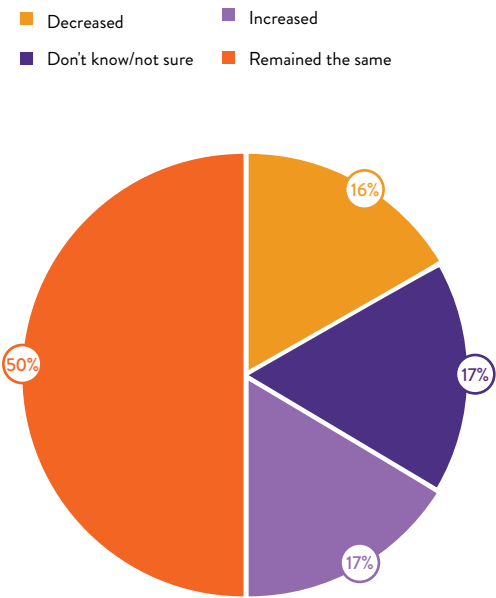
Figure 23: Proportion (%) of agricultural farmland transactions in 2017 and 2016 that included an associated CAP payment entitlement as part of the sale.



STAMP DUTY CHANGES

The Finance Act 2018 made significant changes to the tax treatment of agricultural land transfer with withdrawal of stamp duty relief for non-family member transactions. Overall, 50% of SCSi members reported that this change would not affect the volume of agricultural land offered for sale in 2018. The views of the remaining 50% of respondents were mixed, with 17% reporting that the change would increase volumes for sale, while 16% thought it would decrease volumes for sale. A total of 17% of respondents did not know how it would affect the volumes of sales.

Figure 24: Views on the effect of stamp duty changes will have in 2018 to volumes of sales



Stamp Duty changes from 2% to 6% will have a negative effect, dissuading newcomers to the farming business. Margins are already low as they stand and this will only make farming less viable. We are already seeing bidders simply incorporating the duty into their bid price, therefore keeping values low.

DILLON MURTAGH,
MSCSI MRICS, Director, Murtagh Bros., Mullingar

In the wake of tax reliefs introduced for long-term leasing in Budget 2016, 39% of SCSi members reported that the changes had a significant impact on the volume of long term leases of agricultural farmland during 2017, while 18% of respondents viewed the changes in tax relief as having had little or no impact. Overall trends on the impact of these changes to the tax relief arrangements indicate that the impact is continuing with 66% of SCSi members indicating this in 2017, compared to 61% in 2015.

Figure 25: Views on the impact of stamp duty changes introduced in Budget 2016

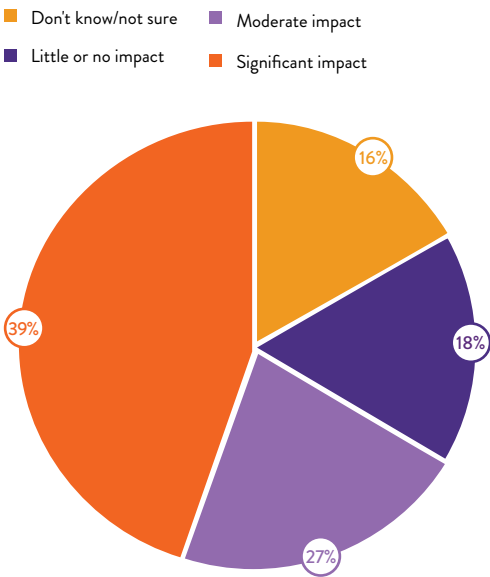
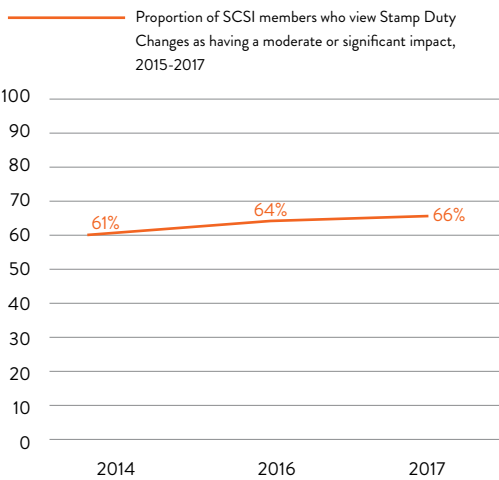


Figure 26: Trends from 2015 on SCSi members who view Stamp Duty Changes as having moderate or significant impacts



AGRICULTURAL LAND VALUES

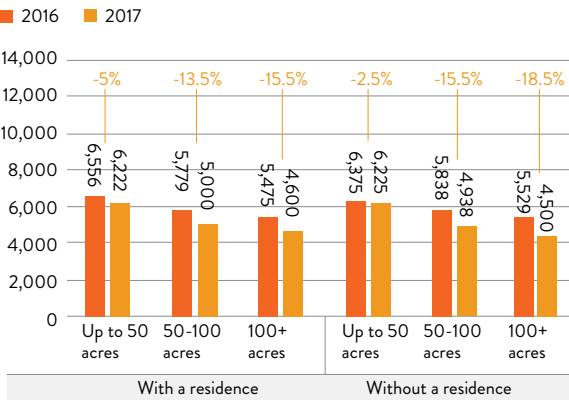
CONNAUGHT/ULSTER

In Connaught/Ulster all categories of land experienced a decline in values. Smaller land holdings in the region appear to have maintained their values relative to larger landholdings. In the Connaught/Ulster region, larger land categories above 50 acres declined in value per acre by between 14% (50 to 100 acres with a residence) and 19% (100+ acres without a residence).

Commercial forestry is having an impact on beef farmers. While demand for land for beef is strong and beef values remain good, commercial forestry is having an impact on the market. For land previously used for beef production, beef farmers cannot compete with values offered by commercial forestry companies with tax break and grants available to them, particularly for moderate to low quality beef land.

JOHN MURPHY,
Managing Director Murphy & Sons Auctioneers, Sligo

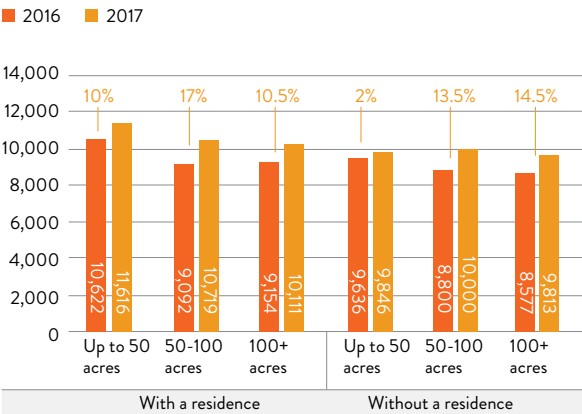
Figure 27: Agricultural land values (€ per acre) in 2017 and % change in Connaught/Ulster



MUNSTER

In Munster, SCSl members reported an upturn in land values achieved for sales across all categories. This is in stark contrast with the experience of 2016 during which declines in values were reported across all categories. The largest increase in reported values in the Munster region were reported in the land categories of 50-100 acres with a residence (+17%); without a residence (+13.5%); as well as 100+ acres without a residence (+14.5%).

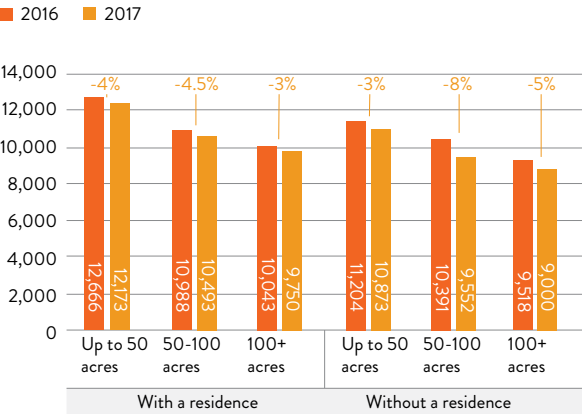
Figure 28: Changes in agricultural land values (€ per acre) 2017 and % change from 2016 in Munster



LEINSTER (EXCLUDING DUBLIN)

While Leinster’s land sales value experienced an overall decline in values, the moderate decline of 4% to 8% has been experienced across almost all land sale categories. In the categories ‘100+ acres with a residence’ and ‘up to 50 acres without a residence’ there were declines in value per acre of only 3%.

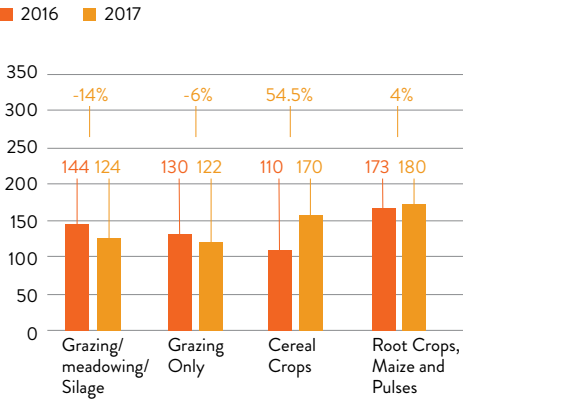
Figure 29: Changes in agricultural land values (€ per acre) in 2017 and % change from 2016 in Leinster (excl. Dublin)



AGRICULTURAL LAND RENTS

Trends in agricultural land rental values in Connaught/Ulster were highly mixed with reported values per acre for cereals/crops land increasing dramatically to €170 per acre (+54.5%) while rental values per acre for grazing/ meadowing/silage declined to €124 per acres (-14%).

Figure 30: Agricultural land rents (€) in 2017 and 2016 and % change in Connaught/Ulster



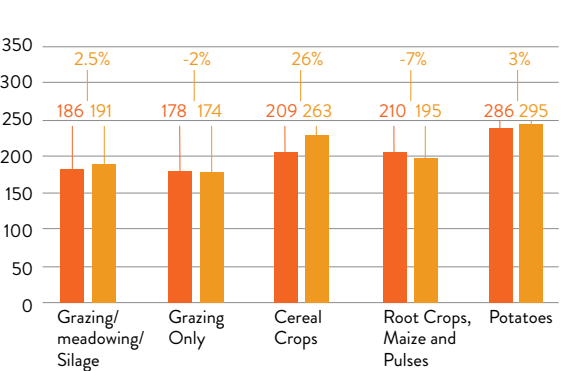
MUNSTER

In Munster, land rental values in 2017 as reported by SCSl members remained generally similar to those experienced in 2016 with rents for grazing / meadowing / silage land of €191 per acre, rents for grazing only of €174 per acre, while rental values for potato land were reported to be €295 per acre. The largest increase in reported rental values for the

Munster region were for cereals land where rents increased by 26% to €263 per acre. The largest decline in rental value per acre in the Munster region was for land for roots, crop, maize and pulses production, where values declined to €195 per acre (-7%).

' The largest increase in reported rental values for the Munster region were for cereals land where rents increased by 26% to €263 per acre. '

Figure 31: Agricultural land rents (€) in 2016 and 2017 and % change in Munster



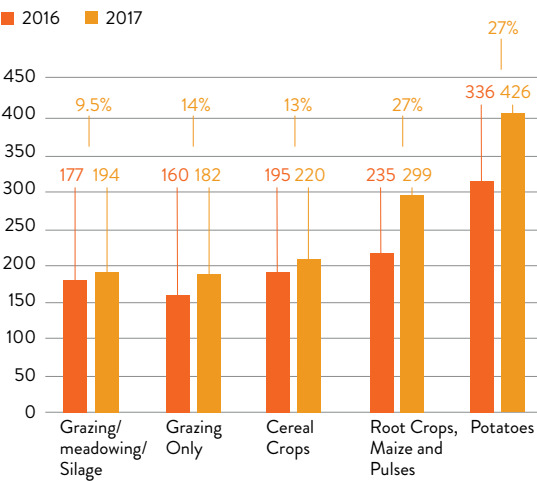
Grain values continue to be low and tillage operators increasingly need large land volumes to make ends meet. Input costs are also high in terms of equipment, which makes it difficult to transfer to other farming types.

MIAH MCGRATH,
MSCSI MRICS SCSl Rural Agency Chair
Managing Director, McCarthy McGrath, Middleton,
Co Cork

Leinster (excluding Dublin) experienced an upturn in land rental values in 2017 for all categories of land rental. Land used for potato crop production in Leinster had the highest rental value, with a rental values of €426 per acre reported for 2017. For land used for the production of roots, crops, maize and pulses the decline in rental values reported in 2016 was arrested with an average rental value per acre of €299 reported (+27%). There were also increases in agricultural land rentals values in 2017 for grazing / meadowing / silage land with values reported to have increased by 9.5% to €194 per acre. In 2017 grazing only land in Leinster saw rental values increase by 14% to €182 per acre. Rental values for land used for cereal crops increased to €220 per acre (+13%).

' For land used for the production of root crops, maize and pulses the decline in rental values reported in 2016 was arrested with an average rental value per acre of €299 reported (+27%) '

Figure 32: Agricultural land rents (€) in 2016 and 2017 and % change in Leinster (excl. Dublin)



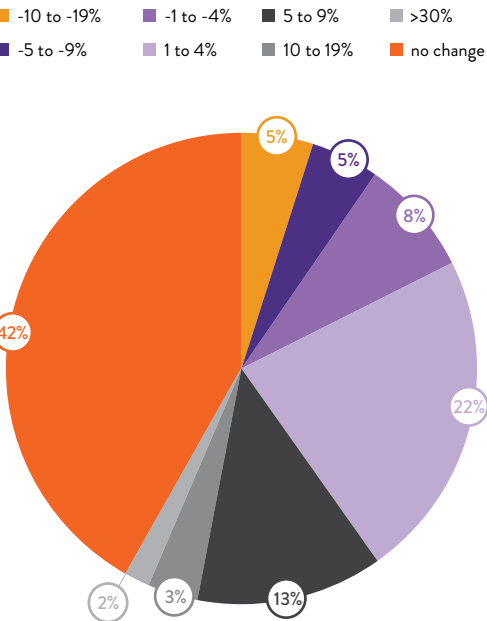
'Land used for potato crops in Leinster continued to experience growth in 2017, with average rental values of €426 per acre, representing a 27% increase on 2016 and continuing to be the highest premium relative to other crops in the region and nationally. '

AGRICULTURAL LAND MARKET OUTLOOK 2018

Nationally, 42% of SCSl members surveyed anticipate no change in agricultural sales values in 2018, while 45% anticipate an increase of some sort, half of those anticipating an increase (22%) expect any increase in values to remain below 5%. This represents a more positive outlook for agricultural land values than 2016 when only 33% of SCSl members expected an increase in average values of agricultural farmland. Only 13% of SCSl members predict a decline in average sales for agricultural farmland in 2018, down from 20% in 2017.

Regionally, SCSl members in Connaught/Ulster are the most optimistic with 44% predicting an increase in average values for agricultural farmland. Meanwhile SCSl members in Leinster (excluding Dublin) were the least optimistic of those surveyed with 38% anticipating an increase in values and 21% predicting a decrease in average agricultural land values.

Figure 33: Forecast percentage change in average sales values for agricultural farmland in 2018



Leasing is becoming more and more appealing to both landowners and farm operators now that long term leases have replaced the old annual conacre licence system. It provides landowners with security and with long term leasing now possible, operators can make necessary upgrades to farms for their needs.

MIAH MCGRATH,
MSCSI MRICS SCSi Rural Agency Chair
Managing Director, McCarthy McGrath, Midleton,
Co Cork

DAIRY FARMERS

Nationally, 65% of SCSi members anticipate an increase (either moderate or significant) in dairy farmers’ demand to purchase agricultural farmland in 2018. This forecast increase is significantly higher than that forecast in 2017 when only 49% of respondents forecast an increase in such demand. Nationally, 27% anticipate no change in demand to purchase by dairy farmers in 2018; a drop from 42% in 2017.

Regionally, the most optimistic forecasts for purchases of dairy lands in 2018 come from Leinster (excluding Dublin) where 76% of respondents forecast an increase while the least optimistic region is Connaught/Ulster where 46% of survey respondents forecast an increase in the demand by dairy farmers for agricultural land.

Figure 37: National forecast demand by dairy farmers to purchase agricultural farmland in 2018

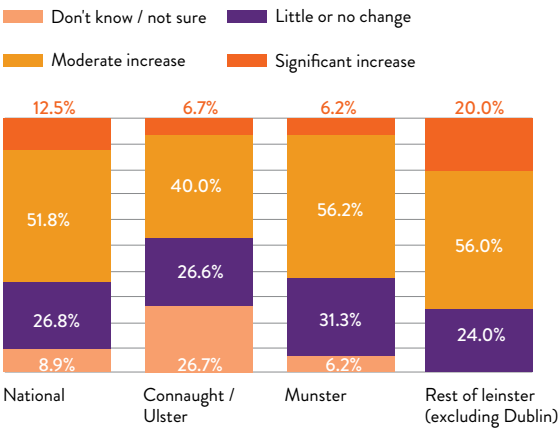
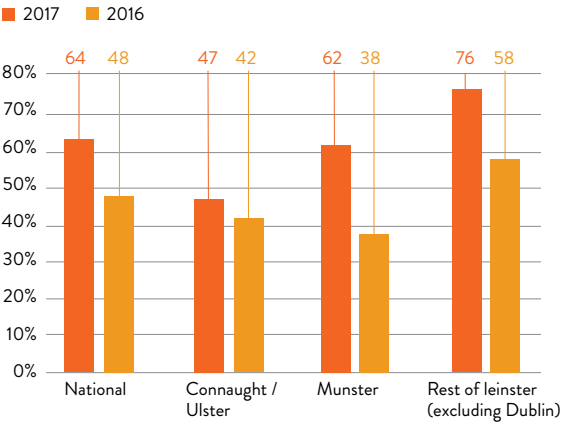
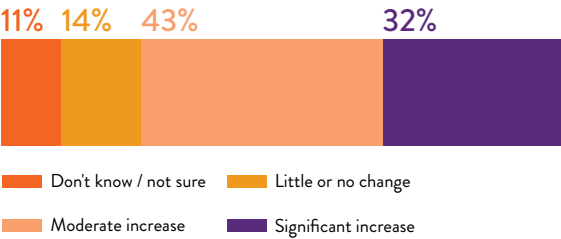


Figure 38: Proportion of SCSi members indicating a moderate or significant increase in demand by dairy farmers to purchase agricultural farmland in 2017 and 2018.



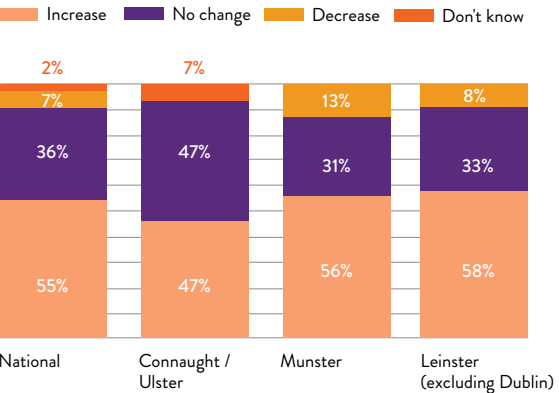
Over three quarters (76%) of SCSi members expect demand from dairy farmers for leased agricultural farmland during 2018 to increase (moderately or significantly). This forecast is more optimistic than the equivalent forecast from 2017, when 55% of respondents expected an increase in leasing.

Figure 39: National forecast demand from dairy farmers to lease agricultural farmland in 2018



Over half (55%) of SCSi members surveyed anticipate an increase in the total area of agricultural farmland for sale in 2018. This is indicative of an increase in optimism compared to 2017 when 49% forecast increases in the volume of agricultural land sales. In 2018, 36% of SCSi members surveyed anticipated no change in volume of land for sale while 7% forecast a decrease in the volume of land for sale. Sentiment varies slightly across the regions with over 90% of respondents in Connaught/Ulster forecasting no decrease in land available for sale, while 13% of Munster’s SCSi members forecast a decrease in the land available for sale in 2018.

Figure 40: Forecast changes in total area (acreage) of agricultural farmland for sale in 2017



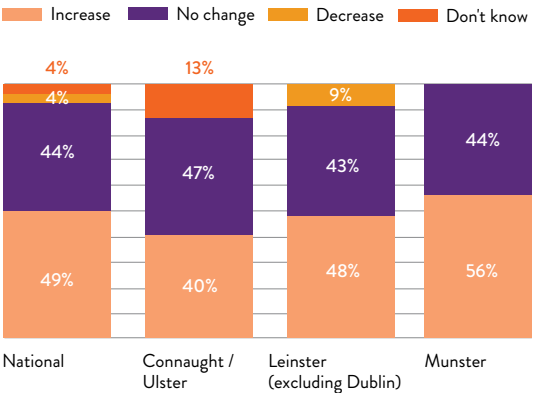
' Sentiment varies slightly across the regions, for example SCSi members in Connaught/Ulster forecast no decrease in land available for sale, while 13% of Munster’s SCSi members forecast a decrease. '

Almost half of all SCSi members nationally (49%) anticipate an increase in the number of sale transactions for agricultural farmland in 2018, while 44% forecast no change, relative to 2017. In 2018 there has been a large decrease nationally in the share of SCSi members forecasting a decrease in sale transactions, with only 4% of respondents forecasting a decrease in sale transactions. By comparison in 2017, 14% of respondents anticipated a decline in sales volumes.

There remain more questions than answers on BREXIT, but if Britain leaves the EU it will have a significant impact particularly on beef farmers as EU states will be producing a surplus and will have to look to global markets, competing with the likes of Argentina.

DILLON MURTAGH,
MSCSI MRICS, Director, Murtagh Bros., Mullingar

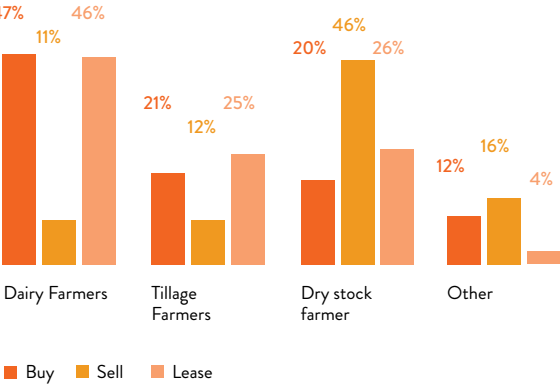
Figure 41: Forecast changes in total area (acreage) of agricultural farmland for sale in 2018



' There has been a drop nationally in SCSi members forecasting a decrease in sale transactions in 2018 with only 4% forecasting a decrease in sale transactions this year compared to 14% in 2017. '

47% of SCSi members anticipate that the principal type of farmers seeking to purchase agricultural land in 2018 will be dairy farmers, while 46% also expect dairy farmers to be the main type of farmers seeking to lease agricultural land. In regard to selling farmland, 46% of SCSi members believe that the primary types of farmers seeking to sell land will be ‘dry stock’ farmers. In 2018 61% of SCSi members expect dry stock farmers to be the principal type of farmer seeking to sell agricultural land.

Figure 42: Types of farmers seeking to buy, sell and lease agricultural farmland nationally in 2017



Statistical Annex

Tables of agricultural land sales values
& rental values

TABLE 5: AGRICULTURAL LAND VALUES 2010 TO 2017						
Value (€) per acre						
Year	WITH A RESIDENCE			WITHOUT A RESIDENCE		
	Up to 50 acres	50-100 acres	100+ acres	Up to 50 acres	50-100 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	10,086	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
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
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	5,953	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

TABLE 6: AGRICULTURAL RENTAL VALUES 2010 TO 2017					
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
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
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	*

*Due to small smaple size figure not reported.

SOCIETY OF CHARTERED SURVEYORS

Dating back to 1895, the Society of Chartered Surveyors Ireland is the independent professional body for Chartered Surveyors working and practising in Ireland. Working in partnership with RICS, the pre-eminent Chartered professional body for the construction, land and property sectors around the world, the Society and RICS act in the public interest: setting and maintaining the highest standards of competence and integrity among the profession; and providing impartial, authoritative advice on key issues for business, society and governments worldwide.

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Members’ services are diverse and can include offering strategic advice on the economics, valuation, law, technology, finance and management in all aspects of the construction, land and property industry. All aspects of the profession, from education through to qualification and the continuing maintenance of the highest professional standards are regulated and overseen through the partnership of the Society of Chartered Surveyors Ireland and RICS, in the public interest. This valuable partnership with RICS enables access to a worldwide network of research, experience and advice.

AGRICULTURAL ECONOMICS AND FARM SURVEYS DEPARTMENT, TEAGASC

Teagasc, the Irish Agriculture and Food Development Authority, aims to support science-based innovation in the agri-food sector and wider bio-economy, so as to underpin profitability, competitiveness and sustainability. The focus of the Agricultural Economics and Farm Surveys Department is the collection and dissemination of timely, quality information to support decision making by our stakeholders. This information is based on research that seeks to understand the drivers of changes in agricultural markets and policy and the impact of these forces on Irish agriculture. With office locations in Athenry, Co. Galway and Ashtown, Dublin, our research team specialises in agricultural production economics, economic modelling and data collection, and dissemination for the agri-food sector and the wider rural economy.

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2018

