

Farming Report

2023



Average Land Sale Price Per Acre



Competition and Climate Laws Drive 2023 Land Prices Higher



by Pat Davitt IPAV Chief Executive

For many the fact that land prices continue to rise is a source of satisfaction. However, for active and ambitious young farmers in particular, they find themselves competing, increasingly in recent years, with non-farmers for the scarce resource that is land. And that is particularly the case for holdings close to cities and large towns. Members anticipate that Budget tax changes may taper that interest somewhat in the year ahead.

Of course adding to the desire to acquire more land, to buy or lease, were changes to the Nitrates Regulations when the 250kg of nitrogen per hectare derogation from the EU Directive was reduced to 220kg.

Prices paid for land ranged from an average of €16,325 per acre for grazing land in Munster to €5,625 an acre for forestry in Ulster. Demand for leasing was strong everywhere, with again scarcity being to the fore throughout and pushing up prices.

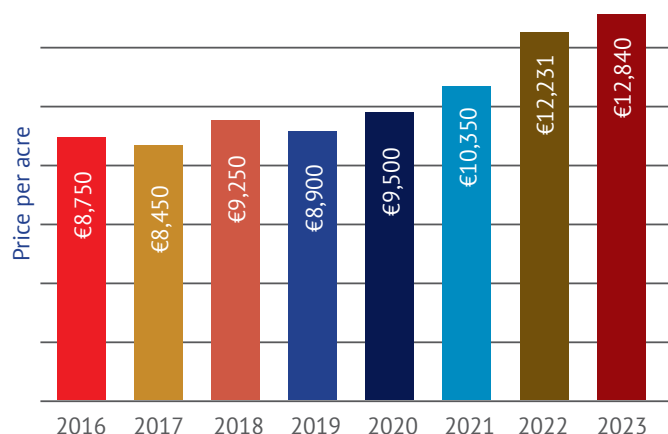
While land prices have been on the rise farm incomes have been under pressure. Volatility is a perennial feature across the sector, and 2023 saw a drop in dairy incomes, an area that had been doing particularly well in recent years. Those outside of farming may well be taken aback to realise that average incomes in this sector fell by an estimated 60% in 2023.

Given the high level of bureaucracy attached to modern farming, and the threat of cheap imports from third countries, it's hardly surprising that we're seeing our farmers join forces with their European counterparts to have their voices heard among decision makers.

One of the big pressure points in farming, as elsewhere in the economy, is high interest rates. It is to be hoped that during 2024 we will begin to see a reversal of at least some of the 10 aggressive interest rate hikes imposed by the European Central Bank since July 2022.

From IPAV's perspective members will continue to work closely with farmers. We are delighted to be part of the IFA and MII mediation plan for Farmers that may need such a service. We were also delighted to have been responsible for the return to EVS (European Valuation Standards) for farmland. This is something we've championed because it brings the highest standard of rigour to the process of land valuation.

I would like to thank Jim O'Brien for contributing to this report and all contributing members of IPAV for their expert input into it, the detail of which you will find in the following pages.



Average Land Sale Price

Farming Report 2023

by Jim O'Brien



You would imagine that the trajectory of land prices should reflect the direction of farm incomes, but in 2023 while the price of farmland soared skyward farm incomes, across all sectors fell, stagnated or at best registered modest increases. Dairy and tillage incomes were down by almost 60%.

Certainly, there was justified expectation that land prices would soften as milk prices fell back dramatically in the early months of 2023 going below the cost of production. Dairy incomes for the year fell from an average of €139,000 in 2022 to a possible €59,000 in 2023.

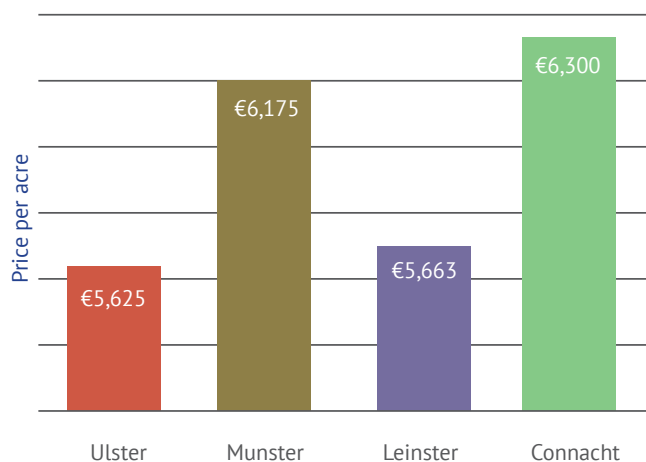
However, the wind that blew cold through the milking parlours blew hot for landowners and land vendors when the derogation from the EU Nitrates Directive was reduced from 250kgs of nitrogen per hectare to 220kg/ hectare. This led to a hunger for land that piled pressure on prices even as dairy incomes took a nosedive.

The price of land and, even more so, the price of letting land were driven by the urgent need to acquire increased acreage. Price pressure was compounded by a shortage of available ground with much of it tied up in long-term leases as landlords availed of generous income tax relief.

This nationwide survey of IPAV auctioneers reveals that the average price per acre paid for grazing land in 2023 came to €12,840 per acre, an increase of 5% on the previous year. The price represents a substantial increase of 24pc on 2021 prices.

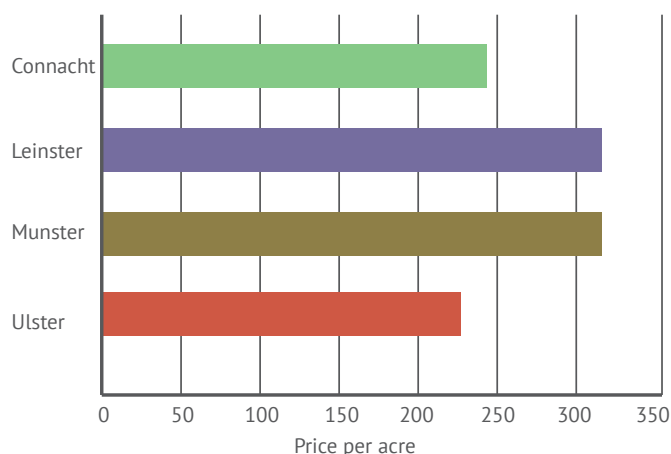
The most expensive land in the country is to be found in Munster where the price paid for grazing land averaged €16,325 per acre compared to €14,563 per acre in Leinster, €11,000 per acre in Ulster and €9,500 per acre in Connacht.

When it comes to forestry the overall per acre price stands at €5,941. In this sector Connacht leads the way with the highest average price of €6,300 per acre paid for planting land in the province while Munster comes a close second at an average of €6,175 per acre. In Leinster, forestry ground made €5,663 per acre while in Ulster it made €5,625 per acre.



Average Land Forestry Price

Among the big stories coming out of the land market of 2023 was the surge in prices paid for letting land. While extraordinary prices of more than €600 per acre was paid at some auctions, even the average of between €300 and €350 per acre for grazing recorded in the IPAV survey represents a much higher price than previous years.



Average Land Rental Price Per Acre

As the implementation of the 220kg/hectare nitrogen level loomed, larger dairy farmers, faced with the choice of downsizing their herds or expanding their land holdings, chose the latter. They had invested heavily in milking plant and accommodation to cater for expansion and neither they nor their lenders would countenance herd reduction. To do so would be regarded as an undermining of their investments and a crippling restriction in their capacity to meet their repayments.

Land prices continued to be impacted by the presence of businesspeople in the market. There was some evidence that landlords leaving the housing rental sector were investing in land as their new rental venture. However, much of the attraction was taken out of that proposition by changes in Budget 2024 which require landowners to own land for seven years before they qualify to earn tax-free income from it.

Looking across the main farming sectors in 2023 none of them offered anything like the return delivered by dairying, even in a bad year. The keenest competitors for land are traditionally the dairy and tillage sectors, but the latter had a disastrous year where yields from the spring barley crop were down 21% and winter wheat was down by 14%. Overall, tillage incomes are projected to be down by 60% averaging €30,000 while, looking ahead, it appears that the total area of winter crops is likely to be back 40% due to poor weather during the planting season.

Teagasc puts the average income on cattle rearing farms, including sucklers, at €10,300 in 2023, representing an increase of 24% on 2022 while sheep farm incomes are set to record an increase of 4% to an average of €17,000. This would suggest that, given the kind of prices being paid in the 2023 land market, only farmers of scale operating in these enterprises can hope to compete with dairy or tillage farmers when it comes to renting and buying land,

One trend that continued in 2023 and could have a lasting impact on the structure of farms and farming, is the exit of older beef and suckler farmers from active farming. These farmers are choosing to take advantage of the shortage of grazing and tillage land by leasing their farms on a long-term basis to dairy or tillage operators. In terms of income generation, this choice is a no-brainer for farmers in active farming communities. In 2023 an average beef or suckler farmer earned about €10,300 and beef finishers made an average of €18,600 but if one of these farmers were to lease his or her land, for instance a 100-acre holding, it could make anything from €25,000 to €40,000 per annum, tax free, for five years and more.

Around The Provinces

The Agents' View

Munster

The view of the 2023 land market from the perspective of Munster auctioneers was particularly sunny with some selling agents achieving per acre averages between €11,000 to €17,800 per acre for grazing land. Forestry land averaged between €4,500 per acre and €7,500 per acre while, on the renting front, grazing ground was fetching an average of €280 per acre to €350 per acre. Tillage land was making from €280 to €450 per acre.

TOM CROSSE FIPAV - GVM AUCTIONEERS, LIMERICK.

Tom Crosse found the early part of the year quiet with the volume of land transactions down on previous years. However, this changed dramatically in the 3rd and 4th quarters with a high volume of sizable transactions. He says the number of acres sold at 1,500 was on par with 2022 which was a record year for GVM. "The return of businesspeople was a very noticeable trend," he said, "offering huge competition to farmers. Most of our larger transactions were purchased by non-farmers. This trend particularly evident for well-located holdings close to the city or sizable towns.

MICHAEL BRADY MIPAV - BRADY GROUP, CORK.

Mike Brady saw an improved supply in land during 2023 with land reaching prices not reached since their peak during the boom in 2006. "Anyone thinking about selling sold," he said. Unlike many of his colleagues he thinks there was a good supply of land for long term lease, but he did agree that record prices were paid due to the alteration in the nitrate limits. "I cannot see land sale price increasing," he said, "but land rentals will be volatile with very high prices being paid in places.

JOHN HODNETT MIPAV - HODNETT FORDE PROPERTY SERVICES, CLONAKILTY, CO. CORK.

While Clonakilty selling agent Hodnett and Forde reports a good supply of land throughout Cork and record prices paid, he cannot see land sale prices increasing. "Due to recent budgetary changes affecting the non-farmer investor, at this point in time it is difficult to judge or predict land prices going forward."

JOHN STOKES - REA STOKES & QUIRKE, CLONMEL, CO. TIPPERARY.

In South Tipperary John Stokes said less land came to the market in 2023 but some competitive sales saw the better-quality lands achieve substantial amounts over the average.

"While shortage of supply has underpinned some exceptional results in this area," he said, "quality lands will continue to make a premium especially in South Tipperary, but I think the availability of finance will become more problematic for certain land purchases."



Average Land Price Munster

Leinster

In Leinster there was a very lively land market in 2023 with a huge number of properties sold by auction in counties like Longford and Westmeath while agents in the Greater Dublin Area report a severe shortage of farmland for sale or for rent. Grazing land that sold by the hammer or by private treaty made an average of between €11,750 per acre and €20,000 per acre with more marginal forestry ground making an average of €4,500 per acre to €6,500 per acre. Rented grazing land averaged between €275 and €380 per acre while tillage ground commanded, on average, between €250 and €350 per acre.

**STEPHEN BARRY MIPAV - RAYMOND POTTERTON
AUCTIONEERS, NAVAN, CO. MEATH.**

According to Stephen Barry of Raymond Potterton auctioneers the firm held 33 auctions in 2023 at which all properties sold on the day. "Off-market transactions were much stronger. While sales in Westmeath and Cavan were probably on a par with 2023, transactions in Meath and Kildare saw volumes increase dramatically.

"Investors have driven the land price across the board again this year, but local and large commercial farmers have competed very effectively in the auction rooms, especially in the autumn where farmer buyers were dominant," he said.

**SHERRY FITZGERALD DAVITT & DAVITT, MULLINGAR,
CO. WESTMEATH.**

SF Davitt & Davitt sees land prices holding their own. Dairy farmers were the main drivers of price while businesspeople also made their presence felt seeing land as a safe place to invest. "The nitrates issue will increase the number of dairy farmers in the market to buy land rather than leading to a reduction in cow numbers," he said.

**EAMON O'FLAHERTY FIPAV - SF BRADY O'FLAHERTY,
MAYNOOTH, CO. KILDARE.**

Auctioneers in the Greater Dublin Area continue to report a severe shortage of agricultural land. "Demand far outweighs supply and will continue to do so," Eamon says, "land prices in this area were driven by the demand from the non-farming sector who see land as a solid, risk-free investment.

**PAUL MURTAGH MIPAV - MURTAGH BROS, MULLINGAR,
CO WESTMEATH.**

There has been a strong supply of land in Westmeath, according to Paul Murtagh of Murtagh Bros. "Supply has been good, with vendors looking to avail of the strong prices while many dry stock farmers are scaling back and retiring due to poor produce prices.

He says there is a lack of supply in a market that has a range of keen customers from younger, full-time farmers with substantial farms looking to increase their holdings and investors who see farmland as a safe, low risk haven for wealth that can be handed down to future generations in a tax efficient way.

Around The Provinces

The Agents' View

STEPHEN GUNNE MIPAV - PROPERTY PARTNERS, LAURENCE GUNNE, DUNDALK, CO LOUTH.

Louth auctioneer Stephen Gunne reports that, just as in many previous years, the supply of farmland on the market in Co. Louth was low in 2023. "This is due to the size of the county and the fact that you have the border on the northern side and the Irish sea on the east, but a number of properties are coming to the market in quarter one of 2024," he said.

Looking ahead he believes that if milk prices recover somewhat there will be a strong market for grazing and mowing land this year. "The Nitrates Directive will keep pressure on the dairy sector, but prices are not anywhere as strong in non-dairy areas which rely more on tillage for a baseline at around €330 - €360/acre for leased land.," he said.

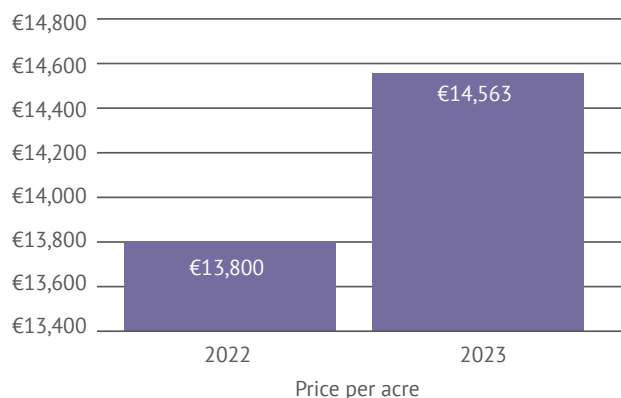
DAVID MCDONNELL FIPAV - PROPERTY PARTNERS MCDONNELL, MULLINGAR, CO WESTMEATH.

David McDonnell saw a distinct increase in the supply of farmland to market with a notable increase in auction activity in the 4th quarter. "This could be attributed to a perception by landowners that prices had peaked and that the reduction in milk prices would have a knock-on effect on land prices," he said.

"The land supply to the letting market was generally the same as previous years. However, there is increasing interest in longer leases. I think land prices will be steady, but, as always, certain parcels will perform above expectation depending on the needs of local larger farms seeking to consolidate or special interest properties," he said.

ANNE CARTON MIPAV - P N O'GORMAN, NEW ROSS, CO. WEXFORD.

"We witnessed a steady supply of land coming to the market last year," according to Anne Carton of PN O'Gorman, New Ross, "the supply was broadly up in 2022 but down on previous years. Our largest land sale was a 96-acre non-residential holding at Listerlin, Tullogher, New Ross which sold after auction in November for a figure in the excess of €1.2m. Smaller parcels generated higher prices such as one notable sale at Hermitage, The Rower, New Ross where a 42-acre non-residential with 10 acres of an SAC sold for €660,000 at auction.



Average Land Price Leinster

Connacht

The land market in Connacht is characterised by multiple sales of smaller parcels that often happen between neighbours with minimal engagement from outside agents. Grazing land in the West averaged between €7,500 and €12,000 per acre while planting land made from €6,000 to €7,000 per acre. On the rental market grazing ground was fetching an average between €250 and €280 per acre while tillage was making between €200 and €350 per acre.

RE/MAX TEAM EARLEY, ROSCOMMON

According to Roscommon's RE/MAX Team Earley a lack of supply of lands was noticeable during 2023 while there was a strong demand for all forms of fresh ground. The market was underpinned by a solid livestock market and a marked rise in the number of new entrants to farming. "I expect prices to hold in 2023," John said, "but interest rates will be a factor.

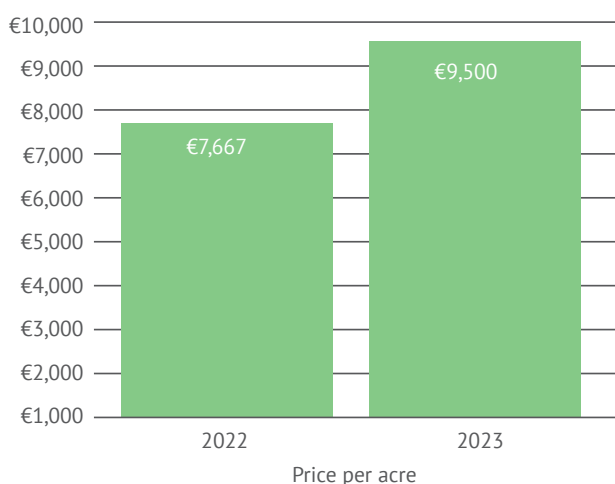
as they are mainly only part-time farmers working off farm jobs. These young farmers are not inclined to be farming intensively and are going for extensive farming options and availing of the environmentally promoted schemes.

ROGER MCCARRICK MIPAV - REA MCCARRICK & SONS, SLIGO.

In Sligo Roger McCarrick said described the supply as tight with the main supply coming from people who are retiring from farming. "Many elderly farmers find the challenges of farming paperwork getting more difficult every year and are gradually calling it a day," he said. "Some young farmers are coming into the business, but they seem to be picking easier options

COLM FARRELL MIPAV - FARRELL AUCTIONEER VALUERS AND ESTATE AGENTS, GORT CO GALWAY.

For Gort-based Colm Farrell a lot of land in his area comes on the market in executor sales where the beneficiary may not have an interest in farming. "We also have a number of farmers downsizing with no one to take over the lands," he said. According to Colm the primary factors determining lands prices in south Galway and North Clare are investors with off-farm income and dairy farmers who are hoping to expand on their current farm.



Average Land Price Connacht

Around The Provinces

The Agents' View

Ulster

Land in Ulster is scarce but recent sales there averaged between €8,000 and €13,500 per acre, forestry land made between €5,250 and €6,000 per acre while letting land for grazing made between €160 and €275 per acre.

**PETER MURTAGH FIPAV - PETER MURTAGH
CHARTERED SURVEYORS, AUCTIONEERS & AGENTS,
BAILIEBOROUGH, CO CAVAN.**

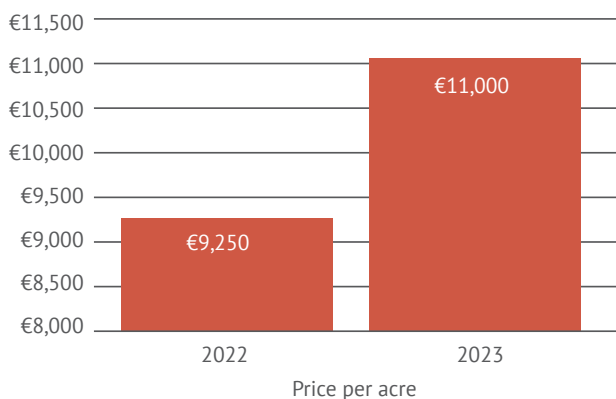
Peter Murtagh described the 2023 land market as one characterised by far more demand than supply with a steady trade for all available land be it for rent or for sale.

He believes, generally, prices are being driven by subsidies with prices being especially impacted by the location where the prices of parcels close to an active farmer or farmers are driven by competition.

RAYMOND SMITH MIPAV - SMITH PROPERTY, CAVAN.

Raymond Smith says the supply of Cavan land is tight and most farms offered for sale are less than 50 acres in size. "A lot of farms are also under long-term lease arrangements affecting the supply to the market. On the letting front conacre agreements are rolling over to the existing tenant while new tenants have fewer opportunities to acquire lands unless the long-term tenant ceases the contract.

"Land prices in my opinion will remain at the current level," Raymond said, "with milk prices dropping significantly and other determining factors, land will remain healthy and steady for 2024.



Average Land Price Ulster

The year ahead is an election year across Ireland, Europe, and the world, which makes all kinds of predictions difficult. Politicians at all levels will be campaigning in poetry while the prose of hard, long-term decisions will be put to one side until the votes are counted. The decision by the EU Commission to withdraw the Sustainable Use of Pesticides Regulation (SUR) is typical of what can be expected. It would suggest that there will be some relief for farmers, however temporary, from the pressure of environmental regulation.

Farmers will be hoping to make the most of the situation and extract concessions or guarantees from politicians of all parties, particularly from Fianna Fail, Fine Gael and Sinn Féin. The make-up of the European Parliament will be crucial for the implementation of the CAP and the Green Deal, while a possible Labour government in the UK could initiate a softer approach to Brexit and look at greater EU alignment, which would be good news for Irish farmers. However, the Nitrates Directive and the current derogation levels will stand, as will the requirement under CAP 2023-2027 for farmers to have a minimum of 4% of their land delivering a biodiversity limit.

There is an expectation that milk prices will level off, but it remains to be seen whether that is hope based on sentiment or prediction based on fact. The cattle and sheep sectors don't look set to take the markets by storm anytime soon and while tillage faces a long road to recovery, tillage farmers are known for their optimism and resilience.

Most of these factors were present in the farming ether in 2023 and had no effect on land prices, in fact prices kept climbing regardless, it is to be expected that 2024 will be no different. The shortage of land will continue to drive prices and early letting auctions would suggest that rents north of €500 per acre will be paid for some letting land as the scramble for ground continues among dairy farmers.

It is interesting to note that in the less profitable farming areas, new entrants appear happy to combine farming with an off-farm job. They are prepared to farm extensively rather than intensively as they make the most of the income from environmental measures such as ACRES.

While there is evidence some older beef farmers are abandoning active farming for land leasing it is not happening on a large scale. The phenomenon is causing more land to find its way onto the market, but its impact is hard to assess yet.

Changes in Budget 2024 have reduced the numbers of first-time, speculative businesspeople entering the land market. In order to qualify for tax-free rental income from farmland leasing, the landlord must have owned the land for at least seven years. This change has removed a cohort of business buyers from the market, but there are more than enough land-shy farmers to take their places.

The business community will continue to have an interest in farmland since the using of land as a tax-efficient vehicle for the intergenerational transfer of wealth will continue.

The decline in interest rates and the reduction in fertiliser and other input costs, which spiked in the wake of Russia's invasion of Ukraine, will give farmers more purchasing power in the land market. In a scenario where there is less land, and more money prices will only go one way.



The Voice of Auctioneers & Valuers in Ireland