



IPAV FARMING REPORT JANUARY 2021

## 2020 – A Torrid Year with a Silver Lining for Land Values



### Message from the CEO, Pat Davitt

I am delighted to welcome you to IPAV's latest Farming Report and to thank all contributing members for their expert input.

While agriculture is a sector well used to volatility and in recent years to the deep uncertainty of Brexit and the shape it would take, no one could have predicted the upheaval to the entire economy with the arrival in Spring 2020 of the COVID-19 pandemic. Despite a torrid year land prices have held up well in all provinces.

The COVID -19 pandemic has had the disruptive effect of more workers seeing living and working in rural Ireland as a realistic and achievable ambition. We've seen the return home of many of our exiles and while they cannot survive on farm income alone, the opportunities for off farm income have greatly increased arising from the acceleration in working from home. This will help the viability of small farms and help to keep the tradition of the small farmer alive.

Auctioneers are also seeing an increase in demand for rural properties from those living in the cities. The recent Government announcement that it intends legislating to give people the right to ask their employers to work from home beyond the end of the pandemic is to be welcomed.

The bottom line is demand for land remains strong, however the amount of agricultural land sold each year is small and has been falling as attested to by the Central Statistics Office.

The age profile of Irish farmers is on the high side with about one-third over age 66. Leasing land long-term has become the only viable option in recent years for many young farmers hoping to run their own farms. Last year's increase in Stamp Duty to 7.5pc is an additional impediment for young, ambitious and educated farmers in attempting to buy holdings. We're going to need such farmers to lead and drive new opportunities in the Green Economy.

On a positive note there may be opportunities in the new scenario for Irish agriculture and the agri-food sector in terms of import substitution.

Overall the trends emerging will help breathe new life into our rural towns and villages and augurs very well indeed for the future of rural residential holdings and land values.





## INTRODUCTION by Philip Farrell

Welcome to the 5th Institute of Professional Auctioneers & Valuers Farming Report. Where do I start? If someone said to you that the issue of Brexit would not be the primary topic of conversation in the farming sector during 2020, I am sure the response would have been one of complete incredulity. It was only in the final two months of 2020, that this issue was brought back to the fore, albeit still in an unlikely second place, behind COVID-19. The Brexit conundrum has simply been surpassed by the enormity of the ongoing COVID-19 pandemic, a once in a lifetime event.

Land values held their own in 2020. A significant player in the market was the cash investor. Land is often seen as a safe haven in times of strife. Values have remained remarkably resilient in Ireland for many years now. A recent survey carried out by the Irish Independent confirmed an average price of €11,688 per acre for auction sales in 2020, which was in keeping with a five-year average of €11,378 per acre. The survey also highlighted the fact that the number of farm auctions in 2020 was down by 33%. Some vendors had postponed going to market, as a direct result of COVID.

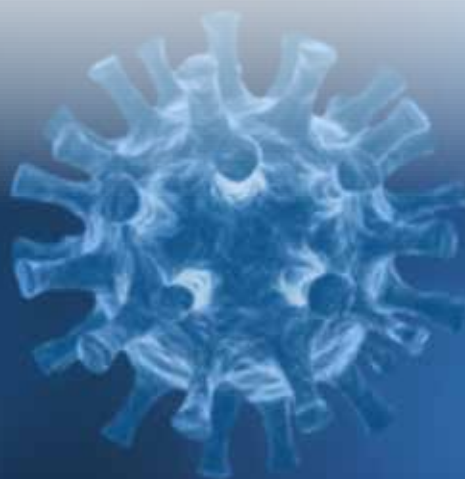
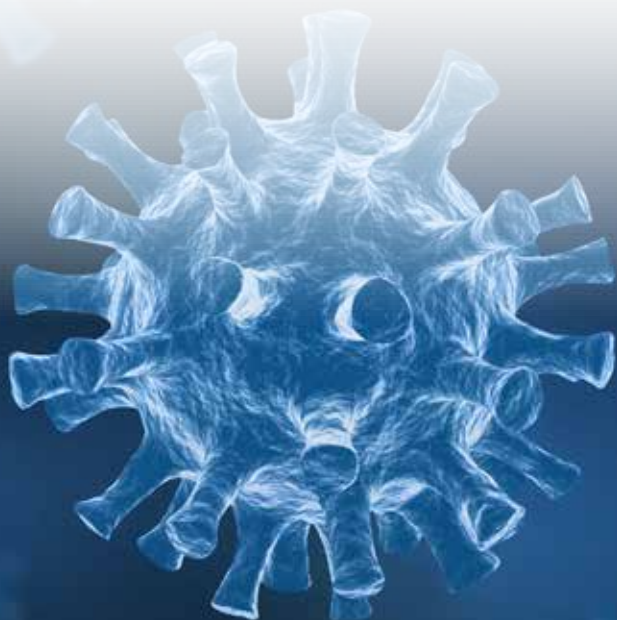
According to Tom Crosse, current president of IPAV, 'Average land values have, by and large, remained broadly similar since the turn of the century. Consistent lack of supply is a key driver.'

Brexit has presented real challenges; however, it has also provided opportunities. These opportunities are only now emerging. Once the cliff edge exit was averted and an 11th hour deal was reached (was it ever going to be any other way?), most people acknowledged that both sides would still ultimately lose out. New logistical challenges will ultimately add to overheads.

Lamb prices have started the year on a very positive note, as a result of Brexit. Following Brexit, France is now looking for alternative EU based suppliers. Ireland is an obvious option. It will be interesting to see if this manifests itself with other livestock types. Early prices for finished cattle are also looking strong for 2021.

A notable development in the sector was farmers embracing technology to assist with their day-to-day operations. Since the first lockdown in March, when marts were forced to close, farmers of all ages have been moving to online livestock sales. Benefits include reduction in transport costs and time saved in not attending marts. Online sales are here to stay. The benefits can't be ignored.

Farm income in Ireland rose 6% in 2020 on average, according to Teagasc. A reduction in animal feed, fertiliser and fuel prices drove this, combined with additional subsidy supports received. Milk prices in 2020 were similar to those in 2019, while beef, sheep, cereal and pig prices all increased. The increase in farm income, however, was not evenly distributed. Dairy farms incomes increased 5% with the benefits of lower production costs and higher yields accruing. Income in suckler farms increased by 17%. In contrast, tillage farm income declined 11%, as a result of a sharp drop in cereal yields, due to adverse weather conditions.





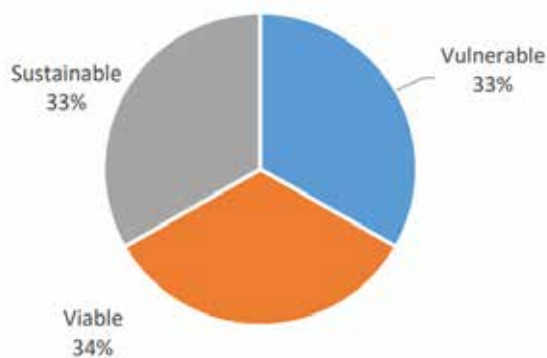
## Dairy

The dairy sector held up well in 2020. The value of dairy exports in 2020 was €5.2bn, a 3% increase on the 2019 figure.

Prices through the year remained resilient, finishing just under 31c/litre, a small reduction on prices being achieved 12 months earlier. 40% of Irish dairy produce is destined for the UK every year. The price of milk ultimately may be affected as the Brexit agreement reached evolves. It is simply too early to say. What is clear is, Irish milk prices will be affected by external factors more than internal factors. Milk prices finished the year well and expected demand for 2021 is positive. The dairy processing sector also performed well.

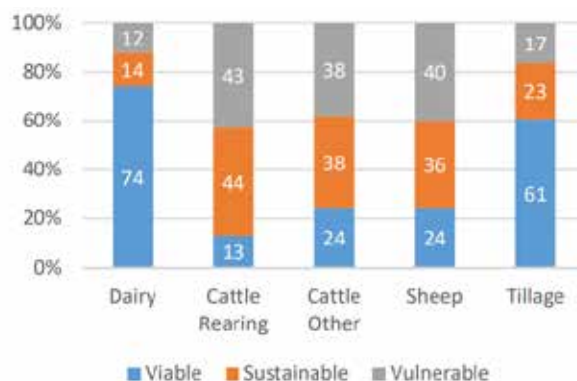
Weather by and large remained mild in the latter part of the year providing good growth and a good milk supply in anticipated for the spring.

Viability of Irish farming 2019



Source: Teagasc National Farm Survey

Viability of farming by system 2019



Source: Teagasc National Farm Survey



## BEEF

The beef sector endured a more challenging year. Finishing cattle struggled. Prices were back at 2019 levels. Since the turn of the year however, there has been a welcome uplift.

Sucklers performed much better in 2020. The sector finished the year strongly with prices up €300 per head. Currency fluctuation also played a role during the year. Export numbers were down by 3% in the Republic of Ireland as a result of the disruption caused by COVID-19 in accessing the core markets, including China. The total value of primary beef exports in 2020 was €1.9bn. The threat of competition from cheaper meat from the likes of South America is a real concern.

The UK represents 44% of our primary beef exports. Increased retail demand did somewhat counteract the decline in foodservices.





## TILLAGE

2020 was a tough year for tillage due to lower yields and the prevailing weather. An exceptionally dry period during the spring was followed by a very wet autumn. This led to a disappointing yield for tillage farmers. Planting levels for 2021 are well up on last year, as high as 50% for winter wheat. Prices during 2020 were reasonable. This sector of the industry seems to be experiencing the most volatility currently. However, if you look at 'Viability of Irish farming' chart on the previous page, you can see that tillage compares favourably with other systems of farming.



## SHEEP

The sheep sector performed well over the last 12 months with prices in excess of 50c/kg on 2019 figures. Consumption of lamb was up in Ireland in 2020, as a result of more people eating at home. A decrease in competition from New Zealand lamb added to this, as they increase their focus on the huge Chinese market. The UK is Ireland's second largest export market for lamb. Uncertainties around Brexit and the UK's future trading arrangement with the EU has the potential to offer Irish exporters further opportunities into new European markets.

Overall, the EU accounted for 72 per cent of Irish sheep meat exports during 2020 with the UK accounting for a further 18 per cent.



## FORESTRY

Land values have broadly held up. The average price of good quality forestry land was in the region of €5,000 per acre. The annual payment of forestry premiums has just commenced. This delivers an average premium of €680 per hectare to landowners for 15 years.

Delays arising in issuing felling licences developed into somewhat of a crisis in the sector in 2020. Prices were up between 30% to 40% for small to medium logs, due a temporary lack of supply.





## AROUND THE PROVINCES – THE EXPERT’S VIEW

### MUNSTER

#### **TOM CROSSE FIPAV - GVM AUCTIONEERS, LIMERICK** (President of IPAV))

Based in Limerick, Tom has been selling land in the Munster region for 35 years. GVM sold over 1,300 acres of farmland, of all types, in 2020. Prices averaged €11,000 per acre for mid to larger sized holdings with smaller holdings securing in the region of €17,000 per acre. The more compact holdings always attract additional numbers of interested parties. A number of sales were postponed to the autumn and others were held over to 2021.

According to Tom, ‘The COVID crisis, did not adversely affect land values’. He believes that the supply of lands coming to market by older farmers will be limited as they choose to lease their lands on a long-term basis, due to the attractive incentives currently available.

Milk prices performed admirably during the year. Tom believes ‘The big unknown for 2021 will be despite the UK exiting the EU with a deal, that commodity prices may be affected, which in turn could directly affect land values’.

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

John saw continued good interest for land in the greater Cork area. ‘Values held well with no significant change from the previous year. Quality mid-sized grassland holdings secured €16,000 per acre. Tillage land was securing approximately €13,000 per acre’. Most of the demand he is seeing from dairy farmers.

‘A notable new entrant to the market this year was the ‘non farmer cash investor’, who sees land as a relatively secure investment’. John saw good overall interest in land lettings in the area with the greatest demand being for long term leases.

#### **MICHAEL BRADY MIPAV - BRADY GROUP, CORK**

‘Land prices have held up particularly well in 2020. Quality land commanded prices from €12k to €18k per acre. Poor grazing land or attractive forestry, set a floor of €5,500 per acre.’

Michael says ‘We were down in the volume of land sales, but I understand this was common around the country. Land lettings with long-term leases continue to be very popular. Prices secured for dairy farms were €250 - €375 per acre with non-dairy securing €175 - €275 per acre.’

He sees demand increasing for lands lettings as a result of the new EC CAP Reform, the review of the Nitrates Action programme and climate change.

‘The yields in tillage were poor as expected, with a certain amount of scepticism evident for the coming year also’, According to Michael, ‘Agri food was COVID proof’.

#### **DERMOT POWER MIPAV - POWER & WALSH, CLONMEL CO TIPPERARY**

According to Dermot, ‘Mid-sized quality grassland and tillage holdings will currently secure €15,000 - €16,000 per acre in mid Munster’. He is also seeing tillage being purchased by dairy farmers for grazing purposes. In his view, ‘The key drivers of land values are profits that have been secured from dairying, young farmers wishing to purchase, and the unique position in this part of the country where the Coolmore enterprise is actively purchasing quality land for their bloodstock breeding enterprises’. An interesting observation from Dermot is that most lands that are coming for sale in the general area are either as a result of the death of the landowner or where land is being sold by a financial institution.

‘Milk prices were very steady during the year with beef and lamb finishing the year strongly following an indifferent start to the year. Prices for tillage remain volatile and unpredictable’. This is a common view across the country.

## THE AGENT'S VIEW (CONTD)

### LEINSTER

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

'Despite COVID-19 and all the questions it raised, there were no significant changes in land prices in the North Kildare/Meath region in 2020. Good quality grass and tillage land was achieving up to €15,000, the smaller the acreage the higher the price per acre. Supply of land coming to market remained limited'. In Eamon's view a significant amount of the lands coming to market are on behalf of executors. In his area, the principal demand for farms under 40 acres comes from potential hobby farmers or those involved in the equestrian sector. Larger holdings are primarily of interest to commercial farmers or those involved in the bloodstock industry.

While it is too soon to say, Eamon believes that Brexit in time, may adversely affect the profitability of the larger intensive farming and bloodstock enterprises.

#### **ALAN BRACKEN MIPAV - SF DAVITT & DAVITT, MULLINGAR, CO. WESTMEATH**

Alan experienced a good supply coming to market in the Westmeath/Midlands region in the latter part of 2020. Some sales had been postponed from the spring. He has seen the value of lands in close proximity to dairy enterprises increase, as neighbouring farmers look to consolidate their holdings and to reduce the distance required in moving the herd each day. He has also seen a good demand with limited supply for both forestry and tillage land in the general area. As a result of COVID-19 he does anticipate an increase in poultry enterprises. The general growth in poultry meat production is expected to continue into 2021 reflecting the shift in demand from other meats to poultry, as European economies and consumers struggle in response to the pandemic.

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

Stephen has seen prices for lands in Co. Meath range between €10,000 and €20,000 per acre in 2020, the three key determinants being - location within the county, land quality, and size of holding. 'Average prices in Co. Westmeath were in the region of €9,000 per acre with Cavan in the €6,500 to €8,000 per acre range. Forestry is securing up to €5,000 per acre'. Interestingly, he saw increases in values in the general area of up 4%, once the market resumed mid-year, following the first lockdown. The size of the dairy herd continues to increase at pace in the region. He is seeing good demand also from tillage farmers and in particular potato farmers.

'Investors looking for a safe investment and some tax-free income have been extremely active. The inheritance tax efficiency of land is also driving this.'

'Land is proving itself to be 'COVID proof'. Rents continued to be paid throughout the year. Its safety as an asset class was highlighted and demand literally soared'.

#### **JOHN FARRELLY MIPAV - DNG - ROYAL COUNTY, NAVAN CO. MEATH**

According to John, 'Top quality non-residential farms have increased in value and small non-residential farm holdings in areas not adjacent to large dairy enterprises are proving more difficult to sell. Good quality holdings are achieving €12,000 per acre and average holdings are securing €8,000 to €9,500 per acre in County Meath. There has been a small increase in the value of forestry land. Up to €5,000 per acre is achievable. There have also been a number of substantial, off market sales that have completed during the year.'

'In the last 12 months, we have witnessed investors purchasing farms and entering into long leases. Previously their money was sitting in the bank, receiving little or no return. The income is broadly tax free and they are receiving a 3% return. Due to the weather experienced in 2020, the tillage yields were devastated and the price for their produce remained similar to previous years. The price of milk has been quite stable throughout the year. Prices for beef and lamb were challenging between July and October. Farmers were securing less for their product from the factory owners. This did improve towards the end of the year'.

## THE AGENT'S VIEW (CONTD)

### CONNAUGHT

#### **GERRY COFFEY MIPAV - GERRY COFFEY AUCTIONEER, WILLIAMSTOWN, CO. GALWAY**

Gerry saw a steady flow of enquiries for farmland during the initial COVID-19 lockdown back in March/April 2020. He experienced a floor on prices in his area at €4,500 per acre for forestry with average land prices in or around €7,000 per acre. Exceptional lots were achieving €10,000 per acre. He does not see a significant change in land values in 2021 with a lack of supply continuing to be a major factor. 'Securing finance to purchase land remains a real challenge. Banks will often look for an additional income stream. The long-term letting of land continues to be very attractive to young farmers.'

He saw several key farm auctions postponed. Factory prices for beef continued to struggle to compete with prices being secured north of the border. Consistent with some of his IPAV colleagues, he is seeing strong demand and strong prices being secured for heifers suitable for suckler breeding.

#### **JOHN EARLEY FIPAV - PROPERTY PARTNERS EARLEY, THE SQUARE, ROSCOMMON.**

Property Partners Earley brought 25 farms to the market in 2020 comprising of both farmland and forestry. According to John Earley, 'Demand was strong especially for smaller lots i.e. 10 to 50 acres. Local interest was the main driver here. Several larger farms changed hands during the year, and we had strong demand and enquiries from the dairying sector for large quality farms i.e. 200-300 acres.'

John says that supply has been weaker than in previous years. 'This in turn, created a pent-up demand. Vendors who were not under pressure to go to market took a more reserved approach in 2020. As a result, a number of long-term leases have been agreed, leading to less land coming to market. Any new lettings are attracting strong interest. Prices for good quality ground was around €200 - €250 per acre. Lesser quality ground was around €150 - €180 per acre.'

'Going forward I see land maintaining its value. Lack of supply will continue to be a factor. Tax breaks on leasing can see returns of approx. 3% -4% tax free per annum, far outstripping return for money deposited in the bank.'

#### **KARL FOX MIPAV - FOX & GALLAGHER, BALLINA, CO MAYO**

All of the transactions completed by Karl in 2020 were for grassland. The price per acre for good quality land in Co. Mayo was between €6,000 and €8,000 per acre. He saw an uplift in forestry sales, and this caused the price per acre to increase from €4,500 to €5,000. 'This would be on the basis that the holding would be in excess of 30 acres.'

Karl has seen a decrease of approximately 10% in the amount of land for sale this year. 'Most farms are transferred from generation to generation i.e., father to son. The reality is, if a particular lot on the market is less than 10-15 acres it is likely to gather some local interest. Anything above that would attract mainly outside interest.'

'The prices achieved for land lettings in the area have increased in 2020, from €110 to €135 per acre. He believes COVID-19 has changed how cattle sales are transacted. Many marts moved online. This can create difficulties for some older farmers who may not be technically savvy however, it has not affected the market in any major way.'





## THE AGENT'S VIEW (CONTD)

### ULSTER

#### **DARA FUREY MIPAV, BUNCRANA, CO. DONEGAL**

Dara saw a strong demand for quality land in Donegal in 2020, with a minimal supply of suitable lands available. Where quality land was available, prices achieved up to €20,000 per acre for small plots, which highlights the lack of supply. Average prices for unbroken land were €10,000 to €12,000 per acre. There was also a good demand for land lettings with prices securing in the region of €200 per acre. He does not see an imminent fall in land values, due to the continuing shortage in supply. He also believes an availability of surplus cash will continue to ensure strong interest in the general area. In Dara's view, 'COVID-19 may have actually increased average land values in the area as people look for the safer option'. He does believe that it is too soon to say how land values might be affected as a result of the UK's recent exit from the EU.

#### **KEITH ANDERSON FIPAV, ANDERSON AUCTIONEERS, DONEGAL TOWN**

'When Lockdown came in March, weather was good for approximately 2 months and many part time farmers who were on the COVID-19 payments loved spending time back on the land. The price ceiling for small quality parcels of land was €10,000 per acre. Prices in the region of €8,000 per acre were secured for plots of a lesser quality. Rural, poor grazing land achieved €3,000 per acre. There is good demand for farms up to 30 acres in size and up to values of €300,000. Demand generally comes from local farmers. Stamp duty at 7.5% can be prohibitive for non-farmers.'

'Good grazing and meadow will always attract demand in South Donegal, there are a few 20/30 acre farms coming up for sale in 2021 and these lands should reach €10,000 to €12,000 per acre. Regarding poor quality land, if not suitable for forestry, there is very little demand.'

#### **PETER MURTAGH FIPAV, MURTAGH ESTATE AGENTS, BAILIEBOROUGH, CO CAVAN**

According to Peter, the average price secured for farmland was €6,000 to €8,000 per acre. Supply was well down in 2020 and consistent with other auctioneers, COVID 19 caused a number of land sales to be held over until 2021.

'Land lettings followed a common trend of dealing again with the same party once more, pushing for a rise where no increase had occurred for a few years. Demand for land lettings continue to exceed supply.'

His view on the general outlook is that, 'Brexit and a possible downward impact on farming produce prices could result in a sluggish land trade in 2021. CAP and COVID will be in the mix, impacting factors.'

'The COVID question continues. The early lockdown caused a slowdown which burned out somewhat as the year moved on.'

A comment from Peter is that 'Many beef & sheep farmers regularly complain about the poor returns being secured from farming, but despite this they stick at it'.

Positive milk prices and the general healthy state of the sector have encouraged expansion. An interesting question he raises which could be controversial is could or will milk quotas return?



## OUTLOOK

At this early stage of 2021, the overriding emotion for the industry is one of uncertainty. The vaccine roll out has commenced in earnest, however this looks like it could prove more challenging than initially thought. Mass immunization is unlikely to be completed until the autumn, at the earliest.

The business of valuing, marketing and selling non-residential agricultural holdings can continue as normal, unlike the residential property sector. Sentiment and confidence however may be affected, thus reducing the number of land holdings coming to market in 2021. A situation, not unlike last year.

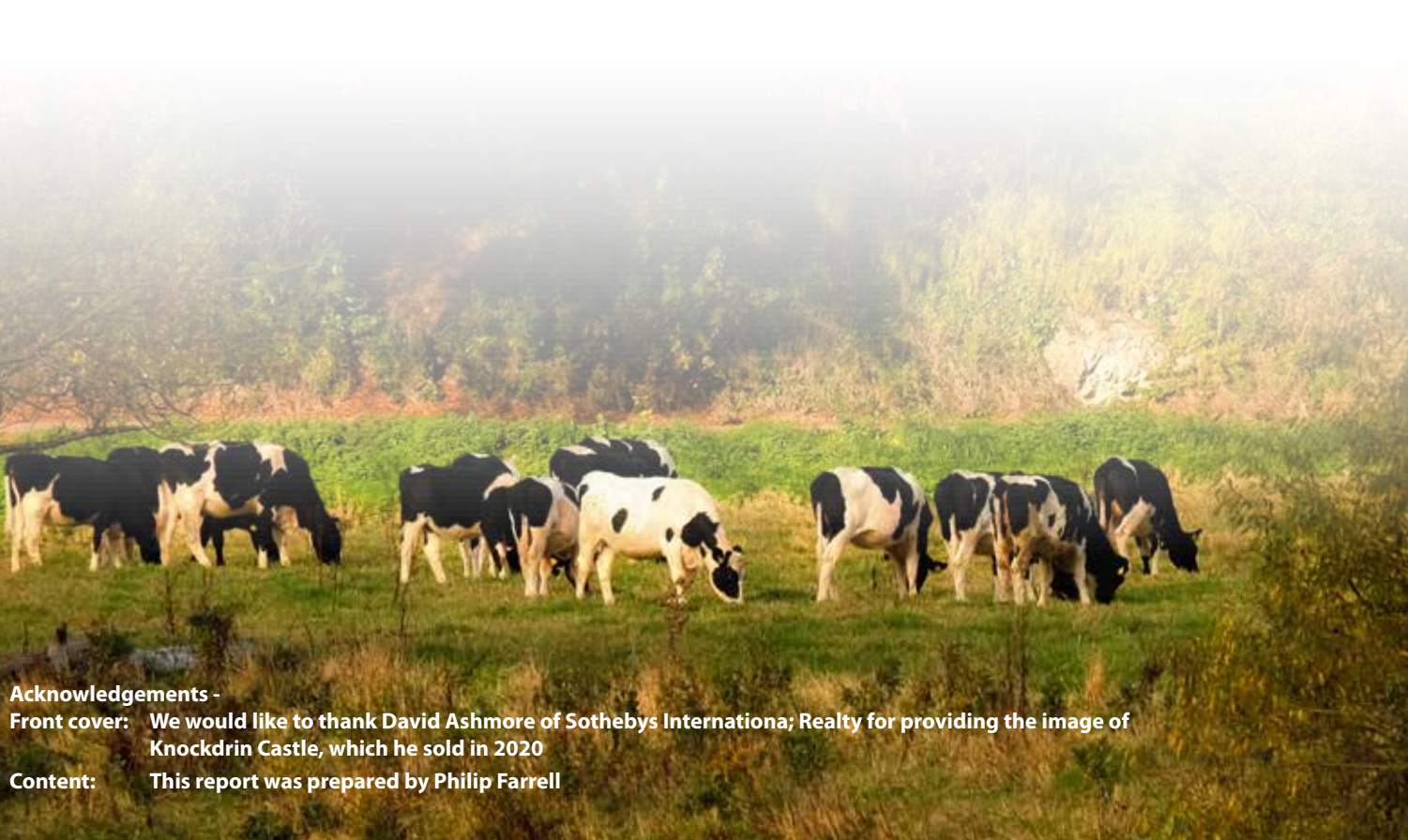
As the new, less profitable trading relationship with the UK becomes embedded, some sectors will prove to be more vulnerable than others. While the Brexit deal agreed ensures that there will be no tariffs in the short to medium term, customs, additional transport costs and supply chain issues will create challenges and affect profitability.

Will Brexit result in an influx of cheaper, inferior quality meat and dairy products to the UK, from other markets around the world, jeopardising Irish trade with the UK? If so, I believe we can be confident that our superior quality produce will compete very favourably, despite the additional costs involved in delivering the product to market. The UK will remain the largest single destination for Irish food and drink exports through 2021 and beyond.

The IMF, in its November 2020 World Economic Outlook, expects a return to global growth of 5% in 2021. The success levels of the vaccine roll out may increase or reduce that figure.

What are the key challenges that are likely to influence land values here in 2021? Values have proven remarkably robust over recent years and there is every likelihood that this will continue to be the case. Lack of supply will continue to sustain values. There is no evidence that this phenomenon is likely to change. If anything, supply will tighten even further.

Securing finance remains a challenge especially for full time farmers, without an additional income stream. Interest rates remain remarkably low and in light of the current international climate, this also is unlikely to change. Historically in times of strife 'the land' has proven a resilient place for a market lacking in confidence. This will continue.



### Acknowledgements -

**Front cover:** We would like to thank David Ashmore of Sothebys International Realty for providing the image of Knockdrin Castle, which he sold in 2020

**Content:** This report was prepared by Philip Farrell



**IPAV** | 129 Lower Baggot Street, Dublin 2. D02 HC84

**Tel:** (01) 678 5685 | **Email:** [info@ipav.ie](mailto:info@ipav.ie)

**Web:** [www.ipav.ie](http://www.ipav.ie)

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