Teagasc
Agriculture and Food Development Authority

Society of Chartered Surveyors Ireland

Land Market Review and Outlook 2014

RICS
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Contents

2013

Average farm income

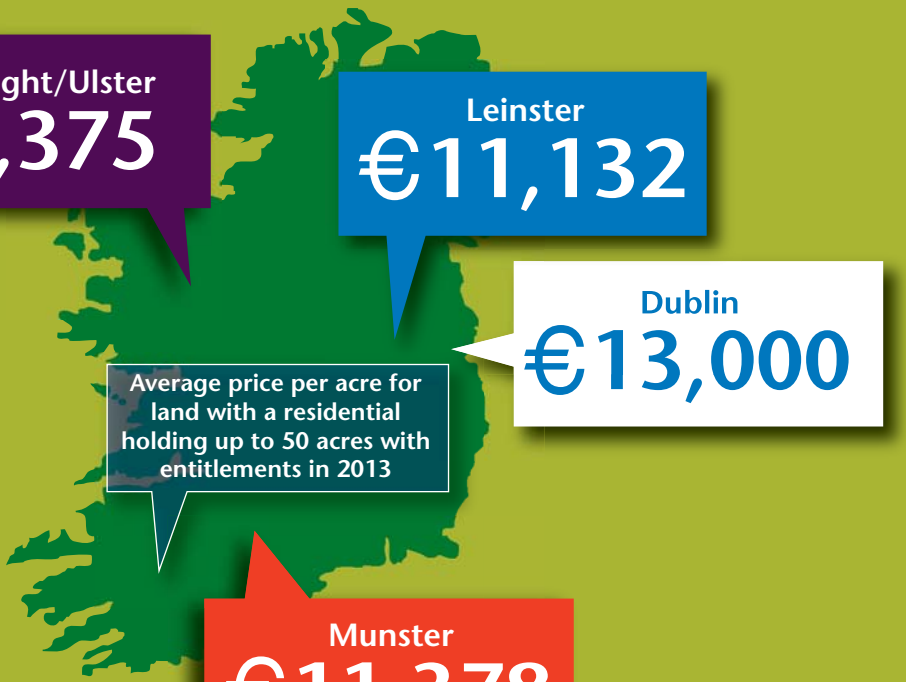
€25,679

1%

DOWN FROM 2012 LEVEL

WITH LOWER COSTS OF PRODUCTION IN 2014 FARM INCOMES ARE FORECAST TO INCREASE

13%



24%

LAND: WITH NO RESIDENTIAL HOLDING

14%

LAND: WITH RESIDENTIAL HOLDING

teagasc
AGRICULTURE AND FOOD DEVELOPMENT AUTHORITY

SOCIETY OF CHARTERED SURVEYORS IRELAND

MUNSTER: 2013 AVERAGE SELLING PRICE INCREASE OVER 2012

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Introduction

We would like to welcome you to the Society of Chartered Surveyors Ireland/Teagasc Land Market Review and Outlook 2014.

Food Harvest 2020 sets out ambitious targets for agriculture in Ireland and many producers' expansion plans will no doubt include decisions about the purchase or rental of land. Data has never been more important to the agricultural sector and will continue to be important in guiding decision making as we enter this important period of change. It is therefore particularly appropriate that the Society of Chartered Surveyors Ireland (SCSI) and Teagasc should produce this report, which puts 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 and interpret a wide range of data relating to the agriculture sector. While we already have good estimates of output and input prices and farmers' incomes, one area where progress is vital is in respect of information on land sale and land rental prices in Ireland. Land is a vital factor of production in agriculture. The price paid to purchase or rent agricultural land will be affected by a whole range of economic (and non–economic) factors. Therefore, those contemplating the sale or the purchase of land or the renting of land need to possess a good understanding of the current state of the agricultural land market.

This report represents the first in an annual series which will track the evolution of land purchase and rental prices over time. Land is not homogeneous; one hectare is not identical to another. Prices will vary according to: the soil quality; climate; purpose for which the land can be used; its location; and, the supply and demand for that type of land. Consequently, this report provides a regional breakdown of sale and rental transactions for different land types and for land transactions of different sizes. It also includes the views on the state of the market from members of the SCSI and a commentary from Teagasc economists on the current situation in agriculture and the short term economic outlook for the sector.

Given the importance of agriculture to the overall economy and the importance of agricultural land markets to the evolution of the Irish agri-food sector, this collaboration is both timely and important. We hope that you find this new report informative and we both welcome this joint initiative between Teagasc and the SCSI and wish it well for the future.

Trevor McCarthy
SCSI Rural Professional Group Chairman

Professor Gerry Boyle
Director, Teagasc

Key findings

Land market

According to SCSI members surveyed, there was significant growth in agricultural land prices across all regions. Most increases were noted in the Leinster and Munster regions. Activity in the land market for the first three months of 2014 has been brisk around the country. There has been an increase in demand for land rentals and average rents have increased by approximately 5% over the period.

Sales of land up to 50 acres (21 hectares)

- Land sales prices increased across all regions in 2013 for transactions including entitlements and involving less than 50 acres (21 hectares) with or without a residential holding.
- The average price for land with a residential holding per acre up to 50 acres with entitlements in Dublin is €13,000. In Leinster, it is €11,132. In Munster, it is €11,378 and in Connaught/Ulster it is €7,375.
- The largest increase was seen in the Munster region, where the average selling price increased by 24% in 2013 relative to 2012 for land with no residential holding and by 14.3% for land with a residential holding.
- While the price in Connaught/Ulster remained below that of other regions, there was a substantial improvement in the price of land for sale without a residential dwelling in this region. This may reflect expectations of an increase in the value of entitlements per hectare in this region as a result of the CAP reform.

"There is strong demand for agricultural land due to farmers expanding. This is primarily happening in the dairy sector due to the change in quotas." Trevor McCarthy, Chair of the Rural Professional Group of the SCSI.

Sales of over 50 acres (21 hectares) and over 100 acres (42 hectares)

- In contrast to the smaller land transactions (up to 50 acres), price movements were negative in 2013, with the biggest percentage drop occurring in the case of larger (over 100acres/42 ha) sales in the Connaught/Ulster region.
- Munster and the rest of Leinster also saw land price reductions in 2013 for medium and larger sized transactions without a residential holding with entitlements, but the decreases were less pronounced than in the case of Connaught/Ulster.

"There has been good demand for 150+ acre farms over the last 12-18 months. The sale of 30-50 acre farms depends on local conditions and the strength of the farmers in the immediate locality." Trevor McCarthy, SCSI Rural Professional Group Chair, Munster region.

Supply of agricultural land

- Over half of respondents in all regions predict that the supply of agricultural land will increase. Activity in the industry appears to be on the up and the trend looks set to continue.
- Future supply of land is expected to increase in Dublin. However, those surveyed anticipate a decrease in the remaining regions. Most notably, 17% of respondents in the Munster region predict a decrease in the supply of agricultural land for sale between 2014 and 2016.
- The volume of land which came to market increased from 41,000 acres (16,500 ha) in 2012 to 43,000 acres (17,400 ha) in 2013.

Demand for agricultural land

- Almost unanimously, across all regions, Chartered Surveyors expect an increase in the demand for agricultural land between 2014 and 2016. Over 80% of respondents surveyed predict an increase in the demand for land in the coming years.
- Undoubtedly, the predicted abolition of milk quotas has spurred the interest in agricultural land and has contributed to the anticipated increase in demand over the coming years. Land is also viewed as a more stable, secure investment in comparison to other property types.

Rental of agricultural land

- In general, the trend in land rental prices has been upward across all the regions. Tillage land continues to rent at higher prices than land for grazing/silage in Munster and the rest of Leinster. The differential between grazing/silage land and tillage land rental prices is less pronounced in Connaught/Ulster, but this may merely reflect the fact that there is relatively little land under tillage in this region, and therefore, less competition for this type of land.
- Connaught/Ulster was the only region where decreases in rents were observed. Rental prices for land allocated to tillage fell by 2.3%, and land specific for sugar beet/maize/beans, etc., fell by 3.8% between 2012 and 2013. The most notable increase in rental prices across all regions was in Munster, where land for grazing rose in price by 13.4%. The significant hikes in rents for grazing only land reflect the strong demand amongst dairy farmers to expand and increase productivity.

Volume of land transacted

- Total acreage transacted from year end in 2012 to year end in 2013 rose in all regions, bar the capital. Dublin was the only region where members recorded a decrease of 1.4% in 2013.

Summary of agricultural market situation

- Average family farm incomes in the Irish agricultural sector are estimated to have declined marginally in 2013, when compared with 2012.
- However, the relatively stable average performance masked contrasting fortunes across the constituent sectors of Irish agriculture.
- Incomes earned on average Irish dairy farms increased strongly in 2013, while incomes in all other sectors of Irish agriculture are estimated to have contracted in 2013, when compared with 2012.
- The poor grass growing conditions in the early part of 2013 led to higher costs of production in 2013 as compared to 2012.
- Higher costs of production were more than offset by higher milk prices with the result that dairy income rose.
- Increases in finished cattle were sufficient to marginally increase incomes on cattle-finishing farms. On cattle-rearing farms however, lower calf prices meant that, on average, incomes declined in 2013.
- For 2014, costs of production are forecast to decline relative to 2013 - with lower feed and fertiliser prices combining with some reduction in the volumes of these inputs used, overall costs of production are expected to contract relative to 2013.
- With lower costs of production on most farm types, farm incomes in 2014 are forecast to increase by 13%.

Summary of land market situation

- The path of agricultural land market prices has stabilised in recent years. The absence of official data on agricultural land prices since the CSO ceased publishing data in 2005 has meant that privately-produced data on land sales prices are the only source of information on the sale price of Irish agriculture's most important factor of production.
- Data on agricultural land rents is collected by the Teagasc National Farm Survey and this data together with historical Eurostat data means that the dearth of official information in purchase markets is not as deep.
- Following dramatic reductions from 2008 through 2010, Irish agricultural land prices have stabilised somewhat. The SCSI survey results indicate that land sale prices in most regions are increasing in recent years – with Connaught-Ulster being the only region where prices have not grown since 2010.
- The magnitude of price increases varies as a function of the size of transaction – with transactions of less than 50 acres (21 ha) having higher prices per ha than transactions for larger areas.
- Land sale values per hectare for land with Single Payment System Entitlements are also higher on average than the values achieved for land without an SPS entitlement.

Irish agriculture sector

This section reviews the performance of Irish agriculture in 2013 and looks at prospects for 2014. There is an overview at the broad sectoral or enterprise level, followed by a focus on the key subsectors within agriculture.

The sector in aggregate

Early season grass growth was affected by a late spring, exacerbating the impact of the fodder shortage that emerged in 2012. In spite of the persistence of the fodder crisis, there was little change in agricultural income in Ireland in 2013. Overall, average farm income increased just 1% in 2013, but there were some countervailing trends for enterprises.

On average, dairy farmers and some tillage farmers had a better year in 2013 than those engaged in other enterprises. Drystock producers fared less well, with suckler farmers in particular finding themselves caught between rising costs and falling calf prices. Average family farm income for the sector as a whole in 2013 is estimated at approximately €25,679, a 1% decrease on the 2012 level.

Key commodity price changes in 2013 compared with 2012 are shown in **Figure 1**.

Given the adverse impact it has had in 2012 and 2013, the outlook for 2014 will be heavily conditioned by the expectation of a return to normal weather in 2014.

Normal weather would allow an end to the elevated purchases of feed in the grassland sectors. Aided by lower feed prices, there should be a dramatic reduction in feed bills in 2014 for all grassland enterprises.

Falling fertiliser prices and a reversal of the fertiliser usage spike of 2013 should facilitate a large reduction in fertiliser expenditure in all grassland systems in 2014.

Tillage producers will benefit from lower fertiliser prices and pig

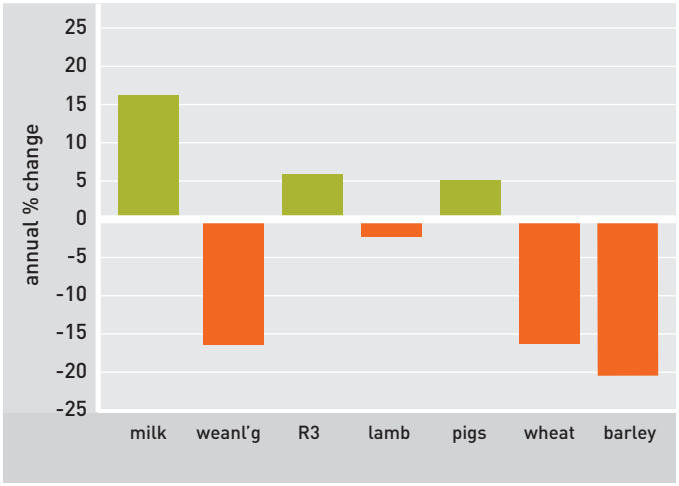

FIGURE 1: **Change in output prices 2013 vs 2012**
Source: Teagasc Situation and Outlook 2014

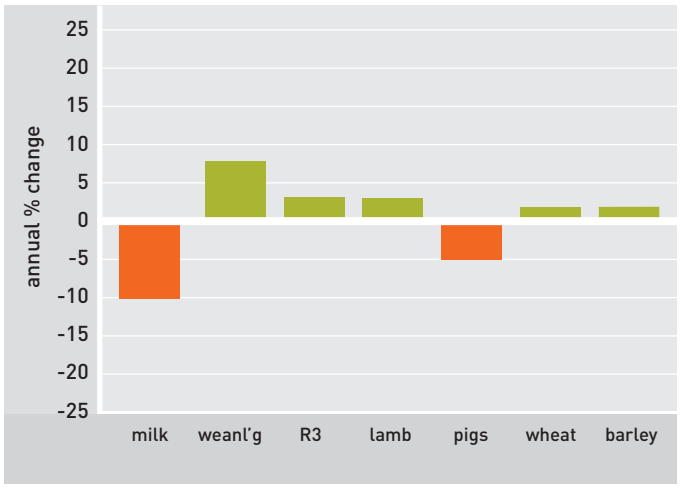

FIGURE 2: **Forecast change in output prices 2014 vs 2013.**
Source: Teagasc Situation and Outlook 2014

producers will face lower feed costs in 2014. A slight decline in energy prices is likely in 2014, but this will be contingent on a stable geopolitical and macro-economic environment. Overall, average farm income is forecast to increase by 13% in 2014. Forecast commodity price changes in 2014 compared with 2013 are shown in **Figure 2**.

Dairy

Measured on an output value basis, milk production is now the largest agricultural enterprise in Ireland. Dairy farms comprise 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.

In spite of the difficulties that the fodder crisis presented, 2013 can be considered to have been a good year for milk producers. Milk prices were up by 17% to over 37 cent per litre, due to a shortage of dairy products on the international market. Due mainly to the large increase in feed and fertiliser spending in 2013, milk production costs rose 10% in 2013. The average total production costs reached over 28 cent per litre in 2013.

Higher farm milk prices far outweighed the rise in input expenditure, resulting in an estimated 38% increase in net margin per litre of milk produced in 2013 relative to 2012.

Family farm income for the average Irish dairy farm, in 2013 is estimated to have increased by 15%, from €50,000 in 2012 to approximately €58,000 in 2013.

Lower feed and fertiliser prices and usage levels should bring about a major cost reduction in 2014, perhaps by as much as three cent per litre.

In 2014, international dairy prices should drop back from the extreme highs of 2013, due to increased product availability.

A decrease in Irish milk prices of 10% is forecast for 2014, with this increase likely to be smaller if milk prices remain high until the peak production months.

Even though the profitability of milk production could fall slightly in 2014, average family farm income for 2014 may still improve, due to better returns from the beef enterprise on these dairy farms.

Average family farm income on dairy farms in 2014 in Ireland should be close to €60,000, but it should be understood that there is quite a wide variation around this figure, due to farm scale, location, and other factors.

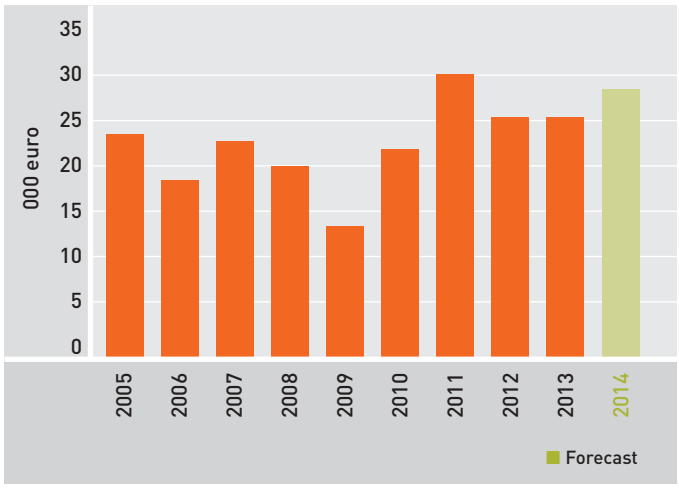

FIGURE 3: **Average family farm income.**
Source: Teagasc Situation and Outlook 2014

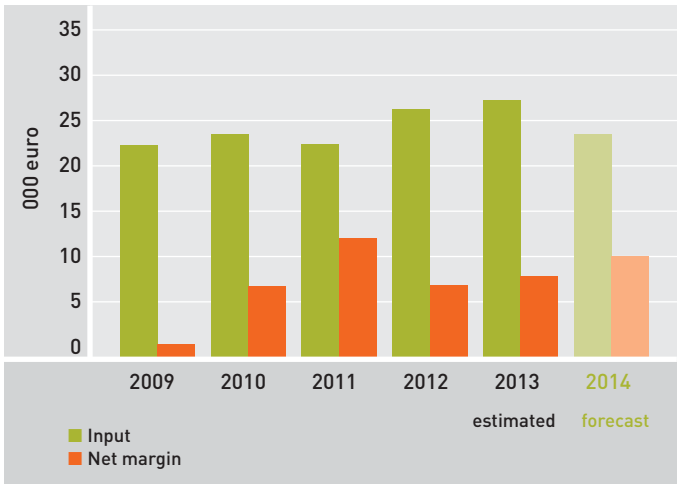

FIGURE 4: **Dairy production costs and net margin.**
Source: Teagasc Situation and Outlook 2014

Cattle

Beef farming remains the largest agricultural enterprise activity in Ireland in terms of land use and farm numbers. Beef farms account for more than two thirds of the grassland area in Ireland. The activity on beef farms varies considerably and to facilitate comparison, Teagasc reports the performance of two main beef farm enterprises (cattle rearing and cattle finishing).

For beef, 2013 could be best described as a mixed year. On all cattle farms, increases in the volume of feed and fertiliser used as well as higher feed prices led to large increases in direct costs of production in 2013.

While the price of finished animals rose, prices for younger cattle and calves fell in 2013 and this is the main reason for the contrasting fortunes experienced across the various beef systems.

Cattle-rearing farms, which tend to be found often on more marginal agricultural land, experienced a significant drop in gross margins in 2013 as cost increases were compounded by falling prices for calves and young cattle. By contrast, gross margins on cattle-finishing farms, which tend to be most common in northern counties of Leinster, were well up in 2013, due to a 7% price increase for finished animals as well as lower prices for cattle purchased for finishing.

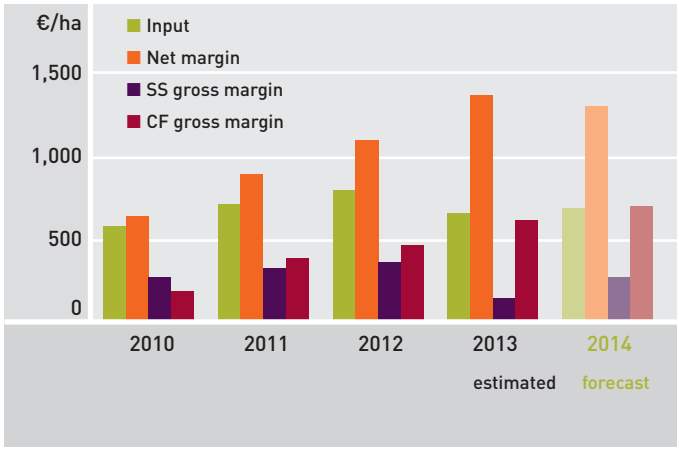

FIGURE 5: **Single suckling (SS) and cattle finishing (CF) output and gross margin per ha.** *Teagasc Situation and Outlook 2014*

In 2013, the estimated average family farm income on cattle-rearing farms fell by 3% to €8,500, while incomes on cattle-finishing farms increased marginally to €18,500.

It should be borne in mind that many cattle farms derive the bulk of their family farm income from subsidy payments, which are fixed in value. Consequently, large percentage changes in gross margin give rise to much smaller percentage changes in farm income.

Irish finished cattle prices are forecast to grow by 3% in 2014 and young cattle prices should rise by even more.

Lower feed and fertiliser usage volumes and prices should reduce production costs on beef farms significantly in 2014 and gross margins should be well up on the 2013 level. Nevertheless, cattle-rearing farms, which dominate in many western counties, will, on average, continue to derive the lowest income among the main farm enterprises in Ireland.

In 2014, family farm incomes on cattle-rearing farms are forecast to be €11,000, while incomes on cattle finishing farms are forecast to increase to €22,000.

Sheep

Because sheep farming often takes place in conjunction with beef production, it is more difficult to give a figure for the land area this activity covers. Sheep production takes place on about one tenth of the grassland area in Ireland, and can also be found on the several hundred thousand hectares of commonage land in Ireland. Sheep farms are disbursed throughout the country, but tend to be more common in counties with hilly terrain and particularly in counties with a western seaboard, where soil conditions are less favourable.

While EU lamb production fell in 2013, third country imports increased and due to weaker overall demand this meant that prices fell slightly. In Ireland, prices are estimated to have been on average 1.5% lower than in 2012.

The cost of Irish lamb production increased in 2013, due to the fodder crisis and higher concentrate feed prices. Gross margins on mid-season lowland enterprises are estimated to be €529 per hectare. It is estimated that the average sheep farm income decreased by 14% in 2013 to approximately €16,000.

Imports of lamb into the EU should drop back in 2014 and with EU production falling, lamb prices are forecast to increase by 3%. Lower feed and fertiliser prices and expected - lower usage levels should lead to lower costs of production. With higher output values, gross margins on mid-season lowland lamb enterprises in 2014 are forecast to increase by 22% to €600 per hectare.

Taking account of subsidies, sheep farm incomes are forecast to recover somewhat in 2014 and a 25% increase in farm income is expected, bringing the average sheep farm income to €19,500.

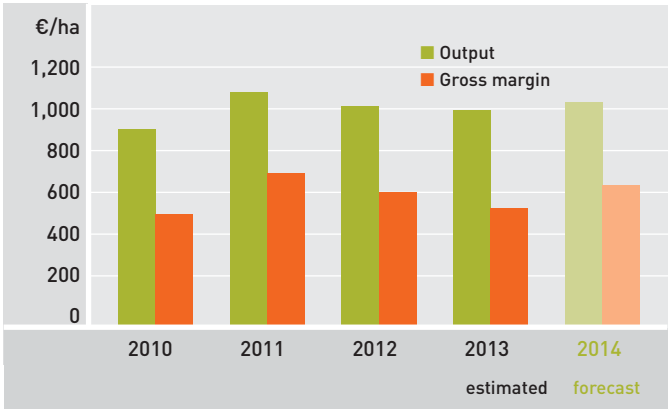

FIGURE 6: **Sheep output and margin forecast for 2014.**
Source: Teagasc Situation and Outlook 2014

Cereals

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. Cereal growing conditions in the main production regions internationally were better in 2013. Increased production led to a fall in cereal prices. In Ireland, harvest prices were down about 20%.

Growing conditions in 2013 were good in Ireland and this meant that yields were well above average.

Costs rose due to higher fertiliser prices, but the overall increase in costs was lower in percentage terms than in the case of dairy and drystock. Among the main tillage crops, winter wheat faired best, with margins up slightly, while margins for winter barley and spring barley fell.

Average income on tillage farms is estimated to have decreased by about 5% in 2013, but there would have been a degree of variability from farm to farm, depending on the mix of crops and the associated change in yield.

As stocks remain low internationally, weather and growing conditions will remain a strong determinant of price developments in the cereal sector in 2014.

Costs should drop back in 2014, due to lower fertiliser prices, but yields may be down also, given that they were well above average in 2013. On this basis, margins in 2014 should be little changed on the 2013 level, but there is a higher degree of uncertainty in the short term outlook in the cereals sector compared with the other sectors examined.

Land market

Land market historical developments

Land is a fundamental input in agricultural production and developments in Irish agricultural land markets and institutions have long been of interest (see Crotty, 1977). There are a number of series available with which to review the historical evolution of Irish agricultural land prices.

Unfortunately, current and up to date official data on agricultural land market prices have become increasingly scarce. In this section of the report, we present historical data on Irish agricultural land sales and rental data. These will place the data presented elsewhere in this report on current sales and rental prices in a useful historical context.

In **Figure 7**, the evolution of the nominal and real prices of agricultural land is graphed. What is apparent is that general inflation has also affected agricultural land prices. When account is taken for the impact of inflation, that is when the real price of agricultural land is considered, it is evident that there have been two periods of rapid price increases that have been followed by equally rapid reductions in agricultural land prices. Roche and McQuinn (2001) have concluded that the first period of rapid real agricultural land price inflation (in the period leading up to and shortly after EEC accession) constituted a 'bubble'. The empirical work necessary to conclude that a bubble was also present more recently has not been undertaken, but the evolution of Irish agricultural land prices during and since the so-called Celtic Tiger era – dramatic increases followed by dramatic decreases – suggests that agricultural land markets (and other Irish property markets) in the first decade of the 21st century could be characterised as a bubble.

The Nunan data set also includes historical data on the evolution of Irish agricultural land rental rates. In **Figure 8**, we have extended the Nunan series using published data from Eurostat and unpublished Teagasc National Farm Survey data. As with the agricultural land sales prices illustrated in **Figure 7** euro denominated rental rates have been converted to Irish pound values so as to allow the presentation of historical series. The Irish agricultural land rents have, when compared with Irish agricultural land prices, been relatively stable. Anticipation of Ireland's entry into the EEC and the application of the CAP in Ireland led to a large increase in agricultural rents in the late 1960s and early 1970s. The large increases in agricultural land prices observed over the decade 1997 to 2007 are not in evidence in agricultural rental rates. Agricultural land rental rates are more likely to be driven by agricultural market and agricultural policy developments than non-agricultural factors. The collapse in agricultural land prices from 2008 onwards (evident from **Figure 7**) is largely due to the collapse of the

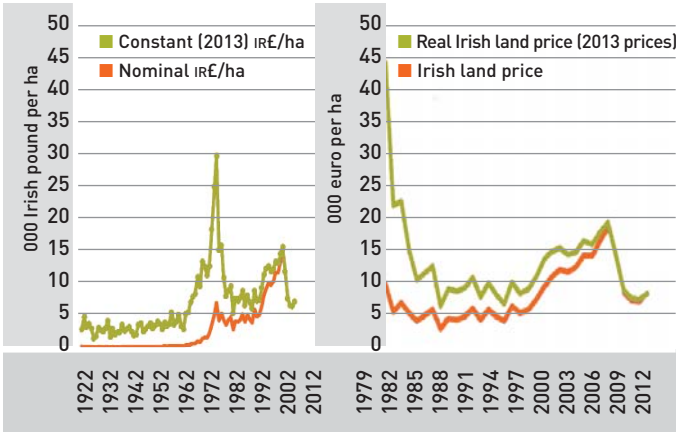

FIGURE 7: **Historical agricultural land prices 1922-2012 and 1979-2012.**

Source: Nunan, Roche and McQuinn, Eurostat, CBOI, CSO.

NOTE: Prices are expressed in pounds per hectare. Prices converted from euro to Irish pounds using annual average exchange rate or official conversion rate used as part EMU.

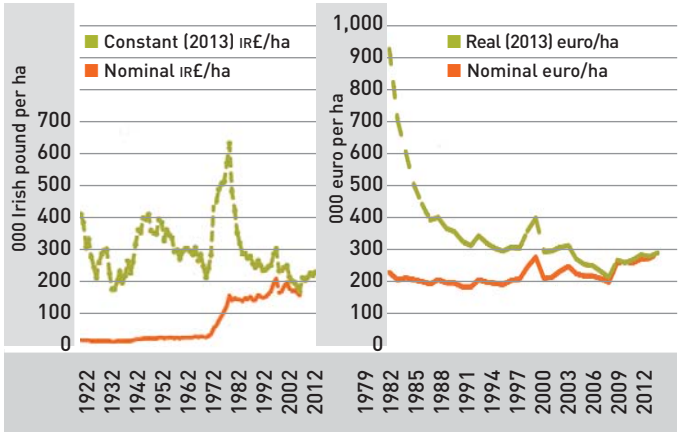

FIGURE 8: **Historical Irish agricultural land rental rates 1922-2012 and 1979-2012.**

Source: Nunan, Roche and McQuinn, Eurostat, Teagasc, CBOI, CSO.

NOTE: Prices are expressed in pounds per hectare. Prices converted from euro to Irish pounds using annual average exchange rate or official conversion rate used as part EMU.

construction- and banking-related bubbles prevalent in Ireland. Irish agricultural rents have been largely unaffected by the Irish economic crisis, with nominal rents increasing since 2007.

In **Figure 9** we convert the real prices and rents in **Figure 7** and **8** to indices with a base 1973 = 100. The bubble in Irish agricultural land sales prices in the late 1960s and early 1970s was reflected in agricultural rents – this was an "agricultural bubble". The more recent period of very high agricultural land prices was not associated with any co-movement in real agricultural rental rates and was due primarily to non-agricultural factors.

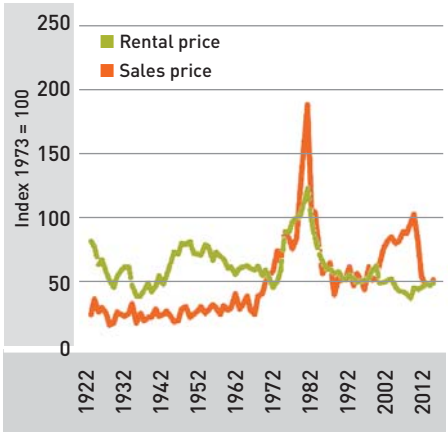

FIGURE 9: **Indices of real agricultural land sale and rental prices 1922-2012.**

Source: Nunan, Roche and McQuinn, Eurostat, Teagasc, CBOI, CSO.

What should determine land prices?

Most economic research on the determination of agricultural land price is based on the so-called Present Value Model (PVM). In this model, the price of an income-earning asset, such as agricultural land, is equal to the discounted expected stream of future net returns or rents to the asset.

Using the PVM model, we would expect that the profitability of agricultural land use and agricultural policies that either boost agricultural profitability (through supporting output prices or reducing input costs) or policies that provide subsidies on the basis of land ownership and control (and thereby boost the marginal value product of agricultural land) would affect agricultural land prices and rents.

However, given the relative levels of agricultural land prices and rents that are observed, it is clear that other factors are also important in determining agricultural land price levels. Using the PVM, the influence of taxation treatment of rents and capital gains, the general macroeconomic environment (land is seen as a hedge against inflation) have been investigated and found to have a role in agricultural land price determination.

In general, the rate at which agricultural land ownership changes in Ireland (and many other countries) is very slow. This reflects in part the impact of the economic returns to land ownership but also the non-pecuniary benefits and emotional and other attachments to land and land ownership. What can be termed non-economic factors are thus also important in determining the supply of land and its price level.

SOCIETY OF CHARTERED SURVEYORS IRELAND

MEMBERS' VIEWS

Demand for land for purchase

Almost unanimously, across all regions, Chartered Surveyors expect an increase in the demand for agricultural land between 2014 and 2016. Over 80% of respondents surveyed predict an increase in the demand for land in the coming years.

"There is strong demand for agricultural land and Ireland 'has its act together' in this area."
Michael Boyd **SCSI South East Leinster Region Chair.**

The strong and continued demand for agricultural land appears to be influenced by the dairy farming industry as the change in quotas will enable greater productivity in this sector.

"There is strong demand for agricultural land due to farmers expanding. This is primarily happening in the dairy sector due to the change in quotas."
Simon Stokes **SCSI Residential Professional Group Chair, Dublin.**

Undoubtedly, the predicted abolition of milk quotas has spurred the interest in agricultural land and has contributed to the anticipated increase in demand over the coming years. Land is also viewed as a more stable, secure investment in comparison to other property types.

"There has been good demand for 150+ acre farms over the last 12-18 months. The sale of 30-50 acre farms depends on local conditions and the strength of the farmers in the immediate locality."
Trevor McCarthy
SCSI Rural Professional Group Chair, Munster Region.

TABLE 1: Average price per acre/hectare with entitlements for transactions up to 50 acres (21 hectares).

		Up to 50 acres (21 ha) Residential		Up to 50 acres (21 ha) Non-residential	
		€per acre	€per ha	€per acre	€per ha
Dublin	2010	n/a	n/a	n/a	n/a
	2011	n/a	n/a	n/a	n/a
	2012	n/a	n/a	n/a	n/a
	2013	**13,000**	**32,124**	**11,000**	**27,182**
Rest of Leinster	2010	9,900	24,464	8,590	21,227
	2011	9,662	23,876	8,695	21,486
	2012	9,768	24,138	8,914	22,027
	2013	**11,132**	**27,508**	**10,396**	**25,690**
Munster	2010	9,035	22,326	7,815	19,312
	2011	9,417	23,270	8,233	20,345
	2012	9,954	24,597	8,023	19,826
	2013	**11,378**	**28,116**	**9,956**	**24,602**
Connaught/Ulster	2010	7,070	17,471	6,170	15,247
	2011	6,913	17,083	6,150	15,197
	2012	7,214	17,827	6,391	15,793
	2013	**7,375**	**18,224**	**8,083**	**19,974**

Source: Society of Chartered Surveyors of Ireland

During the so-called Celtic Tiger era Irish land sales and rental prices effectively decoupled from one another. In recent years, it would appear from visual inspection of the data that the Irish agricultural land sales prices are moving largely in step with agricultural land rental rates. The profitability of Irish agriculture and public policy relating to agriculture (the CAP) are likely now more important determinants of movements in agricultural land sales prices. It should be noted however that the ratio of Irish agricultural land sales price to rental prices is still very large, with sales prices in 2012 estimated to be over 30 times the rental price. The high price of agricultural land will continue to be a barrier to consolidation in Irish agriculture and the land rental market will in all likelihood become of increasing importance in the process of restructuring.

Society of Chartered Surveyors Ireland (SCSI) land price survey data

While official Central Statistics Office (CSO) data is published on a national basis only, the Society of Chartered Surveyors Ireland (SCSI) collates a land price series, which is categorised into four regions, (Dublin, rest of Leinster, Munster, and Connaught/Ulster). The series is further disaggregated according to the size of the holding transacted (under 50 acres, 50 to 100 acres and over 100 acres). A further

TABLE 2: Average price per acre/hectare without entitlements for transactions up to 50 acres (21 hectares).

		Up to 50 acres (21 ha) Residential		Up to 50 acres (21 ha) Non-residential	
		€per acre	€per ha	€per acre	€per ha
Dublin	2010	n/a	n/a	n/a	n/a
	2011	n/a	n/a	n/a	n/a
	2012	n/a	n/a	n/a	n/a
	2013	**12,600**	**31,136**	**9,300**	**22,981**
Rest of Leinster	2010	9,235	22,821	8,085	19,979
	2011	8,685	21,462	8,269	20,434
	2012	8,868	21,914	8,438	20,851
	2013	**10,619**	**26,241**	**9,664**	**23,881**
Munster	2010	8,770	21,672	7,745	19,139
	2011	8,979	22,188	8,016	19,808
	2012	8,752	21,627	8,450	20,881
	2013	**10,313**	**25,484**	**9,098**	**22,482**
Connaught/Ulster	2010	6,825	16,865	6,145	15,185
	2011	6,955	17,187	6,321	15,620
	2012	6,926	17,115	5,953	14,710
	2013	**6,929**	**17,122**	**5,773**	**14,266**

Source: Society of Chartered Surveyors of Ireland

distinction is made between land sales, which can include or exclude a residential dwelling. Sales are also differentiated according to whether the transaction included or excluded associated single farm payment (Common Agricultural Policy subsidy) entitlements.

Sales up to 50 acres (21 hectares)

Table 1 indicates that, for transactions with and without a residential holding including entitlements and involving less than 50 acres (21 hectares), land sales prices increased across all regions in 2013. The largest increase was seen in the Munster region, where the average selling price increased by 24% in 2013 relative to 2012 for land with no residental holding and by 14.3% for land with a residental holding. The selling price for land with and without a residential holding in the rest of the Leinster region also increased in 2013, but not by as much as the increase in Munster. While the price in Connaught/Ulster remained below that of other regions, there was a substantial improvement in the price of land for sale without a residential dwelling in this region. This may reflect expectations of an increase in the value of entitlements per acre/hectare in this region as a result of the CAP reform.

Table 2 shows the breakdown of selling prices by region for transactions of less than 50 acres (21 ha) with and without a residential holding, but

SOCIETY OF CHARTERED SURVEYORS IRELAND

MEMBERS' VIEWS

Sales price of agricultural land

Primarily driven by the dairy farming sector, the sales prices of agricultural land have risen in 2013. According to SCSI members surveyed, there was significant growth in agricultural land prices across all regions. Most significant increases were noted in the Leinster and Munster regions.

"Sales prices have been achieving in excess of guide prices. This is mainly driven by dairy farmers and the projected removal of milk quotas, which means that more productive land portfolios are needed, e.g., farmers are expanding for higher productivity."

Trevor McCarthy

SCSI Rural Professional Group Chair, Munster Region.

"Land values will continue to grow, but not to Celtic Tiger levels. The main investors are farmers who are expanding and the ending of milk quotas is driving consolidation and expansion."

Michael Boyd **SCSI South East Leinster Region Chair.**

"Activity in the land market is likely to pick up in the western region given the re-balancing of the Single Farm Payment entitlements which will take hold across the country."

Gerard O'Toole, **SCSI Western Regional Branch Chair.**

Rental prices

"Banks have been backing farmers over the last 12 months and 'they can see where it is going', e.g., two or three banks may offer money to farmers for land on their immediate areas. Farms are being mainly bought by local and national famers. There is little international investment, but UK farmers have been looking and may buy in the future as land prices are increasing in the UK."

Trevor McCarthy

SCSI Rural Professional Group Chair, Munster Region.

TABLE 3:
Average price per acre/hectare with entitlements for transactions above 50 acres (21 hectares).

		50-100 acres (21 to 42ha) Non-residential		Over 100 acres (over 42ha) Non-residential	
		€per acre	€per ha	€per acre	€per ha
Rest of Leinster	2010	11,700	28,912	10,430	25,773
	2011	10,900	26,935	10,067	24,877
	2012	11,454	28,304	10,772	26,619
	2013	**11,321**	**27,975**	**10,183**	**25,163**
Munster	2010	10,655	26,330	9,325	23,043
	2011	10,916	26,975	9,659	23,868
	2012	10,688	26,411	9,794	24,202
	2013	**9,455**	**23,364**	**9,018**	**22,284**
Connaught/Ulster	2010	8,365	20,671	7,525	18,595
	2011	6,921	17,102	6,288	15,538
	2012	7,169	17,715	6,320	15,617
	2013	**7,000**	**17,298**	**5,500**	**13,591**

Source: Society of Chartered Surveyors of Ireland

TABLE 4: Average price per acre/hectare without entitlements for transactions above 50 acres (21 hectares) with a residence.

		50-100 acres (21 to 42ha) Residential		Over 100 acres (over 42ha) Residential	
		€per acre	€per ha	€per acre	€per ha
Rest of Leinster	2010	11,450	28,294	10,020	24,760
	2011	10,261	25,356	9,375	23,166
	2012	10,300	25,452	9,400	23,228
	2013	**10,812**	**26,717**	**9,664**	**23,880**
Munster	2010	10,210	25,229	8,935	22,079
	2011	10,807	26,704	9,674	23,905
	2012	10,625	26,255	9,896	24,454
	2013	**10,417**	**25,741**	**9,669**	**23,893**
Connaught/Ulster	2010	7,990	19,744	6,835	16,890
	2011	6,608	16,329	5,721	14,137
	2012	6,663	16,465	5,938	14,673
	2013	**7,321**	**18,090**	**5,420**	**13,393**

Source: Society of Chartered Surveyors of Ireland

which did not involve the sale of entitlements. These data show a broadly similar trend of increasing prices in the case of Munster and the rest of Leinster, as found in the case of sales that included entitlements. However, in the case of Connaught/Ulster land sales prices involving a residential holding were relatively unchanged in 2013 in the previous year.

In Leinster, the average price for residential land up to 50 acres with entitlements rose from €9,768 in 2012, to €11,132 per acre in 2013. The survey revealed similar trends in Munster, where the price per acre for residential land up to 50 acres with entitlements rose by 14.3% (from €9,954 in 2012, to €11,378 per acre in 2013).

For land without entitlements, respondents noted an increase of similar levels in the Leinster and Munster regions. However, prices in Connaught/Ulster region remained stable or decreased marginally.

Prices for non-residential land without entitlements in Leinster were, by and large, the highest in 2013 in comparison to other regions. However, members recorded slight falls in prices in Connaught/Ulster.

Sales of over 50 acres (21 hectares) and over 100 acres (42 hectares)

Table 3 shows the selling price for more medium sized and larger land area transactions taking place with entitlements and which did not involve a residential holding. In contrast to the smaller land transactions presented in Table 1 and Table 2, price movements were negative in 2013, with the biggest percentage drop occurring in the case of larger (over 100 acres/42 ha) sales in the Connaught/Ulster region. This represents the continuation of a trend evident in the data since 2010.

Munster and the rest of Leinster also saw land price reductions in 2013 for medium and larger-sized transactions without a residential holding with entitlements, but the decrease was less pronounced than in the case of Connaught/Ulster.

Tables 4 and 5 present data on the selling price without entitlements for medium and larger sized transactions with and without a residential holding. Interestingly, the price per acre/hectare in the case of some of these transactions is higher than in the case where the transactions include the entitlement value. Average prices for residential land without entitlements increased in Leinster slightly. Respondents in Munster noted a minor price decrease for residential plots without entitlements of 50-100 acres (21-42 ha) and over 100 acres (over 42ha).

Land rental prices

Table 6 tracks the development in land rental prices over the last four years across the regions. In general, the trend in land rental prices

TABLE 5: Average price per acre/hectare without entitlements for transactions above 50 acres (21 hectares) without a residence.

		50-100 acres (21 to 42ha) Non-residential		Over 100 acres (over 42ha) Non-residential	
		€per acre	€per ha	€per acre	€per ha
Rest of Leinster	2010	n/a	n/a	n/a	n/a
	2011	n/a	n/a	n/a	n/a
	2012	n/a	n/a	n/a	n/a
	2013	**10,052**	**24,839**	**9,429**	**23,300**
Munster	2010	n/a	n/a	n/a	n/a
	2011	n/a	n/a	n/a	n/a
	2012	n/a	n/a	n/a	n/a
	2013	**10,963**	**27,091**	**10,356**	**25,591**
Connaught/Ulster	2010	n/a	n/a	n/a	n/a
	2011	n/a	n/a	n/a	n/a
	2012	n/a	n/a	n/a	n/a
	2013	**7,750**	**19,151**	**6,250**	**15,444**

Source: Society of Chartered Surveyors of Ireland

has been upward across all the regions. Tillage land continues to rent at higher prices than land for grazing/silage in Munster and the rest of Leinster. The differential between grazing/silage land and tillage land rental prices is less pronounced in Connaught/Ulster, but this may merely reflect the fact that there is relatively little land under tillage in this region and therefore less competition for this type of land.

Connaught/Ulster was the only region where decreases in rents were observed. Rental prices for land allocated to tillage fell by 2.3%, and land specific for sugar beet/maize/beans, etc., fell by 3.8% between 2012 and 2013. The most notable increase in rental prices across all regions was in Munster, where land for grazing rose in price by 13%. The significant hikes in rents for grazing-only land reflect the strong demand amongst dairy farmers to expand and increase productivity.

Volume of land sold

Table 7 shows the volume of land transacted in 2012 and 2013. Total acreage transacted from year end in 2012 to year end in 2013 rose in all regions, bar the capital. Dublin was the only region where members recorded a decrease of 1.4% in 2013.

The most significant increase was observed in Connaught/Ulster region, where those surveyed noted an increase of 43.7% in total volume of land transacted last year. This was followed by Munster, where the increase was 22.5%. The increase which took place in the rest of Leinster was only marginal.

TABLE 6: Agricultural land rental price per acre/hectare.

		Grazing/ meadowing/ silage		Grazing only		Tillage – wheat, barley, oats, etc.		Sugar beet, maize, beans, etc.	
		€acre	€ha	€acre	€ha	€acre	€ha	€acre	€ha
Rest of Leinster	2010	130	321	121	299	135	334	154	381
	2011	142	351	132	326	155	383	184	455
	2012	143	353	134	331	160	395	184	455
	2013	**156**	**385**	**143**	**353**	**175**	**432**	**198**	**489**
Munster	2010	138	341	124	306	153	378	159	393
	2011	155	383	142	351	171	423	176	435
	2012	159	393	142	351	178	440	180	445
	2013	**169**	**418**	**161**	**398**	**192**	**474**	**195**	**482**
Connaught/Ulster	2010	121	299	109	269	137	339	139	343
	2011	117	289	114	282	137	339	125	309
	2012	128	316	119	294	133	329	132	326
	2013	**138**	**341**	**128**	**316**	**130**	**321**	**127**	**314**

Source: Society of Chartered Surveyors of Ireland

TABLE 7: Volume of land transacted by region.

Region	Year	Transacted acre	Transacted ha
Dublin	2012	563	228
	2013	**555**	**225**
Rest of Leinster	2012	380	154
	2013	**399**	**161**
Munster	2012	356	144
	2013	**436**	**176**
Connaught/Ulster	2012	258	104
	2013	**371**	**150**

Overview of Irish agriculture by region

While there are not dramatic differences in climactic and agronomic conditions across Ireland, there are differences in the importance of different agricultural production systems at a regional level that are likely to be reflected in both demand for and supply of agricultural land for sale and rent. The differences in the nature of agricultural activity in different regions in part will be reflective of underlying soil and other physical characteristics.

The Census of Agriculture is conducted every 10 years by the Central Statistics Office that provides detailed information on the regional pattern of agricultural activity. Regional accounts for agriculture are also produced on an annual basis and this allows us to see regional differences in agricultural output and incomes. Though Census of Agriculture data is available at an electoral division scale here, we present information at NUTS III scales that correspond somewhat with

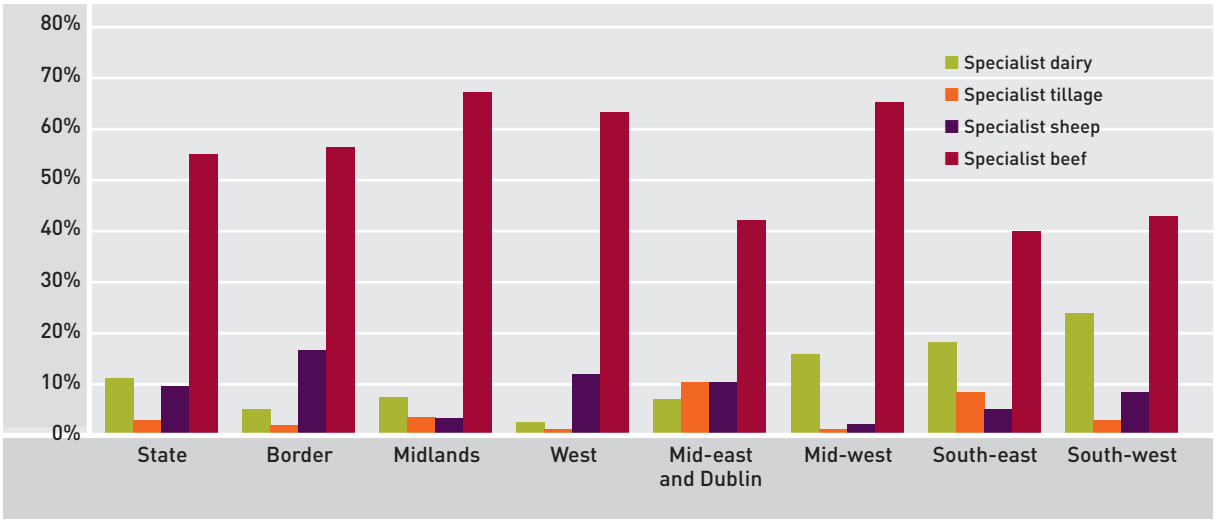

FIGURE 10: **Prevalence of farm type by NUTS III region.**
Source: CSO Census of Agriculture 2010

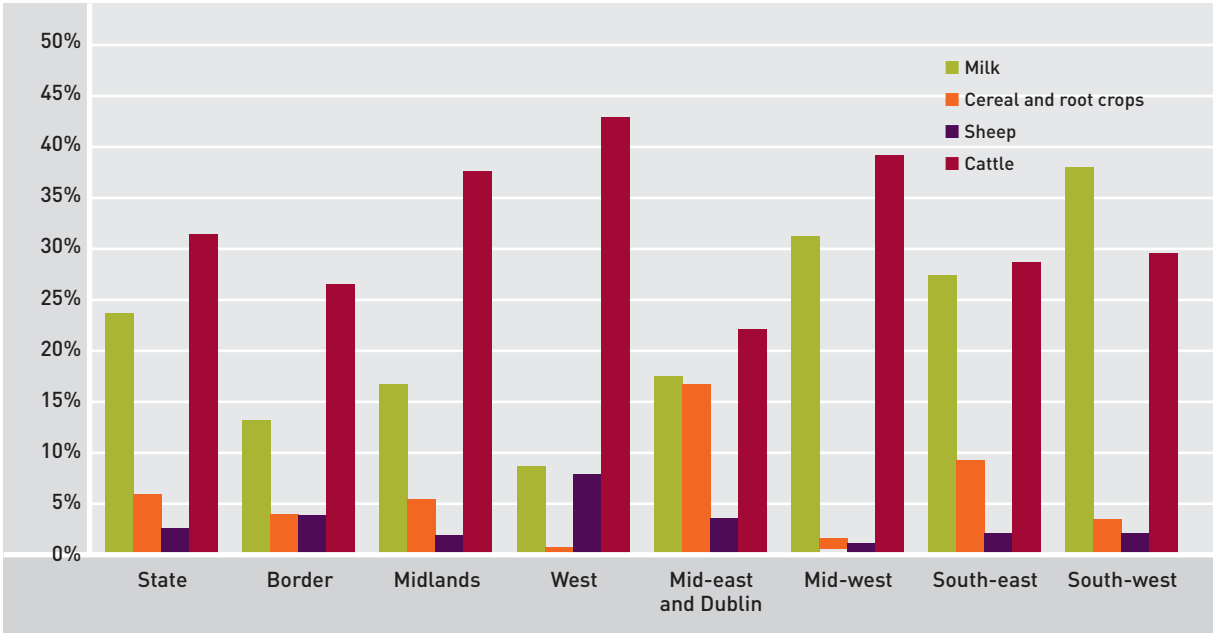

FIGURE 11: **Agricultural output at producer prices 2012 shares by NUTS III region.**
Source: CSO Regional Account for Agriculture 2012

FIGURE 12: **Subsidies as a share of agricultural sector income in 2012 by NUTS III region.** *Source: CSO Regional Account for Agriculture 2012*

the regions used in the SCSI survey of agricultural land markets and the aggregation used in the Regional Accounts for Agriculture.

The importance of different farm types (and associated land uses) differs regionally. In all regions, farms classed as specialist beef production account for at least 41% of farms, with the proportion highest in the midlands (68%) and lowest in the south east (41%). The regional importance of dairying and tillage farming vary importantly by region. In the south west (Cork and Kerry), close to 25% of all farms are 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 10% of farms are specialist tillage farms.

The importance of different farm types by region is reflected in the different makeup of the agricultural output produced across the regions of Ireland, see **Figure 11**. The importance of cattle output is relatively constant across all regions (varying between 29% and 43%), however the importance of milk and cereal and root crop output varies across the NUTS III regions. The importance of dairying is highest in the mid-west, south east, and south west regions.

The differing regional importance of dairying and tillage output is also reflected in the differences in the importance of income subsidies in total agricultural sector income by region. Regions that are more dependent on dairying in terms of agricultural output derive less of their farm income from subsidies, this reflects the higher profitability of milk and tillage production systems, when compared with drystock. Income subsidies accounted for over 70% of agricultural sector income in 2012 with the share lowest in the south west region at 49% and highest in the midlands at 128%.

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The Society of Chartered Surveyors Ireland (SCSI) land price data is based on 351 survey responses from SCSI members around the country. The data analysis was undertaken by Amarach Research Consultants on behalf of the SCSI.

Society of Chartered Surveyors Ireland

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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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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