

SOCIETY OF CHARTERED SURVEYORS IRELAND / TEAGASC

LAND MARKET REVIEW AND OUTLOOK

2016



Word cloud containing terms: agricultural, land, market, prices, rental, per, respondents, average, farmers, chartered, sector, region, area, eu, forestry, farms, farm, farmland, leinster, higher, values, ireland, figure, residence, also, dublin, agriculture, active, increase, rents, demand, without, survey, likely, price, increased, acre, surveyors, lands, production, expecting, impact, brexit, connought/ulster, irish, munster, milt, and others.



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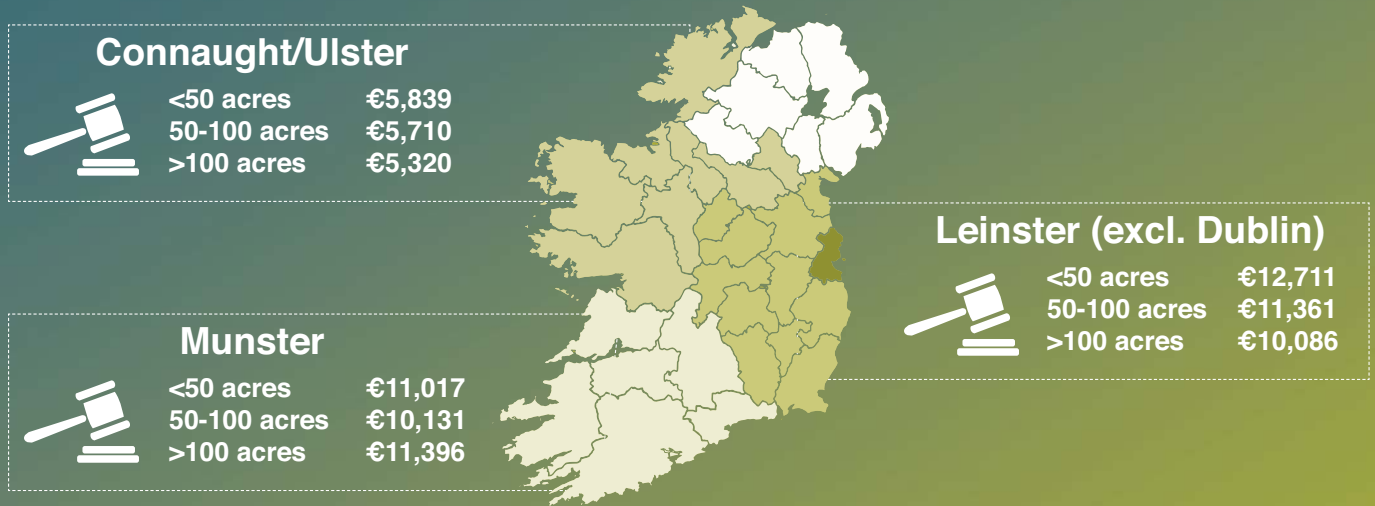
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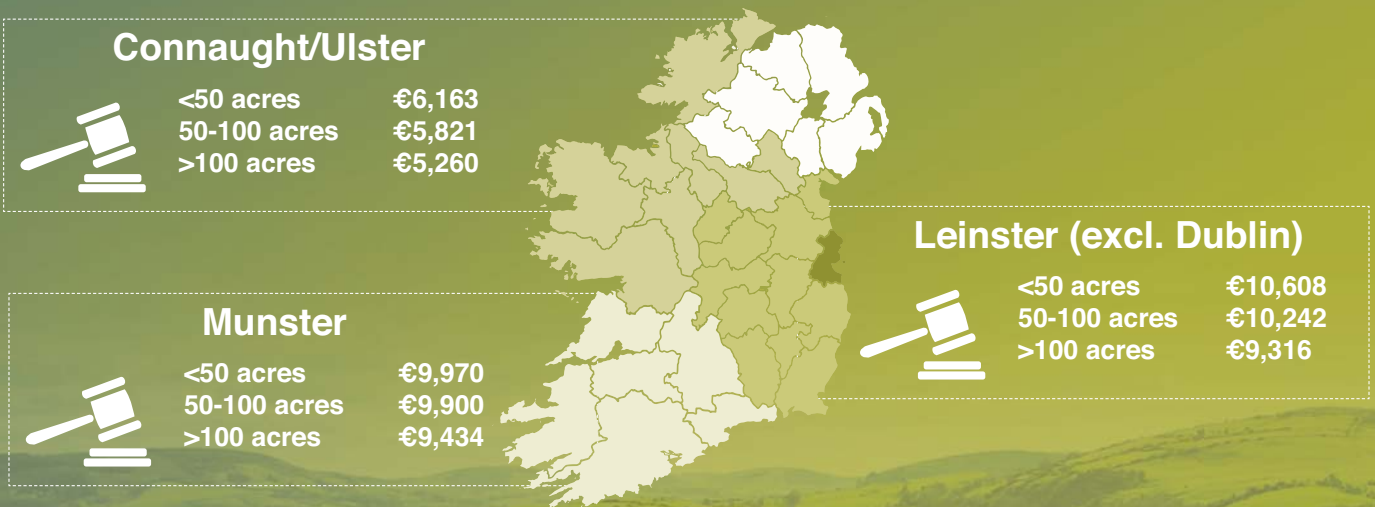
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Regional Sale and Rental Prices Per Acre 2015

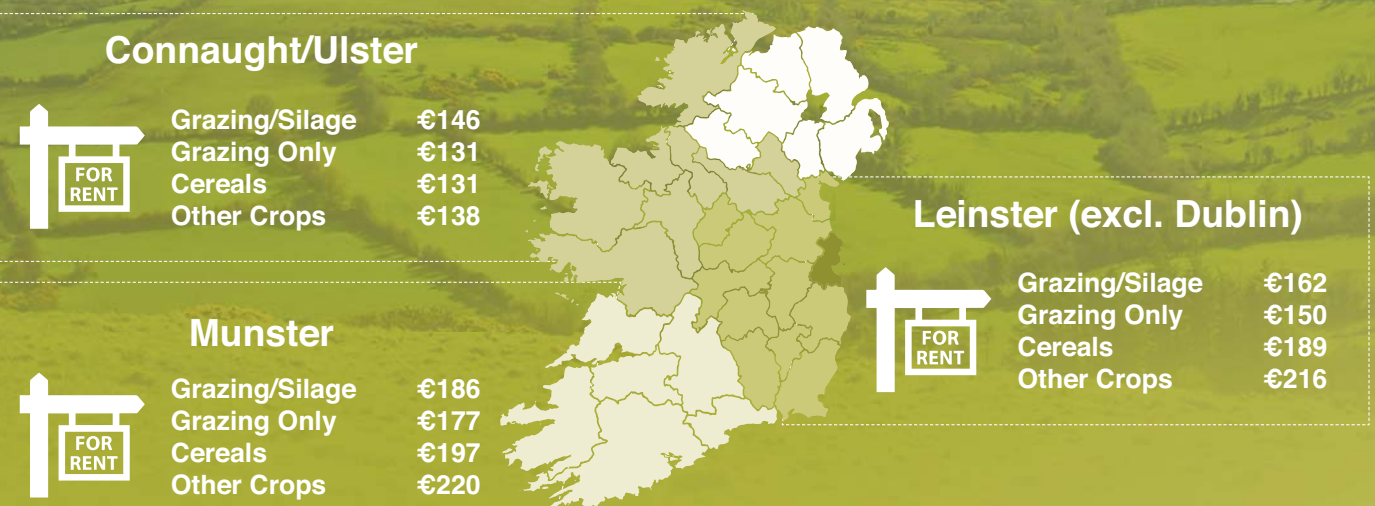
Selling price per acre in 2015 for land transactions that include a residence



Selling price per acre in 2015 for land transactions that exclude a residence



Rental price per acre for land in 2015



Introduction

We would like to welcome you to the Society of Chartered Surveyors Ireland/Teagasc Land Market Review and Outlook 2016.

This is the third in a series of annual reports on the state of the land market produced by the Society of Chartered Surveyors Ireland (SCSI) and the Agricultural Economics and Farm Surveys Department of Teagasc.

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

The price paid to purchase or rent agricultural land will be affected by a whole range of economic (and non-economic) factors. Therefore, those contemplating the sale or the purchase of land or the renting of land need to possess a good understanding of the current state of both Irish agriculture and the agricultural land market in Ireland.

The report provides a regional breakdown of sale and rental transactions for different 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.

In Ireland the land rental market is becoming increasingly important in achieving increased land access, particularly for those farmers who are unable to purchase land. This year's report includes a feature on the operation of the land rental market in Ireland and in a number of EU member states.

In this year's report we expand the coverage of the survey to include forestry land. The report also includes a special feature on the likely availability of forestry land in the future.

Also included in this year's report is a special section on the potential implications of Brexit for Irish Agriculture and related to this the possible implications this might have for the land sales and land rental market in the short and medium term.

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



Paul Good FSCSI FRICS
SCSI Rural Agency Chairperson



Professor Gerry Boyle
Director, Teagasc



Agriculture Sector in Ireland 2015



Dairy farms utilise about $\frac{1}{4}$ of the grassland in Ireland

Milk Prices

22%



56% farms classed as specialist beef production

Beef farming occupies $\frac{2}{3}$ of the grassland area in Ireland

Beef Prices

9-15%



16% of agricultural land are rented



€4.5BN

Irish Agri-Exports destined for the UK

Brexit could mean a reduction in the value of Irish agri-food exports of between **€150m** and **€800m**



11% of the land area in Ireland is in forestry

11%

Approx **0.43m HA** with significant potential for forestry



The Agricultural Land Market

47%

Chartered Surveyors expecting the area of land for sale to increase during 2016

38%

Expecting rental transactions to increase in 2016

55%

Chartered Surveyors expecting an increase in the volume of sale transactions in 2016

61%

Chartered Surveyors said measures introduced in Budget 2015 had either a moderate or significant impact on transactions with long term leases

Key findings

Agriculture in 2015 and the Outlook for 2016

The economic performance of the Irish agricultural economy from year to year is affected by developments in input and output prices, changes in the volumes of inputs used and output produced and changes in agricultural policy relating to income support subsidies. In 2015 excellent weather and lower costs of production for most farming activities were important determinants of the outturn for incomes in the sector. Prices for beef improved, sheep prices remained steady, tillage prices remained low and while the price of milk fell substantially, the removal of the milk quota allowed farmers to increase milk production.

In 2016, dairy incomes are likely to be adversely affected by low milk prices, even though milk production will increase further. Beef and sheep prices are expected to decline in 2016 due to the forecast weakness of the pound sterling and increased supplies of beef in 2016.

Cereal prices are forecast to improve slightly on the 2015 level, but, as ever, the level of harvest yields will be critical in determining income outturn for tillage farmers in 2016. Input costs are set to remain relatively stable.

Agricultural Land Market in 2015

It is difficult to draw general conclusions with respect to developments in agricultural land sales price and land rental charges in the latest SCS1 survey of Irish agricultural land markets. The story of how prices developed in 2015 relative to 2014 differ across the regions. There are also notable differences in the inter-annual trend depending on whether or not land was sold with or without a residence.

The region showing the strongest price performance was Leinster, where prices were up on the 2014 level across most sale categories. The same can also be said for Munster with sales prices generally increasing, but not by as much as in Leinster. By contrast prices in the Connaught/Ulster region showed a decline across most sales categories with only prices for transactions of less than 50 acres that included a residential increasing in 2015.

The evidence from the 2015 SCS1/Teagasc survey reinforces a trend of recent years, with an increasing divergence in price

between agricultural land sold in Connaught/Ulster and land sold elsewhere in Ireland.

In terms of rental charges, a decrease in prices in 2015 relative to 2014 was observed in Munster and Leinster, while rental charges increased in Connaught/Ulster. The trend in prices in the rental market is therefore opposite to that observed in the land sales market.

Land Rental Market Internationally

This year's report includes a focus on the agricultural land rental market across the EU in comparison with Ireland. The analysis identifies Ireland as being a country with a relatively low share of agricultural land in rental agreements. The findings show that there are wide differences in the relative importance of the rental market between closely situated Western European countries. Ireland, the Netherlands and the United Kingdom have relatively low rental shares while France and Belgium have a much higher dependence on the land rental market. A similar pattern is evident in Eastern Europe where a strong contrast is found between Poland and the neighbouring countries such as the Czech Republic and Slovakia.

Land in Forestry

This year's report expands the coverage of the survey to include details on the price of forestry land and the specific characteristics of the forestry land sold in Ireland in 2015. The report also includes a summary of research that identifies the location of the most suitable land for future afforestation in Ireland.

Brexit Fears

Concerns regarding a possible Brexit are already affecting agricultural markets. Sterling has weakened considerably in the first quarter of 2016, following the announcement of a Brexit referendum. This is having a negative impact on the value of Irish agri-food exports to the UK, Ireland's main agri-food export market. The current weakness of sterling could be reversed if the Remain side win the Brexit vote. Alternatively if the Leave side wins out, a protracted period of economic uncertainty in the UK will follow, with short term to medium term adverse consequences for the Irish agri-food sector.

Irish agriculture sector

This section reviews the performance of Irish agriculture in 2015 and looks at prospects for 2016. 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 in Ireland

Excellent weather for agricultural production was a feature of 2015 in Ireland. This meant that growing conditions were generally better than normal and this boosted both grass growth and cereal yields. On a per unit of output basis, grassland input expenditure declined in 2015, aided by the general deflation in commodity prices, particularly crude oil, which made for lower, fertiliser and fuel and electricity prices.

However, milk producers experienced a major price drop, which was offset by the capacity to increase milk production following the elimination of the milk quota. Milk prices fell by 9 cent per litre, while production expanded by 13% on the average farm, relative to the 2014 level. Overall, dairy margins per litre declined only marginally in 2015.

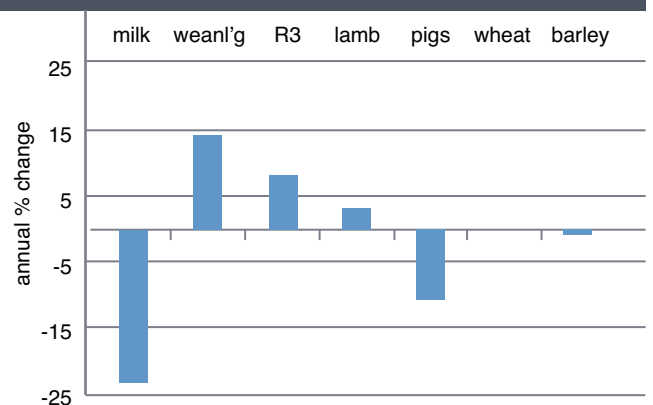
Beef finishers and suckler farmers experienced an increase in output prices and a drop in production costs in 2015 and a significant improvement in margins. Sheep farmers saw their margins improve slightly in 2015 as their costs of production decreased, while lamb prices remained steady compared with 2014.

Cereal yields were again above normal in 2015, but cereal prices were down as global cereal supplies continued to increase in the aftermath of successively good global harvests. Consequently, cereal margins declined for nearly all crops in 2015.

Key commodity price changes in 2015 compared with 2014 are shown in Figure 1.

With an assumption of normal weather in 2016, there should be no significant change in feed bills for all grassland enterprises. Stable fertiliser prices and stable fertiliser usage should lead to no increase in fertiliser expenditure in all grassland systems in 2016. Tillage producers will experience a slight increase in fertiliser prices in 2016. A further small decline in fuel and electricity prices is forecast in 2016.

Figure 1: Change in Output Prices 2015 vs. 2014



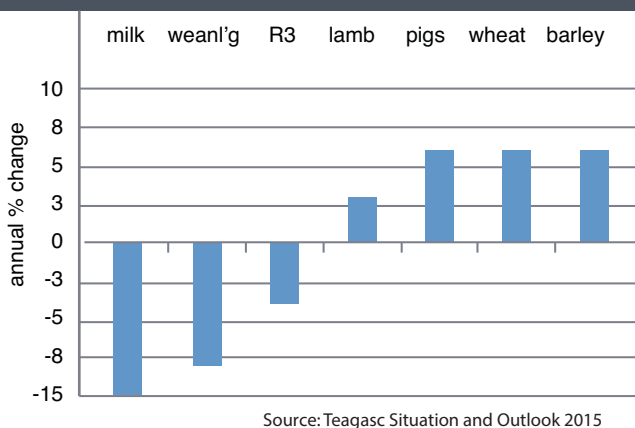
Source: Teagasc Situation and Outlook 2015

For the year as a whole, milk prices are expected to be lower than in 2015, as the period of international dairy market weakness extends into the second half of 2016. Other things being equal this would lead to a fall in dairy margins, but this may be offset to a degree by further increases in Irish milk output. Beef prices are forecast to fall in 2016, partly due to sterling weakness, but more generally due to increased beef supplies in the EU. Costs of production should remain relatively unchanged, and therefore margins should be down for all beef systems. Sheep prices are not expected to improve in 2016 over the 2015 level due to the strengthening of the euro. When stable lamb prices are combined with a minor reduction in production costs, this would be expected to lead to marginally higher sheep margins.

Cereal prices for 2016 will depend on stock developments, which in turn will depend on the size of the global harvest. On balance 2016 should not be as good in global production terms as the previous two years, which would push cereal prices upwards. Overall costs on cereal farms look set to increase very slightly. If yields revert to normal levels, then cereal margins in 2016 should be slightly improved on 2015 levels.

Forecast commodity price changes for 2016 obtained from the Teagasc Situation and Outlook 2015 are shown in Figure 2. Given the recent weakening of the sterling euro currency exchange rate, the price outcomes in 2016, in particular for milk, cattle and lamb prices, are likely to be weaker than forecast in December 2015.

Figure 2: Forecast Change in Output Prices 2016 vs. 2015



Dairy

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

Milk prices moved into decline through 2015, with the price for the year as a whole estimated to be 30 cent per litre. Production increased by 13% due to the elimination of the milk quota, mainly through the addition of dairy cows and partially due to higher milk yields. Estimating the change in production costs on dairy farms in 2015 is particularly difficult due to the large increase in milk production, which, although requiring the use of more inputs, will have diluted some cost items. Accurate results will only become available when the Teagasc National Farm Survey for 2015 is released.

Dairy markets are expected to remain depressed for much of 2016. The recent weakness of sterling versus the euro will reduce the competitiveness of Irish dairy exports to the important UK market and may exacerbate the fall in milk prices observed in 2015. It is forecast that milk price will decline by around 15% bringing the annual average milk price below 27 cent per litre. It remains to be seen whether dairy processors will be willing to subsidise prices to keep them above the level that would be reflected by market supply and demand conditions.

Further increases in Irish milk production may, where profitable, limit the fall in individual dairy farm incomes, resulting from continuing low milk prices.

Cattle

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

Prices for beef animals increased strongly in 2015, with weanling and store prices (up 15%) increasing by more than prices for finished cattle (up 9%). The direct costs of production on all cattle farms fell in 2015 due to lower feed, fertiliser and fuel expenditure.

Margins on *Single Suckling* enterprises are estimated to have increased by 37% when compared with 2014. Average gross margin per hectare on Single Suckling enterprises is estimated to have been €464 per hectare in 2014.

Cattle Finishing enterprise output value increased in 2015 largely due to higher prices of finished cattle sold off the farm. The large increase in output value per hectare on Cattle Finishing enterprises was aided by a reduction in direct costs of production. Gross margins per hectare for Cattle Finishing enterprises in 2015 are estimated to have increased by 33% when compared with 2014. In

2015 the gross margin earned on Cattle Finishing enterprises was €418 per hectare.

The global and EU outlook for beef prices in 2016 is not as good as in 2015. The weakening of sterling against the euro will further disadvantage the sector. Irish finished cattle prices are forecast to decrease by 7% in 2016 relative to the 2015 level. Young cattle prices are forecast to fall in line with finished cattle prices. Direct costs of production are set to remain relatively unchanged in 2016.

Compared with 2015 margins on Single Suckling and Cattle Finishing enterprises in 2016 will decline. In 2016 gross margins per hectare on Single Sucking enterprises are forecast to decrease by 15% to €397 per hectare. Lower young cattle prices moderate the impact of the forecast deterioration in finished cattle prices to leave forecast gross margins on Cattle Finishing enterprises 11% lower in 2016, at €370 per hectare.

Sheep

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

In 2015 lamb prices in Ireland are estimated to have been on average 2% higher than in 2014. Costs of production for Irish mid-season lowland lamb enterprises declined marginally, due

to lower input prices. Gross margins per hectare for Irish mid-season lowland lamb producers are estimated to have increased in 2015. In 2015 gross margins per hectare on mid-season lowland enterprises are estimated to be €700 per hectare.

With minor declines in costs of production in 2016 and stable output value, gross margins for mid-season lowland lamb enterprises in 2016 are forecast to remain largely unchanged compared to 2015.

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.

In 2015, final prices received by farmers were up only marginally on the 2014 level, and yields were broadly in line with 2014. Direct costs of production on cereal farms decreased slightly in 2015 compared to 2014. There was a small increase in the gross margins on nearly all cereal crops in 2015. It is estimated that the average cereal enterprise on specialist tillage farms returned a slightly negative net margin in 2015.

In 2016, cereal prices are expected to be a little higher than in 2015 and costs of production on cereal farms in 2016 are expected to be on a par with 2015. The net effect of a small increase in output value, a reversion to trend yields, and stable direct costs, is that the 2016 forecast for gross margins for most cereals is for a very small increase over 2015 gross margins.



Land Sales & Land Rental Market 2015

Each year SCSi conducts a survey of its chartered surveyors (auctioneer) members to collect data on agricultural land sales and rents, together with their views on the market. This is further supplemented by interviews with members located throughout the country. This section of the report is based on the outputs from the survey and the interviews with members. A more detailed analysis of the survey data is contained in the appendix to this report.

Agricultural land values in Ireland 2015

€ per acre and annual percentage change; based on land with no entitlements

	Leinster (excl Dublin)		Munster		Connaught/Ulster	
	With a residence	Without a residence	With a residence	Without a residence	With a residence	Without a residence
Up to 50 acres	€12,711 ↑15%	€10,608 ↑9%	€11,017 ↑3%	€9,970 ↑3%	€5,839 ↓6%	€6,163 ↑10%
50-100 acres	€11,361 ↑4%	€10,242 ↑1%	€10,131 ↓3%	€9,900 ↑<1%	€5,710 ↓8%	€5,821 ↓7%
100+ acres	€10,086 ↑4%	€9,316 ↓1%	€11,396 ↑11%	€9,434 ↑2%	€5,350 ↓5%	€5,260 ↓10%

Source: Agricultural Land Survey 2016

A mixed performance for the agricultural land market in 2015, with a decline in interest from dairy farmers and fewer cash buyers

The most significant development in recent years in the agricultural land market has been the ending of the EU milk quota system in 2015. Irish farmers have been preparing for this eventuality for some time, with many looking to take advantage of this by getting into dairying for the first time or expanding existing dairy farming operations. To a large extent, this has been a key driver of demand for agricultural land in recent years. However, while this was a motivating factor for some buyers during the first half of 2015, it was far less influential than has been the case in previous years. Many chartered surveyors stated that the decline in milk prices during the latter half of 2015 led to considerably less interest in this area.

Added to this, some chartered surveyors suggested that demand from cash buyers and those with large amounts of equity

slowed considerably in 2015. In particular, the windfall gains farmers and landowners received from selling land with “hope value”/development potential during the property boom and from compulsory purchase orders to facilitate the construction of national infrastructure projects has now washed through the system.

Many chartered surveyors, therefore, characterised 2015 as a year of two halves, with market activity stronger in the first half of the year relative to the second half. This resulted in chartered surveyors providing mixed views on the overall performance of the market in 2015: 38% of survey respondents said that the volume of agricultural farmland sold remained unchanged compared to 2014, while 31% said it had increased and 22% said it had decreased (9% don't know / not sure). The view on the volume of agricultural land leased was somewhat similar, with 39% stating it had not changed compared with 2014, 25% stating it had increased and 19% stating it decreased (17% don't know / not sure).

Land values in Leinster and Munster, on the whole, see some moderate uplift in values, while values in Connaught/Ulster mostly declined for the second year running

Agricultural lands up to 50 acres in Leinster recorded growth of between 9% (without a residence) and 15% (with a residence) in 2015, while larger land holdings experienced much more modest changes, ranging from a fall of just 1% to an increase of 4%. This follows on from 2014 when prices were relatively static. Prices for farm holdings of up to 50 acres in Leinster are now between 31% (without a residence) and 38% (with a residence) higher than they were in 2010.

Lands in Munster recorded mostly small price increases in 2015, rising by 3% for lands up to 50 acres (both with and without a residence), slightly less than the growth rates experienced in 2014 (4% with a residence, 6% without a residence). The notable exception was lands greater than 100 acres with a residence, which increased by 11% in 2015, an acceleration of the 6% increase recorded in 2014. While smaller land holdings (up to 50 acres) and large land holdings (100+ acres) in Munster recorded growth rates of between 22% and 29% over the five year period since 2010, prices for land holdings of between 50 and 100 acres in Munster in 2015 experienced comparatively more modest growth rates: lands with a residence were relatively unchanged, while lands without a residence increased by a total of 13%.

Prices in Connaught/Ulster mostly declined for the second year running, falling by between 5% and 10% depending on the land

holding size. In stark contrast to the other two regions, prices in Connaught/Ulster are now well below those observed in 2010. The only notable exception is lands up to 50 acres without a residence, which increased by 10% in 2015 and is now more or less on a par with values recorded in 2010.

Contrasting fortunes for agricultural land rental values, with little change in Leinster, some downward pressure in Munster and increases in Connaught/Ulster

Rents in Leinster remained mainly unchanged in 2015 (the exception was other crops (including sugar beet, maize and beans), which increased by 6%), having experienced some uplift in prices during the last two years. Relative to 2010 rents for crop lands are 40% higher, while rents for grazing lands are between 24% and 25% higher.

Following on from a year of very strong growth in 2014, rental values in Munster fell by between 2% and 4% for grazing lands and by between 4% and 9% for crop lands. However, rents in Munster are still between 29% and 43% higher than recorded in 2010.

Again in contrast to the other two regions, Connaught/Ulster saw some growth in rental values in 2015 across the board. The largest increases recorded were for grazing lands, rising by between 7% and 8%. While rents for crop lands rose by between 2% and 6% in 2015, they are still just below the average level recorded in 2010.



There is a lack of good quality farms on the market, with the recent poor weather having an impact on supply in some areas

Despite 47% of chartered surveyors expecting the area of land for sale to increase during 2016, many believed that there was a shortage of good quality farms, particularly large farms, available to buy. Some chartered surveyors operating in areas affected by the winter flooding towards the end of 2015 and beginning of 2016 said that this had contributed to the delay in lands coming to the market as they were not suitable for marketing purposes. However, it was also suggested that this meant some landowners affected by the flooding were looking to acquire lands temporarily to meet their more immediate needs over the short-term.

New entrants into farming are more likely to rent than to buy

Some chartered surveyors suggested there are fewer new/young farmers and small farmers in the market to buy agricultural land than in previous years, primarily as a result of farm incomes coming under considerable pressure since the latter half of 2015 due to the decline in dairy and beef prices. New/young farmers without significant equity available to them are finding it difficult to access finance for purchase and therefore are being pushed into the rental market.

It was also suggested that farmers who debt-financed the expansion of their farms for dairying purposes in recent years in anticipation of the removal of milk quotas are also likely to be experiencing financial difficulties. In some instances, they may be forced to liquidate part/all of their holdings or rent out part of their land to generate a more stable source of income.

There has been an increase in long-term leasing, yet this is resulting in land being taken out of the market to buy/rent for longer time periods

Most chartered surveyors were of the view that there has been an increase in long-term leasing in recent years, with the measures introduced in Budget 2015 seen as further supporting this development: 61% of chartered surveyors that responded to the survey said that these measures had either a moderate or significant impact on transactions with long-term leases in 2015.

While there are clearly benefits to both tenants and landowners in engaging in long-term leases, some chartered surveyors believed that some landowners were still hesitant and were taking time to come around to the idea of leasing out land for longer periods. However, chartered surveyors also suggested that the consequence of longer lease terms meant land was taken out of the market for longer periods, leading to tighter supply in the rental market.

The short-term outlook for the market is overshadowed by political uncertainty and the prospect of Brexit, with the 2016 market getting off to a slow start

The short-term outlook for the market is dominated by concerns over the profitability of the farming sector and whether or not agricultural commodity prices would improve during 2016. This is further compounded by external forces, the unknown potential adverse effects Brexit could have on the Irish economy and agri-food sector.

Many chartered surveyors cited a slow start to the beginning of 2016 and were hoping for an improvement in the latter half of the year, which is typically the busier part of the year for transactions. In fact, more than half (55%) of chartered surveyors responding to the survey were expecting an increase in the volume of sale transactions in 2016. With regard to lettings, expectations were slightly less bullish, with 45% expecting rental transactions to remain unchanged and 38% expecting them to increase.

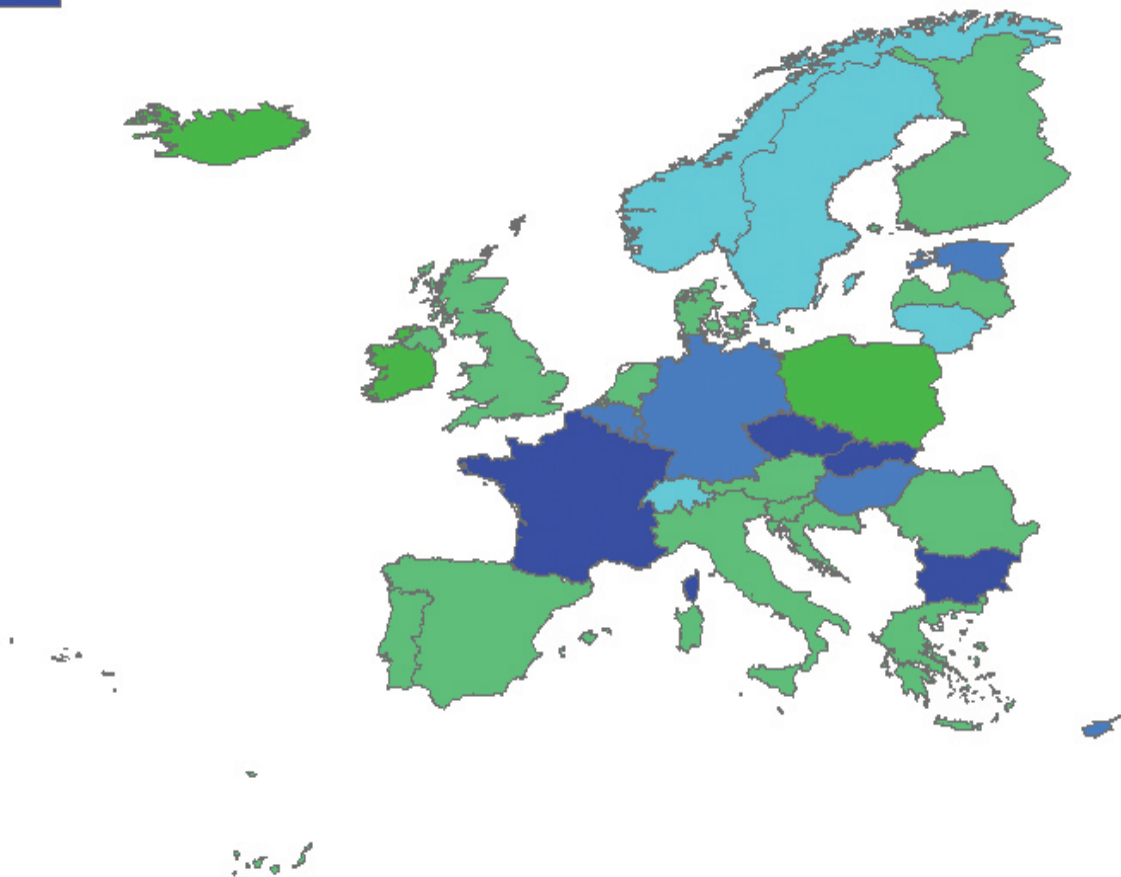
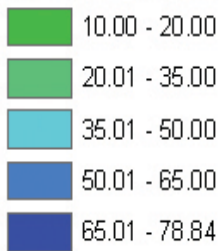
An imbalance between demand and supply could materialise over the medium-term

The medium-term outlook for the agricultural land market was relatively positive, although there were indications that potential imbalances between demand and supply could emerge, particularly in the rental market. Over the period 2016 to 2018, 31% of chartered surveyors responding to the survey expected the supply of land to buy to increase, which compares to 44% that said they believed the demand for land to buy would increase. During the same period, 31% expected the supply of land to rent to increase, while 61% expected the demand for land to rent to increase.

Land Rental Market Internationally

Figure 3: The Share of Utilisable Agricultural Area (UAA) in Rental Agreements across Europe [Source: Eurostat]

Rental Share [Percentage Share of Agricultural Area]



Source: Eurostat (2015)

Eurostat (2015) Censuses of Agriculture dataset ef_mptenure for 2010, Available at http://ec.europa.eu/eurostat/data/database?node_code=ef_mptenure

Agricultural land rental can offer a flexible alternative to land purchase or sale as a way of adjusting farm size. Land rental agreements can also allow some farmers to overcome issues with regard to credit access. In addition, the rental option is likely to involve lower transaction costs relative to the purchase of land.

Figure 3 shows that there is a wide variability in the share of agricultural land being rented in different European countries. Along with Poland and Iceland, Ireland has a particularly low share of agricultural area in rented land, with approximately 16 per cent of the agricultural area being rented.

In a recent paper, Swinnen et al. (2016) explain that the differences between countries are not closely correlated with geographical location. There are large differences between Western European Countries with Ireland, the Netherlands (27 per cent) and Denmark (32 per cent) having much lower rental shares relative to France (78 per cent) and Belgium (63 per cent). In Eastern Europe, there is a sharp contrast between Poland (16 per cent) and the neighbouring countries of the Czech Republic (74 per cent) and Slovakia (79 per cent).

Swinnen et al. also identify large changes in the evolution of rental shares over time. In the Irish case, the share of land rented by farmers was 96 per cent in 1880. This declined to 6 per cent by 1930 and remained close to this level for approximately half a century. The rental share has increased in recent decades but is still well below the European average. The rental share in England has declined greatly over time from approximately 62 per cent in 1950 to 32 per cent in 2010. This trend is also evident from the Netherlands where the rental share has declined from

approximately 56 per cent in 1950 to 27 per cent in 2010. The Netherlands is noted for having the highest farmland prices in Europe. The French SAFER organisation reports however, that the price of land in England and Wales is actually higher than the Netherlands when adjusted for the underlying agricultural income (SAFER 2015, p.21).

An interesting finding from Swinnen et al. is that the share of land rented is positively correlated with the extent of tenant protection regulations. Ireland along with the United Kingdom and Denmark are considered to have relatively liberal regulations with no restrictions on minimum duration, rental prices etc. Swinnen et al. identify Ireland and Denmark as having followed a similar path historically. During the course of the twentieth century, governments in both countries pursued a policy of helping tenants to become land owners. This strategy resulted in a strong shift towards ownership by farmers. By contrast, the French, Dutch and Belgian authorities increased regulations for the protection of tenants resulting in higher demand for rented land which is still very much evident in France and Belgium.

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The Availability of Forestry Land in Ireland

Expanding Ireland's forest area is important, not just for the economic return it could deliver, but also in the content of its capacity to sequester carbon and therefore help Ireland deliver on its climate change commitments at EU level. Currently just 11% of the land area in Ireland is in forestry and the target is to raise that figure to 18% by mid-century. Currently about 7,000 additional hectares of land enter forestry each year. With 750,000 hectares currently under forest in Ireland, this would require an additional 450,000 hectares of forestry.

The question arises - do we have sufficient land resources to facilitate forestry expansion?

Recent research by Teagasc has sought to answer that question (Farrelly and Gallagher, 2015). Of a total national land area of just under 7 million hectares, some 1.49 million hectares (21.3%) of the land area of Ireland can be classified as being biophysically unavailable for afforestation (classified as already in forest, urban, water, road and rail, electricity utilities and buildings).

A further 0.85 million hectares (12.2%) of the land area is considered to be biologically unsuitable for afforestation; being composed of intact raised bogs, fens, sand dunes, coastal complexes, salt marshes, rock outcrops and karst areas or unproductive for commercial afforestation. A further 0.9 million hectares (12.8%) of Ireland's land area falls under various environmental designations and therefore is unlikely to be suitable for forestry.

Within the remaining 3.75 million hectares there is a roughly 2 to 1 split between productive and marginal land, which comprises 2.45 million hectares and 1.3 million hectares respectively (Figure 4). Productive land is the land most suited to a wide range of agriculture (both grassland enterprises and tillage), while marginal land generally has more difficult soils and is typically used for drystock production and to a lesser extent for milk production. The profitability of farming on marginal land is generally below that of productive land.

On examining these productive and marginal land areas, Teagasc research suggests that there are approximately 0.43 million hectares of wet grassland and unimproved land which would have significant potential for forestry. If all of this land was planted with forestry, the area under forestry in Ireland would increase to

17 percent. If this is to occur over the period from now to 2040, then the rate of annual planting will need to increase from 7,000 hectares per year to 17,000 hectares per year.

However, it may be unreasonable to assume that the farmers that hold this land would be willing to plant all of it with forestry. Many farmers that are operating the land on their own are likely to prefer to stay in agriculture. Forestry is a long term investment and may therefore be seen as less attractive from a financial perspective compared with agriculture. Similarly, landowners who may have their land rented or leased out might not see forestry as an immediate alternative to a rental income they currently receive. Finally, the replanting commitment associated with the conversion of land to forestry, requires that land that is converted to forestry must stay in forestry in perpetuity. This may be seen as an unattractive proposition, given that it represents a decision that impacts on future generations of land owners.

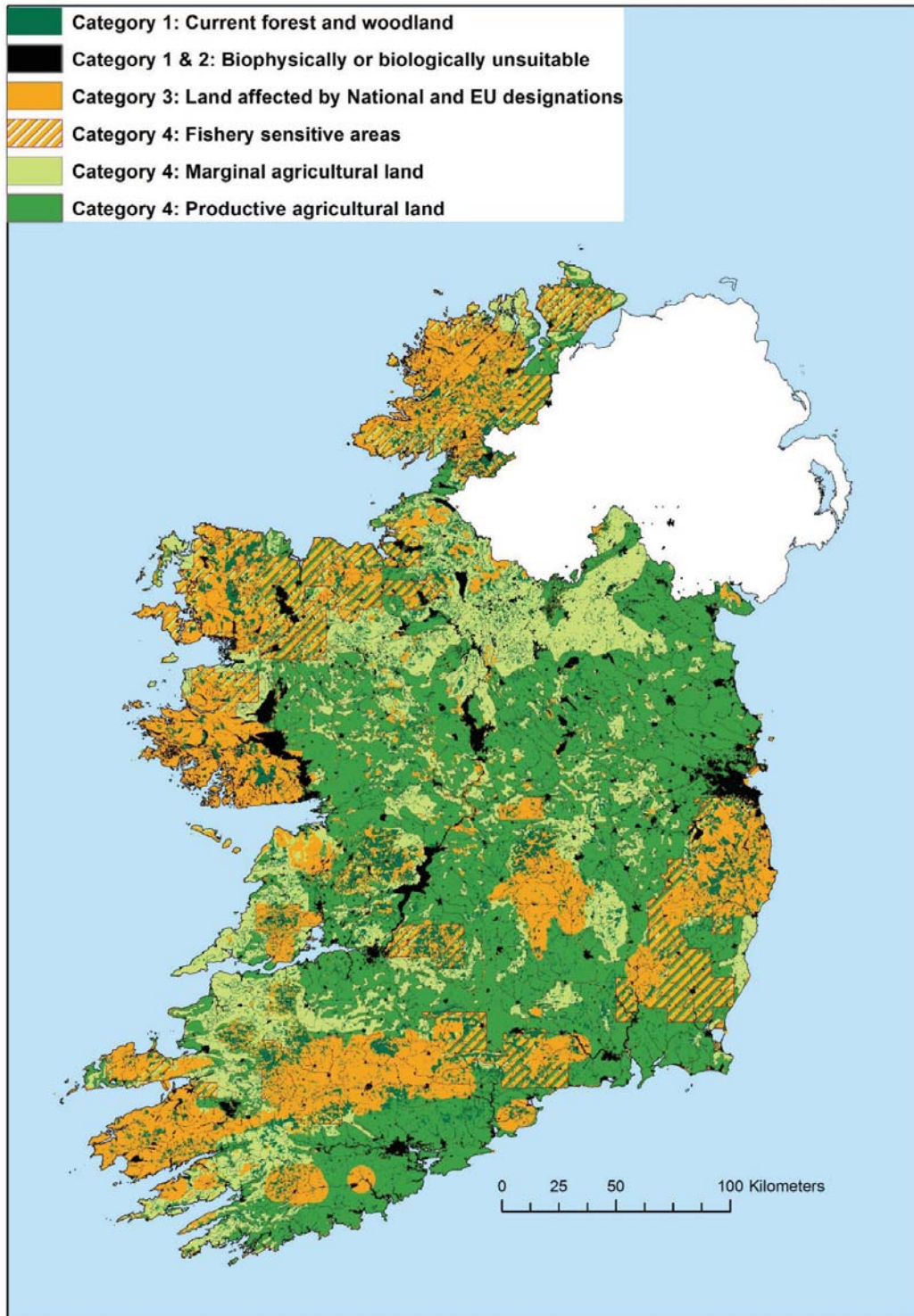
Recent research from SCSi on the forestry land market highlights that while the vast majority of private forest owners in Ireland are farmers, there is growing demand for forestry land from other non-farmer individuals and institutions (private equity funds). Of note, demand is especially strong from mature investors and high net worth individuals that already have an knowledge/understanding of the forestry sector and are looking to diversify their existing investment portfolio with long-term pension planning in mind.

Despite the strong interest from potential buyers, forestry land is typically a small transactional market. The majority of sites coming to the market in a given year are small holdings, usually being sold through probate, or as a result of forced sales or family separation. More information is available in the SCSi Forestry Index Report at www.scsi.ie

REFERENCES

Farrelly, N. and Gallagher, G. (2015). Analysis of the potential land available for afforestation in the Republic of Ireland. *Irish Forestry*, 72: 120-138.

Figure 4. Classification of Ireland's land area in relation to availability for forestry expansion and the area of productive and marginal agricultural land with most potential for forestry expansion.



Brexit Implications for the Land Market in Ireland

The UK will vote on a Brexit referendum on June 23rd 2016. In the event of a vote to leave, nobody knows in advance what the terms of Brexit would be, and consequently nobody knows the precise consequences for the UK, Ireland or the EU generally. This makes it difficult to say what the precise effect of Brexit would be for Irish agriculture and the for the Irish land market in particular.



In a broad economic sense, Brexit is likely to have negative consequences for Ireland, given our strong trade and employment links with the UK, particularly in the agri-food sector. Some €4.5 billion, or close to one third, of all Irish agri-food exports are destined for the UK, making it the number one destination for Irish agri-food exports.

If Brexit occurs how would it affect Irish trade with the UK?

The world has been moving towards free trade in recent decades, but many countries still levy tariffs on imports of agri-food products, largely as means of protecting the agriculture sector in their countries from international competition. The EU is no different, levying tariffs on agri-food imports that originate outside of the EU. By contrast, all trade within the EU itself, including Irish agri-food exports to the UK, is free of tariffs.

Even if Brexit occurs, trade between Ireland and the UK will continue, but the concern is that free trade might come to an end, with tariffs imposed on trade between the UK and EU. Brexit will require that the UK negotiates agreements on trade and the movement of people with the EU27. Ideally these negotiations would result in free trade, but it is also possible that those negotiations could fail and that some level of tariffs would apply.

Impediments to trade such as tariffs or the administrative paperwork commonly associated with trade outside a customs union such as the EU, would reduce the level of trade with the UK and force Irish exporters to look to a greater extent at other markets in the EU or in the rest of the world. The prices obtained for Irish exports would likely be lower in these other countries and the cost of transportation and other logistical challenges involved in servicing more far flung markets would be significant, making that trade less lucrative.

Post Brexit, the UK could pursue free trade relationships with countries outside of Europe, including agricultural heavyweights such as Australia, New Zealand and Brazil, none of which currently has a free trade agreement with the EU. If the UK chose to apply low or no tariffs on imports, then these highly competitive exporters could have access to the UK market and the price of agri-food products on the UK market would most likely decrease. Irish and other EU exporters would then find themselves undercut on the UK market by these non EU exporters.

A further complication of Brexit from an agricultural perspective is that UK agriculture would no longer be under the remit of the Common Agricultural Policy (CAP). The UK could develop its own agricultural policy and nobody knows for sure what that would look like. The smart money would be on limited support for UK agriculture, largely in the form of support for agri-environmental measures. That could spell bad news for UK farmers, with falling incomes and lower land prices a likely outcome in the UK. In turn UK agricultural production could fall, providing more scope for agri-food exports to the UK market. The exporting nations that would stand to benefit would depend on the trade policy relationship that the UK negotiates with its trade partners. It is possible that Ireland might benefit, but the gap could also be filled by non-EU exporters.

Ireland is unique in sharing a land border with the UK and over time this has led to a high degree of agri-food sector integration, particularly on the island of Ireland. If Brexit occurred this trade could be seriously affected or could even cease in some cases, creating problems for the food processing industry and farming north and south of the border.

An initial assessment is that Brexit could mean a reduction in the value of Irish agri-food exports of anything from €150m to €800m per annum, depending on the trade policy outcome. Lower agri-food export revenues would have an adverse impact on Irish agri-commodity prices (especially for beef and dairy products) and agricultural land rents and prices.

It will only be possible to make a detailed assessment of the consequences, if and when the terms of Brexit become clearer. If the Leave side wins the Brexit Referendum, Ireland will need to exert its influence in Brussels in shaping the best possible future trading relationship between the EU and UK.

If Brexit occurs how would it affect the CAP?

Apart from the effect on the value of trade, the other major consequence of Brexit for the Irish agriculture sector would be the effect on the overall EU budget. More particularly the concern would be for the share of that budget devoted to the CAP and, by extension, the Irish share of that CAP budget. The UK makes a net contribution to the EU of around €10 billion per annum. Without this contribution, the EU budget would most likely decline, unless other member states are willing to increase their contribution. A smaller EU budget would most likely mean a smaller pot of money for the CAP and potentially a smaller amount of CAP support for Irish agriculture.

What could Brexit mean for the Irish Land Market?

If CAP support for Irish agriculture declines as a result of Brexit, and if Brexit also led to a reduced level of Irish agri food exports and lower farm commodity prices, Irish farmers' incomes would be negatively affected on two fronts. Lower farm incomes would in turn have an adverse impact on the rental price and the selling price of land. However, these effects would take a number of years to transpire, since a vote in favour of Brexit is likely to initiate an exit process for the UK that will take several years. In the interim uncertainty surrounding the prospects for a Brexit and the exact terms of any Brexit (should UK voters vote Leave) are likely to continue to negatively affect the pound/euro exchange rate and mean that prices for Irish agri exports when valued in euro are less than they would have been if a Brexit was not on the agenda. The continued uncertainty engendered by Brexit, and associated lower agricultural output prices, is likely to negatively affect agricultural land sales and rental markets.

REFERENCE

Donnellan T. and Hanrahan K. (2016) Brexit: Potential Implications for the Irish Agri-Food Sector. Agriculture and Farm Surveys Department, Teagasc. Available at: http://www.teagasc.ie/publications/view_publication.aspx?PublicationID=3927

Overview of Irish Agriculture by Region in 2014

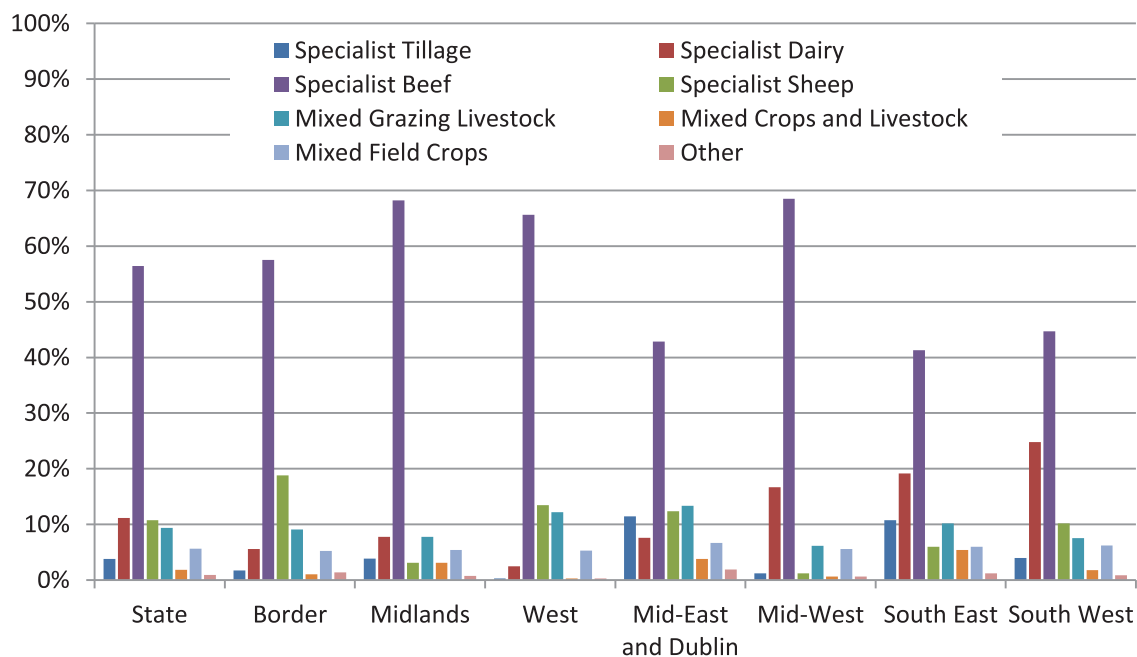
While there are no radical differences in climactic and agronomic conditions across Ireland, there are differences in the importance of different agricultural production systems at a regional level that are likely to be reflected in both demand for and supply of agricultural land for sale and rent. The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

The Farm Structures Survey (FSS), produced by the Central Statistics Office (CSO), provides detailed information on the regional pattern of agricultural activity in Ireland. Regional economic accounts for agriculture are also produced by the CSO on an annual basis and these allow us to see regional differences in agricultural output and incomes across Ireland. FSS data are presented at NUTS III level which is the same level of aggregation used in the CSO Regional Accounts for Agriculture

and corresponds somewhat with the regions used in the SCSi survey of agricultural land markets.

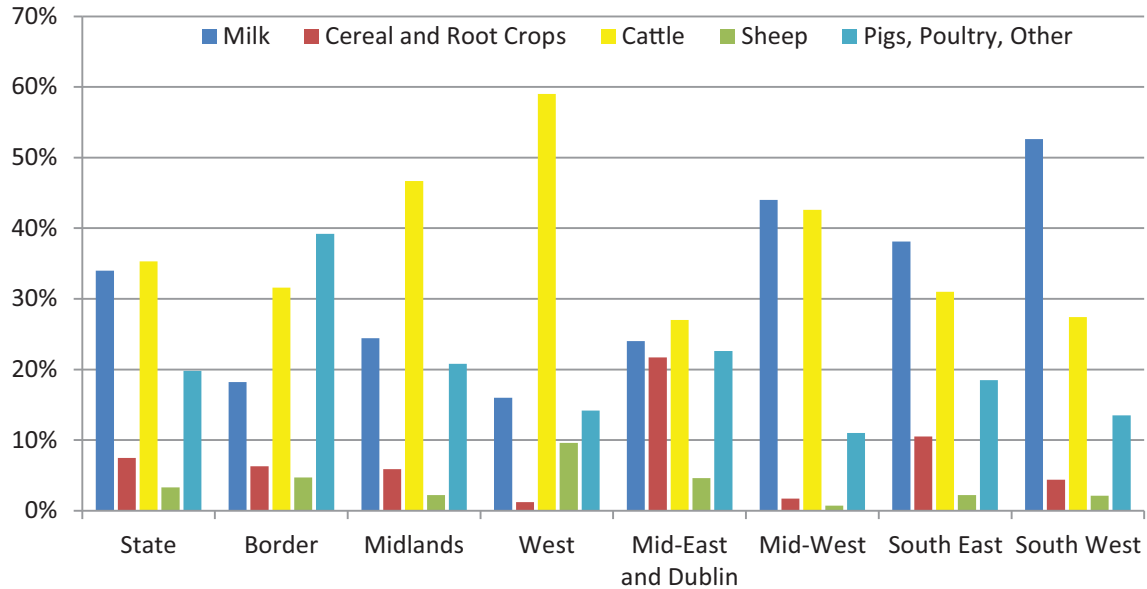
The prevalence of various farm types (and associated land uses) differs regionally as illustrated in Figure 5. In all regions, farms classed as specialist beef production account for at least 40% of farms, with the proportion highest in the Midlands (68%) and lowest in the South East region (41%). The regional importance of dairying and tillage farming vary substantially. In the South West (Cork and Kerry) close to 25% of all farms are specialist dairy farms, by contrast in the West (Galway, Mayo and Roscommon) less than 3% of farms are specialist dairy farms. Specialist tillage farms account for less than 4% of farms nationally, but in the South East Region (Carlow, Kilkenny, South Tipperary, Waterford, Wexford) almost 11% of farms are specialist tillage farms. Specialist tillage farms also represented 11% of farms in the Mid-East (Kildare, Meath and Wicklow) and Dublin region.

Figure 5: Prevalence of Farm Type by NUTS III region in 2013



Source: CSO Farm Structures Survey 2013

Figure 6: Agricultural Output (excl. forage) at Producer Prices 2014 Shares by NUTS III Region

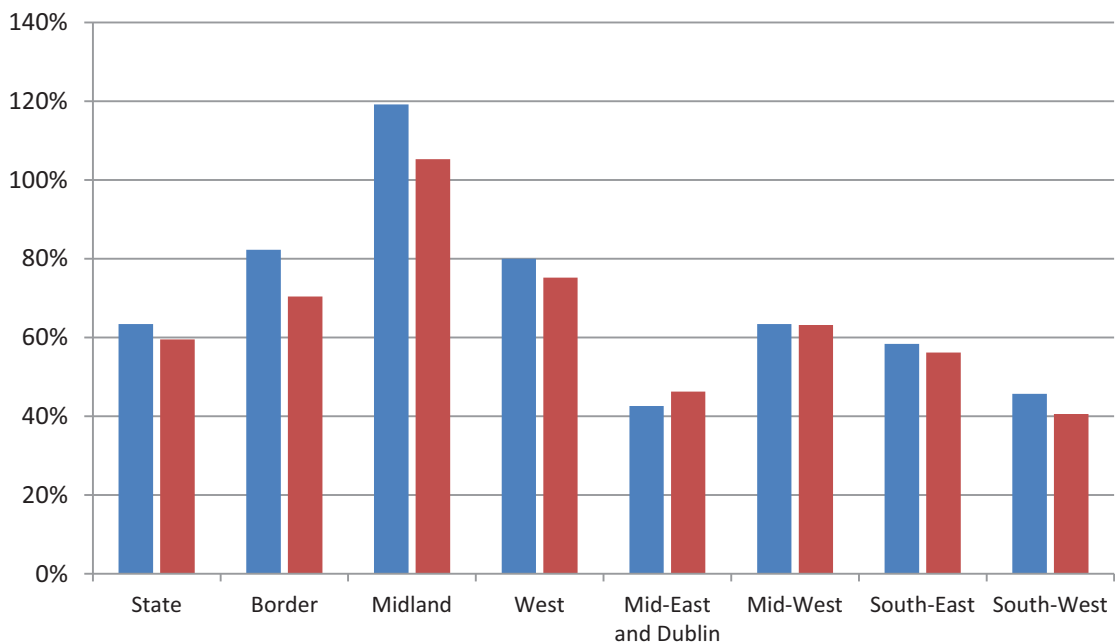


Source: CSO Regional Account for Agriculture 2014

The importance of different farm types by region is reflected in the different composition of the agricultural output produced across the regions of Ireland as illustrated in Figure 6. The prominence of cattle output can be observed across all regions, with the cattle output share varying from 25% in the Dublin Mid East region to

over 50% in the West region. However the importance of milk and cereal and root crop output varies widely across the NUTS III regions. The prevalence of dairying is highest in the South West, Mid-West and South East regions.

Figure 7: Share of Agricultural output (excl. forage) at Producer Prices by NUTS III Region



Source: CSO Regional Account for Agriculture 2013 and 2014

The varying regional prevalence of dairying and tillage output is also reflected in the differences in the importance of income subsidies in total agricultural sector income by region, Illustrated in Figure 7. Regions that are more dependent on dairying in terms of agricultural output derive more of their farm income directly from the margin their farm business earns and less of their farm income comes from subsidies. This largely reflects the higher net margins per hectare of milk and tillage production systems when compared with drystock.

At a national level, income subsidies accounted for over 64% of agricultural sector income in 2013 and that figure declined to 60% in 2014. At a regional level, in 2014 the share of income derived from subsidies was lowest in the South West region at 40% and highest in the Midlands at close to 120%. This dramatic difference is indicative of the much greater market orientation of agricultural

production in the South West. The Mid-East and Dublin was the only region which saw subsidies as a share of income increase in 2014.

REFERENCES

CSO (2015) Farm Structures Survey 2013. Available at <http://www.cso.ie/en/releasesandpublications/ep/p-fss/farmstructuresurvey2013/>

CSO (2015) Regional Accounts for Agriculture 2014. Available at: <http://www.cso.ie/en/releasesandpublications/er/raa/regionalaccountsforagriculture2014/>.

Analysis of SCSi/Teagasc Agricultural Land Survey 2016



Survey background and methodology

This section of the report is based on data collected from a survey of members of the Society of Chartered Surveyors Ireland (SCSI) and is supplemented by interviews conducted with a selection of SCSI members actively engaged in the agricultural land market.

The survey questionnaire follows a similar format to that used in previous years, collecting data on agricultural land values, views on activity levels in 2015 and expectations for the market over the coming years. Additional information is gathered on the forestry land market.

The fieldwork for the survey was conducted between 11th February and 3rd March 2016. A total of n=67 valid completed responses were collected (n=82 in 2015), of which n=49 were involved in agricultural land only, n=15 were involved in both agricultural land and forestry and just n=3 involved in forestry only. The regional split of respondents is provided in the table below.

Table 1: SCSi/Teagasc agricultural land survey sample profile

Number of respondents from each region

	Involved in agricultural land transactions	Involved in forestry transactions
Leinster	34	3
Munster	16	8
Connaught / Ulster	14	7
Total	64	18

All € per acre amounts and percentages are rounded up to whole numbers throughout the report. In the case of percentages, rounding may result in some instances where the combined sum of categories does not sum exactly to 100%.

Multiple response questions allow respondents to choose more than one category in response to a single question. Percentages reported for these types of questions will not always sum to 100%.

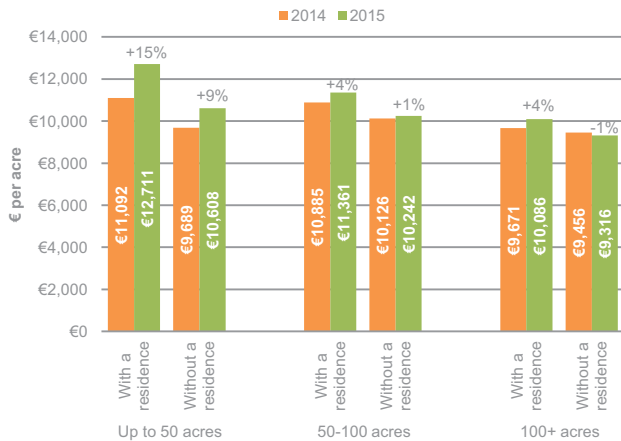
Agricultural land values

Note: Due to the decline in transactions involving land sales with entitlements, it was decided to exclude these from the data collection process. Therefore, all land values provided in this report are based on transactions of agricultural land excluding entitlements. Comparisons are made with data collected from the previous year's survey (SCSi/Teagasc Land Review and Outlook 2015).

Leinster (excl Dublin)

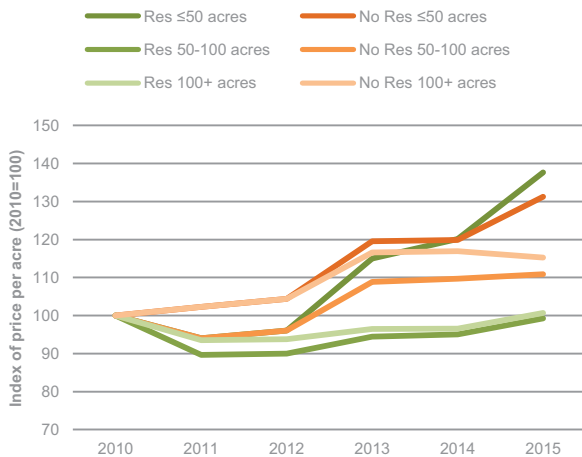
Agricultural land values in Leinster (excl Dublin) generally increased in 2015, with the largest increases associated with lands of up to 50 acres, while price increases for lands greater than 50 acres were more modest. Land with a residence also experienced larger price increases relative to land without a residence, possibly reflecting the relatively strong performance of residential prices during 2015. This all follows on from the previous year when agricultural land prices were more or less unchanged.

Figure 8A: Agricultural land values in Leinster (excl Dublin) 2014/2015



Q5. Thinking of the area your agency is active in the Rest of Leinster, please enter an average € per acre for agricultural farmland WITH NO ENTITLEMENTS for each of the following in 2015:
Q6. Thinking of the area your agency is active in the Rest of Leinster, please enter an average € per acre for agricultural farmland WITH NO ENTITLEMENTS for each of the following in 2015:

Figure 8B: Indices of agricultural land values in Leinster (excl Dublin) 2010 to 2015



The average value of agricultural land up to 50 acres in Leinster (excl Dublin) in 2015 was €12,711 per acre with a residence and €10,608 per acre without a residence, representing an increase of 15% and 9% respectively on the previous year.

Agricultural land of between 50 and 100 acres in Leinster (excl Dublin) was valued at €11,361 per acre with a residence and €10,242 per acre without a residence, resulting in increases of 4% and 1% respectively.

Agricultural land greater than 100 acres in Leinster (excl Dublin) was valued at €10,086 per acre with a residence, an increase

of 4%, while land without a residence was valued at €9,316 per acre, which resulted in a decrease of 1% over the previous year's level.

Smaller land holdings, both with and without residences, have experienced the strongest growth in prices in recent years: compared to 2010, lands up to 50 acres are now 38% higher for lands with a residence and 31% higher for lands without a residence. Larger land areas (50+ acres) with a residence have experienced little change in value since 2015 when compared to 2010. At the same time, there has been some uplift in larger land areas (50+ acres) without a residence, although this was mainly concentrated around one year in particular (2013), subsequently leading to an increase of between 11% and 15% since 2010.

Munster

Agricultural land values in Munster experienced somewhat contrasting fortunes during 2015 depending on the size of the holdings. Smaller land holdings (up to 50 acres) experienced relatively modest increases, while medium-sized holdings (50-100 acres) with residential holdings experienced some slight decline – in both cases, a broadly similar trend was observed during 2014. Notably higher increases in values were observed for large land holdings (100+ acres) with residential properties in 2015, with growth rates stronger than in the previous year.

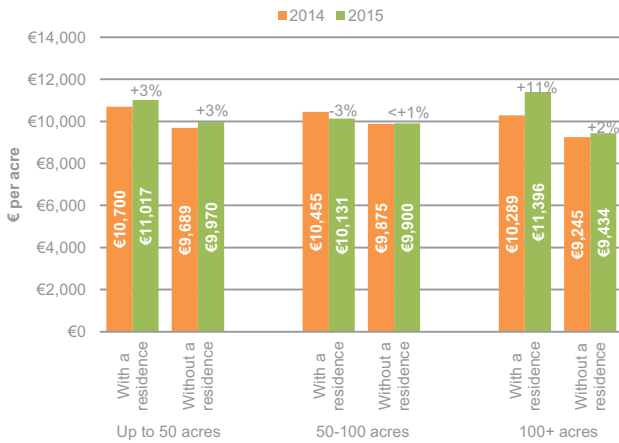
The average value of agricultural land up to 50 acres in Munster in 2015 was €11,017 per acre with a residence and €9,970 per acre without a residence, representing an increase of 3% and 6% respectively on the previous year.

Agricultural land of between 50 and 100 acres in Munster was valued at €10,131 per acre with a residence and €9,900 per acre without a residence, resulting in a decrease of 3% and an increase of less than 1% respectively.

Agricultural land greater than 100 acres in Munster was valued at €11,396 per acre with a residence, an increase of 11%, while land without a residence was valued at €9,434 per acre, which resulted in a decrease of just 2%.

Smaller land holdings (up to 50 acres) in Munster recorded the strongest rates of price increases since 2010 and have increased by a total of between 26% and 29%. Large land holdings (100+ acres) have also experienced good growth, rising by between 22% and 28% over the same period. However, medium-sized holdings (50-100 acres) have experienced more modest growth rates: lands with a residence have remained virtually unchanged compared to 2010, while lands without a residence have increased by just 13%.

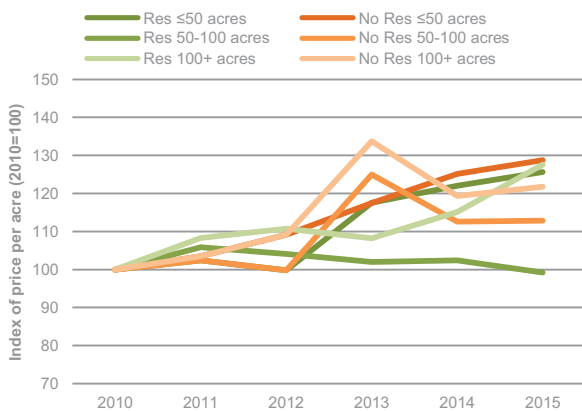
Figure 9A: Agricultural land values in Munster 2014/2015



Q7. Thinking of the area your agency is active in Munster, please enter an average € per acre for agricultural farmland WITH NO ENTITLEMENTS for each of the following in 2015:

Q8. Thinking of the area your agency is active in Munster, please enter an average € per acre for agricultural farmland WITH NO ENTITLEMENTS for each of the following in 2015:

Figure 9B: Indices of agricultural land values in Munster 2010 to 2015



Connaught/Ulster

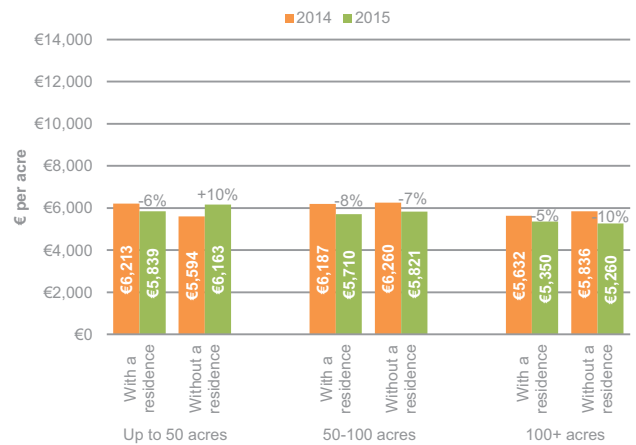
For the second year running, there was mostly a downward trend in agricultural land values in Connaught/Ulster, with almost all land sizes experiencing some decline, although lands up to 50 acres without a residence proved to be the exception and recorded an increase. In contrast to Leinster and Munster, Connaught/Ulster is the only region where the average price per acre of agricultural land without a residence compared to land with a residence is either higher (up to 100 acres) or almost on a par (100+ acres).

The average value of agricultural land up to 50 acres in Connaught / Ulster in 2015 was €5,839 per acre with a residence, representing a decrease of 6% on the previous year. At the same time, agricultural land up to 50 acres without a residence increased by 10% to €6,163 per acre.

Agricultural land of between 50 and 100 acres in Connaught/ Ulster was valued at €5,710 per acre with a residence and €5,821 per acre without a residence, resulting in decreases of 8% and 7% respectively.

Agricultural land greater than 100 acres in Connaught/Ulster was valued at €5,350 per acre with a residence, a decrease of 5% compared to the previous year. There was a marginal difference in the price of agricultural land 100+ acres without a residence at €5,260, per acre although this had experienced a much sharper decline of 10%.

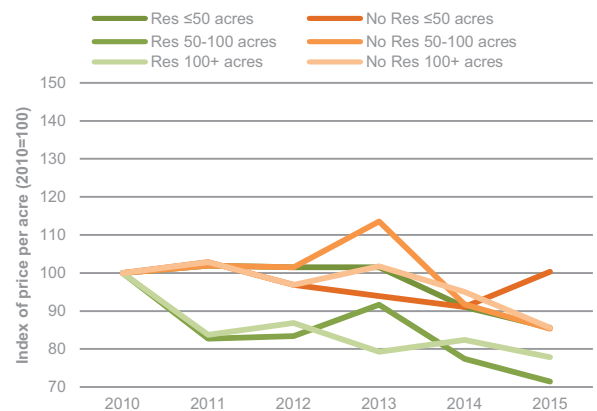
Figure 10A: Agricultural land values in Connaught/Ulster



Q9. Thinking of the area your agency is active in Connaught/Ulster, please enter an average € per acre for agricultural farmland WITH NO ENTITLEMENTS for each of the following in 2015:

Q10. Thinking of the area your agency is active in Connaught/Ulster, please enter an average € per acre for agricultural farmland WITH NO ENTITLEMENTS for each of the following in 2015:

Figure 10B: Indices of agricultural land values in Connaught/Ulster 2010 to 2015



Prices in Connaught/Ulster are now well below those observed in 2010, with land 50+ acres with a residence experiencing the largest declines of between 22% and 29%. The only notable exception is lands up to 50 acres without a residence, which increased by 10% in 2015 and is now more or less on a par with values recorded in 2010.



MEMBERS VIEWS

“2015 was very much a year of two halves, with the first half of the year more active than the second half. It has also been a slow start to 2016 and the poor weather over the winter and early spring hasn’t helped. Supply has been buoyed in recent years by a considerable amount of land sold as a result of receivership sales, but most of this has now washed through the market. At the moment there seems to be a shortage of supply and there are not many good quality, big commercial farms coming to the market. The market for mid-sized (50-150 acres) farms is proving to be more challenging as this is more dependent on people having access to finance.”

Celia Lamb
Ganly Walters
SCSI Dublin Region

Agricultural land rents

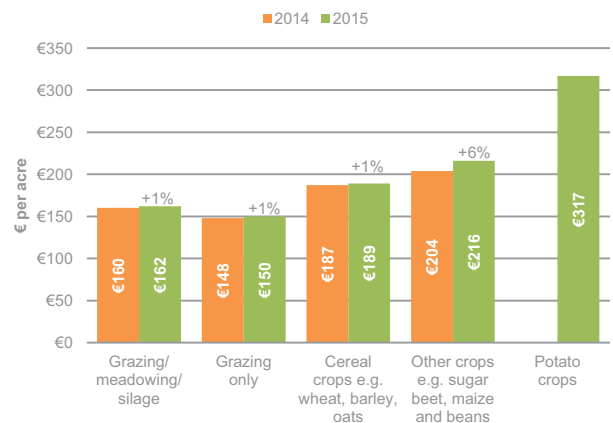
Note: Data on agricultural land rents was collected for each region. Comparisons are made with data collected from the previous year’s survey (SCSI/Teagsac Land Market Review and Outlook 2015). Data specifically relating to rental values of land used for potato crops was collected for the first time this year and therefore there are no data from previous years with which to compare 2015 levels.

Leinster (excl Dublin)

Rental values in Leinster (excl Dublin) in 2015 remained mainly unchanged with just a 1% increase for land used for grazing/meadowing/silage (€162 per acre), grazing only (€150 per acre) and cereal crops (€189 per acre). However, land used for other crops (€216 per acre) recorded a more moderate uplift in values, rising by 6%. Land used for potato crops (€317 per acre) in Leinster (excl Dublin) attracted a significant premium relative to that used for cereal crops and other crops.

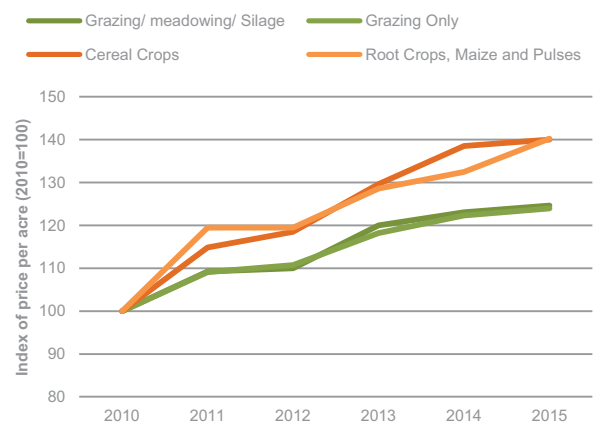
On the whole, the growth in rental values in Leinster has slowed somewhat over the last two years. However, they are still considerably higher relative to 2010: rents for crop lands are 40% higher, while rents for grazing lands are between 24% and 25% higher.

Figure 11A: Agricultural land rents in Leinster (excl Dublin) 2014/2015



Q7. Thinking of the area your agency is active in the Rest of Leinster (excl Dublin) please enter an average € per acre for the rental of agricultural farmland for each of the following in 2015

Figure 11B: Indices of agricultural land rents in Leinster (excl Dublin) 2010 to 2015



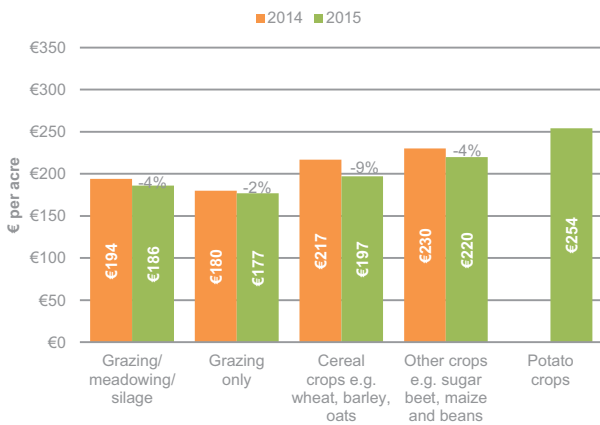
Munster

Agricultural land rents in Munster in 2015 experienced modest declines compared with 2014. Land used for grazing/meadowing/silage (€186 per acre) and grazing only (€177 per acre) declined by 4% and 2% respectively. Land used for cereal crops (€197 per acre) experienced a more pronounced decrease of 9%, while

other crops (€220 per acre) fell by just 4%. Lands used for potato crops (€254 per acre) in Munster commanded a premium relative to land used for other crops, although this premium was not quite as high as in Leinster.

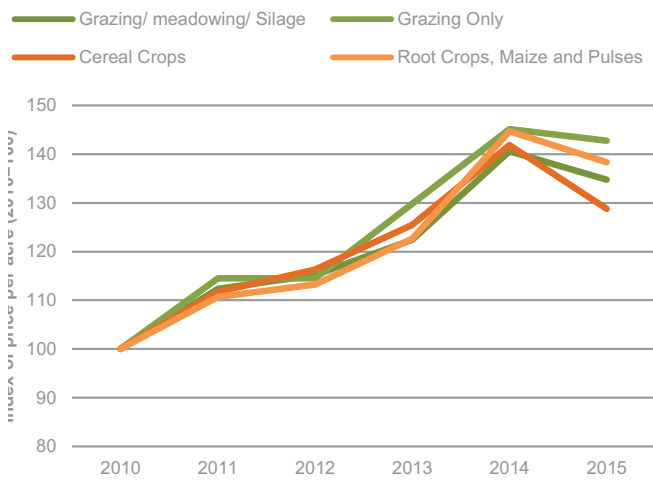
The declines in rental values observed in Munster in 2015 are in stark contrast to the double-digit increases experienced in 2014, ranging from between 12% to 15% for grazing lands and between 13% and 18% for crop lands. Despite the decline in values in 2015, rents in Munster are still between 29% and 43% higher than recorded in 2010.

Figure 12A: Agricultural land rents in Munster 2014/2015



10. Thinking of the area your agency is active in Munster please enter an average € per acre for the rental of agricultural farmland for each of the following in 2015

Figure 12B: Indices of agricultural land rents in Munster 2010 to 2015

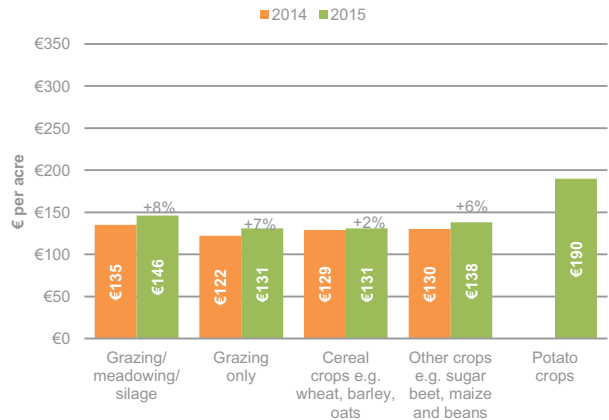


Connaught/Ulster

Following on from a year of declining rental values in Connaught/Ulster in 2014, there was a pronounced upward trend in rents in 2015, rising across all the different land use types. The largest increases were observed for lands used for grazing/meadowing/silage (€146 per acre) and grazing only (€131 per acre), both increasing by 8% and 7% respectively relative to the previous year. Land used for cereal crops (€131 per acre) increased by just 2%, while the increase was that bit more pronounced for lands used for other crops (€138 per acre), rising by 6%. As with the other two regions, potato crops (€190 per acre) in Connaught/Ulster command a significant premium, somewhat similar to that observed in Leinster.

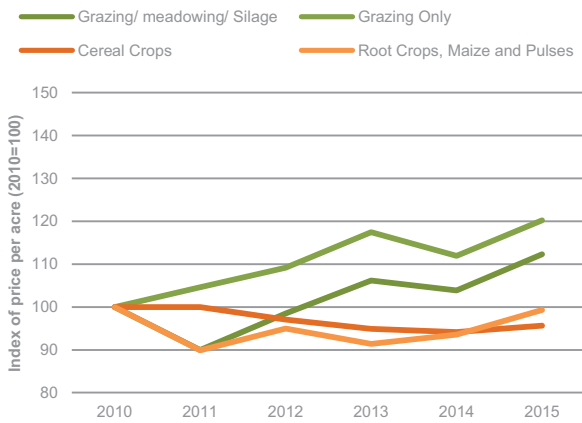
Since 2010, grazing lands in Connaught/Ulster have experienced some increase in rental values, although to a much lesser extent than in the other regions, rising by between 12% and 20%. Crop lands, on the other hand are still just below the average recorded in 2010.

Figure 13A: Agricultural land rents in Connaught/Ulster 2014/2015



113. Thinking of the area your agency is active in Munster please enter an average € per acre for the rental of agricultural farmland for each of the following in 2015

Figure 13B: Indices of agricultural land rents in Connaught/ Ulster 2010 to 2015



Agricultural land rents in the first quarter of 2016

The majority of chartered surveyors responding to the survey (58%) believe that agricultural land rents had increased in the first quarter of 2016 relative to the first quarter of 2015, with an average increase of 8% reported. A further 30% of respondents believed that rents had remained unchanged during this period, while just 9% of respondents stated that rents had declined.

MEMBERS VIEWS

“The long-term leasing market (5+ years) has held up quite well and the measures introduced in Budget 2015 have helped this. Farmers tend to take a long-term view of matters and are happy to take on longer-term leases, particularly given the scarcity of land. But with longer-term leases, this is taking more land out of the market for longer periods of time.”

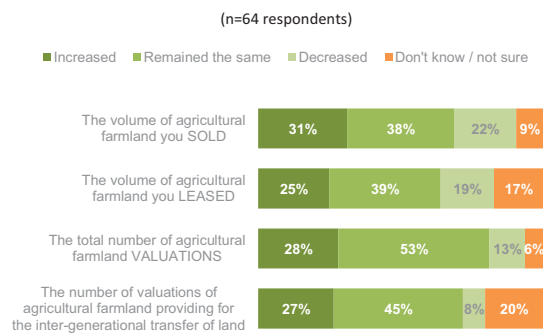
John Dawson
 REA Dawson
 SCSi South Eastern Region

Activity and trends in the agricultural land sales market during 2015

The survey results highlight the variability in performance of the agricultural land market in 2015, with chartered surveyors reporting contrasting levels of activity. For instance, 38% reported that the volume of agricultural land sold remained unchanged, with 31% reporting that it had increased and 22% stating that it had decreased. Similarly for the volume of land leased in 2015, 38% reported no change, 25% said it had increased and 19% stated it had decreased.

Just over half of respondents reported that the number of agricultural land transactions remained unchanged, while 28% had observed an increase and 13% observed a decrease. For valuations providing for the inter-generational transfer of land, 45% of SCSi members responding to the survey had experienced no change in these types of valuations, while 27% reported an increase and just 8% reported a decrease.

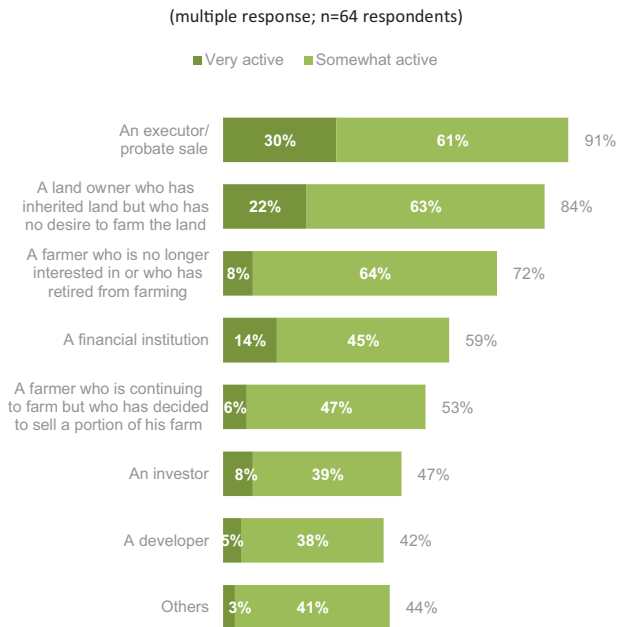
Figure 14: Activity in the agricultural land market in 2015



Q14. How did the following change in [REGION MOST ACTIVE IN Q2] in 2015 compared to 2014?

The most active vendor category selling agricultural farmland in 2015 were identified as executor/probate sales, reported by 91% of chartered surveyors as being active in the market, followed by land owners who had inherited land but had no desire to farm it, with 84% of chartered surveyors identifying them as being active. Farmers who were no longer interested in farming or who had retired from farming were identified by 72% of chartered surveyors as being either very active or somewhat active.

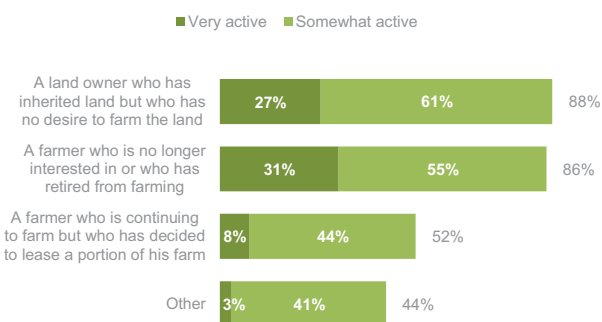
Figure 15: Who was selling agricultural land in 2015?



Q16. In your experience, how active were the following in SELLING agricultural farmland in [REGION MOST ACTIVE IN Q2] in 2015?

The most active types of landlords offering agricultural land for rent in 2015 were land owners that had inherited land but had no desire to farm the land (identified by 88% of respondents as being active) and farmers no longer interested in farming or having retired from farming (86% of survey respondents identified them as being active).

Figure 16: What types of landlords were offering agricultural land for rent in 2015?



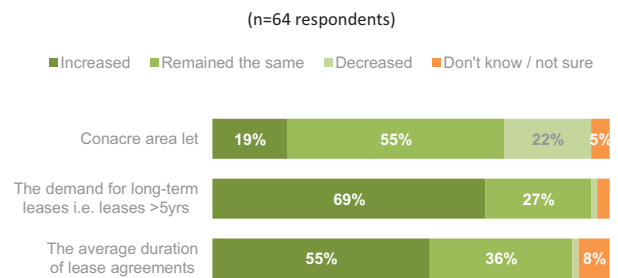
Q18. In your experience, how active were the following types of landlords in LEASING agricultural farmland in [REGION MOST ACTIVE IN Q2] in 2015?

Conacre and the leasing of agricultural land

Over half (55%) of chartered surveyors responding to the survey believed that the area let under conacre remained the same during 2015, with 22% believing it to have decreased and conversely 19% believing it had increased.

However, respondents were considerably more likely to express the view that the demand for long-term leases (5+ years) had increased in 2015, with 69% stating that these had increased and 27% stating they had remained unchanged. In addition, over half (55%) of respondents believed the average duration of lease agreements had increased in 2015, while a over one-third (36%) reporting they remained unchanged.

Figure 17: Conacre and the leasing of agricultural land in 2015



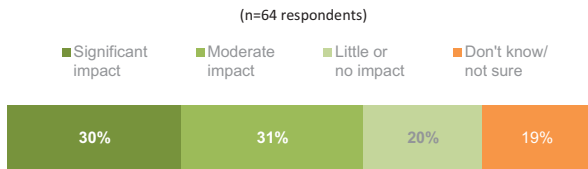
Q20. In relation to conacre in [REGION MOST ACTIVE IN Q2] in 2015, would you describe the area let relative to 2014 as having ...

Q21. With regard to the leasing of agricultural farmland in [REGION MOST ACTIVE IN Q2], how did the following change in 2015 compared to 2014?

The impact of Budget 2015 on the agricultural land market

Budget 2015 (announced in October 2014) introduced a number of enhancements to the income tax relief for long term leasing of land, including a 50% increase in the income threshold, non-connected companies now an eligible lessee, removal of the 40 age threshold for lessors and a fourth higher tax free threshold for lease periods over 15 years. With these measures now in place for well over a year, respondents to the survey were asked what impact they believed these measures had on agricultural land transactions with long-term leases. A clear majority (61%) said that these measures had either a moderate or significant impact, with 30% believing they had a significant impact.

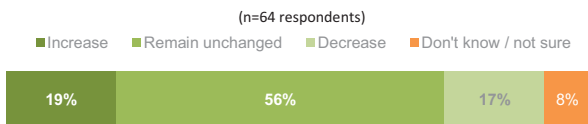
Figure 18: Impact of measures introduced in Budget 2015 on transactions with long-term leases in 2015



Q25. Budget 2015 (announced in October 2014) introduced a number of enhancements to the income tax relief for long term leasing of land, including a 50% increase in the income threshold, non-connected companies now an eligible lessee, removal of the 40 age threshold for lessors and a fourth higher tax free threshold for lease periods over 15 years. What impact has this had on the volume of transactions for agricultural farmland with long-term leases in [REGION MOST ACTIVE IN Q2] during 2015?

It would appear, however, that relatively few chartered surveyors responding to the survey believe the measures introduced in Budget 2015 will result in more land becoming available to let in 2016. Specifically, just 19% expected an increase in the volume of agricultural land available to let in 2016 as a result of these measures, while over half (56%) said it would remain unchanged and a further 17% believed these measures would lead to a decline in the volume of land available to let.

Figure 19: Expected impact of measures introduced in Budget 2015 on the volume of agricultural land available to let in 2016

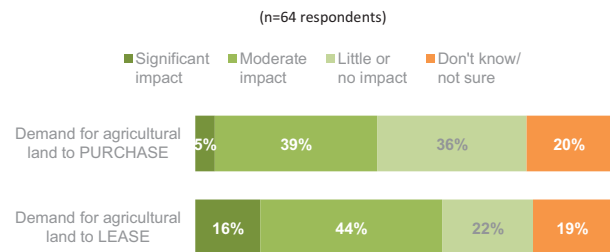


Q26. Thinking about the changes made to leasing under Budget 2015 (announced in October 2014) and the volume of land available for lease in comparison with 2015, would you say that in 2016 the volume of agricultural farmland in [REGION MOST ACTIVE IN Q2] is likely to ...

The impact of the abolition of milk quotas on agricultural land in 2015

While the abolition of milk quotas occurred in the middle of 2015, this had been flagged well in advance and there had been evidence of farmers planning ahead in previous years through acquiring additional lands in order to expand capacity. Despite this, 44% or chartered surveyors responding to the survey still said that the abolition of milk quotas had either a moderate or significant impact on the demand for agricultural land for purchase, while 59% said that it had either a moderate or significant impact on the demand for agricultural land to lease.

Figure 20: Impact of the abolition of milk quotas on the demand for agricultural land to purchases and to lease



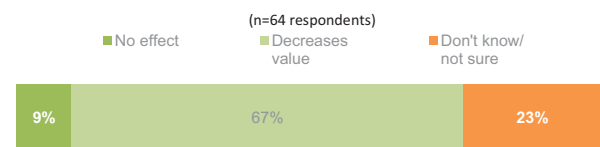
Q27. What impact, if any, has the abolition of milk quotas had on the DEMAND for agricultural farmland FOR PURCHASE in [REGION MOST ACTIVE IN Q2] during 2015?

Q28. What impact, if any, has the abolition of milk quotas had on the DEMAND for agricultural farmland TO LEASE in [REGION MOST ACTIVE IN Q2] during 2015?

Agricultural land market and environmental designations

The survey asked respondents what impact they believed environmental designations (eg. Special Areas of Conservation (Natura 2000 network), Special Protected Areas (Natura 2000 network), Natural Heritage areas (NHA), Freshwater pearl mussel catchments, EU Birds Directive) had on agricultural land values. Two-thirds of respondents believed an environmental designation had the effect of decreasing the value of the land, while 9% believed they had no effect and the remaining 23% stating that they did not know or were unsure. Of those that believed an environmental designation would result in a decrease in value, this decrease was estimated to be in the region of 25%, on average.

Figure 21: Impact of environmental designation on agricultural land values



Q29. Imagine two agricultural farmland plots of similar soil quality in [REGION MOST ACTIVE IN Q2]. One plot has an environmental designation (eg. Special Areas of Conservation (Natura 2000 network), Special Protected Areas (Natura 2000 network), Natural Heritage areas (NHA), Freshwater pearl mussel catchments, EU Birds Directive), while the other does not. In your experience what effect does an environmental designation have on the sales value of agricultural farmland in [REGION MOST ACTIVE IN Q2]?



MEMBERS VIEWS

“Land values have softened over the last twelve months and this is mainly due to both farmers and banks having less of an appetite to buy, mainly because the farming sector is going through a period of uncertainty. Within the market it is clear that the larger farmers are getting bigger and are looking to consolidate and take advantage of economies of scale. Smaller farmers are coming under pressure and are finding it difficult to make it commercially viable enterprise – in some instances, it makes more financial sense for them to rent the land than farm it themselves.”

Miah McGrath
McCarthy & McGrath
SCSI Southern Region

“Access to finance is particularly challenging for farmers – while the banks are issuing mortgage approvals, the number of drawdowns is far less. We have gone from one end of the scale with no due-diligence to the complete other extreme, where there are onerous requirements from both banks and solicitors to meet and fulfil the necessary criteria.”

Paddy Jordan
Jordan Town and Country Estate Agents
SCSI South Eastern Region

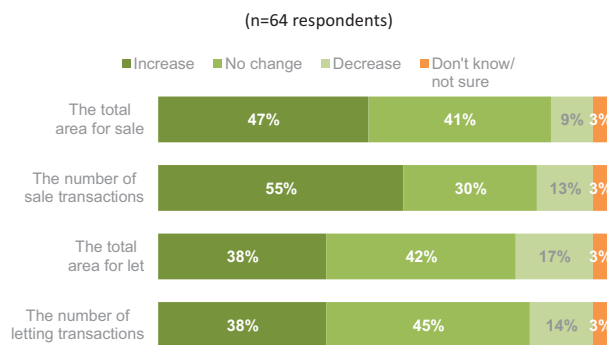
Outlook for the agricultural land market

Chartered surveyors responding to the survey were relatively positive about their expectations regarding the outlook for the market in 2016, with over half (55%) expecting the number of sale transactions to increase. Those forecasting an increase in the number of sale transactions were, on average, expecting this to be in the region of 9%. Respondents were a bit more

conservative about their expectations for lettings, with a higher proportion expecting these to remain unchanged (45%) compared to those that were expecting these to increase (38%). Those forecasting an increase in the number of letting transactions were, on average, expecting this to be in the region of 8%.

A majority of chartered surveyors responding to the survey (47%) were expecting the total area of agricultural land for sale to increase, with a further 41% were expecting it to remain unchanged. Again, respondents were somewhat more conservative about their expectations regarding the area of agricultural land available for let, with 38% expecting it to increase and 42% expecting it to remain unchanged.

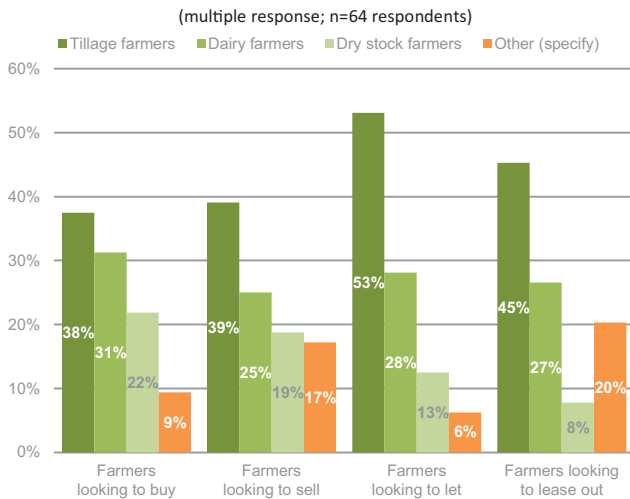
Figure 22: Expectations for the agricultural land market in 2016



Q32. Please forecast the percentage change (+/-) in [REGION MOST ACTIVE IN Q2] in each of the following for 2016 relative to 2015:

Tillage farmers were expected to be the farmer type most active in the agricultural land market in 2016, with 53% of chartered surveyors responding to the survey expecting them to be amongst the principal type of farmers looking to rent agricultural land. When it comes to the market for buying land, tillage farmers were also expected to be the most active farmer type, with 38% of survey respondents citing them as the principal type of farmer seeking to buy agricultural farmland. Dairy farmers were anticipated to be the next most active group of farmers, with 31% of chartered surveyors members responding to the survey expecting them to be the principal type of farmer looking to buy agricultural farmland and 28% expecting them to be the principal type of farmer looking to let agricultural farmland. Dry stock farmers were expected to be least active in the market.

Figure 23: Types of farmers expected to be active in the agricultural land market in 2016

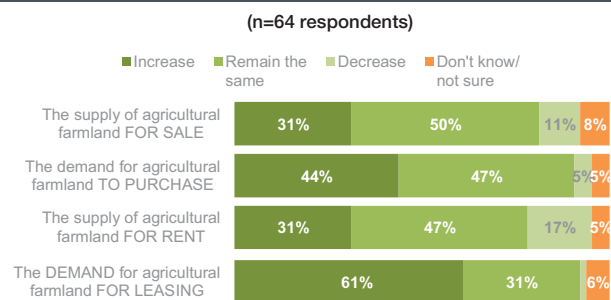


Q33. In your experience, the principal types of farmers seeking to BUY agricultural farmland in [REGION MOST ACTIVE IN Q2] in 2016 are likely to be:
 Q34. In your experience the principal types of farmers seeking to SELL agricultural farmland in [REGION MOST ACTIVE IN Q2] in 2016 are likely to be:
 Q35. In your experience, the principal types of farmers seeking to LEASE agricultural farmland in [REGION MOST ACTIVE IN Q2] in 2016 are likely to be:
 Q36. In your experience the principal types of farmers seeking to LEASE OUT agricultural farmland in [REGION MOST ACTIVE IN Q2] in 2016 are likely to be:

Survey respondents were also asked about their expectations regarding the medium-term outlook for the market over the period 2016 to 2018. In the market for selling agricultural land, 31% believed the supply of land for sale would increase and 50% believed it would remain the same, while 44% believed the demand for land would increase and 47% believed it would remain the same.

Chartered surveyors responding to the survey were considerably more optimistic about the prospects for lettings, with 61% expecting demand for agricultural land to let to increase over the period 2016 to 2018. However, only 31% were expecting the supply of agricultural land to increase over this same period, with 47% expecting it to remain unchanged.

Figure 24: Expected outlook for the agricultural land market 2016-2018



Q37. For agricultural farmland in [REGION MOST ACTIVE IN Q2], how do you expect each of the following to change during the three year period from 2016 to 2018?

Some of the key factors identified by respondents as affecting the supply of agricultural land for sale or for let included:

- farmer confidence in the economy and the farming sector, as well as trends in the price of agricultural land;
- demand from export markets for both meat and dairy products, together with prices paid for beef and milk;
- the viability and profitability of farming, with some farmers looking to exit the profession and selling/leasing lands as a result of increasing input prices and falling incomes;
- receivers, banks, asset managers and private equity funds releasing lands on to the open market; and
- the age profile of farmers, with those retiring looking to sell on land and take advantage of tax reliefs available for both the transfer and disposal of land.

In particular, a number of respondents cited the measures announced in Budget 2015 aimed at encouraging longer leases as potentially having a negative knock-on effect in limiting the availability of land for let.

Some of the key factors identified by respondents as affecting the demand for agricultural land to buy or rent included:

- farmer confidence in the economy and the farming sector, as well as trends in the price of agricultural land;
- market prices for farm produce and the profitability of farming as an enterprise;
- the availability of finance, with many survey respondents expressing concern that this is suppressing demand amongst purchasers;
- demand from investors looking to diversify, with the land perceived as comparatively low-risk asset class;
- farmers operating larger and more productive farms looking to add to and consolidate their existing holdings; and
- younger farmers entering the market, although many respondents suggested they were more likely to rent than to buy given difficulties accessing finance.

It was observed that in some areas farmers will look to replace lands that have been flooded following the recent adverse weather conditions experienced during the winter months.

There were differing views on the cost of buying versus the cost of renting, with some suggesting that the cost of renting land will make it more attractive to buy over the long term. However, others believed that capital values were making it more difficult for younger farmers to purchase land and therefore pushing them into the rental market. It was also suggested that large farmers wishing to add to their holdings may favour renting over purchasing as they would avoid having to raise bank finance.



MEMBERS VIEWS

"The farming sector is going through a difficult period at the moment, especially smaller farmers whose incomes have been hit by the fall in milk prices. Dairy farmers that have used debt to finance expansion in recent years are probably under even more pressure. The momentum that was present in the agricultural land market around two years ago is no longer there. Long-term there will always be an underlying demand for land and the bigger, more established farmers will continue to remain active in the market, but in the immediate future I do not expect any major growth in demand or change in prices."

John Harrington
Smith Harrington Auctioneers
SCSI North Eastern Region

The forestry land market

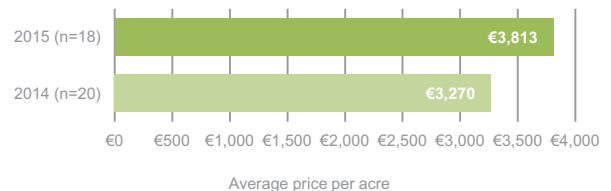
Note: given the small sample size involved in those responding to the section on forestry land in the questionnaire, counts are reported rather than percentages.

A total of n=18 SCSI members responding to the survey said that forestry was within their practice area, of which n=8 stated they were most active in forestry sales and/or lettings and/or valuations in 2015 in Munster, n=7 in Connaught / Ulster and n=3 in Leinster. These respondents were asked a series of additional questions as part of the survey relating specifically to the forestry sector, covering values, the characteristics of forestry plots sold and the outlook for the market for forestry land.

Forestry land values

The average price of stocked forest land in 2015 was estimated at €3,813 per acre, with price estimates ranging from a low of €2,500 per acre up to €5,000 per acre. This represents a 17% increase on the estimate of €3,270 per acre observed in 2014.

Figure 25: Q48. In your opinion, what was the average value per acre of stocked forest land in 2015 in [REGION MOST ACTIVE IN Q47]?



Q48. In your opinion, what was the average € value per acre of stocked forest land in 2015 in [REGION MOST ACTIVE IN Q47]?

Characteristics of forestry land sold

The 2015 survey included questions on the characteristics of forestry land sold during by respondents during the year. A majority of respondents (n=10) said that the typical age of forestry plots sold by them were less than 15 years old, while n=6 said the typical age range was between 15 and 19 years old. Sitka Spruce was identified as being the most common tree species among stocked forest plots sold in 2015, cited by n=13 respondents.

Yield class is defined as the number of cubic metres per hectare per annum that a forest will produce over the rotation of maximum mean annual increment. A typical yield class of between 19 and 22 was identified by n=8 respondents, while n=4 respondents said the typical yield class was 18 or less.

Table 2: Typical characteristics of forestry sales in 2015

(number of observations; total n=18)

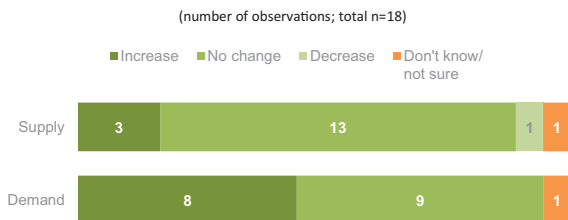
Age	n	Yield class
Less than 15yrs	10	Less than 14
15-19yrs	6	14-18
20yrs +	0	19-22
Don't know / not sure	2	23+
		Don't know / not sure
Tree species	n	With associated road infrastructure already in place
Sitka spruce	13	None
Conifer	2	10%-50%
Broadleaf	0	60%-100%
Don't know / not sure	3	Don't know / not sure

Outlook for the forestry land market

Respondents to the forestry section of the survey were broadly split on the outlook for the demand for forestry over the period 2016 to 2018, with n=8 respondents expecting it to increase compared to n=9 expecting demand to remain the same. There were no respondents expecting a decline in demand.

A clear majority of respondents (n=13) said they expected the supply of forestry land for sale to remain the same during the period 2016 to 2018, with only n=3 expecting supply to increase and just n=1 expecting it to decrease.

Figure 26: SCSl members' views on the outlook for the forestry sector during the period 2016 to 2018



Q53. Do you expect the SUPPLY of forestry land FOR SALE in [REGION MOST ACTIVE IN Q47] during the period 2016 to 2018 to ...

Q55. Do you expect the DEMAND for forestry land TO PURCHASE in [REGION MOST ACTIVE IN Q47] during the period 2016 to 2018 to ...

The key factors reported as potentially impacting on the market for forestry land over the period 2016 to 2018 included:

- the level of interest from investors, which in turn will be influenced by a variety of other factors, including the expected performance of competing investment products;
- the availability of grants for planting and annual premiums, which will continue to encourage people coming into the market; and
- the tax benefits associated with investing in forestry.

Related factors included the economic environment, the growing demand for timber arising from the growth in the construction industry and a greater emphasis on biodiversity by the State.



MEMBERS VIEWS

"The agricultural land market in the Western Region hasn't been very active in the last few years, mainly because there has been very little land available to buy. While things seem to be improving a bit, this is unlikely to translate into any notable change in values, mainly due to the difficulties potential buyers experience in securing finance and the equity required. You can achieve prices of up to €7,000 per acre for really good quality land in parts of the north and north-west of the country, while the bottom end of the market is being propped-up by forestry values, where there is a strong degree of interest from investors and equity funds and prices of between €3,500 and €4,000 per acre are common."

John P Murphy
 Murphy & Sons Auctioneers
 SCSl Western Region

Statistical Annex

Table A1: Agricultural land values 2010 – 2015

Price (€) per acre						
	With a residence			Without a residence		
	Up to 50 acres	50-100 acres	100+ acres	Up to 50 acres	50-100 acres	100+ acres
Leinster (excl Dublin)						
2010	9,235	11,450	10,020	8,085	9,235	8,085
2011	8,685	10,261	9,375	8,269	8,685	8,269
2012	8,868	10,300	9,400	8,438	8,868	8,438
2013	10,619	10,812	9,664	9,664	10,052	9,429
2014	11,092	10,885	9,671	9,689	10,126	9,456
2015	12,711	11,361	10,086	10,608	10,242	9,316
Munster						
2010	8,770	10,210	8,935	7,745	8,770	7,745
2011	8,979	10,807	9,674	8,016	8,979	8,016
2012	8,752	10,625	9,896	8,450	8,752	8,450
2013	10,313	10,417	9,669	9,098	10,963	10,356
2014	10,700	10,455	10,289	9,689	9,875	9,245
2015	11,017	10,131	11,396	9,970	9,900	9,434
Connaught / Ulster						
2010	6,825	7,990	6,835	6,145	6,825	6,145
2011	6,955	6,608	5,721	6,321	6,955	6,321
2012	6,926	6,663	5,938	5,953	6,926	5,953
2013	6,929	7,321	5,420	5,773	7,750	6,250
2014	6,213	6,187	5,632	5,594	6,260	5,836
2015	5,839	5,710	5,320	6,163	5,821	5,260

Source: SCSl

Statistical Annex

Table A2: Agricultural rental values 2010 to 2015

Price (€) per acre

	Grazing / meadowing / silage	Grazing only	Cereal crops	Root crops, maize and pulses
Leinster (excl Dublin)				
2010	130	121	135	154
2011	142	132	155	184
2012	143	134	160	184
2013	156	143	175	198
2014	160	148	187	204
2015	162	150	189	216
Munster				
2010	138	124	153	159
2011	155	142	171	176
2012	159	142	178	180
2013	169	161	192	195
2014	194	180	217	230
2015	186	177	197	220
Connaught / Ulster				
2010	121	109	137	139
2011	117	114	137	125
2012	128	119	133	132
2013	138	128	130	127
2014	135	122	129	130
2015	146	131	131	138

Source: SCSl

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Members' services are diverse and can include offering strategic advice on the economics, valuation, law, technology, finance and management in all aspects of the construction, land and property industry.

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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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