



IPAV FARMING REPORT JANUARY 2023

2022 Land Values - Strong Demand Continues to Drive Price Increases



Message from Pat Davitt CEO IPAV.

For such a small country we have quite dramatic differentials in the price of land. While some areas are achieving €25,000 an acre, others are as low as €7,000. That said demand for both purchasing and leasing continues to be very strong and consequently prices remain on an upward trajectory. This trend has been evident since IPAV began this report in 2016. At the time the average price was €8,750 an acre and has now risen to €12,231. Over the years valuation of agriculture land has become challenging with price differentials, not only in Ireland but throughout Europe.

In that regard, following an absence of 20 years, the return to EVS (European Valuation Standards) of farmland, something IPAV has championed for some considerable time, is a very welcome development. It brings the highest standard of rigour to the process of land valuation, and it also demonstrates the importance of agriculture over the years in Europe. It will be very interesting to see what the effect will be in the year ahead of the non-clawback on Single Premiums and how this will affect the base of the new CAP (Common Agricultural Policy) and indeed the follow-on land leasing price, given that it has grown to as much as €500 an acre in some areas during 2022.

It will be interesting to see if the Coillte deal with Gresham House will go ahead. It's somewhat disappointing to learn from recent media reports and government announcements that much of the 12,000 hectares involved in the new fund will encompass existing private woodlands rather than new afforestation lands.

On the thorny issue of re-planted land, it's very difficult to encourage farmers to put land into forestry knowing there is no premium income to be gained on re-planted forests following the first tree fell. It means they would be leaving farming dependants stripped of income until the trees are felled after a 30-year growing term.

The new Residential Zoned Land Tax (RZLT) has been raised with many IPAV members by client farmers. It's causing considerable worry for farmers with zoned land that is used for agricultural purposes. While we have serious reservations about this tax achieving its desired aim of incentivising the sale of land to someone who will develop homes in a timely manner, we would like to see a commitment by the Minister for Agriculture to exclude farmland from the scope of this new tax.

On a more positive note, for farmers the Government is finalizing a TAMS (Targeted Agricultural Modernisation Scheme) of grant support offering a dedicated and attractive incentive for solar PV installations on farms. This will be based on energy use on the farm, including that used in the farm home, a very encouraging move. It will also cover battery storage. In addition, VAT is refundable on solar PV investment and 100% of the balance can be written off in the year of investment, which for a sole trader can be worth 50% and for companies 12.5%.

I hope you enjoy our report, I would like to thank editor, Philip Farrell, and all contributing members of IPAV for their expert input into this report, the detail of which you will find in the following pages.

PHILIP FARRELL, EDITOR

A warm welcome to the 2023 Institute of Professional Auctioneers & Valuers (IPAV) Farming Report. This annual report looks at the current state of land values, their performance over the previous 12 months, and how they are expected to perform over the coming year. It also looks at key factors, trends and challenges that were evident in the industry during the previous year. The content is provided by experienced IPAV members. Most are seasoned land sale experts and auctioneers situated throughout Ireland. Many of these auctioneers have been selling land for decades. You can rest assured that the information provided is accurate, relevant and informative. It is on this note that I would like to thank all of the contributors to this report. Your ongoing assistance allows this to be of real relevance within the property sector. Without you, this report would simply not be possible.

Both sales and lettings of lands performed very strongly throughout 2022. According to a report by the Irish Independent, total land sold by auction was up by 48%. In cases where more than expected prices were secured, invariably it was a purchaser from the dairy sector. Many dairy farmers were in a strong position to act following three very strong years for the sector. In some areas values in excess of €20,000 per acre were achieved. Average prices for the year were €12,231, up 18% on 2021 (graph 1). There was unprecedented demand for lands to lease and as a result prices in excess of €500 per acre were secured. Average prices were in the region of €250-€300 per acre.

Every year brings new challenges for the sector and 2022 was no exception. The world has experienced exceptional international events in recent years which changed the global landscape forever. Farming was not exempt from the effects of these events. First up was the 2016 Brexit vote. This changed our relationship with our largest market, the UK. It is only now that the real effects of this ill thought out decision are being felt, especially in the UK. It would seem likely that the current international economic slowdown and potential recession may be more acute in the UK as a result of this decision. The destinations for our food exports has increased, with the EU and the rest of the world now taking a larger share. The recently published Bord Bia Performance & Prospects Report 2022/23 confirmed the total value of Agri exports at €16.7 billion, up €3 billion on 2021. This figure is equally divided between UK, EU and other international markets respectively. As a nation, we export to 180 countries, and we export 90% of what we produce.

No sooner had Brexit consumed the airwaves when Covid arrived in March 2021. Once we began to think that was behind us, the appalling Ukraine conflict commenced in March 2022. This war has had a profound effect domestically and internationally, leading to record levels of inflation (10%+). Input costs have increased significantly in every sector. It is now expected however, that inflation will start to reduce over the coming months, following a recent fall in energy prices. Another important development was the recent end to the era of near zero interest rates. Further increases are still likely this year. Shortage of labour also became an issue during 2022 and is expected to create challenges for the forthcoming calving season. This was as a result of many Irish based foreign workers returning to their home countries during the Covid crisis. To put things into perspective nine out of ten Irish farms employ some form of external labour.



DAIRY

The Dairy sector was the top performer in 2022. Back in 2017, milk prices stood at 27 cent per litre. Milk quotas were abolished in 2019 and many were nervous as to what might follow. They need not have worried. In 2020 prices started to rise steadily and have continued to rise unabated. The average price currently (Jan 2023) stands at 58 cent per litre. Prices in 2022 alone increased by 31%. Many believe that this price cannot be sustained. Consumers will start looking at cheaper alternatives. These increases were driven by a shortage in the global supply of milk. This supply is now expected to increase. While prices have thrived there are some immediate challenges for dairy farmers as they strive to comply with nitrate bands and herd sizes. The future of the industry is all about sustainability. This in turn has led to a huge demand for lands to lease. Prices were up over 50% in certain parts of the country last year. In a number of cases, in excess of €500 per acre was achieved. Over 55% of leased land in the country is on a long term basis (5 years plus). One third of all dairy farmers are looking to lease land currently.



BEEF

Despite the overall inflationary pressures delivering increased input costs, beef prices remained in positive territory with average prices increasing year on year by 15%. A very positive announcement at the beginning of 2023 was the reintroduction of cattle exports to China. This is expected to reach €675,000 in 2023. This market offers real potential for the medium and long term. Prices in general, in the first few weeks of the 2023 have also been strong. As of Jan 2023 prices stand at approximately €5.10 per kg. Supply is tightening up across Europe. The short to medium term outlook for beef prices is still positive. Prices are expected to remain in positive territory for 2023. Export numbers were up 13% last year. Supply is expected to be tight for the first 6 months of 2023 with a 2-3% fall in numbers.



TILLAGE

Tillage farmers experienced two of their best ever years in 2021 & 2022. Favourable weather conditions resulted in strong yields. Prices continued to rise, driven by a reduction in supply coming from Ukraine, one of the world's largest grain exporters. The continuing threat from Covid in China also drove inflation. The outlook continues to be positive. Input costs have increased by over a third however, the favourable weather during the planting season has somewhat limited these extra costs. In recent months, in an effort to address the sustainability issue, government through the Climate Action Plan have been encouraging farmers to switch from dairy or beef to tillage enterprises.



SHEEP

Prices have broadly held up in 2022. It was a year of two halves, the first six months were stronger than the second half of the year. Average sheep prices are currently down approximately 50p per kg on Jan 2022. Demand remains strong. Easter and Ramadan is early this year which should ensure a steady demand for the export markets for Q1 of this year. The total value of exports in 2022 was €475 million, up 15% on 2021. The largest market for Irish lamb is France, in fact 74% of total sheep exports are destined for the EU.



FORESTRY

The headline news in this sector in early 2023 was confirmation of a joint venture between Coillte and Gresham House, a specialist forestry investment fund. An initial tranche of 12,000 acres has been confirmed. This is consistent with Coillte's aim to increase forest cover from 11% to 18%. There is real concern in the sector as to the long term implications this will have on the prices of forestry land, with further rises expected. Land values for forestry have increased over the last 12 months. The €5,000 price ceiling has now been well and truly breached in most areas. An increase in premium payments for hardwoods during the year brought some extra impetus to the market. The licencing backlog which caused real problems in 2021 is still an issue however, this has reduced somewhat.



PIGS & POULTRY

These two sectors continue to be the least profitable in the industry, input costs increased significantly for both in 2022. Increased energy costs in the poultry sector caused real challenges. Pigs are currently making approximately €2.10 per kilo, a record price however, after absorbing the increased input costs this is well acknowledged as just about the break even point. There is however, a cautious optimism at the start of 2023 that the worst may be over and input costs will fall following the 2022 spike. With such tight margins, one off government grants ensured survival for some pig farmers. According to Teagasc, the average pig farmer in Ireland is carrying €600,000 in debt. The key challenge for the industry is stiff competition from more efficient international markets.

AROUND THE PROVINCES – THE EXPERT’S VIEW

MUNSTER

MICHAEL BRADY MIPAV - BRADY GROUP, CORK. ‘Supply was an issue in County Cork in 2023, with limited amounts of land coming to market’. Mike is also seeing strong demand from dairy profits, as a result of the very strong prices being achieved for milk. ‘The greatest demand in the market is for large developed dairy units’. He is also seeing strong demand for lands to lease which is a consistent thread in both Munster and Leinster. Significant increases have been secured for these lands. ‘Sale prices are also well up on 2021 with quality grass or tillage achieving approximately €17,000 per acre, an increase of over 20% on 2022’. He sees prices holding up in the short term with some potential competition from other asset classes as investors look at other options available, as a result of higher interest rates.

HODNETT FORDE PROPERTY SERVICES, CLONAKILTY, CO. CORK - Hodnett Forde found supply last year at similar levels to 2021 with a continued demand from dairy farmers and investors. They see interest from investors being driven by the attractive returns currently available. They are very optimistic regarding prices for milk, beef and grain as a result of worldwide demand exceeding supply, plus additional new markets opening up in the Middle East. ‘Three factors which the sector has little or no control over will have key roles to play in determining matters are - spiralling energy costs, fertiliser prices and the ongoing war in Ukraine’.

POWER WALSH, CLONMEL CO. TIPPERARY. Power Walsh have seen average prices for grassland rise from €13,500 to €16,500 per acre over the last 24 months, an increase of over 20%, a significant rise. They see land values increasing as long as commodity prices continue to rise. There is an extremely strong demand in the general area with little supply, especially for lands to rent. Tillage land could achieve up to €400 per acre. In their opinion, and a common view held by many IPAV agents, is that Brexit has had little or no effect on the overall value of land. New export markets have also been identified and there is less of a reliance on the UK for our agricultural exports.

TOM CROSSE FIPAV - GVM AUCTIONEERS, LIMERICK. Tom saw a significant increase in the supply of land coming to the market in the Limerick area in 2022. He believes a strong start to 2022 encouraged some landowners to go to market earlier than planned. Similar to last year, ‘Demand was very strong especially from dairy farmers looking to consolidate their enterprises and comply with herd size and nitrate requirements’. He has seen prices increase as much as 20%. In excess of €20,000 per acre was achieved in a number of large tillage land sales. This included a farm extending to 145 acres in Clarina, Co. Limerick which sold for €2.9million. Average prices per acre were in the region of €15,000. He remains optimistic that both milk and beef prices will hold up as a result of a general decrease in worldwide production. According to Tom ‘The mood among the farming community is one of positivity. Many astute business people also see land as a safe investment haven in times of potential recession’. A good example of this was the resilience land prices showed during the Irish recession 15 years ago.



THE AGENT'S VIEW (CONTD)

LEINSTER

EAMON O'FLAHERTY FIPAV - SF BRADY O'FLAHERTY, MAYNOOTH, CO. KILDARE. Eamon is based in North Kildare and due to its proximity to Dublin he continues to see a real shortage of lands coming to market. When it does, demand is extremely strong. A significant number of buyers are from the non-farming sector. They are continuing to use agricultural land as a vehicle to transfer wealth to the next generation. Where land was sold in this area, it achieved in the region of €15,000 per acre for a 'working farm'. This is up from €11,000 in 2020 (+35%), with in excess of €20,000 available for smaller holdings. Due to the continued lack of supply he is also seeing an appetite from farmers in the area to purchase additional acreage. This is been driven by the well documented nitrate rules and herd size requirements.

ALAN BRACKEN MIPAV - SF DAVITT & DAVITT, MULLINGAR, CO. WESTMEATH - The land market in Westmeath was very lively in 2022 with both supply and prices achieved well ahead of 2021. According to Alan 'There was a notable swing back to in room auctions' which was understandable considering the buoyancy of the market. In total, 63 farms were offered for sale in the general area with an average price achieved of €11,500 per acre. The top price secured was approximately €24,500 per acre. Interestingly, investors made up 46% of all buyers, dairy farmers made up 18% followed by beef farmers on 17%. The dairy and beef sectors continues to thrive with pigs and poultry continuing to struggle The prices currently being secured from retailers are not enough to make it profitable. A key issue for the poultry sector has been the huge increase in energy costs. Alan expects to see land prices levelling off in 2023.

STEPHEN BARRY MIPAV - RAYMOND POTTERTON AUCTIONEERS, NAVAN, CO. MEATH - Similar to SF Brady O'Flaherty, Pottertons, who are based in Navan have seen supply a real challenge the closer you move towards Dublin. Average prices in this area have also seen increases from €11,000 to €15,000 over a two year period. What is very significant and simply highlights the demand from farmers to secure additional lands to rent, to comply with nitrate regs and herd size, is a nearly 100% increase in the average price achieved for lands to rent, from €200 to €380 per acre. City based tax advisors are increasingly recommending land as an investment/inheritance vehicle. According to Stephen Barry, 'Pigs have been a massive negative. Severe losses have been incurred but efficient pig farmers are now getting back up on their feet. Reducing grain prices are a big help at the moment. Another observation is that far more farmers are considering downsizing and leasing out 30 or 40 acres. They can secure a tax free income and end up with a higher overall net income by working less



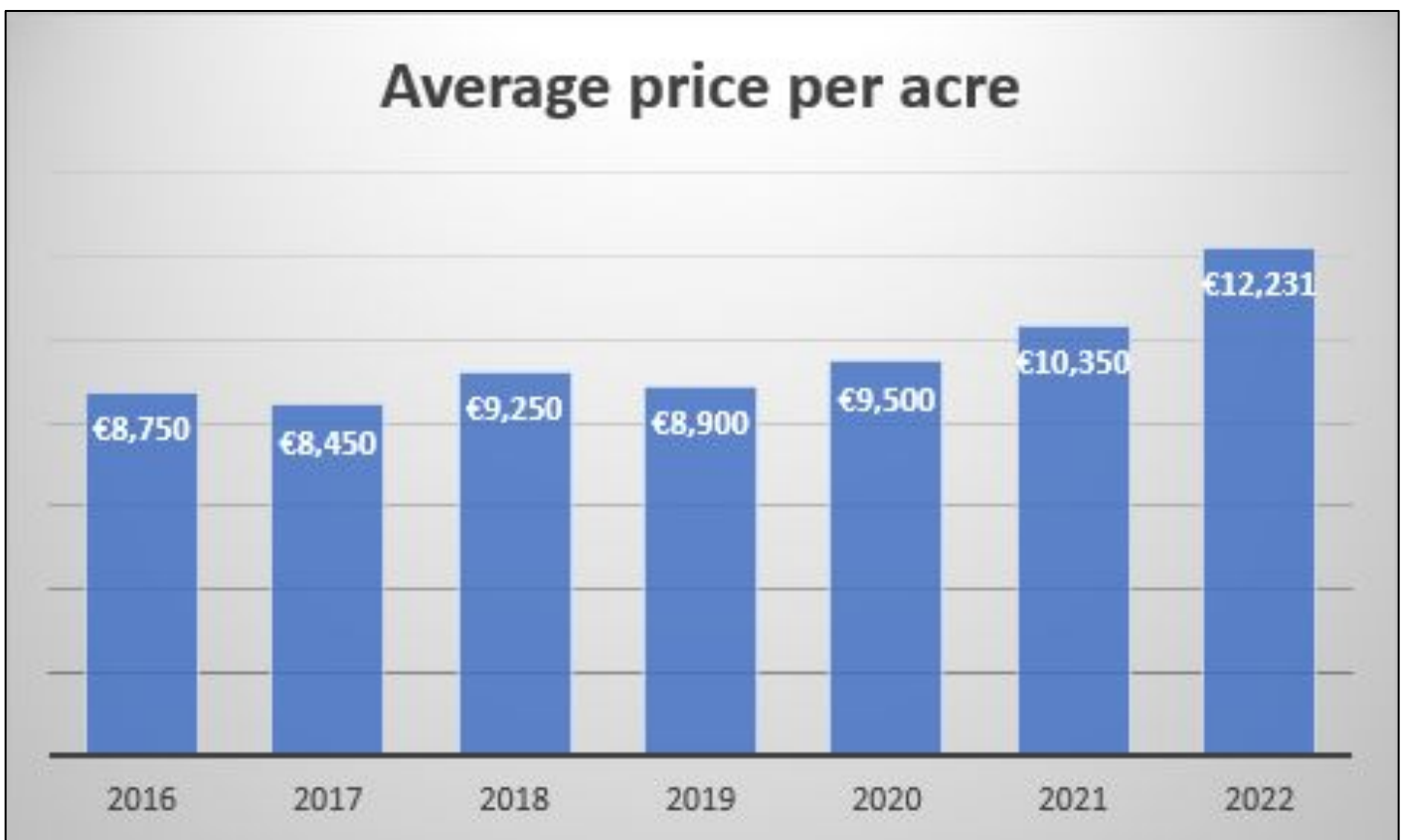
THE AGENT'S VIEW (CONTD)

LEINSTER CONTINUED...

JOHN V FARRELLY MIPAV - DNG ROYAL COUNTY, NAVAN CO. MEATH. In line with other regions John has witnessed an increase in the amount of land coming to market, primarily as a result of landowners and retiring farmers looking to capitalise on both the current buoyant market and the increased values. Demand continues to come from dairy and tillage farmers. Average prices have increased by approximately 8% from €12,500 to €13,500 per acre. According to John, 'Tillage farmers have experienced two very strong years as a result of favourable weather'. In addition, in 2022, grain prices were up as a result of the war in Ukraine which has driven down the supply on the worldwide market. Looking forward, John believes that the implementation of new climate change measures may affect land values in the long term. He believes culling of the herd could have a major impact on disposable income for farmers and sees lands at worst, holding their value throughout 2023. This would seem less of an issue now with the recent announcement by the Minister for Agriculture cancelling the suckler cull. A dairy exit scheme however, is still a possibility in the future.

ANNE CARTON MIPAV - P N O'GORMAN, NEW ROSS CO.WEXFORD. Anne's view is that the 'The supply of land for sale was somewhat limited in 2022, down approximately 25% on 2019 (pre Covid). Similar trends have been experienced throughout Kilkenny & Wexford. 'Continued expansion in the dairy sector, record prices being paid for milk and an exceptionally good year for tillage farmers have contributed to a strong demand for land in general'. Anne sees the Government's Climate Action Plan as a real challenge for the sector into the future. Average prices for quality grassland have increased from €12,000 to €14,000 per acre, up 17%, year on year. Significantly, the increase over two years was 40%. Due to limited supply, prices in excess of €20,000 per acre were achieved in 2022 for smaller holdings. Ann has also seen a 25% increase in the prices being achieved for long term leases, up from €200 to €250 per acre.

Graph 1



THE AGENT'S VIEW (CONTD)

ULSTER

PETER MURTAGH FIPAV - PETER MURTAGH AUCTIONEERS, BAILIEBOROUGH, CO CAVAN. Peter, a long time contributor to this report confirms average prices in the general area of County Cavan at €9,000 per acre. 'Supply is an issue with demand coming from the familiar quarters including, dairy and beef farmers, young farmers looking to get established with some interest also coming from Northern Ireland'. He sees land prices holding firm and as ever, spikes in prices will occur when an attractive holding comes on the market or where there is pent up local demand. The pig sector is significant in his area. He is surprised that there have not been more casualties to date. Government grants have played a key role for pig farmers during a very difficult period. The outlook for 2023 is a reduction in energy and feed costs in the first quarter with a potential welcome uplift possible for the sector.

KEITH ANDERSON FIPAV - ANDERSON AUCTIONEERS, DONEGAL TOWN The supply of lands sold in 2022 in County Donegal has been very limited. Due to diverse topography of the county, lot sizes tend to be of a smaller size. The average price for land in the county is approximately €9,500 per acre coming from a low supply base. Keith Anderson also sold a 65 acres holding of a lesser quality suitable for upland grazing achieved approximately €5,400 per acre. He continues to see a lot of interest coming from Northern Ireland. Investing in land is still seen a very viable alternative to leaving money on deposit however this is changing. Rewilding is becoming more common in the county.



THE AGENT'S VIEW (CONTD)

CONNAUGHT

GERRY COFFEY FIPAV (PRESIDENT IPAV) - GERRY COFFEY AUCTIONEER, WILLIAMSTOWN, CO. GALWAY.

According to current IPAV President, Gerry Coffey, a move towards a greener way of farming over the coming years is now a key factor for the industry. 'Now that CAP has been sorted a big issue will be herd size'. He sees the value of marginal land continuing to increase, as a result of new environmental methods of farming for poorer quality lands and increased premiums for forestry. Livestock prices are up across the board. These increases are being somewhat offset by increased input costs. He has seen an increase of the amount of land coming to market as landowners look to capitalise on a healthy market. He is now starting to see some farmers looking to move into organic farming as a result of the Acres Scheme. It also suits cutting back on numbers with increased EU payments. He has seen a significant increase in land values for grazing land from €6,000 per acre in 2021 to €8,000 in 2022. Demand continues to be very strong for lands to lease.

RE/MAX TEAM EARLEY - THE SQUARE, ROSCOMMON. Remax Team Earley sold approximately 40 farms in 2022 varying in size from 20-200 acres. They are seeing average values of €8,000 for grazing land. The biggest demand is coming from investors. They see this as very attractive with a guaranteed 3.5% return, as opposed to significantly lesser returns achievable on deposit. It will be interesting to see if this continues as returns for alternative asset classes will start to improve, as a result of increased interest rates. They also see values for forestry lands continuing to increase as a result of the higher premiums available for hardwood trees. 'Overall, 2022 was a very positive year for most sectors and the overall outlook for 2023 is also positive'. They have seen some of the banks tightening up in recent months. This is likely as a result of the uncertain international economic climate and the threat of a worldwide recession.

ROGER MCCARRICK MIPAV - REA MCCARRICK & SONS, SLIGO Roger McCarrick, based in Sligo, specialises primarily in the North West of the country. Roger says that the supply of lands for sale has been very tight in 2022. Due to the smaller farm sizes in the general area, dairy farming is less prevalent, therefore the region has not been affected as much by the increase in milk prices. Land values have increased approximately 8% in 2022 from €6,500 to €7,000 per acre. This is significantly less than in some parts of the country. He says that much of the increases experienced in beef and lamb prices have been offset by increased input costs, primarily for fertiliser and feed. Roger reports that 'Farmers are sceptical of the recently introduced 'Acres Scheme'. While previous Environmental Schemes like Reps & Glas were very important to the income of small farmers, some feel this may not be the case with Acres'. If this does not prove to be profitable he can see some farmers moving completely into the forestry space and moving away from traditional farming activities.



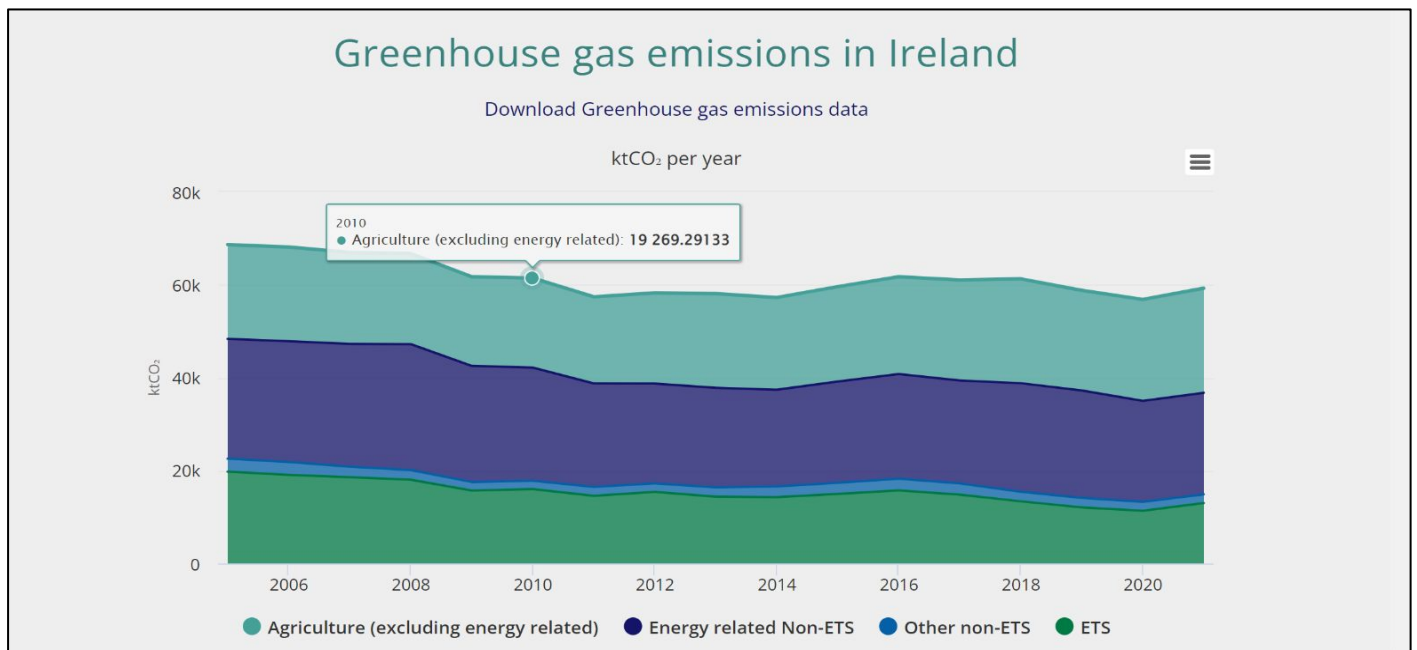
OUTLOOK

The outlook for the coming year is difficult to assess however, the fundamentals are strong. Prices are holding up across the board. Domestically, the industry is in positive territory. Key external factors will play significant roles in determining the performance in 2023 – A potential world recession, continued high inflation, increasing interest rates, the war in Ukraine and the performance of the UK economy will be the key issues. Sustainability pressures will only continue to increase and are likely to be the biggest challenges for farmers over the next ten years. As a result of this, the government are making it very clear that they want to see a shift from livestock/grazing towards tillage enterprises. These sectors believe they are receiving disproportionate blame for the current emission levels (see graph 2). It is a bone of contention for many. Recent comments from the President of the IFA Tim Cullinan highlighted this. ‘The farming sector will not become the sacrificial lamb where cutting agricultural activity is seen as a fast track solution to reducing overall emissions. As an industry, agricultural is often seen as a soft target’. Despite this, more onerous regulations from Europe and the government are certain.

It is likely that the demand for farmland will continue to be very strong. Demand for land to rent will continue to far exceed supply, despite older farmers continuing to move to tax efficient long leases. Land prices will likely continue to increase with little or no relevance to the returns possible but more as a opportunity for dairy farmers to comply with nitrate bands and regulations.

The key domestic challenges for the industry in 2023 will be Nitrate bands, spiralling input costs, global warming and securing labour. There is some concern in the EU that some farmers will move away from embracing CAP. The reason for this is the current levels of inflation have resulted in significant increases in fertiliser and feed costs thus negating the benefits from CAP payments. Input costs have increased for most sectors by between 35% - 40% in 2022. A new requirement under CAP 2023-27 is that every farmer has to meet a minimum requirement of 4% of their lands classified as delivering a biodiversity benefit. No doubt, other new challenges will arrive in 2023, however farmers are a resilient bunch and no doubt will be well able to combat them.

Graph 2





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