



AGRICULTURAL LAND MARKET REVIEW Q3 2024



OVERVIEW

After two years of robust growth, agricultural land price inflation has returned to a more sustainable level with values rising by 3.5% during the first nine months of the year. The weighted average price of an acre of general farmland reached €12,342 in quarter three according to the Sherry FitzGerald Agricultural Land Price Barometer, up from €11,929 at the end of 2023.

The slower pace of growth in land prices seen in the year to date reflects cautiousness among farmers due to several headwinds in the market. These headwinds have contributed to a moderation in land price inflation across all categories of arable, prime and marginal grassland.

Land values rose in most regions during the first nine months of 2024. The Border region led the way with a substantial increase of 6.4% while prices in the West region remained stagnant over the period.

Marginal grassland experienced the highest growth rate of 3.7% in the first nine months of the year, followed by prime arable land with a 3.5% increase. Prime grassland grew by 3.3%.

Although the ECB has begun to cut interest rates in recent months, rates remain significantly greater than a few years ago, impacting farmers ability to finance land purchases. As the cost of finance decreases going forward, it is likely to have a positive effect on land prices. This impact is expected to be limited however, due to persistent headwinds including reduced farmer incomes, elevated interest rates, poor weather conditions and uncertainty surrounding the nitrates directive.

CONTENTS

5	8	9
ECONOMIC OVERVIEW	MARKET COMMENTARY	ALL FARMLAND
.....
11	13	15
GRASSLAND	ARABLE LAND	OUTLOOK
.....



ECONOMIC OVERVIEW

The impact of higher borrowing costs was felt across the Irish economy in the first nine months of 2024, reducing the pace of inflation and dampening economic growth.

The annual rate of inflation in Ireland, as measured by the Consumer Price Index (CPI), fell to 0.7% in October, considerably lower than the 5% rate seen a year earlier. Meanwhile, in the Euro Area, the Harmonised Index of Consumer Prices recorded an inflation rate of 2% in October, in line with the ECB target rate. This is compared to the 2.9% rate recorded twelve months previously. The easing in inflation seen in recent months has paved the way for a reversal in monetary policy, with the European Central Bank (ECB) announcing three 25 basis point cuts to key interest rates in June, September and October. This brings the main refinancing rate to 3.40%. Although inflation is expected to increase in the short term, it is on track to reach the ECB medium term target of 2%

in 2025. The downward trajectory in interest rates is expected to continue over the coming months with a further 25 basis point cut anticipated in December.

Growth in the Irish economy was subdued during quarter two, with Modified Domestic Demand (MDD) decreasing by 0.5%, following a 1% increase in quarter one. This measure is seen as a more accurate measure of economic activity in Ireland due to the volatile nature of the multinational dominated industry sector. Meanwhile, Irish Gross Domestic Product (GDP) contracted by 1.0% in the second quarter of 2024. This decline reflects a decrease of 0.1% in the multinational sector during the quarter, while the domestic facing sector also contracted



overall during the period by 1.8%. This decrease was seen in most of the domestic sectors during the quarter, including the Agriculture, Forestry, and Fishing sector which contracted by 2.3%. Growth in MDD is expected to reach 2.3% in 2024 according to ESRI forecasts, strengthening to 3.1% in 2025. GDP is expected to decrease by 0.4% in 2024, returning to positive growth of 2.5% in 2025.

Conditions in the Irish labour market remained very tight throughout 2024 with record levels of employment recorded. The most recent figures from the Labour Force Survey show that the total number of individuals aged 15 years and over in employment reached over 2.75 million in quarter two 2024 compared to 2.64 million in the same period in 2023. The unemployment rate has remained very low, with the estimated monthly rate standing at 4.2% in October for those aged 15 to 74 years, compared to 4.5% in October 2023. For 2024 as a whole, the rate of unemployment is expected to remain close to the full employment level, averaging 4.3% according to forecasts from the ESRI.

Agricultural output prices rose by 15.4% in the first nine months of the year. Milk prices recorded the largest increase during this period, rising by 32%, although milk prices are down by 20% from their peak in December 2022. Sheep prices saw growth

of 16.4% in the nine month period, while pig prices increased by 13.5%.

In contrast, agricultural input prices fell by 5% over the same period as fertiliser prices (-9.5%), feeding stuffs (-8.7%) and electricity prices (-9.2%) all declined.

Preliminary estimates for the full year suggest that agricultural input prices will fall by 9.8% in 2024 compared to 2023. While input prices are still expensive compared to a few years ago, prices for fertiliser and feeding stuff have fallen by 24.3% and 13.8% respectively compared to 2023. Output prices are estimated to increase by 6.8% in 2024, mainly due to increases in potato, sheep, and milk prices of 31.6%, 15.4% and 15.1% respectively.

Farmers' incomes fell in 2023 as a result of high production costs and lower output. The Teagasc National Farm Survey for 2023 found that farmers' incomes declined across all farm types. In particular, tillage and dairy farm incomes witnessed the sharpest reductions as the volume of output in both sectors declined while dairy and cereal prices fell significantly during the year. Similarly, Eurostat data revealed that Ireland experienced the fourth largest decline in agricultural income within the EU in 2023, down 34.6%. This is much larger than the EU average, where incomes dropped by 7.6%.



MARKET COMMENTARY



Philip Guckian,
Associate Director, Sherry FitzGerald
Country Homes, Farms & Estates

Commenting on the market, Philip Guckian, Associate Director Country Farms, Homes & Estates said...

"The farming industry has had a tough year overall in 2024. Farmers have seen their incomes squeezed reflecting lower yields caused by poor weather and high input costs. There's still a lot of uncertainty regarding whether the nitrates directive will stay in place. For farmers in Ireland who rely on it, the possibility of its removal is definitely a big concern. Despite these challenges, competition for available land remains strong, while supply is limited, putting upward pressure on land values.

While farmers are hopeful that easing inflation and potential interest rate cuts will provide some relief, many are still struggling. They will be looking to the upcoming election for support and solutions to the ongoing challenges faced by the sector."



AGRICULTURAL LAND MARKET REVIEW Q3 2024

ALL FARMLAND

After two years of robust growth with agricultural land prices rising by 10% and 11.5% in 2023 and 2022 respectively, agricultural land price inflation has returned to a more sustainable level with values rising by 4.7% in the twelve months to the end of September 2024.

During the first nine months of the year agricultural land prices grew by 3.5% bringing the weighted average price of an acre of general farmland to €12,342 according to the Sherry FitzGerald Agricultural Land Price Barometer, up from €11,929 at the end of 2023.

The slower pace of growth in land prices seen in the year to date reflects cautiousness among farmers

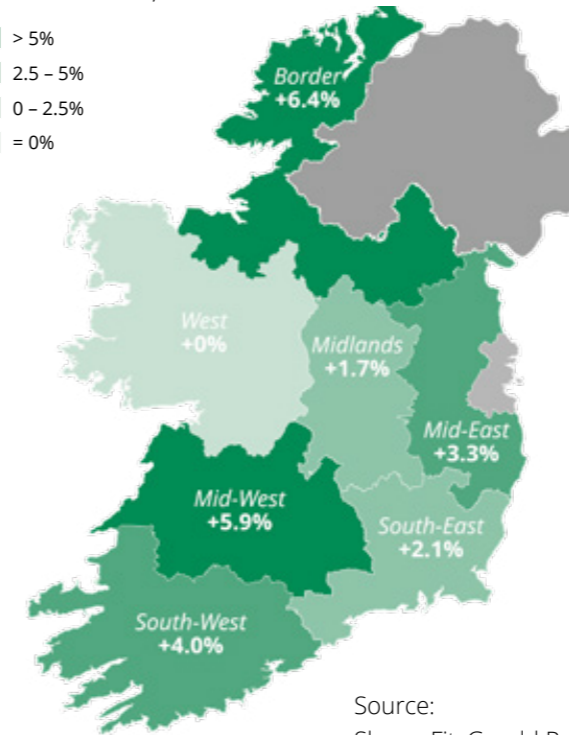
due to several headwinds in the market. In particular, nitrate regulations and uncertainty over changes to the derogation allowance, lower farm incomes and a limited supply of available land have all constrained activity levels in the land market.

Land values rose in most regions during the first nine months of 2024. The Border region led the way with a substantial increase of 6.4%, although this region

Agricultural Land Price Performance, 2024 YTD

Land Value Growth, %

- > 5%
- 2.5 - 5%
- 0 - 2.5%
- = 0%

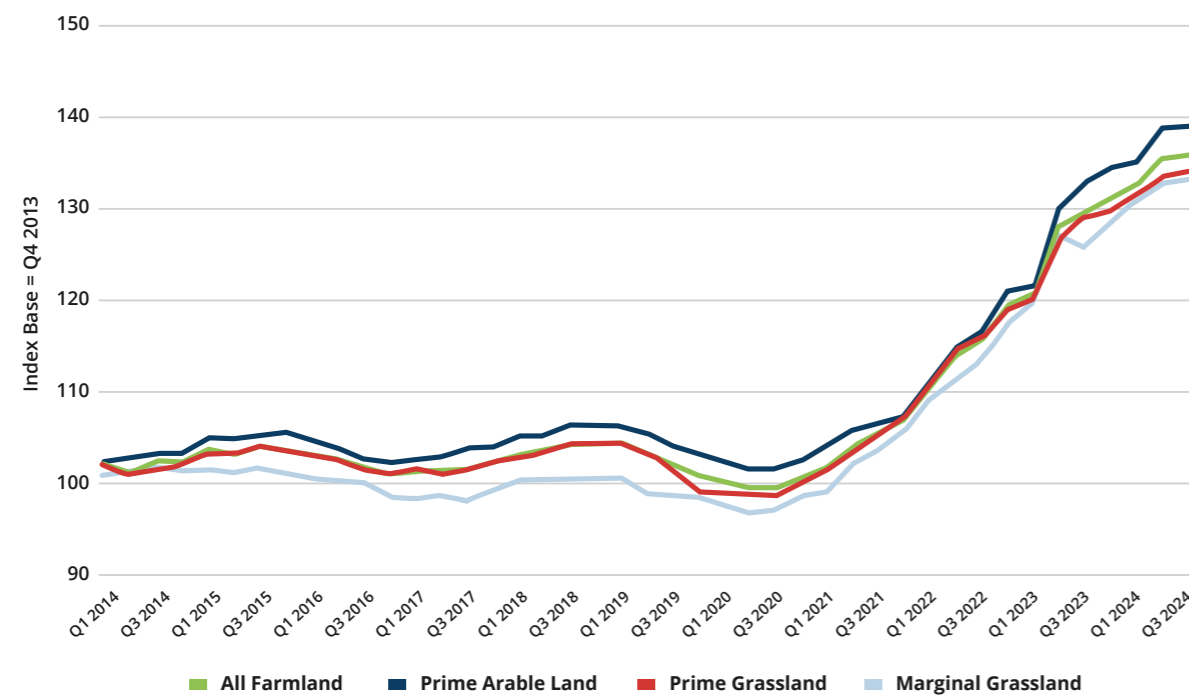


Source: Sherry FitzGerald Research

had the second lowest value of farmland per acre at €10,111 in quarter three. The most expensive region, the Mid-East, experienced a 3.3% increase, bringing its average value to €14,167 per acre, while land values in the least expensive region, the West, remained stagnant at €8,200 per acre.

Marginal grassland experienced the highest growth rate of 3.7% in the first nine months of the year, despite being the least expensive land type at €8,331 per acre. Prime arable land followed with a 3.5% increase, making it the highest land value at €14,969 per acre. Prime grassland grew by 3.3%, reaching a value of €13,726 per acre.

Agricultural Land Price Barometer, Q1 2014 - Q3 2024



Source: Sherry FitzGerald Research



GRASSLAND

Prime grassland values increased by 3.3% in the first nine months of the year.

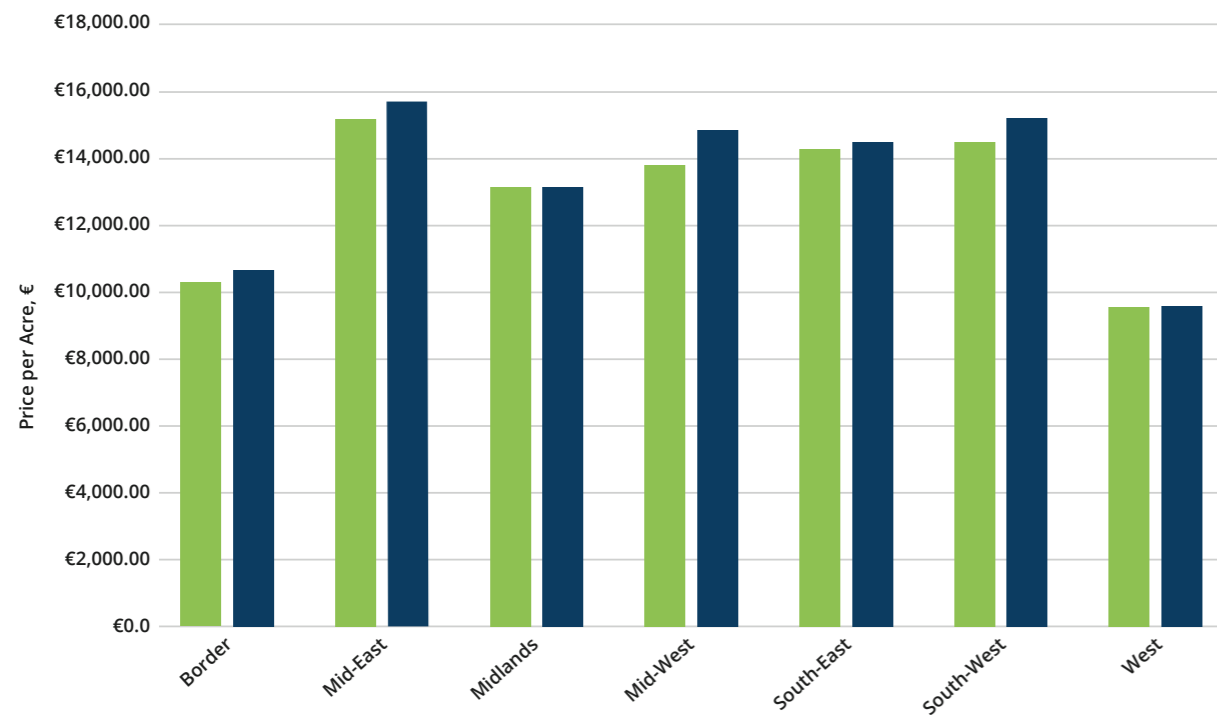
This was less than half the 8.5% growth seen during the same period the previous year. The annual increase in quarter three stood at 3.9%, down from the 11.1% annual growth rate recorded in quarter three 2023. As a result, the weighted average price of an acre of grassland reached €13,726 in the third quarter of 2024, up from €13,290 at the end of 2023. Even though milk prices have increased and fertiliser prices have decreased compared to 2023 levels, growth in prime grassland values has been

more reserved due to the poor weather conditions, uncertainty around the nitrates directive and the high cost of living pressures affecting farmers.

Five of the seven regions in Ireland experienced growth in prime grassland values during the first nine months of 2024. The Mid-West led the way with a 7.2% increase, despite having the third-highest average value per acre at €14,833. The Mid-East region, with the highest average value of €15,688



Prime Grassland Prices, Q4 2023 vs Q3 2024



Source: Sherry FitzGerald Research

per acre, saw a 3.3% increase. Meanwhile, the West region, with the lowest average value of €9,600 per acre, saw no change in prime grassland values over the period.

Marginal grassland values experienced growth of 3.7% in the first nine months of 2024, compared to the 7.1% increase recorded in the same period of 2023. This brings the annual increase to 5.9% in quarter three compared to 10.8% a year earlier. The weighted average price for this type of land stood at €8,331 at the end of September, up from €8,034 at the end of 2023. The strong performance of

marginal grassland in 2023 was attributable in part to farmers seeking to expand their landholdings to comply with the new nitrate regulations.

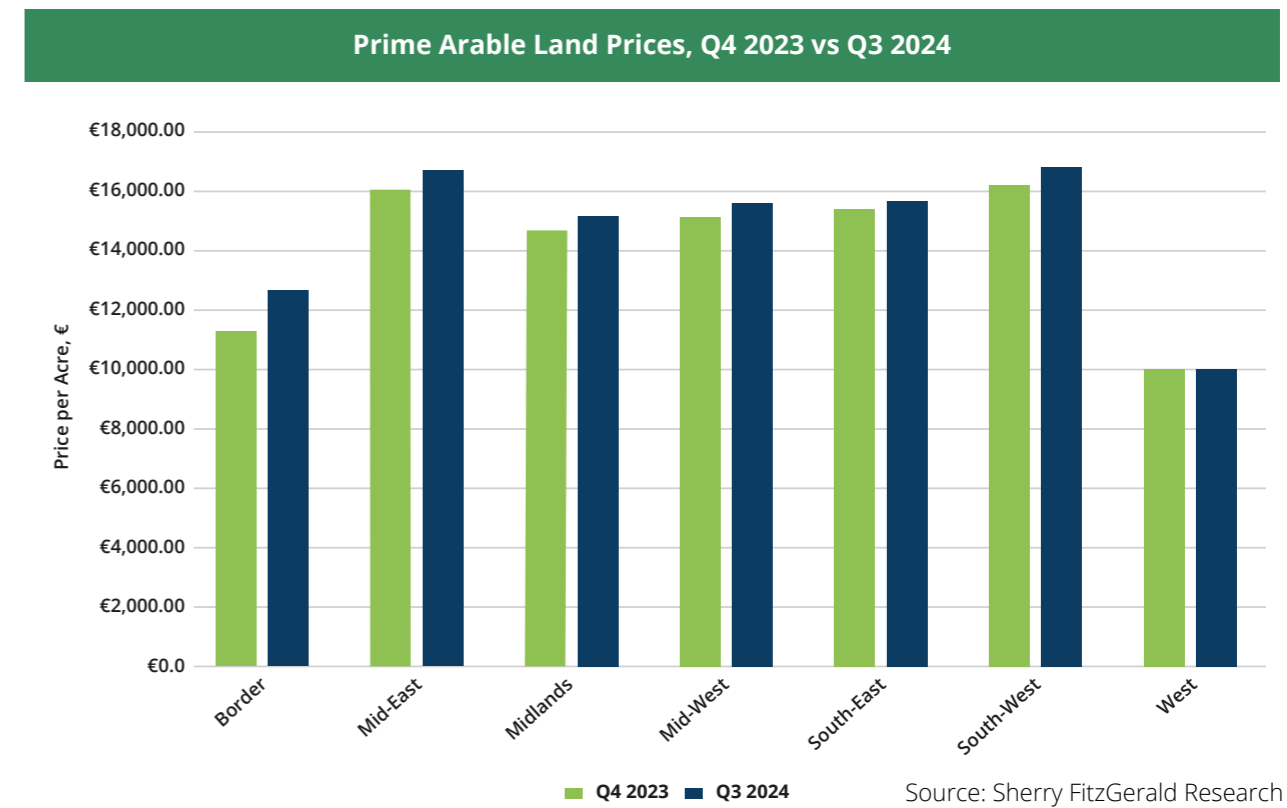
The Mid-West region saw the most significant growth in marginal grassland values, with a 9.5% increase. This region had the fourth largest average value of marginal land in quarter three at €8,666 per acre. The Mid-East, with the highest average value of €10,125 per acre, experienced a 2.4% increase. Meanwhile, the West region, with the lowest average value of €5,000 per acre, remained unchanged.

ARABLE LAND

Prime arable land values also saw positive levels of price growth in the first nine months of 2024, at 3.5%.

This is in comparison to the 9.7% growth recorded in the same period of 2023. The annual increase in quarter three was 4.9%, compared to 13.8% in Q3 2023. This brings the weighted average price in quarter three to €14,969, up from €14,461 at the end of 2023. The poor weather in Ireland seen again this year had a negative effect on crop production, impacting farmers income levels and subsequently affecting the demand for arable land.

The Border region, with the second lowest average value of prime arable land at €12,667 per acre, experienced the most significant price increase during the nine-month period, rising by 11.8%. The South-West region, with the highest average value of €16,811 per acre, followed with a 4.0% increase. The price of arable land in West region remained stagnant throughout the year so far, with the average value remaining at €10,000 per acre.



OUTLOOK

The agricultural sector has faced several challenges in 2024, including reduced farmer incomes, elevated interest rates, poor weather conditions and uncertainty surrounding the nitrates directive. These headwinds have contributed to a moderation in land price inflation across all categories of arable, prime and marginal grassland.

The potential removal of the nitrates derogation in 2025 could have a significant impact on the sector. Some farmers may struggle to comply with the new regulations and may decide to sell their farms, leading to further consolidation of farms across the country. The decision which will be made next year will have a lasting impact on the industry's future.

The Minister for Finance announced amendments to agricultural relief¹ in Budget 2025, aimed at enabling the transfer of farmland to family members who wish to continue farming, while curtailing land banking by investors and wealthy non-farmers who had also availed of the relief in the past. The amendment sought to make the relief applicable only to "active farmers" who were classified by a set of criteria. However, concerns over these criteria and the possible exclusion of genuine farmers have led to a delay in the implementation of this change until this issue has been addressed.

The budget also included several measures that will benefit young farmers. The stamp duty ceiling for young, trained farmers in relation to the transfer of land has been increased to €100,000, and they will also receive 100% stock relief for the first four years. These initiatives are expected to encourage intergenerational farm transfers, potentially limiting the availability of new land on the market.

Farmers will have their eye on the upcoming general election with their focus on increased CAP funding, retaining the nitrates derogation and greater clarity in relation to the implementation of the Residential Zoned Land Tax and the rezoning of land that is being actively farmed.

Looking further afield to the US, changes to import tariffs by the newly elected Donald Trump will be closely watched by farmers. Trump indicated that he would introduce significant tariffs of 60% on goods imported from China and between 10% and 20% for other countries. Irish food and live animal exports to the US totalled €557 million in the first eight months of 2024 with dairy and eggs accounting for the majority of this at 62% or €343 million. There are also concerns that the Mercosur trade deal could be passed by EU officials soon. This would allow up to 99,000 tonnes of South American beef to enter the EU market tariff free every year, exposing Irish farmers to low-cost competition.

Although the ECB has begun to cut interest rates in recent months, rates remain significantly greater than a few years ago, impacting farmers ability to finance land purchases. As the cost of finance decreases going forward, this is likely to have a positive effect on land prices. This positive effect is expected to be limited however, due to the various challenges affecting the market.

1. The agricultural relief allows 90% of the market value of farmland to be deducted when calculating inheritance tax.



Contact Details

Philip Guckian

Associate Director,
Sherry FitzGerald Country
Homes, Farms and Estates

+353 (0) 1 237 6308
philip.guckian@sherryfitz.ie

Sean Cadogan

Economist,
Sherry FitzGerald Advisory

+353 (0) 1 237 6300
sean.cadogan@sherryfitz.ie

Jean Behan

Senior Economist
Head of Research,
Sherry FitzGerald Advisory

+353 (0) 1 237 6300
jean.behan@sherryfitz.ie

Jane Dunne-Terry

Economist,
Sherry FitzGerald Advisory

+353 (0) 1 205 1231
jane.dunneterry@sherryfitz.ie

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