



# Farm succession in Ireland

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# Intergenerational farm transfer

- Three stages of land transfer: succession, inheritance and retirement (Leonard et al. 2018).
- **Succession** refers to the handing over of managerial control from the operator to a successor.
- **Inheritance** denotes the legal transfer of assets from the operator to a successor.
- **Retirement** indicates the exit of the operator from farming.
- Many farmers in Ireland rarely enter full retirement, often entering a stage of semi-retirement in which they remain involved in the day-to-day running of the farm.

# Farm succession



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**A Guide to Transferring the Family Farm**  
September 2019

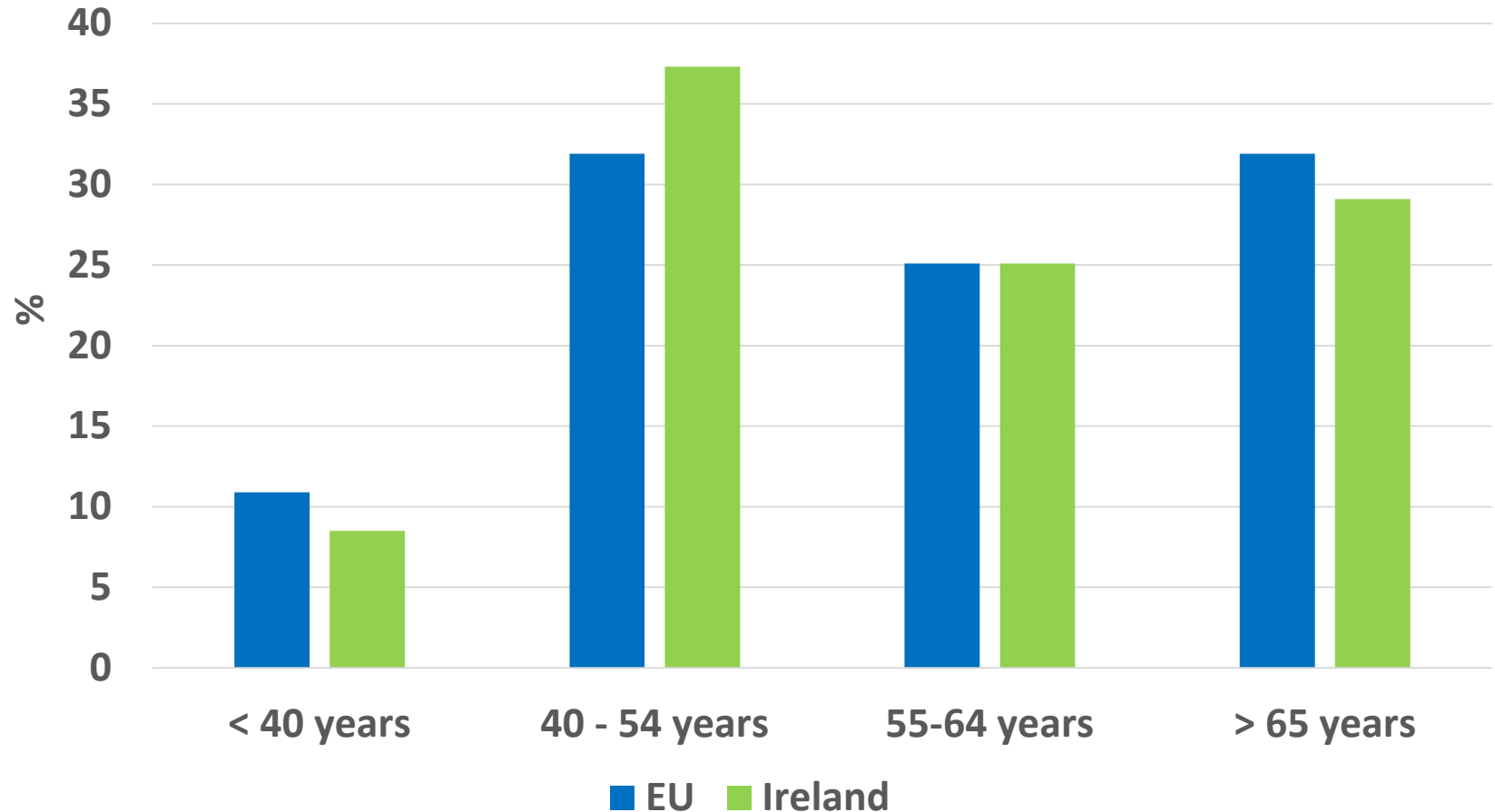
# Demographic situation on Irish farms

Average by system	Age	HH with member aged <24	HH with member aged 25-44	Off-Farm Job Holder	Off-Farm Job Spouse	HH with Pensions
Dairy	52	51%	40%	11%	49%	11%
Cattle Rearing	55	27%	30%	37%	28%	28%
Cattle Other	57	32%	26%	42%	30%	31%
Sheep	58	32%	22%	34%	32%	35%
Tillage	59	29%	30%	29%	26%	24%

- 30% of Irish farm holders aged over 65 (FSS 2016)
- Only 5% aged under 35
- Non-Dairy farm households generally older

# An aging EU farm population

## EU Farm Managers by age category 2016



Almost 1/3 of EU farm managers are aged over 65

Source: Eurostat (Farm Structures Survey 2016)

# Current challenges in Ireland



# Expected Brexit impact

- 2018 UK food & drink imports from Ireland worth €5.6bn
- UK is a key export market for Irish agri-food
  - 43% of total agri-food exports
  - 52% of beef
  - 23% of dairy
- Also important export market
  - Prepared Consumer Foods
  - Timber
  - Mushrooms



## • Beef

- Extremely dependent on UK market
- Difficult to secure new markets
- Very low farm/processing margins
- Irish production not competitive at world market prices



## • Dairy

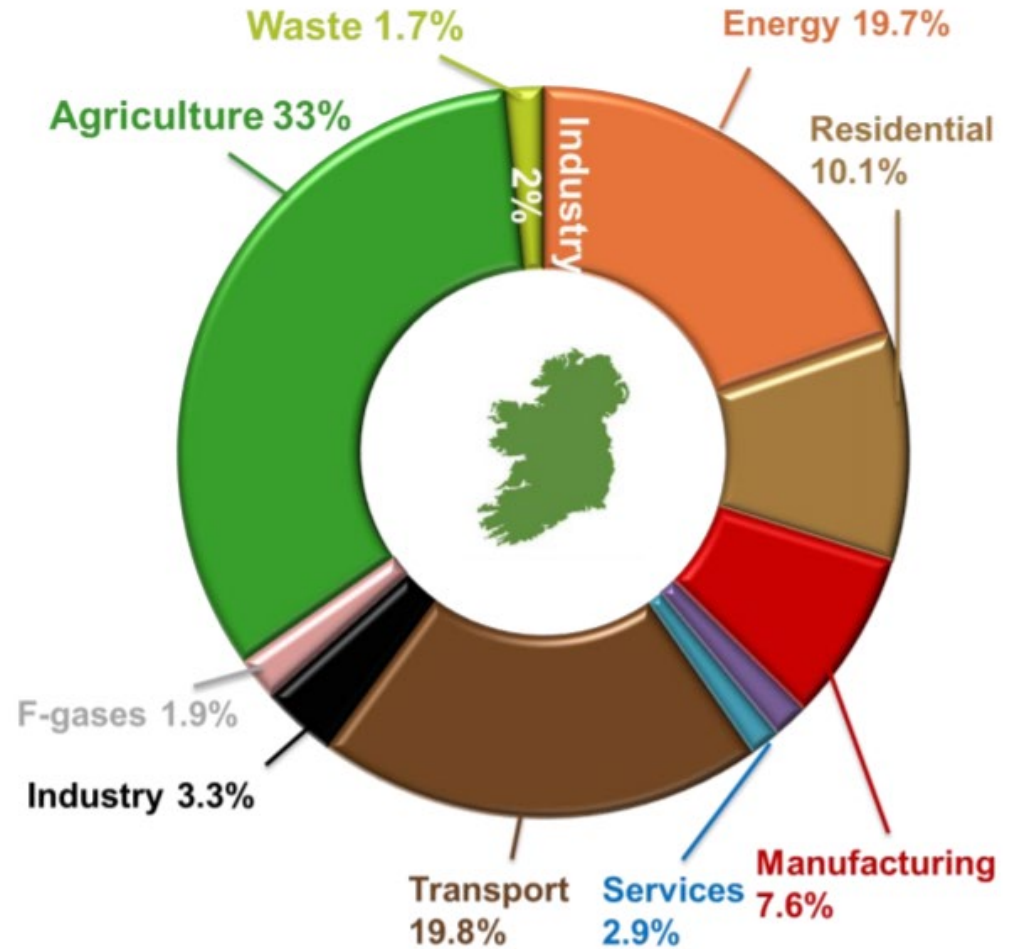
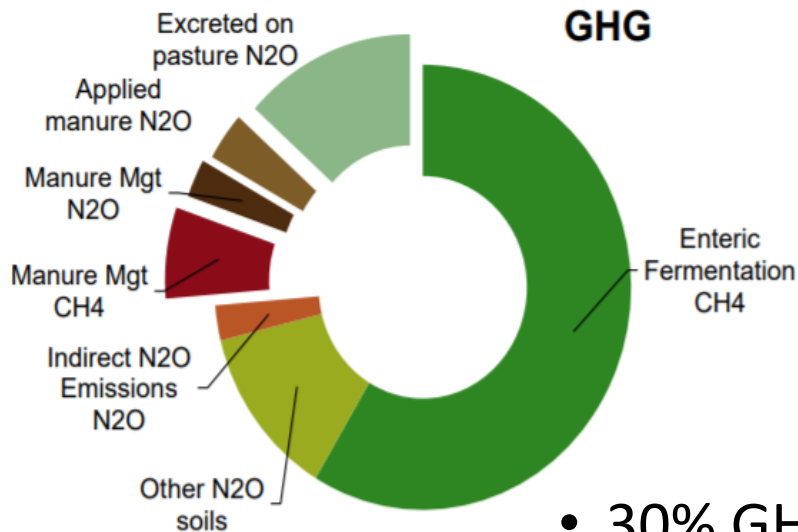
- Less vulnerable than beef
- Lesser dependence on UK Market
- Many dairy commodities are generally competitive at world prices
- Sector is highly profitable at farm level
- Farm and processing sector more integrated than other sectors





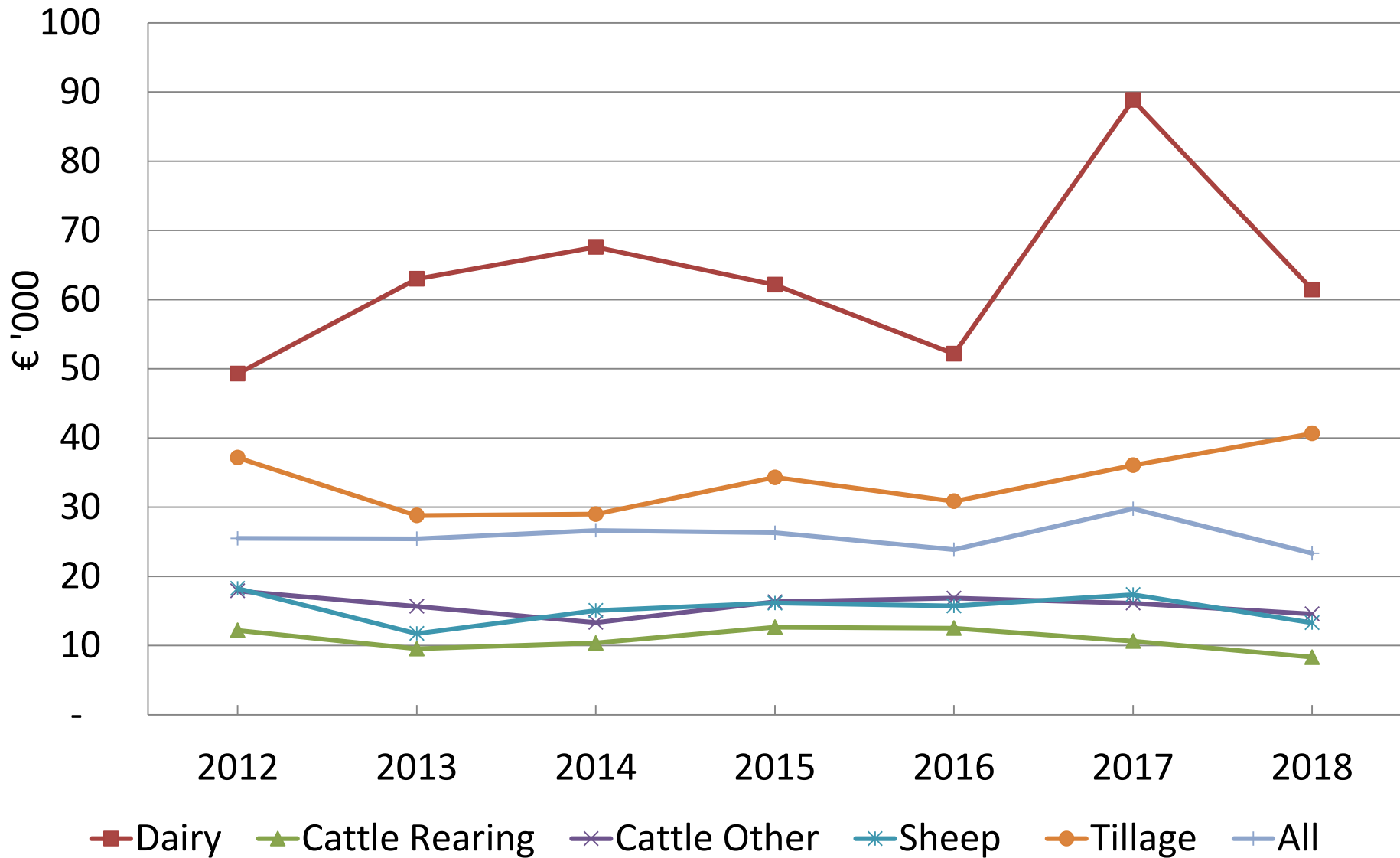
# Climate change

- Irish Agriculture accounts for 33% of national emissions
- Proportionally large livestock sector



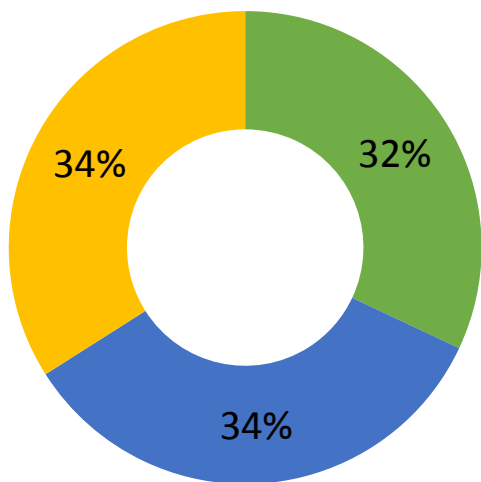
- 30% GHG reduction required by 2030

# Farm income challenges



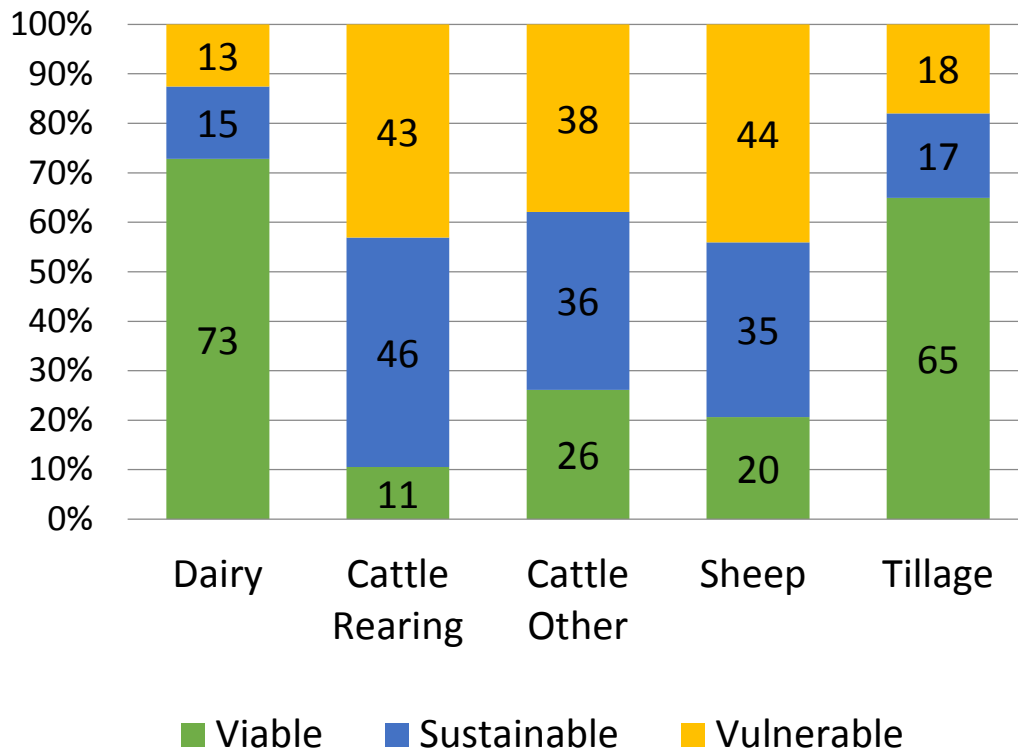
Source: Teagasc National Farm Survey

## Viability of Irish Farming 2018



- Viable
- Sustainable
- Vulnerable

## Farm viability by System 2018



**Viable** - farm income can remunerate family labour at the minimum agricultural wage & provide a 5% return on the capital invested in non-land assets.

**Sustainable** - unviable farm business but off-farm income within the household.

**Vulnerable** - unviable farm business and no off-farm income within the household.

Source: Teagasc National Farm Survey

# Previous research on farm succession in Ireland

- Leonard et al. (2018) highlight the importance of ensuring the financial security of retiring farmers.
- Issues of concern include:
  - Capital taxation
  - Marital breakdown
  - Retirement income
  - Cost of long-term care
- However, the situation is nuanced, Conway et al. (2018) conclude that emotional issues distort and dominate decisions on the future trajectory of the farm.
- Economic-based incentives not always successful.
- Challenging for design of succession and retirement policy.



# Policy incentives

- Current initiatives include:
  - 25% top-up on the Basic Farm Payment for farmers aged 40 and under.
  - Tax reliefs on Capital Acquisitions, Capital Gains and Stamp Duty.
  - Young Farmer Capital Investment Scheme (TAMS)
  - Long-term leasing tax reliefs since 2015
    - Land mobility remains very low (<1% p.a.)
    - Land mobility service [www.landmobility.ie](http://www.landmobility.ie)

Lump sum payments to older farmers to help encourage transfer of land - Hogan



# Farms with chosen successor

	Farmer Age >60	Farmer Age >65
All farms	69%	74%
Dairy	75%	80%
Cattle Rearing	70%	74%
Cattle Other	66%	70%
Sheep	72%	72%
Tillage	64%	82%

- 3/4 of farmers aged over 65 have identified a successor
  - However, many have not discussed this with them
- Dairy and Tillage farmers more likely to have a successor
  - Almost 1/3 of Drystock farmers aged over 65 have no successor

# 5 year plan – intend to continue farming

	Farmer Age >60	Farmer Age >65
All farms	44%	36%
Dairy	43%	42%
Cattle Rearing	45%	29%
Cattle Other	45%	42%
Sheep	39%	35%
Tillage	46%	23%

- More than 1/3 of farmers aged >65 intend to continue farming
  - Highest proportion amongst Dairy and Cattle Other farmers
- Lowest proportion amongst Tillage farmers

Source: Teagasc National Farm Survey Additional Survey 2018

# 5 year plan – intending to retire

	Farmer Age >60	Farmer Age >65
All farms	24%	30%
Dairy	19%	24%
Cattle Rearing	27%	40%
Cattle Other	16%	19%
Sheep	36%	39%
Tillage	20%	24%

- Almost 1/3 of those aged >65 without a successor intend retiring
  - Majority in Cattle Rearing system – persistently low FFI
- Only 9% intend leasing out the land
- Little desire to plant forestry (2%)



# 5 year plan – intending to scale back

	Farmer Age >60	Farmer Age >65
All farms	22%	26%
Dairy	13%	14%
Cattle Rearing	30%	39%
Cattle Other	23%	27%
Sheep	16%	20%
Tillage	7%	12%

- A further 1/4 of those aged >65 intend scaling back
- Again, highest amongst Cattle farmers
  - Pessimism within the sector

# 5 year plan – intending to enter a farm partnership

	Farmer Age >60	Farmer Age >65
All farms	16%	14%
Dairy	19%	20%
Cattle Rearing	14%	15%
Cattle Other	11%	7%
Sheep	18%	15%
Tillage	27%	29%

- Higher income Dairy and Tillage Systems more likely to enter a farm partnership with a view to retirement

Source: Teagasc National Farm Survey Additional Survey 2018

Successor identified	Coef.	Std. Err.	P>t
Farm Family Income per ha	0.000	(3.98E-05)	ns
Single Farm Payment per ha	0.000	(0.00)	**
Farmer aged >65	0.507	(0.054)	***
Household members age 25 -44	0.046	(0.029)	ns
Household members age 45 -64	0.133	(0.029)	***
Advisory contact	-0.034	(0.037)	ns
Agricultural education	0.005	(0.043)	ns
Total labour units on farm	0.119	(0.029)	***
Proportion of land rented out	0.003	(0.003)	ns
Proportion of land rented in	0.002	(0.000)	*
Dairy	-0.048	(0.127)	ns
Cattle	0.082	(0.129)	ns
Sheep	0.023	(0.044)	ns
Tillage	-0.007	(0.028)	ns
_cons	-0.142	(0.147)	ns

R-squared= 0.19, N=744. \*, \*\*, \*\*\* indicates 90%, 95%, 99% significance

# Ongoing work

- Developing social sustainability indicators
- Impact of land leasing tax reliefs on farm transfer
- The status quo on small farms
  - Regional challenges
  - Resilience
- RENEW project – rural regeneration
  - Demographics
  - Diversification strategies
  - Supporting young farmers
  - Land mobility in the EU - lessons from elsewhere



# Go raibh maith agaibh!



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