



# Farmers turn to equity release for investment purposes

By Ruth Wildgust

**T**here is a long tradition of investing off-farm in the Cork area, according to Jerome Linehan, Cork farmer and agribusiness consultant with Farrelly and Mitchell.

In the mid-1990s, when agricultural commodity prices were the same as they had been in the mid-1980s, Linehan said many farmers thought the Celtic tiger had passed them by. "In fact, farmers' wealth was deposited in their agricultural assets rather than their wallets," he said.

The appreciation in land values coupled with the receipt of a single farm payment (SFP) has since driven the increase in off-farm investments. The price of agricultural land is now €20,000 per acre compared with less than £3,000 (€3,800) in the 1980s, said Linehan.

"The single farm payment made to farmers on an annual basis was historically calcu-

lated on the amount of subsidies they received," he said. "The SFP is now decoupled from production, so farmers receive it whether or not they produce commodities."

Many farmers have used their SFPs to release equity from their land. The most common mechanism used is an interest-only loan secured on their agricultural assets. This type of off-farm investment began in 2000 and has grown rapidly since then, said Linehan.

"The SFP is guaranteed until 2013. It may well continue after 2013, but there is no guarantee," he said. As the SFP is not index-linked, it is reducing in real terms on an annual basis. Linehan said that, by making investments over the next six or seven years that would mature on a staggered basis, farmers could create an income stream that would not require excessive manage.

"That is why they use companies like Farrelly and Mitchell," he said. "A lot of farmers are asking themselves why

they should have €1 million to €2 million tied up in agricultural land – especially when they are being paid 1980 prices – when they could leverage their land in several relatively secure investments."

Nearly 70 of 100 farmers recently surveyed in Cork intend to invest off-farm within the next 12 months, said Linehan. Of those, over 55 per cent intend to invest more than €100,000. Only 30 per cent of Cork respondents intend to finance on-farm investments at the same level over the next 12 months.

"We would estimate that over 20,000 farmers have invested off-farm in property-related investments to date in Ireland," said Linehan. "Cork farmers are even more likely to invest off-farm, with 70 per cent stating they will be investing off-farm or leveraging their land holdings through off-farm investments in 2007."

Banks are swift to lend money on agricultural land assets, according to Linehan. He

said that Farrelly and Mitchell had on its books investments ranging from €50,000 to €5 million.

"A lot of farmland was rezoned as development land over the past five years, so several farmers have come into sizeable sums and placed these directly into off-farm investments," he said. "We structure deals for private individuals including the tax, funding and legal requirements."

The company also structures deals for groups of farmers who come together to pool their funds for investment purposes.

A large proportion of the farmers who borrow against their assets for investments are looking for an annual return on their investment, said Linehan.

Farrelly and Mitchell offers geared investments on commercial property mainly in the North and Germany.

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**Jerome Linehan, Cork farmer and agribusiness consultant, Farrelly and Mitchell**