

FARMLAND VALUES DIP SLIGHTLY AS UNCERTAINTY CONTINUES

Lack of supply and pockets of strong demand help to cushion market from larger falls

Farmland performance

3-month change	-1.5%
12-month change	-4%
5-year change	16%
10-year change	74%
50-year change	4,043%

The average value of bare agricultural land in England and Wales fell by 1.5% in the final quarter of 2017, according to the Knight Frank Farmland Index. The drop means prices fell by 4% overall during the year and now average £7,201/acre.

There is no reason to believe that the quarterly decline is the beginning of a larger slide that will gain momentum during 2018. What appears more likely is that we are in for a prolonged period of limited market activity with an erratic succession of small quarterly dips, plateaus and rises the order of the day.

Currently the market is being driven by a complex series of opposing forces. On the one hand we have the medium-term uncertainty caused by Brexit, while on the other there are the enduring factors that create demand for farmland.

Defra secretary Michael Gove has sought to reassure farmers that Brexit won't lead to a subsidy cliff edge. He announced earlier this year that he plans to maintain the total level of financial support for agriculture across the UK at its current level of around £3bn a year until 2024.

However, a significant degree of uncertainty remains – the payment regime is likely to change significantly, moving away from flat area-based payments to a “greener” system where farmers are paid for the delivery of environmental and public goods. The largest claimants are also likely to see their support payments capped. And what happens after 2024?

Farming is also one of the industries most affected by the ongoing lack of government clarity regarding the eventual shape of Brexit. Remaining in the Customs Union, for example, would have very different ramifications to a “Hard” Brexit where we trade with the rest of the world under WTO terms.

So it is not surprising that vendors and potential purchasers remain cautious. Despite this, there are still plenty of reasons for buyers to take the plunge. Development rollover remains a strong driver in certain parts of the country, as does tax planning, while the ability – for now at least – to lock into low interest rates, combined with relatively stable commodity prices may encourage those with a long-term outlook to expand their holdings or estates.

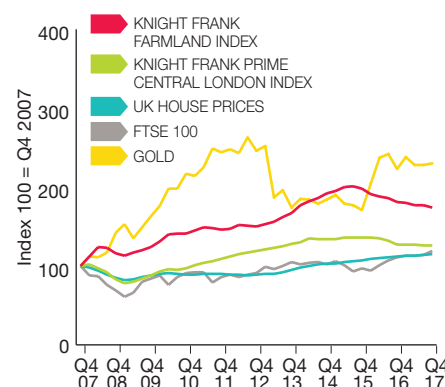


ANDREW SHIRLEY
Head of Rural Research

“The market is being driven by a complex series of opposing forces.”

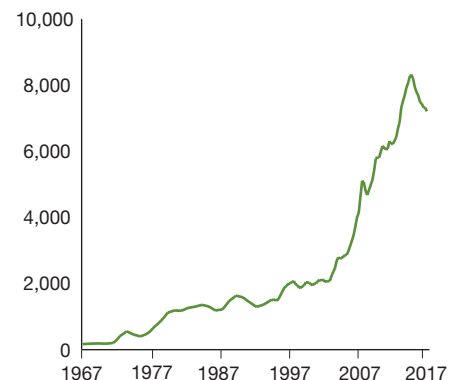
Follow Andrew at [@kfandrewshirley](https://twitter.com/kfandrewshirley)

FIGURE 1
Farmland 10-year performance versus other assets



Source: Knight Frank Research

FIGURE 2
Historic farmland performance
£/acre



Source: Knight Frank Research

DATA DIGEST

The Knight Frank Farmland Index tracks the average price of bare (no residential property or buildings) commercial (productive arable and pasture) agricultural land in England. The quarterly index is based on the opinions of Knight Frank's expert valuers and negotiators across the country, which take into account the results of actual sales conducted by both the firm and its competitors, local market knowledge and client and industry sentiment. When combined with UK government statistics, the index shows the performance of farmland since 1944.

Knight Frank Farmland Index

	Quarterly price change	Annual price change	Average value £/hectare	Average value £/acre
Dec-12	-0.1%	3%	£15,354	£6,214
Mar-13	1.5%	4%	£15,585	£6,307
Jun-13	1.8%	2%	£15,866	£6,421
Sep-13	4.0%	7%	£16,501	£6,678
Dec-13	3.1%	11%	£17,005	£6,882
Mar-14	6.4%	16%	£18,098	£7,324
Jun-14	2.6%	17%	£18,574	£7,517
Sep-14	2.3%	15%	£19,000	£7,689
Dec-14	3.1%	15%	£19,583	£7,925
Mar-15	1.7%	10%	£19,914	£8,059
Jun-15	2.6%	10%	£20,423	£8,265
Sep-15	0.5%	8%	£20,524	£8,306
Dec-15	-1.7%	3%	£20,176	£8,165
Mar-16	-3.2%	-2%	£19,538	£7,907
Jun-16	-1.7%	-6%	£19,207	£7,773
Sep-16	-1.3%	-8%	£18,957	£7,672
Dec-16	-2.6%	-8%	£18,464	£7,472
Mar-17	-0.5%	-6%	£18,372	£7,435
Jun-17	-1.6%	-6%	£18,069	£7,313
Sep-17	0.0%	-5%	£18,064	£7,311
Dec-17	-1.5 %	-4%	£17,794	£7,201

Source: Knight Frank Research

Key agricultural indicators*

Commodity prices	Latest	12-month change
Outputs		
Feedwheat (£/t)	136	-4%
Oilseed rape (£/t)	288	-17%
Beef (p/kg dw)	370	2%
Lamb (p/kg dw)	419	10%
Milk (p/litre)	31.7	21%
Input prices		
Red diesel (p/litre)	56	11%
Oil (£/bbl)	46.28	12%

For more detailed information on the issues affecting UK landowners and farmers, including the latest on agricultural commodity and input markets, please request a copy of The Rural Report, our magazine for rural property owners.

*Sources: www.fwi.co.uk www.dairy.ahdb.org.uk

RURAL RESEARCH

Andrew Shirley

Head of Rural Research
+44 12 3472 0534
andrew.shirley@knightfrank.com

PRESS OFFICE

Celia Welham

+44 20 7861 1033
celia.welham@knightfrank.com



Important Notice

© Knight Frank LLP 2018 – This report is published for general information only and not to be relied upon in any way. Although high standards have been used in the preparation of the information, analysis, views and projections presented in this report, no responsibility or liability whatsoever can be accepted by Knight Frank LLP for any loss or damage resultant from any use of, reliance on or reference to the contents of this document. As a general report, this material does not necessarily represent the view of Knight Frank LLP in relation to particular properties or projects. Reproduction of this report in whole or in part is not allowed without prior written approval of Knight Frank LLP to the form and content within which it appears. Knight Frank LLP is a limited liability partnership registered in England with registered number OC305934. Our registered office is 55 Baker Street, London, W1U 8AN, where you may look at a list of members' names.

RECENT MARKET-LEADING RESEARCH PUBLICATIONS



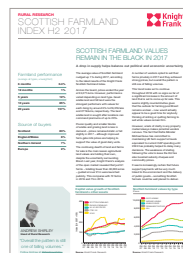
The Wealth Report - 2017



The Rural Report - Spring 2017



Knight Frank Luxury Investment Index - Q2 2017 Classic Car Special



Scottish Farmland Index - H2 2017