

FARMLAND STARTS 2018 ON A POSITIVE NOTE

Lack of supply and ongoing demand helps to support market

Farmland performance

3-month change	0.4%
12-month change	-3%
5-year change	15%
10-year change	56%
50-year change	3,994%

The average value of bare agricultural land in England and Wales rose 0.4% in the first quarter of 2018, according to the Knight Frank Farmland Index. The upturn means prices dropped by just 3% overall during the past 12 months and now average £7,226/acre.

However, it would be wrong to say this is necessarily the beginning of a sustained rally. As I mentioned in my last update, it appears that we are in for a prolonged period of limited market activity with an erratic succession of small quarterly dips, plateaus and rises likely until the market finds a new level.

In terms of the factors lending support to current pricing levels, an ongoing lack of supply is probably the most significant. The amount of land advertised in Farmers Weekly, for example, was down by 20% year-on-year at the end of April. Commodity prices, particularly wheat, have also remained largely stable over the past 12 months, which helps to keep farmers in a more positive frame of mind.

Non-farming factors such as the significant number of potential buyers

with rollover funds to spend continue to bolster demand for the limited number of farms that are put up for sale.

But it would be wrong to be unrealistically bullish; farming, after all, is about to undergo the biggest change since the UK joined the then European Economic Community in 1973. The uncertainty of what this will involve, be it less advantageous trade links with the rest of the EU, or a new environmentally based system of farm support, will certainly influence decision making.

Things, however, are slowly becoming clearer. We know a bit more about Michael Gove's vision for farming, in England at least, following the publication of Defra's Health & Harmony consultation paper. The signs, once you take away the political posturing, also suggest that both Westminster and Brussels recognise the importance of agreeing a trade deal.

With no immediate subsidy cliff edge imminent, and the potential for Mr Gove's proposed "public goods" for "public money" system of farm support to benefit more marginal farming areas, the sector still has time to adapt.



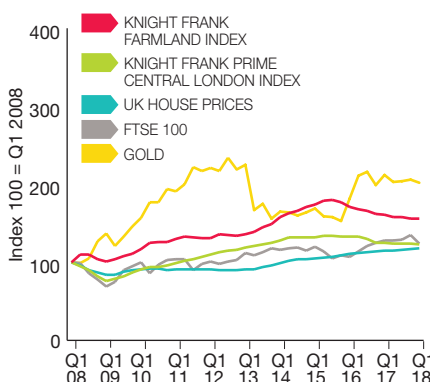
ANDREW SHIRLEY
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"We are in for a prolonged period of limited market activity"

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FIGURE 1

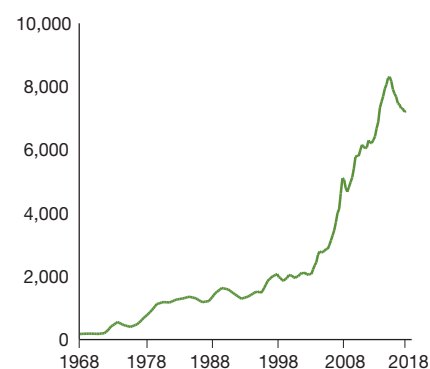
Farmland 10-year performance versus other assets



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
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
Mar-18	0.4%	-3%	£17,856	£7,226

Source: Knight Frank Research

Key agricultural indicators*

Commodity prices	Latest	12-month change
Outputs		
Feedwheat (£/t)	150	4%
Oilseed rape (£/t)	282	-14%
Beef (p/kg dw)	376	4%
Lamb (p/kg dw)	559	34%
Milk (p/litre)	29.6	11%
Input prices		
Red diesel (p/litre)	57	7%
Oil (£/bbl)	49	20%

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

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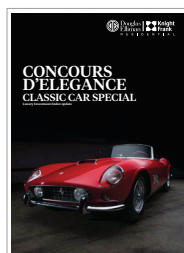
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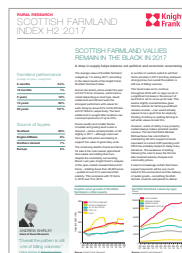
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