

## LOWLAND-UPLAND FARMLAND SPLIT STARTS TO EMERGE

**The value of lowland agricultural land is firming, but the market for marginal pasture remains sensitive.**

### Farmland performance

<b>3-month change</b>	<b>-1.7%</b>
<b>12-month change</b>	<b>-6%</b>
<b>5-year change</b>	<b>16%</b>
<b>10-year change</b>	<b>97%</b>
<b>50-year change</b>	<b>4,254%</b>

The average value of bare agricultural land in England and Wales fell by 1.7% to £7,313/acre in the second quarter of 2017, according to the Knight Frank Farmland Index. However, this slide, which takes the drop over the past 12 months to 6%, hides an emerging split.

On the evidence of recent sales in southern and central England, the value of good quality arable land has started to rebound. The price achieved has approached £10,000/acre in some cases. Although this is some way off the values being paid at the height of the market in mid-2015, it suggests that demand remains strong for the right product.

A number of factors are contributing. Helped by the ongoing weakness of sterling, the value of the main agricultural commodities like wheat and beef continues to edge up, which makes farmers feel more confident, and even milk prices are heading in the right direction.

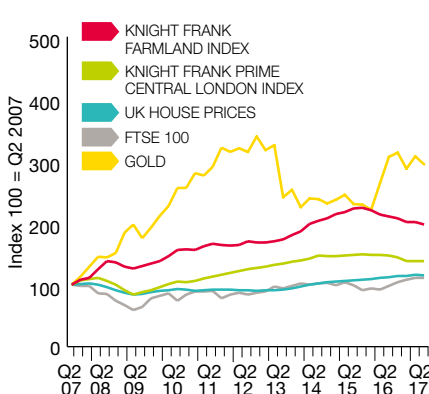
New DEFRA minister Michael Gove has also helped to calm the nerves of those worried about the impact of Brexit by promising that producers will continue

to receive the equivalent of their Brussel's subsidy cheques until the end of the current parliament, which could be 2022.

But perhaps most importantly there is still not that much farmland for sale. According to data from Farmers Weekly, there has been no year-on-year increase in the amount of land and farms publicly advertised for sale. At the same time there is still a wide variety of potential buyers looking for land, either farmers seeking to expand, investors hunting for long-term secure assets, or rollover-driven purchasers.

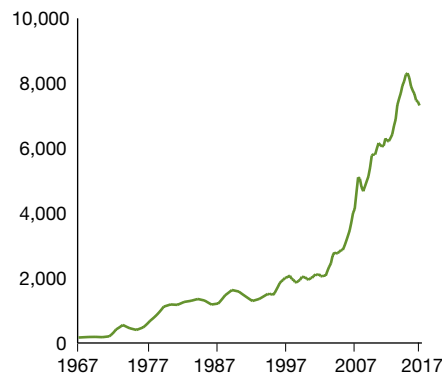
However, the demand for upland or more marginal farmland is more muted at the moment because of the heavier reliance on EU farm subsidies. Until there is clarity regarding how the UK government will replace the EU's Common Agricultural Policy (CAP), this trend looks set to continue. But demand and values could quickly recover if Mr Gove's eagerly awaited new policy recognises and rewards the wide-ranging environmental, social and landscape amenity provided by the uplands.

FIGURE 1  
**Farmland 10-year performance versus other assets**



Source: Knight Frank Research

FIGURE 2  
**Historic farmland performance**  
£/acre



Source: Knight Frank Research



**ANDREW SHIRLEY**  
Head of Rural Research

“The value of good quality arable land has started to rebound.”

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## 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
Jun-12	3.7%	2.3%	£15,556	£6,295
Sep-12	-1.2%	2.1%	£15,369	£6,220
Dec-12	-0.1%	2.7%	£15,354	£6,214
Mar-13	1.5%	3.9%	£15,585	£6,307
Jun-13	1.8%	2.0%	£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	-1.7%	-6%	£18,069	£7,313

Source: Knight Frank Research

## Key agricultural indicators\*

Commodity prices	Latest	12-month change
<b>Outputs</b>		
Feedwheat (£/t)	142	31%
Oilseed rape (£/t)	300	11%
Beef (p/kg dw)	377	12%
Lamb (p/kg dw)	488	23%
Milk (p/litre)	26.8	31%
<b>Input prices</b>		
Red diesel (p/litre)	51	11%
Oil (£/bbl)	35	10%

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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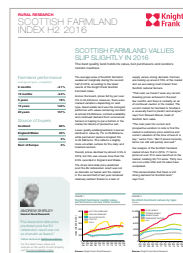
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