

FARMLAND INDEX

Q3 2018

FARMLAND MARKET EASES SLIGHTLY IN LATE SUMMER

Average prices dip, but special purchases still bidding strongly

The average value of bare agricultural land in England and Wales dipped by 1.8% in the third quarter of 2018, according to the Knight Frank Farmland Index. The fall means prices have dropped by 4% during the past 12 months and now average £7,045/acre.

Uncertainty over Brexit and the political future of the UK means buyers remain extremely cautious and see no reason to rush into a purchase. Good land is still attracting strong bids, but lower quality parcels are struggling to sell.

The government's keenly awaited "Agricultural Bill", which was published in September, confirmed that direct payments to English farmers will be incrementally phased out once we leave the EU, but it will take until 2028 before they are reduced to zero.

Unsurprisingly, the bill was somewhat short of detail and put more emphasis on the delivery of environmental benefits than profitable food production, but at least farmers and landowners now know they are not facing a subsidy cliff edge and have time to plan for life without direct payments.

However, while this means there is unlikely to be a glut of land being listed for sale, it does suggest that the current two-tier market is likely to become gradually more pronounced as buyers focus on land that is either able to deliver the highest profits or the biggest environmental benefits (and payments).

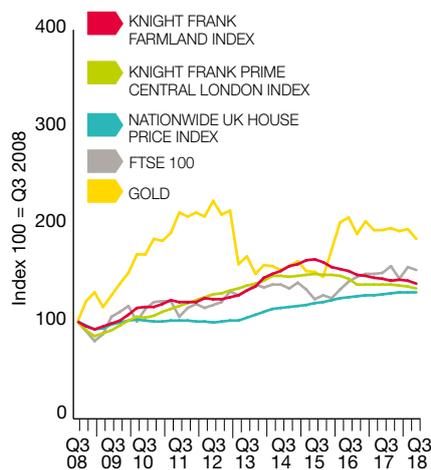
Aside from future support payments, the UK's trade relationship with the EU is a cause for concern as Brexit negotiators struggle to find

common ground. Particularly concerning is the growing perception that a "no-deal" outcome has become more likely. This could have serious implication for farming, in the short term at least.

It is of course worth noting, that a significant proportion of farm sales are not solely driven by farming factors. Rollover buyers are still extremely active – one recently paid £12,000/acre for land sold by Knight Frank in the South-West.

UK land also looks relatively cheap by European standards, especially given the weakness of Sterling, and its reputation as a long-term safe-haven for wealth in times of economic and political uncertainty could soon come to the fore again.

FARMLAND 10-YEAR PERFORMANCE VERSUS OTHER ASSETS



Source: Knight Frank Research

FARMLAND PERFORMANCE

-1.8%

3-MONTH CHANGE

-4%

12-MONTH CHANGE

5%

5-YEAR CHANGE

39%

10-YEAR CHANGE

3,770%

50-YEAR CHANGE

“A SIGNIFICANT PROPORTION OF FARM SALES ARE NOT SOLELY DRIVEN BY FARMING FACTORS. ROLLOVER BUYERS ARE STILL EXTREMELY ACTIVE.”

Andrew Shirley, Head of Rural Research
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If you would like further insight into prime rural property markets please do get in touch.

KEY AGRICULTURAL INDICATORS*

Commodity prices	Latest	12-month change
Outputs		
Feedwheat (£/t)	171	28%
Oilseed rape (£/t)	316	2%
Beef (p/kg dw)	385	0%
Lamb (p/kg dw)	403	4%
Milk (p/litre)	28.6	-6%
Input prices		
Red diesel (p/litre)	64	19%
Oil (£/btl)	56	40%

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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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.

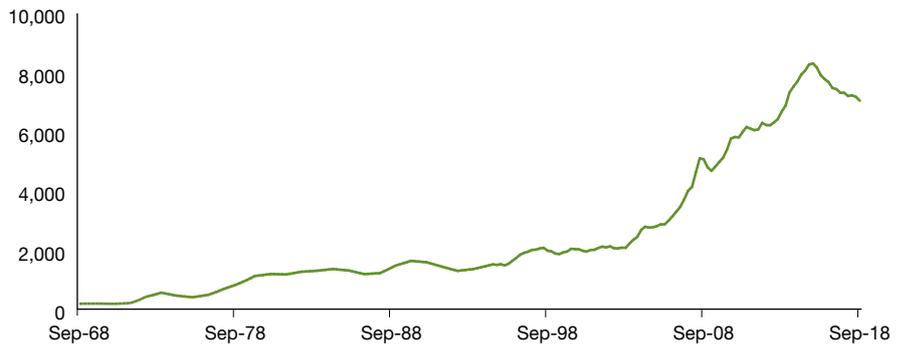
Please contact us for further information

If you're thinking of selling or buying a farm, estate, or agricultural land we'd love to help

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LONG-TERM FARMLAND CAPITAL VALUE TRENDS

Average £/acre



Source: Knight Frank Research

KNIGHT FRANK FARMLAND INDEX

	Quarterly price change	Annual price change	Average value £/hectare	Average value £/acre
Sep-13	4.0%	7.4%	£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
Jun-18	-0.7%	-2%	£17,729	£7,175
Sep-18	-1.8%	-4%	£17,408	£7,045

Source: Knight Frank Research

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