

Farmland prices move back to record high

The value of English farmland rose again in the first three months of 2013 to overtake the previous high reached in the summer of last year

Farmland performance

3 months	+1.5%
12 months	+4.0%
5 years	+36%
10 years	+207%

For the latest news, views and analysis on the world of rural property, visit [The Rural Bulletin online](#)

The average value of farmland in England rose by 1.5% in the first quarter of 2013 to £6,307/acre, according to the results of the Knight Frank Farmland Index. This takes growth over the past 12 months to 4% and the past decade to 207%.

Farmland continues to outperform many other asset classes over the mid to long-term (see graph below), although the recent bounce in equity values means the FTSE 100 has performed more strongly over the past year as investors recover some of their appetite for risk.

Gold, one of the few mainstream investments to have outperformed farmland this decade, has, however, lost some of its lustre, increasing in value by 1% over the past 12 months.

Although investors fed up of poor returns seem to be moving away from low-yielding (or zero-yielding in the case of gold) "safe-haven" investments such as AAA-rated government bonds, there continues to be strong interest in farmland. Knight Frank expects values to increase by a further 4% to 5% over the next 12 months.

"I think farmland still has a valuable role to play in investment portfolios," says Knight Frank's Tom Raynham, who is acting for a number of wealthy investors. "Even though stocks and shares are back in favour, the markets remain volatile. Land offers something more tangible, yet still has the potential to provide good capital appreciation. For private investors it also offers significant tax and amenity advantages."

This combination of benefits has seen increased activity in Lincolnshire, the UK's arable heartland, with some large blocks of good arable land recently making over £10,000/acre, adds Tom.

Despite the continuing weather problems, demand also remains strong from farmers who are prepared to pay a premium to secure land adjoining, or close to, their existing units.

"There is still a shortage of supply and while more marginal land may have a lost a little of its value, demand remains strong for commercial units," says James Prewett, who heads up farm sales in central and western England for Knight Frank.

More land could come up for sale over the next few seasons as some farmers decide they've had enough of the weather – for many, 2013 could be the third successive difficult harvest – and look to take advantage of current strong land prices.

However, UK agriculture still has a very strong balance sheet overall with liabilities well under 10% of the sector's capital value. This means there is unlikely to be a huge increase in the number of disposals. If it appears an over-supply is causing values to weaken, potential vendors may well decide to sit tight until the market firms again.

It now also looks like the ongoing reform of the Common Agricultural Policy (CAP) is unlikely to lead to a major shake-up of the EU's farm subsidy system as some had feared.

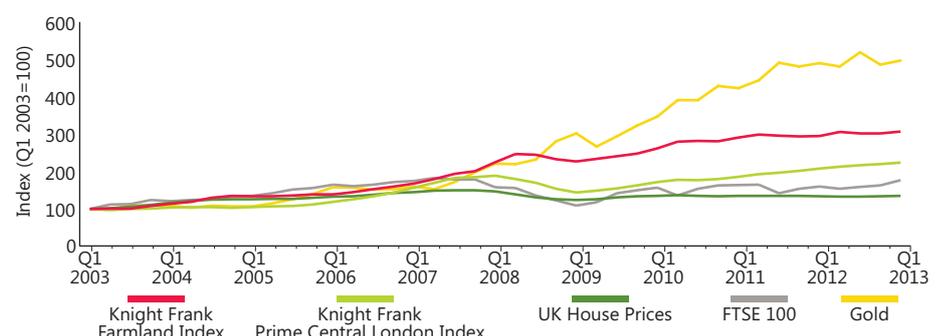
Follow Andrew on twitter at [@kfruralproperty](#)

"Knight Frank expects values to increase by a further 4% to 5% over the next 12 months."



Andrew Shirley, Head of Rural Research

Farmland 10-year capital growth v other assets



Source: Knight Frank Residential Research

RESIDENTIAL RESEARCH FARMLAND INDEX Q1 2013



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.

Key agricultural indicators*

Commodity prices	Latest	12-month change
Outputs		
Feed wheat (£/t)	197	17%
Oilseed rape (£/t)	385	2%
Beef (p/kg dw)	392	13%
Lamb (p/kg dw)	462	0%
Milk (p/litre)	30	11%
Input prices		
Fertiliser (£/t)	301	-3%
Red diesel (p/litre)	73	-1%
Oil (\$/bbl)	113	-8%

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 quarterly Knight Frank Rural Bulletin or go to www.knightfrankblog.com/ruralbulletin

*Sources: www.fwi.co.uk www.dairyco.net

Knight Frank Farmland Index

	Quarterly price change	Annual price change	Average value £/Hectare	Average value £/Acre
Mar-07	5.0%	20.7%	£8,547	£3,459
Jun-07	7.2%	24.1%	£9,163	£3,708
Sep-07	7.8%	27.4%	£9,877	£3,997
Dec-07	3.3%	25.3%	£10,203	£4,129
Mar-08	11.9%	33.6%	£11,419	£4,621
Jun-08	10.4%	37.5%	£12,603	£5,100
Sep-08	-0.8%	26.6%	£12,505	£5,060
Dec-08	-5.2%	16.2%	£11,852	£4,796
Mar-09	-2.6%	1.1%	£11,548	£4,673
Jun-09	3.1%	-5.5%	£11,911	£4,820
Sep-09	3.2%	-1.7%	£12,290	£4,973
Dec-09	3.0%	6.8%	£12,658	£5,123
Mar-10	5.4%	15.5%	£13,336	£5,397
Jun-10	6.9%	19.7%	£14,257	£5,769
Sep-10	0.8%	17.0%	£14,373	£5,816
Dec-10	-0.2%	13.3%	£14,339	£5,803
Mar-11	3.2%	11.0%	£14,803	£5,991
Jun-11	2.8%	6.7%	£15,212	£6,156
Sep-11	-1.0%	4.8%	£15,060	£6,094
Dec-11	-0.8%	4.2%	£14,947	£6,049
Mar-12	0.4%	1.4%	£15,007	£6,073
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%	4.0%	£15,585	£6,307

Residential Research

Andrew Shirley

Head of Rural Research

+44 20 7861 5040

andrew.shirley@knightfrank.com

Press Office

Charlotte Palmer

+44 20 7861 5037

charlotte.palmer@knightfrank.com

Recent market-leading research publications



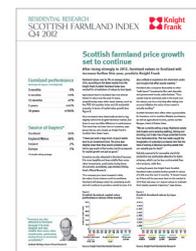
[The Wealth Report 2013](#)



[The Rural Report Autumn 2012](#)



[UK Rural Bulletin Autumn/Winter 2012](#)



[Scottish Farmland Index Q4 2012](#)

Knight Frank Research Reports are available at www.KnightFrank.com/Research

© Knight Frank LLP 2013 - 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.

