

Farmland Index

Q3 2022

PRICE CHANGE



I predict we will still see farmland values hit a new high by the end of the year.

ANDREW SHIRLEY
HEAD OF RURAL RESEARCH

The average value of farmland is now back almost exactly to the peak seen in the autumn of 2015, according to new results from the Knight Frank Farmland Index. Prices for bare agricultural land rose by a further 1% to just over £8,300/acre in the third quarter of this year, taking annual growth to 13%.

Against a backdrop of mounting global economic uncertainty, exacerbated in the UK by Kwasi Kwarteng and Liz Truss's badly received mini-budget at the end of September, farmland outperformed all the other asset classes that we track during the past three months. Over a 12-month period it was only just bested by gold.

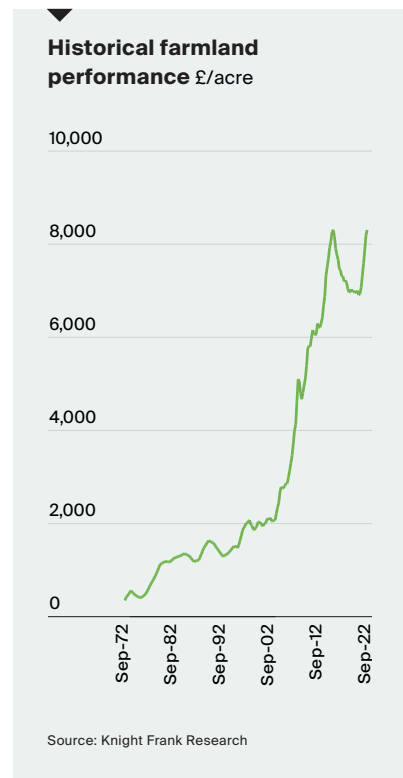
It seems that once again farmland is continuing to perform its traditional safe-haven role, acting as a potential hedge against inflation supported by ongoing demand from tax and environmentally driven buyers. Ms Truss's growth agenda and mooted planning reforms could also see more farmland required for new developments and infrastructure.

However, price growth is starting to slow with the latest quarterly uptick the weakest since the beginning of 2021. The big question now is whether values will continue to rise over the rest of the year.

Agriculture is certainly facing some headwinds: Input costs, such as energy and fertiliser, are spiralling, while traditional area-based subsidy payments to farmers are heading in the opposite direction.

Some of the lost income could potentially be replaced by the government's new Environmental Land Management Scheme (Elms). But so far farmers have been less than wowed by the rates on offer, and doubts have already been raised about the new government's commitment to the environment, although it says it remains committed to existing net zero and conservation targets.

But, given the continued imbalance between supply and demand, which shows little sign of unwinding, I predict we will still see farmland values hit a new high, albeit by a small margin, by the end of the year.



KEY AGRICULTURAL INDICATORS*

LATEST PRICE ANNUAL CHANGE

OUTPUTS

FEEDWHEAT (£/T)	274	46%
OILSEED RAPE (£/T)	513	-2%
BEEF (P/KG DW)	450	7%
LAMB (P/KG DW)	528	7%
MILK (P/LITRE)	46	44%

INPUTS

RED DIESEL (P/LITRE)	102	48%
OIL (\$/BRL)	78	4%

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

For more detailed information on the issues affecting UK landowners and farmers, including the latest on agricultural commodities and markets, please request a copy of *The Rural Report*, our magazine for rural property owners, or sign up to our weekly Rural Update.

Cover image: Pockford Farm, near Chiddingfold, Surrey, is a 264-acre farm with significant environmental opportunities. The guide price is £9.75m.

We like questions, if you've got one about our research, or would like some property advice, we would love to hear from you.



Farm & Estate sales enquiries

Will Matthews

+44 20 7861 1440

will.matthews@knightfrank.com



Research enquiries

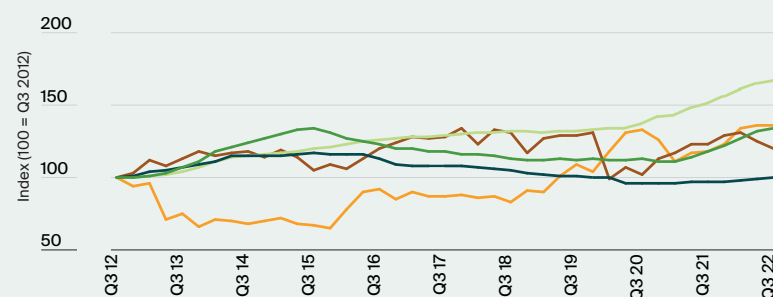
Andrew Shirley

+44 20 7167 2498

andrew.shirley@knightfrank.com

Farmland 10-year capital growth v other assets

English farmland Prime central London residential
UK house prices FTSE 100 Gold



Sources: Knight Frank Research, Nationwide House Price Index

KNIGHT FRANK FARMLAND INDEX

	QUARTERLY PRICE CHANGE	ANNUAL PRICE CHANGE	AVERAGE VALUE £/HECTARE	AVERAGE VALUE £/ACRE
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
DEC-18	-1.1%	-3%	£17,223	£6,970
MAR-19	0.1%	-3%	£17,245	£6,979
JUN-19	0.7%	-2%	£17,371	£7,030
SEP-19	-0.8%	-1%	£17,235	£6,975
DEC-19	0.3%	0%	£17,295	£6,999
MAR-20	-0.6%	0%	£17,198	£6,960
JUN-20	0.1%	-1%	£17,211	£6,965
SEP-20	0.5%	0%	£17,297	£7,000
DEC-20	-1.3%	-1%	£17,080	£6,912
MAR-21	0.2%	0%	£17,114	£6,926
JUN-21	2.0%	1%	£17,458	£7,065
SEP-21	3.6%	5%	£18,088	£7,320
DEC-21	3.6%	10%	£18,730	£7,580
MAR-22	3.9%	14%	£19,459	£7,875
JUN-22	4.0%	16%	£20,237	£8,190
SEP-22	1.4%	13%	£20,522	£8,305

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 research reports are available at knightfrank.com/research



Knight Frank Research provides strategic advice, consultancy services and forecasting to a wide range of clients worldwide including developers, investors, funding organisations, corporate institutions and the public sector. All our clients recognise the need for expert independent advice customised to their specific needs. © Knight Frank LLP 2022. Terms of use: This report is published for general information only and not to be relied upon in any way. All information is for personal use only and should not be used in any part for commercial third party use. By continuing to access the report, it is recognised that a licence is granted only to use the reports and all content therein in this 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. The content is strictly copyright and reproduction of the whole or part of it in any form is prohibited without prior written approval from Knight Frank LLP. 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.