

## FARMLAND VALUES STABILISE

**The Q1 drop in average prices was the smallest since September 2015**

### Farmland performance

<b>3-month change</b>	<b>-0.5%</b>
<b>12-month change</b>	<b>-6%</b>
<b>5-year change</b>	<b>22%</b>
<b>10-year change</b>	<b>115%</b>
<b>50-year change</b>	<b>4,402%</b>

The average value of bare agricultural land in England and Wales fell by just 0.5% to £7,435/acre in the first quarter of 2017, according to the Knight Frank Farmland Index. This fractional slip, the smallest quarterly drop since September 2015, suggests the farmland market could be starting to stabilise after dropping in value by 8.5% last year.

Agricultural commodity prices have strengthened significantly over the past 12 months – helped by the decline in the value of sterling – and so far the Brexit vote hasn't led to the dire economic crisis that some had predicted. As a result, demand for land remains robust, but relatively few new farms or large blocks of land have been launched since the beginning of the year to tempt potential buyers. Most of the farms put on the market last year have also now been sold.

However, looking forward it is hard to predict the longer-term impact of Brexit. The real issue that will affect values is supply. Although most farmers have got their heads around the fact that by 2020 agricultural subsidies will be much

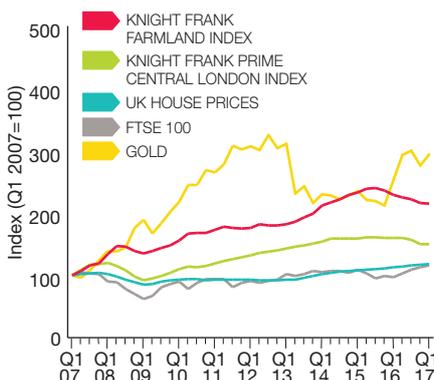
diminished, it seems likely that more of them will decide to call it a day in the coming years.

How quickly that happens will depend on how multiple factors, including commodity prices and interest rates, interact. An increase in borrowing costs coupled with low farm-gate prices could force the hand of those struggling to make money without subsidies.

The market will stand a limited increase in the number of farms for sale; in fact prices could be higher for those that bring their units to the market early. But once interest rates eventually start to rise the pressure to sell will grow – more farms and land will come to the market and this will push down average farmland values.

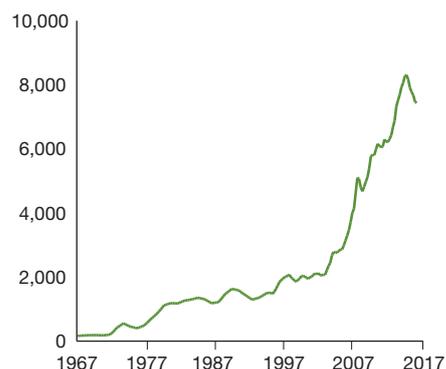
We won't see the huge drops experienced in Ireland following the global financial crisis, but it's not inconceivable that average values could settle at around £6,500/acre until supply and demand comes back into balance. After that prices could begin to steadily increase again.

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

“It is hard to predict the longer-term impact of Brexit.”

Follow Andrew at [@kfandrewshirley](https://twitter.com/kfandrewshirley)

## 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-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%	3.9%	£15,585	£6,307
Jun-13	1.8%	2.0%	£15,866	£6,421
Sep-13	4.0%	7.4%	£16,501	£6,678
Dec-13	3.1%	10.7%	£17,005	£6,882
Mar-14	6.4%	16.1%	£18,098	£7,324
Jun-14	2.6%	17.1%	£18,574	£7,517
Sep-14	2.3%	15.1%	£19,000	£7,689
Dec-14	3.1%	15.2%	£19,583	£7,925
Mar-15	1.7%	10.0%	£19,914	£8,059
Jun-15	2.6%	10.0%	£20,423	£8,265
Sep-15	0.5%	8.0%	£20,524	£8,306
Dec-15	-1.7%	3.0%	£20,176	£8,165
Mar-16	-3.2%	-1.9%	£19,538	£7,907
Jun-16	-1.7%	-6.0%	£19,207	£7,773
Sep-16	-1.3%	-7.6%	£18,957	£7,672
Dec-16	-2.6%	-8.5%	£18,464	£7,472
Mar-17	-0.5%	-6.0%	£18,372	£7,435

Source: Knight Frank Research

### Key agricultural indicators\*

Commodity prices	Latest	12-month change
<b>Outputs</b>		
Feedwheat (£/t)	146	45%
Oilseed rape (£/t)	331	22%
Beef (p/kg dw)	358	8%
Lamb (p/kg dw)	418	-3%
Milk (p/litre)	27.1	21%
<b>Input prices</b>		
Fertiliser (£/t)	242	14%
Red diesel (p/litre)	56	45%
Oil (£/bbl)	43	76%

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

#### RURAL RESEARCH

##### Andrew Shirley

Head of Rural Research  
+44 1234 720534  
andrew.shirley@knightfrank.com

#### PRESS OFFICE

##### Celia Welham

+44 20 7861 1033  
celia.welham@knightfrank.com



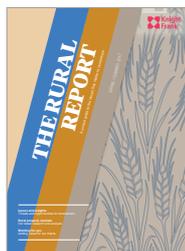
#### Important Notice

© Knight Frank LLP 2017 – 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.

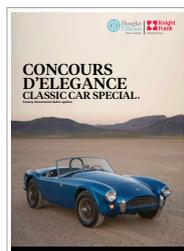
## RECENT MARKET-LEADING RESEARCH PUBLICATIONS



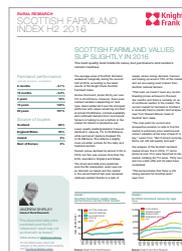
The Wealth Report - 2017



The Rural Report Spring 2017



Knight Frank Luxury Investment Index - Classic Car Special Q2 16



Scottish Farmland Index H2 2016