

Farmland continues to gleam, while gold loses its lustre

The value of English farmland has risen for the second quarter in succession as investor demand remains strong

Farmland performance

3-months	+1.8%
12-months	+2.0%
5-years	+26%
10-years	+209%
50-years	+5,754%

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The average value of farmland in England rose by almost 2% in the second quarter of 2013 to £6,421/acre, according to the results of the Knight Frank Farmland Index. This takes growth so far this year to just over 3% and the past decade to 209%.

After a promising start to the year, other investments have lost ground with the FTSE 100 falling in value over the past quarter. Gold continues its slump from grace, dropping by over 20% during the same period.

"For a number of years gold has been the only mainstream asset to outperform farmland, but over the short-term this situation has been reversed and even over 10 years the performance gap is narrowing rapidly," says Andrew Shirley, Head of Rural Research at Knight Frank.

Tom Raynham, Head of Knight Frank's Agricultural Investments & Acquisitions team, says farmland's steady growth has not been lost on investors.

"I have a number of clients who have committed a serious amount of money to invest in farmland. While gold and farmland are often classed together as 'safe-haven' investments, the performance of farmland shows it has much more to offer."

While large blocks of good-quality arable land unencumbered with high-value residential property are still most in demand, investors are also interested in farms that include large,

efficient poultry and dairy units. In addition, opportunities for diversified income streams such as renewable energy schemes are very appealing.

"The investors we are dealing with now like diversity and tend to have much more of a global perspective. Some of them will even be looking at details such as the demand for powdered milk in China and its implications for global dairy markets," adds Tom.

Despite the increase in land values, Clive Hopkins, Head of Knight Frank's Farms & Estates team, says setting a sensible guide price is still vital to help achieve competitive bidding and the best prices. "We recently had offers of over £10,000/acre for the farmland on an estate in the west of the country."

However, the value of land of less interest to investors and neighbouring farmers is not rising as strongly, points out Clive. "The market can still be very patchy depending on location, land quality and type."

More land could come to the market over the next few years, predicts Clive. "Wheat prices have weakened and this year's harvest may be the second or even third poor one in succession for some farmers."

Despite this, we predict values will climb by 5% over the next 12 months. "Demand is such that the market will cope with the extra supply," says Clive.

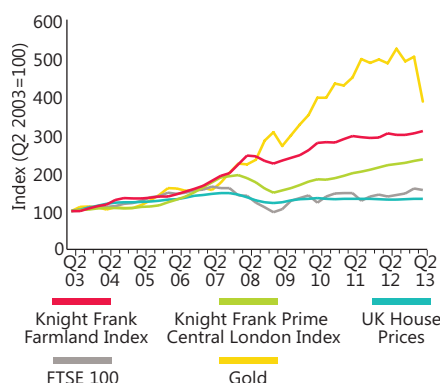
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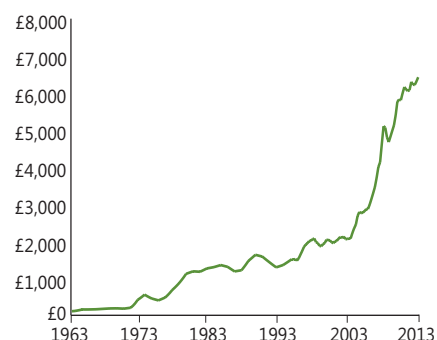
Andrew Shirley, Head of Rural Research

**Figure 1
Farmland 10-year performance
v other assets**



Source: Knight Frank Residential Research

**Figure 2
50-year farmland performance
£/acre**



Source: Knight Frank Residential Research

RESIDENTIAL RESEARCH FARMLAND INDEX Q2 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)	161	-13%
Oilseed rape (£/t)	323	-10%
Beef (p/kg dw)	408	17%
Lamb (p/kg dw)	481	10%
Milk (p/litre)	29.82	14%
Input prices		
Fertiliser (£/t)	268	-9%
Red diesel (p/litre)	68.5	1%
Oil (\$/bbl)	101	7%

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
Jun-13	1.8%	2.0%	£15,866	£6,421

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