

Market price fluctuations like a 'roller coaster'

HUGH TOWNSEND



We have for the first time produced raw data graphs of the market price fluctuations for the 2016 entitlement trading period, and the graph shows the prices for English Non-SDA VAT registered sales of over 10 ha.

The market started at £190 at the end of August 2015, and by mid-September was at £200 per ha plus VAT. The price steadily rose through September and by mid-October was £220, and then rapidly jumped to £240 and then £250, and remained between £240-250 until the end of November.

The motivation of the market at this time was based on the fear that the RPA would have confiscated a high

number of entitlements in 2015 (the "use it or lose it" year) due to them not being claimed on or sold, which could result in a shortage in availability. There were plenty of claimants who had previously rotated their entitlements under the old usage rules in the hope that they would acquire more land the next year, and therefore kept a "bank" of extra entitlements just in case. It seems unlikely the RPA will be able to confirm the exact number of entitlements that were confiscated in 2015, and the overall number of entitlements available will of course also have been affected by applica-

tions to the National Reserve and allocations of new entitlements for young farmers and new entrants.

These applications were not only the counter-argument to the possibility of there being fewer entitlements rolling forward from 2015, but there was a noticeable increase in the number of large claimants disposing of their entitlements, relying on such applications to the National Reserve for 2016.

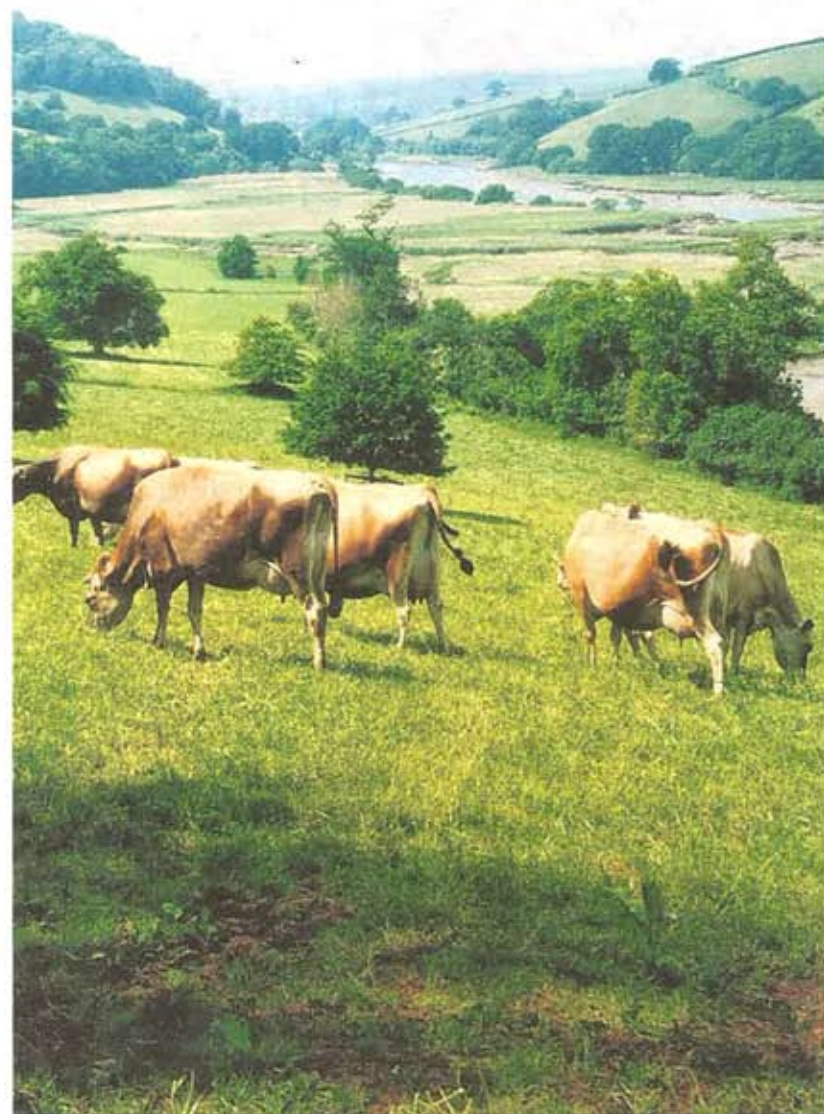
From the beginning of December generally the market followed a steady decline until the beginning of March when it appeared to "bottom out" at £180, and then bounced back, rising during March to a peak of £210.

However by the beginning of April it had declined again and by mid-April the price was £160. From this point on the "roller coaster" started until the deadline, with rapid

risers and falls. The lowest price traded was at £140, but there were only a few buyers lucky enough to achieve this, as some vendors decided to risk the effect of the EU Referendum and were prepared to wait and sell in 2017.

Generally these vendors did not consider offers at anything less than £200, and the interest shown so far in the 2017 market indicates that it will take off at between £190 and £200. The average sale price for Non-SDA VAT registered lots of over 10 ha 2016 was £187 per ha.

So the 2016 market started at £190-200, and probably av-



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eraged out in the end at between £180-190 in the closing weeks.

Applying the Financial Discipline Mechanism, but ignoring the relief on the threshold of the first £2,000, the average sale price of Non-SDA for all lot sizes with VAT in 2016 of £192 showed a return of £178.85, a 93 per cent

return in the first year, just short of face value. The average price in 2016 was just over 16.5 per cent lower than in 2014, which was the last year of the Single Payment Scheme, and the last most comparable year of trading, ignoring the exceptional market conditions in 2015.

If you would like to receive

■ a copy of our UK Entitlement Trading Market Report Summary for 2016, please email office@townsendchartered-surveyors.co.uk.

Hugh Townsend, FRICS, FFAV, FCI(Arb) is the land agent/surveyor expert of the WMN Farming supplement and he may be contacted on 01392 823935 or htownsend@townsendchartered-surveyors.co.uk.

