Latest from the entitlement market as trading and prices start to pick up

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2016 and 2017 (to date) Non-SDA VAT registered sales of >10 ha

England Non-SDA

Since January, trading activity has remained at a low level with prices dipping as low as £170 per hectare.

Trade has however picked up in the last couple of weeks with prices rising since the Rural Payments Agency (RPA) online transfer system has gone live, together with 2017 claims.

It is still too early to tell whether this surge in interest will be the start of a revival in the price or merely a short term surge. The number of entitlements traded this year so far is currently 31.5% down on last year and therefore the Brexit gloom is having its effect. However for purchasers the threat in not buying now is that, at these historically low prices below the 2016 average price of £190, claimants and their agents may now pay more attention to calculating the total eligible area for their 2017 claim, and what entitlements they could claim against, thus increasing demand.

Also, as claimants become more accustomed to using the RPA online application and transfer of entitlements system, now in its third year, it could be that the volume of trade will be still as high as last year but merely concentrated towards the deadline of May 15. The other threat to purchasers not buying now would be a deterioration of the unusually dry weather currently allowing work to continue uninterrupted on the farm in many areas of England, which will encourage claimants to address their claim and work out what more entitlement they will need, and therefore increasing demand.

For vendors the threat is that Brexit continues to dampen demand for entitlements with continuing uncertainty as to what will happen to BPS after Brexit, and the threat of unfavourable indications as to the future of UK subsidies as negotiations start later this month with the EU.

On March 8, the exchange rate if it stays the same until September, indicates a 2017 BPS payment of £217/ha which is suggesting a possible 14% return on the current purchase price within eight months, if the 2017 claim payment is received this December, with the 2018 payment being a further possible 100% return.

The CLA, in their February 24 update to members, suggested that the RPA had confirmed the final claim year for BPS will be 2019 in the UK. This seems to go further than the Chancellor's statement last year that the UK government would match the funding that was available from the EU for 2019. However as yet the RPA have not been able to confirm the CLA's comments which we understand may have come from an "off the cuff" briefing. Generally it is perceived by the market that BPS entitlements will continue as they are for a third year in 2019, but that the Government cannot make this announcement until negotiations are underway with the EU.

It will, of course, be extremely difficult practically for the RPA to change the method of payment in respect to subsidies, dispensing the money promised by the Chancellor, bearing in mind the difficulties they already have handling the BPS scheme and their investment in the existing computer systems. To start up something new would be expensive and very difficult. Common sense therefore suggests that the easiest thing would be to continue things as they are for the final year of BPS whether we are in or out of the EU by that time.

England SDA and Moorland

The SDA and Moorland markets often take a while to pick up, but as of March 8, we have actually seen an increase in the traded volume compared to last year, with some big blocks already changing hands.

SDA entitlements remain in short supply and subsequently attract slightly higher prices than the Non-SDA market. Sales have been agreed in February at £185-£195, but now offers are being received and sales agreed at £200, although some vendors feel confident the market will rise to £220 by the end, and are holding out for these higher prices. Purchasers looking for SDA entitlements should ensure they register their interest early, as the availability often runs out before the deadline.

Moorland entitlements are in extremely high demand, but there is woefully little supply at the moment. Hopefully more will come on the books over the next couple of months to meet this demand. Offers currently being received are in the region of £50-60 per entitlement for the larger blocks of 100+, and higher again for smaller blocks needed to top up claims.

With the 2017 payment value expected to be similar to 2016 of £56 (including greening after FDM), depending on the exchange rate which will be confirmed in September this year (and which at today's date is actually slightly better than the 2016 one of One Euro = 85p. At One Euro = 87p, purchasers would be looking at a profit by the second year's claim.

Leasing and Naked Acres

Again whilst there is interest in leasing and naked acre letting this season as yet, there has been no trade.

England - transferring entitlements online – not yet secure

We have found serious problems with the online entitlements screen and automated entitlement transfer process, which the RPA are saying people can rely on this year in respect to what they see on screen, and also, once an application has been made online, with the automated confirmation of transfer messages being received from the RPA (which are coming extremely quickly after the application is submitted).

■ What you see onscreen

We have had cases where entitlements have been shown to be "clawed back" to the national reserve where the RPA are saying that the amount clawed back may vary from what is showing on the online entitlements screen.

We are aware that 2015 entitlement corrections are still being carried out, especially relating to the New Forest and commons land, with entitlements being reallocated, whether because there were errors in 2015 in respect to BPS claims, or in respect to the New Forest where additional land has been recently mapped and included in the historic eligible area available.

In most cases, we are informed, entitlement corrections, which apply to non-commons land as well, will involve farmers receiving more entitlements than are currently showing in their entitlements screen on their online business details. However in some cases the number showing may be reduced.

The Entitlement Correction process will be running with no set date by which we know it will be completed in England. Subsequently it appears that what we see on screen cannot be 100% relied upon as yet.

■ Written confirmations

In another case, an entitlement transfer application was submitted and the written confirmation message came through confirming the transfer had been successfully transferred.

However by chance we were in contact with the RPA on another issue, and they confirmed that on their system the transferee was not an active farmer (as they were claiming the Basic Payment for the first time) and therefore as far as they were concerned the transfer had not been completed, as the entitlements would not move to the transferee until the active farmer declaration was completed or a BPS claim was submitted by them, even though the written confirmation of this transfer had been sent out under the automated message system being used this year.

Prior to this we were informed that if there were any queries with any applications for transfers, the automated system would raise a "flag" at their end whereby these would be have to dealt with manually, and the transfer would show in the "Pending Entitlements Transfer" screen and not in the Transfer in & out screen. In this case this did not happen, and therefore raises a query as to whether the system is operationally competent. Of course this year is the first time they have used the automated system for confirmations, which are coming out in most cases within two hours of the application being made. Last year each application had to be manually checked, which is why there were many weeks of delay before the written confirmation came through. Whilst these concerns have been brought to the attention of the RPA, we have not received any response to date.

As a result, we have put on hold completing on entitlement transfers for the time being, as it is clear that the written confirmation of transfer messages cannot yet be relied upon. We have to advise all other agents and farmers involved in such transfers to also adopt a similar position until the RPA clarify that we should proceed, relying on the written confirmations and most importantly confirming that the RPA will compensate individuals where the transfer has not taken place as indicated.

The RPA have altered their telephone system last year so that all their land line numbers have changed and are directed through a central system, making it more difficult to deal with such queries without the type of access we have.

Common land claims

There has recently been a surge of payments for 2016, but as yet no confirmation in respect to the New Forest as to any changes to the eligible areas available in 2017 following the mapping being queried, and still no news as to the compensation payment calculations following the Minchinhampton case.

2015 Payment queries

We are increasingly being instructed to try and resolve outstanding 2015 payment queries, which can be as simple as an RLE1 form not being processed and fields subsequently not being included in a claim. Professional advice should be sought at this stage as entitlements could have been confiscated in 2015 that should not have been and claimants should reserve their position to claim damages from the RPA, together with losses as a result of 2016 claim payments being incorrect as well, having less entitlements to use.

BPS Claims 2017

The claims have now started to be submitted, although further mapping issues are being discovered this year, and a considerable number of manual alterations are being required on the parts of the digital application that should be automated.

Disputes and appeals

Frustratingly the RPA's processing of complaints and appeals has slowed up with the number of problems mounting up from 2015 onwards and the time being needed in sorting out the remaining 2016 payments.

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