

# Early trading signals boost of confidence for agriculture

All businesses in the UK are having to get used to the uncertainty of Brexit, not only because we do not know what our relationship will be with Europe in the near future but also in trade terms with the rest of the world.

As always it is better to have good news or bad news, but never no news. For most businesses Prime Minister Theresa May's announcement in Florence last month was a bit of good news, but there is still such a wide range of implications about which we have no news.

In agriculture there are real threats but, if you are not selling or renting out a farm, current conditions could be a lot worse. Since last October most commodity prices are

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better, other than for potatoes and lamb, and the differential between input costs and commodity prices (Defra Agricultural Price Index July 2017) is particularly healthy.

The devaluation of the pound is helping with exports but not affecting input prices as much as was feared. The weakened pound has increased the Basic Payment for 2017 with the exchange rate now fixed and the payment predicted, subject to adjustment for the Financial Discipline Mechanism, for Non-

SDA at £223, up 5% on last year.

Subsequently, in relative terms, the conditions within which the UK is farming today could be described as a "honeymoon period" or the "lull before the storm". We will have to wait and see how the "divorce" with the EU goes and what follows.

Changing strategy on any farm is a long-term commitment with enterprises commonly having 12-24 month production cycles, and therefore agricultural forward planning has perhaps suffered the most lost confidence due to the ongoing uncertainty. The effect of this has been well illustrated by land and rental prices and the BPS Entitlement market,

where we saw the average price last year drop from the previous year's average of £192 per hectare for Non-SDA to £144.

Some early tentative 2018 trading has started at £150 for Non-SDA entitlements although this was before the Government's Florence statement proposing a two-year transitional period following March 2019. This may well now boost confidence, especially now the market, since the Florence speech, is expecting entitlements to last three years at least.

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