

# Brokers divided over outlook for BPS entitlement trade

Isabel Davies 28 January 2019



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Brokers are split over the potential for BPS entitlement prices to rise, with buyers and sellers in no hurry to enter the market, leaving trade limited for the moment.

Hugh Townsend of Exeter-based agents Townsend said he was optimistic about the market outlook because of the prospect of delinked payments post 2021, plus what looks to be a favourable exchange rate for payments for the next two years.

Both were factors that could "spice up" the market, he said.

His most recent deals had been at £150/ha plus VAT for English non-SDA entitlements, although earlier in the season he had been selling them for £165 plus VAT.

This is higher than the average price in 2017-18, when values dropped because of uncertainty over their long-term future.

The average price of English non-SDA entitlements in 2018 was £127 each plus VAT – although the range of prices paid over the course of the season was wide.

See also: [Agriculture bill could lift entitlement values](#)

Although prices started off around the £150/ha mark in early 2018, they softened significantly in March and April as more sellers came to the market, with prices reaching a low of £90/ha in the final two weeks of trading running up to the 15 May transfer application deadline.

Mr Townsend said trade was currently quiet, despite the Rural Payments Agency announcing last week that it is now possible to transfer entitlements and land parcels for 2019 claims.

## Favourable exchange rate

“Trade is quiet, but then it doesn’t really start going until the third week in February,” said Mr Townsend.

“But I think there is plenty of potential in the market.

“We have more purchasers registered than vendors and that’s a first for some time at this stage of the market – there is a definite shortage of vendors.”

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Susan Elmes, office manager at brokers Webb Paton, said her most recent deals had also been around the £160/ha plus VAT mark.

“I think it reflects the fact that they’ve announced entitlements will be rumbling on until 2027 with two or three years of full payments first. Last year, we didn’t know that information.”

But Ms Elmes added that more entitlements had come forward in the past week or so and if that continued to happen she expected prices to ease back.

## Not active

Ian Potter of Ian Potter Associates said the market was only ticking along at present and was not what he would call active

"We think the activity is highly likely to come in late March, April and May, because farmers leave things to the last minute.

"But I don't foresee a situation, when everyone does their sums, that there is going to be a significant shortage that is going to ramp the price right up."

Mr Potter explained some big tranches of land had gone for development, but there were no more customers – so on balance there should be more entitlements in the system.

"Come the day of reckoning, it is likely we won't be a million miles astray of last year's prices."

## Scotland

According to Townsends, the market for entitlements is beginning to warm up in Scotland, which has an earlier deadline of 2 April for the Scottish Government Rural Payments and Inspections Directorate to receive the paper transfer forms.

Region 1 entitlements are trading at around 0.9 to 1 x face value including greening (£190-220 plus VAT/ha); Region 2 with a similar multiplier (£30-35 plus VAT/ha); and Region 3 at £11-13 plus VAT/ha.

## Wales

Trade is quiet for Welsh entitlements, which are all classified as the same region and which will be paid at a flat rate in 2019.

The deadline for submitting a transfer application in Wales is 30 April.

### Will the Scottish siphon apply in 2019?

A siphon has applied to all BPS entitlements transferred without land in Scotland since 2015.

Between 2015 and 2017, the siphon reduced the payment value of the BPS element by 50% in the first year of claim, with the siphon reduced to 30% in 2018.

According to Townsends, the current advice coming from the RPID Entitlement Transfer Unit suggests that although there will technically be a 30% siphon in 2019, in

effect it will not reduce the BPS payment.

Before the 2019 BPS claims are processed, all entitlements will be converted to the flat-rate value for their corresponding region, and so in effect the siphon will be cancelled.