

UK BPS ENTITLEMENTS TRADING - HOW IT ENDED UP ON THE LAST DAY (15TH MAY)

Thank you for your business/interest again this year, which ended up on an extraordinary note, especially in respect to England.

The average price for all lot sizes of VAT Non-SDA entitlements we sold this year was £119.34 compared with £111.65 last year. 6.8% up. The price of all lot sizes of non-VAT Non-SDA was also up by 23.24% and the total number of Non-SDA entitlements we sold this year was up 2.5% on last year.

Last Friday Welsh ended up at £65, SDA at £160 and Moorland at £35.

However the extraordinary event this year was the surge in price for Non-SDA, ending at £160-£200 per unit for reasonably sized lots (i.e. over 7ha) and us selling out. This left many buyers still wanting large amounts of entitlements. This is the first time since 2005, when entitlements were introduced, that this has happened, where at any price, effectively, no vendors could be found. The significance of this can be better understood in the context that it is also the first time in any quota market in the last 35 years that we have experienced this, including milk, sheep and beef quota.

Non-SDA >10 ha VAT £/ha



We have no certain answer as to why this has come about. We did not experience Covid 19 holding back purchasers because of cashflow issues, although of course it did have an effect adding already to the uncertainty as to what is to happen with Brexit. However one would have thought such uncertainty/cash issues would have decreased demand. Up until the end of April prices had been at £90-95 and less so what was it that, not only initiated the turnabout but also made demand so overwhelmingly strong until the deadline? In previous years during the last few weeks the price has been far more volatile going up and down dramatically, but we have never run out of entitlements altogether.

Apart from Covid 19 itself, the other factors that were different this season compared with the last few years since 2016, was the more distinctive enthusiasm the Government has shown for de-linkage and of course the month extension for making BPS claims caused by Covid 19. Whilst de-linkage was on the agenda last season it did not have any noticeable effect, whereas this season it had a significant impact in respect to purchasers wanting to maximise the number of entitlements they held. Apart from making sure they got the best price they were also more relaxed about the future of entitlements and how much they were ultimately prepared to invest in them. However the most marked impact of de-linkage was the resurgence in demand for naked acre letting, which overall has remained pretty much dormant since 2015 (the use it or lose it year) and following the Brexit referendum in 2016. Until this season there was no real appetite to retain entitlements, nor view them as something worth investing in.

The other factor that may have contributed to the strong demand could have been a recognition of the value and security of receiving government subsidies, in such uncertain times as large parts of the non-agricultural economy are now being forced to rely on Government hand-outs following the Covid 19 lockdown.

Non-SDA naked acres have been trading at over £60 an acre.

The extension of the BPS claim deadline until the 15th June has caused a lot of confusion and we were still receiving calls from claimants who showed some surprise right up to the 15th May that the entitlements transfer deadline had not also been extended. We are expecting there will be further demand for naked acre letting between now and the 15th June.

If you find you have excess entitlements or excess land please contact us to discuss naked acre letting. We have available currently hundreds of naked acres and are looking for more to satisfy demand from those with excess entitlements who wish to keep them and make a claim in the hope that this will be the reference year for de-linkage.

If you find having calculated your BPS claim you have more land than entitlements, there could be still the opportunity to make £60 an acre.

The clear message from the 2020 trading season for English Non-SDA is that a revival in entitlement value is set to be maintained into next year. De-linkage will become an even greater factor (as we get closer to 2022). Whatever the results of the Brexit negotiations such BPS payments are likely to remain. The Covid 19 is also likely to be with us still next year and the same or even a slightly reduced BPS payment is going to remain an invaluable source of income with a similar level of demand.

Please contact Hugh Townsend or Mark Burton if you are still needing help with your BPS claims, need a Naked Acre letting arrangement now or would like to talk through whether a Stewardship scheme would suit you (the deadline for expressions of interest is the 30th June).

We will as usual be publishing our full 2020 UK Entitlement Trading Market Report in due course.



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