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# Farm, Wood and Forest Land

DUNCAN PICKARD

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IN ESTIMATING the value of agricultural land in Great Britain, the market price of land without buildings sold with vacant possession in 1985 has been taken as representative of the value for the whole country. However, less than 2% of the total agricultural land was sold in that year and it is impossible to be sure that the value estimated in this way is truly representative, but in the absence of more comprehensive data on land values, this is the most reliable approach.

Since it is the value of the land only which is sought, the commonly quoted figures for the value of farmland cannot be used because these include the value of farm houses and buildings. For England and Wales, separate figures are available for the price of land sold without buildings. The ratio between the price of land only and the price of land with and without buildings is 0.9 for England.<sup>1</sup> This ratio has been used to estimate the price of land only in Scotland from the price of land with and without buildings, because separate figures are not available for Scotland.

A considerable proportion of all agricultural land sold in England and Wales in 1985 with vacant possession was land only (55,875 ha out of a total of 127,209 ha) (MAFF 1986a: 6). However, 80% of the transactions in land only were of areas less than 20 ha, and 73% of the total area sold was in units of less than 50 ha. Small lots are usually sold at a higher price per hectare than large lots and this may lead to over-estimation of the value of the total agricultural area. (It should be noted that areas sold which are less than 5 ha are not included in these statistics.)

## 1 Agricultural land

### Method A

The price paid for farmland without buildings sold with vacant possession in 1984-5 in England was £3,466/ha. In Wales it was £2,461/ha (MAFF 1986a: 4, 5). The estimated price of land in Scotland was £1,413/ha<sup>2</sup>. These prices reflect the fact that Wales and Scotland have a much greater proportion of poor quality mountainous farmland than does England (see Table 5: III).

The area of agricultural land in Great Britain has been calculated from *Social Trends* (CSO 1987: 160) and the relevant data used to estimate the total value are set out in Table 5: I.

Table 5 : I  
Agricultural land, 1985: Method A

Country	Area (ha)	Price per ha (£)	Total value (£bn)
England	9,723,750	3,466	33.702
Wales	1,651,200	2,461	4.064
Scotland	6,320,560	1,413	8.931
			46.697

### Method B

An alternative method of estimating land value is to consider the value of farmland according to its productive potential. The Ministry of Agriculture has classified farmland into five grades, based on such features as soil type, climate and elevation. Grade 1 is the most productive and is considered capable of producing any type of crop; Grade 5 is the poorest land and is usually suitable only for sheep farming or for forestry. In Wales only 0.2% of the agricultural land is Grade 1 whilst 36% is Grade 5; in East Anglia comparable figures are 10.9% of Grade 1 land and only 0.1% of Grade 5 land (MAFF 1974: 14).

The Ministry of Agriculture provides figures for the price of land sold with vacant possession in each grade (MAFF 1987b: Table 5).

Unfortunately these figures are the average prices paid both for land only and for land with buildings, and therefore have been recalculated (using the ratio of 0.9) to give an estimate of the price of land only for England and Wales. Comparable figures for Scotland are not available.

The proportions of land in England and Wales in each grade, the average price of each grade and the total values are shown in Table 5:II. This figure of £38.511 bn is close to that calculated for England and Wales of £37.766 bn (derived from Table 5:I), which increases confidence in that estimate of land value.

**Table 5 : II**  
**Agricultural land, 1985: Method B**

<i>Grade</i>	<i>Proportion %</i>	<i>Area ha</i>	<i>Average price £/ha</i>	<i>Value £ bn</i>
1	2.8	318,499	5,417	1.725
2	14.6	1,660,743	4,597	7.634
3	48.9	5,562,350	3,864	21.493
4	19.7	2,240,865	2,952	6.615
5	14.0	1,592,493	659	1.049
<b>Total</b>				<b>38.516</b>

### **Method C**

The Ministry of Agriculture provides statistics for the amounts of arable, grassland, rough grazing, woodland and other land on farms in Great Britain (MAFF 1986b: 4, 5, 6). In the absence of official statistics for the price of these categories of land, we have taken as reasonable estimates of the land price in each category: arable land £4,000/ha, permanent grassland £3,000/ha, rough grazing £740/ha, woodland £740/ha and other land £3,000/ha<sup>3</sup>.

The value of agricultural land in Great Britain using these figures is shown in Table 5:III, which gives an estimated total value of £45.643 bn and average prices/ha for each country of: England £3,224, Wales £2,407 and Scotland £1,592. The estimated total value of £45.643 bn is similar to that calculated earlier in Table 5:I of £46.697 bn.

Table 5 : III  
Agricultural land, 1985: Method C

	England		Wales		Scotland	
	ha	Value £bn	ha	Value £bn	ha	Value £bn
Arable land	5,347,628	21.391	264,682	1.059	1,133,877	4.535
Permanent grassland	3,064,331	9.193	854,086	2.562	580,392	1.741
Rough grazings	1,186,670	0.878	529,252	0.392	4,172,092	3.087
Woodland	192,972	0.143	32,522	0.024	74,985	0.055
Other land	143,947	0.432	13,360	0.040	37,025	0.111
Total	9,937,548	32.037	1,693,902	4.077	5,988,375	9.529

### **Land Values in the National Balance Sheet**

Attempts to estimate land values from the *UK National Accounts* balance sheet for 1985 have not been successful. It is not possible to derive a figure for the vacant possession value of land only, because the prices listed in the balance sheet are for tenanted and owner-occupied land and buildings. The figures also refer to the whole of the United Kingdom and must be considerably lower than the total vacant possession value of the land, because they show that the total value of the farmland and buildings in the UK is only £37 bn. Approximately 40% of the farmland in Great Britain is tenanted (MAFF 1986b: 10) and the price of land only sold subject to a tenancy was 70% of the price of land sold with vacant possession in 1985 (MAFF 1986a: 6).

## **2 Forest and woodland**

The total area of forest and woodland in Great Britain is 2,165,000 ha (*Social Trends* 15, 1985: Table 9.16) and of this area 300,479 ha is woodland on farms (MAFF 1986b: 4, 5, 6). Most of the forest land is in upland Scotland and Wales, and the average price of vacant land for forestry in 1986 was £740/ha (IRVO Spring 1987: 75). The value of the land occupied by woodland on farms has been taken as this price which gives a total value of forest and woodland of £1.602 bn.

## **3 Conclusion: Capital Values**

The total value of agricultural land, woodland and forestland in Great Britain in 1985 was estimated to be £48.299 bn (£46.697 bn + £1.602 bn).

## **4 Farm Rents**

The average rent of farmland with a rent change in England and Wales was about £93/ha in 1985. This figure is for the rent of farms and therefore includes farmhouses and buildings. It is not possible to derive the rent applicable to land only from this figure.

The only published figures for the rent of land alone are those for

summer grazing (MAFF 1987c). In 1986 the average rent paid for this land was £169/ha, but most of it was grassland in Grade 3 and was let for the period between April and November. Why does it attract a higher rent than farmland with buildings for the whole year?

Taking the average sale value of tenanted farmland (with buildings) in England and Wales of £2,735/ha and the average rent of £93/ha, the rate of return is 3.4%, but taking the average value of land alone of £3,340 and the rent paid for summer grazing of £169/ha, the rate of return is 5.1%.

## NOTES

1 The average price of land sold with vacant possession, with and without buildings in England in 1985 was £3,871/ha (MAFF 1987a: 77).

The price of land only was £3,466/ha (MAFF 1986a: 4) giving a ratio of 0.9.

2 For Scotland the average vacant possession price of land with and without buildings was £1,570 (MAFF 1987a: 77), which when multiplied by 0.9 gives an estimated value of land for Scotland of £1,413/ha.

3 'Other land' refers to land on farms which is covered by houses and buildings, farmyards and farm roads and has been given an estimated price similar to that of permanent grassland. Although some of the 'other land' may be worth considerably more than this price, the area involved is small and the total value of agricultural land would not be much affected if a higher price were used.