Month in Review

Agribusiness - Australian Grains
April 2024

The Month in Review identifies the latest movements and trends for property markets across Australia.

CEO's address

Welcome to our April edition of Month in Review

This year, our organisation celebrates its 55th year of business.

Our success as one of Australia's largest independent property advisories is a function of many things including effort, talent, tenacity and, most of all, support. I'm proud to say that the company has forged on over the past five and a half decades to establish itself as one of the most trusted property advisories in the nation. Our organisation was founded on, and remains rooted in, the idea that local experts with intimate knowledge of their markets will deliver unparalleled guidance to clients.

We are enormously proud of the relationships we have cultivated over that time and remain grateful to those who turn to us for their specialist property advice. After all, clients are at the centre of what we do at Herron Todd White.

We look forward to many more decades of helping people and organisations navigate Australia's property market landscape.

Turning to this month's report and affordability is again a core theme for our residential teams. For April, our valuers have tackled the topic of buying reasonably priced property in prime suburbs or, as has been put more colourfully in these pages, buying into champagne locations on a beer budget.

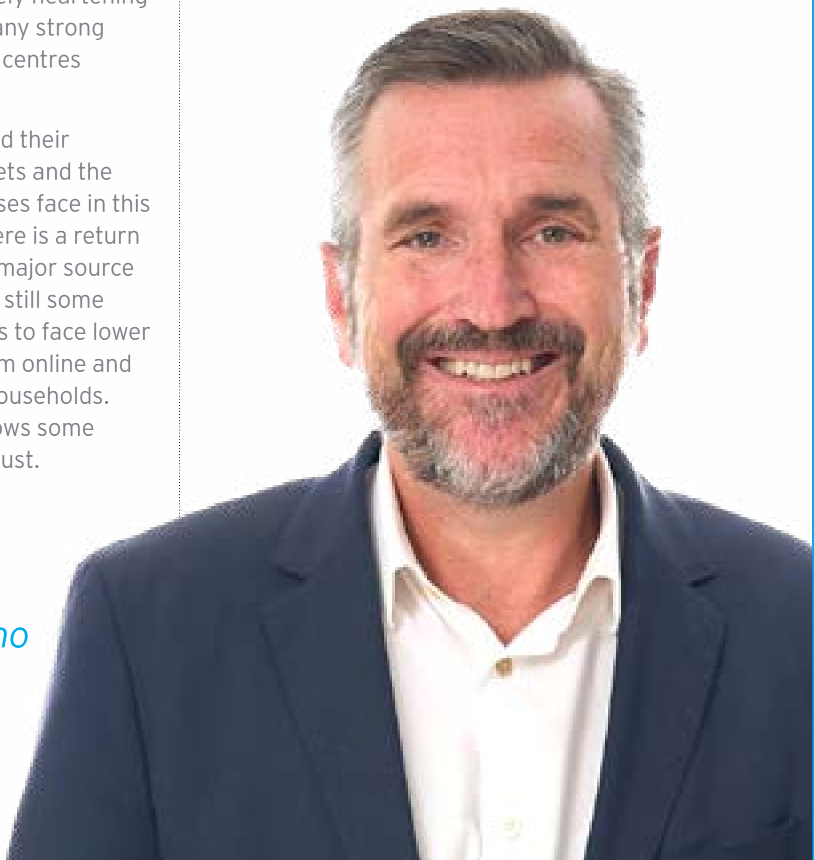
This is analysis that will be of interest to most readers, but particularly those who are first-time homebuyers or investors. Our valuers have, on a location-by-location basis, identified suburbs with the best fundamentals for value growth based on consistently strong demand among purchasers. The teams have then picked property types priced at a more modest level within these areas where acceptable compromises can deliver long-term upside for less outlay. What's ultimately heartening is that it is still possible to get into many strong markets on a limited budget in major centres around the nation.

Our commercial teams have dedicated their April analysis to studying retail markets and the challenging conditions many businesses face in this space in 2024. For instance, while there is a return to CBDs around Australia (which is a major source of traffic for retail operators), there's still some way to go. In addition, retail continues to face lower consumer confidence, challenges from online and less discretionary spending among households. Despite this, our valuers' analysis shows some locations and sub-sectors remain robust.

Finally, our rural divisions deliver a comprehensive study of Australia's grain sector. The analysis shows last financial year saw extraordinary production numbers for the grain sector, but it's the nuances of location that will prove most valuable to readers with an interest in the field.

Please enjoy our April edition of Month in Review

Gary Brinkworth
CEO



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EXECUTIVE ADDRESS

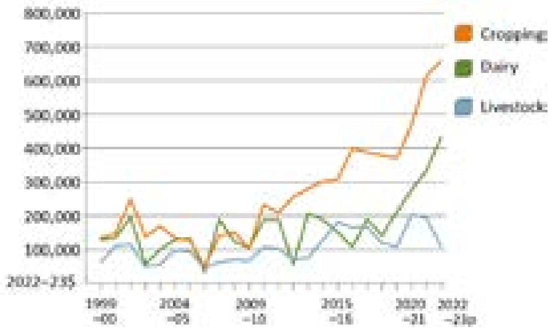
HERRON TODD WHITE

Australian Grains

As many of our readers will know, financial year (FY) 2022-23 was a massive production value year for the grains industry and Australian agriculture more broadly. Wheat and lentils were particular standouts, with significant uplifts in production values from the previous FY2021-22.

The table shown produced by ABARES shows the extent of the high we reached (export value $80.4 billion) and how we got there.

The below graph also produced by ABARES suggests the cropping industry has far outpaced livestock production in terms of average cash income per farm.



Source: ABARES; Auctions Plus

Due to recent property value growth, and increased operating and financial costs, the pressure has and will continue to be on productive returns on investment. The above graphs demonstrate sound output generated by the cropping industry.

Table 1 – Top 10 Australian AFF exports in 2022-23

Commodity	Export value (A$b)	Per cent of total AFF exports	Per cent change in value from 2021-22
Wheat	16.7	20.8%	+48%
Beef and veal	10.7	13.3%	+8%
Canola	5.7	7.1%	-2%
Uncarded or uncombed cotton	4.9	6.1%	+120%
Sheep and goat meat	4.7	5.8%	-2%
Barley	3.3	4.1%	+12%
Uncarded or uncombed wool	3.2	4.0%	-2%
Wines	2.0	2.5%	-8%
Milk and cream, concentrated	1.5	1.8%	-2%
Dried shelled lentils	1.5	1.8%	+52%
Others	26.2	32.6%	+9%
Grand Total	**80.4**	**100%**	**+17%**

Source: ABS

As we have previously discussed, challenges associated with sporadic seasonal conditions, fluctuating input costs and varying levels of global supply and demand have seen less confidence and therefore attributed less growth to prime cropping country over recent years compared to the significant growth experienced by the grazing property market.

When these factors are combined, it suggests cropping industry and mixed farming properties are well-placed if not leading real income and return on investment statistics. This may be a basis for sound market fundamentals and investment in such property in years to come or could help to underpin continued stabilisation of values seen in this asset class.

Southern Qld & Northern NSW

Late summer rains in many growing areas have reduced prospects for the current summer season and have combined with generally higher competitive exports to see reduced prices which may impact export value totals in the current financial year.

Rainfalls received in many growing regions have replenished generally sound moisture profiles and should provide confidence for a large winter plant.

Our southern Queensland region continues to benefit from proximity to the south-east Queensland major cities and an underlying lifestyle influence. This lifestyle influence benefits two ways: retirees and downscaling farmers moving into this market; and professionals selling the beachfront apartment to pursue an agricultural interest.

Demand has also been strong with some displaced owners, due to Inland Rail acquisitions, particularly in 2022 and early 2023, looking to re-enter the property market.

We have also seen a number of energy projects throughout our region (particularly gas, solar and wind) providing a cash injection to some landholders which has also added to a strong balance sheet and is encouraging expansion.

Jimbour Plains Corn Source: Herron Todd White Director Bart Bowen

Overall, southern Queensland and northern New South Wales cropping country remains "firm on previous prices with the best evidence of growth in late 2023 to early 2024 being fringe lifestyle holdings on the eastern downs.
A recent auction of two parcels (approximately 43 hectares and 80 hectares) sold individually for approximately $20,000 per arable hectare with each parcel comprising predominantly dryland cultivation.

Overall, southern Queensland and northern New South Wales cropping country remains firm on previous prices.

Some growth has certainly been experienced in genuine broad acre cropping areas including Bongeen Plains, Jimbour Plains and Moree Plains, however growth in these areas is reflected less in short term changes (within the previous –six to nine months) than current sales versus –two to four years prior. Those markets and grains property generally have also not been assisted by recent extremely wet or very dry weather which have limited presentation and productivity.

These markets remain firm and demand for turnkey assets is strong. Rates for prime dryland on the Bongeen and Jimbour Plains are commonly from $13,000 to $17,000 per hectare excluding structures, while Moree Plains sees rates from $9,000 to $13,000 per hectare excluding structures dryland. Be mindful though that it is difficult to generalise with locational, soil type, development and field layout variations playing a significant factor in the applicable rate. The rates indicated are more typical of prime locations and developments.

Bart Bowen
Director

Central Queensland

Values for farming land appear to have remained stable throughout the recent 12-month period, with sales occurring in 2023 remaining broadly in line with market peak values.

Cropping land in Central Queensland is generally tightly held, however there have been several sales in the northern part of the region which offer insight into market trends.

Kilgour, located north of Emerald, sold in the early part of last year and reflected $4,108 per hectare on an overall improved basis, while Homelea Downs, north of Clermont, sold in the later part of the year

AUSTRALIAN GRAINS

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for $5297 per hectare on an overall improved basis. The properties had respective land areas of 2000 hectares and 3352 hectares with further analysis of the sales indicating values from $4700 per hectare to $5000 per hectare (excluding buildings) for the cropping land in isolation. Given this is a 550-to-590-millimetre rainfall zone, land in this location may reflect value for money in contrast to southern locations.

Will McLay
Director

NT / Kimberley, Western Australia

We are not aware of any sales in the Northern Territory over at least the last decade, where the buyer had purchased the property specifically for grain production. The main farming areas in the Northern Territory are limited to:

- the Darwin rural and outer Darwin rural areas;
- the Douglas Daly district;
- the Katherine region; and
- small irrigated farming precincts near Mataranka, and Ali Curung and Anmatjere north of Alice Springs.

Crop farming in these localities has been dominated by mangoes (Darwin, Katherine and Mataranka), cucurbits, mainly watermelons (Katherine, Mataranka and Ali Curung), Asian vegetables (Darwin) and hay for the live export cattle industry (Katherine and Douglas Daly including hay cubing plants in Katherine and Adelaide River).

Significant areas of some of the northern NT's best agricultural country in the Douglas Daly but also areas around Katherine were established as timber plantations (African Mahogany and Indian Sandalwood) between around 2005 and 2013. Any agricultural land sales that have occurred have been for those uses above and nearly all of this land was freehold.

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The last sale of land for a specific grain farming use was the sale of the Taylor's Park aggregation (around 11,700 hectares) back in 2007 by the Peanut Company of Australia (from Kingaroy, Queensland) which purchased the land to grow irrigated peanuts. They did this successfully, mainly in rotation with maize, but found production costs too high (mainly due to freight) and eventually sold the properties in 2012. We note in that instance that the land was purchased for redevelopment to an Indian Sandalwood plantation.

While legume grains such as peanuts (as noted), soybean and mung bean, and other field crops such as sesame have been grown under irrigation on a relatively small scale in the Douglas Daly and also Katherine districts, they generally formed part of the grazing and farming enterprise where irrigated legume fodder crops have also been grown for cattle, and none of these properties have sold to a buyer for grain growing purposes. The most recent cleared freehold farming land sales, which again sold as part of a predominantly grazing enterprise, showed in the order of $5000 per hectare (dryland).

The most notable sale here was the 2022 sale of Blackbull in the Douglas Daly (14,432 hectares, freehold) to an agricultural investment fund for $25 million. The sale included around 700 plus hectares of cleared dryland showing in the order of $5000 per hectare plus some pivot irrigation showing in the order of $17,000 to $18,000 per hectare (including water allocation and delivery infrastructure). The intention of the buyers here was to trial and eventually grow commercial quantities of GM cotton noting that at that stage plans for a cotton gin near Katherine were well underway.

Over in the East Kimberley's Ord River Irrigation Area (approximately five hours drive west of Katherine) the impressive farming valley now has around 23,000 hectares of irrigation but is on course for around 30,000 hectares (in the main valley) when the Ord Stage 2 expansion is complete. The valley is supplied by the 11,000 to 12,000 gigalitre Lake Argyle and is possibly Australia's most secure irrigation supply.

The ORIA has gone through various ebbs and flows as agricultural industries have come and gone due to insurmountable issues that have impeded momentum for ongoing land development. During the 1980s through until the early 2000s, the maximum area of irrigable farming land was 14,000 hectares and the primary crops during this period were broadacre crops including various peas and beans, hybrid seed crops such as sorghum, maize and sunflowers, broadacre horticulture crops of various cucurbits, sugar cane and highly intensive horticultural crops such as mangoes, bananas and papaya grown on small landholdings generally less than 20 hectares. Indian Sandalwood made its entry to the valley in the early to late 2000s, but now after around fifteen tumultuous years, we are seeing significant portions of the troubled Sandalwood industry country coming to the market (often prior to harvest of the Sandalwood) for conversion to broadscale cropping, in particular, for the relatively new agro-industrial crop, cotton (bg3).

Previous grain, fodder and pulse crops that have been successfully grown in the ORIA are likely to become complementary crop rotations for the cotton. With this as the background to the strong interest for farming land in the ORIA, we note four significant sales which occurred in 2023. They totalled around 1,300 hectares and included land where Indian Sandalwood and host tree stumps and roots still required removal (at the land purchaser's expense). These sales indicated that buyers were prepared to pay between $17,000 and $20,000 per hectare (inclusive of standard 17 megalitre per hectare water allocation, fully remediated).

Frank Peacocke
Director

Southern WA

The market here is still characterised by low supply, however most who had the appetite to expand have done so over the past three years, which in conjunction with a poor season last year and a predicted dry season this year, should see values finally steady. Some operators advise that it's not profitable to expand in some higher value areas due to the current price point and interest rates.

A recent sale at Munglinup of an 848 hectare

Sale property at Munglinup   Source: CoreLogic

property for $6.8 million in January 2024 provides some market guidance by way of a reflection on its previous sale of $2 million in June 2019. Over this period the change in sale price reflects 60 per cent growth per annum. The current sale reflects an improved arable rate of approximately $10,000 per hectare and an overall improved rate of $8012 per hectare.

Luke Russell
Valuer

Central NSW

The market remains fully firm for Tier 1 properties with sound interest. Pressure is noted on Tier 2 and Tier 3 properties, currently being expressed as longer days on market.

A larger scale property sale of note is Meryon Aggregation, Warren, 4516.62 hectares, which sold for $19 million on 20 July 2023 and analysed to reflect:

- cultivation $4100 per hectare;
- light timbered grazing $1800 per hectare.

A smaller scale property sale close to Dubbo with Little River frontage is Guabinga, Benolong, 690 hectares which sold for $5.75 million on 22 November 2023 and analysed to reflect:

- cultivation $8000 per hectare;
- light timbered grazing $5000 per hectare.

Allister Rodgers
Valuer

Herron Todd White Valuer, Sam Mason, in a multi species crop at Billa Billa, Queensland   Source: Herron Todd White

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Southern NSW

The demand for small to medium scale dryland mixed farming properties in southern New South Wales appears to have stabilised in early 2024. Agents report that the number of potential buyers in this segment has significantly reduced mainly due to higher interest rates, lower livestock prices, increased cost of inputs and a drier seasonal outlook. There is little evidence of mortgage stress yet and until vendors are in a position where they need to sell for some reason, we cannot foresee a major correction in values, rather a period of limited capital appreciation as long as the region receives adequate winter rainfall and interest rates stay at or below where they are presently.

That said, any well-located properties that are considered turnkey operations and do not require any major capital improvement works are not spending long on the market. Examples include recent sales in the Holbrook and Lockhart areas which achieved rates per hectare in line with the strong results of the past two to three years. The Holbrook property sales indicated rates per hectare excluding buildings of between $17,000 and $21,000 and a disaggregation sale at Lockhart indicated rates per hectare excluding buildings of between $13,200 and $14,000 for good arable mixed farming country. All were purchased by established local private operators.

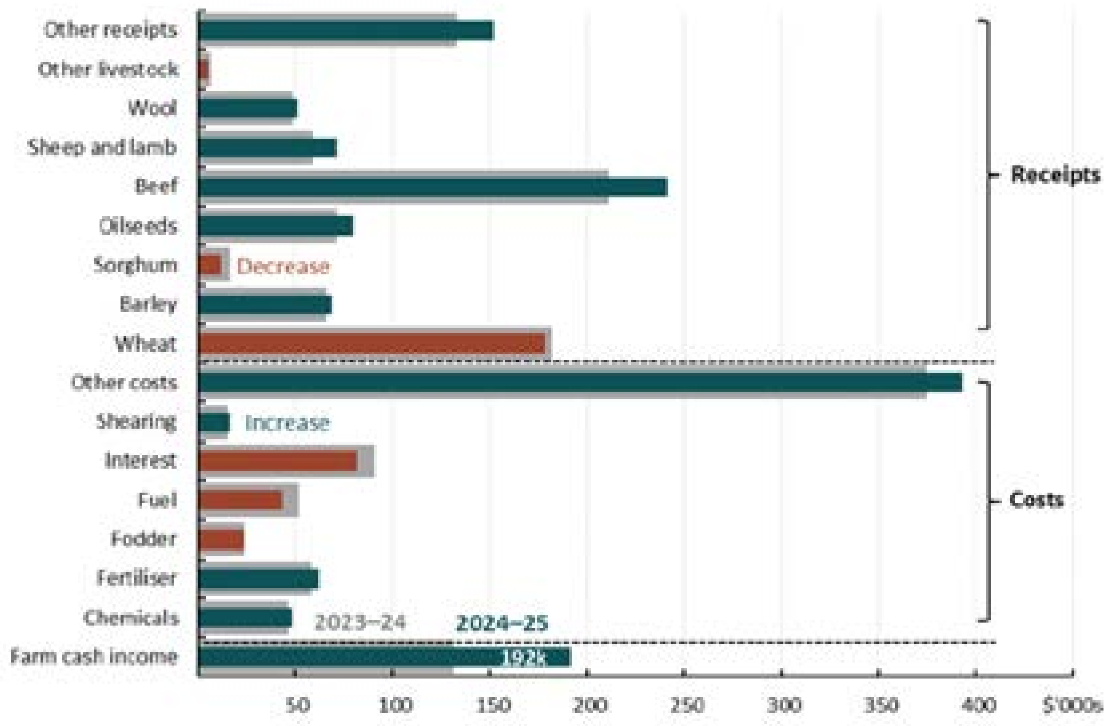
Larger scale corporate holdings continue to trade at values at or above rates per hectare often achieved on smaller comparable holdings. The mainly overseas funds continue to see rural Australia as an ideal place to invest, particularly at the current exchange rate. Conversely, holdings in more marginal areas or properties that require significant work to reach their full potential are either staying on the market longer or being withdrawn from sale, as buyers have become more discerning about the high cost of inputs and increased cost of borrowing money and are reflecting these costs in the prices they are willing to offer.

Andrew Garnsey
Valuer

Mallee/Wimmera, Victoria

Expectations of above average 2024/25 grain production in the northern hemisphere has caused some contraction in cereal and oilseed prices over the past few months, which combined with forecasts of a warmer and drier autumn is contributing to some caution among buyers. However, we have not seen any decline in values, with recent sales occurring at levels consistent with late 2022 and throughout 2023.

Several small parcels of land at Dooen, approximately seven kilometres north of Horsham, sold at auction in late February at levels of between $23,700 and $27,400 per hectare. These sale prices were influenced by their small size, ranging from only 63 hectares to 128 hectares. A further sale (150 hectares) in the southern Mallee region west of Birchip has provided a new benchmark for arable land in this 330-millimetre rainfall location



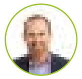
Source: ABARES; Auctions Plus

with the arable component to show around $12,500 per hectare when it settles in April.

There appears to be a clear trend for existing farming families being prepared to compete for small parcels of adjoining or close by land, however buyers are being much more cautious, and it is not expected that a large aggregation would achieve these levels if sold in one line.

A well improved 2282 hectare cropping property (2105 hectares arable) located approximately 50 kilometres west of Mildura was auctioned on 8 March and passed in at $3.9 million. The auction generated significant interest due to the property being regarded as one of the better standard farms in the district. The passed in price of $3.9 million equates to approximately $1700 per hectare (on an improved basis) which is well above historic levels seen in the district and reflective of the good standard of development.

Meanwhile a 1703 hectare cropping property in the Carwarp district south of Mildurarecently sold for a price that equated to $940 per hectare overall. This property has a range of soil types, including some salt affected land. When analysed over just the arable area, the sale price equated to $1170 per hectare.



Graeme Whyte
Director

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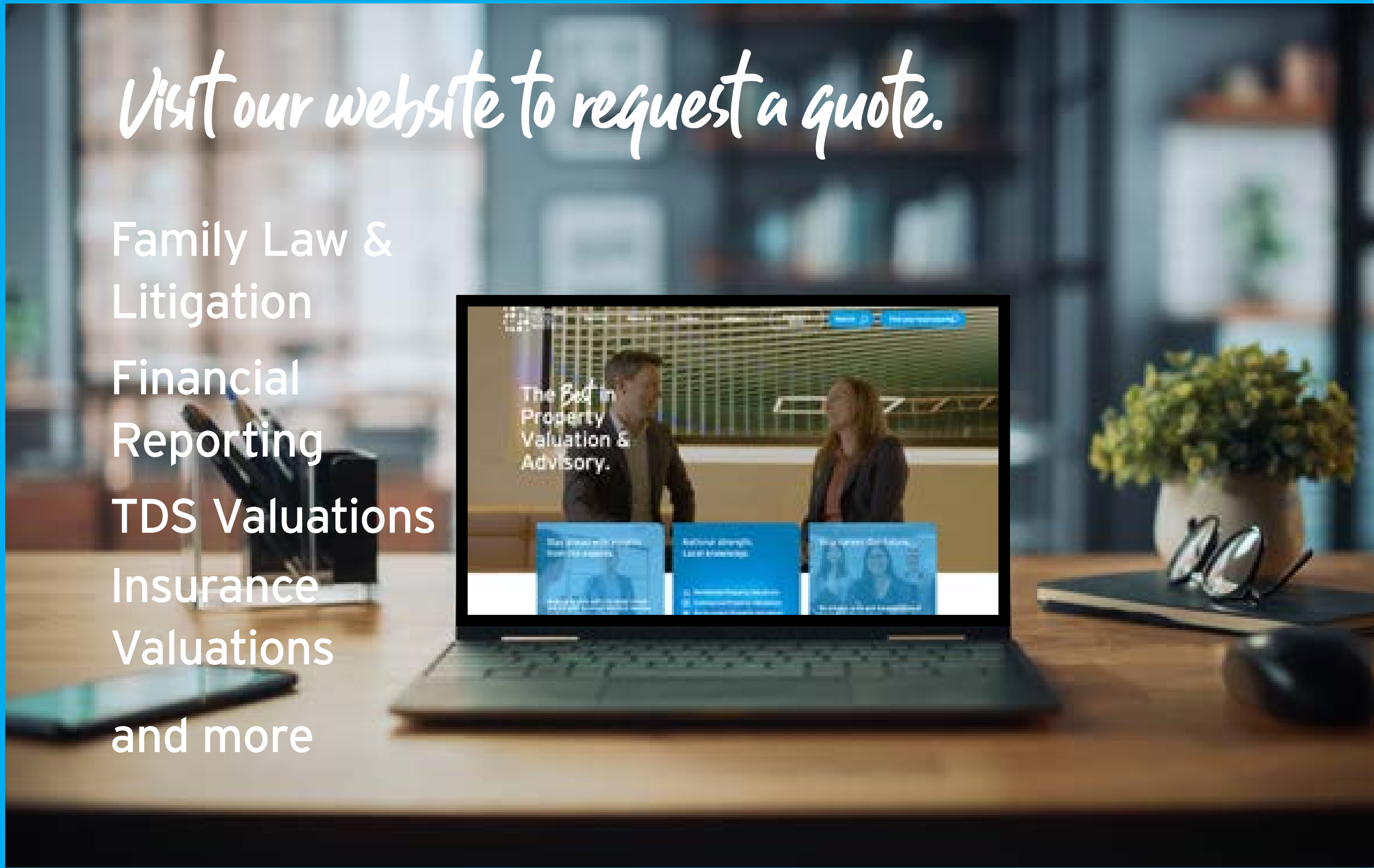

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