HERRON TODD WHITE

Month in Review

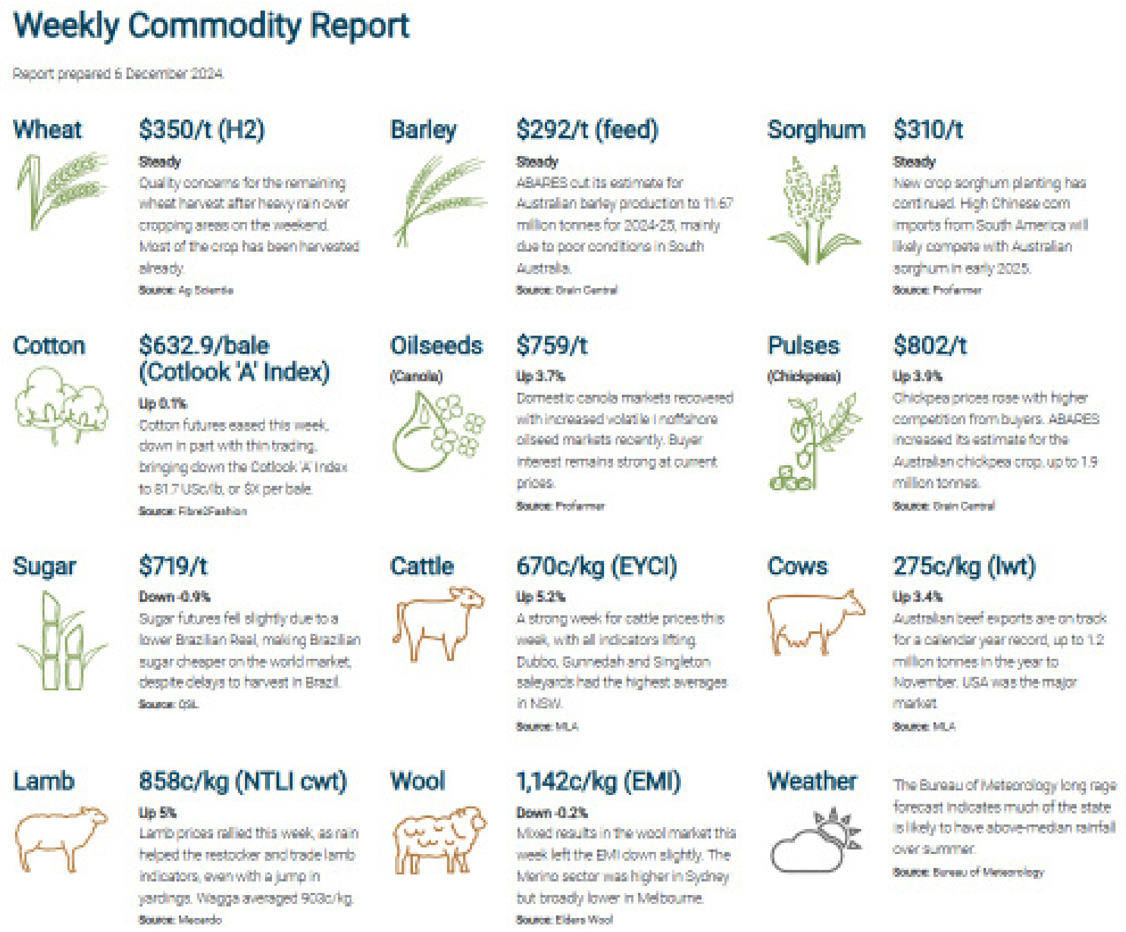
Rural - December 2024

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

Southern Queensland and Northern New South Wales

Recent rainfalls across large parts of southern Queensland and northern New South Wales look to be ensuring we are heading into 2025 with full moisture profiles and green paddocks. This is a much better situation than this time last year for most of us. The improvement in seasonal conditions has certainly been reflected by a lift in the Eastern Young Cattle Indicator and with continued strong demand for beef and good margins for processors, these price points are beginning to feel a lot more stable. The below graph of the EYCI illustrates the low point we hit at the end of last year and beginning of 2024, though also demonstrates the relative stability of price between 550 and 700c/kg since this time.

Eastern States Young Cattle Index — Source: MLA



Weekly Commodity Report

Report prepared 6 December 2024

Wheat — **$350/t (H2)**
Steady
Quality concerns for the remaining wheat harvest after heavy rain over cropping areas on the weekend. Most of the crop has been harvested already.
Source: Ag Scientia

Barley — **$292/t (feed)**
Steady
ABARES cut its estimate for Australian barley production to 11.67 million tonnes for 2024-25, mainly due to poor conditions in South Australia.
Source: Grain Central

Sorghum — **$310/t**
Steady
New crop sorghum planting has continued. High Chinese corn imports from South America will likely compete with Australian sorghum in early 2025.
Source: Profarmer

Cotton — **$632.9/bale (Cotlook 'A' Index)**
Up 0.1%
Cotton futures eased this week, down in part with thin trading, bringing down the Cotlook 'A' Index to 81.7 USc/lb, or $X per bale.
Source: Fibre2Fashion

Oilseeds (Canola) — **$759/t**
Up 3.7%
Domestic canola markets recovered with increased volatile i noffshore oilseed markets recently. Buyer interest remains strong at current prices.
Source: Profarmer

Pulses (Chickpeas) — **$802/t**
Up 3.9%
Chickpea prices rose with higher competition from buyers. ABARES increased its estimate for the Australian chickpea crop, up to 1.9 million tonnes.
Source: Grain Central

Sugar — **$719/t**
Down -0.9%
Sugar futures fell slightly due to a lower Brazilian Real, making Brazilian sugar cheaper on the world market, despite delays to harvest in Brazil.
Source: QSL

Cattle — **670c/kg (EYCI)**
Up 5.2%
A strong week for cattle prices this week, with all indicators lifting. Dubbo, Gunnedah and Singleton saleyards had the highest averages in NSW.
Source: MLA

Cows — **275c/kg (lwt)**
Up 3.4%
Australian beef exports are on track for a calendar year record, up to 1.2 million tonnes in the year to November. USA was the major market.
Source: MLA

Lamb — **858c/kg (NTLI cwt)**
Up 5%
Lamb prices rallied this week, as rain helped the restocker and trade lamb indicators, even with a jump in yardings. Wagga averaged 903c/kg.
Source: Mecardo

Wool — **1,142c/kg (EMI)**
Down -0.2%
Mixed results in the wool market this week left the EMI down slightly. The Merino sector was higher in Sydney but broadly lower in Melbourne.
Source: Elders Wool

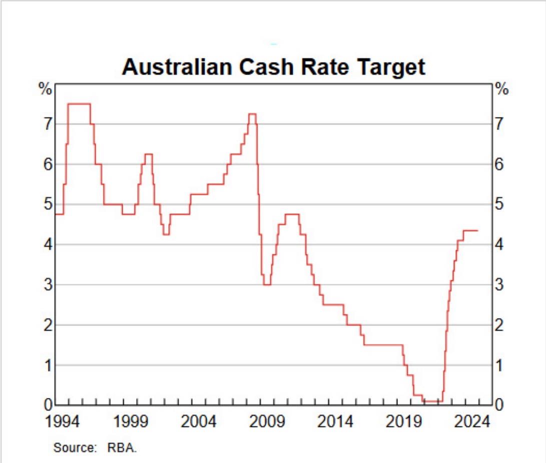
Weather
The Bureau of Meteorology long rage forecast indicates much of the state is likely to have above-median rainfall over summer.
Source: Bureau of Meteorology

Commodities report — Source: NSW DPI

2024 has been an eventful year involving plenty of speculation, plenty of global tension and unfortunately continued wars in a number of regions. Yet the impact on the property market has been relatively benign. Reflecting this level of unease and varied trade appetites, a number of key pricing indicators for a variety of grains and pulses have also been somewhat static (with some margin of volatility noted throughout the year). That said, several of those key metrics have seen a bit of a lift over the past month to hopefully see the year out in sound territory. Those who managed to pull off pulse crops have been particularly rewarded.

Wheat is sitting around $350 per tonne and some improvements in barley prices have also supported margins. The following is a snapshot put together by the New South Wales Department of Primary Industries which I find particularly interesting.

Obviously one of the key drivers of the economy is the cash rate and its influence on interest rates. There has certainly been what feels like a lot of unnecessary talk about when the next cash rate cut will be. In my opinion it really doesn't matter; all the experts in this regard agree inflation is still above target and fundamentally only a small change if any in the cash rate is needed and likely under current economic conditions. Therefore, without a significant change, the status quo is likely to remain in terms of its impact on the property market.



Cash Rate Source: RBA

Throughout 2024, the carbon market and the variety of applicable carbon projects available to producers has been a regular topic of conversation. A recent survey completed by the Carbon Market Institute found that almost two-thirds of Australian businesses (65 per cent) expect Australian Carbon Credit Unit prices will be above $90 by 2035. From my perspective this would appear likely with more and more of the world focusing on ESG, and minimising our environmental footprint through carbon management certainly seems to be a dominant focus. Furthermore, the Safeguard Mechanism in Australia appears particularly likely to see major polluters rely on ACCU generation to offset emissions. However, this is still an emerging and developing industry and legislative changes can move markets overnight. Throughout 2024 there was a strengthening in ACCU prices, particularly in the second half of the year, eventually reaching 32-month highs. As seen in the graph below, this is still a volatile market and obviously somewhat of a jump ship event transpired since reaching this high point in mid-November and prices have now corrected back below $38 per ACCU. In south-western Queensland the expiry of the Human Induced Regeneration Methodology has certainly slowed the demand for mulga property suitable under the old methodology. That said, the credits produced under that method are certainly paying dividends and will likely help to underpin property market fundamentals in the region, providing a valuablenon-production income stream if needed.

Australian Carbon Credit Unit price Source: Core Markets

Over 2024 we have seen the property market switch from a seller's market to be more in equilibrium. While property listings have increased in many regions, limited supply is still a factor in some. Continued transaction activity appears more evident in areas with a recognised lifestyle influence and further growth over the past 12 months has been demonstrated by a number of recent sales of irrigation and prime dryland cropping, albeit these increases are not of the same scale of growth experienced for grazing property over the past five years. The grazing property market appears to have largely stabilised. We are currently seeing some listings and sales in specific regions placing some slight downward pressure on values though conversely some regions which have experienced lower volumes of supply are still indicating some further growth.

A number of genuine corporate properties have been made available to the market over the course of 2024 and some notable transactions have occurred throughout the year at a variety of price points. A few of those large family farms and genuine corporate properties remain on the market and are beginning to demonstrate extending selling periods.

Some of the notable sales in 2024 include:

- Mount Lonsdale, Mungallala - $20 million
- Timberlite, Taroom - $21 million
- Raceview Station, Charleville - $21 million
- Roma Feedlot & Spelling Yards, Mount Abundance - $22.95 million
- Macquarie Downs Feedlot - $55.9 million
- U/C Sale in proximity to Injune circa $35 million plus representing $1526 per acre improved
- Worral Creek Aggregation, Mungindi - $360 million
- Oakleigh West, Bowenville - $24.75 million

An interesting sale to watch will be the Hollymount Aggregation at St George which is under offer.

Bart Bowen
Director

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Northern Beef

Throughout the course of 2024 the northern pastoral zone has emerged as a multi-speed market with a continued level of demand and strong value levels for premium properties, while second tier assets, which are often subject to higher operating input requirements, have met a level of market resistance.

There were a handful of sales in the Northern Territory, in most cases reflecting values which are considered in line with 2023 levels. These include:

- Murray Downs (5595 square kilometres) $46.5 million WIWO or $27.5 million bare to Richard Hughes.
- Aileron (4076 square kilometres) $22.5 million WIWO or $14.7 million bare to Charlie Shahin
- Woolner (647 square kilometres Floodplains east of Darwin) $49 million bare to Rallen Australia
- Carbeen Park (7390 hectares freehold west of Katherine) $12.8 million bare to Heytesbury Pastoral Company

Murray Downs Station Source: realestate.com.au

In North Queensland larger breeder sales have been sparser with one of very few including Harvest Home which sold mid-year for $17.7 million. At around $5000/AE the sale reflects a stable trend in prices, however other properties of a similar class remain listed for sale which indicates that demand may have moderated.

Family scale graziers remain active in the Julia Creek and Richmond area with quality properties reaching levels above $1200 per hectare, and comparative land types in Longreach, Muttaburra and Winton are selling to values near on $700 per hectare. Recent sales results in these locations suggest that the market is in line with or firm on the market peak levels, and buyers are seeing value in this market at beast area rates in the order of $5000/AE to $7000/AE.

The Central Queensland market remains active although at a level which is less than that experienced throughout 2022 and early 2023. Values for better quality properties remain in line with market peak in most cases, and the recent offering of the Scott Pastoral Portfolio confirmed the depth of the buyers in the area, with all seven properties on offer selling to local families for a total consideration in excess of $150 million.

Key sales for this year have been:

- Fairfield Station (west of Moura) sold at auction for $49 million ($4599 per hectare)
- Rockland Springs (south of Blackwater) sold at auction for $48.25 million ($4334 per hectare)
- Morpeth (south of Nebo) sold post auction for $18.5 million ($4538 per hectare)
- Hillcrest (east of Middlemount) sold post auction for $33 million ($3247 per hectare)

In summary, the 2024 year has seen a moderation in the volume of sales. Values for better quality assets which attract competition remain in line with the peak levels set in 2022 and 2023. Values for second and third tier assets have softened to varying degrees although there have been few sales as vendors continue to hold out or withdraw properties from the market.

Will McLay
Director

Southern WA Dryland Farming

2024 has seen a shifting and varying level of sentiment across the southern agricultural regions of Western Australia, largely due to varying environmental conditions and economic influences from the start of the year and throughout.

Market conditions changed significantly over the three to five years leading into 2023 as a low-interest-rate environment and strong commodity prices coupled with high production resulted in strong demand and significant price growth across the majority of southern Western Australia. However, on the back of this came a 2023/24 season which resulted in total grain production of 14.5 million tonnes of grains, seeds and pulses, almost 50 per cent lower than the previous record seasons of 2021/22 and 2022/23. This was allowed by a dry start to 2024 as well as low confidence and high uncertainty surrounding the sheep industry due to the phase-out of live export, so the general consensus was that a steadying in the market was likely.

Seasonal conditions improved throughout winter, and despite the overall below average seasonal rainfall across most of Western Australia except the northern regions which have experienced above average rainfall, together with a market still regarded as tight in supply, the outlook for southern Western Australia's rural property market improved throughout 2024. Some of the larger

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operators are out of the market following a period of growth, as are those within the high rainfall western regions in particular, indicating that the price of land is now at the edge of profitability. In addition, the extremely high levels of demand throughout 2021 to 2023 have subdued, however more affordable smaller scale and well-developed add-on properties, particularly those in tightly held localities that have experienced limited transactional activity over the previous three years, are still experiencing good interest and are achieving strong prices. Subsoil moisture reserves in some regions ready for 2025, expected interest rate cuts, and a Grain Industry Association of Western Australia total grain production estimate for the season of between 18 and 19 million tonnes, which would make this season's result the third largest grain crop on record, are likely to support the improved market sentiment into 2025.

Mitchell Boylan
Valuer

Wine & Vineyard

The vineyard and wine industry overall has had another year of highs and lows with many across the industry hunkering down and riding through another tough vintage, both seasonally and economically. Wine production for 2023-24 was just over one billion litres, an eight per cent increase compared with the weather-affected 2022-23 vintage, but still the second-smallest reported production in 17 years, and 16 per cent lower than the 10-year average of 1.24 billion litres. The lower production has helped sales of Australian wine exceed production for the second consecutive year.

On a positive note, 2024 has seen the lifting of the Chinese tariffs on the Australian wine industry with many growers buoyed by the return of the Chinese export market. Recent prices for main red varieties in warm climate regions are expected to increase slightly from around $246 per tonne to $284 per tonne with white varieties expected to range from $395 per tonne to $501 per tonne for the major varieties.

Vineyard and winery transactions have been down across the key wine regions of Australia with agents reporting that vineyards and wineries are spending extensive periods of time on the market with buyer confidence low as a general observation. This has been seen both at grower level and at a cellar door/winery level, as a number of reputable winery and cellar door facilities have been offered to the market over the past twelve months with limited success. If grape prices, profitability and balance sheets continue to improve, buyer confidence is likely to follow, however any rises in vineyard/winery values may lag given the high level of stock currently sitting on the market.

A number of larger vineyard sales in the inland areas have been purchased by buyers intending to redevelop to other crops. These buyers have seen opportunities to acquire vineyards with some existing irrigation infrastructure at historically low prices, often at a cheaper overall cost than starting from scratch doing greenfield developments.

Salena Estate Source: realcommercial.com.au

One recent sale of note is the Salena Estate business in the South Australian Riverland which includes a 15,000 tonne winery, a 17 million litre storage facility, 185 hectares of vineyards and a fully equipped laboratory with a bottling line for a reported price of $9.2 million.

Overall, there appears to be varying levels of confidence returning to the industry following several difficult years. Whilst there have been positive signs out of China, it is unlikely that demand will return to pre-tariff levels in the near future with the industry still carrying elevated stock levels together with the overall decline in wine consumption and the uncertainty of long-term success in China following the re-introduction and restocking of wine into the Chinese market.

Chris Algie
Valuer