PGG Wrightson Real Estate

# Rural Property Pulse

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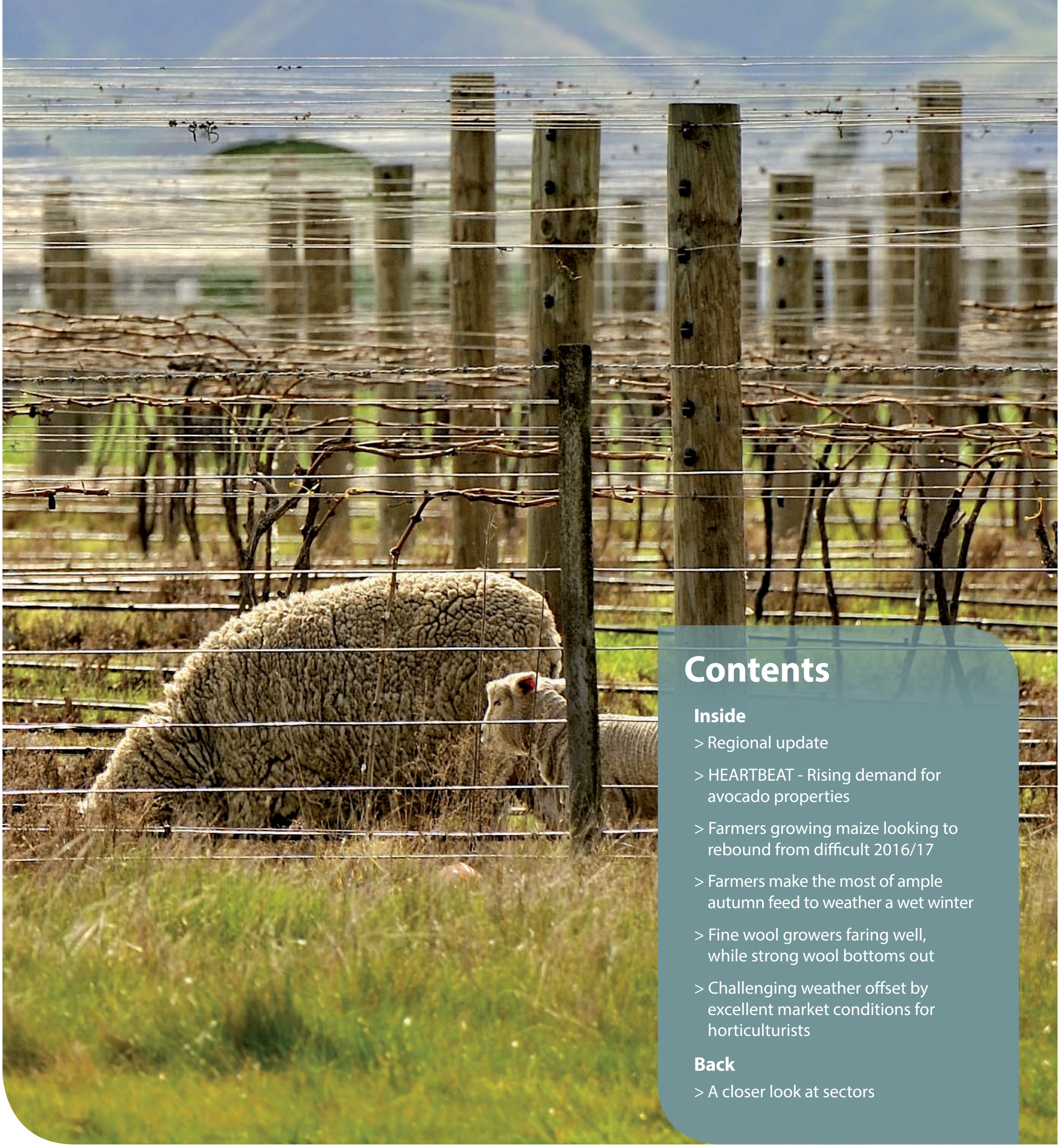

## Contents

# Busy spring set to follow traditionally quiet winter rural property market

*While it was a busy autumn, with plenty of farmland selling, market activity went quiet from June on, and we experienced a traditional winter. Farmers were preoccupied with calving and lambing, rather than transacting land.*

In recent years the rural property market has extended beyond autumn, with sales continuing throughout winter. Back before that, in the traditional market, farmers were disinclined to transact land while attending to more immediate farming activities was the priority. What we saw this year was a return to traditional patterns, with reduced market activity. This can mainly be attributed to the wet winter throughout most of the country, plus some uncertainty around the election.

Statistics from the Real Estate Institute confirm what our rural property sales specialists have observed: 16.2 per cent fewer farms sold nationwide for the three months ended July 2017 compared to the corresponding period in 2016.

However, prospects for a spring upturn are positive.

In the traditional rural property market, a quiet winter is followed by increased spring activity, which should hold true this year. Given that the market was going through a low point, farmers have held off selling over the past two years, especially in dairy. With a more stable and positive outlook, many now see spring as their opportunity to move on. Others, meanwhile, are now looking to expand their operations and landholdings.

Our rural specialist teams are experiencing increasing levels of listing enquiries from prospective vendors planning to go to market in spring. While the wet winter is holding things back, we expect considerable activity in October and November, with some notable listings in horticulture, sheep and beef, and dairy farms.

Although the volume of farm sales dropped during the winter, values did not. Adjusted for differences in farm size, location and farming type, sales prices rose 5.6 per cent in the three months to July 2017 compared to the three months to June 2017, while rising by 9 per cent since July 2016.

Our colleagues in the FruitFed division of PGG Wrightson report plenty of optimism in the horticultural sector, which is also evident from prospective investors in horticultural property. In the Bay of Plenty, in particular, demand for premium land continues to rise, with kiwifruit orchards selling at record values. Additional attractive listings are scheduled for the spring, and these exceptional values will continue to be tested.

PGG Wrightson's Livestock division also reports strong confidence among farmers, with sound export projections for sheep and beef. As a consequence, pastoral farms are in heavy demand throughout most regions. With listings of these properties relatively scarce, farmers that do go to the market in the coming months look set to capitalise.

Provincial New Zealand has plenty going for it, with the economy performing well and the rural sector providing investors with a solid value proposition.

What we can look forward to is increased market activity in larger properties this year, particularly in the dairy sector, where transactions of bigger farms have been scarce over the past few years as returns were less compelling. As the payout has improved and market conditions for dairy are looking up, an increase in property transactions is likely. Among those, we may see more corporate purchasers active again, and possibly transactions that attract the attention of the Overseas Investment Office.

Most farm categories are likely to remain highly sought after through spring. Despite some notable listings, a supply-demand imbalance is indicated across the majority of rural property sectors. Per-hectare values will therefore at least hold steady, if not continue edging up, as purchasers in all regions are likely to encounter a shortage of supply of the type of properties they are looking for.

Whether you are buying or selling, doing so with an experienced, objective rural property specialist at your side will help ensure you achieve the outcome you are looking for. Wherever you are throughout the country, PGG Wrightson Real Estate is close at hand, and ready to put our deep, wide network to work for you. We look forward to your call.

**Peter Newbold**
General Manager
PGG Wrightson Real Estate Limited

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# Regional Update

## Northland

As in many other parts of the country, Northland has been wet, contributing to a traditionally subdued winter rural property market. One notable transaction was a 148 hectare west coast farm that sold in July between $20,000 and $24,000 per hectare, at the upper end of the price range for the region's dairy properties. Market activity is set to increase in the spring, with indications that several of the region's older farmers are preparing to exit the sector, moving on or retiring in the coming months. Listings of their farms will be welcomed by motivated buyers, operating in what remains a sellers' market. In Northland last year, the main farm selling season was late to properly commence, a scenario likely to be repeated this year, with activity again more meaningful in December and January than in spring.

## Waikato

Waikato's winter rural property market was unspectacular. A shortage of enthusiasm from the banks towards lending on farm purchases, and generally wet and unfavourable weather, magnified what is usually a quiet season anyway. Although a more positive outlook has returned for the dairy sector, Waikato farmers are not yet ready to purchase additional land, seeking to consolidate their equity position before expanding. Some interesting drystock properties are likely to come onto the market in the King Country. These aside, with such sparse market activity over the past few months, how the spring will proceed is difficult to predict. It is likely, though not certain, that price expectations will remain consistent and there will be no major surge in the region's listings, in which case a reasonably typical balance will prevail between supply and demand, and a normal spring market will play out.

## Bay of Plenty, Central Plateau and South Waikato

A relatively quiet winter rural property market prevailed in the wider Bay of Plenty. Owners prefered to take advantage of excellent commodity prices, rather than cashing in on farm and orchard values. Positive winter enquiry for drystock properties largely went unmet. Smaller production orchards able to convert to gold G3 kiwifruit are especially sought after as growers anticipate profitability on orchard gate returns of well over $100,000 per canopy hectare in the coming season. While supply and demand for dairy farms is steady, farmers looking for grazing blocks are generally unsatisfied. Good flat land between 30 and 100 metres above sea level may not be affordable for dairy support as horticulture offers a superior return on the same land. Substantial market improvement should occur through spring as Bay of Plenty property owners respond more favourably to the steady and rising demand for all land use types.

## Whanganui and Taranaki

Taranaki rural property sales were ahead of last winter by more than 30 per cent, with the region's top sale a 79 hectare grazing property that changed hands for more than $7 million, or almost $90,000 per hectare. Also in the region, a 564 hectare forest sold for $2 million. Taranaki dairy farm sales are averaging between $40,000 and $45,000 per hectare, while finishing and grazing farms in the region are selling on average between $16,000 and $19,000 per hectare. A 632 hectare Whanganui grazing property sold for $8.9 million, while two other traditional Whanganui grazing properties, of 632 and 828 hectares, each sold at slightly above $4,000 per hectare. With dairy farmers increasingly confident, and having paid down debt recently, more selling activity is likely in traditional dairy areas during spring.

## Wairarapa, Manawatu and Horowhenua

Sales volumes in the region were similar to the same period last year. Average values for Wairarapa dairy farm sales are approximately $30,000 per hectare at present, while a 294 hectare Horowhenua dairy property sold for $14.5 million, or just short of $50,000 per hectare. A 603 hectare Wairarapa finishing farm sold for $9.3 million. Large-scale sheep and beef grazing and finishing, dairy, and arable farms are in hot demand in the region. Allandale, a widely admired 393 hectare Greytown grazing property, currently used for dairy support, will list for sale during spring and should attract considerable attention. Good quality properties situated in sought after locations, with reliable rainfall, superior improvements and proven performance, remain in demand. A range of good quality sheep and beef farms coming onto the market in spring should satisfy this, in part at least.

## Hawke's Bay

Values of Hawke's Bay rural property offered to the market over the last few months remained consistent with those that sold in the autumn, with all recent transactions of economic farm units at or above $10,000 per hectare. As expected during the winter, a relative lack of listings slowed the volume of sales, despite reasonable values. Firm and improving product prices, particularly for beef, though also more recently for dairy, are the major factors influencing the region's rural property market. Consequential demand for additional land is keeping buyers motivated and sellers satisfied. Into the spring, market activity should increase. At least three high-quality sheep and beef properties are set to go to auction in Hawke's Bay later in the spring, presenting purchasers with some excellent opportunities. Values are unlikely to alter significantly.

## Nelson and Marlborough

While pruning was in full swing, sales of Marlborough vineyards were slow through winter. Demand for Nelson dairy farms remains enthusiastic, with interest from the North Island. A significant dairy transaction was confirmed during August, when a 165 hectare 340 cow Golden Bay property was taken on by a purchaser from outside the district. Meanwhile, in a notable Marlborough sale, a 2000 hectare extensive hill country grazing property in Ward sold in August to out-of-town buyers. Listings are short in all land use types, including lifestyle properties. Any rural property offered for spring sale in the region should therefore receive an enthusiastic response from purchasers, as supply and demand factors are likely to drive prices to premium levels during the next few months. With interest evident from outside the region, Marlborough viticulture transactions will be closely watched.

## Canterbury

Although new rural listings during the winter were limited, two Waikari, North Canterbury sales showed demand is steady. A 187 hectare sheep and beef property sold at auction in late May, and a 593 hectare farm sold in late June, both for around $1200 per stock unit. Canterbury purchasers are taking time to undertake due diligence, particularly focusing on nutrients and irrigation. Climate and market activity have followed traditional patterns this winter, suggesting a productive season ahead, with plenty of property transactions. Some notable spring farm listings look likely, particularly in sheep and beef, though the recent payout forecast should also motivate more Canterbury dairy properties onto the spring market. While demand for good farms with favourable rainfall is always strong, the balance between supply and demand of Canterbury rural properties is relatively even at present.

# Regional Update

## West Coast

Optimism around dairy prospects has taken a while to reach the West Coast. However, local cooperative, Westland Milk Products had brighter news for its shareholders in the winter, providing a 40 cent advance on its payout and a markedly improved forecast, of between $6.40 and $6.80, for 2017/18. A 76 hectare Whataroa run-off property sold for $10,000 per hectare to a neighbour during July, a rare winter transaction for the region, providing a degree of encouragement for farmers, and an indication of market sentiment. Although West Coast farmers are happier than they have been for some time, spring rural property market activity is likely to be reticent. Some farmers are interested in putting land up for sale, though are reluctant to commit because they do not believe buyers will be particularly motivated. It may take a few more months to overcome this inertia.

## Mid and South Canterbury

A limited number of larger Mid Canterbury dairy properties changed hands during the winter, with prices for the most desirable firm between $50,000 and $55,000 per hectare. As in much of the rest of the country, climatic conditions discouraged listings, and the market has otherwise been quiet. Contagious cattle disease Mycoplasma bovis, discovered on a South Canterbury property in late July, caused concern, though its apparent containment provided some reassurance. Farmers' response to the increased dairy payout forecast has been low-key in Mid and South Canterbury. However, alongside their bankers, they will gain some confidence from this. A typical spring rural property market is likely in the region this year, with business as usual, and sales proceeding at a steady rate. Albeit following the wet winter, that may take a while longer to start this year than usual.

## Otago and Central Otago

Otago farms sold well through autumn and early winter, with sheep and beef properties ranging from $900 to $1200 per stock unit. Prominent among these was a 1483 hectare Landcorp property, Copper Road Farm, at Waitahuna Heights, South Otago, carrying approximately 11,000 stock units, which was acquired by a North Island purchaser in May. As in other regions, climatatic conditions pushed the Otago market into a traditional winter mode, with little sales activity. Positive signs for a spring upturn include the rise of dairy prices to more realistic levels and returns for beef, lamb, mutton and venison all surpassing record levels. Sheep and beef properties, dairy farms and a large deer unit will all list for sale in spring, with the largest of these a widely admired South Otago sheep station that should attract significant interest in what is shaping as a favourable marketplace.

## Southland

Southland winter farm sales, of properties larger than 40 hectares, were comparable to the same period last year in both values and volume of transactions. Spring in the region should see more rural property change hands than has occurred for some years, with increased optimism based on the improved dairy payout, as well as strengthening returns from sheepmeat and beef, providing confidence among both buyers and sellers. New properties will come to the market. Initially at least, sales of smaller farms will continue, though properties of greater scale should also attract attention as the season progresses. In the latter category, the sale of a unique robotic dairy unit at Gore will be closely watched. Buyers and sellers are looking more evenly matched in the region, which should result in values staying at the status quo level, albeit with increased market activity likely.

# HEARTBEAT - Rising demand for avocado properties

*Avocado orchards have recently changed hands at around $450,000 per hectare, close to prices currently paid for green kiwifruit.*

A highly productive three canopy hectare coastal Bay of Plenty avocado orchard, with 280 trees, sold for $2.05 million, 3 years after its previous ownership change, at $1.3 million.

With many looking for a lifestyle property with a revenue stream, and demand from the huge Chinese market, previously untapped for avocado, fueling interest, realestate.co.nz reports the most searched word on its site by Aucklanders looking for property outside Auckland is 'avocado.'

Although a typical avocado property might feature a few hectares planted in the South American rainforest native, much more substantial development is occurring in the Northland district of Tapora. Some of the around half-a-dozen avocado growers based there have recently purchased large blocks of highly productive land previously used for dairy or beef finishing, and 200 to 300 hectares in Tapora is going into avocados, with additional land also potentially going the same way.

One prominent Bay of Plenty packhouse reports its growers' average yield was $52,000 per hectare last year and $47,500 per hectare for export avocados. As significant variability is an issue for the crop, this year, returns are likely to be much lower. Where the better performing orchards produced 3,000 to 4,500 trays per hectare last year, others only produced 500 trays. While production will be lower, this year's return per export tray is expected to match last season's.

Double-grafted avocado trees are selling for $50 each, though demand is high. Irrigation development and frost protection are also factors when establishing an orchard.

Although trees produce after two years, it takes five to six years to achieve a commercial return from avocados, longer than for kiwifruit. However, whether to plant kiwifruit or avocados has become a legitimate debate. Some land will suit either, and kiwifruit is better at altitude, though free-draining coastal sites, with good soil, and a night time spring temperature of 16 or 17 degrees, enabling a pollination event if bees visit when both male and female flowers are out, are ideal for avocados.


# Farmers growing maize looking to rebound from difficult 2016/17

*After one of the most challenging years imaginable, farmers growing maize are looking forward to better times in the coming season.*

After one of the most challenging years imaginable, farmers growing maize are looking forward to better times in the coming season. They have some justification for optimism, and at least can expect no worse after poor weather, subsequent disappointing yields and low commercial prices left many growers operating at a loss last season.

A difficult 2016/17 started when the early lack of heat and sunshine left crops well behind where they would normally be, imposing limits on the yield potential. Later, the wet autumn left the harvest for both grain and silage maize crops a month behind what growers would have planned, which put many out-of-pocket on harvesting contracts and, in some cases, meant crops were left in the paddock. This year, the cumulative effect of that means more paddocks around the countryside were not planted or were behind schedule. Silage yields were 10 per cent below normal, and grain yielded between 10 and 15 per cent less than average.

Now with the new season coming up, growers have grounds to expect better, opting to consign 2016/17 to the history books as a one-off.

Optimism is derived from various factors. Improvements in the outlook for dairy farming flow on to growers of maize grain and silage, giving them a bright spot on the horizon. Greater demand for supplementary feed for milking herds presents in two forms. First, because of the better returns that dairy farmers will gain this season, the demand for supplements should be well above where it has been in recent years. Second, because Fonterra has set limits on the use of palm kernel for milking herds, demand for alternative supplementary feeds, such as maize grain and silage, will increase. For these reasons, growers should be better rewarded this season than last. If climatic conditions are on side, the outlook will improve yet further.

As this will enhance the earning potential of land suitable to grow maize, a significant rise in demand, particularly for rental or lease land, can be predicted.

Growers looking to maximise yields this season are encouraged to review the independent FAR Maize Hybrid Performance Trials multi-year results which have been recently released. Corson Maize Seed hybrids performed extremely well across the key maize growing regions.

***This report was prepared in consultation with PGG Wrightson Seeds. For more information see www.far.org.nz/resources/publications/maize_hybrid_evaluation_booklets***

# Farmers make the most of ample autumn feed to weather a wet winter

*Adverse winter conditions around the country did not seriously hold dairy farmers back after excellent weather through autumn provided a solid base of ample feed.*

North Island feeder calf sales reported strong demand for good four-day-old Friesian feeder calves and beef cross types. Prices paid for these depended on the breed and quality of the calf, though up to $250 per head was a benchmark as the season commenced in the north. As the supply of stock increased, values eased, though demand for feeder calves continued.

Dairy farmers seized opportunities presented by the beef industry. Acquiring four-day-old calves and taking them through to 100 kilograms presents an excellent entry point for those diversifying into the strong beef sector, which influenced decisions ahead of mating.

Export returns indicate the value of some classes is set to significantly exceed last season. Although calving is still in process, farmers are thinking about continuing the cycle next season, and taking advantage of the excellent returns indicated for beef. Utilising well selected beef bulls over a dairy herd can deliver many benefits, including increased profit and production.
Using quality recorded, high genetic merit Angus and Hereford bulls, instead of unrecorded, inferior bulls, is an option that many farmers are considering.

PGG Wrightson's 'Defer-A-Bull' initiative provides a deferred payment option for farmers to invest in these higher value bulls, or similarly can be used to purchase more traditional dairy service bulls.

Meanwhile, the surplus feed situation early in the winter was a positive factor for sheep and beef farmers, particularly with sales of lamb and sheep meat strong. North Island prices for sheep are a big improvement on 2016, at over $1 per kilogram ahead of where they were this time last year. South Island lamb schedules sat around $6.50 to $6.60 per kilogram, a dramatic turnaround compared to what meat processors indicated earlier in the year. These values appear sustainable, as the outlook for sheep looks bright in all regards, apart from returns for strong wool, which is still struggling.

With so much stock quit by South Island farmers during the last three years due to drought, especially in North Canterbury, as this year's spring shaped as markedly better, farmers sought to replenish depleted capital stock. A limited quantity of stock was available through most of the winter, and sold well.

Increased market activity into China, where excellent demand for mutton is evident, sends positive signals. Some mutton is now being further processed before shipping, and these added value products have helped improve farm gate returns.

Scanning results are promising and barring adverse weather events, spring should be a season of good news for sheep farmers.

Meanwhile, the trade in livestock suggests the situation for cattle farmers is also positive, though with a few caveats.

Cattle have been more seriously affected by the conditions being so wet, which has tightened up the feed supply. Many farmers found themselves working in the mud, and feed surpluses created by the mild autumn were largely used up as winter drew on.

South Island cattle prices have started to ease due to overseas markets and stronger exchange rates. Local trades, especially in prime cattle, drove prices to between $5.70 and $5.80 per kilogram. In some instances cull cows made up to $4.40 per kilogram, though that is based on very limited numbers of sales.

Although local market demand for cattle was strong and prices remained positive, downward pressure from overseas markets mean cattle values are unlikely to rise significantly in the short term.


***This report was prepared in consultation with PGG Wrightson's livestock team.***

***For more information about Defer-a-Bull, see www.pggwrightson.co.nz/deferabull***

# Fine wool growers faring well, while strong wool bottoms out

*With the fine wool market continuing to operate at encouragingly high levels, driven by increased sales of leisure and outdoor wear, some growers are electing to lock into contracts at elevated prices, which could be at the top of the range through the next few seasons.*

Meanwhile, prospects for strong wool continued to drop through the winter before reaching a relatively steady point in early August as exporters who travelled to engage with overseas customers brought back orders from Europe, the United Kingdom and Japan, balancing the limited support provided to New Zealand growers from China during the preceding period.

As winter ended, the last of the pre-lamb shearing for strong wool was completed, later in the season than usual, having been held up by the weather in both the North and South Islands. Challenging weather raises the prospect of mud and vegetable matter being picked up on wool, which unless dealt with thoroughly in the woolshed, risks discounting prices. When strong wool stock levels are high, prices are down and exporters have the luxury of being selective with their purchases (as they are now), farmers who do not take care with their wool preparation are unnecessarily putting themselves at additional financial risk.

Pre-lamb fine wool kept South Island shearers, stores and processors busy, with attention to wool preparation again key. Winter storage of strong wool is a logistic challenge, with some stores going back to block stacking, which allows for higher stacks, though is more time consuming to process.

Although the strong wool market appears to be approaching a floor in the price, due to the amount of unsold wool in New Zealand and the United Kingdom, and the lack of sales into China, prices seem set to remain at the bottom of the range over the next few months, and perhaps longer.

***This report was prepared in consultation with PGG Wrightson's wool team.***

# Challenging weather offset by excellent market conditions for horticulturists

*As with other primary production sectors, horticulture has been adversely affected by the wet winter.*

Planting, particularly in many eastern districts and the southern South Island, has been held back, slowing the establishment of crops, including vegetables, for the coming spring. Growers setting up strawberries, especially around West Auckland, have suffered similar delays.

Access to land to undertake some of the development that goes on around apples and grapes, and would typically be done during the winter, has also been held back by the same inclement conditions. For example, installation of wind machines, planned for July, was hampered due to the difficulty of transporting equipment to pour concrete slabs onto sodden orchards and vineyards.

Those weather challenges are offset by continued good news from export markets eager to take New Zealand horticulture produce.

Apples and kiwifruit are to the fore in this respect. Large apple growers have moved good volumes and are not sitting with an excess of their harvest unsold in the cool store. Apple prices are holding up, assisted by Northern Hemisphere orchards suffering from frost, which will boost demand for New Zealand apples and ensure prices stay solid. Fruit selling well into the flourishing Asian markets is another factor in the positivity apple growers are currently enjoying.

While the wet winter could indicate a fertile spring ahead, it is too soon to confidently make an accurate prediction.

In general, across the horticulture sector, those growers who have opted to innovate with the varieties they grow, and have successfully established links to their export markets, are thriving and have been able to embark on new development opportunities.

***This report was prepared in consultation with PGG Wrightson's wool team***

# A closer look...

## Sheep and Beef

Listings of sheep and beef farms were in short supply through the winter, with little of note offered to the market, and activity occurring only at low levels. While this is generally the case during winter, the appetite to engage in land transactions seemed lower than ever this year. Demand for farms matches the level of properties offered. A handful of appealing drystock properties is likely to list for sale in the spring, however, which will attract interest. In the current favourable circumstances around commodity prices, bankers are reasonably positively disposed to finance purchases in the sheep and beef sector. Those selling are mainly doing so because they are at the right natural age and stage to do so, rather than for any negative reason. These spring listings should therefore result in satisfaction for both vendors and purchasers.

## North Island Dairy

Ten North Island dairy farms changed hands in June and July, compared to 36 in April and May, a more extreme market slowdown than occurs most winters. Spring's rural property market may also be subdued, certainly when compared to last year, and upward pressure on prices is unlikely. Despite increasing positivity in dairy, and an encouraging payout forecast, financiers remain hesitant to lend on property, and farmers appear to have little appetite for expansion, preferring instead to rehabilitate balance sheets that suffered during the past few seasons. Dairy property listings in most North Island districts were cleaned out in the autumn, and few properties remained available for sale during the winter. Wet and unfavourable weather in many regions also contributed to the lack of enthusiasm for winter farm transactions. How much that changes as spring progresses is uncertain.

## South Island Dairy

On a limited number of winter sales, Canterbury dairy farms changed hands between $52,000 and $56,000 per hectare during the winter, consistent with sales values during the autumn. Similarly, in Southland, dairy property values did not fluctuate during the winter, ranging at the upper end of the market in the early $40,000s per hectare, for mid-range farms between $32,000 and $36,000, and at the lower end from $25,000 to $30,000 per hectare. While the dairy payout stays at or above $6.75, prices for Canterbury farms sold in the spring should remain firm. Meanwhile, Southland prices for dairy land during spring are not likely to deviate from present levels, though increased transactions are indicated as confidence rises. Clarity around the regional councils' land and water plans continue to play out for conversion-type transactions in both Canterbury and Southland.

## Viticulture

With sales through the winter minimal, as is normal in the sector while pruning and other off-season activities are in process, benchmark prices for Marlborough vineyards remain between $250,000 and $270,000 per canopy hectare in premium areas, similar to where they were in the autumn. Prospects for viticulture's approaching season are excellent. Indications are that a significant quantity of desirable vineyards will come to the market during the spring. Land for development may also feature. These properties should encounter ample demand, particularly from outside Marlborough, as farmers change localities and land use, from farming dairy cows or crops to growing grapes. Those changing land use have already purchased two significant Marlborough vineyards in recent months, bringing new blood into the region and the industry. More are likely to follow. Corporate investors are also likely to remain active.

## Kiwifruit

Autumn's market for kiwifruit orchards culminated in the highest price so far for a gold G3 property: $5.76 million for a 5.76 canopy hectare Te Puke property. This was the final gold kiwifruit orchard offered to the market for the season, had achieved an orchard gate return of around $160,000 per hectare, and had the crop still on when sold, hence the $1 million per canopy hectare price, 15 per cent above any previous sale. Subsequent transactions, in August, of another G3 orchard at $900,000 per canopy hectare, and the first $500,000 per canopy hectare green orchard sale, suggest demand remains strong. Whether financing will support purchases at this level in the new season, from late October or November after the 2018 crop has set, is less certain, particularly with indications of $300,000 per hectare to acquire a G3 licence this year.

## Cropping

Two Mid Canterbury arable properties in New Zealand's premier cropping country sold in winter: a 160 hectare farm for $53,000 per hectare and a 144 hectare property for $57,000 per hectare. As both sold at auction, signals to others considering listing were obvious, and with those values between $5,000 and $7,000 per hectare ahead of where the market was in the autumn, the case for other owners looking to capitalise is convincing. These sales indicate cropping farms carry a 10 to 15 per cent premium on the value of similarly located dairy farms, despite the additional farm infrastructure and irrigation consents necessary for dairy. Although prices for wheat and barley are good at present, forward contracts are less encouraging, which suggests the current high value of arable farms may not be fully maintained in the spring market.

## Forestry

Asian markets are keeping demand for export quality timber high, with China, Korea, India and Japan all eager for New Zealand logs, and export prices at a 12-year high. Many plantations were established in the early 1990s, so New Zealand timber production is set to peak in the next five years. However, since demand keeps growing, that is not cause for concern. Benchmark transactions for forests approaching maturity are around $25,000 per hectare, including land and trees. After harvest, purchasers stand to net around $30,000 per hectare, and higher depending on quality. As this is a long-term investment, some are realising capital when they need it, rather than cashing in on the logs post-harvest. Buyers are coming in, with a reasonable balance between supply and demand in forestry property at present, and sufficient interest to purchase any property offered.