PGG Wrightson Real Estate

Rural Property Pulse

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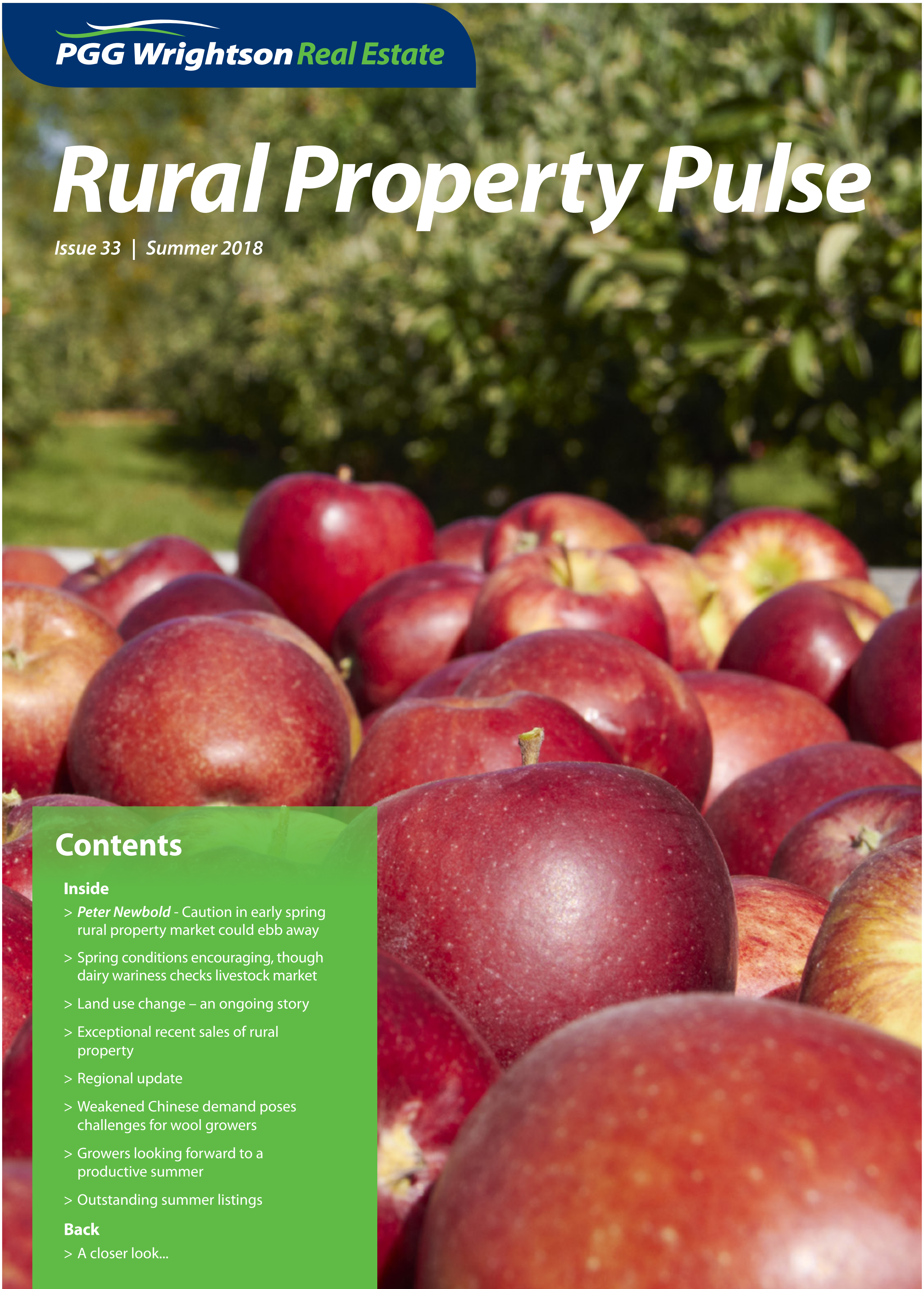

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Subdued spring market set for summer revival

Recently published Real Estate Institute of New Zealand (REINZ) statistics confirm what we are seeing in the marketplace: it has been a cautious and subdued spring rural property market.

Several factors are contributing, with dairy sector uncertainty the most apparent.

Compared to the previous 12 months, in the year to September 2018, dairy property transactions were down by 8.4 per cent. In the same period REINZ's median price for dairy property fell by 18 per cent while the nationwide dairy farm price index, which accounts for differences in farm size and location, fell by 15 per cent. Although this trend is less apparent in some regions, most other statistics indicate a similar softening in dairy property.

Plenty of dairy properties are on the market nationwide. Although there is interest, buyers have yet to demonstrate any great commitment or urgency to secure these.

At the upper end of the dairy sector, for farms exceeding 250 hectares, with comprehensive infrastructure to support a larger herd and more intensive inputs, new overseas investment rules have taken a significant proportion of potential buyers out of the market. Properties with these specifications have not sold in recent years for less than $12 million. Those with sufficient equity to purchase in this price bracket have substantially reduced in number and are now restricted to local interests only. With less buyers, for the New Zealand-based purchasers who remain, reduced competition has eliminated any pressure to buy.

Lack of buyer enthusiasm has flowed through to the market for smaller dairy properties.

Meanwhile, the sector remains wary of *Mycoplasma bovis*. Investing in dairy land while the industry is still coming to grips with this significant risk would take considerable conviction.

Elsewhere in New Zealand agriculture, plenty of positives remain. Meat schedules are strong; relative to most of our trading partners the dollar is encouraging for our primary produce exports; interest rates show no sign of shifting from historical lows; and global demand for our horticulture underpins sustained optimism in that sector. Despite the uncertainties outlined above, a payout forecast of $6.50 means a profitable season is even in prospect for most dairy farmers.

Despite that, and some high-quality listings, the spring rural property market has not resulted in as many sales as might have been expected.

Whenever any market experiences a subdued period such as this one, it is generally due to a mismatch of price expectations between buyers and sellers. Eventually the market will react to the more obvious signals, value expectations on both sides will come into line, and sales will proceed.

With many excellent properties on the market, across all sectors, and some of the most prominent of those likely to sell before Christmas, that should happen in the next few weeks.

If you require further guidance on the evolving rural property market, my colleagues at your local branch of PGG Wrightson Real Estate are standing by to assist, and are ideally placed to help you achieve your business objectives, with professional, impartial, expert advice.

We look forward to hearing from you.

Peter Newbold
General Manager
PGG Wrightson Real Estate Limited

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Spring conditions encouraging, though dairy wariness checks livestock market

Most districts experienced good spring growing conditions, and although NIWA has predicted a dry summer, that looks unlikely to commence early, so pasture production should continue until at least the end of the year.

Various factors are affecting the dairy industry, including softness in the payout forecast and *Mycoplasma bovis*. Livestock transactions through the spring reflected the shortage of confidence.

Demand for in-calf heifers should rise through the summer and herd purchases are also likely to increase as the season progresses.

Early in the spring, service bulls were less sought-after than in recent years as dairy farmers opted for artificial insemination as one way to minimise stock movements. However, later in the season orders came through as some farmers decided they actually did need bulls.

Fewer dairy beef calves are being raised this year by calf rearers. Dairy farmers have instead elected to rear them themselves, once again motivated to minimise stock movements.

This year's in-milk cow market has been seriously limited with few transactions, though that could rise, at least slightly, in December and January, post mating.

Herd sales this year are likely to range between $1,800 and $2,000 per cow, around the same values as last year.

Farmers who have lost herds to *Mycoplasma bovis*, particularly in the South Island, are seeking to repopulate their farms, though criteria for re-stocking varies and, with lower cull numbers than some predicted, the market impact of this will barely be discernible.

For sheep and beef farmers, the main spring focus was lamb finishing and cattle sales. As the lamb schedule is holding up at record highs, most sheep farmers remained positive.

Excellent lambing percentages, with plenty of sets of twins surviving, means lambs may be slightly slower to reach the required weight this season, despite the quantity of feed available, which is particularly high in Canterbury. Store lambs will be sought after, reflecting the ongoing confidence in the lamb schedule, as well as the positive feed situation.

At cattle markets, the preference has been for traditional well-bred beef breeds, which have achieved a premium over dairy beef. Rain has strengthened that market with an abundance of cattle offered for spring sale. Compared to last year, cattle prices have therefore eased slightly, reflecting where the schedule has gone. Tight killing space at the works has also negatively impacted pricing.

Hundred kilogram bull calves started to sell in late spring. In an ongoing trend, buyers showed a marked preference for single origin animals, again stressing the premium developing around traceability in response to *Mycoplasma bovis.* Cattle are likely to sell well through the summer, albeit at slightly lower prices than last season.

Meanwhile, as this season's ram sales campaign progresses, farmers have more choice and greater value from the rams available than in previous years.

Depending on what a farming business prioritises, ram breeders have programmes to deliver. This might include breeding resistance to facial eczema, breeding to improve the survivability of newborn lambs or emphasis on other characteristics, including Omega 3, eating quality and marbling.

Ram breeders are speculating what the market requires, and what farmers are prepared to pay for. There are multiple different programmes designed to fit those commercial demands.

Although prices at the ram sales are not likely to differ too much from last year, the value purchasers receive is increasing. Farmers buying rams have plenty of options. Compared to where we were five years ago, breeders have become more progressive in what they are seeking to achieve. Their programmes are more advanced, and the genetics able to be bred into a flock more sophisticated than they have ever been before.

This year's ram sales campaign will run until 30 January 2019 in Winton, Southland, with around 40 sales scheduled throughout the campaign and across the country.

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

Land use change – an ongoing story

Land use change has been a constant in the history of New Zealand agriculture and is the motivation for many rural property transactions.

In recent years, significant land use change has occurred in Waikato, Northland and the Bay of Plenty. As some dairy farmers review their prospects, this is likely to continue.

Premium Te Puke gold kiwifruit orchards are changing hands close to $1.2 million per canopy hectare, justified by their capacity to produce 20,000 trays per hectare, and provide a return on investment of between 10 and 15 per cent. Consequently, most suitable Bay of Plenty land is already growing kiwifruit, and with export demand rising, new districts suitable for the crop are being tested, particularly in Hawke's Bay and Waikato.

For some, kiwifruit is not the only option. From avocados and blueberries to kumara and onions, there are opportunities for farmers to turn a small proportion of a dairy farm into an orchard or a market garden. Income diversification is the goal, though if it pays off, can lead to a more profound shift.

Around Pukekohe, another factor drives changing land use. Traditionally the nation's vegetable garden, increased pressure from the growth of Auckland means subdivision for residential use has become the rational option for owners of third or fourth generation market garden land. Market gardeners are moving elsewhere, with Matamata a favoured destination.

Vegetables were first grown on a commercial scale in eastern Waikato in the mid 1990s. Since then, an average of one Matamata dairy farm per annum has changed hands for market garden development. Good soil here is cheaper than around Pukekohe, which has driven dairy farm values to between $80,000 and $90,000 per hectare, a premium on similar land elsewhere, held up by the potential to use these properties for vegetables. At least 1000 hectares of Matamata land is now in vegetable production.

Meanwhile further north, several former dairy farms around Tapora are in the process of development into between 200 and 300 hectares of avocado orchards, while a Kaipara dairy farm was sub-divided in the autumn for partial sale and conversion to kumara.

As with other land use change, this will be monitored locally, and if the new owners prosper, neighbours are likely to follow suit, in time honoured fashion.

Regional Update

Northland

High quality Northland spring rural property listings included a 357 hectare Ararua farm milking 420 cows and also suited to finishing beef; and a 319 hectare coastal Mangakura dairy unit averaging 230,000 kilograms of milk solids per annum. As in other regions, purchasers are taking their time to respond. Land use change, from dairy to horticulture, has motivated several recent Northland transactions, and may do so again through summer. While the potential for nutrient leaching, and restrictions on land and water use that farmers are struggling to adapt to in other regions has not previously been a factor in Northland, that may change. Similarly, the threat of *Mycoplasma bovis* has been less of a concern than in other regions, though Northland's farmers will also need to educate themselves about that risk during the summer.

Waikato

Several attractive Waikato rural properties were listed for spring sale. Among these, 286 hectare Grassy Downs, 23 kilometres east of Hamilton, was one of the most eye-catching, a widely-admired sheep and beef breeding and finishing property, offered for sale for the first time in 60 years. Although that attracted plenty of attention, buyer interest elsewhere was muted, particularly in the dairy sector. Some potential purchasers are struggling to elicit support from financiers, the slipping payout forecast is leaving many feeling cautious and predictions of a dry summer are not helping. Spring sales figures for the region were comparative to the lowest on record. However, a similar pattern prevailed 12 months ago, which in the event served as a precursor to an active summer and autumn in the Waikato rural property market, so a repeat of that could be possible.

Bay of Plenty, Central Plateau and South Waikato

Bay of Plenty kiwifruit continues to achieve capital gain, with premium gold orchards transacting in spring for prices approaching $1.2 million per canopy hectare, and buyers remaining eager. Green kiwifruit orchards are selling as high as $500,000 per canopy hectare. Only a shortage of willing sellers is holding the kiwifruit market in check. However, as elsewhere, the region's dairy sector is subdued. Neither buyers nor sellers are prepared to act decisively without clearer market signals. These will come in due course and should serve as a tipping point for confidence. If so, the local market should engage more energetically. Several Rotorua farms were offered for spring sale, including drystock and dairy properties. Although buyers here are also taking time to commit, these may sell in the summer, which should encourage several additional farmers to offer property for autumn sale.

Lower North Island

Early in spring the rural property market in Taranaki, Wanganui, Wairarapa, Manawatu and Horowhenua was quiet. That changed as the season progressed and by early summer several good quality sheep and beef farms were offered for sale. Buoyant commodity prices and positive talk in the sector indicates excellent demand. Existing

Exceptional recent sales of rural property

Cambridge, Waipa

An historic 120 hectare dairy farm on the outskirts of Cambridge sold at auction on 15 November for $9 million. Based on the property's productive land, this sale equates to at least $90,000 per hectare. In the same family since 1896, as well as its dairy tradition, the farm offered potential as a sand quarry or in intensive horticultural use. Its new owner intends to take advantage of each of those facets.

Waipawa, Hawkes Bay

Tahuna, a large predominantly flat Waipawa, Hawke's Bay sheep and beef farm changed hands in early November for between $14,000 and $15,000 per hectare, firm on recent values for similar local properties. Previously held by a publicly owned rural property investor, the farm was acquired by a local farming family after a deadline private treaty process that attracted plenty of attention, and solid competition.

Circle Hill, Otago

A 463 hectare sheep, beef and deer unit north of Milton in Otago sold in early November for $5.975 million. Featuring excellent animal health and production, and wintering between 4500 and 5000 stock units, the farm received several offers. Presented to the market in three lots, the property was purchased by a local farming family as a single entity.

Clydevale, South Otago

A much-admired South Otago sheep and beef farm sold in late October for more than $20,000 per hectare, a record for similar local farms. Lambourne is a 353 hectare Clydevale property carrying approximately 4000 stock units. Almost immediately after it was presented to the market on deadline private treaty terms, two strong offers were received and a sale concluded shortly after.

farmers and families seeking to expand their operations represent the dominant group of potential purchasers. Based on the opportunities offered by trees and bees, after a lull during recent months, demand for hill country properties has also returned. In dairy, there is also no shortage of farms listed for sale. However, due to the same uncertainty in the sector noted in other regions, associated with dairy consents and financial pressure, demand is unexceptional, which is unlikely to change before Christmas.

Hawke's Bay

With prospects for sheep and beef remaining positive, farmer confidence in Hawke's Bay is high, and activity in the rural property market is following suit. Tahuna, a 580 hectare predominantly flat Waipawa property was one of several noteworthy Hawke's Bay sheep and beef farms offered for spring sale. It changed hands in early November, one of the region's first to do so this season, bought by a local farming family after a tender process that attracted plenty of attention, and solid competition. Additional listings are indicated, and further sales should eventuate in the coming months, though if the long-range forecast for a hot, dry summer with low rainfall eventuates, enthusiasm for the market may diminish. In the meantime, rural property value expectations and sale prices have remained consistent in the region for several months.

Nelson/Marlborough

After a kind spring, Nelson and Marlborough farms were looking good, and those offered to the market had the advantage of excellent presentation. In common with other regions, spring in Tasman featured some high quality rural property listings. These included a 449 hectare Golden Bay property, with a 232 hectare milking platform, producing just short of 260,000 kilograms of milk solids per annum; a 247 hectare coastal Pohara, sheep farm, overlooking Golden Bay; and a 339 hectare Nelson Lakes sheep and beef property. For sale by deadline or tender, these will be closely monitored as their marketing campaigns come to fruition between mid-November and early December. As summer proceeds, particularly with uncertainty around *Mycoplasma bovis* receding, the dairy property market should become more active. Marlborough viticulture land remains in heavy demand, including development blocks.

Canterbury

Several excellent North Canterbury grazing properties were offered for spring sale. These include 1415 hectare Waiau medium hill country station Mt Terako; 574 hectare Oxford dairy support block Eagle Hill; 844 hectare Culverden sheep and beef breeding and finishing farm Mandamus Downs; and a 400 hectare Cheviot irrigated dairy grazing and beef fattening property. Due to the withdrawal of overseas buyers since the government changed the overseas investment regulations, those interested in Canterbury's dairy sector lack compulsion, and sales have been scarce. This lack of impetus has also affected other market segments. Those considering selling

Continued next page.

Weakened Chinese demand poses challenges for wool growers

Late spring brought challenges for wool growers, as the market softened across the board and fine, medium and strong wools all underwent reductions in demand and therefore in price.

Demand fell away largely due to the international situation, specifically the rising tension between China and the United States over trade tariffs. Chinese manufacturers are wary of the consequences of this stand-off, and are not committing to purchasing or processing wool at the same level as they traditionally do, and to the levels they returned to earlier this year. As the Chinese market accounts for between 50 and 60 per cent of New Zealand's wool clip, Chinese purchasers reducing demand had an immediate detrimental impact for our wool. Uncertainty around trade has also impacted the United States dollar, in turn strengthening New Zealand's currency, and therefore creating another setback for grower returns.

As the fine wool season approaches completion, the recent impact of China aside, market conditions for growers of fine wool were relatively favourable. Demand for Merino wool for use in active sportswear and outdoor clothing continues to grow, while drought in Australia reduced that country's national wool clip, and therefore overall global market supply of fine wool.

For crossbreed wool, reduced demand from China is having a significant impact, and prices now mirror the low levels they dropped to 12 months ago.

Despite this, wool growers should continue to prepare their clip to the highest standards. While we have a challenging market at present, growers who consign poorly prepared wool will suffer at auction. Their wool will be discounted more heavily than wool that has been properly prepared and presented for optimum advantage.

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

Regional Update

Continued from previous page.

are holding back in the meantime to see how the market responds to the current tranche of listings. With several set for tender, auction or deadline private treaty sales in late November or early December, additional properties could come to the market in the new year.

West Coast

A downgrade in the payout forecast by local co-operative Westland Milk Products provided little encouragement for West Coast farmers, who are also wary of the risk that *Mycoplasma bovis* will be detected in the region. While a fertile growing season and good productivity are reassuring, these factors did little to stimulate the spring rural property market. Few farmers are offering property for sale, and buyer enquiry is scarce. Repayment of debt is the priority for most West Coast farmers, who are in a prolonged period of consolidation. Consequently, the region's rural property market is unlikely to change much through summer, with few new listings likely to come forward. As always, the West Coast remains an excellent option for first time dairy farm ownership, and prospective purchasers from other regions would be welcomed into the local market in the summer.

Mid and South Canterbury

Several excellent Mid and South Canterbury rural properties were listed for spring sale. These include a 226 hectare Temuka dairy property; a 385 hectare Mid Canterbury spray irrigated farm with opportunity for arable, lamb finishing and deer; and a 388 hectare South Canterbury sheep and beef farm with resource consent for spray irrigation. However, the market was not especially responsive and progress towards sales is slow. This could change through the summer, particularly around sheep and beef, as the sector's fundamentals are positive and farmers have every reason to be confident. One factor causing hesitation is tightening environmental regulations. Farmers are realising that regional land and water use plans, and nutrient budgets, are an important factor for anyone purchasing, or financing, a farm, and those who have not paid heed to this in recent years may be penalised when they come to sell.

Otago

Otago's spring rural property market was active, particularly in the sheep and beef sector. Lambourne, a 353 hectare Clydevale, South Otago property, changed hands in late October for around $20,000 per hectare, a local record. Several other coastal and South Otago sheep and beef properties also sold as purchasers reacted enthusiastically to some highly-regarded farms. Otago farmers were the buyers in each case. Several more sheep and beef properties are selling by deadline or tender before the end of December. These sales will be closely watched as an indicator of the local market's strength. A fair balance of supply and demand prevails, with plenty of good stock and interest from willing, well-resourced buyers. Reayburn, a 295 hectare West Otago property, will test the market for dairy farms with scale. It is selling by tender with a mid-December deadline.

Southland

Through late winter and early spring, Southland's rural property market was active. Transactions were almost double the same period last year, including an increase in the sale of arable and dairy support land. Northern Southland featured strong sales of arable land, and large scale dairy units in the district also changed hands during this period. Uncertainty around land values is holding some farmers back, and while intending purchasers await clear market signals, Southland dairy farm listings are likely to take longer to attract buyers. However, an increase in genuine sheep and beef listings, particularly those in sought after localities and with strong production statistics, should attract continuing enthusiasm. With the dollar down, interest rates low, farm returns positive, and the region's supply-demand balance favouring buyers, the latter should gain sufficient confidence to confirm purchasing decisions as summer unfolds.

Growers looking forward to a productive summer

Weather is the main determinant of a good season for horticulture, particularly as enthusiasm in New Zealand's main export markets continues to grow. As late winter transitioned into early spring there was plenty of moisture, followed by a period of warm, dry weather, so for growers in most of the country, conditions were favourable.

A late frost hit a few districts in mid-October, threatening damage to new grape growth in Wairarapa and Marlborough, and summer fruit crops in Central Otago. However, this was generally insignificant, particularly as most growers could deploy various methods of frost fighting, ranging from helicopters and wind machines, to water and fire pots.

This weather minimised disease pressure, reducing demand for additional disease management and leaving most growers able to rely on their standard protection programmes.

Cooler conditions in several districts delayed flowering and pollination, with bees working longer than normal in avocado blocks.

With climatic conditions generally favourable, farmers were free to put crops in the ground without pressure. In the field crop regions, Pukekohe, Hawke's Bay, Manawatu and Canterbury, vegetables were planted out and growers made good progress establishing their crops.

This summer is forecast to be dry, particularly on the East Coast, so growers are bracing for what those conditions bring. Horticulturists with access to water will be making sure they are prepared, and were starting to dry out during October, before plenty of rain late in the month put plans for irrigation back on hold. Further rain in these areas would still be welcome.

With interest rates favourable and the long-term prognosis for many New Zealand horticulture exports positive, ongoing horticulture development is proceeding in several areas, particularly for pipfruit and avocados. Recent investment includes post-harvest facilities for apples, such as packhouses and cool store facilities, in Hawke's Bay and Tasman. Grapes are also an ongoing development story, though to a lesser degree than in recent seasons, with the establishment of vines on bare land sitting at about 40 per cent of the level it has been.

This report was prepared in consultation with PGG Wrightson's Fruitfed Supplies, a leading horticultural service and supply business servicing New Zealand's major horticultural regions.

Outstanding summer listings

Newland, Mid Canterbury

This 385 hectare spray irrigated arable, lamb finishing and deer unit is 10 kilometres east of Ashburton in Mid Canterbury's 'dress circle.' Irrigating from three bores, plus surface water from Barrhill Chertsey Irrigation, farm infrastructure includes a three stand wool shed with covered yards and 1660 tonnes of grain storage. It is for sale by deadline private treaty, with offers by 1 February.

pggwre.co.nz/ASH29197

Robin Ford
B 03 307 8725 | **M** 027 433 6883

Tim Gallagher
M 027 801 2888

Clyde, Central Otago

A 916 hectare Central Otago high country property, Waikerikeri Run combines safe and reliable grazing with outstanding conservation values. Part of the property has a QEII covenant to protect its dryland ecosystem of schist landscape covered with rare native plant, bird, insect and lizard species. Its strong paddock and lower hill country offers proven potential for fine wool, sheep and beef.

pggwre.co.nz/ALE29413

Mike Direen
B 03 440 2382 | **M** 027 434 0087

Sheep and Beef

Plenty of sheep and beef properties were offered for spring sale. One notable result was a 353 hectare Clydevale, South Otago property, carrying approximately 4000 stock units, which changed hands in late October for around $20,000 per hectare, a record among similar local properties. Also in Otago, a Milton breeding and finishing farm sold in early November just short of $13,000 per hectare. Elsewhere, purchasers were slow to respond to the abundant listings. Any outcome on a 286 hectare, Tauwhare, Waikato farm, carrying around 4500 stock units, listed for sale with a late November tender deadline, will attract market scrutiny. Several Te Kuiti and west Waikato properties were also offered by tender or auction with late November or early December deadline or auction dates, and will similarly influence trends. With sentiment in the sector positive, the summer should see sales activity increase.

North Island Dairy

Although several North Island dairy properties were offered for spring sale, buyers were reluctant to commit. Confidence in the sector is short, as farmers deal with numerous issues. These include the risk of *Mycoplasma bovis,* which is now receding; changes to the overseas investment regime, which have removed an influential proportion of those previously purchasing larger properties; reductions in the payout forecast; and tightening environmental regulations. It may take more time for the market to adapt to those issues and sales in any volume are unlikely before that confidence is restored. One property that did sell well was a 120 hectare dairy farm on the outskirts of Cambridge that went to auction in mid-November, and sold for the first time in 123 years, achieving $9 million under the hammer. Based on the property's productive land, this sale equates to at least $90,000 per hectare.

South Island Dairy

Fewer Southland dairy farms sold in the five months to the end of October than the same period in 2017. Sales ranged in value from $23,000 to $37,000 per hectare. A large Lyndhurst, Mid Canterbury property, with excellent specifications, including pressurised irrigation water, changed hands in October between $50,000 and $52,000 per hectare, approximately 10 per cent below the value of similar farms transacted 12 months earlier. Heavy demand for run-off and grazing blocks, between 80 and 100 hectares, is one positive market feature, as farmers seek to make themselves self-sufficient, keeping stock isolated from the risk of *Mycoplasma bovis* infection. Otherwise confidence is short as intending purchasers wait for clear market signals around value, concerns remain around the direction of the payout forecast, financing criteria have become stricter, and those who own several Canterbury or Southland farms re-align cash flow.

Viticulture

Corporates planning future vineyard development were notable in the spring market for viticulture property, with blocks in Marlborough's lower Awatere particularly sought after. Awatere Valley bare land is changing hands as high as $70,000 per hectare, while established Awatere vineyards sell for between $140,000 and $170,000 per hectare. Set to test those values, a 166 hectare property, the Awatere's last remaining substantial sheep and beef farm, was listed for spring sale, with deadline private treaty offers sought by mid-November. While this will likely be the summer's outstanding viticulture transaction, several other vineyards and bare land blocks should also find eager buyers. Buyers of lifestyle vineyards have been more cautious, with few sales and activity subdued. New Overseas Investment Office regulations ended overseas buyer activity, coming into effect in mid-October. How the industry's major players react is yet to be seen.

Kiwifruit

Demand for kiwifruit property outweighs supply, and enthusiastic buyers prepared to push values to ever higher levels continue to meet most orchards offered to the market. Gold kiwifruit orchards changed hands during the spring for between $1.15 and $1.2 million per canopy hectare. These are Te Puke properties, at optimum altitude, either with early start fruit or producing around 20,000 trays per hectare. In early November, a 5.02 canopy hectare property with these specifications sold at auction for $6.135 million, purchased by a partnership of existing Te Puke growers. Prices for the best producing green kiwifruit properties are now approaching $500,000 per canopy hectare. Meanwhile, a 10 hectare organic gold kiwifruit Hastings orchard, scheduled for mid-December sale, will provide a gauge of values outside the sector's most established localities, and indicate how growers perceive the future of Hawke's Bay kiwifruit.

Pipfruit and Stonefruit

Several corporate growers actively sought Hawke's Bay pipfruit and stonefruit land during spring. With owners preferring to capitalise on the sector's buoyant returns, this demand remains unmet. However, an increasing number of properties are likely to be listed for sale through the next few months, as some vendors are tempted to cash in on the market. Prices for suitable bare land range from $100,000 to $150,000 per hectare. With such active demand, and the pipfruit and stonefruit fundamentals telling a compelling story, property prices could firm slightly through the summer. In Hawke's Bay orchard land is often part of a lifestyle property. An owner will live in the property and lease the orchard to a grower. Hawke's Bay lifestyle property is similarly under strong demand, along with the productive land associated with these properties, though these owners are also reluctant to sell.

Cropping

Prospects for arable farmers this season are positive. Contracts for clover and grass seed are holding their own, while cereal growers will be $100 per ton better off this year. Those growing feed wheat, feed barley and milling wheat will do well, so long as they produce 10 tons or more per hectare. Some cropping farms will come to the market in summer. One such, a 157 hectare Lowcliff property, yielding 13 to 14 tons of wheat per hectare, should sell favourably. Properties with scale, good infrastructure and modern, reliable irrigation will find willing buyers. Without those characteristics, sales will be more difficult. Earlier in the year benchmark prices for premium cropping farms sat between $49,000 and $51,000 per hectare. Values should remain close to that this season, though the market for less well favoured properties may soften.

Forestry

Demand for New Zealand logs, particularly from China and India, as well as from domestic timber mills, continues to support a buoyant forestry property sector. Prices for mature forests sit firm at between $25,000 and $30,000 per hectare. One recent sale saw a smaller newly re-planted coastal block sell for over $10,000 per hectare. Demand is such that some forest owners are opting to harvest trees from 23 years, before they come to full maturity, with the payback for felling now outweighing the potential gain of waiting another few years. Demand for suitable property is from existing forestry interests: with the volume of trees coming out, the incentive for new land and the need to keep replanting is strong. With the fundamentals driving export and domestic market demand unlikely to change, the seller's market should prevail through the summer and beyond.