



Rural

October 2019



Tamworth

Another month has passed and there has been no significant rainfall across most of the north-west. Holdings that have secure water through permanent rivers, creeks and reticulation systems are proving to be more sought after in the current market, however, listings remain well below average as owners appear to be holding out until the season improves.

There has been increased demand for small to medium irrigation properties, especially those with groundwater, as this adds another level of security buyers are looking for. Irrigation holdings that rely purely on unregulated river are in less demand due to a 0% allocation within most unregulated river water sources in the north-west.

Over the past two month (August and September) there have been increased yardings through the Tamworth Regional Livestock Exchange. More recently yarding remained high with 13,755 sheep and 9,763 cattle yarded in the first three weeks of September.

The lack of rain, high feed prices and the fact that some areas are running out of water are contributing to the increased yardings and general lower than average stock condition. Overall trends are cheaper, however the market appears to be holding out for better quality stock.

NSW North Coast

The NSW North Coast has relatively reliable rainfall, but the past 12 months has been more challenging with lower levels of rainfall, but certainly not as severe as the more western areas.

Water licences and properties with the capacity to utilise these water licences are becoming much more sought after. This is particularly so for intensive horticultural crops, nurseries, tea tree farms and some of the animal industries. The horticultural buyers typically prefer well drained red basalt soils or well drained sandy loams. Avocado farmers prefer well drained, frost free land with access to water. Blueberry farmers seek similar land features except for preferring a slightly acidic soil. Macadamia farmers are not as concerned with supplementary irrigation, but frost free land is a definite preference. Graziers like a balance of flood free land, but creek and river flats are always in demand.

Commodity prices and the current low interest rates are typical drivers of rural land value. The North Coast has strong lifestyle appeal which impacts in the various locations. A good example of the impact of commodity prices is the high macadamia nut prices compared to the low sugar prices resulting in macadamia farmers purchasing sugar cane farms to plant macadamias.



Macadamia orchard

Source: Herron Todd White

Mildura

Rural sales activity has been slower in 2019, which we attribute to concerns about either irrigation water availability for horticultural properties or drought for dryland farmers and graziers. These climatic factors appear to have stalled the rapid growth in property values observed since around 2015.

The growth in recent years has all been due to external influences. A combination of strong commodity prices, favourable exchange rates and low interest rates have helped most producers of horticultural crops generate returns that are well above long term historic levels. Meanwhile strong demand for lamb and wool has fuelled the recent growth in values of grazing country in the western division of New South Wales, although more recently a noticeable fall in wool prices and the prolonged dry spell may stem this growth somewhat.

While the strong export markets we have seen in recent years may seem to be outside the control of producers, in most cases there were many years of patient work and relationship building invested by the relevant industries to nurture these markets and develop necessary market protocols. Producers are now much more focused on producing what the market expects and work hard to ensure they meet all protocols.

Properties that have the infrastructure to produce and correctly handle commodities such as citrus, avocados, table grapes and vegetables are consequently in demand. A recent conversation with a rockmelon producer revealed that the past season has been their best ever, despite the listeria issue that devastated the industry in the previous season. They attributed their improved fortunes to the fact that they had upgraded their packing

Commodity prices and the current low interest rates are typical drivers of rural land value.

shed facility in 2017, which ensured they remained a preferred supplier to supermarkets. Similarly, properties which have had regular re-planting or irrigation infrastructure upgrades have also enjoyed stronger demand than properties that have ageing infrastructure.

There have been two medium scale wine grape vineyard sales in our region during the past month. Analysis of these sales suggests values have held up, notwithstanding the significantly higher cost of leasing irrigation water. It appears that vendors of horticultural properties are not under pressure to sell and that while the reduced sales activity suggests demand may have eased, the market appears to remain relatively balanced.

North and North West Queensland

North and North Western agricultural property markets are playing their respective tunes as the final phase of 2019 adorns.

Each district certainly is playing its own property market melody. Not necessarily out of time or out of tune, just slightly varying chords. This year's orchestra is being heavily influenced by the national seasonal conditions.

In some property markets - it's sell time, while in others - its buy time!

Grazing

The national drought is bringing buyers to North and North West Queensland.

Sale activity continues in the downs country to the south of Richmond/Julia Creek to say Kynuna and Corfield.

Current sale contracts are reflecting similar value rates as the peak period just after the monsoonal event in February. These are ranging from \$321 per hectare (\$130 per acre) to \$395 per hectare

The lack of property being offered to the market is forcing the buyers to pay higher prices.

(\$160 per acre) in general with a peak to \$432 per hectare (\$175 per acre).

The demand for property with any grass at all is still high. Current sales have varying amounts of available grass and varying quality of grass.

Sales contracts in February/March were at similar levels to the last property market peak in 2008/9.

There was a short period after March (when the grass did not grow after the flood) where a few softer priced contracts were struck. These were at prices that were closer to 2018 values.

There are very few local buyers in the mix in this area.

There are some stakeholders who believe that these value levels are 'where they should be, previous years pricing was when the country was in drought and had no grass', and 'there is more in the market yet for value increases'.

Others are sceptical saying that this market is 'over priced' and 'when it rains in other areas of Australia, this market will take a dive'.

It is a good sign that there are competing thoughts and theories - vendors will sell, buyers will buy. This keeps the market active.

Around Charters Towers, demand for country is strong. There is very little country on the market for sale. Recent acquisitions have been by local buyers.

The lack of property being offered to the market is forcing the buyers to pay higher prices.

Again, some will say 'the pricing is too strong', others will say 'well it's been a good season and the

future is looking bright'.

Again, the theme song appears to arise - at least there is market activity.

Variation in the respective market melodies is that the locals are active in one market area, while out of district buyers are active in the other.

The rest of North and North West Queensland is not as busy, there are a few deals on the go and demand is there from a mix of locals and out of district buyers.

There are a couple of higher priced deals on the go that are reflective of a change in use, or an expectation of a higher and better use (farming). This is a positive dynamic for those market areas. Not all potential property vendors will benefit. This means that they will have to remain realistic as to what their property is worth when offering their property for sale.

Sugar cane

Values for sugar cane farm land have been under pressure due to lower returns. There has been some degree of value weakening.

That being said, necessity is the mother of invention. As a result of the margin pressure that these farmers are in, they have been forced to either diversify or sharpen their operating costs again.

Those that are diversifying into break crops of Mung Beans, Beans, Chick Pea and in some cases, Sorghum are reaping the returns on the back of strong pricing. The drought in the southern growing areas is benefiting these farmers.



A winner here is the soil, which is benefiting from a change in crop.

As a result of the southern growing areas drought, the Burdekin is the winner. The market music score there may see more changes in the pace, crop diversity and fortunes as the song goes on. Given the pricing of cane land and the water, the Burdekin is looking affordable at present.

Recent contract prices are from \$15,000 to \$18,000 per hectare for marginal cane land. Of this some of the buyers have intentions of targeting the shorter growing cycles and present high pricing of grain returns.

This is an exiting era of rural property market dynamics in North and North West Queensland. Naturally, not all is smooth sailing, however the market is looking forwards to the encore.

SPECIAL SUBMISSION

Australian Nut Industry Sets New Records

The Australian Nut Industry reached a record high \$1,045,000,000 in exports for the 2018/19 year according to the recently released ABS report. Increased crop yield in the Almond Industry combined with improved export markets into China bolster the results. China's demand over the past 12 months has more than doubled compared to the previous year while demand in Europe and India has softened. The ongoing trade war between China and the USA has been beneficial to the local market however if trade negotiations are resolved the Australian market could soften due to increased supply from USA. The Australian Nut Industry across all nut sectors continues to work towards a diversified and broad market for export product. Free Trade Agreements with Europe could assist in broadening the market exposure.

Australia currently exports nuts to around 55 countries. The principle barrier to expanding exports is the tariffs that remain in some key existing and some potential new markets. These tariffs restrict nut consumption by increasing the price to the importing market, in some cases prohibitively. The recently negotiated free trade agreements between Australia and the nations of Japan, China and South Korea, whereby most nut tariff lines are now being phased out, have resulted in expanded sales and exports of Australian-grown nuts almost immediately. These countries and others, such as India, are nut importers with significant potential for growth.

The following table reflects the crop returns for 2018/19 led by strong increases in the Macadamia and Almond industries.

2019 Tree Nut Returns

Almonds	\$678,294,689	65%
Macadamia	\$326,805,963	31%
Walnuts	\$18,107,944	2%
Pistachio	\$16,603,216	2%
Pecans	\$5,709,152	1%
Chestnuts	\$33,299	0%
Total	\$1,045,554,263	100%

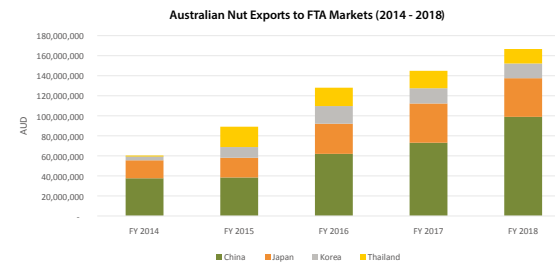
Source: ANIC

Current and Forecast Value (AU\$ million) & Exports

Exports, tonnes	2011	2016	2021	2025
Almonds, kernel	20,805	54,858	79,946	94,562
Macadamias, in-shell equivalent	18,790	39,206	46,000	52,000
Walnuts, in-shell	2,623	3,222	17,031	19,164
Pecans, in-shell	2,046	958	2,226	2,607
Chestnuts, in-shell	671	18	1,033	899
Pistachios, in-shell	390	655	650	650
Hazelnuts	-	-	-	-
Total Exports, tonnes	45,145	98,911	146,785	169,881
Total Export Value (FOB, AU\$ million)	2011	2016	2021	2025
Almonds	135.2	417.5	720.6	894.0
Macadamias	82.9	256.0	300.0	358.0
Walnuts	10.5	15.4	76.1	88.0
Pecans	11.8	10.6	12.2	14.8
Chestnuts	3.4	0.5	5.2	4.5
Pistachios	1.8	6.5	6.5	6.5
Hazelnuts	-	-	-	-
Total Export Value AU\$ million	\$ 243.3	\$ 906.4	\$ 1,120.6	\$ 1,305.3

Source: Australian Nut Industry Council 2018

The following graph reflects the increase in exports over the past years:



NB: Figure includes Thailand, with the Australian Thailand FTA in place since 2005

Source: ABS data with analysis by ANIC

Growing consumer awareness of the health benefits of nuts; healthy eating trends driving Australian food consumption; and, marketing investment by industry have all contributed to the growth in domestic consumption of tree nuts. Since 2013, nuts have been included in the Australian Dietary Guidelines and this has helped to reinforce the health benefits of nuts to consumers. Australian nut consumption (at trade) has almost doubled since 2002-3, reaching almost 62,000 tonnes in 2017-18. This represents an average compound growth of 6%.

Domestic consumption was 62,000 tonnes in 2017-18, which equates on current trade prices, at almost \$700 million. Industry value is split almost equally between domestic and imported product. This trade price equates to an estimated retail value of \$1.5 billion.

The prevailing drought and shortage of water in the irrigation system combined with increased prices is driving up the cost of production. The Nut Industry is leading the water efficiency market through innovative ways to minimise water usage and maximise crop returns.

The industry is currently experiencing its largest

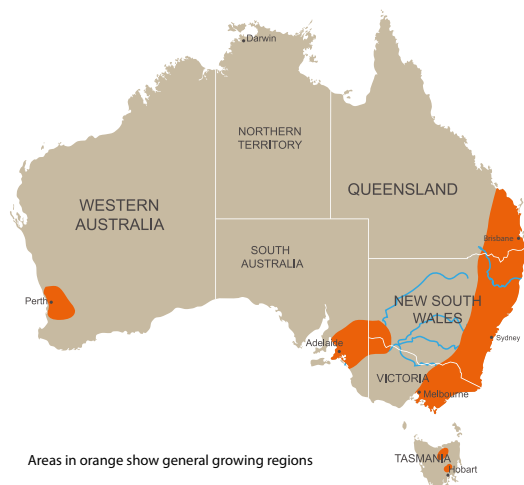
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expansion in a decade, with new plantings occurring across all tree nuts. With a lead time of 5-10 years, this expansion will push the farm gate value close to AU\$1.7 billion by 2025. The main areas of expansion are highlighted in orange.

Macadamia growers have increased area of production by 5,000 ha in the last few years, with \$150 million invested annually. Since 2016, the almond industry has been investing \$250 million per year in the establishment of new orchards, and developments will continue this trend for the next few years. As a result, almond production is estimated to rise by 74% by 2025. This trend is being experienced across all nut sectors. Chestnuts are predicted to increase production 36% on 2017-18 levels by 2025, and pistachios by more than 88% in the same period.



Source: ANIC

By 2025 walnut production is forecast to increase by 71% and pecans by 175%. Hazelnuts are set for a 21-fold increase in production by 2025 thanks to one large scale investor planting approximately 1

Production table(area planted, tonnes produced and Farm gate value)

Area Planted, ha	2011	2018	2021	2025
Almonds	26,944	42,000	48,500	50,000
Macadamia	18,000	25,000	27,500	30,000
Walnuts	2,790	3,600	4,300	5,000
Pecans	1,400	1,860	2,960	4,160
Chestnuts	1,240	1,480	1,540	1,700
Pistachio	900	1,300	1,900	2,700
Hazelnuts	140	2,500	2,750	3,000
Total hectares	51,414	77,740	89,450	96,560

Production, tonnes	2011	2018	2021	2025
Almonds, kernels	37,626	80,374	106,000	140,000
Macadamia, inshell	28,500	52,900	60,139	70,494
Walnuts, inshell	3,455	11,700	14,000	20,000
Pecans, inshell	2,700	1,860	3,524	5,120
Chestnuts, inshell	1,100	1,100	1,300	1,500
Pistachio, inshell	1,100	3,200	4,000	6,000
Hazelnuts	79	300	5,500	6,500
Total Production, tonnes	74,560	151,434	194,463	249,614

Farm Gate Value \$m	2011	2018	2021	2025
Almonds	188	611	835	1,054
Macadamia	88	297	338	396
Walnuts	14	55	66	95
Pecans	19	11	21	31
Chestnuts	9	9	12	13
Pistachio	11	35	45	65
Hazelnuts	0.4	4	40	44
Total \$m	329	1,023	1,357	1,698

Source: ABS and industry

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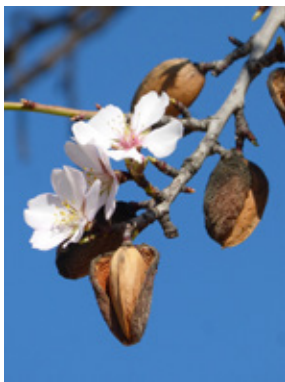


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million trees in a new production area several years ago. The expansion of the nut industries generates flow-on business to associated sectors such as input suppliers, beekeeping and plant nurseries. The following tables highlight the growth in tree plantings.

A summary of the main growing areas and outlook for each of the tree Nuts is as follows (Source: ANIC):

Almonds - Australia is the second largest producer of almonds in the world behind the USA where almonds dominate Californian agriculture. Australian almonds are set to have a farmgate value of over \$1billion dollars by 2025. There are five major growing regions in Australia encompassing: Adelaide and the Riverland (South Australia); Sunraysia (Victoria); Riverina (New South Wales); Swan Region (Western Australia). In 2018 the total area planted to commercial almond orchards was 42,000 hectares.



Production in 2018 was 80,374 tonnes of kernel. The industry is currently in a period of significant expansion estimated to increase orchard area to 50,000 hectares by 2025 before plateauing due to constraints of water and suitable land. Production is estimated to rise to 140,000 tonnes by 2025 and 155,000 tonnes by 2030.

Chestnuts - The Australian chestnut industry operates principally in the southern states of Australia, including NSW: Around Orange, Southern Tablelands, Blue Mountains and Batlow; Tasmania: Northern and Central; Victoria: North-

east and Central; East of Melbourne; South Australia: Adelaide Hills; Western Australia: South-west. Approximately 70% of the national crop is grown in north-east Victoria. 2018, chestnut production was valued (farm gate) at \$9.4 million based on a production of 1,100 tonnes and comprised around 250,000 chestnut trees grown on approximately 1,500 hectares. The industry estimates that with more trees being planted, farm gate value will increase to approximately \$12 million by 2021. The industry is primarily focused on the domestic market with approximately 2% exported, mainly to Asian markets.



Hazelnuts - Hazelnuts are grown in the temperate areas of south-eastern Australia. Main production regions are the Central Tablelands of New South Wales around Orange, Narrandera, and northeast Victoria around Myrtleford. They are also grown in central and eastern Victoria and increasingly in northern Tasmania. There are small levels of production in South Australia and Western Australia. Many hazelnut operations are small orchards of up to 6,000 trees although this is slowly changing with the average size of new



hazelnut orchards increasing and more productive varieties being planted. Hazelnuts generally take seven to 10 years to come into commercial production. Australia has recently seen a major on-farm investment in hazelnuts by Ferrero, one of the world's largest confectionery manufacturers. Its wholly owned subsidiary, Agri Australis, has planted 1 million trees across 1,900 hectares near Narrandera. This confirms that the opportunities for Australian hazelnuts are large, giving renewed confidence to Australian growers. Ferrero's first small harvest occurred in 2018. The industry is set for rapid expansion - as young orchards come into commercial bearing the industry estimates hazelnut production by 2021 will be 5,500 tonnes in-shell with a value of \$40 million.

Macadamias - Macadamias are grown along the eastern seaboard of New South Wales and Queensland, from Port Macquarie in the south, through to the Atherton Tablelands in the north. About half of the Australian crop is produced in NSW and half in QLD. Production is expanding most rapidly in Bundaberg (QLD) and the Clarence Valley (NSW). New plantings are also being developed in Mackay, Maryborough and Emerald in Queensland and in the Richmond Valley in NSW. The industry is in the middle of its fastest growth since the early 1990s. Bundaberg became the single largest growing region in 2016. The recent resurgence in new plantings has seen almost 1.5 million trees or 5,000 ha established in the last five years. There are currently around 8 million



macadamia trees under cultivation. Of these, about one third are yet to reach full production. By 2025 about 30,000 ha will be planted to macadamias with kernel production of over 22,000 tonnes, or 70,000 tonnes inshell. Export value is expected to exceed \$400 million. Global demand currently exceeds supply although it is anticipated that global supply may triple in the next 7 years. The biggest growth in demand is currently coming from Asia, where urban consumers are focussed on health, convenience and new products.

Pecans - Most of the Australian pecan crop is produced under irrigation in the Gwydir Valley, east of Moree in northern inland New South Wales. Smaller scale production extends from the Hunter Valley and Nelson Bay on the NSW Central Coast to the Mid North Coast near Kempsey, and the North Coast around Lismore. Pecans are also grown in Central Queensland around Mundubbera and Eidsvold and in the South East in the Lockyer Valley and south to the NSW border. The area under pecan orchards nationally is currently 1,800 ha, producing approximately 3,000 tonnes in-shell (1,650 tonnes of kernel). Pecan trees take 10 years or more to reach full production there is a substantial lag time before new plantings impact crop size. After a long period of stagnation production increases are now being observed. Global production remains concentrated in US and Mexico which together account for 90% or more of the world crop. South Africa continues to expand production



with small but significant crops also to be found in Central and South America.

Pistachios - The major pistachio production areas are along the Murray River Valley between Swan Hill in Victoria and Waikerie in South Australia. Further plantings are in central west Victoria and Pinnaroo in South Australia. There are a small number of growers in central New South Wales, southern Victoria and Western Australia though these only currently produce small yields. A central commercial processing facility is located at Robinvale in Victoria. The pistachio industry includes a mix of medium-sized and smaller operations. The bulk of the crop is produced on medium-sized orchards. The total area under pistachio production in 2018 was 1,300 hectares. Australian pistachio production averages 1,800 tonnes in-shell per year (2-year average 2017/18). The industry is expanding, with new plantings of about 150 to 200 hectares per annum occurring over the last few years. By 2021, the area under pistachio production is expected to increase to 1,900 hectares, producing a crop of 4,000 tonnes for a farm gate value of \$45 million.



Walnuts - The Australian walnut industry has grown significantly in recent years due to growth in the establishment of large-scale commercial plantings. Major production areas are on the east coast of Tasmania, the Goulburn Valley near Shepparton and the Murray Irrigation area near Kerang and Swan Hill in Victoria and in the Riverina (near Griffith and Leeton) in New South Wales.

Small scale orchards are scattered in the Ovens Valley, Gippsland and Central region of Victoria, Southern Highlands and Central Tablelands of New South Wales, the Adelaide Hills and Riverland regions of South Australia, and in south-west Western Australia. The production of Australian walnuts in 2018 was in excess of 11,700 tonnes in-shell. Farm-gate value was \$55 million and the export value approximately \$25 million. Close to 3,600 ha of mature and developing walnut trees were under cultivation in 2018. This number is expected to rise to 4,300 ha by 2021 as existing growers expand their orchards and new growers enter the industry. Webster Limited is Australia's largest walnut grower, owning and/or managing more than 3,000 ha of orchards. When mature, these orchards are expected to produce over 18,000 tonnes in-shell per annum.

