Rural
June 2020
Overview

The rural sector remains a bedrock of the Australian economy, but the influence of trade wars, pandemic outcomes and commodity prices continue to rapidly play out in this market.

To help keep you informed, our rural teams are providing up-to-the-minute analysis of how rural real estate is performing across their speciality locations and industries.

Echuca/Deniliquin

A good autumn with most of the area receiving around 100 millimetres of rain during March and early April has instilled early confidence in a reasonable season. Combined with the long term forecast of good rains for the 2020 winter season, the general outlook for the rural sector is good.

Locally, farmers are quite confident of a good season and reasonable commodity prices despite the obvious impact of COVID-19.

Agents are reporting a gradual increase in enquiry for rural property over the past month or so that will no doubt translate into a gradual improvement in sales activity.

We are aware of two sales contracted in late March that are at levels similar to pre COVID-19.

A significant influence in the market has been the low interest rates and the perception that interest rates will remain at or around this level for the foreseeable future.

CEO’s ADDRESS

We’re approaching the halfway point of what will go down in history as one of the world’s most significant years.

Certainly the Australian story of 2020 has been one of challenge, but we have collectively addressed the threats presented by global issues and, so far, succeeded well beyond expectation.

Much of this success comes down to two traits - resilience and adaption. The ability to not only bear the brunt of the trials head on, but also find ways to cope and ultimately thrive under testing circumstances.

The rural sector continues to be one of our nation’s economic backbones during this crisis. Keeping abreast of this market and its drivers are crucial. It’s these same drivers which influence the performance of rural property markets throughout regional Australia.

Having highly specialised rural property experts among your advisory team is essential, and that’s exactly what we have on offer at Herron Todd White. No matter where you asset is located or what it’s producing, we have specialist on hand to guide your decision making.

Our valuation and advisory teams are using their local knowhow to look past broad generalisation of market performance and provide tailored advice to our clientele.

And there’s never been a more important time for clear-headed expertise to be the foundational source of information when it comes to your financial future.

Gary Brinkworth
CEO

Mildura

The developing Covid-19 virus has coincided with the breaking of the drought in this region and has injected much needed confidence into the dryland farming and grazing sector.

A recent discussion with a Millewa (west of Mildura) farmer reports that for the two years up to 31 December 2019 only 157mm of rain was recorded. In the past 3 months of 2020 they have received over 160mm which has provided an optimum autumn break with the majority of crops now planted. The long range forecasts suggesting above average rainfall for the region has also given producers the hope of a very good season.

Since January there has been renewed interest in Millewa land which for the past five years has pretty much remained stagnant in regard to value. Five properties have been sold/contracted over the past 4-5 months (all to ‘outside’ purchasers) with value levels 10 to 20 per cent above previous levels achieved in the past two years.

Marketing of the 2020 table grape crop has been affected by the Covid-19 pandemic, with supply chain and logistics disruptions into most of our export markets. This ultimately resulted in reduced price levels at the back end of the harvest, and also an oversupply in our domestic market. The growth in recent years of direct purchase...
agreements between supermarkets and some larger growers has provided these growers with some greater certainty in the disposal of fruit onto the domestic scene.

We are aware of one significant table grape property recently being contracted for sale at levels slightly firmer than indicated by previous sales, which suggests there is long term confidence in the industry and that Covid-19 has not had any immediate effect on buyer demand.

The citrus harvest has commenced in this region with high hopes of another good season. Early reports suggest that fruit quality and size is superior to 2019 however yields are likely to be slightly down. Initial early season pricing indicates firm levels of between $750 and $1000 per tonne for premium early navel varieties. The main concerns facing the industry revolve around the political tension with China, particularly if China was to ‘shut its door’ on Australian fruit. However, the industry is hopeful that there is sufficient demand from other countries to absorb our supply albeit at a likely reduced price. With a change in market direction it also brings the concern of foreign agents reneging on orders or payments. Other concerns include sourcing a suitable labour force (heavily dependent on overseas backpackers and islanders) and the lack of information on whether there will be enough available containers and ships to actually move the fruit.

The weaker AUD remains a competitive advantage for exporters and the removal of tariffs on a large proportion of Australian goods is also viewed positively for the Agri sector. However, the sector is not without its concerns with changing global macroeconomic conditions, including the recent Chinese tariff reviews on barley and the banning of products from certain meatworks is causing concern for future export arrangements. In addition the Australian Wool Exchange Eastern Market Indicator index has fallen almost 25 per cent since January 2020 due mainly to the Coronavirus shutdowns of most export countries.

**Western VIC and SE SA**

During the early panic-stricken days of COVID-19 in March, a number of agents advised of cropping and grazing buyers pulling offers on properties going to tender due to the significant uncertainty surrounding the pandemic. Weeks on, those offers being pulled from the market really seem immaterial as the properties sold regardless and farmers more generally have gained confidence that they are a required essential service, maybe more so than ever. They are also probably the least likely to be stopped in their tracks due to social distancing requirements. The current depth of demand in the market for cropping and grazing land is significant and demand still far outweighs supply in most areas. Cropping and grazing buyers in this region have been lucky in recent times to avoid the bushfires and droughts of the recent past and continue to go about their daily business on farm. Many farmers are currently getting ready to or have already started to sow their winter crops. Sales remain few and far between due to a limited supply to the market but every sale appears to be setting a new benchmark with cropping country in the Wimmera reaching over $9880 per hectare for smaller parcels and grazing land down south well over $12,350 per hectare. Labour shortages may be an issue for the more northern fruit picking markets but from all reports, this region appears to be attracting its sons and daughters back to farms from hospitality and associated city lives during this crisis. With reports of daughters driving tractors and kids helping move sheep, ag is looking sexier than ever to some of the younger generation who are starting to appreciate the lucky country we live in.

Some of the more intensive asset classes in this region are having mixed results from the pandemic. Vegetable producers in particular and producers supplying the major supermarkets struggled to keep up with demand during the early days of hoarding which resulted in a spike in vegetable prices to the farm gate. On the flip side, those exporting produce overseas or selling into premium markets have been hard hit and left with excess produce in some instances. This is especially evident in the wine regions of the Coonawarra and Barossa where wineries, cellar doors and many associated food and tourism businesses have been decimated by the closure of their export or local markets and tourism. The flow on effect to producers is evident. It is these sub-regions and intensive businesses that are generally the source of the largest proportion of employment in these areas. The impacts of the pandemic will likely have a lasting impact on these local economies, however, the Australian ag sector more generally remains incredibly resilient and it will likely take more than this pandemic to keep it down.

**North and North Western QLD**

Live Export decision – Certainly this is a decision that is positive for northern Australian cattle

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Darling Downs

An increase in listings across the western Darling Downs, Maranoa and northern New South Wales regions has been observed over the past two months. Agents are reporting that sellers are looking to capitalise on the good bodies of feed now on the ground following years of drought. Strong re-stocker demand continues to support high cattle prices, which are underpinning grazing land values.

The cattle market remains strong despite the country now haying-off in most areas and should the good rain forecast over the winter fail to eventuate, the body of feed currently available runs the risk of spoiling. In the Darling Downs region, many farming operators are holding off planting until receiving beneficial rain to provide a full moisture profile.

As supply increases, there is strong potential for a softening in market sentiment as the pool of potential buyers is absorbed. The impacts of the barley tariffs and Australian meat export restrictions by the Chinese government may reduce buyer confidence, however these effects may take some time to play out.

Some recent listings in south-east and south-west Queensland include:

- **Telco, Roma**: 939.5 hectares - to be auctioned 18 June
- **Dunkery, Condamine**: 2944 hectares - to be auctioned 11 June
- **Spring Grove, Roma**: 2496 hectares - to be auctioned 2 July
- **Wattlevale, Moonie**: 3138 hectares - EOI
- **Lesdale, Charleville**: 14,827 hectares - EOI
- **Murilla, Meandarra**: 7655 hectares - EOI

Season - Summer wet season was patchy. Grass growth was variable. There was good flinders grass in the Julia Creek / Richmond area. Hay bailers have been busy bailing the flinders grass while the grass was worth it. Winter rain has now spoiled (reduced nutrition) some of this grass.

If it’s not one thing it’s been another for the downs country graziers, earlier in the season, grasshoppers chomped their way through a lot of good grass. Graziers are now implementing selling programmes to reduce stock due to the drop in grass quality and quantity.

From Charters Towers heading north, the summer rain was patchy again. Some areas had good rain and others very little. Going into winter there is a reduced body of grass. Winter is certainly cold, and as yet, little to no frosts. Having had some areas of winter rain, it would be a pain if there were frosts to follow.

CVOID 19 has been good in some regards and painful in others. Cattle prices have been good, however the trade disruptions to Live Export orders has placed pressure on graziers to find grass to hold cattle while this turmoil passes. This is a similar impact as the Live Export ban where export market suited cattle suddenly could not be sold and grass had to be found immediately to put these cattle onto. Luckily there has been good rain in southern districts to take agistment in the short term.

Lately there have been cattle trucks firing up again and carting cattle to Townsville bound for Vietnam. This will alleviate some grazing pressure and cashflow risk to export orientated businesses. At this stage, there does not appear to be a negative impact on industry sentiment or property values from this disruption.

Demand for grazing land is still solid. There are less southerners looking around up north here at present. They have had good seasons and are not under pressure to find grass like they were last year. Local buyers are buoyed by two factors, cattle pricing and low interest rates. While these two key fundamental drivers are at current levels, sellers’ market conditions prevail. There are some potential vendors starting to think that this is the time to exit. The land pricing like this, some property owners are starting to really think about their asset and family direction.

At this stage, the northern and north western Queensland grazing property market values have risen in the last year. Without any surprises from cattle or meat markets, the rest of 2020 remains in positive territory.
Nungil, Charleville: 14,524 hectares—to be auctioned 17 June

Tomoo, Mungallala: 18,215 hectares—private treaty after being removed from auction terms

Mundibulanga, Drillham: 2678 hectares—EOI

New Cashmere, St George: 4458 hectares—EOI

Greenoaks, Mitchell: 5100 hectares—auction held 22 May

Yambutta, Quilpie: 41,083 hectares—to be auctioned 13 July

Whyenbirra, Bollon: 14,358 hectares—to be auctioned 18 June

TERRICA aggregation, Texas: 15,990 hectares—EOI

Kilto, Wandoan: 4042 hectares—EOI

Recent sales include:

Cooraki, Surat: 2128 hectares—sold $3.85 million ($1809 per hectare)

Glen Lindon, Injune: 2627 hectares—sold $3.4 million ($1294 per hectare)

Oban, Jimbour Plains: 377 hectares—sold at auction $4.705 million ($12,599 per hectare)

In summary, the market may be approaching a tipping point where the strong increase in listings may see values stabilise following a period of strong growth.