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24-26 July 2024

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Opening Address



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Greg Kuchel



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The 2024 Farmland Values Report and commodity outlook.

First National Real Estate Muster

25th July 2024

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The 2024 Farmland Values Report

Greg Kuchel

Senior Insights Manager

Rural Bank

Agenda

- 1 Welcome
- 2 Australian Farmland Values
- 3 State Farmland Values
- 4 Drivers of Farmland Values
- 5 Commodity Outlook
- 6 Q&A

2024 Farmland Values report

Australian
Farmland
Values
2024

29 years

288,000 transactions

346 million hectares of land

Combined value of \$215 billion

 Bendigo Bank

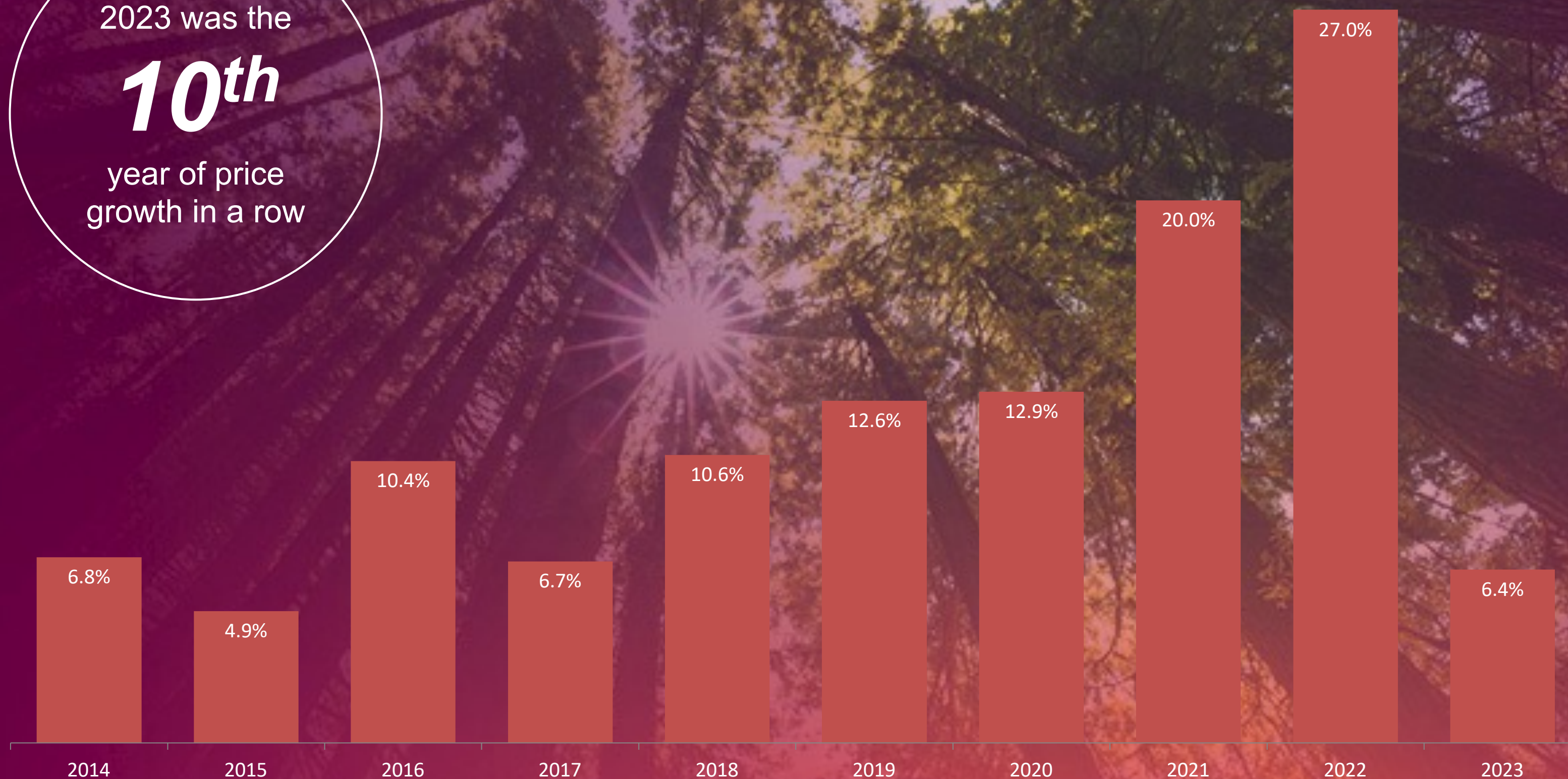
Proud partner

 **RURAL BANK**

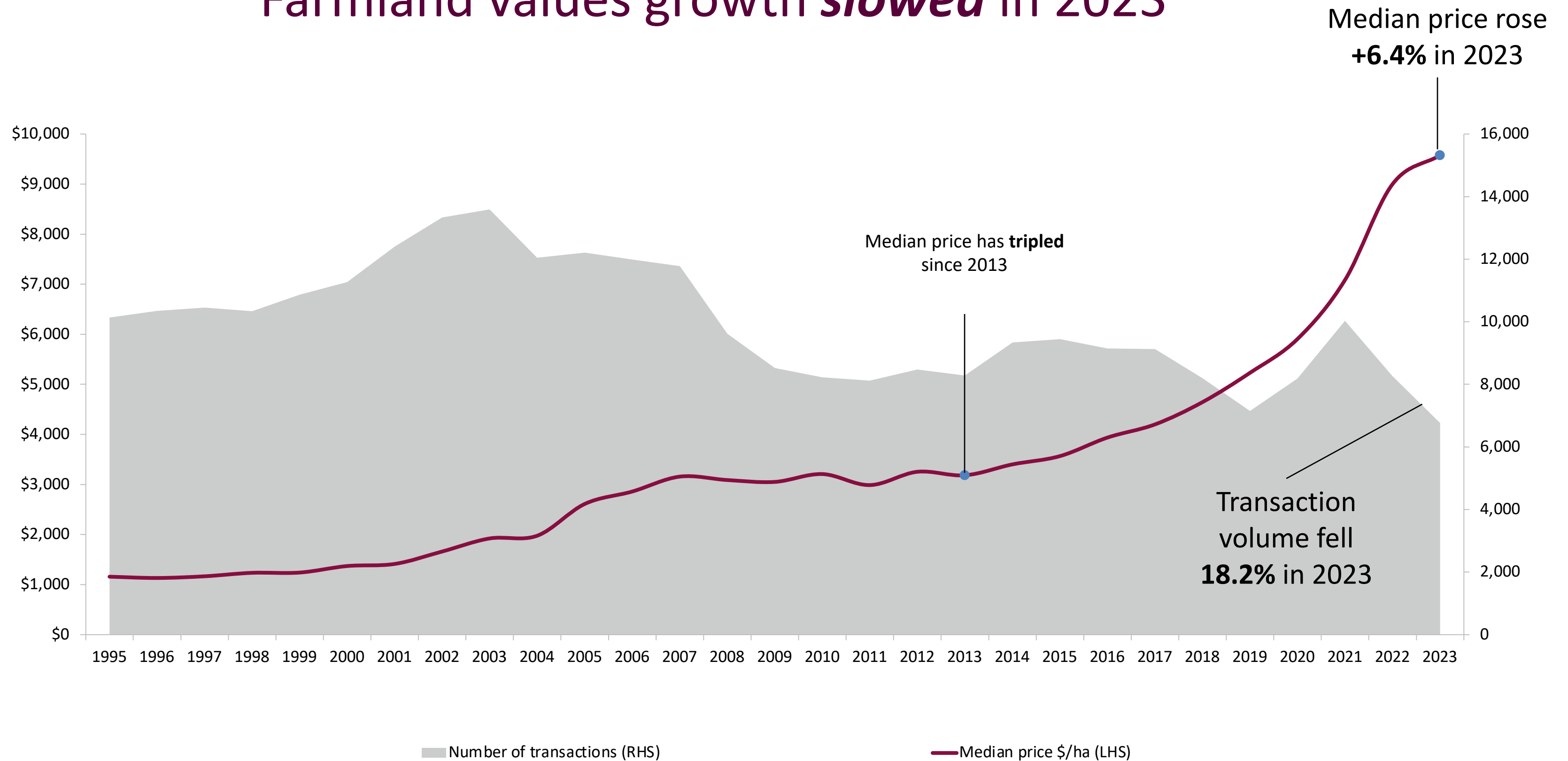
 **RURAL BANK**

 Bendigo Bank

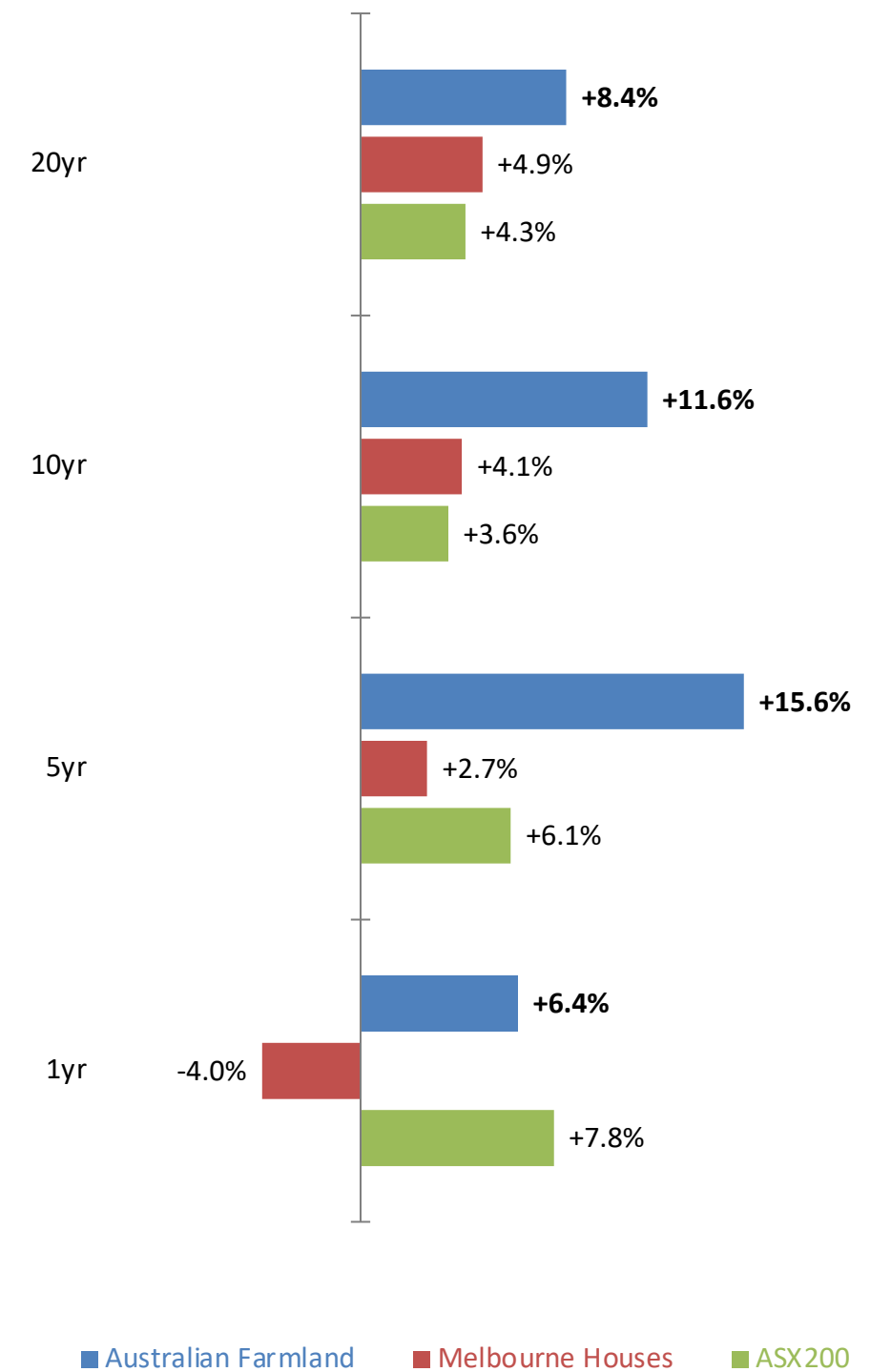
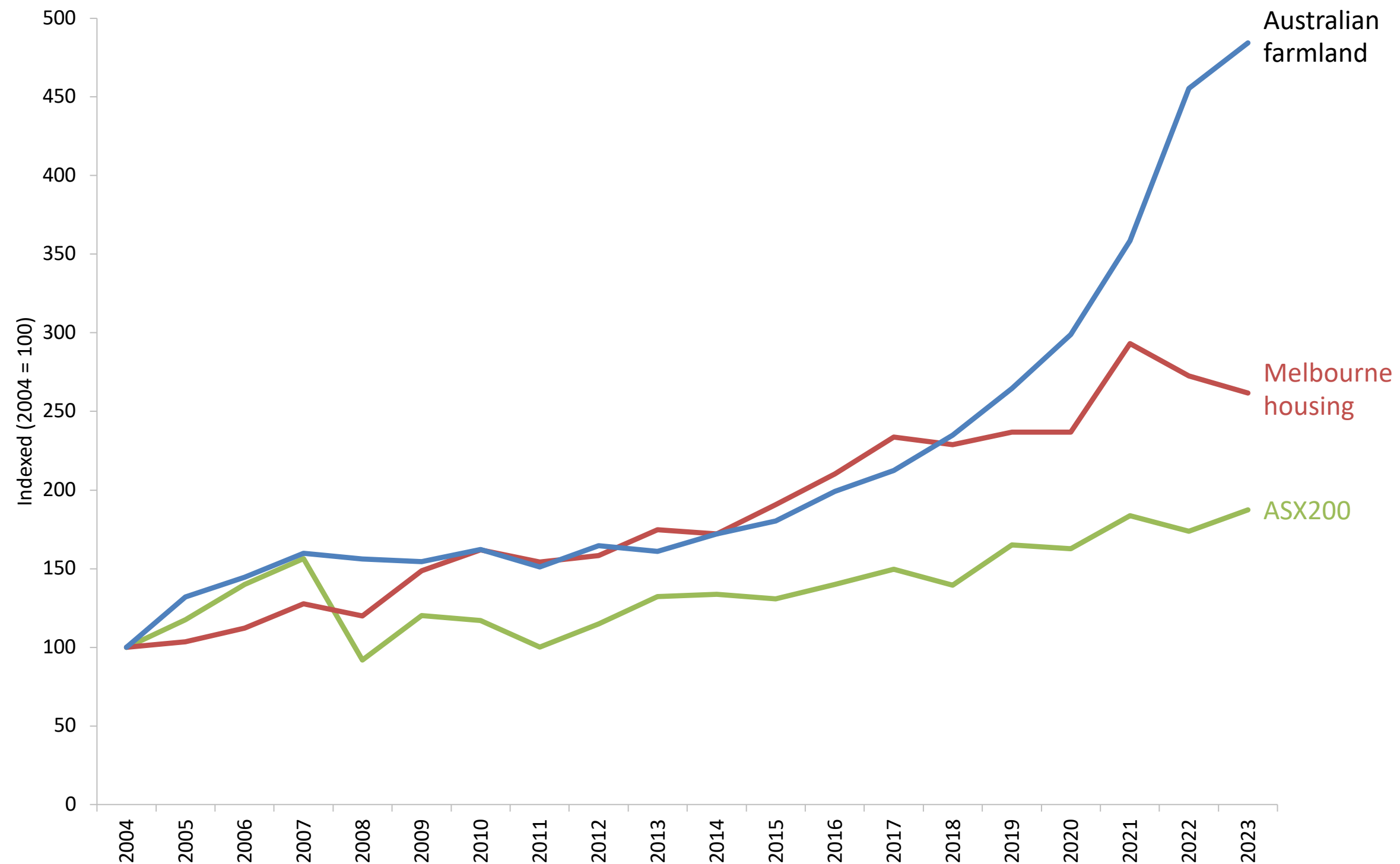
2023 was the
10th
year of price
growth in a row



Farmland values growth *slowed* in 2023

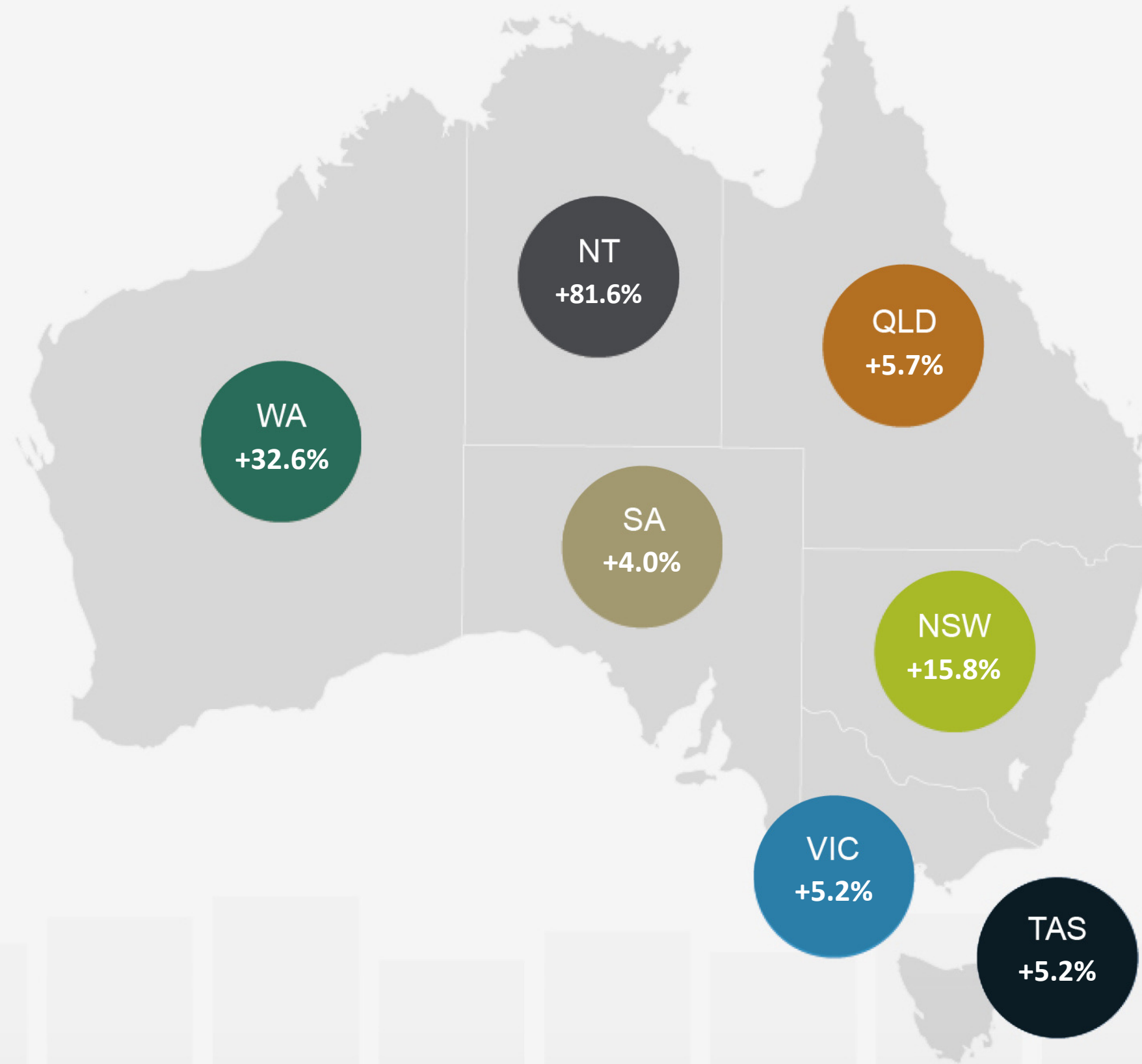


Farmland outpacing housing and sharemarket growth



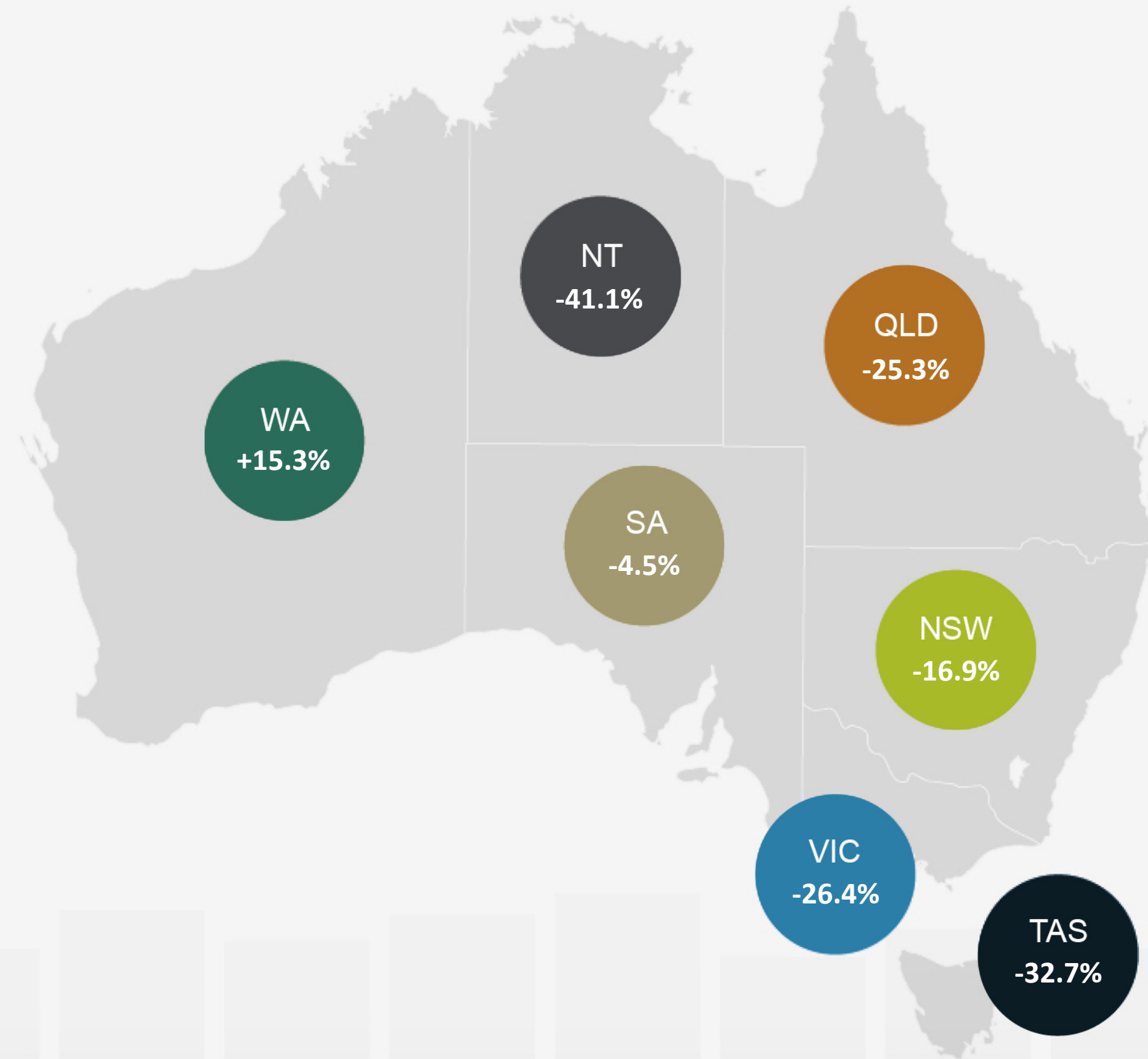
Sources: APM, Australian Bureau of Statistics, Investing.com

Median price per hectare YoY change

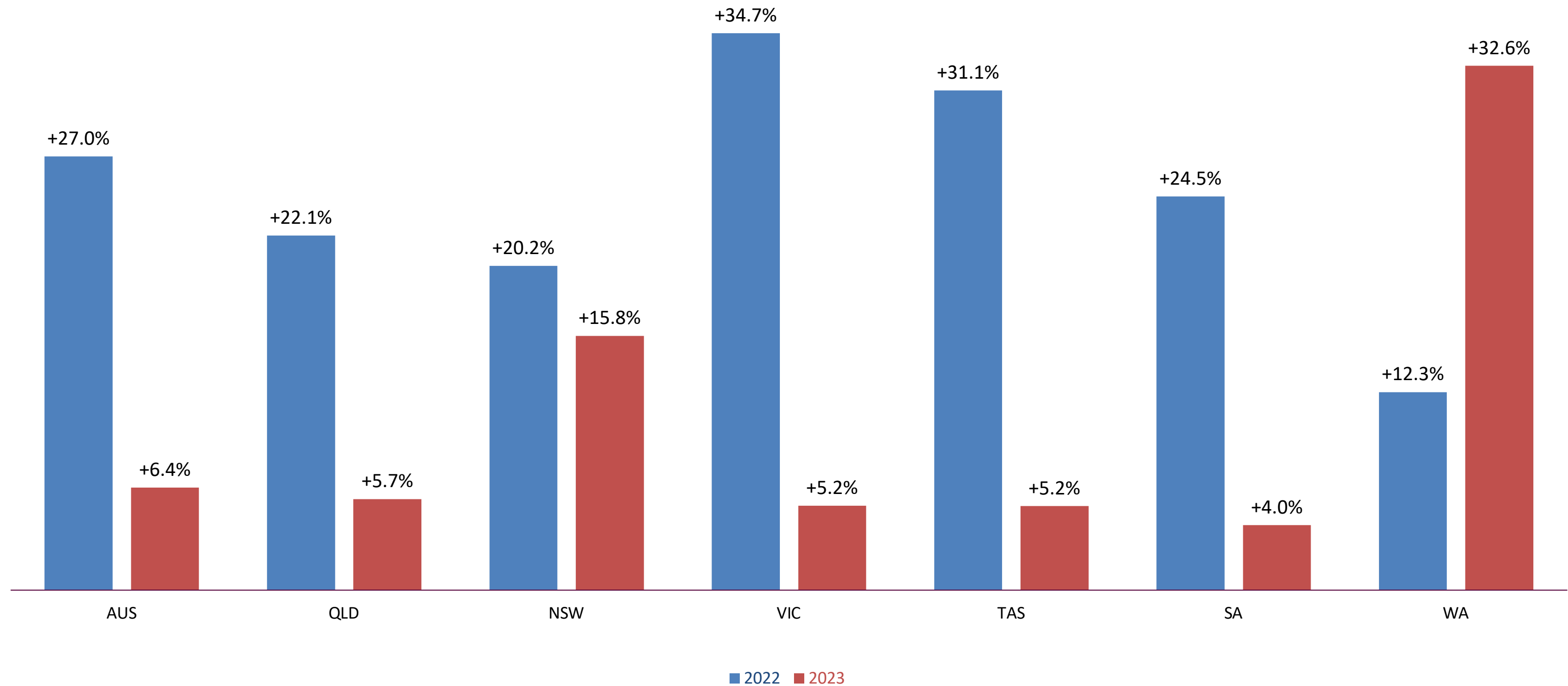


Transaction volume YoY change

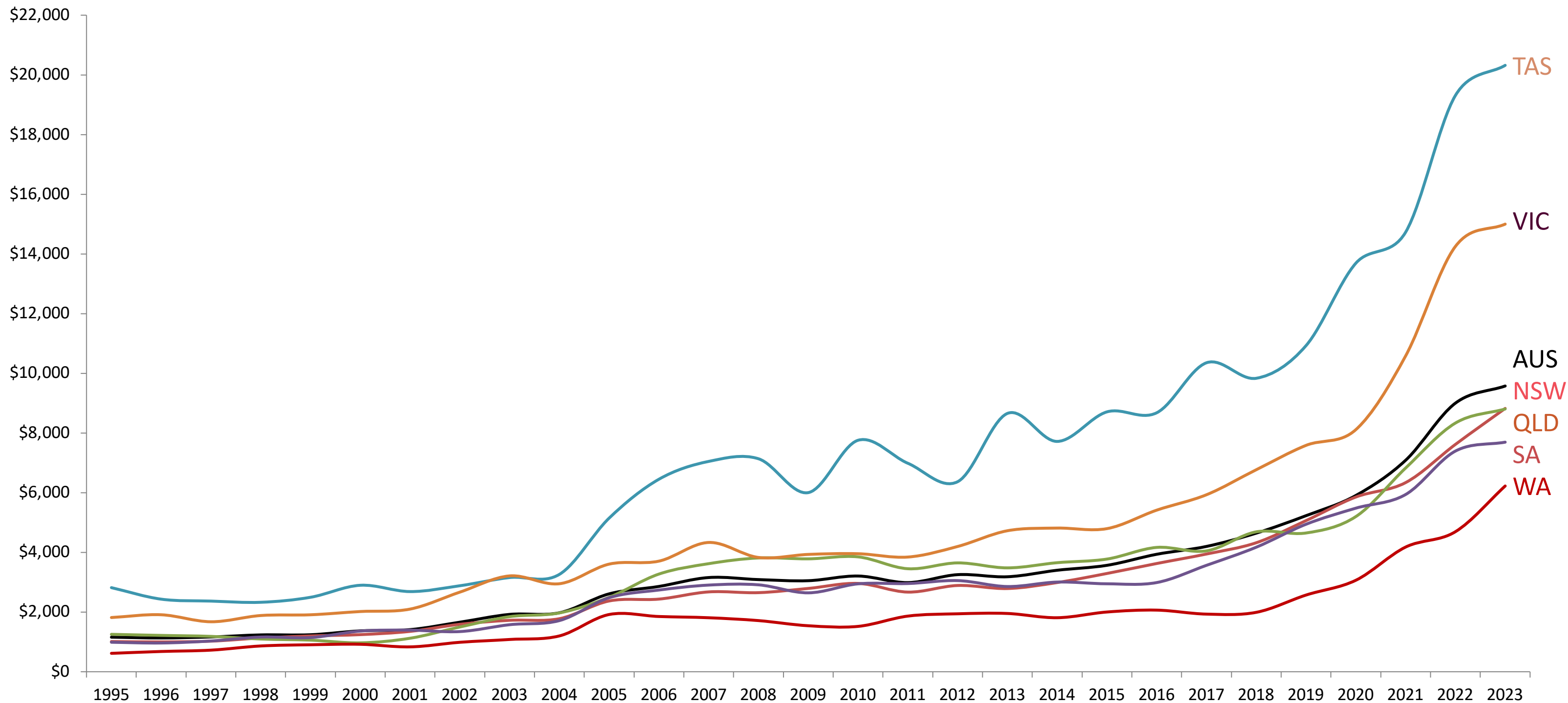
NATIONAL
-18.2%



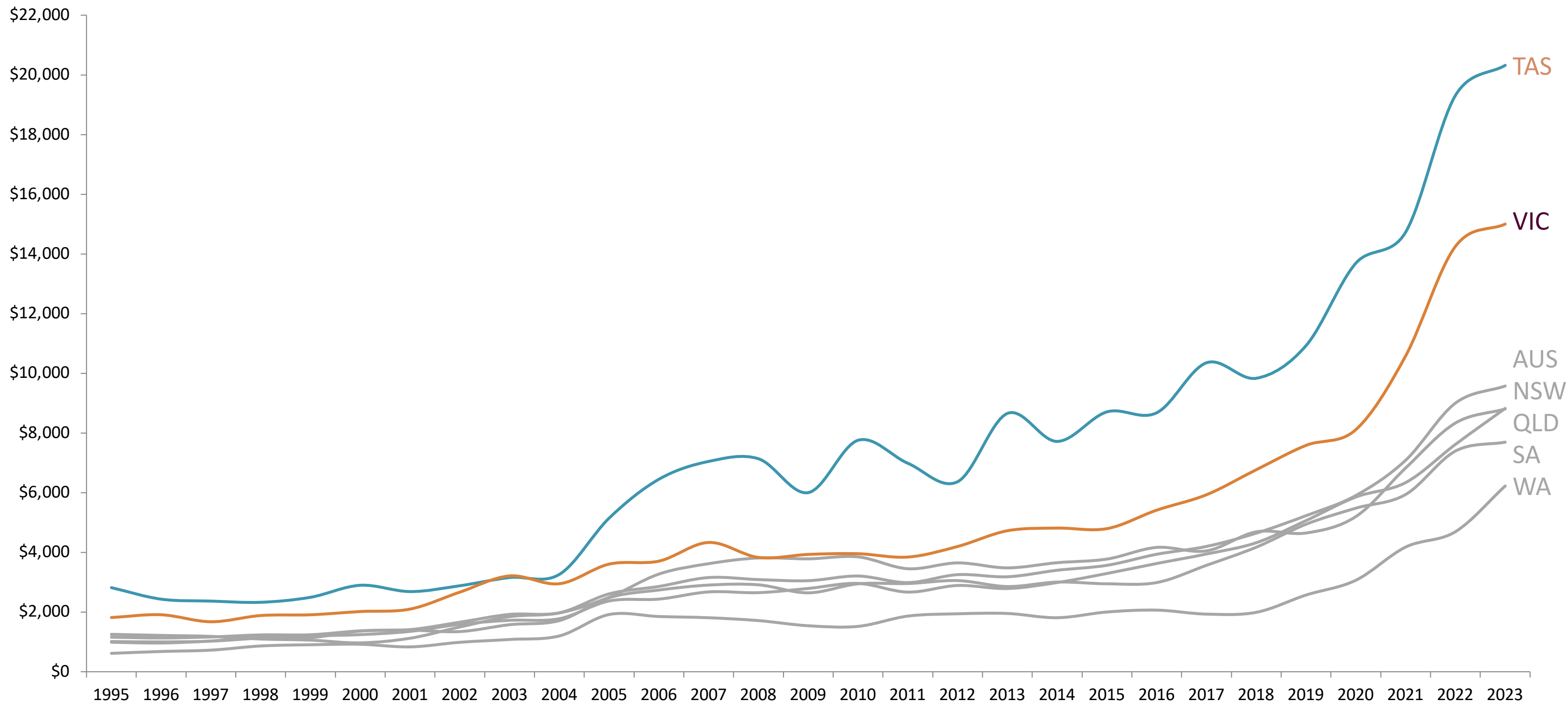
Price growth slowed across all states except for WA



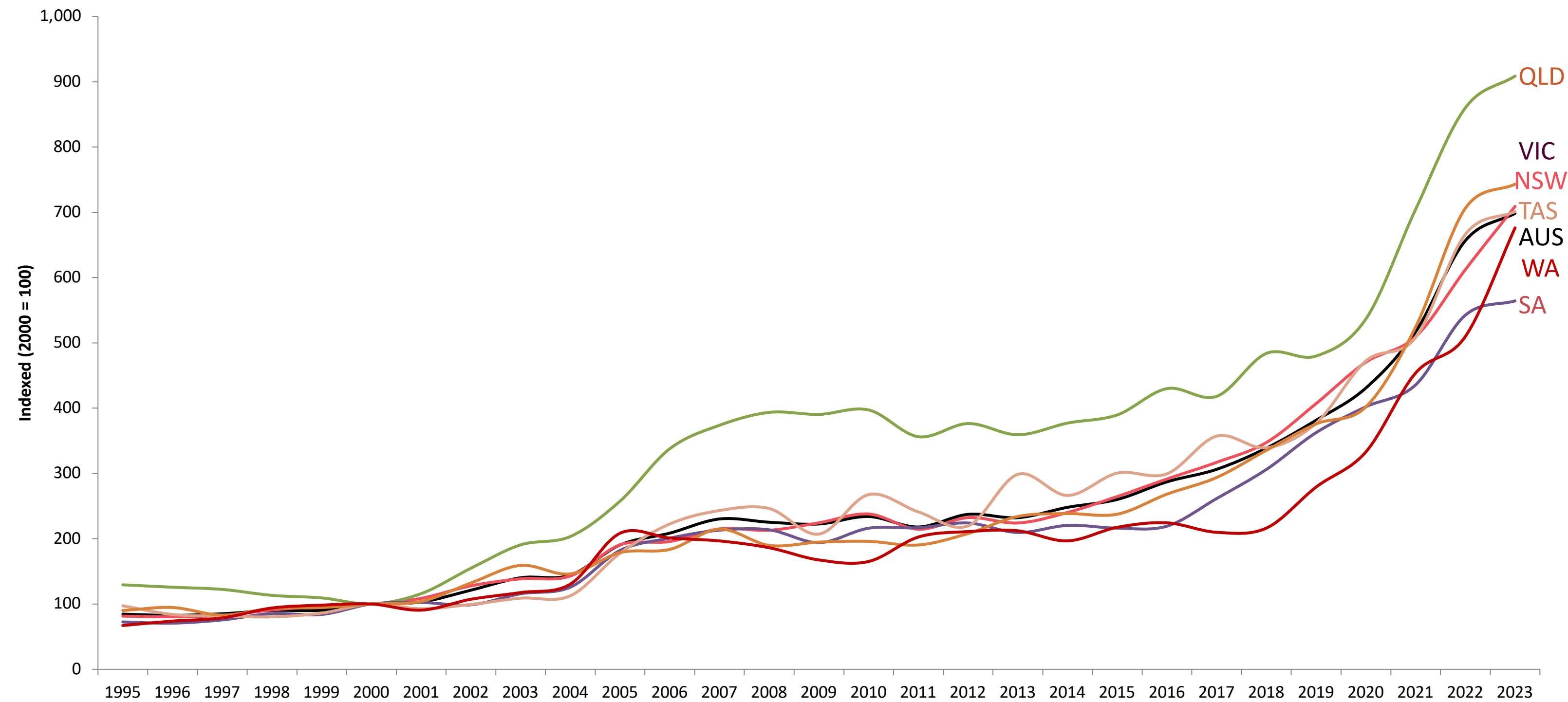
Tas and Vic leading in terms of median price per hectare



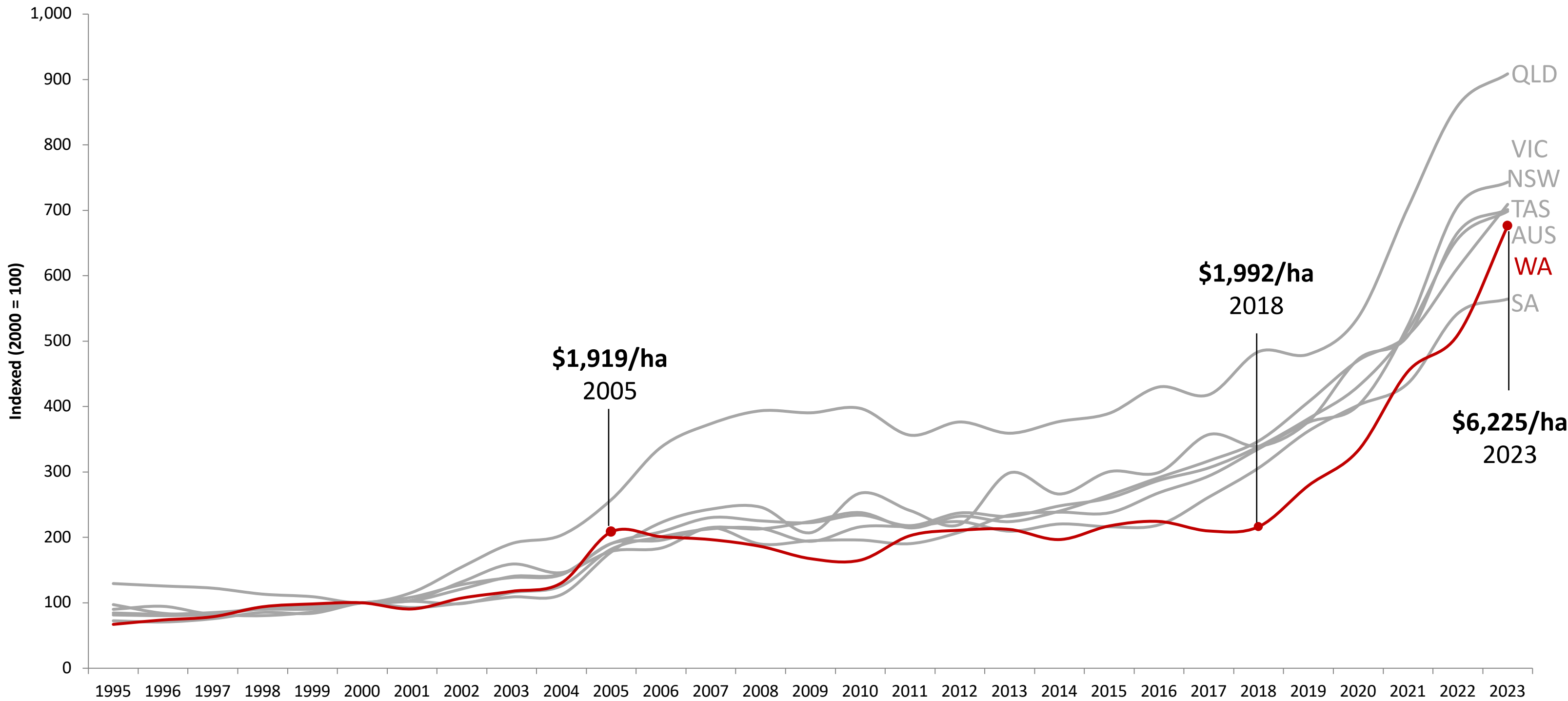
Tas and Vic leading in terms of median price per hectare



Qld leading when indexed to 2000



WA playing catch up



Four drivers of Australian farmland values



Commodity prices



Seasonal conditions



Interest rates



Supply of land

2022

Industry peaks

Commodity prices peaked.
3rd consecutive La Nina.
Start of interest rate rises.
Declining number of transactions.

2023

Deteriorating drivers

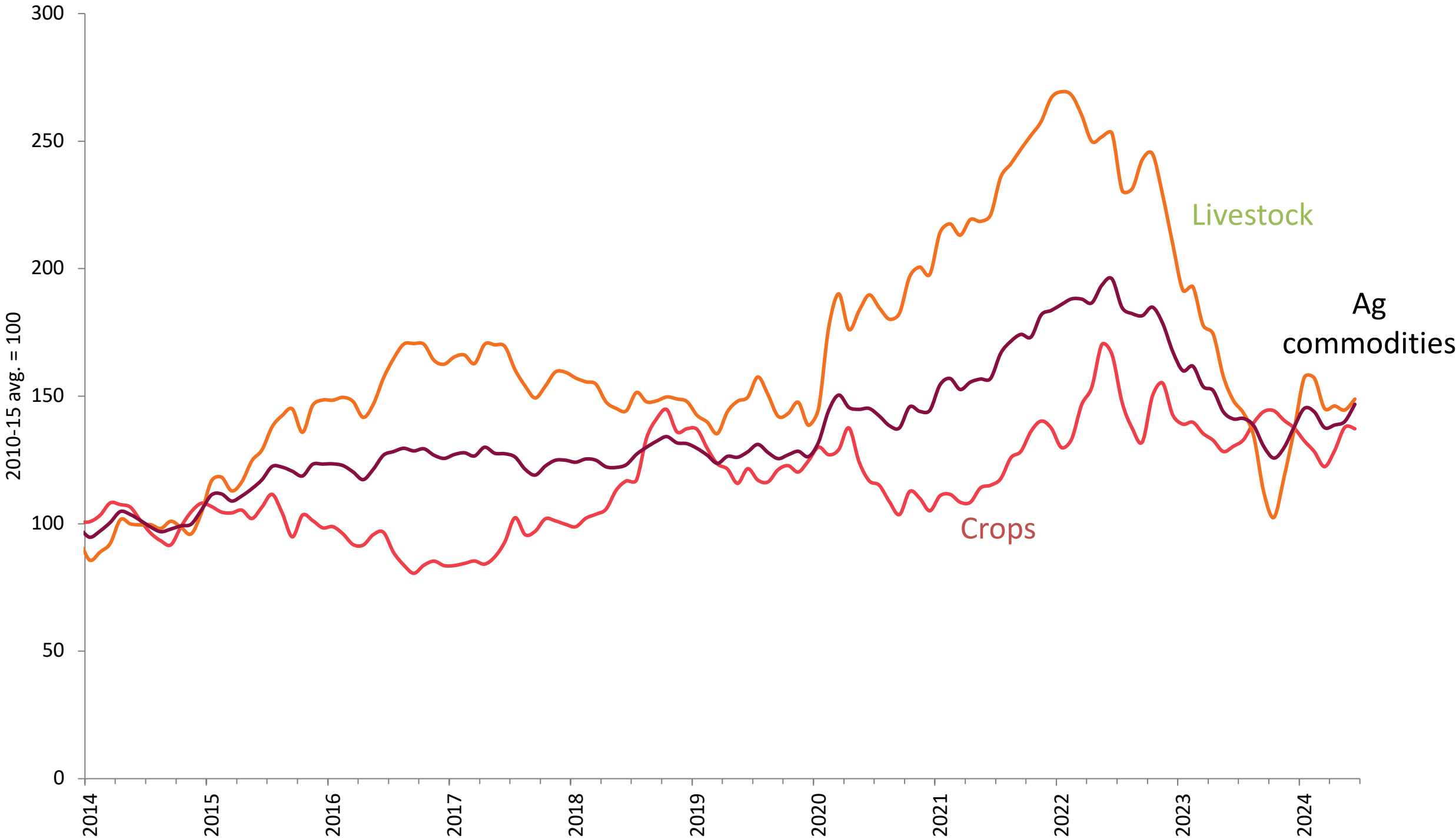
Falling commodity prices.
Dry winter into El Nino.
Continued interest rate rises.
Further tightening of transactions.

2024

Stabilising drivers

Commodity price recovery.
Mixed rainfall, La Nina watch.
Stable interest rates.
Increasing number of listings?

Commodity prices settling below 2022 peak



Agri price index rose

+17%

from Oct-23 to Jun-24

Livestock price index rose

+45%

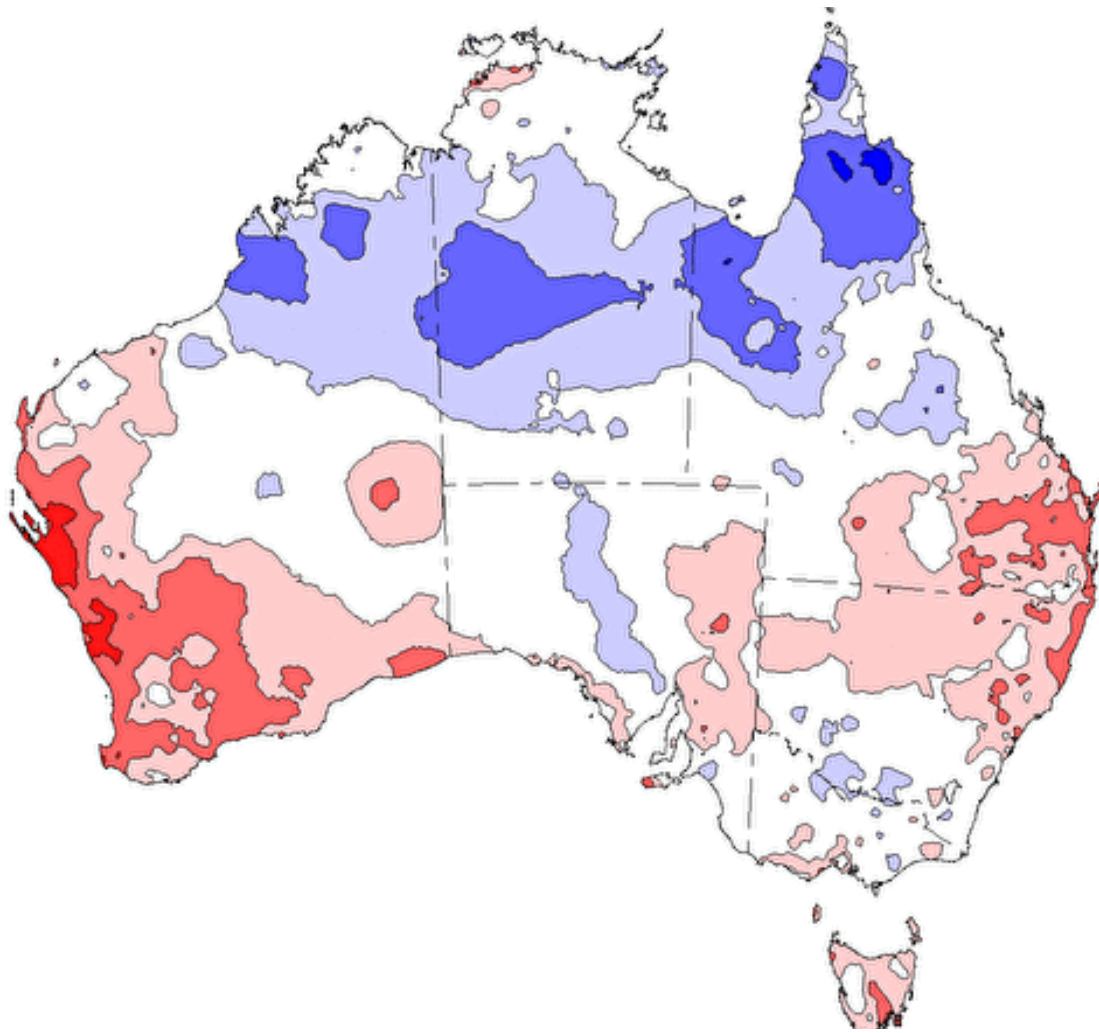
from Oct-23 to Jun-24

Crop price index fell

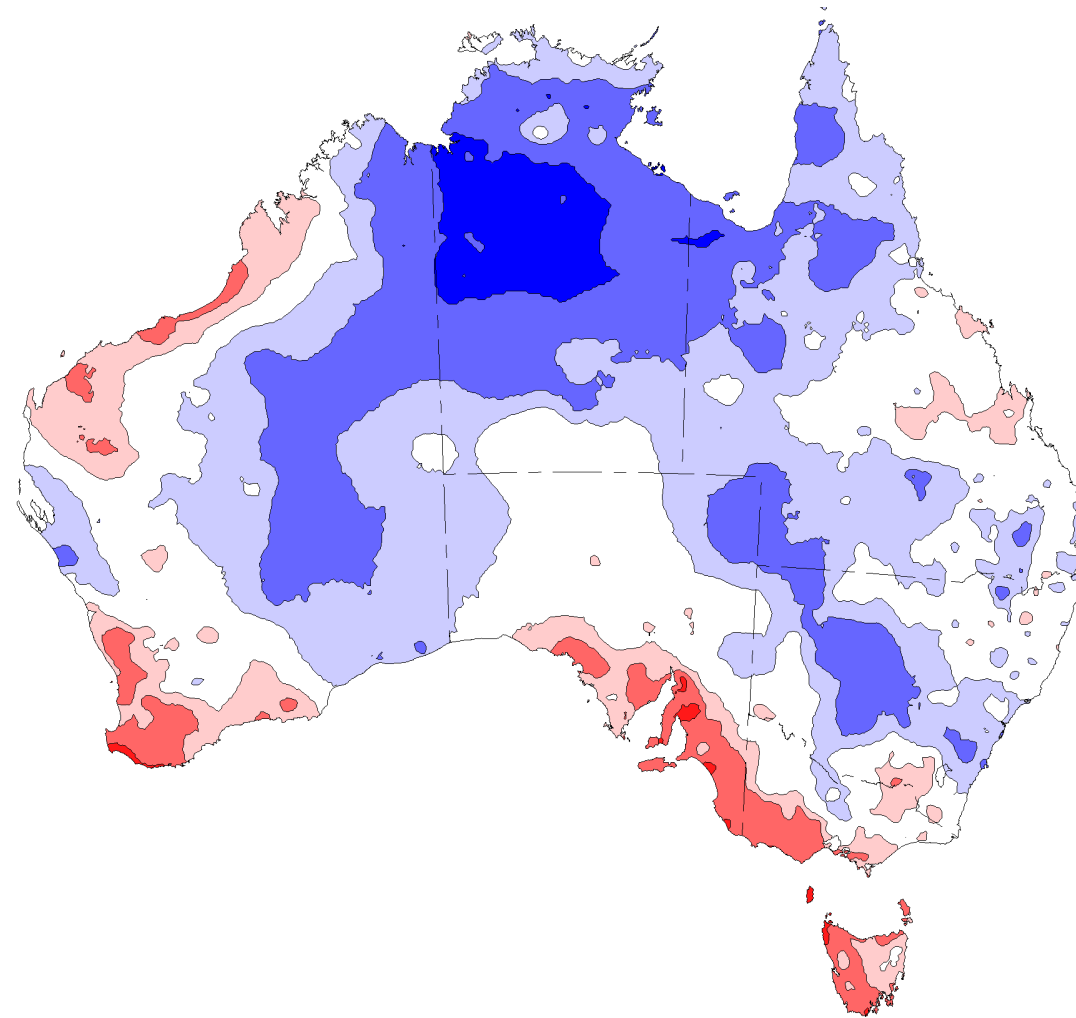
-5%

from Oct-23 to Jun-24

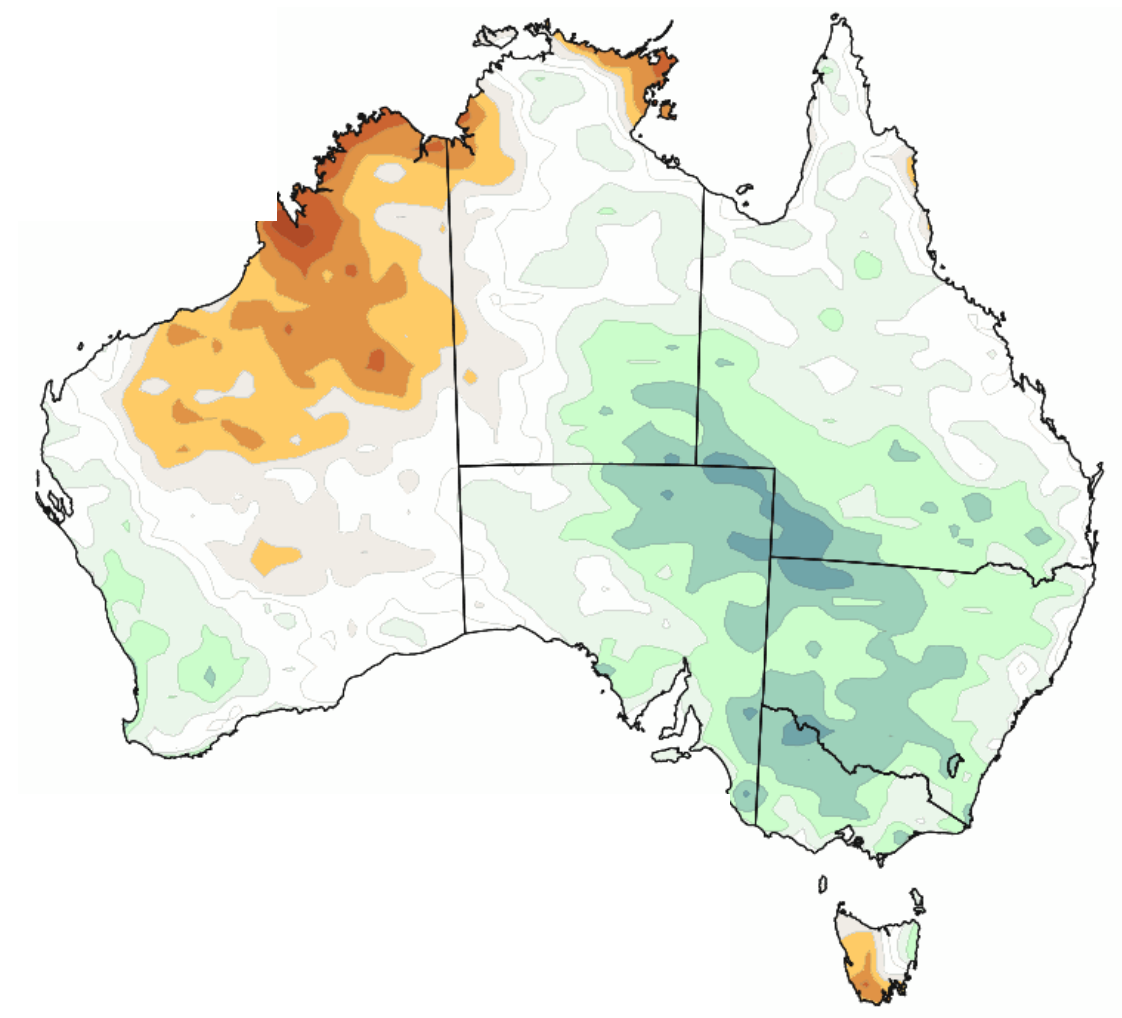
Mixed rainfall in last 18 months. Optimism for late-2024



Rainfall deciles
2023

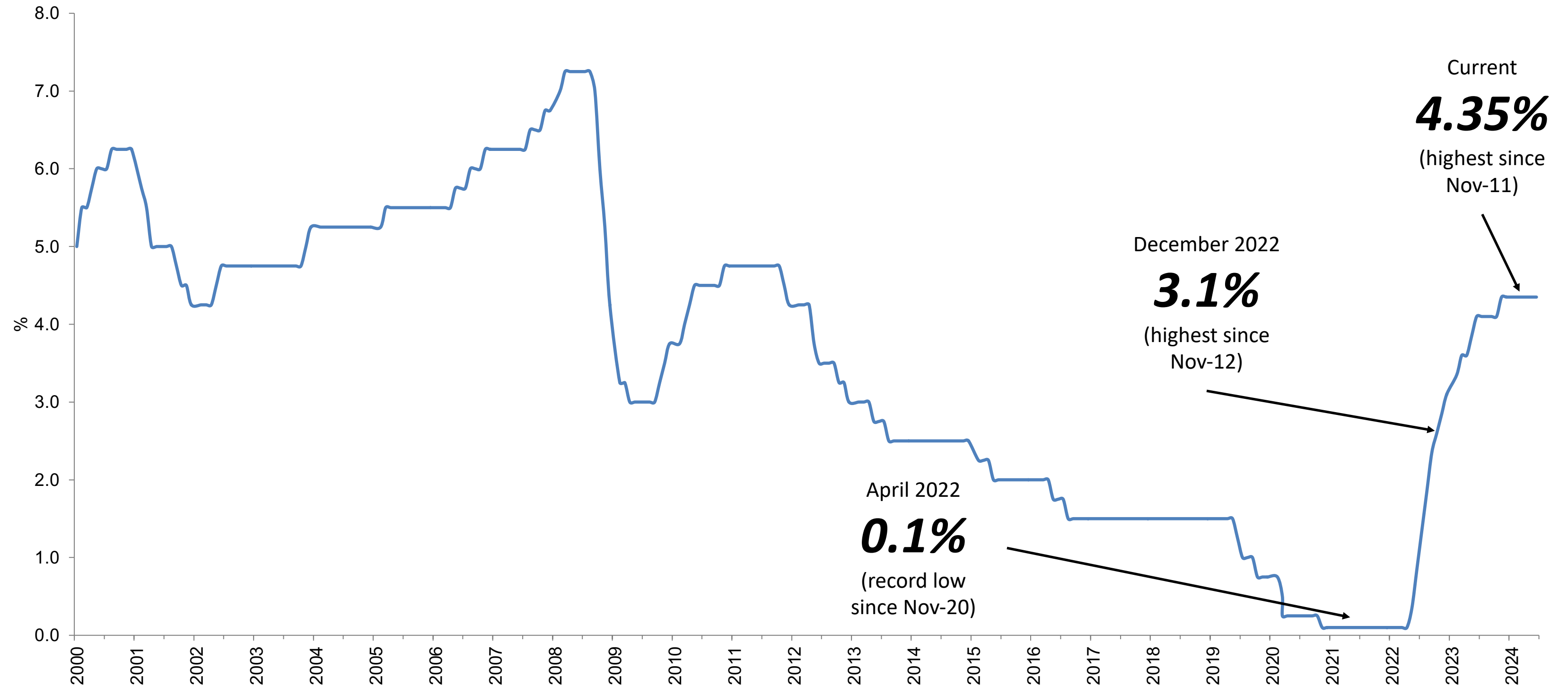


Rainfall deciles
Jan-Jun 2024



Rainfall outlook
Aug-Oct 2024

Interest rates on hold for 2024

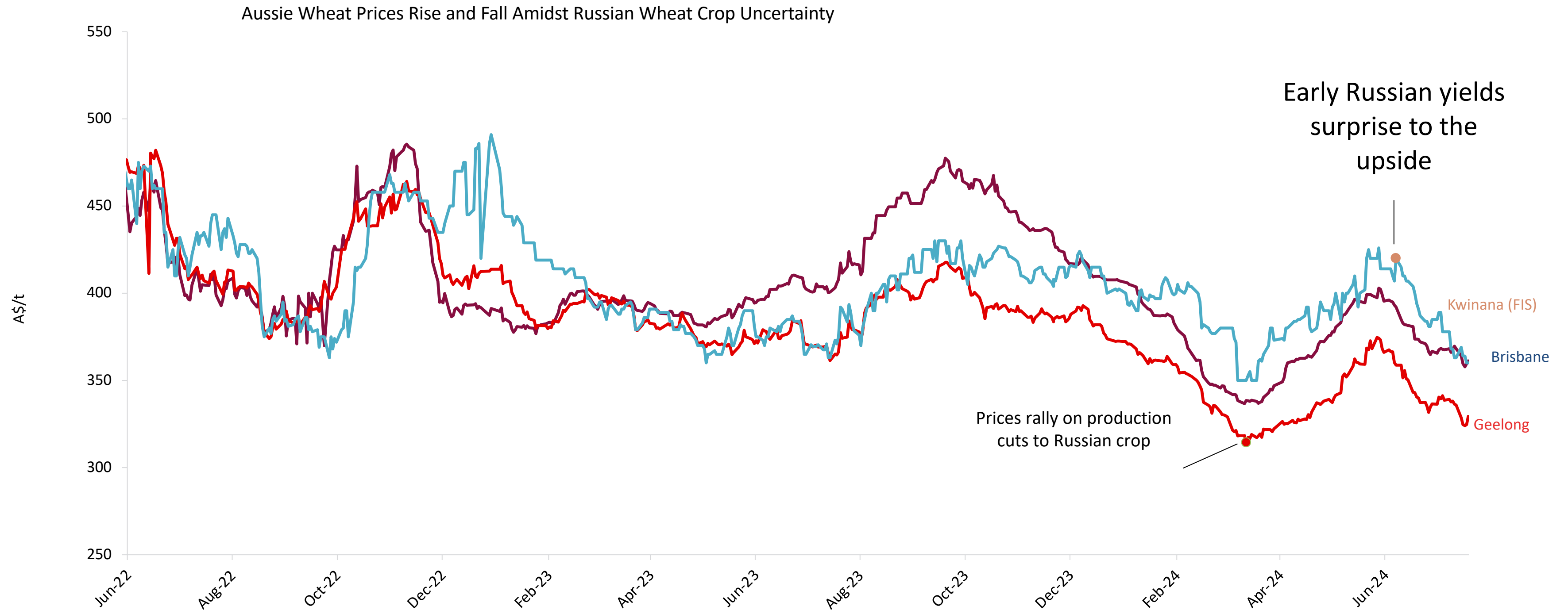


Farmland values - Key takeaways

- Farmland values have tripled over the past 10 years of growth.
- 2023 marked a slowdown in the rate of farmland value growth.
- Some improvement in the drivers of growth expected in 2024.
- Farmland to continue a period of plateau in 2024.
- Farmland is a high-growth asset over the long-term.



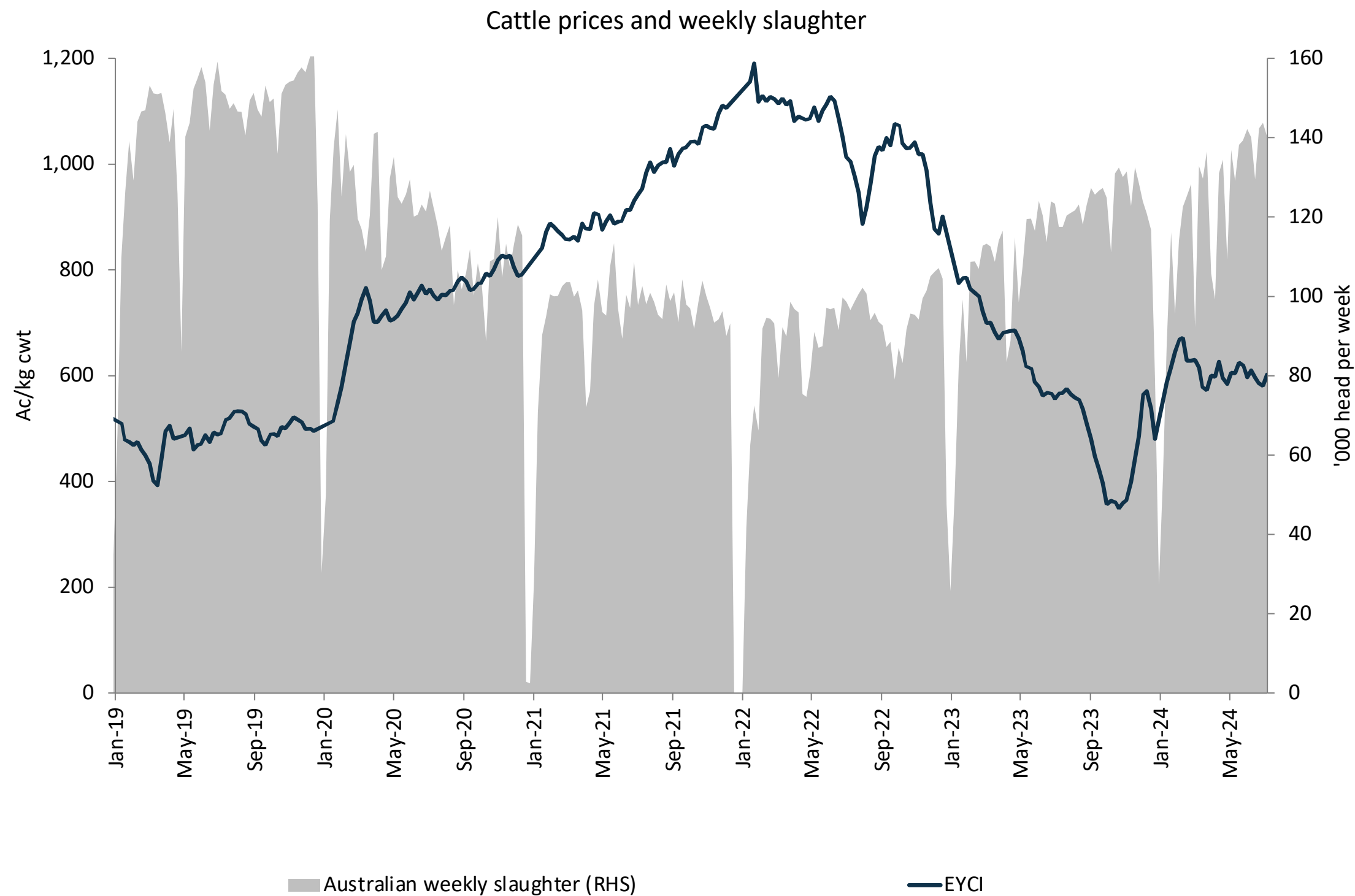
Cropping



Source: Profarmer



Cattle



Source: Meat and Livestock Australia



The EYCI has lifted

+16%

from early January

Cattle slaughter is up

+18%

Year-on-year

Beef export volume is up

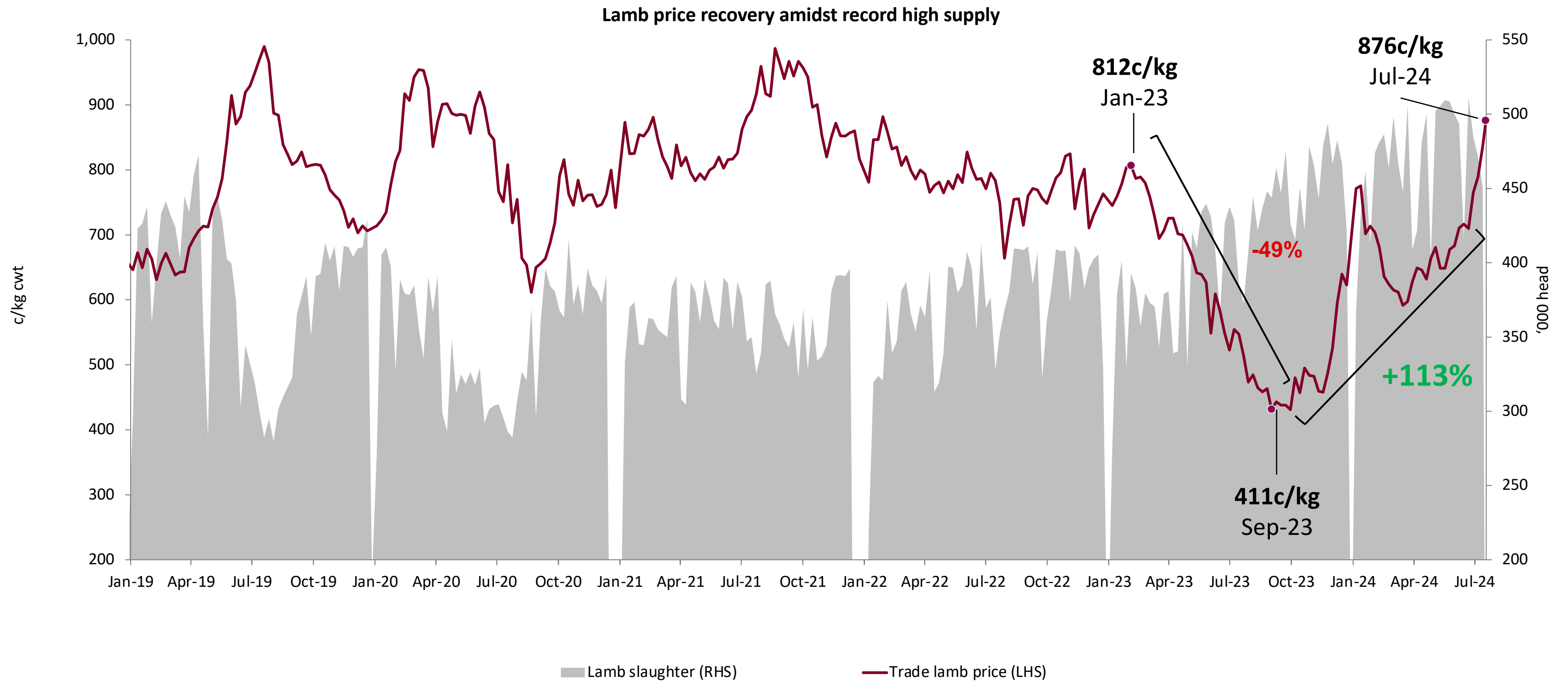
+26%

Year-to-date





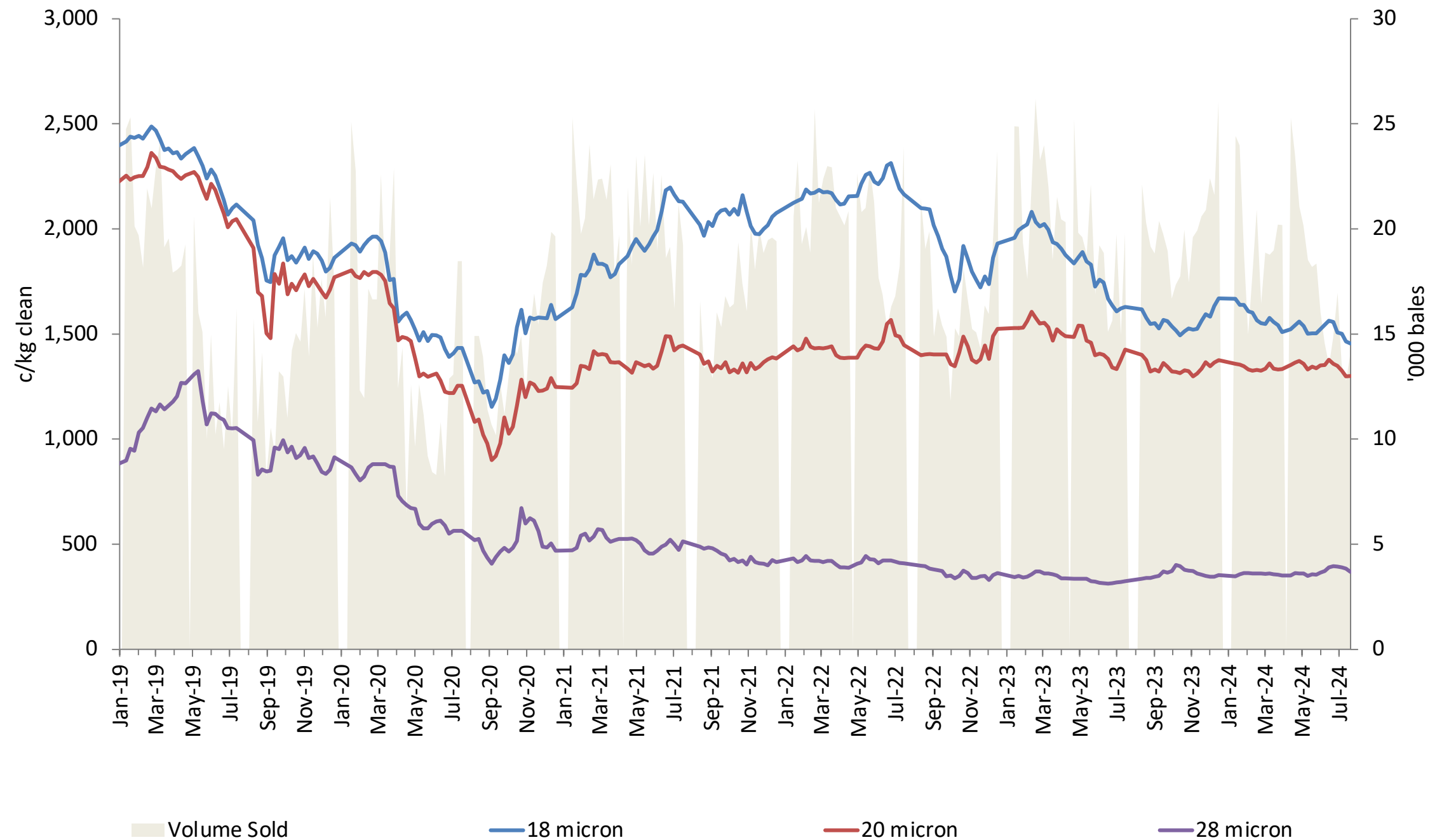
Sheep





Wool

South region supply and prices



Eastern market indicator

-6.1%

lower year-on-year

Compared to average:

Fine wools -19%

Medium wool -8%

Crossbred wool -25%

Bales sold in 2023/24 was

-2.6%

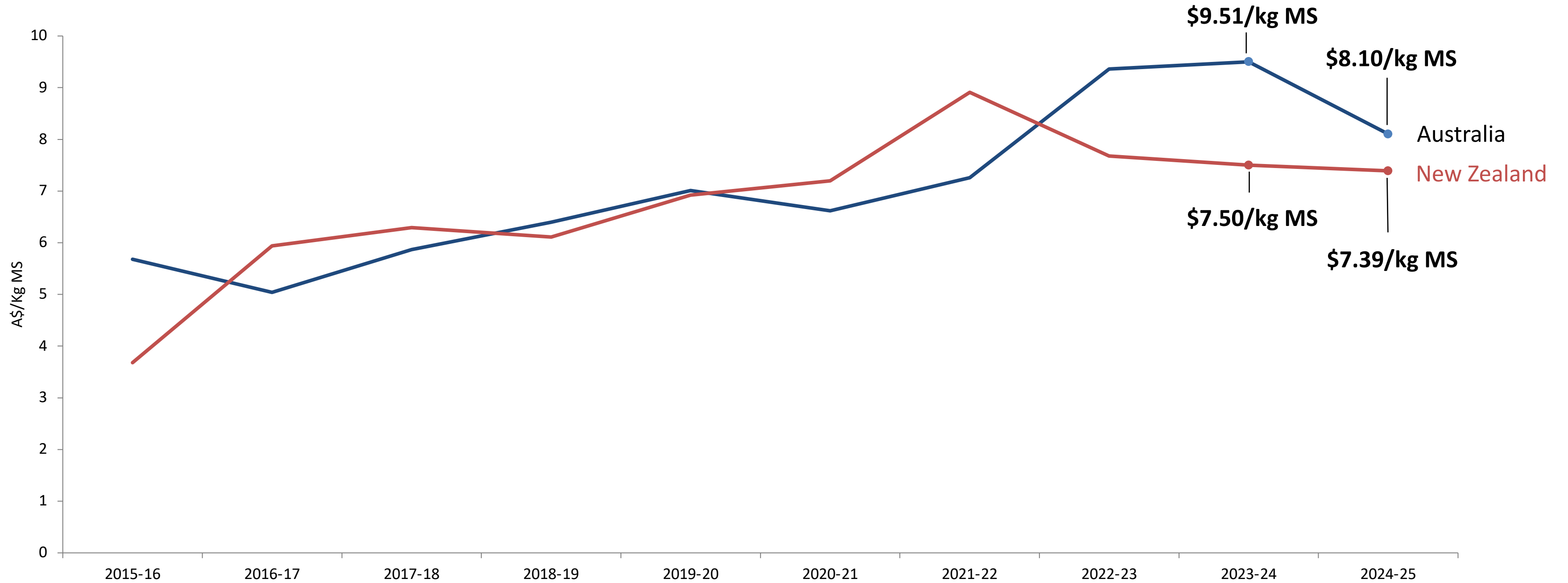
lower year-on-year

Source: AWEX



Dairy

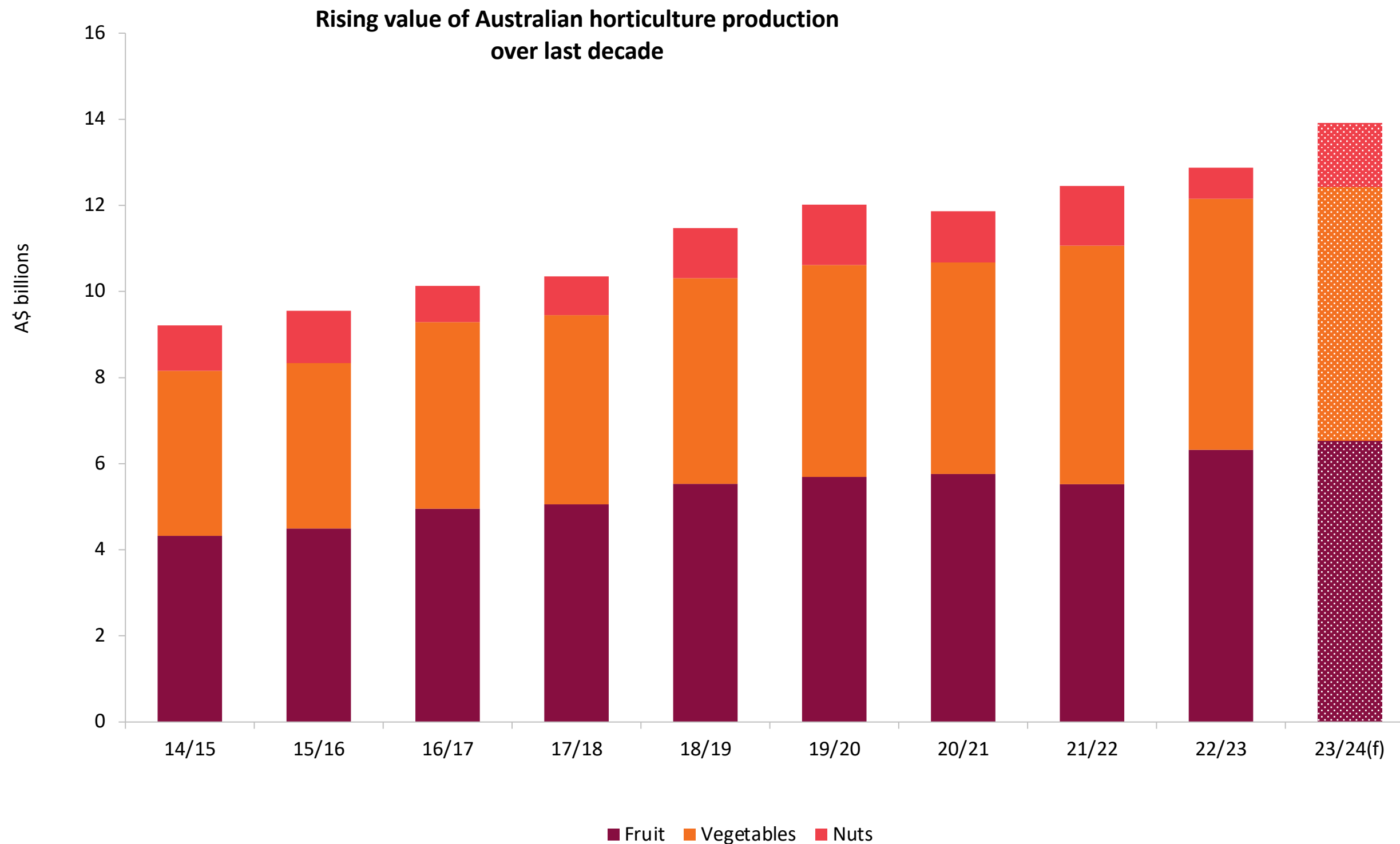
Australian farmgate milk prices more aligned to NZ prices in 2024/25



Source: Milk Value Portal, Rural Bank



Horticulture



Source: Hort Innovation, Rural Bank



National production rose

7.4%
year-on-year

National production value

\$13.9b
2023/24

Growth led by

50%
rebound in the value of nut
output



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Q&A



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About Mildura



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MORNING BREAK

BACK AT 10:55 AM



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Peter O'Donnell



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Phil Grahame



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WATER

First National
July 2024

Introducing:

1. **Water market framework**
2. Permanent entitlement types
3. Generating annual income
4. Longer term factors – income and capital growth

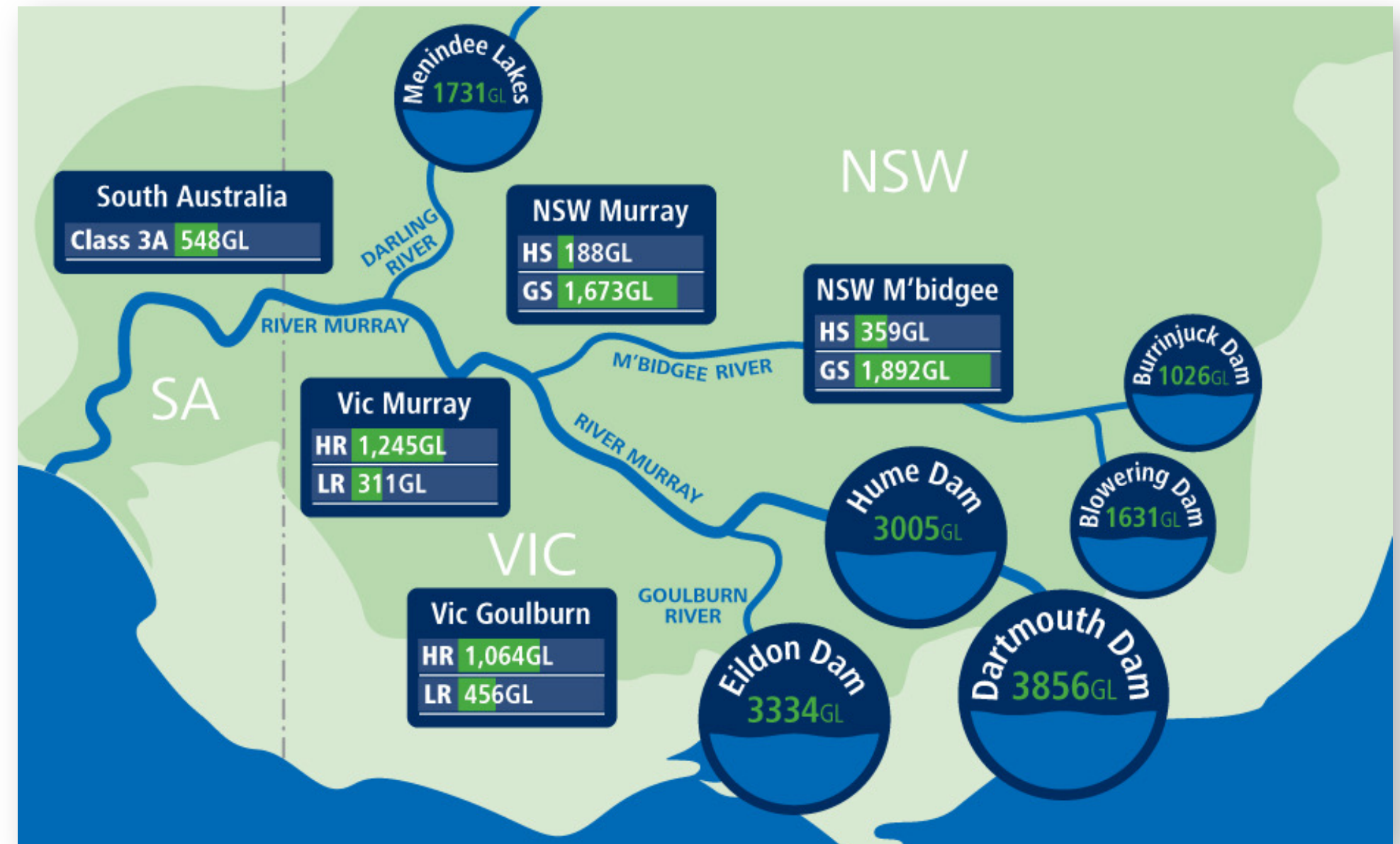
1880's to 1970 – Irrigation development

- Riparian rights until water was vested to the Crown in late 1880s
- Federation drought led to River Murray Waters Agreement 1915
 - locks and dams constructed
 - acreage based irrigation permits
- Murray Darling Agreement 1997 (Schedule of Water Act 2007)
 - how the States share the water
 - dry times “special accounting”



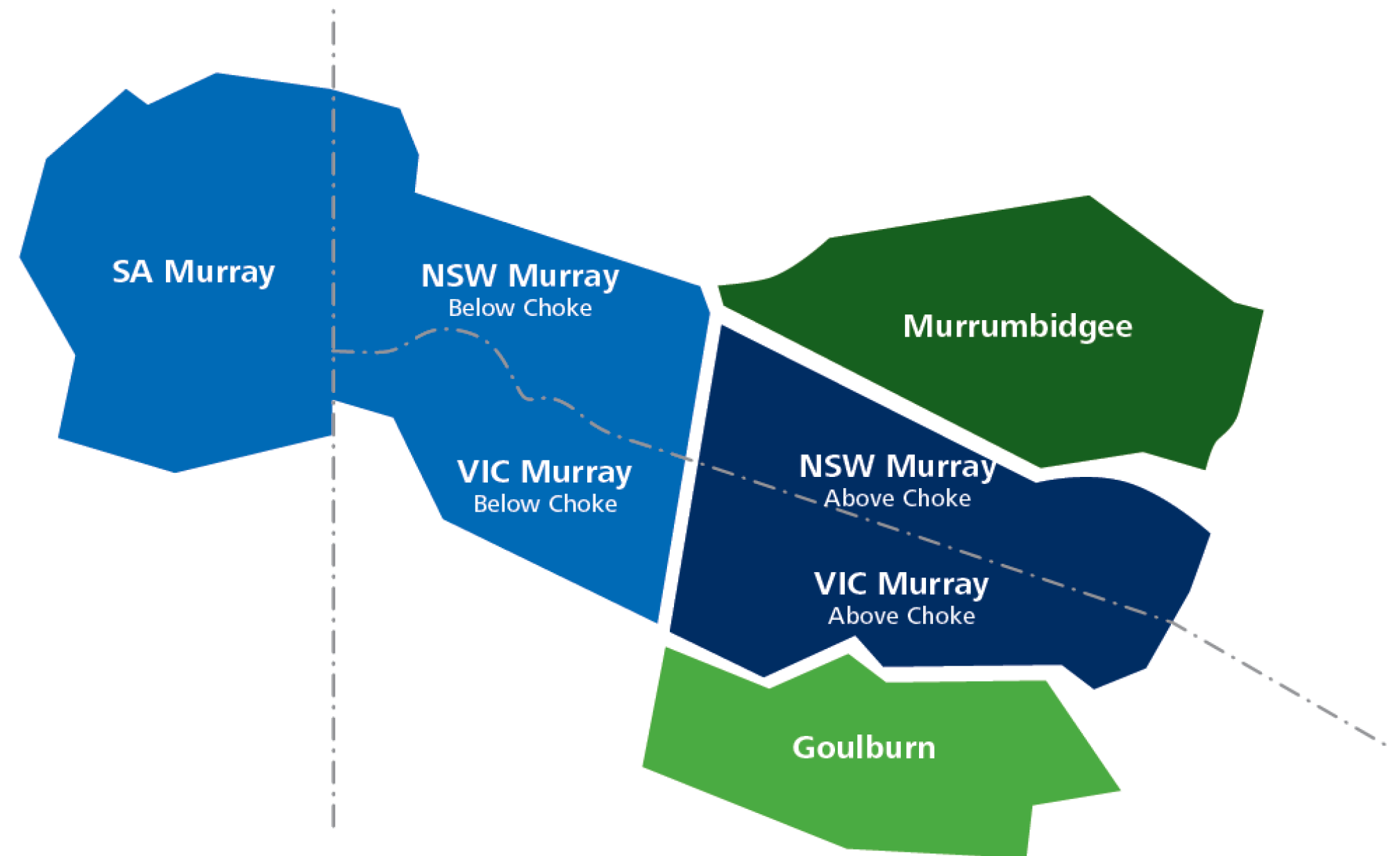
1970s to 1990s – Environmental concerns

- Cap on licences/permits (legislated 1997)
- Permits changed to volumetric entitlements fungible and divisible
- Entitlements granted annual allocations (fortnightly announcements expressed as a %)



1980 to 90s – Temporary allocation market(s)

- Annual allocation trade intrastate from late 1980s and interstate from 1994
- Encourages water transfer to highest and best use
- Trade restrictions between zones (IVT's) ensure physical water can be matched to trade and delivered



1990 to 2000's – Permanent Entitlement Market(s)

- From 2007-2009 unbundling licences from land created defined and tradeable water rights
- Each entitlement type has unique features: source, priority class, trading zone rules, carry over rules, holding costs and transferability
- Investors purchase independently of land:
 - Institutional 6%
 - Private + retired farmers 6%

BOX 28A
(AP334326)

NEW SOUTH WALES
CERTIFICATE OF TITLE
WATER MANAGEMENT ACT, 2000

WAL TITLE REFERENCE
WAL23801

EDITION
2

DATE OF ISSUE
9/7/2019

CERTIFICATE AUTHENTICATION CODE
T79S-SQ- [REDACTED]

This certificate is issued under s87B of the Water Management Act, 2000.

WARNING NOTE: INFORMATION ON THIS REGISTER IS NOT GUARANTEED

TENURE TYPE: CONTINUING

HOLDER (S)

ENCUMBRANCES

1. TERM TRANSFER: NIL

ACCESS LICENCE DETAILS

CATEGORY: REGULATED RIVER (HIGH SECURITY)

SHARE COMPONENT:
SHARE - 90 UNITS
WATER SOURCE - NEW SOUTH WALES MURRAY REGULATED RIVER WATER SOURCE
WATER SHARING PLAN - NEW SOUTH WALES MURRAY AND LOWER DARLING

HEAVY FINES OR IMPRISONMENT (S.141 REAL PROPERTY ACT).

2000's to now – Water market(s) mature

- Water markets give farmers more flexibility and their engagement grows.
- New products emerge: Forward water contracts, long term entitlement leases, carryover parking, options
- **\$32B value of entitlements (22/23)**
\$781M entitlement trade
\$28M allocation trade



The near future

- **Commonwealth and Basin State Govt's adopt a roadmap for water markets, legislation for:**
- **Market conduct** – Code of conduct for Brokers and a new framework for water market announcements
- **Market information** – Mandatory reporting of market data, BoM to centralise and publish



Water market reform: final roadmap report

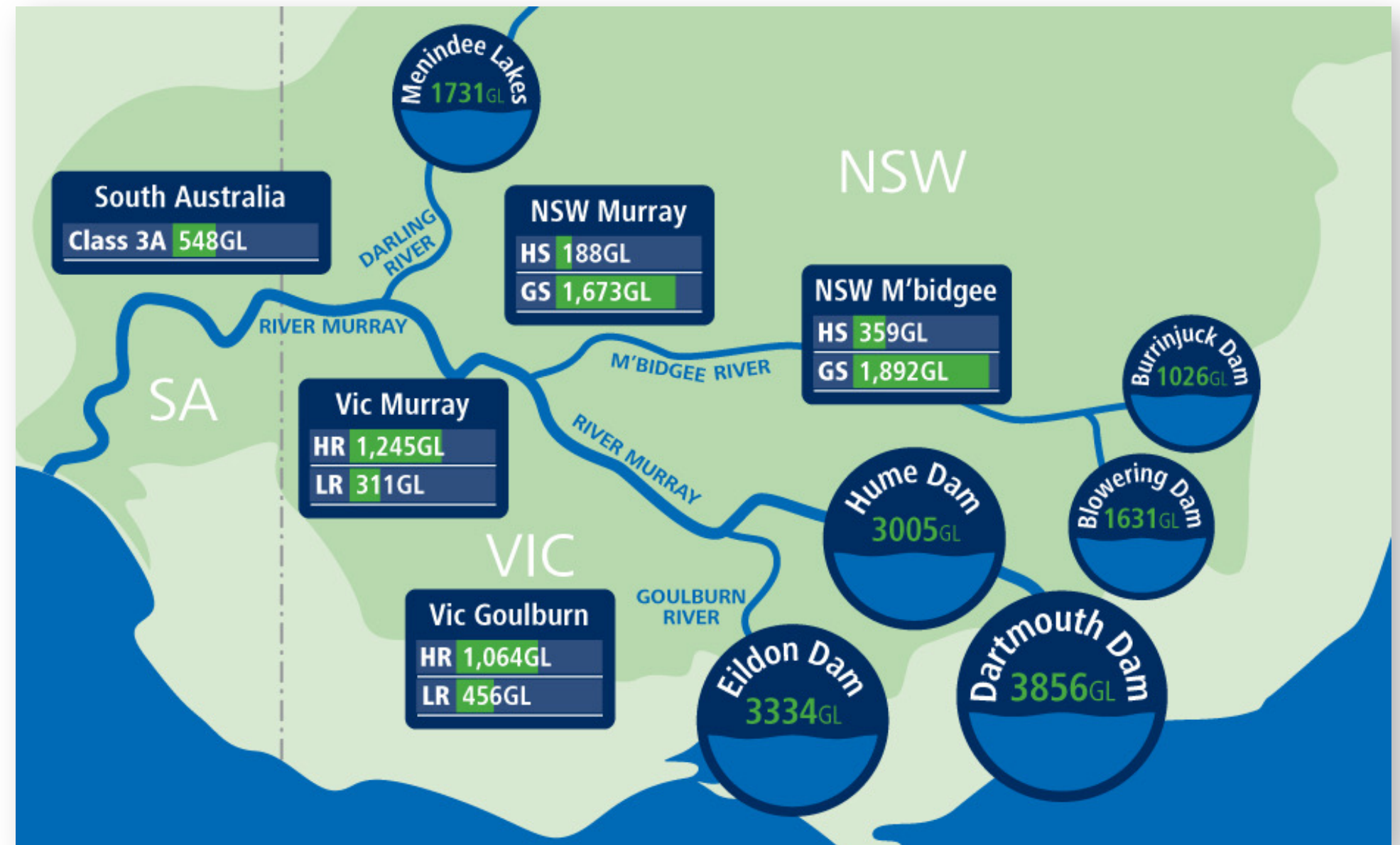
Daryl Quinlivan AO, Principal Adviser

Introducing:

1. Water market framework
- 2. Permanent entitlement types**
3. Generating annual income
4. Longer term factors – income and capital growth

SMDB - Permanent entitlement types

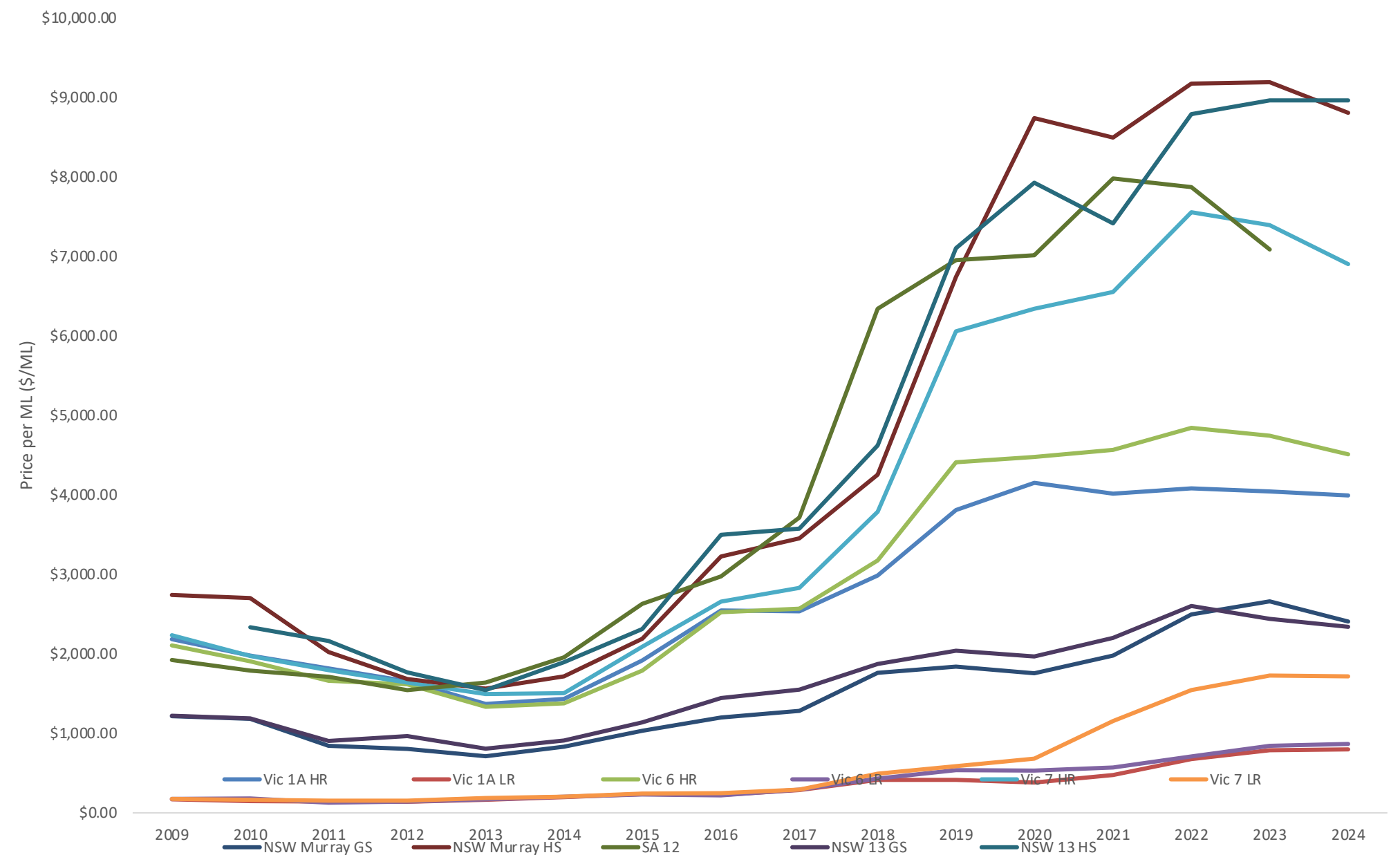
- Each entitlement type has different characteristics - source, priority class, trading zone rules, carry over rules, holding costs etc
- Each entitlement type has different market dynamics different types of buyers / sellers, depth, liquidity
- Need to consider a suitable portfolio mix.



Permanent entitlement price trends

- Price movements over time are determined by demand and supply factors
- Supply onto the market - retirements, financial distress, restructure, investment asset liquidation
- Demand - crop profitability, investment returns, government policy and risk management

Southern Connected System Entitlement Asset Growth



Introducing:

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- 3. Generating annual income**
4. Longer term factors – income and capital growth

Selling allocations in the spot market

Below Choke Temporary Trade Price Vs Volume

- **1:1 trade between buyers and sellers**
– sellers water account debited, buyers credited in exchange for money
- **Supply** - Climate (La Nina, El Nino), rainfall, inflows, storage and announced allocations
- **Demand** - permanent planting area, annual crop profitability and area, weather conditions and shortfall



Selling allocations in the forward market

- **Selling allocations** to a buyer at an agreed \$ / ML and delivery date in the future
- **Forward price (\$ / ML)** is generally higher than the prevailing spot market price
- **The volume sold must be delivered** regardless of future allocation % granted to the seller's entitlement

Vic Murray Zone 7 Forward Trade Price Vs Volume



Leasing the entitlement

- **Commercial lease terms are negotiated between the Lessor and Lessee** – rental, term, rent reviews, outgoings, carryover etc
- **Lessee receives all benefits from the entitlement over the term** - allocations, carryover capacity etc
- **Lessee takes allocation risk** (rent stays the same regardless of final allocation %)

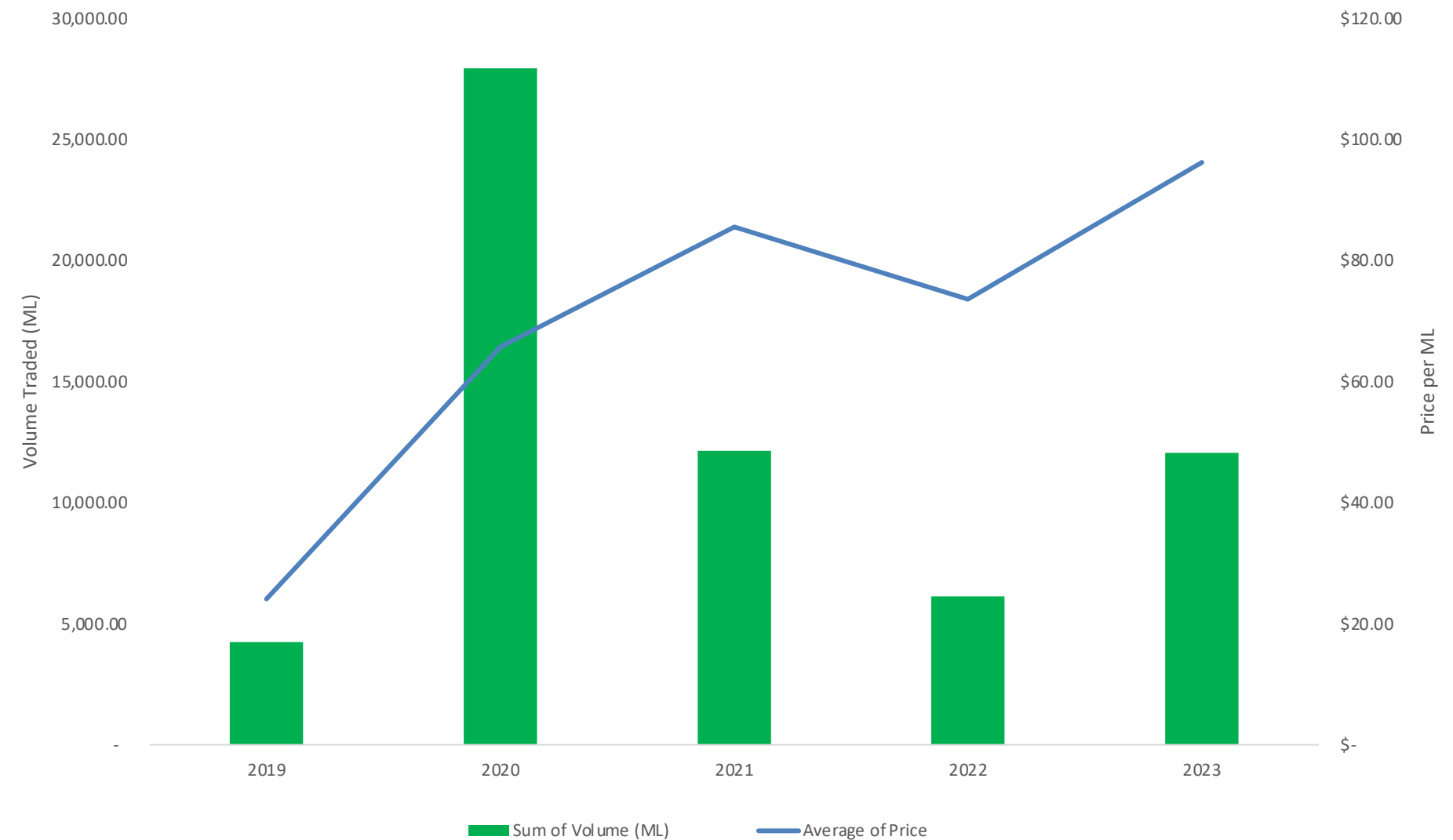
Vic Murray Zone 7 Lease Trade Price Vs Volume



Selling carryover capacity

- Some entitlement types enable allocations to be “carried over” into a new water year
- Owners of entitlements can utilise this feature or sell this capacity in the carryover market
- Price depends on security of carryover - determined by entitlement type

Vic Murray Zone 7 Carryover Trade Price Vs Volume

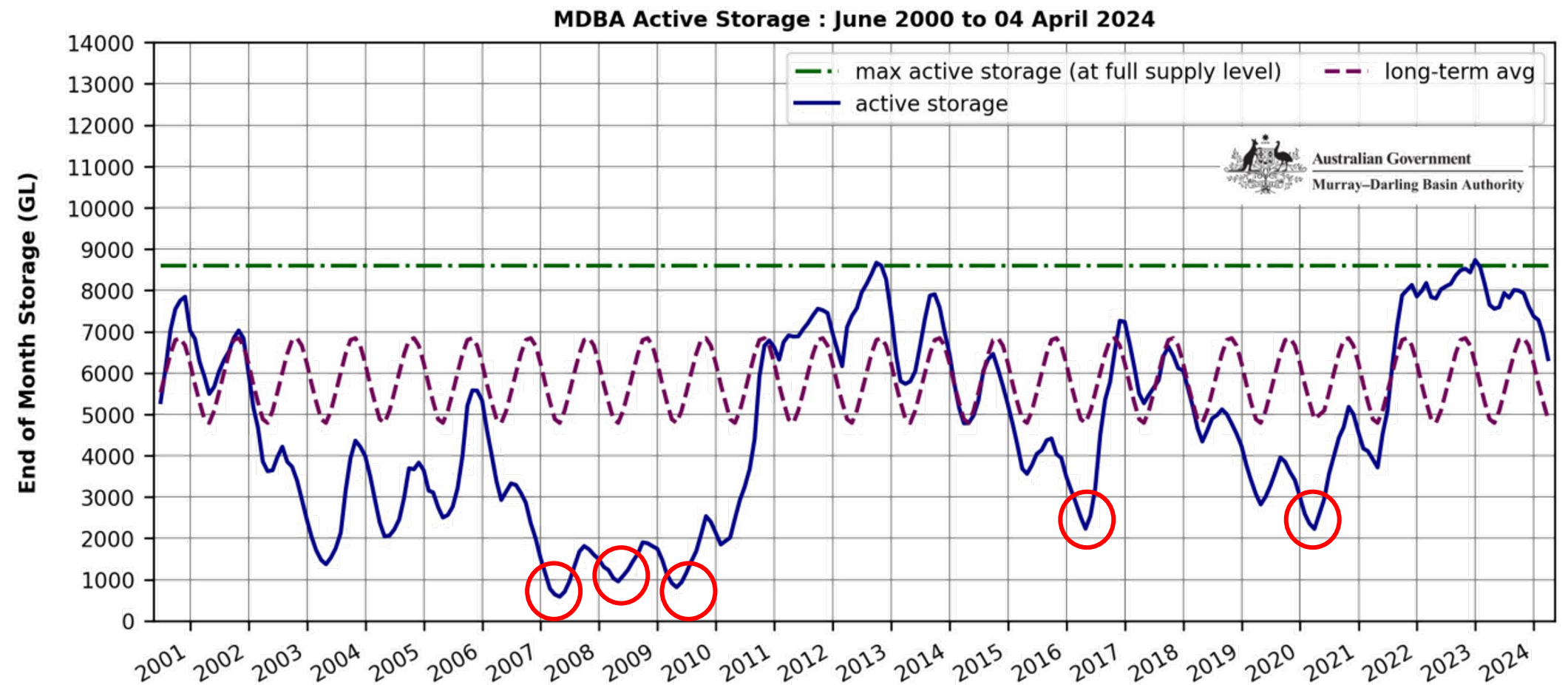


Introducing:

1. Water market framework
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4. **Longer term factors - income and capital growth**

1) Increased climate variability

- CSIRO - MDB may experience a 5% - 15% reduction in annual rainfall;
- Models suggest that stream flows could see a 20% decline;
- 4x times in last 20 years – Vic Murray allocations < 100%



2) Increased permanent plantings below choke

- 2003 to 2021 permanent Plantings increased by 35,575 ha to **131,165 ha**
- Almonds and pistachios have increased and will mature;
- Wine grapes have decreased;

Crop type	2021 Area (ha)	
	< 3 years old	Total
Grape Dried	330	3,260
Grape Table	2,285	12,745
Grape Wine	2,500	43,860
Citrus	1,890	14,630
Fruit Olive	25	4,635
Fruit Stone fruit	355	3,525
Fruit Other	170	2,075
Nut Almond	4,940	43,080
Nut Pistachio	345	1,775
Miscellaneous	125	1,580
Total	12,965	131,165

Increased fixed water demand (below choke)

- Apply ML / ha based on crop type;
- Adjustment for ha not at full maturity;
- Likely fixed water demand = **1,550,000ML**

Crop type	2028 Area (ha)		ML / ha	Total ML pa
	< 3 years old	Total		
Grape Dried	0	3,260	9	29,340
Grape Table	0	12,745	12	152,940
Grape Wine	0	38,076	9	342,684
Citrus	0	14,630	12	175,560
Fruit Olive	0	4,635	12	55,620
Fruit Stone fruit	0	3,525	13	45,825
Fruit Other	0	2,075	9	18,675
Nut Almond	5,908	52,983	14	672,441
Nut Pistachio	243	2,183	13	25,727
Miscellaneous	0	1,580	9	14,220
Total	6,152	135,692		1,532,476

Allocations granted to entitlements are variable

Subjective assessment based on past experience;

- **Wet: 2,170,000 ML**
- **Average: 1,790,000 ML**
- **Dry: 1,035,000 ML**

Entitlement type	Final allocation %		
	Wet	Average	Dry
NSW High Security Z11	100%	97%	97%
NSW General Security Z11	110%	20%	0%
Vic High Reliability Z7	100%	100%	60%
Vic Low Reliability Z7	20%	0%	0%
SA Class 3	100%	100%	50%

ADD - other supply variables

Net Carryover into the season

Wet: **180,000 ML**

Average: **150,000 ML**

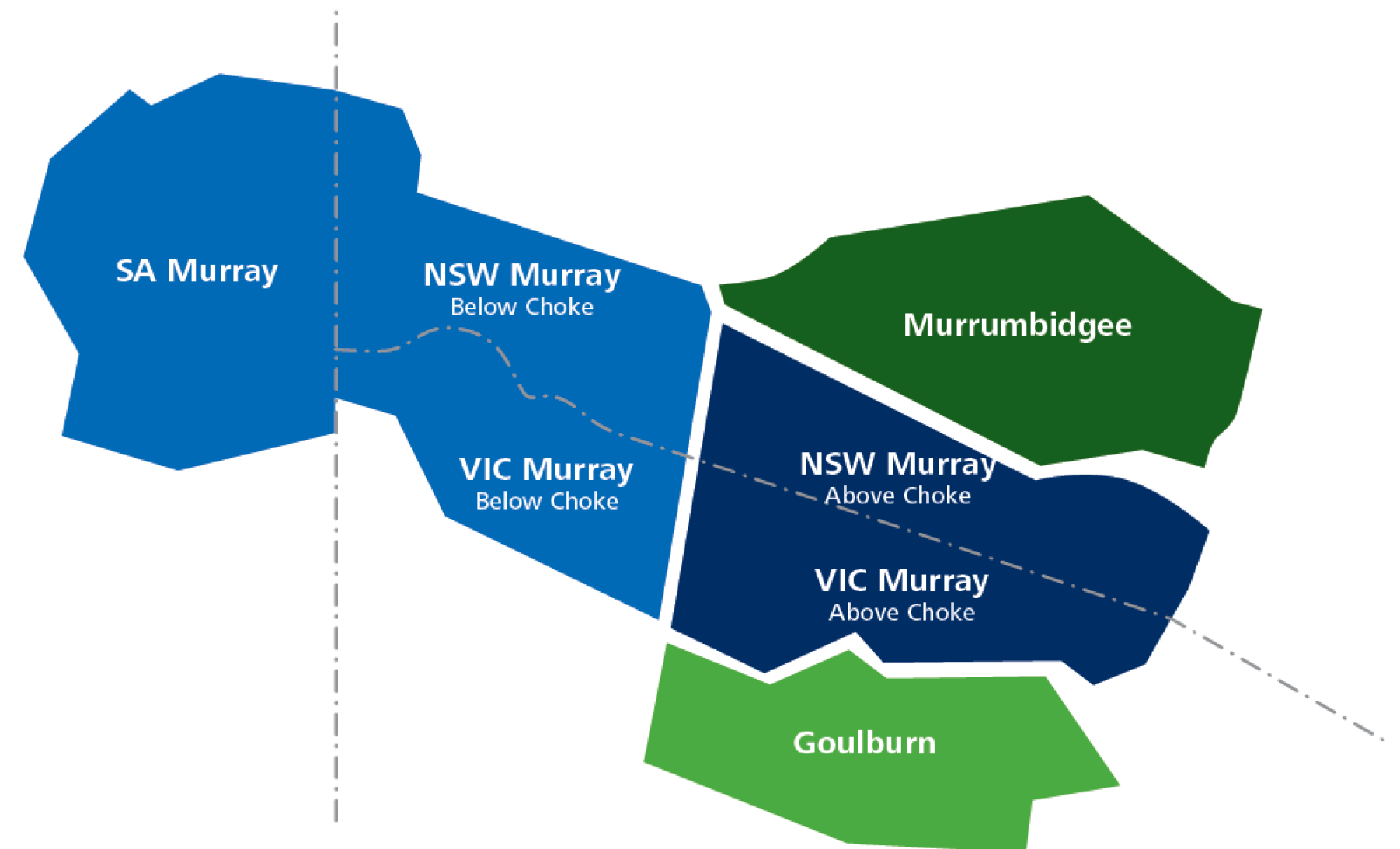
Dry: **120,000 ML**

IVT transfers into Below Choke:

Bidgee: **100,000 ML**

Goulburn: **205,000 ML**

Above choke: **30,000 ML**



LESS - ML below choke not available to PP

- Allocations from entitlements already held by environment;
- Allocations used on gardens, annual crops;

Wet: **750,000 ML**

Average: **620,000 ML**

Dry: **340,000 ML**

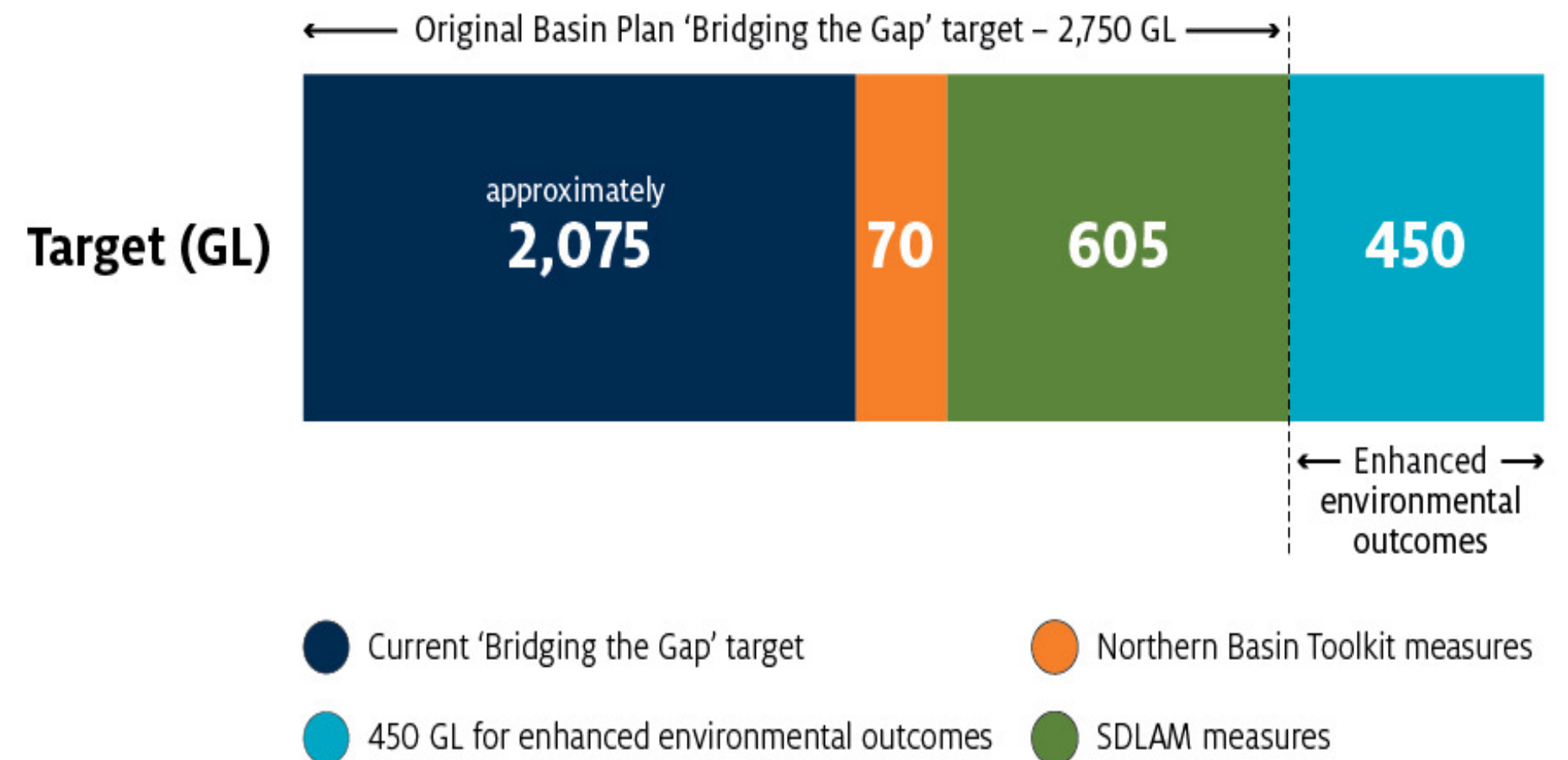


Summary below choke

	Wet	Average	Dry
Available Allocations	2,170,000	1,790,000	1,035,000
ADD Net carryover	180,000	150,000	120,000
ADD Intervalley transfers	335,000	335,000	335,000
LESS Allocations not available to PP	750,000	620,000	340,000
Total Supply	1,935,000	1,655,000	1,330,000
Fixed PP Demand	1,550,000	1,550,000	1,550,000
Net surplus / deficit	385,000	105,000	-400,000

3) Water recovery for the environment

- About **700,000 ML** of long-term average allocation yield still be recovered;
- 1500GL cap on buybacks and socio-economic restrictions – **gone**



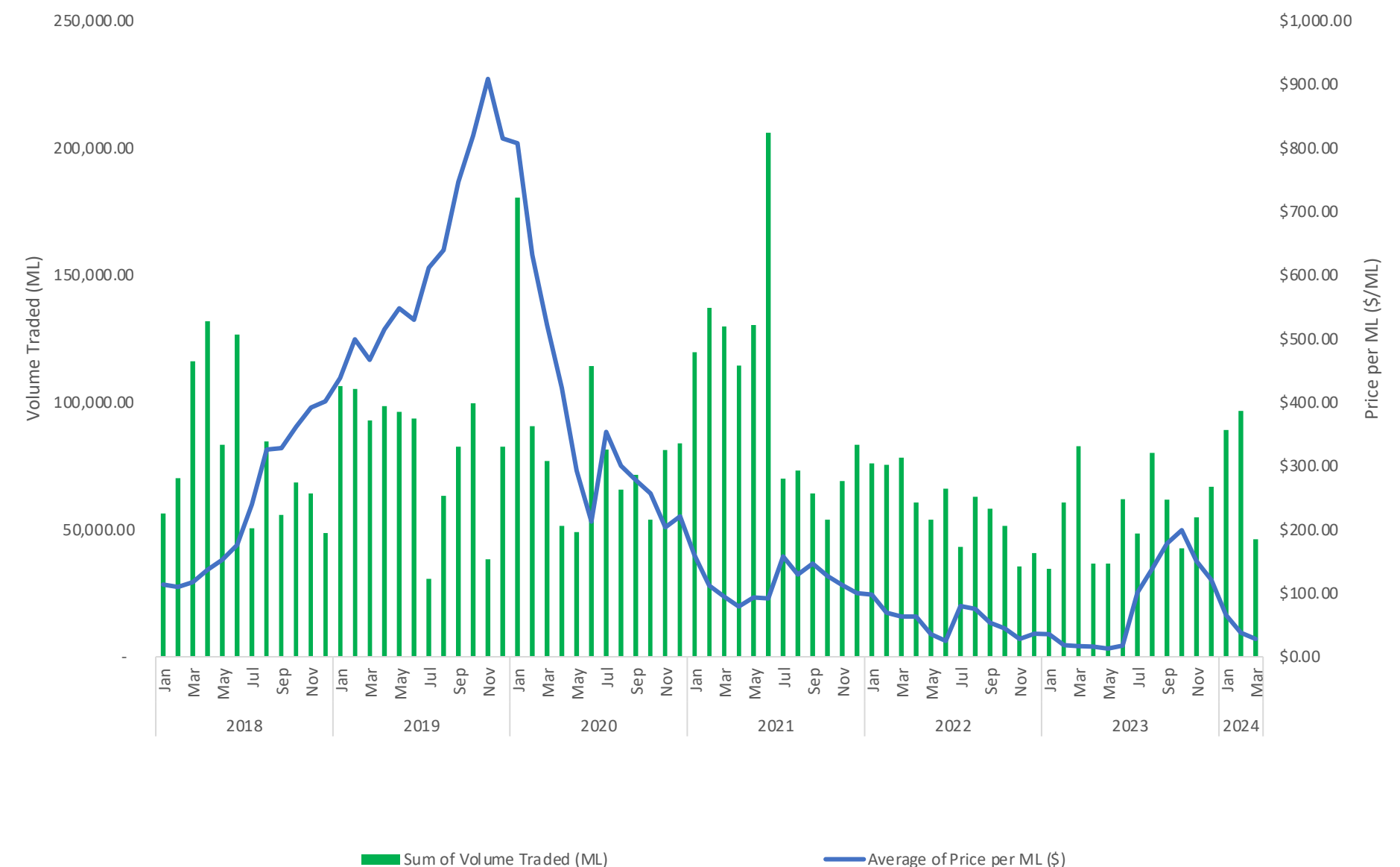
Summary below choke – 200GL further recovery

	Wet	Average	Dry
Available Allocations	2,170,000	1,790,000	1,035,000
ADD Net carryover	180,000	150,000	120,000
ADD Intervalley transfers	335,000	335,000	335,000
LESS Allocations not available to PP	950,000	730,000	444,000
Total Supply	1,935,000	1,545,000	1,046,000
Fixed PP Demand	1,550,000	1,550,000	1,550,000
Net surplus / deficit	185,000	-5,000	-504,000

Impact on temporary allocation markets

- Wet years should be ok – annual croppers price ;
- Threat of a deficit – emotion and panic;
- Severe deficit might not be any allocation in the market to buy;

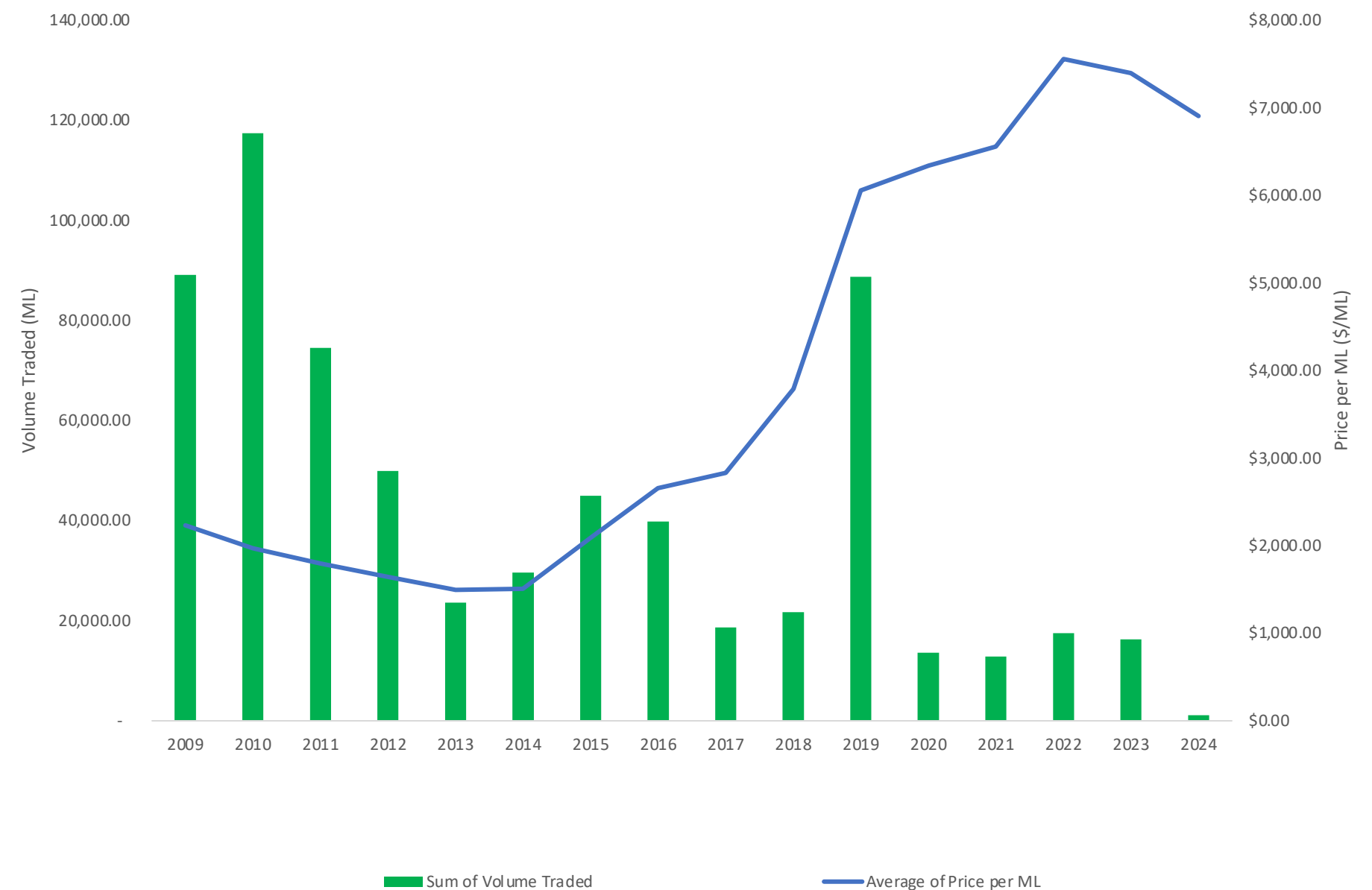
Below Choke Spot Market



Impact on permanent entitlement markets

- Large new buyer in a relatively small market = price increases;
- Disconnect between the asset value and what can be profitability grown using it;

Zone 7 HR Entitlement Market



Potential Solutions?

- Influence Govt to limit buybacks from below choke;
- Allow Commonwealth flexibility to sell allocations in droughts;
- Common sense rules for IVT's in extreme situations.





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Ruralco
WATER

Thank you

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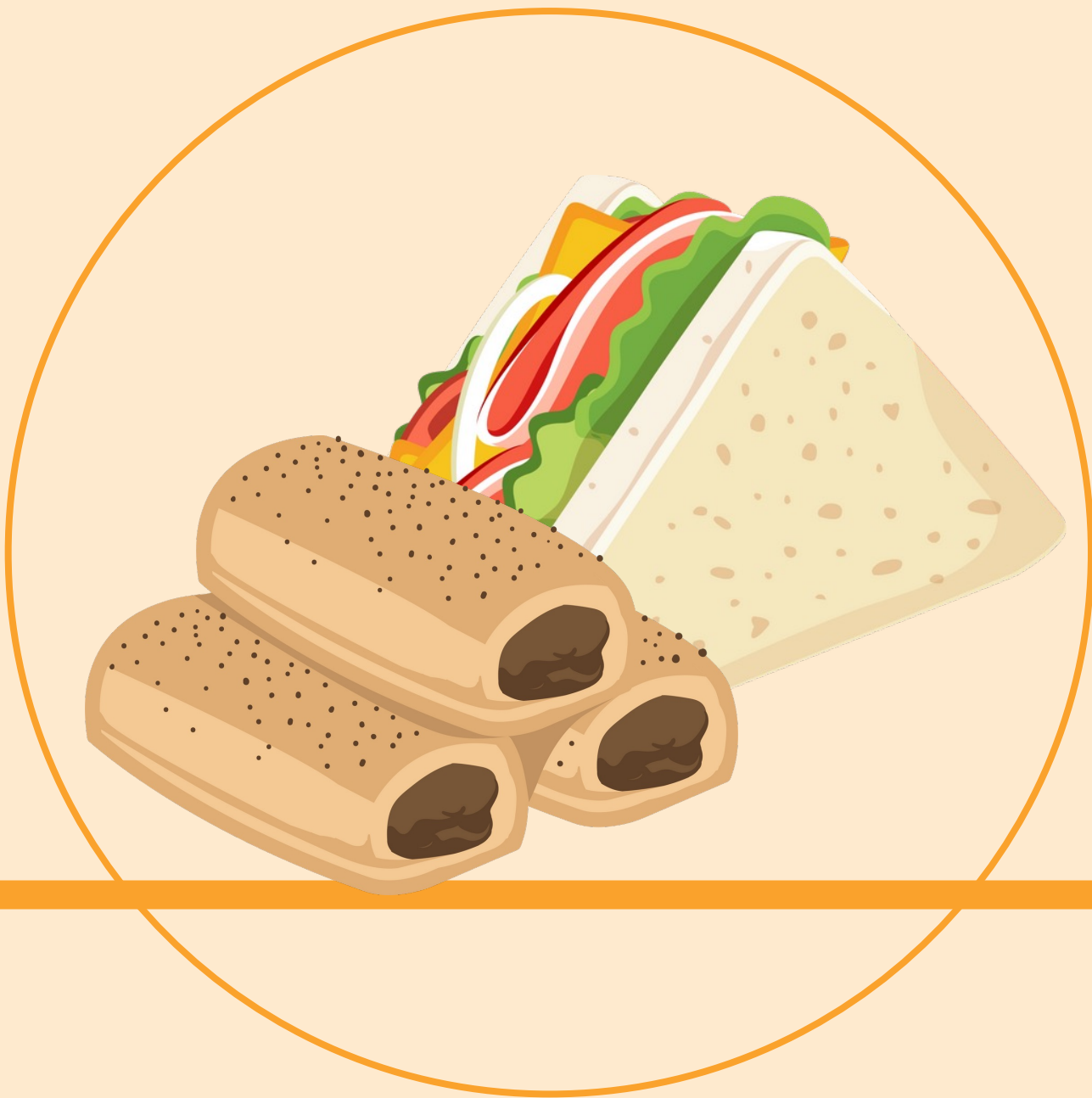


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LUNCH BREAK
BACK AT 1:15 PM



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24-26 July 2024

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First National Products



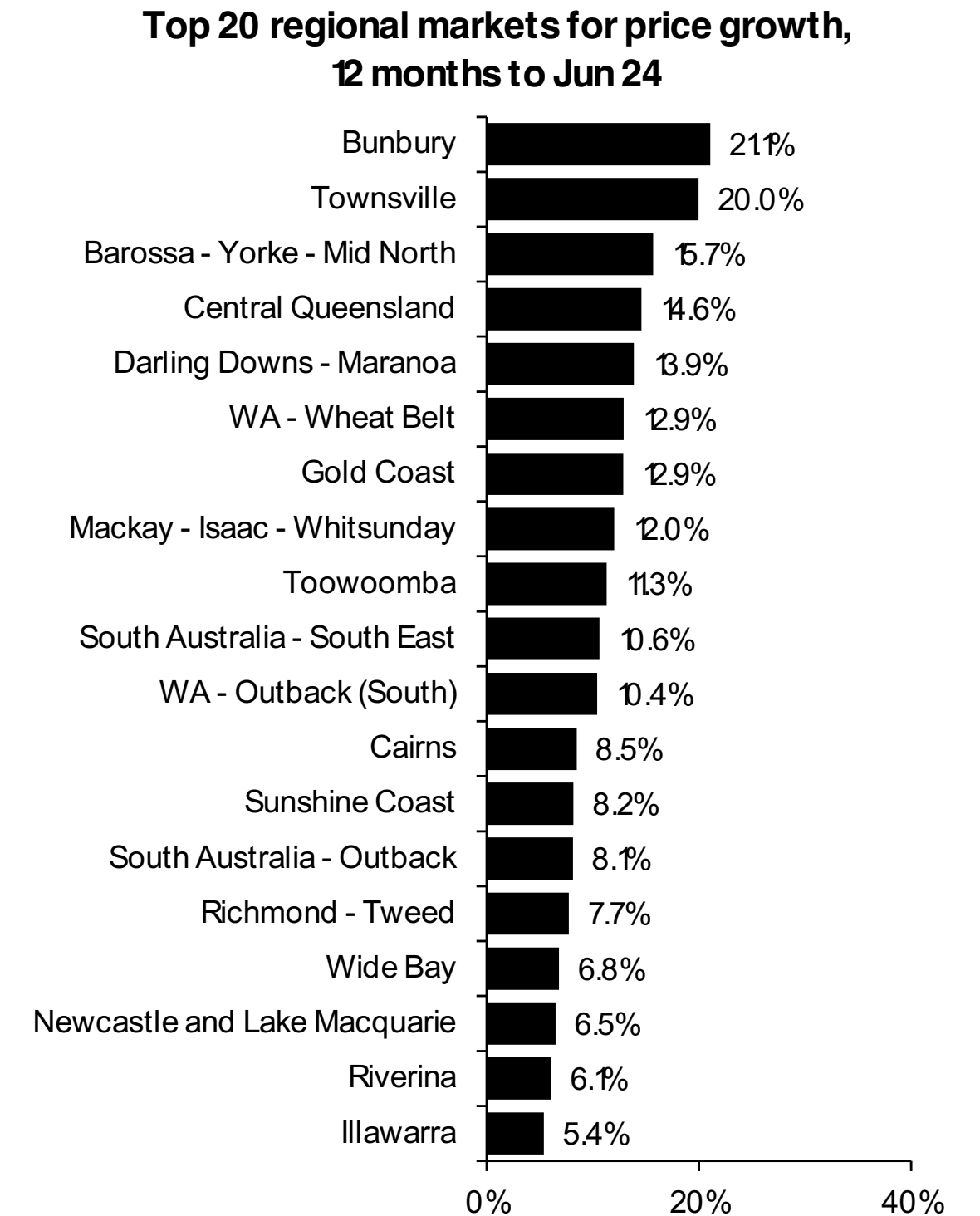
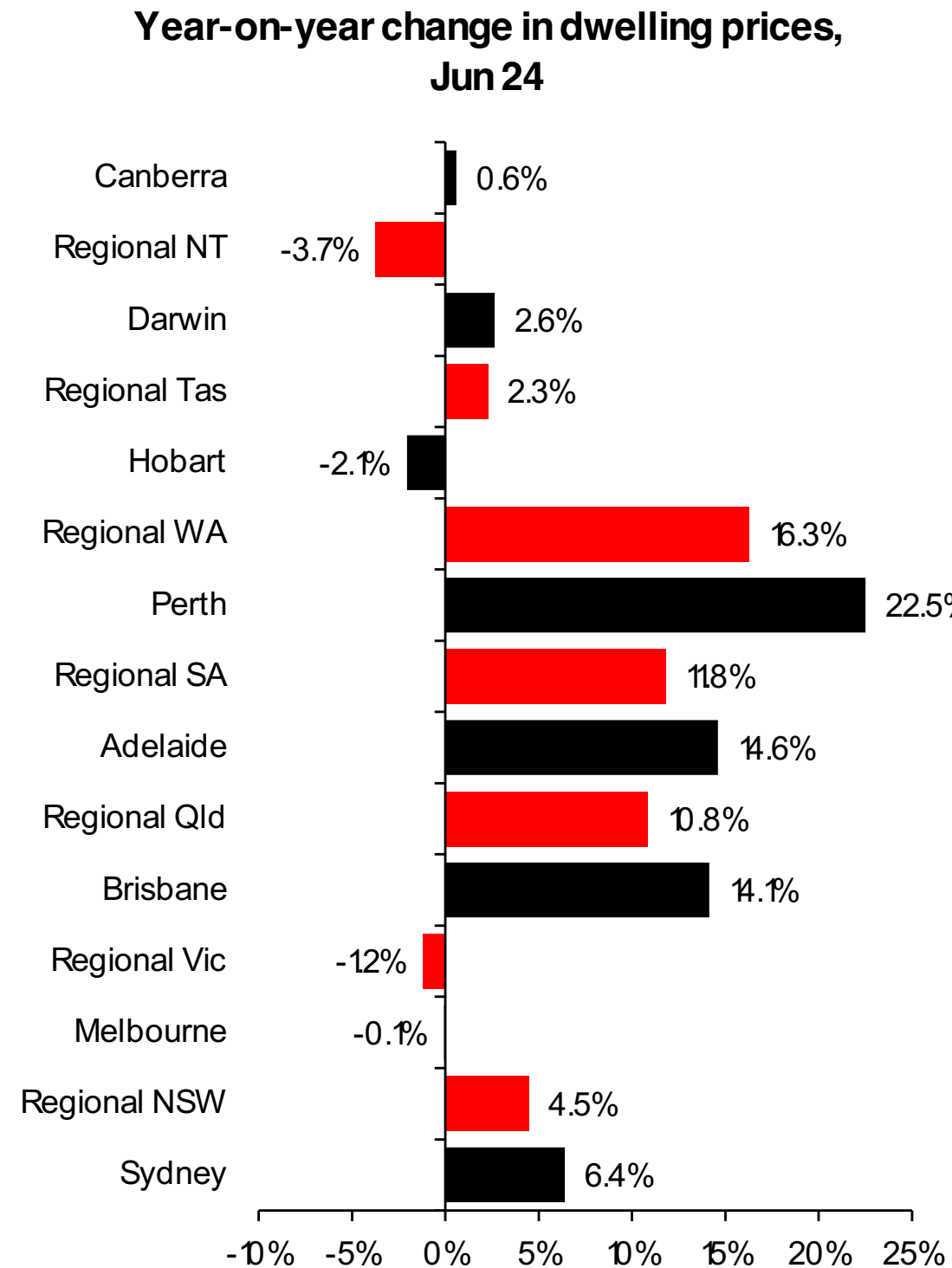
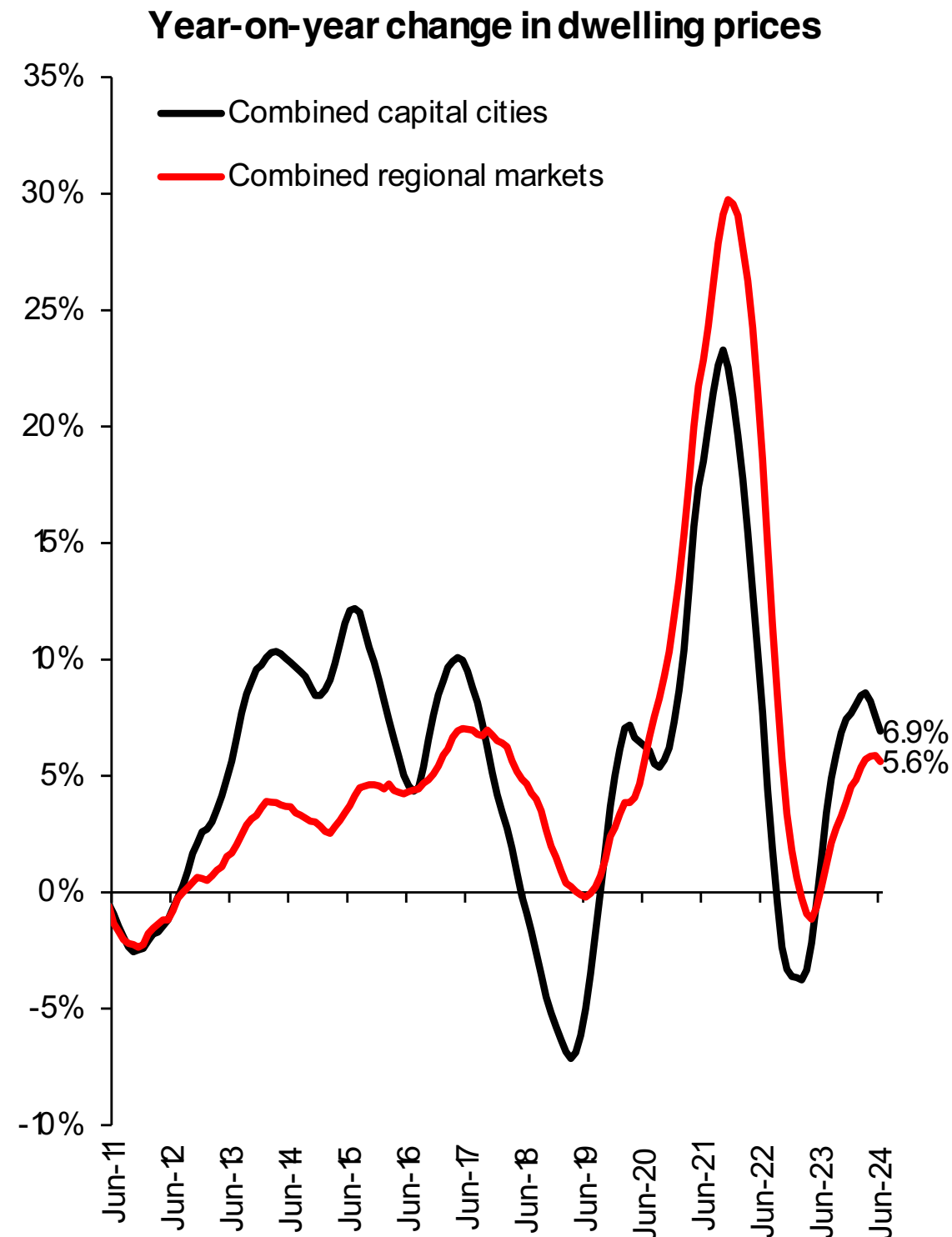
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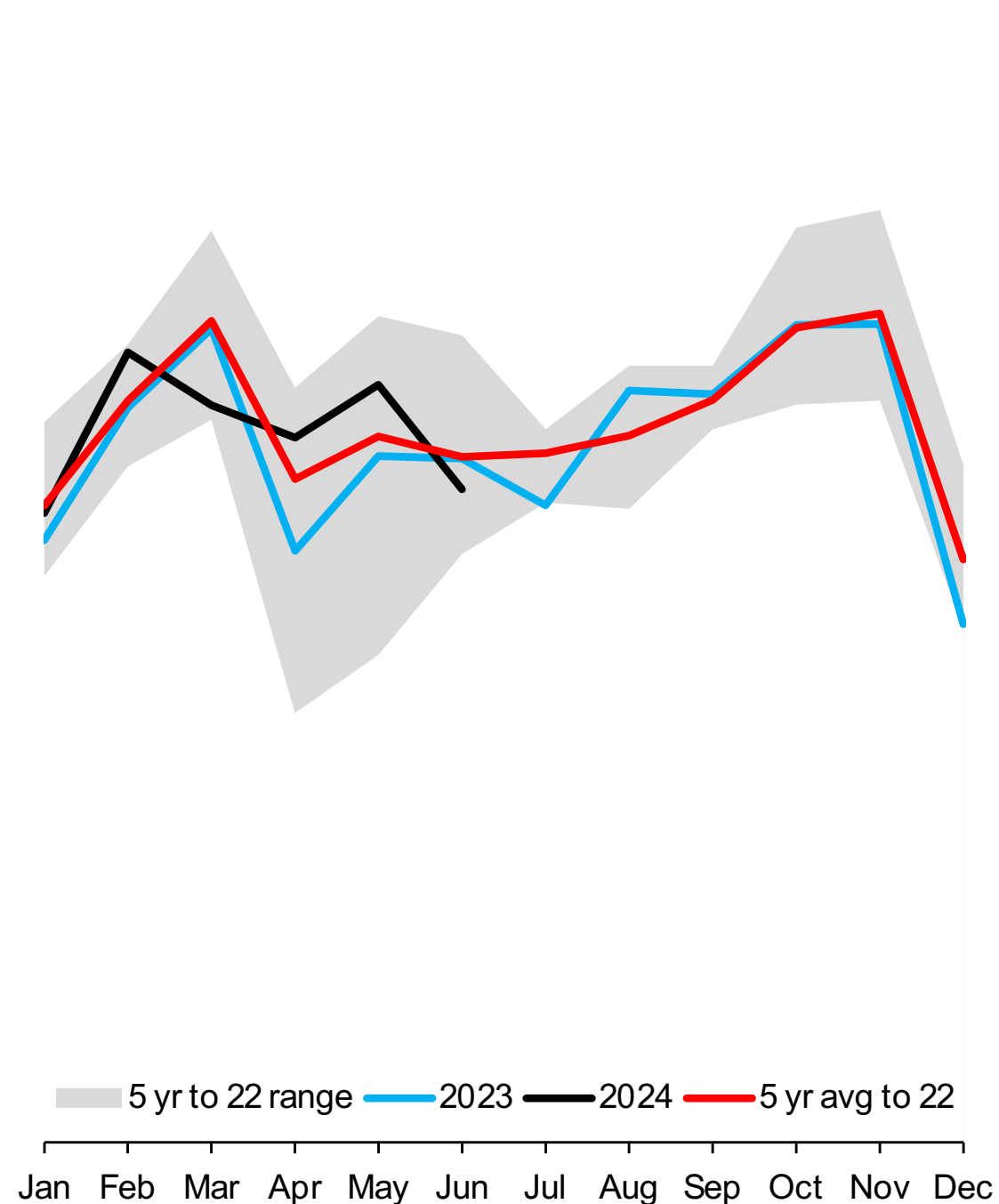
- First National Regional Muster
- State of the Regional Market
- July 2024

- Regional prices have increased over the year at a slightly slower pace than capital city prices

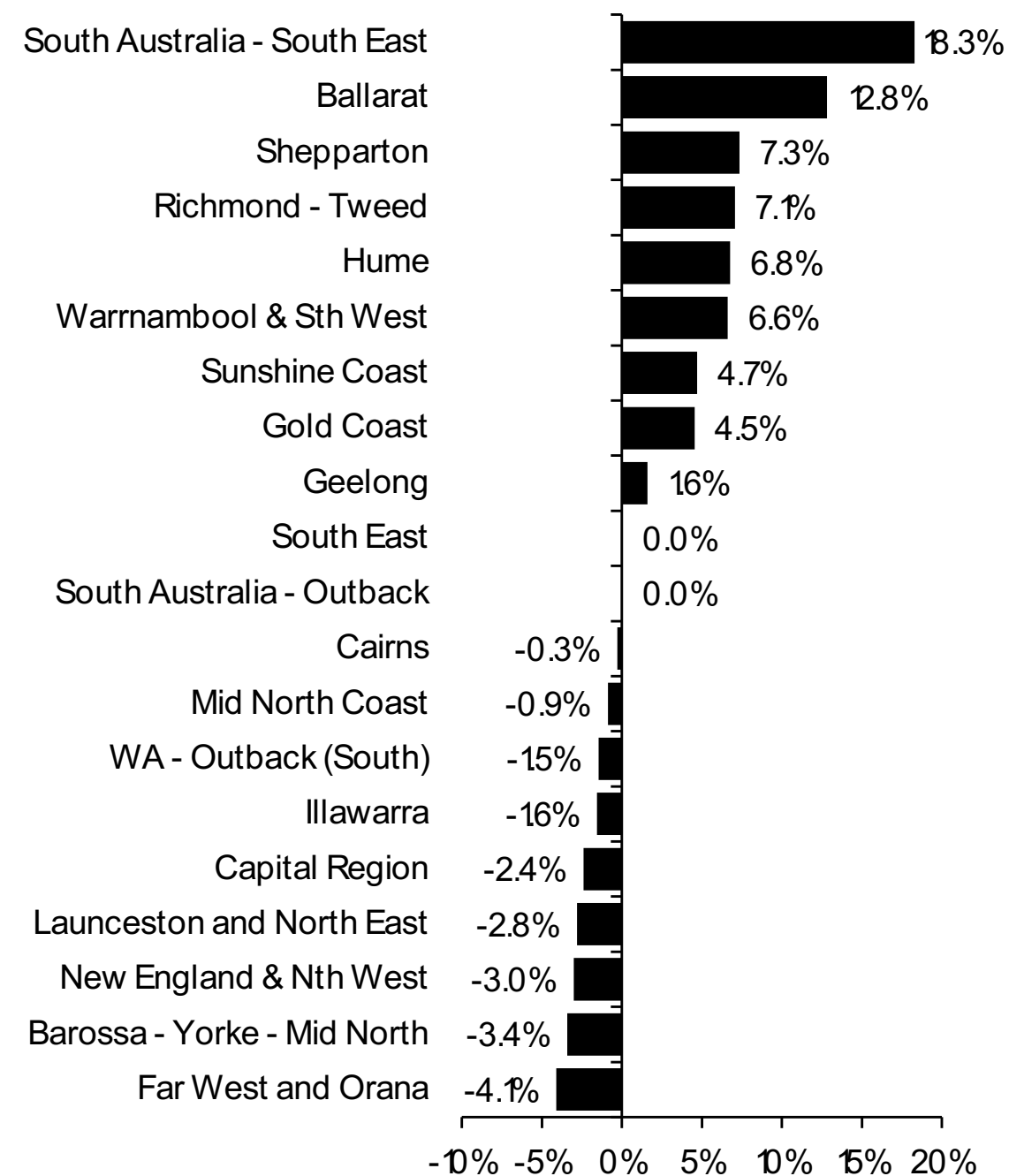


- Regional new for sale listings in Jun 24 were -4.5% yoy and -4.7% compared to the Jun 18' to 22' average

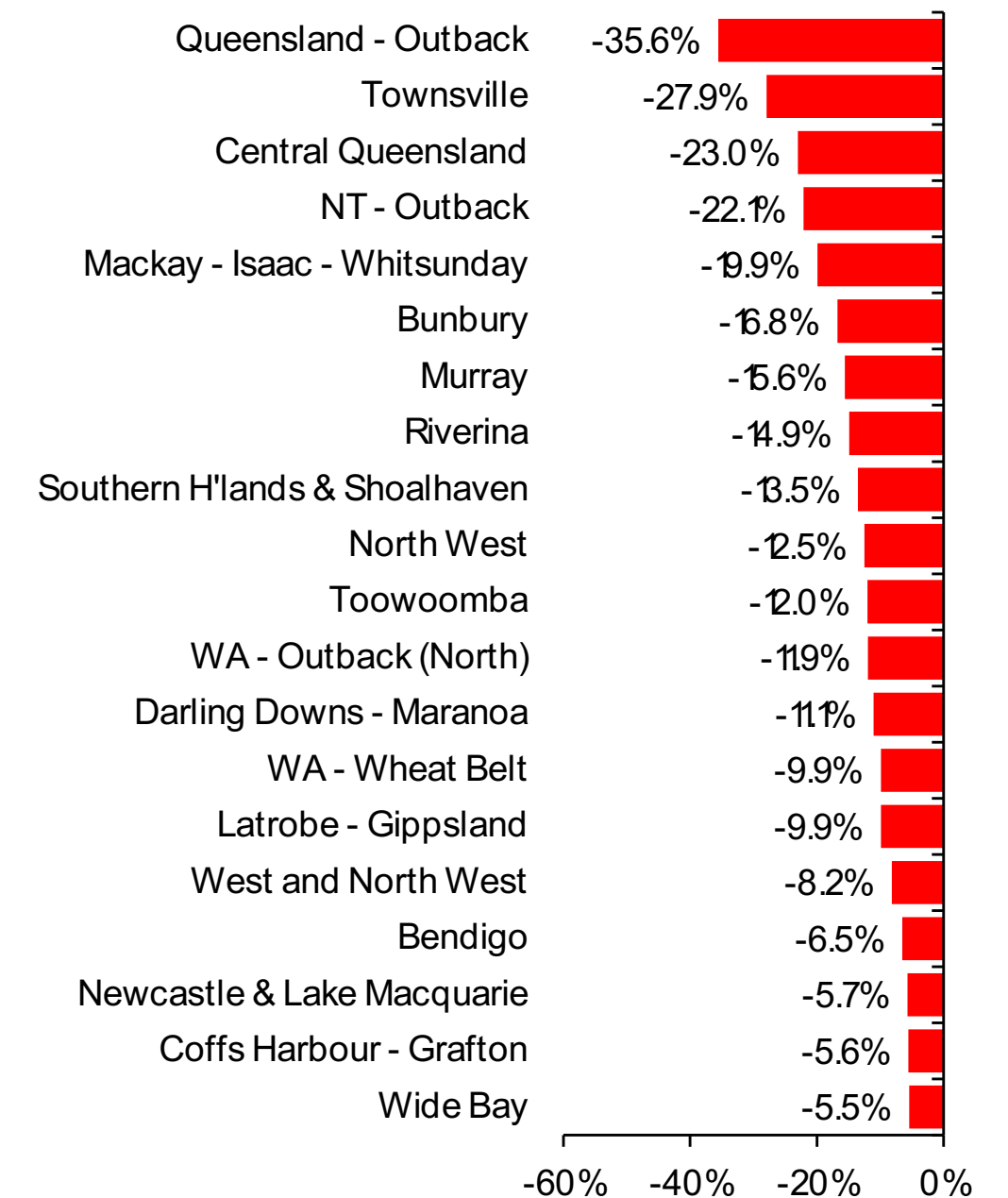
Monthly new for sale listings, regional markets



20 regional markets with largest year-on-year change in new for sale listings, Jun 24

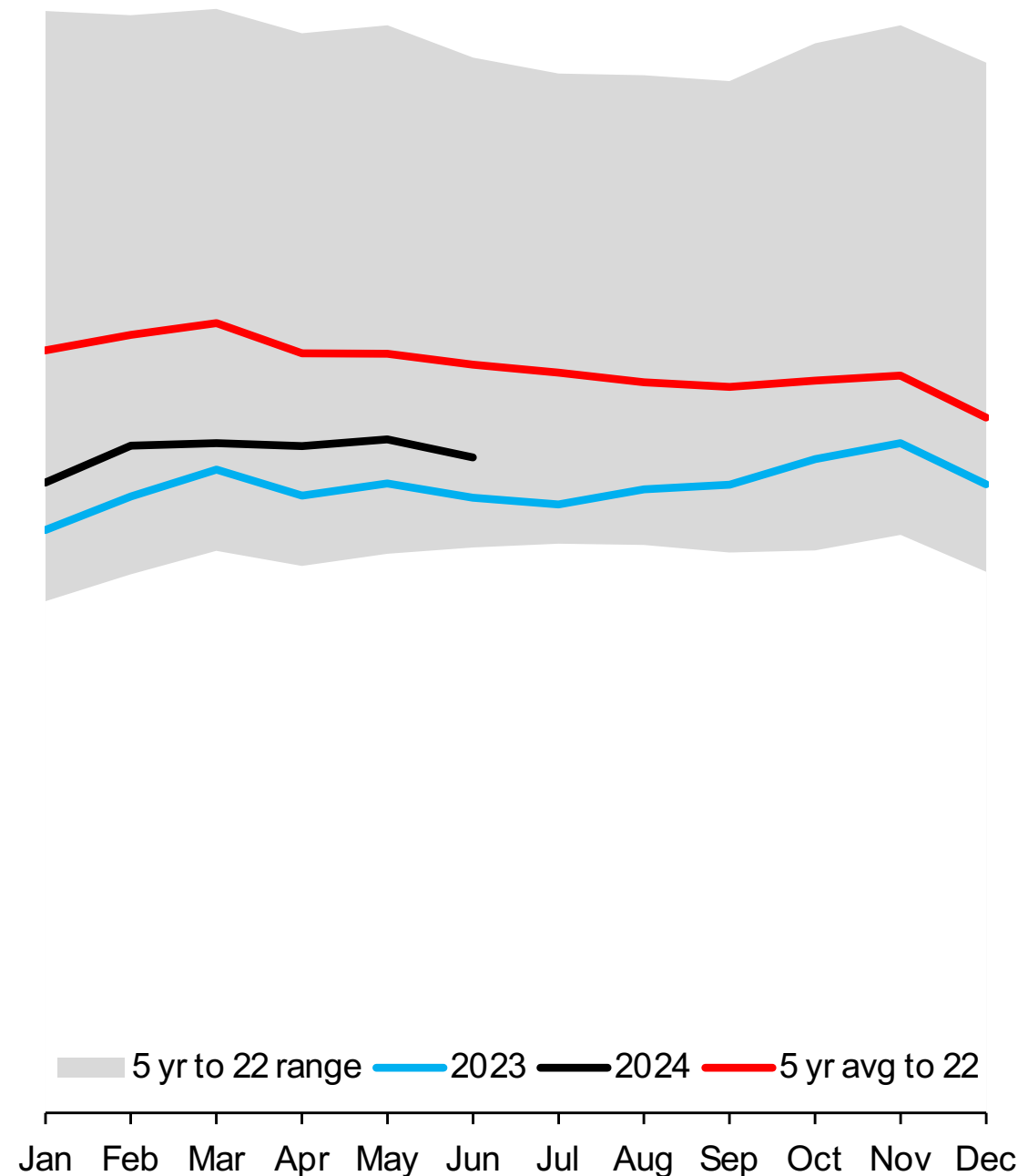


20 regional markets with smallest year-on-year change in new for sale listings, Jun 24

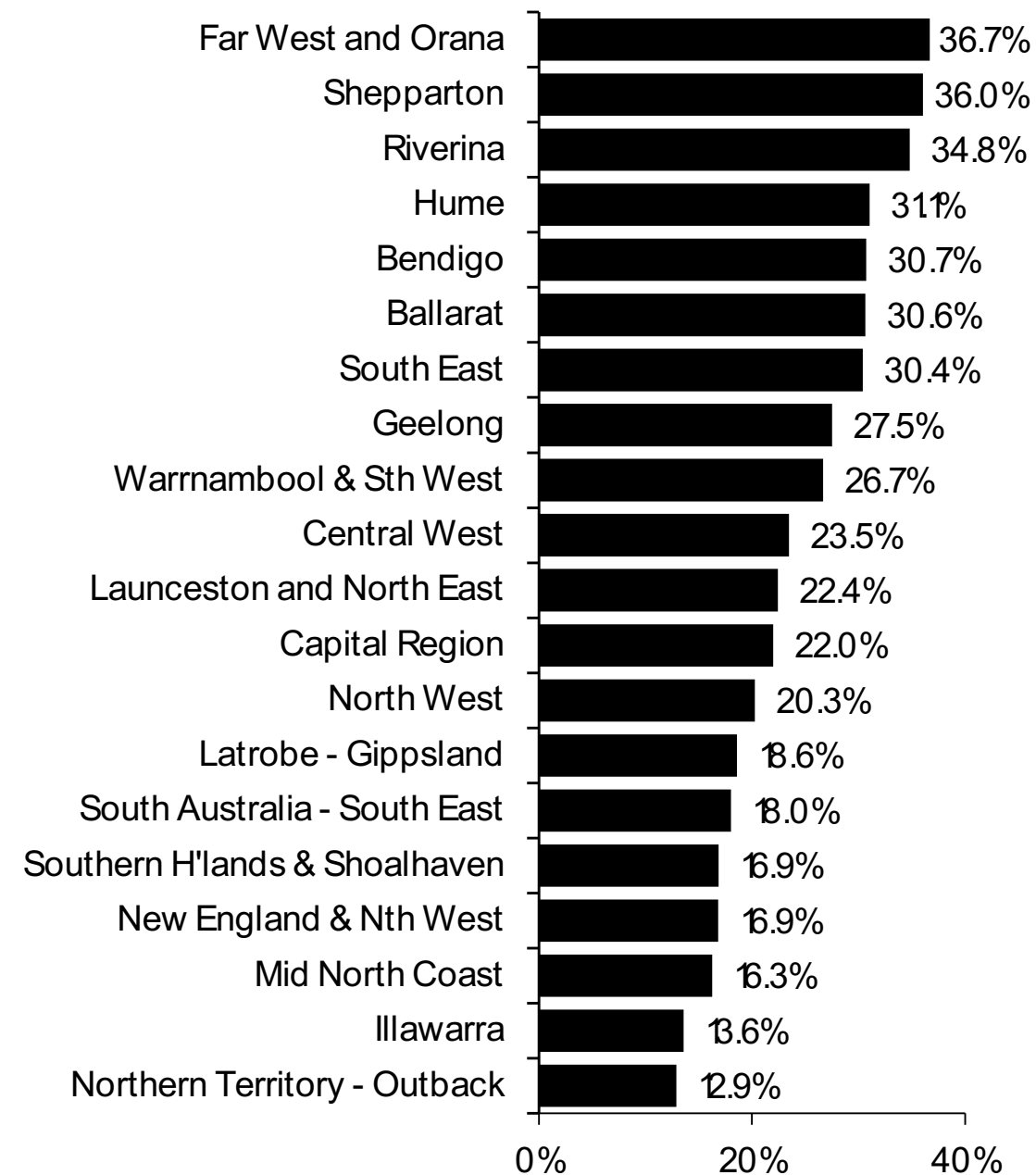


- Regional total for sale listings in Jun 24 were +7.3% yoy and -16.4% compared to the Jun 18' to 22' average

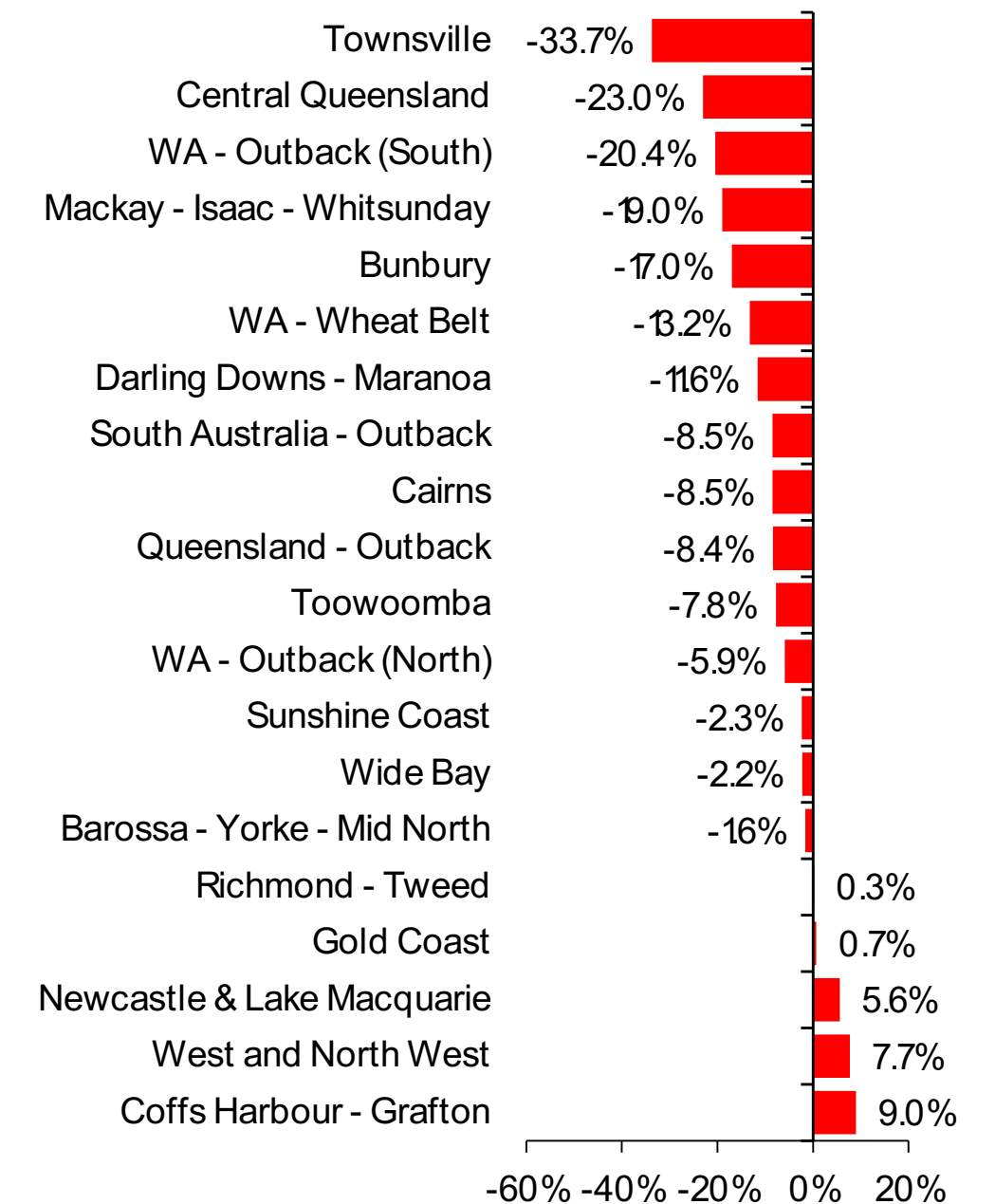
Monthly total for sale listings, regional markets



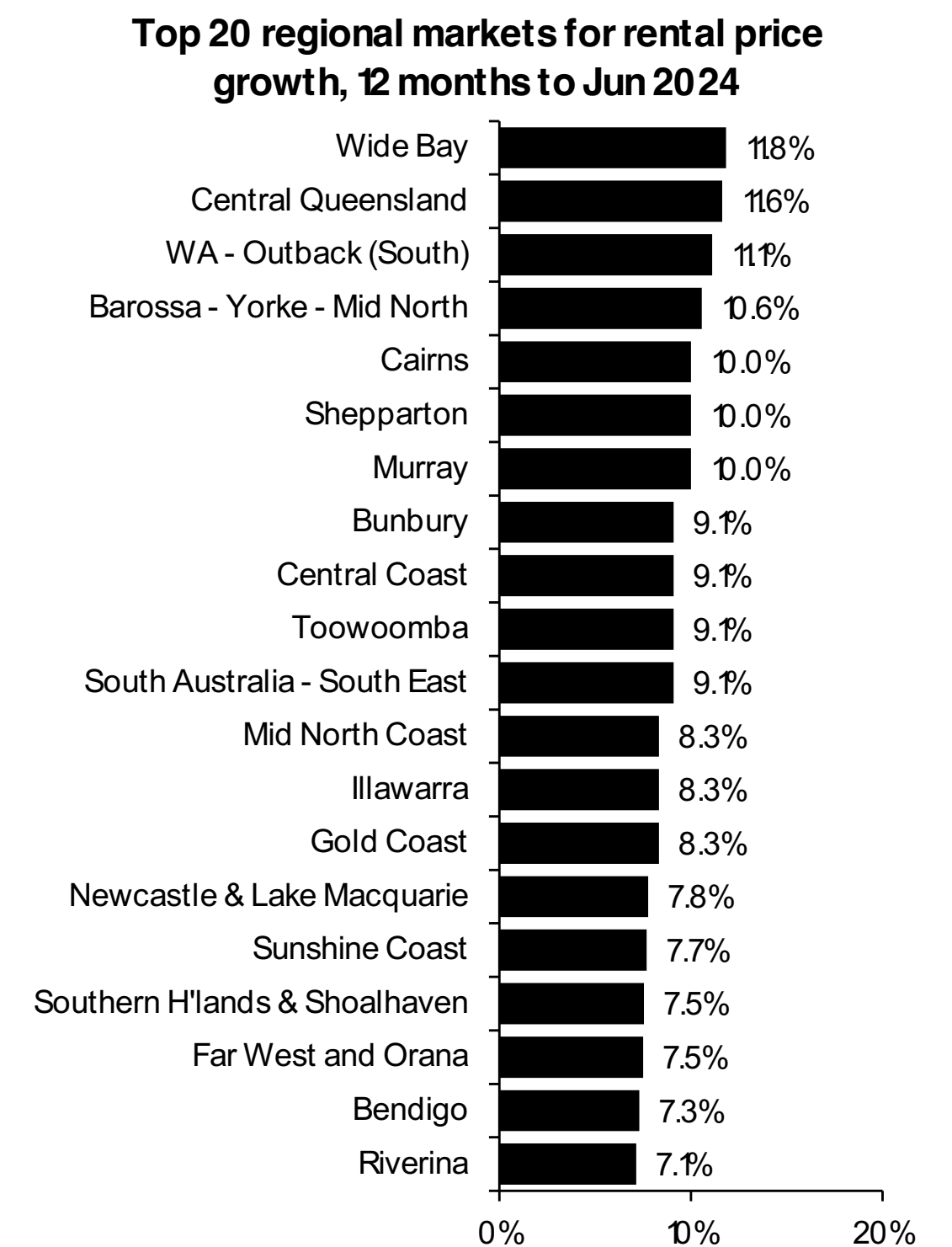
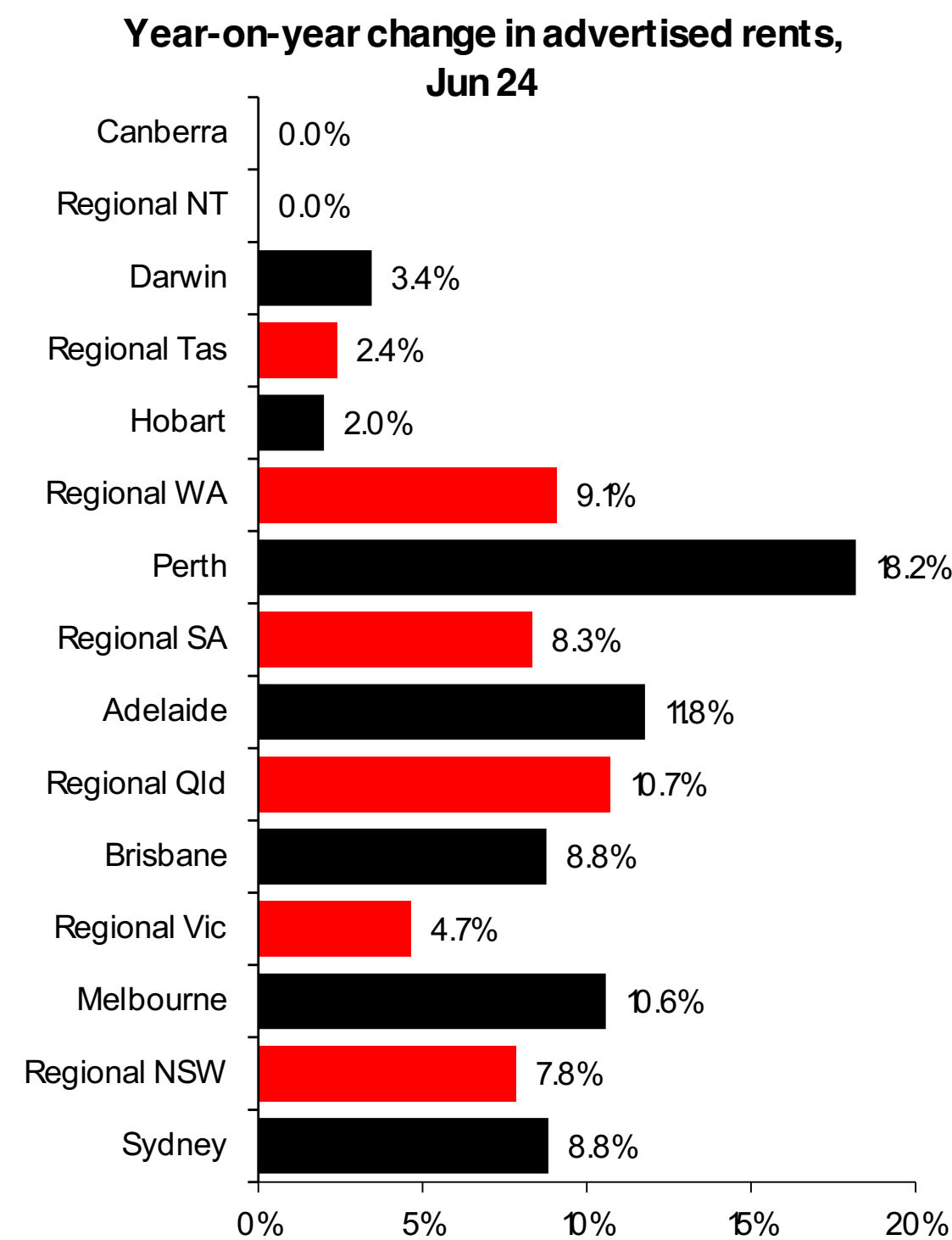
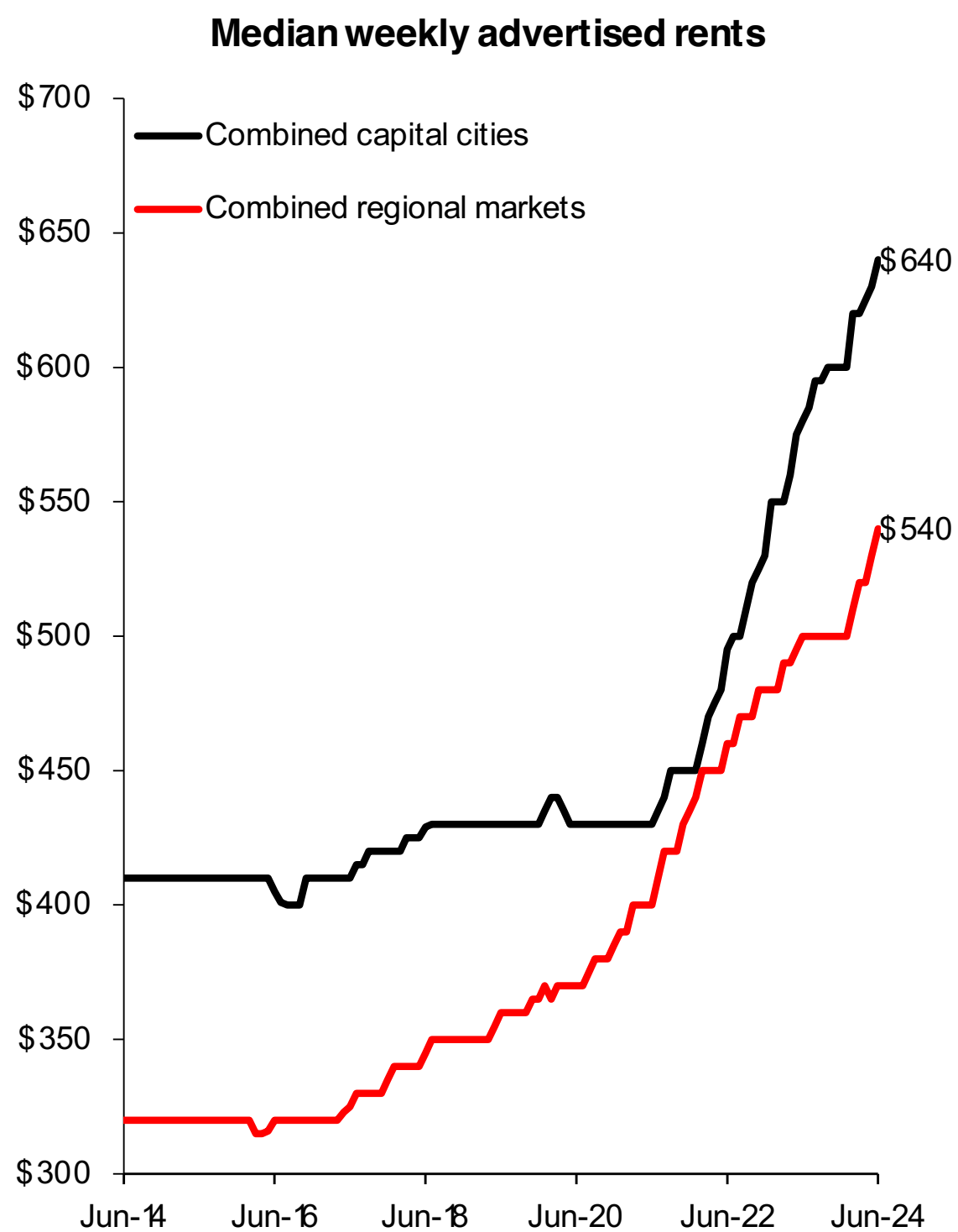
20 regional markets with largest year-on-year change in total for sale listings, Jun 24



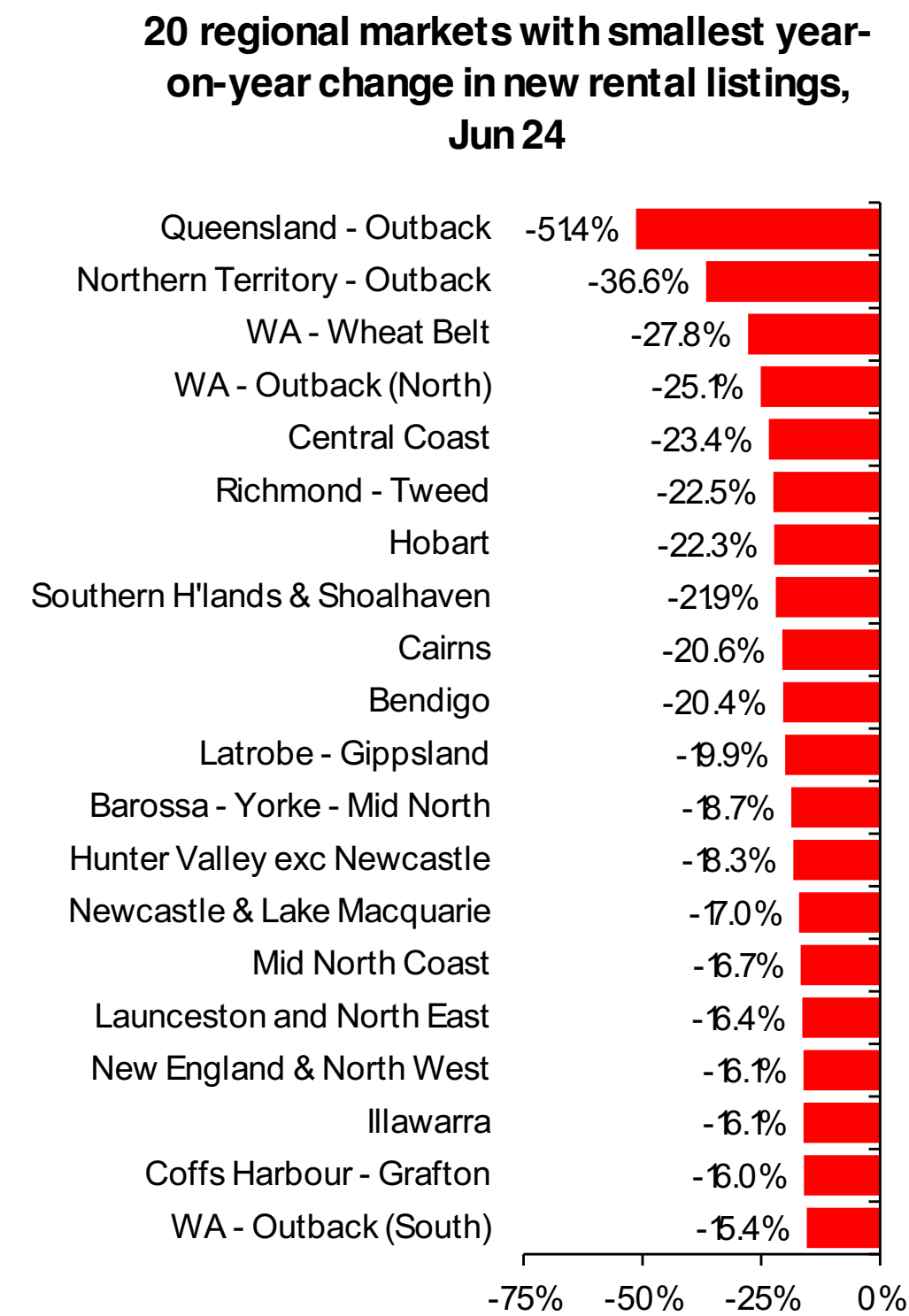
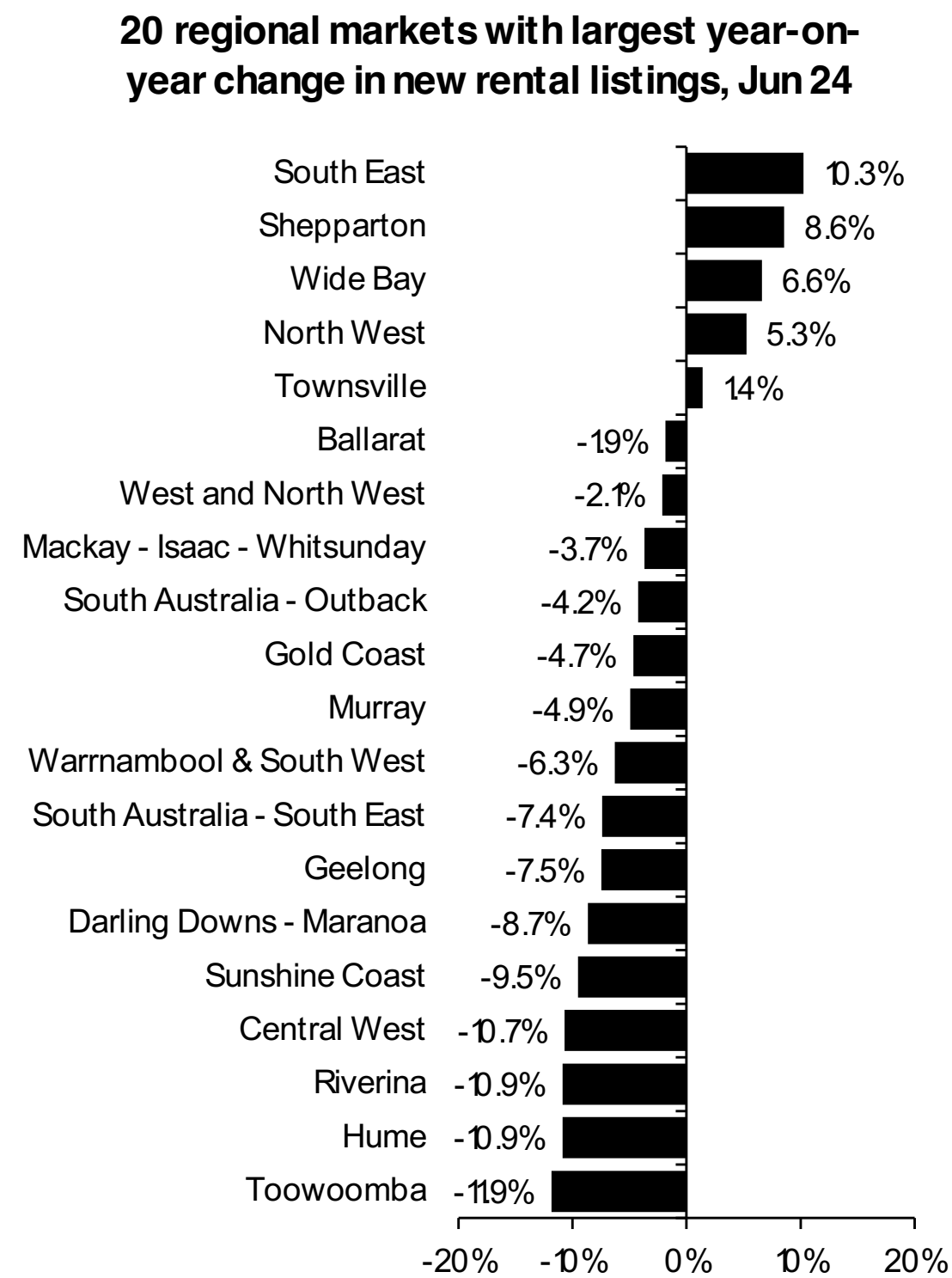
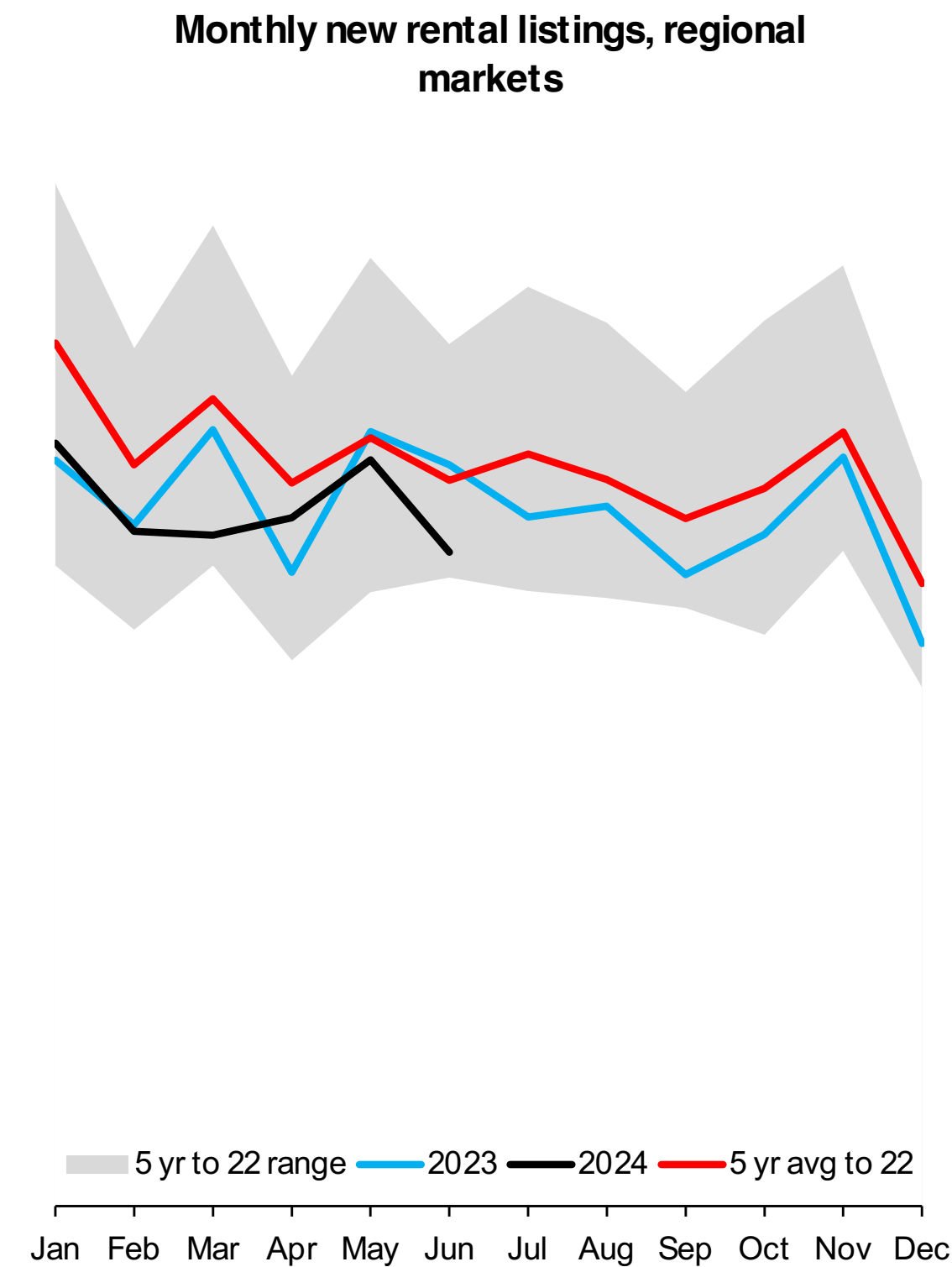
20 regional markets with smallest year-on-year change in total for sale listings, Jun 24



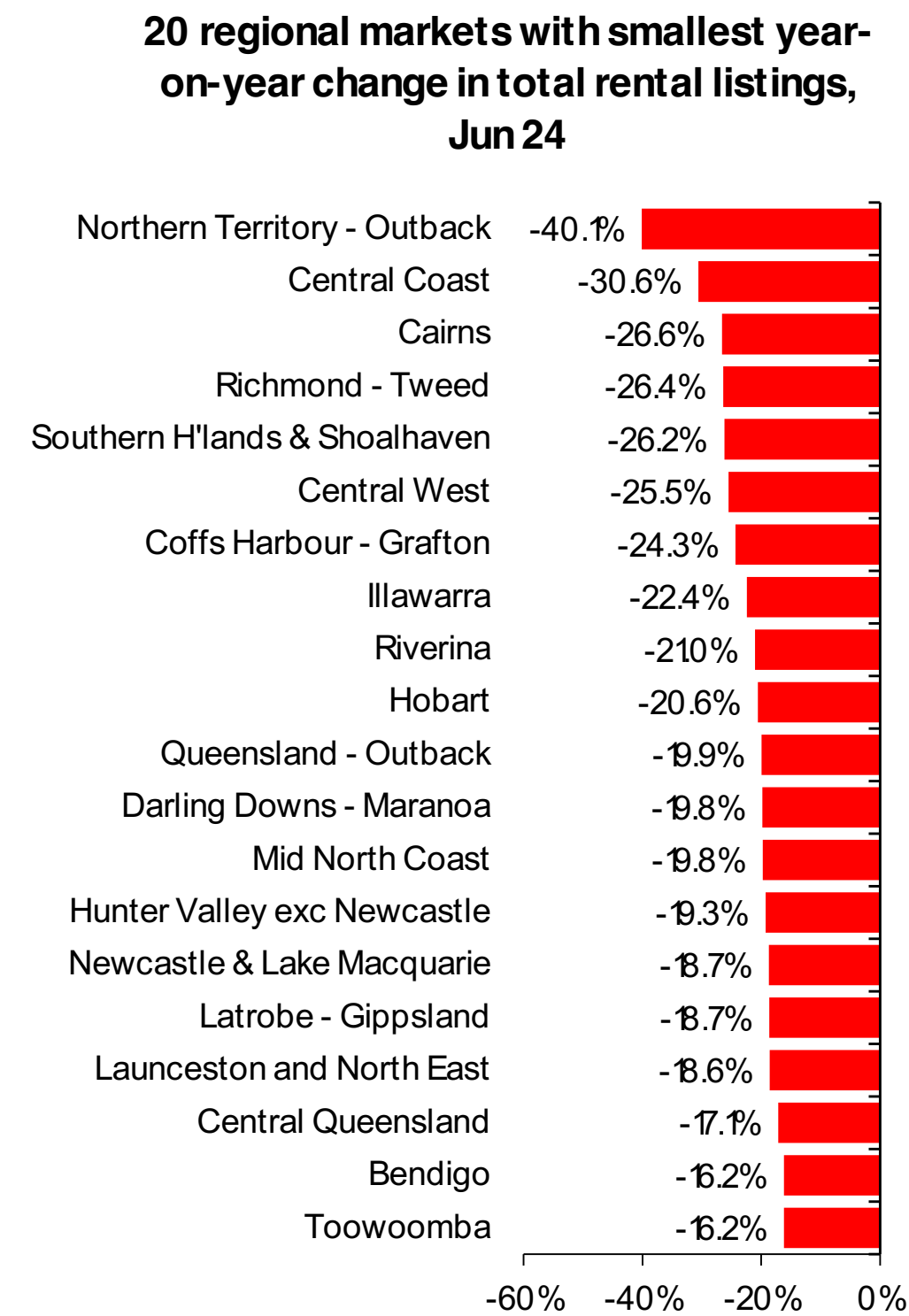
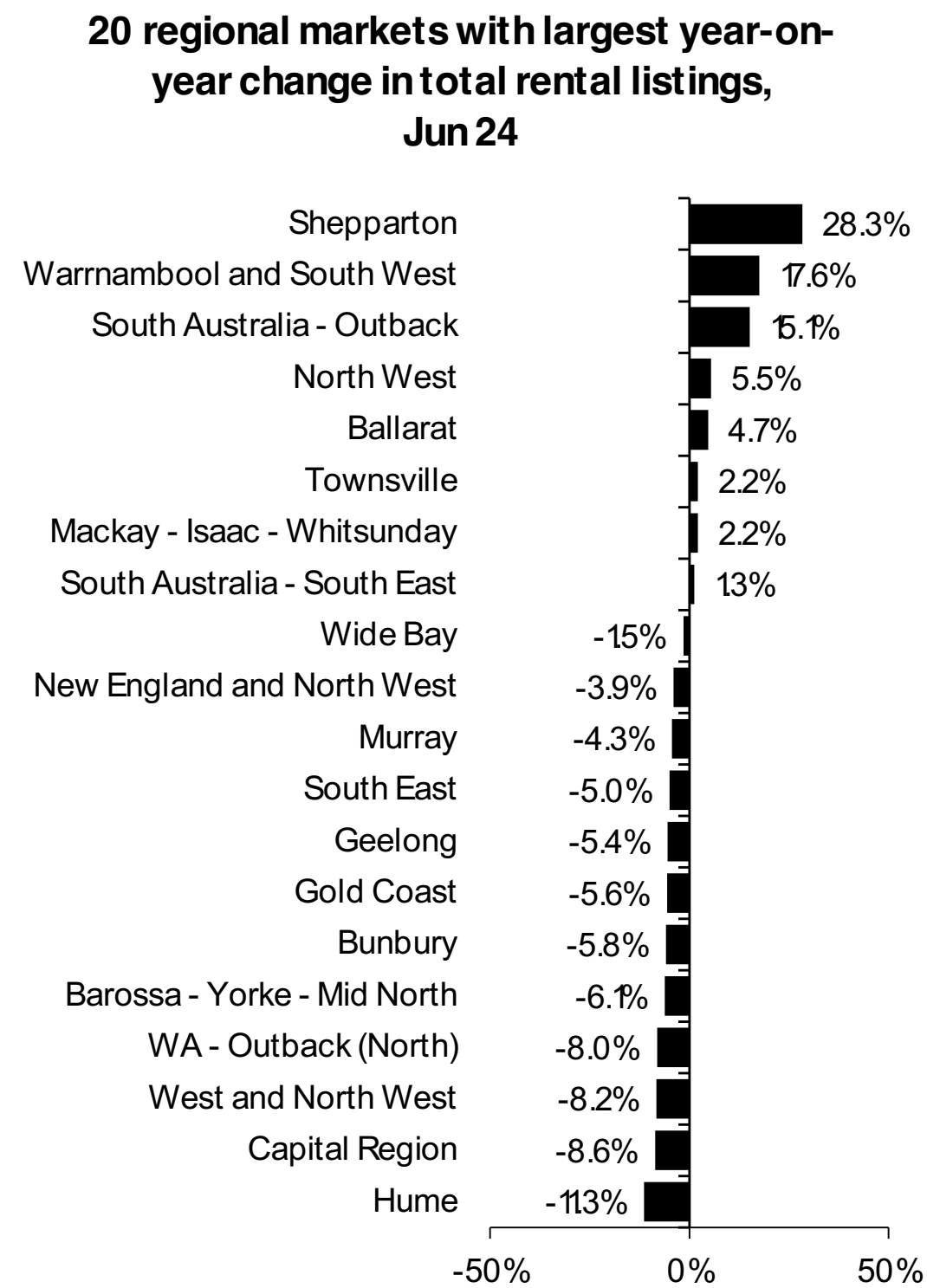
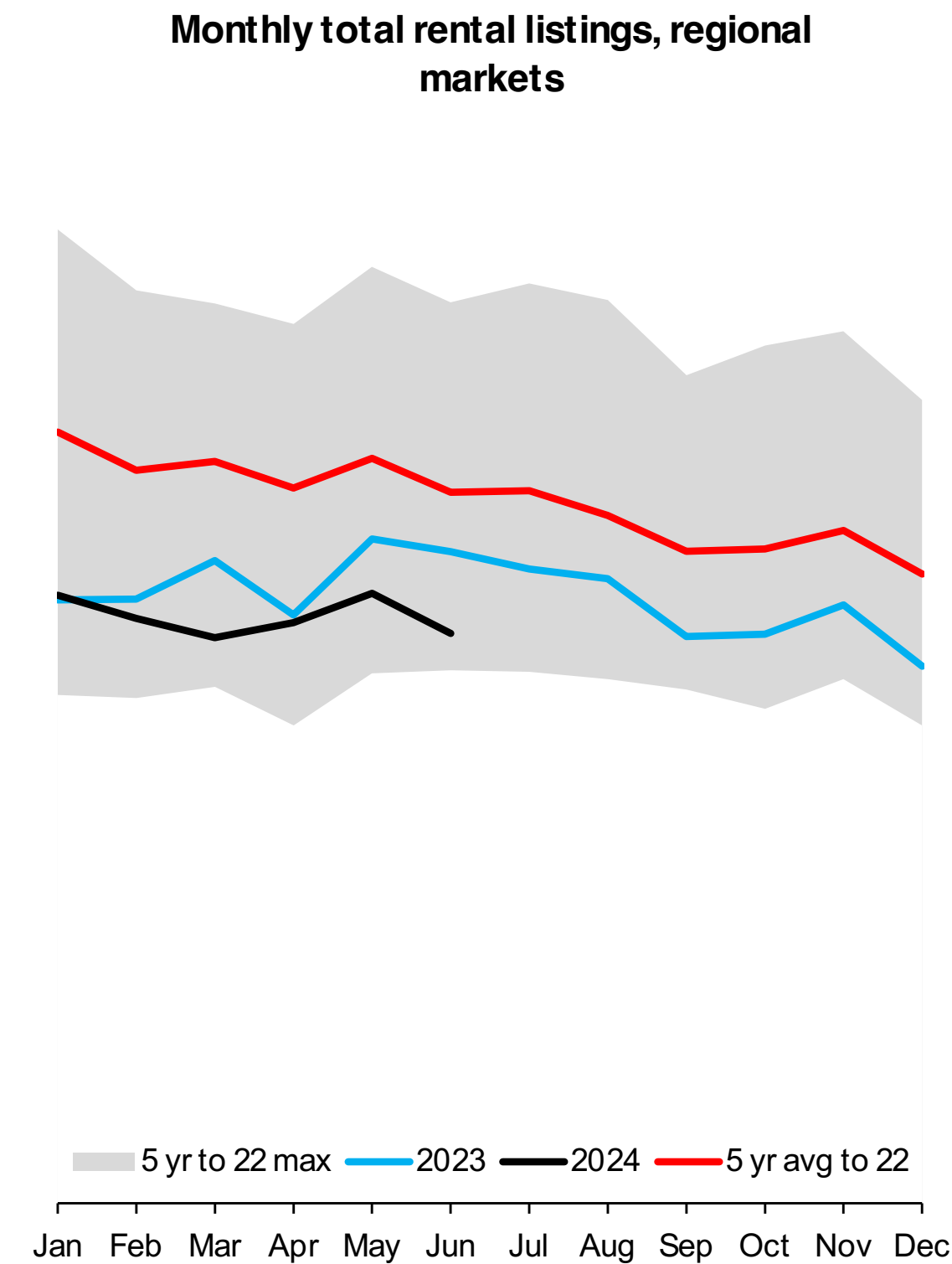
• Regional rental growth has been slower than rental growth in the capital cities



- Regional new rental listings were -4.7% yoy in June 24 and -12.8% compared to the Jun average '18 to '22



- Regional total rental listings were -12.5% yoy in June 24 and -19.9% compared to the Jun average '18 to '22



• Regional market outlook

- Higher interest rates have not stopped prices rising but in certain market affordability is becoming stretched which suggests price growth may slow.
- While price and fundamentals suggest price rises should slow, regional markets typically remain desirable because they are either significantly cheaper than capital cities or offer coastal lifestyles capital cities don't.
- The supply of existing stock coming to market and on the market remains historically low which is supporting prices, so too is the fact that a low supply of new housing is being delivered in most regional markets.
- Rental prices are expected to continue to climb but at a slower pace, this is largely due to the capacity to pay rents rather than demand and supply fundamentals.
- Low stock for rent and limited new housing construction in regional markets is likely to keep vacancy rates low.
- Persistent strong rental demand, limited new supply, strong rental yields and persistent price growth is likely to see investor interest in regional markets rise, lift especially if / when interest rates start to fall.

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Member Panel

Barry Granville & Andrew Blackman & Phil Dowling



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