

Rural





Overview

A recent trip to Northern NSW highlights the extent of the dry conditions. This has not stopped the money for assets in demand as the team report. I do wonder about the impact if the dry extends deep into spring and what this may do to buyer enthusiasm however.

Those new to the ag space may be wondering what is happening, but experienced players will look beyond the immediate situation and may find longer term value.

Some great insights this month from the team follow.

Contact:

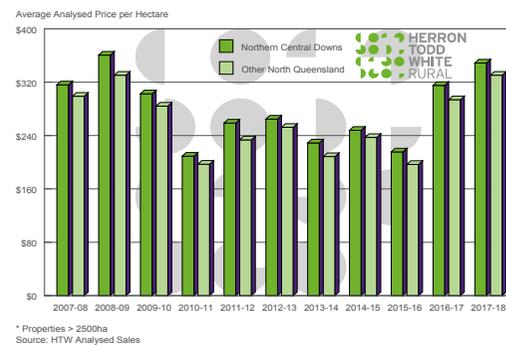
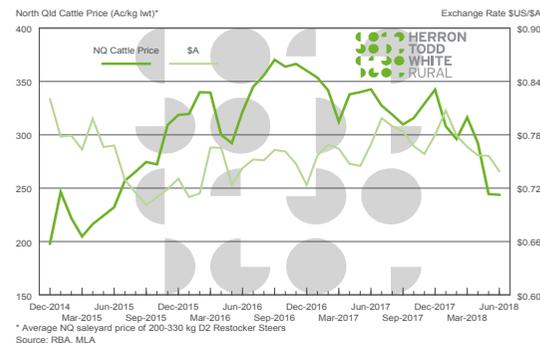
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North Queensland

With 57.4% (plus 73 other properties) of Queensland presently drought declared, the ongoing pain of this widespread drought is impacting the eastern seaboard regions like no other. The rural property markets across the state are being affected in varying ways.

In central Queensland grazing, north Queensland grazing and north Queensland sugarcane property markets, there has been positive market movement.

Some of this has been driven by confidence in the underlying commodity (despite current pricing) and the future of the industry.



In recent weeks, the north Queensland cattle market has firmed on the back of Indonesian live export demand.

In June, D2 Steers averaged 243.7 cents per kilogram live weight and in July, 253.2 cents per kilogram live

weight. This is down from a peak in September 2016 of 370.3 cents per kilogram live weight.

The current cattle market pricing range is weaker than the four year average of 295.6 cents per kilogram live weight.

The commodity price confidence of 2016 contributed to a property market value rise from 2010 to 2015. The 2016/17 property market pricing was akin to that of levels back in the 2007/08 financial year.

North Queensland grazing property prices have jumped again this year to similar levels as the peak of the last property cycle in 2008/09.

On reflection, at the time of the last peak from the 2007/08 levels to the 2008/09 peak, there was a dry spell on the Barkly Tableland. So too, is there currently a dry spell on the Barkly Tableland that this time happens to extend down through New South Wales and into Victoria, forming one of the most significant droughts in our history since the arrival of the First Fleet in 1788.

The combination of seasonal conditions, cattle prices (in recent years) and interest rates has been of benefit to the cattle property market in this cycle.

This is despite the trend in the cattle market. Property purchasers from southern areas seeking grass form part of the equation, however locals too are active, which is a good sign.



Confidence is one factor in the equation that contributes to property market values increasing despite the contrary commodity trend.

This is not just restricted to the northern cattlemen. Take a look at the following graphs from the sugar industry.

Sugar pricing has fallen too. Sugar last peaked in late 2016. Despite the current slump in pricing, the hectare rates have increased.

Variations do exist for the reasons that both these rural land uses have experienced value rate rises despite the commodity trend.

It is easy to point out that this is compositional. There has not been much second rate (or lesser) quality grazing country actually sold in the last year. The grazing country that has sold this year has typically been well regarded country.

The drivers within the cane fields have included family expansions to set the next generation up and increase enterprise scale.

It is not often that cane and cattle market trends are doing similar things. Usually when one is up, the other is down.

At this stage, both the north Queensland and central Queensland grazing property markets are benefiting from good enquiry and sales activity.

In both central Queensland and north Queensland, there is also a lack of country being advertised for sale. At this stage, the northern market is aware of the sales of Wowra Park (Torrens Creek) and Fairlight (Hughenden) selling well to central Queensland buyers.

This drought not mean that the central Queensland market has halted either. While the dry seasons may have reduced listings, they have not reduced the demand.

There have probably been more sales in central Queensland above \$10 million in the past six months than at any other point in the last decade. This effect is also driving the interest in northern Queensland assets.

Take for example, the following central Queensland property sales which have transacted within the last 90 days:

- Athol - Blackall: \$23.75 million to Moller family;
- Comanche - Rockhampton: \$15.9 million to RFM Group;
- Shauna Hills - Bauhinia: \$10.75 million to Pickersgill family; and
- Portland Downs - Isisford: \$23 million to NAPCO.

Like minds think alike and despite the drought, there are successful and respected members of the sugar

cane sector and central Queensland and north Queensland grazing sectors making property moves towards the future.

That being said, just keeping up with the Joneses and expanding to buy more land does not suit everyone's business or situation.

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Darling Downs

Carbon is still a big topic in Australia and especially so in western Queensland and north-western New South Wales. At present there are multiple schemes administered under the Carbon Farming Initiative (CFI). Within western Queensland and north-western New South Wales there are a total of 217 registered projects totalling some 22,941,115 Australian Carbon Credit Units (ACCU) which is more than 37% of the total Australian projects registered to date. A large percentage of these schemes are administered under the Vegetation Method.

The CFI is a voluntary scheme that allows farmers and landowners to earn carbon credits from activities such as:

- reducing livestock emissions;
- increasing efficiency of fertiliser use;



- enhancing carbon in agricultural soil; and
- storing carbon through revegetation and reforestation.
- Carbon credits earned under the CFI are called Australian Carbon Credit Units (ACCUs).
- The CFI is administered by the Clean Energy Regulator (CER).

NATIONAL SUMMARY

| Method | Projects | ACCUs Issued |
|----------------------|------------|-------------------|
| Vegetation | 399 | 28,138,513 |
| Landfill and Waste | 137 | 16,983,535 |
| Agriculture | 55 | 454,364 |
| Savanna Burning | 73 | 5,832,011 |
| Energy Efficiency | 46 | 327,391 |
| Transport | 6 | 0 |
| Industrial Fugitives | 15 | 238,638 |
| Facilities | 1 | 0 |
| Total | 732 | 51,135,184 |

Source: www.cleanenergyregulator.gov.au

- The Emissions Reduction Fund will allow sequestration projects to choose a permanence period of 25 or 100 years.
- If a 25 year option is chosen, there will be a 20% reduction in the number of ACCUs issued for the project. This is to cover the potential cost to the government of replacing carbon stores after the project ends.

Natural disturbance or third party reduces sequestration.

- Landholders are not automatically required to relinquish ACCUs if the offsets project suffers a significant reversal in which sequestered carbon is lost through a natural disturbance (e.g. bushfire, drought or disease), action to manage fire (e.g. establishing a fire break) or the action of a third party beyond the landholder's control (e.g. vandalism).
- But if there is a significant reversal in carbon stores, the landholder must notify the CER within 60 days and take reasonable action to ensure that carbon stores are re-established.
- A reversal of carbon stores is considered significant if it occurs on 5% or 50 hectares of the project area, whichever is the smaller.
- In some cases, the re-establishment of carbon stores may require only modest intervention, such as allowing trees to regenerate.

- In other cases, where natural regeneration is unlikely or does not occur, active re-establishment or management may be necessary, for example replanting, stock exclusion or weeding.
- The project proponent or the landowner will not receive further ACCUs until carbon stores exceed pre-disturbance levels. This provides an incentive to manage losses and to re-establish carbon stores as quickly as possible.

What to do if you do not meet your obligation to re-establish carbon stores:

- If you do not take reasonable steps to re-establish carbon stores, you will need to relinquish (hand back) ACCUs to the CER.
- The project proponent has 90 days to comply with this relinquishment requirement.
- If this relinquishment requirement is not met, or if the CER is satisfied that the project proponent will not comply with the requirement to relinquish ACCUs within 90 days, a carbon maintenance obligation may be declared for the land area of the project.
- As the carbon maintenance obligation is attached to the land, the obligation to maintain sequestered carbon dioxide stores will apply to future land owners for 100 years after the first ACCUs were issued for the offsets project. If a new offsets project area is added to the offsets project, the



obligation will apply to that offsets project for 100 years after the first ACCUs were issued for the new offsets project.

- A carbon maintenance obligation seeks to prevent the landholder from engaging in conduct that results or is likely to result in a reduction in carbon stores below the benchmark sequestration level unless the conduct relates to an activity that is expressly permitted by the carbon maintenance obligation. The benchmark level is the amount of carbon sequestered in the relevant area or areas at the time that the carbon maintenance obligation was made.
- A carbon maintenance obligation will be revoked once any outstanding relinquishment obligation or penalties payable in relation to the offsets project have been met. A civil penalty may be imposed if a carbon maintenance obligation is breached.

Source: www.cleanenergyregulator.gov.au/Carbon-Farming-Initiative

In western Queensland and north-western New South Wales, there are a number of applicable methods utilised, but in a large percentage of instances the method utilised is:

- The “Carbon Credits through Human Induced Regeneration of a Permanent Even-Aged Native Forest - 1.1” on land that was cleared of vegetation

and where regrowth was suppressed for at least ten years prior to the project having commenced.

Ongoing Management of the On Farm Project

The land owners have an obligation to manage these projects over the permanency period so as to allow the continued sequestration of carbon within the CFI footprint. This may be undertaken through:

- A reduction in the stocking of the footprint over time;

- Construction of fences around the footprint to control both stock and vermin movement through the footprint;
- Construction of firebreaks around the footprint to mitigate against fires.

Carbon Price

Since April 2015, there have been a total of seven auctions with the price per tonne of abatement (\$/ACCU) ranging from a low of \$10.23 per tonne in

| Auction Date | Av \$/t Abatement | Commitment (million t) | No of Contracts Awarded | \$ of Contracts Committed | ACCU's Contracted |
|----------------------|-------------------|------------------------|-------------------------|---------------------------|--------------------|
| 6/7 June 2018 | \$13.52 | 6.67 | 32 | \$90m | 6,670,000 |
| 6/7 Dec 2017 | \$13.08 | 7.95 | 26 | \$104m | 7,950,000 |
| 5/6 April 2017 | \$11.82 | 11.25 | 31 | \$133m | 11,250,000 |
| 16/17 Nov 2016 | \$10.69 | 34.40 | 47 | \$367m | 34,356,058 |
| 27/28 April 2016 | \$10.23 | 50.50 | 73 | \$516m | 50,471,310 |
| 4/5 Nov 2015 | \$12.25 | 45.00 | 129 | \$557m | 45,451,010 |
| 15/16 April 2015 | \$13.95 | 47.00 | 107 | \$660m | 47,333,140 |
| Total/Average | \$11.97 | 202.77m | 445 | \$2,427m | 169,159,816 |

Source: www.cleanenergyregulator.gov.au



April 2016 to a high of \$13.95 per tonne at the very first auction in April 2015. The latest price in the June 2018 Auction was just below this peak at \$13.52 per tonne. This suggests that whilst the tonnes committed at each auction have been reducing, the price appears to be holding up.

Components Linked to a CFI Project

From a landowner perspective, there are two components that are intrinsically linked to a CFI project and its worth to a particular property. These are:

- The physical constraint; and
- The financial benefit.

The Physical Constraint

- There is a legal requirement to manage the footprint by either gradually reducing the carrying capacity or locking the footprint entirely in order to facilitate the capturing and storage of carbon so that the legal obligations of the CFI can be met. Ordinarily therefore this will result in a reduced sustainable carrying capacity over the longer term.
- All things being equal, this lock up will be for the duration of the Permanence Period, either 25 or 100 years.

The Financial Benefit

- The financial benefit is the associated cashflow derived from the sale of the ACCUs.

- This income stream is a separate component to the ongoing maintenance of ACCUs captured and stored on farm with the current landowner able to utilize those funds as he sees fit, i.e. there is no legal requirement for the landowner to reinvest the funds back into the property or pay down debt.
- Therefore should the landowner decide to sell the property, the vendor and not the purchaser receives the benefit of the income stream up until the point of sale.
- The purchaser will only receive the benefits of the sale of any ACCUs post the date of purchase.
- Further, the purchaser will still have to continue to manage the CFI footprint and carry the associated liability of the sale of any ACCUs sold before the date of sale together with any further ACCUs they may sell post the date of purchase.

So how do these projects impact the value of a property?

First and foremost, as valuers we are required to put ourselves in the position of a hypothetical prudent purchaser in order to undertake a valuation. In the majority of instances we are required to carry out valuations of these projects for mortgage security to allow the mortgagee to give consent to the sale of the ACCUs in the first instance.

Given that the basis of the instructions from our

client (i.e. the bank) is to determine its market value (inclusive of the CFI Project but excluding the cashflow) to a potential buyer whom we assume to be fully cognizant of all of the issues and benefits associated with both the property and the scheme that is registered upon it.

In effect and as with any mortgage security valuation, we are looking at the value of the holding to a hypothetical prudent purchaser and not the current land owner and vendor.

Conclusions

CFI projects are very property specific and therefore one size does not fit all. As such it is difficult to assess the long term impact on the value of a particular property created by the registering of a CFI project. The encumbrance and liability will ultimately depend not only on the specific characteristics of the agreement relevant to the property, but also on the carbon price of the day.

Should the carbon price continue to increase, there is the potential that a greater liability will be imposed over both the property and the land owner if there is a legal requirement to go to the market and acquire replacement ACCUs at some point in the future. However a price drop over time may well give landholders the potential to reduce their financial burden in the same manner, i.e. it may provide the potential to remove the carbon abatement liability



by purchasing replacement ACCUs at a reduced price in order to relinquish either part or the whole of the liability over the holding (subject to legal contractual requirements).

All things being equal, the value of a project to a potential buyer may very well be at its highest at the beginning of the project when no or minimal sale proceeds of ACCUs have actually been received. Conversely it may be natural to assume (again, all things being equal) that over time as the amount of future income reduces through the contractual period and the liability associated with the historical sale of the ACCUs increases via its attachment to the land, the value of such projects to a prospective buyer may diminish.

As a result, we foresee potential issues within the market over the next three to ten years. A lack of a general working knowledge and a legal understanding of the scheme by the broader market may well have implications on the market value of properties linked with such schemes over the medium term. Whilst the scheme appears to have gained market acceptance, we do not believe the market is fully cognizant of the potential future legal ramifications the corresponding liability will have on the asset in question.

What limited evidence we do have supports this belief. In some instances, discounts are clearly

evident and in others the price paid is considered to be fully firm at best.

Vegetation Management in Relation to Carbon Projects

In light of the recent passing of the Vegetation Management and Other Legislation Amendment Act 2018, our experience indicates that many CFI projects contain a varying mix of country that can encompass both remnant and non remnant classifications (i.e. Category X on the Regulated Vegetation Management Map).

Now, given the legal requirement that a project must only consider regrowth on country that has not been treated for at least ten years, there is a real potential that current Category X country within a Property Map of Assessable Vegetation (PMAV) could ultimately trigger back to remnant at some point in the future if the definition of a PMAV as we know it today should change in the future. This begs the question that if a landowner had the opportunity to remove the carbon abatement liability by purchasing replacement ACCUs at the reduced price in order to relinquish either part or the whole of the liability over the holding (subject to legal contractual requirements), would they then be able to treat this regrowth?

In summary, does the benefit of having a registered PMAV on a property override in perpetuity the legal

restriction of not being able to re-treat regrowth should it ultimately be reclassified as remnant vegetation through a scheme of this nature?

Under the pre-amended Vegetation Management Act, the concept of High Value Regrowth Vegetation (Category C vegetation) only applied to vegetation that was the subject of an agricultural lease under the Land Act 1994 (Qld), where that area had not been cleared since 1989. The Amendment Act now applies Category C to vegetation on freehold land as well as indigenous land that has not been cleared for at least 15 years (since May 2003).

Final Comments

Always seek legal and valuation advice; and there is no such thing as free money.

Cashflow is the financial benefit but is a completely separate issue removed from the valuation process because the land owner can do with it as they see fit. However the risk is the liability that effectively attaches to the land when ACCUs are sold. This liability may have to be carried by the land owner for the entire Permanency Period.

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South East Regional Australia

With the end of the financial year behind us, the Herron Todd White (South-East Regional Australia)



agri team is pleased to have provided advice for in excess of 600 rural portfolios and valued in excess of \$2 billion dollars worth of specialist rural assets throughout Victoria, Tasmania and parts of southern New South Wales and South Australia. The privilege to be involved in the forefront of so many transactions has enabled us to continually provide the most up to date advice in what has proved to be a heated rural market in many locations or sectors. Despite the hype of the larger transactions or properties on the market such as Rushy Lagoon, Coomboona Dairy and the Robinvale almond orchards which are few and far between, in excess of 50% of our advice involves one or many smaller farms with an average value of circa \$3.2 million.

Not surprisingly, the past twelve months has seen us provide advice on over 200 assets in the horticulture and viticulture space across our region of south-eastern Australia. The horticulture sector in particular has been strongly contested by the corporate sector chasing higher investment returns. Recent trends in enquiry suggest that the viticulture space is also beginning to heat up with increasing values evident following a decade of slow market conditions.

The dairy and poultry sectors remains subdued resulting in less than 100 dairy or poultry assets being assessed in the past few months. The corporate grazing and cropping space remains strongly contested in the south, despite a tight

supply of available assets. The recent sales of Cairn Curran near Maryborough and Lexington near Ararat indicate the current strong competition and value growth in this sector.

Our clients are continually seeking a competitive edge in the pre-purchase space through the use of our research and advisory team. Many of our corporate clients increasingly engage us for rural tax depreciation schedules (TDS) and plant and equipment valuations.

A space to watch over the next twelve months is the renewable sector. Our involvement in many wind and solar projects in the past twelve months in addition to the more recent increase in research and advisory services for this sector suggests that there will be more transactions and funds flowing into this space in coming months.

We look forward to providing our new and existing clients with the highest possible level of service and advice across all sectors throughout the new financial year.'

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NSW Far North Coast

Dry seasonal conditions have prevailed for most of the north coast region apart from some rain close to the coastline.

A 40.18 hectare sandy loam soil macadamia nut tree farm at Mororo located about halfway between Ballina and Grafton sold for \$2.5 million (\$62,220 per hectare) and is planted to 7,000 macadamia nut trees that are eight to ten years old. Structural improvements include two sheds, dehusking line and two silos. This farm is indicative of the macadamia industry expansion as this farm is not located in the historically traditional red basalt soil plateaus of Alstonville and Dunoon.

A 46.47 hectare cattle grazing farm with creek flats, a house and a relatively new piggery at Nimbin has sold for \$1.02 million (\$21,950 per hectare). Beef cattle properties continue to be in strong demand.

A 204 hectare farm that has been operated as a dairy farm at Backmede near Casino has reportedly been sold for \$2.63 million (\$12,892 per hectare).

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Deniliquin NSW

From 2010 to 2017, seasonal conditions were quite good with generally good average commodity prices.

A huge 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.



Sales over the past 12 months indicate that a significant rise in levels of value in the area has occurred, particularly the grazing country to the north.

In context of value, cropping, grazing and irrigation has doubled in value since around 2013/2014. Grazing country has increased by around 150% in the same time frame and general security water from both the Murrumbidgee and Murray Valleys has tripled in the same time frame.

In terms of actual values, general security water was around \$600 to \$750 per megalitre in 2013 and now ranges from \$1,900 to \$2150. It is worth noting it has probably come off 10% to 15% in the past month.

The dry autumn and winter start to the 2018 season and the dryer than average outlook for the remaining winter and spring sees the season on a knife edge.

The low water allocations and forecast for low water allocations has resulted in high temporary water prices, currently at around \$275 to \$290 per megalitre. This level of value means summer cropping is not viable and even cotton is considered marginal.

The high temporary water prices will have a significant impact on the terms of trade in the dairy industry in the irrigation areas of northern Victoria and southern New South Wales. We are aware of

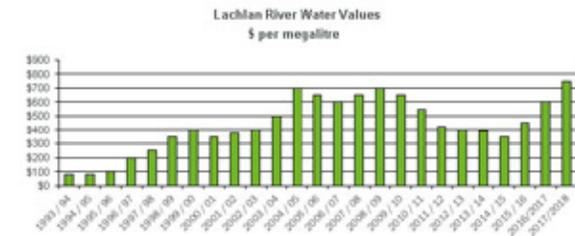
ten farmers in the Kyabram district who will cease dairying when their current milk contracts expire at the end of July due to the continued negative terms of trade.

If the season has a dry finish, the rising values will steady, however if the season ends with average or below average rainfall, we expect the trend of rising values to continue.

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Southern and Western NSW

The rural market continues to show underlying strength with a number of sales yet to be announced currently underway. As mentioned last month we were aware of a transaction at \$8,300 per hectare excluding buildings in the Holbrook district. We are now aware of an additional sale that will show an average increase since purchase of 32%! This is over a number of years. Generally when we hear figures like this we will find that there has been significant capital improvement on the property in terms of buildings or pasture development which is reflected in this increase in value, however in this particular example the property is predominantly the same as purchased and this allows for meaningful comparison of purchase and sale data. Whilst we certainly would not indicate that this is reflected across all areas we cover, it is happening in certain areas that have



perceived reliable rainfall and have seen limited trading due to the tightly held nature of the district.

The sale of Ladykirk in the Holbrook district has now settled. This is a 501 hectare property located 14 kilometres north-west of Holbrook and 17 kilometres east of Coolaman. The sale included a 4-bedroom residence which had been rented for an extended period, an older style fibro cottage, steel cattle yards, four stand shearing shed and an old hay shed. The sale transacted at approximately \$5.3 million which equates to \$10,532 per hectare on an overall basis or \$4,260 per acre. This would be considered one of the strongest sales in the district for a property of this size and we believe is a precursor to a number of transactions at values around this level yet to be announced.

As mentioned last month, we indicated that the Darling River property Buckenbe was off the market and suspected to be under contract, however it appears that it has become a casualty of the



deteriorating seasonal conditions in the west and is now off the market.

Irrigation entitlements continue to be sought after in all valleys from northern New South Wales into Victoria. One of the strongest performers is Lachlan Valley general security entitlements which are currently quoted at between \$900 and \$1,000 per megalitre. We are aware of a number of buyers at the \$950 per megalitre level and believe we will see some transactions at or slightly higher in the near future. These entitlements three years ago were trading at between \$350 and \$450 per megalitre. This is all taking place when there is currently a zero percent allocation within the system. Previously we have observed the water market to behave in ways that were inverse to the general supply and demand situation. When the raw material, i.e. the water entitlement, was not available or available only in very limited quantities, we saw the market back away from the asset at a time when you would expect that the lower supply would deliver increased interest and prices. Conversely when there were allocations available within the system, this triggered interest as the asset could be used to irrigate various crops and produce income which then saw increased competition and pricing. The current situation would indicate that the general market feels that there will be limited or reduced availability of entitlements in the future particularly in the Lachlan Valley and as such is looking to gain

or acquire as much entitlement as possible even if there is a zero allocation.

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Central Northern NSW and Victoria

The majority of New South Wales continues to be affected by a prolonged drought. There are few listings which is leading to lower numbers of rural sales however land prices appear to be holding steady with some increases seen in higher rainfall areas particularly to the north and north-east of Armidale.

Looking at properties in excess of 250 hectares throughout the Armidale LGA, the number of sales has dropped from approximately 25 from June 2016 to July 2017 to 14 from July 2017 to June 2018.

Recent sales of note include Emily Park at Ben Lomond (A) which sold at auction in May 2018 for \$4.35 million, Yonda at Guyra (C) which sold in April 2018 for \$3.97 million and Earlstoun at Guyra (K) for \$4 million in December 2017. Conditions in the Tamworth LGA are extremely dry with well below average rainfall over the past six months. Farmers have been unable to plant winter crops due to the lack of moisture and most farmers are having to hand feed their stock or sell the stock due to the lack of feed.

Throughout the Tamworth LGA there has also been a decrease in the number of sales from approximately

34 from July 2016 to June 2017 to 26 from July 2017 to June 2018.

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Northern Victoria

Solar Farms

Solar farms and solar farm proposals are popping up all across the country and northern Victoria is no different as a recent article in the local paper has reported (<https://www.pressreader.com/australia/shepparton-news-country-news/20180703/281496457030478>). There are several additional farms proposed in the region which were not included in this article or have been subsequently proposed with the golden row (first row of panels) having been installed at the Swan Hill solar project recently (<https://reneweconomy.com.au/victorias-second-large-scale-solar-farm-opened-at-swan-hill-56613/>) in close succession to the Gannawarra solar farm (<https://www.rcrtom.com.au/latest-projects/gannawarra-solar-farm/>).

Herron Todd White has been engaged in various capacities to act for both landholders and developers to provide suitable land advice on options, leasing and purchase of suitable sites with demand continuing. While there are many opportunities afforded by this exciting new technology, there are a variety of key considerations and strategic features developers are looking for in a site - most particularly



the site proximity to existing electricity infrastructure and the capacity of the infrastructure to carry additional electricity loads.

Landholders or developers interested in finding out more can contact their local Herron Todd White valuer to discuss any proposals.

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Northern Territory/Kimberley

Mount McMinn Station (809 square kilometres in the Roper River district, 180 kilometres east of Mataranka) settled in early June for \$7.5 million (WIWO) or around \$5 million bare to an Australian based purchaser (with South African ties). The property last sold in September 2005 for around \$3.5 million (assessed bare) with several new accommodation buildings, partly new boundary and subdivision fencing and eight new dams developed in the interim. The Mount McMinn sale follows the only other pastoral sale in the Northern Territory in the year to date which was Maryvale (3,244 square kilometres in the Alice Springs district). However, as the live export price now appears to be stabilizing at viable levels for pastoralists and with the dry season property inspection period in full swing, sales activity is picking up and we are aware of a sale under contract for at least one other small

scale (< 5,000 head carrying capacity) station and offers accepted on another three small to medium scale operations in the northern half of the Northern Territory (details remain confidential at this stage). We are also aware of a large freehold grazing block (over 9,500 hectares) north of Katherine that is also under contract for sale and will also be a resale with a four year turn-around. The potential purchasers are predominantly Australian based and it brings this Valuer some confidence to see the smaller holdings attracting the interest of experienced Territory pastoralists looking to expand their operations.

It has also been reported in the media and announced to the ASX that Seafarms, the potential developer of the massive prawn farm on Legune Station (1,789 square kilometres in the northern Victoria River district) has signed a terms sheet with Brisbane based AAM Investment Group (AAMIG) to buy the Legune pastoral lease and then lease an area back to Seafarms for the aquaculture development. Full details of the WIWO deal remain confidential at this stage and Seafarms still has to make its final investment decision on whether to proceed with the project or not (there is an existing option agreement between Seafarms and the current pastoral lessee; the project investment is reportedly \$1.45 billion and has achieved Major Project Status under the NT Government). There could be several outcomes to the deal in the end

however AAMIG have reported to the press that the WIWO deal would be in excess of \$50 million.

If we assume the above pastoral deals are eventually consummated in settled sales, there will remain around 5.09 million hectares comprising 19 pastoral lease holdings still available for sale across the NT at present .

A significant event for the potential of future pastoral diversification in the NT also occurred in June with the NT Government suspending the decision for the proposed change to the NT Pastoral Lands Act to allow registration of non-pastoral use permits on a pastoral lease title. The decision now rests on the outcome of a model yet to be developed which would grant greater procedural rights for Native Title Holders in the granting of the permit.

The outlook for the NT agriculture and horticulture industry received a confidence boost this month with the NT Government announcing a \$4.8 million investment in the Darwin International Airport Freight and Education Hub under the Building Better Regions Fund. The project will include the construction of an on-airport cold storage facility, a vapour heat treatment facility and upgrades to the airside apron and taxiway to accommodate larger aircrafts and a training and education facility to create opportunities for students to learn about export, freight and logistics for the primary industry



sector. The vapour heat treatment plant is for the Territory's main high value horticultural crop, mangoes, an industry which has proven its strong viability in the NT over recent decades. Harvested mangoes would be put through the plant to remove fruit fly before export overseas to China, Korea and Japan. Currently, Territory mangoes are sent to Queensland for treatment before being exported.

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Western Australia

The vagaries of Western Australian weather are evident this year with some southern wheat and sheep areas that suffered flooding last year having a very dry start. The reverse can be said for some of the northern cropping regions which had a very dry start last year and have had solid rainfall events, giving crops a good start and producing much needed feed. This was very evident during inspection of crops over the last month and is likely to result in a very mixed cropping season if finishing rains do not eventuate. Will this affect the market in the regions which are having a dry start? There is potential that if whole farm failures occur it will create financial pressure however a number of regions affected have had some good years in the last decade and surely have allowed for the risk of a bad year or two in their planning. The weather is a risk that is as old as the hills the crops grow on and therefore it

will always be one of many factors that influences the land market. However like frost prone areas it is a risk that potential purchasers acting prudently and knowledgeably would be aware of and take into account in their purchasing decisions. I appreciate that long spells of drought and extreme weather events are very difficult to account for and some years farming is like rolling the dice at the casino.

It is unlikely that the land market in the southern regions that are having a dry start will be adversely affected in terms of value however a good result in some of the northern and eastern regions has the potential to trigger some activity after a number of slow years. This is already evident with the reported sale of 3,410 arable hectares at Gabbin (north-east of Perth) for \$2 million in July 2018 equating to \$586 per arable hectare improved.

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