

Rural Report

Farewell Lynne

Generally we do not like using clichés but on this occasion it is well warranted to say that Lynne Morice has been the backbone of the Morice business for the past forty one years. Stuart and Lynne founded Morice in 1976 and ran a very successful property valuation and advisory business. In 2003 their sons Greg and Mark took over as directors and today the business continues to thrive.

Lynne has had a very active role in the company as Office Administrator. She always strives for perfection and this is reflected in the presentation of her work.

Lynne has now decided to step back from the business; her sunny smile and cheerfulness will be missed on a daily basis however we are expecting she will come in to keep an eye on us and make sure we maintain the high standard of service to our clients and colleagues as set by her and Stuart.

Happy Retirement Lynne – so very well deserved.

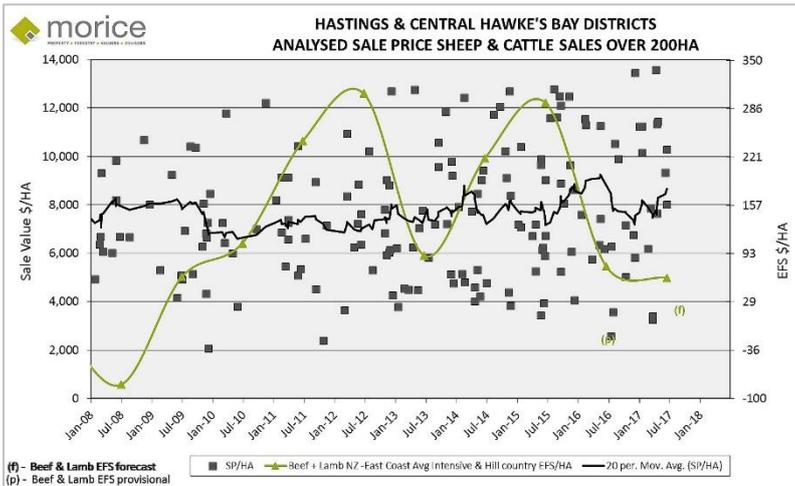
We welcome Sarah Johnston who will undertake administration of the business on a permanent part-time basis.



Market Outlook

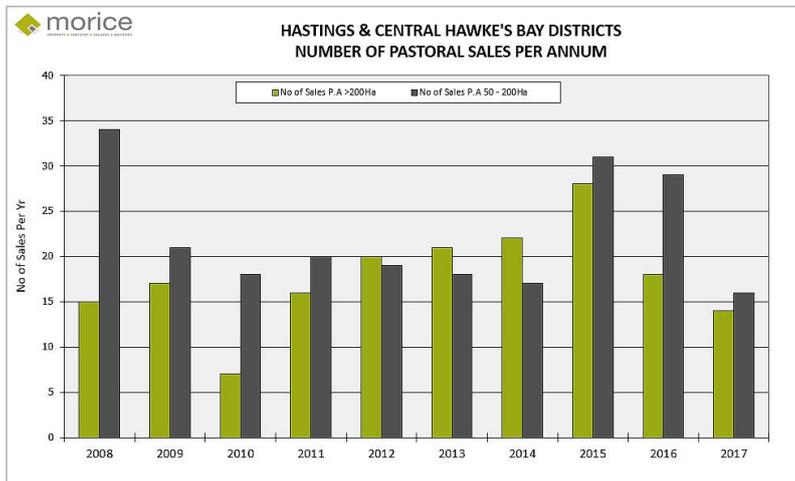
Sector	Productive Land Value Range (\$/ha)	Outlook
Pastoral - Dairy	15,000 - 28,000	Steady
Pastoral - Finishing	7,000 - 15,000	Flat
Pastoral - Breeding	3,000 - 10,000	Increasing
Orchards (Land & Tree Value)	80,000 - 150,000	Increasing
Grapes - Gravels (Land & Vine Value)	110,000 - 150,000	Soft
Grapes - Other Areas (Land & Vine Value)	50,000 - 100,000	Soft
Premium Cropping	75,000 - 100,000	Increasing
Secondary Cropping	35,000 - 55,000	Increasing
Forestry - post-1989	2,000 - 5,000	Increasing
- pre-1990	1,500 - 3,500	Increasing

sheep & cattle



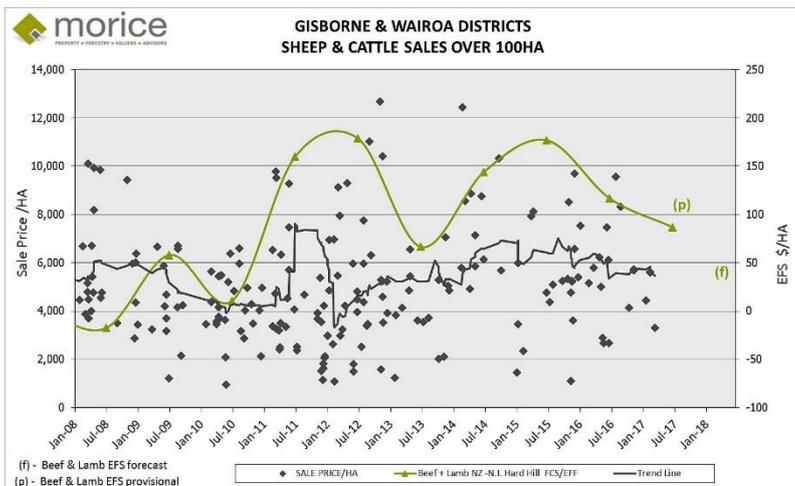
Hastings & Central Hawke's Bay Districts

- Land values for 2017 have remained steady off a smaller sales base than previous years
- 2016 was a tough farming year however the market had steady listings which has continued into 2017, and is expected to increase throughout the spring period.
- Presently there is solid demand for good quality properties located in reliable rainfall areas however there are a number of desirable properties coming to the market this spring which will test market depth.
- Strong income for breeding type country versus finishing country has seen a shift in demand to breeding properties.
- Good rainfall over the winter and spring period has set up many farms with good feed.



Gisborne & Wairoa Sales

- Strong returns for breeding country has a more stable market in the Gisborne/Wairoa location.
- The number of sales in 2016 dropped from 2015 however average sale prices have generally been steady, with a sale for over \$1,000/SU noted recently.
- Most demand in the region is from good to large scale operators continuing to expand.
- Currently a reasonable amount of properties for sale.
- Forestry and honey likely to have some impact on farm values in the near future.
- New benchmark set for Wairoa sales with a strong sale making over \$1000/SU.



orcharding

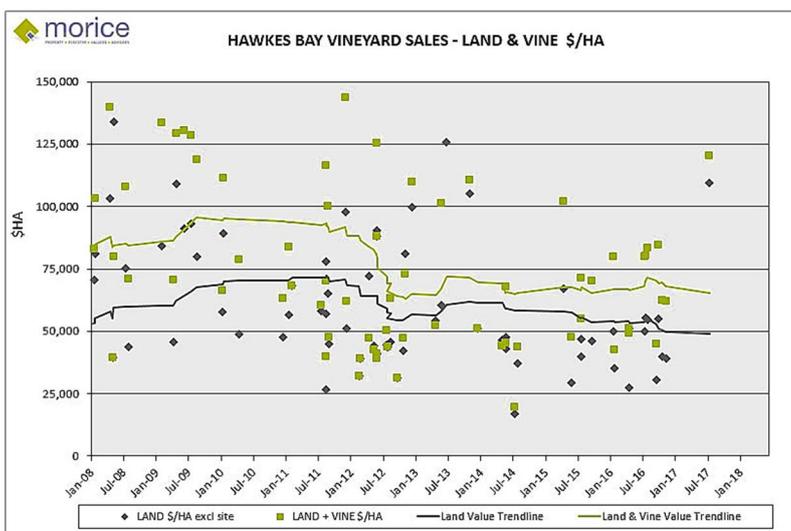
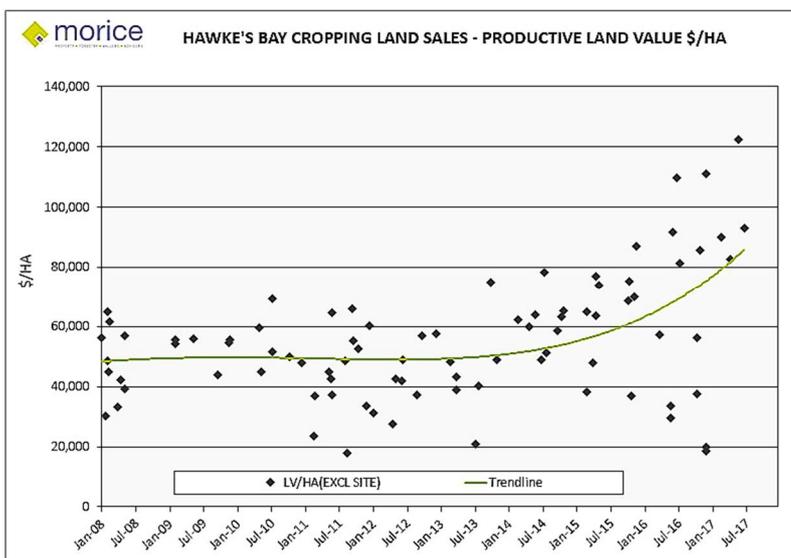
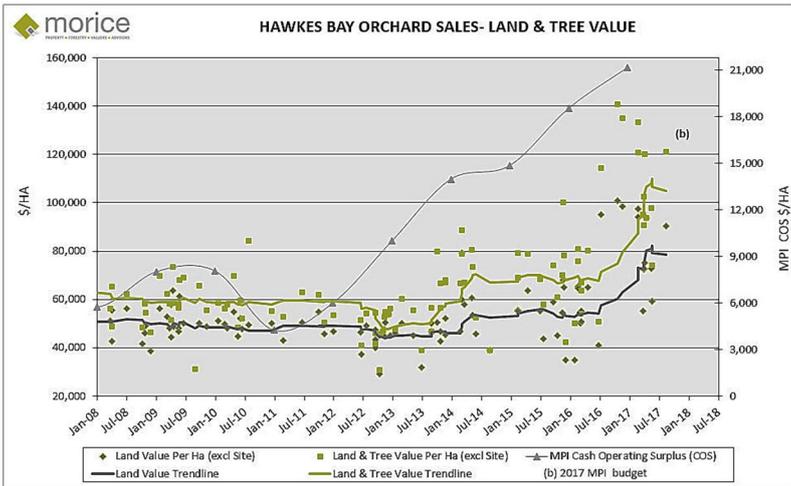
- Current unprecedented demand emerging from investor-type buyers, with very strong sales being achieved.
- The 2017 crop incomes will be back on the very good 2016 year due to an approximate 10% drop in yields and a slight reduction in average export carton prices.
- Strong returns being achieved. Premium prices for niche varieties.
- There is strong demand for well-located, good-quality orchards with water being an emphasis.
- Larger scale apple companies with majority of overseas ownership finding land purchasing difficult due to the high cost & time delays of Overseas Investment Office (OIO) decisions.

cropping

- An increasing number of cropping properties for sale with many being purchased to be developed for orchard purposes.
- Strong competition as demand for bare land from the pipfruit sector increases on the back of strong horticulture returns.
- Increased demand for cropping land has seen values of secondary cropping land increase.

viticulture

- Marlborough remains the premium grape growing region in New Zealand, generating worldwide demand and achieving good premiums for its produce.
- Nationally the 2016 vintage was high quality; up 34% on the smaller 2015 vintage but still lower than the record 2014 vintage.
- The 2017 vintage was disappointing. A cool spring followed by windy summer followed by wet autumn reduced the season's crop.
- Hawke's Bay produces 80% of total Merlot supply however prices have not increased for approximately eight years.
- There are a number of vineyard properties on the market; some commentators suggest it is cheaper to buy contract Hawke's Bay wine than to grow it.

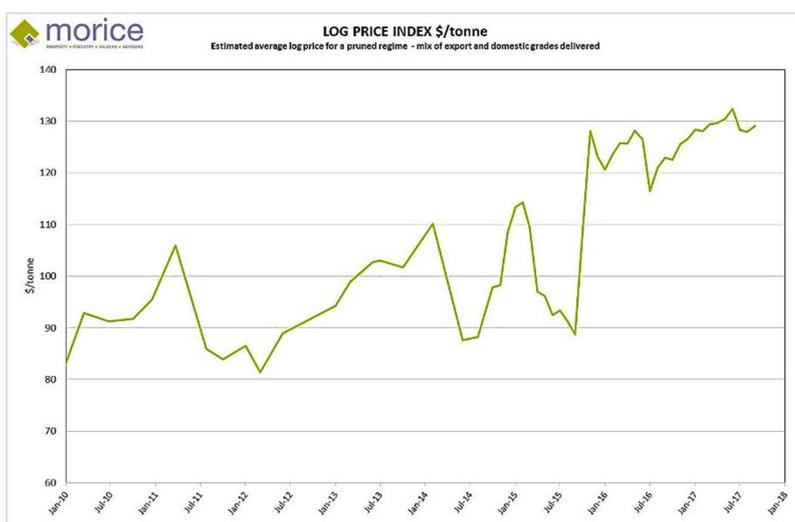
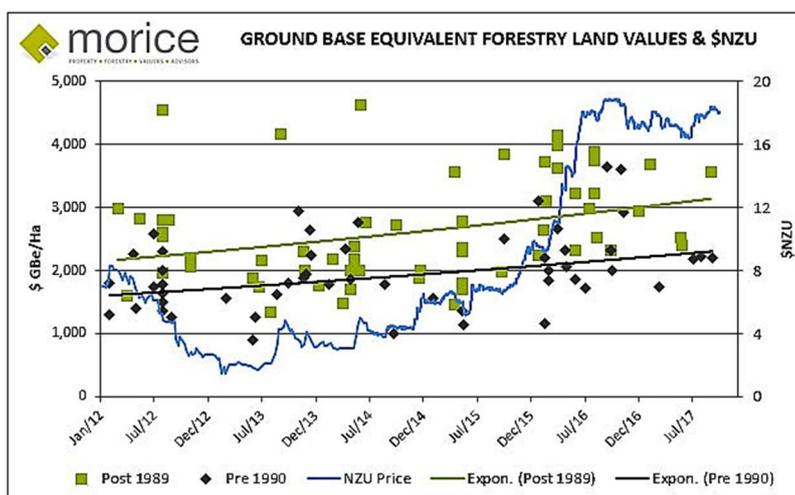


forestry

- NZU price is hovering around \$17.30-\$18.90 over the previous quarter; current spot \$18.90.
- Forward curves to 2023 indicate 4% annual growth in NZU price.
- Continued strong demand for well-located forestry properties.
- Greenfields planting minimal as forestry struggling to compete with the pastoral sector. Lift in carbon price may change this.
- Forestry becoming a desirable investment.
- Agriculture now likely to be included in the ETS. Post-1989 plantings will provide an emissions buffer.
- Average log price (based on pruned regime) sitting at near high of \$129.10/tonne, an increase of \$6.10/tonne from the same period last year.
- Continued strong demand for export and domestic logs.
- Critical to understand the value of your woodlot if harvesting or offering a lump sum sale.

dairying

- In September 2017 Fonterra increased the forecast Farmgate milk price to \$6.75/kg MS.
- Farmers have a renewed sense of confidence, with several dairy farms coming onto the market in light of recent stronger returns both achieved and forecast.
- Recent Global Dairy Trade Auctions show solid demand, particularly from Chinese and Southeast Asian markets.
- No dairy sales in Hawke's Bay over the last year.



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