

Rural Report

Welcome Cameron Walker

Cameron has recently joined us after completing his Bachelor of AgriCommerce at Massey University at the end of 2016. Cameron grew up in the Manawatu and has gained practical experience in the sheep and beef industry from several years of part time work on various farming enterprises.

Cameron is committed to becoming a valuable member of the team - aiming to become registered within three years. He is also continuing study at Massey University for a Master of AgriCommerce.

George Macmillan and wife Riani have just had their first child – Henry.

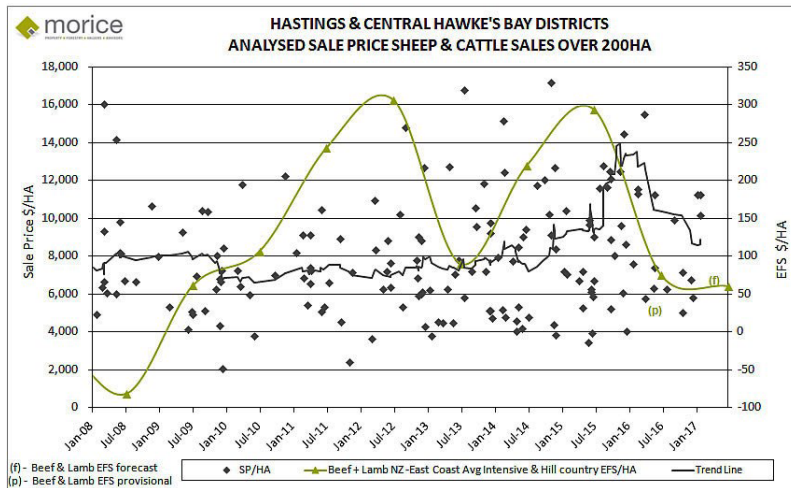
In other news, we eagerly await the Hawke's Bay Regional Council's review of the Ruataniwha Dam.



Market Outlook

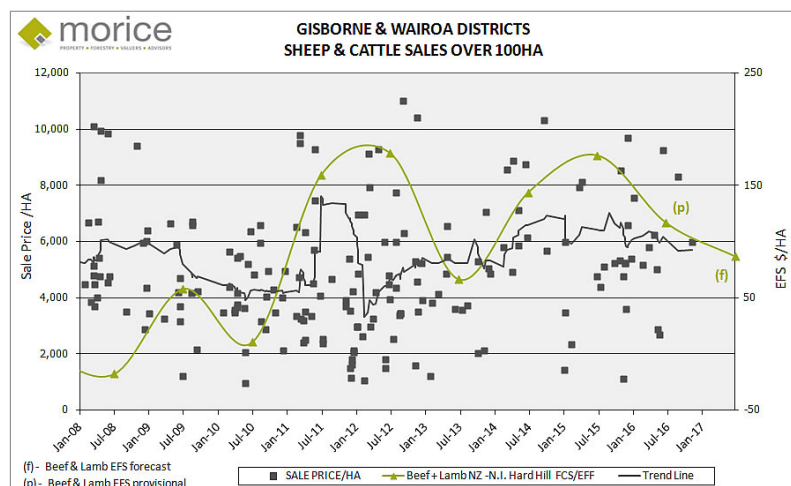
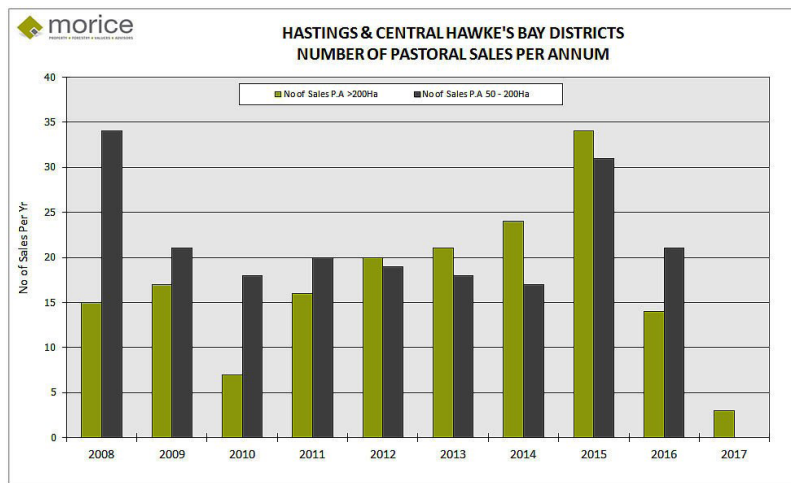
Sector	Productive Land Value Range (\$/ha)	Outlook
Pastoral - Dairy	15,000 - 28,000	Improving
Pastoral - Finishing	7,000 - 15,000	Flat
Pastoral - Breeding	3,000 - 10,000	Increasing
Orchards (Land & Tree Value)	80,000 - 150,000	Increasing
Grapes - Gravels (Land & Vine Value)	110,000 - 150,000	Soft
Grapes - 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	Steady
- pre -1990	1,500 - 3,000	Steady

sheep & cattle



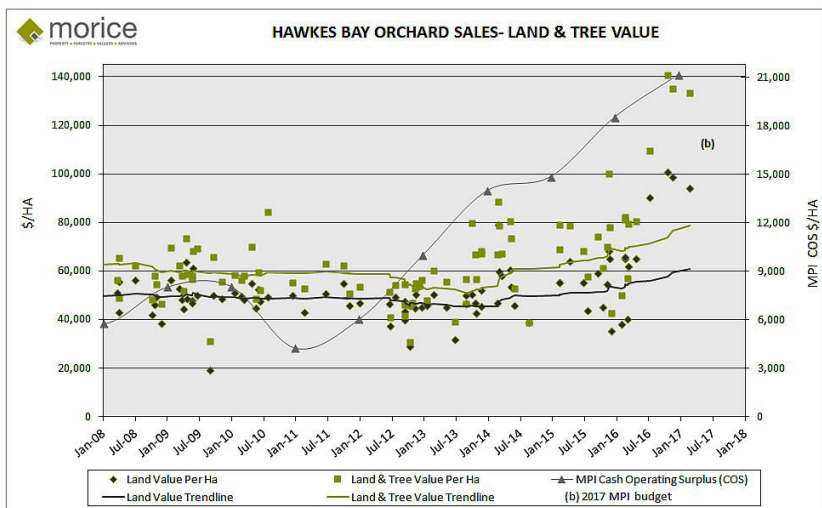
Hastings & Central Hawke's Bay Districts

- Strong sales in 2015 failed to carry through 2016.
- Big increase in land prices for spring 2015 were not maintained through 2016/17.
- Impact of dry summer 2016/17 delayed the number of properties coming on the market creating a lack of supply.
- Strong autumn 2017 with an increased number of properties for sale.
- Strong income for breeding type country versus finishing country has seen a shift in demand to breeding properties.
- Year-on-year average capital gain for previous 10 years assessed at 5.1%.



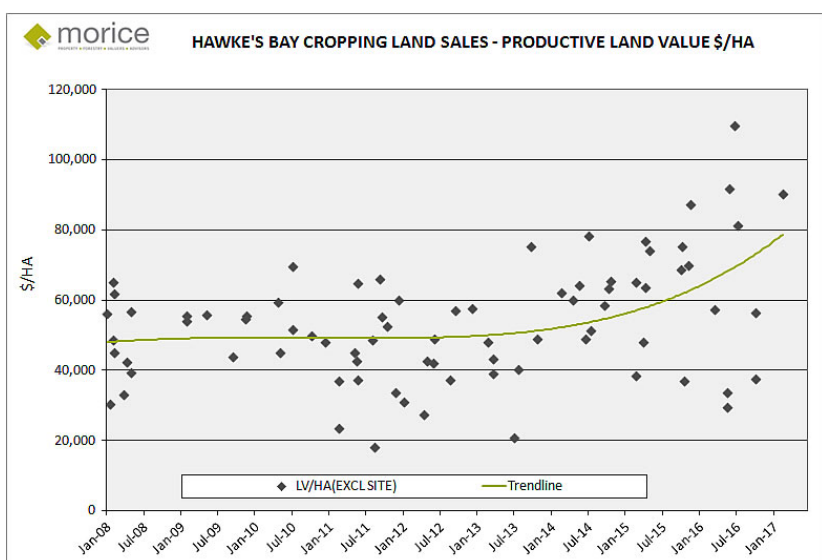
Gisborne & Wairoa Sales

- 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.
- Most demand in the region is from good to large scale operators continuing to expand.
- Currently a lack of properties for sale.
- Forestry and honey likely to have some impact on farm values in the near future.



orcharding

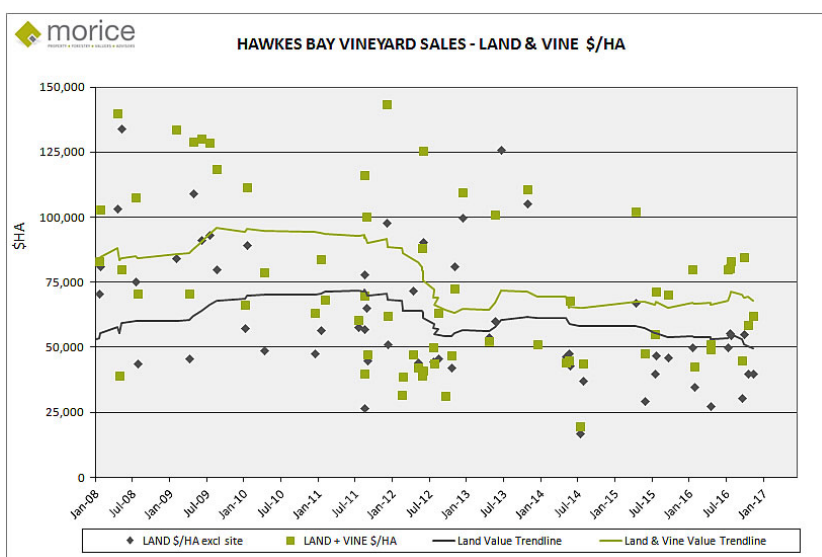
- Current unprecedented demand with very strong sales being achieved. Two recent sales equated to \$179,000/ha for land and trees.
- Apple and pear exports are expected to reach record levels for the 2017 harvest at 387,000 tonnes.
- Strong returns being achieved. Premium prices for niche varieties.
- There is strong demand for well located orchards for lifestyle use with balance land suitable for lease to larger operators as this provides notional rental income to the purchaser.
- 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.



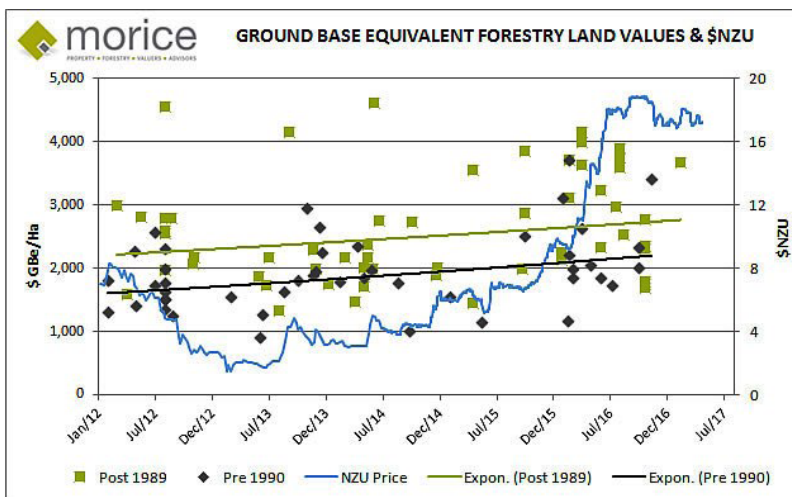
cropping

- Few cropping properties for sale on the market.
- 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 has turned to disaster. A cool spring followed by windy summer followed by wet autumn has reduced this 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 \$16.90 - \$18.10 over the previous quarter; current spot \$17.30.
- Forward curves to 2022 indicate 4.1% annual growth in NZU price.
- Continued strong demand for well located forestry properties.
- Export log prices remain strong with A Grade being some 9% higher than the same time last year.
- Domestic log prices remain strong with good demand.
- Forestry becoming a sound investment.
- Post-1989 plantings will provide emissions buffer if agriculture included in the ETS.

dairying

- In November 2016 Fonterra increased the forecast Farmgate milk price to \$6/kg MS.
- Farmers have reduced capital stock numbers & trimmed operating budgets including the major expenditure items of feed, fertiliser & labour to minimise losses & promote efficiencies.
- 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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