The value of farmland underpins our farming businesses and rural communities. It reflects the strength and confidence of agricultural industries.

Good information is critical when making farm management decisions, so understanding farmland values is important to everyone in agribusiness, especially Victoria’s farmers. That’s why Rural Finance has produced the Victorian Farmland Values Index 2013.

The Index provides analysis at State, industry and regional levels, and is based on data compiled from the past 23 years.

An index is a statistical measure used to track changes in a particular metric over time, allowing the aggregation of multiple data points into one relevant graph. Our index has a base year of 2000 - which will always equal 100. All years therefore relate back to 2000 - for example, if 2005 has a value of 132, then land values were 32% higher in 2005 than in 2000. The information herein is intended to provide general information on a particular subject or subjects and is not an exhaustive treatment of such subject(s). Rural Finance makes no representation as to the accuracy or completeness of such information. Any opinions, estimates or projections in this report do not necessarily reflect the opinions of Rural Finance and are subject to change without notice. Rural Finance has no obligation to update, modify or amend this report or to otherwise notify a recipient thereof in the event that any opinion, forecast or estimate set forth herein, changes or subsequently becomes inaccurate. This report is provided for informational purposes only and should not be relied upon without consulting your legal and/or tax professional.
ABOUT THE RESEARCH

The Victorian Farmland Values Index is based on real farm sales and uses data collected by the Valuer-General Victoria. There have been more than 65,000 farmland sales in Victoria since 1990.

Some sales inconsistent with the definition of ‘market value’ have been excluded from the Index. These are sales between family members, or where the seller may be unwilling, such as mortgagee-in-possession or where one party has compulsory acquisition powers.

The Index is based on:

- 44,268 property sales
- In 1,605 parishes
- Over 22.5 years
- Representing 5.8M ha of land at a value of $15.2B

The Victorian Farmland Values Index is an aggregate of 16 indices based on location and the dominant agricultural industry.

The value of land in Victoria’s dairy regions in 2013 remained similar to the previous year. Dairy land values have recovered from a dip in 2008.

Victoria’s cropping land has shown a general trend of strong growth since 1990.

Victorian farmland values were stagnant from 1990 until 2000, increased rapidly until 2008, when values dipped. They then plateaued in 2010 and 2011 and have gained ground in recent years.

The median value of Victorian farmland increased by 5% in 2013, following 8% in 2012.

The Mallee had the largest proportion of farm sales to family members. The lowest number of family farm sales occurred in East Gippsland.

Mixed farming regions experienced a general trend of slow growth. Mixed farming land in the Wimmera has been a star performer since 2000.

The North East grazing region accounted for the most land sales over the 23-year study period, with 6,750 sales in all. The fewest sales in the same period occurred in the Macalister Irrigation District in Gippsland (566 sales).

Between 2000 and 2010, the value of grazing land in Victoria at least doubled.
MEDIAN VALUE ON THE RISE

The median value of Victorian farmland increased in 2013, up 5% on 2012. This follows an increase of 8% in 2012.

Over the past 23 years, there have been three distinct trends in farmland values across Victoria:

**1990 - 2000**
- This decade saw stagnant farmland values.
- Capitalised annual growth rate 1.8%.

**2000 - 2008**
- Values increased rapidly to a peak in 2008.
- Capitalised annual growth rate 11.6%.

**2008 - 2013**
- A decline in farmland values occurred in 2008, before stabilising in 2010 and 2011.
- Values began increasing again through 2012 and 2013.
- Capitalised annual growth rate 0.1%.

Across the state, 10% of rural land sales are between family members.

VICTORIAN FARMLAND VALUES INDEX
The number and timing of farming sales depends on both the industry and location. While grazing and mixed farming sales are relatively constant throughout the year, almost half of cropping sales occur in February and April. In contrast, the dairy property market tends to be most active in autumn to early winter, probably to align settlement with the start of the new financial year and the traditional dry period for cows. While the sales for mixed farming and grazing properties peak in spring, all industries experience a lift in sales during the late spring period.

48% of cropping sales occur between February and May
30% of dairy sales occur between May and July
30% of grazing sales occur between October and December

All industries experience a lift in sales during the late spring period.
In 2013, the median value of Victorian cropping land increased by slightly (1%) in 2013, following strong growth (33%) in 2012.

While the cropping index appears volatile, the overall trend is one of consistent growth. The two notable exceptions are 2006 and 2011, when the number of sales in the Mallee peaked. As the per hectare value of land in the Mallee is lower than the other cropping regions, this regional influence pulls the index lower in these years.

A closer look at the value of land in the Victorian cropping regions reveals both similarities and differences in each location over the past 20 years.

The Mallee and the Wimmera cropping regions follow the general cropping trend with values in the Wimmera less volatile than the Mallee. This is probably representative of the more consistent rainfall and soil types in the Wimmera.

The South West and North East cropping indices show greater volatility which is likely due to the greater influence of alternative land use in these regions.
The value of land in Victoria’s dairy regions dropped slightly in 2013 year. In 2012, values increased by 14%, on top of 10% in 2011.

2012
Dairy farmland values increased by 14%

2013
Dairy farmland values fell by 1%

This is a solid recovery from the sharp decline following 2008, when the milk price and industry confidence suffered in the wake of the Global Financial Crisis.

The drop in land value was the most pronounced in the Macalister Irrigation District (MID) and in South West Victoria. The falls in the MID may have been amplified by concurrent water reform, and a small number of sales. West and South Gippsland, in comparison, have been remarkably resilient, dropping off just slightly in the last two years. Northern Victoria's modest growth is linked to the unbundling of water assets from land assets in 2007. Since 2007, the index reflects land values only.
Similar to the cropping regions, the year-to-year volatility of land values in the mixed farming regions belies a generally consistent, if slow, growth trend, particularly since 2000. Mixed farming regions experienced growth in land values of 21% in 2012. This was driven by strong growth in the Wimmera.

The volatility is likely caused by the diversity of productive potential (and hence land values) across the mixed farming regions. For example: the North West corner of the Wimmera is dominated by sandy grazing country with low rainfall, whereas the southern sections have higher rainfall, more fertile clay loam soils, and may be either cropped or more intensively grazed. While the values of the regions vary, sales too are not homogenous – there may be clusters of sales in either high or low value regions which can cause volatility in the index.

CAUSES OF VOLATILITY

The 1990s were once again characterised by a long period of stagnant land values followed by a generally upward trend through the 2000s. Mixed farming farmland values fared well after 2008 when values plateaued rather than dropped. Since then, mixed farming land values have recorded modest growth.

The mixed farming index draws on sales from regions where most farm businesses combine cropping and livestock enterprises.

2013 mixed farming land values decreased by 1% compared to 2012

Mixed Farming Land Index (2000=100)

Mixed Farming Index 3-year rolling average

Central Highlands, Wimmera, South West, North Central
Grazing farmland values were largely unchanged in 2013 in comparison to the previous year.

This follows a period of volatile land values. Values of grazing land have followed the statewide trend - stagnant during the 1990s, rapid growth in the early to mid-2000s, and then volatility following 2007.

Values of grazing land have followed the statewide trend

**1990 - 2000**  Stagnant and declining farmland values, dropped an average of 1% per year over the decade.

**2000 - 2008**  Rapid growth in farmland values, averaging 10% per year for the 8 years.

**2008 - 2013**  Back to volatile but generally slow growth averaging 2% per year over the last 5 years.

LIFESTYLE HAS AN INFLUENCE

The grazing farmland values index is split by parcel size because of the influence of the lifestyle market in the grazing regions. The capital gains associated with parcels of land of less than 60ha have been dramatically different to those associated with the larger, grazing properties.

The grazing property market has very few inter-generational transactions representing only 7% of sales.
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About Rural Finance
For more than 65 years, we’ve fostered long-term agricultural prosperity by supporting young farmers and administering industry restructures, land restructures and productivity programs across Victoria.

We Believe in a Bright Future for Agriculture
Our purpose is to support and enable farmers to build vibrant businesses and drive the growth of Victorian agriculture.