INTRODUCTION

The value of land 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. That’s why Rural Bank and its specialist insights team, Ag Answers have produced the Western Australian Farmland Values Index.

The Index provides analysis at state, industry and regional levels, and is based on data compiled since 1993.
ABOUT THE RESEARCH

The Western Australian Farmland Values Index is based on real farmland sales of 50ha and greater and uses data collected by Landgate (Western Australian Land Information Authority).

Property sales that are inconsistent with the definition of ‘market value’ are excluded from the analysis.

The 2014 observations in this report are based on the number of sales available at the time of printing. Due to varying settlement periods, some 2014 sales are yet to be captured in the data used to publish this report.

The Western Australian Farmland Values Index aggregates the analysis of 10 industry and region pairings (listed below).

The industry and region pairings are based on the dominant farm industry in a particular region, but does not exclude other farm industries.

Farmland values are based on all farm land, not arable land alone.

An index is a statistical measure used to track changes in a particular metric over time, thereby the aggregation of multiple data points into one relevant graph.

The Farmland Values Index tracks the median farmland value using 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 analysis draws on:

- Over 18,000* farmland sales
- Over 22 years
- Representing 11.1m ha of land
- With a combined value of $12.5b

*The number of farmland sales is an estimate based on grouping of like sales using a unique identifier code for each farm sale. However, in cases where multiple buyers purchase different lots in the sale of one farm, multiple identifier codes will be applied.

KEY POINTS

The median value of Western Australian farmland increased slightly in 2014; up 0.8% following a 7.3% decrease in 2013.

Farmland values have grown ahead of inflation. Since 2000, average annual inflation has been 2.7%. Average annual growth in Western Australian farmland value has been 4.8%.

The median value of Western Australian dairy farmland has doubled since 2000.

The Western Australian Mixed Farming Farmland Values Index has experienced a period of decline from 2008 to 2013. Median value increased by 6.4% in 2014, following a 0.7% decrease in 2013.

The number of farmland sales was around 900 per year from 1994 to 2008 before dropping to about 550 per year after 2008.

Western Australian farmland values experienced moderate growth in the 1990s, then rapid growth in the early to mid-2000s before settling back to moderate growth in recent years.

The median value of Western Australian grazing farmland increased by 26.7% in 2014, which followed a 23.6% decrease in 2013.

The Great Southern mixed farming region accounted for the most farmland sales over the past decade, totalling 1,116. The Central grazing region had fewest farmland sales over the same period, totalling 288.

The Western Australian Cropping Farmland Values Index decreased by 0.6% in 2014.
2014 AT A GLANCE

WEATHER

In 2014, the mean annual rainfall was above average for most of Western Australia except the West Coast. Temperatures across the state were above average, particularly in parts of the South West where annual mean temperatures were the highest on record (Bureau of Meteorology, 2014).

Growing season conditions were favourable for most grain growing regions, however storms just prior to harvest caused a drop in yield in affected areas.

STOCK MARKET

2014 was a disappointing year for Australian stocks.

The market finished the year almost where it started, held back by energy, iron ore and mining services stocks that were impacted by weak commodity prices. This limited returns from shares to about 5%, including dividends. The All Ordinaries Index closed 2014 only 19 points higher than it opened.
AUSTRALIAN DOLLAR

The Australian dollar hovered around 0.92 USD for most of the year, before trending downward in early September as weak commodity prices and expectations of a shrinking interest rate differential to the US dollar had an impact.

The Australian dollar peaked at 0.95 USD in July but fell to 0.80 USD by Christmas, the lowest level since June 2010.

WOOL

The wool industry experienced a mixed year. Producers of broader micron wool enjoyed record prices, which was a welcome result given that wool tends to be a secondary product for many of these producers. Fine wool prices traded in the five-year 20th-25th percentile range reflecting the decline in demand for fine wool from China.

DAIRY

Dairy producers’ optimism was rewarded with increased prices for their product during the year. Prices were primarily fuelled from competition among main buyers in response to local supply and demand factors.

GRAINS

Western Australia experienced the most favourable grain growing seasonal conditions of any Australian state in 2014, with many regions recording average or higher yields. Cereal production has grown to record levels in recent years and, although the 2014/15 harvest was lower than the previous year, wheat production was still above the five-year state average.

BEEF

In 2014, cattle prices steadily recouped falls from the previous year and rallied further in November and December to finish the year strongly. After watching US cattle prices extend gains ahead of local markets in 2014, the long-awaited combination of strong export and domestic demand and tightening domestic supply finally flowed through to local cattle prices.

LAMB

Lamb markets maintained historically high prices in 2014, despite a record slaughter rate of approximately 22.4 million head. The National Trade Lamb Indicator closed the year at 547 cents per kilo carcass weight, up 33% from the beginning of the year.
Since 1993, there have been four distinct trends in Western Australian farmland values:

- **1993 - 1998**: Moderate growth. Average annual growth = 1.4%
- **1999 - 2001**: Stagnant. Average annual growth = -2.0%
- **2002 - 2005**: Strong growth. Average annual growth = 24.5%
- **2006 - 2014**: Consolidation. Average annual growth = -0.2%

The median value of Western Australian farmland increased by 0.8% following a drop of 7.3% in 2014.

The average parcel size of farmland sold in 2014 was 582 hectares.
The number of Western Australian farmland sales increased to 579 in 2014* after recording 570 sales in 2013.

The number of farmland sales was around 950 per year from 1994 to 2007. Sales activity then dropped significantly from 2008 to around 550 sales per year.

The number and timing of farmland sales depends on both the industry and location. While grazing and dairy sales have proven to be relatively constant throughout the year, almost half of all cropping sales occurred between January and April. Sales activity then picked up again from September to December in cropping regions. Mixed farming regions have also displayed two peak periods, the first from February to April and the second in October.

Total value of farmland sold per year 1993-2014 - Western Australia

* Based on the number of sales for 2014 at time of printing.

45% of cropping sales occur between January and April.

29% of dairy sales occur between May and July.

37% of grazing sales occur between May and August.

55% of mixed farming sales occur in autumn and spring.
The Cropping Farmland Values Index showed steady growth from the mid 1990s until 2002 with an average annual increase of 8.1%. Median values then rose sharply from 2002 to 2008. A period of stagnation followed from 2009 to 2014 with average annual growth of 1.9%.

The Central cropping region has exhibited a similar pattern to the overall Cropping Farmland Values Index. The Eastern and Midlands and Mid-West cropping regions have shown less volatility and farmland values there have largely been static over the past decade. The South East Coast cropping region has been trending higher since 2002.
The number of farms sold in cropping regions has been trending lower since 2009, after a period of relative stability where the number of sales averaged around 450 per year between 1995 and 2008. There were 290 sales in 2013 and 323 in 2014.

In 2014 the median value of Eastern and Midlands & Mid-West cropping farmland dropped by 5% and 3% respectively. Central farmland values grew by 2%. South East Coast cropping values were unchanged.

The total value of farmland sold depends on the dollar per hectare value, the number of sales and the size of the properties sold. From 1993 to 2008, the main driver for total value of cropping farmland sold was growth in the median price per hectare. After 2008, the median price per hectare plateaued, however the number of sales declined sharply which resulted in a fall in total value of farmland sold.

In 2014, there were more than 320 cropping farmland sales in Western Australia.

There is a distinct spike in sales for each region during February and March. This is typical of cropping land sales in Australia. All cropping regions display a lull in sales activity between June and August.

**TRENDS IN NUMBER OF FARMLAND SALES**

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**SEASONAL SALES PATTERN**

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**MIXED RESULT FOR CROPPING REGIONS**

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The Dairy Farmland Values Index draws on sales from regions where most farm businesses are dominated by a dairy enterprise.

A rolling three-year average analysis of the median value per hectare showed that, in dollar terms, dairy farmland has hovered around $11,500/ha since 2012. In 2014, the three-year average rose 5.1%.

Note: Dairy farmland values may include sales from other industries given the agricultural diversity of the districts with dairy farms.

Since 1993 the Index has shown 3 distinct trends:

- **Moderate Growth Between 1993 and 2002**: 5.5% per annum
- **Rapid Growth Between 2003 and 2008**: 21.5% per annum
- **Volatility from 2009 to 2014**: -2.1% per annum

The median value of Western Australian dairy farmland jumped by 41.9% in 2014 rebounding from a 24.0% decline in 2013.
Dairy farmland values have increased in most of the past 10 years. From 2011 to 2014, each region has demonstrated lower volatility compared to the period from 2004 to 2010.

The total value of dairy farmland sold increased between 2003 and 2006 due to a higher number of sales in Western Australia’s dairy region. In 2014, the total value of sales remained almost identical to 2013.

The 2005 calendar year showed a spike in the number of farmland sales, reaching 79 before falling just to 21 in 2010. Price sensitivity appears to be a major factor in the decline in the number of farmland sales between 2005 and 2010 as it was during this period that the median value rose sharply. Between 2008 and 2014, the average number of sales was 30.

In 2014, the number of dairy farmland sales remained low at 26.*

* Based on the number of sales for 2014 at time of printing.
PERIOD OF VARIABILITY CONTINUES

The median value of Western Australian mixed farming land increased by 6.4% in 2014 following a drop of 0.7% in 2013.

There are three distinct periods in the Mixed Farming Farmland Values Index: moderate growth between 1993 and 2002 (3.8% per annum), rapid growth from 2003 to 2010 (9.5% per annum) and then decline since 2011 (although values began increasing again in 2014).

In 2014, the three-year rolling average for median value per hectare increased by 3.8% in the Central West region and was unchanged in the Great Southern region.
**CONSISTENT CHANGE ACROSS REGIONS**

The annual change over the past 11 years for mixed farming regions is positively skewed. Strong double-digit growth has been common for both regions.

**TOTAL VALUE OF MIXED FARMING LAND SOLD**

Volatility in the total value of mixed farming land sold has been largely due to fluctuations in the number of sales, although price volatility has played a larger role since 2008.

**CONSISTENT CHANGE ACROSS REGIONS**

**TRENDS IN NUMBER OF FARMLAND SALES**

The number of farmland sales declined sharply between 2006 and 2010 before reaching a lower plateau of about 140-150 farmland sales per year.

**SEASONAL SALES PATTERN**

Each of the mixed farming regions has displayed a similar seasonal sales pattern, with each recording a peak in sales activity in February and October.

The number of farmland sales in mixed farming regions decreased by 7% in 2014 following a 6% decrease in 2013.

* Based on the number of sales for 2014 at time of printing.
The Grazing Farmland Values Index draws on sales from regions where most farm businesses are dominated by grazing enterprises.

Historically, the Grazing Farmland Values Index experienced strong growth from 1993 to 2008, averaging 9.1% year-on-year. The median value per hectare began to decline in 2010 for a four-year period averaging -4.4% per year until 2014.

The period between 2004 and 2010 was a high growth period for the South West and Central grazing regions. In recent years, the South West has experienced a decline in median value per hectare. All three regions recorded a decline in the median value per hectare from 2012 to 2014.

The median value of Western Australian grazing farmland increased by 26.7% in 2014 following a decrease of 23.6% in 2013.
The annual change in median value per hectare has been positive for most of the last decade. In recent years, all regions recorded a decline in value.

In 2014, the total value of grazing farmland sold decreased 10% driven by a decrease in the number of sales.

Each grazing region exhibits a similar pattern of farmland sales throughout the year. Most sales activity occurs between May and August.

Central grazing displayed peaks in June and again in December. South East grazing has two peaks, the first from February to March and the second from May to August. The South West has displayed two short peaks in June and November.

**Seasonal Sales Pattern**

- 29% of sales in the **South West** occur from May to July
- 36% of sales in the **South East** occur from May to August
- 39% of sales in the **Central** occur from May to August
**The number of farmland sales is an estimate based on grouping of like lot sales using a unique identifier code for each farm sale. However, in cases where multiple buyers purchase different lots in the sale of one farm, multiple identifier codes will be applied.**

* Median $/ha should be used with caution, particularly where a small number of sales has been recorded for that shire.

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AUTHORS

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About Ag Answers
Ag Answers is a specialist insights division of Rural Bank. Recognising that good information is the key to making good business decisions, Ag Answers provides research and analysis into commodities, farmland values, farm business performance and topical agricultural issues to enable farmers to make informed decisions.

Rural Bank is the only Australian-owned and operated dedicated agribusiness bank in the country, backing farmers nationally to help their agribusinesses succeed. Rural Bank has been a wholly-owned subsidiary of Bendigo and Adelaide Bank Limited since 2010.

We believe in a bright future for agriculture
We partner with farmers to enable them to build sustainable businesses and drive the growth of Australian agriculture and regional communities.