



BAYLEYS DAIRY MARKET UPDATE

Biggest trends



Margins being squeezed

The softening farmgate milk price forecast together with operating cost inflation is squeezing margin and has slowed the rate of activity in the market.



Environmental due diligence the new normal

Buyers and lenders continue to place high reliance on environmental information to assess the potential impact on future production and/or CapEx required to meet environmental standards.



Flight to quality

With a greater selection of properties available providing more options for buyers, naturally they are becoming more selective. Quality and location of the property remain primary drivers of value.

Outlook for the next 12 months



Restricted land use drives scarcity

In the absence of strong motivating factors (such as age, energy, debt, up/downsize), vendors are likely to remain resilient to any price gap. Restrictions on land use will ultimately drive scarcity of the national total productive platform in the longer term.



Declining sales activity expected to continue

Although confidence in the sector has improved in recent years, investment returns in the immediate term are expected to limit the level of buyer activity. Longer term investment strategies are likely to drive activity along, including decommissioning of smaller dairy farms, given continued demand expected for support land.



Cost of debt will influence market liquidity

While well capitalised operators are expected to be able to continue to access debt, the rate of increase in the cost of debt is expected to reduce the level of overall liquidity circulating in the market.



Map of Bayleys Dairy Sales
(1 April 2022 to 31 March 2023)

BAYLEYS DAIRY SALES

\$504,634,026
Land value sold

12,981ha
Land area sold

86
Dairy farms sold

Bayleys Dairy Unconditional sales (1 April 2022 to 31 March 2023)

NEW ZEALAND DAIRY MARKET TRENDS

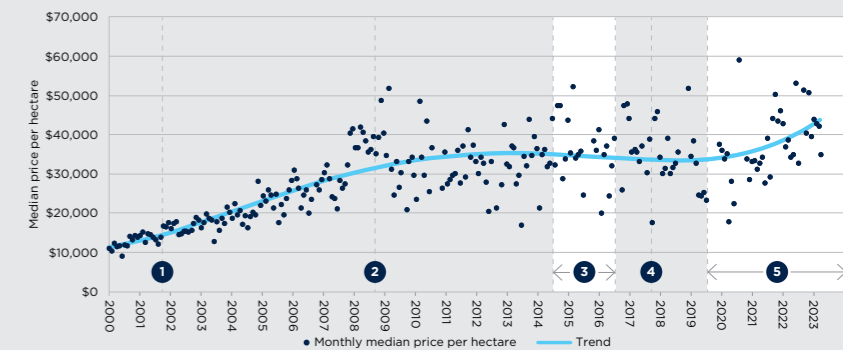
Data: Bayleys Insights & Data, REINZ 1 April 2022 to 31 March 2023

\$1.01b

26,584ha

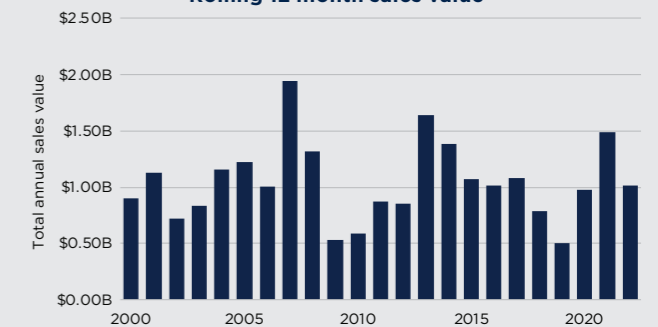
183

Land value sold (down 35% from \$1.55b) | Land sold (down 37% from 42,105ha) | Farms sold (down 39% from 298)



- 1 Dairy industry deregulated and Fonterra established (2001)
- 2 GFC Lehman Brothers collapse (2008)
- 3 Dairy downturn 2014/15 and 2015/16 seasons
- 4 Overseas Investment Office increases restrictions on foreign investment in farmland (2017)
- 5 Farmgate milk price exceeds \$7.00/kgMS 2019/20 season to current season (forecast)

Rolling 12 month sales value



Average price per hectare by region (2023)

Northland	\$27,612
Auckland	\$39,397
Waikato	\$74,832
Bay of Plenty	\$37,044
Gisborne	
Hawkes Bay	\$22,501
Taranaki	\$47,465
Manawatu-Wanganui	\$41,445
Wairarapa Wellington	\$62,181
Tasman Nelson Marlborough	\$21,454
West Coast	\$14,430
Canterbury	\$47,612
Otago	\$37,713
Southland	\$34,206
New Zealand	\$50,401

Land area sold by region (2023)

