

Investing in rural land

2022



AGRIFRANCE
BNP PARIBAS WEALTH MANAGEMENT

The bank
for a changing
world



Markets under stress!

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We are delighted to present our annual publication on the rural land market.

During the last quarter of 2021 the markets were tested considerably. The second and third vaccination campaigns led to a relaxation of Covid-19 rules and eventually the end of lockdowns last year. The global economy expanded rapidly, albeit in a context of strong inflationary pressure. However, labour, energy, commodity, transport and logistics markets around the world were disrupted.

In early 2022, the war in Ukraine complicated things further, hurting most sectors of the economy. Agricultural commodities markets did not escape the surge in prices. Between January 2021 and February 2022, the price of cereals soared by more than 60% and rapeseed by more than 80%. On the back of the global recovery during this period, wine exports grew by nearly 30%. Meanwhile, wood prices rose by 20% in hardwoods, and by 37% in softwoods.

Despite the uncertain and complex environment, rural land delivers a good performance. Investors continue to favour this defensive asset for its diversification role. Moreover, in a context of inflation, rural land should continue to appreciate.

Enjoy!

Benoît Léchenault
Head of Agrifrance
BNP Paribas Property SNC





Farmland

Cereals

Close to 50% of available stocks are in China

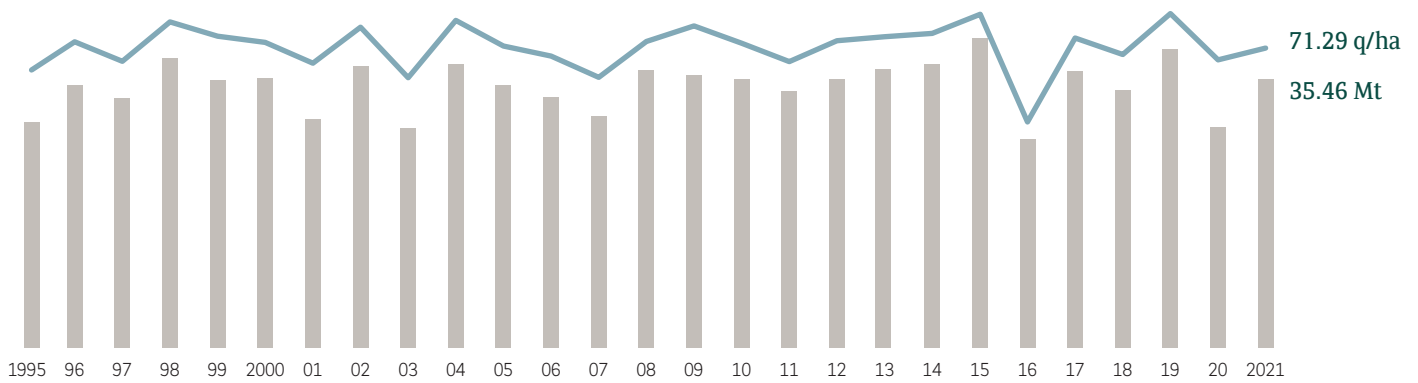
Even before the war broke out in Ukraine, cereal prices had shot up. The global harvest in 2021 was the largest on record (2,287 million tonnes). Even if available stocks (600 million tonnes) should help to offset climatic events, it is estimated that 317 million tonnes are in China! Indeed, the Chinese government prioritises food sovereignty, and consequently, its excessive stockpiling last year led to a fall in stocks in exporting countries. Prices have been soaring, with negative consequences for North African countries, being traditional importers.

Ukraine and Russia together account for 78% of sunflower, 33% of wheat and 28% of corn exports. The conflict, coupled with strong demand on the back of the global economic recovery, should continue to push up prices. The same applies to inputs, which are appreciating sharply. For example, fertilisers rose by 69% last year, and energy (oil and lubricants) was up by 70%! The barrel of oil exceeded \$100 on 24 February 2022 and tensions are likely to persist.

Wheat



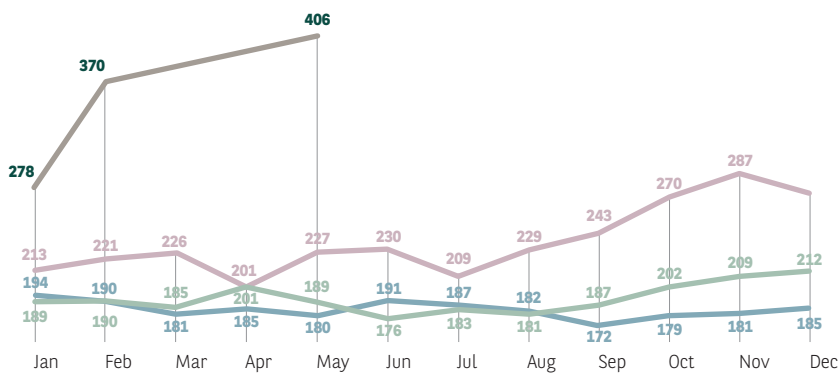
France's production of wheat increased by 21% in 2021 following a small harvest the previous year. Yields were up 4% while the average yield was 71 quintals per hectare, up slightly on 2020. At €273 per tonne in December 2021, prices surged to 29% year-on-year. On 1 May 2022, wheat prices had reached a record level of €406 per tonne, or up more than 49% since the start of the Ukraine conflict!



Production and yields of soft wheat

Source: Agreste

■ Production (million tonnes)
■ Yields (q/ha)



€273/t

+29%
price increase
in 1 year

Wheat prices

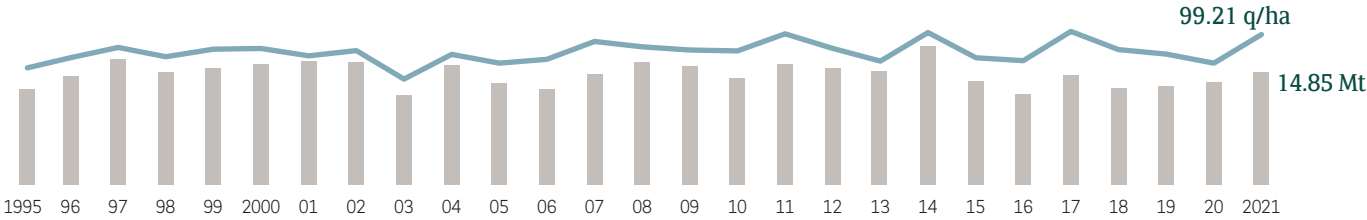
Source: Terre-net

■ 2019 ■ 2020 ■ 2021 ■ 2022 (€/tonne)

Corn



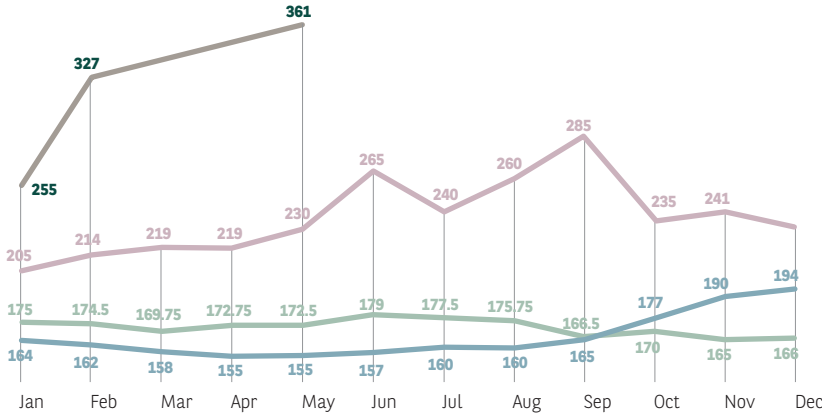
In the corn market, rainfall in autumn 2021 favoured production, which increased by 9% versus 2020 to 14.8 million tonnes. The average yield grew by 24% to around 100 quintals per hectare. Like wheat, corn prices rocketed in 2021. At €231 per tonne in December 2021, they had jumped by 19% year-on-year. At €361 per tonne on 1 May 2022, corn prices had risen by 56% since the beginning of the conflict in Ukraine!



Production and yields of corn

Source: Agreste

Production (million tonnes)
Yields (q/ha)



€231/t

+19% price increase in 1 year

Corn prices

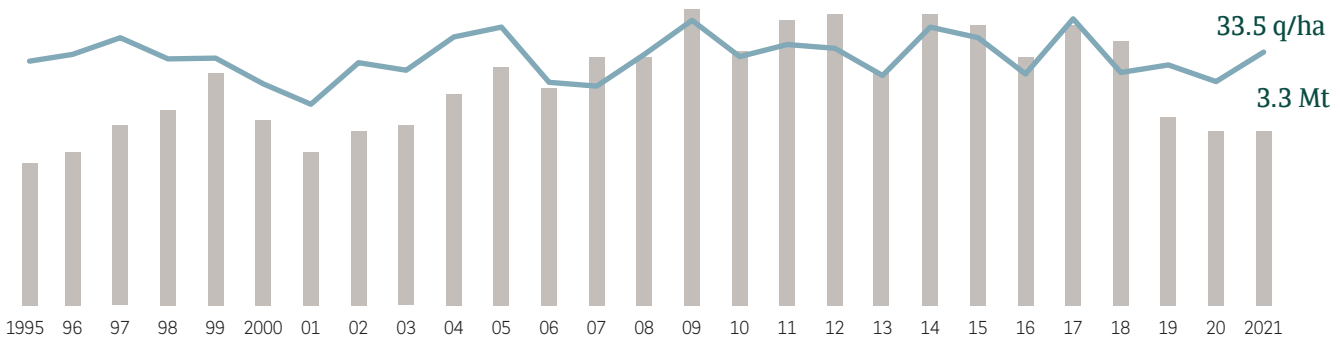
Source: Terre-net

2019 2020 2021 2022 (€/tonne)

Rapeseed



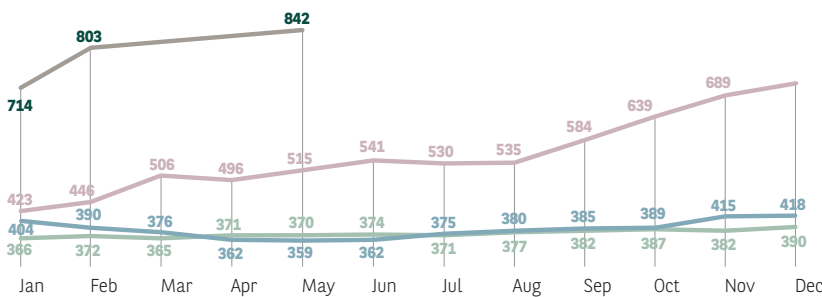
Since 2019, the surface area for rapeseed has been decreasing due to dry autumns which disrupt seedlings. In 2021, production stagnated at 3.3 million tonnes. Conversely, yields rose by 13%, with an average yield of 33.5 quintals per hectare. Prices exploded by 221% year-on-year to €716 per tonne. At €805 per tonne on 1 May 2022, prices had climbed by 18% since the start of the conflict in Ukraine!



Production and yields of rapeseed

Source: Agreste

— Production (million tonnes)
— Yields (q/ha)



€716/t

+221%
price increase
in 1 year

Rapeseed prices

Source: Terre-net

— 2019 — 2020 — 2021 — 2022 (€/tonne)

Climate in 2021

Back to normal?

2021 was the coolest year since 2013 with a monthly average temperature of 13°C, but still slightly higher than the 1981-2010 average (12.7°C). During the particularly mild summer, temperatures were running close to normal levels. This was certainly not the case in 2019 and 2020, when average temperatures reached record highs owing to severe summer heatwaves.

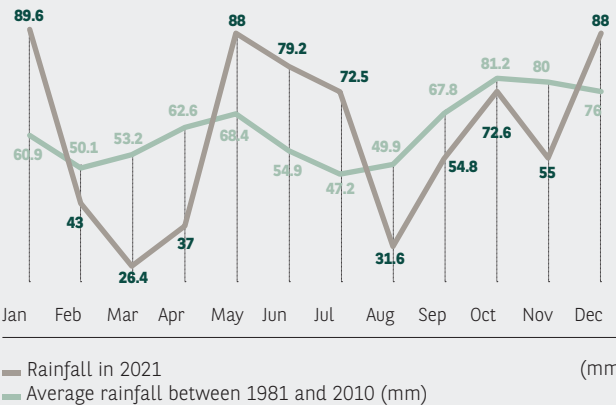
In terms of precipitation, there was excess rainfall almost everywhere in France, with abundant rain during the summer. Overall, 2021 registered a monthly average of 61 mm, in line with average amounts between 1981 and 2010 (62.7 mm).

These weather conditions benefitted timber, cereals, and grass production (16% above average). In spring, the April frost severely damaged vines and fruit. Thankfully, the milder autumn allowed grape harvests to take place under practically normal conditions.

Temperatures



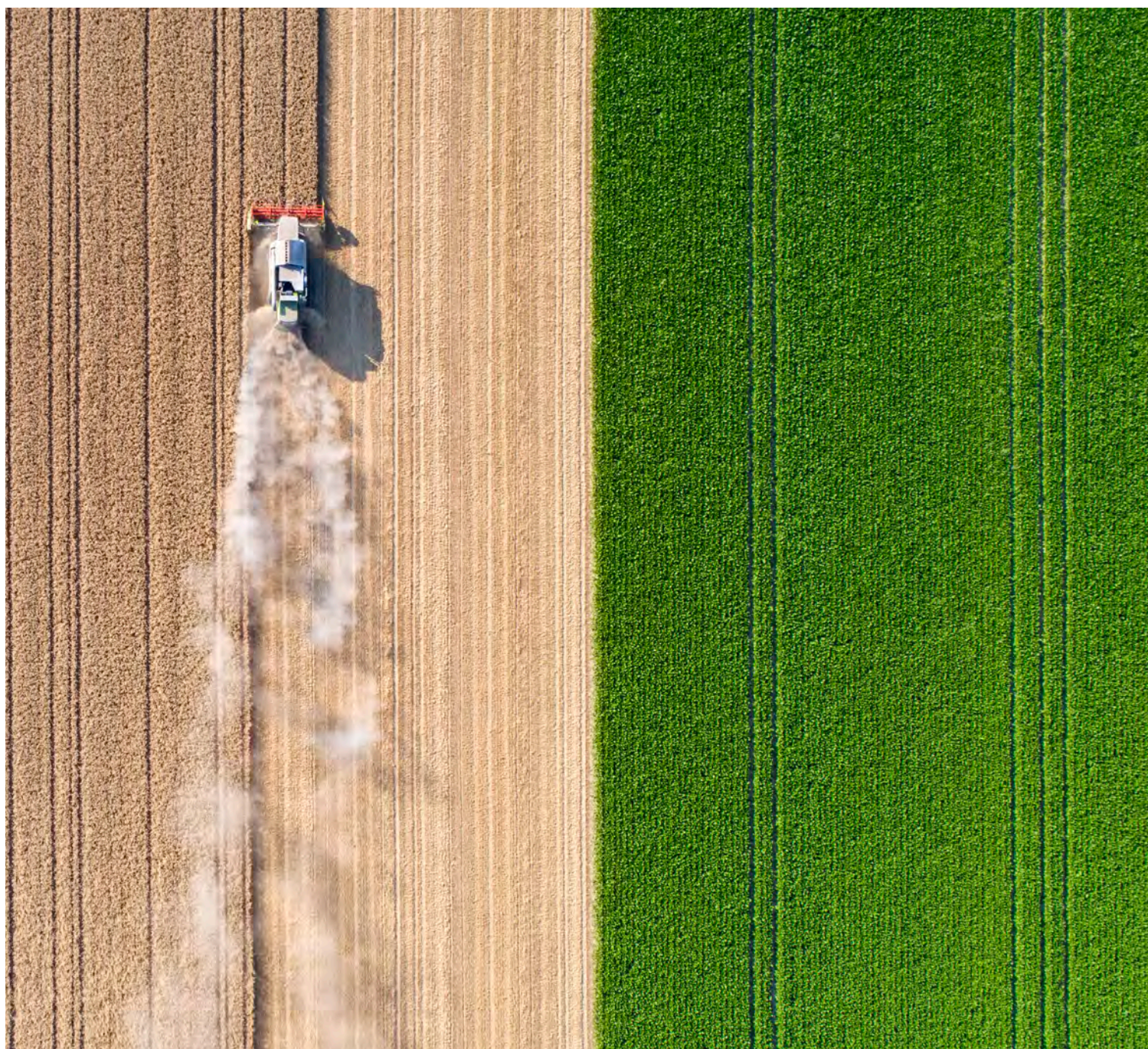
Rainfall



Sources: Météo France / infoclimat.fr Paris / Terre-net



Farmland market



In 2021, a hectare of farmland (free of lease) averaged €8,120 for grain-growing land and €5,540 for grassland. We observe that over the past 10 years, the price of farmland in France has appreciated by 4% per year, but it still remains among the cheapest in Europe. We are a long way off the price per hectare in the Netherlands (€100,000). So in France there is real upside potential.

The price of land edged up by a mere 0.1% year-on-year. This tiny increase can be explained by the drop in farmers' income, which fell by 2.6% (source: Insee). By contrast, at the end of 2021 and in early 2022, the farmland market bounced back, and grassland also picked up (+8.6%). After several challenging years, sheep and cattle populations declined whereas animal prices grew.

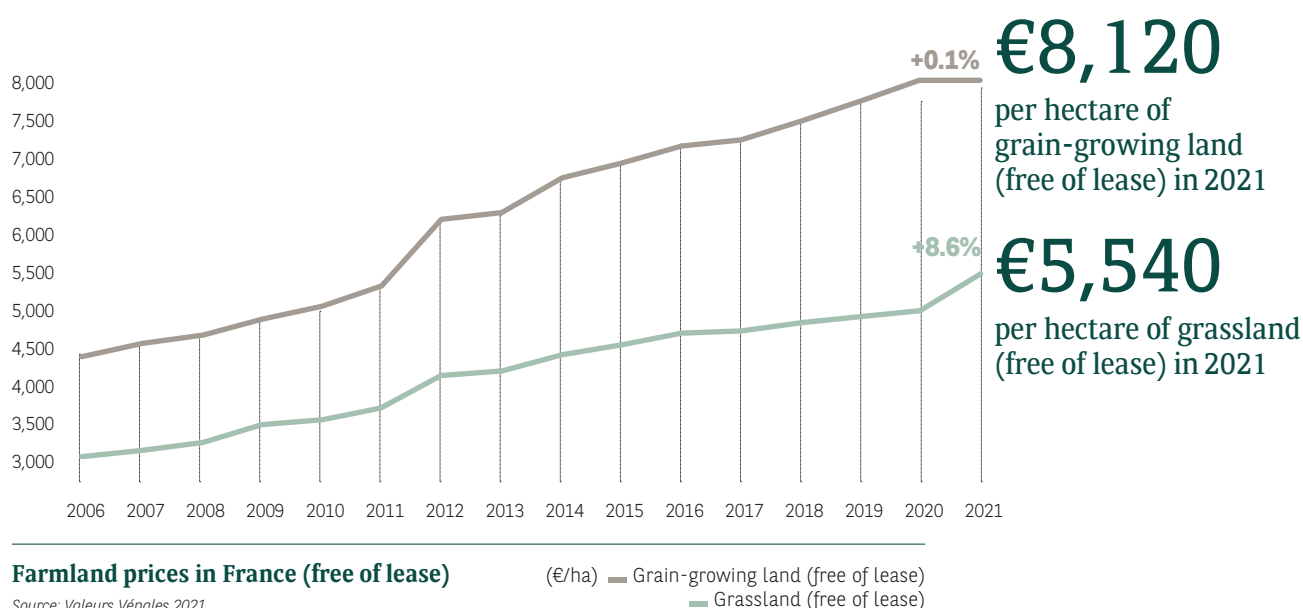
Overall, transactions remain low, representing less than 2% of the surface area. Arable land is 45% dearer than grazing land. At the top end of the market, the best grain-growing land fetches more than €20,000 per hectare. Such regions include Nord-Pas-de-Calais, Santerre, Champagne Crayeuse and Saint Quentinnois, as well as some regions in the South of France, such as the Crau and the Durance Valley.

At the bottom end, the cheapest regions trade at around €2,000 per hectare in Mayenne, Morvan, and in other parts of Côte-d'Or or Nièvre for example.

In the leased market, accounting for about 75% of total agricultural land, the discount of leased land is 25% on average, but this can vary from 0% to 60%. For landowners, the average price of leased land in 2021 was between €4,010 and €6,530 per hectare. For the first time since 2007, prices for leased grain-growing land dipped by 2% and by 1.5% for grassland.

The gross rental yield of leased farmland was 2.7% per annum. This is not a bad return compared with other asset classes. This average gross yield fluctuated between 1.5% and 5% depending on land prices and the nature of production.

This highly-professional market remains very directly influenced by a number of factors: profits generated, quality and nature of the soil, improvements made (irrigation, fertilisers/manure, cultivation techniques), farm structure (parcel plan, geographical location) and climatic conditions.







Vineyards





Grape harvests in 2021

The smallest since 1970

The French grape harvests in 2021 produced an estimated 36.1 million hectolitres. This figure represents a 23% decrease compared with the five-year average (42.3 million hectolitres) and the harvests were thus the smallest since 1970.

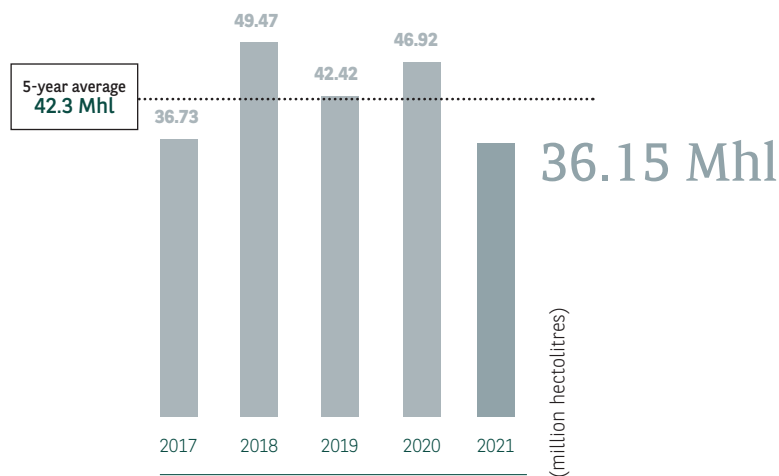
Spain and Italy held up better than France, registering production losses of 9% and 10% respectively.

The situation was very mixed across France's regions. Only Charentes and Corsica saw a rise in production (+9% and +3% respectively) because they happily escaped the worst of the frost. All other regions registered a shrink in production. In the Jura, after some episodes of frost and hail, the wet summer led to an explosion of vine diseases. Production in this region plunged (-80%)! Meanwhile, Burgundy and Beaujolais also suffered a collapse in production (-45%), especially of white wines. Northern Burgundy (the Yonne *département*) was particularly hit,

with two-thirds of the harvests destroyed. In Val de Loire (-41%), the spring frost hurt the entire basin and clusters were affected by coulure*, millerandage** and other diseases. In Languedoc (-30%), frost particularly affected Hérault and early vine development/harvests. In the Bordeaux region (-29%), the Sauvignon grape suffered terribly from the frost. Coulure, millerandage and other diseases also hampered Merlot wines. In Champagne (-25%), the sanitary condition of vines deteriorated owing to the wet summer. Production is estimated to be the lowest in 40 years. Industry professionals will be obliged to tap into previous years' stocks.

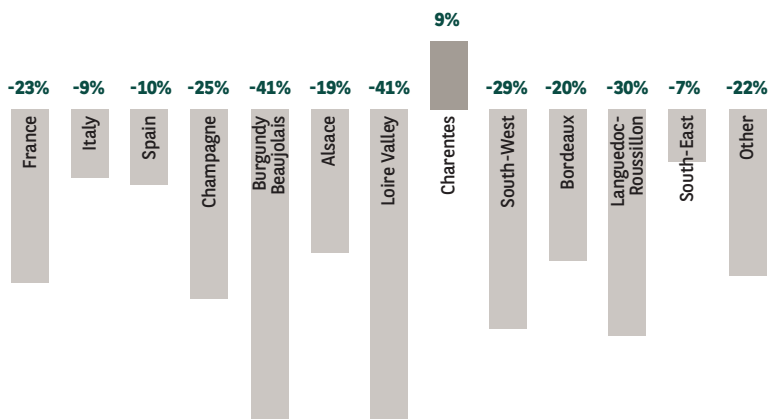
* **Coulure (grape shatter)** occurs when a grape cluster fails to develop completely during its infancy. This is either because the grapevine's flowers were not pollinated and therefore never developed into berries, or the tiny berries fell off soon after they formed.

** **Millerandage** is a condition of vines in which both large and small grapes grow in the same bunch (the small grapes being seedless), owing to poor fertilisation of the ovary.



Wine production in France

Sources: OIV, Agreste & Douanes



Production in France, Italy, Spain and in France's main regions

(% increase/decrease vs. 2020)

Sources: OIV, Agreste & Douanes

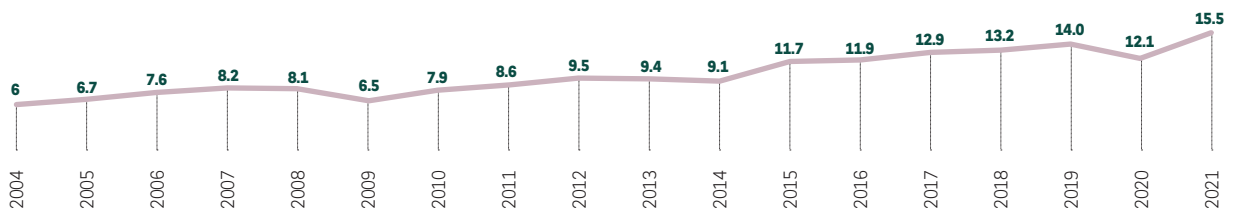


Wine market

Record exports in 2021

In the wake of the Covid-19 pandemic, French exports plunged in 2020. Subsequently, in spring 2021 the wine market recovered. French wine and spirits exports surpassed the €15.5 billion mark in 2021, exceeding the pre-pandemic level. With a surge of 28% year-on-year, 2021 was a historic year. Over the 10-year period, sales expanded by 145%, in particular thanks to non-EU countries! This is excellent news for France's trade balance (wine & spirits

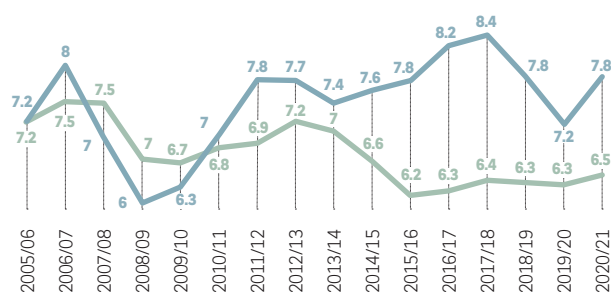
rank in second place after aeronautics, and ahead of perfume & cosmetics). This rebound is mainly attributable to the US, which is the top destination for French wine and spirits exports. In 2021, it accounted for 26.4% of the total in value terms, with exports to the New World soaring by 34% to €4.7 billion. Exports to Asia also rose by 57% in value thanks to the recovery in domestic tourism in China.



Wine and spirits exports: the trade balance since 2004

(€ billion)

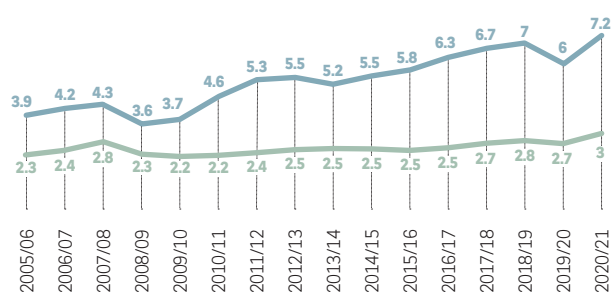
Source: FEVS



French wine exports (million hectolitres)

— Exports to the EU — Exports to non-EU countries

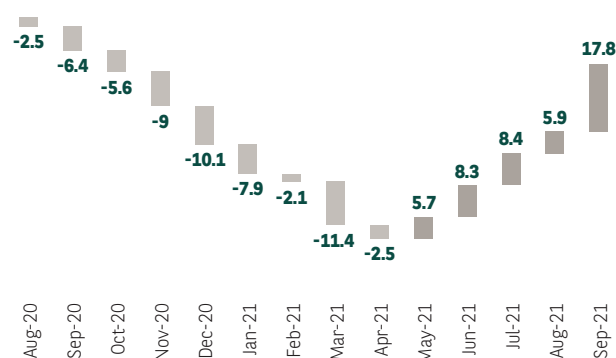
Source: DGDDI



French wine exports (€ billion)

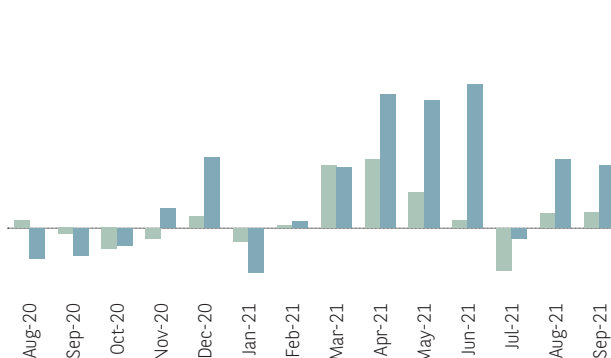
— Exports to the EU — Exports to non-EU countries

Source: DGDDI



Monthly change in the price of AOP wines (excluding champagne) (%)

Source: DGDDI



Wine exports by volume (million hectolitres)

— Exports to the EU — Exports to non-EU countries

Source: DGDDI

Meanwhile exports to Singapore, Japan and Hong Kong were close to 2019 levels. Exports to South Korea exploded by 62.9% in value terms. Finally, within Europe, the UK remains the largest importer of French wines and spirits in value terms, with exports up by nearly 20% in 2021. Within the European Union (one quarter of French wine and spirits exports), Germany is the top destination for exports, followed by Belgium.

According to the President of the FEVS, global export growth (especially in luxury goods) should be driven by the middle classes in China, but also in India and Nigeria in future years.

By region, Champagne remains a very strong contributor to the stellar results, representing 42% of exports in value terms. The region exports almost one-third of all French wine.

The re-opening of bars and restaurants around the world is fuelling this recovery, which also concerns the *Grands Crus*. Moreover, the pandemic has shifted consumer tastes towards an improvement in quality and value-added products. Now the trend is to consume less, but better.

However, at the beginning of 2022 events in Ukraine and the rise in raw material prices (energy, packaging, glass) and transport costs upset these very good prospects.

Winegrowing land

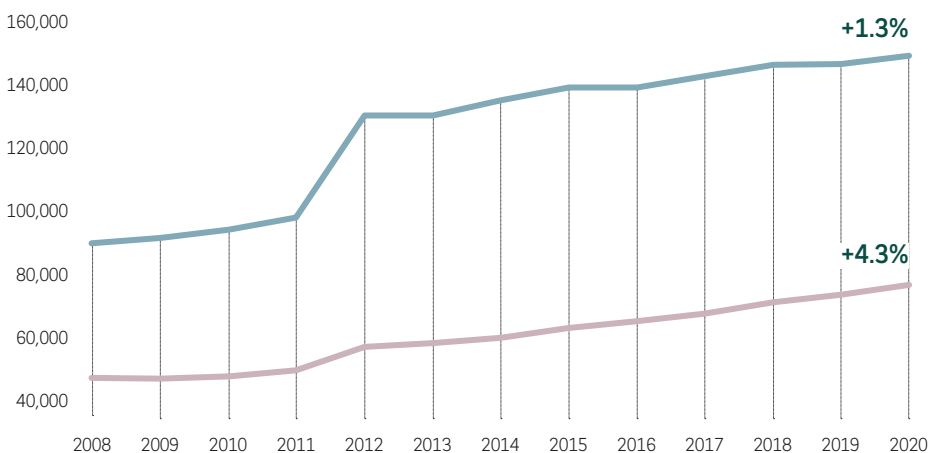
Whereas the *terroir*, plantations and the general state of vines are all factors determining valuation, the price of a vineyard is directly linked to the wine market, in other words the reputation of the vineyard or the *appellation*, particularly if the wine is exported. In this context, price variability is substantial. The price of winegrowing land in France has exceeded €150,000 per hectare, up by on average 5% per year over 10 years. But this figure is misleading and masks very different situations across regions.

In 2021, against the backdrop described above (small harvests, pandemic, etc.), the value of vineyard land declined, as did the number of transactions. Burgundy, particularly Côte-d'Or, is the only region where prices continued to rise (+5% year-on-year). Other regions (Chablis, Mâcon, Côtes du Rhône, Provence, Beaujolais, Anjou-Saumur)

saw land prices edge up by 1% at most. Other regions (Champagne and Bordeaux) took a hit. Although the Champagne wine market recovered, land prices dipped by 0.3% in 2021 but should pick up. On the other hand, Bordeaux was particularly sluggish. Transactions slowed down and prices declined by between 1% and 1.7%, including in prestigious *appellations*, such as Pomerol, Saint-Émilion, Saint-Julien and Margaux.

After a good momentum over nearly ten years, the average price of winegrowing land could slow down depending on the region and the reputation of *appellations*.

Like farmland, nearly one in three hectares is sold with a tenant *in situ* and transactions represent less than 2% of the total surface area.



€150,500

per hectare of vine
in France

€78,100

per hectare of vine
in France excluding
the Champagne region

Vineyard prices in France since 2008

— France — France excluding the Champagne region

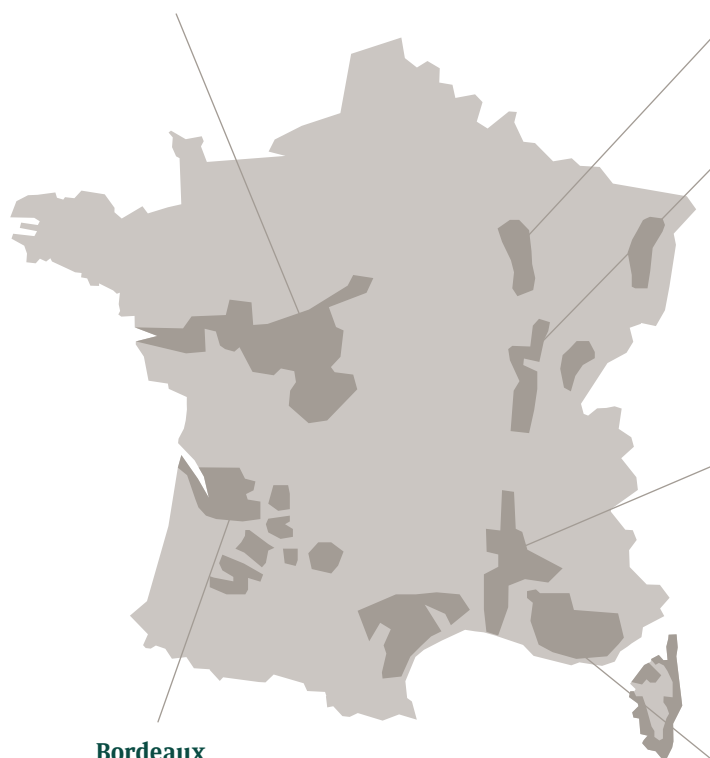
(€/ha)

Source: SAFER



Loire Valley

Anjou	€16,740/ha / €21,950/ha
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Bordeaux

Bordeaux Rouge	€19,330/ha / €28,540/ha
Saint-Émilion	€304,920/ha / €2,234,530/ha
Pomerol	€1,411,620/ha / €4,285,310/ha
Saint-Estèphe	€481,730/ha / €938,930/ha
Pauillac	€2,492,430/ha / €2,936,240/ha
Margaux-Saint Julien	€1,208,970/ha / €1,538,690/ha

Champagne

	€1,341,850/ha / €1,654,500/ha
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(Vallée de la Marne)

Burgundy

Grands Crus	€7,795,340/ha / €17,094,260/ha
Premiers Crus	€892,590/ha / €4,121,090/ha
Villages	€456,410/ha / €1,868,200/ha

Beaujolais

	€25,970/ha
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Crus du Beaujolais	> €129,250/ha
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Côte du Rhône

Hermitage	€1,295,750/ha / €1,522,210/ha
Côte-Rôtie	€1,289,140/ha / €1,389,260/ha
Châteauneuf-du-Pape	€518,870/ha / €572,220/ha
Gigondas	€231,900/ha / €263,470/ha
Vacqueyras	€121,200/ha / €158,920/ha
Côte du Rhône Villages	€25,460/ha / €37,570/ha

Provence

Côte de Provence	€57,290/ha / €147,040/ha
Bandol	€147,300/ha / €192,020/ha
Cassis	€117,620/ha / €160,360/ha

Average prices / Highest prices in 2021

Source: Valeurs Vénales 2022





Forests

Timber and forest markets under strong pressure



+20%

average price increase
for hardwoods (m³)
vs. 2020

+37%

average price increase
for softwoods (m³)
vs. 2020

The pick-up in the global economy in 2021 fuelled strong pressure on the timber market. Demand for wood increased on the back of economic growth in the US (particularly in construction), China’s decision to close forestry companies for the next 100 years and logistics problems.

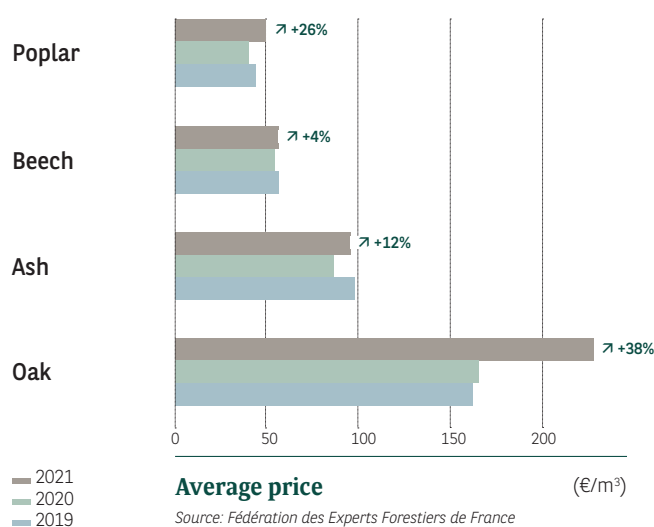
According to the Fédération des Experts Forestiers, despite large volumes sold (hardwood lumber: 1,151,796 m³ in 2021 compared with 842,571 m³ in 2020), volumes of unsold lots were very small, especially in oak. The lots brought to market were sold in more than 80% of cases, and 98% for oak.

Hardwoods enjoyed record average price increases (20% higher than in 2020). At €227/m³, oak outperformed particularly well, up 38% on 2020 and up 41% on 2019! Oak is often exported to countries where the cost of labour is much lower (China, Vietnam). Hence on 17 February 2022, timber industry professionals signed an agreement to introduce a European Union label, aimed at securing supplies, particularly in oak. We hope this will make it possible to bring together wood producers and transformers through formal contracts.

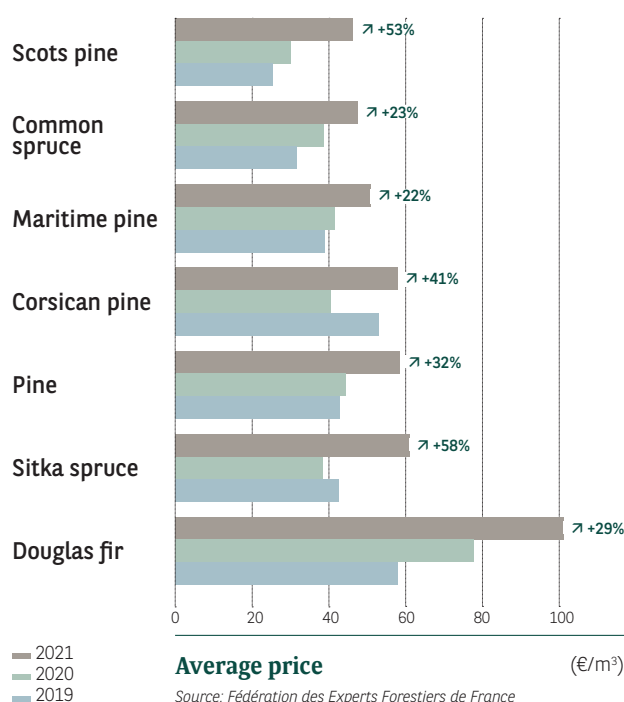
At over €50/m³, poplar wood, used extensively in packaging, also appreciated strongly last year. Only beechwood (€56/m³) and ash (€96/m³) benefitted less from the recovery.

In softwoods, sales were also very dynamic in 2021, representing one of the highest volumes in 10 years (softwood lumber: 570,929 m³ in 2021 vs. 481,184 m³ in 2020), with again, very few unsold lots. Indeed lots brought to market were sold in more than 90% of cases. For the best-quality wood, prices rose by on average 37% compared with 2020. Douglas fir reached the exceptional price of €100/m³ for wood over 1.5 m³. Pine and Corsican pine traded at around €60/m³ in the best categories, whereas Spruce, Maritime pine and Scots pine fetched between €45/m³ and €50/m³.

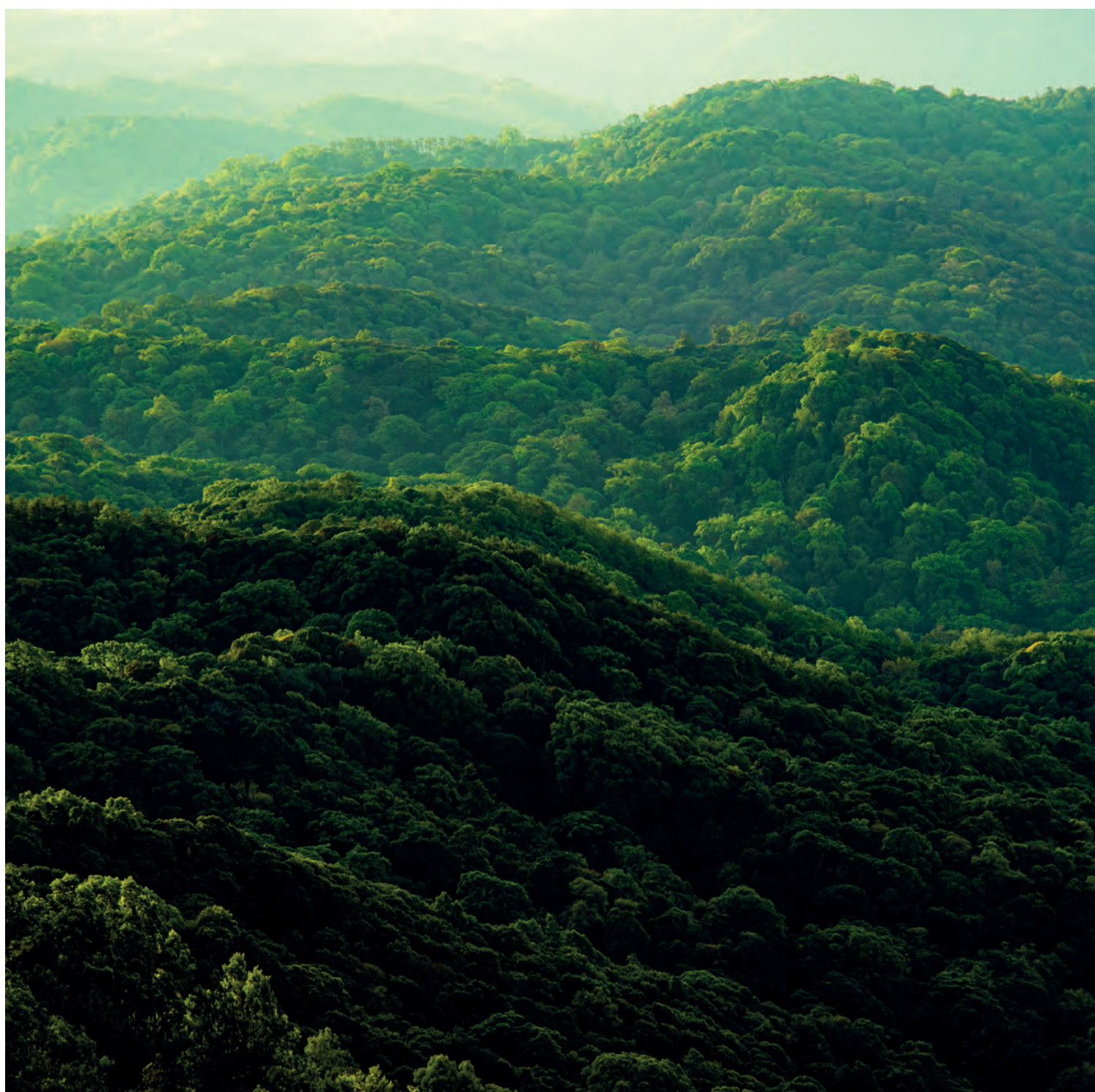
Hardwoods



Softwoods

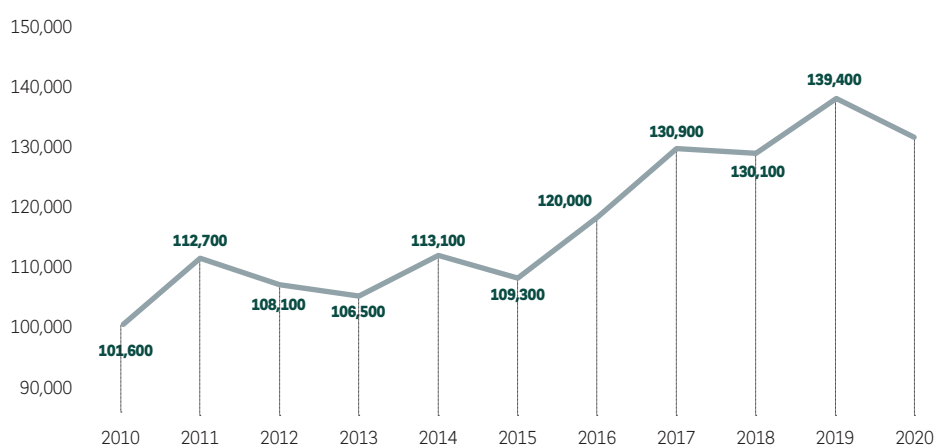


The forest market in 2020 and 2021



In 2020, 132,500 hectares were sold, representing 18,460 transactions amounting to €1.7 billion. The average price per hectare (€4,280/ha) edged up by 2.3% versus 2019. Prices ranged from €670/ha to €12,570/ha. The most dynamic market was the South-West of France, with three *départements* (Les Landes, Dordogne and Gironde) accounting for a 14% slice of the domestic market. In France, more than 80% of sales and 35% of land sold corresponded to transactions of less than 10 hectares. Agricultural professionals were the main purchasers of forests, which were often acquired with farmland.

In the forest market of more than 100 hectares, demand remained very strong particularly in a context of tighter supply (26% of land) than in previous years (fewer than 120 transactions). Is the market overheating or catching up with prices observed by our European neighbours? Over the past 12 months, we have been seeing robust demand from private and institutional investors. Prospects for rising carbon offset prices are sparking a new interest among investors.



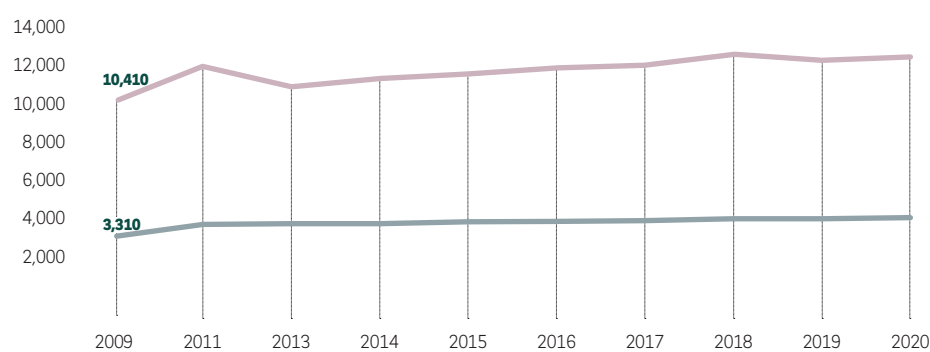
132,500 ha
total surface area of forest land sold in 2020

Forests: surface areas sold

(in hectares)

■ Total

Source: SAFER



€12,570
highest price per hectare of forest land in 2020 (+0.8%)

€4,280
average price per hectare of forest land in 2020 (+2.1%)

Forest land prices

(€/ha)

■ Highest price/ha ■ Average price/ha

Source: SAFER

AGRESTE: the statistics department of the French Ministry of Agriculture

DGDDI (the directorate-general of customs and indirect taxes): a French government body under the auspices of the Ministry of Government Action and Public Accounts

DOC'ECO, BNP Paribas Group: Group Information Centre

Fédération des Experts Forestiers de France: a syndicate of forestry experts

FEVS: a federation of exporters of French wines and spirits

FRANCEAGRIMER: a national establishment for farm produce and seafood

Infoclimat.fr: a weather forecast website

Insee: French National Institute of Statistics and Economic Studies

Météo-France: the state-run French national meteorological service

Office National des Forêts (ONF): a French government agency which manages the state forests

OIV: International Organisation of Vine and Wine

SAFER: a limited liability company and non-for profit organisation offering services of general interest, under the auspices of the Ministry of Agriculture and the Ministry of Finance

EUROSTAT: European statistics

Tallage: an agro-economic research firm specialised in the European and world markets of grains and oilseeds, founded in 1993

Terre-Net: a website providing news about the agricultural world

Valeurs Vénales: a technical book which gives the market or rental value for all types of real estate, including farmland

Agrifrance

As part of BNP PARIBAS PROPERTY SNC
- the BNP PARIBAS subsidiary dedicated to real estate activities - AGRIFRANCE is the department specialising in rural property: vineyards, prestigious country estates, farmland and forests. With over 45 years' experience in this domain, AGRIFRANCE works hand-in-hand with its clients in their personal wealth management.

Through a network of reputed professionals, AGRIFRANCE is also able to provide complementary services, such as property appraisals and estate management.

Advisory services and transactions in agricultural real estate, vineyards, forests and leisure properties

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The cover was made from transformed potato waste.
The interior pages are Olin Origins paper.
Made from FSC certified pulp, this range is a member of the "1% for the Planet" movement and earmarks 1% of its revenue to non-profit, environmental organisations.



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