

Investing in rural land

2023



AGRIFRANCE
BNP PARIBAS WEALTH MANAGEMENT

The bank
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world



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Preface

We are delighted to present our annual publication, which comprises a quantitative analysis and an update of the rural markets, enriched with feedback from agricultural professionals.

Following a long pause, inflation returned in force, hurting all areas of the global economy. Growth was sluggish. After a very turbulent year, the economic environment at the start of 2023 was very challenging with monetary tightening, rising uncertainty and heightened domestic and international tensions.

In agriculture, the problem of food shortages improved when oil and gas prices fell from peak in 2022, translating into lower cereal prices.

In the wine industry, after a small production in 2021, French winegrowers reaped a fabulous harvest last year, enabling them to replenish their stocks. Despite an international context of inflationary tensions, the markets enjoyed record export sales.

Turning to forestry, against a backdrop of a slowdown in the US and European real estate markets on the back of higher interest rates and inflation, timber prices (including oak) declined for the first time, in the second half of 2022. This trend was confirmed in early 2023 with dwindling volumes sold, particularly in softwoods.

Agricultural, wine and forestry professionals are suffering from the scissors effect on account of greater costs that they cannot always pass on to customers.

Amid this tough environment, demand for quality rural land remains strong in the premium and ultra-premium segments. The rural land market is running at two speeds: prices for high-end land continue to rise, while in contrast, the entry level and mid-range segments are struggling.

Despite a difficult macroeconomic context, fundamentals remain solid for the medium and long term.

Enjoy!

Benoît Léchenault
Head of Agrifrance –
BNP Paribas Property SNC



1 Farmland



277

million tonnes
of cereal produced
in Europe in 2023

+4.6%

compared with 2022

The problem of food shortages has improved and agricultural commodity prices are declining

For 2023, due to very good weather conditions for winter crops, COPA-COGECA forecasts an overall increase in European cereal production to 277 million tonnes, representing a 4.6% year-on-year rise on 2022. Oilseed production is expected to grow by 8.2% to 34.1 million tonnes. Production of protein crops is set to rise by 5% to 3.9 million tonnes.

These forecasts were made in the context of falling prices. France and Europe must face new challenges to secure their respective leadership positions in agriculture as competition is intensifying in international markets.

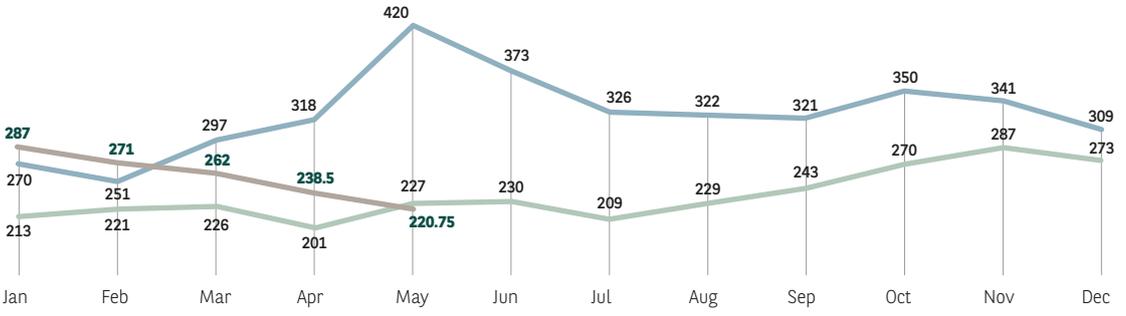


33.6
million tonnes
of wheat produced
in 2022
-4.9%
compared with 2021

Wheat

In 2022, French production declined by 4.9% to 33.6 million tonnes. The average yield was 71.8 quintals per hectare, up only 1% on the previous year. On the price side, the market was extremely volatile. After doubling to a peak, at over €400 per tonne in May 2022, the price of wheat seesawed before falling to €309 per tonne in December. Over the year, the price increase was relatively small (+13%).

In early 2023, the markets were divided between a lack of exports and a still very tense situation in and around the Black Sea. Even though energy and agricultural commodity prices plummeted by 30%, the situation remained difficult for French farmers. According to ARVALIS, the production cost for soft wheat varied between €260 and €280 per tonne, with wheat trading at €221 per tonne in May 2023.



Wheat prices

(€/tonne) — 2021 — 2022 — 2023

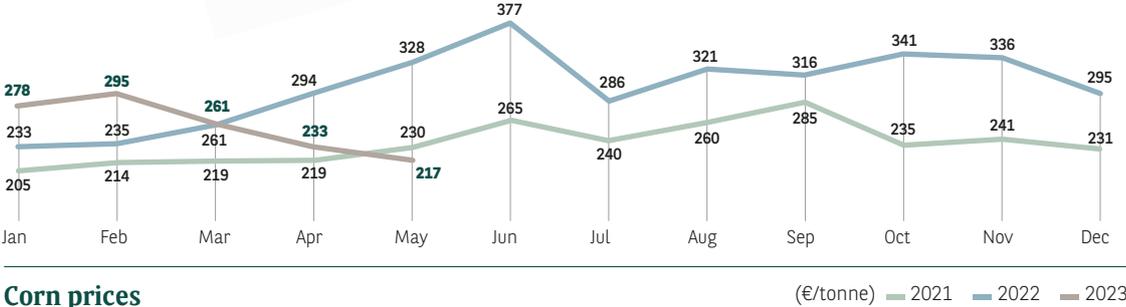
Source: Terre-net

11
million tonnes
of corn produced
in 2022
-29.2%
compared with 2021

Corn

In 2022, the corn harvest (including wet corn) is estimated at 11 million tonnes. Production was down 29.2% year-on-year and -21% versus the 2017-2021 average. The corn yield (75.9 quintals per hectare) was 24.3% below the level in 2021. The loss of surface area (-6.5% to 1.45 million hectares) but particularly the summer heatwaves and lack of rainfall in 2022 explain these poor results, especially in spring crops such as corn. At €295 per tonne in December 2022, prices rose 28% year-on-year, so more than wheat.

In early 2023, the stagnation of the global economy weighed on prices. China's economy was not recovering as well as hoped. It cancelled most of its corn orders with the US and Brazil. Note that Brazil is expecting a record harvest this year. In May 2023, corn was trading at €217 per tonne, in other words less than in June 2022 when it had reached a peak of €377 per tonne.



Corn prices

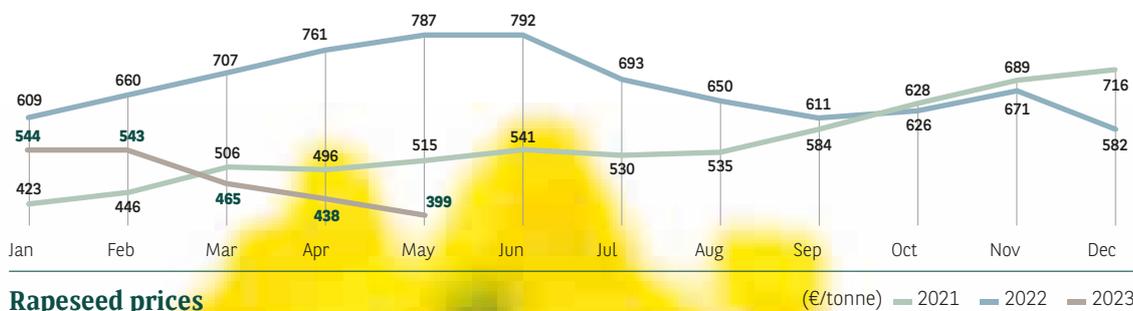
Source: Terre-net

Rapeseed

The year 2022 was good for rapeseed, whose production jumped by 36.3% to 4.5 Mt compared with the previous year. Yields (36.7 q/ha) were also 8.9% higher than in 2021. Finally, in June 2022, rapeseed prices rose to unprecedented levels (nearly €800 per tonne) before tumbling to €580 per tonne in December. Although prices fell by 18.7% over the year, the margin per hectare remained decent.

Like wheat and corn, prices for rapeseed fell in May 2023, to €400 per tonne.

4.5
million tonnes
of rapeseed produced
in 2022
+36.3%
compared with 2021



Rapeseed prices

Source: Terre-net

(€/tonne) — 2021 — 2022 — 2023



Climate in 2022: Record heatwave and a long drought in 2022

As in most European countries, 2022 was the hottest year on record since 1900! In all regions of France, almost every month of the year registered above-normal temperatures. Indeed, the average temperature was 14.5°C compared with 12.7°C for the 1981-2020 period. There were very few cold periods. Only one late freeze in early April affected the vineyards. Another cold spell occurred between 8 and 17 December throughout France.

Unlike in 2021, when it had rained greatly over the summer, rainfall in 2022 was negative across France and below monthly averages (49 mm in 2022, versus 62.7 mm between 1981 and 2010). Soils dried up owing to exceptional sunshine.

Across the whole country, this water stress resulted in trees and plantations dying. Nevertheless, owing to a milder autumn, breeders benefitted from unexpected growth of grass on grazing land and the grape harvests took place under good weather conditions.

In 2022/23, the winter rainfall was not sufficient to fill the groundwater tables. Fortunately, the spring rains in the North and then in the South of France prevented a climate disaster that Spain and Italy have encountered this year.

Temperatures



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

Rainfall



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

Farmland market

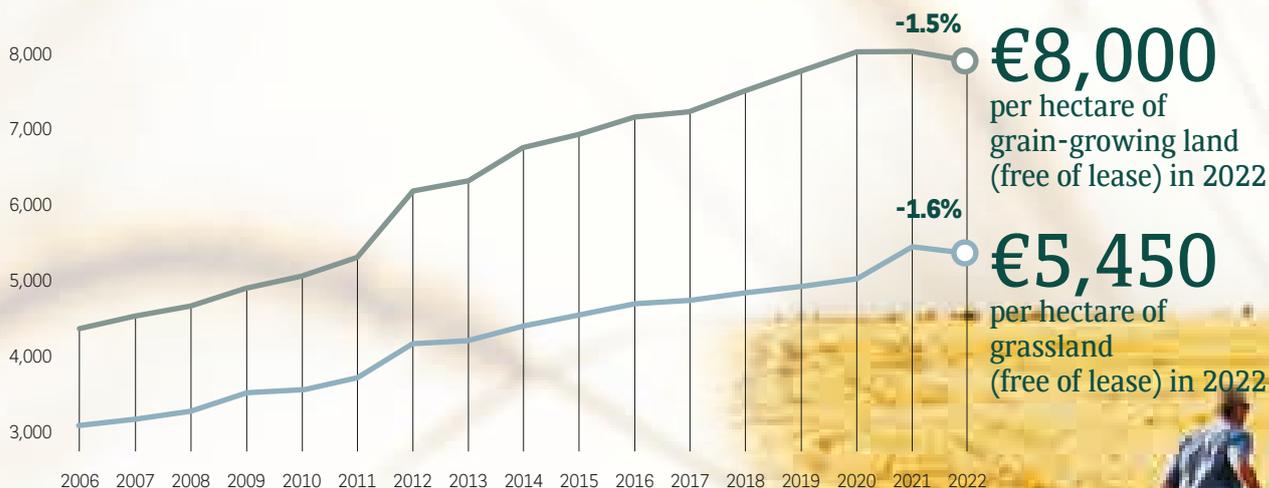
We observe that over the past ten years, the price of farmland in France has appreciated by 2.6% per year. Prices are usually subject to several factors, including the demand for farmland, agricultural/environmental policies, and farmers' income. This market is also directly influenced by the quality and nature of the soil, improvements made (e.g. irrigation), the farm structure (parcel plan, geographical location) and climatic conditions. With 480,400 hectares sold in 2022, for a total of €7.14 billion, the SAFER believe that this market was particularly dynamic. The forthcoming implementation of the Sempastou Law⁽¹⁾ probably accelerated land sales before it came into force in 2023.

According to *Valeurs Vénales*, the price of a hectare of farmland (free of lease) in 2022 averaged €8,000 for grain-growing land and €5,450 for grassland. For the first time since 2007, farmland (free of lease) for grain-growing land and for grassland fell by 1.5% and 1.6% respectively versus 2021. That said, the farmland market (regulated in France) remains very attractive compared with forest land, but also compared with the very high farmland prices in neighbouring European countries.

480,400
hectares sold
in 2022, for

€7.14
billion

+2.6%
per year



Farmland prices in France (free of lease)

Source: *Valeurs Vénales 2022*

(€/ha) — Grain-growing land (free of lease)
— Grassland (free of lease)

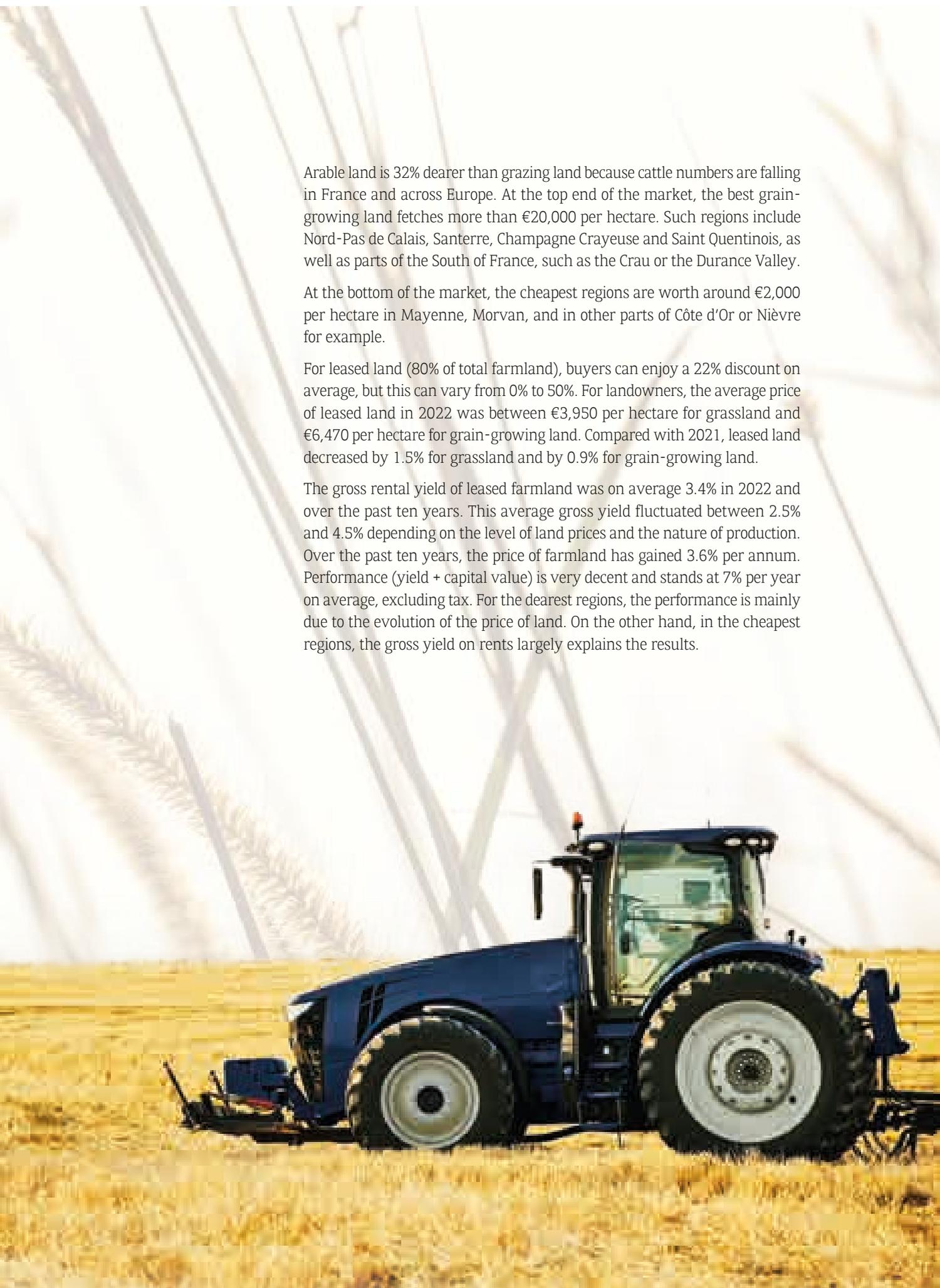
(1) The Sempastou Law in France aims to limit concentration and regulate access to farmland. This law should limit the sale of company shares. In addition to the SAFERS' initial pre-emptive right (*droit de pré-emption*) over land, they also have the right of first refusal in the event of a sale of the shares of a company owning the land.

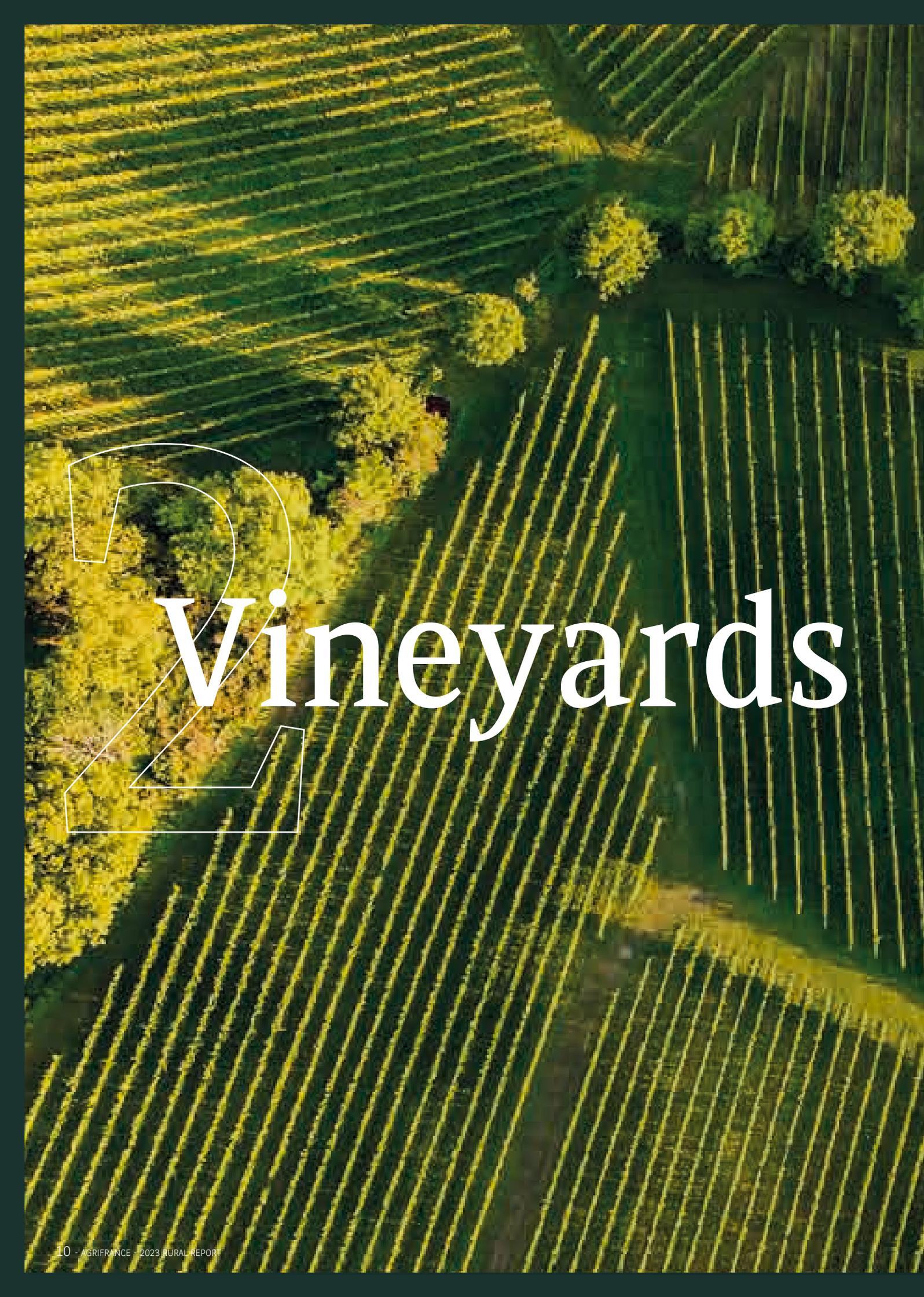
Arable land is 32% dearer than grazing land because cattle numbers are falling in France and across Europe. At the top end of the market, the best grain-growing land fetches more than €20,000 per hectare. Such regions include Nord-Pas de Calais, Santerre, Champagne Crayeuse and Saint Quentinois, as well as parts of the South of France, such as the Crau or the Durance Valley.

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

For leased land (80% of total farmland), buyers can enjoy a 22% discount on average, but this can vary from 0% to 50%. For landowners, the average price of leased land in 2022 was between €3,950 per hectare for grassland and €6,470 per hectare for grain-growing land. Compared with 2021, leased land decreased by 1.5% for grassland and by 0.9% for grain-growing land.

The gross rental yield of leased farmland was on average 3.4% in 2022 and over the past ten years. This average gross yield fluctuated between 2.5% and 4.5% depending on the level of land prices and the nature of production. Over the past ten years, the price of farmland has gained 3.6% per annum. Performance (yield + capital value) is very decent and stands at 7% per year on average, excluding tax. For the dearest regions, the performance is mainly due to the evolution of the price of land. On the other hand, in the cheapest regions, the gross yield on rents largely explains the results.





Wineyards

45.4

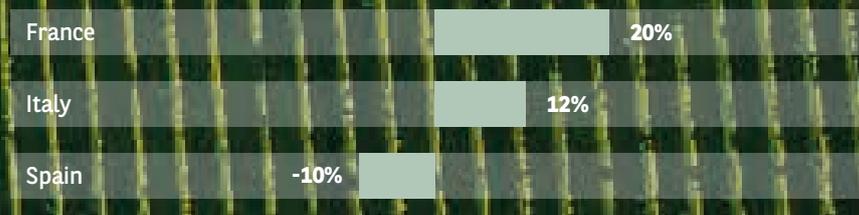
million hectolitres
of French wine
produced in 2022

+20%

compared with 2021

Larger grape harvests in 2022

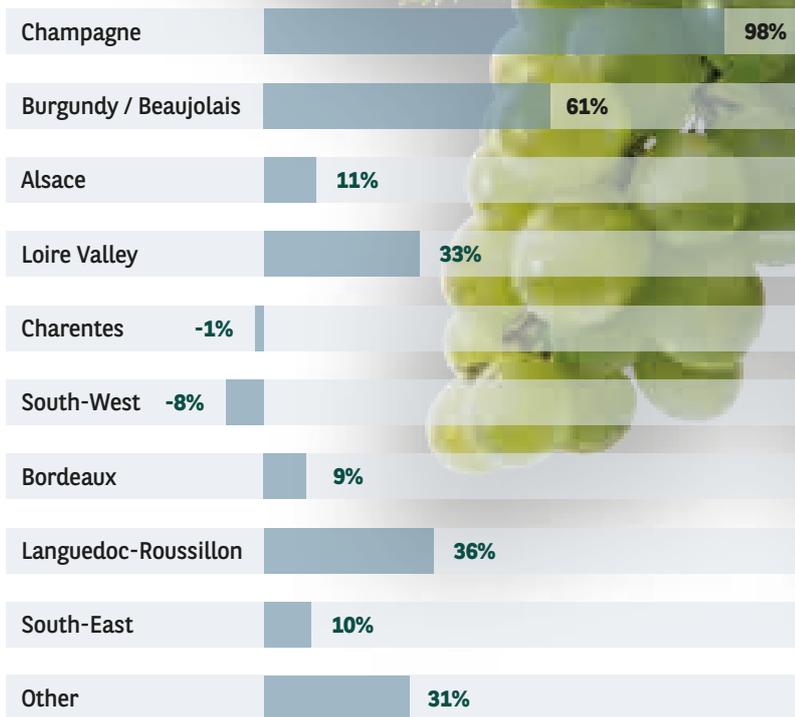
French wine production in 2022 amounted to 45.4 million hectolitres, up 20% on the previous year which saw a small harvest following a severe spring frost. Moreover, the 2022 figure represents a 6% increase compared with the five-year average. France thus ranks as the second-largest wine-producing country in the world, behind Italy whose production was up 12%, and ahead of Spain, whose production was down 10% last year due to a major drought. Together, the trio represents 60% of world production estimated at more than 260 million hectolitres.



Production in France, Italy and Spain

(% increase/decrease vs. 2021)

Sources: OIV, Agreste & Douanes



Production in France's main regions

Sources: OIV, Agreste & Douanes

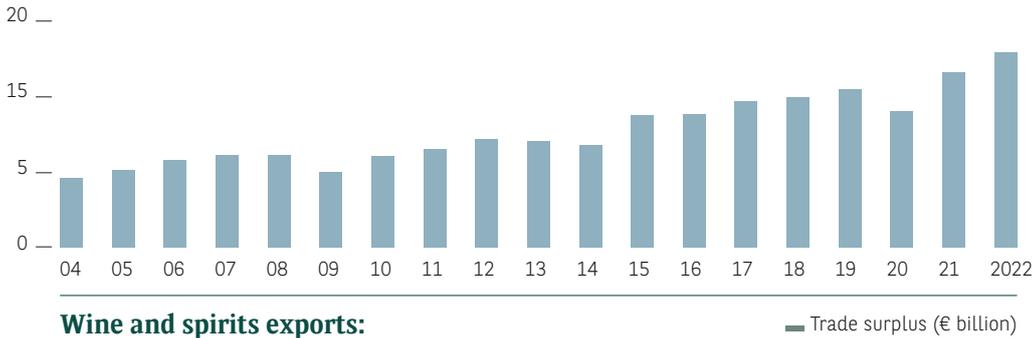
(% increase/
decrease vs. 2021)

French production recovered in nearly all winegrowing areas in 2022, except the South-West region and Charentes, which were affected by the spring frost and then by hail in June. The late summer rains allowed a good ripening of grapes. Furthermore, the grape harvests were earlier than usual and took place in excellent conditions. Production in the Champagne region nearly doubled in 2022 following a decline of 25% in 2021. Burgundy and Beaujolais registered a huge rise of 61%, which was good news for producers who were able to replenish their stocks.

Wine market: record exports in 2022

Trade in wine and spirits remains one of the jewels of French foreign trade and confirms its number 2 ranking in French exports, positioned between aircraft and luxury goods. The year 2021 was exceptional thanks to the post-Covid recovery and the suspension of US import taxes on wines and spirits from the European Union. Last year was also fantastic, with an unprecedented trade surplus of €17.2 billion.

€17.2
billion for the trade
surplus in 2022
+29%
compared with 2021

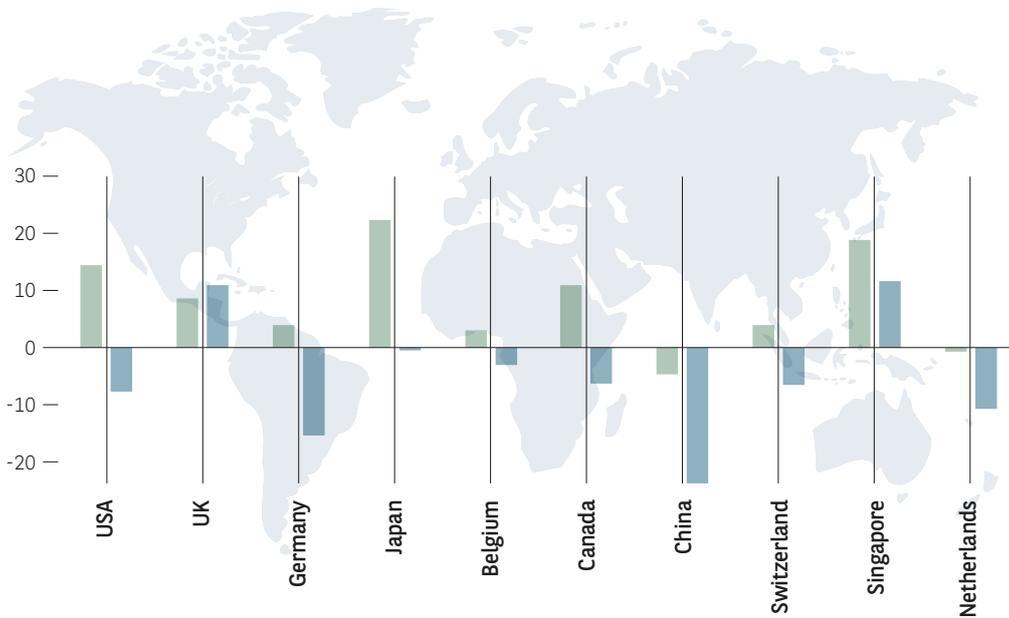


**Wine and spirits exports:
the trade surplus since 2004**

Source: FEVS



In volume terms, exports dropped by 7% in 2022 owing to a small harvest in 2021 and thus lower quantities available for export.



The top 10 countries importing French wine

Source: DGDDI

(% of total value and volume)
■ % change in value
■ % change in volume

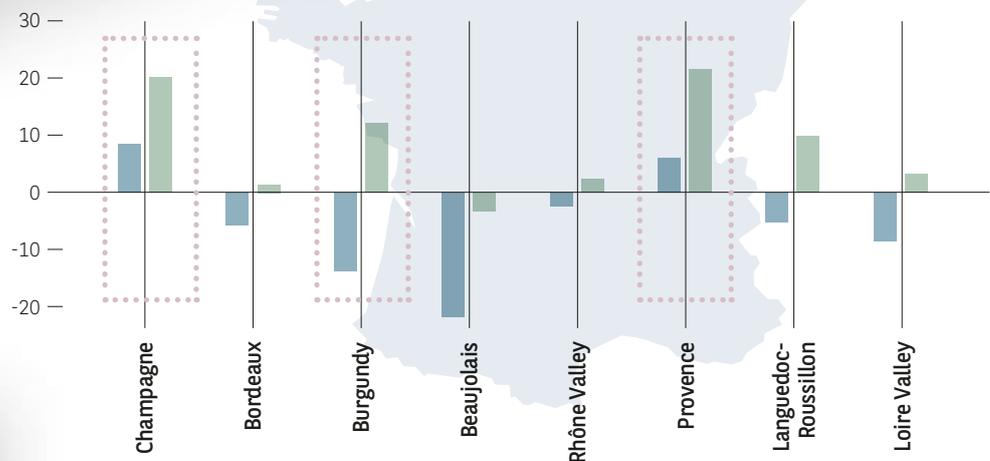
Accounting for 20% of exports, the US remains the world's largest importer of French wines. In 2022, sales increased by 14% to more than €2.2 billion. These good results were largely driven by the sale of sparkling wines, including champagne.

Despite Brexit, sales to the UK amounted to €1.4 billion, up 8.5% versus 2021. The UK remains the France's second-largest market.

Together the US and the UK account for over 30% of French wine exports in value terms.

Despite the economic slowdown in China (-4.6% in value terms) and Hong Kong (-26.2%), the recovery of exports to Asia gathered pace, particularly to Japan. With an increase of 18.7%, Singapore became the regional hub for the distribution of French wines.





Exports by wine region vs. 2021

Source: DGDDI

(% of total value and volume)

■ % change in value
■ % change in volume

Sales to the rest of the European Union increased last year. For example, exports of French wine and spirits to Germany exceeded the €1 billion mark, for the first time.

Three regions outperformed for exports: Champagne, Burgundy and Provence.

Lastly, in the context of rising production costs, French winegrowers had no other choice but to develop their export outlets, through innovation, product differentiation and premiumisation (upscaling of products).

Premiumisation

The action of making a product or service appeal to consumers by emphasising the premium and luxury quality. This process may involve creating specific packaging/boxes, collector items, a limited series, or a luxury version.



Differentiation

A product or communication policy whereby a company differentiates its product or service from the competition. This policy may be real because it is based on intrinsic characteristics, or it may result from an advertising campaign. The purpose of differentiation is to overcome the competition, by developing a “brand preference” before and after purchase, and by commanding higher prices. Differentiation can also be done bottom-up, by offering a more “basic” product, which is less expensive (a low-cost strategy).

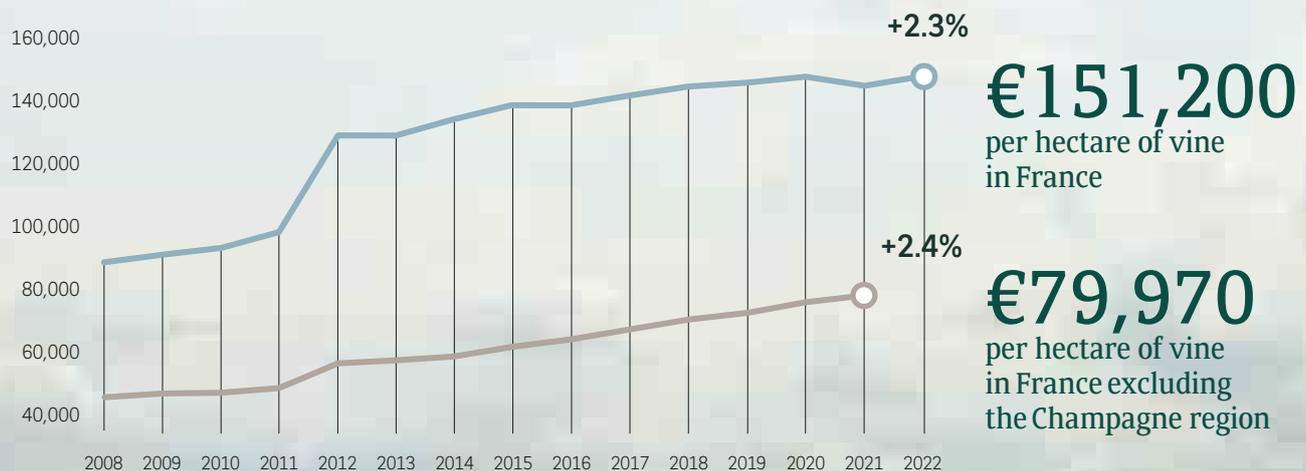
+1.5%
average annual increase
during the past 10 years

Winegrowing land

Whereas the *terroir*, plantations and the general state of the vineyard are all valuation factors, the price of a vineyard is directly linked to the wine market, in other words, the reputation of the vineyard or the *appellation*, especially if the wine is exported. In this context, price variability is extremely high.

The price of winegrowing land in France has exceeded €151,200 per hectare (+2.4% versus 2021), edging up by on average 1.5% p.a. over ten years. But this figure is misleading because it masks very different situations across regions. In the Bordeaux region for example, Saint-Émilion has appreciated over the last ten years by 18% p.a. and Pomerol by 15.7% p.a., while AOP Bordeaux has barely achieved a 1% annual increase. The price of land in generic Bordeaux has even plummeted by almost 12% in a year. In Burgundy, the *Grands Crus* have seen an average annual increase of 9% over ten years, versus +8% for the *Premiers Crus*. The Champagne region, which has seen a slowdown in its upward price trend in recent years, like the *Crus* in the Côtes du Rhône or the Côtes de Provence regions, has registered a rise of 3-4% p.a. over the last ten years.

For very renowned regions (just like farmland), performance is due to the evolution of land prices. On the other hand, for less expensive regions, the gross yield on rents largely explains the results.



Vineyard prices in France since 2008

Source: SAFER

(€/ha)
■ France
■ France excluding the Champagne region

Loire Valley

Anjou €18,050/ha to €23,220/ha

Champagne

€1,283,850/ha to €1,593,230/ha

(Vallée de la Marne)

Burgundy

Grands Crus €8,298,050/ha to €17,987,460/ha

Premiers Crus €2,249,900/ha to €4,348,840/ha

Villages €892,050/ha to €1,970,960/ha

Côtes du Rhône

Hermitage €1,296,240/ha to €1,523,550/ha

Côte-Rôtie €1,352,920/ha to €1,451,410/ha

Châteauneuf-du-Pape €534,790/ha to €579,380/ha

Gigondas €233,880/ha to €269,970/ha

Vacqueyras €122,400/ha to €153,020/ha

Villages €37,410/ha to €64,670/ha

Côtes du Rhône €25,560/ha to €37,590/ha

Bordeaux

Bordeaux Rouge €17,010/ha to €25,160/ha

Saint-Émilion €306,200/ha to €3,195,720/ha

Pomerol €1,957,840/ha to €6,239,530/ha

Saint-Estèphe €483,850/ha to €1,016,580/ha

Pauillac €2,962,610/ha to €3,608,800/ha

Margaux-Saint Julien €1,248,930/ha to €1,917,680/ha

Provence

Côtes de Provence €56,880/ha to €151,870/ha

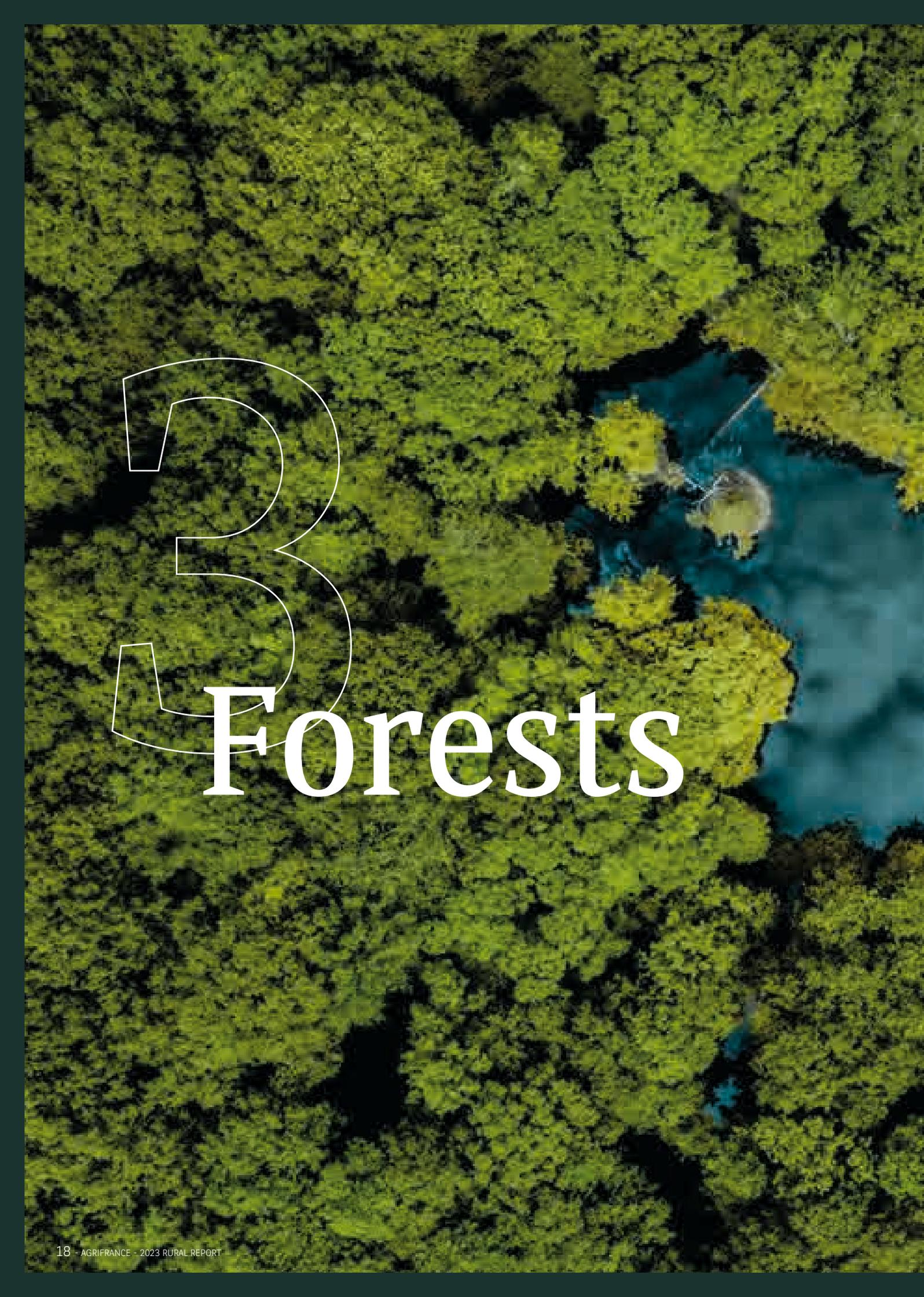
Bandol €139,760/ha to €181,400/ha

Cassis €116,740/ha to €155,520/ha

Average prices / Highest prices in 2022

Source: Valeurs Vénales 2023





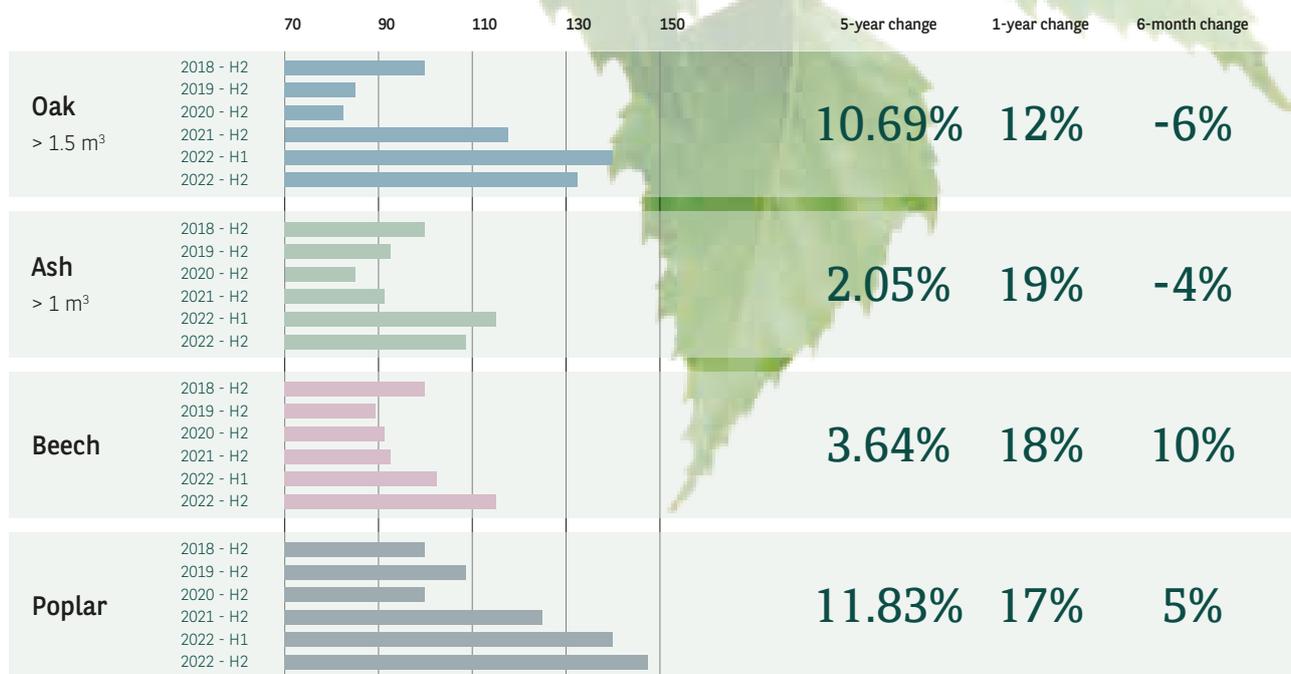
3 Forests



Timber market: a slowdown in late 2022 and early 2023

According to the Fédération des Experts Forestiers and the Office National des Forêts, the timber market grew rapidly in 2021 and in early 2022. But the market started to decline from the second half of 2022. When this decline accelerated at the beginning of 2023, forestry professionals lacked visibility about the impact of rising transport and electricity costs. Today industry professionals are seeking to preserve their margins by expanding their markets. They are doing this by innovating and developing new products, such as laminated wood, an alternative to cement in construction.

Hardwoods



Average price trend (per m³) per species over 5 years

(base 100: H2 2018)

Source: Fédération des Experts Forestiers de France

In hardwoods, oak traded at an average price of €292.84 per m³ in 2022, continuing to sell at good levels, despite a 6% decline in prices, for the first time in five years. In the context of dried-up demand from China at the end of 2022, we observe that 93% of oak batches were still sold in 2022, as French and European demand remained strong. In early 2023, the oak market slowed down, trading in a two-speed market.

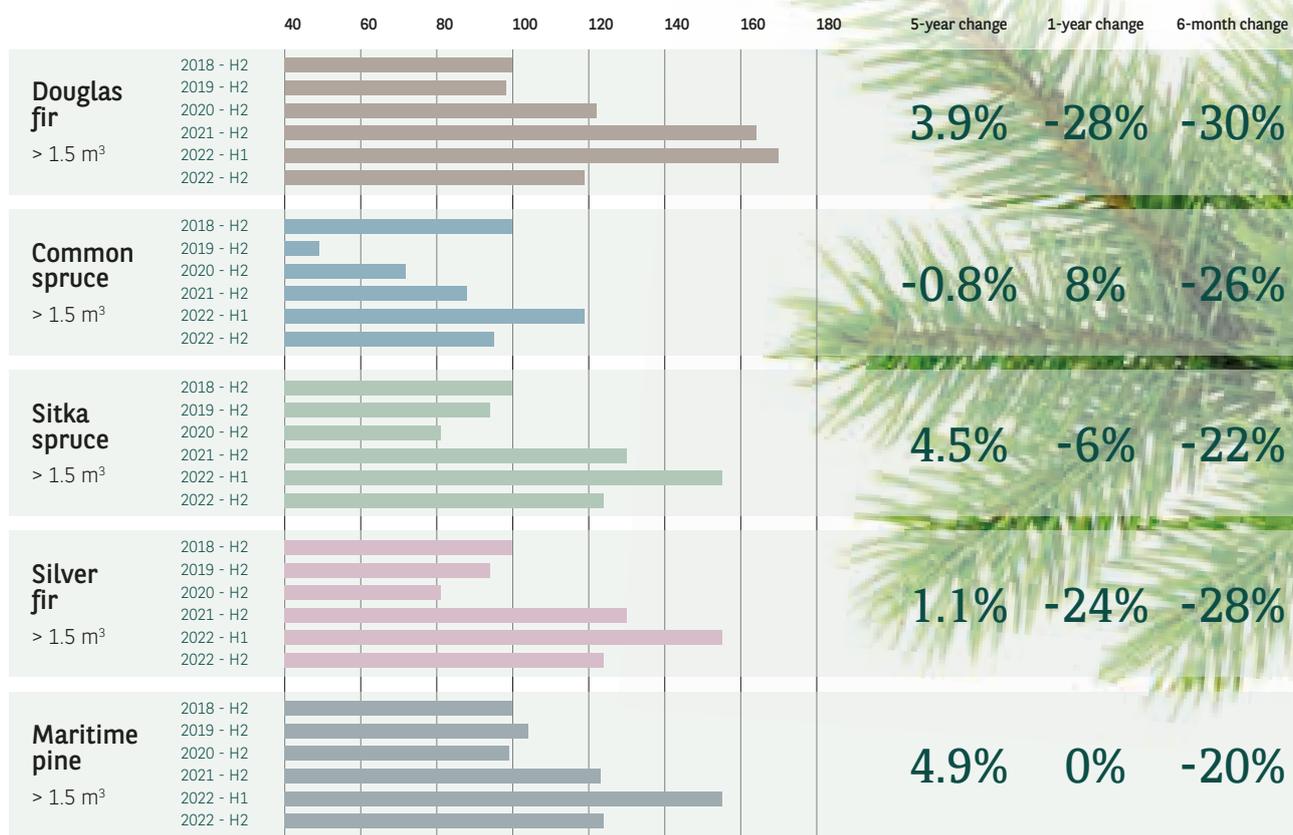
Prices for high-quality wooden platforms and staves soared again in the first quarter of 2023. On the other hand, the market for secondary usage for wood flooring ran out of steam owing to the squeezed demand for mass market exports. Ash (€114.36 per m³) held up well with fewer volumes on offer. At the start of 2023, ash prices were at their highest with roadside sales averaging €160 per cubic metre, compared with €115 a year earlier, and there was strong demand from Vietnam. In 2022, beech (€66.25 per m³) exceeded the €60 mark for the first time since 2015, with 93-96% of batches sold. However, beech prices nosedived by 10% in early 2023.

Poplar (€58.86 per m³) was in quite good demand and enjoyed an annual increase of 17% in 2022 and +6% over the last six months.

Softwoods

Between **-20%**
and **-30%**

average price decline per m³ in softwoods
in the second half of 2022



Average price trend (per m³) per species over 5 years

(base 100: H2 2018)

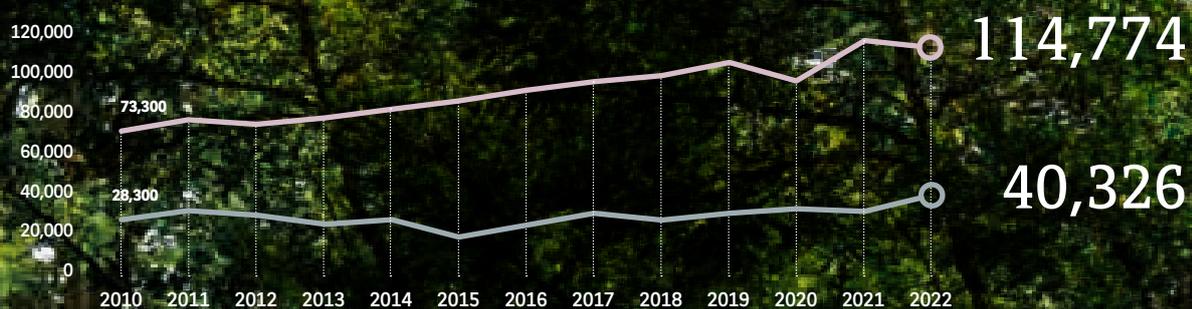
Source: Fédération des Experts Forestiers de France

In softwoods, all species fell by 20-30% in the second half of 2022. Douglas fir (€73.77 per m³) and Common spruce (€51.93 per m³) shed 30% and 26% respectively over the same period. Volumes on sale for these two species fell by half. Sitka spruce (€122.59 per m³) plummeted by 22% over six months. Lumber wood on sale dropped by 20% compared with the previous 18 months. Silver fir (€44.96 per m³) declined 28% in six months. Maritime pine (€51.08 per m³) lost 20% over six months. Demand remained robust with 92% of batches sold.

In 2023, uncertainty in the timber markets is growing. In the US, the building trade has slowed by 20% and China has cut back on its imports of softwoods, leading to a 40% drop in sawing prices. The European wood industry is forecasting for 2023 a 2-3% decline in planks made from softwoods. In France, construction has collapsed by 12% since July 2022, which is bad news for softwoods, particularly in the *Grand Est* region where stocks have accumulated since prices started to decrease.

The forest market in 2022

In 2022, with more than 155,000 hectares of forests sold in France, sales rose by 4.6%. Sales of forests over 100 hectares increased by 5.3% compared with +4.3% for forests of less than 100 hectares.



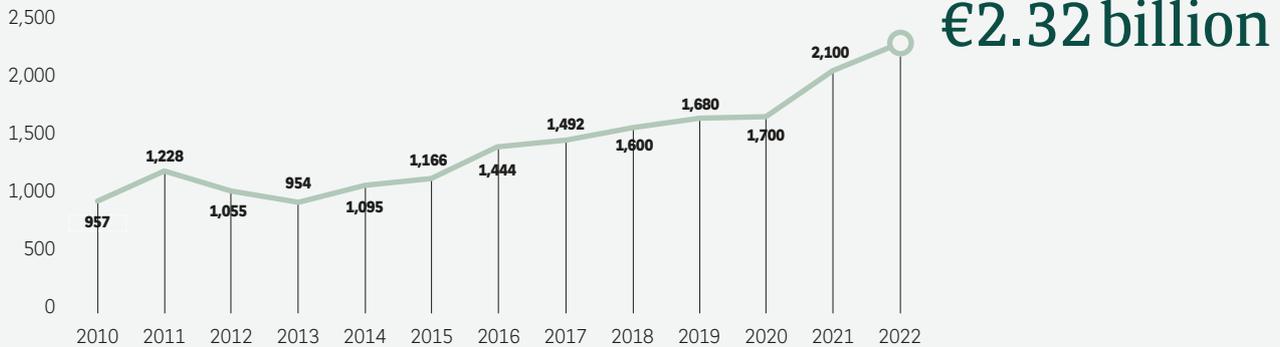
Forests: surface areas sold (in hectares)

(€)

— Forests less than 100 ha — Forests more than 100 ha

Source: SAPFR

In value terms, the market was particularly dynamic in 2022 amounting to €2.32 billion through 21,850 transactions. Over ten years, the market has grown by 140% in value terms.



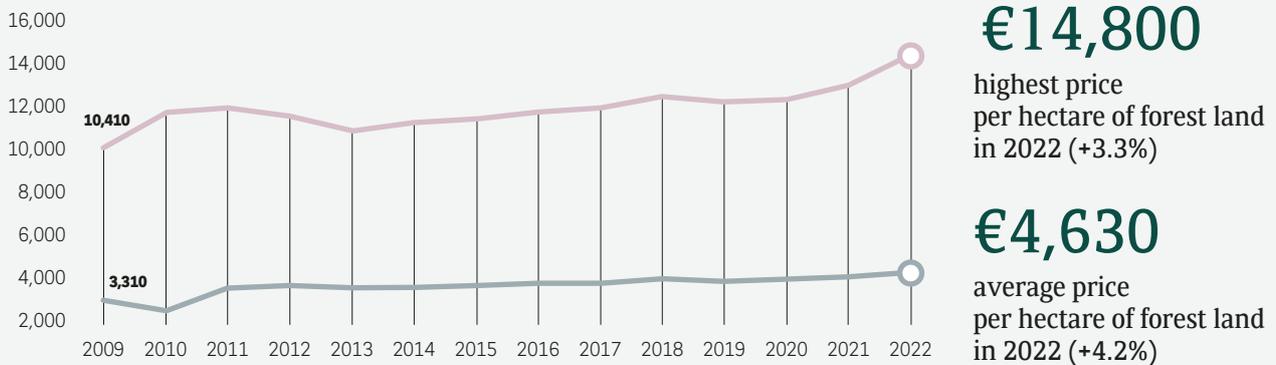
The market value of forests

— Total

Source: SAFER

The average price per hectare increased by 4.2% (to €4,630) compared with 2021. Prices ranged from €700/ha to €14,800/ha. Over ten years, maximum prices have risen by 3.3% per year on average. In France, more than 80% of sales and 35% of land surfaces corresponded to transactions of less than 10 hectares. Farmers remain the main purchasers of forests, often bought with farmland.

In the forest market of over 100 hectares, demand remained very strong in the 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? In recent months, or even as much as a year, we have been seeing robust demand from private and institutional investors. Prospects for rising prices of carbon credits (future remuneration for carbon storage) are increasing the appeal among investors and landlords. The recent decline in wood prices and the slowdown in the property market could impact forest prices.



Forest land prices

(€/ha)

— Highest prices/ha — Average prices/ha

Source: SAFER

Sources/Glossary

AGRESTE: the statistics department of the French Ministry of Agriculture

ARVALIS: an applied research institute positioning itself as a technical reference in straw cereals, corn, sorghum, potatoes, fodder and linen fibre for farmers and public authorities

COPA-COGECA: the COPA (Committee of Agricultural Professional Organizations of the European Union) and the COGECA (General Confederation of Agricultural Cooperatives, former General Committee for the Agricultural Cooperation of the European Union) group together certain agricultural trade union and professional organisations and cooperatives

DEFINITIONS-MARKETING.COM: premiumisation and differentiation, B. Bathelot

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

French Ministry of Agriculture (CGAAER) study on the evolution of methods for the carry of land). Benoît Bonnefoi, Hervé Lejeune

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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