Land-use change from pastoral farming to large-scale forestry Update

May 2025

Orme & Associates

Client Report

Update of land-use change from pastoral farming to large-scale forestry for 1/01/2024 – 31/03/2025

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Executive Summary

Orme & Associates has been commissioned by Beef + Lamb New Zealand to:

REVIEW AND UPDATE the Land Use change on Pastoral Farms report to 31/03/2025.

Our previous report dated September 2024 indicated fewer farm sales than the revised figures being identified as intended for afforestation. Since our last report, a further 37,159 ha in farm sales have been identified as intended for afforestation for the 2023 and 2024 years. When combined with preliminary first quarter 2025 sales figures, the increase in farm afforestation since our previous report becomes 38,921 ha.

Confirmed afforestation sales for the 2023 year have been revised upwards since our last report (due to traditional delays in the final sales being reported) from 17,638 ha to 29,518 ha, as OIO applications and conditions within S&P agreements entered into during this period have settled.

2024 afforestation sales have been revised upwards from 5,205 to 30,483 hectares, the majority (19,842 hectares or 65%) of which are accounted for by OIO approved transactions. We expect the 2024 figures will increase further given the significant delays in farm sales being finalised, particularly OIO sales.

Of note, no sales to Honey producers of land greater than 250 hectares were identified.

In respect to the quality of land being transacted, there appears to have been a significant shift in the type of land involved with 78.1% being identified as Grassland High and Low producing in the 2024 year, compared to 61.2% in the 2023 year.

The proportion of forested land, both Indigenous and Pre and Post-1989 land, also appeared to reduce from 34.5% in 2023 to 16.8% in 2024.

Sales analysed by LUC showed a small increase in classes 2-5 to 11.9% in 2024 compared to 8.1% in 2023, however, 71.7% of the land traded in 2024 was classified as LUC 6.

When combined, these trends indicate that land traditionally well-suited for pastoral farming is increasingly being purchased for conversion.

Whole of Farm Purchase	2023				2023 Total	2024				2024 Total	2025 Qtr1	Grand Total
	Qtr1	Qtr2	Qtr3	Qtr4		Qtr1	Qtr2	Qtr3	Qtr4			
Carbon	2,421	2,017	1,206	456	6,101	1,151	1,760	4,108	-	**7,018**		**13,119**
Forestry	4,431	702	483	4,506	10,122		903	2,424	296	**3,623**		**13,745**
OIO	1,061	3,147	3,047	6,040	13,295	3,710	6,290	2,445	7,397	**19,842**	**1,762**	**34,900**
Grand Total	**7,913**	**5,866**	**4,737**	**11,002**	**29,518**	**4,861**	**8,953**	**8,977**	**7,693**	**30,484**	**1,762**	**61,764**
Previous reported Qtr areas	**7,913**	**5,867**	**1,987**	**1,871**	**17,638**	**1,759**	**3,446**			**5,205**		

Table 1: Farmland sold for afforestation, revised quarterly figures for 2023 – Q1 2025

Our revised total area of sheep and beef farmland that has been purchased for conversion into forestry is 300,653 ha for the period beginning 1 January 2017 and ending 31 March 2025. In 2023, the proportion of farms (by %) purchased by entity type has altered following revision of sales data, with an increase in sales to private New Zealand ownership (now at 34%) and a reduction in the traditional carbon entities (now at 20.6%).

A key trend in the 2024 sales figures is the increase to 65% of land sales attributed to OIO purchasers. We note this number does not include any sales of farmland already converted into forestry to foreign ownership.

Whole of Farm Purchase	Year					2022	Updated 2023	2024	2025 Qtr 1	Grand Total (Hectares)	Overall % by Conversion
	2017	2018	2019	2020	2021						
Honey (Mānuka)	3,039	7,340	1,678	3,313	3,175	876				**19,421**	**6.5%**
Forestry	2,510	11,245	26,198	6,069	16,266	7,855	10,122	**3,623**		**83,888**	**27.9%**
Carbon Forestry				13,635	16,029	31,686	6,101	**7,018**		**74,469**	**24.8%**
Forestry OIO	1,455	8,982	10,626	15,261	28,112	23,540	13,295	**19,842**	**1,762**	**122,875**	**40.9%**
Total Whole of Farm	**7,004**	**27,567**	**38,502**	**38,278**	**63,582**	**63,956**	**29,518**	**30,483**	**1,762**	**300,653**	**100.0%**
Previous Report 2022	**7,004**	**27,567**	**38,502**	**38,278**	**63,582**	**35,508**	**17,638**				

Table 2: Farmland sold for afforestation, 2017 – Q1 2025 by purchaser type

The figures are based on an analysis of farm sales over 250 ha, confirmed at the time of purchase. Only properties clearly purchased by recognised forestry or traditional carbon operators, or those where established tree planting was visually confirmed are included. The analysis specifically pertains to these larger properties. Smaller blocks under 250 hectares that have been purchased for afforestation, as well as land converted to forestry within existing farm ownership, are not captured in this analysis.

Our results for the 2024 year and the first quarter of 2025 are still preliminary, and the traditionally experienced, second half changes are expected to flow through, especially given the Government announcement on 4 December 2024 regarding restrictions on farm conversions to exotic forestry registering in the ETS.

Our expectation is that there will be significant uptake by existing farming landowners for planting within their current land ownership, with indications that potentially 20,000 plus hectares may be afforested this coming 2025 planting season ahead of the proposed regulations coming into effect from October 2025. This activity falls outside of the terms of reference for this report.

The predominant land-classes of farmland sold for forestry conversion from 2017-2023, were Land Class 6 (57.2%) and Land Class 7 (29.4%), however 2024 has seen an increase in Classes 2-5 (11.9%) and a significant jump in Class 6 land to 71.7%.and Class 7 land to 16.0%.

LUC Layer	Land Use Classification (LUC) Band								Grand Total (Hectares)
	2	3	4	5	6	7	8	Other	
% 2024	**0.6%**	**2.7%**	**6.7%**	**1.9%**	**71.7%**	**16.0%**	**0.4%**	**0.0%**	**100%**
% 2023	0.0%	2.4%	5.2%	0.5%	57.5%	32.6%	1.7%	0.0%	**100%**
% 2021-2022	0.2%	3.7%	6.7%	0.5%	57.8%	30.1%	1.0%	0.0%	**100%**
% 2020-2022	0.2%	3.8%	8.7%	2.8%	60.5%	23.3%	0.7%	0.0%	**100%**
% 2017-2020	0.1%	3.1%	5.4%	0.9%	52.0%	36.7%	1.7%	0.1%	**100%**
% 2017-2023 Weighted Average	**0.2%**	**3.5%**	**7.0%**	**1.5%**	**57.2%**	**29.4%**	**1.1%**	**0.0%**	100%

Table 3: Proportion of farmland sold for afforestation 2017 – 2024 by LUC NB. 2017 – 2023 weighted average included for comparative purposes to 2024 figures

Of significant note, Low and Moderate erosion prone land has surged to 83.8% of farmland afforestation sales, indicating that land traditionally well-suited for pastoral farming is increasingly being purchased for conversion.

ESC Layer	Erosion Susceptability Class (ESC)					Grand Total (Hectares)
	Low	Moderate	High	Very High	Other	
% 2024	**38.1%**	**45.7%**	**13.4%**	**2.8%**	**0.0%**	**100%**
% 2023	27.5%	35.7%	32.7%	4.1%	0.0%	**100%**
% 2021-2022	29.2%	41.3%	20.4%	9.1%	0.0%	**100%**
% 2020-2022	38.5%	40.1%	15.1%	6.2%	0.0%	**100%**
% 2017-2020	28.2%	35.8%	26.0%	9.9%	0.0%	**100%**
% 2017-2023 Weighted Average	**32.5%**	**38.9%**	**20.8%**	**7.8%**	**0.0%**	**100%**

Table 4: Proportion of farmland sold for afforestation 2017 – 2024 by ESC. NB. 2017 – 2023 weighted average included for comparative purposes to 2024 figures

The downward trend for Very High Erosion Prone land seen in the 2023 figures has continued, with levels falling further to 2.8%, down from a peak of 9.9% between 2017 and 2020.

This trend coincides with a withdrawal by investors from the Gisborne region as a result of the severe weather events experienced, highlighting issues with land use on historically vulnerable land, newly introduced harvesting guidelines and a risk adverse market.

Region	Land sale percentage by region				
	2017-2020	2020-2021	2021-2022	2023	2024
North Auckland	4%	6%	6%	11%	**8%**
South Auckland	4%	10%	12%	19%	**10%**
Hawkes Bay	10%	13%	7%	8%	**30%**
Gisborne	4%	6%	20%	0%	**1%**
Taranaki	4%	6%	9%	24%	**8%**
Wellington	46%	27%	25%	25%	**16%**
Marlborough	6%	2%	4%	0%	**0%**
Nelson	2%	1%	0%	0%	**0%**
Canterbury	4%	4%	3%	3%	**2%**
Otago	16%	20%	8%	1%	**8%**
Southland	1%	5%	6%	9%	**19%**
Grand Total	**100%**	**100%**	**100%**	**100%**	**100%**

Table 5: Land sale by district data from 2017 to 31/12/2024 with map of regions (based off the Land District Map (ESC and LUCAS comparisons))

Over the past year, there has been a shift in the regions of the country where land sales are occurring. The significant slowdown in the Gisborne region observed last year has continued, likely due to the environmental impacts of Cyclone Gabrielle and tightened harvesting conditions being set by Regional Councils.

Hawke's Bay and Wellington/Wairarapa remain the preferred locations in the North Island, while Southland has seen a notable increase in recorded sales in 2024. If the current trend observed in the final two quarters continues, additional sales are expected to be confirmed.

Overall, the 2024 sales show a significant increase in the percentage of High and Low Producing Grassland, while properties with existing areas of natural and planted forest (both pre-1990 and post-1989) have declined significantly.

LUCAS 2016 Layer	Cropland - Annual	Grassland - High producing	Grassland - Low producing	Grassland - With woody biomass	Natural Forest	Planted Forest - Pre 1990	Post-1989 Forest	Other	Settlements or built-up area	Wetland - Open water	Wetland - Vegetated non forest	Grand Total
% 2024	**0.0%**	**38.4%**	**39.7%**	**5.0%**	**9.8%**	**3.1%**	**3.9%**	**0.0%**	**0.0%**	**0.0%**	**0.1%**	**100%**
% 2023	0.0%	30.5%	30.7%	4.1%	18.2%	4.5%	11.8%	0.1%	0.0%	0.1%	0.1%	**100%**
% 2021-2022	0.0%	34.9%	40.4%	5.7%	9.0%	2.1%	7.8%	0.0%	0.0%	0.1%	0.0%	**100%**
% 2020-2022	0.0%	31.7%	40.9%	7.4%	11.6%	2.5%	5.8%	0.0%	0.0%	0.1%	0.1%	**100%**
% 2017-2020	0.0%	24.2%	41.2%	6.7%	16.1%	2.5%	8.9%	0.0%	0.0%	0.1%	0.0%	**100%**
% 2017-2023 Weighted Average	**0.0%**	**30.3%**	**40.2%**	**6.6%**	**12.7%**	**2.5%**	**7.6%**	**0.0%**	**0.0%**	**0.1%**	**0.1%**	**100%**

Table 6: Proportion of farmland sold for afforestation 2017 – 2024 by LUCAS 2016 layer. NB. 2017 – 2023 weighted average included for comparative purposes to 2024 figures

Farmers and landowners are increasingly using within-farm plantings to diversify their income streams while also considering their potential Greenhouse Gas (GHG) obligations in anticipation of agriculture being included in the ETS.

Landowners throughout the country are increasingly choosing to, where appropriate, establish trees, to support their business, particularly on the less productive areas of their land. There has been a growing interest in planting native species where possible, however, this trend has been severely impacted by the introduction of the ETS annual per hectare charge for registered areas. As a result, alternative exotic species such as redwoods, cypress and eucalypt species are now becoming the preferred options.

Radiata pine will still play an important role at this smaller scale, especially in areas with weed infestation.

Background

Orme & Associates was originally commissioned by Beef + Lamb New Zealand to:

"Update and track the amount of land that has been or will be planted into exotic plantation species in the near future that is likely to take land out of pastoral production".

Region	Land sale percentage by region				
	2017-2020	2020-2021	2021-2022	2023	2024
North Auckland	4%	6%	6%	11%	**8%**
South Auckland	4%	10%	12%	19%	**10%**
Hawkes Bay	10%	13%	7%	8%	**30%**
Gisborne	4%	6%	20%	0%	**1%**
Taranaki	4%	6%	9%	24%	**8%**
Wellington	46%	27%	25%	25%	**16%**
Marlborough	6%	2%	4%	0%	**0%**
Nelson	2%	1%	0%	0%	**0%**
Canterbury	4%	4%	3%	3%	**2%**
Otago	16%	20%	8%	1%	**8%**
Southland	1%	5%	6%	9%	**19%**
Grand Total	**100%**	**100%**	**100%**	**100%**	**100%**

Table 7: Land sale by district data from 2017 to 31/12/2024 with map of regions (based off the Land District Map (ESC and LUCAS comparisons))

Land Type Affected from 2017 to 2024

The LUC and ESC systems are both now well established as descriptors of topography and erosion susceptibility and are used extensively to regulate and guide land use. They also inevitably influence the perceived and actual value of land on the open market.

Changes to the ETS in 2025

Limits to converting farmland to exotic forestry registered in the ETS.

On 4 December 2024, the Government announced policy changes intended to limit how much farmland is converted to exotic forest and registered in the ETS. The regulations are intended to come into effect in October 2025.

More information was released on 25 March 2025 about how the proposed restrictions would apply to conversions of farmland to exotic forestry. This includes how the restrictions are proposed to apply to situations where steps had been taken to convert farmland to exotic forestry for registration in the ETS prior to policy announcement. It also explains how the proposed new restrictions will affect those who commenced farm-to-exotic forestry conversions in the ETS after this policy was announced.

Update on proposed changes to limit farm conversions to exotic forestry in the ETS [PDF, 877 KB]

The policy includes a moratorium (ban) on registering exotic forest in the ETS on land use capability (LUC) class 1 to 5 land that has been converted from farmland. It also includes a limit on how much medium versatility farmland is converted to ETS forest land.

There are some exemptions. Under the policy:

- farmers can still convert some of their farm to forest and register it in the ETS
- those who have already taken steps to establish forestry investments can continue with these
- Crown-owned land being made available for afforestation through partnership with the private sector is exempt. This exemption does not include land being productively farmed by Landcorp Farming Limited (Pāmu).

Under the policy, limits include:

- a moratorium (ban) on registering exotic species of forest land in the ETS if planted on land use capability (LUC) class 1 to 5 farmland
- a national annual hectare limit of 15,000 hectares for exotic forest land registered in the ETS if planted on LUC class 6 farmland.

The policy allows:

- rights to be allocated to register exotic forests in the ETS on LUC class 6 farmland
- up to 25% of LUC class 1 to 6 land on a farm to be exempt from the above limits
- for transitional exemptions for those who were in the process of afforestation before this announcement and can provide evidence of this dated before 4 December 2024, such as a land purchase agreement, or seedling order.

Despite the upcoming legislative changes to limit the areas going into trees, 1,762 hectares of farmland has been approved for sale and afforestation through recent OIO decisions since the policy change was announced by the Government.

Land Use Capability (LUC) Classification summary

The proportion of Class 6 and 7 land has declined slightly; however, the increase in Classes 2 to 5 compared to the six-year average is notable and will be a cause for concern for the pastoral farming industry. It is important to note that this data represents land sales only and does not account for potential conversions of land within existing farming systems.

LUC Layer	Land Use Classification (LUC) Band								Grand Total (Hectares)
	2	3	4	5	6	7	8	Other	
% 2024	**0.6%**	**2.7%**	**6.7%**	**1.9%**	**71.7%**	**16.0%**	**0.4%**	**0.0%**	**100%**
% 2023	0.0%	2.4%	5.2%	0.5%	57.5%	32.6%	1.7%	0.0%	**100%**
% 2021-2022	0.2%	3.7%	6.7%	0.5%	57.8%	30.1%	1.0%	0.0%	**100%**
% 2020-2022	0.2%	3.8%	8.7%	2.8%	60.5%	23.3%	0.7%	0.0%	**100%**
% 2017-2020	0.1%	3.1%	5.4%	0.9%	52.0%	36.7%	1.7%	0.1%	**100%**
% 2017-2023 Weighted Average	**0.2%**	**3.5%**	**7.0%**	**1.5%**	**57.2%**	**29.4%**	**1.1%**	**0.0%**	100%

Table 8: Proportion of farmland sold for afforestation 2017 – 2024 by LUC. NB. 2017 – 2023 weighted average included for comparative purposes to 2024 figures

Erosion Susceptibility Classification (ESC) summary

The decrease seen in the 2023 numbers for Very High Erosion prone land continues, with a further drop to 2.8%, from a high of 9.9% in 2017-2020.

Of significant note, Low and Moderate erosion prone land has surged to 83.8% of farmland afforestation sales, indicating that land traditionally well-suited for pastoral farming is increasingly being purchased for conversion.

ESC Layer	Erosion Susceptability Class (ESC)					Grand Total (Hectares)
	Low	Moderate	High	Very High	Other	
% 2024	**38.1%**	**45.7%**	**13.4%**	**2.8%**	**0.0%**	**100%**
% 2023	27.5%	35.7%	32.7%	4.1%	0.0%	**100%**
% 2021-2022	29.2%	41.3%	20.4%	9.1%	0.0%	**100%**
% 2020-2022	38.5%	40.1%	15.1%	6.2%	0.0%	**100%**
% 2017-2020	28.2%	35.8%	26.0%	9.9%	0.0%	**100%**
% 2017-2023 Weighted Average	**32.5%**	**38.9%**	**20.8%**	**7.8%**	**0.0%**	**100%**

Table 9: Proportion of farmland sold for afforestation 2017 – 2024 by ESC. NB. 2017 – 2023 weighted average included for comparative purposes to 2024 figures

LUCAS layer summary

Overall, in the 2023 sales, a slight decrease in the percentage of High and Low producing grassland, however properties with areas of natural and planted forest already in place (both pre-1990 and post-1989) have increased.

This trend was reversed in the 2024 sales identified, with a significant jump in High and Low producing Grassland intended for conversion.

LUCAS 2016 Layer	Cropland - Annual	Grassland - High producing	Grassland - Low producing	Grassland - With woody biomass	Natural Forest	Planted Forest - Pre 1990	Post-1989 Forest	Other	Settlements or built-up area	Wetland - Open water	Wetland - Vegetated non forest	Grand Total
% 2024	**0.0%**	**38.4%**	**39.7%**	**5.0%**	**9.8%**	**3.1%**	**3.9%**	**0.0%**	**0.0%**	**0.0%**	**0.1%**	**100%**
% 2023	0.0%	30.5%	30.7%	4.1%	18.2%	4.5%	11.8%	0.1%	0.0%	0.1%	0.1%	**100%**
% 2021-2022	0.0%	34.9%	40.4%	5.7%	9.0%	2.1%	7.8%	0.0%	0.0%	0.1%	0.0%	**100%**
% 2020-2022	0.0%	31.7%	40.9%	7.4%	11.6%	2.5%	5.8%	0.0%	0.0%	0.1%	0.1%	**100%**
% 2017-2020	0.0%	24.2%	41.2%	6.7%	16.1%	2.5%	8.9%	0.0%	0.0%	0.1%	0.0%	**100%**
% 2017-2023 Weighted Average	**0.0%**	**30.3%**	**40.2%**	**6.6%**	**12.7%**	**2.5%**	**7.6%**	**0.0%**	**0.0%**	**0.1%**	**0.1%**	**100%**

Table 10: Proportion of farmland sold for afforestation 2017 – 2024 by LUCAS 2016 layer. NB. 2017 – 2023 weighted average included for comparative purposes to 2024 figures

Carbon Market

Recent NZ ETS Auctions have not achieved the desired income stream that the Government may have been expecting.

Following the December 2024 Auction which partially cleared at the minimum possible sale (the floor price ($64.00/NZU)), and the March 2025 Auction declining, the market has trended downwards from ~$64/NZU in December to ~$54/NZU at time of writing.

With the market trading well below the current Auction floor price of $68.00/NZU and announcements and updates to policy, forestry and the ETS, effecting confidence in the market, we await a response from Government over the coming months.

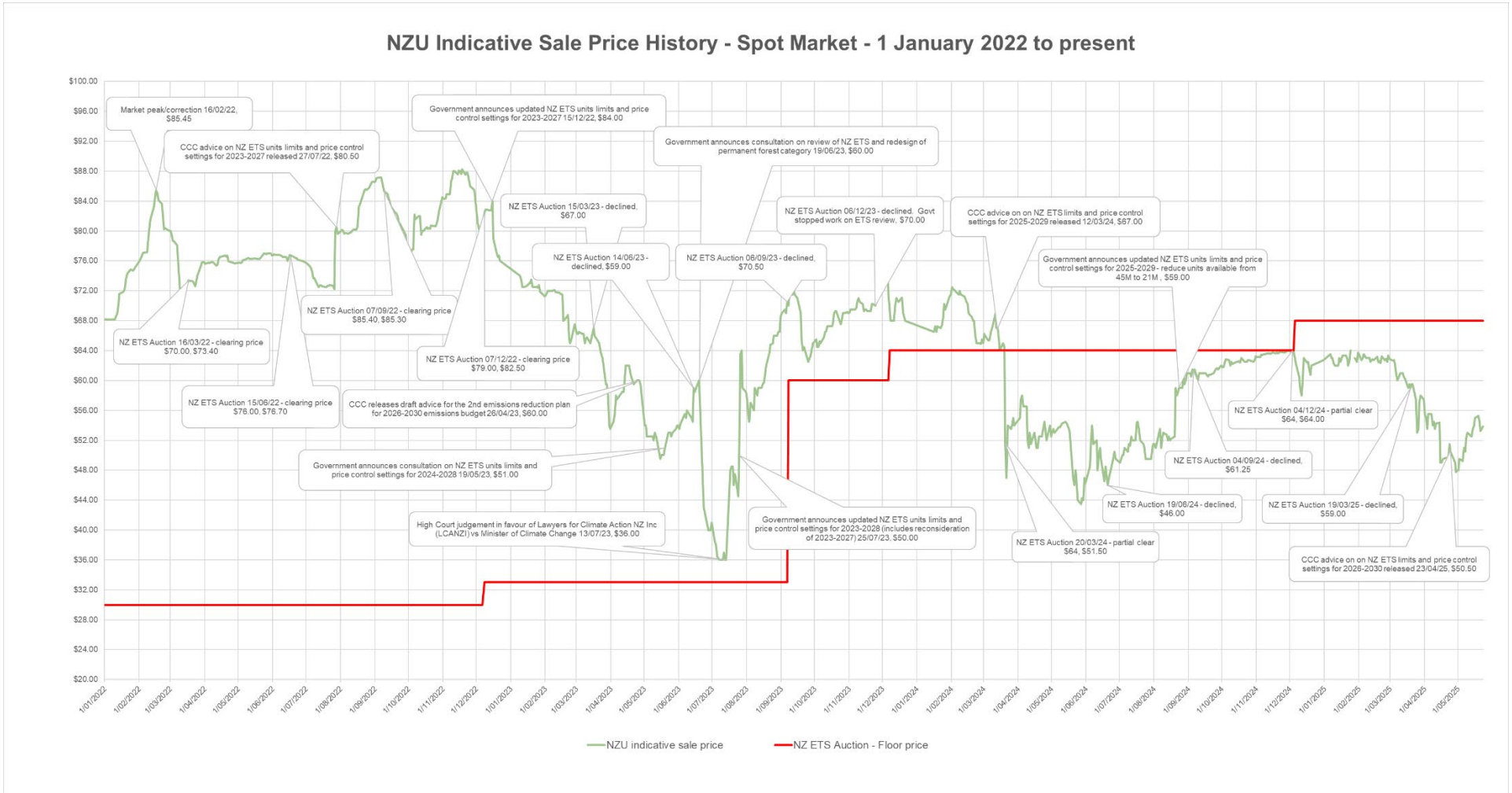


Figure 1: NZU indicative sale price history from 1/01/2022 to present

Discussion

Post-1989 ETS applications

Delays that were caused by the Ministry for Primary Industries' (MPI) backlogs in 2022 and the introduction of a new computer system (Tupu-ake) in January 2023, have disappeared. Processing times for correctly submitted applications are currently very good.

However, we are coming up to a trigger point where applications approved by the end of 2025 will be eligible for carbon allocation back to the beginning of 2023. As a result, a late surge of application is being experienced, and 2025 plantings will most likely be submitted to beat the new limits on land being registered.

Barriers currently seen to further conversion

The limits of the land area that can be registered each year will impact full farm conversions, however to a large degree this may be circumvented by large areas being planted this current season, with the intention of on selling once established.

Interesting to note that in the 2024 data, 25 properties that had been identified as farms previously afforested between 2017 and 2023 have changed hands, and are now under new legal ownership.

Within Farm Plantings

The current 4 December policy settings appear to be very loose and open to interpretation and large areas of farmland are potentially being afforested this coming planting season to get around the upcoming restrictions.

If land has changed hands, then the intention to plant before 4 December should be easy enough to establish, however if the OR trees ordered part of the guidelines is utilised, then within farm plantings on larger landownership could see large tracks of class 3 to 5 land converted, unchecked in the coming season.

Time will tell. Nursery production appears steady, with indications of declining numbers for next year in reaction to the new limits. The NES-CF should have seen land being intended for conversion being notified to councils by now for the 2025 planting season, however figures are not currently available and as there is a 20-day minimum notification period, areas intended for conversion in July/September may not have been notified yet.

Funding for native plantings

Many landowners would still like to establish natives where possible. They are still looking for financial help in establishing these native areas due to the costs involved, however, there is still no assistance from the Government for New Zealand farmers, even though they have the land available and the desire to plant and maintain indigenous species.

The introduction of the annual per hectare charge for post-1989 ETS registered areas and a low carbon price, is seeing a reduction in indigenous plantings, in favour of exotic species.

Some things still hold true:

If trees are the right use for the land, and eligible for the ETS, then the carbon is a bonus.

If it's not the right use for the land, why are you planting it in the first place?

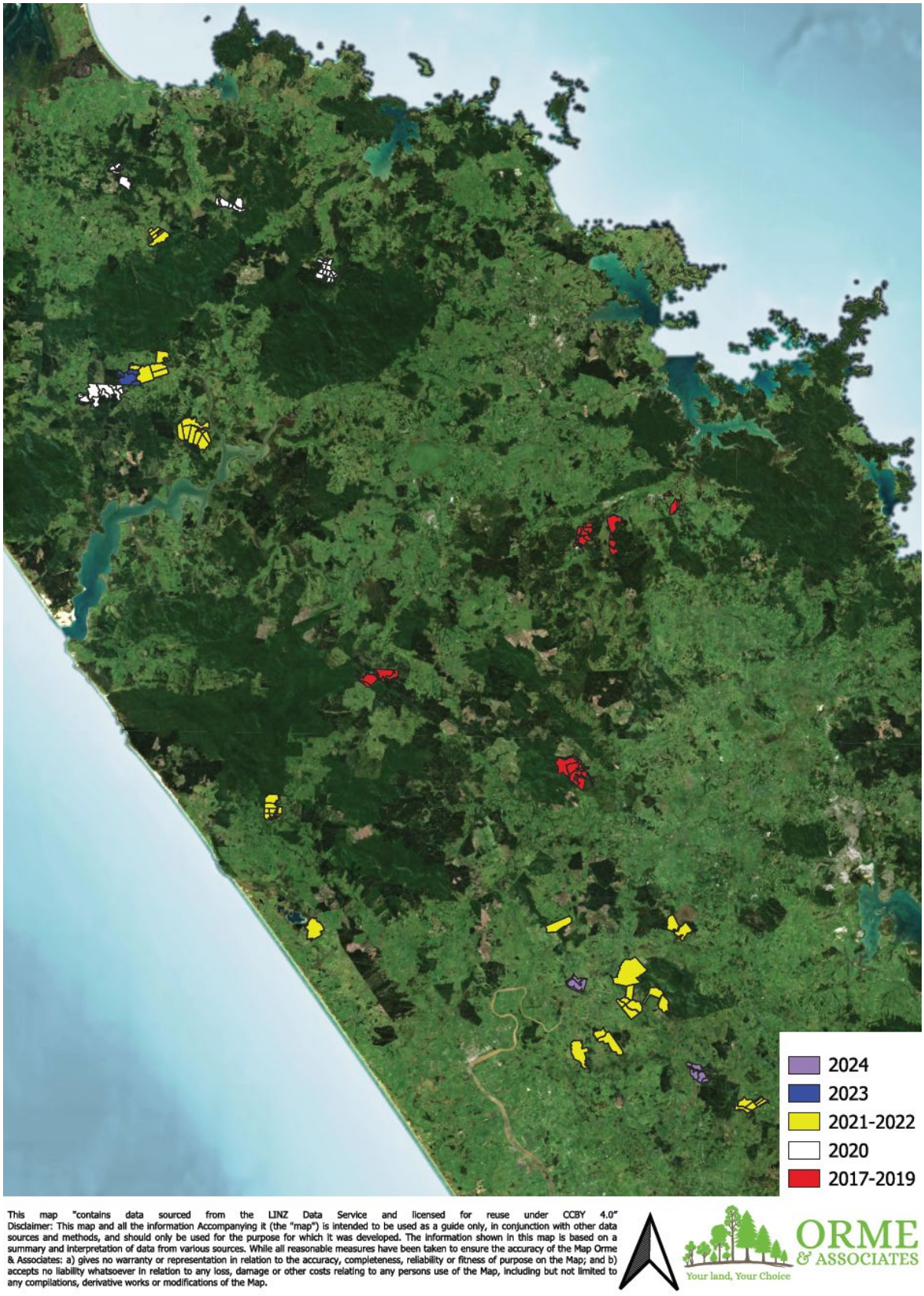
Right Reason, Right Place, Right Species

Right Policy, Right Settings, Right Result

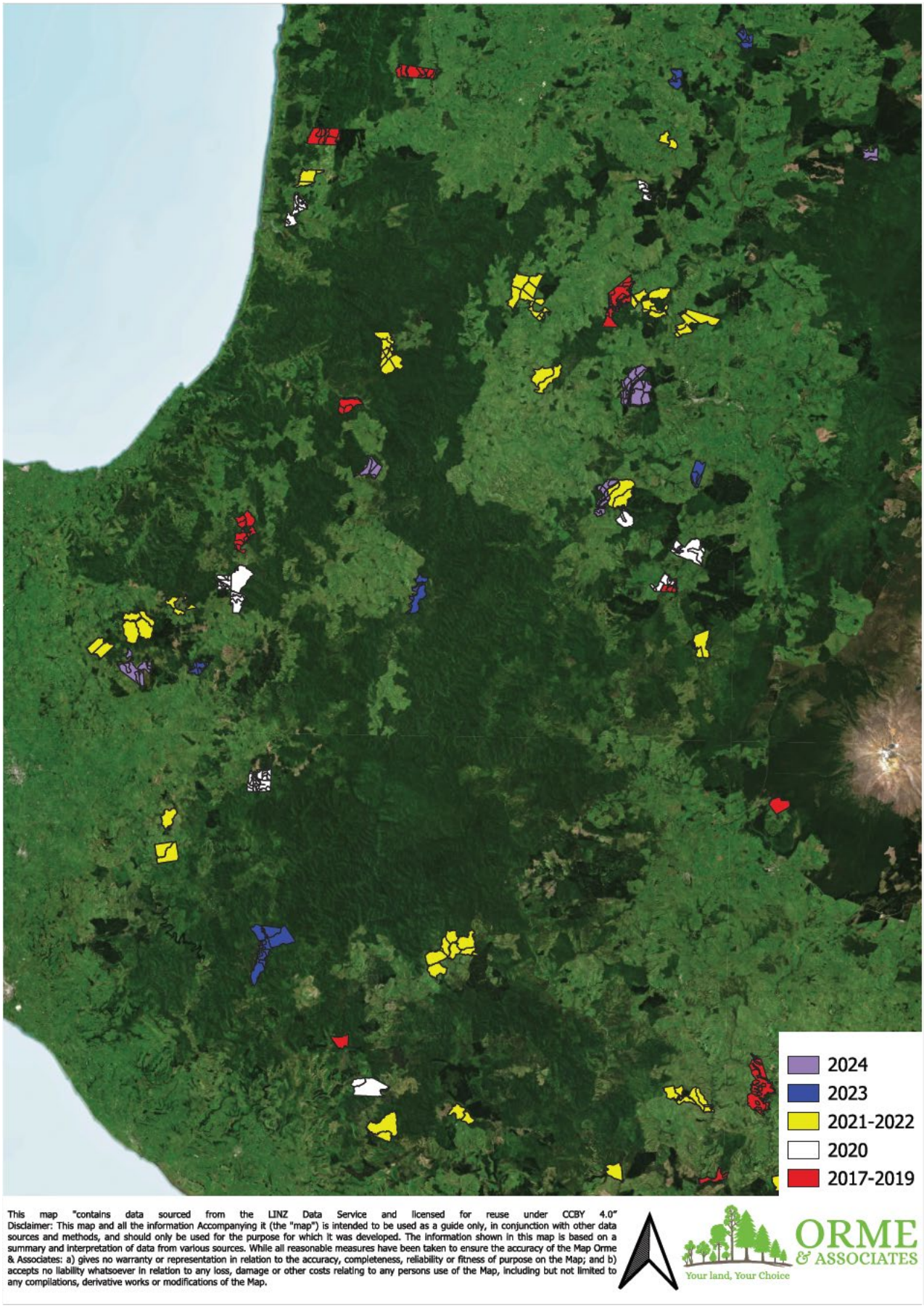
Unfortunately, if the policy settings are not correct, the desired outcomes will not happen.

Appendices

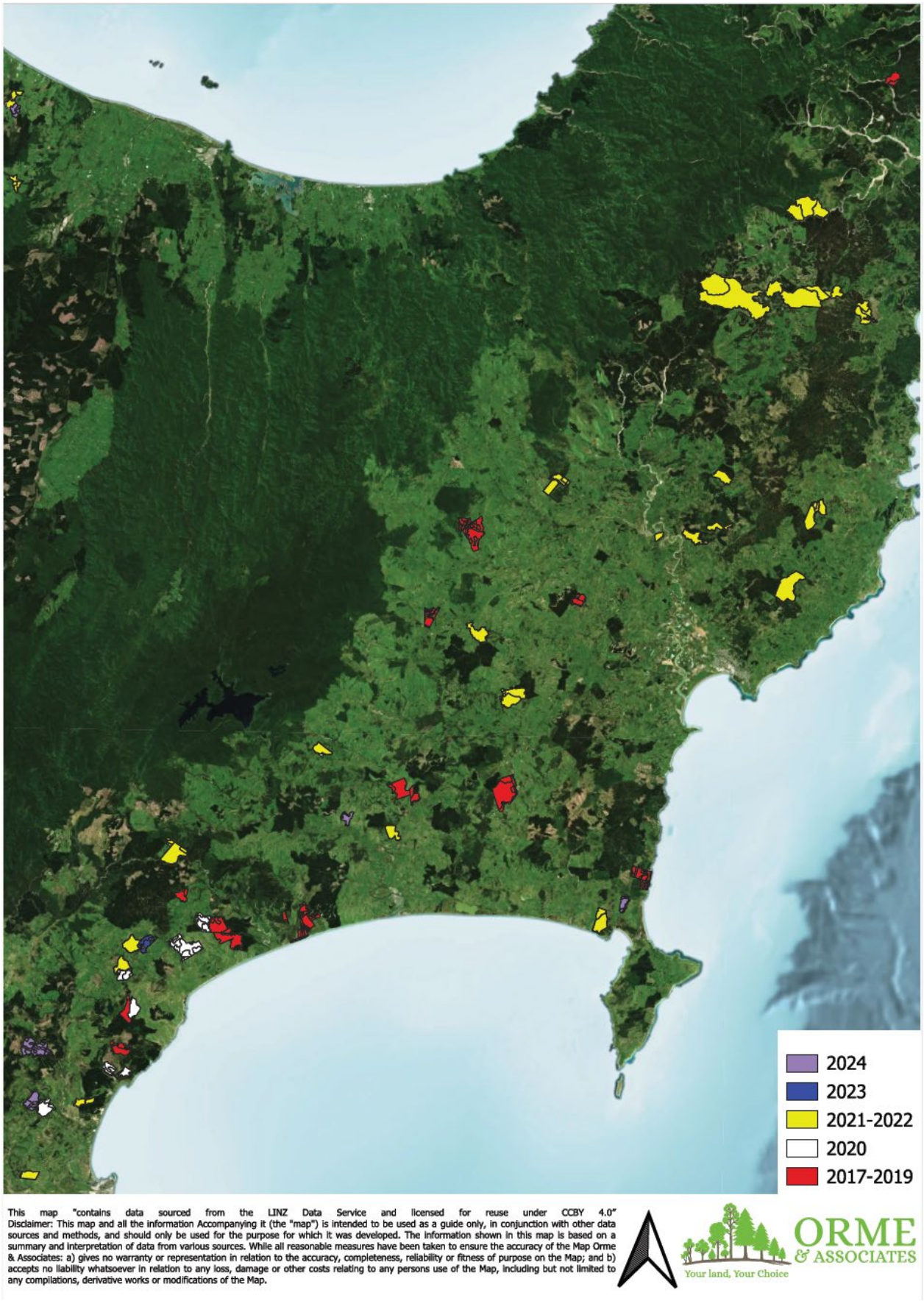
Indicative Regional maps of all properties identified in this review are included below.



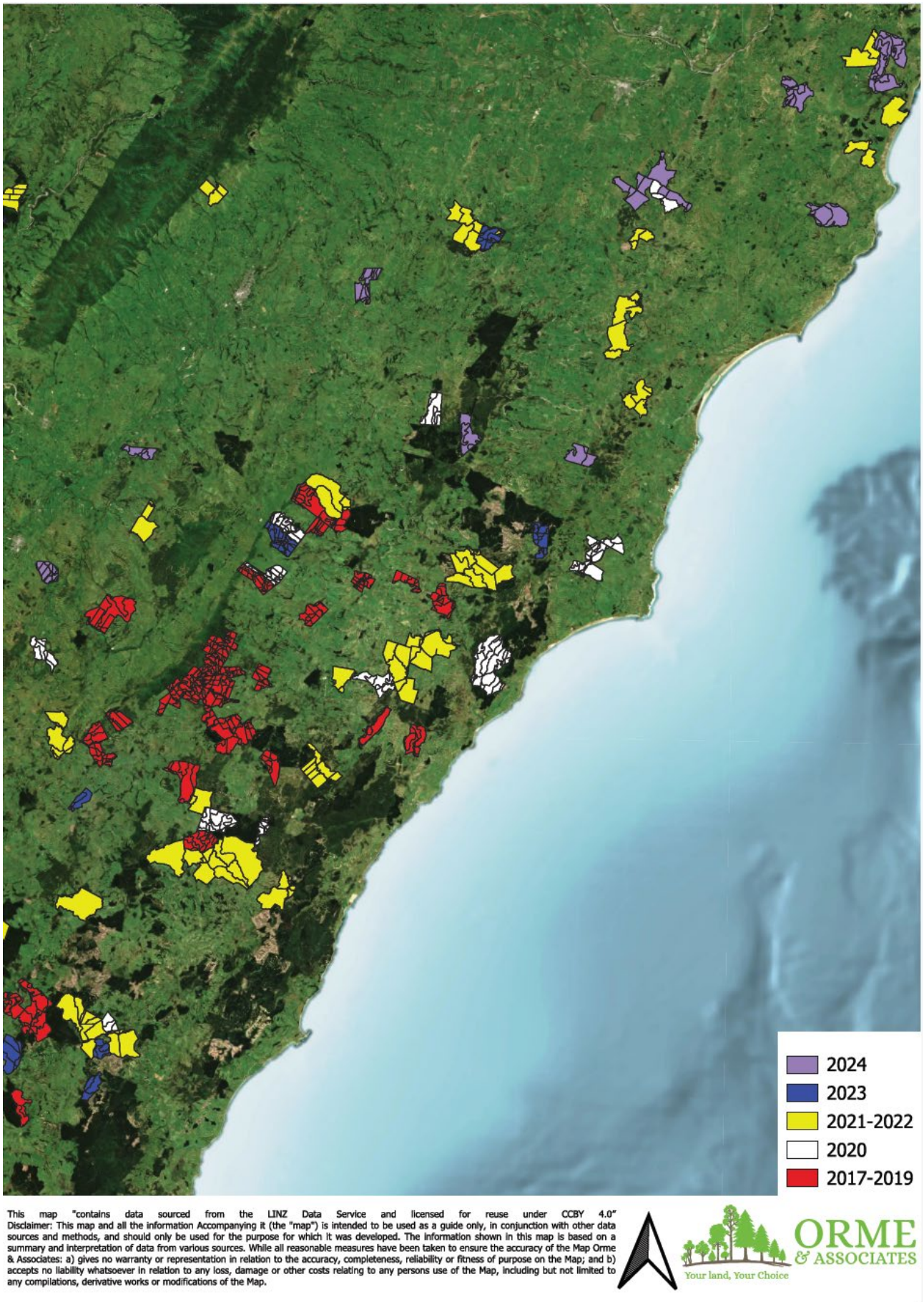
Map 1: Northland zoned land acquisitions for forestry



Map 2: Greater Taranaki / Waikato Region zoned land acquisitions for forestry



Map 3: Gisborne / Hawke's Bay zoned land acquisitions for forestry



Map 4: Hawke's Bay zoned land acquisitions for forestry

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Map 5: Wellington / Wairarapa zoned land acquisitions for forestry

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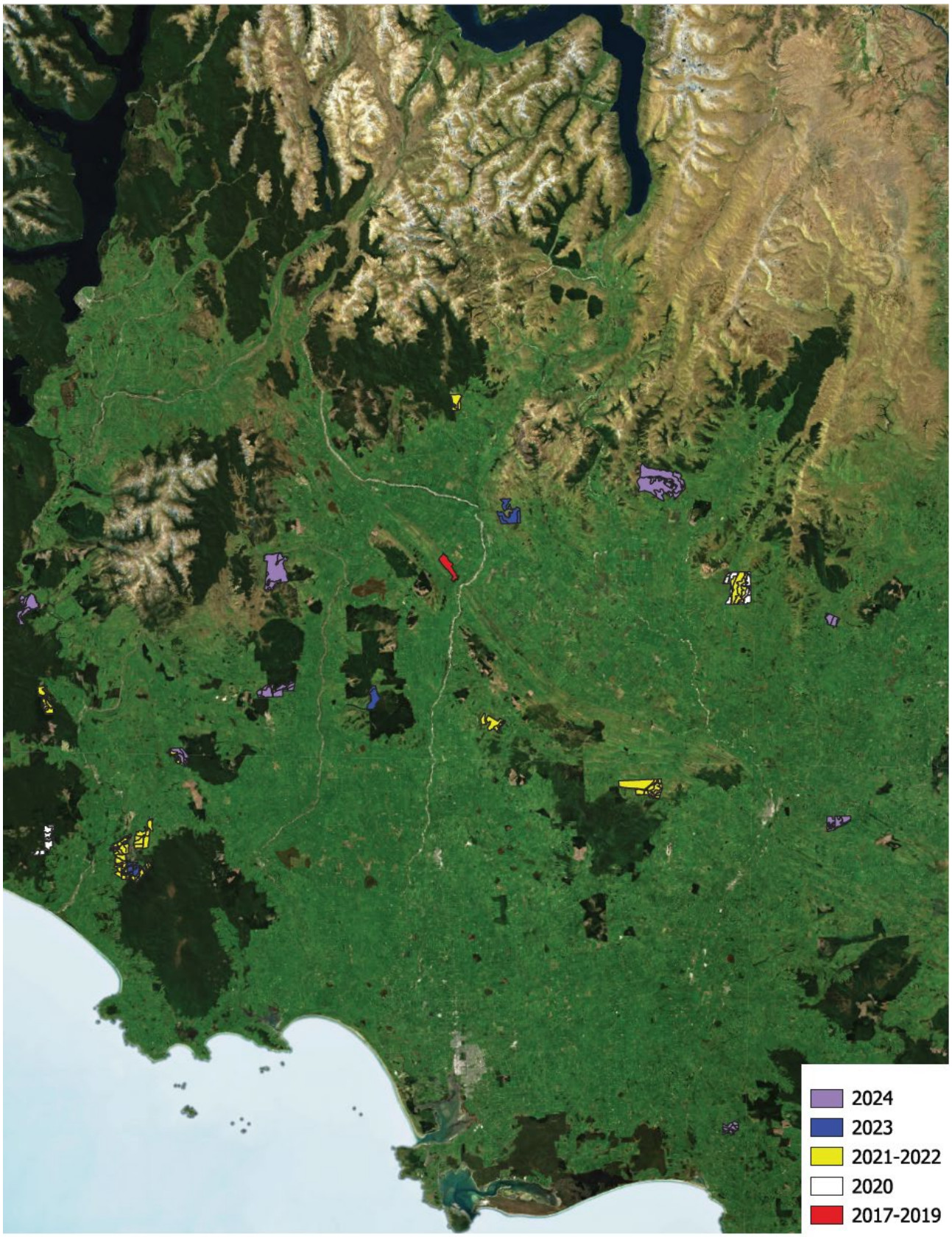
Map 6: Otago zoned land acquisitions for forestry



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Map 7: Southland zoned land acquisitions for forestry