

# The market of Vineyard Planting Rights in Veneto Region

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The paper is aimed at identifying the characteristics of supply, demand and prices for Vineyard Planting Rights (VPRs) in Veneto Region over the last thirteen years (1995-2007), in the attempt to give an adequate picture of the regional market of VPRs.

The analysis is carried out both at the regional level, in order to offer a global market view, and at the local level (province or zone with denomination of origin), in order to capture some differentiating features. The lack of reliable statistics has suggested collecting market information by means of a specific questionnaire to be asked to persons who are involved in the VPR transactions for various reasons. Almost 40 questionnaires covering the main vine growing areas of Veneto were collected. A first survey was conducted in 2004, recording VPR price data from 1995; an updating second survey was conducted in 2008, taking into account the cases previously analysed.

The main general outcomes are the following:

- First VPR trading dates back to the early nineties, but relevant trading has occurred only since 1995.
- Average size of transferred rights is decidedly modest. 80% of cases relates to less than 1 hectare dealings, while VPRs over 2 hectares cover only 5% of the transactions. The smallest sizes regard mostly areas with low vine growing specialization.
- Rarely transactions take place directly between the buyer and seller, given that the use very often intermediaries, mainly agronomists and other independent professionals, followed by farmers' unions and cooperative wineries.
- Transfers are not immediate, but there is a more or less wide time lag between the preliminary and final writing. On average, the transaction-planting authorization process takes about 6 months.
- About half of interviews showed constraints to purchase the rights in some vine growing areas, due to the nature of the soil or more commonly associated with the denomination of origin.
- VPRs acquired by the wine growers are mostly (73%) intended to produce high quality wines. This is the reason of significant differences from an area to another in accordance with the importance of the local denomination of origin.
- Buyers of VPRs own usually a medium sized, specialized vine growing farm or winery, with adequate self-financing capability. Two fifths of the entrepreneurs are young (under 40s).
- The main motivation for purchasing VPRs is the vineyard profitability compared to other agricultural investments and the consequent wish to expand the land devoted to it.
- Most of rights (57%) are traded within the same province; 22% are exchanged at the regional level and only one fifth is imported from other regions (Emilia-Romagna, Puglia and Sicily).
- Sellers of VPRs are generally elderly vine growers (55% are over the 60s), already or next to be retired. Besides entrepreneur's age, other factors in favour of VPR sale are the lack of interest from heirs, the prevailing non farm job and the scarcity of manpower.

From 1995 until 2004, demand for VPRs has grown so much larger than supply. The former was driven by a continuously boosting wine price, while the latter was hampered by the difficulty of finding sufficient rights locally and the restrictions on inter-regional flows. Therefore, a dramatic increase in VPR price occurred, especially since 2000, when the UE rules on wine production potential was best known by wine growers. Based on simple regression, we found a 13.3% compound annual growth rate. And the price trend we obtained in our research seems to confirm the trend derived by the very few VPR price data reported by the INEA “Italian Agricultural Yearbook”.

Price investigation for VPRs reveals a wide gap between the average maximum prices and average minimum prices; moreover, strong spatial variability appears within them. Hence, we applied multiple regression techniques in order to ascertain the most significant determinants for VPR price. Factors having positive effects are: a) local demand excess on the VPR market, b) recent price growth for local wines and c) share of buyers not having already land invested in vineyards. On the contrary, negative effects depend on: a) share of vine growing-non wine making buyers, b) share of sellers located in the same province, c) share of more than 1 hectare dealings, d) share of VPRs used for Typical Geographical Indication (TGI) wines production, e) share of young buyers (under 40s), f) share of transactions intermediated by cooperative wineries.

Due to the wide spatial heterogeneity in Venetian VPR market, we applied non hierarchical k-mean cluster analysis, aimed at finding out some possible patterns, by grouping market cases showing similar features, in relation to the variables recorded by our survey. Results identify a territorial market segmentation that approximately tends to coincide with main wine producing situations of Veneto Region: Verona Hills, Treviso Hills, Vicenza-Padova Hills, flatland areas suitable for producing Controlled Denomination of Origin (CDO) wines, areas with less quality wines.

Following the 2004 price peak (14,100 € per hectare on average), the VPR market in Veneto has shown a rapid price reduction (8,500 € per hectare on average) due more to a correspondent wine price decrease than to an increase in production costs. Other trend features are: contraction in no. of transactions, reduction in vineyard area expansion constraints, growth in demand for planting vineyards for TGI wines and contraction in demand for planting vineyards for CDO wines, increase in specialization of the buyer’s business, increase in the buyer’s farm size, growth in the average traded VPR size, intensification of the shifting in localization of vineyard areas within the Region, reduction in price VPR spatial variability, decline in VPR imports from other regions, a slightly greater reliance in the intermediate role of farmers’ unions and cooperative wineries.