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Keywords

Vineyard authorizations;
Wine policies;
Land investment.

Research Question

This study aims to analyze the profitability for Italian grape growers to buy vineyard land in another area of the same Region, or in another Italian Region.

Methods

Vineyard prices of Tuscany and the North East of Italy (Veneto, Friuli Venezia Giulia and Trentino Alto Adige regions) from INEA databank were analyzed and compared.

Results

The study assesses a general profitability to buy a vineyard in another Region or in another area, in order to plant a new vineyard in a more renowned viticultural area.

Abstract

The first Common Market Organization for wine was developed in the 1960s and it comprised rules affecting quality and quantity. The instruments adopted by the European Union to face oversupply included different production quota systems in the sugar sector, in the dairy industry, in the tobacco sector, as well as in the wine sector. In the latter, the most binding instrument, the so-called "planting rights", introduced in 1976, was established to forbid the planting of new vineyards unless the grower had a permission, the "planting right". This phenomenon was partially mitigated by the possibility, since 1987 in Italy, to transfer a planting right from a grower to another: the so-called "market of vineyard planting right". "Replanting rights", granted to a grower who had grabbed up a vineyard, were the most important source of planting rights in the EU (76 per cent) and could be transferred to another grower.

In Italy, the first vineyard planting rights trading dates back to the early nineties, but relevant trading has occurred only since 1995. Differently from other Member States (Spain, France, Germany), the transfer of one vine planting right from a Region to another was not strictly regulated.

The last CMO for wine, introduced in 2008, established new legislation, ensuring the definitive suppression of vine

planting rights, in order to enhance the competitiveness of European viticulture in the world.

Despite what happened in the other agricultural sectors (sugar, milk), in which the quota system was or is to be abolished, viticulture continues to be regulated by a supply planning. In 2013, Reg. 1308/2013 under the new CMO, which confirmed the abolition of the vineyard planting rights, which have fallen from 1 January 2016, established the new authorization system. This system provides that a grower can plant or replant a vineyard only with an authorization, granted within a dynamic transitional regime, which will run from 2016 to 2030.

Authorizations are free and non-transferable, so that they differ from the planting rights. They have a duration of three years from the time of grant (or conversion); after the deadline, the owner will be sanctioned.

In economic literature, the vineyard planting rights were involved in the market of agricultural land. In Europe, studies refer in particular to the possible impact of the Common Agricultural Policy reform process that aims at a greater integration of the European and World market. This process is evolved to the authorization regime in the wine sector, as described before.

Since the early 2000s, economic research literature on land markets and in particular on the vineyard values in the EU and especially in Italy were limited. This is mainly due to the lack of reliable historical data on the land prices and other related factors. The Italian market of agricultural land, in particular, is influenced by many agricultural and non - agricultural factors, such as: economic growth, inflation rate, development of the territory, recreational services and climate change.

In the transition from the planting rights regime to the authorization one, the Italian viticulture sector will lose the flexibility provided by the old model, based on the trading of planting rights, which favored the development of the Italian vineyard, adapting it to the market needs.

Veneto is one of the few Italian regions, along with Trentino Alto Adige and Friuli Venezia Giulia, where the balance between the areas under vines recorded in 2013 compared to 2000 is positive (4.795 hectares). This phenomenon is explained by the transferability of planting rights from another region, which allowed Veneto Region not to lose areas under vines. Moreover, Veneto Region is only second, after the Trentino Alto Adige Region, for average unit value of the land under vines.

In the transition from the planting rights regime to that based on the authorizations, land under vine in Veneto Region may not increase in accordance with the profitability of the regional wine production.

This study aims to analyze the profitability for Italian grape growers to buy vineyard land in another area of the same Region, or in another Italian Region, in order to obtain the authorization to grub up this vineyard and replant a new one in his own land. Vineyard prices of Tuscany and the North East of Italy (Veneto, Friuli Venezia Giulia and Trentino Alto Adige regions) from INEA databank (year 2014) were analyzed and compared to other land values, in order to assess the possible advantage resulting from vine cultivation, compared to other crops, in the new authorization regime.

Such indications may be useful to support the competitiveness of Italian viticulture, despite the rigidity of the new authorization system.

With the planting rights regime, a vine grower bought the planting right if the investment profitability (measured as land value increase) of a new vineyard was greater than the planting right price and the cost of planting a new vineyard. The authorization, under the new regime, is instead available free: a vine grower should plant a new vineyard if the investment profitability exceeds the cost of planting the new vineyard. There is no more need to take into account the cost of planting right. However if one lacks the authorization or if the authorized hectares to be planted are lower than he/she need, the cost of planting must be the net cost of the following operations: a) buying the vineyard surface required, b) uprooting the existing vineyard, c) selling the surface without the vineyard.

Two cases are analyzed. First, we supposed to buy a vineyard in Padua plain, in order to obtain the planting authorization, then to grub up the vineyard, selling this land as a cropland and planting a new vineyard in a more suited area, already owned (for instance, in the hills of Conegliano Valdobbiadene Prosecco Superiore). The second example regards to a vineyard in Tuscany, which is located in a less suitable area, then grubbed up and replanted in a more suitable area (i. e. Montalcino hills).

According to our calculations, we find that in the Prosecco Superiore area the land value increase following the plant of a new vineyard is higher than the investment total cost, either if the owner is an agricultural entrepreneur or farmer (+335,6%), either if the buyer is not a farmer (+275,6%).

Likewise in the Montalcino area (Toscana Region), the land value increase is higher than the investment cost, although lower than in Prosecco Superiore area, either if the owner is an agricultural entrepreneur or farmer (+36,3%), either if the buyer is not a farmer (+28,9%).

The study assesses a general profitability to buy a vineyard in another Region or in another area of the same Region, in order to plant a new vineyard in a more renowned viticultural area.

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Planting a new vineyard with no authorization: the profitability to buy vineyard land in Italy

Federica Bianchin, Luigi Galletto, Luigino Barisan

The first Common Market Organization for wine was developed in the 1960s and it comprised rules affecting quality and quantity. The instruments adopted by the European Union to face oversupply included different production quota systems in the sugar sector, in the dairy industry, in the tobacco sector, as well as in the wine sector. In the latter, the most binding instrument, the so-called “planting rights”, introduced in 1976, was established to forbid the planting of new vineyards unless the grower had a permission, the “planting right”. This phenomenon was partially mitigated by the possibility, since 1987 in Italy, to transfer a planting right from a grower to another: the so-called “market of vineyard planting right”. “Replanting rights”, granted to a grower who had grabbed up a vineyard, were the most important source of planting rights in the EU (76 per cent) and could be transferred to another grower.

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