

Agricultural land purchases for alternative uses - evidence from two farming areas in the Western Cape Province, South Africa

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INTRODUCTION AND ORIENTATION

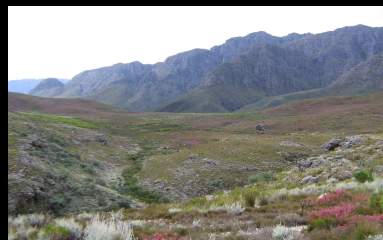
Agricultural land has variety of uses

Traditionally:

- Regarded as production factor
- Land value strongly related to productive potential of land
- Income-based and measurable

Transition towards multifunctional rural environment:

- Income not only consideration
- Alternative uses, such as lifestyle considerations
- Diverse, e.g. recreation, natural amenities



INTRODUCTION AND ORIENTATION (cont.)

Many demand/ supply driving forces:

- Technological innovation and declining terms of trade
- Economic growth, increased disposable income
- Improved technology
- Remaining rural land a scarce commodity

Hedonic Pricing Models: farm prices not solely explained by earnings in agriculture

Value of land not only in agricultural potential, but other values



INTRODUCTION AND ORIENTATION (cont.)

Substantial implications for agricultural land market in RSA:

- Land valuations more complex, uncertain (income vs satisfaction)
- Impacts on availability and price of land for food security and land redistribution

Objectives of this study:

- Determine extent of alternative land use transactions in WC
- Info regarding lifestyle buyers' considerations and farm characteristics important for them
- Section of larger study aimed at improved land valuation



METHOD

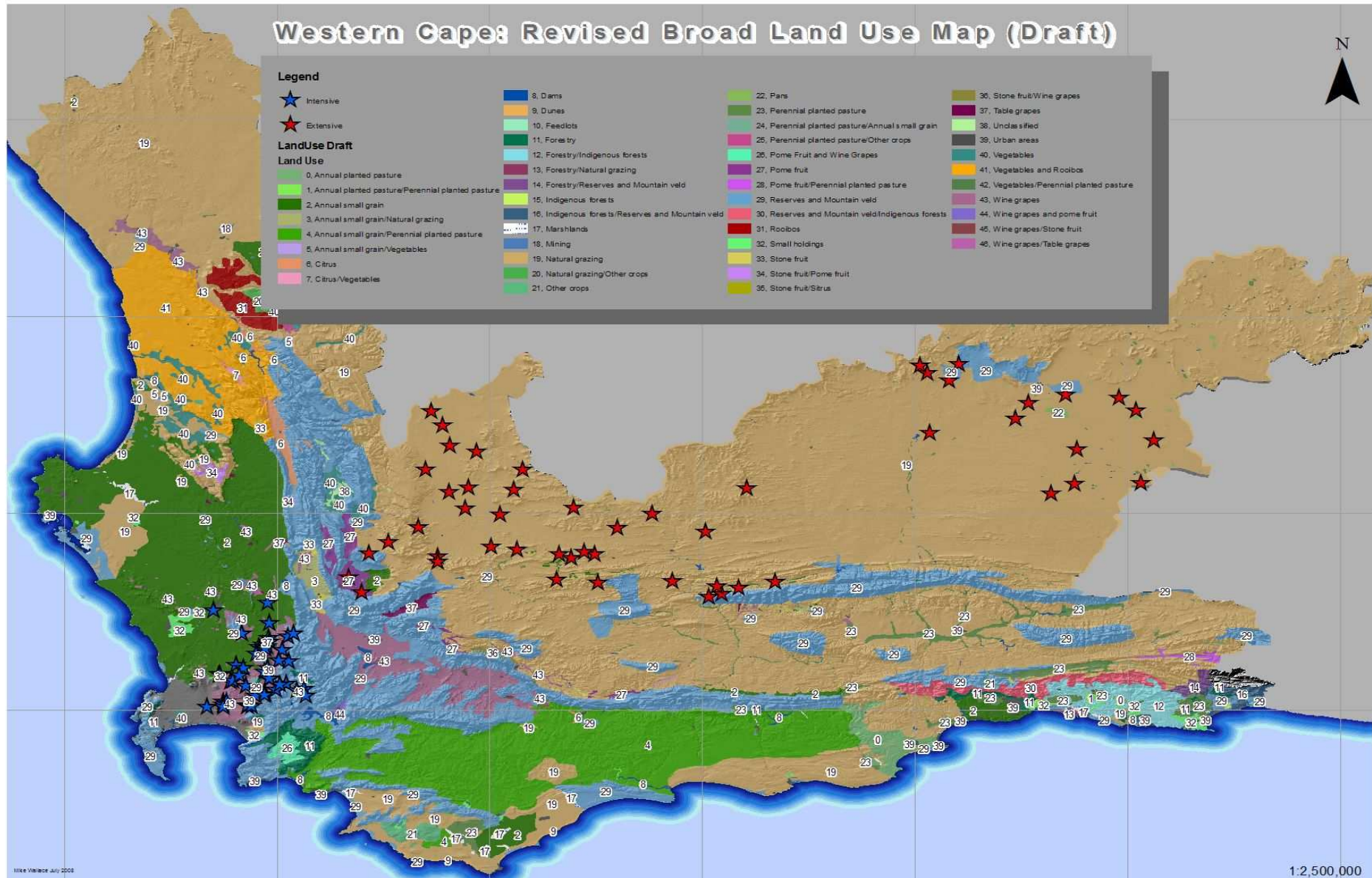
Survey of buyers of agricultural properties in intensive & extensive area of Western Cape Province

Intensive area: Cape Winelands District municipality
Dryland and irrigated enterprises, mainly wine & table grapes

Extensive area: Central Karoo District Municipality
Minimal crops, extensive farming related to natural grazing



LAND USE IN INTENSIVE AND EXTENSIVE AREAS: WESTERN CAPE



METHOD (cont.)

Survey:

- Questionnaire ranking importance of specific characteristics in purchase decision on scale of 1-10
- Agricultural characteristics: HPM literature and interviews
- Lifestyle characteristics: interviews with 16 lifestyle buyers
- Classify as lifestyle/ production oriented
- Administer to buyers of farms identified from Deeds office data (Jan 05 – Oct 07)

Arms' length transactions of properties > 5ha/ 100ha

Buyers contacted telephonically, 5 contacts over 4 months



METHOD (cont.)

290 questionnaires sent: 181 (int.) and 109 (ext.)

Response rate:

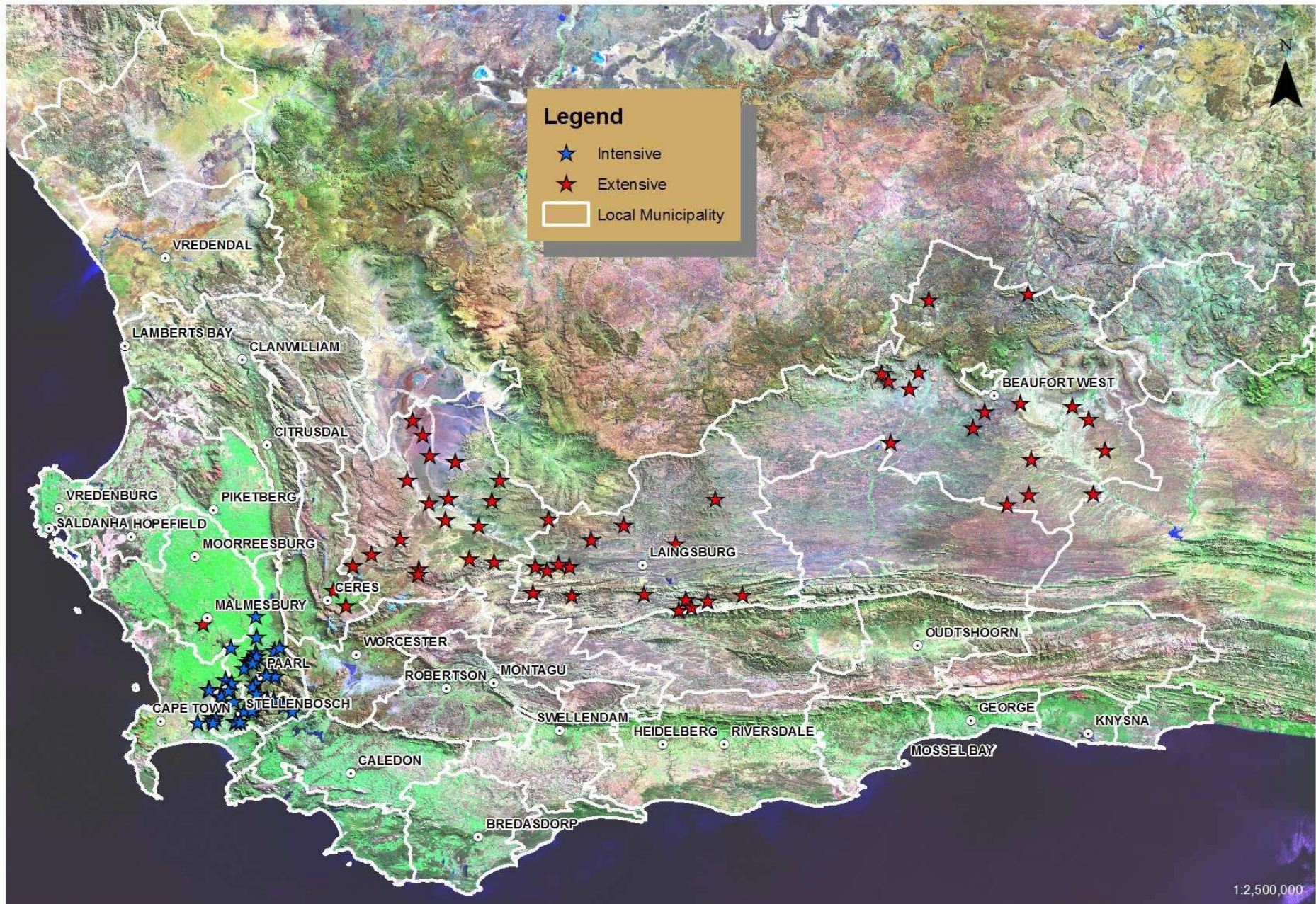
Intensive area: 35%

Extensive area: 54%

Captured in Excel spreadsheets, analysed with STATISTICA



DISTRIBUTION OF RESPONDENTS INCLUDED IN SURVEY



RESULTS

Extent of lifestyle buyers in both areas substantial: 65% (int.); 52% (ext.)

Demographics:

Selected demographics highlighted

Statistically significant differences for both areas only with main source of income and occupation (p value < 0.05)

$> 90\%$ of lifestyle buyers in both areas secured primary income from non-agricultural sources (business and professional jobs)

Thus lifestyle buyers can focus on non-productive characteristics of properties



RESULTS (cont.)

Buyers' level of income and education did not reveal much

Most buyers of farms high net worth individuals (> R600k p/a)

Intensive area: 65% of all buyers

Extensive area: 56% of lifestyle buyers, 36% of production buyers

Most lifestyle buyers in both areas have degrees (51% int, 60% ext.

Production buyers: 52% in int. have degree, 38% in ext.



RESULTS (cont.)

Selected demographical information

	INTENSIVE AREA		EXTENSIVE AREA	
Variable	Lifestyle buyers	Production buyers	Lifestyle buyers	Production buyers
Reside on property purchased (%)	54	30	7	25
Grew up on a farm (%)	29	52	41	63
Afrikaans language of preference (%)	46	62	88	71
Citizens of South Africa (%)	87	76	93	100
Gender: male (%)	77	90	96	89
Mean age (years)	47	47	50	54

RESULTS (cont.)

Characteristics important to both types of buyers (median scores)

Variable	INT. AREA	EXT. AREA
Water availability: human and animal consumption	√	√
Location: travelling time	√	√
Position: private	√	√
Production potential: size of property, climate, soil	√	√
Aesthetics: presence of trees	√	√
Aesthetics: presence of indigenous vegetation		√
Production potential: grazing capacity		√
Aesthetics: beautiful view, mountain, natural scenery	√	
Irrigation (availability, power, infrastructure)	√	
Location: proximity to nearest city/ town	√	

RESULTS (cont.)

ANOVA results (statistically significant differences between importance of characteristics for each type of buyer)

Intensive area:

- General production capacity, soil quality
- Proximity to towns/ airports
- Setting of farm (in valley, against mountain)
- Accommodation capacity of other residential units
- Aesthetics (presence of natural scenery, views, trees)
- Outdoor recreation activities, including water for recreation

Characteristics not far removed from each other - buyers have strong lifestyle orientation



RESULTS (cont.)

Extensive area:

- General production potential, soil quality, existing cultivation
- Irrigation and capacity, condition of associated infrastructure
- Topography (aspect and varied terrain)
- Potential to keep game, game proof fencing
- Size of main residence
- Electricity
- Aesthetics (mountain, natural scenery, river, view)
- Outdoor recreation activities



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CONCLUSIONS AND RECOMMENDATIONS

Provision of more information regarding alternative use purchases of agricultural land within two areas in WC

Impact of lifestyle buyers substantial

Selected characteristics universally important to both types of buyers in both agricultural areas, but also differences

Lifestyle buyers not dependent on farming income, can focus on value attributes related to aesthetics, recreation

Intensive area: small differences between buyers



CONCLUSIONS AND RECOMMENDATIONS (cont.)

Implications for commercial agriculture and redistribution programmes due to increased competition for agricultural land

Identify value attributes associated with lifestyle buyers for valuers to use as decision support tool (“check list”)

Exploratory and no prices (valuers do practical measurement)

Problem with small samples...



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THANK YOU

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www.solms-delta.co.za; www.pamgolding.co.za (selected photos)



