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LANDCARE AND THE SELLING PROCESS

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Abstract: The decade of landcare has resulted in significant expenditures to change land management, to ameliorate land degradation, and to instill a sustainability attitude.

This paper compares the attitudes of rural real estate buyers attitude and selection criteria (as interpreted by salespeople) over the last 4 years. Results indicate that the visible landcare problems influence the selling process, but the invisible have little effect. The results of the 1993 and 1997 surveys showed little change. The Soil Conservation and Landcare Act 1989 is currently being amended to a Land Management Act. The changes to the act and their implication of the rural selling process will be commented on.

INTRODUCTION

Landcare in Australia started from a partnership between the National Farmers Federation and the Australian Conservation Foundation. The decade of landcare was launched in 1989, by Prime Minister Bob Hawke with a promise of \$320 million funding. This has been subsequently added to with funds from the Telstra sale.

Landcare started with tree planting and efforts to reduce degradation due to salting. It quickly shifted from concentrating on these peripheral issues to focusing on the way farmers manage land, soil, water, crops and ensure they survive in a fragile environment. Landcare is now involved in attitude change and on-ground works.

Attitude change has been led from both a landcare perspective and a risk management perspective. Federal Government money was directed away from providing drought assistance to providing funds for planning. This has been known as Property

Management Planning (PMP). PMP is equivalent to a business plan covering the owners' objectives, stocktakes of the owners' resources, the land resource and the present farming practices, with the development of a plan that allows the owner to survive and prosper in both the short and long run. The plan also explicitly accounts for how the farms resource base will be improved to provide long term sustainability. In most states, 20% of farmers have now participated in such programs. The 1997 Landcare Conference has several papers reviewing the process in various states.

The draft report of the Industry Commission into Ecologically Sustainable Land Management is built on a concept of 'duty care' and intergenerational equity. This report is consistent with PMP. The report also encourages a market approach to rehabilitation. It argues that with a fully developed market, this will provide the incentives for people to improve land management.

This paper sets out to discover if there have been any changes in the land market in response to the landcare changes and in particular since I reviewed these in 1993.

A survey of rural land salespersons was undertaken to establish the degree to which:

- salespersons were aware of landcare;
- potential purchasers were taking into account landcare factors in determining which properties to inspect;
- landcare factors were affecting both the selling prices of properties; and
- landcare factors were affecting the selling times of properties.

The survey results were designed to find out if there were different responses by region and farm type.

The 1993 and 1997 surveys were sent to approximately 350 sales persons in rural areas. In both cases there were about 80 surveys from people involved in the sale of rural properties. (Many responses were from people who only sold non rural holdings).

The average experience of the 1993 survey was 12 years, with the 1997 survey average being 13 years. In both cases the responses represented approximately 1200 rural sales per annum. Forty percent of these sales were for hobby farms.

Seventy percent of the sales people in 1993 and 1997 were aware of their local Soil Conservation Board's activities and were aware of Property Management Plans. There was however a decline in active involvement in landcare groups (15% in 1993 and 8% in 1997) and less were encouraging potential purchasers to get independent assessment of land condition 50% in 1993 and 40% in 1997.

PRE-INSPECTION INFORMATION

In determining what information prospective purchasers ask of the salesperson prior to inspecting a listing, the modal responses were:

	1993	1997
Never	Irrigation Management Plans Chemical residue levels	Irrigation Management Plans Chemical residues Property Management Plans
Rarely	Soil fertility levels Presence of trees/wind breaks Presence of soil erosion Soil salinity, Property Management Plan	Soil salinity Soil structure Net income Soil erosion Presence of trees/windbreaks
Usually	Stock carrying capacity Condition of fences Net farm income	Soil fertility levels Condition of fences
Always	Crop yields Condition of house Condition of sheds	Stock carrying capacity Crop yields Conditions of house Condition of sheds

The raw results for 1993 & 1997 indicate that potential purchasers appear to be mainly concerned with the built improvements and current produce levels and not interested in the condition of the “other” physical resources in determining whether to inspect particular properties. It could be argued that current production levels, reflect to some extent the other factors in combination. There were few differences between industries and regions. Purchasers on the Fleurieu Peninsula and dairy farmers were concerned more with presence of trees/windbreaks. Purchasers in the Riverland broadacre and annual horticulture purchasers were more concerned with soil structure. Irrigation Management Plans were more important for purchasers in the Riverland and those engaging in annual horticulture. Soil salinity was more important in the Riverland.

The survey results do not support anecdotal evidence that landcare problems inhibit people from inspecting as the results indicate that purchasers appear to be mainly concerned with current production levels and the condition of the built environment.

FACTORS AFFECTING PURCHASE DECISION

Salespeople were asked if the presence of landcare factors influenced the purchase decision and if these resulted in a discount or bonus with respect to price.

The following results showed up:

Discourage purchasers:	dryland salinity, poor soil structure, erosion gullies, low fertility levels, major weed problems, major pest problems, chemical residue.
No effect:	soil acidity, high organic carbon levels, property management plan, irrigation management plan.
Encourage purchasers:	native scrub, planted windbreaks, high fertility levels, property plan.

Though no landcare factors in total would attract price premiums, there was strong evidence that windbreaks, fertility levels, property management, farm plans and irrigation management plans had positive influence of purchase decisions. The regional and industry inconsistencies that were evident in the 1993 research have disappeared in 1997. There is evidence that hobby farmers are less consistent as a group with respect to this analysis.

The salespersons were asked to rank the importance of the factors on the purchase decision with 1 major effect and 5 being minor effects. The results of scaling were:

1. Dryland salinity, high fertility levels, chemical residues.
2. Erosion gullies, planted windbreaks, major weed problems, major pest problems, poor soil structure, low fertility levels.
3. Soil acidity, native scrub, property management plans and property plan and irrigation management plans.
4.
5. High organic carbon levels.

EFFECT ON SELLING PERIOD

Salespersons indicated that the following landcare factors increased selling times:

- dryland salt
- poor soil structure
- erosion gullies
- low fertility levels
- weed problems
- pest problems
- chemical residues

The following factors decreased selling times:

- high fertility levels
- presence of windbreaks

CONCLUSION

Both in 1993 and 1997 landcare factors are not influencing the properties inspected prior to purchase but are having an influence on rural property purchase decisions. The highly visible factors are having the expected positive and negative effects on the purchase decision though not necessarily having an influence on price. The visible factors are having an effect on selling times and thus affect price that the vendor receives.

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