

THE ECONOMIC IMPACT OF TOURISM ACTIVITIES ON AGRITOURISM FARMS

Radu-Adrian MORARU¹

e-mail: ramoraru@yahoo.com

Abstract

The fact that the rural zones are characterized by a high level of unemployment and a lower standard of living determines the orientation of the local population towards another income sources than agriculture. One of the farmers' favorite options to diversify the agricultural activities is the agritourism. The international reference literature mentions a series of determining factors that may positively or negatively impact the economic effect of tourism activities on the farms. The lack or insufficiency of the economic data regarding the agritourism businesses and the fact that the most part of researches on this topic is conducted on regional level lead to very different estimations of the value and importance of agritourism. The economic impact of agritourism is, in generally, favorable for the agricultural household. In the case of small farms and of those that fight for survival, the involvement in tourism activities is very important in order to increase the total income. Within the agritourism household, the contribution of the tourism activities to the generation of total income and its profit depends on the following: the farm's size and characteristics, the development stage and the type of the agritourism business carried out, the entrepreneur's knowledge and abilities in agritourism, as well as the features of the geographical region where this occurs. The revenues obtained from food services, accommodation and marketing of agricultural and handicrafts products have a significant contribution to the total income generated by the tourism activities. Regardless the size of the agritourism farm, the agriculture remains the main source of income, the tourism activity being complementary to the agricultural one. Still, between tourism and agriculture may occur also a competitive relationship regarding the use of some resources, fact which could diminish the economic benefits for the agritourism farm.

Keywords: agritourism, economic impact, determining factors, total income

INTRODUCTION

The changes that occurred in the agricultural sector in recent decades (rising competition, increasing production costs, falling prices for agricultural goods, losing or reducing subsidies) and the difficulties faced by the inhabitants of the rural areas (high level of unemployment, lower standard of living, declining revenues) have made agritourism an increasingly popular option for farmers, being considered as a potential solution to improve their economic-social situation.

The primary motivation for farmers choosing to diversify their agricultural activities by providing tourist services is of economic nature. (Moraru R.A. *et al*, 2016). The most frequently mentioned economic objectives of the farmers involved in tourism activities are related to the increase of revenues, the more efficient use of agricultural resources and the reduction of financial debts (Nickerson N. *et al*, 2001; McGehee N.G. and Kim K., 2004; Ollenburg C. and Buckley R., 2007; Barbieri C. *et al*, 2008; Barbieri C., 2010).

The majority of agritourism studies had been focused on the characteristics of demand and supply, on the defining of the agritourism product (McGehee N.G. and Kim K., 2004; Jolly D. and Reynolds K., 2005; Ollenburg C. and Buckley R., 2007; Tew C. and Barbieri C., 2012) and on the analysis of entrepreneurial motivations (Nickerson N. *et al*, 2001; McGehee N. *et al*, 2007; Barbieri C., 2010; Tew C. and Barbieri C., 2012; Moraru R.A. *et al*, 2016) or visitors' motivations (Che D. *et al*, 2006; Sotomayor S. *et al*, 2014). Despite the fact that the research on agritourism has grown, the specialized literature is modest regarding the economic impact on the agritourism service providers, both due to the complexity of the set of motivations that stimulate the association between tourism and agriculture, and the diversity of agritourism activities, their degree of extension at the farm level and the degree of farmers' involvement (Nickerson N. *et al*, 2001; McGehee N.G. and Kim K., 2004; Ollenburg C. and Buckley R., 2007).

Agritourism comprises a large variety of activities for tourists (such as: recreational self-

¹ "Ion Ionescu de la Brad" University of Agricultural Sciences and Veterinary Medicine, Iasi

harvest, horseback riding, on-farm rodeos, hunting and fishing, petting zoos, special local events like festivals and so on) (McGehee N.G. and Kim K., 2004; Brown D.M. and Reeder R.J., 2007; Barbieri C. and Mshenga P.M., 2008), with great differences from one country to another and even between regions of the same countries, both in terms of agritourism practices (Kizos T. and Iosifides T., 2007) and its development stages (Arroyo G. *et al*, 2013). Therefore, the evaluation of economic benefits on farm households is difficult and uneven, the results being influenced by a great diversity of regional particularities. They are extended with the disagreement regarding the definition of agritourism, as well as with the insufficiency or lack of economic data about entrepreneurs in agritourism.

MATERIAL AND METHOD

The basic objective of the present paper is to highlight the main economic benefits of agritourism on farms, presenting at the same time the factors that influence the meaning and magnitude of the economic impact of adding tourist activities to those specific to the agricultural sector.

In order to collect as much as possible data and information related to the purpose of the paper, the international specialized literature has been reviewed and analyzed. The research methodology included several stages of scientific documentation (bibliographical study): finding information sources, classifying them, data collection, content analysis. In order to assess the economic impact of tourism and recreation-related activities, both direct and indirect benefits were taken into account, the main criterion being the analysis of the incomes of agricultural households. The economic benefits of agritourism involvement are very briefly presented in the specialized literature and they constitute an area of disagreement.

RESULTS AND DISCUSSIONS

The specialized literature mentions a number of factors that may affect, in a positive or negative sense, the economic impact of tourism activities on farms. The understanding of this impact and the knowledge of which are the determinants and how they act are important issues for the strategies of sustainable development of the rural communities.

Some studies among farmers in the US states of Virginia (McGehee N. *et al*, 2007) and Montana (Nickerson N. *et al*, 2001) as well as from Australia (Ollenburg C. and Buckley R., 2007) pointed out that the main factors stimulating

the involvement in agritourism are of economic nature: the better use of farm resources, family employment, mitigating income fluctuations and obtaining additional income. Through agritourism, farmers have the opportunity to supplement their income generated by agriculture, increase the volume of sales of agricultural products, gain new market segments and better adjust to its requirements (Nickerson N. *et al*, 2001; Brown D.M. and Reeder R.J., 2007; Barbieri C., 2010; Tew C. and Barbieri C., 2012).

In the same time, besides the economic motivations, the social ones are important for the agritourism entrepreneurs, such as: satisfying a hobby (Nickerson N. *et al*, 2001), desire to spend more time with family (McGehee N.G. and Kim K., 2004), educating the public about rural areas and agriculture (Nickerson N. *et al*, 2001; Ollenburg C. and Buckley R., 2007; Barbieri C., 2010) and so on. Also, the agritourism brings environmental benefits, by: conserving natural resources and facilities, maintaining rural landscapes or promoting ecological agricultural practices (Brown D.M. and Reeder R.J., 2007).

According to Sznajder M. *et al* (2009), the numerous functions performed by the agritourism can be included into three categories: Economic functions, Socio-psychological functions and Spatial and Environmental functions (*figure 1*).

Given their contribution to the overall farm household income, the tourist activities are complementary to the agricultural ones because, on the one hand, provide additional income to those from agriculture (Ashley, C., 2000; Nickerson N. *et al*, 2001; Veeck G. *et al*, 2006), and, on the other hand, they are much less exposed to natural hazards that very likely in agriculture (Bagi F.S. and Reeder R.J., 2012). Moreover, the revenues generated by tourist activities have the role of mitigating the risk factor in agriculture, usually being destined to support the agricultural activities carried out by the agritourism farm (Tanrivermiş H. and Şanlı H., 2007). The agritourism reduces, first of all, the dependence on some factors that cannot be controlled by the farmer (weather, for example) (Fuller A.M., 1990; Carter S., 1998; Veeck G., Che D., Veeck A., 2006).

But, between tourism and the agricultural activities, there may also be a relation of competition regarding the use of financial resources, labor force and working time (Sznajder M. *et al*, 2009). Especially during the summer, when the tourist activities intensify, there may be some problems related to the use of the working capital (Tanrivermiş H. and Şanlı H., 2007). The development of the agritourism activity may also imply the exclusion of some land surfaces from

agriculture, which means diminishing the volume of the agricultural production obtained (Sznajder

M. *et al*, 2009).

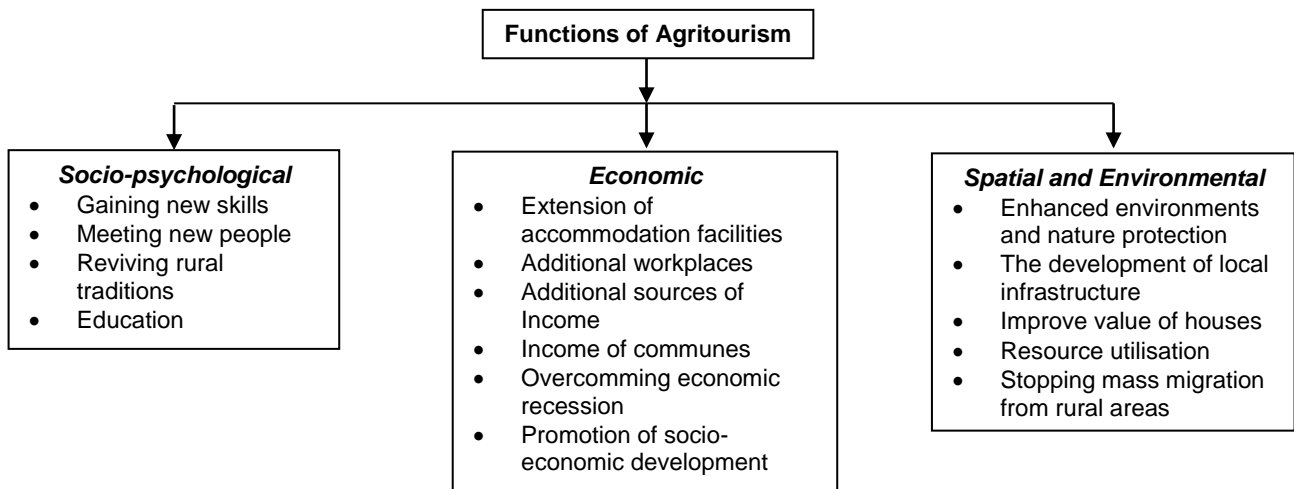


Figure 1 **Functions of Agritourism**
(Sznajder M. *et al*, 2009)

However, some tourism activities can use and exploit more efficiently pieces of land which are less suitable for crop production or animal husbandry (Bagi F.S. and Reeder R.J., 2012). For example, through the generated economic benefits, the tourism stimulates the farmers to conserve some of the agricultural land and the associated natural facilities (watercourses, forests, wildlife), being able to obtain financial gains from hosting activities for which tourists show a high degree of interest: bird watching, hunting, fishing, photography (Bagi F.S. and Reeder R.J., 2012). As a consequence, the association of agriculture with tourism does not necessarily affect the agro-zootechnical production or has a insignificant influence on it (Veeck G. *et al*, 2006; Bagi F.S. and Reeder R.J., 2012).

Various specialized studies, conducted mainly in the USA, have shown that the economic impact of agritourism on the farms profit is positive, but non-homogeneous, the size of the economic benefits being very different from one farm to another. Thus, according to the research conducted in Michigan, Veeck G. *et al*, (2006) found that the tourism activities are, for most farms, an additional source of income. The same fact is derived from the analysis carried out by Barbieri C. and Tew C. (2016), according to which the profit of Missouri farms increased significantly as a result of their involvement in agritourism: in about 25% of cases, the incomes of the farms doubled, while half of the operators in agritourism declared that the total incomes were increased by 50%. On the other hand, McGehee N.G. and Kim K. (2004) observed that the economic impact of tourism activities is much lower, the agritourism

contribution to the increase of the total income of the farms being, on average, about 5%. This is in line with the study conducted in Germany by Oppermann M. (1995), who found that farmers' incomes increase only to a small extent due to agrotourism.

On the other hand, a survey conducted across the US in 2007 on the management of agricultural resources, revealed that, on average, the agritourism farms had 66% higher production costs and a relatively low total net income compared to that obtained by the other farms (USDA, 2007). Consequently, it can be appreciated that not in all situations the economic success of the agritourism is assured, since the characteristics of the geographical region in which the agritourism attractions are located can have a significant influence.

The fact that the agriculture is the main source of income for the agritourism farms also emerges from the research conducted in the Cappadocia Region from Turkey by Tanrivermiş H. and Şanlı H. (2007). They showed that 73.5% of the total annual income obtained by the farmers involved in tourism activities is generated by agricultural activities, while 26.0% comes from tourism, this being the second most important source of income for the agritourism household. The accommodation activity contributed 35% to the income from tourism-oriented activities, more than half (55.1%) of them being provided by the pottery business, the Cappadocia Region being well known for its long tradition in the ceramic production and pottery workshops.

The hypothesis that agritourism is a source of additional income for those involved in this

sector has also been confirmed in Poland. Thus, a study carried out by Jeczmyk A. *et al* (2015) among the Polish farmers offering agritourism services, showed that, on average, the revenues from tourism accounted for 28.4% of total farm income. For 16.7% of the agritourism farms, more than half of the annual income of the agricultural household has been generated by the tourist activities, while 47.8% of the farmers reported an agritourism related contribution to the total income below 20% (table 1).

Table 1
Share of income obtained from agritourism and from meal services offered to agritourists in the region Great Poland (Jeczmyk A. *et al*, 2015)

Agritourism income		Meal services income	
% of annual farm household income	% of farm households	% of annual agritourism income	% of farm households
10-20	47.8	<20	32.4
20-30	14.4	20-30	20.3
30-40	12.2	30-40	9.5
40-50	8.9	40-50	31.0
>50	16.7	>50	6.8

The revenue earned from the meal services offered to agritourists had a significant contribution to the total revenue received from agritourism activity. In Poland, the proportion of incomes from meal services in the overall income obtained from agritourism was below 20% in about one third of agritourism farms, while for the other 60,8% of farms was situated between 20% and 50%. Only in 6,8% of cases this proportion exceeded 50% (table 1). The same study reveals that agritourism activities are currently run by women (Jeczmyk A. *et al.*, 2015), which is in line with the opinion of other authors who support this fact (Nilsson P.A., 2002).

When is assessed the economic impact of the tourism and recreation-related activities on agritourism farms, it is necessary to take into account not only the direct but also indirect benefits. An important indirect economic effect of combining tourism activities with the agricultural ones is the increased demand for local products (fresh or processed by traditional methods) offered to consumers by the agritourism farms through roadside stands or pick-your-own operations (Martinez S., 2010). Besides generating supplementary sales of agricultural commodities, the agritourism can also contribute to promoting and increasing the visibility of the farm (Tew C. and Barbieri C., 2012).

For the young people in the rural area, the tourism activities are more attractive than the agricultural ones, because, although they generate lower incomes, they are produced faster and easier

than in the case of agriculture (Tanrivermiş H. and Şanlı H., 2007). In addition, the tourism-related activities not only support the productive capacity of agritourism farms, but also determine the acquisition of new skills by those involved in tourism, skills that can be transferred to other activities (Ashley, C., 2000).

Among the determining factors of the economic effects produced by the agritourism activities on farms profitability, the specialized literature mentions, most frequently, *farm characteristics* and *the characteristics of entrepreneurs in agritourism* (Nickerson N. *et al*, 2001; Alsos G.A. *et al*, 2003; Brown D.M. and Reeder R.J., 2007; Ollenburg C. and Buckley R., 2007; Barbieri C. and Mshenga P.M., 2008; Tew C. and Barbieri C., 2012). The physical attributes of the land, agricultural activity performed, farm positioning (distance from urban centers, abundance of natural amenities and local attractions) and type of farm, as well as the skills and knowledge of the operators in agritourism, have the ability to influence both the rate of participation in agritourism and the income obtained by farmers from tourism activities (Alsos G.A. *et al*, 2003; Barbieri C. and Mshenga P.M., 2008). The importance of the geographical location of the agritourism farms near the urban centers and its favorable impact on the income obtained by the farmers were also emphasized by Bernardo D. *et al* (2004) and Bagi F.S. and Reeder R.J. (2012).

According to some experts, the most suitable types of farms for agritourism activities would be the horticultural farms (vineyards, orchards, vegetable farms) and zootechnical farms (Brown DM and Reeder RJ, 2007; Schilling BJ *et al*, 2014), farms with increased labor resources (Barbieri C. *et al*, 2008), small lifestyle farms (Schilling BJ *et al*, 2014), farms with internet access and farms using conservation practices (Schilling BJ and Sullivan KP, 2014).

In order to maintain the potential of bringing in additional income for the farm household, the agritourism must be managed by entrepreneurs with adequate knowledge of the tourism market (Nickerson N. *et al*, 2001; McGehee N.G. and Kim K., 2004). Barbieri C. and Mshenga P.M. (2008) consider that the main characteristics of farmers in a positive correlation with the improvement of economic results refer to: primary occupation, business associations membership, gender, age, race, business practices and access to capital. In general, the agritourism farms are more successful when they are operated by young males which participate in networks and business associations, have as primary occupation the agricultural activity, benefit from an easier access to capital

and possess the experience, knowledge and skills in business (Barbieri C. and Mshenga P.M., 2008).

The size of the agricultural business overwhelmingly determines the proportion in which the tourism activities contribute to the total income. This was demonstrated by Schilling B.J. *et al.*, (2014), based on a study related to the economic effect of agritourism on the farm profit in New Jersey (USA) in the year 2007. By comparing the net income of similar farms which are involved or not involved in agritourism, Schilling B.J. *et al.*, (2014) found that the profit obtained by the large farms (with gross income > \$ 250,000) is not influenced by the agritourism activities, while for the small and intermediate farms (with gross income < \$ 250,000), in which the operator has farming as the primary occupation, the involvement in agritourism has a significant impact on the profit. In the case of small lifestyle farms (with a gross income < \$ 250,000, primary occupation other than a farmer) the economic impact is also favorable, but more modest.

The results obtained by Schilling B.J. *et al.* (2014) confirmed the findings of a previous study (Schilling B.J. *et al.*, 2012), which showed that the agritourism did not improve the financial performance of the large farms, because they were usually involved in agritourism for other reasons than the economic ones (for example: to educate the public about environmental and agricultural issues or to satisfy a hobby). But, in the case of the farms struggling to economically survive, the incomes derived from the development of tourism activities are particularly important (Bagi F.S. and Reeder R.J., 2012), the agritourism constituting a significant strategy capable to contribute to the increase of the economic viability of small farms (Schilling B.J. *et al.*, 2014).

Based on a study in California, George H. *et al.* (2011) concluded that the agritourism impact on farms profitability varies greatly not only depending on the farm size, but also on *the characteristics of the region* where they are located and *the type of agritourism activities* carried out. A similar conclusion was reached by Schilling B.J. *et al.* (2014), showing that the agritourism farm profitability and the size of the potential profit are also influenced by the location and type of the agritourism business.

In the same time, the revenues brought by the tourism activities and the profitability of the agritourism depend, to a large extent, also on the *stage of development of the agritourism business*.

Thus, as the farmers gain experience in managing their relations with tourists, the additional revenues generated by tourism increase

(Tew C. and Barbieri C., 2012). This statement is also confirmed by Barbieri C. and Mshenga P.M. (2008), who argue that each additional year of tourism activity brings a financial addition to the total income of farmers.

CONCLUSIONS

The effect of the agritourism economic impact on farmers' incomes indicates that the tourism activities are not an alternative to the agricultural activity. The tourism-oriented activities are complementary activities for agriculture, generating additional revenues that contributes to the increase of the overall income obtained by the agritourism household. The revenues earned from food services, accommodation and marketing of agricultural and handicrafts products have a significant contribution to the total income generated by the tourism activities. Besides the supplementary income, entrepreneurs in agritourism are stimulated by other direct economic benefits: the better use of farm resources, family employment, mitigating income fluctuations. The agritourism determines also indirect economic effects, such as generating additional sales of agricultural commodities, promoting the agritourism attractions and increasing the visibility of the farm. The economic impact of agritourism is, in generally, favorable for the agricultural household. In the case of small farms and of those that fight for survival, the involvement in tourism activities is very important in order to increase the total income

The economic impact of the tourist activities on the farm profitability are affected by several factors: the particularities of the farm and of the geographical region in which it is located, the skills and knowledge of the entrepreneur, the size of the agricultural business, the development stage of the agritourism business and the type of agritourism activities carried out.

Between tourism and agriculture may occur also a competitive relation regarding the use of some resources, fact which could diminish the economic benefits for the agritourism farm.

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