

Fall 9-20-2019

## Exposure-Investment-Return Continuum in Agritourism

Nicole L. Vaugeois

*Vancouver Island University*, [nicole.vaugeois@viu.ca](mailto:nicole.vaugeois@viu.ca)

Follow this and additional works at: [https://scholarworks.umass.edu/ttracanada\\_2019\\_conference](https://scholarworks.umass.edu/ttracanada_2019_conference)

---

Vaugeois, Nicole L., "Exposure-Investment-Return Continuum in Agritourism" (2019). *TTRA Canada 2019 Conference*. 13.

Retrieved from [https://scholarworks.umass.edu/ttracanada\\_2019\\_conference/13](https://scholarworks.umass.edu/ttracanada_2019_conference/13)

This Refereed academic paper for presentation is brought to you for free and open access by the TTRA Canada at ScholarWorks@UMass Amherst. It has been accepted for inclusion in TTRA Canada 2019 Conference by an authorized administrator of ScholarWorks@UMass Amherst. For more information, please contact [scholarworks@library.umass.edu](mailto:scholarworks@library.umass.edu).

**Title:** Exposure-Investment-Return Continuum in Agri-tourism

## Introduction

Canadian farmers are searching for diversification options in an attempt to reduce risk brought about by increasing uncertainty in the agricultural context. Diversification refers to the re-allocation of some of a farm's productive resources, such as land, capital, farm equipment and labour to other products to non-farming activities (Amanor-Boadu, 2013). Farm diversification decisions are complex but include motivations such as the desire to reduce risk and exposure to farm operations, capitalize on shifts in consumer demands, or respond to government policy, external shocks and, more recently, threats associated to climate change (Sing et al, 2010).

One of the farm diversification alternatives that is attractive to farmers is the incorporation of tourism into farm operations (Barbieri and Mahoney, 2009). Known as agri-tourism or farm tourism, this diversification option is a sub sector of rural tourism and in its simplest form can be defined as tourism that benefits agriculture. Still in its infancy as a topic of academic study, the literature on agri-tourism is scattered and its progress is impeded by challenges of definition (Barbieri et al, 2016). This paper introduces an exposure-investment-return continuum that will allow for future testing by researchers to determine the trade-offs in agri-tourism development. The aim is to support farmers to make more informed diversification decisions.

## Literature

Farm diversification through agri-tourism requires that farmers understand and make complex decisions about the extent of exposure to tourism that they want their farm operation to have and the potential return on investment. To date, the academic literature has provided limited assistance to aid in navigating these decisions and in fact, Ainley and Smale (2010) noted that farm diversification into tourism is based more on a leap of faith than on market research. While studies have reported that investments in agri-tourism are correlated to increased revenue potential (Barbieri, 2013; 2016; Marin, 2015; Veeck et al, 2016; Wilson et al, 2006) there is limited evidence of differentiated returns depending on the type of exposure that a farm provides to visitors (Choo and Petrick, 2013; Salvioni and Fontanella, 2013).

Farms operate in a high risk environment where revenue is influenced by a range of externalities such as weather, commodity prices, and trade agreements (Ullah and Shivakoti, 2014). Additionally, farms are exposed to risks in their daily operations including the potential injury to employees, biosafety hazards and equipment failure. Tourism exposes farms to new risks such as liability associated to injuries when visitors engage in on farm activities, reputation risks when mishaps are shared via social media, as well as new financial exposure risks associated to capital investments for tourism infrastructure (Government of BC, 2017). Farmers who are contemplating diversification through tourism are asking questions such as “what are the risks associated to different types of agri-tourism activities?”, “how will engaging in agri-tourism impact the operations on our farm”, and “what is the potential return on investment associated to agri-tourism?” Adept at dealing with risk reward decisions, farmers who are contemplating diversification through agri-tourism are in need of information

that enables them to understand exposure risks associated to tourism so that they can optimize the potential benefits while mitigating impacts.

## Methodology

The conceptual model was developed through a review of the literature as well as insights shared with agri-tourism operators at a workshop held in 2017 in British Columbia. The literature was searched using databases including Ebsco-host, ABI Inform and ProQuest at Vancouver Island University. Searches were conducted for farm diversification, agri-tourism, farm tourism, farm risks, tourism risks, return on investment farming, return on investment agriculture. The search was done to answer the question “what is the relative return on investment associated to different types of agri-tourism activities?”

A day long workshop with 15 farmers was held in January 2017 in Vernon, BC. The workshop participants included a range types of farm operations who were at different stages of agri-tourism development. The workshop incorporated discussion and activities to build capacity in the design and integration of tourism piloting the new “Diversification through Agri-tourism Manual” developed by the BC Ministry of Agriculture. Once participants understood agri-tourism using manual, they were asked to identify what types of risks agri-tourism could introduce to their farm operation as well as what changes would have to take place in their farm operation if they pursued different agri-tourism activities. Participants identified responses to these questions in small groups and then discussed in a larger setting. Notes were recorded on their responses and used in the analysis and comparison to the literature scan.

## Key findings

Agri-tourism research is scant and still in exploratory stages. There are some case studies in Europe (Gulluzzo, 2018; Moraru et al, 2016; Iosim et al, 2014; Petrovic et al, 2017; Salvioni and Fontanella, 2013) and Asia (Choo et al, 2018; Choo, 2013) and an emerging body of work in the United States (Kline et al, 2016; Barbieri et al, 2016; Wilson et al, 2006; Veeck et al, 2016). Canadian studies in agri-tourism are limited in scope (Ainley and Smale, 2010; Colton and Bissix, 2005) and becoming dated. Significant attention on sub sectors such as wine tourism have become popular targets for study although these have focused on understanding the demand side of tourism more than the realities of the supply. The state of the existing literature made it difficult to draw a definitive conclusion on the potential return on investment associated to agri-tourism. While studies indicate a general correlation between farm diversification through agri-tourism and profit, the data is typically reported in aggregate form whereby insight about which types of diversification are most profitable are not yet clear. The literature did highlight that there are a range of non-economic impacts associated to agri-tourism that need to be considered in cost-benefit assessments. As the motivation for farmers to diversify in tourism may include more than economic reasons (Ullah and Shivakoti, 2014; Barbieri and Mahoney, 2009), greater clarity on these potential returns would be helpful.

Insights gained from the workshop participants confirmed that farmers are seeking knowledge about the potential benefits and costs associated to tourism development. Those with experience hosting tourists for day visits reported the need for additional investments to enhance wayfinding, parking, interpretation and

education or event facilities as well as human resources. Additionally, they highlighted that depending on the type of activity, there can be significant revenue potential for the farm. Those with experience hosting visitors for overnight stays reported that there is some additional investment needed to provide accommodations for visitors but that there is less impact associated to the volume of day visitors. Farms that provided on farm activities either for the day or overnight reported that tourism introduced some change to the farm operation to ensure that visitors had positive experiences. These included changes to land use, hours of operation, farm beautification, staffing and staging. Finally, operators indicated that the level of investment in tourism often progressed over time whereby exposure to tourism started with off farm encounters such as farm markets where tangible farm products were sold to visitors which overtime shifted to on farm encounters for day or overnight intangible experiences. This evolution resulted in increased exposure and new risks to farm operations as well as increased investment of farm resources to shift from the provision of tangible to intangible products.

As shown in Table 1, farms can diversify through agri-tourism by identifying the level of exposure they want their farm to have to visitors primarily by making the decision to sell products to visitors in off farm venues like farm markets or restaurants. This level of exposure introduces little change to the farm operation and potential moderate financial returns. The decision to invite visitors onto the farm for day visits for special events, u-pick or other experiences requires moderate to high levels of investment depending on the activity. Risks associated to this level of exposure increase as do the potential financial returns but the presence and accommodation of these intangible experiences can introduce changes to the farm operation. The decision to invite visitors onto the farm for overnight experiences will require low to moderate investment assuming that farming remains the primary business and that the overall number of visitors is limited. With this level of exposure, low to moderate risks will be assumed however because overnight visitors account for a higher proportion of daily visitor spending, the opportunity for higher rates of return are greater than for day visitors. As farms providing day visit opportunities will likely seek a higher volume of visitors than those providing overnight experiences, the potential changes to farm operations are expected to be low to moderate.

Table 1: Exposure-investment-return continuum in agri-tourism

Exposure level	Investment level	Level of risk	Level of return	Potential changes to farm operation
Off farm encounters	Low	Low	Moderate	Low
On farm day encounters	Moderate to high	Moderate to high	Moderate to high	Moderate to high
On farm overnight encounters	Low to moderate	Low to moderate	Moderate to high	Low to moderate

## Conclusion

As more Canadian farmers contemplate options to diversify their operations and remain viable, the interest in agri-tourism is likely to continue to increase. This study highlighted that research on agri-tourism is needed in order to support farm diversification efforts. Insights gained from the literature to date and a workshop with farm operators involved in agri-tourism in BC were compiled to propose an exposure-investment-return continuum that requires future testing to deepen our understanding of the relationship between exposure level, required investment, associated risks and potential return.

## References

- Ainley, S. and Smale, B. (2010). A profile of Canadian agritourists and the benefits they seek. *Journal of Rural and Community Development*, 5(1): 58-75.
- Amanor-Boadu, V. (2013). Diversification decisions in agriculture: the case of agri-tourism in Kansas. *International Journal of Agribusiness Management Review*, 16(2): 57-74.
- Barbieri, C., Xu, S., Gil-Arroyo, C., & Rich, S. R. (2016). Agri-tourism, Farm Visit, or . . . ? A Branding Assessment for Recreation on Farms. *Journal of Travel Research*, 55(8), 1094–1108.
- Barbieri, C. and Mahoney, E. (2009). Why is diversification an attractive farm adjustment strategy? Insights from Texas farmers and ranchers. *Journal of Rural Studies*, 25(1): 58-66.
- Barbieri, C. (2013). Assessing the sustainability of agri-tourism in the US: a comparison between agri-tourism and other farm entrepreneurial ventures. *Journal of Sustainable Tourism*, 21(2), 252–270.
- Choo, H., & Petrick, J. (2013). Resource Exchanges for Agri-tourism Service Encounters. *Journal of Hospitality Marketing & Management*, 22(7), 770–780.
- Colton, J. W., & Bissix, G. (2005). Developing Agri-tourism in Nova Scotia: Issues and Challenges. *Journal of Sustainable Agriculture*, 27(1), 91–112.
- Galluzzo, N. (2018). An analysis of farmers' income in some Italian agri-tourism. *Bulgarian Journal of Agricultural Science*, 24(4), 560–565.
- Government of British Columbia (2017). Farm diversification through agri-tourism: Guidebook. BC Ministry of Agriculture.
- Hyungsuk Choo, Young-Hyo Ahn, & Duk-Byeong Park. (2018). Using the Data Envelopment Analysis to Measure and Benchmark the Efficiency of Small-scale Tourism Farms in South Korea. *Journal of Rural & Community Development*, 13(2), 1–15.
- Iosim, I., Iancu, T., & Popescu, G. (2014). Negotiation Types in Agrotourism. *Research Journal of Agricultural Science*, 46(4), 76–82.
- Karampela, S., Kizos, T., & Spilanis, I. (2016). Evaluating the impact of agri-tourism on local development in small islands. *Island Studies Journal*, 11(1), 161–176.
- Kline, C., Barbieri, C., & LaPan, C. (2016). The Influence of Agri-tourism on Niche Meats Loyalty and Purchasing. *Journal of Travel Research*, 55(5), 643–658.
- Marin, D. (2015). Study on the Economic Impact of Tourism and of Agrotourism on Local Communities. *Research Journal of Agricultural Science*, 47(4), 160–163.
- Moraru, R.-A., Ungureanu, G., Bodescu, D., & Donosă, D. (2016). Motivations and Challenges for Entrepreneurs in Agri-tourism. *Agromony Series of Scientific Research*, 59(1), 267–272.

- Petrović, M. D., Blešić, I., Vujko, S., & Gajić, T. (2017). The Role of Agri-tourism's Impact on the Local Community in a Transitional Society: A Report from Serbia. *Transylvanian Review of Administrative Sciences*, (50E), 146–163.
- Salvioni, C., and Gontanella, L. (2013). Diversification strategies and their impact on farm performance. *APSTRACT: Applied Studies in Agribusiness and Commerce*, 7(1033-2016-84238), 47.
- Sing, A., Boukerrou, L., Miller, M. (2010). Diversification in agriculture. *Encyclopedia of Earth*, Washington D.C. Environmental Information Coalition, National Council for Science and the Environment.
- Ullah, R. and Shivakoti, G. P. (2014). Adoption of on-farm and off-farm diversification to manage agricultural risks: Are these decisions correlated? *Outlook on Agriculture* 43(4): 265-271
- Veeck, G., Hallett, L., Che, D., & Veeck, A. (2016). The Economic Contributions of Agricultural Tourism in Michigan. *Geographical Review*, 106(3), 421–440.
- Wilson, J. B., Thilmany, D., & Watson, P. (2006). The Role of Agri-tourism in Western States: Place-Specific and Policy Factors Influencing Recreational Income for Producers. *Review of Regional Studies*, 36(3), 381–399.