

## THE ROLE OF THE AGRITOURISM MANAGEMENT IN DEVELOPING THE ECONOMY OF RURAL REGIONS

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### ABSTRACT

It has been documented that the key features which relate rural regions to tourism development are twofold: poverty and lack of economic opportunities. Despite of substantial contribution the tourism and agritourism industries have made to the economy of rural areas, farm-managers have been facing a series of challenges, such as the turmoil of global economy, increased worldwide competition in output markets, high production costs arisen from increasing inputs prices, and lack of transparent rules and regulations imposed by the governmental agencies. As a result, farm-operators have been searching for alternative farm-oriented activities that potentially generate additional income to their on-farm revenues so that they can stay in such a highly competitive business. This paper analyzes the role of the agritourism management in developing the economy of rural areas in the province of Newfoundland and Labrador, Canada. The recommendations made from the results of this study provide new visions for policymakers to understand better the industry, recognize the impediments, and make appropriate decisions at the local and provincial level.

### KEYWORDS

Agritourism management, Tourism Industry, Tourism Policy, Rural Areas, Newfoundland and Labrador.

### 1. INTRODUCTION

The Agriculture, Aquaculture and Fishery (AAF) sector of the province of Newfoundland and Labrador has significantly been contributing to the economy of rural areas in terms of employment and gross domestic product (Government of Newfoundland and Labrador, 2010). However, low market output prices; on-going increased in input prices; appreciation of Canadian dollars; the emergence of global recession; and continued pressure from low-cost international producers in 2010 have caused serious challenges for the AAF sector. Thus, policymakers will have to make proper decisions in terms of policies that are potentially enable farm-managers to generate supplemental income in addition to what they earn from the normal functioning of their farm-practices. The promotion of tourism and agritourism activities is one way to help develop the economy of rural areas in the province that is facing a series of challenges, such as small internal markets; shifting socio-demographics; lack of sufficient investments; the high rate of out-migration; diseconomies of scale; and the underdeveloped economic infrastructure for the time being. The main objective of this study is to identify those enterprises that are actively operating any of the agritourism activities (Haghiri, 2010)

in rural areas of Newfoundland and Labrador. The findings of this research should be of interest to all stakeholders in the industry, including tourism managers, agritourism farm operators; directors of fairs and festivals; hotel managers; tourism-agencies; potential investors in the tourism and agritourism industries; and both the local and provincial governments. The remainder of the paper proceeds as follows. First, we briefly discuss challenges of tourism in rural areas. In the next sections, we explain the research method and present the findings from the survey analysis. The final section summarizes the paper; concludes the remarks; presents some policy recommendations for managers and policymakers; and avenues for future research.

## 2. LITERATURE REVIEW

Rural areas are heterogeneous. The definition of a rural area is problematic in the literature – most people know a rural area when they see one, but few agree on a definition in a few sentences. Debates aside, common features of rural space are as follows (Ashley and Maxwell, 2001): (i) spaces where human settlement and infrastructure occupy only small patches of the landscape, most of which is dominated by fields and pastures, woods and forest, water, mountain and desert; (ii) places where most people spend most of their working time on farms; (iii) abundance and relative cheapness of land; (iv) high transaction costs, associated with long distance and poor infrastructure; and (v) geographical conditions that increase political transaction costs and magnify the possibility of elite capture or urban bias. For the purposes of this contribution, key features that make rural areas relevant to tourism development are their poverty and lack of economic opportunity, combined with the agricultural and/or scenic and/or cultural nature of the area, which provides a tourism asset. The aim of ‘rural tourism’ is to increase the net benefits to people from the rural areas, and increase their participation in the development of the tourism product. With downturns in rural economies over the last three decades, it is perhaps understandable that governments have given a great deal of attention to the economic benefits of tourism, particularly for rural areas attempting to keep pace and adapt to the vigorous globalized economy. As Telfer (2002) suggested, growing numbers of city-dwellers are getting away from it all in the countryside. One of the advantages of rural tourism is that it is based on local initiatives, local management, has local spin-offs, is rooted in local scenery and it taps into local culture. In theory, the emphasis on the local can help generate regional development. According to Sharpley and Sharpley (1997), rural tourism is increasingly being used for socio-economic regeneration and diversification. While the definition of rural varies in different countries, Sharpley and Sharpley (1997, p. 20) further describe rural as all areas “both land and water, that lie beyond towns and cities which, in national and regional contexts, may be described as major urban centers.” For tourism to be described as rural tourism then it should mirror the characteristics that signify a rural area including small settlements, low population densities, agrarian-based economies and traditional societies. Lane (1994) details the difficulty in attempting to create a definition of rural tourism as not all tourism in rural areas is strictly rural.

## 3. METHODOLOGY

To analyze the role of the agritourism management in developing the economy of rural areas in the province of Newfoundland and Labrador, we used both the primary and secondary methods of research, such as reviewing all the tourism studies conducted in the region; identifying all the agritourism managers; interviewing agritourism coordinators in the province; and completing a modified version of the survey questionnaire, designed primarily by Knight and Associates (1990) and extended by Haghiri (2010) to collect up-to-date information related to the industry. In total, we

identified 41 agritourism managers and interviewed 26 of them who actively involved in carrying out, at least, one of the agritourism activities in the region; a response rate of 63.41 per cent. The list of provincial agritourism enterprises was received from the Natural Resources office of the Newfoundland and Labrador government in the city of Corner Brook. We conducted the interviews from March to November 2010 by visiting all the agritourism farms except the ones located in the Labrador region where the interviews were carried out by telephone. For each of the respondents we completed a comprehensive questionnaire and to meet the confidentiality agreement with them we reported the result of the survey at the average level.

#### 4. MAIN RESULTS

Despite the potential possibility of various types of agritourism activities in the province, the industry is still at the primitive stage and a great rate of potential growth is expected in the future. While the majority of the agritourism activities in Western Newfoundland and Labrador are fairs and festivals, it is clearly observed that the agritourism farm-operators in Eastern Newfoundland and Labrador and the Avalon region actively involved in outdoor recreational, educational experiences, and on-farm direct sales activities. As mentioned earlier, the agritourism activities in the province are generally viewed as alternative sources of income added to the proceeds earned from various on-farm activities, such as selling agricultural and livestock products.

The agritourism and tourism industries host several activities, such as outdoor recreation, educational experiences, entertainment, hospitality services, and on-farm direct sales to attract both the domestic and international visitors to the region. During the time of survey, we noticed that among all the different outdoor recreation activities, tourists participated mostly in fishing, horseback and carriage riding, hiking, farm-driving tours, and cross-country skiing. We also observed several educational tourism activities including cannery tours, cooking classes, wine tasting, handmade crafts displays, school field trips, bird watching, farm equipment museum, and wildlife study in the region. In addition, fairs and festivals, hospitality services that include farm stays (or B&B), guided tours or outfitter services, farm wedding, dude ranch, retreat centers, and working ranch vacations were also seen in the region during the course of survey. Moreover, the agritourism farm managers provided several facilities for tourists to make them feel more comfortable during visiting the operations. Among all the facilities, the followings were mostly observed: parking lots; washrooms; handicap access; picnic tables and seating areas; tack shops; tearooms; interpretation materials; petting farm; and canteen and food services. The number of farm-tourists in 2010, on average, ranged from 50 in Portugal Cove – St. Philip and Rattling Brook to 18,000 in Camphallton, Lethbridge, and Foxtrap located in the east part of the province. The result of the survey showed that more than 80 per cent of farm-tourists resided locally, less than five per cent came from abroad, and the remained 15 per cent of the total tourists resided in other provinces of Canada. The result of the study asserted that almost 80 per cent of the agritourism managers undertook some form of advertising, such as provincial and local tourism guide; design and print own brochures; media including television, radio and newspapers; Internet and emails; road signs; agricultural programs and trade shows to promote their businesses and, on average, spent near Cdn\$2,205 during the course of study. The analysis of the data exhibited a promising sound with respect to public liability insurance among the agritourism enterprises in the province. We found that more than 65 per cent of the agritourism managers were willing to insure their visitors and paid a range of Cdn\$500 to Cdn\$2000 to insurance companies that offered a liability between one to two million dollars. During the time of survey, we learned that only four agritourism managers spent some time to be formally (e.g., attending tourism workshops, seminars) and informally (e.g., “in-house training”) trained in any fields related to their businesses. In terms of revenues, only six agritourism managers

reported that they earned between 45 to 100 per cent of their income from operating one or more of the agritourism activities on the farms by allocating almost 50 to 100 per cent of their working-time. In terms of employment, about one-third of the respondents hired family and non-family members to help them run the tourism operations.

We asked the agritourism managers in the survey to list the problems, challenges, and difficulties they were facing in their businesses during the course of study. Almost all of them stated that the government agencies did not allow them to put the sign of their businesses up on the road and in the place where they decided. Most of the areas designated by the provincial government were far away from their operations. Insufficient sources of inputs and lack of knowledgeable labor force in the field of tourism were other challenges the agritourism managers were facing in the province. In Northern Peninsula, one of the most tourism attractions of the province, there is not an extended ground-and-air transportation network during the tourism season and overnight staying is barely possible. It was a general consensus that getting loans from the financial institutions in the region was a time consuming task. The volatility of gasoline and other fuel prices was another problem that caused serious concerns for the agritourism managers. In addition, insufficient support received from both the local and provincial government bureaus, small population in the region, short time of the tourism season were other impediments against the growth of the agritourism and tourism industries in the province of Newfoundland and Labrador.

Overall, there is a general consensus among the agritourism managers that the Newfoundland and Labrador agritourism and tourism industries have a great capacity to grow and, as a result, expand its scale of services. New projects such as building convenience stores; establishing waterslide parks; winery plants; corn mazes; petting zoo; rabbit farm-production; indoor horseback-riding facilities; playgrounds; dumping station for tourist trailers; providing cabins and RV stations; activity centers for children; bed and breakfast; and ratites farm to raise emu and ostrich are considered. Moreover, the diversifications of the current crop pattern as well as the extension of the concurrent roadside stands, road signage stations, and direct sales of fresh locally grown products in addition to offering home-made products including local jams, jellies, and handmade-crafts in the region are some examples of future plans. For the sake of brevity, the following policy implications drawn from the analysis of survey are presented in the next section and interested readers in details of the survey are encouraged to contact the authors.

## 5. CONCLUSIONS

The tourism industry is one of the most revenue generating industries in the province of Newfoundland and Labrador. In 2010, the tourism industry in Atlantic Canada provinces (i.e., Newfoundland and Labrador, New Brunswick, Nova Scotia, and Prince Edward Island) generated near five billion dollars revenue in which one-fifth (i.e., \$850 million) was the share of the tourism and agritourism industries in Newfoundland and Labrador. It was also estimated that the industry provided more than 100,000 jobs year-round in the Atlantic regions in the same year (Bruce 2010). The tourism market is highly competitive. Despite some of the worldwide tourism attractions that the Atlantic Canada provinces can offer they will have to compete with northern Europe, Australia and New Zealand, Caribbean, Singapore, Mexico, India, Thailand, Egypt and other well-known tourism destinations in the world. Thus, the competition is not confined to attract more tourists from neighboring provinces or other provinces in Canada; instead, the challenge is to get more international tourists to the region. Agritourism activities are nontraditional innovative farm operations that enable farm enterprises to make additional income and attain the economic viability of the farming practices.

Agritourism activities are classified as outdoor recreation, educational experiences, entertainment, hospitality services, and on-farm direct sales. The result of the survey showed that, among the aforementioned activities, the agritourism managers in Newfoundland and Labrador offered more outdoor recreation (i.e., horseback riding) and entertainment (i.e., arranging farm festivals) services. In addition, the result asserted that the volume of on-farm direct sales (i.e., u-pick operations or roadside stands) had substantially increased from the time farm-operators started supplying products directly to the market. In particular, we found that those farm-managers who sold their products directly through retailing methods earned more income than of those who supplied their output through conventional market channels. Among the former group, the more the sales stations were close to the urban and suburb regions and commercial zones the more was the likelihood of generating higher income levels. Although the main objective of this study is to analyze the Newfoundland and Labrador agritourism industry, we recommend the following policy implications drawn from the findings of the survey to help policymakers make appropriate decisions towards promoting the industry in the province. Overall, the agritourism industry in the region shows great potential to grow despite the fact that the incumbent agritourism farm-operators still need any types of governmental assistance to keep them stay in such a highly competitive business.

To have a competitive market in the agritourism industry, we suggest that the government agencies as well as non-governmental organizations get more involved in promoting the industry in the province. One outcome of such promotion is to maintain the economic viability of rural regions that play an important role in the economic development of Newfoundland and Labrador. Arranging several farm exhibitions in different places in the province and have them visited by the regional farmers will be a start point in promoting such ventures.

We found great opportunities for agritourism enterprises to initiate the production of new products and enhance existing tourism products, while developing new markets in Newfoundland and Labrador, other provinces of Canada, and international countries. Examples of new products in addition to those that need to be developed are cultural tourism activities, organic fruits and vegetables, specialized livestock products (i.e., sheep, goats, fur, emu, rabbits, etc.), farm-based food products, such as bread, jams and jellies, and handmade crafts.

The use of advanced technologies has enabled agritourism farm-operators to promote their businesses through new methods of advertising. For example, agritourism ventures should continuously use various search engines in the World Wide Web, which display their business locations on the Internet that can be seen by substantial viewers worldwide. It is recommended that agritourism farm-operators should use more popular web sites because people use to go online nowadays and do not call 1-800 numbers anymore. Some examples of popular Internet programs that have attracted tremendous number of users are Orkut, Facebook, Twitter, web bloggers, and YouTube.

The findings of this research assert a lack of formal education in tourism among agritourism farm-operators. To build a successful enterprise in agritourism, education and up-to-date knowledge of the field is very important. An agritourism farm-operator should be able to analyze the market, strategize various options, and implement the best one to maximize its profits. Moreover, enterprises must have a work-plan during the tourism season that outlines how to run the business. In light of this, a strong and organized customer service would help the agritourism farm-operators assess its services to farm-tourists, evaluate their comments, and incorporate their suggestions as much as it can. One of the possible market strategies that a successful agritourism entrepreneur should follow is to create an alumni association and register its farm-tourists as honorable member of the association. In this case, firms can keep in touch with its alumni and occasionally notify them about the new services that it would offer to visitors on farm.

It is recommended that the agritourism farm-operators or their employees shall participate in at least one or two training courses in the field of tourism. It is advised that the training courses should be in collaboration with the provincial government or its agencies. By offering the degree of Bachelor of Arts in tourism at Grenfell Campus of the Memorial University of Newfoundland in Corner Brook it is expected that the lack of qualified experts acquainted with concurrent knowledge in various fields of tourism, such as hospitality tourism, ecotourism, management tourism, rural tourism, service tourism, and adventure tourism will not be a major concern anymore. Other possibility of training regional tourism experts is to offer a course-base program that is directly based on the regional tourism that could attract those employees who are currently working in the field and would like to advance their careers by taking such programs.

We found that the agritourism farm-operators had serious concerns about where to post their road-sign to advertise their businesses. It was unanimously agreed that road signs generally drive the agritourism industry. Road signage is very crucial to building awareness of the province's agritourism industry. We observed that road signs were posted in more remote, which prevented tourists from searching out and identifying agritourism operations. Road signage represents an important marketing tool for the agritourism farm-operators in the province. It is recommended that the government of Newfoundland and Labrador should make a new policy that makes it easier to find certified agritourism enterprisers in the province. Such policy should develop transparent guidelines toward posting signage and symbols in the province and make it readily available to the agritourism farm-operators so that road signs are standardized and posted in accordance with the rules and regulations. The new policy will not only direct people's attention to a new adventure but will also raise public awareness of the Newfoundland and Labrador agriculture industry, what it can offer as locally-produced foods, and the people who work in the industry. Specifically, the implementation of the road signage policy can direct local residents and tourists to agritourism farm-operators who sell fresh vegetables and flowers, home-made products such as bread, jams and jellies, home-made handcrafts, take farm-tours, navigate corn maize, or other traditional culinary products.

Different market segments should be identified as the culture, age, and interests of the farm-tourists vary from one to another. It is recommended that the government of Newfoundland and Labrador develops a joint vacation-program with the collaboration of the neighboring provinces (i.e., Quebec and/or Maritime Provinces) to invest collegially on various marketing plans to promote agritourism activities in the regions. Areas that need to be addressed by the collaboration of the regional governments are road signage, promotion and advertising, product development and launching new markets, marketing groups and organizations, and strategic initiatives.

Finally, the establishment of various farmers' markets in the province will help local producers market their farm and homemade products directly to both the residents and farm-tourists. Eating locally grown produce in Canada has been the pivotal debate amongst all stakeholders in the food industry, including consumers, producers, distributors, processing plants, and policymakers for more than a decade. As a result, there has been a tremendous shift in consumers' domestic demands for these types of products that has affected land use and rural and regional economies. In addition, such shifts in consumers' demands toward locally grown produce will help the environment reduce the consumption of fuel needed to deliver the food, mitigate the amount of greenhouse gas emissions and reduce global warming, and as a result, boost sustainable agricultural farm practicing. It is recommended that the provincial governmental agencies with the collaboration of the agricultural zonal boards facilitate several farmers' markets in each zone where consumers and producers can interact directly and sharing their perspectives. These facilities would eventually become places where public awareness of the agritourism activities is raised. This can be done by providing agritourism pamphlets devoted to each

agricultural zone, which can showcase and transmit traditional trades and knowledge of various activities that are being operated in different farm places.

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