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# Economic Development Report

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## HOW TO CATER YOUR AGRITOURISM ENTERPRISE TO TRAVELERS: EXPLORING DIFFERENCES IN TRAVELER DEMAND IN THE WESTERN U.S.

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Agritourism is a dynamic sector of US agriculture. In light of increasing globalization, the U.S. farmscape includes fewer large farms, yet the largest number are small or medium sized farms and ranches. Their strategic position may require them to adopt diversification strategies, such as direct or value-added food marketing and agritourism to secure greater returns for their more modest levels of production. Here we highlight the opportunities for agritourism, a wide-ranging set of ranch- and farm-based activities that grew approximately 64% between 2001 and 2012 among a wide array of small, mid-sized and large farms and ranches. And, by more closely examining the demand for a variety of agritourism scenarios, we can better understand travelers' behavior in hope of expanding the economic activity that may flow to those operations investing in such enterprises.

The agritourism sector is any revenue generating operation on a working farm or ranch where customers pay for some recreational, food-based or educational activity, thereby allowing agritourism to be a viable option for a wide array of agricultural businesses. The variety of possible agritourism activities implies that a diverse set of regions, communities and farms and ranches have potential to leverage the unique character, story and history of their agricultural sector as well as community assets to create attractions, events and activities that can cater to the interests of travelers in their region.

In short, agritourism may be a viable diversification opportunity for a large set of farms and ranches across most regions in the U.S. This wide geographical scope is not only relevant to producers seeking diversification opportunities, but also to rural communities that may benefit from the spillover benefits of a budding local agritourism industry due to the agritourists spending dollars on food, lodging, or other activities elsewhere in the community.

Agritourism includes:

- Hayrides and corn mazes
- Farmstand
- Food-based classes
- Wine & cider tastings
- On-farm hunting & fishing
- Outdoor activities that leverage a local recreational asset (park, wildlife, public lands, water bodies, etc.),

The potential growth in the agritourism industry and the resulting implications for the greater community development may be of particular interest to rural economic development and tourism practitioners as well as policy makers looking for ways to diversify agricultural production revenue streams, preserve the cultural heritage of a rural area, and increase the economic sustainability of an agrarian community.

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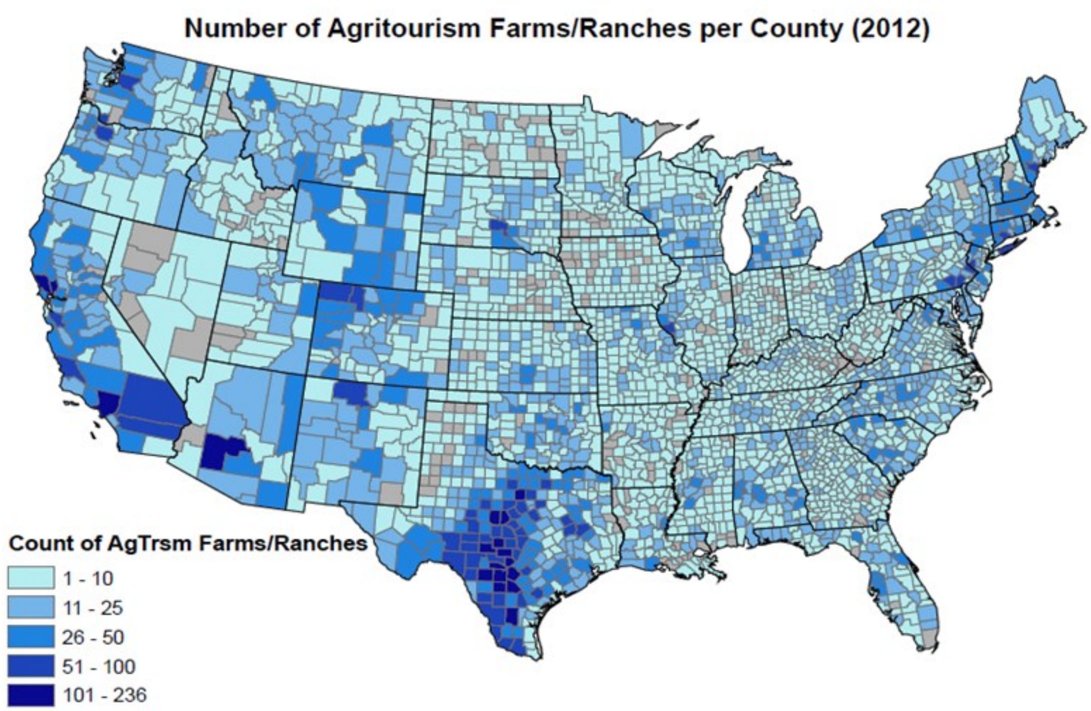
While past studies of agritourism revolved around the motivations, benefits, and patterns found in agritourism, this fact sheet concentrates on the demand for agritourism in the Western U.S. and how consumer interest and benefits vary by agritourism activities offered and the area the agritourism site is in. Several papers have looked at the demand for agritourism (e.g. Hill et al. 2014 and Carpio et al. 2008), but this study is more careful to disentangle demand across areas of the West and key activities. This could help an operator understand whether an agritourism enterprise would be a potentially successful diversification strategy, and also, how they may grow or adjust an existing agritourism business to take greater advantage of particular traveler preferences.

**Shades of Agritourism Demand across Space**

Just like many other goods and services, demand for agritourism differs depending on the consumer's preferences, physical traits of the product, and location. Figure 1 shows the number of farms and rahcnes reporting agritourism revenues across the contiguous U.S., but while this map displays certain areas of industry concentrations, it does little to explain the demand side of agritourism across space.

**Figure 1**



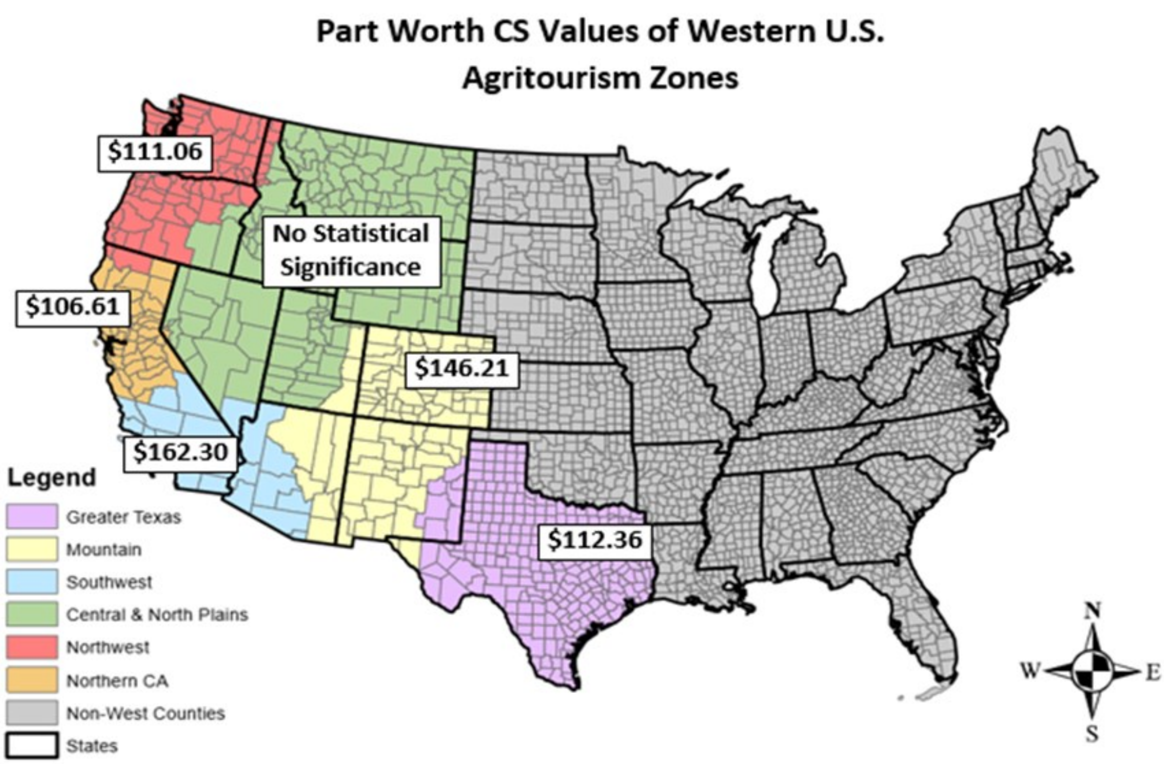

By carefully analyzing travel behavior, expenditures and inferred travel costs from a survey of 1000 agritourists in the Western U.S. we find estimate the consumer's full benefit (their willingness to pay a higher price than what they actually paid) for agritourism. In short, we can use the opportunity cost of time spent traveling to different venues as an estimate of how "strong the draw" to a region is to a traveler, essentially assuming a longer trip or drive is only chosen when the demand and draw to a region, site or agritourism operation is great enough. This measure is called consumer surplus, and it is one way to illustrate the "hidden value" of a region's appeal to travelers.

Figure 2 displays the "consumer surplus" estimate for seven distinct agritourism regions in the Western U.S. (created through a factor analysis driven by key factors differing across these areas). Again, you could think of these as the "hidden values" of the region's appeal to travelers.

Independent of the type of agritourism activities, agritourists traveling through the Southwest region value agritourism even more than expenditures would suggest while agritourists traveling through Northern CA pay closer to the amount they value these trips. This implies that agritourists in these regions may be willing to pay more/less for agritourism experiences, so operators should offer more opportunities to spend on attractions and activities or increase their prices in these region.

It is also worth noting that agritourism, and local foods in general, may have benefits in the form of spillover effects on the communities where those operations are located. Spending on agritourism, local foods or value-added ag products from the area could strengthen any business-to-business linkages and economic multipliers, so that dollars earned by a specific site also have a relatively high impact in stimulating economic activity for surrounding businesses (Thilmany et al, 2016).

**Figure 2: Measuring Consumers' Values through their Travel Times:**
**Consumer Surplus (CS) Across Areas of US Western Regions**




It appears that natural amenity-rich areas already encourage direct spending on trips, so they exhibit a relatively lower consumer surplus related to agritourism (less of the value they place on their trip is "hidden", but instead, their spending does occur in the region. Perhaps a high level of natural amenities acts as a substitute attraction for agritourists by offering a wider array of outdoor activity choices that result in more cash spending, and less "hidden" value. A previous CSU study by Hill et al. (2014) also found that, in areas of high amenities where the opportunities for skiing, hiking, fishing, hunting, and other outdoor activities are high, agritourism may not be as key of a draw, and so there is less "excess demand" to cater to, although there may be opportunities to attract those seeking to add-on activities to those outdoor-oriented trips.

**Differences in Demand across Traveler Types**

It may be easy to assume that all agritourists behave more or less the same, but it seems the "consumer surplus" estimates differ, especially among visitors who noted agritourism sites were there *primary destination* for a trip. In addition to the relative importance of agritourism to trip planning, the three broad categories of agritourism trips also seem to draw different types of visitors, suggesting that demand varies across traveling groups. As expected, are substitutes to one another. Depending on the type and location of the agritourism establishment these differences will influence what type of traveler the agritourism site markets to as well as what the site charges for activities, so we can take a closer look.

**Differences in Demand across Activities**

Producers may have no substantial influence over the types of travelers they attract, however, the types of agritourism activities offered can be specifically catered to those travelers who are likely to visit an area. Since operators want to develop events, activities and recreational options that are strategically chosen based on market conditions, information on the price sensitivity of travelers to certain activities and how this may vary across travelers is important to consider. Previous research has indicated farms and ranches should leverage their businesses' and communities' assets. In addition, producers should also recognize the different levels of willingness to pay among potential agritourists for their activities. For the analysis discussed here, the following choices of agritourism activity were shared with survey respondents, so they could tell us the types of agritourism they had participated in during their last trip.

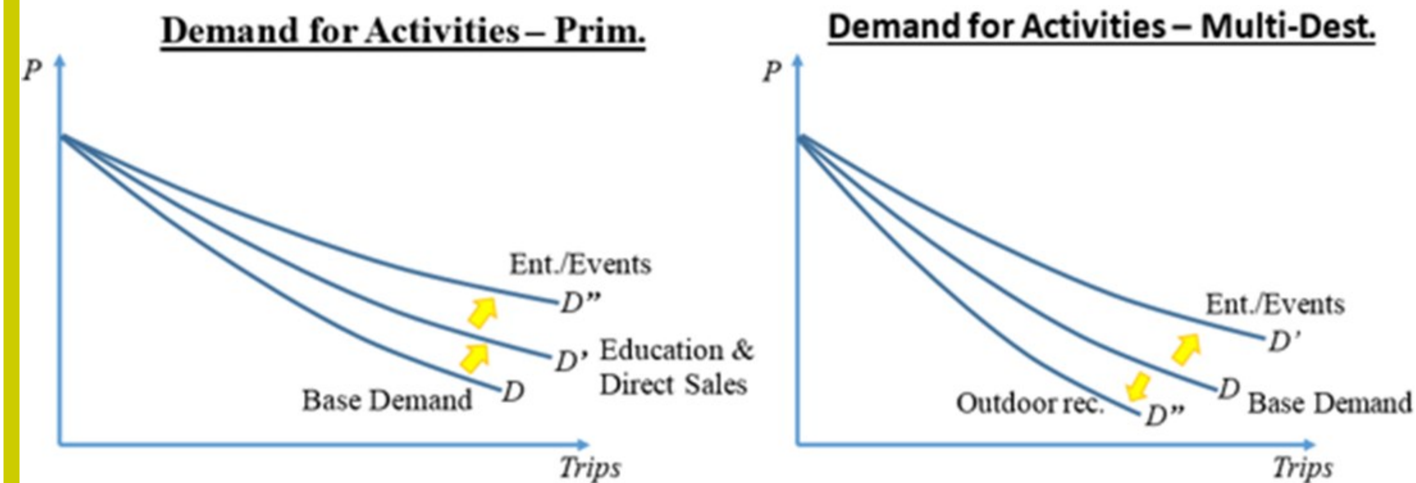
- On-Farm Direct Sales
  - *U-pick, farm stand, farm store selling fresh fruits, nuts, vegetables, herbs, nursery products, Christmas trees, flowers, meats, eggs or processed fruit or vegetable products, dairy, fibers, wine, beer, spirits, juices, oil, baked goods, soaps, lotions, or any other products
- Entertainment/Special Events
  - *Weddings, farm dinners, family reunions, retreats, festivals, barn dances, corn or other mazes, haunted houses, sports events, games, hay rides, train rides, concerts, pig races, pony rides, etc.
- Outdoor Recreation (guided or unguided access)
  - *Bicycle rides, picnicking, swimming, hunting, fishing, bird watching, photography hikes/classes, snowmobiling, horseback riding, skeet shooting
- Educational Activities
  - *Farm or ranch work experience, historical excursions, artisan food demonstrations , food preservation classes , camps, classes, tours, tastings, demonstrations, workshops, petting zoos, egg gathering, etc.

Figures 3a and b show demand curves estimated for each of these broad types of activities and two types of travelers (those who planned travel directly based on agritourism sites and those who had agritourism among a variety of sites they visited on their trip, which we labeled multi-destination travelers). Let's consider what these demand estimates could tell us about Western agritourists.

- Primary and multi-destination agritourists are relatively more price sensitive toward entertainment and event type activities (compared to other choices) suggesting operators should carefully consider how their prices for a day's activities or a certain event measure up to other recreational options in the area.
  - So, for example, a corn maze or farm dinner price may be directly compared to something considered similar to the traveler, like a miniature golf game (instead of maze) or dinner at a nice restaurant (for the farm dinner).

- Educational and direct sales activities are also relatively more price sensitive for primary destination travelers, but did not alter the demand for those travelers visiting multiple destinations.
    - Again, it is easy to imagine a traveler comparing a class to an offering they could take when they are home (i.e. a cooking or art class) and direct food sales always have the competitive challenge of being compared to supermarket prices.

**Figure 3a and b-Estimated demand for different agritourism activities, by traveler type**




- Evidence shows multi-destination travelers may be less price sensitive toward outdoor recreation activities so agritourism operators may have the ability to skim more premium prices for such activities.
    - Perhaps there are fewer substitutes for those activities given the unique landscapes and access to large expanses of natural resources (with less congestion than formal parks) that many farms and ranches can offer.
    - So, access to a horseback ride or a guided fishing or hunting excursion in areas that are scenic or exclusively available to one travel party may be considered a premium experience worth significant value to a traveler already in the area to visit state or national parks, forests or seashores.

**Taking Advantage of the Market**

Most regions of the Western U.S. are rich in natural amenities and previous literature has illustrated how a farm or ranch can leverage their location and farm specific assets to create a more successful agritourism business (Van Sandt et al, 2016). Certain regions of the Western U.S. exhibit greater willingness to pay values for agritourism meaning agritourism may not be an equally viable diversification opportunity across all farms and ranches. Additionally, the price sensitivity for agritourism activities varies depending on whether the traveler's primary destination was agritourism or if it was one stop on a multi-destination trip…so understanding whether your operation is a drawn in and of itself, or receiving travelers based on its proximity to other key tourism assets (national parks, scenic byways, large water bodies) is an important aspect of strategic marketing plans.

Integrating these potential opportunities to match the surrounding area's natural and community-based assets with information on the nuances of traveler behavior may be a good strategic option for those establishing or growing their agritourism enterprises. As one key piece of marketing information this study provides, we recommend operators consider the differences in agritourism demand across regions and activities when targeting their operations offerings and promotions to a specific group of travelers. Providing information on the subtle differences in traveler behavior and demand across regions and activities are intended to inform both farmers and ranchers as well as economic development and tourism practitioners about how to wisely develop a stronger community-based agritourism sector and creating support programs for existing agritourism farms and ranchers to better leverage their community's assets.

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