

# Factors Motivating Agritourism Entrepreneurs

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## Abstract

Agritourism is a relatively new concept in the United States, but it is gaining in popularity with farmers and ranchers as a way to make extra money and contribute to the preservation of their communities and lifestyles. Because agritourism is new, much is left to be understood about what motivates farmers and ranchers to undertake agritourism ventures. This thesis analyzes the results of a survey of 85 farmers and ranchers, with an eye toward understanding the factors that are motivating producers to embark on agritourism initiatives. The author found that the reasons for involvement in agritourism ventures encompass a complex web of both economic and social motives, with neither economic nor social factors predominating. This implies that farmers and ranchers have a pragmatic view of agritourism, rather than seeing it as a panacea for the economic and social problems ailing themselves and their communities.

## Introduction

The number of farmers working off-farm and the percentage of income from off-farm activities has been increasing for decades (Gardner, 2002; Torgerson *et al.*, 2002). Studies attempting to explain the farm situation and factors leading to farmers and ranchers undertaking off-farm activities and pursuing other business interests have often assumed economic rationale. This is because they are often conducted by economists. However, when we superimpose the idea of entrepreneurship on the excursions, we begin to see different motivating factors come into play. While there is no doubt that economic challenges influence the pursuit of off-farm activities, it is possible that other motivating factors may be in play. For example, Torgerson *et al.* (2002) reported that 20 percent of surveyed farmers who worked off-farm were self-employed in non-farm activities.

In recent years there has been increasing policy support for agricultural value-added programs aimed at increasing on-farm activities that enhance farm income. The 2002 Farm Bill, for example, included \$40 million per year dedicated to supporting producer activities to enhance the value of their production by migrating downstream toward the consumer. Efforts to increase value-added agriculture have resulted in a second alternative to off-farm activities: Alternative enterprises attached to the farm business. An alternative farm enterprise may be defined as marketing an existing farm or ranch product differently, adding value before it is sold or adding a new enterprise to existing enterprises on the farm or ranch (NRCS, 2004). Examples of alternative enterprises include milling wheat into flour and producing baked goods for sale on the farm, or processing livestock and selling the meat directly to consumers. Another example is agritourism. This alternative farm enterprise is the focus of this study.

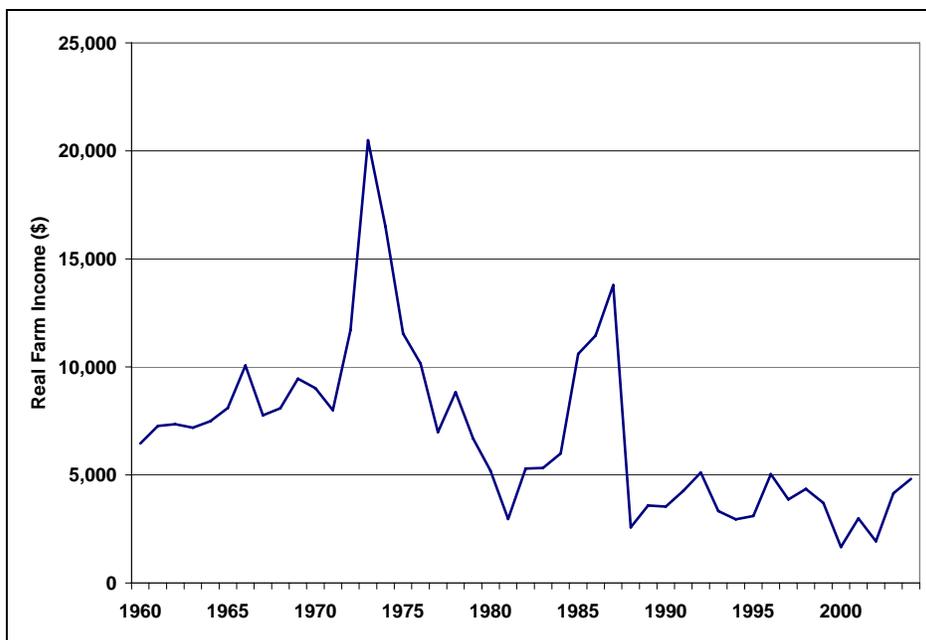
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Agritourism is defined as “a commercial enterprise at a working farm, ranch or agricultural plant conducted for the enjoyment of visitors that generates supplemental income for the owner” (UC Small Farms Program, 2005). Another definition is “inviting the public onto a farm or ranch to participate in various activities and enjoy an agricultural experience” (NRCS, 2004).

One reason for the interest in alternative income sources is that revenue streams from farming have been declining (Figure 1). Average net income from farming operations has a rocky history over the past 44 years. Income from farming operations is near historic lows, well off levels enjoyed in the 1970s and 1980s.

Figure 1: Real Net Farm Income per Farm, 1960-2004<sup>2</sup>



Source: USDA Economic Research Service Agricultural Resource Management Survey, 2004

Ostensibly, the reason for agritourism would seem to be added income. In three states that track agritourism income, this alternative farm enterprise adds only five percent or less to total agricultural income for the states. However, on an individual farm basis, the effect of agritourism is more profound (Table 1). Hawaii, which has the benefit of a year-round tourist season and one-of-a-kind scenery, demonstrates the huge economic potential of agritourism on just a few of its farms.

<sup>2</sup> Adjusted for inflation using CPI: 1982-84=100

Table 1: Percentage of Income from Agritourism

State	Percentage of Farms Participating in Agritourism	Total Agritourism Income	Agritourism Income per Farm	Average Gross Income per Farm	Percentage of Total Income from Agritourism
Vermont	33%	\$19.5M	\$8,864	\$71,970	12%
Hawaii	3%	\$33.9M	\$181,283	\$99,882	181%
New York	5%	\$25.7M	\$12,347	\$80,687	15%

Source: New England Ag Statistics Service, 2002; Agritourism Profile, AgMRC, 2003; New York State Agritourism Business Study, Community Food and Agriculture Program, 1999; USDA ERS Agricultural Resource Marketing Survey, 2004

Given the fact that agritourism adds a relatively small amount to total farm income for participating farmers in two of three states measured, factors different than income-related ones could be just as responsible for farmer participation in agritourism ventures.

This observation engenders the hypothesis that income is secondary to other motivating factors in the decision to operate an agritourism business. Second, there is evidence in the literature (Hisrich *et al.*, 1997; Mäki, 1999; Mitchell, 2004) that income is less important to entrepreneurs than other factors. The data will allow us to test whether or not this is the case with farmers and ranchers who are operating or considering operating an agritourism enterprise.

The Kansas Department of Commerce organized an agritourism conference in November 2004 to expose producers to the benefits and challenges of the industry as well as the operational processes that entrepreneurs needed to be aware of. The conference attracted attendees from all over the state, as well as from six other states. The attendees were mainly producers already operating agritourism businesses, as well as those considering embarking on agritourism ventures.

The Ag Innovation Center conducted a survey at the conference to identify the characteristics, motivations and issues confronting the attendees. The survey also sought to uncover the types of agritourism activities that were being pursued by different entrepreneurs. A part of the survey forms the basis of the analysis of this study.

Because very little is known about the characteristics of these potential entrepreneurs, the survey asked for basic information as well as attitudinal information. It included questions about the size of the operation, type of operation, household composition and the education and skills of the operator. Participants were then asked to answer 16 questions related to the reasons for embarking on an agritourism initiative. They were asked to indicate the extent of their agreement with these 16 statements using a Likert scale, with “5” as “Strongly Agree” and “1” as “Strongly Disagree.”

Each of the statements was classified as either an economic factor ( $X_1, \dots, X_4$ ) or a social factor ( $X_5, \dots, X_8$ ), depending on the nature of the statement. We placed the statements in

these two general categories because these are the two main areas of motivation presented in the literature. Economic factors relate to the need for additional income, economic viability and economic freedom, and social factors encompass issues related to preserving the community and the attainment of non-monetary personal values.

The survey responses were analyzed to measure basic correlations and report descriptive statistics, such as mean, median, mode, standard deviation and coefficient of variation. We also used analysis of variance (ANOVA) to assess the differences among the various variables of interest as well as test the hypotheses developed for the study.

We divided respondents into two categories: 1) current operators-those who currently operate agritourism enterprises and 2) aspiring operators-those who are considering starting agritourism ventures. We did this to determine if there were any differences in the motivating factors between those considering an agritourism enterprise and those who had already embarked on an agritourism venture. The ensuing discussion of the results is based on this classification with attempts to compare the results for the different classes.

Of the 85 farmers and ranchers who completed the survey, 35 were male and 50 were female. A total of 74 respondents reported whether they were currently operating an agritourism enterprise or if they planned to do so in the near future. Of these, 36 were currently operating agritourism businesses, and 38 indicated their plans to add an agritourism business to their farm or ranch. This left 11 respondents who were uncertain about their intentions. We omitted these respondents from the study.

Table 2: Profile of Survey Respondents

	Current Operators	Aspiring Operators	All Respondents
Average Annual Household Income	\$81,875	\$78,881	\$79,818
Percent with College Degree	55	45	48
Average Age	52	51	52

Table 3: Overall Ranking of Reasons for Operating an Agritourism Business

Rank	Factor	Factor Type	% Agree/ Strongly Agree
1	X <sub>5</sub>	Social	79%
2	X <sub>3</sub>	Economic	78%
3	X <sub>6</sub>	Social	72%
4	X <sub>4</sub>	Economic	67%
5	X <sub>2</sub>	Economic	66%
6	X <sub>8</sub>	Social	64%
7	X <sub>7</sub>	Social	60%
8	X <sub>1</sub>	Economic	38%

- X<sub>1</sub> My economic survival depends on the success of my agritourism business.
- X<sub>2</sub> My interest in agritourism is driven by my need for new income sources.
- X<sub>3</sub> Farming and ranching alone are not generating enough to make a living nowadays.
- X<sub>4</sub> Agritourism allows me to work at home instead of getting an off-farm job.
- X<sub>5</sub> Agritourism is important for my community's economic survival
- X<sub>6</sub> My interest in agritourism is driven by my desire to see my community prosper.
- X<sub>7</sub> Operating an agritourism business provides me more satisfaction than the extra income generated.
- X<sub>8</sub> An agritourism business brings new people into my life, which is more important than the money I make.

Almost 80 percent of respondents agreed or strongly agreed with the statement that agritourism is important for their community's economic survival (X<sub>5</sub>). About the same number (78 percent) agreed or strongly agreed with the statement that farming and ranching alone do not provide sufficient income (X<sub>3</sub>). Thus, the two reinforcing statements ranked first and second in the overall ranking are indicative of respondents' evaluation of the problem of community survival in rural America and the failing role of farming providing enough to make a living. This perspective is reflected in the fact that 90 percent of farm family income is generated by off-farm activities (USDA Economic Research Service, 2004), and there is concern that if something is not done, rural life may be in jeopardy. Respondents agreed least with the statement that their economic survival depends on the success of their agritourism business (X<sub>1</sub>). This may be due to the fact that most of them see alternative businesses or skills they can sell if the agritourism business does not succeed.

When we analyzed the ranking according to the two groups—current and aspiring operators—we found a difference in which motivational factors ranked highest. Current operators ranked the statement that farming and ranching do not generate enough to make a living (X<sub>3</sub>) as most important (Table 4), with 89 percent of the sample agreeing or strongly agreeing with it. This makes a very strong case that agritourism operators are dissatisfied with farm income and underscores the fact that increasing numbers of farmers and ranchers are working off-farm or establishing alternative farm enterprises.

Table 4: Current Operator Ranking of Reasons for Operating an Agritourism Business

Rank	Factor	Factor Type	% Agree/ Strongly Agree
1	X <sub>3</sub>	Economic	89%
2	X <sub>6</sub>	Social	75%
T-3	X <sub>8</sub>	Social	72%
T-3	X <sub>7</sub>	Social	72%
T-3	X <sub>5</sub>	Social	72%
T-3	X <sub>4</sub>	Economic	72%
7	X <sub>2</sub>	Economic	69%
8	X <sub>1</sub>	Economic	56%

- X<sub>1</sub> My economic survival depends on the success of my agritourism business.
- X<sub>2</sub> My interest in agritourism is driven by my need for new income sources.
- X<sub>3</sub> Farming and ranching alone are not generating enough to make a living nowadays.
- X<sub>4</sub> Agritourism allows me to work at home instead of getting an off-farm job.
- X<sub>5</sub> Agritourism is important for my community's economic survival
- X<sub>6</sub> My interest in agritourism is driven by my desire to see my community prosper.
- X<sub>7</sub> Operating an agritourism business provides me more satisfaction than the extra income generated.
- X<sub>8</sub> An agritourism business brings new people into my life, which is more important than the money I make.

The second most-agreed-upon statement was that current operators are driven by a desire to see their community prosper (X<sub>6</sub>), with 75 percent agreeing or strongly agreeing with the statement. Again, the dependence on agritourism for economic survival (X<sub>1</sub>) ranked last, with only 56 percent of the sample.

Table 5: Aspiring Operator Ranking of Reasons for Operating an Agritourism Business

Rank	Factor	Factor Type	% Agree/ Strongly Agree
1	X <sub>5</sub>	Social	82%
2	X <sub>3</sub>	Economic	71%
3	X <sub>2</sub>	Economic	66%
4	X <sub>6</sub>	Social	63%
5	X <sub>4</sub>	Economic	63%
6	X <sub>8</sub>	Social	55%
7	X <sub>7</sub>	Social	47%
8	X <sub>1</sub>	Economic	24%

- X<sub>1</sub> My economic survival depends on the success of my agritourism business.
- X<sub>2</sub> My interest in agritourism is driven by my need for new income sources.
- X<sub>3</sub> Farming and ranching alone are not generating enough to make a living nowadays.
- X<sub>4</sub> Agritourism allows me to work at home instead of getting an off-farm job.
- X<sub>5</sub> Agritourism is important for my community's economic survival
- X<sub>6</sub> My interest in agritourism is driven by my desire to see my community prosper.
- X<sub>7</sub> Operating an agritourism business provides me more satisfaction than the extra income generated.
- X<sub>8</sub> An agritourism business brings new people into my life, which is more important than the money I make.

For the aspiring operator, we observe that the community's economic survival ( $X_5$ ) was the most important motivating factor, with 82 percent agreeing or strongly agreeing with the statement (Table 5). The statement that farming and ranching alone do not generate enough to make a living ( $X_3$ ) was ranked second, with 71 percent of aspiring operators saying they agreed or strongly agreed with the statement. These top two rankings mirrored the overall rankings. Only 24 percent of aspiring operators agreed or strongly agreed that their economic survival depended on agritourism ( $X_1$ ), which was lower than the level of agreement for the overall sample (38 percent).

### Hypothesis Testing

To test the three hypotheses, ANOVA was used to measure the significance of the differences between the mean values respondents assigned to the different variables. First, the responses were analyzed to determine whether income was not the chief motivating factor in the decision to operate an agritourism venture. As it turns out, there was only one instance in which the mean of a social variable was significantly larger than an income-related variable (Table 6). In this case, it was that the community's economic survival ( $X_5$ ) was more important than the need for new income sources ( $X_2$ ). Therefore, it was impossible to say that income was not the chief motivating factor in the decision to operate an agritourism venture. At the same time, there was no evidence to show that income was the chief motivating factor.

Table 6: Results of ANOVA Measuring Income's Relative Importance

		F-Statistic	
Variable	Mean	$X_2$	$X_3$
$X_2$	3.78	-	4.72*
$X_3$	4.13	4.72*	-
$X_5$	4.13	4.87*	0.00
$X_8$	3.79	0.00	4.89*

\*=significant at 5% level

The second hypothesis tested was that social factors were more important than economic factors in the decision to operate an agritourism business. In this case, there were only five out of 16 possible instances in which the mean of a social factor was significantly larger than the mean of an economic factor (Table 7). Therefore, it was impossible to say that social factors were more important to survey respondents than economic factors, refuting the hypothesis. Thus, it may be said that social factors and economic factors play an equally important role in the decision to operate an agritourism enterprise.

Table 7: Results of ANOVA Measuring Relative Importance of Social Factors

Variable	Mean	F-Statistic	
		X <sub>1</sub>	X <sub>2</sub>
X <sub>1</sub>	3.31	-	7.29*
X <sub>2</sub>	3.78	7.29*	-
X <sub>5</sub>	4.13	24.50*	4.87*
X <sub>6</sub>	3.91	13.87*	0.70
X <sub>7</sub>	3.87	11.52*	0.34
X <sub>8</sub>	3.79	8.38*	0.00

\*=significant at 5% level

### Conclusion

There is a myth that producers embarking on agritourism ventures do it primarily for economic reasons. As a result, policymakers have adopted a strong supportive approach to agritourism as a solution to the farm income problem. However, what we have found is that the motivations for producers who currently operate or are considering operating agritourism businesses, at least those who attended the Kansas Agritourism Conference in November 2004, are more complex. They encompass both economic and social factors. The economic factors include insufficient farm income, the need for new income sources and the desire to keep working on the farm. The social factors include helping ensure the community's economic survival and prosperity, personal satisfaction and the desire to meet new people.

We assessed producers' beliefs about these motivating factors and grouped the factors into two broad categories: Economic and social. Our analysis shows that in general, there were no clear differences between the two types of motivating factors in the minds of farmers and ranchers who currently operate or are considering an agritourism enterprise. Overall, the highest-ranking factors were the belief that agritourism is important for the community's economic survival (X<sub>5</sub>) and the fact that farming and ranching alone do not generate enough to make a living (X<sub>3</sub>). X<sub>5</sub> is a social factor, while X<sub>3</sub> is an economic factor. The lowest-ranking factor was dependence on agritourism for economic survival (X<sub>1</sub>).

We also segmented the respondents into two groups: 1) those who currently operate an agritourism business and 2) those who are considering an agritourism enterprise to assess the effect of experience on motivation. We found that the motivations for these two groups were slightly different. While neither group exhibited across-the-board differences between economic and social motivations, aspiring operators were more attuned to social factors than some of the economic factors.

The most important finding for this research was that farmers and ranchers do not see their economic survival as dependent on agritourism.

The results of this study can be summarized as follows:

- Economic factors are not the dominant reasons for operating an agritourism business.
- Agritourism motivation is comprised of a complex set of economic and social variables, rather than any one predominant type of factor.
- The balanced social and economic approach to agritourism shows that farmers and ranchers view this tool pragmatically.

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