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## A New Economic Model for Italian Farms: the Wine & Food Tourism

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*The Italian socio-cultural framework from the 90s to today has undergone a major change. There were changed the consumption habits and have arisen "alternative" lifestyles. Today, modern society and evolved, is oriented towards environmental awareness and wellbeing and spiritual.*

*In the tourism sector, in particular, we are witnessing the emergence of new market niches. In addition to the traditional forms of tourism, there are also the so-called "new tourism forms" as sustainable tourism and ecotourism, rural tourism and agro-tourism, wine and food tourism, etc.*

*These new types of tourism are based on culture, nature, adventure, and hedonism and healthiest and then offer the consumer an experience that meets their needs of authenticity, direct contact with nature, culture and identification with particular places.*

*The rural tourist, in general, is a complex experience that combines elements exclusively of tourist with cultural elements, environmental and anthropological.*

**Keywords:** Rural tourism; thematic tours; wine routes; wine tourists; agriculture

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***JEL Classification:*** Q1, Q18

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## **Methodology of research**

The purpose of our research is to identify the economic mechanisms that have led to positive results and the reasons for the success of the agricultural and rural tourism of a winemaking farm in the territory of Enna (Sicily), therefore a farm located in a region with an economy marginal and to some extent disadvantaged. The methodology used in this research is carried out through the analysis of the general equation of the agrarian enterprise's budget (profit equation). This calculation is the application most established and used according to the literature of the agrarian economy.

Through this methodology, emerge two kinds of considerations: firstly, the most successful paths observed in Sicilian experience, that must be analyzed in order to explain entrepreneurial behaviors and the conditionings of the economic context – business concept. The second concerns the benchmarking that is the transferability between companies and between different territories, the recipe for success, ie, the identification of non-agricultural tools that can be considered "transferable" within individual behavioral patterns of business. For the conceptualization of successful strategies we chose dynamic perspective, that would allow us to grasp the changes of rural areas and agricultural and the impact that these changes determine on economic organization of agricultural business.

This approach was adopted in response to the social evolution observed in the Communitarian territory which has radically changed the context in which occurs the agricultural productive activities, introducing entirely, new opportunities and constraints, and generating innovative organizational forms not yet completely explored.

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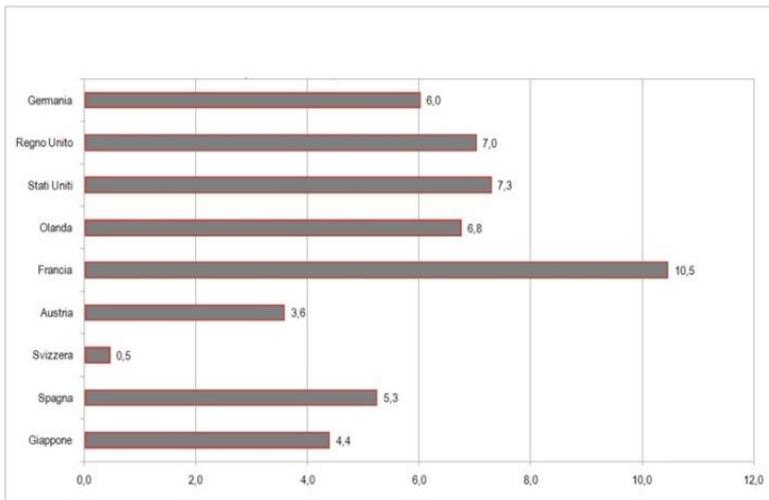
## **New model of rural tourism: wine & food tourism**

Wine & food tourism is one of the new frontiers of the tourist supply, in which the role of the main tourist attraction is represented by food and wine productions. These despite not being the main motivation of travel are a complementary element of the supply that thanks to specific policies of tourism marketing can induce travelers already present on the territory to widen its range of experiences (Lanfranchi M., 2012). It is a form of tourism that provides paths defined as "thematic routs" in which the dominant motif is the agro-food product but the purpose is to make known and revive to the tourist the local customs and traditions through a supply chain from the farm-to-fork.

According to the first article of the European Charter on Oenotourism for wine tourism means to designate the development of all tourist and "spare time" activities, dedicated to the discovery and to the cultural and wine knowledge pleasure of the vine, the wine and its soil". This type of tourism is developing in EU countries as a form of alternative tourism and is intended to enhance the natural, cultural and artistic heritage, the tradition, the typicality and the economy that characterizes the rural area. The wine territories constitute a tourist resource in all respects, able to enrich and diversify the traditional tourist supply of Italy. (Lanfranchi M., Giannetto C., 2013).

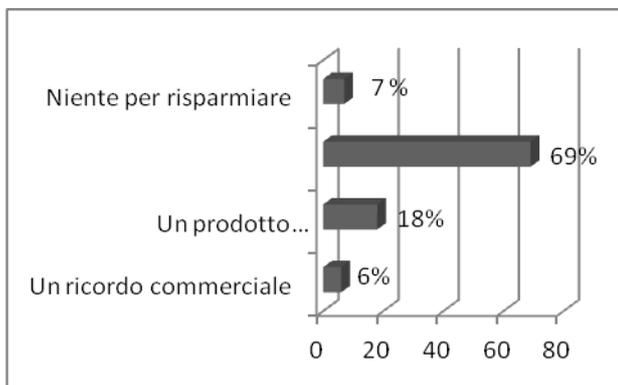
### **The wine tourism in Italy**

In 2012 the 5% of Italian tourist destinations was chosen for food & wine-related interests, with a structured demand for 64.3% from foreign tourists and 35.7% for the Italians. Food & wine tourism in 2012, compared to the last five years, has grown, reaching about five billion turnovers and thus becoming one of the main reasons for the "Made in Italy" vacation.



**Figure 1:** Wine & food tourism in 2012

Source: National Observatory of wine tourism



**Figure 2:** Souvenirs bought in Italy

Source: Coldiretti 2013

In May 2013, 35% of Italians argues that the real success of the holiday in Italy is represented by the gastronomic riches that the country possesses. Moreover, according to that survey, the typical products (wine, cheese, olive oil, salami or canned) become the souvenirs mainly bought by tourists, with 69% of preferences. This preference is superior to all other alternatives such as crafts (ceramics, wooden objects or fabric) which are purchased from just 18% of the tourists, or commercial products (such as postcards, gadgets and T-shirts) chosen from just 6% of travelers. The countries from which the largest number of tourists in Italy, are Germany (10 million arrivals), the United Kingdom, Switzerland and the United States. The geographical proximity of those countries to Italy certainly facilitates the arrival of tourists, but also the preference for natural and cultural destinations of high thickness. In commons with tourist capacity of medium size, wine tourism is affecting more than 50% on the total tourist movement. It covers all the seasons of the year, especially the autumn and spring and involves food trotter or simple wine tourists (2.5 million people).

## **The wine tourist**

This new category of tourists is the result of the evolution of the tourism system in recent years which includes new objectives that consumers try to satisfy. Among the new requirements of the tourist highlights the search for novelty and quality of a product whose approach represents an experience that involves him firsthand. The new segment of food wine tourism affects a specific target consumer that generally has a certain degree of culture and is searching for a personalized holiday (Lanfranchi M., Goulas A., 2011). The identikit of the food & wine tourist is outlined from investigations conducted by Italian Tourism Observatory which shows that the "tourist-type" is usually man (62.3%), adult (particularly between 31 and 40 years old) who has high school diploma (an average of 52.8%) or degree (34.9%), married with children (48.2%), worker (70.4%) or younger (18.4%), student (on average 10.4%, almost 17% for

Europeans). The typical tourist spends the holiday dedicated to food & wine in the company of the partner (almost 50% of Italians), often with their children (20.9%). Even groups of friends (14.4%), especially if foreigners are an important target of demand for food & wine destinations. Vacation under the banner of "taste" is associated with the culture: learn about the historical and artistic resources of the territory, attend cultural events and knowing local traditions are among the main reasons for the stay. The food & wine holiday, it is also ideal to enjoy that to rest. Italian destinations, with food and wine vocation, moreover, are considered rich in natural beauty to explore and ideal for shopping. The tourist who spends the holiday dedicated to food & wine assigns to the experience of a judgment of 8.4 out of 10 based on the expectations-response relationship and it should be noted that the quality of the food and wine and the friendliness of the people, are the factors that fully meet the tourists. The awareness of the strength of Italian food & wine is clear. Italy is known by more than 10% of the world's population for food and 4% for wine.

### **The socio-economic function of the "wine routes"**

The construction of a wine route allows connecting all resources in a given territory characterized by an important winemaking vocation and is able to exert its effect on demand for wine tourism. It becomes a tool of dissemination, information and market of wine products and wine tourist areas (Dragulanescu I.V., Ponticorvo G., 2008). The institutional role of the "thematic road" is therefore to best combine the needs of the demand, aimed at satisfying of their own needs, and those of the supply. The study on the potential attractiveness of wine routes has demonstrated how the thematic itinerary brings significant benefits to entire of food & wine tourism sector; the wine route is able to organize and integrate them economically more efficient and more socially acceptable resources and tourist activities to an area, allowing economic advantages in terms of economies of scale, resulting in the value system

inside the oenotouristic product, i.e. in those which are the four vertical sectors that make up the product-area, these are that of wine production, the receptivity, the catering and the complementary facilities.

Economies of scale occur mainly downstream or upstream of the activity of a single winemaking company, as well as in the management of common services during the production phase (Lanfranchi M., 2010). Beside the realization of economies of scale, the study also noted the important economies of the system, resulting from interrelations and synergies among the various components of the value system (economies in information management, economies arising from a more efficient distribution of tourist flows within the district, economies in the management of environmental aspects (Dragulanescu I.V., 2008). The wine route represents also a competitive advantage in terms of barriers to entry, as it requires qualified human resources, high degree of cohesion between operators and acquiring specific know-how. Therefore we can say that among the roles attributed to the wine route particularly important, as it determines a social benefit, is to promote the socio-economic integration between viticulture, tourism, food & wine and related activities in the field of culture, information and entertainment initiatives and characterization of the reference territory (Dragulanescu I.V., Novak P, 2010).

## **An example of food & wine tourism in Sicily: Nisseni Castle Wine and Food Route**

Nisseni Castle Wine and Food Route have a total of thirteen member companies that are spread over an area that extends beyond the province of Caltanissetta (Sicily). The thirteen member companies covers an area of 430 hectares of which 250 hectares consists of vineyards, the remaining hectares are used for other typical Sicilian cultures such as olive trees, cereals, variety of fruit trees, etc. The companies have about fifty employees. They are responsible for harvesting, planting, use of agricultural machinery etc. Products that are produced in various

companies are obviously seasonal and therefore closely linked to climatic conditions of the territory (various types of Indian figs; wine; olives, etc.). The flagship product of all companies is undoubtedly the wine that can count various types of cultivated vineyards to "espalier" with a length of between 20 and 40 years. The vineyards produce an excellent wine that is mostly bottled and marketed to farm holidays in the area, or is being exported to several countries EU and non. The revenue for each product are variable from year to year, but unfortunately in this sector has experienced the negative impact of the economic crisis that, for some years now, accompanies each production sector in Italy. The "Route" is advertised mainly through the Internet, but it is also a sponsor of events, fairs, festivals and events. Also maintains solid relationships with various Tour Operators & Travel Agencies operating in Italy and abroad (Lanfranchi M., Giannetto C., 2011). Unfortunately an objective problem is that of road signs and the lack of promotion and communication by the institutions. In the absence of GPS navigation and information provided by in the "Route" to a tourist or passer-by who it is, would certainly complicates search for the tourist site, since the only signage was only detected in the proximity of junction along the State Roud 117 bis, from Piazza Armerina to Gela.

### **Business case: Economic analysis of Previtti S.R.L. in Nisseni Castle Wine and Food Route**

Previtti's company turn out to be largest in size compared to the other companies belonging to the Route. It extends for 200 hectares of which 20 are used for viticulture and has 9 employees. The company, in addition to the main agricultural activity, offers the possibility of rural tourism, food tourism and offering a series of services such as: educational farm, horseback riding lessons, excursions and guided walks; trekking activities; tasting and sale of typical products, wine tasting and wine sales and olive oil produced on the farm, parking campers, caravans

and tents; visit to the small Museum of rural traditions; accommodation in comfortable rooms, furnished in classical Sicilian style, etc.

**Table 1:** Products grown on the estate

<i><b>Product</b></i>	<i><b>Extension (ha)</b></i>
Cereals	151 ha
Vineyards	20 ha
Indian figs	15 ha
Olive groves	10 ha
Other	2 ha
<b>Total</b>	<b>200 ha</b>

Source: own elaboration on data provided by Nisseni Castle Wine and Food Route

The company offers to its guests exclusively biological products such as wine, olive oil, honey, homemade liqueurs, Indian figs, fresh and dried fruits, cheeses and Sicilian salami, venison, roasted and grilled meats, homemade pasta, all seasoned with olive oil and wine produced on the farm. Evidence of these incredible assets of gourmet products to offer is the subdivision of hectares for each product.

Every year the farm produces about 200,000 bottles for both the selling in the company (sales at km o) and for export. These numbers have led to the creation in the same estate of a vinification cellar, where the freshly harvested grapes are cooled and then vinified in order to preserve the characteristics of the wine. The cellar extends into an area of 4000 square meters. The main qualities of wine are produced Nero d'Avola, Petit Verdot and Chardonnay.

**Table 2:** Vine varieties cultivated

<i><b>Vine varieties</b></i>	<i><b>Extension (ha)</b></i>	<i><b>Vine varieties</b></i>	<i><b>Extension (ha)</b></i>
Nero d'Avola	8 ha	Frappato	2 ha
Petit Verdot	3 ha	Pinot Noir	1 ha
Chardonnay	3 ha	White Muscat	1 ha

Source: own elaboration on data provided by Nisseni Castle Wine and Food Route

These varied types of grapes allow the production of many types of wine, with red representing the greater percentage of production, then follow the production of white and rosé wines and, although only recently (about a year), and Sparkling wines Raisin wines. The various types of wine vary depending not only on the type of vine but also by other factors such as time and refining tools, depending on whether it takes place in classic wooden casks or in more innovative steel barrels.

**Table 3:** Tipologie di vino prodotte

<i>Tipologia di Vino</i>	<i>% produzione</i>
Vino Rosso	68 %
Vino Bianco	10 %
Vino Rosato	10 %
Vino Spumante	8 %
Vino Passito	4 %

Source: own elaboration on data provided by Nisseni Castle Wine and Food Route

The following table shows the economic result of the farm Pivetti who had at the end of 2012. This result was determined by the procedure of the calculation in details of items cost and revenue, which refers to general equation of the agrarian enterprise budget (has been examined the income statement through the elaboration of consolidated profit equation, consolidated in practice Serpieri Tassinari, Iacoponi, Prestamburgo). This calculation is the application longer consolidated and used according to the literature of agricultural economics (Tassinari G., 1942), and highlights the value of assets gross marketable production (primarily generated revenue from the sale of wine bottles) and liabilities the sum between raw material costs, depreciation, taxes, global income, and capital investments and on the bottom) (Serpieri A., 1963).

$$(1) \text{ Plv} = (\text{Sv} + \text{Q} + \text{Tr}) + (\text{Rl} + \text{I} + \text{Bf} \pm \text{T})$$

$$(2) 814.580,00 = (259.592,00 + 49.750,00 + 105.000,00) + (176.000,00 + 22.000,00 + 25.000,00 + 177.238,00)$$

The profit equation shows that in 2012 the company had a profit of 177,238.00 euros generated solely by sale of product produced on the farm. For ease of calculation, and to highlight how much the company has increased its profit through the economic activities of rural tourism and food & wine tourism, we used the equation of Serpieri re-classifying and using the data in the income statement, we obtained sectorial accounts to check the productivity of various business activities (Iacoponi L., Romiti R., 1994). With this procedure we have included only the data related to supplementary income, that is, educational farm, tasting and sale of wine and trekking and horseback riding activities, voluntarily, isolating them from the main agricultural activity (Prestamburgo M., Saccomandi V., 1995).

$$(3) \text{ Ptr} = (\text{Smt} + \text{Q} + \text{Tr}) + (\text{Rea} + \text{I} + \text{Bf} \pm \text{T})$$

$$(4) 76.660,00 = (10.150,00 + 1.550,00 + 4.800,00 + 15.000,00 + 0 + 0 + 45.160,00)$$

Where Ptr is rural tourism production, in this case calculated taking into account that in 2012 the company has had a tourist flow of approximately 3,600 wine tourists, thanks to the establishment of the wine route; Smt means expenditure on the purchase of "tourist" raw materials as the products needed to carry out the business of receiving (table linen, utensils, etc.), of accommodation, and the rural sports activities; Rea is extra agricultural income, in our case represented by a single employee. The result that we got is evident only with the rural tourist activity, the farm has a profit of 45,160, 00 €, equivalent to about 20.3 % of the total corporate profit is 222,398, 00 €. Synthetically below are explicated the data obtained.

**Table 4:** The Profit of Pivetti's agricultural company, in 2012

<i>Profit agricultural activity</i>	177.238,00	79,7%
<i>Profit rural tourism</i>	45.160,00	20,3%
<b>Global profit level</b>	<b>222.398,00</b>	

Source: own elaboration on data provided by Nisseni Castle Wine and Food Route

## Conclusions

The survey showed that to have a good tourist offer and to predominate the wine market, is no longer enough to have a competitive price, offer quality services or focus on advertising, but it is necessary to innovate and recognize in advance what will be the new traveler's needs. Today traders are oriented towards consumer satisfaction and exploitation of all possible information channels aimed to "word of mouth" among potential tourists, aware that satisfying even a single customer could recall many more. Evolution is therefore the key word to follow and tour operators must keep pace with changes in consumer behavior and technology to occupy a good position in the market.

The ability to customize the trip is crucial because, nowadays, any tour operator is able to offer the consumer a standardized vacation with a medium/high quality and a low price, but few are able to go beyond, to conquer the customer by offering a truly unique experience. The trip is now understood as an experience, and the emotions and the feelings that it can move the element of differentiation that the modern tourist research and that the tour operator has to offer. To succeed in this goal it is important that local communities and their administrations valorize in a targeted way the specific vocations of their territory. It offers many ideas that allow its development: environmental resources, historical, artistic and cultural heritage that can be exploited to increase the number of visitors, tourists or consumers. It should be then create

synergies that result from the activation of the virtuous circle among tourism, trade and territory; and to do this it is necessary that both private and public entities have the will to achieve such synergies. It would be appropriate that all wine companies, trade associations, provinces, municipalities, businesses tourist intermediation companies and those of accommodation should be coordinate perfectly with each other to arrange tourist routes of taste, to the rediscovery of the countryside and traditions.

The study conducted showed that the construction of economic models based on the development of local food & wine tourism in synergy with the creation of thematic tours related to food products may represent an efficient instrument of promotion and enhancement through which rural areas can be divulged, marketed and enjoyed in the form of tourism offer. The thematic tourist routes have therefore an obvious territorial aims and their operational management guided by the territorial marketing allows the company to implement the important principle of diversification with a consequent significant integration of agricultural income, which as pointed out this work stands on average around 25 percent of farm income.

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