

# RUTGERS

New Jersey Agricultural  
Experiment Station



## Agritourism Industry Development in New Jersey



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## **Food Policy Institute**

- Founded in 1999 as a Rutgers research center to

*bring the depth of academia's knowledge to bear on pressing issues and challenges facing the food system by providing timely and relevant research that is responsive to the needs of government, industry and the consumer*

*<http://foodpolicyinstitute.rutgers.edu/>*

# **NJ Farming: 101**

- “The only constant is change”
- Adaptability and innovation are hallmarks of successful New Jersey farmers
  - Changing structure of agriculture (farm size, demographics)
  - Changing commodity mix
  - Diversifying market channels
  - Growing adoption of “value added” enterprises
  - Evolving product/service mix
  - Declining profitability (?)
    - Varying motivations for farming

## **State and Local Policy Context**

- Very aggressive farmland preservation efforts
  - Stable statewide funding
  - Dedicated local & county taxes
  - TDR
- Emerging recognition of the need to plan for agriculture
  - NJ State Development and Redevelopment Plan
  - Efforts to promote local planning
- Strong right to farm protection
  - Agritourism is recognized in law
  - AMP being developed
  - Municipal pre-emption provision; no public/private nuisance
- Focus on agricultural economic development

## **Background**

- An estimated 62 million people visited U.S. farms in 2001 \*
- Travel and tourism is HUGE business
  - In 2004 travel & tourism in NJ had an economic impact of \$32 billion
- Many states are now exploring opportunities for agritourism development
- Anecdotally, agritourism is known to be an important and growing activity in NJ agriculture

*\*National Survey on Recreation and the Environment. 2000-2002.  
(The Interagency National Survey Consortium - USDA & U. of Tennessee.)*

## **Background**

- In 2004, the New Jersey State Board of Agriculture identified agritourism development as an economic development strategy for bolstering the viability of New Jersey agriculture.
- In 2005, New Jersey Secretary of Agriculture, Charles Kuperus, convened the New Jersey Agritourism Industry Advisory Council.
  - The purpose of the Council is to assist with the creation and implementation of strategies to advance the economic development opportunities presented by agritourism.

## **Background**

- In 2005, New Jersey Department of Agriculture (NJDA) commissioned the Rutgers Food Policy Institute (FPI) to conduct a study on agritourism in NJ.

### **Key Objectives:**

- Document the nature of current activities.
  - Identify the challenges experienced by farmers.
  - Identify the perceived opportunities in agritourism.
  - Assess the importance of agritourism to 'farm viability'.
  - Develop recommendations for agritourism industry development.
- "The Opportunity for Agritourism Development in New Jersey" released in issued in October 2006.  
(B. Schilling, L. Marxen, H. Heinrich, & F. Brooks)

## **Background**

- The NJDA and FPI funded a second study in 2006 to determine the economic importance of agritourism in New Jersey.

**Key Objectives:**

- Estimate the impact of agritourism on the income of New Jersey farms.
  - Estimate the statewide economic impact of agritourism.
- “The Economic Impact of Agritourism In New Jersey: A 2006 Assessment” released in September 2007  
(B. Schilling, K. Sullivan and L. Marxen)

# Study Methods

## 2005 Study

- ~50 interviews with agricultural leaders, Extension faculty, farm support businesses, etc.
- Non-probability (purposive) sampling approach used
  - Operations drawn from 18 NJ counties
- 48 structured interviews with current agritourism operators
  - In-person and telephone

## 2006 Study

- The New Jersey Field Office of the National Agricultural Statistics Service (NJ-NASS) conducted the survey between April and July 2007.
- A probability-based random sample (stratified by gross value of farm sales) of 1,500 New Jersey farm operations was selected from the NASS list frame of active farm records.
- Data collection consisted of two survey mailings and telephone follow-up.

## What is Agritourism?

- Agritourism may be defined broadly as the business of establishing farms as travel destinations for educational and recreational purposes.
  - Includes on-farm direct marketing
  - Fees need not be charged



## **What is Agritourism?**

- Both studies recognized 5 primary types of agritourism activity:
  - **On-farm sales of agricultural products** (direct-to-consumer)
    - (E.g., Pick-your own, U-cut Christmas trees, on-farm markets)
  - **Educational tourism**
    - (E.g., School tours, winery tours, farm work experiences)
  - **Entertainment**
    - (E.g., Hay rides, corn mazes, petting zoos, haunted barns)
  - **Accommodations**
    - (E.g., Birthday parties, picnicking, bed & breakfasts)
  - **Outdoor recreation**
    - (E.g., Horse riding, hunting, fishing, bird watching)
- Off-farm venues (e.g., community farmers' markets, agricultural museums, living history farms, county fairs, etc.) were not included in the study.

# **Why is Agritourism An Attractive Development Strategy?**

- In New Jersey, and across the United States, agritourism is emerging as an important strategy for bolstering farm profitability.
- The popularity of agritourism reflects the fact that it offers benefits to both the farmer, as well as the public and local communities.

# **Why is Agritourism Important for New Jersey Farms?**

- Allows farmers to generate additional income from farm assets that may be underutilized or idle for long periods of time.
- Enables farmers to diversify product lines and markets.
- Affords farmers the opportunity to receive feedback from consumers regarding preferences for farm products and services.
- Provides a venue for educating children (and adults) about the state's agrarian heritage, food production, and resource stewardship.
  - Creates a "culture of understanding" – reduces conflict & strengthens public support for farm retention

# **Why is Agritourism Important for New Jersey Farms?**

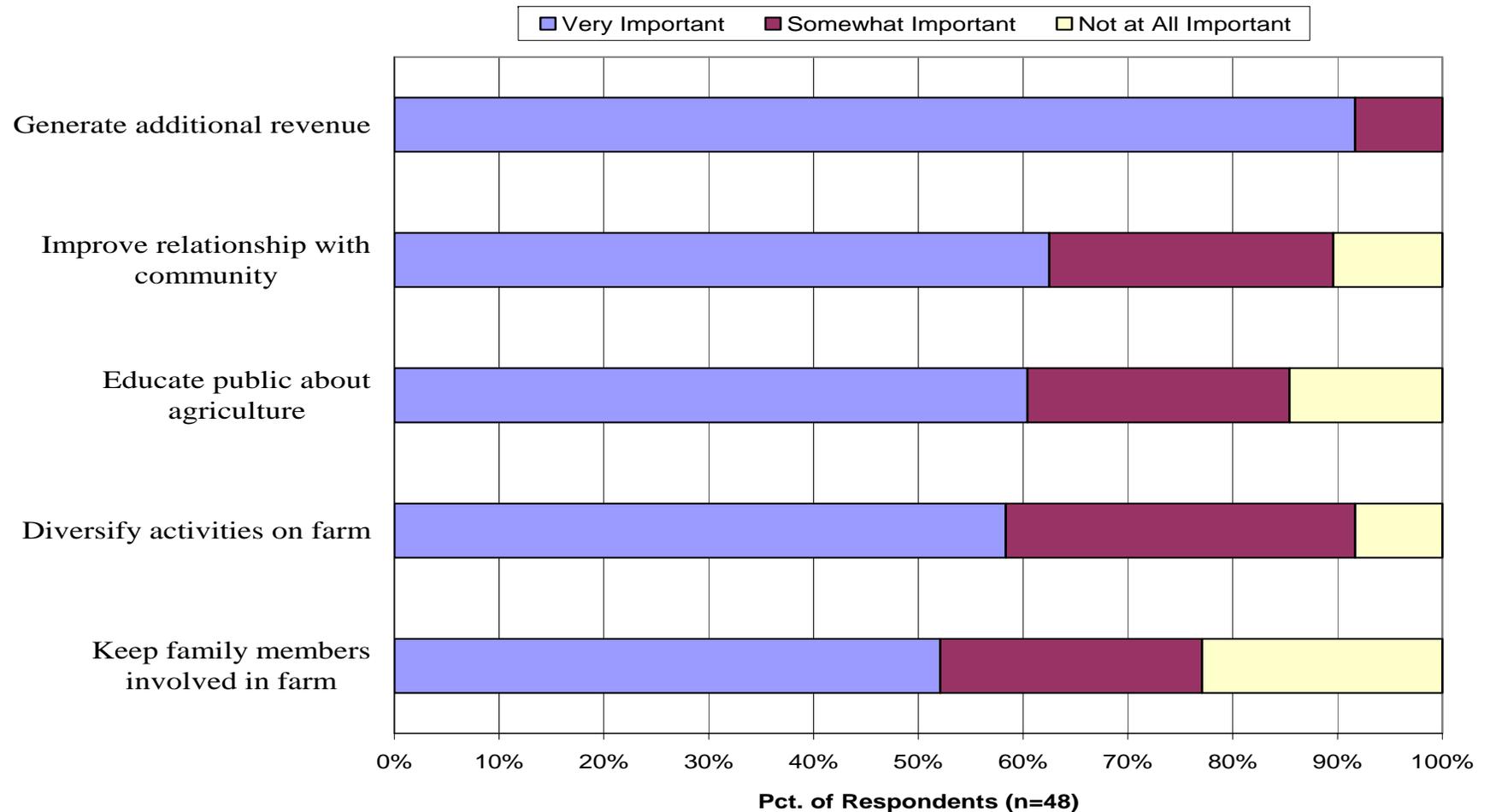
- Enhances the quality of life in communities by expanding recreational opportunities, promoting the retention of agricultural lands, and diversifying economic bases.
- Retains working agricultural landscapes that reflect the efforts of generations of farm families and often provide a defining sense of culture, heritage, and rural character.
- Provides consumers with access to fresh, locally-produced farm products.
- Generates economic benefits beyond the farm gate.

# How Many New Jersey Farms Offer Agritourism Activities?

- In 2006, more than **one-fifth** of New Jersey farms offered some form of agritourism.
  - A higher proportion of New Jersey's larger farms (e.g., farms with sales of \$250,000+) report agritourism activities.
- It is estimated that 43% of New Jersey's total land in farms is associated with farm operations engaged in agritourism.

# Reasons for Starting Agritourism? No Surprises!

(Source: Schilling et al. 2006)



## **Regardless of how or why farmers entered into the business of agritourism...**

(based on 48 farmer interviews)

- ...**all respondents** saw it as critical to the future viability of their farms and the state's agricultural industry
  - 90% felt agritourism was "very important" to the economic viability of NJ farms
- 79% foresee "significant" or "moderate" growth in agritourism within their own counties
- 67% plan on expanding their agritourism enterprises

(Source: Schilling et al. 2006)

## **Evolution of Agritourism**

- Complimentary to growth in on-farm direct marketing
  - Increase patronage of farm retail outlets
  - Often incremental expansion over time
- Supplemental (in some cases primary) income source
  - May supplant production as primary activity



## **Sidenote:**

- Many farmers do not relate to the term “agritourism” but rather see such activities as innovative marketing strategies
  - Some farmers object to the term, opposing the connotation that farms are akin to theme-parks
  - Many are quick to note that “agritourism” has been taking place for many years

## How Much Agritourism Revenue Do New Jersey Farms Generate?

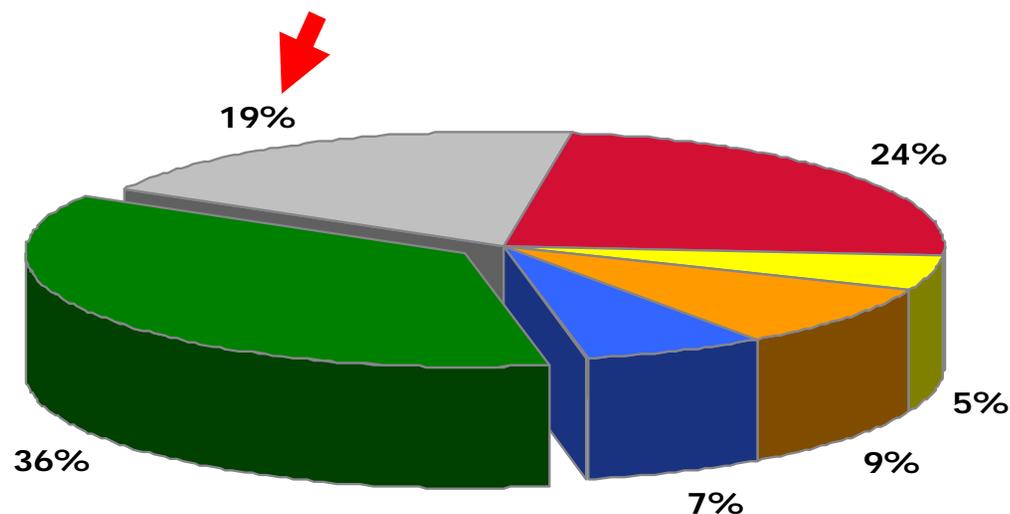
- Income from agritourism activities on New Jersey farms totaled **\$57.53 million** in 2006.

<b>Activity</b>	<b>2006 Revenues (\$million)</b>	<b>Pct. of Agritourism Revenues</b>
On-farm Sales of Ag. Products (direct-to-consumer)	\$40.54	70.5%
Outdoor Recreation	\$9.19	16.0%
Entertainment	\$5.42	9.4%
Educational Tourism	\$1.88	3.3%
Accommodations	\$0.50	0.9%
<b><i>Total</i></b>	<b><i>\$57.53</i></b>	<b><i>100.0%</i></b>

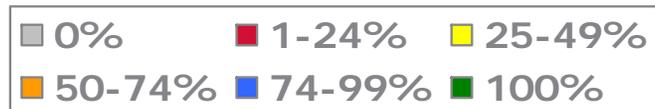
# Agritourism & Total Farm Income

## *Among Farms with Agritourism in 2006:*

- Based on farmers' own estimates, **36 percent earn 100% of total farm income from agritourism.**
  - The large majority of these farms are small, producing less than \$50,000 in total gross farm sales.
- 52 percent earn **at least half** of their farm income from agritourism.



**Pct. of Farm Income from Agritourism  
(Among Farms with Agritourism)**



# Breakdown of Agritourism Revenue by Size of Gross Farm Sales

	<b>Gross Farm Sales Class</b>					
	<b>&lt;\$10,000</b>	<b>\$10,000 to \$49,999</b>	<b>\$50,000 to \$99,999</b>	<b>\$100,000 to \$249,999</b>	<b>\$250,000+</b>	<b>All Farms</b>
<b>Pct. of Farms with Agritourism</b>	17.0%	28.7%	25.5%	21.7%	38.0%	<b>21.5%</b>
<b>Average Agritourism Revenue*</b>	\$3,453	\$22,880	\$31,609	\$35,162	\$124,961	<b>\$27,093</b>
<b>Median Agritourism Revenue*</b>	\$800	\$2,569	\$5,000	\$5,200	\$3,000	<b>\$1,173</b>

\* Average and median agritourism revenue estimates are based on in-sample analysis.

# Measuring the Statewide Economic Impact of Agritourism

- IMPLAN, a widely used input-output modeling system, was used to measure the economic linkages between agritourism and the rest of the NJ economy.
- For every dollar in agritourism sales generated on a NJ farm, \$0.58 of additional sales are generated in other businesses (e.g., restaurants, construction companies, insurance providers, etc.).
  - Therefore, agritourism creates an additional \$33.29 million in revenue in other businesses.

# Summary of the Economic Impact of Agritourism in New Jersey

Total Agritourism Revenues (Farm Level)	\$57.53 million
Total Revenues Generated in Supporting Businesses	\$33.29 million
<b>Total Sales Impact of Agritourism</b>	<b>\$90.82 million</b>
Net Value Added by Agritourism to NJ Economy	\$59.41 million
Total State and Local Taxes Generated as a Result of Agritourism (Farms + Supporting Businesses)	\$8.09 million

# Top 5 Agritourism Operator Challenges

(Based on pct. of respondents identifying issue as "very significant")

<b>Issue</b>	<b>Very Significant</b>	<b>Somewhat Significant</b>
Marketing operation	54%	17%
Liability exposure (& insurance)	44%	29%
Interaction with the public	38%	13%
Availability of employees	33%	31%
Biosecurity	29%	19%

(Source: Schilling et al. 2006)

## **Other Challenges...**

- Access to information on agritourism (25 percent)
- Training of employees (25 percent)
- Municipal regulations (17 percent)
- State regulations (17 percent)
- Access to financing/capital (13 percent)
- Farmland preservation restrictions (0 percent)

(Numbers in parentheses represents pct. of respondents identifying issue as "very significant")

(Source: Schilling et al. 2006)

## **An Observation and A Caution**

- Farmers acknowledge that agritourism does have its downsides and is not for everyone
  - Fear of a litigious public
  - Intrusion into one's privacy (for most, the farm is also a home)
  - Concern that agritourism "cheapens" the image of farming
  - Possible tensions with neighbors and municipalities
  - New business model for many farmers
    - Most farmers do not have formal business or marketing plans
    - Increased risk level for capital investments
    - New skill sets required (e.g., hospitality, retail marketing, customer service, providing customer experiences)

# **Strengthening the Foundation for Agritourism Development**

- Aid farmers in developing new business models & business skills
- Clarify right to farm protections
- Explore limited liability protection
- Create statewide promotion/marketing platform
  - [www.visitnjfarms.org](http://www.visitnjfarms.org)



## **Interested in visiting a farm near you?**

- Visit the State's new interactive agritourism website to locate 120 farm destinations with a variety of on-farm fun and activities!

[www.visitnjfarms.org](http://www.visitnjfarms.org)



# **For More Information**

## **Please Contact**

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