

NEW YORK STATE'S 1999 AGRITOURISM BUSINESS STUDY

Diane Kuehn

Coastal Tourism Specialist, NY Sea Grant, Adjunct Assistant Professor, SUNY College of Environmental Science and Forestry, State University of New York at Oswego, Oswego, NY 13126

Duncan Hilchey

Agriculture Development Specialist, Farming Alternatives Program, 16 Warren Hall, Cornell University, Ithaca, NY 14853

Abstract: Agritourism businesses (i.e., farm-based businesses that are open to visitors for recreational purposes) are becoming an important component of New York's tourism industry today. In order to estimate the economic impacts of these businesses on New York State and identify cost-effective management and marketing strategies for business owners, New York Sea Grant and Cornell University conducted a study of New York State agritourism businesses and their customers. With the assistance of six agritourism business owners, 299 customer surveys were completed in 1999. In addition, a sample of 2000 business owners were surveyed by mail in 2000, with a return rate of 38.8% or 645 completed surveys from the qualified sample. An estimated 2,087 agritourism businesses existed in New York State in 1999, yielding a total estimated net profit of nearly \$25.8 million. A breakdown of the types of agritourism businesses existing in New York State was generated from the results. Business owner concerns were identified, as well as the management and marketing strategies found to be most effective for attracting and managing visitors. This presentation will focus on the results of this study as well as its management and marketing implications for agritourism businesses.

Introduction

Many farm businesses in New York State today are opening their doors to visitors. Farm stands, wineries, maple syrup and honey producers, greenhouses and plant nurseries, and Christmas tree farms are just a few of the many types of farm-based businesses that are open to, and attract, visitors for recreational purposes (Kuehn & Hilchey, 2001). In order to identify the viability of agritourism businesses in New York State, estimate the economic impact of agritourism on New York State, and identify cost-effective management and marketing strategies for agritourism businesses, NY Sea Grant and Cornell University's Farming Alternatives Program, in conjunction with the Cornell University Statewide Committee on Community and Economic Vitality Tourism Work Group, conducted a two-part study of agritourism business owners and their customers in New York State in 1999 and 2000. Funding for this research was provided by the United States Department of Agriculture through Cornell University's Research and Extension Integration Grants Program.

Methods

The 1999 New York State agritourism business study consisted of two components: a customer survey and a business owner survey. The customer survey was conducted in 1999 with the assistance of six agritourism business owners in New York State. Business owners were requested to ask their customers to complete a short survey. A total of 299 customer surveys were completed and analyzed (Kuehn & Hilchey, 2001).

In 2000, a survey of agritourism business owners was conducted using a modified total design method (Dilman, 1978). A mailing list of 2,416 agriculture-related businesses open to the public was generated with assistance from agriculture and tourism agencies and organizations across New York State. The size of this initial mailing list is likely conservative since businesses not included in agency mailing lists may have been excluded. A systematic random sample of 2,000 businesses was generated from this initial mailing list. Farm business owners in this sample were sent surveys by mail and asked to report on their business activities for the calendar year 1999. A reminder postcard and follow-up survey were mailed to non-respondents. After businesses with undeliverable addresses and businesses not classified as agritourism businesses by their owners were removed from this sample, a qualified sample of 1,661 businesses remained. From this qualified sample, 9.7% of the surveys were returned by owners who did not wish to participate in the study, 51.5% were not returned, and 38.8% (645 surveys) were completed and used in this study (Kuehn & Hilchey, 2001).

Results

Data from the customer and business owner surveys were analyzed for New York State as a whole, and according to type of agritourism business (i.e., farm stand, Christmas tree farm, etc.) and New York State Department of Economic Development tourism region (Figure 1). In addition, results were broken down into the following subject categories: business income and net profit, promotional strategies, customer markets, management and operations, business owner concerns, and future plans of business owners.

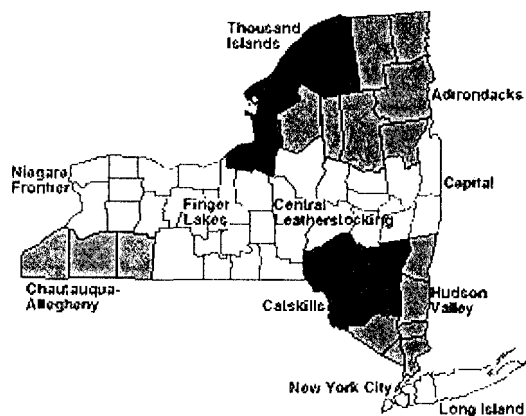


Figure 1. New York State Department of Economic Development Tourism Regions

Statewide Results

In New York State in 1999, farm stands made up the largest percentage of agritourism businesses (37.4%), followed by Christmas tree farms and u-pick operations. The largest percentages of agritourism businesses were located in the Finger Lakes region (27%) and Central Leatherstocking region (11.3%). Tables 1 and 2, respectively, list the percentages of respondents by agritourism business type and New York State tourism region in which businesses are located.

Table 1. The Percentages of Respondents by Agritourism Business Type in New York (n = 645)

Business types	Percent of respondents
Farm stands	37.4%
Christmas tree farms	11.9
U-pick operations	9.6
Maple producers	9.3
Greenhouses and nurseries	9.2
Other*	9.1
Wineries	6.2
Livestock breeders	4.5
Farm-based B&Bs	2.8
TOTAL	100.0%

*"Other" includes miscellaneous business types such as herb and perennial farms, petting zoos, community supported agriculture farms, farm-related museums, farm tour operators, and horse riding stables.

Table 2. The Percentages of Respondents by New York State Department of Economic Development Tourism Region (n = 645)

Tourism region	Percent of respondents
Finger Lakes	27.0%
Central Leatherstocking	11.3
Capital	9.9
Niagara Frontier	9.8
Hudson Valley	9.6
Adirondacks	7.9
Catskills	7.3
Chautauqua-Allegheny	6.5
Thousand Islands	5.6
Long Island	5.0
New York City	0.1
TOTAL	100.0%

Business Income and Net Profit

Statewide estimates reveal that an estimated 2,087 agritourism businesses within New York State received a total estimated gross income of \$210.87 million in 1999 from their agritourism business components (e.g., products and services such as educational programs, tours, hayrides, exhibits, crafts, and food tastings; n = 399). Due to high

costs associated with operating agritourism businesses, the total net profit of these businesses was estimated to be \$25.77 million, with the average agritourism business receiving an estimated net profit of \$12,347.

While the average agritourism business did make a profit in 1999, 25% of agritourism businesses either had expenses that equaled their income (i.e., they broke even) or had expenses that exceeded their income (i.e., they lost money). The most profitable types of agritourism businesses were greenhouses and plant nurseries, farm stands, and u-pick operations. The least profitable type was livestock breeding farms. Christmas tree farms, maple producers, farm-based bed and breakfasts, and wineries were all moderately profitable.

Promotional Strategies

Responding business owners used a diversity of promotional strategies to attract visitors to their businesses. Direct mailings, business signs, and brochures were the most cost-effective strategies used because, according to business owners, of their high effectiveness at attracting customers and their moderate cost. The use of newsletters was also found to be highly effective but had a higher cost associated with it. Television advertisements, newspaper advertisements, and radio advertisements were found to be moderately effective at attracting visitors but at a high cost.

Customer Markets

Knowing where customers of agritourism businesses are coming from and what their interests are is essential for implementing effective marketing strategies. According to responding business owners, most customers (57.6%) come from the same county in which the business is located; 30.6% come from other counties in New York State, 9.0% come from other states outside of New York, 1.7% come from Canada, and 1.1% come from other countries (n = 569). International visitors primarily came from England, Germany, Japan, and Ireland.

Customers are looking for businesses with friendly staff (71% of customers indicated that this is important to them), activities at the business (58%), businesses with farm animals (33%), and businesses with barns and historic buildings (32%; n = 267). Customers indicated that they would be most interested in sampling local foods and produce (47.2% of customers indicated this activity), sampling wines (44.2%), and picking fruits and vegetables (43.4%) at agritourism businesses in the future (n = 267). The top five activities that responding business owners indicated that their customers participate in are visiting parks, attending festivals, camping, visiting historic sites, and fishing.

Management and Operations

Responding business owners utilized many different management strategies for their businesses. Diversification of products and services was commonly used, with businesses offering farm tours and educational programs,

selling homemade foods and crafts, hayrides and sleigh rides, u-pick vegetables and fruits, and other business components as well. While only 4% of business owners indicated that they charge a general admission fee, many owners do charge a fee for specific activities on their farm such as educational programs and hayrides. The majority of agritourism businesses were open during specific seasons only in 1999, with 78% open during the fall, 76% during the summer, 60% in the spring, and 43% in the winter. Only 30% of all responding businesses were open year-round in 1999. Most agritourism businesses are family-operated, with an average of three family members as employees. In addition, the average business has six employees who are not family members.

Business Owner Concerns

The top five concerns of agritourism business owners were liability and liability insurance; marketing, promotion, and advertising; labor costs and issues; government regulations, and taxes. Eighty-four percent of respondents indicated that liability is a concern and 90% have purchased liability insurance to protect themselves from it (n=614). In addition, 71% of business owners regularly make any needed repairs to their business and 41% have added safety precautions (Kuehn & Hilchey, 2001). Conducting a risk analysis of their business, incorporating, having visitors signs a disclaimer, managing potentially dangerous visitor behaviors, and not charging admission (to reduce the status of the visitor from invitee to licensee) are used as well by some respondents.

Future Plans of Business Owners

When asked what their future plans for their business are, 64% of respondents indicated that they plan on expanding their business within the next five years (n = 581). In addition, 34% of respondents plan on investing more funding in their business, 21% on hiring more employees, and 8% in incorporating their business. These plans indicate that agritourism business in New York State will be expanding in general over the next five years. Seven percent of businesses plan on going out of business in the next five years, either due to the lack of business profitability or retirement of the business owners.

Conclusion

Agritourism appears to be an expanding component of New York State's tourism industry with many businesses

planning on expanding and hiring more employees during the next five years. In addition, 75% of businesses did make a profit in 1999 from the agritourism components of their farm business. This indicates that agritourism components are viable components of New York's farm-based businesses. However, while the average agritourism business in New York did make a profit in 1999, 25% of businesses did not, an indication that some agritourism businesses may need to utilize careful business planning procedures to increase their success.

The economic impact data compiled from this study indicate that agritourism contributes an estimated \$210.87 million in gross income to farm businesses across New York. Much of this revenue is in turn used by business owners to pay for farm operation and management costs such as employee wages and production costs, thus benefiting New York's economy as a whole.

This study was also useful for identifying cost-effective management and marketing strategies for agritourism business owners. Strategies such as reducing costs by buying insurance from agritourism associations at group rates and developing partnerships with other local businesses and attractions for promotional purposes could make businesses more profitable. Business owners also need to identify what makes their business unique and expand on this uniqueness to attract more customers.

In conclusion, agritourism offer tremendous potential to increase the profitability of farm-based businesses in New York State. Agritourism also benefits New York's tourism industry by diversifying the recreational opportunities offered to visitors and increasing the state's economy. However, because agritourism is a fairly new sector of tourism in New York, business owners may need management and marketing assistance from government agencies and organizations to achieve their potential in the future.

Literature Cited

Dilman, D. (1978). Mail and telephone survey: The total design method. New York: John Wiley.

Kuehn, D., & Hilchey, D. (2001). Agritourism in New York: Management and operations. Oswego: NY Sea Grant.