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## AGRITOURISM AS A BUSINESS IN REGIONAL RURAL DEVELOPMENT

### ABSTRACT

Nowadays, tourism industry is getting more and more popular and it plays an important role in regional development. Agritourism development gives an opportunity to the region for economic growth, agricultural development, social activities, employment opportunities and wellbeing. Agritourism is a type of a new generation tourism that has sustainable development model with its environmentalist features. Its development is based on the agricultural resources, traditions, natural products, culture and traditions and strong family-based farming; all these features together can make the region strong and play an important role in regional rural development. Georgia is a rich country with agricultural resources that offer the possibility of agritourism industry development, as the country appears to become more and more interesting for tourists. Unlike mass tourism, agritourism attracts local tourist's interest too, who finds the agritourism as the way of relaxation and as an opportunity to run away from the busy social life.

The article with qualitative research analyses current Georgian rural development and its potential, focusing on agritourism as a rural business, presenting its benefits, challenges and opportunities.

**Key words:** rural tourism, rural development, regional development, agritourism, rural business.

**JEL Classification:** L83, Z32

### 1. INTRODUCTION

Agritourism offers farmers the possibility of generating additional income and diversifying through on-farm touristic activities in order to help supplementing their low agricultural income (Agri-Tourism Strategy, 2016). In Georgia, it is still a challenge for the regions to get finances from agritourism, gain knowledge in modern technologies and start own business. Many people try the escape from the responsibility of starting own agribusiness but without it is impossible for the region to develop; exactly what is the current situation, what benefits, challenges and opportunities the region has is the subject of the article. The aim of the paper is to investigate the importance of agritourism in sustainable rural development. Therefore, the focus and purpose of this article is to identify the main key factors for managing sustainable agritourism business development in rural areas, based on

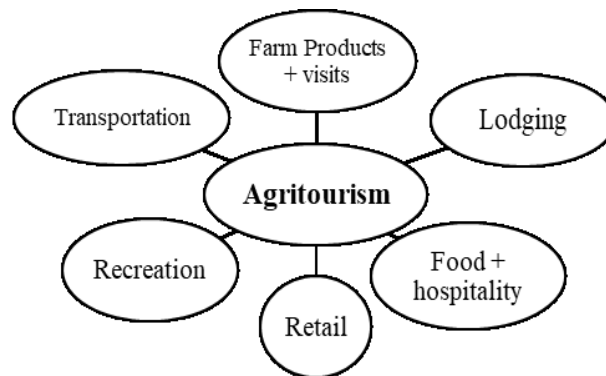
a literature review and on a case study regarding Georgia as a touristic destination. The research was conducted using evidence provided by research papers, strategies, and literature reviews, as well as books and internet resources. The potential of agritourism development in Georgia is discussed according to seven conditions for a successful development of agritourism (after Bernard Lane/University of Bristol/GB) (Agritourism Conference, 2018).

## 2. STATE OF KNOWLEDGE

The agricultural sector is a part of the economy and its development is based on several geographical and climate conditions of the region. In many countries agriculture and its development are priorities and governments pay much attention and provide support with finance and different programs. Agribusiness has several steps:

1. promoting locals to start agricultural business;
2. producing agricultural products in rural areas;
3. selling products first in the region and then abroad;
4. begin to offer services and food for locals/tourists;
5. start agritourism;
6. promotion.

Agritourism planners should be aware that the acres owned, economic dependence on farming operation, and perceived popularity of agritourism activities are influential factors to motivate agritourism entrepreneurs (McGehee & Kim, 2004).



Source: Wicks & Merrett, 2003

Figure 1. Possible travel expenditures linked to agritourism

Agritourism is very popular in Austria, Switzerland and Italy. In Italy, agritourism was imported during the 1960s by agricultural entrepreneurs who traveled round the world (especially in Austria and France), and that they

immediately developed in a country where rural outmigration was particularly intense and plenty of abandoned buildings were available for this utilization (Sonnino, 2004). Tourism plays a dominant role in the Austrian economy. In 1990–2000 a total of approximately 109,000 rooms were offered on 21,000 Austrian farms. Thus, farmers represent one sixth of the total Austrian supply of tourist beds. In recent years the holiday farmers have organized their representation and marketing more professionally, first on a regional level, then in the provinces. Finally, in 1991 the Austrian Farm Holidays Association was founded to represent the interests of the farmers on a nationwide level. A positive development towards “farm holidays” as a brand name began to generate an additional income source for farmers and to enable tourists to spend interesting and valuable holidays on an Austrian farm (Embacher, 1994).

Table 1

## Motivating Tourist Travel

Popular Tourist Activities	Travel Motives
Shopping	Enhancing kinship relations
Participating in outdoor activities	Escaping
Visiting historical places and museums	Resting and relaxing
Visiting state and national parks	Improving health and well-being
Taking part in cultural events and festivals	Exploring and learning
Sightseeing	Celebrating a special occasion

Source: Shaw and Williams (1994).

Table 2

## Potential Agritourism Activities

Crops	Livestock and Machinery	Facilities and Land Use
Christmas trees	Antique farm equipment	Agricultural festivals
Cider pressing / tasting	Antiques	Agricultural museums
Community-supported agriculture	Hay rides (horse or tractor)	Barn tours
Crop art	Heirloom/exotic animals	Bed and Breakfast
Farmers' Markets	Horse pulls	Bicycling tours
Flower shows/nurseries	Horse stables and riding	Birding/wildlife
Hay tunnels	Meats for ethnic markets	Camping
Heirloom plants	Petting zoo	Catering special events
Maple sugaring	Regional identity marketing	Cooking demonstrations
Mazes (Corn, Hay, Sudan)	Sleigh rides	Corporate picnics
Pumpkin painting	Tractor pulls	Craft center
Roadside markets		Cross country skiing
U-pick farms		Dude ranch
Vegetables for ethnic markets		Ecosystem preserves
Wineries/Distilleries/Breweries		Fee hunting and fishing
		General store/souvenirs
		Hiking
		Historical farms/sites
		Living history farms

Table 2 (continued)

		Moonlight activities Mountain biking trails Prairie restoration Retreat center Rural education center Scenic byways tours Snowmobiling Working farm tours
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Source: Wicks & Merrett (2003)

Agritourism is recreation at its finest. Visitors might tour a vineyard, explore winemaking, or discuss the process of transforming grapes into high-quality wines. Younger guests (as well as many adults) may discover that goats are not dogs with horns, donkeys are different from horses, and milk does not originate in a plastic container in the grocery store. Tours of farm fields have enabled many people to realize that peanuts grow underground, and cotton grows on a plant – not in a bale. Visitors can pick pumpkins, apples, cherries, and other produce; or they can navigate corn mazes. For most people, agricultural tourism refers to a visit to a working farm or any agricultural, horticultural, or agribusiness operation in order to enjoy, be educated by, or become actively involved in the activities of the farm or operation – in other words, getting a true farm experience.

“Living on an Acre” (USDA, 2003) suggested that farmers develop a “rent-a-tree” operation. This idea would work very nicely for an orchard: the customer selects a tree and pays a rental price, and the farmer cares for the tree throughout the season. The customer has an opportunity to pick the fruit or contract with the farmer to harvest it. The creative ideas for agritourism activities are unlimited. However, before you start implementing a new farm adventure, you will need to analyze the liability issues and the financial feasibility in relationship to the farm’s character, values, goals, and financial resources (Walker, 2009).

People who are planning to start an agritourism enterprise should look at it as a business. First the entrepreneur must decide what type of agritourism business plan will be useful. There can be 3 types of involvement in agritourism business. The first one is a supplementary enterprise – where agritourism could be obtained as a minor activity that would support the other products on the farm. For example, if the primary enterprise is horticultural production, farm tours with market outlet can be introduced as agritourism operations.

The main income is expected from farming and it is supplemented by agritourism activities. The complementary enterprise – agritourism activities have equal share with the farm production mix. For instance, if the farm is an orchard of mango, guava, papaya and other fruits, the farmer sells most of the production to wholesalers and simultaneously operates a fruit juice and fresh fruit stall at the farm gate for visitors on the farm. The owner allows “U pick up” operation, too. The income from both operations would be complementary and considered as

complementary enterprises and the latter, i.e. the agritourism would be the major activity on the farm.

For example, a farmer wants to operate Bed & Breakfast at the farm with number of cottages including one or two tree houses and operate farm tours charging an entrance fee as his main business. At the same time, he maintains a high-quality model farm with all the necessary components. However, he does not expect higher income from the farm. Here agritourism is the main part of the farm product mix and it becomes the primary enterprise (Mahaliyanaarachchi, 2015).

Sustainable development is a very important case of interest in Georgia. Projects are implemented to start agritourism business, reduce rural poverty and promote sustainable rural development in the country. The project is part of the larger European Neighborhood Program for Agriculture and Rural Development (ENPARD), funded by the European Union (EU) and implemented in cooperation with the Georgian Government and a wide range of international and national partners and stakeholders.

The goal of the European Neighborhood Program for Agriculture and Rural Development is to reduce rural poverty and promote rural development in Georgia, boost development potential of the rural areas and create social and economic opportunities for people beyond agricultural activities. The implementation of the European Neighborhood Program for Agriculture and Rural Development marks a fundamental shift in the overall development of Georgia, assisting the country to create strong policies and pilot successful practices in sustainable rural development for the benefit of people and communities.

The United Nations Development Program is the key international partner of the European Union in rural development. They work to address the structural and systemic challenges that hamper rural development in Georgia and ensure that more diverse rural services are delivered to the population in an efficient, effective and sustainable way. The United Nations Development Program's work is based on the strategic approach defined by Georgia's National Rural Development Strategy, adopted in 2017.

Targeting all regions of Georgia, including Adjara Autonomous Republic, UNDP focuses on the improvement of rural development policy and governance, diversification of rural economies, sustainable environmental practices, and on the increased engagement of all stakeholders, including local communities, in rural development. Specific pilot initiatives are being implemented in the municipalities of Lagodekhi, Dedoplistskaro, Tetrtskaro, Borjomi, Akhalkalaki, Kazbegi, Keda and Khulo.

The United Nations Development Program operates in cooperation and partnership with a wide range of stakeholders, including the Government of Georgia, Government of Adjara Autonomous Republic, civil society, regional and municipal authorities and community organizations, academic institutions, local activist groups, and the private sector. For example, in 2016 in Georgia, the strategy document, Agri-Tourism Strategy for Samtskhe – Javakheti and Kvemo Kartli Regions of

Georgia was implemented. It was developed within the frames of the ongoing USAID-funded Project – Broadening Horizons: Improved Choices for Professional and Economic Development for Women and Girls. The project is being implemented by ICCN (International Center on Conflict and Negotiation) and Mercy Corps (an international non-governmental organization).

In many regions across the world, farmers are recognizing the need and desire to diversify their farm products and supplement their agricultural incomes. At the same time, the recognition and benefits of tourism are considered a major contributor to job creation, GDP, local economies and investment. Although “tourism” is a single sector, it is made of numerous tangible and intangible elements that both affect and are affected by many other sectors. Therefore, it has the potential to be economically beneficial in numerous sectors and to the entire local economy.

With a strong agricultural history, many regions in Georgia have tremendous opportunity to diversify their list of product and service offerings with agricultural tourism. Agricultural tourism increases the potential for higher margin, on-farm sales of value-adding products and services, further diversifying the product line of the farm operation. While work has been undertaken, an national agritourism strategy has not previously been developed. The stakeholders of both the private and public sector have recognized the need for such a strategy and have played a collaborative role in the development of these strategies. The objective of the strategy is to promote sustainability and competitiveness in rural communities through the production of products, experiences and services that link agricultural activities to tourism in ways that foster food security, environmental sustainability and sustainable use of natural and cultural resources, validate traditional knowledge and lead to the sustainable livelihoods (Agri-Tourism Strategy, 2016).

### **3. MATERIAL AND METHOD**

The author has reviewed the rich literature on agritourism development, has reviewed academical articles, materials of conferences and the agritourism development strategies in different countries. This study was applied according to seven pre-conditions for a successful development of agritourism (after Bernard Lane/University of Bristol/GB, in Agritourism Conference, 2018). These analyses were completed by qualitative assessments from reports, studies and other academic studies in the field.

### **4. RESULTS AND DISCUSSIONS**

According to the discussed literature, it can be said that the regions in Georgia are facing too many challenges. First of all, the knowledge problem must be mentioned, free training programs for locals should be managed, case studies

about successful agritourism projects and business should be discussed, locals should know their importance in rural business. Another problem is lack of knowledge in modern technologies.

Nowadays there are many new programs, techniques and equipment that help local people to be more productive, but as there are not many opportunities for locals to get introduced to them or purchase them, they still are not get used to use modern technologies and in order to be more successful with the same resources. The right marketing and promotion strategies, mainly the development and management of web-based agritourism business directories, products, destinations, and services, also play an important role in agritourism business development, raising awareness about the agritourism business benefits which can be very important for every inhabitant.

Every region is different and can have different kind of resources, locations, visitors, but common strategies can be developed, to be followed by all regions:

1. Before starting agritourism it is necessary to study the market and plan own segment;
2. Make financial analyses;
3. Make a detailed plan for minimum next 3 years;
4. Study potential customer behavior and plan customer-oriented service programs,
5. Follow international standards;
6. Follow international quality programs,
7. Build partnerships,
8. Promote business with suitable communication channels.

It is interesting to discuss the potential of developing agritourism in Georgia, with seven pre-conditions for a successful development of agritourism business (after Bernard Lane/University of Bristol/GB, in Agritourism Conference, 2018) (Table 3).

Table 3

Pre-conditions for a successful development of agritourism business

No.	Pre-conditions	Conditions in Georgia
1.	Attractive landscape and rich cultural heritage	Georgia has an attractive landscapes and cultural heritage. There are some national values inscribed on the World Heritage List. These are: Gelati Monastery (1994,2017), Historical Monuments of Mtskheta (1994), Upper Svaneti (1996) (Unesco). Georgia is famous for its stunning natural beauty. It has a great variety of climate zones, from Mediterranean to subtropical, as well as natural landscapes, both at the seaside and high mountains, deserts and vineyards, forests and glaciers.
2.	Easy accessibility from the (mainly rural) markets of origin	In Georgia, mainly over the weekends, people from rural areas get to the capital city markets to sell local natural products. People from the cities also go to the rural areas to buy products, so accessibility is not a problem for Georgia; with the signing of the Association Agreement with the EU, Georgia-EU trade-economic relations have also moved to a qualitatively new level.

Table 3 (continued)

		<p>New opportunities to enter and establish a Georgian export product in the EU market have emerged. One of the important products that is already allowed in the EU market is Georgian honey. The EU has included Georgia in the list of third countries, which means that honey has been exported from Georgia. Although the Georgian regulatory system is closely aligned with the EU regulatory system, implementation of legislation and training of qualified specialists remains an important challenge. Consequently, the process of raising awareness among farmers, business operators and other stakeholders has begun. The new legislation imposes certain obligations and responsibilities on this segment. Safe and high-quality honey production is a complex issue that requires a thorough knowledge of modern, integrated management principles for all participants in the full range of “field to table” production.</p>
3.	Small and medium farms with interest in diversification	<p>Farms are just developing in Georgia, but all of them are interested in diversification. The Agency for Agricultural Projects Management has launched a project of registration of farms and farmers throughout Georgia. According to the Agency, farmers’ interest is very high and on the first day, dozens of farmers registered in the database. According to the Agency, the registration of people engaged in agricultural activities throughout Georgia is planned within the framework of the project, which will create an information base and enable the target groups to be properly selected for the diversification and implementation of different stimulating projects / programs for the future.</p>
4.	Farms owned by the farmers	<p>Farm business is just in the developing stage. At present, there are already small farms where guests will be hosted by farmers. The Farm/Farmer Registration Project regulates the Unified Farm/Farm Registry System, which will consolidate information on people engaged in agricultural activities, their agricultural activities and their owned/used agricultural assets in a single electronic database. The project is initiated by the Ministry of Environment Protection and Agriculture of Georgia and implemented by the Agency for Agricultural Project Management.</p>
5.	Farms in relatively wealthy regions, i.e. farmhouses are well equipped; room for accommodating visitors available	<p>Georgia is a rich country with its nature, geographic and climate conditions. There are 11 regions in Georgia: 1. Autonomous Republic of Abkhazia, 2. Autonomous Republic of Adjara, 3. Guria Region, 4. Imereti Region, 5. Kakheti Region, 6. Mtskheta-Mtianeti Region, 7. Racha-Lechkhumi Region, 8. Samegrelo-Zemo Svaneti Region, 9. Samtskhe-Javakheti Region, 10. Kvemo Kartli Region, 11. Shida Kartli Region.</p> <p>All of these regions have their own specific climate conditions, culture, traditions and cultural heritage. So, every region of Georgia has a potential to develop agritourism business. At present, there are several ENPARD projects carried out, which on the one hand provide opportunities for rural development and on the other hand give the possibility to develop agritourism too, as in the absence of a developed rural system, it is impossible to develop agribusiness.</p>

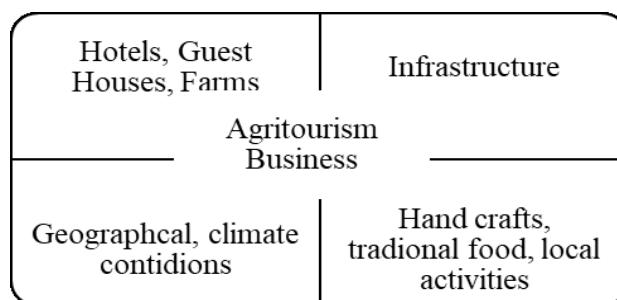


Table 3 (continued)

6.	Local/regional tourism organizations for marketing and infrastructure	According to the Public Service Hall, in the year 2019 three non-entrepreneurial (non-commercial) legal entities are registered that support agritourism. These entities are: Racha Lechkhumi and Kvemo Svaneti Agri Tourism Development Association, the center of agritourism development “Korena” and the Union “Georgian Agritourism Association”. There are 163 non-entrepreneurial (non-commercial) legal entities all over Georgia, which support tourism to be more productive. It should be mentioned that almost all regions have at local self-governance divisions or special centers which support local rural tourism. For example: Tskaltubo tourism development centre, Samegrelo tourism development centre, Bagdati tourism development centre, etc. The Georgian Farmers Association (GFA) is an umbrella organization. It brings together more than 600 members, some of whom are key actors in the civil society of this sub-sector. The Georgian Farmers Association can play an important role in public-private partnerships, as it advocates for the needs of farmers and the private sector. With the help of its Information and Reference Service and the Hotline, the Association receives information on difficulties in the private sector and negotiates with the authorities and other stakeholders on these issues. Members and stakeholders have access to a wide variety of services from the Georgian Farmers Association, such as market research, monthly reports, private sector needs assessments, opportunity audits, etc. In 2016, the international center on conflict and negotiation developed the agritourism strategy document “Agri-Tourism for Samtskhe-Javakheti and Kvemo Kartli Regions of Georgia. Another project is Tourism Development Plan in Khulo Municipality. This document has been developed in the framework of the project “Supporting Rural Development and Diversification in Khulo Municipality” by ENPARD and Caritas.
7.	Hospitality resp. tradition in hosting guests	A special impression when visiting Georgia is the people’s warmth and warm attitude towards the guests. The Caucasus countries, especially Georgia, have been associated with foreign visitors since ancient times. Even nowadays, modern Georgians regard foreigners as visitors to the country and try to pay attention to them. Attentive and friendly people will often visit you during your visit and this mood will surely be remembered.

Source: Author’s adaptation based on Lane, Agritourism Conference 2018.

Well-developed agritourism business provides benefits to the region and locals. Developed agritourism means modernized infrastructure, income growth and social well-being. When hotels and guest houses begin to develop, employment opportunities emerge on the farms; also, farmers always need people who will support them and work together. Agritourism development gives a hand to craft businesses, because tourists are always interested in buying handmade items, so all these activities together can create the business which generates profit for the local people and also for the region and then for the country.



Source: Author's adaptation.

Figure 2. Agritourism Business.

Agritourism business appears to be the chain where everything has an important role. First of all, before starting agritourism it is important to analyze the climate and geographic conditions of the region, because these are the key elements of the successful agritourism business, because it is important for tourists to travel in the countries where there are good climate conditions and unique nature.

Table 2

Challenges of Agritourism Business in Georgia

Challenge	Outcome
Lack of knowledge	Training programs
Poor experience	Manage exchange programs
Infrastructure	Public Private Partnership / Local self-government
Money	Loans for agribusiness development
Advertisement and marketing	Make the research and promote the region / organize agritourism info tours
Lack of knowledge on modern technologies	Organize meetings and start using modern technologies
Business plans	Help local people to write business plans and get grants or establish own startup companies
Sustainable development	Training programs to understand what sustainability means
Product quality	Locals should understand the benefits of quality and follow it, implement international food safety standards
Insurance programs	Harvest insurance should be mandatory for everyone, because serious problems may appear in case of disasters
Advisory programs	Government can organize programs; interested beneficiaries will be sure to get proper advice and recommendation from experienced professionals and programs
Language / communication	Language appears to be a problem between locals and tourists, so free foreign language courses can be also useful
Human resources	It is important to hire the right people, who know both agritourism and business

Source: Author's adaptation.

## 5. CONCLUSIONS

Agritourism represents an important means for rural economy diversification in Georgia and providing quality travel and recreation experiences. The agritourism sector is the key sector to achieve poverty alleviation, environmental sustainability, and global partnership in rural development. Agritourism business is the most important way out for rural communities who cannot get benefits from the positive economic effects of traditional sectors as agriculture and industry, without agritourism.

Agritourism is a business which connects the segment of tourists within the larger marketplace who have similar interests, demographic, buying behavior, and/or lifestyle characteristics to the local people. At the same time, agritourism is a synergy that connects two important industries for the rural areas, i.e. agriculture and travel/tourism, to open up new profitable markets for farm products and services as well to provide a market for travelers and rural tourists. It is important to consider these factors in planning and developing agritourism as a rural business.

Even though agritourism is not well organized and highly recognized as a rural business in countries like Georgia, considering the economic, social, demographic, political and environmental influence and pre-conditions for successful agritourism, which were discussed above, we can conclude that there is a huge potential for promoting agritourism in Georgia. Agritourism business appears to be a way out of poverty, sustainable development and social well-being, which are very important for the people who live in rural areas.

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