

## PROFITABILITY OF SELECTED AGRITOURISM FARMS

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**Abstract.** The article aims to present the opinions of service providers on the sources of funding agritourism and profitability. An owner of a tourist facility should have a continuous possibility of obtaining financial resources and be skilled in introducing new organisational methods on his/her agritourism farms efficiently. Most service providers gave a positive answer to a question about making use of financial support for developing a business. As research shows, service providers' own resources and funding that comes from the European Union for the development of tourism constitute the basic sources of funding agritourism. Half of the respondents – owners of agritourism farms who took part in the survey – were for making use of financial resources offered by the European Union. The share of income from agritourism in most farmers' personal income was 50%.

**Key words:** profitability, financial sources, rural tourism, agritourism, Podlaskie province

### INTRODUCTION

Appropriate funding is one of the fundamental issues in every business. That is why capital is an indispensable condition for developing a system of management in a company. The sources of funding investment can be divided according to two criteria: the sources of capital and the stages of innovative development of a company [Karluk 2013]. The sources of capital for development can be divided into [Walicka 2007]:

- Internal ones – which include income, depreciation, an issue of shares, a sale of parts of the company and intangible goods. These are safe sources of fund-

ing because they do not depend on the situation on financial markets. Internal sources mainly serve to fund innovation that does not need much finance in relation to a company's possibilities, e.g. innovation of already existing products.

- External ones – which are commercial and non-commercial. Commercial sources of funding include e.g. a bank loan, a cash loan, credit and a mortgage loan and leasing. Using these sources of finance is connected with a higher risk because in the case of problems on the financial markets, there can be a threat that a company may lose its accounting liquidity or even go bankrupt. The advantage of this solution is the possibility of raising big capital that cannot be obtained from a company's own resources. Non-commercial sources are connected with the instruments of economic policy and innovation policy and they include e.g. resources coming from international, government, self-government and non-profit organisations funds.

The development and maintenance of the tourist facilities potential in agritourism require that their owners raise adequate financial resources. These can be structural funds, credit, loans or a farmer's own or his/her family's savings. Owners of tourist facilities should be skilled in introducing new organisational methods necessary to achieve the changing development targets in this kind of tourism.

## **AIM, RESEARCH METHODOLOGY AND POPULATION CHARACTERISTIC FEATURES**

The article aims to present the opinions of service providers on the sources of funding agritourism and profitability<sup>1</sup>. In order to fully and objectively examine these factors, the empirical material was collected with the use of a survey and its adequate research technique (a questionnaire). The research was conducted in June 2014. The questionnaire was addressed to 13 owners of agritourism farms in the following *gminas* (communes) of the Podlaskie Voivodeship: Jeleniewo, Suchowola and Suwałki.

The average age of the respondents was 44 (the oldest service provider was 60 and the youngest one 27). The owners of agritourism farms were highly qualified because 5 owners of them were university graduates, 4 owners completed secondary education. Three respondents finished basic vocational schools and only 1 owner just primary education. An important element of the socio-demographic characteristics was time to conduct an agritourism farm. More than half

<sup>1</sup> The research was conducted within a broader project connected with agritourism in the Podlaskie Voivodeship.



of the respondents conducted this activity five years or more. Agritourism farms undertook directing farmers belonging to different area groups. The largest of the surveyed households had an area of 20 hectares. The smallest farm was 1.5 ha. The average size of the surveyed households was 6.2 ha.

The study also included labor resources in the analyzed agritourism farm. On average, households were made up of 4 people, including 2 people permanently occupied in farming activities. The vast majority were members of the family. They were involved in running a tourist farms, tillage, activities on the farm and other activities. It can be concluded that the investigated farms were small-area and they worked mainly family members of the owner.

## TYPOLOGY OF AGRITOURISM

The concept of agritourism appeared in the Polish and world literature in the last 25 years of the 20<sup>th</sup> century. It is a compound of two parts: *agri* and *tourism*. The prefix *agri* derives from the Greek term *agros*, which means a 'farmland', and *agronomos*, referring to a person managing a farm [Sznajder and Przezbórska 2006]. Tourism is a form of active leisure away from the place of residence that is inspired mainly by recreational, cognitive and sports needs [Kozak 2006]. It can be defined from two points of view: demand and supply [Kosmaczewska 2007]. According to M. Drzewiecki, for tourists, it is a form of leisure "taking place in rural areas that are agricultural in character, based on farm accommodation and recreational activities connected with a farm (...) and the surrounding (nature, production and services)" [Drzewiecki 1995]. On the other hand, entities offering agritourism services "include various hotel services – agrihotels, gastronomy – agrigastronomy, recreation – agrirecreation, leisure – agrileisure, sport – agrisport and even medical therapy – agritherapy" [Sznajder and Przezbórska 2006] in that concept.

In everyday life and sometimes also in literature, agritourism is often understood as rural tourism. Although the two terms overlap, they should not be treated as synonyms. According to J. Majewski, "rural tourism is any form of tourism taking place in the rural environment and making use of its rural features (nature, landscape, culture, architecture etc.), which are the main attractions" [Majewski 2004]. On the other hand, agritourism is a narrower concept that covers various forms of tourism connected with a farm, where the main attractions are animal and plant production [Mlynarczyk 2002].

For the needs of further considerations, the author treats agritourism as part of rural tourism connected with leisure (also active one) on an active farm that offers various recreational and tourist services on its area and outside it in the tourist season or throughout the whole year [Roman 2014].

The increase in interest in leisure in rural areas, in the surrounding of unspoilt natural, geographical and cultural resources [Wiatrak 2000], friendly people, animals and plants, in peace and quiet, with a possibility of active recreation – is characteristic of the 1970s in Europe, including Poland [Wiatrak 1996]. The development of agritourism provides local residents with additional employment opportunities [Wojciechowska 2006], utilisation of accommodation resources, possibility of selling food produced on site (usually of higher quality) and at the same time enhances the general level of culture, infrastructure, monuments and environment protection and natural and landscape features, which, in the case of agritourism, become integral elements of market goods [Gannon 1990].

In the last years, agritourism services have become an opportunity to diversify sources of income for many farmers and their families. A traditional farm does not often generate a satisfactory level of profits. Nowadays, many farmers decide to start such a business in rural areas.

## RESULTS

The development of tourism in rural areas largely improves the economic situation of the rural population. Allows to increase revenue, the creation of new jobs and stimulate the local economy, especially in the service sector. For farmers, this is equivalent to increasing the standard of living and, in some cases, provides sustaining farm. Introduction by farmers additional non-agricultural activities is related to many factors, economic and non-economic [Kosmaczewska 2007].

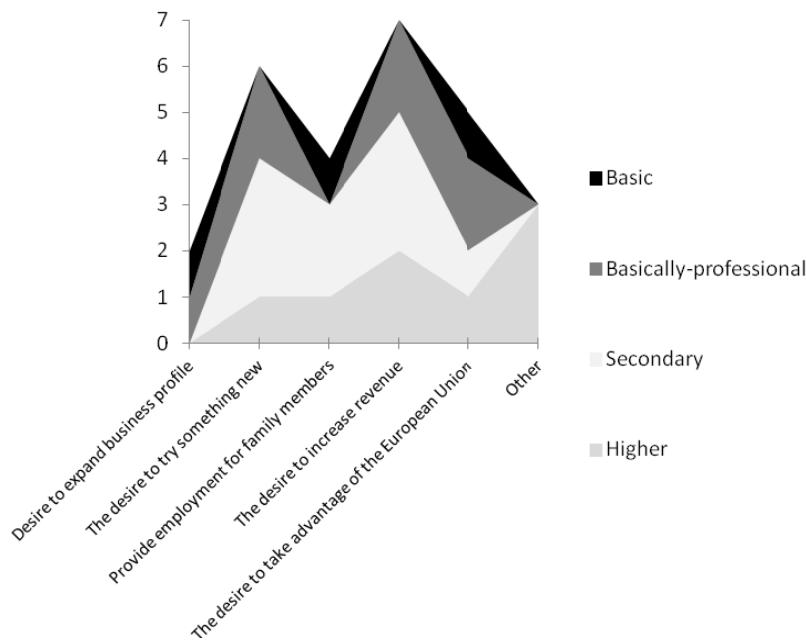
When planning to undertake any activity, should think not only about the financial results of the project, but also elements such as: independence, self-reliance, friendly atmosphere at work. With the start of the implementation of economic projects may arise such concerns as: the uncertainty of income, job insecurity and orders, the risk of losing their property, sacrifice too much energy and time on the business, the opportunity to experience a personal failure and ultimately bankruptcy.

In the sphere of agritourism direct beneficiaries are the owners of the agritourism farm. When deciding to start agritourism activity may be accompanied by a variety of motives, both economic and non-economic as. The possibility of obtaining additional income was the most frequently reported reason for starting the tourist services. The economic situation of farms often forces farmers to undertake additional activities. For this purpose, were repaired and modernized houses and other farm buildings to create an appropriate basis for the adoption of tourist visitors. It was certainly less capital-intensive and time-consuming than the place home from scratch.



An interesting theme agritourism activity is taking the opportunity to try something new. They may be talking with tourists, spending time together off. In many cases, the motivation for the deployment of services agritourism is using funds from the European Union funds.

Factors making agritourism activity depended on the level of education of farmers. The results are shown in Figure 1.



**FIGURE 1.** Factors influencing the adoption of agritourism activities, depending on the level of education of providers surveyed

Respondents could indicate more than one answer.

Source: author's own research.

It was noted that the ability to obtain additional income showed mainly people with secondary level of education.

Agritourism activity, like other types of business, is exposed to, especially in the early stages, some problems and factors adversely affecting the making of such services in rural areas. The main factors hindering the start-up agritourism financial problems (indicated 6 agritourism farm owners). Subjects were also recognized the difficulty in obtaining a bank loan, the lack of support from the local government and officials regulatory issues.

The development of agritourism can be financed with the use of resources from different sources. The research looked for the answer to the question wheth-

er persons involved in agritourism make use of the financial support for the development of business activities. Most service providers (11 agritourism farms) answered the question positively. The research shows that farmers' own resources and resources from the European Union funds constitute basic sources of funding agritourism. Service providers also took commercial and preferential bank loans and borrowed money from family and friends. Half of the respondents – owners of agritourism farms – were for the use of financial resources offered by the European Union for the development of tourism.

Another issue analysed in the research is the share of income from agritourism in the total household income. The share of income from agritourism in the structure of most farmers' personal income is 50% (Figure 2). The research also shows that none of the agritourism farm owners said that it was his/her only income. It results from the fact that small family farms in rural areas are not highly profitable, which makes many farmers look for additional source of income outside agriculture. One can notice that agritourism increases employment and income of rural areas residents. The development of agritourism can be a chance to use immobile labour force that is present on farms and is conducive to involving a farmer's family members who are unemployed. The increase in the number of agritourism farms helps to decrease unemployment in rural areas.

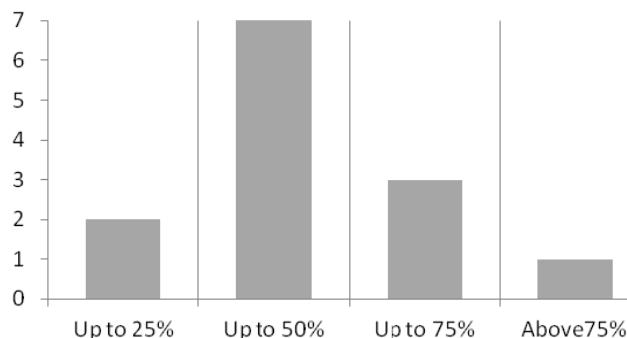


FIGURE 2. Share of income from agritourism in the total household income

Source: author's own research.

It is worth highlighting that even small spending on founding an agritourism business does not give returns straight away. Agritourism farm owners say they observe only a partial return of the expenses. The reason is a too small number of tourists visiting particular farms to relax. This can be connected with the fact that the offer is not attractive enough, promotion is not sufficient and there is no demand for agritourism services after the tourist season.

## CONCLUSIONS

Based on the conducted research, a few general statements and conclusions have been made:

1. An owner of an agritourism farm should be able to continually raise financial resources and be skilled in introducing new organisational methods in his/her agritourism farm efficiently.
2. Often the farm owners seeking alternative sources of income, and thus to diversify its business. One option is tourism, which is becoming a viable alternative to the creation of new jobs, sources of income and raise the standard of living.
3. Agritourism brings a lot of benefits of economic and non-economic primarily service providers agritourism farmers and their families, but also the entire rural communities.
4. The possibility of obtaining additional income was the most frequently reported reason for starting the tourist services. Indicated mainly people with an average level of education.
5. The main factors hindering the start-up agritourism financial problems.
6. Most service providers (11 agritourism farms) answered the question regarding the use of financial support for the development of business positively. The research shows that the respondents' own resources and financial resources from the European Union funds are the main sources of funding agritourism. Half of the respondents were for the use of the European Union financial resources for the development of tourism.
7. The share of income from agritourism in the structure of most farmers' personal income is up to 50%.
8. Agritourism increases employment and income of the residents of rural areas. The development of agritourism can be a chance to use the immobile labour force that is present on a farm and is conducive to involving a farmer's family members who are unemployed. The increase in the number of agritourism farms helps to decrease unemployment in rural areas.

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## DOCHODOWOŚĆ WYBRANYCH GOSPODARSTW AGROTURYSTYCZNYCH

**Abstrakt.** Celem artykułu jest zaprezentowanie dochodowości i źródeł finansowania działalności agroturystycznej w opinii usługodawców. Właściciel obiektu turystycznego powinien posiadać zdolność ciągłego pozyskiwania środków finansowych oraz dysponować umiejętnością sprawnego wprowadzania nowych metod organizacji w swoim gospodarstwie agroturystycznym. Większość usługodawców udzieliła twierdzącej odpowiedzi na pytanie dotyczące korzystania ze wsparcia finansowego na rozwój działalności gospodarczej. Z badań wynika, że własne środki usługodawców oraz środki finansowe pochodzące z funduszy Unii Europejskiej stanowiły podstawowe źródła finansowania działalności agroturystycznej. Za korzystaniem ze środków finansowych pochodzących z Unii Europejskiej na rozwój turystyki opowiedziała się połowa badanych właścicieli gospodarstw agroturystycznych. Udział dochodów z działalności agroturystycznej w strukturze dochodów osobistych rolnika kształtował się przede wszystkim na poziomie do 50%.

**Słowa kluczowe:** dochodowość, źródła finansowania, turystyka wiejska, agroturystyka, województwo podlaskie

