

An analysis of farmers' income in some Italian agritourism

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Abstract

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This study discusses the evolution of agritourism in central region of Italy such as Latium region and as the staying time in farm has had direct effects on the level of farmer's income. This research has proposed three different scenarios in terms of staying time of agritourists (3.5 days, 5 and 10 days per person) in order to assess the total costs and the total revenue for farmers. Findings have pointed out as there is not a return to scale between staying time and total revenue. The growth of agritourisms in Latium region has been strongly supported by financial aids and other payments allocated by the European Common Agricultural Policy even if the land fragmentation of farms and the aging of farmers are two main constraints in a mounting growth of agritourisms. Outcomes have pointed out a not significant role of a most famous touristic centre as Rome in attracting agritourists and in increasing the amount of time spent in agritourisms. This has corroborated the hypothesis according to which agritourism is not an alternative and cheaper typology of tourism in antithesis of traditional one but it has got an own independence with specific needs and expectations of agritourists towards the agritourism.

Key words: agritourism; Italy; Common Agricultural Policy; total costs; total revenue; rural development

Introduction

Since the early 1960s in two Italian regions as Tuscany and Trentino Alto-Adige, located in the center and in the north-east of Italy, there has been a significant growth of farms able to give hospitality and distributing also food directly produced in their enterprises. Unfortunately, this typology of niche tourism, though codified by a specific law in other European countries such as Germany and Austria, had in Italy the first formal and legal recognition in 1985. In fact, this type of non-traditional tourism has been regulated by the national law 730 promulgated by the Italian Parliament in December 1985. Afterwards, many Italian regions have enacted specific laws and have set up a register for farms qualified as agritourism. Furthermore, in 2006, by the Italian law 96 published in February 2006, the legislative agritourist framework has been revised and integrated in the

light of new functions and priorities attributed to farmers in a perspective of multifunctionality and of socio-economic protection of the rural space (Galluzzo, 2009a; 2009b; 2010a; 2010b; Van der Ploeg, 2006; Van der Ploeg et al., 2002).

In 2001, the Italian Government promulgated the legislative Decree 228 affirming as agritourism is a complementary activity with a significant nexus to the usual agricultural activities of cultivation and breeding. The purpose of legislators was to strength connections between local food, traditions, rural tourism and farms by rural districts and agro-food districts of quality using the same approach of industrial districts whose Italy has always been one of the worldwide leader (Becattini, 2000; Becattini et al., 2009; Galluzzo, 2008, 2009a, 2009b; Vieri, 2012).

In literature, there is not uniqueness in the definition of agritourisms and harsh is also to get an easy terminological and functional definition of agritourism (Nilsson, 2002;

Sznajder et al., 2009; Phillip et al., 2010). In fact, the main factors driving choices in farm tourism and in rural tourism are different such as dissimilar are the needs and targets of stakeholders (Nilsson, 2002; Tew and Barbieri, 2012; Arroyo et al., 2013).

The role and function of agritourism is a direct consequence of a significant decrease of farmer's income due to structural changes in the European Common Agricultural Policy strategies, which have eliminated direct payments linked to the yield of crops, and a rising interest by the public opinion towards ecological problems and the socio-economic marginalization of rural areas (Van der Ploeg et al., 2002; Galluzzo, 2009b, 2014; Henke and Salvioni, 2010). Farmers in the European Union have changed their own model of production from a productivist method to a post-productivist one addressed towards the multifunctionality (Ilbery, 1998) and agritourism has played a fundamental part in this transition phase in European farms.

Agritourism has been a central element in the socio-economic growth of European rural territories to which the European Union, both through the seven-year time Rural Development Programme 2014-2020 and also previously over the time 2007-2013, has addressed its own main efforts allocating specific financial funds aimed at stimulating a process of productive diversification in the countryside. Since 2000, the European Common Agricultural Policy (CAP) has been organized in two pillars: the first pillar disburses direct payments to farmers which are independent of the yield of production. The second pillar is devoted to support financially a policy of rural development throughout investments in diversification of farm's activities, encouraging young farmers in a generation turn-over in the European countryside, by a development of non-agricultural activities in rural areas and throughout a village renewal in rural areas by cultural activities and new tourism infrastructures.

For few people agritourism is identified as an alternative and cheaper typology of traditional tourist supply codified by hotel and bed and breakfast. By contrast, the traditional archetype of agritourist is a tourist attributing to the farms a place able to relax and where it is possible to eat high quality food linked to rural traditions (Galluzzo, 2006, 2009a, 2009b). It should not be forgotten that for many tourists, especially for some of them coming from the North of Europe, Italian agritourism is idealized as place able to supply a combination of food and local traditions respecting and protecting environment (Mattiacci and Vignali, 2004; Van der Ploeg et al., 2002; Van der Ploeg, 2006).

Recent findings have argued as the size of farm, in terms of usable agricultural areas, is a key variable in influencing the decision process of farm's diversification and invest-

ments by Italian farmers aimed at implementing the level of income, technical and economic efficiency of agricultural enterprises (Galluzzo, 2013). Other downsides in the process of growth of agritourism in Italy are correlated to a significant fragmentation of farms in several modest plots of land and to the age of farmers. Farms that have invested in the second pillar of the CAP throughout the National Rural Development Plan have focused their projects and efforts towards a diversification of productive activities by the agritourism and by a generational turn-over able to ensure a more integrated development of rural areas that provides a greater stability in farm's incomes. This latter aspect is particularly important in farms scattered in disadvantaged rural areas that account for over 60% of Italian territory and in a similar way in the study area as Latium region where farms are predominately located in hilly and mountainous rural territories.

Aim of the research and methodology

The area of study investigated in this research is the Latium region which is made by five provinces and four of them are set out like a semicircle all around Rome which is able to be an appealing center in the international tourist market (Fig. 1).



Fig. 1. Location of the study area in Italy and its administrative and geographic provinces

Comparing several Italian regions close to the Latium region as Tuscany and Umbria it emerged as certified quality food and agritourism are two important factors in increasing the farmer's income by enhancing of tangible, intangible and emotional goods that generate rural districts renowned all over the world (Sonnino, 2004; Galluzzo, 2006, 2009a, 2009b). According to these authors, rural districts and agritourisms ensures an integrated socio-economic development of the rural area reducing significantly the rural emigration from the countryside and the socio-economic marginalization of rural spaces due also to the aging of farmers and to the shrinking of farm's income.

In November 1996, Latium Region promulgated an own specific law about the agritourism following the legislative framework published by the Italian Parliament in February 2006. As a consequence of this law, the opening time for agritourisms has been increased from 9 to 12 months with an opportunity of giving hospitality to no more than 50 people, providing meals for no more than 80 people.

The purpose of this research was to assess in function of the number of tourists accommodated in agritourism the total costs and the whole farm's income in terms of total revenue defining also the break-even point between cost and revenue in terms of threshold of tourists able to produce a positive profit. In function of the variables staying time and people accommodated in Latium agritourisms it has been possible to assess the number of people able to maximize the profit and consequently the farmer's income.

The total revenue is the total amount of income obtained by the agritourism in function of the selling quantity (q) expressed in this case as staying time and number of agritourists accommodated in farms at a well-defined unit of price (p) or rather the price for each person and each day staying in farms. In mathematical terms, the function of the total revenue (TR) is:

$$TR = p * q \quad (1)$$

The function of the total revenue is a line starting at the origin of the axes because no agritourists accommodated in farms implies the absence of total revenue because q is equal to 0 and TR is null.

The total cost (CT) is the sum of costs made by fixed costs (FC), which are independent by the people accommodated in farms, and variable costs (VC) that are directly correlated to the number of tourists in agritourisms; in mathematical terms, the formula is

$$TC = FC + VC \quad (2)$$

The difference between total revenue (TR) and total costs (TC) is the profit of farms and when the value of total revenue is higher than the total cost the profit is positive otherwise it is negative.

Table 1
Opening time of agritourist farms in Latium region in different years

Year	Months					Total farms
	< 3	3-6	6-9	> 9	all year	
2003	12	32	135	26	140	345
2008	19	77	263	75	195	629
2010	14	65	251	76	426	832
2015	13	60	164	92	621	950

Source: statistic of agritourism on the website www.istat.it

Results and Discussion

Findings about the agritourisms in activity in Latium region have pointed out an intense growth in particular over the time 2003-2008 (Fig. 2). In fact, in five-year time the farms specialized in hospitality and in food supply doubled and the recent statistical data, published by the Italian Institute of Statistics (Istat) has underlined as more 950 farms are in activity in 2015 compared to 345 in 2003.

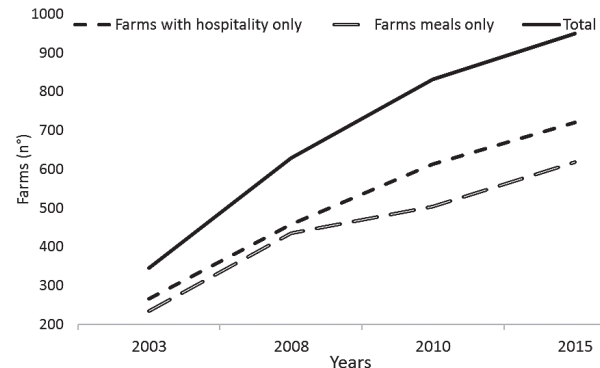


Fig. 2. Evolution of agritourisms over 13-year time in Latium region

Source: our elaboration on data www.istat.it

Most of the farms have an all year opening time instead less than 2% of agritourist enterprises are open until three months per year (Table 1) predominately during the traditional holidays and as a consequence of aging of farmers or because the agritourism has a marginal role in the usual management of farms.

According to the data published by the Italian Institute of Statistics (Istat), in Latium region each farm is able to give hospitality predominately in furnished rooms to in average 10 people with an opening time between 9 to 12 months.

In general, the analysis of time series has pointed out as each agritourist stays in farms no more than one week even if, as a consequence of economic recession, since 2008 there has been in Italy a significant drop in arrivals and presences of agritourists. This decline has involved specifically Italian

tourists than others coming from abroad and predominantly from the north of Europe (Germany, Austria, Sweden, France and Switzerland).

Comparing two year-time 2014-2015 in Latium region there has been an increase of arrivals driven mainly by tourists coming from other European countries than from Italy with two provinces out of five such as Rieti and Viterbo which have had a growth in arrivals (Fig. 3). The provinces of Rieti and Frosinone have underlined the poorest values of presences in agritourism lower than 15,000 people (Fig. 4). Very interesting has been the amount of presences found out in Rome under 20,000 people that corroborates the hypothesis, according to which agritourism is not an alternative and antithetical typology of accommodation opposite to traditional accommodation facilities but it has got specific features satisfying special needs of a niche market of tourists.

Examining in depth number of arrivals and presences in Latium region it emerges in 2015 a significant increase of tourists linked to a sharply decline of staying time due

to over 50,000 presences less than the previous year 2014. Days of stay for agritourism in Latium region and in all provinces decreased by 42% and in average it diminished from 4.7 days in 2014 to 3.4 days in 2015 (Fig. 5).

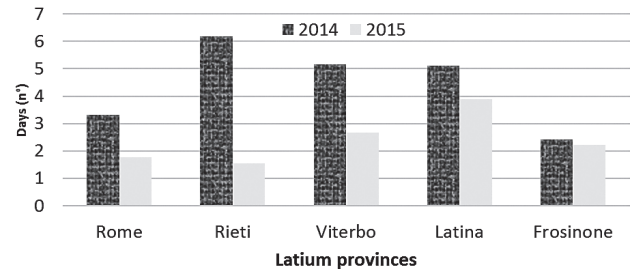


Fig. 5. Days of staying for agritourism in Latium region and in all provinces

Source: our elaboration on data www.istat.it

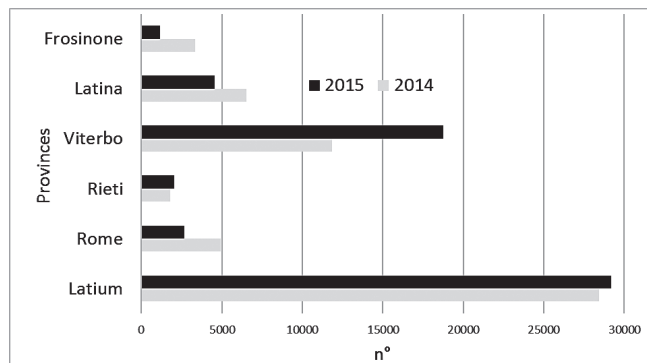


Fig. 3. Number of arrivals in all agritourism located in the area of study and in all administrative provinces

Source: our elaboration on data www.istat.it

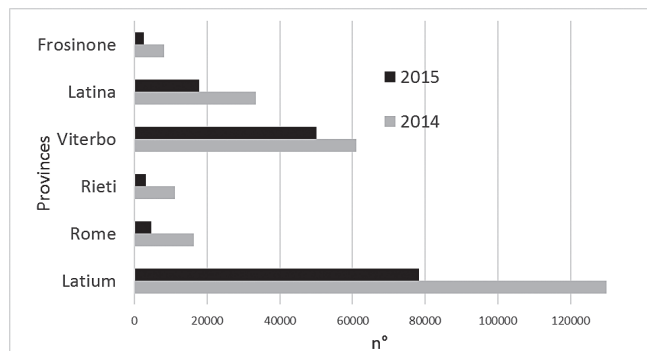


Fig. 4. Presences of agritourists in Latium region and in all provinces

Source: our elaboration on data www.istat.it

In order to assess the total revenue and total costs it has used three different scenarios in function of days of stay in agritourism such as 3.5 days as underlined by National Institute of Statistics (Istat) in the most recent findings in Latium region, 5 days that was a consolidated value of staying time in Italian agritourisms. Furthermore, the number of people accommodated in farms has been estimated at a threshold of no more than 20 people which, according the law published in Latium region, is under the maximum value of accommodated people equal to 50 people per day per farm. The threshold of 20 people represents an optimal approximation of the real agritouristic fabric in Latium region where small farms, compatibly to their agricultural works and to the man-

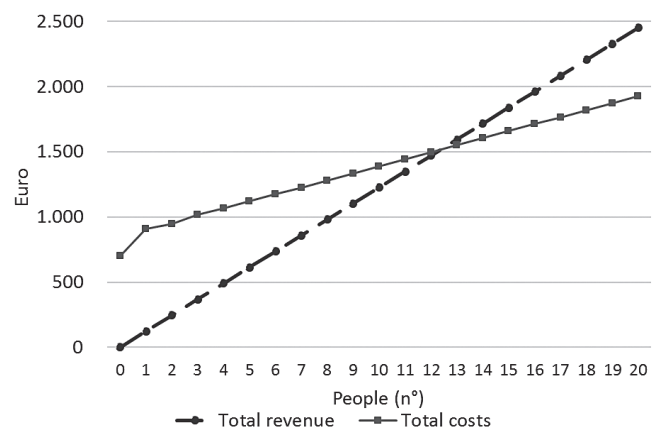


Fig. 6. Evolution of total costs and revenue in the first scenario with 3.5 days of staying time for agritourism in Latium region

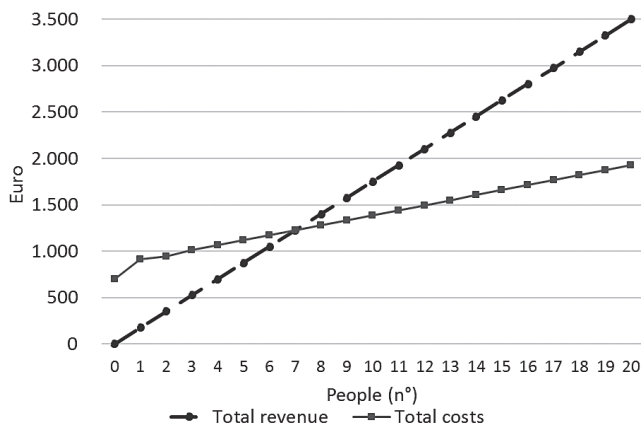


Fig. 7. Evolution of total costs and revenue in the second scenario with 5 days of stays for agritourism in Latium region

agement of farms, which is the main activity as regard to agritourism, give hospitality in no more than 8-10 rooms.

In the first scenario, or rather considering a time of staying equal to 3.5 days per each agritourist, findings have pointed out a break-even point at 12 people accommodated in the farms with a level of positive profit very poor, in a range between 14 to 20 agritourists, able to give a profit lower than 600 euro (Fig. 6). Increasing the stays for agritourist till 5 days for each agritourist in farms, which has been typical of Latium agritourisms in 2014 and in previous years, outcomes have highlighted an increase of income for farmers and a drop of people able to get to the break-even point which are close to 7 people (Fig. 7).

In the third scenario, considering a time of stay equal to 10 days, which was typical in the past years before the eco-

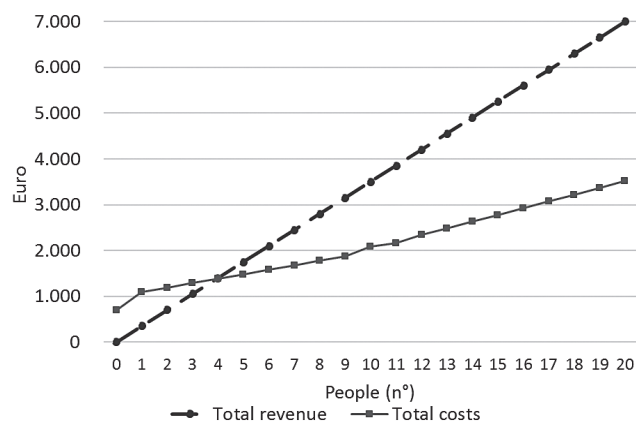


Fig. 8. Evolution of total costs and revenue in the third scenario with 10 days of staying time for agritourism in Latium region

nomical recession in 2008 specifically focusing the attention towards tourists coming from abroad such as United States of America, Germany, The Netherlands and other northern European countries, findings have highlighted as redoubling the days of staying in agritourism this implies a redoubling of total revenue and a growth less than proportional of the total costs (Fig. 8). The break-even point is close to 4 people accommodated in farm even if the level of net profits in all three scenarios are positive but they do not have a trend typical of a return to scale as being assumed as a consequence of an increase of staying time.

Conclusions

Latium region is characterized by farms with a modest size of agricultural area and a high level of labor capital due to the aging of farmers and to a fragmentation of land capital. In spite this, in the Latium region there has been a steady constant growth of agritourism because of financial supports allocated by the European Common Agricultural Policy.

Despite the subsidies and payments disbursed by the European Union in the second pillar by the Common Agricultural Policy, the main constraint in the development of agritourism in the area of study is due to the aging of farmers. These latter are less disposed to change the management of farms by agritourism which needs of a new generation of young and high skilled farmers able to face with the new challenges coming from a niche touristic market very demanding and able to exclude enterprises unprepared that do not satisfy a new refined demand of rural and green tourism.

The presence of an important tourist center in Latium region as Rome does not seem to be a variable influencing the staying time of guests in farms. Therefore, this corroborated the hypothesis according to which agritourism is identified as a rural space where it is possible to relax in a holistic and integrated atmosphere of rurality with a complete nexus between countryside, its features, traditions and food.

To sum up, findings have underlined as Latium agritourisms do not have a return to scale of total revenues in function of the stay of agritourists. Furthermore, outcomes have highlighted the opportunity for farmers in implementing their opening time instead of enlarge the number of rooms, which has direct consequences in increasing management and general costs and on the contrary in shrinking farmer's income and revenue. In general, a farm with no more than 10 beds or 5 rooms in Latium region with an opening period ranging from 6 to 9 months is able to ensure a fair enough income level for farmers in addition the one derived from the main agricultural activity.

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