

The Economic Contributions of Agritourism in New Jersey

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In 2004, the New Jersey State Board of Agriculture formally identified agritourism as an economic development strategy for New Jersey agriculture. It is known anecdotally that the popularity of agritourism is growing in New Jersey and across the United States, among both farmers and consumers (Schilling, et al., 2006). However, the extent of farmer participation in agritourism, as well as its economic rewards, are largely undefined since statistics on this activity have not traditionally been compiled by the National Agricultural Statistics Service (NASS), the primary federal agency charged with documenting and monitoring the economic status of American agriculture. This fact sheet summarizes key findings from a study evaluating the economic importance of agritourism on New Jersey farms (see Schilling, Sullivan and Marxen, 2007). The study was conducted to inform farmers interested in agritourism, as well as policy makers seeking to understand the economic development opportunity it presents to the farm sector and State.

What is Agritourism?

There is no universally accepted definition of agritourism. In fact, various terms have evolved to represent the business of inviting the public onto farms for recreational enjoyment or education. These include agritainment, farm tourism, and agrotourism. To be consistent with New Jersey Department of Agriculture policy language, the term used herein will be agritourism, which may be defined broadly as *the business of establishing farms as travel destinations for educational and recreational purposes*.

From a farmer perspective, the popularity of agritourism often stems from the opportunities it offers to earn additional farm income, diversify products and marketing, build relations within the community, and provide employment for family members. For many farms, adding farm recreational activities and entertainment has been a successful strategy for increasing customer traffic to existing farm retail outlets. In other instances, agritourism has become a principal business endeavor.

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Recognizing the variability in the nature of agritourism occurring in New Jersey, five broad types of agritourism activity were considered while examining the prevalence and importance of agritourism in New Jersey. These include:

- **On-farm direct-to-consumer sales of agricultural products** (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 and breakfasts).
- **Outdoor recreation** (e.g., Horse riding, hunting, fishing, hiking, bird watching).

Community farmers' markets, agricultural museums, living history farms, and county agricultural fairs were not included in the definition of agritourism used in the economic assessment.

Survey Approach

A survey was developed to assess the extent and nature of agritourism activities being offered on New Jersey farms in 2006. Information on farmed acreage and annual sales was also collected. The survey was conducted by the New Jersey Field Office of the National Agricultural Statistics Service between April and July 2007. A random sample of 1,500 New Jersey farm operations was selected from the NASS list frame of active farm records. Sampling was conducted to ensure that the surveyed farms were representative of the diverse range of farm sizes in the state. Data collection consisted of two survey mailings and telephone follow-ups. A total of 1,043 completed surveys were returned (a response rate of 69.5%).

Study Results

Overview of Agritourism in New Jersey

The survey found that 21.5% of New Jersey farms offered some form of agritourism during 2006 (Table 1). Considering that the 2007 Census of Agriculture identified 10,327 farms, it is therefore estimated that roughly 2,220 farms are involved in agritourism. The impacts of agritourism on the economic and physical landscape of agriculture are significant. Farm-gate revenues generated from agritourism totaled \$57.5 million in 2006. Survey findings also suggest that 43% of New Jersey's total farmland base is associated with farm operations engaged in agritourism.

Table 1: Percentage of New Jersey Farms Offering Agritourism in 2006.

Farm Size (based on gross farm sales)	Percent of Farms Reporting Agritourism
All Farms	21.5
< \$10,000	17.0
\$10,000 to \$49,999	28.7
\$50,000 to \$99,999	25.5
\$100,000 to \$249,999	21.7
\$250,000 +	38.0

Source: Schilling, Sullivan and Marxen (2007).

Census of Agriculture data show that the 695 farms with \$250,000 or more in farm sales account for 84% of total farm industry sales (USDA-NASS, 2009). While relatively fewer in number, these large New Jersey farms, as shown in Table 1, were more likely to host agritourism activities than farms in other sales classes. The survey found that nearly 4 out of 10 New Jersey farms in this sales class are engaged in agritourism, highlighting the importance of agritourism within the commercial heart of the New Jersey farm sector.

Contribution of Agritourism to Farm Income

Among the approximately 2,220 farms offering agritourism, the survey revealed that more than one-third (36%) derived all of their farm income from on-farm recreation, educational activities, and retail marketing; 51% reported that they earned at least one-half of their total farm income from these activities (Table 2)¹. However, smaller farms were found to rely more heavily on agritourism as a primary income source. Forty percent of agritourism farms with less than \$250,000 in total farm income derived all of their farm income from agritourism. In contrast, only 8% of agritourism farms earning more than \$250,000 in total farm income relied exclusively on agritourism as a revenue source.

Not all farms offering agritourism charge fees for these activities. In fact, 19% of farms reporting agritourism did not earn any direct revenue from these activities. Nearly one-third of larger agritourism farms (e.g., those with \$250,000 or more in farm sales) did not charge fees for such activities. While not specifically examined in the survey, it is theorized that these operations allow hunting or fishing without fee, or host free farm tours and community events. This is supported by anecdotal accounts from farmers, as well as previous research conducted by Schilling, et al. (2006). Among the perceived non-financial benefits of agritourism is the opportunity to raise awareness and understanding of farming within the general public. This ultimately benefits farmers because it may help reduce conflicts with non-farm neighbors and strengthen public support for farm retention.

Among farms reporting agritourism income, agritourism revenues averaged \$33,382 per farm (Table 2). Agritourism revenue reported by larger farms (\$250,000 or more in total farm sales) was substantial, averaging \$191,607 per farm and totaling more than \$29 million in aggregate.

Table 2: Agritourism Revenue by Farm Sales Class (2006).

Farm Size (gross sales)	No. of Farms in Sample	Pct. of Farm Income from Agritourism ¹				Avg. Agritourism Revenue per Farm ^{1,2}	Estimated Total NJ Agritourism Revenue
		0	1-49	50-99	100		
< \$250,000	189	17	25	17	40	\$17,870	\$28.47 million
\$250,000+	25	32	60	0	8	\$191,607	\$29.05 million
All Farms	214	19	29	15	36	\$33,382	\$57.52 million

¹Frequencies and means are based on a sample of 214 New Jersey farms reporting some form of agritourism. Percentages may not add to 100% due to rounding error.

²Means are calculated only for farms reporting revenue from agritourism.

Sources of Agritourism Revenue

By far, the largest percentage (70%) of agritourism revenue is derived from the on-farm sale of agricultural products (Table 3). Nine out of 10 farmers reporting agritourism revenue had some form of direct marketing on their farm. Current USDA estimates show that American farmers receive, on average, only 19 cents of the consumer food dollar. Whether by allowing customers to pick their own produce, or selling products through farm markets, direct marketing is an important strategy for many farmers to recapture a greater portion of the “marketing margin” which reflects the costs associated with processing, packaging and wholesale distribution, and retailing of foods to the ultimate consumer. In addition to opportunities for producing higher farm profit, direct marketing also provides an opportunity for direct customer feedback useful to farmers seeking to diversify or expand product lines in response to local market demand. It capitalizes on growing consumer interest in local food and is also consistent with the USDA’s recent *Know You Farmer, Know Your Food* initiative, designed to better connect consumers with local food producers.

¹ It is important to view these statistics within the context of the economic structure of New Jersey agriculture. Very small-revenue farms are a dominant percentage of all farms in the state. For example, in 2007, 67% of New Jersey farms earned less than \$10,000 in total farm income (USDA-NASS, 2009). Survey findings show that the majority (55%) of farms generating their entire farm income from agritourism fall into this farm sales class.

Table 3: Sources of Agritourism Revenue.

Type of agritourism activity	Percent of farms with agritourism revenue that offer activity*	2006 Statewide Revenue (\$ millions)	Percent of total agritourism revenue
On-farm sales of agricultural products	92.3%	\$40.54	70.5%
Outdoor recreation	11.9%	\$9.19	16.0%
Entertainment	6.5%	\$5.42	9.4%
Educational tourism	7.1%	\$1.88	3.3%
Accommodations	3.6%	\$0.50	0.9%
Total	N/A	\$57.53	100.0%

*Frequencies based on a sample of 214 New Jersey farms. Column figures do not add to 100% because more than one activity may be reported per farm.

Outdoor recreation, including hunting or fishing, hiking, birdwatching, or equestrian riding, was offered by 12% of agritourism farms and generated \$9.2 million, or 16% of total agritourism revenue. Contributing \$5.2 million and \$1.9 million, respectively, in farm revenues, on-farm entertainment activities (e.g., hay rides, corn mazes, petting zoos) and educational farm tours are often the most synonymous with “agritourism” in the popular view. Yet these forms of agritourism activity were collectively reported by fewer than 14% of farms with agritourism income. Many farmers report that these activities are offered as a means of attracting farm visitors to existing farm markets and represent a valuable marketing tool. Farm bed and breakfasts, farm stays, work experiences, and other accommodations (including birthday parties and other on-farm receptions) were offered by nearly 4% of farms, accounting for just under 1% of total agritourism revenues.

Agritourism’s Linkages Within the Broader State Economy

The New Jersey economy is built upon inter-industry linkages. Economic impact analysis measures these linkages and the total effects of one industry on the broader economy. It assumes that expansion (or contraction) within one sector will have “ripple effects” (also called multiplier effects) that reverberate throughout the entire economic system. Three types of economic effects are generally measured: direct, indirect, and induced.

“Direct effects” refer to the economic activity created within a given industry. The direct effect of New Jersey agritourism is the generation of \$57.5 million in farmgate revenues. However, businesses producing goods and services used by farmers in their agritourism businesses (for example, a corn maze designer) will expand their business as the agritourism industry grows. Such business growth is an “indirect effect” of agritourism. Similarly, wages earned and paid by farmers affect other sectors of the economy through increased household spending on restaurant meals, real estate, medical care, and a host of other goods and services. These “induced effects” also ripple across the economy as consumer spending spurred by agritourism-related income causes other businesses to expand their own sales and, in turn, increase purchases and hire more workers.

IMPLAN®, a widely used input-output modeling system, was used to measure the economic linkages between agritourism and the rest of the New Jersey economy. Modeling found that for every dollar in agritourism sales generated at the farmgate level, an additional \$0.58 of sales activity was created in other businesses; everything from gas stations to restaurants, and insurance providers to pallet and packaging manufacturers. This translates into an additional \$33.3 million in revenue in other predominantly non-farm businesses throughout New Jersey. Therefore, in total, agritourism was responsible for generating \$90.8 million in revenue statewide in 2006. In addition, associated state and local taxes raised as a result of agritourism activity were estimated to be on the order of \$8.1 million.

Summary

New Jersey is among the few states to have comprehensively measured the extent of farmer participation in agritourism activities and associated farmgate revenues. In 2006, one out of five New Jersey farms offered agritourism, most often including some form of on-farm direct marketing. New Jersey agritourism revenues exceed \$57.5 million, with a total statewide revenue impact of nearly \$91 million when linkages to other non-farm sectors are considered.

The extent of participation in agritourism is indicative of its importance for farm business diversification and supplemental income generation in an increasingly suburbanized environment. The fact that nearly one in five farms with agritourism did not charge fees for such activities also demonstrates the non-monetary value to the farming industry associated with building positive relationships within their communities, and the broader non-farm public. Opportunities afforded by agritourism for creating a “culture of understanding” can benefit farmers in the form of greater appreciation and understanding of the nature and value of local agriculture, reduced right to farm conflicts, and public support for agricultural retention policies.

References

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