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## **The Vermont Legislative Research Shop**

### **Government Activities in Support of Agritourism**

Agritourism is a growing industry in the United States. It provides opportunities for farmers to increase their incomes and also provides an educational aspect for the public. Certain agritourism businesses are farm stays, bed and breakfasts, direct marketing, and farms visits (Fogarty c. 1996). Agritourism combines agriculture and products with tourism and creates a greater knowledge of local agriculture, greater appreciation of the land and its importance, and creates support for farm businesses (British Columbia Agritourism c. 2004).

About 27% of the land in Vermont is devoted to agriculture. Tourism is one of the largest industries in the state of Vermont. Vermont has many products and companies that have flourished in the last 15 years; Ben and Jerry's, maple syrup, and cheeses to name a few. In 2002, agritourism related activities reached 19.5 million dollars, increasing 86 percent from 2000. One-third of all the farms in Vermont received income from agritourism in 2002 (New England Agricultural Statistics Services 2004)<sup>1</sup>. The most common source of agritourism income came from on-site sales of commodities that were produced and sold at the farm. Other forms were outdoor recreation, accommodations, education, and entertainment. The Vermont Farms Association provides education to the public about agriculture and seeks to maintain and further develop the working landscape. The farm visitors also help to create new direct marketing opportunities for Vermont farmers (Vermont Farms Association 2005).

### **Decreasing Liability Costs Associated with Agritourism**

Prior to initiating an agritourism business, owners must first obtain liability insurance. This may add to already significant start-up costs, but separate liability insurance is required because existing insurance on these farms often does not cover new usage of the land. With liability insurance, owners are able to protect their farm and their assets. Without such insurance, a farmer can be held legally responsible for any person on their property (Fogarty c. 1996).

In a survey conducted by Cornell University, the top concern of agritourism business owners in NY was liability insurance, where 84 percent of respondents listed it as one of their concerns (research by the University of California at Davis, 2006, similarly found liability to be a top

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<sup>1</sup> Helpful chart Vermont: Agritourism 2000 and 2002, bottom of page 1:  
<http://www.nass.usda.gov/nh/agtour04.pdf>

concern). The Cornell study found that although 50 percent of respondents carry general business insurances, and most businesses have some kind of liability insurance, the main concern was the cost of insurance. The solutions this study recommended to reduce these costs were geared toward the businesses themselves,<sup>2</sup> including limiting visitor activities, putting up safety precaution signs, and having their businesses evaluated by an insurance agent (Hilchey and Kuehn c. 2000).

Several States have limited, or are in the process of limiting, the liability for agritourism business owners. In Kentucky, the House is considering a bill that would provide professionals in agritourism protection from liability and require sites of agritourism activities to post appropriate warning notices. The bill, HB 192, received a favorable rating from the Agriculture and Small Business Committee on January 19, 2006 (Kentucky Legislature 2006).

Kansas dealt with the issue of liability costs in 2004 by passing the Agritourism Promotion Act. Like in Kentucky, this bill attempts to limit liability through mandatory signage, however it also takes another step in promoting agritourism. The bill also created a tax credit equal to 20% of the agritourism liability insurance that farmers are required to buy. The amount of this tax credit was up to \$2,000 a year (Perlman 2005). To be eligible to receive this tax credit, agritourism businesses must register with the Kansas Department of Commerce. There is no fee for registration and it is valid for five years (Kansas Department of Commerce 2004).

### **Other Concerns Associated with Agritourism**

According to a study done by Cornell University regarding agritourism in New York State, the second major concern (after liability) was promotion, marketing and advertising. The third major concern had to do with labor. Because many businesses were unable to afford minimum wages to staff, as well as finding reliable staff, many businesses “depend on a combination of family members, non-family employees, and private contractors for employees” (Hilchey and Kuehn, p.6, c. 2000). A study by the University of California at Davis also found labor issues to be a top concern of those involved in agritourism. “Government regulations” was also mentioned as one of their concerns. For example, many Christmas tree farms had to abide by the law that no live Christmas trees were allowed in public buildings; this greatly decreased their ability to make profit. Wineries ran into similar problems that decreased their profit regarding regulations with the transportation of wine between state borders. Other concerns included taxes (such as “income, sales, property, school and excise taxes”), attracting more costumers, weather and “producing quality products” (Hilchey and Kuehn, p.6, c. 2000).<sup>2</sup>

### **Government Created Organizations to Promote Agritourism**

#### **U.S. States**

**Alabama:** Four agencies and organizations have come together to form the Alabama Agritourism Partnership (AAB). With the objective of creating a statewide agritourism directory and database, which they plan to market nationally and internationally in order to expand

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<sup>2</sup> Helpful Chart (Table 6: “Agritourism Business Owner Concerns” p. 7):  
<http://www.cfap.org/fap/agtourmgt.pdf>

agritourism in their state. The AAB also plans to provide education and support to their farmers and entrepreneurs to prepare them for the future of agritourism (Alabama Tourism Partnership).

**Kentucky:** The Kentucky Department of Agriculture created the Kentucky Agritourism Working Group to discuss ways to develop and improve the capability of an agritourism industry division for the state. The working group consists of marketing, education, and research committees who developed recommendations, goals, and success stories for Kentucky residents and created an issue white paper called the Establishment of an Agritourism Industry (Kentucky Office of Agricultural Marketing and Product Promotion).

**New Jersey:** The New Jersey Agritourism Advisory Council researched current and potential agritourism opportunities and recommends to the Secretary of Agriculture ways to increase and promote agritourism in New Jersey. The department concentrates on three major goals to aid the development of agritourism in the state: developing strategic partners, consumer promotion, and industry education (New Jersey Department of Agriculture).

**North Carolina:** Brought in 9.8 billion dollars through “business travel and recreational tourist expenditures” state wide in 1996. “A 1993 survey by the Travel Industry Association of America ranked rural destinations third among the eight most popular vacations, ahead of state parks and theme parks....The support of local businesses, chambers of commerce, and tourism development boards usually leads to better coordination and increases the likelihood of success for these agritourism businesses” (Fogarty c.1996, from website <http://www.ces.ncsu.edu/gaston/Agriculture/agritour.htm>).

## **International**

**The European Union:** The European Union has implemented a rural development policy entitled “Leader Plus” in order to provide technical assistance, fund integrated developmental strategies across regions and states, and foster collaboration and networking between rural territories. This bottom-up approach is accomplished in part through the institution of Local Action Groups which are smaller bodies made up of representatives from a particular area who have the power to award local grants (European Commission on Agriculture 2000).

A National Network Unit has also been established in each member state to collect, analyze and share information about good experiences and resources from across the EU from these Local Action Groups. It is mandatory for Leader Plus participants to be a part of this network (European Commission on Agriculture 2000).

Another EU program is Objective 5b, which was instituted to fund six rural areas through capital investment for tourism and financial assistance with marketing or training. By 2001, 65 percent of all farm businesses were participating in “non traditional agricultural enterprises” (Devon Research and Intelligence Services 1997).

**Italy:** Italy has three national rural tourism organizations. *Terra Nostra* supports many farms in 18 regional associations by locally advertising a national Terranostra guide, publishing local

guides, providing local development projects and forming a joint venture with schools to educate students on agritourism. *Turismo verde* promotes hundreds of farms through an “information-service” tool where farmers who wish to start a business in the agritourism industry can research all the legislation made on the topic, as well as how various businesses are organized. *Agritourist* promotes 200 farms with publications of the types of activities offered as well as promotional events such as seminars and conferences (Rural Tourism International). Italy has an extensive training program through local organizations as well. Regionally, training is provided to unemployed residents in rural areas as well as farmers to open up their own business or learn more about agritourism. Currently in about half the Italian regions offering agritourism, it is required by law that anyone who wishes to open up a business via their farm must go through courses in “marketing, communication, and languages” (Rural Tourism International).

**British Columbia:** The British Columbia agritourism alliance (British Columbia Agritourism c. 2004) is working with a marketing and communications company to develop ways to incorporate the BC agritourism product into marketplaces and produce a brand identity. The BC agritourism initiative have taken seed money to develop sustainable marketing solutions to get the industry underway (British Columbia Agritourism c. 2004).

### **Grants and Scholarships**

In November of 2005, Nebraska’s Governor awarded 22 separate grants to promote tourism within the state, totaling \$350,000. These grants were made possible through the institution of a 1% state lodging tax. Of the \$350,000, the Agricultural & Rural Development Fund will receive \$16,000 to specifically develop a website connecting consumers to agriculture-based tourism attractions and events (Nebraska Division of Travel and Tourism 2005).

The Upstate New York Agritourism and Education Program also offer three levels of grants between \$10,000 and \$50,000 to local farmers in order to encourage agritourism development. These grants can be used for financing projects such as sightseeing amenities, farm tours, and tourist accommodations (Cornell University c. 2005).

### **Resources**

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Disclaimer: The report was prepared by undergraduate students at the University of Vermont under the supervision of Professor Anthony Gierzynski. The material contained in this report does not reflect official policy of the University of Vermont.