Brief Five.

Profitability in Agritourism

5. Profitability in Agritourism

When asked what motivations were important to their decision to develop agritourism, almost all surveyed farmers shared a common goal: increasing farm revenue. Ninety-four percent of respondents stated that increasing revenue was important to their decision to develop agritourism, and 71% said it was very important. Fortunately, respondents did not feel this goal was misplaced: 75% stated that they had been successful at increasing farm revenue through agritourism.

Survey respondents also drew a high-level picture of their 2024 farm finances through four categorical questions:

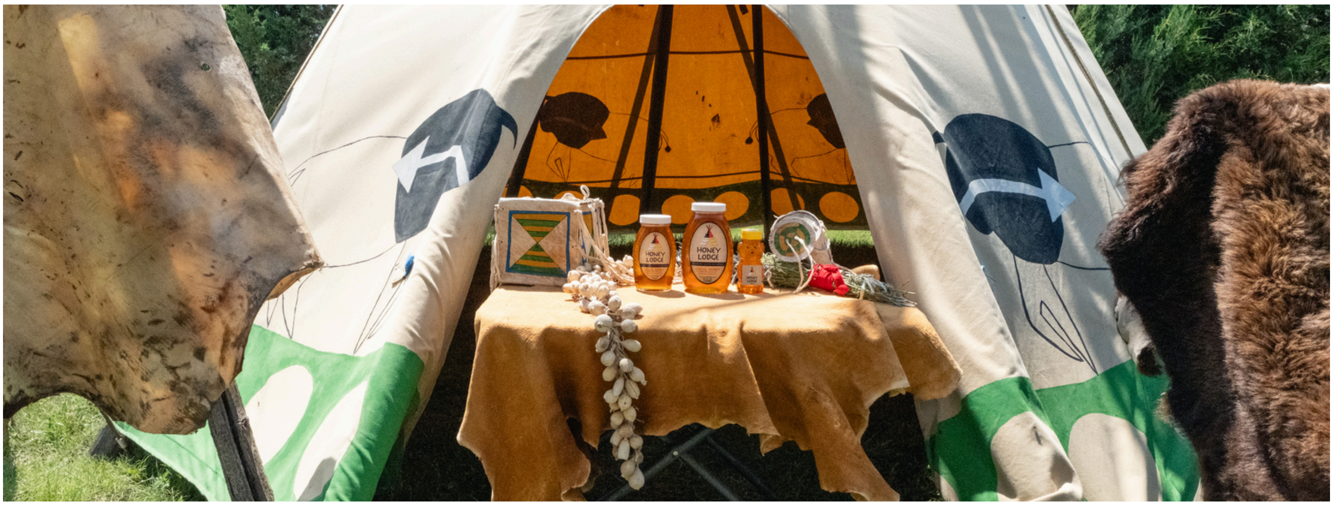
1. Farm/ranch gross revenue from all sources
2. Farm/ranch net profit from all sources (revenue less expenses)
3. Gross revenue from agritourism-related sales and services
4. Net profit from agritourism-related sales and services

For each question, respondents checked a box to show what range their farm fit into (i.e., $5k - $25k or $25k to $100k, etc.). Responding farms ranged from less than $1k in gross revenue up to greater than $10M in gross revenue, with the largest number (29%) reporting revenues between $25k and $100k.

We compared the ratio between farm revenue and profit with the ratio between agritourism revenue and profit and found that the mean agritourism profit ratio (48%) exceeded the mean farm profit ratio (28%) by 20 percentage points. While

What Range Does Your Farm Fit Into?

- [ ] $5k - $25k
- [x] $25k - $100k
- [ ] $100k +



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findings are limited due to the categorical nature of the questions, they suggest that agritourism activities are generally more profitable than the farm business as a whole.

We also compared the ratio between agritourism gross revenue and farm gross revenue with the ratio between agritourism net profit and farm net profit. This comparison showed that reported agritourism revenue accounted for 53% of reported farm revenue, and agritourism profit accounted for 72% of farm profit. While these numbers should also be taken with caution, they suggest that agritourism plays an important role in farm profit and may help absorb losses from agricultural production.

Interviewed farmers agreed that profitability was a central motivator for adopting agritourism, and many were successful. Two farmers with decades of agritourism experience expressed how essential agritourism was to their farm bottom line:

> "The farm would not survive without [agritourism]. It's really, really important. And on a very regular basis, the [agritourism] has to subsidize the farming operation."
>
> **Interviewee**

> "If I [only counted agritourism activities other than direct sales], about 20% of the revenue is from agritourism. But if I would throw in the you-pick pumpkins and the apples, all of a sudden that goes up to, my goodness, 60, 70%... Financially, it would be a much thinner margin for us if we did not have agritourism."
>
> **Interviewee**

Two farmers newer to agritourism hoped to grow their income over time to improve the economic situation of the overall farm business. While neither were there yet, both remarked that agritourism income was already helpful and intended to expand their offerings for visitors. (See quotes on the next page.)

A Note of Caution

Beware of anybody who promises a silver bullet to solve the problem of farm profitability! Agritourism can be a useful farm income diversification strategy, and the farmer has much more control over what they spend and what they charge for agritourism than is typical in agricultural product sales. But agritourism is a business like any other and can require a whole lot of work. Hear more from farmers about why they have agritourism and their advice for new operators in **Brief #3: Why Agritourism**?

> "I've yet to be convinced that we are profitable. So, [tours are] a significant portion of our income, our revenue. So, this is the first year where we've really pivoted hard to move away from pushing hard on the sales to doing more of this agritourism. And so this is the year I'm hoping that we actually start to see a difference in... [the] profit and loss statement at the end of the financial year."
>
> **Interviewee**

> "Our primary goal with having the agritourism is to make the land payments. It doesn't make the land payments, obviously, but it helps toward it. And I do hope that every year we can increase that exponentially so that it can actually make the land payments."
>
> **Interviewee**

Limitations

Categorical questions about farm finances are easier and less sensitive for farmers to answer in a short online survey, but they are limited in scope and based on self-reported data. We recommend two complementary strategies to collect better data on agritourism farm revenue and profit:

1. **Deep dives into agritourism finances with smaller groups of farms:** Many farms need assistance with agritourism business activities from financial planning to marketing. Projects that build deep partnerships with smaller cohorts of farmers can provide necessary assistance while analyzing the dynamics behind agritourism profitability.

2. **Consider rewording NASS Census of Agriculture questions on agritourism and direct sales to match industry practice:** The USDA NASS Census of Agriculture, distributed every five years, is the standard-bearer for US farm financial data. Yet the Census questions on agritourism and direct sales do not capture the full picture of agritourism as it is commonly understood by farmers and researchers, as explored in Hollas et al. (2024). Revising the Census questions on agritourism and direct sales will improve applicability of NASS farm financial data for agritourism research.