

The 'West Virginia Agritourism Initiative' — Planning for Profitability and Risk Mitigation

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West Virginia Agritourism Definition

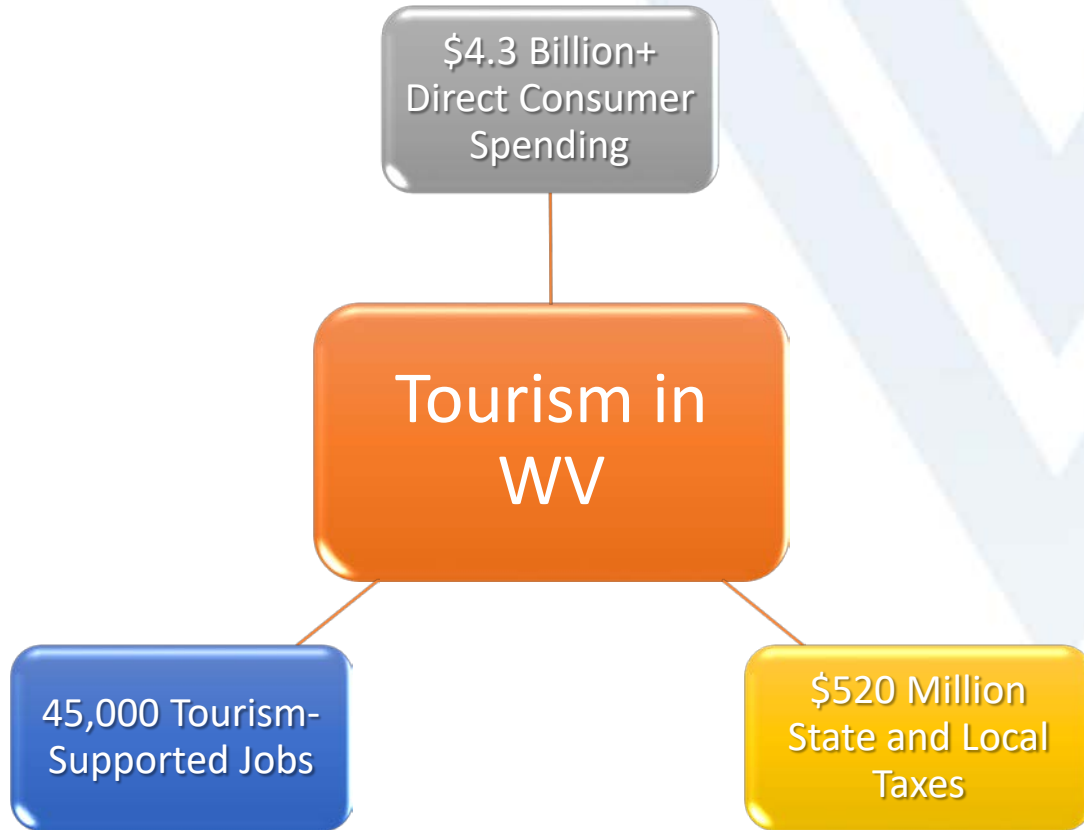
“Agritourism” means any lawful activity carried out on a farm or ranch that allows members of the general public for recreational, entertainment, or educational purposes to view or enjoy rural activities. Agritourism specifically includes weddings and receptions held on farms or ranches, or activities that take place on a forest farm.

Source:

<https://apps.sos.wv.gov/adlaw/csr/ruleview.aspx?document=16891&KeyWord=>



Why Agritourism in WV and the Surrounding Region



Source: <https://wvtourism.com/>



History and Culture



Nature Contacts



Local Foods



Local Treasure Hunting

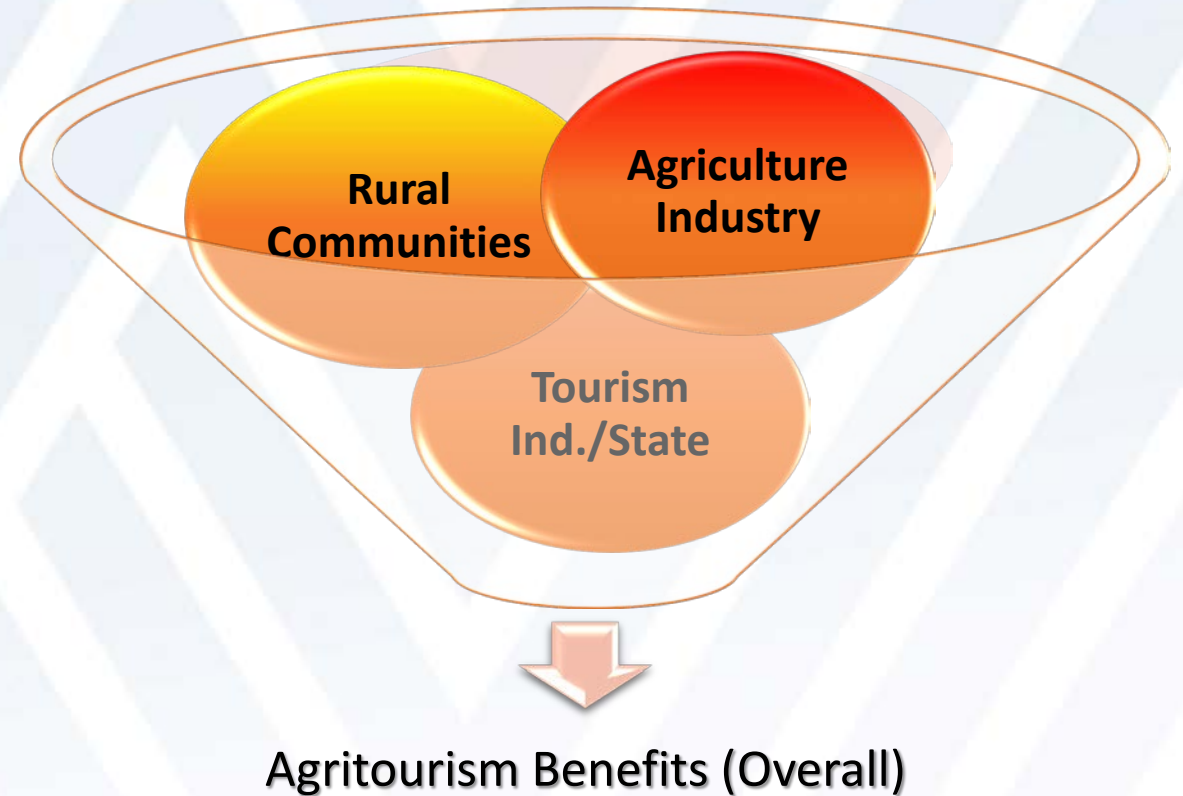


Hands-On Activities

WV and Regional Farms have the RAW INGREDIENTS for EXPERIENTIAL TRAVEL!

Role of Agribusinesses and Rural Communities in WV Tourism

- Unique, authentic experiences – **experiential travel**
- Part of a larger trip itinerary
 - Tourism business is **shared business** = longer visits and greater expenditures
 - Partnering to ‘**round-out visits**’
 - Creating impression that NE is a ‘**good value**’ trip, or ‘**year-round adventure**’
- Appeal to a ‘sense of longing’ or ‘**sense of place**’



Projected Visitor Expenditures at West Virginia Agritourism Venues, 2014 (WV Agritourism Economic Assessment 2015-2016)

Type of Expenditure	Per Person Expenditures		Statewide Total Expenditure Projections		All
	< 1,000 Visits	> 1,000 Visits	< 1,000 Visits	> 1,000 Visits	
Admission	\$1.02	\$6.20	\$33,082	\$1,438,946	\$1,472,028
Purchase of Farm Products	\$12.10	\$16.77	\$391,027	\$3,891,000	\$4,282,027
Concessions	\$0.00	\$2.83	\$0	\$655,663	\$655,663
Souvenirs	\$2.46	\$1.04	\$79,396	\$241,814	\$321,210
Other	\$15.25	\$5.96	\$492,919	\$1,383,289	\$1,876,208
TOTAL	\$30.84	\$32.80	\$996,423.31	\$7,610,712.62	\$8,607,136

Opportunities and Challenges in WV Agritourism

Demand Motivations

Supply Challenges



Conflicting Needs of Tourism and Agritourism Business Stakeholders



'What do we each have to do to get it right?'

- Agriculture – Tourism Planning
- Local/Regional Support Structures
- 'Business-Side' of Agritourism
- Product Quality Standards
- Product Development
- Effective Marketing
- Capacity Building

"If we build it, will they come?"

"If they come, what will you have to offer?"

The WV Agritourism Initiative

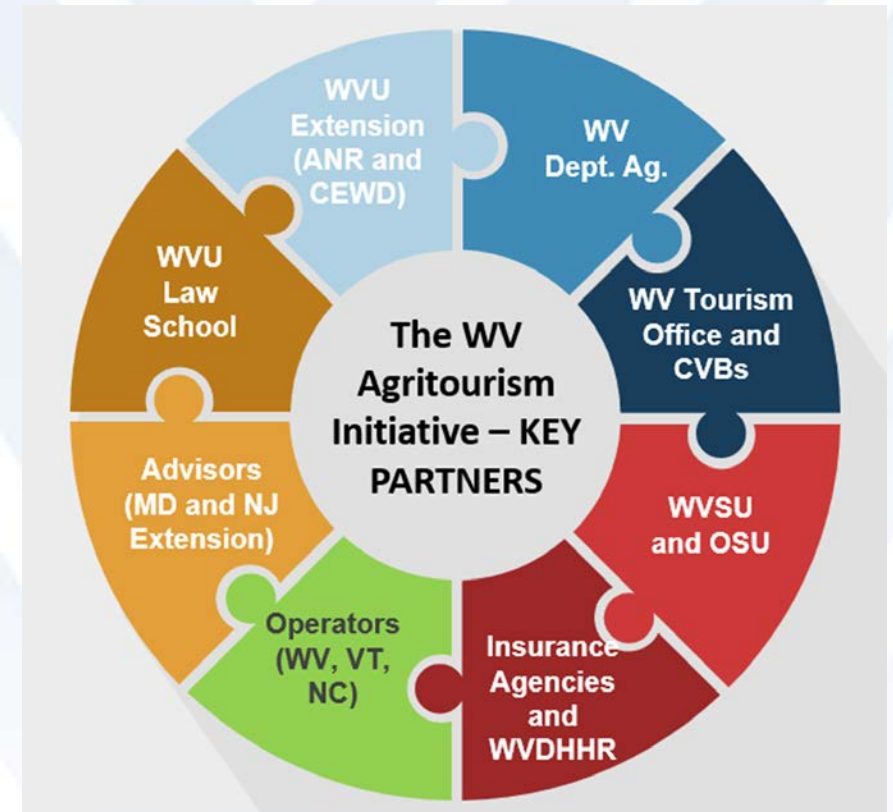
One Stop Shop for Agritourism Resources -
Strengthening the Foundation for Agritourism Development



Visit anr.ext.wvu.edu/agritourism



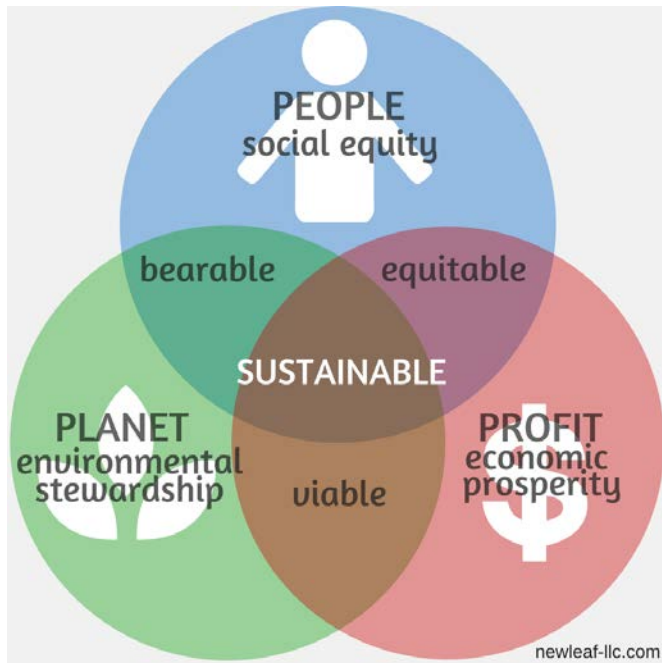
West Virginia Agritourism Initiative



Whole-Farm (Holistic) Business Planning and Risk Management

(Sustainable Agriculture, Sustainable Tourism)

The Three Pillars of Sustainability



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West Virginia Agritourism Initiative



Priority Areas Addressed for Growing Agritourism and Managing Risks for Improved Income Diversification

MODULE 1 – Demand and Opportunities	Assessing Your Potential: Emerging Opportunities In Agritourism
MODULE 2 – Managing Risks Part 1	Managing Marketing and Financial Risks for Agritourism Enterprises
MODULE 3 – Managing Risks Part 2	Managing Legal Risks In Agritourism: Farm and Food Safety and Emergency Planning Procedures
MODULE 4 - Marketing	Tools and Resources for Integrated Agritourism Marketing Success
MODULE 5 – Capstone Trip and Cluster Development	Best Practices in Agritourism Operation and Management, and Models of 'CO-OPETITION'

Notable Project Impacts

Risk Area	Selected Risk Management Strategy	% of Participants	
		Pre	Post
Production	Participants complete resource assessment guide to evaluate their potential, and consider changes needed, to successfully pursue various agritourism/farm-based education enterprise alternatives as possible diversification strategies.	16	100
Financial	Participants use enterprise/partial budgets, and financial statements to make changes to their existing/proposed enterprise to improve profitability, cash flow and efficiency.	22	100
Marketing	Participants evaluate innovative collaborations/partnerships and marketing opportunities to market the 'region/destination,' and form and maintain mutually-beneficial alliances.	6	72
Legal	Participants prepare applicable farm/food safety plans and emergency procedures, utilizing industry best management practices to reduce liability/risk concerns.	42	87
Human Resource	Participants prepare events management checklist (e.g. 'conducting a farm tour' checklist, 'codes of standards for tour guides'), considering hospitality and labor needs.	17	82

EXAMPLE - Decision Tool

Risk Management – Prioritizing your Agritourism Risks
and ‘Farm-Tuning’ your Management Decisions

Decision Tool - Whole-Farm Risk Management Process

- Assemble 'farm team' and discuss benefits and process
- Risk Assessment Spreadsheet - Priority Ranking Tool
 - 5 categories of (whole-farm) risks
 - Priority Ranking based on:
 - **Degree of Risk:**
 - **frequency** (probability of risk occurrence)
 - **magnitude** (potential risk impact)
 - **Preparedness** of farm managers to manage that risk;
- Risk Priority Matrix - visual prioritization of the risks facing the farm
- Risk Management Action Plan – '**Farm-tune**' your management decisions:
 - Establishes priorities for action
 - Select appropriate risk mitigation strategies
 - Establish budget, implementation deadline and person responsible;
- Implement, Monitor, Evaluate and Improve

Farm Business Risk Priority Ranking Tool

Farm Business Risk Priority Ranking (See Worksheet for Instructions)

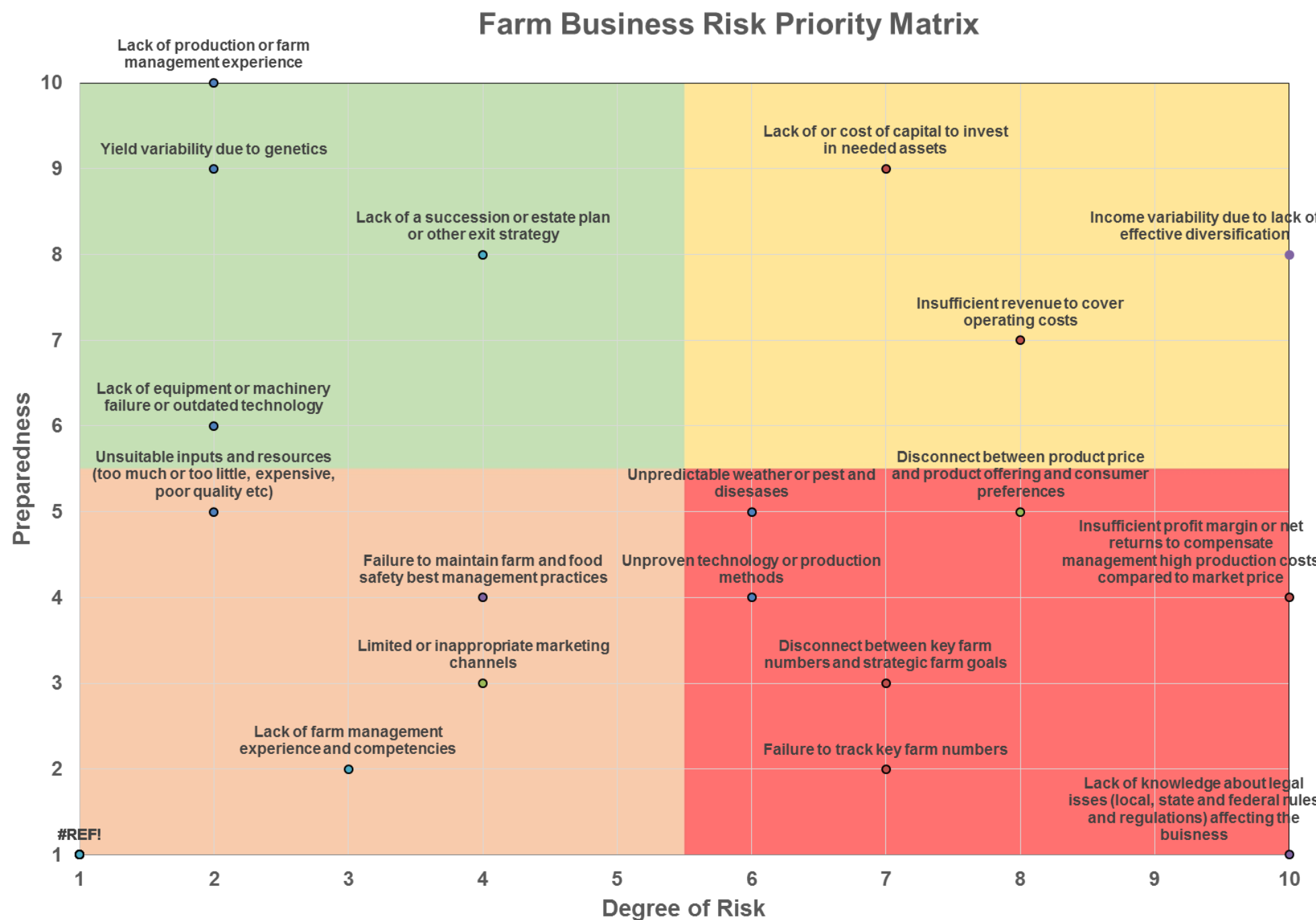
Risk (A)	Frequency of Risk (B)	Magnitude or Exposure to Risk (C)	Degree of Risk (D)	Preparedness (E)	Risk Management Goals (F)	Current Risk Management Method (G)	Continue As Is (H)	New Strategy for Managing this Risk (I)
<i>List all risks to the farm</i>	<i>Number from 1 - 5 Always=5; Occasionally=3; Rarely=1</i>	<i>Number from 1 - 5 Severe=5; Moderate=3; Negligible=1</i>	<i>(Frequency of risk + Magnitude or exposure to risk)</i>	<i>Number from 1-10 Very well prepared=10; Somewhat prepared=5; Not prepared=1</i>	<i>3-5 Year Goal</i>	<i>Current Actions</i>	<i>Yes, No (Based on results of Partial Budget)</i>	<i>Add details (See Risk Management Strategies for Options)</i>
PRODUCTION RISKS								
FINANCIAL RISKS								
MARKETING RISKS								
LEGAL RISKS								
HUMAN RESOURCES RISKS								

Farm Business Risk Priority Ranking

Risk (A)	Frequency of risk (B)	Magnitude or exposure to risk (C)	Degree of risk (D)	Preparedness (E)
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	FINANCIAL RISKS				
List all risks to the farm	Lack of financial managerial experience				
	Lack of or cost of capital to invest in needed assets	3	4	7	9
PRODUCTION RISKS	High debt to asset or inappropriate debt structure leading to stagnant net worth				
Farm operation does not match personal or financial goals	High production to yield cost				
Lack of production experience	Lack of seasonal operating cash				
Unproven technology or methods	Insufficient revenue to cover operating costs	4	4	8	7
Yield variability due to weather or diseases	Insufficient profit margin or net returns to compensate management high production costs compared to market price	5	5	10	4
Lack of equipment or outdated technology	Disconnect between key farm numbers and strategic farm goals	3	4	7	3
Unsuitable inputs (too much or too little, quality etc)	Failure to track key farm numbers	3	4	7	2
	[optional]				
Income variability	[optional]				
effective diversification	[optional]				
[optional]					
[optional]	MARKETING RISKS				
[optional]					
[optional]					

Farm Business Risk Priority Matrix



'FARM-TUNE' your Management Decisions

RISK MANAGEMENT ACTION PLAN

Risk
[Record risks in this column]

Action for Managing Risk
[Record new strategies in this column]

Target Deadline
[Record Implementation
Deadline and Responsible Person in this
column]

**Estimated Costs (Based on
Partial Budgets Estimations)**

VERY HIGH PRIORITY (Items in Red Quadrant)

HIGH PRIORITY (Items in Orange Quadrant)

MEDIUM PRIORITY (Items in Yellow Quadrant)

LOW PRIORITY (Items in Green Quadrant)

QUESTIONS?

almost heaven

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