



# Agritourism and local development: A methodology for assessing the role of public contributions in the creation of competitive advantage



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## ABSTRACT

Agriculture has been an economic mainstay of countries throughout history. Recently, its importance and essential role in local and regional growth and development have also received due acknowledgment.

However, agritourism entrepreneurs often lack the necessary means, when relying only on their own funds alone. For these reasons, targeted aid measures are provided at the regional, national and European levels, provided they fulfill specified subjective and objective eligibility criteria.

This investigation aims at understanding the rationale, if any, according to which the Public Administration allots such contributions. To this end, a two-tiered analysis was conducted on the data collected by way of a comprehensive search.

Specifically, the first of the two tiers refers to a merely descriptive analysis, by which a number of underlying facts and data points were observed. Subsequently, using the R programming language and statistical environment, the second-tier, that is, the statistical analysis, was conducted so as to substantiate the results. This latter analysis served as the basis upon which a statistical model could be devised and whose purpose was to clarify the relationship between the funding awarded and other related variables. These findings ultimately served to identify identifiable criteria according to which the Region awarded grants to a given agritourism entrepreneur or not.

Bringing such models to entrepreneurs' knowledge may prove of practical significance, permitting them to appraise, beforehand, whether it would be worthwhile to invest their time and money in a specific agritourism business project.

Nevertheless, for sake of clarity, the results deriving from any particular assessment apply only to the specific case investigated and, thus, should not be generalized. However, with appropriate tools, these statistical models could be adapted to any context, thereby overcoming this inherent limitation, and thus be exploited to the potential benefit of many entrepreneurs. The conclusion is that changes are underway in the supply of agritourism, which increasingly focuses on promoting, developing and enhancing the value of the rural and natural environment.

## 1. Introduction

Agriculture is, and has always been, the most vital sector for human sustenance as well as for society as a whole (Calabrò and Vieri, 2015; McMichael, 2000; Relf, 1992). For some time now, the very concept of agriculture has been evolving. Indeed, while in the past the agricultural sector was exclusively entrusted with the function of ensuring the livelihood of farmers, currently, it is considered a key sector of, and fully-fledged contributor to, a country's economy (Mehta, 2009). The diversification of its activities aims not only at ensuring the survival of

farmers, but also at increasing their individual and household incomes. At the same time, it enhances and promotes the development of the local area and the rural environment (Barbieri et al., 2017; Galluzzo, 2017; Calabrò and Vieri, 2016; Prestamburgo et al., 2016; Silvestri et al., 2016; Spaziante and Murano, 2009; Greffe, 1994), and has resulted in the determination to bolster the innovation of so-called “farm-tourism” initiatives.

The economic weight attributed to agritourism, as a driver of processes of local and regional growth, is confirmed by legislation, at the national as well as the European Union level, given that both include

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agritourism activities as an integral constituent of policies targeting rural and regional development (Bianchi, 2011).

Agritourism provides the possibility for agricultural enterprises to remain in their local area. Indeed, the increased international competition experienced by farms for their products has caused prices to fall to the point that they are no longer profitable. For farming families with members who are unemployed or have never worked, agritourism allows for the full employment of family members and the provision of services in rural areas for people looking for a place to stay or to have a meal in the countryside.

Italian national legislation regulates agritourism in a different way than other forms of rural tourism (Santucci, 2013). In fact, in Italy, agritourism enterprises can only be run by the farmer and his/her family members (Law No. 96/2006). Moreover, the tourism activities of the agricultural company must be connected to agriculture, which remains the core business activity (Santeramo and Barbieri, 2017; Dragulanescu et al., 2016; Sidali and Sidali, 2011). This predominance of agricultural activity is fixed in terms of working hours and not in terms of income. Therefore, agritourism businesses in Italy cannot exist without agriculture, where farmers are constrained to devote themselves primarily to agricultural activities. The logic of this Italian legislation attempts to pursue different objectives. Indeed, it simultaneously acts on economic aspects (supplementing farm income, promoting local products), socio-cultural problems (consolidating the relationship between city and country while preserving local traditions), environmental issues (protecting the environment and landscape), and professional aspects (creating new job opportunities, especially in marginal areas, with the aim of limiting the exodus of young people and the female workforce) (Lupi et al., 2017).

By creating supplementary sources of income, agritourism activities effectively contribute to the economic diversification of rural communities, while protecting quality products and exploiting the value of enogastronomic resources. At the same time, they also safeguard the landscape as well as rural structures and monumental buildings. The marked increase in the demand for services and tourist accommodation in rural areas has helped raise awareness of the opportunities offered by a sustainable and integrated utilization of local resources. In fact, with the Common Agricultural Policy (CAP) reform process, a key role has been attributed to farms in terms of improving competitiveness in rural communities through multifunctional diversification of agricultural activities (Belletti et al., 2017; Bartoli, 2015; Cahill, 2001).

With these premises, the focus of this study is on the agritouristic farm, which emblematically represents the diversification of agricultural activities and, as such, a fundamental feature not only of a country's economy, but also of local and territorial development as well (Capriello et al., 2013). Specifically, the focus is on the pertinent funding on the part of the Public Administration.

Under the heading of 'diversification of agricultural activities' are included all agriculture-related services other than farming itself, strictly speaking. These comprise providing meals and beverages (albeit mainly self-produced on the farm), offering hospitality and accommodation both indoors and out, e.g., in agri-camping, and the organization of farm-related recreational, educational, sports and cultural events and activities (Chaplin et al., 2004; Hjalager, 1996).

In particular, this work analyzes the possibilities for agritourism entrepreneurs to access regional funding for the implementation of measures aimed at improving the quality of services offered within their facilities. These subsidies are the financial means to achieve the Community, state and even regional goal of increasing the diversification of agricultural activities aimed at improving the value of rural areas, while preserving and promoting them.

Through the analysis conducted herein, it emerges that there are marked interprovincial differences within the Sicilian Region, depending on several factors which will likewise be addressed accordingly. However, the main goal of the study consists in verifying the existence of any particular relationship(s) between the financial

resources awarded by the Region to support agritourism enterprises and the variables analyzed so as to eventually elaborate a model that can be useful, both to applicants and to those granting funds, and enabling accurate predictions of the outcomes of specific applications.

## 2. Funding in favor of agritourism enterprises

The debate on issues relating to the environment and the utilization of natural spaces has long attracted the attention of scholars and practitioners from a host of disciplines, who have variously contributed to formulating interventions. With reference to certain issues such as rural tourism and agritourism, in particular, the complexity of the matters being debated has taken us into interesting terrain. This is true especially considering the increasing pressure to try to reduce the existing social gap between areas enjoying more technologically advanced forms of agriculture, which make wide use of technical support, and other areas (typically inland, whose infrastructure is often characterized by poorer socio-economic standards) where the levels of agricultural productivity produce sufficiently adequate incomes only with great difficulty (Phillip et al., 2010).

The financial contributions to agriculture, particularly farms, sprang from the requirement to compensate for these urban-rural imbalances. The aim is to enhance the value of rural areas, while making the most of agriculture and related activities, so as to ensure that agritourism entrepreneurs succeed in bringing their projects for territorial promotion, conservation and value-enhancement to fruition.

Financial aid to agritourism farms has been put in place at the European, national and regional levels. As a side note on these forms of financial aid, beginning with those at the European level, it should be noted that the development of agritourism and the increase in agricultural incomes became priorities for the European Union in the 1980s. In particular, contributions to boost agricultural incomes by way of the diversification of activities were provided by funding farmers whose plans included making qualitative improvements in production, adjusting to market requirements, saving energy or improving environmental conditions (Regulations EEC No.797/85, 1985).

This favorable attitude towards the agricultural sector has been confirmed over time both in subsequent European regulation and the CAP, which is the key legal instrument devoted to the development of European agricultural and non-agricultural sectors and which is credited with the introduction of funds for rural development and the definition of the financial measures for agritourism enterprises (Minozzi and Pianelli, 2009).

The EU provides financing for a wide range of projects and programs in diverse sectors; thus, the need was felt to institute specific funds for each. Of these, the fund dealing with the financing of the agricultural sector, i.e., the specific focus of this paper, is the European Agricultural Fund for Rural Development (EAFRD) (2007) (Leonardi and Sassi, 2004).

The financing instruments that this Fund relies on are of two types: grant contracts, consisting of direct financial contributions in support of projects or organizations that advance EU interests or contribute to the realization of a specific program or EU policy; and procurement contracts by way of the procedures required by European institutions to purchase the services, supplies or works necessary for their activities. Such public contracts are awarded by tendering.

Whereas grants award subsidies directly to beneficiaries, other types of financing are disbursed through programs managed at the national and regional levels. At the national level, there are also financing instruments for agricultural farms and agritourism enterprises. Regulation (EC) no., 1698/2005 (2005) specifically establishes that each Member State shall submit a National Strategy Plan (NSP) that includes the strategic EU priorities, the relevant specific objectives, the total amount of allocations both from the EAFRD and in the form of co-financing, as well as the Regional Rural Development Programmes (RDPs) to be implemented and their respective financial allocations.

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