

Agritourism & the Economics of It All

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2019 Virginia Forestry Summit

May 2, 2019

The Plan for Today

- Introductions & overview
- Agritourism defined and its impact: does it include forestry?
- Key considerations
- Helpful resources
- Other thoughts



About Me

- Lunenburg County farm girl
 - Tobacco planting with Dad every spring
 - Cattle and hay with husband, Johnny
- Virginia Tech and SVCC
- My life's work....agribusiness and education

How About You?

- Pine forest



How About You?

- Pine forest
- Standing hardwood



How About You?

- Pine forest
- Standing hardwood
- Supporting organization or government agency



Agritourism Defined

Any 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*, including farming, wineries, ranching, historical, cultural, harvest-your-own activities, or natural activities and attractions...

(Code of Virginia § 3.2-6400)



Agritourism's Role in Virginia

Based on a 2016 study, agritourism had an economic impact of \$2.2 B in Virginia.

At that time, there were an estimated 1,400 establishments, with 56% open to the public throughout the year.

There was a wide range of visitations, but venues averaged 5,356 visitors per year.

https://www.pubs.ext.vt.edu/content/dam/pubs_ext_vt_edu/AAEC/aaec-157/AAEC-157.pdf

Remember the movie, *Field of Dreams*?

- “If you build it, he will come.”



- How's this for a marketing strategy:
“If you offer it, they will visit”?



Let's Be More Intentional

- What specific goals do you have for your operation?
- Who will you serve?
- Exactly what will you offer?
- What expertise do you have, and what more do you need to learn/develop?



Let's Be More Intentional

- What will it cost to offer it?
- What will you charge for it?



Let's Be More Intentional

- How long before you profit from it?
- Will it cash flow?
- How long do you give it if goals aren't met?



What is Your “Product”?

- Know your customer
 - What do they want?
 - How do they want it?
 - How much do they want?
 - When do they want it?



(What are they willing to pay for it? Know what it takes you to obtain/produce/create it and what you're willing to accept for it.)

What Price to Charge?

- Know your product
- Know your customers/buyers/visitors
- Know your competition



Pricing Strategies

- **Cost Pricing**

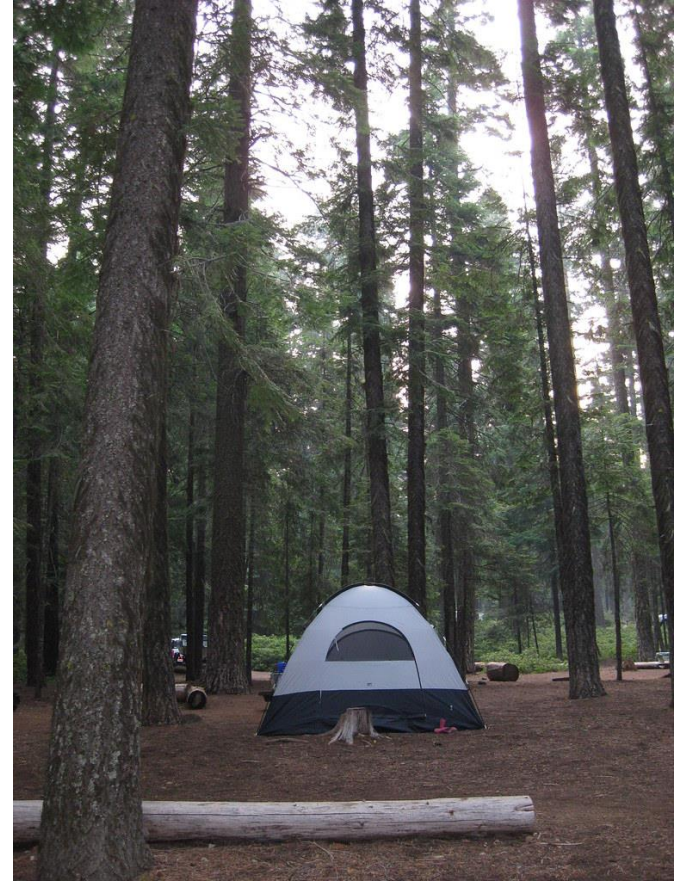
- Adding a constant margin to the basic cost



- What is your cost of production, your total cost to provide the experience?

Pricing Strategies

- **Competitive Pricing**
 - Price at the “going rate”
 - What ***IS*** the going rate?



Marketing 101

- What comes to mind when you hear the word “marketing”



- Marketing is advertising and so much more

Marketing/Promotion Resources

- Virginia Department of Agriculture and Consumer Services
 - <http://www.vdacs.virginia.gov/vagrown>



Marketing/Promotion Resources

- Virginia's Finest
 - <http://www.vafinest.com/>



Virginia's Finest

Promotional Opportunities

- becoming a member of the local chamber of commerce and other business organizations;
- volunteering to give presentations as a guest speaker to local community and civic clubs;
- offering your operation as a meeting place or local tour site;
- providing a community open house with tours and special promotions;
- networking with local and state tourism promotion agencies;
- cooperating with local businesses and attractions



Regulations, Permits, and Insurance

- Zoning
- Fire and building codes
- Health regulations
- Food safety laws

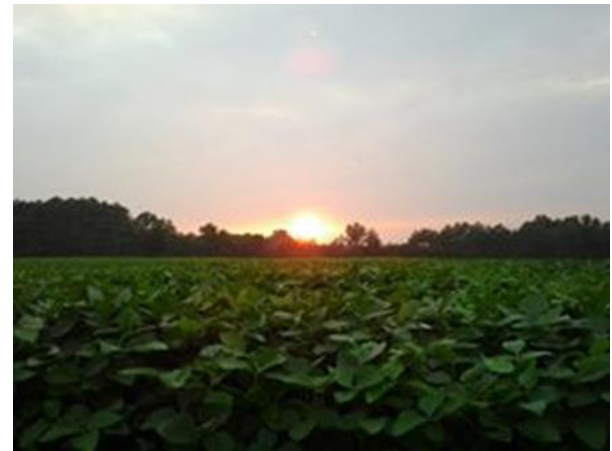


Some useful resources

- *Agritourism: Ideas and Resources*, Virginia Cooperative Extension publication, M. Walker
<https://www.pubs.ext.vt.edu/310/310-004/310-004.html>
- Additional Virginia agritourism publications and presentations
<https://ext.vt.edu/agriculture/agritourism.html>

Bottom Line

- Know who you will sell to before you invest in structures or special equipment or make your 1st purchase
- Know what it will cost you to produce/ provide each experience or product
- Know what price you are willing to accept for what you have to offer



Bottom Line

- Conduct a sensitivity analysis:
 - If costs increase $x\%$, can you still make a profit
 - If you have to accept a price that is $y\%$ lower, can you still make a profit





And...

- Always have an exit strategy
- Hope (and plan and prepare) for the best, but have a strategy for the worst
- We tend to be eternal optimists
- A common mistake: holding on too long
- Remember the concept of sunk costs: what's done is done. The question is, what should you do next?

Additional Resources

Check out “**Agribusiness, Southside Virginia Community College**” on Facebook.

All AGR course lectures are taped and made available as an online option.

Agribusiness marketing course (AGR 231) each fall:
visit www.southside.edu to register



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Could agritourism play a role in your operation?

Thank you for the opportunity to
participate with you today.

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