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## Growing Rural Tourism Opportunities

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## Growing Rural Tourism Opportunities

### Abstract

Agritourism is an important industry in rural states. Assisting rural operators to design and develop on-farm or ranch experiences to attract some of the more than 645,000 visitors to the state to their businesses has become an important educational program for the NDSU Extension Service. North Dakota's experience provides an example of how Extension can provide the educational programming and applied research necessary to help facilitate growth and sustainability in the rural and nature-based tourism industry.

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## Introduction--In Search of Alternative Enterprises

The northern Great Plains region is characterized by a semi-arid climate and an extensive agricultural economy based on dryland farming and range livestock production. In recent decades, combinations of economic forces and ecological trends have placed farm operators and agriculturally dependent communities in this region under substantial economic stress. Production agriculture in the northern Great Plains region has long been characterized by uncertainty, stemming both from climatic factors and from volatile commodity prices (Dhuyvetter, Thompson, Norwood, & Halvorson, 1996). Periodic droughts have resulted in severe economic stress for the region's farmers and ranchers (Leistriz, Ekstrom, Wanzek, & Mortensen, 1989). Further, some observers question whether some of the lands of this region can be cropped on a sustained-yield basis. As a consequence, some of the region's farm and ranch operators have been considering alternative enterprises to increase and stabilize their incomes.

Farm families in the northern Great Plains region have faced serious economic challenges. In 2002, net cash farm income for North Dakota averaged \$31,129 per farm (USDA, 2004). For the neighboring northern Great Plains states of South Dakota and Montana, net cash farm income averaged \$26,763 and \$10,715, respectively. Net cash farm income is the farm's cash receipts less cash expenses. From this amount, the farm family must make any principal payments on long-term debt and also provide for capital replacement [depreciation] and family living expenses. Given the relatively low levels of net farm/ranch income, farm and ranch families have become increasingly reliant on off-farm earnings. For example, over the period 1993-2002, off-farm wages and salaries of North Dakota farm households more than doubled (Swenson, 2003).

In the face of these conditions, many farm and ranch operators have examined the possibility of adding new enterprises to diversify and enhance their incomes. One of the fastest growing forms of new enterprise has been nature-based or agri-tourism (Schroeder, 2004; Leistritz, Hodur, & Wolfe, 2004). Many farm and ranch operators are creating new on-farm tourism (agritourism) enterprises, hoping to attract some of the out-of-state visitors to their business. Types of new on-farm businesses range from trails to guided hunting and fishing to corn mazes and wineries, and the timing could not be better. There is a growing national touring population that is looking for new, educational, physical, and authentic cultural hands-on experiences (Wilkerson, 2003; Gartner, 2005).

While North Dakota and other Great Plains and Midwestern states have not traditionally been major tourist destinations, entrepreneurs have increasingly discovered opportunities to launch successful enterprises. North Dakota State University (NDSU) Extension and the North Dakota Agricultural Experiment Station have attempted to respond to the needs of this clientele, and the efforts and activities undertaken in doing so offer a case study that may be of wider interest.

This article briefly describes an integrated research and Extension program developed by North Dakota State University to support development of the agritourism and nature-based tourism sector in the Great Plains and other rural regions. This was a challenging undertaking because the state's rural tourism sector has only recently begun to develop, and little information was available regarding the attributes of either the state's agritourism and nature tourism businesses or of the visitors who make up their clientele. The North Dakota experience may be of particular interest to Extension personnel in states where the rural tourism sector has developed only recently and where the information base and support infrastructure for the sector is limited.

## **Initial Programming**

In response to numerous requests for information about how to start on-farm tourism businesses, NDSU Extension began offering programs in agritourism enterprise development for farm/ranch families in 1999. At that time there was little information and only a few successful examples of rural tourism businesses in the state. The North Dakota Extension Service, with the assistance of a Montana State University Extension specialist David Sharpe, delivered an innovative educational program to assist farm and ranch families who were considering starting tourism related businesses. North Dakota State University Extension also identified and introduced a network of agencies and partners that could assist those considering a business start-up. This network continues to grow. A typical agenda for the 1-day workshop contained the following key components.

- Panel of successful agritourism entrepreneurs
- Discussion and information on tourist needs and expectations
- Discussion of appropriate facilities
- Agency panel for funding and business assistance
- Agency presentations: tax department, health department, and state tourism
- Financial feasibility
- Legal issues
- Marketing strategies

A total of 486 participants attended the Extension programs, and several new businesses were launched. In 2005, 24 of 53 workshop participants (45%) responding to a survey indicated that they had started a business as a result of the program. One successful example of a business that participated in the Extension program and responded to the survey is West Bay Resort, LLC <<http://www.westbayresort.com/>>.

## **Need for Research--What Do We Offer in Rural Communities?**

While the program was successful and NDSU Extension specialists knew that the number of agritourism ventures was growing, better information on current attributes, outlook, and perceived needs of rural tourism business operators was needed in order to facilitate future Extension program development in the state and region. A statewide survey of agritourism and nature-based tourism operators was conducted by the NDSU Department of Agribusiness & Applied Economics to meet these program needs. Information was obtained from 194 tourism business operators (approximately 47% of the active agritourism and nature-based tourism businesses in the state).

A hunting-related service (guiding, hunting lodges) was the most common business focus, while lodging and/or a meal was the service most often provided (Hodur, Leistritz, & Wolfe, 2004). Only 28% of the businesses had paid employees, but a majority (52%) had unpaid family members who helped with the business. Most of the businesses operated seasonally, with only 36% reporting operating year round. Most of the businesses were relatively recent start-ups, and 85% had begun

operations since 1990.

Most of the businesses (58%) reported 100 or fewer customer days during their most recent year of operation. The median number of customer days was 90, up from 74 2 years earlier. The bulk of the clientele (69%) were from out of state. Most of the businesses (71%) reported net revenue of \$10,000 or less; the median value of \$2,000 is likely representative. These income levels were consistent with the seasonal nature and relatively small scale of most of these businesses.

Most operators felt that demand for their type of business had increased in the past 3 years (72% agreed) and that more customers were needed to operate at full capacity (64% agreed). Less than one-third of respondents reported difficulty attracting new customers. More than three-fourths of the respondents (78%) felt that outdoor recreation-based tourism activities offered rural areas economic development opportunities (Hodur, Leistriz, & Wolfe, 2004). Finally, more than three-fourths of respondents felt that there should be more promotion of the state as a tourism destination.

Affordable liability insurance was frequently identified as a critical issue for the tourism business operators. While only 13% indicated they were unable to purchase liability and/or comprehensive insurance, 51% believed liability insurance was prohibitively expensive.

The issues critical to North Dakota rural tourism operators are issues in other states as well. Insurance issues are beginning to be addressed through changes in state law. For example, Texas has established a liability cap or limit for agritourism operators who have liability insurance up to the liability cap amount. Nebraska and other rural states are considering similar approaches.

## **Developing the Nature and Rural Tourism Sector**

New business operators soon discovered that starting an agritourism business is the easy part. In follow-up discussions with new business owners in North Dakota, it was found that they needed to network with others with similar interests and business operations across the state to become more efficient and effective at attracting tourists to their individual businesses. However, networking was impossible because the operators did not know each other and no database existed to help them. In response, the NDSU Extension Center for Community Vitality facilitated, along with the Garrison Conservancy District, the creation of the North Dakota Nature and Rural Tourism Association in 2004. The association created an environment for sharing and learning to take place.

The members of the new association quickly identified two issues that required action, affordable insurance and cooperative marketing. As a result of the association's recommendations and lobbying for affordable liability insurance, the North Dakota legislature in 2005 directed the North Dakota Insurance Department to conduct a study to examine the cost and availability of liability insurance for recreation and agritourism related businesses. The study has been completed, and the results were reported to the 2007 legislature. Cooperative marketing efforts using visitor packages, Web sites, and brochures have become more prevalent. A good example of a cooperative marketing effort (Dakota West Adventures) can be seen at <http://www.dakotawestadventures.com/>.

Research and Extension personnel continue to actively support the North Dakota Nature and Rural Tourism Association by providing research and educational programming. For example, in response to the growing interest in birding festivals, researchers from the Department of Agribusiness and Applied Economics surveyed participants in a rural birding festival (Hodur, Leistriz, & Wolfe, 2005). They found that more than three-fourths of participants were visitors to the area, with most coming from out of state. Visitors came from locations as distant as Oregon and Tennessee, and spent an average of \$235 per person during the course of the 4-day event.

Visitors were asked how they had learned of the event. More than two-thirds of out-of-state visitors mentioned a birding magazine as their source of information. On the other hand, visitors from within North Dakota much more often learned of the event through local media or from a brochure distributed by the festival organizers. This information was used by the organizers to plan their future marketing efforts.

As interest in organizing birding festivals and other agricultural and tourist-related events has grown in rural communities, the NDSU Extension Center for Community Vitality and Cass County Extension Office offered a 6-day University of Minnesota Extension certification training in Festival and Events Management. Because the potential economic impact of visitor spending is often an important local issue in planning festivals and events, the program was augmented to include a seminar by Dr. Larry Leistriz and Nancy Hodur of the NDSU Department of Agribusiness and Applied Economics on the principles of estimating the economic impact of events and festivals.

They first developed a conceptual framework for estimating an event's contribution to the local economy (e.g., visitors' spending would generally be counted as part of the economic contribution or impact, whereas local residents' spending generally would not). They applied this framework to various types of events in both rural and urban settings (e.g., a Birding Festival held in central North Dakota, various events held at the FARGODOME in North Dakota's largest city). Their presentation emphasized key issues that event organizers need to consider when estimating the local impact of their event. A major message was that a well-designed survey of event participants

can provide the information needed to estimate local economic impact, as well as providing insights that can aid in planning and marketing future events (Hodur, Leistritz, & Wolfe, 2005).

## Conclusion

Tourism is a growing industry in the Great Plains region and other rural, predominately agriculture states. Spending by out-of-state visitors has become an important part of rural states' economies. For example, it is the second largest component of North Dakota's economic base, contributing \$3.6 billion annually to the state's economy. According to the North Dakota State Tourism Division Director addressing the 2006 ND State Tourism conference, agritourism is growing and is an increasingly important component of the tourism industry in all rural states.

As nature-based and agritourism expands in states which historically have had relatively limited tourism activity, a variety of questions and issues arise. These can range from questions specific to starting a tourist-oriented business to issues relating to how private firms and public entities can best use their resources to promote their state and region. Extension professionals are uniquely positioned to assist individuals and groups seeking to promote rural tourism, based on both established relationships with rural constituencies and the ability to draw on applied research and outreach capabilities within the university system. North Dakota's experience provides an example of how Extension can provide the educational programming and applied research necessary to help facilitate growth and sustainability in the rural and nature based tourism industry.

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