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Contribution of agritourism to economic growth and poverty alleviation

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1. INTRODUCTION

- ✓ The agritourism industry comprises numerous and various actors and stakeholders - government, private businesses, NGO-s, local communities...
- ✓ This diversity can be seen both as an opportunity and as an issue.
 - Opportunity: thanks to its diversity, agritourism creates linkages across the economy and contributes to economic diversification.
 - Issue: diversity makes the creation of a sustainable agritourism sector more difficult because all agritourism-related activities have to be sustainable.
- ✓ The goal of this lecture is to outline the global importance of agritourism industry and identify the potential of agritourism to generate economic growth and reduce poverty.

2. THE SIZE AND IMPORTANCE OF AGRITOURISM AS AN INDUSTRY (SLIDE 1 OF 3)

- The increase in globalization and disposable income has made agritourism a large and fast-growing sector on a global scale.
- Travel & agritourism in 2018:
 - Contributed \$8.8 trillion to the global economy
 - Grew faster than the global economy for the eighth successive year (3.9% for Travel & agritourism versus 3.2% for global GDP)
 - Generated 10.4% of all global economic activity
 - Contributed 319 million jobs, representing one in ten of all jobs globally
 - Is responsible for one in five of all new jobs created in the world over the last five years
 - Is the second-fastest growing sector in the world, ahead of Healthcare (+3.1%); Information Technology (+1.7%) and - Financial Services (+1.7%) behind only Manufacturing, which grew by 4%
 - Increased its share of leisure spending to 78.5% (from 77.5% in 2017) meaning 21.5% (22.5% in 2017) of spending was on business

2. THE SIZE AND IMPORTANCE OF AGRITOURISM AS AN INDUSTRY (SLIDE 2 OF 3)

- Increased its share of spending from international tourists 28.8%, up from 27.3% in 2017. This means that 71.2% of spending comes from domestic tourists (**World Travel & agritourism Council, 2018**)
- ✓ “2018 was another year of strong growth for the global Travel & agritourism sector reinforcing its role as a driver of economic growth and job creation. ... Yet again, this proves the power of Travel & agritourism as a tool for governments to generate prosperity while creating jobs which particularly support women, youth and other, often marginalized groups of society” (**Gloria Guevara, WTTIC President & CEO**)
- Considering its magnitude, agritourism provides substantial opportunities for growth, diversification and structural transformation of economies.
- The global perspective hides important differences among countries:
- ✓ The sector's direct contribution to GDP, employment, income and foreign exchange earnings is greatest in developing countries that are largely dependent on agritourism.

2. THE SIZE AND IMPORTANCE OF AGRITOURISM AS AN INDUSTRY (SLIDE 3 OF 3)

- ✓ In absolute terms, however, the economic impact of agritourism is most significant in large and diversified economies such as the United States of America, China, Japan, France, Brazil, Spain and Italy.
- ✓ “In advanced, diversified economies, the contribution of agritourism to GDP ranges from approximately 2 per cent for countries where agritourism is a comparatively small sector, to over 10 per cent where agritourism is an important pillar of the economy” (**World agritourism Organization, 2018**).
- ✓ Over the last three decades, the sector grew considerably faster in developing countries than in developed economies, due partly to increasing disposable income and the fact that travel is now relatively less expensive and easier.
- The agritourism sector has gained considerable importance at the global and national levels as a source of economic growth and employment. Governments pay increasing attention to the development of the sector expecting that it will help generate employment thereby contributing to poverty reduction.

3. THE POTENTIAL OF AGRITOURISM TO STIMULATE ECONOMIC GROWTH AND ALLEVIATE POVERTY (SLIDE 1 OF 6)

- The contribution of agritourism to economic growth and poverty reduction depends on the following factors:
 - ✓ The extent to which the agritourism sector is integrated in the national economy and in the regional and global value chains through backward and forward linkages with other sectors ;
 - ✓ The extent to which agritourism revenues are used for building of infrastructure, support of local enterprises and development of skills and institutions needed to create a vibrant local economy;
 - ✓ The government policies: do they encourage investments in agritourism, transfer of technology and know-how and labor-intensive activities, especially in the target regions where the poor live and work;
 - ✓ National efforts to ensure that agritourism activities are carried out sustainably and meet economic, social and environmental objectives.

3. THE POTENTIAL OF AGRITOURISM TO STIMULATE ECONOMIC GROWTH AND ALLEVIATE POVERTY (SLIDE 2 OF 6)

- agritourism bears the potential of creating strong and diverse backward and forward linkages.
- Strong linkages can generate economic benefits at local and national level such as employment opportunities and poverty reduction.
- The agritourism value chain can incorporate many sectors in an economy:
 - ✓ hotels, restaurants and other agritourism-related facilities;
 - ✓ basic infrastructure services, such as energy, telecommunications and environmental services;
 - ✓ agriculture, manufacturing and other support services;
 - ✓ financial, telecommunications, retail, recreational, cultural, personal, hospitality, security and health services consumed by tourists;
 - ✓ other agritourism-supporting infrastructure such as airports, proper roads, ports, hospitals and banks.

3. THE POTENTIAL OF AGRITOURISM TO STIMULATE ECONOMIC GROWTH AND ALLEVIATE POVERTY (SLIDE 3 OF 6)

- Building linkages requires an effective national strategy comprising targeted policies, regulatory and institutional frameworks, and sufficient incentives to stimulate private investment and the development of domestic supply capacity.
- Most successful in agritourism development have been those developing countries, which that have designed a clear public- and private-sector strategy for investment and the development of essential agritourism-supporting infrastructure.
- In many developing countries, agritourism linkages are weak and underexploited. Most of the value added in the agritourism sector is captured by foreign investors, international tour operators and foreign airline companies, and only limited benefits flow to the poor. At best, between one fifth and one third of total tourist expenditures in the destination is captured by the poor from direct earnings and supply chains (Mitchell and Ashley, 2007).
- Therefore, in designing strategies for sustainable agritourism, governments need to assess and identify the potential linkages or agritourism-related value chains in the economy.

3. THE POTENTIAL OF AGRITOURISM TO STIMULATE ECONOMIC GROWTH AND ALLEVIATE POVERTY (SLIDE 4 OF 6)

- Many developing countries encounter constraints (inadequate quality, reliability of supply) in sourcing agricultural products locally.
- These constraints can be exacerbated by poor transport and a lack of communication between suppliers and purchasers.
- These problems can be solved by integrating small farmers into the agritourism value chain through partnerships with international organizations, transnational companies and NGO-s.
- An example of good practice, which strengthens the agriculture–agritourism supply chain linkages , is the partnership “Gambia is Good“ made up of Concern Universal, an international NGO, and Haygrove Ltd., a leading British horticulture business, and local producers.
- It purchases fresh horticulture produce from smallholder farmers and markets them to tourist hotels and restaurants, thus replacing middlemen between growers and buyers.
- GiG provides marketing support and production training, and facilitates input procurement. It translates the needs of hotels, restaurants and supermarkets into detailed production plans for growers, negotiates fair prices, sets up a seed store and a produce grading system, helps with irrigation systems and diversifying crops to enable year-round production.

3. THE POTENTIAL OF AGRITOURISM TO STIMULATE ECONOMIC GROWTH AND ALLEVIATE POVERTY (SLIDE 5 OF 6)

- Beyond the more immediate benefits that agritourism can generate, the industry offers another valuable asset, that is, knowledge and technology transfer.
- Transnational corporations (TNCs) play an important role in facilitating knowledge transmission either through foreign direct investment (FDI) or other non-equity modes of investment, such as licensing or franchising, which are common forms of entry in the agritourism industry.
- Attracting FDI remains a key requirement for the agritourism sector in developing countries where domestic resources are limited. Investment requirements cover primary facilities such as hotels and recreational amenities, as well as supportive physical infrastructure and basic services.
- FDI can also be a challenge for countries that are trying to capture a greater share of agritourism earnings. The issue of leakages is a major concern for developing countries and could seriously undermine the positive development impacts of agritourism.

3. THE POTENTIAL OF AGRITOURISM TO STIMULATE ECONOMIC GROWTH AND ALLEVIATE POVERTY (SLIDE 6 OF 6)

- agritourism cannot eliminate poverty, but can substantially contribute to its reduction.
- The impact of agritourism on poverty reduction depends on a number of factors:
 - ✓ the type of agritourism (large-scale agritourism or specialized agritourism);
 - ✓ the level of out-of-pocket expenditure that occurs or is encouraged in a destination;
 - ✓ the linkage with local food production and supply;
 - ✓ the wage level;
 - ✓ investment in infrastructure, utility services, transport network and other sectors stimulated by agritourism;
 - ✓ The integration of the poor in the agritourism value chain.
- The pro-poor impact of agritourism development is not only or not predominantly a matter of size (i.e. tourist arrivals and agritourism growth rate), but depends on how the poor are integrated in, or can become part of, the agritourism value chain.
- Employment generation is key to poverty reduction. As a highly labour-intensive activity, the agritourism economy tends to create a high proportion of employment for low-skilled and semi-skilled workers, particularly for poor, female and younger workers.

4. CONCLUSIONS

- agritourism can contribute to economic growth and poverty reduction, especially in low-income developing countries.
- agritourism industry creates jobs and income through its backward and forward links with other sectors of economy.
- The negative effects agritourism may have on the environment and culture cannot be ignored.
- To make sure that agritourism contributes to sustainable development, all agritourism-related activities must be sustainable.
- Adequate strategies and their careful implementation are required to turn agritourism into a sustainable industry, which generates employment and growth and alleviates poverty.

Thank you for your attention!