

## *Potential links between rural tourism and agriculture in the Northern Great Plain Region*

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### SUMMARY FINDINGS, CONCLUSIONS, RECOMMENDATIONS

Agriculture has played and still plays a significant role in the life of rural communities and in rural development. But, because agriculture yields low revenues, agricultural workers often need a source of additional income. Agriculture combines excellently with the growing of medicinal herbs, organic farming, handicrafts and tourism. Rural tourism, as originally conceived, is a source of revenue to supplement income from agriculture. In Hungary, however, the ties between these two activities are very weak.

Our current research is focused on assessing the willingness of land owners and agricultural entrepreneurs in the Northern Great Plain region to engage in rural tourism, as well as the willingness of rural hosts to start agricultural activities. Additionally, we seek to assess the potential opportunities for combining agricultural activities and rural tourism in the region by identifying the factors behind the successful operation of profitable enterprises pursuing both lines of business. We also look at the potential economic results from these two activities, and how they might change the revenue levels of the region's dwellers. We have administered our questionnaire to 122 enterprises so far.

### INTRODUCTION

The change of regime opened a new era even in the ownership and utilization of land. The compensation procedure was the main process of giving the land into private ownership, which resulted in the fact that private ownership became the principal ownership form. This went with the consequence that land rent came forward relating to land use as many land owners could not cultivate or did not want to farm the land obtained, on the other hand the former land-using farmers had to rent land if they wished to carry on agricultural activities (Tanka, 2000).

The rate of farms of 1 to 2 hectares extremely increased which could not make full-time agricultural activities possible. Instead of the land concentration typical to Western Europe and the USA, there was

a totally opposite processing happening in Hungary (Magda, 1994).

Naturally, at the end of the described process, the need of land concentration appeared, which economic border was between 50 to 70 hectares in case of a family farm according to calculations. Land purchase regarding the unfavourable situation of agriculture in capital supply caused difficulties for the majority of the farmers even in case of the relatively cheap Hungarian land, in this case renting the land meant a cheaper solution with less capital need (Pfau, 1996).

The land as a resource is essential for smaller-sized farms as it may mean the basis of the existence and livelihood. It is highly important to establish an institutional background when outlining land political guidelines which positively influence the subsistence and well-beings of the so-

cial layers concerned. For this reason it is essential to support developing integration organizations (Buzás, 1999).

The general characteristics of rural areas are the low population density and supply level, the lagging behind conditions, declining and aging population, small-village-typed community structure, high ratio of agricultural, meadow, grazing-land, pasture and wet lands comparing to urbanized territories (Fehér, 2000). Besides these features mentioned, it is relevant that rural areas cannot equal with agriculture as it is much more than that, it may not mean only lagging behind conditions because there are beautiful developed rural areas in Europe (Nagy, 2005). In sustainable countryside sustainable agriculture is carried out; it is sustainable from the points of view of the local government and the population density. Rural development serves retaining and sustainable development of rural areas (Csete – Láng, 2005).

Profitability problems of farmers had appeared already before the change of the economic and political regime, the land rent, however, as a new cost, made even harder the already existing problems. There were three solutions left for farmers under these hard economic conditions (Posta, 2005). Neither they stop farming and look for a job being competitive with other sectors of economic life, nor as tenants try to agree with land owners and hope that sooner or later the profit and profitability conditions in agriculture will be better or they look for supplementary profit opportunities relating to agriculture, by which they can ensure the sources of their own and family's benefit.

At the beginning of renewing rural tourism after the Second World War during the 1990's, several researchers defined the concept of rural tourism. Though the definitions are different, the essence is the same. Rural tourism is a touristical activity, which provides accommodation, catering and programs from the point of view of the hosts, and it may be a cheap and acti-

ve holiday for the guests. It is a supplementary profit source for the host as in classical meaning rural tourism supplements the profit gained from agriculture. On the basis of our previous researches (Bainé Szabó, 2003; Szabó et al., 2008) it revealed that rural tourism hardly connects to agriculture, furthermore catering and organizing programs are scanty among the services of the hosts. The average tourism nights of the guests are low, the touristical supply is one-sided and the utilization of the available capacities is small. The personal conditions of rural tourism are not acceptable, which means most of the hosts do not speak any foreign language at all. Comparing to the Western European practices our lagged behind situation is obvious relating to both personal and material conditions.

By the help of questionnaires altogether 122 enterprises were surveyed during the last two years, which aimed at determining the present conditions and potential opportunities of carrying out rural tourism and agricultural activity in a jointly way. Only 20% of the examined enterprises deal with both rural tourism and agricultural activity. The distribution of the enterprises between the two activities is 50:50%. Calculations were made on the basis of the results of the survey aiming at what size agricultural activity and rural tourism are necessary to cover the expected profit of a family farm if it runs both of the activities.

In this chapter the farming conditions of the examined landowners and the operating situation of rural hosts are introduced which is followed by the analysis of the operation of enterprises performing both of the activities by highlighting the potential willingness for combining rural tourism and agriculture. On the basis of the results of the survey calculations were made to base the conditions of jointly carrying out of these two activities.

### THE CONDITIONS OF LAND OWNERSHIP AND LAND USE

Relating to land size, there are a few farmers who already organized a viable firm size (180 to 220 hectares), on the other hand the majority of the asked run farms of 30 to 40 hectares, which land size is insufficient to ensure the subsistence of the family. With respect to land quality, the examined farmers have land of average quality. Every landowner cultivates the land on his own, which means that holding on to land is at high level though it may come from the fact that a few of them decided to use their own land under constraints lacking any other job opportunities.

Most of the farmers regard the available land area as insufficient for the safe profit gain as the land concentration is not high enough to ensure this function. In this way 70% of the farmers asked hire land areas. The average per hectare paid land rent is 20 000 HUF constituting 10 to 20% of the production costs. It is a general tendency that farmers rent land from three or more owners, which draws attention to the low land concentration. Farmers strived to negotiate contracts which ensure the subsistence of the family for at least middle term. Thus 5-year-long contracts or contracts lasting for more than 5 years are typical. Paying the land rent occurs in a fix amount or in products. At the same time 20% of the contracts make the land rent dependant from the selling price of the products in the given year of farming.

Plant production is dominant in 90% of the asked farmers, while 30% and 20% of them carry out animal breeding in some wise and machinery service, respectively. Detailing the activities of farmers it turned out that branches of low capital need are preferred (e.g. wheat, corn, barley, oat, sunflower) to horticultural branches of high demand of labour (such as paprika, tomato, melon, marrow). Producing fodders such as silage and alfalfa is of supplementary feature where animal breeding is

accompanied by plant production. In case of profit generation the mentioned cereal branches provide a per hectare profit of 10 000 HUF in average for families, while the horticultural branches (water melon, paprika, potato) grant much higher profit, sometimes a per hectare profit of 100 000 HUF. The animal breeding appears in a smaller rate in the profile of the asked farmers; in this way keeping a few cows, hogs and ewes may be registered and the profit is of supplementary feature.

The acceptable land size is 200 hectares according to the answerers. The answers range from 50 hectares to 300 to 500 hectares. All of them agree with the fact that the profit level from agriculture is insufficient.

This is proved by the fact that 88% of farmers who are not satisfied with their profit have the willingness to start further activities besides agriculture, and 60% of them wish to supplement their profit from agriculture by rural tourism. The main reasons for choosing rural tourism are that this activity is of good profit gain feature, the farmers have free room capacities and could organize programs for the potential guests. Farmers who do not wish to involve in rural tourism typically have greater land sizes (above 100 hectares) and to their minds they would not have any time for the guests.

### THE SITUATION OF RURAL TOURISM

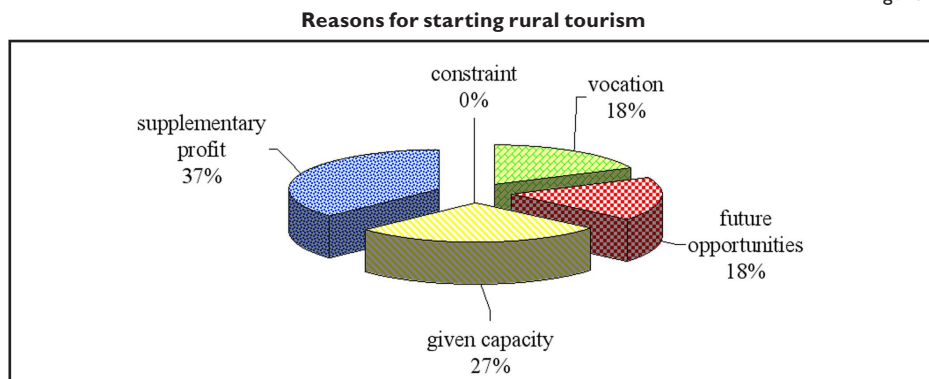
The rural hosts asked deal with this activity as a supplementary profit source (Fig. 1) as their main jobs come from the service and education sector, while most of them carry out rural tourism as pensioners. The majority of the hosts are involved in this job for more than 5 years and 95% of them did not regret starting rural tourism. The remaining part of 5% regretted starting this activity because of its low profitability.

The majority of the hosts speak a foreign language, mainly in English, German and Russian. On the other hand one third

of them do not speak any foreign language. Unfortunately 75% of the examined hosts did not take any professional course in rural tourism, at the same time it is revealed that 70% of them belong to some rural

tourism organization. Those who are not involved in such organizations do not have up-to-date information on taxation, subsidization, marketing issues and financial methods of rural tourism.

Figure 1

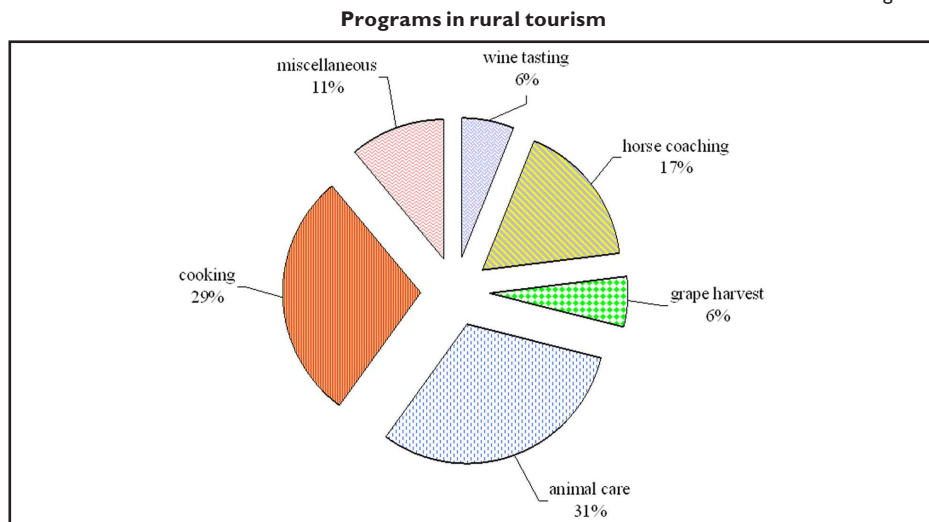


Source: own survey

Most of the accommodations are comfortable being qualified by 3- to 4-sunflower-qualification. The hosts provide 3 to 5 rooms and 10 beds in average. The number of per host guests is 130 who spend 350 tourism nights resulting in a capacity utilization of 10% in a year. 80% of the guests come abroad. The price of the accommo-

dation is 2500 HUF per one tourism night which may be supplemented by revenue from catering constituting 1000 to 1500 HUF per capita. 80% of the hosts organize programs for the guests such as wine tasting, animal feeding, cooking traditional meals, grape harvest (Fig. 2).

Figure 2



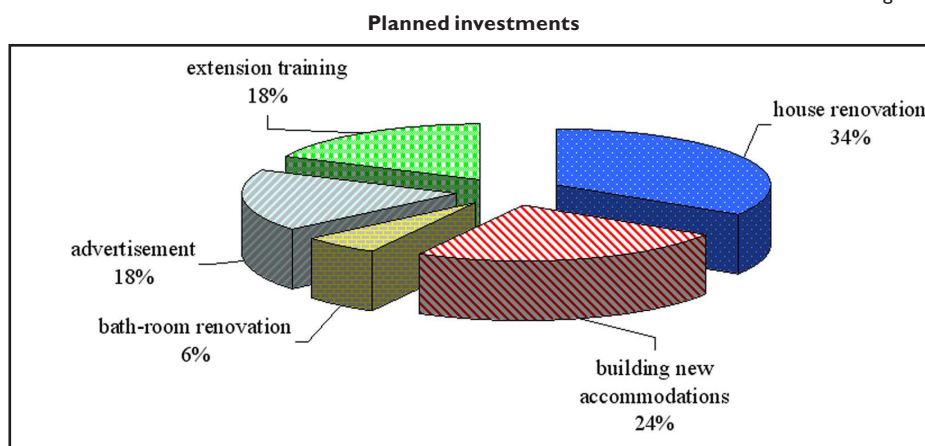
Source: own survey

The yearly costs of rural tourism were investigated by classifying them into fixed and variable costs. The yearly fixed costs of rural tourism are membership fee (10 000 HUF), the cost of qualifying (20 000 HUF), advertisement costs (10 000 to 100 000 HUF), insurance cost (20 000 to 40 000 HUF) and other costs (10 000 HUF). The variable costs depending on the number of tourism nights could not be calculated by

the hosts in this way these costs cannot be separated from the household costs. The variable costs include food cost, the costs of energy and water, cost of cleaning supplies and own wage.

Almost every host asked carried out investment for the sake of rural tourism, such as renewals, reconstructions, renovating and building a bathroom, raising the qualification level (Fig. 3).

Figure 3



Source: own survey

These investments happened mainly from own sources (90%) and subsidies (58%). Typically, hosts did not acquire credit for their planned renewals. It was also revealed, however, that the examined enterprises are not satisfied with the available capacities and their quality, as they plan further reconstructions such as renewing bathrooms or building new rooms. Beside these they intend to advertise their activities and enroll in any vocational training in the future.

On the basis of our calculations the hosts gained 500 000 HUF profit from rural tourism in average in a year, though for covering the subsistence of the family only from rural tourism 2550 tourism nights would be necessary. To some hosts

the rural tourism itself is not sufficient to ensure the livelihood of the family; while others thought that only a full-time capacity utilization would provide a safe financial background.

Investigating the willingness of rural tourism to carry out any agricultural activity it turned out that only 12% of the asked hosts wishes to supplement their profit from agriculture.

#### **THE COMMON POSSIBILITIES OF CARRYING OUT AGRICULTURE AND RURAL TOURISM**

Farmers being involved even in rural tourism deal with mainly plant production and animal husbandry as a supplementary activity. Farmers performing animal hus-

bandry as well, try to cover the fodder need of the animal stock from own sources, and grow crops for the market in the remaining territories such as cereals and fodder. Traditional vegetable and fruit genera may be found in these farms widening the offered products for the guests in tourism.

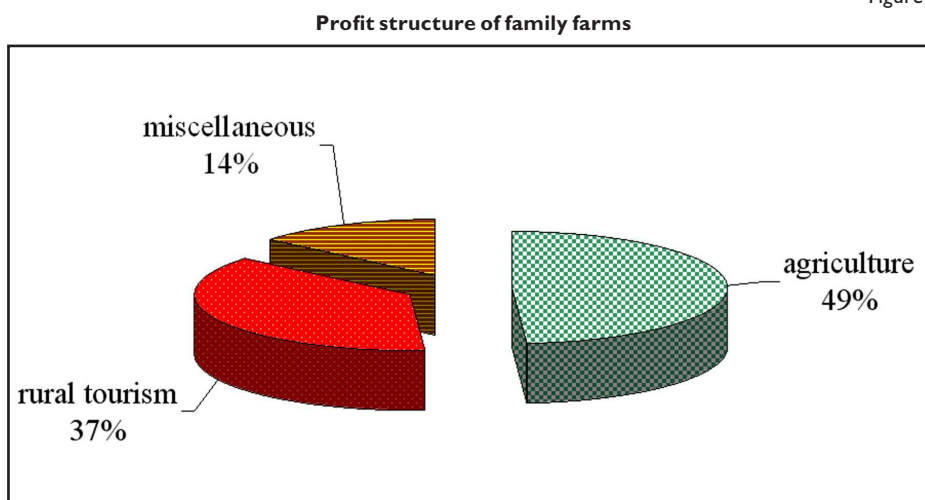
Even according to these farmers asked, a land of 200 hectares is necessary for the safe subsistence of the family. The answers ranged from 20 hectares to 300 hectares. It is true even in this case that none of them are satisfied with the profit gained from agriculture.

In this way most of the asked has been dealing with also rural tourism for 5 years

in average in order to complete their profit. The rural tourism activity started along the already existing agricultural activity. This extra activity takes 50% more time which appears in extra profit to a smaller ratio in most of the cases. The profit structure of family farms includes profits from agriculture, rural tourism and other sources reflecting 49%, 37% and 14% separately (Fig. 4).

The agricultural activity makes using the products in tourism possible, which is utilized by the hosts. Such products are for example vegetable, fruit, dairy products and traditional meals typical to the given territory.

Figure 4



Source: own survey

To the hosts' minds, 2650 tourism nights would ensure the livelihood of the family exclusively from rural tourism. At the same time there were hosts who thought that rural tourism alone is not sufficient to ensure the subsistence of the family, while according to others only full-time capacity utilization would ensure a safe financial background.

#### THE CONDITIONS OF COMBINING THESE TWO ACTIVITIES

Based on the results of the survey, a family farm of four members was modeled, which would have a potential opportunity to carry out rural tourism. The aims of our investigations were to determine (1) how many tourism nights should be realized if they carry out only rural tourism; (2) how

much land is necessary in case of only agricultural production; (3) and what combination of the two activities is needed, if the farm runs both of the activities, for covering the expectable profit of the family.

In the first step, we determined the expectable profit of the family on the basis of Nagy (2006)'s results. The expectable profit of a family farm is the sum which is left for the family from the annual revenue after covering all of the expenses as well as meeting the requirements of the regular maintenance work to ensure meeting its needs in an average way and besides create opportunities for accumulating. Its given rate can be determined to the given period and to the given region. On this basis, the expectable profit of a family farm including four members was 3 580 400 HUF in a year in our calculations.

In the next step, we investigated the economic background of rural tourism being done potentially. The costs of rural tourism were quantified by investigating rural host in the region. This was necessary as rural hosts could not separate the variable costs incurring in rural tourism from the household budget, thus they were not aware of the profit coming from their activity. Only the costs incurring in rural tourism must be considered when calculating the annual costs of rural tourism, which was analyzed by dividing them into fixed costs and variable costs as mentioned before. Fixed costs include depreciation and improvement costs, membership fee, costs of advertisement and insurance fee. Variable costs vary according to turnover. They consist of food cost, electricity cost, water cost, other material costs, utilizing the average input unit suggested by Horváth (1992), and own wage. We did not consider tourism tax, as it is not an expense for the host; it is paid by the guest. Its volume, however, may affect tourism, and its indirect effect contributes to the touristical development of communities.

Revenue depends on the number of guests, the average staying time, the number of tourism nights, and the prices of the accommodation and catering.

Supposing an average condition, the following values may be used. Fixed cost per one tourism nights is 700 to 800 HUF, the variable cost is between 1300 and 1400 HUF. The total cost equals with 2000 to 2200 HUF. The average revenue ranges from 2800 to 3600 HUF, supposing that the price of the accommodation is 1500 to 2000 HUF, those of breakfast and dinner are 500 to 600 HUF and 800 to 1000 HUF, respectively. In this calculation, we used the followings (Table 1).

Table 1

**Cost-revenue-profit used  
in the model in 2008**

| Denomination   | HUF per<br>tourism night |
|----------------|--------------------------|
| Fixed costs    | 700                      |
| Variable costs | 1 300                    |
| Total costs    | 2 000                    |
| Accommodation  | 2 000                    |
| Breakfast      | 600                      |
| Dinner         | 1 000                    |
| Revenue        | 3 600                    |
| Gross profit   | 1 600                    |

Source: own calculation

According to our aims, we first determined the number of tourism nights for covering the expectable profit if the family carries out only rural tourism. In this case, 2238 tourism nights should be necessary. The reality is much far from this value, as on the basis of the data of the Hungarian Central Statistical Office, the number of registered rural hosts is about 540 in the

Northern Great Plain Region, selling 6 beds in average. The number of tourism nights projected to one host is 60 to 70, which is lower than the national average (80), reflecting a rather low value, too. The average staying time is 4 days, which reflects the Hungarian conditions.

In the next step, we determined the size of the land which is necessary for covering expectable profit, supposing the fact, that the family produces wheat and corn being typical to the region. According to our calculation, a profit of 40 000 HUF per hectare may be reached in average considering the already mentioned crops, which covers the expectable profit in case of a land size of 90 hectares.

When combining the two activities, our aim was the fact that the activities should cover the expectable profit. Supposing 5 beds, the number of tourism nights being spent potentially is 1830. Fixing a capacity utilization of 25%, we calculated by 460 real tourism nights. This value exceeds both the regional and national averages, but it can be expected, if we presume that the family wishes to live on partly from this activity. In this case 736 000 HUF profit is realized annually from rural tourism. This is 20.5% of the expectable

annual profit, which reduces land size by 20 hectares, in this way only 70 hectares are needed for ensuring the livelihood of the family.

In case of more modest circumstances, regarding the present rural profit conditions, it may turn out that the family manages on lower profit, which only covers the daily expenses of the family, but does not create opportunities for accumulating. In this way, the requirements reduce to 2 400 000 HUF, and in our calculation we examine that how this value may be realized.

If the family deals with only rural tourism, 1500 tourism nights is necessary to cover the expected profit, which would mean a capacity utilization of 80%. This is an exaggerated value if we aware of the facts.

If the family wishes to reach the profit only from agricultural production, supposing the original profit conditions, a land of 60 hectares is necessary.

When combining the two activities, supposing the capacity utilization of 25%, the profit of 736 000 HUF from tourism nights consists of 30.6% of the required value, while only 42 hectares are necessary for covering the remaining part. Our calculations are summarized in Table 2.

Table 2

The required land size depending on annual profit and number of tourism nights

| Denomination             | Expected profit (HUF per year) |    |     |           |    |     |
|--------------------------|--------------------------------|----|-----|-----------|----|-----|
|                          | 3 580 400                      |    |     | 2 400 000 |    |     |
| Number of tourism nights | 2 238                          | 0  | 460 | 1 500     | 0  | 460 |
| Land size                | 0                              | 90 | 71  | 0         | 60 | 42  |

Source: own calculation

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