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THE DEVELOPMENT OF AGRO-TOURISM AS AN ELEMENT OF MULTIFUNCTIONAL DEVELOPMENT IN RURAL AREAS

1. Introduction

Environmental conditions in Poland are favourable for agricultural production. More than 60% of the total area of Poland is used for agricultural purposes. However, statistical data show that other use of land has increased over the last 20 years, which is linked to a decline in the share of farming land. The structure of land use in Poland in the period 1980–2000 is presented in Table 1.

A significant proportion of Polish territory is used for agricultural purposes and agriculture for a long time was the only sector where private

Table 1. The structure of land use in Poland in the period 1980–2000 (in thou. ha.)

Specification	Year					
	1980	1990	1995	1997	1999	2000
Total area	31 268	31 269	31 269	31 269	31 269	31 269
Farming land	19 102	18 784	18 664	18 608	18 435	18 504
Forests and wooded land	8 754	8 884	8 958	9 029	9 094	9 122
Waters	814	826	831	833	833	834
Land for transport use	958	989	992	970	959	954
Land for residential use	840	952	1003	1 025	1 050	1 061
Wasteland	477	504	506	505	499	499

Source: Author's own elaboration based on Statistical Yearbooks of the Republic of Poland (*Rocznik Statystyczny Rzeczypospolitej Polskiej*), 1996–2001.

property prevailed. However, for decades Polish agriculture has been (technically and educationally) the least efficient and most underdeveloped sector. There are more than 2 million farmers, and agriculture was never monopolised by the state under the socialist system (which lasted until 1989). The importance of different types of ownership in agriculture is shown in Table 2. Table 3 presents changes in the structure of private farming.

Table 2. Agricultural land area according to ownership (in thou. ha.)

Specification	Year				
	1980	1990	1995	1999	2001
State farms	3 698	3 459	3 690	—	—
Cooperative farms	946	736	476	—	—
Private farms	13 236	13 497	13 846	15 431	15 550
Total	19 102	18 784	18 664	18 435	18 392

Source: Author's own elaboration based on Statistical Yearbooks of the Republic of Poland (*Rocznik Statystyczny Rzeczypospolitej Polskiej*), 1996–2001.

Table 3. The most important data on private farms according to size

Specification	Year					
	1990	1995	1997	1998	2000	2001
Farms (in thousand)	2138	2048	2008	1989	1881	1882
With agricultural land area of (in %):						
1.01–1.99 ha	17.7	20.9	21.9	22.6	23.8	22.8
2.00–4.99 ha	35.1	33.7	34.4	34.0	32.6	33.8
5.00–6.99 ha	14.9	13.4	12.7	12.4	23.8	24.3
7.00–9.99 ha	14.9	13.3	12.3	12.3		
10.00–14.99 ha	11.3	10.7	10.3	10.2	9.9	9.7
15.00 ha and more	6.1	8.0	8.4	8.5	9.9	9.4
Average total farm area (in ha)	7.1	7.6	7.8	7.7	8.0	8.0
Of which agricultural land (in ha)	6.3	6.7	6.9	6.9	7.2	7.1

Source: Author's own elaboration based on Statistical Yearbooks of the Republic of Poland (*Rocznik Statystyczny Rzeczypospolitej Polskiej*), 1996–2001.

During the period 1980–2001 the largest part of agricultural land was used by private farms. The share of private farming in agricultural land was 69.3% in 1980, and increased to more than 83% in 2001. It has to be

mentioned that total agricultural land declined over this period by 598,000 ha, which is 1.9% of Polish territory.

Polish agriculture is characterised by its small scale. Although some favourable changes have taken place in the absolute number of private farms of various sizes, the spatial structure of agriculture has not changed significantly. The share of farms of 15 ha and over has increased, while the share of farms with an area of 5–7 ha, 7–10 ha and 10–15 ha has declined. However, these changes are proceeding very slowly. The organisational changes of state farms, which started at the beginning of the 1990s, created a clear opportunity for enlarging the size of private farms. However, only a few could make use of this opportunity – those who possessed funds to buy land. In the period 1990–2001 the average farm size increased systematically from 7.1 ha in 1990 to 8.0 ha in 2001.

This positive transformation in the structure of agriculture has not caused an improvement in efficiency. The regress in agriculture worsens the problem of unemployment, which has been increasing since 1997. In 1998 there were 835,000 registered unemployed in the countryside, among which there were 31,000 farm owners. However, according to the agricultural census from 1996, partly or completely hidden unemployment amounted to almost 900,000 people. Thus, total unemployment in the countryside may be over 1.7 million people, with an upward trend [Dach and Karczewska, 2000].

Excess employment in agriculture also influences farmers' income. According to the GUS (the Polish Central Office of Statistics) real income in private farming declined by 9.1% in 1996 and by 8.3% in 1997. Although gross and market agricultural production measured in current prices increased during the 1990s (see Table 4), profitability did not increase.

A way to reduce the negative economic effects of the small scale of many farms may be horizontal integration, among other things by the creation of producer groups. However, there are more opportunities outside agricultural production which many farmers can use to remain in business.

2. Guidelines for multifunctional rural development

The new socio-economic conditions created by the system transformation caused agricultural and rural development to slow down. A (significant) proportion of the rural areas in Poland can be called peripheral as they possess (some of) the following characteristics [Kozuch, 1999, 31–3]:

- registered unemployment caused by the liquidation of unprofitable agricultural enterprises,

Table 4. Gross and market agricultural production in current prices (in mln zloty)

Specification	Year				
	1990	1995	1998	1999	2001
Gross output	8847.6	43347.4	54692.2	51080.4	60319.5
<i>Of which private farms</i>	6856.5	38614.4	48980.5	45879.0	54366.9
Crop output	4475.4	25388.4	29824.2	27933.8	31591.3
Animal output	4372.2	17959.0	24868.0	23146.6	28728.2
Market output	5533.9	21711.2	30948.5	30544.3	35933.8
<i>Of which private farms</i>	4066.2	18390.2	26725.4	26235.7	31215.7
Crop output	1833.8	8555.5	11350.1	11929.3	13230.9
Animal output	3700.1	13155.7	19598.4	18615.0	22702.9

Source: Author's own elaboration based on Statistical Yearbooks of the Republic of Poland (*Rocznik Statystyczny Rzeczypospolitej Polskiej*), 1996–2001.

- a lack of capital and a lack of opportunities to obtain investment capital quickly,
- an anachronistic spatial structure of farms which produces unregistered unemployment,
- an anachronistic socio-professional structure of the rural population connected with the existing monoculture,
- an underdeveloped infrastructure, which to a large extent determines the activity and profitability of enterprises.

There is a need for stimulating rural areas economically, as these areas often have a poor infrastructure, are economically underdeveloped, while the core of production consists of farmers producing in a traditional and inefficient way.

In connection with the existing situation in agriculture, government policy is directed towards two processes:

1. Modernisation of agriculture facilitating acceleration of structural changes.
2. Multifunctional rural development and the creation of alternative sources of income for those farmers who cannot or do not want to run a farm.

Multifunctional rural development requires an a larger role of farms in food production than at present. New functions in the field of storage, food-processing, services in the field of production and trade and the agro-food industry should be developed.

The multifunctional development of rural areas should be facilitated by the government program „development of rural areas” (*rozwoj ob-*

szarów wiejskich), which is based on the following assumptions [Kołodko, 1994]:

- rural renewal by way of modernising agriculture and the creation of employment outside agriculture,
- changes in the agricultural policy of the European Union should be the basis for the transformation of agriculture,
- development of the rural socio-economic infrastructure,
- use of the natural virtues of rural areas.
- Activities should be mainly directed to:
 - development of local entrepreneurship, including agro-tourism,
 - development of infrastructure,
 - stimulating outflow of people from agriculture, while preventing outflow of people from the countryside,
 - improving professional qualifications, and
 - stimulating the acquisition of new skills.

Restructuring of agriculture should induce farmers to take up activities outside agricultural production, among other things tourism. For that reason the economic importance of agro-tourism as part of multifunctional development of rural areas and an additional source of income for farmers is becoming more and more emphasised.

Besides the creation of a new, differentiated structure of employment, an important objective of the development of agro-tourism is to preserve the service infrastructure, which is of enormous importance to small villages.

3. Barriers to development of agro-touristic activities

The free market is the main mechanism solving the allocation problem in agriculture. For this reason, agro-tourism should be assessed on the basis of profitability. Two basic types of costs can be distinguished in agro-touristic activities:

- the cost of producing tourist products,
- the cost of producing agricultural products.

Both types of costs consist of cost of materials and cost of labour.

Calculating the per unit cost of production of a tourist product is a complicated process. The basis of each cost calculation is registration of inputs (physical and financial) and expenditure (purchase of physical resources with different usage lifetimes. Each expenditure should be treated as a monetary flow connected with a change in current assets. Money invested in goods increases physical stocks and stocks of raw materials. Money invested in objects and working equipment increases

fixed capital. Proper identification of the purchase of different types of production means facilitates a change in the cost structure.

The complexity of the cost structure depends on the size of the business. It may be useful, even necessary to differentiate the costs of the business into production costs and costs of services. Provision of services should be analysed according to the type of service, taking into consideration difficulties that may arise with measuring the cost of a single service.

When estimating the cost of a service, the following factors should be taken into consideration:

- the period in which agro-tourist activities are undertaken,
- the share of agricultural products sold compared to the amount of services sold,
- to what extent agricultural activity is related to the sales of services,
- the demand for services offered,
- the supply of services,
- the opportunities for developing agro-touristic business [Dębniwska and Tkaczuk, 1997, 41-44 and 53-4].

Depending on the state and opportunities for development of agro-tourism on a given farm, analysis of costs may concentrate on the following groups of costs:

- only variable costs,
- variable and fixed costs (connected with agro-tourism),
- direct costs,
- total costs according to type of activity.

In practice, many farmers do not keep any record of costs. This may be caused by a lack of skills or because they are not accustomed to it. Significant fluctuations in prices of materials needed to start up an agro-tourist business and the production of food products means that it is difficult to estimate the total costs of particular types of services, taking into consideration real sales. Difficulties may also arise with distinguishing between the costs of running an agro-tourist business and the costs of living of the farming household. For example, correct calculation of the cost of energy used for agro-business and energy used by the farmer's household requires installation of meters in the rooms let to customers. Similar difficulties arise when estimating the cost of heating, hot water, etc. However, many of these costs would have to be borne by the household anyway.

It may be the case that the possibility of obtaining tax relief given by the Act on Goods and Services [Dziennik Ustaw, 1993] will cause farmers to keep records of income and expenditure. This would facilitate calculating of the cost of services. Currently many service providers only

rely on rough estimates of costs or offering prices below the price of services in other agro-businesses in order to be competitive.

Agro-tourism is a new tourist product. Similarly to other new products, such a product has to be promoted and a marketing strategy should be developed. Such activities are very costly, and success is not guaranteed. Different types of advertisement and promotion of agro-tourism are used. Most often the Internet and teletext are used, as well as more traditional methods such as catalogues and brochures. Taking part in agro-tourist fairs is often too expensive. Demand for agro-tourist services is relatively small, but it is likely that it will increase in the next couple of years. However, this increase will be not big enough to increase expenditure on advertisement and promotion.

Most of agro-tourism relies on labour of the owners. This is a consequence of the small scale of this activity and the small income obtained. It may seem that the financial resources needed for running such a business is limited, as it makes use of already existing housing and production facilities. However, consumers demand a certain standard. For this reason it may be necessary to modernise or renovate buildings and their interior, for which financial resources are needed. Most often personal savings are used for such investment. Furthermore, it is difficult to obtain credit for agro-tourist activities, among other things, because safeguards are required. The lack of interest of local authorities may be another barrier to the development of agro-tourism. Local authorities may have an advisory role, which may create conditions for successful development of agro-tourism.

4. Summary

Agro-tourism may be an opportunity for farmers to obtain an additional source of income. Agro-tourism may create 13–30% of disposable farmers' income. In some cases agro-tourism may even become the most important activity. However, this type of activity is not a panacea for problems in rural areas. It does not have the potential to create enough jobs to solve unemployment in rural areas, and create new jobs for 2 million farmers.

Solving the problem of unemployment in rural areas will only be possible when current agricultural activities are broadened from production to new activities such as storage, food-processing and development of the agro-food industry, as well as the development of a wide range of services for production and trade.

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