



## AGRO TOURISM IN TAIWAN. ITS IMPORTANCE AND PROSPECTS

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**Abstract:** Due to consumer demand for recreation and farmers' need to diversify their income, researchers and policy makers are showing great interest in topics related to agritourism. This study presents a supply-side analysis of agritourism using Taiwan as a case study. Using a sample of 720,148 family farms from the 2010 Agricultural Census Survey in Taiwan, we examine the effects of engaging in agritourism business on farm income, farm inheritance, and family. We determine the impact of these factors on labor supply decisions between on-farm and off-farm. The work. An analytical framework combining a double-robust regression model and semi-parametric estimation is proposed to overcome the endogeneity bias. The results show that participation in agritourism increases farm income and family farm succession. Agritourism farms also have more on-farm family members and fewer off-farm family members than non-agritourism farms. Although agritourism businesses are designed to meet consumer demand for recreation, our results show that they also improve the economic well-being of farms.

**Key words:** agrotourism, farms, business strategies, diversification, socio-demographic characteristics

### **Enter**

East Asian countries, including Japan, South Korea, and Taiwan, are characterized by small-scale agriculture, with shrinking farm sizes and a declining contribution to national output. However, agritourism has been recognized as an important business opportunity due to increased consumer demand for leisure time and declining farm production values. Agrotourism has become an important public policy to improve the economic well-being of small farms in East Asian



countries. For example, Kuo and Chiu (2006) noted that rural hospitality offers new employment and income opportunities for rural residents in Taiwan.

Another characteristic of farms in East Asian countries is that family farms make up the majority of the farm population (Lowder et al. 2016). If we take Taiwan for example, 98% of farms are family farms. The growing interest in local food and food culture is making the family farm a cornerstone of small-scale agriculture (Schor and Thompson 2014). In addition, as farm operators are 2 years old in East Asian countries, intra-family succession is important for smallholder farms, as farm succession is central to the food security of family farms. (Kang 2008).

Family farming has to deal with complex business strategies to generate income and ensure the continuity of the family farm from generation to generation. These strategies include both on-farm and off-farm income diversification (Van der Ploeg 2008). Farm diversification through agritourism and off-farm income is valuable for spreading risk and sustaining family farms. Off-farm income can help farmers invest in yield-enhancing management practices. Family farms, especially those located near rural and urban boundaries, are well positioned to meet growing consumer demand for modern, local food culture. Agritourism has been developing in Taiwan in recent years. In 2012, the total number of annual visits to recreational farms reached approximately 15 million (Taiwan Council of Agriculture 2013). To match the increased demand for recreation and farm income diversification purposes, the Taiwan Agricultural Administration has promoted agritourism (Taiwan Today 2017).

This paper presents agritourism and its impact on farm economies using Taiwan as a supply-side analysis. First, we determine the relationship between socio-demographic characteristics of the farm operator, farm conditions and farm production characteristics, and the farm's decision to engage in agritourism



business. The impact on the income from agritourism activities and the amount of land used for agritourism activities is also discussed. Second, we examine the relationship between agritourism and farm welfare in terms of total farm income and number of family heirs. Finally, etc. 2002 ), we go a step further to examine the impact of agritourism operations on farm members' propensity for on-farm and off-farm activities.

Using a population-based dataset of 720,148 family farms from the 2010 Agricultural Census Survey in Taiwan and an econometric framework combining semi-parametric estimation and a double robustness model, this study investigates several reveals interesting findings. First, the socio-demographic status of the farm operator, farm condition and farm production characteristics are related to the extensive and intensive boundaries of the farm to engage in agrotourism activities. Compared to non-agritourism farms, agritourism farms also have higher farm incomes and more family farms. Regarding the division of labor of farm members, it is clear that engaging in agritourism business is associated with more farm members working on-farm and fewer members working off-farm. This finding is a supporting evidence for agricultural authority to promote agritourism. That is, although the growth of agrotourism is primarily related to the increase in the demand of consumers for free time, the activity of agrotourism is also related to the improvement of the economic well-being of farms. In addition, family farm succession has been recognized as an important issue for farm sustainability, especially for smallholder farms in most East Asian countries. According to our findings, agritourism can have a positive effect on the succession of family farms. This finding is a supporting evidence for agricultural authority to promote agritourism. That is, although the growth of agrotourism is primarily related to the increase in the demand of consumers for free time, the activity of agrotourism is also related to the improvement of the economic well-being of farms.



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## **Conclusion**

Using farm-level agricultural census data in Taiwan, this study examines the factors influencing farmers' decision to engage in agritourism business strategies using an econometric framework combining the double robustness method and the semiparametric method. studied. This paper also examines the effects of participation in agritourism on economic returns (farm income), internal evaluation (number of farm heirs) and labor allocation decisions of farm family members. We found that participation in agritourism increased farm income by nearly 27 percent and the number of farm successors by 19 percent compared to non-participating farms. Participation in agritourism also had a significant impact on family



members' labor allocation decisions: it increased on-farm labor participation and reduced family members' off-farm labor supply. Our research shows that farm families with educated operators and younger members allocate more land to agritourism enterprises, while vegetable, fruit and grain farms allocate less land to livestock farms. Our research shows that farm operators with higher education, farm families with younger members, and farms specializing in livestock produce more income from agritourism businesses.

### **List of used literature**

1. Gasson (1973) argues that farmers may choose to maximize satisfaction rather than maximize income.
2. The average age of farm operators in Taiwan is about 62 years (General Directorate of Budget, Accounting and Statistics, Executive Yuan, Republic of China (DGBAS) 2010).
3. Frank and others. (2016) noted that family succession refers to the intention of a family to pass on a business to the next generation in order to preserve the family tradition.
4. Clough (1997) found that most visitors do not want to see working farms but to experience the atmosphere of farm life.
5. The authors state that both tourism and other institutions provide a favorable cost-benefit ratio and net present value for each activity.
6. Detailed information on the Agricultural Census Survey can be found in DGBAS (2010).
7. Data on types of agritourism practices are not publicly available due to privacy concerns.