MANAGERIAL PROBLEMS OF RURAL TOURISM IN KOREA

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This paper discusses the problems of rural tourism in Korea, based on the results of a national survey carried out in 1996. The survey found that profitability is a major concern. This is partly because farmers are using private loans rather than low-interest loans from agricultural cooperatives, and partly because farmers invest too heavily into expensive facilities. It is suggested that cooperative loans be increased and made available to more farmers, while investment into physical structures be minimized. Another problem is the lack of management skills among farmers, while rural tourism is not making as great a contribution to the local economy as expected. Solutions for these problems are suggested.

TOURISM FARMS

A survey was carried out in 1996 by the Rural Development Department of the National Agricultural Cooperative Federation (NACF) of 178 tourism farms. The results of the survey identified the main managerial problems.

Profitability

Profits at farms were low, and some farmers faced a financial crisis. Of the 178 farms surveyed, 28 (15.7%) were in the red and operating at a deficit of more than 50 million won (US$55,000). The majority of farms (56.7%) generated a small profit ranging from 1 million to 50 million won (US$909 - 55,000). Most of the tourist farms had not yet reached the break-even point.

The reason some farms faced a financial crisis was partly because of poor management, but also because they had used mainly private loans with high interest rates for the initial investment. On average, 44% of their investment came from private loans, 40% from their agricultural cooperative, and the remaining 16% from their own savings. Interest payments were a large part of their annual expenditure - each year each farmer paid on average US$38,500 as interest.

The other main reason for the poor income generation was the fact that visits by tourists were crowded into the summer vacation period and weekends. The average booking rate on an annual basis was therefore fairly low. The survey indicated that the average number of visitors per farm was 18,699, of whom 37% came during the summer season and 25% during a two-week period in the autumn.

Another reason for the low revenues lies in the farmers’ lack of management skills. Many of them did not have enough knowledge of management, and offered a poor standard of service. Many of them had invested too much money in decorating the physical facilities.

Farms are not Achieving the Policy Objectives

According to the objectives of the Korean rural tourism program, tourism farms should serve as a major income source for farmers, and should also contribute to rural employment. However in reality, only a small number of tourism farms (62 or 35%) employed local villagers, with an average of four employees per farm. This means that most tourism farms are run by the owner alone, so there is not the effect on rural employment that was hoped for.

Unfortunately, tourism farms have become a private, individual enterprise, rather than the...
cooperative one envisaged by the government when it established this program. Although the survey showed that more than 83% of the tourist farms were registered as a group of more than five persons, this was not reflected in the way they were operated.

In terms of the policy objective to develop tourism in order to conserve the rural environment and promote sustainable rural development, the survey showed that this had not been achieved. Some tourist farms have devastated the environment with new construction and land clearance, while some have caused considerable pollution from refuse and sewage.

Another conservation problem occurs when farmers invest too much money in building luxurious accommodation and a restaurant, so that ordinary people feel uncomfortable, as if they are staying in a hotel. If this becomes widespread, the tourism farm program may lose its policy objectives and its special character.

Another problem is the poor utilization of local resources. Almost all tourism farms have a restaurant, but most purchase food materials from outside. Local farm products are not much used in their business, contrary to the program objective. Although some farms did sell local products (e.g. farm produce, delicacies and handicrafts), this was not usually an important source of income. According to the survey, the majority of revenues were generated by serving meals (46%), followed by selling farm products (18%), accommodation (12%), selling local specialities (10%) and others (14%).

**FARM INNS**

Farm inns are small-scale accommodation. A few rooms in farmhouse are renovated and made available to tourists. Farm inns are located near beautiful scenery or historic sites. To attract more tourists, it is recommended that at least five farmhouses in any one village should establish a farm inn. Not all provide meals, whereas nearly all tourism farms provide cooked meals. The survey showed that farm inns also shared a number of problems.

**Facilities**

The facilities of most farm inns are not yet of a very high standard. Many of the houses are old and poorly maintained. Many do not have a toilet and shower for the exclusive use of guests. Out of 503 inns, 154 (31%) did not have an independent toilet for guests, while 55 (11%) had no shower for guests. This situation might well be related to the small loans given to farmers, who as a result had little money to invest.

According to the survey, at the end of 1995 the average loan received by farmers was less than US$4,400, although the maximum ceiling was US$11,000 at that time. This is probably for two reasons. Firstly, program implementation was not well dispersed in the target area, and secondly, farmers felt reluctant to invest because of the low returns.

In this regard, it is recommended that the program should increase the size of loans for farmers, and give them to more farmers, so that government or cooperative loans can provide a greater share of farmers' investment.

**Income**

Unlike tourism farms, the income of the most farms inns is highly dependant on accommodation. According to the survey, 60% of the income of farm inns was generated from accommodation, 25% from selling farm products and 15% from serving food, although there was a wide range of variation between provinces. It is recommended that in future, farm inns take steps to diversify their income source. This could be done by selling farm produce, and also value added products such as processed special delicacies, traditional food items and local handicrafts. The potential is demonstrated by Chun-Nam Province, where 52% of income was from the sale of farm produce and 20% from cooked meals.

**Poor Promotion**

Farm inns and tourism farms are not widely advertised. Although the program is not the same as ordinary commercial tourism, it is necessary to advertise in order to attract visitors who live some distance away. The survey found that only some provinces distributed pamphlets during the tourism season (around 1,000 copies), with the expenses shared by the agricultural cooperatives, government agencies and farmers. Most villages with a farm inn used a cloth banner and signboard at the entrance of the village as the main form of advertisement. High standards of hospitality and service are necessary for a farm inn which wants to gain a good reputation.

It is recommended that local councils and agricultural cooperatives should improve their public relations and information activities in a systematic way, for example through increased use of electronic
CONCLUSION

Rural tourism is one of the most promising areas for Korean farmers now that their agricultural income is falling. It will also help to give Korean agriculture an increased range of functions. In recognition of this fact, the Korean government has put considerable effort into this new program since 1984.

However, in assessing the managerial aspects of both tourism farms and farm inns, it seems that the program has not yet reached its policy objectives, and may even be going in an undesirable direction. Many of the tourism farms are not yet profitable, and some of them are in a state of financial crisis. It also seems that their contribution to the local economy is not as great as expected.

Therefore, it is now time to conduct a thorough study on the socio-economic impact of the program, and also its environmental effects, in order to reassess the program’s effectiveness and find how to improve it. To do this, adoption of the GIS (geographical information system) technology would be a great advantage.

In the meantime, it may be necessary to have a systematic program of design, monitoring and follow-up by the development agencies concerned, including local government, agricultural cooperatives, and the related Ministries. Most of all, the government should have a long-term perspective in terms of sustainable agriculture and rural development. In the same way, the government should provide supporting loans that have a longer term than the present ones.

Owners of tourism farms and farm inns need training in order to improve their management skills. Above all, they should understand their pivotal role in making agriculture viable in the new era. In addition, they should clearly understand that they are entrepreneurs who must please their clients, since rural tourism is basically a service industry.

Agricultural cooperatives, as the national farmers’ organization and policy partner of the government, have made a substantial contribution to the program. Their role has been to facilitate policy implementation and to improve farmers’ operations. This includes organizing farmers into groups, assisting them in planning their enterprise and obtaining permits, providing loans and guidance, public relations, and supplying various inputs and materials.

In future, cooperatives shall be expected to take more responsibility, as rural tourism programs are expanded. In some cases, cooperatives may need to take part in rural tourism as their own programs. In such a case, they need to improve their organizational structure, both at a national and local level, to handle this new type of business.

DISCUSSION

Participants discussed the cost and returns on investment. They agreed that in a tropical climate where a structure can be used throughout the year, investment into buildings is often lower than in a temperate country like Korea with marked seasonal changes in temperature. They agreed that investment into physical structures should be kept to a minimum.

Dr. Bay-Petersen of FFTC pointed out that people coming to stay on farms have different background and expectations which the farmer may not know about. If visitors are disappointed, they may not complain directly, but they will be unlikely to return for another visit or recommend the tourist farm to friends. She asked how to develop a system of feedback from visitors in a way that does not offend farmers or customers. Dr. Ryu replied that during the Olympic Games in Korea in 1988, there had been a policy to promote farmstays in rural areas. The government had dispatched voluntary trainees to introduce guests to the farmstay, and had provided a manual on how to welcome foreign guests. However, the level of response had been low, and not many visitors had stayed on farms. Recently, the National Agricultural Cooperative Federation and the National Tourism Corporation had begun working on a program to solve this problem, and the Ministry of Agriculture is trying to standardize the level of facilities and services offered by farm inns. Even where guests are from Korea itself, many farm inns are not designed to meet systematically the requirements of guests. However by talking with their guests, farmers can adjust to their needs and provide the services they require.
Dr. Watanabe of FFTC raised the important point of the philosophy of rural tourism. One value should be to respect the rural culture and traditions to which city dwellers are attracted. However, if too much is asked of farmers and they have to adapt too much to meet the needs of city guests, farmers may lose both their culture and their pride. Similarly, if rural life is too similar to life in cities, urban dwellers may feel that there is little point in staying on a farm. Dr. Dong-Phil Lee of Korea agreed that this is a dilemma, and suggested that people implementing the rural tourism program must try to find a compromise between the needs of urban and rural people, otherwise there may be friction between users and suppliers of tourism. Dr. Chong-Hyuk Suh of Korea summarized the experience of rural tourism in one Korean province. At first, farmers had received little guidance as to the type of housing and facilities required. Many had tried to build accommodation which was the same as modern houses built in cities. They were successful at first, since many urban visitors thought rural housing was old-fashioned, especially the bathroom. Later, visitors had changed, and complained about the fact that the accommodation provided in farms was too similar to that of cities. Farmers now remodel or build traditional rural farmhouses, but with basic modern facilities such as bathrooms. He emphasized that the way of life and culture is very important in rural tourism.

Dr. Seo-Ho Um suggested that the solution is to provide supplier-oriented management rather than demand-oriented management. He gave as an example a small family restaurant in which the father had forbidden the sale of alcohol, in case a drunken customer might insult members of his family. He suggested that the main problem of rural tourism in Korea is its pronounced seasonality, with the result that average booking rates for the whole year are generally low.