

Brunella Arru, Roberto
Furesi, Fabio A. Madau*,
Pietro Pulina

Department of Agriculture, University of Sassari, Italy

E-mail: brarru@uniss.it,
rfuresi@uniss.it, famadau@uniss.it,
ppulina@uniss.it

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* *Corresponding author*

“Value portfolio”, value creation and multifunctionality: the case study of an Italian wine agritourism farm

Recent developments in the food market show a reemergence of short supply chain (SFSC) mechanisms that allow producers to directly sell to final consumers. Multifunctional farms are able to internalize some public value and transfer this value in their food produced as to increase income. As such, agritourism can be considered a pure form of SFSC in creating this added value. Using a case study of an Italian farm that produces both typical and fine wines, we aimed to analyze how agritourism creates added value. The SFSC and other opportunities were compared. From a multifunctional perspective, our other purpose was to identify the main drivers able to generate the “value portfolio” for the agritourist farmer. The results suggest that wide margins for creating value exist for on-farm distribution and that many aspects contribute to building the farmer’s “value portfolio”.

1. Introduction

In the last century, European agriculture and rural areas have undergone enormous changes generated by various different economic, environmental, policy, and social drivers such as market globalization, increasing of world population and food demand, climate changes, and industrial and economic transformations (Brueckner, 2000; Colman, 2010; Lee et al., 2012). Agriculture is often characterized by the weak contractual position of farmers, especially that of the smaller farmers, which undermines their ability to achieve profitability (Brueckner, 2000; Colman, 2010; Greene and Stager, 2001; Lee et al., 2012; Vorley et al., 2016). This profitability is often unstable due to sudden changes that are not entirely manageable over time in terms of performance and prices (Key et al., 2018) as well as uncertain in terms of production, price, technology, and policies (Moschini and Hennessy, 2001). However, the new common perceptions of rural areas might provide significant opportunities for farmers (Cohen et al., 2018; Naldi et al., 2015).

Today, European agriculture is commonly view as multifunctional, i.e., as a producer of many goods that is able to generate utility for collectivity, such as landscape modeling, creation of shared relational and social capital, ensuring food safety and security, and promotion of local cultures and traditions (Idda et al., 2002). Consequently, farms, by autonomous choice or otherwise, are becoming involved in a process of the strategic repositioning of their activities to conduct their traditional functions (i.e., supply of food and workforce) and to satisfy a growing

demand for non-commodity goods and services, offering public goods and services that produce benefits for the community (Van Huylenbroeck et al., 2007; Velazquez, 2004; Verrascina et al., 2017).

The competitive repositioning of farms, the opportunity to create new value, and the ability to retain this value inside the farm, is strictly related to the choice of the supply chain in which farmers offer their products and the sales methods used. Recent developments in the food market show a renewal of direct methods of delivering food that are based on direct linkages between producers and end consumers (Malak-Rawlikowska et al., 2019). In particular, the Short food supply chains (SFSCs) is a sales strategy of noticeable importance for small and medium-sized enterprises, which usually appear less competitive in conventional chains on account of their lack of economies of scale and higher unit cost of production (Berti and Mulligan, 2016). Therefore, the participation of SFSCs allows producers to obtain financial gains (Malak-Rawlikowska et al., 2019). However, the SFSCs are meaningful not only for a single producer inasmuch they enable the sharing of the added value created between also the consumers and communities (Nazzaro et al., 2016).

As such, this study had two aims: Firstly, to analyze how multifunctional farms are able to create added value, and how much value, along the supply chain by promoting the modality of products distribution attributable to SFSC forms. Secondly, we investigated the main strategical determinants that farmers use to create the farms' value portfolio and to build its market position and social role. Using the case study approach, we focused on agritourism, i.e., on farm products directly provided to the tourist on farm (e.g., dining, tasting). Agritourism is a diversification of business that allows farmers to internalize some externalities related to multifunctionality (e.g., farm visit experience, the value attributed to territory, landscapes, the value of traditional agricultural practices) and to monetize them by offering additional services in loco to food consumers. Visitors are expected to pay a premium price for consuming food on farms due to additional value attributed to experience of spending time on-farm and in the rural territory where the farm is located.

As a case study, we selected a Sardinian (Italy) agritourism farm that produces typical and fine wines sold along the traditional supply chain, which can be purchased at retail outlets or at restaurants, and served on-farm through tasting activities guided by the farmer. We verified the wine value chain along the alternative distribution channels with particular reference on the value created in loco by agritourism activity. Wine was chosen because it is a product that does not undergo physical or other transformations (e.g., packaging) along the supply chain, allowing us to refer the value of the same good (it was evaluated with regards to a single bottle).

The paper is structured as follows: Section 2 briefly describes the multifunctionality in agriculture and the traditional food delivery rediscovered, to focus later on the agritourism and its potential role in creating added value for farm products. Section 3 illustrates the case study and the approach used for identifying the alternative value chains and for calculating the added value produced ac-

ording to the different modalities of wine selling. Section 4 presents the research results. The last section concludes the paper and outlines some implications for practice, policy-makers, and academia, as well as the potential avenues for further work.

2. The state of the literature

2.1 *Multifunctionality and food supply chains*

The rural environment is being widely and positively re-evaluated in contrast with urban areas (Requena, 2016; Winters and Li, 2017). Different aspects, including tranquility of life, an environment shaped by agriculture, quality and type of agri-food products, presence of traditions and social relationships, which are often forgotten in the urban contexts, are attracting people and creating a new perspective about rural areas based on positively and sometimes idealized life in the countryside. These promoting aspects, together with the European Union (EU) Rural Development Policy, have marked a substantial change in the social perception of the role of agriculture. Hence, rural areas, from places where farms produce agricultural commodities, are used for multifunctional agriculture that responds to the increasingly complex economic context in which farmers operate. The new post-productivism approach has been used to interpret the new dynamics affecting agriculture and rural areas, renewing interest in and expanding of the concept of multifunctionality in agriculture (Henke and Salvioni, 2010, 2011; Marsden and Sonnino, 2008; Wilson, 2007).

Multifunctionality has raised awareness of and acknowledges the contribution of various farmland outputs (Bernardo et al., 2004; Marsden and Sonnino, 2008; Van der Ploeg et al., 2000) to expanding the functions of agricultural companies into two complementary directions (Henke et al., 2014): (1) the production of public goods, indicated by the greater awareness of the role of farmers in safeguarding territory and tradition, and (2) the conservation of natural resources, which translates into enhancing profitability (Marotta and Nazzaro, 2012a). The diversification of activities ensures profitability (e.g., conducting various activities, expanding the supply chain, integration with other forms of activity that deviate from agricultural production), from which positive externalities are derived for the farms and society as a whole.

The approach to multifunctionality, which focuses on what agriculture has to offer to society, describes the multiple advantages of agriculture in relation to the processes and results of agricultural production, and provides the basis for addressing the different stakeholder concerns (Hediger and Lehmann, 2007). The agricultural sector has the ability to jointly produce market and non-market outputs (Marotta and Nazzaro, 2011). The former include the preservation of core business, implementation of boundary shift strategies, and internalization of energy production. The latter, related to localized positive externalities produced along with the primary activity, includes the maintenance and enhancement of the land-

scaped areas, the protection of natural resources and the environment, the generation of health, and the promotion of ethical values (Marotta and Nazzaro, 2011; Mollard, 2002).

From considering multifunctional agriculture as a simple producer of public goods, a new model of the multifunctional farm was outlined. According to Marotta and Nazzaro framework (2011), this model is based on farms' ability to diversify their own business, internalizing localized positive externalities into their marketable outputs to increase their market competitiveness. In this context, the production of public goods (multifunctionality) contributes to creating the overall value portfolio, i.e., the combination of intangible and tangible values created by the farm. Farmers could consciously transfer this value into output market value. The market value for a given product is the result of a combination of tangible and intangible factors, and farmers operate with the intent of monetizing the non-market functions related to the product by applying a premium price. The internalization and monetization of non-market social functions play a strategic dual role to encourage farms to maximize the production of positive externalities and to create new business opportunities and value creation in agriculture.

Farm externalities, produced on the farm where they can be used, are the factors that make the internal resources unique and distinctive, acting as factors attracting consumers who are willing to pay a premium price for goods and services that incorporate these public goods. In short, consumers recognize the value of external social economies generated by multifunctional farms that generates positive effects at the farm level (social reputation growth and acknowledgement of a premium price) (Marotta and Nazzaro, 2011; Mollard, 2002). From another perspective, consumers that are willing to pay a premium price provide monetary compensation to farmers for their production of various goods and services.

The multifunctional farm model, producing both market and non-market outputs and being oriented toward the collective well-being, can be qualified as a multi-value pattern that results from the boundary shift processes, the protection and promotion of local resources, and territorially integration. The multifunctional farm creates their own value portfolio upon which "it builds its market position and social role" (Marotta and Nazzaro, 2012a, p. 14). Four leverages can be individuated for creating the farmer value portfolio: farms' internal resources, market, territory, and policies (Marotta and Nazzaro, 2012b).

The creation of new value and the farmer ability to grab this value is markedly influenced by his production and sales method. In particular, in recent years the traditional food delivery like direct supplies or sales in physical market places have been rediscovering. The change in trend stems from the consideration of the short chains as more sustainable than mass food delivery systems and the importance attached to the 'social closeness' aspects, such as cultural aspects, territorial cohesion, or information acquired by the consumer in their buying experience (Malak-Rawlikowska et al., 2019; Marsden et al., 2000; Sellitto et al., 2018).

Short food supply chains (SFSCs) are an alternative to more conventional industrial modes in terms of food supply, consumption mode, and food chains (Ilbery and Maye, 2005; Marsden et al., 2000). SFSCs can be classified according to

two traditional and one more recent criteria (Malak-Rawlikowska et al., 2019): the geographical distance between the point of production and the point of sale, the social proximity (the number of intermediaries involved in the food chain), and the social closeness. The latter, which can be defined as social distance or social proximity, involves social capital, cultural aspects, territorial cohesion, and communication between producers and consumers about production method, quality of food, and the ethical and social values of the process (Kneafsey et al., 2013; Malak-Rawlikowska et al., 2019; Sellitto et al., 2018).

The relationships between consumers and food producers can manifest in three forms (Marsden et al., 2000; Renting et al., 2003): (1) face-to-face, in which the consumer purchases a product directly from the producer and defines the quality of the products, including the effect of personal interaction that builds a sense of authenticity and trust; (2) proximity, which involves selling products close to where they are produced by intermediary actors (e.g., consumers' cooperatives, community-supported agriculture, etc.) which ensures consumers the authenticity and the local nature of products; and (3) the spatial extent to which the information about the place and methods of food production are transferred to consumers through standards and/or labelling (e.g., restaurant).

The SFSCs allow the sharing of the created added value between three different economic subjects (Nazzaro et al., 2016). The producers and, in particular, the small- and medium-sized farms that "struggle to interface with the conventional markets" (Berti and Mulligan, 2016, p. 65) can resort to SFSCs to increase their profitability. Consumers see the food delivered through SFSCs as a high-quality differentiated product in which they recognize an added value that is displayed through their' willingness to pay a premium price (Conner et al., 2010; Malak-Rawlikowska et al., 2019).

Consumers that buy food from short supply chains can receive additional information (i.e., production method and territorial attributes) directly from the producer, with which they can build good (direct) relationships based on trust and confidence (Malak-Rawlikowska et al., 2019; Marsden et al., 2000). The consumer who expresses their conscious and responsible purchase choices in SFSCs recognizes the value of the positive externalities from which they benefit due to experiencing direct contact with the company. For this reason, the consumer is willing to pay a premium price to buy products that are sold by the multifunctional farm (Malak-Rawlikowska et al., 2019; Marotta and Nazzaro, 2011). According to Cassani (2012), consumers that purchase from SFSCs can generally save 20% (in monetary terms) regarding the food bought in supermarkets.

The community can receive several benefits from SFSCs: revitalization, sense of pride and community identity, and social cohesion development linked to the territory that can avoid the risk of the urbanization of rural areas (Hinrichs, 2003; Peters, 2012), safeguarding of local employment, strengthening the links between local businesses, facilitating business expansion, and increasing local economy diversity (Bullock, 2000).

2.2 Rural Tourism, Agritourism, and Multifunctionality

Rural tourism, as a strategy for rural development, has become increasingly common around the world (Woods, 2010). Many rural households have chosen to diversify by incorporating tourism in their activities, providing occupation for family members as well as additional income (Su et al., 2019; Vogt, 2013). Agritourism, understood as particular form of rural tourism, is an innovative phenomenon in agriculture (Arroyo et al., 2013; Knowd, 2006; McGehee, 2007; Ollenburg and Buckley, 2007; Schilling et al., 2016) and one of the most attractive and successful element in the tourism sector (Arru et al., 2019; Doh et al., 2017).

Agritourism is a specific form of rural tourism; it is a style of holiday that is spent on farms (Sznajder et al., 2009) “linked to internal and external push-and-pull factors within the framework of agro-structural change and rural area development” (Streifeneder, 2016, p. 251). Basically, agritourism is an intra-agricultural activity aimed at providing some recreational services that enhance agricultural resources and the recreational value of the rural landscape (Fagioli et al., 2014; Mastronardi et al., 2015; Wilson et al., 2001). With agritourism, we are witnessing “*the transition from a market-oriented production strategy to a service-oriented sustainability strategy*” (Liu et al., 2017, p. 4), in which SFSCs are as one of the most important tools for the small farmer to add value to their products and contribute to the strengthening of rural development. This is because, firstly, an entire meal or food tasting, which are elaborated and processed combinations of products, are directly supplied to the final consumers. Secondly, the direct relationship between farmers and consumers generates a wellness effect related to multifunctional and multi-value farm dimensions (Marotta and Nazzaro, 2011). Consumers can directly avail themselves of localized positive externalities and public goods created by the farmers, e.g., building landscape building, positive environment effects, enhancing biodiversity enhancing, traditions, and identity, while being willing to pay a premium price for agritourism products (Marotta and Nazzaro, 2011).

Many agritourism businesses directly sell their local products to final consumers. The shortness of the supply chain becomes a supplementary competitive tool for these multifunctional and diversified farms. In summary, supplying meals in loco mostly produced with their own or local products or by selling at the farm, farmers can enhance their food productions regaining.

Several benefits of agritourism can be identified:

- 1) The farmer, through the two primary tourist services of preparation and serving meals mainly with farm and/or local products and overnight accommodation, generates additional income (Arru et al., 2019). Benefiting from the association with the social and cultural context, the farm product values are enhanced (Nilsson, 2002).
- 2) The tourist/consumer benefits include the opportunity to directly contact the rural world, immersing in nature, agricultural tradition, and rediscovering authentic flavors. Agritourism provides multifaceted services to satisfy guests’ natural, social, and cultural needs (Becattini, 2004).

- 3) At the regional level, through the recreational function of agritourism, farms facilitate sustainability through incentives for good farming practices, create new job opportunities and new value-added products, generating a positive impact on rural development (Flanigan et al., 2015; Mastronardi et al., 2015; Tew and Barbieri, 2012). The positive effects of agritourism extend to other firms operating in the region, as tourists spend their money on other business, enhancing the effects in the local economic system as a whole (Contini et al., 2009).

A series of inter-related benefits are produced by agritourism and places agritourism within a framework of sustainable development (Cánoves et al., 2004), since it generates both private economic gain and a public benefit (Tew and Barbieri, 2012). The recreational function of a farm is one of the most important tools to promote sustainability (agricultural and environmental), encourage good agricultural practices, and improve rural areas (Fagioli et al., 2014; Flanigan et al., 2015).

3. Data and Methods

3.1 Case Study

In this research, we focused on a case study. The investigated farm is located in Planargia in Western Sardinia, Italy. It is a region that overlooks the sea, with popular coastal resorts and the presence of some coastal places, such as the ancient village of Bosa, which are attracting increasing numbers of tourists in recent years. Agriculture is common in Planargia with high hilly landscapes mainly shaped by agricultural and pastoral activities (mainly sheep breeding, grape-growing, and arable crops). Most of the cultivated land is used for grazing or feeding the sheep due to the high availability of land and low capital intensity. The main agro-food industry is sheep dairy characterized by the production of some marketable local traditional products.

Grape-growing and winemaking are other important practices in the local agro-food sector that describes Planargia landscapes. Some native vines have been cultivated since ancient times and still produce particularly fine wines. The most ancient and valued vine is the Sardinia Malvasia which is used to produce Bosa Malvasia wine. The vineyard used for producing this wine is located in the Bosa area and was less than 30 hectares in 2015. Therefore, the production of Bosa Malvasia is limited so its link with the area is strong as this wine expresses a specific community that devotes only a small and selected portion of the land to the vineyards that produce this fine wine. Given this deep link between product and territory, Bosa Malvasia was among the first Italian wines to acquire the PDO (Protected Designation of Origin) mark in 1972. The PDO production disciplinary provides that the grape can be cultivated in a wider area, but the cultivation of these grapes occurs on only a few hectares.

In the last decades, a public-private partnership has established the Bosa Malvasia Route. This route includes a proposed itinerary for visiting the territory that,

starting from its most known symbol, i.e., the Bosa Malvasia wine, leads visitors through the different paths of the landscape, including the environmental, cultural and human interests that characterize the Planargia territory, with the possibility of visiting some wine farms and tasting wine and other typical food. The route consists of: 1 wine farm that produces Bosa Malvasia that provides tasting activities on-farm and overnight accommodation for tourists; 3 wine farms that produce this wine and, if requested, provide tasting activities; agritourism farm (non-wine-producing); 1 cooperative that joins local vine farmers and produces the Bosa Malvasia; 6 municipalities; 3 hotels; 2 restaurants; the Mountain community of Marghine-Planargia, which is a local territorial authority that includes different municipalities located in a hilly and/or mountain area; and 1 rail and rubber transport company. These entities have promoted the Association of Bosa Malvasia Road, which is the body responsible for managing the activities related to the Route project.

The wine farm company assumed as a case study in this research is the first in the list above. This is a farm located in Bosa, which we have labeled AgriBosa for our study purposes, established in the early 1970s. AgriBosa is a family-run business - three people manage the farm - with a total vineyard area of 3.5 hectares divided into two plots of land, entirely occupied by Sardinia Malvasia. Two sorts of fine wines are produced, both 100% derived from this unique grape, and which are governed by the Bosa Malvasia PDO:

- Wine 1: a sweet wine obtained by hand-harvesting in mid-October and bottling. Bottling occurs the following April and each bottle contains 500 mL of wine (average alcohol content 15%);
- Wine 2: a wine immediately and manually bottled after ageing in a cask after light filtering. This wine is obtained by hand-harvesting in mid-October, but the ageing process allows it to be bottled later to acquire a much higher market value with respect to Wine 1. It ages in the bottle (500 mL) for several decades, up to over 50 years, appreciating in value directly in proportion to ageing (average alcohol content 16–17%).

AgriBosa's main activities are grape-growing and the production of wine. However, the farm has diversified its functions over the years, introducing rural tourism but remaining strongly anchored in the main activities. This company's diversification is aimed at adding value to the wines produced, relying on functions designed to help consumers better appreciate the product. AgriBosa, within the entire Bosa Malvasia Route, welcomes tourists on the farm and offers them on-site tastings of their wines and other local products. The tourists have the opportunity to visit the farm and stay for brief periods.

The experiential function of the farm, which allows the tourist to enjoy an experience in contact with the farmers, with the agricultural traditions, and with the rural world, allows the tourist to better evaluate the wine and increases the willingness to pay a higher price to benefit from the product.

Therefore, AgriBosa is configured as a multifunctional farm; it has deliberately opted to perform certain functions (internalizing positive externalities) that typically fall within the category of multifunctionality in agriculture - consumption of

products on the farm and visiting the farm - with the explicit aim of enhancing its own production.

3.2 Methodology

To collect information, we conducted a semi-structured interview with AgriBosa's farmer in July 2018. General information was collected from two aspects: to grasp the farmer's opinion on the main strategic determinants of its value portfolio and the single bottle prices of the two wines of AgriBosa to evaluate the added value created at every step of the chosen supply chains. In other terms, based on the farmer's perspective, we collected information on how the value portfolio is created according to the four leverages reported Marotta and Nazzaro (Marotta and Nazzaro, 2011, 2012a): internal resources, market, policies, and territory, as well by any possible other leverages. The farm's balance sheet items were investigated to understand the economic dimension of the farm. The bottle price information, in the AgriBosa case study, allowed us, amongst others, to assess the extent of the appreciation of the wine according to different sales modalities.

Basically, we contemplated four different sales methods along the alternative supply chains (or distribution channels) covered by the farm. For each of them, we found the average price at which the product is sold:

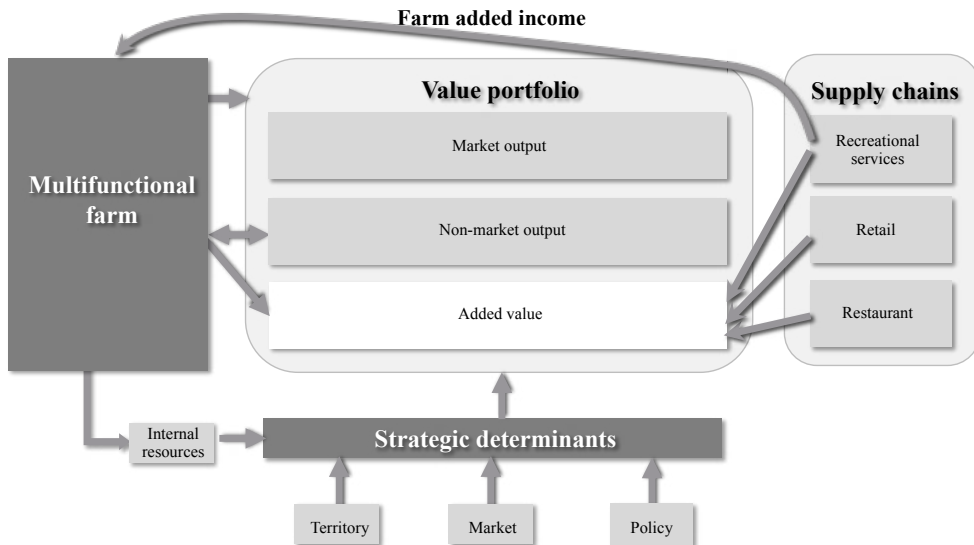
- (1) Farm gate: The first avenue is farm gate wine sales. We used the price of the bottle sold by the producer to the wholesaler or to the first intermediary along the supply chain. This price corresponds to the basic price, i.e., the minimum value at which the product is sold.
- (2) Retail: The price is that applied to the bottle at the sales counters, i.e., the price paid by the final consumer when buying the bottle retail.
- (3) Restaurant: AgriBosa's wines, in addition to being sold retail, are distributed at Ho.Re.Ca. (hotels, restaurants, and cafés) and served during meals. We used the price related to this sort of wine distribution.
- (4) Agritourism (tasting): We considered the price of the bottle when the wine is served during the tastings on the farm. A "from producer to consumer" mechanism can be observed related to this wine selling mode. Different from typical on-farm selling, AgriBosa offers a service related to the product, which is the tasting experience on-farm, that increases the tourist's willingness to pay a premium price for enjoying this experience.

Three types of wines were selected to evaluate value creation according to the selling modality: Wine 1, Wine 2a, and Wine 2b. The last two wines differ from one another in the ageing process: Wine 2b is aged longer than Wine 2a, and it is the most expensive wine produced by AgriBosa.

The overall research model is summarized in Figure 1.

Our model is an adaptation of Marotta and Nazzaro's (Marotta and Nazzaro, 2011, 2012b, 2012a) scheme, which introduces the role of the supply chain differentiation in creating different added values (premium price)s for the farm products and, as a consequence, different methods to enhance the value portfolio gen-

Figure 1. The research model.



erated (or different methods through which the market compensates the farmer for the positive externalities produced).

4. Results and Discussion

Before analyzing how and the amount of value for each wine is created depending on the sales method, we gathered some financial and market information to capture the magnitude of wine sale activity¹. AgriBosa generated revenue of €235,000 in 2017, of which the sales of wine bottles accounted for 66%, overnight stays for 28%, and the tastings and wine bar for 3%. The farm's balance sheet is shown in Table 1.

For each type of wine produced, the farm does not differentiate the farm gate prices and offers the bottle at the same price as at the gate, regardless of directly selling the wine to wholesalers, retail, or restaurants. The results obtained of the analysis of the value chains of the three wines are reported in Figure 2.

The base price of Wine 1 is on average €8 per bottle, which is the price of the bottle at the farm gate. Notably, the price is quite high when compared to other Sardinian or national wines at this stage of the supply chain, demonstrating the quality of the wine appreciates on the market. The price of the same bottle, when marketed by the retailer, is 50% higher than charged at the farm gate (€12). Con-

¹ The quoted sentences refer to the textual words of the interviewed farmer.

siderable added value is created in the transition from producer to retailer. This suggests that AgriBosa could apply a margin of at least 50% higher if it decided to sell the wine directly on-farm (SFSC without any associated tastings). The price of the bottle more than triples compared to the price at the farm gate when served at a restaurant, being sold at around €25. This means that the producer retains only one-third or less of the total value of the wine when it is distributed along this channel. As the wine is a highly valuable food product, the quota retained by the wine farm is rather low.

Table 1. Farm’s balance sheet.

Item	€
A. Gross Farm Revenue	235.000
A.1 Value of sold products	156.000
A.2 Agritourism	79.000
A.3 Financial aids	-
B. Costs	106.725
B. 1 Costs for input (Iv and If)	
<i>B.1.1 Variable inputs (Iv)</i>	
General cost	11.000
Agricultural cost	7.500
Agritourism cost	25.000
<i>B.1.2 Fixed inputs (If)</i>	
Agricultural cost	5.460
Agritourism cost	7.875
B. 2 Taxes	46.500
<i>Net Farm Revenue</i>	131.665
B.3 Explicit costs	3.390
B.3. 1 Hired labour (wages)	3.390
Agricultural cost	1.140
Agritourism cost	2.250
<i>Net Income</i>	128.275

The result allowed us to hypothesize that AgriBosa could retain more value if it actively exploits its multifunctional potential and implement sales methods capable of promoting, together with wine, the experiential components, such as visiting the farm, tasting, the promotion of the location, etc.. In other words, a large part of the value could be retained if some localized positive externalities gener-

ated by AgriBosa are internalized to diversify activities by promoting agritourism activities such as tastings.

As declared by the farmer, one of their objectives is to better enhance their products through activities aimed at improving the experience of visitors on farm, in particular, through guided wine tasting in special spaces set up on the farm. The on-farm tasting allows AgriBosa to receive a value per bottle equivalent to the bottle sold in restaurants. This implies that the farm is able to entirely retain the maximum value created along the supply chain, i.e., the value of the bottle purchased in by Ho.Re.Ca., by performing this agritourism activity.

According to previous research (Marotta and Nazzaro, 2011; Mollard, 2002; Nazzaro et al., 2016, 2017), the farmer's attempt to monetize the positive externalities by diversifying activities and promoting the farm resources as factors attracting consumers produces positive results; consumers/visitors are willing to pay a high premium price for consuming the Bosa Malvasia wine on farm because consumers identify a multi-value product due to the incorporation of the recognized goods and services.

Similar behaviors, but with different values and margins, were found for the other two wines considered (Wines 2a and 2b).

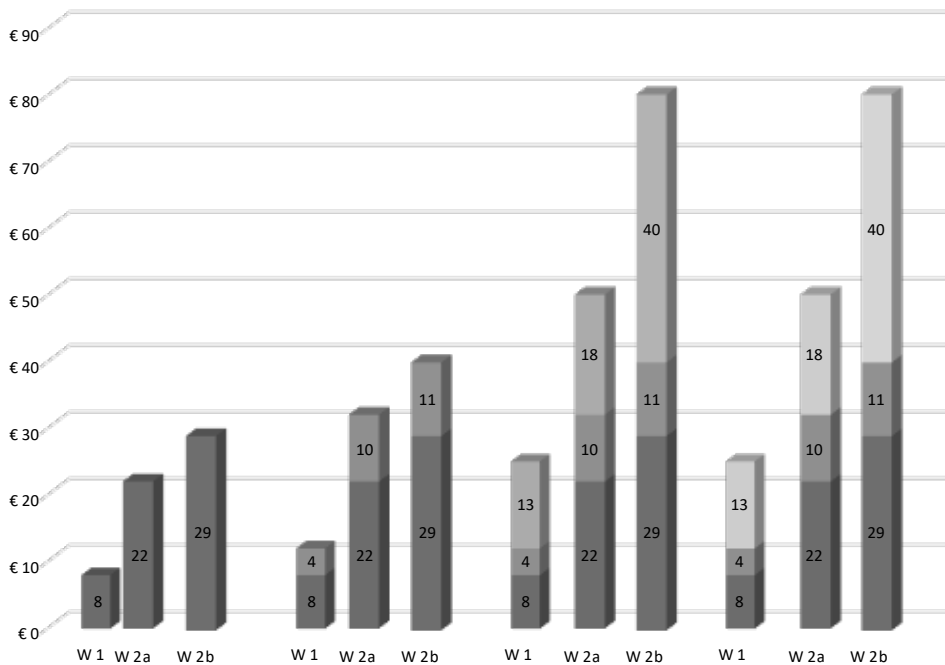
Concerning the less aged wine (Wine 2a), the farm gate price is higher than the price of Wine 1 (€22 Euros, Figure 2). The margin relative to the value created in the transition from the farm gate to retail is of the same order as for Wine 1; the price on the sales shelf exceeds the basic price by 48% (selling price of €32). The margin between the price of the bottle served at restaurants and the farm gate price is higher in absolute terms (bottle price is €50, which is a margin of €28) but it is relatively lower (less than 2.5; times the base value).

For the most aged and finest wine (Wine 2b), the base price at the farm gate largely exceeds the prices of the other wines (€29). The margin of the value created by retailers is similar to that for the Wine 2a supply chain (€11 Euros considering a retail price of €40). The price applied by Ho.Re.Ca. (€80) creates an added value of over €50 compared to the base price, which means that the value is almost tripled.

However, for Wines 2a and 2b, the price applied by the farmer during the on-farm tasting is equal to that in restaurants. This is common for the three products, which, rather than being reflected in the mechanism of forming the market price, is the result of a precise choice by the wine farmer, who stated that they do not want to compete directly with the restaurant *"because the restaurant, by removing the cork, makes more money than who made it"*. The wine farmer chooses to establish the price for bottle during the tastings equal but not higher to that in restaurants. This choice, however, suggests that the farmer implicitly attributes a value to the agritourism services offered not exceeding the value associated with the experience enjoyed by Ho.Re.Ca. consumers.

Another strategic choice is setting a price for direct on-farm sales only a little higher than the farm-gate price, *"to not compete directly with the wine bars"*. Even without the tasting but showing the farm and telling stories about the history and tradition of the territory, the farmer demonstrates the authenticity and the local

Figure 2. The supply chain and the related value creation of wines.



nature of wines and their differentiation. The farmer may not be able to fully exploit the face-to-face relationship with consumers, who instead would most likely be willing to pay a premium price for the intangible value of the wine. If the farmer decides to increase the price of the direct sell on-farm by at least 50% of the added value generated by retailers, the increase in revenue would be considerable, without generating conflicts with other sales channels.

In all cases, the results highlight the ability of the farm to create added value by promoting SFSC selling mechanisms and, especially, by internalizing some positive intangible functions and transferring them as additional services to the products. The analysis also shows that several strategic determinants of the value portfolio of the farm (internal resource, relational network, territory, market and policy) according to Marotta and Nazzaro’s framework (2011), have allowed it to build “its market position and its social role” (Marotta and Nazzaro, 2012a, p. 14).

With regards to the farm’s internal resources, i.e., the human capital, a generational turnover occurred in 2012, and three brothers took over management, expanding the company and creating the agritourism. The decision-makers are highly and differently specialized. One brother has a specialized education in hotel and catering management and speaks two foreign languages. The other one is an agronomist. The wife of one of the brothers is a sommelier. They attended numerous training courses both inherent to the purely agricultural activities and commercial management (i.e., social communication, web marketing).

The farm is small and intends to expand the vineyard in the short term. They explicitly consider some public goods produced, such as agricultural landscape and biodiversity, in their choices. They take care of hedges and aromatic plants that are used as an organic substance that influences the scent of wine. They are also thinking of placing bee hives in the vineyard. Much emphasis was placed on the relational network,

If I have a network to contact, I work better and I have many advantages, I do not waste time, I feel secure because I can draw upon the personal experience of someone who has perhaps worked together with other people (...).

The relational network is used to enter a new market and contact importers that, “such as our Copenhagen importers, do not import only a specific food”. The network was used to understand the distribution system in Italy by contacting some people defined as “professionals in the sector” and to look for suppliers. The farmer said that, with a phone message to another operator defined as a *food anthropologist*, he asks about the news and, for example, finds the best chocolate manufacturer in Sardinia, saving time and effort. The network is also used for the sharing of machinery, resulting in considerable cost savings.

This form of cooperation also manifests itself in the strategic determinant of the territory. Concerning social capital, the farmers declare that local farms are helping young entrepreneurs who are taking over the management of agricultural businesses but still do not know the work well,

(...) their farms are not completed, but they manage the territory, they do things, they keep the territory alive. The younger they are, the more we are careful; in fact, we try to push them!

So, they aim to maintain the territory that was otherwise uncultivated and would lose attractiveness through the new farms, and to increase the network. An advantage of the farm is that it operates in an unspoiled natural environment rich in history and tradition, but it is limited in terms of fixed social capital. In this sense, the Bosa Malvasia Route is an important opportunity for intensifying collaboration between the various local stakeholders and for improving the image of Planargia throughout the world.

The strategic determinants of the market play a crucial role, according to the farmer’s perspective, because they allow the farm to collocate their products in a privileged position. The farm offers a wine that responds to the new needs that characterize the food and drink demands, especially in terms of safety. They use soil bioactivation systems and do not use additional chemical inputs. This type of production seems to be paid for by the increasing worldwide demand for the farm’s wine that, however, the farm is currently unable to satisfy.

The farm, by offering recreational services, responds to the increasing demand for rurality. By relying again on its relational network, AgriBosa is able to offer different opportunities for experiential tourism, ranging from guided tours of the area, rowing on the river, and yoga on the beach. The relevance of the relational network

as a crucial internal resource in determining the firm's value portfolio emerges. The small company size does not allow it to answer the demand for social services.

With regards to the policy and its support for the positive externalities creation, AgriBosa stressed the role of local authorities in farmer training. The farmer provided the example of courses with practice tests that are available on the farm for the sustainable use of field spraying activities.

The overall strategic determinants of AgriBosa's value portfolio recognized by the farmer interviewed can be viewed as the basis from which the multifunctional farm produces localized public goods that are internalized by the farm, and from which the consumer recognizes an added value when purchasing them directly from the farm (Marotta and Nazzaro, 2011). Therefore, the multi-functionality creates value and acts as market compensation.

5. Conclusions

The aim of this study was to analyze the added value generated by a farm that chose to diversify production through agritourism and the strategic determinants of its value portfolio. Using a case study approach focused on a wine farm, we first analyzed how value is added and the amount of added value created by this type of farm in reference to its products; secondly, we compared the added value generated by the wine tasting agritourism service with those generated by alternative distribution channels. We assessed the determinants of value portfolio creation according to the farmer's perspectives.

Consumers are willing to pay a premium price if they recognize the value of non-market functions that improve their experience of direct contact with the producer. This was true for all the wines analyzed. Consumers appear to recognize the value of this kind of SFSC in which wine tasting is accompanied by information about production method and territorial details and stories. This generates a relationship between the producer and consumer and a product differentiation that is associated with a willingness to pay an additional price.

The analysis of the value chain showed that the greater its length, the greater the price that consumers are willing to pay. Through agritourism activities, the farm is trying to capture the added value captured by restaurants. In effect, the strategy to drastically shorten the chain seems to be reflected in consumers who are willing to pay the same price paid in restaurants.

Our findings confirm those reported in previous studies (Marotta and Nazzaro, 2011) that found agritourism to be an important tool for increasing farm income. The service-oriented strategy allows the farmer to add value to the farm's products, internalizing and monetizing the positive externalities produced by the farm. If a multifunctional farm creates its market position and differentiated products through the combination of tangible and intangible values, attention must also be paid to its social role in promoting the rural area (Marotta and Nazzaro, 2011). As SFSCs allow the sharing of the created value among not only the farmer and consumer but also the community, the farm could generate an added value

that has not been captured by our results. This can be seen in the Bosa Malvasia Route, which has been responsible for the revitalization of the area, the development of social cohesion, and the strengthening of the relationships between companies, all elements that led to the development of the rural area and positively affected the economic system of rural area.

This work provides several contributions. Firstly, our findings demonstrated that the diversification of agricultural activities through the agritourism could be a valid strategy to increase incomes, because, due to the in-person interaction, it allows the farm to retain the portion of value that otherwise would be absorbed by other operators. Secondly, the findings demonstrate the pivotal importance of the strategic determinants of value portfolio in a multifunctional farm. By analyzing their role in creating localized public goods that are internalized and recognized by the consumer, the findings support previous research (Marotta and Nazzaro, 2011) that found multifunctionality as a market compensation tool.

However, our study is not without limitations. Firstly, this study presents limitations related to the case study methodology, which may or may not reflect the behavior and reality of similar entities. However, although possible generalizations based on a single case should be interpreted cautiously, we provide an in-depth analysis of one multifunctional farm that is representative of its kind and how they generate value along the supply chain. Secondly, we only analyzed one product category limited to a single geographical area. Therefore, although the results allow many reflections on the role of agritourism, they do not allow their generalization.

Based on this work, several future studies can be conducted to expand our research analyzing how the added value is formed along the chains, considering other products and other geographical areas. Future studies can estimate the real willingness of tourists to pay a higher price for the wine served during the on-farm tasting compared to the same product consumed in a restaurant. The data indicate that the willingness is the same and that the two types of services and experiences practiced by agritourism and Ho.Re.Ca., respectively, are the same. Further studies could verify if the two sorts of attributed values potentially differ and, as a consequence, if the potential willingness of a tourist to visit the farm to taste its wines is higher than that applied to the restaurateur. This information can help the farmer to decide to apply a more advantageous price per bottle during the on-farm tastings and to more precisely estimate the value associated with the multifunctionality through agritourism. Future research could assess how the creation of the added value is reflected in higher farm profits. Costs and balance sheet analysis could provide useful information about a farmer's ability to increase income when SFSCs, such as wine tastings, are promoted. Finally, the added value to the third party, the community, interested in agrotourism activities, could be evaluated.

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