

**CZECH UNIVERSITY OF LIFE
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Faculty of Economics and Management



**Development of Tourism and Agro tourism in
the Selected Region: Analysis and Case Study**

DIPLOMA THESIS

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Declaration

I declare that I have worked on my diploma thesis called „Development of Tourism and Agro tourism in the Selected Region: Analysis and Case Study” solely by myself and I have used the literature and sources listed in bibliography.

.....
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In Prague

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SUMMARY

The diploma thesis summarizes the present situation of the agro tourism in region of Mariánske Lázně. It also characterizes the development of agro tourism in the Czech Republic. Practical part is focused on the case study on farm of Ing. Potůček. The variant system was used. Variant A counted the investment into agro tourism with gaining 45% subsidy for the project. Variant B was calculated without the subsidy. In the economic and financial evaluation were counted these indicators: Cash Flow, Payback period, Net Present Value, Financial Rate of Return, and Economic Rate of Return. For calculations was used the program Excel. Also the Activity indicators, indicators of insolvency and financial structure, Profitability indicators and liquidity indicators were calculated. From all above mentioned calculations was evident that the investment is positive and it is possible to realize it. Last part of the thesis is the questioner of potential guests of the agro tourism.

Key words: Agro tourism, financial analyses, Payback period, Net Present Value, Financial Rate of Return, Economic Rate of Return, questionnaire

SOUHRN

Diplomová práce se zabývá situací agroturistiky v oblasti Mariánských Lázní a charakterizuje vývoj Agro turistiky v České Republice. Praktická část je zaměřena na případovou studii. Byly spočítány dvě varianty. Varianta A – investice se 45% dotací a varianta B – bez dotace. V ekonomické a finanční analýze byly spočítány tyto ukazatele: Cash Flow, Doba návratnosti, Čistá současná hodnota, Finanční a Ekonomická míra návratnosti. Pro výpočty byl použit program Excel. Dále byly počítány ukazatele aktivity, ukazatele platební schopnosti a finanční struktury. V neposlední řadě to byly ukazatele likvidity a ziskovosti. Ze všech výše zmíněných výpočtů je zřejmé, že investice je kladná a proto je možné ji realizovat. Poslední část vlastní práce je dotazníkové šetření pro možné budoucí návštěvníky farmy.

Klíčová slova: agroturistika, Doba návratnosti, čistá současná hodnota, Finanční a Ekonomická míra návratnosti.

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INTRODUCTION

Tourist industry accounts for significant part of national economy. It contributes significantly to employment rate of inhabitants, in the sector of tourism it self – e.g. accommodation, food or traffic services, but thanks to multiplication effect even to coherent sectors. Strongly it partakes on growth of GDP and exchange instruments of the Czech Republic. [39] Together with increasing well being of people of advanced parts of the world it comes to increase of demand for “above standard - superior” and more and more people is finding taste for travelling and cognition of different cultures. In cultures where travelling has been experienced for years, the supply of products is broad and on very high level. Less developed countries are trying to put up with these cultures. They are attempting to improve management system of travel industry and needed infrastructure, to improve increasing quality of services. Closely connected to this is education of people working in this area.

Czech Republic has become very sought after place by tourist from all over the world after the opening of borders in the 1989. After some years the increasing character of visit rate started to decrease and also went down to stagnation. Foreign visitors were tired of this supply and relatively low quality of services. [31] It has been obvious that Czech Republic had to put its attention to making new products of tourist industry, to its propagation in the foreign countries and to preparation of its image which would catch eye of new tourists and made them come again. Main interest has been paid to increase of quality of services and deepening of cooperation between regions and all subjects with common interest in developing tourist industry. Goal was to make such supply which would be comparable with foreign destination ones and would be able to satisfy even the most demanding clients.

To help the development of tourist industry different new institutions and organizations were made (e.g. Ministry for Regional Development, Czech

Tourism, Regional development agencies and so on). Also different national strategic documents were elaborated together with programs of development supported by state budget. After entering the EU (European Union) Czech Republic also got the opportunity to draw the support from European structural funds, which in deed increased the chances of co financing the development projects.

The advantage of the Czech Republic is its location and diversity of territories, which is approximately by 80% suitable for developing some kind of tourism. Different kinds of tourism is prosperous here, for example tourism specialized in learning about historical monuments, recreation, culture, sport, spa but lately we can also see professionally aimed tourism which includes congress, trade fair, exhibitions etc.

Certain development was even in so called rural tourism, where eco-agro tourism is part of it.

Main goals

In this diploma thesis there are several main goals. The first one is to gather enough information to be able to learn and to summarize the present state of agro tourism in the region of Mariánské Lázně. Characterize agro tourism and its development in the Czech Republic, bring closer one case study on particular farm which I work at. Introduce the standards and norms, which must be fulfilled in organic farms to be able to obtain certificates. Also supply of subsidies from European Union and state budget for entrepreneurs in eco-agro tourism and agro tourism will be characterized. This is the second goal of the thesis - the analyses and investigation of existing conditions and available support for agro tourism in the Czech Republic. For determination of agro tourism and eco-agro tourism there will be comparison of situation in the Czech Republic and in foreign countries. Further attention will be paid to organizations that deal with so called "green" tourism e.g. in rural tourism or eco tourism.

All the information collected in the first step will than be used as a background for the case study. The case study is on the farm in Lázně Kynžvart, the farm is interested in implementing agro tourism into its business. Last goal of this thesis is to suggest a business plan for the mentioned farm. This business plan is going to be divided into two parts.

- Specific activities – possible implementation on the farm, considering the current situation of farm and local possibilities
- Financial analysis – calculation of above mentioned activities. This might help the farm owner to decide about the agro tourism.

Since this is authors family farm, what we are talking about it is going to be very helpful for my future decision making. Also this diploma thesis will help the author to get to know better the conditions and the overall environment of getting the state support for agro tourism.

METHODOLOGY

The theoretical bases were gained mostly from the library of Czech University of Life Sciences in Prague, Czech National library in Prague and also from different books related to agro tourism which I have at home. Apart from the literature, different newspapers, articles and various Internet sources concerning this topic were used.

For the information about current situation in agro tourism I will use the tourist agencies, catalogues and also my own research in the region. This research will be done by sending the questionnaire to possible future guests. Since the author is farming already for four years author will also use all the knowledge gained until now.

Different types of techniques will be used

- 1) Analysis of documents – statistic and test database
- 2) SWOT analysis – evaluation of strengths, weaknesses, opportunities and threats of business environment.
- 3) Business plan – definition of business intention, entrepreneurial aims and strategy for implementation.
 - Summary and resources of the plan (description of the farm e.g. natural conditions, area on which it is being farmed, machinery etc.)
 - Analysis of the business environment and competitors (promotion, marketing, future development)
 - Financial plan (calculation of Cash Flow) Direct method will be used with the utilization of Microsoft Excel and probably the EAGGF (European Agricultural Guarantee Guidance Fund) web pages which are freely available with the example of financial analysis.

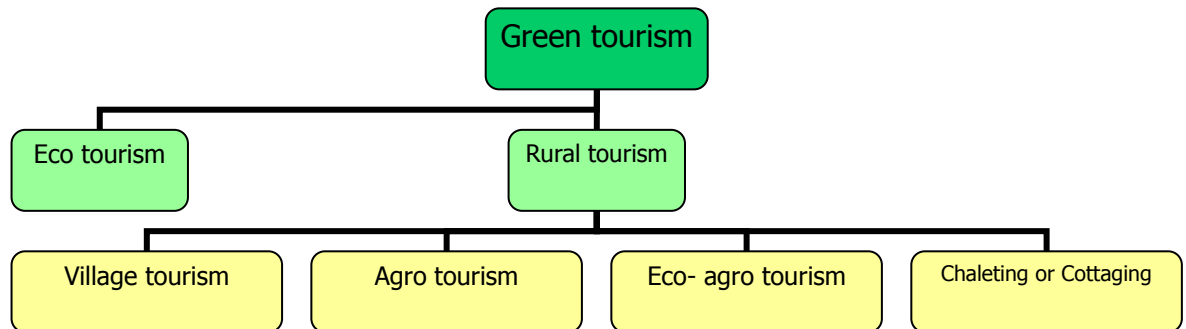
LITERATURE OVERVIEW

1 Agro tourism

1.1 Main delimitation of this concept

Agro tourism belongs to the group of so called green tourism. It is further divided into eco tourism and rural tourism. These types of tourism are environmentally friendly and very ecological. Eco tourism is oriented to the nature, getting to know the protected landscape areas national parks and reservations. Rural tourism is more oriented to the recreation and knowing the life in rural areas. [32] Traditional agro tourism is connected with farm households, grange and farms done by owners to get some additional income which can latter be used for running the agriculture business. (e.g. Animal husbandry or plant production). Maximal accommodation capacity is 12 beds, which helps to protect the place against huge number of visitors at one time and thus helps the environment. Running the accommodation is a free trading because it does not need professional qualification, therefore it makes it easier to get the trade licence. Specific type of agro tourism is eco-agro tourism (will be talked about in more details later). [12]

Scheme no. 1 Structure of green tourism



Source: Pourová Marie: Agroturistika, 1. publishing, Praha: Credutm 2002, Czech University of Life Sciences, page 43

1.2 Characteristics

Agro tourism as a part of rural tourism contributes to development of less developed or un-advanced parts. For some parts of the Czech Republic, which suffers from low inhabitancy rate or belongs to the rural or agricultural parts, agro tourism could be one of the ways of development of this region. Therefore it is supported by the state developmental programs and the structural funds of EU.

Advantage of the agro tourism is its strong ecological character. In comparison with other types of tourism, the main stress is given to environmentally friendly use of natural and renewable resources so the possible future negative impact on this area is the smallest possible. Agro tourism is thus very important representative of sustainable tourism and this is its biggest potential for development.

At the present time all over the world are supported projects, which can prove their sustainability to the future and which also monitor certain ecological parameters. In last few years is very often discussed the topic of air and environment pollution, global warming. The tourism participates from huge part on it as one very rapidly developing sector. People start to think of importance which needs to be paid to environmentally friendly usage of natural resources. Therefore the interest of environment and its preservation or protection is

increasing. In this modern world where there is too much of techniques around, many people feel the need to have rest in peaceful and quiet nature, to get away from the stress of big city and work. Forms of rest differ but some things are still common for example breath fresh air, to be in unpolluted by man unspoiled nature and get some new strength to be able to come back to the reality of our everyday life. Many people want to rediscover and feel the life connected to primary agricultural type of life and spent their holiday in the countryside.

In agro tourism we can see interesting union of tourism and the traditional agricultural way of life, which brings many advantages to the participants of stay, owners of farmhouse but also to the whole surrounding. For owners of farmhouse agro tourism means usually indispensable source of income which helps them to run their business. Tourists have the chance to get to know the traditional agricultural way of life they can see personally functioning of the farm, production of plants and animal husbandry which is getting important for some people. Namely for families with kids it might be unforgettable experience if they can see the animals on their own eyes, touch them, feed them and so on.

Visitors of farms bring to the area new source of income and therefore they have an impact on the development of the place. Usually they use services available in the place. It could be restaurants, food shops, different rental places, information and post offices etc. Overall it is good for small providers of services. In addition agro tourism is ideal product of tourism for families with kids but also for older people because it is usually a rule that it offers to its client's attractive prices, accommodation and food.

2 Eco – Agro tourism

2.1 Characteristics

Eco – Agro tourism is specific form of agro tourism. Both of these types of rural tourism are done on farms which are mainly interested in plant production or animal husbandry. Nevertheless eco – agro tourism is redeveloped in places with the interest on ecological bio quality. Owners of these places, bio farmers, decided to work in their farms the way it will burden the environment.

Main characteristics of bio agriculture are:

- Considerate approach to the animals, plants and soil.
- Care of fertility of soil, preservation of surface and underground water, environment
- Prohibition to use artificial fertilizers and pesticides
- Sufficient coop and space for breeding the animals, care of their welfare
- Animal feed with no artificial additives (hormones, stimulators of growth) antibiotics

All the bio farmers must go through very strict control of all above mentioned rules. If they fulfil all of them they have the right to label their products with the BIO logo (more detail in chapter 2.2.3).

2.2 Demands and standards connected to the certification of organic farms

At the present time many accommodation facilities is trying to increase their prestige and quality by fulfilling all terms and conditions given for obtaining the certification to run the business. There exists more certification available. All of them have common thing, which is bringing advantages for the owners as different operational savings if getting the certificate. For the guests

it is that they are sure of the fulfilled criteria's needed for obtaining the certificate.

2.2.1 Fulfilling the basic needs on equipment and characteristics of housing space and services

This kind of certification is not obligatory; nevertheless if owners want to demonstrate certain standard of accommodation, it is concerned as one of the possibilities. In the case of farms it is private accommodation (accommodation capacity at farms can not exceed 12 beds) and certification dispenses, Svaz venkovské turistiky - Federation of Rural Tourism (see chapter latter 3.6.3). Price of certificate is 2900, -Kc + fare (for members of federation 700, - CZK + fare) and its annual renewal costs 900, - CZK (400, - CZK). [23]



Private accommodation provides restricted number of units for short - term stays, and it is divided into accommodation in independent objects (cottages, log - cabins) and on piece of land on lease for camping. It is divided into 4 categories on the basis of performance recommended by standards. [24] Entitled holder of the certificate has the right to derive benefits from federation logo.

2.2.2 Contribution to sustainable development

Some of the accommodation facilities get the certificate of sustainable operating, thrifty usage of natural resources and preservation of natural environment. Among main standards, which must be kept is thrifty using of energies, waste sorting, using of ecological products and other. Certificates are given in the Czech Republic by the ECEAT organization (European Centre for Eco Agro Tourism). See chapter 3.6.1



2.2.3 Bio quality

If the owner decides to do organic farming it is necessary that he fulfils many strict rules and his food products can use the logo of BIO – product of organic farming. Certificates gives the KEZ o.p.s. Kontrola ekologického zemědělství – (Inspection of organic farming) BOKONT CZ s.r.o. and ABCRERT GmbH, which controls keeping the rules of organic farming and bio food of EU (according to Act No. 242/2000 coll., on Ecological Farming in order of Regulation of EHS 209/91). It is only possible to register as a organic farmer in the Ministry of Agriculture after the deliverance of control organization. (This is obligatory from the year 2006) [35]



All the organic producers of crop and animal production associates in the Czech Republic organization called PRO – BIO LIGA. PRO - BIO tries to develop support of bio dynamic agriculture in the Czech Republic, increase of the knowledge of people and advantages of consuming organic food and its implementation in public cafeterias.[1] For example at school, in some countries it is already obligatory. Also it provides consultant and information services, publishing and advertising. Systematic propagation of organic agriculture is also done from the ministry of agriculture. [18] In next three years is planned state

campaign for general public awareness of organic food, where 50% will be paid by the EU funds. In the 2007 there was 1318 organic farms which farmed on 7,35% of all agricultural land. This number is still increasing partly thanks to this new program of rural development of 2007 – 2013 which supports higher bonification of organic food producers and organic farmers. Eco – tourism is doing approximately 65 eco farms which are members of PRO – BIO LIQUE. [5]

2.3 Eco – Agro tourism and organic food

Great advantage of the eco agro tourism is the possibility to taste organic products or buy them right from the backyard of the farmer.

Usually the farmer is very glad to show you the whole process of production of some products. It is important that owners of organic farm increase the awareness of general public of principles and the positives and negatives of organic plant and animal production and food production. Some farmers are able to process their own products. They invested into equipment of the place so it fulfils the hygienic and technical requirements and now they can produce own organic products. These products are than usually sold at local market or sometimes they sell it to bigger purchasers as supermarkets or so on.



To recognize the organic food is possible thanks to this label Bio (together with the code of organization that made the control or by the EU logo which will be obligatory from 2009. [17]

Currently just about 5% of Czech inhabitants consume organic food regularly higher percentage is in the group of people who buy it sometimes. As I mentioned before there is a campaign going on from the ministry of agriculture that wants to increase the consumption of organic food [19] and here is its summary.

- Organic farmers use the traditional methods (hand weeding, natural renewable of soil harvesting) they save the energies where possible, they do not harm the natural environment and they do not use the genetically modified organisms (GMO) or chemical poisons or artificial fertilizers.
- Organic farmers take good care of their animals it helps to improve the meat and milk of these animals. Animals fed by GMO and different pharmaceuticals increase the occurrence of heart disease for its consumers.
- Organic food is healthy and tastes good. It includes 50% more of vitamins, minerals and nutrients than the usual products and it is also not contaminated by poisons and artificial fertilizers. Better taste is created by higher percentage of solids and naturally aromatic stuff. Better taste of the meat is due to better care and treats of the animals and by better feeding.

3 Agro tourism and Eco-Agro tourism in the Czech Republic

3.1 Development

Stays in rural areas have kind of long tradition. Even on the beginning of the 20th century was common that urban people spent their free time in the nature, did tourism (Club of Czech tourists arose in 1888), did sports, wet to get to know knew places at home or in foreign. After the Second World War tourist industry was very limited therefore in the Czech Republic started new kind of tourism – cottaging and chelating. Many people owned cottage or chalet on the countryside where they could spend their weekends or holidays.

After the revolution in 1989 it came to big changes in Czech agriculture. The JZD (Jednotné Zemědělské družstvo) Were abolished and the number of workers in this sector was decreased too. The whole economy went trough big changes which were connected to the transition economics. At the beginning the differences between regions in CR were not so obvious but throughout the time some regions faced more problems connected with restructure or with development of that place. State created developmental programs which were supposed to help the low inhabited areas to get economically alive and also the rural areas and countryside. One of the possibilities how to do this is to start tourism there. [25]

From the early 90's the agro tourism and eco – agro tourism was supported in the Czech Republic. It was suppose to be an income for farmers which had suitable room to accommodate tourists. One of the biggest indicators was the ECEAT CZ organization (European Centre for Eco Agro tourism) which at the beginning gave information and consultancy services to beginning entrepreneurs in this field. Starting costs for equipment of the accommodation rooms were very high but there was the possibility to borrow low interest loans and subsidies. Main segment was tourists from Netherlands and this is

especially because of the ECEAT which has the main seat in Amsterdam and in Czech Republic is its representative as already mentioned ECEAT CZ. This program joint at first approximately 52 organic farms and the clients were mainly from foreign. [33]

Currently the situation is slowly changing. More Czech visitors is going to the farms, even though the number is still not very high and the number of foreign visitors is decreasing. Partly it is because the tourists from Netherlands are in some parts of Czech Republic starting to buy own properties and therefore they do not have the need to use services of our farmers any more. Partly it is because of low standard of provided services in some places and its facilities.

In the agro tourism works 130 farms (this is approximately 5-10% of all entrepreneurs in the countryside from which 65% does eco – agro tourism. Most of them are in south of Czech, in Šumava and east of Czech. Number of tourist is about 31 000 yearly. One third of them are foreigners – Germans (in south/west of Czech and north/west of Czech) Poles (north of Czech) and Dutch's. Average stays take approximately 1week. The rest are home guests, which more and more prefer the quality services and the prefer stays with breakfast. [14]

3.2 SWOT Analysis for Czech Agro and Eco - Agro tourism

This part of the diploma thesis is aiming at characterising agro tourism and Eco - Agro tourism and putting them together in order of their strong and weak points of view. Secondly it characterises opportunities of this kind of tourism and threats which it has to face.

Strengths

- One of the strong points of agro tourism is its ecological character, environmentally friendly use of natural resources.
- Location of farms is usually evenly placed and moreover the accommodation capacity should be less than 12 beds. It regulates the number of tourist in the area and there are no risks of exceeding burden on the surrounding environment.
- As was mentioned above, this is important income for farmer, grange and the whole surrounding. Thanks to multiplication effect the whole region is developing.
- Customers have possibility to get to know the traditional way of agricultural style of living and get the information about organic farming.
- Positive are also the expenses for the holiday on farm (as for accommodation and food too). It is because of the private ownership of households, therefore the price for buying the household is excluded. Predominant are thus operational expenditures – gas, energies, water rates, sometimes expenditures for investments before starting the business. This would be the expenditures for accommodation facilities, modification according to the hygiene norms, technological and dispositional requirements and standards, eventually expenditures for propagation of the place.

- Strong side is the possibility to connect agro tourism or eco – agro- tourism with other types of tourism, for example cycling, walking and cognitional tourism.

Weaknesses

- There is missing propagation of agro tourism and eco-agro tourism on the fairs and exhibitions. For this sector is important the development of the information system, for the potential clients, to get to know about local providers. Until now the main source of information are web pages or word mouth to mouth from friends.
- Another weak point is insufficient cooperation of all the subjects interested in the development of green tourism in the region.
- Very important expectation for development of agro tourism or eco – agro- tourism is change of approach of inhabitants of region. In rural areas still prevails the unwillingness to welcome new guests. Following quality of offered services may though differ and guests might not be satisfied with it. Possible solution could be education training for those who run this kind of business and increase awareness of inhabitants of this region about the positive contribution of the development of tourism on their income and the economy of the region.
- Many of the farmers complain about not having clear information about development in this sector. According to some entrepreneurs activity of organizations interested in rural tourism and eco tourism is not sufficient enough. They are missing continual information and consultancy. For this reason there is a fear of starting new business of this type, because of the cost of investments into the accommodation facilities and equipment of the place to fulfil all the given requirements.

Opportunities

- Agro tourism still has high potential to develop because the agro way of life is own to most of the rural areas. Moreover there are places which have spaces suitable for accommodation of visitors.
- Agro tourism could be offered as a part of products of travel agencies of concrete destinations to get into broader constituency of potential guests.
- Farmers can use the tools from the program of rural development 2007 – 2013 and from the funds of European Union.
- It is important to inform the public about possibilities which holiday on the farm brings – stay on the calm relaxing surrounding, getting to know the traditional way of life, getting to know the process of making some bio products, for example sheep's cheese, cottage cheese, home made bread and also its tasting.
- Owners of agro and eco – agro tourism should focus on broadening the offered services. Apart from the accommodation and food they could also offer some supporting services for example rent a bike adjoined with repairing service, the possibility to get the fishing ticket if in close surrounding are some water resources, recommend cultural program and inform guests about all the interesting places which are close by. The complexity of services makes good impression and helps to broaden the alternative possibilities to spend a good time at vicinage which can lead to repeating visits.

Threats

- It is important to make good entrepreneurial environment and give the access to low interested loans and subsidies to entrepreneurs to be able to adapt to relatively high claims of accommodation standards to run organic farming.
- In the case of insufficient information about the possibilities of stays on the farms this type of tourism will not be requested and therefore not developed. For this reason it is important that all the subjects interested in it (like public administration, local government, entrepreneurs and interested cooperation's) should work together on propagation and education of public.
- It stay a fact that even though agro tourism belongs to ecologically gentle handling types of tourism, in case of one – sided development there is a threat of area burdening. Inflow of tourists always means stress on the environment. Mainly because of the bigger traffic, noise and not environment friendly behaviour the landscape pattern may change.
- In case of low enlightenment and low quality of services from ECEAT CZ or other interested informational and counselling organizations it can lead to lower interest of farmers to do business in agro and eco – agro –tourism.

3.3 Agro tourism and Eco - Agro tourism in comparison with foreign countries

Agro tourism and eco - agro tourism is in many countries (Austria, Swiss, France or Italy) very traditional. Offered services are at very high standard, there also exist state institutions and especially interested groups which are trying to help the entrepreneurs with their activity and take care of high standards of accommodation and quality of their business. Almost all of these states have developed some system of financial aid for farmers which do rural tourism which is very important. It is usually considered as a side income of the farmer and inhabitants of rural areas. [34]

In the foreign countries agro tourism is mostly divided into:

- **Gastronomic** – mostly focused on tasting of local specialities and the products from “home” production (Mediterranean area)
- **Holiday on homestead** – the owner of the farm does agro tourism and offers the visitors accommodation and associate services.
- **Scandinavian type** – it focuses mainly on renting of different rooms for example house, flat, land and other. Mostly it is without any other services.

For example in Austria, which belongs to the most developed countries in tourism the most common type of agro tourism is holiday on the homestead (approximately 21000 farms).

Farmers which gain money by this way of tourism created “association of hosts” which offers its members consulting and education. Common presentation and propagation of entrepreneurs provides “Zemský svaz”. Farmers have access to the investment subsidies and in the case of getting the loan, ministry of agriculture pays the interest for them but only if certain conditions are fulfilled.

Representative of gastronomic agro tourism is Italy. Development of this kind of tourism is managed by regional committee compound of subject of special interest. (entrepreneurs, public administration, travel agencies, members of agrarian and economic chamber and other). They decide splitting of subsidies.

Agro tourism is done by farmers, which offer accommodation but also food. They prepare selected traditional dishes, which are made of high quality material. It should be from the main part from own production.

Scandinavian type of agro tourism is generally developing at all countries which support rural tourism. It is because it is not demanding on offering services. Interested person only hires selected premises (house, flat or else), in some cases the can order breakfast bur rest of the stay is organized by them self. This saves time and work to the farmer. The only disadvantage is high financial investment at the beginning to the accommodation facilities. (Social facilities, kitchen and so on) [3]

As it was mentioned before, rural tourism is not only in the Czech Republic, but also in foreign countries, taken as one of the possibilities to develop rural and agricultural areas, which are, especially in last years facing the problem of leaving inhabitants to bigger cities. More and more people prefer to live in the cities, because it gives them the opportunity to find better job and services. It is therefore important to improve the conditions for life in rural regions and make them more attractive.

3.4 Possibilities to get financial resources for the eco – agro tourism in the Czech Republic

This chapter helps us to conclude the possibilities to get financial aid to run agro tourism and eco- agro- tourism in the Czech Republic.

In the previous programming period in years 2000 – 2006 Czech Republic got after its accession to European Union in the year 2004 access to the financial aids from structural funds of EU and from the Cohesion Fund. Certain success has been achieved in the field of subventions in agriculture. In today's programming period in years 2007 – 2013 bigger attention is paid to supporting rural areas, to be specific to increase the employment rate, population density, to use cultural-historical potential, development of tourism, improvements of environment and its protection. [13]

Period 2007 – 2013 in the Czech Republic

Entrepreneurs in Eco - Agro tourism can use the financial resources mainly to run agricultural activity or to develop rural tourism. Eventually they can use funds focused on rural support. [22]

3.4.1 Operational Program Rural Development and Multifunctional Agriculture (OPRDMA)

Czech Republic had very satisfying results in the usage of pre-entry program SAPARD (Special accession programme for agriculture and rural development) recourses in the first programming period and also from the operational program rural development and multifunctional agriculture.

Scope of investments into the agriculture was high and therefore this sector was well prepared for following funding I the years 2007 – 2013. In today's programming period the priorities changed a little bit. Main support will be focused mostly on development of rural areas. Agricultural sector should on the other hand be less dependent on the subsidies. Newly is the politics of rural development incorporated into the CAP - Common Agricultural Policy in comparison with previous incorporation in Politics of Cohesion. For this reason European Agricultural Fund for Rural Development (EAFRD) was created together with European Agricultural Guarantee and guidance Fund (EAGGF) with the European Fisheries Fund (EFF) it will be the main financial tool of Program of rural development in the Czech Republic. Managing authority is Ministry of Agriculture of Czech Republic.

3.4.1.1 Axes of the European Agricultural Fund for Rural Development (EAFRD)

Axis I - Improving the competitiveness of the agricultural and forestry sector

Development of physical capital, innovations, education and informational activity (75% of EU fellowship on project realization)

Axis II - Improving the environment and the countryside through land management

Sustainable usage of agricultural and forest land (80% of EU fellowship on project realization)

Axis III - Improving the quality of life in rural areas and encouraging diversification of economic activity

Support of non agricultural activities (support of basic enterprises, tourism – here also belongs the development of rural tourism), development of villages, endowment and services, preservation of cultural heritage (75% of EU fellowship on project realization)

Axis IV – Leader

Support of partnership, formation of strategies and other (80% of EU fellowship on project realization) [41]

3.4.2 Regional Operational Programs (ROP)

It is possible to use resources from seven regional operational programs, which have impact only on regional level and which struggle for non balanced area development, increase of living standards and competitive advantage. Managing authorities are regional committees on the level of each NUTS II. Main priority is development of tourism (standardization for quality of services, preservation and revitalization of monuments and so on). It can also be development of rural and urban areas, transportation accessibility, development of infrastructure and other. To exclude possibility of double financing of projects (as from ROP and NPRD – National Program for Rural Development) there is given limit of number of inhabitants.¹

3.4.3 Integrated operational program (IOP)

IOP is one of the eighth sectoral operational programs (SOP) which finance nationwide projects. IOP has more goals. Main goals are to strengthen public administration, services, information technologies, national aid of regional development and tourism. Here is possible to use resources for common propagation and marketing of regions, national tourism etc. Managing authority is Ministry for Regional Development of the Czech Republic.

¹ From ROPs can only be financed projects for municipality which has 2000 plus inhabitants. If there is less then 2000 inhabitants it can use the financial resources from National program of rural development.

3.5 Institutions active in the rural tourism

3.5.1 ECEAT INTERNATIONAL

ECEAT (from 2001 ECEAT INTERNATIONAL) – European Centre for Ecological and Agricultural Tourism – is European organization supporting sustainable rural tourism. In its activity it puts together agriculture, tourism and environment. ECEAT associates subjects on the membership principle – one state= one member. It was established at the beginning of 90's with the main seat in Amsterdam. First members of the organization started to get together after the year 1992 when the project agro and eco agro tourism first arose and it was supported from the European Union.

Among its today's members belong Belarus, Czech Republic, Germany, Latvia, Turkey, Holland, Finland, Poland, Romania, Slovenia, Sweden, Spain, UK- Wales and Hungary. Candidate members are



Serbia and Bulgaria. In each country the subjects which are interested in sustainable development are associated by different organizations. This could be entrepreneurs, consultants, researchers, schools, association even private person.

Main goal of this organization is to keep developing of sustainable tourism with the specialization in agriculture, organic farming, and support of sustainable usage of land, care of environment, rural development and preservation of cultural heritage. This association makes net of more than 1300 small accommodations and services in tourism in the whole Europe. [9]

Other goals of this organization:

- Developing and protection of the ECEAT brand and the logo
- Support and arrange cooperation of members
- Develop communication between members, exchange of information and protect interest of members
- Propagation and representation of ECEAT and its members on the international level.

Main activities:

- Education, education training, giving information and increase of consciousness in the field of sustainable development of private and public sector
- Support of sustainable tourism and development of ECEAT system of quality and certification.
- Common propagation of product of tourism in terms of ECEAT
- Making of new electronic guide books, packages and itinerary
- Consultancy of organizational experts
- Development and innovative projects [12]

Benefits of membership

- right to use the ECEAT brand exclusively in your country (ECEAT works according to the principle "one country - one member")
- direct access to ECEAT marketing
- direct access to ECEAT sustainable quality measuring systems of tourist services
- direct experience and information exchange
- participation on ECEAT development and innovative projects all over the world
- participation on the ECEAT policy [11]

It is important that ECEAT is concerned in the development of rural areas:

It supports local entrepreneurs in the environmentally friendly tourism which by its activity makes good conditions for economical growth in given area. It also brings new working opportunities and creates some space for additional services. It uses marketing support to bring new visitors to these rural areas, which again helps to increase the income of local inhabitants and budgets.

The statistical data also confirm the success of this organization. Thanks to propagation of sustainable tourism the number of stay over nights in the farm holds and agricultural areas increased to 500 thousand per year. Another essential activity of ECEAT is certification of entrepreneurs in the rural areas when fulfilling given conditions of quality and maintainable services. If the result is positive, these establishments can use logo and labelling of ECEAT quality which is internationally well known. Up to day it is approximately 1300 housing facilities certified – hotels, B&B and farms in Europe. Certification is not obligatory but it increases chances of entrepreneurs to succeed in today's very high competition. [10]

The essentials of certification:

It is upgrade of common standards and requirements on accommodation and services provided along. Nevertheless it needs to be stressed that it focuses on sustainability of socio-cultural, economical and sustainability of environment.

Basic requirements on the accommodation:

- provide relevant "eco" information to its guests
- support of environmental friendly agriculture
- use water and energy in an efficient and conscious/responsible way
- follow the green building policy
- reduce production of waste

- support soft mobility
- contribute to nature protection
- contribute to sustain cultural heritage
- contribute to support the local economy
- improve the environmental performance [10]

Test ascertaining qualifications for gaining certification of accommodation is available on the web pages: www.eceat.cz. It is free and after filling in the information it tells the entrepreneurs if it is suitable and fulfils given criteria

3.5.2 ECEAT CZ

ECEAT CZ is Czech non governmental organization which offers consulting and services for entrepreneurs in agro tourism and eco- agro tourism. Since 1992 is a member of ECEAT and in the 2001 it was on of the establishing members of ECEAT INTERNATIONAL (together with Germany, Holland, Portugal and Sweden). New name of the organization is connected with the changes of organizational structure, where some of the activities of former ECEAT in Amsterdam were delegated to other member states. In the Czech Republic there is also the general secretary. Company has a seat in Brno and the director is Michal Burian. [40] Up to day there is about 120 accommodation facilities certified from which just about 100 is on the countryside. [15]



Organization offers different consulting and professional counselling for example in the field of development of human resources, preparation and realization of sustainable developing projects and in products of tourism, landscape planning, protection of environment, propagation, public relations, accounting and other. [8]

3.5.3 Svaz venkovské turistiky – Union of Rural Tourism

Civil federation – Union of Rural Tourism is a member of international organization of rural tourism called Eurogites. With the name of Svaz podnikatelů ČR – Union of Entrepreneurs CZ in the rural tourism and agro tourism became in the year 1997 in the seat in Choltice. In the year 2005 this organization was renamed to Union of Rural Tourism and its seat was moved to Telč.



Main goals of this organization:

- Protection of interests and rights of all members – entrepreneurs and experts in the field of tourism
- Development of rural tourism, agro tourism and related services
- Cultural and economical development of rural areas, renewal of local traditions, stabilization of settlements of Czech Republic
- Development of information systems
- Protection of environment
- Support of creating new working positions
- Support of business activities
- Consulting and education of entrepreneurs
- Propagation of accommodation together with the help of ECEAT CZ and Czech Tourism.
- Realization of projects for support of rural tourism
- Realization and propagation of rural tourism products
- Control and certification of accommodation facilities and other. [26]

Main activities of different years:

1997-1999: creation of Informative catalogue of accommodation services

1998: Introduction of complex informative system on the trade fair Regiontour – Go

2000: System for certification of rural accommodation and doing certification – delegated by Ministry for Regional Development of Czech Republic

2001: New projects for support of small and medium size enterprises of tourism called LOBBY, QUALITY and SERVICES

2007: Cooperation for making new manual “Zásady správné výrobní a hygienické praxe ve stravovacích službách” – Fundamentals of correct production and hygiene practice at catering services. [27]

3.5.4 Other organizations

Apart from ECEAT and the Union of Rural Tourism, there are more organizations which support development of rural tourism. It is for example:

1) Czech Tourism

Ministry for Regional Development founded in the 1993 allowance organization called “Česká centrála cestovního ruchu – Czech Centre of Tourism supports tourism in the Czech Republic.

Main goals of this organization:

- Propagation of local tourism, making new advertising materials and prospects
- Propagation of state on the fair trades and exhibitions trough its foreign representation at 26 states.
- Making new products of tourism and its support

- Support of partnership of interested subjects in tourism (entrepreneurs, professional association, public administration, autonomy and other).
- Counselling and education (doing seminars and trainings)
- Translation activities
- Realization of marketing activities. [6]

In the year 2008 the activities of Czech Tourism are focused on increasing the no. of visitors, length of stays and increasing of income of tourism. Apart from general support of tourism the increased attention was paid to propagation of golf tourism, spas and congress tourism. Further there was campaign for increasing awareness about local tourism which was mainly focused on sustainable tourism – agro tourism, cycle tourism, wine trails and hippo-tourism

For these reasons Czech Tourism realized project called “ Kudy z nudy” – Out of boredom. In its terms it runs web page introducing products of local tourism and each tourist regions of Czech Republic ² and possibilities of tourism.[16]

All the activities were financed from the budget of MoRD and from own sources and from Integrated operational program of EU [7]

² Today in the Czech Republic exists 15 tourist regions: Praha and surrounding, Jižní Čechy, Šumava, Plzeňsko, Severozápadní Čechy, Západočeské Lázně, Český Sever, Český Ráj, Východní Čechy, Vysočina, Krkonoše, Jižní a střední Morava, Severní Morava a Slezsko – information were takene from : <http://www.kudyznudy.cz/cs/regiony/> , 10.12.2008, 13:00

2) Regional developing agencies

Regional developing agencies operate in different field in the Czech Republic and help with the economic development. It offers its services to its private entrepreneurs, to public administration, autonomy, private associations, non-profit-making organizations and to EU authorities. It is important tool for making new partnerships of public administration and autonomy bodies and local entrepreneurs.

Main activities:

- Important activity is to provide information and counselling in the field of getting subsidies from the European Union eventually from different ministries.
- Agencies are usually hired for managing, realization and doing the developing projects of given region, eventually for processing the feasibility study.
- Marketing support of local products of tourism, making advertising leaflets
- Counselling and education of enterprises
- Organization of seminars and lectures.

Developing agencies among others realize projects of recovery of countryside in which frame belongs the support of all forms of tourism together with rural tourism –agro tourism and eco-agro tourism, beer and wine trails, cycle tourism, golf tourism and other.

Examples of regional development agencies:

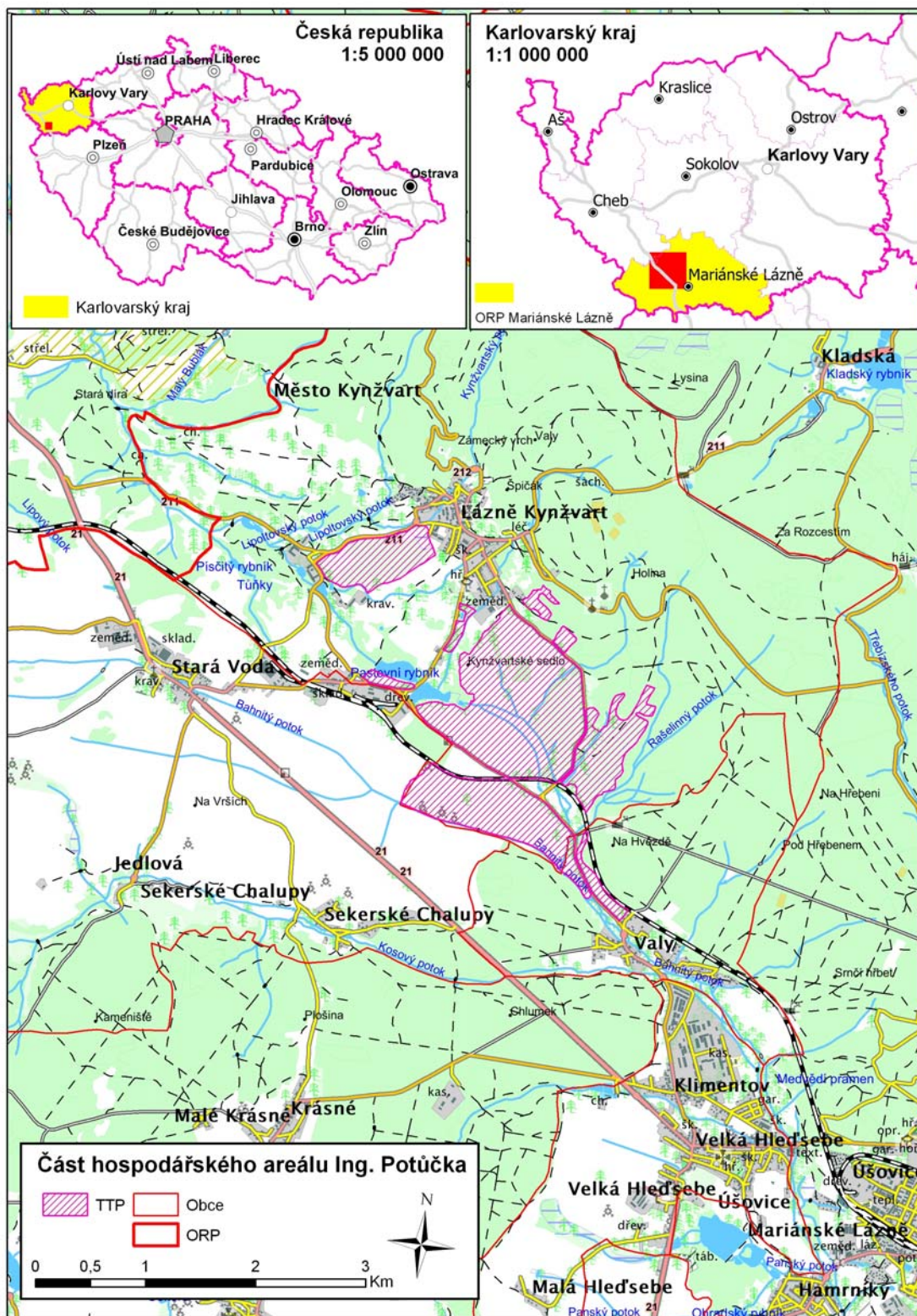
Regional developmental agency Šumava, o.p.s. – supports sustainable forms of tourism, mainly “hippotourism” sport tourism, (cycle tourism, walking, water tourism, skiing, indirectly even agro tourism [21])

- Regional agency of Ustecký kraj, a.s. – By the end of the year 2008 it started to process the Conception of development of Agro tourism in Ustecký region [20]
- There are some more regional developmental agencies for example Střední Čechy, Jižní Morava, Vysočina and other.

3) Development of rural tourism supports:

- Ministries: Ministry for Regional Development, Ministry of the Environment of the Czech Republic, Ministry of Agriculture of the Czech Republic.
- Information centres: National Information Centre of the Czech Republic, Association of information centres.
- Web pages: for example
<http://agroturistika.nafarmu.cz/> , web pages prepared with the cooperation of ECEAT organization and EUROGITÉS, it introduces European accommodation facilities which do agro tourism.
<http://www.prazdninynavenkove.cz/> , these web pages runs the Union of Rural Tourism, it offers the accommodation on the rural areas – on the farms, camps and pensions
<http://www.ecoclub.com/> , these are web pages of the international eco club

4 Case study – Farm in Lázně Kynžvart



4.1 Characteristics of the project

Authors own work is divided in this part into 3 features that are further divided on several sub sections. In the first part there is rating of entrepreneurial subject. Characterization and identification of applicant, the subject of enterprise, structure of crop and husbandry production and in the end are described outer relationships of the company. Second part is rating of the project. Again according to instruction of OPRVMZ were used. It required division on localization of the project, main focus of the project, its market needs for realization and impacts of the project. In the 3rd part economic calculations and information are given. Cash flow (CF) on 12 years into the future was calculated in this part. By the help of CF was enumerated time of Economic Rate of Return (ERR) and Net Present Value (NPV). Another calculation is financial and economic rate of return (FRR and ERR). One of the last points of this chapter is SWOT analysis of given company and this project. All these calculated indexes gave the general view of investment and showed us, if this investment is acceptable, if it would be possible to realize it.

After introducing the economical evaluation of this company the results of author's research will be presented. This research was done in the Faculty of Economics and Management in the Czech University of Life Sciences. (See appendix No. 1)

Two variants will be counted:

- A) with the subsidy to rebuild the house for accommodation to Eco - Agro tourism
- B) rebuild the house without any subsidy

At the end there will be comparison of those two variants in the terms of economical efficiency and all the financial indicators.

4.2 *Goals of the project*

4.2.1 Specific goal

The main goal is to broaden the activities of this enterprise of Eco – agro tourism therefore there is the need to use part of the house for accommodating guests.

4.2.2 Goal of the farmer

The goal of the entrepreneur is to rebuild part of the family house, which is now minimally used for the agro-tourism purposes.

It would have to be rebuilt into accommodation facilities with corresponding social facilities. One part would be rebuilt into the no barriers apartment so the handicapped people can use it as well.

4.3 *Description of the farm*

4.3.1 Field of business

The main core of business is agricultural production in the ecological regime.

It focuses on the grass range management and grasslands in the CHKO Slavkovský les – Natural protected area Slavkovský les. Also it concentrates on the breeding cows for non milking purposes and selling fattening cattle As a reserve a small water power plant is ran for diversifying the income farm is planning to realize the project of agro tourism.

4.3.2 History of the farm

Farm arose in the 1996. In that time it only did the grass keeping on approximately 30hectares (ha) without owning any animals yet. For the grass keeping purposes one older tractor was bought and one mulch laying machine. In the following years it started to spread up to currently 800ha of managed area where owned is approximately 400hectares, 150 hectares is rented from the land fund of the CR and 250hectare is rented from the private person. According to the increase of land there was comparable increase in the number of animals. At the beginning the farm started with 12cows and today there is approximately 300cows and 5 breed bulls.

To run the farm it was also important to build technical service and maintenance. This was done by buying the 6tractors, some reaping machines, straw baler presses and fodder carrier. This enterprise is farming in the ecological way and it is controlled every year by the KEZ o.p.s.

All the belongings equipment was made by the activity of this enterprise. Currently there is still going on the buying of the land from land fund of CR.

4.3.3 Organization of the enterprise

4.3.3.1 Management of the enterprise

Owner of the farm is Ing. Petr Potůček, he is educated from the Czech Agricultural University in Prague where he studied the mechanical faculty and he has 10 years of practise in the agriculture production as a "Independent farmer" (SHR – samostatne hospodařící rolník)

4.3.3.2 Employees

Farm has only 3 full time employees. Work is done and organized by the owner of the farm. Seasonal work is done by permanent brigade. Members of the family work there too if needed.

4.3.4 Products and services

The farm is run in the LFA (Less Favourable Areas) in the organic agriculture regime. The focus is on the meet breed cows. It sells calves.

Crop production is concentrated on the fodder bases – mainly bulk feed. Farm is producing hay and pasturage. Fodder is sold very rarely only in the case of unproductive years as a help to neighbouring farms. Farm is not doing any agricultural services only sometimes helps to neighbouring farms for example by letting them use its machines.

4.4 *Analysis of the market*

4.4.1 Customers

Animals are mainly sold to the cattle breeders through the subjects which are interested in the trade of cattle. Customers change according to the offered price and according to the experience of the farmer with given person from past years. From the description of the farm mentioned above is obvious that main income apart from the subsidies is from selling the fattening cattle. Other products are not normally sold only in special cases as a help to neighbouring farm.

Potucek's farm has 2 main permanent customers. These are Mr. Škoda and Mr. Kulmon whereas Mr. Kulmon is taking the animals more often and in bigger number. Therefore he is the most important customer. Normally the customers do not change very often, but sometimes there comes new parties concerned in buying the animals but those are more or less exceptions. This

situation is probably given by the fact that customers like to be sure, they do not like risking and therefore they do not like to change their suppliers. The principle of taking the cattle of Mr. Kulmon is usually done the way that he buys them and then sells them again to another customer. Therefore he is more or less something like a mediator. Usually Mr. Kulmon sells those animals to the foreign countries. This cooperation is probably not going to last anymore because there are other buyers. For example this year it was Mr. Joka Mareček, Mr. Hoffman or Mr. Zelina. Usually the customers come in august when first half of the lot is sold, than in October when another $\frac{1}{4}$ is sold and the rest is usually sold in December. To have the same customers is an advantage, because both sides know what to expect from each other and therefore they can cooperate better.

Bargaining power of customers is not very strong. Usually the farmer sets the rules of agreement. From the past years it came to tradition that the farmer sells the whole group of approximately same weight according to their birth. Therefore he does not get into the situation where he would be left with the weakest ones which nobody wants to buy. The final customers are more oriented on the quality of the cattle on the other hand the mediators are oriented on the price which the farmer sells it for. Another plus for the farm is that the customers do not want to change the suppliers. It is because of the close market where is already made the cooperation between suppliers and customers. It would have to be very special occasion that a customer would like to change the supplier.

4.4.2 Competing business and its limitations

The only competitors to the farm are the closest neighbours and small farms. On one hand those or farms with similar interests but not farming in the organic terms of agriculture or by size similar farms which have a little different interest –for example crop production. Between the competitors are not very strong disputes more prevails the effort to keep the cooperation in long term view. Some minor arguments are only seen in the case of leasing of the land. Competitive advantage of Mr. Potůček is size of his farm. Even though the threat from the competitors is not very high, he wants to diversify the income of another field which would be agro tourism. Generally there is no problem to sell the cattle, apart from the last year when there was trouble with the spreading disease from Germany – the Blue Tongue disease.

4.4.3 Suppliers

Production of the farm is not changing, trough the years it stabilized on the size which is needed for ensuring the fodder base. The farm is not planning to change the amount of production. The most important suppliers are firms which supply the spare parts and petrol. Farm also buys the mineral salt licks. Enterprises supplying services in the agriculture are also long time proofed partners.

4.5 *Realization of the project*

4.5.1 Localization

Project should be realized on the farm of Mr. Potůček in Lázně Kynžvart. This little city is in the middle of the spa triangle (Karlovy Vary, Mariánské Lázně, Františkovy Lázně) on the west of the Czech Republic. Dominant of the city is the spa lying on the west part of the hill on which the city is. This spa

originated thanks to 3 gifts of nature – climate, mineral springs and beds of moor. Another dominant of the city is the newly reconstructed renaissance castle Kynžvart with very beautiful park. This city is in NUTS II – Severozápad, NUTS III – Karlovarský kraj and NUTS IV – Cheb.

4.5.2 Characteristics of the town and surrounding

The farm is in the CHKO Slavkovský les in the spa frontier regions. The house is in today's very important area of fresh air and special microclimate which is used for its healing purposes for respiratory and dermal illnesses. The spa it self is focused on small kids which creates possibility to accommodate visitors who come to see the kids. There is an open swimming pool to the public which is connected with the gym and sauna. In the winter time the surrounding of the city is very suitable for cross country skiing. In Mariánské Lázně – the neighbour city there is a downhill skiing with artificial snow if needed and also the cross country skiing.

The city has 1640 inhabitants. There is health centre, a dentist, primary school and kindergarden, shopping centre, food store, fruit and vegetable store, drug store, hardware store, hair dresser, pedicure and massage studio. The city has own town hall.

In the 2005 city got the award called "green ribbon" (zelená stuha) for its public green vegetation. Important thing for the tourism is very rich history of the town. Kynžvart was very well placed as of the strategic view of the surrounding. There was built a castle which was mostly destroyed by the Swedish troops in the Thirty year wars. Another castle in the city is much younger. It was built by prince Meternich. From that time it is one of the most visited castles in the Czech Republic. Together with the reconstruction of the castle there was build a huge garden approximately on 300ha. This garden is currently partly used for the golf course which should be open this year.

4.5.3 Human resources

The city has approximately 1600 inhabitants. Most of them have to travel to other cities for job. Main employers in the town are "Lesy ČR" – forestry of CR and the "Dětská lázeňská léčebna" – Kids spa health resort. For realization of the project it is possible that some outside firm will be chosen to do it, because there is none with this focus in the town. It is presumed that this firm would use the help of local handicraftsman.

4.6 *Initial situation and reasoning of the project*

With regard to the need to diversify the income, which is now mainly from the subsidies and from the sale of the cattle, the farmer decided to rebuild the house to offer the accommodation for agro tourism with the capacity of 10 beds.

The house used to be a pension therefore there will not be needed any crucial reconstructions. Nevertheless it is very old building and the reconstruction is needed. Mostly we are talking about the reconstruction of the inner plaster, outer plaster, exchange of the windows and doors, exchange of the roofing and the heat isolation. At the end the house should be well appealing to the guests from inside and also from the outside and also it has to fulfil all the requirements of modern accommodation facility.

4.6.1 Market needs of the project realization

By realization of this project there will be increase of accommodation capacity by 10 beds. Main goal is to get another source of income than from the agriculture production for the farmer. To ensure the agriculture work and the services connected to the accommodation there will be created one more job placement. By raising the accommodation facility it is assumed that the tourism in the city will increase as well. Thus the organic farming will be more propagated too.

4.6.2 Economical benefits from the project

The farm will gain some other financial sources. In the preliminary calculation which was based on the 45% of occupancy of the pension which means 1645 nights per year per 300CZK (Czech crowns) per night, with the gradual increase according to the endowment. Other assumption is financial revenue will be from the lending fee from the bikes and from the skis. (Bike = 4 pieces, 130days per year with the price 100 CZK/day/piece and ski=4pairs, 60 days per year with the price 150 CZK per pair/day).

4.7 SWOT ANALYSIS OF THE PROJECT AND THE FARM

Table No. 1 SWOT ANALYSIS OF THE PROJECT AND THE FARM

STRENGTHS	Certificate of organic farming
	Attractive allocation
	Location in the spa triangle
	Structure of family farm
	Qualified labour
	Frontier region
WEAKNESSES	Missing premises for animal husbandry
	High percentage of different owners of rented land
	Dependence on subsidies
	Absence of possible usage while bad weather
	Missing experience with the agro tourism
OPPORTUNITIES	Increasing interest in agro tourism
	Usage of other financial aids from EU
	Usage of tourism potential of surrounding
	Border region
THREATS	Competing business
	Changes in legislation
	Low stability of economic environment
	Dependence of the tourism on purchasing parity of population
	Drawing near the prices of bordering Bavaria

4.8 Economical and financial analyses of the farm

Financial analysis is the method used for evaluating the economical results of given enterprise. Main goal of the analysis is to get to know the financial health of the enterprise thus the ability to fulfil its mission in the present as well as in the future to identify strong and weak sides of the decision making for the future.

Financial analyses makes the enterprise it self for the inner management of the enterprise. Author got the balance sheet and the profit and loss statement. For better understanding of the financial situation and the economy of the farm author decided to make the financial analyses herself.

Value of the long term possession = 1 285 000

Value of the long term liabilities = 6 513 000

Long term liabilities > Long term possession = enterprise is overcapitalize
(5 228 000 CZK was used for the short term assets)

4.8.1 Cash Flow of the investment with the 12 years prediction

Rate of profit of the investment was simulated as Mr. Potůček is paying the Value added tax, handing in the evaluation of income quarterly and all the other income is shown without VAT.

Calculation of all other values was done this way. In the first year is always calculated with only half of the usual values of all the indicators. This is due to the non – functioning of the house for the whole year and also because of the reason that it will not be well known yet. Gradually is counted with the increase of interested people and therefore with the increase of revenues. CF was calculated for the first 5years separately and for the rest of the years it was calculated by trend.

1. **Investment** in the first row is the 0 period in the 2007 year and this is the investment for the reconstruction of the house. In the 2009 year is predicted that 45% of the preliminary investment will be given back, that is why there is this number
2. **Operational revenues** are always calculated as the income from accommodation. In the first year – 2008 there is very little revenues because the house will not be running the whole year. Also it will not be well know therefore the revenues will be lesser. In the attachment No.3 is shown the exact calculation of costs. It is calculated with the average 45% occupancy with the starting price 300 CZK/night. In the following years it is expected increase of the occupancy and possibly of the price. That is the reason why the revenues are increasing throughout the years.
3. **Other operating revenues** – this is counted as the lending of the skis and bikes. In the attachment No.3 is detailed calculation. In the first year is calculated with the 10 000 CZK but the average price should be 40 000 CZK with the prediction of increasing interest of this object and with the increase of incoming guests.
4. **Total revenues** – it is the sum of above mentioned operational revenues and other operating revenues. This row was already formatted by the program which was used therefore it was not necessary to count it.
5. **Consumption of material** – This entry is shown in details as the attachment No.3 It is counted with the material consumption as the cleansers or the materials of common usage. Also it is counted with the water rate here.
6. **Consumption of energy** – see attachment No. 3 Calculation of consumption of electricity and gas.

7. **Expenses for Repairs and Maintenance** – This information was gained from the interview with Mr. Potůček, he told me that the average expenses are 30 000 CZK/year. Hopefully there will be no need for any repairs in the first year; therefore it is calculated with smaller amount.
8. **Cost of services** – see attachment No. 3 In this category is calculated the costs of laundry mainly. The 45% occupancy is counted at the beginning and lately it is lightly increased, thus the costs are increasing too.
9. **Insurance** – Information about the insurance was gained from the financial advisor and it is 37 500 CZK but for the first year is paid only 1/3rd which makes 12 500 CZK
10. **Garaging** – there is no garaging costs therefore the whole row is 0
11. **Social security expenses + health insurance** – it is counted as the wage of one worker for 1000 hours/year and the 35% of social security expenses and health insurance.
12. **Depreciation** - see attachment No. 4 This information was given by the financial advisor.
13. **Other operational expenses** – this item is calculated from the small expenses for running the business throughout the year.
14. **Financial expenses** - there are no other financial expenses according to table of finances, therefore there is always 0
15. **Total expenses** – this row is again pre formatted and it is sum of all expenses
16. **Operating profit / loss** – pre formatted row by excel otherwise total revenues less total expenses
17. **Tax rate** – information given by financial advisor – counted for the year of 2008
18. **Income tax** – counted as the tax rate times operating profit / loss
19. **Operating profit / loss after taxation** – calculated as the operating profit / loss minus income tax

20. **Operating CASH FLOW 1** - it is the sum of operating profit / loss after taxation and the depreciation. This was calculated by Excel as pre formatted row.

21. **Estimated values of other non-financial effects** – This information was given by the financial advisor.

22. **Operating CASH FLOW 2** – it is the sum of operating CF1 and the estimated values of other non – financial effects.

4.8.2 Indicators of economic efficiency of the investment

Table No. 2 - Foundations for the calculation of payback period and for the Net Present Value – Variant A – with the subsidy

Row	Entry in Czech Crowns	Calculation	Period 0	2008	2009	20010	2011	2012
24	Value of subsidy – undiscounted	Only the value of subsidy		0	1125 000	0	0	0
25	Operating CASH FLOW 1 – undiscounted	Row No. 20 from basic table of CF	0	22 501	146 991	199 997	200 541	222 641
26	Operating CASH FLOW 1 + subsidy (undiscounted)	Row 24+25	0	22 501	1 271 991	199 997	200 541	222 641

Instalment of Table No. 2 - Foundations for the calculation of payback period and for the Net Present Value – Variant A – with the subsidy

Row	Entry in Czech Crowns	2013	2014	2015	2016	2017	2018	2019
24	Value of subsidy – undiscounted	222 641	254 941	284 691	297 016	311 891	313 591	324 641
25	Operating CASH FLOW 1 – undiscounted	222 641	254 941	284 691	297 016	311 891	313 591	324 641
26	Operating CASH FLOW 1 + subsidy (undiscounted)	222 641	254 941	284 691	297 016	311 891	313 591	324 641

Table No. 3 - Calculation of discounted operating CF plus the subsidy – Variant A

Row	Entry in Czech Crowns	Calculation	Period 0	2008	2009	2010	2011	2012
„D“	DISKONTNÍ FAKTOR	$\frac{1}{(1+i)^n}$	10000	0.9709	0.9426	0.9151	0.8885	0.8626
27	Operating CASH FLOW 1 + subsidy (discounted)	„D“ x row 26	0	21 845	1 198 973	183 025	178 178	192 052

Instalment of table No. 3.

Row	Entry in Czech Crowns	2013	2014	2015	2016	2017	2018	2019
„D“	Discount rate	0.8375	0.8131	0.7894	0.765233	0.741183	0.717133	0.693083
27	Operating CASH FLOW 1 + subsidy (discounted)	186 461	207 292	224 735	227 286	231 168	224 886	225 003

Discount Rate – is calculated according to the formula: $\frac{1}{(1+i)^n}$

As was mentioned in the methodology, when the Discount Rate is 3% it is recorded as 0.003

Value n is the period. In period 0 n=0 in period 1 n equals 1 and so on.

Table No. 4. : Average Cash Flow – variant A and variant B

<i>Row</i>	<i>Entry in Czech Crowns</i>	<i>Calculation</i>	<i>Variant A</i>	<i>Variant B</i>
28	Average operating Cash Flow (undiscounted)	Sum of all the values in the row 26/No of these values	302 083	215 544

Table No. 5. : Payback Period – variant A and variant B

<i>Row</i>	<i>Entry in Years</i>	<i>Calculation</i>	<i>Variant A</i>	<i>Variant B</i>
29	Payback Period	Row 1 / row 28	8.38	11.74

Payback Period is the share indicator, based on the undiscounted values of the investment. It is counted as: $RT = IN / \text{average CF1 (undiscounted)}$.

Where IN is the investment costs for all years (row No.23) and the average CF1 (undiscounted) is average operating CF (with the subsidy) – undiscounted – row No. 26.

Table No. 6. : Total Cash Flow

<i>Row</i>	<i>Entry in Czech Crowns</i>	<i>Calculation</i>	<i>Variant A</i>	<i>Variant B</i>
30	Total operating CF with subsidy (discounted)	Sum of all the values in the row No. 27	3 300 904	2 240 484

Table No. 7. : Net Present Value

<i>Row</i>	<i>Entry in Czech Crowns</i>	<i>Calculation</i>	<i>Variant A</i>	<i>Variant B</i>
31	Net Present Value NPV	Row No.30- row No.1	770 904	-289 516

Net Present Value - NPV is the absolute indicator. It is based on the discounted values of the investment, which is counted as: $NPV = \text{Effects from the investment} - IN$.

Where IN is the investment (row No. 23.)

See the attachment where the variant B is counted. The results are that the average CF is 215 544CZK and the Payback period is 11.74 years and the NPV is negative.

Table No. 8.: Bases for counting FRR (Financial Rate of Return) and ERR (Economical Rate of Return) – variant A

<i>Row</i>	<i>Entry in Czech Crowns</i>	<i>Calculation</i>	<i>Period 0</i>	<i>2008</i>	<i>2009</i>	<i>20010</i>	<i>2011</i>	<i>2012</i>
32	Investment (No subsidy and no VAT) Undiscounted	Row No.1 from basic table of CF	-2530000		1125000			
33	OPERATING CASH FLOW 1 (undiscounted)	Row No.20 from basic table of CF	22 600	150492	205369	205932	214411	214411
34	OPERATING CASH FLOW 2 (undiscounted)	Row No.22 from basic table of CF	27 600	170492	225369	230932	239411	239411

Instalment of the Table No. 8. - FRR a ERR – variant A

Row	Entry in Czech Crowns	2013	2014	2015	2016	2017	2018
32	Investment (No subsidy and no VAT) Undiscounted						
33	OPERATING CASH FLOW 1 (undiscounted)	245 191	273 541	285 286	299 461	301 081	311 611
34	OPERATING CASH FLOW 2 (undiscounted)	270 191	298 541	310 286	324 461	326 081	336 611

Table No. 9.: Total CF of the investment for calculation of FRR and ERR (undiscounted) – variant A

Row	Entry in Czech Crowns	Calculation	Period 0	2008	2009	20010	2011	2012
35	Total CF of the investment for calculation FRR	Row 32 + 33	-2507400	150 492	1330369	205 932	214 411	214 411
36	Total CF of the investment for calculation of ERR	Row 32 + 34	-2502400	170 492	1350 369	230 932	239 411	239 411

Instalment of Table No. 9. : total CF of the investment for calculation of FRR and ERR – variant A

Row	Entry in Czech Crowns	Calculation	2013	2014	2015	2016	2017	2018
35	Total CF of the investment for calculation FRR	Row 32 + 33	245191	273541	285 286	299 461	301 081	311 611
36	Total CF of the investment for calculation of ERR	Row 32 + 34	270 191	298 541	310 286	324 461	326 081	336 611

Table No. 10. : Financial Rate of Return and Economical Rate of Return

<i>Row</i>	<i>Entry in percents</i>	<i>Calculation</i>	<i>Variante A</i>	<i>Variante B</i>
37	FRR – Financial Rate of Return	Function of the Excel program – Rate of Return	9.25%	1.17%
38	ERR – Economical Rate of Return	Function of the Excel program – Rate of Return	10.87%	2.70%

The output of the financial evaluation is the expression of FRR – Financial Rate of Return, FNPV – Financial Net Present Value and it is counted as the discounted flow of cash minus the Investment. The table shows positive FRR which means that the project is acceptable.

ERR – Economic Rate of Return increases the financial flow of investment comparing to the FRR by 1.58% from the rural development, ecological, environmental and aesthetic point of view.

If the results are compared it is obvious that the subsidy is very much needed. For the calculation of variant B the subsidy was not counted with and the FRR is 1.57% comparing to the previous 9.57%. ERR came up also much lower only 3.07%. Even from these results it is evident that the subsidy important because without it the investment is not acceptable already in its beginning. It does not fulfil the conditions to pass.

Table No. 11. : Summarized table of Repayment time NPV, FRR and ERR with 3% discount factor.

Name and notation of the indicator	Variant A	Variant B
RESULT OF THE FINACIAL ANALYSES		
NPV in CZK	770 904	-289 516
FRR in %	9.57%	1.57%
RESULT OF THE ECONOMIC ANALYSES		
ERR in %	11.15%	3.07%
ALTERNATIVE CRITERION		
Payback period in years	8.38	11.74

Payback period of the project is 8.38 years. Above mentioned indicators with the relatively short payback period shows effective investment. ERR – Economic Rate of Return increases the financial flow of investment comparing to the FRR by 1.57% from the rural development, ecological, environmental and aesthetic point of view.

Net Present Value shows the real enrichment of the society by the realization of the investment. It shows in the variant A that the discount factor of 3% is acceptable it could be even higher but up to maximum 9.57%. In this case the profitability would be 0. On contrary in the variant B the NPV is negative because this investment could only take maximum of 1.57%. In this case the profitability would be 0 and everything which is above the 1.57% means negative NPV.

4.8.3 Activity indicators

Focused on the intensity of property and assets usage

Turnover of general assets	Gross assets	6 553	752.9 days
	Income/365	(3 177/365)	

For restoration of the gross assets we need 753 days

DSO Ratio (Days Sales Outstanding Ratio)	Accounts receivable	1 267	145.6 days
	Total annual Sales/365	(3 177/365)	

For restoration of outstandings we need 146 days

Turnover of reserves	Reserves	2 475	284.4 days
	Income/365	3 177/365	

To restore the reserves we need 285 days

Term of expiration of liabilities	Liabilities	40	4.3 days
	income/365	3 177/365	

For repay ability we need 5 days

Turnover rate of general assets	Income	3 177	0.48
	gross assets	6 553	

The value of the enterprise's possession could change 0.5 times per year

4.8.4 Indicators of insolvency and financial structure

It means creditors exposure or rate of self - financing of the company

Coefficient insolvency	extraneous sources	1 126	17.18%
	gross assets	6 553	

Possession is 17.2% financed by extraneous capital

Self - financing coefficient	shareholders' capital	5 427	82.81%
	gross assets	6 553	

Gross assets are 83% financed by own capital

Financial gearing	gross assets	6 553	1.21%
	own capital	5 427	

Own capital is 1.21% part of the gross assets

Rate of foreign capital to shareholders' capital	loan capital	1 126	20.74%
	own capital	5 427	

Rate of loan capital to own capital is 21%

Interest coverage	Interest+interest load	2 222	18.36
	Interest load	121	

Interest contributes to paying interests by value of 18.4.

Interest burden	Interest load	121	5.44%
	Interest+interest load	2 222	

Each crown of profit is burdened by 5.4% of interest

Share of other operational loads and yields on operating results		3 284	120.65%
		2 722	

Operational loads and yields share the operational profit by 120.7%

4.8.5 Profitability indicators

Are evaluating the ability of enterprise to gain profit

Income profitability	Profit	2 101	66.13%
	Income	3 177	

1CZK of income will bring 0.66 CZK of profit

Costs of income	Costs	3 398	106.67%
	Income	3 177	

For 1CZK is 1.06 CZK needed

Profitability of total assets	Profit	2 101	32.06%
	total assets	6 553	

1CZK brings 0.32 CZK of income

Capital profitability	Profit + interest load	2 222	33.91%
	gross assets	6 553	

1CZK of gross assets brings 0.34 CZK of profit

Own capital profitability	Profit	2 101	38.71%
	own capital	5 427	

1CZK of own capital brings 0.39 CZK of profit

Profitability of loan capital	Profit	2 101	186.59%
	loan capital	1 126	

1CZK of loan capital brings 1.87 CZK of profit

Rate of profit	Profit	2 101	23.43%
	Yealds	8 967	

1CZK brings 0.23 CZK of profit

4.8.6 Liquidity indicators

are showing the ability of the enterprise to pay the short term liabilities

Current ratio	Financial assets		
	+short term claims	5 268	131.7
	+stocks		
<hr/> short term liabilities	40		

shows how many times are liabilities covered by the short term assets

quick ratio	Financial assets		
	+short term claims	2 793	69.83
	<hr/> short term liabilities	40	

means the payments of short term liabilities in time

immediate ratio	Financial assets	1 525	38.13
	<hr/> short term liabilities	40	

It means the ability of the enterprise to pay short term liabilities exactly at given time.

Index IN 95

This index represents the typical counting of cumulative rate of the financial situation of the enterprise.

"The reasons for creating the IN 95 index were to construct one aggregated value which reflects the overall bonity (rate of quality) of the enterprise. It is done thanks to the function which covers optimal combination of indicators, including the rate of their importance". Neumanová, co-author of IN index.

IN1	Total assets	6 553	5.82
	loan capital	1 126	
IN2	EBIT	2 222	0.34
	total assets	6 553	
IN3	assets return	9 339	1.43
	total assets	6 553	
IN4	short-term assets	5 268	131.7
	short-term liabilities	40	
IN5	EBIT	2 222	18.36
	load interest	121	
IN6	accounts payable after the payback period	281.5	0.03
	Yields	9 339	

$$IN\ 95 = 0.24*IN1 + 21.35*IN2 + 0.76*IN3 + 0.10*IN4 + 0.11*IN5 - 14.57*IN6$$

$$IN\ 95 = 24.47$$

The result of IN 95 index is 24.47 thus it is bigger than given value of 2 therefore it is an enterprise with good financial health.

Given values:

<i>Less than 1</i>	<i>Enterprise with bad financial health</i>
<i>1 up to 2</i>	<i>Average enterprise</i>
<i>Higher than 2</i>	<i>Enterprise with good financial health</i>

On the bases of the financial analyses we can say that the enterprise is able to pay its liabilities in 5 days which means fulfilment of the usual 15 days of maturity of received invoice.

Most of the possession is paid from the own recourses therefore it is not very indebted and it is able to pay the liabilities on time.

For the interest cover which is 18.4 counts that the higher, the better can the enterprise pay its interest and the lesser is the risk for the creditors (they have more assurance to get paid for their outstanding).

On the different profitability bases we can say that the enterprise has very high ability to gain profit, thus it carries the business efficiently and uses own and extraneous resources well.

Enterprise does not manage any short-term bank credits it only has the long-term ones. It explains the ability to pay the short- term liabilities from its own financial property.

IN 95 index shows that is enterprise with good financial health. It should be considered, that the recommended values used in the calculation are not exact. It was not possible to find the values for agricultural sector especially not for the agricultural enterprise only.

4.9 Strategy after the realization of the project

After realization of the project, there will be further broadening of the cultural and sport activities of the guests. It will be done according to the gained income. It is planned to build for example the fitness centre, sauna and the Jacuzzi.

4.9.1 Propagation and publicity of the project

Propagation will be done externally – by the promotion of the Regional Centre Pro-Bio Severozápad and internally – by introducing the employees and the guests to the way of financing the project and also by posting the sign on the building.

5 Research on the agro tourism

5.1 Methodology on the research

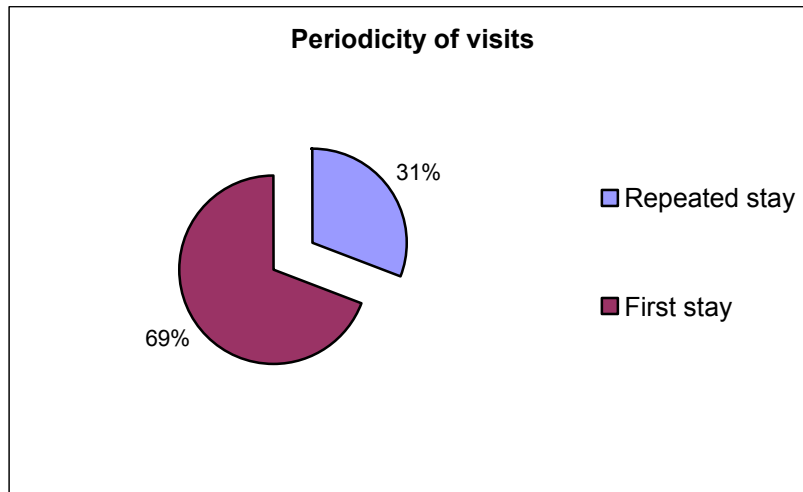
The research was focused on the possible potential visitors of agro tourism farms. It was taken in the Czech University of Life Sciences. The questionnaire was send to 130 people from which only 42 returned. It is approximately 32.3% rate of return. Main goal of the survey was to find out the characteristics of potential guests and their requirements on the accommodation.

5.2 Results analysis

There were 42 people which took the survey. The questions were given to the student of the CULS therefore the results are influenced by the field of their study. Also the target group was not fulfilling the criteria of all ages. Mostly it was people from 19 up to 35 years old. Also it should be mentioned that the students probably are not the best target group for agro tourism. For all these reasons this survey is only illustrative and the farmer can not rely on it. Analyses of the answers will not be in the same order as the questions were given.

Question No. 1: Is it going to be your first time to spend holiday on the organic farm?

Graph no. 1: Periodicity of visits



From 42 people 13 answered that they have already been to the organic farm. I think it is a very big number. It shows that more than 30% of people are somehow interested in farming.

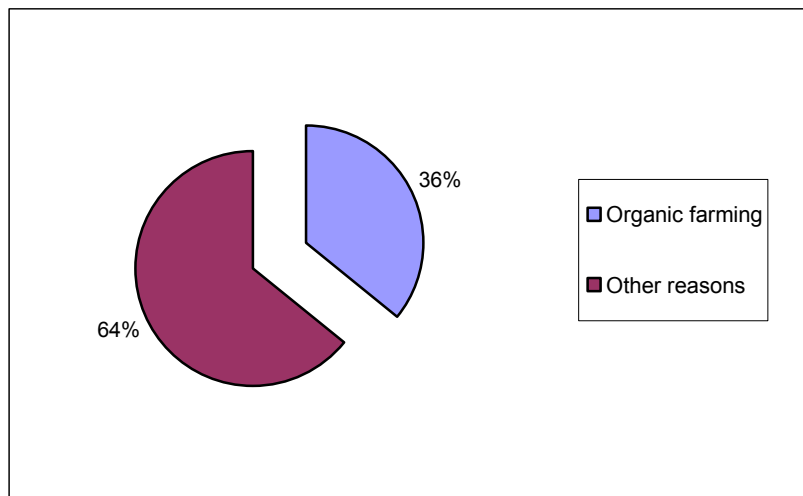
Question No.2,: Why would you choose to stay on the farm?

a) Ecological reason

b) Other reasons

The main goal of this question was to find out if the respondents would come to the farm because of its focus on the organic farming, or if they choose it for different reason. Some respondents chose one answer only a) or b) but other named both possibilities to be important for their decision making.

Graph No. 2.: Reason for the stay on farm

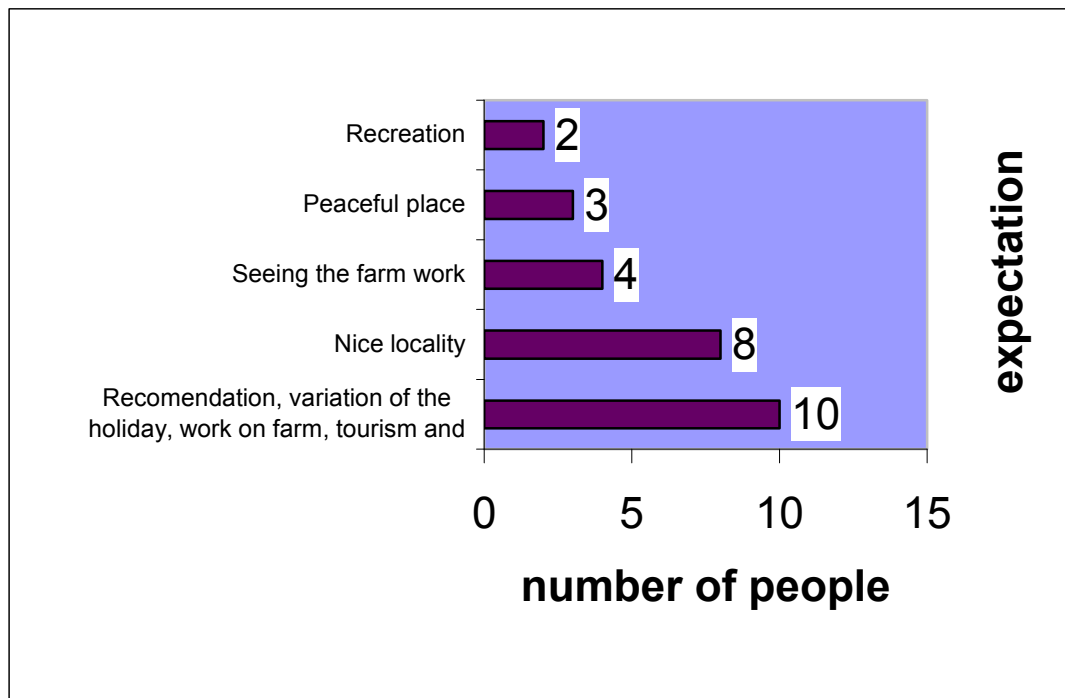


Graph No.2 shows percentage of each reason to stay. 36% of respondents said it is very important that the farm is organic. Also they mention that it is important to keep the sustainable development and to respect the principles of environment protection. The expectations differed but to conclude the main ones we can say:

Respondents :

- Expected to get to know more about the operations and activities on the farm.
- Wanted to choose different type of holiday which brings them new experiences
- Were looking for locality with clean air, beautiful nature and possibility of tourism
- It was important for them to be able to join in the work on organic farms and get to know new things
- They are interested in organic farming and want to support it
- They admire local easy way of life

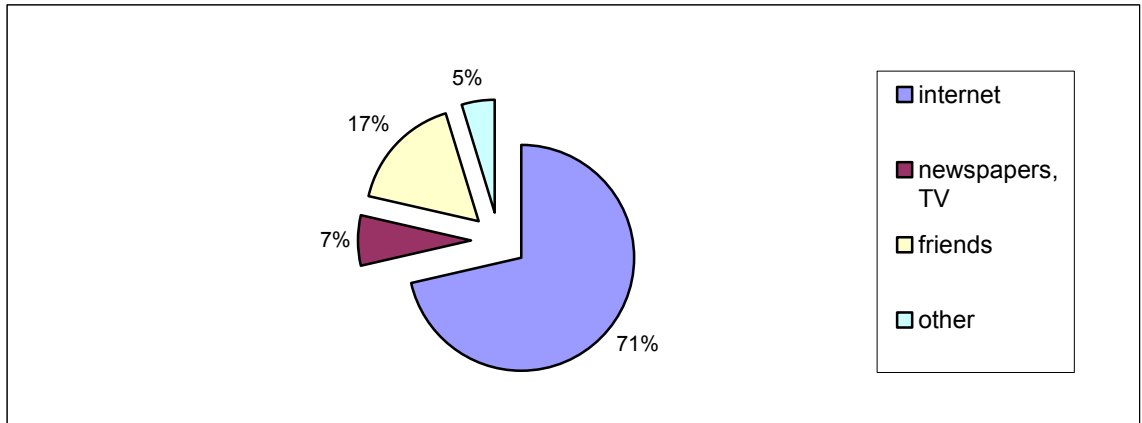
Graph No. 3.: Expectations of farm visitors



Most people got very good recommendation or the most important for them was to join in the work on the farm. Second most important reason was the locality – it had to be very nice place. There are assumptions of spending friendly stay on which it is possible to rest and get to know the life on the farm, the breeding the animals and work with them which might be especially interesting for the families with kids.

Question No. 3. How do you get to know about the possibilities of stays?

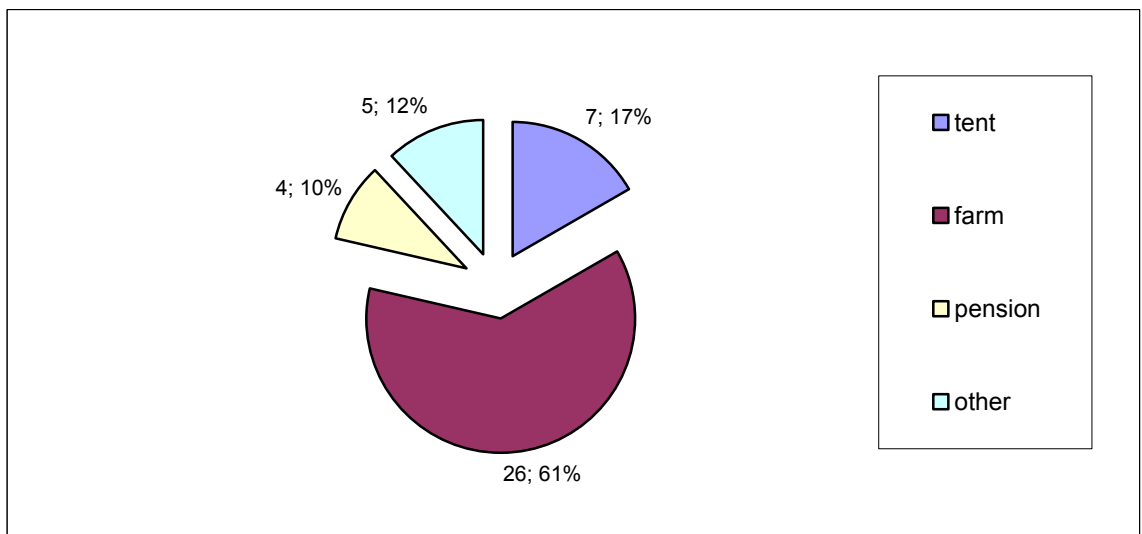
Graph No.4. Where is the information of possible stay gained from.



The visitors usually look for the information on the internet. It is significant number of people 71%. Also very important is the recommendation from friends or other people. In the last option – other, people said that they get the information from different catalogues.

Question No.4: What types of accommodation do you prefer?

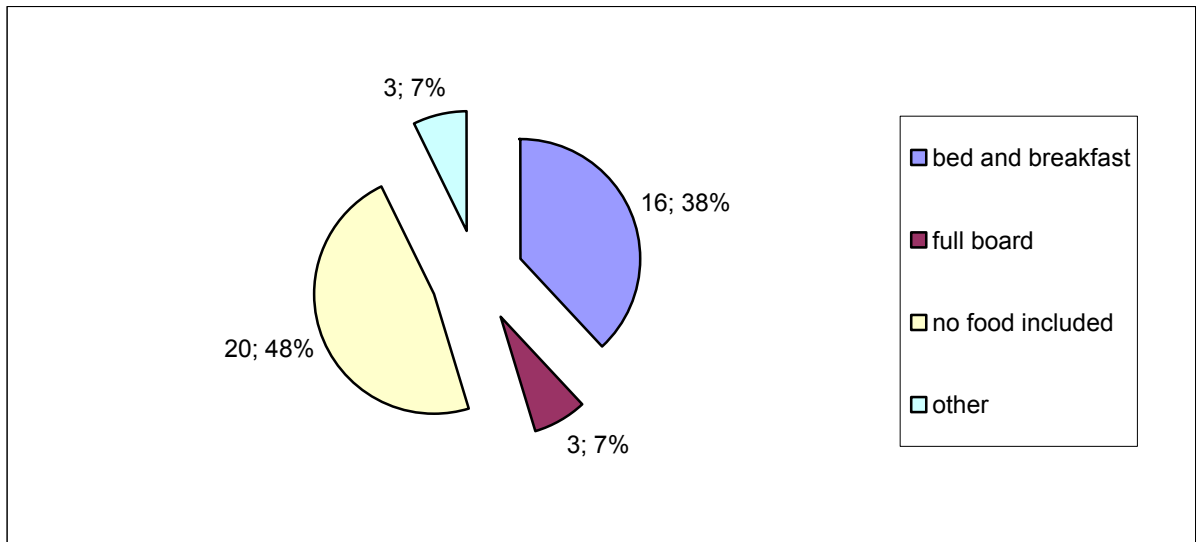
Graph No. 5. Types of accommodation



The most preferred type of accommodation is the accommodation on farm. It is probably because of the possibility to see what is going on the whole day. Second most preferred type is the tent. It might be influenced by the age of the respondents. Since it was all very young people we can presume that it would differ with elder people.

Question No.5.: What kind of alimentation do you prefer?

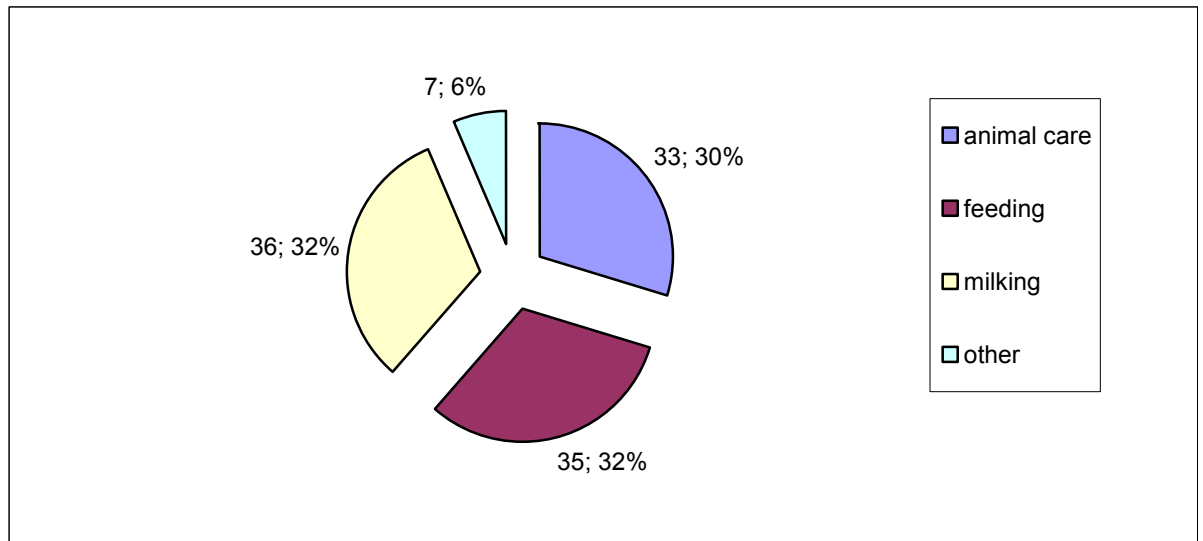
Graph No. 6. Preferred alimentation



Most of the people said they do not want any food prepared for them. Very close was the bed and breakfast 38% said they would prefer it. In the option other they said they are vegetarians so it would have to be optional for them to choose from the food which is offered.

Question No.6.: Would you like to participate in any of these works?

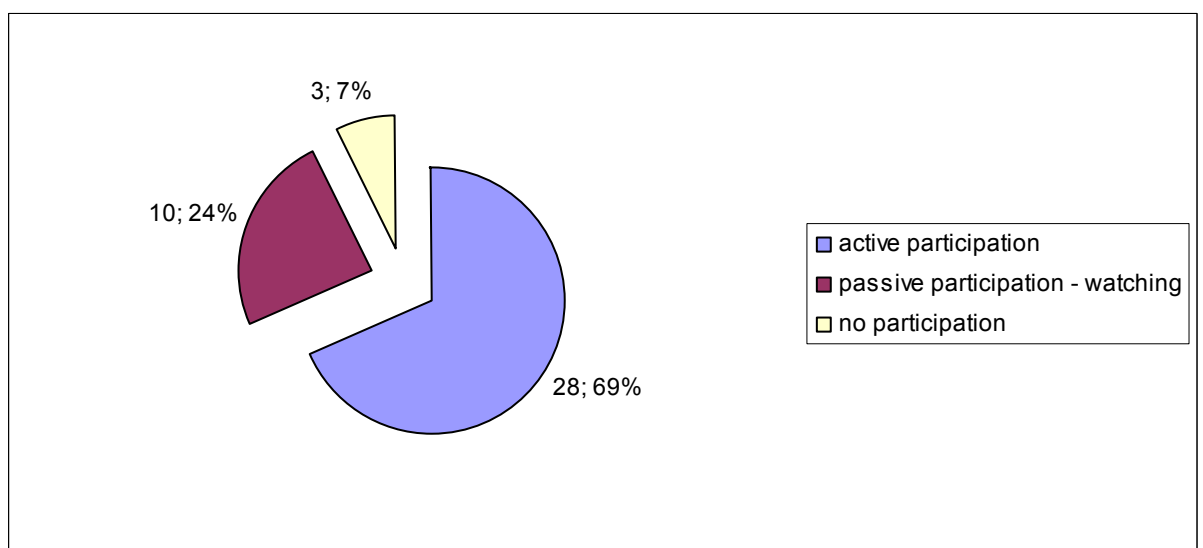
Graph No. 7 Preferred jobs to participate in



It is interesting that in this question most of the people chose more than one option. It is very similar in all the possibilities especially feeding and milking would like to try 35% of respondent. For the other choice they named for example the pig slaughtering.

Question No. 7.: How would you participate?

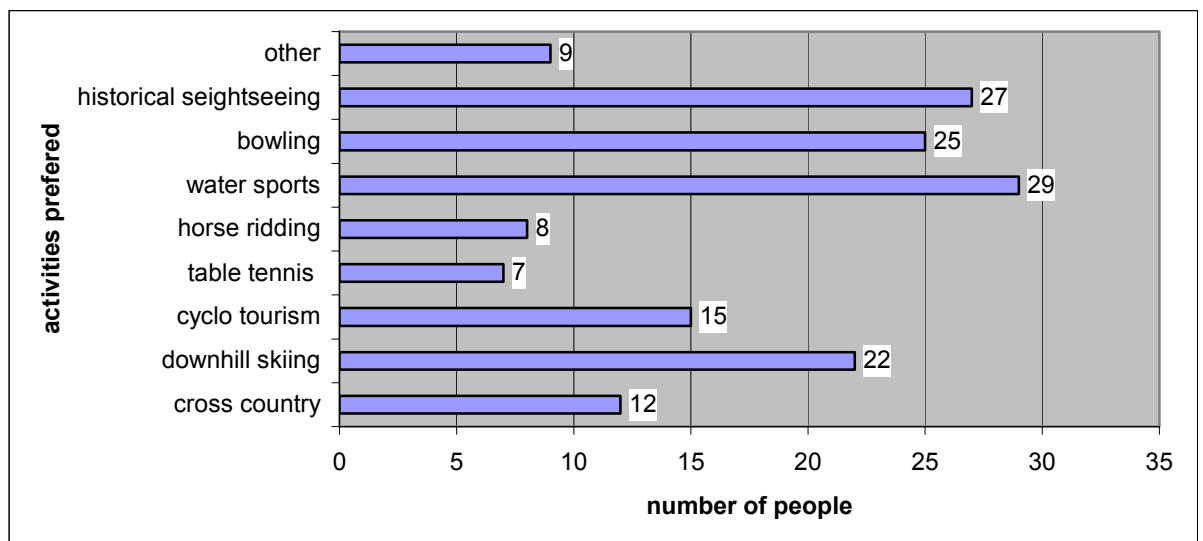
Graph No. 8. Type of participation



Most of the respondents said that if they would come to the farm, they would like to actively try all the works especially the feeding and milking. Some respondents preferred only passive participation as watching or the tour around the farm and would like the explanation what is being done. The last group of people would not like to participate at all. Those probably want to enjoy the peaceful nature and its undamaged beauty.

Question No. 8.: What activities interest you?

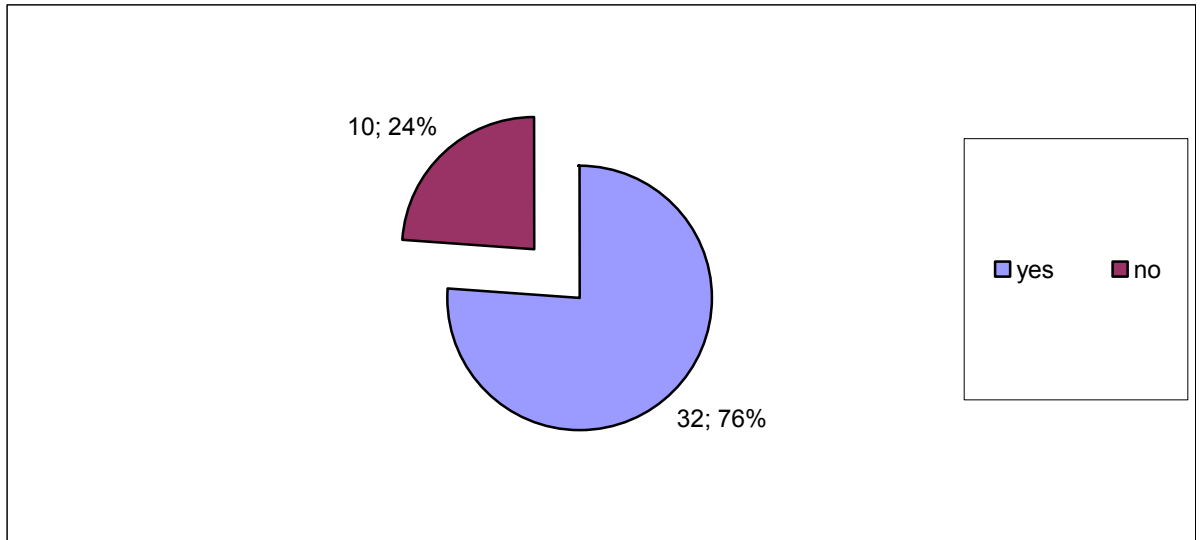
Graph. No.9: – Interesting activities



On the graph No. 9 is indicated that most people are interested in water sports, historical sightseeing, downhill skiing and cyclo tourism. It is again probably because of the young target group which was chosen at the beginning. In the option other they usually mentioned hiking or walking.

Question No. 9. Would you like to borrow the appropriate equipment on the spot?

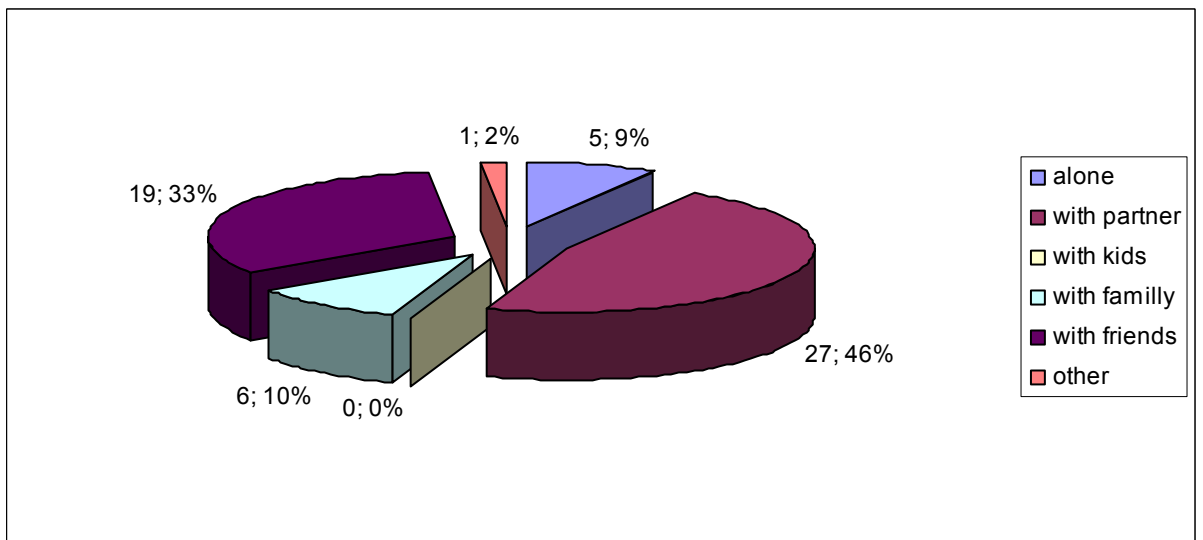
Graph No. 10 – lending of equipment



This question would be important if the owner takes this survey into the consideration because it indicates if it would be economically favourable to have the equipment to lend. It seems that more than $\frac{3}{4}$ would be interested in borrowing the equipment so I would suggest having it ready.

Question No. 10.: Whom do you travel with the most?

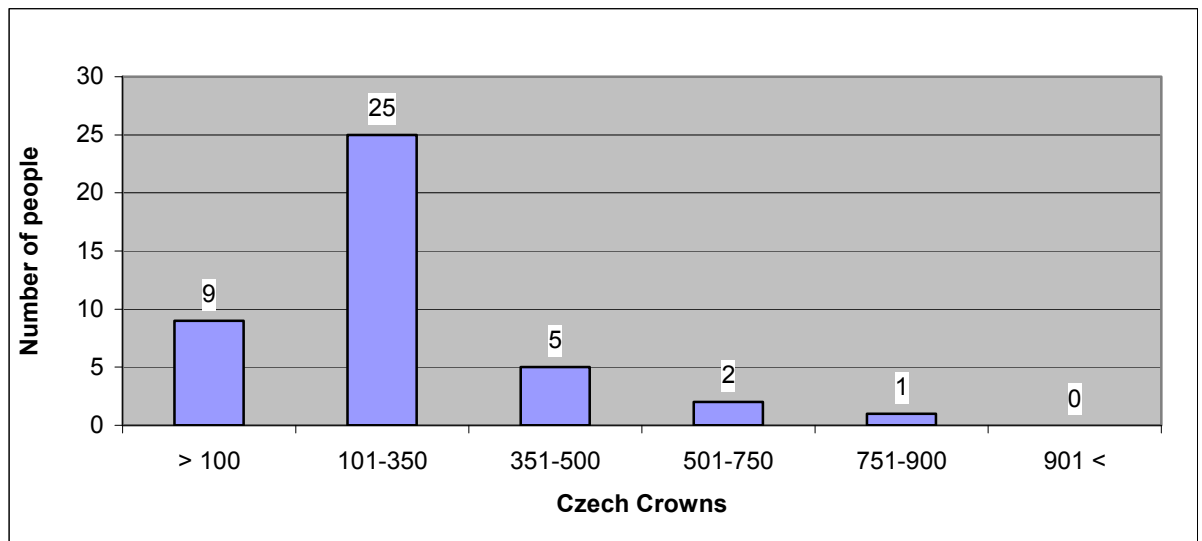
Graph No. 11. Travelling companion



In this case respondents again chose more than one option. Mostly they travel with friends and partners. Very little people chose the option other and said it was travelling with school. Most probably none of the people have kids yet therefore this option was not chosen even once. Author believes that if the target group was different this option would be fulfilled by some people.

Question No.11.: How much are you willing to spend per night?

Graph No. 12. – Expenditures per night



Most people are willing to pay from 101 Czech Crowns up to 350 Czech Crowns. As expected the number is decreasing with the increasing price. There was nobody willing to spend more than 900 Crowns. It might be because of the fact that most of the respondents are students but also just because of the fact, that it is too expensive.

In the research author ask about the age of the respondents and their highest finished education, they all are students of the Czech University of Life Sciences. Therefore the target group is from 19 years up to 35 years with their university degree education in progress. Also in my research it is obvious that the education would certainly influence the results because the school is somehow connected with agriculture in each field of study. Therefore most of the student at least heard about agro tourism. If we come back to the age of

the respondents it is evident that it is not the best target group to be focused at because even though the students travel a lot but probably not as much to farms as to foreign countries. Author thinks more people with kids would prefer this kind of tourism rather than questioned students. Mostly it would be people from bigger cities, who do not get in touch with the nature as much as people from villages.

Conclusion

Main goal of the thesis was the analyses of certain farm from the agro tourism point of view. It was done by several ways. At the beginning the literature research of the topic was done and according to it was done the SWOT analyses of the Czech agro tourism. In the practical part the main focus was on the Investment project into the agro tourism and on the questionnaire about the agro tourism potential guest.

The main goal of the practical part was to evaluate the investment project. From given analyses is obvious that farm is doing well and it is able to compete. This could be seen from the evaluation of the financial health of the enterprise.

Two variants were counted. In the variant A the Financial Rate of Return was 9.57% which is very good indicator, because EU requires this indicator to be less than 12% but no lower than 3%. If so the investment is either too bad or too good – does not need any co-financing. The FRR means that the project will enrich the society. On the other hand in the variant B – without subsidy, the FRR was only 1.57% which is under the minimal 3% limit therefore it is obvious that it would not even go through the selection criterion. Without the subsidy the results were inadmissible.

Economical Rate of Return in the variant A is even 1.58% higher than Financial Rate of Return which means that by this number it enriches the society. In the variant B the ERR was only 3.07% which is again almost inadmissible value to present the project. Even though it shows that it enriches other people by non – financial impacts, but from the farmers point of view the financial rate of profit is more important.

Payback period in the variant A was also short 8.38 years. This means that in 8.38 years the investment will be paid back from the financial revenues which it will bring. In comparison with variant B, where the payback period is

11.74 years, which means the investment is not worth it. It will take too long – almost the whole 12 years until which there already need to be some revenues.

The last indicator – Net Present Value in the variant A is higher than zero (770 904 CZK), which means that discounted financial flows are not higher than initial expenses and therefore the investment is acceptable for the farm. It assures the required rate of profit and increases the market value of the firm.

From the NPV is the most obvious the importance of subsidy. In the variant B the value is negative (- 289 516CZK), which is not acceptable because the investment expenses are higher than the discounted financial revenues.

It was presumed that the whole investment will be done according to the plan and there will not be any risks. Risk might be weather. If the weather is bad, people might have lesser interest in given place. It might be because of the insufficient self-realization because the object is in a village and it is focused mainly on accommodation and there are not many services in the town. By decreasing of the visit rate the income decreases and it could take effect on the operating of the object.

I would like to mention that both variants were counted with the 3% discount factor. As it is clear from the overall table of calculations of NPV, FRR and ERR it is important to know how much the discount factor is. It shows in the variant A that the discount factor of 3% is acceptable it could be even higher but up to maximum 9.57%. In this case the profitability would be 0. On contrary in the variant B the NPV is negative because this investment could only take maximum of 1.57%. In this case the profitability would be 0 and everything which is above the 1.57% means negative NPV.

If none of the mentioned risks are taken into consideration and the investment goes according to the plan, than it seems to be trouble – free and favourable. It is ensuing from above mentioned calculations.

The results of the questionnaire were surprising in some points. As was mentioned at the beginning, the target group of respondents is influenced by the studies in this university and also the age of respondents is limiting.

Therefore it was not sub divided according to age neither according to gender in this evaluation because all the respondents are students of the university. To come to the results it should be mentioned that surprising was question No. 6 – about the accommodation. Most of the respondent preferred the accommodation on the farm. It was expected, that the student will choose the cheapest accommodation – tents, but even they would rather stay on the farm. It is presumable, that older people would also prefer more comfortable accommodation. Also it should be outlined, that the questioned student preferred no food served for them. But with the other target groups this could differ. For example the families with kids would probably prefer at least bed and breakfast -which was actually on the second place in the questionnaire. One of the most interesting findings for the farmer could be question No. 11. More than $\frac{3}{4}$ of the respondents would like to borrow the equipment for their sport activity, therefore it is obvious that he should be prepared for it and have the equipment ready to borrow. As mentioned above, this questionnaire is only illustrative so the farmer should not rely on it. On the other hand, he can get some ideas from the findings from students. If the farm would be focused on the university students as one of the target groups, this questionnaire can help with his decision making.

List of abbreviations

CAP - Common Agricultural Policy

CULS – Czech University of Life Sciences

EAFRD - European Agricultural Fund for Rural Development

EAGGF – European Agriculture Guarantee and Guidance Fund

EU – European Union

GMO – Genetically modified organism

IOP - Integrated operational program

LFA - Less Favourable Areas

MoRD – Ministry of Rural Development

NPRD – National Program for Rural Development

OPRDMA - Operational Program Rural Development and Multifunctional Agriculture

SWOT analysis – Strength, weaknesses, opportunities, threats

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ATTACHMENT No.1 – Questionnaire

1. Vaše věková kategorie
 - a) 0-14
 - b) 15-18
 - c) 19-25
 - d) 26-35
 - e) 35-45
 - f) 46-55
 - g) 56- 65
 - h) 66 a víc
2. Pohlaví
 - a) žena
 - b) muž
3. Zkusili jste již pobyt na farmě?
 - a) ANO
 - b) NE

Již jsem tento typ dovolené zkusil – napište prosím kolikrát
.....
4. Pobyt na farmě byste si vybrali
 - a) Kvůli zaměření na ekologii - proč jste se rozhodl(a) pro tento typ
- jaká jsou vaše očekávání
.....
 - b) Jiné důvody
5. Jak se dozvídáte o možnostech pobytu
 - a) internet
 - b) noviny, TV
 - c) známí
 - d) jiné
6. Jaké ubytování preferujete
 - a) stan
 - b) farma
 - c) pension
 - d) jiné.....
7. Preferujete
 - a) polopenze
 - b) plná penze
 - c) bez stravování
 - d) jiné.....
8. Láká Vás účast na tradičních pracích na farmě
 - a) péče o zvířata
 - b) krmení
 - c) dojení
 - d) jiné.....
9. Účastnili byste se jich
 - a) aktivně
 - b) pasivně – dívat se
 - c) neúčastnil(a) bych se
10. O které z činností se zajímáte:
11. Měli byste zájem o vypůjčení případného vybavení na místě (lyže, kolo)
12. Nejčastěji cestujete
 - a) sám
 - b) s partnerem
 - c) s dětmi
 - d) s rodinou
 - e) s přáteli
 - f) jiné.....
13. Kolik jste ochotni utratit za pobyt noc
 - a) > 100
 - b) 101-350
 - c) 351-500
 - d) 501-750
 - e) 751-900
 - f) 901<

ATTACHMENT No.1 – Questionnaire

1. Your age category
a) 0-14 b) 15-18 c) 19-25 d) 26-35 e) 35-45
f) 46-55 g) 56- 65 h) 66 plus
2. Gender a) Female b) Male
3. Is it going to be your first time to spend holiday on the organic farm?
4. Why would you choose to stay on the farm?
(a) Ecological reason
(b) Other reasons
5. How do you get to know about the possibilities of stays?
a) internet b) newspapers, TV c) friends d) other
6. What types of accommodation do you prefer?
a) tent b) farm c) pension d) other.....
7. What kind of alimentation do you prefer?
a) bed and breakfast b)full board c) no food included d) other
8. Would you like to participate in any of these works?
a) Animal care b) Feeding c) Milking d) other.....
9. How would you participate?
a) active b) passive – watching c) no participation
10. What activities interest you?
.....
11. Would you like to borrow the appropriate equipment on the spot?
(bike, ski) Yes X No
12. Whom do you travel with the most?
a) alone b) with partner c)with kids d)with family
e) with friends f) other.....
13. How much Czech crowns are you willing to spend per night?
a) > 100 b) 101-350 c) 351-500
d) 501-750 e) 751-900 d) 901<

Attachment No. 2 – Bases for CF calculation

Row	Entry in Czech Crowns	Calculation	Period 0	2008	2009	20010	2011	2012	2013
1	Investment	-2530000			1125000				
2	Operational revenues			178 500	537 600	591 360	594 000	630 000	630 000
3	Other operating revenues			10 000	44 000	48 000	48 000	48 000	48 000
4	TOTAL REVENUES	ř. 2+3		188 500	581 600	639 360	642 000	678 000	678 000
5	Consumption of material			11 000	35 000	35 000	35 000	37 000	37 000
6	Consumption of energy			35 000	70 000	70 000	72 000	75 000	75 000
7	Expenses for Repairs and Maintenance			5 000	35 000	30 000	30 000	30 000	30 000
8	Costs of services			29 500	89 600	90 000	90 000	90 000	90 000
9	Insurance			12 500	37 500	37 500	37 500	37 500	37 500
10	Garaging			0	0	0	0	0	0
11	Social security expenses + health insurance			67 500	135 000	135 000	135 000	140 000	140 000
12	Depreciation			19 670	47 770	47 770	47 770	47 770	47 770
13	Other operational expenses			5 000	15 000	15 000	15 000	15 000	15 000
14	Financial expenses "FIN"			0	0	0	0	0	0
15	TOTAL EXPENCES	∑ ř.5 až ř.14		185 170	464 870	460 270	462 270	472 270	472 270
16	Operating profit / loss	ř. 4-15		3 330	116 730	179 090	179 730	205 730	205 730
17	Tax rate			0,15	0,15	0,15	0,15	0,15	0,15
18	Income tax	ř. 16x17		500	17 510	26 864	26 960	30 860	30 860
19	Operating profit / loss after taxation	ř. 16 -18		2 831	99 221	152 227	152 771	174 871	174 871
20	OPERATING CASH FLOW 1	ř. 19+12		22 501	146 991	199 997	200 541	222 641	222 641
21	Estimated values of other non-financial effects			5 000	20 000	20 000	25 000	25 000	25 000
22	OPERATING CASH FLOW 2	ř. 20+21		27 501	166 991	219 997	225 541	247 641	247 641

Attachment No. 2 – Instalment of bases for CF calculation

Row	Entry in Czech Crowns	Calculation	2014	2015	2016	2017	2018	2019
1	Investment							
2	Operational revenues		666000	703000	721500	740000	744000	760000
3	Other operating revenues		50 000	50 000	50 000	50 000	50 000	50 000
4	TOTAL REVENUES		716000	753000	771500	790000	794000	810000
5	Consumption of material	row 2+3	37000	37000	38000	38000	38000	38000
6	Consumption of energy		75 000	75 000	75 000	76 000	77 000	78 000
7	Expenses for Repairs and Maintenance		30 000	30 000	30 000	30 000	30 000	30 000
8	Costs of services		90 000	90 000	90 000	90 000	90 000	90 000
9	Insurance		37 500	37 500	37 500	37 500	37 500	37 500
10	Garaging		0	0	0	0	0	0
11	Social security expenses + health insurance		140 000	142 000	145 000	145 000	146 000	148 000
12	Depreciation		47 770	47 770	47 770	47 770	47 770	47 770
13	Other operational expenses		15 000	15 000	15 000	15 000	15 000	15 000
14	Financial expenses "FIN"		0	0	0	0	0	0
15	TOTAL EXPENCES		472 270	474 270	478 270	479 270	481 270	484 270
16	Operating profit / loss	row 4-15	243 730	278 730	293 230	310 730	312 730	325 730
17	Tax rate		0,15	0,15	0,15	0,15	0,15	0,15
18	Income tax	row 16x17	36 560	41 810	43 985	46 610	46 910	48 860
19	Operating profit / loss after taxation	row 16 -18	207171	236 921	249 246	264 121	265821	276 871
20	OPERATING CASH FLOW 1	row 19+12	254 941	284 691	297 016	311 891	313 591	324 641
21	Estimated values of other non-financial effects		25 000	25 000	25 000	25 000	25 000	25 000
22	OPERATING CASH FLOW 2	row 20+21	279941	309 691	322 016	336 891	338591	349 641

Translated according to: Ing. Marta Stárová, accounting seminars, CULS, Pef, 2006

Attachment No. 3 - Detailed calculation of cost and revenues of the investment

Cost element	Amount	Price in CZK	Total price in CZK
Costs and expenditures:			
Consumption of materials: Water charges, other materials (i.e. cleansers or materials of common use)			35000,- 20000,- 15000,-
Energy consumption Gas Electricity			70000,- 50000,- 20000,-
Service costs Linens	1792 nights	50 CZK/night.	89600,-
Insurance	1,5 %	2500000,-	37500,-
Total maintenance and services			35000,-
Wages in total: wages Social and health payments	1000 h 35%	100,- CZK/h	135000,- 100000,- 35000,-
Revenues:			
Total revenues Accommodation (49% annual occupancy) Other revenues Lending fee - bike Lending fee – skis and equipment	1792 nights 260 lending's 120 lending's	300,- CZK/night 100,- CZK/lending 150,- CZK/lending	581600,- 537600,- 26000,- 18000,-

This table is made for the year of 2009. In the 2008 there is the reconstruction of the house throughout the year therefore there is calculated only with part of revenues and costs. In the following years is calculated increase of cost because of the increase of the prices of materials, inflation. To calculate the prices the usual price in the region which the farm belongs to was used.

Attachment No. 4: Course of depreciation for the 5th depreciation group 1 405 000 CZK (2 530 000 – 1 125 000)

<i>Years</i>	<i>%rate from price</i>	<i>Depreciation „O“ CZK</i>	<i>Depreciated price CZK</i>
1	1.4	19670	1385330
2	3.4	47770	1337560
3	3.4	47770	1289790
4	3.4	47770	1242020
5	3.4	47770	1194250
6	3.4	47770	1146480
7	3.4	47770	1098710
8	3.4	47770	1050940
9	3.4	47770	1003170
10	3.4	47770	955400
11	3.4	47770	907630
12	3.4	47770	859860
Total		545140	

The table follows up to 30th year of depreciation.