

Making It Happen

Profitability and Success

Quick Overview

Key Points

- Sales more than doubled to \$52,000+ over two years
- Obtained \$80,000 in financing for new equipment and infrastructure
- Opened a \$7,000 line of credit to manage cash flow
- Used scenario planning, SWOT (Strength, Weaknesses, Opportunities, and Threats) analysis, and cash flow planning to test market options

During the course of two years of farm business coaching, Bella Farm made investments in equipment and infrastructure that more-than-doubled sales. Careful analysis of production costs and product mix guided this growth. Business coaching provided financial education that allowed the owner, Rachel Schattman, to evaluate the business from multiple directions.

Business Results

- Updated budget projections regularly using a cash flow spreadsheet and incorporated budget analysis into management practices
- Identified need for operating capital and opened a \$7,000 line of credit
- Expanded vegetable production, rather than value-added products, on the basis of budget analysis with advisor
- Added 4,000 sq. ft. of greenhouse/tunnel space and invested in tractor with ancillary equipment

Critical Skills

- Use of QuickBooks data in financial analyses
- Use of projections when making production, market, and investment decisions

Bella Farm

Monkton, VT
Rachel Schattman
bellapesto.com

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Farm Snapshot

Bella Farm is an organic vegetable farm focusing on diversified vegetables, garlic, and pesto production. With a total of 20 acres, Bella Farm grows vegetables on 3 acres and manages 1 additional acre of cover crops. The remainder of the acreage is wooded or contains the farmstead.

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- Integration of QuickBooks data for budgeting and evaluation of enterprises and markets
- Regular market and product assessment and analysis

Farm Financial Highlights

2013 - 2014

- **GROSS REVENUE:** increased by \$29,293 or 127%
- **PROFIT MARGIN:** increased from -23% to 1.1%
- **NET INCOME:** increased from a loss of \$5,310 to a positive \$592
- **OWNER INCOME:** no payments to owner.
- **EXPENSES:** increase of \$22,000 or 104%; 56% of this increase was for payroll
- **CASH:** doubled cash on hand to \$4,434
- **LABOR:** one managing owner worked 60 hours per week for 42 weeks per year (a total of 2,520 annual hours). Payroll for hired labor increased from \$5,483 to \$20,669, representing a change from 1 to 2.5 seasonal full-time employees (FTEs) working a total of 100 hours per week for 30 weeks (a total of 3,000 annual hours of hired labor).
- **GROSS REVENUE PER FTE:** gross revenue per full time employee, inclusive of both owner and employees, was \$13,000 in 2011 and \$19,000 in 2013.
- **INVESTMENTS:** \$80,000; equipment and infrastructure.

Key Numbers	2011	2013	CHANGE
Return on Equity (ROE)	-29%	1.1%	104%
Cash Flow Operations	-\$5,310	\$145	103%
Profit Margin	-23%	1.1%	105%
Gross Sales	\$23,115	\$52,408	127%

Defining Success

"Success would mean managing the farm with environmental sustainability in mind, drawing a modest salary, and having a high quality of life, including being a part of my community or doing something besides farming that supports my mental and emotional well-being."

Farm Philosophy

- 1). To seek continuously the information, knowledge and experiences that help us improve our ability to care for our land and community.
- 2). To manage our land in a way that ensures the future health and vitality of the soil.
- 3). To work actively against hunger in Vermont by making sure that food that is available and accessible to all members of our community, and by supporting the efforts of other farms and organizations that seek to do the same."

Content property of The Carrot Project

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Details

Rachel Schattman started farming in 2009 at the Intervale Center's Farms Program, a business incubator targeting small-to-midscale farm businesses. Bella Farm started as a small farm focused on growing a pesto enterprise. Eager to scale up the business, in 2011 the farm moved to 20 acres in Monkton, Vermont. Bella Farm now grows a variety of vegetables, herbs, and greens on two acres, and rotates to additional cover-cropped acres. The farm operation includes 5,600 sq. ft. of greenhouses.

In its startup years, the business grossed under \$25,000; sales more than doubled to over \$52,000 in 2013, after two years of business management coaching, during which strategic investments were identified.

Business and Management Education

Access to business management education and advisement has “given me better targets to shoot for, and a better understanding of financial planning tools,” noted Rachel. Investing her time in business education and working with financial tools to analyze the farm business have benefited Bella Farm by refining the product mix based on profitability. Careful analysis of production costs and product mix guided the farm in this investment and growth. “I worked with a business coach to evaluate the business in a couple of different ways,” Rachel says. These analyses shifted strategic focus, from the original plan to grow the pesto product line rapidly, to the subsequent, revised trajectory of increased vegetable sales.

Bella Farm's investment in equipment and infrastructure helped sales more than double, with vegetable sales increasing from \$2,000 to \$29,000. Says Rachel, “We had major growth in production and gross sales. This was a positive thing.” This 12-fold increase accounts for most of the increase in sales overall. Despite investment and growth, the low level of overall sales (\$52,000 in 2013) is not a scale that generates enough income for a sufficient owner's draw. However, payroll did grow by \$15,000, reflecting a change from 1 to 2.5 FTE during peak growing season. Increased labor was needed to grow production while balancing off-farm commitments. A production increase was also supported by equipment and infrastructure investment. Funds from a line of credit helped to relieve the stress of starting the farm in the spring, before the farm had cash flow but needed to purchase supplies and cover payroll.

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Looking Ahead: Upcoming Changes

Due to the arrival of the next generation at Bella Farm, Rachel will scale back dramatically in 2016, focusing in particular on selling wholesale garlic to regional Vermont markets. She plans to expand again strategically as family commitments decrease in future years.

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Quick Overview

Higher Ground Farm

Boston, MA

John Stoddard and Caroline Hennessey
<http://www.highergroundrooftopfarm.com>
 Making It Happen: Profitability and Success

Key Points

- Innovative urban rooftop vegetable farm
- Financing through crowdfunding
- Adjustments to plans and sales projections after significant decrease in production area
- Establishment of partnerships and securing of media attention

Higher Ground Farm is an early-venture rooftop farm, located on the roof of the Boston Design Center in the Seaport District of Boston. The farm produces greens, herbs, tomatoes, and other vegetables, and sells to local restaurants and directly to the community through a farm stand in the lobby of the building. The innovative urban farm's plan is to build market gardens on rooftops throughout Boston. They have established ¼ acre of vegetables on their existing 1.3 acres of space. Higher Ground has been successful at raising money through crowdfunding. They continued to struggle with production volumes needed to generate sufficient sales to allow for expansion.

Business Results

- Raised \$23,000+ via Kickstarter crowdfunding
- Achieved significant outreach and promotion in area newspapers during startup years
- Setbacks with securing rooftop space shortened inaugural season
- Sales grossly underperformed initial projections, as they were based on full development of roof space

Critical Skills

- Seeking of consultant support for financial analysis
- Strong fundraising efforts
- Avid promotion of product to gain community support
- Maintenance of growth mindset despite setbacks

Farm Snapshot

Growing greens, herbs, and tomatoes for sale to restaurants and at a farm stand onsite, the urban startup has had to overcome many obstacles as it establishes its rooftop gardens and develops its markets. Though urban farming is an established idea, rooftop farming is new to commercial enterprises in the Northeast. The farm continues against the headwinds.

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Farm Financial Highlights

2013-2014

- **GROSS REVENUE:** \$11,160 in 2013 and \$12,006 in 2014
- **PROFIT MARGIN:** -43% in 2013, reduced to -2% in 2014
- **NET INCOME:** \$4,800 loss in 2013 was shrunk to \$274 loss in 2014
- **OWNER INCOME:** no owner income in either year
- **EXPENSES:** decreased from \$15,000 to \$12,000
- **CASH:** negative cash flow
- **LABOR:** 6,624 hours of both owner and intern labor over two years; no payroll expense; volunteer days provided extra labor
- **GROSS REVENUE PER FTE:** Gross revenue per full time employee was roughly \$6,721 in 2013 and \$7,230 in 2014
- **INVESTMENTS:** \$35,000 for equipment and infrastructure, funded through Kickstarter and other fundraising events

Key Numbers	2013	2014	CHANGE
Return on Equity (ROE)	-14%	-0.70%	94%
Cash Flow Operations	-\$4,800	-\$274	46%
Profit Margin	-43%	-2%	95%
Gross Revenue	\$11,160	\$12,006	24%

Defining Success

"Success would mean managing the farm with environmental sustainability in mind, drawing a modest salary, and having a high quality of life, including being a part of my community or doing something besides farming that supports my mental and emotional well-being." — John Stoddard, Owner of Higher Ground

Details

John Stoddard and Courtney Hennessey started Higher Ground Farm in 2013. Educated in environmental studies, John and Courtney saw urban farming, and more specifically, rooftop farming, as a way to merge their interests in finding solutions to environmental problems and their love of food. It was a winding road for the partners, who gained more than 10 years of experience in food and agriculture working as sustainability advocates, farm managers, and restaurant employees prior to founding their farm. This experience allowed Higher Ground Farm to raise funds, build partnerships, promote their venture, and, ultimately, land them a rooftop farm. Their restaurant connections, especially, are proving valuable in the startup years for securing markets for sales of their produce.

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Unfortunately, Higher Ground could not raise the funds necessary to realize their initial goal of building out their entire roof space as a green-roof vegetable farm. The pair decided to start their first season anyway to avoid losing momentum, support, and/or interest from the community. They reworked their plan and installed a containerized planting system consisting of 1,400 milk crate planters. Their optimism and idealism met some hard business realities as it became clear that sales were going to fall well below original projections of \$68,000, which were set based on using the entire 1.3 acres as productive space. Despite these setbacks, the farm sold more than a ton of produce to 14 local businesses in their first year.

In 2014, Higher Ground Farm expanded its growing space, increasing the number of growing crates from 1,400 to 1,700. They also added an onsite farm stand and one additional restaurant account. This allowed them to increase sales slightly, from \$11,000 to \$12,000. John and Courtney continue to tackle permitting and regulatory issues related to onsite sales and roof access as they work to increase growing space. “Farming is a tough business,” Stoddard says. “I think it’s a little untested as far as whether or not people can grow food as a business in a city and sustain it.” Farming is more difficult on a roof, but the owners’ ability to learn and innovate during these early years holds promise for finding a profitable model for rooftop farming in Boston.

Business and Management Education

Avid promoters, John and Courtney entered their startup year with a solid plan, strong partnerships, and funds secured through crowdfunding and other private sources. “Trying to learn to be a farmer is really learning to be a businessperson,” noted Courtney. The partners have made progress in this education. Signing up for business planning and management coaching while they developed their plans and launched their venture helped guide the partners through the financial impacts of changing production plans. Business planning and cash flow planning have allowed the farm to adjust expectations downward significantly. The owners are committed and energetically seeking a profitable business model. In John’s words, “I have a more realistic idea of how hard this is, but also have become more focused in how to find ways to make it work.”

Survey results collected after two years of business management planning and coaching indicate that the Higher Ground farmers have identified areas of strength and weakness in their business management skills. The two partners stated that their business skills have improved through experience and they’ve gained clarity on their business, but recognize that they “have a long way to go.” John continued: “I went into this as someone who wanted to create change and have become someone who wants to make a very challenging business model work. I have identified many areas where we can do better and I feel as though I have become a better farmer and a better businessperson in this process.”

Looking Ahead: Upcoming Changes

Using new and developing financial management skills, Higher Ground Farm is encouraged to take time and have a hard look at the economics of rooftop farming. After two years of coaching and planning, the partners would like “more individualized coaching and strategizing, taking the numbers and then exploring some ways to

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improve.” As production techniques and harvest volumes for rooftop gardens are evolving, careful planning linking production scenarios closely with financial plans (revisited regularly, and perhaps even weekly, in order to analyze variance) would provide even more feedback. This diligence would allow a nimbler approach as the businesses confronts headwinds and shifting farming landscapes.

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Quick Overview

Liberty Hill Farm & Inn

Rochester, VT

The Kennett Family

www.libertyhillfarm.com

Making It Happen: Profitability and Success

Key Points

- Mature, family-run dairy farm business with agritourism enterprise
- Conduct of profitability analysis on Liberty Hill Farm & Inn to gain detailed insight into its potential to become a stand-alone business
- Development of a 12-year ownership transition plan for dairy operations

Liberty Hill Farm was established in 1780 and purchased by the Kennett family in 1979. It is a now-multigenerational farm worked by Beth Kennett, her husband, and two sons. The dairy milks 270 Robeth Holsteins, and includes 430 acres of pasture and hay, and 80 woodland acres. In 1984, Liberty Hill began offering agritourism experiences at its farmhouse inn as a second income source for the business.

Business Results

- Conducted enterprise planning for Liberty Hill Farm & Inn
- Developed income and cash flow projections and occupancy rates
- Clarified focus on securing retirement fund and planning for the future
- Grew Inn sales by 25% over two years to \$29,555

Critical Skills

- Increased efforts on marketing and more time spent on financial record keeping
- Increased understanding of transition and retirement planning processes

Farm Snapshot

People are drawn to Liberty Hill Farm & Inn by farm-fresh meals, the peace and quiet of Vermont, and the opportunity to see a working farm in action! Liberty Hill Farm milks Robeth Holsteins, keeps many other farm animals, and offers agritourism experiences at the Inn.

Making It Happen

Profitability and Success

Farm Financial Highlights

2012–2013*

- **GROSS REVENUE:** grew 25% over three years to \$146,970
- **PROFIT MARGIN:** averaged 31% over two years
- **NET INCOME:** grew from \$32,757 in 2012 to \$44,815 in 2013
- **OWNER INCOME:** no specific owner's draw, but farm income was used to cover family expenses; profits were reinvested into farm businesses
- **EXPENSES:** increased by 47%, and at a faster rate than revenue
- **CASH:** ending cash increased from \$72,651 to \$117,465
- **LABOR:** greatest expense increase was \$10,000 for wages
- **INVESTMENTS:** none

*Financials represent inn business and do not include dairy farm revenues or expenses.

Key Numbers	2012	2013	CHANGE
Cash Flow Operations	\$32,757	\$44,815	37%
Profit Margin	28%	30%	8%
Gross Revenue	\$119,334	\$146,970	23%

Defining Success

Liberty Hill Farm & Inn defines success as:

- the ability to provide family living needs
- the ability to contribute to dairy farm finances
- repeat customers who become valued friends
- guests who report gaining significant appreciation for farm life and increased understanding of agriculture
- the ability to contribute to all of agriculture and agritourism for the benefit of other farm families, Vermont, and the wider community

Farm Philosophy

"As difficult as it may be for some guests to understand, we don't think of farming as a job or a chore, but rather, as an extension of who we are. Being able to share our love of the land and our dairy farm with others from around the world has added an extra, enriching dimension to our lives."

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Details

Liberty Hill Farm & Inn is a mature farm business and certified Green Agritourism Enterprise. Three years of financial data collected for Liberty Hill Farm & Inn (their agritourism enterprise) indicate a thriving inn business at the heart of a farm struggling with ownership transition. The primary effort in working with Liberty Hill Farm focused on evaluating the Inn as a stand-alone enterprise, as well as helping outline a retirement transition planning pathway for the dairy business.

It was clear that the Inn contributed significantly to keeping dairy operations afloat, especially when milk prices were low. Similarly, dairy operations helped with the maintenance of the Inn when milk prices and sales were high. After careful enterprise analysis, though, it was determined that the Inn was a strong business, with sales of more than \$100,000 a year, that could stand alone and support Beth and her husband in retirement.

The initial thought was that the farm could be split into two or three businesses, with different parts of the dairy operation being sold to each son. This seemed a financially viable option for the family; however, internal conflicts delayed this idea from moving forward. Instead, with the help of their financial consultant, the Kennetts were able to draft a 12-year exit plan that would help meet both business and personal needs. During their two years of management coaching, the Kennetts developed a greater sense of the financial viability of their two business operations. This will help inform their ownership transition plans to develop a financially sound exit strategy.

Business and Management Education

Financial hardship brought on by Hurricane Irene in 2011 used up a great deal of farm equity, causing the Kennetts to realize that the Inn provided much-needed support for farm operations. Looking into the future, Beth realized that assistance was needed to evaluate the long-term viability of the Inn, as well as her needs from the business as she approaches retirement.

Liberty Hill Farm's transition planning process was fraught with owner disagreements on value and future direction. An outside perspective was crucial to resolving these challenges. Enterprise isolation also gave them a better perspective on the whole business by analyzing its parts. During this process, Beth became more involved in planning, and completed a partial business plan. She commented that "working with a farm management consultant has improved my confidence and perspective on my business."

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Looking Ahead: Upcoming Changes

With the basis of a transition plan in place and retirement needs clearer, the Kennett family is working to formalize specific terms of transition and timeline plans. The family will also continue to analyze the ongoing relationships between the dairy and inn business to understand the financial sustainability of their farm.

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Quick Overview

Plough in the Stars Farm

Ipswich, MA

Caitlin Kenney

<http://ploughinthestarsfarm.com>

Making It Happen: Profitability and Success

Key Points

- Managed slow growth, allowing owner time for careful planning and other pursuits
- Increased sales from \$29,447 to \$36,500 over two years
- Began using QuickBooks for farm accounting and learned budget analysis
- Gained practical skills and confidence in financial management

Plough in the Stars Farm is a one-acre diversified vegetable farm located on family land within the Ascot Riding Center in Ipswich, Massachusetts. Growing produce and flowers, and raising chickens for eggs, the farm's focus is specialty crops grown for local restaurants and for the Newburyport and Ipswich farmer's markets.

Business Results

- Refined product mix targeting higher-margin specialty crops for wholesale markets
- High gross sales per acre: earning more than \$36,000 for 1/3 acre
- Utilized QuickBooks to analyze historical data for future planning goals

Critical Skills

- Record keeping and budgeting analysis utilizing QuickBooks
- Understanding of when to seek help from business advisor
- Ability to assess and analyze product costs, and use information to make production decisions

Farm Snapshot

Plough in the Stars Farm is a startup vegetable farm with a 720 sq. ft. greenhouse, on-farm retail, and a small flock of chickens producing eggs. The farm owner, Caitlin Kenney, grows vegetables on 1/3 of an acre, and fruit and berries when possible. During these early years, Caitlin has been establishing market presence and crunching numbers to see what product mix suits her farm goals.

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Farm Financial Highlights

2012–2013

- **GROSS REVENUE:** grew 24%, from \$30,000 to \$36,500
- **PROFIT MARGIN:** averaged 33%, before owner's draw, from 2012 to 2013
- **NET INCOME:** increased from \$5,859 in 2012 to \$8,528 in 2013
- **OWNER INCOME:** \$5,000 for each owner in 2012, \$15,000 total in 2013
- **EXPENSES:** \$5,742 increase in expenses
- **CASH:** remained tight because \$10,000 was reinvested in capital expenditures
- **LABOR:** in 2012, the owners worked a total of 2,400 hours. In 2013, Caitlin worked 60–70 hours a week, with 220 hours of volunteer labor to help fill labor gaps. Payroll expenses grew from \$600 in 2012 to \$3,700 in 2013, with employees paid \$15 an hour.
- **GROSS REVENUE PER FTE:** gross revenue per full-time employee increased from \$24,460 in 2012 to \$29,875 in 2013.
- **INVESTMENTS:** \$13,000 for a farm vehicle, machinery, and equipment, funded through personal investment

Key Numbers	2012	2013	CHANGE
Return on Equity (ROE)	50%	49.2%	-1%
Cash Flow Operations	\$5,859	\$8,528	46%
Profit Margin	30%	28%	-4%
Gross Revenue	\$29,964	\$36,522	24%

Defining Success

"I would like to earn a living wage. I'm attempting to establish a small farm that uses limited labor, and has a high-quality specialty market." Caitlin's goal is to have a profitable part-time operation that allows her to pursue other goals.

Farm Philosophy

"Each year I strive to improve the farm. When deciding upon a purchase, I consider the environmental impact and how it will bring the farm closer to my mission of bringing high-quality, organically grown produce to my community, while bettering the soil in which I grow and fostering a habitat for beneficial insects and wildlife."

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Details

Prior to starting Plough in the Stars Farm, Caitlin worked at a few different farms, getting a feel for the market garden business. After two additional seasons working at First Light Farm in Hamilton, Massachusetts, Caitlin felt ready to start her own farm. While training with others, she “learned how to balance a farming life with strength, perseverance, patience, and joy.” Caitlin started Plough in the Stars Farm in 2010 on a 1/3-acre plot on Caitlin’s family land at the Ascot Riding Center in Ipswich. In 2011, she was joined by a partner who contributed a \$5,000 capital loan. By 2012, Caitlin had enlisted 50 CSA members and sold produce at farmer’s markets. She also increased her flock from 30 to 50 chickens between 2012 and 2013. After three years together, Caitlin repaid the \$5,000 loan to her partner, and continued into the 2014 season on her own.

Three years of financial data collected for Plough in the Stars Farm indicate a farmer who is building a small farm with stable revenues and slow growth. It should be noted that growth is not the primary objective of the farm. Caitlin says, “I feel I have achieved my goal of creating a specialized, high-quality product. Due to the farm’s size, it does not require my full attention year-round, allowing me flexibility to travel and find other sources of income. Considering the amount of time I spend farming, I feel [so far, that] it provides me with a livable wage.”

Business and Management Education

Caitlin signed up for business management coaching in 2011. Her goals were to set up a comprehensive budgeting system using QuickBooks, and then to review her numbers in preparation for the coming year to make the information more useful. Once organized, Caitlin reviewed her records from the past year in preparation for the upcoming year, seeking to identify inconsistencies in her bookkeeping.

Organizing and analyzing financial records, under guidance from a consultant, has provided Caitlin with a solid foundation from which to grow her farm business and her business management skills. After two years of business education, Caitlin feels she made progress in most financial management areas: “I have a much firmer grasp on evaluating budgets and cash flow. I still need to invest time in understanding the tools that will help me, such as QuickBooks and Excel. I can now more quickly evaluate where my time is best spent regarding marketing and record keeping. [This] greater understanding of budgets and cash flow has allowed me to shift my farm in a new direction, which I believe will be more financially successful.” The farm left the program with a written farm budget and knowledge of how to use and prepare the Balance Sheet and the Profit and Loss Statement. Reflecting on her relationship with her advisor, Caitlin stated, “It’s been a huge relief to be able to ask questions and feel like I am on the right track.”

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Looking Ahead: Upcoming Changes

Caitlin has learned to manage her farm business carefully, aiming to grow it to a size that meets her salary goal of \$30,000. She continues to seek education on business management and finance, and has learned to make time for important financial tasks, indicating that business management coaching has encouraged her to set aside “ample” time to log farm financial records. Increased knowledge in record keeping and use of financial data will certainly help with her next goal: to obtain financing for infrastructure and equipment investment.

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Quick Overview

Key Points

- Prioritization of financial management helped increase gross sales by 65%
- Obtained \$30,000 in financing from two different sources and \$31,160 from four different grants for capital expenses
- Increased owner's income from \$0 to \$35,000
- Increased payroll from \$4,552 to \$11,642

Over their two years of work with The Carrot Project, Hannah and Ben Wolbach of Skinny Dip Farm gained confidence in their financial planning and projections. As a result, they were able to grow their gross profits, owner's draw, support increased payroll, and make capital investments.

Skinny Dip Farm

Westport, MA

Hannah and Ben Wolbach

skinnydipfarm.blogspot.com

Making It Happen: Profitability and Success

Business Results

- Practiced iterative budgeting using a dynamic cash flow statement
- Established a QuickBooks accounting system
- Made key investments through appropriate financing

Critical Skills

- Regular bookkeeping in QuickBooks and integrating records for budgeting
- Use of financial projections when making production and market decisions
- Used cash planning tools to test budget and capital expense assumptions
- Continual market and product assessment/analysis and willingness to evolve crops and markets

Farm Snapshot

Skinny Dip Farm is a certified organic farm using both leased and owned land in Westport, MA and Little Compton, RI.

Founded in 2011 by Hannah and Ben Wolbach, the farm sells vegetables, flowers, and herbs wholesale to restaurant and retail venues, and direct to consumers through a CSA [community supported agriculture] program and at farmers' markets. They also have a small broiler enterprise.

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Farm Financial Highlights

2013 - 2014

- **GROSS REVENUE:** grew from \$81,000 to \$134,000
- **PROFIT MARGIN:** decreased from 36% to 25%
- **NET INCOME:** increased from \$25,000 to \$35,000
- **OWNER INCOME:** did not take owner's draw in 2012, took net income of \$35,000 as owner's draw in 2014.
- **EXPENSES:** \$47,000 or 89% increase in expenses
- **CASH:** averaged \$62,288 in working capital
- **LABOR:** both owners worked full-time on the farm from 2012 to 2014, except for part of 2014 when Hannah was pregnant. Over the same period, payroll for hired labor increased from \$4,552 to \$11,642. This represents a change in hired labor from two part-time employees, working a total of 500 hours per year at \$8/hr, to three part-time employees, working a total of 1,300 hours per year at \$10/hr.
- **GROSS REVENUE PER FTE:** Gross revenue earned per full time employee, inclusive of both owners and employees, was approximately \$46,300 in 2012 and \$62,300 in 2014.
- **INVESTMENTS:** a \$20,000 private loan, a \$10,000 MEGA matching grant, a \$4,410 NCRS grant, and two NCRS high tunnel grants totaling \$16,750.

Key Numbers	2012	2014	CHANGE
Return on Equity (ROE)	16.64%	16.54%	+0.1%
Cash Flow Operations	\$28,497	\$33,750	+\$5,253
Profit Margin	36%	25%	-11%
Gross Sales	\$81,000	\$134,000	+65%

Defining Success

During the early stages of their farm, the Wolbachs stated, "We are successful if we are continuing to make investments to improve our operation, while covering our living expenses and not going into debt. Long-term success will be a farm that is ecologically responsible, producing high-quality produce for our customers, and sustaining our family financially." In 2014, the Wolbachs changed their stance on debt financing: "We did take on a loan in the past year [to put up a heated propagation greenhouse]. We felt confident doing this because of our increased confidence in our financial standing."

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Hannah and Ben Wolbach have been farming for about 15 years. They started Skinny Dip Farm in 2011 after spending the previous five years managing Holly Hill Farm in Cohasset, Massachusetts. Skinny Dip Farm includes four acres of leased land in Westport, Massachusetts, and about one acre and greenhouse space at their home in Little Compton, Rhode Island.

Skinny Dip Farm raises broilers and grows 30 different certified organic vegetables, from fennel and sugar snap peas to cherry tomatoes and beets. They specialize in baby salad greens (lettuces, mustards, arugula, and cress), and aim to offer salad greens every week of the growing season. In addition to vegetables, the pair grows 75 varieties of beautiful cut flowers to sell as mixed bouquets. All products are marketed locally through a CSA, farmer's markets, restaurants, and caterers. They also sell bulk flowers to wedding parties who want to arrange their own flowers. They sought help with their taxes and payroll, but completed the rest of their bookkeeping themselves.

In 2012, Hannah and Ben received the Massachusetts Department of Agricultural Resources Matching Enterprise Grant for Agriculture (MEGA) grant for \$10,000; they matched the grant with \$10,000 of their savings, which was helpful in their relatively quick capitalization. This grant was put towards many capital expenses such as a walk in cooler, fertilizer spreader, tool bar and cultivator, animal housing and fencing, and a potato digger. That same year, they also received a \$4,410 grant from the Natural Resource Conservation Service (NCRS) to install a well in their leased property. They have also received two high tunnel grants from NCRS, one in 2012 for \$6,752 and one in 2014 for \$9,998. This significant amount of grant financing helped increase production and maximize labor hours.

Farm Philosophy

Skinny Dip Farm offers its customers freshness, quality, and authenticity, which the farmers maintain by tackling all farm work and marketing themselves. They chose their scale very deliberately: "We stay small enough to ensure the highest quality and a personal touch in all that we do."

The broiler enterprise started in 2012 with 150 birds, and increased by 2014 to 300 birds. The farmers carefully tracked expenses and income to determine their net profit, which is \$13 per bird. They view the birds as an important piece of the farm's fertility program — one that does not require a huge amount of labor. Hannah and Ben raise them on cover-cropped ground each year, and find that the crops grown in that soil in the following year grow really well. So while they are not making a living as poultry farmers currently, the birds fit nicely into their fertility management and diversification goals.

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Business and Management Education

Ben and Hannah significantly increased their management confidence, which allowed for more strategic decision-making focused on positive cash flow and profitability. They invested significant effort in setting up bookkeeping in QuickBooks with an advisor familiar with farm bookkeeping and accounting, learned budgeting techniques, and actively planned for and managed the financial impacts of production and market decisions. Initially debt-averse, their increased confidence in projecting their future financial position changed their minds. Being able to project that payments could be supported by cash flow was central to their decision. Skinny Dip Farm illustrates how bringing business and financial management to the table can help a farm meet its goals, and how financing can play a role in growth.

Looking Ahead: Upcoming Changes

In the short term, Hannah and Ben are looking “to have a smooth transition onto a new piece of leased land by 2017” and “to have a better home/work balance.” In the longer term, they aim to become more efficient, particularly in their marketing, and to focus on a few niches and become less generalist in crop choice. They also hope to “to employ some good people full time, including at least one year round employee.”

Making It Happen

Profitability and Success

Quick Overview

Key Points

- Successfully planned and executed a \$50,000 startup, using \$20,000 in owner capital and \$30,000 in financing from two different sources
- Increased sales from \$0.00 to \$130,000+ in 48 months
- Leased land to lower startup costs
- Obtained a \$20,000 line of credit established for operating expenses
- Used farm mentors and other advisory services

Kelsey Herrington and Dominic Pascarelli spent 2011 and 2012 searching for land, carefully planning a four-season farm, researching markets, and growing a limited amount of greens on a smaller parcel of family-owned land. Their effort paid off, and in 2013, the couple moved their operation to the farm now under lease in Scarborough, ME. Startup plans and projections proved sufficiently conservative and attainable. In their first year of operation on the leased land, Two Farmers Farm exceeded income estimates by over \$15,000 while expenses exceeded projections by less than \$2,000. "We have done all the planning ourselves, with help from SCORE and some valuable farmer mentors."

Business Results

- Made key investments with capital financing
- Profitable year round crops were correctly identified
- Financed new equipment that "helped us speed up fieldwork."
- Exceeded financial goals

Two Farmers Farm

Scarborough, ME
Kelsey Herrington & Dominic Pascarelli
Twofarmersfarm.com
Making It Happen: Profitability and Success

Farm Snapshot

Two Farmers Farm is a certified organic, four-season vegetable farm founded in Scarborough, ME in 2013. It specializes in winter-harvested leafy greens and other fresh winter produce, offering flavor, health, and beautifully fresh food for every season.

Making It Happen

Profitability and Success

Critical Skills

- Business planning
- Sought advice and resources
- Identified niche of local, organic winter greens
- Continual market and product assessment/analysis

Farm Financial Highlights

2013 - 2014

- **GROSS REVENUE:** grew from \$50,000 to \$132,000
- **PROFIT MARGIN:** before owner draw, averaged 26%
- **NET INCOME:** grew 400%+ from \$11,000 to \$59,000.
- **OWNER INCOME:** \$15,000 in 2014
- **EXPENSES:** \$78,000 increase in expenses
- **CASH:** Maintained sufficient cash reserves and utilized \$20,000 line of credit as needed through the MOFGA Organic Loan Fund
- **LABOR:** Two managing owners worked 2,880 hours in 2012, with much of that time spent seeking land. They had no hired help. Their hours increased to 5,800 hours in 2014 (roughly 60-70 hours a week each) and they took an owners draw of \$15,000. Payroll expenses also increased to \$11,000, representing 2,100 hours (roughly 50 hours a week) of both hired and volunteer labor.
- **GROSS REVENUE PER FTE:** Gross revenue per full time employee was approximately \$34,000 in each year, representing that Two Farmers did an excellent job budgeting accurately for labor needs through changes and increases in production each year.
- **INVESTMENTS:** \$24,000 USDA-FSA loan and a \$6,000 loan from No Small Potatoes, a Slow Money investment club for equipment and infrastructure.

Key Numbers	2013	2014	CHANGE
Return on Equity (ROE)	29%	121%	322%
Cash Flow Operations	\$9,876	\$57,130	478%
Profit Margin	22%	45%	103%
Gross Sales	\$50,594	\$131,587	240%

Making It Happen

Profitability and Success

Defining Success

Kelsey and Dominic desire to earn a living with both of them working full-time on the farm and maintaining a high quality of life.

Guiding Principles:

- Regular and careful planning & record-keeping
- Leased farmland
- Four-season farm

Farm Philosophy

To provide a fulfilling lifestyle and livelihood for our family, by producing nourishing foods and engaging in face-to-face marketing within our community. We strive to exemplify the potential for farm families to maintain a high quality of life while achieving excellent land stewardship, adequately supporting their employees, preserving rural heritage, and furthering the movement for a more sustainable food system.

Details

Two Farmers Farm started on family land in the fall of 2011. The young couple began with a vision of a four-season farm with organic products produced year round. They planned to include winter salad greens in the mix with the intention of achieving a balance between summer and winter work. During the winter of 2012-13, the farmers obtained a lease on a property south of Portland and close to expanding farmers' markets, allowing them to increase their land from 1/10th acre to 1.5 acres. The farmers spent 2012 growing greens January to March on family land, which they sold wholesale and through farmers' markets. "We basically took over all the gardens," commented Kelsey. A deliberate planning process for this leased land led to investments in equipment and infrastructure. Improvements included putting up two small hoop houses, temporary shelters for seedlings, and a washing and cooling station for produce. Additionally, a tractor, tractor tools, and a delivery vehicle were purchased.

2013 was the first full production year for Two Farmers Farm and net income exceeded projections by \$5,000. For startup financing, Two Farmers Farm paired \$20,000 in owner capital with \$30,000 in loans — a \$24,000 USDA-FSA loan and a \$6,000 loan from No Small Potatoes, a Slow Money investment club. Anticipating cash shortfalls, a \$20,000 line of credit was also secured from the Maine Organic Farmers and Gardeners' Association (MOFGA) Organic Loan Fund, which they ultimately discontinued. One major goal was to have no off-farm income, and they achieved that from May 2013 onward.

Since they chose to farm on leased land, the couple does not currently have a mortgage, which has helped them maintain cash flow and pay themselves during the startup years. Self-identifying as risk

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Making It Happen Profitability and Success

averse, the farmers constantly evaluated actuals against their original plan and kept a list of a wide ranging list of 20 obstacles that stood, or could stand, in their way of success, such as access to qualified help or drought-resistant water sources. “Knowing what could go wrong helps us build contingency plans and think critically about which investments are most important for risk management.”

Business and Management Education

Upon leaving college, the farmers apprenticed for 1.5 years, including 1 full year on a farm similar to what they envisioned their startup farm would be. Becoming more serious in their intent, Kelsey and Domenic joined the MOFGA Journeyperson program, a mentorship program, in 2011. This experience grounded their business planning process. “We worked full time all winter making plans, budgets, procuring equipment, etc. (while also growing and selling winter produce) - this preparation set us up well for the first season.” Two Farmers Farm opened fully for operation in 2013. Outside advisors provided a sounding board for decision making as the startup farm put plans to action. From 2013-2014, their management confidence grew. “Overall my skills have improved. I have learned by doing, with insight from farmer mentors.

Looking Ahead: Upcoming Changes

Two Farmers Farm is considering when to build out additional farm infrastructure and how to access the necessary capital. Some additional equipment purchases, such as a plastic mulch layer, are listed in their Capital Plan as the next investments. The focus will continue to be determining what scale makes economic sense for the farm. They are not planning on increasing in acreage under management in the coming season. They will increase their labor budget and adjust their crop mix, including the addition of strawberries and garlic.

Making It Happen

Profitability and Success

Quick Overview

Key Points

- Continuous analysis of profitability of product mix
- Growth plans supported by investment in tractor
- Development of plan to expand production, infrastructure, and markets gradually to ensure adequate sales to meet financial goals (paying half their living expenses with the farm's annual profit)

Wise Acres Farm grows certified organic vegetables, fruit, and herbs on 1.5 acres for markets in central and eastern Maine, using a 2,148 sq. ft. high tunnel to help extend the season. The farm sits on 41 acres, with 15 acres of hay fields and 22 woodland acres.

Business Results

- Gained practical skills in financial management and confidence in using numbers
- Shifted marketing and production strategies to achieve greater success
- Grew sales from \$13,150 to \$29,500 over two years

Critical Skills

- Enterprise budget training
- Accessing mentoring and training resources to develop skill sets

Wise Acres Farm

Kenduskeag, ME
 Brittany Hopkins and Joy Trueworthy
www.wiseacresfarm.net
 Making It Happen: Profitability and Success

Farm Snapshot

We sell our MOFGA-certified organic produce at the Hampden, Bangor, and Ellsworth farmers markets. We utilize cover crops, organic amendments, row covers, and mulch, and pay careful attention to soil health. We focus on crops that grow well on our land and taste good to us and our customers.

Making It Happen

Profitability and Success

Farm Financial Highlights

2012–2014

- **GROSS REVENUE:** grew by 125% over three years to reach \$29,532 in 2014
- **PROFIT MARGIN:** averaged 37%, 2013–2014
- **NET INCOME:** negative in 2012; grew to \$8,577 in 2013 and \$11,541 in 2014
- **OWNER INCOME:** no owner's draw; profits were reinvested in equipment or savings for larger infrastructure projects
- **EXPENSES:** decreased by 2% over three years
- **CASH:** grew by \$19,000 over three years
- **LABOR:** labor was occasionally short of need; Brittany worked about 2,500 hours, and Joy about 300 hours, per year; there was no payroll
- **GROSS REVENUE PER FTE:** gross revenue per full-time employee grew from \$17,105 in 2013 to \$21,094 in 2014
- **INVESTMENTS:** \$26,000 for tractor, rototiller, and rotary mower through FSA micro-loan

Key Numbers	2013	2014	CHANGE
Cash Flow Operations	\$8,577	\$11,541	35%
Profit Margin	36%	39%	3%
Gross Revenue	\$23,947	\$29,532	23%

Defining Success

Wise Acres Farm defines success as maintaining “financial security and paying down debt by earning at least half of our living [in terms of dollars, food, and energy] from sustainable management of our land.”

Details

Thinking about starting a career in agriculture, Brittany spent three seasons learning how to grow and market vegetables as an apprentice and farm worker at Peacemeal Farm, Parker Family Farm, and Fisher Farm in central Maine. In 2011, Brittany partnered with Joy to start Wise Acres Farm. Joy became their “weekend warrior,” staffing the farmer’s markets and

Making It Happen Profitability and Success

balancing farm needs with her off-farm job, while Brittany managed the general farm operations. In their start-up years, the farmers worked diligently to establish themselves with customers and in the community, thereby doubling sales between 2013 and 2014.

Three years of financial data collected for Wise Acres Farm show farmers building a small farm with stable revenues. There is a desire to grow farm profits more quickly in order to provide an increase in owner compensation. The partners saw a tractor investment as the most logical step toward stable growth and applied to the FSA for a micro-loan to finance the investment. Brittany stated that before the investment, “we were paying by the hour for custom tractor work three or four times a year, and supplementing with the use of a walk-behind tiller.” However, this system soon became unfeasible as their scale, and the number of succession-planted crops and cover crops, increased. Brittany continued, “Owning the equipment makes our production schedule much more flexible and efficient, and allows us to use our own labor for tractor work.”

Business and Management Education

Business training — via Maine Organic Farmers and Gardeners Association’s (MOFGA’s) Journeyperson Apprenticeship program, and via MOFGA’s Farmer to Farmer Conference and publications — has been key to the farm’s financial management. Brittany noted that “MOFGA’s Farm Beginnings [program] used the holistic management approach, and it has been a great framework for us to establish quality of life at the center of our farm plan.” From this training, Brittany gained confidence as a manager and improved production systems. Brittany now spends increased time “logging important farm records and finances,” and shows strong confidence in her ability to manage the farm for long-term profitability. Wise Acres Farm has also improved its marketing ability and presence, and spends increased time on enterprise budgeting.

Looking Ahead: Upcoming Changes

Wise Acres Farm seems to have found a model that works for them, but will continue to tweak their approach to meet their financial target. The farmers reiterated their desire to “keep gradually expanding production, infrastructure, and markets to make enough sales to meet our financial goal of covering half of our living expenses.” As of 2015, they had also hired a part-time seasonal employee (who lives locally) to help with labor shortages.

Making It Happen

Profitability and Success

Quick Overview

Key Points

- Farmed in Boston for one season before transitioning to land in Western Massachusetts
- Shifted focus from vegetables to beekeeping enterprise
- Actively sought farm advisory services
- Started their small farm with personal savings supported by off-farm income

Yard Birds Farm

Montague, MA

Angela Roell & Brian Kline

yardbirdsfarm.com

Making It Happen: Profitability & Success

After they had started Yard Birds Farm in Boston in 2012, Brian and Angela soon had a shift in mindset: “As momentum grew, we realized that our dream of conducting place-based education on a farm meant we’d need a ‘place,’ and that our ‘place’ wasn’t urban.” In 2013, the farmers moved to land in Williamsburg, Massachusetts, where they farmed as a team, switching between full-time and part-time roles, and used income from off-farm jobs as supplementary revenue streams. With the move to Western Massachusetts, the couple also switched focus from vegetables to beekeeping and beeswax products.

Business Results

- Made key strategic decisions to align farm with mission and values
- Reduced product line after careful profitability analysis of products
- Secured land on which to expand the farm
- Technical assistance increased financial management confidence

Critical Skills

- Business planning and resource utilization
- Continual market and product assessment/analysis
- Careful build-out of farm after move

Farm Snapshot

Yard Birds Farm is a small-scale farm that originated in Boston in 2012 and relocated to Williamsburg, MA in 2013. Maximizing yield on small plots through succession and companion planting, the farm builds soil health by cover cropping, and using organic mineral amendments.

The couple transitioned to land in Montague, MA in 2014, using sustainable forest management practices to support their beekeeping enterprise.

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Making It Happen

Profitability and Success

Farm Financial Highlights

2013-2014

- **GROSS REVENUE:** fell from \$23,430 to \$6,864 as a result of farmland transition
- **PROFIT MARGIN:** loss for entire period
- **NET INCOME:** loss during both 2013 and 2014
- **OWNER INCOME:** no owner income
- **EXPENSES:** \$3,898 increase in expenses
- **CASH:** used off-farm income to support cash flow
- **LABOR:** both managing owners worked 50+ hours per week in 2012. This changed in 2014 when the two began to alternate between part-time and full-time roles (i.e., Angela worked full-time on the farm in spring 2015, and Brian worked full time in fall 2015) for better balance of their off-farm job commitments. They had no hired help or payroll, though they hired interns for credit in 2013 and 2014 to help meet labor demands. They have taken no owner's draw but use farm income to cover expenses for cars, insurance, etc.
- **GROSS REVENUE PER FTE:** Gross revenue earned per labor hour was approximately \$8,444 in 2013 and \$5,491 in 2014.
- **INVESTMENTS:** \$1,000 Natural Resources Conservation Service grant awarded in 2014 from the USDA to develop a sustainable forest management plan.

Key Numbers	2013	2014	CHANGE
Return on Equity (ROE)	-2%	-137%	-53%
Cash Flow Operations	\$560	\$6,047	\$4,269
Profit Margin	-2%	-88%	-174%
Gross Sales	\$23,430	\$6,864	-71%

Defining Success

For Angela and Brian, success is being financially solvent, finding personal satisfaction with the farm work, and developing strong relationships in their hill town community.

Details

While living in the Boston area, Angela and Brian started a small urban farm using personal savings: "We began our farm with some seed money, and the objective of engaging our local community in food. We participated in garden build-outs, panel discussions, and volunteer days

Making It Happen Profitability and Success

to generate buzz about our farm in the Jamaica Plain neighborhood.” However, the couple realized that their “place” wasn’t urban, and in 2013 moved to a small five-acre farm in Williamsburg, Massachusetts. In the first season, their farm brought in gross sales of \$23,430 for bee-related products — including honey, queen bees, and beeswax products — and for the seed garlic and greens the farmers grew.

The next year (2014) was a transition year, as the couple moved to a 20-acre farm in Montague, Massachusetts. They received a \$1,000 grant from USDA’s Natural Resources Conservation Service to work with a forester to develop a sustainable forest management plan, with a focus on increasing pollinator-beneficial hardwood plantings and on managing invasive species. They have transported some of their existing farm infrastructure to the new property, such as the walk-in cooler, and will transport the high tunnel before spring 2015. This move, in combination with maintenance of off-farm jobs to support their income, limited the number of hours the two could dedicate to their Williamsburg farm, and 2014 sales and net income suffered as a result.

Farm goals shifted when they transitioned to their new land from quickly building a large number of vegetable enterprises for wholesale markets, to a focus on stewardship of the land and pollinators, and on simultaneously increasing on- and off-farm education opportunities. The farm is also being developed to serve as a community gathering space for outdoor events, overnight stays, workshops, and summer programs. Angela and Brian say, “Taking a huge step back from vegetables was a BIG and scary step for us. Moving slowly and learning about our land before beginning to pile on inputs and amendments was an exercise outside of our comfort zone. It has meant re-envisioning our brand and changing how we conduct our business in some radical ways. It is a risk, but it helps us to realign our farm with our long-term goals.”

Farm Philosophy

To integrate sustainable practices to grow fresh food on a small farm, nourish neighborhood connections, and promote nutritional education, we:

- utilize innovative practices to provide access to high quality food.
- work for social justice by providing access to nutritious local food.
- facilitate educational programming and on-farm research.
- develop strong partnerships in order to improve the health of our community and planet.
- invite suggestions to promote creative discussion to improve our work.

Business and Management Education

For the Yard Birds farmers, income expectations were reduced as the farm model was refined. They redefine “financially solvent” to mean that “the farm pays its own expenses and covers costs of maintenance and repairs, eventually generating a portion of our income, but not [as much as] 50%.” Technical assistance provided Yard Birds Farm with QuickBooks set-up and cash flow planning, which they found a useful tool, but have not used consistently. They will make this a greater priority in the coming years as they settle onto their new land.

Making It Happen Profitability and Success

The farmers report: “Technical assistance has greatly improved our quality of life by giving us tools to track finances and make educated decisions based on financial viability. Our skills in analyzing enterprises and developing a long-range goal have improved due to technical assistance, courses, and workshops we've participated in.”

Looking Ahead: Upcoming Changes

Goals for 2015 and 2016 include expansion of the small orchard on their new farmland to produce plums, apples, pears, peaches, pawpaw, peppercorn, hazelnuts, apricots, and sour cherries in small rounds. With a \$5,000 Matching Enterprise Grant for Agriculture (MEGA) awarded in March 2015 from the Massachusetts Department of Agriculture to use for beekeeping equipment and supplies, Angela and Brian also look to significantly increase their holdings to 100 well-managed hives and 25–30 queen-rearing colonies to produce an annual crop of honey, queen bees for sale, and beeswax-based products. These products will be sold via retail and wholesale channels. The farm also plans to harvest firewood from its woodland, and support other local farmers interested in running woodland enterprises (e.g., hog production or mushroom cultivation) by leasing land. They aim to reclaim the forest edges and plant pollinator-beneficial perennials along the borders. On- and off-farm education opportunities will include on-farm workshops, events for children, summer programming, and farm dinners.