

# Measuring Profitability and Success

A Northeast SARE Funded Project

## 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.

## Bella Farm

Monkton, VT  
Rachel Schattman  
bellapesto.com



## 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.

# Measuring Profitability and Success

## Business Results

- Updated budget projections regularly using a cash flow spreadsheet
- Incorporated budget analysis into management practices
- Made key investments
- 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

## Farm Financial Highlights

2013 - 2014

**GROSS SALES:** 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 SALES:** Gross sales 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.”

# Measuring Profitability and Success

## 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.

### Guiding Principles:

- Added 4,000 sq. ft. of greenhouse/tunnel space
- Invested in tractor with ancillary equipment
- Installed wash station
- Expanded cooler and freezer space

### Critical Skills

- Use of QuickBooks data in financial analyses
- Use of projections when making production, market, and investment decisions
- Integration of QuickBooks data for budgeting and evaluation of enterprises and markets
- Regular market and product assessment and analysis

### Farm Mission

Our mission is threefold:

- 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."

## 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

# Measuring Profitability and Success

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.

## 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.

