

2011 NS ACORN Conference
Holiday Inn Halifax Harbourview

Workshop Title: The Start Up: How Regional Farms Financed Their Beginning (Budgets and Actuals)

Speaker(s) & their titles:

Brian Dick – Shannon Jones, Owners/Partners of Broadfork Farm
Patricia Bishop – Josh Bishop, Owners/Partners of Tap Root Farm
Terry Mierau – Monique, Owners/Partners of Cedar Lane Farm

Executive Summary:

This two-part session examines the financial profitability of individual farming operations presented by three enterprises. Information presented covered: Operator Experience, Infrastructure, Business Plan, Capital, Day-to-Day Operations. Each presentation represents various styles of enterprise and future levels of growth and expectation.

Detailed Notes:

Broadfork Farm – Shannon Jones and Bryan Dyck

Details of their 7 yrs of extensive experience in Community Share Agriculture (CSA) Internship programs in NY and FL focusing on winter growing and learning about financial aspects of running the farm.

Infrastructure and Garden Equipment were limited when they started their farm. They had a roto tiller but needed a tractor.

A Business Plan was needed and they resourced Everdale Organic Farms' "Farmers Growing Farmers" program which provided a great information and structure. This program provided them access to funding with a requirement to give back the community in teaching and assisting with various projects.

They started with \$20,000 in cash for capital. This is their full time job with no additional resources.

They made the decision to lease land versus buying land immediately. This decision had drawbacks: such as unknown history of the land. This was offset by benefits to establish relationships with local farmers markets and other farmers. This provided them with the framework to understand how much capacity was available at the various locations, and whether they could support themselves within those markets. They needed revenues of at least \$500/day so some markets were not viable. One main message for them was to "find what fits your style and needs."

2011 NS ACORN Conference
Holiday Inn Halifax Harbourview

They had a limited amount of previous business experience. They found the day to-day finances and bureaucracy associated with setting up the business a bit overwhelming; such as getting the business registered, managing the paperwork and doing the bookkeeping.

Day-to-day operations included building and maintaining the greenhouse infrastructure, wash-houses, refrigeration, and building an attractive market stand.

For the business registration they signed up across multiple jurisdictions (multiple provinces) to cover their bases for the partnership.

A generous lease arrangement was negotiated but took time to work through.

They use « Quick books » for their accounting.

Insurance was another challenge with arranging their lease, as they didn't own the land outright.

They had limited capital but did secure a Carrot CACHE grant that provided additional assistance in cash flow.

They reviewed their budget and actual performance for operating and non-operating areas. For operating costs, they had the income from market-sales as well as their seedling sales. They had the grant income for non-operating costs. Areas of concern included elevated travel expenses, farm down-payment and greenhouse costs. With limited cash and experience, a loan was hard to come by to purchase the farm. They did end up securing a loan with the Farm Loan Board in October 2011.

They like spreadsheets to assist with time flow budgeting, tasks planned by week, crop planting projections by product and market. They are located at www.broadforkfarm.com.

Taproot Farms – Josh Oulton and Patricia Bishop

This farm focuses on Community Share Agriculture (CSA) (operating the largest CSA in the Maritimes). They shared a video that talked about their goals with shareholders and building the business.

Patricia and Josh share farming backgrounds and were both raised on family-farms. They met at the Nova Scotia Agricultural College. They had lots of previous experience on various farms before developing Taproot but it was more experiential and less business-oriented.

2011 NS ACORN Conference
Holiday Inn Halifax Harbourview

They reviewed their statement of Net Worth – Financials inclusive of bank liquidity, and assets of computer. Debts included car and student loans.

They had a solid network of support as they moved to buy a farm. Support from the land-seller, bank, and provincial government all came together with work with a consultant. They had a creative use of equipment for the down-payment. A specific New entrant farmer program provided financial assistance and the Farm Loan Board underwrote the loan.

They developed a business plan to provide a plan of action for where they would sell. They leveraged their relationships with community, family and friends to market their products through others who were already established.

They reviewed the last four years of detailed financials:

2008 – Wholesale produce sales

- \$30K income

(\$28K) expenses

This didn't include living expenses

Change of plan to CSA

2009 – Two types of CSA offered 52wk or 20 wk

April – 50 members

June 100 members

\$209K income

\$195K expenses

Still didn't cover living expenses

They were still underwater

2010- New property for farm visits to expand opportunity with community

Build CSA member base to increase land base

52 wk and 20wk offered

200 members in each group

\$352K – income

\$344K – expenses

While the business is net profitable the profit is not covering their living expenses.

2011 – Change to include fruit share, meat (pigs, chicken, sheep and cows)

They provided wholesale vegetables through Southfield organics and supplemented over the CSA.

\$593K – income

\$500K – expenses

Questions of where to increase? Quantity vs Quality. What is optimal for them?

2011 NS ACORN Conference
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Their labour is a combination of hiring neighbors, and workers from Newfoundland and Jamaica. They pay an average of \$10 -12 per hour. They don't use woofers or interns.

They are developing a Farm Stay program as part of their 5-year plan, where families can come for 6 nights and pay \$1,250.

They still need to determine how to factor their own labour hours into the expenses: such as how to pay themselves versus just the business, and separate their individual financials from the business financials for future needs.

Cedar Lane Farm – Terry and Monique Mierau

Terry was raised on a farm in Saskatchewan where they had an agribusiness of grains and cattle. He understood it was too hard to buy into this type of business and that it helped if you came into it through inheritance. He moved away and became an opera singer where he met his wife Monique in Holland. They ultimately decided to move out of the city and get back to farming.

2002 They bought a 100-acre abandoned farm for \$78k as a new home for a more rural agricultural lifestyle, while still maintaining a city-based home.

2003 What started as 3 months on the farmland, grew to 6 months in order to spend more time raising chickens.

2004 They added pigs to their livestock mix.

2005 Began having children and Terry and Monique decided to give up singing for farming and establish roots with the family.

2006 They had the good fortune to be able to step into a market for selling beef for friends. They were able to add their own farm produce as there was a depth of market need they could meet and support.

Financials

They had a start up loan to sell other's beef, which they used to support their growth of infrastructure. All profits were put back into the farm. They had some truly entrepreneurial approaches on some fronts but they focused on feeding themselves, the community and the world.

Between 2006 – 2008 they earned between \$6 – \$10K . They would eat the non-marketable produce and meat, which didn't factor into their accounting.

They have arrived at their unique capacity for each animal: 1500 chickens;
40-50 pigs; 8-10 lambs; 3-4 milking cows; 2-3 steers to butcher; 120 turkeys.

They looked at their capacity and what options were available for future growth, such as

2011 NS ACORN Conference
Holiday Inn Halifax Harbourview

hiring staff/acquire more land; develop a franchise; help others get to a similar capacity.

They are limiting their infrastructure/capital expenses, which has now allowed for profitability. They are changing their living style to live within their means by managing expenses more prudently. While they don't have a ready supply of personal savings the farm is their retirement. They are enjoying the change of quality over quantity.