

Making It Happen

Profitability and Success

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

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.

Critical Skills

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

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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.”

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."

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.