

# Making It Happen

## Profitability and Success

### 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.

### 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."

## Details

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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.”

## Looking Ahead: Upcoming Changes

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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.