

Measuring Profitability and Success

A Northeast SARE Funded Project

Quick Overview

Skinny Dip Farm

Westport, MA
Hannah and Ben Wolbach
skinnydipfarm.blogspot.com

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 owners' income from \$0 to \$35,000

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 and owner's draw, support increased payroll, and make capital investments.



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.

Measuring 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

Farm Financial Highlights

2013 - 2014

- **GROSS SALES:** 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 payment 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.
- **INVESTMENTS:** A \$20,000 private loan, a \$10,000 Matching Enterprise Grants for Agriculture matching grant from the State of Massachusetts, a \$4,410 NCRS grant, and two NRCS 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."

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."

Measuring Profitability and Success

Details

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, 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 flower 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 MEGA grant for \$10,000, which they matched 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 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.

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 purely as poultry farmers currently, the birds fit nicely into Skinny Dip's fertility management and diversification goals.

From 2012-2014, 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 per hour, to three part-time employees, working a total of 1,300 hours per year at \$10 per hour.

Gross Sales per full time employee, inclusive of both owners and employees, was approximately \$46,300 in 2012 and \$62,300 in 2014.

Measuring Profitability and Success

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

Business and Management Education

Ben and Hannah significantly increased 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 how 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.”

