

# Fail Better Farm

## 2009 Annual Report

We've put together this annual report to give you all an idea of how our farm did during the 2009 growing season. In particular, I hope that CSA shareholders find this information interesting, as it was their early financial support and sustained enthusiasm that made this season possible for us.

This letter was inspired by that of another CSA farmer (and good friend of ours) and serves well our desire to operate as an "open book". We hope that you find this interesting and enlightening about how your food was grown and why it costs what it does.

### **This Season: The Debriefing**

A most memorable season. Things started off well and then quickly went to Hell before eventually turning out to be our best season ever ... in many but not all regards. We all know that the early rain (and rain and rain) set back many of the heat loving crops (tomatoes, corn, squash and such) and set the stage for a Late Blight pandemic that killed 60% of our tomatoes (not just our tomatoes, but tomatoes all over New England) and substantially curtailed our potato harvest, but that rain also gave us our best ever harvest of spring Brassicas (things like kale, broccoli, cauliflower and Napa cabbage). After the blight thing settled down, August and September turned out to be real banner months: crops caught up and farmers markets bustled. In the end, the farm ended up increasing its gross sales 70% over last year because of busy farmers markets and very supportive restaurants. Not bad for a year marked by fickle weather and a "down economy".

The most interesting part of the dramatically increased sales is that we were able to produce all of that "extra" food on essentially the same amount of land as last year. This is particularly satisfying as we consider how to proceed as "land limited" growers. Other factors play into the increased sales (better fertility in the field we used

this year, some modest price increases, having the only tomatoes at market for a few weeks) but a lot of that significant jump is due simply to us doing a better job of managing our crops. As we consider all of the things we could have done better this year, and all of the things we had planned to plant but didn't because we lacked time or resources, our optimism for next season just swells and swells. It finally feels like we're getting our feet under us.

A cornerstone of CSA philosophy is the idea of "shared bounty, shared risk", which is to say that buying into a CSA and investing in a farm's yearly production carries great benefits in good years and risk in bad years. The problem with this idea, though is that it's complete rubbish. Conscientiously run, diversified farms *never* have bad years. Challenging years? Sure. Bad tomato and melon years? Regularly. Complete failure years? Pretty much never. Our solace is in our diversification. When torrents of rain pound us into sniveling submission, we know that the broccoli and kale are positively thriving. Amen.

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## Next Season

So where do we go from here? Upward, not onward, as it were. Having experienced this year's successes, we're looking forward to refining our systems and processes but we don't plan on starting any big new projects.

The most important of these refinements is our renewed commitment to developing a proper business plan. When we started farming, we never thought of ourselves as a business and maybe we even thought that what we were doing was more important than just "business as usual". We have since realized that, of course, we're not better or more important than other businesses and that, in fact, by neglecting the "business end" of our enterprise, we're probably in worse shape than most businesses. A business plan in and of itself won't fix this, but we're hopeful that the act of creating the business plan will help us to think hard about these issues and to get ourselves into a better headspace for managing the farm profitably and sustainably.

A couple of other things we hope to make better use of in the coming season are hired help and that tractor we bought last year (a '67 International Cub). Hiring reliable farm help is no easy feat, and paying them isn't exactly a walk in the park either, but we really saw last year that we can no longer manage all of this by ourselves. In fact, hiring some help is a major factor in our push to improve our business management and budgeting skills since labor is often the single largest expense for a farm. Given that we've barely been profitable in the past *without* having to pay someone really drives home for me that we need to really hone our budgeting and production planning for this year.

As for the tractor, it's not hard to understand the appeal of mechanization after you've pushed a wheelhoe up and down hard-compacted pathways

for hours. Spending the money for the tractor was a big deal for us, and we hope to make as much use of it as possible, but it's also useful to keep some of this in perspective: we have always used tractors to mark out our pathways and our growing "beds". (We drive the tractor over the tilled field and then we walk in the wheel tracks and plant crops in the "beds" between the tracks.) The Kubota tractor and the Cub both have the same "wheel spacing", which is to say that their wheels are equally far apart, but the Kubota we used in '08 and '09 has 18" wide wheels, while the Cub (which we'll be using next year) has much narrower 8" tires. This one small difference allows us to make much better (more "intensive") use of our land because less space is being used for pathways and more space is left for growing crops. For example: for 2009, we planted garlic in 3 rows/bed, 2 garlic bulbs/rowfoot for a total of 3600 garlic heads in 6 beds. Because of the narrower wheels of the Cub, this year we were able to plant an extra row of garlic in every bed, or a total of 4000 garlic bulbs in **only 5 beds**. That looks to me like a 33% increase in land use efficiency. (Remember that the centers of the pathways are still the same distance apart as last year; the pathways are just narrower.) Distilling all the increases and decreases: we're able to grow a lot more in the same amount of space.

We are planning a couple of wholly new enterprises this season: cut flowers and pastured beef. The beef is sort of a no-brainer and one that we've been meaning to try for a while. The reason? Most of the land on our farm is too highly sloped to ever till for cultivated crops and, anyway, is already growing great grass. As for the flowers, we'll be starting simply with zinnias and sunflowers. They're "easy" flowers for market growers because they're easy to grow, easy to pick and easy to sell. Or so we hope.

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## Profit and Loss Statement

On the next page is what is a type of Profit and Loss Statement. Basically, it's a report of the farm's income and expenses for the 2009 growing season. The “% of 2009 gross income” column is probably the most approachable figure for our average customers; it tells you how we spent every dollar that you spent with us. For instance, for every dollar that someone spent on carrots or tomatoes or kale, around 6¢ paid for our “new” tractor, about 5¢ was used to start that crop in our hoophouse, 4¢ to pay for cover crop seed, 1¢ for fertilizer, etc etc and 23¢ ended up in our pocket.

First things first, note that our **gross income** grew by 75%. Most of that increase (and the huge 200% increase in farmers market sales) owes to our “return” to the Orono FM – in 2008 we didn't take any produce to Orono because we simply didn't have enough to take.

Our **operating expenses** for the year also grew from 2008. Printing tote bags this year certainly affected that, as did feeding the chickens (big time). The one that really stands out to me, however, is the “Loan Interest” line, which should probably just read “Credit Card Interest”. This is a ripple effect of the miserable 2008 growing season and the only good thing I can say about it is that we're making very strong progress on eliminating our credit card debt and that next

year's line item for “Loan Interest” will be a fraction of what it is here.

Our **capital expenses** (purchases of durable tools) grew substantially this year, accounting for almost 20% of gross income (vs around 10% last year). While this ate up a lot of our available cash, we feel confident that the investments we made, including the tractor and second cooler, will quickly pay off. Perhaps not directly in increased income, but definitely in terms of reduced stress on us.

Now, speaking of “available cash”, you may have already noted our dismal hourly wage. This figure is calculated simply by taking our net income and dividing it by the number of hours that we estimated ourselves to have worked during the season. It does not include food that we raised for ourselves, nor does it include the money that we devoted to capital expenditures. It's not pretty and it's something that we're thinking hard about for next year. We feel confident that we'll eventually be making a comfortable wage, but for now this is just another reason why we want to spend some time thinking about the business plans of the farm. We know that we can do better than that and we want to spend some time thinking about that figure and about how to make it better.

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## CSA Statement

This year's CSA season started on July 7<sup>th</sup> (one week later than last year) and ended 18 weeks later on November 3<sup>rd</sup>. Almost 40 different kinds of vegetables made their way into the share this year, and the specifics of what was in the share is presented in a table **on the last page** of this annual report.

While our nominal target for the length of the CSA season is 20 weeks, we were able to disburse enough produce this year in only 18 weeks. Our method of planning and putting together each share based on the value of it's contents allows us to bulk up some shares so that we can end the season early, if need be. And – this year – there was need. We were short of help and busier than

ever, and at some point in June we simply stopped planting anything but the most critically necessary crops. This set us up to experience a dearth of late season produce (think cabbages, Brussels sprouts, rutabegas and such) and, anticipating this, we really socked it to the shares from late July through early September. (For example, on Sept 1<sup>st</sup>, shares were 50% larger than they “should” have been, meaning shareholders got a week and half's produce in that share.)

Despite the abbreviated season, we were still able to give out extra produce. Full shareholders paid \$400 and received \$424 worth of produce, while half shareholders paid \$200 and received \$212 worth of produce, a bonus of 6% for both.

# Profit and Loss Statement: Where'd all the money go?

	2008	2009	% Change	2009 as % Gross Income	Notes
<b>Income</b>					
CSA	\$4,320	\$3,400	-21%	20.4%	just veggeis
Farmer's Market	\$2,575	\$7,579	194%	45.6%	just veggeis
Restaurant	\$2,620	\$4,406	68%	26.5%	
Eggs	–	\$717	–	4.3%	Including CSA and FM
Other	–	\$532	–	3.2%	tote bags, woody shrubs
<b>Gross Income</b>	<b>\$9,515</b>	<b>\$16,634</b>	75%	100.0%	
<b>Capital Expenses</b>					
Tractor	–	\$1,050		6.3%	Cub tractor
G'house & Field Supply	\$163	\$516	217%	3.1%	mostly the grow room
Other Big Stuff	\$623	\$375	-40%	2.3%	reach-in cooler and disk hillers
Livestock	–	\$504	–	3.0%	new fence charger
Misc	\$205	\$661	222%	4.0%	other durable tools
<b>Total Capital Expenses</b>	<b>\$991</b>	<b>\$3,106</b>	213%	18.7%	
<b>Operating Expenses</b>					
Administration	\$726	\$1,084	49%	6.5%	certification, tax, shipping
Loan Interest	??	\$775	–	4.7%	mostly credit card interest
Education	\$29	\$166	473%	1.0%	books, conferences
Equipment	\$349	\$702	101%	4.2%	misc equipment supplies, trailer hitch
Fuel	\$389	\$279	-28%	1.7%	for tractors, tillers, deliveries
Maintenance	\$246	\$179	-27%	1.1%	fepairs and parts
Field Supplies	\$934	\$896	-4%	5.4%	mulch, twine, row cover
Greenhouse Supplies	\$676	\$892	32%	5.4%	potting mix, trays, labels
Livestock	–	\$394	–	2.4%	housing, feed tubs, birds
Feed	–	\$1,374	–	8.3%	grain and supplements
Marketing	\$15	\$628	4087%	3.8%	mostly tote bags
Payroll	–	\$816	–	4.9%	part time help
Seeds	\$647	\$608	-6%	3.7%	including seed potatoes
Soil Fertility	–	\$157	–	0.9%	soil tests
Cover Crops	\$320	\$613	92%	3.7%	
Fertilizer	\$97	\$186	92%	1.1%	
<b>Total Operating Expenses</b>	<b>\$4,428</b>	<b>\$9,749</b>	120%	58.6%	
<b>Total Expenses</b>	<b>\$5,419</b>	<b>\$12,855</b>	137%	77.3%	
<b>Net Income</b>	<b>\$4,096</b>	<b>\$3,779</b>	-8%	22.7%	
Hours worked	936	1440			based on 6 days/week, 8hr/day, Apri-mid Nov
Hourly wage	\$4.38	\$2.62	-40%		

## CSA Statement: What was in a Share?

The following table lists everything that went into last season's shares, including the total amount of each item, the total value of that item, the percentage of the total value made up by that item. There's also a little bar graph to illustrate the percentage. Some items (such as broccoli, carrots and cherry tomatoes) never made it into half shares, and those entries are accordingly blank.

What	Half Shares				Full Shares			
	How Much	Total Value	% of Total \$		How Much	Total Value	% of Total \$	
Basil	2 bu & ½ #	\$9	4.2%		4 bu & 1½ #	\$19	4.5%	
Beets	1 #	\$2	0.9%		2 #	\$4	0.9%	
Broccoli	1.5 #	\$6	2.8%		2½ #	\$10	2.4%	
Cabbage	1 hd	\$2	0.7%		1 hd	\$2	0.4%	
Cardoons	1 bu	\$4	1.9%		1 bu	\$4	0.9%	
Carrots	3 bu, 1#	\$11	5.2%		3 bu & 6#	\$21	5.0%	
Cauliflower	1 hd	\$4	1.9%		3 hd	\$10	2.4%	
Celeriac	½ #	\$1	0.5%		1½ #	\$3	0.7%	
Celery	3 bu	\$6	2.8%		3 bu	\$6	1.4%	
Cherry Tomatoes					2½ pt & 1#	\$15	3.4%	
Chicory	1 hd	\$2	0.9%		2 hd	\$5	1.1%	
Cilantro	1 bu	\$1	0.5%		1 bu	\$1	0.2%	
Collards	1 bu	\$4	1.9%		2 bu	\$8	1.9%	
Cucumbers	1 #	\$2	0.9%		2 #	\$4	0.9%	
Eggplant					2¼ #	\$9	2.1%	
Fava Beans					1 #	\$6	1.4%	
Fennel	½ #	\$2	0.9%		1½ #	\$6	1.4%	
Garlic	8 hd	\$8	3.8%		18 hd	\$18	4.2%	
Garlic Scapes	½ #	\$2	0.9%		1 #	\$4	0.9%	
Kale	1 bu	\$4	1.9%		4 bu	\$16	3.8%	
Kohlrabi	2 hd	\$6	2.8%		2 hd	\$6	1.4%	
Leeks	5 #	\$15	7.1%		6 #	\$18	4.2%	
Lettuce	3 hd & 1 #	\$13	5.9%		5 hd & 1 #	\$18	4.1%	
Mustard Greens	3 #	\$12	5.7%		4 #	\$16	3.8%	
Napa Cabbage	2 hd	\$9	4.2%		2 hd	\$9	2.1%	
Onions	8.5 bu	\$17	8.0%		9.5 bu or #	\$19	4.5%	
Pac Choi	1 hd	\$3	1.4%		1 hd	\$3	0.7%	
Parsley	6 bu	\$12	5.7%		8 bu	\$16	3.8%	
Peppers	1 #	\$4	1.9%		2 #	\$8	1.9%	
Pie Pumpkins	7 #	\$7	3.3%		14.5 #	\$15	3.4%	
Popcorn	2 ears	\$2	0.9%		2 ears	\$2	0.5%	
Potatos	3.5 #	\$7	3.3%		11 #	\$22	5.2%	
Salad Turnips	2 bu	\$6	2.8%		2 bu	\$6	1.4%	
Shallots					¾ #	\$3	0.7%	
Swiss Chard	1 bu & 1#	\$10	4.7%		6 bu & 1 #	\$30	7.1%	
Tomatoes	5 #	\$20	9.4%		12 #	\$48	11.3%	
Winter Squash	3 #	\$3	1.4%		6 #	\$8	1.9%	
Zucchini					1 #	\$2	0.5%	
<b>Total:</b>		<b>\$212</b>				<b>\$424</b>		
<i>All Cooking Greens</i>	<i>7.5 bu or #</i>	<i>\$30</i>	<i>14.2%</i>		<i>17.5 bu or #</i>	<i>\$70</i>	<i>16.5%</i>	