

# FARM STAY AGRITOURISM

(aka Guest Lodging on a Farm or Ranch)



## What Do We Mean by a 'Farm Stay'?

### For the Guest:

- A family vacation on a working farm or ranch
- For those traveling without children, a peaceful retreat in the country
- A place to see and learn about growing food
- A place to experience the daily activities of a farm
- Chores not required as part of the stay (paying to stay)
- Length of stay: 2-3 days, summer and holidays may be longer
- Usually a family farm or ranch with owners as hosts
- Farm-fresh food
- For international travelers, something they are familiar with from their own country
- For some, the experience is a trial to see if they like the life style and want to buy into it



### For the Farm/Ranch:

- An opportunity to make additional income from a non-farm related activity (hospitality)
- The hosting of overnight guests in a manner that bonds them to the farming experience and informs their choices about food and farming
- A chance to meet people from all over the world
- An opportunity to introduce a new generation to farming
- Accommodations as varied as: rooms in the farm house, a cabin/guesthouse, yurt, wood-floored tent, converted barn/chicken coop/farm building, campsite, RV site
- Capacity: from 2, to a family, to many families
- Permitted (some or all): Children under 12, adults only, weddings, events, retreats
- Activities: help with chores, tours only, milking, classes, horseback riding, fishing, hunting, extremely varied
- Amenities: from sheets to sleeping bags, from turn-down service and hot tubs to self-service rentals
- Food: primarily breakfast, some offer other meals, ranches often include 3-meals/day and package stays of 5-7 days due to location
- Pricing: campsites from \$15/night to high-end resort-style lodging at \$450/night. Average rental across country \$125/night (includes breakfast)

# 10 THINGS TO CONSIDER BEFORE STARTING A FARM STAY

(Answer Y/N/?)

- \_\_\_ 1. Do you have 1-2 hours/day to host guests on your farm?
- \_\_\_ 2. Do you enjoy the company of people – even strangers?
- \_\_\_ 3. Do you have start-up funds to get your place ready?
- \_\_\_ 4. Are you comfortable using the Internet for business?
- \_\_\_ 5. Is your family agreeable to hosting guests on the farm?
- \_\_\_ 6. Do you know your permitting requirements and zoning rules?
- \_\_\_ 7. Do you know what you need to gross to make this worth the effort?
- \_\_\_ 8. Have you identified who will manage the details of this operation?
- \_\_\_ 9. Do you have legal and insurance advisors?
- \_\_\_ 10. Is agritourism a good match with your farm (location/people/etc)?

Even if you answered ‘?’ to many of these questions, this gives you a place to start your research.

You may decide right now to go no further, which isn’t a bad thing – just a reality check. The Farm Stay U.S. website has a more detailed look at questions farm owners often have for start-up:  
<http://www.farmstayus.com/for-farms>.

Use this space to write down additional questions and concerns you may need to discuss with your family, specific to your operation (family buy-in is all important!):

---

---

---

---

---

---

---

---

---

---

# STARTING UP YOUR FARM OR RANCH LODGING OPERATION

(Many of the details you need to consider)

## **Lodging Facilities (can be multiple):**

*How do you intend to accommodate your guests? Farm stays are unique because guests tend to be more adventurous in what they will accept in the way of new experience. These are some of the most common offerings.*

- Rooms in your home / farm house
- Converted barn or farm building
- Cabin or guest house
- Yurt or platform tent
- Campsites
- RV Parking
- Pets and livestock facilities



## **Other Things to Consider:**

- Communal space in a house means YOUR house!
- New or remodel, contemporary or rustic décor?
- Access to kitchen, private kitchen, kitchenette?
- Private or shared bathrooms, off-grid amenities (i.e. composting toilets, solar showers)
- Prepared campsites, specific locations, or make camp anywhere?
- Hookups: water, sewer, other
- Stalls, corrals, runs, feed
- Your zoning may restrict your choice of accommodations

## **Regulation Requirements:**

*California has lots of these and they deal with everything from building permits and zoning requirements, to water quality and food handling.*

- First (and most important) question to answer: what am I allowed to do on my land re: lodging?
  - Start with your county planning department and go from there
- For all other regulatory requirements, refer to pg. 66, Fig. 4.1 Regulatory Agency Worksheet in *Agritourism and Nature Tourism in California, 2nd Edition*. Top areas to ask about:
  - Building permits
  - Use permits
  - Health Department
  - Water/Sewer
  - City, County, State bed tax (aka: transient occupancy tax)
  - Business tax license
  - Fictitious name filing with state
  - Fire department

*You may decide not to do some of the things you wanted to do based on what you find out and cost for compliance.*

## **Insurance and Legal Considerations:**

*Also known as risk management, you usually want to do this once you have decided what you are going to offer, and where you are going to offer it.*

- Review Ch. 5 *Agritourism and Nature Tourism in California, 2<sup>nd</sup> Edition* for information about your liability risks, both for your guests and for your farm.
- Talk to your lawyer
  - Discuss business structures. Some farms decide to become an LLC, but not all. Discuss the pros and cons
  - Terms and Conditions and Release from Liability Waivers – look at how other operators write theirs. Write your own with review from your lawyer. This will cover everything from cancellation policies to how people are to behave on your farm
- Talk to your farm or homeowner’s agent
  - What kind of business liability policies do they sell? B&B?
  - How about an umbrella policy?
  - What will it cost? Prices can vary from \$500-\$25,000, so shop around.
  - Refer to pg. 81, Fig. 5.2 *Agritourism and Nature Tourism in California, 2<sup>nd</sup> Edition* for Buying Liability Insurance Worksheet

## **Financials (start up and operating expenses):**

*This is where you decide what type of operation you would like to run, because all your other decisions will flow from here. These items are not necessarily done in the order written below, but all need to be completed for a good financial review of your idea.*

### **Lodging revenues (expected/desired)**

Begin with some research. What are others charging for lodging in your area (hotels, B&Bs, farm stays)? Now, based on your research, what do you think you can charge for your lodging? Do the math. Here’s an example:

\$125 per night	Cabin: 2 bedrooms, full amenities, sleeps 6
40	# of nights booked (projected), weekends, April-September Example has 8 nights not booked in that timeframe.
\$5,000	Gross revenues

Is this enough? Do you need to do more? Back into the math with a number in mind, and see what it looks like.

\$20,000 desired revenue	= \$125 (should this be more?) x 160 nights This is 45% annual occupancy. Is this possible? Consider weather, temperatures, location, and your time.
--------------------------	---

Keep substituting numbers until the math looks reasonable for your location, your industry, and your time and attention. Make sure the math supports your desire to do this!

**Start-Up Costs (remodel, new building, infrastructure for campsite, furniture, bedding, supplies, etc.):**

*Businesses use start-up costs to determine what it will cost to open the doors. It's important to look at the pay-back period for encumbering these funds!*

Note: These numbers are only to give you an idea. Costs will depend upon your location and what you want to do. Some numbers could be much lower, some much higher. Pick and choose for a rough estimate.

- Lodging

\$500-\$5,000	Campsites spaces with water, toilets, cooking area
\$1,000-\$10,000	In-house (paint rooms, improve furnishings, upgrade bathroom)
\$2,000-\$25,000	Platform tents or yurts with water, toilets, cooking area
\$25,000-\$75,000	Conversion of old farm building into lodging
\$25,000-\$125,000	Build small cabin or guest house

- Bedding, Furniture, Appliances, Décor, Kitchen, Bath, Other

\$1,250	Bedroom furniture – per room
\$3,000	Living room furniture
\$500-\$3,000	Dining room/area
\$2,500	Kitchen appliances: fridge, stove, microwave, toaster
\$1,000	Laundry facilities
\$500	Bathroom: rugs, towels, amenities
\$300-\$500	Bedroom: blankets, sheets, rugs, bedspread – per room
\$250-\$1,000	Kitchen: plates, glasses, pots/pans, tools, cutlery, knives, mats/napkins

- Supplies

\$100-\$250	Cleaning, dining, bathroom, kitchen
-------------	-------------------------------------

- Legal

\$50-\$1,000	Set-up fees
--------------	-------------

- Insurance

\$500-\$25,000	Business liability premium (depends on activities and ins. company)
----------------	---

- Marketing

\$200-\$1,000	Website produced, does not include hosting
\$200-\$400	Membership in local tourism or chamber group
\$60-\$400	Listing on travel websites – per site
Free	Face book page, Twitter account, Google business listing

- Permits/Fees

\$500-\$10,000	City, county, state, other regulatory agencies
----------------	--

**Total Start-Up: From \$1,000 to \$180,000+ (depending...)**

## Operating Expenses (20-30% of revenues on average):

*These are some ordinary expenses to consider – you may have others.*

- Accounting/bookkeeping
- Banking/merchant services (credit cards)
- Dues/memberships
- Food
- Insurance
- Housekeeping
- Maintenance/repairs
- Marketing/ advertising
- Phone /Internet/Hosting
- Payroll
- Supplies
- Utilities
- Loan payback

### Put It All Together:

Example:

\$20,000	Start-up costs
\$10,000	Revenue – year 1
<u>-\$3,000</u>	Operating costs
\$7,000	Net Income

Payback if net income stays constant:  $\$20,000 / \$7,000 = 2.9$  years.

After this time, all net income falls to the farm's bottom line as profit.

If Year 2 net income were to jump to \$13,000, then payoff is at the end of Year 2. If it falls to \$5,000 for next 2 years, payoff won't be until sometime in Year 3.





# Hospitality and Customer Service – Dos and Don'ts

## Do:

- Respond to inquiries right away (within 24 hours)
- Put Terms and Conditions of booking and Liability Waiver in writing for signature
- Be honest about your accommodations
- Ask about expectations at onset of visit
- Present clean rooms and premises where people sleep and use facilities
- Guests who sleep well are happy guests – invest in comfortable beds and pillows!
- Thank your guests (send thank you notes)
- Confirm reservations
- Include contact information in all correspondence and on website
- Go over farm rules upon guest arrival
- Take guests on tour and point out any dangerous and off-limit areas
- Train employees (and family) on polite interaction with guests
- Take care of complaints immediately
- Understand that unhappy customers will tell 30 people about their experience (or potentially many more if they use the Internet)
- Treat your guests the way you would like to be treated if you were on vacation
- Have a guest book for comments
- Leave an instruction book for: how to, emergency procedures, contact numbers, etc.
- This is a repeat: cleanliness of accommodations is invaluable for repeat business and customer referrals

## Don't:

- Leave guests unattended on arrival, unless arranged in advance
- Promise something you can't deliver
- Be too stubborn about refunds if a guest is really unhappy and wants his/her money back -- holding fast to a policy may cost you more in the long run than the money owed
- Communicate only via email if there is a problem
- Allow children to roam the farm without their parents

## Take-Aways:

- Someone on the farm needs to like to be around people. Your guests will remember this person.
- Some stays are about basic farm education; others are about leaving guests alone. Ask!
- Accidents can happen – have a proactive plan in place (and band-aids/tweezers on hand).
- Guests self-select when coming to a farm. Most are polite and honored to be allowed on your farm.
- Do the extra little things and you will exceed expectations, which can have more marketing mileage than just about anything else you do.
- It's your farm, so you control the schedule. If you don't want to be open at a certain time, block the dates!



## U.S. Farm Stays Baseline – February 2011 (Response from 100 Farm Stay U.S. members)

### 1. How long have you been in business as a farm or ranch stay?

	<b>Response Percent</b>	<b>Response Count</b>
Less than a year	7.0%	7
1-3 years	13.0%	13
<b>4-10 years</b>	<b>43.0%</b>	<b>43</b>
11-25 years	21.0%	21
26-40 years	10.0%	10
40 or more years	6.0%	6

### 2. Why did you add lodging to your operation?

	<b>Response Percent</b>	<b>Response Count</b>
<b>To increase income to our farm/ranch</b>	<b>77.0%</b>	<b>77</b>
To educate guests about farm/ranch life	53.0%	53
To entertain visitors from far and wide	50.0%	50
To get assistance with the work around the farm/ranch	5.0%	5
To have an income stream into our retirement that didn't require farm work	15.0%	15
It seemed like an easy way to make money	2.0%	2

### 3. Based on your answers to Question #2, are your reasons still valid (did these things happen) and do you plan to offer lodging into the foreseeable future?

	<b>Response Percent</b>	<b>Response Count</b>
<b>Yes</b>	87.0%	87
Yes, but...	10.0%	10
No	2.0%	2
No, but...	1.0%	1



**But...**

In addition to income, the educational component has become a critical piece of what we do.

We have a niche in Hawaii. Most of our guests are interested in how "real" people live and farm in Hawaii. Maine focus is on revenue and it is working

Yes, but the number of guests are not great right now and I have rented the room for several months to a doctor who lives elsewhere and is working here.

Lodging laws are very restrictive and limits income opportunity. It's difficult to be profitable and viable business

It's now mostly lodging, with the farm aspect secondary.

Perhaps only one more year.

We are still getting set up.

Experiencing some burn out

I've still had fewer than a dozen guests, but, I have returning guests, so I am still waiting for it to really happen, and still believe it will

We will still offer lodging but the additional income has not been what we had hoped for all the work and insurance we have to go through to do it.

Hoping it will increase.

Regulations are making it difficult for us to open this year...BC we don't fall into any predetermined categories...Really need a Green Building standard to exempt us out of being vacation homes or plain tents

We do not need the income as much as we did at one time. The mortgage has been PAID!!

I can't imagine being able to own/maintain this farm without offering lodging as the income stream is too great and constants like taxes, utilities, and building maintenance costs are continually rising. In our case, our lodging income outweighs our farming incoming.

It is a slow process to communicate the availability of the Inn.

**4. What were your gross sales for your lodging operation for 2010?**

	<b>Response Percent</b>	<b>Response Count</b>
Less than \$1,000	10.0%	10
\$1,000-\$5,000	17.0%	17
<b>\$5,001-\$10,000</b>	<b>21.0%</b>	<b>21</b>
\$10,001-\$25,000	19.0%	19
\$25,001-\$50,000	12.0%	12
\$50,001-\$150,000	16.0%	16
\$150,001-\$250,000	1.0%	1
\$250,001+	4.0%	4

**5. Has the addition of lodging to your operations improved your farm's bottom line and what percentage of profits comes from this activity?**

	<b>Response Percent</b>	<b>Response Count</b>
It's costing me money <%>	7.0%	7
No visible gain 0%	12.0%	12
<b>Somewhat improved 1-10%</b>	<b>30.0%</b>	<b>30</b>
<b>Worth the effort 11-50%</b>	<b>30.0%</b>	<b>30</b>
Most of farm income comes from this endeavor 51+%	21.0%	21

**6. How have you weathered the economic downturn?**

	<b>Response Percent</b>	<b>Response Count</b>
Business is declining	31.0%	31
<b>Business is holding steady</b>	<b>39.0%</b>	<b>39</b>
Business is increasing	30.0%	30

**7. Have you added jobs, even if just part-time and seasonal, because of your lodging operation?**

	<b>Response Percent</b>	<b>Response Count</b>
<b>No, we just work twice as hard now</b>	<b>58.0%</b>	<b>58</b>
Yes, 1-2 part-time /full-time help	35.0%	35
Yes, 3 or more part-time /full-time help	5.0%	5
We run with a full staff	2.0%	2

**8. What were your biggest challenges when you first started out with your lodging operation?**

	<b>Response Percent</b>	<b>Response Count</b>
Fulfilling all the state regulations (land-use, permits, licensing, food handling, etc.)	27.0%	27
Finding insurance to cover the business	23.0%	23
Figuring out how to handle reservations	13.0%	13
Understanding the hospitality industry and what to provide for our guests	11.0%	11
<b>Deciding how to advertise our business</b>	<b>51.0%</b>	<b>51</b>
Getting guests to book	37.0%	37
Figuring out how to balance our time efficiently between our farm and our guests	16.0%	16

**9. What are your biggest challenges to your business now?**

	<b>Response Percent</b>	<b>Response Count</b>
Same as those checked above... I'm not too far into this yet	22%	22
Reservations	14%	14
Hospitality	4%	4
Finding guests	34%	34
<b>Marketing my business</b>	<b>56%</b>	<b>56</b>
Not sure I like doing this anymore	6%	6

## Comments...

Marketing is changing constantly. However another challenge is the increasing sophistication of guests' expectations and providing that on a limited budget as the revenue stream is directed to keeping the farm going.

Do the horses overnight but not the guests as it got to be too much

I often save them money and let them prepare their own breakfast in the apartment. It seems to work for them and surely makes life easier for me since I have a job off the farm.

Staying motivated is a challenge. Finding ways to grow or increase business during the slower times of the year.

Making changes in space - an additional bedroom. Adding hands on programs - for a fee...like making goat cheese.

Guests and affordable insurance!! Word of mouth and repeat guests is helping increase business...but the insurance is killing us!

Being nice to arrivals who arrive late /early without calling as promised

Running a B&B requires commitment and little travel. We want to travel ourselves.

I am at an age where I do not know how long I can continue as I have in past.

Last year was a good year, but we'd still like more bookings and consistently spread across the season.

And getting my husband to clean properly, in six years, I still have to recheck his work!!!

Not enough privacy w/ guests on the farm

My husband is 73 and I'm 69 year old and it seems harder to get everything done.

Marketing is challenging to do and not spend too much.

Keeping up with the changing requirements of search engines and social media to increase the chances of our site being found. We blog and Facebook and between those two as well as general website maintenance combined they take a significant amount of time on a regular basis time we could be spending with our guests or farming not to mention family time!

I advertise on "a shoe string" so to speak.....there just isn't enough money to put into it. We only rent two rooms so it is not feasible to have a large advertising budget.

Achieving balance continues to be a problem - we rent our guest house as supplemental income (cash flow) to our primary farm income so we don't really want to make it too big an effort. Entertaining visitors can be a bit time consuming and the loss of privacy due to having people on the farm watching me work (and wanting to talk when I need to be busy) can be a bit stressful. But we DO like getting that extra money and since we have the extra house, it needs to work for us (like everything else on the farm) and at least pay for it's own upkeep and maintenance - share of taxes etc..

Full time job

We have been in business 11 years and love every bit of it.