

*{ Minnesota Institute for  
Sustainable Agriculture }*

**FARMSTAY**



# FARMSTAY

## *Diversifying Your Farm Business Through Agritourism: A How-to Manual for Establishing a Farmstay in Minnesota*

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*Disclaimer: Every effort has been made to make this manual as accurate as possible. This text is only a guide, however, and should be used in conjunction with other information sources on agritourism and running a small business. The editors, authors, and publisher disclaim any liability, loss, or risk, personal or otherwise, that is incurred as a consequence, directly or indirectly, of the use and application of any of the contents of this book. Mention, visual representation, or inferred reference of a product, service, manufacturer, or organization in this publication does not imply endorsement by the University of Minnesota, MISA, Renewing the Countryside, Agricultural Alternatives/STEP or the authors. Exclusion does not imply a negative evaluation.*

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# INTRODUCTION

## About Farmstays and This Manual

In the simplest terms, a farmstay is lodging available to paying guests on a working farm. Beyond this, a farmstay can take many forms. A farm family may convert a room in their farmhouse to accommodate overnight guests, repurpose an outbuilding into a sleeping cabin, or build a new structure specifically for guests. A managed forest, too, can be working land, and in this manual we refer to guest accommodations on such land as foreststays.

Starting a farmstay need not be a monumental undertaking. Most of the farmstays in operation in Minnesota began on a small scale. Some have remained that way, while others have expanded as their owners have gained the knowledge, interest, and resources to manage larger operations.

*In this publication, we will:*

- *explore the farmstay concept,*
- *highlight diverse examples of farmstays and foreststays in Minnesota,*
- *outline what one needs to consider before going down this road, and*
- *provide some guidance on how to establish and run such an enterprise.*

*This manual is not meant to be comprehensive, but rather a first stop for those considering a farmstay in Minnesota. Since we won't cover everything you'll need to know in this guide, we will refer you to other publications, organizations, and agencies that can aid in the various aspects of developing a farmstay.*

# Tourism and the Opportunities for Farmstays

Tourism is one of Minnesota's key sectors, comparable to agriculture in its economic contribution to the state. According to Explore Minnesota (the state's tourism department), Minnesota had 39 million person-visits<sup>1</sup> between June 2007 and May 2008 and generated \$11.2 billion in leisure and hospitality gross sales in 2008. These numbers demonstrate the significant impact tourism has on the state and highlight the opportunities available to entrepreneurs who may wish to accommodate eager travelers.

While the Mall of America and waterparks will continue to be important components of the state's tourism sector, a growing number of people are seeking vacation alternatives. According to The International Ecotourism Society (TIES), about 17 million US travelers consider environmental factors when patronizing businesses and about half prefer trips with small-scale accommodations operated by locals.<sup>2</sup> In a study by National Geographic Traveler and the Travel Industry Association of America, 55.1 million US travelers are classified as "geo-tourists," travelers who are interested in nature, culture, and heritage tourism.<sup>3</sup>

Farmstays are well-suited to meet the needs of travelers looking for unique and genuine experiences. They offer people a way to reconnect with their agrarian roots—or to form new roots. While research has not been conducted in Minnesota on travelers' interest in farmstays, the success of existing farmstays, as well as natural food co-ops, farmers' markets, and "buy-local" campaigns indicate that the opportunity is there. Many people are hungry to establish a relationship with the land on which their food is grown and with the farmers who grow it.

Some countries see farmstays as vital to their economic and cultural vitality. In Italy, the government codified the term 'agriturismo' into law in 1985 to enable small farmers to host visitors on their land. Other countries have programs dedicated to supporting and

developing farmstays, such as the French 'Bienvenue à la Ferme' program, a network of 5,200 guest farms throughout the country. For Minnesota farm families, a farmstay can help diversify farm income as well as provide a means for farmers to share their love of the land and farming with others.

## **Definition:**

*A Minnesota farmstay is a paid, overnight, guest accommodation on a working farm or on managed forestland where the farm family is actively engaged in the working of the land.*

*Creative farmers offer a variety of Minnesota farmstays from an attractively repurposed and refinished brooder house (yes, a shed originally used to raise baby chicks) in Montevideo, to a wilderness yurt on the Gunflint Trail, to a well-appointed suite in a farmhouse in Montrose.*

<sup>1</sup> A person-visit represents one person staying in one accommodation for one or more nights, or on a day trip away from home.

<sup>2</sup> Chafe, Z. and Honey, M. Center on Ecotourism and Sustainable Development (CESD) and The International Ecotourism Society (TIES) CESD/TIES Working Paper No. 104, Revised April 2005

<sup>3</sup> Travel Industry Association of America (TIA) and National Geographic (2002) ([www.tia.org/pubs/GeotourismPhaseFinal.PDF](http://www.tia.org/pubs/GeotourismPhaseFinal.PDF))

# Is Operating a Farmstay for Me?

Creating a farmstay requires that you ask and honestly evaluate many questions: Do I have the personality for this? Does my local zoning ordinance allow this sort of thing? How will I attract visitors? How much time can I devote to accommodating guests? How much money do I need to clear to make it worth the investment? How can I maintain my family's privacy?

Several dimensions need to be considered when contemplating starting a farmstay. They include personal, regulatory, and business feasibility:

- Personal feasibility refers to whether you and your family have the skills and temperament to deal with regular guests on your farm. It also includes your relationships with neighbors and how they might react to having new people on your farm.
- Regulatory feasibility refers to the rules and regulations that you will need to learn about and comply with if you want to start a farmstay.
- Business feasibility refers to the economic and operational aspects of a farmstay. Is it likely to generate positive revenues, and ultimately, add to the profitability of your farm?

This Farmstay Manual will address each of these aspects and go into considerable detail on some of them. Keep in mind, however, that starting a farmstay need not be a monumental undertaking. With relatively few hurdles, you can start a simple operation and build incrementally from there.

Beyond reading this manual, one of the best things you can do if you want to learn more about starting and operating a farmstay is to visit other farmstays.<sup>4</sup> A night in a couple different types of farmstays will give you an opportunity to observe how others approach their business. Owners, if given advanced notice of your interest, will likely be willing to share their experiences as operators and discuss issues that they have encountered.

*Also, keep your eyes out for special workshops that might be helpful. MISA hosts a listserv where events of this kind are announced and Explore Minnesota has a bi-weekly newsletter called EMT Express that provides information to the tourism industry.*

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<sup>4</sup> Visit [www.farmstayus.com](http://www.farmstayus.com), [www.greenroutes.org](http://www.greenroutes.org), or the Minnesota Bed and Breakfast Association [www.minnesotabedandbreakfasts.org](http://www.minnesotabedandbreakfasts.org) (search by amenity and check working farm) to find farmstays.

# ELEMENTS OF A FARMSTAY

Before you begin planning your farmstay, you need to determine if it is feasible from a regulatory perspective (See Regulations- pgs. 35-39). If you've determined you have a green light, then some of the elements you will want to explore as you consider starting a farmstay are:

- creating an enjoyable guest experience
- managing your own time and human resources
- administering the daily operations
- marketing
- community relations

It is important to look at these elements from two perspectives: 1) your experience as a host; and 2) your visitors' experience as guests. For example, to create an enjoyable guest experience, ask yourself: What should my guest accommodations look like to please my guests? How much effort am I willing to put into renovating facilities and obtaining furnishings? What sorts of activities will people enjoy doing on my farm? How much of my time am I willing to devote to special activities, such as guided farm tours or prairie walks with my guests?

Think about what could set your farmstay apart and leave a lasting impression on your future customers, and also what you can manage as a working farmer. Activities can be a draw, but a happy host will also likely make for happy guests, and happy guests will naturally and eagerly help you grow your business. Word-of-mouth referrals and recommendations are the best advertising for farmstays.

## Who Will Visit My Farmstay?

As with any business, the idea of "if you build it they will come" rarely works. Marketing is crucial to the success of your operation. Because the farmstay is also a new concept for many travelers, you will need to clearly identify the kinds of people who are interested in farmstays. Most of the customers looking for a farmstay experience will be leisure travelers or vacationers. Understanding your customer's goals and expectations can be invaluable to helping you design your visitor experience.



Different kinds of people may be attracted to your farm, and it is important that you can be open and tolerant of this diversity. As a host, you may encounter guests who are working through a troublesome family issue or, perhaps, don't share your worldview on a topic. You could have guests who want to take long afternoon naps, while others wish to partake in amorous activities, neither of which have anything to do with weeding the gardens or milking a cow. Not everyone will want to sit on the porch swing and sip fresh lemonade or read a book. As a host, you will need to be sensitive to your guests' interests and desires.

That said, what types of travelers are you most interested in hosting? What types of travelers are you best equipped to cater to? A farmstay can encompass a wide range of hosting options. Some guests will prefer minimal interaction, while others will prefer extensive opportunities to interact with you and your farm.

If you're catering to guests who just want to get away to a peaceful setting, a cabin or outbuilding set away from the farmhouse might be ideal. In this case, the extent of your hosting duties may be making the reservation, securing payment, and providing access to the accommodations. In this scenario you are likely seeking customers who would be attracted to vacation home rentals where there is not an onsite manager. The growth of "Vacation Rentals By Owner"<sup>5</sup> model suggests there is a demand for this type of operation.

Or perhaps you want to attract guests who are keenly interested in learning about what you do and who want to immerse themselves in activities on the farm. This model involves a much greater amount of host/guest interaction but is an attractive draw for some travelers. And in between these two scenarios are all sorts of variations and iterations.

As you make your plans, it is important to not try to be everything to everybody. While you are obviously able to take reservations from curious visitors who just want to learn about your farm, having a basic profile of your customer will help you know how to reach out to those types of visitors and help them get the most out of their experience at your farmstay. Will you seek to attract elderly couples looking to relive their childhood experiences, families with children looking for quality time together, or solitary travelers looking for a new adventure or solitude?

*Whatever your decision, there are multiple resources available to assist you including The Minnesota Bed & Breakfast Association, the Minnesota Resort & Campground Association, the Congress of Minnesota Resorts, the University of Minnesota Tourism Center, Explore Minnesota Tourism, and Green Routes (see Resources).*

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<sup>5</sup> Vacation Rental By Owner is a service/website where people can rent their vacation or second homes to travelers seeking lodging. In the VRBO model the renter may never meet the guest. Payment can be done via phone or website and entrance to the lodging can be provided through a neighbor or by using a lock that requires a key code. (VRBOs are subject to the same licensing as other lodging in Minnesota.) For more information, see: [www.vrbo.com](http://www.vrbo.com).

# What Can My Guests See and Do?

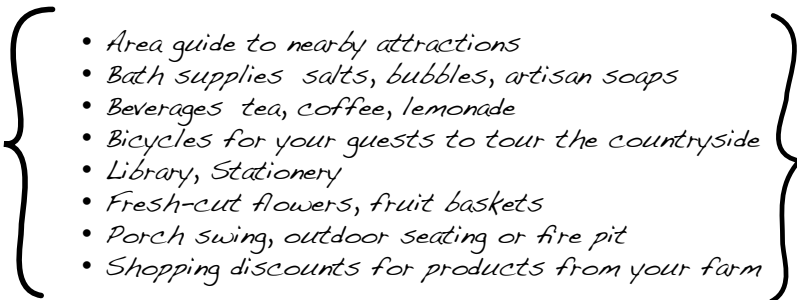
Which attractions and activities you choose to offer on your farm depends on just how deeply you want to dive into the agritourism side of your farm business. Some farmstays cater to more independent travelers and offer few amenities outside of the accommodations. Other operators find they derive such joy from running the farmstay that it grows to become a substantial part of their business. Over the last several decades, agritourism in America has largely been built around attractions like corn mazes and pumpkin patches. But when visitors are coming to your farm or forest overnight to experience a working rural landscape, it is useful to consider options beyond the customary roadside attractions.

While ideas for amenities can certainly be borrowed from other types of guest accommodations, the unique amenities and attractions you can offer may be an extension of what your farm is already doing. Your guests may enjoy the opportunity to walk through, or learn about, vegetable gardens or livestock pastures. Guests may come specifically to milk a goat, ride a horse, or pick and eat sweet corn fresh from the field.

While certain guests seek solitude, others seek learning opportunities as a core component of their guest experience. Many people look to small-scale family farms and forests to help them understand how their parents or grandparents once lived off the land. Providing educational opportunities around family farming, rural culture, food and fiber production, and local history will make your farm more attractive to some guests.

Amenities can be an extension of your personal hobbies, too. Focus on what you are passionate about. Do you collect antique farm equipment? Do you like to hunt or fish on the property or does it offer good game or bird watching opportunities? Is anyone in your family experienced with massage, yoga, or healing arts? Does your operation have renewable energy systems to demonstrate? Do you process your farm products into things like cheese? Wine? Even pizza? All of these activities, with a bit of creative adaptation, can become indispensable amenities that will set your farmstay apart from any other.

In addition to the unique activities you can offer, some simple amenities can add aesthetic and functional value to your visitor's experience:

- 
- *Area guide to nearby attractions*
  - *Bath supplies salts, bubbles, artisan soaps*
  - *Beverages tea, coffee, lemonade*
  - *Bicycles for your guests to tour the countryside*
  - *Library, Stationery*
  - *Fresh-cut flowers, fruit baskets*
  - *Porch swing, outdoor seating or fire pit*
  - *Shopping discounts for products from your farm*

Finally, you may need to reconcile potential guests' expectations about amenities that are often "standard" in traditional lodging accommodations which you do not have, for example: private bathrooms, air conditioning, in-room TV, cell phone reception or free wireless Internet. You will also need to clearly communicate the size and type of bed you're offering. Many people may not be able to comfortably sleep on a full size (or smaller) mattress or other types of mattresses, such as a futon.

*Business Name: Nature's Nest Farm*

*Website: [www.naturesnestfarm.com](http://www.naturesnestfarm.com)*

*Operator: Cathy Rose*

*At Nature's Nest Farm in Montrose, MN, innkeeper Cathy Rose recalls one of her favorite experiences running her farmstay, when a vibrant young couple spent a weekend in her log cabin. The young lady was passionate about books and reading, and she spent most of her stay listening as her new boyfriend read to her aloud for hours on end. They were enchanted by the quiet they found at Nature's Nest, and the experience clearly made a lasting impression. They called a year later and asked to hold their wedding on the farm.*



*A well-selected library, either big or small, offers a wonderful way for guests to slow down and enjoy the more pleasant pace of life on your farmstay without a blaring television or the constant hum of the city they are accustomed to. Each new generation is growing more dependent on flashy, fast-paced media at every waking hour, and the simple pleasure of reading is almost becoming a lost art.*

## What Can't My Guests See and Do?

While it may not be the most enjoyable part, establishing and upholding guest policies is a key part of customer service. Clear policies help guests to understand their boundaries and will establish an agreement between you and your guests about what your expectations are. Some policies will stem from your personal preference, some may be the result of an unfortunate guest experience, and some may be required by your insurance policy.

While setting policies, think about how they will affect your life as a manager as well as your guest's experience. Some rules you will need to set in stone (e.g., safety hazards that must remain off limits to guests), while others you may be flexible about (e.g., your guest needs some extra time to check out). Key policies that you should think about before opening your farmstay are:

1. Check-in and Check-out times: How late are you willing to stay awake waiting for late arrivals? And how early will you need one party to vacate so you can prepare a room for new guests? Do you want to set certain hours for check-in and check-out?
2. Breakfast time and place (if served): Will you deliver breakfast to your guest rooms? Will you provide a dining room? Can guests choose the time they would like to eat?
3. Smoking Policy: Is smoking allowed in guest rooms? Outdoors on the premises?
4. Payment: How will you accept payment: cash, check, major credit card, and/or PayPal? Will you charge a deposit to hold the room and reservation?
5. Rental Contract: Will you have guests agree to and sign a rental contract, outlining the policies and terms of their stay?
6. Cancellation: Will you charge your customers for cancellations? How much notice will you need to stand a good chance of rebooking a room?
7. Pets: Will pets be allowed to accompany your guests? What type of pets? How might a guest's pet interact with animals already living at the farm? Would you prefer to ask for a pet damage deposit?
8. Children: Are children welcome at your farmstay or would you prefer to uphold a minimum age?
9. Good Neighbor Policy: Depending on how close your neighbors are, your farmstay may have an effect on them—from more traffic on the road to people accidentally trespassing on their land. It is important to give your guests guidelines about where they can and can't go and to ask them to respect your neighbors' privacy. If possible, talk with your immediate neighbors when you're planning your farmstay so that communication channels are open.

## How Will I Cater to Guests?

Hospitality and excellent customer service are key components of running a successful farmstay. The basics include managing reservations, preparing guest rooms, showing arrivals around the house or to their accommodations, and catering to their requests and needs. Some additional tasks will depend on how you design your visitor experience. A farmstay, by definition, is an accommodation for guests on working land and time spent working the land must remain a high priority for many farmers. Some, however, may choose to shift their focus when guests are on the farm, opting to be more attentive to guests and their needs. Greeting new arrivals when you're hot, sweaty, and dusty after

coming in from the field may not start the farmstay experience for your guests on the right foot. While you may have clearly communicated a check-in time policy, not all of your guests may strictly adhere to it. After all, they may be on holiday and on their own schedule. To be more flexible if farm chores must be done while hosting guests, perhaps one person might be more “presentable” while others continue their work on the farm.

Preparing guest rooms should become a predictable routine. A good estimate, depending on the size and type of accommodation, is to spend an hour or two per guest room to prepare accommodations between guests. This would not only give you enough time to change the linens and towels and clean the farmstay rooms, but also provide some time to spot clean the other common areas that may be made available to farmstay guests. Some rooms may require more cleaning and preparation than others after guests check out.

While you’re not trying to recreate a luxury hotel, unless your guests are informed otherwise, they will tend to expect a certain level of comfort and cleanliness: clean sheets, hot water, spot-free carpets, and an odor and dust-free environment. Some of these expectations need always be met (like clean sheets for new guests) and some of them can be adjusted by ensuring your customers know ahead of time exactly what it is you are offering. If your farmstay is designed to provide a rustic experience without hot water or your guest cabin is located near animal pastures where odors are inevitable, these are essential things to communicate to your customers before their reservations are finalized.

What may seem normal to you on the farm may be unacceptable to potential farmstay guests. When in doubt, inform your guests about what to expect before they arrive. Allergies to pollen, insects of all sorts (many farms experience a huge influx of Asian beetles and Box Elder bugs during certain seasons), stairs in the farmhouse, indoor pets, shared bathrooms, the availability of air conditioning, even your decision to use chemicals in your farming operation are important issues that may be worth mentioning to guests, especially if you opt to accept reservations by telephone.

*A 2000 survey by the University of California Small Farm Center yielded the following as the top nine reasons people go on vacation:*

1. *To build and strengthen relationships*
2. *To improve health and well being*
3. *To rest and relax*
4. *To have an adventure*
5. *To escape*
6. *To gain knowledge*
7. *To mark a special occasion*
8. *To save money or time*
9. *To reminisce*

For those farmstays that choose to serve breakfast, cooking and cleanup are major responsibilities and may consume a significant amount of time. If you do choose to include breakfast, there are many models to choose from: simple continental breakfast, a fully-cooked meal, or even providing simple ingredients for guests to prepare at their leisure. If you do serve breakfast, be sure your operation is in compliance with state and local regulations. Different types of breakfasts (e.g., pre-prepared foods versus cooked on site) require different licensing by the Minnesota Department of Health.

Most of your guests are coming to see, feel, and experience rural life. Considering that farming is your primary business and that the farmstay itself relies on the continuing farm business, it is okay to refuse guests when the demands of farming make your time constraints unmanageable. Be courteous and direct, and most guests will understand.

### **Accommodating Guests with Disabilities**

The farmstay is a unique type of accommodation, and this is an area where being up front and clear with guests before they finalize their reservations is very important. It is better to be honest about what types of disabilities your facility can and cannot accommodate than to invite a guest who will leave disappointed.

While all businesses serving the general public are legally responsible to comply with the Americans with Disabilities Act (ADA), there are a few exemptions to ADA rules for very small lodging businesses that will likely apply to farmstays. Specifically, if your lodging facility has five guest rooms or fewer and is occupied by the proprietors as their residence (in the same building), then ADA regulations generally do not apply.

You may, however, identify a strong market among people with disabilities and be able to justify the expense associated with the renovations to accommodate these individuals; then such a move is warranted even if your operations are small. There are many resources available to help business owners comply with ADA requirements. For more information visit [www.ada.gov](http://www.ada.gov).

## **How Do I Design My Farmstay?**

The way you design and decorate your farmstay is your greatest chance to express your creativity—decorating should be a fun and rewarding part of establishing your new business. That said, décor can define your visitors' experience. Farm visitors are coming to a working farm, so it doesn't always have to be postcard perfect. But first impressions still count. If you do have a genuine eyesore (jumbled rolls of old fence, a broken-down tree house, an abandoned coop full of musty straw), try to take care of it before your first guests roll down the driveway. In the case of farm equipment or old fencing, perhaps you can move it to a less conspicuous spot on your property.

### **Make Design Intentional**

It is important to plan the look you want to create rather than let a mismatched collection of furnishings just fall into place. Pieces like art and furniture should either be new or functionally reused. Avoid pulling musty beds from the kids' room and the 1970's TV from grandma's house. Instead, take the time to compose a new, intentional, arrangement where all pieces work together to make a whole.

If you are doing an extensive remodel, or a new construction, consider materials and design elements that will have a minimal environmental impact or maximize energy efficiency.<sup>6</sup> Products like locally milled or salvaged lumber, cork flooring, non-toxic paint, and energy efficient lighting are forming a new architectural aesthetic. They leave a smaller environmental footprint and are valuable amenities that may attract guests.<sup>7</sup>

<sup>6</sup> The Minnesota Pollution Control Agency's Green Building Program provides an array of information and resources. Visit their website at [www.moea.state.mn.us/greenbuilding/residential.cfm](http://www.moea.state.mn.us/greenbuilding/residential.cfm).

<sup>7</sup> The University of Minnesota's Center for Sustainable Building Research maintains a building materials database where you can compare various building materials. <http://www.buildingmaterials.umn.edu/>

**Business Name:** Moonstone Farm

**Website:** <http://prairiefare.com/moonstone/>

**Operators:** Audrey Arner and Richard Handeen

**Year Established:** 1872 (By Richard's Great Grandparents)

Moonstone Farm in Montevideo is home to one of the most creative adaptations of the farmstay concept. Richard and Audrey renovated an old brooder house into a charming farmstay appropriately named the Broodio. The farmstay complements their grass-fed beef operation on their 240-acre century farm.

The one-room cottage offers a comfortable bed, original artwork, and handmade furniture. A small refrigerator, coffee-maker, and WiFi round



out the amenities. Bathing facilities are in the main farmhouse, or guests can use the outdoor privy down the garden path.

Deterred by a number of things required to offer a full breakfast, Audrey and Richard opted for the simpler option of offering pre-made food. They've dubbed it a bed & bagel and deliver a continental breakfast to Broodio guests.

To boost sales, Audrey and Richard, check guests out at the farm store. In addition to their grass-fed beef, they sell Richard's pottery, greeting cards made by local artists, locally-made jams and jellies, and a variety of other products.

### **Keep Décor Authentic**

If you're running a Minnesota farmstay, you probably shouldn't decorate to convince your guests they are on a Caribbean vacation or an African safari. If you are renting out a hunting or fishing cabin in a working forest, your guests may enjoy a rustic environment that can add to their experience. If you accommodate couples on romantic getaways, they'll surely enjoy the deep colors and simple luxuries that will make their stay memorable. In short, be true to your place and be true to your home. Visitors choosing to stay at a Minnesota farm generally won't be expecting Navaho rugs or Hawaiian rattan chairs. They are coming to sample farm life, even your life in particular. If you feel it is representative of what you want your visitors to experience, consider a similar look for your farmstay quarters as you have in the rest of the house.

### **Honor Your Guests**

Seek feedback from your guests about the décor and design. Keep track of aspects that guests like and things that prove to be very memorable. Also be open to accepting negative feedback. Design with your target audience in mind, especially if it will be narrowly defined. Hunters won't be too thrilled with a rose garden theme and crafty scrap-bookers won't care much for trout and tackle upholstery. Families will call for durability.

### **Honor the History of Your Location**

While not every farmstead or working forest is surrounded by a long and fascinating history, some first-hand research can help you to discover the history of your business or property. In decorating, this may mean pulling the original wooden tables, cook stove, and steel beds that your grandmother used out of the shed and putting them into the new guesthouse (so long as they aren't an eyesore and serve a real function). Everybody loves a comfortable and stately antique rocker, and even more when they can reminisce about the generations past that enjoyed the same gentle sway accompanied by the creaking sounds of a wooden porch. Providing such opportunities to learn and experience interesting things about the past can add great value to your visitors' stay, can help you to design the experience you are working to create, and will allow your visitors to forge a genuine connection with your property that encourages them to return.

### **Keep It Unique**

Avoid modeling your decorations after a standard hotel with double beds and a TV in the middle of the room. Consider decorating with pieces from local artists; even offer them a trade. Your customers come to your farm or forest because they are looking for an experience they can't find elsewhere.



*Business Name: The Whistle Stop Bed and Breakfast*

*Website: [www.whistlestopbedandbreakfast.com](http://www.whistlestopbedandbreakfast.com)*

*Operators: Jann and Roger Lee*

*Year Established: 1992*

*Trains come rolling by at all hours on the tracks near The Whistle Stop B&B in New York Mills. Some might consider this a problem, but owners Jann and Roger have crafted a brilliantly focused railroad experience using club cars and cabooses as lodging thus tying the train noise directly to the visitor experience. We have family history in the railroad, and we like the lifestyle, explain the Lees.*



*You can have resounding success with strongly presented guest room themes such as Victorian, Bunkhouse, or Lodge; but a theme works best if there is some natural fit with your history, your ancestry, or your buildings architecture. If your leaning towards a theme, look at what is unique about your place, about your interests, or your history and develop your theme from there.*

# MARKETING

## What Should I Call the Farmstay?

Like designing your farmstay, naming it can also be a rewarding, creative, and fun process. Many farmers use the name of their farm for their farmstay, while others choose a completely new name because it's a distinct activity and experience on the farm. The farmstay name should be memorable and reflect the experience that you're creating on your farm. Once a name is determined, you may want to create a logo that represents the farmstay in a visual way. The name and logo seek to quickly establish what your farmstay is about in the mind of your potential customer.

## What Price Do I Charge My Guests?

Setting a price for your accommodations can be a tricky balancing act. When establishing fair prices, you'll need to ask yourself two essential questions: Can I make money with the price I have set? and, Is this price acceptable to the customers I need to attract? You may consider setting multiple prices for rooms with different features, or one rate for the nightly room plus additional fees for added amenities such as an in-room breakfast or a one-hour tour of the farm. If you have multiple rooms or accommodations of different types, pricing them at different levels gives customers with various budgets options.

Especially for a beginning innkeeper, it is wise to compare the rates you establish with those of other guest accommodations or similar businesses nearby and adjust them if necessary. Your prices don't need to be identical to other farmstays, but do make sure your rates are justified by differences in the amenities and the guest experience you provide. Also remember that you will have to add lodging and sales tax to your prices, as per Minnesota law.

A 2008 study by the University of Minnesota Tourism Center surveyed 14 agritourism destinations in Minnesota and found that 37.5 percent of respondents charged between \$51-\$100 per night for their accommodations and the same percentage charged between \$101-\$150 per night. Fourteen percent of respondents charged \$50 or less per night and seven percent charged \$151 or more. Occupancy rates were inversely correlated with

prices, so the more expensive farmstays tended to have their accommodations filled more of the time! Higher-end farmstay operators likely devote a greater percentage of their time to hosting guests and may have invested a greater amount of money in such things as private bathrooms and upgrades to guest quarters.

Note that these numbers come from a small sample of respondents and cannot be considered statistically representative of the state, but they do provide a good baseline for comparison. Investigating similar accommodations in your immediate area will generate the most valuable information for establishing your own pricing structure.

Other pricing structures you can consider include seasonal pricing, weekday versus weekend pricing, multiple night pricing, and package pricing.

While staying competitive among other farmstays may be appealing, chances are that your farmstay is unique among the accommodations in your area, and price competition is not as relevant for a farmstay as it is for traditional hotels. You're also reaching out to a unique type of traveler. When adding up your costs to run the farmstay, make sure you include cost of supplies, your time and labor in hosting them. Every guest will use items like bath soaps, clean linens, food (if you serve your guests), and most important, your time. Once you establish what it costs for you to host a guest, use that as a starting point to establish a nightly rate. Remember that state law requires you add lodging and sales tax.

After your farmstay has been operating for a while, you can use your records of reservations to establish an average occupancy rate, and this long-term data can be used to further refine your room rates. It can be helpful in seeing the bigger financial picture, in addition to ensuring each reservation covers its individual costs. Calculating your total yearly costs and dividing that by the number of guests you expect to host (projected from a previous year's occupancy rate) can provide another helpful factor for establishing a fair and financially sustainable price for your hospitality.

## **How Do I Manage Reservations?**

There are many ways to handle reservations at your farmstay. They range from high tech to technology-free. You can utilize online systems to let customers make their own reservations or you can simply take phone calls and pencil reservations onto a desktop or wall calendar. The method you use to take reservations may relate somewhat to how visitors learn about you and what method they are given for contacting you. Regardless of how the reservation is made, most guests will feel more comfortable if you can send a written confirmation of their stay that reiterates your farmstay price, the reservation dates, and cancellation policies.

### **Phone or Email**

For people interested in talking to guests prior to their arrival, it may be most sensible to accept all reservations by telephone. This approach allows you to get a better feel for your guests before they come as well as to answer their questions upfront and personally. If you spend most of your day in the farm fields, however, using email to take reservations may make more sense and has many similarities to phone conversations—just slightly less personal. Email may require more back-and-forth communication than the phone, but not always.

## **Online Reservations**

Travelers increasingly use the Internet to both plan and book their vacations. There are a number of software programs and online systems that can be integrated into your website that makes managing reservations relatively simple. The costs of these systems vary, and it is helpful to talk with other farmstay and small lodging operators to learn the pros and cons. If you are interested in online reservations, you should be willing to accept a high degree of anonymity until your guests arrive. Therefore, it's especially important to have clear and upfront policy statements visible on your website.

Related to both reservations and marketing, you'll want to find an easy way to manage guest information and inquiries. To start with, you may just do this on index cards or in a spreadsheet, but using a simple database can make these tasks much easier. Many simple programs<sup>8</sup> are available for your computer that can help you track your guests and even send out intermittent newsletters or email correspondence. Keeping track of information about your guests may help you with your business down the line. For example, you can include notes about what your guests like best about your breakfast or how they learned about your farmstay.

## **How Do I Market My Farmstay?**

Before you begin marketing your new business, it is important to consider the kind of customers you want to reach out to and how to target those customers. Your target customer may fit a broad range of demographics (people who love the outdoors) or may be very specific (people interested in learning about artisanal cheese making). Some destinations may welcome families, while others appeal to adults or couples. Some farmstays may be perfectly designed for an urban customer very demanding of comfortable and exquisite accommodations, but others may be more rustic and not for those who are unaccustomed to "roughing it." Some farmstay operators want to speak directly with each customer and "feel them out" before making a reservation, while others will take reservations through a short voicemail, email, or other online reservation system.

Whatever type of experience you have designed for your visitor, it is essential to be honest with customers about what they can expect when they arrive. Often the most problematic guests are those who arrive at your property with misguided expectations about what they are going to find.

There are many ways to communicate with your future guests. Learning how your target customer searches for his or her next travel destination is valuable information that will guide your marketing practices. If you have several different target audiences, your marketing approach might vary with the audience. Each marketing strategy has advantages and disadvantages, and no single portfolio of marketing outlets is right for every situation, but there are general trends that tend to work quite well for existing farmstays, foreststays, inns, and B&Bs.

## **Word of Mouth**

Word of mouth is a powerful form of marketing. Satisfied customers will tell their friends and family about their experience and thus refer new customers. Don't hesitate

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<sup>8</sup> The website Small Business Notes provides a partial list of guest management systems at [www.smallbusinessnotes.com/businesses/leisure/bandb.html](http://www.smallbusinessnotes.com/businesses/leisure/bandb.html).

to mention to guests how helpful this is. You might even offer special discounts to those who refer new business (or for those who are referred). Establishing a dedicated clientele that returns often and refers new customers is an invaluable way of maintaining long-term stability for a farmstay business. Keep in mind that word of mouth these days is often done on Facebook, Twitter, and Trip Advisor.

### **Website**

For the past several years, most guest accommodations have considered the Internet to be a key part of their marketing practices. A good website is simple, aesthetically pleasing, intuitive to navigate, well-linked through other websites, and is optimized for search-engine response. Unless you have experience with computers and web design, it may be necessary to hire an outside professional web developer to build your website. Look at the websites of local businesses and identify ones you like. Then find out who created them and contact them about what services they offer and at what cost.

Most start-up businesses like a farmstay shouldn't have to spend more than a few hundred dollars to get a website up and running. The more complexity you want, the more you will have to pay. There will also be costs to annually register the URL, update information, and design and change your site over time. You may, however, be able to barter out stays in your farmstay in exchange for website design services.<sup>9</sup>

If you go with a web developer, you need to find one who is responsive should problems occur. If your website is your primary mechanism for attracting customers, or especially for handling reservations, you can't afford to have problems persist. Your customers depend on a functional website to patronize your business. If they become frustrated with an error-prone website, they may take their business elsewhere.

### **Paid Advertising**

A classic advertising option is to purchase ad space in a local newspaper or magazine or air-time on a local television or radio station. You may also choose to advertise through publications based in a target market area, likely the Twin Cities, St. Cloud or another nearby urban hub. While this type of advertising has the benefit of wide exposure, it can also be one of the most expensive options for the benefit you will receive. There are many farmstays that thrive without any use of traditional paid advertising, focusing instead on the other forms of marketing. Your customers, too, are going to know that an advertisement is paid for and understand it will always portray your destination in the most positive light possible. That said, it is still a way to help new audiences learn about your business and get it on the radar of potential customers.

### **Public Relations**

A relationship with a local reporter or an editor at a regional travel and leisure magazine may be one of the most valuable relationships you can cultivate. Unlike a paid advertisement, a feature article about your destination will not be scrutinized by readers in the same way because the message they receive is coming from an independent third party. When you first open your doors, or anytime you have an event at your destination, let your local paper or magazine know by sending a press release. If it's effectively written, and geared towards their readership, they may publish it—adding value to their business and yours, without the cost associated with taking out an ad.<sup>10</sup>

<sup>9</sup> For tax rules for bartering see: [www.irs.gov/taxtopics/tc420.html](http://www.irs.gov/taxtopics/tc420.html)

<sup>10</sup> A Public Relations Toolkit with worksheets and sample press releases is available on the Renewing the Countryside website at <http://renewingthecountryside.org/content/blogcategory/70/51/>.

**Business Name:** Poplar Creek Guesthouse

**Website:** [www.boundarycountry.com](http://www.boundarycountry.com)

**Operators:** Ted and Barbara Young

Located on the Gunflint Trail in Northern Minnesota and on the edge of the Boundary Waters Wilderness Canoe Area, Poplar Creek Guesthouse offers a B&B, year round cabins, and wilderness yurts as options at their foreststay. Ten years ago, Ted and Barbara did all their advertising in print. Today 90 percent of their marketing is online.

Getting listed through collaborative marketing organizations, maintaining an easy to find and use website, and even employing an online reservation system, are all ways that Ted and Barbara



use the Internet to make their business run smoothly.

"We figure 5 percent of gross should go into marketing, Ted says. And especially for destination businesses in rural communities, marketing is essential. Poplar Creek has used word-buys on Google and Yahoo to make their ad appear when potential customers search for targeted keywords.

The web has not replaced, but merely complements, the old-fashioned marketing methods. The Youngs regularly send press releases to local and regional publications, and if they have a good story heading to press, they may even back it up with a purchased ad. Word of mouth, too, remains a powerful driver; the Internet will never replace past guests, neighbors, and friends who refer others to Poplar Creek.

SAMPLE PRESS RELEASE<sup>11</sup>

FOR IMMEDIATE RELEASE

Contact: **Ollie and Maria Farmer**  
Farmstay Name: **Sample Farmstay**  
Phone number: **123-456-7890**  
E-mail: **OllieandMaria@samplefarmstay.com**  
Website: **www.samplefarmstay.com**

Headline: Local Farm Family Offers City Folks a Window into Farm Life

**TOWN NAME, STATE** (USE CAPITAL LETTERS):

While waterparks and the Mall of America will continue to be important components of Minnesota's tourism sector, a growing number of people are seeking vacation alternatives. In a study by National Geographic Traveler and the Travel Industry Association of America, 55.1 million US travelers are classified as "geo-tourists," travelers who are interested in nature, culture, and heritage tourism. Family-run operations like **Sample Farmstay in Town Name** are finding opportunities in this trend.

Since **Year Established, Sample Farmstay** has been running a (insert short farmstay description) on its (insert a short description of your farm). **Ollie and Maria Farmer** are committed to sustaining a vital countryside, and see an opportunity to both diversify their income and share their love of farming and the land with visitors.

(Quote from farmer): "At **Sample Farmstay**, my family and I are committed to raising food that positively adds to the health of our region and protects our rural landscape for future generations," explains **Maria Farmer**, co-owner of **Sample Farm** along with her husband, **Ollie Farmer**. "The farmstay gives us the opportunity to share our passion with those who are interested in where their food comes from, but don't have direct connections to the land."

(Paragraph describing upcoming event/current news tie-in, e.g.): Area residents can experience **Sample Farmstay** first hand on **Date of Event**, at their annual **Name of Event**, a free day-long public open house where local families can engage in a range of activities that include taking a farm tour, meeting the new flock of baby chickens and playing in a maze made out of straw bales.

(Additional farmer quote): "Our Summer **Sample Farm** Festival gives us the opportunity to share our farm with our local community," adds **Ollie Farmer**. "The more we can help increase awareness and education about the importance of raising fresh, local food while supporting a healthy environment, the more **Town Name** will be a quality community for our children and grandchildren."

For more information on **SAMPLE FARMSTAY** and a detailed schedule of the Summer **SAMPLE FARM** Festival, see [www.samplefarm.com](http://www.samplefarm.com) or call **Maria and Ollie Farmer** at 123-456-7890.

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<sup>11</sup> Adapted from <http://sustainableagriculture.net/wp-content/uploads/2010/04/PressKitTemplate-PressRelease.doc>.

## **Associations and Collaborative Marketing**

Small or nonexistent budgets for advertising are common among small businesses. However, just because you opened your farmstay doesn't mean people will start showing up on your farm. They need to know what your farmstay offers, where it is located, and why people may enjoy staying on your farm.

Groups of similar businesses have found that by pooling their resources they can market their industry collaboratively. There are several options for getting involved with such projects and, for a farmstay, a third-party membership or certification can be a way of assuring customers that the values of your business align with their own. The Minnesota Bed and Breakfast Association, the Congress of Minnesota Resorts, The Minnesota Resort and Campground Association, and Green Routes are a few local examples. The Bed and Breakfasts along the St. Croix Valley are an excellent example of how operators not only have a joint website ([www.innsofthevalley.com](http://www.innsofthevalley.com)), but also work together to plan, market, and implement joint events, such as their famous Chocolate March.

Like the investment in a good mattress for the comfort of your guests, you'll need to evaluate your advertising investment in the growing list of marketing opportunities with associations, as well as on the Internet. One strategy may be to try out different options one at a time to determine if your investments result in guests patronizing your farmstay. Also check to see if the service has any special offers—such as a free listing until you receive your first booking through their service. Again, it is a matter of not losing sight of making sure your farmstay enterprise is, in fact, achieving the financial goals you've set for your business. Below are a number of state and national organizations that have Internet listings. Check your regional and community-based tourism or chamber of commerce offices to see if they have websites or publications in which you can be listed.

**Green Routes** is a sustainable travel initiative coordinated by Renewing the Countryside. Its goal is to promote one-of-a-kind, locally owned, and environmentally conscious travel destinations as a strategy for building strong rural communities. It offers several outlets for marketing and adding value to your business. Website: [www.greenroutes.org](http://www.greenroutes.org).

**The Minnesota Bed & Breakfast Association** works to support and develop a strong Bed & Breakfast industry in Minnesota through collaborative marketing, sound policymaking, and conferences and workshops for aspiring innkeepers. Website: [www.minnesotabedandbreakfasts.org](http://www.minnesotabedandbreakfasts.org).

**The Congress of Minnesota Resorts** is an industry association dedicated to the mission of helping family owned and operated resorts in Minnesota continue as a viable segment of the Minnesota tourism industry. It offers members assistance in marketing and education and assures a voice at the state capital. Website: [www.minnesota-resorts.com](http://www.minnesota-resorts.com)

**The Minnesota Resort & Campground Association** is the professional trade association for resorters and campground operators in Minnesota. The MRCA is a not-for-profit organization that protects, educates, and promotes the resort and campground industry. Website: [www.hospitalitymn.org/displaycommon.cfm?an=4](http://www.hospitalitymn.org/displaycommon.cfm?an=4)

**Explore Minnesota** – Explore Minnesota is Minnesota's state tourism agency and industry advocate. It works to market tourism opportunities big and small for Minnesotans and others interested in visiting. Website: [www.exploreminnesota.com](http://www.exploreminnesota.com) or [industry.exploreminnesota.com](http://industry.exploreminnesota.com).



**Minnesota Grown** – Minnesota Grown is a project of the Minnesota Department of Agriculture committed to supporting Minnesota growers and helping them to market their agricultural products to local consumers, buyers, and distributors. Website: [www.minnesotagrown.com](http://www.minnesotagrown.com).

**Green America** – The Green Business Network is a certification program offered by Green America, the organization that prints the Green Pages and offers an Internet directory of green businesses accessed by millions of people annually. Website: [www.greenamericatoday.org](http://www.greenamericatoday.org).

**Professional Association of Innkeepers International** – PAII was born in 1988 to serve the national industry by providing programs and services that enhance the professional skills of both active and aspiring innkeepers. Website: [www.innkeeping.org](http://www.innkeeping.org).

There is a growing list of Internet directories where you can add a free listing of your farmstay. In many ways, marketing on the Internet is about having a web presence that involves your main website as well as securing listings in various directories and perhaps, even, a blog (“web log”) about your operations. Some free websites include:

- [localharvest.org](http://localharvest.org)
- [itsagreenworld.com](http://itsagreenworld.com)
- [greenvacationhub.com](http://greenvacationhub.com)
- [facebook.com](http://facebook.com)
- [ecosector.com](http://ecosector.com)
- [farmstayus.com](http://farmstayus.com)

There are numerous websites offering the opportunity to set up a free blog on the Internet. A few include:

- [blogger.com](http://blogger.com)
- [typepad.com](http://typepad.com)
- [livejournal.com](http://livejournal.com)
- [wordpress.com](http://wordpress.com)

### **Travel Packaging and Cross Promotion<sup>12</sup>**

Farmstays are often located well off the beaten path, but partnering with nearby businesses and other destinations is a great way of marketing your farmstay along with other businesses in your community. Offering packages with other local businesses will help your community better define itself as a desirable travel destination.

Consider other local businesses and services in your area that might complement your guests’ farmstay experience. Is there a cozy local restaurant where your guests can eat? A friendly outfitter where they can rent bikes to tour the countryside? A historic theater where they can enjoy evening entertainment? Or, perhaps, you can feature products from a local artisan who in turn will promote your farmstay at his or her studio.

Connecting with local business owners to cross promote and offer your guests discounts will add value to your guests’ stay. There are a couple of ways to approach this. One is to contact business owners and work out special pricing for your guests.

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<sup>12</sup> Pam Thorsen, co-owner of the Classic Rosewood Inn in Hastings, has been a leader in developing packages in the Bed and Breakfast industry. She has graciously provided much of the information in this section.

Another option is to offer add-on or inclusive packages for multi-night guests. In this scenario guests pay more, but in addition to their room they receive a gift certificate to a local restaurant and two theater tickets. If you commit to helping your neighbors attract new business, chances are they will return the favor when recommending local lodging to their next patrons.

Another opportunity involves marketing in conjunction with special events and festivals in your community. The key to making package tours and cross promotion viable, of course, is making sure the legwork needed to arrange a package tour adds to your profitability. Another way to look at this is: if packages increase room nights, you are adding to your bottom line. It is far better to have guests stay longer with more opportunities to enjoy your area and cement their relationship with you, thus increasing the likelihood that they'll return.

*To get ideas on the types of packages you might offer, visit the Classic Rosewood Inn website at [www.thorwoodinn.com/packages.html](http://www.thorwoodinn.com/packages.html)*

# SETTING UP A FARMSTAY BUSINESS

As a working farm, you have the advantage of already running an established business.<sup>13</sup> You can embed the farmstay enterprise into your existing farm business or create a completely separate business, perhaps even “doing business as” (DBA) a farmstay under another name.<sup>14</sup> Regardless of your decision, you may wish to re-evaluate your business structure options, especially if you want to address liability risks that may be associated with your farmstay.

## Business Structure Options

Businesses can be structured in many ways, each with advantages and disadvantages too numerous to address in this manual. These details and specifics are best left for CPA or business attorney professionals to address. Engaging one of these professionals when setting up your business is money well spent and can prevent you from facing unforeseen and costly headaches down the road. Be sure you find a CPA or attorney who understands farm and lodging businesses and who comes highly recommended. While all business structures require governmental record-keeping and forms to be filed, corporations and Limited Liability Companies (LLCs) involve additional legal and accounting requirements, but also provide liability protection to you personally.

The following page includes several common forms of business structures, broken down by the most recognized reason for choosing one over another: personal liability protection, a shield that prevents anyone with a court judgment against the business from touching anything other than the assets of the corporation. In other words, certain business structures better protect the personal assets of the officers, stockholders, and employees of the business, reducing the risk that your house, personal property, or bank accounts will be taken as a part of a settlement.

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<sup>13</sup> If you are setting up your farm and your farmstay at the same time, see *Building a Sustainable Business: A Guide to Developing a Business Plan for Farms and Rural Businesses*, published by the Minnesota Institute for Sustainable Agriculture, 2003—a 280-page, 5-chapter, step-by-step guide to developing a business plan with a focus on agricultural businesses. Includes worksheets and farmer profiles/testimonials. Available at Sustainable Agricultural Publications 802-656-0484.

<sup>14</sup> In Minnesota, you can “do business as” a different name by filling out a Certificate of Assumed Name, paying a small fee to the state, and publishing notice of the name in an approved legal publication. For more information see: [www.sos.state.mn.us/index.aspx?page=180](http://www.sos.state.mn.us/index.aspx?page=180).

## **Business Structures with No Personal Liability Protection**

### **1. *Sole Proprietorship***

Many business owners who are self-employed set up their enterprise as a sole proprietorship, with few special requirements and no legal paperwork. This one person is responsible for the liabilities and debts of the business. If your business is sued, everything you own could be threatened by the lawsuit. Income from the business is reported as a part of the owner's personal income using the IRS Schedule C, and the sole proprietor pays self-employment taxes.

### **2. *General Partnership***

When two or more individuals own a for-profit business, typically operating under a written Partnership Agreement, the business is a general partnership. All partners are responsible for the liabilities and debts of the business. Income is reported on the IRS Schedule K-1 and may be subject to 15.3 percent self-employment tax. The partnership must file an annual return, Form 1065, with the federal government and possibly a state return.

## **Distinct Legal Entities Offering Personal Liability Protection to Shareholders**

### **1. *C Corporation***

The most expensive and complex of business structures, a C Corporation is a legal entity set up within a given state and owned by shareholders of its issued stock. The corporation, not the shareholders or directors, is responsible for the debt and liabilities of the C Corporation. C Corporations must file articles of incorporation, hold director and shareholder meetings, file an annual corporation tax return, keep corporate minutes, and vote on corporate decisions. Income from C Corporations, after expenses have been deducted, is taxed both at the corporate level and at the individual level, on wages and dividends paid to shareholders.

### **2. *S Corporation, or Sub-chapter S Corporation***

Essentially a tax accounting classification, an S Corporation is a common stock-issuing, legal entity, income from which is taxed only once when it passes through to the employees or shareholders of the corporation on their personal income tax return. Like C Corporations, S Corporations must file articles of incorporation, hold director and shareholder meetings, file an annual corporation tax return, keep corporate minutes, and vote on corporate decisions. Most S Corporations can use the more straightforward cash method of accounting whereby income is taxed when received and expenses are deductible when paid. Unlike C Corporations, S Corporations are limited as to the number of shareholders they can have.

### **3. *Limited Liability Company***

The Limited Liability Company (LLC) is a separate legal entity established by filing articles of LLC formulation or a similar document in the state where it was formed. There are several ways, depending upon the number of LLC members, various classes of stock issued, and tax accounting method selected to properly meet tax liabilities, whether the LLC is treated as a partnership, C or S Corporation.

Despite the additional cost and regulatory paperwork for corporations and limited liability companies, many businesses choose one of these legal structures to control liability risk, sometimes in addition to purchasing business liability insurance. Some small enterprises, however, find that it's more cost effective to operate as a corporation or LLC than to take out costly business insurance policies, especially those that address livestock and other potential on-farm hazards. As an added precaution, these business owners may carry a separate \$1 million (or more) umbrella liability insurance policy should the unforeseen accident occur.

## **Employees**

Depending on the situation and scale for your farmstay, you may decide to hire someone to help with your operations. Hiring employees to help manage your farmstay means that you will need to comply with federal and state labor laws. As an employer, you become responsible for paying half of your employees' Social Security and Medicare taxes as part of the Federal Insurance Contributions Act (FICA). You also need to pay state and Federal Unemployment Tax Act (FUTA) taxes in addition to workers' compensation fees, which vary by kind of work and wages. Some employers choose to provide or contribute to employee health insurance or retirement plans. All this can get complicated quickly, but there are accountants and payroll services that can help simplify the process.

It is important to understand that when you hire employees you are legally responsible for their safety while they are on the job. Additionally, while your employees are performing work related functions, your business is responsible for any accidents, injuries, or other losses for which they can be held liable. While there are some minor exemptions, generally all Minnesota business owners are required to carry workers compensation insurance for workers they hire. The state of Minnesota provides a helpful checklist for businesses hiring employees.<sup>15</sup>

## **Financial Considerations**

While the excitement of starting a farmstay can be powerful, it is imperative to consider the financial aspects of the business. For most people, a farmstay must add net income to the farm. That said, the amount of income can vary greatly depending on many factors. Some farmers may be satisfied with adding a few hundred dollars a year to their net income while others may want to net ten or twenty thousand. It is important to be realistic and run your numbers using conservative estimates. A farmstay operation is not likely to be extremely lucrative, and it is probably best to start small and grow as you gain experience and customers. On the next few pages are some sample financial documents to help get you thinking about what you need to consider.

### **Financing the Farmstay**

How much money you need to start your business depends on the type of farmstay you are starting, how well you save money prior to launching it, how creative you are when incurring start-up expenses, and/or your ability to tap funds from financial institutions, family members, or friends. Few successful ventures start big, and all businesses change over time. An advantage to starting small is that you and your market can readily adapt as you, your farm, and your market change.

<sup>15</sup> [http://www.positivelyminnesota.com/Business/Starting\\_a\\_Business/Basics\\_for\\_Employers/Checklist\\_for\\_Hiring\\_an\\_Employee.aspx](http://www.positivelyminnesota.com/Business/Starting_a_Business/Basics_for_Employers/Checklist_for_Hiring_an_Employee.aspx).

Some farmstays have been able to start up with less than \$1,000, paying mostly for registration fees, a simple website, and perhaps an investment in a couple of new beds for guests. Many farmstay owners invest an immense amount of sweat equity—personal labor without pay—when launching their business. Instead of hiring painters for remodeling or contracting for Internet design services, these owners do it themselves.

Depending on the scale and scope of your operations, there are several financing options when funds are needed. The vast majority of small businesses start by drawing financial resources from owners' savings or assets. In essence, the business owner acts as a bank by personally making a loan to the business. For example, an owner might loan the farmstay business \$10,000 at 4 percent interest to purchase beds and make lease-hold improvements to several rooms (perhaps adding private bathrooms) used for business purposes. Every year, the business pays interest to the individual personally on that loan until it's paid off.

If you have a well-developed business plan, local financial institutions like banks, credit unions, or community-based revolving loan funds may be a source of financing. For these institutions, your collateral and credit history, as well as their experience with financing lodging operations, will influence their decision of whether or not to loan you money.

Family members and friends may provide a simpler form of financing, but approaching them can strain relationships, and you need to evaluate what would happen if the business falls behind on the loan payments. If you do have family and friends who share your enthusiasm and are sold on the success of the business, it is important to negotiate the terms of the loan and get agreements in writing.

### **Profit and Loss Statement**

A business is summarized by an income statement reflecting revenues and expenses, also called a Profit and Loss Statement (P&L), as well as by a balance sheet (BS) reflecting the assets and liabilities (and equity) of the business. The difference between assets and liabilities is the net worth of the business. Most small businesses are set up to have a calendar year ending December 31, rather than a fiscal year that is a period of 12 months starting at some date during a current year.

On the next page is a sample Profit and Loss statement (income statement) for a two-guest room farmstay bed and breakfast that also has a small gift shop and sells fruits and vegetables to guests. It is provided to illustrate revenues from the farmstay offset by expenses associated with running the business. Many small businesses will choose to reinvest revenues back into the business, so profits may be small while the business develops. For more information related to these calculations, see the book, *ECOpreneur*, listed in the Resources Section of this Manual.

**Sample Profit and Loss Statement (Income Statement)**

**Revenues**

Farmstay lodging (200 nights at avg 108/night)	21,676
Gift store purchases	1,161
Fruit and vegetable purchases	593

**Total Revenues** **23,430**

**Expenses**

Compensation of owners	4,000
Repairs and maintenance	1,834
Rents	3,600
Taxes and licenses	1,714
Interest (on loan to owners)	320
Depreciation	1,712
Advertising	946
Other itemized deductions	
Government filing fees	311
Legal and accounting	550
Telephone/Internet	1,619
Memberships	441
Food for farmstay	747
Credit card fees	760
Supplies	894
Office expenses	322
Utilities	514
Insurance	471

**Total Expenses** **20,755**

**Net Revenues (profit)** **2,675**

**Sample Cash Flow for a Farmstay Bed & Breakfast that has a mini retail store and offers fruits and veggies for sale.**

Business Components	Jan	Feb	Mar	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec	TOTAL	%
Bed & Breakfast	150	963	845	1285	3587	4119	3873	3291	1522	1591	300	150	21676	93%
On Farm Retail					176	324	289	252	120				1161	5%
Direct Sales					15	45	198	225	100	10			593	3%
Cash Receipts	150	963	845	1285	3778	4488	4360	3768	1742	1601	300	150	23430	
Cash Disbursements	2045	298	934	645	1975	3380	3790	2990	3201	269	355	873	20755	
Net Cash Flow	-1895	665	-89	640	1803	1108	570	778	-1459	1332	-55	-723	2675	

**Cash Flow**

While income and balance sheets are important to your understanding of how your business functions and are required for federal and state tax filing if your business is formed as a corporation or LLC, cash flow is one of the more challenging aspects of getting a new business going. Too often, not enough cash is kept in reserve or there's limited access to additional capital, forcing the business to close before it is effectively marketed and a customer base established.

The start-up phase for many businesses is three to four years, so financing and cash flow considerations are paramount during this period. The robustness of your existing farm business may help maintain sufficient cash flow until the farmstay has developed an adequate market to support itself and generate consistent profits.

To the right is a sample cash flow statement for a two-guest room farmstay bed and breakfast, provided to illustrate revenues may be highly variable from one month to the next. Therefore, it's essential that cash reserves are available to cover expenses that may come up in months where revenues are nominal. For more information related to these calculations, see the book, *ECOpreneur*, listed in the Resources Section of this manual.



# Insurance and Liability

Liability issues are complicated and can be arduous. Thinking about possible misfortunes that might occur is a great way to dissolve the enthusiasm that drives aspiring farmstay hosts. Prior planning, though, is one way to safeguard your new venture from potential disaster. Should an accident happen, having appropriate liability coverage may make the difference between the future success and failure of your enterprise.

Liability is a complex legal concept and the information in this manual is in no way meant to substitute for professional legal advice. The number one rule regarding liability coverage is: Do not make assumptions about what your insurance policy covers. Ask your insurer specifically if the activities happening on your property are covered by your policy. If one insurance agency does not or will not cover the activities you are engaged in, shop around for an agency that is familiar with small farm businesses or bed and breakfast operations and can offer the protection you need. Industry association like the Minnesota Bed and Breakfast Association, the Congress of Minnesota Resorts, and the Minnesota Resort and Cabin Association may be able to point you to helpful insurance agents.

## **Types of Liability**

Most farms carry some sort of farm insurance, but when you add new enterprises to your farm you need to talk with your current insurance agent to see if and how these new enterprises will affect your policy. The main liability issues involved with adding a farmstay enterprise will likely come from having more people on your farm—this is called premises liability. You also might need to consider product liability if you will be selling food or products from your farm. How you structure your business may also help mitigate liability issues as addressed in the business structure portion of this manual.

### Premises Liability

In the transition to an agritourism enterprise of any sort, including a farmstay, you will become responsible for the safety of more visitors to your property. The threat of liability can be reduced if you identify and eliminate potential safety hazards.

Carefully evaluate what areas of the farm visitors will be allowed to access and how you will restrict visitor access to potential hazards. Ask yourself if you are willing to accept the liability of allowing visitors to interact with large animals. Will visitors be allowed near any potentially hazardous farm machinery? If performing farm labor will be part of your visitors' experience, how might this expose your visitors to risk? Are there any natural hazards on parts of the farm where visitors could potentially be hurt? Can any of these hazards be reduced or eliminated by reasonable measures?

Once you have answered these questions and decided what action you are willing to take to minimize safety threats, be open with your insurer about what threats still exist and what action you have taken to eliminate them. Honesty with your agent is crucial to getting coverage for the safety concerns that exist on your farm. Your insurer knows as well as you that safety threats can never be eliminated completely; this is why they are in the business of protecting their clients from the risks associated with premises liability.

All of these scenarios represent a trade-off between how much risk you are willing to accept (which will be reflected in insurance premiums) and the type of visitor experience you are trying to create on your farm. Perhaps the opportunity to ride horses, milk cows, split wood, fish in rocky creeks, or hunt for wild game will not be activities you choose to feature on your farm because of the risks and liability they present. Or, perhaps, they are key features of the business you want to create, and you are ready to accept a higher insurance premium. You may also choose alternative activities that are less risky, like picking strawberries or apples, or if you attract families with kids, allowing children to play on a pile of straw bales. Be clear with your insurance agent about the activities your visitors will engage in to ensure that your policy covers the liability associated with those activities. If your current insurer doesn't offer a competitive rate, shop around — rates vary dramatically from one insurer to the next.

### *Insurance Riders*

On any private farm, especially those with the attractive qualities of a farmstay, there may be certain events or circumstances for which you would want to purchase additional coverage beyond your normal policy. Such events may include gatherings you host on the property, such as farm festivals, weddings, or company retreats. Hosting such events can be a great opportunity to make additional income from your land, but can also present additional liability concerns. If you want to host a gathering like this, talk with your insurer about adding an insurance rider to your policy for such events that are not part of your everyday business enterprise. Depending on the activity, you may also need to gain approval from your County Zoning Board.

If your insurer has no such product available, shop around for an insurer that does. Generally, for one-time events like these, you can add extensive liability coverage for a rather low cost. If the price of an insurance rider ultimately is too costly, it may be a cost you can pass on to your customer—such as the couple hosting a wedding or the company hosting an annual picnic. You may even require that your customer hosting the gathering purchase the rider from his or her own insurer. In this last case, a policy can be written where any injured guests will have to seek damages from their host's insurer first before collecting anything from your personal insurance policy. This sort of agreement will provide you with an added layer of protection and encourages your guests to act responsibly.

### *Loss of Rent Insurance*

If you have made a considerable investment in your farmstay, you may want to consider Loss of Rent insurance. This type of insurance covers property owners from loss of rent if their farmstay is damaged (e.g., by a storm, fire, or fallen tree).

### *Product Liability*

If you are a farm selling directly to customers, you have probably addressed product liability. Product liability is the responsibility a producer has to provide a product that is safe. In the case of food, that means a product that is free of pathogens and will not cause food-borne illnesses. Many farmers' markets, food distributors, and grocery stores require product liability insurance coverage for all their vendors. If you are selling product directly from the farm, some homeowners or property insurance packages may include product liability coverage—but make sure this is spelled out in your policy.

# REGULATIONS

## What Licensing Will I Need?

Before you put up a sign and welcome guests, you need to consider the regulatory dimensions of a farmstay. If you're going to have people pay to stay on your farm, you are establishing a lodging business. As with any new business, there are a handful of rules and regulations you need to know about and abide by.

The two regulatory bodies responsible for licensing or permitting lodging establishments are your county Planning and Zoning office and the Minnesota Department of Health. Before you contact these offices, you need an idea of what type of guest accommodations you have in mind. Will guests stay in spare bedrooms or in a mother-in-law apartment in your house? Will you repurpose outbuildings to be used as guest accommodations or are you thinking about building a new structure where visitors can stay? Having an idea of what you want to do, or at least the options you want to explore, will help in the conversations with the regulatory bodies.

### County Planning and Zoning

You'll need to first determine if your local zoning laws permit you to establish a farmstay. Once you have some basic options of what kind of farmstay you have in mind, you will want to talk with your county Planning and Zoning office. To find the right person to talk to, contact your county office or visit the Minnesota Association of County Planning and Zoning Administrators at [www.macpza.org](http://www.macpza.org).

If you can, go meet with these people in person. They can give you a list of allowable uses for your property and will be able to tell you if your farmstay plan meets local zoning criteria. If your farmstay plan meets the planning ordinance for your zone, you likely will not need to apply for special permits from the county, but every county is different.

If zoning officials see a conflict between the county's planning objectives and ordinances and your business objectives, you may be required to obtain a conditional use permit (CUP for short, and sometimes called a Special-Use Permit). Obtaining a CUP can be a somewhat arduous process depending on the circumstances. The issuance of a CUP can

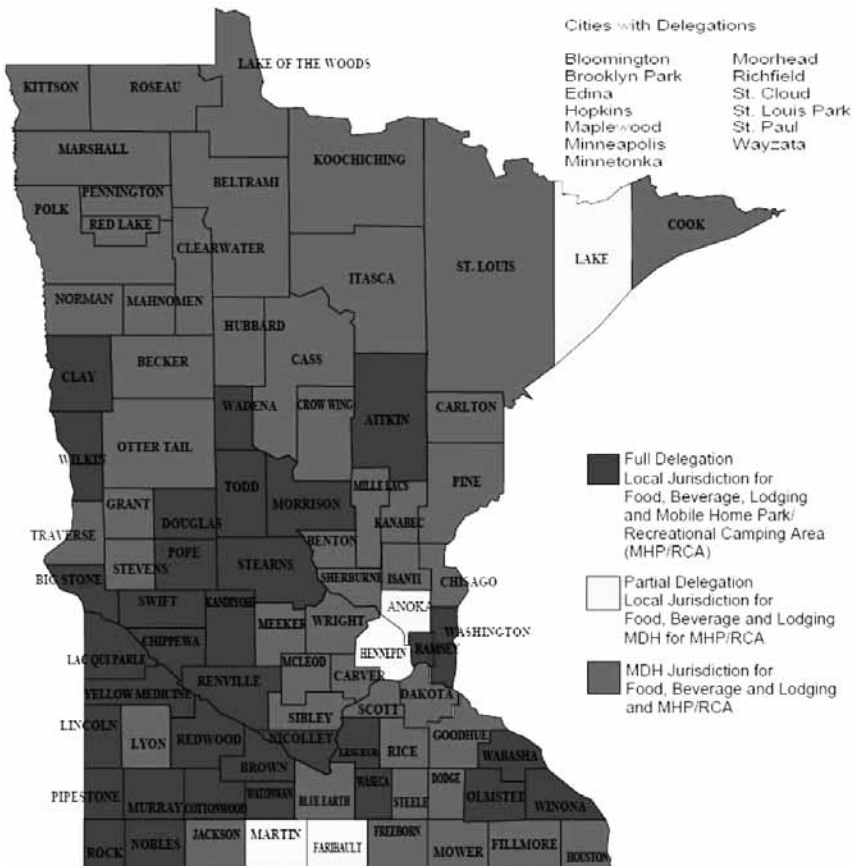


be as much a political process as a procedural one and working to garner support from your neighbors and other local officials will likely be to your benefit.

If you fail to get a CUP your first try, but really want to open a farmstay, don't take it as the final word. If you are diplomatic and flexible, you might be able to modify your plans to render them more in-sync with county planning objectives or you may be able to develop local support that will enable you to get a variance issued that will make your business allowable. At some point, you will need to evaluate how valuable adding a farmstay might be to your business.

### Minnesota Department of Health

If you are going to have paying guests spend the night, you are a lodging establishment, according to Minnesota law. This means that you need to be licensed by the State of Minnesota. While the Minnesota Department of Health (MDH) is ultimately responsible for issuing lodging permits, it has delegated licensing authority to many (but not all) Minnesota counties on an opt-in basis. The map below shows which counties in Minnesota have been given licensing authority from MDH. For these counties, you will need to contact your local county licensing authority regarding lodging permits. In all other counties, you will need to obtain your lodging license directly from MDH.



The MDH defines five categories of lodging businesses in Minnesota: Lodging Establishment, Hotel/Motel, Resort, Boarding Establishment, and Bed & Breakfast. Each category specifically defines number of rooms, number of nights guests stay, etc. and each has unique licensing implications. More detailed descriptions can be found on the MDH website at: <http://www.health.state.mn.us/divs/eh/lodging/index.html>.

While a farmstay doesn't neatly fit under any of these definitions provided by the MDH, most would likely be considered a Bed & Breakfast, Resort, or Hotel/Motel by MDH standards. The categories you fall under depend largely on the number of rooms offered, and whether or not your farmstay will serve a fully prepared breakfast.

- A Bed & Breakfast is an owner occupied establishment that offers lodging and breakfast, without a limitation on the number of rooms offered. If breakfast is offered to more than 10 persons, a commercial kitchen is required.
- A Hotel or Motel is a building, structure, enclosure, or any part thereof used as, maintained as, advertised as, or held out to be a place where sleeping accommodations are furnished to the public for periods of less than one week.
- A Resort is a building, structure, enclosure, or any part thereof used as, maintained as, advertised as, or held out to be a place where sleeping accommodations are furnished to the public and having for rent five or more cottages, rooms, or enclosures.

## Licensing Fees

All lodging businesses are required to be licensed annually and pay an annual fee for their license. Annual licenses expire on December 31 of each year and must be renewed to continue business. Obtaining a license includes:

- applying for a license through the MDH or local jurisdiction (see map on page 37)
- receiving approval for operation, including plan review approval (if required) and passing periodic inspection
- paying the required fee.

The licensing process includes an inspection of the lodging accommodations by either a county official or an employee of MDH. A number of items are reviewed in this inspection, including fire safety, water quality, plumbing, septic system (if applicable), electrical systems, and safety systems. A partial list of the lodging requirements subject to inspection can be found in the Appendix or at <http://www.health.state.mn.us/divs/eh/lodging/rule.html> and should be reviewed when you are planning a farmstay. This list is extensive, including everything from sanitation requirements to bedding and linen requirements. The Minnesota Bed and Breakfast Association's Quality Assured Program can be an excellent resource in helping you navigate these requirements. While there is a charge to go through the program, you receive personalized assistance and mentoring to bring your farmstay to a high standard.

The fee assessed for a lodging license is defined in Minnesota Statute 157.16, subdivision 3. There are different fees assessed to lodging businesses that depend on the type of establishment you have, how many rooms, and what sorts of additional services you offer: food, beverages, swimming pools, etc. Some of the common fees are highlighted below, but when applying for your license, be sure to check with your local licensing official or look up the text of the statute for clarification and the most up-to-date

information. (The Minnesota statutes can be found at most public libraries or can be accessed online at: <https://www.revisor.mn.gov/statutes/?id=157>).

At the time of printing (2011), the Annual Base Fee for a lodging business was \$150. Additional fees are added based on:

- number of rooms (\$10/room);
- type of food service (if offered); \$60 for simple food service, such as continental breakfast, coffee; \$120 for owner occupied bed and breakfasts serving breakfast to fewer than 10 people at one time or small food establishments with just a grill or deep fryer. If you are going to operate a more substantial food business as part of your farmstay, costs go up depending on a number of factors.
- Alcohol service, public pools, spas, private sewers (fees vary)

New construction or extensive remodeling requires fees to review construction plans in addition to the required building permits. To view the full language of the MDH fee structure, please visit <https://www.revisor.mn.gov/statutes/?id=157.16>.

### **Statewide Hospitality Fee**

In addition to the lodging fee, all lodging businesses, as well as food and beverage establishments, pay an annual statewide hospitality fee for each licensed establishment. In 2010, this fee was \$35 per activity. The fee for establishments licensed by MDH is due at the same time the licensure fee is due. For establishments licensed by local governments, the fee is due by July 1 of each year.

### **Food Service**

The simplest type of farmstay does not serve food. However, serving food may be something you want to include, both to attract customers and increase revenues. Food service can be a great addition, but also brings an array of regulations and fees tied to the risks involved. The Minnesota Department of Health is the regulatory body. At a very basic level, you can offer coffee, bottled drinks, and food prepared elsewhere (such as bagels, rolls, prepared yogurt cups). If you are licensed as a bed and breakfast you can prepare breakfast in your kitchen as long as you have your food manager certification, maintain certain standards, pay the applicable fees, and serve no more than 10 people at one time. More sophisticated food service requires commercial equipment, additional fees, and additional requirements for preparing, storing, and serving food. For more information visit MDH's website at <http://www.health.state.mn.us/divs/eh/food/license/>

### **Posting Requirements**

Once you get your required licenses you must post them in a conspicuous place at your farmstay.

### **Tax Regulations**

Minnesota lodging establishments must comply with federal and state laws. In addition to income and property tax, this includes collecting and paying sales tax on lodging and related services. Information on taxes can be found on the Minnesota Department of Revenue's (MDR) website ([www.taxes.state.mn.us](http://www.taxes.state.mn.us)). MDR has a special sales tax fact sheet for Hotels and Lodging Facilities. This fact sheet (#141) provides specific information applicable to farmstays (and other guest accommodations). Also check to see if your city or county assesses any additional taxes. Some larger cities also collect a local lodging tax, but as of 2010, no small communities collected such a tax.

# PUTTING IT ALL TOGETHER IN A BUSINESS PLAN

Starting a business on solid footing improves the likelihood of the business surviving. For a business plan to be an effective guide for your enterprise, the number of pages doesn't matter, but the ideas, processes, organization, and marketing do. By carefully considering the issues and topics contained in this Farmstay Manual, you have been formulating a business plan, and you've helped increase the likelihood of your success.

Business planning for an agricultural enterprise involves: identifying your values; taking stock of what you have; developing a vision, mission, and goals; strategic planning; and evaluation. A written business plan captures the results of the business planning process. It is a simple-to-read document that guides your business and sets forth the mission, objectives, management, marketing strategy and implementation, financial profit and loss statements, and sales projections.

A great resource to use to help write your plan is: *Building a Sustainable Business: A Guide to Developing a Business Plan for Farms and Rural Businesses* (see Resources). You might also consider using an existing business plan template available on the Internet to guide you through the process of writing a plan.<sup>16</sup> Others have also found it useful to assemble an “advisory team” when contemplating a new business. Bring together family members and friends who really know you, and bounce your ideas about your farmstay off them. Have them help you brainstorm name ideas, marketing strategies, décor, etc.

Remember that a wise approach to most businesses is to start small. If you have taken the necessary steps to get your accommodations prepared for guests, have your insurance and licensing in place, and have worked out your operating systems, then it is time to “test” your farmstay. While you can start taking paying guests immediately, you might want to consider a “soft opening”: perhaps hosting a free weekend with friends and family who can give you honest feedback on their experience.

As you start out, you will learn many things. It is important to monitor how things are working and adjust accordingly. Pricing structure, marketing efforts, and the types of activities you offer can be adapted and changed as you see how things go.

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<sup>16</sup> Cornell's NY Beginning Farmer Project has a list of useful online sites, templates and worksheets for business planning. It can be accessed at [www.nybeginningfarmers.org/index.php?page=plan](http://www.nybeginningfarmers.org/index.php?page=plan).



Flexibility and adaptability are important for any business. You are never really “done” with planning, but should constantly be monitoring your business and planning for improvements—or even formulating a new plan!

## **Farmstay Start-up Checklist**

- Visit several farmstays as research and development
- Check in with county planning and zoning to see if there are any barriers to your starting a farmstay
- Develop farmstay business plan
  - Name
  - Concept
  - Design
  - Operations
  - Marketing
  - Financial projections
- Secure county planning & zoning approval
- Establish business structure (in consultation with attorney/CPA)
- Contact Minnesota Department of Health or your local jurisdiction for lodging plan review
- Complete renovations & farmstay design
- Secure state licensing
- Finalize all necessary operational, marketing and administrative details
  - Res reservation process and policies
  - Website
  - Marketing materials
  - Insurance as needed
- Launch farmstay!

# Resources

## AGRITOURISM PUBLICATIONS

- Adams, Barbara Berst. *The New Agritourism: Hosting Community and Tourists on Your Farm*. Halifax: New World Publishing, 2008. Print.
- Byczynski, Lynn. *Market Farming Success*. Broadway, NY: Fairplain Publications, 2006. Print.
- Ivanko, John and Lisa Kivirist. *ECOpreneurship: Putting Purpose and the Planet Before Profits*. British Columbia, Canada: New Society, 2008. Print.
- Ivanko, John and Lisa Kivirist. *Rural Renaissance: Renewing the Quest for the Good Life*. British Columbia, Canada: New Society, 2004. Print.
- Jolly, Desmond A., ed. *Planning and Managing Agritourism and Nature Tourism Enterprises - A Handbook*. Davis, CA: UC Small Farm Center, UC Davis, 2006. Print.

## AGRITOURISM WEBSITES

- <http://farmstays.blogspot.com> A farm stay guide/blog focused on the Northeastern US.
- <http://www.ruralbounty.com> A website listing agritourism opportunities in the US and Canada for travelers. Basic listing for farms and ranches is free. Premium listings available for a fee.
- <http://www.greenroutes.org> A website that promotes one-of-a-kind, locally-owned, and environmentally-conscious travel destinations including agritourism enterprises. Listing requires applying and being accepted into the program (based on sustainability principles) and sliding-scale fee.
- <http://www.farmstayus.com> A website with information on farmstays across the US and information on agritourism. Basic listing is free for farmstays. Premium listings available for a fee.
- [http://greenislandpreserve.com/minnesota\\_farmstay.html](http://greenislandpreserve.com/minnesota_farmstay.html) A listing of farmstays and foreststays in Minnesota.

## STATE RULES AND REGULATIONS RELATED TO LODGING

- Lodging Definitions. Minnesota Department of Health. <http://www.health.state.mn.us/divs/eh/lodging/index.html>.
- Licensing Fees for Minnesota Food and Lodging Establishments. Minnesota Statute 157.16, subdivision 3. <https://www.revisor.mn.gov/statutes/?id=157.16>.
- Licensing Jurisdiction for Food, Beverage and Lodging Establishments. Minnesota Department of Health. <http://www.health.state.mn.us/divs/eh/food/license/delegation.html>.

## BUSINESS RESOURCES

### General Information and Assistance

- Minnesota Secretary of State's office. Includes information and requirements on running a business in Minnesota. <http://www.sos.state.mn.us/index.aspx?page=92>
- Minnesota Small Business Assistance Office. Offers resources and consultation. <http://www.positivelyminnesota.com/Business/index.aspx>
- James J. Hill Business Reference Library offers BizToolkit, a free gateway to business information tools, databases, and research resources to help your business succeed.

[http://jjhill.org/research\\_online/biztoolkit\\_membership.cfm](http://jjhill.org/research_online/biztoolkit_membership.cfm)

SCORE is part of a national nonprofit association dedicated to entrepreneurial education and contributing to the success of U.S. small businesses. They offer workshops and counseling. <http://score-mn.org/main.htm>

### **Business Planning Guides**

Nelson, Beth, ed. *Building a Sustainable Business: A Guide to Developing a Business Plan for Farms and Rural Businesses*. St. Paul, MN: Minnesota Institute for Sustainable Agriculture, 2003. A 280 page, 5 chapter, step-by-step guide to developing a business plan- with a focus on agricultural businesses. Includes worksheets and farmer profiles/testimonials. SARE Handbook 6, print copies available at Sustainable Agricultural Publications: 301-374-9696.

Sample hospitality business plan template:

[http://www.bplans.com/bed\\_and\\_breakfast\\_business\\_plan/executive\\_summary\\_fc.cfm](http://www.bplans.com/bed_and_breakfast_business_plan/executive_summary_fc.cfm)

Dreaming of Innkeeping. Minnesota B&B Association, 2009. Workbook from the Minnesota B&B Association Aspiring and Refresher Workshop.”

### **Marketing**

Nelson, Beth, ed. *Marketing Local Food*. St. Paul, MN: Minnesota Institute for Sustainable Agriculture, 2009. Available electronically [www.misa.umn.edu](http://www.misa.umn.edu), click on publications.

### **Liability**

Moore, Robert, and Barry Ward. *Using Liability Limiting Entities to Manage Liability Exposure for Ohio Farms*. Reprint. Dublin, OH: Ohio State University Extension, 2008.

“Liability for Visitors to Farm Property.” University of Kentucky Cooperative Extension Service. Web. Nov. 2009. [http://ces.ca.uky.edu/cesrc-files/west/Liability\\_for\\_Visitors\\_to\\_Farm\\_Property.pdf](http://ces.ca.uky.edu/cesrc-files/west/Liability_for_Visitors_to_Farm_Property.pdf)

### **Taxes**

Fishman, Stephan. *Deduct It! Lower Your Small Business Taxes*, Print. NOLO 2010.

Mancuso, Anthony. *The Corporate Minutes Book*, eGuide. NOLO, 2010. Available electronically at <http://www.nolo.com/products/corporate-minutes-CM1C3.html>.

Fishman, Stephan. *Every Landlord’s Tax Deduction Guide*, Print. NOLO 2010

Allen, C.W. “Al”; Hill, Cheri S; Kennedy, Diane; and Sutton, Garrett. *INC. & Grow Rich!: How To Cut Taxes 70% & Protect Your Assets Forever!* Print. Sage 2002.

### **Green Building**

Minnesota Pollution Control Agency Green Building Program. <http://www.pca.state.mn.us/index.php/topics/preventing-waste-and-pollution/green-building/green-building.html>

Center for Sustainable Building Research, University of Minnesota.  
<http://www.buildingmaterials.umn.edu>

## RESEARCH

- Schuweiler, Andrea. "Marketing Minnesota's Fields and Forests: Research on the Potential for Developing a Farm Stay Database and Joint Marketing Program in Minnesota," December, 2008.
- Joannides, Jan; Gustafson, Kent and Schuweiler, Andrea. "Cultivating a New Tourism Sector: Agritourism." 2009. A report that explores potential for agritourism in Minnesota including a survey with small and mid-sized farmers. Available by contacting [jan@rtcinfo.org](mailto:jan@rtcinfo.org)
- "The Economic Impacts of Expenditures by Travelers on Minnesota: June 2007 – May 2008."
- David Peterson Associates, 2008. Print.

## TOURISM AND GREEN BUSINESS ORGANIZATIONS

- The Congress of Minnesota Resorts — an industry association dedicated to helping family owned and operated resorts in Minnesota continue as a viable segment of the Minnesota tourism industry. It offers members assistance in marketing and education and assures them a voice at the state capitol. [www.minnesota-resorts.com/membership.aspx](http://www.minnesota-resorts.com/membership.aspx)
- Explore Minnesota – the state tourism agency and industry advocate. Explore Minnesota works to market tourism opportunities big and small for Minnesotans and others interested in visiting. [www.exploreminnesota.com](http://www.exploreminnesota.com) or [industry.exploreminnesota.com](http://industry.exploreminnesota.com).
- Green America – is a national nonprofit consumer organization, promoting environmental sustainability, social justice, and economic justice through economic strategies. The Green Business Network is a certification program offered by Green America that prints the Green Pages and offers an Internet directory of green businesses accessed by millions of people annually. [www.greenamericatoday.org](http://www.greenamericatoday.org).
- Green Routes is a sustainable travel initiative coordinated by Renewing the Countryside ([www.renewingthecountryside.org](http://www.renewingthecountryside.org)). Its goal is to promote one-of-a-kind, locally owned, and environmentally conscious travel destinations as a strategy for building strong rural communities. [www.greenroutes.org](http://www.greenroutes.org).
- The Minnesota Bed & Breakfast Association works to support and develop a strong Bed & Breakfast industry in Minnesota through collaborative marketing, sound policymaking, and conferences and workshops for aspiring innkeepers. [www.minnesotabedandbreakfasts.org](http://www.minnesotabedandbreakfasts.org).
- Minnesota Grown – is a project of the Minnesota Department of Agriculture committed to supporting Minnesota growers and helping them to market their agricultural products and services to local consumers, buyers, and distributors. Minnesota Grown supports agritourism and includes agritourism destinations on its website and in its print directory. [www.minnesotagrown.com](http://www.minnesotagrown.com).
- The Minnesota Resort & Campground Association is the professional trade association for resorters and campground operators in Minnesota. The MRCA is a not-for-profit organization that protects, educates and promotes the resort and campground industry. It is the only statewide resort and campground association in the country. [www.hospitalitymn.org/displaycommon.cfm?an=4](http://www.hospitalitymn.org/displaycommon.cfm?an=4)
- Professional Association of Innkeepers International – PAII was born in 1988 to serve the national industry by providing programs and services that would enhance the professional skills of both active and aspiring innkeepers. [www.innkeeping.org](http://www.innkeeping.org).

University of Minnesota Tourism Center - offers training and education programs around customer service, festival and event management, and tourism development, as well as degrees and certifications. The tourism center also conducts research and provides facilitation and consultation services. [www.tourism.umn.edu](http://www.tourism.umn.edu) >

## Minnesota Administrative Rules

Minnesota Administrative Rules as of July 2010 that Apply to Hotels and Motels. For a complete list see <https://www.revisor.mn.gov/rules/?topic=173334>. An additional set of rules apply if food is served. These rules can be found at <https://www.revisor.mn.gov/rules/?topic=160772>

### 4625.0100 DEFINITIONS.

#### Subpart 1. Approved.

The term “approved” shall mean acceptable to the commissioner following the commissioner’s determination as to conformity with established public health practices.

#### Subp. 2. Clean.

The term “clean” shall mean the absence of dirt, grease, rubbish, garbage, and other offensive, unsightly, or extraneous matter.

#### Subp. 3. Commissioner.

The term “commissioner” shall mean the commissioner of health and the Minnesota Department of Health, which terms shall be synonymous.

#### Subp. 4. Good repair.

The term “good repair” shall mean free of corrosion, breaks, cracks, chips, pitting, excessive wear and tear, leaks, obstructions, and similar defects so as to constitute a good and sound condition.

#### Subp. 5. Usable floor space.

The term “usable floor space” means all floor space in a sleeping room not occupied by closets, toilet rooms, shower, or bathrooms.

### 4625.0200 SCOPE.

Parts 4625.0100 to 4625.2300 shall be applicable to all lodging establishments, such as hotels, motels, lodging houses, and resorts as defined in Minnesota Statutes, chapter 157.

### 4625.0300 SANITATION REQUIREMENTS.

The construction, operation, maintenance, and equipment of lodging establishments shall be regulated as follows in parts 4625.0400 to 4625.2200.

### 4625.0400 BUILDING REQUIREMENTS.

Every building, structure, or enclosure used to provide lodging accommodations for the public shall be kept in good repair, and so maintained as to promote the health, comfort, safety, and well-being of persons accommodated.

### 4625.0500 FLOOR REQUIREMENTS.

The floors of all guest rooms, hallways, bathrooms, store rooms, and all other spaces used or traversed by guests shall be of such construction as to be easily cleaned, shall be smooth, and shall be kept clean and in good repair. Cleaning of floors shall

be so done as to minimize the raising of dust and the exposure of guests thereto. The requirements of this part shall not prevent the use of rugs, carpets, or natural stone which can be kept clean. Abrasive strips for safety purposes may be used wherever deemed necessary to prevent accidents.

#### 4625.0600 WALL AND CEILING REQUIREMENTS.

The walls and ceilings of all rooms, halls, and stairways shall be kept clean and in good repair. Studs, joists, or rafters shall not be left exposed except when suitably finished and kept clean.

#### 4625.0700 SCREENING REQUIREMENTS.

When flies, mosquitoes, and other insects are prevalent, all outside doors, windows, and other outer openings shall be screened; provided that such screening shall not be required for rooms deemed by the commissioner to be located high enough in the upper stories of the building as to be free of such insects, or in such areas where other effective means are provided to prevent their entrance.

#### 4625.0800 LIGHTING AND VENTILATION REQUIREMENTS.

All rooms and areas used by patrons and guests and all other rooms or spaces in which lighting and ventilation, either natural or artificial, are essential to the efficiency of the business operation shall be well lighted and ventilated.

An area shall be considered well ventilated when excessive heat, odors, fumes, vapors, smoke, or condensation is reduced to a negligible level and barely perceptible to the normal senses. During seasons when weather conditions require tempering of makeup air, adequate equipment shall be provided to temper the makeup air. Every gas-fired or oil-fired room heater and water heater shall be vented to the outside air.

#### 4625.0900 SPACE REQUIREMENTS.

Every room occupied for sleeping purposes by one person shall contain at least 70 square feet of usable floor space, and every room occupied for sleeping purposes by more than one person shall contain not less than 60 square feet of usable floor space for each occupant thereof. Under no circumstances shall there be provided less than 400 cubic feet of air space per occupant. Beds shall be spaced at least three feet apart when placed side by side. No sleeping quarters shall be provided in any basement having more than half its clear floor to ceiling height below the average grade of the adjoining ground.

#### 4625.1000 BEDDING AND LINEN REQUIREMENTS.

All beds, bunks, cots, and other sleeping places provided for guests in hotels, motels, resorts, and lodging houses shall be supplied with suitable pillow slips and under and top sheets. All bedding including mattresses, quilts, blankets, pillows, sheets, spreads, and all bath linen shall be kept clean. No bedding including mattresses, quilts, blankets, pillows, bed and bath linen shall be used which are worn out or unfit for further use. Pillow slips, sheets, and bath linen after being used by one guest shall be washed before they are used by another guest, a clean set being furnished each succeeding guest. For any guest occupying a guest room for an extended period of time, a fresh set of sheets and pillow slips shall be furnished at least once each week, and at least two clean towels shall be furnished each day, except that the proprietor will not be responsible for the sheets, towels, pillow slips, and bath linen furnished by a guest.

#### 4625.1200 TOILET REQUIREMENTS.

Every hotel, motel, and lodging house shall be equipped with adequate and conveniently located water closets for the accommodation of its employees and guests. Water closets, lavatories, and bathtubs or showers shall be available on each floor when not provided in each individual room. Toilet, lavatory, and bath facilities shall be provided in the ratio of one toilet and one lavatory for every ten occupants, or fraction thereof, and one bathtub or shower for every 20 occupants, or fraction thereof. Toilet rooms shall be well ventilated by natural or mechanical methods. The doors of all toilet rooms serving the public and employees shall be self-closing. Toilets and bathrooms shall be kept clean and in good repair and shall be well lighted and ventilated. Hand-washing signs shall be posted in each toilet room used by employees. Every resort shall be equipped with adequate and convenient toilet facilities for its employees and guests. If privies are provided they shall be separate buildings and shall be constructed, equipped, and maintained in conformity with the standards of the commissioner and shall be kept clean.

#### 4625.1300 WATER SUPPLY.

A safe adequate supply of water shall be provided. The water supply system shall be located, constructed, and operated in accordance with the rules of the commissioner. After September 30, 1980, the temperature of hot water which is provided in any public area or guest room, including but not limited to lavatories, bathtubs, or showers, shall not exceed 130 degrees Fahrenheit (approximately 55 degrees Celsius).

#### 4625.1400 HAND-WASHING REQUIREMENTS.

All lavatories for public use or furnished in guest rooms at hotels, motels, lodging houses, and resorts shall be supplied with hot and cold running water and with soap. Scullery sinks should not be used as hand-washing sinks. In the case of separate housekeeping cabins at resorts not supplied with running hot water, equipment shall be provided for heating water in the cabin. Individual or other approved sanitary towels or warm-air dryers shall be provided at all lavatories for use by employees or the public.

#### 4625.1500 EATING UTENSILS AND DRINKING VESSELS PROVIDED IN GUEST ROOMS.

After each usage, all multiuse eating utensils and drinking vessels shall be thoroughly washed in hot water containing a suitable soap or synthetic detergent, rinsed in clean water, and effectively subjected to a bactericidal process approved by the commissioner. Approved facilities for manual dishwashing shall consist of a three-compartment sink with stacking and drainboards at each end. All mechanical dishwashing machines shall conform to Standard Number 3 of the National Sanitation Foundation, dated April 1965. All dishes, glasses, utensils, and equipment after washing and bactericidal treatment shall be permitted to drain and air dry. Single-service utensils or vessels as defined in part 4625.2400, subpart 20 must be handled in a sanitary manner. Such utensils may not be reused.

#### 4625.1600 WASTE DISPOSAL.

All liquid wastes shall be disposed of in an approved public sewerage system or in a sewerage system which is designed, constructed, and operated in accordance with the rules of the Minnesota Pollution Control Agency, chapter 7080.

Prior to removal, all garbage and refuse in storage shall be kept in watertight, nonabsorbent receptacles which are covered with close-fitting, fly-tight lids. All

garbage, trash, and refuse shall be removed from the premises frequently to prevent nuisance and unsightly conditions, and shall be disposed of in a sanitary manner. All garbage receptacles shall be kept clean and in good repair.

#### 4625.1700 INSECT AND RODENT CONTROL.

Every hotel, motel, lodging house, and resort shall be so constructed and equipped as to prevent the entrance, harborage, or breeding of flies, roaches, bedbugs, rats, mice, and all other insects and vermin, and specific means necessary, for the elimination of such pests such as cleaning, renovation, or fumigation shall be used. The commissioner may order the facility to hire an exterminator licensed by the state to exterminate pests when:

- A. the infestation is so extensive that it is unlikely that a nonprofessional can eradicate the pests effectively; or
- B. the extermination method of choice can only be carried out by a licensed exterminator; or
- C. upon reinspection, it is found that an establishment has not been brought into compliance with a prior order to rid the establishment of pests.

#### 4625.1800 PERSONNEL HEALTH AND CLEANLINESS.

No person shall resume work after visiting the toilet without first thoroughly washing his or her hands.

Personnel of hotels, motels, lodging houses, and resorts may be required to undergo medical examination to determine whether or not they are cases or carriers of a communicable disease.

#### 4625.1900 CLEANLINESS OF PREMISES.

The premises of all hotels, motels, lodging houses, and resorts shall be kept clean and free of litter or rubbish.

#### 4625.2000 FIRE PROTECTION.

All lodging establishments shall provide suitable fire escapes which shall be kept in good repair and accessible at all times. Hallways shall be marked and exit lights provided; fire extinguishers shall be provided and shall be recharged annually and kept accessible for use. No sleeping quarters shall be maintained in rooms which do not have unobstructed egress to the outside or to a central hall leading to a fire escape. All fire protection measures shall be in accordance with requirements of the state fire marshal.

#### 4625.2100 PLUMBING AND SWIMMING POOLS.

All new plumbing in hotels, motels, lodging houses, and resorts, and all plumbing reconstructed or replaced after January 1, 1968, must be designed, constructed, and installed in conformity with chapter 4715 of the Minnesota Plumbing Code.

All public pools and facilities must be located, constructed, and operated in conformity with parts 4717.0150 to 4717.3975.



4625.2200 SANITARY DISPENSING OF ICE.

Subpart 1. Scope of rule.

Any lodging establishment which makes ice available in public areas, including but not limited to lobbies, hallways, and outdoor areas shall restrict access to such ice in accordance with the following provisions.

Subp. 2. Newly constructed structures.

After September 1, 1979, any newly constructed lodging establishment which installs ice-making equipment, and any existing lodging establishment which installs or replaces ice-making equipment, shall install only automatic dispensing, sanitary ice-making, and storage equipment in areas to which the public has access. Any such establishment may install open-type ice bins only if the ice therefrom is dispensed in the manner provided in subpart 3.

Subp. 3. Existing structures.

After December 31, 1984, any existing lodging establishment which has not converted to automatic dispensing ice-making and storage equipment shall no longer permit unrestricted public access to open-type ice bins, and shall dispense ice to guests only by having employees give out prefilled, individual sanitary containers of ice, or by making available prefilled, disposable, closed bags of ice.

4625.2300 INITIAL AND RENEWAL LICENSE FEES, LICENSE EXPIRATION DATES.

Subpart 1. Fee schedule.

License applications for lodging establishments as defined in part 4625.0100 must be accompanied by a fee of \$75 plus \$4 per room, up to a maximum total fee of \$475.

Subp. 2. Expiration date.

Initial and renewal lodging establishment licenses shall be issued for the calendar year for which application is made and shall expire on December 31 of such year.

Subp. 3. License renewals.

License renewals shall be obtained on an annual basis. License renewal applications shall be submitted to the commissioner of health on forms provided no later than December 31 of the year preceding the year for which application is made.

Subp. 4. Penalty fee.

A penalty fee of \$20 shall be added to the amount of the license fee if the application has not reached the office of the commissioner of health before January 31, or in the case of a new business, 30 days after opening the business.

Subp. 5. Reduced license fee.

From and after October 1 of each year, the license fee for new establishments or new operators shall be one-half of the appropriate annual license fee plus any penalty which may be required.

2400.2820 SPACES REQUIRED.

Off-street parking spaces shall be provided according to the following schedule:

- Bed and breakfast residence > One space per two guest rooms in addition to residential requirement
- Hotel, inn, motel > One space per occupancy unit

# FARMSTAY IDEA GENERATOR

Use the following two pages to sketch out some of your ideas. You will find a few leading questions to help get you started.

Why are you considering opening a farmstay?

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What amenities exist on your farm that may attract travelers to your farmstay? (e.g. Birding, nature walks, fishing, etc...)

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Other activities in the region that will attract customers to your farmstay? (e.g. Wineries, water sports, restaurants, etc... )

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Potential names for your farmstay?

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Logo ideas





*farmstay* [fārm-stā] n.  
lodging available to paying  
guests on a working farm.

1. a room in a farmhouse;
2. a re-purposed existing  
farm building;
3. a structure built  
specifically for guests.

see also: *foreststay* n.  
lodging offered on a  
managed forest.