



The Clayton Farms Bed & Breakfast, a comfortable, on-farm experience.

At Home with the Claytons' An On-Farm Bed & Breakfast Experience

***A North Central Initiative Small Farm
Profitability Case Study***

***By Carol Doeden and Marilyn Schlake
Copyright 2002, UNL Center for Applied Rural Innovation***

Clayton Farms Bed & Breakfast

621 Newburg Road
Grinnell, Iowa 50112

(641) 236-3011

(888) 634-0503

Fax: (641) 236-9067

email: cfarms@pcpartner.net

Ron & Judie Clayton, Innkeepers

About the North Central Initiative for Small Farm Profitability

The North Central Initiative for Small Farm Profitability is a four-state, multi-institutional, farm-to-fork effort designed to improve the profitability and competitiveness of small and mid-size farms in Nebraska and the Midwest. This initiative brings together a unique and powerful blend of farmers, food and social scientists, marketers, extension educators, economists and others who are attempting to identify, adapt and apply practical, science-based, market-driven strategies that work.

Partners include the University of Nebraska's Center for Applied Rural Innovation (CARI) and Department of Food Science and Technology/Food Processing Center, Iowa State University, University of Missouri, University of Wisconsin, the Center for Rural Affairs in Nebraska, Practical Farmers of Iowa, and the Michael Fields Agricultural Institute in Wisconsin. The initiative is funded by a three-year grant from the U.S. Department of Agriculture.

For more information, contact Ken Wurdeman, Initiative Coordinator, University of Nebraska-Lincoln, 58 Filley Hall, Lincoln, NE, 68583-0947, telephone: 402.472.0807 or e-mail: kwurdeman2@unl.edu.

About the Case Studies

More than 40 case studies will be developed in the four-state region, including 26 in Nebraska. The case studies will focus on new generation cooperatives, networks for marketing high value crops and livestock, production and cooperative arrangements that increase the farmer's share of food system profits, community support of small and mid-size operations, successful capital transfer strategies that benefit both beginning and senior farmers, on-farm diversification, and successful use of the Internet by farmers and small rural businesses to market products.

About the Authors

Carol Lee Doeden is a freelance writer located in rural Nebraska. She has written for several rural newspapers and presently freelances for diverse governmental and non-profit organizations. Carol can be reached frlncwtr@alltel.net Marilyn Schlake is the Program Coordinator for the Nebraska EDGE Program, located at the Center for Applied Rural Innovation, University of Nebraska. She is co-author and editor of the "Tilling the Soil of Opportunity: NxLevelTM Guide for Agricultural Entrepreneurs. Marilyn can be reached at mschlake@unl.edu, telephone: 402.472.4138.

Table of Contents

	<i>Page</i>
Introduction	4
Farm History	4
Bed and Breakfast History	5
Bed and Breakfast Today	6
Business Costs	7
Business Income	7
Profitability	8
Marketing	8
Challenges and Conclusions	9
Appendix: Resources	10

Introduction

Clayton Farms Bed & Breakfast is located northeast of Grinnell, Iowa in the middle of prime farming country, (about 50 miles east of Des Moines, the capital city of Iowa.) Ron and Judie Clayton have lived on their farm since 1968 and built their present, modern house in 1979. They started their licensed and state-inspected bed and breakfast operation in 1990. The B&B has steadily grown to more than a \$20,000 gross profit in 1999.

The bed and breakfast portions of the house consist of three guest bedrooms with a fourth room available as a contingency. Windows that offer a view of the broad lawn dotted with well-placed trees and shiny grain bins bank a large dining alcove. Two of the bedrooms front the porch and the sunset, and share a bath. A honeymoon suite with an extra-long, king-sized bed, separate bath, and easy access to the common room, kitchenette and sunroom, completes the B&B offerings.

The Clayton B&B is one of the more successful on-farm bed and breakfast operations, due to Judie Clayton's passion for detail, friendly attitude and word-of-mouth marketing efforts. The support from her husband, Ron comes in the

form of quiet encouragement and good-humored enjoyment of the hustle and bustle their sideline business engenders. Ron will take interested visitors on tours of the farming operation, but leaves the host-essing to Judie.



Judie Clayton, Clayton Farms B&B Manager

The B&B has been in formal operation since 1990. Judie realized that entertaining and cooking for hunters was an enjoyable experience, and one in which she could earn money while staying home. The B&B freed her to spend additional time with her grandchildren, and both time and money refurbishing her house to make the bed and breakfast more attractive. One of the differences between an added-value farm product and a bed and break-

fast is the way finances are often handled. The accuracy of any calculation of actual profit is compromised, because most B&B operations are in-home and part-time. The functions and therefore the expenses of the house and the business tend to blur. Actual costs can even be difficult to calculate, such as the electrical usage of B&B guest, or water usage. Food costs are often another area of contention, in that many ingredients in food have to be used by someone within a specific amount of time.

In this last sense, the on-farm B&B operation is different from one in town where as often as not, the proprietor does not even live on site. An in-town B&B situation would make accounting easier, although there might be a larger category for "waste" in the food section of the bed and breakfast books. However, Clayton Farms B&B is a good example of how an on-farm business can help with household income.

Farm History

Ron Clayton, 59, grew up farming. When he met Judie on a last-minute blind date in Boston, he was ending his Navy service and committed to returning to Iowa to farm on his own. Judie, 56, had grown up in a small New

York resort town, where her parents owned a successful resort. From childhood, Judie was used to the hustle and bustle of serving customers and enjoying the variety of people who came in to eat.

About a decade after the couple returned to farming and the rural Iowa life, they built the house they live in today. They had three sons, and Ron worked hard to help his city-gal adjust to the demands made on Iowa farm wives: driving the tractor, helping with the livestock from birth to slaughter, and any number of totally foreign chores. Judie managed to wreck the first tractor she drove, cultivated out the crop instead of the weeds, and was the only one with small enough hands to deliver baby pigs with her arm up to the elbow inside the sow, in the dead of winter.

One day, when they were sorting hogs, and Judie couldn't stand where Ron wanted her, no matter what she tried to do, she said, "That's it!" She showered, changed clothes, and went to Grinnell to get a job.

Ron has continued to farm full time with his business partner, Dean McClelland, although he no longer raises hogs. The pair farms about 2,000 acres. Ron is on the board of directors for the Iowa River Corridor RC&D.

Judie worked at a number of jobs, then spent a decade or so as a medical secretary, first at the Grinnell Regional Medical Center, and then for a private physician. After the doctor moved out of town, Judie's job ended. About the same time, a contingent of hunters came to visit. They ended up sleeping in her spare rooms and paying her \$20 per night. Judie saw an opportunity to stay home and do work she loved.

B & B History

The business grew gradually over the years. The B&B is listed at Grinnell College as a place for parents to stay. Judie is busy during key weekends at the college, including Orientation, Parents' Weekend, Homecoming and Graduation. She said it is fun, watching the children mature into adults over the 4 or 5 years they stay at Grinnell.

The mainstay of her business, however, has been pheasant

What defines a Bed and Breakfast Business?

Bed and Breakfast Country Inn: Usually has **9 or more** rooms probably with full time staff, owner may not be involved in day to day operations, and is a full time business providing overnight accommodations to the public with breakfast included in the regular charge for the room. This establishment has a lodging license.

Homestay Bed and Breakfast: Private residence, usually with 3 or less guest rooms, and frequency and volume of guests are incidental to the primary use of the building as a private residence. Usually doesn't require a lodging license.

Guesthouse Bed and Breakfast: A Bed and Breakfast that *does not* have a resident innkeeper. May have one or more guest bedrooms and may rent as a single unit or by the guest room.

Bed and Breakfast Inn: Usually has **4 to 8** guest rooms, a resident innkeeper who usually is the owner, and is used primarily for providing overnight accommodations to the public. This establishment will have a lodging license.

Hunting Lodge: Has guest rooms available to transient visitors part of the year, serving over night guests breakfast which is included in the room charge. Probably doesn't offer the same amenities as other types of B&B's.

Source: Kansas Bed & Breakfast Association. www.kbba.com

hunters. They come every year and keep her busy from October through December. The B&B is closed for the months of January, February and March.

In 1993, Judie began freshening the bed and breakfast rooms one at a time. She purchased a bedroom set at an auction, removing the dresser to make the room feel less crowded. She said she worked largely with what she had.



Judie Clayton waiting for guests to arrive

Items from her collections are arranged in each room.

She knows some people want a room with a private bath, whirlpool or spa, which she does not provide. Instead of spending money on such high-ticket items, she tries to “enhance the customer’s experience with food and amenities.” In addition, she papered

and updated the bathrooms, and added a pair of extra-long twin beds which come together to be a king-sized honeymoon bed.

In May 2000 a lightning strike on the radio antenna at the south end of the house resulted in a fire that damaged the roof, ceilings and newly remodeled kitchen. Judie had to cancel all her reservations through the summer while contractors worked to replace

what had been destroyed. The couple also built a \$30,000, 12-foot addition onto the house during the same reconstruction period, specifically to expand the abilities of their bed and breakfast.

In 2001, Judie had an unusually busy summer, with not as many reservations scheduled ahead for hunting season. She

thinks perhaps the nature of the business is changing, as the birds become less plentiful, and activities at the college increase. Health considerations of her own may curtail pursuit of new business, she said with regret.

B&B Today

B&B Guests typically call ahead for reservations, which Judie will now only take with a credit card, even if the customer ultimately pays in cash or check. She and Ron do not accept reservations called in after 10 p.m. Usually it is the hotels near Interstate 80 that contact the bed and breakfasts when the hotels are full and they have late arrivals requesting a room. For these reasons, Judie seldom gets casual travelers in her business.

Judie serves a gourmet breakfast either family style or buffet style. She said what and how the meal is presented depends on how her mood, the time of year, and how many people she has to feed. Other considerations include what is available to cook, and whether or not she has served that fare to the guests on a previous occasion. When she had a family stay for a week, she made sure each breakfast was unique, and nothing was repeated. “Never the same meal each day,” is her motto.

Although Ron prefers a breakfast of eggs and toast, Judie says she likes more variety. She finds it no fun to cook for small children, with their finicky appetites. Her brochure says she prefers children who are more than 8 years old, although on occasion she has made an exception.

Ron contacts other farm producers in advance of hunting season, to get permission for his B&B guests to hunt on others' properties.

Ron has also made some changes on his farm to accommodate the hunters. He planted some filter strips seeded to switchgrass, which can grow over eight feet tall. He placed a field or two into the wetland program, made a duck pond and planted food plots to attract pheasants.

Recent additions include a remodeled hog-farrowing house that is now part kennel for the hunters' dogs, and part butcher shop. Ron built horse stalls for housing customers' horses. A pair of visiting Friesens and their owners from Colorado made the Grinnell newspaper when they arrived, a good method of publicity for the B&B.

Internet-connected guests and business guests can make use of the computer to check e-

mail, send or receive faxes, and use the Internet. Judie offers a complete maid service for her customers. She makes the bed, straightens people's belongings and cleans the bathrooms.

"People like the safety of staying in a bed and breakfast," Ron said. "That is especially true of women traveling alone."

Business Costs

Expenses

House costs

The new, \$30,000 addition is being depreciated by the B&B because it was done to enhance the services Judie offers. The new room made a larger dining space for the guests, with an oblong table able to accommodate ten. Judie serves family or buffet style most of the time, a practice which makes the gourmet quality of her food all the more unexpected and pleasant.

The sunroom on the lower level is accessible from the common room, as Judie calls it, with a sofa and several comfortable chairs. Guests can enjoy television or read while sampling complimentary beverages from the kitchenette.

Food Costs

Judie said she would have a difficult time calculating a per-guest cost of any given

meal, because food in a house with two adults is used before it spoils, whether for the guests or for the Claytons. Even if something was intended for B&B use, if there are not guests and the freshness date is today, Judie will probably use that item up rather than differentiate how much is for the bed and breakfast, versus how much is personal.

"If I make a batch of 12 buns and the customers only eat 8, I can't deduct it all, but how do I figure out how much they cost?" she asked.

She does keep a book of all her expenses incurred on behalf of the B&B throughout the year, but does not classify those expenses as to which are food, which are supplies, etc.

A neighbor stops by to share some of her excess garden produce, because she knew Judie did not have a successful garden this year. Judie and the neighbor collaborate to bake pies, with the neighbor making the crusts and Judie the fillings.

Business Income

Currently, her fees for regular bed and breakfast stays are \$60 to \$70, depending on which room is rented.

The hunting rooms are so

popular people have to make their reservations years in advance, and must make a 50 percent cash deposit by May 31 to hold their October or November rooms. Those springtime cash deposits help Judie's summer cash flow. Hunters' fees run from \$350+



Photo of the grounds, used on the Clayton's Website

for two nights, and two days, including Saturday night supper, for the opening weekend of the season. Later in the season the costs shift to \$73.50 per man with two to a room, and then \$63 at the end of season. If hunters hire a guide, that is an extra cost.

Judie charges between \$9 and \$15 for an additional meal, besides the gourmet breakfasts she serves. The range depends on her food costs. Judie also serves luncheons for groups in her home, for up to a dozen

people at a cost of around \$8 to \$12 per guest.

Judie researched her prices by checking with what the area motels were charging, and also what regional bed and breakfasts charged. Her prices are a little higher than some, considering some of her rooms have a shared bathroom, but her meals are unique each morning.

Profitability

The Claytons' income tax return for 2000 showed only a profit of about \$4000 for the bed and breakfast. That was the year of the fire, and revenues were down about \$3000.

Judie is only marginally concerned about things such as tracking cash flow, because the money from her B&B is her spending money. Most of it she funnels right back into the business, saving for a new sofa for the common room, for instance.

Another issue is that Clayton Farms is incorporated in Iowa, which means much of the farm-related expenses such as telephone, electricity and other utilities, are paid for largely by the corporation. Trying to calculate both the personal and the B&B portions of those expenses is something the Claytons have not yet tried.

Marketing

Using a marketing budget of about \$1,000 per year, Judie and Ron have several target markets for their B&B. They have the pheasant hunters. (No deer hunters, as deer are overpopulated all across the nation, and most deer hunters can find the deer close to home). Hunters dominate the business from the end of October to the end of December, and also make up the bulk of the Clayton's B&B income.

Judie tried several kinds of advertising. She advertises locally when she can afford it. The first time she ran an advertisement in a hunting magazine, she received a call from some hunters in Ohio, who came out and have been regulars for years. The second year she ran the advertisement again specifically for pheasant hunters, and today she can say, "Hunting takes care of itself."

She placed ads in the Des Moines Register and the Quad Cities newspapers, at a cost of \$540 for two days worth of advertising, and received two inquiries but no bookings. She said she has tried putting her ad in permanent publications, without luck. One place she does list is the Iowa Tourism Guide, as there is a whole section for bed and breakfast op-

erations, and there is no cost to be listed.

Her website, www.bbonline.com/ia/clayton/ costs \$150 a year, and has been a good source of potential customers. Another successful choice was getting her business an “800” telephone number.

The best form of advertising has been word of mouth, she said. When someone new is moving to Grinnell and stays at her B&B until the moving van arrives, Judie gives out her business card and brochures. She also sees to it that the local newspaper reports all of her news happenings whenever possible.

Judie maintains a small gift shop, with an assortment of her homemade jellies, craft items, and hats and sweat-shirts with Clayton Farms embroidered on them.

She said she sees herself as a sort of ambassador for agriculture, and has opportunities to help the parents of youth attending Grinnell College to learn more about where their food originates.

Ron is a big help in this effort, as he has farmed all his life. It is natural to converse with people about what farming really entails, Judie said. Most of their guests are city people

doing an area activity.

Judie has a meeting once a month with six women who also run bed and breakfast businesses in the area. This support group has allowed them to exchange ideas and vent complaints, as well as refer customers to their fellow B&B operators. They also participate in some joint advertising.

Challenges and Conclusions

The Claytons offered a chorus of advice for any farm operation thinking about opening a bed and breakfast.

“If you are going to be doing this, more than likely you will be doing it yourself,” Judie said. “It may be more than you think you can handle, but you are probably not going to hire anyone.”

“The only way to succeed is to stay on top of things,” Ron said. “You can’t let it get ahead of you.” He added that what makes the B&B business successful is putting the time in to make it successful. He used the example of people who buy an existing business and don’t work at it hard enough, or change it so much that it fails.

“The bed and breakfast is more work than I thought it

would be,” Judie admitted. At the same time, running the bed and breakfast is easier for Judie because she has no outside job. Other bed and breakfast owners whom she knows work full-time, and are lucky to have spouses who can pick up the slack. Judie said most B&B husbands help with the daily work more than Ron does.

Ron admitted he is not that interested in social chitchat. He enjoys talking to people who are interested in what is going on at the farm. During the spring planting season, and the fall harvest, Ron said he is so busy he never sees any of the B&B guests, anyway.

Among the questions a prospective B&B owner needs to ask include “Am I willing to have people in my house? What is my family situation?” Judie said. “Am I willing to be inconvenienced?” She gave the example of an evening when her grandson had a game, but she had to stay home to wait for B&B guests who arrived a number of hours after they said they would.

Judie did say if she had it to do all over again, she might have chosen to focus on families who wanted a farm vacation as a target market. She said she knew there would

have been a lot of work, and a lot of differences such as adding a swimming pool, petting zoo and extra help. Instead, she worked with what she had, and the result is the B&B she has today.

“I can make as much money here as I did working in town.

We write a lot of expenses off on the taxes, and staying at home is preferable,” she said. “If people are interested, Ron likes to tell the farm story.” So many people have lost their connection to the land, she said. It used to be that everyone in the city had some connection or relation living on a

farm, but they don’t any more.

“I think we have reached our goal,” Judie said. “With my outside summer yard work I have enough to do, although I do like the money! I wouldn’t want to see a reduction in the business.”

Appendix

Resources

Michigan State University Extension publications: Tourism. Excellent resources on starting and owning a Bed and Breakfast business. <http://www.msue.msu.edu/msue/imp/modtd/masterd.html>
Linkages to 26 research articles on B&B’s. Most articles on-line.

Robert D. Buchanan, Purdue University, and Robert D. Espeseth, University of Illinois Cooperative Extension. Developing a Bed & Breakfast Plan. On-Line publication. 98-pages, with worksheets. <http://www.ag.uiuc.edu/~vista/abstracts/ab&b.html>.

Tourism Industry Resource Center, Fact Sheets. Business planning guides for Bed & Breakfasts. <http://www.tirc.gov.yk.ca/>