



United States
Department of
Agriculture

Natural
Resources
Conservation Service

Resource Economics
and Social Sciences
Division

June 2001

Alternative Farm Enterprises – Agritourism Success Stories

221 Melsted Place— Victorian Bed & Breakfast, Dinners, and Tea's

Interview with Neil and Lonnette Kelley, P.O. Box 221,
Mountain, ND 58262, 701-993-8257,
info@melstedplace.com, www.melstedplace.com

What is the history of your farm and farming experience?

Two twenty-one Melsted Place takes its name from the original owner. Sigurdur Magnusson Melsted from Iceland built this 12-room mansion in 1910 for his wife, her parents, and their 10 children. The house had indoor plumbing, running water, gas lighting, hardwood floors, a magnificent stairway, and elegant craftsmanship. This was the largest farm in Pembina County.

Lonnette grew up on a farm in Minnesota and is an LPN nurse. Neil grew up in the city and was a commercial construction contractor. We wanted to return to a rural area with a little land for a garden and horse. We purchased this property the day after we first saw it.

Describe the alternative enterprises in which you are presently engaged.

We have several income-producing activities based in the home and farmyard. We started with the B&B and afternoon teas and added special-request lunches the second year and dinners the third year. We now serve traditional festive holiday dinners and are doing some catering for community receptions and dinners. The community came at first out of curiosity about the place, especially the house. We had to become ingenious in developing continued community interest. We have slowly grown to the point that we now have a major event every month to ensure a steady cash flow.

What made you decide to go into the present alternative enterprises?

We purchased this to be our rural home on this 2-acre site in 1995. The beautiful Victorian house was a bonus. We wanted to be somewhat self-sufficient through gardening, and we saw the potential of the yard with its rich black soil. We began to fix up the house and outbuildings, which had been vacant for a year and a half. The house had been extremely well preserved. In January 1997, we needed a source of income other than part-time nursing for Lonnette and contracting and helping neighbors with farm work for Neil. Several neighbors suggested a B&B. Our main reservation was our location; we wondered if we'd be able to attract people to such a rural place. But it works great.

How did you make the transition?

We sat down as a family (Lonnette, Neil, and daughter Michele), in January 1997. This had to be a family decision because it impacts the whole family and really complicates life. We decided to start with the B&B and tea parties in June 1997.

Describe your decisionmaking process.

We first developed a business plan. Our goal was to provide a high-quality product and the best in hospitality. Lonnette met with community members to get their approval and also got the Melsted family's approval to use their name. She studied books on B&Bs and contacted state offices about licenses and other permits.

How did you obtain financing?

We developed a cost plan as part of the business plan. We knew every item we needed to buy. We used our own resources as much as we could, including using a credit card to purchase bed linens, dishes, and supplies.

How do you market your B&B and other activities?

We cannot afford a marketing budget. Our biggest job was to develop a brochure explaining why 221 Melsted Place is an important place to visit or stay. We still have limited funds, so we rely mostly on word of mouth advertising. We have been very successful with that approach.

We are located approximately 15 miles from all the 15 communities surrounding us, so advertising would be expensive. We have placed brochures at Interstate visitor centers, but they don't let us know when they run out and time does not allow us to travel those distances. Today, we have a Web site, which is being used more and more by our national and international travelers. Also, we are working cooperatively with other businesses. For the future, we would like to find a representative in each of the 15 communities who would support and promote us. In turn, we would work together for the betterment of their community and provide the representative a dinner or stay at Melsted Place. Our focus is on serving the local area.

How do you price your products?

This is very difficult. It depends upon your community and what it is accustomed to in terms of quality and service. We have searched the 'net to check prices and amenities. Our rooms range from \$80 to \$120.

What went wrong? And Why? How did you correct the situation?

1997 was the year of the Red River Valley flood. Grand Forks was under water, and there were no motels where the Red Cross staff could stay. So we opened early for them. Also, we had to go to Minneapolis to get the brochure printed due to the flood. Then, in July we got 9 inches of rain in 2 hours, which flooded our attic and basement and laundry facilities. One needs to be adaptive and

flexible in all cases and to have thought about alternative plans such as going to a laundromat until your basement dries out. Also, living in a historic home is great, but that also means everything does not work the way it should.

What went right? And Why? How did you build on your success?

We recognized at the beginning that our business had to be versatile and continually changing. It could not just be a B&B and tea room because we needed a monthly cash flow. So, we diversified into several different activities or entities at 221 Melsted Place. We try new ideas and discard the not-so-good ones. This has worked well for us.

The service business is constantly changing. For example, newlyweds who stay their first night with us make up 80 percent of our B&B business. We bought a limousine to pick them up after the dance and return them the next day to open gifts before they begin their honeymoon. We have also had weddings on the grounds and in the house. We have added a screened outdoor spa with a gas fireplace and a one-day a month massage therapist, by appointment.

What would you have done differently?

We would schedule more time for ourselves to get away. The burnout rate is high for a B&B, so that you are considered a master innkeeper after only 5 years in the business. We are now in our fifth year, and we do find that if we don't schedule time for our personal lives it does not happen.

Where do you plan to go from here?

We want to stabilize the business so the monthly cash flow and business expenses are reliable. We don't want to get too big because then you have employee problems to address. We are implementing ideas. First, we had an artist/welder build us a Victorian carriage. We plan to use the carriage as an attraction at 221 Melsted Place and at community events for publicity and as a source

A Typical Year at 221 Melsted Place

January: Christmas carryover

Lonnette decorates 15 trees and keeps them up until February. By request only, we serve dinners, luncheons, and tea parties to give people the opportunity to have that holiday party they could not squeeze in during December. We charge \$20 for dinner, \$15 for lunch and \$10 for tea.

February: Valentine's Day and chocolate

Lonnette still keeps a few of the trees up and decorates them with valentines. A week before Valentine's Day, we hold a large open house at \$10 per person. We have all types of chocolate candies, desserts, and breads—anything made of chocolate. We also added fruits and other foods, too. This has been working very well since 1998.

March: Rest, catch up, taxes, special cleaning, maintenance

Business has been extremely busy in 2001, to the extent that we needed to hire an accountant.

April: Mother/daughter May Day luncheon

Sometimes this includes a style show. This event is festive with flowers and frills at a cost of \$15. The year 2001 is also our first year to cater the historical society reception.

May–early September: B&B

The B&B includes four rooms and a vacation trailer. A number of family reunions are planned with us—including sleeping, luncheons or dinners. In May 2001, we catered a dinner to a small theater for the first time. This dinner-theater ambience provides a very exciting experience to a small rural town of 1,100.

Late September–October 31: Halloween Granary

We converted a granary into a licensed kitchen and haunted eatery restaurant. We serve children, families, school groups, organizations, and fun-loving adults. Guests are encouraged to wear costumes. The prices ranges from \$10 to \$15 per person, depending on the type of party selected. Guests arrive at dusk, and we build a bonfire. Then, we walk by torchlight to the granary giving people time to let their minds go scary. The parlor of the granary holds a banquet table loaded with goodies. Then, we proceed into the more frightening second room for dinner. Dinners are served in a very “unusual” way for a very fun experience. It is a night of laughter and fun.

November 15–December 31: Holiday dinners

The home is elegantly decorated inside and outside. We serve dinners Thursday through Saturday. The cost is \$20 for a 5- to 6-course meal served over 2 to 3 hours. We also obtained a wine license which has added an additional flair to the dinner. After dinner, Lonnette plays medley tunes and gives a mini-concert on the piano.

of income by giving rides. We may consider nationwide marketing of this carriage. Second,

Lonnette's favorite dream is having a week-long camp for girls ages 6–12: tea parties, dress up,

bonfires, games, and how to act as ladies. Third, people have been asking for a cookbook that would contain individualized historic stories, associated recipes, and some of Lonnette's published poems.

What would be the most important advice you would give other farmers considering a B&B alternative enterprise?

1. Anything in your home complicates life. The family must recognize this and agree how the enterprise will affect family life. There must be ground rules as to how you act when guests are present (your professional hat) and when only family members are at home (your private hat). This is very difficult to achieve at times.
2. B&B is an all-consuming occupation when it is in your home.
3. You must build your business up. There will be good days and not-so-good days.
4. You must be flexible and adaptable. A secondary plan is necessary from every standpoint to be ready for the unexpected.
5. It is a high-stress job, but the joy exceeds the stress.
6. Package your product for your area. Think about your community—who they are, what they do, where they go, their likes and dislikes. Keep thinking and adapting and planning.

How did you handle the liability concern?

We have an agent who has no problem with all our "entities"—except no horses. Our basic insurance plan costs about \$2,000 per year for full coverage with a \$1 million umbrella policy. Each of our other entities is an additional cost.

What do you dislike the most and like the most?

We dislike the all-consuming aspect of the service business. One must always say yes to a request for service. We miss family and community activities because we have no backup. Our records show we spend one hour for every guest that we serve. We have a number of dinners where we serve 25 people.

We like the guests the most. Guests are wonderful, and we receive so much joy from them. We had the

opportunity to be host and hostess to President Olafur Grimsson of Iceland. President Grimsson, the brides and grooms, and others are special in their own way.

Would you start this alternative enterprise business today after learning what is involved?

Yes. The business is challenging and rewarding. It takes a lot of work, and being younger would be a great advantage. One needs to plan for backup staff that can fill in if you're sick and provide for vacations.

What groups/organizations/activities have you joined or become involved in because of the alternative enterprises?

We belong to the North Dakota B&B Association and the American Historic Inns, and Lonnette is a member of Quick Response, our community Emergency Medical Team.

What conservation and education activities do you have?

We have no conservation activities on the two flat acres, but people's experiences here are educational. Lonnette has been asked to teach cooking classes. And the camp for girls would be educational.

What do your customers like the most about your enterprises?

Our guests sign a journal and comment on their stay. They frequently note the peacefulness of the rural area, and many comment favorably on our hospitality. This tells us that we've reached our major goal and provided a total experience.

Would it be ok for people to contact you? Yes

Do you want additional information? For more success stories and other information, go to <http://www.nrcs.usda.gov/technical/RESS/>

The U.S. Department of Agriculture prohibits discrimination in all its programs and activities on the basis of race, color, national origin, gender, religion, age, disability, political beliefs, sexual orientation, and marital or family status. (Not all prohibited bases apply to all programs.) Persons with disabilities who require alternative means for communication of program information (Braille, large print, audiotape, etc.) should contact USDA's TARGET Center at (202) 720-2600 (voice and TDD).

To file a complaint of discrimination, write USDA, Director, Office of Civil Rights, room 326W, Whitten Building, 14th and Independence Avenue, SW, Washington, D.C. 20250-9410, or call (202) 720-5964 (voice and TDD). USDA is an equal opportunity provider and employer.