

Farm Business Start-Up Checklist

Before starting a new farm business, you need to consider many things. What rules and regulations apply to your business? Which levels of government (city, county, state, federal) are responsible for which regulations? What permits will you need? What are the business structure options for your farm? What are your tax liabilities? What do you need to know about hiring farm labor? Which food safety regulations apply to your operation? You should understand the elements of a good contract and lease. This checklist provides a list of some of the types of rules, regulations, and other things you should be aware of prior to starting your farm business.



Photo: Dennis Chamberlin

City or County

- Zoning regulations** may apply to roadside stands, processing operations (especially for livestock), and livestock associated with the farm (especially at the city level).
- Pesticide Use.** Some states or counties have special rules for pesticide applications. These regulations may include pesticide-use reports, restrictions on pesticide use around bees, wind speed restrictions, or may require pesticide applicators to have a license. County agricultural commissioners will generally have this information.
- Business Licenses.** What federal, state, and city licenses will you need to operate a business?
- Conservation Easements.** Some nonprofits and even government entities—federal (Natural Resources Conservation Service), state, county, or city—support the purchase of conservation easements to maintain green space.
- Water Use.** These can range from well-drilling permits to water rights for surface waters, and participation in irrigation districts. Some states regulate the quality of water coming off farms.

Labor

- Will you need housing for your workers?
- Do you know the difference between a worker and an intern/apprentice? What's required of you, as a business, for each?
- If you have employees, what notices need to be posted "on display"?
- When do you need to report new hires? Within what time period?

Contracts and Leases

- Be sure you understand the elements of good contracts and leases. See NCAT's *Farm Leases and Contracts Tip Sheet*.

Taxes

- Federal.** Filing a Schedule F? Make things easier by tracking the various income and expense categories on your farm using the same categories as a Schedule F. You can download a copy of the Schedule F form at www.irs.gov/pub/irs-access/f1040sf_accessible.pdf. *The Farmer's Tax Guide* can be found at www.irs.gov/publications/p225/ch13.html
- Employee Identification Number (EIN).** Any business must have this, and anytime you change your business structure or owners, you will need to have an EIN. See [www.irs.gov/Businesses/Small-Businesses-&Self-Employed/Employer-ID-Numbers-\(EINs\)-](http://www.irs.gov/Businesses/Small-Businesses-&Self-Employed/Employer-ID-Numbers-(EINs)-)
- Payroll Taxes.** For federal payroll tax information, see www.irs.gov/publications/p225/ch13.html. Various commercial software programs can calculate all the payroll components, as well as print checks, track hours, etc.

Certifications

- Organic Certification.** The National Organic Program (NOP) is a USDA program. Certification is sometimes done through the state or county, but more commonly through private companies.
- Other Certifications.** There are many other certification programs, such as Fair Trade, Salmon Safe, Certified Humane, Fish Friendly, and Food Alliance.
- Certified Farmer.** Some states and counties require farmers to fill out a county-level certified farmer form in order to sell at farmers markets.
- Food Safety Plan, or Good Agricultural Practices (GAPs) plan.** Does your market require a third-party audit, or is a self-certified food safety plan, with documentation, sufficient?



Farm Business and Structure

- ❑ **The business structure of your farm** will affect its legal and tax liability. See NCAT's *Farm Business Structures Tip Sheet*.
- ❑ **Set up your farm business office.**
- ❑ **Set up your recordkeeping systems.** What is the most important information you need to track?
- ❑ **Open a farm business bank account.**

Insurance

- ❑ **What insurance do you need** (liability, workers' compensation, property)? How much of each?

Farm Planning and Operation

- ❑ **Identify the goals of your farm** in the context of your and your partners' goals.
- ❑ **Identify skills and resources** including financial resources (farm start-up and operating funds, capital equipment funds and needs).
- ❑ **Research your markets and develop your marketing plan.** How will you sell your products?
- ❑ **Advertising and promotion.** Develop your "story." What makes your history, products, farm, or production special or unique?
- ❑ **Develop your production plan.** Notice that your marketing plan should come before production!

Resources for Starting a Farm Business

- **NCAT/ATTRA Beginning Farmer Business Tip Sheet Series.** www.attra.ncat.org/marketing.html#business
 - *Tips about Farmer Income Tax* — *Tips about Farm Business Structures*
 - *Tips for Farm Leases and Contracts: Creating Smart, Effective Documents*
- **ATTRA Publications** from NCAT's National Sustainable Agriculture Information Service. Prices vary for individual publications. Many are free. An inexpensive subscription to ATTRA will give you access to all 400+ publications and databases. Phone 800-346-9140. www.attra.ncat.org
Two sections of the ATTRA website for people thinking about starting a farm business:
 - **Marketing, Business and Risk Management:** www.attra.ncat.org/marketing.html#business
 - **Beginning Farmer:** www.attra.ncat.org/attra-pub/local_food/startup.html
- **Beginning Farmer Rancher Resources website.** <http://beginningfarmerrancher.wordpress.com/taxes>
- ***Building a Sustainable Business: A Guide to Developing a Business Plan for Farms and Rural Businesses.*** Minnesota Institute for Sustainable Agriculture. http://agmarketing.extension.psu.edu/Business/PDFs/build_sust_business.pdf
- ***Fearless Farm Finances: Farm Financial Management Demystified*** is a very useful book published in 2011 by the Midwest Organic and Sustainable Education Service (MOSES). www.mosesorganic.org/farmfinances.html
- ***Growing for Market*** is a bi-monthly publication for direct-marketing enterprises, mainly vegetable and flower production. P.O. Box 3747, Lawrence, Kansas 66046. Phone 800-307-8949, www.growingformarket.com
- **National Agriculture Library's Start to Farm website:** www.start2farm.gov and www.start2farm.gov/about-beginning-farmers-and-ranchers-development-program
- ***Primer for Selecting New Enterprises for Your Farm.*** Tim Woods and Steve Isaacs. University of Kentucky. 2000. www.uky.edu/Ag/AgEcon/pubs/ext_aec/ext2000-13.pdf
- ***Starting an Ag Business? A Pre-Planning Guide*** by Steve Richards. Cornell University Dept. of Applied Economics and Management. 2004. www.dyson.cornell.edu/outreach/extensionpdf/2004/Cornell_AEM_eb0408.pdf
- ***Sustainable Vegetable Production from Start-Up to Market*** by Vern Grubinger. NRAES Cooperative Extension. 1999. Phone 607-255-7654. www.nraes.org/nra_index.taf

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United States Department of Agriculture
National Institute of Food and Agriculture

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