

This paper presents a general overview and is not intended as legal advice. For legal advice, consult a lawyer of your own choosing about your situation.

Business Expansion

I. For Farmers Looking to Expand their Business

If you are a small scale, local farmer... read on! This overview was put together for you to encourage you and give you some ideas for local options that may help expand your business.

There are many uncertainties facing farmers today with unpredictable crop yield and this guide was designed to help you think about and brainstorm ways to increase your profits but also decrease the risks you face.

II. Supplemental Income - Diversification

Unpredictability got you down? Think about supplementing your income by reaching out to your consumers through new avenues or even having them come to you for some engaging entertainment!

A great way to expand your business is by supplemental income activities on the farm. This means generating revenue through means other than just selling your produce. Examples of ways to supplement income are roadside stands, pick-your-own activities for visitors or hay rides. These activities are called "Agritourism" and North Carolina has many opportunities for farmers.

Agritourism is defined under a N.C statute (§ 99E-30) as "Any activity carried out on a farm or ranch that allows members of the general public, for recreational, entertainment, or educational purposes, to view or enjoy rural activities, including farming, ranching, historic, cultural, harvest-your-own activities, or natural activities and attractions. An activity is an agritourism activity whether or not the participant paid to participate in the activity. "Agritourism activity" includes an activity involving any animal exhibition at an agricultural fair licensed by the Commissioner of Agriculture."

"Feeding cows and picking peas may not be the activities most people have in mind when planning a vacation, but farms are increasingly popular tourist destinations in North Carolina today. According to a 2005 survey conducted by the North Carolina Department of Agriculture and Consumer Services, 54 percent of the state's agritourism venues saw an increase in the number of visitors between 2003 and 2004. If you're interested in agritourism, or engaging in farm-style experiences on your vacation, North Carolina has much to offer. [From USA Today]" www.ncagr.gov/agritourism.

There are 3 types of agritourism:

- 1) Direct Marketing Agritourism.** This would be road-side stands, farmers' markets, fairs, etc. where you can sell directly to consumers.

2) Education and Experience Agritourism. This would be something where visitors are allowed to come onto the farm and engage in activities such as “pick-your-own” produce, tours, bed-n-breakfasts, or cooking classes. In such activities, you would also be able to sell your produce directly to the consumers but they would also benefit from having fun and get to experience life on your farm! By inviting consumers onto your farm you can even have them help with your labor... for free! Some people may enjoy the hands on experience and could even teach them something while they are likely to also buy some of the produce they helped cultivate. Win-win! This is a great opportunity at local schools. *Think about partnering with a local elementary or middle school and offering to host a day trip for a classroom experience.*

If you have the resources to host small or large groups, this is an easy way to supplement your income and involves little risk on your part. But you must have someone who can greet guests and ensure they have a positive experience- that is very important for the success of this type of venture! All you need is a positive attitude and a willingness to work with the public!

3) Recreation and Event Agritourism. Examples of this type of agritourism include corn mazes, hay rides, petting zoos or camping, etc.

If you decide that expanding your business through agritourism is right for you, then it is important that you stop and think about what exactly you want to offer and how you plan to execute your idea before you begin.

Step 1: Come up with a ***mission statement!***

- Don't be intimidated! This is quite simple but a very important starting point. It will help you stay focused on your goal when things start to get complicated. Just write out what type of service or experience you want people to have when they come in contact with your farm.

Step 2: Check with your local county's office for zoning ordinances and the health department.

- Make sure that the activity you plan to offer is allowed in your district and make sure that you get a permit if required. Also make sure there aren't any land-use restrictions. *Tip: be sure to be friendly with the county office! Find out who is your contact person and stay in contact with them. Getting a permit **can** be a headache and you want to have someone in the office on your side!*

Step 3: Network!

- Talk to other farmers who have done similar things and talk to your neighbors to make sure they are okay with your ideas. Also, check in with the local schools and organizations and see if they are interested in helping out or participating. Tell them what you are doing and invite them over! Spread the word!

Step 4: Marketing

- Make a logo or a brand name. Make signs and if you don't have the resources, maybe a school would be willing to have a student project to make a sign for you! Consider where to place the signs, if your farm is close to a road or if there is a busier road or highway nearby. If you decide to have a sign off-site then check with local or state regulations.
- Also, consider having a gift shop for people who visit your farm where you could sell directly to your visitors!

III. Liability and Risk Management

Land Use Liability:

With agritourism comes liability, and you may be thinking it's a risk to have some stranger come onto your farm. However, North Carolina has already considered these risks and wants to encourage you to offer these opportunities to the public because they believe it is a worth-while experience! They enacted a law to help reduce your risk that says an agritourism agent will not be liable for death or injury resulting from the inherent risks of the agritourism activity including risks of land, equipment and animals, as long as a warning sign is posted in accordance with the law. *See N.C. Gen. Stat. § 99E-30 for details on what the sign must say and where it should be placed.* However, exposing a visitor to an unreasonable risk may still subject you to liability. Always take precautionary measures when inviting people to visit your farm.

Check pesticide and environmental regulations. Agricultural activities are largely exempt from the Clean Water Act, but make sure you are following all local and federal land use regulations on your farm.

Employment Regulations:

It is very important to check and double-check that you are in compliance with licenses, regulations and paying taxes in order to avoid large fines or penalties. You should check with your local government about obtaining the proper **business license**. This may vary depending on whether you are a corporation, partnership or sole proprietorship, etc.

Depending on what type of business you are operating, you may also require workers' compensation insurance. Generally, agriculture is only required to obtain workers' compensation insurance if they employ 10 or more non-seasonal employees. However, depending on the type of agritourism you plan on engaging in, you may be required to purchase this type of insurance. *See N.C. Gen. Stat. § 97 et al.*

You also need to check the Occupational Safety and Health Act (OSHA), the Fair Labor Standards Act, the Child Labor Act as well as unemployment taxes and income tax withholding. Make sure you cover your bases and are following all regulations. Some of

these can be very complicated so make sure you check with the appropriate government office to ensure you are following all the rules.

The Americans with Disabilities Act requires *all* business to comply and ensure that persons with disabilities are allowed to access the accommodations and/or employment opportunities. This is overseen by the U.S. Department of Justice and more information can be obtained at their website: www.ada.gov.

Other specific permits and licenses may be required depending on the type of enterprise you are offering. Make sure you check with the local and state offices and ask about what types of permits or licenses you need.

Source: http://www.ncsu.edu/tourismextension/documents/Regulations_000.pdf

Risk Management:

Farmers face an enormous amount of uncertainty from the weather, prices, technology investment, legal or personal illness that affect their business and ability to earn a livelihood.

Avoidance is the first way to manage risk. This is a strategy that is to avoid investing in activities with certain types of risk. An example of avoidance is not to grow a crop that has a small possibility of success. However, with all business ventures come a certain amount of risk and the key is to carefully weigh the risks with the benefits and make an educated decision.

Diversification is a popular way to reduce risk. This is when you create more than one enterprise on the farm that generates income, such as agritourism. This can help insure that you have money coming in, even if you don't produce as many crops as you were expecting. Although this type of may require you to cover other types of risk, it may help you with the risks associated with production.

Crop insurance may be another way to protect your income from natural disasters that damage your crop yield. To cover your crops, you pay a premium and in the event a natural disaster destroys your crops, you won't lose your revenues. This type of insurance varies by the type of crop and location and should be examined very closely before making a decision.

Another important aspect of risk management is planning! Consider the best and worst case scenarios before starting your venture and be prepared. Be flexible and know what you are getting into. Take small steps and grow a venture slowly to ensure that it is moving along smoothly and that you are learning along the way and constantly improving.

Manage your risk and progress as you grow your enterprise and identify exit strategies. In the event that your business does not take off, you need to recognize when to quit before you lose too much investment.

For a complex and informative break-down of risk management in agriculture, check out: http://future.aae.wisc.edu/publications/risk_management_for_farmers.pdf

IV. Finding Funding

If you are worried about start-up costs for agritourism or managing your risk, there may be ways you can get funding from the government. The federal and state government have many programs that offer grants to assist you in starting your enterprise and risk.

Federal:

One such federal program is the **Farmers' Market Promotion Program** funded through the U.S. Department of Agriculture for improving and expanding domestic farmers' markets, roadside stands, community-supported agricultural programs, agri-tourism activities and other direct producer-to-consumer market opportunities. Awards can be up to \$100,000. Approximately \$10 million in grants were available for 2012. For more information on how to apply, visit: www.ams.usda.gov/AMSV1.0/FMPP.

To see a list of more USDA federal grants and programs including Rural Development Assistance, Beginning Farmers, Business Development, Farm Loans and Organic Cost Share Program and many more, visit:

www.usda.gov/wps/portal/usda/usdahome?navid=GRANTS_LOANS.

If there is an emergency declared in your area by the President or the Secretary of Agriculture, the USDA's Farm Service Agency there is an Emergency Farm Loan that gives a maximum of \$500,000 to restore or replace property, pay costs, living expenses or refinance debts. For more information visit:

<http://www.fsa.usda.gov/FSA/webapp?area=home&subject=fmlp&topic=efl>.

North Carolina:

In 2005, Agriculture Commissioner, Steve Troxler, introduced a bill to establish the **N.C. Agricultural Development and Farmland Preservation Trust**. The goals of this trust is to fund "public and private enterprise programs that will promote profitable and sustainable family farms through assistance to farmers in developing and implementing plans for the production of food, fiber, and value-added products, agritourism activities, marketing and sales of agricultural products produced on the farm, and other agriculturally related business activities." In 2011-2012 over \$1.8 million in grants was awarded to 19 different recipients. Check the website for grant opportunities and how to apply:

<http://www.ncadfp.org/aboutus.htm>.

V. Resources

North Carolina farmers should check out the local resources available to help educate and increase their marketing.

The N.C. Certified Roadside Farm Market Program

This program is designed to promote marketing of local producers. This program provides free signs and a marketing kit for farmers who sell directly to the public at roadside farmers markets with a minimum of 51% of their total sales from farm products grown by the market operator. To qualify for this program, you must get a N.C. Department of Agriculture & Consumer Services Grower's Certification.
www.ncfarmfresh.com/certifiedcriteria.asp.

If you are thinking of starting in the agritourism field, consider joining the **Agritourism Networking Association**. This is a great tool for marketing and advertising and their website has a list of its members and the locations of their farms and roadside stands. They have a statewide conference every year to educate and inform its members and promote agritourism. They also send out a monthly newsletter. Membership for century farms is free and new membership for one year is \$50 while a 5 year membership is \$100. Find out more about what they can do for you as a member at:
<http://www.ncagr.gov/markets/agritourism/ANAmision.htm>.

North Carolina also has an **Agricultural Tourism Highway Signs Program**. The purpose of this program is "to direct visitors and tourists to agricultural venues that are open to the public for tours and on-site sales or samples of North Carolina agricultural products." If you plan to offer tours or road-side stands, and are open to the public at least 10 months a year and 4 days a week, then you may be eligible for a highway sign. This is authorized by statute in *N.C. Gen. Stat. § 106-22.5*. If you are interested in obtaining a highway sign, look for more information about how to apply at:
<http://www.ncagr.gov/markets/agritourism/HighwaySignInfo.htm>.

North Carolina may also *reimburse* you for getting **organic certification**. You can learn more and apply for reimbursement at:
www.ncagr.gov/markets/commodit/horticul/ncorganics/index.htm.

VI. Conclusion

To sum it up, there are tons of resources out there to help you manage your risk and expand your business. In fact, supplementing your income with agritourism activities helps ensure revenues for your farm so much so that the government wants to support and encourage you to develop an activity for the public on your farm! There are many benefits to you and the public but you should consider after reading this guide whether agritourism is something that you have the resources and energy to invest in. You want to be able to ensure a positive and enjoyable experience for your customers!

Good luck and have fun!

Disclaimer: This guide is not meant to represent any legal advice of any kind and is only offered to provide guidance in assessing what further research should be done before beginning a new enterprise in agriculture.