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Connecticut Agricultural

Business Management Guide











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We wish to express a special thank you to the farmers and others who critiqued this guide and helped us improve it for your use. If you have updated information or suggestions, contact:

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Introduction

This guide is designed primarily for the agricultural producer in Connecticut. It covers basic information dealing with developing a strategy for getting into business, setting up, and conducting a business in Connecticut, and provides a primer on the various rules and regulations in Connecticut that every agricultural business owner should know. It can also be used by advisors to agricultural producers as a reference tool.

Farming can be a very satisfying lifestyle. In order, however, to be financially successful, new farmers must view their operation as a business. You may not need all the information detailed in this guide, however, much of this may be useful to you.

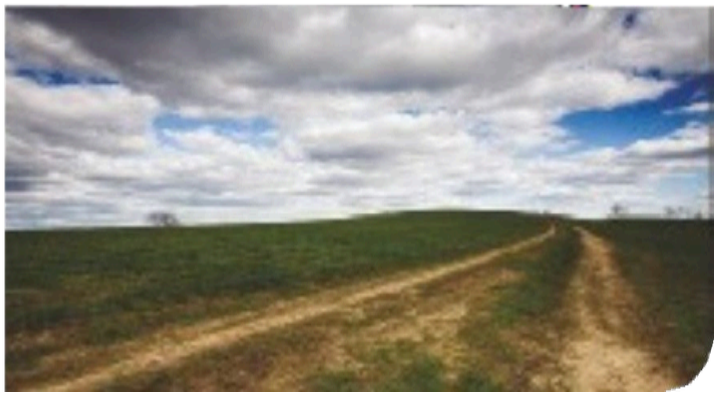
One of our contributing farmers asked us to share with you that "you always need more money than is projected" to run your business. You may want to keep this in mind as you tap into the resources available to you to grow and develop your agricultural business.

The Definition of Agriculture

Connecticut General Statutes, Sec. 1-1(q) Except as otherwise specifically defined, the words "agriculture" and "farming" shall include cultivation of the soil, dairying, forestry, raising or harvesting any agricultural or horticultural commodity, including the raising, shearing, feeding, caring for, training and management of livestock, including horses, bees, poultry, fur-bearing animals and wildlife, and the raising or harvesting of oysters, clams, mussels, other molluscan shellfish or fish; the operation, management, conservation, improvement or maintenance of a farm and its buildings, tools and equipment, or salvaging timber or cleared land of brush or other debris left by a storm, as an incident to such farming operations; the production or harvesting of maple syrup or maple sugar, or any agricultural commodity, including timber, as an incident to ordinary farming operations or the harvesting of mushrooms, the hatching of poultry, or the construction, operation or maintenance of ditches, canals, reservoirs or waterways used exclusively for farming purposes; handling, planting, drying, packing, packaging, processing, freezing, grading, storing or delivering to storage or to market, or to a carrier for transportation to market, or for direct sale any agricultural or horticultural commodity as an incident to ordinary farming operations, or, in the case of fruits and vegetables, as an incident to the preparation of such fruits or vegetables for market or for direct sale. The term "farm" includes farm buildings, and accessory buildings thereto, nurseries, orchards, ranges, greenhouses, hoop houses and other temporary structures or other structures used primarily for the raising and, as an incident to ordinary farming operations, the sale of agricultural or horticultural commodities. The term "aquaculture" means the farming of the waters of the state and tidal wetlands and the production of protein food, including fish, oysters, clams, mussels, and other molluscan shellfish, on leased, franchised and public underwater farmlands. Nothing herein shall restrict the power of a local zoning authority under chapter 124.







Starting and Building an Agricultural Business

Introduction

There are many things to consider when starting an agricultural business. This guide is designed to provide an overview of the process.

Do You Have What It Takes To Be Successful?

Before proceeding with your agricultural business plan, consider the following aspects of being a business owner.

- **Vision**. This is the first thing you need, and you cannot proceed without it. A vision is a realistic idea of what your business is going to be. This is not just a product or service, but a complete, integrated system for doing business. You must always have a goal and a plan to get there.
- **Time**. Running your business will take much more of your time than working for someone else, especially at the beginning. If you have a list of activities that you are not willing to give up for your business, then you may not have the time.
- **Ability to Prioritize**. No matter how much time and other resources you put into your business, it may never be enough to accomplish everything you want to. You will have to be able to set priorities for the best long-term outcome for the business.

- **Ability to multi-task.** The business owner has to manage operations, financials, sales, staff, purchasing, legal and more – all at the same time. Interruptions are more common than not, and most days do not go as planned.
- **Ability to Partner.** Running a business goes beyond just collaborating with people. You will have highly important relationships with your customers, suppliers, employees, and the government agencies that regulate or tax you. If any of these relationships is adversarial, your business will suffer.
- **Discipline**. Do you have the discipline to focus on your business? That means setting goals and sticking with them until they are accomplished or you make a sound business decision to change them.
- **Responsibility**. You will also be responsible for anything the business does. You will be responsible for any reporting requirements.
- **Ability to be a good and respectful neighbor**.

Furthermore, it is important to be aware of some common reasons that businesses tend to fail. Ask yourself what you will do to overcome the following problem areas:

- Lack of management experience or capability
- Insufficient cash to start or working capital
- Wrong location
- Insufficient systems, policies, and procedures
- Too much debt at start-up
- Poor supply chain/credit arrangements
- Business cash flow insufficient to meet personal demand for cash
- Unexpected customer behavior
- Competition
- Over-estimated sales and/or under-estimated expenses

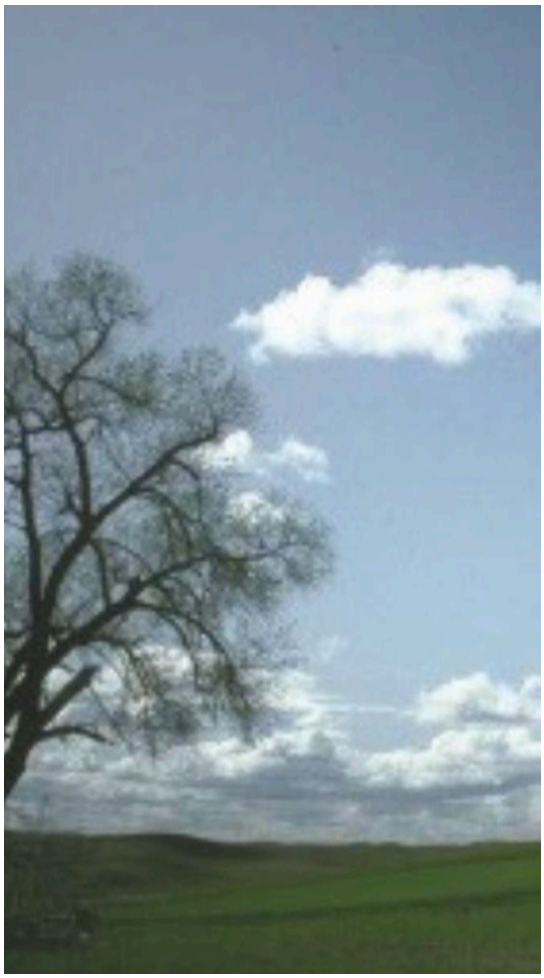
Starting a Business

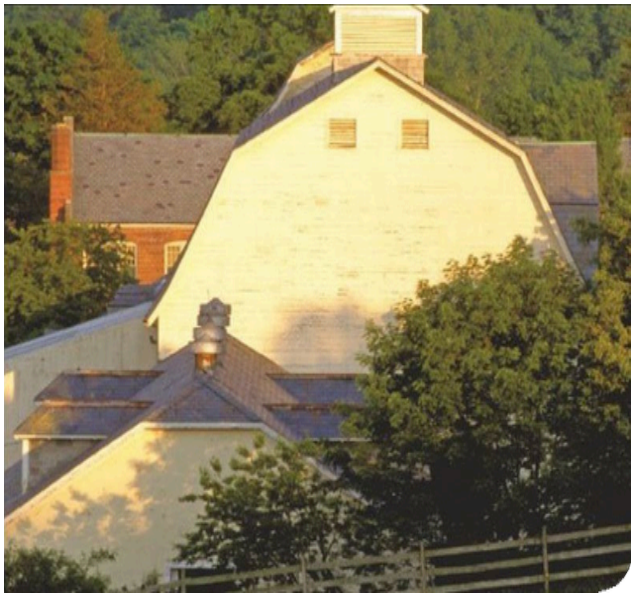
The next page lists some basic steps to starting a business. **Keep in mind you might need other steps specific to your business.**

For additional helpful information on starting a farm business:
https://extension.uconn.edu/publication/starting-a-farm-registration-tax-obligations/

1. Choose a new business or adopt a new enterprise that you are enthusiastic about. This is the most important step, since what you are choosing will basically be a lifestyle for you and your family. Share your thoughts with your family and encourage them to ask you how you will include this business in your and their life goals.
2. Develop a personal needs assessment:
    a. How much money do you need to live on each month? How much of this will be drawn from the business?
    b. Who is your lawyer, accountant, lender, consultant, insurance agent? Do they understand your needs and your industry?
3. Develop a network. Join member organizations. You can learn a great deal by joining the appropriate commodity organizations or farm groups. Contact UConn Extension to learn what associations might be useful to you. Field meetings, twilight meetings, and factsheets are also items that will aid you. Suggest reviewing the document Growing a Farm Business at the Connecticut Department of Agriculture for information that may be helpful.
4. Develop a complete business plan. After the plan is done, visit your town hall and ask if there are any issues with your agricultural business plan. There are municipal laws that may prescribe what you may or may not do (for example, acreage in order to be a farm, farm stand restrictions, retail sales, parking, land use restrictions). Also review state and federal regulations to determine the laws and regulations that will impact your business as well.
5. If farmland is owned and used in agriculture, consider the benefit of PA 490 to potentially reduce the amount of real estate tax you would owe the town. This provision values the farmland at its use value, not fair market value to determine the amount of tax that would be due. There are also open space and forestland provisions. Rules apply that must be reviewed.
6. Determine the legal form of your business: sole proprietor, partnership, corporation, limited liability company, etc.
7. Register with the Department of Revenue Services (DRS) if you want to take advantage of various farm regulations or to sell certain farm products: https://portal.ct.gov/drs?os=win&ref=app
    a. Obtain a Farmers Tax Exemption Permit (Form REG-8) that enables you to purchase farm business related supplies sales tax free. The primary requirement is that you make yearly gross sales of at least $2,500.
    b. Obtain a Sales and Use Tax Permit (Form REG-1) if you make taxable sales and must collect sales tax.
8. To register businesses other than Sole Proprietorships and General Partnerships visit the Business Registration Tool. Sole Proprietorships and General Partnerships can be registered at your local/municipal clerk's office and not with the Secretary of State.
9. Become aware of financial requirements. Seek the guidance of an accountant to prepare tax and other documents for your business. Register for all federal IRS requirements including payroll tax deposits and other payments. www.irs.gov Register for all state requirements.
10. Set up a business checking account and a business record-keeping system. Establish a line of credit with a bank if one will be needed now or in the future.
11. Be sure all insurances are in place.
12. Get workers compensation coverage for employees as required by Connecticut law.
13. If you can, consider starting your business part-time to evaluate the concept.
14. Obtain any operating licenses and permits including licenses to prepare food or process food or to apply pesticides.







Choosing a Legal Form to Operate

Introduction

Before you develop your business plan, you need to select a legal form for your business. You make that choice based on characteristics that differentiate the forms of business based on what is most advantageous for you and your business. Those characteristics include organizational and reporting requirements, ease of formation and transfer, treatment of earnings and taxes, and liability.

The following are some important factors to consider:

- The complexity of your operation
- The level of control you want
- The level of structure you are willing to deal with Business's vulnerability to lawsuits
- Tax implications of the different ownership structures
- Whether or not you need to reinvest earnings into the business
- Your need for access to cash out of your business for yourself

Seek legal help from a qualified attorney when considering your options. Pick the entity that meets your needs. Deciding the form of ownership that best suits your business venture should be given careful consideration.
Registration of various business entities can be found at:
https://business.ct.gov/start/registering-your- business

The following section will review five different legal forms under which a business may operate including sole proprietorship and partnerships. Corporations; sub chapter S corporations; and limited liability companies. Northeast SARE Publication "Farmer's Guide to Business Structures" is a source of information that can be found at
https://www.sare.org/resources/farmers-guide-to-business-structures/

Sole Proprietorships

These businesses are owned by one person, usually the individual who has day-to-day responsibilities for running the business. Sole proprietors own all the assets of the business and the profits generated by it.
They also assume complete responsibility for any of its liabilities or debts. In the eyes of the law and the public, you are one and the same with the business. The sole proprietorship itself is not taxed by the state
or federal government. All income and expenses from the sole proprietorship is reported on the owner's personal tax return, on Schedule F for a farm (Schedule C for a nonfarm).

The net income on Schedule F is added to the business owner's income on his or her tax return, form-1040. The business owner then pays all federal and state income taxes at his or her personal tax rates. In addition, Schedule F net income is subject to self-employment tax (social security). Losses from a sole proprietorship are generally deductible based on certain complex rules.

Advantages

- Easiest and least expensive form of ownership to organize and operate.
- Operator is in complete control.
- Operator receives all income generated by the business to keep or reinvest.
- Profits from the business flow directly to the operator's personal tax return.
- The business is easy to dissolve, if desired.

Disadvantages

- Operator has unlimited liability and is legally responsible for all debts against the business. Their business and personal assets are at risk.
- Business terminates at death unless an estate plan is in place.

Partnerships

In a partnership, two or more persons share ownership of a single business. Like proprietorships, the law does not distinguish between the business and its owners. While not required, the partners should have a legal agreement that sets forth how decisions will be made, profits will be shared, disputes will be resolved, how future partners will be admitted to the partnership, how partners can be bought out, and what steps will be taken to dissolve the partnership when needed. They also must decide on how much time and capital each will contribute, etc. The profits from the business flow directly through to the partners' personal tax returns.

Advantages

- Partnerships are relatively easy to establish; however, time should be invested in developing the partnership agreement.
- The business usually will benefit from partners who have complementary skills.

Disadvantages

- Partners are jointly and individually liable for the actions of the other partners. The liability is joint and several, meaning that any of the partners could be held responsible for the entire debt of the business if the other partners have insufficient assets to cover their share of the loss.
- Since decisions are shared, disagreements can occur.
- The partnership may have a limited life; it may end upon the withdrawal or death of a partner.
- Income tax consequences can occur upon formation and dissolution of the company. Care should be taken to avoid tax consequences to the extent possible.

Types of Partnerships

In a General Partnership partners divide responsibilities for management and liability as well as the shares of profit or loss according to their internal agreement. Equal shares are assumed unless there is a written agreement that states differently.

In a Limited Partnership, limited partners have limited liability (to the extent of their investment) as well as limited input regarding management decisions, which generally encourages investors for short-term projects or for investing in capital assets. This form of ownership is not often used for operating businesses. Forming a limited partnership is more complex and formal than that of a general partnership.

Corporations

A corporation chartered by the state in which it is headquartered is considered by law to be a separate entity and apart from those who own it. A corporation can be taxed, it can be sued, and it can enter into contractual agreements. The owners of a corporation are its shareholders. The shareholders elect a board of directors to oversee the major policies and decisions. The board appoints officers who handle the day-to-day aspects of operating the business. The corporation has a life of its own and does not dissolve when ownership changes.

A ”C” corporation is taxed as a separate legal entity, paying tax on its income at the corporate federal and state tax rated. C-Corporations file federal taxes on Form 1120 and pay quarterly estimated taxes with Form 1120-W. While corporate tax rates are generally lower than personal rates, the profits of a corporation are paid to the stockholders as dividends. Dividends paid by a corporation are after tax income to the corporation and taxable income to the stockholders (frequently called ‘double Taxation’).

Advantages

- Shareholders have limited liability for the corporation’s debts or judgements against the corporations.
- Generally, shareholders can only be held accountable for their investment in stock of the company. (Note however, that officers can be held personally liable for their actions, such as the failure to withhold and pay employment taxes).
- Corporations can raise additional funds through the sale of stock.
- A corporation may deduct the cost of certain benefits it provides to officers and employees.
- Can elect S corporation status if certain requirements are met.

Disadvantages

- Theprocess of incorporation requires more time and money than other forms of organization. Corporations are monitored by federal, state, and local agencies, and as a result may have more paperwork to comply with regulations.
- Incorporating may result in higher overall taxes. Dividends paid to shareholders are not deductible from business income; thus, it can be taxed twice.

Sub-chapter S-Corporations

A tax election only; this election enables the shareholder to treat the earnings and profits as distributions and have them pass through directly to their personal tax return. The catch here is that the shareholder, if working for the company, and if there is a profit, must pay him/herself wages, and must meet standards of “reasonable compensation”. The basic rule is to pay yourself what you have to pay someone to do your job, as long as there is enough profit. If you do not do this, the IRS can reclassify all of the earnings and profit as wages, and you will be liable for all the payroll taxes on the total amount. For federal tax purposes, S- Corporation income, and deductions “flow through” from the Corporation to the individual shareholders. This has the advantage of avoiding the double taxation and still offers the legal status of a corporation.

Limited Liability Companies (LLC)

A Limited Liability Company (LLC) is a business structure allowed by state statute. Each state may use different regulations. You should check with your state if you are interested in starting a Limited Liability Company.

Owners of an LLC are called members. Most states do not restrict ownership, so members may include individuals, corporations, other LLCs, and foreign entities. There is no maximum number of members. Most states also permit “single member” LLCs, those having only one owner.

Depending on elections made by the LLC and the number if members, the IRS will treat an LLC as either a corporation, partnership, or as part of the LLC’s owner’s tax return (a “disregarded entity”). Specifically, a domestic LLC with at least two members is classified as a partnership for federal income tax purposes unless it files Form 8832 and affirmatively elects to be treated as a corporation. For income tax purposes, an LLC with only one member is treated as an entity disregarded as separate from its owner, unless it files Form 8832 and elects to be treated as a corporation. However, for purposes of employment tax and certain excise taxes, an LLC with only one member is still considered a separate entity.

An LLC is a US business structure type that offers the personal liability protection of a corporation with the pass-through taxation of a sole proprietorship or partnership. LLCs are popular because business owners can avoid the double taxation and administrative burden of a corporation while still having the benefit of personal asset protection.

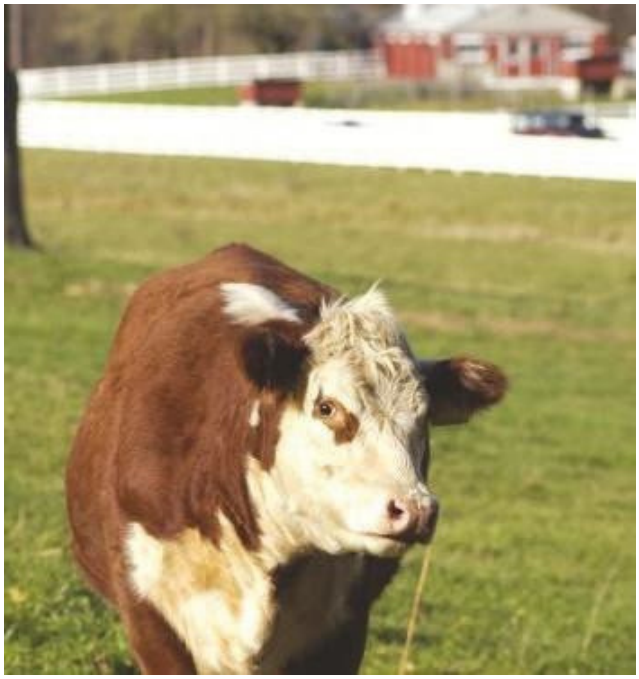
Advantages:

- Protection from personal liability for business debt
- Pass through taxation

Disadvantages:

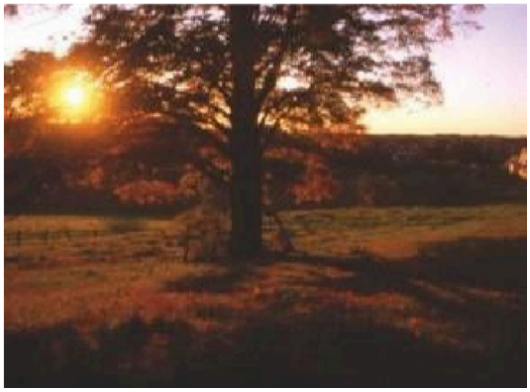
- Relativelynew – courts have not decided many LLC cases involving liabilities
- Cannot take company public

***When choosing a legal form to operate, seek professional guidance from an attorney and an accountant on the optimum way to set up your business to assure you operate within the rules and regulations required.**









Business Plans

The Business Plan

A critical element to starting or improving your business is the formation of a business plan. A business plan is an essential element that helps set production and financial goals, plan strategically, and acquire loans. In addition, a business plan can help you judge the progress of your business and potential areas that could be improved. When deciding what to include in your business plan, remember that it should reflect an outline of your business. Therefore, not all business plans are the same and the order of topics within your business plan may vary. However, there are some key elements that are necessary to achieve success. First, think about these general ideas when writing your business plan.

General Ideas

- A business plan will help you determine the potential profitability of your company. It will uncover potential strengths and potential weaknesses in your business. So be forthright with information!
- A business plan sets goals that help you measure results compared to your plan. Tracking the business against the plan is a highly effective management tool and this will help you make prudent adjustments along the way.

- A business plan keeps everyone working towards the same goals including management and employees. For most small businesses, fewer employees mean greater levels of responsibility. So make sure every position within your business is clear.
- A business plan is a tool used by lenders, investors, and banks to evaluate your business. Lenders, investors, and banks need to see that you and your business can provide a return worthy of the risk of providing you with start-up or expansion capital. Lenders and investors will expect reports on your progress and require your plan to be updated on a timely basis during their relationship with your business.
- Finally, businesses require different plans through the life cycle, from a feasibility study before startup, to the expansion plan at a rapid growth stage, to the reorganization plan for a business in decline. Keep in mind that for each stage, your business plan must be revised and updated.

A complete business plan has six general sections:

Business Plan Outline

1. Executive Summary
2. Business Description
3. Operations
4. Marketing Plan
5. Management
6. Financials

Note: You should also present a cover sheet and a table of contents within your business plan.

The following descriptions will help guide you to greater detail on these areas.

Executive Summary

The executive summary is a concise overview of your entire business plan. Typically, it is the first section within a business plan. Its basic function is to inform readers why you think your business will be successful. Since the executive summary is the first section of your business plan, you should keep the material about your business plan intriguing and interesting. Show that your idea meets a consumer need. This will encourage readers to continue through your entire plan while also showing your passion for your business.

If you are starting a new business there are several points you should outline within the executive summary. First, you should summarize the goals for your potential business. These goals will become the objectives that the rest of your business plan is designed to meet. Second, you should mention your experience and knowledge within the industry you would be entering. Make sure you convince the reader that you understand the services or product your business will be supplying. This will be important when approaching creditors.

If you have already started your business, you should summarize your business and its history. Include any goals you have for the future. If you have been successful at this point within your business, highlight your accomplishments. If you have not been successful yet, provide reasons why and describe how you plan to turn your business venture around.

Remember, you must provide a clear outline and vision within your executive summary. But be concise; do not go into much detail. You have the rest of your business plan to cover the details of your business endeavor. There are some smaller elements that will be needed in your executive summary.

These, along with other hints are summarized below:

Key Points

- Give a brief, focused description of your business and products & services
- Describe your history and experience
- Develop your vision and mission statement
- Develop goals: Goals must follow the S.M.A.R.T. concept
    - S=specific, M=measurable, A=attainable, R=realistic, T=timely
- Provide an overview of key elements of your business plan such as finances, marketing, and management
- Provide an overview of why your business will be successful

Business Description

This section focuses on how all the elements of your business fit together. You want to further expand upon some of the elements mentioned in your executive summary while also explaining the organization of your business and the structure it will take.

First, you want to establish the nature of your business. In most cases, the business you are starting would be deemed agricultural. Additionally, include information on the structure of your business (sole proprietorship, partnership, corporation, LLC, etc.). Whatever the reason or need, you must be able to answer the question, why is this business a good idea and what need am I satisfying? You will also want to provide an overview of how your business will work and the kind of product or service you will be providing.

Key Points

- Provide detailed information on the parts of your business and how they fit together Describe assets needed to operate the business (land, building, equipment) including any manufacturing or production process
- Provide information on location of business
- Review of business history and management exp
- Identify legal form chosen for the business

Operations

The operations section of your business plan describes how your business will run smoothly. It focuses on what you will produce, how you will produce it and how much you will produce. Within this section, you should expand upon what products and services you will be offering, possible customer service opportunities, inventory management, licenses, permits, and regulations needed, and environmental issues that could be encountered.

Review risk management tools that will be utilized to manage risk such as crop insurance, other forms of insurance and enforcement of food and work safety standards.

Providing an implementation timeline will help keep your tasks on track and make your business efficient.

Marketing Plan

The marketing plan consists of two main sections: the Market Analysis section and the Marketing and Sales Management section.

Market Analysis

A key to establishing a successful business is acquiring information about the market in which you will be selling your product. Your market analysis should consist of information on the following:

*Note that this section does not contain the marketing strategy for your new business. Instead, the market analysis section simply provides information on the market you are planning to enter. For your market analysis to be helpful, you must explore each of the areas listed below.

Industry Description

The industry description gives an overview and outlook of the industry you would be potentially entering. You would want to include its current size, historic growth rates, trends and characteristics and its interaction with the local community, namely businesses, governments, and consumers. Researching information about your industry is important so that you can gain an understanding about the potential positives and negatives of your business.

Target Market

Another important part of your business is identifying the people who will buy your products or use your services. It is the market or group of people that you want to target as potential customers. In the early stages of your business, it is important to make your target market a manageable size. Do not try to be everything to everybody, which could be the downfall of your business. Start our small and increase your target market as your business expands. Part of the process of establishing a target market is gathering information from potential customers. Understanding some distinguishing characteristics of your customers can be helpful. You should discover the needs of your customers, the demographics of the target group, possible seasonal and cyclical trends in purchasing, and the size of your potential target market. Elaborating on how you will gain consumer trust and how you will reach your customers is also important. Advertising strategies might be needed for certain agricultural businesses.

Competitive Analysis

Competitive analysis is when you identify your potential competition as well as determine their share of the market segment. You should also identify their strengths and weaknesses. When doing your research determine the competition's target market and establish whether your business will be competing for their customers. Two other areas that should be included in your competitive analysis are possible barriers to entry and potential regulatory restrictions. Barriers to entry include high investment costs, the time it takes you to set up your business, technology that may be needed, and lack of a trained workforce. Regulatory restrictions include the requirements you will need to meet and how they can affect your business plans.
For example, if you are planning to start an organic vegetable farm, you must research the regulations that determine if you can call your vegetables "organic."

Key Points

- Explain your industry and its environment
- Understand your potential customer through establishing a target market
- Find the strengths and weaknesses of your competition

Marketing and Sales Management

You want to expand upon the primary factors that will make your business successful. This entails providing a reason the marketplace needs your business. For example, if you are starting an orchard business, a potential reason this venture might be successful could be due to the poor quality of fruits at a local supermarket. Thus, your business would provide for a need. Your business will not survive unless you have customers to purchase your goods or service. You will also offer your goods and services at prices that are both fair to consumers and profitable for your business. This is why your marketing and sales strategies are so important. In this section you will want to define these two important strategies that will guide your business.

First, your marketing strategy is essential to a strong business. Marketing is the process of attracting customers to your business. Defining your marketing strategy focuses on several topics including your market share strategy, your strategy for growth, your channels of distribution and your communication strategy. A market share strategy is basically how you will enter the market with your product. There are two likely scenarios. First, you can gain competitors' customers, this thus acquiring part of their market share. Or you can attract non-users of your product and convince them that they should start purchasing it. This is achieved through an advertising campaign.

A strategy for growing your business is simply how you expand your business once you have entered and adjusted to the market. Typically, you can introduce a new product, or you can introduce your current product to a new market. Channels of distribution refer to how your customers will receive your product.

Finally, your communication strategy revolves around how you are going to reach your customers. Your communication strategy is simply how you will advertise to your target market. Will there be product promotions, media advertising, or personal selling? These are all questions you will have to ask yourself.

Other factors to think about when composing your marketing strategy are where you will locate your business and how this affects your target market. Placement of your business can be a vital key to success in order to draw the potential customers you are seeking.

Sales Strategy

Your salesstrategy includes how you will select your price. This means you must first determine your pricing strategy. If your market consists of several competitors, then you might want to use a competition- based pricing strategy. You could use a cost-plus pricing

strategy, where you determine your price based on the cost of production, or a penetrating pricing strategy, where you set the price low in order to gain access into the market. Whatever strategy you choose, remember this can be an important part of advertising.

S.W.O.T. Analysis

SWOT analysisis a toolthat helps you evaluate Strengths, Weaknesses, Opportunities, and Threats (SWOT) involved in a farm business. A SWOT analysis can help you to better understand your current business and to consider solutions to existing or future concerns.

Strengths: Strengths are considered mostly internal. For example:

- If you are planning to start a business, you may have previous experience in the industry you are considering. If not, this may be viewed as a weakness.
- If you are an existing business, years of expertise in the business may be a strength
- Your equipment is up to date

Weaknesses: Weaknesses are also considered mostly internal and are the items you will need to address for success of your business. For example:

- Lack of experience in the selected industry
- Family members do not completely support you in this venture
- Lack of qualified employees or your business will not support full-time employees
- Poor financial management skills
- High turnover of employees
- Lack of necessary capital for equipment
- High debt

Opportunities: Opportunities are considered mostly external. For example:

- Ability to take advantage of low interest loan rates if available
- An idea that has not been previously tried in your area and you know people are seeking the product you plan to introduce
- Thriving economy

Threats: Threats are also considered mostly external. These are threats from outside of your business over which you may have no control. For example:

- If you are starting a new business, you may have the threat of local regulations negatively impacting your business
- Unforeseen competition
- Loss of markets
- Adverse weather
- Rising interest rates

When conducting your SWOT analysis keep in mind that one item can offset another. For example, your strengths may combat your weaknesses, and your opportunities can offset your threats. A SWOT analysis should be conducted at least annually. The goal is to maximize and add to your strengths, overcome and understand the impact of your weaknesses, understand and take advantage of opportunities, and understand and reduce the impact of threats.

Summary of Key Marketing Points to Consider

- Sell benefits of a product rather than features of a product
- What makes your products or services attractive to the target market?
- What is the price structure?
- How does that pricing compare to the industry and why is it different or the same?
- Why will that price structure appeal to the target market?
- Where will you place your business or what is your means of distribution?
- Why will that appeal to the target market?
- How will you get your message to the target market?
- Understand the 4 P's of Market: Price, Promotion, Place, and Product
- What differentiates your products or services?; what is your niche if any?
- What are your advantages over the competition?
- Complete a SWOT analysis – determine your business's strengths, weaknesses, opportunities and threats

Management

Your business management strategy is arguably just as important as the need you will be fulfilling by providing your product or service. Without efficient management, the ability to produce a product or service becomes considerably harder. In this section, you will want to outline your business structure. Simply describe what jobs need to be performed and who will perform them. If your business includes more than one owner, then you must include your partner's background as well as how you plan to split the managing tasks. An organizational chart with a description of the production and management responsibilities should also be included in this section.

Key Points

- Provide business organization structure
- Develop organizational chart
- Provide job descriptions for all positions, including employee management systems regarding recruitment, salary structure, vacations, etc.
- Identify advisors

Financials

The last section of your business plan is also one of the most important. When you present your business plan to investors or lenders, they will examine your financials very closely. You must present precise and accurate financial statements. If you are just starting your business, your financial statements may be estimates of what your future plans may be. All businesses, both startup and established will need to provide financial data. Your financial package should include historical and forecast income statements, balance sheets, cash flow statements, and capital expenditure budgets. For your first year of business, you should provide monthly or quarterly projections for years 2 through 5. In some cases, since agricultural practices can be seasonal, yearly projections will do.

Key Points

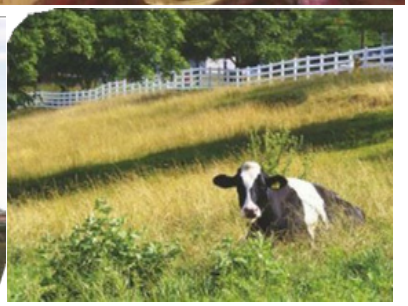
Determine start-up capital needed as well as any additional funding needed after initial start-up. Documents you will need:

- Profit and loss statement (actual income and expenses by operating year and projected) 1-5 years
- Cash flow statement (actual and projected) 1-5 years
- Actual and projected balance sheet (at beginning and end of projection period) 1-5 years
- Break even analysis
- Amortization schedule(s) of loan(s)
    - Depreciation schedule (showing equipment purchased over the span of the projections)
- Tax returns (3 years) of owners and business (if business filed a separate tax return such as a partnership, corporation, or LLC)
- Personal financial statement of all principals as well as business

There are many publications and computer programs that can assist you in developing and writing your business plan. Ag Plan, an agricultural business plan site, is offered by the University of Minnesota at https://agplan.umn.edu. This website provides templates to assist you in developing your business plan.







Record Keeping

Introduction

Records are important to the financial health of your farm. Good records do not ensure your business will be successful; however, success is unlikely without them. Records are a good management tool. They are essential for preparing income tax returns; submitting to lenders to make loan decisions; for establishing eligibility to participate in government loans and grant programs; and for determining the proper level of insurance coverage.

1. Every business must file tax, and information returns with local, state, and federal authorities. Organized, accurate records will make the process easier. You will be more likely to pay just what you owe while avoiding penalties and fines.
2. Well-maintained financial and production records help the owner control and manage the business. Good records are the foundation of a profitable business.
3. Records are necessary to secure loans, acquire insurance and apply for other financial incentive programs.
4. Records allow producers to conduct a production risk analysis.

Also, keep in mind whether the owner operates the business as a sole proprietorship, a partnership, a limited liability company, or a corporation, keep personal finances separate from business finances. Never co-mingle personal and business funds in the same bank account. Mixing business and personal finances makes control and measurement of the business difficult.

Accounting Methods

Cash Method

If you operate on a cash basis, the general ledger is nearly a complete source of information for an income statement and the Federal income tax Schedule F and other related forms. Most small agricultural businesses can operate for tax purposes on a cash basis. Income is reported when received and expenses are deductible when paid.

Accrual Method

The accrual method of accounting is an alternative to the cash method of accounting. With the accrual method, you record income and expense activities when they occur, not when money is received or spent. The accrual method of accounting lends itself to more useful farm management analysis because revenue and expenses are recorded in the same time period. To employ the accrual method, resources must be inventoried regularly with adjustments made for changes in accounts payable, accounts receivable along with inventories and pre-paid expenses. If you prepare a balance sheet at the end of each year, then you can create an accrual income statement each year as well. A cash income statement becomes an accrual income statement after adjustments are made based on the beginning and ending balance sheets.

Creating and Maintaining an Accounting System

An accounting system is simply a term for farm records. Generally, five types of data are needed for the farm business accounting system:

1. Daily cash farm receipts and expenses, including loans and payments
2. Capital purchases and sales
3. Depreciation records
4. Annual inventory at end of the business year
5. Payroll records

Note: Discuss your accounting needs with a qualified accountant. A qualified accountant will assist you to maintain the records needed to satisfy the needs of your business.

Framework for Financial Analysis

Toreport how the farm businessis doingrequires at least three financial statements: the Balance Sheet, the Income Statement, and Cash Flow Statement. All statements should relate to the same time period, the business year.

Balance Sheet

The Balance Sheet shows what you own and its value and what you owe as of a point in time. The difference is net worth at the end of the business year. The balance sheet is helpful in acquiring funds, measuring financial progress, considering risk, and valuing ownership. The balance sheet must be based upon an inventory taken at the end of the business year. Counting assets is relatively easy.

Valuing assets, however, is more difficult. Assets are generally valued at their fair market value (FMV), which is generally the net market price for which they could be sold. They could also be valued at their original cost minus depreciation (book value).

Generally, most assets on a business financial statement for lending purposes are valued at FMV. However you decide to value a resource, you should be consistent from year to year. Liabilities are easier than assets to value. A listing of actual debts to banks and other creditors is usually sufficient. The only difficulty is adjusting for accrual interest and other similar expenses.

For example, if your annual land payment is due in August and you take inventory of your resources on December 31, then an adjustment must be made concerning the amount of interest that has accrued since the last payment.

Types of Farm Assets

Current farm assets: These include cash, accounts receivable and other assets that are easily converted to cash without affecting the business operation. They include prepaid expenses, supplies, crops, livestock, and others that will be consumed in production or that will be sold during the year.

Intermediate farm assets: These include those that support farm production and have a useful life of more than 1 but less than 10 years. Breeding livestock, tools, vehicles, machinery, and equipment fall into this category. Unlike current assets, intermediate assets are not easily converted to cash; doing so would disrupt production. For example, machinery and equipment are harder to sell than crops and market livestock and selling these assets may reduce farm productivity.

Long-term farm assets: These include farmland, buildings, improvements, and items that have a useful life of more than 10 years. These assets are difficult to convert to cash, and doing so would seriously affect farm production.

Non-farm assets: This is another section included on the asset side of the balance sheet. For many farmers, personal items such as a home, furnishings, or vehicles are considered part of the farm operation. If they are not included in the farm asset categories, they may be included in the non-farm asset section. However, some individuals choose not to include personal items in the balance sheet. In this case, the non-farm asset section would be left blank.

Types of Farm Liabilities

Current liabilities: These are debts due in the coming business year. They include your farm accounts payable and accrued expenses such as rent, interest and taxes. Short-term notes such as those you use to cover operating loans and the principal on longer-term liabilities due within the next year are also listed in this category. These liabilities correspond somewhat to current assets since funds needed to make payments on these liabilities may have to come from liquidating current assets.

Intermediate liabilities: These include liabilities that will be repaid from 1-10 years from the date on the balance sheet. Loans for breeding livestock, machinery and equipment are typical of this category. Do not double-count liabilities by including current principal portions of these liabilities that have already been included in the current liability section. Intermediate liabilities correspond to intermediate assets since the intermediate assets will generate the income needed to make the payments on these liabilities as they come due.

Long-term liabilities: These consist of mortgages and contracts owed on farmland and loans for buildings and improvements. These liabilities have payment due dates beyond 10 years. These liabilities correspond to long-term assets. The long-term assets will generate income needed to make payments on these liabilities when they are due. As with the intermediate liabilities, the current principal portion that is included in the current liability category should not be entered here. Non-farm liabilities: these should be listed if non-farm assets were listed on the asset side of the balance sheet.

Contingent liabilities: Consider this type of liability in formulating your balance sheet. These liabilities are contingent upon the sale of your assets. Sales of crops and livestock listed in the current asset category may generate a profit on which you have to pay income taxes. An estimate of these taxes should be included in the current liabilities on the balance sheet.

Income Statement

The income statement shows what the business earned during the business year. This can be on a cash basis or on an accrual basis. An accrual income statement will reflect what the farm actually earned during the years considering accrual adjustments. To develop an accrual income statement, you must have detailed balance sheets from the beginning and at the end of each year.

Cash Flow Statement (historical and projected)

Many start-up businesses generally have expenses right away, but income does not start for some time. A projected cash flow statement simply lists all sources of cash and all uses of cash over a period of time. Remember, an income statement lists only business income less business expenses. This period of time could be completed weekly, monthly, or annually. The point is that the business cannot run out of money or it is out of business. Remember, a cash flow statement considers money borrowed, principal payments and any other sources and uses of cash. An historical cash flow statement lists cash flow over a period of time in the past. The balance sheet, income statement, and cash flow statement are important financial documents. Some businesses may require other financial documents. For example, budgets, a tool that can be used to analyze the business using historical and/or projected financial information, can be very helpful.

Depreciation

If you buy or make improvements to farm property such as machinery, equipment, livestock, or a structure with a useful life of more than a year, you generally cannot deduct its entire cost in one year. Instead, you must spread the cost over the time you use the property and deduct part of it each year. For most types of property, this is called depreciation. You can depreciate most types of tangible property (except land), such as buildings, machinery, equipment, vehicles, certain livestock, and furniture. You can also depreciate certain intangible property, such as copyrights, patents, and computer software. To be depreciable, the property must meet all the following requirements:

1. It must be property you own
2. It must be used in your business or income-producing activity
3. It must have a determinable useful life greater than one year
4. It is not purchased for re-sale

See IRS publication 946 for additional information.

Financial Statements Resource:: University of Minnesota Center for Farm Financial Management Farm Financial Statements information: Farm Financial Statements - Farm Management

Computerized Farm Records

There are computer software packages you can use for record-keeping. They are very helpful and relatively easy to use. If you use a computerized system, you must be able to produce sufficient records to support and verify entries on your tax return. Be sure to discuss entry of information with your accountant to ensure that all information has been recorded properly.







Farm Related Tax Rules, Exemptions, and Incentives

Introduction

There are various rules and exemptions on items such as agricultural tools, equipment, vessels, nursery products, animals, and farm sales. This section illustrates a number of these tax rules and exemptions.

For an overview of related tax exemptions and incentives for Connecticut farmers, visit Connecticut Farm Bureau at:

https://www.cfba.org/shaping-policy/advocacy-toolkit/ and https://www.cfba.org/wp-content/uploads/2025/01/Tax-Reduction-Programs-for-farmers-Summary.pdf

Real Estate Tax – Public Act 490

This law was passed by the Connecticutlegislature in 1963. This Connecticut law allows your farm, forest, or open space land to be assessed at its use value rather than its fair market value or highest and best use value (as determined by the property's most recent "fair market value" revaluation) for purposes of local property taxation.

The lower use value assessment helps many farmers more readily afford local property taxes. Special rules apply and you need to be sure you understand the rules for enrolling your land in PA-490.

PA-490-2025-Land-Use-Values-and-Best-Practices
PublicAct490 - TheBasics

Land Qualification

Your local town assessor makes the determination whether your land qualifies after you have submitted the appropriate application within the required filing period. Forms are available through your local assessor's office or visit the Connecticut Association of Assessing Officers for downloadable forms.

Maintaining PA 490 Status

A landowner can terminate PA 490 classification at any time. Once you have been granted a farm, forest, or open space land classification under Public Act 490, the classification can only be removed if the use of the land changes or the land ownership changes. Once the ownership of the land changes (a change in legal entity, new owners, etc.), the farm, forest, or open space classification is lost, and the new owner(s) must reapply.

Your town does have the right to periodically ask for an update of the usage of your Public Act 490 land. It is important to follow up with the assessor when this information is requested and to respond with accurate and up to date information on your PA-490 land. A new application is not required but rather an update of information on the existing application. Completion of a new application may lead to some confusion that should be resolved before you proceed.

PA 490 Land Use Statutes

- Found in CT General Statutes (CGS) 12-63 & 12-107, a-f in the Taxation Chapter of the statutes.

PA 490 Forestland Classification

- Must own twenty-five acres of forestland. Landowner must hire a Certified Forester to obtain a report certifying the land is forestland.

PA 490 Farmland Classification

- There is no minimum acreage or income requirement for PA 490 Farmland classification.
- Classification is based on the current agricultural usage of the land at the time of application.

PA 490 Open Space Classification

Unlike forest land and farmland, which is mandatory statewide, the municipality must adopt the Open Space classification. Verify with the local assessor as to whether a parcel of land would qualify for the Open Space classification.

PA 490 Conveyance Tax

There is a tax penalty phase on the removal of land from any PA-490 classification within the first ten years of ownership or classification, whichever comes first for forest and farmland. Conveyance is from the time of classification for Open Space. There are a number of exempted transfers provided for in the statute. Any transfers of title on land classified under PA 490 within the first ten years should be given careful consideration and planning to avoid the conveyance tax.

State Business and Sales Tax

Information on Sales tax information for farmers:
https://portal.ct.gov/doag/commissioner/commissioner/sales- tax-exemption-for-farmers?language=en_US

Obtain a Sales and Use Tax Permit from the CT Department of Revenue Services, if you make taxable sales and must collect sales tax. Taxable goods commonly sold by farmers include plants, seeds, hay, feed, mulch, fertilizer (including manure), livestock, poultry, rabbits, Christmas trees (live or cut), wreaths, decorated or carved pumpkins, and flowers. (Note: sales of candy and soda are subject to tax because they are not considered food products). See Policy statement 2002 (s), Sales and Use Taxes on meals for more information.

To obtain a seller's permit, an applicant must complete and submit REG-1, Application for Tax Registration Number, and pay an application fee. The permit is valid for two years and may be renewed without an additional fee. Application can be made by mail or in person at the Department of Revenue Services in Hartford, Norwich, Bridgeport, Hamden, and Waterbury.

Connecticut Farmers Sales Tax Exemption Eligibility

Reference: Connecticut Department of Revenue Service Informational Publication 2021 (2) Farmer's Guide to Sales and Use Taxes, Motor Vehicle Fuel Tax, Estimated Income Tax, and Withholding Tax.

Any person engaged in agricultural production as a trade or business is eligible for an exemption permit. To be engaged in agricultural production as a trade or business, a person must both engage in production with a profit motive and materially participate in the production. The applicant must also meet one of the following requirements:

1. The applicant had gross income of $2,500 or more from agricultural production, as reported for federal income tax purposes, in the preceding taxable year or, on average, in the two preceding taxable years.
2. An applicant whose gross income from agricultural production in the preceding taxable year was less than $2,500 may still qualify for an exemption permit if, in the current or immediately preceding taxable year, the applicant bought an agricultural trade or business from a seller who had an exemption permit at the time of the sale.
    - However, if the applicant does not continue the agricultural trade or business for at least two years from the date of purchase, the applicant will be liable for the sales or use tax that would have been due without the exemption; or
3. The applicant is starting a new farming business (start-up farmer) and intends to continue agricultural production as a trade or business for at least two years.

Qualification as a Start-up Farmer

For exemption permit purposes, a start-up farmer is a person who:

1. Was not engaged in agricultural production as a trade or business in the preceding taxable year, -or-
2. Did not have gross income of $2,500 or more from agricultural production, as reported for federal income tax purposes, in the preceding taxable year, or an average in the two preceding taxable years.

Exemption Permit Eligibility as a Start-up Farmer

To qualify for an exemption permit, a start-up farmer must satisfy the following requirements:

1. The farmer intends to continue agricultural production as a trade or business for at least twoyears after the exemption permit is issued.
2. The farmer's gross income from agricultural production, as reported for federal income tax purposes, will be at least $2,500 in the second year or an average of at least $2.500 per year for two years after the exemption permit is issued; and
3. The farmer's gross expenses from agricultural production, as reported for federal income tax purposes, will be at least $2,500 in the second year or an average of at least $2,500 per year for wo years after the exemption permit is issued.

Definitions of Agricultural Production Farming Activities

Farming activities that are considered agricultural production include: raising and harvesting any agricultural or horticultural commodity; dairy farming; forestry; raising, boarding, or training livestock and poultry; or raising and harvesting fish, oysters, clams, mussels, or other molluscan shellfish are considered agricultural production.

Individuals engaged solely in buying agricultural products for resale are not engaged in agricultural production. For example, cut flowers or plants sold by a farmer at a roadside stand are not agricultural products if the farmer purchased the flowers or plants for resale.

Exemption Permit Application Procedure

Form REF-8 Application for Farmer Tax Exemption

- Allow at least four weeks for DRS to process your application and mail your exemption permit.
- The name (or names) that appear on the Form REG-8 must be the same as the name (or names) on the federal return.

- Attach copies of any federal income tax return schedules (for example, Schedule C or Schedule F) used to report the gross income and expenses from agricultural production, and copied of the federal return pages, as explained in the instructions for Form REG-8. If you submit a copy of Schedule C you must include a list of the agricultural products you raise and the total sales from each product. If you filed federal Form 4835 to report farm rental income based on crops or livestock produced by the tenant, you must attached a copy to Form REG-8. Income from farm rental is not income from agricultural production even if you sold the crops or livestock you received from the tenant. Please note that these rules are subject to change.

***Please refer to the DRS website for additional information : https://portal.ct.gov/drs**

Connecticut Farm Plate Registration

CONNECTICUTFARMPLATES –Section14-49(q)

ConnecticutMotorVehicleFarm LicensePlates

All the following conditions must be met for a vehicle to qualify for the farm exemption:

1. The vehicle must be used exclusively in agricultural production.
2. The Department of Revenue Services must issue an agricultural sales tax exemption permit.
3. Gross farm income in the preceding calendar year was not less than $2,500. Farm plated vehicles are prohibited from transporting goods for hire (transporting products of others for pay).

Application

The initial application for a farm plate must be made in person at the Department of Motor Vehicles office. If the vehicle being registered is 10 years old or more, or was last registered out of state, it will have to be inspected. Applicants are required to submit, along with the completed farm plate application, an Agricultural Sales Tax Exemption Permit (OR-248) issued by the Department of Revenue Services.

Mileage

Farmplated vehicles are not subject to mileage restrictions in Connecticut.

Emissions

Farmplated vehicles are not subject to Connecticut emissions inspections.

Out of State Travel

Vehicles with Connecticut Farm plates may travel in states that also have a farm or agricultural registration law. However, the driver of the Connecticut vehicle must comply with the farm registration laws of the state within which s/he is travelling.

Farm Tractors

Registration of farm (agricultural) tractors and self-propelled agricultural equipment is not required. Farm tractors and self-propelled agricultural equipment may not be used on public roads for transporting goods for hire (transporting products of others for pay or for other commercial purposes.) When operating on a public road at speeds less than the posted speed limit, the driver of a farm tractor or self-propelled agricultural equipment must yield to vehicles approaching from behind. Farm tractors and self-propelled agricultural equipment not designed or employed in general highway transportations are not permitted on limited access highways.

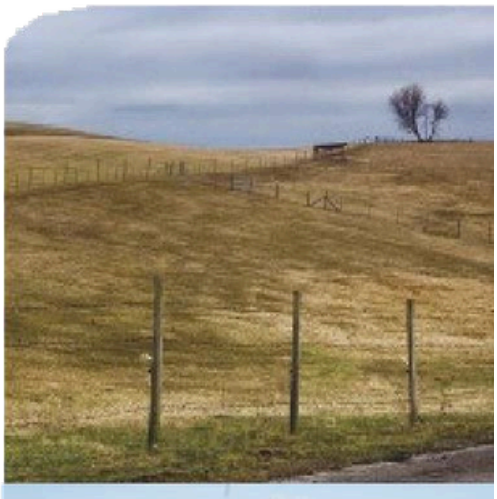
Federal IRS Hobby Loss Rules

This section is designed to provide general information regarding hobby loss and does not offer tax advice. Always consult a qualified tax accountant when dealing with tax issues. https://www.irs.gov/newsroom/people-should-know-if-their-pastime-is-a-hobby-or-a-business

Losses derived from a for-profit business are allowed against other taxable income. Losses from an activity not engaged in for profit are ruled by IRS code section 183. The hobby loss rules state that you lose the ability to deduct the business losses when your business does not produce a net profit in at least three of the five last years including the current year (two of seven including the current year for activities that consist primarily of breeding , training, showing, or racing horses). If a business profit is generated in at least three of five years the IRS presumes that you are engaged in a for profit business and provides a safe harbor allowing losses to be deducted in loss years.

The following factors are important in establishing intent for a for-profit business. Even if your business fails the (3 of 5 or 2 of 7) years of profit test, you still may be considered to operate your farm for profit by considering the following factors. All factors are considered. No one factor is decisive.

- You and/or advisors have the skills needed
- You have a history of profitability in similar businesses
- You make a profit from farming in some years
- You can expect to make a future profit from the appreciation of the assets used in the farming activity



Farm Business Regulation, Licensing, Registrations and Certifications

Introduction

When starting up a new business it is important to find out what licenses and registrations apply to you. This can be complex as long as local, state, and federal governments all oversee registration and licensing for various aspects of your business. This chapter will serve as a guide for obtaining appropriate certifications, understanding licensing and registration specific to farm businesses, and accessing important information and services from various state departments. The knowledge and adherence to local, state, and federal regulations is the responsibility of the farmer, not knowing is not a valid excuse. Discuss licensing and registration requirements with a qualified attorney and/or accountant.

There are many permits and licenses that many businesses are required to get. For more details, visit Smart Start and the Agency help box at https://portal.ct.gov/DRS/Businesses/New-Business-Portal/For-Businesses

Connecticut State Regulatory Agencies and Departments

Several state agencies and departments provide useful services and assistance for those starting businesses. Depending on your needs, it is important to understand the function and capabilities of each department or agency as well as how you can benefit from its services.

Connecticut Agricultural Experiment Station (CAES) https://portal.ct.gov/caes

The mission of The Connecticut Agricultural Experiment Station is to develop, advance, and disseminate scientific knowledge, improve agricultural productivity and environmental quality, protect plants, and enhance human health and well-being through research for the benefit of Connecticut residents and the nation.

Inspections and Registrations: Office of State Entomologist & General Information. A variety of state and federal laws and regulations deal with plants and insects being transported in interstate commerce. To arrange for inspections or to get more information on registrations or other requirements, contact:

Office of State Entomologist
The Connecticut Agricultural Experiment
Station P.O. Box 1106
New Haven, CT 06504-1106
Telephone: (203) 974-8485
Website: portal.ct.gov/caes/inspection/inspection/inspections-and-registrations?language=en_US

Connecticut Department of Agriculture https://portal.ct.gov/DOAG

According to its missionstatement,the DOAGis designed tofoster a healthyeconomic, environmental and social climate for agriculture by developing, promoting and regulating agricultural businesses; protecting agricultural and aquacultural resources; enforcing laws pertaining to domestic animals; and promoting an understanding among the state's citizens of the diversity of Connecticut agriculture, its cultural heritage and its contribution to the state's economy.

Some functions include domestic animals, milk safety, animal health, animal control, dairy licensing for milk and cheese production, inspection of small on-farm poultry processing operations, administering farmers markets, providing agricultural grants, supports Farm Link Program, supports Farmland Preservation Program, and supports aquaculture programs (Aquaculture licensing and permitting in coordination with DEEP, US Army Corps and municipalities). The DOAG is responsible for state on-farm produce safety programs including the inspection program for the Food Safety Modernization Act Produce Safety Rule and CGAP (Connecticut Good Agricultural Practices).

Bureau of Regulatory Services
https://portal.ct.gov/DOAG/Regulatory/Regulatory/Bureau-of-Regulatory-Services
The Bureau of Regulatory Services enforces certain food safety laws and regulations relating to milk safety, produce safety, small poultry slaughter establishments, animal feed including pet food/pet treat manufacturing. The Bureau is responsible for regulating the growing of hemp and registering seed, fertilizer, soil amendment, and liming materials. In the domestic animal realm, the Bureau enforces laws and regulations pertaining to animal control, animal population control, importation, and animal health issues.

Visit the following links for information that falls under the purview of the Bureau of Regulation and Inspection:

- **Agricultural Commodities:** oversight of the regulations and statutes for manufacture and sales of animal feeds, petfoods, seeds, fertilizer, eggs, apples.
- **Agricultural Licensing Unit:** license,registrationand permitting
- **Animal Control Unit:** domesticanimals, kennels, pet stores, animal bites, rabies
- **Animal Health:** testing and surveillance, information on programs
- **Animal Population Control Program:** information on dog and cat spay/neuter programs, vaccinations, application to license dogs, the Connecticut vanity plate for vehicles known as the "pet" plate program and the feral cat grant program.
- **CT Animal Traceability System (CATS):** USDA identification for livestock
- **Connecticut Hemp Research Pilot Program:** implementation and oversight of the production and harvesting of hemp in Connecticut
- **Fruit and Vegetable Growers Inspection Programs:** implementation and oversight of Food Safety Modernization Act and CT Good Agricultural Practices
- **Milk Safety:** surveillance and testing, advisory, implementation of the Pasteurized Milk Ordinance (PMO)
  - **Milk Storage Recommendations:** how to store milk products
- **Rabies Manual:** a guidance document for professionals
- **Small Poultry Processor Inspection Program Compliance Guide (pdf):** a guide for smaller producers wishing to process poultry
- **Poultry Slaughter Flow Chart (pdf):** a visual depiction of poultry processing
- **State Veterinarian:** information on fairs and other items overseen by the State Veterinarian
- **Voluntary Honey or Maple Syrup Producer Registration:** information on the agency's registration of sugarhouses and on sugarhouses
- **Voluntary Small Shell Egg Processing Plant Inspection Program Compliance Guide:** a document explaining how to operate a small shell egg operation and packing facility
- **Shell Egg Flow Chart (pdf):** a document showing the procedures followed in a small shell egg operation
- **West Nile Virus:** information about West Nile and programs for monitoring this disease spread by mosquitoes

Department of Consumer Protection (DCP)
https://portal.ct.gov/dcp

The DCP is responsible for protecting citizens from marketplace fraud, unfair business practices, and physical injury from unsafe items. This protection is achieved through licensure, inspection, investigation, enforcement, and public education activities in five major areas including:

- Food and standards
- Drugs
- Cosmetics and medical devices
- Alcohol liquor
- Occupational and professional licensing
- Trade practices

Department of Economic & Community Development (DECD)
https://portal.ct.gov/DECD

The DECD develops and implements policies, strategies and programs which are designed to enhance Connecticut's communities and business and housing environments. A significant function of the DECD is to provide loans for farm businesses.

Department of Energy and Environmental Protection (DEEP)
https://portal.ct.gov/deep

DEEP achieves its mission through regulation, monitoring, inspection and enforcement, and licensing procedures that help control air, land, and water pollution in order to protect health, safety, welfare, and natural resources. The DEEP also improves and coordinates the state's environmental plans, functions, and educational programs in cooperation with federal, regional, and local governments, other public and private organizations and concerned individuals, while managing and protecting the flora and fauna for compatible uses by the citizens. Some functions include:

- Waste and manure management
- Water diversion for irrigation
- Water discharge permits
- Energy efficiency programs
- Commercial Arborist licensing
- Game breeders licensing
- Aquaculture licensing and permitting in coordination with DEEP, US Army Corps and municipalities
- Pesticide certification and applicator's licensing
    - Pesticide Applicator Permits: for more information on pesticide applicator permits and testing, contact:

DEEP Pesticide Division
79 Elm Street
Hartford, CT 06106-5127

https://portal.ct.gov/DEEP/Pesticides/Pesticide-Certification-General/Pesticide-CertificationLicensing

(860) 424-3369

Department of Public Health (DPH) https://portal.ct.gov/dph

The DPH's mission is to protect and improve the health and safety of the people of Connecticut. As such, the DPH Food Protection Program is tasked with reducing the risk of foodborne disease by ensuring reasonable protection from contaminated food. This is accomplished by the enforcement of regulations by local health departments, training, and other specialized responsibilities. Farm stands and farmer's markets may be subject to public health regulations. Farmers should contact their local health department to determine whether or not the scope of their operation falls within the DPH regulations. Farm stands, farmer's markets, and on-farm foodservice operations – See the Farmers Market Reference Guide.

The DPH released its updated Food Inspection Quality Assurance Program Manual. It was developed to enhance Connecticut's conformance with the Food and Drug Administration's (FDA) National Retail Food Regulatory Program Standards by providing a quality assurance process to improve uniformity of food establishment inspections. For more details see https://portal.ct.gov/-/media/Departments-and-Agencies/DPH/dph/environmental_health/food_protection/2021-food/CT-Quality-Assurance-Program_050721.pdf

Department of Revenue Services (DRS) https://portal.ct.gov/drs

TheDRS isdesigned toadminister taxlaws andcollect taxrevenues. The agency isresponsible for ensuring voluntary compliance with the tax laws by educating the public about their tax responsibilities and by assisting taxpayers in filing appropriate tax returns and paying taxes. The department also collects unpaid taxes and applies enforcement measures when necessary.

Farm Business Licensing and Inspection

https://portal.ct.gov/DOAG/Licensing/Licenses/Agency-Licenses-and-Permits

Farmers' Markets

See the Farmer's Market Reference Guide – This is a complete guide to organizing and creating a farmers' market. For more information on establishing a market, please contact the Agricultural Development Unit at (860) 713-2503. The popularity of the markets mirrors the benefits – fresh, local products, friendly farmers that are the face behind the food you are buying, and a community gathering place for everyone to enjoy.

Nearly all farmers' markets in Connecticut are affiliated with the Farmers' Market Nutrition Program (FMNP) which serves participants of Women, Infant, and Children (WIC) and seniors who are over the age of sixty and meet income eligibility guidelines with checks to purchase fresh fruits, vegetables, cut herbs, and honey. For more information, please visit the FMNP page: Farmers' Market Nutrition Programs.

Farmers who want to participate in farmers' markets review Participating in Connecticut Farmers' Market page. For information on how to establish a market in Connecticut, review Establishing a Farmers' Market in Connecticut.

Food Establishments: Retail stores, including farm stands, farmers markets, distributors, transportation

Public Health Code Section 19-12-B40

Any person, firm, or corporation that sells, offers for sale or keeps for sale any groceries, bakery products, confectioneries, meats, fish, vegetables, or fruits in a retail food setting shall contact the CT Department of Consumer Protection for required permits, licenses, or inspections at food.standards@po.state.ct.us

The CT DCP follows FDA Model Food Code (retail) and the FDA Current Good Manufacturing Practices for food processing/sanitary procedures. See the – FDA Current Good Manufacturing Practices-21 CFR, Part 117, Subpart B

Connecticut General Statutes related to DCP food jurisdiction

Processors (not including meat, poultry, milk)

Exemptions from Inspection: Acidified foods, jams, preserves, and maple syrup need to be labeled with the following in 10-pt type:

- "Not prepared in a government inspected kitchen"
- Common or usual name
- Ingredients in descending order by predominance by weight
- Declaration of responsibility (name and address of manufacturer or distributor)
- Net weight or volume expressed in metric and English units
- A content statement if any additional ingredient has been added

Acidified food products, jams, jellies or preserves: CT Statute Sec 21a-24a: https://www.cga.ct.gov/current/pub/chap_417.htm#sec_21a-24a

- **Qualified Food Operator class information:** CT Department of Public Health (860) 509-7297
- **Alternative: Better Process Control Schools (BPCS):** look online for courses

Connecticut Department of Consumer Protection Food Licenses

Food processors, with the exception of meat, poultry and milk, are regulated and directly licensed by the Department of Consumer Protection. Licenses include the Food Manufacturing Establishment License; Apple Juice and Cider Manufacturer License; Bakery License; and Frozen Dessert Licenses. In addition, all food processors must comply with Current Good Manufacturing Practices (GMPs) as adopted by Connecticut from the FDA. Manufacturing licenses are required for a processor.

Food Facility Registration

https://www.fda.gov/food/guidance-regulation-food-and-dietary-supplements/registration-food-facilities-and-other-submissions shows who must register and the procedure for registering online. In addition, processors of acidified foods and processors of acidified (unless they are participating in the on-farm home kitchen acidified food processing program of the CT DCP) and low-acid canned food must also register with the FDA. This registration is in addition to registration required under the Bioterrorism Act above. For information, visit https://www.fda.gov/food/guidance-regulation-food-and-dietary- supplements

Maple Syrup and Honey

Connecticut Honey and Maple Syrup Regulations

Maple Syrup Producers Association of Connecticut: Regulations Regarding Maple

Connecticut Department of Agriculture Produce Safety Program

Information: https://portal.ct.gov/DOAG/Regulatory/Regulatory/Fruit-and-Vegetable-Inspection-Program-Overview

UConn College of Agriculture, Health and Natural Resources (CAHNR) Extension Food Safety for Farmers and Growers website.
This website will help access the following resources:

1. **The Produce Safety Rule (PSR): Produce Farm and Grower Registration Requirements**
2. **Connecticut Good Agricultural Practices (CGAP) Program for Produce Growers**
3. **Grower Training**
4. **DoAg Grants: Financial Assistance**
5. **How to Locate Registered Produce Growers and Registered Farms Participating in CGAP**

For additional information, contact:
Indu Upadhyaya, DVM, MVSc, PhD
UConn Extension
College of Agriculture, Health and Natural Resources
Email: **indu.upadhyaya@uconn.edu**

Organic Farming Options and Standards for Marketing

About Organic Labeling

Organic is alabelingtermthat indicates that the food or other agricultural product has been produced through approved methods. The organic standards describe the specific requirements that must be verified by a USDA-accredited certifying agent before products can be labeled USDA organic. Access the full set of resources that make up the USDA organic standards.

Crop Standards

The organic crop production standards require that:

- Land must have had no prohibited substances applied to it for at least 3 years before the harvest of an organic crop.
- Soil fertility and crop nutrients will be managed through tillage and cultivation practices, crop rotations, and cover crops, supplemented with animal and crop waste materials and allowed synthetic materials.
- Crop pests, weeds, and diseases will be controlled primarily through management practices including physical, mechanical, and biological controls. When these practices are not sufficient, a biological, botanical, or synthetic substance approved for use on the National List may be used.
- Operations must use organic seeds and other planting stock when available.
- The use of genetic engineering, ionizing radiation, and sewage sludge is prohibited.

Livestock and Poultry Standards

Livestock and poultry standards apply to animals used for meat, milk, eggs, and other animal products sold, labeled, or represented as organic. Some requirements include:

- Animals for slaughter must be raised under organic management from the last third of gestation, or no later than the second day of life for poultry.
- Producers must feed livestock agricultural feed products that are 100 percent organic, but they may also provide allowed vitamin and mineral supplements.
- Dairy animals must be managed organically for at least 12 months in order for milk or dairy products to be sold, labeled or represented as organic.
- Preventive management practices must be used to keep animals healthy. Producers may not withhold treatment from sick or injured animals. However, animals treated with a prohibited substance may not be sold as organic.
- Ruminants must be out on pasture for the entire grazing season, but for not less than 120 days.
- These animals must also receive at least 30 percent of their feed, or dry matter intake (DMI) from pasture.
- All organic livestock and poultry are required to have access to the outdoors year-round. Animals may only be temporarily confined due to documented environmental or health considerations.

Handling Standards

The handling standards require:

- All non-agricultural ingredients, whether synthetic or non-synthetic, must be allowed according to the National List of Allowed and Prohibited Substances.
- In a multi-ingredient product labeled as "organic", all agricultural ingredients must be organically produced, unless the ingredient(s) is not commercially available in organic form and listed on Section 205.606.
- Handlers must prevent the commingling of organic with non-organic products and protect organic products from contact with prohibited substances.

Labeling Multi-Ingredient Products

- Products sold, labeled or represented as organic must have at least 95 percent certified organic content.
- Products sold, labeled, or represented as "made with" organic must have at least 70 percent certified organic content. The USDA organic seal may not be used on these products.
- Products containing less than 70 percent organic content may identify specific ingredients as organic in the ingredients list.

Organic Handling and Production FactSheet

More about Organic Labeling: https://www.ams.usda.gov/rules-regulations/organic/labeling

Northeast Organic Farming Association (NOFA) Farmer's Pledge https://ctnofa.org/

The CT NOFA Farmer's Pledge program is a way for its members to show their commitment to ecologically sustainable farming, strong local economies, the humane treatment of animals, and the wise stewardship of land. The Pledge is open to CT NOFA members who attest that they adhere to the pledge and sign it annually. Once part of the program, farmers may display the Farmer's Pledge logo to promote their farm stand, farmers markets, online, and elsewhere to attract folks who care how their food is raised.

To enroll in the program, farm owners or managers simply sign the Pledge and return it to the CT NOFA office. Farmers will then receive a laminated copy in the mail and a digital Farmer's Pledge logo for use on their website or brochures. NOTE: Farmers can get started at any time and the Farmer's Pledge is renewed annually by the end of December. For more information, contact CT NOFA at (203) 308-2584 or ctnofa@ctnofa.org.

Pesticide Applicator Licensing

https://portal.ct.gov/DEEP/Pesticides/Pesticide-Management-Program

In Connecticut, a farmer must be certified as a private applicator in order to purchase and use restricted use pesticides on agricultural crops. Only one certificate per farm is needed.

General Information

The pesticide private applicator certification program is open to persons who intend to use or supervise the use of restricted use pesticides on property owned or rented by them or their employer for the purpose of producing an agricultural commodity. Federal regulations (40 CFR 171) prevent the State of Connecticut from certifying homeowners or home gardeners as private applicators.

Requirements for Certification

- Be at least 18 years old.
- Pass written exam.

Registering for Examination

- Registering for a new E-License account
- Applying for a Private Applicator Certification

Upon successful completion of the exam, you will be emailed that you have an additional fee due, upon paying your certification fee you will be emailed your new certification.

As a minimum requirement for certification, a private applicator must show that they possess a practical knowledge of laws pertaining to pesticide applications and the pest problems associated with their farming operation. This practical knowledge includes the ability to recognize common pests and damage caused by them. Recognition is critical because it is the first step in control. The private applicator must be able to recognize the pest problem before they select among the available pesticides.

Study Materials

The examination is based on the following publications:

- The Cornell Store - Cornell University **Cornell Core Manual** -or- **National CoreManual (PDF)**

and all of the following:

- **How to Comply Manual (WPS)**
- **Protecting Honeybees From Pesticide Poisoning Study Manual** (PDF)
- **Pertinent Pesticide Statutes and Regulations for Certified Private Applicators** (PDF)
- **Worker Protection Standard (WPS)**

Note: Due to changes in 40CFR, there are no longer categories for Private Applicator Certifications, thus there is no longer a need for commodity booklets. If you are doing fumigation with your Private Applicator Certification you must obtain an additional endorsement.

- Soil Fumigation
- Non-Soil Fumigation

Additional Information: Pesticide Related links

Certification Requirements

Any person who uses restricted use pesticides must be certified in order to be able to purchase such products. **With the exception of commercial applications, certification is not required if only general use pesticides are used.**
Any person who sprays another's property in exchange for money must possess a commercial applicator's license. However, individuals that are certified as a private applicator can spray another's property in exchange for services (i.e. applicator might trade a spray job in the spring for help with harvest in the fall).

A farmer wishing to use restricted use pesticides must obtain a "private applicator's certificate." The private applicator may then buy and apply restricted use pesticides on their own farm, property they rent or on the farms of others, provided that they do not get paid to do so.

It is not necessary for the certified private applicator to actually perform all pesticide applications. An employee or family member can apply pesticides; however, the certificate holder is responsible for training the person who actually does the work and must be available if needed.

Private applicators are required to maintain records with respect to each use of restricted use pesticide and must file a report of their usage with the DEEP on or before January 31st each year for the previous year's applications.

In accordance with state regulation 22a-66-5(e), if your address changes, you must notify the Pesticide Management Program within 30 days.

Private Applicator Renewal

The private applicator certificate must be renewed prior to the expiration date that appears on the certificate. Renewal information will be E-mailed to private applicators prior to the expiration of the certificate.

- 12 Continuing education credits per renewal period (PA or ALL/Core credits will count)
  - **Upcoming Meetings/ Seminars**
- Submitted all Annual Pesticide Use Summary Reports for past 5 years
- Pay $100 renewal fee (if applicable)
- **Video instructions on using elicense to submit a renewal application**

Annual Pesticide Use Summary Reports: Private pesticide applicators are required to maintain records with respect to each use of restricted use pesticides. This requirement includes submitting an annual *Private Applicator Restricted Use Pesticide Summary Report.* This report must be submitted through the elicense.ct.gov online portal.

- Restricted Use Summary Report (Word)
- Restricted Use Summary Report (PDF)
- Video instructions on how to upload your use summary report to elicense

DEEP may refuse to renew certification of an applicator for failure to submit this report.



Payroll and Employment Issues

Payroll – Employer Requirements

Generally, employees are definedas either under common law or under statutes for certain situations. Generally, a worker who performs services for you is your employee if you have the right to control what will be done and how it will be done. This is so even when you give the employee freedom of action. What matters is that you have the right to control the details of how the services are performed. See Pub 15-A for more information on how to determine whether an individual providing services is an independent contractor or employee.

You are responsible for withholding and paying employment taxes for your employees. You are also required to file employment-related tax forms and returns. These requirements do not apply to amounts that you pay to independent contractors.

The term “farm” includes stock, dairy, poultry, fruit, fur-bearing animals, and truck farms, as well as plantations, ranches, nurseries, ranges, greenhouses, or other similar structures used primarily for the raising of agricultural or horticultural commodities, and orchards.

Farmwork does not include reselling activities that do not involve any substantial activity of raising agricultural or horticultural commodities, such as a retail store or a greenhouse used primarily for display or storage.

It may be easier for a small business to have contractors instead of employees but calling someone a contractor does not make them one. If a labor or tax authority determines that your contractor is really an employee, you can be responsible for paying back payroll taxes, unemployment taxes, and other related expenses. You must look at the totality of the situation. Some of the factors deemed to be significant are:

- Permanency of relationship
- Amount of alleged contractor's investment in equipment and facilities
- Nature and degree of control by principle
- Alleged contractor's opportunities for profit and loss
- Amount of judgment on part of alleged contractor
- Contract for job to be performed
- Other factors to consider

For additional information on this topic, visit https://www.irs.gov/businesses/small-businesses-self- employed/independent-contractor-self-employed-or-employee

Note: You are required to provide IRS Form 1099-MISC forpayments of $600 or more for services rendered for your business to people not treated as your employee such as subcontractors. Instructions for Forms 1099-MISCand1099-NEC(12/2026) | InternalRevenueService

Once you have determined that you have one or more employees, there are many federal and state rules and regulations that you must follow in order to properly handle payroll. While there are a few special agricultural employer rules, agricultural employers must comply with an array of rules and regulations. Keep in mind also that it is possible for a farmer to have both agricultural employees and non-agricultural employees. Make sure to review your payroll requirements with your tax accountant.

Useful Publications

- IRS Publication 225: https://www.irs.gov/pub/irs-pdf/p225.pdf
- IRS publication 51: About Publication 51, (Circular A), Agricultural Employer's Tax Guide | Internal Revenue Service
- IRS publication 17: https://www.irs.gov/pub/irs-pdf/p17.pdf
- IRS publication 583: https://www.irs.gov/pub/irs-pdf/p583.pdf
- Fact Sheet #12 Agricultural Employers Under the Fair Standards Act (FLSA) https://www.dol.gov/agencies/whd/fact-sheets/12-agricultural-employment-flsa

Note: Virtually all employees engaged in agriculture are covered by the FLSA in that they produce goods for interstate commerce. There are, however, some exemptions which exempt certain employees from the minimum wage provisions, the overtime pay provisions, or both.

Employees who are employed in agriculture as that term is defined in FLSA are exempt from the overtime pay provisions. They do not have to be paid time and one half their regular rates of pay for hours worked in excess of forty per week. Agriculture does not include work performed on a farm which is not incidental to or in conjunction with such farmer's farming operation. It also does not include operations performed off a farm if performed by employees employed by someone other than the farmer whose agricultural products are being worked on.

Basic Steps to Become an Employer

(There may be other steps given certain situations.)

1. Apply for a Federal Employer Identification Number (EIN) with the Internal Revenue Service (IRS). You may already have an EIN if a partnership, LLC, or corporation. Check with your accountant.
2. Register with the Connecticut Department of Revenue Services (DRS) using REG-1 for the withholding of taxes from employees. If already registered with the DRS for other taxes, file again using Reg-1 for withholding as an additional tax.
3. You must verify that each new employee is legally eligible to work in the United States. Give them the most current I-9 to complete. These forms must be maintained in your files.
4. Give each employee Form W-4 and CT W-4 to fill out. These forms tell you as the employer how much to withhold for federal and state income tax. Other forms may be needed to document such items as other deductions from wages, etc.
5. Determine if you are subject to unemployment tax. Special rules apply for agricultural employers. Unemployment tax is not withheld from the employee but paid in full by the employer. The Connecticut Department of Labor requires all businesses employing workers to obtain a state unemployment tax number and to register with the Department's Employment Security Administration Division. Employers should also get a copy of the Employers Guide to Unemployment Compensation: https://portal.ct.gov/dol/-/media/dol/2022-new-design-system/about/divisions/unemployment-insurance-tax/updated-employer-guide-april-23-2026.pdf?rev=e419292e6d0046d1b1dd5c9845a90bca
6. Set up a payroll system to calculate paychecks and withhold proper amounts for social security tax, federal income tax, and state income tax as wellas other deductions as allowed.
7. Get worker's compensation insurance when necessary. Talk to your insurance agent about the requirements given your situation.
8. Adopt workplace safety measures when necessary and post required notices.
9. Record Keeping: Records required for exempt employees differ from those for non-exempt workers. Special information is required for homeworkers, for employees working under uncommon pay arrangements, for employees to whom lodging or other facilities are furnished, and for employees receiving remedial education.
    - Personal information, including employee's name, home address, occupations, and other required information
    - Hour and day when workweek begins
    - Total hours worked each workday and each workweek
    - Total daily or weekly straight-time earnings
    - Regular hourly pay rate for any week when overtime is worked
    - Total overtime pay for the workweek
    - Deductions from or additions to wages
    - Total wages paid each pay periods
    - Date of payment and pay period covered
10. If you have any employee benefits such as health insurance or a retirement plan, establish sign up procedures.
11. Consider compiling an employee handbook
12. File all required forms with the IRS and DRS and pay all taxes when due. You are required to give each employee a W-2 annually. Post all materials as required by the Department of Labor.

Social Security and Medicare Tax (FICA)

All cash wages that you pay to an employee during the year for farmwork are subject to social security and Medicare taxes if either of the two tests below is met. The Social Security tax rate and Medicare tax rate is subject to change.

1. You pay cash wages to an employee of $150 or more in a year for farmwork (count all cash wages paid on a time, piecework, or other basis). The $150 test applies separately to each farm worker that you employ. If you employ a family of workers, each member is treated separately. Do not count wages paid by other employers.
2. The total that you pay for farmwork (cash and non-cash) to all employees is $2,500 or more during the year.

Exceptions: Annual cash wages of less than $150 you pay to a seasonal farm worker are not subject to social security and Medicare taxes, even if you pay $2,500 or more to all your farm workers. However, these wages count toward the $2,500 test for determining whether other farm workers' wages are subject to social security and Medicare taxes. A seasonal farmworker is a worker who:

- Is employed in agriculture as a hand-harvest laborer,
- Is paid piece rates in an operation that is usually paid on a piece-rate basis in the region of employment,
- Commutes daily from his or her permanent home to the farm, and
- Had been employed in agriculture less than 13 weeks in the preceding calendar year.

Federal Unemployment Tax Act (FUTA)

Employers who hire farm workers are subject to paying unemployment tax if either of the following occurs.

- Paid cash wages of $20,000 or more to farm workers in any calendar quarter this year or last year, or
- Employed ten or more farm workers during at least some part of a day during any twenty or more different calendar weeks this year or last year.

Regarding non-farm workers, other rules regarding FUTA requirements apply.
Employer is exempt from paying unemployment tax on services performed by the employer's spouse or by the employer's children under age 21. For important details, see Publication, https://www.irs.gov/publications/p51

Salary vs. Hourly Wages (Non-agricultural employees)

There are several important tests that a job must pass to be overtime exempt:

- The employee must be able to use his or her independent judgment in performing the work.
- Work requiring advanced knowledge, defined as work which is predominantly intellectual in character, such as engineering or computer networking generally satisfies this requirement.

- Duties must be truly supervisory, for example, hiring and firing , setting policy, scheduling workers, making company investment decisions or reviewing performance of other employees.
- Salary must be fixed and not reduced by such things as lack of work or partial days off (employee not held to fixed hours).
- Professional qualifications, such as advanced degrees or licenses, are additional factors leading to classifying an employee overtime exempt, so long as the above criteria are met. In summary, every case is judged individually and, if there is a doubt, the employee is entitled to overtime.

Note: There may be other tests to determine Salary vs Hourly Wages

Federal Child Labor Lawsin Farm Jobs:

State Child Labor Laws Applicable to Agricultural Employment | U.S. Department of Labor

The Wage and Hour Division of the U.S. Labor Department's Employment Standards Administration enforces the federal child labor laws.

The Fair Labor Standards Act of 1938 (FLSA), as amended, sets standards for child labor in agriculture.

These standards differ from those for non-farm jobs. The FLSA covers employees whose work involves production of agricultural goods, which will leave the state directly or indirectly and become a part of interstate commerce.

What if state child labor standards differ from federal standards?

Many states have laws setting standards for child labor in agriculture. When both state and federal child labor laws apply, the law setting the most stringent standard must be observed. Connecticut requires minors to be 16 years old with exemptions and restrictions described in the following checklist:

- Employers' Checklist for employment of minors
- Questions and answers regarding minimum wage for minors
- Checklist for minors applying for statement of age/working papers
- Records to be retained by employers
- Supervisor's checklist for orienting new employees
- Exemptions from child labor laws
- Prohibited occupations and places of employment for all minors under the age of 18 years
- Prohibited places of employment for 14- & 15-year-olds
- Permitted occupations for 14- & 15-year-olds
- Time and hour restrictions for 16- & 17-year-old minors (by industry)
- Other agencies to contact for additional information

CT Department of Labor's "Checklist for the Employment of Minors in CT"
https://portal.ct.gov/dol/Knowledge-Base/Articles/Wage-and-Workplace-Standards/Employers-Checklist- for-Employment-of-Minors?language=en_US

Migrant Labor

There aremanyacts that the Wage and Hour Division administers and enforces to help protect different types of agricultural workers.

The Migrant and Seasonal Agricultural Protection Act(MSPA)

Migrant and Seasonal AgriculturalWorkerProtectionAct(MSPA) | U.S.DepartmentofLabor protects migrant and seasonal agricultural workers by establishing employment standards related to wages, housing, transportation, disclosers, and record-keeping. MSPA also requires farm labor contractors to register with the U.S. Department of Labor (DOL) and obtain a certificate of registration. A farm labor contractor must be specifically authorized to provide housing or transportation to migrant or seasonal workers prior to providing the housing and transportation. Persons employed by farm labor contractors to perform farm labor contracting activities also must register with the DOL.

The Field Sanitation Provisions of the Occupational Safety and Health Act (OSHAct)

Home | Occupational Safety and Health Administration Enacted to assure safe and healthful working conditions for working men and women. The Occupational Safety and Health Administration issued regulations establishing minimum standards for field sanitation in covered agricultural settings. These standards required covered employers to provide toilets, potable water, hand-washing facilities, and information regarding good hygiene practices. Agricultural operations:

AgriculturalOperations-Standards | Occupational Safety and Health Administration

The H-2A Visa Program

https://www.uscis.gov/working-in-the-united-states/temporary-workers/h-2a-temporary-agricultural-workers

Establishes standards related to hiring employees, wages, housing, transportation, and record-keeping for employers of temporary, non-immigrant agricultural workers. The employer must file an application with the U.S. Department of Labor's Employment and Training Administration, stating, among other things, that there are not sufficient workers who are able, willing, qualified, and available, and that the employment of aliens will not adversely affect the wages and working conditions of similarly employed U.S. workers to fill these jobs. H-2A workers and U.S. workers in corresponding employment must be paid special rates of pay that vary by locality, provided housing and transportation from housing to the job site if their employment requires them to be away from their residence overnight, and guaranteed employment for at least ¾ of the work period specified in the contract.







Insurance

Introduction

Farmsencounterand create risks every day simply by operating their businesses. If you are currently in business or deciding to start an agricultural business, insurance should be part of your risk management strategy. Farm businesses can take action to avoid, lower, or transfer the risk to a third party such as an insurance company. All businesses generally elect to transfer some of the risk to an insurance company but keep in mind the greater the risk, the higher the cost of the insurance.
At some levels, the cost of insurance may be considered a higher risk than the protection provided by the coverage, in which case the producer accepts the risk. That is when a business may seek to avoid the risk by not conducting some activities at all on the farm or maybe reducing the risk by incorporating appropriate management strategies. Discuss questions such as exposure to liability concerning your business with your attorney.

When looking at insurance options, ask the following questions:

- Could the farm continue if a disaster hit the farm such as a fire?
- Could the farm withstand a liability claim?
- Could the farm continue if a crop failed?
- Could the farm continue if a key person in the business died or became disabled?
- If an employee is hurt on the farm, do I have proper worker's compensation insurance?

Always be sure to talk with your insurance agent about your needs. Also make sure that your agent always knows what you are doing and if you are making any changes in your operation. The last thing you want to hear your agent say is "That is not covered" when you have a claim. Keep in mind that not all insurance agents sell all the kinds of insurance you need. Your agent can advise you on the types and proper levels of insurance you need to ensure your particular business as long as they have all the facts. Buying business insurance is among the best ways to prepare for the unexpected.

Types of Insurance

There are a variety of insurance options available to agricultural business owners. Some of the more popular types will be discussed in this chapter, including: 1) crop insurance; 2) business liability insurance; 3) property insurance; 4) business life insurance; 5) health insurance; 6) worker's compensation insurance; and 7) disability insurance.

1. Crop Insurance

Agriculture is an inherently risky business. Farmers and ranchers need to regularly manage for adverse weather and financial, marketing, production, human resource, and legal risks. Federal crop insurance is the **preeminent** risk management solution for farmers and ranchers providing effective coverage that helps them recover after severe weather and bad years of production.

- For some farming and ranching operations, crop insurance is the difference between staying in business or going out of business after a disaster. For the next generation, crop insurance provides the stability that will allow them tobegin farming. For information concerning USDA RMA(Risk Management Agency) crop insurance: https://rma.usda.gov/.
  Crop Insurance Agent locator:
    - https://www.rma.usda.gov/en/Information-Tools/Agent-Locator
- About crop insurance: https://rma.usda.gov/about-crop-insurance

2. Business Liability Insurance

Farmers face the risk of liability from several angles. A farmer is liable if their inaction or action results in personal injury to another person or another's property. Someone who owns real estate and personal property and/or who conducts business activities assumes responsibility for any liabilities that occur as a result of any use of this property or activity.
Many business owners buy general liability or umbrella liability insurance to cover claims of negligence. These help protect against payments as the result of bodily injury or property damage, medical expenses, the cost of defending lawsuits, and settlement bonds or judgements required during an appeal procedure.

Liability is usually the highest potential monetary risk for businesses dealing directly with the public. Consider proper coverage. The assets of the business and its officers are at risk for any judgement or settlement that exceeds the policy limit.

In any small business, the owner/officer(s) should be listed on the policy as additional insured(s). Most lawsuits will name the owner/officer(s) as additional defendants. Insurance carriers usually do this at no additional cost.

Regarding product liability, if you are selling food products or raw food from the farm, at a farmer's market, or retail store, you will need to have product liability coverage. Make sure your agent knows and understands what you are selling to ensure that you have adequate coverage and are following all state and federal laws.

3. Property Insurance

Property insurancecoverslosses due to fire and other perils such as windstorms, theft, and water damage. Perils coveredorexclusions may differ between carriers and policies. It is wise to compare and shop based on price,service, and coverage provided by policy. The cheapest may not be the best when you need to file a claim.Itis important that you decide what to insure and for how much. Ask yourself what would you havetoreplace if your farm or business was destroyed?

4. Business Life Insurance

Life Insurance, which is only available for living individuals, can be a useful tool to provide necessary money for transferring the farm, covering tax or debt obligations, or paying off heirs, both farm and non- farm. Family businesses often use life insurance as part of their continuation estate and//or succession plan.

It is in addition to a written business continuation plan that outlines how the business will maintain operations if a key person dies, has a disability, or retires from the business. Be aware that lenders or investors may require you to reduce the loss of investment in the event of the death of a manager or employee whose contribution to the success of the business is essential. In order to understand your need for this type of insurance and to select an adequate plan, you need to consider term vs. permanent life insurance in addition to why you need the insurance, for how long and what you can afford. There are other questions you need to ask yourself such as the following:

- What are you trying to accomplish with life insurance?
- Could the same thing be accomplished by other means?
- Will my family be burdened financially by my death?

5. Health Insurance

For farmers who buy individual coverage without the advantage of a large group, health insurance is one of the biggest costs for farm operators. Health insurance coverage is needed for accidents or injuries that occur on the farm as well as illness. In some situations, the spouse of the owner may work off the farm to not only supplement income but also to get health insurance paid or partially paid by the employed spouse's company. Membership in organizations can provide access to group insurance rates.

6. Worker's Compensation Insurance

Worker's compensation insurancerelates to labor and employer responsibilities and is, by law, required in Connecticut. This type of insurance pays for employees' medical expenses and missed wages if injured or become ill while working. The amount of insurance employers must carry, rate of payment, and the employees that must be covered should be discussed with your insurance agent.

7. Disability Insurance

Disability Insurance is designed to cover you and/or your employees. It provides income to you or your employee if you or they cannot work due to a covered event, including illness or injury. This insurance, if purchased, would be in addition to works compensation and is not mandatory.

If a key person is injured it can impact the farm in two ways – the farm loses the management skills and work of the injured person; and the financial burden of caring for the injured person along with the cost of having to replace the injured person for a period of time. To be eligible, workers must earn credits based on their earnings. The wages necessary to earn credits vary year to year and the number of work credits required is a function of the workers age.

Business owners should always make sure that they keep disability coverage with their social security tax. Social security provides disability for workers who have worked and earned self-employment income and paid self-employment taxes. Furthermore, make sure that you qualify for retirement benefits as well as disability benefits through social security. Remember, all self-employed taxpayers have the option of paying the minimum social security tax even if low income eliminates the obligation to pay social security tax. Paying the minimum does increase the individual's ability to collect social security at retirement and more importantly also qualifies the individual and dependents as eligible for social security benefits in case of disability.



Applying for a Loan

Introduction

Loans can help farmers with a variety of needed support areas and to keep a farm or agricultural business running. The cost of borrowed capital is a significant part of most growers' budgets. Producers should shop for loans just as they look for the best price for fertilizer, seed, and all other production inputs. It is especially important to compare loans carefully.

Nothing is more important when working with a lender than being prepared. One of the worst things that you can do is walk into a banker's office and ask, "How much can I borrow?" This shows the banker that you do not have a budget or any clear understanding of your cash needs. Your overall business plan along with several other documents can serve as explanation of your borrowing needs and repayment ability.

General Tips for Obtaining a Business Loan

- Provide your lender with the proper information needed to evaluate your request.
- Clearly show what the loan will be used for, that it is necessary and that it is the right amount. Information must be presented in a cohesive business plan. The lender must be convinced that your plan will be successful and that you have the ability and the financial strength necessary to pay the loan back.
- Banks have different underwriting requirements and knowledge of types of business. Find out what the bank requires to document a loan and if they have any experience with agricultural businesses.
- Be patient: You want the lender to view you as someone with a vision and the ability to achieve it.

Capital Sources

Not having enough capital is the cause of many small agricultural business failures. Adequate capital is needed to start up the business, operate through hard times, and provide a good chance to become a profitable enterprise. There are several places to look for available capital:

- Personal assets including your savings, stocks, bonds, cash value of life insurance and equity in real property.
- Partner's assets
- Loans and/or gifts from family and friends
- Bank loans
- Grants
- Investors generally get either a part ownership of the business or a part of the profits.

The Five C's of Credit

Lendersevaluate a loan application based on several factors. As the borrower, you provide part of the information, but the potential lenders will also use their own credit files and outside sources. By understanding each of the five C's of credit from the lender's viewpoint, you can anticipate your strong and weak points as they may appear to a potential lender.

- **Character** – Your credit history and business reputation. They are lending money to you and depending on you to make the payments. There is no way you can hide any payment problems in your past. If you have corrected any credit problems and paid the debts as agreed, you should make sure that your credit report reflects that. You may want to check your credit report before you apply for a loan.
- **Capacity** – Your sources and ability to repay the loan out of business cash flow. The lender wants to make sure that you have or will have the cash flow to make the loan payments as scheduled.
- **Capital** – You must invest in your own proposal before you can expect anyone else to back it. Your financial commitment is the business' starting net worth. Generally, you may need to provide between 10-25% of the start-up capital depending on the proposal.
- **Collateral** – Most lenders will require collateral to cover the loan in the event you do not or cannot pay the loan in full. The lender in lieu of payment can take your collateral such as a home or piece of equipment. There must be a significant part of net worth that has market value if the business fails. Sometimes a co-signer with sufficient assets can fulfill part or the entire collateral requirement.
- **Covenants** – These include loan terms such as payment schedule and interest rate. Common loan covenants and conditions include minimum cash balances, coverage and current ratios. In almost all cases, a personal guarantee from the business owner is required as a condition for a business loan. That means the owner's personal assets are at risk.

Documents and Information You May Need to Provide

There are several documents that you should be prepared to provide when applying for a loan. Your ability to deliver a well-organized and well-planned presentation of your financial needs will play a big part in how much capital you will be able to raise.

1. **Resume:** Compile a resume describing your background, include experience working on other farms and your education.
2. **Income Tax Returns**: Provide copies of your income tax returns for at least the last three years.
3. **Financial Statements**: Prepare basic financial statements for each of the last three years. These include:
    - Balance sheet – list all of your assets and liabilities (money you already owe). Be sure to include cooperative retains and money that is owed to you in your list of assets.
    - Profit and Loss Statement – a document that lists your business income and expenses over a period of time, usually for your tax year.
    - Cash Flow – a budget that shows your sources and use of funds on a monthly basis for the past year at least. Also prepare a cash flow budget for the upcoming years to clearly illustrate your expected cash needs.
4. **Titles to Real Estate and Personal Property:** Titles are especially important if these assets are securities for the loan
5. **Serial Numbers and Identification of New Equipment Purchases**
6. **Terms and Conditions of Outstanding Loans:** Provide a list of terms and conditions of any outstanding loans including whom the loan is with and any account numbers.
7. **Collectible Notes and Accounts Receivable**: List all collectible notes and accounts receivable including dates, entities involved, and terms of the agreements.
8. **Third Party Option on Yields**: You may also be asked to provide a third-party opinion on the yield and value of growing crops if they are listed as assets.
9. **Map of Fields and Cropping Plans & Lease Agreements**: Any crop loan application must include a map of the fields and cropping plans for the farm operation. Lease agreements show the ownership status of the land and what the cash rent or crop-share agreement is.
10. **Insurance Policies**: Insurance policies for equipment, liabilities, and crops may be a requirement for the loan. Be prepared to provide complete insurance information including carrier, policy number and amount of coverage.
11. **Sales Contacts**: Include any sales contracts you might have and co-op membership if applicable.
12. **Business Plan**: A business plan is critical for the bank to evaluate your proposal. Be sure to include your marketing plan, long-range changes, pattern of ownership, planned purchases and sales of assets. A marketing plan, which is essential to your loan package, shows that you have done your homework and understand the industry situation for the crops or livestock that you are producing. A detailed marketing plan is particularly important for a new or unusual commodity. Be fairly conservative in your planning, so that there is a margin for unforeseen setbacks.

Issues to Discuss with Lenders

- **Appraisal fees** – if real estate is a security. Application fee or commitment fee – ask if the fee is returned if loan is made or not returned if loan is not made.
- **Closing costs, inspection fees, or charge for documents** that may be recorded – most out of pocket
- closing costs for loans are paid by the borrower.
- **Can fees be paid as part of the loan or must they be paid in cash up front?**
- **Compensating balances** – ask if maintaining a bank account can reduce the cost of the loan.

Questions Lenders May Ask

- Are you a co-signer, endorser orguarantor for debts incurred by others?
- Do you owe income tax on income received or assets already sold? This should appear on balance
- sheets and income statements
- Are you involved in any pending lawsuits?
- Are you involved in any contracts? What are the liabilities if you fall short of your contract?
- Are you guaranteed a home for all products? Do you have an established market?
- Is there potential liability in connection with violation of local, state, or federal regulations?
- Have there been any pollution problems on the property?

USDA Farm Service Agency (FSA)

https://www.fsa.usda.gov/

TheFarm Service Agencyadministersand manages farm commodity, credit, conservation, disaster, and loan programs as laid out by Congress through a network of federal, state, and county offices.

Contact the Connecticut State FSA for the county office nearest to your farm and to learn about available programs.

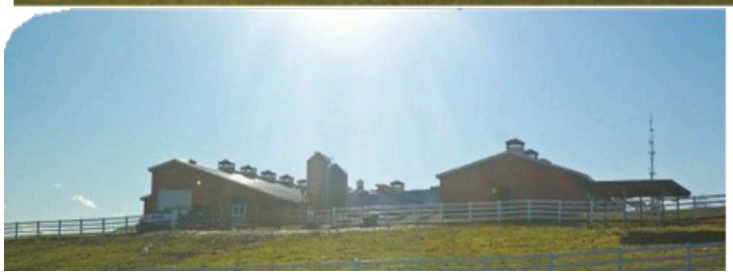
Connecticut State FSA office:

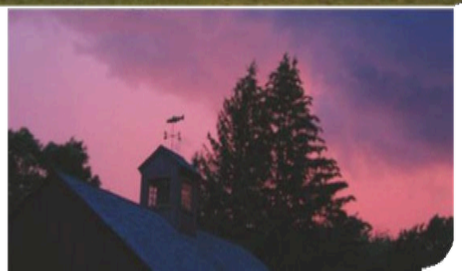
344 Merrow Rd
Tolland, CT 06084-
3917 (860) 871-2944

USDA Farm Service Agency Farm loans:

See the Farm Loan Discovery Tool https://www.farmers.gov/loans/farm-loan-discovery-tool







Grants and Other Opportunities for Assistance

Introduction

Severalresources have been established to help farmers improve their financial success. Grant programs are especially important sources of monetary aid for many farm businesses. There are a variety of federal, state, local, and private agency grant opportunities available to Connecticut farmers. This chapter will discuss some popular grant and funding programs available to farmers.

Applying for a grant can be an intricate and time-consuming process so it is important to develop a plan before getting started. A few guidelines and points to consider are as follows:

- Ensure a good fit – apply to the right funding agency.
- Be aware of the type of grant you are applying for – some are an outright payment to the recipient with no participant match while others require some portion to be matched by the recipient.
- Follow all given instructions – make sure your application is complete with no grammatical or spelling errors.
- Do not assume the funder knows as much about the project as you.
- Develop clear and concise goals and objectives and state them clearly. • Emphasize the results, work towards a measurable result.
- All grants have conditions and rules to follow.

Connecticut Department of Agriculture (DOAG) Grant Programs

Review the DoAg grant programs at https://portal.ct.gov/DOAG

Agricultural Business Development & Assistance

https://portal.ct.gov/DOAG/ADaRC/ADaRC/Agricultural-Business-Development--Assistance
The Agricultural Development Unit of the agency's Bureau of Agricultural Development & Resource Preservation is the primary contact for agricultural business development.
The Bureau of Aquaculture at https://portal.ct.gov/doag/farms-and- businesses/aquaculture?language=en_US may also be of assistance when the goal is to establish or develop an aquaculture-based business.

FUNDING OPPORTUNITIES

- Animal Population Control - Feral Cat Grant
- Connecticut Grown for Connecticut Kids Grant
- Agricultural Enhancement Grant (formerly Farm Viability Grant)
- Farm Transition Grant
- Restoration, Resiliency & Preparedness - Próximamente habrá un documento de orientación en español y materiales.
- Farmland Research RFP
- Local Food Purchase Assistance Cooperative Agreement Program
- Organic Certification Cost Share Grant Program
- Specialty Crop Block Grant

MARKETING ASSISTANCE - visit the following links to learn about the various services and programs the Department of Agriculture has to offer you:

- Connecticut Grown Program
- Export Assistance
- Connecticut Weekly Agricultural Report
  Connecticut Grown Farm Listing Program

Farmland Restoration Programs - Connecticut Department of Agriculture Farmland Restoration Program (FLRP)

Farmland Preservation

https://portal.ct.gov/DOAG/ADaRC/Programs/Farmland-Preservation-Overview
The Department of Agriculture preserves working lands by acquiring development rights to agricultural properties through two programs, ensuring that the land remains available only for agricultural use in perpetuity:

- Farmland Preservation Program (FPP)
- Community Farms Preservation Program

Sustainable Agriculture Research and Education (SARE) Farmer Grants

These grants are for commercial producers who have an innovative idea that will likely contribute to sustainable farm practices. Funds can be used for field trials, prototypes, market development, demonstrations, and outreach, Projects must have a technical advisor with expertise on the topic.
See chart for grant programs: Northeast-Grant-Comparison-Chart.pdf

The eligible Northeast region is made up of Connecticut, Delaware, Massachusetts, Maryland, Maine, New Hampshire, New Jersey, New York, Pennsylvania, Rhode Island, Vermont, West Virginia, and Washington D.C. Visit https://northeast.sare.org/grants/get-a-grant/ for more information.

USDA Rural Development Program https://www.rd.usda.gov/

This program provides a number of grants, loans and loan guarantees to businesses and communities on a variety of programs, including energy conservation.

USDA Natural Resource Conservation Service (NRCS):

NRCS in Connecticut offers various Financial Assistance programs and other initiatives to help farmers, woodland owners and livestock producers to address conservation concerns on their land. Visit Connecticut | Natural Resources Conservation Service for program information and availability.

U.S. Department of Agriculture Grant Programs

Therearemanyothergrantopportunitiesavailable.Tofindandapply for federal government grants visit https://www.grants.gov/

Federal and Connecticut Incentives for Energy Conservation and Renewable Energy https://www.dsireusa.org/

This is a comprehensive source of information on federal, state, local and utility incentive programs. It lists them individually noting funds available, eligibility, purpose, and authorized uses.

USDA Rural Development

Rural Energy for America Program (REAP)
Contact: State Energy Coordinator: (508) 295-5151 ext. 7242

CT Farm Energy Program

A program of the Connecticut Resource Conservation and Development Area, Inc. (RC&D), USDA Rural Development, and Connecticut Department of Energy and Environmental Protection (DEEP). CT Farm Energy Program (CFEP) serves as a clearinghouse for information about farm energy grants, incentives, loans and opportunities. CFEP provides grant writing assistance to eligible USDA REAP applicants. https://ctfarmenergy.org/
Or, call (860) 345-3977

Energize Connecticut

https://energizect.com/resources-for/agriculture P: (877) 947-3873

Useful Websites

There are a variety of organizations thatcanassistyouinconnectingwith people and activities to enhance your ability to run a farm business.

- American Farmland Trust www.farmland.org
- City Seed www.cityseed.org
- Connecticut Christmas Tree Growers' Association www.christmastree.org
- Connecticut Economic Resource Center (CERC) www.cerc.com
- Connecticut Farm Bureau https://cfba.org/
- Connecticut Farm Energy Program www.CTFarmEnergy.org
- Connecticut Farmland Trust www.CTfarmland.org
- Connecticut Farm Risk Management and Crop Insurance https://ctfarmrisk.extension.uconn.edu/
- Connecticut Horse Council www.cthorsecouncil.org
- Connecticut NOFA www.ctnofa.org
- Connecticut Sea Grant www.seagrant.uconn.edu
- Connecticut Wine Trail Association www.ctwine.com
- Government Loan Programs www.govloans.gov
- Internal Revenue Service www.irs.gov
- New England Alpaca Owner and Breeder Association www.neaoba.org
- New Farms and Farmers Program, UConn Extension www.newfarms.uconn.edu
- Research on all grants available www.grants.gov
- State of CT Department of Agriculture www.ct.gov/DOAG
- State of CT Agricultural Experiment Station www.ct.gov/caes
- State of CT Department of Revenue Services www.ct.gov/drs
- State of CT Department of Labor https://portal.ct.gov/dol?language=en_US
- State of CT Department of Consumer Protection www.ct.gov/dcp
- State of CT Department of Public Health www.ct.gov/dph
- State of CT Department of Energy & Environmental Protection www.ct.gov/deep
- UConn Extension www.extension.uconn.edu
- UConn Extension Fact Sheets https://extension.uconn.edu/publications/
- United States Department of Agriculture (USDA) www.usda.gov
- USDA, Farm Service Agency www.fsa.usda.gov
- USDA, National Resource Conservation Service www.nrcs.usda.gov
- USDA, Risk Management Agency www.rma.usda.gov
- USDA, Rural Development www.rurdev.usda.gov
- United States Small Business Administration www.sba.gov

NOTES

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Connecticut Agricultural Business Management Guide

