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## Value-Added & Alternative Agriculture Newsletter

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### New Tool Kit Helps Agents Offer Business Know-How

#### **UPCOMING CONFERENCES**

**When:** February 14, 2007

**Where:** Winston-Salem, NC

**What:** "Profitable Produce"

**Topics:** Safe Food-Handling;  
Buying Insurance; Liability Protection

**Who should attend:** Agents and growers with pick-your-own operations, berries, farmers' market stands

**When:** February 28, 2007

**Where:** Fayetteville, NC

**What:** "Bridging the Gap – Selling to Food Service and Retail"

**Keynote Speakers:** Craig Watson, Executive Vice-President Sysco Food Systems; Ron Bold, Capital City Grocery

**Who should attend:** Growers and agents interested in year-round vegetable production to supply restaurants and food services

NCSU's Value-Added & Alternative Agriculture web site (see left-hand column for the URL) has added some value of its own for Cooperative Extension agents working with new venture start-ups.

#### **GOALS OF THE TOOLKIT**

Clients typically are impatient to get started with their business planning, and they often are overwhelmed when they are presented with too much information regarding what it takes to get a business up and running.

With that in mind, the Value-Added & Alternative Agriculture Toolkit is designed to help guide clients' thinking as they pursue their business ideas. The intent is to give them enough of an overview to assist them as they move forward.

The Toolkit provides clients with one-page fact sheets on each of these key areas of starting a business:

- Start-up Checklist
- Entrepreneurial Skills
- Marketing
- Management
- Budgeting
- Legal Issues
- Taxes

At the end of each fact sheet is a list of web sites that clients or agents can visit to get more detailed information.

Powerpoint presentations can be downloaded and modified by agents for their use in conducting meetings for farmers.

#### **PLANNING: FOCUS ON THE PROCESS, NOT THE WRITTEN PLAN**

As most of you know, clients are usually not interested in writing a business plan. Many of them do not see the need for a plan, because they think they have already worked out all the "kinks."

Others don't want to believe that their business has the potential for failure, so they see the business plan as focusing on the negative.

Also, since most lenders today make decisions based on a person's creditworthiness and available collateral, there is little incentive to engage in formal business planning.

One possible way to combat "plan reluctance" is to call your clients' attention to the planning process – making sure they take the time at least to think through all of the steps in starting a business.

Another approach is to ask them to develop a contingency plan – to outline some possible solutions to the "what if" questions you pose. You may still not be able to elicit a formal document from your clients, but you hopefully will have introduced them to all of the different considerations involved when getting a business up and running.

## What is your client's EQ\*? (Entrepreneurial Quotient)

A growing number of agents are encountering clients who are interested in starting a value-added enterprise. They have the idea; they have the land; and they often have start-up capital. When clients are excited about the future, it's virtually impossible to suggest that they put on the brakes before they have a train wreck.

One approach to helping clients is to enable them to take a self-assessment that evaluates their "entrepreneurial quotient." This assessment takes a look at three factors in the entrepreneurial equation: economic resources, experiential resources and managerial resources.

Each set of resources has a total weight of 33.3%, because each portion is a valuable part of what it takes to make an enterprise successful. Within each category, there are several factors that a would-be producer should consider. These include:

- Previous business experience
- Access to support resources
- Identification of available labor resources
- Previous use of the land to be put into service
- Knowledge of farming practices
- Knowledge of business practices
- Access to capital

The factors are ranked within each section, and the producer receives a total score of between 0 and 100. That score, together with an analysis by section, can help you work with your client to pinpoint areas that can help grow the business – or may result in its failure.

## 9 Questions Producers Should Ask Their Insurance Agents

Producers engaged in direct market and agritourism activities are either required, or at least should have, appropriate liability insurance. In North Carolina, the rapid growth of direct farm-to-market sales and the recent enactment of the new agritourism laws has increased the demand for farm liability insurance.

However, many insurers are still unfamiliar with the types of products that they should offer to clients.

Here are 10 questions that your direct-to-market producers should ask their insurance agents to be sure your farmers are adequately covered:<sup>1</sup>

- (1) Does the current farm liability policy cover direct farm market sales, or are the sales considered a "separate business"? If a separate business, is an appropriate commercial policy available?
- (2) Do I have to have a certain sales volume to qualify for a commercial policy?
- (3) Would a separate commercial policy give me better coverage than my current farm policy, even though I am covered under my farm policy?
- (4) Does the on-farm liability policy cover off-farm sales?
- (5) If the answer to #4 is no, what type of policy is needed to cover sales at farmers' markets, or to restaurants or food distributors?
- (6) Do I need special insurance for an on-farm, pick-your-own operation?

- (7) Does my existing automobile policy cover employees, family members and me for deliveries of product to customers using farm vehicles?
- (8) Should my insurance for buildings and equipment cover "replacement cost value" or "depreciated value"? Is there a co-insurance provision that requires me to pay a portion of the loss?
- (9) Is my policy a "claims and occurrences" policy, and if so, when does coverage end and what happens if I change insurance?

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<sup>1</sup>Adapted from: Hamilton, Neil D. The Legal Guide for Direct Farm Marketing, pp.148-9.

### Is this Insurance Company Licensed to do Business in NC?

With the rapid change of the farm liability insurance market, some of your clients may be securing insurance from companies that are not licensed to sell that particular type of insurance in North Carolina. Producers can check the types of insurance a company is approved to sell in the state by visiting: [http://infoportal.ncdoi.net/run\\_reports.jsp?REPT=INSCMPLOA](http://infoportal.ncdoi.net/run_reports.jsp?REPT=INSCMPLOA) and clicking on the links to "Contractual Liability" and "General Liability"