

Checklist for Starting a Value-Added Agriculture Enterprise



value-added & alternative agriculture

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OVERVIEW

Value-added agriculture offers entrepreneurial farmers an opportunity to identify and pursue new crops and new markets. This rapidly growing segment of North Carolina's agricultural economy offers both the established and the new farmer a variety of ways to develop a business and take advantage of its profit potential.

Like any business venture, value-added agricultural opportunities carry risk. That risk varies with the size of the investment, the type of product(s) selected to grow, and the market potential.

Other factors that affect risk are the entrepreneur's expertise, or access to expertise, in the areas of marketing, business management and financial management.

This overview, which is the first of a series entitled Value-Added and Alternative Start-up Tool Kit, offers a broad look at each of the areas to consider when researching the possibility of undertaking a value-added agricultural enterprise.

QUESTIONS TO CONSIDER

Personal

- Do you have prior business experience of any kind?
- How many hours a week can you devote to managing and operating the enterprise?
- What skills and experience do you possess that relate directly to the proposed enterprise?
- Does your family understand that there may be financial hardships while the business is being developed?
- Do you have an available support system?

MARKETING

- Have you identified a viable niche market?
- Have you researched this market to determine its growth potential?
- Have you identified key marketing components to help you define your product?
- Do you have an understanding of what will affect your product's price?
- Have you looked at the volume potential for your niche?
- Have you determined how you will reach your customers?
- Have you adequately evaluated your competitive environment?
- Have you assessed what will be needed to promote your product?
- Have you determined that you can differentiate (i.e., brand) your product?

MANAGEMENT

- What experience do you have in making day-to-day business decisions?
- What experience do you have in hiring and directing the work of other people?
- Do you have a framework, or methodology, that you use to evaluate situations in order to determine a course of action?
- Do you assess situations with both a short-term and a long-term perspective?
- Do you have a basic understanding of the laws and regulations that affect the type of enterprise you are considering?
- Have you reviewed your insurance needs?
- Do you understand the different types of business legal structures, how to set them up and the tax impact on your business of each structure?

FINANCIAL

- Have you evaluated your personal financial situation?
- Have you researched the start-up costs of your business?
- Have you evaluated the capital and human resource investment requirements to begin your enterprise?
- Do you have a working knowledge of financial statements?
- Do you have access to business capital at an affordable interest rate and workable terms?
- Have you developed profit projections for the first three years of your business?
- Can your family continue to pay its monthly obligations if your business sustains a loss during its start-up year?
- Do you understand the basics of record keeping?

RESOURCES

For a more detailed Business Checklist, go to: <http://www.irs.gov/business>

For information on county-by-county demographics in North Carolina, go to: <http://www.demog.state.nc.us>

For information on county-by-county economic growth and statistics, go to: <http://www.nccommerce.com>

For information on incorporating a business, go to: <http://www.sosnc.com>

For tips on general business knowledge, visit the following web sites:
<http://www.sba.gov/aboutsba/sbaprograms/onlinewbc/index.html>
<http://www.sba.gov>

For more on value-added agriculture in North Carolina, go to: <http://www.cals.ncsu.edu/value-added>

For state agricultural statistics and programs, visit: <http://www.ncagr.com/stats/index.htm>

For more specific information about your crops and potential markets, talk with your Extension Agent.