

# Agricultural Businesses

This guide is designed to help entrepreneurs through the stages of value-added business development. To simplify this process, the resource guide has been divided into sections that correspond with the phases of business development.

## **Phase 1: Exploration & Assessment**

Starting an agricultural business is challenging and exciting. Business start-up involves surrounding yourself with hard-working producers and resource providers to develop your vision or idea. Some of the steps you need to take include:

- Form a steering committee
- Identify a shared purpose, vision, mission and values
- Formulate and develop your business idea
- Conduct an initial assessment of market opportunities.
- Identify resource providers such as facilitators, information specialists, and consultants to assist in business start-up.
- Prepare a budget for estimated start-up expenses and develop a financing plan for paying for these expenses.
- Incorporate your business under appropriate state statutes and regulations.

## **Phase 2: Feasibility**

Feasibility is an important step in deciding whether to proceed with your business idea or reevaluate the project. Research and investigate thoroughly before moving on to “Business Planning.” Key points and questions that help determine business feasibility are included in this section.

- Conduct initial market research to narrow options for potential business ideas.
- Prepare a market feasibility study to analyze business potential.
- Make sure the feasibility study answers all of the questions necessary to make a good decision – whether or not to pursue the project.

A feasibility study should be conducted either by the entrepreneur or an out-sourced consulting group. If you choose to conduct your own feasibility study, it is important to maintain objectivity.

Consider the following before starting a feasibility study and/or hiring a consulting firm:

Criteria of a good feasibility study consultant:

1. Previous experience conducting studies
2. Experience with the industry to be studied
3. Understands cooperatives
4. Willingness to listen to the groups’ ideas
5. Works closely with designated contact members of the group
6. Accepts reasonable study revisions
7. Accomplishes the study within an agreed deadline
8. Works within the group’s designated budget
9. Provides clear, useful information in the completed study

*Reprinted from USDA Cooperative Feasibility Study Guide*

### **Phase 3: Planning**

A crucial piece of business is planning. During this phase, an entrepreneur develops a business plan including market analysis, legal structure, financial analysis, and regulatory requirements. The following section outlines points to help you begin developing your business plan.

- Review your legal organizational structure.
- Determine regulatory requirements, taxes, insurance, and personal strengths and weaknesses of individuals involved in the business.
- Identify potential customers and competitors for your product.

Once you review the key points listed above, you should begin writing your business plan. Follow the steps below to complete a thorough business plan.

1. Describe your business in detail.
  - Describe your organizational structure
  - Identify management and/or key people to be involved with the business
  - Determine products or services to be provided
2. Create an operating plan
  - Select a site for your operations
  - Determine plant and equipment needs
  - Determine layout of facilities
  - Determine purchasing, inventory, and distribution policies
  - Determine whether producers will need to make any changes in production practices to meet necessary quality requirements
3. Analyze your industry
  - Describe industry trends
  - Describe industry competition
  - Determine industry growth and sales projections
4. Analyze your market
  - Identify a target market
  - Describe market competition
  - Forecast sales of your product or service
5. Prepare a financial plan
  - Determine how business will be financed
  - Determine financial goals
  - Project financials for three years

Smaller projects may not involve the steps on building a production site, but the rest of the steps are applicable. Several of the steps may require working with outside professionals. When beginning business planning, be sure to consult with an attorney or accountant. These professionals can assist in structuring the business to optimize potential. Before hiring any outside professionals, research the firms or individuals to determine if they have the background and skills needed to work with your business.

### **Phase 4: Implementation**

Obtaining financing is the key component to implementing any business idea. Meetings often are held to secure sufficient funding.

Below are steps to consider when beginning the implementation phase:

- Meet with lenders to share your business plan and discuss potential debt-financing options.
- Prepare a prospectus, offering circular or other investment documents, if required.
- Secure equity capital through producer-members, if required.
- Secure equity capital through non-producer investments, if required.
- Secure debt or financing with lender.

- Begin construction or remodeling of facilities, if required.
- Hire management and additional staff members. Develop a system for selecting, retaining and training employees, if required.
- Begin operating your business and marketing your products.

### **Phase 5: Operations**

The last phase of business development is the Operations Phase which deals with the day-to-day operations of the business.

Entrepreneurs should consider the following steps to enhance business success during this phase:

- Communicate regularly with your stakeholders.
- Establish a system for monitoring business performance, which includes management, human resources, operations, and other business functions.
- Develop a strategic plan to guide your organization after start-up, such as growth or exit strategies.

### **Legal Structure**

Anyone conducting business in the State of Missouri under a name other than their own legal name (e.g., John Doe), must register the business name with the Missouri Secretary of State. Missouri law allows businesses to operate under four forms or organization:

- Sole proprietorship
- Partnership – general and limited
- Corporation -- C-Corp; S-Corp; Professional, Not-for-Profit; Foreign Corporation
- Limited Liability Company – LLC

Each structure has its own advantages and disadvantages and there are many modifications and variations within these forms. The key to selection revolves around the concept of liability and taxation. You must decide which of these structures best suits your business. In choosing your business structure, consult with a qualified accountant and/or attorney who are familiar with your resources and objectives.

A description of the forms of organization and some of the advantages and disadvantages are discussed in *Starting A New Business In Missouri* (<http://www.ded.state.mo.us/business/pdfs/startuppacket.pdf>).

You can download forms on the web at:

<http://www.ded.state.mo.us/business/businesscenter/legalformation.shtml> or request from the Secretary of State's Office at (573) 751-3200.

### **Taxes**

Understanding the taxes that apply to your business and how to meet the legal requirements of those taxes is critical. Consultation with an accountant or attorney is advisable.

Tax considerations are essential during the formation of a new business and during its entire life. When a business is just starting out, it may have little or no income or assets and the choice of structure may not seriously affect its tax liability. However, as the business grows, the tax implications become more significant.

Choosing a particular structure does not necessarily determine how the business will be taxed. The table found in *Starting A New Business in Missouri* (<http://www.ded.state.mo.us/business/pdfs/startuppacket.pdf>) identifies the state and federal forms that must be filed for different business structures and compares the tax liabilities for the most common business structures.

Tax responsibility includes federal, state and local taxes. As a business owner you will be responsible for income taxes, payroll taxes, property tax and other miscellaneous taxes.

Any business making wholesale or retail sales must obtain a Missouri Retail Sales License from the Missouri Department of Revenue. A bond, based on projected monthly gross sales is posted at the time of application. An application form (Form #2643) can be obtained from the Dept. of Revenue on the web at <http://www.dor.state.mo.us/dorforms.htm> or by calling 1-800-877-6881. Generally, a wholesaler or manufacturer will present a Sale/Use Tax Exemption Certificate (Form #149) to the seller showing the sale is exempt from sales tax.

For more information on taxes and access to printable copies of the required forms visit: <http://www.ded.state.mo.us/business/businesscenter/taxes.shtml>

## **Hiring Employees**

Obtain a "Business Tax Kit" and a copy of "Circular E, Employer's Tax Guide" from your local IRS office or call 1-800-829-3676. "Circular E" explains federal tax withholding and Social Security tax requirements for employers as well as containing up-to-date withholding tables for you to use to determine how much federal income tax and Social Security tax is to be withheld from each employee's paycheck.

### **What Is Involved?**

- Once you begin paying salary or wages to employees, you must collect taxes from your employees. The primary taxes are: federal and state income taxes, Social Security (FICA) and Medicare taxes.
- If you have not already done so, you must apply for a federal employer identification number (EIN) -- Form SS-4. This number is used to identify your business on payroll and income tax returns, as well as for other federal tax purposes. Corporations and partnerships must file Form SS-4 even if they have no employees.
- Each employee completes an I-9 Employment Eligibility Verification Form and a W-4 form.
- Missouri require that all employers in Missouri report each newly hired employee to the Department of Revenue within 20 calendar days of hire.

For more information on your responsibilities as an employer, please contact our office or your local Workforce Development Career Center (formerly Job Service). To locate the nearest office, check the phone book or call (573) 751-3999 or visit [http://www.works.state.mo.us/es\\_offices/index.htm](http://www.works.state.mo.us/es_offices/index.htm)

For a complete discussion on hiring employees, your responsibilities, and access to the required forms, refer to: <http://www.ded.state.mo.us/business/businesscenter/hiring.shtml>

## **Resources**

The Ag Business Development Division provides information, training and on-on-one assistance to Missouri's agriculture producers. The division's primary objective is to help Missouri farmers enhance farm profitability by building successful businesses and promoting Missouri agriculture through the AgriMissouri brand. In addition to helping producers grow, market, and process their commodities in new ways, the staff works with agriculture professionals across the nation.

### **Ag Business Development Division Missouri Department of Agriculture**

P.O. Box 630

Jefferson City, Missouri 65102

Phone toll-free: 1-866-466-8283

Email: [agrimeo@mail.mda.state.mo.us](mailto:agrimeo@mail.mda.state.mo.us)

Web: [www.mda.state.mo.us](http://www.mda.state.mo.us)

In addition, the following organizations can assist with agri-business development:

- **Missouri Value Added Development Center**  
Phone: 1-877-825-8233  
Web: [www.valueadded.missouri.edu](http://www.valueadded.missouri.edu) Email: [Valadag@missouri.edu](mailto:Valadag@missouri.edu)
- **Missouri Alternatives Center**  
Web: [www.agebb.missouri.edu/mac](http://www.agebb.missouri.edu/mac) Email: [kellyd@umsystem.edu](mailto:kellyd@umsystem.edu)
- **Agriculture Marketing Resource Center**  
Web: [www.agmrc.org](http://www.agmrc.org) Email: [AgMRC@iastate.edu](mailto:AgMRC@iastate.edu)
- **Missouri Small Business Development Centers (SBDC)**  
Web: [www.mo-sbdc.org](http://www.mo-sbdc.org)
- **University Outreach & Extension**  
Web: [www.extension.missouri.edu](http://www.extension.missouri.edu)

Also, funding to explore idea may be available from:

- **Missouri Agricultural & Small Business Development Authority (MASBDA)**  
Web: [www.mda.state.mo.us/WhoWeAre/i11.htm](http://www.mda.state.mo.us/WhoWeAre/i11.htm) Email: [masbda@mail.mda.state.mo.us](mailto:masbda@mail.mda.state.mo.us)
- **Sustainable Agriculture Network (SAN) and Sustainable Agriculture Research & Education (SARE)**  
Web: [www.sare.org](http://www.sare.org) Email: [san@sare.org](mailto:san@sare.org)

The following web sites can assist with implementation.

- **USDA-Rural Development** – Missouri State Office  
Web: [www.rurdev.usda.gov/mo/index.html](http://www.rurdev.usda.gov/mo/index.html)
- **Missouri Agriculture Product Utilization & Incubation Center**  
Web: [www.emac.missouri.edu/mapuic/](http://www.emac.missouri.edu/mapuic/)
- **Missouri Agriculture Statistics Service**  
Web: [www.agebb.missouri.edu/mass](http://www.agebb.missouri.edu/mass)
- **U.S. Department of Agriculture, National Agricultural Statistics Service**  
Web: [www.usda.gov/nass](http://www.usda.gov/nass) Hotline: 1-800-727-9540
- **National Agriculture Library**  
Web: [www.nal.usda.gov](http://www.nal.usda.gov)
- **Agriculture Network Information Center (AgNic)**  
Web: [www.agnic.org](http://www.agnic.org) Email: [agnic@agnic.org](mailto:agnic@agnic.org)

## Retail Operation

General retail operations do not have special licensing at the state level; however, they must comply with local regulations (check with the City Clerk). Retail Stores are required to collect and remit Sales Tax to the Missouri Department of Revenue (see below).

The sale of some products will require licensure or complying with regulations. Examples include:

- Live plants: Missouri Department of Agriculture (573) 751-5505 or <http://www.mda.state.mo.us>

- Prepared food Products (e.g., sandwiches): Missouri Department of Health and Senior Services (573)751-6090 or <http://www.dhss.state.mo.us/Publications/FoodCode99.html>
- Liquor: Missouri Department of Public Safety (573)751-2333 or <http://www.mdlc.state.mo.us/district.htm>
- Tobacco products: Missouri Department of Revenue (573) 751-7163 or <http://dor.state.mo.us/tax/faq/faqxcise.htm#17> and <http://www.dor.state.mo.us/tax/business/excise/tobacco/regstart.htm>
- Lottery Tickets: Missouri Lottery (573) 751-4050 or <http://www.molottery.com>
- Certain sporting goods (e.g., guns, archery equipment, knives): ATF(314)539-2251 or <http://atf.treas.gov/about/snapshot.htm>
- Fireworks: call Missouri Department of Public Safety at (573)751-2930 or go to <http://www.mdfs.state.mo.us/dfsfrwrk.htm>
- Pesticides and Fertilizer: Missouri Department of Agriculture at (573)751-5504 or <http://www.mda.state.mo.us/Pest/d7h.htm>
- Feed and Seed: Missouri Department of Agriculture at (573) 751-4310 or <http://www.mda.state.mo.us/>
- Meat and Poultry: Missouri Department of Agriculture at (573) 522-4212 or <http://www.mda.state.mo.us/Animals/b6c.htm>
- Eggs: Missouri Department of Agriculture at (573) 751-2495 or <http://www.mda.state.mo.us/Animals/b4a.htm>
- Dairy products: Missouri Department of Agriculture at (573)751-5639 or <http://www.mda.state.mo.us/Animals/b4a.htm>

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- Have each employee complete an I-9 Employment Eligibility Verification Form and a W-4 form.
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For a complete discussion on hiring employees, your responsibilities, and access to the required forms, refer to: <http://www.ded.state.mo.us/business/startabusiness/becominganemployer.shtml>

## Resources:

You may also find the following information helpful as you begin your business:

Download copies of ***Starting a New Business in Missouri***, an excellent publication on the process of starting and operating a business in Missouri, at <http://www.ded.state.mo.us/business/startabusiness/publications.shtml>

*Evaluating Your Business Idea* is a simple questionnaire-formatted document that helps you think through the elemental considerations in starting a business:

[www.umsl.edu/~smallbus/Evalbus.pdf](http://www.umsl.edu/~smallbus/Evalbus.pdf)

*Guide to Writing A Business Plan* provides a short, but thorough introduction to the process of writing a business plan and provides a simple outline of the contents of a standard plan:

[www.umsl.edu/~smallbus/BusplanG/BusplanG.pdf](http://www.umsl.edu/~smallbus/BusplanG/BusplanG.pdf)

The Missouri Business Development Network is a partnership of the key resource providers in Missouri. The website contains a vast array of helpful documents, links and information on starting and operating your small business as well as a calendar of upcoming training and educational events throughout Missouri. [www.missouribusiness.net](http://www.missouribusiness.net)

For information on resource providers and business counselors, refer to:

[http://www.missouribusiness.net/service\\_centers.asp](http://www.missouribusiness.net/service_centers.asp)

For information on local (city or county) requirements, contact the City Clerk and/or County Clerk.

A list of county clerks is found on the Web at [www.sos.state.mo.us/elections/countyclerks.asp](http://www.sos.state.mo.us/elections/countyclerks.asp)

#### Missouri Lawyer Referral Service

Kansas City: (816) 221-9473 (Clay, Jackson, Platte & Ray counties)

St. Louis City & County: (314) 621-6681

Springfield/Greene County: (417) 831-2783

Rest of Missouri: (573) 636-3635

Web at <http://www.mobar.org/pamphlet/referral.htm>

#### Missouri Society of Accountants 1-800-959-4276

Web at: <http://www.missouri-accountants.com>