



Question 7.

You should have at least an annual meeting with your salesperson to review the past year, assess your coverage and options, and potentially explore any coverage changes.

Question 8.

The fact sheet for NAP can be accessed at

Question 3c.

Revenue protection insurance guarantees a certain level of revenue regardless of what happens during production or in the marketplace. It protects you from declines in both crop prices and yields. The guarantee is based on market prices and the actual yield on your farm. See the following:

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Question 3d.

Proactive management of input prices is necessary, as it is the piece of marketing risk that you can best control. Don't become a person of habit when ordering your inputs from year to year; take time to look at the marketplace for new suppliers and new products to be sure you are using resources wisely.

Question 3e.

FINANCIAL

Question 1.

While many farmers may not have a written business plan, many have a mental plan they follow. However, a plan is not a plan until it is written, so take some time during an off-season to develop a written plan with the help of family and employees. To assist with drafting the plan, please see the following:

- Penn State Extension: [psu.edu](#)
- University of Minnesota: [um.edu](#)
- Small Business Development Centers (SBDCs): [sbdcs.org](#)
- Service Corps of Retired Executives (SCORE): [score.org](#)

Question 2.

When you are developing or revising your business plan, create your pro forma (before actual) financial statements as accurately as possible. Do not embellish income and reduce expenses to make the “bottom line” look better. However, if you find you have additional income, create a plan for the best use of those funds. A conservative use is to always reduce your debt load; some farmers prefer to use the funds to purchase wanted (not needed) capital improvements like more land or upgraded equipment.

Question 3.

What will you do in the event of a major or partial crop failure that reduces your income? If you purchased crop insurance, the claim will help reduce the potential loss and possibly cover input costs. As soon as you anticipate a loss of income, contact your lender. The early notification will strengthen your character portion of the review of lending. Your lender will help you create a plan to compensate, reducing some of the stress of the situation.


Question 4.

Having pro forma and actual budgets will assist with many decisions. The publication “Agricultural Alternatives: Budgeting for Agricultural Decision Making” ([um.edu](#)) explains how to develop and calculate several types of budgets. In addition, the web pages and publications related to “Agricultural Alternatives” ([psu.edu](#)) contain budgets for many types of enterprises, including links to interactive PDF budgets you can customize to your operation.

Partial budgeting is used to compare potential profitability of one production practice over another, considering only the income and expense differences between the two practices. Penn State Extension also has an online course to teach partial budgeting ([psu.edu](#)).

Question 5.

Knowing your breakeven cost is imperative when deciding the best way to sell what you grow. If you do not know your breakeven cost, you may sell your crop at a loss. Your breakeven cost is the price you need to receive for your crop to cover all costs. If you are adding value to farm products, you may have additional costs associated with FSMA—the requirement to use either a commercial kitchen or costly diagnostic tools to confirm safety standards. Including appropriate variable and fixed costs related to FSMA in your breakeven may drastically change how many units you will need to sell to cover all expenses and begin to make a profit.

It's always good to determine your best tax reduction strategy by consulting your preparer. Federal Income tax information is available from 




Question 13.

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While it is important to have consistency with your lender, paying too much in interest or settling for less-than-ideal terms may signal a need to make a change. Before jumping to another bank, be sure you are comparing the same options: the amount of funds borrowed, interest rate, and when payments are due. Rather than changing lenders, you may be able to change a short-term loan to an intermediate loan or restructure payment options to better suit income streams. These are all issues you should consider when making financing decisions.

Question 14.



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Several programs provide assistance to farms. Your local FSA of ce () is a visit most farmers make at least once each year, when reporting acreages and yields to be eligible for many crop programs. The NRCS () of ce is usually in the same building as FSA and can provide funding assistance for conservation related issues. USDA () has a variety programs, making visiting these of ces is a must for any farmer. Your local County Conservation District of ce can also help with conservation programs.

Question 15.

Question 1.

A will is the primary document recognized by law in the United States to direct the distribution of property owned by the decedent at the time of the death. A will should be part of a comprehensive estate plan implementing a strategy to transfer farm assets to specific individuals in a way that minimizes stress, operational disruptions, and the potential tax burdens on your heirs. The actual estate plan needs to be revisited from time to time (every three to five years and when significant life or business changes occur) to ensure it continues to satisfy your needs and fulfill the goals set.

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Your will should be reviewed anytime there is a major change within the family (such as a new child or children no longer

- [Redacted]
- [Redacted]
- [Redacted]

- [\[redacted\]](#)
- [\[redacted\]](#)
- [\[redacted\]](#)

Some states have statutes that provide some liability protection for agritourism, equine operations, and the recreational use of land and water. You should check your state law to see what applies to your farm.

The National Ag Law Center also has a repository of information covering federal and some states' case law and statutes, accessed at [\[redacted\]](#). There is no excuse or substitute for knowing the laws in your state.

Question 6b.

[\[redacted\]](#) ?

When selling farm products directly to the consumer, food safety should be your first concern. Your risks related to food safety can result from regulations that you may need to follow and lawsuits that individuals may file against you if they get sick from your farm products. The Food Safety and Modernization Act of 2011 (FSMA) covers selling products (and even farm production) to the public. Even if you are not adding value or processing the production, you can still fall under the regulations. Check with your state Department of Agriculture to determine your responsibility.

Your farm owner's insurance policy may contain a limited amount of product liability insurance (around \$300,000). If you are direct marketing, however, this will not provide adequate protection. With current land values, this amount will probably not protect your farm, so buying additional product liability insurance is frequently required. For more information covering product liability insurance, please see [\[redacted\]](#).

Another method of reducing direct marketing liability is through your business structure. A well-designed business structure will assist in protecting your personal assets if a judgment is entered against you. There are some structures (e.g., sole proprietorships and partnerships) you can establish without filing any documents in Pennsylvania, but these types of businesses offer little or no protection for personal assets. A corporation, LLC, or similar entity can provide a manner of protecting your personal assets. You should consult an accountant and an attorney to determine the best structure(s) for your farm activities. There are several sources of information covering business structures for your farm business:

- Sustainable Agriculture Research and Education: [\[redacted\]](#)
- Penn State Extension: [\[redacted\]](#)
- Washington State University: [\[redacted\]](#)
- The National Ag Law Center: [\[redacted\]](#)
- Kansas State University: [\[redacted\]](#)
- Agricultural Marketing Resource Center: [\[redacted\]](#)

Question 6c.

[\[redacted\]](#) ?

Direct farm marketing is defined as selling food and farm products directly to consumers without using an intermediary.

Keep in mind that you will need to consider your product recall plan when beginning a value-added business. The plan should be written and available to all employees and potentially your wholesale customers.

Question 6d.

Each state has different laws and regulations governing production agriculture and marketing. Your State Department of Agriculture enforces these state laws and some federal laws and regulations. You should have your Department of Agriculture's web page bookmarked on your computer.

Question 6e.

In most parts of the United States, including Pennsylvania, you are responsible for controlling your livestock, so constant fence maintenance is a must. You should also review your farm owner's insurance policy to determine the level of coverage that is offered in the event of livestock breaking through a fence and causing damage to other's property. Pets or farm animals that are part of the farm enterprise may subject the owner to legal liabilities. Responsibility for acts of domestic animals is determined to a large extent by state fencing laws.

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Question 6f.

require the sale of land contracts to be in writing. Oral contracts may sometimes be valid, but it can be very difficult to prove the terms of these contracts since the parties may remember the negotiations differently. The parties also may disagree on whether a contract exists at all. Having a contract that is not enforceable is essentially the same as not having a contract, so the best course of action is to always have a written contract.

For more information covering leases, see the National Ag Law Center's information at [http://www.nalawcenter.org/](#). University of Minnesota's Ag Lease 101 ([http://www.legis.mn.gov/](#)) contains a wealth of information, including sample leases.

Lenders are governed by the Uniform Commercial Code (UCC) when securing loans with collateral. For more information from the National Ag Law Center, please see [http://www.nalawcenter.org/](#). Keep in mind that any item listed as collateral is subject to be foreclosed or repossessed and then sold to satisfy a delinquent loan. Additional resources about this subject are found at:

- [http://www.nalawcenter.org/](#)
- [http://www.legis.mn.gov/](#)
- [http://www.farmers.org/](#)
- [http://www.farmers.org/](#)
- [http://www.farmers.org/](#)
- [http://www.farmers.org/](#)

Question 8.

Business structure information was covered in sub-question 6b. When considering the appropriate business structure, you should consider a number of factors, including liability protection, taxation, how the entity is controlled, transferability, and reporting requirements. Some business structures are easier to dissolve or change than others, so choose your structure wisely.

Question 9.

Your attorney and accountant are valuable members of your business team. You may have more regular contact with your accountant than your attorney, but a yearly checkup may be very beneficial. If your accountant prepares your taxes, you will meet with him or her at least once each year. Scheduling a meeting with your attorney close to the same time will avoid procrastination or forgetting, to ensure you are continuing your compliance with all regulations and contracts. Additionally, it can sometimes be beneficial for you to meet jointly with your accountant and attorney or for your accountant and attorney to communicate with each other so that each understands what the other is doing. You will need to give appropriate authorization for them to discuss your information, and you can put limits on their disclosure.

Question 10.

Compliance with pesticide laws pertains to both the owner and employees. The Worker Protection Standard, established by the Department of Environmental Protection (EPA), requires record keeping and following all label recommendations. Your state Department of Agriculture may enforce the regulations, but the EPA is the governing agency. The Pennsylvania Pesticide Control Act of 1973 is enforced by the Pennsylvania Department of Agriculture (PDA) Bureau of Plant Industry. This act regulates the labeling and registration, distribution, storage, transportation, use, application, and disposal of pesticides.

- [http://www.epa.gov/](#)
- [http://www.pda.pa.gov/](#)
- [http://www.pda.pa.gov/](#)

Although you may be familiar with personal vehicle insurance, business use and the potential for multiple operators increases your exposure to risk. See [REDACTED]

Agricultural producers looking to hire employees are often presented with a host of federal and state laws that impact their ability to do so. Even workers who are not hired, such as interns or volunteers, may impose certain obligations on the farm. Some labor laws, such as the federal Fair Labor Standards Act, contain important exceptions for agricultural operations. It is important to know whether your operation meets the requirements for these exceptions. Many of you may ask, do minimum wage laws apply, can my 12-year-old work on the farm, and are there any other federal and state regulations? It is important to know the laws, federal and state, that pertain to your operation.

- [REDACTED]
- [REDACTED]
- [REDACTED]

To avoid noncompliance with many legal issues, busy farmers often select a “point person” to make sure everything is addressed. An example is delegating vehicle registration renewals to another family member or employee. Another good

Question 3.

Contrary to the popular image of fresh air and peaceful surroundings, a farm is not a hazard-free work setting. Every year, thousands of farm workers are injured and hundreds more die in farming accidents. According to the National Safety Council, agriculture is the most hazardous industry in the nation, necessitating adequate farm safety training for everyone involved in the operation.

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Question 4.

Information about pesticide application and safety is available at:

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HUMAN

Question 8.

The research is conclusive. Dr. Gail Matthews, a psychology professor at Dominican University in California, did a study on goal-setting with 267 participants. She found that you are 42 percent more likely to achieve your goals just by writing them down.

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Question 9.

Modern farms require a wide range of experience and training, depending on the enterprises engaged. Delegation of authority for a specific segment of the business, especially to rising generation members, paves the way for succession/transition and at the same time is an efficient use of human resources. If a specific enterprise on the farm requires special training or certification, this needs to be identified and resources/time provided for the appropriate person to receive necessary education.

Question 10.

Emergencies, delays, and other problems on the farm that a confident farmer/rancher takes in stride may be a stumbling block for one who feels inadequate. While part of an individual's stress tolerance is inborn, a crucial part depends on the quality of coping skills practiced. Learning to cope successfully with a stressor once makes it easier the next time.

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Question 11.

See "Food Safety."

GENERAL

Question 1.

You should be comfortable enough with your insurance providers to discuss anything; if not, you may need to reevaluate the relationship. Insurance providers cannot provide accurate information if they do not know everything you are doing.

Question 2.

Your business team should be able to assist with the evaluation process. Your extension educator is also a nonbiased source of information.

Question 3.

Do you have a financial adviser? If not, your accountant may be able to assist with investment advice or recommend someone who can assist.

Question 4.

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FOOD SAFETY

handled safely and that food is manufactured, processed, held, and distributed in a suitable environment and sanitary conditions. GMPs addresses the hazards associated with personnel and the environment during food production. They provide the foundation for any food safety system. This includes producers who were previously registered with PDA as a limited food establishment (making products in the farm residential kitchen) or a second, commercial kitchen. Generally, GMPs address the following areas:

- Buildings and facilities
- Personnel health and practices
- Sanitation and controls

To help with assessing your operation's current food safety preparedness for GMPs, we recommend you use the "Modernized GMPs Checklist for Pennsylvania Food Establishments" at [www.pda.pa.gov](#)

The checklist is intended to serve as a guideline to help food establishments organize and document that they meet the standards.

Question 3.



Other changes that took place in September 2018 (when the FSMA Produce and Preventive Controls for Human Foods Rules went into effect for very small businesses) require the following:

- Small businesses (with annual sales of less than \$1 million) that produce, process, pack, or hold raw agricultural products for sale in interstate commerce must conduct or have conducted a hazard analysis, and if there are food safety hazards associated with the products, must implement preventive controls. For more details, visit [www.fda.gov](#).
- Very small businesses (with annual sales of less than \$500,000) that produce, process, pack, or hold raw agricultural products for sale in interstate commerce must register with the FDA and be inspected and found in compliance before the department can issue a registration. Processors of low-acid canned foods (LACF) and acidified foods (AF) must register with the FDA and be inspected and found in compliance before the department can issue a registration. Processors of LACF and AF must also register with the PDA and be inspected and found in compliance before the department can issue a registration. (emergency permit control) for both.

Processors of acidified foods and low-acid canned foods offered for interstate commerce are also required to register with FDA and the scheduled processes (through their process authorities), and the operation must be under the supervision of a qualified individual through education (e.g., Better Process Control School) and/or relevant experience. More information about this requirement can be found at the websites below or by talking to your PDA sanitarian:

- [www.fda.gov/oc/ohrt/food-processing/acidified-foods-and-low-acid-canned-foods/](#)
- [www.fda.gov/oc/ohrt/food-processing/acidified-foods-and-low-acid-canned-foods/](#)

ELECTRONIC

Question 1.



The following information is for securing your network and systems. If you are guiding customers to your website to purchase goods, you need to be sure you are as secure as possible. One data hack and theft of information can be devastating to your business.

- [www.fda.gov/oc/ohrt/food-processing/acidified-foods-and-low-acid-canned-foods/](#)
- [www.fda.gov/oc/ohrt/food-processing/acidified-foods-and-low-acid-canned-foods/](#)
- [www.fda.gov/oc/ohrt/food-processing/acidified-foods-and-low-acid-canned-foods/](#)

Question 2.

Securely processing credit card transactions is critical to all businesses. The following information will assist in your efforts:

- [Redacted]
- [Redacted]

Question 3.

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