

Participating in New Market Ventures - How Best to Evaluate Your Risk

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10 Thoughts for New and Experienced Farmers

- Motive
 - Whether you are new and beginning farmer or one with decades of experience, the idea of pursuing new markets is the same - - first question is why?
- Who
 - Who will buy your product? Is there a demand for your product?
- What
 - What is your new product? What are the certification, licensing and regulation requirements?
- When
 - When are you making the switch to the new product or new market?
- Where
 - Where can you sell your product? How will you get the product to market
- How
 - Do you need new equipment? What are the training requirements for you and your team?



10 Thoughts for New and Experienced Farmers

- Why
 - Does anyone on your team want to grow/raise your product? Are you switching markets or products because it makes good business sense?
- Business Plan
 - Do you have a new business plan for this market and the product?
- Back-up
 - Do you have a back-up business plan to extract yourself from the market if it doesn't work?
- Insurance
 - What about crop insurance and liability insurance?
- Resources & Tools
 - Are there resources and tools for your new market or product

Motive for a new market?

Are you running towards something or away from something?

Are you a new or experienced producer?

Running towards new income opportunities

- Product demands have shifted
- You want to try something new
- You've run into problems with your present products

Running away from something

- Have you had a problem in your current operation or production system
- Are you losing money and in a panic
- Are you or your family moving to a new area
- Are you looking to scale up or scale back

Take a good hard look at your motives

Who?

- **Who**
 - Who will buy your product? Is there a demand for your product?
- **New Markets or New Products - - approach is the same: Investigate**
- **New market**
 - Switching from commodity production to farmers market
 - Investigate what is being grown and more importantly sold in your new market
 - Does what you produce have a place in a new market
- **New product**
 - In your existing market: ask your consumers/purchasers if they will buy your new product
 - If they won't then where will you sell it
 - Do you know how to produce this new product
 - Act as if you are starting over or just starting and run through all your production risk analysis scenarios (water access, land access, equipment needs, etc.)
- **KNOW your demographics - - study your demographics**
 - Are you starting a new product line that your demographic won't buy
 - Are you seeking a new marketplace that is out of sync with your production system



What?

- What
 - What is your new product?
 - With new products come new needs
 - Certification - - organic certification, other branded product verification
 - What is the certification process
 - How long will it take for you to prove you should be certified
 - Is there a third-party verifier process
 - Do you self-certify
- Do state and local laws/regulations/ordinances require licensing of your market or of your product
- What are the other regulatory requirements
 - Food Safety is the most important concern



Food Safety

Food Safety regulation is changing

- Food Safety Modernization Act - - new regulations relating to produce
 - Is your business required to register under the FSMA regulations
 - What is your local/state/tribal compliance office
 - Who do you call for more information
 - What trainings are you attending to know more about requirements
- Meat and poultry
 - Is your product required to be only sold inside the state because you aren't inspected to allow interstate shipment
 - What safety and sanitation state and local/tribal laws must you comply with
 - What are the federal requirements for meat and poultry food safety regulation

Understanding new requirements can take time and effort

Compliance doesn't have to be onerous but can be time-consuming

When?

- **When**
 - When are you making the switch to the new product or new market
 - Next year? Next week? Next month? Next growing season? Years from now?
- **New Markets**
 - Are there entry dates for your market that make more sense than others
 - Are there meetings you can attend of your potential market colleagues that will give you a glimpse of their lives and successes
- **New Products**
 - How long will it take for your new market product to be tried and tested
 - How long will it take for you to get approval of your new product (organic certification)
 - How quickly can your business or production system shift to accommodate your new product
 - Should you go slow or should you go as fast as possible



Where?

- Where
 - Where can you sell your product? How will you get the product to market?
- If you are going to a new market
 - Will you take your products there yourself
 - Will someone do that for you
 - Do you need new equipment to transport your product to a new market
 - Where is your best market
 - Just because you live outside the metropolitan area, is your best new market in a suburb
 - Does your new market have enough traffic to sell your product
- If you are embracing a new market product
 - Is your new product going to require a new marketplace also
 - How do you package, store, transport your new product in ways that preserve safety and freshness



How?

- How
 - Do you need new equipment?
 - What are the training requirements for you and your team?
 - How will you ensure your transition to a new market or a new product is successful
 - Timing
 - How will you make sure you stay in compliance with ordinances, licensing, regulations



Why?

- Why
 - Does anyone on your team want to grow/raise your product
 - If they don't then you have a problem
 - Could ultimately lose your team members or lose your farm if the product isn't grown/raised well
 - Training greatly impacts embracing new markets when confronted with team reluctance
 - Are you switching markets or products because it makes good business sense
 - Or are you doing so for other less-defined reasons
 - If it doesn't make good business sense (running the numbers) then why are you doing it
 - Gut-check is frequently necessary when contemplating new markets or new products
 - Stubbornness might be a good thing to push thru to success or it could move your business into decline



Business Plan

- Business Plan
 - Do you have a new business plan for this market and the product
 - Do you need to modify all or only part of your existing business plan
 - Does the new market or new product need it's own new cost center within your larger business plan
 - Ill-advised to launch a new market or a new product without revisiting your existing business plan or creating a new business plan
 - You may find yourself, without a business plan, in a space where you are in over your head but it's too late to turn back
 - While transitioning, revisit your business plan with considerable more frequency than normal
 - Share your business plan for the new market or new product with your lenders and other advisors and seek their input BEFORE you take action
 - Do your business planning homework
 - Be willing to “listen” if your business plan is telling you “no”



What's your backup?

- Back-up
 - Do you have a back-up business plan to extract yourself from the market if it doesn't work?
 - How will you monitor yourself during the change
 - Will you identify “markers” that will signal whether you are on the right track or need to readjust your business plan
 - How will you exit this new market or new product if it doesn't work out
 - How do you manage for success and how do you manage for failure
 - What is your global “exit strategy” for this new market
 - What is your back-up to the new market if it doesn't work out
 - What is your back-up to the new product if it doesn't work out



Insurance

- Insurance
 - What about crop insurance and liability insurance?
- Crop insurance
 - Is your new product covered by any available crop insurance?
 - Are you moving towards a whole farm policy that would include the new product
 - How many years of experience in the new product do you need to prove coverage needs
 - Have you asked others in your shoes what types of crop insurance they use
 - Are your records systems adequate to develop records for your new product crop insurance
- General Liability Insurance
 - Will you need general liability insurance for your new market - - does the new market require you to carry liability insurance
 - Where will I find that insurance and how much coverage do I need



Resources and Tools

- Resources & Tools
 - Are there resources and tools for your new market or product
 - Where are they located
 - Are they located within my region or are the tools general enough to be used anywhere
 - Is my new market or new product so unique that there aren't good resources and tools to guide me, and if so, how does this impact my risk



Resources and Tools

New Farmers

- <https://newfarmers.usda.gov/>
- https://newfarmers.usda.gov/sites/default/files/checklist_3.pdf
 - Access to land and capital
 - Risk management
 - Protect and Invest in your land
 - Build your market and grow your business
 - Education and training
 - Taxes
 - Health care
 - Food safety
 - Environment
 - Labor and farm safety

Resources and Tools

Business Planning

- Extension.org and any Extension Office in your area
- FarmAnswers.org
- Risk Management Agency: <http://farm-risk-plans.rma.usda.gov>
- BusinessUSA: <http://business.usa.gov/start-a-business>
- Small Business Administration: <https://www.sba.gov/managing-business>
- Farm Services Agency: http://www.fsa.usda.gov/Internet/FSA_File/fsa_br_01_web_booklet.pdf
- Farm Credit Services and Farm Credit loan offices: <https://www.farmcreditnetwork.com>
- AGPlan: <https://agplan.umn.edu>
- Agriculture Marketing Resource Center (AgMRC): <http://www.agmrc.org>
- Rural Cooperative Development Centers:
<http://www.rd.usda.gov/files/RD%20Cooperative%20Development%20Centers%2020150121.pdf>
- Sustainable Ag Business Development:
https://farmanswers.org/Library/Record/building_a_sustainable_business_a_guide_to_de
- Urban Agriculture: <http://www.usda.gov/wps/portal/usda/knowyourfarmer?navid=kyf-urban-agri>



School of Law

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The nation's first law school initiative focusing on Tribal food law and policy supporting food systems, agriculture and community sustainability

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