



Updated & Revised
for 2012!

Guide to Farming in NYS

*What Every Ag Entrepreneur
Needs to Know*



Supported by:



Acknowledgements

This guide was produced in response to many phone calls and office visits to Cornell Cooperative Extension county offices by individuals interested in the business of farming in New York State.

Cornell Cooperative Extension Agricultural Educators, Monika Roth and Jacob Schuelke, located in Tompkins County, wrote the first edition in November 2004. The text was written for a workshop on the *Legalities and Logistics of Farming in NYS*. Annual updates have resulted in a comprehensive reference used by farmers throughout the state, and also used as a template for other states to develop a similar reference.

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Keeping current with all the information in this Guide is a big task, and we are indebted to all the Cooperative Extension educators and SFP staff members who have helped us with it.

Individuals with questions about the content in this publication should contact staff in their County office of Cornell Cooperative Extension (see listing in Appendix).

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Introduction

In response to growing interest from aspiring farmers, the Cornell Small Farms Program launched the NY Beginning Farmer Project in 2006. With a new infusion of funding from the USDA and diverse new partners in 2009, our focus has expanded to include the whole Northeast, and the leadership team is developing more decision-making resources, online courses and videos.

This updated *Guide* is one result of the team's efforts. Questions raised by farm entrepreneurs motivated us to compile information on topics that agricultural business owners need to know into one handy reference.

Note the revision date in the top right corner of each fact sheet. We will update information in this Guide at least annually, so always check the date to be sure you are reading the most recent version. If you received this Guide in hard copy, note the website address where the most updated sheets can always be downloaded:

<http://nebeginningfarmers.org/publications/farming-guide/>

Your feedback is invaluable in shaping future versions of this Guide! If you would like to suggest edits, please send them to: Northeast Beginning Farmer Project, 15B Plant Science, Cornell University, Ithaca, NY 14853, or email ejf5@cornell.edu

Best of luck with your farm business!

The Northeast Beginning Farmer Project Leadership Team



How to Use This Guide

Guide to Farming in New York State

This guide is comprised of a series of individual fact sheets addressing topics pertinent to planning and operating a farm business. It is not enterprise specific. Rather it addresses topics common to operating a farm business in New York State. The fact sheets are meant to be brief and to the point. Additional details can be found via the web links provided or by calling offices listed.

The guide is meant to be a resource for both beginning and established farmers. For beginning farmers, there are certain topics that are not relevant. To help guide you to those that are relevant to your stage of business, refer to the list below.

What's Important For New Agricultural Entrepreneurs to Know?

Matching the farmland to the chosen enterprise: Be sure to research soil, climate, forest and infrastructure resources. Buying or leasing the right property and the right amount of land is critical to the success of farming.

RECOMMENDED READING: Fact Sheets #[1](#), [2](#), [3](#), [8](#), [9](#), [11](#)

Legal forms of business: Don't sweat this at the outset. A sole proprietorship is the way to go and does not require a lawyer; however it is a good idea to register your business (DBA) at your County Clerk's office. If there are unrelated business partners, options are to develop a legal partnership or incorporate, but will require legal assistance.

RECOMMENDED READING: Fact Sheets # [12](#), [13](#)

Where can I get money to start my farm? There are two basic options: use personal resources or develop a business plan and present it to a lender or investor. There are no grant funds available to start a farm.

RECOMMENDED READING: Fact Sheets # [4](#), [12](#), [31](#)

Am I a farmer yet? There is no solid answer to this question. Some tests are: you have purchased equipment and are involved in production; you are keeping records on your farm purchases; you are filing the Federal Farm Tax return (Schedule F); you are selling agricultural products.

RECOMMENDED READING: Fact Sheets # [15](#), [16](#), [17](#)

What can I raise profitably? This is an important question that can be answered through good research and business planning. Identify what you want to raise, investigate the costs and potential returns, and then decide if it meets your goals on paper, before you invest real money.

RECOMMENDED READING: Fact Sheets # [12](#), [14](#), [23](#), [24](#), [25](#), [26](#), [28](#), [29](#)

What are the tax benefits? Farmers are exempt from paying sales tax on purchases of supplies used in farming. Some farm buildings are wholly or partially exempt from property taxes and once a farm generates over \$10,000 in sales, the land can also receive a property tax exemption. Additional tax exemptions apply once farm income becomes 2/3 of total income.

RECOMMENDED READING: Fact Sheets # [17](#), [20](#), [21](#), [22](#)
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How to Use This Guide

Guide to Farming in New York State

What's Important For *New* Agricultural Entrepreneurs to Know? (continued)

Where can I sell my products? This is the first question you should consider. What is your product and who wants it, and where are those people located? Market planning should not be overlooked. Most beginning farmers think about direct marketing as the place to start but this takes time, so consider what amount of time you have to invest in marketing and project potential returns by market channel.

RECOMMENDED READING: Fact Sheets # [22](#), [23](#), [24](#), [25](#), [26](#), [27](#), [28](#), [29](#), [30](#)

What are sustainable farming practices? There are benefits to organic farming, but conventional farmers who follow integrated pest management and recommended agricultural environmental management practices can also farm sustainably. Become knowledgeable about farming practices and decide which of these best meet your goals.

RECOMMENDED READING: Fact Sheets # [10](#), [29](#)

Where can I get help? Start with your county Cornell Cooperative Extension office and the county Soil and Water District office, and begin networking with other farmers. Read up on farm topics of interest, but experience is the best teacher. Once you do your homework, business planning is a critical step.

RECOMMENDED READING: Fact Sheets # [32](#), [33](#)

What's Helpful for the *Established* Farm Enterprise?

Do you have \$10,000 in gross sales per year? If so, have you filed for agricultural assessment of your property as a way to lower your property tax bill? If 2/3 of your income is derived from farming, you also qualify for the Farmers' School Tax Credit. Lower overhead costs by claiming these benefits.

RECOMMENDED READING: Fact Sheets # [15](#), [16](#), [21](#), [22](#)

Are you ready to hire employees? If so, be aware of all of the paperwork requirements. Plan ahead before hiring.

RECOMMENDED READING: Fact Sheets # [15](#), [18](#), [19](#)

Are you making money? Recordkeeping is essential to see if you are making money. Keep an eye on the business and adjust as necessary. If you have not developed a business plan, it can be a tool for monitoring progress towards your goals.

RECOMMENDED READING: Fact Sheets # [12](#), [13](#), [14](#), [15](#), [16](#)

Are you managing risk? An established business has invested over time and should be adequately insured to protect that investment. Product liability is critical. For farms that host visitors, make sure you have sufficient general liability coverage.

RECOMMENDED READING: Fact Sheets # [5](#), [6](#), [7](#)



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Finding a Farm to Buy or Lease

Guide to Farming in New York State

#1

Revised 6/8/12

Leasing Land and Buildings for Farming

The cost of buying land and paying a mortgage can add to the cost of starting a farming operation. Leasing may be an option for enterprises that require less infrastructure or where the investment in infrastructure -- such as irrigation pipes, a greenhouse, or fencing -- is portable. If infrastructure involves improvements that are not easily removed, like digging a pond or constructing buildings, then it may not be wise to invest on land you do not own, unless the owner pays for these improvements. If the property that you want to lease has buildings suitable to your enterprise, then a rental agreement might also include use of buildings.

Finding good farmland to lease may be as challenging as finding good farmland to purchase. You may find that people will respond to ads placed in small community papers, farm papers or in county Extension or Soil and Water District newsletters. Contacting owners of a desirable property by personal letter and/or phone call can be effective too. Also, check with area realtors and farmers. Once you find some possible properties to lease, consider the soil type, drainage, if there is a water supply, and what it will take to bring the land into production. It is important to find a site that matches the production requirements of the enterprise you want to develop.

Written Leases

A written lease or agreement is a good idea whether you are paying rent, working on shares or permitted to use the land free of charge. A lease will specify the terms under which the renter and the owner will operate. The main goal of a lease is to develop a fair agreement understood by both parties. Landowner and tenant needs and goals should be identified.

A well-written lease should include:

- 1) Description of the land and buildings to be rented, and equipment if applicable. An accurate assessment of the conditions at time of rental is a good idea, including photos to document such.
- 2) Rights of each party: owner and tenant access and use. Spell out any restrictions.
- 3) Improvements that will be made and who pays for these. If buildings are involved, specify who pays for improvements like roofing, painting, etc. that are normal infrastructure, versus improvements made specific to the farm enterprise.
- 4) Agricultural practices to follow – outline organic or agronomically sound practices to be used, specify that fields be planted to a cover crop after use, list prohibited practices
- 5) Condition of land at end of lease - common practice calls for land to be left in the same condition as when first rented. However, land that was not been farmed for some years prior to the lease may actually be left in better condition. In this case consideration should be given to the cost of those improvements.
- 6) Payment terms under normal growing conditions and in the event of a crop failure. Payments should be based on the value of the property for farming purposes only (not for development).
- 7) Lease payment: leases can be paid in cash, in crop or livestock shares, or in some cases, landowners are willing to forgo fees if the tenant makes improvements.
- 8) Bringing land back into production - if land has not been actively farmed in many years, the cost of bringing land back into farming is considerable. Consideration needs to be given as to who should pay for these costs. The owner benefits in the long run from improvements that are made.

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Written Leases (cont'd)

- 9) Length of the agreement and terms of renewal. A one-year renewable lease might be a good starting point for annual crops, or if planting perennial crops, a 3-5 year lease is preferable.
- 10) Early termination if initiated either by the owner or tenant and the consequences.
- 11) Insurance paid by owner (for land, buildings, equipment) and paid by tenant (for crops/livestock and production related improvements made by tenant).
- 12) Taxes are the responsibility of the owner.
- 13) Provisions for arbitration in the case of disagreements.

Determining Cash Rent

There are several approaches that can be taken when establishing a fair rental rate. These include: 1) the demand for land and going rate in a particular area; 2) the cost and return associated with a crop allowing for an acceptable profit and rental payment; 3) what the landowner needs to cover fixed costs or taxes. Generally a combination of these approaches may be needed to arrive at a fair rate.

Determining Share Rent

A shared rental agreement assumes that the landowner and tenant account for what each contributes to the production of a crop or livestock including fixed and variable costs; then calculate the percentage contributed by each party. This percentage can be used in setting return (crop or harvest returns) received by owner and tenant. Flexibility is needed in case of low harvest or prices. Owners may have to relinquish some shares if the tenant is dependant on sales for their livelihood.

Renting Farm Buildings

A key factor influencing building rental is whether the owner needs to obtain a minimum rent to cover fixed costs or not. Variable costs such as utilities can be assigned proportionate to use by the tenant. A key consideration for tenants is whether additional insurance is needed to cover losses of stored crops, livestock or equipment.



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Sample Lease Agreement

A simple lease follows as a starting point. Consult an attorney if a more detailed lease is desired.

This lease is entered in this ____ day of _____ between _____, landlord, and _____, tenant. The landlord leases to the tenant to use for agricultural purposes _____ acres of pasture and _____ acres of cropland, and the following building: (list or attach a list) located in the Town of _____ and County of _____ and commonly known as _____ Farm.

The tenant will pay the landlord \$ _____ per year (or other specified time period) with payment to be made as follows: _____. The tenant will also pay all the costs of planting, growing and harvesting crops grown on the land. The tenant will be required to maintain and repair fences, tile drains, and diversion ditches, and make ordinary repairs to maintain buildings and equipment used, and pay for utilities such as electricity and water (if relevant) during the period of the lease.

The landlord will pay the taxes, fire insurance on buildings, major repairs or improvements, such as new fence, ponds, drain tiles, diversion ditches, etc.

The tenant will follow recommended conservation and agronomic practices in working the land. No green or growing timber may be harvested from the property by the tenant. The landlord has the right to inspect or enter the property at any time.

This lease shall be for ____ years beginning (date) _____ with automatic renewal for (how long): _____ (years) unless either party gives written notice to the contrary at least 3 months (90 days) before the expiration of the current rental period. The rental rate may be adjusted annually to account for increases in taxes, insurance or other costs of ownership.

Any meadow land plowed for annual crops will be re-seeded to a perennial forage crop at the end of the lease period (unless the lease has been automatically renewed).

Any differences between the landlord and tenants as to their rights and obligations under this lease that are not settled by mutual agreement shall be submitted to an arbitrator or other such person who has authority to make a final decision.

It is agreed that the stipulations of this lease are to apply to and bind the heirs, executors, administrators, and assigns of the respective parties and is made and executed in duplicate.

In witness whereof the parties have signed this lease on this date of _____.

Landlord _____

Tenant _____

Witness _____

Witness _____

Materials adapted from: Pennsylvania Farm Link worksheet (out of print) and from Richard Eschler, former Cornell Farm Business Management Educator.

More Sample Lease Agreements can be found at:

<http://www.uslegalforms.com/us/US-801LT.htm> - Simple Farm Lease - you must pay a fee to get a copy.

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Helpful Contacts for Finding a Farm

NY FarmLink - www.newyorkfarmlink.org 1-800-547-3276

This is a program of NY FarmNet. FarmLink links retiring or exiting farmers with individuals interested in getting started in farming. They also offer counseling to guide the process, whether the farm is going to be sold from one party to another, leased, operated as a partnership, or organized as a management opportunity for the new farmer to gain experience and equity. Their website lists currently available farms.

Land for Good - www.landforgood.org

A service for farmers, landowners, and farm-seekers in New England, this group provides trainings, tools and counseling to keep land in agricultural production.

Cornell Cooperative Extension Agricultural Educators in county extension offices may also be able to direct you to farms for sale or farm realtors. To find the Beginning Farmer contact in your county Cornell Cooperative Extension office visit: <http://smallfarms.cornell.edu/contact/local-contacts/>

Farm Newspapers with Listing Farm Properties for Sale

Grassroots – The Voice of New York Farm Bureau – www.nyfb.org; 800-342-4143

Country Folks – Lee Publications - www.countryfolks.com; 800-218-5586

Farm Real Estate Brokers*

While conventional real estate brokers list farms for sale, most active farms are considered commercial property and are listed by real estate agents specializing in farm transactions. The list below does not imply endorsement of any of the following businesses:

- **MLS Residential Search** - <http://realtor.com/>
The largest multiple listing service for residential real estate. Often contains small and medium farms.
- **Farm Credit** - www.farmcrediteast.com
Agricultural lender with an appraisal services; they would know of farms for sale
- **Farm Service Agency Real Estate for Sale** - www.resales.usda.gov/
Listing of homes and farms for sale by the Farm Service Agency, many available with low interest financing
- **Landandfarm.com** - <http://landandfarm.com> - Rural property listing service
- **Landdirectory.com** - www.landdirectory.com/state/newyork.htm - Rural property listing service
- **United County Real Estate** - www.unitedcountry.com/ - Rural real estate brokerage
- **Come Farm with Us** – farm real estate listings in Jefferson County, NY – www.comefarmwithus.com
- **Farm & Country Realty**- <http://www.farmandcountryrealty.com/>- Rural New York State property listings and brokerage

*This listing of realtors is not intended to be complete, and listing does not imply endorsement by Cornell Cooperative Extension. Check with folks located in the area near where you hope to farm to find realtors who specialize in farm property.

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Important Considerations when Looking for Land

Climate

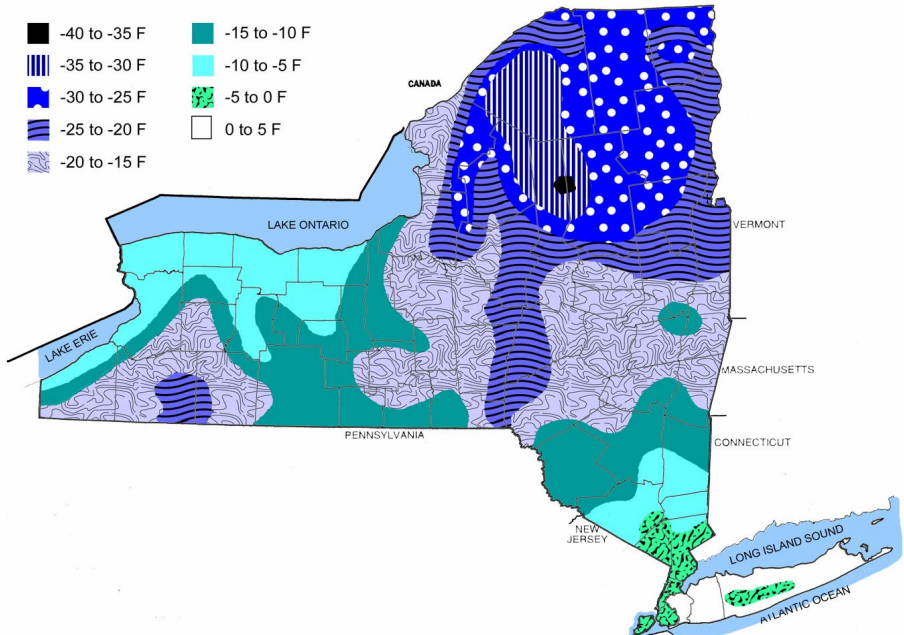
New York State's climate is very diverse. It is not uncommon that just 10 miles away, you could move from one microclimate to a completely different one. For example, precipitation is double the state average in the Tug Hill Plateau region and the recommended winter hardiness level changes from -5°F to -40°F in a 100-mile distance as you travel from Wayne County to the Adirondacks.

For information about the climate in a particular area of NYS, check the Northeast Regional Climate Center website:

www.nrcc.cornell.edu/index.html or call 607-255-1751.

Climatic factors that impact crop growth include: minimum temperatures, hardiness, frost-free dates, growing degree-days, precipitation, air drainage, and wind exposure. You can learn more about these factors on the Northeast Beginning Farmer website at <http://www.nebeginningfarmers.org/> - look at # 3 in the New Farmer Hub, "Assessing and Evaluating Land".

USDA Hardiness Zones



Sources: Cornell Gardening Resources, <http://www.cce.cornell.edu/programs/hort/gardening/weather/images/zoneln.jpg>.
U.S. Bureau of the Census, 2002 Census of Agriculture.

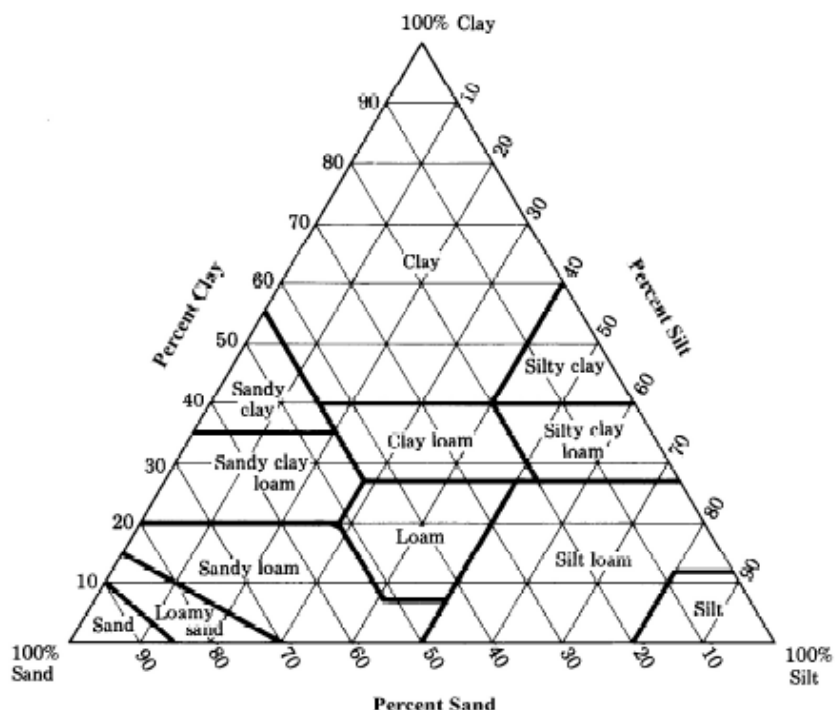
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Soil Considerations

Soils vary in their properties and influence what crops will grow. Important soil characteristics include: texture (the percent of sand, silt or clay particles that make up the soil as depicted in the chart); pH (acidity or alkalinity of the soil); fertility (nutrients available for crop growth); and drainage. Select the best soil possible for high value specialty and agronomic crops; for hay or pasture, soil quality is slightly less critical.

Developing an understanding of the basics of soil physiology and the factors that affect plant fertility is essential for successful agricultural production.



What is soil?

In addition to air, water, and nutrients, soils provide mechanical support to growing plants. There are four major components to soil: minerals, organic matter, water, and air. The approximate composition of a soil for optimum plant growth would have the solid space made up of 45% mineral and 5% organic matter, and the remainder would have roughly 25% water and 25% air. The water and air would be contained within the pore spaces of the soil.

Soil Texture

Soil texture refers to the size of mineral particles, specifically the relative proportion of various size groups in a given soil. This property helps determine the nutrient-supplying ability of soil solids and the supply of water and air that support plant life.

Soil texture is divided into three parts—sand, silt and clay—based on particle size. Silt and clay soils impart a fine texture and slow water and air movement. They also have high water holding capacity due to the higher percentage of pore spaces. These are referred to as heavy soils, with clay being the heavier of the two. Clay is also the primary plant nutrient-holding mechanism in the soil.

Soil textural names are how we refer to and identify our soils. Sandy to gravelly soils are referred to as lighter soils, as water moves through more rapidly than the heavier soils, and they have lower water holding capacities. Sandy soils contain 70% or more sand by weight. Clay soils have at least 40% clay and may have names like sandy clay or silty clay. Loamy soils possess the desirable qualities of sand and clay without exhibiting the undesirable characteristics of extreme looseness, low water holding capacity and slow water and air movement. Some examples would be clay loam, sand loam, silt loam, and silty clay loam.



Soil pH

Soil pH is used as a measure of its relative alkalinity or acidity. Soil test results for pH are based on a pH scale where 7.0 is neutral, above 7.0 is alkaline and below 7.0 is acidic.

Soil pH is critical to health plant growth. It directly affects the availability of the essential nutrients to plants. It is important to know the optimum pH for the plants to be grown. Soil pH also affects the adaptability of plants in a given soil. Most agricultural plants prefer a slightly acidic pH of 6.4. However there are exceptions so be familiar with the pH and nutritional needs of all the crops to be grown.

The addition of any liming (alkalinizing) or acidifying materials should always be based on the results of a reliable soil test. Over-application of either can lead to crop injury.

Soil Organic Fraction

A good, loamy soil contains about one-half pore space (air and water) and one-half solid material. Of this one-half solid material, 90% is composed of minerals (bits of rock). The remaining 10% is the organic fraction. The influence of this small part of the soil on the soil's ability to support plant growth is significant.

The soil's organic fraction is dynamic and is always undergoing a process of change. The organic fraction consists of living organisms, plant and animal residues, and plant roots. Adequate levels benefit soil in many ways including; improved physical condition, increased water infiltration, improved soil tilth, decreased erosion losses, enhanced nutrient availability, and retention for plants.

Soil Compaction and Depth

Fine textured soils are more easily compacted than lighter soils, especially when they are wet. Compaction reduces pore spaces that hold air and water. Plant growth in compacted soils will be significantly reduced. Operating equipment on wet soils can create problems in a field for an entire season or longer.

Sometimes a soil is referred to as being deep or shallow. Soil depth can be defined as that depth of soil material favorable for plant root penetration. Deep, well-drained soils of desirable texture and structure are favorable for plant growth. Shallow, poorly drained soils are very restrictive to plant growth.

Soil Testing Services

AgroOne Services will test soil for nutrients and pH and indicate amounts of lime and fertilizer needed. Soil samples can be mailed, shipped via UPS, or taken to Dairy One's sample pick-up points (see website), where you will fill out forms and pay for the testing. Your county extension office may also accept samples; contact them to check. Many CCE offices can mail the samples for you, assist in analyzing results, take payment for testing or provide forms and boxes to farmers if they wish to mail their own samples. Results will be mailed in approximately 2 weeks. To contact the lab call 800-496-3344 or check: www.dairyone.com/AgroOne/default.htm

Soil Maps

To learn about the soil types on your property, a useful tool available in almost all NY counties is the **USDA-NRCS Soil Survey** that consists of soil maps and descriptions of soil characteristics and capabilities. You can find a copy of the Soil Survey at county offices of USDA-NRCS, Soil and Water District, or Cornell Cooperative Extension. Maps can also be viewed online at: <http://websoilsurvey.nrcs.usda.gov>

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Operational Considerations - Evaluating Your Farm's Infrastructure

Different farm enterprises will require different types of infrastructure, equipment, and resources. It is important to have a good idea of what supporting infrastructure your operation will require and to inventory what exists. A good inventory will help in determining whether the enterprise you are considering is feasible at this point, or whether you have some work to do. As you evaluate what you will need for your farming enterprise, also begin to track the potential costs of necessary improvements.

- ❖ What do I have?
- ❖ What do I need? (And, what do I really need?)
- ❖ How will I get what I need?
- ❖ How much will it cost?

Buildings

What types of buildings will be needed for the agricultural enterprise you are considering?

- ❖ Will I have livestock that need housing? Remember, livestock facilities need to be correctly sized.
- ❖ Will I need storage facilities for livestock feed, equipment or for product that I will produce?
- ❖ Will I need a barn, greenhouse, washing/grading/packing shed for vegetable and fruit production? Is refrigeration needed, or will I need specialized facilities for processing?

Inventory existing buildings such as barns, outbuildings, sheds and houses. Are these in good repair? Are they adequately sized for your enterprise? You may be able to rent facilities, so keep an open mind when inventorying.

Power Source

You need to ensure that you have an adequate power source for your enterprise. Some operations may require different power levels, so make sure that there is adequate power capacity on your farm. Over-loading older or limited circuits can be hazardous and even disastrous. You may wish to consult with a licensed electrician to determine if your electrical source and wiring is adequate to supply your needs. If you rely on power for critical elements of your operation, consider having a back-up generator on hand in case of power outages.

Fencing

If you plan to have livestock, you will need fencing. There are many types of fencing from portable to permanent, and livestock species vary in their fencing needs. Some animals do well with high tensile electric fence while others require a mesh style of fencing. Research what type of fencing you will need for your operation. Check with your local Natural Resource Conservation Service (USDA-NRCS) as well as your county's Soil and Water Conservation District (SWCD) for more information about livestock fencing alternatives and specifications. They should be able to refer you to contractors who install fencing and sell fencing supplies, and may even be able to offer you a cost-share grant for fencing. Consider putting up a perimeter fence and using portable, temporary fencing to form smaller paddocks within the perimeter to rotationally graze livestock.

Pasture for Horses or Livestock

Putting too many animals on too little land causes reduced productivity to both and can damage the health of the land in the long-term. As a general rule, allow for about one acre of pasture for each 1000 lb. (or one "animal unit") of **cows, sheep, or goats** for the growing season. If you would like to provide hay for your livestock's winter feed needs also, include another acre of pasture per 1000 lbs. of animals. Because **horses** graze over a longer period each day (up to 20 hours), and because they trample a lot of forage in the process, it's a very good idea to provide 2.5 acres per horse of grazing land during the growing season. To get help establishing a successful grazing system, contact your local Soil and Water Conservation District.

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Deer Fencing

Deer are a major limitation to the production of horticultural crops including fruits, vegetables and ornamentals. Increasingly farmers have to invest in deer fencing in order to successfully grow these crops and minimize losses. Deer fencing is a major investment but a necessity in the long run. Fencing options include: 3 strand wire fence that is electrified or 8 foot high plastic fencing that provides a more secure barrier. For information on deer fencing, check the website: www.gardening.cornell.edu/factsheets/deerdef/. Unfortunately, there are no federal or state programs to help offset the cost of deer fence installation. Therefore, it is a production expense that must be calculated into start up costs.

Equipment

There is a wide array of equipment available for all enterprises. “Equipment” could mean a tractor and mower or it could mean a hoe and a rake or specialized equipment for processing. So, where do you start? One key is to start small, and build up your farm operation gradually to help you get to know what you need and when you need it. For example, before you purchase equipment talk with other farmers to learn what is essential and investigate options for equipment rental or options to buy used equipment.

Once you have decided what you need, your local Cooperative Extension office should be able to point you towards local equipment dealers or custom operators. You can also ask other local farmers where they shop for their needs. There are a few basic questions to consider when thinking about equipment:

- ❖ Assess what you have and what you need. Ensure that equipment is sized correctly for the job you intend to do with it. For example, ensure that your tractor has adequate horsepower to pull the mower you intend to use.
- ❖ Do you really need it? It may be more economical to rely on a custom operator to assist you or to lease equipment.
- ❖ New or used? There are obvious advantages to each. Consider your needs and financial resources carefully to make the best purchase.

Water Supply

Water resources include streams, rivers, lakes, ponds, wetlands, springs, wells, and aquifers as well as any means of conveying the water to your facility. You should be familiar with the location of the water resources on your farm. Consider what the water needs will be for your enterprise. For example, horticultural enterprises need a source of water for irrigation. Livestock owners will need to have a reliable and **potable** source of water for their livestock to drink. Whatever the water is used for, you need to determine:

- ❖ Is there enough water for your operation?
- ❖ Is there a way to bring water from its source to where you need it? Or, will you need to install water lines, irrigation structures or animal watering facilities? Keep in mind that all water lines and structures will need to be appropriately sized to fit their purpose. For example, if water lines are too small, you may not be able to deliver enough water to your livestock-watering trough to meet their needs.

Resources

NRCS Technical Guide is an excellent resource for identifying conservation practices that may be needed for your farm operation. Each state’s NRCS Field Office Technical Guide may be found at www.nrcs.usda.gov/technical/efotg/. Landowners should seek assistance from their local USDA NRCS Service Center office, RC&D office, or technical service provider for additional information.

Your County Soil and Water Conservation District is available as a technical resource for infrastructure development.

Your County Cornell Cooperative Extension can assist you with finding suppliers and dealers for the type of equipment you are looking for. <http://smallfarms.cornell.edu/contact/local-contacts/>

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Financing a Farm Operation

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Getting Money for Your New Farm Enterprise

By far, the most appropriate source of money for your new farm is your own cash - no loans, no home equity, no family loans, and no credit cards. Relying on loans substantially (or entirely) puts your farm dreams at too great a risk. It is worth the patience to build up your own farm start-up account. *Most* farms can easily begin operating with \$2-3,000 cash.

Set aside the personal cash you have available for your farm in a separate bank account called your "farm account." Use this money judiciously for your start-up expenses. When you earn income from the sale of farm goods, replenish this farm account and continue buying what you can afford for your farm. Chances are, you will be more inspired and creative with your purchasing knowing you have to stretch those dollars. Once your products have a clear demand and you are not able to keep up with sales, then it is time to consider a loan or financing to allow more rapid expansion of the profitable aspects of your farm.

If you reach the stage where you're ready for a loan, you will need to present potential investors or lenders with a solid business plan that exhibits a realistic strategy for paying it off (See [Fact Sheet #12](#) in this Guide). Here are a few loan options:

Farm Service Agency Beginning Farmer and Rancher Program - www.fsa.usda.gov 315-477-6300

The Farm Service Agency (FSA) provides direct and guaranteed loans to beginning farmers and ranchers who are unable to obtain financing from commercial credit sources.

A beginning farmer or rancher is an individual or entity who: (1) has not operated a farm or ranch for more than 10 years; (2) meets the loan eligibility requirements of the program to which he/she is applying; (3) substantially participates in the operation; and, (4) for farm ownership loan purposes, does not own a farm greater than 30 percent of the average size farm in the county. All applicants for direct farm ownership loans must have participated in business operation of a farm for at least 3 years. If the applicant is an entity, all members must be related by blood or marriage, and all stockholders in a corporation must be eligible beginning farmers.

Commercial Banks

Most banks have a commercial lending department to handle business loans, but few banks have an agricultural lending department prepared to work with agricultural business. Check with your bank to see if they write agricultural loans (most will if you have a Farm Service Agency or Small Business Administration guarantee).

Following is a partial list of NY banks with known agricultural lending departments:

Farm Credit - www.farmcrediteast.com (with branches in NH, NY, NJ, RI, MA, and CT)

M&T - <https://www.mtb.com/personal/Pages/Index.aspx> 800-724-2440

NBT Bank - <http://nbtbank.com> 800-NBT-BANK

Community Bank, NA - www.communitybankna.com 800-724-2262

Bank of the Finger Lakes - www.bankofthefingerlakes.com 315-789-1500

Micro-Enterprise Loan Funds or Revolving Loans Funds for Small Business

Some county governments have micro-enterprise loan funds with attractive interest rates and repayment terms that can be used to finance farm operations. Check with your county Planning and Economic Development Agency/Dept. to find out if they have micro-enterprise loans funds that you might qualify for. The Carrot Project (www.thecarrotproject.org) is piloting a few such programs for small farmers in New England, with plans to expand to serve farmers in NY eventually if their programs are successful.

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Investors

With the concept of “Slow Money” (www.slowmoney.org) gaining popularity, investor circles nationwide are forming to fund local food systems. Depending on your location and farm plans, you may be able to attract investors to fund start-up or expansion of your farm. Many Community Support Agriculture farmers have used the strategy of fundraising from their membership to secure their land or build new facilities, usually offering repayment + interest in the form of farm products. You will need to check in with legal and tax advisors about the implications for your farm, and you will also need to crunch the numbers and write a business plan to determine whether this is a strategy that can work for you. Search online for “slow money”, “local investing opportunity networks” and “small farm angel investors” to learn more about the possibilities for your farm.

Custom Hiring

Instead of purchasing machinery or specialized buildings, beginning farmers should evaluate options for local custom hire opportunities. It is better to hire someone to provide a service than to buy expensive equipment.

For example, would a neighboring farmer be willing to work your fields? This would avoid the time and expense of purchasing and maintaining machinery. Is there a commercial kitchen available for processing? This would avoid the expense and regulation of building a commercial kitchen.

Farm Credit's FarmStart Program

First Pioneer Farm Credit has launched a program called FarmStart – visit <https://www.farmcrediteast.com/Products-and-Services/FarmStart.aspx>. FarmStart is a relatively new venture with a mission to provide investments of working capital in farm businesses and farmer cooperatives that show sound promise for business success. The program can make loans to beginning farmers who wouldn't meet Farm Credit's internal credit standards. It requires no down payment or equity for five-year loans up to \$50,000, as long as the business cash flows and seems to have a good chance of succeeding.

Residential Finance or Using Your Own Equity

While many banks are unwilling to lend money to an individual to purchase a herd of goats, for example, almost all banks offer home equity loans and/or other personal loans that you could use for your agricultural business. Home equity and personal loans may carry higher interest rates than business or farm loans available through the above sources. Be sure to check rates and terms. ***Never finance a business using credit cards as interest rates are enormous and, if payments are not made, can quickly spiral out of control.***

If purchasing equipment or supplies (machinery dealers, a farmer selling animals, etc.) ask the vendor about their credit options and terms, as they may be more liberal than a commercial bank because they can easily seize and make use of the asset if payment is not made. Again, be sure you know the interest rates and term

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The primary goal of risk management and insurance is to protect your assets from claims and lawsuits that may result from injury to persons or damage to property from accidents that are associated with your business. Effective risk management depends on combined efforts and close communication between yourself and your insurance company. Look for an agent with whom you are comfortable, who is well known and respected, who understands agriculture and businesses, and who will work with you to reduce your potential for risk.

When considering your risks, be sure to review the list below and describe your risks completely to your agent. *You will not need all of the types of protection listed below*, but it is important to know your options when shopping for insurance. Match your coverage to your needs for risk management.

Potential Insurance Coverage to consider for your operation

- General Liability Insurance covers injuries to people and property for which your farm is judged liable and mitigates your losses from lawsuits.
- Automobile Insurance covers vehicle damage while in your vehicle or to another vehicle while traveling.
- Home Owners Insurance typically covers fire, theft, personal property, lightning, riot, aircraft, explosion, vandalism, smoke, theft, windstorm or hail, falling objects, volcanic eruption, snow, sleet, and weight of ice. Usually flood and earthquake need to be purchased separately.
- Farm Insurance covers barns, rental housing, equipment, animals, and other farm assets.
- Workers' Compensation Insurance is required if you have employees or interns.
- Product Liability Insurance is for damages that may arise from the consumption, handling, use of or condition of products manufactured, sold, handled, or distributed by your business.
- Contract Liability Insurance covers the assumption of the liability of another party through a contract or facility use agreement. For example, you may be required to provide a certificate of insurance to buyers that includes \$1 million in product liability and additional insurance.
- Environmental Pollution Insurance covers clean up of manure, or pesticide spills.
- Crop Insurance – for weather, market, fire, pests, and other disasters. Options include: Multiple Peril Crop Insurance (50% yield loss), Adjusted Gross Revenue (50% income loss), or Non-insured Crop Disaster Assistance
- Life Insurance to help your family in case something happens to the bread winner.
- Health insurance for yourself and family in case you are hurt and need medical care.
- Business Interruption Insurance will provide living expenses if you are hurt and cannot work.
- Vendor's Insurance will cover your liabilities if you are selling at a farmers' market or trade show.
- Umbrella Liability Coverage is a liability insurance policy. It provides extra insurance protection over and above your existing policies and typically carries a high deductible.

See also the list and description of types of insurance in Fact Sheet #6 in this Guide.

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Ways to Reduce Your Liability

- If you have people coming to your farm, keep your property in good repair.
- Minimize or eliminate dangerous situations. This might include: aggressive animals, manure pits, moving vehicles or equipment parts, etc. Fence off hazards wherever possible.
- Bio-security is recommended. Provide booties and hand wipes for visitors who enter barn areas.
- When selling or serving foods, make sure all regulations are met and carry product liability insurance.
- All workers on your farm are required to be covered by workers compensation, even if they work for free! So if you have interns, apprentices, or employees, you are required to carry insurance for them (The only exception is if your farm is set up as a 501(c)3 non-profit) See fact sheets [6](#) and [18](#) for more details on insurance and labor laws.
- Test your water supply annually for bacteria if your water is being used for washing produce or processing.
- Negligence is when you fail to take normal steps to eliminate hazards or you create a hazardous situation and fail to address it.
- Avoid making false statements or publishing incorrect information that may damage a person's reputation as this can result in libel suits. Be careful of advertising claims or comparing your operation to others in a negative way.
- Manage your production techniques according to recommended best management practices.

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Farm Owner's Insurance

Like a homeowner's policy, most general farm insurance plans cover property damages and comprehensive personal liability coverage for claims against the farm. This insurance is only available through private insurance brokers and it is suggested that you shop around as prices vary widely from vendor to vendor.

Supplemental Comprehensive Coverage and/or Product Liability Insurance

If you have the public coming to your farm, you may want to consider increasing your farm's comprehensive personal liability insurance in case someone gets hurt on your property.

If you sell products for human consumption, you run the risk of people getting sick from your products. Make sure your general comprehensive policy covers product risks or purchase product liability insurance.

Farm Employee (and Intern/Apprentice) Insurance

Employers are required to carry workers compensation insurance for employees if cash wages exceed \$1,200 in a year. If a farm has one or more unpaid interns or apprentices for the growing season, workers compensation insurance *must be provided* for these workers too. Insurance can be purchased from the New York State Insurance Fund (<http://ww3.nysif.com/>), private insurers, or an employer can form/join a self-insurance group if they meet various requirements and post bond.

State law also requires that employees be covered by a disability benefit if they are disabled off the job. Most workers compensation insurance will also include this.

Family members (spouse or children) and farm laborers are exempt from this requirement if the farm is not incorporated. If the farm is held as a corporation or LLC then the family member exemption does not apply because no one is related to a business entity.

Health Insurance

Farm employers are not required to carry health insurance for themselves or their employees. Health insurance for farm families who do not have off-farm jobs can be very costly. Farming is a high-risk occupation and families put themselves at risk when they do not carry or cannot afford health insurance coverage.

Some options to join group insurance programs exist. These may be available through agricultural organizations. One company that provides health insurance for farm families is Gladle & Associates. They offer the Dairymen's Health Insurance Alliance Group Plan. You *do not* have to be a dairy farmer to join. Their toll free number is 800-479-8153. Another option to investigate is the Healthy-NY Program that offers affordable health insurance to small businesses, sole proprietors and working individuals. The contact information is: 866-HealthyNY (866-432-5849) or www.HealthyNY.com. Always shop around to find a program that meets your coverage needs and provides the protection you desire.

Crop Insurance and Risk Management

Available to protect against income lost due to unexpected and weather related crop losses. Managed by the USDA Risk Management Agency – www.rma.usda.gov. This is a complicated program. Check the website for details or call the following regional office for information: 919-875-4880. Also consult the FarmNet Publication: *Do I Need Crop Insurance?* (EB 2004-03); call 800-547-3276 to request a copy.

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Farm Vehicle Regulations

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Farm Vehicle Registration

Go to the DMV and complete MV-82 Motor Vehicle Registration form and check the Farm Vehicle box – and complete form MV 260-F, part 1 – Certification of Farm Vehicle Use

Moving Farm Equipment on Public Roads

The “slow moving vehicle” emblem, a fluorescent or reflective orange triangle, must be displayed on the rear of vehicles drawn by animals, and most farm vehicles and construction equipment. It must be displayed on all equipment designed to operate at 25 mph or less, whether self-propelled or used in combination.

These signs fade with time, so it is recommended to replace them every 2-3 years. The emblem must be displayed separately on each piece of equipment, whether self-propelled or used in combination as per VTL 375-36(b).

It is unlawful to operate agricultural equipment on any public highway between 30 minutes after sunset and 30 minutes before sunrise or at any time when visibility ahead or behind is less than 1000 feet, unless the equipment is equipped with approved working lamps. If on a public highway after dark, requirements include:

- 2 white headlights on front of tractor at the same height and as far apart as practicable
- one red tail lamp at the farthest end (tractor or implement) and as far apart as practicable
- 2 amber combined hazard warning and turn signal lamps at least 42 inches high at the same level, visible from front and rear. If just a tractor, these lights can be on the cab. If traveling with an implement, these lights need to be mounted at rear of implement.
- 2 red reflectors at the rear of the implement, at the same level and as far apart as practicable

Important Exception:

If the width of tractor/implement combination is between 12 and 17 feet, you cannot travel on public roads after dark. When traveling during daylight, red or orange fluorescent flags not smaller than 18 square inches and reflectors need to be placed at extreme corners of the load. In addition, 2 amber lights or hazard lights visible from the rear of the load **must be flashing**. If the vehicle or implement extends beyond the center line or is traveling during inclement weather, the implement should be preceded by an escort vehicle with a warning sign and flashing lights.

Transportation of Hazardous Materials on Public Roads

A farmer who is operating as a private business (not for hire) is exempt from vehicle placarding and marking regulations when transporting an agricultural product (hazardous material including fertilizers, pesticides, fuel, etc.) over local roads between fields utilized by the farm.

For additional information on SMV emblems, please refer to the State Vehicle and Traffic Regulations Title 15 Part 68 Slow-Moving Vehicle Emblem (15 NYCRR 68). For additional information on required lighting equipment, refer to the State Vehicle and Traffic Regulations Title 15 Part 43 Motor Vehicle Lighting (15 NYCRR 43.9) Section 43.9 Lighting Requirements on agricultural equipment. These regulations can be found at <http://government.westlaw.com/linkedslice/default.asp?SP=nycrr-1000> and selecting the Department of Motor Vehicles.

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Municipal Zoning Laws

If you plan to build a new farm facility, establish a retail farm outlet, add worker housing, add horse boarding/riding facilities, etc., check with your local municipality to find out which laws apply. Some common restrictions/requirements might include: road setbacks, lot size, dimensions, signage size and placement, site plan requirements, screening, etc.

Farms located in certified agricultural districts are generally exempt from many local and some state regulations including SEQR (State Environmental Quality Review), some building codes, and from the need to provide professionally stamped plans for farm buildings, etc. Contact your county planning or assessment departments to see if the property you own is in an agricultural district.

If you are located in an agricultural district and find local zoning to be excessively restrictive to your farm development plans, check the NYS Dept. of Agriculture & Markets website for information on local laws and the agricultural district law and how they relate. In many cases, the Agricultural District law protects farm operations from restrictive local laws. For more information, access the following document from the Ag & Markets website: *Local Laws and Agricultural Districts: Guidance for Farmers and Local Governments* <http://www.agriculture.ny.gov/AP/agservices/new305/guidance.pdf>.

A process exists by which you can request an opinion from NYS Dept. of Agriculture & Markets Agricultural Protection Program staff to make a determination if a local law is restrictive to farming. It is suggested that you call the staff and discuss the matter with them prior to filing an official request for assistance (see telephone number listed below). Formal requests for assistance must be made in writing and include details on local restrictions and requirements as evidenced in zoning code or some other ruling.

Mail your request for review to:

NYS Dept. of Agriculture & Markets

Div. of Agricultural Protection & Development Services

10 B Airline Drive

Albany, NY

Phone: 518-457-2713

<http://www.agriculture.ny.gov/AP/agservices/agdistricts.html>

If you are not located in an Agricultural District then you must comply with local regulations.

NYS Building Codes

Farm buildings are exempt from the building code for building construction. To learn about whether or not your farm is exempt from the property maintenance and some fire safety code requirements, contact: New York State Department of State Code Enforcement and Administration
One Commerce Plaza, 99 Washington Ave, Suite 1160, Albany, NY 12231 Tel: 518-474-4073

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Legal Aspects of Rural Living

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Laws are constantly changing and vary by municipality. The following are some general guidelines to know when living in the country:

Boundary Fences and Trees: In NYS it is the duty of both adjoining landowners to maintain a fence line and one party may not remove a fence without the permission of the other. The same applies to trees; however, a property owner may trim the branches of a tree hanging on his side of the property so long as the trimming does not result in damage to the tree.

Fencing for Livestock: Fences intended to contain livestock must be constructed of materials that will restrain them. If you have animals, let your neighbors know and provide them with contact info in case the animals get out or if they see something amiss.

Riparian Rights: If your property includes a waterway, you have the right to use a reasonable amount of water but you are liable for water pollution. You may not impede the flow of a stream or divert it from its original channel where it flows into the next owner's property. If a body of water is navigable, the public has the right to use water regardless of the owner. If a body of water is not navigable, the riparian owner may exclude public use. If a stream is classified as a trout stream, it may not be altered under NYS DEC law without a permit, and according to fish and game law the land may not be posted.

Posting and Trespass Law: Owners or others with exclusive rights to property may post the boundaries warning that if a person enters the property they are trespassing. Trespassers must leave the property if the owner so orders and they may be charged with a criminal violation. If not posted, the trespasser can argue that they thought the land was public. If a trespasser refuses to leave, a sheriff should be called to make an arrest.

Posting requirements include: at minimum 11 inch square sign with lettering to occupy 80 square inches exclusive of the name and address; the word POSTED in caps and the name and address of the owner. Signs must be located at property boundaries and corners and be conspicuously placed not more than 660 feet apart. Illegible or missing signs must be replaced at least once a year.

Landowner Liability: This is a very complicated issue and the best protection is risk management, insurance and posting. While trespassing is illegal, it is also illegal for the property owner to harm the trespasser. If you give permission to someone to use your land for any purpose, it is advisable to warn them of hazards on the property.

Right to Farm Laws: The NYS Agricultural District Law has a provision that protects farmers against nuisance lawsuits and protects the right to farm, provided that sound agricultural practices are followed. Many municipalities also have right-to-farm laws with additional provisions meant to protect farmers. Check with your town officials to see if such a law exists in your municipality.

Farm Neighbor Relations: A way to avoid problems that may arise from the above situations is to let your neighbors know what you are doing on your farm and what to expect. If you have to operate for long hours during planting and harvest season or will be spreading manure, let your neighbors know. Communication goes a long way towards avoiding complaints about noise, dust, odor, livestock hazards, or farming practices. Increasingly your farming neighbors will have had no exposure to living in the country and you can help educate them about agriculture and where food comes from by letting them know what you do.

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NYS Water Quality Regulations - www.dec.ny.gov/regs/4590.html

Farmers must comply with New York State water regulations to protect surface and ground water from contamination from eroded soil, pH, fecal coliforms, excessive nitrate and phosphorus levels. If the DEC determines that you are the cause of a water quality violation, your farm will be subject to a fine and farming practices may be restricted or prohibited. This law applies to all land owners and farm operators.

Concentrated Animal Feeding Operations (CAFO) - www.dec.ny.gov/permits/6285.html

Farms with large numbers of animals (e.g. 200+ mature dairy cows) must have a Concentrated Animal Feeding Operation permit.

Details of a permit:

- Requires a comprehensive nutrient management plan to be completed and updated annually by a certified Agricultural Environmental Management Planner. Plan covers animal manure, wastewater, silage leachate run-off and more.
- Requires expansion to be planned and limited by the farms ability to handle nutrients/wastes produced.
- Does not protect the farm in the event of a manure spill or discharge. If a spill takes place the farmer has 24 hours to report it to the state and 5 days to file a written statement on what happened.

CAFO filings are generally not public record but they could be if the farmer wanted their information public.

Agriculture Environmental Management (AEM) –

www.nys-soilandwater.org/aem/index.html

In order to be successful in the long-term, every farm must sustain or improve its soil, water, and plant resources. Beyond regulatory compliance, it is to a farmer's advantage to incorporate good environmental management practices during their initial planning, rather than confronting costly mitigation measures later.

AEM operates at a county level through Soil and Water Conservation District offices. One-on-one assistance is generally available to help you incorporate good environmental management practices into your business plan from the start, and to walk your land with you to evaluate areas of concern. These offices will also have information on funding sources (grants, loans, cost-shares) for implementing conservation practices on your farm. Locate your local county SWCD office at:

www.nys-soilandwater.org/contacts/county_offices.html.

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Environmental Regulations

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Pesticide Regulations - when using pesticides, the *Label is Law* - make sure you read it!

Pesticide Applicator Certification - www.dec.ny.gov/chemical/298.html

Becoming Certified

A farmer using **restricted use pesticides** to protect crops and animals from pests on property owned or rented is considered a "private" applicator and must become certified by the DEC and show his/her pesticide license when purchasing these products. **General use pesticides**, considered to be safer and in general use, do not require applicator certification for purchase and use.

To be eligible for certification: must have one season's experience working with the crops, livestock or stored products on which you will use pesticides and be at least 17 years of age.

To become certified: must take an exam based on information in the Pesticide Training Manual (Core Manual). Additionally there are questions pertaining to the situation in which you use pesticides (category manual). You can obtain manuals through county Cooperative Extension offices. Cooperative Extension also offers pesticide applicator training programs or you may study on your own and make an appointment with the DEC to take the exam.

For information on manuals and training, contact your county Cooperative Extension office or call 607-255-1866 or email PMEP_Webmaster@cornell.edu; web: <http://psep.cce.cornell.edu/certification/Certification.aspx>.

For questions about the certification process and exams, call the DEC office in your region.

Upon passing the exam, your certification is valid for 5 years. There is a fee for the exam and for certification.

Recertification

During the 5 years that you are certified, you must obtain continuing education credits toward recertification. Credits can be obtained by attending meetings where pest management topics are discussed and credits offered. A "**Course Calendar**" can be found at <http://coursecalendar.psur.cornell.edu/>; search the database of NYSDEC approved courses in your area.

Credits for private recertification: **8 for Agricultural Animal (Livestock & Poultry) and Aquatics**, and **10 for Agricultural Plant (Field & Forage, Fruit, Vegetable, Greenhouse & Florist and Nursery & Ornamentals)**. Credits must be earned in more than one calendar year and consist of at least 25% category-specific training in each category of certification.

You are obligated to keep records of the credits you receive and turn in record sheets to DEC when they notify you that your license is about to expire. If you do not have the required credits, you will have to take the exam again.

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Assistance for Forest Owners

Woodlands are a valuable asset that if properly managed can provide harvestable timber, firewood, and agroforestry products. If the land you own includes woodlands, it pays to become informed about this asset.

Following are agencies and organizations that are available to assist you:

Master Forest Owner Volunteers – Volunteers are trained by Cornell Dept. of Natural Resources and are available in nearly every county to provide answers about forest management questions. They are a great resource for the new forest owner and can offer practical advice on questions pertaining to woodlot management, timber harvesting and other topics. Find a MFO at the following website:

www.dnr.cornell.edu/ext/mfo

NY Forest Owners Association (NYFOA) - The NY Forest Owners Association promotes sustainable woodland practices and improved stewardship on privately owned woodlands. To become a member, contact NYFOA at 800-836-3566 or website: www.nyfoa.org

NYS Dept. of Environmental Conservation Division of Lands and Forests -

www.dec.ny.gov/lands/4972.html - contact the regional office that covers your county and request the assistance of a DEC Forester – DEC foresters will prepare Forest Management Plans that identify your woodland resources and provide management options.

Tree Seedlings – tree seedlings are available for small planting and reforestation projects from the following sources:

- DEC Saratoga Tree Nursery - www.dec.ny.gov/animals/7127.html or call 518- 581-1439.
- County Soil and Water Districts – many county SWCD also sell tree seedlings.

Generally orders via the above sources need to be placed by mid-March and will be shipped in April. Species available from the above sources include: conifers, hardwoods, mixed packets for wildlife or other conservation purposes.

Agroforestry and Maple Syrup Production: interested in knowing the potential of your woodlands for products other than timber and firewood? At the following sites you can explore the possibilities for producing maple syrup, cultivating ginseng, goldenseal, mushrooms, native plants or other forest crops as part of your farm operation:

Cornell Maple Program: <http://www.cornellmaple.com>

Forum for maple producers to share ideas and equipment: <http://www.mapletrader.com>

Cornell's How, When, and Why of Forest Farming Resource Center:

<http://www.hort.cornell.edu/forestfarming/>

Agroforestry Resource Center, Greene County: <http://www.ccecolumbiagreene.org/>

Agroforestry Overview, ATTRA: http://www.agmrc.org/media/cms/agrofor_A18CE08578D41.pdf

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Forestland Tax Exemption – 480-a

Privately owned forestland can be partially exempted from taxation but is liable for special levies/assessments under a state law called 480a. The exemption is limited to the lesser of either: (1) 80% of the assessed value of eligible acreage or; (2) the amount by which the assessed value exceeds \$40 x the state equalization rate x number of acres.

To qualify for the exemption:

- Requires an annual commitment to continued forest crop production for the next 10 years
- Forests must be under a forest management plan approved by DEC
- Must include at least 50 contiguous acres of forest land (roads, rights-of-ways, energy transmission corridors, etc. are included)
- Must have vehicular access for forest management purposes
- Any timber harvest within 3 years prior to application for certification under this program must have been conducted in accordance with sound forest management practices
- Prescribed cutting may be required by DEC plan

To receive the exemption:

First Year: Complete Form RP-480, must be accompanied by a 10-year commitment form from DEC and a certificate of approval from the county clerk's office– take these forms to your county/town assessor by the taxable status date (March 1).

Subsequent years: File a new copy of the 10-year commitment form with the assessor. If you fail to file the commitment form, the property is not eligible for the exemption.

For more information on this program, contact a DEC Forester in your region:

www.dec.ny.gov/lands/5236.html

Agricultural Assessment for Maple Production

If you tap the maple trees on your forestland or lease your forestland to another maple producer, you may be able to qualify for an agricultural assessment. This program does not require that a landowner develop or follow a written forest management plan and is less restrictive than 480-A. Please refer to the Agricultural Assessment section in Property Tax Exemption for Farmland ([Fact Sheet #21](#)) for details on this program. If a landowner qualifies for agricultural assessment on their open land, they can also include up to 50 acres of attached woodland. However, maple syrup production is the only use of forestland that will qualify a landowner to receive agricultural assessment on its own.

Leasing forestland to a maple producer is an attractive option for landowners who would like to have their trees tapped but do not have the ability or desire to do the work themselves. Oftentimes the tax savings of qualifying for ag assessment is more lucrative than the lease fees provided by the producer. This requires a 5-year written contract with a maple producer who meets the minimum sales requirements for ag assessment.

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What is a Business Plan?

A document that summarizes the operational and financial objectives of a business and contains the detailed plans and budgets showing how the objectives are to be realized.

A good business plan will contain the following:

- ☐ Resume or brief explanation of your background and relevant experience
- ☐ Information on your legal structure and management team
- ☐ Current balance sheet
- ☐ Your business vision, mission statement, key values, and goals
- ☐ Production plans
- ☐ Marketing plans
- ☐ Estimated start up costs
- ☐ A projected income statement with a written explanation of your budget assumptions
- ☐ A projected balance sheet with a written explanation of your budget assumptions
- ☐ A sensitivity analysis showing the business's break-even points
- ☐ Less than 10 total pages so that people actually read it

Helpful Publications for Writing a Business Plan

Cornell Cooperative Extension

Landscape Business Planning Guide - [GuidetoFarminginNY Updated 1-11.doc](#)

http://aem.cornell.edu/outreach/extensionpdf/2003/Cornell_AEM_eb0313.pdf

Writing a Business Plan: A Guide for Small Premium Wineries - [GuidetoFarminginNY Updated 1-11.doc](#) http://aem.cornell.edu/outreach/extensionpdf/2002/Cornell_AEM_eb0206.pdf

Writing a Business Plan: An Example for a Small Premium Winery – [GuidetoFarminginNY Updated 1-11.doc](#) http://aem.cornell.edu/outreach/extensionpdf/2002/Cornell_AEM_eb0207.pdf

NY FarmNet Publications – Available for purchase at www.nyfarmnet.org or 1-800-547-3276

- *Starting an Ag-Business? A Pre-Planning Guide*
- *Doing Business Together: A Joint Business Agreement Guide (Partnerships, Mergers, Joint Ventures, Strategic Alliances, and Contracts)*
- *Business Transfer Guide: Senior Generation*
- *Business Transfer Guide: Junior Generation*

Sustainable Agricultural Research Education (SARE)

- *Building a Sustainable Business* - www.sare.org/publications/business.htm (order hard copy for \$17 or download PDF online for free)

Great resource for a beginning farmer interested in alternative, sustainable, and/or general agriculture. It is 280 pages of education and practical exercise to guide the beginning farmer through the financial, management, and interpersonal skills needed to start a successful farm business.

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Getting Help Writing a Business Plan

- **Cornell Cooperative Extension** – www.cce.cornell.edu/editor/show/In_Your_Community
The type of programming offered in each county is unique so contact your county extension office to see if they have a farm management or small business development educator. Often these educators offer business plan workshops and are willing to advise, review, or assist in writing your plan.
- **NY FarmNet and NY FarmLink** - www.nyfarmnet.org and [GuidetoFarminginNY Updated 1-11.doc http://www.newyorkfarmlink.org/](http://www.newyorkfarmlink.org/)
New York FarmLink maintains a database of farms available for sale or rent in addition to farmers who are seeking business partners to join or gain equity in their business. New York FarmNet has business plan writing publications in addition to several farm counselors throughout the state who offer free and confidential help on any topic of concern, including: finances, farm changes, farm transfer, natural disaster, personal stress, family communication, and marital conflict.
- **New York State Small Business Development Center** - www.nyssbdc.org
A network of 23 regional centers delivering business counseling and training free of charge to New Yorkers who want to start a business or improve the performance of an existing business.
- **New York State Online Permit Assistance** - <http://www.nys-permits.org/>
This site will help you find the New York State business permits you may need.
- **Empire State Development's Entrepreneurial Assistance Program** – <http://www.empire.state.ny.us/BusinessPrograms/EAP.html> or 1-800-STATE NY
Part of New York State's economic development agency, they have 9 centers across the state to provide specialized help to women, minority group members and persons with disabilities who are starting or operating an early stage businesses.
- **Federal Small Business Administration** - www.sba.gov/ny
Federal agency with offices throughout the state providing counseling services and loan guarantees. They have a special emphasis area to work with women, minorities, veterans, and businesses involved in international trade.
- **SCORE “Counselors to America’s Small Business”** - www.score.org
SCORE is a nonprofit organization offering free advice and training using experienced volunteers. Check the website for chapters in your area.

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Registering Your Business Name: Doing Business As

It is recommended, but not required, that you protect your business name by registering it with your county clerk. This typically involves a fee of \$25-\$50 and helps prove the existence of your business in addition to preventing other business in the county from using your business name. This may also be required to open a business checking account.

Business Structures – Legal Organization

While most businesses start out as sole proprietorships or general partnerships, they may eventually find that the legal liability and tax consequences are more beneficial if operating under a different structure.

To help understand the legal maze of business structures the Dept. of Applied Economics and Management at Cornell has developed the publication *Doing Business in New York State: Structures and Strategies*, available online at: http://aem.cornell.edu/outreach/extensionpdf/2004/Cornell_AEM_eb0407.pdf.

New York State recognizes seven different business structures (excluding organizations such as churches and non-profits). A brief description of those structures is listed below and a chart from *Doing Business in New York State: Structures and Strategies* has been included to give an overview of their characteristics.

- **Sole Proprietorship** – The simplest form of organization wherein an individual simply declares himself or herself a business operator. No paperwork is needed to file with government agencies to establish the existence of the business. The proprietor has unlimited liability for the actions and debts of the business.
- **General Partnership** – A partnership agreement between sole proprietors. No paperwork is need to form this business and partners have unlimited liability.
- **Limited Partnership** – Also known as a silent partnership wherein an individual joins a partnership but stays out of the management aspects of the business. For remaining silent in the operation, that partner generally obtains the profits of an owner and does not have the legal liability of a full partner.
- **Limited Liability Company (LLC)** – A partnership offering the limited liability of a corporation. Paperwork must be filed with the state to establish this form of ownership and management meetings must be held.
- **Business C Corporation** – Structure used by most companies. The business is operated by a management team that reports to a board of directors. Ownership of the business is in the form of stock and shareholders of that stock have different levels of control over management and the board of directors by the quantity held and class of their stock (ex. Class A, B, C, preferred, etc.). Shareholders have limited liability in the company.
- **Business S Corporation** – A corporation that is operated like a partnership and offers limited liability to shareholders. Paperwork must be filed with the state to establish this form of ownership and management meeting must be held.
- **Cooperative** – An organization owned by members who contribute equity toward the business and share in profits generated. This is formed by filing with the state and has similar governance as a C corporation. Voting is either one vote per member or in proportion to patronage of the cooperative. Members have limited liability.

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How Will You Know if Your Operation is Making Money?

Cash Flow, Net Worth and Profit – These are the three pillars that sustain a business. All need to be positive for a business to thrive in the long run.

Cash Flow tracks the cash dollars into and out of the farm business. You should be able to balance all of the money that came in and went out:

$$\text{Start up money} + \text{Cash from operations} + \text{Borrowed money} =$$

$$\text{Cash paid on expenses} + \text{Debt payments} + \text{End of year money}.$$

In horticultural operations, cash flow expenses will be high in the spring as crops are planted and income will be high in the fall when crops are sold. Therefore, cash flow requires planning and savings to be sure income covers future costs. Cash flow records are a way to keep track of your money, ensure that you can cover monthly expenses, and are crucial to long term profitability

Net Worth tracks your investments in the farm. It is also called the **Balance Sheet**.

Net Worth = everything the business OWNS minus everything it OWES

$$\text{Assets You Manage} - \text{What you Owe} = \text{Your Ownership}$$

$$\text{Assets} - \text{Liability} = \text{Equity}$$

Some assets tend to go up in value over time such as land. This is called appreciation.

Some assets go down in value over time, such as equipment. This is called depreciation. Depreciation is a measure of the wear, tear, and obsolescence of an investment.

The primary function of net worth calculations is to measure the risk-bearing ability or financial solvency of your business or, in simple terms, how much you really own versus how much the bank owns.

Profitability is measured with the Income Statement. It is the result of your operation's work, decisions, and return on investment.

$$\text{Value of Production} - \text{Cost of Production} = \text{Profit}$$

Profitability is harder to track as it blends cash flow and investment decisions. It also makes adjustments for family withdrawals, "free or family" labor, and return on investment.

Some examples of Good Cash Flow, but Low Profitability:

- Living off of inventories or depreciation, and not reinvesting in the operation
- Outside income or off farm jobs that help reduce need for family living withdrawals
- Borrowing money
- Not paying bills

Some examples of Bad Cash Flow, but Good Profitability:

- An expanding business with increasing assets, but few cash sales
- High withdrawals for family living, for example, college expenses
- Paying down debt rapidly
- Buying next year's assets from this years cash (prepay for fertilizer, etc.)
- Increase in accounts receivable (amount of money you are owed for assets that were sold).

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Making Money

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For your tax return you may want to use cash accounting, but for profitability you want to use accrual accounting. Accrual accounting looks at changes in inventory and price; changes in accounts payable and receivable, appreciation and depreciation, unpaid labor, opportunity costs to work elsewhere, interest on equity, and your labor and management inputs.

Interest on Equity

- Can you borrow money without paying interest?
- Do you have an “opportunity” to put your money somewhere else?
- Do you want to earn interest/dividends on your money in the stock market?
- Shouldn’t you earn interest on the money invested in your farm?
- Plan to pay yourself 3% minimum on your equity invested in the farm!!

Value of Labor and Management

- What is the value of your efforts on the farm?
- What is the “opportunity” for you to work elsewhere?
- A simple charge for your efforts will help you find a value to evaluate your business
- What could you earn if you worked elsewhere in a similar job?

What Does a Manager Do?

Managers make the decisions about investments, and tasks. They define the mission and philosophy for the operation. They develop the plan, hire and motivate the people to implement the plan (or tell the kids what to do), invest in the assets to implement the plan, set priorities, and evaluate the results so they can adjust the plan if needed.

Partial Budgeting

Helps make decisions for smaller investments that do not affect whole farm operation. Look at the expected increases to income and decreases to expenses for a project compared to decreases in income and increases in expenses. This will help you decide how much you can invest, and the impacts on other parts of the business.

If You Can’t Measure it, You Can’t Manage it!

- Numbers, Numbers, Numbers!
- Count, measure, quantify, allocate
- Establish controls, set GOALS
- Productivity must be *quantifiable* – only way to measure productivity

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Record Keeping is Good Business

At a minimum your farm will need a record keeping system for tax and legal compliance and it is highly recommended that you also keep yield and other farm production records that might be useful to making decisions on the farm. For example, many growers keep weather logs so that they can evaluate their practices and yields and then make better growing practice and crop variety decisions for the coming year. Many tools are available as part of the Improving Profitability tutorial on the Northeast Beginning Farmer website: <http://nebeginningfarmers.org/farmers/achieving-profitability/profitability-tutorial/>.

Paper Records

Small farms and many businesses just starting out use the shoebox method of accounting. Keep all sales receipts in one folder, expense receipts in another, maintain a capital asset depreciation log, and you may have additional folders for farm yield or other data important to the year. The advantage of this system is that it is simple and easy to do. The disadvantage is that the data is not well organized so when you need farm information you often have to sort through piles of paper and do all computations by hand.

Cornell Farm Account Book

Cornell and many accounting services have pre-formatted account books with categories common to agriculture and additional areas for yield and capital asset data. These are typically of nominal cost (\$10-\$20).

The advantage of the farm account book is that it is easy to understand and the information is well laid out in case you need to access it later. The disadvantage is that the information may not be laid out how you as a manager would like it, and it is still a hand-entry accounting system so entering farm information may take several hours per week. To order the Cornell Farm Account Book (\$20) or the Cornell Classic Farm Account Book (\$15) from CUP Services, a division of Cornell University Press, write P.O. Box 6525 Ithaca NY 14850, call 800-666-2211, or e-mail orderbook@cupserv.org.

Excel Spreadsheets

If you can use a basic spreadsheet in Excel or a similar program, this is a good compromise between paper systems and more sophisticated recordkeeping programs. Many new farmers start out with a simple spreadsheet like [this one from Cornell](#) (.XLS), which is intended for high tunnel crop producers but can be adapted for any operation. If you don't need to generate invoices and have a relatively simple, small operation, a spreadsheet like this may serve your needs well for many years.

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Quick Books

The most common software program for financial management is Quick Books; however, there are more expensive industry-specific programs specifically designed for dairy farms or wineries, for example. (Try searching online for “winery financial management software.”) If you are intimidated by QuickBooks, try their SimpleStart program from Intuit (search for this online). It’s free and is a good way to ease into using QuickBooks. If you are ready to upgrade at any point, you’ll be able to transfer your records seamlessly into the full QuickBooks program. Check out your local credit unions, banks, and Cooperative Extension to find out if they offer any QuickBooks trainings.

Farm Records Service

Some farmers choose to mail all invoices to an accounting service where the accountant will enter the information into a computer records system, provide you with detailed monthly business statements, and perform all tax functions.

The advantage of this system is that it provides a person who does not have the time, understanding of accounting, or computer skills the highest level of records information. The disadvantage is that this system has the highest cost and the monthly business statements take a few weeks to process and get back whereas the person utilizing an on-farm computer records system will have those statements in real time.

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Federal Income Tax

Schedule C or F

When you sell livestock, produce, grains, or other products, the entire amount you receive and the costs associated with its purchase and production should be reported on a **Schedule F** income tax form.

If your business activities were *non-agricultural*, they must be reported on a **Schedule C**. An example of non-agricultural business would be a produce retailer who purchased wholesale and sold retail and did not grow anything. If your farm has a sub-enterprise like a gift shop, restaurant, or bed & breakfast then the income and costs associated with that activity would have to be reported on a Schedule C.

It is generally advantageous to report farm income and expenses on a Schedule F because farms are allowed to use cash accounting and most other businesses are required to use accrual accounting. In cash accounting you report the income and expenses as they are actually received or paid and in accrual accounting you report the income and expenses at the time they occur.

Example: you spend \$5,000 in 2006 to fill the fuel tanks at your farm and at the end of the year the tanks still have \$3,000 of fuel in them. In cash accounting, you report a \$5,000 expense on your 2006 income tax return and in accrual accounting you can only report a \$2,000 expense. If you did not have the cash to pay the \$5,000 bill, you will not be able to report any expense on your tax return using the cash method but you would still be able to report a \$2,000 expense on your income taxes using the accrual method if you did not pay the bill.

For detailed information on filing Farm Income Taxes, get a copy of IRS Publication 225 Farmers Tax Guide - www.irs.gov/pub/irs-pdf/p225.pdf

Depreciation

Depreciation is the depleted value of an asset with an expected useful life of more than one year.

Example: you purchase a tractor for \$50,000. You cannot report a \$50,000 tractor expense on your tax return; you must spread that \$50,000 cost over 3-4 years.

The number of years that you must take to depreciate an asset and how you can claim in those years (e.g. straight line, accelerated, section 179, etc.) depends on the asset class of the property in question and the characteristics of the farm.

If the asset is not held for more than one year, it cannot be depreciated. Buildings *can* be depreciated but land *cannot*. The only instance when land can be depreciated is if it is logged or mined and it can be proven that the asset value has been depleted.

IRS Publication 225 *Farmers Tax Guide* (above) goes into detail on how to depreciate common farm property.

Capital Gains

When a business asset is sold, it should generally not be listed as farm income and should be listed as a capital gain. Most capital gains tax rates are lower than income tax rates.

Example: you purchase a tractor for \$50,000, depreciate it to a value of \$0 over 4 years, and sell it for \$20,000 in year 5. The \$20,000 received is considered a capital gain.

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New York State Income Tax

Farmers filing schedule F or C federal forms should transfer the information to NYS Form IT 201 if filing an individual return. Information from federal corporate tax returns should be transferred to the appropriate NY form. One NY Income Tax provision available to qualifying NY farm businesses is the Farmers' School Tax Credit that is explained below.

Farmers' School Tax Credit

The Farmers' School Tax Credit allows an eligible farmer to receive a tax credit on their State Income Tax equal to 100% of the school taxes paid on the first 350 acres of property and 50% of the school taxes paid on the amount of acres beyond 350.

Example: A qualified 350-acre farm owes \$2,000 in State income taxes and paid \$3,500 in school taxes for the farm. They would be able to take a credit of \$3,500, which is greater than the \$2,000 owed, so they would not owe any State income taxes this year.

Eligibility

To qualify, two-thirds of your eligible gross income must be profit from farming for the past three years.

You can take a 100% school tax credit on the first 350 acres of agricultural lands owned and a credit equal to 50% of school taxes paid on the remaining land.

Woodlands used for pasture, erosion control, or windbreaks may qualify for the credit.

You can apply for 100% of the credit if your taxable income is under \$200,000 and you can apply for a percentage of the credit if your taxable income is between \$200,000-\$300,000.

Farms held as a corporation or LLC can apply for the credit.

Unused credits cannot be redeemed for cash and cannot be applied to next year's taxes.

Form to use to Claim this Credit: IT 217-I for individual filers; CT 47 for corporations

Publications

New York Farm Bureau Farmers' School Tax Credit Fact Sheet [http://209.23.127.116/www-nyfb-org/img/document_files/Farmers' school tax.pdf](http://209.23.127.116/www-nyfb-org/img/document_files/Farmers%20school%20tax.pdf)

New York State Department of Taxation and Finance Publication 51: Questions and Answers on New York State's Farmers' School Tax Credit http://www.tax.ny.gov/pdf/publications/multi/pub51_1197.pdf. Or call 1-800-462-8100 with questions and for publications and forms.

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Sales Tax Exemptions/Refunds

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Farm operations are exempt from paying sales tax on items used in the farming operation. None of the exemptions are automatic. You must either present an exemption certificate to the vendor when purchasing products or you can claim a refund if you have evidence to show you paid the sales tax. Forms are available on the State Dept. of Taxation and Finance website listed below.

Some of the more common forms applicable to farms include:

☐ **ST-125 Farmer's and Commercial Horse Boarding Operator's Exemption Certificate**

www.tax.ny.gov/pdf/current_forms/st/st125.pdf - Exempts you from paying sales tax on the purchase of tangible personal property used predominantly (more than 50%) in farm production or horse boarding; includes: building materials, production equipment and supplies, animals, feed, hardware, motor vehicles, fuel (not motor fuel), gas/propane, electricity, refrigeration. Also applies to labor and services hired for repairing, maintaining or servicing property used in farming.

There are many subtle exemptions so it pays to check with the State if you are uncertain about whether an item or service you are purchasing is exempt from sales tax (and if the seller is unsure). Phone assistance is available by calling 800-972-1233 - website: <http://www.tax.ny.gov/>.

Copies of this form are available from the website above or call your county extension office. Make sure you have copies of the form (ST-125) with you when making purchases. If you make numerous purchases with a particular supplier, check the box "blanket certificate" and the vendor can keep the form on file for future purchases. Page 2 of the form gives the tax department definitions of Farm Production, Farming, Predominantly, and Commercial Horse Boarding Operation.

☐ **PR-955 Claim for Refund by Farmers and Commercial Horse Boarding Operators - Sales Tax on Utilities, Fuel Oil and Motor Fuel** (not for motor fuel tax) -

www.tax.ny.gov/pdf/memos/sales/m00_8s.pdf - This form may be used to claim a refund if you have paid sales tax on any of the above items. You do not have to fill out this form if you have an exemption certificate on file with the vendor. You must have receipts to justify this claim. File annually or semi-annually.

☐ **FT-1004 Certificate for Purchases of Diesel Motor Fuel or Residual Petroleum Product for Farmers and Commercial Horse Boarding Operations -**

http://www.tax.ny.gov/pdf/2011/motor/ft1004_911.pdf - Exempts you from paying sales tax on diesel motor fuel used for farming purposes. Dealers can keep this form on file (check blanket certificate) so you do not have to fill out a new form for each new purchase.

☐ **FT-500 Application for Refund of Sales Tax Paid on Automotive Fuels**

www.tax.ny.gov/pdf/2009/st/ft500_809.pdf - Need to submit invoices with the refund application.

☐ **DTF-803 Claim for Sales and Use Tax Exemption -Title/Registration Motor Vehicle, Trailer, ATV, Boat, Snowmobile**

<http://www.dmv.ny.gov/forms/dtf803.pdf> - This form is not used to make purchases. Restricted to transactions processed by DMV. Motor vehicles must be predominantly used in farming.

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☐ **ST-126 Exemption Certificate for Purchase of Racehorses**

www.tax.ny.gov/pdf/current_forms/st/st126.pdf - Need a certificate for each horse.

☐ **Need Help? Telephone Assistance is available Monday-Friday, 8:30 AM-4:25 PM**

Business Tax Information: 518-457-5735

Forms: 518-457-5431

Website: <http://www.tax.ny.gov/>



Workers' Compensation Insurance

Employers are required to have workers' compensation insurance on their workers if cash wages are or exceed \$1,200 in a year. If you host unpaid interns and apprentices on your farm, they must also be covered by workers' comp (the training and/or room and board you provide them is valued in lieu of wages). The only exception to this is if your farm is a 501(c)3 non-profit organization. To learn more, download the Employers' Handbook:

http://www.goer.ny.gov/Employee_Resources/employee_handbook/2011Employee_Handbook.pdf.

Insurance can be purchased from the New York State Insurance Fund (<http://www3.nysif.com/>), private insurers, or an employer can form/join a self-insurance group if they meet various requirements and post bond.

Disability Benefits

State law requires that employees be covered by a disability benefit if they are disabled off the job. Most workers compensation insurance will also include this. Family members (spouse or child) and farm laborers are exempt from this requirement. Farm corporate officers and office workers need disability benefits coverage. If the farm is held as a corporation or LLC then the family member exemption does not apply because no one is related to a business entity.

Minimum Wage

As of the revision date noted on this fact sheet, the Federal Minimum Wage is \$7.25/hr; the New York State Minimum Wage is also \$7.25/hr. This wage minimum applies to regular wage jobs and piece-rate jobs on farms with annual payroll over \$3,000. It excludes immediate family and minors under 17 years of age employed on the same farm as their parents or guardians who are paid on a piece-rate basis at the same rate as employees over 17.

The wage order permits deductions for meals and lodging supplied by an employer, except for lodging for seasonal migrant workers. Payments in kind may be permitted at not more than the farm market value.

Employers must post a summary of the wage order in a conspicuous place in their establishment, along with a copy of the general work agreement.

The wage order permits specified allowances to be deducted from the minimum wage for meals and lodging supplied by an employer. However, an allowance for lodging is not allowed.

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Youth Rate Certificate for Farm Work

In agriculture you can legally pay children under the age of 16 (with a permit and other criteria satisfied) a minimum of \$3.60/hr for their first season of harvest; several other minimums apply depending on the work. You must file a Youth Rate Certificate (www.labor.state.ny.us/formsdocs/wp/LS415.1.pdf) to hire youth for less than minimum wage.

If you employ your own minor age children on the farm, they are exempt from all minimum wage regulation, meaning that they can be paid any wage. This only applies to your own children; nieces/nephews or other minor age family members are subject to state wage laws.

Youth Labor (excluding your own children)

You may not hire anyone 11 years or younger in New York State. 12- and 13-year-olds may work in harvest operations if they have Permit AT-25 and are accompanied by a parent during certain times of the day and year. 14- and 15-year-olds may work on farms with Permit AT-24 during non-school hours. Permits and working papers may be obtained from school offices. Farm workers under 16 are prohibited from performing farm task involving power machinery. 16- and 17-year-olds may work on farms without permits or working papers.

Contact your local NYS Department of Labor Office for more details: www.labor.state.ny.us/.

Migrant Workers (Workers who do not have a permanent residence in New York State)

A farmer or processor who uses the services of a farm labor contractor or crew leader must verify that that person has a Farm Labor Contractor Certificate of Registration issued by the New York State Department of Labor.

Growers and processors who bring in five or more workers from out of state must obtain a Migrant Labor Registration Certificate (www.labor.state.ny.us/formsdocs/wp/ls113.pdf) and report wages, housing, and working condition to the state. If you plan to house five or more workers you must obtain a farm labor camp permit from the State Department of Labor (www.labor.state.ny.us/formsdocs/wp/ls113.1.pdf).

Workers must be given written notice of wages, nature of work, period of employment, transportation, housing, benefits, and more. Several Spanish/English work forms are available at http://www.labor.ny.gov/formsdocs/wp/ellsformsandpublications.shtm#Farm_Labor

For more information contact: NYS Dept. of Labor, 518-457-9000; www.labor.state.ny.us

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Employee or Independent Contractor

Hiring labor in the State of New York imposes high liabilities and paperwork burdens on the employer. Because of this, employers may be tempted to classify their workers as independent contractors, but a person is only an independent contractor when they are legitimately an individual in business for themselves and for hire to the general public. If there is any ambiguity on the status of the individual, courts generally interpret the individual as being a worker.

If you would like a decision on if the individual is a worker or an independent contractor, file IRS form SS-8 *Determination of Worker Status for Purposes of Federal Employment Taxes and Income Tax Withholding*. www.irs.gov/pub/irs-pdf/fss8.pdf

Hiring Forms

I-9 (www.uscis.gov/portal/site/uscis - click on “Forms” at the top and scroll way down to find the I-9) – Employers must keep an I-9 form from the US Citizenship and Immigration Service on file for all employees. The I-9 requires copies of documentation (a drivers license and social security card for most), however, the employer is not required to verify that these documents are valid.

Payroll Service

Given the complexities and liabilities of properly administering payroll, it is recommended that small employers hire a payroll service from a local accounting firm. Though expensive, this frees the employer from the liabilities of missing a form deadline, improperly handling a payroll withholding account, and avoids the need to stay current with the various labor forms and regulations at both the state and federal level.

Reference Publications

IRS Publication 51, Agricultural Employers Tax Guide (www.irs.gov/pub/irs-pdf/p51.pdf) – Reference publication explaining federal regulations and contains a calendar of when forms need to be filed throughout the year.

NYS Publication 50, Employers Guide to Unemployment Insurance, Wage Reporting, and Withholding Tax (<http://www.tax.ny.gov/pdf/publications/withholding/nys50.pdf>) – State Reference Publication.

Which Forms to File

Which specific forms your farm is required to file depends upon the farm size and the specifics of your operation. It is recommended that you seek the advice of a payroll specialist and read the two reference publications listed above to determine which forms are required for your operation.

If you decide to do payroll on your own, a list of forms you should become familiar with follows. This is by no means a comprehensive list of the forms your operation needs to be compliant.

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Payroll Forms

- *Form SS-4 Application for Employer Identification Number (EIN)* (www.irs.gov/pub/irs-pdf/fss4.pdf) – Your business must obtain an EIN if you have employees or will file for other taxes such as excise taxes.
- *Form NYS-100 New York State Employer Registration for Unemployment Insurance, Withholding, and Wage Reporting* (http://www.tax.ny.gov/pdf/current_forms/wt/nys100.pdf) – To be filed when you become an employer. You will be assigned an Employer Registration Number, which is separate from your federal EIN.
- *W-2* (www.irs.gov/pub/irs-pdf/fw2.pdf) – Form stating wages and withholdings made for an employee throughout the year. A copy is sent to the employee, the Social Security Administration, the IRS, the NYS Department of Taxation, and to county/local governments that have an income tax such as New York City.
- *W-3* (www.irs.gov/pub/irs-pdf/fw3.pdf) – Similar to the W-2, filed with the Social Security Administration
- *W-4* (www.irs.gov/pub/irs-pdf/fw4.pdf) – Form filled out when an employee starts so that their employer knows to withhold the correct amount of taxes.
- *Form NYS-45 Quarterly Combined Withholding, Wage Reporting, and Unemployment Insurance Return* (http://www.tax.ny.gov/pdf/current_forms/wt/nys45_fill_in.pdf) – State form to be filed quarterly.
- *Form 940 Employer's Annual Federal Unemployment (FUTA) Tax Return* (www.irs.gov/pub/irs-pdf/f940.pdf) – Required if you had cash wages greater than \$20,000 or employed 10 or more workers throughout the day for 20 or more weeks in the year.
- *Form 941 Employers Quarterly Federal Tax Return* (www.irs.gov/pub/irs-pdf/f941.pdf) – Required to report wages paid, tips received, federal taxes withheld, Social Security and Medicare withholding, and advance EIC payments for non-farm workers.
- *Form 943 Employers Annual Federal Tax Return for Agricultural Employees* (<http://www.irs.gov/pub/irs-pdf/f943x.pdf>) – Form 941 for farms.
- *Form 1099* (instructions www.irs.gov/pub/irs-pdf/i1099msc.pdf) – Must be furnished to people who received \$600 or more in non-employee compensation throughout the year.
- *Form 945 Annual Return of Withheld Federal Income Tax* (<http://www.irs.gov/pub/irs-pdf/f945x.pdf>) – Used to report income tax withheld for non-payroll wages.
- *Form 4029 Application for Exemption From Social Security and Medicare Taxes and Waiver of Benefit* (www.irs.gov/pub/irs-pdf/f4029.pdf) – Certain members of religious organizations (generally Amish or Mennonite in agriculture) may file this form to exempt themselves (and their employer) from Social Security and Medicare taxes.

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Agricultural Districts

Article 25-AA of Agriculture and Markets Law authorizes the creation of local agricultural districts pursuant to landowner initiative, preliminary county review, state certification, and county adoption. Most counties have placed agricultural land in state certified agricultural districts. While they are county-created and state-certified, towns have no authority over agricultural districts. Agricultural districts are not to be confused with agricultural zoning that may exist in some towns.

The purpose of agricultural districts is to encourage the continued use of farmland for agricultural production. The program is based on a combination of landowner incentives and protections, all of which are designed to forestall the conversion of farmland to non-agricultural uses. Included in these benefits are preferential real property tax treatment (agricultural assessment and special benefit assessment), protection against overly restrictive local laws, government-funded acquisition or construction projects, and private nuisance suits involving agricultural practices.

Agricultural Assessment: provides the opportunity for farmland owners to receive real property assessments based on the value of their land for agricultural production rather than its development value. (See the Agricultural Assessment [Fact Sheet #21](#) for information).

Notice of Intent: mandates state agencies, local governments, and public benefit corporations to avoid or minimize adverse impacts to farm operations in pursuing projects within an agricultural district which involve the acquisition of farmland or the advance of public funds for certain construction activities. Division staff conducts detailed reviews of projects and recommends actions to mitigate. Projects cannot proceed until the notice process is completed.

Restrictive Local Laws: protects farmers in ag districts against local laws that unreasonably restrict farm operations. Division staff reviews both existing and proposed laws to determine if they are compatible with farm operations. If a local law is determined to be unreasonable, staff works with local government to develop mutually accepted modifications. If a local government is unwilling to modify a restrictive law, the Department is authorized to take action to compel compliance with Ag District Law. Requests for review must be provided in writing.

Right to Farm: authorizes the Commissioner to issue opinions, upon request, concerning the soundness of specific agricultural practices. If the Commissioner determines that a practice is sound, it shall not constitute a private nuisance. This protects farmers in cases where neighbors or others complain about farming activities.

Agricultural Enterprise Determinations: the Commissioner is authorized to issue an opinion on whether particular land uses are agricultural in nature. This provision helps determine if the agricultural district law is applicable to a particular farming enterprise that may be questioned by local authorities or others.

Real Estate Disclosure: requires that a disclosure statement be provided at the time of real estate closing that states if the property is in an agricultural district. This notifies the new landowner that agricultural activities are to be expected.

A copy of the full text of the NYS Agricultural District Law can be found at:
<http://codes.lp.findlaw.com/nycode/AGM/25-AA> or call 518-457-7076

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Agricultural Assessment

Agricultural assessment allows eligible farmland located in or outside agricultural districts to be taxed at its agricultural value rather than market value.

Why apply for agricultural assessments?

It can make a difference in the amount you pay in property taxes. You will be paying taxes based on the agricultural value of land determined each year by the state, not by local market conditions. In most cases the state's values per acre are lower than your property's assessed value unless you happen to be in a county where assessed values are low.

How does the exemption work?

The exemption you receive is the difference between the local assessed value and the state's agricultural values.

The state publishes agricultural values annually for 10 soil groups and for woodlands.

To qualify for agricultural assessment:

- Must have 7 acres or more of land in production **for sale** of crops, livestock or livestock products
- The same farmer must farm the land for at least 2 years
- Farming enterprises must generate \$10,000 in sales (average for the preceding 2 years)
- Note: a combination of enterprises generating \$10,000 in sales will qualify. Up to \$2,000 in wood product sales (timber, logs, posts, firewood) can qualify towards the \$10,000 minimum.
- Start-up farms are eligible if they generate \$10,000 in sales in the first year of operation
- Farms less than 7 acres qualify if they generate \$50,000 in sales
- If at least 7 acres of land owned by a rural landowner is **rented to a farmer** (who meets the income requirements), it is eligible for agricultural assessment provided the landowner has a 5 year written lease with the farmer

Proof of Average Gross Sales Value:

Assessors may request proof (tax returns or legitimate bookkeeping records) that you met the \$10,000 gross sales requirement.

Types of farming enterprises that can qualify for agricultural assessment:

field crops, fruits, vegetables, horticultural specialties (nursery, greenhouse), livestock and livestock products (includes dairy, meat, poultry species, horses, and exotics like ratites, farmed deer and buffalo, fur bearing animals), maple, honey, Christmas trees, aquaculture, woody biomass (short term crops harvested for energy), commercial horse boarding operations with 10 or more horses boarded at a time and that meet the other requirements.

Agricultural assessment is available for the following land uses:

- Land used in agricultural production that meets criteria – 7 acres, \$10,000 sales
- Up to 50 acres of farm woodland used for the sale of woodland products (logs, lumber, posts, firewood); must be part of the farmed parcel(s) to qualify, it cannot be a separate tax parcel
- Support land including farm ponds, drainage ditches, land used for erosion control, hedgerows, access roads, land under farm buildings and tenant houses, land used for farm waste management (manure pits, etc.)
- Land set aside through participation in federal conservation programs
- Land under farm buildings
- Land associated with oil, gas, and wind development or extraction activities

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Application Process

1. Go to the county Soil and Water District Conservation office (SWCD) - complete a soils group worksheet. All land qualifying for agricultural assessment is grouped by soil type. SWCD will do this for you – there may be a fee and you will need your tax parcel numbers.
2. Take the completed soils worksheet to your town/county assessor and obtain copies of the Agricultural Assessment Application (form RP-305). Complete one form for each parcel. The assessor will keep the soils worksheet on file. Make copies of the soils worksheet and application for your records.
3. **Agricultural assessment applications must be filed every year prior to the taxable status date (March 1).** Agricultural assessment is **not automatic** – you must apply every year by the taxable status date. If you fail to apply, you will not receive the exemption. If no changes have been made in land used for farming, then after the initial application, you will file a short form RP-305-r.
4. If you buy or sell land, make sure you complete a new soils worksheet and file a new Agricultural Assessment form to reflect the changes.

Rented Land – land rented to a farmer for agricultural production is eligible for ag assessment if there are at least 7 acres used in the two preceding years and the land is subject to a rental agreement (written lease) for a term of at least 5 years. A copy of the lease or form RF-305-c must be filed with the assessor. Only the land actually used by the farmer will be eligible for agricultural assessment. Woodland is not eligible unless it involves sugarbush rental. Landowners must complete the application process described above to qualify – complete the soils worksheet, go the assessment office and complete form RP-305, and file every year before the taxable status date to receive the exemption.

Renting land to a qualifying farmer is a way for rural landowners, who do not farm, or small farmers who do not use all their land, to receive an agricultural exemption on land that is rented.

Penalties associated with conversion of agricultural land that has received an agricultural exemption:

- A conversion takes place when the land is actually converted from potential agricultural use to a built structure. Land that is sold, is no longer actively farmed and lies idle is not converted until something is built on the property.
- A penalty is assessed based on the amount of land that is converted and for the amount of the exemption that was received on the converted portion during the past 5 years.
- The penalty is assessed to the owner making the conversion, who may not be the farmer who sold the land but the new owner who changed the land use. The issue of who pays the penalty is sometimes negotiated when the property is being sold.
- This topic is complicated so it pays to speak with your assessor if you have concerns about the penalties associated with a conversion. Most often the penalty is not a deterrent to whatever change is being proposed.

Taxable Status Date: March 1 – check with your County/Town Assessor to be sure.

Where to get more information

- Start with your County Assessment Department
- Visit with your Town Assessor
- NYS Department of Taxation and Finance website: <http://www.tax.ny.gov/pit/property/default.htm>

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NYS Real Property Tax Law Section 483 - Production and Storage Facilities

Structures and buildings essential to the operation of agricultural and horticultural enterprises and used for such purpose are exempt from property taxes for a period of 10 years (constructed or reconstructed between 1969- 2019).

To be eligible: at least 5 acres of land must be used in a bona fide agricultural and horticultural operation with sales to qualify for the structure and building exemption. If there is no active use of farmlands associated with the structure, then no exemption can be claimed even if other qualifications are met.

The following types of structures and buildings or portions thereof are eligible to receive this exemption:

- The structure must be used for active farming purposes
- Used in the production and storage of agricultural and horticultural commodities that are raised for sale; facilities used for raising and breeding horses qualify under this definition
- Used mainly for ag/hort use and only incidentally for processing
- Used to house essential employees associated with the enterprise; family members could qualify as essential employees if they do not have ownership in the business

*The following types of structures and buildings are **not eligible** for this exemption:*

- Processing and retailing facilities
- The residence of the farmer and his/her immediate family (spouse & dependents)
- Structures used for breeding pets, fur bearing animals, or animals for experimental use
- Used in connection with raising timber (sawmill)

Note: if you have a production and storage facility with processing and retailing under the same roof, the exemption applies only to the production and storage portions of the facility and not the entire facility -- pro-rated per square foot.

To receive the exemption: owners of the facility must apply with the county/town assessor before the annual taxable status date and within one year from the date of completion of the construction or reconstruction. The exemption continues for 10 years as long as the facilities are used for ag/hort production and storage purposes. If their use changes, the structures and buildings are subject to rollback taxes.

NYS Real Property Tax Law Section 483-a - Agricultural Structures with Limited Uses

Farm silos, farm feed grain storage bins and commodity sheds used for feed storage, bulk milk tanks and coolers, and manure storage and handling facilities are exempt from taxation and special levies/assessments. These structures must be permanently affixed to agricultural land to qualify for this exemption. Because these structures qualify for permanent exemption, they do not qualify for the 10-year exemption.

To receive the exemption: owners must apply before the annual taxable status date with the county/town assessor. Once the exemption is granted, it requires no renewal.

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NYS Real Property Tax Law Section 483-b - Historic Barns

Municipalities must pass a resolution permitting this exemption. Check with your local assessor to see if a local law/resolution has been filed to allow this exemption. If not, contact your county Farm Bureau or Agriculture and Farmland Protection Board (AFPB) to initiate such a resolution for your county/town. No exemption is granted for construction or reconstruction prior to the passing of a local law/resolution.

Historic barns are structures at least partially *constructed before 1936* that were originally designed and used for storing farm equipment or agricultural products, or for housing livestock. Historic barns used for residential purposes are not eligible for this exemption. If the historic appearance of the barn is altered, it is not eligible for the exemption.

Exemption from 100% of the increase in the assessed value attributable to reconstruction or rehabilitation of a historic barn is granted for one year. Then the exemption decreases each year by 10% from the increase in assessed value. If there is a change in the assessment role, there will be an adjusted exemption base. If the barn is eligible for 483 exemption (10 year), it is not eligible for this exemption. **To receive the exemption:** application is made with the county/town assessor before the annual taxable status date.

NYS Real Property Tax Law Section 483-c – Temporary Greenhouses

Temporary greenhouses consist of a frame covered with removable poly-film and may be heated, include water and electrical utilities, and supporting poles. Temporary greenhouses are exempt from taxation and special levies/assessments.

To receive the exemption: application is made with the county/town assessor or before the annual taxable status date. Once the exemption is granted no renewal is necessary.

NYS Real Property Tax Law Section 483-d – Farm or Food Processing Labor Camps or Commissaries

Farm or food processing labor camps or commissaries in compliance with standards set by the Departments of Health and Labor and the State building commission shall be exempt from taxation and special levies/assessments.

To receive the exemption: application is made with the county/town assessor or before the annual taxable status date. Once the exemption is granted no renewal is necessary.

Farm Building Exemptions and how they work –

The cost of a building does not determine the amount of the exemption; the exemption is from the increase in assessed property value that results from adding the structure.

Taxable Status Date – March 1 – but check with your County/Town Assessor.

Where to get more information –

- Start with your County/Town Assessment Department
- NYS Department of Taxation and Finance website: <http://www.tax.ny.gov/pit/property/default.htm>



Market Analysis: What is my Target Market?

A target market is a well defined group of customers. Markets can be found within any broad category: consumers, businesses, industries, institutions, etc. Consumer groups, for instance, can be characterized by demographics, geography, lifestyle, values, leisure, or occupation. Business customers can be defined in terms of markets, products, management styles, distributions channels or size. Value-added product marketing includes the end consumers of your product/services and the businesses that may distribute and sell your product to the end user.

Begin market planning by clearly identifying the market you want to target. Note that this may or may not be the market you are working with now. The idea here is to think creatively about your product to determine what set of customers are going to give your business the cash flow, profit and growth it needs.

Start with a big piece of paper. Across the top write a brief description of your product as currently conceived. Next write your answers to the following four key questions:

1. Who will buy my product?
2. Why will they buy my product?
3. What will they pay for my product?
4. Where do they expect to find this product?

When you are finished, step back and consider what you have learned. Write:

1. A brief, focused description of your target market
2. An assessment of which aspects of your business need to change in order to attract this market
3. A list of what is involved with making needed changes.

Product Development: What am I going to Market?

Now that you have a clearer idea of WHO your market is and what they want, how does your product meet their needs? Remember that products are continually fine-tuned as you better understand the needs of your customers and the mechanics of your business. The challenge is to think about your product from the perspective of your target market, both end consumer and channel customer. Next, answer the following set of research questions:

Research questions:

- i. What is my product?
- ii. What is the best method to package and present my product?
- iii. What need does my product fill?

When you have finished answering the research questions, take a second piece of paper and summarize your answers into:

- A creative, market-informed description of your product
- A concept of how you will make your product meet the needs of your end consumers and channel customers while being competitively priced and profitable.

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Market Positioning: How does my product satisfy the needs of my market better than my competition?

Market positioning is the way you communicate precisely the place your product holds in the marketplace. How you position your product in the mind of your customers determines how the product is perceived. Positioning is a strategic component of marketing. It ties together information about your product, your market, your competition and your industry. It is the answer to the very basic question: What business am I in? “The what’s for dinner business?” “The family vacation business?” Or you can distinguish yourself on the basis of the needs you fill, the services you provide, the distribution channel you use, the pricing strategy you employ. Think about your product from the perspective of your customer and that of your competition. Note that buying usually comes down to a decision of choice: your task is to figure out how to make the customer choose YOUR product.

When your research is complete, take a third piece of paper and summarize your findings into a position statement of 50 words or less that answers two questions:

- i. What business am I in?
- ii. Why will my customers want my product rather than that of my competition?

Market Connection: How will the market know I have what they need?

Making connections with your target market lets the customer know you have the product they need. Unless you are a consumer direct marketer, these connections are made with the assistance of intermediaries: businesses that warehouse, transport and sell your product to those direct consumer contacts and the businesses that represent your product to that system. These businesses are the marketing channels that move products from the point of production to the final buyer. Some, such as wholesalers and retailers, buy and resell the product, others, such as independent warehouses and transportation companies provide distribution services for a fee. Others, such as brokers, present the product in the marketplace for a commission.

Channel businesses are a key component of your marketing strategy. How a channel business warehouses and distributes products, how it targets consumers and how it features and merchandises goods all define its particular set of needs and resulting in buying criteria. To be an effective marketer, producers need to identify and understand the differences among channel markets and market their products accordingly. No single marketing program works for all markets.

Research Questions

- i. What distribution channels are best suited to my product, my customers & my business?
- ii. What are channel cost/benefits?
- iii. What will it take to sustain market/channel connections?

When your research is complete prepare a strategic response to these questions:

- i. What will it cost to reach each potential market segment?
- ii. Where can my business reach the best market at the least cost?
- iii. Which market and channel options should I develop now?

This fact sheet was developed as part of Market Planning for Value Added Products by UNH Cooperative Extension in cooperation with NY Coalition for Sustaining Agriculture.

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Pricing Strategies

Know your Costs and Price for Profit

Price is the dollar amount that you ask for sales of a product or a service. It is one of the four P's of Marketing: Price, Product, Placement, and Promotion. Price is critically important to the profit on the farm, but the other P's of marketing contribute substantially to the price that you can get. Profit is the 5th P that keeps you in business. There are various costs that go into deciding what price you will charge for your product.

1) Start with the input costs = **Variable Costs (VC)** i.e. fertilizer, seed, gas, labor
If you don't cover these you will have to shut down in a short amount of time.

2) Add in ownership costs = **Fixed Costs (FC)** i.e. depreciation, interest, repairs, taxes, insurance
If you cover these you will meet your breakeven cost to the business, but have nothing left for yourself. Every item should contribute to ownership costs. If you don't cover ownership costs, you will have to shut down in a longer amount of time.

3) Add in a return to you = **Profitable Price** - this is the price you need to survive in the long run.

Allocate Expenses by Enterprise

To track labor and equipment costs by product requires excellent records. You can keep track of tasks and expenses such as plowing time and fertilizer for the whole farm and allocate by square feet used by a particular product. Keep track of daily time spent for special efforts or expenses required by specific products such as transplanting separately. Add all of these together to determine costs per product. Be sure to keep track of harvestable yields or the amount of product that was actually sold, as this impacts the price per unit significantly.

Value vs. Price

Many direct market farmers are afraid to charge what they need to in order to have some profit for themselves. You are providing more value to the buyer as you are closer to the customer. Ask yourself who are your competitors? Do you want to be a 'price setter' or a 'price taker'? **Value = Quality + Service + Price**

- Your buyers want a quality product that you can provide because you can grow varieties for flavor instead of travel characteristics.
- Your buyers want to know how their food was grown. They like the fact that they have a relationship with you. This takes time on your part, but they are willing to pay for it.
- You can introduce them to new products and ways to cook specialty items. This is education that they are willing to pay for.
- Fresh un-waxed products, less fuel used, and community support are also cited as reasons many consumers are willing to pay more for local products.
- You can charge more for early season products when customers are eager to taste the first fresh local strawberries or sweet corn, so strive for early sales.

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Calculations for Determining Price

Cost and Profit Method

Add your variable cost + your fixed costs + profit needed for the particular product = Income

Divide by number of units produced = price/unit

For example:

If it costs you \$3,000 total variable costs and \$2,000 total fixed costs and you want \$2,000 of profit for a specific product then your total income from that product needs to be \$7,000.

Divide this by the number of units produced, and you will have the price per unit.

$\$7,000 / 950 \text{ units} = \$7.38/\text{unit}$

Gross Margin Method

This method derives from the whole business sales, costs, and planned profit. This method is usually used by retail businesses that resell products. An example of gross margin method in a vegetable business might be:

Know your total expected vegetable sales = \$10,000

Know your total fixed costs + desired profit = \$3,000 - this is the gross margin needed.

Divide your gross margin by total sales: $\$3,000/\$10,000 = 30\%$

Know your unit variable cost = \$5.00

You divide the unit price by 1- 30% of the unit variable cost to determine the price

$\$5.00 / (1-30\%) = \$5.00 / .7 = \$7.14 \text{ per unit}$

Plan for Profit – Don't Drop Prices

What if you have corn at \$3.50/dozen according to your calculations and your neighbor has \$3.00/dozen? Can you still make a profit by lowering your price? Sometimes it is better to sell fewer at the higher price than sell more at the lower price. For example, if your margin on the \$3.50 is \$0.50 toward profit. If you sell 300 dozen that will give you \$150 in profit. You would have to sell 600 dozen if you sold at \$3.25 to get the same profit. For a 7% decrease in price you have to sell twice as much product.

Do **not** price your farm product below the market just because the farm income is inconsequential for you. For example, you may be able to afford to sell a dozen fresh brown eggs for \$1.00, but other local farmers who rely on farm income for their families cannot - they might need the full price of \$3.00 a dozen to cover their expenses and do not have the off-farm income you do. They could lose sales unfairly due to your indiscretion. In the interest of cooperating fully with your local farm community, keep your prices in line with market rates for any farm product, even if you can afford not to.

Going Rate for Market Area

Many beginning farmers start out with a pricing strategy that reflects what everyone else is charging.

While this is a good place to begin, it is not where you want to be forever. It is important to know your costs and price for profit.

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Finding Price Information

Guide to Farming in New York State

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Revised 6/19/12

Wholesale Price Information

Some wholesale prices are reported and can be accessed to provide a guide for pricing farm products. **Wholesale prices are extremely low compared to retail prices you might get locally and should be considered a floor or minimum price.** To determine prices for your products consider your costs and the retail price of other competitors.

Produce: Price monitoring programs are conducted through the USDA's Agricultural Marketing Service (www.ams.usda.gov). Links to reports containing wholesale market price information are available at <http://www.farmersmarketonline.com/marketwa.htm>. These reports are updated daily during the growing season.

Additional reports covering many other aspects of agricultural pricing are available by navigating to the “Market News and Transportation” section of the AMS website (www.ams.usda.gov). If you click on Fruits, Vegetables and Specialty Crops, you will find the news portal with daily price information and a users’ guide.

Organic Prices:

- Organic Produce Pricing Report from the Rodale Institute: www.rodaleinstitute.org/Organic-Price-Report
- Organic Produce Pricing Data from United States Department of Agriculture: www.ers.usda.gov/Data/OrganicPrices/

Livestock and Field Crops price information:

- www.livestockweekly.com - The Weekly Livestock Reporter
- USDA AMS Livestock & Grain Market News – go to www.ams.usda.gov and click on “Market News and Transportation Data” on the left. You can then navigate to Livestock or any other commodity.

Dairylea/Empire Livestock Market Auctions - <http://www.empirelivestock.com/>

Provides a listing of livestock auctions in NYS

Local Markets

It is important to check local outlets for price information. Ask other farmers about what they charge, ask buyers in your area what they would pay, visit retail outlets and note prices, shop at farmers’ markets and see what products are selling for. Pricing should be based on your costs, being competitive, and on what the particular market area customer will pay for high quality local products. Offer high quality and differentiate your products to capture a higher price.

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Direct marketing is a common strategy for beginning and small farmers. The main attraction compared with selling through traditional wholesale markets is that you receive the full share of the consumer dollar and have more control over the price you receive for your products. But with direct marketing, you'll also incur extra costs – not the least of which is your time. Be sure to evaluate each option carefully as part of a farm business plan.

Farmers Markets

Farmers markets are a good place to develop your marketing skills. Start by visiting markets in your area. Inventory what's available and note what does not sell out by the end of the day. Don't grow what doesn't sell unless you can differentiate your product – for example selling heirloom tomatoes instead of 'garden variety' fruit.

Also study the customers. How many are there? What is their ethnicity? Are they young or old? Families or single buyers? Affluent or bargain shoppers? Ask shoppers and vendors what they like and don't like about the market, and get a copy of the market rules.

To be successful, you need to enjoy interacting with people and be willing to invest the time it takes to pick, pack, transport, set up and sell. To maximize potential returns you need to sell for as long a season as possible. For produce vendors, this means growing a wide variety of crops. Farmers' markets sales alone may not generate enough money to make a living, requiring you to look at additional marketing strategies, but they are a good place to start a business.

To find NY farmers markets near you, contact the Federation of NY Farmers' Markets at 315-637-4690 or www.nyfarmersmarket.com or NYS Dept. of Agriculture and Markets's website, <http://www.agriculture.ny.gov/>, and click on Farm and Market Search.

On-farm Sales

Methods range from simple, self-serve stands to multi-department, year-round farm stores that may include pick-your-own or agritourism enterprises. The higher the overhead, the slimmer the margins will be. But if done right, a successful farm market will attract many regular customers and offer good returns.

Self-serve stands are a good way to assess the potential draw from drive-by traffic. Strawberries, sweet corn, tomatoes, peaches, and pumpkins are crops that stop traffic. Consumers learn about local farms primarily through word-of-mouth. Build a product line based on what customers want, and pay attention to quality. Sufficient traffic may generate enough sales to warrant investment in facilities and staffing.

Pick-your-own (PYO) requires advertising and staffing. It can be very profitable, but risky if it rains every weekend during narrow harvest seasons. PYO can complement agritourism activities where it is one of several activities families can enjoy.

To be successful, you need to enjoy having lots of people at your farm – and in your fields in the case of PYO. Risk management and liability insurance is a must. Building loyal clientele is key, and may take many years. Your business plan must be based on realistic customer numbers and sales projections.

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Internet and Mail Order

If you develop unique, high-value products that are easy to ship, this strategy can complement your other direct marketing efforts. Current customers who love your product can order more and help you market your products through word of mouth. Packaging and shipping costs need to be considered but for products that are not bulky or heavy, this can be a profitable strategy. One easy option for getting started with internet marketing is to list your farm on the following free sites: www.localharvest.org or www.nyfarmersmarket.com/.

Community Supported Agriculture

Community Supported Agriculture (CSA) operations typically provide a weekly 'share' (box) of produce to customers who pay for their shares at the beginning of the season – usually \$300 to \$600 per household. The up-front money reduces financial and marketing risks for farmers, and customers share in production risks. Sometimes customers help harvest and pack shares in return for a discount. Depending on the operation, customers pick up shares at the farm, a central distribution point, or pay extra for home delivery.

One challenge is to have enough different crops each week so customers feel like they are getting their money's worth. CSA farmers often grow more than what their customers need and have additional outlets for surplus produce. Sometimes several farms collaborate to offer a wider range of products including fruit, eggs, meat and more. Starting small and keeping customer turnover low is a good way to grow the business while minimizing risks.

A key advantage to a CSA is that you know how many customers you have early in the season, have their money in hand and can produce accordingly. This makes financial planning easier.

Restaurant Sales

Many chefs (especially from higher-end restaurants) are looking for fresh, local products to feature in their menus. You will find that chefs are as busy as farmers. Develop a personal relationship with chefs, find out what they want and grow a wide range of products for them for as long a season as possible. You need to offer exceptional quality clean products that are delivered on time (avoid mealtimes). Restaurant sales need to be an intentional strategy, not a way to dump surplus product. Most chefs will pay about 75 percent of retail for produce.

Drawbacks include the need for small quantities of some items. Watch that delivery costs and time don't eat up profits, and be clear on payment terms. Once a relationship is solid, less face time is needed.



Sales to Food Retailers

Increasingly small food retailers are interested in sources of locally grown food. One option is to contact retail farm markets in your area. Many do not grow all they sell. Also, check out food cooperatives, natural foods stores, and independent groceries. Most will only pay wholesale prices found at regional markets.

Everything else, from convenience stores to super-centers, is a chain and each has unique purchasing requirements. Some purchasing decisions are made at the local store level, but most require approval from higher-ups. Start with local store managers. For produce, a head buyer is usually involved. It is most common for retailers to buy seasonal produce. Very few handle local meats, cheese, eggs or other products.

Food retailers expect local prices to be in line with wholesale prices. Understand buyer expectations and prices before agreeing to delivery. Some may reject product on quality or simply because they have a better supply and price elsewhere. The advantage of selling to food retailers is that you can move more volume to fewer buyers, reducing your marketing costs. But the disadvantage is that it can be a fickle, price-driven market. Be sure to spread your risks.

Institutional Food Service Sales

Some schools, nursing homes, hospitals, prisons, etc. can purchase local products. But many are part of a buying consortium and have a single goal: keeping costs low. Meals are often pre-prepared or ready to serve, using few fresh items. Institutional food sales also come with institutional barriers, including regulations and requirements that dictate their purchasing practices. One way to tap institutional markets is to go through the distributors who sell to them. This adds a middleman and reduces returns. High quality, volume sales, standard packaging, and reliable delivery will be required.

For More Information

For more information on direct marketing, contact the North American Farmers' Direct Marketing Association – www.nafdma.com

To work through a marketing plan for your farm operation and consider which marketing channels are right for you, visit the Northeast Beginning Farmer Resource Center's website and tutorials at <http://GuidetoFarminginNY Updated 1-11.docnebeginningfarmers.org/farmers>. We also offer several online courses covering different aspects of marketing. Visit <http://nebeginningfarmers.org/online-courses> to learn more.

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Selling Plants

If you sell plants for landscape use including bedding plants, perennials, shrubs and trees grown in a nursery or greenhouse, you will need to be licensed as a Retail or Wholesale Nursery, or Plant Grower by the NYS Dept. of Agriculture & Markets. If you sell cut flowers or houseplants the license is not required. As a plant seller your greenhouse/nursery crops are subject to inspection to protect the customer from potentially diseased or insect infested plant materials.

For licensing information, contact the NYS Ag & Markets Division of Plant Industry -

<http://www.agriculture.ny.gov/Licensing.html> or call the Albany office - 1-800-342-3464 or 518-457-2087; Regional Inspectors will visit your production facility to inspect plants before you begin sales and thereafter annually. There is a fee for the license.

Selling Produce

No licenses are required. Produce must be sold free of debris and in clean containers. Bulk displays are not subject to grading, labeling or packaging.

Grade and Standards: Some produce is subject to USDA grade and quality standards if packaged; this includes: potatoes, apples, lettuce, and grapes. Grade, quantity of contents, name and address of producer are required on all closed packages. NYS Agriculture & Markets enforces quality and grade standards. For grading information consult the following website for fact sheets pertaining to each of the above crops: <http://www.agriculture.ny.gov/FS/general/farmprods.html>.

Follow Good Agricultural Practices: In order to protect food from microbial contamination, producers should follow good agricultural practices. To prevent contamination of produce and water supplies, follow good sanitation practices, avoid introducing raw manure into fields, test irrigation and wash water for bacteria, change wash water regularly. Test water for bacteria annually and maintain good records. For information consult: www.gaps.cornell.edu or call 315-787-2625.

Slaughter and Sale of Farm-raised Meats

The best source of information on marketing your meat is “A Resource Guide to Direct Marketing Livestock and Poultry”, available in PDF from:

http://counties.cce.cornell.edu/orange/Direct_Marketing_Livestock_and_poultry.pdf. Here is a brief summary of some regulations.

Poultry exemption: Farm-raised poultry is exempt from NYS and USDA inspection if the farmer raises and slaughters not more than 250 turkeys OR not more than 1000 of all other poultry (chickens, ducks, geese, etc.) per year. Four birds of other species are equivalent to one turkey. If you raise more than this per year the birds must be processed in a licensed facility and stamped if for commercial/retail sale.

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Slaughter and Sale of Farm-raised Meats (continued)

Other Meats (beef, lamb, goat, pork): These farm-raised meats must be processed in a USDA licensed facility if intended for commercial/retail sale. These meats can be processed in NYS custom exempt slaughter plant only if they will be consumed by the animal's original owner, employees, or non-paying guests. In other words, a live animal can be sold directly to the customer, then processed in NYS custom exempt slaughter plant. Such meat must be stamped "Not for resale." Further processing of meat such as making sausage, etc. must be done in a USDA certified facility or NYS certified processing facility/kitchen holding an Article 20-C license. See [Fact Sheet #28](#) for more info on 20-C licensing.

Exotic Animals: bison, deer, rabbits, and ratites must be slaughtered in a NYS Custom Exempt Plant if the meat will be sold. Inspection is not necessary for retail sales (to end user).

For questions about meat slaughter and sales, contact NYS Ag & Markets - 518-457-4492

Selling Fish

Whole fish – Without any special permits, you may sell a fresh whole fish at your farm to a private customer. You may bring completely chilled fresh whole fish to a farmer's market and sell to a private customer. Keep fresh whole fish at 32°F with crushed ice or in a refrigerated unit.

Eviscerated fish – Entire gut contents are removed and the fish is thoroughly rinsed with fresh water that is 38°F or lower (water is of public source or from a tested well.) Chill the fish to 32°F immediately. At this point, the fish can be frozen and kept in a frozen state for sale. Frozen eviscerated fish may be sold at the farm or at a farmer's market; fresh and properly chilled eviscerated fish may be sold at a farmer's market or at the farm.

Fillets – Filleting fish or any similar processing requires an Article 20C Food Processing License at your farm or a facility off-farm that carries a current 20C Food Processing License. You may transport your fish to a 20C facility and use it temporarily (usually for a rental fee). Such fish may be sold to individuals, stores, or restaurants if in a frozen state. Fresh fillet sales requires an Article 28 Retail Food Store license (where food and food products are offered to the consumer and intended for off-premises consumption and conducts no food processing). As of June 2010, an Article 20C license fee is \$400.00 and an Article 28 license fee is \$250.00.

Rules and regulations surrounding aquaculture-raised fish are subject to change. Contact your regional NYS Department of Agriculture and Markets Food Safety and Inspection Division office at 518-457-4492 or <http://www.agriculture.ny.gov/FS/FSHome.html>.



Selling Eggs

Egg cartons must be marked with grade and size. Eggs may be sold in bulk displays but grade and size must be indicated. Eggs should be washed and candled. Cartons must include the name and address of producer and the date packed. For a fact sheet on egg sales consult:

<http://www.agriculture.ny.gov/FS/general/farmprods.html>.

Selling Honey and Maple Syrup

These products are exempt from licensing if you do not add ingredients or repack. Production facilities must be clean and sanitary. If you make specialty flavored honey or maple products, you must have an Article 20-C license. Maple syrup is subject to grade identification. For more information on the sale of Maple Syrup request Circular 947 from the NYS Dept. of Agriculture & Markets or check this website for a copy: <http://www.agriculture.ny.gov/FS/general/farmprods.html>. For all other food inspection questions, contact NYS Dept. of Agriculture & Markets – Division of Food Safety & Inspection, at 518-457-4492 or <http://www.agriculture.ny.gov/FS/FSHome.html>.

Making/Selling Wine

Regulations can be found at the following website: <http://www.sla.ny.gov/> - NYS Liquor Authority, Division of Alcohol Beverage Control (ABC), Albany. There are 4 types of winery licenses that apply to the following situations: individuals who make wines without having a vineyard; a retail facility that retails wines but is neither a producer or processor of grapes; a **farm winery** must have its own vineyard and processing facilities and any purchased grapes must be 100% NY grown; a special farm winery does not have its own processing facility but works with another established wine processing facility. Farm wineries may sell their own wine at their wineries, at NYS Farmers Markets and to restaurants and retail stores in NYS.

For assistance in developing a farm winery consult the following sources:

New York Wine & Grape Foundation: www.newyorkwines.org, 585-394-3620

Cornell Viticulture & Enology Program – Geneva: <http://www.grapesandwine.cals.cornell.edu> or call 315-787-2277

NYS Liquor Authority (ABC) License contact information: Licensing.Information@sla.ny.gov

Cornell Grape Program - www.fruit.cornell.edu/grape/EVAGeneral.html

Cider

Requires an Article 20-C license for processing. Good manufacturing practices must be followed. Apples must be firm and washed. Pasteurization or Ultra Violet treatment is required. HACCP (Hazard Analysis Critical Control Point) plans are required for cider and juice processing facilities if selling wholesale. For information contact: Division of Food Safety & Inspection, at 518-457-4492 or <http://www.agriculture.ny.gov/FS/FSHome.html>.



Milk

Processing facilities are regulated by the NYS Department of Agriculture & Markets Division of Milk Control and Dairy Services - <http://www.agriculture.ny.gov/DI/DIHome.html> or 518-457-1772 - Matt Morgan.

The primary resource to familiarize yourself with in the development of your plant is New York State Department of Agriculture and Markets Circular 958 (Part 2), which covers the rules and regulations for operating a milk processing facility in NY.

Milk can not be transported from a farm to a processing facility without a license and dairy products processed in your home kitchen or a commercial kitchen can not be sold to the general public. You must have and maintain a certified milk processing plant on your farm if you plan to sell dairy products to the public.

Once a plan has been developed, you may also want to contact the Cornell Department of Food Science Cooperative Extension (<http://foodscience.cornell.edu/cals/foodsci/extension/index.cfm>) or the Dairy Plant at SUNY Morrisville at 315-684-6106. They offer instructional programming schools/workshops for dairy processors and have staff that may be able to help review your plans and offer advice.

Selling Raw Milk

Due to the potential liabilities of selling unpasteurized milk to the public, it is highly discouraged by the State and the Cornell University Department of Food Science. However it can be legal. Your farm may sell raw fluid milk if you apply for permits and meet several additional tests and requirements that other milk processing facilities do not have to meet.

Hard cheese made from raw milk cheese may be sold to the public if labeled *raw milk cheese* and aged at least 60 days. A permit is still required. More information on selling cheese is available at the NY Farmstead Cheese Producers website, <http://www.nyfarmcheese.org/>

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Basic Standards for Home and Commercial Kitchens, and Small Scale Food Processing Facilities

Information prepared by Olga Padilla-Zakour, Director of the NYS Food Venture Center at Cornell University (<http://necfe.foodscience.cornell.edu/>) - for educational purposes only – please contact pertinent regulatory agencies for further detail.

The Federal government, individual states, cities and municipalities govern the operation of food processing facilities whether home kitchens or commercial facilities. Regulations differ from state to state and are determined by the type of food product being prepared and the processing methods used. When considering starting up a home or commercial kitchen, it is important to research which agencies regulate licensing of the product, inspection of the facility, foods allowed and not allowed to be produced in each facility, local zoning laws governing the use of the building, and building codes.

Foods that are regulated and require a Processing License in NY – Article 20-C License

This regulation applies to anything that is altered by baking, canning, preserving, freezing, dehydrating, juicing, cider making, pickling, brining, bottling, packaging, repackaging, pressing, waxing, heating or cooking, smoking, roasting, manufacturing. Requirements vary depending on product. A scheduled process must be developed which outlines recipe testing/formulation, critical control points (to avoid contamination and control hazards), processing steps, storage requirements, distribution and selling conditions/restrictions. **Assistance for developing a scheduled process is available from the NYS Food Venture Center - see information below.**

For a complete list of products that require an Article 20-C license visit the following website:

<http://www.agriculture.ny.gov/FS/general/license.html> or call 518-457-4492.

Food Safety

HACCP (Hazard Analysis & Critical Control Points) Plans are mandated by FDA regulations for certain products and processes, specifying procedures to be followed to minimize contamination and to minimize/eliminate chemical, physical and biological hazards when processing foods. HACCP plans are required for wholesale sale (not for retail) of seafood, dairy, meat and poultry products, juice and cider processing facilities. Other sectors of the food industry are coming into voluntary compliance. For more information check the website - www.fda.gov/Food/FoodSafety/HazardAnalysisCriticalControlPointsHACCP/default.htm

Home Processing Exemption

New York State allows non-hazardous foods such as candy, cakes not requiring refrigeration, cookies, brownies, two-crust fruit pies, breads and rolls, standard fruit jams and jellies, dried spices and herbs, and snack items to be produced in home kitchens. A review of processing procedures may be required for certain products before exemption is granted. **Anyone seeking a Home Processing Exemption must contact the NYS Department of Agriculture & Markets to obtain this certificate** (<http://www.agriculture.ny.gov/FS/consumer/processor.html>). **An annual water test for bacteria is required for all home processors on private water supplies.** Internet sales are **not allowed** under this exemption.

Some types of foods may not be produced in a home kitchen, as mandated by Federal regulations. These foods are considered potentially hazardous:

- Low acid and acidified (pickled) foods packed in hermetically sealed containers must be registered with the US Food and Drug Administration (FDA).
- Meat products with more than 3% raw or 2% cooked meat ingredients in a completed product are regulated by the US Department of Agriculture (USDA).
- Vacuum packaged and any other reduced oxygen packaged products.

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Zoning Regulations

Local municipal zoning and planning boards determine the scale of operations permitted in an establishment. They regulate the number of employees allowed on premises and whether a second separate kitchen facility is allowed to operate on site. Check with local building inspectors to determine what operations can take place in the kitchen chosen for food production. There are local building codes that govern the volume of business in a building and egress from a building, drainage issues such as back flow protection, and grease traps. Commercial equipment must comply with fire codes, FDA and USDA requirements as appropriate.

Minimum Food Processing Facility Requirements for New York State

Procedure	Home Kitchen	Home Annex	Commercial
Inspection	Yes Potable water required (documented)– municipal or treated well water	Yes Potable water required (documented)– municipal or treated well water	Yes Potable water required (documented)– municipal or treated well water
Licensing	Non-potentially hazardous foods for wholesale market exempt from licensing by NYS Dept of Agriculture & Markets (NYSDAM)	<ul style="list-style-type: none"> • 20-C license • NYSDAM • Separate cleaning, sanitizing, and hand wash facilities. • Fee - \$400.00/2 years 	<ul style="list-style-type: none"> • 20-C license • NYSDAM • Fee - \$400.00/2 years
Inspection Agency	<ul style="list-style-type: none"> • NYSDAM -May request review of processing procedures by recognized processing authority. Only normal kitchen facilities can be used. 	<ul style="list-style-type: none"> • NYSDAM • Dept. of Health- immediate consumption foods only. Kitchen held to restaurant standards (see below). 	<ul style="list-style-type: none"> • NYSDAM • Dept. of Health- fresh-serve foods only. Kitchen held to restaurant standards (see below).
Foods allowed	<ul style="list-style-type: none"> • Candy- non-chocolate, fudge • Cakes not requiring refrigeration • Cookies • Brownies • Two-crust fruit pies • Bread, rolls • Standard fruit jams, jellies • Dry spices, herbs • Snack items • <i>Bake goods (i.e. bread, rolls) for wholesale distribution</i> 	<ul style="list-style-type: none"> • Any processed food • Low acid and acidified (pickled) foods packed in hermetically sealed containers. Must register and file with FDA 	<ul style="list-style-type: none"> • Any processed foods • Low acid and acidified foods packed in hermetically sealed containers. Must register and file with FDA
Foods not allowed	<ul style="list-style-type: none"> • Cakes which require refrigeration • Pies containing milk, eggs or meat products • Chocolates • Low acid & acidified foods 	<ul style="list-style-type: none"> • Meat products • <i>If more than 3% raw or 2% cooked meat ingredients – USDA regulated</i> 	<ul style="list-style-type: none"> • Meat products • <i>If more than 3% raw or 2% cooked meat ingredients – USDA regulated</i>
Zoning	<ul style="list-style-type: none"> • Check with city/town Zoning /Planning Board • Issues: scale of operation; number of employees 	<ul style="list-style-type: none"> • Check with municipality • Zoning/Planning Board • 2nd kitchen may not be allowed on premise • Issues: scale of operation; number of employees 	<ul style="list-style-type: none"> • Check with municipality • Zoning/Planning Board • Issues: scale of operation; number of employees



Minimum Food Processing Facility Requirements for New York State (cont'd)

Procedure	Home Kitchen	Home Annex	Commercial
Building Codes	<ul style="list-style-type: none"> Check with local Building Inspector Small volume business only 25% of home devoted to business Egress from building may be an issue 	<ul style="list-style-type: none"> Check with local Building Inspector Commercial equipment must comply with Fire & Building Code (see Official Compilation of the NY Building Codes Rules and Regulations, Title 9, Exec. vol. B) Catch basin Structural permit for building Back flow protection & grease trap (referred to Sewer Department). 	<ul style="list-style-type: none"> Check with local Building Inspector Commercial equipment must comply with Fire & Building Code (see Official Compilation of the NY Building Codes) Catch basin Back flow protection & grease trap (referred to Sewer Department).

Basic Requirements for a Small-Scale Food Processing Establishment

State of NY Department of Health (DOH) - Restaurants	NYS Department of Agriculture and Markets – Food preparation and processing
<ul style="list-style-type: none"> Submit kitchen drawings before construction Three-bay sink with stainless steel drain boards or two-bay sink with a commercial dishwasher Separate hand washing/mop sink Washable materials on walls and work surfaces Restaurant grade, commercial tile floors-painted concrete not allowed Commercial coolers/refrigeration Water from non-municipal water supply must be tested quarterly. Review DOH “Checklist for New or Remodeled Establishments” Some locales require food worker certification. 	<ul style="list-style-type: none"> Kitchen requirements based on food item(s) being produced- Determined upon inspection Easily cleanable, smooth work surfaces. Non-absorbent, smooth and easily cleanable floors, walls and ceilings. Review of processing procedures including hand washing, sanitizing, equipment sinks, water potability and food preparation. Review NYSDAM Circular 951 -Pursuant to the Licensing of Food Processing Establishments.* Circular 938 - Rules and Regulations Relating to Food Processing Establishments.* Circular 933-Good Manufacturing Practices <p><i>*Circulars are available through local Dept. of Agriculture and Markets or NYSDAM, 10B Airline Drive, Albany, NY 12235, Phone 518-457-3880 or 1-800-554-4501</i></p>

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Helpful Resources for Small Scale Food Processors

For assistance in developing a scheduled process for your recipe or developing a processed food product, contact: **NY Food Venture Center** at the NYS Agricultural Experiment Station in Geneva, 315-787-2259 or necfe@cornell.edu.

Request the publication: *Small Scale Food Entrepreneurship: A Technical Guide for Food Ventures* from Elizabeth Keller, 315-787-2273 or esk15@cornell.edu or access the online version: http://www4.gsb.columbia.edu/filemgr?file_id=738927

Product development, processing and distribution assistance is also available from **Nelson Farms at SUNY Morrisville** – 315-655-8831 or www.nelsonfarms.org

The USDA Sustainable Agriculture Research and Education (SARE) agency has published a plain-language guide to Value-Added Food Processing that is available online in PDF format at http://nesfp.nutrition.tufts.edu/downloads/guides/PL_ValueAddedGuide.pdf

To learn about small scale food processing activities in NYS, join the NYS Small Scale Food Processors Association: www.nyssfpa.com and become a member of Pride of NY – 800-554-4501 or email: prideofny@agriculture.ny.gov; www.prideofny.com

Regional Offices of the NYS Department of Agriculture and Markets	
NYS Department of Agriculture and Markets Division of Food and Inspection Services 55 Hanson Place Brooklyn, NY 11217-1583 718-722-2876	NYS Department of Agriculture and Markets Division of Food and Inspection Services 900 Jefferson Road Rochester, NY 14623 585-487-0200
NYS Department of Agriculture and Markets Division of Food and Inspection Services Electric Tower Building 535 Washington Street, 2 nd Floor Suite 203 Buffalo, NY 14203 716-847-3185	NYS Department of Agriculture and Markets Division of Food and Inspection Services NYS Fairgrounds – Art and Home Center Syracuse, NY 13209 315-487-0852
United States Food and Drug Administration	
300 Pearl Street, Suite 100 Buffalo, NY 14202 716-551-4478	New York District Office 158-15 Liberty Avenue Jamaica, NY 11433 718-662-5447
United States Department of Agriculture - Food Safety Inspection Service (USDA FSIS)	
5 Washington Square Albany, NY 12205 518-457-4492	

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Products Exempt from Sales Tax Collection - Farmers do not need to collect sales tax on farm and food products intended for human consumption; this includes: all fresh and processed foods: fruits, vegetables, baked goods, jellies, jams, preserves, meats, eggs, dairy products, syrup, honey, cider, etc. (unless listed below).

Taxable Farm and Food Sales - When selling direct to consumer, you must collect sales tax on:

- Prepared foods intended for immediate on-site consumption
- Candy
- Soft drinks and fruit juices with less than 70% real juice
- All non-food products that are being sold to the end user
- Cut flower, bedding plants, trees, shrubs, and other nursery products
- Forest products, firewood**, Christmas trees, lumber
- Fiber products (raw fleece or wool products when sold direct to end users)
- Hay, grain, straw (taxable if not being sold to another farmer)
- Horses sold for pleasure riding
- Ornamental crops like gourds, Indian corn, dried flowers, evergreens, etc.
- Crafts
- Topsoil, turf, gravel

Note: if these items are sold to someone else who will sell them directly to the public, you do NOT have to collect the sales tax, but you will need to file a resale certificate.

**Firewood sold for home heating is not taxable; while firewood sold for recreational purposes (campfire, bonfire, cookout) is taxable.

Becoming a Sales Tax Vendor - Form DTF-17-I - Certificate of Authority

This means you are involved in the direct sale of products to consumers/end users and must collect sales tax if selling the above taxable items.

There are several types of sales tax vendors:

Regular Vendors - with a permanent location

Temporary Vendor – with sales in no more than 2 consecutive quarters in any 12-month period

Show Vendor - sells products at a flea market, craft fair, show, or farmers' market, on either a regular or temporary basis and does not have a permanent location

You cannot legally make taxable sales until you have received your valid Certificate of Authority. Apply for your Certificate of Authority at least 20 days before you begin operating your business. Your Certificate of Authority must be displayed prominently at your place of business or at fairs/markets. It is very important to keep detailed records of your taxable sales. Each transaction must include the item price and sales tax amount. Retain a copy of the receipt. Records should be kept for 3 years.

Filing Requirements: **You must file a return each quarter even if you had no sales.** Initially you will be classified as a quarterly filer. Monthly and annual filing options are available if you qualify. Do not forget to file as penalties are stiff. Download the form as a PDF at: www.tax.ny.gov/pdf/current_forms/st/df17i.pdf

NYS Dept. of Taxation and Finance Publication 750 - A Guide to Sales Tax in New York State

is very helpful and can be obtained by calling 800-462-8100 or by visiting

<http://www.tax.ny.gov/pdf/publications/sales/pub750.pdf>

Walk-in Assistance is also available at district offices of NYS Dept. of Taxation & Finance between 9 AM - 5 PM Monday-Friday. Check the website above for the nearest office location.

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Organic Certification

Guide to Farming in New York State

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Becoming Certified

Organic production offers many advantages for small farmers including ecologically friendly production methods, strong consumer demand for organic products, and higher prices. Regardless of if you use organic practices, if you have farm sales of more than \$5,000/year you cannot legally sell your products as *organic* unless your farm has been officially certified.

If you sell less than \$5,000/year of product and would like to use the word “organic” in your marketing, you must adhere to organic practices even though there is no certification process required. To learn more about this, download the PDF of Small Scale Organics from www.kerrcenter.com/publications/small-scale-organics.pdf

You can find the list of all certifying agencies by going to the USDA’s National Organic Program website: www.ams.usda.gov/AMSv1.0/ Click “National Organic Program” on the left. **You can use any agency listed.** The two located in New York are:

NOFA -- New York, LLC

840 Upper Front St.
Binghamton, NY 13905
607-724-9851

E-mail: certifiedorganic@nofany.org
www.nofany.org

Scope: crop, livestock, handling
Accredited: 4/29/02

Natural Food Certifiers

119a S Main Street,
Spring Valley, NY 10977
888-422-4632

E-mail: nfccertification@gmail.com
www.nfccertification.com

Scope: crop, livestock, wild crop, handling
Accredited: 10/08/02

Fees and Costs

Certifying agencies generally charge a fixed fee to cover the initial certification costs and then an annual fee to cover the continued documentation and verification costs. Costs vary so you may want to investigate your certification options.

The NYS Department of Agriculture & Markets offers grants to new farmers to help cover the initial certification costs. They set aside a certain amount of money each year to cover 75% of the initial cost up to \$750. This money is allocated on a first come first served basis.

For a grant application: Ag & Markets - 800-554-4501 or 518-457-2195; www.ams.usda.gov/nop - National Organic Program information; Forms can be downloaded from:
<http://www.agriculture.ny.gov/AP/agservices/OrganicApp.pdf>

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General Overview of Regulations

Organic regulations are complex and ever-changing, which is why it is important to work with your certifying agency on everything that you do to assure compliance.

In general, you cannot use synthetic pesticides, antibiotics, or petroleum-based fertilizers. To certify a field as organic it must not have had pesticides or petroleum fertilizers applied for the past three years. To certify animals as organic, there are various transition requirements depending upon the animal species: dairy, beef, pork, poultry, etc.

Great attention is paid to nurturing the soil by the use of composts, cover crops, rock minerals and natural fertilizers. Plant disease and pests are controlled through the use of crop rotations, resistant varieties, cultivation, biological and botanical pest control. Animal health is maintained with wholesome food, adequate shelter, access to the outdoors, and preventive health plans.

Documentation of field maps, adjoining fields, complaints, crop inputs used, yields, sales, feeds purchased, medications used, and equipment-cleaning logs must be kept to maintain your certification.



Grant Opportunities for Farmers

An increasing number of grant programs are available to farmers from federal or state sources each with specific objectives. Grants fall into the three general types: 1) grants for business planning, adding value and increasing farm viability; 2) grants for on-farm research and demonstration projects that are mostly production oriented though some include marketing demonstration projects; and 3) grants for farm energy conservation, alternative energy, environmental protection/conservation and waste management.

Grants are never available to start a farm and are not a reliable strategy for growing your business. Grants may enable you to expand a particular aspect of your business to make your operation more viable or provide funding to try a new practice on your farm.

Grants are highly competitive so apply only if the project you are proposing clearly meets the grantor's objectives. Always find out what kinds of projects were funded in the past to determine if your project is in line with what has been funded.

It takes significant time and effort to write a winning grant proposal. Instructions must be followed precisely. Grants often require a cash or in-kind match that must be documented in the budget you propose. Grants will not be considered if they arrive late after the deadline for application. Deadlines for application submission and instructions are generally announced once a year. Most grants are not available on an ongoing basis.

Once you submit a grant, it may take 3 to 6 months to find out if your application was selected for funding. If funded, it also takes time to finalize the contract. Generally you will not be reimbursed for money spent prior to receiving the signed contract. Grant contracts require that you write a report of the results and provide an accounting of how the money was spent; therefore, you must keep accurate records. Grants are also considered income for tax purposes.



Grant Opportunities for Farmers

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Following is a list of some grant sources available for farm projects:

NEW YORK STATE SOURCES – <http://www.agriculture.ny.gov/> - Funding Opportunities or call 518-457-7076

NYS Good Agriculture Practices/Good Handling Assistance Certification Program (GAP/GHP) – the Department will pay up to \$750 for having a private or NYS Dept. of Agriculture audit, including water tests, to verify a farm's food safety program. This certification applies to produce farms and many retail and wholesale buyers are requiring GAP Certification for certain crops. Applications must be approved prior to the audit. Funds are available on a first-come first-serve basis until the funds are depleted or December 31. Questions: 518-457-2090. (Funded by USDA Specialty Crops Program).

NYS Funding for Organic Certification

Purpose: Reimburse producers for a portion of their annual organic certification renewal costs; can apply annually.

Funding levels: 75% reimbursement up to a maximum of \$750

Information: Ag & Markets - 800-554-4501

website: www.ams.usda.gov/nop - National Organic Program information

Forms can be downloaded from:

http://www.agriculture.ny.gov/AP/Organic/docs/2009_Farmer_Application_Form.pdf

NYS Specialty Crops Block Grants Program

Purpose: Increase the competitiveness of specialty crops, encourage efficiency, partnerships, innovation, and new markets. The RFP includes many areas of focus including: packaging/labeling, environmental quality, distribution, education and outreach, food safety, food security, marketing and promotion, product development, plant health and international trade. 2009 awards were solely focused on plant health.

Eligibility: Funding available to non-profits, for profits, individuals, educational institutions, and government; however, individuals and businesses must partner with others.

Information: Contact: Jonathan.Thomson@agriculture.ny.gov or Jonathan Thomson at 518-485-8902



Grant Opportunities for Farmers

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Grow NY Enterprise Program

Purpose: provide grants or loans to finance business expansion related to production, processing or marketing of agricultural products.

Eligibility: Municipalities under 50,000 (population) apply on behalf of farm enterprise. Must have other funding in place. Job creation required: 1 job per \$7,500 invested.

Funding: Minimum of \$100,000 up to \$750,000 per community.

Information: Ag & Markets – 800-554-4501; <http://www.agriculture.ny.gov/GNYRFP.html>

NYS Dept. of Ag & Markets – Agriculture & Farmland Protection Projects – MUST WORK WITH A MUNICIPALITY AND BE PART OF A COUNTY FARMLAND PROTECTION PLAN

Purpose: State assistance for the purchase of agricultural conservation easements (development rights) to permanently restrict development of valuable agricultural lands

Eligibility: Counties or municipalities with approved Ag & Farmland Protection – Farmers should contact county/town government if interested in the sale of development rights.

Funding: No cap; State provides 75% of the cost to acquire the easement; farmers or local government provides 25%

Information: <http://www.agriculture.ny.gov/AP/agsservices/farmprotect.html>

NYS DEC Water Quality Improvement Projects – CHECK WITH COUNTY SOIL AND WATER DISTRICT REGARDING PROGRAMS AND FEDERAL FUNDS FOR PROJECT IMPLEMENTATION

Purpose: Implement practices to improve water quality

Information: contact your county SWCD for information on local funds; funding is not competitive but funds are limited and must meet criteria for water quality protection.

NYSERDA-New York State Energy Research and Development Authority Programs - Loans, grants, incentives

Purpose: Several programs, incentives and loans for farm waste management (biogas); improved energy efficiency; solar and wind generation; and innovative business practices for energy conservation, alternative energy, and energy use. Energy audits available.

Information: 518-862-1090; toll free 1-866-NYSERDA or check <http://www.nyserda.ny.gov/> - look at current funding opportunities for project descriptions and who to contact for details; For agriculture specific projects, the link is:

<http://www.nyserda.ny.gov/Page-Sections/Commercial-and-Industrial/Sectors/Agriculture.aspx>



FEDERAL SOURCES

USDA-SARE/Sustainable Agriculture - Farmer/Grower Grant – GREAT SOURCE FOR ON FARM RESEARCH PROJECTS

Purpose: Support on-farm research demonstrations, marketing innovations, value adding activities and other projects.

Funding: capped at \$15,000; capital improvements limited to \$500 of total project cost; no match required
Annual deadline in December

Information: 802-656-0471 website: www.nesare.org or email: nesare@uvm.edu

USDA Rural Business Cooperative Service – Value Added Agricultural Product Market Development Grant Program

Purpose: Encourage producers of commodities to refine products to increase their value – for feasibility studies, business and marketing plans, studies to establish a new venture; and working capital for established ventures with a business plan.

Funding levels: planning grants up to \$100,000 and working capital grants up to \$300,000

Information: 315-477-6409; website: http://www.rurdev.usda.gov/BCP_VAPG_Grants.html

USDA Rural Business-Cooperative Service – Rural Energy for America Program

Purpose: Help farmers and rural businesses make energy improvements and install renewable systems
Three programs available: Energy Audit and Renewable Energy Development Assistance; Energy Systems/Energy Efficiency Improvement; and Feasibility Studies Grant Program.

Eligible projects: systems that generate energy from wind, solar, biomass, geothermal sources, energy efficiency improvements-upgrade equipment or processes; energy audits

Funding levels: varies with program (see info on website)

Information: website: http://www.rurdev.usda.gov/BCP_Reap.html or contact NY Energy Program Coordinator – Scott Collins at (315) 736-3316 ext. 4; email: Scott.Collins@ny.usda.gov

USDA NRCS – Farm Bill Initiatives for Conservation Practices

Purpose: The Farm Bill authorizes several new initiatives geared at land conservation and water quality protection.

Information: find out what is available by contacting your county or regional USDA Service Center.

Websites: <http://www.ny.nrcs.usda.gov/programs/> or call 315-477-6503

Check websites for deadlines, applications forms and lists of previously funded projects.



Federal Agencies Serving Agriculture

- **USDA Farm Service Agency** – www.fsa.usda.gov/ny 315-477-6300 Federal agency with county offices across the state to administer farm loans, price support programs, commodity programs and payments, conservation programs, and disaster assistance.
- **USDA Natural Resource Conservation Service** - www.ny.nrcs.usda.gov/ 315-477-6504 Federal agency that has a mutual agreement with state-funded Soil and Water Conservation Districts. NRCS has 47 field offices and provides one-on-one assistance to private landowners and local governmental units in all aspects of natural resource protection. They also administer federal cost-share conservation programs.
- **USDA RC&D** - www.nyrcd.org/ The purpose of **Resource Conservation and Development** (RC&D) is to accelerate the conservation, development and utilization of natural resources, improve the rural economies, enhance the environment and standard of living in designated RC&D areas. RC&D programs exist throughout the state and operate on a regional level. Check the website for office locations and programs.

NYS Agencies

- **Soil and Water Conservation Districts** - www.nyacd.org/ 518-857-0060 There are 62 county soil and water conservation districts in the state that provide information on conservation, and wise use of the natural resources. Depending upon the district office, they may have money available for cost-share on land improvement and conservation projects.
- **NYS Department of Agriculture and Markets** - <http://www.agriculture.ny.gov/> 800-554-4501 State agency regulating agricultural businesses and commerce. They administer marketing regulations that govern product sales, the agricultural districts program, agricultural conservation easements, provide market assistance and promotion, and offer several grants programs to increase farm viability.
- **NYS Department of Environmental Conservation** - <http://www.dec.ny.gov/> State environmental regulatory agency with programs addressing: water quality, mineral resources, lands and forests, fish and wildlife, and pesticide/hazardous materials regulation. They offer some technical assistance but generally focus on the regulation of activities to assure compliance with state pollution regulations.

Cornell Programs

- **Cornell Cooperative Extension** - www.cce.cornell.edu
Key outreach system of Cornell University with a strong public mission and an extensive local presence that is responsive to needs in New York communities. There are 56 associations across the state to offer educational programming in the areas of community development, agriculture, environment, family and youth, financial management, gardening, and nutrition and health.
- **Cornell Small Farms Program** - www.smallfarms.cornell.edu and www.nebeginningfarmers.org
607-255-9227
Fostering the sustainability of diverse, thriving small farms through information, events and activities, small farms research, and a free quarterly newsletter that is a must read for small farmers.
- **NY FarmNet** - www.nyfarmnet.org 800-547-3276
Free and confidential on-farm consultants help farm families answer business and personal questions about finances, farm transfer, natural disaster, personal stress, family communication, and marital conflict.
- **NY FarmLink** - <http://www.newyorkfarmlink.org> 800-547-3276
Provides educational resources, consulting, and opportunities that enable more farms to be transferred and joint ventures to be developed between people who want to farm and people who are seeking to retire from farming.

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Organizations Serving Agriculture

- **New York State Farm Bureau** - www.nyfb.org 800-342-4143
The state's largest non-governmental, volunteer agricultural organization financed and controlled by farm families for the purpose of solving economic and public policy issues challenging the agriculture industry. They are a grassroots based lobbying organization and offer educational resources to farmers in the state in addition to discounts on insurance and other products.
- **New York State Grange** - <http://www.nysgrange.org/> 607-756-7553
Agricultural and rural community fraternal organization with a focus on community involvement. They are a grassroots organization with a legislative agenda and many community involvement programs.
- **American Farmland Trust** - www.farmland.org/default.asp
Farmers and conservationists concerned about the rapid loss of the nation's farmland to development, American Farmland Trust (AFT) is a nonprofit membership organization dedicated to protecting our nation's agricultural resources. They have a legislative agenda and programs to help deter and/or stop the development of farmland.
- **NOFA-NY – New York Organic Farmers' Association** – <http://www.nofany.org/> 607-724-9851- certification office NOFA-NY is an organization of consumers, gardeners and farmers creating a sustainable regional food system that is ecologically sound and economically viable. They are the leading organic certification organization in the state.
- **Other NYS Producer Organizations**
There are many organizations specific to production interests (for example, NYS Apple Association, Vegetable Growers, Christmas Tree Growers, etc.). The NYS Dept. of Agriculture & Markets publishes a [Directory of New York State Agricultural Organizations](#). To view this directory online, visit:
<http://www.agriculture.ny.gov/RelatedLinks.html>

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Information Resources to Help you Get Started with a New Ag Enterprise

Websites - There are numerous online resources to help you learn how to grow or market specific products. These are a few that have been verified for content.

- Northeast Beginning Farmer Project – a collaboration of Cornell Small Farms Program and several other organizations – www.nebeginningfarmers.org, website designed to walk existing or aspiring farmers through planning process of starting a new farm. Also contains video clips, links to online courses for new farmers, worksheets, and a map to help farmers find people to provide assistance.
- Cornell Small Farms Program – www.smallfarms.cornell.edu
607-255-9227 – website contains a wealth of information about production, marketing, and business management
- ATTRA (Appropriate Technology Transfer to Rural Areas) – www.attra.org
Toll-free helpline:
800-346-9140 (English) 7 a.m. to 7 p.m. Central Time
800-411-3222 (Español) 8 a.m. to 5 p.m. Pacific Time
- eXtension - www.extension.org is an interactive learning environment that has information on agriculture production and business management issues. The information posted here represents the best information based upon researchers and educators across the country. New content is added regularly.
- Rodale Institute's New Farm website: www.rodaleinstitute.org/new_farm - covers everything of interest to organic farmers

Books

- Building a Sustainable Business: A Guide to Developing a Business Plan for Farms and Rural Businesses, available online in PDF format from: <http://www.sare.org/Learning-Center/Books/Building-a-Sustainable-Business>
- Starting an Ag Business? A Pre-Planning Guide by Steve Richards, available online in PDF format from: <http://www.nysl.nysed.gov/scandoclinks/ocm58432460.htm>
- You Can Farm by Joel Salatin – plenty of advice for new farmers, written by a successful livestock farmer
- The Organic Farmer's Business Handbook by Richard Wiswall – contains excellent advice and a clear process for managing your farm for profit, also comes with a CD with template forms. Available from Chelsea Green Publishers.

Journals/Magazines

- *Small Farm Quarterly* – all articles available in PDF format online at: <http://smallfarms.cornell.edu/quarterly/archive/>
- *Acres USA – Voice for Eco-Agriculture* www.acresusa.com/magazines/magazine.htm
- *Growing for Market* - www.growingformarket.com

Conferences/Events – reading and research are great, but if you want to start a farm, the best way is to learn from farmers who are already doing it!

- NOFA-NY – the Northeast Organic Farming Association's (NOFA) of NY Annual Conference is in January each year – check www.nofany.org for details in the fall.
- PASA – the Pennsylvania Association of Sustainable Agriculture (PASA) holds its annual conference in February in State College, PA. Check www.pasafarming.org for details.
- Sign up to receive the monthly Small Farms Update, which contains links to several event calendars, as well as resources useful to farmers - <http://smallfarms.cornell.edu/contact/e-news-sign-up/>

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What Do You Think?

Guide to Farming in New York State

How can we make this Guide better? Tell us your thoughts, and the improvements you suggest may help thousands of new farmers across NYS. Please send completed forms to: **Northeast Beginning Farmer Project, 15B Plant Science, Cornell University, Ithaca, NY 14853**, or email to ejf5@cornell.edu.

1. Did this guide help you to: [check all that apply]

_____ Save money

_____ Make decisions about your farm business

_____ Locate resource people

_____ Locate useful websites or documents

_____ Comply with regulations

_____ Learn about programs that can help you

Please share specific details:

2. What are the top 2-3 most important things you learned?

3. How useful were individual fact sheets? Use extra space elsewhere on this sheet if needed:

Fact Sheet

Usefulness (1=very, 5=not at all)

Comments

4. Please help us keep information in this guide updated. Let us know any broken links or out-of-date material you noticed in the guide:



Appendix

Guide to Farming in New York State

County Cornell Cooperative Extension Contact Information

Albany County

Tom Gallagher
PO Box 497
Voorheesville, NY 12186-0497
tjg3@cornell.edu

Allegany County

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585-268-7644

Broome County

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Chemung County

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Horticulture Educator
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Chenango County

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(607) 334-5841 ext. 14

Clinton County

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Plattsburgh, NY 12901-9601
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518-561-7450 Ext 109

Columbia County

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518-828-3346

Cortland County

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Cairo, NY 12413
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20
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Herkimer County

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Appendix

Guide to Farming in New York State

County Cornell Cooperative Extension Contact Information

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Madison County

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Monroe County

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Montgomery County

Crystal Stewart
50 East Main Street
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cls263@cornell.edu
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Nassau County

Naussau Soil and Water
Conservation District
5 Old Jericho Turnpike
Jericho, NY 11753
Brian Zimmerman: District
Manager
nassauswd@optonline.net
Phone: 516-364-5860

New York City

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New York, NY 10016-4328
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212-340-2946

Niagara County

John Farfaglia, Horticulture
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Oneida County

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Ontario County

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Orange County

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Orleans County

No Small Farm Contact

Oswego County

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Otsego County

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Putnam County

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Appendix

Guide to Farming in New York State

County Cornell Cooperative Extension Contact Information

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