



# Farm Management Team Q & A's

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(B) Author's Note: These fact sheets are a result of questions posed to me and answered in a national publication over the years.

## Financing a farm market/craft shop?

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**We crop farm with Mom and Dad. My wife and her friend want to open a shop near town to sell produce and crafts. They're going to need a loan to get started. How do we make sure that her business doesn't interfere with our farm borrowing?**

Quite often we find that two separate enterprises are often at odds because of differing goals, challenging demands for farm machinery, for farm labor, and for farm financing. One way to make sure that the two or more enterprises do not compete is to sit down with all parties and discuss the advantages, disadvantages, and the demands of both enterprises. In a number of cases it involves developing business plans, and separate LLC's to ensure that both are able to obtain the financing needed and resources can be allocated accordingly. I recommend that written agreements also be made to ensure that there is a way to resolve potential time, land, equipment, personal labor and financial conflicts.

Potentially one of the biggest conflicts will be the demand for startup and ongoing financing of both enterprises. The lack of sufficient financial resources for both enterprises is damaging and can lead to the failure of not just one but both of the enterprises and also damaging family relationships. Thus the best way to ensure that each enterprises survives on its own is to form two different business enterprises with operating agreements for both should each business need to rely on the resources of the other. One business may be set up as a sole proprietorship and one a corporation, it may be two separate LLC's, two different partnerships, or any other combination but it needs to be two separate enterprises with the limits outlined. The written documents need to outline the mission statements, goals, roles, activities, limits, and structures of each of the enterprises. The documents also will outline how each party will participate financially in the business, where the financing will come from, and how the business can be dissolved. This will take a lot of planning but rest assured that this planning will not only determine the feasibility of the project but also the overall success and the happiness of the parties involved. Get an farm accountant and attorney involved as well as an Extension Specialist, maybe a Farm Credit Service consultant, and also talk with others who have gone thru this to learn from their experiences. A few thousand dollars, and a few months in planning now will save a lot of headaches later.