



Business vs. Hobby

IRS Definition: A farm is a business if it...

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    graph TD
      A[Operates] --> C((For Profit $$$))
      B[Cultivates] --> C
      D[Manages] --> C
  
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Business vs. Hobby

Presumption of Profit:

- If farm produces a profit
- In 3 of last 5 tax years
- Farm is a business (not a hobby)

What If There Are No Profits?

- IRS will extend time period
- Produce profit in 2 out of 7 years
- Must carry on activities to seek profit

Does A Farm Need To Become A Business?

Choice rests with farm owners

- Does tracking expenses or "for profit" activities take away from farm enjoyment?
- Is raising lavender more for recreation or added family income?
- Hobby farms must still report any income to IRS (Even if only sold to neighbors)

How To Get Started

Develop a Business Plan

- Blueprint of how your business starts
- Guidebook of how business intends to grow

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How To Get Started

What are your passions about raising lavender?

Do they translate into a business?

What goals do you want to achieve?

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Passion & Goals Help Define Your Business

- Who are you?
- What do you do?
- Where are you located?
- Who are the farm owners?
- What business structure is your farm?

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Your Business Strategy Starts With A Marketing Plan

Farm businesses must have products consumers are willing to buy

Markets and Market Strategies

Answers & Strategies May Change As You Explore New Market Opportunities

4 Ps of Marketing

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How Have You Explored Market Opportunities Near You?

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Business Planning Check with SWOT

SWOT Analysis (active)

- Identify internal and external factors that are helpful and harmful to achieving farm goals
- Don't simply ask "what is?"
- Focus on "What do you do about it?"

	Helpful	Harmful	
Internal	STRENGTHS What do we do best?	WEAKNESSES In what ways can we get better or improve?	Internal
External	OPPORTUNITIES What opportunities are available to you?	THREATS What trends, conditions, or competitors pose a threat to us?	External

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Management and Organization

- Who is involved in business?
- How are tasks being divided?
- How are employees managed?
- What professional services are part of your management team?
 - (i.e., accountant, tax professional, loan officer, market broker, Extension agent)

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