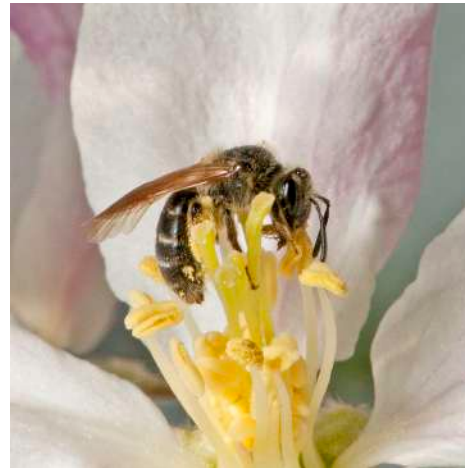
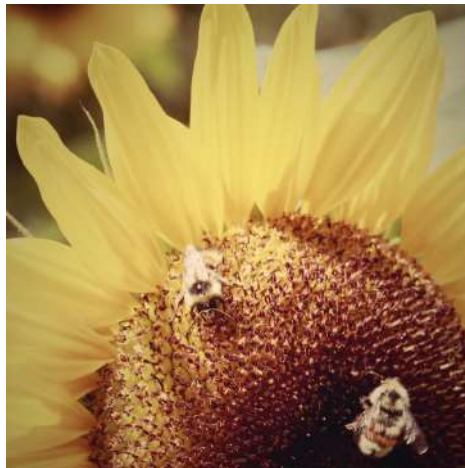


# Turning your hobby into a business

---

*What does it mean, and what does it take?*



# My beekeeping operation is a business if...

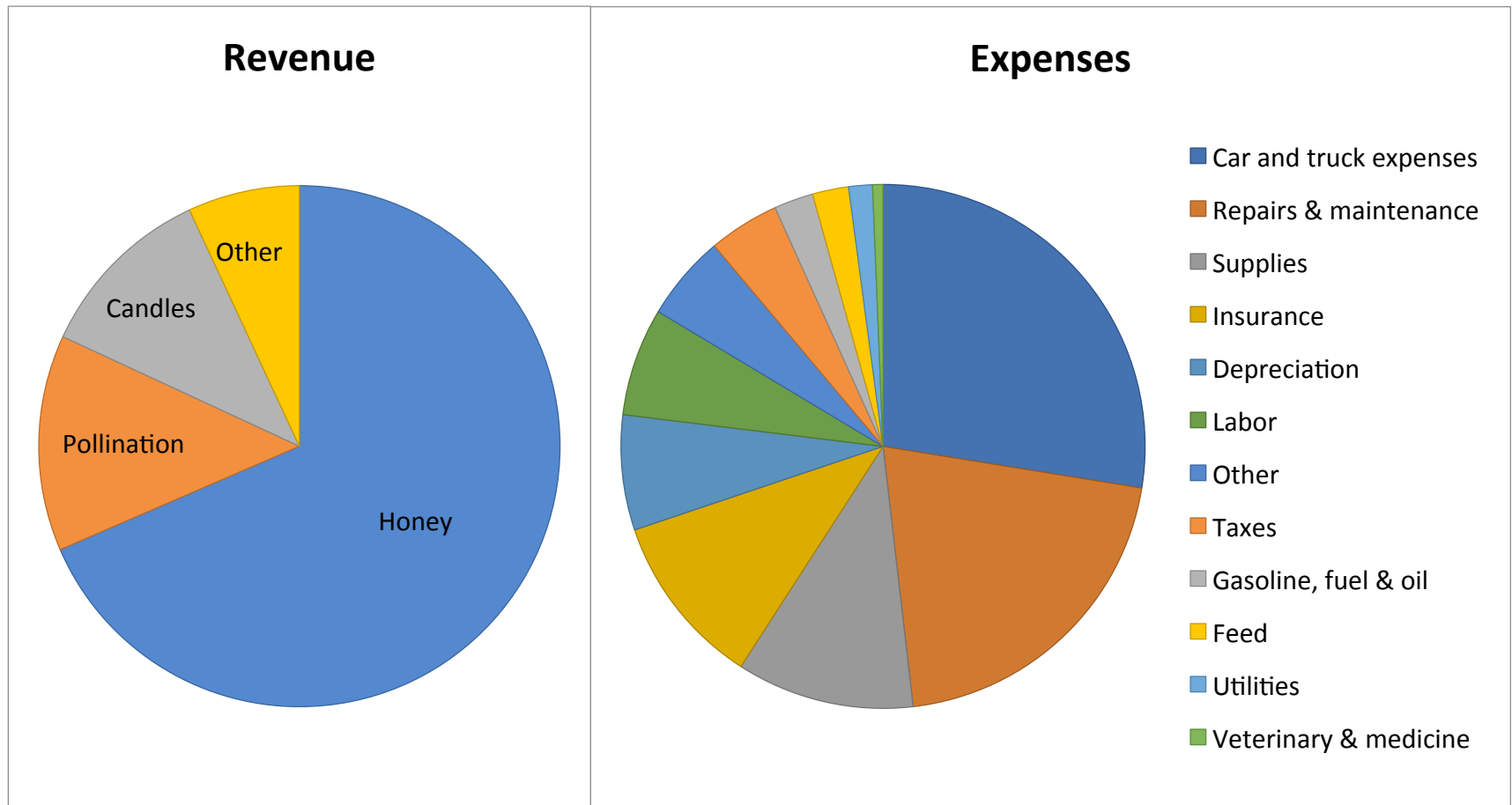
|   |      |       |
|---|------|-------|
| A. I earn income from honey sales.                        | TRUE | FALSE |
| B. I have completed a Master Beekeeper course.            | TRUE | FALSE |
| C. I teach classes for beginner beekeepers.               | TRUE | FALSE |
| D. I keep track of revenues and expenses.                 | TRUE | FALSE |
| E. I follow NYS honey packaging and labeling regulations. | TRUE | FALSE |
| F. I have a mission statement.                            | TRUE | FALSE |
| G. I keep more than 50 colonies.                          | TRUE | FALSE |
| H. I use best management practices in my apiaries.        | TRUE | FALSE |
| I. I intend to make a profit from beekeeping.             | TRUE | FALSE |

# My beekeeping operation is a business if...

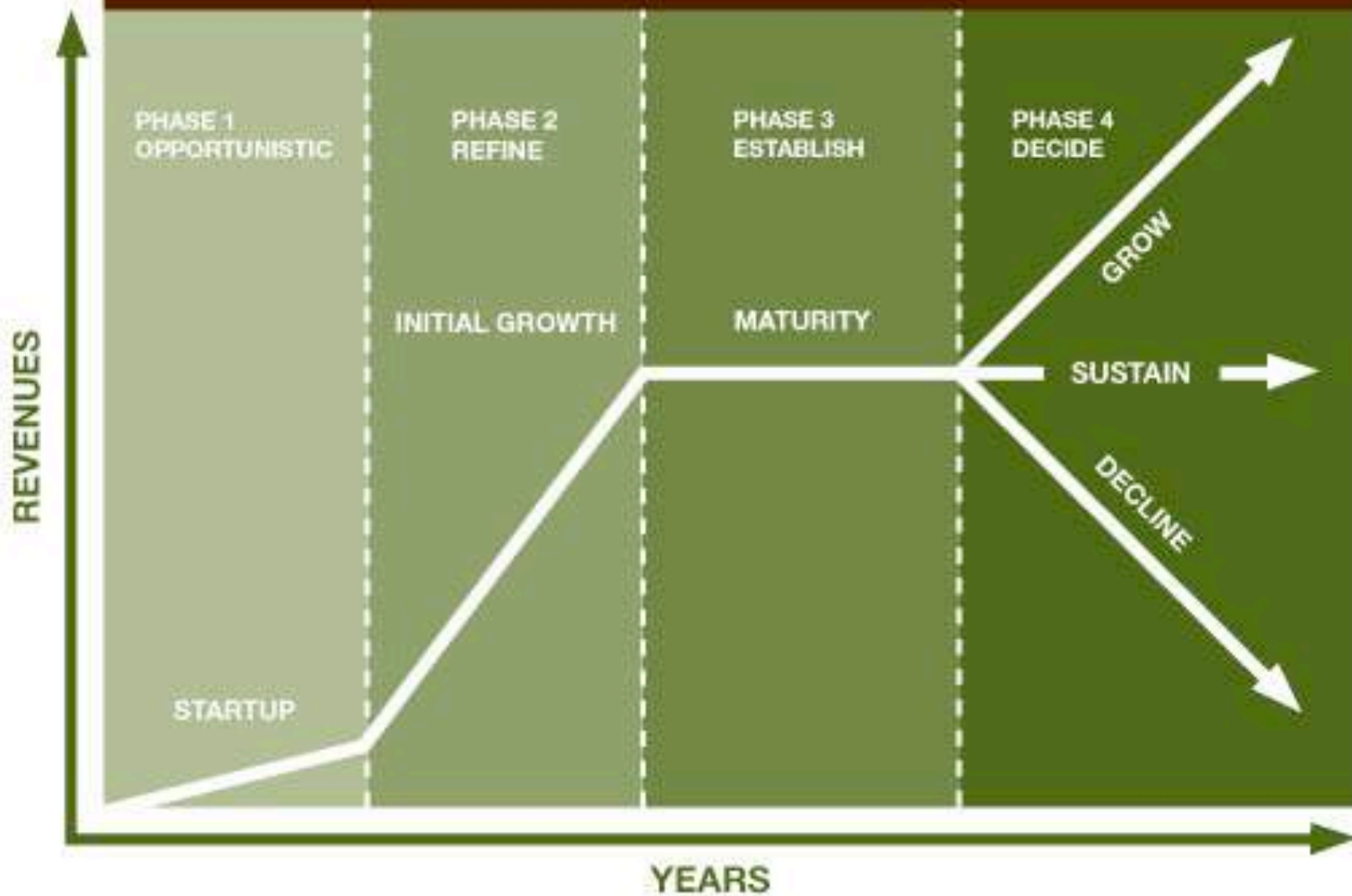
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# Profit

Total value of production - Total cost of production = Farm profit



# Small Business Life Cycle



# Hobby vs. Business Mindset

## HOBBY

- Pleasure first
- Manage apiaries
- Focus on the product
- Mind in the present
- Care for the physical health of your bees

## BUSINESS

- Profit first
- Manage organizational systems
- Focus on the customer
- Mind in the future
- Care for the financial health of your business

# Small Business Pros & Cons

## PROS

- Passion
- Autonomy
- Control
- Job security
- Creativity
- Discovery
- Influence
- Relationships
- Community

## CONS

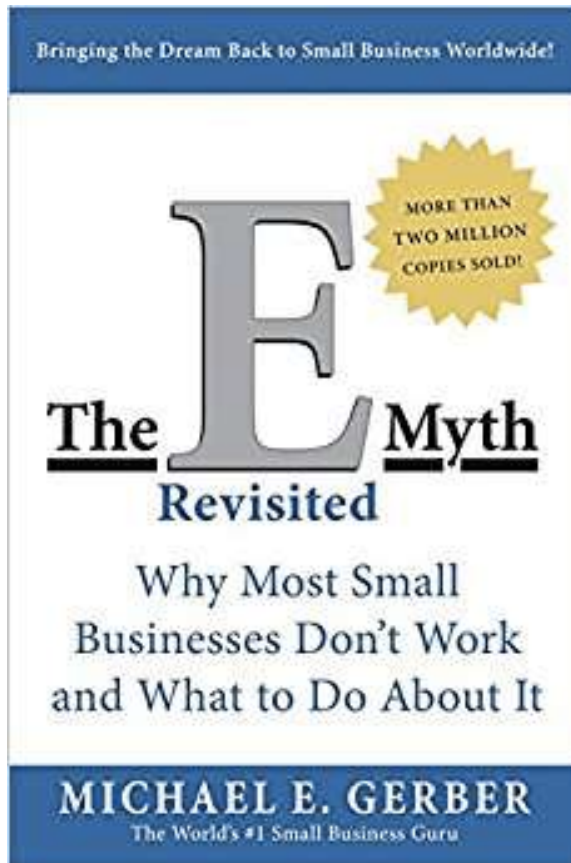
- Risk
- Commitment
- Instability
- Responsibility
- Stress
- Minutiae

# What is your goal?

- I have too much honey and I want to do something productive with it.
- I want to make enough money to afford keeping bees.
- I want to quit my day job and spend more time beekeeping.
- I want to provide a unique product or service to meet the needs of a specific consumer group.



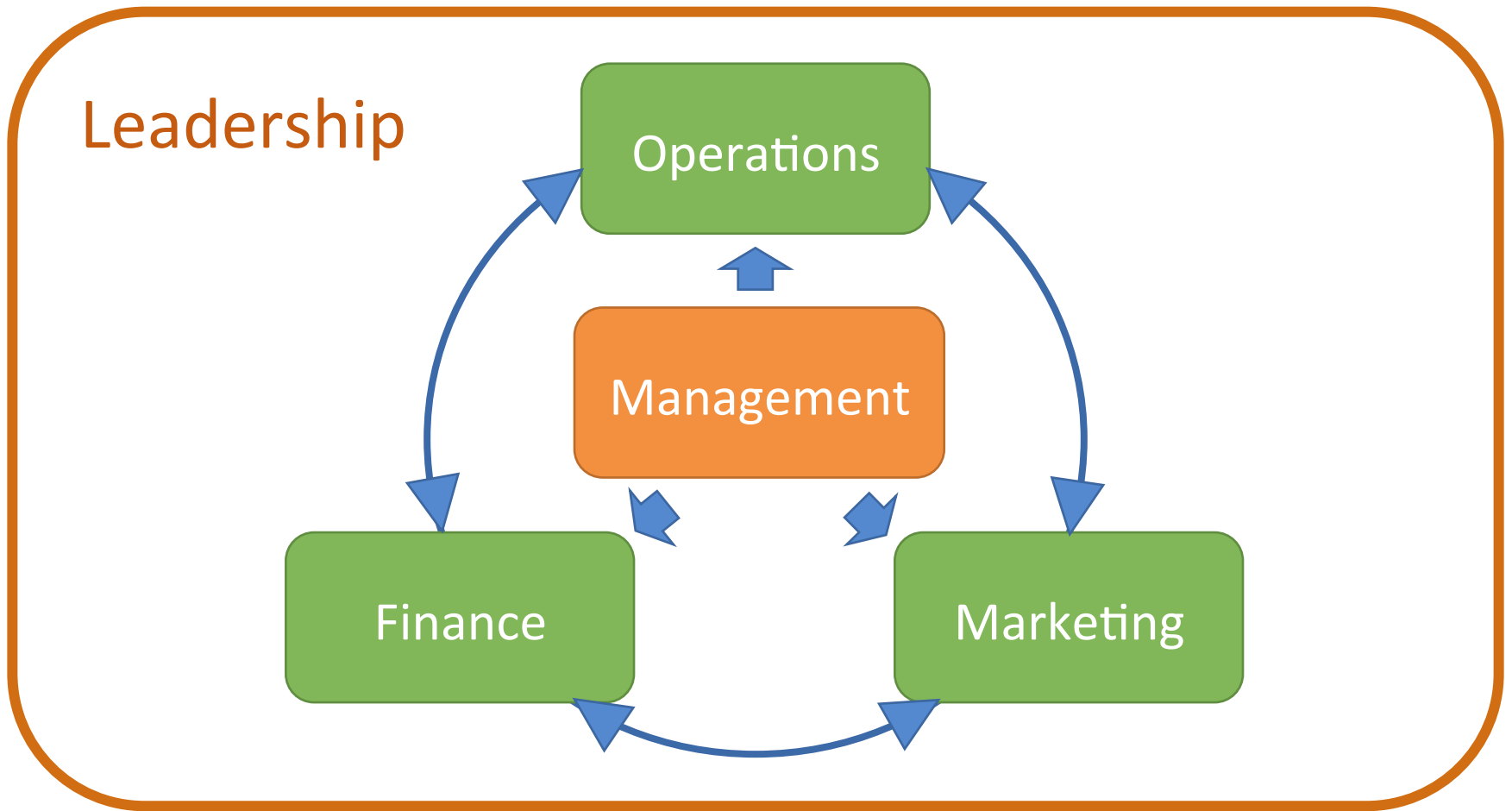
# What does a business do?



“That Fatal Assumption is: if you understand the technical work of a business, you understand a business that does that technical work.”

- Michael Gerber

# Core Business Functions



# Business Planning Process

## I. Pre-Planning

1. Get to know your customers and their needs.
2. Articulate an **Entrepreneurial Model** for your business.
3. Assess your personal strengths, weaknesses, and resources.
4. Articulate your personal reasons for going into business, and understand what you need the business to do for you.
5. Crunch some numbers & assess feasibility.

# 1. Understanding Customers

*Why do people buy honey?*

*Who buys honey?*

*Where/how do they buy?*

*What products do they buy?*

*Why do people NOT buy honey?*



## 2. The Entrepreneurial Model

A model of a business that fulfills the perceived **needs** of a specific segment of **consumers** in an **innovative** way.

- *Who are your target consumers?*
- *What needs do they have that your business can meet?*
- *How will the business respond to these needs?*
- *What sets your business apart?*

## 2. The Entrepreneurial Model



## 2. The Entrepreneurial Model



# 3. Self-Assessment

| Competency              | Excellent | Good | Fair | Poor | Non-existent |
|-------------------------|-----------|------|------|------|--------------|
| Beekeeping              | ✓         |      |      |      |              |
| Honey Production        |           | ✓    |      |      |              |
| Marketing               |           |      | ✓    |      |              |
| Finance                 |           |      | ✓    |      |              |
| Human Resources         |           |      |      | ✓    |              |
| Regulatory/Legal Issues |           |      | ✓    |      |              |
| Tax Issues              |           |      |      |      | ✓            |
| Leadership & Strategy   |           | ✓    |      |      |              |



# 3. Resource Assessment

|                               |  |
|-------------------------------|--|
| <b>Physical Resources</b>     | buildings, infrastructure, equipment                                       |
| <b>Financial Resources</b>    | savings, gifts, other income, loans  |
| <b>Human Resources</b>        | labor, time, skills, knowledge, access to employees                        |
| <b>Intellectual Resources</b> | sources of information, trainings, educational programs, service providers |
| <b>Supply Chain Resources</b> | production inputs, suppliers   |
| <b>Marketing Channels</b>     | existing and potential markets   |

# 4. What do you need from the biz?

## Personal Finance

- How much you need to take out of the business (owner draw)?
- Will the business make enough money for you to live on (profit)?
- Will the money be there when you need it (cash flow)?
- How will you support yourself until the business becomes profitable?
- Will this business pay for your retirement? How?

# 4. What do you need from the biz?

## Scheduling & Labor

- What else are you responsible for managing?
- Are your other commitments compatible with starting a business?
- How much do you want to work? What hours will you work?
- Do you need time off? How much and when?
- Do you want to have employees?
- How will you hire, train, supervise, and compensate them?

# 5. Biz Planning Example

- **Context:** School teacher with summers off, 5 yrs experience
- **Resources:** 8 acre rural property, barn, 2<sup>nd</sup> income from spouse
- **Financial goal:** reduce property taxes by qualifying for agricultural tax assessment
- **Target market:** families with young children
- **Entrepreneurial idea:** provide education on pollinator health and conservation so that kids learn to appreciate bees

# 5. Biz Planning Example

**Financial Plan**

**Operations Plan**

**Marketing Plan**

# 5. Biz Planning Example

## Financial Plan

- Gross sales of \$10,000 by the 3<sup>rd</sup> year in business
- 30 colonies @ \$320 in honey production = \$9,600
- 10 nucs @ \$140 = \$1,400
- \$9,600 honey production + \$1,400 nuc production = \$11,000

## Operations Plan

- Each colony produces 40 lbs honey @ \$8 per lb = \$320/colony
- 25% annual colony loss rate
- Overwinter 40 colonies, harvest 1,200 lbs honey from 30 colonies
- Produce 10 nucleus colonies @ \$140 each

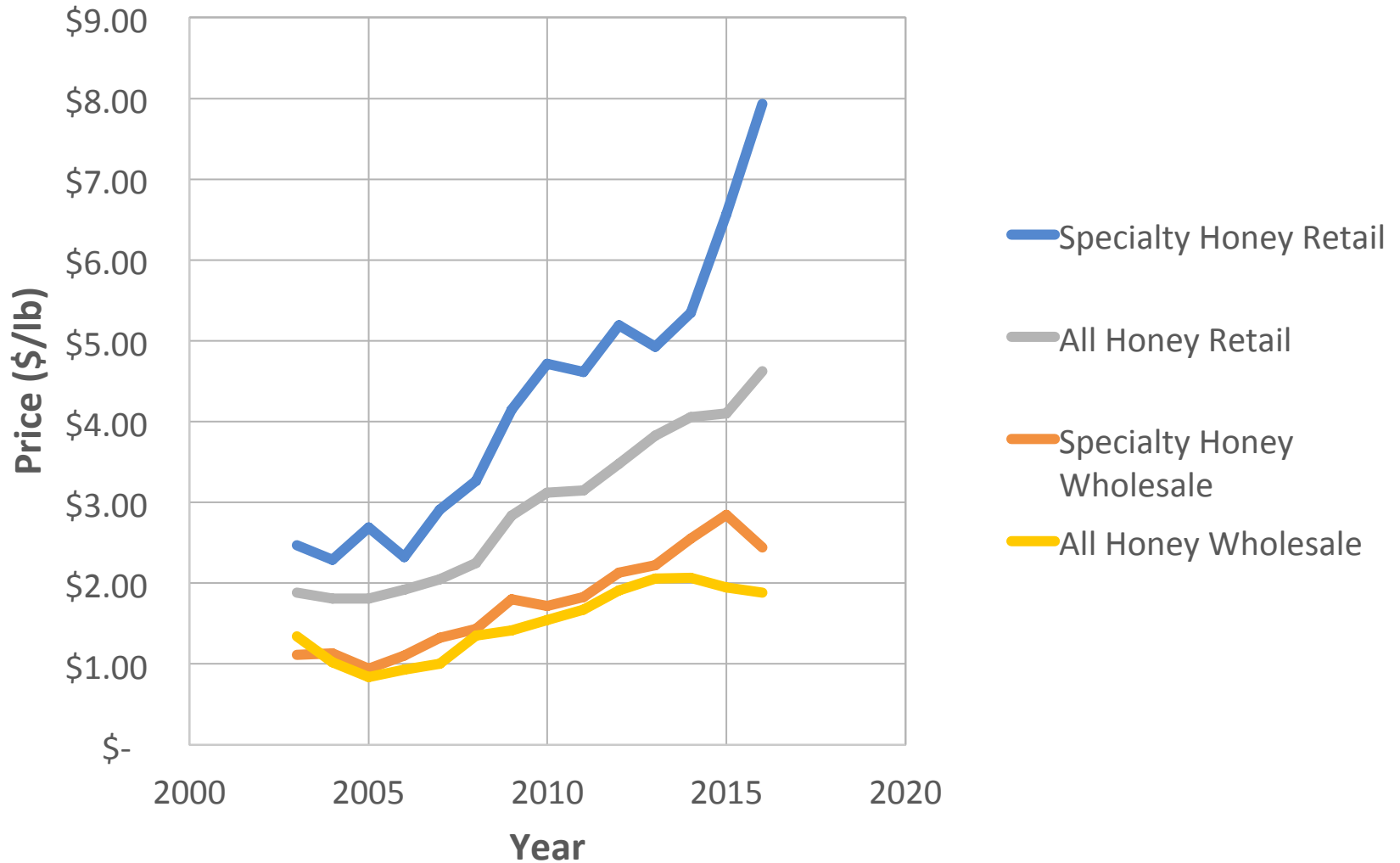
## Marketing Plan

- 100 lbs honey marketed to family and friends
- 800 lbs honey marketed over 8 weeks at a local farmers market
- 300 lbs honey marketed through a farm stand at home
- Nucs pre-ordered by club members in Feb/March for pick-up in June

# Feasibility Questions

1. What is the basis for your production estimates?
2. What happens if you produce more/less than you expect?
3. Do you have the time & skill to implement the plan?
4. How confident are you in your sales estimates?
5. How will you attract and retain customers?
6. Will your customers pay \$8/lb?
7. Will this operation be **profitable** (expenses less than \$11,000)?
8. Do you have enough money to get started?

# US Honey Prices by Market Channel



Source: USDA National Agricultural Statistics Service ([www.nass.usda.gov](http://www.nass.usda.gov))



# NYS 2017 Honey Prices by Operation Scale

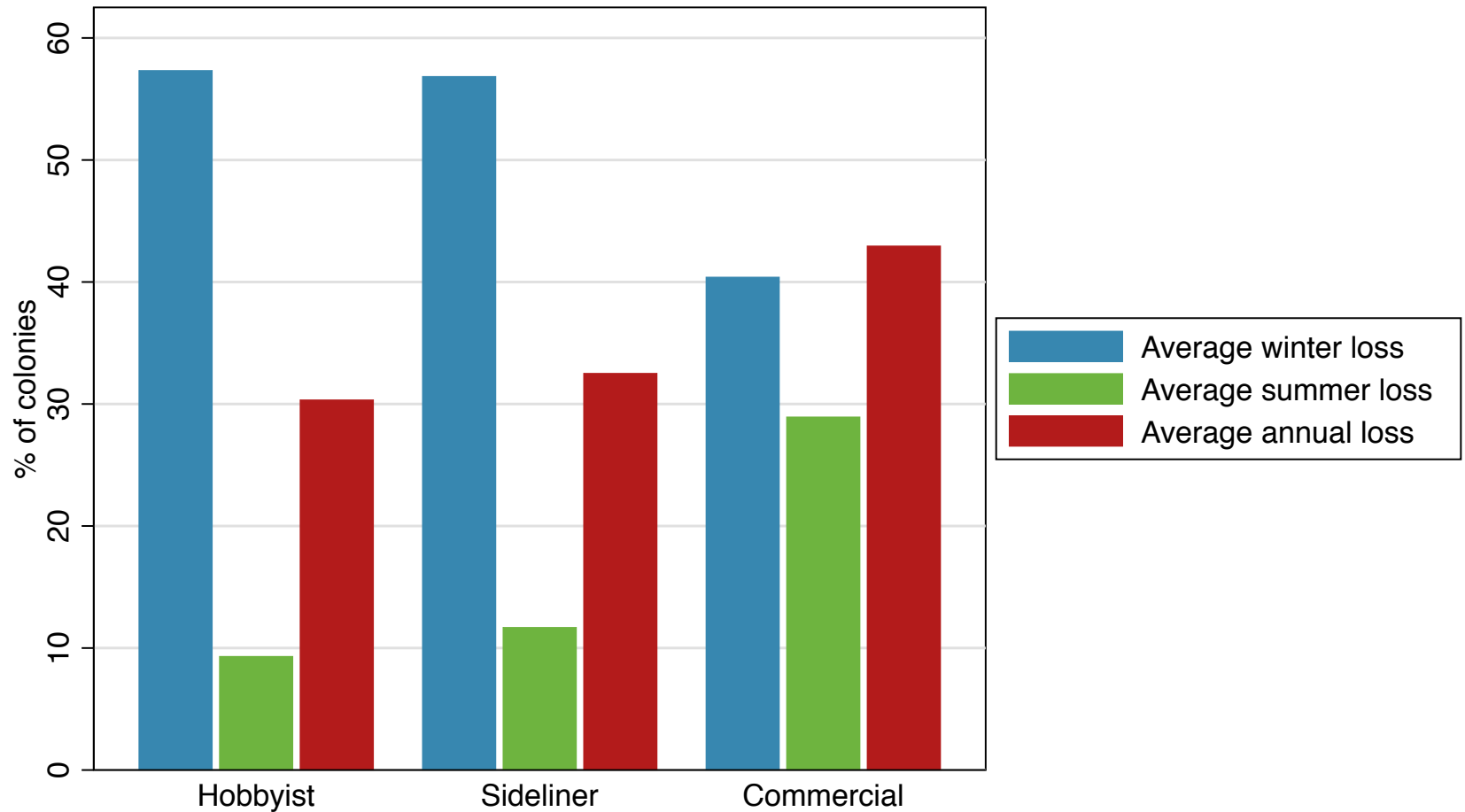
Average price per pound



**Source:** 2017 NYS Beekeeper Tech Team Report ([pollinator.cals.cornell.edu](http://pollinator.cals.cornell.edu))

# Average Colony Losses by Operation Scale

October 1, 2016 – October 1, 2017



Source: 2017 NYS Beekeeper Tech Team Report ([pollinator.cals.cornell.edu](http://pollinator.cals.cornell.edu))

# Business Planning Process

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4. Articulate your personal reasons for going into business, and understand what you need the business to do for you.
5. Crunch some numbers & assess feasibility.

# Business Planning Process

## II. Planning

1. Articulate clear & specific goals for the business.
2. Develop integrated marketing, operations, and financial plans.
  - Startup (capital) expenses
  - Ongoing (operating) expenses
3. Address the legal structure, regulatory issues, and tax issues.
4. Develop a record-keeping system to track key metrics, inform decision-making, and evaluate success.
5. Consult key advisors and solicit feedback to assess viability.



# Marketing Resources



<https://pollinator.cals.cornell.edu/sites/pollinator.cals.cornell.edu/files/shared/documents/From-Honeycomb-to-Consumer.pdf>

**Choosing and Evaluating Marketing Channels**  
 Marketing Webinar for Direct Marketing Farmers  
 Session Assignment

There are many venues that you can use to sell your farm products. This exercise will help you to understand your marketing options, what is required for participation in each of those channels and how each would fit within your farm operation, as well as farm and personal goals.

1. What's the diversity and scale of production on your farm and how does that compare to the size of potential markets you could, or would like to serve? For the products you produce, does the quantity produced lend itself to Direct or Wholesale channels?

| Product | Annual Production | Wholesale or Direct? | Potential Market Size |
|---------|-------------------|----------------------|-----------------------|
|         |                   |                      |                       |
|         |                   |                      |                       |
|         |                   |                      |                       |
|         |                   |                      |                       |
|         |                   |                      |                       |
|         |                   |                      |                       |

2. Location – Location – Location  
 a. What types of customers are around you? Write a generalization of your local population. Is your farm or market area visible to this population?

<http://nyfarmersmarket.com/wp-content/uploads/Market-Channel-Selection-Worksheet.pdf>


# Legal Considerations

## Business Structure

- Sole proprietorship
- Partnership
- Limited liability corporation


## Risk Management

- SOPs for safety
- Liability insurance
- Property insurance







### Risk Management Programs FOR BEEKEEPERS

2017 Crop Year, NY






*Keeping records of inputs, yields, revenue, and losses is a good management practice that many programs require*

Beekeepers in New York state have several options for risk management programs:

| You are covered for:                 |  Low levels of rainfall |  Reduced revenue |  Colony loss |  Reduced honey yield |
|--------------------------------------|--|---|---|---|
| Program name:                        | Apiculture Crop Insurance (API)  | Whole Farm Revenue Protection (WFRP) Insurance  | Emergency Assistance for Livestock, Honeybees, and Farm-raised Fish Program (ELAP)              | Noninsured Crop Disaster Assistance Program (NAP)   |
| Approx. cost to protect 10 colonies: | \$180*   | depends on revenue  | no cost   | \$300**   |
| What (min.) triggers a payment?***   | 10-30% lower rainfall than average   | 15-50% insured revenue losses   | 15% colony losses (due to colony collapse or natural disaster)                                  | 35-50% yield losses   |
| How much is the payment for?         | (% of insured lost rainfall) x 60-150% of \$108 per hive   | (% of insured lost revenue) x total expected revenue  | Pays \$78/colony, \$180/hive, and 60% of replacement feed costs                                 | (% of insured lost yield) x 55% OR 100% of market price   |
| Benefits for beginning farmers:      | Reduced premiums, fees waived  | Reduced premiums, fees waived   | N/A   | Reduced premiums, fees waived   |
| Deadline:                            | Enroll by November 15  | Enroll by March 15  | After a disaster, apply by Nov. 1   | Enroll by March 15  |
| Coverage offered by:                 | Private crop insurance agent   | Private crop insurance agent  | Farm Service Agency (FSA)   | Farm Service Agency (FSA)   |
| Reporting:                           | Payments sent automatically (no reporting)   | Report lost revenue within 72 hours   | Report colony losses within 30 days   | Report lost yield within 15 days  |

\* In Livingston County \*\* For 50% coverage level at 55% of price \*\*\* Based on selected coverage level

Cornell University delivers crop insurance education in New York State in partnership with the USDA Risk Management Agency.

# Regulatory Considerations

## Food Processing Regulations

- NY honey producers packaging their own honey are exempt from Article 20-C food processor licensing.
- You ARE responsible for ensuring the safety and cleanliness of your products, equipment, and facility.
- If you pack honey that another beekeeper produced, or make other food products with your own honey, you will be subject to Article 20-C.





# Regulatory Considerations

## Labeling Regulations

- HONEY is prominent
- Business name
- Address
- Net weight



# Regulatory Considerations

## Taxes


- Develop a system to track revenues and expenses
- Pay **income tax** on net income (IRS Schedule F or Schedule C)
- Set aside funds cover your **self-employment tax** (15.3% of net income)
- Collect and remit **state sales tax** on taxable items
  - Pure honey, comb honey & creamed honey are exempt
  - Beeswax and candy/confections are subject to NYS sales tax

<https://www.tax.ny.gov/e-services/elcoa/default.htm>

# 10 Step Startup Checklist

1. File a Business Certificate (DBA) with the county clerk
2. Open a business checking account
3. Obtain a NYS sales tax Certificate of Authority, if applicable
4. Adhere to applicable food safety & product labeling regulations
5. Purchase liability insurance
6. Produce and sell honey!
7. Track revenues and expenses
8. Collect and remit NYS sales tax on taxable items
9. Pay income and self employment taxes
10. Monitor and evaluate business performance vs. goals


# Financial Analysis

 Financial Year:

**NYS Beekeeper Tech Team**  
**Inventory & Financial Analysis Handbook**

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|                 |                   |
|-----------------|-------------------|
| Name:           | Business Name:    |
| Street Address: | City, State, Zip: |
| Phone:          | Email:            |

 Mary Kate Wheeler  
Dyce Lab for Honey Bee Studies  
Cornell University  
<https://pollinator.cals.cornell.edu>

# Resources



## **Cornell Pollinator Network**

*From Honeycomb to Consumer: Marketing Local Honey in New York State*

<https://pollinator.cals.cornell.edu>

## **Cornell Small Farms Program**

*Guide to Farming in NY*

<http://smallfarms.cornell.edu/resources>

## **NYS Small Business Development Center**

*Recipe for Success: Selling Food Products*

<http://www.nyssbdc.org/resources/Publications/publications.html>