

# Beginners Guide



This simple guide aims to help you identify your risks, determine your tolerance to risks, and explore options to mitigate and manage your risks in the early stages of your business by answering a few simple questions. If your answer is "yes" follow the green path, if it's "no" follow the yellow path.

## 1. GOAL SETTING

What are your goals for your business? Set goals that reflect your business' values, priorities, resources and capabilities.

## 2. DETERMINING RISK TOLERANCE

What level of risk are you willing to accept? Consider both the likelihood of the risks you face occurring, and what level of impact each risk would have on your business.

## 3. IDENTIFYING RISKS

What risks do you and your business face? For each risk, determine how you will respond to it: retain, shift, reduce, self-insure, or avoid.

### PRODUCTION RISK



Do you regularly harvest less than projected?



Your product is still at risk for loss. It is still worth exploring risk management options such as insurance, biosecurity protocols, multiple lease sites, and animal and plant health management plans.



Have you identified why? Possibilities include environmental conditions, disease, gear failure, and human error.

Review production and environmental records. Consult with your local extension agent. Contact the Maine Aquaculture Association for best management practice guidelines.

Have you mapped out a corrective action plan to reduce risk, and included metrics to assess efficiency?

Think of how to address your current and potential production issues. Draft a corrective action plan and include metrics.

Well done. Does your business rely on one type of product, production method, or location?

Are you relying on outdated farming practices or technology?

Product, production, and location diversification with a detailed business plan spreads out risk.

Exchange ideas with other farmers. Reach out to the Maine Aquaculture Association or your local extension agent.

Do natural disasters regularly damage your crop?



Climate, ocean, and weather patterns are changing and intensifying due to human-induced climate change. It is worth exploring your natural disaster insurance options.



Is your crop insured for loss from natural disasters?



Have you heard of NAP<sup>(1)</sup> or WFRP<sup>(2)</sup>?



Perfect. What is preventing you from lowering your risk by enrolling in these programs?

Both are insurance programs meant to support farmers and reduce their production risk.<sup>(3)</sup>

Observe, record, and analyze your farm's production performance to identify strengths and weaknesses.

### MARKETING RISK



Have you created a business plan, complete with a marketing plan, that includes how you will distribute and sell your product?



A business plan, complete with a marketing plan, details how you plan to convert the living product on your farm into money in your bank account. Some key questions are:

What specific product are you selling? (e.g. species, sizes, quantities)

Who will you sell your crop to? (e.g. wholesalers, distributors, restaurants, end-consumers)

How will you distribute your products? (e.g. delivery, pick-up)

What will be your selling price? (e.g. margins, discounts, deals)

At what price are your competitors selling?



Great news. But, remember that minimizing your marketing risk requires regular updates. Record what does and what does not work.

<sup>(1)</sup> Non-insured Crop Disaster Assistance Program

<sup>(2)</sup> Whole-Farm Revenue Protection

<sup>(3)</sup> For more information contact the Maine Aquaculture Association via email at christian@maineaqua.org or visit www.maineaqua.org

This project was funded in partnership with



## FINANCIAL RISK



**Do you keep detailed records of your income, expenditures, and debt exposure?**

No

Yes

Well done. Your financial risk is lower when you keep good records. An accountant can provide an additional level of risk minimization by helping to verify your financial situation and legal compliance.

**Do you keep financial statements (e.g. balance sheet, income statement, schedule F)?**

Make sure that you regularly track financial records via a balance sheet, statement of owner's equity, income statement, along with projected and actual cash flow.

Great. The first step is complete. Do you use your statements to help calculate and analyze metrics such as costs of production or profitability?

Continue to regularly monitor your finances, looking for areas of concern and ways to improve. An accountant could still provide additional help and risk minimization.

These calculations can help to track and better project costs, revenues, and cash flow. Minimizing financial risk is crucial for long-term business success.

## HUMAN RISK



**Have you considered how to keep your employees and yourself safe and productive at your farm?**

No

Yes

This must be done immediately. You are at high risk. Identify risky procedures, dangerous activities and equipment, and any human resource management issues.

**Have you created a farm safety and health plan?**

Employee training and a formalized plan provide guidelines that ensure the safe usage of machinery and equipment, illustrate proper on-farm working procedures, and help to reduce risk.

**Have you circulated the plan or guidelines to your employees and provided training to ensure that they can comply?**

Having the plan in place and providing employee training will improve consistency, efficiency, and safety at your farm.

Distributing and posting the plan, along with employee training, ensures a safer working environment, decreases risk of lost productivity due to improper procedures or injury, and may help reduce legal challenges.

**Have you considered the risks to which any visitors on your farm may be exposed?**

No

Yes

Develop a visitor safety procedure plan, produce a visitor log, and create a liability waiver.

## LEGAL RISK



**Have you identified what the legal risks are to your business?**

No

Yes

In consultation with your legal advisor, review and identify any risks in the following categories: environmental regulations, labor regulations, fulfilling contracts and leases, managing food safety, personal, and business liability.

Develop a legal risk management plan for each category: environmental regulations, labor regulations, fulfilling contracts and leases, managing food safety, personal, and business liability. Regularly update these plans.

**Have you thought about your business goals and communicated them clearly to your employees?**

No

Yes

Get thinking. Setting goals and sharing them with employees can foster trust and teamwork as you collectively work towards improving your business.

Bravo. Goals enable you to make long-term, well-informed, logical business decisions. They will help employees understand what they are working towards.

Good. Inform your visitors of the safety procedures in place, have them sign a visitors' log, and ask them to sign a liability waiver.