

Agribusiness Entrepreneurship

Michael Best
Kent Wolfe
John McKissick



Course Overview

Michael Best

- The Agent's Role in Economic Development
- Determining if You Have What it Takes to Start a Business....The Entrepreneurial Checklist.
- Information and the PRIMER
- Market Assessment
- Profitability - - Determining Economic and Financial Feasibility
- Assessing Risks and Returns
- Financing Your Operation
- Selecting a Business Structure

Economic Development Overview

(9:10 am)

John McKissick

- What is the Agent's Role?
- Center for Agribusiness and Economic Development Projects Over the Last Two Years.

Farm Fresh Tattnall

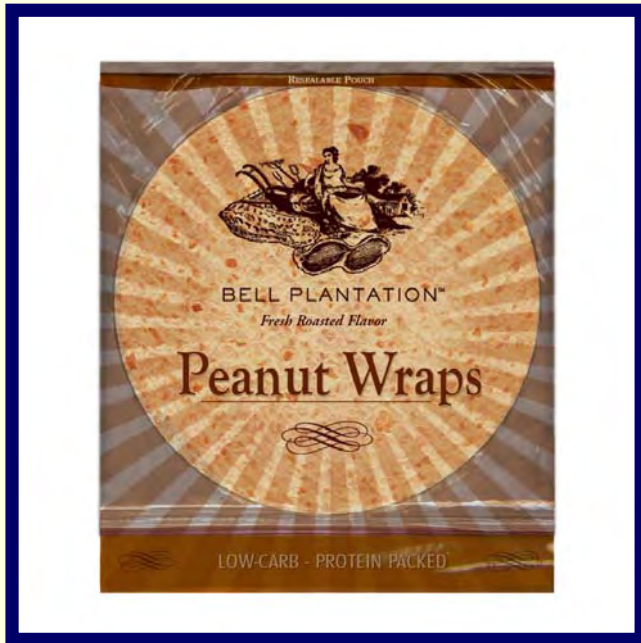


5/17/2006 9:21 AM

Greenhill Dairy



Bell Plantations



Southwest Georgia Escapes



Ethanol Plant



5/17/2006 9:21 AM

“The Winery” Case Study (9:30 am)

Kent Wolfe

- Going to work through a study that was done in Tennessee that examines the winery business
- Objective: To provide insight into the information and issues that face entrepreneurs when they are evaluating business opportunities.



What Will be Covered

- Ease of start Up
- Range of Initial investment
- Time Commitment
- Can the business be run from home
- How to market the product
- Pros
- Cons

The Entrepreneurial Checklist

(9:45 am)

Kent Wolfe

----- **General Rating** -----
1 5 10
Not Very **Somewhat** **Very**
Familiar/ **Familiar/** **Familiar/**
Knowledgeable **Knowledgeable** **Knowledgeable**

Classification

Ready to Go
Need more study
Reconsider

Score

300 +
230-299
Less than 230

The Entrepreneurial Checklist – cont.

Raw Product Supply

- Required inputs (specifications, quantity, quality)... _____
- Availability of required inputs (timing and price)..... _____
- Location/accessibility of inputs..... _____
- Alternative inputs..... _____
- Dependability of the input suppliers..... _____
- Alternative for suppliers..... _____
- Long-term agreements with suppliers..... _____

The Entrepreneurial Checklist – cont.

Production and Financial Planning

- Minimum facility requirements..... _____
- Start-up costs..... _____
- Money to be borrowed..... _____
- Sources of capital..... _____
- Debt & equity..... _____
- Interest rates..... _____
- Annual debt payment..... _____
- Employees..... _____
- Special skills needed for business..... _____
- Employee training programs..... _____
- Labor management issues..... _____

The Entrepreneurial Checklist – cont.

-
- Product development..... _____
 - Wage rates..... _____
 - Safety considerations..... _____
 - Management costs..... _____
 - Fixed costs..... _____
 - Depreciation..... _____
 - Insurance costs..... _____
 - Taxes..... _____
 - Projected cash flow..... _____
 - Break-even point..... _____
 - Project net income..... _____

The Entrepreneurial Checklist - cont.

Marketing Functions

- Target market..... _____
- Market Potential..... _____
- Competitors..... _____
- Situational Issues..... _____
- Marketing Channels..... _____
- Salesmanship..... _____
- Promotional Strategies..... _____

The Entrepreneurial Checklist – cont.

Legal Concerns

- Business Structures (i.e., Corporations, Cooperatives).... _____
- Patents and Trademarks..... _____
- Local, State and Federal regulations..... _____
- Liability..... _____

- Total _____

PRIMER –Selecting New Enterprises for Your Farm (10:00 am)

Michael Best

University of Kentucky Publication

- Profitability
- Resource
- Information
- Marketing
- Enthusiasm
- Risk

Information

■ Questions to ask:

- Who can provide me with information on the enterprise?
- What will be the costs associated with obtaining this information?
- Will the information be reliable?
- Is it all on the WWW?
- Are there any trade organizations or publications already established in this area?

Information

A PRIMER for selecting enterprises for your farm

Profitability	Resources	Information	Marketing	Enthusiasm	Risk
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INFORMATION

Use this worksheet to determine information needs, available sources, and potential costs of information.

Production information: Books, extension publications, magazines, Internet, etc.

Description	Source	Cost

Financial Information: Balance sheets, income statements, cash flow budgets, etc.

Description	Source	Cost

Marketing Information: Potential outlets, input suppliers, price trends, etc.

Description	Source	Cost

Human Resources: Consultants, specialists, attorneys, veterinarians, etc.

Name	Address	Phone	Cost

Educational opportunities: Trade shows, Extension meetings, short courses, etc.

Description	Date	Location	Cost

Break Time

10:15-10:30am

Marketing New Products

(10:30 am)

Kent Wolfe

Estimating Market Potential

Crucial to evaluating a business opportunity or idea.

Is the market large enough to support my business?

Is my market area sufficient to support the business?

New Agribusiness Opportunities – First Step is ID Target Market

- Target Market – A segment of the population that is most likely to use your product or service.
- Usually described using demographic variables like, Gender, Income, Race, Age
- Used to:
 - Determine market potential
 - Develop product packaging
 - Choose marketing channels
 - Develop marketing mix and advertising strategy

Who is your Target Market?





Hybrid Car Driver

- Highly Educated
- Affluent – Household income of \$100,000 +
- They're more likely to be female.
- Older than the average car buyer—closer to fifty

Beyond these demographics,

- They drive fewer miles on average
- Keep car longer than the average
- Willing to pay more for an environmentally-friendly (or “green”) product.
- They personally want to do something to help reduce vehicle pollution. “
- They expect fuel prices to grow a lot faster than other people do.

Target Market Examples

Demographic	US Pop.	Hot Sauce Enthusiasts	Pork Consumers*	Frozen Pizza Consumers
Gender				
Male	50%	80%	43%	8.9%
Female	50%	20%	57%	90.8%
Age	35.5	29	55	47
Income	\$34,076	\$60,000	\$31,000	\$43,641
Education – College grad.	23.6%	78%	<10%	26%
Household Size	2.65	1.45	2.65	2.47

Market Segmentation

- A 1995 National Pork Producers Council study identified five very different pork consumer segments and they are as follows:
 - **Main Street Today**
 - **Quality Carnivores**
 - **Good N' Plenty Guys**
 - **Apathetic Eaters**
 - **Politically Correct Eaters**

Market Segmentation

Product	Age Group	Consumption %
Vodka	30-39	44%
Bourbon	60+	50%
Gin	60+	29%
	50-59	29%
Tequila	20-29	52%

Market Potential

- Market Potential – the maximum sales opportunities achieved by all sellers in the market.
- Sets the upper limit on consumption units

Estimating Market Potential

- $MP = N \times Q$; where
 - MP = Market Potential
 - N = number of buyers (Target Market)
 - Q = average number purchased by each buyer

- Adjustments will most likely have to be made, i.e., Soft drink Market Potential is significantly larger than Coke Market Potential.

Three Steps to Estimating Market Share

- Estimate the total market potential
- Identify each of your competitors and estimate their market share
- Decide or estimate what you think your market share might be or what portion of the market you intend to capture

Example Market Share Calculation

- Market share for new hot sauce to be marketed locally
- A supermarket visit identified 10 sauce competitors
- Market share data is not available, assume each product captures an equal share of the market (10%)

Example Market Share Calculation- Cont.

- New product will mean there are 11 competing products
- Assuming equal market share, you can assume to capture roughly 9.1% of the market
- Does 9.1% of the market generate enough sales to make your business feasible?

Micro Brewery

- Micro brewed consumers consume an average of \$250 worth of beer annually.
- Younger people were more likely to have tried a microbrew. Thirty-six percent of beer drinkers between the ages of 25 and 34 had tried a microbrew.
- In contrast, 27% of beer drinkers between the ages 34 through 45 and 20% of those 45 and older had tried microbrews.
- The appeal of micro brewed beer was strongest among White beer drinkers were almost twice as likely as black Americans to try a microbrew.

Estimated Retail Sales Example

- 50% of Americans consume beer
- Thirty-six percent of microbrew drinkers are 25 -34, 27% are 34 - 45 and 20% are 45 and older.
- Microbrew consumers have average incomes of \$54,000
- Microbrew consumers spend between \$250 annually on these products
- Microbrewery Market Area Demographic Information
 - 50,000 residents
 - 15% are 25-34
 - 16% are 34-45
 - 29% are 45+
 - 25% have incomes over \$54,000

Estimated Retail Sales

- The potential retail sales for a specific retail operation can be estimated by using a standard formula:

$$ES = P \times EXP \times (ADI/MDI) \times MS \quad \text{where}$$

- ES= Estimated Sales
- P= Trade Area population
- EXP= Average expenditures for retail outlet category
- ADI = Area Estimated Average Household Disposable Income
- MDI = Georgia Average Household Disposable Income
- MS= Estimated Market Share

Income Information

- Area Estimated Av.e Household Disposable In.=\$67,000
- Georgia Average Household Disposable Income =\$30,240

Trade Area Sales Estimate

- $ES = P \times EXP \times (ADI/MDI) \times MS$
- $P = 50,000 \times 50\%$ (percentage of beer drinkers) = 25,000
 - $25,000 \times 15\% = 3,750$
 - $25,000 \times 16\% = 4,000$
 - $25,000 \times 29\% = \underline{7,250}$
 - 15,000
 - 37% of area residents have incomes over 50K
 - $15,000 \times 37\% = 5,550$
- $EXP = \$250$
- $(ADI/MDI) = (\$67,000/\$30,240)$
- $MS = \text{Estimated Market Share} = 10\%$

- $ES = 5,550 \times \$250 \times (\$67,000/30,240) \times 10\% = \$307,416$

Estimated Retail Sales (market potential)

- The potential retail sales for a specific retail operation can be estimated by using a standard formula:

$$ES = P \times EXP \times (ADI/MDI) \times MS \quad \text{where}$$

- ES= Estimated Sales
- P= Trade Area population
- EXP= Average expenditures for retail outlet category
- ADI = Area Estimated Average Household Disposable Income
- MDI = Georgia Average Household Disposable Income
- MS= Estimated Market Share

Estimated Retail Sales Example

- Specialty food shoppers spend between \$500 and \$1,000
- Condiments constitute 12% of specialty food purchases – or a \$128 annually per specialty food shopper
- Area Estimated Average Household Disposable Income/Georgia Average Household Disposable Income (\$67,000/30,240)
- MS = Estimated Market Share = 10%
- $ES = \$83,616 \times \$128 \times (\$67,000/30,240) \times 10\% = \$2,371,332$

Easy Demographic Data

(WWW.EASIDEMOGRAPHICS.COM)

Miles	20	15	10
Population:	82,683	59,644	36,409
Households:	31,974	22,806	13,773
White Population:	77,003	56,126	34,497
Black Population:	4,881	2,901	1,506
Asian Population:	623	473	307
Hispanic Population:	719	518	275
Median Age:	37.0	36.7	36.4
■ Med. HH Inc.(\$):	\$29,572	\$30,226	\$32,214
■ Av. HH Inc. (\$):	\$40,855	\$41,877	\$43,165

Demographic and Population Sources

- Sources for Demographic Information:
 - Chamber of Commerce
 - University (www.agecon.uga.edu/~caed/)
 - www.georgia.stats.uga.edu
 - US Census Bureau (WWW.CENSUS.GOV)
 - Easy Demographics (WWW.EASIDEMOGRAPHICS.COM)

Consumption and Usage Data Sources

- Sources for information on Consumption and usage:
 - USDA – per capita food consumption estimates
 - Trade Associations
 - Commodity Groups (e.g. Nation Pork Producers Association)
 - University Research

Routes to reach the customer

- After defining the sales pitch, it's time to decide the best way of communicating your message to your chosen target customer group.
- How to communicate your message.
 - First define the market area, local, regional, national and/or international.
 - Determine the most effective means of communicating with your target market , keep your budget in mind. There a many marketing channels to reach customers, i.e., TV, radio, print media, online, direct mail, bill boards and poster campaigns. The combination you choose is called the marketing mix.

Know Your Target Market

- Where and when does my target market look for information
- What is the most effective means of reaching my target market ? i.e., television, radio, print material, etc..
- What type of packaging are they expecting

Atlanta Journal-Constitution Demographics by Section

Segment	Classified Readers	Thursday Food Reader	Sunday Sports
Male	53%	38%	62%
Female	47%	62%	38%
White	64%	68%	75%
Black	34%	30%	23%
College Grad.	21%	28%	32%

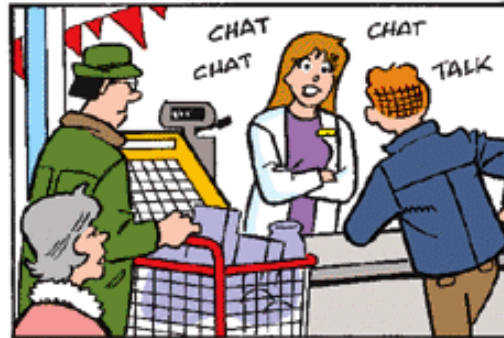
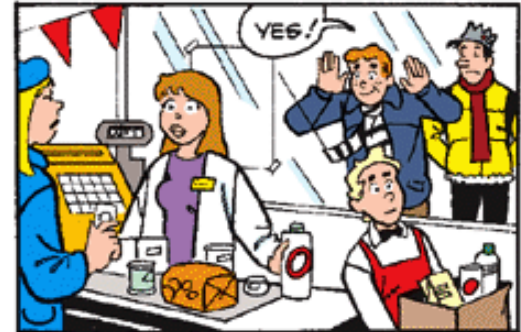
Southern Living Subscriber Demographics

Segment	Classified Readers
Male	24%
Female	76%
Median Age	54 years
Median Household \$\$	\$82,017
Net Worth	\$445,312

Sports Illustrated Issues - Demographics

Segment	Adventure	Select	Golf Plus
Median Age	28	39	38
Median H.H. Income	\$57,281	\$98,427	\$67,788
College Grad.	27%	44%	34%

HENRY SCARPELLI
 CRAIG BOLDMAN
Archie



Visit: www.archiecomics.com

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Archie Comic Demographics

- 6 to 12 year-olds constitute 78% of the Archie Audience.
- 45% of Archie readers are male - 55% female.
- Archie enjoys 6.57 readers per copy (of these, 5.12 are kids, 1.45 are adults).
- Average Archie reader picks up and reads each Archie comic book 7.4 times
- Each issue of Archie reaches 4.7 million kids, and makes over 44 million reader impressions.

Example of TV Show Demographics

Just as age varies by program, so does gender. Compare audiences for "Lawrence Welk" and "Monty Python:"

	18-34	35-49	50-64	65+
Lawrence Welk				
Women	0	3	24	38
Men	0	4	14	17
Monty Python				
Women	6	15	0	0
Men	24	47	4	0

TV Network Demographic Example

Network	Men 18-49 (rank)	Women 18-49 (rank)
CNBC	139 (1)	156 (1)
HGTV	108	123 (8)
History	109	126 (5)
Discovery	115 (8)	122 (9)
E! Entertainment	134 (4)	125 (7)
FX	102	121 (10)
CNN	123 (6)	134 (3)
ESPN	113 (10)	109
Fox News	124 (5)	126 (5)
Headline News	135 (3)	132 (4)
MSNBC	137 (2)	140 (2)
Sci-Fi	114 (9)	91
VH1	118 (7)	110

Typical Wine Drinker

- Female (56% vs 52%)
- 40 years of age or older (60% vs 57%)
- College graduate (23%)
- Married (64% vs 57%)
- Household income in excess of \$75K (35% vs 22%)
- Reside in the West and Northeast

Estimating Market Potential

- Information needed to estimate market potential
 - Market Area - US, State, County, city
 - Roadside stands 10-20 mile draw
 - School field trips – 45 miles or 45 minutes
 - Grocery Stores - generally 5 mile draw
 - Wineries – large market area as people travel around to visit them
 - Demographic composition of the specified area
 - Number of people in area with similar characteristics
 - Consumption or usage levels

Wineries are different, they do not have as defined market areas as more traditional types of businesses.

Estimating Market Share

- A market area and the target market within that area will support a certain level of sales
- A companies portion of these total sales is referred to as its market share
- Estimating market share is not easy but essential

Georgia Wine Use

■ Per Capita Wine Consumption

- 1970 1.05 gallons
- 1980 2.58 gallons
- 1990 2.29 gallons
- 2003 2.68 gallons – all time high

Source: ***Rich Cartiere's*** WINE MARKET REPORT, January 28 , 2004

Estimating Georgia's Total Market Potential

- Georgia's population 2004 = 8,684,715
- Per Capita Consumption=2.68 gallons

- Market Potential:
- $8,684,715 * 2,68 = 23,275,036.20$ gallons/year.

Not Realistic Estimate

- Market Potential= 23,275,036.20 gallons/year.
- This figure does not actually represent the total market potential facing the winery.
- There has to be some adjustments.

Georgia Wine Market Share

- Wine Consumption by Production Source-2003.
 - California (71%)
 - Imported (23%)
 - Other States (6%)

Source: Texas Wine Marketing Research Institute and Adams Wine Handbook, 2003.

Wine Consumption by Category

- Consumption of wine categories in the U.S.
 - Table Wines 90%
 - Sparkling 5%
 - Dessert and Fortified 4%
 - Wine Coolers 1%

Consumption Adjustment by Wine Category

- 1,396,502 gallons per year of Georgia Wine's Consumed.
- 90% of wine consumed is Table Wine
- $90\% * 1,396,502 \text{ gallons} = 1,256,852$

Market Share Estimate

- Georgia Market Potential for domestically produced wine is 1,396,502 gallons per year.
- Georgia has 15 wineries
- $1,396,502 \text{ Gal.} / 16 \text{ (no. Ga Wineries)} = 87,281$
- On average, each winery has 1/16 market share which is about 87,281 gallons of wine annually.

Marketing Channels Breakouts

- 45% of US wine sales occur on-premise according to Texas study.
- However, in the Tennessee Case Study indicates that 95% of winery sales occurred on-premise.
- It appears that most of the Winery's sales will be on-premise.

Marketing Channel Adjustment

- Winery plans to sell only on-site, consistent with Tennessee study.
- 87,281 (estimated sales per winery) gallons *
95% = 82,917 gallons
- It is estimated that 82,917 gallons of Georgia Wine could be sold on-premise by Georgia Wineries.

Number of 750 ml Bottles For Winery

- 5 - 750 ml bottles in 1 gallon
- 414,586 750 ml bottles of wine

- Revenue:
 - Red \$1.99 million
 - White \$1.7 million
 - Blush \$358,617

- Total Over \$4 million in sales

Adjusting for Consumption by Source

- fix these numbers

- Market Potential: 23,275,036 gallons/year.
- An estimated 6% of wine is purchased from domestic producers outside of California.
- There is an estimated 2,188 wineries in the US.
- Georgia has 11 wineries
- Lets be generous and assume that Georgia produces 0.44% ($11/2,188$) of domestically produced and consumed in the US.
- $23,275,036 \text{ gallons/year} * 0.44\% = 1,396,502$ gallons per year.

Lunch

12:00-12:45

Profitability (12:45 pm)

Michael Best

Questions to Ask:

- Does this enterprise have promise to deliver large enough revenue relative to the investment required?
- Can I build in special competitive factors that can enable profits to be durable over time?
- Is there considerable up front cost to be incurred?

Budget

PROFITABILITY 1

Use this worksheet to estimate a budget for the proposed enterprise on a per acre, per head, or whole enterprise basis. This generic budget worksheet can be used for crops or livestock.

Gross Returns

Amount times Price equals

Cash Costs

	Quantity			
Seed	<input type="text"/>	times Price	<input type="text"/>	equals <input type="text"/>
Fertilizer	<input type="text"/>	times Price	<input type="text"/>	equals <input type="text"/>
Lime	<input type="text"/>	times Price	<input type="text"/>	equals <input type="text"/>
Pesticides	<input type="text"/>	times Price	<input type="text"/>	equals <input type="text"/>
	<input type="text"/>	times Price	<input type="text"/>	equals <input type="text"/>
	<input type="text"/>	times Price	<input type="text"/>	equals <input type="text"/>
Feed	<input type="text"/>	times Price	<input type="text"/>	equals <input type="text"/>
Vet supplies	<input type="text"/>	times Price	<input type="text"/>	equals <input type="text"/>
Mineral	<input type="text"/>	times Price	<input type="text"/>	equals <input type="text"/>
	<input type="text"/>	times Price	<input type="text"/>	equals <input type="text"/>
Fuel	<input type="text"/>	times Price	<input type="text"/>	equals <input type="text"/>
Electricity	<input type="text"/>	times Price	<input type="text"/>	equals <input type="text"/>
Water	<input type="text"/>	times Price	<input type="text"/>	equals <input type="text"/>
	<input type="text"/>	times Price	<input type="text"/>	equals <input type="text"/>
Hired Labor	<input type="text"/>	times Price	<input type="text"/>	equals <input type="text"/>
Machine Hire	<input type="text"/>	times Price	<input type="text"/>	equals <input type="text"/>
	<input type="text"/>	times Price	<input type="text"/>	equals <input type="text"/>
Mkt. Fees	<input type="text"/>	times Price	<input type="text"/>	equals <input type="text"/>
Packaging	<input type="text"/>	times Price	<input type="text"/>	equals <input type="text"/>
Transportation	<input type="text"/>	times Price	<input type="text"/>	equals <input type="text"/>
	<input type="text"/>	times Price	<input type="text"/>	equals <input type="text"/>
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	<input type="text"/>	times Price	<input type="text"/>	equals <input type="text"/>

Total Cash Costs

Gross Returns minus Total Cash Costs equals Return over Cash Costs

This is the amount left over to pay loan payments, depreciation on capital assets, investment on owned capital, payments for family labor, and a payment for management and risk taking.

Annual Cash-flow

A PRIMER for selecting enterprises for your farm

Profitability	Resources	Information	Marketing	Enthusiasm	Risk
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PROFITABILITY 2

Use this worksheet to estimate the amount and timing of cash flowing into and out of the business. One table is for a typical year, the other is for projects whose cash flows will vary each year.

Annual Cash Flow Budget (Typical year)

Item	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
1 Beginning Balance												
2 Product Sales												
3 Service Revenues												
4 Capital Asset Sales												
5												
6												
7 Total Cash Inflow												
8 Purchased Inputs												
9 Labor												
10 Utilities												
11 Capital Asset Purchases												
12												
13												
14 Total Cash Outflow												
15 Net Cash Flow (7 minus 14)												
16 plus Loan Proceeds												
17 minus Loan Payments												
18 Ending Balance												

Financial Versus Economic Feasibility

- The difference between being able to make an economic profit and being able to cash flow the enterprise.
- Depreciation and Loan Repayment

Economic Feasibility

- Excel Spreadsheet from Winery Case Study

Break-Even Analysis (Volume)

$$\text{Breakeven Volume} = \frac{\text{Total Fixed Cost}}{(\text{Selling Price} - \text{Variable Cost Per Unit})}$$

$$\text{Breakeven Volume} = \frac{\$25,000}{(\$2.50 - \$1.50)} = 25,000 \text{ Units}$$

Break-Even Analysis (Sales)

$$\text{Breakeven Sales} = \frac{\text{Fixed Costs}}{(1 - (\text{Variable Cost} / \text{Sales Price}))}$$

$$\text{Breakeven Sales} = \frac{\$25,000}{(1 - (\$1.50 / \$2.50))} = \$62,500$$

Questions to Ask:

- Is this enterprise adaptable to my area?
- Are there significant sources of production risk?
- Are there significant sources of financial risk?
- Are there significant sources of marketing risk?

Risk

- Types of Risk
 - Market (Price)
 - Supply
 - Demand
 - Production
 - Weather
 - Insects
 - Disease
 - Equipment Breakdown
 - Financial

Start-up Resources (2:15 pm)

John McKissick

- What are the Sources of Capital?
 - Debt
 - Equity
- How Much Capital is Required?

Start-up Resources

- Commercial Bank Loans
 - Loan Proposal
 - Loan Request
 - History and Nature of the Business
 - Management
 - General Information
 - Financial Information

Start-up Resources

Five C's of Credit

- Character
- Capacity
- Capital
- Collateral
- Conditions

Start-up Resources

- Venture Capital Funds
- Revolving Loan Funds
- Federally Guaranteed Loans
- Certified Development Companies
- OneGeorgia
- Public Offering of Securities

Factors To Consider When Choosing a Business Structure

(2:40 pm)

John McKissick

- The Most Common Business Structures
 - Sole Proprietorship
 - Limited Partnership
 - Business Corporation
 - S Corporation
 - Nonprofit Corporation
 - Limited Liability Company
 - Cooperatives

Comparison of Business Types

	Proprietorship	General Partnership	Limited Partnership	Corporations	LLC	Cooperatives
Method of Creation	Owner commences business activity	Created by agreement of the Parties	Created by registration with the state under Statutory authority	Charter issued by the state under Statutory authority	Charter issued by the state under Statutory authority	Charter issued by the state under statutory authority
Entity Status	Not separate from owner.	In some cases , can be separate from owners.	Separate from limited partners, not usually separate from the general Partners	Legal entity, separate and distinct from owners.	Legal entity separate and distinct from the member/owners.	Legal entity separate and distinct from the member/owners
Liability of Owners	Owner is 100% liable for all debts.	Unlimited liability for all partners.	Limited liability for limited partners only.	Shareholders liable only to extent of paid-in capital.	Members enjoy complete limited liability similar to that of limited partners.	Member is liable only to extent of paid-in capital.

Comparison of Business Types

	Proprietorship	General Partnership	Limited Partnership	Corporations	LLC	Cooperatives
Duration	Same as owner	Terminated by agreement of partners, or by a partner's death, withdrawal or bankruptcy	May be perpetual	May be perpetual	May be required to specify term of years; must be 99 years or less	May be perpetual
Transfer of Interest	May be sold at any time	Generally, sale of partnership interest terminates the partnership; may create new partnership.	Limited partner may sell interests; general partners may not sell interests without consent of the others, depending on the by-laws or charter	Shareholders may sell or transfer shares of stock	Operating agreement defines restrictions, if any, to transferability of a member's interests	Membership limited to agricultural producers and may be further limited by charter
Control	By owner	General partners each have a direct and equal voice in management unless expressly agreed to otherwise	Limited partners have no management rights or control	Shareholders elect the Board of Directors which sets policy and appoints officers	The company is owned by its members and is managed by its members or by elected managers; an Operating Agreement governs policy	Members elect the Board of Directors which sets policy and appoints officers

Comparison of Business Types

	Proprietorship	General Partnership	Limited Partnership	Corporations	LLC	Cooperatives
Capital	Limited to what the owner raises himself	What the general partners can raise themselves	What the limited partners and general partners can raise collectively	Based on issuance and sales of shares of stock	Raised by the members themselves	Based on equity contribution of members and debt
Taxation	Profits are taxed to owner as an individual	Profits are usually taxed to each owner as agreed in contract, or all share equally whether or not distributed	Profits are usually taxed to each general partner and each limited partner as agreed in contract	Double taxation; corporate profits are taxed to the corporation; shareholder profits in form of dividends are taxed as they receive them	Profits may be taxed to each member similar to a partnership, or the company •may be taxed as a corporation	Limited tax exemption in some cases when profits allocated to members.