

## Establishing the Market as an Organization

Once the committees have completed their analyses and established the feasibility of a new farmers market in the community, it is time for the organizing committee to create the organizational structure.

This chapter will enable you to:

- Choose an organizational structure that will meet your needs and position you to become a certified farmers market.

### An Overview of Organizational Structures

The extent of the organizational structure required for a market depends largely on the size of the market. Every market requires performance of basic administrative and group decision-making tasks. Building a framework in advance to facilitate those tasks simplifies operation of the market and helps to identify structural needs. In California, farmers markets must be certified by the county in which they operate; because the produce sold at farmers markets is exempt from certain packing and labeling requirements, both the vendors and the market must be certified.

Several forms of market administration and organization are used in farmers markets, each with advantages and disadvantages. As farmers markets continue to gain in popularity and sophistication, their management becomes more complicated and demanding. In response, more markets are beginning to adopt formal business models or to seek sponsorship through larger administrative organizations such as business associations and municipal organizations.

Here we present several organizational models as examples of alternative frameworks. These options should be weighed in terms of their advantages and disadvantages in light of the market's immediate needs and its potential for growth.

### Three Common Models for Farmers Market Organizations

- An unofficial agreement among producers rather than an official business.
- A private for-profit or nonprofit business runs the market.
- A public sponsorship wherein the market is run by a public authority such as a city government.



#### Agreement among Producers

An agreement among producers is a common type of farmers market organization. Although it does not carry the same bureaucratic requirements as more formal business models of market management, successful applications for certification will mean that permits and licenses must be in order.

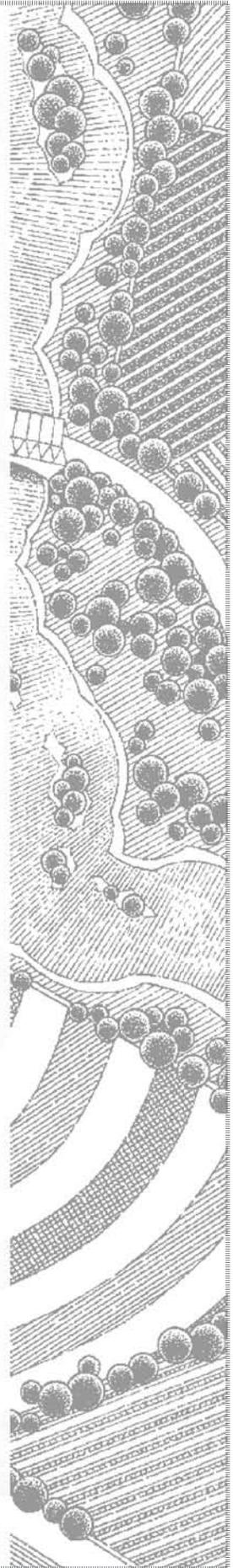
#### Private Sponsorship: The Market as an Independent Official Business

Many markets operate as independent businesses, either as nonprofit or for-profit operations. Which form is most appropriate for the market depends on the size of the proposed market, the people involved, and the level of tax and legal liability key members are willing to assume. Resources are available to help the organizing team with this decision and with other questions related to starting and running a small business.

Within the private-sponsorship model, there are several options for ownership of the market. To obtain a business license, you will need to define the ownership structure of your enterprise. Following is a list of the four general types of ownership for businesses.

##### Sole Proprietorship

- One person owns all assets and profits and is responsible for running the business.
- The proprietor assumes complete responsibility for liabilities and debts.
- There is no legal distinction between the business and owner.



### Partnership

- Two or more people own the business.
- A legal partnership is involved, which should include agreements about decision-making, profit sharing, dispute resolution, and dissolution of the business.
- Types of partnerships are general, limited, partnerships with limited liability, and joint ventures.

### Corporation

- Corporations are chartered by the state.
- There is a legal distinction between the business and its owners, which are its shareholders.
- Corporations can be taxed and sued.

### Limited Liability Companies (LLCs)

- LLCs have the limited liability of corporations and the tax efficiencies and operational flexibilities of partnerships.
- There are stipulations about what may be defined as an LLC.

Some of the advantages of organizing a market as an independent entity include retaining control of the market, having full decision-making abilities, and identifying liability and taxation issues in advance. A disadvantage to having the market as an independent entity is the pressure of all of the costs and responsibilities for running and promoting the market falling to a single individual or small group of individuals. Gaining sponsorship from a larger, well-established organization (as discussed in the next section) is one way to reduce this level of direct responsibility.

### Resources for Businesses

In addition to information provided in this guide, you can acquire a wealth of information from the Small Business Administration (SBA). SBA is a great source of general information about starting and running small businesses, much of which can be found at its website: [www.sba.gov/starting\\_business](http://www.sba.gov/starting_business). There also may be a small business development center in your area. These offices often provide hands-on training and advice about setting up and managing a small business.



**Business laws:** Complying with business laws and regulations can be a burden on small businesses. To help businesses overcome a lack of information, SBA, in cooperation with multiple federal agencies, developed *BusinessLaw.gov*, an online resource designed to provide legal and regulatory information to America's small businesses ([www.sba.gov/starting\\_business/legal/buslaws.html](http://www.sba.gov/starting_business/legal/buslaws.html)).

**Business licenses:** To operate a farmers market officially in most areas, you must obtain a business license and register your business name (also called a "fictitious name").

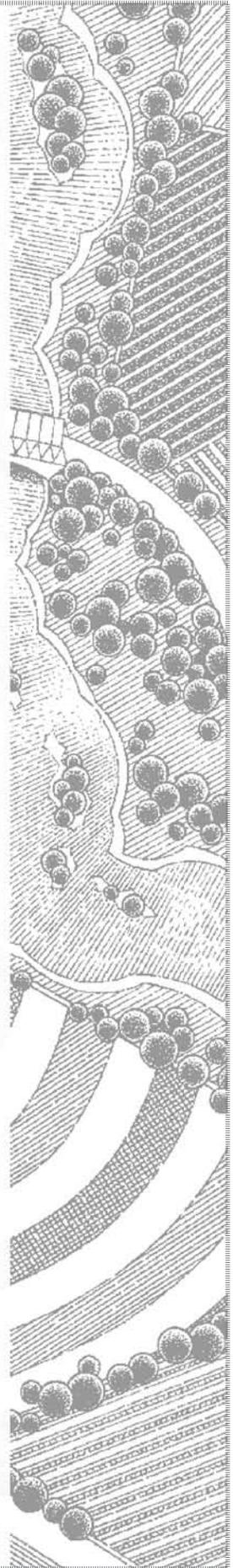
### The Market as a Nonprofit Organization

Another option for structuring a new market as an independent organization is to form a nonprofit organization. Advantages to nonprofit status include eligibility for grants, tax-exempt status, and some protection from liability. However, the paperwork involved can be a disadvantage and the ability of farmers markets to obtain nonprofit status is in flux. A good source of general information on legal requirements for nonprofits is Nolo Press ([www.nolo.com](http://www.nolo.com)).

### Public Sponsorship: The Market Run through a Larger Business or Public Agency

Market sponsorship through an overseeing organization has become one of the more popular approaches to organization for farmers markets. This alternative follows several different models and the level of involvement of the sponsor varies. Some local service organization sponsorships require very little involvement as the sponsors are simply interested in bringing a farmers market to the community, whereas private and public agencies may require more involvement in terms of management and/or organizational structure. Sponsors may be responsible for running one or more markets and can legally categorize themselves as a for-profit or nonprofit business. The level of control that market sponsors require varies considerably and depends largely on the agreement made between the market and the sponsor.

While this model may appear complicated, many markets have found great benefits from this type of sponsorship because administrative costs and responsibilities (such as insurance and promotion) are shared and further reduce business risks. In turn, surplus revenues generated from stall and membership fees can be used to start other related community projects such as support for a teen center or improving awareness about environmental and open spaces. Arrangements such



as these strengthen community support for the market and benefit not only the vendors but the consumers as well.

### Examples of Public Market Sponsorship

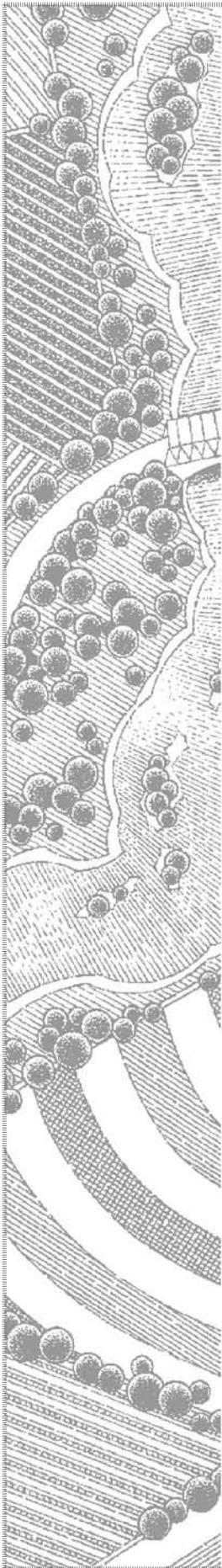
The Greenmarket Program of the Council on the Environment of New York City (CENYC) is an example of market sponsorship through a larger organization. CENYC is a privately funded citizen-owned organization that operates in partnership with the mayor's office. CENYC promotes awareness of food systems and solutions to environmental problems. In addition to its other projects, CENYC manages the Greenmarket Program, which operates thirty-eight weekly open-air farmers markets in twenty-eight locations at peak season in New York. Sixteen of these markets are open year round.

Another example of an organization that has been sponsoring farmers markets is the Economics Institute in New Orleans, Louisiana. Housed at Loyola University's Twomey Center for Peace through Justice, the Economics Institute initiates and promotes ecologically sound economic development in the greater New Orleans region. Since 1995, it has helped to establish a number of strong markets in partnership with farmers, citizens, business and government leaders, chefs, and nutrition advocates. In addition to assisting with the establishment and operation of several markets, the Economics Institute provides information and training to farmers and other small business owners on sound agricultural, processing, and business practices.

There are many other ways that organizations can provide support to farmers markets through sponsorship. In addition to providing logistical support, such as office space, staff, and umbrella insurance coverage, such a relationship often supplies educational resources and training materials as well as advocacy on a regional or state level.

Before seeking sponsorship from an umbrella organization, make sure that the goals of potential sponsors are aligned with the overall goals of the farmers market. Some markets have run into difficulties as a result of partnerships with organizations that did not share the same vision as the vendors or surrounding community. Therefore, it is important to fully discuss these issues with all of the concerned parties before agreeing to sponsorship.

Finding an organization or association in the area that is already involved with farmers market sponsorship helps to ensure that various goals are likely be in alignment. The state's farmers market association and direct-marketing contacts in this field can provide additional suggestions about possible sponsoring organizations.



## What Structure Is Right for Your Organization?

As you read through this chapter, you may have recognized the structure that best suits the farmers market you are developing. If several of your organizing committee members have nonprofit affiliations, or if the market is being organized by a nonprofit such as a community development organization, then structuring the market as part of a sponsoring organization may be a logical choice. If, however, the market is being organized by farmers, creating an independent organization might be best. Organizers must weigh the pros and cons of each type of structure and choose based on the unique needs and characteristics of the vendors, the new market, and the community in which it will operate.

