



GROWING YOUR BRAND

Farmers Market Business Structures and Regulations | A Guide for Youth

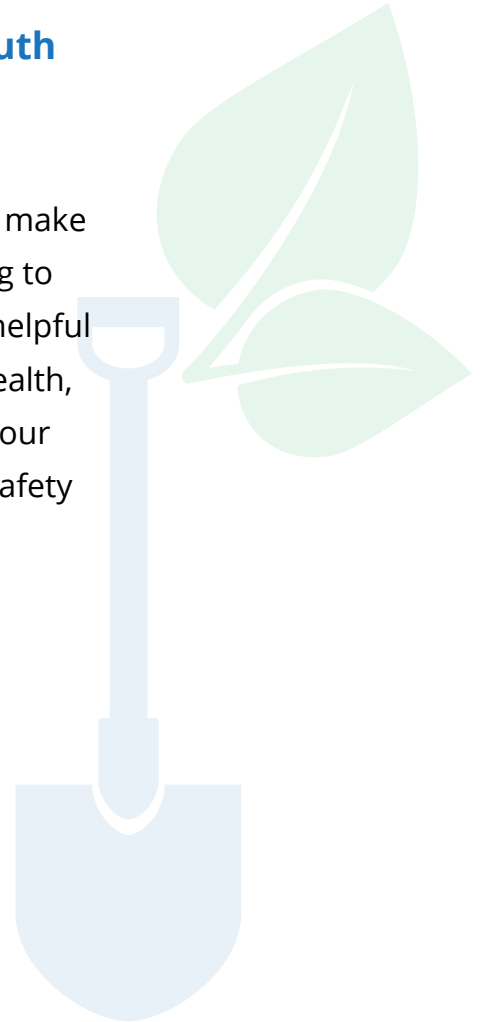


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GROWING YOUR BRAND

Starting a Farmers Market Business: A Guide for Youth

This publication gives you some background information on business structure and ways to avoid potential liabilities. It also provides some basic information about business regulations. To make sure that you are setting up your business correctly and adhering to regulations, you should first consult an attorney. It may also be helpful to consult an accountant, the Mississippi State Department of Health, and the Mississippi Department of Agriculture and Commerce. Your MSU Extension agent can put you in touch with Extension food safety specialists to help you understand regulations.





BUSINESS STRUCTURE

When you start selling your produce, growing it becomes more than a hobby. It becomes a business, and it's a great opportunity to learn how businesses work. First, you need to decide what form your business will take. According to [Cashing In on Business](#), a guide produced by the Southern Rural Development Center, there are four business forms:

- **Sole proprietorship** – A sole proprietorship has one owner and must be a for-profit business. It is the simplest form of business and is the easiest to set up. Sole proprietors are considered self-employed.
- **Partnership** – There are two types of partnerships: general and limited. These are typically easy to set up but difficult to manage. In a general partnership, each partner assumes responsibility for all the partnership's debts and liabilities. A limited partnership allows for partners to be investors, which limits the amount of liability that they are exposed to.
- **Limited liability company** – These companies are structured with the owners as members of the company. This form of a business limits liability exposure and allows for profits to be taxed only once. These companies are set up differently depending on what state they are in. Consult an attorney for more information.
- **Corporation** – There are multiple types of corporations, and the type you choose will depend on how you wish to handle your business's taxes and liabilities, and how particular state laws may affect your operations. Corporations are viewed as a single legal entity that is owned by multiple individuals. Corporations typically have a board of directors that manages the company.

For more information about corporations and Mississippi-specific business structure, visit the [National Agricultural Law Center's website](#) or the [Mississippi Secretary of State's site](#).

BUSINESS STRUCTURE DISCUSSION

- Large businesses like AT&T and Microsoft are set up as **corporations** with many owners, sometimes thousands of them. Each owner has a small part of the business known as a share, and they can sell their shares to anybody at any time. Shareholders elect officers to run the day-to-day business operations. It takes a lot of legal help to set up a corporation, and that is very expensive. Unless a business is large enough to employ a lot of people, setting up a corporation is not worth the time and effort.
- Some small or mid-sized businesses are set up as **partnerships**. Business partners are simply people engaged in the same activity. In a typical partnership involving two people, both partners manage the business. They share any profits and are personally liable for any of the partnership's debts. For example, two friends might open a pizza restaurant together. If the restaurant makes any money, they split it. And if it runs up any debts to buy a pizza oven or the ingredients needed to make the pizzas, both partners are liable for the debt. If one partner doesn't pay their share, the other partner has to pay the full amount. So, it's important that people really trust one another before forming a partnership.
- You are probably not interested in forming a corporation or a partnership. You might think that's way too complicated. You just want to raise some produce to sell, and you plan to do everything by yourself. This means your business will be a **sole proprietorship**, which is the most common form of small business in the United States. The good news is that there are no forms to fill out before you start doing business as a sole proprietor.

LOCAL REGULATIONS

But just because you don't have to fill out a lot of paperwork to become a sole proprietor, you still have to follow the same rules and regulations as any other business. The city or county where you plan to sell may have regulations you must comply with. Do some research ahead of time and see what is required before you set up operations. Some cities and counties have websites that contain such information. If there is no website for the city or county where you plan to sell, call your local mayor's or board of supervisor's office, and they can advise you.

Here are some things to think about:

- Farmers market hours
- Rules about how and where your product is produced
- Vendor licenses and permits
- Food safety rules and regulations
- How long you must stay at the market

The regulations will probably require you to keep your display area clean and free of trash. Some markets require that edible products not be displayed on the ground. And sellers usually are required to open and close on time and stay for the entire time the market is open. That means you will need to bring enough produce to last all day.

FOOD MANUFACTURING REGULATIONS

Also, if you are selling anything other than raw, unprocessed agricultural products, there are additional food safety, manufacturing, and labeling regulations you'll have to follow. For example, if you are selling strawberries just as you picked them, generally there are not any additional labeling requirements. It is important to talk with the Mississippi Department of Agriculture and Commerce to determine if produce safety requirements apply to your farm and production. But if you make jelly or jam containing those strawberries, food safety, manufacturing, and labeling regulations apply. The same is true for "acidified" foods such as salsa, relishes, pickled products, and sauces.

In 2013, the Mississippi Legislature passed a Cottage Food Bill, which allows private citizens to sell certain food products made in their home kitchen without having to follow Mississippi State Department of Health permitting requirements. If you think one of the products you plan to sell may be covered under this law, your county Extension agent can give you some guidance about how to proceed.

If the market is certified by the Mississippi Department of Agriculture and Commerce, contact them and the local market manager about these regulations. It is important to make sure that you are following the correct protocols and regulations for the products you are planning to sell. Find out by asking the city or county officials who run the farmers market well in advance of the time you hope to start selling. You'll have to register with the market before you sell, so you can ask at that time.

FOOD SAFETY REGULATIONS

Even the most careful grower cannot prevent all the possible harmful bacteria and germs that can be found in produce. Food safety regulations help to reduce the likelihood of contamination and bacteria from the foods you are selling. To learn more about food safety regulations and business planning, read the following more in-depth publications:

Food as a Business. <http://extension.msstate.edu/publications/food-business>

Labeling Mississippi Cottage Food Products. <http://extension.msstate.edu/publications/labeling-mississippi-cottage-food-products>

Mississippi Cottage Food Operations: Regulations and Guidance. <http://extension.msstate.edu/publications/mississippi-cottage-food-operations-regulations-and-guidance>

Planning for a New Commercial Vegetable Business. <http://extension.msstate.edu/publications/planning-for-new-commercial-vegetable-business>

LIABILITY

In addition to following health and food safety regulations, you may want to consider insurance to protect yourself from liability (which simply means fault or blame) for other unforeseen mishaps. Customers can trip over your display case, or they could step on one of your strawberries and have their foot slip out from under them. You need to consider all possibilities.

Some farmers markets carry insurance to protect them from liability, but their insurance probably will not cover you.

Ask your parents to talk with their insurance agent about the possible risks and ways to protect both you and them from liability. There may be a way to cover your produce-selling business by adding it to a policy they already have. Their insurance agent can explain it in detail.

FEES AND PERMITS

Just like any business, you will have to pay certain fees or get certain licenses to operate legally. If you sell at a city-owned market, the city will require a business permit. Permit fees typically are low, but they are required.

TAXES AND RECORDS

Although Mississippi charges a sales tax on most items sold in stores, the sale of agricultural products you grow yourself and sell at a farmers market are generally exempt from this tax.

You need to ask the manager of the farmers market where you plan to sell if home-grown produce sold at that market is exempt.

RECORD-KEEPING

Good record-keeping will help you in any business, whether or not it is related to agriculture. Why should you keep records?

- To know if you made money.
- To know if you need to pay income taxes. (If your total income from all sources is over \$12,000 in a calendar year, you may have to pay income tax.)
- To know how your business is doing. If you find you are not making a profit, you can look at each of your expenses and know where you need to cut back.

CONCLUDING COMMENTS

Consumers are increasingly interested in knowing where their food comes from and how it is produced.

The local foods movement provides a wonderful opportunity for producers to connect on a personal level with consumers. It is an opportunity to create, maintain, and support profitable, sustainable, and affordable food production and distribution. This will ultimately result in healthier diets and healthier people.

The local foods movement encompasses farmers, food processors and distributors, community gardens, farmers markets, community volunteers, economic development, food security, and better nutrition for children and adults—all areas in which Extension has deep expertise, dedicated and skilled professionals, and decades of documented success.

References

- Cashing In on Business*, produced by the Southern Rural Development Center. <http://srdc.msstate.edu/cashing/>
National Agricultural Law Center. <https://nationalaglawcenter.org/>
Mississippi Secretary of State. <https://www.ms.gov/sos/onestopshop>
Mississippi's Cottage Food Law. <https://billstatus.ls.state.ms.us/documents/2013/html/SB/2500-2599/SB2553SG.htm>



This publication is part of the Growing Your Brand Youth Farmers Market curriculum.

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