

Farms And Incidental Business

Other than agribusiness ventures, farms are unusual because smaller operations tend to face a mixed bag of things that can cause loss (exposures). Some of these exposures are common to businesses while others are exposures that are often faced by homeowners. This mixed, or hybrid combination of exposures is due to the fact that smaller farms are usually run by families that also live on the farm premises. However, often only some of the family members are devoted full-time to their own farm's operation, while other family members are involved with different activities.

As has always been the case, securing significant, steady income and profits from farming is very difficult. Therefore, the farm family may choose to supplement its main farm activity by operating other projects on their premises. Some may be related to their farming such as:

- Running a petting zoo area with some of the farm's livestock
- Offering horse rides
- Operating a gift shop or produce stand
- Performing canning operations for other parties' produce
- Operating a repair shop for small farm equipment
 - Other projects may have nothing to do with the farm operations, such as:
- Operating a daycare service
- Fee-assisted aid to other farmers on applying for grants and loans
- Operating a small accounting service
- Hosting a subscription wireless network service
- Running an pottery studio in a converted farm barn

In most instances, the farm owner may be able to arrange for additional coverage to be added to the farm policy in order to handle losses connected to the given business operation. Typically, a precise description of the business such as: "Johnson Family Produce Cleaning and Canning Operation" is necessary. For an additional charge to the policy, the farm owner can be protected against loss to property that is used in the described business, such as a fire in a separate, converted barn that houses an accounting service run by the farmer's spouse. It may also offer liability coverage. Consider the following:

Example: Sara "Granny" Smith owns a large apple orchard. She used to make cider and juice from her own crop but she now has an agreement to sell all her apples to the region's largest fruit juice manufacturing company. Since she still owns the building and equipment she used to make her own product, Sara begins a small operation (called "Granny's Pressings") to process the apples grown by several neighboring apple farmers. This "side business" brings in about \$7,000 a year, compared to the nearly \$76,000 she takes in from selling her apple crop to the juice manufacturer. Sara's cousin and insurance agent tells her that she won't be covered for any damages resulting from "Granny's Pressings" unless she adds additional coverage for this side-business. He convinces Sara by pointing out claim situations such as:

- a neighbor who slips on apple remnants while carrying a bushel of apples onto Sara's property to be pressed into cider;
- a child from a nearby town who becomes ill after drinking cider pressed at Granny's that was contaminated with oil used to lubricate the manufacturing machinery;
- Sara packages a truckload of cider for a neighbor but the neighbor is unable to sell it to any stores because the inferior plastic bottles developed hairline cracks.

If you happen to run a farm that also contains other business activities, it's important that you discuss the situation with your agent

and find the best option for covering the additional source of loss.

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