Diversifying your operation in the wake of COVID-19

When times are tight in agriculture, successful farmers and ranchers find a way to sustain revenue, even if it means trying something completely new.

That drive, combined with the spike in demand for farm-direct meat, produce and other ag products spawned by COVID-19, has many growers exploring new on-farm ventures to sustain revenue.

Find your risk tolerance
Selling meat directly to consumers during the pandemic or creating an agritourism attraction can make up for make up short-term financial shortfalls and open new long-term revenue streams, but also open you up to new risks. When diversifying your operation, it's critical to know your tolerance for the risks you may encounter.

"People are considering how to meet the farm-direct demand, because it's an opportunity to regain some revenue lost because of COVID-19," according to fourth-generation farmer and Nationwide® Associate Vice President (AVP) for Agribusiness Underwriting, Erin Cumings. "We have farmers of all types and sizes looking at new revenue streams for their operations. On smaller farms, it's more about opportunities to be involved in the farm, like agritourism and buying direct, while on larger farms, it's more about figuring out how to control more of the value chain."

Determine the right policy option
The right farm or ranch policy can protect property and cover you from any new liabilities that accompany this type of diversification. Determine what will best meet your needs based on your risk tolerance—the level of risk you're willing to endure—as well as the liability your business diversification will create.

"It's really important to consider your property and any safeguards you need to protect yourself from personal liabilities and property damage," Cumings said. "There are major differences between having a roadside fruit and vegetable stand at the end of your driveway and a you-pick operation in which you have visitors directly on your farm."

Confirm your new bottom line
It's important to consider your revenue expectations and match them with the right insurance policy. As a rule of thumb, there's a direct relationship between increasing risk and revenue potential, and realistic expectations for the latter will help ensure you're adequately protecting yourself.

"Just like revenue increases with the amount of risk, so does insurance. If you plan to sell $10,000 worth of tomatoes, that's a lot. But from a risk standpoint, it's much less than selling $10,000 worth of meat direct from the farm," Cumings said. "There are more food safety rules around meat, for example, so you're taking on more risk."

Work with the right partner
Endorsed coverage levels range in cost from an additional $100 added to an existing whole-farm policy to a broader specific policy to over the entire new venture. Policy costs vary based on the size and type of operation, Cumings said.

Adequate insurance coverage for a new farm business venture requires direct attention to your farm or ranch. Work with your Nationwide farm certified agent to determine the right coverage to protect yourself based on your general risk preferences. Most Nationwide farm-certified agents have years of farm experience in different diversification options and the expertise to advise on the best insurance options for you. While COVID-19 may have hampered your farm revenue potential in the short term, long-term financial viability is possible with the right diversification tactics and risk exposure protection strategy.