



## Market Ready Farm to Restaurant – Product Liability Insurance Considerations

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There are many factors to consider before selling your farm products directly to restaurant owners, managers, and chefs. Marketing management is an important component in the startup and decision-making processes for new and beginning producers interested in direct sales. The purpose of this series of publications is to inform Virginia producers about marketing and legal risk management tools, techniques, and resources available to help them prepare to sell food and food products directly to restaurant clientele.

Topics covered in this paper are expected to improve producer decision-making by providing a better understanding of product liability insurance considerations to help them manage risks associated with the legal aspects specific to direct marketing relationships. The topics covered in this resource are not all-inclusive, but after reading this publication, producers should be better prepared to build relationships with restaurant clients.

This is one publication of a 7-part series, available on the Farm to Fork Direct Market portal. A resource list that include examples, resources, blog posts and case study YouTube video interviews of successful farm to restaurant business owners, and upcoming training dates is available at the end of this publication.

For questions about this or other farm startup topics, contact your local Virginia Cooperative Extension office.

Businesses live and die by their ability to manage risk, and agribusinesses are no different. If a farmer is selling products to one or more busy restaurants, they are exposing

# INSURANCE

Breakdown & Benefits

## FOOD OUTBREAK CYCLE



## NECESSITY OF INSURANCE

### PRODUCER

If a serious food outbreak is traced back to a farmer, a case can lead to tens or hundreds of thousands of dollars in legal damages

For a few hundred dollars each year, you can get \$1-2 million in insurance coverage which mitigates risk

### RESTAURANT

View product liability insurance as added value due to the protection it offers chefs

Having a product that is trusted and backed by a solid insurance policy allows peace of mind

### PROCESSOR

Requires documented liability insurance in place based on ownership of the food products itself



FOR A FEW HUNDRED DOLLARS A MONTH, A PRODUCER CAN \$1-2 MILLION DOLLARS WORTH OF INSURANCE COVERAGE

## BENEFITS

- Minimizes overall producer risk
- Peace of mind for all parties involved
- Adds value to all aspects of supply chain
- Ensures survival of farm business and producer relationships



themselves to risk with every meal served. Effective food safety measures greatly decrease the risk a farmer takes on with each sale, but a single outbreak has the potential to bankrupt an agribusiness. Therefore, every farmer who engages in direct sales of their food products to restaurants must have product liability insurance.

If a serious food-borne disease outbreak is traced back to a farmer's products, each individual case can lead to tens or hundreds of thousands of dollars in legal damages, which is a risk many farms cannot bear. Depending on where the farm is located, \$1-2 million in insurance coverage can typically be purchased for a few hundred dollars a year. That is a low price to pay to ensure the survival of the agribusiness.

In addition, farmers who purchase adequate liability insurance coverage add

value to their product offerings to restaurants. Time-constrained chefs do not have resources readily available to track safe production and handling practices of the product before it arrives at their kitchen. This is not a chef's area of expertise, and they typically rely on large food distribution companies to manage this detail.

Having a product they trust backed by a solid insurance policy purchased by their food suppliers allows them to focus on their craft. In addition, some larger customers, such as franchise restaurants, may require higher levels of coverage as a policy requirement.

Finally, if a farmer partners with a packer or processor, all partners are required to document that liability insurance has been purchased. Liability insurance is required every step of the way from field to fork in order to ensure a successful, long-term, farmer-buyer relationship.

When it comes to liability insurance, peace of mind is relatively inexpensive. Having the proper level of liability insurance allows farmers to focus on farming, and chefs to focus on cooking. Liability insurance helps add value and ensure the survival of the farm business and the relationships farmers spend so much time cultivating. To learn more, watch our interview with [Farm Bureau Insurance Agent Garnett Brockman](#) on our [Virginia Market Ready YouTube Channel!](#)

For more information about direct marketing of your farm products in Virginia, please contact Kim Morgan at [klmorgan@vt.edu](mailto:klmorgan@vt.edu) or 540-231-3132, or, visit the Farm to Fork Direct Marketing Resources portal at [ext.vt.edu/agriculture/market-ready.html](http://ext.vt.edu/agriculture/market-ready.html). For more information and resources directly aimed at beginning farmers, visit the Virginia Beginning Farmer and Rancher Coalition Program at [www.vabeginningfarmer.org](http://www.vabeginningfarmer.org).

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SOUTHERN  
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Beginning Farmer & Rancher  
COALITION PROGRAM



## Resources

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Garber, B. 16 February 2018. Interview with Garnet Brockman, Farm Bureau Insurance Agent. Link: [https://www.youtube.com/watch?v=avn\\_uGNRIIk&t=6s](https://www.youtube.com/watch?v=avn_uGNRIIk&t=6s)

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Virginia Cooperative Extension Market Ready Farm-to-Fork Direct Marketing Resources portal. 2019. Link: <https://ext.vt.edu/agriculture/market-ready.html>

Virginia Cooperative Extension Market Ready Farm-to-Fork Direct Marketing Resources YouTube Channel. 2019. Link: <https://www.youtube.com/channel/UCnlhujb2Yq966WytPz4GuEw>

Virginia Cooperative Extension, Virginia Beginning Farmer and Rancher Coalition Program. 2019. Link: [www.vabeginningfarmer.org](http://www.vabeginningfarmer.org)