



CALIFORNIA
FARMLINK

Planning for Asset Protection

© 2026 California FarmLink and Poppy Davis



Partners in Tax Education

California FarmLink is proud to offer this webinar with financial support provided by the USDA Farm Service Agency Tax Education and Asset Protection Initiative using funds Congress allocated for this purpose in the American Rescue Plan Act (ARPA).



About the Instructor

Poppy Davis is a business and policy adviser to agricultural enterprises, nonprofits, and local governments. She works through programs around the country to deliver trainings on topics including agricultural taxation, accounting, credit, and cash-flow.

She began her career as a California CPA, and later worked for the USDA.

She holds a Juris Doctor with a certificate in Food and Agricultural Law from Drake University Law School, and a BS in Agricultural Economics from the University of California at Davis.

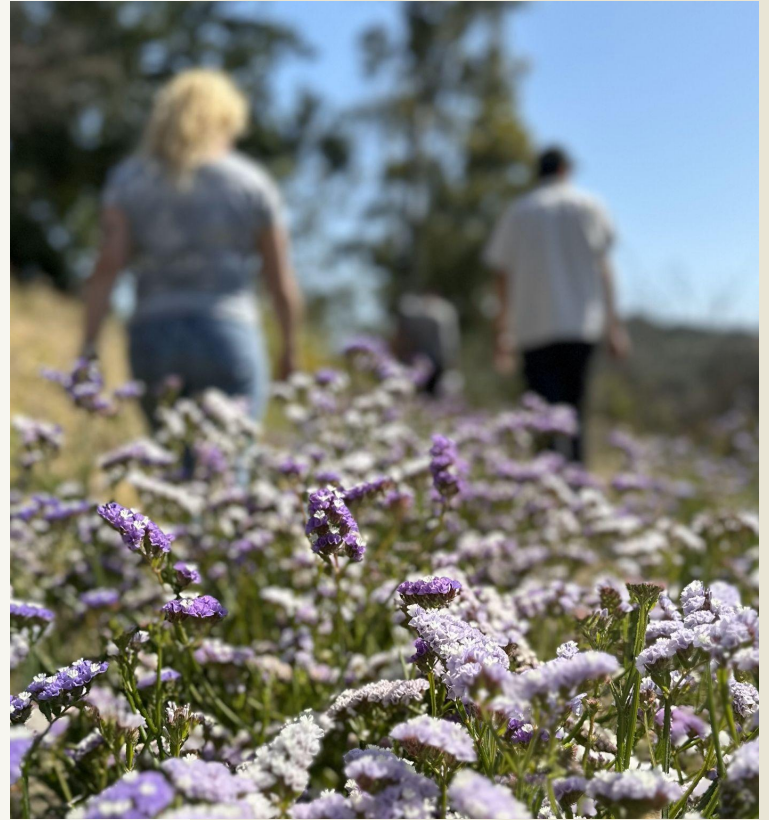


Overview

1. Risk Management Strategies
2. Insurance
 - Property
 - General Business Property
 - Crop Insurance
 - Liability
 - General Business Liability
 - Product and Other Special Liability
 - Key Officer Life Insurance



Risk Management Strategies



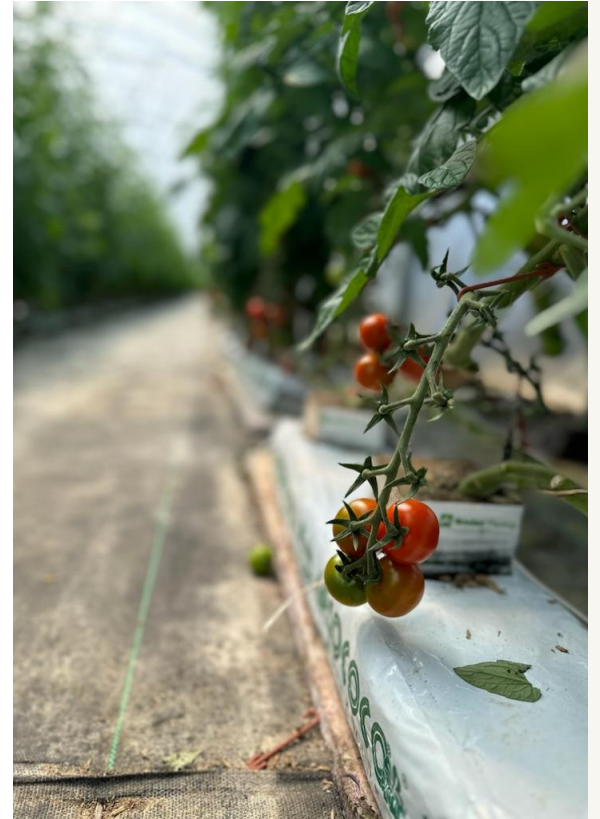
Defining, Evaluating, and Mitigating Risk

1. Create a risk assessment:

- **Define risks** by considering categories or types of events that would threaten the success of your business plan.
- **Evaluate risk** by assessing both the likelihood and the severity of consequence from an adverse event.

2. Make a risk mitigation plan:

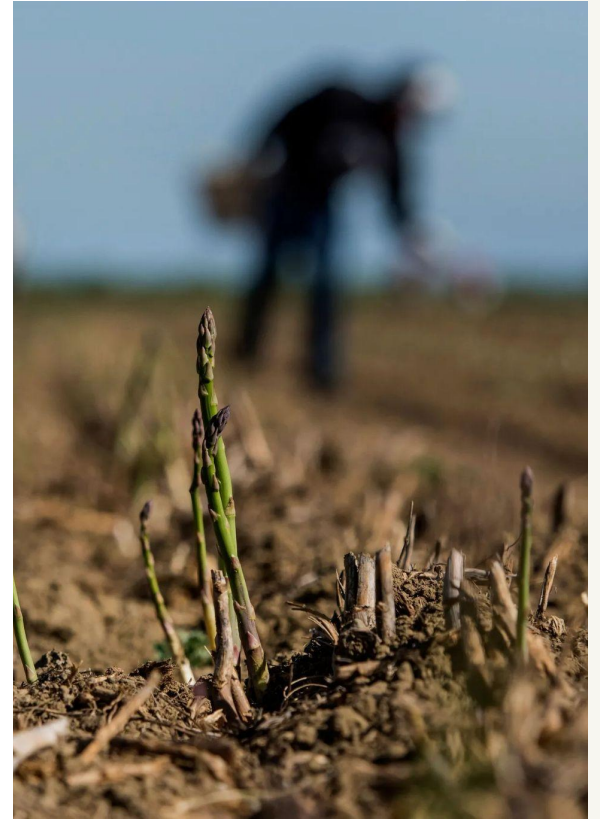
- Matching risk assessment to appropriate risk management strategies.



Defining Risk

There are two common frameworks for thinking about risk in a farming, ranching or fishing business:

1. **The Five Ds:** Death, Divorce, Disaster, Disability, Disagreement
2. **Business Plan Assessment Framework:** Production, Marketing, Financial, Legal and Regulatory, Human



Risk Mitigation Strategies

- **Death, Divorce, Disability, Disagreement:** Insurance, strong operating agreements, written leases/contracts.
- **Disaster:** Physical protection of assets, asset insurance.
- **Production Risks:** Production diversification, multi-peril crop insurance.
- **Marketing risks:** Market diversification, revenue protection insurance.
- **Financial risks:** Strong accounting systems, insurance, strong operating agreements, written leases/contracts.
- **Legal/Regulatory risks:** Strong management/training systems/policies/procedures, strong operating agreements, written leases/contracts, regular legal consultation before major decisions.
- **Human risk:** Strong management/training systems/policies/procedures, insurance.

Defining Risk

Event	Adverse Outcome
Death of an owner	Heirs take cash or assets out of business creating excessive debt or insolvency.
Divorce of an owner	One spouse takes cash or assets out of business creating excessive debt or insolvency.
Disaster	Loss of crop, market, key property causes excessive debt or insolvency.
Disability of an owner	Disabled owner needs to continue to take draws or salary and now also needs to pay someone to perform key duties leading to excessive debt or insolvency. No one knows how to do the owners job. Key information is lost, decisions are delayed or wrongly made affecting profitability and cash flow.
Disagreement	<i>Between owners:</i> Exiting owner takes cash or assets out of business creating excessive debt or insolvency. <i>With key buyer, supplier, landlord, or neighbor:</i> affects operations and profitability

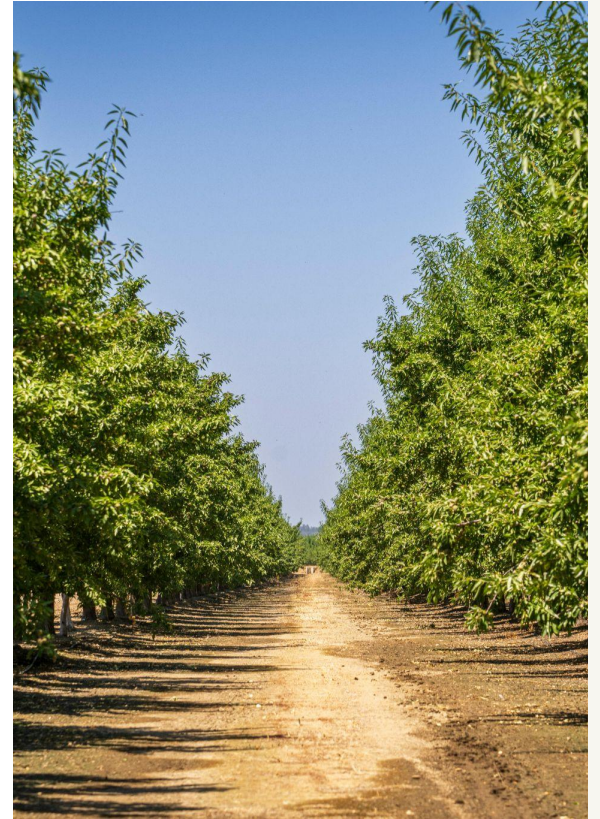
Defining Risk

Category	Types of Events	Outcomes
Production	Crop loss due to disease, weather, bad seeds or starts	Loss of revenue
Marketing	General price decline, loss of a specific buyer or market	Loss of revenue
Financial	Unrealistic business plan, improper budgeting	Insolvency
Legal and Regulatory	Civil lawsuit for injury, compliance action for labor, zoning, food safety, labeling or environmental violations	Judgement in excess of insurance create a lien on property. Penalties and fines create a lien on property. Lien reduces access to credit. Loss of access to credit combined with need to pay judgement or penalties leads to insolvency.
Human	<i>See The Five Ds</i>	

Assessing Risk

Assess risk in terms of both

1. Probability of Occurrence
2. Severity of Consequence



Assessing Risk

Event	Severity	1	2	3	4	5
Likelihood	1	1	2	3	4	5
	2	2	4	6	8	10
	3	3	6	9	12	15
	4	4	8	12	16	20
	5	5	10	15	20	25

Key: 1-3 = low, 4-10 = Medium, 12-25 = High

Assessing Risk

Disability	Severity	1	2	3	4	5
Likelihood	1					
	2					
	3					3x5=15
	4					
	5					

Score: 15, High

Key: 1-3 = low, 4-10 = Medium, 12-25 = High

Assessing Risk

Drought	Severity	1	2	3	4	5
Likelihood	1					
	2					
	3			3x3=9		
	4					
	5					

Score: 9, Medium

Key: 1-3 = low, 4-10 = Medium, 12-25 = High

Assessing Risk

Market Loss	Severity	1	2	3	4	5
Likelihood	1					
	2		2x2=4			
	3					
	4					
	5					

Score: 4, Low

Key: 1-3 = low, 4-10 = Medium, 12-25 = High

Assessing Risk

Disaster	Severity	1	2	3	4	5
Likelihood	1					1x5=5
	2					
	3					
	4					
	5					

Score: 5, Medium

Key: 1-3 = low, 4-10 = Medium, 12-25 = High

Assessing Risk

Event	Probability of Occurrence	Severity of Outcome (absent mitigation)
Death of an owner	Low in short term, 100% in long term	High
Divorce of an owner	50%	High
Disaster	50%	High
Disability of an owner	Medium in short term, increasing over the long term	Very high
Disagreement	50%	Low to medium

Assessing Risk

Category	Probability of Occurrence	Severity of Outcome (absent mitigation)
Production	Medium	Low to high
Marketing	Medium	Low to high
Financial	Depends on the plan!	Low to high depending on the plan.
Legal and Regulatory	Depends on management!	Low to high depending on management.
Human	<i>See The Five Ds</i>	

Mitigating Risk

Common risk mitigation strategies include:

- Entity Selection
 - Limiting liability, separating assets from activities
- Insurance
 - Property, liability, specialized
- Diversification
 - Crops, fields, markets
- Redundancy
 - Backup sources for key inputs
- Administrative controls
 - Training
 - Policies and Procedures
 - Supervision and Review



Mitigating Risk

Event	Risk	Mitigation
Death of an owner	Medium	Insurance: Company buys life insurance on owners which can be used to buy out heirs. Administrative: Company ensures written policies and procedures so owner is not the only one with key information.
Divorce of an owner	Medium	Administrative: Ensure operating agreement limits cash withdrawals and prohibits transfer of ownership without consent of other owners.

Mitigating Risk

Event	Risk	Mitigation
Disaster	High	Insurance: Company buys adequate property and crop insurance Administrative: <ul style="list-style-type: none">• Company keeps detailed records of assets and production and keeps records backed up offsite.• Company develops emergency plans and trains for evacuation.

Mitigating Risk

Event	Risk	Mitigation
Disability of an owner	High	<p>Insurance: Company buys disability insurance for owners which will replace owners draws or salaries if needed.</p> <p>Administrative:</p> <ul style="list-style-type: none">• Company ensures written policies and procedures so owner is not the only one with key information.• Company develops workplace health and safety plans and trains everyone on workplace safety and first aid.

Mitigating Risk

Event	Risk	Mitigation
Disagreement	Low	Administrative: <ul style="list-style-type: none">• Ensure operating agreement is clear and includes dispute resolution procedures• Company policy is to have written contracts for all important relationships• Company policy is to invest in “good neighbor” relationships (fences, communication, community donations, etc.)



CALIFORNIA
FARMLINK

Questions?





CALIFORNIA
FARMLINK

Thank you!

