Jim's Perspective…

LB324 Animal Share Arrangement

The Nebraska Legislature passed LB324 48-0-1 on May 19. The Governor approved the bill May 24, and it will go into effect August 27, 2021. This bill was sponsored by Sen. Tom Brandt and it is modeled after a law recently passed in Wyoming. The bill provides for a new contractual business model for meat consumers to purchase meat. It applies to cattle and hogs. It might also apply to poultry, but I am not sure on that product. The bill establishes an "Animal Share Arrangement" which is a contractual agreement between a farmer and a consumer in which pursuant to the signed contract, the consumer becomes the owner of the animal under the Nebraska Meat and Poultry Inspection Law and the farmer contractually agrees to care for this animal until it is ready to be processed for meat. The Animal Share Arrangement can involve only one animal or the consumer can purchase a "Herd Share Arrangement" and own several animals. There can also be multiple consumers as owners of an animal or herd share. So, as I see it, in theory, a group of five or six neighbors in Lincoln could together enter into a contract with a farmer in the Sand Hills near Mullen and purchase, and become owners of, one of the farmer's recently born cattle, and the farmer would care for the animal until it is slaughtered and delivered to the neighbors in Lincoln. This new method of acquiring meat is in response to the problems and delays experienced by meat-processing plants that did not have the workers to process beef. Senator Brandt noted that prior to the pandemic, a farmer could schedule locker dates for processed beef, four to six weeks in advance. During the pandemic, the farmer had to schedule locker dates 20 to 24 months in advance.

My primary purpose for writing about this bill, is to alert PIA agents about this new method of livestock ownership. Farm clients and even personal lines homeowners clients may approach you about this new business model, so hopefully you will now have time to research this legislative proposal and be prepared to offer coverage that might be necessary for this new risk exposure. As I reviewed this idea, I wondered about the farmer caring for the animal and application of the care, custody and control exclusion in the farm liability coverage. Some of the folks at Farmers Mutual were kind enough to look at this new farm business model and they provided me with some very helpful insight about insuring this risk exposure. There is a Non-Owned Livestock Liability endorsement that would provide the farmer with liability coverage for non-owned animals that the farmer is caring for. Another issue is how the farmer and owner would coordinate physical damage coverage for the animal. I understand some carriers do offer first-party coverage on non-owned livestock, but it is expensive. With enactment of this new law, demand for this insurance product may go up and the price might eventually come down. While the farmer is caring for the animal, he/she would probably be classified as an agister for the animal that has been sold, so liability coverage would be afforded for damage to the property of others caused by an animal being cared for by the farmer. So if the animal escapes confinement due to poor fencing, and there is a car/cow accident, the farmer would still have liability coverage for damages arising out of this accident.

You can read all of the testimony presented at the hearing held for LB324 which can be found at the Nebraska Unicameral Legislature website. Testimony begins on page 101 of the transcript for bills heard before the Agriculture Committee on February 2, 2021. There were many agricultural entities that testified in support of this bill. It includes Oakland Meat Processing, Nebraska Cattlemen, McLean Beef, Inc., Stromsburg, Nebraska Farmers Union, Nebraska Farm Bureau and Nebraska Pork Producers Association.

Overall, I don't see any significant risk management or insurance coverage problems with this new agricultural business process and I think Farmers Mutual of Nebraska also feels this process is manageable from an underwriting standpoint. As I am sure you can appreciate, after you have reviewed the details of this bill, you may want to touch base with underwriting to confirm coverage for farmers and consumer/owners of animals as set forth in a formal contract. I suspect most farmers and consumer/owners of animals will retain an attorney to draw-up a contract, and the attorney may work with the agent to make sure coverage is in order.

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