

Agritourism Risk Management in the Absence of Liability Exemption Laws: An Illinois Case Study

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U TURIZMU I UGOSTITELJSTVU
OPATIJA, HRVATSKA

National vs. Illinois

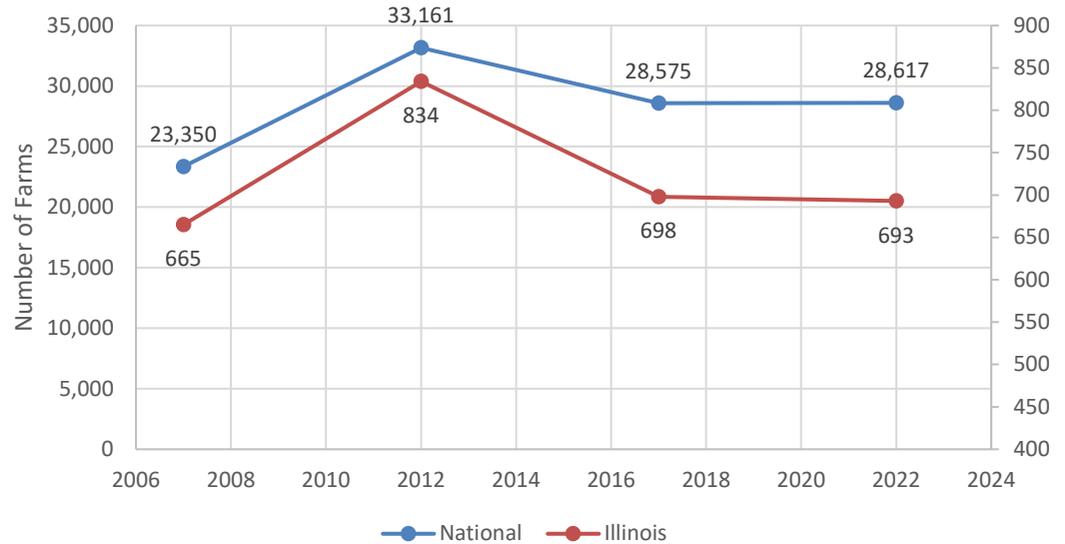
Number of Agritourism Operations and Average Income

Observations:

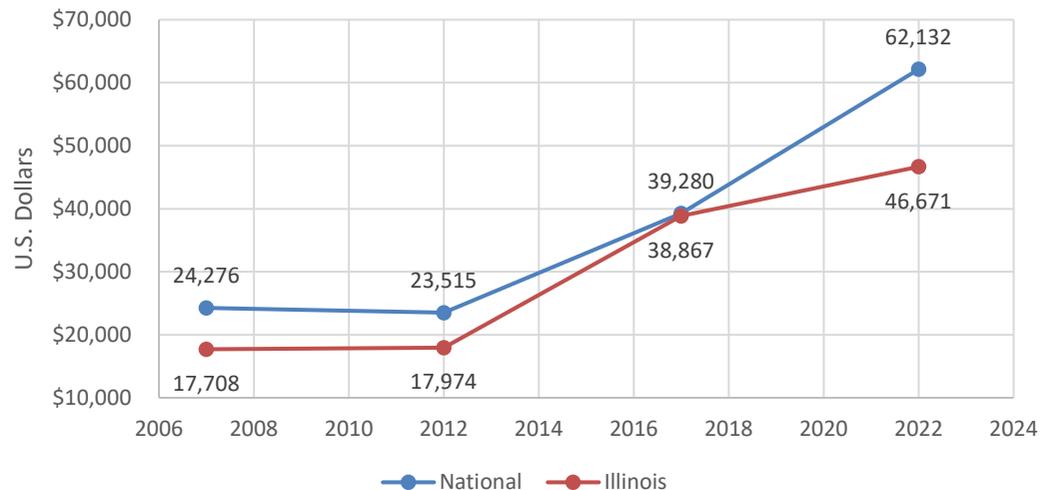
The number of agritourism operations in Illinois follows national trends

The average income for agritourism operations in Illinois is significantly lower than the national average

Number of Farms in Agritourism and Rec. Services



Average Income from Agritourism and Recreational Services Over Time (adjusted for inflation)

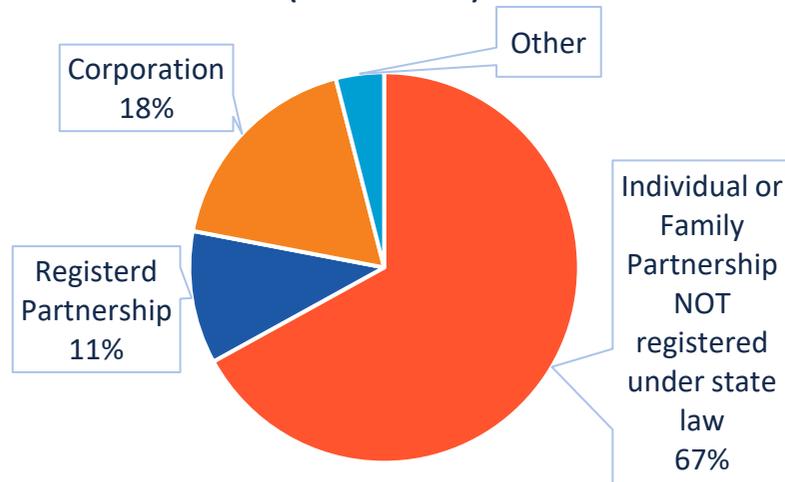


Structural Risk Management Strategies: Business Organizations

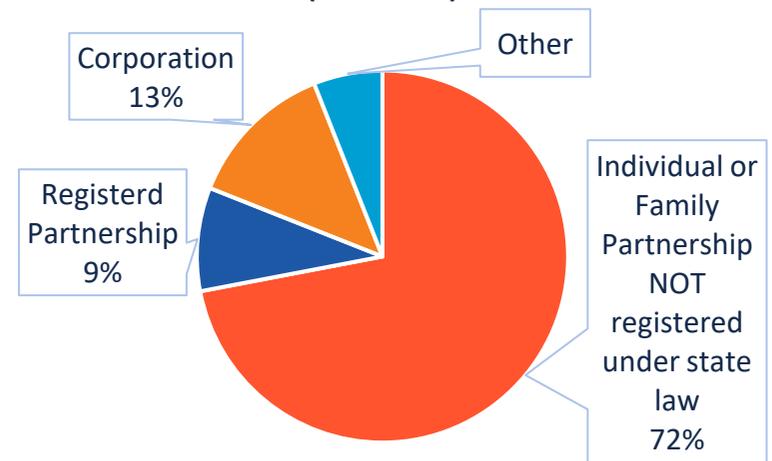
Background:

Business organizations, such as LLCs or S-corporations, are one tool to minimize liability exposure. Sole proprietorships, however, offer no insulation of personal assets from business-generated liability.

Legal Status of Agritourism Farms
(National)



Legal Status of Agritourism Farms
(Illinois)



Observations:

- Illinois exceeds the national average in the percentage of agritourism operations organized as sole proprietorships and partnerships.
- Illinois is below the national average in the use of corporations to insulate non-business assets.

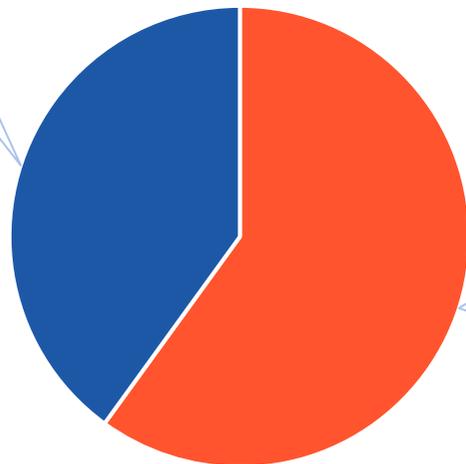
Structural Risk Management Strategies: Business Organizations

Phase II Survey Results:

79% of respondents indicate that their agritourism business is part of a broader agricultural enterprise. For those combined operations . . .

Business Organization

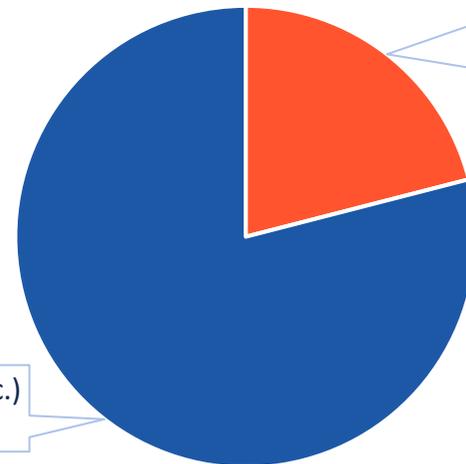
Agritourism is a Separate Legal Entity
40%



Single Business Entity for All Operations
60%

Separate Agritourism Business Entity

Sole Proprietorship or Partnership
21%



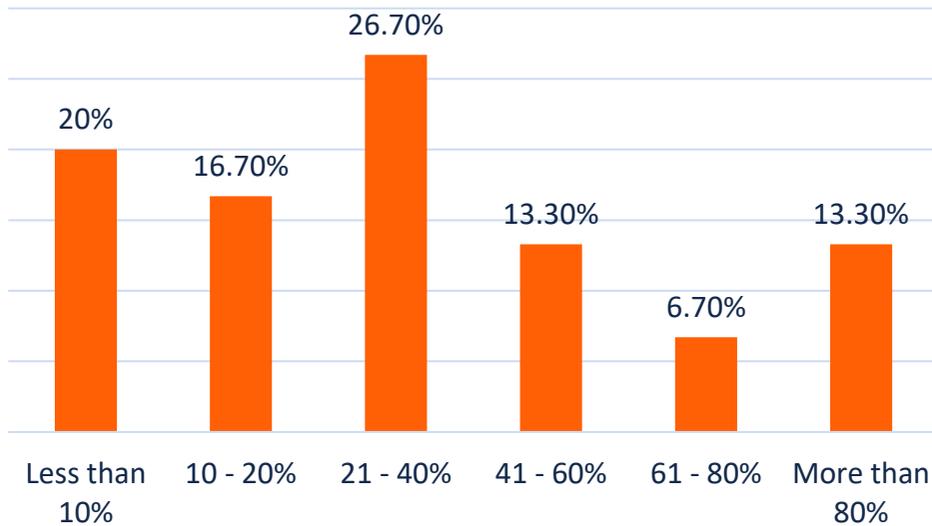
LLC (etc.)
79%

Observations:

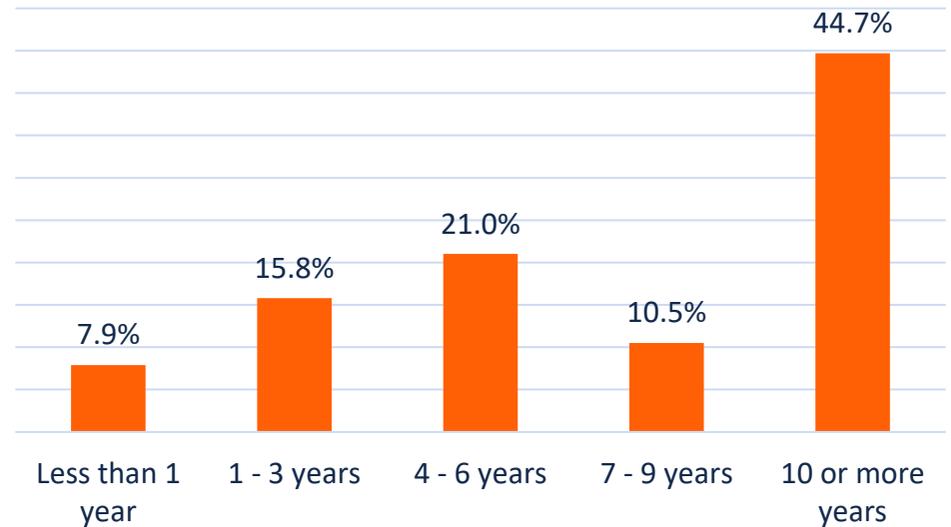
The survey respondents' use of LLCs or other corporate forms (79%) is substantially higher than USDA estimates (13%) for all agritourism operations in Illinois.

Structural Risk Management Strategies: Business Organizations

Agritourism Share of Business Profit
(% of Survey Respondents)



Years of Agritourism Operation
(% of Survey Respondents)



Observations:

- For *most* Illinois operations (63.4% of respondents), agritourism contributes less than 40% of the overall profit for the farming business.
- Follow-up interviews will further explore perceptions of the risk-reward ratio and correlations with business longevity.

Illinois Agritourism Liability Insurance Tax Credit

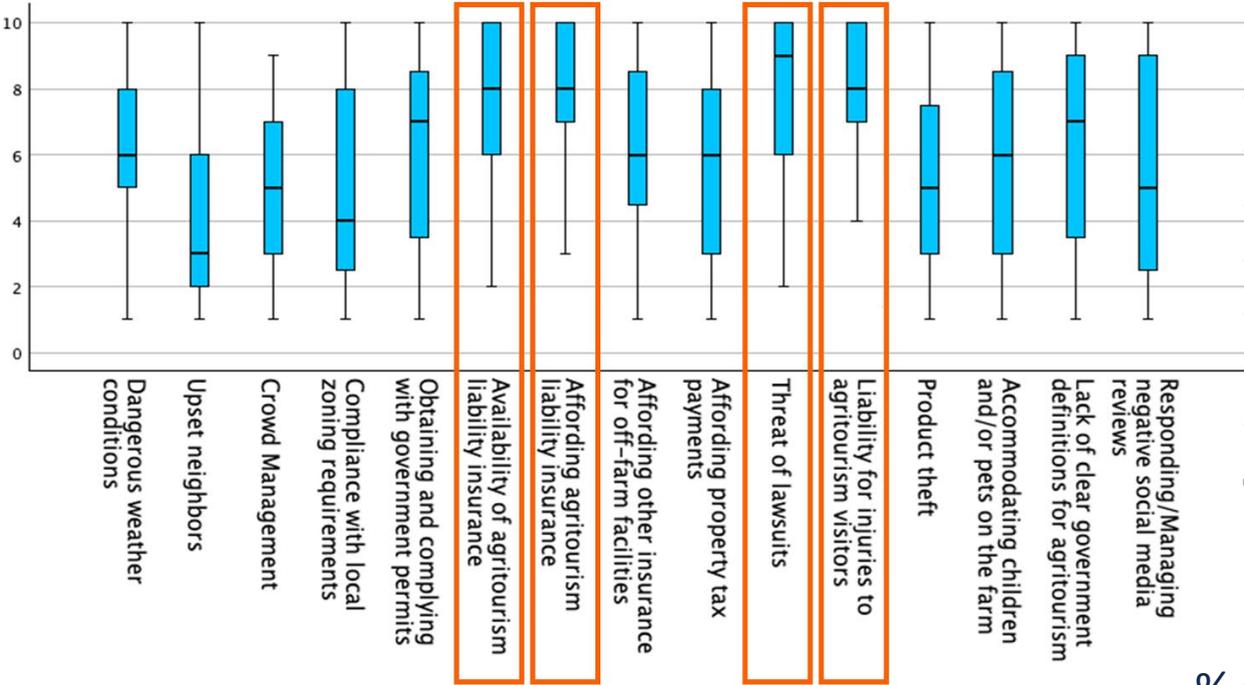
	2022	2023
Applications Processed	141	84
% of Agritourism Operations ¹	20.34%	12.12%
Total Liability Insurance Paid	\$469,019	\$364,398
Amount Certified as “agritourism”	\$167,937	\$153,777
Average Certified per Operation	\$1,282	\$1,831

¹ USDA estimates 693 agritourism operations in Illinois (2022)

Phase II Survey Results:

- 80.6% of respondents indicated they had agritourism liability insurance
- 44.4% of respondents indicated they were not aware of the tax credit
- 25% of respondents indicated they were aware of the tax credit program but did not apply as it was “not worth the hassle/effort”

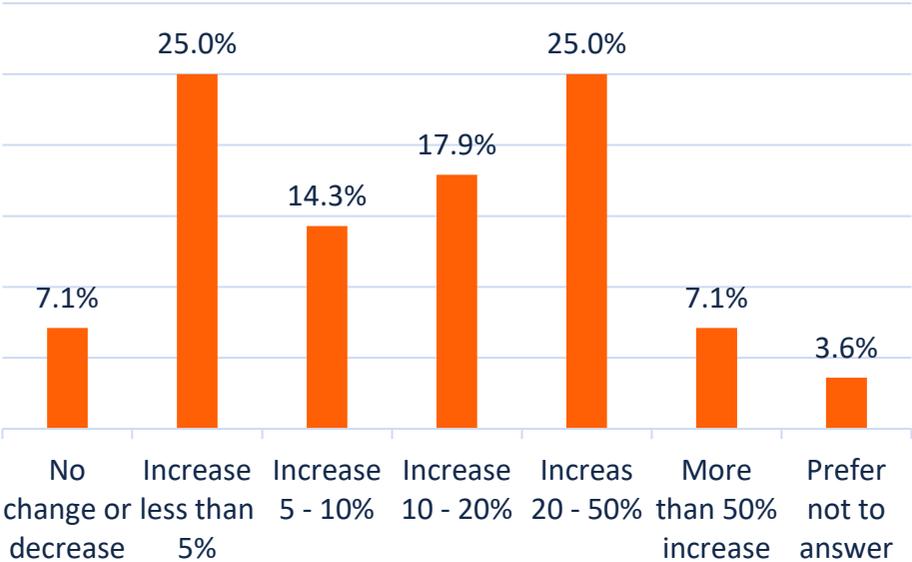
Operational Risk Concerns



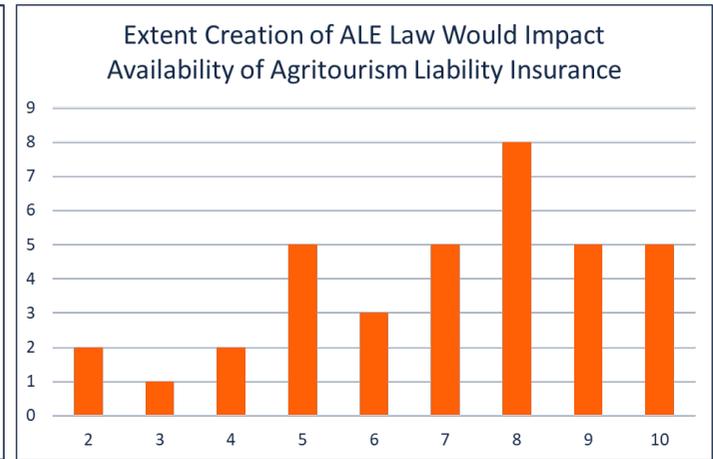
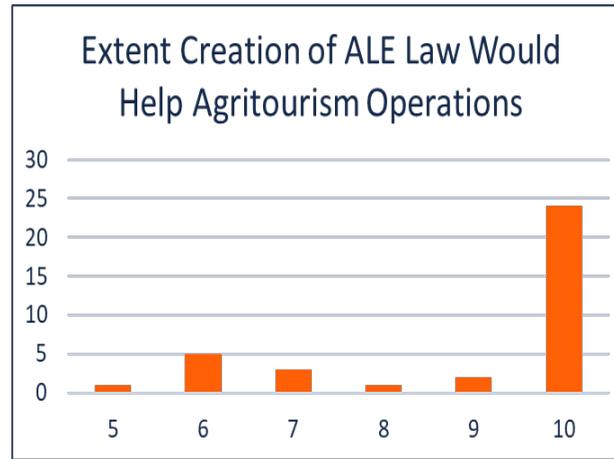
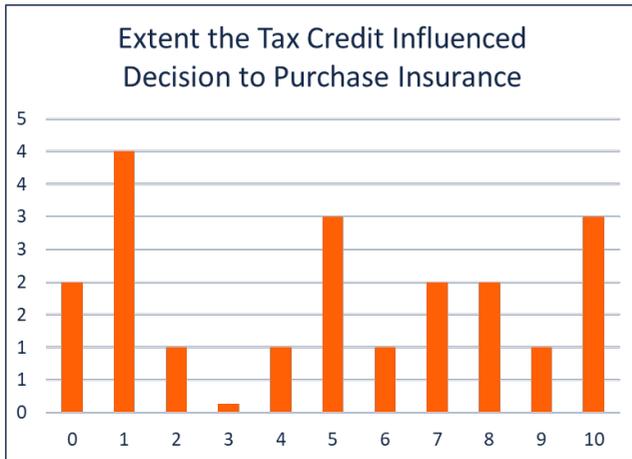
Observations:

- The top 4 operational risk concerns relate to liability and insurance.
- High variation in insurance premium increases over 3 years.
- Interviews will explore difficulty in finding insurance, coverage for unique activities, seasonality, and correlation between cost changes and activities.

% Change in Insurance Costs Over 3 Years (% of survey respondents)



Government Incentives & Intervention



Observations:

- The tax credit had a modest influence on the decision to purchase agritourism liability insurance
- Survey respondents anticipate that an ALE law in Illinois would provide significant help to agritourism operators
 - “It is essential” / “wonderful” /
 - Sued for “ridiculous claims” / “nuisance lawsuits”
 - Enable expansion / more activities
 - Worry less / peace of mind / less fear / increase confidence
- Further anticipate a significant impact on the availability of agritourism liability insurance