



# ALASKA RIGHT RISK NEWS

## Crop Insurance Programs Available to Alaska Farmers and Ranchers

Alaska is the largest state by area; however, only about 850,000 acres are farmed. The approximately 1,000 farm operations in Alaska focus on producing cattle, hay, barley, and floriculture. Over 700,000 of the agricultural acres in the state are classified as pasture and rangeland. In this newsletter, we highlight crop insurance programs available to Alaska producers of agricultural products, where they are available and the use of those programs over the last five to six years. We also describe the Whole Farm Revenue Protection program available throughout Alaska along with the new Micro Farm program.

### Barley Insurance

Barley is the most popular grain crop grown in Alaska. About 6,000 acres of barley are planted annually on approximately 20 farms, primarily in the Tanana Valley agricultural district, southeast of Fairbanks. Insurance is available for barley in four Alaska counties: Fairbanks North Star, Matanuska-Susitna, Southeast Fairbanks, and Valdez-Cordova. Since 2017, five to seven barley crop insurance policies have been purchased annually in Southeast Fairbanks County covering around 4,000 acres of annual production (Table 1).

Table 1: Insurance Summary of Business for Alaska Barley 2017-2022

Year	Policies Earning Premium	Total Acres Covered	Total Premium	Total Subsidy	Producer Premium	Average Producer Premium per Acre	Policies Indemnified	Indemnity	Average Producer Indemnity per Acre	Producer Loss Ratio
2017	7	4,936	\$ 55,250	\$ 44,971	\$ 10,279	\$ 2.08	1	\$ 13,953	\$ 2.83	1.36
2018	7	4,416	\$ 55,436	\$ 45,369	\$ 10,067	\$ 2.28	3	\$ 42,941	\$ 9.72	4.27
2019	5	3,582	\$ 73,317	\$ 57,397	\$ 15,920	\$ 4.44	1	\$ 2,265	\$ 0.63	0.14
2020	6	3,593	\$ 70,114	\$ 53,403	\$ 16,711	\$ 4.65	1	\$ 21,770	\$ 6.06	1.30
2021	6	3,773	\$ 80,111	\$ 63,237	\$ 16,874	\$ 4.47	3	\$ 50,016	\$ 13.26	2.96
2022	5	3,569	\$ 119,535	\$ 85,040	\$ 34,495	\$ 9.67	5	\$ 187,501	\$ 52.54	5.44
<b>Average</b>	<b>6.0</b>	<b>3,978</b>	<b>\$ 75,627</b>	<b>\$ 58,236</b>	<b>\$ 17,391</b>	<b>\$ 4.60</b>	<b>2.3</b>	<b>\$ 53,074</b>	<b>\$ 14.17</b>	<b>3.05</b>

Source: USDA-RMA, Summary of Business, January 6, 2023

The policies are heavily subsidized, with subsidies covering an average of 77 percent of the total premium over the six-year period. Consequently, even though the indemnity payout each year seldom exceeds the total premium, the producer loss ratio is usually greater than one. The 2022 crop year is one in which crop insurance was obviously an important tool for Alaska barley growers, as all five policies were indemnified and indemnities totaled \$5.44 for every one dollar of premium paid, offering compensation for a bad production year.

Barley insurance policies purchased in Alaska are split by type of policy -- about two-thirds are Revenue Protection (RP) policies, while the other one-third offer Yield Protection (YP). However, the acres covered are almost evenly split between RP and YP (Table 2). Yield protection is the more inexpensive option, because it is only covers one hazard. However, over the six-year period from 2017-2022, RP and YP coverage have resulted in similar producer loss ratios.

### Forage Insurance

Forage is the most significant crop in Alaska in terms of acreage. Forage is grown on approximately 25,000 acres, mostly across the southeast quarter of the state. Only about one-fifth of those acres are insured each year by a handful of policies sold in Southeast Fairbanks County (Table 3). Non-irrigated Forage

Table 2: Barley Insurance Coverage Summary for Revenue Protection (RP) and Yield Protection (YP) from 2017-2022 in Alaska

Policy	Policies Earning Premium	Total Acres Covered	Average Acres/Year	Average Acres/Policy	Average Producer Premium per Acre	Policies Indemnified	Average Producer Indemnity per Acre	Producer Loss Ratio
RP	22	10,824	1,804	492	\$ 6.07	8	\$ 19.24	3.17
YP	14	13,045	2,174	932	\$ 2.97	6	\$ 8.45	2.85

Source: USDA-RMA, Summary of Business, January 6, 2023

Production insurance is available on an Actual Production History (APH) basis in five counties: Fairbanks North Star, Kenai Peninsula, Matanuska-Susitna, Southeast Fairbanks, and Valdez-Cordova. No Forage Production policies were purchased in Alaska in 2022 but, on average, about three policies averaging 400 acres are purchased annually.

### Insurance for Other Crops

Other crops insurable in various counties in Alaska include: cabbage, dry peas, potatoes, and wheat in Matanuska-Susitna; dry peas, oats, potatoes, and wheat in Southeast Fairbanks; and dry peas and potatoes in Fairbanks North Star. Wheat is commonly insured when grown in Alaska, but the long growing season required has reduced its popularity, as

How Much Risk is Right for You?

### Roundtable Workshops

Looking for an opportunity to improve your risk management knowledge and skills?

Plan to attend one of our upcoming Roundtable Workshops scheduled for later this month.

Offered at no charge and will include an opportunity to provide input about future workshop topics.

5:00 - 8:30 PM

- JAN 23 Delta Junction
- JAN 24 Fairbanks
- JAN 25 Soldotna
- JAN 26 Homer
- JAN 27 Palmer

Stay tuned for more details on locations and topics

a result, production is limited to just a few hundred acres.

There are a few other USDA insurance products, available throughout the entire U.S., that are also available to Alaska producers. Two of them are livestock insurance products: Livestock Gross Margin (LGM) and Livestock Risk Protection (LRP). LGM provides protection against the loss of gross margin (market value of production minus feed costs and animal input costs). It is available for cattle, swine, and dairy cattle. LRP provides protection against declining market prices. It is available for fed cattle, feeder cattle, and swine. Alaska livestock producers have not actively participated in either one of these insurance programs.

Another USDA insurance product available to all U.S. producers, including those in Alaska, is Whole Farm Revenue Protection (WFRP). WFRP provides a risk management safety net under one insurance policy for the entire farm revenue up to \$17 million in insured revenue. Coverage levels range from 50 percent up to 85 percent in 5 percent increments. WFRP is especially appealing to farms with specialty or organic commodities (both crops and livestock), or those marketing to local, regional, farm-identity preserved, specialty, or direct markets. Premium subsidies on WFRP can be as high as 80 percent, depending on coverage level selected and the commodity count for the producer purchasing the policy. The WFRP commodity count is a calculation used to gauge farm diversity. More diversified farms are allowed to purchase higher levels of coverage and receive higher premium subsidies.

### Whole Farm Revenue Protection and Micro Farm

WFRP coverage is based on five consecutive years of Schedule F or other farm tax forms. If a producer qualifies as a Beginning or Veteran Farmer or Rancher (BFR/VFR) they may enroll with only three consecutive years of Schedule F or other farm tax information. WFRP requires a considerable amount of paperwork for the initial application, but producers can use it insure actual sales, thus tailoring coverage to fit the specifics of their operation.

Like WFRP, the recently-introduced Micro Farm insurance program also provides producers a risk management safety net for all commodities on their farm under one insurance policy. Micro Farm insurance is tailored for small farms with no more than \$350,000 in approved revenue. Like WFRP, Micro Farm coverage is especially appealing to farms with specialty or organic commodities or those marketing to local, regional, farm-identity preserved, specialty, or direct markets, because it insures actual revenue. Applying for Micro Farm coverage may be slightly easier than WFRP where it only requires three years of Schedule F or other farm tax forms. Also, Micro Farm may be more valuable to value-added producers in that market readiness and post-production operations, such as canning, freezing, and processing activities, can be included in estimates of allowable revenue. In other words, these value-added activities would be included when calculating your farm's insurance guarantee under Micro Farm.

Neither WFRP nor Micro Farm policies are currently purchased by Alaska farmers. Producers interested in WFRP or Micro Farm insurance for 2023 should visit the Risk Management Agency website ([www.rma.usda.gov](http://www.rma.usda.gov)) or contact a crop insurance agent. Sales closing dates for either program is March 15, 2023.

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**Table 3: Insurance Summary of Business for Alaska Forage Production 2017-2021**

Year	Policies Earning Premium	Total Acres Covered	Total Premium	Subsidy	Producer Premium	Average Producer Premium per Acre	Policies Indemnified	Average Producer Indemnity per Acre	Producer Loss Ratio	
2017	3	953	\$ 12,881	\$ 8,584	\$ 4,297	\$ 4.51	0	\$ -	0.00	
2018	4	1,534	\$ 15,591	\$ 11,433	\$ 4,158	\$ 2.71	1	\$ 53,766	12.93	
2019	4	1,435	\$ 13,276	\$ 9,755	\$ 3,521	\$ 2.45	1	\$ 12,045	8.39	
2020	3	1,301	\$ 6,294	\$ 5,891	\$ 403	\$ 0.31	0	\$ -	0.00	
2021	1	785	\$ 3,860	\$ 3,860	\$ -	\$ -	0	\$ -	0.00	
<b>Average</b>	<b>3.0</b>	<b>1,202</b>	<b>\$ 10,380</b>	<b>\$ 7,905</b>	<b>\$ 2,476</b>	<b>\$ 2.00</b>	<b>0.4</b>	<b>\$ 13,162</b>	<b>\$ 8.69</b>	<b>5.32</b>

Source: USDA-RMA, Summary of Business, January 6, 2023



# RIGHTRISK™

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*How much risk is right for you and your operation?*



