



ALASKA RIGHTRISK NEWS

RightRisk ag profiles: a playbook for managing records, insurance, and markets in Alaska

Risk is inherent to production agriculture. Farmers and ranchers face many challenges stemming from five sources – production risk, financial risk, market risk, human risk, and institutional or legal risk. Personal preferences for and tolerance of risk and strategies used to manage risk are quite individualistic.

Recently, RightRisk published three Risk Management Profiles illustrating risks faced by Alaskan producers. The Profiles use fictitious producers to illustrate how a risk can be identified and how a risk management strategy could be employed to match the risk impacts with their abilities to withstand those impacts. The Profiles – and recorded presentations – are available online at Alaska.eRightRisk.com.

Beginning Farmers Learn about Farm Records

The “Beginning Farmers Learn about Farm Records” Profile describes how, after visiting with their tax preparer, Jack and Diane discovered they own a farm and are thus required to file a 1040 Schedule F to report their farm-related income and expenses to the Internal Revenue Service.



RISK MANAGEMENT PROFILES

Beginning Farmers Learn about Farm Records

Jack and Diane live on a large property that the previous owner had used to grow hay and raise livestock. Upon his retirement two years ago, Jack purchased several ewes and the equipment necessary to harvest the hay. He now sells lambs and any leftover hay.

Diane is a teacher who likes to spend her summers in their large garden. She generates a few extra dollars by selling some of the vegetables at the local farmers' market.

Jack and Diane were confused as they drove home from a meeting with a tax preparer. They had always filed their own tax returns. However, this year they thought it would be best to get some outside advice since they had received lots of money by selling more lambs and hay than normal. They didn't know they were farmers. They didn't know they were running a business. And they sure didn't know there were special reporting requirements for tax purposes.

The following weekend, Jack and Diane searched the internet for information about keeping useful farm records and filing farm-related income tax returns. One discovery was the RightRisk website (alaska.eRightRisk.com) where they found many financial management resources. They viewed the presentations that RightRisk agricultural economists had given to Alaskan producers over the past several years. There also were through the three "Getting on Track" self-study courses offered by RightRisk.

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How Much Risk is Right for You?



Jack and Diane live on a large property in Alaska, which the previous owner used to grow hay and raise livestock. Upon his retirement two years ago, Jack purchased several ewes and the equipment necessary to harvest the hay. He now sells lambs and any leftover hay.

But they do not know how to keep farm records. Several Internet searches led them to presentations on the RightRisk website, three “Getting on Track” self-study courses offered by RightRisk, and many other useful resources for keeping records and managing financial risk.

Jack and Diane learned that good, accurate financial records do not have to be difficult. They also discovered that good records can be useful when making informed management decisions about their farm and their personal finances. Further, Jack and Diane plan to visit the professionals from RightRisk to learn how they can improve their chart of accounts and use their records for completing financial statements.

Production Risk

Crop insurance is a financial safety net for farmers and ranchers, providing some protection from losses due to natural disasters or market fluctuations. There are several insurance products offered by the USDA Risk



Exploring Insurance Options for An Expanding Specialty Crop Business

R and Chris Lin have been involved in agriculture for eight years. Shortly after moving to a small acreage outside of Anchorage, they started growing vegetables for sale at a roadside stand. Soon, they expanded production enough to start selling at a local farmers market and built a greenhouse to facilitate year-round production. Understanding the importance of diversification, they expanded into the cut flower business and built up several wholesale customers. In addition to their retail business,

one full-time and two part-time employees. Diversification has been their primary risk management tool. However, they made note of increasing opportunities to insure crop production in Alaska under the USDA Risk Management Agency (RMA) suite of insurance programs. The latest thing to grab their attention was the announcement that the Nursery Value Select (NVS) insurance program was expanded to include all counties in all states, including Alaska.

Expanding the Farm: Greenhouses and Diversification

Today, the Lin operation encompasses a

Exploring USDA Insurance Options

now use Chris, recently discussed their growing business, the great employees they

Management Agency and the USDA Farm Service Agency. The Profile “Exploring Insurance Options for an Expanding Specialty Crop Business” describes how Tom and Chris identified their current insurance needs and those that will provide the best coverage as their farm business grows.

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Understanding the importance of diversification as a production risk management strategy, they expanded into the cut flower business and increased the number of wholesale customers.

Diversification has been their primary risk management tool. However, they have made note of increasing opportunities to insure crop production in Alaska under the USDA Risk Management Agency (RMA) suite of insurance programs. The latest thing to grab their attention was the announcement that the Nursery Value Select (NVS) insurance program was expanded to include all counties in all states, including Alaska.

The Profile provides highlights of NVS, Whole Farm Revenue Protection (WFRP), and the Micro Farm insurance programs. Additionally, the Noninsured Crop Disaster Assistance Program (NAP) – sold by the USDA Farm Service Agency – provides financial assistance to producers of non-insurable crops when low yields, loss of inventory, or prevented plantings are experienced due to natural disasters.

The Lins were glad they spent time reviewing their crop insurance options to reduce their risks. Their next step is to contact the FSA and a crop insurance agent to learn more about how each program may apply to their farm.

Triple Creek Ranch: Strategic Growth into Direct Marketing

Alaska’s buy-local movement has gained significant momentum in recent



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Recorded presentations

Strategic Growth into Direct Meat Marketing



Exploring Insurance Options Expanding Specialty Crop Business



Beginning Farmers Learn about Farm Records



Newsletters

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- February, 2025
- November, 2024



Program Slides and Handouts, RMA Insurance Materials, Risk Management Profiles, Risk Management Tools, and much, much more . . .

years. Meat producers have seen direct-to-consumer food sales increase 185 percent between 2019 and 2023. The Profile “Triple Creek Ranch: Strategic Growth into Direct Marketing” describes how Mark and Sarah Peterson evaluated their market risk management options and possible foray in the direct-to-consumer market.

Mark and Sarah have a small herd of beef cows. They feed all the calves to finishing weight and sell the animals to the local meat processor. Currently, the Petersons employ several risk management strategies: i) forward

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Triple Creek Ranch: Strategic Growth into Direct Meat Marketing

Mark and Sarah Peterson didn't start Triple Creek Ranch with the intention of becoming a significant player in Alaska's local beef market. In 2011, they purchased their 200-acre property outside Palmer, Alaska, starting with just 10 head of American Quarter Horse cattle. Through thoughtful management and strategic investments, they've grown to their current 50-head operation, finishing all their cattle for Regional Prime Processing.

"We started small because we wanted to keep the business without being on the high-risk," Sarah explains, sitting at their kitchen table overlooking the Matanuska Valley. "Looking back, that was probably the smartest decision we made."

Currently, the Petersons employ several risk management strategies: i) Forward contracts with Regional Prime Processing for 80 percent of their finished cattle; ii) Participation in USDA's Noninsured Crop Disaster Assistance Program;

iii) For their pasture, and iii) Cash reserves equal to six months of operating expenses.

Their operational success has paid them well for potential expansion, but they face critical decisions about their future direction.

The Bay Local Movement

The Petersons have been well aware of Alaska's local beef movement which has gained significant momentum since 2010. While attending a producer meeting, they learned that direct-to-consumer beef sales increased 35 percent between 2013 and 2015, and are projected to grow further in 2016 and 2017. Annual sales continue. After attending the meeting, Mark and Sarah reflected on the number of ways brands, family, and community members asked if they could buy their beef directly to consumers.

"Thinking back on it, we have seen an unprecedented demand for locally produced beef."

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contract 80 percent of their finished cattle, ii) participate in USDA's Noninsured Crop Disaster Assistance Program for their pasture, and iii) maintain cash reserves equal to six months of operating expenses.

The Petersons consider three potential strategic paths forward for their business. With the assistance of a consultant from RightRisk, Mark and Sarah conducted a risk analysis of maintaining their current operation and two potential changes to their business. They discovered that each strategy has different risks and opportunities. They further learned that their present course may not be as risk-free as they assumed. The second step in their evaluation was to analyze the potential revenues, operating costs, and net income for each strategy.

After careful analysis of the potential risk, changes to risk management strategies, and the financial projections of each strategic option, Mark and Sarah were able to make an informed decision about the appropriate strategic path

forward for their business. By breaking the implementation of their chosen strategy into manageable stages, Mark and Sarah felt confident in their ability to be successful.

Conclusion

All farmers and ranchers face risks every day – weather, markets, animal health, crop pests, consumer wants, new laws, etc. The Risk Management Profiles created by RightRisk provide relatable scenarios in easy-to-read explanations of three sources of risk commonly faced by Alaskan producers and possible strategies for managing the risk. All producers, from beginning farmers to those with much experience, can benefit from the Profiles available at Alaska.eRightRisk.com.



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RightRisk helps decision-makers discover innovative and effective risk management solutions

- Education
- Coaching
- Research

RightRisk News is brought to you by the RightRisk Team
Contributing authors:
 Elliott Dennis, Livestock Marketing specialist Specialist - University of Nebraska-Lincoln, elliott.dennis@unl.edu
 John Hewlett, Ranch/Farm Management Specialist - University of Wyoming, hewlett@uwyo.edu
 Jay Parsons, Risk Management Specialist - University of Nebraska-Lincoln, jparsons4@unl.edu
 Jeff Tranel, Ag and Business Management Specialist - Colorado State University, Jeffrey.Tranel@ColoState.edu
Editing and Layout: John Hewlett, hewlett@uwyo.edu

E-mail: information@RightRisk.org
 Web: www.RightRisk.org

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How much risk is right for you and your operation?