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Malt Barley Risks

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When faced with prospects of poor yields and low revenue, managing agricultural risks is high on the agenda each day. Jake Ozburn, malt barley and wheat grower from Soda Springs, Idaho will be the first to tell you how important it is to have a plan in place with all the risk management tools necessary to achieve a business' financial goals.

Soda Springs is located in Idaho's southeast corner, which borders Wyoming and Utah. Jake's farm is all dryland and is totally dependent on Mother Nature for the rainfall that his crops need to reach their full yield potential.

Jake and Ashley Ozburn. Children left to right: Preston, Allyson, and Kinley

Jake can easily recall conversations with his grandfather, father, and uncles who were farming in 1977 and had significant losses. They did not have a crop yield policy to protect them from downside yield risk, and it took ten years to recover.

Today, Jake is making those business decisions and sees how well the Risk Management Agency's (RMA) Federal Crop Insurance Corporation's crop yield and revenue policies help to sustain his current business' viability. Jake's farm consists of ninety percent malt barley and ten percent wheat with drought, freeze, frost, and revenue volatility as his most significant risks.

In 2012, Jake said they had a severe loss on their malting barley and the FCIC policy he had in place prevented them from going through what his family did in 1977, and several years of recovery. The 2013 crop year was better, but they still had low yields and their policy coverage was there to sustain them again.

In the past fifteen plus years, RMA has made significant improvements to the Malt Barley Endorsement, including:

- Updated covered quality specifications minimums and maximums to reflect current industry standards.
  Added multiple revenue protection policies.
- Combined multiple revenue policies into one revenue policy.
- Added replant payments for barley.
- Added coverage for fall planted winter types of malt barley.
- Provided coverage for malt barley seed with no additional quality protection.
- Removed the requirement that the insured must have had a malting barley contract and produced and sold at least 75 percent of the contracted amount for the crop year. Such contract was applicable in at least one of the previous three crop years.
- Added methods to determine a projected price for insurance for those malt contracts that didn't have a set price by the acreage reporting date.
- Improved pricing procedures to mirror those used by industry to contract production.
- Allowed additional time for the insurance providers and/or malt companies to obtain and grade malt barley samples used for quality adjustment purposes.

- Allowed coverage under the Malt Barley Endorsement to be set at an optional unit level if so desired by the insured.
- RMA continues to monitor the policy to ensure that it continues to reflect industry trends in quality levels, contracting practices, production practices, and other developments.

As Chairman of the Idaho Grain Producers Association (IGPA) Risk Management Committee, Jake has seen many of those improvements come into effect. It is one of the reasons he chose to be on the committee, to share with other members the things that he has experienced with his own coverage. Jake is most impressed with the ability to insure using his malt barley contract price; the significant subsidy increase through the Agricultural Risk Protection Act of 2000 (Farm Bill) and the Actual Production History Yield Exclusion made available through the Agricultural Act of 2014 (Farm Bill).

It is always good to hear from our regional growers about how the improvements made to the FCIC policies ultimately help policyholders meet the needs of their risk management plans.

Contact information

For more information, contact RMA Public Affairs.

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