

AFPC Policy Brief



ANALYSIS OF THE CROP ACT

House Bill 296 and Senate Bill 211 were introduced to the Alaska Legislature by Governor Dunleavy on January 26, 2024. Titled the 'Capital access, Revenue protection, and Open Procurement (CROP) Act', this bill encompasses three primary areas within Alaska's agricultural sector for targeted improvement:

- **Capital Access** through changes to the Agricultural Revolving Loan Fund policies, and an additional position to staff the loan program;
- **Revenue Protection** through changes to the state's Crop Insurance policies and an additional \$4M funding; and
- **Open Procurement** through a five-year repeal of limits on purchasing Alaska Grown or harvested agricultural and fisheries products.

Below we provide a brief summary of each of these provisions, along with considerations and recommendations on behalf of the Alaska Food Policy Council.

Capital Access: The Agricultural Revolving Loan Fund (ARLF)

The Agricultural Revolving Loan Fund was established in 1968 and is authorized under AS 03.10, with a policy to "promote the more rapid development of agriculture as an industry throughout the state by means of long-term low-interest loans." (AS 03.10.010). The ARLF has had a capital infusion once in its history, back in the 1980s with \$63M. The current loan fund balance is approximately \$21.5M, with \$8M cash available and \$13M out in loans. The fund has had a very successful portfolio of loans, with few (if any) defaults. The ARLF is overseen by the Alaska Board of Agriculture and Conservation, a Governor-appointed board under the Division of Agriculture and within the Department of Natural Resources.

The CROP Act would make a number of changes to the ARLF, which would go into effect July 1, 2025:

- Add shipping to and within state as eligible for loans under ARLF
- Gives flexibility for the Board to set various maximum amounts through regulation instead of in statute
- Increases the maximum loan amount from \$250,000 to \$500,000 for short term loans, product processing loans, etc
- Reduce the quorum for the Board of Ag from five to four (this would go into effect immediately)

The increase to the maximum loan amount is supported within the Governor's Food Security Task Force Report, as is increasing the Board of Ag's flexibility in establishing maximum indebtedness through regulation instead of a set amount in statute (page 121).

Issue:

Further expansion for loan eligibility is needed to include food processors and manufacturers.

The Alaska Food Strategy Task Force in their August 2023 report stated, “The Alaska ARLF has provided critical capital to Alaskan farmers since before statehood. Although the program has been successful in providing low-interest, fixed-rate loans to Alaskan producers, those producers are held back by a lack of demand for their raw and [un]processed products here in Alaska and a lack of processing and manufacturing capacity in-state to turn those ingredients into finished goods for the in-state consumer market.”

Recommendation:

Further amend AS 03.10.020(a)(1) to add food processors and manufacturers who use more than 51% Alaskan Grown inputs by weight as eligible entities to access the ARLF. Direct the Department to promulgate new regulations for evaluating applications from food manufacturers, and eliminate requirements to have agricultural experience.

Issue:

Need to capitalize the new Agricultural Forgivable Loan Program

The Agricultural Forgivable Loan Program (ARLF, new under HB298) is established through AS 3.20.200-210. Without baseline funding, the Department has not created regulations for the use of this program to further increase capital access for producers.

Recommendation:

Amend the fiscal note to provide baseline funding for the AFLP.

Revenue Protection: Crop Insurance

The CROP Act amends existing Alaska law to model crop insurance coverage more on the Lower 48, providing broader state contribution calculations. It can be difficult for Alaskan farmers to get crop insurance due to lack of awareness, limited coverage options, and premium expense. The CROP Act provisions would have the State cover more of the premium costs so more farmers can access the revenue protections from crop insurance, subject to appropriations. The bill’s fiscal note includes a proposed \$4M capital injection for crop insurance premium coverage.

Issue:

Very limited number of farmers eligible for premium coverage under these provisions

Revenue protection crop insurance policies are applicable only to a subset of Alaskan farmers. The USDA has been working on developing additional opportunities for crop insurance to help cover whole farms, specialty crops, hay, and other agricultural crops.

Recommendation:

Engage in conversation with the USDA risk management team and others to ensure the proposed statute would cover as many Alaskan farmers as possible. Amend bill language to provide premium coverage subsidies for not only revenue protection, but also whole farm, specialty crop, and other USDA RMA insurance programs as they become available in Alaska.

Issue:

Limited awareness of crop insurance in Alaska

Unlike the Lower 48, Alaska does not have farm/crop insurance company representatives in communities across the state. Additionally, the Division of Agriculture does not actively engage in outreach to help farmers understand the benefits of and options for crop insurance.

Recommendation:

Include funding for the Division of Agriculture to provide targeted outreach to farmers to take advantage of this new opportunity.

In the longer-term, we recommend further developing statewide capacity for the growth of Alaska's agricultural sector through the development of a State Department of Agriculture.

Open Procurement

The remaining sections of the CROP Act address Alaska's procurement laws. Currently, state law requires that entities receiving state funds (including municipalities, school districts, and state departments) must purchase Alaska Grown or harvested agricultural and fisheries products as long as they don't exceed 7-15% of the cost of comparable products from Outside. Under the proposed changes, this expense limit would be eliminated for five years beginning July 1, 2024 and sunseting June 30, 2029. In other words, for the next five years if an entity using state funds can procure Alaska grown/harvested/fished products that are of like quality to Outside products they would be required to purchase from Alaska under the law.

These provisions are generally supported by statewide food security recommendations within the Governor's Task Force (2023) as well as the Alaska Food Systems Action Plan (2022). AFPC strongly supports increasing opportunities for Alaska Grown/Harvested/Made products through changes to procurement policies. To best meet this shared vision, below we outline several considerations around the current proposal for consideration.

Issue:

Complexities in procurement contracts and planning for farmers

While fisheries businesses may be more scaled up to meet this expanded market opportunity, many of our farmers likely need additional time to take advantage of this opportunity. Additionally, procurement officers across the state

are often in longer-term contracts with distributors. To fully take advantage of the opportunities within this proposal, it is likely that more advanced notice and engagement with all parties would be immensely beneficial. An example is provided on page 112 of the Governor’s Task Force report: “A concerted effort, with accompanying resources, is required to expand production that is linked with institutional purchasing needs. As an example, if the Anchorage School District will need 400 pounds of green beans for a school year, a facilitator or broker would communicate this to growers and assist with planning and contracts.”

Recommendations:

- Consider delaying these provisions to begin July 1, 2025 and sunset June 30, 2030 and in the interim, proactively engage with all impacted stakeholders to develop effective communication channels between procurement officers and growers/harvesters in Alaska. We also note that five years may not be a long enough term to provide farmers sufficient security in scaling up to meet additional market demand.
 - Wholesalers will likely be the entities with direct connection to procurement contracts, and coordination should happen between farmers, wholesalers, and procurement officers for successful increased buying from Alaska producers.
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Issue:

Impact assessment, enforcement plans, and capacity

If these provisions are successful, it may be a change to state law that should not sunset after five years. However the only way we will know that is if the provisions are enforceable and enforced, and there is tracking of the impacts across the state.

Recommendation:

Ensure the fiscal note for this section includes staffing to follow-up with enforcement and impact tracking, and that there is direction to provide for these aspects within regulation.

Issue:

Ensure Funding/Procurement Investments where pathways already exist

Recommendation:

Amend the fiscal notes to support investments in existing local procurement programs, including Fish-to-School and Farm-to-School.

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