

# Mat-Su/Alaska Farm Bureau

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May 9, 2007

Governor Sarah Palin  
Office of the Governor  
Sent via Fax to 907/465-3532  
Juneau, AK 99811

Dear Gov. Palin:

The Mat-Su Chapter of the Alaska Farm Bureau watched with alarm as Alaska agriculture was forced to the brink of irrelevance by the Murkowski Administration's missteps. So far, the overreach and mistakes of that Administration seem to have been stemmed in Alaska's other industries.

Not so, however, with agriculture. Within the secret confines of what I truly hope are the most dysfunctional parts of state government, the Division of Agriculture, the Board of Agriculture and Conservation, and the Creamery Corporation Board continue as if an election hadn't occurred.

We are disappointed that our small industry has not yet experienced a change in leadership and approach. Perhaps after May 16, some small attention can be turned to the problems of an industry that, without a fast course correction, is poised to lose entire sectors.

The State of Alaska's agriculture leadership under the Murkowski Administration went about "helping" farmers by putting them out of business, suing them for trying to help themselves in marketing, presiding over the final failures of publicly owned processors, and dividing a weak industry against itself.

The late Earl Clabo, one of our most stalwart members and one of your most enthusiastic supporters, spearheaded the circulation of a "white paper for change" before the last election. It was signed by representatives not only of this organization, but of all the organizations involved in Alaska farming production. We thought it was a reasoned, thoughtful and restrained call for action. We submitted it to you in October, in a productive discussion with John Bitney. Please take another look at it.

Below, I will briefly outline the broad areas where the Mat-Su Chapter's initiatives and concerns over the past three years have been ignored or attacked.

## **1. Alaska Grown.**

Reams of paper and hundreds of thousands in legal fees have been needlessly expended. Since the Agricultural Revolving Loan Fund pays the state's expenses in suing our chapter over this issue and Alaska Grown is not an ARLF asset, we believe these fees have been illegally expended as well.

To win its anti-farmer point of view, the Division has resorted to two rounds of personal attacks and attempts to instigate changes in leadership within the chapter. It has threatened and misrepresented and unethically called on others within the farming community to lobby against the chapter and marketing self-rule. Now, it is backtracking from a negotiated settlement agreement.

What is this issue that commands so much in state money and state employee ethical lapses?

Simply, the state feels it must own and micro-control every aspect of the Alaska Grown program, down to the tee-shirt sales that our group has slowly built up with our own work for over 21 years.

The state acknowledges that the program and its logo were developed together with the farmers. The state acknowledges that its own function is to certify that the farm products so stamped are of good quality and are grown here in Alaska. So why interfere with our promotional efforts?

Every other industry in this state is given the courtesy of a belief that industry representatives can best run an industrywide marketing program. Only farmers are considered too infantile for this.

A survey of other "Grown" programs across the nation shows that the only ones which can be said to work are the ones where the industry runs the program.

It is the farmers who make such programs work, and is we who have made the tee-shirts work.

**Our recommendation: This suit should end immediately, while the state and the farmers begin an industry relationship like that with the Alaska Travel Industry Association.**

## **2. Dairy Concerns.**

Here the present Division leadership was not originally to blame; it is only their response to a long-standing problem that gave them ownership over the current debacle.

The mistake that triggered the decline of the dairy industry in Alaska was made in the 1980s. The state refused to sell the creamery back to a farm cooperative. Instead, it chose to retain ownership and control over Matanuska Maid.

Then, Matanuska Maid compounded the mistake by steadfastly holding to an industrial milk sales model, in a state where there is no industrial milk production.

Predictably, this model resulted in a steady decline of local milk production. It is now just a small fraction of the amount it was 20 years ago.

We have monitored and cajoled about this situation for the past several years, with increasing frustration in the last two years.

The current director pledged to us before his selection that he would see that the balance between processor and producer was redressed. He has broken this pledge.

His and the Board of Agriculture's response has ranged from the silly to the sinister. The silly was to advocate the dairy "industry" go back to one- and two-cow "farms" selling raw milk; never mind that that happens to be illegal. More sinister were the successful destruction of the two most recent attempts to dairy at Point MacKenzie, through targeted adverse loan actions and unfair pricing.

Just a week ago we learned that while the farmers have been stonewalled and blamed relentlessly, Matanuska Maid has secretly run up \$700,000 in losses over the past two years. Its industrial model of importing milk and starving the locals is at last revealed as a failure.

The state was warned over and over that a policy of favoring a processor while starving the farmer was wrong, and contrary to its fiduciary responsibilities of preserving ARLF farm collateral.

Once again, the farmers were ignored and the concerns of our chapter ridiculed. Once again, the state chose to stick by state control over private production.

**Our recommendation: Dairy industry policy in this state must be based on the necessities facing the actual dairy farmers in this state. Matanuska Maid has had over 20 years to try this, and has failed. Solutions to the problem of inadequate farmgate milk prices must be sought in the private sector, where the U.S. Department of Agriculture has recently invested in two innovative approaches.**

### **3. Slaughterhouse.**

Here, the current leadership simply decided to abruptly abandon the processing business after more than 20 years of state ownership. This decision was, commendably, modified to take proposals for private ownership of the plant.

Then, the one bidder was rejected. The stated reason for the rejection was that the person could not get non-ARLF operating funds to run the plant, and the plant could not be used as collateral.

Since we are not privy to the details, we cannot say whether this is the real reason or not. However, we note that the U.S. Department of Agriculture has a method of releasing grant assets for use in securing operating loans, without losing its interest in ensuring that projects are completed.

It seems to us that wise management might have adopted this approach.

Instead, the plant is still being operated by the state, but the meat prices to the producer have been lowered even further and the charges to the producer raised.

Once again, the farmer is blamed and penalized, while the industry becomes more miniscule.

Not only were we as a chapter and farmers ignored, but even farmer members of the Board of Agriculture were restrained from speaking freely on the slaughterhouse issue or voting on it.

**Our recommendation: The slaughterhouse, just like sustainable dairy processors, must base its pricing policies on the needs of the farmers it serves. The current unstable, farmer-punitive system will never work. Either the privatization of the plant through gradual conversion to cooperative farmer marketing should begin, and/or the Department of Corrections should contribute added training dollars to the operation.**

There are other missteps and lapses, and corresponding future opportunities, many of them discussed in the "white paper for change" previously mentioned.

Two of the examples given above heavily impact the Southcentral dairy and meat industries, and the third denies all farmers in the state a share in their own collective marketing symbol.

The rigid, secretive, dictated ways of the present have reached their logical conclusion: Failure.

It is past time for a fresh, farmer-centered approach to the business of farming in this state.

Please help.

Sincerely,

Karen Olson,  
Executive Director