

ALASKA STATE LEGISLATURE
HOUSE RESOURCES STANDING COMMITTEE

January 18, 2012

1:02 p.m.

MEMBERS PRESENT

Representative Eric Feige, Co-Chair
Representative Paul Seaton, Co-Chair
Representative Alan Dick
Representative Neal Foster
Representative Bob Herron
Representative Cathy Engstrom Munoz
Representative Berta Gardner
Representative Scott Kawasaki

MEMBERS ABSENT

Representative Peggy Wilson, Vice Chair

COMMITTEE CALENDAR

OVERVIEW(S): DEPARTMENT OF NATURAL RESOURCES - DIVISION OF
AGRICULTURE

- HEARD

PREVIOUS COMMITTEE ACTION

No previous action to record

WITNESS REGISTER

ED FOGELS, Deputy Commissioner
Office of the Commissioner
Department of Natural Resources (DNR)
Anchorage, Alaska

POSITION STATEMENT: Assisted with the overview of the
Department of Natural Resources, Division of Agriculture.

FRANCI HAVEMEISTER, Director
Central Office
Division of Agriculture
Department of Natural Resources (DNR)
Palmer, Alaska

POSITION STATEMENT: Provided the overview of the Department of
Natural Resources, Division of Agriculture.

REPRESENTATIVE DAVID GUTTENBERG

Alaska State Legislature

Juneau, Alaska

POSITION STATEMENT: As a peony farmer, provided comments during the overview of the Department of Natural Resources, Division of Agriculture.

BRYCE WRIGLEY, President

Alaska Farm Bureau

Delta Junction, Alaska

POSITION STATEMENT: Spoke about the need to do more to address agriculture and food security in Alaska during the overview of the Department of Natural Resources, Division of Agriculture.

RON ILLINGWORTH, President

Alaska Peony Growers Association, Inc. (APGA)

North Pole, Alaska

POSITION STATEMENT: Provided information about the relatively new cut-flower industry in Alaska during the overview of the Department of Natural Resources, Division of Agriculture.

ACTION NARRATIVE

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CO-CHAIR ERIC FEIGE called the House Resources Standing Committee meeting to order at 1:02 p.m. Representatives Kawasaki, Dick, Herron, Gardner, Foster, Seaton, and Feige were present at the call to order. Representative Munoz arrived as the meeting was in progress.

OVERVIEW(S): Department of Natural Resources - Division of Agriculture

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CO-CHAIR FEIGE announced that the only order of business would be an overview of the Department of Natural Resources, Division of Agriculture.

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ED FOGELS, Deputy Commissioner, Office of the Commissioner, Department of Natural Resources (DNR) noted that Alaska's \$30.7 million agricultural industry, consisting of 680 known farms, faces a lot of challenges. He explained that DNR is in the

process of developing a strategic plan for purposes of measuring the Division of Agriculture's success on a year-by-year basis. Furthermore, the division has been collaborating with other agencies, divisions, and departments in order to address the regulatory, leasing, and permitting issues faced by small farmers, and was instrumental in increasing the agricultural acreage in Susitna Valley. The division is also responsible for several marketing programs, including, but not limited to, the Alaska Grown Program, the Farm to School Program, and the Rural Village Seed Production Project (RVSP). He concluded by mentioning that Alaska's Agricultural Revolving Loan Fund (ARLF) is doing well, is continuing to meet industry needs, and is even growing slightly.

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FRANCI HAVEMEISTER, Director, Central Office, Division of Agriculture, Department of Natural Resources (DNR), referring to pages 2-6 of her PowerPoint presentation and the statistics included therein, reiterated that in 2010, Alaska's diverse agricultural industry, located throughout the state, consisted of 680 farms producing over \$30.7 million in cash receipts. She noted that the average Alaskan farmer is 56.2 years old and explained that the six top-ranking crops grown in Alaska are: greenhouse, nursery, and specialty crops, producing 42.3 percent of the aforementioned cash receipts; hay crops, producing 13.2 percent; cattle crops, producing 7.9 percent; potatoes, producing 7.7 percent; dairy, producing 5.2 percent; and barley, producing 2.4 percent. The division's central office [and its Plant Materials Center (PMC) are] located in Palmer, and its northern region office is located in Fairbanks; it has 47 employees - 33 full time, 11 seasonal, and 3 non-permanent - and a total budget of \$7.189 million.

MS. HAVEMEISTER, referring to pages 7-10 of her PowerPoint presentation, went on to explain that the division's mission and priority are to promote and encourage the development of an agriculture industry in Alaska. The division's core services include: land sales and management, such as moving state-owned land into private ownership with agricultural covenants attached, and permitting for grazing and other agricultural purposes; the ARLF, which provides low- and moderate-interest-rate loans for agricultural development; the PMC, which provides foundation seed and technical expertise; marketing assistance, including promoting the Alaska Grown Program; and inspection services, which allow product to enter into the marketplace. On the issue of land sales and management, she said that 202

agricultural acres were sold into private ownership in fiscal year (FY) 2011, [1,300 such acres] will be offered for sale in FY 13, and that the division is managing eight active grazing leases covering 179,785 acres, predominately in Homer and Kodiak, and six active agricultural leases covering 800 acres.

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MS. HAVEMEISTER, with regard to the ARLF, explained that it was statutorily established 58 years ago in AS 03.10.010; that it provides various forms of loans, including short term, chattel, farm development, irrigation, product processing, and clearing loans; that at the end of FY 11, the ARLF's equity was [over] \$22.7 million - up from [over] \$22.5 million at the end of FY 10 - and its cash balance was [over] \$4.58 million - down from [over] \$4.65 million at the end of FY 10; that during the past nine-year period, an average of \$2.4 million was loaned out annually, and an average of \$2.8 million was repaid annually. The majority of the loan requests the ARLF received during this nine-year period was for short-term loans of one to three years. She then referred to a graph in her PowerPoint presentation illustrating the comparative loan activity for that same period, and mentioned that the "large spikes" reflect years in which the Alaska Board of Agriculture and Conservation reset the interest rates lower. In response to questions, she recounted the ARLF's current interest rates on some of the different types of loans it offers; confirmed that having restrictive covenants on the land can make it difficult for people to get conventional commercial loans, particularly given that "agriculture banking" is very high risk; and agreed to provide the committee with information about the ARLF's 18 FY 11 loans.

MS. HAVEMEISTER, referring to pages 11-12 of her PowerPoint presentation, explained that the PMC's mission is to promote the use of Alaskan-produced agricultural crops for revegetation and seed production, and that the PMC's primary activities include the "foundation seed program, the certified potato seed program, the certified seed laboratory, native plant evaluation, high-latitude germplasm research, invasive species management, revegetation technology, conservation plant technology, seed cleaning and conditioning, ethnobotany teaching garden, rural village seed production, training/outreach/publications, and ... a web conference hosting facility." In response to questions, she provided further details about the PMC, its funding, and its seed programs/projects, and concurred that the recent lack of federal funding has been devastating to Alaska's agricultural community.

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REPRESENTATIVE DAVID GUTTENBERG, Alaska State Legislature, disclosed that he is now a peony farmer.

MS. HAVEMEISTER, referring to the issue of market development and pages 13-17 of her PowerPoint presentation, reiterated that the division is responsible for the Alaska Grown Program and the Farm to School Program, and mentioned that it also provides industry support, education and outreach, conference hosting, and a farmers market directory. She added that the division also acts as a "pass-through" for many grants, such as specialty crop grants, which peony farmers have received in the past, and is involved in a federal-state marketing improvement program. The Alaska Grown Program was launched in 1985 and designed to highlight Alaska-grown farm products in the marketplace; there are over 400 farms participating in the program; it has engendered one of the most recognized brands in the state; and the statewide advertising campaign associated with the program reminds people to look for, ask for, and buy Alaska grown.

MS. HAVEMEISTER relayed that some of the program's accomplishments in FY 11 include: working closely with retailers to encourage increased support of Alaska grown, whether it be through direct contact or by providing signage and other promotional items; providing support to and promotion of the 33 farmers markets around the state (up from only 13 markets in 2007), such as multi-agency cooperation to create a farmers market manual and a farmers market brochure; partnering with certain local entities for specific marketing campaigns; and successfully making use of social media. Farmers markets provide Alaska's producers, regardless of size, with a market for their product. Furthermore, the increased number of such markets reflects a growing nationwide interest in knowing where one's food comes from. The division, she assured the committee, will continue to explore new marketing/advertising venues in order to educate the public on Alaska-grown products, and will continue to work with local chefs to promote the use of fresh, seasonal Alaska product. One past example of the latter type of effort involved providing grant funding for chefs to showcase Alaska-grown products at certain farmers markets.

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MS. HAVEMEISTER, explained that the priorities of the Farm to School Program are to enhance the relationship between producers

and schools; identify and disseminate curriculums that will increase students' awareness of agriculture in Alaska; work with officials to develop guidelines and standards for school gardens; and promote, encourage, and coordinate farm visits for students. She relayed that some of the program's accomplishments in FY 11 include assisting the Department of Environmental Conservation (DEC) in developing food-safety guidelines for school gardens; [providing] a mini-grant for local level project funding; launching a farm-to-school challenge during October, which is National Farm to School Month; conducting a product feasibility study and developing recipes for local product; and participating in the national farm-to-school movement. Involvement in the program by 29 of Alaska's 53 school districts has exposed approximately 20 percent of Alaska's K-12 students [to the program] thus far.

MS. HAVEMEISTER, referring to pages 18-19 of her PowerPoint presentation, relayed that in terms of FY 11 education and outreach efforts, the division hosted 5 conferences, spoke at 19 events, administered 28 grants, produced 25 newsletters, participated in 356 public-market outreach activities, and funded 6 marketing campaigns. She assured the committee that the division is continuing to partner with educators, various agencies, and the public sector to promote knowledge transfer within the industry, as well as continuing to support various agriculture education programs for youth. With regard to the division's inspection services, Ms. Havemeister indicated that they include "USDA-grade" [U.S. Department of Agriculture] inspection and certification; food safety audits, which address good handling practices (GHP) and good agricultural practices (GAP); export certification; country of origin labeling; and cooperative agricultural pest surveys. In FY 11 the division conducted 90 commercial produce inspections, 250 military and institutional produce inspections, 2 GHP/GAP inspections, 70 federal phytosanitary inspections, 12 country of origin audits, 12 USDA-grade egg inspections, 3 elk farm inspections, 185 farm and retail inspections, and 2 brand inspections.

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MS. HAVEMEISTER, moving to slide 20, said the division's other accomplishments in FY 11 include: setting up bi-monthly teleconferences between the division, the DEC, and those in the [agriculture] industry so that areas of concern can be addressed; holding discussions with the Division of Mining, Land and Water to find ways of streamlining and facilitating the leasing process; working closely with the Department of

Corrections (DOC) to increase the quantity of Alaska Grown products that are purchased by the state's correctional facilities; creating an agriculture advisory panel so that industry has a venue for providing direct input into the division's long-range plan; continuing to provide industry with information and services; nearing completion of a vegetation, erosion, and invasive weed survey on the Trans-Alaska Pipeline conducted jointly with the State Pipeline Coordinator's office, the federal Bureau of Land Management (BLM), and the Alyeska Pipeline Service Company; nearing publication of a comprehensive field guide for the identification of Alaska grasses - a useful tool when addressing revegetation; preparing to print the new Alaska Forage Manual; publishing the second edition of the Alaska Coastal Revegetation and Erosion Control Guide; testing over 600 seed lots; conducting over 800 tests for individuals; producing over 66,000 pounds of clean seed; moving the RVSPF forward to six villages - the resulting seeds will be marketed to local mining, road, and airport projects; and acquiring and storing plant materials salvaged from the federal Agriculture Resource Service (ARS) group.

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MS. HAVEMEISTER, in response to questions, clarified that the Rural Village Seed Production Project would be using various seeds that grow in the particular area that a village is located in; that the resultant crops would meet the area's revegetation needs as well as have [a positive] economic impact on the village; that the aforementioned 66,000 pounds of clean seed produced by the PMC is grass seed; and that the division believes the state's ongoing revegetation needs will ensure that the production efforts by villages involved in the RVSPF are economically sustainable over the long term.

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MS. HAVEMEISTER, regarding how Alaska can become more food secure, directed attention to the division's long-range plan, "Alaska's Plan for Agriculture," included in the committee packets. She said the plan was put together in response to industry's concern and is an update to the old plan of three years ago. She offered her belief that the division's role is to promote and encourage the development of an agriculture industry and the division does this through its five core services. She said she asked the agriculture industry to provide input into the five-year plan because she does not believe the division can push industry in one direction or

another. She added that the division needs measurable goals that can be assessed, encouraged, and promoted.

The committee took an at-ease from 1:31 p.m. to 1:37 p.m.

1:37:00 PM

REPRESENTATIVE HERRON offered his understanding that the governor wants to lead the state on food security and questioned the tact of waiting for the industry to lead the state.

MS. HAVEMEISTER replied that food security is an important issue and offered her belief that that is a governor initiative. However, she continued, agriculture needs increased markets because without increased markets there is nowhere for this food to go when there is not a disaster; there needs to be an equal balance between increased markets and increased production or the farmers will be devastated. In response to further questions from Representative Herron, Ms. Havemeister said the division's internal measurements for achieving food security are to provide the core services needed to promote and encourage. These services are: provide land for sale for agricultural production, provide the loan opportunities to get up and running, provide the foundation seed and expertise for production, provide marketing for the agriculture industry, and provide inspection services to move it into commerce. Regarding Meyers Farm in Bethel, she said the division has been out to the farm on at least one occasion and has done a GHP and GAP audit of the farm's produce handling process. She offered her belief that the division has also done pass-through grants for Meyers Farm and said the farm markets under the Alaska Grown Program. She added that the division also has the ARLF program if the farm is in need of funding.

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REPRESENTATIVE HERRON inquired how the division's collaboration with the USDA will be changing.

MS. HAVEMEISTER replied that in regard to the USDA's absence, the division is hoping to be able to pick up part of those services that the USDA provided for industry. Regarding a question from Representative Herron about any new innovative programs at the division, Ms. Havemeister said that *Rhodiola*, a rootstock grown in Canada for medicinal purposes, is being researched at the university and this is being watched by the division. Also, via a specialty crop pass-through grant, the

division is looking at new marketing initiatives, one being a restaurant initiative in which the division will provide a percent of reimbursement to restaurant owners who utilize Alaska Grown this next summer.

REPRESENTATIVE HERRON related that the governor wants to warehouse Meals Ready to Eat (MRE) for the military. He inquired whether Alaska Grown MREs could be developed.

MS. HAVEMEISTER said that with the correct resources it could be developed, but financial feasibility would have to be looked at.

REPRESENTATIVE HERRON, in response to Co-Chair Feige, said that he was talking about manufacturing the MREs in Alaska as well as using Alaska products in the MREs.

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REPRESENTATIVE GUTTENBERG, surmising that an increase of local produce would displace imported produce, asked whether the division has been working with supermarkets to make sure that that happens.

MS. HAVEMEISTER responded that the division is working with Fred Meyer, Carrs, and Safeway to carry Alaska Grown products, but pointed out that the division has no control over what the supermarkets choose to carry. While the state has the ability to produce more, that market is currently limited to what the stores are willing to carry of Alaska Grown. In further response, Ms. Havemeister said the division's efforts in this regard have been somewhat successful, as Alaska Grown is seen in those stores. Because it is private enterprise she cannot mandate that stores carry more Alaska Grown - it is done through forming relationships and encouraging them to promote local and what is best for the state's economy.

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REPRESENTATIVE GUTTENBERG noted the university is researching the antioxidant and brain-food side of Alaska blueberries and asked whether the division is working with the researchers to develop those markets. Relating that Dr. Patricia Holloway at the "experimental farm" has had requests to send some of that blueberry stock outside so other people could experiment, he related his concern for losing a uniquely Alaskan crop to others wanting to take advantage of it.

MS. HAVEMEISTER replied she is aware of that product and the division's marketing department has kept in contact; however, harvesting wild blueberries is not considered a farmed product.

REPRESENTATIVE GUTTENBERG urged that the division keep track of the research project involving a line of Fairbanks blueberries that look more like grapes than wild blueberries.

MS. HAVEMEISTER responded that she knows the gentlemen producing these berries.

[1:44:14 PM](#)

REPRESENTATIVE MUNOZ, in regard to increasing product demand, inquired whether the division is finding success in Southeast Alaska with the three aforementioned supermarkets because she has not personally seen any Alaska Grown produce.

MS. HAVEMEISTER said the division has not had a lot of success because it is cheaper for Fred Meyer to bring produce up from Seattle. She urged that when people are shopping they approach the produce manager to ask where the Alaska Grown is.

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MS. HAVEMEISTER, referring to page 22 of her PowerPoint presentation, shared some of the comments made by industry for how production could be increased within the state. These comments included the need for more agriculture land, incentives to produce, assistance with input costs because product value has not kept up with the increasing costs, the need for more young farmers, and that industry is interested in agriculture land sales of less than 40 acres. These comments also identified the need to connect agriculture land owners not currently in production with those that are looking for agriculture land, as well as an interest in localized or mobilized processing units. She added that Homer is putting together a local food hub by pulling together the area's producers to work cooperatively to find out what everybody has for sending to the local stores. She offered her belief that the Homer hospital is purchasing Alaska Grown.

MS. HAVEMEISTER closed her presentation saying that the division continues to work diligently for industry. She said that as a member of an agriculture family she understands the industry's importance. While agriculture is an industry with challenges, those challenges can be overcome with state support of the

division's core services and industry's input on where it would like to go.

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MS. HAVEMEISTER, in response to Co-Chair Feige, said that the division has considered sales and leases of the agriculture land in the Matanuska-Susitna area. She noted that most of the land in that particular management plan is fairly rural. While the division does not have any immediate plans on moving that agriculture land into the sales, she offered her belief that it is still a plus for the agriculture industry of Alaska to have it as designated land since the agriculture covenants will be kept until the land is offered for sale. In further response, Ms. Havemeister confirmed that most of that Matanuska-Susitna land is still forested and staff at the Division of Agriculture has talked with the Division of Forestry about timber sales to clear that land before offering it for sale. Responding to additional questions from Co-Chair Feige, Ms. Havemeister said the Division of Agriculture is hoping to pick up some of the slack from the closure of federal USDA research. She added that while the university level is most appropriate for much of that research, the Plant Materials Center is willing to assist the industry. She affirmed that the division would go into the budgetary process with the aforementioned in mind.

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CO-CHAIR FEIGE, observing that most of the division's marketing seemed to be in-state, asked whether there has been any effort to grow international markets.

MS. HAVEMEISTER replied that the division has not done a lot of research on export markets because in-state production is currently being sold throughout the state and there has been no surplus to sell. Responding to another question from Co-Chair Feige, she explained that the division certifies organic foods through a partnership with Washington State's Department of Agriculture, which comes up to Alaska to conduct the organic inspections. The division does not do the inspections because the process requires three certified people; however, the division does a cost-share with the producers for the inspections. Responding further, she affirmed that the demand is being adequately served by subcontracting to Washington.

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CO-CHAIR SEATON, regarding the aging of Alaska's current farmers, said a system is needed for growing the next generation of farmers but he did not see that in the presentation. The education aspect of agriculture seems to have fallen through the cracks. He presumed that the division does not have a budgetary request for a Future Farmers of America (FFA) coordinator. Given that growing the next generation of farmers is identified as a priority, he inquired whether the division has a budgetary request through the governor's office to enhance education and other activities in this regard.

MS. HAVEMEISTER said that at this time the division does not.

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CO-CHAIR SEATON related that during his confirmation hearing last year, DNR Commissioner Dan Sullivan committed to elevating agriculture from its position of "step-child." Co-Chair Seaton requested that a message be given to the commissioner that to fulfill that obligation there must be some budgetary numbers. He asked that the division prepare a budgetary item for educating the next generation of farmers, including FFA, and submit it through the channels. Then, if the item does not get funded, the legislature and the governor must take the responsibility.

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REPRESENTATIVE KAWASAKI, in regard to the 202 acres sold in 2011 and the 1300 acres to be offered for sale in 2013, asked whether all of the land that is offered is usually purchased.

MS. HAVEMEISTER replied yes; the division offered seven parcels in 2010 - four were offered through the outcry auction and three were offered over the counter - and all were bought.

REPRESENTATIVE KAWASAKI, noting that the industry's number one comment was the need for more agricultural land, inquired why only 1300 acres are being offered for sale in 2013.

MS. HAVEMEISTER responded that she does not believe it is a problem, just a process to go through for the Division of Mining, Land and Water to do the surveys and make the preliminary decisions and final findings. In regard to availability, she said there is agricultural land out there that is not in production, and a key tool would be to connect those who are looking to produce with those who have land that is

ready to produce but not producing, which the division is currently looking into.

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CO-CHAIR FEIGE posited that most of the in-state hay and barley production goes for animal feed and since some parts of agriculture feed off the other parts, an increase in cattle or elk would cause other increases. He directed attention to the five-year grazing [permit] included in the committee packet and observed that the permit has all kinds of conditions and can be cancelled on a 30-day notice for cause or not. Given the amount of money to purchase cattle this creates a lot of risk to the business decision. Additionally, the permit has no provision for first right of refusal at the end of its five-year term. He urged the division to remove such roadblocks to making a business decision by looking at some of the terms on the sale and lease of state land.

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MS. HAVEMEISTER commented that a long-term lease would be more appropriate for the kind of producer Co-Chair Feige is speaking of because it provides guaranteed use of that land for 25 years. She related that the division has several grazing leases in Kodiak, with one being for a cattle operation on Sitkinak Island which has a mobile slaughter facility that it built using both USDA funds and private funding. In further response regarding a permit versus a lease, she explained that the process for getting a permit is shorter than the process for getting a lease. In response to Representative Gardner, Ms. Havemeister said the Sitkinak Island cattle operation sells online, as well as through Kodiak, and is operated by Bob Mudd and his son.

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CO-CHAIR SEATON, directing attention to the land use permit in the committee packet, noted that permits are not leases and under the term of permit there is no public notification, which has become an issue. Additionally, a permit holder could spend \$10,000 for fencing and then have the permit taken away without cause with only a 30-day notice; for example, a new division director with a different view could take the permit away. If it is for cause, the permit holder could be required to take down the fence immediately. He added he is glad to see that the department's electronic billboard system now posts leases when they are granted.

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MR. FOGELS responded that in general, and not specific to just agriculture, the department has a number of tools for letting people use state land. The more secure a person's land tenure, the more careful the department must be before making an issue, and a good example of this is a lease versus a permit. In many instances, permits can be issued to applicants for short-term activities; they are typically easy to give out, are quick, and are a lot cheaper than leases, and the notice requirements are less. In exchange for that the applicant does not have near as secure of a land tenure position. For a secure land position, an applicant needs to ask for something more like a lease where there would be a commitment to use the land long term. This would cost more and may require an appraisal and surveys, a process that takes much longer. In many cases it is up to the applicant to tell the department what he or she wants so the department can lay out the tools available for the applicant to choose from. Mr. Fogels acknowledged that the Homer permits were given without public notice and did not go over very well, so the department pulled them back to re-do. To issue agricultural grazing, leases, and permits, the Division of Agriculture and the Division of Mining, Land and Water must work in tandem. This is because the authority to actually issue the authorization lies within the Division of Mining, Land and Water while the expertise in agriculture resides in the Division of Agriculture. He said someone wanting a long-term tenure to the land would be best served by an agricultural lease of some kind.

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CO-CHAIR SEATON reiterated his concern that, given the amount of investment required, a permit with a 30-day vacation for no cause is something the state should not do if it wants agriculture to survive. He urged development of a better tool with more security, such as a first right of refusal.

REPRESENTATIVE GUTTENBERG relayed that seven or eight schools in Fairbanks have a "gardens-in-schools program," with each school generating about 1500 pounds of food a year. The Calypso Farm and Ecology Center is behind this model of success; the farm itself does not do the program but rather enables the teachers to do it. The students are excited about growing things and the program incorporates a science and math curriculum. He suggested that to grow future farmers the state could adopt this program and have gardens in all of its schools.

[2:10:51 PM](#)

BRYCE WRIGLEY, President, Alaska Farm Bureau, first noted that he is encouraged to hear the committee's awareness of the importance of the state being able to feed its residents by expanding agriculture. Alaska's food security situation requires a look at the current structure of the agency whose mission it is to support the development of agriculture. The Division of Agriculture lacks support from the Department of Natural Resources (DNR), he charged. Despite DNR's assertions that it wants to see agriculture succeed, it has not been supportive of the issues needed to make agriculture happen. He said he did not know whether this is because the division has not requested it or because the department has shot down the request. He suspected that when the division's requests do not fit into the larger DNR priorities those needs are not approved. While oil and gas is rightly DNR's biggest priority, the problem is that after taking care of that priority there is no time left to deal with agriculture.

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MR. WRIGLEY said the state should be growing enough food to be able to provide for itself if a barge does not come in. Agriculture has consistently taken a back seat to other resource development over the past 30 years, which is astounding given the state's dependence on outside food. A dynamic agriculture industry would benefit Alaska in more ways than just growing food. For example, agriculture could help address many of the social ills in the state's rural areas because it connects people with the land and promotes industry, pride, and self-reliance. He maintained that DNR's lack of support is demonstrated by the northern office being more like a closet without a sign than an office, and that after six months a new manager has yet to be hired to replace the one that retired. He offered his belief that DNR and the Division of Agriculture made no serious effort to stop the Agricultural Research Service (ARS) from pulling the plug on its critical research base in Alaska. No new agriculture development projects have been planned, he added, and it has been four years since any land has been moved into private hands for farming.

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MR. WRIGLEY charged that virtually nothing has been done to protect the potato industry in the four or five years since an

incident of bacterial ring rot, a potato disease, was raised at a Board of Agriculture and Conservation meeting. The seed potato sale agreements and opportunities for China and Taiwan that have been talked about for 20 years may now be a pipedream because of the ring rot. He further charged that DNR refused to deposit funds from the Matanuska Maid closure into the Agricultural Revolving Loan Fund (ARLF) until the legislature requested it be done. He said DNR and the division have failed to fully and aggressively explore new markets for agriculture products, two examples being Chinese seed potato sales and using Delta Junction barley as a biomass fuel at Fort Greely.

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MR. WRIGLEY applauded Co-Chairs Feige and Seaton for their pursuit on leases. He pointed out that some leases have been waiting 10 years to be renewed, creating problems for the permit holder owning cattle on those leases and needing to put in fences, wells, and other working facilities. He agreed with the co-chairs that this needs to be looked at and that the right of first refusal is a good suggestion, provided that cattle are being grazed on the lease and a management plan is being followed. He offered his understanding that every time those leases come up for renewal, the "highest and best use of the land" must be revisited before the leases can be re-let. Mr. Wrigley said he wonders about the state's vision for agriculture because it is following a course that maintains the same level of agricultural activity rather than growing it. There must be opportunities, he continued, given that 95 percent of Alaska's food comes from Outside. He reported that at a recent Farm Bureau meeting he attended in Hawaii he learned that Hawaii imports 85 percent of its food. However, Hawaii has a very aggressive plan to increase food production and that plan is supported by the highest levels of state government, including the governor.

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MR. WRIGLEY suggested that one way to preserve agricultural land use would be to release utility land for sale for home building so that homes are not built on agriculture land. Also, to get land into public lands more quickly and efficiently, pioneer access roads could be built instead of large expensive roads. He said there are places in Alaska that would grow crops better than the land in Delta Junction, but this cannot happen until the land is put into private ownership. Incentives could be attached to encourage the development of agriculture; for

example, production credit incentives could be given for certain crops that the state deems to be more important than others. Another type of incentive could be tax breaks for farm land that is kept in agricultural production over time. Additionally, in places where there is tax, farm buildings should be taxed at the lowest single-use rate. He also suggested adopting discounted fares for agricultural products transported on Alaska's ferry and railroad systems.

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MR. WRIGLEY urged that the state get serious about agriculture and food security. He said the agriculture community is tired of hearing that the state cannot move agriculture forward because the budget is not there, or the authority is not there, or the legislature and administration are too caught up in other things. The current structure is not working, and one day Alaska residents could wake up with no food and no immediate prospects for getting it. For example, after Hurricane Katrina it took two weeks to get food to New Orleans, a single city only 100 miles from the bread basket of America and with an excellent transportation system, while Alaska is 1500 miles from its food supply, has widespread communities, and frequently has extreme weather. The current situation in Nome of Alaska's only ice breaker accompanying a Russian tanker loaded with foreign diesel should be setting off alarm bells in everyone's head, he continued. Given the benefits from agriculture of food, jobs, security, purpose, work ethics, and hope, it is a tragedy that so much time must be spent trying to convince state officials that agriculture needs to be a priority in spite of being a comparatively minor part of the state's economy. He concluded by urging the committee to hear HB 191, which would re-instate a Department of Agriculture whose single focus would be improving Alaska's ability to feed itself. He said he will submit to the committee written suggestions for a viable agriculture plan.

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RON ILLINGWORTH, President, Alaska Peony Growers Association, Inc. (APGA), first noted that the agricultural property he lives on near North Pole has agricultural covenants. He said that unlike any of Alaska's other agricultural, timber, fish, or mineral products, Alaska's cut flower industry for peonies has no competition from anywhere else in the world. This is because peonies bloom in Alaska in July, August, and September, and nowhere else in the world during this time. He related that as of December 2011 his association had 98 members and of those, 17

have a marketable quantity of peonies, which is 500 plants in the ground. The peony farms are located from Homer on up to North Pole and Delta Junction. In 2011, about 10,000 cut stems were sold at an average price of about \$4 per stem. The stems were shipped to the Lower 48, Canada, and Japan, and there were more inquiries than the growers could meet.

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MR. ILLINGWORTH related that in 2009 the U.S. wholesale cut flower business was a \$433 million industry. While there is no specific data for U.S. peony cut flower production, the Dutch Flower Auction, the biggest floral auction in the world, sold 50 million cut peonies in 2008, with that number expected to reach 100 million stems this year. Alaska farmers currently have over 50,000 peony roots in the ground and are continuing to add over 10,000 roots per year. He explained that peonies reach maturity in about 5 years, at which time 10 cuts per plant can be taken. This means that by 2015 growers will be producing about 500,000 cuts per year which, at \$2-\$4 per stem, equates to between \$1 and \$2 million per year in sales. At 2,500 to 5,000 plants per acre the production value is \$50,000 to \$100,000 per acre. Buyers worldwide have indicated a strong interest, he continued, including a buyer in London who has a standing order for 100,000 stems a week as soon as Alaska's growers can produce them.

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MR. ILLINGWORTH addressed how public officials can be of help to the Alaska peony industry. He said assistance in marketing could be provided by putting information about the Alaska peony industry into all of the state's marketing efforts, as is currently done for the oil, mining, fishing, and forestry industries. Assistance with small business development could also be provided, such as incubator support to get a new business started. He pointed out that the peony industry currently provides about 75 seasonal jobs and this number is anticipated to double over the next 5 years. With 80 percent of all cut flowers being imported into the U.S., mostly from South America, Alaska has a huge opportunity to become the center for U.S. peony production during the summer. The top months for weddings in the U.S. are June and August, followed by September. According to a recent publication, he related, one of the top three flowers for weddings is the peony. With the exception of June, Alaska growers could easily cover the wedding market.

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MR. ILLINGWORTH, continuing with how public officials can be of help, noted that conducting research on the farm is difficult, costly, and essentially beyond the growers' technical abilities, so assistance is needed in this regard. The loss of ARS has impacted peony growers just as it has the other agricultural sectors. Research is needed to learn more about plant physiology, post-harvest handling, post-harvest storage, and full-chain management. He reported that due to funding issues the university recently cut the faculty involved in peony research from full time to three-quarter time. The university cannot pick up the loss of ARS without additional resources, he said. The peony association has started to do research itself using a small U.S. Department of Agriculture (USDA) pass-through grant from the state. The association would support increased funding for research, whether through the university, the Division of Agriculture, or dedicated funding to the association for focused research. He pointed out that there is no need for facilities they already exist throughout the state and are available for use; therefore research could be done without any increase in infrastructure.

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MR. ILLINGWORTH said the amount of land needed for growing peonies can be as little as one or five acres; he has 40 acres, which is a huge amount of land for peonies. He added that he is in the process of increasing the number of peonies in the ground and hopes his farm will be at 15,000 roots in the next few years. While a lot of land is not needed, it does take several people to do the cutting, bud grading, packing, marketing, and shipping. Some of this work is seasonal and some is year round. The peony industry is going to create jobs in the state, as well as create interest in the state for peony growing. It is a sustainable industry that does not require large investments of land or structures.

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MR. ILLINGWORTH advised that to grow the next generation of farmers there must be farms. It does not do any good to have programs in schools if there are no farms for people to go to or for youth to work. He related that a young man who worked on his farm as a junior in high school is now in college majoring in greenhouse management. He also told about a peony growing program conducted in a local school for one year where the kids researched and chose the varieties and then planted them on his

farm. He concluded by saying that the cut flower peony growing industry in Alaska is strong and getting stronger. The seven-year-old industry has sold thousands of dollars of merchandise and within the next couple of years the industry will be approaching \$100,000 per year. He said his own farm is generating \$5,000.

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CO-CHAIR SEATON clarified that in his earlier comments he did not mean to say the division had not submitted budget requests, only that he did not know whether it had. He said it needs to be ensured that the Division of Agriculture forwards its requests to advance agriculture. He asked what would be the one thing the legislature could do that would be the most helpful in advancing the peony industry forward.

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MR. ILLINGWORTH responded that peony growers need research money in particular for nutrition fertilizing, fertilization studies, and phenology studies. To do that well for a five-year period would take up to \$500,000 [per year]. In response to further questions, he said it would take one to two people to do the work over a five-year period because it takes several years to conduct the trials, see the results, and do an evaluation. He estimated that this would require a budget of about \$500,000 per year for five years and the funding could come through either the university or the Division of Agriculture. If through the university, it would have to come through the governor's budget and would have to be specifically identified for work in the aforementioned areas rather than just general. If through the Division of Agriculture, the research could then be conducted by people at the university or by other researchers, such as those individuals who used to work for ARS.

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MR. ILLINGWORTH, in response to Co-Chair Feige, confirmed that it takes up to five years from the time a peony is planted to when cuts can be taken. He explained that some cuts can be taken after the third year, but it is best to not take much because the cut stem has green leaves on it and the plant needs to be storing up to begin real production after four or five years. The plants last 30 years or so and each plant will provide 10 cut stems, with 10 or more left on the plant in the field. In further response, Mr. Illingworth said that he is

currently receiving \$4 per stem and \$5 per stem for the more popular varieties. At a price of \$4 per stem, and 5,000 mature plants in the ground supplying 10 stems per plant, the income would be \$100,000 per acre.

The committee took an at-ease from 2:50 p.m. to 2:54 p.m.

REPRESENTATIVE GUTTENBERG, after disclosing that he is a member of the Alaska Peony Growers Association, informed members that peonies are a high-demand cut flower throughout the world. The peony is the national flower of China and at the time peonies blossom in Alaska there is no other competition in the world. Last year growers exported peonies to Hawaii. The association is not looking for mega-project help, he related, only for the basic support of agriculture that every farm state in the U.S. has. One of the problems with the loss of Alaska's scientists is that if a grower finds something wrong with a plant, the plant material will be too degraded to investigate by the time it is received by a scientist elsewhere. He said Palmer is the national repository of peony seeds in the nation and that is being lost because of federal cuts. Further, the seed potato plant for the state is unique to Alaska and there are things that need to be developed for this. He offered his agreement with some of Mr. Wrigley's statements.

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CO-CHAIR SEATON requested that the Division of Agriculture put forth a budgetary framework that would accomplish the peony research assistance mentioned by Mr. Illingworth. He then said that people do not apply for leases because it takes 10 years to get them and a business plan cannot be undertaken when this is the case. He requested Mr. Fogels to address a resolution for this leasing issue.

MR. FOGELS replied that this issue crosses over to another huge issue that DNR has been working on over the last year - the permitting efficiency initiative that DNR is pushing to scrub DNR's permitting processes from top to bottom. He said the legislature supported significant new resources specifically to the Division of Mining, Land and Water to eliminate DNR's backlog and to make improvements, and the department will be reporting to the legislature on that. In regard to leasing, he said all the processes are being looked at, including improvement in how quickly authorizations are processed for grazing leases and permits. New people are working on those and additionally the department is looking for better ways to do

business. The goal is to eliminate the backlog as well to make it so there is not this kind of backlog again.

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MS. HAVEMEISTER, in response to Co-Chair Seaton, agreed to notify legislators when the agriculture advisory panel is scheduled to meet.

MS. HAVEMEISTER, in response to Co-Chair Feige, confirmed that she is aware of the barley biofuel project at Fort Greely mentioned by Mr. Wrigley, and said that she set up a couple of meetings for Mr. Wrigley with the Alaska Industrial Development and Export Authority (AIDEA) and the Alaska Energy Authority (AEA) regarding the alternative energy program available there. In response to a further question from Co-Chair Feige about whether she has weighed in with the U.S. Department of Defense as to whether that is a good project, she said she has not.

CO-CHAIR FEIGE requested Ms. Havemeister to look into that and, if the division feels it is warranted, to provide a letter of support to the Fort Greely folks who are working the barley project because it would triple the market for barley, which would be of benefit to the Delta Junction area.

3:03:11 PM

ADJOURNMENT

There being no further business before the committee, the House Resources Standing Committee meeting was adjourned at 3:03 p.m.