

**COMMITTEE REPORT**  
**SENATE**

FURTHER:

3/20/85

Date \_\_\_\_\_

Mr. President

The Committee on FINANCE considered SB 40

establishing an agricultural product incentive program.

and (a majority of the committee) (the committee) reports it back with the following recommendations:

- do pass
- do pass with attached amendment(s)
- replace with/or adopt CS for \_\_\_\_\_
- new title
- same title and recommends \_\_\_\_\_
- and attached a "LETTER OF INTENT"  NEW FISCAL NOTE
- reports it back without recommendation
- recommends referral to \_\_\_\_\_ Committee

MEMBERS SIGNING  
DO PASS

MEMBERS HAVING  
OTHER RECOMMENDATIONS

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

\_\_\_\_\_  
Chairman

\_\_\_\_\_  
Chairman recommendation

COMMITTEE REPORT

SENATE

FURTHER:

FINANCE

1/14/85

Date

3/18/85

Mr. President

The Committee on RESOURCES considered SB 40

establishing an agricultural product incentive program.

and (a majority of the committee) (the committee) reports it back with the following recommendations: INDIVIDUAL RECOMMENDATIONS:

- do pass
- do pass with attached amendment(s)
- replace with/or adopt CS for SB 40 (RES)
- new title
- same title and recommends
- and attached a "LETTER OF INTENT" [ ] NEW FISCAL NOTE
- reports it back without recommendation
- recommends referral to \_\_\_\_\_ Committee

MEMBERS SIGNING DO PASS?

1. [Signature]

1. [Signature]

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

MEMBERS HAVING OTHER RECOMMENDATIONS

2. [Signature] Do Not Pass Yet

3. [Signature] No Rec.

3. [Signature] No Rec

3. [Signature] No Rec

[Signature] Chairman

Do Pass  
Chairman recommendation

Offered: 3/20/85  
Referred: Finance

Original sponsor: Coghill

1 IN THE SENATE

BY THE RESOURCES COMMITTEE

2 CS FOR SENATE BILL NO. 40 (Resources)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 FOURTEENTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act allowing agricultural production credits; and  
7 providing for an effective date."

8 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

9 \* Section 1. AS 03.05 is amended by adding a new section to read:

10 Sec. 03.05.015. AGRICULTURAL PRODUCTION CREDITS. (a) The  
11 commissioner of natural resources shall establish a program of agri-  
12 cultural production credits to be applied against interest due on  
13 agricultural loans made under this title and AS 44 and interest due on  
14 the sale of agricultural land under AS 38.05. The credits shall be  
15 based on agricultural products grown or raised in the state.

16 (b) The annual credit for the years 1984 - 1988 is 20 percent of  
17 the total sales as documented by the farmer on Internal Revenue Ser-  
18 vice Schedule F (form 1040). The portion of total sales as documented  
19 by the farmer on Internal Revenue Service Schedule F (form 1040) that  
20 may be claimed as a credit under this section for 1989 and each subse-  
21 quent year shall decrease by two percentage points each year.

22 (c) A credit granted under this section may not be transferred.

23 \* Sec. 2. AS 03.05.015 is repealed December 31, 1994.

24 \* Sec. 3. This Act takes effect immediately in accordance with AS 01.-  
25 10.070(c).

Introduced: 1/14/85  
Referred: Resources  
and Finance

1 IN THE SENATE

BY COGHILL

2 SENATE BILL NO. 40

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 FOURTEENTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act establishing an agricultural product incen-  
7 tive program."

8 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

9 \* Section 1. AS 38.05 is amended by adding a new section to read:

10 Sec. 38.05.064. AGRICULTURAL PRODUCT INCENTIVE PROGRAM. (a)  
11 The director shall establish an agricultural product incentive program  
12 to credit agricultural land purchasers on the basis of agricultural  
13 production. The credit may be based only on the production of grains,  
14 dairy products, and livestock on agricultural land purchased under  
15 this chapter.

16 (b) The amount of the credit shall be determined by the direc-  
17 tor, based on the Seattle price of the product credited, minus the  
18 freight cost to the production location.

19 (c) The credit may be applied only against principal due on a  
20 sale of agricultural land made under this chapter.

21

22

23

24

25

26

27

28

29

COMMITTEE COPY

ALASKA STATE LEGISLATURE

14TH Legislature FIRST Session

SENATE BILL NO. 40

By COGHILL

"An Act establishing an agricultural product incentive program."

Introduced in the Senate 1/14, 1985

HISTORY IN THE SENATE

1985

Read first time and referred to Committee on

1 14

Resources and Finance

3 20

Reported back with *reamend* recommendation that *replace w/ 5 new title, 3 do pass, 1 do not pass yet, 3 no rec to fin.*

Read second time and

Read third time and

PASS	Effective Date
Yeas	Yeas
Nays	Nays
Absent	Absent
Excused	Excused

Reconsideration

PASS	Effective Date
Yeas	Yeas
Nays	Nays
Absent	Absent
Excused	Excused

Reported correctly engrossed  
Signed by President  
Sent to House

SECRETARY OF THE SENATE

HISTORY IN THE HOUSE

19

Read first time and referred to Committee on

Reported back with recommendation that

Read second time and

Read third time and

PASS	Effective Date
Yeas	Yeas
Nays	Nays
Absent	Absent
Excused	Excused

Reconsideration

PASS	Effective Date
Yeas	Yeas
Nays	Nays
Absent	Absent
Excused	Excused

Reported correctly engrossed  
Signed by Speaker  
Returned to Senate

CHIEF CLERK OF THE HOUSE

HISTORY IN THE SENATE

19

Received from House

To enrolling

Reported correctly enrolled

Sent to Governor

..... by Governor

Filed with Lt. Governor

Chapter No. ....

## SECTIONAL ANALYSIS FOR SENATE BILL 40

An Act allowing agriculture production credits and providing for an effective date

### Section 1

Add a new section to Chapter 5, Powers and Duties of Commissioners of Natural Resources and Environmental Conservation under Title 3 (Agriculture). This new section states that the Commissioner of DNR shall establish a program of agricultural credits that would be applied against outstanding agricultural loans and interest due on the sale of agricultural land.

An amount equal to twenty per cent of the producer's yearly sales would be credited against any outstanding state agricultural loans for the years 1984 to 1988. The credit percentage for subsequent years would be reduced by 2% yearly.

The producer must provide verification of sales using income tax records. Credits may not be transferred.

### Section 2

Repeals the production credits programs on December 31, 1994.

### Section 3

Immediate effective date.

# STATE OF ALASKA 1986 LEGISLATIVE SESSION FISCAL NOTE

Revision Date: 1-22-86

**REQUEST**

Bill/Resolution No.: CSSB 40  
 Title: Agricultural Production Credits  
 Sponsor: Sen. Coqhill & Sen. Kerttula  
 Requestor: Senate Finance Committee  
 Date of Request: January 22, 1986

**FISCAL DETAIL**

Agency Affected: Natural Resources  
 BRU: Agricultural Management  
 Components: \_\_\_\_\_

**EXPENDITURES/REVENUES : (Thousands of Dollars)**

OPERATING	FY 86	FY 87	FY 88	FY 89	FY 90	FY 91
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
<b>TOTAL OPERATING</b>	<b>-0-</b>	<b>-0-</b>	<b>-0-</b>	<b>-0-</b>	<b>-0-</b>	<b>-0-</b>

CAPITAL						
---------	--	--	--	--	--	--

REVENUE **	(5,253.0)	(3,444.0)	(4,128.0)	(4,953.0)	(5,349.6)	(5,706.1)
------------	-----------	-----------	-----------	-----------	-----------	-----------

**FUNDING : (Thousands of Dollars)**

GENERAL FUND						
FEDERAL FUNDS						
OTHER						
<b>TOTAL</b>	<b>-0-</b>	<b>-0-</b>	<b>-0-</b>	<b>-0-</b>	<b>-0-</b>	<b>-0-</b>

**POSITIONS :**

FULL-TIME						
PART-TIME						
TEMPORARY						

**ANALYSIS :** Attach a separate page if necessary

\*\* The proposed program could reduce State revenues, in the amounts shown, by reducing the amount of interest paid on State agricultural loans. However, these figures are based on the assumption that the program will increase production and sales of farm products according to the attached schedule. If sales do not increase, as projected, the amount of revenue lost will decrease.

Prepared by: Carol Wilson Phone: 465-2400  
 Division: Commissioner's Office Date: January 22, 1986

Approved by Commissioner: Mms. J. Spruce, Deputy Date: 1/22/86  
 Agency: Natural Resources

**Distribution (by Agency preparing fiscal note):**

- Legislative Finance
- Legislative Sponsor
- Requestor
- Office of Management and Budget
- Impacted Agency(ies)

The amount of production credits that might be earned during the first six years of the program, considering that not all farmers have borrowed from the state, and that agricultural land that is not currently in production is put into production, are estimated as follows:

Year	Projected Sales	Sales Available for Credits*	% Credit	Projected Credits
1984	\$15,925,000	\$11,945,000	20	\$2,389,000
1985	19,110,000	14,320,000	20	2,864,000
1986	22,932,000	17,200,000	20	3,440,000
1987	27,518,000	20,640,000	20	4,128,000
1988	33,022,000	24,765,000	20	4,953,000
1989	39,626,000	29,720,000	18	5,349,600
1990	47,551,200	35,663,400	16	5,706,100
Total				\$28,829,700

\* Projected sales reduced by 25% to account for non-borrowers.

The following chart gives estimated values for loan default and associated interest losses to the state if the production credit program is not established. Farmers in the Delta area have an especially heavy debt load. Approximately \$12,500,00 is due on clearing loans for the Delta I and Delta II agricultural project parcels. This is an average of \$337,837 of clearing loan debt per farm. Land payments for Delta II parcels average \$180 per acre at 12% interest per year. The average amount of principal owed for each Delta II parcel is approximately \$145,000.

Loan	Amount Outstanding	Possible Default	Collateral Value	Loss to State
ARLF	\$48.5 million	\$23 million	\$15 million	\$8 million
Clear.	17.5 million	8 million	0	8 million
Land	10 million	5 million	3 million	2 million

Interest on \$18 million loss at 8% x 6 years = \$8.6 million

Total estimated loss to the state = \$26.6 million

STATE OF ALASKA 1985 LEGISLATIVE SESSION  
FISCAL NOTE

Revision Date: \_\_\_\_\_

REQUEST

Bill/Resolution No.: SSSB 40  
 Title: Agricultural Production  
 Credits \_\_\_\_\_  
 Sponsor: Sens. Kerttula & Cohill  
 Requestor: Senate Resources Comm.  
 Date of Request: 3/8/85

FISCAL DETAIL

Agency Affected: Natural Resources, Div. of Ag  
 Program Category Affected: NRMEC  
 BRU, Program or Subprogram(s) Affected: \_\_\_\_\_

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 85	FY 86	FY 87	FY 88	FY 89	FY 90
<b>OPERATING</b>						
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL						
400 SUPPLIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS						
800 MISCELLANEOUS						
<b>TOTAL OPERATING</b>	-0-	-0-	-0-	-0-	-0-	-0-
<b>CAPITAL</b>	-0-	-0-	-0-	-0-	-0-	-0-
<b>REVENUE</b>	-0-	-0-	-0-	-0-	-0-	-0-

FUNDING: (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER						
<b>TOTAL</b>	-0-	-0-	-0-	-0-	-0-	-0-

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS: Attach a separate page if necessary

Prepared By: Carol Wilson Phone: 465-2400  
 Division: Commissioner's Office Date: 3/11/85  
 Approved by Commissioner: Arthur C. Wharmick Date: 3/12/85  
 Agency: Natural Resources

Distribution (by Agency preparing fiscal note):  
 Legislative Finance  
 Legislative Sponsor  
 Requestor  
 Office of Management and Budget  
 Impacted Agency(ies)

STATE OF ALASKA 1985 LEGISLATIVE SESSION  
FISCAL NOTE

Revision Date: April 24, 1985

**REQUEST**

Bill/Resolution No.: CSSB 40  
 Title: Agricultural Production Credits  
 Sponsor: Coghill & Kerttula  
 Requestor: Senate Resources  
 Date of Request: March 20, 1985

**FISCAL DETAIL**

Agency Affected: Natural Resources  
 Program Category Affected: Agricultural Management  
 BRU, Program or Subprogram(s) Affected: \_\_\_\_\_

**EXPENDITURES/REVENUES: (Thousands of Dollars)**

	FY 85	FY 86	FY 87	FY 88	FY 89	FY 90
<b>OPERATING</b>						
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL						
400 SUPPLIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS						
800 MISCELLANEOUS						
<b>TOTAL OPERATING</b>	<b>-0-</b>	<b>-0-</b>	<b>-0-</b>	<b>-0-</b>	<b>-0-</b>	<b>-0-</b>

<b>CAPITAL</b>						
----------------	--	--	--	--	--	--

<b>REVENUE **</b>	<b>(2,389.0)</b>	<b>(2,864.0)</b>	<b>(3,444.0)</b>	<b>(4,128.0)</b>	<b>(4,953.0)</b>	<b>(5,944.0)</b>
-------------------	------------------	------------------	------------------	------------------	------------------	------------------

**FUNDING: (Thousands of Dollars)**

GENERAL FUND						
FEDERAL FUNDS						
OTHER						
<b>TOTAL</b>	<b>-0-</b>	<b>-0-</b>	<b>-0-</b>	<b>-0-</b>	<b>-0-</b>	<b>-0-</b>

**POSITIONS:**

FULL-TIME						
PART-TIME						
TEMPORARY						

**ANALYSIS:** Attach a separate page if necessary

\*\*The proposed program could reduce state revenues, in the amounts shown, by reducing the amount of interest paid on state agricultural loans. However, these figures are based on the assumption that the program will increase production and sales of Alaska farm products according to the attached schedule. If sales do not increase, the amount of revenue lost to the state will decrease.

Prepared By: Carol Wilson  
 Division: Commissioner's Office

Phone: 465-2400  
 Date: 4/24/85

Approved by Commissioner: Alvin D. Swindell, Deputy  
 Agency: Natural Resources

Date: 4/24/85

**Distribution (by Agency preparing fiscal note):**

- Legislative Finance
- Legislative Sponsor
- Requestor
- Office of Management and Budget
- Impacted Agency(ies)

7/1/84

## Continuation of Analysis for CSSB 40

The proposed production credit program could, if successful, reduce state revenues by reducing the total amount of interest paid on state agricultural loans. However, without a program that provides some measure of debt relief to farmers, the state will lose millions of dollars through loan defaults.

This fiscal note presents a revised version of possible costs to the state associated with CSSB 40. The March 25, 1985 note was based on funding levels and assumptions of increased production described in the 1985 report to the Governor on agriculture.

Since that report was completed, projections for future state revenues have continued to fall, funding for agricultural programs has been reduced and the Agricultural Revolving Loan Fund (ARLF) Board has established lending priorities. For the following reasons, we believe that the figures in this revised fiscal note more accurately portray the possible expansion of the agricultural industry than did our previous fiscal note for CSSB 40.

1. Requested funds for the ARLF will not be available, and ARLF priorities will further limit the availability of money to borrowers. Expansion of Alaska's agricultural industry, especially the livestock industry, will therefore be restricted.
2. Without increased livestock production and the corresponding increase in need for livestock feed, grain producers are not likely to expand grain production.
3. Slaughter facilities are being established at slower than projected rates, further limiting the development of the livestock industry and preventing increases in red meat production.
4. The current unrelieved heavy debt load faced by some farmers limits their ability to borrow the additional funds needed to increase production.
5. Colder than normal spring weather will reduce the amount of acreage planted this year, and reduce the subsequent volume of crops produced.

The amount of production credits that might be earned during the first six years of the program, considering that not all farmers have borrowed from the state, and that agricultural land that is not currently in production is put into production, are estimated as follows:

Year	Projected Sales	Sales Available for Credits*	% Credit	Projected Credits
1984	\$15,925,000	\$11,945,000	20	\$2,389,000
1985	19,110,000	14,320,000	20	2,864,000
1986	22,932,000	17,200,000	20	3,440,000
1987	27,518,000	20,640,000	20	4,128,000
1988	33,022,000	24,765,000	20	4,953,000
1989	39,626,000	29,720,000	20	<u>5,944,000</u>
Six Year Total				23,718,000

\* Projected sales reduced by 25% to account for non-borrowers.

The following chart gives estimated values for loan default and associated interest losses to the state if the production credit program is not established. Farmers in the Delta area have an especially heavy debt load. Approximately \$12,500,00 is due on clearing loans for the Delta I and Delta II agricultural project parcels. This is an average of \$337,837 of clearing loan debt per farm. Land payments for Delta II parcels average \$180 per acre at 12% interest per year. The average amount of principal owed for each Delta II parcel is approximately \$145,000.

Loan	Amount Outstanding	Possible Default	Collateral Value	Loss to State
ARLF	\$48.5 million	\$23 million	\$15 million	\$8 million
Clear.	17.5 million	8 million	0	8 million
Land	10 million	5 million	3 million	2 million

Interest on \$18 million loss at 8% x 6 years = \$8.6 million

Total estimated loss to the state = \$26.6 million

For the last four years of the ten year program an additional \$33.6 million in interest could be foregone because of the production credit program. At the same time, however, the assumed increases in farm production and sales will have generated economic growth in the state and provided new jobs in farming communities.

Examples of Production Credit Program With Variations in Percent of Credit and Length of Program

FIVE YEAR PROGRAM - TEN PERCENT INTEREST

<u>Year</u>	<u>Projected Sales</u>	<u>Sales Available for Credits</u>	<u>% Credit</u>	<u>Projected Credits</u>
1984	\$15,925,000	\$11,945,000	10	\$1,195,000
1985	19,110,000	14,320,000	10	1,432,000
1986	22,932,000	17,200,000	10	1,720,000
1987	27,518,000	20,640,000	10	2,064,000
1988	33,022,000	24,765,000	10	2,477,000
Five Year Total				= 8,888,000

FIVE YEAR PROGRAM - TWENTY PERCENT DECLINING INTEREST

<u>Year</u>	<u>Projected Sales</u>	<u>Sales Available for Credits</u>	<u>% Credit</u>	<u>Projected Credits</u>
1984	\$15,925,000	\$11,945,000	20	\$2,389,000
1985	19,110,000	14,320,000	18	2,578,000
1986	22,932,000	17,200,000	16	2,752,000
1987	27,518,000	20,640,000	14	2,890,000
1988	33,022,000	24,765,000	12	2,972,000
Five Year Total				= 13,581,000

RECEIVED MAR 11 1986

3/4/86  
Don Quarberg  
Box 349  
Delta Jct., Ak. 99737

To: Senate Finance Committee  
Re: Senate Bill 40 - Agricultural Production Credits

I would like to encourage your support of SB 40 for the following reasons:

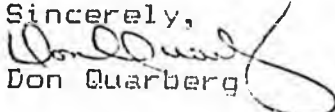
1: It is a cost benefit to the State. Project farms were designed to cash flow under full production which, due to numerous court delays in the Ft. Mackenzie project, Red Meat Processing centers and elimination of the Seward Terminal has never occurred. This lack of market has caused developed farms to accumulate huge interest debts which, in some cases, have accumulated beyond the current resale value of the farm. Therefore the State would be in a better position to recoupe it's investment with the production credit program than without it, as the experienced producer would be assisted in maintaining the farm and servicing the debt.

2: The incentive goes to the producer rather than the land speculators. The ag projects were designed for full participation, yet Less than 1/3 of the farms are producing.

3: The incentive would go to those who invested in "Alaska's High-Risk" commercial ag development phase of the past 8 years. They are the people who are really in the greatest financial stress.

4: Increased production would benefit the State's investment by providing opportunities for economies of scale in grain production, cattle and swine production, and in the operation of the various State financed processing facilities.

SUMMARY: This bill would cost esentially nothing and at the same time add considerable incentive for farmers to produce. In turn, this production would stimulate use and thereby provide a return to Alaska's investment.

Sincerely,  
  
Don Quarberg

5540  
NB 193

ACTUAL DELTA I FARMER

<u>Loan Type</u>	<u>Total Loan</u>	<u>Annual Loan Payment</u>	<u>Principal Payment</u>	<u>Interest Payment</u>
Land Purchase	\$ 0	\$ 0	\$ 0	\$ 0
Land Clearing	370,600	24,590	3,018	21,572
Chattel	300,000	57,621	45,741	11,879
Farm Development	154,000	15,685	4,578	11,106
Operating	<u>101,000</u>	<u>109,080</u>	<u>101,000</u>	<u>8,080</u>
TOTAL	\$925,600	\$206,976	\$154,337	\$52,637

ACTUAL DELTA II FARMER

Land Purchase	\$324,000	\$ 43,376	\$ 4,496	\$38,880
Land Clearing	307,000	25,745	1,612	24,132
Chattel	181,000	34,765	27,597	7,167
Farm Development	95,000	9,675	2,824	6,851
Operating	<u>117,000</u>	<u>126,360</u>	<u>117,000</u>	<u>9,360</u>
TOTAL	\$1,024,000	\$239,921	\$153,529	\$86,390

ACTUAL POINT MACKENZIE FARMER

Land Purchase	\$ 62,900	\$ 8,420	\$ 872	\$ 7,548
Land Clearing	94,200	7,899	494	7,404
Chattel	265,000	50,899	40,405	10,493
Farm Development	656,000	66,815	19,502	47,312
Operating	<u>70,000</u>	<u>75,600</u>	<u>70,000</u>	<u>5,600</u>
TOTAL	\$1,148,100	\$209,633	\$131,273	\$78,357

An average Delta I or Delta II farmer could expect a gross income (total sales) of approximately \$100,000 to \$125,000 per year, depending on weather conditions, market conditions and many other factors. A Point MacKenzie farmer could expect a gross income of approximately \$427,500 per year.

Based on these estimated yearly incomes and the terms of SB 40, the following amounts would be available each year for credit towards loan interest payments.

1984	20% x \$100,000	=	\$20,000
1985	20% x \$100,000	=	\$20,000
1986	20% x \$100,000	=	\$20,000
1987	20% x \$100,000	=	\$20,000
1988	20% x \$100,000	=	\$20,000
1989	18% x \$100,000	=	\$18,000
1990	16% x \$100,000	=	\$16,000
1991	14% x \$100,000	=	\$14,000
1992	12% x \$100,000	=	\$12,000
1993	10% x \$100,000	=	\$10,000

1984	20% x \$427,500	=	\$85,500
1985	20% x \$427,500	=	\$85,500
1986	20% x \$427,500	=	\$85,500
1987	20% x \$427,500	=	\$85,500
1988	20% x \$427,500	=	\$85,500
1989	18% x \$427,500	=	\$76,950
1990	16% x \$427,500	=	\$68,400
1991	14% x \$427,500	=	\$59,850
1992	12% x \$427,500	=	\$51,300
1993	10% x \$427,500	=	\$42,750

*Presented by Delta Farmers @ Oct. 10, 1985  
Delta Junction, Mead*

## DEBT RESTRUCTURING PROPOSAL

SITUATION: Excessive debt loads on all sectors of Alaskan agricultural industry. Accumulation of interest on existing loans (i.e. land purchase, clearing costs, machinery, farm development and operating), when added to variable production costs, exceed gross production sales profits. Productive capacity is therefore unable to service debt, resulting in an ever-increasing negative real income. This unsound financial condition is creating a dilemma for both the operator and the lienholder, resulting in an unrecoverable debt -- even through immediate foreclosure.

CONTRIBUTING FACTORS: Uncertainty and risks associated with developing a new industry. Minimum equity requirements on loans for start-up, resulting in debt accumulation surpassing the productive serviceability of the agricultural units.

Climatological conditions, resulting in greater per-unit costs of productions than originally estimated. Delays in developing critical elements of the infrastructure (dairy, red meat processing units, distribution facilities), resulting in reduced total production below estimated economics of scale. Some are now coming on line, so it appears more promising for the future. However, the initial producers (those who have been producing the base product to allow for the start-up of these facilities), particularly in the Delta area, have been impacted the most. In addition, the general condition of the overall national agribusiness.

PROBLEM: Continuing escalating debt load in excess of repayment potential will result in total collapse of agriculture. Such action will cause severe hardship and economic loss (a lifetime of monetary assets, earlier professions, job benefits) to those involved in all aspects of Alaskan agriculture. In addition, the State itself will experience a significant loss of investments, with little or no chance for recovery.

SOLUTION: Restructure debt load to a serviceable, feasible limit.

METHOD: The most important commodity regarding any agricultural facet is the land itself. Allow for debt reduction through a transfer of land on a per-acre basis back to the State. The State will in turn lease the land back to the original owner on a first-option basis with an option to buy back in twenty years. The value per acre to be determined by estimating its value after half of the lease duration has expired and based on a successful agricultural industry. At the same time, enhance Alaskan agriculture by allowing for production credits.

BENEFITS: Provide for reasonable security for Alaskan investments in agriculture. Eliminate the major portions of all delinquencies which now exist on loan pay-backs. Reinstate economic opportunity in the industry and open doors to financial avenues other than the State. Preserve current producers who have gained experience on the practicality of Alaska farming.

FUTURE: The in-state use of Alaskan agricultural products has increased dramatically in the past few years. This trend is expected to continue as the infrastructure develops. It is absolutely essential that all entities (producer, processor, distributor, retailer) be provided an equal opportunity for economic survival.

## F A C T S H E E T

### DELTA JUNCTION BISON RANGE

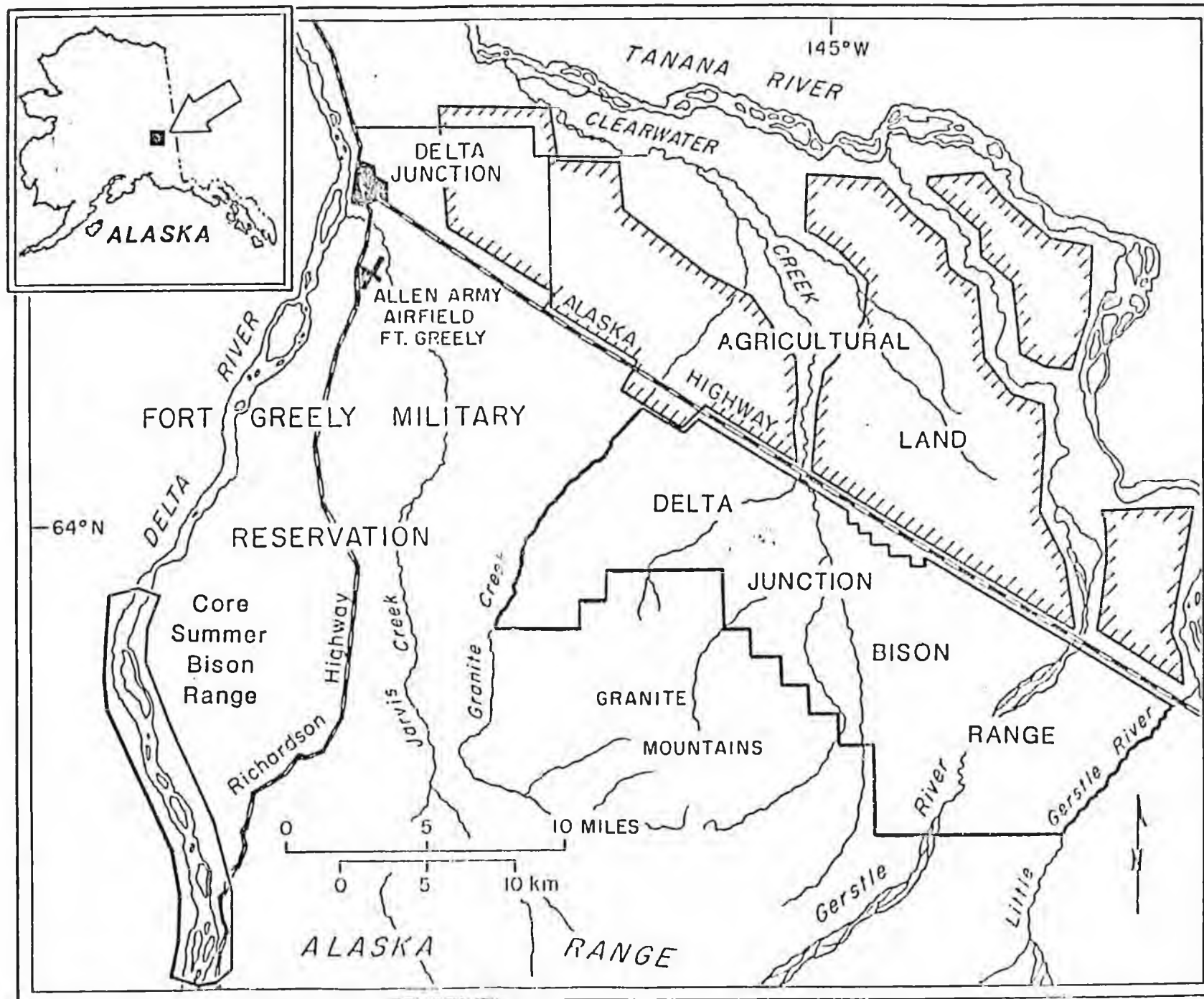
LOCATION: Southeast of Delta Junction--bounded on the east by the Little Gerstle River (near Independent Ridge), south by the Alaska Range (Granite Mountains), west by Granite Creek/Fort Greely, and north by the Alaska Highway (1/4 mile set back).

SIZE: 90,000 acres, about 140 square miles (less 17,000 acres managed by the U.S. Army as the Gerstle Test Center).

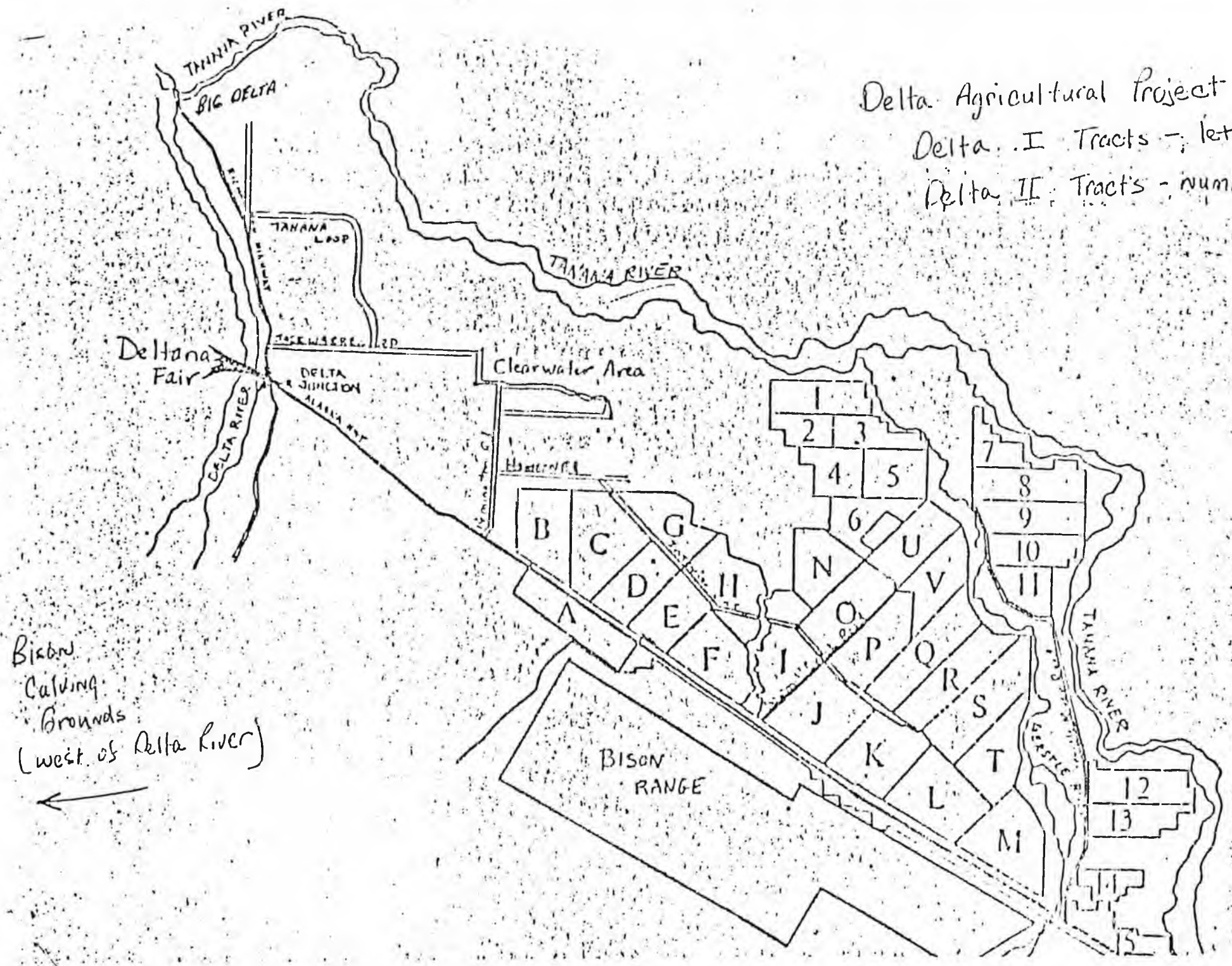
PURPOSE: Chapter 39 SLA 1979 lists: 1) Long term winter range for bison; 2) Alternate fall forage for bison. Other important values include public recreation including hunting, trapping, dog mushing, skiing, horseback riding; etc.; land set aside for wildlife to compensate for habitat losses due to development.

CURRENT DEVELOPMENT: Funds for development come from a 1984 CIP appropriation of \$1.5 million.  
Planned clearing & planting of bison forage: 3,500 acres.  
Accomplished to date: 1,400 cleared, 500 planted.  
Additional habitat improvements: Prescribed fires for low cost additional habitat for bison, moose, and other wildlife, solar-powered water pumping facility and pond for water for bison, trails for bison movement between existing and planned clearings and for public recreation.

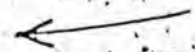
ACCOMPLISHMENTS: Since 1981, a steady reduction in bison depredation complaints. No serious problems in 1984. Increased moose hunting and trapping opportunity and success.



Delta Agricultural Project  
Delta I Tracts - lettered  
Delta II Tracts - numbered



Bison  
Calving  
Grounds  
(west of Delta River)



Senator John B. (Jack) Coghill  
Alaska State Legislature

Branch V  
Juneau, Alaska 99811  
(907) 465-1715

Box 458  
Nenana, Alaska 99760  
(907) 852-5171

TO: All Members of the Finance Committee

FROM: Senator Coghill

RE: SB 40, Production Credits

I have introduced a bill that I believe will create a glimmer of hope for our Alaskan farmers. It's not a give away, but a mechanism to reward those who are willing to produce; those who are willing to continue their commitment and invest their own sweat equity into their land.

SB 40, which Senator Kerttula has co-sponsored, sets in place the means to assist those farmers who have been caught in the middle of a colossal change in agricultural policy; one previously based on an export market and now focused on in state production.

It will take time to achieve this changeover. But in the meantime, our farmers must contend with the accumulation of high land loan payments, the interest on which will be due as soon as the moratorium runs out. Unless we have a method of lowering this debt level our farmers will experience great difficulty in achieving a cash flow necessary to arrange private funding.

As we can see here in Delta much industry has taken place, an incredible amount of investment into the future of Alaskan agriculture. And like the near crippling blow of a major state policy change, these farmers are now facing another obstacle to success; bad weather and a late harvest.

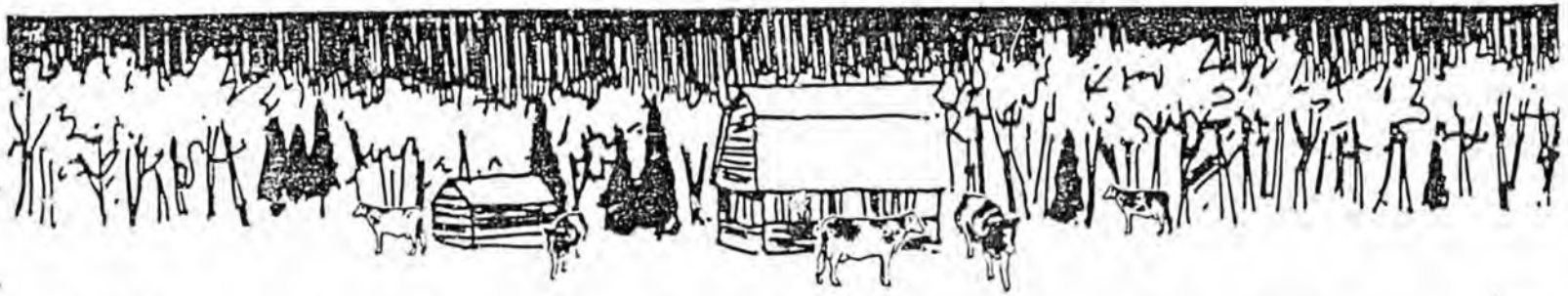
The sponsor substitute will credit 20 percent of the receipts of farm products as found on the IRS farm income form. This form would be provided by the parties. The production credits would remain at 20 percent from the years 1984 to 1988 and then decrease two percent through 1990. The credits would apply to land purchase loans, clearing loans and all loans from the Agriculture Revolving Loan Fund.

We learned during the session that the original fiscal note over estimated the projected sales figures. In light of the harvest conditions this year, it should be noted that the adjusted fiscal note may also be too high.

Some may argue that with declining oil revenues, we must not implement any new programs. I assure you that if we do not proceed with a program that makes it possible to get our agricultural community back on track, we will not have taken reasonable steps to protect our current investment.

Agriculture in our state continues to grow. In the last five years our total farm assets have grown by \$25 million dollars and with this growth have come new jobs, a use that is compatible with the environment and a method of keeping Alaskan dollars within the state.

I feel it is imperative that we implement a program that will allow breathing room for our farmers while the rest of the in-state market infrastructure grows to meet their production.



**Development of Agriculture in Alaska:  
A Review of Progress and Plans  
A Special Report to Governor Sheffield  
March, 1985**

prepared by:  
State of Alaska  
Department of Natural Resources  
F.ther C. Wunnicke, Commissioner  
Division of Agriculture  
Bill Heim, Director



Alaska Department of  
**NATURAL  
RESOURCES**

DEVELOPMENT OF AGRICULTURE IN ALASKA:  
A REVIEW OF PROGRESS AND PLANS

A Special Report to Governor Sheffield

Prepared by:  
State of Alaska  
Department of Natural Resources  
Esther C. Wunnicke, Commissioner  
Division of Agriculture  
Bill L. Heim, Director

March 1985

TABLES

	Page
1. Alaska Farm Commodity Cash Receipts, 1981-1984	3
2. Agricultural Products: Per Capita Civilian Consumption and Estimated Market Share for Alaska's Products	7
3. Farm Land Requirements to Meet Projected Market Share for Alaskan Food Products, 1990	29
4. Estimated Receipts for Selected Agricultural Commodities	30
5. State Investment in Agriculture	33
6. Additional State Investment and Added Agricultural Receipts	34
7. Projected Farm Employment	35
8. Balance Sheet for Alaska Agriculture	37

o Livestock

Dairying expanded as three new farms began operating at Point MacKenzie during 1984. Milk production increased three percent. A new milk-processing facility opened in Delta Junction. Milk production will grow at a faster pace in 1985 as 10 to 15 new dairy farms begin operation.

Meat marketing saw gains during 1984. The new meat-processing plant in Palmer had its first full year of operation in 1984 and Alaska-grown meat products became available in Anchorage in greater quantities. In Fairbanks, Alaska choice beef became available for the first time on a weekly basis, from animals fed in Delta Junction. A new livestock packing plant will open in Fairbanks in 1985, further stimulating interest in livestock production.

The primary opportunity for development of Alaska agriculture is to meet in-state needs since relatively large markets are available. In order to meet this market opportunity, the following objectives have been developed as the basis of programs and plans of the Division of Agriculture.

- o Encourage expanded production of competitively-priced farm products from existing agricultural lands in Alaska;
- o Increase the number of acres devoted to agricultural production in Alaska;

## The Action Plan for Alaska Agriculture

In order to assist Alaska farmers and others involved in agribusinesses, the Division of Agriculture recently conducted a major review of state agricultural programs and problems. The objective was to review and critique prior actions and accomplishments, and consider new trends and responses which could benefit Alaska's agricultural economy. Because of limitations on State revenues, the review centered around the development of an action plan that would not require extensive State funding to complete. The review process has led to the identification of six issues of concern, and proposals for actions to help enhance the future of Alaska agriculture.

### 1. Issue -- Large debt of new farmers in Alaska

Action: Enact legislation to develop a production credit program available statewide.

Action: Investigate methods of restructuring farm debt through partial releases, reduced farm parcel size, and lease preferences on land returned to the state by current owners.

Action: Allow combining and splitting of agricultural tracts and providing for farmsteads on new tracts.

Action: Investigate alternative methods of financing farm home construction.

4. Issue -- Need for continued enhancement of the Agricultural Revolving Loan Fund

Action: Add two new board members to provide additional expertise and farmer representation.

Action: Increase ARLF capitalization to meet financing needs.

Action: Enact legislation to allow for land-clearing loan payments from Delta I, Delta II, and Point MacKenzie to return to the ARLF and not the general fund.

Action: Provide greater contact between loan examiners and borrowers.

Action: Increase loan board flexibility to meet modern farm development requirements.

5. Issue -- Lack of agency coordination

Action: Establish an Agricultural Advisory Board to the Department of Natural Resources.

Action: Examine the roles of the Department of Natural Resources and the Department of Environmental

though the largest component is for loans, the appropriations would have to be made over succeeding years, delaying the anticipated benefits. Additional farm industry receipts during the period could total \$164 million!

In addition to providing expanded economic activity, an additional 1,800 jobs could be created by 1990 by achieving the projected level of production. This would give significant support to a diversified Alaskan economy.

The balance sheet for Alaska agriculture clearly shows an expanding agricultural sector. The number of producing farms in Alaska grew, by 100, from 360 in 1979 to 460 in 1983. Despite falling realty values, assets increased to \$185.8 million in 1983 compared with \$160.3 million in 1979. Equity was reported at \$140.5 million in 1983, whereas outstanding debt is reported at \$45.2 million.

It is clear that agriculture in Alaska is now at a critical juncture, as it is for the entire nation. Some industry gains have been made, and new economic activity has been generated by this growing sector of the State's economy. The results of previous State investment are well-demonstrated and will continue to accrue through time. With modest additional State investment plus regulatory and legislative solutions to current farm development and debt problems, projections of increased receipts and additional economic activity are achievable. This will assure a viable economic sector for Alaska agriculture into the next century.

- o Summarize the issues identified in the updating process and discuss proposed actions to meet these concerns;
- o Provide additional economic analysis of the costs and benefits to the State from agricultural development.

## II. GROWTH IN ALASKA'S AGRICULTURAL INDUSTRY

Alaska's agricultural sector has grown by increasing margins in recent years, compared with a downward trend nationally. Cash receipts for Alaska farm commodities grew by 10 percent between 1981 and 1982, and by 16 percent between 1982 and 1983 (see Table 1). This is significant growth, in both nominal and real terms.

This upward trend may be even more dramatic in 1984. While final figures are not yet available from the Alaska Crop and Livestock Reporting Service, estimates for several commodities can be made (Table 1). Crop production highlights include:

- o Barley harvest in 1984 set an historical record with 525,000 bushels harvested, 156,000 bushels or 42 percent greater than the previous high. The previous record had been set in the preceding year.
- o Oat production was increased by 200 percent over 1983 figures.

- o Lettuce acreage increased by 20 percent over 1983 figures. The largest potato crop since 1967 was grown.

During 1984, three new dairy farms opened at Point MacKenzie. Cows on these farms currently total 500 head with additional cows to be added in 1985. Milk cows in Alaska now number 1,400 head, compared with 1,100 head in 1983. Milk production in 1984 was 13,900,000 pounds, three percent above 1983. This growth in milk production and cow numbers will quicken in 1985 as the new farms continue to develop, additional farms are added and milking of cows begins. As many as 10 to 15 new dairy farms may begin operation in 1985 to add to the current 12 farms in production.

Although growth took place in the dairy industry during 1984, it was not fast-paced enough to prevent the growing insolvency of the major milk processor in the State, Matanuska Maid, Inc. Unable to withstand pressures from unsecured creditors, Matanuska Maid filed for bankruptcy in 1983. On November 16, 1984, the Federal Bankruptcy Court gave the State, through the ARLF, permission to operate Matanuska Maid in order to protect its investment in the dairy industry in Alaska.

As a result of this court order, the Division of Agriculture has assumed responsibility for the operation of the Anchorage creamery and the Palmer feed plant. The subsequent operation, while not without conflict, has been largely successful. The new manager has reassessed all

available in Anchorage stores in greater quantities. In Fairbanks, Alaska-grown choice beef became available for the first time on a weekly basis. The animals were finished in Delta Junction. The expanding market for quality meat has led to increased interest among farmers in Alaska in raising quality beef cattle. Fed beef numbers should expand in 1985. A new livestock packing plant will open in Fairbanks in 1985, further stimulating interest in livestock production.

The agricultural industry in Alaska is growing. Previous investments by the State are showing returns. Crop production is up. Milk production started to increase in 1984 and will be up substantially in 1985. There is renewed interest in livestock production and increasing numbers of cattle will be fed to choice grade in 1985. At least one new confinement hog operation will begin operating this year in Delta Junction.

### III. MARKET EMPHASIS

It was concluded in the 1983 plan that the principal opportunity for development of Alaska agriculture was to increasingly meet in-state needs, rather than emphasizing export markets. For the reasons listed below, this focus is still appropriate since:

- o Relatively large markets are available in-state (see Table 2). Alaska-grown commodities are currently filling only a small part of this demand. Gains are

being made in entering in-state markets, however, as increases in Alaska agriculture receipts testify;

- o Development of a major export capacity for cereal grains would be costly when depressed world prices for these grains are considered; and
- o With the strong U.S. dollar, agricultural commodities from the U.S. are having more difficulty competing on world markets.

The State should, however, preserve its options for future export by maintaining high potential agricultural land<sup>1</sup> for development, and continuing to monitor and explore export markets. In those areas where Alaska has already established export markets, such as grass seed, reindeer antlers, fur, and wool, further development of these markets should be encouraged.

If major surpluses of grain become available within the state, alternatives to an export terminal should be explored. One possibility is to barge grain to Prince Rupert to test the pricing and delivery to an export position. This type of exercise can also be used to establish a solid basis for future grain prices.

---

<sup>1</sup> Areas with relatively continuous blocks of agricultural soils include the Nenana-Totchaket, Delta Creek, and Fish Creek areas. They contain approximately 150,000; 40,000; and 18,000 acres, respectively, of agricultural soils.

livestock production. Grain reserve loans and crop insurance support lessened farmer risk. Provision of roads and power allowed continued development of existing areas and the beginning of development of new areas. In 1984, the following activities were undertaken in support of the production objectives.

- o Additional funding of ARLF was provided by the Alaska Legislature in the amount of \$5 million. This was, however, far short of the Governor's request for \$10 million. In particular, these funds were needed to continue the development of the Point MacKenzie and Delta Junction agricultural projects. In addition, many small farm developments in several areas of Alaska were in need of loan funds in order to meet land clearing and development schedules.
- o Additional capitalization was added to the Grain Reserve Fund in the amount of \$.5 million as suggested in the 1983 plan. The fund was also converted to a revolving loan program, which will help continue grain reserve activities in the future.
- o The State of Alaska began a program to pay 30 percent of the premiums of Federal Crop Insurance thereby lowering the cost of such insurance to farmers and protecting the State's investment in agriculture. An appropriation of \$140,000 was provided to cover 1984 and 1985 crop years.

- o DNR sold 4,500 acres of state-owned land for farm development in 1984, and offered 7,260 acres for agricultural homestead filing.

VI. ACTIONS PROPOSED BUT NOT UNDERTAKEN IN 1984

The following actions were suggested but were not undertaken in 1984. The first two actions required legislation.

- o Legislation authorizing and funding agriculture commodity associations was not enacted. These associations would promote Alaska's agricultural products and would be funded jointly by farmers and the Division of Agriculture. Enabling legislation will be considered during the 1985 legislative session.
- o Legislation initiating a revolving land-clearing loan account within the ARLF by assigning land-clearing loan payments from Delta I, Delta II, and Point MacKenzie to the ARLF was not enacted. These funds, totaling \$17,500,000 plus interest accrual over the next 30 to 40 years, will therefore continue to return to the general fund and will not be available for additional land clearing loans. Additional appropriations to the ARLF would then be needed to accomplish this objective.
- o Because they are housed in different units, a lack of coordination between the agricultural research

A second component of this review was an analysis of Alaska's agricultural development and programs by a member of the Alberta Department of Agriculture. The Alberta Department of Agriculture was asked to conduct this review because expertise from a farming area outside Alaska was desired. Alberta has a long history of successful agricultural development similar to the Delta and Point MacKenzie projects. Climatic conditions in Alberta are also similar to Alaska. Don Macyk, Supervisor, Project Development Section, spent three weeks in Alaska examining Alaska agriculture and talking with farmers, processors, and retailers. During his review he visited the Anchorage-Palmer-Point MacKenzie area, the Kenai Peninsula, Fairbanks, and Delta Junction.

General conclusions from this review were:

- o Alaska agriculture has made significant progress in recent years. In addition to increases in production, Alaska farmers are slowly gaining the knowledge and expertise necessary to solve farm production problems.
  
- o While progress is being made, there are a number of limiting factors in addition to the general downturn in national and international agriculture. These include high costs for initial land development, high labor costs, inefficient use of transportation and infrastructure due to low production volume, lack of market channels, time delays in developing agricultural expertise among

- o Joint demonstration projects between producers and researchers and/or extension personnel should be undertaken. An exchange of producer and production extension oriented specialists between Alberta and Alaska would be positive.

Producer organizations were also involved in reviewing and suggesting program changes. Suggestions were received from the Alaska Farmers and Stockgrowers Association and the Alaska Soil and Water Conservation districts.

Finally, the Division of Agriculture and the Division of Land and Water Management reviewed current agricultural programs and regulations and consulted with other government agencies involved in Alaska agriculture.

The review identified six areas of concern. Suggested actions which can help reduce major existing concerns are provided below:

1. Issue -- Large debt of new farmers in Alaska. Although much of the U.S. economy has rebounded from the recession of the early 1980s, the case is much different for U.S. agriculture which is facing its worst financial crisis since the 1930s. Because of the strong dollar, large crops and low commodity prices, U.S. farm income in real terms has fallen substantially.

Many farm operators throughout the U.S. and Canada have found it necessary to refinance short term debt, others have been forced to sell assets, and some have given up

The land purchased by the farmer in Alaska is generally uncleared and requires several years to become completely developed. When the costs of clearing are added to purchase price, total land costs rise to \$300 to \$500 per acre. This is, in fact, relatively expensive for land that has never produced a crop.

In Alaska where farm development is in the initial stages, impacts of low cash flow, credit limits, and lack of stable markets all contribute to farm debt problems. Recent efforts to assist some farmers with moratoriums on debt payments have been of limited success in providing financial stability over the long term. Interest accrual during moratoriums appears to only delay problems for producers.

The major problem we face in Alaska today is whether or not the individual farmer can survive in the short term. The federal government, as noted above, has taken steps to assist farmers on a national basis. These programs are generally not relevant for Alaskan farmers because of a lack of FmHA lending in the State. The need for a longer-term, debt-management program, intended to assist Alaskan farmers through current difficulties in handling the large debt obligations, has become obvious. A system to provide assistance to all producers who have been encouraged through state programs is needed. It should also not require major appropriations but should apply equally to all producer segments of the industry to enhance its general viability.

owner or new producers would be available. This type of action would provide productive land to producers at land costs compatible with expected returns.

Action: Enact legislation to develop a production credit program available statewide.

Action: Investigate methods of restructuring farm debt loads through partial releases, reduced farm parcel size, and lease preferences on land returned to the State by current owners.

Action: Allow the combining and splitting of agricultural tracts and provide for farmsteads on resulting tracts. Allowing farms to be combined or split would allow market forces and individual farmers to determine the optimum farm size. This may be accomplished administratively or through legislation.

2. Issue -- Lack of market development. Markets for agricultural commodities produced in Alaska are relatively underdeveloped in terms of market access and availability of marketing infrastructure. While the potential in-state markets are large, gaining access to these markets is difficult.

The actions described below are intended to promote Alaska-grown commodities, provide marketing assistance to Alaskan farmers, and provide needed regulations to protect local producers.

Action: Transfer state-owned railroad hopper cars from DNR to the Alaska Railroad for uses beneficial to Alaska agriculture. An agreement between the Alaska Railroad and DNR is required for car transfer.

Action: Write, review, and adopt fertilizer regulations. This is a consumer protection measure to ensure that fertilizers sold in Alaska actually contain the nutrients listed on the bag label. Fertilizer regulations are being developed by DNR.

Action: Enact legislation for a grain warehousing control. This legislation would allow for the development of regulations to protect a farmer's financial interest in grain stored in off-farm warehouse.

3. Issue -- Confusion in land tenure requirements. Farmers have been concerned that the agricultural land title they receive from the state allows for administrative taking of their land under certain conditions. Farmers also feel that there is confusion among the land title statutes, patent language, regulations, and that current patent language hinders their ability to obtain home mortgages. These actions should resolve the title difficulties.

Action: Draft new language for agricultural patents to conform to statutes. Patent would make clear

Action: Increase ARLF capitalization to meet financing needs. Because it is difficult for new farmers to obtain loans from private banks, the State has financed farm development. Without necessary funding, agricultural activity will not grow as expected, and production goals will not be met.

Action: Enact legislation to allow for land-clearing loan payments from Delta I, Delta II, and Point MacKenzie to return to the ARLF and not the general fund. These appropriations, totaling \$17,150,000, were made in previous years to the Agricultural Action Council and were not a part of ARLF funding. The loans have now been transferred to the ARLF, but without legislative action will not revolve as do all other ARLF funds. Currently, these loan repayments plus interest accrual over the next 30 to 40 years return to the general fund. Without legislation, existing ARLF funds would be required for land clearing and unavailable for other purposes. Legislative action is required to provide for a revolving land-clearing fund.

Action: Provide greater contact between examiners and borrowers. In order to monitor the financial progress of its borrowers, close contact needs to be maintained between borrowers and examiners. Increased producer education programs through the Cooperative Extension

would ensure there is no duplication of effort and would identify where joint efforts could improve efficiency.

Action: Provide for increased coordination among the Division of Agriculture, the Cooperative Extension Service (CES), and the Agricultural and Forestry Experiment Station (AFES). Coordination would be provided by regular contact among the leadership of these organizations and possibly by the combining of CES and AFES into one unit. These actions are intended to insure that needed research is conducted and research results are provided to farmers. Combining University research and extension functions would require University action.

6. Issue -- Lack of adequate federal involvement in Alaskan agriculture. The federal government provides support to U.S. agriculture through programs of the United States Department of Agriculture. Many of these programs have been unavailable or little used in Alaska. Alaska should encourage the federal government to continue and improve its agricultural programs in Alaska and provide support equivalent to those available to other American farmers.

Action: Encourage Agriculture Research Service (ARS) activity in Alaska through maintaining or expanding existing programs. In recent years, ARS has been reducing staff in Alaska. This

These market shares can be converted to actual quantities of production. By multiplying quantities produced by commodity prices, estimates of gross returns for agricultural production can be developed. These returns can then be compared with the State investment required to stimulate this level of production.

The principal gain with increased agricultural activity in Alaska would be through a decrease in the flow of dollars to out-of-state suppliers. The more dollars remaining in Alaska, the more the in-state economy will be stimulated. The increased dollar flow within Alaska is relatively unencumbered since Alaska has not established restraint-of-trade regulations or limitations on food products or farm inputs from outside Alaska. The consumer subsidies utilized by producers in most other areas of U.S. production generally do not apply to the expanding Alaska production commodities.

#### Land Requirements

To meet the production goals (see Table 2, pg 7, this report), approximately 150,000 acres planted in crops are required. However, total farmland must be greater than the actual acres planted to provide for fallow land, buildings, wood lots, and other farm-related, non-crop uses. Since production is expected on only about 65 percent of the land on farms, approximately 227,000 acres of farmland are needed (Table 3). Current private farm holdings total approximately 204,500 acres (Table 3). An additional 22,500 acres are required to meet 1990 goals.

TABLE 4  
ESTIMATED RECEIPTS FOR SELECTED AGRICULTURAL COMMODITIES

Commodity <sup>a</sup>	Unit	1983 - FY 84		1984 - FY 85		1985 - FY 86		1986 - FY 87	
		Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value
		Actual		Projected		Projected		Projected	
		(000)		(000)		(000)		(000)	
Barley	tons	8,700	1,218	12,500	1,600	21,100	2,532	29,700	3,564
Hay & Silage	tons	35,500	4,526	44,700	5,587	47,600	5,950	54,400	6,800
Milk	cwt	135,000	3,082	139,000	2,884	219,000	4,380	299,000	5,980
Beef	lbs	835,000	999	1,000,000	1,080	3,365,000	3,634	4,630,000	5,000
Pork	lbs	899,000	899	1,000,000	1,000	3,599,000	3,599	4,949,000	4,949
Lamb	lbs	21,000	18	39,300	53	57,600	78	75,900	102
Eggs	doz	1,300,000	1,547	1,133,000	963	2,355,000	2,001	2,882,500	2,450
Potatoes	cwt	118,000	2,124	122,700	2,208	127,400	2,293	132,100	2,377
Lettuce	cwt	14,400	436	15,125	455	15,850	477	16,575	498
Cabbage	cwt	3,550	81	4,185	95	4,820	109	5,455	124
Total Value		14,930		15,925		25,053		31,844	

<sup>a</sup> Commodity prices from 1984 to 1990: Barley \$120/ton, hay \$125/ton, milk \$20/cwt, beef \$108/cwt, pork \$100/cwt, lamb \$135/cwt, eggs \$.65/doz, potatoes \$18/cwt, lettuce \$30/cwt, cabbage \$22.80/cwt. Meat prices are on a carcass basis.

multiplied by the five-year average price as reported in the Alaska Agriculture Market Report, or if not available, by the 1983 values for Alaska commodities as reported in the Alaska Agricultural Statistics to estimate cash receipts.

There are, of course, extreme problems in forecasting future economic activity. Economists have developed many models to generate these forecasts. Some are simple, while others are sophisticated econometric inventions. The ability of any model, no matter how complex, to predict the future is limited. This is well known, as evidenced by our struggles to predict Alaska oil revenues.

The model used to predict future receipts was simple. Nevertheless, it is based on realistic assumptions and the results are achievable. The two primary assumptions were:

- o Producing for in-state markets provides the best chance for profit for a developing agriculture;
- o Increased production will grow fastest for those commodities that have the largest potential market and the greatest potential for providing net benefits to the farmer.

Annual receipts are estimated to grow to approximately \$60 million by 1990. This is an increase of about \$45 million over 1983. In fact, receipts would be greater since only selected commodities are listed in Table 4. Receipts for such items as greenhouse production, reindeer, fur, honey, and berries are not provided. Also the estimated receipts

As noted in Table 6, the additional state funding requirements exceed additional, annual agricultural receipts through FY 88. Beyond that year, additional receipts outweigh additional expenditures. The total new receipts between FY 84 and FY 91 are projected to amount to approximately \$164 million.

TABLE 6  
 ADDITIONAL STATE INVESTMENT AND  
 ADDED AGRICULTURAL RECEIPTS  
 (Millions of Dollars)

Year	Additional State Investment	Change in Receipts Over Previous Year	Cummulative Change <sup>a</sup>
FY 85		.995	.995
FY 86	12.165	9.128	10.123
FY 87	14.275	6.791	16.914
FY 88	1.155	6.791	23.705
FY 89	.170	6.792	30.497
FY 90	.270	6.792	37.289
FY 91	.300	6.888	44.177
TOTAL	28.450	44.177	163.700

<sup>a</sup> Each year's gain is added to the previous year's receipts in order to show the total gain over FY 84.

Employment

In addition to providing additional income, achieving the projected level of production would create new jobs in Alaska. The number of additional workers needed has been estimated for 1990 (Table 7). The calculations of the number of jobs is based on USDA production reports for various farm enterprises. These jobs will be primarily

## IX. CONCLUDING REMARKS

Alaska's agriculture has achieved remarkable growth in the recent past. New farms are being developed and agricultural receipts are growing.

The balance sheet (Table 8) for Alaska agriculture shows an expanding agricultural sector. The number of producing farms in Alaska grew by 100 from 360 in 1979 to 460 in 1983. Assets totaled \$185.9 million in 1983, compared with \$160.3 million in 1979. Equity stood at \$140.5 million in 1983. Alaska farmers have invested heavily in their farms.

Investment in Alaska agriculture is actually larger since only producing farms are included in the balance sheet. The assets for new farms that have not reached the production stage are not counted. Businesses that support the agriculture sector are also not included.

With the development of new farms in Alaska, farm debt has also increased as new farmers attempt to develop their operations. Debt was estimated at \$45.2 million in 1983 for producing farms. This is the immediate critical problem facing agriculture in Alaska. A solution to the problem of high debt for beginning farmers needs to be found if continued growth is to be expected.

Alaska agriculture is at a critical juncture. Gains have been made. New economic activity has been generated. Returns to previous State investment are occurring and will continue to accrue through time. With some additional State

investment and solution to current debt problems, projections of increased receipts and additional economic activity are achievable. As a result, new jobs can be created and the Alaska economy strengthened.

TABLE 8  
BALANCE SHEET FOR ALASKA AGRICULTURE

Item	1979	1980	1981	1982	1983
NUMBER OF FARMS	360	370	390	420	460 <sup>a</sup>
	Millions of Dollars				
ASSETS					
Total Farm Assets	160.3	169.0	170.7	178.0	185.8
real estate	104.3	106.7	108.3	107.9	103.5
livestock & poultry	4.1	4.7	4.7	5.5	6.0
machinery & motor					
vehicles	8.0	9.3	10.4	11.8	12.0
crops	2.8	2.8	2.5	2.3	2.0
household equipment					
& furnishings	3.1	3.0	3.1	3.4	3.7
deposits & currency	3.8	4.0	4.2	4.7	4.8
U.S. savings bonds	.1	.1	.1	.1	.1
investment in					
cooperatives	34.2	38.4	39.8	44.7	55.7
CLAIMS					
Total Farm Debt	10.2	15.8	29.8	42.0	45.2
real estate debt	8.8	14.0	27.5	18.9	27.3
non-real estate debt	1.4	1.8	2.3	23.1	18.0
CCC loans	0	0	0	0	0
EQUITY	150.1	153.1	140.9	136.1	140.5

<sup>a</sup> preliminary

Source: Economic Research Service, United States Department of Agriculture

Offered: 3/20/85  
Referred: Finance

Original sponsor: Coghill

1 IN THE SENATE BY THE RESOURCES COMMITTEE  
2 CS FOR SENATE BILL NO. 40 (Resources)  
3 IN THE LEGISLATURE OF THE STATE OF ALASKA  
4 FOURTEENTH LEGISLATURE - FIRST SESSION  
5 A BILL  
6 For an Act entitled: "An Act allowing agricultural production credits; and  
7 providing for an effective date."  
8 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:  
9 \* Section 1. AS 03.05 is amended by adding a new section to read:  
10 Sec. 03.05.015. AGRICULTURAL PRODUCTION CREDITS. (a) The  
11 commissioner of natural resources shall establish a program of agri-  
12 cultural production credits to be applied against interest due on  
13 agricultural loans made under this title and AS 44 and interest due on  
14 the sale of agricultural land under AS 38.05. The credits shall be  
15 based on agricultural products grown or raised in the state.  
16 (b) The annual credit for the years 1984 - 1988 is 20 percent of  
17 the total sales as documented by the farmer on Internal Revenue Ser-  
18 vice Schedule F (form 1040). The portion of total sales as documented  
19 by the farmer on Internal Revenue Service Schedule F (form 1040) that  
20 may be claimed as a credit under this section for 1989 and each subse-  
21 quent year shall decrease by two percentage points each year.  
22 (c) A credit granted under this section may not be transferred.  
23 \* Sec. 2. AS 03.05.015 is repealed December 31, 1994.  
24 \* Sec. 3. This Act takes effect immediately in accordance with AS 01.-  
25 10.070(c).

Introduced: 1/14/85  
Referred: Resources  
and Finance

1 IN THE SENATE

BY COGHILL

2

SENATE BILL NO. 40

3

IN THE LEGISLATURE OF THE STATE OF ALASKA

4

FOURTEENTH LEGISLATURE - FIRST SESSION

5

A BILL

6 For an Act entitled: "An Act establishing an agricultural product incen-  
7 tive program."

8 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

9 \* Section 1. AS 38.05 is amended by adding a new section to read:

10 Sec. 38.05.064. AGRICULTURAL PRODUCT INCENTIVE PROGRAM. (a)

11 The director shall establish an agricultural product incentive program  
12 to credit agricultural land purchasers on the basis of agricultural  
13 production. The credit may be based only on the production of grains,  
14 dairy products, and livestock on agricultural land purchased under  
15 this chapter.

16 (b) The amount of the credit shall be determined by the direc-  
17 tor, based on the Seattle price of the product credited, minus the  
18 freight cost to the production location.

19 (c) The credit may be applied only against principal due on a  
20 sale of agricultural land made under this chapter.

COMMITTEE REPORT

SENATE

FURTHER:

FINANCE

1/14/85

Date

2/18/85

Mr. President

The Committee on RESOURCES considered SB 40 establishing an agricultural product incentive program.

and (a majority of the committee) (the committee) reports it back with the following recommendations: INDIVIDUAL RECOMMENDATIONS.

- do pass
do pass with attached amendment(s)
replace with/or adopt CS for SB 40 (RES) new title
same title and recommends
and attached a "LETTER OF INTENT" [ ] NEW FISCAL NOTE
reports it back without recommendation
recommends referral to Committee

MEMBERS SIGNING DO PASS

Handwritten signatures of members who signed 'DO PASS'.

MEMBERS HAVING OTHER RECOMMENDATIONS

Handwritten notes and signatures of members with other recommendations.

Chairman Arlin Stangulewski Do Pass Chairman recommendation