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STATE OF ALASKA
THE LEGISLATURE

POUCH Y - STATE CAPITOL
JUNEAU, ALASKA 99811
907.465.3800

LEGISLATIVE AFFAIRS AGENCY

MEMORANDUM

March 3, 1986

SUBJECT: Agricultural parcels
[CSSSSB 155(Resources)]

TO: Senator Arliss Sturgulewski
Chair, Senate Resources Committee

FROM: Richard A. Bradley
Legislative Counsel

As I have advised Frank Homan, the question of the application of the bill to "conveyed" land may be ambiguous since the commissioner of natural resources conveys both patents and leases regarding agricultural land.

If only patented land is intended to be the subject of partition ("splitting"), then "patented" would be better usage than "conveyed".

If I may be of further assistance, please advise.

RAB:csh
c6/023

1-22-86
* Section 1. AS 38.05.020(b)(7) is amended to read:

(b) The commissioner may

(7) waive, postpone, amend, or otherwise modify the development requirements of a contract for the sale of agricultural land as contained in a farm conservation plan on a finding under AS 38.05.064 that [IF]

(A) such waiver, postponement, amendment, or modification would tend to promote the more efficient and economical development of agriculture within the state [THE LAND IS INACCESSIBLE BY ROAD]; or [AND] *IT WOULD BE IN THE BEST INTEREST OF THE STATE.*

(B) transportation, marketing, or [AND] development costs render the required development uneconomical.

* Section 2. AS 38.05 is amended by adding a new section to read:

Sec. 38.05.064. SPLITTING AND COMBINING OF AGRICULTURAL PARCELS. (a) The commissioner may allow a person who has purchased a parcel of agricultural land under this chapter that is part of an agricultural development project to split the parcel by selling portions of the parcel or to combine it with other parcels.

(b) The total acreage of farmsteads resulting from a split or combination made under this section shall be no more than that allowed before the split or combination of parcels.

(c) The commissioner may not allow a parcel to be split or combined under this section unless

(1) the commissioner makes a written finding that the proposed split or combination is necessary to promote the public interest; in making this determination the commissioner shall consider whether the split or combination will encourage development of the state's agricultural resources, prevent economic waste, encourage instate agricultural products at a competitive market price, and assist in gaining agricultural self-sufficiency for the state;

(2) for each parcel resulting from a split or combination, an amended contract for the sale of agricultural land is to be entered into with the state and approved by the commissioner;

(3) the application for the split or combination of parcels designates an operator for each of the proposed resulting parcels;

(4) the commissioner provides public notice of, and an opportunity for a hearing and written comment regarding, a proposed split or combination; and

(5) the commissioner makes available to the public a written explanation of the proposed split or combination, information on how to obtain a copy of the application on the proposed split or combination, and the proposed amended contract for the sale of agricultural land.

(d) The commissioner may adopt regulations to implement this section.

JOSEPH PATRICK CANGE
CERTIFIED PUBLIC ACCOUNTANT
BOX 4-847
ANCHORAGE, ALASKA 99509
TELEPHONE (907) 344-5900

JAN 28 1986

January 22, 1986

Arliss Sturgulewski
Chairman Resources Committee
Alaska State Senate
Pouch V
Capital Building
Juneau, Alaska

Subject: Senate Bill No. 155

Dear Arliss:

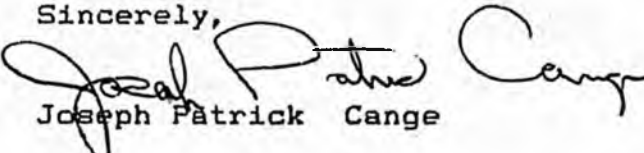
I am submitting a copy of a proposed bill which I would ask that you have your staff review and use as a substitute for the current Senate Bill 155. This proposed bill has been prepared by the people at DNR and has changes from the original Senate Bill 155 which were necessitated because of the language in AS 38.05.020(b) (7). There are also a few minor changes that were made to correct some ambiguous terminology and to clarify the intent of the bill.

This bill, as you know, is our most important piece of legislation if we are to survive at Point MacKenzie and at Delta.

If there are any questions regarding this proposed bill, please contact me. We thank you for your work on the agriculture bills and we appreciate your continuing support.

I would also like to ask for your assistance in getting Senate Bill 57 (an act relating to preferential use of Alaska agricultural or fisheries products) scheduled in Resources.

Sincerely,


Joseph Patrick Cange

1-22-86
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(A) such waiver, postponement, amendment, or modification would tend to promote the more efficient and economical development of agriculture within the state [THE LAND IS INACCESSIBLE BY ROAD]; or [AND]

(B) transportation, marketing, or [AND] development costs render the required development uneconomical.

* Section 2. AS 38.05 is amended by adding a new section to read:

Sec. 38.05.064. SPLITTING AND COMBINING OF AGRICULTURAL PARCELS. (a) The commissioner may allow a person who has purchased a parcel of agricultural land under this chapter that is part of an agricultural development project to split the parcel by selling portions of the parcel or to combine it with other parcels.

(b) The total acreage of farmsteads resulting from a split or combination made under this section shall be no more than that allowed before the split or combination of parcels.

(c) The commissioner may not allow a parcel to be split or combined under this section unless

(1) the commissioner makes a written finding that the proposed split or combination is necessary to promote the public interest; in making this determination the commissioner shall consider whether the split or combination will encourage development of the state's agricultural resources, prevent economic waste, encourage instate agricultural products at a competitive market price, and assist in gaining agricultural self-sufficiency for the state;

(2) for each parcel resulting from a split or combination, an amended contract for the sale of agricultural land is to be entered into with the state and approved by the commissioner;

(3) the application for the split or combination of parcels designates an operator for each of the proposed resulting parcels;

(4) the commissioner provides public notice of, and an opportunity for a hearing and written comment regarding, a proposed split or combination; and

(5) the commissioner makes available to the public a written explanation of the proposed split or combination, information on how to obtain a copy of the application on the proposed split or combination, and the proposed amended contract for the sale of agricultural land.

(d) The commissioner may adopt regulations to implement this section.

PREPARED BY DAVE CREEKMAN ON

1-22-86

Bradley
3/7/86 ✓

Original sponsor: Kerttula

1 IN THE SENATE

BY THE RESOURCES COMMITTEE

2 CS FOR SPONSOR SUBSTITUTE FOR SENATE BILL NO. 155 (Resources)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 FOURTEENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to the splitting and combining of
7 agricultural parcels."

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

9 * Section 1. AS 38.05.020(b) is amended to read:

10 (b) The commissioner may

11 (1) establish reasonable procedures and adopt reasonable
12 regulations necessary to carry out this chapter and, whenever neces-
13 sary, issue directives or orders to the director to carry out specific
14 functions and duties; regulations adopted by the commissioner shall be
15 adopted under the Administrative Procedure Act (AS 44.62); orders by
16 the commissioner classifying land, issued after January 3, 1959, are
17 not required to be adopted under the Administrative Procedure Act
18 (AS 44.62);19 (2) enter into agreements considered necessary to carry out
20 the purposes of this chapter, including agreements with federal and
21 state agencies;

22 (3) review any order or action of the director;

23 (4) exercise the powers and do the acts necessary to carry
24 out the provisions and objectives of this chapter;25 (5) notwithstanding the provisions of any other section of
26 this chapter, grant an extension of the time within which payments due
27 on any lease or sale of state land, minerals, or materials may be
28 made, including payment of rental and royalties, on a finding that
29 compliance with the requirements is or was prevented by reason of war,

1 riots, or acts of God;

2 (6) classify tracts for agricultural uses and require the
3 prequalification, including the submission of conservation plans,
4 development plans, or other plans, schedules, or programs, of persons
5 who apply to participate in an agricultural development project under
6 AS 44.33.475;

7 (7) after public notice and an opportunity for a hearing
8 and for written comment, waive, postpone, amend, or otherwise modify
9 the development requirements of a contract for the sale of agricul-
10 tural land on a finding that [IF]

11 (A) the waiver, postponement, amendment, or modifica-
12 tion of the contract would tend to promote the more efficient and
13 economical development of agriculture within the state and be in
14 the best interests of the state; or [THE LAND IS INACCESSIBLE BY
15 ROAD; AND]

16 (B) transportation, marketing, or [AND] development
17 costs render the required development uneconomic.

18 * Sec. 2. AS 38.05 is amended by adding a new section to read:

19 Sec. 38.05.064. SPLITTING AND COMBINING OF AGRICULTURAL PARCELS.

20 (a) The commissioner may allow a person who has purchased a parcel of
21 agricultural land under this chapter that is part of an agricultural
22 development project to split the parcel by selling portions of the
23 parcel. Only conveyed land may be split under this section and no
24 more than one farmstead may be maintained for each 640-acre parcel
25 resulting from the split.

26 (b) If two or more parcels that are part of an agricultural
27 development project are proposed to be combined, the commissioner may
28 allow the owner of the parcels proposed for combination to amend each
29 contract for the sale of an agricultural interest in state land only

1 as provided in this section and not more than four parcels may be
2 combined.

3 (c) The commissioner may not allow a parcel to be split or
4 approve an amended contract for the sale of an agricultural interest
5 in state land to combine parcels under this section unless

6 (1) the commissioner makes a written finding that the
7 proposed split or combination is necessary to promote the public
8 interest; in making this determination the commissioner shall consider
9 whether the split or combination will encourage development of the
10 state's agricultural resources, prevent economic waste, and protect
11 all interested parties including the state;

12 (2) for each parcel resulting from a split or combination
13 under this section, an amended contract for the sale of agricultural
14 land is entered into with the state and approved by the commissioner;

15 (3) the application for the split or combination of parcels
16 designates an operator for each of the proposed resulting parcels;

17 (4) the commissioner provides public notice of, and an
18 opportunity for a hearing and written comment regarding, a proposed
19 split or combination; and

20 (5) the commissioner makes available to the public a writ-
21 ten explanation of the proposed split or combination, information on
22 how to obtain a copy of the application for the proposed split or
23 combination, and the proposed agricultural development agreements.

24 (d) The commissioner may approve the sale of an agricultural
25 interest in state land to permit the combination of parcels under this
26 section if the contract for the combined parcels will require the
27 operator of the combined parcels

28 (1) to cultivate not less than 90 percent of the Class II
29 or III soils of the combined parcels;

1 (2) if the former contract required cows to be milked, to
2 milk not less than one cow for each four acres of state land required
3 to be cultivated under the former contract;

4 (3) to continue the cultivation and milking requirements of
5 the former contracts for at least five years beyond the time required
6 in each former contract;

7 (4) to permit inspection of the agricultural operations not
8 less often than once each year;

9 (5) to reduce the number of farmstead acres permitted on
10 the parcels to the amount of land actually being used for farmstead
11 purposes.

12 (e) The commissioner may adopt regulations to implement this
13 section.



Bradley
3/3/86 ✓

Original sponsor: Kerttula

1 IN THE SENATE BY THE RESOURCES COMMITTEE

2 CS FOR SPONSOR SUBSTITUTE FOR SENATE BILL NO. 155 (Resources)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 FOURTEENTH LEGISLATURE - SECOND SESSION

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6 For an Act entitled: "An Act relating to the splitting and combining of
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12 regulations necessary to carry out this chapter and, whenever neces-
13 sary, issue directives or orders to the director to carry out specific
14 functions and duties; regulations adopted by the commissioner shall be
15 adopted under the Administrative Procedure Act (AS 44.62); orders by
16 the commissioner classifying land, issued after January 3, 1959, are
17 not required to be adopted under the Administrative Procedure Act
18 (AS 44.62);

19 (2) enter into agreements considered necessary to carry out
20 the purposes of this chapter, including agreements with federal and
21 state agencies;

22 (3) review any order or action of the director;

23 (4) exercise the powers and do the acts necessary to carry
24 out the provisions and objectives of this chapter;

25 (5) notwithstanding the provisions of any other section of
26 this chapter, grant an extension of the time within which payments due
27 on any lease or sale of state land, minerals, or materials may be
28 made, including payment of rental and royalties, on a finding that
29 compliance with the requirements is or was prevented by reason of war,

*2/20/76
NOTICE*
 (C) The Commission shall provide for public notice and an opportunity for a hearing and written comment regarding a proposed modification or amendment.

riots, or acts of God;

(6) classify tracts for agricultural uses and require the prequalification, including the submission of conservation plans, development plans, or other plans, schedules, or programs, of persons who apply to participate in an agricultural development project under AS 44.33.475;

(7) waive, postpone, amend, or otherwise modify the development requirements of a contract for the sale of agricultural land on a finding that [IF]

(A) the waiver, postponement, amendment, or modification of the contract would tend to promote the more efficient and economical development of agriculture within the state and be in the best interests of the state; or [THE LAND IS INACCESSIBLE BY ROAD; AND]

(B) transportation, marketing, or [AND] development costs render the required development uneconomic.

*Bill
HEAL*

*Comm
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*MAKE
WOULD
ELIMINATE
157 SEC.*

* Sec. 2. AS 38.05 is amended by adding a new section to read:

Sec. 38.05.064. SPLITTING AND COMBINING OF AGRICULTURAL PARCELS.

(a) The commissioner may allow a person who has purchased a parcel of agricultural land under this chapter that is part of an agricultural development project to split the parcel by selling portions of the parcel, ^(m) or to combine it with other parcels

(b) Only conveyed land may be split under this section and no more than one farmstead may be maintained for each 320-acre parcel resulting from the split. ^{(640)(m)} If parcels are combined, ^{LAND AND} each approved contract for the sale of an agricultural interest in state land must be amended to accommodate the combination, ⁵ There is no limit on the size of the resulting parcel, ¹⁾ but the total acres of farmstead on a resulting combination may not exceed the number of farmstead acres

1 permitted before the combination, and ^T the total acres of the farmstead
2 may be reduced by the commissioner.

3 (c) The commissioner may not allow a parcel to be split or
4 ^(m) combined under this section unless

5 (1) the commissioner makes a written finding that the
6 proposed split or combination is necessary to promote the public
7 interest; in making this determination the commissioner shall consider
8 whether the split or combination will encourage development of the
9 state's agricultural resources, prevent economic waste, and protect
10 all interested parties including the state;

11 (2) for each parcel resulting from a split or combination,
12 an amended contract for the sale of agricultural land is entered into
13 with the state and approved by the commissioner;

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15 designates an operator for each of the proposed resulting parcels;

16 (4) the commissioner provides public notice of, and an
17 opportunity for a hearing and written comment regarding, a proposed
18 split or combination; and

19 (5) the commissioner makes available to the public a writ-
20 ten explanation of the proposed split or combination, information on
21 how to obtain a copy of the application for the proposed split or
22 combination, and the proposed agricultural development agreements.

23 ^{change} (d) When the commissioner approves a combination of parcels
24 under this section, each approved contract for the sale of an interest
25 in agricultural land shall be amended and the contract for the com-
26 bined parcel must require that the operator of the combined parcel
27 cultivate not less than the total number of acres formerly required
28 and milk not less than the total number of cows required to be milked
29 under the previous contracts. The commissioner, as a condition to

1 approval of a combination of parcels may

2 (1) increase the total number of acres to be cultivated;

3 (2) increase the total number of cows to be milked;

4 (3) extend the term during which cultivation and milking is
5 required.

6 (e) The commissioner may adopt regulations to implement this
7 section.

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Bradley
3/3/86 ✓

Original sponsor: Kerttula

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21 state agencies;

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23 (4) exercise the powers and do the acts necessary to carry
24 out the provisions and objectives of this chapter;

25 (5) notwithstanding the provisions of any other section of
26 this chapter, grant an extension of the time within which payments due
27 on any lease or sale of state land, minerals, or materials may be
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24 more than one farmstead may be maintained for each 320-acre parcel
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26 contract for the sale of an agricultural interest in state land must
27 be amended to accommodate the combination. There is no limit on the
28 size of the resulting parcel, but the total acres of farmstead on a
29 resulting combination may not exceed the number of farmstead acres

1 permitted before the combination and the total acres of the farmstead
2 may be reduced by the commissioner.

3 (c) The commissioner may not allow a parcel to be split or
4 combined under this section unless

5 (1) the commissioner makes a written finding that the
6 proposed split or combination is necessary to promote the public
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approval of a combination of parcels may

- (1) increase the total number of acres to be cultivated;
- (2) increase the total number of cows to be milked;
- (3) extend the term during which cultivation and milking is required.

(e) The commissioner may adopt regulations to implement this section.

Alaska State Legislature

ARLISS STURGULEWSKI, Chairman
BETTYE FAHRENKAMP, Vice Chairman
JACK COGHILL
DICK ELIASON
VIC FISCHER
RICK HALFORD
FRED ZHAROFF



POUCH V
JUNEAU, ALASKA. 99811
(907) 465-4807

Senate Committee on Resources

MEMORANDUM

April 2, 1985

TO: All Members
Senate Resources Committee

FROM: Staff *H*
Senate Resources Committee

RE: SB 155 "An Act relating to the splitting and combining of agricultural parcels."

Senate Bill 155 would allow the Commissioner of the Department of Natural Resources to approve splitting and combining of agricultural project parcels if certain conditions are met. This legislation would affect 37 Delta barley project parcels and 31 Point MacKenzie project parcels.

If a parcel is split, no more than one farmstead (house, barns, outbuildings) of 20 acres may be maintained. If a parcel is combined, there is no limit to the size but only one farmstead may be maintained.

The Commissioner must evaluate each request for splitting or combining and must find that it is in the public interest, has an approved development plan and has designated an operator for each parcel. In addition, the Commissioner must provide for public notice and hearings on the proposed action.

Included in this packet are:

1. Fiscal note from the Department of Natural Resources which is zero.
2. Bill Analysis from the Department of Natural Resources.
3. A letter from the Alaska Rural Development Council supporting the bill.
4. A resolution from the Fairbanks Chamber of Commerce supporting the concept.
5. A letter from Karen O. Lee supporting the bill.
6. A letter from Joe Cange supporting the bill.
7. A letter from Dennis Green supporting the bill.
8. A letter from Sid Nelson opposing the bill.

fh:bh

Revision Date: APR 1 1985

REQUEST

Bill/Resolution No.: SB 155
 Title: Splitting and Combining of agricultural parcels
 Sponsor: Sen. Kerttula
 Requestor: Senate Resources
 Date of Request: 3/20/85

FISCAL DETAIL

Agency Affected: Natural Resources
 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
OPERATING						
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL						
400 SUPPLIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS						
800 MISCELLANEOUS						
TOTAL OPERATING	-0-	-0-	-0-	-0-	-0-	-0-
CAPITAL	-0-	-0-	-0-	-0-	-0-	-0-
REVENUE	-0-	-0-	-0-	-0-	-0-	-0-

FUNDING: (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER						
TOTAL	-0-	-0-	-0-	-0-	-0-	-0-

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS: Attach a separate page if necessary

This legislation would likely affect only the 37 Delta barley project parcels and the 31 Point MacKenzie project parcels and applications would be processed, as received, by existing staff.

Prepared By: Carol Wilson Phone: 465-2400
 Division: Commissioner's Office Date: 3/31/85
 Approved by Commissioner: Mrs. D. Jensen, Deputy Date: _____
 Agency: Natural Resources

Distribution (by Agency preparing fiscal note):

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

7/1/84

Analysis of Senate Bill No. 155

This legislation will allow the Commissioner of Natural Resources to approve requested splitting or combining of agricultural project parcels, and sets out the following conditions under which these changes may occur:

- only one farmstead per 640 acre parcel that results from a split;
- only one farmstead on a parcel resulting from combining other parcels;
- farmsteads may not exceed 20 acres in size;
- splitting or combining of parcels must promote the public interest or the development of agriculture;
- new development plans for the resulting parcels are approved by the commissioner;
- one operator will be designated for each resulting parcel;
- public notice and a written explanation of the proposed split or combination is provided.

To: Senators Kerttula and Cizhik

From: Alaska Rural Development Council

Re: Agricultural Bills discussed at the Alaska Rural Development Council's meeting

The board of directors of the Alaska Rural Development Council met as a workshop to review Senate bills 40, 41, 42, 57, 110, 120, 154 and 155, ~~and~~ House bills 11, 33, 39, 142 and 143; and Senate Joint Resolutions No. 1.

Our comments on this legislation is as follows:

H. B. 11 - support as written

S. B. 40 - This legislation addresses the same topic as SB 154 and was discussed by the board jointly. Carol Lewis, economist with the Agricultural and Forestry Experiment Station, was requested to review the tax bills, make an economic evaluation regarding their impact on farmer operations and comment on potential administrative required. She reviewed her work with us and the board's decision was to support SB 154 as the enabling legislation with regulations to be established ~~and~~ providing and administrative formula similar to the one she selected. A copy of this is attached.

The board would like to add that they feel this is necessary legislation at present

but over the long term would tend
continue the concentration of agricultural
financing with the state instead of
encouraging farm financing from other
sources.

S.B. 41 - Supported with the suggested
change that the ending date of the note be
extended by the time allowed in the moratorium.
Moratoriums ~~are~~ presently fall on the payments
once they start and could be a disadvantage
rather than an advantage.

S.B. 42. The council encourages the
enactment of SFR no. 1 with a strong
administrative approach to improving
agricultural rights patent protection.
The council feels that SB 42 allows for excessive
administrative discretion that could work against
the preservation of agricultural land. If the
legislature feels a bill is required the council
would support H.B. 33 over SB. 42.

The council ~~feels~~ believes that the pursuit
of a constitutional change that would enhance
the preservation of Alaska's very limited
agricultural land resources should be
pursued.

5
SJR # 1 - support as discussed ~~in~~ in
the comments regarding SB 42.

H.B. 33 - discussed with SB 42

S.B. 37 - The council supports this
proposed legislation as long overdue.

S.B. 110 - The council believes this is
desirable legislation, but, because of
the limited availability of funds at the
present time, does not encourage
it right now.

SB 120 - The council supports this
legislation as written

S.B. 154 - The council supports this
legislation as described in the discussion
of SB. 40.

S.B. 155 - The council feels that splitting
or combining agricultural parcels should
be permitted under strict guidelines.

H. B. 11 - The council supports this legislation
as written.

H. B. 33. - the proposed legislation was discussed
with S. B. 42 and SJ4 # 1.

H.B. 39. The council does not oppose this
legislation if the state believes the cost of
acquisition is realistic.

(4)

H. B. 192 - This is a companion bill to
S.B. 47 which the Council supports
with a change as previously discussed.

H. B. 193 - a companion to S.B. 40 and
was previously discussed.

~~H.B.~~

The Alaska Rural Development Council
is an organization that has been active
in discussing Alaska's rural needs since
1967 and considers it a privilege to
comment on this proposed legislation.
If we can be of any further assistance,
please contact us.

Sincerely,

Sig Restad Chairman

P.S. please excuse the hand writing, no
typist was available when these were being
produced.

586-2323

Greater Fairbanks

Chamber

of Commerce

Po Box 7444

First National Center

100 Cushman Street

Fairbanks, Alaska

Fairbanks, Alaska

FAIRBANKS CHAM Fairbanks, AK. 9970

7/12 you
of
[Signature]

March 5, 1985

Senator Don Bennet
Alaska State Legislature
Pouch V (MS 3100)
Juneau, Alaska 99811

Dear Don:

With oil prices continuing to dominate the news, concern is growing about the future stability of the Alaskan economy. It becomes important, then, that we look for ways to diversify our economy, and begin now to develop some reasonable alternatives. I realize this isn't an original idea, but we need to take it seriously, none the less.

Agriculture is an industry that holds much promise for the Interior of Alaska. It is renewable, it gets land into the hands of people who will use it productively, it can help us become less dependent on imports, it's clean, and on and on.

The Greater Fairbanks Chamber of Commerce is very supportive of agricultural development in the Interior and around the state. Our Agriculture Committee has reviewed several pieces of legislation that are in the works in one committee or another in the Senate. We would like to pass on our ideas for your consideration when these bills come before you.

In some cases, we have supported a bill "in concept", as the final form will probably change.

Thank you in advance for your consideration. Let us know if we can be of further assistance.

Best regards,

Buki Wright
President

cc: Governor Bill Sheffield
Esther Wunnicke, Commissioner of Natural Resources
Bill Heim, Director, Division of Agriculture
Adelheid Herrman, Chairman, House Resources Committee

The Agricultural Development Committee and the Board of Directors of the Greater Fairbanks Chamber of Commerce urges your support for the following legislation to encourage agricultural development in Interior and South Central Alaska.

1. Support is urged for SB39 to build the roads and bridges necessary to develop both the agricultural and mineral resources in the Totchaket area of Interior Alaska.
2. Support is urged for the concept of production credits, as outlined in SB40 and SB154, to assist Alaska's agricultural industry in its early stages of development.
3. Support is urged for SB41 to increase from five years to ten years, the moratorium on payments for the sale of state land for agricultural purposes. This bill will assist Alaskan farmers in adjusting to the new worldwide economic conditions in agriculture.
4. Support is urged for the concept of SB42 as it relates to the transfer of land title from state to private ownership. This concept will enhance the ability of Alaskan farmers to obtain financing from private sector sources for agricultural production.
5. Support is urged for SB57, which would require a clause be inserted in all state bids, requiring agricultural products originating in this state be used wherever competitively priced and available and of like quality as compared with agricultural products originating outside the state.
6. Support is urged for SB110 to increase the amounts of long term loans available from the State of Alaska to any one borrower for agricultural purposes. This legislation will increase the loan limits to be more in line with the economy of scale necessary for economically sound, modern farming and will enhance the ability of borrowers to repay.
7. Support is urged for the concept of SB155, relating to the splitting and combining of agricultural parcels, with the suggestion the bill be amended to allow the minimum parcel size be 320 acres. This legislation will permit increased flexibility in the development of economically sound full-time and part-time farming enterprises in Alaska.
8. Support is urged for SB120 to increase the limits of the Agricultural Revolving Loan Fund, to assist in the establishment of Commodity Marketing Associations, and to increase the number of members on the Agricultural Revolving Loan Fund Board.

FEB 27 1985

Karen O. Lee
P.O. Box 871871
Wasilla, Alaska 99687

Senator Arliss Sturgulewski
Pouch V
Juneau, Alaska 99811

Dear Senator Arliss Sturgulewski;

I would like to request your help in remedying some of the problems associated with the state's current attempt at agricultural development.

At present, there are some crucial, and sensible, measures addressing this problem which have been introduced this session. I would like to urge your positive consideration of SB 110, raising the Agricultural Revolving Loan Fund loan limit per unit to \$2 million; SB 154, establishing a system of production credits on agricultural sales to apply toward interest on state agriculture loans; and SB 155, allowing for adjustments in contractual requirements on agricultural interest parcels sold by the state.

Before discussing the merits of each bill, I should like to make a brief case for agriculture in Alaska, and for the state's having a role in the initial development of it.

Not least among the considerations is the fact that the State of Alaska has already decided to develop agriculture. Many Alaskans with belief in the good intentions of our state have been invited to participate. Once in the program, we have been forced to put up very large sums of our own money, work and hopes for the future in support of a joint vision, ours and the state's. I cannot believe that the purpose in all this was to convince a few people to put our whole hearts into the enterprise and then end it. It is one thing for the state to cut its own losses; it is another thing altogether for the state to decide prematurely to cut the losses of its individual citizens.

To reiterate the reasons for the state's original interest in the development of agriculture: it is a basic, job-creating, service-creating, renewable resource industry. It not only creates its own labor requirements; it creates a ripple effect throughout every community where it exists. For example, my farm creates employment for four families directly. Commodities are hauled in and milk is hauled out; truckers are employed at both ends. In Anchorage, the milk is processed by more employees, and distributed by still more. Another company manufactures plastic jugs for the milk. All this demonstrates the well-known economic fact that a dollar produced by a basic industry circulates many times more than a service or retail dollar does.

I grew up in Alaska, and I can attest to the accuracy of the economists' observations. There is one major difference between the Alaska of the 1950's and the Alaska of the present, and that is the general affluence. That affluence is due to the building up of a large public and service network based on another basic industry, resource extraction. Without that basic industry, there would be no affluence. Without the incentives, particularly those at the federal level, urging on the oil companies to explore and the mining companies to keep looking, there would be little but fishing in Alaska right now which could qualify as a basic industry.

The problem with resource extraction as the basic industry of choice, of course, is its volatility. The warnings on oil have been sounding for some time now.

I believe strongly that we must develop what other basic industries we are able to in the time remaining to us, with the funds from other extractive industries which we still have coming to us. Agriculture, mining, fishing and tourism thus become, as I see it, the major areas for expansion, rather than contraction, in state spending in the coming years of waning oil revenue. At the point, we are not only going to have to be weaned from oil, we are going to need some other basic to replace it. Otherwise, we will be stuck with a state of shopping centers and state and service employees, and no one to provide the basic dollar on which they all feed.

Agriculture has earned its place in the line-up of future basic industries supporting the state's economy, even though it is still barely half-way to its goal of self-sufficiency. It has persevered through decades of neglect, lack of infrastructure, lack of marketing cohesion, lack of fair labeling laws, lack of sufficient volume of either land or product, and lack of sufficient state encouragement. Even so, there are now farms which have been in existence since the 1930's and 1940's.

All statistics available indicate that a self-sufficient agriculture industry happens naturally when 500,000 acres are in production. We have a way to go to meet that goal, as outlined in the Governor's Agricultural Task Force Report of May 18, 1983. I believe that if the fundamental precepts outlined in that document and others preceding it are followed, and funding is kept at the levels recommended in that report, the success of agriculture in Alaska will be assured.

As to the specifics of the bills, SB 110 and SB155, when considered together, actually constitute a cost-cutting device. In the case of the Point MacKenzie Agricultural Project, for example, the 19 dairies required in the original configuration would have been eligible for, and would have needed, \$1 million each, or a total of \$19 million. At that, many of the units would not have been of an efficient size, and those which were would have been grossly undercapitalized.

Should the bill allowing consolidation of units be approved, five consolidated farms and six single farms are likely to result at Point MacKenzie, making the total loan requirement \$16 million, a savings of \$3 million. (Five at \$2 million; six at \$1 million each.) Moreover, the total number of cows producing milk will actually be higher than in the original plan, a fact which is crucial to the survival of the finished product marketing arm, Matanuska Maid.

The original Point MacKenzie feasibility study was written seven years ago. Even then, the study clearly stated that the most efficient farm was the largest size studied (17 cows). Since that time, building costs have increased by huge increments. So have insurance, workmen's compensation, feed, labor, equipment, fertilizer, and so on.

In the past seven years, the industry as a whole has undergone a number of changes tending to force farms into larger sizes for efficiency of production. It is likely that this trend will increase, rather than subside, especially if President Reagan's proposed new farm policy is instituted nationally.

Consolidation and an increase in unit loan limits will insure that Point MacKenzie dairies come on line in configurations that will allow them to compete with shipboard milk. The ship milk is produced on farms being subjected to great national pressure to become larger and more efficient. If we are to compete, we too must become larger and more efficient. Building 19 units, many of which will be small expensive anachronisms on the day they open, does not make economic sense for the farmer, for the state, or for the consumer.

National statistics indicate that the farms now in trouble are those with between \$50,000 and \$500,000 in gross annual revenues. Adjusted for pricing differentials, the Alaskan figures would more likely be between \$60,000 and \$700,000. At present, only a few farms in Alaska exceed that volume. Anything under \$60,000 could be considered a hobby with the owner/operator making the main living elsewhere. To earn over \$700,000 a dairy farm would have to milk 240 cows, and milk them well. A 240-cow farm in Alaska costs a minimum of \$2.5 million to build, stock and plant.

With the recent loss of a significant percentage of its stability and pricing levels at the market, the dairy industry in Alaska is particularly vulnerable right now, and particularly in need of a mechanism for consolidating both land and debt to a point that will again allow them to operate with positive cash flows. Between them, SB 110 and SB 155, would be of immense help in preserving the gains that have been made in the dairy industry. And, as I mentioned earlier, they will save money in both the short and long runs.

Other areas of agriculture would be similarly benefitted by the measures. Delta would become more flexible in the handling of their lands; possibly converting some of the farms into the part-time lower-gross category while still maintaining the same amount of planted acreage. Hog farms and beef feedlots are as capital-intensive as are dairy farms; with the rise of inflation over the past decade, it would not be possible to build either of these enterprises to an efficient level for the current loan limits. The state has invested significantly in the processing ends of both the meat and milk industries. It seems foolish to expect these investments to pay off if there are not to be any large hog farms, no big beef feedlots and no large dairy farms.

There has been much concern expressed over the delinquency rate of current ARLF loans. I think that is a problem that will take care of itself once farming has actually been developed, rather than developing. Once the industry has grown to the sufficient volume to be interrelated and profitable, the private financing industry will be only too glad to take over the responsibilities. For now, it must be remembered by policy makers that ARLF is in the business of developing a new basic industry, literally from the woods. They are not loaning to a new hamburger outlet for a simple return on invested capital. They are trying to get Alaskan agriculture to the point where we could sell our own hamburgers, not just eat the

ones that come in from Argentina. When reading the negative reports from Legislative Audit and the Budget Office, this ultimate larger purpose should be recalled.

As for SB 154, dealing with production credits, I favor this mechanism simply because it promises some benefit to those who have been trying the hardest to make the agricultural system work. The way it is now, those of us who have been working hardest and longest, thus losing the most money, are the ones getting hurt. Those who have been planting for years at Delta, with only a modicum of state encouragement, or who began producing milk at Point MacKenzie before they absolutely had to, would at least get the benefit of some reduction in carryover interest debt. In the case of the Point MacKenzie farmers, the state in its capacity of creamery owner has held the price of milk down because of a state moratorium until late 1985 on state loan repayments. That sounds all right, until you remember that if the interest is not forgiven, it will have cost every farmer about \$80,000 for that moratorium. There is no way to recoup that loss without production credits.

To summarize, SB 110 and SB 155 will act quickly to maintain the dairy industry in Southcentral Alaska, and enable the other areas of agriculture to become more efficient and to develop according to the overall plan. SB 154 will not involve an appropriation, and will greatly aid those who have been the losers so far in the struggle to develop agriculture in Alaska.

I would be happy to supply more information, either general or specifically from my own Point MacKenzie operation, should you decide that that would help you in your deliberations.

Thank you for taking your time in a busy 120-day session to listen to these concerns.

Sincerely,



Karen O. Lee

Owner

Tract 30 Point MacKenzie

JOSEPH PATRICK CANGE
CERTIFIED PUBLIC ACCOUNTANT
BOX 4-847
ANCHORAGE, ALASKA 99508
TELEPHONE (907) 344-5800

February 18, 1985

Arliss Sturgulewski
Chairman Resources Committee
Alaska State Senate
Pouch V
Capital Building
Juneau, Alaska

SUBJECT: SENATE BILLS NOS. 110 AND (155)

Dear Arliss:

Pursuant to our conversation yesterday, I am submitting data regarding Senate Bills Nos. 110 and 155. Before I address these items, however, I would like to express my thoughts on the agriculture industry.

First I ask "Can the dairy industry be viable?" Yes. Our figures indicate that we can provide milk that is competitive with Outside milk because of the freight advantage that exists. The additional total cost of producing milk locally versus Outside is less than the freight on milk shipped from Seattle.

The goal at the Tucker dairy is to produce milk at the lowest cost possible per unit of milk produced. The local dairies must be as efficient and as well managed as Outside dairies or they cannot compete in the local market place. Most of the local dairies have never become efficient enough to bring their operating costs down to be competitive with Outside dairies. For example, our cost of feed is \$4.29 per day per cow when we bring in soybean meal and barley in bulk and mix our own feed. The cost of this same feed purchased locally is \$1.00 per day per cow more. That \$1.00 savings is the farmer's profit on the milk produced.

Arliss Sturgulewski
February 18, 1985
Page Two

Historically, the various State administrations have had no comprehensive plan. Thus, agriculture has been an unorganized, unplanned and poorly administered industry. This situation has left Alaskan agriculture in a state of chaos and near bankruptcy. It is not too late to save agriculture. Many things must be done and many changes in policies and practices must immediately take place if we are to save the industry.

We are fortunate that for the first time in Alaskan agricultural history we now have a Commissioner who is genuinely concerned about agriculture. She is willing to change obsolete policies and thinking and is doing the things necessary to save the industry -- and the state's investment. This is the direction in which Esther Wunnicke and Deputy Director James K. Barnett are embarking. Senate Bill No. 110 and Senate Bill No. 155 are a vital part of that comprehensive plan that will make the dairy industry viable.

SENATE BILL NO. 110

Proposes increasing loan limits of the Agricultural Revolving Loan Fund (ARLF) from \$1,000,000 to \$2,000,000

A number of things have made this increase necessary.

1. When the State's figures were done in 1979 (see Exhibit A "Potential Milk Production in the Point MacKenzie area of Southcentral Alaska") the Consumer Price Index was 233.2 (1/1/80). Today the Consumer Price Index is 316 which is a 36% increase in costs since 1/1/80.

2. The initial plan at Point MacKenzie was for the establishment of 19 small family-run dairies. However, the \$200,000 cash requirement for even the smallest dairy prohibited the building of these smaller dairies. The larger dairies actually being built require more total borrowing, but result in lower borrowing per cow.

3. The State's figures (see page 7 of Exhibit A) showed that the total capital investment for a 150-cow facility was estimated to be \$1,241,711. However, these numbers do not include housing, working capital or machinery costs. These add an additional \$500,000 to the 1979 figure of \$1,241,711.

Arliss Sturgulewski
February 18, 1985
Page Three

4. Current farms are undercapitalized and there is no other source of funds available. The current dairies are:

	<u>Facility Size</u>	<u>Actual Cows Milking</u>	<u>Difference</u>
Tucker Dairy	480 cows	360	120 cows
Lee Dairy	300 cows	160	140 cows
James Dairy	260 cows	40	220 cows
Rudgers Dairy	150 cows	50	100 cows
TOTAL	1190	610	580

It does not make sense to create facilities and then not provide adequate funds for cows. These dairies are all up against the \$1,000,000 loan limit, but need additional funds to bring these dairies up to maximum capacity. Increasing the loan limit will allow these dairies to be brought up to 100% milk producing potential. This will generate the greatest return on scarce funds because of a better utilization of existing facilities. Every cow generates \$3,000 in revenues for the farm. In addition, according to Matanuska Maid each additional cow generates \$420 per year in additional net income for the creamery (see Exhibit B).

580 additional cows x \$420.00
= \$248,600 additional net income to the creamery.

SENATE BILL NO. 155

Proposes the splitting and combining of agricultural parcels

This change is necessary for the following reasons.

1. By consolidating parcels the total capital required per cow is substantially less. In our case, consolidation reduced capital investment per cow by 32%. This creates more competitive fixed cost and lowers debt requirement per cow. Boyd Buxton, noted dairy authority who has done work for the Department of Agriculture, states

Arliss Sturgulewski
February 18, 1985
Page Four

"The investment per cow in dairy buildings and equipment is substantially less on larger than on smaller dairies regardless of region." (See Exhibit C, Page 14 "Economic Policy and Technology Factors Affecting Herd Size and Regional Location of U.S. Milk Production").

2. The operating costs, including interest expense per cwt of milk produced, are lower on larger dairies than on smaller dairies because of the principle of economies of scale. The Tucker dairy operating costs per cwt of milk produced are 26% lower on one large dairy than they would be on four smaller dairies. Boyd Buxton states "Based on whole farm budgets, the larger dairies with 500 cows or more are more profitable than smaller dairies." (See Exhibit C, Page 27).

3. Most of the Point MacKenzie parcel owners have little or no experience in the dairy industry. Therefore, it is imperative that the dairies hire competent dairy managers to insure a successful and well managed farm. Consolidation makes this financially possible.

4. Currently many dairies have already joined together in cooperative efforts as follows:

Dairy West joined two borough parcels together
Tucker Dairy joined four separate parcels together
Wright Dairy joined two parcel together
James Dairy joined two parcels together
Shoone Dairy joined two parcels together

These joint efforts have been necessitated due to the simple economics of the dairy industry. The dairy industry needs Senate Bill 155. Not passing Senate Bill 155 would place a definite hardship on these dairies and could result in their bankruptcy and thus the industry as well.

5. The consolidation of dairies is in compliance with the intent of the initial sales brochure dated September 11, 1982 (see Exhibit D) which states "The major objectives are to stimulate in-state milk production, to provide milk to Alaska consumers at a competitive market price, and to assist in gaining agricultural self-sufficiency for the State of Alaska." Only through consolidation can we be competitive.

Arliss Sturgulewski
February 18, 1985
Page Five

6. The consolidation of parcels will eliminate unnecessary duplication of buildings and machinery. This will substantially reduce the borrowing required from the ARLF. There is currently not enough money in the ARLF to develop all the remaining parcels and the reduced capital needs resulting from consolidation will help lessen the demands on ARLF funds. In our case, the ARLF has only \$1,000,000 invested in one 485-cow facility instead of a possible \$4,000,000 in four 120-cow dairies.

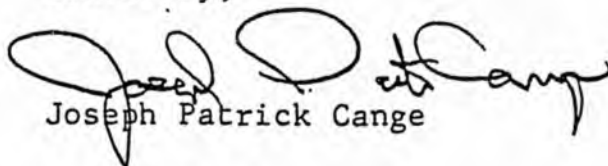
I have also enclosed earlier correspondence related to Point MacKenzie that you might find helpful. They are:

Exhibit E	1/1/84	Jalmar Kerttula
Exhibit F	6/22/84	Bob Heath
Exhibit G	9/14/84	Dean Brown
Exhibit H	1/17/84	James K. Barnett

The passage of Senate Bills 110 and 155 are mandatory if we are going to work toward a successful, profitable and financially strong dairy industry that will produce dairy products for Alaskans at a competitive price.

Thank you for your attention to this very important matter. If I can be of any further assistance, please do not hesitate to give me a call.

Sincerely,


Joseph Patrick Cange

:p

cc: Esther Wunnicke
James K. Barnett
Mike Szymanski
Jan Faiks
Jalmar Kerttula
Bill Heim

Potential Milk Production in the Point MacKenzie Area of Southcentral Alaska

by

Carol E. Lewis, J. Michael Harker,
Edward L. Arobio and Wayne C. Thomas

Agricultural Experiment Station
School of Agriculture and Land Resources Management
University of Alaska
James V. Drew, Director

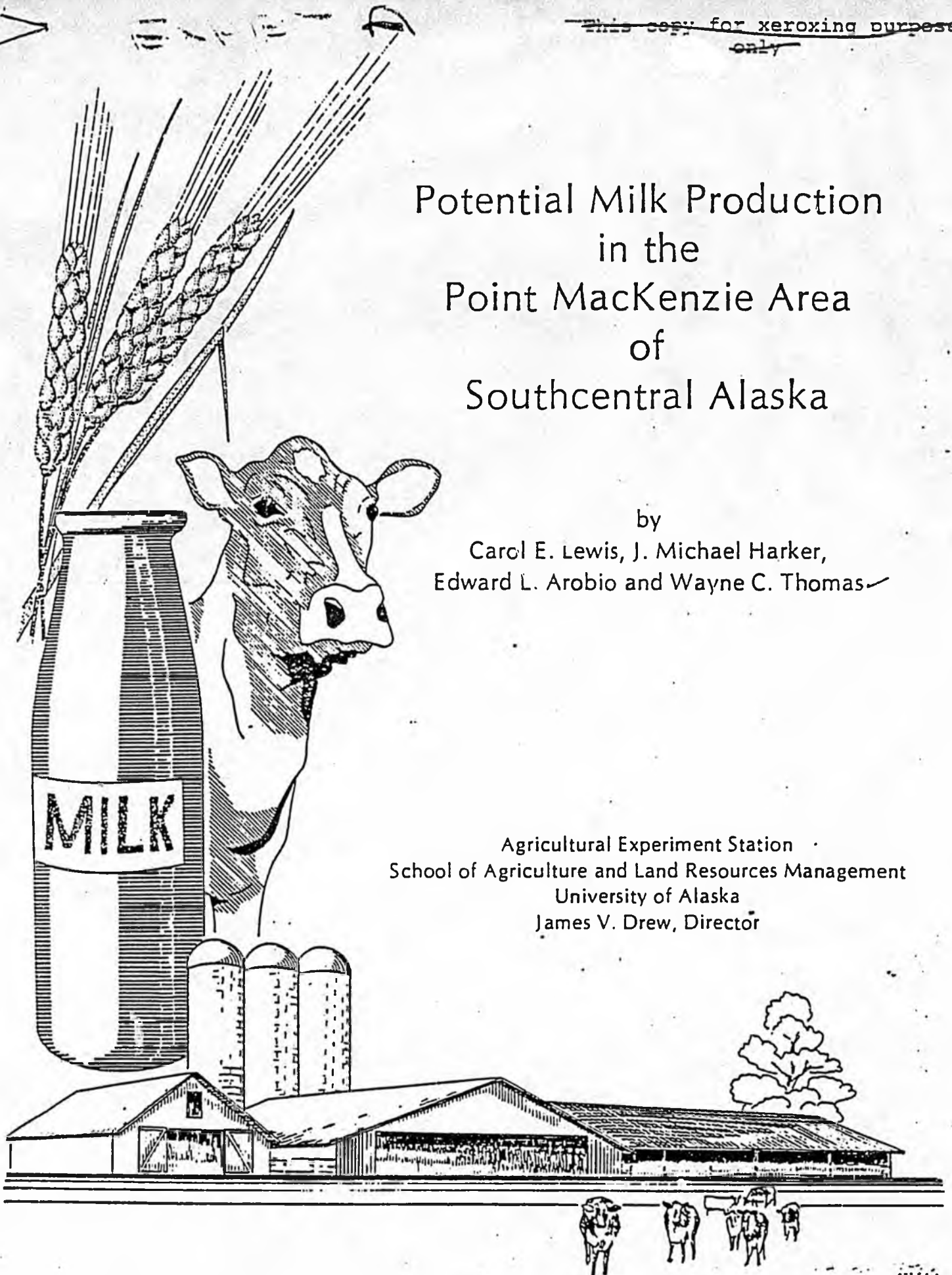


Table 6: Machinery Storage and Workshop

Facility Size	Machinery	Workshop	Total Cost
50, 75 Cow Stanchion	40'x60'	40'x46'	\$57,880
100, 150 Cow Free Stall	40'x75'	40'x46'	\$65,680

Calf, Heifer, and Dry-Cow Housing

There are controversies concerning the housing of calves. Indications are that calf death rates are less if they are removed to cold housing one day after birth. The cold housing recommended is a 4' x 14' hutch, 4' x 8' of which is a plywood shed free from drafts and bedded with straw, 4' x 6' being an exposed area enclosed in hog wire for feeding. In high snow areas, management of the hutches may be difficult. Therefore, an alternative is offered by putting the "hutches" in a cold building. An additional advantage of this practice is that the calf housing can be combined with that for heifers and dry cows in a single building. The major advantages of this system is that feeding can be accomplished in one building and that manure handling (a straw pack removed in spring and periodically throughout the summer) is a single operation. The straw pack waste is removed to the fields in spring and fall.

Housing costs are the same as those used for hay and straw storage plus \$1.00/ft² for iron and \$2,000 for all units for plumbing. Space for animals is determined using standard allotments. Twice the hutch area per calf is used to enable hutches to be moved before being occupied by a new calf. Table 7 shows space per cow by age, total number of cows housed, total space and total cost.

Feed Handling

Feed handling in stanchion units is accomplished by electric cart although a feed bunk system could also be used. Free-stall barn feeding is accomplished by augering the feed into the feed bunks. Provisions have been included for feed mixing at the silo unload area. The silos load out into a feed mixer and then either into carts or an auger hopper. A feed mixer is provided to keep feed consistency constant if both haylage and silage are fed. Approximate cost is \$4,000 per silo.

Well

There is limited data to indicate the depth of wells required in the Point Mackenzie area. It is

Table 7: Calf, Heifer, and Dry-Cow Housing

Facility Size	Space Per Cow			Number of Cows Housed ^a				Total Space (ft ²)	Building Size	Total Cost \$
	0-2 mo.	2-12 mo.	12-24 mo. & dry cows ^b	0-2 mo.	2-12 mo.	12-24 mo.	dry cows			
50-Cow Stanchion	56 ft ²	25 ft ²	110 ft ²	19	19	16	10	3,499	40' x 90'	\$2,400
75-Cow Stanchion	56 ft ²	25 ft ²	100 ft ²	28	28	25	15	5,380	50' x 100'	72,000
100-Cow Free Style	56 ft ²	25 ft ²	110 ft ²	37	37	32	20	7,037	50' x 140'	100,000
150-Cow Free Style	56 ft ²	25 ft ²	110 ft ²	55	55	48	30	10,515	60' x 180' ^c	153,200

^a Assumes a 15% loss at 0-3 months, no losses at 3-12 months, 12% loss at 12-24 months and a herd replacement of 25% of the total.

^b Includes 45 ft² of resting area and 65 ft² of "lot" area.

^c Two 50' x 70' or two 60' x 90' buildings could be used.

Table 8: Total Capital Investment for Four Facility Sizes

	50-Cow Stanchion	75-Cow Stanchion	100-Cow Free Stall	150-Cow Free Stall
Barn and Iron	\$ 71,820	\$108,000	\$140,400	\$ 210,600
Ventilation	7,500	11,278	10,000	15,000
Milk Room	6,000	6,000	N/A	N/A
Milk Parlor	N/A	N/A	50,760	51,840
Milking Equipment	40,000	55,000	80,000	80,000
Silos	160,999	241,499	316,988	462,501
Manure Handling	43,271	50,833	59,858	61,440
Concentrate Storage	10,000	15,000	20,000	30,000
Hay and Bedding Storage	31,200	45,500	58,500	88,400
Machine Storage	31,200	31,200	39,000	39,000
Workshop	26,680	26,680	26,680	26,680
Calf and Dry-Cow Housing	52,400	72,000	100,000	153,200
Well	3,500	3,500	3,500	3,500
Feed-Handling Equipment	8,000	12,000	16,000	20,000
TOTAL	\$492,570	\$678,990	\$921,686	\$1,241,711

PER COW INVESTMENT BY FACILITY SIZE

\$ 9,857 \$ 9,053 \$ 9,217 \$ 8,278

7



EXHIBIT B

Matanuska Maid, Inc.

814 W. Northern Lights Blvd.
Anchorage, Alaska 99503
(907) 561-5223

December 4, 1984

Mr. Joseph P. Cange
P.O. Box 4-647
Anchorage, Ak. 99509

Dear Mr. Cange:

You asked us two questions. Your questions and our best judgment answers are:

1. The question: What is the economic value to the Matanuska Maid Creamery of each new producing cow brought on stream in the Palmer/Pt. MacKenzie Area?

Our Answer: Our projections indicate that an increase of 1075 producing cows (the number required to bring total production up to our single shift processing capacity) will generate a monthly operating cash flow increase of approx. \$37,500. Based on that, the value of each new local producing cow to the Creamery is \$35.00 per month.

2. The question: How much milk can Matanuska Maid sell without depressing the market?

Our Answer: We believe it would be unrealistic to think local milk could acquire over one half the rail belt market without depressing prices. At Mid-Summer 1984, Matanuska Maid was supplying about 27% of a 64,000 CWT monthly market.

We anticipate the market growing to about 71,000 CWT per month by Mid-1986 and believe up to 35-36,000 CWT can be processed locally without depressing prices. That quantity would require about 3,000 producing cows.

Very truly yours,


John L. Seawell

EXHIBIT C

For review only

Economic, Policy and Technology Factors Affecting Herd Size
and Regional Location of U.S. Milk Production

Boyd M. Buxton

A
paper prepared
for

Congressional Office of Technology Assessment
October, 1984



United States
Department of
Agriculture

Economic
Research
Service

NED, University of Minnesota
217 Cla Off Bldg, 1994 Buford Ave.
St. Paul, Minnesota 55108

November 28, 1984

Mr. Joseph Patrick Cange
Certified Public Accountant
Box 4-647
Anchorage, Alaska 99509

Dear Mr. Cange:

In response to your letter of October 31, 1984, I have enclosed a preliminary draft report recently completed. The capital costs estimated for twenty-two dairy operations in the lower 48 states are summarized in Table 4, page 15. The budget information is for "whole" farm situations and include some operations that produce most of the feed within the farm. By looking at alternative size herds within each state, some idea of how capital costs per cow change on alternative size farms can be evaluated. Table 4 breaks capital costs down into six categories such as dairy buidlings and equipment. This may help you pick the most relevant figures for your purposes.

~~The report also includes information on the capital costs of alternative housing systems. Perhaps the New York farms would be most relevant to the Point MacKenzie project as those farms use free stall housing, produce most of the forage requirement and 52-, 200-, and 600-cow operations are considered.~~

I enjoyed meeting with the group representing the Point MacKenzie area and also wish we had had more time to discuss the farm issues.

Sincerely,

Boyd M. Buxton
Agricultural Economist

BMB/dmm

Enclosure

Total hired labor ranges from 1.03 worker equivalents (2,575 hours) of part-time hourly labor on the 52-cow Minnesota dairy to 18 full-time workers on the 1,436-cow Florida dairy. Some of the part-time labor hired in Minnesota, Pennsylvania, New York and Washington is seasonal and associated with crop production (Table 2).

Investment Requirements

The estimated new (replacement) cost per cow for assets required on the twenty-two dairies are summarized in Table 4. Replacement or new costs are used so that the average annual costs of ownership will reflect an amount sufficient to replace worn out assets when needed. Costs then reflect an amount needed to maintain the long-term viability of the operation.

On dairies without cropland for feed production, the total investment per cow ranges from \$3,372 on the 1,436-cow Florida dairy to \$5,053 for the 359-cow Arizona dairy. Including land and field machinery to produce feed, a Minnesota 52-cow dairy has a total replacement value of assets of more than \$15,000 per cow. The difference between herd sizes and regions are best reflected in comparing investment per cow in dairy buildings and equipment. Here the range is from \$749 on the 1,436-cow Florida dairy to \$4,871 for the 52-cow Minnesota dairy (Figure 2).

For typical herd sizes, the investment per cow is substantially less in Southeast and Southwest regions than in other regions. However, the 600-cow New York and 550-cow Idaho dairy

EXHIBIT B-2

Adjusted cost per cwt

[REDACTED] ed
[REDACTED] A).
Also costs were lower on the very large dairies in California, New Mexico, Arizona, and Idaho than on smaller dairies in Minnesota, Pennsylvania, and New York. However, the 600-cow New York dairy had comparable costs to herds of about that size in other states.

The major exception was the relatively high cost for Florida dairies. Floridas' high costs are in part offset by relatively high milk prices resulting in the competitive rate of return on investment discussed in the previous section and illustrated in Figure 3.

The cost per cwt of milk is nearly the same for alternative price support or federal order policy scenarios. However, costs per cwt drop dramatically for producers achieving milk production per cow equal to the top 20 percent of producers using DHIA tests compared to a producer achieving the average of all producers using DHIA tests (Table 8).

[REDACTED] s
A rate of return to investment is calculated for twenty-two dairy farms after all operating costs are paid and sufficient money withheld to maintain the long-term viability by replacing worn out equipment and facilities. The major findings of the analysis include the following:

[REDACTED]
[REDACTED]
2. For the herd sizes that characterizes dairy farming in each region, investment per cow is less for the large dairy operations in the Southwest, Northwest and Southeast than for the Lake State and Northeast regions.

3. Based on whole farm budgets, the larger dairies with 500 cows or more are more profitable than smaller dairies. Considering the long-term, effeciently operated dairies in New Mexico, Arizona and Florida are more profitable than their counterparts in California, Idaho, Minnesota and the Northeast. This result is the bottom line after reflecting regional difference in costs and milk prices received.

4. Although costs per cwt of milk are highest in Florida, the relative high price received for milk provides a competitive return. The profitability of California and Idaho dairies is adversely affected by lower milk prices compared to New Mexico, Arizona and Florida dairie .

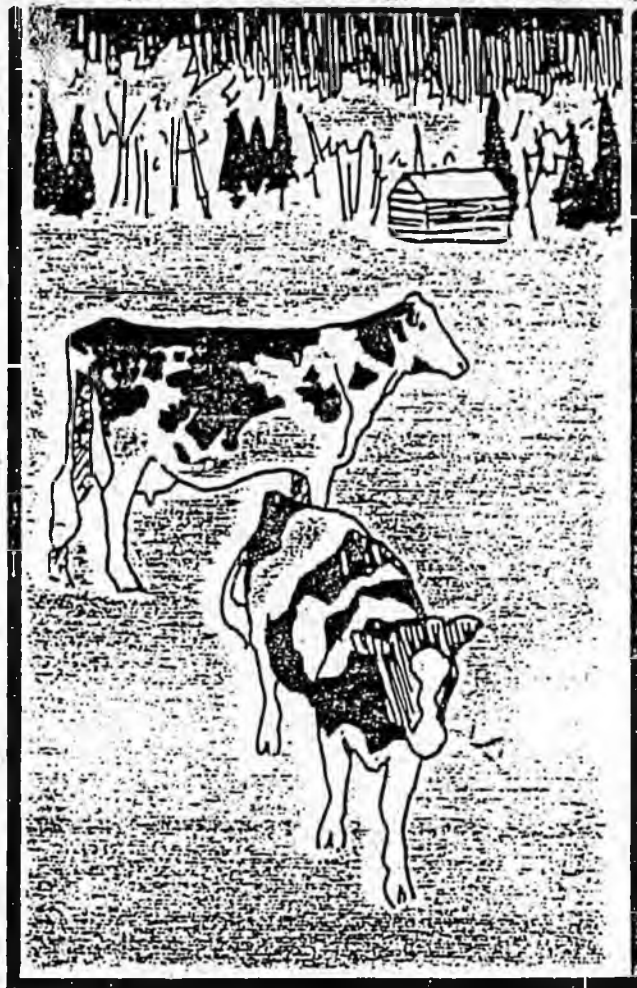
5. Strong economic pressure exists for herds to get larger in all regions. This will continue the trend to fewer and larger dairies.

6. The relatively favorable profit potential (rate of return) of large scale dairy farming in the Southwest, Southeast and Northwest regions will likely result, over the long term, in a continued shift in milk production to those areas. Those areas will likely increase their relative share of total U.S. milk production, placing increased competitive pressure on the traditional Lake States and Northeast dairy areas.

7. The profitability of dairy farming is greatly improved in all regions when management achieves production per cow levels equal to the top 20 percent of the farmers using Dairy Herd Improvement Testing programs (Scenario V). Achieving these performance levels tends to improve the profitability of large more than small dairies, adding more economic incentive for large scale dairying.

EXHIBIT D

Point MacKenzie Agricultural Project SALE BROCHURE



LAST COPY

Department of Natural Resources
Alaska Agricultural Action Council
September 11, 1982



STATE OF ALASKA
DEPARTMENT OF NATURAL RESOURCES
DIVISION OF LAND AND WATER MANAGEMENT
323 East Fourth Avenue
Anchorage, Alaska

POINT MACKENZIE AGRICULTURAL INTEREST SALE

Lottery #10

Lottery Filing Period: 8:00 a.m., Wednesday, July 7, 1982 through
4:30 p.m., Friday, August 20, 1982.

Place of Lottery: Palmer High School
Little Theater
West Arctic Avenue
Palmer, Alaska

Date of Lottery: September 11, 1982

Time of Lottery: 10:00 a.m. (local time). Information Briefing and
Lottery Drawing.

INTRODUCTION

In an effort to develop agricultural land as a renewable resource of the State, the Alaska Department of Natural Resources in cooperation with the Alaska Agricultural Action Council is disposing of approximately 13,940 acres of agricultural land in the vicinity of Pt. MacKenzie, Alaska. The major objectives are to stimulate in-state milk production, to provide milk to Alaska consumers at a competitive market price, and to assist in gaining agricultural self-sufficiency for the State of Alaska. Therefore, subject to the provisions of AS 38.04 and AS 38.05 and pursuant to the regulations promulgated thereunder, the Director of the Division of Land and Water Management, or his authorized representative, will sell (the agricultural interest) by lottery in the following described real property located within the Palmer Recording District.

PARCELS FOR SALE

The agricultural interest in twenty-nine (29) parcels ranging in size from 301.75 acres to 632.24 acres and totaling 13,940 acres will be offered for sale. The sale of all parcels will be under the terms and conditions set forth in this brochure and in the sale contract. Sample sales contracts are available for inspection through the Southcentral District Office. Land discounts pursuant to AS 38.05.058 and 11 AAC 67.900-915 are available to eligible Alaskans.

EXHIBIT E

JOSEPH PATRICK DANGE
CERTIFIED PUBLIC ACCOUNTANT
BOX 4-647
ANCHORAGE ALASKA 99509
TELEPHONE (907) 344-8887

January 1, 1984

Mr. Jalmar M. Kerttula
President, Alaska State Senate
Pouch V
Juneau, Alaska 99811

Subject: Point MacKenzie Agricultural Project

Dear Jalmar,

Let me first express my sincere thanks and appreciation for taking the time to hear my thoughts and concerns regarding the Point MacKenzie dairy project.

I would like to restate my primary viewpoint: if this project is to be successful, then everything has to be done to create the best economic units possible, not just on one parcel, but on all parcels.

The milk provided at Point MacKenzie is going to compete in the market place with Outside milk. If we create units that are not the most economically efficient possible, then the project cannot compete, and Point MacKenzie will be a failure.

The "Point MacKenzie Agricultural Project Sale Brochure" (which is probably your own words) states: "The major objectives are to stimulate in-state milk production, to provide milk to Alaska consumers at a competitive market price...". This, I believe, should be everyone's goal -- to guarantee a successful project.

There should be no question in anyone's mind that if the project fails, then everyone loses: YOU as its creator, the STATE as its financial backer, the ALASKAN CITIZEN through loss of potential jobs, and the POINT MACKENZIE FARMER in lost investment. In addition, a failure here will also create a negative impact on other potential agricultural projects.

I feel that the project can be economically viable. However, only through your assistance and guidance will it become a successful project.

Mr. Jalmar M. Kerttula
January 1, 1984
Page 2

I believe that the following items, if done, will further our common goals related to Point MacKenzie.

I. ELECTRICITY TO EACH PARCEL

Initial cost of electrical generation facilities per farm is approximately \$50,000. KWH costs are nearly five times higher than MEA power. In short, to be competitive, power must be accessible to each parcel.

"Dairy farmers who generate their own electricity at present do so at a cost of up to \$100 a day for each farm".
(Anchorage Daily News, December 18, 1983).

Governor Sheffield stated at the 6th Annual University of Alaska Symposium on Agriculture that he would "support an appropriation of \$3,000,000 to extend electricity to Point MacKenzie." We should make sure that this is included in the budget.

II. NATURAL GAS TO EACH PARCEL

Natural gas, as with electricity, provides an economic benefit to the dairies. Natural gas is the cheapest form of energy that we have in Alaska. This advantage should be utilized.

III. RELAXATION OF DEVELOPMENT SCHEDULE

The farm development schedule, as it now exists, provides for a two-part stocking rate of approximately 1/2 by November 1, 1985, and the other 1/2 by November 1, 1988. This provision should be relaxed to permit the entire stocking rate by November 1, 1988. There are a number of reasons for this.

First, more time is needed to get the infrastructure established -- such as electric, gas, telephone and processing plant.

Second, there are not enough qualified people available to complete all the things necessary to get all 17 dairies on line by November 1, 1985.

Mr. Jalmar M. Kerttula
January 1, 1984
Page 3

Third, if the dairies come on line over a longer period of time, the first dairies can provide cows to the later dairies. This would provide additional income for the early dairies and reduced cow costs for later dairies.

Fourth, there are going to be mistakes made by the early dairies. The later dairies can learn from their predecessors, and this should result in better units.

Fifth, because the operation of a dairy requires such substantial capital and labor costs initially, it is not feasible to have a dairy come on line in two phases.

To be economically viable it has to come on line with nearly 200 cows -- not with 37 cows in 1985 and 65 cows in 1988 as it is now proposed, for example, on Dairy 101. The high front-in cost of the milking parlor, waste facility, and other fixed costs, do not permit this phasing concept.

Sixth, it will require more time to get the field in condition to provide necessary forage crops and grain for food base. It will take two or three more years to burn berm piles and condition soil for effective planting and harvest of crops. Nothing could be worse than having the cows on line prior to having food base on line. The food base should come first.

IV. COMBINING TWO PARCELS INTO ONE FARM

The current interpretation of the regulations requires that two parcels cannot be combined into one farm. This should be changed to permit the combining of two parcels into one farm with the following limitations:

- (a) The parcels must be contiguous (separation by streets and easements permitted).
- (b) The minimum number of cows on combined farms must be 1 1/2 times the total required on the two separate farms. The added total milk production should help justify this change.
- (c) The lending regulations must be changed to increase loan limits to \$1,500,000 per farm. The existing limit is not high enough and is making it hard on current operators.

Mr. Jalmar M. Kerttula
January 1, 1984
Page 4

Combining of farms will encourage more economical units. At the same time it will guarantee a minimum of 10 separate dairies so that no one large dairy is formed. I believe it is better to make this change NOW, not after inefficient dairies have gone broke.

A 200-cow dairy is going to require 750-800 acres of land for food base. The combining of dairies will permit this. Dairy 116, for example, has only about 270 acres of usable Class II/III soils. This would only permit a dairy based upon food base requirements of 68 cows. This size farm is not economically feasible. A combining of 116 with 117, for example, will permit a 200-cow facility on 117, which makes 116 and 117 a good economic unit.

I think that capital invested should be invested to maximize the efficiency of the industry. It would be far better to have a 150-200 cow facility rather than two 75-100 cow facilities.

The savings created by a consolidation of dairies could go to developing an efficient processing plant. This modern plant should be at Point MacKenzie, and be owned by all Point MacKenzie dairy farmers. If dairying is to be viable in the marketplace, we cannot depend upon Matanuska Maid to process and market milk. Matanuska Maid loses money on every gallon it sells. It is becoming more and more uneconomical. It cannot compete with Outside milk because it's costs of operation are too high.

The worst thing that could happen is to have the 17 Point MacKenzie farms, plus the existing eight farms, ready to sell milk to Matanuska Maid -- only to discover that they could not sell it in the marketplace because of Matanuska Maid's inefficiency. Unfortunately I fear this is the direction in which we are now headed.

The data that I have indicates that the processing plant is the most profitable part of the whole industry. If the farmers owned their own processing plant, profits from the plant could be returned to them.

My calculations show that Point MacKenzie, plus existing dairies, could produce 50% of 1987 projected Railbelt milk consumption. The industry could not, with Matanuska Maid processing the milk, market the projected milk production because Matanuska Maid would not be competitive with Outside milk. The producing industry would probably have to lower its price to make the end product competitive. Therefore, a processing plant is a necessary investment if Alaskan milk is to be competitive with Outside milk.

Mr. Jalmar M. Kerttula
January 1, 1984
Page 5

V. SUMMARY

I am asking that you assist us to:

- (a) provide the basic infrastructure;
- (b) allow more time for orderly development;
- (c) allow for more efficient dairy units, and
- (d) help insure that we invest capital in those things that bring the greatest return to make Alaska milk competitive.

The changes that I am requesting are necessary because the State did not follow your initial idea of pre-qualification conditions. If that would have been done, then you would have probably had existing dairy farmers expanding into Point MacKenzie who would have had experience, herds, and food base. As it is now, only the Lees have this sort of qualifications.

I hope we can all work cooperatively and in unison on this project. I know that the program was not intended to be a corporate operation as I envision on our parcels, but I think there is room for both. I believe that the paramount concern should be to make the project successful, and our suggested changes will help accomplish this.

Sincerely yours,

Joseph Patrick Cange

J:p

your copy

EXHIBIT C

JOSEPH PATRICK CANGE
CERTIFIED PUBLIC ACCOUNTANT
BOX 4-647
ANCHORAGE, ALASKA 99509
TELEPHONE (907) 344-9557

June 22, 1984

Mr. Bob Heath
6441 South Air Park Place
Anchorage, Alaska

SUBJECT: DAIRY INDUSTRY

Dear Mr. Heath:

I would first like to thank you for taking the time to see me today. All involved in the dairy industry owe a special thanks to Senator Kerttula for asking Governor Sheffield to appoint you as the person responsible for assessing the Matanuska Maid situation. I believe you will find a solution to the current morass that exists in the dairy industry.

I will briefly restate the situation and the resolution as I see it.

The solution to Matanuska Maid's problem is not increased debt, but rather less debt. Increased debt will only add to the problems and delay the solutions.

The first step is to immediately initiate a viable plan to reorganize and get out of Chapter 11. This plan of reorganization must require all parties to make economic sacrifices, namely:

- 1) the producers shall receive only as much for their milk as the dairy can pay and break even;
- 2) the state shall write off all accrued interest on existing debts and give the dairy a moratorium on future interest and principal payments;
- 3) the unsecured creditors shall only receive about 60% of their total claims, and
- 4) the prior producers shall receive no money for 2% certificates.

A piecemeal approach to solving the problems will not work. All groups must make the hereinabove sacrifices; otherwise, the dairy cannot compete in the competitive market that currently exists.

A consulting report is currently being prepared by Ed Owens, State Director, Washington State University, Small Business Development Center. This \$40,000 study was requested by bank cooperatives to evaluate Matanuska Maid. The study is a detailed analysis of the feasibility of reorganizing Matanuska Maid. Among other things the report will include an in-depth review of Matanuska Maid's financial systems and procedures, management and marketing procedures, and strategy. In my discussions with Ed Owens he feels that with proper management Matanuska Maid can be very successful and profitable. It is imperative, in my opinion, that the recommendations made in this report be evaluated and implemented immediately by the Board of Directors.

I further believe the state must address the problems NOW that exist in the producer area. As we all know, the producer cannot survive without an efficient dairy -- and the dairy cannot survive without efficient producers. If we only resolve the problems of the dairy, and don't address both producer and dairy, then the time will come when we will have the same emergency situation at the producer level. What good is one without the other?

The dairy has been paying the producer a price higher than what it could afford to pay and still break even. This overpayment has been absorbed by an increase in debt and continual erosion of prior years' equity. The producer was receiving approximately \$3.00 CWT more for his milk than the dairy could afford to pay. Since the producer was getting his check, he wasn't concerned about the processor -- and "no one was watching the store".

In 1980 when the Point MacKenzie project was initiated, the idea was to create a number of small family dairies. In reality, however, this concept does not work, nor is it what has actually happened. For example, of the farms actually under construction, or in production, the situation is as follows:

Lees	-	Subsidized by other business ventures
James	-	Subsidized by medical practice
Rodgers	-	Backed by Anchorage restaurant
Tucker	-	Backed by cooperative effort of 4 separate dairies
Johnson	-	Backed by his contracting business
Basken	-	Possible family dairy

The cash equity requirement of nearly \$200,000 to build even the smallest farm is a prohibitive sum for most family farms. Therefore, many families cannot even get started.

Currently at Point MacKenzie there are two dairies on line and four more under construction. The two operating dairies are in serious financial trouble, and the remaining 16 need help desperately.

If the producer is going to survive, immediate changes must be made. These are as follows.

1. Combining of up to four parcels into one farm.

Both the initial cost and the operating costs of larger facilities create lower per-unit prices. Based upon recent cost data it costs \$15,000 per cow for a 100-cow dairy compared to \$8,000 per cow for a 360-cow dairy. In addition, the operating costs of a 100-cow dairy are 25% higher than a 360-cow dairy.

As in any business, economy of scale produces lower per unit costs. The Department of Agriculture must allow consolidations of parcels to allow more efficient and competitive units while at the same time enforcing the total stocking requirements.

2. Increase lending limits to \$7,500 per cow, or up to \$2,000,000 per farm.

The industry needs additional financing to be efficient. The costs of even a 120-cow dairy are upwards of \$1,600,000. The current loan limit of \$1,000,000 is not enough. The current operators cannot bridge the gap between costs and available loan limits. The savings created for the state loan program by having fewer dairies should be allocated to existing and future dairies so they can build efficient units rather than under-funding them as is now the case. The state is much better off to have \$1,500,000 lent to one 200-cow facility than \$3,000,000 lent to three 70-cow facilities. The total cost to the state is less under this scenario than the one currently being pursued.

3. Funds to promote in-state products.

Because of the controlled retail environment that our milk products are competing in, we must promote our local milk products to the consumer. The state has a large financial investment, as well as a long-term responsibility, to see that the industry survives. The state should allocate upwards of \$200,000 to promote local products. Because of the current financial problems of the processing plant, these funds must come from the state. This is a small investment compared to the future returns.

4. The state must adopt a law that establishes a maximum 10-day shelf life from the date of process.

The state of Hawaii has recently adopted such legislation to enhance its local dairy industry.

5. Moratorium on interest and principal for 4 years.

The current reduction in milk prices of \$3.00 CWT cannot be absorbed by the producer at this time. The industry will need time to adjust to this reduction in revenues. All existing and proposed farms use the current \$21.40 CWT price, not the new \$18.35 CWT price.

I believe the situation for the producer is just as precarious as the dairy, but not yet as obvious. If the dairy industry is to survive, we must have a change of policies at the Department of Agriculture. A dairy industry failure will have long-range damaging implications to all other areas of agriculture. I believe it is not too late to make necessary changes. Changes are needed in policies and directions by the state to save the dairy industry.

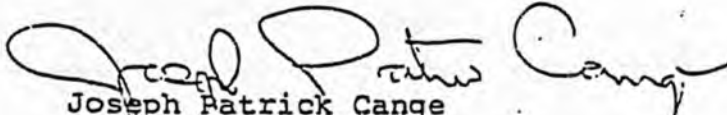
We must go forward, we cannot turn back. Too much is at stake here -- we cannot stop the flow of milk from the existing 900 dairy cows currently in production.

The state has invested significant tax-payer capital in the development of several agriculture-based industries -- such as the barley and red meat industry. Should the dairy industry fail, the other agricultural industries will be seriously impacted.

Although the situation seems bleak -- it is not hopeless. I believe with proper assistance and directional change from the state we can create a successful dairy industry in Alaska.

Thank you for your time and consideration in this matter. I am presently doing a cost analysis of various sized dairies and I will forward a copy to you as soon as it is completed. If I can be of any further assistance, please give me a call.

Sincerely,


Joseph Patrick Cange

cc: Governor Bill Sheffield
Richard A. Lyon
Bill L. Heins
Jalmar M. Kerttula
Esther C. Wunnicke
Pappy Moss
Mike Szymanski

EXHIBIT G

JOSEPH PATRICK GANGE
CERTIFIED PUBLIC ACCOUNTANT
BOX 4-547
ANCHORAGE, ALASKA 99508
TELEPHONE (907) 344-5800

September 14, 1984

Ms. Dean Brown
Deputy Director
State of Alaska
Department of Natural Resources
Division of Agriculture
P.O. Box 949
Palmer, Alaska 99645-0949

SUBJECT: article in The Anchorage Times, September 14, 1984
Brown disagrees with the premise that larger is more economical, saying that state statistics show the smaller, family-run dairy as the most economical farming unit. They require less sophisticated equipment and don't rely on hired labor, she said.

Dear Ms. Brown:

I certainly enjoyed your comments as reported in The Anchorage Times on this date. My brother and I own a parcel at Point Mackenzie and we would like to ask you a few questions, in your official capacity as Deputy Director, regarding the agriculture industry.

Regarding your statement "that state statistics show the smaller, family-run dairy as the most economical farming unit"

1. In your capacity as Deputy Director is this your personal philosophy?
2. Is this philosophy an official department philosophy, and if so, who else in the department subscribes to this theory?
3. Are there any written policy documents postulating this theory? If so, please send us a copy.

Ms. Dean Brown
September 14, 1984
Page Two

4. What economic data is your statement based upon? Please provide us with your detailed economic data.

5. Does the fact that in 1960 there were 80 Grade A dairies whereas today there are only 9 Grade A dairies provide support for your position? How do you account for this decrease in "smaller, family-run dairies"?

6. Does your economic data supporting the "smaller, family-run dairies" include cost of housing? If not, where should the families live? How much would a minimum-sized family home cost?

7. On September 11, 1982 what price was the dairy farmer receiving for his milk? What is he receiving today? How would a reduction in the price of milk from \$22.60 per cwt to \$19.50 per cwt effect your economic data?

8. Does your economic data include any expenditure for agriculture equipment for planting and harvesting of crops? If so, how much? If not, what would it cost to acquire this equipment per farm?

9. What is the ideal size of a "smaller, family-run dairy" (a) based upon your economic data, and (b) based upon your personal economic data?

10. How many "smaller, family-run dairies" are currently producing milk at Point Mackenzie? What are the total number of cows currently producing milk as of this date from the "smaller, family-run dairies"?

11. Have you read the report dated July 10, 1984 prepared by Ed Owens, State Director, Washington State University, Small Business Development Center? If you have, do you feel that the report has any value or validity?

12. Please inform us as to your views on the economic theory related to economies of scale, particularly related to the dairy industry. Does this theory apply in the dairy industry? If not, explain why not.

Ms. Dean Brown
September 14, 1984
Page Three

13. Do you agree with the statement by Milburn Tucker (Anchorage Times, 9/14/84) that the larger dairy, because of its large capital requirements, will help encourage continued dairying at Point Mackenzie? If not, please explain how this could not be true.

14. Do you think that a successful and profitable dairy industry will insure that Point Mackenzie parcels remain agriculture? If you do not, please explain what will happen to the Point Mackenzie parcels if the dairy industry fails. Do you feel that there is any relationship between economically viable dairies at Point Mackenzie and the continued use of the 31 parcels as agriculture?

15. What have you done in your position as Deputy Director to insure a success at Point Mackenzie?

16. In your position as Deputy Director, what do you see as the primary problems existing at the Point Mackenzie dairies and what solutions have you proposed?

17. Which Point Mackenzie farmers have you communicated with since January 1, 1984, and what are the farmers main points of concern? What positive actions have you taken to resolve their problems and concerns?

18. Is it more important to keep the "smaller, family-run dairies" or to produce milk at the lowest price per cwt?

19. Based upon your economic data, how much initial capital would a "smaller, family-run dairy" require?

20. Do you think that the change in the Point Mackenzie project as initially set up (January 2, 1981) and the way the final lottery was done (September 11, 1982) has had any effects on your concept of the "smaller, family-run dairies"?

21. In your opinion, are there any advantages to the larger dairies?

Ms. Dean Brown
September 14, 1984
Page Four

22. If your theory of the "smaller, family-run dairies" being better than larger dairies is true, why wouldn't it make sense to have 20 smaller, family-run creameries rather than one large creamery?

23. How important is it to the dairy industry as a whole and to the state that Point Mackenzie succeed?

24. Do you believe that there is any interrelationship and/or interdependence between the Delta Barley project, Point Mackenzie project, and the Red Meat Industry? If so, please explain.

25. Do you believe that a failure at Point Mackenzie would have impacts on future planned agricultural projects such as Fish Creek, Moose Creek, Deshka Flats, Chulitna and Nenana?

26. How much has the state invested over the last ten years to agriculture in:

- a) loans
- b) loans written off
- c) value of land set aside for agriculture
- d) administrative costs for the Department of Agriculture.
- e) University of Alaska experimental work?

27. How important is the agriculture industry to the state?

28. How important is it that the dairy industry produce milk at costs that will make Alaskan milk products competitively priced with Lower-48 milk products?

29. Do you feel that the dairy industry is currently very financially strong? If not, please explain why.

30. How important is it to the long-term success of the dairy industry that state loan funds be used to generate the most revenue per dollar lent?

31. If the combining of parcels can create lower capital costs per cwt, would this help reduce fixed cost per cwt of milk produced?

Ms. Dean Brown
September 14, 1984
Page Five

32. On some loans the Alaska Revolving Loan Fund Board has required applicants to share management and use of facilities on adjoining parcels. If this results in lower capital outlays and lower operating costs, does this make sense to you?

33. Do you agree or disagree with the following statement "The major objectives (of the Point Mackenzie project) are to stimulate in-state milk production, to provide milk to Alaskan consumers at a competitive market price."

34. How important is natural gas to the Point Mackenzie project? What have you done as Deputy Director to help obtain natural gas?

35. What have you done as Deputy Director to guarantee that Point Mackenzie obtains the most out of the \$3,100,000 grant for electricity? How are you overseeing the administration of these funds?

36. Regarding your statement "they require less sophisticated equipment and don't rely on hired labor"

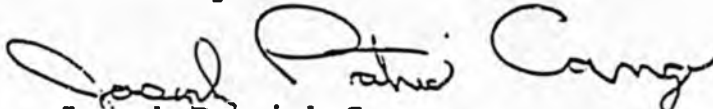
- a) What particular pieces of sophisticated equipment do you dislike?
- b) Do you dislike all sophisticated equipment, or just sophisticated equipment in the dairy industry?
- c) Why do you dislike sophisticated equipment?
- d) Why do you dislike hired labor?
- e) Do you dislike all hired labor, or just in the dairy industry?
- f) Do you believe that our modern trend to specialization of labor is undesirable? What are your thoughts regarding specialization within the dairy industry?
- g) Do you see any long-term advantage to having professionally managed corporate dairies as compared to the "smaller, family-run dairies"?

Ms. Dean Brown
September 14, 1984
Page Six

h) How many cows would the "smaller, family-run dairies" milk? What is their detailed personnel schedule?

We would appreciate your immediate response to these questions as we feel they are critical to our analysis of the long-term success or failure at Point Mackenzie.

Sincerely,


Joseph Patrick Cange

cc: Governor Bill Sheffield
Richard A. Lyon
Bill Heim
Jalmar M. Kerttula
Esther C. Wunnicke
Pappy Moss
Mike Szymanski

EXHIBIT: A

P.O. Box 4-647
Anchorage, Alaska 99509
January 17, 1985

Mr. James K. Barnett
Deputy Commissioner
Alaska Department of Natural Resources
555 Cordova Street
Pouch 7-005
Anchorage, Alaska 99510

Re: Consolidation of Parcels
116, 117, 123, and 124 into one farm

Dear Mr. Barnett:

The four owners of the hereinabove described parcels are asking that the four parcels be permitted to consolidate into one farm. After a very thorough economic analysis we made the decision in late 1983 to work jointly to build one large efficient facility rather than build four separate smaller ones. Thus, we combined our capital, time, and management expertise to create one large and economically efficient dairy. The reasons for this decision are as follows:

1. Through consolidation the capital investment per cow was 32% lower for one dairy than for four separate dairies. By pooling our economic resources we capitalized the dairy with \$1,000,000 cash. The capital requirements are so great that if each person had attempted to build a separate, small dairy, none of us would be operational at this time. However, through this cooperative effort, we are currently producing 12,000 lbs. of milk per day.
2. The operating costs including interest expense per cwt of milk produced are 26% lower on the one large dairy when compared to four smaller dairies. The economies of scale of the larger dairy will, therefore, make us competitive with outside milk.
3. None of the four parcel owners had much experience in the dairy industry; therefore, it was imperative that we secure a competent dairy manager to insure a successful well-managed

Mr. James K. Barnett
January 17, 1985
Page 2

operation. By building one large dairy we were able to attract and hire one of the leading dairymen in the country. A single, small dairy could not have afforded the compensation necessary to attract a good dairy manager.

4. We recognized that Matanuska Maid's bankruptcy filing, and a reduction in milk prices (from \$22.60 per cwt to \$19.00 per cwt) would require that we be able to produce milk at a price lower than \$19.00 per cwt. We could only do this by combining our parcels.

The Point MacKenzie sale brochure dated September 11, 1982 states on Page 1 "The major objectives are to stimulate in-state milk production to provide milk to Alaska consumers at a competitive market price, and to assist in gaining agricultural self-sufficiency for the State of Alaska."

The required minimum stocking of these four parcels by November 1, 1985 is 173 cows. We currently have 367 cows, more producing cows than all the other Point MacKenzie producers combined.

Having experienced the complete process of getting a dairy on line, none of us (the four parcel owners) would ever consider building separate, smaller dairies. We are viable and in production now only because we have consolidated the parcels.

The benefits to the state and the industry are many. We have attached a letter from John Seawell (Exhibit A) that shows our 367 cows are earning the creamery \$12,845 per month. The consolidation will eliminate the duplication of capital and thus require less of ARLF funds. The existing funds available for agricultural lending are quite limited. In fact, the request for a separate loan on Parcel 116 has been postponed by the ARLF Board because of apparent lack of funds.

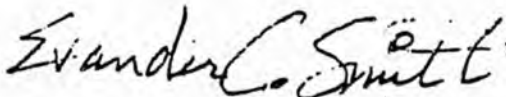
Lower capital requirements and lower operating costs create competitively priced agricultural products. To prove this point, we have also attached a letter and study from a leading authority on dairy farming (Exhibit B) which points to lower investment and lower operating costs on larger dairies versus smaller dairies.

Mr. James K. Barnett
January 15, 1985
Page 3

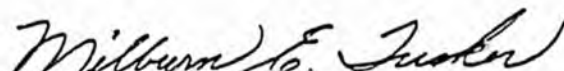
We are making an official request of the Director of the Division of Land and Water Management, with the consent and concurrence of the Commissioner of the Department of Natural Resources, to amend our CONTRACTS FOR THE SALE OF AGRICULTURAL INTEREST IN STATE LAND to permit a consolidation of Parcels 116, 117, 123, and 124 into one farm. With the November 1st contract date only nine months away, we would like to accomplish the consolidation as soon as possible.

It is imperative for the long-term success of the industry that the Department of Natural Resources demonstrate initiative and foresight in its policies to do those things that make the industry viable and competitive. Let's not live by yesterday's standards: let's be progressive. Now is the time to do the things that these competitive times demand.

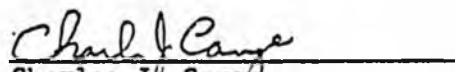
Sincerely,



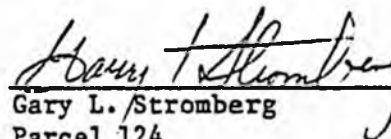
Evander C. Smith
Parcel 116



Milburn E. Tucker
Parcel 117



Charles J. Cange
Parcel 123



Gary L. Stromberg
Parcel 124

attachments

cc: Bill Heim
Esther C. Wunnicke



Matanuska Maid, Inc.

814 W. Northern Lights Blvd.
Anchorage, Alaska 99503
(907) 561-5223

December 4, 1984

Mr. Joseph P. Cange
P.O. Box 4-647
Anchorage, Ak. 99509

Dear Mr. Cange:

You asked us two questions. Your questions and our best judgment answers are:

1. The question: What is the economic value to the Matanuska Maid Creamery of each new producing cow brought on stream in the Palmer/Pt. MacKenzie Area?

Our Answer: Our projections indicate that an increase of 1075 producing cows (the number required to bring total production up to our single shift processing capacity) will generate a monthly operating cash flow increase of approx. \$37,500. Based on that, the value of each new local producing cow to the Creamery is \$35.00 per month.

2. The question: How much milk can Matanuska Maid sell without depressing the market?

Our Answer: We believe it would be unrealistic to think local milk could acquire over one half the rail belt market without depressing prices. At Mid-Summer 1984, Matanuska Maid was supplying about 27% of a 64,000 CWT monthly market.

We anticipate the market growing to about 71,000 CWT per month by Mid-1986 and believe up to 35-36,000 CWT can be processed locally without depressing prices. That quantity would require about 3,000 producing cows.

Very truly yours,



John L. Seawell

EXHIBIT A

A FARMER OWNED COOPERATIVE



United States
Department of
Agriculture

Economic
Research
Service

XED, University of Minnesota
217 Cla Off Bldg, 1936 Buford Ave.
St. Paul, Minnesota 55108

November 28, 1984

Mr. Joseph Patrick Cange
Certified Public Accountant
Box 4-647
Anchorage, Alaska 99509

Dear Mr. Cange:

In response to your letter of October 31, 1984, I have enclosed a preliminary draft report recently completed. The capital costs estimated for twenty-two dairy operations in the lower 48 states are summarized in Table 4, page 15. The budget information is for "whole" farm situations and include some operations that produce most of the feed within the farm. By looking at alternative size herds within each state, some idea of how capital costs per cow change on alternative size farms can be evaluated. Table 4 breaks capital costs down into six categories such as dairy buidlings and equipment. This may help you pick the most relevant figures for your purposes.

The results do indicate lower investment on larger farms than on smaller farms especially up to the 500 or 600 cow herd sizes. Perhaps the New York farms would be most relevant to the Point MacKenzie project as those farms use free stall housing, produce most of the forage requirement and 52-, 200-, and 600-cow operations are considered.

I enjoyed meeting with the group representing the Point MacKenzie area and also wish we had had more time to discuss the farm issues.

Sincerely,

Boyd M. Buxton
Agricultural Economist

BMB/dmm

Enclosure

EXHIBIT B

Total hired labor ranges from 1.03 worker equivalents (2,575 hours) of part-time hourly labor on the 52-cow Minnesota dairy to 18 full-time workers on the 1,436-cow Florida dairy. Some of the part-time labor hired in Minnesota, Pennsylvania, New York and Washington is seasonal and associated with crop production (Table 2).

Investment Requirements

The estimated new (replacement) cost per cow for assets required on the twenty-two dairies are summarized in Table 4. Replacement or new costs are used so that the average annual costs of ownership will reflect an amount sufficient to replace worn out assets when needed. Costs then reflect an amount needed to maintain the long-term viability of the operation.

On dairies without cropland for feed production, the total investment per cow ranges from \$3,372 on the 1,436-cow Florida dairy to \$5,053 for the 359-cow Arizona dairy. Including land and field machinery to produce feed, a Minnesota 52-cow dairy has a total replacement value of assets of more than \$15,000 per cow. The difference between herd sizes and regions are best reflected in comparing investment per cow in dairy buildings and equipment. Here the range is from \$749 on the 1,436-cow Florida dairy to \$4,871 for the 52-cow Minnesota dairy (Figure 2). The investment per cow in dairy buildings and equipment is substantially less on larger than on smaller dairies regardless of region. For typical herd sizes, the investment per cow is substantially less in Southeast and Southwest regions than in other regions. However, the 600-cow New York and 550-cow Idaho dairy

EXHIBIT B-2

Adjusted cost per cwt

A cost per cwt of milk (adjusted for sales other than milk) tended to be lower on large than on small dairies in all states (Figure 4).

Also costs were lower on the very large dairies in California, New Mexico, Arizona, and Idaho than on smaller dairies in Minnesota,

Pennsylvania, and New York. However, the 600-cow New York dairy had comparable costs to herds of about that size in other states.

The major exception was the relatively high cost for Florida dairies. Floridas' high costs are in part offset by relatively high milk prices resulting in the competitive rate of return on investment discussed in the previous section and illustrated in Figure 3.

The cost per cwt of milk is nearly the same for alternative price support or federal order policy scenarios. However, costs per cwt drop dramatically for producers achieving milk production per cow equal to the top 20 percent of producers using DHIA tests compared to a producer achieving the average of all producers using DHIA tests (Table 8).

Conclusions of long-term analysis

A rate of return to investment is calculated for twenty-two dairy farms after all operating costs are paid and sufficient money withheld to maintain the long-term viability by replacing worn out equipment and facilities. The major findings of the analysis include the following:

1. Investment per cow in dairy buildings and equipment is less on larger than on smaller dairies.

2. For the herd sizes that characterizes dairy farming in each region, investment per cow is less for the large dairy operations in the Southwest, Northwest and Southeast than for the Lake State and Northeast regions.

EXHIBIT B-3

3. Based on whole farm budgets, the larger dairies with 500 cows or more are more profitable than smaller dairies. Considering the long-term, effeciently operated dairies in New Mexico, Arizona and Florida are more profitable than their counterparts in California, Idaho, Minnesota and the Northeast. This result is the bottom line after reflecting regional difference in costs and milk prices received.

4. Although costs per cwt of milk are highest in Florida, the relative high price received for milk provides a competitive return. The profitability of California and Idaho dairies is adversely affected by lower milk prices compared to New Mexico, Arizona and Florida dairies.

5. Strong economic pressure exists for herds to get larger in all regions. This will continue the trend to fewer and larger dairies.

6. The relatively favorable profit potential (rate of return) of large scale dairy farming in the Southwest, Southeast and Northwest regions will likely result, over the long term, in a continued shift in milk production to those areas. Those areas will likely increase their relative share of total U.S. milk production, placing increased competitive pressure on the traditional Lake States and Northeast dairy areas.

7. The profitability of dairy farming is greatly improved in all regions when management achieves production per cow levels equal to the top 20 percent of the farmers using Dairy Herd Improvement Testing programs (Scenario V). Achieving these performance levels tends to improve the profitability of large more than small dairies, adding more economic incentive for large scale dairying.

EXHIBIT B-4

TK you file

MAR 8 1985

Mar. 5, 1985

Senator Jay Kerttula.

Dear Jay,

S.B. 155 would be a great help in a number of cases. I think it is a very good bill.

SB 110, I question AR&F's ability to fund. Also if it would make a great deal of difference.

Thank you for your interest in Alaska's farmers.

Sincerely,
Dennis Green

SB 42
SB 155

FEB 27 1985

SENATOR ARLISS STURGULEWSKI,

FEB. 23, 1985

I WOULD LIKE TO MENTION SOME PROBLEMS I AND SOME OF MY NEIGHBORS ARE HAVING WITH FARMING AT DELTA. WE WERE HERE BEFORE THE BARLEY PROJECT STARTED UP IN 1978. WE MOSTLY OWN FEE-SIMPLE LAND THAT WAS PAID FOR AT THAT TIME. OUR EFFORTS WERE MODEST COMPARED TO THE BARLEY PROJECT, BUT WERE MORE MATCHED TO AVAILABLE MARKETS. WE ALL HAVE JOBS ON THE SIDE AND WERE, FOR THE MOST PART, CAREFUL WITH THE STATE LOANS.

THEN THE BARLEY PROJECT STARTED. THEY DIDN'T CREATE MANY NEW MARKETS - THEY JUST DIVIDED UP THE ONES WE HAD BEFORE. NOW WE HAVE TO COMPETE WITH PEOPLE WHO GOT 2,000-3,000 ACRES OF LAND FOR \$56 AN ACRE (WITH 90% FORGIVEN BY HOMESTEAD CREDITS) AND WHO HAVE 8 YEARS (WITH THE MORATORIUM) ON THEIR CLEARING LOANS WITHOUT ANY PAYMENTS. THEY ALSO HAVE THE BEST OF EQUIPMENT THAT THEY PAY ON WHEN THEY FEEL LIKE IT. SOME OF THEM ARE 2 YEARS BEHIND ON THEIR PAYMENTS AND NO ONE SEEMS TO CARE.

THEY MIGHT GO BROKE IF THE LOANS EVER COME DUE, BUT MEANWHILE THEY ARE PRETTY TOUGH COMPETITION.

THE CLEARING LOAN MORATORIUM WAS JUST FOR THE BIG OPERATORS (DELTA I & II AND THE MACKENZIE PROJECT.) I HAVE A SMALL CLEARING

TO PAGE 2

LOAN THAT DOESN'T QUALIFY, ALTHOUGH MY FARM HAS BEEN 100% PLANTED (50 ACRES OF OATS) FOR THE LAST 3 YEARS.

THE LAND PAYMENT MORATORIUM DOESN'T HELP ME EITHER, IT JUST SUBSIDIZES MY NEW COMPETITION.

ANYWHERE ELSE IN THE COUNTRY FARM AID LEGISLATION IS SET UP TO HELP LARGE AND SMALL FARMERS. IF A SMALL OPERATOR IS PUT OUT OF BUSINESS BY A LARGE OPERATOR, BECAUSE THE LARGE OPERATOR IS MORE EFFICIENT, THAT'S JUST GOOD BUSINESS. AT DELTA THE LARGE OPERATORS HAVE FAILED MISERABLY. TWO THIRDS OF THEM WOULD HAVE GONE UNDER LAST WINTER WITHOUT THE MORATORIUMS. THE SMALL OPERATORS ARE BEING ELIMINATED UP HERE BECAUSE THE BIG GUYS GET EVERYTHING FOR FREE. I GUESS THIS IS HOW BILL HEIM AND JAMES DREW ARE GOING TO PROVE THEIR ECONOMY-OF-SCALE THEORIES.

ALL THIS IS BAD ENOUGH, BUT NOW THE LITTLE CLIQUE THAT RUNS ALL THE STATE FARM PROGRAMS IS ~~BEING~~ TRYING TO CHANGE AG-RIGHTS TO FEE-SIMPLE TITLE AND TO CHANGE THE RULES SO THE BARLEY PROJECT CAN BE SUBDIVIDED. THEY ARE THE SAME INDIVIDUALS THAT PROMISED US IN 1978 THAT "THE BARLEY PROJECT WON'T HURT LAND VALUES IN DELTA - ~~BECAUSE~~ BECAUSE IT WILL JUST BE AG-RIGHTS AND THE LARGE PARCELS CAN NEVER BE DIVIDED".

THEIR PET PROJECT IS SICK AND NOW THEY WANT TO LET THE BARLEY FARMERS SELL OFF THEIR EXTRA LAND IN LITTLE PARCELS. THAT WOULD ABSOLUTELY RUIN OUR FEE-SIMPLE LAND VALUES.

WE HAVE 90,000 ACRES OF AG-RIGHTS NEXT TO US THAT WAS SOLD FOR PRACTICLY NOTHING.

I'M WRITING TO YOU BECAUSE OUR LOCAL SENATOR (COGHILL) IS A LOST CAUSE. HE GOT ~~RE~~ ELECTED BY PROMISING TO CHANGE AG-RIGHT LAND TO FEE-SIMPLE. THE STATE HAS BROUGHT SO MANY NEW FARMERS IN HERE THAT THEY CAN EASILY OUT-VOTE US, AND COGHILL HAS FIGURED THAT OUT.

PLEASE VOTE AGAINST SENATE BILL 42, BY COGHILL, ON AG-RIGHTS.

PLEASE VOTE AGAINST SENATE BILL 155, BY ~~KERTTULA~~ KERTTULA ON DIVIDING AG-PARCELS.

HE IS REPAYING HIS POLITICAL DEBTS WITH THIS ONE. ~~REMEMBER~~ REMEMBER THE 16 "FARMHANDS" FROM A MACKENZIE DAIRY, THAT EACH CONTRIBUTED \$1,000 TO KERTTULA'S CAMPAIGN LAST FALL?

THANKS FOR YOUR TIME,

SID NELSON

Box 553

DELTA JUNCTION

ALASKA 99737

STATE OF ALASKA

DEPARTMENT OF NATURAL RESOURCES

OFFICE OF THE COMMISSIONER

APR 16 1985

BILL SHEFFIELD, GOVERNOR

POUCH 7-005

ANCHORAGE, AK 99510

PHONE: (907) 276-2653

April 2, 1985

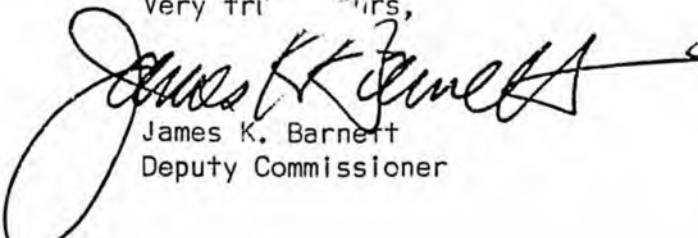
Dear Alaskan:

Attached is a proposed revision to regulations of the Department of Natural Resources. The department is soliciting public comments on the proposed regulation. Please see the attached legal notice for instructions on how to submit written comments.

The proposed regulation adds a new section to 11 AAC 67. The new section outlines the procedure to be followed by an agricultural interest holder desiring to amend an agricultural development contract and combine his or her parcel with a parcel or parcels held by another. As the combination of parcels will result in amendments to a previously-approved contract or development plan, the draft regulations set out standards to assist the commissioner in determining if the amendments are material and if they protect or further the public interest. The draft regulation provides that public notice of the proposed action be given and sets up the content of the notice and a procedure for responding to the proposed combination. Additionally, a provision is made which makes a single interest-holder in the new parcel responsible for meeting the contractual obligations of the new parcel.

Your comments on the proposed regulation will be most useful to the department if you suggest specific wording changes or other modifications you feel would result in improvement to the regulation. Thank you for your assistance.

Very truly yours,



James K. Barnett
Deputy Commissioner

NOTICE OF PROPOSED CHANGES IN THE REGULATIONS
OF THE DEPARTMENT OF NATURAL RESOURCES

Notice is hereby given that the Department of Natural Resources, under authority vested by AS 38.05.020 and AS 38.05.035, proposes to amend regulations in Title 11 of the Alaska Administrative Code, dealing with combining agricultural parcels for the more efficient and economic development of agriculture in the state, to implement AS 38.05.069, as follows:

11 AAC 67.186 is adopted as a new section in which the procedure to be followed by agricultural interest holders who desire to combine their tracts with other tracts held by agricultural interest holders is outlined. The section applies when an approved development plan must be amended to accommodate the combination of agricultural parcels. The section contains the procedure the department must follow in determining whether the proposed combination is necessary to protect or further the public interest.

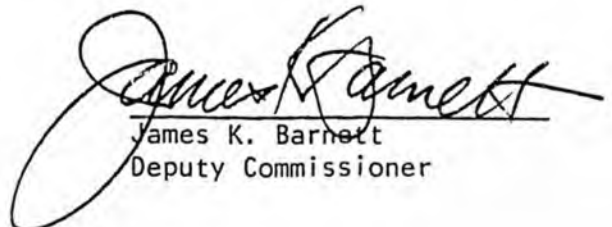
Notice is also given that any person interested may present written statements or arguments relevant to the proposed action by writing to the Department of Natural Resources, Office of the Commissioner, Pouch 7-005, Anchorage, Alaska 99510, so that they are received no later than 4:30 p.m. on May 8, 1985.

This action is not expected to require an increased appropriation.

Copies of the proposed regulation may be obtained by writing to the above address or by calling either the Anchorage or Juneau Office of the Commissioner at 265-4131 in Anchorage or 465-2400 in Juneau.

The Department of Natural Resources, upon its own motion or at the instance of any interested person, may, after the deadline stated above, adopt proposals within the scope of this notice without further notice or may decide to take no action on them.

DATE: March 28, 1985


James K. Barnett
Deputy Commissioner

DRAFT

FARM ADD
DOI
3/28/85

11 AAC 67 is amended by adding a new section to read:

11 AAC 67.186. COMBINING AGRICULTURAL PARCELS. (a) A person who has obtained a parcel of land that is part of an agricultural development project may combine that parcel with a parcel or parcels held by another for the more efficient and economic development of agriculture within the state. This section applies only when an approved development plan must be amended to accommodate the combination of agricultural parcels.

(b) In combining parcels, there is no limitation on the maximum size of the resulting parcel, although the resulting parcel may contain only one farmstead of no more than 20 acres.

(c) In deciding whether to allow a combination of parcels, the commissioner will make a written finding that the change does not constitute a material amendment from the original development contract and is necessary to protect or further the public interest. In determining whether the change is material and will protect or further the public interest, the commissioner will consider:

(1) the legitimacy of the reasons for the change;

(2) whether the reasons for the change were unforeseen at the time the contract was made;

(3) the timing of the change;

(4) whether the contract contains clauses authorizing modifications; and

(5) the extent of the change, relative to the original contract.

(d) The commissioner may, with the consent of the holders of parcels involved in the proposed combination, establish or change any existing development requirements of the parcel holders.

(e) The commissioner will require the holders of parcels involved in the proposed combination to enter into an agreement which replaces or supercedes the approved development requirements of the individual parcel holders. The new agreement will be made in a form prescribed by the commissioner and is subject to approval by the commissioner.

(f) The commissioner will give public notice of an application for a combination of agricultural parcels which will include the following safeguards of the public interest:

DRAFT

- (1) a statement explaining the nature of the approval sought;
 - (2) a statement indicating where copies of the application may be obtained or viewed;
 - (3) the written finding, or a summary of the written finding, required by (c) of this section;
 - (4) an opportunity for public hearing on the proposed combination, at the written request of 25 interested individuals; and
 - (5) a statement that any person may file written comments on the application within 30 days after publication of the notice.
- (g) An application for a combination of agricultural parcels will designate a single-entity owner responsible for meeting the contractual obligations of the proposed new parcel. The single-entity owner must be an interest-holder in the proposed new parcel. (Eff. / /85, Register)

Authority: AS 38.05.020
AS 38.05.035
AS 38.05.069

%%%%%%%%%%%%%%%%%%%%%%%%%%%%%%%%%%%%%%%%%%%%%%%%%%%%%%%%%%%%%%%%%%%%%%%%POMK117 - 2/7

TO: SENATORS FAIKS, SACKETT, ELIASON, FERGUSON, P. FISCHER,
HALFORD, STURGULEWSKI, FAHRENKAMP, COGHILL,
FERGUSON

FR: EILEEN M. HAINES
P O BOX 87-7110
WASILLA 99687
376-7945
376-1232

RE: SPLITTING OF AG PARCELS

IS THERE SOME WAY OF CHANGING THIS? I AM IN FAVOR OF SPLITTING
UP THE 1,000-5,000 ACRE AT DELTA BECAUSE OF THE SHORT GROWING
SEASONS IN ALASKA BUT I AM AGAINST COMBINING AGRICULTURAL PARCELS
BEFORE CONTRACT REQUIREMENTS ARE MET LEGALLY. NOT FAIR TO US WHO
WERE REQUIRED TO FULFILL CONTRACT REQUIREMENTS.

Introduced: 2/13/85
Referred: Resources
and Finance

CS

1 IN THE SENATE

BY KERTTULA

2

SENATE BILL NO. 155

3

IN THE LEGISLATURE OF THE STATE OF ALASKA

4

FOURTEENTH LEGISLATURE - FIRST SESSION

5

A BILL

6

For an Act entitled: "An Act relating to the splitting and combining of

7

agricultural parcels."

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. SPLITTING AND COMBINING OF AGRICULTURAL PARCELS.

11

(a) The commissioner may allow a person who has purchased a parcel of agricultural land under this chapter that is part of an agricultural development project to split the parcel by selling portions of the parcel or to combine it with other parcels by purchasing a parcel from a private seller.

16

(b) If a parcel is split under this section, no more than one farmstead may be maintained for each 640 acre parcel resulting from the split. If parcels are combined, there is no limit on the size of the resulting parcel, but no more than one farmstead may be maintained on the resulting parcel. A farmstead may not exceed 20 acres.

320
and the approved developed plan or plans must be amended to accommodate the combined

21

(c) The commissioner may not allow a parcel to be split or combined under this section unless

23

(1) the commissioner makes a written finding that the proposed split or combination is necessary to promote the public interest; in making this determination the commissioner shall consider whether the split or combination will encourage development of the state's agricultural resources, prevent economic waste, and protect all interested parties including the state;

29

(2) for each parcel resulting from a split or combination,

1 an agricultural development agreement is entered into with the state
2 and approved by the commissioner;

3 (3) the application for the split or combination of parcels
4 designates an operator for each of the proposed resulting parcels;

5 (4) the commissioner provides public notice of, and an
6 opportunity for a hearing and written comment regarding, a proposed
7 split or combination; and

8 (5) the commissioner makes available to the public a writ-
9 ten explanation of the proposed split or combination, information on
10 how to obtain a copy of the application for the proposed split or
11 combination, and the proposed agricultural development agreements.

12 (d) The commissioner may adopt regulations to implement this
13 section.

Dairy farmers watch legislature

Bill may change Point MacKenzie rules

By CHRIS GEIGER
Daily News reporter

WASILLA — The debate over the relative merits of the family farm and larger agricultural operations has arrived in Alaska — on a small scale.

For some farmers at the Point MacKenzie agricultural project, bigger is better. These farmers want the right to combine their dairy farms into larger enterprises — a necessary step, they say, if the state's ambitious dairy program is to survive the current farm price slump.

Other farmers say small is beautiful. If the state changes its development requirements for Point MacKenzie to allow

consolidation of parcels, it would be unfair to those who have "busted their butts" to comply with the original requirements — and wouldn't be an economic advantage anyway, they say.

The ultimate decision on the issue rests with the state legislature. Bills are pending in both the House and Senate that would allow limited splitting and combining of state agricultural parcels, and the state Soil and Water Conservation Board this week recommended approval of the legislation.

Most of the controversy centers at Point MacKenzie, a

See Page B-3, DAIRY



Melodrama continues on and off stage

At the Al-Aska Shrine Temple, the valiant widow Knight and her Nutrasweet daughter struggle to keep their mortgage out of the fell clutches of the nefarious banker. As a ragtime piano jangles, the audience hurls popcorn at the villain, cheers for the good guys and generally gets involved with "Airport 1904," this year's Fur Rondy melodrama.

"Airport 1904" is presented in a room of narrow tables, where audience members sit close together. There are no complaints about the crowding. But if there were, director-producer Gary Wallesen would only have to take the malingerers backstage for a moment.

"There's not a whole lot of room back there," says Wallesen, a master of understatement.

"Backstage" is hardly a Hollywood vision of the theater, where each performer would have a door with a star on it and a faithful dresser to help him in and out of costumes. Actors in



rondy nuggets

Donna Freedman

this "Airport" don't have separate rooms, or even a single big room; in fact, they're confined in the long, narrow space between the back of the set and the building's rear wall.

This dimly lit, claustrophobic area — about 23 feet long and 6 feet deep — is dressing room, prop room and green room rolled into one. Actors don costumes, run their lines and practice stage gestures while avoiding chairs, makeup table, boxes of props and each other.

James Mack, who plays

leading man Rip Cord, steps quietly about, stretching like an athlete warming up for the big race. At one point, he practices imaginary golf swings (there'd be no room for a real golf club).

Daniel O'Tierney, the other leading man, listens for his cue — the dastardly banker's song. In the meantime, he brushes his hair and does a few deep knee bends, careful not to wait too close to the stage exit — a backstage collision would be clearly audible out front.

"You better hide your money and your daughter," sings the onstage banker. "But not necessarily in that order."

As the dastardly banker walks offstage, O'Tierney rushes on; it's time for his big number, "Hero." His character, Sterling Strongwrench, is a self-confessed perfect guy: "Sometimes I'm so noble I make myself sick."

Backstage, actress Stacy Thorpe snickers at the thought, tying a bow at the throat of her long white

blouse. The Poster Girl, carries signs like "Later evening," wanders by with a can of Budweiser in hand. Time for a change yet?

Onstage, jealousy is developing between Cord and Sterling Strongwrench. Loud thuds heard as the two men struggle onstage. No one looks until the slightly disheveled actors pop through a exit. Rip brushes his hair and swigs from a bottle of room-temperature Pepsi. There's just no room for a refrigerator back here.

Onstage, Mrs. Knight rates her daughter for the way she "looked" at the villain. "You mean I was robbing him with my eyes?" Lovey inquires. The villain laughs and whistles piercingly; the offstage actors grin. But Lovey brings the house down with her song, "Heroine."

Being a good little girl seems, is boring. "Lord, a drag to be so chaste."

See Page B-3 RR

ANCH DAILY NEWS 2/21/86

DAIRY: Legislation may change project's rules

Continued from Page B-1

sprawling, 17,000-acre state agricultural project across Knik Arm from Anchorage. An accelerated state effort to boost Alaska's dairy production, the project carries strict development requirements for its farms.

Barn construction is one of those development requirements, and the one most contested by farmers. Each of the 19 dairy parcel owners was required to have a barn and milking facilities by November, according to the state contracts.

Four MacKenzie farmers chose instead to collaborate and share the larger, centralized barn facilities — along with labor and management services — at Tucker Dairy. Although the four met the deadlines for number of cows and amount of cleared land, two of their parcels remained without barns.

If farmers fail to meet the deadlines, they stand to lose their agricultural rights on the parcels.

To head off foreclosure, the four filed a lawsuit last year claiming the state has the authority to change its development requirements. The Alaska attorney general's office insists that the state lacks such authority under current laws.

The state agreed not to take action against the two farmers in violation — Charles Cange and Gary Stromberg — until the end of the trial, or next October, whichever comes first. The

farmers hope the new legislation will have passed by then.

"To force us to have to go make a little shed to milk cows in is ridiculous," said Milburn Tucker, owner of Tucker Dairy. Tucker said there are several other Point MacKenzie farmers interested in consolidation as well.

Tucker and his partners knew about the barn requirement when they began farming their parcels. But since many of the state's promises didn't pan out for the farmers, he said, consolidation was a necessary step toward greater economic strength.

The state, for example, didn't tell the prospective farmers of the financial weaknesses at Matanuska Maid, the area's only creamery, Tucker said. When Mat Maid filed for bankruptcy a year later, its milk prices plunged to \$19 per hundred pounds, although the farmers had planned on receiving the former price of \$22.60.

Nor did the state anticipate the environmental restrictions on burning, which slowed down the land-clearing process, Tucker said. And the national slump in farm prices hasn't skipped over Alaska, either, he said.

"We're asking for a game plan change because the game has changed, nationwide," Tucker said.

Some of the smaller farmers at Point MacKenzie object to consolidation on the basis of fairness.

"I do resent that I wasn't given that option when I got into it," said Harvey Baskin.

"We busted our butts to get that thing to the point where it would meet all the state commitments."

Neither Baskin nor Tom Rogers, another small farmer on the project, object to allowing the consolidations if they are needed for economic survival. But both insist that if they made it alone, others should be able to also.

"If a retired NCO from the Air Force can go out and succeed, then why can't these people who have all the money in the world?," Baskin said of his own situation.

None of the farmers contacted feared competition from larger operations — unless the whole project consolidated, leaving them as independent, small islands. Even then, the big farms may not have much of an advantage, according to Rogers.

"No operation will ever be as efficient as a family unit will be — but it seems like we're fast-outgrowing the age of the family farm," Rogers said.

The Division of Agriculture has generally opposed allowing combination of its agricultural parcels. Fairness is the primary reason, said Natural Resources Manager Keith Quintavell, but increased risk is also a factor.

With fewer farms doing more of the farming, a single bankruptcy would have a much greater impact on the industry, he said.

The family vs. corporate farm debate also plays a part in the division's opposition to consolidations. And, in any

discussion of the issue, the threat of land speculation at Point MacKenzie always comes up, he said.

Farm parcel owners are granted only agricultural rights to the land, and may not develop it for other purposes. But since Point MacKenzie is so close to Anchorage — at one end of the proposed Knik Arm crossings — some state officials are wary of loosening ownership restrictions too much.

"I guess it's always an undercurrent," Quintavell said.

Tucker was also wary of the fears of speculation. Many people either think of Point MacKenzie farmers as speculators in disguise, inexperienced, incompetent farmers, or both, he said.

"I didn't go out and invest four and a half million dollars in a dairy to subdivide land for residential," he said.

Division of Agriculture Director Bill Heim said he doesn't necessarily oppose the proposed legislation, which would give Department of Natural Resources Commissioner Esther Wunnicke case-by-case discretion on combining parcels. But he does object to the "bigger is better" argument.

In a farm management study conducted last fall at Point MacKenzie, investigator Jim Kastanec found that size was little or no advantage to dairy farms, Heim said.

"When they said, 'bigger is better,' we said, 'that's not necessarily true.' And that's their whole argument," Heim said.

Ray m. levine

SHOOTER

AGGRAVATION: My former cleaning deposit. He had installed, than the original one. He had a chain lock on the door, I paid \$5 for a butter dish — I had it in! He also kept some things because I didn't give other charges are fair. —

of luck. Judging from your written rental agreement asking exactly what you back. Changes you regard the damage to your landlord's rights. Landlords have rights, decide by your opinion on the I provide and whether the

money and avoid trouble by you move in. Go through the using a checklist. Things will show up then and you later. Ask for the landlord's overhead and the chain lock. You for changing such things,

Alaska Landlord-Tenant Law" tenants' rights and responsibilities. You can get copies at the Conflict Resolution Center, the Consumer Extension Service, the Section and at the Daily

for more extension? Call the

Alaska State Legislature

SB 155

ARLISS STURGULEWSKI, Chairman
BETTYE FAHRENKAMP, Vice Chairman
JACK COGHILL
DICK ELIASON
VIC FISCHER
RICK HALFORD
FRED ZHAROFF



POUCH V
JUNEAU ALASKA 99811
907-465-4917

Senate Committee on Resources

June 24, 1985

Esther Wunnicke, Commissioner
Department of Natural Resources
Pouch M, Mail Stop 1000
Juneau, AK 99811

Dear Commissioner Wunnicke:

I would like to receive a status report on the issue of the splitting and combining of agricultural parcels. As you recall, SB 155 did not pass this last session; but during the public hearing in the Senate Resources Committee, you felt that the Department of Natural Resources may be able to accomplish the same thing administratively. How is that going?

Thank you for your assistance.

Sincerely yours,

A handwritten signature in cursive script that reads "Arliss".

Senator Arliss Sturgulewski
Chairman, Senate Resources Committee

bcc Joseph Cange
Dr. Michael James

Alaska State Legislature

ARLISS STURGULEWSKI, Chairman
BETTYE FAHRENKAMP, Vice Chairman
JACK COGHILL
DICK ELIASON
VIC FISCHER
RICK HALFORD
FRED ZHAROFF



POUCH V
JUNEAU, ALASKA. 99811
(907) 465-4907

Senate Committee on Resources

August 7, 1985

Joseph Patrick Cange
Box 4-647
Anchorage, AK 99509

Dear Joe:

I have received the enclosed letter from Commissioner Wunnicke after I inquired as to the status of combining agricultural parcels. As you already know, they had anticipated being able to accomplish this administratively. Apparently after review by the Attorney General's office, it was determined that this could not be done.

Commissioner Wunnicke indicated that she would be considering necessary changes if needed to SB 155. I will keep you informed as we go along.

I appreciate your continued interest in Alaskan agriculture.

Sincerely yours,

Senator Arliss Sturgulewski
Chairman, Senate Resources Committee

Enclosure

cc: Dr. Michael James

1634 W. 13th
Anchorage, AK

STATE OF ALASKA

BILL SHEFFIELD, GOVERNOR

DEPARTMENT OF NATURAL RESOURCES

POUCH M
JUNEAU, ALASKA 99811
PHONE: 907-465-2400

OFFICE OF THE COMMISSIONER

July 23, 1985

The Honorable Arliss Sturgulewski
Chairman, Committee on Resources
Alaska State Senate
Pouch V
Juneau, AK 99811

Dear Senator Sturgulewski:

I appreciate your continued interest in Alaska agriculture and, as you have requested, am providing information about the status of our efforts to allow combining or splitting of agricultural parcels.

As you know, earlier this year, at the time of the public hearing on SB 155, we believed that the department could amend agricultural contracts and allow the combining and splitting of agricultural parcels. Department of Law staff informally concurred with our position.

Because we wished to ensure that agriculture contract changes related to the combining or splitting of a parcel were in the public interest, staff proceeded to draft regulations that specified conditions to be met before contract changes would be approved.

During the Department of Law's review of the proposed regulations it was determined that combining or splitting agriculture parcels would violate AS 38.05.020(b)(7) if the action required amendment of an agricultural land contract.

AS 38.05.020(b)(7) was enacted in 1984 to assist farmers who were unable to economically transport farm products to market because expected roads or marine routes were never developed. While reviewing our draft regulations for consistency with the statutes, the Department of Law determined that the statutes allow the commissioner to modify development requirements of an agricultural land contract only if the land is inaccessible by road and the development requirements are uneconomic.

I have enclosed a copy of a recent memorandum from the Department of Law that provides additional information about this matter.

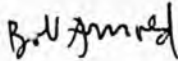
The Honorable Arliss Sturgulewski -2-

July 23, 1985

I believe that the department should have the flexibility to amend agricultural land development contracts to benefit the public and further the development of agriculture in Alaska. It appears that legislative action will now be required to provide the state with this flexibility. We are currently considering whether SB 155 is sufficient for this purpose.

My staff and I look forward to working with you and the Senate Resources Committee during the next legislative session. Thank you for your continuing interest in this and other natural resource matters.

Sincerely,



for Esther C. Wunnicke
Commissioner

Enclosure,
cc: Jim Barnett

MEMORANDUM

David Friedman CTW cc BA
EW
Tom H
Bill H

DEPARTMENT OF NATURAL RESOURCES
State of Alaska

TO: Honorable Bill Sheffield, Governor
DATE: JUL 1 1985 June 27, 1985

FROM: Norman C. Gorsuch, Attorney General
By: *G. Thomas Koester*
G. Thomas Koester, Assistant Attorney General, Department of Law

COMMISSIONER'S FILE NO. 465-3600
JUNEAU TELEPHONE NO.

SUBJECT: Combining Point MacKenzie agricultural parcels

You asked me to look into a situation at Point MacKenzie where four individuals, represented by Mr. Joe Canje, apparently desire to combine agricultural parcels and use one already-constructed dairy facility to serve all four parcels. Legislation apparently was introduced to authorize that procedure; unfortunately, the legislature adjourned without taking final action on the bill. Subsequently, Mr. Canje and his associates apparently were led to believe that certain steps could be taken administratively to permit them to follow that course of action; however, it subsequently was determined by the Attorney General's office that this could not be done.

In accordance with your request, I discussed this matter with attorneys in both our Anchorage and Juneau offices. It is the consensus view of this department that the law, as it currently exists, precludes Mr. Canje and his associates from following the course of action they desire.

Under 11 AAC 67.185(a), a farm development plan may be required as part of the sale contract for an agricultural parcel. Our understanding is that all of the Point MacKenzie dairy farm development plans include the requirement that the cows be milked in an approved dairy facility on the parcel which is the subject of the contract. Under 11 AAC 67.185(a), it is a requirement of the sale contract under which Mr. Canje's associates received the parcels.

In this circumstance, the commissioner of Natural Resources has no legal authority to modify that contractual requirement. Under AS 38.05.020(b)(7), the commissioner may "waive, postpone, or otherwise modify the development requirements of a contract for the sale of agricultural land" only if two conditions are satisfied:

- (A) the land is inaccessible by road; and
- (B) transportation, marketing, and development costs render the required development uneconomic.

Honorable Bill Sheffield
Governor, State of Alaska

June 27, 1985
Page 2

(Emphasis added.) As we understand it, the parcels involved are accessible by road. Accordingly, one of the two conditions which must be met before the commissioner may modify the contracts is not satisfied, and there is no legal authority under which the commissioner may waive or otherwise modify the requirement that the cows be milked in an approved dairy facility on each parcel. This, in turn, precludes the use of an already-constructed dairy facility serving to satisfy the requirement for four separate parcels.

It is my understanding that Mr. Canje and his associates now have retained legal counsel in Anchorage (Mr. James N. Reeves, a former Assistant Attorney General) who already has been in contact with attorneys in our Anchorage office regarding this matter. We certainly will consider any other legal analysis he might bring to our attention. However, at this time, none of the attorneys in this department who have reviewed the matter see any basis for a different conclusion.

We note that some creative solutions have been employed to satisfy the requirement that an approved dairy facility be used to milk the cows on each agricultural parcel in the Point MacKenzie area. In at least one instance, a barn was built straddling the property line between two adjacent parcels, with part of the barn on one parcel and the other part on the other parcel. A second suggestion, perhaps facetious but perhaps not, has been to put a barn on wheels and move it from parcel to parcel in a manner similar to the rumored procedure used with respect to prove-up cabins for homestead purposes earlier in Alaska's history. While we have not determined whether this would satisfy the development plan requirement, we point it out merely to suggest that creative solutions may be possible and, if proposed, will be considered.

In summary, however, it remains our view that there is no legal administrative mechanism by which the development plan requirement that Point MacKenzie cows be milked in an approved dairy facility on each parcel may be waived. The solution, as we view it, is a legislative amendment. However, you should be aware that other individuals with agricultural parcels in the Point MacKenzie area, particularly those who already have constructed an approved dairy facility on their parcels, may object to the legislature authorizing the commissioner to relax the development requirement. On the other hand, if the current requirements (particularly with respect to parcel size and the development requirements imposed on each such parcel) make the entire Point MacKenzie dairy operation uneconomic, perhaps an overall review of the entire situation by the legislature and appro-

Honorable Bill Sheffield
Governor, State of Alaska

June 27, 1985
Page 3

priate legislation authorizing the commissioner to take appropriate action would benefit the entire program.

If we can answer any further questions, please contact us at your convenience.

GTK:dlm

cc: Esther C. Wunnicke
Commissioner
Department of Natural Resources

Ronald W. Lorensen
Deputy Attorney General

Francis Neville
Assistant Attorney General

James N. Reeves, Esq.

STATE OF ALASKA

DEPARTMENT OF NATURAL RESOURCES

OFFICE OF THE COMMISSIONER

APR 16 1985

BILL SHEFFIELD, GOVERNOR

POUCH 7-005

ANCHORAGE, AK 99510

PHONE: (907) 276-2653

April 2, 1985

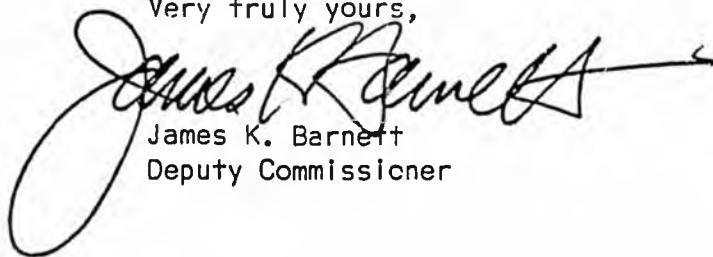
Dear Alaskan:

Attached is a proposed revision to regulations of the Department of Natural Resources. The department is soliciting public comments on the proposed regulation. Please see the attached legal notice for instructions on how to submit written comments.

The proposed regulation adds a new section to 11 AAC 67. The new section outlines the procedure to be followed by an agricultural interest holder desiring to amend an agricultural development contract and combine his or her parcel with a parcel or parcels held by another. As the combination of parcels will result in amendments to a previously-approved contract or development plan, the draft regulations set out standards to assist the commissioner in determining if the amendments are material and if they protect or further the public interest. The draft regulation provides that public notice of the proposed action be given and sets up the content of the notice and a procedure for responding to the proposed combination. Additionally, a provision is made which makes a single interest-holder in the new parcel responsible for meeting the contractual obligations of the new parcel.

Your comments on the proposed regulation will be most useful to the department if you suggest specific wording changes or other modifications you feel would result in improvement to the regulation. Thank you for your assistance.

Very truly yours,



James K. Barnett
Deputy Commissioner

NOTICE OF PROPOSED CHANGES IN THE REGULATIONS
OF THE DEPARTMENT OF NATURAL RESOURCES

Notice is hereby given that the Department of Natural Resources, under authority vested by AS 38.05.020 and AS 38.05.035, proposes to amend regulations in Title 11 of the Alaska Administrative Code, dealing with combining agricultural parcels for the more efficient and economic development of agriculture in the state, to implement AS 38.05.069, as follows:

11 AAC 67.186 is adopted as a new section in which the procedure to be followed by agricultural interest holders who desire to combine their tracts with other tracts held by agricultural interest holders is outlined. The section applies when an approved development plan must be amended to accommodate the combination of agricultural parcels. The section contains the procedure the department must follow in determining whether the proposed combination is necessary to protect or further the public interest.

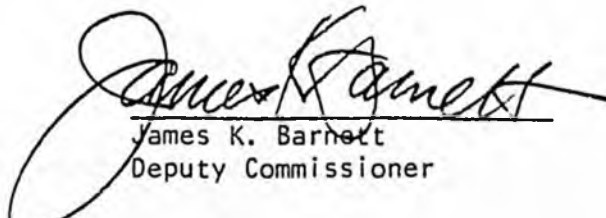
Notice is also given that any person interested may present written statements or arguments relevant to the proposed action by writing to the Department of Natural Resources, Office of the Commissioner, Pouch 7-005, Anchorage, Alaska 99510, so that they are received no later than 4:30 p.m. on May 8, 1985.

This action is not expected to require an increased appropriation.

Copies of the proposed regulation may be obtained by writing to the above address or by calling either the Anchorage or Juneau Office of the Commissioner at 265-4131 in Anchorage or 465-2400 in Juneau.

The Department of Natural Resources, upon its own motion or at the instance of any interested person, may, after the deadline stated above, adopt proposals within the scope of this notice without further notice or may decide to take no action on them.

DATE: March 28, 1985


James K. Barnett
Deputy Commissioner

DRAFT

FARM ADD
DOI
3/28/85

11 AAC 67 is amended by adding a new section to read:

11 AAC 67.186. COMBINING AGRICULTURAL PARCELS. (a) A person who has obtained a parcel of land that is part of an agricultural development project may combine that parcel with a parcel or parcels held by another for the more efficient and economic development of agriculture within the state. This section applies only when an approved development plan must be amended to accomodate the combination of agricultural parcels.

(b) In combining parcels, there is no limitation on the maximum size of the resulting parcel, although the resulting parcel may contain only one farmstead of no more than 20 acres.

(c) In deciding whether to allow a combination of parcels, the commissioner will make a written finding that the change does not constitute a material amendment from the original development contract and is necessary to protect or further the public interest. In determining whether the change is material and will protect or further the public interest, the commissioner will consider:

(1) the legitimacy of the reasons for the change;

(2) whether the reasons for the change were unforeseen at the time the contract was made;

(3) the timing of the change;

(4) whether the contract contains clauses authorizing modifications; and

(5) the extent of the change, relative to the original contract.

(d) The commissioner may, with the consent of the holders of parcels involved in the proposed combination, establish or change any existing development requirements of the parcel holders.

(e) The commissioner will require the holders of parcels involved in the proposed combination to enter into an agreement which replaces or supercedes the approved development requirements of the individual parcel holders. The new agreement will be made in a form prescribed by the commissioner and is subject to approval by the commissioner.

(f) The commissioner will give public notice of an application for a combination of agricultural parcels which will include the following safeguards of the public interest:

DRAFT

- (1) a statement explaining the nature of the approval sought;
 - (2) a statement indicating where copies of the application may be obtained or viewed;
 - (3) the written finding, or a summary of the written finding, required by (c) of this section;
 - (4) an opportunity for public hearing on the proposed combination, at the written request of 25 interested individuals; and
 - (5) a statement that any person may file written comments on the application within 30 days after publication of the notice.
- (g) An application for a combination of agricultural parcels will designate a single-entity owner responsible for meeting the contractual obligations of the proposed new parcel. The single-entity owner must be an interest-holder in the proposed new parcel. (Eff. /85, Register)

Authority: AS 38.05.020
AS 38.05.035
AS 38.05.069

STATE OF ALASKA

DEPARTMENT OF NATURAL RESOURCES

OFFICE OF THE COMMISSIONER

BILL SHEFFIELD, GOVERNOR

POUCH M
JUNEAU, ALASKA 99811
PHONE: 907-485-2400

February 19, 1986

The Honorable Arliss Sturgulewski
Chair, Senate Resources Committee
P.O. Box V
Juneau, AK 99811

Dear Senator *Arliss* Sturgulewski:

As you may recall, at the time of the Senate Resources Committee hearing on SB 155 last session, I believed that the Department of Natural Resources could amend agricultural contracts and, among other things, allow the combining and splitting of agricultural parcels. Because I wished to ensure that proposed contract changes were in the public interest, regulations that specified conditions to be met before changes could be approved were drafted.

During the Department of Law review of the draft regulations it was determined that combining or splitting agricultural parcels would, in most cases, violate AS 38.05.020(b)(7) if the action required amending an agricultural land contract. Title 38 currently allows me to modify an agricultural land contract only if the land is inaccessible by road and the development requirements are uneconomic (see attached A.G.'s opinion and letter).

I believe the Department should have the flexibility to amend an agricultural land contract if it will benefit the public and further the development of agriculture in Alaska. As amended last session, SB 155 would allow me the flexibility to combine or split agricultural parcels when certain conditions have been met. While I have no objections to this legislation, I would like to point out an area where wording changes would make the proposed bill more compatible with current agricultural policies.

As written, SB 155 would allow a purchaser of agricultural land to split the parcel as soon as the land contract is signed. Our present agricultural policies generally allow a parcel to be subdivided only after the farm development schedule has been met and the land has been conveyed to the purchaser.

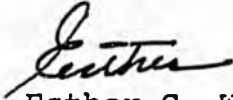
The Honorable Arliss Sturgulewski -2- February 19, 1986

The following changes to page 1, line 16 would bring SB 155 more in line with our policies:

(b) [If a parcel is] Only conveyed land may be split under this section, and no more than one . . .

I appreciate your continued interest in the development of agriculture in Alaska. If I may provide you with additional information about this matter, please let me know.

Sincerely,



Esther C. Wunnicke
Commissioner

Attachments

STATE OF ALASKA

DEPARTMENT OF NATURAL RESOURCES

OFFICE OF THE COMMISSIONER

BILL SHEFFIELD, GOVERNOR

POUCH 7-005
ANCHORAGE, AK 99510
PHONE: (907) 276-2653

July 25, 1985

Messrs Charles J. Cange, Evander C. Smith,
Gary L. Stromberg, and Milburn E. Tucker
P.O. Box 4-647
Anchorage, AK 99509

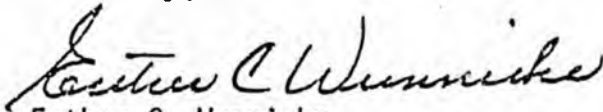
Gentlemen:

Earlier this year you requested that the Department allow the consolidation of your individual Point MacKenzie agricultural parcels into one large parcel, and approve changes in your individual development contracts to accommodate the consolidation into one large dairy farm.

The Attorney General has informed me that the law precludes my approving your requests. Under AS 38.05.020(b) (7), I may approve changes in the requirements of an agricultural land development contract only if the land is inaccessible by road and the required development is, for certain reasons, uneconomic. Since your parcels are accessible by road you do not meet these requirements.

As you know, I believe the Department should have the flexibility to amend agricultural land contracts if it would benefit the public and promote the development of agriculture in Alaska. I have sent a copy of Mr. Reeves July 16 letter to the Attorney General for consideration. Please let me know if you have additional questions.

Sincerely,



Esther C. Wunnicke
Commissioner

cc: The Honorable Bill Sheffield, Governor
Senator Arliss Sturgulewski
James K. Barnett, Deputy Commissioner
Bill Heim, Director, Division of Agriculture
Tom Hawkins, Director, L&M
Francis Neville, Assistant Attorney General, Dept. of Law
Jim Reeves, Bogle & Gates

MEMORANDUM

DEPARTMENT OF NATURAL RESOURCES
State of Alaska

TO: Honorable Bill Sheffield, Governor
DATE: JUL 1 1985 June 27, 1985

Norman C. Gorsuch
Attorney General

COMMISSIONER'S FILE NO.:
JUNEAU
TELEPHONE NO:

465-3600

FROM: By: *G. Thomas Koester*
G. Thomas Koester
Assistant Attorney General
Department of Law

SUBJECT:

Combining Point
MacKenzie agricultural
parcels

You asked me to look into a situation at Point MacKenzie where four individuals, represented by Mr. Joe Canje, apparently desire to combine agricultural parcels and use one already-constructed dairy facility to serve all four parcels. Legislation apparently was introduced to authorize that procedure; unfortunately, the legislature adjourned without taking final action on the bill. Subsequently, Mr. Canje and his associates apparently were led to believe that certain steps could be taken administratively to permit them to follow that course of action; however, it subsequently was determined by the Attorney General's office that this could not be done.

In accordance with your request, I discussed this matter with attorneys in both our Anchorage and Juneau offices. It is the consensus view of this department that the law, as it currently exists, precludes Mr. Canje and his associates from following the course of action they desire.

Under 11 AAC 67.185(a), a farm development plan may be required as part of the sale contract for an agricultural parcel. Our understanding is that all of the Point MacKenzie dairy farm development plans include the requirement that the cows be milked in an approved dairy facility on the parcel which is the subject of the contract. Under 11 AAC 67.185(a), it is a requirement of the sale contract under which Mr. Canje's associates received the parcels.

In this circumstance, the commissioner of Natural Resources has no legal authority to modify that contractual requirement. Under AS 38.05.020(b)(7), the commissioner may "waive, postpone, or otherwise modify the development requirements of a contract for the sale of agricultural land" only if two conditions are satisfied:

- (A) the land is inaccessible by road; and
- (B) transportation, marketing, and development costs render the required development uneconomic.

Honorable Bill Sheffield
Governor, State of Alaska

June 27, 1985
Page 2

(Emphasis added.) As we understand it, the parcels involved are accessible by road. Accordingly, one of the two conditions which must be met before the commissioner may modify the contracts is not satisfied, and there is no legal authority under which the commissioner may waive or otherwise modify the requirement that the cows be milked in an approved dairy facility on each parcel. This, in turn, precludes the use of an already-constructed dairy facility serving to satisfy the requirement for four separate parcels.

It is my understanding that Mr. Canje and his associates now have retained legal counsel in Anchorage (Mr. James N. Reeves, a former Assistant Attorney General) who already has been in contact with attorneys in our Anchorage office regarding this matter. We certainly will consider any other legal analysis he might bring to our attention. However, at this time, none of the attorneys in this department who have reviewed the matter see any basis for a different conclusion.

We note that some creative solutions have been employed to satisfy the requirement that an approved dairy facility be used to milk the cows on each agricultural parcel in the Point MacKenzie area. In at least one instance, a barn was built straddling the property line between two adjacent parcels, with part of the barn on one parcel and the other part on the other parcel. A second suggestion, perhaps facetious but perhaps not, has been to put a barn on wheels and move it from parcel to parcel in a manner similar to the rumored procedure used with respect to prove-up cabins for homestead purposes earlier in Alaska's history. While we have not determined whether this would satisfy the development plan requirement, we point it out merely to suggest that creative solutions may be possible and, if proposed, will be considered.

In summary, however, it remains our view that there is no legal administrative mechanism by which the development plan requirement that Point MacKenzie cows be milked in an approved dairy facility on each parcel may be waived. The solution, as we view it, is a legislative amendment. However, you should be aware that other individuals with agricultural parcels in the Point MacKenzie area, particularly those who already have constructed an approved dairy facility on their parcels, may object to the legislature authorizing the commissioner to relax the development requirement. On the other hand, if the current requirements (particularly with respect to parcel size and the development requirements imposed on each such parcel) make the entire Point MacKenzie dairy operation uneconomic, perhaps an overall review of the entire situation by the legislature and appro-

Honorable Bill Sheffield
Governor, State of Alaska

June 27, 1985
Page 3

priate legislation authorizing the commissioner to take appropriate action would benefit the entire program.

If we can answer any further questions, please contact us at your convenience.

GTK:dln

cc: Esther C. Wunnicke
Commissioner
Department of Natural Resources

Ronald W. Lorensen
Deputy Attorney General

Francis Neville
Assistant Attorney General

James N. Reeves, Esq.

Introduced: 2/21/86
Referred: Resources and
Finance

1 IN THE SENATE

BY KERTTULA

2 SPONSOR SUBSTITUTE FOR SENATE BILL NO. 155

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 FOURTEENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to the partition of agricultural
7 parcels."

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. PARTITION OF AGRICULTURAL PARCELS. (a) The
11 commissioner may allow a person who has purchased and received a
12 patent to a parcel of agricultural land that is part of an
13 agricultural development project to partition the parcel by selling
14 portions of the parcel.

15 (b) If a parcel is partitioned under this section, no more than
16 one farmstead may be maintained for each 640-acre parcel resulting
17 from the partition. A farmstead may not exceed 20 acres.

18 (c) The commissioner may not allow a parcel to be partitioned
19 under this section unless

20 (1) the commissioner makes a written finding that the
21 proposed partition is necessary to promote the public interest; in
22 making this determination the commissioner shall consider whether the
23 partition will encourage development of the state's agricultural
24 resources, prevent economic waste, and protect all interested parties
25 including the state;

26 (2) for each parcel resulting from a partition under this
27 section, an agricultural development agreement is entered into with
28 the state and approved by the commissioner;

29 (3) the application for the partition of parcels designates

1 an operator for each of the proposed resulting parcels;

2 (4) the commissioner provides public notice of and an
3 opportunity for a hearing and written comment regarding a proposed
4 partition; and

5 (5) the commissioner makes available to the public a writ-
6 ten explanation of the proposed partition, information on how to
7 obtain a copy of the application for the proposed partition, and the
8 proposed agricultural development agreements.

9 (d) The commissioner may adopt regulations to implement this
10 section.

STATE OF ALASKA

DEPARTMENT OF NATURAL RESOURCES

OFFICE OF THE COMMISSIONER

BILL SHEFFIELD, GOVERNOR

POUCH M
JUNEAU, ALASKA 99811
PHONE. 907-485-2400

February 19, 1986

The Honorable Arliss Sturgulewski
Chair, Senate Resources Committee
P.O. Box V
Juneau, AK 99811

Dear Senator *Arliss* Sturgulewski:

As you may recall, at the time of the Senate Resources Committee hearing on SB 155 last session, I believed that the Department of Natural Resources could amend agricultural contracts and, among other things, allow the combining and splitting of agricultural parcels. Because I wished to ensure that proposed contract changes were in the public interest, regulations that specified conditions to be met before changes could be approved were drafted.

During the Department of Law review of the draft regulations it was determined that combining or splitting agricultural parcels would, in most cases, violate AS 38.05.020(b)(7) if the action required amending an agricultural land contract. Title 38 currently allows me to modify an agricultural land contract only if the land is inaccessible by road and the development requirements are uneconomic (see attached A.G.'s opinion and letter).

I believe the Department should have the flexibility to amend an agricultural land contract if it will benefit the public and further the development of agriculture in Alaska. As amended last session, SB 155 would allow me the flexibility to combine or split agricultural parcels when certain conditions have been met. While I have no objections to this legislation, I would like to point out an area where wording changes would make the proposed bill more compatible with current agricultural policies.

As written, SB 155 would allow a purchaser of agricultural land to split the parcel as soon as the land contract is signed. Our present agricultural policies generally allow a parcel to be subdivided only after the farm development schedule has been met and the land has been conveyed to the purchaser.

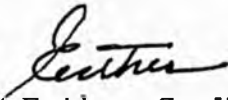
The Honorable Arliss Sturgulewski -2- February 19, 1986

The following changes to page 1, line 16 would bring SB 155 more in line with our policies:

(b) [If a parcel is] Only conveyed land may be split under this section, and no more than one . . .

I appreciate your continued interest in the development of agriculture in Alaska. If I may provide you with additional information about this matter, please let me know.

Sincerely,



Esther C. Wunnicke
Commissioner

Attachments

STATE OF ALASKA

DEPARTMENT OF NATURAL RESOURCES

OFFICE OF THE COMMISSIONER

BILL SHEFFIELD, GOVERNOR

POUCH 7-005

ANCHORAGE, AK 99510

PHONE: (907) 276-2653

July 25, 1985

Messrs Charles J. Cange, Evander C. Smith,
Gary L. Stromberg, and Milburn E. Tucker
P.O. Box 4-647
Anchorage, AK 99509

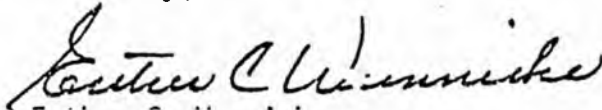
Gentlemen:

Earlier this year you requested that the Department allow the consolidation of your individual Point MacKenzie agricultural parcels into one large parcel, and approve changes in your individual development contracts to accommodate the consolidation into one large dairy farm.

The Attorney General has informed me that the law precludes my approving your requests. Under AS 38.05.020(b) (7), I may approve changes in the requirements of an agricultural land development contract only if the land is inaccessible by road and the required development is, for certain reasons, uneconomic. Since your parcels are accessible by road you do not meet these requirements.

As you know, I believe the Department should have the flexibility to amend agricultural land contracts if it would benefit the public and promote the development of agriculture in Alaska. I have sent a copy of Mr. Reeves July 16 letter to the Attorney General for consideration. Please let me know if you have additional questions.

Sincerely,



Esther C. Wunnicke
Commissioner

cc: The Honorable Bill Sheffield, Governor
Senator Arliss Sturgulewski
James K. Barnett, Deputy Commissioner
Bill Heim, Director, Division of Agriculture
Tom Hawkins, Director, L&WM
Francis Neville, Assistant Attorney General, Dept. of Law
Jim Reeves, Bogle & Gates

MEMORANDUM

DEPARTMENT OF
NATURAL RESOURCES

State of Alaska

TO: Honorable Bill Sheffield
Governor

JUL 1 1985 DATE:

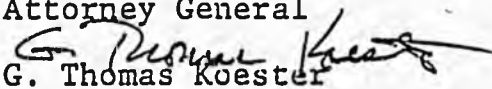
June 27, 1985

Norman C. Gorsuch
Attorney General

COMMISSIONER'S OFFICE
JUNEAU
TELEPHONE NO.

465-3600

FROM:

By: 
G. Thomas Koester
Assistant Attorney General
Department of Law

SUBJECT:

Combining Point
MacKenzie agricult-
ural parcels

You asked me to look into a situation at Point MacKenzie where four individuals, represented by Mr. Joe Canje, apparently desire to combine agricultural parcels and use one already-constructed dairy facility to serve all four parcels. Legislation apparently was introduced to authorize that procedure; unfortunately, the legislature adjourned without taking final action on the bill. Subsequently, Mr. Canje and his associates apparently were led to believe that certain steps could be taken administratively to permit them to follow that course of action; however, it subsequently was determined by the Attorney General's office that this could not be done.

In accordance with your request, I discussed this matter with attorneys in both our Anchorage and Juneau offices. It is the consensus view of this department that the law, as it currently exists, precludes Mr. Canje and his associates from following the course of action they desire.

Under 11 AAC 67.185(a), a farm development plan may be required as part of the sale contract for an agricultural parcel. Our understanding is that all of the Point MacKenzie dairy farm development plans include the requirement that the cows be milked in an approved dairy facility on the parcel which is the subject of the contract. Under 11 AAC 67.185(a), it is a requirement of the sale contract under which Mr. Canje's associates received the parcels.

In this circumstance, the commissioner of Natural Resources has no legal authority to modify that contractual requirement. Under AS 38.05.020(b)(7), the commissioner may "waive, postpone, or otherwise modify the development requirements of a contract for the sale of agricultural land" only if two conditions are satisfied:

- (A) the land is inaccessible by road; and
- (B) transportation, marketing, and development costs render the required development uneconomic.

Honorable Bill Sheffield
Governor, State of Alaska

June 27, 1985
Page 2

(Emphasis added.) As we understand it, the parcels involved are accessible by road. Accordingly, one of the two conditions which must be met before the commissioner may modify the contracts is not satisfied, and there is no legal authority under which the commissioner may waive or otherwise modify the requirement that the cows be milked in an approved dairy facility on each parcel. This, in turn, precludes the use of an already-constructed dairy facility serving to satisfy the requirement for four separate parcels.

It is my understanding that Mr. Canje and his associates now have retained legal counsel in Anchorage (Mr. James N. Reeves, a former Assistant Attorney General) who already has been in contact with attorneys in our Anchorage office regarding this matter. We certainly will consider any other legal analysis he might bring to our attention. However, at this time, none of the attorneys in this department who have reviewed the matter see any basis for a different conclusion.

We note that some creative solutions have been employed to satisfy the requirement that an approved dairy facility be used to milk the cows on each agricultural parcel in the Point MacKenzie area. In at least one instance, a barn was built straddling the property line between two adjacent parcels, with part of the barn on one parcel and the other part on the other parcel. A second suggestion, perhaps facetious but perhaps not, has been to put a barn on wheels and move it from parcel to parcel in a manner similar to the rumored procedure used with respect to prove-up cabins for homestead purposes earlier in Alaska's history. While we have not determined whether this would satisfy the development plan requirement, we point it out merely to suggest that creative solutions may be possible and, if proposed, will be considered.

In summary, however, it remains our view that there is no legal administrative mechanism by which the development plan requirement that Point MacKenzie cows be milked in an approved dairy facility on each parcel may be waived. The solution, as we view it, is a legislative amendment. However, you should be aware that other individuals with agricultural parcels in the Point MacKenzie area, particularly those who already have constructed an approved dairy facility on their parcels, may object to the legislature authorizing the commissioner to relax the development requirement. On the other hand, if the current requirements (particularly with respect to parcel size and the development requirements imposed on each such parcel) make the entire Point MacKenzie dairy operation uneconomic, perhaps an overall review of the entire situation by the legislature and appro-

Honorable Bill Sheffield
Governor, State of Alaska

June 27, 1985
Page 3

priate legislation authorizing the commissioner to take appropriate action would benefit the entire program.

If we can answer any further questions, please contact us at your convenience.

GTK:dlm

cc: Esther C. Wunnicke
Commissioner
Department of Natural Resources

Ronald W. Lorensen
Deputy Attorney General

Francis Neville
Assistant Attorney General

James N. Reeves, Esq.

Dick Zobel
S. R. Box 3210
Wasilla, Alaska 99687
February 6, 1986

Honorable Albert P. Adams
Alaska State Legislature
Pouch V (MS 3100)
Juneau, Alaska 99811

Mr. Adams:

Those of us who are involved in Alaskan agriculture realize that the Delta and Pt. Mac Kenzie projects do need some sort of relief. However the reasons for their problems appear to be quite different.

I am a District Supervisor in the Wasilla Soil and Water Conservation District. The Pt. Mac Kenzie project is located in the Wasilla District. I have attended several meetings regarding the consolidation concept, as it would effect the point Mac Kenzie project. It was with a great deal of concern that I attended the January 10th forum sponsored by the State Soil and Water Conservation Board in Palmer. As Mr. Weaver pointed out at the beginning of the January 10th meeting, those of us who are involved in the Conservation Districts are primarily interested in preserving soil and water production capabilities. More particularly we are interested in the conservation and preservation of agricultural soils for future generations of Alaskans.

I am active in several Ag. oriented groups here in the Mat-Sue Borough. I have not gone to any sort of agricultural meeting over the past 4 years that questions, as to the real intent of some of the tract holders, has not been raised. Quite frankly Mr. Adams there is a very deep concern in the agricultural community, as to the true goals of some of the Point Mac Kenzie Project tract holders. While this situation may not have the same priority to our urban neighbors I can assure you that many of them are also concerned.

As I understood the agenda for that January 10th meeting, it was specifically for the Pt. Mac Kenzie tract holders to air there concerns, and especially for those favoring consolidation, to present their reasons for wanting to do so.

There were almost 10,000 applications for the tracts in the Pt. Mac Kenzie lottery. There probably were again that many Alaskans, that after penciling out the economics of an investment in this lottery, did not participate. I think that the State is going to place itself in a very precarious position if it now retroactively changes the conditions of those sale contracts. Many of the people that participated, still have a great deal of interest in its eventual outcome.

There have been several Ag. sales over the past ten years. Each one was researched, planned and designed by not only Alaskans with agricultural expertise but some of the most respected names in U S agriculture. These projects were formulated to deliver a quality product to Alaskans and contribute to the rest

of the State agricultural industry. None of these projects have been allowed to go to their projected completion date without some sort of major alteration. Changes that totally alter the concept and intent of the project are detrimental not only to that project, but to the rest of the States agricultural industry.

Keeping in mind that the terms of the each sale were explicit. The feed-back from the more knowledgeable and experienced farmers in the State is that they seriously question the eventual goals of some of the tract owners. There are quite a number of issues that are questioned but they seem to narrow down to these basic items.

1.) Many of the present tract holders are not original lottery winners, but purchased tracts after the sale.

2.) Most participants in the Pt. Mac Kenzie lottery agree that the economics of farming within the constraints of the sale specifications were marginal. Yet many of the tracts have been sold at substantially more than the basic lottery prices, even considering any outstanding development loans.

3.) Judging from comments and actions even before their initial development on the land, it appeared that steps were being taken to alter the conditions of the contracts. It was obvious that some of the tract holders were inclined not to honor the terms and the intent of the sale, or the contract that they had signed.

Those tract owners favoring consolidation, have offered quite an array of numbers to back-up their position. However those numbers are highly suspect to others in the farming community, and more particularly, from other dairy farmers. As the meeting progressed some of their figures were challenge. I have reviewed my notes of that meeting a number of times, several comments made at that meeting by those individuals favoring consolidation seem to stand out.

1.) When asked if they would accept a provision that would strengthen the agricultural covenant as part of consolidation relief, the answer was No! ✓

(I think that of all the issues that have come out of Pt. Mac Kenzie, this answer tends to substantiate the deepest of the concerns expressed in the agricultural community. In light of the agricultural covenant placed on this land originally, the fact that tract holders are reluctant to reinforced that covenant, seems to add credence to the Ag. communities suspicions.)

2.) One of their group stated that if their tracts cooperation failed it would take the whole project down.

(This has to be intimidation, directed at the Division of Ag. and the Legislature, in an attempt to get favorable legislation.)

It is my personal opinion that HB 300 would only give the speculators and developers a greater opportunity to manipulate the States lottery sales.

RESPECTFULLY YOURS

D. A. Zobel

STATE OF ALASKA

115815
BILL SHEFFIELD, GOVERNOR

DEPARTMENT OF NATURAL RESOURCES

P.O. BOX 7005
ANCHORAGE, ALASKA 99510-7005
PHONE: (907) 561-2020

February 24, 1986

OFFICE OF THE COMMISSIONER

Dear Alaskan:

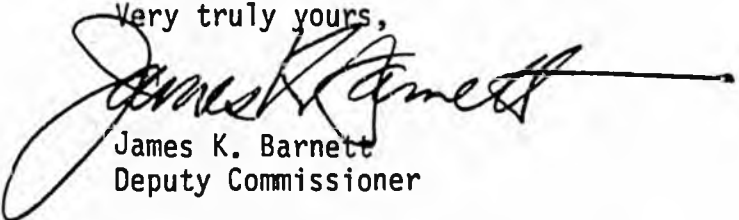
Attached are proposed amendments to regulations of the Alaska Department of Natural Resources. The department will conduct a hearing on the proposed regulations in Delta in March 1986. Please see the attached "Notice of Changes in the Regulations of the Department of Natural Resources" for details on the time and location of the hearing. Additionally, the department is soliciting written comments on its proposal until March 28, 1986.

The main purpose of the proposed regulations is to allow the subdivision of patented agricultural land. The department has found that certain past disposals of the state's agricultural interest in land have resulted in agricultural tracts too large and unwieldy to be efficiently managed and farmed. In response to this finding, the department developed the draft regulations in which the process for obtaining approval of a subdivision of patented agricultural land is spelled out. A subdivision under the proposal must be consistent with an approved farm conservation plan, may not create a parcel of less than 40 acres, and is possible only if the land being subdivided is still suited for agricultural development. The proposal maintains existing prohibitions against an individual conveying that portion of his or her agricultural interest on which improvements have been constructed. Additionally, the proposed regulations set in motion a process for determining if the state should authorize the right to construct additional improvements on parcels of at least 640 acres resulting from a subdivision.

In reviewing the draft regulations you will notice that some sections contain bracketed and capitalized words and phrases, other sections contain underlined material, while still other sections contain neither. Language in the proposal which is bracketed and capitalized is proposed for deletion from the currently-effective regulation. Underlined material is proposed for addition to the currently-effective regulation. Sections in which brackets and capitalization and underlined material do not appear are being proposed as entirely new material to existing regulations.

Your comments on the draft regulations will be most useful to the department if you reference particular sections by number and suggest changes in wording which you feel would result in improvement to the regulations. The Department of Natural Resources thanks you for your time and interest in this matter.

Very truly yours,


James K. Barnett
Deputy Commissioner

NOTICE OF PROPOSED CHANGES IN THE REGULATIONS OF THE
DEPARTMENT OF NATURAL RESOURCES

Notice is given that the Department of Natural Resources, under authority vested by AS 38.05.020 and AS 38.05.035, proposes to amend regulations in Title 11 of the Alaska Administrative Code, dealing with agricultural parcels and the subdivision of patented agricultural parcels, to implement AS 38.05.069 and AS 38.05.321, as follows:

11 AAC 67 is proposed to be amended by changing obsolete references to local soil conservation subdistricts to soil and water conservation districts, by spelling out how a previously-approved farm conservation plan may be amended, by defining the process under which additional rights to construct real property improvements on large tracts of subdivided and patented agricultural land may be obtained, and by spelling out the process for obtaining approval of a subdivision of patented agricultural land.

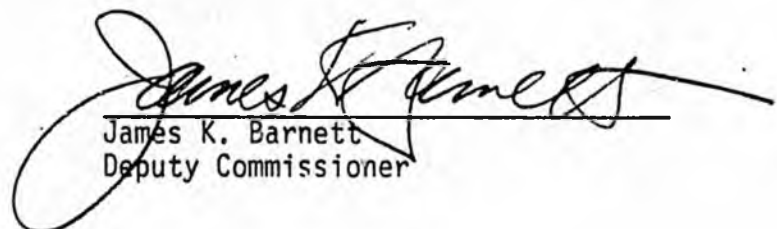
Notice is also given that any person interested may present oral or written statements or arguments relevant to the proposed action at a hearing to be held at the Community Center in Delta, Alaska on Friday, March 7, 1986 beginning at 1:30 p.m.. In addition, written statements or arguments may be sent to the Department of Natural Resources, Office of the Commissioner, P.O. Box 7005, Anchorage, Alaska 99510, to be received no later than March 28, 1986.

This action is not expected to require an increased appropriation.

Copies of the proposed regulations may be obtained by writing to the above address or by calling the Office of the Commissioner in Anchorage at 561-2020 or in Juneau at 465-2400.

The Department of Natural Resources, upon its own motion or at the instance of any interested person, may after the deadline for receipt of written comments adopt proposals within the scope of this notice without further notice or may decide to take no action on them.

Date: 2-24-86


James K. Barnett
Deputy Commissioner

11 AAC 67.177(a) is amended to read:

(a) An approved farm conservation plan will be required as a condition of the sale. The successful purchaser must submit an approved conservation plan before consummation of the sale. For each disposal the director may accept, reject, or modify the farm conservation plan after consultation with the local soil and water conservation district [SUBDISTRICT].

(Eff. 4/28/78, Register 66; am / /86, Register)

Authority: AS 38.04.900
AS 38.05.020
AS 38.05.035
AS 38.05.050
AS 38.05.069
AS 38.05.321

11 AAC 67.177 is amended by adding a new subsection to read:

(d) A previously-approved farm conservation plan may be modified at the request of the purchaser. The director may approve, reject, or modify the farm conservation plan modification after consultation with the local soil and water conservation district. (Eff. 4/28/78, Register 66; am / /86, Register)

Authority: AS 38.04.900
AS 38.05.020
AS 38.05.035
AS 38.05.050
AS 38.05.069
AS 38.05.321

11 AAC 67.182 is repealed:

11 AAC 67.182. MODIFICATION OF FARM CONSERVATION PLAN. Repealed / /86.

11 AAC 67.187 is amended by adding a new subsection to read:

(d) Changes in the location or size of the area designated for real property improvements are subject to approval of the director and may be allowed if

(1) the maximum area specified under 11 AAC 67.187(a) is not exceeded; and

(2) the change is consistent with a farm conservation plan approved under 11 AAC 67.177. (Eff. 4/28/78, Register 66; am 5/13/79, Register 70; am / /86, Register)

Authority: AS 38.04.900
AS 38.05.020
AS 38.05.035
AS 38.05.050
AS 38.05.069
AS 38.05.321

11 AAC 67 is amended by adding a new section to read:

11 AAC 67.188. SUBDIVISION. (a) Land conveyed under 11 AAC 67.160 -- 11 AAC 67.192 may be subdivided for the purpose of transfer of ownership, subject to the approval of the director, if

(1) the land originally conveyed has been patented;

(2) the subdivision does not create a parcel of less than 40 acres;

(3) the subdivision is consistent with a farm conservation plan approved under 11 AAC 67.177;

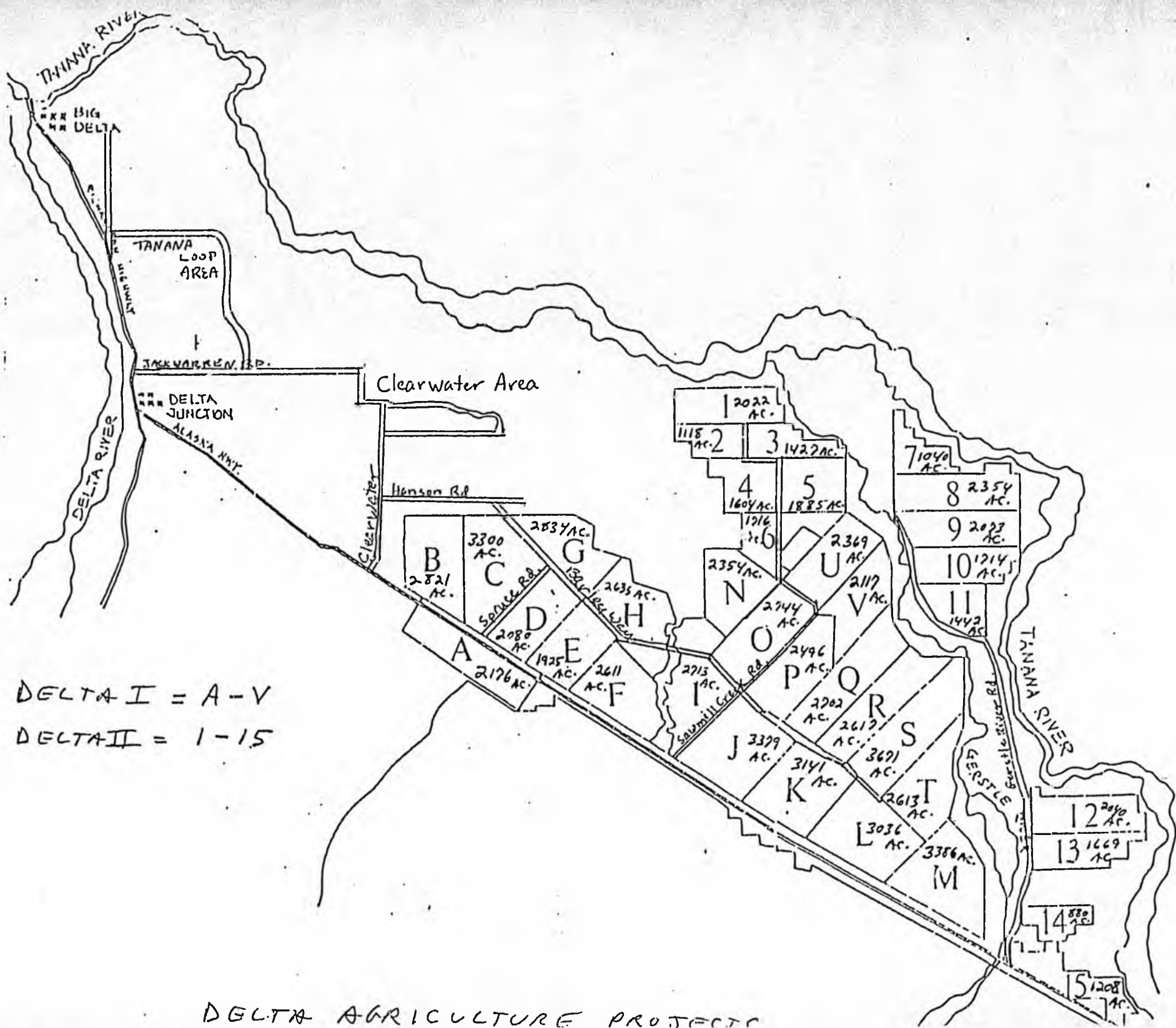
(4) the land has been maintained in substantially the same condition it was in after completion of the development required under 11 AAC 67.185;

(5) all original improvements to real property or rights to construct real property improvements under 11 AAC 67.187 on the land originally conveyed remain in a single tract of not less than 40 acres, which may not be conveyed until all the other tracts in the subdivision have been conveyed; and

(6) all additional rights to construct real property improvements on land subdivided under this section remain only on tracts of at least 640 acres.

(b) Additional rights allowed by 11 AAC 67.188(a)(6) are authorized in accordance with 11 AAC 67.187. (Eff. / /86, Register)

Authority: AS 38.04.900
AS 38.05.020
AS 38.05.035
AS 38.05.050
AS 38.05.069
AS 38.05.321



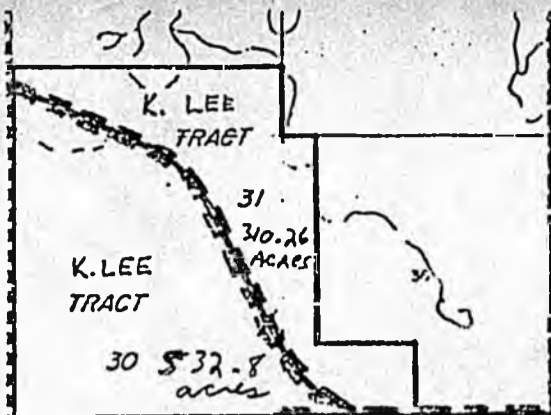
DELTA I = A-V
 DELTA II = 1-15

DELTA AGRICULTURE PROJECTS

From light in Wasilla, take Knik-
Goose Bay Rd. South 17.5 miles, turn
right on gravel rd., proceed eight
miles to "T".

Airshire Avenue

"T" → To Wasilla



JAMES TRACT 2
29
638.77 ACRES

JAMES TRACT 1
28
595.09 ACRES

H & R FARMS TRACT 27
624.79 AC.
" Jersey Ave.

GROESCHEL TRACT 26
603.22 ACRES

STROMBERG TRACT 24
687.95 ACRES

PLANCHON TRACT 25
307.95 ACRES

CANGE TRACT 23A
313.94 ACRES

COLEMAN TRACT 22A
301.75 ACRES

WILSON TRACT 17

TRACT 23B
313.97 ACRES

SIMS TRACT 22B
301.85 ACRES

U & A TRACT 20
367.69 ACRES
103-16 ACRES

TUCKER TRACT 17
612.49 AC

GOENTZEL TRACT 18

BURRELL TRACT 19
490.94 AC
Holstein Ave

SMITH TRACT 16

THOM TRACT 15

PETERSON TRACT 14

SCHOON STEPHAN TRACT 13

KELLEY TRACT 12
A-1

WRIGHT TRACT 9
472.19 acres

J. LEE TRACT 10
598.87 AC

WILLIAMS TRACT 11
634.03 ACRES

WASSINK TRACT 8
474.22 ACRES

Reddane Ave

BRUGE TRACT 7
437.36 ACRES

existing road



M. BASKIN TRACT 4
314.08 ACRES

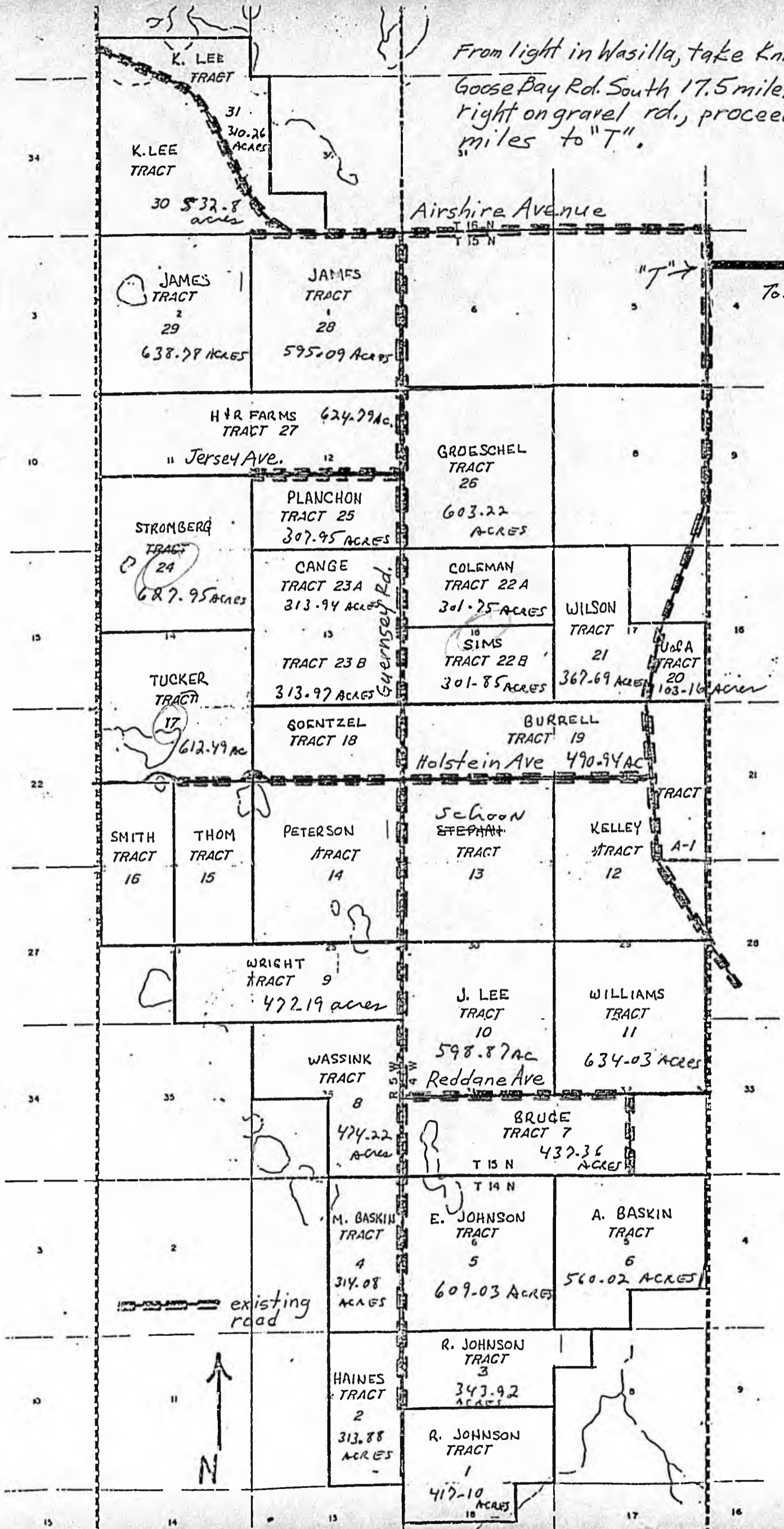
E. JOHNSON TRACT 5
609.03 ACRES

A. BASKIN TRACT 6
560.02 ACRES

HAINES TRACT 2
313.88 ACRES

R. JOHNSON TRACT 3
343.92 ACRES

R. JOHNSON TRACT 1
417-10 ACRES



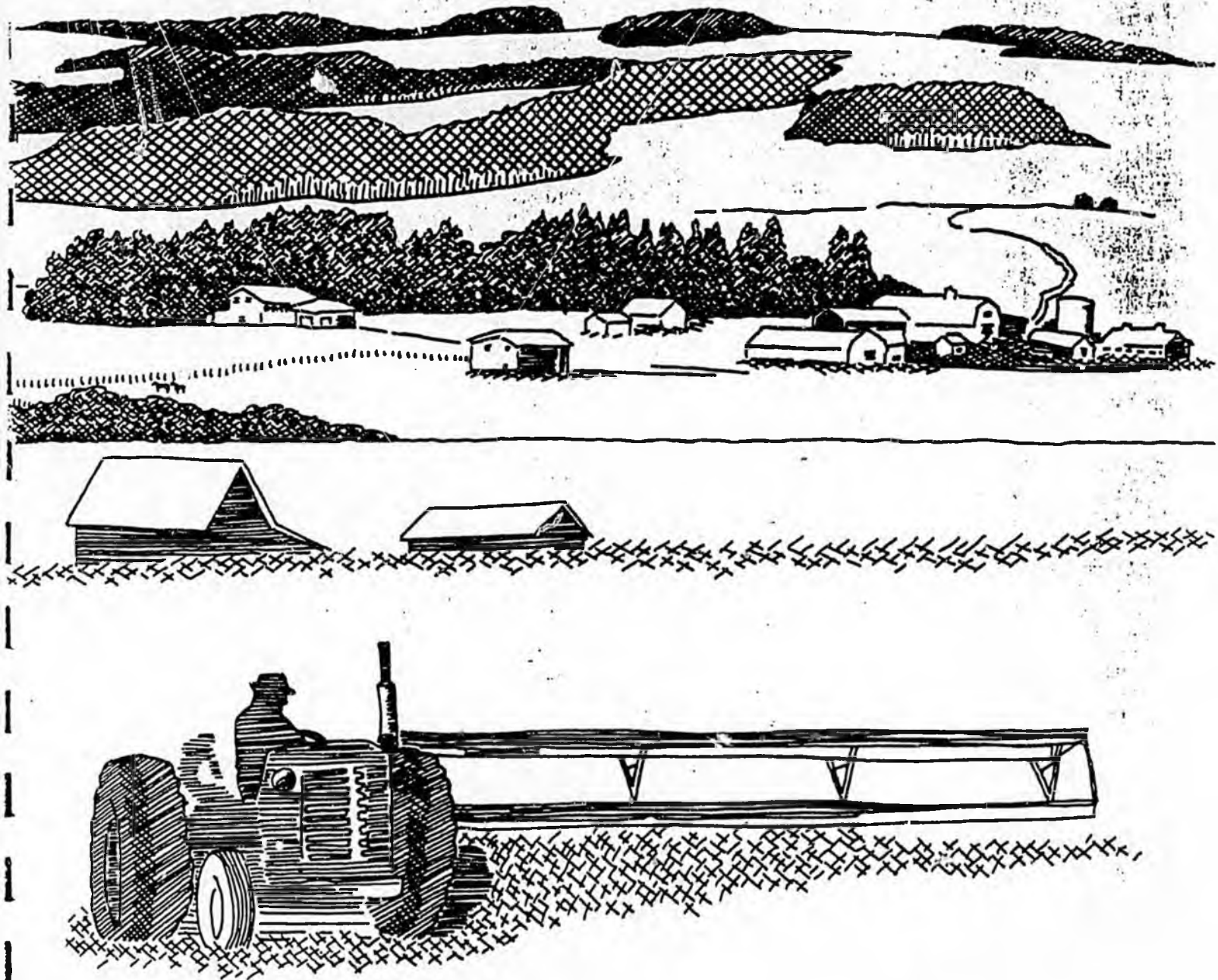
①

JOSEPH PATRICK CAMBE

Agriculture in Alaska: A Plan for the Future

A Special Report to the Governor
November, 1983

Page 3
Page 7



Our conclusion is that the state's goal for 1990 should be to diversify and strengthen the state's economy by increasing the availability of competitively priced Alaska food products. This can be accomplished through pursuit of the following objectives:

- Encouraging expanded production of competitively priced farm products from existing agricultural lands
- Increasing number of acres available for agricultural production
- Preserving options for in-state market expansion and future exports

II. INSTATE MARKET POTENTIAL

The railbelt area holds much promise as a market for products of Alaska farmers; and it is this prospect which is the basis for our conclusions and recommendations.

IV. THE AGRICULTURAL LAND BASE

An agricultural land base of approximately 227,000 acres may be necessary to achieve the projected percentages of the 1990 railbelt market, but, given the number of variables, precision in any forecast is not possible. Actual demand for agricultural land during that period may vary since the market shares actually attained will depend on the competitiveness of products offered and the strength of promotional programs. In addition, the land base to produce feed for sheep, goats, rabbits and poultry plus food products for other areas of the state has not been estimated. Given that land is used for farm buildings, wood lots, and other farm-related but non-crop uses, production is expected on only 55 percent of the farm lands privately held (Table 3.)

To increase prospects that adequate land will be in production in 1990 and immediately beyond, an additional 27,000 acres of public lands should be conveyed to private ownership. These recommended disposals would add to the present 200,000 acre land base (prior state and borough disposals (Table 4) and other currently held private lands). Lack of development on prior disposals will

2

ii

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

- 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;

(3)

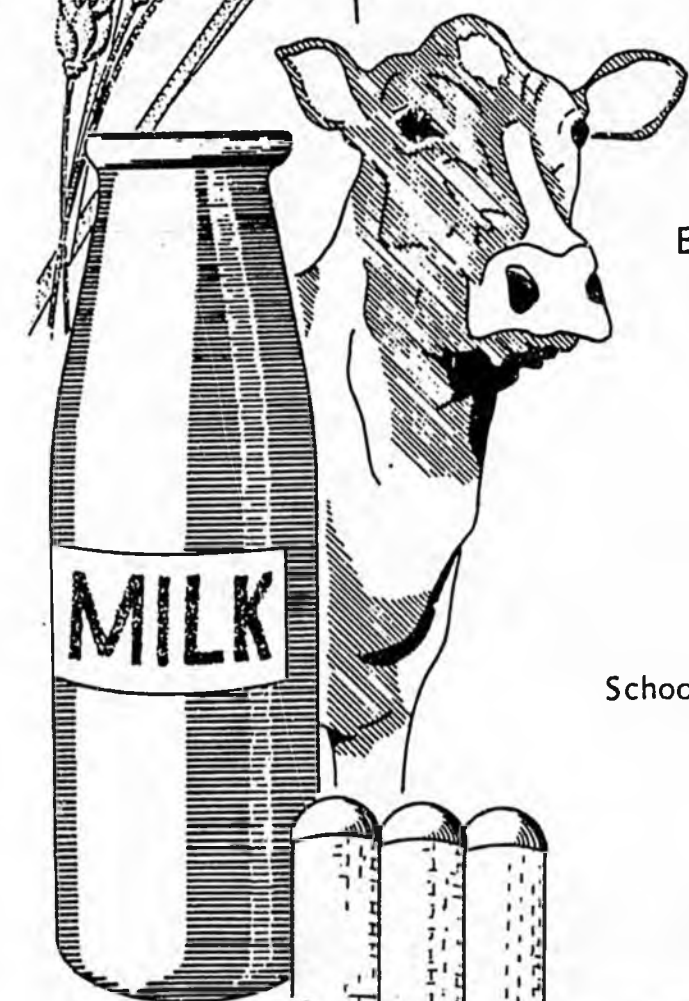
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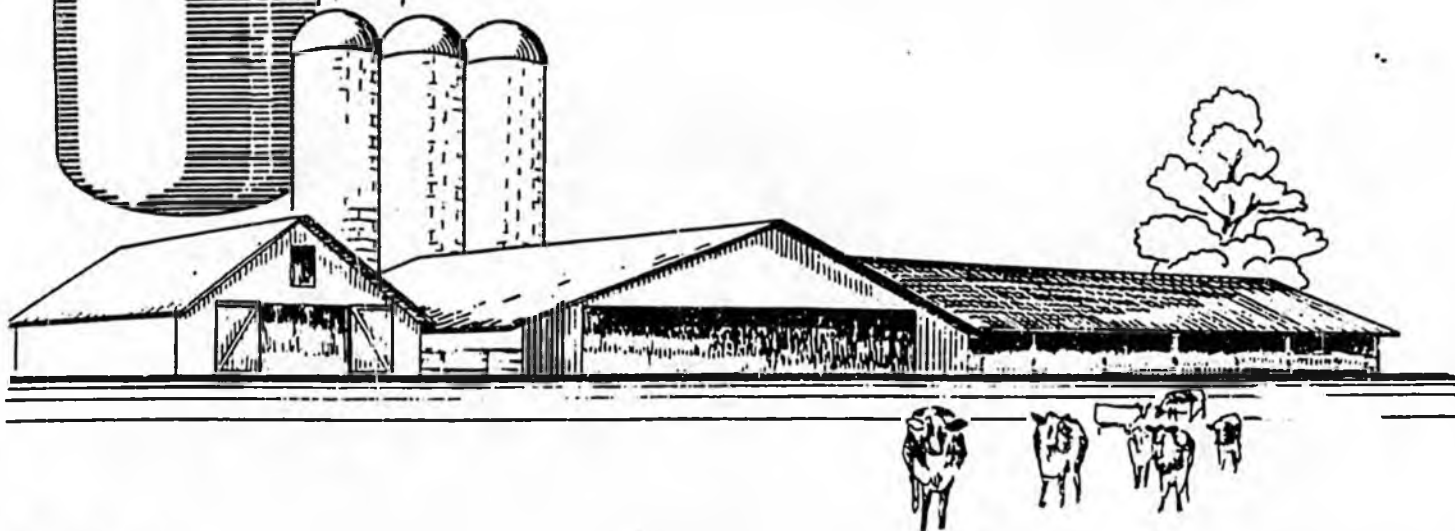
Potential Milk Production in the Point MacKenzie Area of Southcentral Alaska

by

Carol E. Lewis, J. Michael Harker,
Edward L. Arobio and Wayne C. Thomas



Agricultural Experiment Station
School of Agriculture and Land Resources Management
University of Alaska
James V. Drew, Director



CHAPTER 1

INTRODUCTION

Point MacKenzie is an area northwest of Anchorage directly across the Knik Arm of Cook Inlet (Figure 1). This area contains a substantial amount of latent agricultural land and discussion regarding its potential has been going on for some time. The catalyst which activated the recent planning process directed at Point MacKenzie was concern over potential loss of the southcentral Alaska dairy industry expressed on May 4, 1979, in a letter from Jack Flint, General Manager, Matanuska Maid, Inc., to Governor Jay Hammond: "It is my opinion that if we do not take immediate steps to stabilize this important phase of agriculture, [the dairy industry] will pass from the scene. I think that if it should occur, it would be a serious blow to the State of Alaska, economically and socially. I believe we should also realize that if the dairy industry should cease to exist within the state, it is going to be very difficult to re-establish it."

Mr. Flint's letter and corresponding action by the Matanuska-Susitna Borough have directed planning processes of the State of Alaska toward Point MacKenzie. The Alaska Agricultural Action Council, created by the 1979 state legislature to plan, recommend, and administer agricultural development projects on state lands in Alaska, held a meeting in the Matanuska Valley in September, 1979, and determined that an economic feasibility study, directed toward dairy production, should be undertaken for the Point MacKenzie area. This report is that feasibility study.

In order to perform the analysis, certain general assumptions are made. These include:

1. Sufficient state land is available in the Point MacKenzie area for a dairy farm development project.
2. Land price is \$100 per acre with a \$50 homestead credit making the effective price \$50 per acre to the farmers.
3. Land-clearing costs are \$220 per acre for project farms.
4. The dairy farms will be designed for forage production in the form of silage and haylage; concentrate, hay, and straw requirements will be met by off-farm purchases.
5. Private slaughter facilities are currently available in the Matanuska Valley to handle cull cows and calves from project lands.
6. Electrical power hook-up will be provided each farm.
7. Roads to each farm will be constructed.

The land price of \$100 per acre for purchase of agricultural rights only is set by the Alaska Land Statutes, Section 38.05. It is an average price and may vary depending on soil type and timber on the property. The homestead credit, repealed in 1979, will be reinstated in 1980. The land-clearing costs were based on a \$165-per-acre cost in 1979 in interior Alaska. An additional 15 per cent was added to bring them to 1980 costs. The heavier timber cover will probably require more machine time estimated at \$30 per acre.

CHAPTER 3

MARKETING AND COMPETITIVE POSITION

Marketing

Milk is one of the few agricultural products having a well-organized marketing system in Alaska. Matanuska Maid, a dairy farmer cooperative, has identified the fresh milk market in Alaska, excluding the southeast portion of the state, at approximately 6,500,000 pounds per month. About 19 per cent is milk produced in Alaska, with the remaining 81 per cent shipped in by bulk and processed here or processed and packaged for retail sales outside the state before shipment to Alaska.

There are currently two major milk processors in Alaska—Matanuska Maid and Arden Farms—both located in Anchorage. Matanuska Maid processes all the milk produced in Alaska. The problem for these two processors lies in retaining a market share sufficient to maintain a volume of milk for efficient processing while competing with falling prices for imported milk. In-state milk production has declined from 22.1 million pounds in 1961 to 14.4 million pounds in 1978 with imported milk replacing the loss.

Fresh-milk producers in Alaska are being pressured by high land values in the Matanuska Valley. Dairy men are now able to realize significant gains by selling their land to speculators and subdividers, gains much higher than would be realized by continuing to farm or by selling to another farmer. As a result, since the 1960s dairy farms have been declining rapidly. The industry, thus weakened, has had a difficult time meeting increased competition from "outside" dairy men. Increased milk production from Point MacKenzie farms may help increase the competitiveness of the industry.

An important question is whether or not new milk producers at Point MacKenzie can reasonably expect to have a market for their milk. Some consumers may not choose Alaska-produced milk, even if it is price competitive, while others would probably be willing to pay a premium for local milk. Some retail firms may prefer, due to economic pressure, not to handle local milk unless it is competitive with out-

side milk. It is probable that considerably less than 100 per cent of the market will be supplied by local milk even with the additional production from Point MacKenzie.

Competitive Position of Alaskan-Produced Milk

The current competitive position of Alaskan-produced milk compared with alternative sources is analyzed below. Such analysis is important in considering the future of the Alaskan dairy industry. While disagreement is possible for any figure given, cost data in the analysis are as accurate as possible at this time. The magnitude of any inaccuracies would not be great enough to alter the conclusions.

Milk produced in Alaska must compete for a reasonable share of the market with milk shipped in from outside the state. As shown in Table 22 (pg. 20) Alaska farmers were receiving \$16.84 per hundred weight in November, 1979. Farm-to-processor transportation cost by regulated carrier was \$1.36 per cwt. Therefore, the total cost for Alaska-produced milk to an Anchorage processor was \$18.20 per cwt. Local processing cost adds another \$13.61 per cwt and brings the total cost, when delivered to the retail store dock, to \$31.81 per cwt. Milk shipped in by bulk and processed locally had a slightly higher wholesale cost of \$33.04 per cwt. This is primarily because regulations require that bulk milk shipped into Alaska must be pasteurized a second time, adding a cost of \$2.00 per cwt. Prepackaged milk shipped in from the Puget Sound had a significantly lower wholesale cost. Table 22 presents the cost of prepackaged milk using a Class I price (regulated handler) and blend price (non-regulated producer/distributor). These total \$27.66 and \$26.66 per cwt which is \$4.15 and \$5.15 less than Alaskan produced and processed milk, respectively. Recombined milk (dry skim milk and butterfat shipped in from out of state and recombined with water in Alaska) was competitive with the prepackaged milk even with the higher Alaska processing costs.

CONSULTING REPORT: THE FEASIBILITY OF
SUCCESSFULLY REORGANIZING MATANUSKA
MAID INC.: AN ALASKAN CORPORATION

This technical assistance study was accomplished under funding from Matanuska Maid, Inc., an Alaskan Corporation. The statements, findings, conclusions, and recommendations are solely those of the consulting team and do not necessarily reflect the views of Matanuska Maid Inc.

July 10, 1984

prominent infrastructure problems noted are energy costs necessary to maintain production and costs of transportation for raw product to Anchorage.

- (2) As noted elsewhere within this report, a \$7,000 per cow investment level is necessary to maximize efficiencies and economies of scale. This investment level produces a minimum herd size of 191 cows. The existing Point MacKenzie development requirements are such that effectively realizing this optimum level requires capitalization in excess of the lending limits now available to dairy farmers locating in the Point MacKenzie area.
- (3) The geographic isolation of the Point MacKenzie area compounds the cost control problems normally associated with dairy production. It is the assessment of the consulting team that Alaskan history will repeat itself in the Point MacKenzie area (relative to the dairy industry) unless modifications in the development plans for Point MacKenzie can be made. The reader is reminded that at one time over 80 small dairy farms existed in Alaska. Of the original 80 farms, only those who have managed to increase herd size and operating efficiencies survive today. This pattern is similar to the pattern evidenced for the industry as a whole and is an important consideration relative to development of the Point MacKenzie area.
- (4) The price reduction recommended in this proposal is absolutely essential to the survival of the existing dairy industry structure within Alaska. As noted, unless Mat-Maid products can become competitive within the marketplace sales will continue to decline as consumers react to price sensitivities. As the majority of the dairy producers associated with Mat-Maid have structured their debt load around a pricing structure in excess of \$22/CWT, adjustments in repayment schedule for such debt will be necessary.
- (5) For the proposed Mat-Maid recovery plan to be successful, the 2% retainage debt now carried by Mat-Maid must be treated in a manner similar to the debt for all other unsecured creditors. Further, the \$2.2 million worth of certificates of equity now carried by Mat-Maid are a liability against operating cash flows that severely damage potential for Mat-Maid to successfully reorganize.

Recommendations

It is the consensus opinion of the consulting team that successful reorganization of Mat-Maid depends upon fully implementing the company-specific and Macro Environment-specific recommendations earlier discussed. In addition, for the total system to survive, it is our opinion that the following producer-specific recommendations are also essential.



United States
Department of
Agriculture

Economic
Research
Service

RED, University of Minnesota
217 Cla Off Bldg, 1906 Buford Ave.
St. Paul, Minnesota 55108

November 28, 1984

Mr. Joseph Patrick Cange
Certified Public Accountant
Box 4-647
Anchorage, Alaska 99509

Dear Mr. Cange:

In response to your letter of October 31, 1984, I have enclosed a preliminary draft report recently completed. The capital costs estimated for twenty-two dairy operations in the lower 48 states are summarized in Table 4, page 15. The budget information is for "whole" farm situations and include some operations that produce most of the feed within the farm. By looking at alternative size herds within each state, some idea of how capital costs per cow change on alternative size farms can be evaluated. Table 4 breaks capital costs down into six categories such as dairy buildings and equipment. This may help you pick the most relevant figures for your purposes.

The results do indicate lower investment on larger farms than on smaller farms especially up to the 500 or 600 cow herd sizes. Perhaps the New York farms would be most relevant to the Point MacKenzie project as those farms use free stall housing, produce most of the forage requirement and 52-, 200-, and 600-cow operations are considered.

I enjoyed meeting with the group representing the Point MacKenzie area and also wish we had had more time to discuss the farm issues.

Sincerely,

Boyd M. Buxton

Boyd M. Buxton
Agricultural Economist

BMB/dmm

Enclosure

EXHIBIT B

Total hired labor ranges from 1.03 worker equivalents (2,575 hours) of part-time hourly labor on the 52-cow Minnesota dairy to 18 full-time workers on the 1,436-cow Florida dairy. Some of the part-time labor hired in Minnesota, Pennsylvania, New York and Washington is seasonal and associated with crop production (Table 2).

Investment Requirements

The estimated new (replacement) cost per cow for assets required on the twenty-two dairies are summarized in Table 4. Replacement or new costs are used so that the average annual costs of ownership will reflect an amount sufficient to replace worn out assets when needed. Costs then reflect an amount needed to maintain the long-term viability of the operation.

On dairies without cropland for feed production, the total investment per cow ranges from \$3,372 on the 1,436-cow Florida dairy to \$5,053 for the 359-cow Arizona dairy. Including land and field machinery to produce feed, a Minnesota 52-cow dairy has a total replacement value of assets of more than \$15,000 per cow. The difference between herd sizes and regions are best reflected in comparing investment per cow in dairy buildings and equipment. Here the range is from \$749 on the 1,436-cow Florida dairy to \$4,871 for the 52-cow Minnesota dairy (Figure 2). The investment per cow in dairy buildings and equipment is substantially less on larger than on smaller dairies regardless of region.. For typical herd sizes, the investment per cow is substantially less in Southeast and Southwest regions than in other regions. However, the 600-cow New York and 550-cow Idaho dairy

EXHIBIT B-2

Adjusted cost per cwt

A cost per cwt of milk (adjusted for sales other than milk) tended to be lower on large than on small dairies in all states (Figure 4).

Also costs were lower for the very large dairies in California, New Mexico, Arizona, and Idaho than on smaller dairies in Minnesota, Pennsylvania, and New York. However, the 600-cow New York dairy had comparable costs to herds of about that size in other states.

The major exception was the relatively high cost for Florida dairies. Floridas' high costs are in part offset by relatively high milk prices resulting in the competitive rate of return on investment discussed in the previous section and illustrated in Figure 3.

The cost per cwt of milk is nearly the same for alternative price support or federal order policy scenarios. However, costs per cwt drop dramatically for producers achieving milk production per cow equal to the top 20 percent of producers using DHIA tests compared to a producer achieving the average of all producers using DHIA tests (Table 8).

Conclusions of long-term analysis

A rate of return to investment is calculated for twenty-two dairy farms after all operating costs are paid and sufficient money withheld to maintain the long-term viability by replacing worn out equipment and facilities. The major findings of the analysis include the following:

1. Investment per cow in dairy buildings and equipment is less on larger than on smaller dairies.

2. For the herd sizes that characterizes dairy farming in each region, investment per cow is less for the large dairy operations in the Southwest, Northwest and Southeast than for the Lake State and Northeast regions.

EXHIBIT B-3

3. Based on whole farm budgets, the larger dairies with 500 cows or more are more profitable than smaller dairies. Considering the long-term, effeciently operated dairies in New Mexico, Arizona and Florida are more profitable than their counterparts in California, Idaho, Minnesota and the Northeast. This result is the bottom line after reflecting regional difference in costs and milk prices received.

4. Although costs per cwt of milk are highest in Florida, the relative high price received for milk provides a competitive return. The profitability of California and Idaho dairies is adversely affected by lower milk prices compared to New Mexico, Arizona and Florida dairies.

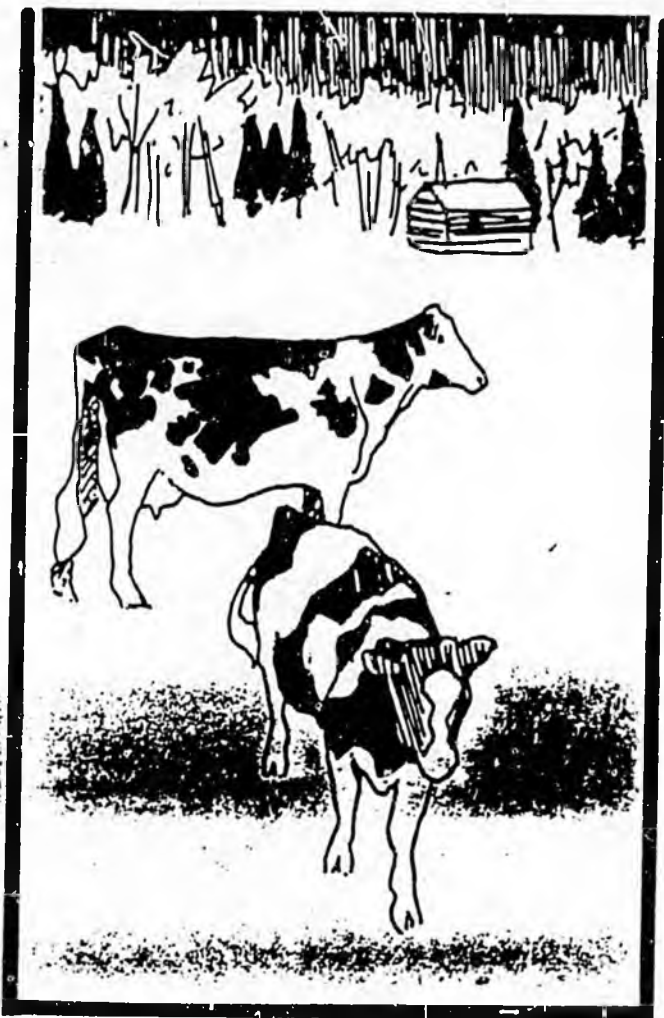
5. Strong economic pressure exists for herds to get larger in all regions. This will continue the trend to fewer and larger dairies.

6. The relatively favorable profit potential (rate of return) of large scale dairy farming in the Southwest, Southeast and Northwest regions will likely result, over the long term, in a continued shift in milk production to those areas. Those areas will likely increase their relative share of total U.S. milk production, placing increased competitive pressure on the traditional Lake States and Northeast dairy areas.

7. The profitability of dairy farming is greatly improved in all regions when management achieves production per cow levels equal to the top 20 percent of the farmers using Dairy Herd Improvement Testing programs (Scenario V). Achieving these performance levels tends to improve the profitability of large more than small dairies, adding more economic incentive for large scale dairying.

EXHIBIT B-4

Point MacKenzie Agricultural Project SALE BROCHURE



LAST COPY

Department of Natural Resources
Alaska Agricultural Action Council
September 11, 1982



STATE OF ALASKA
DEPARTMENT OF NATURAL RESOURCES
DIVISION OF LAND AND WATER MANAGEMENT
323 East Fourth Avenue
Anchorage, Alaska

POINT MACKENZIE AGRICULTURAL INTEREST SALE

Lottery #10

Filing Period: 8:00 a.m., Wednesday, July 7, 1982 through
4:30 p.m., Friday, August 20, 1982.

Place of Lottery: Palmer High School
Little Theater
West Arctic Avenue
Palmer, Alaska

Date of Lottery: September 11, 1982

Time of Lottery: 10:00 a.m. (local time). Information Briefing and
Lottery Drawing.

INTRODUCTION

to develop agricultural land as a renewable resource of the
the Alaska Department of Natural Resources in cooperation with
Agricultural Action Council is disposing of approximately
acres of agricultural land in the vicinity of Pt. MacKenzie,
major objectives are to stimulate in-state milk production,
milk to Alaska consumers at a competitive market price, and
gaining agricultural self-sufficiency for the State of
Therefore, subject to the provisions of AS 38.04 and AS 38.05
and pursuant to the regulations promulgated thereunder, the Director of
the Division of Land and Water Management, or his authorized represen-
tative, will sell (the agricultural interest) by lottery in the follow-
ing described real property located within the Palmer Recording
District.

PARCELS FOR SALE

The agricultural interest in twenty-nine (29) parcels ranging in size
from .75 acres to 632.24 acres and totaling 13,940 acres will be
offered for sale. The sale of all parcels will be under the terms and
conditions set forth in this brochure and in the sale contract. Sample
sales contracts are available for inspection through the Southcentral
District Office. Land discounts pursuant to AS 38.05.058 and 11 AAC
67.900-915 are available to eligible Alaskans.

P.O. Box 4-647
Anchorage, Alaska 99509
January 17, 1985

Mr. James K. Barnett
Deputy Commissioner
Alaska Department of Natural Resources
555 Cordova Street
Pouch 7-005
Anchorage, Alaska 99510

Re: Consolidation of Parcels
116, 117, 123, and 124 into one farm

Dear Mr. Barnett:

The four owners of the hereinabove described parcels are asking that the four parcels be permitted to consolidate into one farm. After a very thorough economic analysis we made the decision in late 1983 to work jointly to build one large efficient facility rather than build four separate smaller ones. Thus, we combined our capital, time, and management expertise to create one large and economically efficient dairy. The reasons for this decision are as follows:

1. Through consolidation the capital investment per cow was 32% lower for one dairy than for four separate dairies. By pooling our economic resources we capitalized the dairy with \$1,000,000 cash. The capital requirements are so great that if each person had attempted to build a separate, small dairy, none of us would be operational at this time. However, through this cooperative effort, we are currently producing 12,000 lbs. of milk per day.
2. The operating costs including interest expense per cwt of milk produced are 26% lower on the one large dairy when compared to four smaller dairies. The economies of scale of the larger dairy will, therefore, make us competitive with outside milk.
3. None of the four parcel owners had much experience in the dairy industry; therefore, it was imperative that we secure a competent dairy manager to insure a successful well-managed

Mr. James K. Barnett
January 17, 1985
Page 2

operation. By building one large dairy we were able to attract and hire one of the leading dairymen in the country. A single, small dairy could not have afforded the compensation necessary to attract a good dairy manager.

4. We recognized that Matanuska Maid's bankruptcy filing, and a reduction in milk prices (from \$22.60 per cwt to \$19.00 per cwt) would require that we be able to produce milk at a price lower than \$19.00 per cwt. We could only do this by combining our parcels.

The Point MacKenzie sale brochure dated September 11, 1982 states on Page 1 "The major objectives are to stimulate in-state milk production to provide milk to Alaska consumers at a competitive market price, and to assist in gaining agricultural self-sufficiency for the State of Alaska."

The required minimum stocking of these four parcels by November 1, 1985 is 173 cows. We currently have 367 cows, more producing cows than all the other Point MacKenzie producers combined.

Having experienced the complete process of getting a dairy on line, none of us (the four parcel owners) would ever consider building separate, smaller dairies. We are viable and in production now only because we have consolidated the parcels.

~~The benefits to the state and the industry are many.~~ We have attached a letter from John Seawell (Exhibit A) that shows our 367 cows are earning the creamery \$12,845 per month. The consolidation will eliminate the duplication of capital and thus require less of ARLF funds. The existing funds available for agricultural lending are quite limited. In fact, the request for a separate loan on Parcel 116 has been postponed by the ARLF Board because of apparent lack of funds.

Lower capital requirements and lower operating costs create competitively priced agricultural products. To prove this point, we have also attached a letter and study from a leading authority on dairy farming (Exhibit B) which points to lower investment and lower operating costs on larger dairies versus smaller dairies.

Mr. James K. Barnett
January 15, 1985
Page 3

We are making an official request of the Director of the Division of Land and Water Management, with the consent and concurrence of the Commissioner of the Department of Natural Resources, to amend our CONTRACTS FOR THE SALE OF AGRICULTURAL INTEREST IN STATE LAND to permit a consolidation of Parcels 116, 117, 123, and 124 into one farm. With the November 1st contract date only nine months away, we would like to accomplish the consolidation as soon as possible.

It is imperative for the long-term success of the industry that the Department of Natural Resources demonstrate initiative and foresight in its policies to do those things that make the industry viable and competitive. Let's not live by yesterday's standards: let's be progressive. Now is the time to do the things that these competitive times demand.

Sincerely,

Evander C. Smith

Evander C. Smith
Parcel 116

Wilburn E. Tucker

Wilburn E. Tucker
Parcel 117

Charles J. Gange

Charles J. Gange
Parcel 123

Gary E. Stenberg

Gary E. Stenberg
Parcel 124

attachments

cc: Bill Heim
Esther C. Wunnicke

JOSEPH PATRICK CAH

CERTIFIED PUBLIC ACCOUNTANT

BOX 4-647

ANCHORAGE, ALASKA 99508

TELEPHONE (907) 344-5800

February 18, 1985

Arliss Sturgulewski
Chairman Resources Committee
Alaska State Senate
Pouch V
Capital Building
Juneau, Alaska

SUBJECT: SENATE BILLS NOS. 110 AND 155

Dear Arliss:

Pursuant to our conversation yesterday, I am submitting data regarding Senate Bills Nos. 110 and 155. Before I address these items, however, I would like to express my thoughts on the agriculture industry.

First I ask "Can the dairy industry be viable?" Yes. Our figures indicate that we can provide milk that is competitive with Outside milk because of the freight advantage that exists. The additional total cost of producing milk locally versus Outside is less than the freight on milk shipped from Seattle.

The goal at the Tucker dairy is to produce milk at the lowest cost possible per unit of milk produced. The local dairies must be as efficient and as well managed as Outside dairies or they cannot compete in the local market place. Most of the local dairies have never become efficient enough to bring their operating costs down to be competitive with Outside dairies. For example, our cost of feed is \$4.29 per day per cow when we bring in soybean meal and barley in bulk and mix our own feed. The cost of this same feed purchased locally is \$1.00 per day per cow more. That \$1.00 savings is the farmer's profit on the milk produced.

Arliss Sturgulewski
February 18, 1985
Page Two

Historically, the various State administrations have had no comprehensive plan. Thus, agriculture has been an unorganized, unplanned and poorly administered industry. This situation has left Alaskan agriculture in a state of chaos and near bankruptcy. It is not too late to save agriculture. Many things must be done and many changes in policies and practices must immediately take place if we are to save the industry.

We are fortunate that for the first time in Alaskan agricultural history we now have a Commissioner who is genuinely concerned about agriculture. She is willing to change obsolete policies and thinking and is doing the things necessary to save the industry -- and the state's investment. This is the direction in which Esther Wunnicke and Deputy Director James K. Barnett are embarking. Senate Bill No. 110 and Senate Bill No. 155 are a vital part of that comprehensive plan that will make the dairy industry viable.

SENATE BILL NO. 110

Proposes increasing loan limits of the Agricultural Revolving Loan Fund (ARLF) from \$1,000,000 to \$2,000,000

A number of things have made this increase necessary.

1. When the State's figures were done in 1979 (see Exhibit A "Potential Milk Production in the Point MacKenzie area of Southcentral Alaska") the Consumer Price Index was 233.2 (1/1/80). Today the Consumer Price Index is 316 which is a 36% increase in costs since 1/1/80.

2. The initial plan at Point MacKenzie was for the establishment of 19 small family-run dairies. However, the \$200,000 cash requirement for even the smallest dairy prohibited the building of these smaller dairies. The larger dairies actually being built require more total borrowing, but result in lower borrowing per cow.

3. The State's figures (see page 7 of Exhibit A) showed that the total capital investment for a 150-cow facility was estimated to be \$1,241,711. However, these numbers do not include housing, working capital or machinery costs. These add an additional \$500,000 to the 1979 figure of \$1,241,711.

Arliss Sturgulewski
February 18, 1985
Page Three

4. Current farms are undercapitalized and there is no other source of funds available. The current dairies are:

	Facility Size	Actual Cows Milking	Difference
Tucker Dairy	480 cows	360	120 cows
Lee Dairy	300 cows	160	140 cows
James Dairy	260 cows	40	220 cows
Rudgers Dairy	150 cows	50	100 cows
TOTAL	1190	610	580

It does not make sense to create facilities and then not provide inadequate funds for cows. These dairies are all up against the \$1,000,000 loan limit, but need additional funds to bring these dairies up to maximum capacity. Increasing the loan limit will allow these dairies to be brought up to 100% milk producing potential. This will generate the greatest return on scarce funds because of a better utilization of existing facilities. Every cow generates \$3,000 in revenues for the farm. In addition, according to Matanuska Maid each additional cow generates \$420 per year in additional net income for the creamery (see Exhibit B).

580 additional cows x \$420.00
area of 248,600 additional net income to the creamery.

SENATE BILL NO. 155

Proposes the splitting and combining of agricultural parcels.

This change is necessary for the following reasons.

1. By consolidating parcels the total capital required per cow is substantially less. In our case, consolidation reduced capital investment per cow by 32%. This creates more competitive fixed cost and lowers debt requirement per cow. Boyd Buxton, noted dairy authority who has done work for the Department of Agriculture, states

Arliss Sturgulewski
February 18, 1985
Page Four

"The investment per cow in dairy buildings and equipment is substantially less on larger than on smaller dairies regardless of region." (See Exhibit C, Page 14 "Economic Policy and Technology Factors Affecting Herd Size and Regional Location of U.S. Milk Production").

2. The operating costs, including interest expense per cwt of milk produced, are lower on larger dairies than on smaller dairies because of the principle of economies of scale. The Tucker dairy operating costs per cwt of milk produced are 26% lower on one large dairy than they would be on four smaller dairies. Boyd Buxton states "Based on whole farm budgets, the larger dairies with 500 cows or more are more profitable than smaller dairies." (See Exhibit C, Page 27).

3. Most of the Point MacKenzie parcel owners have little or no experience in the dairy industry. Therefore, it is imperative that the dairies hire competent dairy managers to insure a successful and well managed farm. Consolidation makes this financially possible.

4. Currently many dairies have already joined together in cooperative efforts as follows:

Dairy West joined two borough parcels together
Tucker Dairy joined four separate parcels together
Wright Dairy joined two parcels together
James Dairy joined two parcels together
Shoone Dairy joined two parcels together

These joint efforts have been necessitated due to the simple economics of the dairy industry. The dairy industry needs Senate Bill 155. Not passing Senate Bill 155 would place a definite hardship on these dairies and could result in their bankruptcy and thus the industry as well.

5. The consolidation of dairies is in compliance with the intent of the initial sales brochure dated September 11, 1982 (see Exhibit D) which states "The major objectives are to stimulate in-state milk production, to provide milk to Alaska consumers at a competitive market price, and to assist in gaining agricultural self-sufficiency for the State of Alaska." Only through consolidation can we be competitive.

Arliss Sturgulewski
February 18, 1985
Page Five

6. The consolidation of parcels will eliminate unnecessary duplication of buildings and machinery. This will substantially reduce the borrowing required from the ARLF. There is currently not enough money in the ARLF to develop all the remaining parcels and the reduced capital needs resulting from consolidation will help lessen the demands on ARLF funds. In our case, the ARLF has only \$1,000,000 invested in one 485-cow facility instead of a possible \$4,000,000 in four 120-cow dairies.

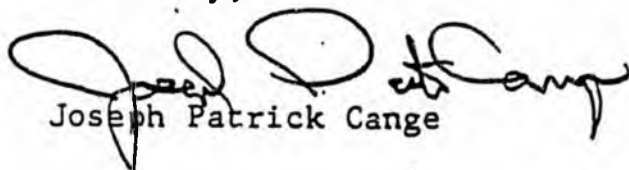
I have also enclosed earlier correspondence related to Point MacKenzie that you might find helpful. They are:

Exhibit E	1/1/84	Jalmar Kerttula
Exhibit F	6/22/84	Bob Heath
Exhibit G	9/14/84	Dean Brown
Exhibit H	1/17/84	James K. Barnett

The passage of Senate Bills 110 and 155 are mandatory if we are going to work toward a successful, profitable and financially strong dairy industry that will produce dairy products for Alaskans at a competitive price.

Thank you for your attention to this very important matter. If I can be of any further assistance, please do not hesitate to give me a call.

Sincerely,


Joseph Patrick Cange

:p

cc: Esther Wunnicke
James K. Barnett
Mike Szymanski
Jan Faiks
Jalmar Kerttula
Bill Heim

JOSEPH PATRICK CANGE

CERTIFIED PUBLIC ACCOUNTANT

BOX 4-847

ANCHORAGE, ALASKA 99509

TELEPHONE (907) 344-5800

MAR 3 1986

March 1, 1986

Arliss Sturgulewski
Chairman Resources Committee
Alaska State Senate
Pouch V
Capital Building
Juneau, Alaska

Subject: Senate Bill 155

Dear Arliss,

Pursuant to a conversation with you on the 21st of February, I am submitting herewith my thoughts regarding the merits and the importance of SB 155 to the Alaskan agriculture industry. In the most basic terms, this is a bill that provides a mechanism for DNR to combine and split agriculture parcels if it is in the public interest, if it encourages the development of the state's agricultural resources and if it prevents economic waste. SB 155 permits decisions to be made based upon the economic realities of the times.

I believe that the only way this industry can survive without continuing state subsidies is by all of us supporting those policies that make economic sense. In the DNR Special Report to the Governor dated November, 1983, entitled AGRICULTURE IN ALASKA: A PLAN FOR THE FUTURE, it states:

"Our conclusion is that the state's goal for 1990 should be to diversify and strengthen the state's economy by increasing the availability of competitively priced Alaska food products. This can be accomplished through pursuit of the following objectives: Encouraging expanded production of competitively priced farm products from existing agricultural lands."

In the DNR Special Report to Governor Sheffield dated March, 1985, entitled DEVELOPMENT OF AGRICULTURE IN ALASKA, it states;

"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: Encourage expanded production of competitively priced farm products from existing agricultural lands in Alaska."

In the University of Alaska Bulletin 58, dated September, 1980, entitled POTENTIAL MILK PRODUCTION IN THE POINT MACKENZIE AREA OF SOUTHCENTRAL ALASKA, it states:

"Milk produced in Alaska must compete for a reasonable share of the market with milk shipped in from outside the state."

These reports make the important determination that if the industry is going to be successful it must be competitive.

The Consulting report entitled THE FEASIBILITY OF SUCCESSFULLY REORGANIZING MATANUSKA MAID, INC., prepared for the State of Alaska, at an expense of \$40,000, states:

" The state of Alaska has repeatedly reenforced the major objectives of the Point MacKenzie agricultural project, and similar projects throughout Alaska, are to stimulate in-state agricultural production to provide Alaskan consumers agricultural products at competitive market prices. It is the consensus opinion of the consulting team that the current operating conditions for the Point MacKenzie project are such that realizing the state objectives of competitive price and expansion of the agricultural base within the state are in jeopardy. "

" A \$7,000 per cow investment level is necessary to maximize efficiencies and economies of scale. This investment level produces a minimum herd size of 191 cows. "

"The geographic isolation of the Point MacKenzie area compounds the cost control problems normally associated with dairy production. It is the assessment of the consulting team that Alaskan history will repeat itself in the Point MacKenzie area (relative to the dairy industry) unless modification in the development plans for Point MacKenzie can be made. The reader is reminded that at one time over 80 small dairy farms existed in Alaska. Of the original 80 farms, only those who have managed to increase herd size and operating efficiencies survive today. This pattern is similar to the pattern evidenced for the industry as a whole and is an important consideration relative to development of the Point MacKenzie area. "

In a report prepared by Boyd M. Buxton, Agricultural Economist at University of Minnesota and member of the United States Department of Agriculture research division, dated October, 1984, prepared for the Congressional Office of Technology Assessment, entitled, ECONOMIC, POLICY AND TECHNOLOGY FACTORS AFFECTING HERD SIZE AND REGIONAL LOCATION OF U.S. MILK PRODUCTION it states:

"A cost per cwt of milk tended to be lower on large than on small dairies in all states."

"Investment per cow in dairy buildings and equipment is less on larger than on smaller dairies."

"Based on whole farm budgets, the larger dairies with 500 cows or more are more profitable than smaller dairies."

"Strong economic pressure exists for herds to get larger in all regions. This will continue the trend to fewer and larger dairies."

Our goal concurrent with the hereinabove discussed data is to produce milk at the lowest cost possible per unit of milk produced. To accomplish this goal three landowners have joined together to build one large barn on three parcels to create one efficient farm rather than three uneconomical farms. The reasons that this was done were purely economic. Some of which are as follows:

1. Price of milk dropped from \$22.60 to \$19.00 per cwt.
2. Costs as initially computed by the state were substantially understated and did not include such things as housing, working capital or machinery costs.
3. Consolidation reduced capital investment per cow by 32%. This creates more competitive fixed costs and lowers debt requirement per cow.
4. Operating costs, including interest expense per cwt of milk produced, were 26% lower on one large dairy than they would be on four smaller dairies.
5. None of the three owners had any experience in the dairy industry. Therefore, it was imperative that the dairy hire a competent dairy manager to insure a successful and well managed farm. Consolidation made this possible.

6. The Alaska revolving loan fund has limited resources and it is important that these funds not be wasted. In our case the state only has a loan for \$1,000,000 rather than \$3,000,000.

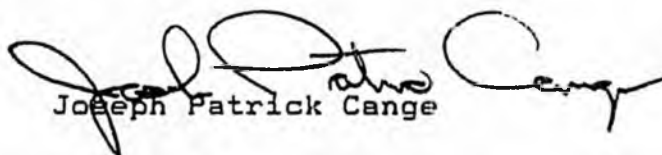
The Tucker dairy is currently producing 600,000 lbs of milk monthly. This is 30% of total milk being produced by local farmers. If we had not pooled our capital and management resources as we have done we would not be producing even one single lb of milk.

Furthermore, the consolidation of dairies is in compliance with the intent of the initial sales brochure dated September 11, 1982, which states "The major objectives are to stimulate in-state milk production, to provide milk to Alaska consumers at a competitive market price, and to assist in gaining agricultural self-sufficiency for the state of Alaska." Only through consolidation can we be competitive and accomplish this goal.

The passage of SB 155 is mandatory if we are going to work toward a successful, profitable and financially independent dairy industry that will produce dairy products for Alaskans at a competitive price.

Thank you for your work on the agriculture bills and we appreciate your continuing support of the agriculture industry.

Sincerely,


Joseph Patrick Cange

cc: Jalmar M. Kerttula
Jan Faiks
Esther Wunnicke
James K. Barnett

1986

March 1, 1986

The Honorable Arliss Sturgulewski
Alaska State Senate
Pouch V
Juneau, Alaska 99811

Dear Senator Sturgulewski,

We are writing to you in support of SB 155 for the consolidation of agricultural parcels at Point Mackenzie.

Since it can only be beneficial for the state as a whole to develop its agricultural economy, we must do everything we can not to impede that development.

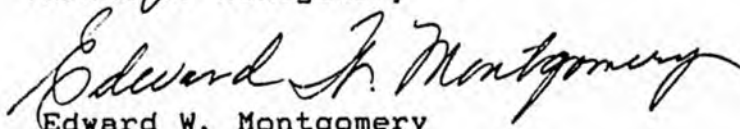
As the farmers at Point Mackenzie have shown, in the majority of cases it is cost prohibitive to develop a single ag-parcel. The logical solution, therefore, is to consolidate parcels thus the cost per cow is less; there is no need for as much equipment; operating costs would be less; and, labor and management costs reduced.

All of these factors could make the difference between a disastrous or a successful agricultural economy in Alaska.

Thank you for your consideration and support.

Sincerely,


Grace J. Montgomery


Edward W. Montgomery
P.O. Box 60430
Fairbanks, Alaska 99706

MAR 3 1986

February 28, 1986

The Honorable Arliss Sturgulewski
Alaska State Senate
Pouch V
Juneau, Alaska 99811

RE: Support of SB 155

Dear Senator Sturgulewski,

I am concerned about what I have been reading in the newspapers about the development of the state's agricultural economy.

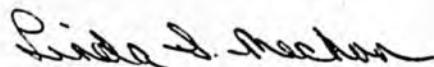
The major problem facing all of the farmers seems to be MONEY. The high cost of development of a single agricultural parcel is making it impossible for many of the farmers to meet the state's land contract requirements--which means foreclosure.

This seems an unnecessary extreme since some of the development costs could be lessened by the state allowing consolidation of parcels. This would lower the front-end capital requirements for development because less equipment would be needed, fewer employees would be required, daily costs of operation would be cut.

Foreclosing on the farmers only means failure for the industry and the state--we need a solution to their problem and I think that consolidation of parcels could be that solution.

I would appreciate your consideration in support of SB 155. Thank you very much.

Very truly yours,



Linda S. Mechon
12830 Summer Drive
Anchorage, Alaska 99516

MAR 3 1986

March 1, 1986

The Honorable Arliss Sturgulewski
Alaska State Senate
Pouch V
Juneau, Alaska 99811

Dear Senator Sturgulewski,

I would like to voice my support for SB 155 which refers to the combining of agricultural parcels.

Since I am most familiar with the difficulties the farmers at Point Mackenzie are encountering, I will focus on those. Some of the farmers at Point Mackenzie have found themselves lacking the capital required to complete development. They cannot meet the state's land contract requirements for stocking cows and milking and, therefore, some are facing foreclosure.

Even if the single parcel development were to make it to completion and actually start production, the day-to-day operating costs are so high and price for milk is so low that the individual farmer will struggle to survive.

The low price of milk, due to Matanuska Maid's financial problems, means that the farmer needs to operate at a high level of efficiency. SB 155 would allow the consolidation of parcels-- which would allow the needed cost efficiency in the development stage and also in the operational stage of Alaska's dairy industry.

As it is now without consolidation of parcels 1) the initial capital investment per cow is excessive; 2) equipment needs are too costly; 3) labor costs are too high. With consolidation all of these costs would be reduced considerably.

I realize some of the farmers at Point Mackenzie have been able to meet the state's requirements without consolidating; however, many have not. Since each and every farm is so important to the industry as a whole within the state, I think it behooves us to do whatever we can to support them. This means supporting SB 155.

Thank you.

Cordially,

Veronica C. Montgomery
Veronica C. Montgomery

MAR 5 1986

February 26, 1986

The Honorable Arliss Sturgulewski
Alaska State Senate
Pouch V
Juneau, Alaska 99811

Dear Senator Sturgulewski:

My wife, JoAnn, and I purchased Pt. MacKenzie Agricultural Tract #24 on February 14, 1984. From our studies and the information then available from State and Federal Agencies we felt the dairy industry in Alaska "had" a great future. You might say we placed our faith with the program and its future.

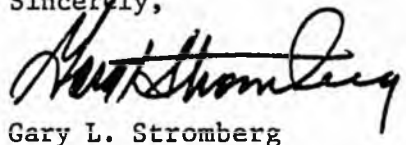
As facts and figures became available from actual dairy operations at Pt. MacKenzie we found our original assumptions no longer valid and we looked for methods to develop a dairy that would be feasible. We have been working with Mr. Milburn Tucker on a consolidation whereby greater efficiency in operations can be attained, thereby making possible a feasible dairy unit. We have held off on construction of a smaller, less efficient, facility pending resolution of our consolidation efforts and now find that funds may not be available in the revolving fund if our consolidation is not accepted.

We strongly urge approval of "Senate Bill 155" for the following reasons:

- (1) The cost per cow is much greater in a smaller, less efficient, facility than a larger more efficiency operation. Low milk prices put an even greater pressure on the dairy industry to be efficient.
- (2) Duplicated farm equipment required with individual smaller farms creates a burden on an industry already economically borderline.
- (3) It is difficult to find competent farm managers and help for the amount that can be paid with a small dairy operation.
- (4) It's a waste of State money to stay with old ideas where current information indicates that larger, more efficient, dairies are better able to compete in the market place.

We appreciate your support and any assistance you can give us.

Sincerely,



Gary L. Stromberg

27 February 1986

Arliss Sturgulewski
Chairman Senate Resource Committee

MAR 3 1986

RE: Senate Bill 155
Senate Bill 120
"Production Credits"

Dear Senator Sturgulewski:

In the fall of 1982 I was one of the "fortunate ones" who was selected in the Point MacKenzie Agricultural Lottery as a winner of a dairy parcel. In the intervening 3 1/2 years a great deal has happened with our parcel and several other parcels at Point MacKenzie which are very positive both for the State of Alaska as an entire entity and specifically for the economy of the Matsu-Borough as well as the concept of renewable resources.

In 1986 James Farms will employ 9 full-time individuals as well as 1 part-time individual throughout the year. During the summer (harvest time) we will employ 2-3 additional individuals and, in total, will produce a payroll in excess of \$250,000 dollars per year through our farm alone year in and year out. Our seed, fertilizer and fuel for this upcoming year exceeds \$100,000 all obtained through Alaskan vendors. We will purchase in excess of 750 tons of barley from Delta Junction, Alaska helping to evolve the agricultural scheme conceived in earlier administrations. At this point we are farming in excess of 1200 acres, milking 260 animals and producing 17% of Matanuska Maids milk requirements. All and all, several of us at Point MacKenzie have met and exceeded the State's expectations with regard to agriculture at the Point and our support of other areas of agriculture in the State.

In the last several years significant changes have occurred throughout this state. These include change: in population increases, changes in the price of oil, renewed emphasis on local hire as well as a new sense of fiscal responsibility in state government. Changes have also occurred in Alaska agriculture during this same period unfortunately, which require all of us to redefine requirements and perceptions to allow its orderly growth in a fiscally responsible manner. In many instances in the past, agricultural policy was not based upon sound business sense and attempts were being made to evolve this on the basis of social awareness or a sense of social need. I would recommend certain changes in our agricultural policy. These would include:

- (1) Passing Senate Bill 155 to allow consolidation or subdivision of agricultural plots as economic needs dictate. At Point MacKenzie I am the owner of tracts 28 and 29. On tract 28 a 260 cow dairy was built which would have fulfilled the requirements for both tracts, however, because of our present State policy, a small dairy was built on 29 also. This, I believe, is an unneeded and wasteful use of remaining economic resources and is, to me, an ill-conceived state requirement. The remaining parcel owners at MacKenzie should have the opportunity of consolidating their parcels. The unfortunate people at Delta should also have the opportunity of subdividing their parcels into perhaps better economic units based on reality rather than state studies.

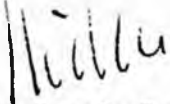
27 February 1986

Page II

- (2) I believe that production credits would be healthy for the entire agricultural community as it places some value on individuals who are producing and follow through with agricultural production in this state. It does little or no good to clear 10,000 acres and have them grow up in fireweed again in contrast to the individual who plants, harvests and sells 1,000 or 2,000 acres of barley creating new industry and new jobs in this state. The latter is of value, the former is ill-conceived planning.
- (3) Senate Bill 120 of course is the agricultural omnibus bill which is "housekeeping" functions for the Dept. of Agriculture as well as providing some increased flexibility in dealing with agricultural issues and policies as things evolve in the next several years.

Many of us who are serious about making agriculture succeed in this state are not looking for handouts, further bureaucratic involvement in the system nor are we looking for a shoulder to cry on. What we do need, however, is good, sound, economically reasoned agricultural policies for the future which transcend administration and at the same time are able to deal with the unfortunately ill-conceived plans of the past. Thank you for your assistance.

Yours sincerely,



J. Michael James, M.D.

/sf

cy: Esther C. Wunnicke
Jalmar M. Kerttula
Bill Hein

Dick Zobel
S. R. Box 3210
Wasilla, Alaska 99687
February 6, 1986

Honorable Albert P. Adams
Alaska State Legislature
Pouch V (MS 3100)
Juneau, Alaska 99811

Mr. Adams:

Those of us who are involved in Alaskan agriculture realize that the Delta and Pt. Mac Kenzie projects do need some sort of relief. However the reasons for their problems appear to be quite different.

I am a District Supervisor in the Wasilla Soil and Water Conservation District. The Pt. Mac Kenzie project is located in the Wasilla District. I have attended several meetings regarding the consolidation concept, as it would effect the point Mac Kenzie project. It was with a great deal of concern that I attended the January 10th forum sponsored by the State Soil and Water Conservation Board in Palmer. As Mr. Weaver pointed out at the beginning of the January 10th meeting, those of us who are involved in the Conservation Districts are primarily interested in preserving soil and water production capabilities. More particularly we are interested in the conservation and preservation of agricultural soils for future generations of Alaskans.

I am active in several Ag. oriented groups here in the Mat-Sue Borough. I have not gone to any sort of agricultural meeting over the past 4 years that questions, as to the real intent of some of the tract holders, has not been raised. Quite frankly Mr. Adams there is a very deep concern in the agricultural community, as to the true goals of some of the Point Mac Kenzie Project tract holders. While this situation may not have the same priority to our urban neighbors I can assure you that many of them are also concerned.

As I understood the agenda for that January 10th meeting, it was specifically for the Pt. Mac Kenzie tract holders to air there concerns, and especially for those favoring consolidation, to present their reasons for wanting to do so.

There were almost 10,000 applications for the tracts in the Pt. Mac Kenzie lottery. There probably were again that many Alaskans, that after penciling out the economics of an investment in this lottery, did not participate. I think that the State is going to place itself in a very precarious position if it now retroactively changes the conditions of those sale contracts. Many of the people that participated, still have a great deal of interest in its eventual outcome.

There have been several Ag. sales over the past ten years. Each one was researched, planned and designed by not only Alaskans with agricultural expertise but some of the most respected names in U S agriculture. These projects were formulated to deliver a quality product to Alaskans and contribute to the rest

of the State agricultural industry. None of these projects have been allowed to go to their projected completion date without some sort of major alteration. Changes that totally alter the concept and intent of the project are detrimental not only to that project, but to the rest of the States agricultural industry.

Keeping in mind that the terms of the each sale were explicit. The feed-back from the more knowledgeable and experienced farmers in the State is that they seriously question the eventual goals of some of the tract owners. There are quite a number of issues that are questioned but they seem to narrow down to these basic items.

1.) Many of the present tract holders are not original lottery winners, but purchased tracts after the sale.

2.) Most participants in the Pt. Mac Kenzie lottery agree that the economics of farming within the constraints of the sale specifications were marginal. Yet many of the tracts have been sold at substantially more than the basic lottery prices, even considering any outstanding development loans.

3.) Judging from comments and actions even before their initial development on the land, it appeared that steps were being taken to alter the conditions of the contracts. It was obvious that some of the tract holders were inclined not to honor the terms and the intent of the sale, or the contract that they had signed.

Those tract owners favoring consolidation have offered quite an array of numbers to back-up their position. However those numbers are highly suspect to others in the farming community, and more particularly, from other dairy farmers. As the meeting progressed some of their figures were challenge. I have reviewed my notes of that meeting a number of times, several comments made at that meeting by those individuals favoring consolidation seem to stand out.

1.) When asked if they would accept a provision that would strengthen the agricultural covenant as part of consolidation relief, the answer was No! ✓

(I think that of all the issues that have come out of Pt. Mac Kenzie, this answer tends to substantiate the deepest of the concerns expressed in the agricultural community. In light of the agricultural covenant placed on this land originally, the fact that tract holders are reluctant to reinforced that covenant, seems to add credence to the Ag. communities suspicions.)

2.) One of their group stated that if their tracts operation failed it would take the whole project down.

(This has to be intimidation, directed at the Division of Ag. and the Legislature, in an attempt to get favorable legislation.)

It is my personal opinion that HB 300 would only give the speculators and developers a greater opportunity to manipulate the States lottery sales.

RESPECTFULLY YOURS
D. A. Zobel

FEB 19 1986

JOSEPH PATRICK CANGE

CERTIFIED PUBLIC ACCOUNTANT

BOX 4-647

ANCHORAGE, ALASKA 99509

TELEPHONE (907) 344-5600

February 17, 1986

Jan Faika
Chairman Senate Finance Committee
Pouch V
Capitol Building
Juneau, Alaska 99811

Re: \$3,057,000 State Grant for power a Point MacKenzie (HB 691)

Dear Jan,

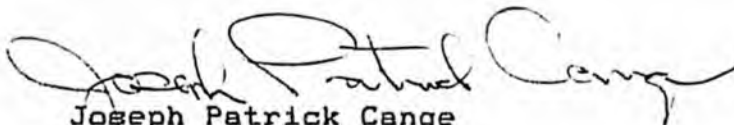
The power installation appears to be completed at Point MacKenzie for which the grant was made. I would appreciate very much if you could see how much of the total grant was spent and how much is unspent. As I had written you last year, I think the legislature should consider directing that any unspent money be used to bring natural gas to the farms.

Currently natural gas goes by the project, but no one has the necessary capital to bring gas to each farm. I believe that if properly administrated the entire investment can be repaid by a reimbursement from the gas company based upon gas usage.

Currently most of us at Point MacKenzie are using propane which is five times more expensive than natural gas. If agriculture is going to succeed we should do everything possible to reduce our operating costs.

Thank you very much for your continuing work and support of the Alaskan agriculture industry.

Sincerely,


Joseph Patrick Cange

cc: Esther C. Wunnicke
James K. Barnett
Jalmar N. Kerttula
Arliss Sturgulewski

STATE OF ALASKA

DEPARTMENT OF NATURAL RESOURCES

DIVISION OF AGRICULTURE

BILL SHEFFIELD, GOVERNOR

APR 11 1985

P.O. BOX 949
PALMER, ALASKA 99645-0949
PHONE: (907) 745-7200

April 1 , 1985

Joseph Patrick Cange
Box 4-647
Anchorage, Alaska 99509

Dear Mr. Cange:

Your letter in response to the short article in The Anchorage Times on September 14, 1984 touches on a number of subjects that concern all of us involved in agriculture but perhaps interpolates meanings beyond the extent of the statements.

As you no doubt noted, the statements are not quotes but a generalized synopsis of a conversation. I was asked to respond to a statement attributed to Milburn Tucker. The assertion was that small, family dairy farms are obsolete and uneconomical. It was further stated that the State's determination to use the Pt. MacKenzie size parcels supported this and that even larger sized parcels were needed to achieve an economically viable farm unit. My response was in the form of a conversation with the reporter on the differences between large and small dairies. In the discussion I pointed out that the economic viability of a dairy does not depend solely on farm size but on a broad combination of economic factors. I did not say that state statistics show the smaller, family-run dairy is the most economical unit. No statistical analysis has been done by the State comparing small family-run dairies with large non-family operated dairies. The limited number of dairies, either large or small, would clearly make it difficult to obtain a meaningful statistical sample. Since the only larger dairies available for such a comparison are at Pt. MacKenzie and none of them are at full production capacity, such a comparison is obviously premature.

The generalization that smaller, family-run dairies are the most economic farming unit is not substantiated as a universally true or false case and is not a Division of Agriculture or Department of Natural Resources theory or policy. We do express the concern that if we have only a few large dairies, the failure of one of them has a much larger impact on the overall industry than if we have a large number of smaller dairies and experience the failure of one.

It should be obvious to you that neither large nor small farms are automatically more economical. The economic effect of differing combinations in size, investment, financial management, herd management,

DEPARTMENT OF
NATURAL RESOURCES
APR 04 1985
COMMISSIONER'S OFFICE
JUNEAU

crop production, market conditions, and simply timing of actions are only a few considerations. The cumulative economic effect of these differing combinations can make a small farm more economic than a large one or create the reverse situation. A non-inclusive list of items affecting profitability encompass several broad areas.

- o Capitalization Costs. Initial expenditures for land, facilities, equipment, and cows. The investment required at this stage depends on some basic management decisions determining operations as well as the farm size. For example choices of how much feed will be produced on-farm versus purchased, running a confinement system versus other combinations, the availability of family labor versus amount of hired labor, registered versus grade cows, etc. Each decision has some effect on the amount of initial capital required. The November 1984 issue of Farline article "Measuring the Debt Problem" puts this in perspective.

"Debt Risk and Farm Size

"Average debt-to-asset ratios also tend to rise with farm size. In other words, the larger farmers are typically carrying the largest debts relative to assets. Economist Lloyd Teigen sees this group, in general, as the one most exposed to debt risk."

- o Financial Structuring. Substantial debt service resulting from high capitalization can create a narrow profit margin and result in less flexibility to changes in cash flow. Decisions on the amount of personal capital injection and amount of short- and long-term debt incurred are based on not only the personal ability of each dairyman and intended farm size but on personal expectations. Each dairyman makes decisions which effect the eventual economic viability of his farm, whether large or small, with projections of the amount of milk production he expects to obtain, an anticipated price he will be paid for the milk, successful crop production, and numerous other requirements. The inevitable prospect of a poor crop year, herd disease decreasing production, or unexpected large expenses can have an immediate effect which reflects directly on the management decisions previously.
- o Management Costs. Perhaps the most apparent difference between family farms and non-family farms appears in this area. Increased mechanization, whether in large or small dairies, has provided an invaluable tool for better management. The effect on labor savings is weighed against the increased debt by each dairyman depending on the size of farm. The use of non-paid, family labor on small farms has

provided a method for smaller farmers to deal with economic fluctuations. The dependency of larger farms on knowledgeable, hired labor, the inability to decrease labor costs (without decreasing the number of cows and decreasing cash-flow), creates a fundamental difference and economic impact. Loss of a dairy manager can be catastrophic to the non-dairyman owner, which is one of the reasons the ARLF has required manager-insurance in many instances. The family dairies often persevere through economic adversity because of the unpaid labor and family commitment to continue.

- o Operation Costs and Decisions. If properly structured financially either large or small dairies should pay their operating costs and provide a profit margin for the owner. It should be remembered however that the debt structuring and operation were predicated on a set of assumptions. The reality of any business is that routine changes in conditions will require numerous operating decisions and changes that ultimately effect the profitability. The flexibility of family farms to deal with increased costs is frequently demonstrated through the fact that they absorb costs by decreasing family-income. A family member may obtain an off-farm job. National statistics from 1980 through 1983 show an average of 64 percent of farm income is generated by off-farm sources. Larger, non-family farms cannot significantly utilize labor to mitigate increased costs, assuming that it is operating at reasonable efficiency of about 55 manhours/cow/year.

It is apparent that the number of variables affecting the economic operation of a farm, whether large or small, are numerous and complex. A general guideline is used by dairymen and financing institutions to determine the economic strength of a dairy. The "cost per cow" reflects the amount of total debt-load which must be repaid by each milking cow. Since the milking cow is the only cash-flow generator, it must ultimately repay all capitalization, operating, debt-service, management costs, and provide a profit for the farm. Comparison of these numbers between small, family-run dairies and large, non-family dairies is thus possible on a per-cow profitability basis. The Successful Farming magazine recently published an article indicating that the maximum debt per cow should not exceed \$1,600 to maintain a financially sound dairy. I realize \$1,600/cow is based on national averages and do not reflect Alaskan prices. Without attempting any statistical economic conversion of this number to an Alaskan equivalent, it appears evident that the current debt per cow on Pt. MacKenzie, ranging from a low of less than \$5,000 per/cow to the high debt load of more than \$10,000 per/cow is a matter for concern.

The interrelationship between the Delta Barley project, Pt. MacKenzie and the red meat industry is fairly straightforward but still developing.

Brown to Cange
April 1, 1985
page 4

Barley production in Delta increased in 1984 setting a new record with a 156,000 bushel increase over the previous year. Informal estimates by the division indicate that approximately 30 percent of that production currently goes directly or indirectly into dairy consumption. The redmeat industry expansion benefits from processing cull and bull calf dairy animals, but it is premature to suggest a percentage of dependency on the dairy industry. Currently expansion in both hog production and feeder cattle indicate the redmeat industry is significantly expanding, simultaneously with the Pt. MacKenzie dairy expansion. There is clearly an interdependence between these agricultural enterprises, but I would certainly not intimate that the grain production at Delta was dependent upon the success of the Pt. MacKenzie Project, particularly in view of the recent market development for barley use in an ethanol plant in Delta. There is always a clear interrelationship between source-production-market that is not unique to the dairy industry.

Specifically referring to the six pages and 36 questions in your letter based on two sentences in an article in the Anchorage Times, the following responses may assist you.

As I noted, the state has not generated any statistics comparing small, family-run dairies with larger, non-family labor dairies, nor was that my statement. Questions 1 through 9 are directly predicated on this statement as are numerous other questions.

In question 9 you inquired as to what the ideal size for a "smaller, family-run dairy" should be. The acceptable goal for milk production per worker should be 600,000 pounds of milk per worker per year. Using this goal, a one-man or family farm could be from 30 cows (20,000 lbs of milk x 30 cows equals 600,000 lbs of milk) on up depending on how much family labor is available. Since you mention Tucker Dairy and you seem to have some affiliation with them, does that operation meet these goals?

Regarding question 10: because the Point MacKenzie lottery participation could not (by court ruling) pre-qualify, very few of the successful applicants were practicing farmers. Most of the winners were thus forced due to their own lack of ability to hire all labor to make it feasible, including a manager and spread the cost over a large number of cows.

In reference to your question 11 addressing the Washington State University, Small Business Development Center Report by Ed Owens, I have read the report. All reports have some value or validity, however, you must remember the dairying has evolved differently in different sections of the nation. In western Washington they have a much longer growing and

Brown to Gange
April 1, 1985
page 5

grazing season than Alaska, milder and shorter winters, and cheaper forage. All of these variables make for different economical feasibilities.

In question 12 you address economics of scale. Economics of scale are an accepted fact of life and it does apply to the dairy industry. Review my response to question 9 for the ratio of milk production per person per year. This applies if they are milking 30 cows or 3,000 cows.

In reference to question 32, page five, your statement is untrue that ". . . On some loans the Alaska Revolving Loan Fund Board has required applicants to share management and use of facilities on adjoining parcels."

At no time has the Agricultural (not Alaska) Revolving Loan Fund Board required such conditions. In fact the converse is true since the ARLF Board, through staff, has expressed concern to both you and Mr. Tucker, and have not approved requests to share facilities and management.

You specifically referred to the \$3,100,000 grant (actually \$3,057,000) for electricity and questioned what I was doing about overseeing administration of these funds. Since this funding is not through the Department of Natural Resources or Division of Agriculture, I have no involvement in expenditures. I have, however, pursued a farmer concern over providing electricity to one parcel and did provide documentation and correspondence to the administrative agency which may have helped that producing dairy obtain electricity.

You additionally questioned my position on the importance of providing natural gas to Pt. MacKenzie and questioned my personal efforts in this regard. I have personally pursued this issue within DNR, providing information on the need for gas and requesting that provisions be included in the right-of-way approvals and in the negotiations between the Division of Oil & Gas and Enstar. My role has been one of advocacy, providing information at appropriate junctures since I am not in a position to make the decisions involved. The Department of Natural Resources has supported the efforts of the Pt. MacKenzie farmers to obtain natural gas through the efforts of several divisions.

Your letter has addressed a number of cogent issues, asking me for responses which encompass theoretical speculation, positions I do not espouse, statistical analyses, and issues that national experts cannot agree upon. Some of your questions would require separate studies and experts in the field rather than my personal opinion or speculation.

You indicate that responses to your questions are critical to your analysis of the long-term success or failure at Point MacKenzie. I assume that your

Brown to Cange
April 1, 1985
page 6

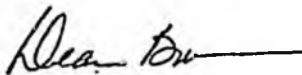
initial analysis pointed to a long-term success at Pt. MacKenzie or you would not have invested significantly in dairy development.

I personally feel that the project is presently meeting and exceeding our expectations and submit the following data from last fall for your consideration:

- o Eighty-four percent of the Class II & III acreage required to be in production by 9/85 was already in production by 9/84.
- o Four of the 19 dairy farms required to be in Phase I production by 11/85 were in production in 11/84.
- o Those four farms produced 79 percent of the total production required for the entire project in 11/85 which demonstrates that actual production per farm was an average of 316 percent above requirements, a year in advance of the deadline.
- o Of the 31 farms that will have to have the required acreage cleared and planted by 9/85, 21 farms had some acreage planted in 1984.

While the Division of Agriculture would also like answers to some of your questions, I wish to point out that premature evaluation of the dairy project and the emphasis of several of your questions on the results of possible failure, is nonproductive at this point - three years before the project is required by contract to be in full production. I believe in giving the farmers the opportunity to individually demonstrate their capability within those time frames.

Sincerely,



Dean Brown
Deputy Director

cc: Governor Bill Sheffield
Esther C. Wunnicke, Commissioner, DNR
Bill Heim, Director, Agriculture
Senator Jalmar Kerttula

WELCOME TO POINT MACKENZIE AND THE TUCKER DAIRY!

Point Mackenzie is a 15,000-acre agricultural project containing 29 parcels sold in an August 1982 lottery. Point Mackenzie was initially conceived and created through the genius and foresight of Senator Jalmar Kerttula in the tradition of William Henry Seward who acquired Alaska in 1867. Kerttula's vision is now reality. All at Point Mackenzie, and all throughout the entire state, will always be indebted to this visionary, Jalmar Kerttula.

The Tucker Dairy is a cooperative effort of four individual parcels containing 2,200 acres in total. The owners of these four parcels realized that it was far better to create one efficient large dairy rather than four inefficient dairies. As in any business, the economies of scale created by a more efficient facility result in lower per unit cost of milk. Only through the pooling of capital, labor and management could these four compete with efficient Outside dairies.

This dairy can and will compete with Outside dairies! We believe that with: 1) the freight advantage; 2) the low cost land advantage, and 3) the low cost energy advantage, we can compete with Outside dairies.

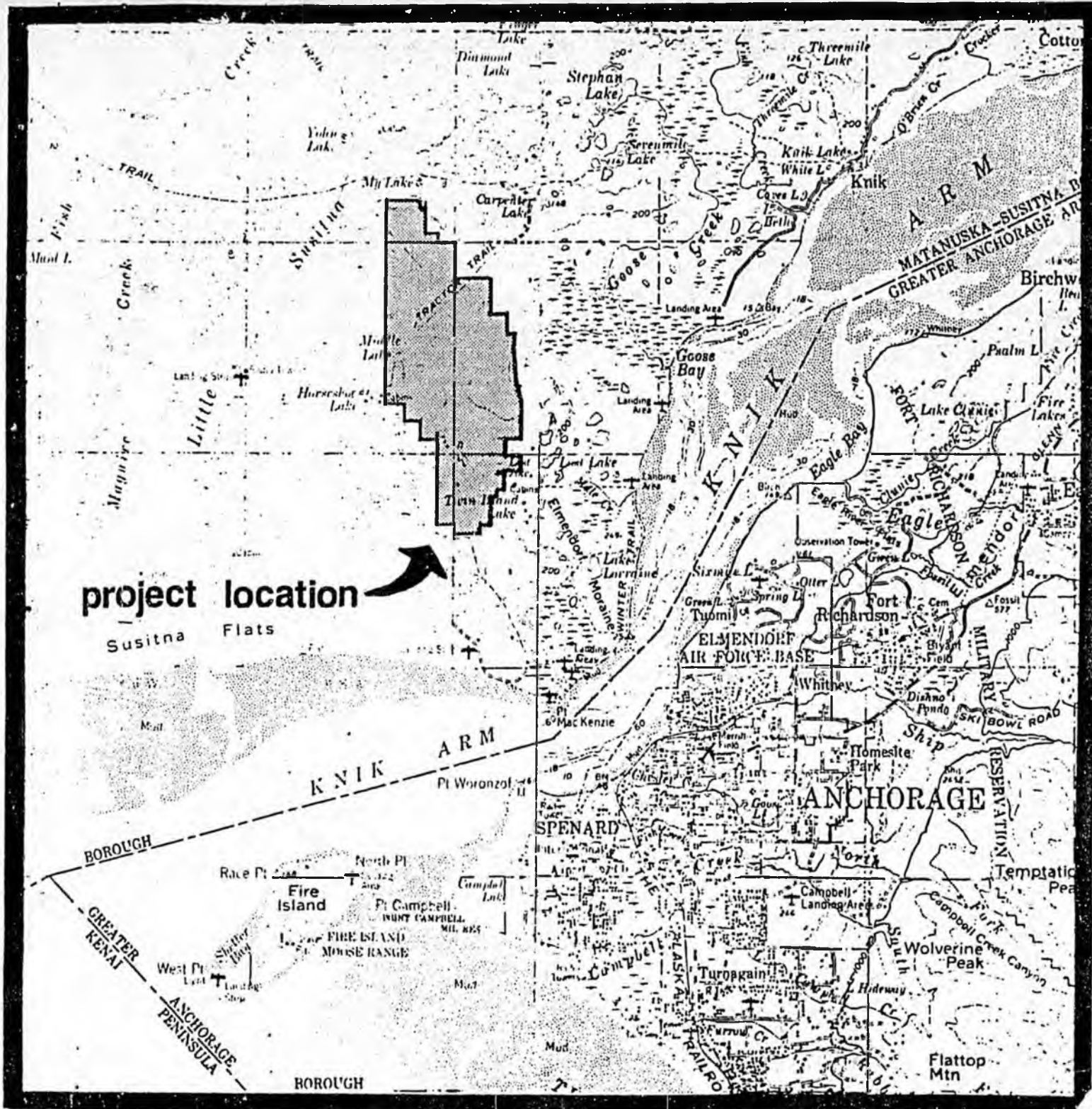
The agricultural industry is dependent upon one thing: Alaskans buying Alaskan products. We encourage all Alaskans to support our project.

There is an interrelationship and interdependence between the Delta Barley, Point Mackenzie and Red Meat industry. Only through the success of Point Mackenzie can the other industries survive. The state of Alaska has invested over \$200,000,000 taxpayer-supported capital in the development of these highly interrelated agricultural based industries.

The future of agriculture is therefore in your hands. We have made a commitment as you can see here today...that agriculture can succeed and we believe that it will...but only with your support.

BUY ALASKA . . . BUY MATANUSKA MAID

Tucker Dairy
9/84



**POINT MacKENZIE
AGRICULTURAL PROJECT
Site Vicinity Map**



Scale: 1:250,000

MAP 1

FEB 27 1985

Karen O. Lee
P.O. Box 871871
Wasilla, Alaska 99687

Senator John B. Coghill
Pouch V
Juneau, Alaska 99811

Dear Senator John B. Coghill;

I would like to request your help in remedying some of the problems associated with the state's current attempt at agricultural development.

At present, there are some crucial, and sensible, measures addressing this problem which have been introduced this session. I would like to urge your positive consideration of SB 110, raising the Agricultural Revolving Loan Fund loan limit per unit to \$2 million; SB 154, establishing a system of production credits on agricultural sales to apply toward interest on state agriculture loans; and SB 155, allowing for adjustments in contractual requirements on agricultural interest parcels sold by the state.

Before discussing the merits of each bill, I should like to make a brief case for agriculture in Alaska, and for the state's having a role in the initial development of it.

Not least among the considerations is the fact that the State of Alaska has already decided to develop agriculture. Many Alaskans with belief in the good intentions of our state have been invited to participate. Once in the program, we have been forced to put up very large sums of our own money, work and hopes for the future in support of a joint vision, ours and the state's. I cannot believe that the purpose in all this was to convince a few people to put our whole hearts into the enterprise and then end it. It is one thing for the state to cut its own losses; it is another thing altogether for the state to decide prematurely to cut the losses of its individual citizens.

To reiterate the reasons for the state's original interest in the development of agriculture: it is a basic, job-creating, service-creating, renewable resource industry. It not only creates its own labor requirements; it creates a ripple effect throughout every community where it exists. For example, my farm creates employment for four families directly. Commodities are hauled in and milk is hauled out; truckers are employed at both ends. In Anchorage, the milk is processed by more employees, and distributed by still more. Another company manufactures plastic jugs for the milk. All this demonstrates the well-known economic fact that a dollar produced by a basic industry circulates many times more than a service or retail dollar does.

I grew up in Alaska, and I can attest to the accuracy of the economists' observations. There is one major difference between the Alaska of the 1950's and the Alaska of the present, and that is the general affluence. That affluence is due to the building up of a large public and service network based on another basic industry, resource extraction. Without that basic industry, there would be no affluence. Without the incentives, particularly those at the federal level, urging on the oil companies to explore and the mining companies to keep looking, there would be little but fishing in Alaska right now which could qualify as a basic industry.

The problem with resource extraction as the basic industry of choice, of course, is its volatility. The warnings on oil have been sounding for some time now.

I believe strongly that we must develop what other basic industries we are able to in the time remaining to us, with the funds from other extractive industries which we still have coming to us. Agriculture, mining, fishing and tourism thus become, as I see it, the major areas for expansion, rather than contraction, in state spending in the coming years of waning oil revenue. At some point, we are not only going to have to be weaned from oil, we are going to need some other basic to replace it. Otherwise, we will be stuck with a state of shopping centers and state and service employees, and no one to provide the basic dollar on which they all feed.

Agriculture has earned its place in the line-up of future basic industries supporting the state's economy, even though it is still barely half-way to its goal of self-sufficiency. It has persevered through decades of neglect, lack of infrastructure, lack of marketing cohesion, lack of fair labeling laws, lack of sufficient volume of either land or product, and lack of sufficient state encouragement. Even so, there are now farms which have been in existence since the 1930's and 1940's.

All statistics available indicate that a self-sufficient agriculture industry happens naturally when 500,000 acres are in production. We have a way to go to meet that goal, as outlined in the Governor's Agricultural Task Force Report of May 18, 1983. I believe that if the fundamental precepts outlined in that document and others preceding it are followed, and funding is kept at the levels recommended in that report, the success of agriculture in Alaska will be assured.

As to the specifics of the bills, SB 110 and SB 155, when considered together, actually constitute a cost-cutting device. In the case of the Point MacKenzie Agricultural Project, for example, the 19 dairies required in the original configuration would have been eligible for, and would have needed, \$1 million each, or a total of \$19 million. At that, many of the units would not have been of an efficient size, and those which were would have been grossly undercapitalized.

Should the bill allowing consolidation of units be approved, five consolidated farms and six single farms are likely to result at Point MacKenzie, making the total loan requirement \$16 million, a savings of \$3 million. (Five at \$2 million; six at \$1 million each.) Moreover, the total number of cows producing milk will actually be higher than in the original plan, a fact which is crucial to the survival of the finished product marketing arm, Matanuska Maid.

The original Point MacKenzie feasibility study was written seven years ago. Even then, the study clearly stated that the most efficient farm was the largest size studied (150 cows). Since that time, building costs have increased by huge increments. So have insurance, workmen's compensation, feed, labor, equipment, fertilizer, and so on.

In the past seven years, the industry as a whole has undergone a number of changes tending to force farms into larger sizes for efficiency of production. It is likely that this trend will increase, rather than subside, especially if President Reagan's proposed new farm policy is instituted nationally.

Consolidation and an increase in unit loan limits will insure that Point MacKenzie dairies come on line in configurations that will allow them to compete with shipboard milk. The ship milk is produced on farms being subjected to great national pressure to become larger and more efficient. If we are to compete, we too must become larger and more efficient. Building 19 units, many of which will be small expensive anachronisms on the day they open, does not make economic sense for the farmer, for the state, or for the consumer.

National statistics indicate that the farms now in trouble are those with between \$50,000 and \$500,000 in gross annual revenues. Adjusted for pricing differentials, the Alaskan figures would more likely be between \$60,000 and \$700,000. At present, only a few farms in Alaska exceed that volume. Anything under \$60,000 could be considered a hobby with the owner/operator making the main living elsewhere. To earn over \$700,000 a dairy farm would have to milk 240 cows, and milk them well. A 240-cow farm in Alaska costs a minimum of \$2.5 million to build, stock and plant.

With the recent loss of a significant percentage of its stability and pricing levels at the market, the dairy industry in Alaska is particularly vulnerable right now, and particularly in need of a mechanism for consolidating both land and debt to a point that will again allow them to operate with positive cash flows. Between them, SB 110 and SB 155, would be of immense help in preserving the gains that have been made in the dairy industry. And, as I mentioned earlier, they will save money in both the short and long runs.

Other areas of agriculture would be similarly benefitted by the measures. Delta would become more flexible in the handling of their lands; possibly converting some of the farms into the part-time lower-gross category while still maintaining the same amount of planted acreage. Hog farms and beef feedlots are as capital-intensive as are dairy farms; with the rise of inflation over the past decade, it would not be possible to build either of these enterprises to an efficient level for the current loan limits. The state has invested significantly in the processing ends of both the meat and milk industries. It seems foolish to expect these investments to pay off if there are not to be any large hog farms, no big beef feedlots and no large dairy farms.

There has been much concern expressed over the delinquency rate of current ARLF loans. I think that is a problem that will take care of itself once farming has actually been developed, rather than developing. Once the industry has grown to the sufficient volume to be interrelated and profitable, the private financing industry will be only too glad to take over the responsibilities. For now, it must be remembered by policy makers that ARLF is in the business of developing a new basic industry, literally from the woods. They are not loaning to a new hamburger outlet for a simple return on invested capital. They are trying to get Alaskan agriculture to the point where we could sell our own hamburgers, not just eat the

ones that come in from Argentina. When reading the negative reports from Legislative Audit and the Budget Office, this ultimate larger purpose should be recalled.

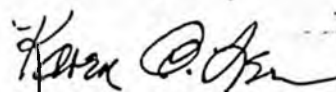
As for SB 154, dealing with production credits, I favor this mechanism simply because it promises some benefit to those who have been trying the hardest to make the agricultural system work. The way it is now, those of us who have been working hardest and longest, thus losing the most money, are the ones getting hurt. Those who have been planting for years at Delta, with only a modicum of state encouragement, or who began producing milk at Point MacKenzie before they absolutely had to, would at least get the benefit of some reduction in carryover interest debt. In the case of the Point MacKenzie farmers, the state in its capacity of creamery owner has held the price of milk down because of a state moratorium until late 1985 on state loan repayments. That sounds all right, until you remember that if the interest is not forgiven, it will have cost every farmer about \$80,000 for that moratorium. There is no way to recoup that loss without production credits.

To summarize, SB 110 and SB 155 will act quickly to maintain the dairy industry in Southcentral Alaska, and enable the other areas of agriculture to become more efficient and to develop according to the overall plan. SB 154 will not involve an appropriation, and will greatly aid those who have been the losers so far in the struggle to develop agriculture in Alaska.

I would be happy to supply more information, either general or specifically from my own Point MacKenzie operation, should you decide that that would help you in your deliberations.

Thank you for taking your time in a busy 120-day session to listen to these concerns.

Sincerely,



Karen O. Lee

Owner

Tract 30 Point MacKenzie

Karen O. Lee
P.O. Box 871871
Wasilla, Alaska 99687

Senator Jalmar Ketrulla
Pouch V
Juneau, Alaska 99811

FEB 26 1985

Dear Senator Jalmar Ketrulla;

I would like to request your help in remedying some of the problems associated with the state's current attempt at agricultural development.

At present, there are some crucial, and sensible, measures addressing this problem which have been introduced this session. I would like to urge your positive consideration of SB 110, raising the Agricultural Revolving Loan Fund loan limit per unit to \$2 million; SB 154, establishing a system of production credits on agricultural sales to apply toward interest on state agriculture loans; and SB 155, allowing for adjustments in contractual requirements on agricultural interest parcels sold by the state.

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I would be happy to supply more information, either general or specifically from my own Point MacKenzie operation, should you decide that that would help you in your deliberations.

Thank you for taking your time in a busy 120-day session to listen to these concerns.

Sincerely,



Karen O. Lee

Owner

Tract 30 Point MacKenzie

STATE OF ALASKA

DEPARTMENT OF NATURAL RESOURCES

OFFICE OF THE COMMISSIONER

SB155
~~FRANK~~
BILL SHEFFIELD, GOVERNOR

POUCH 7-005
ANCHORAGE, AK 99510
PHONE: (907) 276-2653

July 25, 1985

Messrs Charles J. Cange, Evander C. Smith,
Gary L. Stromberg, and Milburn E. Tucker
P.O. Box 4-647
Anchorage, AK 99509

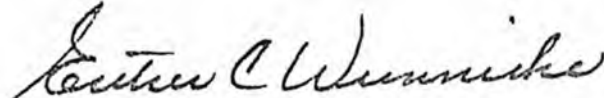
Gentlemen:

Earlier this year you requested that the Department allow the consolidation of your individual Point MacKenzie agricultural parcels into one large parcel, and approve changes in your individual development contracts to accommodate the consolidation into one large dairy farm.

The Attorney General has informed me that the law precludes my approving your requests. Under AS 38.05.020(b) (7), I may approve changes in the requirements of an agricultural land development contract only if the land is inaccessible by road and the required development is, for certain reasons, uneconomic. Since your parcels are accessible by road you do not meet these requirements.

As you know, I believe the Department should have the flexibility to amend agricultural land contracts if it would benefit the public and promote the development of agriculture in Alaska. I have sent a copy of Mr. Reeves July 16 letter to the Attorney General for consideration. Please let me know if you have additional questions.

Sincerely,



Esther C. Wunnicke
Commissioner

cc: The Honorable Bil. Sheffield, Governor
Senator Arliss Sturgulewski
James K. Barnett, Deputy Commissioner
Bill Heim, Director, Division of Agriculture
Tom Hawkins, Director, L&WM
Francis Neville, Assistant Attorney General, Dept. of Law
Jim Reeves, Bogle & Gates

SB 155

Alaska State Legislature

ARLISS STURGULEWSKI, Chairman
BETTYE FAHRENKAMP, Vice Chairman
JACK COGHILL
DICK ELIASON
VIC FISCHER
RICK HALFORD
FRED ZHAROFF

POUCH V
JUNEAU, ALASKA. 99811
(907) 465-4907



Senate Committee on Resources

August 7, 1985

Joseph Patrick Cange
Box 4-647
Anchorage, AK 99509

Dear Joe:

I have received the enclosed letter from Commissioner Wunnicke after I inquired as to the status of combining agricultural parcels. As you already know, they had anticipated being able to accomplish this administratively. Apparently after review by the Attorney General's office, it was determined that this could not be done.

Commissioner Wunnicke indicated that she would be considering necessary changes if needed to SB 155. I will keep you informed as we go along.

I appreciate your continued interest in Alaskan agriculture.

Sincerely yours,

Senator Arliss Sturgulewski
Chairman, Senate Resources Committee

Enclosure

cc: Dr. Michael James
1634 W. 13th
Anch 99501

STATE OF ALASKA

DEPARTMENT OF NATURAL RESOURCES

OFFICE OF THE COMMISSIONER

BILL SHEFFIELD, GOVERNOR

POUCH M
JUNEAU, ALASKA 99811
PHONE: 907-485-2400

July 23, 1985

The Honorable Arliss Sturgulewski
Chairman, Committee on Resources
Alaska State Senate
Pouch V
Juneau, AK 99811

Dear Senator Sturgulewski:

I appreciate your continued interest in Alaska agriculture and, as you have requested, am providing information about the status of our efforts to allow combining or splitting of agricultural parcels.

As you know, earlier this year, at the time of the public hearing on SB 155, we believed that the department could amend agricultural contracts and allow the combining and splitting of agricultural parcels. Department of Law staff informally concurred with our position.

Because we wished to ensure that agriculture contract changes related to the combining or splitting of a parcel were in the public interest, staff proceeded to draft regulations that specified conditions to be met before contract changes would be approved.

During the Department of Law's review of the proposed regulations it was determined that combining or splitting agriculture parcels would violate AS 38.05.020(b)(7) if the action required amendment of an agricultural land contract.

AS 38.05.020(b)(7) was enacted in 1984 to assist farmers who were unable to economically transport farm products to market because expected roads or marine routes were never developed. While reviewing our draft regulations for consistency with the statutes, the Department of Law determined that the statutes allow the commissioner to modify development requirements of an agricultural land contract only if the land is inaccessible by road and the development requirements are uneconomic.

I have enclosed a copy of a recent memorandum from the Department of Law that provides additional information about this matter.

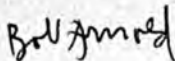
The Honorable Arliss Sturgulewski -2-

July 23, 1985

I believe that the department should have the flexibility to amend agricultural land development contracts to benefit the public and further the development of agriculture in Alaska. It appears that legislative action will now be required to provide the state with this flexibility. We are currently considering whether SB 155 is sufficient for this purpose.

My staff and I look forward to working with you and the Senate Resources Committee during the next legislative session. Thank you for your continuing interest in this and other natural resource matters.

Sincerely,



for Esther C. Wunnicke
Commissioner

Enclosure

cc: Jim Barnett

MEMORANDUM

DAVID CRISTMAN
DEPARTMENT OF
NATURAL RESOURCES

State of Alaska

CW cc BA
EW
Tom H
Bill H

TO: Honorable Bill Sheffield
Governor

JUL 1 1985 DATE:

June 27, 1985

Norman C. Gorsuch
Attorney General
FROM: By: *G. Thomas Koester*
G. Thomas Koester
Assistant Attorney General
Department of Law

COMMISSIONER'S OFFICE NO. 2
JUNEAU
TELEPHONE NO:

465-3600

SUBJECT: Combining Point
MacKenzie agricult-
ural parcels

You asked me to look into a situation at Point MacKenzie where four individuals, represented by Mr. Joe Canje, apparently desire to combine agricultural parcels and use one already-constructed dairy facility to serve all four parcels. Legislation apparently was introduced to authorize that procedure; unfortunately, the legislature adjourned without taking final action on the bill. Subsequently, Mr. Canje and his associates apparently were led to believe that certain steps could be taken administratively to permit them to follow that course of action; however, it subsequently was determined by the Attorney General's office that this could not be done.

In accordance with your request, I discussed this matter with attorneys in both our Anchorage and Juneau offices. It is the consensus view of this department that the law, as it currently exists, precludes Mr. Canje and his associates from following the course of action they desire.

Under 11 AAC 67.185(a), a farm development plan may be required as part of the sale contract for an agricultural parcel. Our understanding is that all of the Point MacKenzie dairy farm development plans include the requirement that the cows be milked in an approved dairy facility on the parcel which is the subject of the contract. Under 11 AAC 67.185(a), it is a requirement of the sale contract under which Mr. Canje's associates received the parcels.

In this circumstance, the commissioner of Natural Resources has no legal authority to modify that contractual requirement. Under AS 38.05.020(b)(7), the commissioner may "waive, postpone, or otherwise modify the development requirements of a contract for the sale of agricultural land" only if two conditions are satisfied:

- (A) the land is inaccessible by road; and
- (B) transportation, marketing, and development costs render the required development uneconomic.

Honorable Bill Sheffield
Governor, State of Alaska

June 27, 1985
Page 2

(Emphasis added.) As we understand it, the parcels involved are accessible by road. Accordingly, one of the two conditions which must be met before the commissioner may modify the contracts is not satisfied, and there is no legal authority under which the commissioner may waive or otherwise modify the requirement that the cows be milked in an approved dairy facility on each parcel. This, in turn, precludes the use of an already-constructed dairy facility serving to satisfy the requirement for four separate parcels.

It is my understanding that Mr. Canje and his associates now have retained legal counsel in Anchorage (Mr. James N. Reeves, a former Assistant Attorney General) who already has been in contact with attorneys in our Anchorage office regarding this matter. We certainly will consider any other legal analysis he might bring to our attention. However, at this time, none of the attorneys in this department who have reviewed the matter see any basis for a different conclusion.

We note that some creative solutions have been employed to satisfy the requirement that an approved dairy facility be used to milk the cows on each agricultural parcel in the Point MacKenzie area. In at least one instance, a barn was built straddling the property line between two adjacent parcels, with part of the barn on one parcel and the other part on the other parcel. A second suggestion, perhaps facetious but perhaps not, has been to put a barn on wheels and move it from parcel to parcel in a manner similar to the rumored procedure used with respect to prove-up cabins for homestead purposes earlier in Alaska's history. While we have not determined whether this would satisfy the development plan requirement, we point it out merely to suggest that creative solutions may be possible and, if proposed, will be considered.

In summary, however, it remains our view that there is no legal administrative mechanism by which the development plan requirement that Point MacKenzie cows be milked in an approved dairy facility on each parcel may be waived. The solution, as we view it, is a legislative amendment. However, you should be aware that other individuals with agricultural parcels in the Point MacKenzie area, particularly those who already have constructed an approved dairy facility on their parcels, may object to the legislature authorizing the commissioner to relax the development requirement. On the other hand, if the current requirements (particularly with respect to parcel size and the development requirements imposed on each such parcel) make the entire Point MacKenzie dairy operation uneconomic, perhaps an overall review of the entire situation by the legislature and appro-

Honorable Bill Sheffield
Governor, State of Alaska

June 27, 1985
Page 3

priate legislation authorizing the commissioner to take appropriate action would benefit the entire program.

If we can answer any further questions, please contact us at your convenience.

GTK:dlm

cc: Esther C. Wunnicke
Commissioner
Department of Natural Resources

Ronald W. Lorensen
Deputy Attorney General

Francis Neville
Assistant Attorney General

James N. Reeves, Esq.

STATE OF ALASKA

DEPARTMENT OF NATURAL RESOURCES

OFFICE OF THE COMMISSIONER

BILL SHEFFIELD, GOVERNOR

POUCH M
JUNEAU, ALASKA 99811
PHONE: 907-465-2400

FEB 20 1986

February 19, 1986

The Honorable Arliss Sturgulewski
Chair, Senate Resources Committee
P.O. Box V
Juneau, AK 99811

Dear Senator *Arliss* Sturgulewski:

As you may recall, at the time of the Senate Resources Committee hearing on SB 155 last session, I believed that the Department of Natural Resources could amend agricultural contracts and, among other things, allow the combining and splitting of agricultural parcels. Because I wished to ensure that proposed contract changes were in the public interest, regulations that specified conditions to be met before changes could be approved were drafted.

During the Department of Law review of the draft regulations it was determined that combining or splitting agricultural parcels would, in most cases, violate AC 38.05.020(b)(7) if the action required amending an agricultural land contract. Title 38 currently allows me to modify an agricultural land contract only if the land is inaccessible by road and the development requirements are uneconomic (see attached A.G.'s opinion and letter).

I believe the Department should have the flexibility to amend an agricultural land contract if it will benefit the public and further the development of agriculture in Alaska. As amended last session, SB 155 would allow me the flexibility to combine or split agricultural parcels when certain conditions have been met. While I have no objections to this legislation, I would like to point out an area where wording changes would make the proposed bill more compatible with current agricultural policies.

As written, SB 155 would allow a purchaser of agricultural land to split the parcel as soon as the land contract is signed. Our present agricultural policies generally allow a parcel to be subdivided only after the farm development schedule has been met and the land has been conveyed to the purchaser.

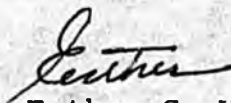
The Honorable Arliss Sturgulewski -2- February 19, 1986

The following changes to page 1, line 16 would bring SB 155 more in line with our policies:

(b) [If a parcel is] Only conveyed land may be split under this section, and no more than one . . .

I appreciate your continued interest in the development of agriculture in Alaska. If I may provide you with additional information about this matter, please let me know.

Sincerely,



Esther C. Wunnicke
Commissioner

Attachments

STATE OF ALASKA

DEPARTMENT OF NATURAL RESOURCES

OFFICE OF THE COMMISSIONER

BILL SHEFFIELD, GOVERNOR

POUCH 7-005

ANCHORAGE, AK 99510

PHONE (907) 276-2653

July 25, 1985

Messrs Charles J. Cange, Evander C. Smith,
Gary L. Stromberg, and Milburn E. Tucker
P.O. Box 4-647
Anchorage, AK 99509

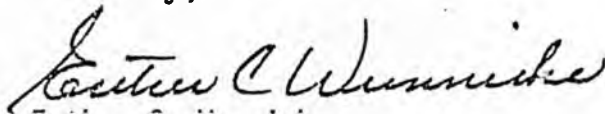
Gentlemen:

Earlier this year you requested that the Department allow the consolidation of your individual Point MacKenzie agricultural parcels into one large parcel, and approve changes in your individual development contracts to accommodate the consolidation into one large dairy farm.

The Attorney General has informed me that the law precludes my approving your requests. Under AS 38.05.020(b) (7), I may approve changes in the requirements of an agricultural land development contract only if the land is inaccessible by road and the required development is, for certain reasons, uneconomic. Since your parcels are accessible by road you do not meet these requirements.

As you know, I believe the Department should have the flexibility to amend agricultural land contracts if it would benefit the public and promote the development of agriculture in Alaska. I have sent a copy of Mr. Reeves July 16 letter to the Attorney General for consideration. Please let me know if you have additional questions.

Sincerely,



Esther C. Wunnicke
Commissioner

cc: The Honorable Bill Sheffield, Governor
Senator Arliss Sturgulewski
James K. Barnett, Deputy Commissioner
Bill Heim, Director, Division of Agriculture
Tom Hawkins, Director, L&WM
Francis Neville, Assistant Attorney General, Dept. of Law
Jim Reeves, Bogle & Gates

MEMORANDUM

DEPARTMENT OF NATURAL RESOURCES
State of Alaska

TO: Honorable Bill Sheffield, Governor
DATE: JUL 1 1985 June 27, 1985

Norman C. Gorsuch
Attorney General
COMMISSIONER'S OFFICE
JUNEAU
TELEPHONE NO: 465-3600

FROM: By: *G. Thomas Koester*
G. Thomas Koester
Assistant Attorney General
Department of Law
SUBJECT: Combining Point
MacKenzie agricultural parcels

You asked me to look into a situation at Point MacKenzie where four individuals, represented by Mr. Joe Canje, apparently desire to combine agricultural parcels and use one already-constructed dairy facility to serve all four parcels. Legislation apparently was introduced to authorize that procedure; unfortunately, the legislature adjourned without taking final action on the bill. Subsequently, Mr. Canje and his associates apparently were led to believe that certain steps could be taken administratively to permit them to follow that course of action; however, it subsequently was determined by the Attorney General's office that this could not be done.

In accordance with your request, I discussed this matter with attorneys in both our Anchorage and Juneau offices. It is the consensus view of this department that the law, as it currently exists, precludes Mr. Canje and his associates from following the course of action they desire.

Under 11 AAC 67.185(a), a farm development plan may be required as part of the sale contract for an agricultural parcel. Our understanding is that all of the Point MacKenzie dairy farm development plans include the requirement that the cows be milked in an approved dairy facility on the parcel which is the subject of the contract. Under 11 AAC 67.185(a), it is a requirement of the sale contract under which Mr. Canje's associates received the parcels.

In this circumstance, the commissioner of Natural Resources has no legal authority to modify that contractual requirement. Under AS 38.05.020(b)(7), the commissioner may "waive, postpone, or otherwise modify the development requirements of a contract for the sale of agricultural land" only if two conditions are satisfied:

- (A) the land is inaccessible by road; and
- (B) transportation, marketing, and development costs render the required development uneconomic.

Honorable Bill Sheffield
Governor, State of Alaska

June 27, 1985
Page 2

(Emphasis added.) As we understand it, the parcels involved are accessible by road. Accordingly, one of the two conditions which must be met before the commissioner may modify the contracts is not satisfied, and there is no legal authority under which the commissioner may waive or otherwise modify the requirement that the cows be milked in an approved dairy facility on each parcel. This, in turn, precludes the use of an already-constructed dairy facility serving to satisfy the requirement for four separate parcels.

It is my understanding that Mr. Canje and his associates now have retained legal counsel in Anchorage (Mr. James N. Reeves, a former Assistant Attorney General) who already has been in contact with attorneys in our Anchorage office regarding this matter. We certainly will consider any other legal analysis he might bring to our attention. However, at this time, none of the attorneys in this department who have reviewed the matter see any basis for a different conclusion.

We note that some creative solutions have been employed to satisfy the requirement that an approved dairy facility be used to milk the cows on each agricultural parcel in the Point MacKenzie area. In at least one instance, a barn was built straddling the property line between two adjacent parcels, with part of the barn on one parcel and the other part on the other parcel. A second suggestion, perhaps facetious but perhaps not, has been to put a barn on wheels and move it from parcel to parcel in a manner similar to the rumored procedure used with respect to prove-up cabins for homestead purposes earlier in Alaska's history. While we have not determined whether this would satisfy the development plan requirement, we point it out merely to suggest that creative solutions may be possible and, if proposed, will be considered.

In summary, however, it remains our view that there is no legal administrative mechanism by which the development plan requirement that Point MacKenzie cows be milked in an approved dairy facility on each parcel may be waived. The solution, as we view it, is a legislative amendment. However, you should be aware that other individuals with agricultural parcels in the Point MacKenzie area, particularly those who already have constructed an approved dairy facility on their parcels, may object to the legislature authorizing the commissioner to relax the development requirement. On the other hand, if the current requirements (particularly with respect to parcel size and the development requirements imposed on each such parcel) make the entire Point MacKenzie dairy operation uneconomic, perhaps an overall review of the entire situation by the legislature and appro-

Honorable Bill Sheffield
Governor, State of Alaska

June 27, 1985
Page 3

priate legislation authorizing the commissioner to take appropriate action would benefit the entire program.

If we can answer any further questions, please contact us at your convenience.

GTK:dln

cc: Esther C. Wunnicke
Commissioner
Department of Natural Resources

Ronald W. Lorensen
Deputy Attorney General

Francis Neville
Assistant Attorney General

James N. Reeves, Esq.



STATE OF ALASKA

DEPARTMENT OF NATURAL RESOURCES

SOIL AND WATER CONSERVATION BOARD

PO Box 949, Palmer, Alaska 99645



Bill Sheffield, Governor

Susan Jane Brook
Juneau

Lawrence T Davis
Nome

Norman Cosgrove
Delta Junction

Peter C Roberts
Homer

Mark A Weaver
Palmer

APR 7 1986

April 4, 1986

Senator Arliss Sturgulewski
PO Box V
Juneau, AK 99811

Dear Senator Sturgulewski:

The Alaska Soil and Water Conservation Board has completed its review of SB 155, and specifically, combination of agricultural tracts at Point MacKenzie.

As identified by the enclosed resolution ASWCB 86-1 and on page 2 of the February 18 & 19 minutes, the ASWCB does not support significant changes in agriculture contract development schedules, which would be the case in combining Point MacKenzie agricultural tracts. However, the ASWCB does support giving the Commissioner authority to amend agricultural sale contracts as included in SB 155 (introduced 2-13-85).

Sincerely,

Larry Davis
Chairman

RESOLUTION NO. ASWCD 86-1

SUBJECT OF RESOLUTION Agricultural Parcel Combining

ORIGIN OF RESOLUTION Alaska Soil and Water Conservation Board

DATE OF ORIGIN February 19, 1986

WHEREAS, under present law, the commissioner cannot modify development schedules in land sale contracts, and

WHEREAS, SB 155 would empower the commissioner with that authority,

THEREFORE BE IT RESOLVED, that the Alaska Soil and Water Conservation Board supports SB 155, and

BE IT FURTHER RESOLVED, that the Alaska Soil and Water Conservation Board would not support a significant change in land sale contracts relating to development schedules.

ACTION TAKEN Passed



STATE OF ALASKA

DEPARTMENT OF NATURAL RESOURCES

SOIL AND WATER CONSERVATION BOARD



Bill Sheffield, Governor

ALASKA SOIL AND WATER CONSERVATION BOARD

Minutes

February 18 & 19, 1986

The meeting was called to order on February 18 at 9:00 a.m. Those present were:

Larry Davis	Chairman, Nome
Sue Brook	Board Member, Juneau
Norm Cosgrove	Board Member, Delta Junction
Pete Roberts	Board Member, Homer
Keith Quintavell	Executive Director
Burt Clifford	State Conservationist, SCS, Anchorage
Gerry Larson	Deputy State Conservationist, SCS, Anchorage

MINUTES

The minutes of the 1-11-86 and 1-16-86 minutes were approved as written.

GRANITE CREEK BASIN HYDROLOGIC STUDY

The ASWCB reviewed Salcha-Big Delta SWCD's proposal for this study. The ASWCB supports the project, but due to budget constraints, cannot support it financially. Salcha-Big Delta SWCD will be notified by copy of letter to DGGS.

EXECUTIVE DIRECTOR'S REPORT

Financial Statement was distributed, a copy is attached to these minutes. Approval given to reimburse Larry Davis approximately \$500.00 for expenses from NACD convention, and to expend money for supervisor handbook publishing.

SWCD Supervisor's Handbook first draft was distributed for review. The schedule is tight for completion and distribution to the SWCD at the AASWCD meeting in March. Recommended additions are a map of SWCDs and a list of acronyms. ASWCB members will submit their comments by March 1.

POINT MACKENZIE

Proposed Farm Parcel Combining. The board addressed this topic, which was the subject of the board's public meeting on January 11, 1986. A decision on the topic was postponed by the board until this meeting.

Further issues which were discussed were: Parcel owners should comply with contracts; the real issue is contract relief rather than combination; if given the opportunity to combine, owners would not agree to a condition that they individually sign a covenant forfeiting other than agricultural development at any time regardless of existing state law at that time; that the proposed contract change requires passage of legislation, and would set a precedent for what is the assumed next step - passage of legislation granting the rest of their development rights. Board member Mark Weaver, who was not present at the meeting, participated in this discussion by speaker phone, thereby enabling a full, five member board vote.

The board unanimously passed a resolution (ASWCB 86-1, copy attached) in support of the bill (SB 155, introduced 2-13-85) which would give the Commissioner authority to allow combination, with the condition that contract amendments involving significant development schedule changes should not be approved.

The board further directed Mark Weaver to testify on behalf of the board at the Senate Resources Committee meeting on SB 155.

Dairy Manure Management Study which was contracted by the ASWCB has been completed by the University of Alaska and copies were distributed. Bill Leitch from DEC stated that the report confirms SCS guidelines, and now he has to draft DEC guidelines to implement recommendations given in the report. As soon as he completes the draft implementation guidelines, a copy will be forwarded to the board for review.

Sig Restad, UA-AFES reported by phone that he and Chien Lu Ping met with DEC Commissioner Ross on 1-24-86 and confirmed the results of the study, that is, no leaching. They also agreed to: DEC will drop requirement for further manure monitoring wells, if UA-AFES will continue their monitoring program of existing wells.

AGENCY REPORTS

Soil Conservation Service: Burt Clifford distributed an SCS activity report in the Alaska district, and correspondence relating to the "Sodbuster" and "Swampbuster" provisions of the 1985 Farm Bill. Burt also discussed the ongoing field office workload analysis, and recommended that the ASWCB participate in the speech and poster contests. Due to the costs involved in the statewide Alaska district, however, the ASWCB will not participate. Burt also expressed concerns relating to the availability of the \$87,000.00 for this field season's soil survey work. Additionally, the ASWCB formally requested SCS to conduct a soil survey of the Central PMC site.

DNR, Division of Management: Rod Mourrant explained that the ASWCB's travel funding was a legislative add on, and therefore cannot be a part of DNR's base budget request in successive years. In order for the funding to be a continuing line item:

1. The Governor or OMB would have to include it, and would have to delete like amount somewhere else in the state; or
2. The Commissioner could request it, but would have to delete the same amount somewhere else in DNR.

The meeting adjourned at 4:00 p.m. and reconvened at 9:00 a.m. on February 19, 1986

DNR COMMISSIONER WUNNICKE

The Commissioner distributed a copy of executed delegation of authority for a portion of AS 41.10.130(a), SWCD supervisor elections. DO #120, SWC contact has been put into effect this year; the ASWCB was thanked for their help in creating new ag patent language; DNR has not developed an opinion on the right-to-farm or grazing preserve legislation yet. On the combination of ag parcels, the Commissioner appreciates the ASWCB's concerns on the issue, and their support in favoring legislation which would give the Commissioner flexibility to amend contracts. Problems with the loss of PMC's horticultural program, as well as development of the Central PMC site, were discussed. The Commissioner explained DNR reaction to budget shortfalls in the loss of positions, re-organization of some divisions, that the Legislature may need to relieve DNR of some responsibilities, and the belief that duties should be delegated to the lowest level responsible. The ASWCB mentioned receiving authority for conducting soil surveys, and the Commissioner would like the ASWCB to develop the proposal more, before it can be brought to the Department of Administration and OMB.

DEC COMMISSIONER ROSS

DEC is at a phase now to implement the ASWCB's Point MacKenzie Dairy Manure Management Study, and it is hoped the Granite Mountain/Clearwater Creek Study will be as valuable; next year there will be little or no 205j water quality planning monies, but perhaps some 205j forestry monies in the future; if the Clean Water Act is reauthorized, there may be a possibility of non-point source grant monies to states, Bill Leitch will contact the board if available; DEC is beginning Alaska's hazardous waste management program, and will have a reimbursible services agreement with DGGs in the future for hydro technical studies.

NEW BUSINESS

Pedro Denton, Director, DNR Division of Mining: Pedro explained the surface coal mine reclamation act and the abandoned mined land reclamation program. Alaska needs to expand mined land reclamation, including placer mining, and the most effective way to accomplish this is through development and implementation of mining practices regulations by a mining related agency.

Soil Survey: The ASWCB will investigate options to receive a delegation of authority from the Commissioner of DNR for AS 41.10.110(1), responsibility to conduct soil surveys.


Cooperative Agreement was executed with Harold and Jane Niebergall, from Aniak.

AASWCD: The ASWCB will request voting membership in the AASWCD.

SB 406, SB 409: The ASWCB will write a letter in support of both the grazing preserve and right-to-farm bills.

There being no further business, the meeting was adjourned.

Respectfully submitted,



Keith Quintavell
Executive Director

STATE OF ALASKA
THE LEGISLATURE

LEGISLATIVE AFFAIRS AGENCY

LEGISLATIVE REFERENCE LIBRARY

POUCHY - STATE CAPITOL
JUNEAU, ALASKA 99811
907-465-3800

May, 1986

Copies of minutes listed below were originally included in this file. The minutes are available on the STAIRS date base CM 14. In order to save space copies of minutes have not been left in the files.

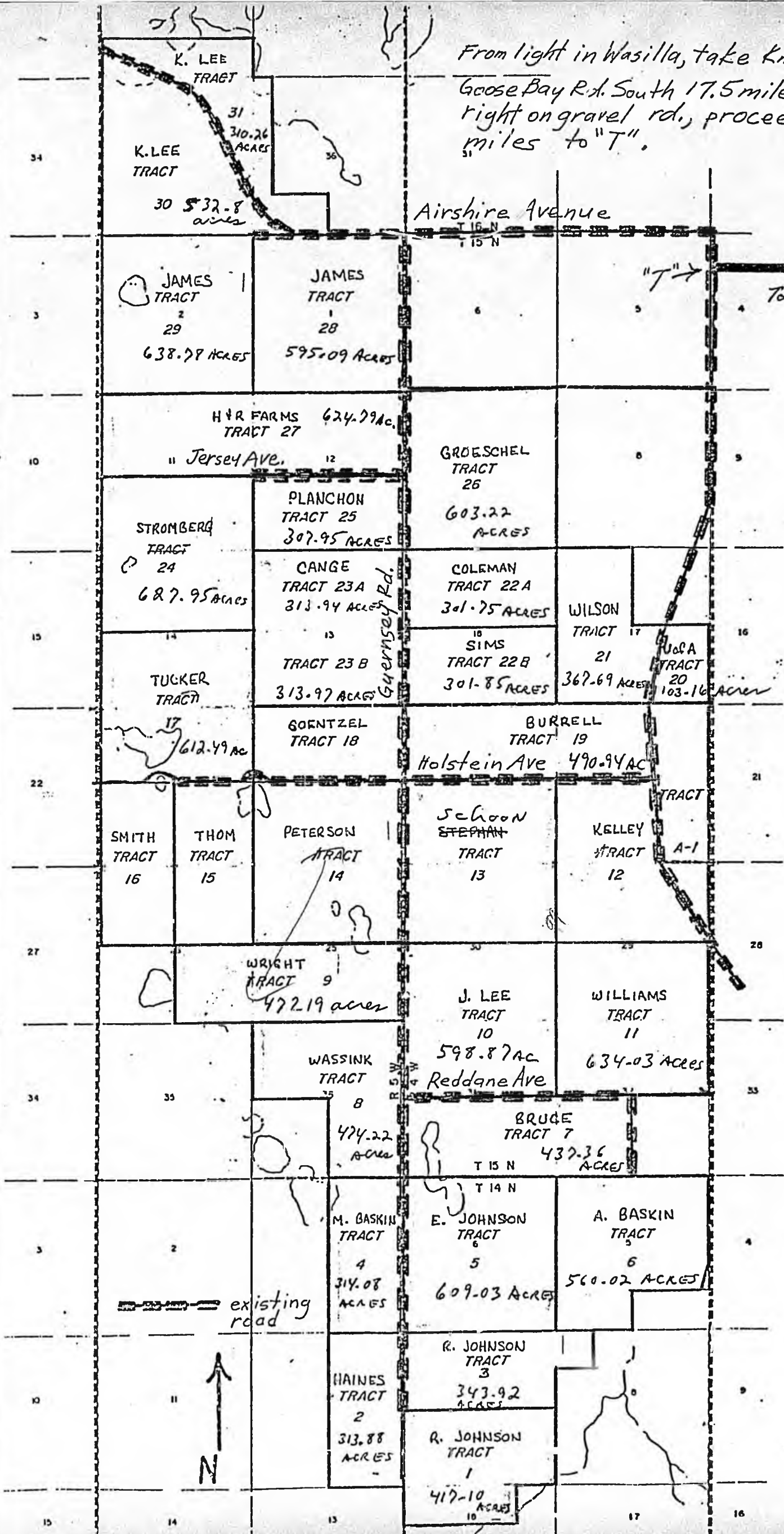
Jeanie Henry

SENATE RESOURCES COMMITTEE, 4/3/85, 1:35

From light in Wasilla, take Knik-Goose Bay Rd. South 17.5 miles, turn right on gravel rd., proceed eight miles to "T".

Airshire Avenue

"T" → To Wasilla



3-3-86

Announcement of Senate Resources Committee Meeting

The Senate Resources Committee will meet today at 1:30 in the Butrovich Room.

Three bills will be brought before the committee:

- ✓ SB ~~362~~³⁶⁸ "relating to the sale of inherited remote parcels" o/c
- ✓ SB 343 "relating to protection of natural rangelands"
- ✓ ~~SSSB~~ 155 "relating to the splitting and ~~splitting~~ of agricultural lands"

|| Didn't read!

The sponsor substitute for SB 430, originally scheduled for hearing today, has been postponed until Friday, March 7th.

SEE NOTES

NEXT PAGE



MAR 3 1986

March 1, 1986

The Honorable Arliss Sturgulewski
Alaska State Senate
Pouch V
Juneau, Alaska 99811

Dear Senator Sturgulewski,

We are writing to you in support of SB 155 for the consolidation of agricultural parcels at Point Mackenzie.

Since it can only be beneficial for the state as a whole to develop its agricultural economy, we must do everything we can not to impede that development.

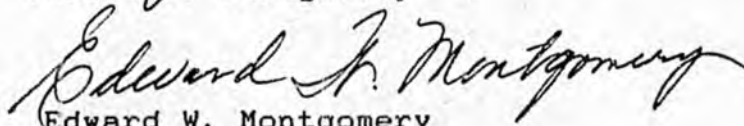
As the farmers at Point Mackenzie have shown, in the majority of cases it is cost prohibitive to develop a single ag-parcel. The logical solution, therefore, is to consolidate parcels thus the cost per cow is less; there is no need for as much equipment; operating costs would be less; and, labor and management costs reduced.

All of these factors could make the difference between a disastrous or a successful agricultural economy in Alaska.

Thank you for your consideration and support.

Sincerely,


Grace J. Montgomery


Edward W. Montgomery
P.O. Box 60430
Fairbanks, Alaska 99706

MAR 3 1986

February 28, 1986

The Honorable Arliss Sturgulewski
Alaska State Senate
Pouch V
Juneau, Alaska 99811

RE: Support of SB 155

Dear Senator Sturgulewski,

I am concerned about what I have been reading in the newspapers about the development of the state's agricultural economy.

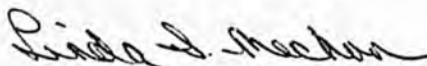
The major problem facing all of the farmers seems to be MONEY. The high cost of development of a single agricultural parcel is making it impossible for many of the farmers to meet the state's land contract requirements--which means foreclosure.

This seems an unnecessary extreme since some of the development costs could be lessened by the state allowing consolidation of parcels. This would lower the front-end capital requirements for development because less equipment would be needed, fewer employees would be required, daily costs of operation would be cut.

Foreclosing on the farmers only means failure for the industry and the state--we need a solution to their problem and I think that consolidation of parcels could be that solution.

I would appreciate your consideration in support of SB 155. Thank you very much.

Very truly yours,



Linda S. Mechon
12830 Summer Drive
Anchorage, Alaska 99516

MAR 3 1986

March 1, 1986

The Honorable Arliss Sturgulewski
Alaska State Senate
Pouch V
Juneau, Alaska 99811

Dear Senator Sturgulewski,

I would like to voice my support for SB 155 which refers to the combining of agricultural parcels.

Since I am most familiar with the difficulties the farmers at Point Mackenzie are encountering, I will focus on those. Some of the farmers at Point Mackenzie have found themselves lacking the capital required to complete development. They cannot meet the state's land contract requirements for stocking cows and milking and, therefore, some are facing foreclosure.

Even if the single parcel development were to make it to completion and actually start production, the day-to-day operating costs are so high and price for milk is so low that the individual farmer will struggle to survive.

The low price of milk, due to Matanuska Maid's financial problems, means that the farmer needs to operate at a high level of efficiency. SB 155 would allow the consolidation of parcels-- which would allow the needed cost efficiency in the development stage and also in the operational stage of Alaska's dairy industry.

As it is now without consolidation of parcels 1) the initial capital investment per cow is excessive; 2) equipment needs are too costly; 3) labor costs are too high. With consolidation all of these costs would be reduced considerably.

I realize some of the farmers at Point Mackenzie have been able to meet the state's requirements without consolidating; however, many have not. Since each and every farm is so important to the industry as a whole within the state, I think it behooves us to do whatever we can to support them. This means supporting SB 155.

Thank you.

Cordially,

Veronica C. Montgomery
Veronica C. Montgomery

MAR 3 1986

February 26, 1986

The Honorable Arlin Sturgulewski
Alaska State Senate
Pouch V
Juneau, Alaska 99811

Dear Senator Sturgulewski:

My wife, JoAnn, and I purchased Pt. MacKenzie Agricultural Tract #24 on February 14, 1984. From our studies and the information then available from State and Federal Agencies we felt the dairy industry in Alaska "had" a great future. You might say we placed our faith with the program and its future.

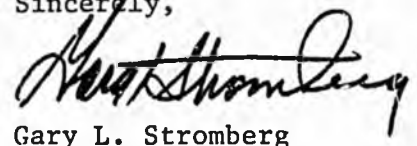
As facts and figures became available from actual dairy operations at Pt. MacKenzie we found our original assumptions no longer valid and we looked for methods to develop a dairy that would be feasible. We have been working with Mr. Milburn Tucker on a consolidation whereby greater efficiency in operations can be attained, thereby making possible a feasible dairy unit. We have held off on construction of a smaller, less efficient, facility pending resolution of our consolidation efforts and now find that funds may not be available in the revolving fund if our consolidation is not accepted.

We strongly urge approval of "Senate Bill 155" for the following reasons:

- (1) The cost per cow is much greater in a smaller, less efficient, facility than a larger more efficiency operation. Low milk prices put an even greater pressure on the dairy industry to be efficient.
- (2) Duplicated farm equipment required with individual smaller farms creates a burden on an industry already economically borderline.
- (3) It is difficult to find competent farm managers and help for the amount that can be paid with a small dairy operation.
- (4) It's a waste of State money to stay with old ideas where current information indicates that larger, more efficient, dairies are better able to compete in the market place.

We appreciate your support and any assistance you can give us.

Sincerely,



Gary L. Stromberg

27 February 1986

Arliss Sturgulewski
Chairman Senate Resource Committee

MAR 3 1986

RE: Senate Bill 155
Senate Bill 120
"Production Credits"

Dear Senator Sturgulewski:

In the fall of 1982 I was one of the "fortunate ones" who was selected in the Point MacKenzie Agricultural Lottery as a winner of a dairy parcel. In the intervening 3 1/2 years a great deal has happened with our parcel and several other parcels at Point MacKenzie which are very positive both for the State of Alaska as an entire entity and specifically for the economy of the Matsu-Borough as well as the concept of renewable resources.

In 1986 James Farms will employ 9 full-time individuals as well as 1 part-time individual throughout the year. During the summer (harvest time) we will employ 2-3 additional individuals and, in total, will produce a payroll in excess of \$250,000 dollars per year through our farm alone year in and year out. Our seed, fertilizer and fuel for this upcoming year exceeds \$100,000 all obtained through Alaskan vendors. We will purchase in excess of 750 tons of barley from Delta Junction, Alaska helping to evolve the agricultural scheme conceived in earlier administrations. At this point we are farming in excess of 1200 acres, milking 260 animals and producing 17% of Matanuska Maids milk requirements. All and all, several of us at Point MacKenzie have met and exceeded the State's expectations with regard to agriculture at the Point and our support of other areas of agriculture in the State.

In the last several years significant changes have occurred throughout this state. These include change: in population increases, changes in the price of oil, renewed emphasis on local hire as well as a new sense of fiscal responsibility in state government. Changes have also occurred in Alaska agriculture during this same period unfortunately, which require all of us to redefine requirements and perceptions to allow its orderly growth in a fiscally responsible manner. In many instances in the past, agricultural policy was not based upon sound business sense and attempts were being made to evolve this on the basis of social awareness or a sense of social need. I would recommend certain changes in our agricultural policy. These would include:

- (1) Passing Senate Bill 155 to allow consolidation or subdivision of agricultural plots as economic needs dictate. At Point MacKenzie I am the owner of tracts 28 and 29. On tract 28 a 260 cow dairy was built which would have fulfilled the requirements for both tracts, however, because of our present State policy, a small dairy was built on 29 also. This, I believe, is an unneeded and wasteful use of remaining economic resources and is, to me, an ill-conceived state requirement. The remaining parcel owners at MacKenzie should have the opportunity of consolidating their parcels. The unfortunate people at Delta should also have the opportunity of subdividing their parcels into perhaps better economic units based on reality rather than state studies.

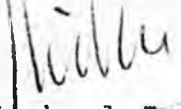
27 February 1986

Page II

- (2) I believe that production credits would be healthy for the entire agricultural community as it places some value on individuals who are producing and follow through with agricultural production in this state. It does little or no good to clear 10,000 acres and have them grow up in fireweed again in contrast to the individual who plants, harvests and sells 1,000 or 2,000 acres of barley creating new industry and new jobs in this state. The latter is of value, the former is ill-conceived planning.
- (3) Senate Bill 120 of course is the agricultural omnibus bill which is "housekeeping" functions for the Dept. of Agriculture as well as providing some increased flexibility in dealing with agricultural issues and policies as things evolve in the next several years.

Many of us who are serious about making agriculture succeed in this state are not looking for handouts, further bureaucratic involvement in the system nor are we looking for a shoulder to cry on. What we do need, however, is good, sound, economically reasoned agricultural policies for the future which transcend administration and at the same time are able to deal with the unfortunately ill-conceived plans of the past. Thank you for your assistance.

Yours sincerely,



J. Michael James, M.D.

/sf

cy: Esther C. Wunnicke
Jalmar N. Kerttula
Bill Hein

JOSEPH PATRICK CANGE

CERTIFIED PUBLIC ACCOUNTANT

BOX 4-847

ANCHORAGE, ALASKA 99509

TELEPHONE (907) 344-5800

MAR 3 1986

March 1, 1986

Arliss Sturgulewski
Chairman Resources Committee
Alaska State Senate
Pouch V
Capital Building
Juneau, Alaska

Subject: Senate Bill 155

Dear Arliss,

Pursuant to a conversation with you on the 21st of February, I am submitting herewith my thoughts regarding the merits and the importance of SB 155 to the Alaskan agriculture industry. In the most basic terms, this is a bill that provides a mechanism for DNR to combine and split agriculture parcels if it is in the public interest, if it encourages the development of the state's agricultural resources and if it prevents economic waste. SB 155 permits decisions to be made based upon the economic realities of the times.

I believe that the only way this industry can survive without continuing state subsidies is by all of us supporting those policies that make economic sense. In the DNR Special Report to the Governor dated November, 1983, entitled AGRICULTURE IN ALASKA: A PLAN FOR THE FUTURE, it states:

"Our conclusion is that the state's goal for 1990 should be to diversify and strengthen the state's economy by increasing the availability of competitively priced Alaska food products. This can be accomplished through pursuit of the following objectives: Encouraging expanded production of competitively priced farm products from existing agricultural lands."

In the DNR Special report to Governor Sheffield dated March, 1985, entitled DEVELOPMENT OF AGRICULTURE IN ALASKA, it states;

"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: Encourage expanded production of competitively priced farm products from existing agricultural lands in Alaska."

In the University of Alaska Bulletin 58, dated September, 1980, entitled POTENTIAL MILK PRODUCTION IN THE POINT MACKENZIE AREA OF SOUTHCENTRAL ALASKA, it states:

"Milk produced in Alaska must compete for a reasonable share of the market with milk shipped in from outside the state."

These reports make the important determination that if the industry is going to be successful it must be competitive.

The Consulting report entitled THE FEASIBILITY OF SUCCESSFULLY REORGANIZING MATANUSKA MAID, INC., prepared for the State of Alaska, at an expense of \$40,000, states:

- " The state of Alaska has repeatedly reenforced the major objectives of the Point MacKenzie agricultural project, and similar projects throughout Alaska, are to stimulate in-state agricultural production to provide Alaskan consumers agricultural products at competitive market prices. It is the consensus opinion of the consulting team that the current operating conditions for the Point MacKenzie project are such that realizing the state objectives of competitive price and expansion of the agricultural base within the state are in jeopardy."
- " A \$7,000 per cow investment level is necessary to maximize efficiencies and economies of scale. This investment level produces a minimum herd size of 191 cows."
- "The geographic isolation of the Point MacKenzie area compounds the cost control problems normally associated with dairy production. It is the assessment of the consulting team that Alaskan history will repeat itself in the Point MacKenzie area (relative to the dairy industry) unless modification in the development plans for Point MacKenzie can be made. The reader is reminded that at one time over 80 small dairy farms existed in Alaska. Of the original 80 farms, only those who have managed to increase herd size and operating efficiencies survive today. This pattern is similar to the pattern evidenced for the industry as a whole and is an important consideration relative to development of the Point MacKenzie area."

In a report prepared by Boyd M. Buxton, Agricultural Economist at University of Minnesota and member of the United States Department of Agriculture research division, dated October, 1984, prepared for the Congressional Office of Technology Assessment, entitled, ECONOMIC, POLICY AND TECHNOLOGY FACTORS AFFECTING HERD SIZE AND REGIONAL LOCATION OF U.S. MILK PRODUCTION it states:

"A cost per cwt of milk tended to be lower on large than on small dairies in all states."

"Investment per cow in dairy buildings and equipment is less on larger than on smaller dairies."

"Based on whole farm budgets, the larger dairies with 500 cows or more are more profitable than smaller dairies."

"Strong economic pressure exists for herds to get larger in all regions. This will continue the trend to fewer and larger dairies."

Our goal concurrent with the hereinabove discussed data is to produce milk at the lowest cost possible per unit of milk produced. To accomplish this goal three landowners have joined together to build one large barn on three parcels to create one efficient farm rather than three uneconomical farms. The reasons that this was done were purely economic. Some of which are as follows:

1. Price of milk dropped from \$22.60 to \$19.00 per cwt.
2. Costs as initially computed by the state were substantially understated and did not include such things as housing, working capital or machinery costs.
3. Consolidation reduced capital investment per cow by 32%. This creates more competitive fixed costs and lowers debt requirement per cow.
4. Operating costs, including interest expense per cwt of milk produced, were 26% lower on one large dairy than they would be on four smaller dairies.
5. None of the three owners had any experience in the dairy industry. Therefore, it was imperative that the dairy hire a competent dairy manager to insure a successful and well managed farm. Consolidation made this possible.

6. The Alaska revolving loan fund has limited resources and it is important that these funds not be wasted. In our case the state only has a loan for \$1,000,000 rather than \$3,000,000.

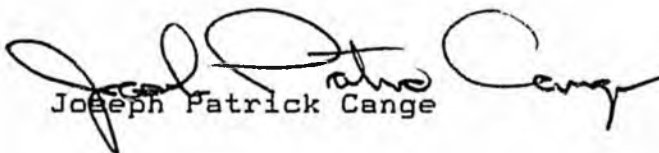
The Tucker dairy is currently producing 600,000 lbs of milk monthly. This is 30% of total milk being produced by local farmers. If we had not pooled our capital and management resources as we have done we would not be producing even one single lb of milk.

Furthermore, the consolidation of dairies in compliance with the intent of the initial sales brochure dated September 11, 1982, which states "The major objectives are to stimulate in-state milk production, to provide milk to Alaska consumers at a competitive market price, and to assist in gaining agricultural self-sufficiency for the state of Alaska." Only through consolidation can we be competitive and accomplish this goal.

The passage of SB 155 is mandatory if we are going to work toward a successful, profitable and financially independent dairy industry that will produce dairy products for Alaskans at a competitive price.

Thank you for your work on the agriculture bills and we appreciate your continuing support of the agriculture industry.

Sincerely,


Joseph Patrick Cange

cc: Jalmar M. Kerttula
Jan Faiks
Esther Wunnicke
James K. Barnett

STATE OF ALASKA

DEPARTMENT OF NATURAL RESOURCES

February 24, 1986

OFFICE OF THE COMMISSIONER

FRANK
SB155
BILL SHEFFIELD, GOVERNOR

P.O. BOX 7005
ANCHORAGE, ALASKA 99510-7005
PHONE: (907) 561-2020

Dear Alaskan:

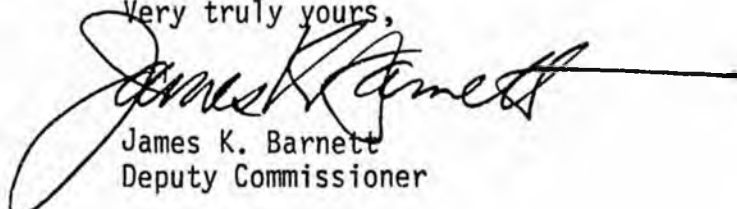
Attached are proposed amendments to regulations of the Alaska Department of Natural Resources. The department will conduct a hearing on the proposed regulations in Delta in March 1986. Please see the attached "Notice of Changes in the Regulations of the Department of Natural Resources" for details on the time and location of the hearing. Additionally, the department is soliciting written comments on its proposal until March 28, 1986.

The main purpose of the proposed regulations is to allow the subdivision of patented agricultural land. The department has found that certain past disposals of the state's agricultural interest in land have resulted in agricultural tracts too large and unwieldy to be efficiently managed and farmed. In response to this finding, the department developed the draft regulations in which the process for obtaining approval of a subdivision of patented agricultural land is spelled out. A subdivision under the proposal must be consistent with an approved farm conservation plan, may not create a parcel of less than 40 acres, and is possible only if the land being subdivided is still suited for agricultural development. The proposal maintains existing prohibitions against an individual conveying that portion of his or her agricultural interest on which improvements have been constructed. Additionally, the proposed regulations set in motion a process for determining if the state should authorize the right to construct additional improvements on parcels of at least 640 acres resulting from a subdivision.

In reviewing the draft regulations you will notice that some sections contain bracketed and capitalized words and phrases, other sections contain underlined material, while still other sections contain neither. Language in the proposal which is bracketed and capitalized is proposed for deletion from the currently-effective regulation. Underlined material is proposed for addition to the currently-effective regulation. Sections in which brackets and capitalization and underlined material do not appear are being proposed as entirely new material to existing regulations.

Your comments on the draft regulations will be most useful to the department if you reference particular sections by number and suggest changes in wording which you feel would result in improvement to the regulations. The Department of Natural Resources thanks you for your time and interest in this matter.

Very truly yours,



James K. Barnett
Deputy Commissioner

NOTICE OF PROPOSED CHANGES IN THE REGULATIONS OF THE
DEPARTMENT OF NATURAL RESOURCES

Notice is given that the Department of Natural Resources, under authority vested by AS 38.05.020 and AS 38.05.035, proposes to amend regulations in Title 11 of the Alaska Administrative Code, dealing with agricultural parcels and the subdivision of patented agricultural parcels, to implement AS 38.05.069 and AS 38.05.321, as follows:

11 AAC 67 is proposed to be amended by changing obsolete references to local soil conservation subdistricts to soil and water conservation districts, by spelling out how a previously-approved farm conservation plan may be amended, by defining the process under which additional rights to construct real property improvements on large tracts of subdivided and patented agricultural land may be obtained, and by spelling out the process for obtaining approval of a subdivision of patented agricultural land.

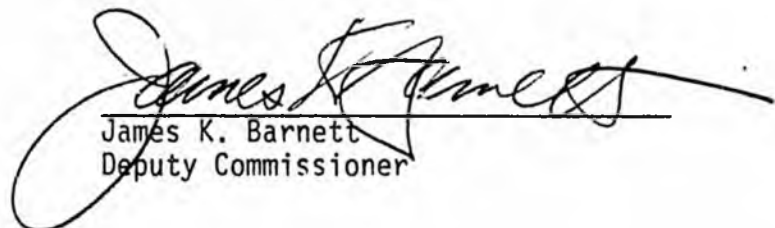
Notice is also given that any person interested may present oral or written statements or arguments relevant to the proposed action at a hearing to be held at the Community Center in Delta, Alaska on Friday, March 7, 1986 beginning at 1:30 p.m.. In addition, written statements or arguments may be sent to the Department of Natural Resources, Office of the Commissioner, P.O. Box 7005, Anchorage, Alaska 99510, to be received no later than March 28, 1986.

This action is not expected to require an increased appropriation.

Copies of the proposed regulations may be obtained by writing to the above address or by calling the Office of the Commissioner in Anchorage at 561-2020 or in Juneau at 465-2400.

The Department of Natural Resources, upon its own motion or at the instance of any interested person, may after the deadline for receipt of written comments adopt proposals within the scope of this notice without further notice or may decide to take no action on them.

Date: 2-24-86


James K. Barnett
Deputy Commissioner

11 AAC 67.177(a) is amended to read:

(a) An approved farm conservation plan will be required as a condition of the sale. The successful purchaser must submit an approved conservation plan before consummation of the sale. For each disposal the director may accept, reject, or modify the farm conservation plan after consultation with the local soil and water conservation district [SUBDISTRICT].

(Eff. 4/28/78, Register 66; am / /86, Register)

Authority: AS 38.04.900
AS 38.05.020
AS 38.05.035
AS 38.05.050
AS 38.05.069
AS 38.05.321

11 AAC 67.177 is amended by adding a new subsection to read:

(d) A previously-approved farm conservation plan may be modified at the request of the purchaser. The director may approve, reject, or modify the farm conservation plan modification after consultation with the local soil and water conservation district. (Eff. 4/28/78, Register 66; am / /86, Register)

Authority: AS 38.04.900
AS 38.05.020
AS 38.05.035
AS 38.05.050
AS 38.05.069
AS 38.05.321

11 AAC 67.182 is repealed:

11 AAC 67.182. MODIFICATION OF FARM CONSERVATION PLAN. Repealed / /86.

11 AAC 67.187 is amended by adding a new subsection to read:

(d) Changes in the location or size of the area designated for real property improvements are subject to approval of the director and may be allowed if

(1) the maximum area specified under 11 AAC 67.187(a) is not exceeded; and

(2) the change is consistent with a farm conservation plan approved under 11 AAC 67.177. (Eff. 4/28/78, Register 66; am 5/13/79, Register 70; am / /86, Register)

Authority: AS 38.04.900
AS 38.05.020
AS 38.05.035
AS 38.05.050
AS 38.05.069
AS 38.05.321

11 AAC 67 is amended by adding a new section to read:

11 AAC 67.188. SUBDIVISION. (a) Land conveyed under 11 AAC 67.160 -- 11 AAC 67.192 may be subdivided for the purpose of transfer of ownership, subject to the approval of the director, if

(1) the land originally conveyed has been patented;

(2) the subdivision does not create a parcel of less than 40 acres;

(3) the subdivision is consistent with a farm conservation plan approved under 11 AAC 67.177;

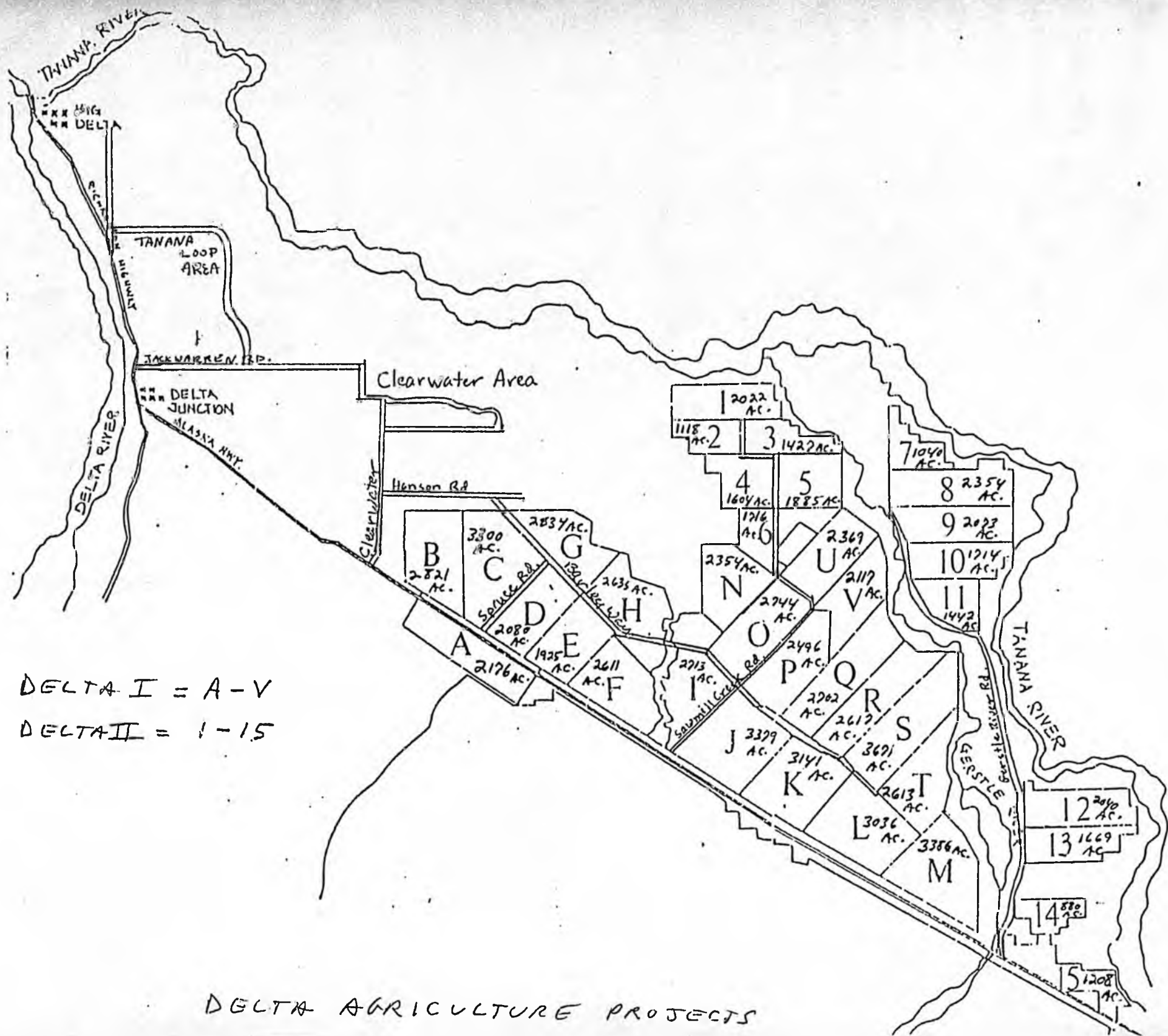
(4) the land has been maintained in substantially the same condition it was in after completion of the development required under 11 AAC 67.185;

(5) all original improvements to real property or rights to construct real property improvements under 11 AAC 67.187 on the land originally conveyed remain in a single tract of not less than 40 acres, which may not be conveyed until all the other tracts in the subdivision have been conveyed; and

(6) all additional rights to construct real property improvements on land subdivided under this section remain only on tracts of at least 640 acres.

(b) Additional rights allowed by 11 AAC 67.188(a)(6) are authorized in accordance with 11 AAC 67.187. (Eff. / /86, Register)

Authority: AS 38.04.900
AS 38.05.020
AS 38.05.035
AS 38.05.050
AS 38.05.069
AS 38.05.321



DELTA I = A - V

DELTA II = 1 - 15

DELTA AGRICULTURE PROJECTS

STATE OF ALASKA

DEPARTMENT OF NATURAL RESOURCES

OFFICE OF THE COMMISSIONER

APR 08 1985
BILL SHEFFIELD, GOVERNOR

POUCH 7-005
ANCHORAGE, AK 99510
PHONE: (907) 276-2653

SB155

April 2, 1985

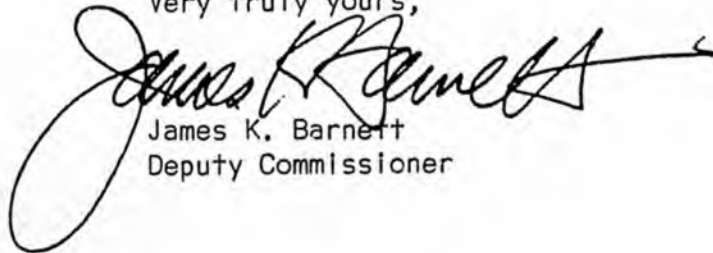
Dear Alaskan:

Attached is a proposed revision to regulations of the Department of Natural Resources. The department is soliciting public comments on the proposed regulation. Please see the attached legal notice for instructions on how to submit written comments.

The proposed regulation adds a new section to 11 AAC 67. The new section outlines the procedure to be followed by an agricultural interest holder desiring to amend an agricultural development contract and combine his or her parcel with a parcel or parcels held by another. As the combination of parcels will result in amendments to a previously-approved contract or development plan, the draft regulations set out standards to assist the commissioner in determining if the amendments are material and if they protect or further the public interest. The draft regulation provides that public notice of the proposed action be given and sets up the content of the notice and a procedure for responding to the proposed combination. Additionally, a provision is made which makes a single interest-holder in the new parcel responsible for meeting the contractual obligations of the new parcel.

Your comments on the proposed regulation will be most useful to the department if you suggest specific wording changes or other modifications you feel would result in improvement to the regulation. Thank you for your assistance.

Very truly yours,



James K. Barnett
Deputy Commissioner

NOTICE OF PROPOSED CHANGES IN THE REGULATIONS
OF THE DEPARTMENT OF NATURAL RESOURCES

Notice is hereby given that the Department of Natural Resources, under authority vested by AS 38.05.020 and AS 38.05.035, proposes to amend regulations in Title 11 of the Alaska Administrative Code, dealing with combining agricultural parcels for the more efficient and economic development of agriculture in the state, to implement AS 38.05.069, as follows:

11 AAC 67.186 is adopted as a new section in which the procedure to be followed by agricultural interest holders who desire to combine their tracts with other tracts held by agricultural interest holders is outlined. The section applies when an approved development plan must be amended to accommodate the combination of agricultural parcels. The section contains the procedure the department must follow in determining whether the proposed combination is necessary to protect or further the public interest.

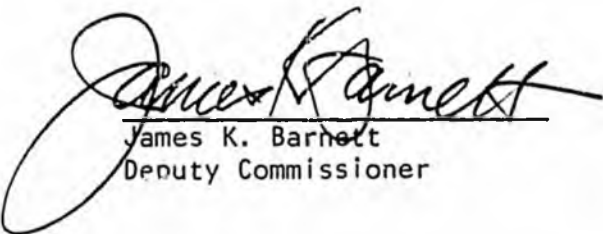
Notice is also given that any person interested may present written statements or arguments relevant to the proposed action by writing to the Department of Natural Resources, Office of the Commissioner, Pouch 7-005, Anchorage, Alaska 99510, so that they are received no later than 4:30 p.m. on May 8, 1985.

This action is not expected to require an increased appropriation.

Copies of the proposed regulation may be obtained by writing to the above address or by calling either the Anchorage or Juneau Office of the Commissioner at 265-4131 in Anchorage or 465-2400 in Juneau.

The Department of Natural Resources, upon its own motion or at the instance of any interested person, may, after the deadline stated above, adopt proposals within the scope of this notice without further notice or may decide to take no action on them.

DATE: March 28, 1985


James K. Barnett
Deputy Commissioner

DRAFT

FARM ADD
DOI
3/28/85

11 AAC 67 is amended by adding a new section to read:

11 AAC 67.186. COMBINING AGRICULTURAL PARCELS. (a) A person who has obtained a parcel of land that is part of an agricultural development project may combine that parcel with a parcel or parcels held by another for the more efficient and economic development of agriculture within the state. This section applies only when an approved development plan must be amended to accommodate the combination of agricultural parcels.

(b) In combining parcels, there is no limitation on the maximum size of the resulting parcel, although the resulting parcel may contain only one farmstead of no more than 20 acres.

(c) In deciding whether to allow a combination of parcels, the commissioner will make a written finding that the change does not constitute a material amendment from the original development contract and is necessary to protect or further the public interest. In determining whether the change is material and will protect or further the public interest, the commissioner will consider:

(1) the legitimacy of the reasons for the change;

(2) whether the reasons for the change were unforeseen at the time the contract was made;

(3) the timing of the change;

(4) whether the contract contains clauses authorizing modifications; and

(5) the extent of the change, relative to the original contract.

(d) The commissioner may, with the consent of the holders of parcels involved in the proposed combination, establish or change any existing development requirements of the parcel holders.

(e) The commissioner will require the holders of parcels involved in the proposed combination to enter into an agreement which replaces or supercedes the approved development requirements of the individual parcel holders. The new agreement will be made in a form prescribed by the commissioner and is subject to approval by the commissioner.

(f) The commissioner will give public notice of an application for a combination of agricultural parcels which will include the following safeguards of the public interest:

DRAFT

- (1) a statement explaining the nature of the approval sought;
 - (2) a statement indicating where copies of the application may be obtained or viewed;
 - (3) the written finding, or a summary of the written finding, required by (c) of this section;
 - (4) an opportunity for public hearing on the proposed combination, at the written request of 25 interested individuals; and
 - (5) a statement that any person may file written comments on the application within 30 days after publication of the notice.
- (g) An application for a combination of agricultural parcels will designate a single-entity owner responsible for meeting the contractual obligations of the proposed new parcel. The single-entity owner must be an interest-holder in the proposed new parcel. (Eff. / /85, Register)

Authority: AS 38.05.020
AS 38.05.035
AS 38.05.069

APR 08 1985

NY - Coghill - HHS. res. chair

Idle-Size Farms Endangered, Study Says

By SETH S. KING
Special to The New York Times

INGTON, March 19 — New technology and genetic engineering will accelerate the trend toward larger farms in the next 15 years, the Government provides more middle-size farms, a Congressional search service asserted today in a special report, the Office of Technology Assessment said that in a new four-year farm law this Congress should consider providing special training and financial aid to operators of middle-size farms to enable them to acquire and use the complicated new technology soon to be available.

Otherwise, the report asserts, many of those farmers who lack the capital or expertise to adopt the new technology will either have to find supplementary off-farm income, switch to specialty crops or give up farming altogether.

Report Sought by Congressmen

The 86-page report was requested by several Congressional committees that are now engaged in drafting the new farm bill. It was presented today to the Agriculture Committees of both houses of Congress.

In a prelude to its findings, the agency said it was not writing "science fiction" in predicting astounding gains

in the production of crops and livestock.

"Before the turn of the century," the report asserted, "cattle ranchers in Texas may be able to raise cattle as big as elephants. California dairy farmers may be able to control the sex of calves and increase milk production by more than 10 percent without increasing food intake. And major crops may be genetically altered to resist pests and disease, grow in salty soil and harsh climates, and provide their own fertilizer."

The report said that at the beginning of 1983, 86.6 percent of the 2.2 million farms in the United States were classi-

fied as small, with annual gross sales ranging from \$5,000 to \$19,900, and part-time, with earnings, including outside income earned by their owners, of from \$20,000 to \$99,900.

Half the Income to Largest Farms

Moderate, or middle-sized, farms, those with sales from \$100,000 to \$199,900, now make up 8.1 percent of American farms. Large farms, with \$200,000 to \$499,999 in sales, make up only 4.2 percent of the total and very large farms, those with sales of \$500,000 or more, make up only 1.2 percent.

But the large and very large farms take in 53.5 percent of the total cash receipts of all 2.2 million farms, while the middle-sized ones get only 19.1 percent.

On the basis of detailed studies of grain, cotton and dairy farms of vary-

ing sizes adopted, the agency concluded that the benefits of new technologies would benefit the large and very large farms far more than the middle-sized ones.

It found that current price support loan programs, which the Reagan Administration says have pushed up American farm commodity prices to uncompetitive levels, provide more wealth and growth benefits to large and very large farms than to middle-sized ones. In contrast, income supports in the form of subsidies, which the Administration wants to phase out, are of more help to the middle-sized farmers.

"Directing income supports to middle-sized farms," the agency asserted, "could be an effective policy to prolong their survival, although even this measure may not help dairy farmers in some regions."

Unlike most middle-size farms, the report continued, most large farms could survive without income supports, although the larger operators would need a "loan safety net" to help them weather price fluctuations and competition in world markets.

The report also contended that the restructuring of farm debts, as the Administration is now trying to do, will not increase the survival chances of many hard-pressed farmers. Instead, the report asserted, subsidizing interest rates on these loans, which President Reagan has refused to do, would be "a more effective strategy to ease financial stress."

The New York Times Book Review every Sunday

Sent from
Sen. Kerttula

17 p. 1/13/85
1/13/85

1:30
923

cc: AS

Introduced: 2/13/85
Referred: Resources
and Finance

1 IN THE SENATE

BY KERTTULA

2 SENATE BILL NO. 155

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 FOURTEENTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act relating to the splitting and combining of
7 agricultural parcels."

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. SPLITTING AND COMBINING OF AGRICULTURAL PARCELS.

11 (a) The commissioner may allow a person who has purchased a parcel of
12 agricultural land under this chapter that is part of an agricultural
13 development project to split the parcel by selling portions of the
14 parcel or to combine it with other parcels by purchasing a parcel from
15 a private seller.

16 (b) If a parcel is split under this section, no more than one
17 farmstead may be maintained for each 640 acre parcel resulting from
18 the split. If parcels are combined, there is no limit on the size of
19 the resulting parcel, but no more than one farmstead may be maintained
20 on the resulting parcel. A farmstead may not exceed 20 acres.

21 (c) The commissioner may not allow a parcel to be split or
22 combined under this section unless

23 (1) the commissioner makes a written finding that the
24 proposed split or combination is necessary to promote the public
25 interest; in making this determination the commissioner shall consider
26 whether the split or combination will encourage development of the
27 state's agricultural resources, prevent economic waste, and protect
28 all interested parties including the state;

29 (2) for each parcel resulting from a split or combination,

and the approved development plan or plans must be amended to accommodate the combination

*Combining
of
splitting*

*draft
req*

FARM ADD
DOI

2/28
2 N3153
300

11 AAC 67 is amended by adding a new section to read:

11 AAC 67.186. COMBINING AGRICULTURAL PARCELS. (a) A person who has obtained a parcel of land that is part of an agricultural development project may combine that parcel with a parcel or parcels held by another for the more efficient and economic development of agriculture within the state. This section applies only when an approved development plan must be amended to accomodate the combination of agricultural parcels.

(b) In combining parcels, there is no limitation on the maximum size of the resulting parcel, although the resulting parcel may contain only one farmstead of no more than 20 acres.

(c) In deciding whether to allow a combination of parcels, the commissioner will make a written finding that the change does not constitute a material amendment from the original development contract and is necessary to protect or further the public interest. In determining whether the change is material and will protect or further the public interest, the commissioner will consider:

- (1) the legitimacy of the reasons for the change;
- (2) whether the reasons for the change were unforeseen at the time the contract was made;
- (3) the timing of the change;
- (4) whether the contract contains clauses authorizing modifications; and
- (5) the extent of the change, relative to the original contract.

(d) The commissioner may, with the consent of the holders of parcels involved in the proposed combination, establish or change any existing development requirements of the parcel holders.

(e) The commissioner will require the holders of parcels involved in the proposed combination to enter into an agreement which replaces or supercedes the approved development requirements of the individual parcel holders. The new agreement will be made in a form prescribed by the commissioner and is subject to approval by the commissioner.

(f) The commissioner will give public notice of an application for a combination of agricultural parcels which will include the following safeguards of the public interest:

(1) a statement explaining the nature of the approval sought;

(2) a statement indicating where copies of the application may be obtained or viewed;

(3) the written finding, or a summary of the written finding, required by (c) of this section;

(4) an opportunity for public hearing on the proposed combination, at the written request of 25 interested individuals; and

(5) a statement that any person may file written comments on the application within 30 days after publication of the notice.

(g) An application for a combination of agricultural parcels will designate a single-entity owner responsible for meeting the contractual obligations of the proposed new parcel. The single-entity owner must be an interest-holder in the proposed new parcel. (Eff. / /85, Register)

Authority: AS 38.05.020
AS 38.05.035
AS 38.05.069

cessing requirement is merely another market condition to be taken into account during reappraisal.

Essentially the same observations can be made with respect to the economic aspects of the change removing from the sale lands above 400 feet and substituting adjacent low land. Kenai contends, quite plausibly, that the costs of harvest are less and the product value is higher in the newly substituted acreage than in the lands deleted from the sale. If those changes had been made during the first five years of the contract a legitimate question whether competitive bidding had been improperly circumvented would be presented. As it is, however, those changes are now simply new conditions to be reflected in each reappraisal.

[2] The one aspect of amendment No. 7 to which the rule prohibiting material changes potentially applies is the physical addition of timber land in partial substitution for the deleted acreage. The additional land has never been subject to the competitive bidding process. However, for the following reasons, the rule does not prohibit this change.

[3] Not all amendments to competitive bid contracts are prohibited, only those regarded as material. The concept of materiality in this context has not been satisfactorily captured in a single phrase. One court has spoken of "an essential change of such magnitude as to be incompatible with the general scheme" of competitive bidding;¹⁰ another has phrased the question to be whether the amendment "so varied from the original plan, was of such importance,

or so altered the essential identity or main purpose of the contract, that it constitutes a new undertaking."¹¹ These formulations simply recognize that the materiality concept prohibits those changes which tend to be subversive of the purposes of competitive bidding. In determining whether an amendment has this tendency, courts have found the following factors to be of importance:

(1) the legitimacy of the reasons for the change;¹²

(2) whether the reasons for the change were unforeseen at the time the contract was made;¹³

(3) the timing of the change;¹⁴

(4) whether the contract contains clauses authorizing modifications;¹⁵

(5) the extent of the change, relative to the original contract.¹⁶

Applying these factors to the substitution of timber lands in this case leads to the conclusion that the substitution was not material for purposes of the rule prohibiting material changes.

The reason for the change was that the Department of Fish and Game had discovered after the contract was awarded that the mountainside included in the sale area contained important winter habitat for mountain goats. The Department therefore requested that the sale be modified by deleting this area. Since this deletion would eliminate an area containing some 40,000,000 board feet which the state had contractually committed to South-Central, it was necessary in order to obtain the agreement of South-Central to provide substitute timberland.

10. *Morse v. City of Boston*, 253 Mass. 247, 148 N.E. 813, 815 (1925), on later appeal, 260 Mass. 255, 157 N.E. 523 (1927).

11. *Albert Elia Building Co., Inc. v. New York State Urban Development Corp.*, 54 A.D.2d 337, 388 N.Y.S.2d 462, 467 (1976).

12. See *Myers v. Wood*, 173 Mo.App. 564, 158 S.W. 909, 912 (1913).

13. See *Sekerez v. Lake County Board of Commissioners*, 345 N.E.2d 865, 868-69 (Ind.App. 1976); *Myers v. Wood*, 158 S.W. at 912.

14. See *Albert Elia Building Co., Inc. v. New York State Urban Development Corp.*, 388 N.Y. S.2d at 467.

15. *Myers v. Wood*, 158 S.W. at 913. However, a clause authorizing modifications may not be so broadly read as to negate the statutory requirement of competitive bidding. *Morse v. City of Boston*, 148 N.E. at 816.

16. See *Albert Elia Building Co., Inc. v. New York State Urban Development Corp.*, 388 N.Y. S.2d at 467.

Why we believe it is a contract split with the regular

OFFICE OF THE ATTORNEY GENERAL

farm splits

Delta I & II effected - approx 40 farms

amends definition of homestead/acreage

currently the contracts state only
one homestead per 3,000 acres -
amendments would allow one homestead
per 640 acres if sold to another party
if the parcel is split;
current reqs allow splits of 40 acres
but no provision for homestead.

farm add -

H. McKenzie effected (17 farms.)

allows only one homestead of no
more than 20 acres ~~possibly~~
total per farm.

no limitation ~~of~~ on the size
of the parcels.

*
* DELIVER TO: JPOM *
* * *
* ORIGINAL *
* SENT: 03/19/85 TIME: 14:46 *
* FROM: TERESA SALAZAR *
* SUBJECT: POM MAT-S1 *
* PRINT DATE: 03/19/85 TIME: 14:46 *
* * 8 *

TO: SENATORS STURGULEWSKI, FAHRENKAMP, COGHILL, ELIASON, V.
FISCHER, HALFORD, ZHAROFF

FROM: PAT MULLIGAN
SR B BOX 7634
PALMER 99645

PHONE: 745-4004

RE: SENATE BILLS 40, 41, 42, 110, 120, 154, 155, AND 216

I WOULD URGE YOU TO SUPPORT THESE BILLS. THIS TYPE OF PROGRESSIVE LEGISLATION WILL ALLOW ALASKAN PRODUCERS TO HELP THEMSELVES. THE FARMER'S DEBT SITUATION CAN BE DIRECTLY LINKED WITH OUR IMMATURE AGRICULTURAL INDUSTRY. THIS LEGISLATION WILL ALLOW GOOD FARMERS TO SURVIVE THE CURRENT NATIONAL AGRICULTURE CRISIS.

Introduced: 2/13/85
Referred: Resources and Finance

1 IN THE SENATE

BY KERTTULA

2

SENATE BILL NO. 155

3

IN THE LEGISLATURE OF THE STATE OF ALASKA

4

FOURTEENTH LEGISLATURE - FIRST SESSION

5

A BILL

6 For an Act entitled: "An Act relating to the splitting and combining of
7 agricultural parcels."

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. SPLITTING AND COMBINING OF AGRICULTURAL PARCELS.

11 (a) The commissioner may allow a person who has purchased a parcel of
12 agricultural land under this chapter that is part of an agricultural
13 development project to split the parcel by selling portions of the
14 parcel or to combine it with other parcels by purchasing a parcel from
15 a private seller.

16 (b) If a parcel is split under this section, no more than one
17 farmstead may be maintained for each ³²⁰640 acre parcel resulting from
18 the split. If parcels are combined ^{AND THE APPROVED DEVELOPMENT PLAN} there is no limit on the size of
19 the resulting parcel, but no more than one farmstead may be maintained
20 on the resulting parcel. A farmstead may not exceed 20 acres.

21 (c) The commissioner may not allow a parcel to be split or
22 combined under this section unless

23 (1) the commissioner makes a written finding that the
24 proposed split or combination is necessary to promote the public
25 interest; in making this determination the commissioner shall consider
26 whether the split or combination will encourage development of the
27 state's agricultural resources, prevent economic waste, and protect
28 all interested parties including the state;

29 (2) for each parcel resulting from a split or combination,

1 an agricultural development agreement is entered into with the state
2 and approved by the commissioner;

3 (3) the application for the split or combination of parcels
4 designates an operator for each of the proposed resulting parcels;

5 (4) the commissioner provides public notice of, and an
6 opportunity for a hearing and written comment regarding, a proposed
7 split or combination; and

8 (5) the commissioner makes available to the public a writ-
9 ten explanation of the proposed split or combination, information on
10 how to obtain a copy of the application for the proposed split or
11 combination, and the proposed agricultural development agreements.

12 (d) The commissioner may adopt regulations to implement this
13 section.

Approved

① Change 440 to 320

Suggested Amendment to SB 155

②

p. 1, line 18; Add after combined:

and the approved development plan or plans must be amended to accommodate the combination,

prepare CS.
Kerthala / Coghill
Ag Rights

①

Suggestions
1, 2, 3, 4

Introduced: 2/13/85
Referred: Resources
and Finance

1 IN THE SENATE

BY KERTTULA

2

SENATE BILL NO. 155

3

IN THE LEGISLATURE OF THE STATE OF ALASKA

4

FOURTEENTH LEGISLATURE - FIRST SESSION

5

A BILL

6

For an Act entitled: "An Act relating to the splitting and combining of agricultural parcels."

7

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. SPLITTING AND COMBINING OF AGRICULTURAL PARCELS.

11

(a) The commissioner may allow a person who has purchased a parcel of agricultural land under this chapter that is part of an agricultural development project to split the parcel by selling portions of the parcel or to combine it with other parcels by purchasing a parcel from a private seller.

16

(b) If a parcel is split under this section, no more than one farmstead may be maintained for each 640 acre parcel resulting from the split. If parcels are combined, there is no limit on the size of the resulting parcel, but no more than one farmstead may be maintained on the resulting parcel. A farmstead may not exceed 20 acres.

21

(c) The commissioner may not allow a parcel to be split or combined under this section unless

23

(1) the commissioner makes a written finding that the proposed split or combination is necessary to promote the public interest; in making this determination the commissioner shall consider whether the split or combination will encourage development of the state's agricultural resources, prevent economic waste, and protect all interested parties including the state;

29

(2) for each parcel resulting from a split or combination,

1 an agricultural development agreement is entered into with the state
2 and approved by the commissioner;

3 (3) the application for the split or combination of parcels
4 designates an operator for each of the proposed resulting parcels;

5 (4) the commissioner provides public notice of, and an
6 opportunity for a hearing and written comment regarding, a proposed
7 split or combination; and

8 (5) the commissioner makes available to the public a writ-
9 ten explanation of the proposed split or combination, information on
10 how to obtain a copy of the application for the proposed split or
11 combination, and the proposed agricultural development agreements.

12 (d) The commissioner may adopt regulations to implement this
13 section.

Version #2
Bradley
2/18/86 ✓

Original sponsor: Kerttula

1 IN THE SENATE

BY THE RESOURCES COMMITTEE

2 CS FOR SENATE BILL NO. 155 (Resources)
3 IN THE LEGISLATURE OF THE STATE OF ALASKA
4 FOURTEENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to the splitting and combining of
7 agricultural parcels."

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. SPLITTING AND COMBINING OF AGRICULTURAL PARCELS.

11 (a) The commissioner may allow a person who has purchased a parcel of
12 agricultural land under this chapter that is part of an agricultural
13 development project to split the parcel by selling portions of the
14 parcel or to combine it with other parcels by purchasing a parcel from
15 a private seller.

16 (b) If a parcel is split under this section, no more than one
17 farmstead may be maintained for each 320-acre parcel resulting from
18 the split. If parcels are combined and each approved development plan
19 must be amended to accommodate the combination, there is no limit on
20 the size of the resulting parcel, but no more than one farmstead may
21 be maintained on the resulting parcel. A farmstead may not exceed 20
22 acres.

23 (c) The commissioner may not allow a parcel to be split or
24 combined under this section unless

25 (1) the commissioner makes a written finding that the
26 proposed split or combination is necessary to promote the public
27 interest; in making this determination the commissioner shall consider
28 whether the split or combination will encourage development of the
29 state's agricultural resources, prevent economic waste, and protect

1 all interested parties including the state;

2 (2) for each parcel resulting from a split or combination,
3 an agricultural development agreement is entered into with the state
4 and approved by the commissioner;

5 (3) the application for the split or combination of parcels
6 designates an operator for each of the proposed resulting parcels;

7 (4) the commissioner provides public notice of, and an
8 opportunity for a hearing and written comment regarding, a proposed
9 split or combination; and

10 (5) the commissioner makes available to the public a writ-
11 ten explanation of the proposed split or combination, information on
12 how to obtain a copy of the application for the proposed split or
13 combination, and the proposed agricultural development agreements.

14 (d) The commissioner may adopt regulations to implement this
15 section.

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Suggested
by JOE CANY

Version #1
Bradley
2/18/86 ✓

Original sponsor: Kerttula

1 IN THE SENATE

BY THE RESOURCES COMMITTEE

2 CS FOR SENATE BILL NO. 155 (Resources)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 FOURTEENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to development requirements for
7 agricultural parcels."

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

9 * Section 1. AS 38.05.020(b) is amended to read:

10 (b) The commissioner may

11 (1) establish reasonable procedures and adopt reasonable
12 regulations necessary to carry out this chapter and, whenever neces-
13 sary, issue directives or orders to the director to carry out specific
14 functions and duties; regulations adopted by the commissioner shall be
15 adopted under the Administrative Procedure Act (AS 44.62); orders by
16 the commissioner classifying land, issued after January 3, 1959, are
17 not required to be adopted under the Administrative Procedure Act
18 (AS 44.62);

19 (2) enter into agreements considered necessary to carry out
20 the purposes of this chapter, including agreements with federal and
21 state agencies;

22 (3) review any order or action of the director;

23 (4) exercise the powers and do the acts necessary to carry
24 out the provisions and objectives of this chapter;

25 (5) notwithstanding the provisions of any other section of
26 this chapter, grant an extension of the time within which payments due
27 on any lease or sale of state land, minerals, or materials may be
28 made, including payment of rental and royalties, on a finding that
29 compliance with the requirements is or was prevented by reason of war,

1 riots, or acts of God;

2 (6) classify tracts for agricultural uses and require the
3 prequalification, including the submission of conservation plans,
4 development plans, or other plans, schedules, or programs, of persons
5 who apply to participate in an agricultural development project under
6 AS 44.33.475;

7 (7) waive, postpone, amend, or otherwise modify the devel-
8 opment requirements of a contract for the sale of agricultural land on
9 a finding that [IF]

10 (A) the waiver, postponement, amendment, or modifica-
11 tion of the contract would tend to promote the more efficient and
12 economical development of agriculture within the state and be in
13 the best interests of the state; or [THE LAND IS INACCESSIBLE BY
14 ROAD; AND]

15 (B) transportation, marketing, or [AND] development
16 costs render the required development uneconomic.
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1 IN THE SENATE

BY KERTTULA

2 SPONSOR SUBSTITUTE FOR SENATE BILL NO. 155

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 FOURTEENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to the partition of agricultural
7 parcels."

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. PARTITION OF AGRICULTURAL PARCELS. (a) The
11 commissioner may allow a person who has purchased and received a
12 patent to a parcel of agricultural land that is part of an
13 agricultural development project to partition the parcel by selling
14 portions of the parcel.

15 (b) If a parcel is partitioned under this section, no more than
16 one farmstead may be maintained for each 640-acre parcel resulting
17 from the partition. A farmstead may not exceed 20 acres.

18 (c) The commissioner may not allow a parcel to be partitioned
19 under this section unless

20 (1) the commissioner makes a written finding that the
21 proposed partition is necessary to promote the public interest; in
22 making this determination the commissioner shall consider whether the
23 partition will encourage development of the state's agricultural
24 resources, prevent economic waste, and protect all interested parties
25 including the state;

26 (2) for each parcel resulting from a partition under this
27 section, an agricultural development agreement is entered into with
28 the state and approved by the commissioner;

29 (3) the application for the partition of parcels designates

1 an operator for each of the proposed resulting parcels;

2 (4) the commissioner provides public notice of and an
3 opportunity for a hearing and written comment regarding a proposed
4 partition; and

5 (5) the commissioner makes available to the public a writ-
6 ten explanation of the proposed partition, information on how to
7 obtain a copy of the application for the proposed partition, and the
8 proposed agricultural development agreements.

(d) The commissioner may adopt regulations to implement this
section.

2 SPONSOR SUBSTITUTE FOR SENATE BILL NO. 15

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 FOURTEENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to the partition of agricultural
7 parcels."

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. PARTITION OF AGRICULTURAL PARCELS. (a) The
11 commissioner may allow a person who has purchased and received a
12 patent to a parcel of agricultural land that is part of an
13 agricultural development project to partition the parcel by selling
14 portions of the parcel.

15 (b) If a parcel is partitioned under this section, no more than
16 one farmstead may be maintained for each 640-acre parcel resulting
17 from the partition. A farmstead may not exceed 20 acres.

18 (c) The commissioner may not allow a parcel to be partitioned
19 under this section unless

20 (1) the commissioner makes a written finding that the
21 proposed partition is necessary to promote the public interest; in
22 making this determination the commissioner shall consider whether the
23 partition will encourage development of the state's agricultural
24 resources, prevent economic waste, and protect all interested parties
25 including the state;

26 (2) for each parcel resulting from a partition under this
27 section, an agricultural development agreement is entered into with
28 the state and approved by the commissioner;

29 (3) the application for the partition of parcels designates

1 an operator for each of the proposed resulting parcels;

2 (4) the commissioner provides public notice of and an
3 opportunity for a hearing and written comment regarding a proposed
4 partition; and

5 (5) the commissioner makes available to the public a writ-
6 ten explanation of the proposed partition, information on how to
7 obtain a copy of the application for the proposed partition, and the
8 proposed agricultural development agreements.

(d) The commissioner may adopt regulations to implement this
section.

Original sponsor: Kerttula

1 IN THE SENATE

BY THE RESOURCES COMMITTEE

2 CS FOR SENATE BILL NO. 155 (Resources)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 FOURTEENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to development requirements for
7 agricultural parcels."

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

9 * Section 1. AS 38.05.020(b) is amended to read:

10 (b) The commissioner may

11 (1) establish reasonable procedures and adopt reasonable
12 regulations necessary to carry out this chapter and, whenever neces-
13 sary, issue directives or orders to the director to carry out specific
14 functions and duties; regulations adopted by the commissioner shall be
15 adopted under the Administrative Procedure Act (AS 44.62); orders by
16 the commissioner classifying land, issued after January 3, 1959, are
17 not required to be adopted under the Administrative Procedure Act
18 (AS 44.62);

19 (2) enter into agreements considered necessary to carry out
20 the purposes of this chapter, including agreements with federal and
21 state agencies;

22 (3) review any order or action of the director;

23 (4) exercise the powers and do the acts necessary to carry
24 out the provisions and objectives of this chapter;

25 (5) notwithstanding the provisions of any other section of
26 this chapter, grant an extension of the time within which payments due
27 on any lease or sale of state land, minerals, or materials may be
28 made, including payment of rental and royalties, on a finding that
29 compliance with the requirements is or was prevented by reason of war,

1 riots, or acts of God;

2 (6) classify tracts for agricultural uses and require the
3 prequalification, including the submission of conservation plans,
4 development plans, or other plans, schedules, or programs, of persons
5 who apply to participate in an agricultural development project under
6 AS 44.33.475;

7 (7) waive, postpone, amend, or otherwise modify the devel-
8 opment requirements of a contract for the sale of agricultural land on
9 a finding that [IF]

10 (A) the waiver, postponement, amendment, or modifica-
11 tion of the contract would tend to promote the more efficient and
12 economical development of agriculture within the state and be in
13 the best interests of the state; or [THE LAND IS INACCESSIBLE BY
14 ROAD; AND]

15 (B) transportation, marketing, or [AND] development
16 costs render the required development uneconomic.
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Original sponsor: Kerttula

1 IN THE SENATE BY THE RESOURCES COMMITTEE
2 CS FOR SENATE BILL NO. 155 (Resources)
3 IN THE LEGISLATURE OF THE STATE OF ALASKA
4 FOURTEENTH LEGISLATURE - SECOND SESSION
5 A BILL

6 For an Act entitled: "An Act relating to the splitting and combining of
7 agricultural parcels."

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. SPLITTING AND COMBINING OF AGRICULTURAL PARCELS.

11 (a) The commissioner may allow a person who has purchased a parcel of
12 agricultural land under this chapter that is part of an agricultural
13 development project to split the parcel by selling portions of the
14 parcel or to combine it with other parcels by purchasing a parcel from
15 a private seller.

16 (b) If a parcel is split under this section, no more than one
17 farmstead may be maintained for each 320-acre parcel resulting from
18 the split. If parcels are combined and each approved development plan
19 must be amended to accommodate the combination, there is no limit on
20 the size of the resulting parcel, but no more than one farmstead may
21 be maintained on the resulting parcel. A farmstead may not exceed 20
22 acres.

23 (c) The commissioner may not allow a parcel to be split or
24 combined under this section unless

25 (1) the commissioner makes a written finding that the
26 proposed split or combination is necessary to promote the public
27 interest; in making this determination the commissioner shall consider
28 whether the split or combination will encourage development of the
29 state's agricultural resources, prevent economic waste, and protect

1 all interested parties including the state;

2 (2) for each parcel resulting from a split or combination,
3 an agricultural development agreement is entered into with the state
4 and approved by the commissioner;

5 (3) the application for the split or combination of parcels
6 designates an operator for each of the proposed resulting parcels;

7 (4) the commissioner provides public notice of, and an
8 opportunity for a hearing and written comment regarding, a proposed
9 split or combination; and

10 (5) the commissioner makes available to the public a writ-
11 ten explanation of the proposed split or combination, information on
12 how to obtain a copy of the application for the proposed split or
13 combination, and the proposed agricultural development agreements.

14 (d) The commissioner may adopt regulations to implement this
15 section.

1 IN THE SENATE

BY KERTTUL

2 SPONSOR SUBSTITUTE FOR SENATE BILL NO. 155

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 FOURTEENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to the partition of agricultural
7 parcels."

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. PARTITION OF AGRICULTURAL PARCELS. (a) The
11 commissioner may allow a person who has purchased and received a
12 patent to a parcel of agricultural land that is part of an
13 agricultural development project to partition the parcel by selling
14 portions of the parcel.

15 (b) If a parcel is partitioned under this section, no more than
16 one farmstead may be maintained for each 640-acre parcel resulting
17 from the partition. A farmstead may not exceed 20 acres.

18 (c) The commissioner may not allow a parcel to be partitioned
19 under this section unless

20 (1) the commissioner makes a written finding that the
21 proposed partition is necessary to promote the public interest; in
22 making this determination the commissioner shall consider whether the
23 partition will encourage development of the state's agricultural
24 resources, prevent economic waste, and protect all interested parties
25 including the state;

26 (2) for each parcel resulting from a partition under this
27 section, an agricultural development agreement is entered into with
28 the state and approved by the commissioner;

29 (3) the application for the partition of parcels designates

1 an operator for each of the proposed resulting parcels;

2 (4) the commissioner provides public notice of and an
3 opportunity for a hearing and written comment regarding a proposed
4 partition; and

5 (5) the commissioner makes available to the public a writ-
6 ten explanation of the proposed partition, information on how to
7 obtain a copy of the application for the proposed partition, and the
8 proposed agricultural development agreements.

(d) The commissioner may adopt regulations to implement this
section.

Bradley
3/3/86 ✓

Handwritten notes:
Kerttula
Labor Management Capital

Original sponsor: Kerttula



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IN THE SENATE BY THE RESOURCES COMMITTEE
CS FOR SPONSOR SUBSTITUTE FOR SENATE BILL NO. 155 (Resources)
IN THE LEGISLATURE OF THE STATE OF ALASKA
FOURTEENTH LEGISLATURE - SECOND SESSION

A BILL

For an Act entitled: "An Act relating to the splitting and combining of agricultural parcels."

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

* Section 1. AS 38.05.020(b) is amended to read:

(b) The commissioner may

(1) establish reasonable procedures and adopt reasonable regulations necessary to carry out this chapter and, whenever necessary, issue directives or orders to the director to carry out specific functions and duties; regulations adopted by the commissioner shall be adopted under the Administrative Procedure Act (AS 44.62); orders by the commissioner classifying land, issued after January 3, 1959, are not required to be adopted under the Administrative Procedure Act (AS 44.62);

(2) enter into agreements considered necessary to carry out the purposes of this chapter, including agreements with federal and state agencies;

(3) review any order or action of the director;

(4) exercise the powers and do the acts necessary to carry out the provisions and objectives of this chapter;

(5) notwithstanding the provisions of any other section of this chapter, grant an extension of the time within which payments due on any lease or sale of state land, minerals, or materials may be made, including payment of rental and royalties, on a finding that compliance with the requirements is or was prevented by reason of war,

Handwritten note:
Currently
includes

1 riots, or acts of God;

2 (6) classify tracts for agricultural uses and require the
3 prequalification, including the submission of conservation plans,
4 development plans, or other plans, schedules, or programs, of persons
5 who apply to participate in an agricultural development project under
6 AS 44.33.475;

7 (7) waive, postpone, amend, or otherwise modify the devel-
8 opment requirements of a contract for the sale of agricultural land on
9 a finding that [IF]

10 (A) the waiver, postponement, amendment, or modifica-
11 tion of the contract would tend to promote the more efficient and
12 economical development of agriculture within the state and be in
13 the best interests of the state; or [THE LAND IS INACCESSIBLE BY
14 ROAD; AND]

15 (B) transportation, marketing, or [AND] development
16 costs render the required development uneconomic.

17 * Sec. 2. AS 38.05 is amended by adding a new section to read:

18 Sec. 38.05.064. SPLITTING AND COMBINING OF AGRICULTURAL PARCELS.

19 (a) The commissioner may allow a person who has purchased a parcel of
20 agricultural land under this chapter that is part of an agricultural
21 development project to split the parcel by selling portions of the
22 parcel or to combine it with other parcels.

23 (b) Only conveyed land may be split under this section and no
24 more than one farmstead may be maintained for each 320-acre parcel
25 resulting from the split. If parcels are combined, ^{and} each approved
26 contract for the sale of an agricultural interest in state land must
27 be amended to accommodate the combination. There is no limit on the
28 size of the resulting parcel, but the total acres of farmstead on a
29 resulting combination may not exceed the number of farmstead acres

1 permitted before the combination and the total acres of the farmstead
2 may be reduced by the commissioner.

3 (c) The commissioner may not allow a parcel to be split or
4 combined under this section unless

5 (1) the commissioner makes a written finding that the
6 proposed split or combination is necessary to promote the public
7 interest; in making this determination the commissioner shall consider
8 whether the split or combination will encourage development of the
9 state's agricultural resources, prevent economic waste, and protect
10 all interested parties including the state;

11 (2) for each parcel resulting from a split or combination,
12 an amended contract for the sale of agricultural land is entered into
13 with the state and approved by the commissioner;

14 (3) the application for the split or combination of parcels
15 designates an operator for each of the proposed resulting parcels;

16 (4) the commissioner provides public notice of, and an
17 opportunity for a hearing and written comment regarding, a proposed
18 split or combination; and

19 (5) the commissioner makes available to the public a writ-
20 ten explanation of the proposed split or combination, information on
21 how to obtain a copy of the application for the proposed split or
22 combination, and the proposed agricultural development agreements.

23 (d) When the commissioner approves a combination of parcels
24 under this section, each approved contract for the sale of an interest
25 in agricultural land shall be amended and the contract for the com-
26 bined parcel must require that the operator of the combined parcel
27 cultivate not less than the total number of acres formerly required
28 and milk not less than the total number of cows required to be milked
29 under the previous contracts. The commissioner, as a condition to

1 approval of a combination of parcels may

- 2 (1) increase the total number of acres to be cultivated;
3 (2) increase the total number of cows to be milked;
4 (3) extend the term during which cultivation and milking is
5 required.

6 (e) The commissioner may adopt regulations to implement this
7 section.
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Change

Bradley
3/7/86 ✓✓

Original sponsor: Kerttula



1 IN THE SENATE

BY THE RESOURCES COMMITTEE

2 CS FOR SPONSOR SUBSTITUTE FOR SENATE BILL NO. 155 (Resources)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 FOURTEENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to the splitting and combining of
7 agricultural parcels."

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

9 * Section 1. AS 38.05.020(b) is amended to read:

10 (b) The commissioner may

11 (1) establish reasonable procedures and adopt reasonable
12 regulations necessary to carry out this chapter and, whenever neces-
13 sary, issue directives or orders to the director to carry out specific
14 functions and duties; regulations adopted by the commissioner shall be
15 adopted under the Administrative Procedure Act (AS 44.62); orders by
16 the commissioner classifying land, issued after January 3, 1959, are
17 not required to be adopted under the Administrative Procedure Act
18 (AS 44.62);

19 (2) enter into agreements considered necessary to carry out
20 the purposes of this chapter, including agreements with federal and
21 state agencies;

22 (3) review any order or action of the director;

23 (4) exercise the powers and do the acts necessary to carry
24 out the provisions and objectives of this chapter;

25 (5) notwithstanding the provisions of any other section of
26 this chapter, grant an extension of the time within which payments due
27 on any lease or sale of state land, minerals, or materials may be
28 made, including payment of rental and royalties, on a finding that
29 compliance with the requirements is or was prevented by reason of war,

Priority for cows

Goal to keep land in production -

RICK:

Relinquish land as option as in delta to be available on acreage basis for or going release

Law to allow use of Ag land - Lease w/ Ag use - Start at competition sale - Eliminate speculation

riots, or acts of God;

(6) classify tracts for agricultural uses and require the prequalification, including the submission of conservation plans, development plans, or other plans, schedules, or programs, of persons who apply to participate in an agricultural development project under AS 44.33.475;

(7) after public notice and an opportunity for a hearing and for written comment, waive, postpone, amend, or otherwise modify the development requirements of a contract for the sale of agricultural land on a finding that [IF]

(A) the waiver, postponement, amendment, or modification of the contract would tend to promote the more efficient and economical development of agriculture within the state and be in the best interests of the state; or [THE LAND IS INACCESSIBLE BY ROAD; AND]

(B) transportation, marketing, or [AND] development costs render the required development uneconomic.

* Sec. 2. AS 38.05 is amended by adding a new section to read:

Sec. 38.05.064. SPLITTING AND COMBINING OF AGRICULTURAL PARCELS.

(a) The commissioner may allow a person who has purchased a parcel of agricultural land under this chapter that is part of an agricultural development project to split the parcel by selling portions of the parcel. Only conveyed land may be split under this section and no more than one farmstead may be maintained for each '640-acre parcel resulting from the split.

(b) If two or more parcels that are part of an agricultural development project are proposed to be combined, the commissioner may allow the owner of the parcels proposed for combination to amend each contract for the sale of an agricultural interest in state land only

1 as provided in this section and not more than four parcels may be
2 combined.

3 (c) The commissioner may not allow a parcel to be split or
4 approve an amended contract for the sale of an agricultural interest
5 in state land to combine parcels under this section unless

6 (1) the commissioner makes a written finding that the
7 proposed split or combination is necessary to promote the public
8 interest; in making this determination the commissioner shall consider
9 whether the split or combination will encourage development of the
10 state's agricultural resources, prevent economic waste, and protect
11 all interested parties including the state;

12 (2) for each parcel resulting from a split or combination
13 under this section, an amended contract for the sale of agricultural
14 land is entered into with the state and approved by the commissioner;

15 (3) the application for the split or combination of parcels
16 designates an operator for each of the proposed resulting parcels;

17 (4) the commissioner provides public notice of, and an
18 opportunity for a hearing and written comment regarding, a proposed
19 split or combination; and

20 (5) the commissioner makes available to the public a writ-
21 ten explanation of the proposed split or combination, information on
22 how to obtain a copy of the application for the proposed split or
23 combination, and the proposed agricultural development agreements.

24 (d) The commissioner may approve the sale of an agricultural
25 interest in state land to permit the combination of parcels under this
26 section if the contract for the combined parcels will require the
27 operator of the combined parcels

28 (1) to cultivate not less than 90 percent of the Class II
29 or III soils of the combined parcels;

1 (2) if the former contract required cows to be milked, to
 2 milk not less than one cow for each four acres of state land required
 3 to be cultivated under the former contract;

4 (3) to continue the cultivation and milking requirements of
 5 the former contracts for at least ~~five~~^{two} years beyond the time required
 6 in each former contract;

7 (4) to permit inspection of the agricultural operations not
 8 less often than once each year;

9 (5) to reduce the number of farmstead acres permitted on
 10 the parcels to the amount of land actually being used for farmstead
 11 purposes.

12 (e) The commissioner may adopt regulations to implement this
 13 section.

14
 15
 16 ~~45~~ ~~74~~
 17 ~~The total acres of farmstead~~
 18 ~~on a resulting combination~~
 19 ~~may not exceed the~~
 20 ~~number of farmstead~~
 21
 22 to have no more acres of
 23 ~~farmstead on a resulting~~
 24 ~~combination than that~~
 25 ~~allowed prior to the~~
 26 ~~combination.~~

1-22-86
* Section 1. AS 38.05.01(b)(7) is amended to read:

(b) The commissioner may

(7) waive, postpone, amend, or otherwise modify the development requirements of a contract for the sale of agricultural land as contained in a farm conservation plan on a finding under AS 38.05.064 that [IF]

(A) such waiver, postponement, amendment, or modification would tend to promote the more efficient and economical development of agriculture within the state [THE LAND IS INACCESSIBLE BY ROAD]; or [AND]

(B) transportation, marketing, or [AND] development costs render the required development uneconomical.

* Section 2. AS 38.05 is amended by adding a new section to read:

Sec. 38.05.064. SPLITTING AND COMBINING OF AGRICULTURAL PARCELS. (a) The commissioner may allow a person who has purchased a parcel of agricultural land under this chapter that is part of an agricultural development project to split the parcel by selling portions of the parcel or to combine it with other parcels.

(b) The total acreage of farmsteads resulting from a split or combination made under this section shall be no more than that allowed before the split or combination of parcels.

(c) The commissioner may not allow a parcel to be split or combined under this section unless

(1) the commissioner makes a written finding that the proposed split or combination is necessary to promote the public interest; in making this determination the commissioner shall consider whether the split or combination will encourage development of the state's agricultural resources, prevent economic waste, encourage instate agricultural products at a competitive market price, and assist in gaining agricultural self-sufficiency for the state;

(2) for each parcel resulting from a split or combination, an amended contract for the sale of agricultural land is to be entered into with the state and approved by the commissioner;

(3) the application for the split or combination of parcels designates an operator for each of the proposed resulting parcels;

(4) the commissioner provides public notice of, and an opportunity for a hearing and written comment regarding, a proposed split or combination; and

(5) the commissioner makes available to the public a written explanation of the proposed split or combination, information on how to obtain a copy of the application on the proposed split or combination, and the proposed amended contract for the sale of agricultural land.

(d) The commissioner may adopt regulations to implement this section.

PREPARED BY DAVE CREEKMAN ON

1-22-86

Bradley #2
3/3/86

Original sponsor: Kerttula

1 IN THE SENATE BY THE RESOURCES COMMITTEE

2 CS FOR SPONSOR SUBSTITUTE FOR SENATE BILL NO. 155 (Resources)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 FOURTEENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to the splitting and combining of
7 agricultural parcels."

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. SPLITTING AND COMBINING OF AGRICULTURAL PARCELS.

11 (a) The commissioner may allow a person who has purchased a parcel of
12 agricultural land under this chapter that is part of an agricultural
13 development project to split the parcel by selling portions of the
14 parcel or to combine it with other parcels by purchasing a parcel from
15 a private seller.

TRANSFER OF ALL RIGHTS AND TITLE

16 (b) Only conveyed land may be split under this section and no
17 more than one farmstead may be maintained for each 320-acre parcel
18 resulting from the split. If parcels are combined and each approved
19 development plan must be amended to accommodate the combination, there
20 is no limit on the size of the resulting parcel, but no more than one
21 farmstead may be maintained on the resulting parcel. A farmstead may
22 not exceed 20 acres.

23 (c) The commissioner may not allow a parcel to be split or
24 combined under this section unless

25 (1) the commissioner makes a written finding that the
26 proposed split or combination is necessary to promote the public
27 interest; in making this determination the commissioner shall consider
28 whether the split or combination will encourage development of the
29 state's agricultural resources, prevent economic waste, and protect

1 all interested parties including the state;

2 (2) for each parcel resulting from a split or combination,
3 an agricultural development agreement is entered into with the state
4 and approved by the commissioner;

5 (3) the application for the split or combination of parcels
6 designates an operator for each of the proposed resulting parcels;

7 (4) the commissioner provides public notice of, and an
8 opportunity for a hearing and written comment regarding, a proposed
9 split or combination; and

10 (5) the commissioner makes available to the public a writ-
11 ten explanation of the proposed split or combination, information on
12 how to obtain a copy of the application for the proposed split or
13 combination, and the proposed agricultural development agreements.

14 (d) The commissioner may adopt regulations to implement this
15 section.

FEB 19 1985

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 * DELIVER TO: LIOJ
 *
 * ORIGINAL
 * SENT: 02/18/85 TIME: 16:42
 * FROM: VERNITA VESTAL
 * SUBJECT: POM
 * PRINT DATE: 02/18/85 TIME: 16:42
 *

TO: SEN. ABOOD, DEVRIES, FAIKS, V. FISCHER, HALFORD,
 JOSEPHSON, KELLY, KERTTULA, RODEY, ~~STURGELEWSKI~~

 REP. BOUCHER, CLOCKSIN, COLLINS, COTTEN, FURNACE,
 GRUENBERG, HANLEY, JENKINS, MARTIN, PEARCE, PETTYJOHN,
 PHILLIPS, PIGNALBERI, POURCHOT, RIEGER, SZYMANSKI, AND
 UEHLING

 SEN. ELIASON, BENNETT, FAHRENKAMP, ZHAROFF, RAY
 REP. FULLER, M. MIKE MILLER (JNU), HURLEY, RINGSTAD,
 GRUSSENDORF

 REP. HERRMANN, SHULTZ, WALLIS, SUNO, THOMPSON, CATO
 SEN. COGHILL

RE: SB 155

 FROM: SHERWIN A. START
 320 MCCARREY ST. C
 ANCHORAGE, AK. 99504 (H) 337-8988

RE: SB 155

THE EXISTING TITLE 38 IS WRITTEN WELL ENOUGH TO COVER ALL
 EVENTUALITIES OF SUBDIVISION OF AGRICULTURAL LAND. LEAVE WELL
 ENOUGH ALONE!!



1
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