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# Alaska State Legislature

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



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JUNEAU, ALASKA. 99811  
(907) 465-4907

## Senate Committee on Resources

M E M O R A N D U M

March 13, 1986

TO: All Members  
Senate Resources Committee

FROM: Staff *JH* Senate Resources Committee

RE: SB 405 "An Act relating to loans under the  
Alaska grain reserve program; and  
providing for an effective date"

SB 405 would extend the Alaska Grain Reserve Program. The program was originally funded only for the years 1983 and 1984 because it was anticipated that Alaska farmers would qualify for the federal grain reserve program by 1985. Alaska farmers have not yet met the federal requirements and therefore the Alaska program needs to be extended.

Funds are available within the program to make new loans and additional funding is not needed at this time.

The fiscal note is zero.

### Enclosures:

Memo from Sen. Jack Coghill  
Letter from Department of Natural Resources  
Fiscal note

Senator John B. (Jack) Coghill  
Alaska State Legislature

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North Pole, Alaska 99705  
(907) 488-7332



1986

March 10, 1986

MEMORANDUM

TO: Senator Arliss Sturgulewski  
Senate Resources Committee

FROM: Senator Jack Coghill

RE: SB 405

A large, stylized handwritten signature in black ink, likely belonging to Senator Jack Coghill, written over the "FROM" and "RE" lines of the memorandum.

I have introduced SB 405, a bill that will extend the Alaska Grain Reserve Program through 1987 at the request of the Department of Natural Resources. The original intent in setting up the Grain Reserve was to set up a base so that farmers would be able to participate in the Federal Grain Reserve Program. The oversight in the sunset of the original Grain Reserve made this impossible for all farmers to make the base acreage requirements and the non-standard varieties of barley grown in Alaska do not meet present Federal eligibility requirements. No monies will have to be allocated for this program since there are funds available within the program to make new loans.

The Grain Reserve allows Alaskan farmers to market grain in an orderly manner by providing loans to the farmer once the crop is harvested. The farmer can pay planting and harvesting expenses without selling all of the crops at harvest, a time when prices are generally their lowest point for the year. Another reason this is advantageous to the farmer is that with the in state market often times he cannot sell all of the crop at harvest because the market is saturated. As the crop is sold the loan is paid back along with interest computed at 8%.

The program so far has been successful and it does help farmers pay back other loans on time. The grain is graded and inspected. The amount loaned for the grain is based on the grade. For example #2 or better barley could yield a \$97.00 per ton loan amount. A lower quality barley would qualify for a lesser amount. Loans are made for a period of up to three years. If after the three year period the loan is not repaid the state will take ownership of any remaining grain.

# STATE OF ALASKA

## DEPARTMENT OF NATURAL RESOURCES

OFFICE OF THE COMMISSIONER

BILL SHEFFIELD, GOVERNOR

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

March 13, 1986

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

Dear Senator Sturgulewski:

As you may know, the Alaska grain reserve program has been of significant benefit to Alaska's grain farmers. Under this program, farmers use their high quality grain as security for a loan. As the farmer sells his crop, the loan is repaid. A grain reserve program is needed because farmers are not able to sell their entire crops immediately after harvest.

The Alaska grain reserve program was originally funded only for the years 1983-84 because it was anticipated that Alaskan farmers would qualify for the federal program by 1985. Since many farmers have not yet met federal base acreage year requirements, and because the nonstandard varieties of barley grown in Alaska do not meet federal eligibility standards, an Alaska grain reserve program is still necessary.

In 1984 the department recommended, with the Governor's concurrence, that the grain reserve program be extended through 1987 and that it become a revolving fund. When amendments were made to the grain reserve act in 1984, we pointed out the need for these statutory changes. Due to an oversight on our part, however, when requesting amendments we did not specifically ask that crops grown in the years 1985, 1986 and 1987 be eligible for the program.

To correct this oversight, the Department of Natural Resources supports SB 405, which amends the existing statute, AS 3.12.030, to allow grain reserve loans for the 1985, 1986 and 1987 grain crops. Funds are available within the program to make new loans and additional funding is not needed at this time.

The Hon. Arliss Sturgulewski -2-

March 13, 1986

We look forward to continuing to work with you to assist Alaska's farmers. If I may provide additional information about the grain reserve program, please let me know.

Sincerely,

*Esther C. Wunnicke*  
Esther C. Wunnicke  
Commissioner

cc: Senator Jack Coghill

Bill Heim, Director  
Division of Agriculture

# STATE OF ALASKA 1986 LEGISLATIVE SESSION FISCAL NOTE

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

**REQUEST**

Bill/Resolution No. : SB 405  
 Title : Ak Grain Reserve Program

Sponsor : Sen. Coghill  
 Requestor : Senate Resources Committee  
 Date of Request : 3/12/86

**FISCAL DETAIL**

Agency Affected : Natural Resources  
 BRU : Agricultural Management

Components : Agricultural Revolving Loan Fund

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

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

CAPITAL	-0-	-0-	-0-	-0-	-0-	-0-
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REVENUE	-0-	-0-	-0-	-0-	-0-	-0-
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**FUNDING : (Thousands of Dollars)**

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

**POSITIONS :**

FULL-TIME						
PART-TIME						
TEMPORARY						

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

Prepared by : Carol Wilson Phone : 465-2400

Division : Commissioner's Office Date : 3/13/86

Approved by Commissioner : Norm D. Smith Date : 3/13/86

Agency : Department of Natural Resources

Distribution (by Agency preparing fiscal note):

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

Department of Natural Resources

Loans: Grain Reserve Program

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- loans to farmers using grain as collateral
- three-year loan
- 8% interest
- original appropriation (1.65 million) carried over to apply to 1984 crop year, 0.5 appropriated for FY 85

The purpose of the program is threefold:

1. Provides a marketing tool for immediate cash for a product which will be actually sold and utilized over the course of a year;
2. to establish a floor price for grain;
3. to establish a reserve of grain necessary to stimulate expansion of the red meat industry.