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Alaska State Legislature

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Senate Committee on Resources

MEMORANDUM

March 12, 1985

TO: All Members
Senate Resources Committee

FROM: Staff *H*
Senate Resources Committee

RE: CSSB 120 (Resources) "An Act relating to agriculture; and providing for an effective date."

Committee Substitute for Senate Bill 120 (Resources) incorporates a number of changes relating to agriculture in the state. Highlights of the bill are:

Section 1:

1. Allowing DNR to regulate and control the entry and transportation of shell eggs. This adds to an already existing list of products that DNR regulates.
2. Allows the establishment of commodity marketing associations and providing for matching grants. This section has a \$25,000 fiscal note.
3. Allows DNR to establish and administer a grain warehousing and merchandising program.
4. Allows DNR to license, bond, inspect and audit public grain facilities.

Section 2:

1. Remove irrigation from loan types as they are not made.
2. Allows DNR to combine loan types and extend loan terms beyond 7 years if in the best interest of the state and additional collateral is available.
3. Allows loans to exceed the \$1,000,000 limit by 20% if a borrower has held a loan for three year and agrees to conditions set by the ARLF.

Section 3:

1. Allows short term limits to be raised by 20%.
2. Allows DNR to combine long term and short term loans if in the best interest of the state.

Section 4:

Raises agricultural revolving loan fund from \$75 million to \$100 million.

Section 5:

Increase ARLF Board from 5 to 7 members.

Section 6:

Raises agricultural dealer bond from \$5,000 to \$25,000.

Section 7:

Adds class IV soils to suitable agriculture lands definition.

This packet includes:

1. Bill analysis from DNR;
2. Fiscal note from DNR;
3. Development of Agriculture in Alaska - Summary Section, DNR, March 1985;
4. Resolution of Alaska Farmers and Stockgrowers Association;
5. Resolution by Greater Fairbanks Chamber of Commerce;
6. Letter from Karen Lee;
7. Letter from Joseph Cange.

STATE OF ALASKA

DEPARTMENT OF NATURAL RESOURCES

OFFICE OF THE COMMISSIONER

BILL SHEFFIELD, GOVERNOR

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

March 12, 1985

The Honorable Arliss Sturgulewski
Chair, Senate Resources Committee
Pouch V
Juneau, AK 99811

Dear Senator Sturgulewski:

As you have requested, the Department of Natural Resources has reviewed the Sponsor Substitute for Senate Bill 40, the Committee Substitute for Senate Bill 120 (Resources) and the Committee Substitute for Senate Bill 57 (Resources). We offer our support for these three bills and are very pleased to note that they allow the department to undertake many of the actions we believe are necessary to assist farmers and promote the development of agriculture in Alaska.

Our recent report to the Governor on agriculture identified high debt levels and the difficulties associated with marketing farm products as major problems faced by Alaska's farmers. The solutions we have proposed include establishment of a production credit program, similar to the program described in SSSB 40; increasing the flexibility of the Agricultural Revolving Loan Fund (ARLF) to restructure loans, and assisting in the organization of commodity marketing associations, as outlined in CSSB 120; and encouraging the preferential use of Alaska agricultural products when state money is used for purchases, as described in CSSB 57.

We have enclosed specific information about each bill with this letter, and a summary of our report on agriculture in Alaska.

Please let us know if you need additional information about these bills or our agricultural programs.

Sincerely,



Esther C. Wunnicke
Commissioner

Enclosures

Analysis of the CS for SB 120

The CS for SB 120 allows the department to take a number of actions that will help solve current problems in agriculture.

Section 1(a)(6) of the bill contains an addition to the statute which allows the Commissioner to work with commodity groups in establishing marketing associations and allows her to provide assistance in the form of matching grants. There is interest among farmers in forming associations to market products such as eggs, vegetables, beef, reindeer and honey. This legislation will help farmers solve marketing problems related to particular commodities.

Another addition to 1(a) of the statute, part (7), allows the Commissioner to control the warehousing of grain. Part (6) is added to Section 1(b) to control warehousing by requiring bonding and inspection of warehouse facilities and auditing of records. This will help protect farmers who store grain in off-farm facilities.

Section 2 adds new language to the statute which allows the ARLF the flexibility to restructure farm loans and exceed current loan limits by 20 percent, if such actions are in the best interests of the state and will help promote agriculture in Alaska.

Section 4 raises the ceiling for the ARLF to \$100 million from \$75 million. This is necessary to accommodate future appropriations to the fund which is currently capitalized at \$68 million. Although the FY 86 appropriation to the ARLF is expected to be no more than \$2.5 million, if the \$17.5 million in principal from clearing loans made to Alaska Agricultural Action Council (AAAC) project participants is returned to the ARLF rather than the general fund (this requires legislation), the current ARLF ceiling would be exceeded.

Section 4 also enlarges the ARLF board to seven members from five and requires that four members instead of three have an Alaska farming background. Increasing the size of the board will allow it to more fully represent the farming community and broaden its expertise.

Section 6 requires that vegetable wholesalers obtain bonds of \$25,000 rather than the currently required \$5,000. Vegetable growers are concerned that the currently required bond is not sufficient to cover the value of vegetables they provide to dealers for resale.

Section 7 adds class IV soils to lands that would be subject to agricultural homestead clearing requirements. This addition to the statute will help to ensure that some acreage will be prepared for cultivation or put into production on an ag homestead. Currently, 50% of the class II or III soils on an ag homestead must be cleared to gain title to the land. If the homestead does not contain class II or III soils, the clearing requirements do not apply. By adding class IV soils to the requirements, the likelihood that some acreage will require clearing increases.

STATE OF ALASKA 1985 LEGISLATIVE SESSION
FISCAL NOTE

Revision Date: _____

REQUEST

Bill/Resolution No.: CSSB 120
Title: Agriculture Omnibus

FISCAL DETAIL

Agency Affected: Natural Resources, Div. of Ag.
Program Category Affected: NRMEC

Sponsor: Rules Committee
Requestor: Sen. Resources Comm.
Date of Request: 3/8/85

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 CRANTS, CLAIMS						
800 MISCELLANEOUS		25.0	25.0	25.0	25.0	25.0
TOTAL OPERATING		25.0	25.0	25.0	25.0	25.0
CAPITAL						
REVENUE						

FUNDING: (Thousands of Dollars)

GENERAL FUND		25.0	25.0	25.0	25.0	25.0
FEDERAL FUNDS						
OTHER						
TOTAL		25.0	25.0	25.0	25.0	25.0

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS: Attach a separate page if necessary

Prepared By: Carol Wilson Phone: 465-2400
Division: Commissioner's Office Date: 3/11/85

Approved by Commissioner: *Esther P. Wunnich* Date: 3-12-85
Agency: Natural Resources

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Please
FRANK HOWAN
4907 RASOP

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

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SUMMARY

This second report to Governor Sheffield on the Division of Agriculture's programs and plans for agricultural development describes actions taken since the last report, proposes new actions, and discusses the current industry situation.

The Success of the Alaska Agriculture Community

Alaska's agricultural sector has grown by increasing margins in recent years, compared with a downward trend nationally. This is due chiefly to agricultural project developments at Delta and Point MacKenzie. Cash receipts for Alaska farm commodities grew by 10 percent between 1981 and 1982, and by 16 percent between 1982 and 1983. This upward trend may be even more dramatic when final 1984 figures are released.

Production highlights for 1984 include:

- o Crops

Barley harvest set an historical record with 525,000 bushels harvested, 156,000 bushels above the previous record. This reflects production increases primarily from the Delta agricultural project. Oat production increased by 200 percent over 1983. Lettuce acreage increased by 20 percent. The largest potato crop since 1967 was harvested.

- 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;

- o Preserve options to allow for increased production in Alaska to meet potential in-state market expansion and future export possibilities.

Accomplishments as a Result of the First Report

Much has been accomplished as a result of the State's undertaking most of the actions proposed in the 1983 report to the Governor on agriculture. These actions had a direct influence on the gains made in agriculture. Actions include:

- o Additional funding of the Agricultural Revolving Loan Fund;
- o Increased marketing service support programs;
- o Additional funding of the Grain Reserve program;
- o Support of Federal Crop Insurance;
- o Provision of electrical power to Point MacKenzie;
- o Construction of 20 miles of roads within small agricultural sales;
- o Sale of 4,500 acres of State land for agricultural development on 13 new farm parcels;
- o Providing 7,260 acres for agricultural homestead filing on 64 parcels.

The Action Plan for Alaska Agriculture

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

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

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

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

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

2. Issue -- Lack of market development

Action: Enact legislation to allow and fund commodity associations.

Action: Encourage preferential use of Alaska agricultural products by state agencies.

Action: Emphasize marketing assistance from Division of Agriculture personnel to farmers.

Action: Reactivate milk industry advisory board.

Action: Transfer state-owned railroad hopper cars from DNR to the Alaska Railroad.

Action: Write, review, and adopt fertilizer regulations.

Action: Enact enabling legislation for grain warehousing control.

3. Issue -- Confusion in land tenure requirements

Action: Draft new language for agricultural patents to conform to statutes.

Action: Draft new agricultural interest regulations to protect farmers from non-judicial foreclosure.

Action: Investigate alternative methods of financing farm home construction.

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

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

Action: Increase ARLF capitalization to meet financing needs.

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

Action: Provide greater contact between loan examiners and borrowers.

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

5. Issue -- Lack of agency coordination

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

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

Conservation in inspection and grading of agricultural products.

Action: Seek increased coordination among the Division of Agriculture, the Cooperative Extension Service, and the Agricultural Experiment Station.

6. Issue -- Lack of adequate federal involvement in Alaska agriculture

Action: Encourage Agriculture Research Service activity in Alaska through maintaining or expanding existing programs.

Action: Encourage the Farmers Home Administration to increase its lending to Alaskan farmers.

Action: Encourage the use of Alaska agricultural commodities by federal agencies in Alaska.

The Future of Alaska Agriculture

It is projected that receipts for selected agricultural sales in Alaska will grow to approximately \$60 million on an annual basis by 1990. This compares with about \$18 million in 1983. Additional State capital appropriations needed to accomplish these objectives amount to approximately \$28.5 million, mostly over the next two years. To the extent that declining revenues do not allow this level of funding, even

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

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

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

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

ALASKA FARMERS AND STOCKGROWERS ASSOCIATION, INC.

1985 Resolution Platform

The following resolutions were adopted by the General Assembly of the Alaska Farmers and Stockgrowers Association at its annual meeting, in Anchorage, on December 5, 1984:

- 1) Requesting the institution of a State Board of Agriculture, consisting of producers and a representative of the Governor's office, whose task is to act as a liaison between the industry, the Governor, and the Division of Agriculture.
- 2) Requesting that the State of Alaska put up at least two (2) storage bins in Seward for in-state storage and distribution of grain.
- 3) Supporting the establishment of favorable agricultural rates on the State ferry system and on the Alaska Railroad.
- 4) Requesting that in all instances where state institutions use or require agricultural products, they use Alaska-grown products when those products are in season, price competitive, and of a like quality.
- 5) Supporting right-to-farm legislation.
- 6) Endorsing the concept of a petition requesting a constitutional amendment which would protect agricultural rights on State lands.
- 7) Supporting the concept that all agricultural lands sold in the future be disposed of by lottery only, and that they include agricultural development credits.
- 8) Supporting disposal of agricultural lands under the Homestead Bill enacted in 1933 to include soils classified as II, III, IV, V, and VI, and to specify that the lands be sold with agricultural rights, only, forever.
- 9) Supporting the development of a policy which classifies as agricultural land those lands containing Class II and III soils which are suitable for grazing.
- 10) Encouraging the State to rework its land lease laws to better facilitate agricultural needs (including the incorporation of "option-to-renew" clauses.)
- 11) Requesting that duties related to the agricultural industry be transferred from the Department of Environmental Conservation to the Department of Natural Resources.
- 12) Requesting clarification of the conveyance of the agricultural rights title to guarantee the rights of the purchaser.

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 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 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 (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

JOSEPH PATRICK CANGE
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FEB 28 1985

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 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
= \$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

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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.

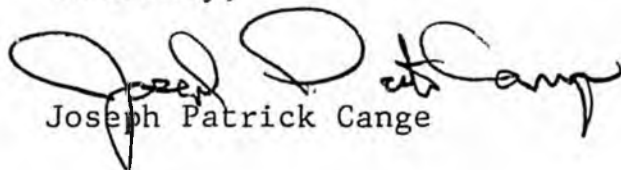
I have also enclosed earlier correspondence related to Point MacKenzie that you might find helpful. They are:

Exhibit E	1/1/84	Jalmar Kerttula
Exhibit F	6/22/84	Bob Heath
Exhibit G	9/14/84	Dean Brown
Exhibit H	1/17/34	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

STATE OF ALASKA THE LEGISLATURE

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May, 1980

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,	3/13/85,	1:40
" "	3/15/85,	1:40
" "	3/18/85,	1:00

TESTIMONY BY

James V. Drew

Before the Senate Committee on Resources

Juneau, Alaska

March 13, 1985

My name is James V. Drew. I live at 4725 Villanova Drive, Fairbanks, Alaska. I have been associated with agricultural development in Alaska during the last ten years as Director of the Agricultural and Forestry Experiment Station, University of Alaska-Fairbanks. I very much appreciate the opportunity to testify today before the Senate Committee on Resources during hearings on agricultural legislation.

My testimony rests on the premise that expanded agricultural development in Alaska is in the best, long-term interest of Alaskans. Sound development of an agricultural industry can provide cost-effective farm production and diversify Alaska's almost total economic dependence on petroleum prices. I believe that a number of bills under consideration this year are important in strengthening and expanding Alaska's agriculture.

I also recognize that current economic conditions in the agricultural industry nationally create a difficult environment for advocates of agricultural development in Alaska. During recent weeks the news media have carried stories about farm foreclosures across the U.S. These foreclosures reflect a U.S. farm credit crisis resulting from declining farmland prices, high interest rates, and low prices for agricultural commodities.

Why, in view of these difficult times for American farmers, should we continue agricultural development in Alaska? Three reasons are important.

1. Alaska has approximately three millions acres of potential agricultural land in state ownership near the existing road and rail belt. This land could be transferred from state to private ownership for farm development and long-term productivity. Top farmers in the Delta and Point MacKenzie areas and elsewhere in the state have demonstrated that crop and livestock products of high quality can be produced in Alaska when good management is used.
2. Agricultural development, in concert with other resource development including timber production and mining, can provide the economic productivity necessary to support and improve transportation on Alaska's existing road and rail system. It can create a desirable settlement pattern for adjacent land, particularly where other resource developments are unlikely. In the more remote areas of western Alaska, an expanded reindeer industry can provide economic productivity from the tundra rangeland. Unlike petroleum extraction, agricultural development will not provide massive amounts of revenue to state government; it will provide opportunities and jobs for people.

3. Additional sales of potential agricultural land will permit Alaska's agriculture to expand beyond the stage of an infant industry. As the volume of agricultural production increases, the costs of producing, processing, and marketing agricultural products will become competitive with those in other agricultural regions. Thus, subsidies necessary for the existing, infant, agricultural industry can be reduced and eventually eliminated.

It is unlikely that today's economic conditions in U.S. agriculture will persist in the long-term, although some restructuring of the industry will undoubtedly occur. Unfortunately, current economic conditions in the U.S. timber and mining industries are also substantially below previous levels. In the long run, however, the development of Alaska's agricultural industry will provide economic and social benefits, particularly in areas of the state where opportunities for the development of other resources are limited.

With these benefits in mind, and with 200 years of agricultural history in Alaska, why does the state not have a mature agricultural industry today? Why is it that annual cash receipts from farming total \$14.3 billion in California, \$6.7 billion in Minnesota, \$2.7 billion in North Dakota, but only \$16 million in Alaska, only half as much as Rhode Island's \$32 million.

A major reason is that virtually all of the potential agricultural land in Alaska was held by the state or federal government during the time agricultural development was occurring in other states. Unlike other resource industries, crop production agriculture cannot develop effectively in the U.S. on land owned by government. Because of limited acreage in private ownership, Alaska's farmers could not take advantage of economies of scale associated with farming elsewhere. In addition, Alaska's economic infrastructure, including the transportation system, did not facilitate supplying farms with needed materials or marketing agricultural products. Thus, the cost of producing and marketing agricultural products was high.

Now that agriculture is fully developed in California, Minnesota, and North Dakota, Alaskans who are not farmers tend to forget that hundreds of millions of dollars were spent by government in developing irrigation projects to make California's agriculture cost-effective. They forget that government spent hundreds of millions of dollars to provide inexpensive barge transportation on the Missouri and Mississippi Rivers to make agriculture in Minnesota and North Dakota cost-effective.

In short, agriculture did not develop unassisted elsewhere in the U.S. In all states, it took investments from government as well as the private sector. But these investments created new wealth from land resources that would not have been productive otherwise.

Several bills introduced in the Alaska State Legislature this year will assist in the development of a productive and cost-effective agricultural industry in Alaska.

SB 40 and SB 154

The concept of production credits outlined in SB 40 and SB 154 will provide incentives necessary for Alaska's agricultural industry during its current stage of development. Production credits are a means of reducing the debt load of farmers who purchased land from the state of Alaska in 1978 to 1982 when the farmland prices in the U.S. were higher than at any other time in the nation's history. These high prices tended to inflate the price of undeveloped agricultural land sold by the state. A system of production credits to reduce the farmer's debt load is a mechanism that government can use to increase farm production and enhance the economic viability of new farming enterprises in Alaska.

SB 41

Equally important in assisting Alaska farmers to succeed in difficult times for farmers nationally is SB 41, a bill to extend the moratorium on payments from 5 to 10 years. This will help farmers through the period of land clearing and farm development when productivity is low, and enhance the opportunity for successful farm development in the long-term.

SB 120

SB 120 is needed to authorize an increase in the capitalization of the agricultural revolving loan fund, to assist in the establishment of commodity marketing associations, and to

increase the number of members on the board of the agricultural revolving loan fund.

Land Title

Successful development of a long-term agricultural industry in Alaska requires that farmland remain available for crop production and not be shifted to other, irreversible uses. However, if the mechanism that accomplishes this prevents the use of the land as collateral in obtaining agricultural development or operating loans from private financial institutions, then successful agricultural production is unlikely to occur even though the land is protected for agricultural use. I strongly urge administrative or legislative measures, developed in concert with the private financial community, that will enable Alaskan farmers to retain land for agricultural use, but also permit them to have the same opportunities to obtain credit that are available to farmers in other states.

SB 57

SB 57 is designed to enhance the marketing of agricultural products produced in Alaska. It would provide a clause in all state bids to require the use of agricultural products originating in Alaska if these products are competitively priced and of like quality when compared to agricultural products originating outside the state.

SB 110 and SB 155

SB 110 to increase the amounts of agricultural loans available from the state of Alaska to any one borrower, and SB 155 relating to the splitting and combining of agricultural

parcels will provide flexibility for developing economically viable farm enterprises in Alaska. Farming has long been a capital intensive industry. The amounts of loans from private financial sources to U.S. farmers are based on the abilities of the farmers to repay the loans, and not on arbitrarily imposed limits. Loan limits may create failure in the very situation the loan was designed to assist by not providing sufficient capital to permit an economically successful farm enterprise. In the best case, there should be no loan limits; instead the amount of the loan should be granted on the basis of a thorough and professional examination of the proposed farming enterprise. Nevertheless, increasing the loan limits as provided by SB 150 will permit the loan fund to service modern agricultural development in Alaska more effectively.

SB 155 will permit the splitting or combining of agricultural parcels sold as part of an agricultural development project to assist in the development of economically sound, full-time and part-time farming enterprises. Farms of a certain minimum size, depending on the farming enterprise, are necessary to support successful, full-time farming businesses. Smaller farms may be satisfactory for part-time farms where other income is available off the farm.

There is a tendency in urban Alaska to perceive that agricultural development may take place successfully with only part-time farms. The argument is that off-farm employment can be used to subsidize the development of the farm. Two thoughts must be kept in mind. First, the part-time farmer requires employment

off the farm. Thus, the development of part-time farms is dependent on the successful development of other sectors of the economy near the farms to provide jobs for part-time farmers. Second, successful part-time and full-time farms require a well-developed, efficient infrastructure for supplying farm inputs and marketing farm outputs. The volume of purchases and production from full-time farms is necessary to support this essential infrastructure.

Financial differences between full-time and part-time farms are illustrated by national statistics. In 1981, U.S. farms that sold \$100,000 or more in farm products accounted for 68.4 percent of cash farm receipts and earned \$19.9 billion. At the other end of the spectrum, farms that sold less than \$20,000 each in products collectively accounted for 6.5 percent of cash farm receipts and lost \$1.6 billion on farming. Nevertheless, these small farms had family incomes above the U.S. average because their farming losses were offset by \$29 billion in nonfarm income.

SB 39

SB 39 will provide an appropriation for the roads and bridges necessary to develop the agricultural, mineral, and recreational resources in the Nenana-Totchaket area of interior Alaska. Expanding agricultural production in this area will increase the volume of agricultural commodities produced in Alaska. As in any other industry, increased volume will reduce the cost of agricultural production and marketing and increase the competitiveness of

Alaska's agricultural commodities. Moreover, expanding Alaska's grain and livestock production in the proposed Nenana-Totchaket project will insure against vagaries of weather or plant diseases that could reduce yields in existing agricultural areas. Reduced grain yields, in turn, could jeopardize livestock producers who need a reliable source of grain and processors of animal products who need a reliable source of animals. Consequently, it is desirable to produce grain and livestock in more than one area of Alaska. The Nenana-Totchaket will provide this option. Access roads and bridges provided by SB 39 are essential for the successful development of farmland in this area.

Agricultural Research and Education

Progress in agricultural development supported by the Alaska State Legislature during the last ten years includes the development of new lands for farming, the construction of essential access roads and electrical power to farms, and the construction of processing facilities for agricultural commodities. Modern commercial agricultural, however, is a high technology industry. Its ability to compete depends on the continuing development and application of new technologies for crop improvement, weed and disease control, livestock health and nutrition, fertilizer efficiency, and improvements for processing and marketing agricultural commodities.

All successful agricultural industries in the world have government-supported research and teaching programs to develop new technologies. These programs are supported by government because individual farmers, unlike large industries, cannot amass

sufficient capital individually to conduct essential research. In the U.S., agricultural research is done by the system of state agricultural experiment stations in land-grant universities.

Crop varieties used in Alaska were either developed by or tested by scientists at the Alaska Agricultural and Forestry Experiment Station which is administered by the University of Alaska-Fairbanks (UAF). Essentially all management practices for crops and livestock in Alaska that are recommended by the cooperative extension service or state agencies were developed by the experiment station.

Now, however, demands for improved crop varieties, fertilizer recommendations, disease and insect control, animal health, and farm management systems for new agricultural land exceed the resources and facilities of the experiment station. In recognition of UAF's role as a land-grant university to support research and teaching for agricultural development in Alaska, UAF included an increment package in its FY 86 budget request to support research and education for Alaska's agricultural development plan. I strongly recommend the increment package. Adequate research and education are essential for the development of a cost-effective agricultural industry. Lack of an effective program now will fail to provide competitive technologies for Alaska's farmers three to five years in the future.

Summary

The importance of agricultural development in Alaska was highlighted for me in a program presented last week in Fairbanks

by Dr. Theodore Malloch, an international economist with the U.S. Department of State. While discussing international trade, Dr. Malloch informed us about increases in exports from service and information industries in the U.S., and about our imports of resources and manufactured goods from overseas.

During the question period, I asked Dr. Malloch's advice and recommendation for economic development in Alaska as related to possible international trade. He responded that Alaska must diversify its economic base and that our only alternative for increased trade is to develop our basic resources of mining, agriculture, timber, and fisheries.

Agriculture has an important role in Alaska's future, particularly in areas where potential agricultural soils occur and other major resources are limited. In these areas, the development of cost-effective agriculture can provide economic opportunities for Alaskans, enhance communities, provide employment, and place relatively extensive areas of state-owned land in private ownership. It can help meet the policy established in Article III, Section I of Alaska's Constitution, "... to encourage the settlement of (Alaska's) land and the development of its resources by making them available for maximum use consistent with the public interest."

*
* DELIVER TO: JPOH *
*
* ORIGINAL *
* SENT: 05/10/85 TIME: 15:42 *
* FROM: MARTIE ROZKYDAL *
* SUBJECT: POM - MATR-01 *
* PRINT DATE: 05/10/85 TIME: 15:42 *
*

23

TO: ALL SENATORS
REPRESENTATIVES LARSON AND HUFFEY

FROM: JUDI AND KEN RIVARD
PO BOX 871842
WASHINGTON 99687
376-2140

RE: SB 120/CHANGES IN AG LAWS

WE UNDERSTAND THIS BILL WOULD INCREASE THE AG LOAN CEILING FROM 1 MILLION TO 2 MILLION. WE STRONGLY OPPOSE THIS INCREASE. A 2 MILLION LOAN CEILING IS UNREALISTIC AND UNREASONABLE. THE INTEREST ON THIS LARGE LOAN WOULD BE CLOSE TO OR MORE THAN A FARM'S YEARLY GROSS INCOME.

APRIL 15, 1985 - DELTA POM

TO: SENATORS COGHILL, FAIKS, FERGUSON, P. FISCHER, HALFORD, KERTTULA AND SACKETT AND REPRESENTATIVE SHULTZ

FROM: MIKE CARLSON, P.O. BOX 953, DELTA JCT., AK 99737 H: 895-4819 W: 895-4697

RE: SB 120

URGE PASSAGE OF 120 SO IT CAN AT LEAST GET A FULL SENATE HEARING. IT DOES NOT SEEM TO BE A COSTLY BILL AND REALLY DOES NOT CHANGE THE STATE FINANCIAL PICTURE. IT DOES CLEAN UP SOME PROBLEM AREAS.

APRIL 15, 1985 - DELTA POM

TO: SENATORS COGHILL, FAIKS, FERGUSON, P. FISCHER, HALFORD, KERTTULA AND SACKETT AND REPRESENTATIVE SHULTZ

FROM: MIKE CARLSON, P.O. BOX 953, DELTA JCT., AK 99737 H: 895-4819 W: 895-4697

RE: SB 40

THE NEGATIVE FISCAL NOTE ATTACHED IS UNREALISTIC. I THINK THE FIGURES MAY REFLECT ALL AGRICULTUREAL SALES NOT JUST THOSE WITH STATE LOANS. ALSO, ISN'T IT JUST AS SPECULATIVE TO ANTICIPATE LOSS AS IT IS TO ANTICIPATE GAIN? A GUESS AS TO LOSS HAS NO MORE MERIT THAN A GUESS OF GAIN.

EOM

Amendments to CSSB 120 (Resources)

- ✓1. p. 2, line 24; add: and processed feeds. OK
2. ✓ p. 3, line 16; change: 20 percent to 50 percent.
3. ✓ p. 4, line 6; change: 20 percent to 50 percent.
- ✓4. p. 4, line 27; add: or horticulture after agriculture. O/C

014

Testimony to Resources Committee
Alaska State Senate

by

Dr Wayne C. Thomas ✓

Agricultural and Forestry Experiment Station
School of Agriculture and Land Resources Management
University of Alaska-Fairbanks
Fairbanks, Alaska 99701

March 13, 1985

Economics of Agriculture

Much has been said and written recently about the problems in Alaskan agriculture. This should not be at all surprising given the problems indicated in the national media for U.S. agriculture. Put as briefly as possible, high debt load and low market prices have been major reasons for the present day situation both in the country as a whole and in Alaska.

You may be interested in how we got ourselves in this situation. The worldwide recession caused in part by large increases in world oil prices, and the recent strong U.S. economic recovery and associated strong U.S. dollar have led to weak export markets for U.S. products. American agriculture and Alaskan agriculture depend in large measure of these markets particularly for cereal grains.

What relationship does Alaskan agriculture really have with export markets? Pricing of cereal grains depend on U.S. domestic and world prices. A strong dollar tends to make U.S. grain more expensive to other countries thus reducing its demand. Lower demand leads to lower prices in the United States including Alaska. Also, lower prices means less revenue to the farmer thus reducing his ability to repay debts.

Cereal grain is emphasized here because it is the basis for modern agricultural development in Alaska. Without efficiently produced Alaskan cereal grain, our red meat and dairy industries will face more difficult economic conditions when competing with food imported into Alaska.

You should be aware that it is the cereal-livestock producers nationwide that are having the majority of the problems today.

You might ask, "why is Alaska in the farming business"? Well, the simple answer is that farming has been in Alaska for well over 80 years. It has received a number of growth spurts related to increases in population caused by gold discoveries, World War II, and oil development in the 1950's, 1960's and 1970's. After each major development period for Alaskan agriculture, a recession period has occurred. Thus in a historical sense, we are presently following a normal, somewhat expected pattern.

The thing to remember most is that each agricultural development period that has occurred in Alaska came about because its citizens wanted it. They wanted land, food sources separated from shipped-in food, and a means to gain employment and make money in Alaska.

So for all that has been argued about Alaskan agriculture, it is here today through support of many groups of people within Alaska over a long period of time.

Now let's consider some specific issues of grain-livestock farmers in Alaska.

Grain producers look to two markets for their product. First is the domestic, or in-state market, because it is the closest and requires the lowest transportation cost from the grain producer to final destination for the grain. Thus, price received by the grain farmer in a free market will be the highest in this situation. The problem, of course, is that the Alaska in-state market is small but growing. New livestock producers seem to be increasing on a weekly basis in response to more readily available feed supplies and the new meat processing plant in Palmer. As this local market produces more local red meat, greater quantities of Alaska produced grain will be sold in state.

Throughout the planning period for the Delta project, the export market appeared to be a viable alternative for crop surplus to the Alaska market. As was indicated earlier in this presentation, the strong U.S. dollar has made the export market less economically desirable. Thus, something less than full production has occurred on many Delta farms. However, world market conditions should improve if the U.S. dollar loses value as many expect during 1985. This should signal a return to reasonable levels of economic

growth in the world economy and higher prices for U.S. grain. Alaska export possibilities will also increase in this situation.

Point MacKenzie farmers have shown remarkable progress when compared to the problems they face. The only milk processing plant in southcentral Alaska has had serious financial problems caused in large measure by poor management. Recently, the state government has taken temporary control of the plant, and surprisingly, the financial health of the plant has improved. While final disposition of the milk plant relative to ownership has not been made, its continued operation, in a financially solvent manner, is an excellent sign and indicates some measure of success for Point MacKenzie dairy farms.

Commercial meat production in Alaska continues to grow. Since the beginning of the Delta project, a large commercial hog enterprise has been operated on one of the Delta tracts. A second, with output 10 times greater than the first or approximately 10,000 pigs per year, is scheduled to be developed on another Delta tract. Cattle feeding in both Delta and the Matanuska Valley has increased in response to these new grain supplies. Delta barley has in general replaced all imported feed grain, but problems remain.

The chief concern is that grain production is coming on faster than local livestock production. This spills over into the

political area when farmers request government help to overcome the chief symptom of this problem, that of high and recurring debt load. There are no easy answers here but remember that most would be helped greatly just with improving market conditions.

Farmers throughout the United States are looking to their governments for some support through these difficult times in the farm economy. Your goal, I assume, is to try and find cost effective programs which are compatible with the difficult financial situation that presently faces the State of Alaska. I hope that you can see your way clear to develop these effective programs and I wish you good fortune in your efforts.

**STATE OF ALASKA 1985 LEGISLATIVE SESSION
FISCAL NOTE**

Revision Date: _____

REQUEST

Bill/Resolution No.: CSSB 120
 Title: Agriculture Omnibus

FISCAL DETAIL

Agency Affected: Natural Resources
 Program Category Affected: NRMEC
Agricultural Management

Sponsor: Resources Committee
 Requestor: Senate Resources Committee
 Date of Request: March 20, 1985

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	25.0	25.0	25.0	25.0	25.0	25.0
400 SUPPLIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS						
800 MISCELLANEOUS						
TOTAL OPERATING	25.0	25.0	25.0	25.0	25.0	25.0

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

REVENUE						
----------------	--	--	--	--	--	--

FUNDING: (Thousands of Dollars)

GENERAL FUND	25.0	25.0	25.0	25.0	25.0	25.0
FEDERAL FUNDS						
OTHER						
TOTAL	25.0	25.0	25.0	25.0	25.0	25.0

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS: Attach a separate page if necessary

See attached analysis for an explanation of costs related to each section of the bill. The \$25,000 listed above would be for matching grants to commodity commissions.

Prepared By: Carol Wilson Phone: 465-2400
 Division: Commissioner's Office Date: _____

Approved by Commissioner: Mims D'Arny, Deputy Date: 3/26/85
 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

Additional Fiscal Information for CSSB 120

Section 1(a)

(5) adding shell eggs to the list of items regulated by the commissioner will result in no additional costs to the state. The department currently performs inspections on shell eggs.

(6) The \$25,000 for matching grants to commodity marketing associations will assist farmers in developing markets for their products.

(7) This addition gives the department the authority to control grain warehousing but will not result in additional costs to the state. Regulations or other control mechanisms would be developed by existing staff.

Section 1 (b)

(3) and (6) Allows the department to develop regulations for additional items at no additional cost to the state.

Section 2 and Section 3

This section provides the ARLF with the flexibility to rewrite agricultural loans and increases the loan limits under certain circumstances. While individual borrowers may be eligible for increased loan amounts, the amount in the loan fund remains the same. There is, therefore, no increase in cost to the state. If loans for larger amounts are made, the number of borrowers served could decrease.

The flexibility provided by these additions to the statute may allow the ARLF Board to prevent loan defaults and therefore prevent revenue losses to the state.

Section 4

Raising the ceiling for the ARLF results in no additional costs to the state.

Section 5

Adding two members to the ARLF Board requires no additional funding.

Section 6 - 9

No additional funding required.

1984 SURVEY OF THE ALASKAN GREENHOUSE & NURSERY INDUSTRY

Deborah M. Brown
Horticulture Graduate Student
University of Alaska - Fairbanks, Alaska

Horticulture is an important industry in Alaska. Involvement with growing vegetables and ornamentals is a profession and/or hobby with many people. The purpose of this survey is to identify the significance of horticulture in Alaska's economy. With acknowledgement, support for the horticultural industry on local, regional and state levels may improve. Ideally, money for agricultural research is divided among the areas that have the most participation by our citizens.

The greenhouse and nursery industry has been growing steadily. Several surveys have been done by different governmental agencies in the past few years to determine how substantial the industry is in various regions of the state. This survey, is an attempt to inventory all the commercial greenhouse and nursery operations in Alaska. Landscape contractors, florists, and variety stores that sell plants were also surveyed.

The survey questions were designed to show industry growth, present an economic picture of commercial greenhouses and nurseries, as well as benefit the industry itself by showing where the voids in production exist. By surveying landscape contractors, florists, and variety stores their needs can be identified so that the industry can respond.

The (confidential) list of names and addresses of commercial establishments is much longer than anyone had expected. Through various means, names and addresses for 153 commercial greenhouses and nurseries were found. The list of names and addresses of the 268 landscape contractors, 80 florists, and more than 40 variety stores that handle plant materials rounded out the list to 541 businesses.

At this time, only a brief summary of the findings from the 56 (larger) commercial greenhouse and nursery operations that have been interviewed, can be given. Being unable to visit all parts of Alaska, questionnaires were sent to areas outside the "Rail-belt" and Kenai-Soldotna areas. Businesses which were not reached by phone or with personal visits were also sent questionnaires. Response from mail-outs was 40%.

In 1956 only one of the 56 businesses interviewed existed. In 1964, six more of these greenhouses and nurseries were in existence. In the next 10 years, 13 more businesses joined the ranks for a total of 20. By 1984, these 56 greenhouse and nursery operations were open, 16 of them opening in the past three years.

Of the businesses interviewed, 23% were from the Fairbanks area, 29% from Anchorage area, 14% were from the Kenai Peninsula, 7% from the Matanuska-Susitna Bourough, and 6 % from Southeastern Alaska. One third of the operations were solely greenhouse operations, 38 % were greenhouse, nursery, and garden centers operations. The remaining 28% were intermedearies between these or interiorscape businesses.

The square footage of year-round heated greenhouses in existence for these 56 operations was 412,776. Seasonally heated greenhouse space totaled 273,450 suqare feet. There were 155.5 acres into commercial production of herbaceous and woody nursery stock.

The greenhouse coverings most often used by these businesses were either double-poly or corrugated fiberglass. Double-poly covering was the first choice by most operators. Quanset (or hoop) houses were most often used rather than ridge or lean-to shaped greenhouses. Supplemental light was often used in starting the bedding plants. The type of light was usually florescent. If natural gas was available, that was the energy source used. Heating oil was the most common energy source in areas where natural gas was not available. Wood or coal were sometimes used to suppliment the oil heat.

The 56 greenhouses and nurseries interview had 149 full-time, year-round employees, 90 part-time, year-round employees, 289 seasonal (4 to 6 month) employees, and 148 people hired for transplanting only, for a total of 676.

Of these businesses, 60% sold houseplants, 80% sold flowering annuals, 75% sold vegetable statrs, 66% sold a few perennials, 66% sold hanging baskets, 33% sold a small amount of containerized hybrid roses, 33% sold (up to 5%) Alaska native plants, and 56% sold trees and shrubs. Of these businesses, 16 of them (or 28%) sold a substantial amount of other crops, most often tomatoes and cucumbers, and less often, strawberries and/or raspberries.

Most (80%) of the greenhouses started at least half the bedding plants that they sold from seed. One half of the 56 operations bought rooted cuttings of fushia and/or geraniums. And 60% bought foliage and/or flowering potted plants for resale. Almost all of the bareroot, balled and burlaped, and containerized nursery stock was imported into Alaska. With 60% of these operations buying nursery stock, and half of them buying rooted cuttings, production of these plant materials by the Alaskan horticultural industry has considerable potential.

Half of these greenhouse and nursery operations were open for crop production and/or sales for four to six months. Another 25% stayed open year-round. Interiorscape businesses are grouped into the later catagory. The remainder of the businesses were scattered inbetween these season lengths.

Those people interviewed became commercial greenhouse and nursery operators either by a conscious decision or by accident. The 40% that entered this business by accident were hobbyists that began to sell their surplus to help make their hobby pay for itself. Going into plant production was a natural growth of an original business for 10% of the operators, most being landscape contractors.

Almost one third of the owners and/or managers of these 56 greenhouses and nurseries belonged to professional organizations and/or Alaska Horticultural Association, which is also a professional organization for those doing horticultural business in Alaska.

The amount of gross sales generated in Alaska with horticultural products from the greenhouse and nursery industry is estimated to be \$23.5 million. This total was summarized by the amounts derived from the survey, and with experience in the Alaskan horticultural industry, extrapolated to include those businesses not interviewed. Of the 56 greenhouse and nursery operations interviewed, 39% had gross sales less than \$25,000, 26% had gross sales between \$25,000 and \$100,000, 22% had between \$100,000 and \$500,000, and the remainder 13% grossing over \$500,000. It seems that 80-90% of the sales were retail.

Horticulture in Alaska is important in our economy. Many more people benefit from this industry than those mentioned above. At least 41 van loads of horticultural supplies enter Alaska annually. The topsoil business is probably worth \$5 million. The sale of fertilizer and lime was taken into account in some of the above mentioned \$23.5 million, however, an additional \$2.5 million was not. The sale of other garden services to support the 19 businesses involved in greenhouse construction, the 25 landscape architect offices, and large gardening sections found in all bookstores throughout the state have not even begun to be evaluated. And, of course, the recreational, therapeutic, and esthetic values that horticulture adds to our homes, commercial buildings, and community areas will probably never be estimated. Yes, indeed, horticulture in Alaska is a big business, by far the largest component of agriculture in our state.

ARLF LOAN PRIORITIES BOARD CRITERIA AND STANDARDS *85-1

Of the \$16.5 million of available loan funds over the next 18 months, first priority will be given for additional short term operating loans for 1985 (\$4,000,000) and 1986 (\$5,000,000).

Next priorities will be given to further expansion and development of complimentary enterprises and to those enterprises having a large, viable in-state market of food production. Large in-state markets exist for milk, grain and other crops and red meat. Priority consideration will also be given to existing enterprises which have received ARLF loans, and those enterprises needing funds to meet state required development schedules accordingly. For example, priority will be given to:

- Enterprises that already have a large in-state market of food production (e.g. milk, grain and other crops, and red meat).
- Enterprises complimenting other farm developments by providing in-state market for grain and hay.
- Enterprises that support the state's commitment to existing processing facilities
- Existing enterprises that have received previous ARLF loans.
- Enterprises requiring financing to meet state development schedules.

Priority for the remaining \$7.5 million of available loan funds is as follows:

- \$2,500,000 for Point MacKenzie dairies.
- \$500,000 for new dairies in Delta.
- \$1,500,000 for expansion of red meat production.
- \$1,000,000 for expanded capability in crop production.
- \$500,000 for clearing loans for smaller agricultural parcels on development schedule.
- \$750,000 for miscellaneous needs to existing borrowers.
- \$500,000 for farm product processing loans other than those for red meat and dairy projects.
- \$250,000 for chattel loans other than dairy and red meat projects.

✓ No priority will be given to fur farm loans, clearing loans on large projects receiving special clearing appropriations, further greenhouse development loans, tree farm loans, any other processing loans, horse farm loans or irrigation loans.

Loans approved within priority categories will be made based upon the following criteria:

1. Shorter loan amortization period.
2. Maximum borrower participation.
3. Maximum collateral strength.
4. Strongest cash flow picture.
5. Best proven management practices.
6. Best proof of market.

STATE OF ALASKA

DEPARTMENT OF NATURAL RESOURCES

DIVISION OF AGRICULTURE—AGRICULTURAL REVOLVING LOAN FUND

March 5, 1985

Ms. Melisa Fouse
C/O Senator Arliss Sturgulewski
Alaska State Senate
Pouch V
Juneau, AK 99811

Dear Ms. Fouse:

As per our phone conversation today, I have enclosed a copy of the "ARLF Loan Priorities Board Criteria and Standards *85-1". The attached document was adopted by the Loan Fund Board of the Agricultural Revolving Loan Fund at its meeting on February 6, 1985.

Sincerely,



Peter M. Probasco
Loan Manager

Enclosure

MAR 11 1985

BILL SHEFFIELD, GOVERNOR

P.O. BOX 2470
PALMER, ALASKA 99645-2470
PHONE: (907) 745-7200

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STATE OF ALASKA

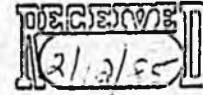
BILL SHEFFIELD, GOVERNOR

DEPARTMENT OF NATURAL RESOURCES

OFFICE OF THE COMMISSIONER

555 Cordova Street
Pouch 7-005
Anchorage, AK 99510
(907) 276-2653

February 8, 1985



May Danice
3600

Dear Alaskan:

Attached are proposed revisions to the regulations of the Department of Natural Resources. The department is soliciting public comments on these proposed regulations. Please see the attached legal notice for instructions on where and when to submit your comments at a public hearing.

The proposed changes implement changes to the interest rates charged for Agricultural Revolving Loan Fund loans. Decreasing state revenues and decreasing appropriations to the ARLF has necessitated development of a gradual system of increased interest rates for new loans based on the number of years a borrower has borrowed from the fund. The regulations provide that the interest rate shall remain at 8% for all loans obtained during the first six years following closing of the borrower's first loan. An increase of 1% per year for any new loans will occur from six years to ten years. Loans for borrowers who have been with the fund for more than ten years will increase to the commercial rate for the Federal Land Bank for the Alaska District. The intent of these regulations is to provide the agricultural borrower the advantage of low-interest, 8% loans, for the first six years to encourage development. A gradual increase in interest rate to the commercial Federal Land Bank rate will allow greater participation in lending by other entities while minimizing the effect of this transition on the business.

Your comments on the proposed draft regulations will be most useful to the department if you reference particular sections by number and if you suggest specific wording changes or other modifications you feel would result in improvement to the regulations. Thank you for your assistance.

Very truly yours,

A large, stylized handwritten signature of James K. Barnett.

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 03.10.020, proposes to amend regulations in Title 11 of the Alaska Administrative Code, dealing with graduating the Agricultural Revolving Loan Fund interest rate from eight percent to a commercial rate, to implement AS 03.10 as follows:

11 AAC 39 is amended by adding a new section which provides that interest rates on certain loans under the revolving loan fund will carry interest rates graduated from the current eight percent to the commercial rate. Various sections contained within 11 AAC 39 are also amended so as to comport with the new section.

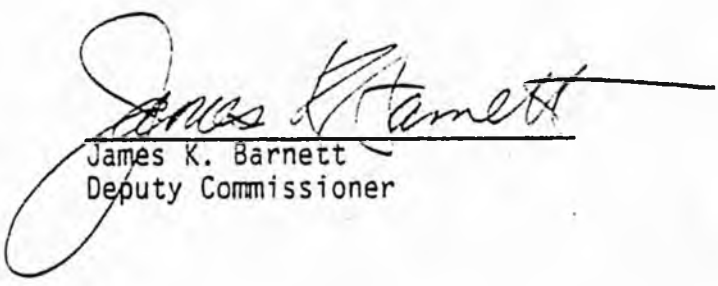
Notice is also given that any person interested may present oral or written statements or arguments relevant to the proposed action at a hearing to be held by teleconference at the legislative teleconference offices in Anchorage, Delta, Fairbanks, Wasilla, and Kenai at 6:30 p.m. on March 11, 1985. In addition, written statements or arguments may also be submitted by mail to the Division of Agriculture, Box 949, Palmer, Alaska 99645-0949 so that they are received by 4:30 p.m. on March 15, 1985.

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 Division of Agriculture at (907) 745-7200 or by calling either Office of the Commissioner at (907) 265-4131 in Anchorage or (907) 465-2400 in Juneau.

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

Date: 2-8-85


James K. Barnett
Deputy Commissioner

DRAFT

11 AAC 39 is amended by adding a new section to read:

11 AAC 39.261. INTEREST RATES. (a) The interest rate on borrower's first loan with the fund or on loans approved within six years following the closing of a borrower's first loan is eight percent. Interest rates on loans approved more than six years following the closing of a borrower's first loan with the fund shall be a graduated rate determined under (b) of this section, except that this rate may not exceed the commercial rate defined in (c) of this section.

(b) The graduated interest rate for loans approved more than six years following the closing of a borrower's first loan shall be:

(1) nine percent for loans approved more than six years but less than seven years following the closing of a borrower's first loan with the fund;

(2) ten percent for loans approved more than seven years but less than eight years following the closing of a borrower's first loan with the fund;

(3) eleven percent for loans approved more than eight years but less than nine years following the closing of a borrower's first loan with the fund;

(4) twelve percent for loans approved more than nine years but less than ten years following the closing of a borrower's first loan with the fund; and

(5) the commercial rate as determined in (d) of this section for loans approved more than ten years following the closing of a borrower's first loan with the fund.

(b) The commercial rate is the most current rate of the Federal Land Bank for the district for which Alaska is a part of at the time the loan is approved.

(c) This section governs all loans approved after July 1, 1985. (Eff. / /85, Register)

Authority: AS 03.10.020
AS 03.10.030
AS 03.10.050

11 AAC 39.131(a) is amended to read:

(a) A short-term loan will not exceed the maximum term and maximum dollar limit established under AS 03.10. The loan will bear interest at the rate determined under 11 AAC 39.261 [EIGHT PERCENT]. A short-term loan for seed, fertilizer, fuel, and other associated planting and harvesting expenses will not exceed the maximum dollar-per-acre-planted limit established under (b) of this section.

DRAFT

11 AAC 39.141(a) is amended to read:

(a) A farm development loan will not exceed the maximum term and maximum dollar limit established under AS 03.10. The loan will bear interest at the rate determined under 11 AAC 39.261 [EIGHT PERCENT].

11 AAC 39.151(a) is amended to read:

(a) An irrigation loan will not exceed the maximum term and maximum dollar limit established under AS 03.10. The loan will bear interest at the rate determined under 11 AAC 39.261 [EIGHT PERCENT].

11 AAC 39.161(a) is amended to read:

(a) A chattel loan will not exceed the maximum term and maximum dollar limit established under AS 03.10, and will not exceed a term of seven years. The loan will bear interest at the rate determined under 11 AAC 39.261 [EIGHT PERCENT].

11 AAC 39.171(a) is amended to read:

(a) A farm product processing loan will not exceed the maximum term and maximum dollar limit established under AS 03.10. The loan will bear interest at the rate determined under 11 AAC 39.261 [EIGHT PERCENT].

11 AAC 39.181(a) is amended to read:

(a) A land clearing loan will not exceed the maximum term and maximum dollar limit established under AS 03.10. The loan will bear interest at the rate determined under 11 AAC 39.261 [EIGHT PERCENT]. The loan will not exceed the maximum dollar-per-acre cleanup limit under (b) of this section and must be used for land qualifying for land clearing under (c) of this section.

GREENHOUSE GROWERS
(Alaska Horticultural Association)

John Collette, a member of the Alaska Horticultural Association, is from Fairbanks and presents the following points regarding greenhouse growers (and the Hort. Assn'n):

(1) Only eight loans to greenhouse growers have been made to date by the AG REvolving Loan Fund. Access to the loan funds was made available in 1984 legislation. Many more could take advantage of the AG loan funds, but the greenhouse growers have been given no priority loan status. Estimate at least 50 growers are trying to get loans. There are 156 growers now operating in Alaska.

(2) The Agriculture Loan Fund Board is being expanded to seven members, and the horticulturists are NOT represented. Request that one of their members be nominated (and appointed).

(3) Need a greenhouse specialists available for the Interior, preferably stationed at UAF. Currently there is ONE for the entire state. This, if funded, would come through the UAF Cooperative Extension Service.

(4) Soil Tests: Only available place for testing now is with Palmer Experiment Station. Takes anywhere from two to six months to get a soil sample back. Most growers send samples out of state.

(5) Greenhouse enterprises in Alaska number 156. These employ approximately 1,000 in the summer months. About 250 of these employees are year round.

6. Greenhouse enterprises gross roughly 17,000,000

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out about

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found info
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Regulation:

Process

Added to internal delegate

Gunnarson Schmitt 2

Davis

Holford

Kopman
Pomier

Kestalla

Chapter 82

AN ACT

Relating to the Alaska Agricultural Loan Act.

* Section 1. AS 03.10.020(1) is repealed and reenacted to read:

(1) make a loan to

03.10.020(1)

(A) an individual resident farmer, homesteader, or a partnership or corporation composed of farmers and homesteaders for

(i) clearing land for agricultural purposes;

(ii) development of farms;

(iii) storage and processing of farm produce; or

(iv) the purchase of livestock or machinery;

(B) an individual state resident, or a partnership or corporation for

(i) storage and processing plants for agricultural products;

(ii) the commercial production or processing of horticultural products in the state;

(iii) the commercial production or processing of animal feed in the state; or

(iv) the raising or care of animals in the state for the purpose of marketing their fur;

* Sec. 2. AS 03.10.020 is amended by adding a new subsection to read:

(b) In this section "horticultural products" means vegetables, CSSB 342(Fin)

03.10.020(b)

Chapter 82

1 fruit plants, grass seed, sod, tree seedlings, ornamental plants,
2 foliage, or flowering plants, grown in a greenhouse or nursery.

03.10.030(c)

3 * Sec. 3. AS 03.10.030(c) is amended to read:

4 (c) A short term loan, to be amortized within one year, not to
5 exceed \$350,000 to any one borrower may be made for operating pur-
6 poses, except that a loan made under this subsection may not exceed
7 \$200,000 unless the loan is made to a borrower in a farm disaster area
8 declared under AS 03.10.058. The term of a loan made under this
9 subsection may be extended for up to three years by the agricultural
10 revolving loan fund board, in the discretion of the board, upon appli-
11 cation by the borrower.

03.10.030(g)(4)

12 * Sec. 4. AS 03.10.030(g)(4) is repealed and reenacted to read:

13 (4) be made for clearing land other than land that has been
14 classified by the United States Department of Agriculture, Soil Con-
15 servation Service under the Land Capability Classification System as
16 having agricultural potential for the production of annual crops, hay,
17 or for pasture.

Eff. 8/30/84

Introduced: 1/30/85
Referred: Resources and
Finance

1 IN THE SENATE

BY KERTTULA

2

SENATE BILL NO. 110

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 agricultural loans."

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

8 * Section 1. AS 03.10.030(a) is amended to read:

9 (a) The farm development, chattel, or irrigation loan made under
10 this chapter

11 (1) may not exceed a term of 30 years, except that a
12 chattel loan may not exceed a term of seven years;

13 (2) may not, when added to the outstanding balance of other
14 loans made under this chapter, exceed a total outstanding balance of
15 \$2,000,000 [\$1,000,000];

16 (3) shall be secured by a real estate or chattel mortgage
17 of any priority, except that the portion of a loan that exceeds
18 \$500,000, when added to prior indebtedness that is secured by the same
19 property, must be secured by a first mortgage;

20 (4) shall bear interest at a rate that may not be less than
21 eight percent or more than the commercial rate, unless the commercial
22 rate is eight percent or less; in this paragraph "commercial rate"
23 means the prevailing rate of interest at private lending institutions
24 in the state for loans similar to those referred to in this subsection.
25

26 * Sec. 2. AS 03.10.030(c) is amended to read:

27 (c) A short term loan, to be amortized within one year, not to
28 exceed \$500,000 [\$350,000] to any one borrower may be made for operating
29 purposes, except that a loan made under this subsection may not

1 exceed \$400,000 [\$200,000] unless the loan is made to a borrower in a
2 farm disaster area declared under AS 03.10.058. An applicant for a
3 short term loan may be required to purchase insurance through the
4 Federal Crop Insurance Act (7 U.S.C. 1501 - 1520) as a condition of
5 the loan. The term of a loan made under this subsection may be ex-
6 tended for up to three years by the agricultural revolving loan fund
7 board, in the discretion of the board, upon application by the
8 borrower.

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 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.