

SB

41

1 IN THE SENATE

BY COGHILL

2 SENATE BILL NO. 41

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 payments on the sale of agricul-
7 tural land."

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

9 * Section 1. AS 38.05.065(h) is amended to read:

10 (h) The commissioner may declare a moratorium of up to 10 [FIVE]
11 years on payments on a sale of agricultural land under this section if
12 (1) the commissioner determines that the moratorium is in the best
13 interest of the state; (2) the commissioner certifies and the contract
14 purchaser agrees to perform farm development, crop production, and
15 harvesting, not including land clearing or related activity, requiring
16 the expenditure of amounts equivalent to the payments that would
17 otherwise be made during the moratorium; (3) the sale of the agricul-
18 tural land takes place after July 1, 1979; and (4) the contract pur-
19 chaser is in compliance with the development plan specified in the
20 purchase contract at the time the purchaser applies for a moratorium
21 under this subsection and remains in compliance with the development
22 plan during the moratorium. Interest does not [PAYMENTS ARE SUBJECT
23 TO THE MORATORIUM BUT INTEREST CONTINUES TO] accrue during the mora-
24 torium.

How will farmers be able to make loan payments after the moratoriums end, given that the production credit program will begin to decrease and eventually terminate?

For the following reasons, the department believes that farmers will be in a better financial position in the future if debt relief is provided now:

1. Per acre yields and livestock production will increase as farmers gain more knowledge about producing in Alaska. This is already occurring on individual farms.
2. Per acre yields will also increase as tilling of the new land increases.
3. Per farm production will increase as more land on individual farms becomes available for production following final clearing, berm removal, etc.
4. Expanded in-state markets can lead to increased per farm income.
5. Crop prices should generally increase over the next several years for two reasons: a) crop and livestock prices are probably at the low point in their cycles and, b) although inflation is low at the moment, it still exists and will lead to some overall price increases.
6. On-farm diversification, either through planting other crops such as rapeseed, or raising livestock, can lead to increased farm income.
7. By being relieved from debt now, farmers may be able to generate some savings for future loan payments.
8. As agriculture develops in Alaska, production costs should decrease relative to commodity prices due to increases in the scale of production in-state.
9. Allowing a farmer to return land to the State and then re-leasing it for farming purposes may assist farmers with insurmountable land debt problems.