

LEG. FINANCE - BILLS 1979 - 1980 1371

CSSB 475 cont., thru SB 475 1371

Table 19: Quarterly Cash Flow Projection for the 150 Cow Dairy Farm<sup>1</sup>

	1981-1982				1982-1983				1983-1984			
	Oct.-Dec.	Jan.-Mar.	Apr.-June	July-Sept.	Oct.-Dec.	Jan.-Mar.	Apr.-June	July-Sept.	Oct.-Dec.	Jan.-Mar.	Apr.-June	July-Sept.
<b>Cash Receipts</b>												
Calves	364	364	364	364	364	364	364	364	364	364	364	364
Cull Cows	0	0	0	3,375	5,062	5,062	5,062	5,062	5,062	5,062	5,062	5,062
Cull Heifers	0	0	0	0	0	0	0	0	900	900	900	900
Milk <sup>2</sup>	25,335	50,671	82,341	95,009	99,480	103,951	109,539	111,775	111,775	111,775	111,775	111,775
Total	25,669	51,035	82,705	98,748	104,906	109,377	114,965	117,201	118,101	118,101	118,101	118,101
<b>Cash Expenses</b>												
Feed <sup>2</sup>	80,332	22,247	79,899	51,603	43,092	36,571	84,628	52,648	46,909	36,649	84,667	52,648
Hired Labor	0	2,000	9,000	11,000	11,000	11,000	11,000	11,000	11,000	11,000	11,000	11,000
Property Taxes	0	12,811	0	0	0	14,683	0	0	0	14,683	0	0
Repairs & Maintenance	4,815	4,815	4,815	4,815	4,815	4,815	4,815	4,815	4,815	4,815	4,815	4,815
Electricity	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000
Breeding Fees	0	300	300	300	300	450	450	450	450	450	450	450
Semen	0	630	630	630	630	945	945	945	945	945	945	945
D.H.I.A.	540	0	0	0	540	0	0	0	540	0	0	0
Fuel & Oil	550	0	550	0	550	0	550	0	550	0	550	0
Insurance	3,954	0	3,954	0	3,954	0	3,954	0	3,954	0	3,954	0
Vet. & Drugs	800	800	800	800	800	800	800	800	800	800	800	800
Dairy Supplies	1,000	235	470	700	937	937	937	937	937	937	937	937
Calf Supplies	600	100	200	225	225	225	225	225	225	225	225	225
Bedding	3,750	0	0	0	4,100	0	0	0	4,100	0	0	0
Total	98,341	45,938	102,618	72,073	72,943	72,426	110,304	73,820	77,225	72,504	110,343	73,820
Net Profit (Loss)	(72,642)	5,097	(19,913)	26,675	31,963	36,951	4,661	43,381	40,876	45,594	7,758	44,281
Payment to Debt									32,141	32,141	32,141	32,141
Cumulative Operating Deficit or Net Profit	(72,642)	(67,545)	(87,458)	(60,783)	(28,820)	8,131	12,792	56,173	64,908	78,364	53,758	65,898
Livestock Purchases	144,000	144,000		36,800		36,800						
Dairy Facility Investment	1,234,909											

<sup>1</sup>All costs incurred in period prior to freshening of first cows are charged to first quarter of first year.

<sup>2</sup>In cash flow projection, feed cost includes feed fed to replacement stock.

3. Property taxes are paid in January.
4. Labor is first hired in months five, seven, and nine of year one.
5. Repairs, maintenance, and electric costs are equally distributed through the year.
6. Fuel is purchased twice yearly in April and October.
7. Insurance is paid semi-annually in April and October.
8. An initial purchase of \$1,000 of dairy supplies and \$600 of calf supplies is assumed. Thereafter, replacement of these supplies is proportionate to the number of cows milked in each quarter.
9. All bedding is purchased October 1.
10. Seventy-five percent of silage costs are incurred in April through May. The remaining 25% are encountered in July through September. Hay is purchased October 1.
11. All other costs are distributed equally over yearly quarters.
12. Repayment of debt on capital begins in the third year.

Assuming that production begins in October of 1981, a cumulative operating deficit results through December of 1982. Beginning in January through March of 1983, all losses have been recovered. A cumulative net profit continues for the remainder of the cash flow projection, even after the repayment of debt on the capital investment begins in the last quarter of 1983. Further, the dairy has cumulative silage assets of \$55,000 at the end of the 1983-1984 production year.

### SECTION 3

#### PROJECT CAPITAL REQUIREMENTS

To increase the volume of local milk to five million pounds per month, the initial phase of the Point MacKenzie Development Project will bring on-line dairy enterprises which will add 3,600 cows to the current 1,000 now producing milk in the Maranuska Valley. In addition, the dairy enterprises will produce haylage or silage for consumption on each farm. Each dairy enterprise will require an initial injection of capital. However, the total capital required will depend on the size mix of the dairies. Economic analyses indicate that 150 cow operations will probably generate the highest positive return. On the other hand, if herds are kept at approximately the annual production levels derived in a previous section, negative returns are not indicated for any of the dairy sizes considered. Therefore, it is likely that the size mix of dairy enterprises in the Point MacKenzie Project will depend on the management preference of the owners.

Table 20 lists the capital requirements for facilities, equipment and livestock, for milk, silage and haylage production on 50, 75, 100, and 150 cow dairies. Three scenarios were developed from these figures to indicate a low, possible intermediate and high level of capital requirement. The first (low), assumes that all dairies will be of the 150 cow size. The third (high) assumes all dairies at the 50 cow level. Neither of these is considered most likely. The intermediate scenario assumes an equal mix of the four sizes. Some type of mix will probably occur. This particular type is used only as an illustration. The resulting total capital requirements are shown in Table 21.

Table 20: Project Capital Requirements for 50, 75, 100, and 150 Cow Dairy Farms

	50 Cow	75 Cow	100 Cow	150 Cow
Dairy & Replacement Heifer Facilities	\$488,028	\$681,218	\$ 918,369	\$1,234,687
Silage Equipment <sup>a,b</sup>	77,050	77,050	77,800	101,875
Livestock	96,000	144,000	192,000	288,000
TOTAL	\$661,078	\$902,268	\$1,188,169	\$1,624,562

<sup>a</sup>Natural Resource Economics Division—Economics, Statistics and Cooperative Service—USDA.

<sup>b</sup>Excludes the price and clearing cost of land.

Table 21: Low, Intermediate and High Project Capital Requirement Scenarios

	High	Intermediate	Low
Size of Dairies	50 cow	50, 75, 100, 150 Cow	150 cow
Number of Dairies	60	5-50 cow 10-75 cow 8-100 cow 8-150 cow	20
Number of Cows	3,000	3,600	3,600
Cropped Acreage Required <sup>a</sup>	9,000	9,000	9,000
Capital Required <sup>b</sup>	\$42.1 M	\$37.3 M	\$34.9 M

<sup>a</sup>If each farm were allotted 640 acres, this figure would increase to 38,400, 19,840 and 12,800 acres for the high, intermediate and low scenarios, respectively.

<sup>b</sup>\$2.43 M is land cost at \$50 for purchase and \$220 for clearing. Only the cropped acreage is included in this figure. If 640 acres were allotted to each farm, the land cost would increase to \$10.4 M, \$5.4 M, and \$3.5 M for the high, intermediate and low scenarios, respectively.

## SECTION 4

### MARKETING AND COMPETITIVE POSITION

#### Marketing

Milk is one of the few agricultural products which currently has a well organized marketing system in Alaska. In a letter to Governor Hammond dated May 4, 1979, Matanuska Maid, a dairy farmer cooperative, identified the fresh milk market in Alaska, excluding the southeast portion of the state, as approximately 6,500,000 pounds per month. About 19% is milk produced in Alaska, with the remaining 81% being shipped in by bulk and processed here or processed and packaged for retail sales outside the state before shipment to Alaska.

There are currently two major milk processors in Alaska, Matanuska Maid and Arden Farms both located in Anchorage. Matanuska Maid processes all the milk produced in Alaska. The problem for the two major processors is maintaining a market share relative to outside price and, thereby, maintaining a volume of milk for efficient processing. In state milk production has declined from 22.1 million pounds in 1961 to 14.4 million pounds in 1978. Importation of milk has been used to replace the loss in state milk production.

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

An important question is "can new milk producers at Point MacKenzie reasonably expect to have a market for their milk?" As might be anticipated, there is no easy answer to this question. Some consumers may not buy Alaska produced milk out of choice even if it is price competitive, while other consumers likely would be willing to pay a premium for local milk. Some

retail firms may prefer and be under economic pressure not to handle local milk unless it is competitive with outside milk. It is likely that considerably less than 100% of market will be supplied by local milk even with Point MacKenzie.

#### Competitive Position of Alaskan Produced Milk

The current competitive position of Alaskan produced milk compared with alternative sources is analyzed below. The analysis is important when considering the future of the Alaskan dairy industry. While disagreement is possible for any figure given, we are confident that the cost data in the analysis are generally accurate. To the degree that there are inaccuracies, their magnitude would not be great enough to alter any of our conclusions.

Milk produced in Alaska must compete for a reasonable market share with milk shipped in from outside the state. As shown in Column 1, Table 22 Alaska farmers price were receiving \$16.84 per hundred weight (cwt) in November, 1979. Farm to processor transportation costs by regulated carrier was \$1.36 per cwt. The total cost for Alaska produced milk to an Anchorage processor was \$18.20 per cwt. Local processing costs add another \$13.61 per cwt and bring the total cost delivered to the retail store dock to \$31.81 per cwt. Milk shipped in by bulk and processed locally had a slightly higher wholesale cost of \$33.04 per cwt. Prepackaged milk shipped in from the Puget Sound had a significantly lower wholesale cost. Columns 3 and 4 in Table 22 present the cost of prepackaged milk using a Class I price (regulated handler) and blend price (non-regulated producer/distributor). These total \$27.20 and \$26.20 per cwt which is a reduction of \$4.61 and \$5.60, respectively over Alaskan produced and processed milk. Recombined milk (dry skim milk and butterfat shipped in from out of state and recombined in Alaska) was competitive with the prepackaged milk even with the higher Alaska processing costs.

Ignoring recombined milk because its ingredients are not produced in Alaska, further consideration is required to understand the large difference between local and outside processing costs. Anchorage milk processing plants generally have substantially lower volume than their

Table 22: Estimated Costs for Alternative Sources of Milk Delivered to Anchorage Retail Stores  
November 1979

	Local Farmers	Fresh Milk from Seattle			Ingredients to Recombine
		Bulk	Prepackaged Class I	Processor- Distributor	
Farm Value	16.84 <sup>a</sup>	12.85 <sup>b</sup>	12.85 <sup>b</sup>	11.85 <sup>b</sup>	
Delivered to Plant	18.20 <sup>a</sup>	13.10 <sup>d</sup>	13.10 <sup>d</sup>	12.10 <sup>c</sup>	11.34 <sup>f</sup>
Processing Cost	13.61	13.61	5.27	5.27	13.61
Butter and Powder					1.00 <sup>j</sup>
Haul to Washington Pier		.65 <sup>j</sup>			
Transportation to Alaska	—	3.68 <sup>j</sup>	8.83 <sup>k</sup>	8.83 <sup>k</sup>	.70 <sup>l</sup>
Service charges	—	2.00 <sup>m</sup>	—	—	
Recombining Cost	—	—	—	—	.10 <sup>i</sup>
Cost at Wholesale					
Per 100 Pounds	31.81	33.04	27.20	26.70	26.75
Per 1/2 gal.	1.37	1.42	1.13	1.17	1.15
Cost Per 1/2 gal. Retail <sup>n</sup>	1.58	1.63	1.35	1.30	1.32

<sup>a</sup>FOB price at farm for milk produced in the Matanuska Valley.

<sup>b</sup>Transportation cost of \$.25 from farm to processor in Puget Sound area is an estimate.

<sup>c</sup>Cost of local milk at an Anchorage processing plant.

<sup>d</sup>Estimated Puget Sound Class I price, November 1979.

<sup>e</sup>Estimated Puget Sound Blend price, November 1979.

<sup>f</sup>Estimated manufacturing milk price in all federal order marketing areas.

<sup>g</sup>Includes fluid bottling and distribution to retail. Source: an Anchorage milk processing plant.

<sup>h</sup>Calculated from \$.79 per half gallon wholesale price in Seattle or \$17.53 per cwt less \$13.10 equals \$4.83.

<sup>i</sup>Source: Hammond, Buxton and Thraen.

<sup>j</sup>Source: An Anchorage milk processing firm.

<sup>k</sup>Based on a quote of \$.38 per half gallon transportation cost between Seattle and Anchorage. Source: A Seattle milk processing company.

<sup>l</sup>Source: Based on Matanuska Maid quote of \$4.50 transportation cost per 100 pounds of non-fat dry milk or 100 pounds of butter.

<sup>m</sup>Cost of pasteurization, profit, etc. Source: An Anchorage milk processing firm.

<sup>n</sup>Assumes 15% markup.

Seattle competitors, therefore a higher cost per unit processed. The Anchorage plants also have higher labor costs. An important question to ask is "can these economic disadvantages be overcome?" Table 23 represents the cost associated with a typical processing plant in Anchorage. A monthly volume of 2 million pounds was assumed and the total cost per cwt was determined to be \$31.81. This production level, however, implies that such a plant is substantially underutilized. If volume were to increase to 5 million pounds per month, plant costs per unit of production would drop substantially. Cost per hundred weight at this volume would be approximately the same as prepackaged Class I milk shipped in from Seattle. Further, if improved technology were incorporated into this plant and interstate bulk milk shipment was deregulated, then local milk could be produced and processed at a cost approaching processor-distributor milk from Puget Sound. In other words, with changes in the industry Alaska milk can again become competitive.

Is this scenario a real possibility? First, 5 million pounds is 76% of the current market for fresh milk in Alaska excluding southeast. State population is expected to grow to 496,000 in five years. This means that the milk market, assuming no change in consumption patterns, would increase to 8 million pounds. Thus the 5 million pounds of locally produced milk would account for only 62% of total consumption.

It is clear that without greater volume and plant modernization, dairy farmers in Alaska must bear a greater portion of the differential that currently exists between prepackaged outside milk and local milk to be fully competitive. The existing small dairy industry may be able to survive with its premium priced product. However, the only way to lower the price of Alaska milk to the consumer, assuming no relative cost changes, is through expansion of local milk production, subsequent increases in processing volume and additions in processing technology.

Table 23: Estimated Cost Per Hundred Weight of Milk Through a Typical Anchorage Milk Processing Plant and Delivered to Retail Stores

	VOLUME PER MONTH		
	2 Million Pounds	5 Million Pounds	
	No Change in Technology	No Change in Technology	Improved Technology
Milk and Carton	19.64	19.64	19.18 <sup>a</sup>
Plant Labor	1.80	1.17	.99
Plant Overhead	1.77	1.15	.98
Distribution to Retail	6.28	4.08	4.08
Administration and Profit	2.32	1.50	1.50
<b>Total</b>	<b>31.81</b>	<b>27.54</b>	<b>26.73</b>

<sup>a</sup>Reduction in bulk transportation cost from Matanuska Valley/Point MacKenzie to Anchorage due to deregulation of intrastate bulk milk movement.

## SECTION 5

### IMPLICATIONS

Dairying at Point MacKenzie appears economically feasible if the price paid to the dairyman remains at \$16.84 per cwt. The largest herd size considered, 150 cows, was the most economically viable. A positive cash flow could be generated for this dairy by the middle of the second year of operation. Table 24 indicates the number of pounds of milk per cow required annually to cover all costs at \$16.84 per cwt.

The critical aspect of a new milk industry in Alaska is processing. The dairy farmers both new and old must press for greater efficiency in processing. A major concern is high labor costs relative to Seattle. We conclude that Anchorage milk processing labor wages should be related to Seattle wage levels for comparable employment plus an appropriate cost of living differential. Presently, we have no evidence that this is the case.

A second suggestion is that along with increased volume, an effort should be made to modernize milk processing in Alaska. The Alaska Renewable Resources Corporation should be considered a potential financier for improved equipment. Another source could be existing state loan programs in the Alaska Department of Commerce and Economic Development. However, these financing agencies should be very cognizant of the need for greater efficiency and improved management within the processing sector.

Our suspicion is that future transportation rates to Alaska will reflect a greater than relative change to other costs. This will be due in large measure to the higher costs of petroleum. If so, the transportation advantage currently available to imported prepackaged milk may be reduced. A second factor to consider is the possible adoption of a fair trade practice law or milk marketing order for Alaska, whichever is most appropriate. These approaches are used in other states to prevent market disruption caused by pricing below cost. We do not have sufficient evidence to indicate this practice is occurring, but such activity would surely be detrimental to a small but expanding local dairy industry.

Table 24: Production Rates and Returns for 50, 75, 100, and 150 Cow Dairy Farms

	50 Cows	75 Cows	100 Cows	150 Cows
lbs/cow to cover all costs @ \$16.84/cwt	16,292 <sup>a</sup>	14,750	15,032	14,231
Net return/cwt at 16,000 lbs/cow	(\$.31) <sup>b</sup>	\$1.26	\$1.02	\$1.32
Net return/cwt at 15,000 lbs/cow	(\$1.22)	\$ .22	(\$ .04)	\$ .29
Net return/cwt at 14,000 lbs/cow	(\$2.76)	(\$ .96)	(\$1.24)	(\$ .89)

<sup>a</sup>At a production rate of 17,000 pounds per cow, the 50 dairy would realize a net return of \$.70/cwt.

<sup>b</sup>( ) implies negative returns.

To conclude this report several points should be noted. While we are confident that our analysis is a good approximation of real world conditions, it should be kept in mind that the data are estimates. We have identified a major weak link in the present Alaskan dairy industry, that of local processing. Still, realizing that risk is associated with any action, we believe the local dairy industry can grow if two conditions are met. First, individual dairy farms will require good management to be successful. Second, and most important, the processing sector must become more efficient. If milk production increases, some gains in efficiency will result with no action required from the processing sector as economies are realized because of added volume. Also, it is reasonable to expect that with the prospect of a continuing industry and the availability of low interest loans from the state, processors will take advantage of cost reductions available through the latest technology.

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Figure 2. Typical Stanchion Barns. The upper drawing illustrates a typical stanchion barn. The unit shown houses 60 milking cows. The lower illustration is a 100-cow, free-stall facility including a holding area (HA), maternity area (MA), hospital (H), milking parlor (MP), milk room (MR), utility and office area (U, O), and a loading chute (LC). (From: Midwest Plan Service. Dairy Housing and Equipment Handbook. Iowa State University, Ames. 1978).

Figure 3. Manure Storage Basins. Two types of manure storage basins. The upper illustration includes a picket gate or a plank or concrete wall to facilitate unloading. (From: Midwest Plan Service. Dairy Housing and Equipment Handbook. Iowa State University, Ames. 1978).

BUDGET REQUIREMENTS FOR THREE YEARS

Financing Needs:

Land Clearing - 12,000A+ @ \$220/acre 1st yr. - \$1.2 mil, 2nd yr. - \$1.0 mil, 3rd yr. - \$0.5 mil	\$2,700,000
Dairy Buildings and Equipment - 1,000,000 per unit average for 25 operators	25,000,000
Livestock and Chattles for above units 1st yr - \$2.4 mil, 2nd yr - \$4 mil	7,300,000
Logging Operations Loans 1st yr - \$1 mil, 2nd yr \$0.5 mil	1,500,000
Assistance for processing plant renovation and milk transportation upgrading 2nd yr - \$2 mil	<u>2,000,000</u>
TOTAL LOANS	\$38,500,000

Capital Costs for State Projects:

Market Roads @ \$100,000/mile - 14.5 miles (Funded through Department of Transportation Budget) 1st yr - \$1.45 mil	1,450,000
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Administrative Costs:

Survey Costs (Funded through Alaska Division of Lands Budget) 1st yr - \$0.3 mil	300,000
Project Coordinator and related cost 1st yr - \$150,000, 2nd yr - \$100,000, 3rd yr - \$100,000	350,000
Extension Services (Funded through U of A Cooperative Extension Budget)	
- Extension Dairyman and support 1st yr - \$80,000, 2nd yr - \$80,000, 3rd yr - \$80,000	240,000
- Extension Forester and support 1st yr - \$80,000, 2nd yr - \$80,000, 3rd yr - \$30,000	190,000
- Extension Engineer and support 1st yr - \$80,000, 2nd yr - \$80,000, 3rd yr - \$30,000	190,000
Miscellaneous Costs 1st yr - \$150,000, 2nd yr - \$150,000, 3rd yr - \$100,000	400,000
Loan Fund Administration Additional	60,000

Total State Capital

TOTAL PROJECT FUNDING REQUIRED FOR THREE YEARS	\$41,680,000
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PT. MACKENZIE PROJECT

Estimated Labor Payroll

Clearing Operations	\$ 2.7 million	40% labor	\$ 1,080,000
Dairy Buildings and Equipment	\$25.0 million	30% labor	\$ 7,500,000
Logging Operations	\$ 1.5 million	30% labor	\$ 450,000
Road Construction	\$ 1.45million	30% labor	\$ 435,000
Survey Operations	\$ .3 million	50% labor	<u>\$ 180,000</u>
		Total Project Area Labor	\$ 9,645,000

MATANUSKA-SUSITNA BOROUGH

RESOLUTION SERIAL NO. 79-56

A RESOLUTION OF THE ASSEMBLY OF THE MATANUSKA-SUSITNA BOROUGH CONCURRING WITH THE RECOMMENDATION OF THE RURAL DEVELOPMENT COUNCIL FOR A DAIRY PROJECT FOR THE POINT MACKENZIE AREA.

WHEREAS, there is an active Rural Development Council within the Matanuska-Susitna Borough; and

WHEREAS, there is a need for the expansion of agriculture and, specifically, for dairy products in the State of Alaska; and

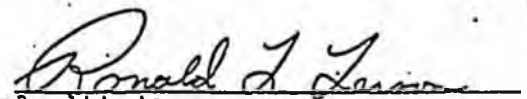
WHEREAS, the State of Alaska has classified thousands of acres as agricultural land within the Point MacKenzie area and this acreage would support an invaluable dairy industry for the State of Alaska; and

WHEREAS, the Matanuska-Susitna Borough, in concert with the State of Alaska, is pursuing road access to the entire Point MacKenzie area; and

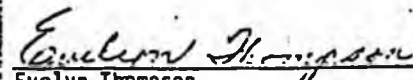
WHEREAS, the Rural Development Council has determined that the Point MacKenzie area would support a viable dairy industry and has indicated its intent to make a recommendation to the Governor of the State of Alaska that a Point MacKenzie Dairy Project be developed;

NOW THEREFORE, BE IT RESOLVED that the Borough Assembly of the Matanuska-Susitna Borough concur with the recommendation of the Rural Development Council and request that the Governor of the State of Alaska take any action necessary to implement the Point MacKenzie Dairy Project.

PASSED AND APPROVED by the Borough Assembly of the Matanuska-Susitna Borough this 3rd day of May, 1979.

  
Ronald L. Larson  
Borough Mayor

ATTEST:

  
Evelyn Thompson  
Borough Clerk

(SEAL)

Funding Information

General Fund	\$56,030,000
Other Funds	-0-
	<u>\$56,030,000</u>

1 IN THE SENATE

2 SENATE BILL NO.

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 ELEVENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act making appropriations for the development of  
7 agriculture; and providing for an effective date."

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

9 \* Section 1. The sum of \$2,000,000 is appropriated from the general fund  
10 to the Alaska Agricultural Action Council, Department of Commerce and Economic  
11 Development, to finance the operation of the Delta agricultural development  
12 project. The sum appropriated shall be allocated as follows:

- 13 (1) Land clearing \$1,000,000
- 14 (2) Administration expenses 100,000
- 15 (3) Continuation of test marketing program 900,000

16 \* Sec. 2. The sum of \$5,580,000 is appropriated from the general fund to  
17 the Alaska Agricultural Action Council, Department of Commerce and Economic  
18 Development, to finance the Point MacKenzie agricultural development project.  
19 The sum appropriated shall be allocated as follows:

- 20 (1) Survey cost \$ 300,000
- 21 (2) Land clearing 3,600,000
- 22 (3) Administration expenses 150,000
- 23 (4) Construction of access roads 1,450,000
- 24 (5) Dairy specialist and support 80,000

25 \* Sec. 3. The sum of \$7,950,000 is appropriated from the general fund to  
26 the Alaska Agricultural Action Council, Department of Commerce and Economic  
27 Development, to finance a new agricultural development project in the vicinity  
28 of Delta to be known as the Delta II agricultural development project. The  
29 sum appropriated shall be allocated as follows:

1	(1) Survey cost	\$ 300,000
2	(2) Land clearing (phase I)	4,000,000
3	(3) Loan for elevator construction	1,500,000
4	(4) Administration expenses	150,000
5	(5) Construction of access roads	2,000,000

6 \* Sec. 4. The sum of \$40,500,000 is appropriated from the general fund to  
7 the agricultural revolving loan fund established under AS 03.10.040 to be  
8 available for agricultural loans under AS 03.10.

9 \* Sec. 5. The unexpended and unobligated portion of the appropriations  
10 made in secs. 1-3 of this Act lapse into the general fund June 30, 1983.

11 \* Sec. 6. This Act takes effect immediately in accordance with AS 01.10.-  
12 070(c).

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1 IN THE SENATE

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IN THE LEGISLATURE OF THE STATE OF ALASKA

4

ELEVENTH LEGISLATURE - SECOND SESSION

5

A BILL

6

For an Act entitled: "An Act relating to the sale of agricultural land  
7 located in an agricultural development project."

8

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

9

\* Section 1. AS 44.33.450(a) is amended to read:

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(a) There is established in the Office of the Governor [DEPARTMENT  
OF COMMERCE AND ECONOMIC DEVELOPMENT] the Alaska Agricultural Action  
Council. The council is composed of five members appointed by the  
governor. The chairman of the council is to be designated by the gover-  
nor from among the members.

15

\* Sec. 2. AS 44.33 is amended by adding new sections to read:

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Sec. 44.33.480. SALE OF AGRICULTURAL LAND. (a) Before state land  
located in an agricultural development project may be sold or leased,  
the following procedures must be completed:

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(1) the council shall determine the uses for agricultural  
land located in an agricultural development project;

(2) the department shall, according to instructions from the  
council, survey the agricultural land in an agricultural development  
project into parcels which are consistent with criteria developed by the  
council;

(3) the council shall adopt criteria establishing residency,  
skill, experience, and financial qualifications it considers necessary  
for purchasers or lessees of agricultural land in an agricultural de-  
velopment project;

(4) the department shall offer the agricultural land for

1 disposal under the procedures prescribed in the Alaska Land Act  
2 (AS 38.05), in the manner and at the time consistent with criteria  
3 adopted by the council, and subject to review and approval by the coun-  
4 cil of the

5 (A) terms of sale,

6 (B) land values,

7 (C) farm development requirements, and

8 (D) requirements, terms, and administration of land

9 clearing contracts;

10 (5) the department shall transmit all lottery applications  
11 received for the agricultural land and a statement of the qualifications  
12 of persons who wish to bid on the land to the council for evaluation  
13 accordi to the residency, skill, experience, and financial qualifica-  
14 tions adopted by the council;

15 (6) the council shall advise the department which bidders or  
16 lottery applicants are qualified to purchase the agricultural land; and

17 (7) if the other requirements of AS 38.05 are satisfied, the  
18 department shall conduct the lottery or auction.

19 (b) A determination by the council that a bidder or lottery appli-  
20 cant is unqualified to purchase agricultural land is a final administra-  
21 tive order which is subject to judicial review under AS 44.62.560 and  
22 44.62.570.

23 Sec. 44.33.485. PROJECT ADMINISTRATOR. The council shall employ  
24 project administrator who will be in charge of the detailed affairs of  
25 each agricultural development project authorized under AS 44.33.475. A  
26 project administrator serves at the direction and at the pleasure of the  
27 council. A project administrator is authorized to employ and determine  
28 the compensation of members of his staff within the limitation of the  
29 budget approved by the council. A project administrator is in the

1 partially exempt service under AS 39.25.120.

2 \* Sec. 3. AS 44.33.500 is amended by adding a new paragraph to read:

3 (3) "department" means the Department of Natural Resources.

4 \* Sec. 4. AS 38.05.045 is amended to read:

5 Sec. 38.05:045. GENERALLY. All lands owned in fee by the state or  
6 to which the state may become entitled, excepting tide, submerged or  
7 shorelands, and timber or grazing lands, may be sold as provided in  
8 AS 38.05.045 - 38.05.069 and AS 38.08. However, this section does not  
9 prevent the disposition of lands as provided in AS 38.05.300 - 38.05.348  
10 and AS 44.33.480.

11 \* Sec. 5. AS 38.05.057(c) is amended to read:

12 (c) The Alaska Agricultural Action Council established under  
13 AS 44.33 [COMMISSIONER] may adopt criteria [REGULATIONS UNDER THE ADMIN-  
14 ISTRATIVE PROCEDURE ACT (AS 44.62)] which specify qualifications for  
15 lottery participants different from those specified in (b) of this  
16 section if

17 (1) an interest in land limited to agricultural purposes is  
18 to be sold under (a) of this section;

19 [(2) THE SALE IS A PART OF A PROGRAM TO DEVELOP AGRICULTURAL  
20 LAND AS A RENEWABLE RESOURCE OF THE STATE; AND]

21 (3) the criteria [REGULATIONS] include residency, skill,  
22 experience, and financial requirements necessary to qualify persons who  
23 are competent [AND FINANCIALLY ABLE] to develop the land as a successfu  
24 agricultural enterprise; and

25 (4) the land is located in an agricultural development pro-  
26 ject authorized under AS 44.33.475.

27 \* Sec. 6. AS 39.25.120 is amended by adding a new paragraph to read:

28 (12) an agricultural development project administrator under  
29 the direction of the Alaska Agricultural Action Council in the Office of

the Governor.

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LA-L 20

Original sponsor: Rules/Governor's Agricultural  
Policy Task Force

Offered: 5/6/80  
Referred: Rules

1 IN THE SENATE

BY THE FINANCE COMMITTEE

2 CS FOR SENATE BILL NO. 475

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 ELEVENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act establishing the Point MacKenzie agricultural  
7 development project; and providing for an effective  
8 date."

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

10 \* Section 1. AS 03 1.3 amended by adding a new chapter to read:

11 CHAPTER 38. AGRICULTURAL DEVELOPMENT PROJECTS.

12 Sec. 03.38.010. POINT MACKENZIE AGRICULTURAL DEVELOPMENT PROJECT.

13 (a) Under the authority granted by art. VIII, secs. 6, 8, and 9 of the  
14 state constitution, the Point MacKenzie agricultural development project  
15 described in AS 03.38.020 is established. State land located within the  
16 boundaries of this project which is not necessary to protect public  
17 access or reasonable concurrent uses shall be disposed of for agricul-  
18 tural use under AS 38.05.

19 (b) The Alaska Agricultural Action Council established in AS 44.-  
20 33.450 shall administer the Point MacKenzie agricultural development  
21 project and may

22 (1) contract for the clearing, draining and breaking of the  
23 land located in the project;

24 (2) contract for the construction of access roads in the  
25 project; and

26 (3) contract with the purchasers of the land cleared and  
27 drained under (1) of this subsection for repayment to the state of the  
28 cost of the clearing, draining and breaking of the land.

29 Sec. 03.38.020. PROJECT DESCRIPTION. The Point MacKenzie agricul-

1 tural development project consists of state land located in the fol-  
2 lowing described parcels:

3 (1) Township 14 North, Range 4 West, Seward Meridian

4 Section 5: W1/2, NE1/4, N1/2 of the SE1/4

5 Section 6

6 Section 7

7 Section 18: N1/2 of the NW1/4, NW1/4 of the NE1/4

8 (2) Township 14 North, Range 5 West, Seward Meridian

9 Section 1: SE1/4, S1/2 of the NE1/4, NE1/4 of the NE1/4, E1/2 of the  
10 NW1/4 of the NE1/4

11 Section 12: E1/2

12 (3) Township 15 North, Range 4 West, Seward Meridian

13 Section 7

14 Section 17: S1/2, NW1/4

15 Sections 18 and 19

16 Section 20: W1/2, W1/2 of the NW1/4 of the NE1/4, W1/2  
17 of the SW1/4 of the NE1/4, W1/2 of the NW1/4 of the SE1/4, SE1/4 of the  
18 NW1/4 of the SE1/4, S1/2 of the NE1/4 of the SE1/4, S1/2 of the SE1/4

19 Sections 29 - 31

20 Section 32: N1/2, SW1/4, W1/2 of the SE1/4

21 (4) Township 15 North, Range 5 West, Seward Meridian

22 Section 1

23 Section 2: E1/2, N1/2 of the NW1/4, NE1/4 of the SE1/4  
24 of the NW1/4

25 Section 11: E1/2, E1/2 of the NW1/4, E1/2 of the SW1/4

26 Sections 12 and 13

27 Section 14: E1/2, SW1/4, E1/2 of the NW1/4

28 Sections 23 - 25

29 Section 26: N1/2, SE1/4

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Section 35: N1/2, SE1/4

(5) Township 16 North, Range 4 West, Seward Meridian

Section 31: S1/2 of the SE1/4, S1/2 of the NE1/4 of the SE1/4, S1/2 of the NW1/4 of the SE1/4, S1/2 of the SE1/4 of the SW1/4, S1/2 of the SW1/4 of the SW1/4

Section 32: SE1/4 of the SE1/4, E1/2 of the SW1/4 of the SE1/4, SW 1/4 of the SW 1/4 of the SE1/4, SW1/4 of the SW1/4, W1/2 of the SE1/4 of the SW1/4, SE1/4 of the SE1/4 of the SW1/4

Section 33: S1/2 of the NW1/4 of the SW1/4, S1/2 of the NE1/4 of the SW1/4, NE1/4 of the NE1/4 of the SW1/4, N1/2 of the SE1/4 of the SW1/4, N1/2 of the SW1/4 of the SW1/4

(6) Township 16 North, Range 5 West, Seward Meridian

Section 26: S1/2 of the SE1/4, S1/2 of the SW1/4

Section 35

Section 36: W1/2 of the NW1/4 of the NW1/4, W1/2 of the SW1/4 of the NW1/4, SE1/4 of the SW1/4 of the NW1/4, W1/2 of the NW1/4 of the SW1/4, S1/2 of the SW1/4, S1/2 of the SW1/4 of the SE1/4, S1/2 of the SE1/4 of the SE1/4.

\* Sec. 2. This Act takes effect immediately in accordance with AS 01.10.-070(c).



# RECORDS



# CERTIFICATION

I, the undersigned, an employee of the State of Alaska, do hereby certify that the microfilm images on this microform are accurate reproductions of the original records of the State of Alaska as accumulated during the regular course of business, and that it is the established policy and practice of this State to microfilm its records and to dispose of the original records after microfilm reproductions have been made.

James O. Smith  
Signature of Camera Operator

3/23/90  
Date



Original sponsor: Rules/Governor's Agricultural  
Policy Task Force

1 IN THE SENATE

BY THE FINANCE COMMITTEE

2 CS FOR SENATE BILL NO. 475

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 ELEVENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act establishing the Point MacKenzie agricultural  
7 development project; and providing for an effective  
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10 \* Section 1. AS 03 is amended by adding a new chapter to read:

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12 Sec. 03.38.010. POINT MACKENZIE AGRICULTURAL DEVELOPMENT PROJECT.

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18 tural use under AS 38.05.

19 (b) The Alaska Agricultural Action Council established in AS 44.-  
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5 Section 6

6 Section 7

7 Section 18: N1/2 of the NW1/4, NW1/4 of the NE1/4

8 (2) Township 14 North, Range 5 West, Seward Meridian

9 Section 1: SE1/4, S1/2 of the NE1/4, NE1/4 of the NE1/4, E1/2 of the  
10 NW1/4 of the NE1/4

11 Section 12: E1/2

12 (3) Township 15 North, Range 4 West, Seward Meridian

13 Section 7

14 Section 17: S1/2, NW1/4

15 Sections 18 and 19

16 Section 20: W1/2, W1/2 of the NW1/4 of the NE1/4, W1/2  
17 of the SW1/4 of the NE1/4, W1/2 of the NW1/4 of the SE1/4, SE1/4 of the  
18 NW1/4 of the SE1/4, S1/2 of the NE1/4 of the SE1/4, S1/2 of the SE1/4

19 Sections 29 - 31

20 Section 32: N1/2, SW1/4, W1/2 of the SE1/4

21 (4) Township 15 North, Range 5 West, Seward Meridian

22 Section 1

23 Section 2: E1/2, N1/2 of the NW1/4, NE1/4 of the SE1/4  
24 of the NW1/4

25 Section 11: E1/2, E1/2 of the NW1/4, E1/2 of the SW1/4

26 Sections 12 and 13

27 Section 14: E1/2, SW1/4, E1/2 of the NW1/4

28 Sections 23 - 25

29 Section 26: N1/2, SE1/4

1 Section 35: N1/2, SE1/4

2 (5) Township 16 North, Range 4 West, Seward Meridian

3 Section 31: S1/2 of the SE1/4, S1/2 of the NE1/4 of the  
4 SE1/4, S1/2 of the NW1/4 of the SE1/4, S1/2 of the SE1/4 of the SW1/4,  
5 S1/2 of the SW1/4 of the SW1/4

6 Section 32: SE1/4 of the SE1/4, E1/2 of the SW1/4 of the  
7 SE1/4, SW 1/4 of the SW 1/4 of the SE1/4, SW1/4 of the SW1/4, W1/2 of  
8 the SE1/4 of the SW1/4, SE1/4 of the SE1/4 of the SW1/4

9 Section 33: S1/2 of the NW1/4 of the SW1/4, S1/2 of the  
10 NE1/4 of the SW1/4, NE1/4 of the NE1/4 of the SW1/4, N1/2 of the SE1/4  
11 of the SW1/4, N1/2 of the SW1/4 of the SW1/4

12 (6) Township 16 North, Range 5 West, Seward Meridian

13 Section 26: S1/2 of the SE1/4, S1/2 of the SW1/4

14 Section 35

15 Section 36: W1/2 of the NW1/4 of the NW1/4, W1/2 of the  
16 SW1/4 of the NW1/4, SE1/4 of the SW1/4 of the NW1/4, W1/2 of the NW1/4  
17 of the SW1/4, S1/2 of the SW1/4, S1/2 of the SW1/4 of the SE1/4, S1/2 of  
18 the SE1/4 of the SE1/4.

19 \* Sec. 2. This Act takes effect immediately in accordance with AS 01.10.-

20 070(c).

Introduced: 2/18/80  
Referred: Resources and  
Finance

BY THE RULES COMMITTEE BY REQUEST  
OF THE GOVERNOR'S AGRICULTURAL  
POLICY TASK FORCE

1 IN THE SENATE

2 SENATE BILL NO. 475

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 ELEVENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act establishing the Point MacKenzie agricultural  
7 development project; and providing for an effective  
8 date."

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19 (b) The Alaska Agricultural Action Council established in AS 44.-  
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2 lowing described parcels:

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4 Section 5: W1/2, NE1/4, N1/2 of the SE1/4

5 Section 6

6 Section 7

7 Section 18: N1/2 of the NW1/4, NW1/4 of the NE1/4

8 (2) Township 14 North, Range 5 West, Seward Meridian

9 Section 1: SE1/4, S1/2 of the NE1/4, NE1/4 of the NE1/4, E1/2 of the  
10 NW1/2 of the NE1/4

11 Section 12: E1/2

12 (3) Township 15 North, Range 4 West, Seward Meridian

13 Section 7

14 Section 17: S1/2, NW1/4

15 Sections 18 and 19

16 Section 20: W1/2, W1/2 of the NW1/4 of the NE1/4, W1/2  
17 of the SW1/2 of the NE1/4, W1/2 of the NW1/4 of the SE1/4, SE1/4 of the  
18 NW1/4 of the SE1/4, S1/2 of the NE1/4 of the SE1/4, S1/2 of the SE1/4

19 Sections 29 - 31

20 Section 32: N1/2, SW1/4, W1/2 of the SE1/4

21 (4) Township 15 North, Range 5 West, Seward Meridian

22 Section 1

23 Section 2: E1/2, N1/2 of the NW1/4, N1/4 of the SE1/4  
24 of the NW1/4

25 Section 11: E1/2, W1/2 of the NW1/4, E1/2 of the SW1/4

26 Sections 12 and 13

27 Section 14: E1/2, SW1/4, E1/2 of the NW1/4

28 Sections 23 - 25

29 Section 26: N1/2, SE1/4

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Section 36: N1/2, SE1/4

(5) Township 16 North, Range 4 West, Seward Meridian

Section 31: S1/2 of the SE1/4, S1/2 of the NE1/4 of the SE1/4, S1/2 of the NW1/4 of the SE1/4, S1/2 of the SE1/4 of the SW1/4, S1/2 of the SW1/4 of the SW1/4

Section 32: SE1/4 of the SE1/4, E1/2 of the SW1/4 of the SE1/4, SW 1/4 of the SW 1/4 of the SE1/4, SW1/4 of the SW1/4, W1/2 of the SE1/4 of the SW1/4, SE1/4 of the SE1/4 of the SW1/4

Section 33: S1/2 of the NW1/4 of the SW1/4, S1/2 of the NE1/4 of the SW1/4, NE1/4 of the NE1/4 of the SW1/4, N1/2 of the SE1/4 of the SW1/4, N1/2 of the SW1/4 of the SW1/4

(6) Township 16 North, Range 5 West, Seward Meridian

Section 26: S1/2 of the SE1/4, S1/2 of the SW1/4

Section 35

Section 36: W1/2 of the NW1/4 of the NW1/4, W1/2 of the SW1/4 of the NW1/2, SE1/4 of the SW1/4 of the NW1/4, W1/2 of the NW1/4 of the SW1/4, S1/2 of the SW1/4, S1/2 of the SW1/4 of the SE1/4, S1/2 of the SE1/4 of the SE1/4.

\* Sec. 2. This Act takes effect immediately in accordance with AS 01.10.-070(c).

305 475

POINT MACKINZIE AGRICULTURE DEVELOPMENT PROJECT

The proposed Point MacKinzie project is an agricultural development of 15,535 acres located in the Susitna Valley across Knik Arm from Anchorage. This project supports the Governors goals for development of a renewable resource industry with non-renewable resource funds, offers long-term net benefits to all Alaskans, and improves private market for needed goods and services.

An expanded dairy industry, especially fresh milk, will satisfy the existing market in Alaska. Also, it will contribute to a year-round stable economy. The dairy market at its present state is largely met by the Pacific Northwest. The Point MacKinzie dairy project will provide an Alaskan market for barley and straw from the only other large scale agricultural project in Alaska, the Delta Barley Project.

The Point MacKinzie Project will increase fresh milk self-sufficiency from the present 20 - 30% levels to the total requirements for the Anchorage and greater railbelt areas. With Alaska milk on the retail shelves there will be a limited dollar turnover to milk produced outside. The project will support 29 - 39 families and over 94 workers.

Date: April 19, 1980

To: Senator John Sackett  
Finance Chairman

From: Governor's Agricultural Policy Task Force

Subject: Response to request for brief on Pt. MacKenzie,  
Senate Bill 305 and Senate Bill 475

We believe that the proposed agricultural project at MacKenzie Point is critical to the successful continuation of an agricultural industry in southcentral Alaska. Expansion of this agricultural industry is important to Alaska not only in terms of moving toward self-sufficiency in food production, but also for providing employment and economic stability for Alaskans.

The MacKenzie Point project offers an opportunity to revitalize the dairy and vegetable industries in southcentral Alaska. Declines in the agricultural industry within this area during the last two decades reflect the decrease in available farmland as farms in the Matanuska Valley have been lost to urban expansion. Expansion of agriculture at MacKenzie Point can move Alaska toward self-sufficiency in the production of milk and seasonal vegetables, provide immediate economic benefits during the initial construction phase, and create long term, year round employment in the production and support sectors.

The MacKenzie Point project would help to solve a major factor in the decline of Alaska's agriculture, the decreasing availability of fully developed agricultural land. In addition, however, the MacKenzie Point project can prevent other losses to the state.

1. The production of dairy and vegetable commodities has been successful in southcentral Alaska for more than half a century. An agricultural infrastructure to support this production already exists and is currently underutilized in the milk processing and marketing area. This processing and marketing system will be lost for future agricultural development if agricultural production terminates as the result of a lack of farmland that could have been made available through the MacKenzie Point project.

2. A significant resource of human experience in dairy and vegetable production now exists among farmers and agricultural service industries in southcentral Alaska. This experience would be invaluable to farmers developing new dairy and vegetable production programs near MacKenzie Point. If the MacKenzie Point project does not move forward and farming in the Matanuska Valley continues to decline, then this resource of experience and expertise will be lost.
3. A firm research base for dairy and vegetable production now exists at the Palmer Research Center of the Alaska Agricultural Experiment Station. During the past two decades six new varieties of potatoes, four new varieties of forages and five new varieties of small grains have been developed at the Palmer Research Center for commercial use in Alaska's unique growing conditions. During the same time, the dairy herd improvement system developed in the Matanuska Valley by the Palmer Research Center resulted in production levels of milk that equal or exceed milk production in dairy improvement herds in major milk producing states. The value of these developments to southcentral Alaska will be lost if agriculture in the area is permitted to end.
4. The Plant Materials Center established near Palmer in 1972 by the Alaska state legislature can provide needed support for the Point MacKenzie project. The Plant Materials Center has been effective in maintaining and insuring basic seed stocks and plant materials for use in agriculture and conservation in Alaska. Nevertheless, the communication of scientific and practical experience from the Plant Materials Center and the Agricultural Experiment Station to farmers in southcentral Alaska will be lost if an agricultural industry is not maintained and expanded through the MacKenzie Point project.
5. Proposed dairy farms in the MacKenzie Point project are designed to produce sufficient hay or silage to support 100 to 150 dairy cows per farm. Feed grain for the concentrate portion of the dairy ration, however, would be provided in the form of barley produced in the Delta agricultural project. Milk production near MacKenzie Point would utilize barley produced from 10,000 acres in the Delta area, and this utilization would increase as additional dairy farms are brought into production. Thus, the MacKenzie Point project can provide a significant market for feed grain produced near Delta Junction.

The Honorable John Sackett  
page 3.

We strongly recommend implementation of the MacKenzie Point project. It will enhance the economic viability of the agricultural industry in southcentral Alaska and prevent the loss of this important social and economic segment of Alaska. It will provide economic development of a renewable resource industry in an area where an improved economy is needed. It will provide opportunities for farmers and for industries that provide goods and services for farmers. It will move Alaska toward self-sufficiency in food production.



POINT MACKENZIE AGRICULTURAL PROJECT

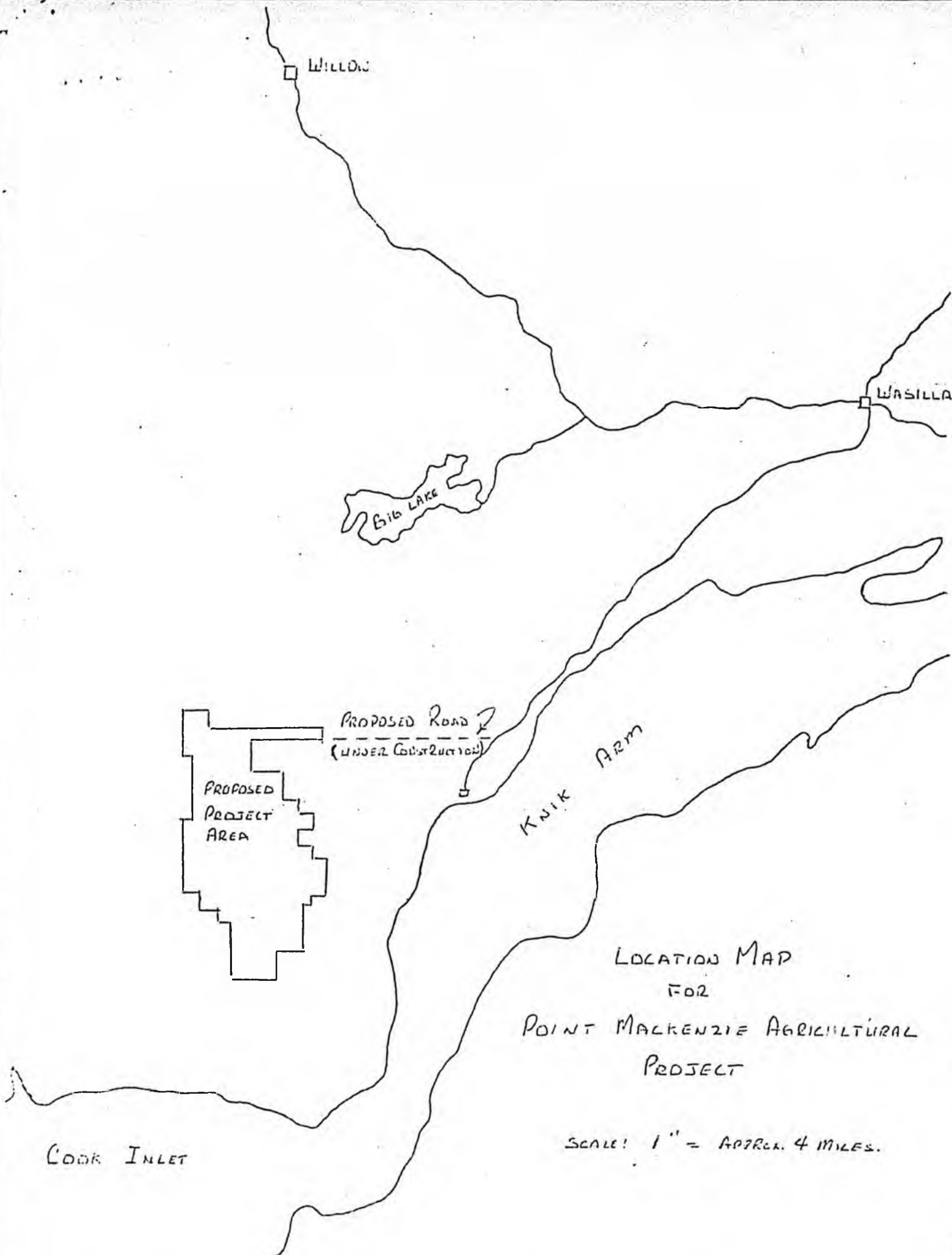
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POINT MACKENZIE AGRICULTURAL PROJECT  
29 PARCEL LAYOUT.  
1/2/80 DRAFT

	II & III	IV	(w)	VI	(w)	VII	(w)	Water	Total
1.	609	16			(17)		(33)	5	730
2.	147						(5)	8	160
3.	241	4		11					256
4.	353	22			(9)		(25)		410
5.	768	12							780
6.	343	117					(20)		480
7.	640								640
8.	640								640
9.	455	71					(29)	5	560
10.	640								640
11.	640								640
12.	435	7		38					480
13.	517						(73)	50	640
14.	614						(9)	17	640
15.	631	9							640
16.	416	5		54		11		4	490
17.	472			5			(3)		480
18.	597	6					(11)	26	640
19.	609	31							640
20.	599	24		17					640
21.	460						(20)		480
22.	612	9						19	640
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24.	296						(4)		300
25.	582						(6)	52	640
26.	370	14	(62)	13			(101)		560
27.	202	106					(12)		320
28.	599	141	(14)	6					760
29.	252			48					300
	14,295	594	(76)	192	(25)	11	(406)	185	15,786



WILLOW

WASILLA

BIG LAKE

PROPOSED  
PROJECT  
AREA

PROPOSED ROAD 2  
(UNDER CONSTRUCTION)

KNIK ARM

LOCATION MAP  
FOR

POINT MACKENZIE AGRICULTURAL  
PROJECT

SCALE: 1" = APPROX. 4 MILES.

COOK INLET

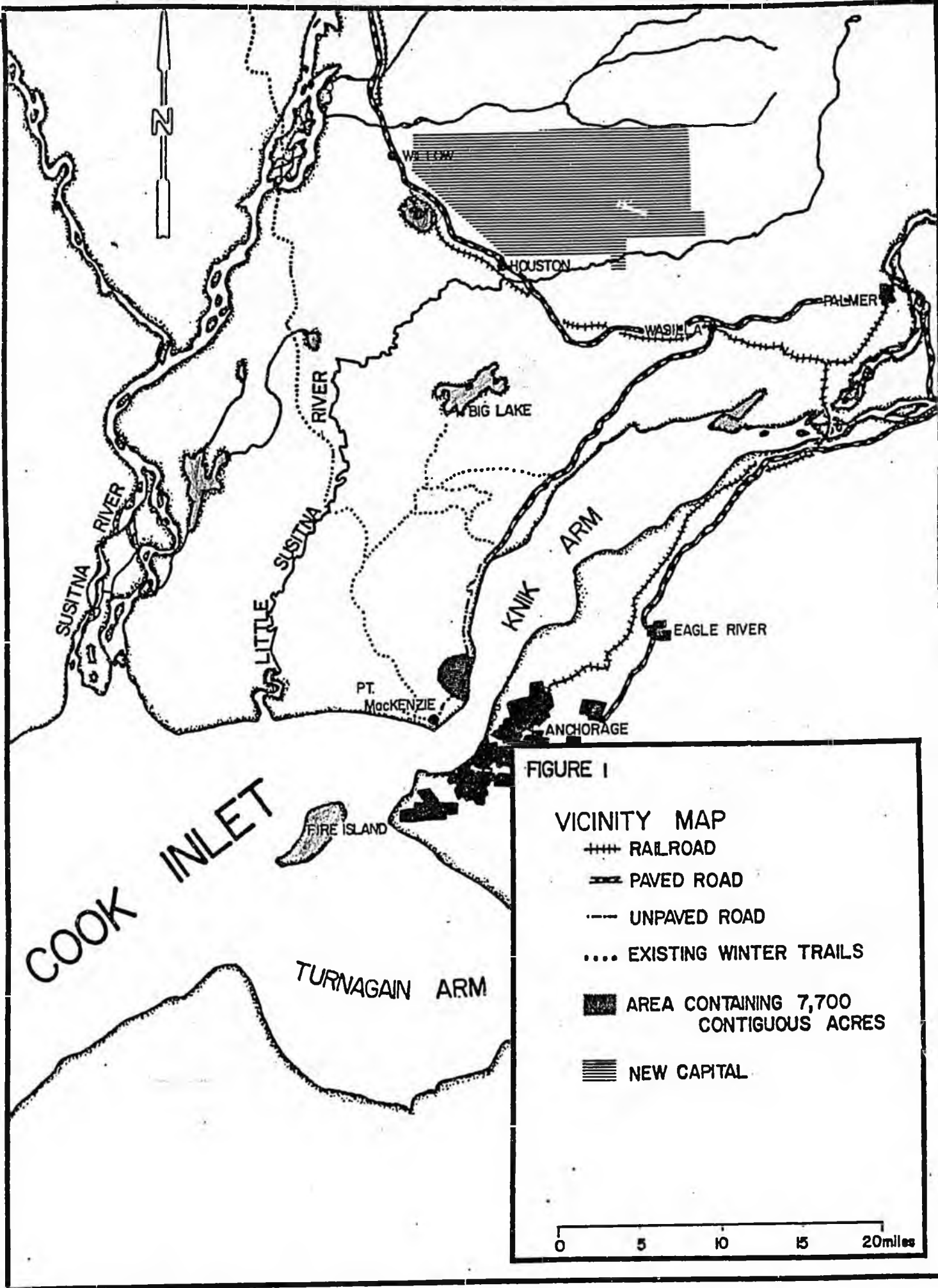
POINT MACKINZIE AGRICULTURE DEVELOPMENT PROJECT

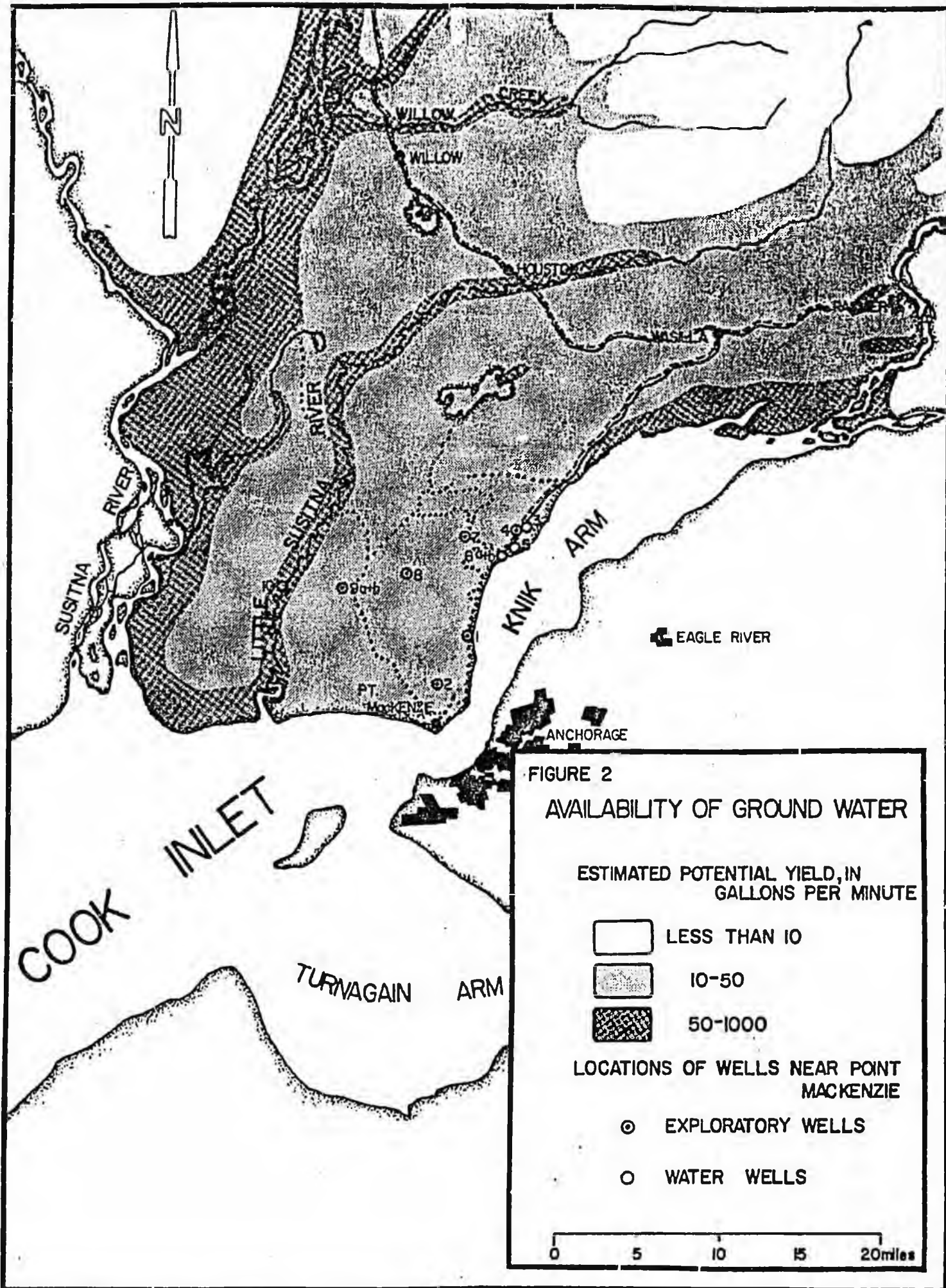
The proposed Point MacKinzie project is an agricultural development of 15,535 acres located in the Susitna Valley across Knik Arm from Anchorage. This project supports the Governors goals for development of a renewable resource industry with non-renewable resource funds, offers long-term net benefits to all Alaskans, and improves private market for needed goods and services.

An expanded dairy industry, especially fresh milk, will satisfy the existing market in Alaska. Also, it will contribute to a year-round stable economy. The dairy market at its present state is largely met by the Pacific Northwest. The Point MacKinzie dairy project will provide an Alaskan market for barley and straw from the only other large scale agricultural project in Alaska, the Delta Barley Project.

The Point MacKinzie Project will increase fresh milk self-sufficiency from the present 20 - 30% levels to the total requirements for the Anchorage and greater railbelt areas. With Alaska milk on the retail shelves there will be a limited dollar turnover to milk produced outside. The project will support 29 - 39 families and over 94 workers.

Jay Todd Lupejkis,  
Staff Researcher





Date: April 19, 1980

To: Senator John Sackett  
Finance Chairman

From: Governor's Agricultural Policy Task Force

Subject: Response to request for brief on Pt. MacKenzie,  
Senate Bill 305 and Senate Bill 475

We believe that the proposed agricultural project at MacKenzie Point is critical to the successful continuation of an agricultural industry in southcentral Alaska. Expansion of this agricultural industry is important to Alaska not only in terms of moving toward self-sufficiency in food production, but also for providing employment and economic stability for Alaskans.

The MacKenzie Point project offers an opportunity to revitalize the dairy and vegetable industries in southcentral Alaska. Declines in the agricultural industry within this area during the last two decades reflect the decrease in available farmland as farms in the Matanuska Valley have been lost to urban expansion. Expansion of agriculture at MacKenzie Point can move Alaska toward self-sufficiency in the production of milk and seasonal vegetables, provide immediate economic benefits during the initial construction phase, and create long term, year round employment in the production and support sectors.

The MacKenzie Point project would help to solve a major factor in the decline of Alaska's agriculture, the decreasing availability of fully developed agricultural land. In addition, however, the MacKenzie Point project can prevent other losses to the state.

1. The production of dairy and vegetable commodities has been successful in southcentral Alaska for more than half a century. An agricultural infrastructure to support this production already exists and is currently underutilized in the milk processing and marketing area. This processing and marketing system will be lost for future agricultural development if agricultural production terminates as the result of a lack of farmland that could have been made available through the MacKenzie Point project.

2. A significant resource of human experience in dairy and vegetable production now exists among farmers and agricultural service industries in southcentral Alaska. This experience would be invaluable to farmers developing new dairy and vegetable production programs near MacKenzie Point. If the MacKenzie Point project does not move forward and farming in the Matanuska Valley continues to decline, then this resource of experience and expertise will be lost.
3. A firm research base for dairy and vegetable production now exists at the Palmer Research Center of the Alaska Agricultural Experiment Station. During the past two decades six new varieties of potatoes, four new varieties of forages and five new varieties of small grains have been developed at the Palmer Research Center for commercial use in Alaska's unique growing conditions. During the same time, the dairy herd improvement system developed in the Matanuska Valley by the Palmer Research Center resulted in production levels of milk that equal or exceed milk production in dairy improvement herds in major milk producing states. The value of these developments to southcentral Alaska will be lost if agriculture in the area is permitted to end.
4. The Plant Materials Center established near Palmer in 1972 by the Alaska state legislature can provide needed support for the Point MacKenzie project. The Plant Materials Center has been effective in maintaining and insuring basic seed stocks and plant materials for use in agriculture and conservation in Alaska. Nevertheless, the communication of scientific and practical experience from the Plant Materials Center and the Agricultural Experiment Station to farmers in southcentral Alaska will be lost if an agricultural industry is not maintained and expanded through the MacKenzie Point project.
5. Proposed dairy farms in the MacKenzie Point project are designed to produce sufficient hay or silage to support 100 to 150 dairy cows per farm. Feed grain for the concentrate portion of the dairy ration, however, would be provided in the form of barley produced in the Delta agricultural project. Milk production near MacKenzie Point would utilize barley produced from 10,000 acres in the Delta area, and this utilization would increase as additional dairy farms are brought into production. Thus, the MacKenzie Point project can provide a significant market for feed grain produced near Delta Junction.

The Honorable John Sackett  
page 3.

We strongly recommend implementation of the MacKenzie Point project. It will enhance the economic viability of the agricultural industry in southcentral Alaska and prevent the loss of this important social and economic segment of Alaska. It will provide economic development of a renewable resource industry in an area where an improved economy is needed. It will provide opportunities for farmers and for industries that provide goods and services for farmers. It will move Alaska toward self-sufficiency in food production.

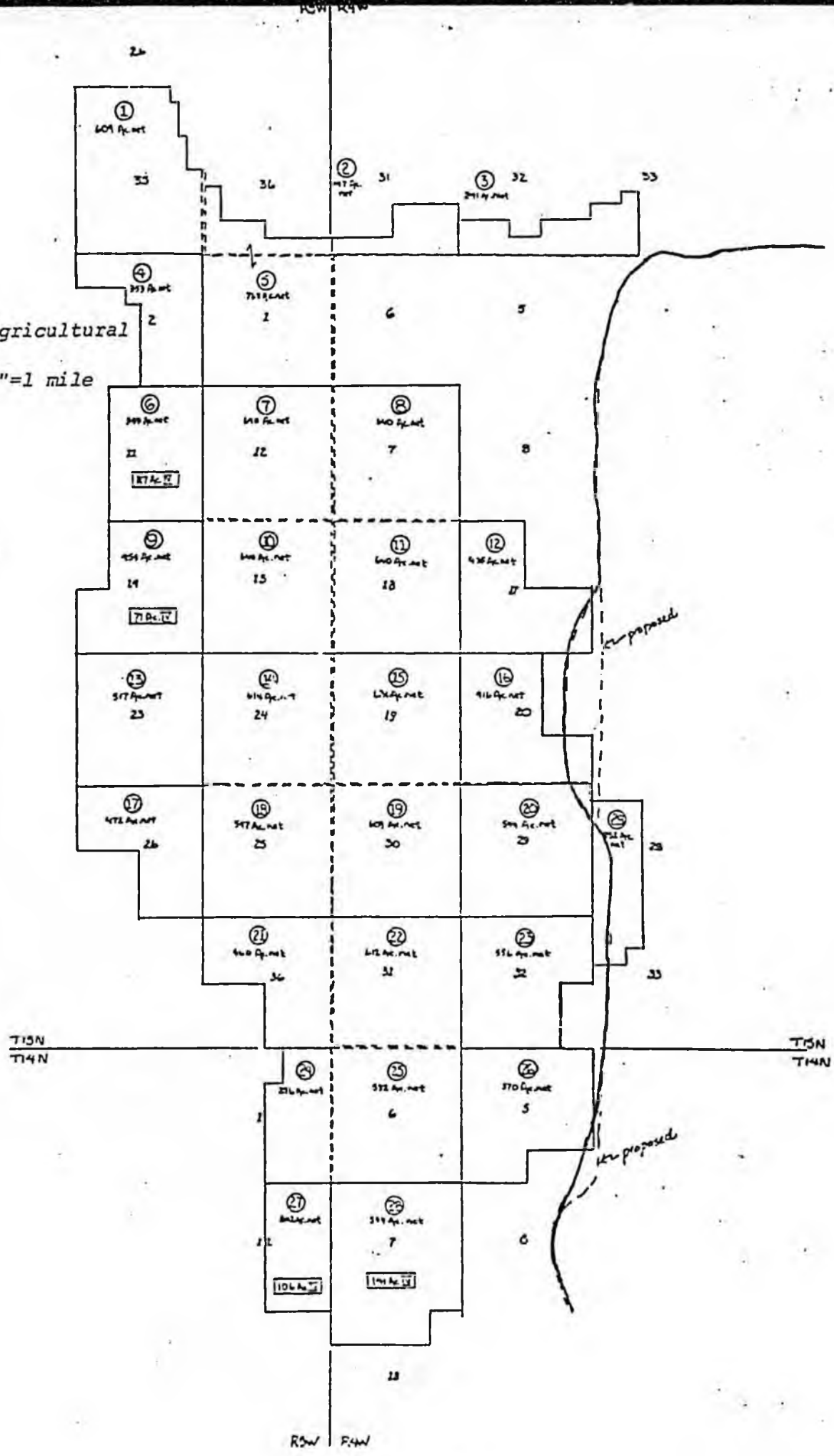
## POINT MACKINZIE AGRICULTURE DEVELOPMENT PROJECT

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Point Mackenzie Agricultural  
Project Scale 0.9"=1 mile



29 PARCEL LAYOUT

POINT MACKENZIE AGRICULTURAL PROJECT

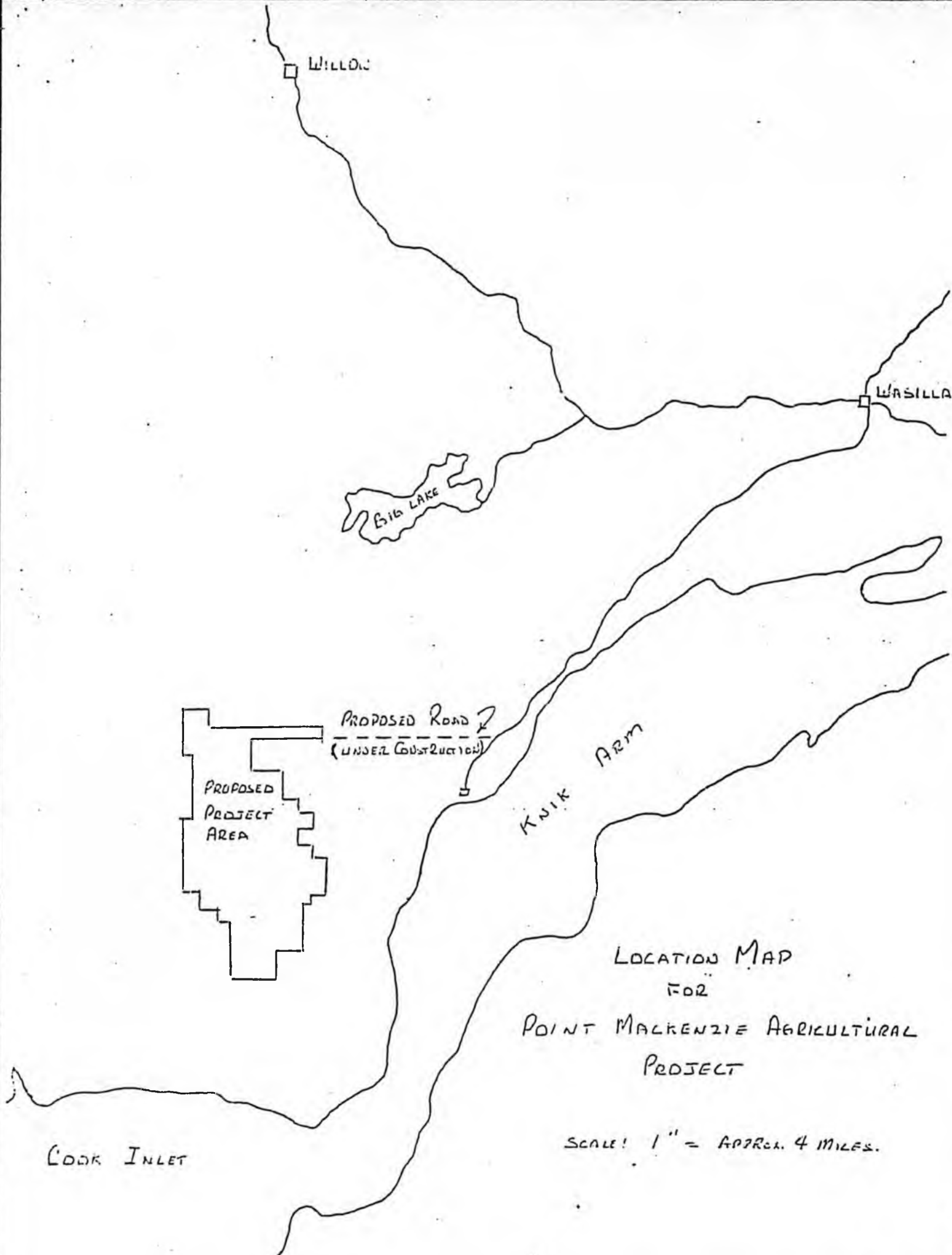
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WASILLA

BIG LAKE

PROPOSED ROAD 2  
(UNDER CONSTRUCTION)

PROPOSED  
PROJECT  
AREA

KNIK ARM

LOCATION MAP  
FOR

POINT MACKENZIE AGRICULTURAL  
PROJECT

COOK INLET

SCALE: 1" = APPROX. 4 MILES.

# Matanuska Maid, Inc.

814 NORTHERN LIGHTS BLVD. ANCHORAGE, ALASKA 99503  
(907) 277-2446

—A FARMER OWNED COOPERATIVE—

May 4, 1979

The Honorable Jay Hammond  
Governor of Alaska  
Pouch A  
Juneau, Alaska 99811

Dear Governor Hammond:

Thank you for your response dated March 20, 1979 to my letter to you regarding my concern about the declining dairy industry in Alaska. It is my opinion that if we do not take immediate steps to stabilize this important phase of agriculture in Alaska, it will soon pass from the scene. I think that if it should occur, it would be a serious blow to the State of Alaska, economically and socially. I believe we should also realize that if the dairy industry should cease to exist within the state, it is going to be very difficult to re-establish it.

In order to acquaint you more readily with some of the current information regarding the industry, I offer the following:

There are presently eleven dairy producers operating in the State of Alaska. At this time, all of these dairy farmers are members of our cooperative. These farmers are each producing an average of 3050 pounds of milk per day, or approximately one million pounds of milk per month for the marketing area. I should explain that we market our products in all parts of Alaska except southeastern. This one million pounds of milk has a market value F.O.B. the farm of \$172,500 per month, or in excess of two million dollars a year. In addition to the milk that we are marketing for our members, this company alone is importing from Seattle approximately 800,000 pounds of fluid milk each month. This product has a cost value of approximately \$135,000 per month that is sent directly to Seattle and has no direct effect on the local farming community or the Alaskan economy in general.

In addition to the milk that we are bringing in from the Lower 48, I believe that there is at least another five million pounds of milk per month shipped into this marketing area by other retailers, processors, handlers, and so forth. In addition to the above, the dairy industry in Alaska is creating and maintaining in excess of one hundred job positions with all of its benefits to the community. This year's payroll is estimated in excess of \$2,500,000.

Ltr to Governor Hammond

May 4, 1979

Page 2

The approximately 5½ million pounds of milk per month that is being shipped into Alaska which enhances the Washington State Agriculture, rather than Alaska's indicates that the state needs at least an additional 55 new dairy farmers of the average size in production today. This would generate an additional payroll within the state of approximately one million dollars per month to the farming community at today's prices for raw milk. The market for this product is in Alaska. It is already established, the processing systems are in place and the marketing systems are functioning. It does not require an immediate search for markets in the international world of trade. This, however, should not be ruled out in the long range future in a protein short world.

In your letter of March 20 you asked me what proposals might be made for improving the dairy industry of Alaska. While we do not have the resources to conduct an in-depth study of the matter, it is the opinion of the Board of Directors of this company that the McKensie Point agricultural land sale that is presently being studied should have a definite "plan" developed before this acreage is released. Some of our thoughts regarding such a plan would be as follows:

1. The farm size should be approximately 640 acres. (Intensive land use for dairy farming, such as hay, silage, and so forth precludes extremely large acreage as are necessary in the grain business.) It is estimated by the farmers that are actually and presently engaged in the business that the acreage needed to support a producing animal is about 3 acres per animal.
2. That the minimum size dairy should be about 80 producing cows. This would mean that considering replacement animals, young stock and so forth, each farm would require about 150 total animals. We estimate that under proper management this would result in approximately 1,200,000 pounds of milk produced per farm with a gross income at today's prices of approximately \$200,000 per year. Such a farm probably would have sufficient acreage available to it, to raise other cash crops or perhaps become a nucleus for the raising of beef animals for the red meat industry in conjunction with the dairy farming.
3. The future of any such agricultural plan depends on adequate supplies of water, energy, transportation and capital. These are fundamental.
  - a. Water in the McKensie Point area appears to be adequate. Sources of water for irrigation if necessary, appears to be plentiful.
  - b. Energy is in short supply. We believe government

policies must be set to assure that food and fiber producers must get what they need. Farming is energy efficient and energy intensive.


- c. Good transportation is essential to any endeavor. It is our understanding that the Matanuska-Susitna Borough is presently engaged in studies and engineering to put roads into this area.
- d. Capital is extremely important, and as you are well aware, money is very tight and expensive in this time period. It is our estimate that it will require an investment of \$3,500 to \$4,000 per producing animal (depending on land cost) to establish such a producing unit. We believe that it is in the State's best interest to make long term, low interest monies available to the farming community in order to promote the best interests of the citizens of Alaska.

I also enclose a short study of the same "project" that was proposed by the president of the Board of Directors of this company, with additional information for your consideration.

It is requested that you consider this area for a planned development of a strengthened dairy industry.

The present industry will support any such opportunity to help participate in such a development and management and the Board of Directors will meet with you or your staff to discuss this at any time.

Very truly yours,

  
Jack Flint  
General Manager

Enc

## POINT MCKENSIE DAIRY PROJECT

### I. Goal

#### A. Produce 30,000 lbs Grade A milk per day

1. Requires 700 to 900 cows
2. Requires 3 acres Class II or III land to produce roughage per cow = 2,700 acres cleared land

#### B. Increase MSBA tax base

1. Facilities (controlled environment for cows)  
900 cows X \$2500 = \$2,250,000
2. 2700 acres X assessed value for ag. rights \$300 acre = \$810,000
3. Machinery and other personal property (based on 6 dairies of 150 cows each) \$150,000 per farm = \$900,000
- f. Incidental assessed value i.e. farm homes, etc. = \$400,000

Total assessed value \$4,360,000

#### C. Furnish employment for Matanuska-Susitna Borough Residents

1. 6 dairy farms x 4 employees = 25 jobs
  2. Transportation of milk = 1 job
  3. Support services to farms = 10 jobs
- 35 jobs

#### D. Enhance local economy

1. 30,000 lbs milk day @ \$18.75 cwt = \$5,625 per day  
X 365 = \$2,053,125 per year

Using a multiplier of only 5 the above would mean \$10,265,625 circulating in the Matanuska-Susitna Borough

### II. Notes

- A. 1. If 900 cows are used as desirable base, it must be recognized that total cattle numbers will be double that or (if 150 milking per farm there will be 150 dry, young stock, etc.) 300 head per farm X 6 farms equal 1800 animals X \$300 = \$540,000 additional tax base
- A.2. Parcels should be so sized that there is a minimum of 550 acres Class II or III land per farm.

B 1, 2, 3, 4. This would result in a high tax base per worker \$180,000 + which indicates a much healthier than a bedroom economy.

C. It is difficult to envision spin off that could occur from all facets of this type of development.

There should be included at least 2 farms of like size whose business would be to feed out dairy beef and or raise dairy replacements.

I believe that extreme care should be taken, not to encourage at the onset of such a program, dairies in excess of 200 cows; reason being that good management of larger units at this latitude would be extremely hard to attract. Perhaps land could be held adjacent to proposed parcels so that future expansion could take place if desirable.

The State or Borough would make the necessary land available for the specific users, i.e. dairy farms and feeding of dairy beef and raising of replacements.

There are several advantages for this kind of investment.

1. Infrastructure is in place, two dairy plants in Anchorage that need additional local product.
2. Marketing and transportation is already in existence.
3. There appears to be no gamble involved.
4. Project should be weighed on cost effectiveness as there appears to be no unknown factors
5. One of the benefits might be a sophisticated feeding and slaughtering plant in the area to process dairy beef and any other red meat available

SENATE BILL 475 (Rules by request of Governor's Agricultural  
Policy Task Force )

Establishing the Point MacKinzie agricultural development project.

SB 475 establishes the Point MacKinzie agricultural development project on state land located within the boundaries described in this bill. It amends Title 3 of the AS statutes by the following:

Section 1. Requires that state land that is located within the boundaries of the project be disposed of for agricultural use. The Alaska Agricultural Action Council will administer this project and may:

- 1 - Contract for the clearing, draining, and breaking of the land
- 2 - Contract for construction of access roads
- 3 - Contract with the purchasers of the land for re-payment to the state for the cost of #1

Effective immediately



# Matanuska-Susitna Borough

BOX B. PALMER, ALASKA 99645 • PHONE 745-3246

BOROUGH ASSEMBLY

February 28, 1980

Alaska Senate Resources Committee  
State of Alaska  
Pouch V  
Juneau, AK 99811

Honorable Senators:

I wish to thank you for this opportunity to present my viewpoint on a subject so dear to my heart.

To introduce myself, perhaps a short resume of my background will help to establish my credentials. Born and raised on a farm in Iowa and Illinois where I received my education. I served in the Army Air Corps in CBI Theatre in World War II. I have lived continuously in the Palmer area of Alaska since 1948.

I have operated a farm all of my years in Alaska. I served on the Alaska Agricultural Stabilization and Conservation Committee during the Eisenhower Administration and as Executive Director for ASCS for 12 years.

I have been active in soil and water conservation and am a past president of the Alaska Association of Soil Conservation sub-districts.

I have served for over 20 years as a board member and most of that time as president of Matanuska Maid, Inc., a farmers cooperative that has long been engaged in marketing farmers produce and is at present the only processor of Alaska produced milk.

I have served seven years as a Matanuska-Susitna Borough Assemblyman.

I have dedicated most of my life to the following goal: "Making the Matanuska-Susitna Borough a better place to live and a better place to make a living".

My wife and I have three daughters and one son, all born and raised in Alaska, so I believe you will agree that I have vested interest in Alaska.

I wish to address first the Point MacKenzie Agricultural Project as proposed by the Alaskan Agricultural Action Council.

I along with many others have viewed with alarm the decline of the agricultural industry in Alaska. Time will not permit a discussion of all the reasons this has occurred but I feel that this decline has hurt not only those involved in agriculture but all citizens of our State who are consumers of agricultural products.

Agriculture is rapidly approaching what might be called in the lexicon of a conservationist as an endangered species.

The number of farmers were becoming so small that no one can afford to furnish the services such as seed, feed, fertilizer, dairy supplies, farm hardware and many others simply because there are not enough farmers left to furnish a viable market.

Let me give an example: In 1961 there were 64 dairy farmers in the Matanuska-Susitna Valley area; there were two here in Juneau, several in Sitka and Petersburg and 14 in Fairbanks area and some others on the Kenai Peninsula for a total of over 100 in the State. Now, there are 11 in the State including a dairy just re-established at Soldotna and ten in the Matanuska-Susitna Valley if you include the experiment station herd.

There are only ten private dairy enterprises in the State. No dealer can make a living with only ten customers.

The Delta Agricultural project appears to be a step to reverse the trend of diminishing agriculture. The Point MacKenzie Agricultural project will not only stand on its own merits but will compliment the Delta project. I will refer to this later.

You well know what is being proposed but I would like to comment on what the Point MacKenzie Agriculture project will accomplish.

Hopefully 30 some tracts of land will assure dairy farms in sizes from 50 cows to 150 cows or a total of 3,000 producing cows which will produce 2.5 million pounds of milk per month at a present value of \$400,000 or \$4.8 million per year.

Economists use a multiplier of 7 to determine the effect of a dollar earned by agriculture in a community. I consider the 7 multiplier as optimistic, but if so, that would mean about 33 million dollars would be revolving in the economy from this project.

I assure you the economic conditions in the Matanuska-Susitna Borough are bad. We are experiencing the highest rate of tax delinquencies ever and the highest rate of unemployment. We need to turn the trend around. A conservative estimate of the addition to the tax rolls including land, improvements, livestock and equipment should exceed \$75 million.

There will be about 100 year-round jobs created. This does not include other service industries. At the present time over 1/2 of the amount spent for fresh dairy products in the railbelt of Alaska goes directly outside to Washington state and produces no benefit to Alaskans.

I stated before that the Point MacKenzie Agricultural Project will complement the Delta Agricultural Project. Let me explain.

I believe that grain produced in Alaska's interior can best be used to feed animals in Alaska. I have serious doubts that this grain will ever successfully compete in the World grain market, and it shouldn't have to.

Three thousand dairy cows at Point MacKenzie will consume 30 tons of grain supplement per day or 10,800 acres of Alaska barley production per year. The calves and dry stock from these farms will need an appreciable amount also.

Agriculture can and will make a vital contribution to our State.

I respectfully request your consideration of the Point MacKenzie Agricultural Project. The Matanuska-Susitna Borough had selected 15,000 acres of agricultural land in the Point MacKenzie area.

The Alaska Agricultural Action Council requested the Borough relinquish back to the State this acreage, so that the Point MacKenzie Agricultural Project would be carried out by the State. This, the Matanuska-Susitna Borough did with the understanding we are still vitally concerned and have a very great interest in agricultural development in this area.

I would also like to comment on other goals of the Matanuska-Susitna Borough in regard to the Point MacKenzie area.

The Borough gained port powers by vote of the people in, I believe 1971 and the Assembly has long recognized the port potential in the Point MacKenzie area.

The Assembly, with strong support from the citizens, has embarked on an aggressive course of action to develop industry in that area.

We have caused to be made inventories of minerals, timber, fossil fuels and other assets in not only that area but other areas of the Borough which would be easily transportable to a proposed dock complex being proposed.

These studies have revealed that we have amounts of coal, up to 6 trillion tons, that will be in demand to help assure energy sufficiency for America in the future. We believe that a port facility to ship to World markets, material processed or in a raw State not only from the Matanuska-Susitna Borough but also the interior of Alaska.

I hasten to add that we anticipate shipments primarily of exportable products from that port and not particularly of import items so that the Port of Anchorage and Point MacKenzie Port should compliment rather than compete with each other.

One of our Borough's greatest assets in this matter is Borough owned land in sufficient quantities in the area so that a large industrial zone can be accommodated and I believe the Assembly has the will and the wholehearted support of our citizens to carry out the plans.

The Matanuska-Susitna Borough has rapidly become a bedroom area for Anchorage with all the attendant lack of revenue sources that bedroom communities suffer from. These revenue sources such as tax base, are vitally necessary to furnish the government services our citizens demand.

We need industry to furnish a tax base so that personal property taxes do not become punitive to homeowners. We need three other things: Jobs, jobs and jobs. We suffer under the disadvantage of a 20% and over unemployment rate.

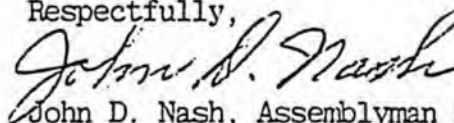
We have engaged in dialogue with Dow Chemical Company, Kaiser Aluminum Company, German Industrial Cartels such as KHD, short for Vereinigte Kesselwerke Aktiengesellschaft, which is World renowned in the field of energy production and has a member firm interested in locating a cement plant.

The Matanuska-Susitna Borough has no alternative but to pursue a course of economic development while using all modern techniques to protect our environment.

I wish to again thank you for this opportunity to appear before you.

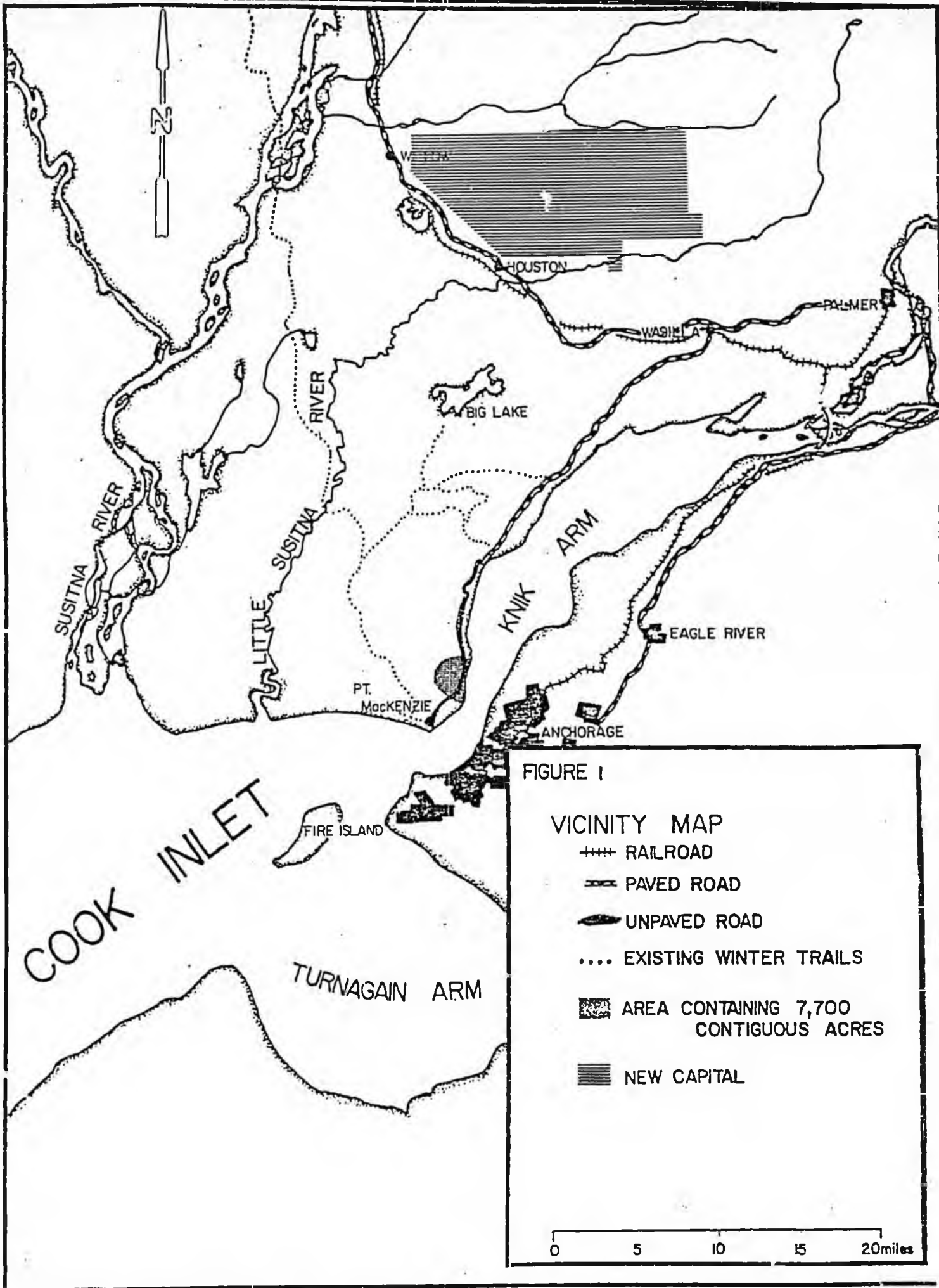
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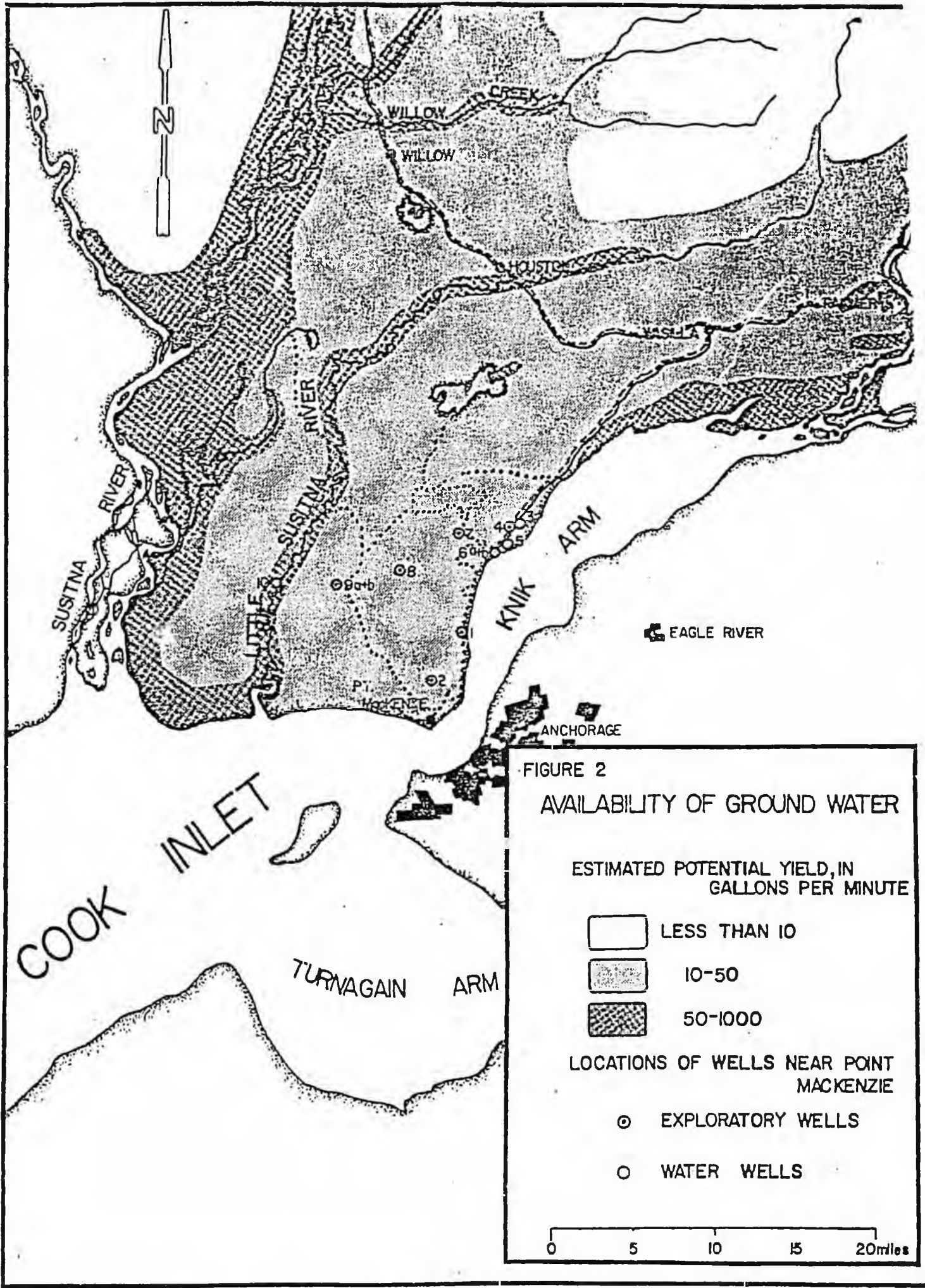
Respectfully,



John D. Nash, Assemblyman &  
Deputy Mayor, Matanuska-Susitna Borough  
S.R.D. Box 9220  
Palmer, Alaska 99645  
Phone: 745-3796

JDN:clm







## EXPANDING ALASKA'S AGRICULTURE

A Positive Commitment

For further information on agricultural development in Alaska contact:

Alaska Agricultural Action Council  
Office of the Governor  
Pouch AN  
Juneau, Alaska 99811  
Telephone (907) 465-3468

Members of Council:

W. I. Palmer, Chairman  
Domonic Carney  
Steve Hamilton  
Paul Huppert  
Charles Webber



Alaska Agricultural Action Council  
Office of the Governor  
Pouch AN  
Juneau, Alaska 99811  
tel: (907) 465-3568

January, 1980



The local economy of western Alaska will be enhanced by further development of the reindeer industry.

### RELATED PROGRAMS

The Alaska Reindeer Herders Association and the Northwest Alaska Native Association are actively committed to developing Alaska's reindeer industry for the commercial production of meat and antlers. Sixteen reindeer grazing permits involving Federal land on the Seward and Baldwin Peninsulas were issued in 1978 and include almost sixteen million acres of land. In addition, the Alaska state legislature appropriated funds in 1979 to encourage vegetable production for local use in rural Native villages.

**Delta Agricultural Project:** In 1978, 60,000 acres of undeveloped state land near Delta Junction were sold in tracts ranging from 2,000 to 3,600 acres. By November, 1979, the trees had been knocked down on 80 percent of project land, and 25 percent will be cleared and ready for spring planting in 1980. Loans made available through legislative appropriations have provided financing for farmers to purchase and clear the land. State loans were also provided for a grain elevator and handling system and other components of the agricultural production and marketing infrastructure.



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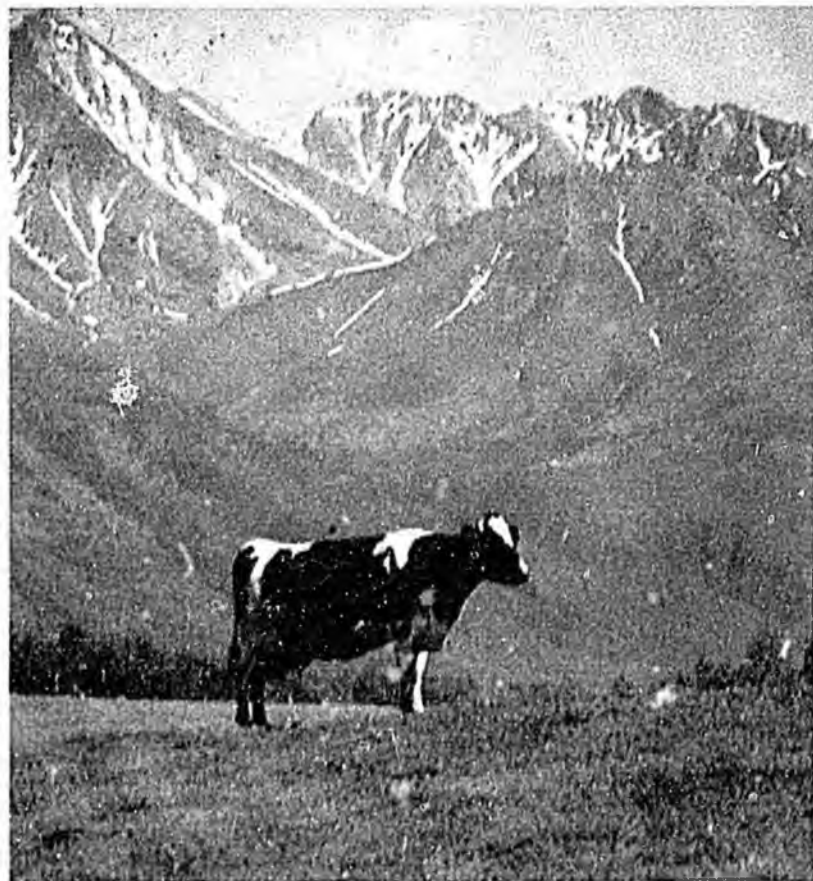
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In addition to the Delta Project, 5,000 acres of state land were sold during 1978 in smaller tracts of 20 to 325 acres in the Tanana Loop near Delta Junction. These tracts are being developed for diversified farming enterprises. An additional 10,000 acres for such enterprises are to be sold near Delta Junction during the spring of 1980.

## PROPOSED PROJECTS

**Expansion of the Delta Project:** The sale of an additional 80,000 acres of state land adjacent to the Delta Agricultural Project is under consideration. Farm sizes similar to those established in the initial phase of the Delta Agricultural Project are recommended to take advantage of established production and marketing efficiencies. Increased production from this project will allow improved use of the agricultural infrastructure established for the initial project.

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Dairy farms are envisioned at Point MacKenzie.

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**Nenana Agricultural Project:** An agricultural project near Nenana, on the Tanana River, encompassing as much as 300,000 acres is envisioned. Planning is in the preliminary stages because of uncertainties regarding land ownership by state and Federal governments and Native corporations. Consequently, it is likely that authorization to initiate this project will not be requested until 1981. Initially, the project will probably involve about 100,000 acres. It is anticipated that farming systems in this area will be similar to the agricultural development underway near Delta Junction.



Waves of grain: the wave of Alaska's future.

# **CORRECTION**

**THIS DOCUMENT  
HAS BEEN REPHOTOGRAPHED  
TO ASSURE LEGIBILITY**



**EXPANDING ALASKA'S  
AGRICULTURE  
A Positive Commitment**

For further information on agricultural development in Alaska contact:

Alaska Agricultural Action Council  
Office of the Governor  
Pouch AN  
Juneau, Alaska 99811  
Telephone (907) 465-3468

Members of Council:

W. I. Palmer, Chairman  
Demonic Carney  
Steve Hamilton  
Paul Huppert  
Charles Webber



**Alaska Agricultural Action Council**  
Office of the Governor  
Pouch AN  
Juneau, Alaska 99811  
tel: (907) 465-3568

January, 1980

# EXPANDING ALASKA'S AGRICULTURE

## A Positive Commitment

Alaska's social development and economic stability depend to a great extent upon the successful management of her renewable resources. Agricultural development, achieved by the use of short-term oil and gas revenues, is a means of providing long-term social and economic benefits for the citizens of Alaska.

Although agriculture has existed in Alaska since the time of the first Russian settlers in the 18th century, only recently has agricultural development in the state taken advantage of known production, transportation, and processing efficiencies. Through administrative and legislative action, Alaska has made a positive commitment to plan and implement agricultural development projects of adequate size to provide the best opportunity for economic success.

### PROJECT MANAGEMENT

In 1979, the Alaska state legislature created the Alaska Agricultural Action Council to plan and manage agricultural development projects within the state. The five-member council, appointed by the governor, is responsible for proposing specific projects for legislative approval, selecting lands for these projects in conjunction with the Alaska Division of Forest, Lands and Water Management, conducting pilot marketing programs necessary for the projects, and providing overall management for agricultural development.



Production of vegetables for local use in rural areas is an important part of Alaska's agriculture.

### SUMMARY

The state land sold to farmers through these agricultural development projects is expected to total 250,000 acres by 1983. Expanding these projects to 500,000 acres by 1990 and establishing an export marketing system will provide feed grain in Alaska at a cost that will encourage the red-meat and dairy industries in the state.

Development of the production, marketing, and financing systems necessary for these projects will be encouraged and coordinated by the Agricultural Action Council. The goal of 500,000 acres in cultivation by 1990 is designed to provide an agricultural system of sufficient size to attain economic viability and ensure a strong food-production system for Alaska.



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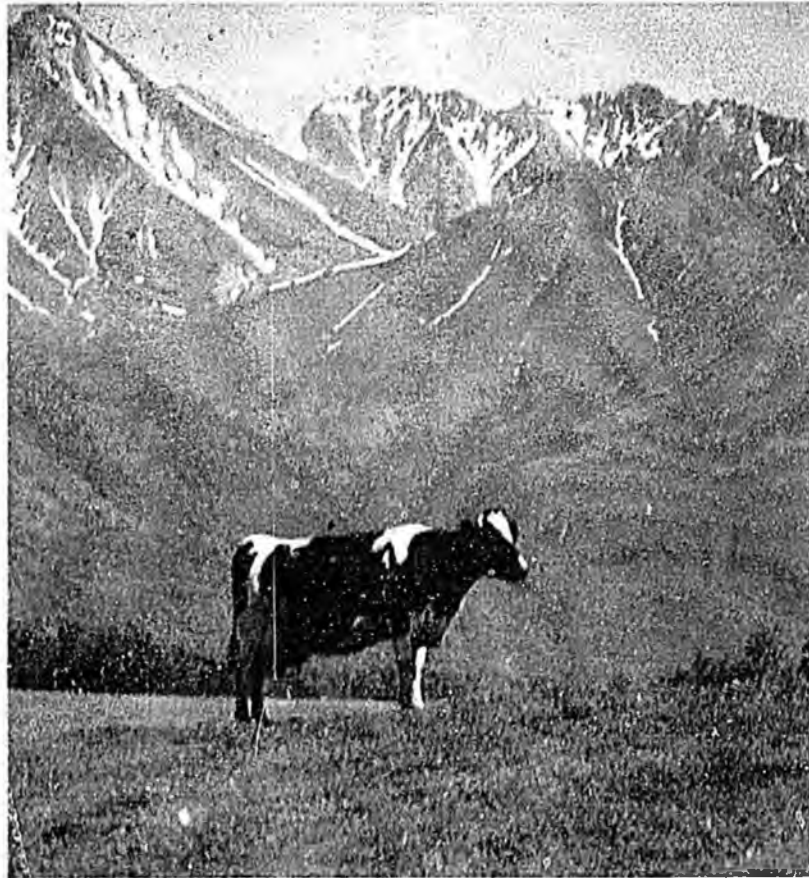
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Waves of grain: the wave of Alaska's future.

FIRST ANNUAL REPORT

July 1, 1979 - December 31, 1979

THE ALASKA AGRICULTURAL ACTION COUNCIL

W.I. "Bob" Palmer, Chairman  
Charles R. Webber  
Domic L. Carney  
Paul Huppert  
Steve Hamilton

## C O N T E N T S

Report of Council Activities and Recommendations

Point MacKenzie Project Proposal

Point MacKenzie Project Layout (2 options)

Legal Description of Agricultural Lands Included in the Point MacKenzie Project Proposal

Legal Description of Agricultural Lands Included in the Delta Expansion Proposal

Economic Analysis of the Point MacKenzie Proposal

- Projected 3 year budget requirement; for the Point MacKenzie Proposal
- Estimated labor payroll for Point MacKenzie Proposal

Matanuska - Susitna Borough Resolution #79 - 56 Supporting the Point MacKenzie Proposal

Proposed Legislation, as Required by AS 44.33.425 to Implement the Development Projects Recommended in this Report

Alaska Agricultural Action Council Report  
to the  
Second Session of the Eleventh Alaska Legislature

STATUTORY AUTHORITY AND REQUIREMENTS

The Alaska Agricultural Action Council was created by Chapter 75, SLA 1979, First Session, Eleventh Alaska Legislature. The effective life of the Council is from July 1, 1979, to July 1, 1984. AS 44.33 has been amended to reflect this legislation. AS 44.33.425 (a) states "Before January 15 of each year the council shall report to the governor and the legislature concerning the activities of the council during the current fiscal year. The report shall contain recommendations for the development of agriculture in the state during the next fiscal year.

MEMBERSHIP

The Council is composed of three state government and two private-sector members, who were appointed by Governor Jay S. Hammond on June 26, 1979, to serve four-year terms. It is chaired by the Special Projects Coordinator in the Office of the Governor. Members include Charles Webber, Commissioner of Commerce and Economic Development; Donomic Carney, Director, Division of Agriculture; W. I. "Bob" Palmer, Special Projects Coordinator, Office of the Governor; Steve Hamilton, Palmer; and Paul Huppert, Palmer. The Council is further aided by the expertise of Dr. Jim Drew, Dean of the School of Agriculture, University of Alaska, who serves as an ex-officio member in an advisory capacity. The Council is located in, but independent of, the Department of Commerce and Economic Development.

POWERS AND DUTIES

The Council's powers range from coordination of agricultural data collection, recommendation of agricultural promotion activities and land classification to the administration of the Delta Agricultural Project and any other agricultural development projects as authorized by the Legislature. The Council may also contract for the clearing, draining and breaking of agricultural land and for the construction of access roads in the Delta Project. The Council, in effect, becomes the agency for new, large-scale agricultural development and innovative technology.

In addition, the Council is mandated to report to the Legislature annually with recommendations for one or more agricultural projects; to propose legislation identifying the tasks of various state agencies necessary to accomplish the development project; and to propose legislation granting to the Council suf-

ficient authority to insure cooperation of all state agencies involved in the implementation of the agricultural development project.

### MEETINGS

The Council has met eight times since August 1, 1979. The Council, for the convenience of interested parties, has attempted to schedule strategically located meetings:

<u>DATE</u>	<u>PLACE</u>
August 1, 1979	Anchorage
August 14, 1979	Delta Junction
September 7, 1979	Palmer
October 2, 1979	Anchorage
October 22, 1979	Anchorage
November 5, 1979	Anchorage
November 23, 1979	Anchorage
December 4, 1979	Anchorage

The purpose of these meetings has been to discuss agricultural development now taking place in Delta Junction, a continuation of those efforts, projections for the future in this area, and proposed additional activity in developing the Point Mackenzie area for the purposes of rebuilding the dairy industry in Alaska. These subjects will be discussed at length later.

In addition to the Council members, the meetings have often included representation by the public, private industry, and Federal, state and municipal officials. Participation by such groups has been encouraged and welcomed.

### ACTIVITIES OF THE COUNCIL

In October, the Council traveled to Dawson Creek and Grande Prairie, British Columbia, to learn more of the lessons available from the long-term Canadian experience in developing agriculture in sub-arctic conditions, specifically with regard to rapeseed products, barley products and land-clearing methods. Three farms, two demonstration plots (one containing a field of no-till barley) and two elevator operations were visited. The Ag Council was joined on this trip by a couple of Delta Project tract owners, and the experience provided the additional information necessary to ensure more successful follow-through on the Delta Project and any others which might follow.

The activities of the Council have also included public meetings with the residents of Delta Junction and Palmer to discuss on-going or proposed agricultural development taking place in their communities.

Additionally, Council members are now involved in a joint Federal-State effort to identify problems and possible solutions to some of the problems faced by rural communities, as they relate to agricultural development. The groundwork for this effort was laid by Governor Hammond and Bob Palmer, who in late June

of 1979, met in Anchorage with Assistant Secretary of Agriculture for Rural Development, Alex Mercure, to discuss this issue. The Governor designated the Ag Council as the state side of this working group.

BUDGET

\$100,000 was appropriated by the Legislature in the 1979 Operating Budget for travel and per diem expenses of the Alaska Agricultural Action Council.

Expenditures as of December 31, 1979, include:

EXPENDITURES

	<u>Name</u>	<u>Amount</u>
I. TRAVEL AND PER DIEM		
	W. I. "Bob" Palmer (Chairman, AAAC)	
	Commissioner Charles Webber (Member, AAAC)	
	Domonic Carney (Member, AAAC)	
	Steve Hamilton (Member, AAAC)	
	Paul Huppert (Member, AAAC)	
	Dr. Jim Drew (Ex-officio member, AAAC)	
	Julie Hickey (AAAC Staff)	
	Sue Boyer (AAAC Staff)	
	TOTAL	\$ <u>15,032.00</u>
II. CONTRACTUAL		
	Business-Government Interaction, Inc. (preliminary visit, swine industry feasibility analysis)	3,700.00
	Agriculture Experiment Station, University of Alaska (professional services in conjunction with agricultural projects)	4,000.00
	TOTAL	\$ <u>7,700.00</u>
III. MISCELLANEOUS		
	Upper One Restaurant (Fred Harvey, Int'l) (meeting room, coffee and rolls for two meetings with 30 attending each)	193.30
	Long distance telephone calls	100.64
	TOTAL	\$ <u>293.94</u>

IV. GRAND TOTAL OF EXPENDITURES	\$ <u>23,025.94</u>
V. BALANCE	\$ <u>76,974.06</u>

DEVELOPMENT PLANS

Three projects being recommended to the Governor and the Legislature by the Council for consideration include the continuation of the Delta Barley Project, phase one of the Point MacKenzie Dairy Project and Delta II expansion. These have been included in the FY 1981 capital budget submission.

I. The first priority is the continuation of the existing Delta Project.

By virtue of AS 44.33.420, the Alaska Agricultural Action Council (AAAC) acts as administrator of the Delta agricultural development project. Today, approximately one year after the disposal of those agricultural lands under the Delta Barley Project, the AAAC can report the Project's progress:

1. Eighteen miles of good roads have been built to service the farmers;
2. An elevator-dryer complex has been constructed;
3. The first 3,000 tons of barley have been produced, dried, and are now in secure storage;
4. Initial sales in Alaska have been completed;
5. Overseas markets for surplus grains have been located;
6. Under a small-scale feed trial program negotiated between the State and Japanese officials, approximately 15 tons of Alaskan barley will be shipped to Hokkaido to determine if a premium price can be paid in the future for Alaskan barley.

Delta Project administration expenses are on-going in the year 1980-1981. The development plan allows the farmers to continue clearing during that period of time. The clearing contracts must be administered: the transportation and test marketing will require one to two years of additional work before transition to the private sector can be completed. One hundred thousand dollars is the best estimate at this time to cover those administrative expenses. Nine hundred thousand dollars is the continuation of the level of test marketing approved for the present fiscal year, and the \$1,000,000 of clearing funds deleted by the legislature as unneeded during the 1980 FY will be required during FY 1981. Total requested funding for the continuation of the Delta Project for FY '81 is \$2,000,000.

It should be emphasized very strongly that most, if not all, of the test marketing monies will be returned to the general fund when the grain is sold. The last year of test marketing will require a larger sum of money because considerably more acreage of grain will be planted and harvested so that sufficient production will result to enable a foreign bottom (Japanese or Taiwanese) to purchase the grain FOB tidewater in Alaska, rather than shipping smaller quantities to Seattle for trans-shipment with Lower 48 grain.

## II. The second priority is the Point MacKenzie development.

While the original focus of the Delta Project was the production of small grains, the primary focus in Point MacKenzie will be on breathing new life into the dairy industry while providing additional lands for the vegetable, forage, and livestock industries. As Matanuska Valley agriculture shrinks under the never-ceasing encroachment of Anchorage bedroom community subdivisions, the number of dairy farms declines. When an existing dairy farmer decides to sell his farm the land value is usually so high as to be prohibitive for a farmer to purchase and instead becomes another subdivision. The net effect is the loss of additional dairy farms and more milk shipped in from the "outside". At present, approximately \$200,000 worth of bulk milk is shipped in each month, resulting in one more serious hemorrhage of Alaskan dollars flowing "out". If the transportation, marketing and processing infrastructure of the existing dairy industry is to survive, the aforementioned trend must be reversed.

Good agricultural soils well suited for dairy production, as well as forage crops and vegetables, exist in the Point MacKenzie area. Under the state law, which allows disposal of only the agricultural rights to this land, the present situation of farm to subdivision transaction could not occur and the dairy industry would be able to reverse its downward trend and expand as Alaska's population expands.

The capital budget submission for FY '81 includes \$300,000 for a survey of the Point MacKenzie acreage; \$1,450,000 for access roads; \$150,000 for the administration of the Point MacKenzie Project; \$80,000 for a dairy specialist who will be on the staff and working full-time on the Point MacKenzie Project as soon as the lottery is held; and \$3,600,000 for land clearing. The total requested for next fiscal year for the Point MacKenzie Project is \$1,335,500.

### Point MacKenzie Proposal

A comprehensive proposal for the Point MacKenzie development is attached herewith for your review. We believe all relevant areas of development are covered, including detailed economic analysis and supporting documents. If further information is desired please contact the Special Projects Office, Office of the Governor, 465-3568.

#### III. The third priority is the Delta II expansion.

Delta "II" includes the disposal and development of approximately 85,000 additional acres in the Delta/Clearwater/Tanana Loop area north of the Richardson Highway.

Expansion is needed to:

1. assist in fulfilling the legislative mandate for disposal of 650,000 acres of agricultural lands;
2. meet the requirements for additional agricultural lands for economic farm units as voiced by Delta Junction residents and others throughout the State;
3. increase throughput throughout all phases of the infrastructure to lower unit costs and increase profit margins;
4. comply with the Ombudsman's suggestion that more lands be made available in the Delta Junction area as soon as possible.

Items included in the FY 1981 budget submission are:

1. Expenditures for survey	- \$ 300,000
2. 1st year Clearing	- 4,000,000
3. Elevator Construction Loan	- 1,500,000
4. Project Administration	- 150,000
5. Construction of Access Roads	- <u>2,000,000</u>
TOTAL	\$7,950,000