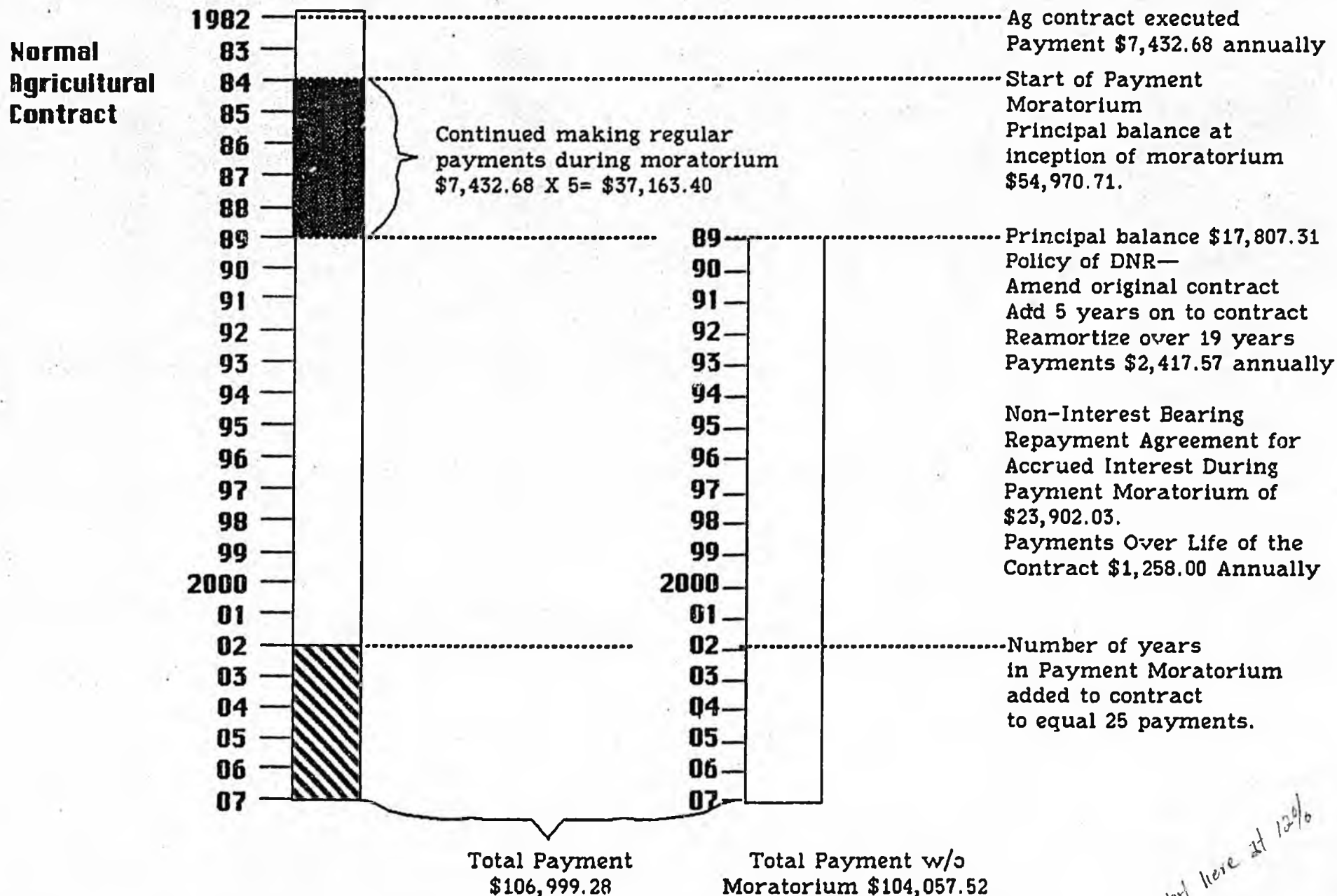


ALASKA LEGISLATURE COMMITTEE BILL FILES - 1987 - 1988 8879

SB 340 cont. 106

Lifecycle Of an Agricultural Contract

Continued Making Regular Payments



not here at 12%

Bills Pending Before the Legislature
Affecting Agricultural Contracts

Bill #	What It Does	Potential Impact	Fiscal Note
CS For SB #340	Extends agricultural payment moratorium 1 additional year for a total of 6 years.	60 applicants have participated in the 5 year moratorium to date. Approx. 112 Ag contracts could participate.	-0-
SB #353	Extends the agricultural production credit law for 2 additional years (1986 through 1991).	14 applicants have participated in this program paying interest on Ag sale contracts. Approx. 230 Ag contracts could participate.	-0-
SB #359	Extends opportunity for reorganization of private debt at a Delta Project for 2 years, until July 1, 1990	36 of the original 38 purchasers have applied 7 completed 6 in process 6 not eligible at this because of development schedules (may be later). Extra 2 years beneficial to complete all who applied.	114.1 NRM I 52.7 DLWM CT II 27.7 DLWM CT II 27.7 DOA
SB #484	Restructuring the debt of certain dairy farmers, applicable to ARLF loans.	None to Contract Administration	-0-

DIVISION OF AGRICULTURE
SERVICES, POLICY ISSUES AND STRATEGIES FOR THE FUTURE

February, 1988

Mark Weaver, Director
Division of Agriculture
Department of Natural Resources
Palmer, Alaska

3/24/88

DIVISION OF AGRICULTURE

APPLIED RESEARCH

SERVICES

Cost effective testing, production and distribution of north latitude vegetable varieties, landscape and revegetation materials, and other crops utilized by arctic and sub-arctic resource industries (agriculture, petroleum, mining, forestry, tourism) to meet environmental requirements and production objectives.

The Division of Agriculture operates the statutorily created Alaska Plant Materials Center (PMC). The Division works with the private sector to identify and respond to the plant material needs of Alaskan industries, and coordinates the applied research and production efforts of the PMC with the more basic research efforts undertaken by the University of Alaska Agriculture and Forestry Experiment Station.

KEY POLICY ISSUES

All issues are long term:

- 1. Increasing demand by agriculture, petroleum, mining, timber, tourism and related land-using industries for revegetation materials and methods suitable for sub-arctic and arctic development sites. In many cases these are unavailable from other sources due to unique conditions of the northern environment, and are required by regulation (both Federal and State) as conditions of industry land use or development.**
- 2. Continuing demand by Alaskan horticulture industry (nursery, greenhouse, and row crop operations; \$17 million in crop receipts during 1986) for landscaping, berry, vegetable and potato varieties adapted to Alaskan conditions, and for testing of new varieties and cultivation practices.**
- 3. Continuing demand by Alaskan and other north latitude grain, forage and specialty seed producers (\$2 million in 1986 crop receipts in Alaska) for quality seed stocks of locally adapted varieties not usually available elsewhere, and testing of varieties and cultivation practices adapted to northern conditions.**

STRATEGY

In all cases, abandonment of on-going projects would lead to inadequate supplies of required materials and new technology. This would limit growth potential of industries and also reduce cost-effectiveness of many of those industries, leading ultimately to loss of competitive advantage in the market place, accompanying reduction in local economic activity, and increased reliance on imports poorly adapted to Alaskan conditions. Although difficult to quantify the impact of reduction or increase of project activity, current levels of spending in potato and seed crops appear appropriate to the size of the industry now served in relation to its growth potential. Work with other vegetables and with landscape and revegetation materials, on the other hand, has been chronically underfunded, with the result that industry cost-competitiveness and growth potential have been limited to less than optimal levels.

DIVISION OF AGRICULTURE
INSPECTION AND MARKETING

SERVICES

1. **Provide inspection services** of vegetables, potatoes, eggs and other raw food products for Alaskan producers and retailers as needed to comply with state and federal quality and quarantine regulations, and to enable agricultural products to be sold commercially.
2. **Assist industry in promoting local agricultural products** through advertising and personal contacts with large purchasers so as to increase market share and maximize substitution of cost-competitive Alaska grown products for imported product.
3. **Undertake feasibility studies to aid the private sector** in identifying new market opportunities; investigate agricultural products which Alaskans can produce at a competitive advantage for local and export markets.

KEY POLICY ISSUES/STRATEGY

The Alaska economy is shrinking; increased substitution of cost-competitive local products for imports is therefore highly desirable. Success depends upon the ability of industry to identify and influence demand and to respond with appropriate increases in production.

Caution:

Sustainable, unsubsidized development is usually slow, and is in part dependent on uncontrollable factors such as weather and on the availability of capital, of land base, and of transportation systems that require long term commitment and coordination. Efforts to promote agricultural products must therefore be crafted to reflect immediately available supplies and realistic expectations of market share and capacity of the industry to expand. This requires intimate familiarity with producers and consumers of Alaska grown produce and with developments and limitations of production/technology. Failure to heed this principle is the direct cause of the failure of the Delta project to prosper. **The appropriate goal is incremental expansion, not rapid growth.**

Targets:

1. **Vegetable industry** - Alaskan conditions favor production of potatoes, carrots, peas, cole crops and some other vegetables of unique quality. Current fresh market share held by local producers ranges from 10-50% and probably could be doubled. Cash receipts to industry totalled \$2.4 million in 1986. Additionally, processing (freeze pack) deserves study as a means to significantly expand both local and export markets.

2. Alaskan berry industry, which has potential to produce unique fresh and processed products (jams) because of favorable Alaskan climate; also specialty grain and grass seed production, which benefits from the disease free northern environment.
3. Dairy - Despite financial difficulties, local producers are generating \$6 million of high quality milk per year, with an additional \$6 million in value added at processing level. This supplies only 25% of local market demand; potential expansion to 50% appears possible with coordinated industry/Division of Agricultural effort.
4. Meat - Alaskan farmers supply \$1.8 million worth of red meat annually, less than 5% of the total in-state needs. This is due primarily to lack of reliable slaughter and processing facilities in the past. If the Mt. McKinley meat plan remains open and the lessor-operator (Division of Corrections) remain willing to sell meat to private wholesalers, simple promotional efforts could generate significant expansion and several million dollars worth of additional import replacement in this commodity each year.

DIVISION OF AGRICULTURE

LAND CONSERVATION

SERVICES

1. Make available to the private sector lands suitable for agricultural production, in sufficient amounts so as to permit and encourage development of viable agricultural enterprises that contribute positively to the state economy and quality of life.
2. Conserve the soil and water resources on all agricultural lands so as to optimize their long term economic value.

The Division of Land and Water Management has the lead in classifying public lands for agricultural use and providing sale and lease documentation. The Division of Agriculture has the lead in:

1. developing the land distribution and conservation policies that are applied to these lands through purchase contract requirements,
2. selling/leasing and conserving private lands that are acquired by the Agricultural Revolving Loan Fund, and
3. promoting conservation practices on private lands generally. The Division of Agriculture performs all field inspections that are required on agricultural and homestead parcels — more than 1100 total in 1987.

KEY POLICY ISSUES

Administration of ⁴⁷⁰~~560~~ agricultural land development contracts (inherited from previous administrations) will confront three central issues.

1. Demand for renegotiation of development requirements, some of which are needlessly restrictive and tend to promote economic inefficiency. Legislative authority to modify these contracts is needed; enabling legislation (SB23) is pending, with approval likely. Modification will require balancing of long term conservation interests (protection of the land resource) with short term economic concerns of the private sector.
2. Demand for settlement of relinquishment requests by Delta project farmers. Relinquishment and reconveyance of Delta lands was mandated by legislation passed in 1986 (SB 349), and complicated by the fact that lands eligible for relinquishment are collateral for ARLF loans. The Division of Agriculture provides field inspection service support to Division of Land and Water Management and protects ARLF collateral interests throughout the transfer process.
3. Release of land patents to those who have met contract development requirements. This is mandated by contract terms and requires field inspection of parcels, approval/denial of requests for patent, and forwarding of recommendations to Division of Land and Water Management for paperwork completion.

DIVISION OF AGRICULTURE

AGRICULTURAL REVOLVING LOAN FUND AND OTHER ASSETS

SERVICES

1. **Manage the Agricultural Revolving Loan Fund (ARLF) like an agricultural bank to provide a continuing source of credit and capital to the agriculture sector with the following criteria:** Loans to be made at stable rates of interest, with credit extended to borrowers based upon their ability to repay, and terms established so as to permit continued operation of the fund without decline of the portfolio.
2. **Manage investments made by previous administrations in agricultural assets and farm development projects so as to facilitate privatization of assets where possible, maximize return to the state and maintain stability and encourage subsidized development in the agricultural sector.**

KEY POLICY ISSUES

Short Term:

1. Implementation of a troubled debt restructuring program, which consists of a refinancing package for borrowers who are currently delinquent but appear able to repay principle if terms are adjusted.

Alternative:

Foreclosure on approximately ¹⁵⁰~~14=50~~ farm operators, leading to resale of most agricultural properties at depressed prices, yielding a net loss to the loan fund and limiting the ability of some viable operations to contribute to the state economy.

Long Term:

1. The need for improved credit analysis and collateral requirements and documentation so that non-performing loans are avoided and collections can be implemented efficiently.
2. The need to promptly collect and/or foreclose on delinquent accounts that are not restructured and do not otherwise appear viable.
3. The need to provide management oversight to operating business assets including the Matanuska Maid Creamery and Feed Mill, two meat processing plants, and a grain handling terminal (total market value approximately \$6 million).

Alternatives:

None. Recommended approach will provide sound financial management consistent with the legislative mandate to the loan fund to promote viable agricultural enterprise in Alaska. Although some assets could be sold, this is not advisable during the short term, (1-2 years) due to anticipated low return because of the current recession.

The state must view agriculture as a business

BY MARK WEAVER

Does Alaska have an agricultural policy?

When money was easy, we had agricultural policies by the dozen. We had a policy to promote the grain industry; we had a policy to promote dairying; we had a policy of promoting a whole slew of agricultural commodities by lending money to people who had little capital of their own and little history of management.

As long as money was easy, the wisdom of these policies was not tested. Now the well is drying up. Their legacies are coming to haunt us: Delinquent farm debt. Processing facilities that are empty or unprofitable. Angry farmers. A disenchanted public.

Where do we go from here? Some say, "Do nothing." In fact, doing nothing will cause more waste.

I propose a different strategy. The first step is to recognize the valuable lessons that Delta, Point Mackenzie and



other recent experiences can teach us.

• Lesson No. 1: Easy farm credit too often rewards bad management. It does not produce private sector growth that is sustainable and unsubsidized.

• Lesson No. 2: To encourage agricultural production for its own sake is foolishness. Supply must be driven by demand.

• Lesson No. 3: Farmers must be required to bear the ordinary risks of doing business. Farming may be different from other businesses, but it is not special.

In every sector of the agriculture industry in Alaska there are successful farmers — those who profitably grow and market their crops and are in control of their debt. Horticultural crops — vegetables and potatoes from tradi-

tional farms, bedding plants, shrubs and other ornamentals from nursery and greenhouse producers — accounted for \$17 million in gross sales last year, along with 1,600 jobs. But even in depressed sectors such as livestock and grain there are producers who are making it — without need of a bailout. There is nothing wrong with agriculture in this state, only with what we have tried to do to it.

• What is the future of farming in Alaska? What role should state government play?

To my way of thinking, government involvement of any kind is inappropriate, unless basic criteria are met:

Can government provide a service that the private sector cannot provide? Is there a public interest at stake that justifies expenditure of public funds?

If the answer to either of these queries is "No," then government probably should stay out!

I can identify only four kinds of government services to agriculture that seem to meet this test. They are:

• Inspection of food and farm products destined for public use or consumption. A quality inspection program is the key that opens the door to the market place for the local farmer. It is mandated by federal law in some instances, and helps to promote a healthy competition for product quality. At the same time it protects retailers and the public from those who would use Alaska as a dumping ground for poor quality import.

• Research. Innovation on the farm depends upon scientific research applied to real world problems. Our farmers sacrifice time and money in an effort to identify new crops or methods that can give Alaska a competitive advantage. They cannot do this efficiently, nor take advantage of what they learn without scientific support. Gov-

ernment should fill this void.

• Credit. Private banks do not like to deal with agriculture, here or anywhere. Farmers do not need free money. They do need a bank they can rely on and, this is most important, a banker who knows farming and who knows a potentially profitable operation from a losing one. Nobody deserves a loan just because he is a farmer. But farmers, like other businessmen, deserve loans when their credit is good.

• Access to Land. In virtually every state, local governments have acted to protect their best agricultural lands from erosion and incompatible development. For this reason, the Hammond administration initiated an agricultural title system that offered farmers ownership, subject to a condition that the land not be abused nor diverted to uses inconsistent with agriculture. This system is without doubt the most valuable legacy of the big project

era. It is the tool that preserves the raw material of the farmer's trade at a price compatible with the long term nature of his investment.

Inspection, research, credit and land access pass the acid test for government involvement in agriculture. With few exceptions, if a service is outside the scope of these four areas, the government of this state probably should not be providing it.

When money was easy, we could afford to pursue agriculture as one more Alaskan lifestyle. Now we have no choice but to view agriculture as a business. If we stick to basics, it will grow at its own pace, and require no subsidy. It will provide jobs, and quality produce for all of us. And, by the way, those who succeed in it will enjoy a rewarding lifestyle.

□ Mark Weaver is Director of the Division of Agriculture.

3/24/88

FY 89 OPERATING BUDGET

	FY 87 ACTUAL	FY 88 AUTH	FY 89 ADJ BASE	FY 89 INC/DEC	GOV APPL GOV	FY 89 BDGT	FUNDING GF	ARLF	OTHER	%ARLF		
AG MGMT COMPONENT												
DIRECTOR'S OFFICE	243.5	179.2	210.2	50.0	GF	N		210.2	78.7	131.5	62.6%	
FOOD & FARM PROD INSP	110.7	98.1	100.0					100.0	94.0	6.0	FED 0.0%	
GRAIN RESERVE	42.1	48.0	48.6					48.6		48.6	GR 0.0%	
AG LAND CONS & CRT MGMT	286.8	319.5	271.1					271.1	177.7	93.4	34.5%	
AK GROWN PROD PROMOTION	145.2	163.4	166.5	82.1	LF	Y		248.6	7.1	226.5	15.0	FED 91.1%
FOUNDATION SEED	165.8	164.5						0.0				
HORTICULTURAL DEV	165.8	164.5						0.0				
VEG & SEED PRODUCTS	190.3	144.2	204.2	40.0	GF	N					0.0%	
REVEGETATION LANDSCAPE	70.0	70.0	70.0								0.0%	
ARLF - ACCT. Credit. Coll	520.3	848.4	860.4	150.4	LF	Y		1010.8		1010.8	100.0%	
UNBUDGETED RSA's	32.9											
STATE FAIRS		59.6										
AG MGMT COMPONENT TOTAL	2005.2	2261.9	2212.9	406.7				2445.4	913.6	1462.2	69.6	59.8%

DEP COMPONENT	219.4	217.4	221.0	0.0				221.0		221.0	CIP 0.0%	
=====												
AG MGMT BRU TOTAL	2224.6	2479.3	2433.9	406.7				2666.4	913.6	1462.2	290.6	54.8%

3/24/88

DIVISION OF AGRICULTURE

SUMMARY OF 1987 SERVICES

February, 1988

Mark Weaver, Director
Division of Agriculture
Department of Natural Resources
Palmer, Alaska

3/24/88

DIVISION OF AGRICULTURE

ALASKA PLANT MATERIALS CENTER

Summary of 1987 Services

EVALUATED for Alaskan conditions:

- 57 berry varieties.
- 30 rose varieties.
- 6 varieties each of lettuce, cabbage, cauliflower and broccoli.
- 30 varieties of potatoes.
- 5 salt tolerant grasses and forbs for North Slope revegetation.
- 15 species of trees, shrubs, forbs and grasses for other revegetation uses.

PRODUCED AND DISTRIBUTED to commercial growers:

- 10,000 disease free potato plantlets.
- 1.7 tons disease free seed potatoes.
- 2600 berry plants for fruit and landscaping.
- 75 willows for revegetation, moose habitat and windbreak.
- 7 tons foundation barley seed for livestock feed.
- 3 tons foundation oats for livestock feed.
- 5 tons foundation wheat for livestock feed.
- 500 pounds grass seed for forage, revegetation, and landscape.

TECHNICAL ASSISTANCE:

- Inspected 100 lots of seed potatoes for certification.
- Developed revegetation specification for highway erosion control.
- Evaluated 17 remote revegetation, food and landscape plots from Kodiak to North Slope.
- Developed revegetation technology for ARCO, COMINCO and Air Force.
- Prepared 5 reports on revegetation technology.
- Presented 7 papers on revegetation technology and horticulture.
- Sponsored Greenhouse and Nursery Conference attended by half the growers in the state.
- Sponsored 2 horticulture industry tours in Palmer and Kenai.
- Participated in 41 horticultural industry related meetings.

DIVISION OF AGRICULTURE
FOOD & FARM PRODUCT INSPECTION
AND ALASKA GROWN PROMOTION

Summary of 1987 Services

- 500 produce quality grade inspections at farm and packing shed sites.
- 650 acres of grains and grasses inspected for certification at 54 locations.
- 500 retail and wholesale site inspections for product quality.
- 50 seed samples tested for label compliance.
- 300 measurements on grain storage bins for Grain Reserve Loan compliance.
- 52 issues of Market News Report published for 850 subscribers.
- 100 meat plant visits to grade carcasses for value determination.
- 7 directories and statistical reports published for distribution to agricultural industry, consumers and government agencies.
- 300 contacts with producers, wholesalers and retailers to provide marketing liaison.
- 5 economic analyses published: veal, baking potatoes, beef, barley and canola (rapeseed).
- 5 Alaska grown promotion events organized in stores, and advertised in radio announcements and press releases.

DIVISION OF AGRICULTURE
LAND CONSERVATION/CONTRACT MANAGEMENT

Summary of 1987 Services

- 185 farm conservation plan inspections and revisions.
- 56 homestead parcel inspections.
- 806 farm development plan inspections and adjustments.
- 35 Homestead Credit inspections.
- 83 clearing loan inspections.
- 159 applications for patent, moratoriums, assignments or relinquishments reviewed.
- 1778 visits, telephone and office contacts, discussions with farmers, homesteaders, etc.

Organized 2 state-wide Association of Soil and Water Conservation Districts meetings and attended 27 District meetings.

Organized quarterly meetings of the Alaska Soil & Water Conservation Board and provided executive services to the Board.

DIVISION OF AGRICULTURE

AGRICULTURAL REVOLVING LOAN FUND (ARLF) AND OTHER RELATED LOAN SERVICES

Summary of 1987 Services

Twenty-seven board meetings were held including 12 regular meetings, 12 teleconference meetings, and 3 public hearings. 148 loan applications were considered. The cost for the meetings totaled \$17,026.36.

Support to the Fairbanks and Delta areas was provided by frequent visits by Loan Examiners. A total of 18 visits were made to these areas representing 55 man days. Appointments are scheduled in advance to meet the needs of borrowers in the area.

Loans by area are as follows:

AREA	BORROWERS	LOANS	LOAN BALANCE
Matanuska Area	85 Borrowers	199 Loans	\$ 17,957,042.29
Delta Area	75 Borrowers	252 Loans	\$ 17,376,351.28
Tanana Area	37 Borrowers	083 Loans	\$ 1,818,732.37
Kenai Ara	19 Borrowers	039 Loans	\$ 1,380,597.78
Other Areas	09 Borrowers	020 Loans	\$ 1,299,510.94
Totals	225	593 Loans	\$ 39,832,234.66
Other ARLF Assets			\$ 10,466,036.76
Loans Serviced for Others (AAAC, etc.)			\$ 14,014,860.00
Total			<u>\$ 64,313,131.42</u>

The Loan Fund is in the process of restructuring some nonperforming loans. The cut off date of November 1, 1987 resulted in receiving approximately 84 applications totaling over \$29 million. During the January 1988 board meeting the ARLF Board approved \$3.1 million for restructure and declined \$1.33 million. The overall delinquency rate has improved from the previous point of 78% in 1987 to a current level of 64%. We are forecasting continued improvement in the delinquency rate as more loans are restructured to provide realistic repayment schedules.

The ARLF received \$2,346,152 in revenue during FY 87, including interest totaling \$560,129.

To date, production credits have reduced the interest income to the Loan Fund by approximately 50%. 1986 Production Credits equalled \$346,055; 1987 production credits equalled \$539,997. Extension of this program will prevent the fund from revolving.

DEPARTMENT OF NATURAL RESOURCES
DIVISION OF AGRICULTURE
FARM LOAN PROGRAM
ANNUAL REPORT
JANUARY 1, 1988

PREPARED BY

Hal K. Ward
ARLF Staff

Under the Direction of
Mark Weaver
Director, Division of Agriculture

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SECTION I HISTORY AND ORGANIZATION

The Agricultural Revolving Loan Fund (ARLF) is the largest of the farm loan programs administered by the Division of Agriculture. It was established by statute in 1953 with initial appropriations of \$200,000. This fund has grown through major appropriations from 1979 through 1985; it also has been supplemented by other agricultural loan programs that the legislature has initiated or relocated within the Division of Agriculture.

As a result, the Division of Agriculture is now responsible for the administration of \$40 million in ARLF loans; \$1.5 million in Grain Reserve loans; and \$15.5 million in land clearing loans and miscellaneous loans made by former Agricultural Action Council. In addition, the ARLF has acquired three major agricultural assets as a result of programs initiated by former Agricultural Action Council: The Fairbanks meat processing plant (currently unoccupied); the Matanuska Maid creamery and feed mill; and the Palmer meat processing facility. The Palmer meat processing facility is run by the Department of Corrections through an interagency agreement with the Department of Natural Resources. The Matanuska Maid creamery is operated under the temporary oversight of the Division Director and the ARLF Board.

Most credit, collection and accounting services for loan programs are provided by ARLF staff that include a loan manager, four loan examiner positions and five loan accounting and clerical positions.

The director of the Division of Agriculture, with the assistance of other Division staff, is responsible for development of policy for loan programs and assets. Non-ARLF staff also assist loan examiners with land inspection problems.

Total responsibilities include \$55.5 million in active loans and \$9.8 million in ARLF-State owned assets. The Matanuska Maid creamery alone contributes more than \$12 million in processed products and \$1 million in operating expenditures to the Anchorage area economy each year.

Most credit approvals, credit declines and collection actions for loan programs must be authorized by the ARLF Board. The current Board consists of two public members, both of whom are attorneys with commercial experience, and three members with agricultural expertise - a Professor of Horticulture who operates a Palmer nursery, a livestock producer from Kenai and a hay farmer from Delta Junction. The Board collects per diem for meetings but is otherwise unpaid.

Farm loan programs are an integral part of the services provided by the Division of Agriculture in that they make capital available for development and operation of Alaska farms, nurseries and greenhouses. The Division also provides other basic services: assistance in promoting and marketing farm products; inspection of fresh market produce for retail sales; land conservation and contract management

SECTION I
HISTORY AND ORGANIZATION

services; and introduction of new plant materials to Alaskan industries through production, testing and distribution of crops, revegetation and landscaping materials suited to Alaska growing conditions and local markets.

a. Current Status

During 1986 efforts were made to improve the overall operation of Division loan programs. New detailed operating and accounting procedures were established to correct deficiencies noted by Legislative Audit. 9.8 million dollars in loan losses from 1978 through 1985 were recognized through charge-off and recoveries started through three separate sales of repossessed collateral held during the first half of FY 87.

Lending policy has become more conservative with emphasis on ability of borrower to service loan debt, verified management experience, and realistic budgets of income and expense in operations.

b. Accomplishments

Loan Fund staff were involved in major projects this year while working with a 50% vacancy level in the Loan Examiner positions due to lack of qualified candidates available for hire from the register. We accomplished the following activities:

- Negotiated transfer of Fairbanks meat plant back to the State without bankruptcy or foreclosure.
- Prepared policy and procedure to implement Production Credit Legislation.
- Developed new accounting procedures due to Production Credit Legislation.
- Designed and adopted new application forms for ARLF.
- Designed and adopted new loan collateral documentation forms for ARLF.
- Established loan servicing and collection policy and procedure.
- Provided the first forecast of income from all sources to Office of Management and Budget.
- Amended Loan Board presentation procedures and adopted more detailed financial analysis requirements for Loan Examiners.
- Replaced the Fund Accountant with a new employee with higher level of experience and trained the new employee.

SECTION I
HISTORY AND ORGANIZATION

b. Accomplishments - continued

- ° Closed the Fairbanks and Delta offices of ARLF with transfer of Loan Examiner positions to Palmer.
- ° Successfully challenged OMB budget transfer of all ARLF funds to general funds and retained two thirds of the ARLF balances for continued use in ag credit.
- ° Held Quarterly equipment sales of repossessed property and realized over \$100,000 in additional income.
- ° Adopted new bid and sale policy and procedure for sale of repossessed property.
- ° Modified the accounting system and produced year end financial information for Division of Management to begin Revenue and Billing System.
- ° Charged-off and began collection process on \$9,800,000 in non-performing loans.
- ° Requested and received approvals from two administrations and ARLF Board to purchase the Mt. McKinley Meats & Sausage plant at foreclosure sale in December 1986.
- ° Negotiated lease agreement with Department of Corrections for the operation of the Meat Plant by prison industries.
- ° Developed a Debt Restructuring policy for the Agricultural Industry.
- ° Participated in preparing the ARLF portion of Department Order 123 referring to SLA-86 Ch. 109.
- ° Hired and trained two new Loan Examiners in July 1987 to fill vacancies.
- ° Revised the internal operation of the ARLF assigning to the Loan Closer, activities similar to operations manager with supervisory authority over operations staff.
- ° Held statewide Public Hearings to develop the Troubled Debt Restructuring Policy.
- ° Drafted contract for Management Services for Matanuska Maid Plant Manager.
- ° Drafted contract for Management over site of Matanuska Maid by Alaska Dairy Inc.

**SECTION I
HISTORY AND ORGANIZATION**

b. Accomplishments - continued

- ° Prepared bid waivers for sale of Matanuska Maid products to state agencies in Anchorage Bowl and Seward.

These activities were carried on while handling the normal flow of loan requests, preparing for and conducting board meetings and handling normal activities in credit and collections.

During this period, a new administration was elected, a new Commissioner appointed, a new Director appointed, and the ARLF Board resigned and was replaced by new members assuming responsibilities for a large program with many difficulties needing resolution.

The ARLF has made considerable progress during the past year and the recent adoption of the Troubled Debt Restructure Policy and completion of procedures to comply with SB 349 jointly with the Division of Land and Water Management will provide for the completion of this process.

c. Operating Plan - 12 Months

	COMPLETION
° Purchase and Install Computer Hardware and Software for Loan Analysis and Financial Management.	3/1/88
° Provide operating and Development credit for Agriculture.	Continuous
° Proceed with Recovery on Chargeoff loans	Continuous
° Continue with Restructure of Marginal Non-Performing Loans.	Continuous
° Complete Legislative Audit for FY86 and FY87.	7/1/88
° Revise and Evaluate Revenue and Billing Accounting System.	Continuous
° Complete Delta Debt Relief SLA-86, CH 109.	7/1/88

SECTION II
LOAN ACTIVITY

a. Board and Loan Activity

<u>1987</u>		<u>Type of Meeting</u>	<u>Loan Applications Considered</u>	<u>Cost</u>
January	21/22	Regular Meeting	18	1,121.00
January	27	Teleconference	0	193.30
February	18	Regular Meeting	7	528.75
March	5	Teleconference	0	260.21
March	11	Hearing - Leg. Affairs		182.50
March	18	Regular Mt. Anch.	3	279.00
April	10/11	Regular Meeting	17	360.50
April	13	Teleconference	0	180.27
May	5	Regular Meeting	6	943.83
May	13/19	Regular Meeting	13	1,806.84
May	22	Teleconference	0	583.32
June	16	Regular Meeting	19	880.59
July	13/27	Regular Meeting	9	1,770.00
July	20	Teleconference	1	363.13
August	5	Teleconference		44.89
August	25	Regular Meeting	6	510.00
September	15	Regular Meeting	1	185.00
September	22	Teleconference	7	650.74
September	29	Teleconference	5	400.07
October	7	Teleconference		363.07
October	9	Public Meeting Delta		555.00
October	12	Meeting - Anchorage		576.65
October	13	Teleconference	6	774.45
October	20	Teleconference	4	482.18
November	9	Regular Meeting		686.94
November	18/19	Regular Meeting	16	1,278.13
November	30	Teleconference	1	320.00
December	8	Regular Meeting	9	746.00
			<u>148</u>	<u>\$ 17,026.36</u>

7 Director loans were approved this year to borrowers in good standing.

In addition to loan applications considered, there were Board actions concerning proposed policies, procedures, asset management decisions, emergency actions and other loan related activities.

SECTION II
LOAN ACTIVITY

b. Loans By Area

Loans by Area and Election District Covered by this Area As of 12/31/87

Area	Borrowers	% Borrower	Loans	%Loans
Matanuska Area SD E,H,I HD 6,7,12,13,15,16	85	37.79	199	33.56
Delta Area SD J	75	33.33	252	42.50 HD 17
Tanana Area SD J,K	37	16.44	83	14.00 HD 17,19,20,21
Kenai Area SD D	19	8.44	39	6.58 HD 5
Other Areas SD J,N HD 17,27	<u>9</u>	<u>4.00</u>	<u>20</u>	<u>3.36</u>
Grain Reserve Loans	13			14
Land Clearing Loans	42			50
Kodiak Slaughterhouse	1			2
Alaska Farmers Co-op	1			4
TOTALS	*235	100.00	663	100.00

* Borrowers with Grain Reserve and Land Clearing loans are counted only one time for Total.

SECTION II
LOAN ACTIVITY

c. Loan Fund Staff Delta and Fairbanks Office Schedule

<u>Date</u>	<u>Staff Attending</u>
January 14-15	1
February 5-6	1
25-27	1
March 11-12	2
26-28	1
May 6-8	1
June 11-15	1
July 1-2	1
6-7	1
30-31	2
August 1	2
20-21	2
September 10-11	2
24-25	2
October 8-9	1
15-16	2
29-30	2
December 16-18	2

Total 52 man days on site in Delta Junction and/or Fairbanks for direct client service.

SECTION II
LOAN ACTIVITY

d. Loan System - Revenue and Billing

In January 1987 the ARLF Staff provided input data to establish ARLF borrowers and loans on the new Revenue and Billing data base. The staff worked with the Division of Management and loaded data available through December 31, 1986 on the computer system. System modifications delayed bringing the Division of Agriculture up on the system and a new testing program of data was run to determine compliance with design and to check results of inputting entries into the system and the effects on loan balances and loan servicing reports. The testing was completed in June, 1987 and the Division was prepared to begin the system when Legislative Audit began a review of operations for FY 86 and FY 87. Because of the ongoing audit and proposed changes to financial reporting requirements and format, the Division of Agriculture requested a delay of time to begin Revenue and Billing.

A new Fund Accountant was hired during the last week of 1986 and an Accounting Clerk was replaced in August 1987 and the resulting improvement in personnel in these positions revealed significant discrepancies in the loans receivable balances for the ARLF with a major impact on the accuracy of existing financial records.

A review of the financial situation with Legislative Audit combined with proposed changes in financial reporting requirements according to General Accepted Accounting Principles resulted in the Division of Agriculture requesting additional time to correct errors and omissions prior to beginning with the Revenue and Billing system.

We have provided a new schedule for the implementation of Revenue and Billing as outlined below:

- The Division of Agriculture will complete the loan accruals and audit information by February 1, 1988.
- The Division of Agriculture will provide a new ARLF chart of accounts and descriptions to Division of Management by March 1, 1988.
- Division of Management to provide program for testing by May 1, 1988.
- ARLF to run test program during May and complete by June 1, 1988.
- Division of Management to make required program changes by July 1, 1988.
- Provided the system operates correctly the Division of Agriculture will load data onto Revenue and Billing system by August 1, 1988 effective July 1, 1988.

SECTION III
GOALS IN MANAGEMENT OF THE LOAN FUND

We are currently concentrating efforts in five areas:

- ° Correcting deficiencies in previous lending policy and practice by creating standard loan documentation and applying financial standards to all loan requests based on borrowers ability to repay the loan.
- ° Continue loan charge-off and recoveries on those non performing credits, borrowers who are no longer involved in viable agricultural production.
- ° Provide for the maintenance of ARLF investments acquired through bankruptcy, foreclosure, and relinquishment until it is economically practical to sell or lease these assets into the private sector.
- ° Continue to review and consider opportunities to sell ARLF acquired assets into the private sector to provide financial recovery for prior loan losses.
- ° Revise and implement accounting and financial reporting procedures including revenue and billing.

a. Intermediate Goals - Three to Five Years

- ° Develop a quality loan portfolio of performing loans totalling 20 to 25 million dollars which can provide sufficient income to fund the operation of the ARLF. This revolving portfolio could maintain 3.2 million dollars in revolving principal payments for annual loan requests.

b. Long Range Goals - Five to Eight Years

- ° Continue to manage a quality portfolio of agricultural related loans.
- ° Consider the establishment of a loan guarantee program sponsored by the State and administered by commercial banking thus removing the State from direct credit administration. A loan guarantee program might be beneficial for the following reasons:
 1. Provide continued source of agriculture credit in a period of declining state oil revenues.
 2. Move credit from the public to the private sector.
 3. Reduce operating expense to the Department and State.
 4. Reduce direct risk because funding would be required only for losses after direct bank collection efforts.

SECTION IV
ARLF ASSETS

a. Matanuska Maid Creamery and Feed Mill

Date Acquired:

November 29, 1985 at foreclosure sale by offset bid.

Description:

An operational dairy processing facility located at 814 Northern Lights Blvd., Anchorage, Alaska on a commercial lot, 62,813 sq. ft. in size. The plant and equipment are housed in a concrete block building totaling 48,529 sq. ft. The building was constructed in 1965 and there has been limited modernization since that time.

A feed mill and wholesale/retail store located at 313 Dahlia St., Palmer, Alaska. The improvements are comprised of milling and processing equipment and storage facilities on a five acre lot in central Palmer with rail siding access for bulk shipping and storage.

Current Status:

The plant is owned by the Agricultural Revolving Loan Fund and operated by a manager and employees of the creamery. The plant is considered to be a short term asset of the Loan Fund to be offered for sale or lease within two years.

Value:

Cost Approach:

\$5,332,674, total investment to date by the ARLF in loans and working capital.

Fair Market Value

\$2,750,000 based on estimates of income from sales with production levels of 2.5 million pounds of milk per month.

Options:

1. Offer the plant for sale at fair market value during 1988 to remove the State from exposure to further operating losses.
2. Offer to lease the facilities to a Farm Cooperative group for \$1.00 per cwt per month of milk purchased from Alaska producers and processed at the plant. At the 2.5 million pounds per month level, the State would recover the original funds invested in approximately 18 years. A lease of accounts receivable and inventory is not practical. An ARLF financed purchase of inventory and accounts is a likely alternative.
3. Retain ownership of the plant with management participation from a farm cooperative group such as Alaska Dairy Inc. for a period of one year with a review of operations at the close of 1988 business for Matanuska Maid. This option risks continued financial obligations to the State, however, it provides a training period for the co-op to assume full ownership through purchase at a later time.

SECTION IV
ARLF ASSETS

b. Fairbanks Meat Plant

Date Acquired:

September 30, 1986 through a foreclosure settlement agreement from the original borrower, McKee Meats Inc. of Fairbanks, Don McKee, principal.

Description:

A modern 8,845 square foot slaughterhouse and meat processing facility located on a 75,000 square foot site leased from the Northstar Borough in Fairbanks, Alaska.

Current Status:

This facility is approximately 92 percent complete with the installation of the final processing equipment and exterior paving to be accomplished. The plant, having never been operated is in "new" condition.

Value:

Cost Approach:

\$1,335,240.00

This value represents the construction costs of the improvements without final installation of equipment or incomplete paving.

Fair Market Value:

There is no basis to establish a fair market value as the plant does not generate income nor is there a comparable meat processing plant in the area for comparison.

Options:

1. Offer the plant for sale at cost to attempt recovery of the investment by the State by contract with real estate firm or business development firm. The success of this alternative is questionable as the economy of the Fairbanks area is experiencing a recession which limits investments of high risk venture capital in a non-operating business.
2. Offer the plant for lease as a completed facility with stipulations requiring slaughter of Alaska grown livestock and payment of market price based on Omaha price levels which represent competitive national market prices. This alternative requires an additional investment of approximately \$40,000 for paving and \$85,000 in equipment and installation. This should be contracted out to a consulting or business development firm.
3. Offer the plant for lease as is and where is without requirements for operating as a red meat processing facility. This option will relieve the State of compliance monitoring other than normally expected in a tenant-landlord relationship and possibly eliminates expectations of subsidy or financial support from the State by the tenant.
4. Surplus the property to DOA for sale.

**SECTION IV
ARLF ASSETS**

c. Palmer Meat Plant

Date Acquired:

December 26, 1986 purchased at a foreclosure sale held by First National Bank of Anchorage to protect the original investment by the State and provide an operational meat processing facility with DEC permits for operation.

Description:

An operating livestock slaughter plant and meat processing facility located at 385 Springer Inner Loop, Palmer, Alaska on a commercial lot, 152,573 square feet in size. The principal improvements are housed in a concrete tilt-up structure of approximately 10,206 square feet.

Current Status:

The plant has been leased to the Department of Corrections for an eleven year period. Lease payments are made to the ARLF providing recovery for expenditures made to purchase the plant and start operations. This plant is the only facility in the state with DEC permits which allow livestock to be slaughtered and processed for resale. This plant is a long term investment of the ARLF due to the lease agreement with the Department of Corrections.

Value:

Cost Approach:

\$3,550,000 based on construction costs and additional funds used to purchase and begin plant operations after the foreclosure sale.

Fair Market Value

\$1,500,000. This value is based on a modified income approach using estimated revenue from the Department of Corrections for the lease of the plant.

Options:

1. Retain the plant under the current operating status as a prison industry as it provides the only DEC approved plant of this type in the state. Based on lease payment the estimated return on the investment will approximate \$750,000 over eleven years.
2. Offer the plant for sale to divest the State from this function. This alternative is not in the best interest of the State, both from return to the ARLF of funds expended and from the market approach as it was not previously successful in the private sector due to limited supply of quality livestock available to the plant.

SECTION V
FINANCIAL REVIEW AND STATEMENT

a. Revenue Forecast

This forecast represents estimates of very general income and expense categories. Performance may vary significantly depending on the cooperation of the borrowers who have entered into loan restructure negotiations with the Agricultural Revolving Loan Fund.

The effects of loan restructuring will impact the loan portfolio performance in FY 89 and FY 90 with FY 88 as the low period of income and high period in expense.

ARLF INCOME FORECAST FY 88
Revised December 7, 1987

INCOME	
Interest on Loans	450.0
Fees and Sale of Repo Property	85.0
Principal Repaid	900.2
	<hr/>
TOTAL INCOME	1,435.2
EXPENSE	
Administrative Costs	1,212.1
Investments in Matanuska Maid	785.0
Investments in Palmer Meat Plant	120.0
	<hr/>
TOTAL EXPENSES	2,117.1
OPERATING PROFIT (LOSS)	(681.9)

SECTION V
FINANCIAL REVIEW AND STATEMENT

b. Loans Receivable

AREA	LOAN BALANCE
MATANUSKA AREA	
Active	16,043,314.69
AG Referral	<u>1,913,727.60</u>
Total	17,957,042.29
DELTA AREA	
Active	15,577,393.96
AG Referral	<u>1,798,957.32</u>
Total	17,376,351.28
TANANA AREA	
Active	1,701,047.79
AG Referral	<u>117,684.58</u>
Total	1,818,732.37
KENAI AREA	
Active	452,046.80
AG Referral	<u>928,550.98</u>
Total	1,380,597.78
OTHER AREAS	
Active	1,299,510.94
AG Referral	<u>.00</u>
Total	1,299,510.94
TOTALS	
Active	35,073,314.18
AG Referral	<u>4,758,920.48</u>
TOTAL	<u>39,832,234.66</u>
GRAIN RESERVE LOANS	376,046.81
LAND CLEARING LOANS	6,869,859.14
KODIAK SLAUGHTERHSE	94,605.84
ALASKA FARMERS COOP	<u>1,350,000.00</u>
TOTAL LOANS	<u>48,522,746.45</u>
ARLF ASSETS	10,466,036.76

SECTION V
FINANCIAL REVIEW AND STATEMENT

d. Production Credits

Legislation passed in 1986 (SLA 86, CH 110) provided for credits on agriculture loans to be earned by borrowers based on Income earned from sales of products grown or to be grown or raised in Alaska. The credit authorized is equal to 10% of the Income shown on the IRS Farm Income Schedule "F". A farmer with \$100,000 in gross income receives \$10,000 in production credits. The results are outlined below:

Fiscal Year	87	88
Period	7/1/86 to 6/30/87	7/1/87 to 1/26/88
Crop Year	85	86
Number of Applicants	62	60
Credits Authorized	\$ 802,911.56	\$ 789,401.96
Credits Applied by ARLF	\$ 543,127.82	\$ 486,178.10
Credits Applied by ADL	\$ 16,763.28	\$ 59,117.49
Credits Unused/Expired	\$ 243,020.46	\$ 244,106.37
Physical Year Shown	7/1/86 - 6/30/87	7/1/87 - 1/26/88

SECTION V
FINANCIAL REVIEW AND STATEMENT

e. Revenue - Interest, Penalties and Application Fees

MONTH	TOTAL PAYMENTS	INTEREST	PRINCIPAL	PENALTY	OTHER	
JAN 1987	\$ 162,510.18	\$ 58,041.64	\$ 103,801.37	\$ 5.74	\$ 531.43 \$ 130.00	POC Reimbursements Application Fees COL \$ 22,584.63
FEB 1987	\$ 120,888.22	\$ 32,118.72	\$ 86,718.63	\$ 1,409.44	\$ 531.43 \$ 110.00	POC Reimbursements Application Fees COL \$ 2,887.50
MAR 1987	\$ 139,426.67	\$ 28,472.54	\$ 110,261.79	\$ -0-	\$ 65.91 \$ 295.00 \$ 331.43	POC Reimbursements Application Fees ARLF Owned Assets COL \$ 2,276.51
APR 1987	\$ 172,846.67	\$ 17,812.29	\$ 66,47 .50	\$ -0-	\$ 88,055.45 \$ 170.00 \$ 331.43	POC Reimbursements Application Fees ARLF Owned Assets COL \$ 2,276.51
MAY 1987	\$ 199,435.25	\$ 46,777.60	\$ 151,236.41	\$ 644.81	\$ 45.00 \$ 731.43	Application Fees ARLF Owned Assets COL \$ 3,305.84
JUN 1987	\$ 126,039.32	\$ 29,044.11	\$ 96,950.21	\$ -0-	\$ 45.00	Application Fees COL \$ 2,442.50
JUL 1987	\$ 210,284.90	\$ 43,350.43 PC 120,316.54	\$ 161,918.98	\$ 100.73	\$ 4,583.33 \$ 331.43	POC Reimbursements ARLF Owned Assets COL \$ 2,276.42
AUG 1987	\$ 118,552.92	\$ 34,357.69 PC 75,519.98	\$ 78,152.45	\$ 1.75	\$ 210.00 \$ 5,831.03	Application Fees ARLF Owned Assets COL \$ 28,284.07
SEPT 1987	\$ 138,567.98	\$ 19,875.03 PC 40,569.06	\$ 116,137.70	\$ 1,884.25	\$ 195.00 476.00	Application Fees COL \$ 7,049.51 ARLF Owned Assets
OCT 1987	\$ 218,487.86	\$ 55,103.65 PC 85,232.00	\$ 162,230.93	\$ 98.28	\$ 330.00 \$ 725.00	POC Reimbursements Application Fees COL \$ 41,854.15
NOV. 1987	\$ 105,744.22	\$ 37,092.48 PC 497.19	\$ 54,474.28	\$13,837.46	\$ 340.00	Application Fee COL \$ 4,930.91
DEC. 1987	\$ 219,759.15	\$ 52,561.62 PC 10,632.04	\$ 166,835.00	\$ 252.53	\$ 110.00	Application Fee COL \$ 600.00
YTD	\$ 1,932,543.34	\$ 454,607.80 PC 332,776.81	\$1,355,195.25	\$18,234.99	\$ 94,097.55 \$ 8,032.75 \$ 2,375.00	POC Reimbursements ARLF Owned Application Fees COL \$120,768.55

* COL - Charged Off Loans - Recovery

SECTION V
FINANCIAL REVIEW AND STATEMENT

f. Funds Disbursed

There was approximately \$3,115,000.00 in new money disbursed from the Agricultural Revolving Loan Fund and the Grain Reserve Loan Fund in FY 87. Funds disbursed for the former Alaska Agricultural Action Council clearing loans was approximately \$306,251.00 .

g. Restructure Rewrites

Approximately \$597,469.67 in principal, interest and penalties were rewritten or restructured in FY 87. We expect this figure to increase dramatically once the majority of the restructure applications are processed which will occur in FY 88.

SECTION V
FINANCIAL REVIEW AND STATEMENT

h. Repossessed Property and Recovery of Loans

<u>Repossessed Property/Equipment Held for Sale</u>		<u>Minimum Acceptable Bid</u>
1.	1 each Disc, J.D. Tandem Model 220 approximately 19'	\$ 1,500.00
2.	1 each Baler, Massey Ferguson Twine Tie, PTO	\$ 1,800.00
3.	1 each Forage Harvester, New Holland 770	\$ 500.00
4.	1 each Swather, New Holland 12'	\$ 300.00
5.	1 each 1973 Ford Van, Yellow SN F37YRR09362	\$ 1,200.00
6.	1 each 1975 Dodge Pickup 4X4 SN W14BF55100806	\$ 550.00
7.	1 each Packer Flex Coil	\$ 800.00
8.	1 each Truck w/Grain Box w/Dump Chev. 1961	\$ 2,250.00
9.	1 each Truck w/Grain Box Chev.	\$ 2,000.00
10.	1 each Truck w/Grain Box GMC	\$ 2,000.00
TOTAL		\$ 12,900.00

Recovery of Loans

<u>Sale Date</u>	<u>Recovery Amount</u>
July 1986	\$ 8,500.00
August 1986	\$ 54,918.00
December 1986	\$ 42,682.00
January 1987	\$ 10,500.00
July 1987	\$ 36,447.45
October 1987	<u>\$ 7,052.07</u>
TOTAL RECOVERED	\$ 160,099.52

TRACT	NAME	ORIGINAL ACREAGE	ORIGINAL CONTRACT AMT	CLEARING LN AMOUNT	REMARKS	TOTAL CASH PAID TO DLWM	ARLF DEBT AMT. LOANED	ARLF DEBT CURRENT BALANCE	CRP ACRES	'1986 CRP RECEIPTS	1987 CRP RECEIPTS	ESTIMATED 10 YR. PAYMENT	
A	WALSKY	2176.04	111,794.25	306,976	APPLIED, ATTEMPT CUR	5,588.96	296239.31	243780.6	1377.5	0	0	0	
B	RULE	2820.08	122,006.50	399,714	APPLIED, CONTRACT IN	18,605.32	2403512.74	2285175.57	1394	70,100	120,665	484,010	
C	BANNON	3299.89	163,667.00	502,182	APPLIED, OPTIONS NOT	8,183.35	411267	372853	766				
D	GIESE	2080.07	104,000.00	335,844	APPLIED, CONTRACT IN	12,113.69			0	0	189,400	500,000	
E	WRIGHT, S	1924.70	175,158.50	219,917	DID NOT APPLY, IN DEF	18,273.16	961320.83	823613.61	228	0	104,242	283,420	
F	GREEN	2011.04	128,083.00	390,971	TRANSACTION COMPLETE	26,976.38	587000	528960.06	1427	0	0	0	
G	OLSON	2834.95	142,244.00	407,983	APPLIED, DEV. DEFAULT	17,824.28	636643.63	603599.23	1427	0	30,102	73,020	
H	ENGELLANT	2635.53	159,777.75	412,153	APPLIED, OPTION NOT	7,988.89	267500	180017.75	2116.8	0	50,142	500,000	
I	KARR	2713.22	144,177.00	436,098	REPURCHASED FOR 108,	23,129.33	161750	157726.06	1356	0	142,700	500,000	
J	EMERY	3378.98	131,788.50	517,962	APPLIED, OPTION NOT	15,572.30	273469	133226.78	0	48,900	148,700	640,170	
K	KELLEY	3145.47	144,383.00	452,354	APPLIED, DEV. DEFAULT	16,869.15	531027.38	214038.77	921	0	185,600	500,000	
L	FETT	3095.78	160,457.50		APPLIED, ELIGIBILITY	8,047.67	468750	459686.46	0	0	0	0	
M	MITCHELL	3386.36	168,252.50	535,530	APPLIED, OPTION NOT	8,412.62	675913.4	633645.18	1322	0	126,177	340,770	
N	BREHMER	2354.30	103,866.75	370,909	APPLIED, CNTRCT AMEN	5,219.28	1152889.83	994420.29	598	0	0	0	
O	HOLLEMBAEK/BUCK	2744.52	138,552.00	429,703	APPLIED, OPTION NOT	17,065.12	297375	228530.06	1614	0	133,200	492,190	
P	CARLSON/THEURINGER	2485.99	135,674.00	390,150	TRANSACTION COMPLETE	43,878.57			1200	0	81,926	221,260	
Q	STRONG	2701.96	132,535.00	363,733	TRANSACTION COMPLETE	117,377.16	721913.95	686088.65	1147	0	69,720	612,480	
R	HELKENN	2616.76	128,487.00	406,710	APPLIED, OPTION NOT	6,424.35			0	0	0	442,800	
S	GREEN	2670.85	177,425.25	574,827	APPLIED, OPTION NOT	21,548.72	807695.86	690396.65	1071.3	0	154,856	401,560	
T	RUTT	2612.96	144,628.75	389,833	APPLIED, OPTION NOT	19,487.20	1000000	667700	0	0	0	0	
U	DODSON	2368.64	142,433.75	354,139	APPLIED, OPTION NOT	7,327.78	260000	223510.23	0	0	0	396,380	
V	NELSON	2117.57	117,871.00	246,857	TRANSACTION COMPLETE	25,933.27			0	0	0	0	
1	MAGEE	2020.00	252,000.00	198,127	RELINQUISHED	11,350.00	122975.27	101412.94	108	0	0	0	
2	BROWN	1112.00	226,000.00	142,610	APPLIED, DEV. DEFAULT	8,284.14			0	0	0	0	
3	MAGEE	1455.00	234,000.00	280,957	RELINQUISHED	10,450.00	526145.37	431327.19	81	0	14,742	39,420	
4	TROWBRIDGE	1588.00	266,000.00	230,090	APPLIED, LEASE PREP	13,300.00	415828.88	400767.13	972	0	0	0	
5	SCHULTZ	1882.00	300,000.00	309,860	REPURCHASED 88015	19,400.77			0	0	120,697	325,970	
6	NELSON	1699.99	283,000.00	294,295	REPURCHASED 74,248	16,187.39	991935.43	941335.56	0	0	45,000	359,640	
7	HOLCOMB	1038.00	216,000.00	162,635	SELECTED REPUR OPTIO	9,550.00			0	0	0	0	
8	CJO, KJ	2353.00	394,000.00	70,182	RELINQUISHED	18,450.00			0	0	0	0	
9	KIM	2019.00	388,000.00	51,116	RELINQUISHED	18,150.00			0	0	0	0	
10	CHO, SS	1714.00	390,000.00	132,860	RELINQUISHED	16,510.00	585379	557629	710	0	0	0	
11	KRAUS	1420.00	273,000.00	214,007	DOCUMENTS PREPARED F	13,650.00	515625.5	455587.22	0	0	0	0	
12	ORCUTT	2035.00	916,000.00	312,161	APPLIED, NOT ELIGIBL	43,925.00			477	0	96,560	255,600	
13	KRAUS	1669.00	286,000.00	158,690	DOCUMENTS PREPARED F	14,300.00			0	0	0	0	
14	ROUSE	855.00	213,000.00	32,460	NOT ELIGIBLE, FORECLO	41,476.06			0	14,751	147,510	147,510	
15	GREEN	1386.00	269,000.00	158,031	RELINQUISHED	11,525.00			0	0	0	0	
Pref.	NELSON	511.88	43,690.67	89,820	REPURCHASED 15,780	2,973.55			0	0	0	0	
TOTAL		83933.53	8,026,953.67	11,282,444		721,328.46	15072157.38	13015027.99	20313.6	133,751	1,961,939	7,516,200	
32,324,426 TOTAL LNS AND LAND CONTRACTS								2057129.39 AMT PD ON ARLF LNS					9,611,890
										CRP INCOME	1986 THRU 19		

Bills Pending Before the Legislature Affecting
Agricultural Land Sale Contracts and ARLF

SB	FY88	89	90	91	92	93
340 Op. Cost	0	0	0	0	0	0
Revenue	(1.2-5.0) @5% to 10% participation	0	0	0	0	0
353 Op Cost	0	0	0	0	0	0
Revenue	506.4 80.0	450.0 79.3	510.0 100.0	540.0 100.0	550.0 100.0	0
	<u>586.4</u>	<u>529.3</u>	<u>610.0</u>	<u>640.0</u>	<u>650.0</u>	
359 Op Cost		114.1	114.1			
Net loan writeoffs	5.6 2.1	5.6 2.1	(Clearing loss) Contract loss			
	<u>7.7</u>	<u>7.7</u>				
			ARLF loss			
484 Op Cost	0	33.0	33.0	0	0	0
Revenue	183.6	183.6	183.6	183.6	183.6	183.6
472 Op Cost	0	0	0	0	0	0
Revenue	0	5757.8	222.2	222.2	222.2	222.2
Total Op Cost		147.1	147.1			
Total Revenue	16175.0	6470.7	1015.8	1045.8	1055.8	405.8

FISCAL NOTE

REQUEST:

Revision Date: 1/21/88
Title: Moratoriums on Ag Loan Payments
Sponsor: Sen. Kerttula, Szymanski
Requestor: Senate Resources Committee

Agency Affected: Natural Resources
BRU: Land & Water Management
Agricultural Management
Components: _____

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 88	FY 89	FY 90	FY 91	FY 92	FY 93
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	-0-	-0-	-0-	-0-	-0-	-0-

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

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

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS : (Attach a separate page if necessary)

* The moratorium extension will not result in additional operating expenses for DNR, but could result in a delay of payments to the state for agricultural land.

Prepared by: Carol Wilson
Division: Commissioner's Office

Phone: 465-2 400
Date: 1/21/88

Approved by Commissioner: *Carol Wilson*
Agency: Department of Natural Resources

Date: 1/21/88

Distribution (by preparer):
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STATE OF ALASKA

DEPARTMENT OF NATURAL RESOURCES

OFFICE OF THE COMMISSIONER

STEVE COWPER, GOVERNOR

400 WILLOUGHBY AVE.
JUNEAU, ALASKA 99801-1798
PHONE: (907) 465-2400

January 21, 1988

The Honorable Jack Coghill
Chairman, Senate Resources Committee
Alaska State Legislature
P.O. Box V
Juneau, Alaska 99811

Dear Senator Coghill:

Subject

SB 340, which is entitled, "An Act relating to moratoriums on agricultural loan payments," but which actually extends the land payment moratorium period on agricultural land to six years from the current five.

Position

The Department of Natural Resources opposes this bill as it is currently titled because we oppose moratoriums on agricultural loan payments. We do not, however, object to a one year extension of the existing agricultural land payment moratorium period.

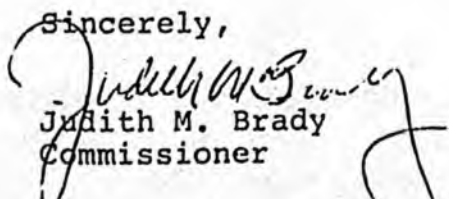
Recommendation

Because the state enters into contractual agreements with land purchasers and does not provide agricultural land loans, we recommend that the title of this bill be changed to more accurately reflect the bill's contents and avoid any confusion about its relation to Agricultural Revolving Loan Fund programs.

We suggest the following new title for SB 340: "An Act extending the moratorium period on agricultural land payments."

Please let me know if you would like additional information.

Sincerely,


Judith M. Brady
Commissioner

cc: Senator Kerttula
Senator Szymanski
Rod Swope
Bob Evans