SCOMM

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Alaska State Legislature

JOINT SENATE AND HOUSE
COMMUNITY AND REGIONAL AFFAIRS COMMITTEE
LOCAL GOVERNMENT STUDY

Co-Chairmen
Senator Arliss Sturgulewski
Representative Bill Parker

Official Business

Address all correspondence to:

LOCAL GOVERNMENT STUDY
Pouch V
State Capitol
Juneau, Alaska 99811

The Local Government Study Committee will be holding a public hearing in Delta Junction, Saturday, December 15, on the subject of creation of regional boundaries in the unorganized borough. The hearing will be held in the lobby of the Delta Junction High Schoool at 2 p.m.

The Committee will be discussing the following proposed legislation:

Creation of Regional Units

Geographic, regional boundary lines will be developed for the collection of data for planning and programing purposes. The bill will provide for the division of the State's single unorganized borough into unorganized boroughs by the Department of Community and Regional Affairs after public hearings in the areas affected. The Regional Educational Attendance Areas, and/or combinations thereof, will be considered the regional units subject to public hearing modification.

Home Rule

Legislation will provide that regional units may incorporate as home rule municipalities without prior incorporation as a first class municipality. The Local Boundary Commission would be involved in determining the acceptability of the regional unit boundaries and the compliance of such boundaries with borough incorporation standards.

In addition, legislation will be introduced which allows for the reclassification of second class boroughs as home rule municipalities without first adopting first class status.

Regional Strategy Study Fund

The Regional Strategy Study Fund would provide monies to be used for regional studies which would address economic, social and physical factors present in the regional unit. The studies would also address the feasibility and viability of local government formation. The Fund would be administered by the Department of Community and Regional Affairs which would consider proposals for a study after having been petitioned by a representative segment of the population of the regional unit.

Foundation Approach

The feasibility of a foundation approach for the delivery of basic services (i.e., public safety, health and sanitation, and public assistance). This approach would establish a basic level of service delivery for all residents of Alaska, in addition to education, which is already covered.

Members of the Committee including the Co-Chairmen are:

Sen. Tim Kelly	Sen. Bob Mulcahy	Sen. Pat Rodey
Sen. Terry Simpson	Rep. Pat Carney	Rep. Margaret Branson
Rep. Ray Metcalfe	Rep. Pat O'Connell	Rep. Charlie Parr
Rep. Fred Zharoff		

Delta Bison

LETTER OF UNDERSTANDING

Between: The U.S. Army, Alaska, and the State of Alaska

Subject: Cooperative Management Actions Relating to the Big Delta Buffalo Herd

Objective: To So Manipulate and Alter the Normal Migratory Pattern of the Big Delta Buffalo Herd that Conflicts Between the Buffalo and Agricultural Production in the Area and Between the Buffalo and Military Activities Will Be Either Eliminated Completely or Reduced to an Acceptable Minimum While Maintaining the Buffalo Herd of Approximately 350 Animals

Achievement of Objectives: The most logical trail leading from the normal migratory route to the agreed-upon area near Jarvis Creek on the Fort Greely Military Reservation will be located. The origin of the trail is to be as near to the calving grounds of the buffalo as practical. The trail is to be cleared, with cleared fields of approximately 15 to 40 acres interspersed along the trail and in the Jarvis Creek area. A total of approximately 500 acres is to be cleared on soils suitable for the production of barley and approved perennial grasses.

The State of Alaska shall contribute:

1. The fertilizer required for planting the above crops in the proper amounts as indicated by soil tests.

2. The seed required for planting such crops.

However, the contribution of the State shall be no more than $30,000,00.

The U.S. Army will be responsible for the physical work required in clearing, seedbed preparation and planting. Both U.S. Army and State of Alaska responsibilities will be carried out in a timely manner so that initial planting of 100 acres will take place in the spring of 1980.

Negotiations between representatives of the U.S. Army and the State of Alaska will continue with the objective being the finalization of a five-year cooperative management plan for the Delta bison herd.

W. I. "Bob" Palmer
Special Projects Coordinator
Office of the Governor

Date: 11/21/79

Colonel Louis J. Bonito
Facilities Engineer
172d Infantry Brigade

Date: 23 Nov 79

October 19, 1979

Colonel Louis J. Bonito ATTN: AFZT-FE
Facilities Engineer
172nd Infantry Brigade
Fort Richardson, Alaska 99505

Dear Colonel Bonito:

I want to express my appreciation and that of Governor Hammond for the fine attitude and cooperation shown by the U.S. Military representatives in our discussions of the bison herd management on Fort Greely.

i have drafted, signed and enclosed a Letter of Understanding that summarizes the results of those discussions.

If you agree that such a letter of Understanding is desirable and that the enclosed accurately reflects our conclusion, then it would be helpful to have your signature on a copy and have it returned to me.

Our thanks again for your cooperation.

Sincerely,

W. I. "Bob" Palmer
Special Projects Coordinator

Enclosure

September 5, 1979

Colonel Louis J. Bonito
Facilities Engineer
172nd Infantry Brigade
Fort Richardson, Alaska

Dear Colonel Bonito:

Apparently, my earlier letter on this subject has disappeared enroute. I would like to repeat then my desire to have representatives of the State of Alaska meet with decision-making level representatives of the military establishment in Alaska to consider solutions to the bison/farmer/military conflict in Alaska.

My hope is that working together we can develop a plan for management of the bison herd at Delta Junction that will eliminate present and future conflicts between the bison and other interests.

I would hope that the option showing the greatest promise of effectively resolving those conflicts would be approved, whether it involves utilization of lands on the military reservations at Ft. Greely or on State lands.

Obviously, the bison herd is a resource that we want to preserve. Just as obviously, we want to eliminate the very considerable economic loss to the farmers of the area and the conflicts between the bison and military activities.

I believe we can, through working effectively together, achieve all those objectivies.

I understand that a meeting has been arranged for September 6 in Delta Junction with representatives of the general public, the military and the State Administration in attendance. I am asking Bob Palmer of my office to handcarry this letter to you and to be my representative at that meeting.

My sincere appreciation for your cooperation and my best wishes for the success of the project.

Sincerely,

Jay S. Hammond
Governor

AGRICULTURE IN ALASKA - PAST, PRESENT AND FUTURE

Presented by:

W. I. "Bob" Palmer
Special Projects Coordinator
Office of the Governor

November 19, 1979

AGRICULTURE IN ALASKA - PAST, PRESENT AND FUTURE

Our knowledge of Alaska's agricultural past begins with some of the first Russian settlers who transported cattle and goats from Siberia to Kodiak Island in the latter part of the eighteenth century. These early settlers also grew such vegetables as potatoes, cabbages, radishes, and lettuce, although with limited success because of a wet climate.1/

After U.S. purchase of the territory in 1867, there was little agricultural activity beyond the food that the small white populace grew for their own tables. In 1884, U.S. officials had been led to believe through erroneous reports that the Alaska climate effectively ruled out agriculture. Such thinking changed during the next few years, however, and by the late 1880's, the U.S. Government had established agricultural experiment stations at Sitka, Kenai, and Kodiak to conduct research toward adapting certain grains, vegetables, fruits, and livestock to Alaska conditions.2/

The gold discovery near Nome in 1900 brought thousands of prospective miners to that area, and this new market gave a boost to a fledgling experiment in Alaska animal husbandry -- reindeer. Reindeer were first imported by the U.S. Government from Siberia in the early 1800's to be used as a subsistence resource for the Natives. But when the gold rush created the nearby market, Natives and others began to sell reindeer meat to the miners. After the gold rush population subsided, the reindeer population in Alaska continued to increase, being used both for local subsistence and commerically for local as well as import markets in the United States. Reindeer herds increased steadily until they peaked in

1932 at approximately 640,000 animals. After that, for a variety of economic and other reasons, their numbers decreased precipitously. Total number in 1968 were estimated at only 30,000 head.3/

The 1902 discovery of gold in the north Tanana Valley led to development there of a significant market for agricultural products. A small agricultural industry developed in response to the growing numbers of gold seekers, and local farmers produced grains, vegetables, livestock, and poultry products. In fact, in the 1910's, a flour mill operated in Fairbanks, using locally grown wheat and producing flour for the local market. However, as gold production diminished and the boom population decreased, agricultural activity also decreased.4/

A depression-inspired experiment in the mid-1930's renewed agricultural interest in Alaska when the U.S. Government transplanted an impoverished group of farmers from the midwestern United States to the Matanuska Valley to develop agricultural production in that region. This experiment was a success to the extent that today, this valley produces the largest volume of agricultural products in the state.5/

During the late 1940's, the U.S. Department of Agriculture (USDA), in response to U.S. military concern for the vulnerability of Alaska's food supply, increased its efforts to make the territory less dependent on other states. The USDA increased its agricultural research, expanding on-going programs and introducing new ones. In addition, the military increased its purchases of locally grown products. As a result, partly of this and partly because of a growing population, Alaska agriculture grew steadily from that time until the

early 1960's. By the sixties, however, because of an improving transportation network between Alaska and the lower U.S., Alaska's small-scale, inefficient agriculture simply could not compete with the massive, cheaper output of its lower U.S. counterpart and the U.S. subsidized freight rates to ship those foods to Alaska. Thus, agriculture in Alaska stagnated during the 1960's (Table 1).6/

TABLE 1

Summary of Alaska Crop and Livestock
Sales 1960-1974

Year	Crops	Livestock	Total
1974	$1,987,000	$3,654,000	$5,641,000
1973	1,980,000	3,318,000	5,298,000
1972	1,343,000	3,040,000	4,383,000
1971	963,000	2,871,000	3,834,000
1970	903,000	3,112,000	4,015,000
1969	624,000	2,948,00	3,572,000
1968	1,031,000	3,060,000	4,091,000
1967	920,000	3,197,000	4,117,000
1966	1,025,000	3,299,000	4,324,000
1965	989,000	3,255,000	4,244,000
1964	1,332,000	3,025,000	4,357,000
1963	865,000	3,148,000	4,013,000
1962	1,139,000	3,265,000	4,404,000
1961	1,090,000	3,315,000	4,405,000
1960	1,020,000	3,116,000	4,136,000

SOURCE: Alaska Crop and Livestock Reporting Service, Palmer Alaska

Since 1974, sales of livestock, poultry and crops have increased. (See table 2.)

TABLE 2
Summary of Alaska Livestock, Poultry and Crops
Sales 1976-1978

Year	Crops	Livestock/Poultry 1/	Total
1976	$3,051,000	$3,831,000	$6,882,000
1977	2,946,000	3,937,000	6,883,000
1978	3,131,000	3,595,000	6,726,000

1/ Reindeer not included

Today, it appears as if a new era has dawned for agricultural development in Alaska. For the first time in Alaska's history, ag development is underway on a scale designed to make it competitive on the world markets, and thus insulate it from the boom and bust cycles of domestic consumption.

This new day for agriculture in Alaska began with action by the Federal-State Land Use Planning Commission. Under a contract with that Commission, two ag economists, Dr. R. J. Hildreth, Farm Foundation in Chicago, and Dr. J. Edwin Faris of Clemson University in North Carolina, analyzed the agricultural potential in Alaska. Their report (February, 1975) concluded that small grain production, especially barley, was not only agronomically feasible in Interior Alaska but appeared to be economically feasible also if farmers were allowed to produce on a scale comparable to small grain farming in the United States and Canada and if at least 50,000 acres were put into cultivation at approximately the same time. This acreage was thought to be the minimum "critical mass" needed to support the infrastructure of an economically feasible crop-producing area.

Their report said in essence that to become feasible, the grain would have to be produced at a competitive price to meet conditions and standards, both for quality and quantity on the world export market and that insufficent demand existed within Alaska to provide the market necessary for economical production. They stated, however, that from a technical basis, previous research indicated that barley was well adapted to conditions in a number of places in Alaska, that costs and yields were such that it appeared feasible to produce for the export market, and that while costs of producing an acre of barley in Interior Alaska were approaching 200 percent of similar costs in Nebraska, yields were more than twice those of Nebraska, and quality was better.

In accord with his oft-expressed views and those of much of the public that "non-renewable resource wealth (oil) should be used to stimulate renewable resource industries", Governor Hammond issued instructions to his Special Projects Coordinator to determine the feasibility of implementing the recommendations of the Faris-Hildreth report.

As a result of those instructions from the Governor and the very extensive efforts of agricultural experts across the State, approximately 62,000 acres of agricultural lands were sold by lottery to 22 residents of the state in August of 1978. Complying with state law, ag rights only were sold, with the state retaining the development rights. This policy assures that the land will remain in agricultural production and that the farmers can only be taxed on the agricultural value of the land -- not on artificial "subdivision" value. An economic analysis done by ag economists of the University of Alaska and critiqued by ag economists of the USDA concluded that family farm units of approximately 2,000 to 3,000 acres were needed to be economically competitive on the world

market, and therefore produce grain for the domestic market at a price that would stimulate the development of a red meat industry within Alaska.

Today, approximately one year after the disposal of those agricultural lands under the project proposal submitted by the Special Projects Coordinator and approved by Governor Hammond and the legislature, 45,000 acres have been at least partially cleared; 3,000 acres are now ready to be planted in the spring of 1980, and several thousand additional acres are expected to be prepared by planting time in 1980. In fact, crops were harvested in September of 1979 from 290 acres of the project that were still virgin timber on permafrost soils in February of 1979.

Eighteen miles of good roads have been built to service the farmers; an elevator-dryer complex has been constructed, the first 3,000 tons of barley have been produced, dried and are now in secure storage; and initial sales in Alaska have been completed. Overseas markets for surplus grain have been located and under a small-scale test marketing program approved by the legislature, the first 1,000 tons of high-quality barley will be exported to Taiwan in early 1980.

Recent developments involving the Delta Project are many and varied. A study by the Battelle Institute, not yet published, indicates that the biomass from ag development can be used in a number of beneficial ways, including the production of methanol and heat for steam-generated electric power and others. If so, the problems caused by the on-site burning of thousands of acres of forest residues may be avoided. It is worth remembering, however, that the value of mineral elements returned to the soil when black spruce timber is

burned in place approaches $140/acre. This value must be considered when contemplating other uses of the biomass.

Japanese corporations have expressed great interest in purchasing Alaskan-grown rapeseed for processing into a highly favored cooking oil. Since the crop is widely grown in the northern agricultural areas of Canada and appears to be well adapted to production in Alaska, its potential value to the Delta Project seems highly significant. The same equipment is used for planting and harvesting as for barley; it fits well in a crop rotation with barley; and in Canada, at least in some years, produces much more profit per acre than does barley.

In addition, rapeseed production can benefit significantly by the utilization of two hives of honeybees for pollinization per acre of rape. The honey produced (75-300 pounds per hive in Canada) is of extremely high quality and a ready market exists in Japan for any surplus.

With the expectation of perhaps 10,000 acres of rapeseed production by 1982 and the opportunity for 20,000 colonies of honeybees producing, perhaps, 2,000,000 pounds of honey at a minimum of $1.50 per pound, the potential for a new industry worth at least $3 million annually becomes apparent.

Trading companies in Japan have expressed the desire to have produced under contract 50,000 tons annually of buckwheat. This is another major honey crop, grows well in northern climates, and may fit quite well into the crop production alternatives for Interior Alaska.

Nugget bluegrass and Arctared fescue seed production appear also to offer very profitable crop alternatives for Interior Alaska.

Increases in the livestock industry appear to be taking place at a more rapid pace than earlier expected. Several substantial proposals involving production of beef, pork and dairy products based on the utilization of Delta Project grain are under serious consideration, although details are not yet available.

It is well to note that the entire philosophy of the Delta Project has been based on developing a proposal that (1) is economically sound and able to exist, when mature, unassisted by subsidies, and (2) government involvement should be withdrawn as quickly as the private sector can take over.

A second major harbinger of an emerging agriculture in Alaska's future is the Alaska Agricultural Action Council created by the 1979 State Legislature in Senate Bill 14. This council, composed of three state government and two private sector members and chaired by the Special Projects Coordinator, Office of the Governor, is mandated by the law under which it was created to report to the legislature annually with recommendations.

1. for one or more ag development projects;

2. proposed legislation identifying the tasks of various state agencies necessary to accomplish the development project;

3. proposed legislation granting "to the council sufficient authority to insure cooperation of all state agencies involved in the implementation of the agricultural development project".

The AAAC in its report to the 1980 session will recommend a 15,000- to 40,000-

acre ag project in the Point MacKenzie area near Anchorage. It will probably recommend an additional 60,000 acres to be added to the existing Delta Project and may lay the groundwork for a project of perhaps 100,000 acres in the Nenana area.

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 vegetables, 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. If the transportation, marketing, and processing infra-structure of the existing dairy industry is to survive, the aforementioned trend must be reversed.

State-owned ag lands in the Point MacKenzie area, well-suited for dairying and available at relatively low cost on an "ag rights only" basis, appear to be the solution. According to statements of Matanuska Maid officials, even now $175,000 per month flows out of Alaska to purchase Grade "A" milk from the Pacific Northwest to be processed by Alaska processors. Existing dairies in the Mat Valley, operating in the black, furnish strong evidence that with reasonably priced land, Alaskan dairies can compete for Alaskan markets with "South 48" production.

Only time will discern whether the crystal ball is flawed or whether its visions project a somewhat accurate forecast of things to come.

Be that as it may, those visions -- based on the fact of 15 to 20 million acres

of land suitable for agriculture in Alaska and the importation at present of 95 to 98 percent of the red meat consumed in Alaska -- include:

1. Small grain production (including wheat and rapeseed) on at least 500,000 acres of land by 1990.

2. Native regions utilizing substantial acreage for cash crop production to assist their peoples in the transition to a cash economy without moving from their tribal lands.

3. Extensive vegetable production emphasizing a minimum of chemicals and the highest of quality for shipment to "South 48" markets sensitive to the increased concern of carcinogenic materials in food.

4. Large-scale pork production under "controlled environment" conditions for local consumption and shipment to Asian markets.

5. Greenhouse production of roses and other flowers, utilizing heat from the gas pipeline compressors and competing in price and quality on world markets.

6. A very rapidly developing beef industry, utilizing cow-calf operations, vealers from the dairy industry and feeder stock from Canadian producers.

7. Production of beef animals and dairy beefers in the more favored areas of the Alaska Peninsula and the Aleutians for shipment to Asia.

My crystal ball presents a very strong vision of a robust agricultural economy emerging in the next 10 yeas that will, within the next 20 years, provide:

1. a significant portion of the food required for Alaskans at lower cost and higher quality than is produced "outside".

2. a stable, renewable resource-based industry employing thousands of people.

3. a quality of life for many, unsurpassed by any other available.

FOOTNOTES

1. Wayne Thomas, "Agriculture in Alaska: 1976-2000 A.D.," ALASKA REVIEW OF BUSINESS AND ECONOMIC CONDITIONS, XIII (June, 1976), p. 1.

2. Ibid.

3. Ibid., pp. 1-2.

4. Ibid., p. 2.

5. Ibid.

6. Ibid.

Gen
11-29-79 - From
Arliss

Loc Gov Study Anc. Times Nov 11, 1979

Committee Hearing

Dear Editor:

We hear people complain about paying state tax that is being spent on our Senators and Representatives in making trips under the disguise of receiving imput from out-lying areas and I for one would like to go on record to say, "Finally we got some one to listen to us."

October 27 six members of the Joint Senate and House Community and Regional Affairs Committee came to Glennallen and held a meeting on a local government study and they made it plain that they were out here to find out what we want in the way of government, not what we are going to get. Now that's not saying that we will get what we asked for as the rest of the Senate and House members will vote on this committees recommendations too, but they did do a good job of listening to every one that wanted to speak and I feel that for once some of our tax money was put to good use and whole heartedly approve of the money it took this committee to go to the rural areas and listen to what the people in the bush want.

Our tax money being spent for these trips make a lot more sense to me than being used for trips to London!

Marge Brittain
Kenny Lake Via
Copper Center

The Anchorage Times welcomes letters from its readers on issues of the day. Letters must be exclusively addressed to the Anchorage Times and should be kept as brief as possible. All letters are subject to condensation. They must include signature, telephone number and valid mailing address. The telephone number is for verification purposes and will not be printed.

Delta Project

Bob Palmer's Copy

THE DELTA AGRICULTURAL DEVELOPMENT PROJECT

JANUARY 15, 1979

W. I. PALMER
SPECIAL PROJECTS OFFICE
OFFICE OF THE GOVERNOR

THE DELTA AGRICULTURAL DEVELOPMENT PROJECT

C O N T E N T S

		Page
I.	Contents	i
II.	Delta Agricultural Development Project: A Summary	1-4
III.	Faris-Hildreth Report	5-26
IV.	Overview of the Project from Original Investigation to Implementation	27-37
V.	Memo to Governor Hammond: Results of the First Marketing Attempts in the Orient	38-45
VI.	Status Report from Nick Carney	46-49
VII.	Marketing Publication from the University of Alaska	50-74

THE DELTA AGRICULTURAL DEVELOPMENT PROJECT:

A SUMMARY

The Delta Agricultural Development Project originated with recommendations from two highly respected agricultural economists. Dr. J. Edwin Faris of Clemson University and Dr. R. J. Hildreth of the Farm Foundation in Chicago reported to the Federal-State Land Use Planning Commission in 1975-1976, that commercial-scale production of small grains in interior Alaska represented sufficient potential to warrant a demonstration project of at least 50,000 acres. Local demands would receive first priority, with a large surplus remaining to be sold on the world market. A smaller acreage could not justify the infrastructure requirements needed for grain production, storage, marketing and transportation.

Governor Hammond in February, 1976, instructed Bob Palmer, Special Projects Coordinator, Office of the Governor, to investigate and, if feasible, to draft a proposal for implementation of a 50,000-acre project. This was accomplished with the assistance of a group of approximately 25 individuals representing the best agricultural expertise available in Alaska.

Governor Hammond requested and received from the 1977 Legislature an appropriation of $400,000 to conduct environmental baseline studies and cost effectiveness tests on

various methods of clearing the small timber on the 50,000-acre tract. Those tests indicated that a new "shear and roll" technique offered considerable advantage over customary clearing methods.

Governor Hammond dispatched an initial agricultural trade delegation to the Orient in October of 1977 with very positive results. Legislation was then submitted by Governor Hammond and approved by the Legislature in 1978 to fund the first phase of the Delta Agricultural Development Project. This appropriation included $45/acre for the first phase of the clearing of the land.

Requests for applications were received from approximately 300 Alaskans and approximately 109 were deemed qualified for the disposal by lottery. Farmers were selected by lottery on August 5, 1978. The farms have been sold to those farmers and 21 of the 22 have signed contracts with the State to clear their own land. They have become bonafide contractors and will be paid for the clearing on a performance basis at a rate of approximately $150/acre, assuming the legislature approves a supplemental appropriation bill recently submitted by Governor Hammond to fund the final phase of the clearing work. The initial 1978 appropriation has been prorated at $45/acre and some farmers have already fully utilized their share of those funds. One farmer has already cleared 500 acres of his farm and will plant at least that much of it this year.

The supplemental appropriation is essential at an early date in the session so that work can continue.

The supplemental appropriation now before the Legislature also contains road funds so that access roads can be in place prior to 1980.

A loan will soon be made for the construction of the first phase of the needed elevator facilities to be in operation by the private sector in the fall of 1980.

Marketing efforts continue with the objective of contracting for the production from 7,500 acres for sale to the State for test marketing in 1979. This is necessary to prove to the Asiatic markets that Alaska can indeed produce high-quality barley and rapeseed (for cooking oil). Funds requested for this work will revert to the General Fund when the grain is resold.

As soon as the private sector is prepared to market the agricultural production, State involvement in the process will cease.

Initial loans for land-clearing equipment have been made from the Small Business Loan Fund. Additional funding for farm equipment, buildings and operating costs will be needed from the Agriculturre Revolving Loan Fund.

Legislation is being introduced to raise the capitalization ceiling on the Agriculture Loan Fund and also the ceilings on individual loans. The loan fund must then receive appropriations sufficient to meet the capital

requirements of the agricultural community unless other sources of financing can be arranged. At least three such potential sources are currently under investigation.

The level of expectation and enthusiasm for the success of the Delta Agricultural Development Project is very high among the farmer participants as well as the "Ad Hoc" committee that put it together. This success will mean livestock feed grains will be available to Alaskan farmers at world competitive prices rather than the present price of Seattle plus freight--which almost doubles the price ($90 versus $160/ton).

Alaskan production of beef, pork, dairy and poultry products should become much more profitable for farmers throughout the State. The resultt should be a very significant expansion of the livestock as well as grain industries in Alaskaa, with higher-quality food at somewhat lower prices for Alaskan consumers.

CONSIDERATION FOR DEVELOPMENT -

ALASKA'S AGRICULTURAL POTENTIAL

Report Prepared by

J. Edwin Faris and R. J. Hildreth*

for

The Federal-State Land Use Planning
Commission of Alaska

in cooperation with

Agricultural Experiment Station
School of Agriculture and Land Resources Management
University of Alaska

---

* Dr. J. Edwin Faris is Head, Department of Agricultural Economics and Rural Sociology, Clemson University; and Dr. R. J. Hildreth is Managing Director, Farm Foundation, Chicago, Illinois.

The primary issue addressed in this report can be stated as follows -- Is there a legitimate reason or reasons for the Federal-State Land Use Planning Commission of Alaska to recommend that certain lands be designated or reserved for agricultural use.

At the current time, there does not appear to be widespread concern about reserving land in Alaska for agriculture. Failure to designate land for agriculture does not or would not constitute a problem in the minds of many individuals. However, a problem does exist when "what is" varies considerably from "what ought to be". If agriculture ought to be of considerable concern in planning for the future of Alaska, but isn't, then a problem does exist.

This report does not dwell on "what ought to be". This determination should be made through the political processes of Alaska. However, a number of considerations that affect "what ought to be" will be set forth. Also, this report will attempt to set forth some objective criterion for determining "what is" with respect to agricultural potential in Alaska. Conclusions of "what is" with respect to agricultural potential depend on the observations and extrapolations made from the observations.

For example, one set of observations indicates that Alaska's agriculture is decreasing in size and will, for all practical purposes, fade away. Trends based on the current agriculture support this viewpoint.

Another set of observations indicate that Alaska can produce high quality grains, forages, vegetables, meat animals,

etc., with respectable physical input-output relationships. There is considerable research (and a few commercial farms) that lend strong support to a most viable agricultural sector for Alaska.

The report will be organized as follows. After this introductory section, the authors set forth their perceptions of reality concerning Alaskan agriculture and food distribution systems. The following section contains a non-rigorous analysis of the demands for grain and the possibilities of producing grain in Alaska. The last section contains a few summary statements plus several statements why it could be in the national interest to have an agricultural industry in Alaska.

PERCEPTIONS OF REALITY-ALASKA'S AGRICULTURE AND FOOD DISTRIBUTION SYSTEM

In this section we set forth a number of our perceptions of reality concerning Alaska's agriculture and food distribution system. The perceptions tend to set the stage for our thinking about agriculture and the potential for agriculture in Alaska. Readers of this report may disagree with a number of our perceptions of reality. In fact, some disagreement is expected. However, this disagreement can be helpful in focusing on those areas of inquiry where the additional information is needed.

The perceptions take either the form of statements of fact or issues that need an answer. They are presented in six major categories to give some order to this section of the report. The perceptions of reality are given with sufficient detail to attempt a clear, but concise, presentation.

Perceptions Concerning Land

1. Land serves as a base for renewable and nonrenewable resource industries.

2. There will be competition between various renewable industries for the use of the land.

3. Land can be classified on a single use basis or a multiple use basis. A major question is which lands for which purposes?

4. Alaska has a scarcity of private land currently. Other than the native lands, the amount of privately owned land comprises an area less than the size of the District of Columbia. Agricultural development has been seriously hindered by this scarcity of land. Not only has there been little opportunity for agricultural expansion into large commercial farms, but rather land has been bid away from agricultural uses in favor of subdivision settlement or homesites.

5. There appears to be a relatively strong demand by individuals for homesites and recreational sites of 5 to 160 acres. This demand could most likely be satisfied from land other than the large blocks of potential agricultural land. Land that has good potential for commercial agriculture could be primarily reserved for agricultural use.

6. Rather large quantities of land suitable for cereal grain and forage production are located in the interior along major rivers. The exact acreage is somewhat indeterminant, but it amounts to millions of acres. (The Soil Conservation Service estimate is 17 million acres of agricultural land in Alaska.)

7. Native corporations do or will control sizeable quantities of potential agricultural land. At some point in time, these corporations may choose to develop these lands for agricultural production or enter into an arrangement to have the lands developed. The decision processes would be more internalized than that of the state.

Perceptions Concerning the Development Process

1. Agriculture was the basic industry in the early development of the lower 48 states. Industrialization came later as agriculture moved through the nation especially the West. In Alaska, agriculture has not developed into a sufficient large or pervasive industry that could be called basic. Alaska can now be considered somewhat industrialized. Thus, agriculture would have to be added to the industrial base rather than vice versa. One would not expect agricultural development in Alaska to follow the general pattern experienced by most of the lower 48 states.

2. There is no large, strong political and economic power base for agriculture. There appears to be little opposition to agriculture per se. Thus there appears to be a more or less indifferent attitude toward agriculture. Opposition would be expected to occur when and if conflicts between the uses of land arise and agriculture is a contender.

3. The perceptions that most individuals have concerning the potential of agricultural development in Alaska is negative.

This perception would need to be changed if agriculture is to succeed in Alaska.

4. Agricultural development policy is interrelated with general economic development, e.g., growth policy, settlement policy, land and other resource policy.

5. The 40 to 160 acre homestead type of farming operation has not led to significant agricultural development. It is not likely to lead to significant development in the future. There may be some exceptions for very intensive crop production.

6. Alaska contains large land areas, so the creation of large commercial farms is possible at the start of the development process. The situation is more comparable to the development of large farms on the west side of California's San Joaquin Valley than the smaller farm units in the Columbia Basin Project of Washington State.

7. If there is an expansion of the agricultural output in Alaska, it will not come from the expansion of the current system. Not only would the type of farming apt to be different, but the farm operators would be expected to primarily come from the lower 48 states or from nonfarm employment in Alaska.

8. Agricultural development occurs in a stage or step-wise process. A strong and dependable grain and forage economy is the first step to a strong livestock economy. Thus, one would expect the grain and forage to be produced internally or be imported. For Alaska the latter does not appear to be economically feasible on a large scale. Vegetable production on a

as a response to the idea that enterprises other than grains are giving "more progressive" "progression" by the ad hoc committee

large scale requires a rather sophisticated infrastructure. Such an infrastructure is most difficult to create from scratch.

9. There is a dilemma in many people's minds about agricultural development. The dilemma is: which comes first -- the land reservation or the proof of success. Agricultural lands need to be available before agricultural development can take place. But it may be necessary to demonstrate that agricultural production is economically viable before lands could or would be set aside for agriculture.

Perceptions Concerning Agricultural Output

1. Alaska has unique climate conditions when compared to the lower 48 states. This uniqueness means that it is extremely unlikely that agricultural production practices would be directly transferrable from the lower 48. At the minimum, adaptive research would be needed to make production technology applicable to Alaska's conditions. Systems of production, storage and marketing agricultural commodities would apt to differ from the lower 48 states. This is consistent with differences among these states; e.g., irrigation in the West and lower grain yields in the Southeast than in the Midwest.

2. The current and future state, national, and international needs for agricultural output will greatly influence the need for agricultural development.

3. The development of the agricultural industry in Alaska could lead to increases in Gross State Product and Gross National Product over time.

as the MAP model. rounds up predicts.

4. Limited data prevent a rigorous estimate of costs and benefits of the industry of agriculture as it could possibly exist in Alaska. First, there is really very little comparable agriculture in Alaska at the current time. Secondly, public and private costs of the necessary infrastructure are not known. Thirdly, the social costs of benefits need to be estimated.

5. There are a number of specialty crops, such as seed crops, where Alaska has a unique advantage over other production areas.

6. Very satisfactory yields of barley and oats have been attained on interior agricultural type soils. Yields of wheats tested recently are less certain. This land might need to be irrigated in some areas or summer fallowed in others to obtain satisfactory and dependable yields. It appears that the rivers could serve a most important role in the transportation network.

7. Heat losses from pipeline pumping stations or other industrial endeavors may in some cases be useful to agricultural production or processing. A controlled environment greenhouse production unit could probably be developed using the heat losses to produce vegetables, flowers, house plants, etc. The heat might also be used to help power a pelletization plant for agricultural forages.

8. The recreational horse population is a most serious competitor for the limited amount of hay and grain produced in Alaska. This drives up the cost of hay and grain which make it less profitable to produce milk and red meat animals. With a strong grain economy in Alaska, this distortion would not occur.

9. Agricultural research, although limited, indicates that the production potential is great. One way to determine if it would also be economically profitable is to promote agricultural development in an area based on the large, efficient-size farm concept.

Perceptions Concerning Infrastructure

1. Significant development of the agricultural potential in Alaska would absolutely require major public and private investments in the infrastructure. Without attempting to determine which investments are public and which are private (or perhaps both), some major infrastructure investments would need to be made in (a) water-based transportation facilities; (b) roads; (c) education; (d) agricultural research and extension; (e) storage, drying, and processing facilities; and (f) input supply firms such as those supplying fertilizer and insecticides.

2. It is possible that Alaska's farmers could have a competitive advantage in obtaining certain fertilizers and other petro chemicals in the future relative to a number of farming areas in the lower 48 states. This is contingent upon more of the petroleum being processed in Alaska.

3. Transportation rates may tend to work adversely against agriculture. The rates have been based on low volumes or historical patterns. With larger volumes and competitive pressures, the rate structures should change and become more favorable toward agricultural production and marketing. This includes both rail and water freight rates.

Note this in relation to the import rate

4. The South Central and Kenai Peninsula areas have a reasonably adequate transportation network to the Anchorage market. These lands have potential for vegetable production on a small scale until a better infrastructure is developed. Grazing of cattle also could increase with increased slaughter capacity and marketing channels.

5. A large portion of Alaska's population is in, or adjacent to, urban centers. The well-developed food distribution system serves a large majority of the state's population. The food chain infrastructure is based on a food-import economy.

Perceptions Concerning the Environment

1. The side effects of various types of agricultural enterprises and organizations upon the environment need to be given attention.

2. If agriculture were to develop on a very large scale, it would undoubtedly affect the native culture and style of living in some areas. Some adjustments could be made to minimize these effects. Opposition to the development of agriculture in these areas may materialize.

3. There would be environmental effects resulting from agricultural production. The type and magnitude of these effects appear to be based more on value judgements than on analytical data. For example, a conflict may not exist between the use of land for agricultural purposes and for certain wildlife habitat. In fact, agricultural production could increase the number of some types of birds and decrease others or perhaps decrease the number of large fur-bearing animals.

Analysis

The analysis will concentrate on the possibilities of grain production in the interior of Alaska and the possibilities of selling this grain on the world market. If this is viable, then a livestock industry could develop. The livestock economy could develop in either the interior or the coastal range area or both. Without the grain based economy, it is extremely unlikely that a very large livestock economy would develop. But first, a brief discussion on vegetable production.

Vegetable production would not be expected to require large quantities of land in the near future, if ever. Although vegetable production is the more exotic and eye catching aspect of agricultural production, it will not be considered at great length in this report. This is not to deny that vegetable production could make a tremendous contribution to Alaska's agriculture. In fact, greenhouse agriculture, including flowers and plants produced in greenhouses, may be the most viable of Alaska's agriculture at the current time. It does appear that if this type of venture is profitable, it will grow to fill certain needs of Alaska's population. Perhaps it can be expanded considerably using state support and wasted energy from the pipeline pumping station. Yet it is doubtful if such a development would result in any large surpluses of vegetables and reduce food prices below Seattle plus transportation charges.

Larger quantities of vegetables than could be produced under controlled environmental conditions would be needed for a

processing industry. There are considerable economies associated with size that can accrue in processing plants. The length of the processing season is important. Storage and warehousing are important. A much more complex infrastructure is needed for vegetable production and marketing than for grain. Also, there are currently more technical and operational unknowns in the vegetable area than in the grain area. One company could profoundly affect the vegetable industry in Alaska. The vegetable industry first would not be the base upon which a very extensive agriculture could be built.

International Markets for Grain

The grain industry has a good world wide grain marketing system established. There are seven large grain companies in the United States that currently handle most of the grain in the lower 48 states -- especially that going into export markets. All that would be required in Alaska would be storage, drying, and loading facilities to move the grain into market channels.

Obviously, one of the first concerns in looking at expanded production is to look at the markets. It would not take very much production to satisfy the local market for grain and forage. Thus one would need to look at the international markets. However, it is necessary to remember that Alaska's grain exports would be constrained by any trade limitations that would be placed on grain from this nation; i.e., 1975 embargo on grain sales to the U.S.S.R.

The current stated policy of the USDA is a policy of full production. Food is the United States' number one trade item. Last year, more than one half of the grain that moved across international boundaries originated in the United States. Nearly one crop acre in three in the United States goes into export trade. Thus it means that there is a large export base in the lower 48 states where grain is a most important part of that base. Acreage increases of grain produced in Alaska can be more easily absorbed in a large and active market than in a small and stagnant market. North America exported 44 million tons more of grain in 1975 than in 1970. With grain yields of 1½ tons per acre, approximately 30 million acres would be required to produce this increase in grain exports. This is double all the land classified as agricultural land in Alaska.

Japan is the largest single market for United States farm goods. Eight million tons of feed grain are scheduled for import into Japan for each of the next three years. Hong Kong, Korea, Indonesia, Taiwan, and the Philippines are all developing nations that import United States produced food. Alaska is in a good locational position to compete in these markets.

Japan imports 30 percent of its total food supplies and 90 percent of its most vital grains. The Japanese Agricultural Ministry predicts a worldwide shortage of meat, milk, rice, soybeans, wheat and corn by 1985. Lester R. Brown, President of Worldwatch Institute and a recognized authority on the world hunger problem, states that worldwide food shortages could

become more or less chronic.[1/] He also states that unless recent dependence patterns on United States grain supplies are altered, the United States will have to restrict grain exports (or ration them). Population growth in Asia, Africa, and Latin America have changed these areas from grain exporters to rather massive grain importers. Lester Brown is also pessimistic about expanding food production in the world. Alaska is not mentioned as a possible source of food supply.

A paper by Rojko and O'Brien examines three scenarios with respect to world grain needs in the year 2000.[2/] Even under the most optimistic scenario with low population growth and large increases in agricultural productivity, there will be continued needs for large grain exports from the United States. In another scenario, with a less optimistic viewpoint (and probably a more realistic one), a very large import base of grain is required for the developing countries.

It appears that it may not be 20 to 30 years in the future before a strong market is available for feed grains. In fact, the strong market may be next year or even this year if there is a crop failure in one part of the world. The grain reserve is calculated to be only 31 days based on the daily worldwide consumption.

1/ Lester R. Brown, "The World Food Prospect," SCIENCE, 12 December, 1975, pp. 1053-1059.

2/ Rojko, Anthony S. and O'Brien, Patrick M., "Organizing Agriculture For the Year 2000." Paper presented to a Symposium on Population and Food, organized by the International Association of Agricultural Economists in cooperation with FAO, Rome, Italy, December 1-5, 1975.

A major biological breakthrough in one of the grains would, of course, change the worldwide picture.

Prices

Prices of feed grains such as barley are very sensitive. A short fall in one area can result in a rather large increase in the price and vice versa. No matter which price is selected, it will be incorrect for any one year. However, if a price is to be selected for analysis of future agricultural development in Alaska, it appears that a conservative price to use would be $2.25 per bushel or $94 per ton of barley grain at a deep water port. This is about the 1973 U. S. price and the current price but is considerably lower than the 1974 price.

Cost of Production

The cost of production cannot be well substantiated because there are few farm units like those assumed that would exist if grain farms were operating in the interior. There are two basic pieces of cost information. One is a set of costs prepared for different crops and types of farming areas in the lower 48 states. This report was prepared by ERS-USDA for the 1974 crop year.[3/] It is not directly comparable with the costs that would exist in Alaska because (1) the cost for inputs per acre are expected to be higher in Alaska, (2) the yields are

3/ Costs of Producing Selected Crops in the United States-1974, prepared for the U. S. Senate Committee on Agriculture and Forestry, by ERS-USDA: U.S. Government Printing Office, Washington, D. C., January 8, 1976.

expected to be higher in Alaska which reduces per bushel costs, and (3) the farm units would probably be larger in Alaska which tends to reduce per unit costs.

The total direct costs in the Great Plains area was approximately $33 per acre in 1974. The overhead and management costs amounted to another $10 per acre for a total cost of about $43 per acre excluding land costs or returns to land.

The second basic piece of information is a report prepared on the Clearwater-Big Delta area for grain-hay farms.[4/] The budgets are based on 1972 price relationships. The costs per acre for the 720 acre nonirrigated farm are approximately $71 per acre excluding land costs or returns to land. Even with this considerably higher cost of production per acre, the 720 acre nonirrigated farm returned a profit of $51 per acre when the annual cost of land is estimated to be $18 per acre. The major reason for this is a 50 bushel per acre barley yield in Alaska as compared to the 26 to 27 bushels per acre on the Great Plains farms.

The cost comparisons indicate that even if the per acre costs are almost twice as high in Alaska as in the Great Plains area that the cost per bushel is about the same or less in Alaska because of the much greater yields.

Initially, cost of inputs would be considerably greater in Alaska than in the lower 48 states. However, as an infrastructure

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4/ Tanana Valley Irrigation Study Team, Irrigation Potentials-Tanana River Valley, Alaska, Supporting Report, February 1972.

developed, the input costs would undoubtedly decrease relative to input prices in the lower 48 states. Petroleum based products could even be lower in Alaska. Transportation rates for rail and water movement of agricultural commodities would deserve special attention. These rates may be determined on other than current or expected conditions and could discriminate against agricultural development.

If the price received for barley grain would be $2.25 per bushel and if the yield averaged 50 bushels per acre, the gross revenue would be $112.50 per acre. Thus with costs even twice as high as the 1974 costs in the Great Plains, it would leave $112.50 - $86.00 = $26.50 per acre for profit and land payments.

It appears that irrigation is a means of increasing yields significantly. Most studies indicate that it is a profitable endeavor providing there is a relatively inexpensive method of obtaining and distributing the water. In fact, an available and abundant water supply may be one of Alaska's strong points in agricultural development. The reason is that it would decrease yield uncertainty resulting from inadequate moisture.

Summer fallow may need to be practiced in some marginal rainfall areas. Barley yields on land that is fallowed every other year appear to be in the range of 60 bushels per acre.

The above costs have excluded the cost of land clearing. Cost estimates for clearing land range from $300 to $500 per acre. Of course, a massive land clearing operation could have substantial economies of scale associated with it. There are

possibilities of selling the wood from the clearing operation which would cover part of the land development costs. There usually is considerable discussion of using the timber for pressed boards, etc., but such an operation seldom materializes. One difficulty may be that the economics of clearing land for agricultural production may conflict with the economics of clearing land for timber production.

Infrastructure for a Grain Economy

It has been explicitly and implicitly stated that agricultural development would require an infrastructure. It is obvious from above analysis that additional research is needed in terms of input-output relationships and costs. An effective extension system would also be needed. Research and Extension would need to be expanded in terms of soils, livestock, vegetable crops, and horticultural crops as well as in agricultural economics.

Transportation systems to economically move the inputs to farming areas and the grain to the markets would need to be developed. Storage and drying systems for grain would need to be built. An adequate acquisition and distribution system for inputs would also need to be developed and/or encouraged. This would include inputs such as seed and fertilizer and machinery and machinery parts.

In essence, a system would need to be developed for (1) getting inputs to farm units, (2) production at the farm unit, (3) transportation to and from the farm unit, (4) drying, (5) storage, and (6) marketing of the grain.

Other Considerations

Land settlement patterns may be very important. Perhaps a system might be worked out to have farmers live in areas set aside as townsites. Perhaps the buildings on farms would be of a minimal type and most of the year the farm family would live in a more urban area like Fairbanks. This would have advantages in that a large elementary and secondary education system would not have to be developed in the interior. There are a number of possible alternatives with respect to land settlement for the farm family as well as for the farmer.

There are also several alternatives with respect to land ownership and land development costs. Land could be purchased or leased for farming. The land would need to be cleared, and this could be done by the state government or by private entrepreneurs. An efficient land clearing operation by the state government would undoubtedly promote agricultural development more rapidly. All of this assumes that agricultural production indeed is profitable.

Agricultural development would result in creating a number of jobs and providing income for many outside of agricultural production. This is known as the multiplier effect. It was obvious that when the infrastructure was discussed that agricultural production would create additional jobs and income for transporters, input suppliers, builders, grain dryers, etc. Usually these are rather stable components in the state's economy. If processing of agricultural crops would prove feasible

and profitable, it would create many more jobs as it is a relatively labor-intensive operation.

SUMMARY AND JUDGEMENT STATEMENT

It appears that agricultural development could well be possible in Alaska on an economical basis. There are millions of acres of potential agricultural land. There are many unknowns concerning agricultural production -- including costs and product prices. Yet this is not unusual for existing agriculture, i.e., the weather has a tremendous effect worldwide.

Even though there may be some doubts about agriculture being able to return all costs of production, including land development costs, it still may be wise to seriously consider agricultural development. Agriculture is a renewable resource. Timber, fishing, and recreation are other renewable resources. When these alternatives are considered for certain lands in Alaska, it may be that agriculture has much to recommend for itself. In terms of an industry that would furnish a rather stable and continuing base for employment and income, agriculture appears quite good. Certainly one could ask himself if it might not be in the long-run national interest to have a renewable resource industry like agriculture in Alaska.

The analysis of markets, product prices, production costs, and yields indicated that agriculture may have a much greater potential than is commonly held to be the case in Alaska. It is suggested that about 50,000 acres of land be cleared and

grain production. This should be sufficient to begin to develop and demonstrate a system. Probably one grain elevator would be sufficient. Information on clearing costs by different types of clearing techniques could be obtained and used for further decisions. Continuous cropping vs. fallowing land could be investigated as could the returns to irrigation.

It would be assumed that the farm units are quite large -- perhaps two to three sections of land. Additional work could be done on developing better wheat varieties including winter wheat. Many other things would need to be investigated. Certainly, the possibility of erosion or pollution of the waterways would need to be kept at a minimum. This would require rather careful planning and constant checking during certain stages.

If grain farming were successful in the interior of Alaska, then it is most likely that livestock and other agricultural enterprises would develop.

In addition to grain farming, there are vegetable and greenhouse type production possibilities. These are not to be discounted and may be most important in Alaska's future. However, more special technology and infrastructure would be needed in a large expansion of this type of agriculture.

Alaska is one of the last frontiers that has a great quantity of uncommitted land and water. Both are necessary for agricultural production. With ingenuity it could be a most successful combination of resources.

One last judgement. Although it may appear that the possibilities for Alaska agricultural production would be better 20 or 30 years from now, this may not be the case. It may be that the potentials in the next five years may be very great.

Although agricultural production is not directly transferrable from the lower 48 states, it is easier to make the necessary adaptions for Alaska's agriculture than for most foreign agriculture. Thus Alaska could, providing it would be profitable, increase agricultural output much more rapidly than many other agricultural areas. The research on grain crops done at the University of Alaska would be most helpful.

Because of the potential for success, the possible world food shortage, the need for more technical and pecuniary information and the time required for development, it is suggested that a large demonstration area be developed in the near future.

Because of the possible potential for agriculture in Alaska, it is suggested that efforts be made to designate a considerable portion of the land for agriculture. This land could be in multiple use categories that would be subject to reclassification if it were apparent that agricultural use would never be more than marginal at the best. It would appear that closing the option for agricultural development of such lands in Alaska would not be wise from the point of view of the citizens of Alaska and the United States.

OVERVIEW OF THE

DELTA BARLEY PROJECT PROPOSAL

In accord with his personal belief and the oft-expressed view of many Alaskans that substantial amounts of our non-renewable resource wealth must be invested in renewable resource industries, and as a result of the Hildreth-Faris Report to the Federal-State Land Use Planning Commission, Governor Hammond initiated the investigation of the feasibility of a demonstration project for the production on a commercial volume basis of small grains in Interior Alaska.

Dr. R. J. Hildreth, an agricultural economist from the Farm Foundation in Chicago, and Dr. J. Edwin Faris, a professor of agricultural economics from Clemson University in North Carolina, had earlier been commissioned by the Federal-State Land Use Planning Commission to make a preliminary analysis of the economic feasibility of small grain production in Alaska. Their report said in essence that to become feasible, the grain would have to be produced at a competitive price to meet conditions and standards, both for quality and quantity on the world export market and that insufficient demand existed within Alaska to provide the market necessary for economical production. They

stated, however, that from a technical basis, previous research indicated that barley was well adapted to conditions in a number of places in Alaska, that costs and yields were such that it appeared feasible to produce for the export market, and that while costs of producing an acre of barley in Interior Alaska were approaching 200 percent of similar costs in Nebraska, yields were more than twice those of Nebraska, and quality was better.

In summation, they concluded that while commercial barley production appeared to be technically and economically feasible, it will require a demonstration trial of at least 50,000 acres to support the elevator and other infrastructure necessary for such a project as an on-going business and to prove the validity of their conclusion.

Small grain is the foundation of agriculture in many places throughout the world. Once a small-grain base has been established, then numerous other agricultural opportunities become much more feasible. Probably a greater demand exists within Alaska for barley than any other of the small grains, and an export market in Asia exists for any surplus over the domestic need.

W. I. "Bob" Palmer, Special Projects Coordinator, Office of the Governor, was directed by Governor Hammond to update the 1974 data base used by the Hildreth-Faris team, analyse the results thereof, and develop a proposal for Governor Hammond's consideration. To accomplish those

objectives, approximately twenty-five Alaskans with a wide range of agricultural expertise were brought together to attempt to identify the most important questions and try to find accurate answers. This informal group met first on July 16, 1976, became known as the Delta Barley Project Ad Hoc Committee, and has continued--without any funding--to meet almost monthly since that time.

Delta Junction was selected as the site for analysis at the first meeting of the "Ad Hoc Committee". The primary reason for the selection of Delta Junction was the fact that the Alaska Division of Lands, along with the people of Delta Junction, their Citizens' Council, and agency representatives from other disciplines, had been working on a Delta Land Management Planning Study for almost two years. A great deal of work had already been accomplished and more than 50,000 acres had been identified as agricultural lands.

It has been recognized by the stockgrowers of South-central Alaska, including Kodiak, that the availability on a reliable basis of good-quality barley as a livestock feed in their enterprise at less than present prices, would be of material assistance in developing the beef industry in that part of Alaska. Present indications are that the availability of barley at world market price would mean a reduction in the retail price of Alaska-produced milk on the local market of at least five cents per half gallon to the consumer.

There seems little doubt that stable supplies of good-quality grain at reasonable prices would lead to early development of beef, pork and poultry industries in Interior Alaska and the enhancement of the present dairy industry at reduced cost to the Alaskan housewife of those commodities.

An additional but extremely important benefit is the wealth of information to be gained from such a demonstration project. This information would be directly utilized by the private sector in land-clearing practices, establishment of shelter belts, wind and water erosion control practices, cultural practices and larger farm units and the economies of size and scale. This vital information derived from such a demonstration project would be utilized by the people of Nenana if they wish to push forward with such a program and by the Native corporations in planning for the utilization of their hundreds of thousands, if not millions, of acres of suitable lands within their boundaries.

The total acreage of the demonstration project is approximately 60,000 acres. Approximately 26 miles of roads will be constructed. The individual tracts are about 3,000 acres in size. Agricultural rights in the land will be leased or sold to the operator at a price sufficient to repay most cost incurred by the State, including an agricultural rights value.

AGRICULTURAL RIGHTS

"Agricultural rights only" is a relatively new concept required by recent legislation. The purpose is to ensure that good agricultural lands remain available for food production.

It must be remembered that the true value of "agricultural rights" is a function of the soil fertility or production capability, crop suitability and proximity to market, as well as some other factors. Obviously, an acre of land of high fertility and ideal rainfall located on the outskirts of a large city, farmed intensively for high-value crops such as vegetables, berries, or even forage for a dairy herd, will have a much greater "agricultural rights" value than lands that are semi-arid, utilized for small grain production and located thousands of miles from the primary markets.

Disposing of the agricultural rights only is a legislative mandate and wise land use policy. It will reserve agricultural lands for agriculture. It will ensure that those who apply for lands under this program truly desire it for farming only. It will allow a taxing authority, to tax only the agricultural value, not subdivision or speculative value. If 1,200 to 1,500 acres are necessary on this relatively arid land to produce enough grain for an economic family unit, then summer fallowing and overall tracts of 2,600 to 3,000 acres will be necessary. This, of course, is

one of the things that we will learn from such a project.

The farmsteads may be located in clusters to minimize road maintenance costs, to minimize the cost of bringing electrical power to the farmsteads, and to, hopefully, improve the social atmosphere for the families of the farmers.

SHELTER BELTS

The individual farm boundaries will be laid out so that the natural contours of the land are utilized as well as possible and particularly so that shelter belts can be placed perpendicular to the prevailing winds, leaving long, narrow fields between the shelter belts to promote the most efficient operation of large-size machinery.

Problems of wind erosion should be substantially reduced by this practice. Water erosion should be negligible or nearly so. Because of the very small gradient involved in these lands, surface water run-off will be channeled so that existing or future barrow pits from road construction can be used for settling basins.

One hundred fifty-foot-wide leave strips will be maintained along all water courses, and the leave strips together with the shelter belts that will be constructed will substantially improve the habitat for a number of species of game animals and birds. Approximately 1,030

miles of edge habitat will be produced in this manner.

TEST CLEARING

Tests are presently underway to determine the most cost effective methods of clearing the moss and black spruce vegetation. "Shear and roll" with an angle blade, "single chaining", "double chaining", "shear and roll" with a V-blade, as well as the conventional clearing methods, are being compared for cost effectiveness. Preliminary results are quite encouraging. Present indications are that clearing costs will be substantially lower than for the conventional "straight blade" method and there will be no berm piles to contend with for the next 20 years.

The entire area will be cleared, leaving shelter belts along the individual farm perimeters, the roads surveyed and constructed, the farmsteads delineated, and electric power lines installed. A contractor will also do the initial breaking of the land so that when the farm operator comes on to the land, he will need only the kind of equipment and machinery that he would use in the normal farming process. He will not be required to purchase or arrange for very expensive breaking equipment which would be used only the one time. The costs of breaking, as well as the costs of clearing, will be returned by the farmer to the State through lease rental or sale price of the land.

Storage and transportation facilities will be key elements in the success of the project. Storage will be

of two kinds: on-farm and off-farm. Each farmer will probably have some farm storage and some drying capability on-farm. At some more centrally located spot, a grain elevator will be built with final drying and storage facilities. Transportation will be by private conveyance to the elevator. Transportation from the elevator to final destination will depend on the buyer. (The Alaska Farmers' Cooperative, presently in business in Delta Junction, has expressed strong interest in owning and operating the grain elevator.)

Containerized shipments of grain to the Orient are quite common and may be the most feasible for the Delta Junction area. Containers would be trucked about 80 miles to the railhead near Eielson, then carried by flatcar to tidewater. Extension of the railroad to Delta Junction or Canada would, of course, greatly facilitate grain shipments to tidewater.

SELECTION OF FARMERS

There are two basic objectives in the selection of farmers for this project. First, it is to ensure family farm units with qualified, experienced farmers who have a substantial equity in their operation. These factors are required to ensure that the project has the greatest possible chance of success.

Secondly, we want to give preference to Alaskan farmers.

Criteria for evaluation of applicants are being developed. All applicants will be screened, and those found eligible will be included in an "eligible pool". Farm tracts will then be acquired by lottery by those in the eligible pool. Any applicant found ineligible may appeal that finding and receive a review of his application.

STATE RESPONSIBILITIES

The following list includes most, if not all, of the areas of State involvement:

1. Initial land clearing and breaking;
2. Laying out of the farms;
3. Engineering and construction of access roads;
4. Arranging for the installation of three-phase power to the farmsteads (subsurface);
5. Expanding the farm loan program to assist in financing;
6. Selecting farmers;
7. Providing technical assistance in agronomy matters;
8. Providing marketing information and contacts;
9. Assisting in obtaining EDA grants for elevator, road construction and power installation;
10. Assisting in obtaining equipment, seed and fertilizer at lowest available prices;
11. Assisting in obtaining most reasonable tariff rates on transportation of product.

FUNDING

Present expectations:

1. Clearing and breaking costs would be paid for initially by a general fund or renewable resource fund appropriation. These costs would be repaid in full from land lease rental and sale proceeds.

2. Operating expenses. Annual loans from Farmers' Home Administration and State Agriculture Revolving Loan Fund. As agriculture becomes established, there would be a shift to commercial lenders.

3. Elevator storage and drying facilities may quality for federal funding or may be financed by a loan to an operating authority (the Farmers' Co-op?).

4. Buildings and equipment. State and federal loan programs--25 percent, at least, farmer equity.

5. Power lines may also require front-end monies from the State or Federal Governments to be repaid by the user. However, it has now been determined that at least 18 REA co-ops nationwide are still receiving two percent money for the purpose of bringing electricity to farmers in sparsely settled regions. That approach should, we believe, be thoroughly, aggressively, and exhaustively attempted by Golden Valley Electric, the local electric power franchise, before any state funds are put into such a system.

An underlying principle is that at least 50,000 acres of production are necessary to produce the quantity needed

to economically support the grain elevator and other infrastructure associated with grain production. Only a small fraction of that production can be expected to be utilized within the State of Alaska; therefore, the overseas market for that portion of the production in excess of Alaska's needs is a must to make the whole project feasible.

Markets within the State included the livestock grazers in Southcentral and Kodiak, as well as feed processors in the Anchorage/Matanuska Valley area, and the existing users of those processed feeds, dairymen, poultry raisers, red meat producers and the horse owners of the State.

Of fundamental importance, however, is the existence of the overseas market that can be relied upon for all production that is in excess of State needs.

Governor Hammond dispatched a trade mission to the Orient on October 20, 1977, to determine the facts about Asian markets for Alaskan agricultural products. A report to the Governor on the results of that mission is attached.

Attachment

GOVERNOR HAMMOND'S TRADE MISSION TO THE ORIENT

The trade mission was composed of the following:

W. I. "Bob" Palmer	-	Governor's Office
Richard Eakins	-	Director, Division of Economic Enterprise, Department of Commerce
Dr. Wayne Thomas	-	Agricultural Economist, University of Alaska
Domonic Carney	-	Agricultural Specialist, Division of Economic Enterprise, Department of Commerce
James Hutchinson	-	Formerly: USDA - Asia Wheat Association - Asia Now: Private Consultant, Washington, D.C.

The purpose of the trade mission was to determine the market potentials in Japan, Korea and Taiwan for Alaska-produced barley and rapeseed that, hopefully, will be produced in 50,000-ton quantities in 1980-81 in the Delta Junction area; and to determine the facts pertaining to the marketing of reindeer horn in Hong Kong and Korea.

The trade mission began its work in Tokyo on October 21, 1977, and completed its work in Taiwan on November 16, 1977.

* * *

JAPAN:

Rapeseed is bought and sold without government controls. Barley, however, is completely regulated by the federal government. We met with all government officials involved in approval of barley imports and the trading companies who do the actual importing. Appendix A lists the names, titles and corporations of those with whom we met.

After our meetings in Tokyo, the trade mission traveled to Hokkaido for meetings with prefectural officials and agricultural scientists.

We were attempting to determine if Alaskan barley, with its high protein content, could command a premium price. Also, we were attempting to discover the feasibility of sending small samples of our barley and rapeseed for lab analysis now; test market 1,000 to 5,000 ton quantities of barley and rapeseed in 1978 and 1979; and be ready, hopefully, for up to 50,000 tons in 1980 from the Delta project.

The following data emerged from our meetings in Japan:

Japan imported approximately 1.7 million metric tons of barley last year, with 1.4 metric tons used for livestock feeds and .3 metric tons for human food, including malting barley for beer.

Nearly all barley imports come from British Columbia and Australia.

The Japanese are quite interested in additional imports from the United States and also want to broaden their sources of supply of barley.

The demand for barley in Japan is expected to increase in the years ahead as Japan continues its shift from fish to a red meat diet and enlarges its livestock industry accordingly. Also, domestic production of barley is decreasing as more land goes into rice in response to the Japanese government's support price of $1100/ton on rice. (This is also reducing the domestic production of rapeseed and increasing the demand for imports.)

In our Hokkaido meetings, we found Dr. Oohara, Director, Dairy Research Institute, very interested in our high protein barley and willing to pay a premium for such barley.

In conclusion, concerning barley markets in Japan:

1. We received definite approval from Food Agency and trading company officials for the importation of Alaskan barley as long as the barley meets USDA standards for quality and is competitive in price.

2. High protein barley from Alaska can be sold at a premium over the world market price.

3. If existing farmers in Alaska are willing to produce barley for the Japanese market in 1978, the Japanese stand ready to purchase at tidewater in Alaska.

4. It is extremely important that a high-quality product be produced and maintained for this test marketing.

5. Meetings with Alaskan farmers must be held in the very near future to determine their interest and willingness to produce in 1978. Since there are no specialized storage, transportation or loading facilities in place in Alaska, costs for these functions will be much higher than in the future. A major question exists then: Are the farmers willing to produce for this test market if they must stand the burden of these unusual costs? If not, is the State willing to assist as it did with the Small Grains Incentive Act some years ago?

Rapeseed Market in Japan

Rapeseed oil has been used in Japanese households as a basic cooking oil for some 300 years. It is not controlled by the government and is desired by the trading companies. We could sell many thousands of tons in Japan immediately, assuming proper quality and competitive prices. Main production comes from British Columbia. Soil and climatic requirements are much the same as for barley. Yields in Delta Junction tests are approximately twice those of British Columbia. Rape fits well with barley in a crop rotation and appears to be even more economically feasible than barley.

Buckwheat Potential

Mitsubishi asked for a second meeting with us to discuss their need for buckwheat. Again an immediate market exists for thousands of tons annually. The buckwheat requires similar climatic conditions as barley and rape and can be grown on a poorer soil. We were not aware of any production in Alaska. We therefore asked for and received a sizable sample in Hokkaido for test growing by the University of Alaska in Delta Junction and Fairbanks.

Since returning from Asia I have discussed buckwheat production with Barney Hollembaek of the Matanuska Valley and Doug McClain of Delta Junction. Each stated that he had been producing buckwheat for years and that yields were approximately the same as of barley.

Since the economic analysis of the Delta Junction project was based on producing only barley at a market price of approximately $100/ton, the very exciting potential of adding buckwheat to the crop rotation at $240-$300 per ton is obvious!

Grass Seeds

During our talks in Hokkaido, Dr. Oohara and Mr. Nikura, President of Snow Brand Seeds, Inc., asked us about the possibility of Alaskan farmers producing grass seeds for the Japanese farmers. Thousands of tons are imported annually. Apparently, all present sources of

seed are infested with a specific disease. Alaska-produced seed is free of that disease and therefore highly desirable.

I advised them that costs of seed production may be twice that of existing sources. Dr. Oohara and President Nikura expressed a willingness to purchase at that higher price. These crops also would appear to fit in well with a barley/rape/buckwheat rotation.

Peatmoss - (The Possibility of a New Industry)

An additional special meeting in Japan was requested of us to discuss the possibility of purchasing peatmoss in Alaska. Present supplies come from Hokkaido, British Columbia and West Germany. Hokkaido sources are becoming unavailable. Supplies coming from overseas have extremely high freight costs since they contain 65 percent moisture.

Research in Japan over a number of years has resulted in a process in which the peatmoss is separated into at least three components. One is sprayed with a liquid nutrient and fed to livestock; a second is used for potting soil in plant production; a third is treated in such a manner that it can be produced in small sheets approximately one-fourth inch thick and eighteen inces square for soaking up oil from oil spills. This product is said to absorb ten times its own weight in oil (compared to two to three times for straw), yet absorb only one-tenth that much water.

Apparently large quantities of peatmoss are now being removed from the Anchorage area during site prepration for building construction. With the immense and very widespread deposits of peat in Alaska, it seems probable that deposits do exist which can be utilized in an environmentally safe manner. It also seems probable that the processing plant could be built here, if so desired by Alaskans.

Much concern has been expressed in the past about inadequate stocks of oil spill clean-up materials in the Cook Inlet-Valdez Arm areas. The product described above and a processing plant in Alaska may provide an answer. I believe the potential merits in-depth consideration.

Honey Production for Export

Still another potential market may exist, unexpected though it may be, for honey produced in Alaska. Importers in Japan asked us about such a possibility. Since returning to Alaska, I have been told that interior Alaska has an ideal progression of flowering plants for honey production and that very good production has been achieved in the past. Both rape and buckwheat are major honey-producing plants, as is fireweed. With commercial production of rape and buckwheat,

commercial production of honey--which not only is a very valuable product in itself, but also increases the production of the host crops through improved fertilization of the blossoms--may become a reality.

HONG KONG:

One purchaser of reindeer horn apparently has the majority of available horn production (Alaska's only agricultural product now being exported) under contract at approximately $8 per pound. Recent purchases by other buyers at $23 per pound have raised serous questions about "rip-offs" and renewal of the contract when it expires (in 1978, I believe). We met with a major horn importer--known to be reliable--and made plans for shipment of specimens to him for a valid third-party appraisal.

KOREA AND TAIWAN:

The team members are unanimous in their conclusion that the primary markets for Alaskan produced barley, rapeseed and buckwheat are in Japan. Markets for rapeseed and barley probably can be developed in Korea, and Taiwanese barley processors were quite excited when shown samples of a hulless, two-row barley produced by Doug McClain near Delta Junction. Still--considering the enthusiasm of the Japanese, the large number of Japanese vessels available for transportation, the health of the Japanese economy and the much higher prices prevailing in Japan--Korea and Taiwan markets would seem definitely to rank behind Japan.

* * *

In conclusion, it is accurate to state that ready markets exist in Japan for all the barley, rapeseed, buckwheat, and certain grass seeds Alaska can produce in the foreseeable future if quality and price are competitive with the world markets.

The extremely interesting potential for commercial honey production warrants further investigation, as does the potential for commercial utilization of Alaska's peat resource.

APPENDIX A

ALASKA GOVERNOR'S AGRICULTURAL TRADE MISSION
OCTOBER 21, 1977 - NOVEMBER 5, 1977

OCTOBER

21	Friday		Arrive Tokyo - Hotel Okura
22	Saturday		Rest
23	Sunday		Rest
24	Monday	10:00	Briefing by Western Wheat Associates, U.S.A.
		14:00 - 15:30	Ministry of Agriculture and Forestry Mr. Yutaka Yoshioka, International Affairs Advisor
		15:40 - 16:40	Food Agency - Key personnel
25	Tuesday	7:45	Breakfast briefing American Embassy at Hotel Okura - Rm Akatsuki, 10th fl.
		10:00 - 10:10	Courtesy Call Mr. Yoshihide Uchimura, Vice Minister, Ministry of Agriculture and Forestry
		10:15 - 10:25	Courtesy Call Mr. Mamoru Sawabe, Director General, Minister's Secretariate, Ministry of Agriculture and Forestry
		10:30 - 10:45	Mr. Seiji Mori, Director General, Structural Improvement Bureau
		10:50 - 11:00	Mr. Katsumi Sugiyama, Director General, Food Marketing Bureau
		16:30 - 16:35	Mr. Taichiro Ohkawara, Director General, Food Agency, Ministry of Agriculture and Forestry
		16:45 - 16:55	Mr. Akira Matsuura, Director, Ocean Fishing Department, Fishery Agency, Ministry of Agriculture and Forestry OR Mr. Hisao Katagiri, Chief, International Section, Ocean Fishery Department, Fishery Agency, MAF

OCTOBER

26	Wednesday	10:00	Japan Oil Seed Processors Association Mr. Higashimori, Executive Director (13-11, 3-chome, Nihonbashi, Chuoku, Tokyo)
		14:00	Meeting at Nokyo Building - Unicoop Special Conference Room, 4th Floor Zenno - Kuroishi, Livestock Products Department - Takahashi, Materials Imp. Sec. Unicoop - Najo, Senior Executive Director - Hiraike, Manager, Grains & Oil Department
27	Thursday	10:00 - 11:00	Mitsubishi Shoji - Miyatake
		13:30 - 15:00	Sumitomo Shoji - Kimura
		15:30 -	Marubeni Corporation - Matsumoto
28	Friday	10:00	C. Itoh - Mishima
		14:00	Mitsui - Hirabayashi
		15:30	Nissho Iwai - Koma
29	Saturday	10:35	Leave for Hokkaido JAL 507 - Noboribetsu
		12:00	Lunch by Mayor of Chitose Stay overnight
30	Sunday	P.M.	Arrive Sapporo Stay at Grand Hotel
31	Monday	A.M.	Courtesy calls U.S. Consulate
		P.M.	Hokkaido Government Stay at Grand Hotel

NOVEMBER

1	Tuesay		Snow Brand Nursery Reception Stay Grand Hotel
2	Wednesday	10:00	Return to Tokyo by JAL 504
3	Thursday		HOLIDAY - Trip on Bullet Train to Nagoya and return if interested
4	Friday		Follow-up meetings (if necessary)
5	Saturday		Leave for Seoul

S A Y O N A R A !

Addendum

GOVERNOR HAMMOND'S TRADE MISSION TO THE ORIENT

KOREA:

There are two perhaps major opportunities that I did not discuss in my original report.

Korea is trying to rapidly expand its livestock industry. (One ad in the Seoul paper, for instance, requested bids for 2,300 Holstein dairy heifers for import into Korea.) Yet nearly all their land that can be cultivated is already in agricultural production. We discussed with them the possibility of our producing forage "cubes" for a livestock roughage fuel--somewhat similar to alfalfa pellets that are widely marketed at the present time.

These cubes would be produced from the whole barley plant, harvested while still green and while the grain was in the "soft-dough" stage. We would utilize, hopefully, the excess heat from Pump Station No. 9 to dehydrate the forage. It would thus be compressed into cubes or pellets for sale. Since utilization of agricultural land forage production is much less remunerative when land is in short supply, than the production of high-value crops such as rice and vegetables, a great potential may exist for Alaska to supply many tons of roughage feed for that expanding livestock industry in Korea.

A second potential is the production in Alaska of the dairy heifers for Korean dairy herds. It is quite possible that we can grow those heifers considerably cheaper than they can since so much roughage is required and they have so little land available for forage production.

Each of the above possibilities warrants additional investigation.

Fred Boness
Jeff Haines
Bob Waldrop

January 4, 1979

Thru: Bob Palmer

Nick Carney

Delta Summary

For your information, a summary of the various aspects of the Delta Project follows. If you need any details about any particular point, please let me know.

1. Marketing. Market development work for markets has proceeded far more rapidly than our most optimistic predictions. The attached pamphlet summarizes our first year's effort to develop an export market. The copy of the memo from Eakins summarizes this year's effort. We plan to retain the consulting firm of Agritrade International again this year and continue market development in the Orient. We also will be pursuing development of local markets. That effort will be headed by Bob Pollock.

2. Roads. Money is included in the supplementary appropriation bill for the roads which should allow construction by this fall. These roads are required for clearing and building construction by the farmers.

3. Clearing. As the Delta Project was originally envisioned, the state would do all the clearing on the entire 58,000 acres. We designed the clearing options to give the farmers an opportunity to clear their own lands if they could be competitive in cost, quality of work performed and time of completion.

Present status of the clearing is that 19 of the 22 farmers have elected to clear their own tracts under contract to the state. The cost of that clearing will be repaid over a 40-year period. The other 3 tract owners are still undecided.

4. Power. Efforts so far have been entirely oriented toward getting Glacier Valley Electric geared up to provide power to the sites. At this point it appears impractical for the state to provide this power. The success of that effort is still to be determined. If GVEA will not provide power, each farm will probably have its own self-contained unit.

5. Survey. The state's survey of the parcels is now completed.

6. Financing. We are behind schedule on establishing financing programs due principally to the foul-up in the legislature last year which resulted in nonpassage of the bills affecting

a loan fund. Establishment of the Commercial Fisheries and Agricultural Development Bank is on schedule. Legislation to be introduced this session is now being drafted. We are also investigating possibilities of legislation for a guaranteed loan program.

7. Budget. A copy of the supplemental appropriation bill to be submitted for funding is attached. A copy of a memo to Ron Lind is also attached explaining the reasons why these varying amounts are needed before July 1. A five-year budget for the entire agricultural development effort will be assembled by March 1. This will detail the state's involvement in continued development of additional acres and the financial backing and support the state would be committed to. Also attached is an up-to-date summary of all budget items, expenditures and commitments from existing funds.

A breakdown of budget items from the money appropriated by SB 413 last year is:

A. $2.7 million for clearing is committed by contract. $200,000 of that $2.7 is reserved for administrative costs. The entire $2.7 will be returned by farmer payments.

B. Test Marketing: Approximately $370,000 remain of the test marketing money transferred to Commerce and Economic Development. The money was used both to buy products for this year's test marketing (which yielded too little product to consummate an export sale) and to take preliminary steps within the last two months to develop a test marketing effort for next year. $350,000 of those funds will be transferred to help finance the country's elevator - making a total of $1,350,000 available to <u>loan</u> for that purpose.

C. Survey: Money is spent and survey is completed.

D. Administration: The administration money is being transferred from Natural Resources to the Office of the Governor for administration costs for the rest of the year.

E. Environmental Base Line Studies: Money for these have been committed and in large measure spent.

F. Miscellaneous: Approximately half the miscellaneous money has been spent and of the remaining $75,000, approximately $30,000 is already committed. Negotiation and refinement of contracts for the remainder is underway.

In addition to state funding, $62,500 was obtained through a grant from the Agricultural Marketing Service, U.S. Department of Agriculture, for use in market development. That money was used to help offset costs of the symposium, the contract for the market consultant, and the oriental marketing effort this year on a matching basis.

8. Administration. With the Governor's action of putting Bob Palmer officially in charge, we now have an organization to coordinate all aspects of the project. Until that time, this had been one of the project's biggest problems.

9. Transportation. A contract was signed early in the fall for a complete transportation and elevator study. Results on the country elevator are due January 12. Results of the remainder of the study for the transportation and port elevator are due March 15. These aspects are on schedule.

10. Fertilizer Study. Negotiations are in the final states for a contract to plan establishment of the fertilizer industry. The contractor's task will be to design a fertilizer handling, storage, purchasing, and resale system for both the project and the entire state, as well as purchase of fertilizer and chemicals for the test marketing planting for this spring.

11. Elevator Work. Using the results of the preliminary report from the transportation and facility study, we will proceed to make a loan for the major elevator to be installed at Delta Junction. This will entail appointment of a loan review committee to follow in selecting the loan recipient, determining the administrative procedure for awarding the loan and repayment of it, and arranging the mechanics of requesting and obtaining proposals from interested parties. Work is presently on schedule. This will be a major emphasis of both Bob Pollock and myself in the next six weeks.

12. Research. I will not attempt to recap all the research done historically on this project. At the present time we are in the second year of a research project designed to provide information on the most economical method and the economics of raising rapeseed, the first of a two-year program to investigate the qualities and advantages of Alaska's high protein

barley, the first of a two-year soil sampling program, the first of a multi-year investigation of pesticide residue, and preliminary negotiations are underway to begin feeding trials using Alaska high protein barley.

13. Pesticides and Insecticides. This is one area which is causing and will continue to cause substantial concern. One of our basic crops, rapeseed, requires spraying for control of weeds and insects. Unfortunately, the U.S. Department of Agriculture and the U.S. Environmental Protection Agency do not have established minimum standards for application of controlling chemicals. Although intense efforts are underway to correct this, we are unsure at this time how successful we will be.

14. Symposium. The preliminary agenda for the symposium, to be held March 22 and 23 in Fairbanks, is attached. Plans are proceeding on schedule.

15. Base Line Studies. All base line studies are on schedule. Responsibility for these rest with the Fairbanks District Office of the Division of Land and Water Resources.

not included in this packet.

For your further information, I am also attaching a copy of a report to me from Bob Pollock which summarizes his particular activities in certain arenas.

NC:sw

Attachments

alaska grain & oilseed export marketing

an analysis & suggested approach

State of Alaska
Department of Commerce & Economic Development
Division of Economic Enterprise
February 1978

alaska grain & oilseed export marketing

an analysis and suggested approach

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The authors of this publication are listed in alphabetical order on the title page. Each shares equal responsibility for the material presented.

contents

SECTION 1: INTRODUCTION 1
SECTION 2: PRIME FOREIGN MARKETS 2
JAPAN 2
Barley 5
Rapeseed 6
Buckwheat 7
Grass Seed 7
Forage and Dairy Heifers 7
KOREA 7
Barley 8
Rapeseed 8
Other Crops 9
TAIWAN 9
SECTION 3: ALTERNATIVE MARKETING ORGANIZATIONS 10
MARKETING BOARD 10
Organization 10
Cost of Operation 11
Marketing 11
Advantages of Marketing Boards 11
Disadvantages of Marketing Boards 12
FARMER MARKETING 12
Organizations 12
Cost of Operation 12
Marketing 13
Advantages of Farmer Marketing 14
Disadvantages of Farmer Marketing 14
SECTION 4: IMPLICATIONS AND RECOMMENDATIONS 15
IMPLICATIONS OF EXPORT MARKETING 15
RECOMMENDATIONS 16
SOME FINAL THOUGHTS 17
BIBLIOGRAPHY 18
APPENDIX 19

list of tables

1. Import of Barley to Japan by Origin and Years in Metric Tons 2
2. Japan Barley Price, April to October 1977 3
3. Quality Specifications for Imported Barley to Japan. 3
4. Japanese Production, Imports, Inventory, and Consumption of Barley in Metric Tons 3
5. Japan: Projections for Demand of Agricultural Products for 1985 5
6. Rapeseed Imports into Japan by Japanese Trading Companies in Metric Tons, April 1, 1976 to March 31, 1977 6
7. Korean Barley Production and Imports in Metric Tons 7
8. Taiwanese Barley Production and Imports in Metric Tons. 9

section 1

introduction

The development of an efficient and well-organized marketing system is a major requirement for a new agricultural development project near Delta Junction, Alaska. That system must be designed for present Alaskan conditions.

It is unlikely that the output from large-scale agricultural production can be absorbed within the State. We must turn our attention to export markets. There appears to be a substantial lack of knowledge in Alaska in all facets of the export of agricultural products. Therefore, the general objective of this report is to provide greater insight into export grain and oilseed marketing.

In March, 1977, a report entitled "Potential Barley Production in the Delta-Clearwater Area of Alaska," was submitted to the Governor of Alaska. This economic and agronomic assessment of the Delta agricultural project cites several apparent problems. Among them are: 1) limited information on possible export markets and 2) inadequate analysis of possible marketing organizations.

This report is an attempt to address those problems by achieving the following objectives:

1) To identify the major operational factors in prime export markets for Alaska farm products.

2) To discuss the major export marketing organizations available to Alaska farmers.

3) To recommend a marketing organization for the Delta project.

It is important to make one observation at the beginning of this study. There is little concern that prime foreign markets can absorb the small quantity of barley and rapeseed to be produced by the Delta project which will have little or no effect on world price. A sophisticated supply-demand analysis emphasizing elasticity is not as necessary now as a more descriptive presentation of the general workings of prime export markets and export marketing systems.

Information to complete these objectives comes from numerous sources. These include officials of the U.S. Department of Agriculture, and the governments of Japan, South Korea, Taiwan, Australia, New Zealand, and Canada. Information on marketing boards was obtained from the Canadian Wheat Board, Australian Barley Board, Queensland Barley Board, and New South Wales Barley Board. Various reports, identified in the bibliography, also serve as source material.

section 2
prime foreign markets

Japan

Barley

Barley imported by Japan is highly controlled by the government because part of the commodity is used directly for human food. The government must assure the consuming public of a constant, quality source of supply yet still maintain the Japanese farmers' levels of productiveness and competitiveness through support and tariff programs. Thus importation of barley into Japan is related, to a certain degree, to the issue of rice subsidy. The complexities of that issue are beyond the scope of this paper. This report will try to avoid, as much as possible, a detailed description of the political and/or economic reasons for the existence of a particular condition including effects of the rice subsidy on other grains. Instead it will deal with situations as they exist.

Japan consumes around 1,966,000 metric tons (M/T) of barley per year, 280,000 M/T of which are produced within the country. Local production is fairly constant. Of the remaining tonnage, about 900,000 M/T are purchased from Canada and about 700,000 from Australia. A very minor amount is purchased from the United States and other countries (Table 1). The amount of local production would increase measurably only if artificial prices were supported by the government, an unlikely occurrence.

Table 2 summarizes the history of FOB[1] barley prices over the last year. The Japanese standards for barley imports are very similar to the U.S. No. 2 western grade. A comparison is shown in Table 3.

[1] Free-on-Board at seller's loading port.

Table 1

Import of Barley to Japan by Origin and Years[1] in Metric Tons

Origins	1974	1975	1976
For Food:			
U.S.A.	N.A.	6,000	14,000
		(6,000)	(14,000)
Canada	28,000	28,000	28,000
	(28,000)[2]	(28,000)	(28,000)
Australia	329,400	311,342	284,742
	(42,800)	(47,200)	(43,300)
TOTAL	357,400	345,342	326,742
	(70,800)	(81,200)	(85,300)
For Feed:			
U.S.A.	79,000	31,500	67,784
Canada	724,142	913,318	858,272
Australia	401,300	265,200	433,868
TOTAL	1,204,442	1,210,018	1,359,924
Total Import:			
U.S.A.	79,000	37,500	81,784
Canada	752,142	941,318	886,272
Australia	730,700	576,542	718,610
GRAND TOTAL	1,561,842	1,555,360	1,686,666

N.A. - Not Available
[1] Japanese fiscal.
[2] Figures in brackets are for brewery.
Source: Monthly reports of Japanese Importers Association.

Table 2

JAPAN BARLEY PRICE[1], APRIL TO OCTOBER 1977[2]

	U.S.A. (feed)	Canada (feed)	Canada (malting)	Australia (feed)	Australia (food[3])	Australia (malting)
Apr. 13	112.40	111.00		110.25	115.25	
20	115.74	114.67			118.70	
27	115.74	116.79			119.56	
May 11	116.94	114.71		114.25	118.00	
18	117.94	114.94			119.50	
25	116.84	113.75				
June 1	113.53	113.62		112.75	116.50	
8	109.12	109.57			113.50	
15	104.71	102.95				
29	108.02	104.60		103.70	108.50	
July 6	105.82	105.04		105.00		
13	104.72	102.86		102.00		129.00
20	102.51	100.55				
27	102.51	101.22				
Aug. 3	96.10	92.10			95.50	120.00
10	98.10	90.44			94.00	
17	94.79	90.58				
25	93.70	89.51		88.75		
31	95.90	80.35			93.00	
Sept. 7	99.20	80.34				
14	98.10	90.85		90.80		
21	97.00	90.94	114.00			
Oct. 19	97.00	94.22		92.45	95.55	

[1]Free-on-Board at seller's loading port - all prices in U.S. dollars.
[2]Based on Japanese Food Agency's barley tenders.
[3]For processed barley.
Source: Food Agency, Government of Japan.

Table 3

QUALITY SPECIFICATIONS FOR IMPORTED BARLEY TO JAPAN

	U.S. Malting Barley 2 rowed, No. 2		U.S. Barley (for feed use) 2 Rowed, 6 Rowed, No. 2	
	FA[1]	USDA[2]	FA[1]	USDA[2]
Test Weight	62 kg/hl[3]	59 lbs/bu	51 kg/hl	45 lbs/bu
Moisture	14.5	14.5	15.0	14.5
Dockage	1	0	2	-
Foreign Matter (TTL)	3	1.0	10	2.0
Ergot	0.0	0.1	0.0	0.1
Smutty	0.2	0.2	0.2	0.2
Stones	6 ps	7 ps.	10 ps	7 ps.
Wild Barley Seed	2	-	-	-
Other Grains	2	-	-	-
Thin Barley	10	10.0	10	4.5
Damaged Kernel (TTL)	2		10	4.0
Heat-Damaged Kernel	0	0.2	0	0.3
Skinned & Broken Kernels	10	10.0	0	8.0
Other Class of Barley				
incl. Black Barley (TTL)	10	-	-	-
Black Barley	1	1.0	-	8.0
Suitable Malting Types	-	95.0	-	-
Sound Barley	-	96.0	-	94.0
Wild Oats	-	2.0	-	-

[1]Japanese Food Agency.
[2]U.S. Department of Agriculture.
[3]Kilograms per hectoliter (hl)
Source: Food Agency, Government of Japan.

Table 4

JAPANESE PRODUCTION, IMPORTS, INVENTORY AND CONSUMPTION OF BARLEY IN METRIC TONS

	1973	1974	1975	1976	1977[1]
Beginning Stock	224,000	156,000	228,000	363,000	563,000
Domestic Production	55,000	62,000	60,000	55,000	79,000
Import	1,321,000	1,486,000	1,633,000	1,747,000	1,567,000
Domestic Consumption	1,444,000	1,476,000	1,558,000	1,602,000	1,606,000
End Stock	156,000	228,000	363,000	563,000	623,000

[1]Estimated

Source: Food Agency, Government of Japan.

Of the 1,680,000 M/T imported, approximately 325,000 M/T, or 19%, are used by the malting industry, with the rest going for feed purposes (Table 1). Our interest here is mainly in investigating the feed barley portion of the market though the machinery for consummating any barley sale is the same.

The most interesting, unusual, and often confusing aspect of the barley business in Japan, is the procedure of the marketing structure itself. The process is controlled by the Japanese Food Agency, a section of the Ministry of Agriculture and Forestry. Imports must be approved as to volume, price, quality, seller, and purchaser.

The Food Agency is very concerned with price and quality, but equally important is the seller's long-range ability to be a consistent source of supply in volume. To maintain stability of supply, the government makes supply purchase commitments for predetermined quantities. It is apparent from the percentage of sales that there exists a basically agreed-upon percentage allotted to Australia and Canada. These producers' long history of competitively priced and consistent quality barley has developed into a quota of around 900,000 M/T of barley from Canada and 650,000 M/T from Australia. Barley purchase decisions are based upon tenders by trading firms to the Food Agency. Barley industry planning in both Australia and Canada is based on their respective quotas. These quotas are flexible enough to maintain the competitive market situation necessary to the buyer.[2]

Quota changes of any size take place only over a long period of time. The philosophy is to protect the existing trade relations, especially with the large suppliers. It is possible to obtain permission to supply a small quantity of barley as long as those trade relations are not jeopardized.

When large-scale production in Alaska, or in any new region, is realized, marketing efforts can be severely hampered by an abrupt selling campaign. It might be disastrous to descend on agency personnel without first building confidence in ones capabilities and contacts with buyers and food agency personnel. This is confirmed by various sources in Japan.

One possible approach to entering the Japanese barley market is through capitalizing on some particular aspect of the product, such as high protein levels. To do this, however, it is incumbent upon the seller to present evidence of superiority. During our exploratory visit we encountered two strong indications of Japanese interest in high protein barley, both from end users. If the high-quality nature of Alaskan barley is emphasized certain price advantages may be forthcoming. However, the higher quality is not necessary because the Japanese Food Agency has given verbal approval for the sale of Alaskan barley to Japan if it is competitive in price and quality with barleys from other regions of the world. There is one advantage a new producer encounters—the desire of the Japanese government to see another large supplier competing in the market place.

The demand-and-supply picture for barley in Japan for the last five years is summarized in Table 4. Table 5 summarizes the projected demand for major agricultural products in Japan for 1985. The increase in barley consumption is forecasted to be small, but it is significant by Alaska standards. This consistent growth is a result of two factors: an increase in red meat and poultry production, and present and future increases in dairy production.

In the long range, there is one other aspect meriting comment. The impending restriction on the Japanese harvest of the seas will cause greater dependence on agriculture products, which will undoubtedly be reflected in greater demand for meat and barley.

[2]Shipments are usually in multiples of 7,000 M/T because of port and end product storage capacities.

Rapeseed

The rapeseed supply sources and market structure are decidedly different. Japanese consumption of rapeseed was 724,000 M/T in 1976. The amount of local production was minor, totaling only 6,000 M/T. Rapeseed, a product much in demand in Japan as a source of cooking oil, produces a finer oil than soybeans. Although the rape prices are sympathetic to soybean price fluctuations, rape oil users switch to other oils only if a wide price differential exists. In addition, there is a significant market for the chief by-product of rapeseed oil extraction, the meal. It is used as a livestock feed, for fertilizer, and as a soil builder in the horticultural industry.

Nearly all imports, totaling 718,000 M/T in 1976, came from Canada, the world's leading rapeseed exporter, and was nearly all of the low erucic acid type.[3] A very minor volume of rape was imported from Europe. The Japanese demand for rapeseed is rising, but at a slower rate than barley. Demand for rapeseed oil is forecast at 307,000 M/T in 1980 and 380,000 M/T in 1985 by the Japanese government. At a 40% recovery rate, this equates to approximately 767,500 and 950,000 M/T of rapeseed in 1980 and 1985, respectively.

There is much less emphasis on rapeseed quality than barley quality, probably because of the need to rely on the Canadian supplier and also because of the lack of strict governmental control. It was stressed that in nearly all cases (the one exception will be dealt with later) the primary quality concern was with the percentage of erucic acid. Japanese processors would not accept rape with more than 2% acid and were most interested in the double zero types.[4] The ideal level of acid, of course, is zero.

Table 5

Japan: Projections of Demand for Agricultural Projects for 1985

Commodity	Demand 1976	Demand 1985	Imports 1976	Imports 1985	Self-Sufficiency 1976	Self-Sufficiency 1985
	---(1,000 MT)---				-(%)--	
Rice	11,650	12,110	0	0	100	100
Wheat	6,049	5,899	5,827	5,346	4	9
Barley	1,965	2,502	1,756	1,612	11	36
Potatoes	5,035	4,927	0	0	100	100
Soybeans	3,664	5,007	3,554	4,580	3	9
Pulses	315	380	162	162	48	57
Peanuts	140	156	71	74	49	53
Vegetables	12,890	20,136	85	0	99	100
Fruit	6,476	10,612	338	1,823	95	83
Dairy Products	5,493	8,142	158	462	97	94
Meat	2,540	3,193	473	446	81	86
Eggs	2,035	2,206	85	1	96	100

Source: Statistics and Information Department, Japanese Ministry of Agriculture and Fisheries.

[3] A long-chain fatty acid which may be injurious to humans if taken in large quantities.

[4] Varieties having zero levels of erucic acids and glucosinolates.

The marketing procedure for rape is much less political than that for barley. Import of rape does not entail government approval because it is not consumed directly by humans. Sales are between the producer country's selling agency, whether it be private company, grain pool, or government agency, and one of the major rapeseed buying firms (Table 6).

Table 6

Rapeseed Imports into Japan by Japanese Trading Companies April 1, 1976 - March 31, 1977 in Metric Tons

C. Itoh	160,261	Michimen	21,875
Marubeni	110,774	Yuasa	9,291
Mitsui	106,230	Kanego	6,514
Nissho-Iwai	96,568	Saiwai	9,211
Mitsubishi	82,711	Tomen	2,635
Tayiyo Bussan	50,919	Others	603
Sumitomo	44,277		
Toshoku	32,763	TOTAL	734,632

Source: U.S. Embassy, Japan.

Production of rape in Alaska and its subsequent sale in Japan could initiate a lowering price trend through competitive pricing. This trend will develop only when Alaska production reaches levels in excess of 50,000 M/T per year.[5]

Without question the most important factor to Alaska is the desire of the purchasing firms and the government to have a source of supply for rapeseed which will provide an alternative to reliance on Canada. They are very concerned about depending solely on a single national supplier, and might make special concessions to get a new producer into the market.

One Japanese trading firm expresses a strong interest in a type of rapeseed high in erucic acid. The needed quantity of this variety is less than 50,000 M/T per year. Most of this type of rape is imported from the USSR and Peoples Republic of China, but the firm was having difficulty confirming a supply and expressed a willingness to sign preplanting contracts with growers for this product. Although this might well turn out to be a lucrative side industry, the small (by grain-trading standards) total volume means it will not be a major factor in establishing an Alaska agricultural industry.

Other interesting market possibilities exist: these include buckwheat, grass seed, forage, and dairy heifers.

Buckwheat

The possibilities for this crop vary according to one's source of information. Japan uses 70,000 M/T of buckwheat a year. The crop can be grown in Japan, but production is only 20,000 M/T/yr. and declining. Buckwheat sales are not controlled by the Food Agency which makes importation a relatively simple procedure. Prices ranged from $230.00 to $300.00/M/T C & F.[6] Buckwheat is a free market commodity with a great deal of price fluctuation.

Oddly enough, when the subject of buckwheat is raised, trading firm reaction is mixed and widely varied. Some firms are very interested, even to the point of being willing to commit to a preplanting purchase

[5] Authors' estimate which may need revision after further study.

[6] Cost and freight delivered at destination but not unloaded.

agreement. Others are not at all interested and an official of one firm was negative, pointing out the extremely variable buckwheat price situation.

Alaska must do some additional agronomic research on this crop as it appears there is a small, but persistent market for the grain. Whether it can be produced in Alaska to compete on the world market remains to be seen.

Grass Seed

A seedling nursery on Hokkaido expresses a strong interest in disease-free grass seed for pasture. Price is not the prime consideration. The interest is kindled by Alaska's ability to produce such an item. This could also eventually be a small, but lucrative, side industry.

Forage & Dairy Heifers

Planned large-scale expansion of Japan's dairy industry will put immense pressures on suppliers of forage and will require importation of replacement and new herd milking stock. Although Alaska might be able to supply dairy heifers, a far greater potential exists for the forage market. Production for export of cubed or dehydrated forage of various kinds is certainly a possibility needing further study.

Korea

Barley

Korean barley production last year was 1,759,000 M/T; they required no imports. Table 7 summarizes the Korean barley production and import data for the last 10 years.

Barley is imported by Korea only when her own crop falls short of expectations. This situation may materialize in 1978 due to poor weather conditions the previous winter and will probably recur sporadically in the future.

Table 7

Korean Barley Production and Imports[1]
in Metric Tons

Tons

YEAR	PRODUCTION	IMPORTS	TOTAL
1965	1,943,000	-	1,943,000
1968	2,108,000	106,000	2,214,000
1969	2,094,000	67,000	2,161,000
1970	1,996,000	-	1,996,000
1971	1,875,000	-	1,875,000
1972	1,970,000	254,000	2,224,000
1973	1,791,000	350,000	2,141,000
1974	1,308,000	299,000	1,607,000
1975	1,672,000	354,000	2,026,000
1976	1,759,000	-	1,759,000
1977[2]	814,000	486,000	1,300,000

[1]Arrival Basis.

[2]Preliminary.

Source: U.S. Embassy, South Korea.

Barley is a winter grain in Korea grown on small plots in rotation with rice. It is the only crop which fits the rotational scheme; the farmer's only recourse to planting barley is to let the land lie fallow. As a planting incentive, the government artificially maintains the internal barley prices at nearly twice the world market price. Although many farmers consider this price too low, they still plant.

Barley use in Korea differs in one respect from that in nearly any other consuming nation—it is all used for human consumption. The barley is used as a grain staple as opposed to its more popular use for animal feed in other countries. Because of the reliance on barley as a staple in human diets, there is a significant psychological block against using it for animal feed.

There is also a persistent, though slowly changing, psychological adherence to yellow feeds (corn-based) for all livestock including hogs and cattle. The Korean meat producers have historically relied on United States corn as their feed base, and now judge a feed's worth by its yellow color. Yellow feed results in animals with the yellowish fat to which the Korean consumer is accustomed. The preference for this type of carcass will change, but only over a long period of time. One of the major feed mixers in the nation appears hamstrung by this tendency as well as the previously discussed resistance to using barley as an animal feed in Korea. They would like the freedom to substitute barley for corn and other grains if the price structure at any time favors it. Such restrictions on their operation have limited company expansion and may eventually open the door to mixing feed in other countries and shipping a complete ration to Korea.

The Korean market system reflects considerable government control. This control is exerted in an effort to balance the food requirements with national food production, not just for one crop, but for all agricultural products combined, with the long-range goal of Korean self-sufficiency in food supply. The government does the actual negotiating and buying of barley as need dictates.

Korea is improving its diet and increasing its consumption of red meats. Per capita income is also rising. These factors combined indicate Korea will one day be a major market for barley.

Rapeseed

Korea also produces nearly all the rapeseed it needs for domestic consumption, principally on the island of Cheju-do. Production was 32,500 M/T in 1975 with a forecast of 36,800 in 1977. Only 31,728 M/T were imported in 1976 and none in 1975. It is highly unlikely we will ever find Korea a major importer of rapeseed. Her edible oil industry is based on soybeans. Rapeseed is imported only in event of a rapeseed crop failure. One further hurdle facing a rapeseed importer is the duty (12.5% to 30%) imposed on all rape imports to protect domestic producers.

The sole possibility for development of a large Korean market for Alaska rape would be realized only if a Korean processor were to import rape for processing and export all oil and meal.

Other Crops

Although Korean long-range plans include increased meat and animal production of some magnitude, the government hasn't yet solved the problem of finding additional sources of feed and forage to support these plans. The Koreans will face the need for more forage soon and a substantial market for cubed or pelletized forage exists. As is true in Japan, whether we can compete in forage needs to be determined. The Korean specifications for sun-cured and dehydrated forage can be found in the appendix.

There is no Korean interest in purchasing buckwheat.

Taiwan

Taiwan imports nearly all the barley it consumes with domestic production estimated to be only 500 M/T in 1977. Imports supply the remainder of her annual consumption of around 250,000 M/T and come from a variety of sources. (See Table 8.)

The Taiwanese marketing system also shows considerable government influence. Since the United States is one of only three countries recognizing Taiwan as a nation, the government goes to great lengths to support purchases from this country. At present Taiwan has a formal five year buying agreement with the U.S. calling for the purchase of 250,000 M/T of U.S. barley from July 1977 to July 1978. This agreement was further modified in November to raise this to 300,000 M/T. However, barley transactions can only be realized when the U.S. barley FOB west coast price is 12% or more below that of U.S. No. 2 corn FOB gulf port. The agreement runs through 1981, and also specifies purchase can only be made from the nine registered U.S. grain dealers. All U.S. barley imports come under this agreement. Further, all imports into Taiwan require an import permit issued by the government and must carry *ad valorem* tariffs.

Table 8

Taiwanese Barley Production and Imports in Metric Tons

YEAR	PRODUCTION	IMPORTS	U.S. IMPORTS
1973	672	263,832	125,612
1974	490	311,223	47,322
1975	450	163,334	17,504
1976	664	332,865	91,775
1977[1]	500	250,000	25,000

[1]Estimated

Sources: U.S. Embassy, Taiwan.

The clause tying barley to corn prices severely restricts the volume sold. Barley prices rarely reach that relative price level in the rest of the United States. It appears entirely out of the realm of possibility for Alaska to achieve such a low price (compared to corn) and still support an industry. In addition, the distance from Taiwan may put Alaska at a competitive disadvantage over Australia, Canada, or the rest of United States—the reverse of the situation for Korea or Japan.

Nearly all the Taiwanese edible-oil consumption is soybean oil. No rapeseed or rapeseed oil was imported in 1975 or 1976, and it appears unlikely the situation will change.

The one bright spot for possible trade with Taiwan is for a naked or hulless variety of barley. One specific use of barley in Taiwan entails removal of the hulls, steaming, and pressing barley to make a cereal for both human and animal consumption. The hulless variety would be an advantage in this process because the lack of hulls means a consequent reduction in waste. Whether Alaska can produce this type of barley consistently and still compete needs to be determined.

It would be advisable for the State of Alaska to be involved in renegotiating the trade agreement between the United States and Taiwan when it comes up for renewal in 1981 to allow purchase from Alaska and to free the barley price from the corn price.

section 3

alternative marketing organizations

There are several types of marketing organizations which are reasonable options for grain and oilseed development projects in Alaska.[7] In this section we will discuss the two major alternatives, including advantages and disadvantages of each. The operation of government-controlled grain marketing boards modeled after the Australian and Canadian systems will be presented. The private sector discussion will deal with independent farmer marketing and organized farmer marketing. An implicit assumption of the following analysis is that for 1980 and the following years, an efficient grain storage, handling, and transportation system will be in operation in Alaska.

MARKETING BOARD organization

A grain and oilseed marketing board is a quasi-government agency in that legislative action is necessary to create it. Powers of the board may vary but, for most cereal grain and oilseed, the board is responsible for the receiving, handling, and marketing of commodities and for payments to growers. There are two major legislative types of grain marketing boards—one with national scope and the other with local or regional scope. Canada has a national grain marketing board organized by an act of the national parliament. The barley boards of Australia are created by acts of state parliaments. Marketing costs for both are primarily covered by reduced payments to farmers. A grain marketing board is similar to a public corporation and usually controls the product, has a marketing staff to ensure sales, goes into the capital markets to borrow funds, has limited liability to both farmers and buyers, and is controlled by the government and directly or indirectly by the farmers.

In the United States, there are presently no marketing boards functioning for agricultural commodities. There is no federal statute prohibiting formation of a marketing board by a state government. The U.S. government does provide for orderly marketing schemes, such as marketing orders. The major difference is that a grain marketing board can be given the power to purchase the entire crop; it could completely control supply. In that event, farmers must sell their grain or oilseed to the marketing board (except what they use on their own farm), and they receive partial payment at time of sale. When the crop has been completely sold by the marketing board, it makes final payments, less marketing costs, to its farmers based on grade quality and quantity.

Supply control may be limited to the export market. In Canada, farmers can sell their grain on a free-market basis for in-country sales only. In Australia, the state marketing boards control local and export sales. Whether a marketing board, if established, should control both in-state and export sales of barley and rapeseed from the Delta project is a matter of opinion.

[7] Barley and rapeseed can be sold through the same marketing system and can be expected to have similar marketing costs.

Some Alaska farmers may prefer to sell their crop in the local market rather than to the board. This issue cannot be resolved here. To simplify the ensuing analysis, we will assume a marketing board controls both local and export sales.

cost of operation

Marketing management (administration) costs in 1976 for both the Canadian Wheat Board and the Australian Barley Board was less than two cents per bushel. However, in the case of Australia (and probably Canada), additional costs for handling, storage, inspection, sampling, and payment for bulk handling increase total expenditures to about 19 cents (Australian)[8] per bushel; about 8.5% of total board receipts from sale of 1975/76 barley crop (includes no transportation charges between country and terminal elevator). Assuming efficient management, volume is the major factor in cost of operation; average cost of marketing declines as a greater volume is achieved. After some point, as volume increases, the average cost curve will level off.

Let us assume, for example, a small Alaskan board has a marketing management cost of $100,000. In this case, an annual volume of 9,074 M/T will have an approximate cost of 23 (U.S.) cents per bushel; and an annual volume of 45,370 M/T will have an approximate cost of 4.5 (U.S.) cents per bushel.

There are other costs of marketing that an Alaska board would be responsible for—handling, storage, inspection, grading, etc. The only problem is, we do not have good data on how much these costs might be for the Delta project because the grain handling system is only in the early planning stages. Hopefully, the overall marketing costs will not be higher than 8.5% of total receipts. This is one figure which can be used to gauge performance.

marketing

An Alaskan board can make export sales in two distinct ways. It could announce an offer for sale on a specific date, for a specific quantity of a particular quality product, available at a certain location—FOB Anchorage terminal for example. Bids will then be received from all interested international grain firms. The second alternative would be for the board to use one international grain firm to market all its export sales under contract. The board might receive more aggressive service with this approach even in the low-volume years. In either case the board could begin to negotiate sales well before the crop is harvested and delivered to the elevator because it controls supply.

Farmers receive the price for their grain depending upon its quality and world market conditions. There are two markets for Alaska farmers—domestic (local) and export. A board concept allows for pooling of prices received (however, a grain pool does not require a board as we shall see later) from both of these markets. The price received by the board depends on the demand and supply of grains and oilseeds of specific quality in domestic and foreign markets. Markets differentiated by quality requirements generally provide differentiated pricing.

The individual producer would obtain a pool price for the grade of grain (or oilseed) he sold in that particular crop year. This pooling evens out the benefits from each market among all the farms. It prevents a few farmers from obtaining most, or all, of a lucrative portion of the market, while leaving the least profitable for the remaining farmers.

Advantages of Marketing Boards

(1) The farmer has a guaranteed market which provides an initial payment to cover most of the production costs with final

[8]For comparison purposes, dollar values, because of changing international exchange rates, are less meaningful than the percent of board receipts.

settlement at the end of the market year. The price he receives depends on the quality of his crop and world market conditions.

(2) The board, by its existence, establishes a local market for grains and oilseeds. This provides consumer benefits because a stable supply of a competitively priced, graded product is available to users within Alaska.

(3) Government backing provides the board with international respectability.

(4) Management of marketing is conducted by a well trained small staff whose only role is marketing—not production, then marketing.

(5) A board would provide a marketing capability early in the project, at a time when the farmers will be having numerous problems with new land development.

(6) Control of the crop should ensure highest volume movement through the market system.

(7) Marketing expertise can be obtained from private grain trading firms.

Disadvantages of Marketing Boards

(1) Strict government controlled marketing is not presently a part of United States grain and oilseed agriculture.

(2) Some farmers may view boards as a reduction in individual freedom of action.

(3) The general public may have a negative reaction to state controlled grain marketing.

(4) Occasionally a small Alaskan board may not have alternative Alaskan sources of grain for blending to meet minimum quality requirements.[9]

(5) There may be a tendency to become dependent on a government operated board.

FARMER MARKETING

Grain and oilseed produced in the Delta area can be marketed through private sector operations. The farmer can determine how to best market his crop and then utilize the marketing system to do so. To accomplish the marketing function, the farmer may sell the crop independently or through a farmer organized marketing group.

organization

The simplest approach is for individual farmers to sell the crop to a local elevator no matter who operates it. This approach gives the farmer three options to obtain the greatest economic advantage from the crop—sell immediately after harvest, store on farm then sell later, or store at elevator and sell later.

A second approach modifies the first only slightly, the marketing at the local elevator is managed by a farmer-owned group whose goal is to obtain the greatest economic advantage for individual farmers through group action. This organized marketing group will sell its crops to the highest bidders, both domestic and export. However, adequate marketing management must be obtained to facilitate sales, and enough volume maintained to keep cost per bushel low to the farmer.

cost of operation

As long as the individual farmer retains title to his crop after harvest, he is responsible for the associated marketing (including storage) costs. Since this approach varies from farmer to farmer, it is difficult to determine what the marketing costs will be for each situation. However, farmers marketing independently often unintentionally act like a group of organized farmers.

Using information obtained from a large international grain marketing firm who markets for a group of Pacific Northwest

[9]Therefore, a higher quality grain may have to be sold with no price advantage.

farmer cooperatives, typical marketing charges for a country and terminal elevator system can be identified. On a per-bushel basis these can be broken into several parts: three cents for marketing management at the country elevator; four cents for handling at the country elevator; six cents for handling, blending and sampling at teminal elevator; and five cents for government inspection and grading. The total of 13.5 cents per bushel is 5.5% of total receipts for feed barley at tidewater.[10]

No direct charges were estimated for marketing management for export sales by the grain firm. International grain firms adopt marketing strategies in grain sales which (hopefully) cover their marketing management (and all other) costs and return a profit to the firm. These firms act in the same manner if they purchase grain from a marketing board.

Relating private farmer marketing to the Delta project in Alaska allows for several observations. Farmers must obtain economies of high volume marketing if they are to be competitive in the world market. Operational efficiency can be maintained only if a substantial portion of the grain and oilseed produced in the Delta project goes through one marketing system. In fact, the project may not be large enough for more than one system.

Another issue of interest to Alaskans is the cost of private sector marketing compared with a government marketing board. Two examples, the Australian Barley Board and a large private sector cooperative grain marketing system in the Pacific Northwest, have provided estimates for marketing costs. We have found the board expending 8.5% of total receipts and the private system 5.5% of total receipts at tidewater. The Pacific Northwest example included no storage costs, no transportation charges between country and terminal elevator, and no major amortization costs for new bulk handling facilities. In the Australian example, bulk handling amortization costs account for 35% of total annual expenditures. In conclusion, the marketing costs for barley for an efficient private sector system and an efficient marketing board may not be all that different. (See page 20)

marketing

A local farmers' organization could use exactly the same procedures for export sales as a state grain board. These were described earlier and will not be repeated here. A farmer acting independently must find someone to purchase the crop. If enough independent farmers exist to establish a market, then an international grain firm may be willing to purchase grain for export at the local country elevator.

A pool arrangement could be used with farmer-owned local marketing. Since this approach was discussed in the previous section on marketing boards it will not be repeated here. One major difference can be observed. If selling the crop to the board is required, the pool arrangement works for all farmers. Private sector marketing, by allowing free choice, may mean some farmers are in the pool and others out.

If farmers find that it is to their economic advantage, a farmer-owned marketing organization could control much of the supply. This would give it much the same type of market power as for the market board concept discussed earlier. Control of quality can be maintained through strict enforcement of the grading system. This effort can be enforced by legislative action to require grading of all exported grain and oilseed crops.

[10]Assumes feed barley at $2.50 per bushel at tidewater U.S. West Coast.

Advantages of Farmer Marketing

(1) Farmers have more freedom of choice than with a marketing board. Even with a cooperative organization, a member farmer can still decide to market individually. He is not bound to market through the cooperative.

(2) Local farmers have more direct control of grain marketing. This is the traditional method of marketing and its familiarity to producers may have appeal.

(3) A local market for competitively priced grain and oilseed could be established through individual and group action of farmers and willing buyers.

(4) Marketing expertise can be obtained from international grain firms outside the state.

Disadvantages of Farmer Marketing

(1) With voluntary grain marketing, there would be no control as to where farmers market grain. Some farmers would be able to obtain specific markets; others might not because market size may be limited. This could be overcome if most if not all the farmers were part of a grain pool.

(2) Farmers may find it desirable to have substantial on-farm storage which could have negative impacts on crop quality through product deterioration. Also, it may reduce through-put at local elevator, thereby reducing economic viability of this component of the infrastructure, and increase the on-farm capitalization requirements.

(3) Individual farmer marketing may lead to loss of identity of Alaska grain crops. This may eliminate the possibility of market differentiation for Alaska-grown crops to be exported, except by USDA grade standards.

(4) A farmer-owned marketing system will probably have less government backing than a marketing board system. If so, whatever market power is available to a marketing board through government involvement may be less available to a farmer-owned marketing organization.

(5) Occasionally, an Alaskan farmer marketing organization may not have alternative Alaskan sources of grain for blending to meet minimum quality standards. As a result, a higher quality grain may have to be sold.

(6) Free choice of marketing may reduce the volume of produce handled by a single marketing system, thereby raising marketing costs.

(7) In the early stages of the project, the farmers may not have the experience to make sound export market judgment nor the time to devote to acquiring it.

(8) It may be undesirable for the State to delegate completely the market responsibility to the private sector in light of the large State investment in the project.

section 4

implications & recommendations

implications of export marketing

The Japanese Food Agency has given verbal approval for shipments of Alaska barley to Japan as long as the project is competitive in price and quality. No such approval is necessary for Alaska rapeseed.

There is no question Japan is the prime Oriental market for Alaska agricultural products with Korea and Taiwan a distant second or third, respectively. The Japanese market for all the various crops on which Alaska will concentrate—barley, rapeseed, forage, and buckwheat—are such that market size will not be restricted to future growth. Percentages of those markets which Alaska can foreseeably capture will not be of such a magnitude as to cause present large producers in other regions much concern. The Japanese market is firm enough to be used as a basis for establishing an industry. Its forecasted increase in barley consumption is sufficient for a new supplier to capture this trend market yet avoid eroding Canadian and Australian quotas.

Growth in Japanese demand for rapeseed will probably not be as rapid as that for barley. However, Alaska has one major advantage with this crop. Canada is Japan's only major supplier and the Japanese will benefit from the entry of new competition into the rapeseed market. The small quality of rapeseed to be produced in Alaska from the Delta project should have very little, if any, impact on world price.

To operate at best advantage in the Japanese market, the design of the marketing system for both barley and rapeseed should consider the following:

(1) This is a new project in an area with no past history of production. To build credibility in a market discussion, it is necessary to foster confidence that the project will enjoy government support and, therefore, will stand a sound chance of providing the desired consistent supply of quality product. Government control and backing in marketing is one way of convincing buyers of the sincerity of our efforts. This is especially important in the first few years until we reach the point where we have established a level of production and a track record.

(2) Much of Japan's present negotiations for grain and oilseed are with government agencies in the exporting countries.

(3) The Japanese buyer could work through a private trader, cooperative, or pool.

(4) Quantity and quality must be maintained.

(5) Price must be competitive.

(6) An effective market can only be developed slowly, and must begin years ahead of large-scale production. We were able to discuss market possibilities with the highest levels of government officials, principally due to contacts made by the hired consultant.[11] It is precisely this type of information, contacts, and track record we must continue to develop.

(7) The grain export business is highly competitive. Care must be taken that Alaska obtain and develop the best expertise available.

(8) Small marketing volumes do not appear to be a restrictive factor.

[11] Agritrade International, Inc.—James Hutchinson.

The Korean market for Alaska products, in contrast to that of Japan, is not substantial. A substantial Korean market should develop in the future, and there will certainly be sporadic Korean markets which Alaska could satisfy. To ignore Korea as a market because of the relatively poor immediate outlook would be shortsighted. Prudence dictates that the State needs to keep informed, to achieve and maintain possible market contacts, and to be alert to the possibility of taking advantage of any sudden Korean buying needs.

The significant points regarding the Korean market as it relates to Alaska's export market potentials are:

(1) The intermittent and sporadic nature of the Korean market makes it unwise to base development of an Alaskan agricultural industry to satisfy that market.

(2) Alaska, as part of United States, would have an inside track to such markets when they do exist because of the historical Korean reliance on the U.S.

(3) The type of marketing structure will not be a major factor in sales to Korea.

(4) The Koreans suffer fror a lack of handling (dockside) and storage capabilities. Much of their grain is handled by the most rudimentary of methods.

Because of the extreme distance, the barley marketing agreement which presently is in effect and the Taiwanese lack of interest in rapeseed, it appears Taiwan can only become a market for a developed, proven, unique product such as hulless or high-protein barley.

recommendations

The major objective of a marketing structure is to create a mechanism so crops can be marketed to the best advantage of farmers. For the Delta project, a case can be made for government involvement at least in the beginning years of the development effort. Why is a government board preferred to private sector marketing? In our opinion, private sector marketing is less desirable in the early years of the project because it does not provide for a guaranteed market, may not offer for sale identified Alaska barley or rapeseed to foreign markets, and may require substantial effort by project farmers to establish the marketing system. These would be provided by a State marketing board.

To organize a board, Delta farmers should petition the State legislature to enact a statute allowing for a quasi-government agency (public corporation) to be formed to purchase all grain not used on the producer's farm and to be responsible for handling, storage, transport, and selling of the crops. After this has been enacted into law, the affected farmers should be given the right to vote to accept the board concept. A statutory requirement should also be included in the legislation which would provide for the farmers to reconsider the marketing board approach every three to five years. Such a provision would provide the vehicle for the farmers to take over the marketing aspect as they gain expertise and confidence in their ability and as their production problems are resolved.

Governmental involvement in marketing has already begun. In the fall of 1977, a State government mission was sent to the Orient to ascertain possible acceptance of Alaska grain and oilseed crops and if possible, to arrange for test marketing for the 1978 and 1979 crop seasons. That mission resulted in a verbal agreement to test market up to 6,000 tons of Alaska barley and rapeseed in Japan from the 1978 crop. The test marketing should benefit both buyers and sellers. It establishes a market for production from both small and large farmers. This market is based on world market conditions. The most obvious major benefit of this State action is that Alaska farmers do not have to worry about marketing their crop once it has been produced. By 1980, when as many as 22 new full-time large-scale farmers associated with the Delta project begin producing grain and oilseed, a State

marketing effort might serve to reduce concern on finding markets for the crops. Test marketing also establishes Alaska as a source of supply and will identify transportation and other market difficulties before larger quantities of grain and oilseed are marketed.

After the return of the trade mission, farmers in Alaska (primarily in the Delta area) were made aware that they could receive the world market price for barley and rapeseed in 1978. We recommend that the State buy the two crops and organize transport, handling, and marketing. The Japanese purchaser would be able to procure the two commodities at specified Alaska tidewater ports. Further, we recommend a grain pool be organized so that each farmer is paid according to quality and quantity delivered.

These recommendations imply that the State of Alaska will be functioning as a marketing board for 1978 test marketing. The 1979 test marketing should operate in the same manner. The formal transition to a State marketing board by no later than 1980 would be necessary to legalize the test markets-marketing board approach to grain and oilseed sales—domestic and foreign.

After its creation, the board could work with a private grain-trading firm to sell the crops. In this manner, it could obtain access to world market information and still provide a guaranteed market for Alaska farmers.

Who will pay the marketing cost? Under any system, the price the farmers received would be a combination of domestic and foreign market prices less the cost of marketing and transportation. Unless and until the volume is large enough to enable the farmer to absorb the marketing costs, these costs may prove to be prohibitive. A partial State subsidy for marketing and transportation costs may be necessary in the first few years of the Delta project to reduce marketing costs if they are substantially above industry standards. It is our belief that the board concept, by maximizing volume through the system, would minimize the required subsidy and hasten the arrival of that time when volume would permit such a subsidy to become unnecessary.

some final thoughts

If a marketing board concept is used for the Delta project, a major effort must be made to develop marketing expertise in the State. This effort should have four facets. First is the organization of an intelligence network and personnel-training program aimed at becoming knowledgeable about the grain trading business throughout the world. This should include studying supply and demand fluctuations and price and market trends as well as the mechanics and intricacies of international trading. The second step toward this goal, and a vital part of it, is retention of a consulting firm to give advice on international grain marketing. Third, the State should adopt a policy of sending representatives on at least one annual visit to Japan and other buying countries in order to maintain contacts and develop expertise in negotiating with those governments. Fourth, a continuing effort must also be made to explore the possibility of future arrangements with private grain traders to sell crops, to gain information, or to acquire expertise. As the first step in this direction, we suggest representatives of leading international grain-trading firms be invited to Alaska in the fall of 1978, after the test marketing is completed, for the purpose of discussing possible

marketing arrangements as well as familiarizing their representatives further with our project and plans.

Also needing attention is the investigation of transportation alternatives and respective costs. This should include analyses of alternative types of transportation, grain handling infrastructures, and possible and probable funding sources for the required components. The final stage should be development of plans for the recommended alternatives.

Another aspect related to marketing which requires action is the development of a grading and inspection system within the State. A need also exists for research into economic advantages of high-protein barley, advantages of containerized shipments to raise quality, and economics of a dehydrated forage industry as an alternative export crop. Finally, the State should continue to acquaint future buyers with Alaska products and to foster confidence in her ability to produce.

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appendix

Specifications for Dehydrated Forage for Korea

(A) *Protein:* Minimum 17%. Discount for deficiency in protein shall be made by the following percentage of contract price:

Below 17% to 16% is subject to negotiation.
Below 16% is to be rejectable.

(B) *Fibre:* Maximum 25%. Discount for excess in fibre shall be made at 1% of contract price for each 1% exceeding 25% with fractions in proportion.

(C) *Moisture:* Maximum 12%. Discount for excess in moisture shall be made by the following percentage of contract price:

Excess 12% to 13% - 1%.
Above 13% is rejectable.

(D) *Ash:* Maximum 12%. Discount for excess in ash shall be made by the following percentage of contract price:

Excess 12% to 13% - 1%
Above 13% is subject to negotiations.

Ash shall be leavings of Alfalfa Meal Pellets which is burnt continuously for 2 hours at a temperature of 550-600 degrees C.

(E) *Vitamin A:* Minimum 125,000 units.

(F) *Xanthophyll:* To be 25 mg per 100 grams product.

Source: Government of South Korea.

Specifications for Sun-Cured Forage for Korea

(A) *Protein:* Minimum 15%. Discount for deficiency in protein shall be made by the following percentage of contract price. Below 15% to 15% - 3:1 with fractions in proportion. Below 14% is subject to negotiation.

(B) *Fibre:* Maximum 28%. Discount for excess in fibre shall be made at 1% of contract price for each 1% exceeding 28% with fractions in proportion.

(C) *Moisture:* Maximum 12%. Discount for excess in moisture shall be made by the following percentage of contract price:

Excess 12% to 13% - 1%.
Above 13% is rejectable.

(D) *Ash:* Maximum 12%. Discount for excess in ash shall be made by the following percentage of contract price:

Excess 12% to 13% - 1%.
Above 13% is subject to negotiations.

Ash shall be leavings of Alfalfa Meal Pellets which is burnt continuously for 2 hours at the temperature of 550-600°C.

Source: Government of South Korea.

Cost Comparision Between Market Board & Farmer Marketing for Barley Given as a Percentage of Total Receipts

MARKETING BOARD		FARMER MARKETING
.6%	Marketing Management	1.2%
4.8%	Handling, Blending, Sampling Inspection and Storage	4.2
3.1	Major Annual Bulk Handling Capital Costs	3.1
8.5%		8.5%

[1]Major capital costs are assumed equal for farmer marketing and a marketing board.

Source: See Section 3

PUBLIC HEARING PARTICIPANTS

LOCATION Delta Junction DATE 12/15/79

NAME	MAILING ADDRESS	GROUP NAME OR ORGANIZATION IF REPRESENTING SUCH
Elizabeth A. Long	Box 255	City Delta Jct.
[illegible] Colombo	Box 966	City — Delta
Leonard G. Lemon	Box 100	City Councilman - Delta Jct
Irene Mied	Box 186	[illegible]
C. ANDERSON	BOX 453	LIFETIME RESIDENT
Wolfgang FALCKE	P.O. BOX 1166	FBKS, AK. 99701
Charlie Boyd	MILE 226 RICH HWAY	
Bob Pollock	Mile 1414 AK Hwy	Delta Jct
BOB CRAMER	CLUB EVERGREEN	DELTA JCT.
CLAIR M. DENNING	BOX 823	DELTA JCT.
Lee M. Fett	Box 881	Delta Jct.
Mary A. Leith	Box 505	Delta Jct
Howard Olsen	Box 322	Delta Jct
Connie J. Ott	Box 83, Delta Jct.	
ROBERT H. MACHADO	1414 ALASKA HWY	DELTA JCT
Mike Gilleland	Box 1033 Delta	Alaska Farmers Coop
Lee R Spears	Box 1111 Delta	Delta
Lyle Carlson	Box 2741, Fairbanks	
Gerald R. Oliver	Mile 1380 AK. Hwy	Delta Jt.

"City of Petersburg"

P. O. Box 329
Petersburg, Alaska 99833
(907) 772-4511

December 4, 1979

Senator Arliss Sturgulewski
Co-chairman
Joint Senate and House Community & Regional Affairs Committee
Local Government Study
Pouch V
Juneau, Alaska
99811

Re: Local Government Study

Dear Senator Arliss Sturgulewski:

Thank you for your letter dated November 29, 1979 describing the current turn of events regarding efforts to organize the unorganized borough. I can certainly appreciate the current thinking but do hope the issues raised will not just smolder, but be addressed in the near future.

You are commended for attempting to "get the ball rolling" and if I may be of any assistance in the future, please contact me.

Cordially,

Bruce

Bruce Aronson
City Manager

BA/plc

JAY S. HAMMOND
GOVERNOR

STATE OF ALASKA
OFFICE OF THE GOVERNOR
JUNEAU

December 10, 1979

Mr. Gerald Oliver
Mile 1380 - Alaska Highway
Delta Junction, Alaska 99737

Dear Mr. Oliver:

I am pleased to receive your second letter retracting your accusation that Bob Palmer, my Special Projects Coordinator, was present at Colonel Thorpe's "open house". This indicates to me that you are an intelligent and fair-minded person.

I believe that, if you look as deeply into the other charges you have made, you will find them also either incorrect or the actions done with proper objectives as their goal. For instance:

1. The final version of the Delta Land Use Plan published in April, 1977, calls for approximately 64,000 acres to be cleared at a "rapid pace of development", not 10,000, as you mentioned.

2. The University of Alaska did not ask for 2,000 acres for test planting, only approximately 65 acres and they received what they requested.

3. Tract A of the Delta Project is south of the highway because the Delta Land Use Plan in both the 1976 version and the final version dated 1977 designate tract A to be south of the highway for agricultural production. Furthermore, the Division of Lands was responsible for the layout of the tracts, not Bob Palmer.

4. Mr. Palmer was negotiating with the U.S. Army as my personal emissary. Bob Larson of ADF&G was present at the first meeting, while Larson, Bob Hinman and Bud Burris, all ADF&G biologists, were in attendance at the second and last meeting. The biologists were there specifically at Mr. Palmer's request.

Mr. Palmer was there in a policy-making role. Biologists were there to serve as sources of biological information.

Mr. Palmer initiated communication on bison management in regard to possible conflict with agricultural production with Commissioner Skoog and his staff in March of 1979 and has continued that communication since that time.

5. When Colonel Tonito offered to clear 500 acres of land on Fort Greely in an area where ADF&G biologists agreed the bison could perhaps be effectively delayed in the time of their migration and thus reduce the likelihood of conflict, then Mr. Palmer agreed to match that effort with Delta Project funds for seed and fertilizer for those areas -- subject to approval by the Alaska Agricultural Action Council. The Council officially approved this expenditure of funds.

6. The Feds will have absolutely no control over the bison. Remember--the calving grounds and much of the bison range have always been on Fort Greely.

7. The funding creates no relationship between the Division of Agriculture and the bison.

8. The purpose of the clearing in the "pothole" area of Jarvis Creek is to determine if the migration can be delayed long enough and the bison remain in that area long enough -- to enable the grain farms to be harvested.

If a trail is cut from the pothole area of Jarvis Creek over to the area of Tract A, as requested by ADF&G, the purpose of the experiment obviously will be destroyed.

Mr. Palmer has, from the beginning, offered to extend every effort to remove the sunset clause in the refuge legislation. In fact, Mr. Palmer and Commissioner Skoog have agreed that ADF&G clearings on the refuge will be much further south than those originally cleared by ADF&G. Had this been done from the beginning, none of this disturbance would have occurred.

I was with Bob when we first saw how near (less than 1/5 mile) the ADF&G clearings had been located to Tract A, and thus, the rest of the agricultural development. Certainly such close proximity could be expected to increase rather than decrease the conflict between bison and agriculture.

9. Once more, the statement is simply incorrect. Bob has said that detaining the buffalo on tracts several miles away from the farming area would leave open the option of agricultural development on those agricultural soils some years in the future if such development is then determined to be the wisest thing to do.

10. As has been stated at meeting after meeting and repeated in the press many times, to produce grain at a competitive price per bushel and therefore have feed grain available for local consumption through beef, pork, dairy and poultry herds and flocks, large-scale, family farms are required and at least 50,0000 acres in production.

Most, if not all, of present Alaskan needs can be met by one or two of the farms. But can one or two of the farms get bulk rates on fertilizer? On seed? On freight shipments? Can one of two farms justify the expense of drying facilitieis and an elevator? The answers obviously are "NO".

From the beginning, it has been recognized by all who took the effort to investigate that a "critical mass" of at least 50,000 tons of production is necessary to make the project feasible.

For the surplus over domestic needs, until the livestock industry can be built up, we must rely on the export market. Thus, the initial shipment to the Orient approved by the legislature to gain experience in overseas marketing.

11. For the past five months, the time you seem most concerned with, the Delta Project has been the responsiblity and under the control of the Alaska Agricultural Action Council. This group is composed of two farmers, Paul Huppert and Steve Hamilton; and Charles Webber, Commissioner of Commerce and Economic Development; Nick Carney, Director of the Division of Agriculture; as well as Mr. Palmer, in my office. Should I fire all of them?

12. Once more, you are completely in error in either your facts or your interpretation of them. Burning permits as well as fire control efforts are now and have been completely the responsibility of the Forestry Section, Alaska Division of Lands. Mr. Palmer has had absolutely nothing to do with it. After October 1 of each year, burning permits are no longer required by ADL and several farmers began burning their berm piles. It became obvious that even though ADL had not required a burning permit, conditions were too dry for burning. When the fire conditions became dangerous and the Division of Lands did not move to halt the starting of more fires, Mr. Palmer did. He had no authority to halt burning and could not have made the ban stick if it had been challenged, but he felt that someone had to act, and so he did. In In all fairness, I believe you and all the community owe him your thanks rather than your complaints.

13. Mr. Palmer did not show up at the October 17 meeting in Delta Junction because he was not notified of the meeting.

14. Mr. Palmer was invited to the annual meeting of the Alaska Farmers' Cooperative, to which the public was invited, on November 10 in Delta Junction. He attended that meeting, gave the keynote address and specifically requested any and all questions regarding bison management, fires, or any other problems. Charlie Forck, Charlie Boyd and others discussed the bison issue at length with Bob.

Since that meeting, and Bob's presence there was widely known ahead of time, I am surprised that you did not avail yourself of the opportunity to become better informed.

You charged that Bob "showed up" at Colonel Thorpe's "open house" and then later you retracted your statement when you found something so easily checked out was indeed false.

I hope that you have the integrity to check your facts in the future before leveling charges at others.

As Governor of Alaska, my philosophy is thus: I am convinced that with a little cooperation from all concerned, the bison and agriculture can remain in Delta Junction for decades to come without undue restraints or damage to either. I can guarantee you that Bob Palmer shares that philosophy completely.

Sincerely,

Jay S. Hammond
Governor

Mile 1380 - Alaska Highway
Delta Junction, Alaska 99737

November 6, 1979

The Honorable Jay S. Hammond
Governor
State of Alaska
Juneau, Alaska 99801

Dear Governor Hammond:

In my November 2, 1979 letter regarding Bob Palmer, I retract my last sentence in the last paragraph of page 2, "Why did Palmer show up at Col. Thorpe's open house at Fort Greely, and who payed his way?" I was misinformed.

Sincerely,

Gerald Oliver

Gerald Oliver

GO:sh

cc: The Delta Paper
The Fairbanks News Miner
The Anchorage Times
The Anchorage Daily News
The Southeast Alaska Empire
Bob Larson, Game Biologist, Delta Department of Fish and Game
Charlie Boyd, Delta Area Fish and Game Advisory Board

Mile 1380 - Alaska Highway
Delta Junction, Alaska 99737

November 2, 1979

The Honorable Jay S. Hammond
Governor
State of Alaska
Juneau, Alaska 99801

Dear Governor Hammond:

I am requesting that you fire Bob Palmer!

You are in an elected office to do the best for the people of Alaska. Bob Palmer is your appointed mistake. I didn't vote for him. The people of Delta Junction, in the Land Use Planning Committee, stated that they wanted large scale agricultural development ONLY under good leadership, sensible actions, and at a rate of no more than 10,000 acres a year. Also, to give the University of Alaska 2,000 acres, at Milepost 1408 Alaska Highway, to test the feasibility of large scale grain production. But before the test land was even planted, the 60,000 acre Agricultural Project was given away by lottery. Why?

Land north of the AlCan was classified Agricultural Land, south of the Alcan was classified Wildlife Habitat. Why is Tract A of the Agricultural Project on the south side of the AlCan? It has become a defeating point against the Bison Range before the Range has a chance to start. Retract Tract A and put it on the north side of the AlCan.

The Department of Fish and Game is supposed to be the caretakers of the bison. Why is Palmer making "behind the door, under the table" deals with Fort Greely about the Bison without the knowledge of the Department of Fish and Game being in charge of the deals? As a matter of fact, the Department of Fish and Game was not even asked to attend these meetings. Why? Why aren't Palmer and the Department of Fish and Game working together to do the peoples' wishes?

Palmer is giving the Feds $30,000 for seed and fertilizer! Where did the money come from? Why wasn't it given to the Department of Fish and Game? What control will the Feds have over our Alaska bison? Also, if $30,000 of Agricultural funds are used for maintenance of the bison, what relationship does this create between the bison and the Division of Agriculture?

In this Palmer/Fort Greely deal, is a trail from the bison's summer range to the Bison Range going to be made? If the bison don't get a trail to the Bison Range and they then stop and stay at the Buffalo Drop Zone clearing Fort Greely is considering developing, will Palmer then attempt to show that the Bison Range is inaffective? Will he then take the Bison Range land for his Agribusiness farms against the wishes of the people, the Legislature, and the bison?

A statement by Palmer in the Fairbanks Daily News Miner stated that he wants 23,000 acres of the Bison Range. Why?

Palmer also made a grain deal with Taiwan. He will be responsible for exporting the grain Alaskan farmers will have to import to supply their needs. Why? The biggest point for a large scale agricultural project in Alaska was for Alaskan farmers to become more self-sufficient in grain production and less dependent on imported grains. Why is it going to Taiwan?

If the Agricultural Project makes it, it should make it without the artificial state-supported market.

Remember, we are still in a democratic, capitalistic, supply and demand system. Not a Palmer-do-as-he-damn-well-pleases system, with no regard to the peoples' wishes. He is employed by the State of Alaska, which is the People of Alaska, and I say, fire him!

Why did it take Palmer until October to make a statement saying "no fires" on the Agricultural Project? Where was his "no fire" statement in April and May?

Why didn't Palmer show up for the October 17, 1979, public meeting at Delta Junction regarding the bison and the Agricultural Project? Why did Palmer show up at Col. Thorpe's open house at Fort Greely, and who payed his way?

Sincerely,

Gerald Oliver

GO:sh

cc: The Delta Paper
The Fairbanks News Miner
The Anchorage Times
The Anchorage Daily News
The Southeast Alaska Empire
Bob Larson, Game Biologist, Delta Department of Fish and Game
Charlie Boyd, Delta Area Fish and Game Advisory Board

JAY S. HAMMOND
GOVERNOR

STATE OF ALASKA
OFFICE OF THE GOVERNOR
JUNEAU

December 10, 1979

Ms. Sharon Haney
P. O. Box 644
Delta Junction, Alaska 9[illegible]37

Dear Ms. Haney:

I am told by persons who know you that you are not only an intelligent individual but also a rational one. I am therefore more troubled by your letter than if it came from a recognized "crank".

Bob Palmer served as a colleague in the Alaska State Senate for many years; he is a graduate zoologist with long experience in Alaska, served as a member and chairman of the Senate Resources Committee for several terms and has worked ceaselessly throughout his public life to try to do what is best for the Alaska he has known for over 30 years.

He was my campaign chairman in 1974 and has been one of the closest members of my staff since that first campaign. I tell you these things only to emphasize that I have known the man long and well, and he is in nearly all cases just the opposite of the picture that you have painted.

Because you have raised many of the same complaints that a Mr. Gerald Oliver has raised whose letter I have already answered, I am going to take the liberty of sending you a copy of his letter and my point-by-point response to it.

You do raise some additional questions, however, to which I will respond below:

1. My letter of September 5, containing the language about an "open meeting", was handcarried by Mr. Palmer to Colonel Bonito on the day of the meeting and therefore was first seen by Colonel Bonito at that meeting. Please do not blame Bob Palmer for your exclusion. He was never notified that you requested attendance and certainly did not deny access to anyone. In fact, Mr. Lee Tett of the public sector did attend both meetings.

2. You state "It is no secret that Palmer would love to have that land south of the highway". You simply are misinformed. Bob has thought it wise and I agree that the state not deliberately foreclose future options for the use of the lands unless it is necessary to do so. There is no reason for Mr. Palmer to care personally about that land going into agriculture if the people of the area do not want it to. It is not needed to make the Delta Project viable.

3. I don't really believe that 500 acres of fertilized grass and grain on Fort Greely will have a negative impact of any substance on the winter goose range in the area.

Moose do eat grass and grain, too, you know; they are not browsers all of the time.

4. Do you have evidence that Bob ever called his critics in Delta Junction a "pack of liars" as you allege? He did state that some lies were being told deliberately. There is a considerable difference.

5. I have no financial data to provide concerning my phrase "considerable economic loss". I have, however, flown over the area near harvest time and seen herds of buffalo not only standing in and eating but bedded now and wallowing in the standing crops. How do you define "considerable" under such circumstances? The point, of course, is that when conflict can reasonably be avoided, it should be.

6. Tract A, south of the highway, was specifically approved in both the 1976 and 1977 official reports of the Delta Land Use Plan for agricultural purposes. The Delta Project tract layout was the responsibility of and carried out by the Alaska Division of Lands, who along with the citizens of the area, developed the Delta Land Use Plan. Bob Palmer had absolutely nothing to do with that decision. The Land is privately owned, the owner is unalterably opposed to selling, and there is no other land available at this time.

7. The selection of tractholders was carried out by a committee of state agencies, private farmers and university agricultural experts. Those who felt they were dealt with unfairly by the committee had by law an opportunity to appeal to Ted Smith, Director of the Division of Forestry, Lands and Water Management, for redress. Several appealed and they were allowed into the lottery. Bob Palmer <u>was not</u> a member of the selection team nor of the appeal process.

8. One more time you place blame without doing your research. The Forestry Section of the Division of Lands has complete control over the issuance of burning permits and the fighting of fires that get out of control. Bob acted to stop the burning when no one else did.

I, too, as does Bob, strongly desire a wild, free-ranging herd of bison in the Delta area. Every effort taken has been devoted to that purpose. Clearing, seeding and planting of approximately 500 acres in the most feasible area of Fort Greely, which will hopefully delay their migration until the domestic crops have been harvested, would seem to me to be an important step in the right direction.

I hope that you will give these facts serious and unbiased consideration. In the meantime, I remain thoroughly convinced that Bob has acted with the best of motives in all cases and with quite good results in most if not all.

Sincerely,

Jay S. Hammond
Governor

Enclosure

P.O. Box 644
Delta Junction, Alaska 99737

November 21, 1979

The Honorable Jay S. Hammond
Governor, State of Alaska
Governor's Mansion
Juneau, Alaska 99801

Dear Governor Hammond:

At a time when Alaskans are eager to throw off the yoke of federal intervention in state concerns, it is impossible to comprehend the recent "deal" made by W.I. "Bob" Palmer with the U.S. Army regarding habitat manipulation of Fort Greely lands for maintenance of the Delta bison herd. This non-elected official who is nearly totally non-responsive to the majority will of the people of Delta is certainly not winning you any political advantage in this valley. You would do well to investigate his faulty administration of the Delta Agricultural Project and his interference with the management of the Delta bison herd to further his own ends.

It is curious, is it not, that while the Legislature granted only $20,000 to the Bison Range this year, Palmer is able to negotiate a $30,000 deal with the Army to create habitat on Fort Greely lands for the buffalo. Where did those funds originate? What legal implications of herd management responsibility can be drawn by the Division of Agriculture contributing funds to a federal agency for regulation of a Department of Fish and Game-managed public resource?

Again, at a time when Alaskans seek separation from federal controls and intervention, Bob Palmer has clearly acted, and is acting, in opposition to the will of a majority of the people in the state, not to mention the majority feeling here in Delta as regards the bison. I direct your attention to public testimony regarding bison taken at recent hearings in Delta, Fairbanks and Anchorage, which overwhelmingly favors a free-ranging herd controlled by Fish and Game, not manipulated by the Division of Agriculture or the Special Projects Coordinator, and favoring permit hunts to cull "surplus" animals as opposed to the Division of Agriculture and Representative Hoyt Moss's proposal to release some animals into private ownership as a means of diminishing the local conflict between farmers and buffalo.

Though your letter to Colonel Louis J. Bonito of September 5 declared that the meetings held between Palmer and the military were to be open to the public, I was expressly denied access to the September 6 meeting as a member of the public. Enclosed is a copy of an affidavit attesting to that fact which I wrote after over eight weeks had elapsed since the meeting, and at a time when Thursdays were beginning to run together in my memory. Further, the public was not notified of the September 24

meeting, to the best of my knowledge. Regardless of this suppression of information, I have learned "through the grapevine" that Palmer offered the $30,000 to the military on the condition that they NOT clear a trail from Fort Greely lands to the Bison Range, presumably so that Palmer will be able to show that the buffalo will not use the Bison Range and therefore it should go to (his) agricultural development. It is no secret that Palmer would love to have that land south of the Alaska Highway for development as he has stated so in print (Fairbanks Daily News-Miner). His collaboration with the military to prepare Fort Greely lands as buffalo habitat under the guise of keeping bison west of the Ag Project is seen locally as a ploy to gain the Bison Range; an additional problem with his "deal" is the fact that those Fort Greely lands represent the last major moose winter range remaining in the valley since the Ag Project took up the center of the valley. Unless the state proposes to make a farce of the Delta Land Management Planning Study, wherein a majority of the people stated a preference to preserve lands south of the Alaska Highway for wildlife refuge, it will keep all agricultural development north of the highway.

The Delta Land Management Planning Study clearly states that an overwhelming majority of the people of this valley want the land on the south side of the Alaska Highway set aside as a wildlife refuge (76% of the general public agreed with the Planning Team's recommendations, 18% disagreed, and 6% held no opinion). They not only approved the recommendation for a wildlife refuge on the south side of the highway, they approved three bison range proposals as well, two of which are to the south of the highway on either side of Fort Greely lands. Somehow, Tract A of the Agricultural Project was allowed to slip in on the south side unnoticed. Since agricultural development is traditionally incompatible with wildlife preservation, this state (Division of Lands? Fish and Game?) blunder is difficult to understand.

Enclosed are copies of various letters and documents produced so far in this matter. Since Bob Palmer sees fit to pay heed primarily to the special interest groups in the valley rather than to the majority opinion, I intend to pursue his dealings in order to bring things to a more balanced, less lopsided outcome. Though Palmer recently described his critics here as a "pack of liars" to a local resident, he is mistaken. We number more than a "pack" and some are 30-years-plus residents of this valley. What is more, we realize that what Bob Palmer says is not nearly as important as what he does not say. We intend to pursue our own ends with logic, statistics, and an open ear to the voice of the majority.

I intend to request an investigation of the administration of the Agricultural Project and the buffalo "problem" by the Ombudsman, as well as an investigation into the legal ramifications of the "Letter of Understanding" drawn up by Palmer for the State of Alaska and the U.S. Army cooperative effort to create bison habitat on Fort Greely lands. I also respectfully request that you supply financial data to support the contention in your letter of September 5 to Colonel Bonito that there has been "very considerable economic loss to the farmers of the area." I further request

that all lands being offered as agricultural lands in Lottery Offering #2 and Homesite Offering #3 on the south side of the Alaska Highway be withdrawn, since creation of additional agricultural lands on the south side of the highway will further undermine the success of the Bison Range. Additionally, I hereby request that Tract A of the Agricultural Project be removed to the north side of the highway and the farmer compensated for the state's blunder.

I am opposed to Palmer's acquisition of any more lands for agricultural development in this valley until a competent administration of the project is in effect. The questionable selection of tractholders, the funky manipulation of the bison herd by the Division of Agriculture, the Special Projects Coordinator, and the military in direct confrontation with the Department of Fish & Game, and the scandalous project wildfires should proscribe Palmer's acquiring any more acreage prior to a full investigation into his competence as an administrator.

Those of us who live here realize that there are inconsiderate, ignorant tractholders who, because of ineffective regulation by an incompetent administration, are causing general hostility towards responsible tract-holders who can make a successful go of their tracts. Perhaps if your child had spent several months coughing from smoke, you would be questioning the Ag Project as I am doing. I only hope that a competent administration can be developed before the above-mentioned tractholders begin using pesticides, herbicides and other chemicals.

Respectfully submitted,

Sharon Haney

Sharon Haney

:sh

Attachments:
- Letter to Col. Louis Bonito from Governor Hammond, 9/5/79
- Letter to Governor Hammond from Col. Bonito, 10/5/79
- Letter to Col. Bonito from W.I. "Bob" Palmer with "Letter of Understanding", 10/19/79
- Affidavit of Sharon M. Haney, 11/2/79
- Freedom of Information Act request letter and response between Sharon Haney and Col. Lee Thorp, 11/15 and 11/16/79
- Delta Land Management Planning Study maps, pages 6, 23 & 27

cc: The Ombudsman (with attachments)
Greg Cook, Board of Game, Juneau (with attachments)
Sam McDowell, President, Izaak Walton League (with attachments)
The Delta Paper (with attachments)
The Fairbanks Daily News-Miner (w/o attachments)
The Anchorage Times (w/o attachments)
The Southeast Alaska Empire (w/o attachments)

AFFIDAVIT OF SHARON M. HANEY

I, Sharon M. Haney, do hereby state that the following reflects, as accurately as my memory will allow (unfortunately, I disposed of my phone pad notes), the occurence of events leading up to and following my "non-invitation" to a meeting held between Fort Greely military higher-ups and Bob Palmer regarding the Delta buffalo, a meeting which Bob Palmer has since stated (in the Fairbanks News Miner) was open to anyone wishing to attend.

About two days prior to the meeting, I was informed by Charles Champaine, Game Technician for the Delta Department of Fish and Game, that a meeting was to be held between Palmer and the military regarding the bison. I then phoned Bob Larson, Game Biologist for the Delta Department of Fish and Game, who informed me that he was aware that a meeting was going to be held, but that he had not been invited and had no idea of where or when. After telephoning Bob Pollock, Overseer of the Agricultural Project, who informed me that he knew a meeting was to be held at 10:00 a.m. (on August 22 or 23rd, if I recall correctly) at Fort Greely, though he wasn't sure of where on Post, I phoned Loretta Nistler, Editor of the Delta Paper, to see what she knew about the meeting. She had no information whatsoever and asked that, should I attend the meeting, I not do it as a representative of the Delta Paper (I am a freelance writer who writes a regular column, "Out & About", for the Delta Paper).

On the day of the meeting, I attempted to contact Lee Fett at his home via phone and was given his office number at Fort Greely by the person who answered. He was not in his office at Fort Greely, however, and when I explained my concerns to the person who answered his phone, they went and got a Major McKee, Engineer Officer, whose office is apparently next to Fett's, who informed me that the meeting was not being held at 10:00 a.m., but 11:00 a.m., and when I stated that I was a freelance writer who desired to attend the meeting so that the public might be informed, he said he was sorry but the public was not invited. I then hung up and phoned Loretta Nistler and told her I was being excluded from the meeting. She was not surprised. Then I telephoned Kent Sturgis, Editor of the Fairbanks News Miner, and asked him if they could, in fact, exclude me from the meeting and he informed me that the way the laws are currently written, public officials can hold meetings which are closed to the public.

And further affiant sayeth naught.

DATED at Delta Junction, Alaska, this 2nd day of November, 1979.

Sharon M. Haney

11/3/79
Notary: Hannah Anderson
Commission Expires: 12/29/82

DEPARTMENT OF THE ARMY
HEADQUARTERS, SPECIAL TROOPS, FORT GREELY
APO SEATTLE 98733

AFZT-STG

16 November 1979

Ms. Sharon Haney
P. O. Box 644
Delta Junction, Alaska 99737

Dear Ms. Haney:

I have received your letter of 11/15/79 and have forwarded it to the appropriate office for a direct response to you.

The office which maintains the records and information of the type you have requested is:

Office of the Facility Engineer
172d Infantry Brigade (Alaska)
Fort Richardson, Alaska 99505

If additional information of this nature is required, correspondence should be addressed to that office for a more rapid response.

If I may be of further help to you in this matter, feel free to contact me direct.

Sincerely,

LEE L. THORP
COL, IN
Commanding

CF:
DFAE, FR

P.O. Box 644
Delta Junction, Alaska 99737

November 15, 1979

Colonel Lee Thorp
Post Commander
Fort Greely
Delta Junction, Alaska APO 98733

Dear Colonel Thorp:

I am writing to request information under the Freedom of Information Act. I would like copies of the minutes taken at the meetings held on 6 September and 24 September at Fort Greely regarding the Delta buffalo. Though the meetings were supposedly open to the public, I was specifically denied access to the 6 September meeting by Major McKee when I telephoned the morning of the meeting to see if I could attend as a member of the public. Therefore, I am now requesting copies of the meeting minutes for both meetings and anticipate that you will fulfill this request promptly.

Sincerely,

Sharon Haney

Sharon Haney

:sh

cc: The Honorable Jay S. Hammond, Governor
The Delta Paper
The Fairbanks Daily News-Miner
The Anchorage Times
The Southeast Alaska Empire

Alaska State Legislature

LEGISLATIVE AFFAIRS AGENCY

FAIRBANKS LEGISLATIVE
INFORMATION OFFICE
Room 250, Building F
101 College Road
Fairbanks, Alaska 99701
(907) 452-4448

December 6, 1979

Gene Walsh
Administrative Assistant
Community & Regional Affairs
Juneau, Alaska

Dear Gene:

Enclosed is a copy of the press release and xerox copy of your text that I sent out to the following:

Jeff Day	KFAR Radio & TV	Fairbanks
Peter Van Nort	KIAK Radio	Fairbanks
Anne Spink	KFRB Radio	Fairbanks
News Dept.	KJNP Radio	Fairbanks
Tom Snapp	All-Alaska Weekly	Fairbanks
Delta Paper		Delta Jct.
Sharon Tolle	New River Times	Fairbanks
F. N. S. Borough,	Ben Harding, Dir.	Fairbanks
Sec.	Chamber of Commerce	Fairbanks
Dermot Cole	News Miner	Fairbanks

If there is anything further that I can do, please let me know.

Sincerely,

Maxine

Maxine Walton
LIO, FBKS

FOR IMMEDIATE RELEASE

THE LOCAL GOVERNMENT STUDY COMMITTEE, CO-CHAIRED BY SENATOR STURGULEWSKI AND REP. BILL PARKER WILL HOLD A PUBLIC HEARING ON THE SUBJECT OF CREATING REGIONAL BOUNDARIES IN THE UNORGANIZED BOROUGH. THE HEARING WILL BE HELD IN THE LOBBY OF THE DELTA JCT. HIGH SCHOOL SATURDAY, DECEMBER 15, AT 2:00 P.M. FOR FURTHER INFORMATION CONTACT GENE WALSH AT 465-3712 OR THE FAIRBANKS LEGISLATIVE INFORMATION OFFICE PHONE 452-4448.

Legislative Information Office
101 College Road
Fairbanks, Alaska
Phone 452-4448

THE LOCAL GOVERNMENT STUDY COMMITTEE WILL BE HOLDING A PUBLIC HEARING IN DELTA JUNCTION, SATURDAY, DECEMBER 15, ON THE SUBJECT OF CREATING REGIONAL BOUNDARIES IN THE UNORGANIZED BOROUGH. THE HEARING WILL BE HELD IN THE LOBBY OF THE DELTA JUNCTION HIGH SCHOOL AT 2 P.M.

THE COMMITTEE WILL BE DISCUSSING THE FOLLOWING PROPOSED LEGISLATION:

CREATION OF REGIONAL UNITS

GEOGRAPHIC, REGIONAL BOUNDARY LINES WILL BE DEVELOPED FOR THE COLLECTION OF DATA FOR PLANNING AND PROGRAMMING PURPOSES. THE BILL WILL PROVIDE FOR THE DIVISION OF THE STATE'S SINGLE UNORGANIZED BOROUGH INTO UNORGANIZED BOROUGHS BY THE DEPARTMENT OF COMMUNITY AND REGIONAL AFFAIRS AFTER PUBLIC HEARINGS IN THE AREAS AFFECTED. THE REGIONAL EDUCATIONAL ATTENDANC AREAS, AND/OR COMBINATIONS THEREOF, WILL BE CONSIDERED THE REGIONAL UNITS SUBJECT TO PUBLIC HEARING MODIFICATION.

HOME RULE

LEGISLATION WILL PROVIDE THAT REGIONAL UNITS MAY INCORPORATE AS HOME RULE MUNICIPALITIES WITHOUT PRIOR INCORPORATION AS A FIRST CLASS MUNI- WITHOUT PRIOR INCORPORATION AS A FIRST CLASS MUNICIPALITY. THE LOCAL BOUNDARY COMMISSION WOULD BE INVOLVED IN DETERMINING THE ACCEPTABILITY OF THE REGIONAL UNIT BOUNDARIES AND THE COMPLIANCE OF SUCH BOUNDARIES WITH BOUOUGH INCORPORATION STANDARDS.

IN ADDITION, LEGISLATION WILL BE INTRODUCED WHICH ALLOWS FOR THE RE-CLASSIFICATION OF SECOND CLASS BOUOUGHS AS HOME RULE MUNICIPALITIES WITHOUT FIRST ADOPTING FIRST CLASS STATUS.

REGIONAL STRATEGY STUDY FUND

THE REGIONAL STRATEGY STUDY FUND WOULD PROVIDE MONIES TO BE USED FOR REGIONAL STUDIES WHICH WOULD ADDRESS ECONOMIC, SOCIAL AND PHYSICAL FACTORS PRESENT IN THE REGIONAL UNIT. THE STUDIES WOULD ALSO ADDRESS THE FEASIBILITY AND VIABILITY OF LOCAL GOVERNMENT FORMATION. THE FUND WOULD BE ADMINISTERED BY THE DEPARTMENT OF COMMUNITY AND REGIONAL AFFAIRS WHICH WOULD CONSIDER PROPOSALS FOR A STUDY AFTER HAVING BEEN PETITIONED BY A REPRESENTATIVE SEGMENT OF THE POPULATION OF THE REGIONAL UNIT.

FOUNDATION APPROACH

THE FEASIBILITY OF A FOUNDATION APPROACH FOR THE DELIVERY OF BASIC SERVICES(I.E. PUBLIC SAFETY, HEALTH AND SANITATION, PUBLIC ASSISTANCE, THIS APPROACH WOULD ESTABLISH A BASIC LEVEL OF SERIVCE DELIVERY FOR ALL RESIDENTS OF ALASKA, IN ADDITION TO EDUCATION, WHICH IS ALREADY COVERED.

Alaska State Legislature

Official Business

JOINT SENATE AND HOUSE
COMMUNITY AND REGIONAL AFFAIRS COMMITTEE
LOCAL GOVERNMENT STUDY

Co-Chairmen
Senator Arliss Sturgulewski
Representative Bill Parker

Address all correspondence to:

LOCAL GOVERNMENT STUDY
Pouch V
State Capitol
Juneau, Alaska 99811

LEGISLATIVE PROPOSALS
Second Session-Eleventh Legislature

* CREATION OF REGIONAL UNITS

Geographic, regional boundary lines will be developed for the collection of data for planning and programing purposes. The bill will provide for the division of the state's single unorganized borough into unorganized boroughs by the Department of Community and Regional Affairs after public hearings in the areas affected. The Regional Educational Attendance Areas, and/or combinations thereof, will be considered the regional units subject to public hearing modification. The Dept. of C&RA will have a four-month period of time during which to conduct the necessary hearings and to implement the creation of the regional units.

* HOME RULE

Legislation will provide that regional units may incorporate as home rule municipalities without prior incorporation as a first class municipality. The Local Bounday Commission would be involved in determining the acceptability of the regional unit boundaries and the compliance of such boundaries with borough incorporation standards.

In addition, legislation will be introduced which allows for the reclassification of second class boroughs as home rule municipalities without first adopting first class status. (MIGHT INCLUDE 2ND CLASS CITIES AS WELL?)

* REGIONAL STRATEGY STUDY FUND

The Regional Strategy Study Fund would provide monies to be used for regional studies which would address economic, social and physical factors present in the regional unit. The studies would also address the feasibility and viability of local government formation. The Fund would be administered by the Department of Community and Regional Affairs which would consider proposals for a study after having been petitioned by a representative segment of the population of the regional unit.

The Department of C&RA will select the proposal which best meets the standards and criteria contained in the legislation. The Study will be conducted during the prescribed time period. Funding for the studies will be determined using the per capita formula contained in the legislation.

* SUPPORT OF AND COORDINATION WITH DIVISION OF POLICY DEVELOPMENT AND PLANNING

  DPDP will develop and conduct a study and assessment of the feasibility of using the regional units established by the Department of Community and Regional Affairs for planning and for the coordination and delivery of services provided by the Federal and State governments. This study will include an overview of capital facilities and colocation of such facilities for efficiency and recommendations on coordination of delivery of services. The Division will report to the Legislature in January, 1981 with its plan for delivery of services taking into consideration the regional unit boundaries.

* REVENUE SHARING

  Legislation will provide that the minimum entitlement for organized municipalities be $25,000 plus cost of living plus per capita entitlements.

* FOUNDATION APPROACH

  The feasibility of a foundation approach to delivery of the basic services will be explored.

* FISCAL NOTES RE IMPACT ON MUNICIPALITIES

  Legislation will be introduced which will require that the fiscal impact on municipalities of all bills introduced be determined in a fiscal note.

* MANAGEMENT AND DISPOSAL OF STATE LAND

  Legislation will be developed which would return platting power to the municipalities.

* ELIMINATION OF THE THRID CLASS BOROUGH

  Legislation would eliminate the third class borough but allow Haines to exist as presently incorporated.

Subj.

Alaska State Legislature

JOINT SENATE AND HOUSE
COMMUNITY AND REGIONAL AFFAIRS COMMITTEE
LOCAL GOVERNMENT STUDY

Co-Chairmen
Senator Arliss Sturgulewski
Representative Bill Parker

Address all correspondence to:

LOCAL GOVERNMENT STUDY
Pouch V
State Capitol
Juneau, Alaska 99811

Official Business

December 7, 1979

Sent to all Jt. Com. Mbrs. as well as attached list.

The Local Government Study Committee will be holding a public hearing in Delta Junction, Saturday, December 15, on the subject of creation of regional boundaries in the unorganized borough. The hearing will be held in the lobby of the Delta Junction High Schoool at 2 p.m.

The Committee will be discussing the following proposed legislation:

Creation of Regional Units

Geographic, regional boundary lines will be developed for the collection of data for planning and programing purposes. The bill will provide for the division of the State's single unorganized borough into unorganized boroughs by the Department of Community and Regional Affairs after public hearings in the areas affected. The Regional Educational Attendance Areas, and/or combinations thereof, will be considered the regional units subject to public hearing modification.

Home Rule

Legislation will provide that regional units may incorporate as home rule municipalities without prior incorporation as a first class municipality. The Local Boundary Commission would be involved in determining the acceptability of the regional unit boundaries and the compliance of such boundaries with borough incorporation standards.

In addition, legislation will be introduced which allows for the reclassification of second class boroughs as home rule municipalities without first adopting first class status.

Regional Strategy Study Fund

The Regional Strategy Study Fund would provide monies to be used for regional studies which would address economic, social and physical factors present in the regional unit. The studies would also address the feasibility and viability of

local government formation. The Fund would be administered by the Department of Community and Regional Affairs which would consider proposals for a study after having been petitioned by a representative segment of the population of the regional unit.

Foundation Approach

The feasibility of a foundation approach for the delivery of basic services (i.e., public safety, health and sanitation, and public assistance). This approach would establish a basic level of service delivery for all residents of Alaska, in addition to education, which is already covered.

Sincerely,

Senator Arliss Sturgulewski
Co-Chairman

Representative Bill Parker
Co-Chairman

Mr. Richard Anderson, Pres.
P.O. Box 806
Delta Junction, Alaska
99737

Mr. William Haslem
P.O. Box 624
Delta Junction, Alaska
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Mr. Jack Adams
P.O. Box 587
Delta Junction, Alaska
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Ms. Doris Fales
P.O. Box 47
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Ms. Cleeta Barger
P.O. Box 106
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Mr. Marvin Fogelsong
P.O. Box 415
Delta Junction, Alaska
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Mr. Glen Chowning
P.O. Box 527
Delta Junction, Alaska
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Mayor Elizabeth Leng
P.O. Box 229
Delta Junction, Alaska
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Fran Colombo
City Council Member
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Leonard Lemon
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Marvin Hinsley
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Hoyt Moss
Advisory School Board
P.O. Box 229
Delta Junction, AK 99737

Dec. 15, 1979
Delta Junction
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Subj. File

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Mike Ribar
Assembly Member
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Fairbanks, AK 99701

Senator Bettye Fahrenkamp
4016 Evergreen
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H. Pappy Moss
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Delta Junction, AK 99737

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Robert H. Bettisworth
State Representative
Box 80288
College, AK 99708

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Assembly Member
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Fairbanks, AK 99701

Fred E. Brown
State Representative
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Fairbanks, AK 99707

William J. Stringer
Assembly Member
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Fairbanks, AK 99701

Sarah J. Smith
State Representative
321 Church Street
Fairbanks, AK 99701

Phil Younker
Assembly Member
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Fairbanks, AK 99701

Brian Rogers
State Representative
P.O. Box "K", College Brnch
Fairbanks, Alaska 99708

Lee Wareham
Assembly Member
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Fairbanks, AK 99701

Richard L. Randolph
State Representative
Box 123
Fairbanks, AK 99707

Charles H. Parr
State Representative
S.R. Box 50599
Fairbanks, AK 99701

Wally Droz
Assembly Member
P.O. Box 1267
Fairbanks, AK. 99701

Jerry Smetzer, Ex. Dir.
Fairbanks Town & Village
Assoc. for Devel., Inc.
P.O. Box 74080
Fairbanks, AK 99707

Senator John C. Sackett
P.O. Box 65
Galena, AK. 99741

Ray Kent
Tanana Chiefs Conference
First and Hall
Fairbanks, Ak 99701

Senator Glen Hackney
1136 Sunset Drive
Fairbanks, AK 99701

Chris Anderson
Tanana Chiefs Conference
209 First and Hall
Fairbanks, AK 99701

Senator Don Bennett
Box 2801
Fairbanks, AK 99707

On return call Jon

STATE OF ALASKA

DEPARTMENT OF PUBLIC SAFETY

JAY S. HAMMOND, GOVERNOR
WILLIAM R. NIX
COMMISSIONER

DIVISION OF STATE TROOPERS / POUCH N – JUNEAU 99811
P. O. Box 6188 Annex
Anchorage, Alaska 99502

November 14, 1979

Call Jon Anderson → RSVP mo

Arliss Sturgulewski, Local Government Committee
Alaska State Legislature
2957 Sheldon Jackson Street
Anchorage, Alaska 99504

11/27
264-5644

Dear Mrs. Sturgulewski:

There is no doubt as to the cause and effect relationship of alcohol abuse and the need for Public Safety services. The resulting problems may be law enforcement related, an accidental fire, a drowning or an injury requiring medical response. There further is no question that rural villages in Alaska suffer an extremely disproportionate number of public safety problems that stem from alcohol abuse, a per capita basis compared to the rest of the United States or even the balance of the Western World.

The problem is thus well defined; the solution is not.

One possible approach is to enable villages, by local ordinance, to determine the amount, if any, of alcoholic beverages permitted in the village and further to prescribe non-criminal sanctions by the village council, sitting as a judgement board as may be permitted by AS 29.48. This approach would place the decision-making process in the hands of local government, enabling them to structure ordinances to their own local conditions. The non-criminal sanctions would benefit the village and not increase the caseload of the Court System.

However, a State statute would be required to provide the enabling legislation for such an approach.

To discuss this concept, and related concerns, the Division of State Troopers is hosting a meeting of representatives from State Criminal Justice System agencies, on December 3, 1979, at 9:00 a.m., in Room 402 at the State Court Building located at 3rd and K Streets. We hope you will be able to join us. Others being invited represent Native Regional corporations, the Legislature, State Troopers, Department of Law, the Court System, Department of Community and Regional Affairs, University of Alaska, Public Defender Agency and others.

12-L4LH

Although the problems caused by alcohol abuse in rural areas are of long standing, we think the approach has significant potential, and if successful, will pay dividends to the rural citizens and the justice system alike.

Please join us for an informal assessment of this concept.

Sincerely yours,

T R Anderson

Colonel T. R. Anderson
Director
Alaska State Troopers

STATE OF ALASKA

12/14

JAY S. HAMMOND, GOVERNOR

DEPARTMENT OF PUBLIC SAFETY

DIVISION OF STATE TROOPERS

P. O. BOX 6188, ANNEX
ANCHORAGE, ALASKA 99502

November 30, 1979

Senator Arliss Sturgulewski
2957 Sheldon Jackson St.
Anchorage, AK 99504

Dear Senator Sturgulewski:

On Friday, December 14, 1979 at 4: 00 PM the first group of Village Public Safety Officers - 19 from the Bethel area - will finish their week-long training session in fire protection. They earlier completed training in law enforcement, emergency medical training, search and rescue procedures for promulgating local ordinances in support of their Village Public Safety Program. Village officers from other areas are in earlier phases of training. I foresee the Village Officers fulfilling a wide variety of Public Safety services heretofore unavailable at the village level.

We would very much appreciate you joining us for an informal coffee in honor of this occasion and to meet the Village Officers and other guests. Certificates will be presented as well as a Commendation of Merit to one Village Officer who is credited with saving the life of a gunshot victim only six days after completing the emergency medical portion of his training.

Ceremonies will occur in the main training room of the new Southcentral Regional Fire Training Center located on Airport Heights Drive between the fire station and the Teamsters Mall. Our Village Officers represent the first class in the new training center, which is the first of five such facilities being built throughout the State, resulting from a recent State bond issue. Tours of the facility are planned.

Please join us on December 14th.

Sincerely yours,

ph
264-5641

Colonel T.R. Anderson
Director
Alaska State Troopers

12-L13L.H

Mr. [illegible]chard Anderson, Pres.
P.O. [illegible]ox 806
Delta Junction, Alaska
99737

Mr. William Haslem
P.O. Box 624
Delta Junction, Alaska
99737

Mr. Jack Adams
P.O. Box 587
Delta Junction, Alaska
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Ms. Doris Fales
P.O. Box 47
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Ms. Cleeta Barger
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99737

Mr. Marvin Fogelsong
P.O. Box 415
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Marvin Hinsley
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Hoyt Moss
Advisory School Board
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Delta Junct.
Public Hwy
Mailing list
Dec. 15, 1979

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Delta Junction, AK 99737

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Clerk/Treasurer
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Kevin Harun
Assembly Member
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Fairbanks, AK 99701

Mike Ribar
Assembly Member
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Fairbanks, AK 99701

Senator Bettye Fahrenkamp
4010 Evergreen
Fairbanks, AK 99701

Joseph D. Marshall
Assembly Member
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Fairbanks, AK 99701

H. Pappy Moss
State Representative
P.O. Box 182
Delta Junction, AK 99737

Andy Karella
Assembly Member
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Fairbanks, AK 99701

Robert H. Bettisworth
State Representative
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Harry Reimer
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Alaska State Legislature

Official Business

JOINT SENATE AND HOUSE
COMMUNITY AND REGIONAL AFFAIRS COMMITTEE
LOCAL GOVERNMENT STUDY

Co-Chairmen
Senator Arliss Sturgulewski
Representative Bill Parker

Address all correspondence to:

LOCAL GOVERNMENT STUDY
Pouch V
State Capitol
Juneau, Alaska 99811

December 7, 1979

This letter sent to the attached mailing list.

The Local Government Study Committee will be holding a public hearing in Delta Junction, Saturday, December 15, on the subject of creation of regional boundaries in the unorganized borough. The hearing will be held in the lobby of the Delta Junction High Schoool at 2 p.m.

The Committee will be discussing the following proposed legislation:

Creation of Regional Units

Geographic, regional boundary lines will be developed for the collection of data for planning and programing purposes. The bill will provide for the division of the State's single unorganized borough into unorganized boroughs by the Department of Community and Regional Affairs after public hearings in the areas affected. The Regional Educational Attendance Areas, and/or combinations thereof, will be considered the regional units subject to public hearing modification.

Home Rule

Legislation will provide that regional units may incorporate as home rule municipalities without prior incorporation as a first class municipality. The Local Boundary Commission would be involved in determining the acceptability of the regional unit boundaries and the compliance of such boundaries with borough incorporation standards.

In addition, legislation will be introduced which allows for the reclassification of second class boroughs as home rule municipalities without first adopting first class status.

Regional Strategy Study Fund

The Regional Strategy Study Fund would provide monies to be used for regional studies which would address economic, social and physical factors present in the regional unit. The studies would also address the feasibility and viability of

local government formation. The Fund would be administered by the Department of Community and Regional Affairs which would consider proposals for a study after having been petitioned by a representative segment of the population of the regional unit.

Foundation Approach

The feasibility of a foundation approach for the delivery of basic services (i.e., public safety, health and sanitation, and public assistance). This approach would establish a basic level of service delivery for all residents of Alaska, in addition to education, which is already covered.

Sincerely,

Senator Arliss Sturgulewski
Co-Chairman

Representative Bill Parker
Co-Chairman

Mr. Richard Anderson, Pres.
P.O. Box 806
Delta Junction, Alaska
99737

Mr. William Haslem
P.O. Box 624
Delta Junction, Alaska
99737

Mr. Jack Adams
P.O. Box 587
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Hoyt Moss
Advisory School Board
P.O. Box 229
Delta Junction, AK 99737

Dec. 15, 1979 Delta Junction Public Mailing List

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Delta Junction, AK 99737

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Clerk/Treasurer
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[illegible]
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Official Business

Alaska State Legislature

JOINT SENATE AND HOUSE
COMMUNITY AND REGIONAL AFFAIRS COMMITTEE
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Co-Chairmen
Senator Arliss Sturgulewski
Representative Bill Parker

Address all correspondence to:

LOCAL GOVERNMENT STUDY
Pouch V
State Capitol
Juneau, Alaska 99811

TO: PAT COSTELLO
FROM: Marjorie Gorsuch
RE: Public Hearing Reimbursements
DATE: 10/9/79

Pat,

The attached receipts are for expenditures incurred by myself on behalf of the Local Government Study during the public hearings held in Bethel, Hooper Bay, Dillingham, and New Stuyahok from Sept. 28/Oct. 2, 1979.

Food for meals while at New Stuyahok and Hooper Bay purchased for committee members and to be deducted from the per diem paid to each of those who attended.

$ 52.66
30.36
17.25.
100.27

Charges for meals provided by the Hooper Bay personnel and paid for my myself by check were:

$210.00 (check made out to City of Hooper Bay)

Charges for use of the school at Hooper Bay (Lower Yukon School District) were

$180.00 (This check for lodging was made out to the Hooper Bay School)

As meals were provided in Hooper Bay, the above purchased food was used exclusively in New Stuyahok.

The fee charged by the New Stuyahok School for lodging amounted to $45 - ($5 per person) and was paid for by Senator Arliss Sturgulewski.

Therefore, a total of $535.27 was expended on behalf of the group and should be subtracted from the per diems of those who attended. $490.27 of that amount was paid directly by myself and $45 by Senator Sturgulewski (I ran out of checks!)

Official Business

Alaska State Legislature

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Juneau, Alaska 99811

Those who attended the public hearings were as follows:

Senator Sturgulewski
Senator Kelly
Senator Mulcahy
Rep. Parker
Rep. Carney
Rep. Branson

Marjorie Gorsuch
Gene Walsh
Palmer McCarter (C&RA)

(All of the above attended all of the public hearings)

Additional, Jan Erickson (of Coastal Zone Management Office) attended all of the hearings with the group except New Stuyohok. Therefore, Jan should have the $17.50 paid for food at Hooper Bay and the $15 paid for lodging deducted from per diem.

Hooper Bay
Food - 210.06
Lodging - 180.00

VISITORS

WELCOME TO THE LOWER YUKON SCHOOL DISTRICT. WE HOPE THAT THIS VISIT WILL BE BOTH EDUCATIONAL AND ENJOYABLE.

IF YOU ARE NOT ONE OF OUR FREQUENT VISITORS, YOU WILL WANT TO KNOW HOW TO COMPENSATE YOUR HOSTS FOR THE COSTS OF ROOM AND BOARD.

MOST OF OUR VILLAGES ARE WITHOUT HOTELS, GUEST HOUSES, RESTAURANTS OR OTHER FACILITIES. OUR TEACHERS AND OTHER EMPLOYEES ARE THUS FREQUENTLY CALLED UPON TO PROVIDE ROOM AND BOARD FOR VISITORS. THE COST OF PROVIDING SUCH SERVICE QUICKLY BECOMES A BIG BURDEN, IF THE GUESTS DO NOT COMPENSATE THEIR HOSTS FOR THOSE COSTS.

YOUR HOST IS USUALLY HAPPY TO HAVE YOUR COMPANY, AND IN THE ALASKAN TRADITION, WOULD NOT ASK FOR COMPENSATION. HOWEVER, IN THE INTEREST OF JUSTICE, I AM INSTRUCTING ALL TEACHERS AND OTHER EMPLOYEES TO POST THIS NOTICE IN A PROMINENT LOCATION, SUCH AS THE BATHROOM, OR ABOVE THE HONEY BUCKET IN EACH UNIT OF HOUSING, AND IN AT LEAST TWO PROMINENT LOCATIONS IN EACH SCHOOL.

THE USUAL RATES FOR MEALS ARE:

17.50
12
3500
17.50
21000

- Breadfast----------$4.50
- Lunch---------- 5.50
- Dinner---------- 7.50

LODGING IS $15.00 PER NIGHT.

17.50
15.00
32.50

MOST GUESTS LEAVE A CHECK OR CASH ON THE REFRIGERATOR. THE FREQUENT AND THOUGHTFUL VISITOR OFTER BRINGS FRESH PRODUCE OR FRUIT OF EQUAL VALUE, IN LIEU OF PAYING FOR ROOM AND BOARD. SUCH GUESTS ARE TWICE AS WELCOME!

15
12
30
15
180

Walter Brown

Walter E. Brown, Superintendent
Lower Yukon School District

Mr. Richard Anderson, Pres.
P.O. Box 806
Delta Junction, Alaska
99737

Mr. William Haslem
P.O. Box 624
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Delta Junction Public Hearing Dec. 15, 1979 Mailing List

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Fairbanks, AK 99701

Senator Don Bennett
Box 2801
Fairbanks, AK 99707

TELEPHONE: 895-4656
(City Hall)
ZIP CODE: 99737

Tanana/Yukon Canada
Sub-Region
November, 1978

DELTA JUNCTION

LOCATION: Delta Junction is located along the Delta River at the junction of the Alaska and Richardson Highways. It is 96 road miles southeast of Fairbanks.

DESCRIPTION: The community sits north of the Alaska Range, near the confluence of the Delta and Tanana Rivers. The climate is continental with the average summer temperature ranging from 40°F to 69°F and the average winter temperatures from -14°F to 26°F. Extremes of -63°F and 92°F above have been recorded. Precipitation measures .1 inches per year. It is recorded calm 15% of the time, indicating frequent wind which has gusted up to 64 knots.

Permafrost occurs sporadically here. In some locations wells have been drilled to a depth of 300 feet without encountering permafrost. Stream overflow may cause slight flooding.

HISTORY: Delta Junction was originally established as a construction camp in 1919, and was named Buffalo Center in 1927 when the bison herd was established there. During World War II, defense-related activities spurred additional growth. Fort Greely was established nearby and the Alcan Highway was constructed to its junction with the Richardson Highway. The completion of the highway project made Delta Junction one of the important transportation hubs in the Alaska Highway system and the community has experienced continuous growth since that time.

INCORPORATION CLASSIFICATION: Second Class City

COMMUNITY OFFICIALS

Liz Leng, Mayor
Marvin Hinsley, Mayor Pro Tem
Estelle Schrump, City Clerk
Linda Harding; Ed Crutchfield, Magistrates

POPULATION

	1970 Census	1976	1978
Total	703	950*	1000*
Native	12		
White	662	903*	
Other	29	35*	

HOUSING

	1976	1978
Total Units	300*	340*
Owner Occupied	100*	
Renter Occupied	180*	
Vacant	20*	
Seasonal	0	

*Community supplied estimates

VILLAGE CORPORATION

None

EDUCATION FACILITIES

SCHOOLS: Delta Junction School; Fort Greely School

PRINCIPALS: Ron Beck, Delta Frank Brocato, Ft. Greely

REAA: Delta/Greely School District

SUPERINTENDENT: Glen Chowning

NUMBER OF STUDENTS: 848 (Delta, 475; Ft. Greely, 848)

STUDENT CAPACITY: 1,000

EDUCATION LEVEL: K-12

NUMBER OF TEACHERS: 62

POWER SOURCE: Golden Valley Electric Association, 2 military

WATER/SEWAGE SYSTEMS: 115 foot well; sewage treatment plant

PLANNED EXPANSION OF FACILITIES: No new construction is planned. There was some remodeling of the Delta School last summer.

HEALTH CARE

LOCAL HEALTH CARE PROVIDER: Kenneth Ryther, Physician's Assistant

PUBLIC HEALTH NURSE: Mary Feiszli, Delta Junction

LOCAL HEALTH CARE FACILITY: Delta Medical and Surgical Clinic

MEDICAL COMMUNICATIONS: Telephone; VHF Emergency Medical Network

NEAREST HOSPITAL: Fort Greely Dispensary

COMMUNICATIONS

TELEPHONE: Glacier State Telephone Company

VHF/HF RADIO: BLM; State Highways; FAA; State Fish & Game; State Troopers; City Fire Department; State EMS

AM/FM RADIO: KJNP; AFRN Ft. Greely

TELEVISION: All Fairbanks stations

NEWSPAPER: Delta Junction Newspaper; Fairbanks Daily News-Miner

WATER/SEWER/WASTE DISPOSAL

Individual wells, cesspools, and a few septic tanks.

ELECTRIC POWER

Power is supplied by Golden Valley Electric Association. Some private generators.

BULK FUEL STORAGE FACILITIES

Fuel trucked from Fairbanks on Alaska Highway System; local distributors

TRANSPORTATION

AIR SERVICE:

Local Charter: Delta Aviation at BLM strip

Carrier: Polar Airways
Origin of Flight: Fairbanks
Days of Service: Wednesday

Origin of Flight: Anchorage
Days of Service: Wednesday

AIRCRAFT LANDING FACILITIES:

Military, Allen AAF
Elevation: 1,266 feet
Length and Width: 7,500 x 150 feet
Surface: Asphalt
Services: Beacon, runway lights

BLM Airstrip (leased to city)
Surface: Turf
Plans for Expansion: Construction of an expanded apron will begin in 1979.

TRUCK SERVICE:

Carrier: Lynden
Frequency of Service: Daily to Anchorage. Scheduled stops once a week.

Carrier: Snoball
Frequency of Service: Daily except Sundays

BUS SERVICE:

Carrier: Alaska Coachways
Frequency of Service: Winter, twice a week; Summer, every other day

Carrier: Sturgeon Bus Lines
Frequency of Service: Daily from Ft. Greely to Fairbanks

LOCAL SERVICE ROADS: The Department of Highways has plans for construction of local service roads in the core area and the 8 mile Tanana Loop Road in 1979. In 1977, DOT paved Jack Warren Road.

MILITARY INSTALLATIONS

Fort Greely (Army)

OTHER FACILITIES OR SERVICES

FAA (Big Delta Station)
State (Delta Fire Station)
Post Office
State Highways
State Public Safety (Troopers)
State Fish and Game
Magistrate

COMMERCIAL ENTERPRISES

Delta has 27 businesses including three grocery stores, six hotels and lodges, two restaurants, five gas station and secretarial, janitorial and transportation businesses as well as fuel sales and gift shop.

CHURCHES/LOCAL ORGANIZATIONS

First Baptist Church
Assembly of God
Catholic Church
Baha'i
Pentecostal Church
Church of Christ
Presbyterian Church
Lutheran Church
Latter Day Saints (Ft. Greely)

Chamber of Commerce
Jaycees
Lions Club
Farmers Co-op
Delta Ladies Community Club
Future Farmers of America
4-H
Homemakers
VFW

LA21 2405 13.29 JA01 0043 13.29 12/03/79

LORENE FROM MAXINE. FBX

WOULD YOU PLEASE DELIVER THIS MESSAGE TO GENE WALSH IN SEN.
COMM. & REGIONAL AFFAIRS OFFICE?
MESSAGE:
HAVE CONTACTED CAR RENTAL AGENCY AND SEEKINS FORD IS ONLY ONE
AVAILABLE WITH 12 PASSENGER VAN. RATES ARE $18 PER DAY,.10 CENTS
PER MILE AND $5. PER DAY INSURANCE = APPROX 33 DOLLARS PER DAY.
CONTACTED AIR NORTH CHARTER SERVICE, AND PRICE TO FLY 10 PASSENGERS
TO DELTA IS $442.00 PLUS 8% TAX PER FLIGHT.

AM AWAITING THE PRESS RELEASE TEXT FROM YOU VIA OUR #200 COPIER TO

LA21 2498 13.40 JA01 0047 13.40 12/03/79

##

LORENE FROM MAX#6
THE LAST SENTENCE WAS:
AM AWAINTING THE PRESS RELEASE TEXT FROM YOU VIA OUR #200
 COPIER TO CALL THE DELTA PAPER AND FBX NEWS MEDIA. ALSO,
NEED TO KNOW HOW MANY DAYS YOU PLAN TO BE IN DELTA FOR THE
RENTAL PURPOSES. MAXINE (FBX LIO)
##/ \

DELTA JUNCTION

35,000

P.O. Box 229
Delta Junction, Alaska 99737

Second Class City

Phone: (907) 895-4656

INCORPORATION DATE:	December 1960
POPULATION:	892
REGULAR ELECTION:	First Tuesday in October
SALES TAX:	None
CITY COUNCIL MEETS:	First and Third Tuesdays of each month

MAYOR: Elizabeth Leng 1980

CITY COUNCIL MEMBERS		CITY PLANNING COMMISSION
Fran Colombo	1980	Bob Carpenter, Chrm.
Leonard Lemon	1981	Sig Bergstad
Doug Parsons	1979	Hilda Smith
Ken Ryther	1980	Henry Brewis
Marvin Hinsley	1979	Richard Faircloth
		Don Kobierowski
		Chaddie Kelly

ADVISORY SCHOOL BOARD
Richard Anderson
Hoyt Moss
Doris Zales
Bill Haslem
Marion Zagolsonf
Jack Adams
Cleta Barger

CLERK/TREASURER.....Estelle Schrumpf
ATTORNEY.....Joseph Sheehan
FIRE CHIEF.....Steve Dewar
HEALTH AIDE DIRECTOR.....Ken Ryther
PARKS & RECREATION CHAIRMAN.....Fran Colombo
MAGISTRATE.....Ed Crutchfield
SUPERINTENDENT OF SCHOOLS.....Glen Chowning

DELTA JUNCTION
December 15, 1979
26 Participants

GENERAL CONCERNS

Service Delivery

Self-sufficiency of residents living in the surrounding areas of Delta Junction noted. They live in the hinterland by choice, realize their situation and are prepared to provide their own basic services, or are able and willing to do without them.

Expressed concern related to how to resolve the question of service delivery cost equity. Where you have an area with a regional center surrounded by a sparsely populated areas over considerable distances, they felt the quality/quantity of services decreases as the distance increases from the center and there should be a cost equity factor built into the service area concept to recognize these factors.

Land

Getting land into private ownership was seen as a top priority. Control of land is seen as the basis of power and economic survival and the basis of our capitalistic system. Very opposed to government control of land which they feel is contrary to the system. Interested in seeing the 10 percent selection entirely reinstated.

Comments Re Proposed Legislation

Generally opposed to the formation of a borough. The pipeline was seen as only a temporary vehicle for funding local government. There was concern that the oil companies would "die" and they would be responsible for supporting the established bureauracy. They recognized that while they have an incorporated city in Delta Junction, it is a state supported local government. They impose no sales or property tax upon themselves.

Opposed to elimination of the third-class borough.

There was concern that Delta/Greely REAA could possibly be consumed by another area in the formation of local government. The REAA boundary as presently delineated is artifcial and should have related to natural watersheds.

They objected to the Tanana Chiefs planning proposal, but they did not object if it only affected Native interest and their land.

THE LOCAL GOVERNMENT STUDY COMMITTEE WILL BE HOLDING A PUBLIC HEARING IN DELTA JUNCTION, SATURDAY, DECEMBER 15, ON THE SUBJECT OF CREATING REGIONAL BOUNDARIES IN THE UNORGANIZED BOROUGH. THE HEARING WILL BE HELD IN THE LOBBY OF THE DELTA JUNCTION HIGH SCHOOL AT 2 P.M.

THE COMMITTEE WILL BE DISCUSSING THE FOLLOWING PROPOSED LEGISLATION:

CREATION OF REGIONAL UNITS

GEOGRAPHIC, REGIONAL BOUNDARY LINES WILL BE DEVELOPED FOR THE COLLECTION OF DATA FOR PLANNING AND PROGRAMMING PURPOSES. THE BILL WILL PROVIDE FOR THE DIVISION OF THE STATE'S SINGLE UNORGANIZED BOROUGH INTO UNORGANIZED BOROUGHS BY THE DEPARTMENT OF COMMUNITY AND REGIONAL AFFAIRS AFTER PUBLIC HEARINGS IN THE AREAS AFFECTED. THE REGIONAL EDUCATIONAL ATTENDANC AREAS, AND/OR COMBINATIONS THEREOF, WILL BE CONSIDERED THE REGIONAL UNITS SUBJECT TO PUBLIC HEARING MODIFICATION.

HOME RULE

LEGISLATION WILL PROVIDE THAT REGIONAL UNITS MAY INCORPORATE AS HOME RULE MUNICIPALITIES WITHOUT PRIOR INCORPORATION AS A FIRST CLASS MUNI- WITHOUT PRIOR INCORPORATION AS A FIRST CLASS MUNICIPALITY. THE LOCAL BOUNDARY COMMISSION WOULD BE INVOLVED IN DETERMINING THE ACCEPTABILITY OF THE REGIONAL UNIT BOUNDARIES AND THE COMPLIANCE OF SUCH BOUNDARIES WITH BOUOUGH INCORPORATION STANDARDS.

IN ADDITION, LEGISLATION WILL BE INTRODUCED WHICH ALLOWS FOR THE RE-CLASSIFICATION OF SECOND CLASS BOUOUGHS AS HOME RULE MUNICIPALITIES WITHOUT FIRST ADOPTING FIRST CLASS STATUS.

REGIONAL STRATEGY STUDY FUND

THE REGIONAL STRATEGY STUDY FUND WOULD PROVIDE MONIES TO BE USED FOR REGIONAL STUDIES WHICH WOULD ADDRESS ECONOMIC, SOCIAL AND PHYSICAL FACTORS PRESENT IN THE REGIONAL UNIT. THE STUDIES WOULD ALSO ADDRESS THE FEASIBILITY AND VIABILITY OF LOCAL GOVERNMENT FORMATION. THE FUND WOULD BE ADMINISTERED BY THE DEPARTMENT OF COMMUNITY AND REGIONAL AFFAIRS WHICH WOULD CONSIDER PROPOSALS FOR A STUDY AFTER HAVING BEEN PETITIONED BY A REPRESENTATIVE SEGMENT OF THE POPULATION OF THE REGIONAL UNIT.

FOUNDATION APPROACH

THE FEASIBILITY OF A FOUNDATION APPROACH FOR THE DELIVERY OF BASIC SERVICES(I.E. PUBLIC SAFETY, HEALTH AND SANITATION, PUBLIC ASSISTANCE, THIS APPROACH WOULD ESTABLISH A BASIC LEVEL OF SERIVCE DELIVERY FOR ALL RESIDENTS OF ALASKA, IN ADDITION TO EDUCATION, WHICH IS ALREADY COVERED.

Mr. Richard Anderson, Pres.
P.O. Box 806
Delta Junction, Alaska
99737

Mr. William Haslem
P.O. Box 624
Delta Junction, Alaska
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Mr. Jack Adams
P.O. Box 587
Delta Junction, Alaska
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Ms. Doris Fales
P.O. Box 47
Delta Junction, Alaska
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Ms. Cleeta Barger
P.O. Box 106
Delta Junction, Alaska
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Mr. Marvin Fogelsong
P.O. Box 415
Delta Junction, Alaska
99737

Mr. Glen Chowning
P.O. Box 527
Delta Junction, Alaska
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Mayor Elizabeth Leng
P.O. Box 229
Delta Junction, Alaska
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Fran Colombo
City Council Member
P.O. Box 229
Delta Junction, AK 99737

Leonard Lemon
City Council Member
P.O. Box 229
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Doug Parsons
City Council Member
P.O. Box 229
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Ken Ryther
City Council Member
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Marvin Hinsley
City Council Member
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Advisory School Board
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Marion Zagolsonf
Advisory School Board
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Estelle Schrumpf
Clerk/Treasurer
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City Council Member
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City Council Member
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Tok, Alaska 99780

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Kevin Harun
Assembly Member
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Mike Ribar
Assembly Member
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State Representative
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State Representative
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Charles H. Parr
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Jerry Smetzer, Ex. Dir.
Fairbanks Town & Village
Assoc. for Devel., Inc.
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Wally Droz
Assembly Member
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Senator John C. Sackett
P.O. Box 65
Galena, AK. 99741

Senator Glen Hackney
1136 Sunset Drive
Fairbanks, AK 99701

Senator Don Bennett
Box 2801
Fairbanks, AK 99707

on return call Jon

STATE OF ALASKA

DEPARTMENT OF PUBLIC SAFETY

JAY S. HAMMOND, GOVERNOR
WILLIAM R. NIX
COMMISSIONER

DIVISION OF STATE TROOPERS / POUCH N – JUNEAU 99811
P. O. Box 6188 Annex
Anchorage, Alaska 99502

November 14, 1979

call Jon Anderson → RSVP mo

Arliss Sturgulewski, Local Government Committee
Alaska State Legislature
2957 Sheldon Jackson Street
Anchorage, Alaska 99504

11/27
264-5644

Dear Mrs. Sturgulewski:

There is no doubt as to the cause and effect relationship of alcohol abuse and the need for Public Safety services. The resulting problems may be law enforcement related, an accidental fire, a drowning or an injury requiring medical response. There further is no question that rural villages in Alaska suffer an extremely disproportionate number of public safety problems that stem from alcohol abuse, a per capita basis compared to the rest of the United States or even the balance of the Western World.

The problem is thus well defined; the solution is not.

One possible approach is to enable villages, by local ordinance, to determine the amount, if any, of alcoholic beverages permitted in the village and further to prescribe non-criminal sanctions by the village council, sitting as a judgement board as may be permitted by AS 29.48. This approach would place the decision-making process in the hands of local government, enabling them to structure ordinances to their own local conditions. The non-criminal sanctions would benefit the village and not increase the caseload of the Court System.

However, a State statute would be required to provide the enabling legislation for such an approach.

To discuss this concept, and related concerns, the Division of State Troopers is hosting a meeting of representatives from State Criminal Justice System agencies, on December 3, 1979, at 9:00 a.m., in Room 402 at the State Court Building located at 3rd and K Streets. We hope you will be able to join us. Others being invited represent Native Regional corporations, the Legislature, State Troopers, Department of Law, the Court System, Department of Community and Regional Affairs, University of Alaska, Public Defender Agency and others.

12-L4LH

Although the problems caused by alcohol abuse in rural areas are of long standing, we think the approach has significant potential, and if successful, will pay dividends to the rural citizens and the justice system alike.

Please join us for an informal assessment of this concept.

Sincerely yours,

Colonel T. R. Anderson
Director
Alaska State Troopers

STATE OF ALASKA

12/14

JAY S. HAMMOND, GOVERNOR

DEPARTMENT OF PUBLIC SAFETY

DIVISION OF STATE TROOPERS

P. O. BOX 6188, ANNEX
ANCHORAGE, ALASKA 99502

November 30, 1979

Senator Arliss Sturgulewski
2957 Sheldon Jackson St.
Anchorage, AK 99504

Dear Senator Sturgulewski:

On Friday, December 14, 1979 at 4: 00 PM the first group of Village Public Safety Officers - 19 from the Bethel area - will finish their week-long training session in fire protection. They earlier completed training in law enforcement, emergency medical training, search and rescue procedures for promulgating local ordinances in support of their Village Public Safety Program. Village officers from other areas are in earlier phases of training. I foresee the Village Officers fulfilling a wide variety of Public Safety services heretofore unavailable at the village level.

We would very much appreciate you joining us for an informal coffee in honor of this occasion and to meet the Village Officers and other guests. Certificates will be presented as well as a Commendation of Merit to one Village Officer who is credited with saving the life of a gunshot victim only six days after completing the emergency medical portion of his training.

Ceremonies will occur in the main training room of the new Southcentral Regional Fire Training Center located on Airport Heights Drive between the fire station and the Teamsters Mall. Our Village Officers represent the first class in the new training center, which is the first of five such facilities being built throughout the State, resulting from a recent State bond issue. Tours of the facility are planned.

Please join us on December 14th.

Sincerely yours,

Colonel T.R. Anderson
Director
Alaska State Troopers

12-L13LH