

ALASKA LEGISLATURE COMMITTEE FILES 1983-1984 00/2

2853 SRES SB 342 - SB 344 2853

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SENATE RESOURCES COMMITTEE
LEGISLATION CHECKLIST

IDENTIFICATION:

BILL NUMBER: *SB 342*

BILL NAME: *Amending the Alaska Agricultural Area Act*

SPONSOR(S): *Faiks, Kerttula, Halford*

RELATED BILLS PENDING:

DATE INTRODUCED: *1 - 10 - 84*

SB 322

REFERRALS: *Resources
Finance*

INITIAL RESEARCH:

BILL SUMMARY COMPLETED:

SUMMARY BY LEGAL DIVISION:

SPONSOR CONTACTED FOR
BACKUP MATERIALS:

DEPT. OF LAW SUMMARY:

FISCAL NOTE:

AGENCY RESPONSE:

OTHER INTERESTED SENATORS OR
REPS. NOTIFIED:

BACKGROUND RESEARCH:

SIMILAR BILLS INTRODUCED IN PREVIOUS LEGISLATURES:

RESPONSES FROM INTERESTED PERSONS/GROUPS:

OTHER STATE OR FEDERAL PRECEDENTS, REGULATIONS, LAWS:

HEARING PREPARATION:

CHAIRMAN BRIEFED:

DATE AND PLACE SET:

STAFF MEMO TO COMMITTEE:

TELECONFERENCE:

BACKGROUND MATERIAL DISTRIBUTED:

PSA/PRESS RELEASE:

LIST OF WITNESSES:

SUGGESTED AMENDMENTS/COMMITTEE
SUBSTITUTES DRAFTED:

CONTACTS
(Moss)
Kerttula - Richard Ramsey
Faiks - will testify
Halford
DNR (through Sharon Barton)
Steve SHROPSHIRE - Green Connection - NURSERY
Bill Heem - Director, Div. of Agriculture

42.516

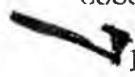


Bill

Position Paper
Alaska Horticultural Association
Testimony By: Steven Shropshire
AHA Board Member: Owner Green Connection

Wednesday January 25 1984
Before: Senate Resource Committee

Good Afternoon,



I am Steve Shropshire owner of the Green Connection and board member of the Alaska Horticultural Association.

The Board of Directors of the Alaska Horticultural Association would like to express its support for senate bill # 342.

Although there are several chapters of our statutes that deal with the agricultural industry, definitions do not exist which provide clarity to the administration of our state's policy on agriculture. Accordingly, it is the recommendation of the Board of Directors of the Alaska Horticultural Association that this legislation be put into effect as soon as possible so as to provide a set of statutory definitions which accurately reflect existing practices in Alaska and common usage of terms in the industry, as well as existing laws of Alaska.

A review of the current statutes and regulations, indicates a distressing trend in how our industry is being restricted by the failure to properly define "agriculture". Agriculture is one of the very foundation blocks upon which settlement was encouraged in Alaska and this industry was one of the first to receive state support by means of long-term, low interest loans. The restrictive development of the term "agriculture," however, has now taken on the force of law as promulgated in Chapter 39 of the Alaska Administrative Code. The enabling legislation of 1953 declares that it is the policy of the state to "promote the more rapid development of agriculture as an industry..." The enabling statutes also set forth State policy which will

- 1) Encourage agricultural development;



Position Paper
Alaska Horticultural Association
Wednesday 25, 1984
Page 2

- 2) Do not discriminate against viable existing agricultural enterprises." (AS 03.10.030 (h), Limitations on Loans (1982 Amendment.)

Nonetheless, the regulations set forth in 11 AAC 39.010 are inconsistent with the provisions on the statute and establish an unprecedented restriction which, if left unchanged, will drastically affect the future of the entire agricultural industry in Alaska.

11 AAC 39.111, Qualifying Loan Purposes, provides in section b(6), loans will not be made for the following purposes: "Enterprises not operated primarily for human or livestock food production, including, but not limited to, horse breeding and raising operations, fur breeding and fur farming enterprises, silviculture projects and greenhouses not operated primarily for food production;" subsection 9 provides "establishments which resell rather than produce crops, livestock and livestock products."

Not only is the restrictive language of the regulations inconsistent with the Alaska Agricultural Loan Act itself, it is also inconsistent with every other statute of Alaska where "agricultural" terminology is used.

- A. The Standard Industrial Classification clearly includes horticulture as a subdivision of major group 01, Agricultural Production. This is a national classification of standard industrial codes and is used by every state, including Alaska. It includes short definitions.



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Alaska Horticultural Association
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- B. California law defines "growing agriculture crops" as follows:

In as much as the planned production of trees, vines, rosebushes, ornamental plants and other horticultural crops is distinguished from the production of other products of the soil only in relation to the time elapsing before maturity, plants being produced by nurseries shall be considered to be 'growing agricultural crops' for the purpose of and laws pertaining to the agricultural industry of the state.

- C. Florida provides:

That where ever the terms 'agriculture, agricultural purposes, agricultural uses' or words of similar import are used in any of the statutes of the State of Florida, such terms shall include horticulture and floriculture, horticultural purposes and floricultural purposes, horticultural uses and floricultural uses, and words of similar import applicable to agriculture shall likewise be applicable to horticulture and floriculture.

Alaska's Horticultural Industry is a young vigorous industry, with estimated sales in 1984 at well over 8 million dollars. As is typical in most segments of agriculture the horticultural industry is a labor intense one. This relates to jobs for Alaskans, thus having a major economic impact in our state.

Currently, the Alaska Horticultural Association is made up of some eighty individuals and or organizations statewide, with membership classifications ranging within the following categories.



green connection

Position Paper
Alaska Horticultural Association
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Types of Membership:

Florist
Garden Center
Nursery
Processors of fruit or vegetables

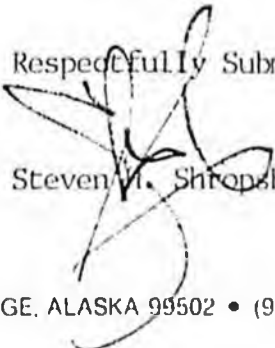
Greenhouse production
Interiorscape industry
Landscape industry
Production of fruit and vegetables

Alaska's greenhouse and nursery producers have an opportunity to enter the market for foliage and flowering plant production as well as for landscaping and ornamental plants. One of the advantages of in-state productions is to encourage reproduction of plants that are naturally well-suited to Alaska's environment. Although many of these plants can be produced in other parts of the country (or world), the genetic stock may become less-suited to Alaska's conditions if all propagation and production takes place in milder climates. However, Alaska's greenhouse and nursery producers cope with higher costs of energy, labor, fertilizers, and chemicals and a shorter growing season than do producers in other parts of the United States.

It was once said, "Man does not live by bread alone". Horticultural products are consumed by Alaskans. They are consumed psychologically by thousands on a daily basis. Providing a natural buffer to our home and work environment. Generally enhancing the quality of life for us all.

We trust that you also share with us in recognizing the significance of our contribution to the Alaska Agricultural Industry, and will join us in supporting Senate Bill 342.

Respectfully Submitted,



Steven M. Shropshire

SB 342

Chapter 10. Alaska Agricultural Loan Act.

Section	Section
10. Declaration of policy	40. Creation of fund
20. Powers of the department	50. Administration of fund
30. Limitations on loans	52. Limitation on board members
35. Use or disposal of mortgaged farm land	58. Farm disaster area
	60. Short title

Collateral references. — 3 Am. Jur. 2d, Agriculture, § 19 et seq.; 55 Am. Jur. 2d, Mortgages, § 1 et seq.; 63 Am. Jur. 2d, Public Funds, § 1 et seq.
 3 C.J.S., Agriculture, § 57 et seq.; 91A C.J.S., States, § 208.

Power, under statute for stabilization of market for agricultural crops, in respect of crop loans by public agency and the security therefor, 157 ALR 338.

Sec. 03.10.010. Declaration of policy. It is the policy of this chapter to promote the more rapid development of agriculture as an industry throughout the state by means of long-term low-interest loans. (§ 2 ch 122 SLA 1953)

Sec. 03.10.020. Powers of the department. The department may

- (1) make loans to individual resident farmers, homesteaders, and partnerships or corporations composed of farmers and homesteaders, for clearing land for agricultural purposes, development of farms, storage and processing of farm produce, livestock and machinery and to individuals, partnerships or corporations, for storage and processing plants for agricultural products;
- (2) designate agents and delegate its powers to them as necessary;
- (3) adopt rules and regulations necessary to carry out its functions;
- (4) establish amortization plans for repayment of loans, which may include delayed payments of principal and interest for not to exceed five years;
- (5) enter into agreements with private lending institutions, other state agencies or agencies of the federal government, to carry out the purposes of this chapter. (§ 4 ch 122 SLA 1953; am § 1 ch 156 SLA 1955; am § 1 ch 41 SLA 1961; am § 1 ch 113 SLA 1982)

Effect of amendments. — The 1982 amendment inserted "clearing land for agricultural purposes" in paragraph (1).

Sec. 03.10.030. Limitations on loans. (a) A farm development, chattel, or irrigation loan made under this chapter

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

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

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

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

(b) *[Repealed, § 72 ch 113 SLA 1982.]*

(c) A short term loan, to be amortized within one year, not to exceed \$350,000 to any one borrower may be made for operating purposes, except that a loan made under this subsection may not exceed \$200,000 unless the loan is made to a borrower in a farm disaster area declared under AS 03.10.058.

(d) *[Repealed, § 72 ch 113 SLA 1982.]*

(e) An installment payment is delinquent unless it is mailed by the borrower on or before the 30th day after the date specified for payment in the loan agreement or unless it is received by the department on or before the 30th day after the date specified for payment in the loan agreement. If an installment payment is delinquent, the director may assess a delinquency penalty. The delinquency penalty shall be an amount equal to seven percent of the delinquent payment, but the combined delinquency penalty and loan interest may not exceed 15 percent.

(f) A farm product processing loan may not exceed \$250,000. A mortgage which secures a farm product processing loan may be of any priority if the total indebtedness on the real estate, including the secured farm product processing loan, does not exceed \$250,000. A farm product processing loan which, if made, would raise the existing indebtedness on the real estate securing the loan above \$250,000, or a farm product processing loan on real estate which has a prior indebtedness of \$250,000 or more, may be made only if all prior mortgagees agree to subordinate their mortgages to that of the state for the amount of the farm product processing loan which exceeds the \$250,000 indebtedness limit on the real estate. A farm product processing loan may not exceed a term of 30 years or bear interest that is less than eight percent a year and shall be secured by a real estate or chattel mortgage or both.

(g) A loan for clearing land may not

- (1) exceed \$250,000;
- (2) bear interest that is less than eight percent;
- (3) have a term in excess of 20 years; or

(4) be made for clearing land that is not classified as class III or better by the United States Soil Conservation Service under the land classification system used by the United States Soil Conservation Service.

(h) The commissioner shall adopt regulations to establish other terms for loans made under this chapter, consistent with the provisions of this section, and may establish interest rates for loans under (a)(4) of this section that

- (1) encourage agricultural development;
- (2) do not subsidize nonviable agricultural enterprises; and
- (3) do not discriminate against viable existing agricultural enterprises. (§ 4 ch 122 SLA 1953; am § 1 ch 156 SLA 1955; am § 1 ch 41 SLA 1961; am § 1 ch 144 SLA 1966; am § 1 ch 78 SLA 1967; am § 1 ch 135 SLA 1970; am § 1 ch 22 SLA 1974; am § 1 ch 18 SLA 1975; am §§ 1-4 ch 50 SLA 1979; am § 74 ch 106 SLA 1980; am §§ 1-3 ch 7 SLA 1982; §§ 2-5, 72 ch 113 SLA 1982; am §§ 1, 2 ch 38 SLA 1983)

Revisor's notes. — The director referred to in the second sentence of (e) of this section is the director of the division of agriculture, Department of Natural Resources.

Effect of amendments. — The 1979 amendment increased the farm development loan and indebtedness limit in subsection (a) from \$200,000 to \$500,000, increased the loan limit for chattel loans from \$100,000 to \$300,000 in former subsection (b), substituted "\$200,000" for "\$25,000" in subsection (c), and added subsection (e).

The 1980 amendment added subsection (f).

The first 1982 amendment raised the interest rate limit from six to eight percent in subsections (a) and (f) and in former subsection (b).

The second 1982 amendment rewrote subsection (a); repealed subsections (b) and (d), which read, respectively, "Except for loans for irrigation systems as provided in this subsection, a chattel loan may not exceed \$300,000 for each farm unit and may not run longer than seven years or the useful life of the chattel if more than seven years. It may not bear interest exceeding six per cent. It shall be secured by real

estate or chattel mortgage, or both. Loans and the real estate and chattel mortgage security on them for irrigation systems may be in amounts and for terms as determined by the commissioner" and "Farm development and chattel loans for irrigation systems may be for terms as determined by the commissioner"; substituted "30th day" for "15th day" in two places in the first sentence and "may assess" for "shall assess" in the second sentence, both in subsection (e); added the language beginning "but the combined delinquency penalty" to the end of the third sentence of subsection (e); substituted "\$250,000" for "\$2,500,000" throughout subsection (f); substituted "that is less than eight percent" for "exceeding eight percent" in the last sentence of subsection (f); and added subsections (g) and (h).

The 1983 amendment in paragraph (a)(1) added the language beginning with "except that" and in subsection (e) substituted "\$350,000" for "\$200,000" and added the language beginning with "except that."

Legislative history reports. — For report on ch. 78, SLA 1967 (HB 274), see 1967 Senate Journal, pp. 513-514.

Sec. 03.10.035. Use or disposal of mortgaged farm land. (a) A borrower may not use farm land for a non-farm use or sell, lease or otherwise dispose of farm land if that land is encumbered by a mortgage given to secure the payment of a farm development, chattel, or irrigation system loan under this chapter unless the borrower either

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(1) pays the outstanding balance of the loan in a lump sum or under other terms agreed to by the commissioner which accelerate payment of the loan; or

(2) pays the outstanding principal balance for the remaining term of the loan at the prevailing rate of interest which is charged by commercial banks in the state during the calendar quarter in which the department receives notice of the change of use, sale, lease or other disposal of the farm land.

(b) In this section, "non-farm use" means a use of land other than for the production of domesticated plants and animals useful to humans, including forage and sod crops, grain and feed crops, fruits, vegetables and livestock. (§ 5 ch 50 SLA 1979)

Sec. 03.10.040. Creation of fund. There is an agricultural revolving loan fund which shall not exceed \$75,000,000 to carry out the purpose of this chapter. (§ 5 ch 122 SLA 1953; am § 2 ch 41 SLA 1961; am § 1 ch 81 SLA 1970; am § 6 ch 50 SLA 1979; am § 4 ch 7 SLA 1982)

Effect of amendments. — The 1979 amendment substituted "\$20,000,000" for "\$5,000,000." The 1982 amendment substituted "\$75,000,000" for "\$20,000,000."

Sec. 03.10.050. Administration of fund. (a) The commissioner shall administer the loan fund in conjunction with the agricultural revolving loan fund board. No loan in excess of \$25,000 may be made by the commissioner without the approval of a majority of the board.

(b) The board is composed of five members appointed by the governor and confirmed by the legislature in joint session. Three members shall be persons with background and experience in Alaska agriculture. Members of the board serve for overlapping three-year terms. Members of the board are not entitled to receive compensation for their services, but shall receive the same travel pay and per diem as provided by law for boards and commissions.

(c) A meeting of the agricultural revolving loan fund board to act on applications for loans is exempt from the public meeting requirements of AS 44.62.310. (§ 6 ch 122 SLA 1953; am § 1 ch 119 SLA 1976; am § 6 ch 113 SLA 1982)

Revisor's notes. — Section 5, ch. 7, SLA 1982 added a subsection (c) to this section but the provisions of that subsection have been transferred to AS 03.10.052. Consequently, the subsection added by § 6, ch. 113, SLA 1982, has been redesignated "(c)."

Effect of amendments. — The 1982 amendment added subsection (c).

Sec. 03.10.052. Limitation on board members. A member of the agricultural revolving loan fund board may not, during the member's term of office or within one year after ceasing to be a member of the board, obtain a loan under this chapter other than a short-term loan under AS 03.10.030(c). (§ 5 ch 7 SLA 1982)

Revisor's notes. — Enacted as AS
03.10.050(c). Renumbered in 1982.

*Sec. 03.10.054. Sale or transfer of mortgages and notes. [Repealed,
§ 14 ch 122 SLA 1980.]*

Sec. 03.10.058. Farm disaster area. The governor may declare a farm disaster in an area of the state if a natural disaster causes a crop failure. (§ 3 ch 38 SLA 1983)

Sec. 03.10.060. Short title. This chapter may be cited as the Alaska Agricultural Loan Act. (§ 1 ch 122 SLA 1953)

Chapter 12. Alaska Grain Reserve Program.

Section	Section
10. Alaska grain reserve program established	50. Administration of fund
20. Duties of the department	60. Regulations
30. Conditions on loans	70. Administrative Procedure Act
40. Alaska grain reserve loan fund	200. Definitions

Repeal of chapter. — Sections 4 and 5, ch. 100, SLA 1983 provide that this chapter is repealed effective January 1, 1988. For termination and transition provisions, see § 3, ch. 100, SLA 1983, in the Temporary and Special Acts.

Sec. 03.12.010. Alaska grain reserve program established [Repealed effective January 1, 1988]. The Alaska grain reserve program is established in the Department of Natural Resources for the purpose of assisting state grain producers to develop markets for their products by making loans secured by grain reserves. (§ 1 ch 100 SLA 1983)

Sec. 03.12.020. Duties of the department [Repealed effective January 1, 1988]. In carrying out the purposes of this chapter the department shall

- (1) make loans to state grain producers under the conditions set out in this chapter;
- (2) administer and inspect stored grain held as collateral for loans made under this chapter; and
- (3) administer the Alaska grain reserve loan fund (AS 03.12.040). (§ 1 ch 100 SLA 1983)

Sec. 03.12.030. Conditions on loans [Repealed effective January 1, 1988]. (a) The department may make a loan to a state grain producer secured by grain grown by that producer in 1983 or 1984. Grain that is used as collateral for a loan made under this chapter must be graded number four or better.

MEMORANDUM

TO: Bettye
FROM: Sandra
RE: January 25 Resources Committee Hearing

SB 322 MEMBERSHIP OF AGRICULTURAL LOAN BOARD.
SPONSOR: KERTTULA

Ag. Loan Board currently has 5 members: Don Breeden, Palmer
John Messenger, Anchorage
Steve Hamilton, Palmer
Dennis Green, Delta
Mr. Gillis, Homer/Kenai

The bill would increase to 7 members. All are appointed by the Governor.

SB 342 AGRICULTURAL LOAN ACT.
SPONSOR: FAIKS, KERTTULA, HALFORD

Loans from Ag. Revolving Loan Fund are currently allowed for land clearing, farm development, storage and processing of farm produce, and purchase of livestock or machinery. This bill would allow loans to be made also for fur farming, horticulture, and for production of animal feed.

Proposed Resources Committee Substitute: removes the limitation to in-state use of these products (which was required in the original bill).

Kerttula's amendment: Would allow land clearing loans to be made on any lands classified by the Soil Conservation Service as having ag. potential. Current statute limits clearing loans to lands with Class I, II, or III soils. Some lands are Class IV only because they're wet. Once they're cleared and dried out, they become Class III and suitable for ag. Other "lower class" soils, though not suitable for crop production, are suitable for hay production or native grazing once cleared.

SB 339 (MOSS), SB 358 (KERTTULA)

The Ag. Action Council is due to expire July 1, 1984. Moss's bill would extend AAAC for perpetuity; Kerttula's would extend for 5 more years. A 3rd alternative would be to put the Council under a sunset provision, so it would be reviewed every 5 years.

Governor favors expiration of the AAAC. Wants DNR and Dept. of Commerce to absorb functions. At this time, no specific proposal to do this. The Commissioners have been meeting and discussions are continuing.

See attached outline of AAAC's 1983 accomplishments.

Jim Drew (U.A.) will not attend hearing. Supports continuation of AAAC as allows for coordination among different agencies.

SB 342 AMENDING ALASKA AGRICULTURAL LOAN ACT.

ORIGINAL BILL: EXPAND THE AG. LOAN PROGRAM TO INCLUDE LOANS FOR THE COMMERCIAL PRODUCTION OR PROCESSING OF HORTICULTURAL PRODUCTS AND ANIMAL FEED, AND FOR THE RAISING AND CARE OF ANIMALS FOR MARKETING FUR.

RESOURCES C.S.: DEFINE HORTICULTURE

GRANT THE AG. LOAN BOARD THE DISCRETION TO
EXTEND A SHORT TERM LOAN BEYOND ONE YEAR

FINANCE C.S. -
"UP TO 3 YEARS"

ALLOW CLEARING LOANS TO BE MADE ON ANY LAND
CLASSIFIED AS HAVING AG. POTENTIAL

REMOVES THE LIMITATION TO IN-STATE USE OR
THE PRODUCTS ADDRESSED IN THE BILL

OTHER PROVISIONS THE SAME AS ORIGINAL BILL

PASSED OUT OF RESOURCES FEBRUARY 3, 1984. YOU WERE A DO PASS.

(SO WERE MULCAHY, P. FISCHER, ZIEGLER.)

*Finance Committee Discontinue
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Alaska State Legislature

SB 342

BETTYE FAHRENKAMP, Chairman
ROBERT H. ZIEGLER, SR., Vice Chairman
DICK ELIASON
PAUL FISCHER
VIC FISCHER
BOB MULCAHY
ARLISS STURGULEWSKI



POUCH V
STATE CAPITAL
JUNEAU, ALASKA 99811
(907) 465-3834
(907) 465-3835

Senate

Committee on Resources

MEMORANDUM

TO: Senate Resources Committee Members

FROM: Senate Resources Committee Staff

RE: Committee Meeting, January 25, 1984

DATE: January 23, 1984

On Wednesday, January 25, the following bills will be heard:

SB 322, An Act relating to the Alaska Agricultural Loan Board

SB 322 would increase the membership of the Agricultural Revolving Loan Fund Board from five to seven members. All members are appointed by the Governor. At present, three of the five members must be persons with background and experience in agriculture. SB 322 would retain that ratio; four of the seven members would be involved in the industry.

SB 342, An Act amending the Alaska Agricultural Loan Act.

SB 342 would expand the agricultural loan program to include loans for the commercial production or processing of horticultural products and animal feed, and for the raising and care of animals for marketing fur. A Resources Committee Substitute has been prepared that would remove the restriction to in-state use of these products.

Loans are currently allowed for land clearing, farm development, storage and processing of farm produce, and purchase of livestock or machinery. Draft DNR regulations (11 AAC 39.111) would expressly prohibit loans from being made for "enterprises not operated primarily for human or livestock food production", which includes fur breeding and fur farming, and greenhouses not operated primarily for food production. Loans for processing feed are currently being made under the "farm product processing loans" authority.

Senator Kerttula has proposed an amendment that would allow land clearing loans to be made on all lands classified by the Soil Conservation Service as having agricultural potential. Current statute limits clearing loans to lands with Class I, II, or III soils.

SB 339, Repealing the expiration date of the Alaska Agricultural Action Council

SB 358, Amending the expiration date of the Alaska Agricultural Action Council

The Alaska Agricultural Action Council was established in 1979 for a set term of five years. The Council is due to expire July 1, 1984. SB 339 would extend the life of the Council for perpetuity; SB 358 would extend its life for five years. The Council is composed of five members appointed by the Governor, and is charged with administering the Delta agricultural project, making recommendations to the Commissioner of Natural Resources regarding the classification of state agricultural land, holding public hearings in areas being considered for agricultural development, and evaluating the need for farm conservation plans.

The meeting will be held at 3:00 pm in the Beltz Room, and will be teleconferenced to Anchorage, Wasilla/Palmer, and Delta, and Fairbanks.

STATE OF ALASKA 1984 LEGISLATIVE SESSION
FISCAL NOTE

Revision Date: _____

REQUEST

Bill/Resolution No.: SB 342
 Title: Amending the Ak. Agr.
 Loan Act
 Sponsor: Faiks et al
 Requestor: _____
 Date of Request: 1-10-84

FISCAL DETAIL

Agency Affected: Natural Resources
 Program Category Affected: _____
Agricultural Revolving Loan Fund
 BRU, Program or Subprogram(s) Affected: _____
ARLF

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 84	FY 85	FY 86	FY 87	FY 88	FY 89
OPERATING						
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL						
400 SUPPLIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS						
800 MISCELLANEOUS						
TOTAL OPERATING		-0-	-0-	-0-		
CAPITAL		-0-	-0-	-0-		
REVENUE		-0-	-0-	-0-		

FUNDING: (Thousands of Dollars)

GENERAL FUND						
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TOTAL						

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

SOURCE OF FUNDS TO OFFSET FISCAL IMPACT OF BILL:

ANALYSIS: Attach a separate page for analysis

Prepared By: Sharon L. Barton Phone: 465-2400
 Division: Commissioner's Office Date: 1-24-84
 Approved by Commissioner: Wm D. Smith, Deputy Date: 1-24-84
 Agency: Natural Resources

Distribution (by Agency preparing fiscal note):

- Legislative Finance
- Legislative Sponsor
- Requestor
- Office of Management and Budget
- Impacted Agency(ies)

12/1/83

Alaska State Legislature

OFFICIAL BUSINESS

CHAIRMAN
RULES COMMITTEE



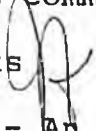
JAN FAIKS
POUCH V
CAPITOL BUILDING
JUNEAU, ALASKA 99811

Senate

January 13, 1984

MEMORANDUM

TO: Senator Bettye Fahrenkamp, Chair
Senate Resources Committee

FROM: Senator Jan Faiks 

SUBJECT: Senate Bill 342 - An Act amending the Alaska
Agricultural Loan Act

Senate Bill 342 has been referred to the Senate Resources Committee. I would very much appreciate the opportunity for a hearing as soon as your committee schedule may allow.

SB 342 amends the Alaska Agricultural Loan Act by expanding the purposes for which loans may be made. The legislation would enable loans to be made to individuals, partnerships or corporations for:

1. Commercial production or processing of horticultural products for use in Alaska;
2. Commercial production or processing of animal feed for use in Alaska; and
3. The raising or care of animals for fur farming.

Currently those involved in these types of agricultural-related activities are ineligible for a loan. As you will also note, it is the intent of the legislation that only those involved in products for use by Alaskans may qualify.

Should you or your staff have any further questions, please let me know.

Thank you. I hope to have the opportunity to discuss the legislation with your committee members at an early date.

Alaska State Legislature

BETTYE FAHRENKAMP, Chairman
ROBERT H. ZIEGLER, SR., Vice Chairman
DICK ELIASON
PAUL FISCHER
VIC FISCHER
BOB MULCAHY
ARLISS STURGULEWSKI



POUCH V
STATE CAPITAL
JUNEAU, ALASKA 99811
(907) 465-3834
(907) 465-3835

Senate

Committee on Resources

MEMORANDUM

TO: Senate Resources Committee Members

FROM: Senate Resources Committee Staff

RE: SB 342, An Act amending the Alaska Agricultural Loan Act

DATE: January 31, 1984

Following the recent Resources Committee hearing on SB 342, the Chairman asked staff to follow up on the questions raised regarding the proposed uses of Agricultural Revolving Loan Fund (ARLF) monies.

1) Loan Fund

AS 03.10.040 places a limit on the ARLF of \$75 million. Appropriations to the fund to date total \$62.5 million; an additional \$12.5 million has been requested for FY 85. \$10 million is currently available for loans.

One fur farming loan and five horticulture loans were made several years ago. However, as demand on the fund increased, the Agricultural Loan Board established development of enterprises operated primarily for human or livestock food production as a priority use of the loan funds.

2) Limit Loans to Residents

Bill Heim, Director, Division of Agriculture, DNR, proposed that the term "individual residents" as used in AS 03.10.020(1)(a) be repeated in AS 03.10.020(1)(b). This proposal is contained on line 17 of the draft Committee Substitute. Residency requirements for "partnerships" and "corporations" are not contained in current statute. The proposed regulations on the Agricultural Revolving Loan Fund define partnership or joint venture as "a resident if all the partners or joint venturers are residents." A corporation is "a resident if it is currently registered to do business in the state and persons holding the majority stock in the corporation are residents." (proposed 11 AAC 39.251).

3) Limit to In-State Production

The phrase "in-state commercial production" has been added to lines 20, 22, and 24 of the draft Committee Substitute. Committee members suggested that a distinction should be made between establishments that raise and harvest horticultural crops and products in the state, and those that resell products received from other states. DNR's survey of greenhouse and nursery production in Alaska in 1982 indicates that there are many producers who do ship plants into the state for resale.

4) Definition of Horticulture

It was suggested that a definition of horticulture be placed in AS 03.10. Horticulture could be defined through a specific listing of products and crops:
"For the purpose of this section, horticulture is defined as the growing and production in greenhouses or nurseries of vegetables, fruit plants, grass seed, sod, tree seedlings, ornamental plants, foliage, and flowering plants."

5) Regulation of Fur Farming

AS 03.25.020 governs the involvement of Department of Environmental Conservation (DEC) veterinarians in the care and breeding of fur bearing animals. DEC has the authority to permit the farms and inspect them for health and sanitary standards. As of December, 1982, there were 14 permits issued to fur farmers in Alaska. In addition, the Alaska Department of Fish and Game (ADF&G), issues permits for the capture of wild fur bearers to mix with the domestic animals to enhance genetic stock.

SB 342, (Agricultural Revolving Loan Fund), SB 339 and SB 358 (Alaska Agricultural Action Council), and SB 322 (Agricultural Revolving Loan Board) will be heard on Wednesday, February 1, 1984 at 3:00 pm in the Beltz Room.

The following items are attached:

- 1) Proposed Committee Substitute for SB 339, which would put the Alaska Agricultural Action Council on a five year sunset provision.
- 2) Proposed Committee Substitute for SB 342, containing the changes noted in the memo.
- 3) A proposed amendment to SB 342 that would give the Agricultural Revolving Loan Board the discretion to extend the term of a short term loan beyond one year.
- 4) Background information on fur farming.

Alaska State Legislature

BETTYE FAHRENKAMP, Chairman
ROBERT H. ZIEGLER, SR., Vice Chairman
DICK ELIASON
PAUL FISCHER
VIC FISCHER
BOB MULCAHY
ARLISS STURGULEWSKI



POUCH V
STATE CAPITAL
JUNEAU, ALASKA 99811
(907) 465-3834
(907) 465-3835

Senate

Committee on Resources

MINUTES

January 25, 1984
3:03 pm

Beltz Room
Room 211, Capitol

MEMBERS PRESENT

Senator Fahrenkamp, Chairman
Senator Ziegler, Vice Chair
Senator V. Fischer
Senator Paul Fischer
Senator Mulcahy
Senator Sturgulewski

CALENDAR

- SB 322 An Act relating to the Alaska Agricultural Loan Board; and providing for an effective date.
- SB 342 An Act amending the Alaska Agricultural Loan Act.
- SB 339 An Act repealing the expiration date of the Agricultural Action Council; and providing for an effective date.
- SB 358 An Act amending the expiration date of the Alaska Agricultural Action Council.

TELECONFERENCED TO:

Fairbanks	Anchorage
Delta	Homer
Palmer/Wasilla	Soldotna

Senator Kerttula testified in support of SB 322. He said the geographic areas where agricultural development exists have expanded and suggested the Governor appoint two more members to represent farmers from those areas.

Senator Faiks testified in favor of SB 342. She answered questions about the bill and also supported the Kerttula amendment regarding soil classification.

Bob Arnold, Deputy Commissioner, Department of Natural Resources, acknowledged that SB 342 would create a greater demand on the Agricultural Revolving Loan Fund and asked for clarification from the Legislature on granting loans for non-food products.

Steve Shropshire, Alaska Horticulture Association, spoke in support of SB 342. He felt the definition of "agriculture" should include horticulture.

Mayor Bill Allen, Fairbanks North Star Borough, supported all the bills before the Committee. He urged the continuation of the Alaska Agricultural Action Council and the expansion of the agricultural loan program.

Frank Geiger, Mayor, Delta Junction, spoke in support of all four bills. He recommended that two Boards be established, one for the Interior and one for the rest of the state.

Richard Ramsey, Aide to Senator Kerttula, testified in support of Kerttula's proposed amendment to SB 342. This amendment would allow more lands to be eligible for clearing loans.

Edna Anderson, Homer, recommended passage of SB 339 and SB 358 and said she agreed with Mayor Allen's comments.

Pete Roberts, Homer, supported Kerttula's proposed amendment to SB 342.

Ed Merdes, Fairbanks, supported all the bills being heard. He introduced the idea of "production incentives" to lower costs of production and make our crops more competitively priced.

Pat Mulligan, President, Alaska Farmers and Stock Growers, spoke in support of SB 342 and horticulture.

Bill Heim, Director, Division of Agriculture, DNR, wanted legislative guidance, through SB 342, on the expansion of the loan program. He supported Kerttula's proposed amendment to SB 342. Regarding SB 322, he recommended that the two new members be from Delta and Fairbanks.

Ken Ulz, Kobuk Fuel and Feed, spoke in support of all the bills being heard. He felt fur ranching was just as valid as any other ranching enterprise.

Bruce Willard, Homer, supported the continuation of the Alaska Agricultural Action Council.

Harry Wassink, Anchorage, proposed raising the cap on ARLF loans, particularly for dairy farmers.

Sig Restad, Agricultural Experimental Station, Palmer, testified in support of the four bills before the Committee.

Burton L. Clifford, U.S Department of Agriculture (USDA),
spoke in support of all of the bills.

Carrol Martin, Soldotna, testified in support of all the bills
heard today.

Jerry Giaugue, Palmer, spoke in support of all the bills.

Terry Weiland, Palmer, supported SB 339 and SB 358 and also
wanted the cap raised on ARLF loans.

Jerry Brehmer, Delta, was in favor of all of the bills.

Vincent O'Reilly, Deputy Commissioner, Department of Commerce
and Economic Development, testified that the Administration
supports agricultural development. They are currently
reexamining the program, trying to focus on in-state market
needs. He felt that coordinating that effort should be done by
the line agencies, specifically the Department of Natural
Resources and the Department of Commerce and Economic
Development, rather than the Alaska Agricultural Action
Council.

Annely Girard, Palmer, testified that farmers need to
diversify. She felt the passage of SB 342 would allow them to
do that. She spoke of growing shrubs and fast growing trees
such as poplars in greenhouses for use as windbreaks.

Bob Arnold, Deputy Commissioner, Department of Natural
Resources, spoke again to concur with Vincent O'Reilly, Deputy
Commissioner, Department of Commerce and Economic Development,
that the functions of the Alaska Agricultural Action Council
can be better carried out by the line agencies, particularly
the Department of Natural Resources.

The meeting adjourned at 4:42 pm.

Alaska State Legislature

BETTYE FAHRENKAMP, Chairman
ROBERT H. ZIEGLER, SR., Vice Chairman
LICK ELIASON
PAUL FISCHER
VIC FISCHER
BOB MULCAHY
ARISS STURGULEWSKI



POUCH V
STATE CAPITAL
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Senate

Committee on Resources

MINUTES

February 3, 1984
3:07 pm

Beltz Room
Room 211, Capitol

MEMBERS PRESENT

Senator Fahrenkamp, Chairman
Senator Vic Fischer
Senator Paul Fischer
Senator Mulcahy
Senator Sturgulewski

CALENDAR

- SB 322 An Act relating to the Alaska Agricultural Loan Board; and providing for an effective date.
- SB 342 An Act amending the Alaska Agricultural Loan Act.
- SB 339 An Act repealing the expiration date of the Agricultural Action Council; and providing for an effective date.
- SB 358 An Act amending the expiration date of the Alaska Agricultural Action Council.

Briefing on Bristol Bay Cooperative Management Plan

SB 339

Vince O Reilly, Deputy Commissioner, Department of Commerce and Economic Development, testified against SB 339. He stressed the Administration's commitment to agriculture, with an emphasis on production for in-state market needs. A Memorandum of Understanding is being written that would divide the responsibilities of the Alaska Agricultural Action Council between the Departments of Natural Resources, Commerce and Economic Development, and Transportation. Also, by transferring those duties to line agencies, more emphasis would be placed on forest product marketing.

Senator Mulcahy moved to adopt the Resources Committee Substitute for SB 339, and move it from committee with individual recommendations. There was no objection.

SB 342

Alex Shadura, testified in favor of SB 342, supporting horticulture as an important part of the agriculture industry. He expressed concern that the definition of horticulture as "growth in greenhouses or nurseries" contained in the Committee Substitute was restrictive.

Senator Mulcahy moved to adopt the Resources Committee Substitute for SB 342, and moved the bill from Committee with individual recommendations. There was no objection.

SB 322

Senator Mulcahy moved the bill from Committee with individual recommendations. There was no objection.

Frank Rue, Department of Natural Resources, Division of Land and Water Management, Resource Allocations, presented the committee with a brief overview of the changes that were made to the draft version of the Bristol Bay Cooperative Management Plan. Changes were made in the areas of oil and gas leasing, mineral exploration and development, and land disposals. Many of the original guidelines were seen as too specific and were dropped or rewritten in the final draft. Senator Sturqulewski and Senator Fahrenkamp had questions about the amendment process and asked for a more in-depth report on how legislative authority over the lands will be affected under the plan.

The meeting adjourned at 4:38 pm.

SENATOR
ARLISS STURGULEWSKI

2957 SHELDON JACKSON
ANCHORAGE, ALASKA 99508
SENATE DISTRICT F, SEAT A

Alaska State Legislature



Senate

White in Juneau
FOUCH V
JUNEAU, ALASKA 99811
(907) 465-3816

MEMORANDUM

January 27, 1984

TO: Senator Bettye Fahrenkamp, Chairman
Senate Resources Committee

FROM: Senator Arliss Sturgulewski
Senate District F, Seat A *AS*

RE: SB 342 Alaska Agricultural Loan Act

I appreciate an opportunity to comment on this piece of legislation prior to bringing the bill back for a mark-up session.

*Eliminate
a simple*

1. Increasing the items for which loans can be made will create additional demands for funding from the Ag Revolving Loan Fund. Currently some \$62 or \$63 million is being loaned with the Governor proposing a some \$12 million addition to the fund this fiscal year. In a recent conversation with Mr. Arnold, Deputy Commissioner of the Department of Natural Resources, he indicated that Mr. Heim, Director of the Division of Agricultural, indicates that there are some \$36 million identified as needed under the legislation as it is currently being interpreted. Prior to major expansion, I think this issue of adequacy of funding needs consideration.

2. "Horticultural" is rather a broad term and it requires definition. We had testimony on this subject from the Alaska Horticultural Association. The type of membership of the Horticultural Association is broken down into florists, garden center, nursery, processors of fruit or vegetables, green house production, interior scape industry, landscape industry and production of fruit or vegetables. It seems to me that we must carefully define just what part of the industry will be covered under this legislation. It doesn't seem appropriate to use the revolving loan fund for general type business loans as there may be other alternatives available. I can also see the problem of beginning with the production of certain kinds of crops and then as the business expands going into other areas which are not appropriate for coverage under the Ag Loan Fund. I'm wondering how much policing can be done by the management of the revolving loan fund as to this issue.

JAN 27 1984

3. It might be of some value to discuss whether or not processing is a term well understood in the trade. Could this be interpreted to include retail operations and if so, is the intent to cover such operations.

As a final note, I am certainly not negative toward the legislation. I support the addition of fur farming but feel the area of horticulture needs additional work so that we clarify intent and don't set up unrealistic expectations.

cc: Bob Arnold

****PLEASE NOTE****

THE ORIGINAL FILE CONTAINS AN OVERSIZED DOCUMENT THAT
IS UNSUITABLE FOR FILMING. PLEASE REFER TO THE ALASKA
STATE ARCHIVES TO VIEW THE ORIGINAL.

19 January 84

Sandra:

re - SB 342 - Amending AALF

376-3276

Spoke with Rich Rustick about the "commercial production/processing of ^{animal feed} horticultural products" language in the bill. He said it is allowed under the law: AS 03.10.030(f)

In statute, the authorization is referred to as PRODUCT PROCESSING. PRODUCT PROCESSING includes all agricultural products requiring processing before becoming marketable; i.e. dairy, meat packing, animal feed. DOM Chemical Company in Palmer and Kobuk Feed and Fuel in Fairbanks are examples of loan recipients under this authority.

Edie

NOTE: Rich would like to be informed of the status of ag. legislation going through our committee.

PO 871256, Wasilla 99687

SURVEY OF GREENHOUSE AND NURSERY PRODUCTION

IN ALASKA

1982

Prepared by

Department of Natural Resources
Division of Agriculture
Kathryn Eberhart, Agricultural Economist
Catherine Wright, Horticulturist

January 1984

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INTRODUCTION

During the spring of 1983 the Department of Natural Resources, Division of Agriculture surveyed the greenhouse and nursery industry in Alaska. The purpose of this study was to update and expand on research done in the past and to estimate the current size of in-state greenhouse and nursery production. The greenhouse and nursery industry forms a vital link between the agricultural sector and consumers. It includes retail and wholesale outlets that sell both plants produced in the state and plants produced in other states and countries. There are, in all likelihood, many untapped markets for the specialized plants that are raised in Alaska.

The survey was directed to commercial greenhouses and nurseries that raise most or all of their plants produced for sale to wholesale or retail buyers or individual customers. Public (institutional) greenhouses and nurseries were not included.

Difficulties in doing this survey were encountered due to a reluctance by some producers to share information on their enterprises. However, many people did respond and expressed interest in receiving a copy of the results. This study provides basic information on the needs of the greenhouse and nursery industry and summarizes production statistics in terms of number of operations, acres of land or square feet of greenhouse space, number of plants, and value of production during 1982.

Alaska's greenhouse and nursery producers have an opportunity to enter the market for landscaping and ornamental plants. One of the advantages of in-state production is to encourage reproduction of plants that are naturally well-suited to Alaska's environment. Although many of these plants can be produced in other parts of the country (or world), the genetic stock may become less-suited to Alaska's conditions if all propagation and production takes place in milder climates. However, Alaska's greenhouse and nursery producers cope with higher costs of energy, labor, fertilizers, and chemicals and a shorter growing season than do producers in other parts of the U.S.

OTHER STUDIES

In 1979 the Cooperative Extension Service, Anchorage, Alaska, surveyed greenhouses in Alaska for estimates of square footage and volume of retail sales. The ten greenhouses that disclosed both size and retail sales had a total of 349,645 square feet of space and approximately \$3 million in retail sales. Based on estimated average sales per square foot and knowledge of size of non-reporting greenhouses, total retail sales for greenhouses in Alaska during 1979 were estimated at \$5,612,414.

In fall 1982 Agresources, Palmer, Alaska, surveyed greenhouse production in the Matanuska Valley. There were 18 commercial and institutional greenhouses identified in the borough. Dr. Logsdon found that 10 of the 15 commercial greenhouses known to be in operation had a total area of 44,000 square feet. The average gross return was \$3.36 per square foot. Sales by Matanuska Valley greenhouses usually are a combination of both retail and wholesale sales.

RETAIL VERSUS WHOLESALE SALES

Many considerations affect whether a nursery or greenhouse business will opt for wholesale or retail sales or a combination of both. Although retail sales are usually made at higher prices, the customer usually expects additional services (convenient hours, friendly and knowledgeable salespeople, attractive packaging, expanded selection, and longer sales seasons) and an accessible location. On the other hand, wholesale businesses often have a more remote location, less expensive land, larger volume, longer-term production with less finishing and packaging, and an owner who may not wish to deal directly with the public. A well-managed wholesale operation will earn higher income from the land than typical field and row crops and a well-managed retail business will generally earn a greater return per square foot than will a similar wholesale business.

Survey respondents were asked to estimate the percentage of retail and wholesale sales during 1982. Out of a total of 47 respondents, 18 (39 percent) had all retail sales and 6 (13 percent) had all wholesale sales.



Position Paper
Alaska Horticultural Association
Testimony By: Steven Shropshire
AHA Board Member: Owner Green Connection

Wednesday January 25 1984
Before: Senate Resource Committee

Good Afternoon,

I am Steve Shropshire owner of the Green Connection and board member of the Alaska Horticultural Association.

The Board of Directors of the Alaska Horticultural Association would like to express its support for senate bill # 342.

Although there are several chapters of our statutes that deal with the agricultural industry, definitions do not exist which provide clarity to the administration of our state's policy on agriculture. Accordingly, it is the recommendation of the Board of Directors of the Alaska Horticultural Association that this legislation be put into effect as soon as possible so as to provide a set of statutory definitions which accurately reflect existing practices in Alaska and common usage of terms in the industry, as well as existing laws of Alaska.

A review of the current statutes and regulations, indicates a distressing trend in how our industry is being restricted by the failure to properly define "agriculture". Agriculture is one of the very foundation blocks upon which settlement was encouraged in Alaska and this industry was one of the first to receive state support by means of long-term, low interest loans. The restrictive development of the term "agriculture," however, has now taken on the force of law as promulgated in Chapter 39 of the Alaska Administrative Code. The enabling legislation of 1953 declares that it is the policy of the state to "promote the more rapid development of agriculture as an industry..." The enabling statutes also set forth State policy which will

- 1) Encourage agricultural development;



Position Paper
Alaska Horticultural Association
Wednesday 25, 1984
Page 2


2) Do not discriminate against viable existing agricultural enterprises." (AS 03.10.030 (h), Limitations on Loans (1982 Amendment.)

Nonetheless, the regulations set forth in 11 AAC 39.010 are inconsistent with the provisions on the statute and establish an unprecedented restriction which, if left unchanged, will drastically affect the future of the entire agricultural industry in Alaska.

11 AAC 39.111, Qualifying Loan Purposes, provides in section b(6), loans will not be made for the following purposes: "Enterprises not operated primarily for human ~~of~~ livestock food production, including, but not limited to, horse breeding and raising operations, fur breeding and fur farming enterprises, silviculture projects and greenhouses not operated primarily for food production;" subsection 9 provides "establishments which resell rather than produce crops, livestock and livestock products."

Not only is the restrictive language of the regulations inconsistent with the Alaska Agricultural Loan Act itself, it is also inconsistent with every other statute of Alaska where "agricultural" terminology is used.

A. The Standard Industrial Classification clearly includes horticulture as a subdivision of major group 01, Agricultural Production. This is a national classification of standard industrial codes and is used by every state, including Alaska. It includes short definitions.



green connection

Position Paper
Alaska Horticultural Association
Wednesday 25, 1984
Page 3

- B. California law defines "growing agriculture crops" as follows:


In as much as the planned production of trees, vines, rosebushes, ornamental plants and other horticultural crops is distinguished from the production of other products of the soil only in relation to the time elapsing before maturity, plants being produced by nurseries shall be considered to be 'growing agricultural crops' for the purpose of and laws pertaining to the agricultural industry of the state.

- C. Florida provides:

That where ever the terms 'agriculture, agricultural purposes, agricultural uses' or words of similar import are used in any of the statutes of the State of Florida, such terms shall include horticulture and floriculture, horticultural purposes and floricultural purposes, horticultural uses and floricultural uses, and words of similar import applicable to agriculture shall likewise be applicable to horticulture and floriculture.

Alaska's Horticultural Industry is a young vigorous industry, with estimated sales in 1984 at well over 8 million dollars. As is typical in most segments of agriculture the horticultural industry is a labor intense one. This relates to jobs for Alaskans, thus having a major economic impact in our state.

Currently, the Alaska Horticultural Association is made up of some eighty individuals and or organizations statewide, with membership classifications ranging within the following categories.



green connection

Position Paper
Alaska Horticultural Association
Wednesday 25, 1984
Page 4

Types of Membership:

Florist	Greenhouse production
Garden Center	Interiorscape industry
Nursery	Landscape industry
Processors of fruit or vegetables	Production of fruit and vegetables

Alaska's greenhouse and nursery producers have an opportunity to enter the market for foliage and flowering plant production as well as for landscaping and ornamental plants. One of the advantages of in-state productions is to encourage reproduction of plants that are naturally well-suited to Alaska's environment. Although many of these plants can be produced in other parts of the country (or world), the genetic stock may become less-suited to Alaska's conditions if all propagation and production takes place in milder climates. However, Alaska's greenhouse and nursery producers cope with higher costs of energy, labor, fertilizers, and chemicals and a shorter growing season than do producers in other parts of the United States.

It was once said, "Man does not live by bread alone". Horticultural products are consumed by Alaskans. They are consumed psychologically by thousands on a daily basis. Providing a natural buffer to our home and work environment. Generally enhancing the quality of life for us all.

We trust that you also share with us in recognizing the significance of our contribution to the Alaska Agricultural Industry, and will join us in supporting Senate Bill 342.

Respectfully Submitted,



Steven M. Shropshire

Twenty-one (45 percent) respondents had 90 percent or more of retail sales and 11 (23 percent) had 90 percent or more of wholesale sales. The remaining 32 percent had a more equal proportion of wholesale and retail sales.

GREENHOUSE PRODUCTION

Twenty-nine greenhouse producers responded to the greenhouse portion of the survey and it is estimated that there are approximately 15 additional commercial greenhouses in the state. Survey respondents had approximately 412,000 square feet in greenhouse crop production during 1982 (Table 1). Total value of production was approximately \$2.6 million. Average gross sales were \$6.23 per square foot. Respondents' greenhouse space ranged from less than 1,000 square feet to greater than 100,000 square feet. The mean was about 14,200 square feet.

Table 1
Alaska Greenhouse Space and Value of Production:
Summary of Survey Results
1982

Type of Production	Number of Respondents ^a	Total Square Ft.	Total Value	Value Per Square Foot
Flowering Bedding Plants	17	\$ 163,570	\$1,117,015	\$ 6.83
Vegetable Bedding Plants	19	54,301	188,952	3.48
Flowering Plants	8	53,110	143,250	2.70
Cut Flowers	0	0	0	
Foliage Plants	4	66,200	1,014,200	15.32
Hardy Plants/Container				
Nursery Stock	3	66,200	95,000	5.57
Hardy Plants/Tree Seedlings	2	1,410	b	b
Other	1	1,080	4,600	4.26
Vegetables ^c	7	60,000	b	b
TOTAL^d		\$ 411,719	\$2,563,017	\$ 6.23

- ^a Survey respondents may have produced more than one type of crop.
- ^b Insufficient data.
- ^c Estimates from non-survey sources.
- ^d Total greenhouse space is estimated at 625,000 Square feet and total value of greenhouse plants produced in Alaska exceeded \$4 million.

It is estimated that there are an additional 213,000 square feet of commercial greenhouse space in Alaska with a crop value of about \$1.4 million. Thus, total commercial greenhouse space is estimated at approximately 625,000 square feet; total value of production is approximately \$4 million. This figure does not include plants that are shipped to Alaska. Other studies of Alaska's greenhouse industry have shown higher dollar values because value was placed on all plants and related products rather than only plants produced in Alaska.

Respondents were further categorized according to size of greenhouse space and value of production. Fifty-nine percent had less than 5,000 square feet in greenhouse production in 1982 (Table 2). Twenty-four percent had between 5,000 and 19,999 square feet in production, and 10 percent had between 20,000 and 49,999 square feet. Seven percent had greater than 50,000 square feet of greenhouse space in production.

Table 2
Greenhouse Space and Value
of Production: Distribution
1982

	Square Feet Greenhouse Space					TOTAL
	0-999	1,000-4,999	5,000-19,999	20,000-49,999	50,000+	
Number	8	9	7	3	2	29
Percent	28%	31%	24%	10%	7%	100%

	Greenhouse Value of Production (dollars)							Total
	\$0-999	\$1,000-4,999	\$5,000-14,999	\$15,000-29,999	\$30,000-49,999	\$50,000-99,999	\$100,000+	
Number	3	5	5	4	0	5	2	24
Percent	12%	21%	21%	17%	0	21%	8%	100%

Most respondents had a relatively low value of production. Twelve percent showed less than a \$999 value of greenhouse production and 21 percent each fell within the range of \$1,000 to \$4,999 and \$5,000 to \$14,999. Seventeen percent had between \$15,000 and \$29,999 and 21 percent had between \$50,000 and \$99,999. Eight percent showed greater than a \$100,000 value of production (Table 2). Expenses are not deducted from the value of production figure.

Bedding Plants--Flowering

Flowering bedding plants had an average of four months in the greenhouse with a range of one to six months. Seventeen respondents had a total of 163,570 square feet of greenhouse space producing flowering bedding plants with a mean of 9,622 square feet per respondent. The average value was \$6.83 per square foot and total value was estimated at \$1.11 million.

Bedding Plants--Vegetable

Nineteen respondents grew vegetable bedding plants covering 54,000 square feet of greenhouse space. Plants were in the greenhouse an average of 2.94 months, the range was one and one-half to four months. The average value per square foot was estimated at \$3.49. Total value of vegetable bedding plants raised by survey respondents in 1982 was approximately \$189,000.

Flowering Plants

Flowering plants had an average of 5.6 months in the greenhouse with a range of four to ten months. Eight respondents devoted 53,100 square feet of greenhouse space to flowering plant production during 1982. Average value per square foot was estimated at \$2.70 and total sales were estimated at \$143,250.

Cut Flowers

No survey respondents reported production of cut flowers.

Foliage Plants

Foliage plants had an average of 8.75 months in the greenhouse with a range of three to 12 months. Foliage plants used 66,200 square feet of greenhouse space and had a total estimated value of approximately \$1.014 million. Average value per square foot was \$15.32.

Hardy Plants--Container Nursery Stock

Three respondents reported greenhouse production of hardy plants-- container nursery stock. Average time in the greenhouse was 3.8 months with a range of two to six months. Total greenhouse space devoted to hardy plant production was 17,000 square feet. It is estimated that total value of production was \$95,000.

Hardy Plants--Tree Seedlings

Total greenhouse space devoted to production of tree seedlings by survey respondents was 1,400 square feet. Insufficient information was available to estimate value of production.

Greenhouse Vegetable Production

Greenhouse space is also used to produce vegetables. These are usually high value crops that require a closely controlled environment. Survey results showed that tomatoes, cucumbers, and a lesser amount of celery and lettuce were produced. Time in the greenhouse ranged from 3.5 to six months. It is estimated that about 60,000 square feet of greenhouse space was devoted to vegetable production. Data was insufficient to estimate value of production.

NURSERY PLANTS

Nurseries produce high value specialty crops. Plants may be propagated in Alaska or shipped in from other states. They are either lined-out in nursery rows or transplanted into containers. Plants are often in the nursery two years or longer before being sold. (Institutional nurseries such as the state forestry nursery, the Plant Materials Center (PMC), the

University Experiment Station, and Municipality greenhouses were not surveyed.)

Alaska nurseries commonly produce landscaping, reforestation, and conservation plants (shrubs, trees, herbaceous perennials) and small fruit plants (strawberry plants, raspberries, currants). The questionnaire requested information on total acres, number of plants, and value of production for each of these categories. Survey results showed over 27 acres in nursery tree production, 18 acres in shrub production, 4 acres of herbaceous perennials, 1.5 acres of strawberry plants, and 2.2 acres of other small fruits (Table 3). There were 13 respondents producing shrubs, 15 producing trees, eight producing herbaceous perennials, 10 producing strawberry plants, and nine producing other small fruits. Forty-six percent of respondents produced plants in four categories. Approximately 22,500 shrubs, 24,000 trees, 60,000 herbaceous perennials, 18,000 strawberry plants, and 7,000 small fruit plants (other than strawberries) were produced in Alaska during 1982 (Table 3).

Value of Alaska's nursery production during 1982 was estimated at approximately \$603,000. Values were estimated at \$142,000 for shrubs, \$258,000 for trees, \$186,000 for herbaceous perennials, \$11,000 for strawberry plants, and \$6,000 for other small fruits. Average value per plant was \$6.29 for shrubs, \$10.58 for trees, \$3.11 for herbaceous perennials, \$.60 for strawberry plants, and \$.81 for other small fruits (Table 4).

Nurseries were categorized by range of value of production during 1982. Thirty-nine percent (5) of the nurseries had production valued at between \$1,000 and \$4,999, fifteen percent (2) had production between \$5,000 and \$14,999 and another 15 percent had between \$15,000 and \$29,999 of production (Table 5). Production was shown at between \$30,000 and \$49,999 by 8 percent (1) and 23 percent (3) had between \$50,000 and \$99,999.

Table 3
Alaska Nursery Production: Summary of Survey Results
1982

Type of Plant	Number of Valid Responses	Number of Missing Values	Total of Survey Respondents	Estimated Total ^a	Mean	Median	Minimum	Maximum
<u>ACRES</u>								
Shrubs	12	1	18.12	19.63	1.51	1.0	.10	5.00
Trees	13	2	27.39	31.61	2.11	1.0	.10	12.00
Herbaceous Perennials	7	1	3.60	4.11	.51	.25	.05	1.50
Strawberry Plants	9	1	1.48	1.64	.16	.11	.002	.50
Raspberries/Currants	8	1	2.22	2.50	.28	.10	.001	.50
<u>PLANTS</u>								
Shrubs	9	4	14,630	22,568	1,626	850	30	5,000
Trees	11	4	21,170	24,364	1,925	400	20	12,000
Herbaceous Perennials	6	2	44,650	60,007	7,442	1000	150	40,000
Strawberry Plants	10	0	18,320	18,320	1,832	1000	200	5,000
Raspberries/Currants	8	1	6,200	6,982	775	350	100	2,500
<u>VALUE</u>								
Shrubs	11	2	\$125,800	\$141,995	\$11,436	\$ 5,000	\$300	\$40,000
Trees	13	2	224,000	257,842	17,231	10,000	500	70,000
Herbaceous Perennials	4	4	8,300	186,347	2,075	1,000	300	--
Strawberry Plants	6	4	8,050	10,990	1,342	400	50	5,000
Raspberries/Currants	7	2	5,050	5,631	721	600	200	1,250
				\$602,805				

^a Extrapolated based on survey results to include estimates for non-respondents.

Table 4
Alaska Nursery Production: Average Values
1982

	Average Value/Plant	Average Plants/Acre	Average Value/Acre
Shrubs	\$ 6.29	1,150	\$ 7,234
Trees	10.58	771	8,157
Herbaceous Perennials	3.11	14,600	45,340
Strawberry Plants	.60	11,170	6,701
Raspberries/Currants	.81	2,793	2,252

Table 5
Alaska Nursery Value of Production: Distribution
1982

	\$0-999	\$1,000-4,999	\$5,000-14,999	\$15,000-29,999	\$30,000-49,999	\$50,000-99,999	\$100,000+	Total
Number	0	5	2	2	1	3	0	13
Percent	0	39%	15%	15%	8%	23%	0	100%

OTHER PRODUCTION

Depending on the location and goals of greenhouse and nursery producers, there are many other crops that can be raised. Production might be expanded to include more high value crops such as vegetables, berries, sod, and seed. Establishments located where land is costly often provide other services to their clientele such as storing perennial ornamentals during winter and selling greenhouse and garden supplies.

Some of the other crops produced by survey respondents were seed potatoes, cereal grain seed, grass seed, and vegetables. Total value of these other crops reported by survey respondents was \$887,000.

CHANGES IN PRODUCTION

The question was posed as to how production in 1982 compared to production in 1981. Only three out of 39 respondents indicated that their production decreased. Ten respondents indicated either no change or an unspecified increase. The remainder (25) showed increases in production of between 5 and 200 percent. Of the respondents who specified percentage increases, six showed increases of between 100 and 200 percent, nine by between 20 and 50 percent, and 10 others by between two and 19 percent.

Respondents were also asked to estimate changes in their production for 1983. Ten stated that they would decrease production, two planned to produce the same amount, and 25 planned to increase production in 1983. Five respondents did not answer the question.

COMPUTER ACCESS

Increasingly, computers are making inroads into the greenhouse and nursery business. A well-designed farm computer system can give a producer valuable information while freeing him from some time-consuming but essential tasks.

Survey respondents were asked to indicate whether they owned or had access to a computer or whether they planned to obtain access to one within the next year. Of 44 respondents, 34 percent (15) indicated that they have

access to a computer, 67 percent (29) did not. Of the 19 respondents who answered the second question, 42 percent (8) planned to gain access to a terminal within the next year, 58 percent (11) had no such plans.

INFORMATION NEEDS OF ALASKA'S GREENHOUSE AND NURSERY PRODUCERS

Although there has been considerable research in greenhouse and nursery production in other parts of the U.S., results are not always entirely applicable to Alaska. Survey respondents were asked to specify the types of information that they most frequently need. Choices included: cultural, chemical, computer, economic, energy-related, marketing, construction, and other. Any number of categories could be checked. The most frequently checked categories were marketing (67 percent) and chemical (53 percent). See Figure 1. Comments were:

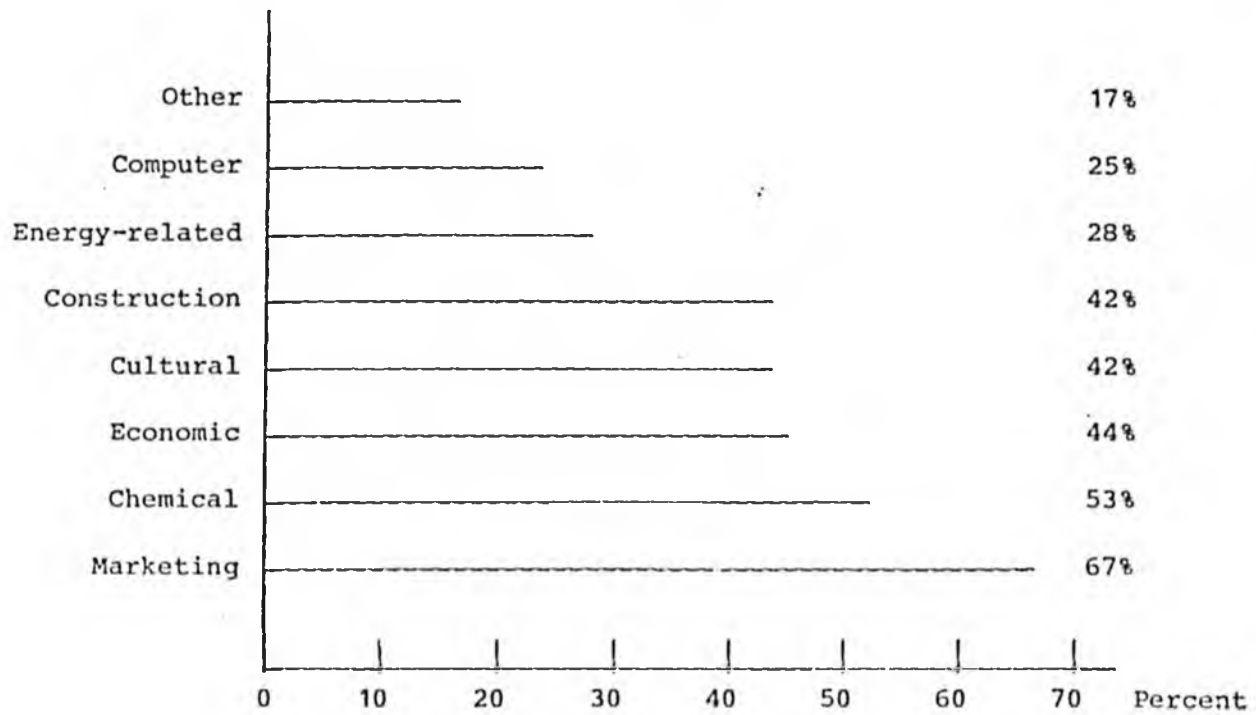
- need list of supply sources
- quality plant suppliers
- technical: new methods in landscaping profession
- advertising
- European data
- Evapotranspiration rates, soil and water holding capacities, intake rates for irrigation

SUMMARY AND CONCLUSIONS

Production of greenhouse and nursery stock in Alaska is growing rapidly. The greenhouse and nursery industry currently includes businesses that ship plants into the state and that produce plant materials in the state. There is not, however, a clear distinction between the two groups. Many producers ship plants into the state and propagate others.

Some successful greenhouse and nursery producers use state-of-the-art production methods, inventory records, and marketing techniques. Time and energy must be allocated to marketing activities and access to information is critical. Successful production requires planning for what is to be produced and knowledge of the correct methods of propagation and production. Sixty-seven percent of survey respondents stated that better marketing information is needed. A lesser number checked production-related

Figure 1
Information Needs: Greenhouse and Nursery Industry 1982
(Percentage of Respondents)



information. It was found that a significant amount of horticultural plants are produced in Alaska (valued at nearly \$5 million in 1982) and that Alaska's greenhouse and nursery industry is experiencing considerable growth.

This study provided basic information about producers who raise most of their nursery plants in the state. Obviously the total size of the greenhouse and nursery industry in Alaska is actually much larger when total sales of plants shipped into the state for resale are also tallied.

1. What proportion of your sales during 1982 were:

- ___% retail (retail is defined as 'direct sales to the final consumer;')
___% wholesale (wholesale is defined as 'sales to an entity that plans to resell the product.')

2. Did you produce greenhouse grown plants in 1982? ___ yes ___ no.

If yes, please indicate the number of months each type of plant was grown in the greenhouse, the square feet of space used, and the approximate value of each crop. If you did not produce greenhouse plants in 1982, please skip to question 3.

a. bedding plants (flowering):

___ months in greenhouse
___ square feet of greenhouse space used
\$ ___ value of crop

b. bedding plants (vegetables):

___ months in greenhouse
___ square feet of greenhouse space used
\$ ___ value of crop

c. flowering plants:

___ months in greenhouse
___ square feet of greenhouse space used
\$ ___ value of crop

d. cut flowers:

___ months in greenhouse
___ square feet of greenhouse space used
\$ ___ value of crop

e. hardy plants-container nursery stock:

___ months in greenhouse
___ square feet of greenhouse space used
\$ ___ value of crop

f. foliage plants:

___ months in greenhouse
___ square feet of greenhouse space used
\$ ___ value of crop

g. hardy plants-tree seedlings:

___ months in greenhouse
___ square feet of greenhouse space used
\$ ___ value of crop

h. OTHER (please specify): _____

___ months in greenhouse
___ square feet of greenhouse space used
\$ ___ value of crop

3. Did you produce greenhouse grown vegetables in 1982? ___ yes ___ no.

If yes, please indicate the number of months each vegetable crop utilized greenhouse space, the square feet of space used, and the estimated value of each crop. If you did not produce greenhouse grown vegetables in 1982, please skip to question 4.

a. tomatoes:

___ months in greenhouse
___ square feet of greenhouse space used
\$ ___ value of crop

b. cucumbers:

___ months in greenhouse
___ square feet of greenhouse space used
\$ ___ value of crop

c. OTHER (please specify):

___ months in greenhouse
___ square feet of greenhouse space used
\$ ___ value of crop

4. Did you produce field grown nursery stock in 1982? ___ yes ___ no.

If yes, please indicate the number of acres used for each crop, the number of plants produced, and the estimated value. If you did not produce field-grown nursery stock in 1982, please skip to question 5.

a. shrubs:

___ acres
___ number of plants produced
\$ ___ value of crop

b. trees:

___ acres
___ number of plants produced
\$ ___ value of crop

c. herbaceous perennial plants:

___ acres
___ number of plants produced
\$ ___ value of crop

d. small fruits-strawberry plants:

___ acres
___ number of plants produced
\$ ___ value of crop

STATE OF ALASKA

BILL SHEFFIELD, GOVERNOR

DEPARTMENT OF NATURAL RESOURCES

DIVISION OF AGRICULTURE/PLANT MATERIALS CENTER

STAR ROUTE B, BOX 7440
PALMER, ALASKA 99645
PHONE: (907) 745-4469

February 4, 1983

Dear Participants:

As you may be aware, very little is known about the scope of the horticulture industry throughout the State of Alaska. Statewide and regional greenhouse surveys have been done, but, there has not been a statewide survey examining all facets of the industry. The Division of Agriculture (DOA) and Alaska Horticultural Association (AHA) feel that the industry is more established in the economic community than is given credit. Hopefully, the results of this survey will confirm that conclusion and enable both organizations to use that knowledge to the benefit of the horticulture industry.

Benefits to be gained from this information include better scheduling of educational programs, and the ability to provide more pertinent information to the growers. A more accurate and positive picture of the industry could be presented to the people of Alaska and the many visitors to our state. The residents and visitors of Alaska are our best advertisers for the promotion of the industry.

Information received in this survey will be summarized with a report provided to all respondents and available to the public. All information provided by individual respondents will be kept strictly confidential.

Thank you for participating in this survey.

Sincerely,

Dean Brown, Acting Director
Division of Agriculture

STATE OF ALASKA

DEPT. OF ENVIRONMENTAL CONSERVATION

BILL SHEFFIELD, GOVERNOR

POUCH 0 - JUNEAU 99811

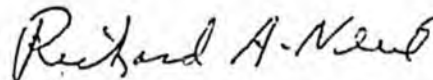
March 14, 1983

The Honorable John Ringstad
State House of Representatives
Pouch V
Juneau, AK 99811

Dear Representative Ringstad:

Following our conversation of Saturday morning, March 12, 1983 with you and Sharon Barton of the Department of Natural Resources, I propose the following solution to alleviate some of the problems with regard to fur farming. I propose a waiver permitting release from inspection and permits for fur farm animals for the period required to assess the position of fur farming and to agricultural inspection currently existing within the scope of DEC's regulatory authority. All existing regulations pertaining to fur farming will be evaluated with the intention to eliminate non-essential regulations. This waiver will be effective for a period not to exceed two years.

Sincerely,



Richard A. Neve
Commissioner

cc: Sharon Barton



fur farm

Keno.

Alaska State Legislature

BETTYE FAHRENKAMP, Chairman
ROBERT H. ZIEGLER, SR., Vice Chairman
DICK ELIASON
PAUL FISCHER
VIC FISCHER
BOB MULCAHY
ARLISS STURGULEWSKI



POUGH V
STATE CAPITAL
JUNEAU, ALASKA 99811
(907) 465-3834
(907) 465-3835

Senate

Committee on Resources

MEMORANDUM

TO: Senate Resources Committee Members

FROM: Senate Resources Committee Staff

RE: Committee Meeting, February 3, 1984

DATE: February 2, 1984

On Friday, February 3, 1984 at 3:00 pm in the Beltz Room, final action will be taken on the following bills:

SB 339 and SB 358 would extend the life of the Alaska Agricultural Action Council (AAAC) beyond June 30, 1984. The attached draft Committee Substitute would place the bill under a five year sunset provision.

SB 322 would expand the membership of the Agricultural Revolving Loan Fund from five to seven members.

SB 342 would amend the Agricultural Loan Act. The attached draft Committee Substitute would:

- 1) allow loans to be made for horticulture and fur farming
- 2) define horticulture
- 3) grant the Board the discretion to extend a short term loan beyond one year
- 4) allow clearing loans to be made on any land classified as having agricultural potential

Following action on these bills, the Department of Natural Resources will brief the committee on the proposed Bristol Bay Cooperative Management Plan, which was conceptually approved by the Alaska Land Use Council on December 9, 1983. The proposed plan is a revision of the draft plan presented to the Senate Resources Committee in Fairbanks in September, 1983.

(4) current financial statements including as a minimum: a balance sheet and a profit-and-loss statement for each of the persons specified under (a)(2) of this section;

(5) a statement of intent stating the amount requested, a description detailing the proposed use of the loan proceeds and the plan of repayment of the loan;

(6) a schedule of acceptable collateral stating date of acquisition, cost, location, market value and existing liens;

(7) pro forma financial statements which show the projected income and expenses for the following year;

(8) cash flow projections demonstrating the ability to make loan payments;

(9) a five year farm development plan including projected borrowing needs;

(10) a statement of whether the applicant has ever been the subject of a bankruptcy action; and

(11) a resume of agricultural experience and education.

(b) Loan applications may be submitted to any loan office of the division. A loan application may be presented to the board at a meeting under 11 AAC 39.031, if it is complete, complies with this chapter and is received by the division at least 14 days (except in the case of emergencies) before the date of the meeting.

(c) A corporation applying for a loan shall submit a current certificate of good standing in the State and a corporate resolution authorizing the corporation to borrow from the fund. A partnership or joint venture applying for a loan shall submit the partnership or joint venture agreement and proof of the authority to borrow from the fund. (Eff. / / , Reg.)

CHAPTER 39 - Ag. Revolving Loan Fund Authority: AS 03.10.020
AS 03.10.030

11 AAC 39.111. QUALIFYING LOANS PURPOSES. (a) Loans may be made for, but not limited to, the following purposes

- (1) clearing land for farming purposes;
- (2) development of farms;
- (3) processing of agricultural products and animals;
- (4) storage of farming products, equipment and machinery;
- (5) farm irrigation;
- (6) short term farm operating money;
- (7) livestock;
- (8) crops;

- (9) farm machinery and equipment; and
- (10) other farming purposes.

(b) Loans will not be made for the following purposes

- (1) boats;
- (2) airplanes;
- (3) tracked vehicles;
- (4) pickups, automobiles, and multiple use trucks except on-farm trucks;
- (5) enterprises not operated primarily for human or livestock food production including but not limited to, horse breeding and raising operations, fur breeding and fur farming enterprises, silviculture projects and greenhouses not operated primarily for food production;
- (6) riding academies and schools;
- (7) establishments which resell rather than produce, process or add value to crops, livestock and livestock products.
- (8) land purchases;
- (9) refinancing except in emergencies or when in the best interests of the loan fund;
- (10) residential property; and

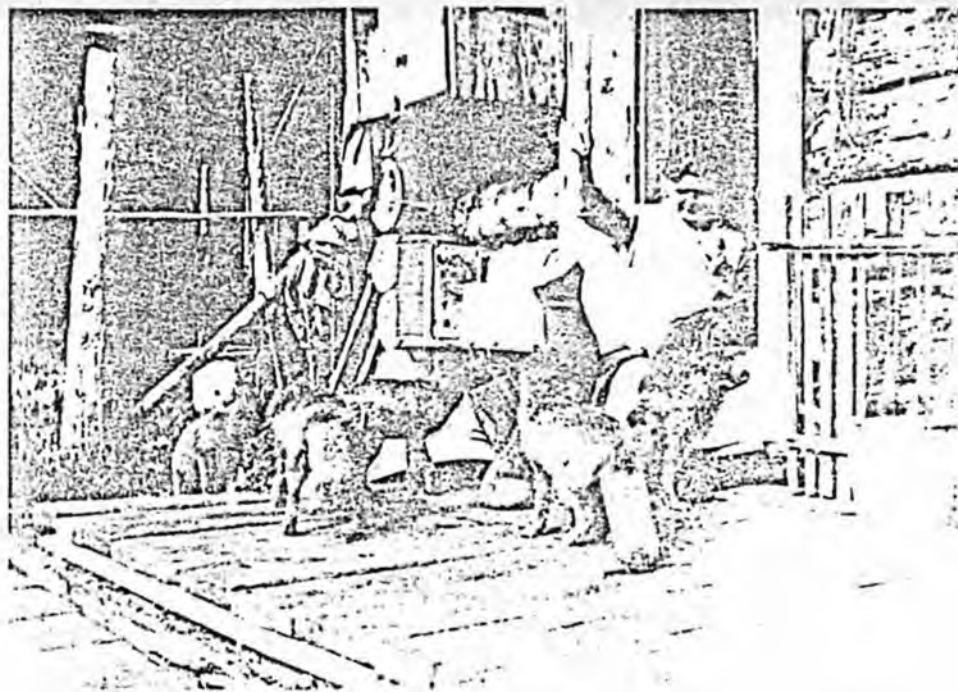
Authority: AS 03.10.020
AS 03.10.030

11 AAC 39.121. LOAN CATEGORIES. (a) Loans for the purposes specified in 11 AAC 39.111(a) shall be made under the following categories:

- (1) short term loans;
- (2) farm development loans;
- (3) irrigation loans;
- (4) chattel loans;
- (5) farm product processing loans; and
- (6) land clearing loans.

(b) A loan under each category specified in (a) of this section must meet the requirements for the loan category under 11 AAC 39.131 - 11 AAC 39.181, the overall maximum loan limit under 11 AAC 39.191, other conditions of loans under 11 AAC 39.211 - 11 AAC 39.231 and terms and conditions set by the board under 11 AAC 39.241. (Eff. / / , Reg.)

Authority: AS 03.10.020
AS 03.10.030
AS 03.10.050



Fox farming was still a profitable business back in the 1930s when these pictures were taken on Brother Island in Southeast Alaska. By 1939, fur prices fell drastically and fur farming nearly disappeared. (Alaska Historical Library)

fur farming

By Karen Cantillon

Fur farming, raising animals to harvest their pelts, has evolved over the years into an exacting science, although its beginnings in Alaska were less than scientific. Lately there has been renewed interest in the industry.

When people began farming furs in Alaska, intensive gold mining was still taking place in many cities and towns. As lodes started to dwindle, people looked for other ways to make money. Furs were valuable. Some people began trapping, while others decided to raise furbearers, breed them, and sell the pelts of the offspring. For some, fur farming was lucrative; for others, it meant bankruptcy.

The history of fur farming in the state was full of the same excitement found in other pioneer endeavors. In the case of Billy Gray, fox poacher, there was too much excitement. On March 7, 1924, according to an account in the *Alaska Daily Empire*, Billy was shot and killed by Ole Haynes and four companions. Haynes, the caretaker who lived on the San Juan Fox Ranch located at Pybus Bay, saw Billy Gray and a companion land on the island Wednesday, March 5. The

two men, armed with traps and weapons, set up camp on the beach. Haynes and his friends hid near the camp on Friday and waited for the men to appear.

Finally, Billy Gray came walking through the woods carrying a dead fox in one hand and a rifle in the other. Haynes and company yelled: "Throw up your hands."

The islands are still dotted with the ruins of these farms.

"All right, boys," he replied dropping the fox but not the gun. Haynes said he saw the barrel of Gray's rifle swing toward the woods where his four companions were hidden. He drilled Gray in the heart.

Haynes was exonerated by a coroner's jury. A local organization, the Southeastern Fox Farmer's Association, used the incident to call for rigid enforcement of the laws against poaching.

Around the turn of the century, the offshore islands in Southeast Alaska and small islands in the Aleutian Chain and around Kodiak were the sites of

numerous farms. The islands today are still dotted with the ruins of these fur farms, many of which failed during the 1930s, a decade that culminated in the fur market crash just before World War II.

Fox farmers leased islands from the federal government for \$100 to \$250 annually and men with enough capital outlay began investing in the industry. Farms continued to grow until the 1930s. During the 1934-35 season, large numbers of blue fox and white fox pelts were sold. In 1938 mink ranching took a firm hold; an Alaskan mink, the Yukon, began to lead sales in the Lower 48 marketplaces.

The federal government appropriated funds to begin operation of an experimental fur farm at Petersburg. Its purpose was to determine the best and most economical ways to raise furbearers and to extend this information to all fur ranchers in the Territory. The farm operated as part of the University of Alaska until very recently.

In 1939, there were 273 fur farming licenses issued. By 1944 the total had dropped to 87, and by 1947 there



in alaska

were only 62 fur farms, some raising mink. By 1966, there were only four fur farms in Alaska.

The fur market remained weak until very recently, but now there is renewed interest in farming, evidenced by the number of permits granted. Permits for fur farming are issued by Dr. Bert Gore, State Veterinarian with the Alaska Department of Environmental Conservation. Dr. Gore said there are 14 permits currently issued to fur farmers in Alaska, and there may be 20 more operators in business without a permit.

The present enforcement effort, carried out only by Dr. Gore, consists of preventing escapes of domestic foxes into the environment and blocking the use of rabies vaccine. While the animals may be vaccinated for distemper and a host of other diseases, there is presently no approved rabies vaccine for foxes. Because the vaccine is live, vaccinated animals that escape could spread rabies among wild populations.

In addition to preventing escape and controlling rabies vaccine, state regulations require that animals be maintained in clean and sanitary con-

ditions. Since Dr. Gore is the only inspector in the state, and because fur farms are geographically spread across vast territories, inspections have been limited largely to Southcentral Alaska, where he is stationed.

One of the major problems facing potential fur farmers is a source of food. Over the course of a year, 80

Starting a fox farm is a costly proposition.

female red foxes and 20 males, a recommended number for starting a farm, would require 55,000 pounds of food.

Good breeding stock is critical to the success of a fur farm. The animals must have high reproductive potential, good color, and quality fur. Initial breeding stock is often purchased from other farms. Those animals having excellent characteristics may cost as much as several thousand dollars. One alternative would be trapping wild animals, but selectivity would be lost.

A farmer must take good care of his

animals. Their food supplies and living quarters must be of high quality or they won't produce a pelt good enough to be marketed. The method used to kill the animals is generally electrocution, a very fast and nearly painless death. Poison is sometimes used as an alternative to electrocution, but storing toxic substances can be dangerous.

Starting a fox farm is a costly proposition. A good breeding stock would number 100 animals. No return could be expected for two to four years, so the investor would have to "float" for some time. In a 1981 paper titled "Feasibility of Fox Farming in the NANA Region," Dr. Lawrence S. Underwood calculated start-up costs at \$53,450. This included cage construction materials, freight, labor, and equipment for farms located in the northwestern portions of the state. The total food costs for the first year would be \$116,126 with freight costs of \$19,900.

Other species considered for farming have been lynx, mink, sable, and wolverine. There are problems with each type, and farming methods

Continued on page 42



Dripping wet, this swimming mink looks little like the valuable furbearer he is.

Leonard Lee Rue III photo

Mink, Markets and Money *continued from page 20*

point, our Alaskan minks, now all tanned, polished, and refined, will be intersorted with mink from many places to make the perfect match of the 25 to 50 skins required for one coat.

It is at this stage that the variables of fashion, manufacturing, marketing and merchandising make it difficult to follow exactly where or at what cost our Alaskan mink is affected. This is also where the largest increment of cost is added to the price of a coat, because it is the most labor intensive process.

Based on past trends in fashion, the styles that wear well and sell well, a manufacturer will have developed a line of coats for a given season. Each manufacturer might also have several lines: one for mass produced, more inexpensive coats, and another for individually tailored, luxury coats. Sometimes a manufacturer will team up with a designer to lend a "designer

name" and label to his goods. According to one furrier, this name will make the coat cost more, but it doesn't necessarily guarantee that the coat is top quality because "the manufacturer makes the coat, not the design."

The manufacturing process involves work by designers, cutters and sewing machine operators who carefully match each skin to be part of the coat, choose certain parts of each pelt to be used in a particular part of the coat, then sew them together in a way that makes the coat appear to be one piece of fur instead of dozens of separate skins. One manufacturer suggests that a good way to tell if you are getting a quality mink coat is to look at the inside of the coat at the reverse or skin side of the pelts to see if they are carefully pieced and sewn in one direction.

After a manufacturer has made up several coats they will be displayed at

fashion shows where retailers view them and place orders. Other unveilings take place at international fur fairs and shows all over the world. To these coats, in addition to the cost of the labor and materials that go into production, the value of the manufacturer's name and the designer's name, costs of marketing and retailing are tacked on. By the time the coat appears in the store window, the difference between the wholesale and retail cost, the costs of advertising and all the other variables that go into a price tag are finally complete.

So if we began with 50 pelts costing \$56.80 each after dressing, for a total of \$2,840, the design, manufacture, marketing, and retailing of that full-length mink coat cost nearly \$8,000!

Suzanne Iudicello is ADF&G's Special Assistant in charge of the Public Communications Section.

Fur Farming in Alaska *continued from page 7*

change from animal to animal. The one constant in the fur farming business, from its beginnings to the present day, is that it is not an easy way to make a living. It requires constant attention to the animals. Some

things have changed, however. Since the early years of the century the required capital investment has risen, and the methods of farming have become increasingly scientific and exacting.

Karen Cantillon is a Publications Specialist for ADF&G's Public Communications Section.



Alaska State Legislature

HOUSE OF REPRESENTATIVES
COMMITTEE ON RESOURCES

JOHN RINGSTAD, CO-CHAIRMAN
RICHARD SHULTZ, CO-CHAIRMAN
POUCH V
JUNEAU, ALASKA 99811
(907) 465-3715

TO: SENATOR BETTYE FAHRENKAMP, CHAIRMAN/ SENATE RES.
FROM: REP. JOHN RINGSTAD, CHAIRMAN/ HOUSE RES. *JR*
DATE: JANUARY 27, 1984
RE: FUR FARMING

THE SITUATION WITH THE FUR FARMERS IN THE STATE IS AS FOLLOWS:
1. PRESENTLY DEC AND F&G REGULATE THE INDUSTRY.

- A. DEC HAS AUTHORITY TO PERMIT THE FARMS AND INSPECT FOR HEALTH AND SANITARY STANDARDS.
- B. F&G PERMITS FOR THE CAPTURE OF WILD FUR BEARERS TO MIX WITH THE DOMESTIC ANIMALS TO ENHANCE GENETIC STOCK.
- C. (U.S. DEPT. OF AGRICULTURE INSPECTS ALL IMPORTED ANIMALS THAT ARE SHIPPED TO ALASKA)

2. I HAVE BEEN WORKING WITH DEC AND DNR TO MOVE FUR FARMING BACK INTO DNR WHERE IT HAD BEEN ORIGINALLY PLACED BEFORE AN EXECUTIVE ORDER BY GOVERNOR HAMMOND DEALING WITH DEC INSPECTION AUTHORITY ARBITRARILY SWEEPED THAT INDUSTRY INTO DEC.

3. I FEEL THAT THE FUR FARMERS, OF WHICH THERE IS A GROWING NUMBER, HAVE BEEN OVERLOOKED AND AS A RESULT LOST IN A MAZE OF MEANINGLESS REGULATIONS AND DEPARTMENTAL SHUFFLING. LAST YEARS HB 187 TOOK CARE OF A LOT OF THE REGULATORY PROBLEMS, BUT THERE REMAINS THE TRANSFER TO DNR IN HELPING TO HAVE FUR FARMING RECOGNIZED AS THE BONAFIDE AGRICULTURAL ACTIVITY THAT IT IS.

4. MANY OF US ARE UNAWARE THAT THIS INDUSTRY, SO WELL SUITED TO THE RURAL AREAS OF OUR STATE WAS ONCE A THRIVING ENTITY HERE IN ALASKA. WITH THE ADVENT OF BARLEY AND LARGE QUANTITIES OF FISH WASTE THE PROSPECTS FOR FUR FARMING AGAIN LOOK PLAUSIBLE FOR MANY ALASKANS. IT TRULY IS A UNIQUE PART OF AGRICULTURE AND MAY BY THAT VERY NATURE PROVIDE OPPORTUNITIES FOR ALASKANS THAT OTHERWISE WOULD NEVER HAVE THE CHANCE TO PARTICIPATE IN OUR GROWING AGRICULTURAL FUTURE.

2. A broad listing:

... products and crops including, but not limited to ...

3. A listing of activities:

florists, garden centers, nurseries, processors of fruit or vegetables, green house production, interior scape industry, landscape industry, production of fruit or vegetables

4. A standard dictionary definition:

Horticulture is the science and art of growing fruits, vegetables, flowers, or ornamental plants.

5. No definition.

Alternative definitions
of HORTICULTURE.

Draft SB 342

Register , 1983 NATURAL RESOURCES 11 AAC 39.010
11 AAC 39.011

CHAPTER 39 AGRICULTURAL REVOLVING LOAN FUND

Article

- 1. Powers and Duties (11 AAC 39.011 -- 11 AAC 39.091)
- 2. Loan Requirements (11 AAC 39.101 -- 11 AAC 39.291)
- 3. Loan Approval Procedure (11 AAC 39.301 -- 11 AAC 39.391)
- 4. Loan Administration (11 AAC 39.401 -- 11 AAC 39.501)
- 5. General Provisions (11 AAC 39.511)

ARTICLE 1. POWERS AND DUTIES

Section

- 10. (Repealed)
- 11. Duties of department and board
- 20. (Repealed)
- 21. Board officers
- 30. (Repealed)
- 31. Meetings of the board
- 40. (Repealed)
- 41. Board conflict of interest rules
- 50. (Repealed)
- 51. Employee conflict of interest rules
- 60. (Repealed)
- 61. Public and confidential records
- 71. (Reserved)
- 81. (Reserved)
- 91. (Reserved)
- 100. (Repealed)

11 AAC 39.010. TYPES AND TERMS OF LOANS AVAILABLE.
Repealed / / .

11 AAC 39.011. DUTIES OF DEPARTMENT AND BOARD. (a) The department and the board jointly administer the fund. The respective duties of the department and board are set out in (b), (c) and (d) of this section.

(b) The duties of the department are

- (1) formulating policy recommendations for board consideration;
 - (2) providing administrative support and staff for the board;
 - (3) receiving and processing loan applications;
 - (4) accounting, auditing, disbursing and receiving monies of the fund;
 - (5) supervising and servicing loans;
 - (6) providing information and services to the public;
- and
- (7) providing independent financial and management analysis of loan applications.

(c) The duties of the board are

(1) setting policy in conjunction with the commissioner for the administration of the fund, including the terms and conditions under which loans from the fund will be made;

(2) making loans from the fund except as provided in (d) of this section; and

(3) making changes in loan terms and conditions, and taking action to authorize foreclosures and other legal actions.

(d) The commissioner or the designee of the commissioner may make a loan up to \$25,000 to an existing borrower of the fund who is in good standing unless the loan request was previously disapproved by the board, the borrower has had a loan from the fund for less than one year, or the borrower has had a commissioner approved loan within the previous year.
(Eff. / / , Reg.)

Authority: AS 03.10.020
AS 03.10.050

11 AAC 39.020. USE OF FUNDS. Repealed / / .

11 AAC 39.021. BOARD OFFICERS. The board shall elect from its members a chairperson who shall preside at its meetings and a vice chairperson who shall preside in the chairperson's absence.
(Eff. / / , Reg.)

Authority: AS 03.10.020
AS 03.10.050

11 AAC 39.030. APPLICATION REQUIREMENTS FOR A LOAN.
Repealed / / .

11 AAC 39.031. MEETINGS OF THE BOARD. (a) The board will hold at least eight meetings a year. Additional meetings may be called by the chairperson or on the concurrence of any three members. In an emergency, the director may call a meeting for the purpose of considering matters which may be held in executive session under (c) of this section.

(b) Three members constitute a quorum and business may not be transacted unless three members are present.

(c) Meetings of the board will be open to the public except that meetings or those portions of meetings in which the board acts on applications for loans or changes in loan terms will be held in executive session. The public portion of any meeting shall be recorded and a summary shall be incorporated into the minutes of that meeting.

(d) Notice of meetings of the board which are open to the public under (c) of this section will be published in newspapers of general circulation within the agricultural communities of the state at least 15 days before the date of the meeting. The notice must provide the date, time, place of meeting and purpose of the meeting. Notice of meetings may also be posted in

division offices and included in department newsletters and publications.

(e) In an emergency, the board may meet by teleconference with respect to matters which may be discussed in executive session under (c) of this section.

(f) Written minutes of the public portion of a meeting will be made available to the public under 11 AAC 39.061(b).
(Eff. / / , Reg.)

Authority: AS 03.10.020
AS 03.10.050

11 AAC 39.040. LOAN LIMITATIONS, TERMS, RATES, AND ELIGIBILITY. Repealed / / .

11 AAC 39.041. BOARD CONFLICT OF INTEREST RULES. (a) No member of the board may discuss, consider or vote on any loan in which the member has a direct or indirect financial interest or stake. A member has a direct or indirect financial interest or stake in

(1) a loan to the member or member's immediate family;

(2) a loan to a corporation, partnership or joint venture in which the member or anyone in the member's immediate family is an officer, director or partner, or owns stock, or otherwise holds an ownership interest;

(3) a loan to a cooperative or other organization in which the member or anyone in the member's immediate family living in the same household is an officer or director;

(4) a loan, the proceeds of which will be used in whole or in part to satisfy a debt or obligation to the member or the member's immediate family; and

(5) a loan to a direct competitor of the member or anyone in member's immediate family.

(b) If a member believes that he or she may have a conflict of interest with respect to a loan, the member shall declare the potential conflict of interest to the board before the loan is considered. If a member declares a potential conflict of interest, the board shall discuss the potential conflict of interest before the loan is considered for the purpose of determining whether a conflict of interest exists.

(c) If a member determines that he or she has a conflict of interest with respect to a loan, the member shall abstain from discussing, considering and voting on the loan.

(d) If a member determines that he or she does not have a conflict of interest with respect to a loan, but believes that there is an appearance of a conflict of interest, the member may abstain from discussing, considering or voting on a loan.

(e) If a majority of the board determines that a member of the board has a conflict of interest or the appearance of a conflict of interest with respect to a loan, the board may vote

to disqualify that member from discussing, considering, or voting on a loan if the member refuses to abstain. (Eff. / / ,
Reg.)

Authority: AS 03.10.020
AS 03.10.050

11 AAC 39.050. THE AGRICULTURAL REVOLVING LOAN FUND BOARD.
Repealed / / .

11 AAC 39.051. EMPLOYEE CONFLICT OF INTEREST RULES. (a)
No employee may receive a loan under this chapter except for a short term loan, while employed by the division and for one year following employment with the division.

(b) On or before April 15 of each year, an employee of the division shall file a report with the commissioner and the board, covering the previous calendar year, which must list all Alaskan

(1) interests in agricultural land held by the employee or the employee's spouse;

(2) sources of agricultural or farm related income which exceed \$100 received by the employee or the employee's spouse;

(3) memberships and ownership interests in entities which are borrowers under this chapter;

(4) sources of income or other assets received by the employee or the employee's spouse from borrowers under this chapter; and

(5) sources of sales of property, loans and other business transactions which exceed \$100 between a borrower under this chapter and the employee and the employee's spouse.

(c) No employee of the division may discuss, review, consider or approve any loan in which the employee has a direct or indirect financial interest or stake. An employee has a direct or indirect financial interest or stake in

(1) a loan to the employee or the employee's immediate family;

(2) a loan to a corporation, partnership or joint venture in which the employee or anyone in the employee's immediate family is a partner, officer or director, or owns stock or otherwise holds an ownership interest;

(3) a loan to a cooperative or other organization in which the employee or anyone in the employee's immediate family living in the same household is an officer or director; and

(4) a loan, the proceeds of which will be used in whole or in part to satisfy a debt or obligation to the employee or the employee's immediate family.

(d) If an employee, the board or the department determines that the employee has a conflict of interest or the appearance of a conflict of interest with respect to a loan, the employee shall

abstain from discussing, reviewing, considering or approving the loan.

(e) An employee who violates this section is, in addition to other penalties provided by law, subject to dismissal.
(Eff. / / , Reg.)

Authority: AS 03.10.020
AS 03.10.050

11 AAC 39.060. APPROVAL BY BOARD AND COMMISSIONER.
Repealed / / .

11 AAC 39.061. PUBLIC AND CONFIDENTIAL RECORDS. (a) All records of the fund are public information except confidential records under (c) of this section.

(b) Notices of meetings and minutes of meetings will be made available to the public upon request.

(c) Confidential records include

- (1) loan applications;
 - (2) income tax returns;
 - (3) financial statements, pro forma profit and loss statements and cash flow projections;
 - (4) business and personal history;
 - (5) financial farm plans;
 - (6) credit reports from consumer reporting agencies and other credit information obtained from banks and creditors;
 - (7) employment and bank account verifications;
 - (8) loan status information including payment history of borrowers, correspondence concerning status of loans, payments received, delinquent payments and notices of default;
 - (9) loan resumes;
 - (10) loan board reports;
 - (11) financial and management analysis of loan applications;
 - (12) appraisals;
 - (13) construction contracts, construction and materials bids and quotes;
 - (14) purchaser and supplier contracts;
 - (15) market surveys and marketing strategy information;
- and
- (16) any other information which a person desires to keep private and which, if disseminated, would tend to cause

substantial concern, anxiety or embarrassment to a reasonable person.

(d) Requests to inspect and copy public records will be processed in accordance with 6 AAC 95.

(e) An employee who discloses confidential information under (c) of this section is in addition to other penalties provided by law subject to dismissal. (Eff. / / , Reg.)

Authority: AS 03.10.020
AS 03.10.050
AS 09.25.110
AS 09.25.120
Art. I,
Sec. 22,
Alaska Const.

11 AAC 39.071 -- 11 AAC 39.091. Reserved.

11 AAC 39.100. DEFINITIONS. Repealed / / .

ARTICLE 2. LOAN REQUIREMENTS

Section

- 101. Applications for loans
- 111. Qualifying loan purposes
- 121. Loan categories
- 131. Short term loans
- 141. Farm development loans
- 151. Irrigation loans
- 161. Chattel loans
- 171. Farm product processing loans
- 181. Land clearing loans
- 191. Overall maximum loan limit
- 201. Application of loan limits
- 211. Loans to delinquent borrowers
- 221. Additional conditions for new farm development projects
- 231. Other conditions of loans
- 241. Terms of loans
- 251. Residency
- 261. (Reserved)
- 271. (Reserved)
- 281. (Reserved)
- 291. (Reserved)

11 AAC 39.101. APPLICATIONS FOR LOANS. (a) Loan applications must be submitted on a form prescribed by the department and accompanied by

(1) an uniform application fee set by the board sufficient to cover the cost of a credit report and processing;

(2) a three-year business history and tax returns for the last three years of the borrower and of any person owning 10 percent or more of the business for which the loan is to be utilized;

(3) proof that the applicant is a state resident;

(4) current financial statements including as a minimum: a balance sheet and a profit-and-loss statement for each of the persons specified under (a)(2) of this section;

(5) a statement of intent stating the amount requested, a description detailing the proposed use of the loan proceeds and the plan of repayment of the loan;

(6) a schedule of acceptable collateral stating date of acquisition, cost, location, market value and existing liens;

(7) pro forma financial statements which show the projected income and expenses for the following year;

(8) cash flow projections demonstrating the ability to make loan payments;

(9) a five year farm development plan including projected borrowing needs;

(10) a statement of whether the applicant has ever been the subject of a bankruptcy action; and

(11) a resume of agricultural experience and education.

(b) Loan applications may be submitted to any loan office of the division. A loan application may be presented to the board at a meeting under 11 AAC 39.031, if it is complete, complies with this chapter and is received by the division at least 14 days (except in the case of emergencies) before the date of the meeting.

(c) A corporation applying for a loan shall submit a current certificate of good standing in the State and a corporate resolution authorizing the corporation to borrow from the fund. A partnership or joint venture applying for a loan shall submit the partnership or joint venture agreement and proof of the authority to borrow from the fund. (Eff. / / , Reg.)

CHAPTER 39 - Ag. Revolving Loan Fund

Authority: AS 03.10.020
AS 03.10.030

11 AAC 39.111. QUALIFYING LOANS PURPOSES. (a) Loans may be made for, but not limited to, the following purposes

- (1) clearing land for farming purposes;
- (2) development of farms;
- (3) processing of agricultural products and animals;
- (4) storage of farming products, equipment and machinery;
- (5) farm irrigation;
- (6) short term farm operating money;
- (7) livestock;
- (8) crops;

- (9) farm machinery and equipment; and
- (10) other farming purposes.

(b) Loans will not be made for the following purposes

- (1) boats;
- (2) airplanes;
- (3) tracked vehicles;
- (4) pickups, automobiles, and multiple use trucks except on-farm trucks;
- (5) enterprises not operated primarily for human or livestock food production including but not limited to, horse breeding and raising operations, fur breeding and fur farming enterprises, silviculture projects and greenhouses not operated primarily for food production;
- (6) riding academies and schools;
- (7) establishments which resell rather than produce, process or add value to crops, livestock and livestock products.
- (8) land purchases;
- (9) refinancing except in emergencies or when in the best interests of the loan fund;
- (10) residential property; and

Authority: AS 03.10.020
AS 03.10.030

11 AAC 39.121. LOAN CATEGORIES. (a) Loans for the purposes specified in 11 AAC 39.111(a) shall be made under the following categories:

- (1) short term loans;
- (2) farm development loans;
- (3) irrigation loans;
- (4) chattel loans;
- (5) farm product processing loans; and
- (6) land clearing loans.

(b) A loan under each category specified in (a) of this section must meet the requirements for the loan category under 11 AAC 39.131 - 11 AAC 39.181, the overall maximum loan limit under 11 AAC 39.121, other conditions of loans under 11 AAC 39.211 - 11 AAC 39.231 and terms and conditions set by the board under 11 AAC 39.241. (Eff. / / , Reg.)

Authority: AS 03.10.020
AS 03.10.030
AS 03.10.050

11 AAC 39.131. SHORT TERM LOANS. (a) A short term loan may be made not to exceed the maximum term and maximum dollar limit established under AS 03.10. The loan shall bear interest at eight percent unless a different rate is established under AS 03.10, or unless a commercial rate is established under AS 03.10.030(a)(4), (h). A short term loan for seed, fertilizer, fuel and other associated planting and harvesting expenses may not exceed the maximum dollar limit per acre planted established under (b) of this section.

(b) No later than December 15 of each year, the board will establish a maximum dollar limit per acre planted for short term loans used for seed, fertilizer, fuel and associated planting and harvesting expenses. The maximum dollar limit will be established by type of crop and area in the state. The maximum dollar limit will apply for loans made during the following calendar year unless the maximum dollar limit is changed during that year. (Eff. / / , Reg.)

Authority: AS 03.10.020
AS 03.10.030
AS 03.10.050

11 AAC 30.141. FARM DEVELOPMENT LOANS. (a) A farm development loan may be made not to exceed the maximum term and maximum dollar limit established under AS 03.10. The loan shall bear interest at eight percent unless a different rate is established under AS 03.10, or unless a commercial rate is established under AS 03.10.030(a)(4), (h).

(b) The amount of the loan may not exceed .5 percent of the appraised value of acceptable collateral offered to secure the loan minus the value of any liens on the collateral.

(c) The loan must be secured by a mortgage of the priority specified in AS 03.10 and meet the loan to value requirement established in (b) of this section. (Eff. / / , Reg.)

Authority: AS 03.10.020
AS 03.10.030
AS 03.10.050

11 AAC 39.151. IRRIGATION LOANS. (a) An irrigation loan may be made not to exceed the maximum term and maximum dollar limit established under AS 03.10. The loan shall bear interest at eight percent unless a different rate is established under AS 03.10, or unless a commercial rate is established under AS 03.10.030(a)(4), (h).

(b) The amount of the loan may not exceed 75 percent of the appraised value of the acceptable collateral offered to secure the loan minus the value of any liens on the collateral.

(c) The loan must be secured by a real estate or chattel mortgage of the priority specified in AS 03.10 and meet the loan to value requirement established in (b) of this section. (Eff. / / , Reg.)

Authority: AS 03.10.020
AS 03.10.030
AS 03.10.050

11 AAC 39.161. CHATTEL LOANS. (a) A chattel loan may be made not to exceed the maximum dollar limit under AS 03.10 for a term of 7 years. The loan shall bear interest at eight percent unless a different rate is established under AS 03.10, or unless a commercial rate is established under AS 03.10.030(a)(4), (h).

(b) The amount of the loan may not exceed 75 percent of the lower of the cost of the chattel offered as security or the appraised value of the acceptable collateral offered to secure the loan minus the value of any liens on the collateral.

(c) The loan must be secured by a real estate or chattel mortgage of the priority specified in AS 03.10 and meet the loan to value requirement established in (b) of this section. (Eff. / / , Reg.)

Authority: AS 03.10.020
AS 03.10.030
AS 03.10.050

11 AAC 39.171. FARM PRODUCT PROCESSING LOANS. (a) A farm product processing loan may be made not exceed the maximum term and maximum dollar limit established under AS 03.10. The loan shall bear interest at eight percent unless a different rate is established under AS 03.10, or unless a commercial rate is established under AS 03.10.030(a)(4), (h).

(b) The amount of the loan may not exceed 75 percent of the value of the mortgages offered to secure the loan, minus the value of any liens on the collateral.

(c) A loan must be secured by a mortgage of the priority specified in AS 03.10 and meet the loan to value requirement established in (b) of this section. (Eff. / / , Reg.)

Authority: AS 03.10.020
AS 03.10.030
AS 03.10.050

11 AAC 39.181. LAND CLEARING LOANS. (a) A land clearing loan may be made not to exceed the maximum term and maximum dollar limit established under AS 03.10. The loan shall bear interest at eight percent unless a different rate is established under AS 03.10, or unless a commercial rate is established under AS 03.10.030(a)(4), (h). The loan must not exceed the maximum dollar limit per acre cleared under (b) of this section and must be used for land qualifying for land clearing under (c) of this section.

(b) No later than July 1 of each year, the board will establish a maximum dollar limit per acre cleared for land clearing loans. The maximum dollar limit will be established by type of clearing and area in the state. The maximum dollar limit will apply for loans made during the next 12 months unless the maximum dollar limit is changed during that time.

(c) A loan may not be made for clearing land unless the land meets the land classification specified in AS 03.10. (Eff. / / , Reg.)

Authority: AS 03.10.020

AS 03.10.030

AS 03.10.050

11 AAC 39.191. OVERALL MAXIMUM LOAN LIMIT. In addition to the specific loan limits in 11 AAC 39.131 - 11 AAC 39.181 no loan may be made for any purpose which when added to the outstanding balance of other loans made under this chapter would exceed the maximum dollar limit established under AS 03.10. (Eff. / / , Reg.)

Authority: AS 03.10.020

AS 03.10.030

AS 03.10.050

11 AAC 39.201. APPLICATION OF LOAN LIMITS. The loan limits set by 11 AAC 39.131 - 11 AAC 39.191 shall apply to the applicant and any related party to the applicant. A related party to the applicant shall include:

(1) members of the applicant's immediate family if the applicant has an ownership interest with respect to farming operations of the member's immediate family;

(2) a corporation, partnership or joint venture of which the applicant is an officer, director or partner, or is directly or indirectly the beneficial owner of 10 percent or more of an interest in the business; and

(3) a person who is directly or indirectly, the beneficial owner of 10 percent or more of the business of the applicant. (Eff. / / , Reg.)

Authority: AS 03.10.020

AS 03.10.030

AS 03.10.050

11 AAC 39.211. LOANS TO DELINQUENT BORROWERS. Except for borrowers whose loans are under moratorium under 11 AAC 39.501, or as otherwise provided by the board at the time a loan is approved, a borrower who is delinquent on a loan made under this chapter will not be granted a new loan unless at a minimum the interest on the delinquent loan is brought current. (Eff. / / , Reg.)

Authority: AS 03.10.020

AS 03.10.050

11 AAC 39.221. ADDITIONAL CONDITIONS FOR NEW FARM DEVELOPMENT PROJECTS. In addition to the limitations and other conditions established in 11 AAC 39.121 - 11 AAC 39.241, a borrower under a farm development loan for a new project must

(1) provide at least 10 percent cash equity for the farm development project;

(2) establish that the projected annual debt service payments do not exceed 25% of the expected annual cash flow from the project; and

(3) provide a market survey or other evidence of market feasibility. (Eff. / / , Reg.)

Authority: AS 03.10.020
AS 03.10.030
AS 03.10.050

11 AAC 39.231. OTHER CONDITIONS OF LOANS. (a) Except as otherwise provided by the board, at the time that a loan which exceeds \$50,000 loan is approved, the borrower shall provide life insurance in the amount of the loan payable to the fund. In the case of a partnership, the life insurance shall be on the life of the managing partner. In the case of a corporation, the life insurance shall be on the life of the key managerial person of the corporation.

(b) A borrower shall provide hazard insurance on all buildings and all vehicles, machinery, equipment, and livestock which are stored in buildings. The insurance shall be in the amount of the value of the buildings, vehicles, machinery, equipment and livestock, not to exceed the amount of the loan, and shall be payable to the fund.

(c) In the case of a loan to a corporation, each person owning stock must provide a personal guarantee to the fund as additional security. (Eff. / / , Reg.)

Authority: AS 03.10.020
AS 03.10.030
AS 03.10.050

11 AAC 39.241. TERMS OF LOANS. Terms of all loans will be fixed in relation to the needs of the applicant and the collateral offered, however, the terms may not exceed the limits stated in 11 AAC 39.131 - 11 AAC 30.191. (Eff. / / , Reg.)

Authority: AS 03.10.020
AS 03.10.030
AS 03.10.050

11 AAC 39.251. RESIDENCY. (a) A natural person is a resident if the individual has been physically present in the state for at least 30 consecutive days before submitting the application and has the present intention of remaining in the state indefinitely. Proof of residency may be shown by where the individual

- (1) is registered to vote;
- (2) maintains his or her permanent place of abode;
- (3) files his or her tax returns;
- (4) registers or licenses his or her personal property, including but not limited to cars, boats, trucks and trailers;
- (5) is licensed to drive; and
- (6) maintains bank accounts, savings accounts, lines of credit and other financial relationships.

(b) A partnership or joint venture is a resident if all the partners or joint venturers are residents under (a) of this section.

(c) A corporation is a resident if it is currently registered to do business in the State and persons holding the majority stock in the corporation are residents under (a) of this section.

(d) A trust is a resident if it is registered in the State and all beneficial owners are residents under (a) of this section. (Eff. / / , Reg.)

Authority: AS 03.10.020
AS 03.10.030
AS 03.10.050

11 AAC 39.261 -- 11 AAC 39.291. Reserved.

ARTICLE 3. LOAN APPROVAL PROCEDURE

Section

- 301. Board approval of loans
- 311. Other loan actions by board
- 321. Commissioner approval of loans
- 331. Joint approval
- 341. Reconsideration of loan or change in loan terms
- 351. (Reserved)
- 361. (Reserved)
- 371. (Reserved)
- 381. (Reserved)
- 391. (Reserved)

11 AAC 39.301. BOARD APPROVAL OF LOANS. (a) Except as provided in 11 AAC 39.011(d) and 11 AAC 39.331 a loan will not be granted without the approval of a majority of the board. Approval of the loan by the board will be made pursuant to a motion, and an affirmative vote by a majority of the board at a meeting held under 11 AAC 39.031. A loan may also be disapproved or tabled by motion and majority vote. All loan actions of the board will be certified by the signature of the chairperson on a written report of the board.

(b) If a loan is approved, the board will record its action in a public meeting, and any conditions to the approval will be provided in a notice to the applicant under 11 AAC 39.401. If the loan is disapproved or tabled the board will record its action in a public meeting, and the reasons for the board's action will be provided in a notice to the applicant under 11 AAC 39.401.

(c) In addition to the loan application the board may consider any of the following:

(1) a written summary prepared by employees of the division;

(2) an independent analysis of the project by employees of the division using average yield, gains, or increases for the area;

(3) any discussion by the board and employees of the division; and

(4) any other material or information submitted by the applicant to the department.

(d) Unless requested by the board, the applicant may not attend an executive session of the board to discuss the loan application. (Eff. / / , Reg.)

Authority: AS 03.10.020
AS 03.10.050

11 AAC 39.311. OTHER LOAN ACTIONS BY BOARD. (a) Except as provided in 11 AAC 39.331, a change in loan terms will not be granted without the approval of a majority of the board. Approval of a change in loan terms will be made pursuant to a motion and an affirmative vote by a majority of the board, at a meeting held under 11 AAC 39.031. A change in loan terms may also be disapproved or tabled by motion and majority vote. All actions of the board in changing loan terms will be certified by the chairperson on a written report of the board.

(b) A change in loan terms includes a change in interest rate, loan amount, maturity date, amortization schedule, payment date or collateral. Except in the case of a one time only extension of a loan payment, in the event of change in loan terms, the interest rate on the remaining balance of the loan, if below the current interest rate charged on loans from the fund, will be raised to the current interest rate. In the event of a one time only extension of a loan payment, the interest rate on the payment being extended, if below the current interest rate charged on loans from the fund, will be raised to the current interest rate.

(c) If the change in loan terms is approved, the board shall record its action in a public meeting, and any conditions to the approval will be provided in a notice to the applicant under 11 AAC 39.401. If the change in loan terms is disapproved or tabled, the board shall record its action in a public meeting, and the reasons for the boards action will be provided in a notice to the applicant under 11 AAC 39.401.

(d) In addition to an application by the borrower for a change in loan terms, the board may consider any of the following:

(1) a written summary prepared by employees of the division;

(2) any discussion by the board and employees of the division; and

(3) any other written material or information submitted by the applicant to the department.

(e) Unless requested by the board, an applicant for a change in loan terms may not attend an executive session of the board to discuss the application. (Eff. / / , Reg.)

Authority: AS 03.10.020
AS 03.10.030
AS 03.10.050

11 AAC 39.321. COMMISSIONER APPROVAL OF LOANS. In the case of a commissioner approved loan, the loan decision will be recorded in writing, and shall be reported to the board at its next meeting. (Eff. / / , Reg.)

Authority: AS 03.10.020
AS 03.10.030

11 AAC 39.331. JOINT APPROVAL. If there is not a majority of the board to vote on a loan or a change in loan terms because of an abstention by a member or members under 11 AAC 39.041, the commissioner or the designee of the commissioner, sitting as a member of the board ex-officio, may vote on the loan or change in loan terms. The procedures for considering and recording actions of joint approval will be the same as set forth in 11 AAC 39.301 and 11 AAC 39.311. (Eff. / / , Reg.)

Authority: AS 03.10.020
AS 03.10.030
AS 03.10.050

11 AAC 39.341. RECONSIDERATION OF LOAN OR CHANGE IN LOAN TERMS. (a) If a loan or a change in loan terms is disapproved by the board, an applicant may, within 15 days of notification of the board's action, request a reconsideration by the board by submitting a written request for reconsideration to the division. The written request shall address specifically the reasons given by the board for its disapproval of the loan or a change in loan terms, and shall provide any additional information and additional reasons for reconsideration by the board.

(b) After consideration of the applicant's written request for reconsideration, the board may reconsider its previous decision by motion and majority vote. The board may also table or disapprove the request for reconsideration upon motion and majority vote. All reconsideration actions of the board will also be certified by the signature of the chairperson on a written report of the board.

(c) If the request for reconsideration is approved, the board shall record its action in a public meeting, and any conditions to its approval will be provided in a notice to the applicant under 11 AAC 39.401. If the request for reconsideration is tabled or disapproved, the board shall record its action in a public meeting, and the reasons for the board's action will be provided in a notice to the applicant under 11 AAC 39.401.

(d) Unless requested by the board, an applicant submitting a request for reconsideration may not attend an executive session of the board to discuss the request for reconsideration.

(e) An applicant may submit only one request for reconsideration on any loan request. (Eff. / / , Reg.)

Authority: AS 03.10.020
AS 03.10.030
AS 03.10.050

11 AAC 39.351 -- 11 AAC 39.391. Reserved.

ARTICLE 4. LOAN ADMINISTRATION

Section

- 401. Notice of loan related actions
- 411. Loan closing procedure
- 421. Disbursement of loan funds
- 431. Controlled accounts
- 441. Supervision of loans
- 451. Bankruptcy proceedings
- 461. Default
- 471. Penalty
- 481. False statements
- 491. Failure to comply with loan terms
- 501. Payment moratorium

11 AAC 39.401. NOTICE OF LOAN RELATED ACTIONS. (a) Within 5 days after a decision with respect to a loan, or a change in loan terms, the department will give written notice to the applicant of the decision.

(b) In the case of an approval, the department will specify the terms and conditions under which the loan will be made. In the case of a disapproval or tabling action, the department will specify the reasons for the disapproval or tabling action.
(Eff. / / , Reg.)

Authority: AS 03.10.020
AS 03.10.030
AS 03.10.050

11 AAC 39.411. LOAN CLOSING PROCEDURES. (a) Within 15 days after a decision approving a loan or a change in loan terms, the department will notify the applicant in writing of a closing date on the loan or change in loan terms. The closing will be held within 10 days of the notification unless otherwise agreed in writing by the department and the applicant.

(b) The notice of closing must specify the information, documents and conditions which the applicant must meet or provide at the closing.

(c) At the closing the applicant must

(1) meet all conditions imposed by the board;

(2) provide all information requested by the department; and

(3) execute promissory notes, real estate mortgages, deeds of trust, chattel mortgages, security agreements, financing statements, assignments, affidavits, insurance pay orders and other instruments as the department in its discretion may require.

(d) If a loan is not closed within 60 days following the date set for closing, the loan approval decision expires and a new loan application must be submitted. (Eff. / / , Reg.)

Authority: AS 03.10.020
AS 03.10.030
AS 03.10.050

11 AAC 39.421. DISBURSEMENT OF LOAN FUNDS. (a) Loan funds will not be disbursed to the borrower until

(1) security interests in the collateral securing the loan have been executed;

(2) the department is satisfied that the borrower has complied with all conditions imposed by the board;

(3) the department is satisfied that the borrower has provided all information requested by the department;

(4) all required instruments have been executed and all provisions in these instruments have been complied with; and

(5) the loan has been closed.

(b) All expenses incurred by the department in closing a loan or processing the loan application shall be deducted from the loan proceeds except for those expenses paid in advance from an application fee submitted under 11 AAC 39.101. These expenses include but are not limited to, the cost of credit reports, title reports and insurance, recording fees, appraisals, surveys, and other direct costs. (Eff. / / , Reg.)

Authority: AS 03.10.020
AS 03.10.030
AS 03.10.050

11 AAC 39.431. CONTROLLED ACCOUNTS. (a) Except as otherwise provided by the board at the time of approval of the loan, all disbursements of loan funds must be made pursuant to a controlled account. Under a controlled account, the department will disburse funds to a borrower only as requested and pursuant to an invoice or other document calling for payment. Payment may be made by check directly to the vendor or by a check requiring the joint endorsement of the vendor and the borrower. (Eff. / / , Reg.)

(b) In addition to the requirements of (a) of this section in the case of loans for land clearing, payment will be made only after inspection of the land clearing by the division.

Authority: AS 03.10.020
AS 03.10.030
AS 03.10.050

11 AAC 39.441. SUPERVISION OF LOANS. So long as there is any outstanding loan balance the borrower shall

(1) submit to the department, on request, annual financial statements which consist of a balance sheet, profit and loss statement, cash-flow statement and a schedule of change of owner's equity;

(2) submit to the department, on request, proof that insurance is being maintained in the amounts required by the loan documents; and

(3) agree to allow employees of the division or its agents access to its books, records and premises at all reasonable times. (Eff. / / , Reg.)

Authority: AS 03.10.020
AS 03.10.030
AS 03.10.050

11 AAC 39.451. BANKRUPTCY PROCEEDINGS. In the event that a borrower files for voluntary bankruptcy or is the subject of an involuntary bankruptcy action, the borrower must notify the board in writing, by certified mail, return receipt requested, within 48 hours. (Eff. / / , Reg.)

Authority: AS 03.10.020
AS 03.10.030
AS 03.10.050

11 AAC 39.461. DEFAULT. If a borrower is delinquent on a loan or is otherwise in default by reason of a failure to comply with the terms and conditions of the loan, the department will give written notice of the default to the borrower within 30 days after the delinquency or other matter giving rise to the delinquency. If within 30 days the default is not cured, or arrangements made with the department for curing the default, the department will, after discussion by the board, exercise its rights and remedies under the loan documents, except that a loan foreclosure must be authorized by the board. (Eff. / / , Reg.)

Authority: AS 03.10.020
AS 03.10.030
AS 03.10.050

11 AAC 39.471. PENALTY. Except in case of a moratorium of loan payments under 11 AAC 39.501, if a borrower is delinquent, a seven percent penalty may be assessed against the amount delinquent for all loans, including short term loans, unless the commissioner or the designee of the commissioner determines in writing that there is reasonable cause for waiving the penalty. In no event may the penalty and interest exceed 15 percent on each payment assessment. (Eff. / / , Reg.)

Authority: AS 03.10.020
AS 03.10.030
AS 03.10.050

11 AAC 39.481. FALSE STATEMENTS. An applicant who submits a false sworn or unsworn statement on or in support of a loan application is subject to the penalties set forth in A.S. 11.56.200-210, and will, in the discretion of the board, be denied any further loans. (Eff. / / , Reg.)

Authority: AS 03.10.020

11 AAC 39.491. FAILURE TO COMPLY WITH LOAN TERMS. A borrower who fails to comply with conditions under which a loan is made may, in the discretion of the board, be denied any further loans. (Eff. / / , Reg.)

Authority: AS 03.10.020

11 AAC 39.501. PAYMENT MORATORIUM. (a) The board may declare a farming disaster by unanimous decision of the board. A declaration of a farming disaster must be written and must be

signed by all members of the board. The declaration shall indicate

- (1) the circumstances giving rise to the farming disaster;
- (2) the farming industries affected by the farming disaster; and
- (3) the areas within the State affected by the farming disaster.

(b) A farming disaster includes

- (1) area-wide crop failure due to disease, pests, severe weather conditions or other natural phenomenon;
- (2) area-wide animal disease or animal destruction due to severe weather conditions or other natural phenomenon;
- (3) a closing of a substantial portion of the market sources or processing facilities which are vital to a farming industry within an area in the state; and
- (4) the destruction or closing of a transportation facility, route or link which is vital to a farming industry within an area in the state;

(c) In the event of a declaration, by the board under (a) of this section, of a farming disaster covering a farming industry within an area of the state, the board will declare a moratorium on loan payments due from borrowers within that farming industry and area of the State. The moratorium will be for a one year period and may be extended on a year by year basis, not to exceed five years. (Eff. / / , Reg.)

Authority: AS 03.10.020
AS 03.10.030
AS 03.10.050

ARTICLE 5. GENERAL PROVISIONS

Section

511. Definitions

11 AAC 39.511. DEFINITIONS. In this chapter

- (1) "acceptable collateral" means adequate security approved by the board to secure repayment of a loan in the event of default and includes but is not limited to, a mortgage, deed of trust, assignment or other security instrument on real property, buildings, machinery and equipment, fixtures, livestock, crops, accounts receivable and other contracts;
- (2) "applicant" means an individual, partnership, corporation, association, cooperative or other organization applying for a loan;
- (3) "board" means the Agricultural Revolving Loan Fund Board;

(4) "borrower" means all persons liable for a loan or any part of a loan;

(5) "chairperson" means the Chairperson of the Agricultural Revolving Loan Fund Board;

(6) "chattel" means livestock, vehicles and movable equipment and machinery;

(7) "commissioner" means the Commissioner of the Natural Resources;

(8) "crops" means small grains, oil seeds, forages, fruits and vegetables normally grown in northern latitudes;

(9) "department" means the Department of Natural Resources;

(10) "division" means the Division of Agriculture within the Department of Natural Resources;

(11) "emergency" means a situation which demands immediate attention to protect against a loss of income, or property of the borrower or the potential destruction of collateral of the fund;

(12) "employee" means an employee of the division who has responsibility with respect to the fund;

(13) "farm" means a tract or tracts of land, improvements and other appurtenances which is used in the production of crops, livestock or livestock products;

(14) "farming" means the business of producing crops, livestock and livestock products through the utilization and management of land, water, labor, capital and basic raw materials including seed, feed, fertilizer and fuel;

(15) "farm development" means buildings, storage facilities, fencing, stationary machinery and equipment, fixtures and related appurtenances;

(16) "fund" means the Agricultural Revolving Loan Fund;

(17) "good standing" means a borrower who does not have a loan which is delinquent or otherwise in default.

(18) "immediate family" means spouse, mother, father, brothers, sisters and children;

(19) "livestock" means beef cattle, dairy cattle, including dairy cattle raised and maintained primarily for the purpose of marketing dairy products, swine, sheep, goats, chickens and turkeys;

(20) "member" means a member of the Agricultural Revolving Loan Fund Board; and

(21) "new project" means a project which involves new acquisition or construction of farm development property but not including additions, extensions, improvements or reconstruction of existing farm development property of the borrower.
(Eff. / / , Reg.)

2/3/84

SB 339 and SB 358 AK. AGRICULTURAL ACTION COUNCIL

ADOPT RESOURCES C.S. FOR SB 339 (PUTS ON 5-YEAR SUNSET)

SB 322 EXPANDS MEMBERSHIP OF AG. REVOLVING LOAN FUND BOARD FROM 5 TO 7

SB 342 ~~AG~~

ADOPT RESOURCES C.S.

1. ALLOWS LOANS TO BE MADE FOR HORTICULTURE AND FUR FARMING
2. DEFINES HORTICULTURE
3. GRANTS THE BOARD THE DISCRETION TO EXTEND A SHORT TERM LOAN BEYOND ONE YEAR
4. LIMITS PROCESSING AND PRODUCTION (NOT SALE) TO IN-STATE
5. REQUIRES INDIVIDUALS WHO APPLY FOR LOANS BE RESIDENTS.

THIS REFLECTS WHAT IS ALREADY IN STATUTE. DEFINITIONS FOR PARTNERSHIP AND CORPORATION ARE IN PROPOSED REGS. - WE COULD PUT IN STATUTE.

ALTERNATIVE SOURCES OF LOANS:

ALASKA INDUSTRIAL DEVELOPMENT AUTHORITY (AIDA), WITHIN THE DEPT. OF COMMERCE, PARTICIPATES IN SMALL BUSINESS LOANS FOR A VARIETY OF PURPOSES, WHICH COULD INCLUDE NURSERIES AND GREENHOUSES. CURRENT INTEREST RATE IS 13-14%.

COMMERCIAL FISHING AND AGRICULTURE BANK (CFAB), WITHIN DEPT. OF COMMERCE, IS CURRENTLY FINANCING OPERATION OF A FUR FARM IN THE NORTH POLE AREA, AND ALSO OFFERS LOANS FOR GREENHOUSE OPERATIONS (EDIBLES ONLY; NO FLOWERS). A GOOD PROFIT HISTORY IS A CONDITION OF THE LOAN. THE CURRENT INTEREST RATE IS 13-13½%.

FUND LIMIT	\$75 million
APPROPRIATIONS AVAILABLE	62.5 million
	10 million

IT IS ANTICIPATED THAT THE PT. MACKENZIE AGRICULTURAL PROJECT WILL PUT A \$20 MILLION DEMAND ON THE FUND OVER THE NEXT FEW YEARS, WHICH MAY NECESSITATE A REQUEST FOR AN INCREASE IN THE STATUTORY LIMIT ON THE FUND.

SENATOR STURGULEWSKI IS CONCERNED ABOUT THE STRAIN HORTICULTURE AND FUR FARMING WILL PUT ON THE FUND. SHE SENT YOU A MEMO (ATTACHED) SAYING, "THERE ARE SOME \$36 MILLION IDENTIFIED AS NEEDED UNDER THE LEGISLATION AS IT IS BEING INTERPRETED". WE CALLED BILL HEIM, DIV. AG. -- HE SAID IF DELTAS I AND II AND PT. MCKENZIE ALL WOULD COME ON LINE IT WOULD TAKE \$36 MILLION. PROBABLY NEXT YEAR THE CAP ON THIS FUND (\$75 MILLION) WILL BE ASKED TO BE RAISED TO ACCOMMODATE THIS DEVELOPMENT, WHICH WILL TAKE PLACE OVER THE NEXT 4 YEARS.



S

B

344

SENATE RESOURCES COMMITTEE
LEGISLATION CHECKLIST

IDENTIFICATION:

BILL NUMBER: *SB 344*

BILL NAME: *Defects in title of state to land*

SPONSOR(S): *Eliason*

DATE INTRODUCED: *1-11-84*

REFERRALS: *Resources
Judiciary*

RELATED BILLS PENDING:

*HB 455 - Goull
1-19-84
Resources*

INITIAL RESEARCH:

BILL SUMMARY COMPLETED:

SPONSOR CONTACTED FOR
BACKUP MATERIALS:

AGENCY RESPONSE:

SUMMARY BY LEGAL DIVISION:

DEPT. OF LAW SUMMARY:

FISCAL NOTE:

OTHER INTERESTED SENATORS OR
REPS. NOTIFIED:

BACKGROUND RESEARCH:

SIMILAR BILLS INTRODUCED IN PREVIOUS LEGISLATURES:

RESPONSES FROM INTERESTED PERSONS/GROUPS:

OTHER STATE OR FEDERAL PRECEDENTS, REGULATIONS, LAWS:

HEARING PREPARATION:

CHAIRMAN BRIEFED:

STAFF MEMO TO COMMITTEE:

BACKGROUND MATERIAL DISTRIBUTED:

LIST OF WITNESSES:

DATE AND PLACE SET:

TELECONFERENCE:

PSA/PRESS RELEASE:

SUGGESTED AMENDMENTS/COMMITTEE
SUBSTITUTES DRAFTED:

*2/6/89 Merrill Palmer (City of Haines, lobbyist) called in support.
586-2660 Rm 609 (Baranoff)*

NOTES TO DECISIONS

As the federal government consistently endorsed restrictions on interstate shipment of timber from federal lands to protect the local processing capability of isolated areas, there was implicit approval of this section, authorizing the imposition of conditions on the sale of

state-owned timber that were designed to protect local timber processors from the slack in demand for their services during a temporary suspension of federal timber sales from the area national forests. *South-Central Timber Dev., Inc. v. LeResche*, 693 F.2d 890 (9th Cir. 1982).

Sec. 38.05.118. Negotiated timber sales in areas of high unemployment. (a) Notwithstanding any other provision of AS 38.05.110 — 38.05.120, the director, with the approval of the commissioner, may negotiate a sale of timber to a local manufacturer at appraised value. The period of a contract for a sale of timber negotiated under this section may not exceed 25 years. The contract shall provide that the appraised value of timber remaining to be harvested under the provisions of the contract shall be redetermined at least once every five years.

(b) Notice of intent to negotiate a contract authorized by (a) of this section shall be given in accordance with AS 38.05.305.

(c) No sale of timber may be negotiated by the director under this section unless he first finds that, within an area proximate to the business site which the manufacturer may economically serve, there exists

- (1) a high level of local unemployment;
- (2) an underutilized timber manufacturing capacity; and
- (3) an underutilized allowable cut of state timber. (§ 4 ch 73 SLA 1978)

Editor's notes. — AS 38.05.305, referred to in (b) of this section, was repealed by § 45, ch. 113, SLA 1981.

NOTES TO DECISIONS

Quoted in *Southeast Alaska Conservation Council, Inc. v. State*, Sup. Ct. Op. No. 2662 (File No. 5855), P.2d (1983).

Sec. 38.05.120. Disposal procedure.

NOTES TO DECISIONS

Primary manufacture. — See notes under same catchline under AS 38.05.110. *South-Central Timber Dev., Inc. v. LeResche*, 511 F. Supp. 139 (D. Alaska 1981), Notes to Decisions.

Quoted in *Kenai Lumber Co. v. LeResche*, Sup. Ct. Op. No. 2516 (File Nos.

5733, 5755), 646 P.2d 215 (1982).

Cited in *State v. University of Alaska*, Sup. Ct. Op. No. 2303 (File No. 4579), 624 P.2d 807 (1981); *Southeast Alaska Conservation Council, Inc. v. State*, Sup. Ct. Op. No. 2662 (File No. 5855), P.2d (1983).

Article 5. Reservation of Rights to Alaska.

Section

- 125. Reservation
- 127. Access to navigable or public waters
- 130. Damages and posting of bond

Sec. 38.05.125. Reservation. Each contract for the sale, lease or grant of state land, and each deed to state land, properties or interest in state land, made under AS 38.05.315 — 38.05.325, 38.05.045 — 38.05.120, 38.08.010 — 38.08.120, or 38.50.010 — 38.50.170 except as provided in AS 38.50.050 is subject to the following reservations: "The party of the first part. Alaska, hereby expressly saves, excepts and reserves out of the grant hereby made, unto itself, its lessees, successors, and assigns forever, all oils, gases, coal, ores, minerals, fissionable materials, geothermal resources, and fossils of every name, kind or description, and which may be in or upon said lands above described, or any part thereof, and the right to explore the same for such oils, gases, coal, ores, minerals, fissionable materials, geothermal resources, and fossils, and it also hereby expressly saves and reserves out of the grant hereby made, unto itself, its lessees, successors, and assigns forever, the right to enter by itself, its or their agents, attorneys, and servants upon said lands, or any part or parts thereof, at any and all times for the purpose of opening, developing, drilling, and working mines or wells on these or other lands and taking out and removing therefrom all such oils, gases, coal, ores, minerals, fissionable materials, geothermal resources, and fossils, and to that end it further expressly reserves out of the grant hereby made, unto itself, its lessees, successors, and assigns forever, the right by its or their agents, servants and attorneys at any and all times to erect, construct, maintain, and use all such buildings, machinery, roads, pipelines, powerlines, and railroads, sink such shafts, drill such wells, remove such soil, and to remain on said lands or any part thereof for the foregoing purposes and to occupy as much of said lands as may be necessary or convenient for such purposes hereby expressly reserving to itself, its lessees, successors, and assigns, as aforesaid, generally all rights and power in, to, and over said land, whether herein expressed or not, reasonably necessary or convenient to render beneficial and efficient the complete enjoyment of the property and rights hereby expressly reserved." (§ 1 art VII ch 169 SLA 1959; am § 14 ch 61 SLA 1960; am § 1 ch 42 SLA 1966; am § 3 ch 240 SLA 1973; am § 2 ch 175 SLA 1980)

Effect of amendments. — The 1980 amendment inserted the reference to AS 38.08.010 — 38.08.120, and "as" preceding "provided in AS 38.50.050" near the beginning of the section, inserted

"geothermal resources" wherever it appears throughout the section, and substituted "attorneys" for "attorney" near the middle of the section.

Editor's notes. — As to declaration of