

ALASKA LEGISLATURE COMMITTEE FILES 1900-1900 DD/Z
4234 SRES SB 105 - SB 110 114

MATANUSKA-SUSITNA BOROUGH

FEB 8 1985

BILL ANALYSIS

| | |
|---------------------------------|--|
| Bill No. <u>SB 105</u> | Sponsor <u>Kerttula</u> |
| Borough Position <u>Support</u> | Borough Contact Person <u>Rob Stickles</u> |

| | |
|--|--|
| Similar Bills <u>None</u> | Conflicting Bills <u>None</u> |
| Organizational Support <u>ADF&G</u> <u>Local Groups</u> | Organizational Opposition <u>Unknown</u> |

| | | | |
|--------------------------|---------------|------------------------------|--|
| Fiscal Impact On Borough | | <input type="checkbox"/> Yes | <input checked="" type="checkbox"/> No |
| Operating _____ | Capital _____ | | |

| |
|----------------------|
| Proposed Amendments: |
| NONE |

Comments:

The Assembly passed a resolution that will allow for the donation of 135 acres of Borough land to the expanded Palmer Hay Flats State Game Refuge if this legislation passes. Copy of resolution attached.

League of Women Voters of Alaska

HB 5
SOME FUNDS
IN BUDGET

9151 Skywood Lane
Juneau, Alaska 99801
February 26, 1985

The Honorable Arliss Sturgulewski, Chairman
Senate Resources Committee
Alaska Legislature
Pouch V
Juneau, Alaska 99811

Re: SB 105: Palmer Hay Flats State Game Refuge

Dear Senator Sturgulewski:

The League of Women Voters of Alaska supports, in principle, SB 105, which would expand the Palmer Hay Flats State Game Refuge to incorporate certain important wetlands. The League has always considered the protection of important wetland habitats as a high priority matter, and has supported the setting aside for future public use such areas as State forests and marine parks in Alaska. We also supported the bill which established the Kenai River Management Area.

We are in a quandary, however, because of the large fiscal note connected with the need to purchase private lands to implement SB 105. This is of special concern in a time of declining State revenues and competing health related demands such as asbestos removal from schools. If, because of budgetary constraints, we had to choose between the purchase of these wetlands and the removal of any existing asbestos hazards from schools, we would choose the asbestos removal. This is consistent with one of the amplification provisions of the League's new "capital budget process" position, which states that life, health, safety and educational needs should take priority over other less basic needs.

Perhaps another financing mechanism (such as inclusion of the project cost in a State bond issue) should be explored, possibly by your committee jointly with the Finance Committee.

If a way can be found to acquire the wetlands necessary to expand the Palmer Hay Flats State Game Refuge in accordance with SB 105, without adversely impacting high priority health and education related needs, we would like to see it happen.

The Honorable Arliss Sturgulewski, Chairman
February 26, 1985
Page Two

Thank you for considering our views.

Sincerely,



Elizabeth Cuadra, Board Member
(Natural Resources Portfolio)

DEC:sd

cc: Committee Members (Fahrenkamp, Eliason, Zharoff, Halford,
Coghill and V. Fischer)
Sponsor (Kerttula)

TO: Senator Arliss Sturgulewski, Chair
Senate Resources Committee

FROM: Senator Jay Kerttula

RE: SB 105; Palmer Hay Flats State Game Refuge

The committee is requested to include the following language in SB 105
which would avoid concern by the owners of the private land that would be
included in the refuge through passage of this bill:

Page 3, line 6 Sec 4.(a) "The commissioner of natural resources
may also offer to purchase at fair market value from willing sellers
privately owned land determined desirable for inclusion in the Palmer
Hay Flats State Game Refuge."

Thank you for your consideration.

STATE OF ALASKA 1985 LEGISLATIVE SESSION
FISCAL NOTE

Revision Date: _____

REQUEST

Bill/Resolution No.: SB 105

Title: Palmer Hay Flats

Sponsor: Kerttula

Requestor: _____

Date of Request: _____

FISCAL DETAIL

Agency Affected: Natural Resources

Program Category Affected: NRMEC

BRU, Program or Subprogram(s) Affected: _____

Land and Water Management

EXPENDITURES/REVENUES: (Thousands of Dollars)

| | FY 85 | FY 86 | FY 87 | FY 88 | FY 89 | FY 90 |
|------------------------|-------|-------|-------|-------|-------|-------|
| 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- | -0- | -0- |

| | | | | | | |
|----------------|--|--|--|--|--|--|
| CAPITAL | | | | | | |
|----------------|--|--|--|--|--|--|

| | | | | | | |
|----------------|--|--|--|--|--|--|
| REVENUE | | | | | | |
|----------------|--|--|--|--|--|--|

FUNDING: (Thousands of Dollars)

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

POSITIONS:

| | | | | | | |
|-----------|--|--|--|--|--|--|
| FULL-TIME | | | | | | |
| PART-TIME | | | | | | |
| TEMPORARY | | | | | | |

ANALYSIS: Attach a separate page if necessary

No fiscal impact

Prepared By: Mike Vediner

Division: Commissioner's Office

Phone: 465-2400

Date: 2-27-85

Approved by Commissioner: Ned Fongiluan

Agency: Natural Resources

Date: 2-27-85

Distribution (by Agency preparing fiscal note):

Legislative Finance

Legislative Sponsor

Requestor

Office of Management and Budget

Impacted Agency(ies)

7/1/84



Official Business

Alaska State Legislature

Senate

SB105

Pouch V
State Capitol
Juneau, Alaska 99811

M E M O R A N D U M

TO: Senator Arliss Sturgulewski
Chair, Resources Committee

FROM: Senator Jay Kerttula

DATE: February 16, 1985

SUBJECT: SB-105 *Jay*

I am forwarding a copy of a letter which discusses SB-105-The Hayflats Bill.

I hope it will be helpful in your deliberations.

FEB 12 1965

February 6, 1965

Senator John C. Sackett
Co-chairman Finance Committee
Alaska State Senate
Pouch V
Juneau, Alaska 99811

Dear Senator Sackett:

It is with a deep sense of urgency that I request your full support for passage of Senate Bill No. 105, introduced by Senator Kerttula.

I have lived in the Matanuska Valley for seven years and have grown to deeply appreciate the many values associated with the Palmer Hay Flats area. As a daily commuter to Anchorage, the "flats" provides an oasis of aesthetic quality in what otherwise has become a 45 mile strip development. Coincidentally, it is the safest part of the trip due to the lack of development. Any development along this single lane stretch of the Glenn Highway would create a horrendous safety hazard.

As a consumptive user of the fish and wildlife resources of this great state, I have become intimately familiar with those resources in the "flats" area. I have also seen the number of other users increase tremendously the past few years. Not only hunters, fishermen and trappers, but general recreationists as well. A great number of these users are Anchorage residents and non-residents. As you are well aware, the degree of access is a key factor to recreational use in any area. The location of the "flats" is ideal for serving well over 50% of the recreational users in the state. I, as well as others, especially enjoy the area as a place to share these experiences with our children without making a major expedition. It is also an ideal educational area and is used as such by local educators. Concurrent, with the rapid development in the valley, I have seen fish and wildlife resource habitats dwindle, thereby enhancing the importance of remaining areas, such as the Palmer Hay Flats.

As a business owner in Palmer, I have enjoyed watching the valley grow and have shared in some of the associated benefits. I have also experienced a growing concern that we are destroying many of the qualities which make the valley so attractive. This is due to a large extent by our failure to recognize these qualities and place them in a proper perspective, equal to strictly economic interests.

In view of declining state revenues, the relatively small cost associated with protecting a natural resource of this importance and magnitude is a bargain that should not be ignored.

Your support for this bill will help assure preservation of this beautiful natural area for the enjoyment of untold numbers of future Alaskans.

Sincerely,


Gary Stackhouse

cc: all Finance Committee members

SB105 DOCUMENT= 1 OF 1 PAGE =
 BILL = SB105
 ROOT = SB0105
 BILL ROOT:
 SB0105
 BILL NUMBER:
 SB105
 INTRODUCED:
 1/28/85
 REFERRED: Resources and
 Finance
 ORIG SPONSOR:
 BY KERTTULA
 BILL HEADING:
 IN THE SENATE

CS SENATE BILL NO. 105 (Resources)
 IN THE LEGISLATURE OF THE STATE OF ALASKA
 FOURTEENTH LEGISLATURE - FIRST SESSION
 A BILL

TITLE: For an Act entitled:
 "An Act relating to the Palmer Hay Flats State Game
 Refuge; and providing for an effective date."

TEXT: BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:
 * Section 1. The legislature determines that wetlands
 important to the protection of waterfowl and salmon in the
 Spring Creek area lie outside of the boundaries of the
 Palmer Hay Flats State Game Refuge. The Spring Creek area
 also provides one of the major public access points to the
 hay flats although the land is privately owned. The
 legislature therefore determines that it is in the public
 interest to protect the Spring Creek wetlands through
 extension of the Palmer Hay Flats State Game Refuge under
 this Act.

* Sec. 2. AS 16.20.032(a) is amended to read:
 (a) The following state-owned land and water is
 established as the Palmer Hay Flats State Game Refuge:

- (1) Township 16 North, Range 1 West, Seward Meridian
 Sections 1 - 12 inclusive
 Section 13: N1/2
 Sections 14 - 18 inclusive
- (2) Township 17 North, Range 1 West, Seward Meridian

Section 25: All
 Section 26: S1/2, S1/2N1/2, N1/2NE1/4,
 NE1/4NW1/4
 Section 27: S1/2, SE1/4NE1/4
 Section 31: Lot 4, SE1/4, E1/2SW1/4,
 SE1/4NE1/4, S1/2SW1/4NE1/4
 Section 32: S1/2, S1/2NE1/4, NE1/4NE1/4,
 SE1/4NW1/4
 Section 33: All
 Section 34: All
 Section 35: All
 Section 36: All [state tide and submerged
 land]

(3) Township 17 North, Range 1 East, Seward Meridian

Section 22:
 excluding NW1/4NW1/4
 excluding NE1/4NE1/4NE1/4
 excluding N1/2NE1/4NW1/4
 Section 27:
 excluding S1/2S1/2
 Section 28: N1/2SE1/4
 Section 31: Lots 5, 7, 8, 9, 10
 Section 32: NE1/4
 Section 33: SW1/4NW1/4, including all state
 tide and submerged land

(4) Township 16 North, Range 1 East, Seward Meridian

Section 4, 5, 6, 7, 8, 9: All
 Section 17: N1/2
 Section 18: N1/2

All state tide and submerged land

(5) Township 16 North Range 1 East Seward Meridian

Section 2: Portion lying west of the Alaska Railroad

Section 3: Lot 1, excluding portions lying east of
 the Alaska Railroad centerline, Lots 2, 3, 4, 5,
 6, NW1/4, NW1/4, NE1/4

Section 10: Lots 1, 2, 3, 4, 6, and portions lying
 west of the Alaska Railroad

Section 15: All state lands lying north of the south
 bank of the Knik River and west of the Alaska
 Railroad.

Section 16: All state lands lying north of the south
 bank of the Knik River.

* Sec. 3. The commissioner of natural resources shall
 include the land acquired from the Matanuska-Susitna
 Borough under this section in the Palmer Hay Flats

1200 Acres

Deleted
 Sec 3 (a) + (b)

State Game Refuge established under AS 16.20.032.

* Sec. 4. (a) The commissioner of natural resources may dispose of state land located within the Matanuska-Susitna borough in exchange for privately owned land determined desirable for inclusion in the Palmer Hay Flats State Game Refuge. The commissioner of natural resources may also offer to purchase at fair market value from willing sellers

privately owned land determined desirable for inclusion in the Palmer Hay Flats State Game Refuge.

(b) An exchange or purchase authorized under (a) of this section shall be accomplished under AS 38.50.

(c) The commissioner of natural resources shall include land acquired under this section in the Palmer Hay Flats State Game Refuge established under AS 16.20.032.

* Sec. 5. An offer made by the commissioner of natural resources under this Act for a purchase or exchange that remains unaccepted for two years after tender is withdrawn.

* Sec. 6. It is not the intent of this bill to prohibit expansion or improvement to the Glenn or Parks Highways, the potential Wasilla Bypass, or construction of the interchange at the Parks and Glenn Highways.

* Sec. 7. This Act takes effect immediately in accordance with AS 01.10.070(c).

BILL ANALYSIS
(Supplemental Sheet)
Page 2 of 2

~~Department~~
Fish and Game

Sponsor
Kerttula

Bill Number
SB 105

Amendments continued.

1200A

~~Add (a)(5) Township 16 North Range 1 East Seward Meridian~~

~~Section 2: Portion lying west of the Alaska Railroad~~

~~Section 3: Lot 1, excluding portions lying east of the Alaska Railroad centerline,
Lots 2, 3, 4, 5, 6, NW $\frac{1}{4}$, NW $\frac{1}{2}$ NE $\frac{1}{4}$~~

~~Section 10: Lots 1, 2, 3, 4, 6, and portions lying west of the Alaska Railroad~~

~~Section 15: All state lands lying north of the south bank of the Knik River and west
of the Alaska Railroad.~~

~~Section 16: All state lands lying north of the south bank of the Knik River.~~

~~Add Sec. 2(b): The State shall attempt to acquire all lands described in (a) of this
section for inclusion in the Palmer Hay Flats State Game Refuge.~~

~~Add Sec. 6. The Department of Fish and Game may purchase privately owned lands determined
desirable for inclusion in the Palmer Hay Flats State Game Refuge. *with duck stamp + CrP.*~~

water
fowl
duck
stamp

with
RIBL stamp

EXCHANGES
NONE
MANAGED

Delete
AND



STATE OF ALASKA
OFFICE OF THE GOVERNOR
BILL ANALYSIS

| | | | |
|---|---------------------|-----------------------|--|
| DEPARTMENT Fish and Game | DIVISION Habitat | BILL NUMBER SB 105 | RESOLUTION KRC 001a |
| DEPARTMENT POSITION Support - with amendments. | | | |
| PREPARED BY Habitat Div. - Debra Clausen | | DATE 2/4/85 | COMMISSIONER'S SIGNATURE <i>[Signature]</i> |
| | | | DATE 2/13/85 |

SUMMARY

| | |
|---|---|
| OTHER AGENCIES AFFECTED BY BILL DNR Matanuska Susitna Borough | CONSTITUENT GROUP(S) AFFECTED BY BILL |
| ORGANIZATIONAL SUPPORT FOR BILL Matanuska Susitna Borough (see attached resolution 85-12) | ORGANIZATIONAL OPPOSITION TO BILL None known |

FISCAL IMPACT: NONE FISCAL NOTE ATTACHED

BACKGROUND/LEGISLATIVE INTENT

The purpose of this bill is to provide protection for highly productive wetlands habitat in the Spring Creek area by adding it to the Palmer Hay Flats State Game Refuge. The wetlands proposed for addition provide important habitat for waterfowl, salmon, and moose populations. Addition of these lands will result in acquisition of key refuge access points.

ANALYSIS OF BILL/PROGRAM EFFECTS

The bill will provide protection to highly productive wetlands habitat by:

- Expanding the boundary description of Palmer Hay Flats State Game Refuge to include the Spring Creek area.
- Allowing for the addition of municipal lands within the Spring Creek area to Palmer Hay Flats State Game Refuge.
- Allowing the Department of Natural Resources to acquire, through purchase or trade, private land determined desirable for inclusion in Palmer Hay Flats State Game Refuge.

The bill will enhance public access to the Refuge by directing the acquisition of key access points now in private ownership.

AMENDMENTS PROPOSED

Change AS 16.20.032(a)(2) Section 36: All [STATE TIDE AND SUBMERGED LAND] ✓
(see attached continuation sheet)

PLEASE ATTACH A SEPARATE SHEET FOR ADDITIONAL COMMENTS OR ANALYSIS.

TO: Senator Arliss Sturgulewski, Chair
Senate Resources Committee

FROM: Senator Jay Kerttula

RE: SB 105; Palmer Hay Flats State Game Refuge

The Committee is requested to include the following language in SB 105 that would avoid concern by the owners of the private land that would be included in the refuge through passage of this bill:

✓
Page 3, line 6 Sec 4.(a) "The commissioner of natural resources may also offer to purchase at fair market value from willing sellers privately owned land determined desirable for inclusion in the Palmer Hay Flats State Game Refuge."

Thank you for your consideration.

MAR 2 1985

March 2, 1985
PO Box 2176
Palmer, Alaska 99645

Senator Arliss Sturgulewski
Senate Resources Committee
Capitol Bldg.
Pouch v
Juneau, Alaska

Dear Senator Sturgulewski,

Let me thank you and your aides for your efficiency in moving SB-105, the Palmer Hay Flats bill, through the Resources Committee recently. The excellent committee changes have given the legislation added momentum. I especially appreciate the personal interest you have shown in our popular "swamp" along the Glenn Highway.

Your aide, Frank Homan, should be particularly commended for his role in the bill's successful passage through the Resources Committee. Frank worked long hours under pressure to balance and fine-tune the requirements of three departments and the sponsor. The result is a well-crafted piece of legislation. It now fulfills the goals of DOT, DNR, and ADF&G and protects the area's resource users in a manner which is fair to the local landowners.

Thanks for your leadership in expediting the bill.

Sincerely,

Mike Bronson

Mike Bronson

FEB 25 1985

20 February 1985

Senator Sturgulewski
Senator Fahrenkamp

Resource Committee
Pouch V
Juneau, Alaska 99811

RE: Senate Bill 105 Palmer Hay Flats State Game Refuge

Dear Senators

As a landowner in the flats area since the 1950's, we support public ownership of these lands.

The public uses our land and the neighboring private lands for hunting, fishing, trapping and wildlife viewing. Located between two major population centers, the numbers grow almost daily.

Yet, major objections and stumbling blocks are placed by State agencies and Mat-Su Borough for owners using or developing our lands.

We know there is strong public support for the Flats to stay as they are now. We are willing to work with the State in a sale or exchange. We and the neighboring land owners have expressed this at other public hearings.

We ask for your valuable support in solving this land conflict.

Sincerely,

Floyd Beal

Floyd Beal

FB/tb

cc: Senator Eliason
Zharoff
Halford
Coghill
V. Fischer

*****MATR-0050*****FEB. 25*****MARTIE/MATSU*****

TO: SENATORS FAIKS ³ AND STURGULEWSKI

FROM: BETH AND BOB ESTELLE
SRA BOX 6145
PALMER 99645
745-4051

RE: SB 105, PALMER HAY FLATS

WE ARE IN SUPPORT OF THE PALMER HAY FLATS BILL, SB 105.

FEB 25 1985

MATANUSKA-SUSITNA BOROUGH

RESOLUTION SERIAL NO. 85- 12

A RESOLUTION OF THE ASSEMBLY OF THE MATANUSKA-SUSITNA BOROUGH SUPPORTING THE EXTENSION OF THE PALMER HAY FLATS STATE GAME REFUGE AND THE INCLUSION WITHIN THE EXTENSION OF APPROXIMATELY 130 ACRES OF BOROUGH LAND

WHEREAS, the Palmer Hay Flats is the gateway to the Matanuska-Susitna Borough; and

WHEREAS, the Hay Flats is currently the home of many species of wildlife and is important to the fishery resources; and

WHEREAS, most of the land proposed for the extension of the Palmer Hay Flats Game Refuge is wet and unsuitable for development; and

WHEREAS, this area receives intense recreational use throughout the year; and

WHEREAS, the State is in the process of trying to obtain funds to buy private property adjacent to the Flats in order to extend the refuge; and

WHEREAS, the Assembly supports the extension of the refuge to ensure the open natural character of the land will remain as the gateway to the Borough.

NOW, THEREFORE, BE IT RESOLVED that if the State can obtain funds to buy private properties to extend the Palmer Hay Flats Game Refuge, the Borough will include, under State management, the 130 acres that

have been selected and conveyed to the Borough lying adjacent to the
Palmer Hay Flats Game Refuge.

Dorothy A. Jones
Dorothy Jones
Deputy Mayor

ATTEST:

Judy Gilbert-Joe
Chris Seagraves, Clerk

REVIEWED AND APPROVED:

Gary Thurlow
Gary Thurlow, Manager

MATANUSKA-SUSITNA BOROUGH

FEB 8 1985

BILL ANALYSIS

| | |
|---------------------------------|---|
| Bill No. <u>SB 105</u> | Sponsor <u>Kerttula</u> |
| Borough Position <u>Support</u> | Borough Contact Person <u>Rob Stickle</u> |

| | |
|--|--|
| Similar Bills <u>None</u> | Conflicting Bills <u>None</u> |
| Organizational Support <u>ADF&G</u> <u>Local Groups</u> | Organizational Opposition <u>Unknown</u> |

| | | | |
|--------------------------|---------------|------------------------------|--|
| Fiscal Impact On Borough | | <input type="checkbox"/> Yes | <input checked="" type="checkbox"/> No |
| Operating _____ | Capital _____ | | |

| |
|----------------------|
| Proposed Amendments: |
| NONE |

Comments:

The Assembly passed a resolution that will allow for the donation of 135 acres of Borough land to the expanded Palmer Hay Flats State Game Refuge if this legislation passes. Copy of resolution attached.

February 6, 1985

FEB 12 1985

Senator Arliss Sturgulewski
Chairman Resources Committee
Alaska State Senate
Pouch V
Juneau, Alaska 99811

Dear Senator Sturgulewski:

It is with a deep sense of urgency that I request your full support for passage of Senate Bill No. 105, introduced by Senator Kerttula.

I have lived in the Matanuska Valley for seven years and have grown to deeply appreciate the many values associated with the Palmer Hay Flats area. As a daily commuter to Anchorage, the "flats" provides an oasis of aesthetic quality in what otherwise has become a 45 mile strip development. Coincidentally, it is the safest part of the trip due to the lack of development. Any development along this single lane stretch of the Glenn Highway would create a horrendous safety hazard.

As a consumptive user of the fish and wildlife resources of this great state, I have become intimately familiar with those resources in the "flats" area. I have also seen the number of other users increase tremendously the past few years. Not only hunters, fishermen and trappers, but general recreationists as well. A great number of these users are Anchorage residents and non-residents. As you are well aware, the degree of access is a key factor to recreational use in any area. The location of the "flats" is ideal for serving well over 50% of the recreational users in the state. I, as well as others, especially enjoy the area as a place to share these experiences with our children without making a major expedition. It is also an ideal educational area and is used as such by local educators. Concurrent, with the rapid development in the valley, I have seen fish and wildlife resource habitats dwindle, thereby enhancing the importance of remaining areas, such as the Palmer Hay Flats.

As a business owner in Palmer, I have enjoyed watching the valley grow and have shared in some of the associated benefits. I have also experienced a growing concern that we are destroying many of the qualities which make the valley so attractive. This is due to a large extent by our failure to recognize these qualities and place them in a proper perspective, equal to strictly economic interests.

In view of declining state revenues, the relatively small cost associated with protecting a natural resource of this importance and magnitude is a bargain that should not be ignored.

Your support for this bill will help assure preservation of this beautiful natural area for the enjoyment of untold numbers of future Alaskans.

Sincerely,


Gary Stackhouse

cc: all Resources Committee members

FEB 14 1985

P.O. Box 873496
Wasilla, AK 99687
Feb. 7, 1985

Senator Arliss Sturgulewski
State Capitol
Pouch V
Juneau, AK 99811

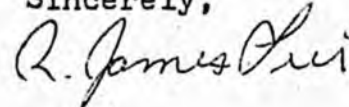
Dear Senator Sturgulewski:

Senate Bill 105, an important first step in allowing for expansion of the Palmer Hay Flats State Game Refuge, will come before your committee for consideration. I urge you to support this bill.

As you may know, SB 105 would authorize land trades and buyouts of privately held land within a 910-acre strip running south along the Glenn Highway from the Parks Highway intersection. As an amateur ornithologist, I am a frequent visitor to the Hay Flats. It is what we call in the trade a "birding hot spot." Waterfowl and shorebirds by the thousands use this area as both a breeding and feeding grounds. I feel that commercial development in the area covered by SB 105 would adversely affect the potential recreational birding opportunities both within the 910-acre site and in adjacent land. I, for one, would not look forward to viewing the backs of supermarkets and gas stations during my treks through the wetlands. Likewise, my friends who hunt and fish in this area assure me that shopping mall parking lots are most unproductive.

Considering the number of user days in the refuge last year (2,000 hunting days and 8,000 fishing days according to the Alaska Department of Fish and Game) there is demonstrated public interest in expanding the refuge. The Mat-Su Borough Assembly has recognized this and has passed a resolution in support of SB 105. I hope that you also can give it your support.

Sincerely,



R. James Frei

cc. Sen. Fahrenkamp
Sen. Eliason
Sen. Zharoff
Sen. Coghill
Sen. V. Fischer
Sen. DeVries
Rep. Hurley
Rep. Larson

FEB 19 1985

Feb. 13, 1985
PO Box 2176
Palmer, Alaska
99645

Senator Arliss Sturgulewski
Resources Committee
Pouch V
Juneau, Alaska 99811

Dear Senator,

I urge your support of SB105, the Palmer Hay Flats bill. This legislation is a fair solution to the problem of commercial development in a regionally popular hunting and fishing area. It would offer land or money to the land owners along part of the Glenn Highway in order to extend the boundary of the Palmer Hay Flats State Game Refuge. The extension would cover 910 acres of wetlands and salmon streams, if owners were willing to accept state offers at market value.

Parts of the Palmer Hay Flats near the junction of the Parks and Glenn Highway are scheduled for private commercial development and land fill. Currently, several owners are considering a truck cargo yard, a retail building, a gravel airstrip, and a 30-acre trailer park. Such uses, however, would reduce salmon and furbearer populations and public access in "the gateway to the Matanuska Valley."

The wetlands of the proposed game refuge extension are most valuable to the residents of southcentral Alaska just as they are now. The creeks are a major fry rearing area for the silver salmon of Knik Arm, according to data from ADF&G and USFWS. Rabbit Slough gets up to 6,000 fisherman-days of use per year, and yields a harvest of about 1,500 fish annually, mainly silvers and Dolly Varden. Rabbits and furbearers are numerous and are hunted and trapped to capacity.

About 12,000 people per day drive across these wetlands. Many are commuters homebound from Anchorage, and are happy to encounter real Alaskan wide-open spaces after their long drive. The proposed extension currently holds no homes or businesses. It is indistinguishable from the adjoining 26 square-mile game refuge, and is perhaps the most visible wetland area in the state.

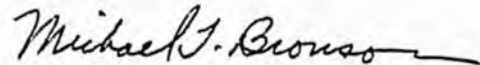
Support for SB105 comes from several sources. Among them is the ad hoc Committee for the Palmer Hay Flats, an informal citizens' group originally concerned with disappearing resources on the Hay Flats. Also in support is the Mat-Su chapter of Ducks Unlimited, a hunting group, the Alaska Frontier Trappers Association, the Northern District Setnetters Association of Upper Cook Inlet, Anchorage Audubon Society, and Alaska Center for the Environment with members in Anchorage and the Mat Valley.

Governmental groups also back the measure. The Matanuska-Susitna Borough Assembly resolved on January 22, 1985, to allow the state to manage its 136 acres in the area as part of the game refuge, providing the legislation passes. The Mat-Su Borough Planning Commission has more recently concurred. Commissioner Collingsworth has written a letter of support for ADF&G. Finally, Mr. Jim Barnett of DNR writes that the final Susitna Area Plan will have new language stating that public acquisition of private lands from willing sellers in this part of the Hay Flats is appropriate.

The attitude of the thirteen land owners has been cautious, but encouraging, in my opinion. I have written each of them a letter accompanied by a copy of SB105 to keep them abreast of the situation. Some are anxious to talk to the state about trades or purchases. One or two are suspicious of the move. Most, however, hold a "wait and see" position.

As Alaska's population grows, accessible recreational and scenic areas will become fewer and more valuable. Now is the best time for the state to acknowledge its responsibility to maintain traditional uses of such areas as the Palmer Hay Flats.

Sincerely,



Michael T. Bronson

cc: Senate Resources Committee

FEB 22 1985

February 20, 1985

Re: SB 105, Palmer Hay Flats

Dear Senator Sturgulewski:

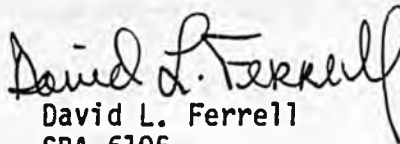
As a ~~resident of the~~ Mat-Su Valley, I would like to express my support for Senate Bill 105 to extend the Palmer Hayflats State Game Refuge. A number of concerned citizens are troubled about a series of proposed developments in the wetlands and salmon streams on the Hayflats along the Glenn Highway. There is a strong sentiment that it is the responsibility of the State of Alaska to protect these resources for all Alaskans. The most permanent form of protection is to place these lands in the public domain. Incorporation of these lands into the Palmer Hayflats Game Refuge is the most expedient and logical manner in which to accomplish this.

Recently the Mat-Su Assembly passed a unanimous Resolution to add 130 acres of Borough land if the State would purchase 786 acres of private land from willing sellers. I have followed events in the Hayflats over the past several years and have come to realize that Local, State and Federal agencies have consistently recommended that development in this area not be permitted. It appears that private property owners would be more than willing to sell their land to the State, as the land is unsuitable to build on and permits are difficult, if not impossible, to obtain.

I would like to inform you that Spring Creek, a salmon stream which flows through these lands, provides some of the best silver salmon habitat in the Valley. The stream provides "nursery grounds" for large numbers of juvenile silver salmon. The dollar value of this stream to sport and commercial fishermen may very likely exceed the dollar cost of purchasing these lands. The Mat-Su Borough is so intent on protecting this area that it has a program to swap uplands for wetlands. All of this leads me to conclude that the public wants this area maintained in its present natural condition. The passage of SB 105 is obviously in the Public Interest.

I would like to be kept advised of the progress of SB 105 and would like to receive copies of the minutes of the discussions that take place when this bill reaches the Resources Committee.

Sincerely



David L. Ferrell
SRA 6105
Palmer, AK 99645
(745-6575)

cc: Fahrenkamp
Eliason
Zharoff
Halford
Coghill
V. Fischer
Devries
Hurley
Bronson



COOK INLET
AQUACULTURE ASSOCIATION

FEB 27 1985

P.O. BOX 3819
SOLDOTNA, AK 99669-3819
(907) 262-9419

February 25, 1985

Senator Arliss Sturgulewski
Pouch V
Juneau, Alaska 99811

Dear Senator:

The Cook Inlet Aquaculture Association supports SB 105 which allows for the extension of the Palmer Hay Flats State Game Refuge. It is clear that the entire area is valuable for recreational fishing and hunting activities. The extension is essential to "legalize" public access to much of the Refuge.

It is probably more important to realize that the sloughs and marshes throughout the area are excellent rearing or "nursery" areas for large numbers of coho salmon fry. Dredging, filling, diking and draining, the very expensive things which can be done to marshlands to make them usable for commercial or residential purposes, all destroy the fitness of the area to harbor and nourish young salmon. We encourage the State to preserve these wetland habitats.

Sincerely,

Thomas E. Mears,
Executive Director

cc: Suzanne Haines
Steve Braund

FEB 27 1985

February 22, 1985

Senator A. Sturgulewski
Senate Resorces Committee
Pouch V
Juneau, AK 99811

RE: SB 105

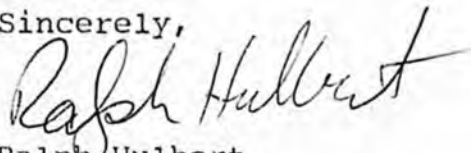
I suport this bill. I have used the Spring Creek area and Hay Flats for over thirty years for recreation and hope to continue. Up to this time there has been very little pressure to develop this ground, primarily due to the extreme cost of site preparation. With the current boom and subsequent escalation in commercial real estate prices, there is real economic pressure to develop the road frontage.

Currently, zoning/subdivision restrictions such as Army Corps of Engineers, EPA, and Mat-Su borough regulations restrict development. These regulations were implemented under the premise that the long term economic/social interest must be protected, and I feel they are generally well applied. Commercial development in the Spring Creek area would be disruptive not only to the environment of the entire downstream drainage, but would also disrupt the trafic flow. The area is in the flood plain of the Matanuska River. The town of Matanuska (near subject properties) was moved to Palmer because of the extreme cost of fighting high water. Any facilities placed in the area covered by SB 105 are likely to experience this problem, with the burden eventually resting with the State. This irregular flooding also makes it extremely dificult to comply with EPA regulations should any development occur.

Preservation interests must be weighed against vested property interests. Many of the owners have held the property for several years, often predating wetland regulations. Only one owner has a permit to fill in a portion of the wetlands.

Although the proposed enabling legislation has a two year expiration for selling or exchange, hopefully after the offer is specifically tendered, the intent should be perpetual. Perhaps certain provisions could be enacted to allow continuation of the exchange provision beyond this time frame. Finally, all offers to exchange or sell property should be strictly voluntary.

Sincerely,



Ralph Hulbert
P.O. Box 1346
Palmer, AK 99645

cc: Sen. Fahrenkamp
Eliason
Zharoff
Halford
Coghill
V. Fischer



FEB 27 1985

ALASKA FRONTIER TRAPPERS ASSN.
P.O. BOX 2856
PALMER, ALASKA 99645 □ (907)745-4660

February 18, 1985

Senator Arliss Sturgulewski
Resources Chairman
Pouch V
Juneau, Alaska 99811

Dear Senator Sturgulewski:

I am writing in regard to S.B. 105 introduced into the senate by Senator Kerttula. This bill is a very important piece of legislation to our organization and to outdoor-minded people of all pursuits. Senator Kerttula, in introducing this bill, is trying to preserve one of the most highly used and highly valued pieces of wildlife habitat in Alaska. Anyone who has crossed the flats on the Glenn Highway at any time of the year has surely seen the large numbers of ducks, geese, muskrat, beaver and other numerous species that inhabit this area.

The Mat-Su Borough has indicated its desire to see this area preserved by offering to let the Fish and Game Department include its 130 acres in the refuge to be managed as the rest of the area. With the population expanding as rapidly as it is in the Matanuska Valley, it is imperative that we preserve areas for our citizens to use and enjoy.

I would like to thank Senator Kerttula for introducing this legislation, as I believe it shows his desire to protect the outdoor lifestyle of many of his constituents.

Your support of S.B. 105 would be greatly appreciated.

Thank you,

James Reiss, President
ALASKA FRONTIER TRAPPERS ASSOC.

cc: Fahrenkamp
Eliason
Zharoff
Halford
Coghill
V. Fischer

FEB 27 1985

P.O. Box 3196
Palmer, Alaska 99645
February 21

Senator Sturgulewski
State Capital
Pouch V
Juneau, Alaska 99811

Dear Senator Sturgulewski,

An issue of interest to me will be coming before the Senate this session. That issue is the Palmer Hay Flats Bill. As you already know, this bill would acquire private land for inclusion into an existing special use area.

I strongly support passage of this bill in this session of the legislature. I believe this action is warranted in view of the long-range state interest to promote economic developments through economic diversification of the private sector. As a local boatbuilder, I feel the area should be protected for wildlife, sport fishing and scenic values. These ends support my personal business interests.

On a larger level, I feel the passage of the Hay Flats Bill will recognize the area as a national and international landmark. The area has already been selected by Ducks Unlimited, an international organization, as a special feeding and breeding ground along the Pacific Flyway for many species of wildfowl. In enacting this bill, the State of Alaska identifies itself among the few forward-looking nations and regions of the world seeking to keep land uses diverse and healthy.

Finally, as an educator, I strongly believe the state must take a leadership role in promoting the continuance of 'as is' landscape for the enjoyment and education of our state's youth. If regional planners are correct, the area surrounding the Hay Flats may soon approach the population density of the Anchorage bowl. By protecting the Hay Flats for young people to hunt, fish and recreate in, we teach good stewardship of Alaska's land resources.

Again, let me strongly state my support of this critical piece of state-wide legislation. It appears we have much more to gain than lose in this proposal.

Sincerely,

Rick Turner
Matanuska Boat Company
Palmer, Alaska

CC:Sens. Fahrenkamp
Eliason
Zharoff
Halford
Coghill
V. Fischer

FEB 19 1985

Feb. 13, 1985
PO Box 2176
Palmer, Alaska
99645

Senator Arliss Sturgulewski
Resources Committee
Pouch V
Juneau, Alaska 99811

Dear Senator,

I urge your support of SB105, the Palmer Hay Flats bill. This legislation is a fair solution to the problem of commercial development in a regionally popular hunting and fishing area. It would offer land or money to the land owners along part of the Glenn Highway in order to extend the boundary of the Palmer Hay Flats State Game Refuge. The extension would cover 910 acres of wetlands and salmon streams, if owners were willing to accept state offers at market value.

Parts of the Palmer Hay Flats near the junction of the Parks and Glenn Highway are scheduled for private commercial development and land fill. Currently, several owners are considering a truck cargo yard, a retail building, a gravel airstrip, and a 30-acre trailer park. Such uses, however, would reduce salmon and furbearer populations and public access in "the gateway to the Matanuska Valley."

The wetlands of the proposed game refuge extension are most valuable to the residents of southcentral Alaska just as they are now. The creeks are a major fry rearing area for the silver salmon of Knik Arm, according to data from ADF&G and USFWS. Rabbit Slough gets up to 6,000 fisherman-days of use per year, and yields a harvest of about 1,500 fish annually, mainly silvers and Dolly Varden. Rabbits and furbearers are numerous and are hunted and trapped to capacity.

About 12,000 people per day drive across these wetlands. Many are commuters homebound from Anchorage, and are happy to encounter real Alaskan wide-open spaces after their long drive. The proposed extension currently holds no homes or businesses. It is indistinguishable from the adjoining 26 square-mile game refuge, and is perhaps the most visible wetland area in the state.

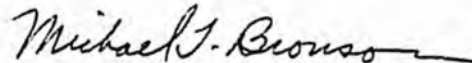
Support for SB105 comes from several sources. Among them is the ad hoc Committee for the Palmer Hay Flats, an informal citizens' group originally concerned with disappearing resources on the Hay Flats. Also in support is the Mat-Su chapter of Ducks Unlimited, a hunting group, the Alaska Frontier Trappers Association, the Northern District Setnetters Association of Upper Cook Inlet, Anchorage Audubon Society, and Alaska Center for the Environment with members in Anchorage and the Mat Valley.

Governmental groups also back the measure. The Matanuska-Susitna Borough Assembly resolved on January 22, 1985, to allow the state to manage its 136 acres in the area as part of the game refuge, providing the legislation passes. The Mat-Su Borough Planning Commission has more recently concurred. Commissioner Collingsworth has written a letter of support for ADF&G. Finally, Mr. Jim Barnett of DNR writes that the final Susitna Area Plan will have new language stating that public acquisition of private lands from willing sellers in this part of the Hay Flats is appropriate.

The attitude of the thirteen land owners has been cautious, but encouraging, in my opinion. I have written each of them a letter accompanied by a copy of SB105 to keep them abreast of the situation. Some are anxious to talk to the state about trades or purchases. One or two are suspicious of the move. Most, however, hold a "wait and see" position.

As Alaska's population grows, accessible recreational and scenic areas will become fewer and more valuable. Now is the best time for the state to acknowledge its responsibility to maintain traditional uses of such areas as the Palmer Hay Flats.

Sincerely,



Michael T. Bronson

cc: Senate Resources Committee

MAT-S1 1-4-85

TO: REP. LARSON
REP. HURLEY
SEN. KERTTULA
SEN. DEVRIES
SEN. FAIKS
SEN. SACKEET
SEN. ELIASON
SEN. P. FICHER
SEN. HALFORD
SEN. FERGUSON
SEN. STURGULEWSKI
SEN. FAHRENKAMP
SEN. ZHAROFF
SEN. COGHILL
SEN. V. FICHER

FROM: JUDITH BRONSON
PO BOX 2176
PALMER 99645

PHONE: 376-3642

RE: SB 105

WE NEED THE PALMER HAY FLATS BILL. IT WILL ENSURE SALMON AND FUR BEARER POPULATIONS FOR OUTDOOR RECREATIONISTS. THE 900 ACRES OF WETLANDS IS SCHEDULED FOR A TRAILR PARK, AIRSTRIP, TRUCK YARD, AND RETAIL CENTER IN THE NECT YEAR. SB 105 WILL BE A FAIR SOLUTION.

FEB 19 1985

Feb. 12, 1985
PO Box 2176
Palmer, AK 99645

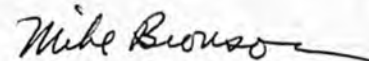
Arliss Sturgelewski
Resources Chair
State Senate
Pouch V
Juneau, Alaska

Dear Senator Sturgelewski,

Thank you for meeting me and allowing me to talk with your aides McKai and Frank about the Palmer Hay Flats.

I'll see you on February 27 when I return to testify before your committee on SB 105.

Sincerely,



Michael T. Bronson

SB 105

Alaska State Legislature

ARLISS STURGULEWSKI, Chairman
BETTYE FAHRENKAMP, Vice Chairman
JACK COGHILL
DICK ELIASON
VIC FISCHER
RICK HALFORD
FRED ZHAROFF

POUCH V
JUNEAU, ALASKA, 99811
(907) 465-4907



Senate Committee on Resources

June 24, 1985

Esther Wunnicke, Commissioner
Department of Natural Resources
Pouch M, Mail Stop 1000
Juneau, AK 99811

Dear Commissioner Wunnicke:

Enclosed is a letter I have received from a Palmer resident regarding the Palmer Hay Flats (SB 105). Could you please provide me with the necessary information to answer his questions.

Thank you.

Sincerely yours,

Senator Arliss Sturgulewski
Chairman, Senate Resources Committee

Enclosure

SB105

Alaska State Legislature

ARLISS STURGULEWSKI, Chairman
BETTYE FAHRENKAMP, Vice Chairman
JACK COGHILL
DICK ELIASON
VIC FISCHER
RICK HALFORD
FRED ZHAROFF

POUCH V
JUNEAU, ALASKA. 99811
(907) 485-4907



Senate Committee on Resources

May 28, 1985

Rick Turner
Matanuska Boat Company
P.O. Box 3196
Palmer, AK 99645

Dear Rick:

I am pleased to advise you that SB 105 making additions to the Palmer Hay Flats State Game Refuge has passed the legislature.

This bill allows the commissioner of the Department of Natural Resources (DNR) to expand the Palmer Hay Flats either through land purchase or land exchange. More than 2,000 acres are authorized to be added by this bill. The Matanuska-Susitna Borough has also agreed to provide about 130 acres to the refuge. The commissioner of DNR may make an offer to purchase private land within the refuge but may not exercise eminent domain.

Special provisions have been included for expansion or improvement to the Glenn Highway, the Parks Highway or the Wasilla bypass or related construction since these existing transportation routes run through parts of the area.

I was pleased to support this bill in the Senate Resources Committee and again on the floor of the Senate. The local effort generated in support of this bill was exceptional and I want to thank all those who worked for its passage. The protection of this valuable wetland area for wildlife habitat and recreation is important now but will be more important in the future as population and development pressures increase.

Please continue to keep me informed on issues of importance to you.

Sincerely yours,

A handwritten signature in cursive script that reads "Arliss".

Senator Arliss Sturgulewski
Chairman, Senate Resources Committee

MESSAGE TO THE SENATE

HOUSE

JUNEAU, ALASKA May 11, 85
19

MR. PRESIDENT:

The House has passed CSSB 105(Fin) with the following amendment:

HCS CSSB 105(Res)
Palmer Hay Flats State Game Refuge; eff. date

and it is transmitted for consideration.

OK *Concur - 7/1/85*

19

Isabel Baker

CHIEF CLERK OF THE HOUSE

Offered: 5/9/85
Referred: Rules

Original sponsor: Kerttula

1 IN THE SENATE

BY THE RESOURCES COMMITTEE

2 HOUSE CS FOR CS FOR SENATE BILL NO. 105 (Resources)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 FOURTEENTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act relating to the Palmer Hay Flats State Game
7 Refuge; and providing for an effective date."

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

9 * Section 1. The legislature determines that wetlands important to the
10 protection of waterfowl and salmon in the Spring Creek area lie outside of
11 the boundaries of the Palmer Hay Flats State Game Refuge. The Spring Creek
12 area also provides one of the major public access points to the hay flats
13 although the land is privately owned. The legislature therefore determines
14 that it is in the public interest to protect the Spring Creek wetlands
15 through extension of the Palmer Hay Flats State Game Refuge under this Act.

16 * Sec. 2. AS 16.20.032(a) is amended to read:

17 (a) The following state-owned land and water is established as
18 the Palmer Hay Flats State Game Refuge:

19 (1) Township 16 North, Range 1 West, Seward Meridian

20 Sections 1 - 12 [INCLUSIVE]

21 Section 13: N1/2

22 Sections 14 - 18 [INCLUSIVE]

23 (2) Township 17 North, Range 1 West, Seward Meridian

24 Section 25 [: ALL]

25 Section 26: S1/2, S1/2N1/2, N1/2NE1/4, NE1/4NW1/4

26 Section 27: S1/2, SE1/4NE1/4

27 Section 31: Lot 4, SE1/4, E1/2SW1/4, SE1/4NE1/4,

28 S1/2SW1/4NE1/4

29 Section 32: S1/2, S1/2NE1/4, NE1/4NE1/4,

1 SE1/4NW1/4
2 Sections 33 - 36
3 [SECTION 33: ALL
4 SECTION 34: ALL
5 SECTION 35: ALL
6 SECTION 36: ALL]
7 (3) Township 17 North, Range 1 East, Seward Meridian
8 Section 19: Lots 3 and 4, E1/2SW1/4, S1/2SE1/4
9 Section 22:
10 excluding NW1/4NW1/4
11 excluding N1/2NE1/4NW1/4
12 excluding NE1/4NE1/4NE1/4
13 Section 25: Lots 1 - 6, NW1/4, N1/2NE1/4, N1/2-
14 SW1/4, SW1/4SW1/4
15 Section 26: SE1/4NE1/4, S1/2
16 Section 27: Lot 1, N1/2, N1/2S1/2, SE1/4SW1/4,
17 S1/2SE1/4
18 Section 28: Lots 1 - 2, N1/2SE1/4, SW1/4SE1/4,
19 S1/2SW1/4
20 Section 30: Lots 1 - 4, E1/2, E1/2W1/2
21 Section 31: Lots 1 - 10, NE1/4NW1/4, SW1/4NE1/4,
22 N1/2NE1/4 [LOTS 5, 7, 8, 9, 10]
23 Section 32: Lots 3 - 7, NE1/4, SW1/4SW1/4, NE1/4-
24 SE1/4
25 Section 33: Lots 5 - 9, S1/2SE1/4, SW1/4NW1/4,
26 including all state tide and submerged land
27 Section 34: Lots 1 - 3, E1/2NW1/4, SW1/4, E1/2
28 Section 35: Lots 1 - 5, NW1/4, N1/2SW1/4, SW1/4-
29 SW1/4, N1/2NE1/4, SW1/4NE1/4, NW1/4SE1/4

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Section 36: Lots 1 - 10, SE1/4SW1/4, S1/2SE1/4,
NE1/4SE1/4

(4) Township 16 North, Range 1 East, Seward Meridian

Sections 4 - 9

[SECTION 4, 5, 6, 7, 8, 9: ALL]

Section 17: N1/2

Section 18: N1/2

All state tide and submerged land

(5) Township 16 North, Range 1 East, Seward Meridian

Section 2: Portion lying west of the Alaska
Railroad

Section 3: Lot 1, excluding portions lying east
of the Alaska Railroad centerline, Lots, 2, 3,
4, 5, 6, NW1/4, NW1/4, NE1/4

Section 10: Lots 1, 2, 3, 4, 6, and portions
lying west of the Alaska Railroad

Section 15: All state land lying north of the
south bank of the Knik River and west of the
Alaska Railroad

Section 16: All state land lying north of the
south bank of the Knik River

* Sec. 3. AS 16.20.032 is amended by adding a new subsection to read:

(e) Notwithstanding the provisions of (a) of this section, the land described in this subsection is excluded from the Palmer Hay Flats State Game Refuge established under (a) of this section for the establishment of a transportation and utility corridor. Land within the transportation and utility corridor that is determined by the commissioner of transportation and public facilities to be unnecessary for future transportation or utility corridors becomes a part of the

1 Palmer Hay Flats State Game Refuge. The commissioner of transporta-
2 tion and public facilities is directed to provide access to the Palmer
3 Hay Flats State Game Refuge during future development of state
4 highways in the area. The land that is excluded from the Palmer Hay
5 Flats State Game Refuge under this subsection is described as

6 Township 17 North, Range 1 East, Seward Meridian

7 Section 22: SE1/4NW1/4, W1/2NE1/4, SE1/4NE1/4, S1/2-
8 NE1/4NE1/4, NW1/4NE1/4NE1/4, NE1/4SW1/4, W1/2SE1/4

9 Sections 27 and 34: a corridor 300 feet on either side
10 of the existing highway centerline

11 * Sec. 4. The commissioner of natural resources shall include land
12 acquired from the Matanuska-Susitna Borough in the Palmer Hay Flats State
13 Game Refuge established under AS 16.20.032.

14 * Sec. 5. (a) The commissioner of natural resources may exchange
15 state land located within the Matanuska-Susitna borough for privately owned
16 land determined desirable for inclusion in the Palmer Hay Flats State Game
17 Refuge. The commissioner of natural resources may also offer to purchase
18 at fair market value from willing sellers privately owned land determined
19 desirable for inclusion in the Palmer Hay Flats State Game Refuge.

20 (b) An offer made by the commissioner of natural resources under this
21 section for a purchase or exchange that remains unaccepted for two years
22 after tender is withdrawn.

23 (c) An exchange or purchase authorized under (a) of this section
24 shall be accomplished under AS 38.05 or AS 38.50.

25 (d) The commissioner of natural resources shall include land acquired
26 under this section in the Palmer Hay Flats State Game Refuge established
27 under AS 16.20.032.

28 * Sec. 6. The addition of land to the Palmer Hay Flats State Game
29 Refuge under secs. 2 and 4 - 5 of this Act may not be an occasion for the

1 delay in or prohibition of the expansion or improvement of the Glenn
2 Highway, the Parks Highway, or the Wasilla Bypass, or the construction of
3 the interchange at the Parks and the Glenn Highways, nor may it restrict
4 the present or future use of land retained by an owner of land under sec. 5
5 of this Act.

6 * Sec. 7. This Act takes effect immediately in accordance with AS 01.-
7 10.070(c).

Offered: 4/24/85
Referred: Rules

Original sponsor: Kerttula

1 IN THE SENATE BY THE FINANCE COMMITTEE
2 CS FOR SENATE BILL NO. 105 (Finance)
3 IN THE LEGISLATURE OF THE STATE OF ALASKA
4 FOURTEENTH LEGISLATURE - FIRST SESSION
5 A BILL

6 For an Act entitled: "An Act relating to the Palmer Hay Flats State Game
7 Refuge; and providing for an effective date."

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

9 * Section 1. The legislature determines that wetlands important to the
10 protection of waterfowl and salmon in the Spring Creek area lie outside of
11 the boundaries of the Palmer Hay Flats State Game Refuge. The Spring Creek
12 area also provides one of the major public access points to the hay flats
13 although the land is privately owned. The legislature therefore determines
14 that it is in the public interest to protect the Spring Creek wetlands
15 through extension of the Palmer Hay Flats State Game Refuge under this Act.

16 * Sec. 2. AS 16.20.032(a) is amended to read:

17 (a) The following state-owned land and water is established as
18 the Palmer Hay Flats State Game Refuge:

19 (1) Township 16 North, Range 1 West, Seward Meridian

20 Sections 1 - 12 inclusive

21 Section 13: N1/2

22 Sections 14 - 18 inclusive

23 (2) Township 17 North, Range 1 West, Seward Meridian

24 Section 25: All

25 Section 26: S1/2, S1/2N1/2, N1/2NE1/4, NE1/4NW1/4

26 Section 27: S1/2, SE1/4NE1/4

27 Section 31: Lot 4, SE1/4, E1/2SW1/4, SE1/4NE1/4,

28 S1/2SW1/4NE1/4

29 Section 32: S1/2, S1/2NE1/4, NE1/4NE1/4,

1 SE1/4NW1/4
2 Section 33: All
3 Section 34: All
4 Section 35: All
5 Section 36: All
6 (3) Township 17 North, Range 1 East, Seward Meridian
7 Section 22:
8 excluding NW1/4NW1/4
9 excluding NE1/4NE1/4NE1/4
10 excluding N1/2NE1/4NW1/4
11 Section 27:
12 excluding S1/2S1/2
13 Section 28: N1/2SE1/4
14 Section 31: Lots 5, 7, 8, 9, 10
15 Section 32: NE1/4
16 Section 33: SW1/4NW1/4, including all state tide
17 and submerged land
18 (4) Township 16 North, Range 1 East, Seward Meridian
19 Section 4, 5, 6, 7, 8, 9: All
20 Section 17: N1/2
21 Section 18: N1/2
22 All state tide and submerged land
23 (5) Township 16 North, Range 1 East, Seward Meridian
24 Section 2: Portion lying west of the Alaska
25 Railroad
26 Section 3: Lot 1, excluding portions lying east
27 of the Alaska Railroad centerline, Lots. 2, 3,
28 4, 5, 6, NW1/4, NW1/4, NE1/4
29 Section 10: Lots 1, 2, 3, 4, 6, and portions

1 lying west of the Alaska Railroad
2 Section 15: All state land lying north of the
3 south bank of the Knik River and west of the
4 Alaska Railroad

5 Section 16: All state land lying north of the
6 south bank of the Knik River

7 * Sec. 3. AS 16.20.032 is amended by adding a new subsection to read:

8 (e) Notwithstanding the provisions of (a) of this section, the
9 land described in this subsection is excluded from the Palmer Hay
10 Flats State Game Refuge established under (a) of this section for the
11 establishment of a transportation and utility corridor. Land within
12 the transportation and utility corridor that is determined by the
13 commissioner of transportation and public facilities to be unnecessary
14 for future transportation or utility corridors becomes a part of the
15 Palmer Hay Flats State Game Refuge. The commissioner of transporta-
16 tion and public facilities is directed to develop access points to the
17 Palmer Hay Flats State Game Refuge at the Knik River Bridge and to
18 Rabbit Slough during future development of state highways in the area.
19 The land that is excluded from the Palmer Hay Flats State Game Refuge
20 under this subsection is described as

21 Township 17 North, Range 1 East, Seward Meridian

22 Section 22: SE1/4NW1/4, NE1/4, NE1/4SW1/4, W1/2SE1/4

23 Section 27: a corridor 300 feet on either side of the
24 existing highway centerline

25 * Sec. 4. The commissioner of natural resources shall include land
26 acquired from the Matanuska-Susitna Borough in the Palmer Hay Flats State
27 Game Refuge established under AS 16.20.032.

28 * Sec. 5. (a) The commissioner of natural resources may dispose of
29 state land located within the Matanuska-Susitna borough in exchange for

1 privately owned land determined desirable for inclusion in the Palmer Hay
2 Flats State Game Refuge. The commissioner of natural resources may also
3 offer to purchase at fair market value from willing sellers privately owned
4 land determined desirable for inclusion in the Palmer Hay Flats State Game
5 Refuge.

6 (b) An offer made by the commissioner of natural resources under this
7 section for a purchase or exchange that remains unaccepted for two years
8 after tender is withdrawn.

9 (c) An exchange or purchase authorized under (a) of this section
10 shall be accomplished under AS 38.50.

11 (d) The commissioner of natural resources shall include land acquired
12 under this section in the Palmer Hay Flats State Game Refuge established
13 under AS 16.20.032.

14 * Sec. 6. The addition of land to the Palmer Hay Flats State Game
15 Refuge under secs. 2 and 4 - 5 of this Act may not be an occasion for the
16 delay in or prohibition of the expansion or improvement of the Glenn High-
17 way, the Parks Highway, or the Wasilla Bypass, or the construction of the
18 interchange at the Parks and the Glenn Highways, nor may it restrict the
19 present or future use of land retained by an owner of land under sec. 5 of
20 this Act.

21 * Sec. 7. This Act takes effect immediately in accordance with AS 01.-
22 10.070(c).

SB 105
Hay Flats -

House Amendments -

Changed the DOT amendment
NOW STATES ACCESS WILL BE PROVIDED
BUT DOESN'T SPECIFY WHERE -

-
Adds land relinquished by Mat-Su
borough 8 years ago but was never
included in the legal descriptions -

This does not add to the size
of the refuge - it is a housekeeping
measure -



RECORDS CERTIFICATION



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

James O. Smith
Signature of Camera Operator

11/24/89
Date

S B

1 10

JOSEPH PATRICK CANGE

CERTIFIED PUBLIC ACCOUNTANT

BOX 4-547

ANCHORAGE, ALASKA 99509

TELEPHONE (907) 344-5800

February 18, 1985

Arliss Sturgulewski
Chairman Resources Committee
Alaska State Senate
Pouch V
Capital Building
Juneau, Alaska

SUBJECT: SENATE BILLS NOS. 110 AND 155

Dear Arliss:

Pursuant to our conversation yesterday, I am submitting data regarding Senate Bills Nos. 110 and 155. Before I address these items, however, I would like to express my thoughts on the agriculture industry.

First I ask "Can the dairy industry be viable?" Yes. Our figures indicate that we can provide milk that is competitive with Outside milk because of the freight advantage that exists. The additional total cost of producing milk locally versus Outside is less than the freight on milk shipped from Seattle.

The goal at the Tucker dairy is to produce milk at the lowest cost possible per unit of milk produced. The local dairies must be as efficient and as well managed as Outside dairies or they cannot compete in the local market place. Most of the local dairies have never become efficient enough to bring their operating costs down to be competitive with Outside dairies. For example, our cost of feed is \$4.29 per day per cow when we bring in soybean meal and barley in bulk and mix our own feed. The cost of this same feed purchased locally is \$1.00 per day per cow more. That \$1.00 savings is the farmer's profit on the milk produced.

Arliss Sturgulewski
February 18, 1985
Page Two

Historically, the various State administrations have had no comprehensive plan. Thus, agriculture has been an unorganized, unplanned and poorly administered industry. This situation has left Alaskan agriculture in a state of chaos and near bankruptcy. It is not too late to save agriculture. Many things must be done and many changes in policies and practices must immediately take place if we are to save the industry.

We are fortunate that for the first time in Alaskan agricultural history we now have a Commissioner who is genuinely concerned about agriculture. She is willing to change obsolete policies and thinking and is doing the things necessary to save the industry -- and the state's investment. This is the direction in which Esther Wunnicke and Deputy Director James K. Barnett are embarking. Senate Bill No. 110 and Senate Bill No. 155 are a vital part of that comprehensive plan that will make the dairy industry viable.

SENATE BILL NO. 110

Proposes increasing loan limits of the Agricultural Revolving Loan Fund (ARLF) from \$1,000,000 to \$2,000,000

A number of things have made this increase necessary.

1. When the State's figures were done in 1979 (see Exhibit A "Potential Milk Production in the Point MacKenzie area of Southcentral Alaska") the Consumer Price Index was 233.2 (1/1/80). Today the Consumer Price Index is 316 which is a 36% increase in costs since 1/1/80.

2. The initial plan at Point MacKenzie was for the establishment of 19 small family-run dairies. However, the \$200,000 cash requirement for even the smallest dairy prohibited the building of these smaller dairies. The larger dairies actually being built require more total borrowing, but result in lower borrowing per cow.

3. The State's figures (see page 7 of Exhibit A) showed that the total capital investment for a 150-cow facility was estimated to be \$1,241,711. However, these numbers do not include housing, working capital or machinery costs. These add an additional \$500,000 to the 1979 figure of \$1,241,711.

Arliss Sturgulewski
February 18, 1985
Page Three

4. Current farms are undercapitalized and there is no other source of funds available. The current dairies are:

| | <u>Facility Size</u> | <u>Actual Cows Milking</u> | <u>Difference</u> |
|---------------|--------------------------|------------------------------------|-------------------|
| Tucker Dairy | 480 cows | 360 | 120 cows |
| Lee Dairy | 300 cows | 160 | 140 cows |
| James Dairy | 260 cows | 40 | 220 cows |
| Rudgers Dairy | 150 cows | 50 | 100 cows |
| TOTAL | 1190 | 610 | 580 |

It does not make sense to create facilities and then not provide ~~inadequate~~ funds for cows. These dairies are all up against the \$1,000,000 loan limit, but need additional funds to bring these dairies up to maximum capacity. Increasing the loan limit will allow these dairies to be brought up to 100% milk producing potential. This will generate the greatest return on scarce funds because of a better utilization of existing facilities. Every cow generates \$3,000 in revenues for the farm. In addition, according to Matanuska Maid each additional cow generates \$420 per year in additional net income for the creamery (see Exhibit B).

580 additional cows x \$420.00
= \$248,600 additional net income to the creamery.

SENATE BILL NO. 155

Proposes the splitting and combining of agricultural parcels

This change is necessary for the following reasons.

1. By consolidating parcels the total capital required per cow is substantially less. In our case, consolidation reduced capital investment per cow by 32%. This creates more competitive fixed cost and lowers debt requirement per cow. Boyd Buxton, noted dairy authority who has done work for the Department of Agriculture, states

Arliss Sturgulewski
February 18, 1985
Page Four

"The investment per cow in dairy buildings and equipment is substantially less on larger than on smaller dairies regardless of region." (See Exhibit C, Page 14 "Economic Policy and Technology Factors Affecting Herd Size and Regional Location of U.S. Milk Production").

2. The operating costs, including interest expense per cwt of milk produced, are lower on larger dairies than on smaller dairies because of the principle of economies of scale. The Tucker dairy operating costs per cwt of milk produced are 26% lower on one large dairy than they would be on four smaller dairies. Boyd Buxton states "Based on whole farm budgets, the larger dairies with 500 cows or more are more profitable than smaller dairies." (See Exhibit C, Page 27).

3. Most of the Point MacKenzie parcel owners have little or no experience in the dairy industry. Therefore, it is imperative that the dairies hire competent dairy managers to insure a successful and well managed farm. Consolidation makes this financially possible.

4. Currently many dairies have already joined together in cooperative efforts as follows:

Dairy West joined two borough parcels together
Tucker Dairy joined four separate parcels together
Wright Dairy joined two parcel together
James Dairy joined two parcels together
Shoone Dairy joined two parcels together

These joint efforts have been necessitated due to the simple economics of the dairy industry. The dairy industry needs Senate Bill 155. Not passing Senate Bill 155 would place a definite hardship on these dairies and could result in their bankruptcy and thus the industry as well.

5. The consolidation of dairies is in compliance with the intent of the initial sales brochure dated September 11, 1982 (see Exhibit D) which states "The major objectives are to stimulate in-state milk production, to provide milk to Alaska consumers at a competitive market price, and to assist in gaining agricultural self-sufficiency for the State of Alaska." Only through consolidation can we be competitive.

Arliss Sturgulewski
February 18, 1985
Page Five

6. The consolidation of parcels will eliminate unnecessary duplication of buildings and machinery. This will substantially reduce the borrowing required from the ARLF. There is currently not enough money in the ARLF to develop all the remaining parcels and the reduced capital needs resulting from consolidation will help lessen the demands on ARLF funds. In our case, the ARLF has only \$1,000,000 invested in one 485-cow facility instead of a possible \$4,000,000 in four 120-cow dairies.

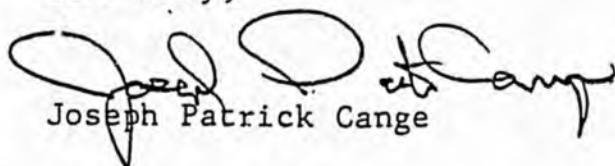
I have also enclosed earlier correspondence related to Point MacKenzie that you might find helpful. They are:

| | |
|-----------|--------------------------|
| Exhibit E | 1/1/84 Jalmar Kerttula |
| Exhibit F | 6/22/84 Bob Heath |
| Exhibit G | 9/14/84 Dean Brown |
| Exhibit H | 1/17/84 James K. Barnett |

The passage of Senate Bills 110 and 155 are mandatory if we are going to work toward a successful, profitable and financially strong dairy industry that will produce dairy products for Alaskans at a competitive price.

Thank you for your attention to this very important matter. If I can be of any further assistance, please do not hesitate to give me a call.

Sincerely,


Joseph Patrick Cange

:p

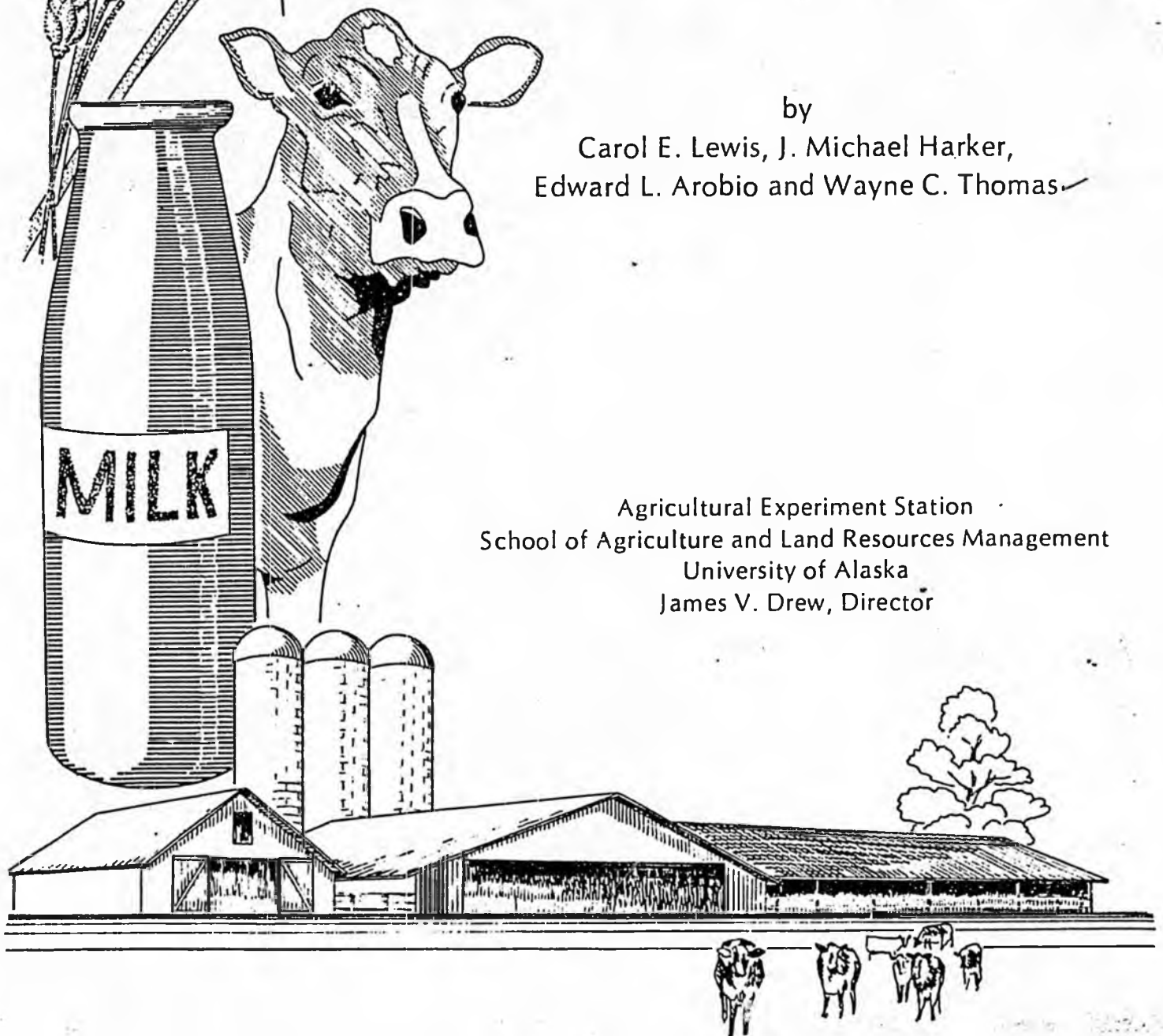
cc: Esther Wunnicke
James K. Barnett
Mike Szymanski
Jan Faiks
Jalmar Kerttula
Bill Heim

EXHIBIT A

Potential Milk Production in the Point MacKenzie Area of Southcentral Alaska

by

Carol E. Lewis, J. Michael Harker,
Edward L. Arobio and Wayne C. Thomas ✓



Agricultural Experiment Station
School of Agriculture and Land Resources Management
University of Alaska
James V. Drew, Director

Table 6: Machinery Storage and Workshop

| Facility Size | Machinery | Workshop | Total Cost |
|-------------------------|-----------|----------|------------|
| 50, 75 Cow Stanchion | 40'x60' | 40'x46' | \$57,880 |
| 100, 150 Cow Free Stall | 40'x75' | 40'x46' | \$65,680 |

Calf, Heifer, and Dry-Cow Housing

There are controversies concerning the housing of calves. Indications are that calf death rates are less if they are removed to cold housing one day after birth. The cold housing recommended is a 4' x 14' hutch, 4' x 8' of which is a plywood shed free from drafts and bedded with straw, 4' x 6' being an exposed area enclosed in hog wire for feeding. In high snow areas, management of the hutches may be difficult. Therefore, an alternative is offered by putting the "hutches" in a cold building. An additional advantage of this practice is that the 'calf housing can be combined with that for heifers and dry cows in a single building. The major advantages of this system is that feeding can be accomplished in one building and that manure handling (a straw pack removed in spring and periodically throughout the summer) is a single operation. The straw pack waste is removed to the fields in spring and fall.

Housing costs are the same as those used for hay and straw storage plus \$1.00/ft² for iron and \$2,000 for all units for plumbing. Space for animals is determined using standard allotments. Twice the hutch area per calf is used to enable hutches to be moved before being occupied by a new calf. Table 7 shows space per cow by age, total number of cows housed, total space and total cost.

Feed Handling

Feed handling in stanchion units is accomplished by electric cart although a feed bunk system could also be used. Free-stall barn feeding is accomplished by augering the feed into the feed bunks. Provisions have been included for feed mixing at the silo unload area. The silos load out into a feed mixer and then either into carts or an auger hopper. A feed mixer is provided to keep feed consistency constant if both haylage and silage are fed. Approximate cost is \$4,000 per silo.

Well

There is limited data to indicate the depth of wells required in the Point Mackenzie area. It is

Table 7: Calf, Heifer, and Dry-Cow Housing

| Facility Size | Space Per Cow | | | Number of Cows Housed ^a | | | | Total Space (ft ²) | Building Size | Total Cost \$ |
|--------------------|--------------------|--------------------|-----------------------------------|------------------------------------|----------|-----------|----------|--------------------------------|-------------------------|---------------|
| | 0-2 mo. | 2-12 mo. | 12-24 mo. & dry cows ^b | 0-2 mo. | 2-12 mo. | 12-24 mo. | dry cows | | | |
| 50-Cow Stanchion | 56 ft ² | 25 ft ² | 110 ft ² | 19 | 19 | 16 | 10 | 3,499 | 40' x 90' | 52,400 |
| 75-Cow Stanchion | 56 ft ² | 25 ft ² | 100 ft ² | 28 | 28 | 25 | 15 | 5,380 | 50' x 100' | 72,000 |
| 100-Cow Free Style | 56 ft ² | 25 ft ² | 110 ft ² | 37 | 37 | 32 | 20 | 7,037 | 50' x 140' ^c | 100,000 |
| 150-Cow Free Style | 56 ft ² | 25 ft ² | 110 ft ² | 55 | 55 | 48 | 30 | 10,515 | 60' x 180' ^c | 153,200 |

^aAssumes a 15% loss at 0-3 months, no losses at 3-12 months, 12% loss at 12-24 months and a herd replacement of 25% of the total.

^bIncludes 45 ft² of resting area and 65 ft² of "lot" area.

^cTwo 50' x 70' or two 60' x 90' buildings could be used.

Table 8: Total Capital Investment for Four Facility Sizes

| | 50-Cow Stanchion | 75-Cow Stanchion | 100-Cow Free Stall | 150-Cow Free Stall |
|--------------------------|------------------|------------------|--------------------|--------------------|
| Barn and Iron | \$ 71,820 | \$108,000 | \$140,400 | \$ 210,600 |
| Ventilation | 7,500 | 11,278 | 10,000 | 15,000 |
| Milk Room | 6,000 | 6,000 | N/A | N/A |
| Milk Parlor | N/A | N/A | 50,760 | 51,840 |
| Milking Equipment | 40,000 | 55,000 | 80,000 | 80,000 |
| Silos | 160,999 | 241,499 | 316,988 | 462,501 |
| Manure Handling | 43,271 | 50,833 | 59,858 | 61,440 |
| Concentrate Storage | 10,000 | 15,000 | 20,000 | 30,000 |
| Hay and Bedding Storage | 31,200 | 45,500 | 58,500 | 88,400 |
| Machine Storage | 31,200 | 31,200 | 39,000 | 39,000 |
| Workshop | 26,680 | 26,680 | 26,680 | 26,680 |
| Calf and Dry-Cow Housing | 52,400 | 72,000 | 100,000 | 153,200 |
| Well | 3,500 | 3,500 | 3,500 | 3,500 |
| Feed-Handling Equipment | 8,000 | 12,000 | 16,000 | 20,000 |
| TOTAL | \$492,570 | \$678,990 | \$921,686 | \$1,241,711 |

PER COW INVESTMENT BY FACILITY

\$9,851

\$9,053

\$9,217

\$8,278



EXHIBIT B

Matanuska Maid, Inc.

814 W. Northern Lights Blvd.
Anchorage, Alaska 99503
(907) 561-5223

December 4, 1984

Mr. Joseph P. Cange
P.O. Box 4-647
Anchorage, Ak. 99509

Dear Mr. Cange:

You asked us two questions. Your questions and our best judgment answers are:

1. The question: What is the economic value to the Matanuska Maid Creamery of each new producing cow brought on stream in the Palmer/Pt. MacKenzie Area?

Our Answer: Our projections indicate that an increase of 1075 producing cows (the number required to bring total production up to our single shift processing capacity) will generate a monthly operating cash flow increase of approx. \$37,500. Based on that, the value of each new local producing cow to the Creamery is \$35.00 per month.

2. The question: How much milk can Matanuska Maid sell without depressing the market?

Our Answer: We believe it would be unrealistic to think local milk could acquire over one half the rail belt market without depressing prices. At Mid-Summer 1984, Matanuska Maid was supplying about 27% of a 64,000 CWT monthly market.

We anticipate the market growing to about 71,000 CWT per month by Mid-1986 and believe up to 35-36,000 CWT can be processed locally without depressing prices. That quantity would require about 3,000 producing cows.

Very truly yours,


John L. Seawell

EXHIBIT C

for review only

Economic, Policy and Technology Factors Affecting Herd Size
and Regional Location of U.S. Milk Production

Boyd M. Buxton

A
paper prepared
for

Congressional Office of Technology Assessment
October, 1984



United States
Department of
Agriculture

Economic
Research
Service

NED, University of Minnesota
217 Cla Off Bldg, 1994 Buford Ave.
St. Paul, Minnesota 55108

November 28, 1984

Mr. Joseph Patrick Cange
Certified Public Accountant
Box 4-647
Anchorage, Alaska 99509

Dear Mr. Cange:

In response to your letter of October 31, 1984, I have enclosed a preliminary draft report recently completed. The capital costs estimated for twenty-two dairy operations in the lower 48 states are summarized in Table 4, page 15. The budget information is for "whole" farm situations and include some operations that produce most of the feed within the farm. By looking at alternative size herds within each state, some idea of how capital costs per cow change on alternative size farms can be evaluated. Table 4 breaks capital costs down into six categories such as dairy buidlings and equipment. This may help you pick the most relevant figures for your purposes.

The results do indicate lower investment on larger farms than on smaller farms especially up to the 500 or 600 cow herd sizes. Perhaps the New York farms would be most relevant to the Point MacKenzie project as those farms use free stall housing, produce most of the forage requirement and 52-, 200-, and 600-cow operations are considered.

I enjoyed meeting with the group representing the Point MacKenzie area and also wish we had had more time to discuss the farm issues.

Sincerely,

Boyd M. Buxton
Agricultural Economist

BMB/dmm

Enclosure

Table of Contents

| | <u>Page</u> |
|--|-------------|
| Introduction | 1 |
| Methodology | 2 |
| Long-Term Profitability | 3 |
| Dairy operations considered | 3 |
| Technologies and practices | 6 |
| Profitability measure | 7 |
| Cost and returns | 10 |
| Revenue | 10 |
| Costs | 11 |
| Investments and requirements | 14 |
| Policy scenarios | 17 |
| Results of long-term analysis | 20 |
| Relative rate of return | 20 |
| Adjusted cost per cent cwt | 25 |
| Summary of long-term analysis | 25 |
| Ten Year Impact of Alternative Policies | 29 |
| Dairy simulation | 30 |
| Policy and technology scenarios | 36 |
| Policy scenarios | 36 |
| Technology scenarios | 39 |
| Financial stress scenarios | 40 |
| Evaluation criterion | 41 |
| Results for alternative policy and technology scenarios | 44 |
| 52-cow Minnesota dairy | 44 |
| 125-cow Minnesota dairy | 47 |
| 359-cow Arizona dairy | 50 |
| 550-cow California dairy | 53 |
| 1,436-cow California dairy | 55 |
| Florida dairies | 58 |
| Results for financial stress scenarios | 63 |
| Minnesota dairies | 63 |
| 359-cow Arizona dairies | 65 |
| 350-cow Florida dairy | 65 |
| Summary of ten-year simulations | 69 |
| Appendices. | |
| Appendix A. Investment and ownership cost assumptions for twenty-two dairy operations | 72 |
| Appendix B. Cost and return budgets for twenty-two dairy operations | 95 |

INTRODUCTION

During the 1970's, milk production increased 41 percent in the Southwest region of the United States and 33 percent in the Northwest while total U.S. milk production increased only 11 percent (figure 1). Much of the expansion has been on dairies with more than 500 cows, with 1500 to 2000-cow herds being common. Although 303,710 farms in the U.S. reported having milk cows in 1983, less than 5,000 well managed dairies with 1500-cows each could have produced all the milk sold commercially that year.

This report examines important economic factors that will effect the trend to fewer and larger dairies and the regional shift in milk production.

The first part of the study estimates the relative long-term profitability of milk production for medium, large and extra large dairy operations in five major U.S. dairy areas. These comparisons provide an indication of the most competitive farm sizes and regions. They are based on returns to investment after all costs are paid including the required replacement of depreciable assets needed to maintain the long-term productive capacity and viability of the farm.

The second part of the study develops a beginning financial situation for eight dairy operations in three regions. Their ability to remain solvent and increase net worth over a ten-year planning horizon is simulated under conditions of risk and under alternative policy and technology scenarios. These results provide an indication of how alternative policies effect individual dairy farm operations. The impact of alternative policies on high debt and new entrant dairies is also examined.

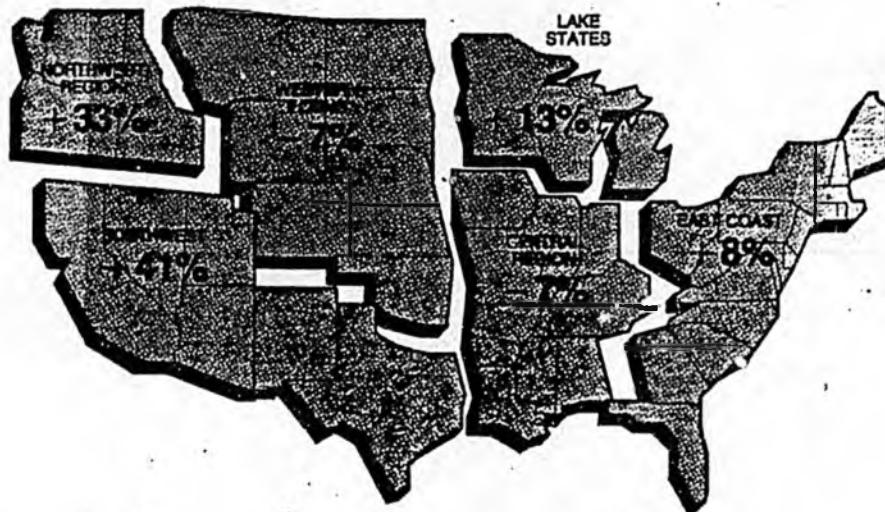


Figure 1. **How the Dairying Picture Has Changed**

(Percent change in milk production in various regions from 1970-71 to 1980-81).

METHODOLOGY

A three step procedure was employed in this study. The first was to use federal milk marketing order data to identify medium, large and extra-large dairy operations in each of five major dairy areas. State of the arts technologies and practices used on these well managed dairies were then identified from secondary sources and visits with dairy producers, university and government employees and building and equipment representatives.

The second step was to develop investment (replacement) cost requirements for new dairy operations of the selected sizes using an economic-engineering procedure. Based on this information and information from secondary sources, long-term average annual cost and return budgets were prepared and an expected rate of return to investment in milk production calculated.

The third step was to obtain information on long- and intermediate-term debts, net worth and equity to asset positions of dairy farms using the U.S. Department of Agriculture's 1979 Agricultural Finance Survey. The financial characteristics were combined with the whole farm budgets developed in step-two to provide a beginning 1983 situation for selected size dairies in three regions. Then the FLIPSIM V model at Texas A&M University was used to simulate the economic viability and performance of each dairy under selected policy and technology scenarios.

LONG-TERM PROFITABILITY

Dairy Operations Considered

Herd size, technologies employed and practices used in milk production vary considerably across the United States. In May 1983 the average herd size for 120,655 producers selling milk to plants regulated by federal milk marketing orders was 63 cows per farm (Table 1).^{1/} However, the average herd size varied from 49 cows in Pennsylvania to 532 cows in Florida.

The variation in herd size within each state was even more dramatic. Although the average herd size in Florida was 532 cows, the average herd size for the largest ten percent of the herds in that state was 1,861 cows (Table 1). For the largest ten percent the average herd size varied from about 1,800 cows in Florida and 1,700 cows in the Southwest to about 125 cows in the Lake States region. Generally dairy herds are much larger in the Southwest, Southeast, and Northwest regions than in the Lake States and Northeast regions.

From the herd size information in Table 1, twenty-two dairies were selected to represent existing herd sizes in five major dairy areas (Table 2). The 200-cow Pennsylvania and 600-cow New York dairies exceed the average size of the largest ten percent of dairies in those states. However, these larger sized dairies exist in these States

^{1/} Buxton, Boyd M. and John P. Rourke. Size Distribution of Dairy Farms Marketing Milk Under Federal Milk Orders. Unpublished report. Economic Research Service, U.S. Department of Agriculture. April 1984. Note - the 120,655 farms accounted for about 69 percent of all milk produced in May 1983, but excluded most farms in California and other states where there is no federal milk order.

Table 1. Total producers and size distribution of herds selling milk to plants regulated by federal milk marketing orders, May 1983.

| Region (State) | Total Producers number | Average Herd Size for | | | | | Smallest forty Percent |
|----------------------|------------------------------|-----------------------|---------------------------|---------------------|---------------------|------------|------------------------------|
| | | All Farms | Largest Ten Percent | 89-70 Percentile | 69-40 Percentile | milks cows | |
| <u>Lake States</u> | | | | | | | |
| Minnesota | 9,968 | 53 | 116 | 74 | 49 | 30 | |
| Wisconsin | 24,400 | 54 | 133 | 68 | 52 | 28 | |
| <u>Northeast</u> | | | | | | | |
| Pennsylvania | 12,928 | 49 | 127 | 66 | 44 | 25 | |
| New York | 13,374 | 59 | 162 | 81 | 53 | 27 | |
| <u>Southeast</u> | | | | | | | |
| Georgia | 962 | 127 | 343 | 181 | 117 | 54 | |
| Florida | 352 | 532 | 1,861 | 931 | 355 | 133 | |
| <u>Southwest</u> | | | | | | | |
| New Mexico | 176 | 333 | 1,832 | 433 | 169 | 32 | |
| Arizona | 160 | 510 | 1,733 | 714 | 433 | 160 | |
| California | 13 | 400 | 1,640 | 580 | 253 | 110 | |
| <u>Northwest</u> | | | | | | | |
| Idaho | 574 | 135 | 607 | 169 | 90 | 34 | |
| Washington | 1,647 | 127 | 418 | 171 | 108 | 46 | |
| <u>United States</u> | 120,655 | 63 | 202 | 82 | 54 | 26 | |

Table 2. Representative dairies selected for preparation of whole farm budgets, by region and herd size.

| Region/State | Herd Size (cows) | Crop-land (acres) | Housing Facilities ^{a/} (type) | Sun Shades | Feed Produced | Silage Storage (type) | Total Labor (W/e) ^{b/} |
|-----------------------|---------------------|----------------------|--|------------|---------------|--------------------------|------------------------------------|
| Midwest States | | | | | | | |
| Minnesota | 52 | 188 | Stanchion | No | Most | Upright | 2.03 |
| Minnesota | 125 | 449 | Free Stall | No | Most | Upright | 3.30 |
| Northeast | | | | | | | |
| Pennsylvania | 52 | 156 | Stanchion | No | Forage | Trench | 2.2 |
| Pennsylvania | 125 | 375 | Free Stall | No | Forage | Trench | 3.8 |
| Pennsylvania | 200 | 600 | Free Stall | No | Forage | Trench | 5.54 |
| New York | 52 | 156 | Stanchion | No | Forage | Trench | 2.21 |
| New York | 200 | 600 | Free Stall | No | Forage | Trench | 5.54 |
| New York | 600 | 1800 | Free Stall | No | Forage | Trench | 14.36 |
| Southeast | | | | | | | |
| Georgia | 200 | 400 | Free Stall | Yes | Forage | Trench | 4.5 |
| Georgia | 350 | 700 | Free Stall | Yes | Forage | Trench | 7.84 |
| Florida | 350 | 0 | Open Field | Yes | None | NA | 7 |
| Florida | 600 | 0 | Open Field | Yes | None | NA | 11 |
| Florida | 1436 | 0 | Open Field | Yes | None | NA | 18 |
| Southwest | | | | | | | |
| New Mexico | 900 | 0 | Corral | Yes | None | NA | 13 |
| Arizona | 359 | 0 | Corral | Yes | None | NA | 7 |
| Arizona | 834 | 0 | Corral | Yes | None | NA | 12 |
| Arizona | 1436 | 0 | Corral | Yes | None | NA | 16 |
| California | 550 | 0 | Corral | Yes | None | NA | 9 |
| California | 1436 | 0 | Corral | Yes | None | NA | 16 |
| Northwest | | | | | | | |
| Washington | 140 | 51 | Free Stall | No | Silage | Trench | 2.96 |
| Idaho | 200 | 400 | Corral | No | Most | Trench | 5.0 |
| Idaho | 550 | 0 | Corral | No | None | NA | 10.5 |

Housing types are:

Stanchion - A conventional barn with locking stanchions in which cows are milked and fed.

Free Stall - A covered barn with individual stalls in which cows can free enter and exit.

Open Field - A field where cows are kept that is large enough to maintain plant cover.

Corral - A drylot open pen where cows are kept and fed at a fence-line feeder.

Labor in worker equivalents of 2,500 hours annually.

^{a/} = not applicable.

and likely will become more prevalent in the future.^{2/}

Technologies and Practices

The technologies and practices assumed for each of the 22 dairy operations were based on discussions with dairy producers, university and government employees and equipment representatives. The objective of these discussions was to describe an "efficiently" organized dairy operation using proven technologies and practices for each specified herd size. Therefore, the dairy operations in this study are not average of what now exists but rather approximate modern sizes and types of operations.

The 52-cow dairies in Minnesota, Pennsylvania, and New York use the conventional stanchion barns for housing and milking cows (Table 2). For larger herds in the Lakes States, Northeast, Washington, and Georgia, free stall housing and milking parlors are assumed.

Cows are kept in open corrals throughout the Southwest and on larger Idaho dairies. Sun shades in the corrals are assumed in New Mexico, Arizona, and California (Southwest) but not in Idaho. Cows are milked twice a day in milking parlors and fed at fence-line bunks from a feed wagon or truck.

Open fields with sun shades are assumed in Florida. One-half acre per cow is provided allowing fields to remain plant covered in

^{2/} Based on discussions with Bill Grizzly at Penn State University and Robert Milligan and Wayne Knoblauch at Cornell University. However, the author takes responsibility for actual development of budgets for these size dairies.

order to minimize mud problems. Cows are milked twice a day in a milking parlor. After leaving the milking parlor, cows are fed concentrates in a feed barn before being released back to the field. Roughage is fed loose in the open fields.

The source of feed follows the common practice existing in the various states. Most feed is purchased from off the dairy operation in New Mexico, Arizona, California, and Florida. The same is assumed for the 550-cow Idaho dairy. Dairy operations in Pennsylvania, New York, and Georgia, purchases most of the concentrates but produce most of the forage used by the dairy herd. All feed is assumed to be produced on the Minnesota and the 200-cow Idaho dairies. A relatively small quantity of silage is raised on the Washington dairy which purchases all concentrates and alfalfa hay from off the farm.

Except for Minnesota, silage produced on the dairy operation is stored in trench silos. In Minnesota vertical upright concrete-stave silos are assumed for storing silage, haylage and high moisture corn.

A detailed list of dairy buildings and equipment, tractors and vehicles and field machinery for each of the 22 dairy operations are shown in Appendix A.

Profitability Measure

A simple average annual rate of return to total investment is used to measure profitability and to compare returns on the twenty-two dairy operations. The measure is:

$$r = \frac{R - OC - OS}{I}$$

- where: r = the average annual rate of return,
 R = total annual revenue from all sales, including milk, dairy replacements, cull cows, and bull calves,
 OC = total annual operating costs for the entire dairy, including wages of hired labor and an allowance for the owner-operator's labor and management,
 OS = total annual ownership costs including depreciation but excluding interest costs, and
 I = total investment outlay for the entire dairy operation.

The measure of profitability is pre-income tax. Therefore, no explicit consideration is given to possible investment incentives created for specific individuals through tax regulations, such as expensing, rapid depreciation and investment credits. This limits the conclusions of the study but avoids the need for assumptions about each investor's own financial situation. For example, a tax liability may be calculated strictly on the income from the dairy operation itself or including nondairy income or business(es) for which the dairy would be just a part of a much bigger tax liability picture.

The debt/asset ratio, liquidity, and solvency measures vary for each person who might set up one of the dairies. Although these measures affect an individual's success and long-term viability in milk production, they are ignored here. Over time, dairy owners supported by adequate financial backing and favorable net worths would be attracted if the rate of return on total investment (profitability) was high enough.

In the long-term, the profit opportunities in dairy will affect milk production more than net worth, liquidity, or solvency positions of specific individuals. Some of these questions are considered in a later part of this report.

The calculations for total revenue above all costs and costs per hundredweight (cwt) of milk cover payments for all factors, including the owner labor and management and a real interest charge on the average annual investment. The cost per cwt of milk was adjusted because sales, though dairy-related, include more than milk.

Annual Costs

Annual costs reflect the assumptions used to calculate depreciation, property taxes, insurance, and interest costs. The following calculations are used in this study:

Depreciation

$$\text{Annual Depreciation} = \frac{PC - (SV) (PC)}{UL}$$

where:

PC = purchase cost,

SV = salvage value expressed as a percentage of purchase cost, and

UL = useful life in years.

Property tax--Annual property taxes for depreciable assets are calculated as a proportion of the assets' average annual value over its useful life. The average annual value over its useful life. The average annual value is calculated as:

$$\text{AAV} = \frac{PC + (SV) (PC)}{2} + \frac{(PC + (SV) (PC))}{UL}$$

where:

PC, SV, and UL are as described before.

The dollars of tax per \$100 of average annual value reflects property tax by using percentages of market value (Appendix A).

Insurance--Insurance costs for depreciable assets are based on a rate per \$100 of annual average value. Annual average value is calculated the same as in the property tax computation (Appendix A).

Insurance costs include coverage on one-half the value of hay inventory but no coverage on livestock, silage, or concentrates.

Interest--Interest costs for depreciable assets are based on the real interest rate multiplied by the annual average value.

Costs and Returns

The specialized dairy operations considered in this report receive all revenue from the dairy enterprise. Milk sales are the single largest source of revenue, but the sale of cull cows, bull calves, and replacement heifers beyond those needed for herd replacement are also important. Price changes for any of these items would greatly affect total revenue generated by the dairy operation and, therefore, the rate of return to total investment.

Revenue

Revenue from milk sales depends on milk produced and the price received for milk sold. Prices received for milk delivered to plants vary from one state to another, largely reflecting the classified pricing policy of federal and state milk orders and the proportion of milk used as fluid in the various states.

The level of milk production per cow used is the same as the average achieved by herds in the 1982 Dairy Herd Improvement Association (DHIA) program in the respective states.

Costs

The average annual cost is divided into operating and ownership costs. Operating costs include purchased feed and a wide range of expenses such as farm repairs, hired and operator labor, utilities and fuel for the dairy herd, and veterinary and breeding fees. Operating costs also include seed, fertilizer, fuel, and other annual expenses associated with feed production on Minnesota and Washington dairies.

Annual ownership costs include depreciation, property taxes and insurance premiums. Annual depreciation was calculated for durable assets including buildings and dairy equipment, tractors, vehicles, and field equipment. Property taxes and insurance premiums were based on annual dollars paid per \$100 of average annual value (Appendix A).

All interest charges, except interest on operating costs, were excluded to calculate the average annual rate of return to total investment.

Labor is paid before calculating the rate of return to total investment. If the calculated rate of return (r) is greater than the interest rate, then retained earnings are positive.

Feed Requirements--Feed is the most important cost of producing milk, whether purchased outright or raised on the dairy farm. Differences in feed assumptions can make a significant difference in

the relative rate of return to investment in the various states. The ration composition differs from state to state. However, it was assumed that a milk cow of a given weight and breed and producing the same amount of milk would require the same dry matter intake, regardless of location. Variations in regional forage quality can be partly offset by changing the composition of the concentrates and by adding supplements so as to yield a balanced ration. To the extent it cannot, milk production per cow would be lower.

Data show the average annual pounds of dry matter intake per day per 100 pounds of body weight to be 2.326 plus 0.004824 multiplied by the hundred weights of milk produced by the cow per year.^{3/} Feed fed by state and milk per cow are shown in Table 3.

The proportion of dry matter from concentrates in the various states was estimated from the pounds of grain fed to a milk cow as reported by the U.S. Department of Agriculture's Statistical Reporting Service.^{4/} It was assumed that forages constituted the remaining dry matter requirement.

Producers are assumed to feed 11,877 pounds of hay, 627 pounds of grain, 52 pounds of calf starter, and 40 pounds of milk replacer to a dairy heifer replacement to reach 1,250 pounds body weight in 26 months. A dairy bull that weighs 2,000 pounds is assumed to require 4,056 pounds of grain and 7,300 pounds of hay per year.

^{3/} Data are from Minnesota Dairy Herd Improvement Association summaries

^{4/} U.S. Department of Agriculture, Milk Production, Statistical Reporting Service, July 16, 1982, p. 6.

Table 3. Annual feed requirements for adult milk cows and annual milk production per cow.

| State | Annual Feed Fed ^{a/} | | | | Annual Milk/Cow |
|--------------|-------------------------------|--------|---------|-------------|-----------------|
| | Hay | Silage | Haylage | Concentrate | |
| | pounds | | | | |
| Minnesota | 3,639 | 9,703 | 7,116 | 4,816 | 14,764 |
| Pennsylvania | 5,301 | 7,068 | 5,183 | 5,200 | 15,260 |
| New York | 5,820 | 7,761 | 5,691 | 4,350 | 15,540 |
| Washington | 8,171 | 5,447 | 0 | 5,930 | 16,954 |
| Idaho | 10,375 | 0 | 0 | 5,180 | 15,170 |
| Georgia | 4,235 | 12,848 | 0 | 6,080 | 13,149 |
| Florida | 4,235 | 0 | 0 | 10,320 | 13,149 |
| New Mexico | 9,244 | 0 | 0 | 6,410 | 16,135 |
| Arizona | 8,733 | 0 | 0 | 6,970 | 16,570 |
| California | 8,871 | 0 | 0 | 6,800 | 16,371 |

a/ Weights are as fed. Dry matter content of feed varies some by state but is approximately 89 percent for alfalfa, 33 percent for silage, 45 percent for haylage and 90 percent for concentrate.

Total hired labor ranges from 1.03 worker equivalents (2,575 hours) of part-time hourly labor on the 52-cow Minnesota dairy to 18 full-time workers on the 1,436-cow Florida dairy. Some of the part-time labor hired in Minnesota, Pennsylvania, New York and Washington is seasonal and associated with crop production (Table 2).

Investment Requirements

The estimated new (replacement) cost per cow for assets required on the twenty-two dairies are summarized in Table 4. Replacement or new costs are used so that the average annual costs of ownership will reflect an amount sufficient to replace worn out assets when needed. Costs then reflect an amount needed to maintain the long-term viability of the operation.

On dairies without cropland for feed production, the total investment per cow ranges from \$3,372 on the 1,436-cow Florida dairy to \$5,053 for the 359-cow Arizona dairy. Including land and field machinery to produce feed, the Minnesota 52-cow dairy has a total replacement value of assets of more than \$15,000 per cow. The difference between herd sizes and regions are best reflected in comparing investment per cow in dairy buildings and equipment. Here the range is from \$749 on the 1,436-cow Florida dairy to \$4,871 for the 52-cow Minnesota dairy (Figure 2). The investment per cow in dairy buildings and equipment is substantially less on larger than on smaller dairies regardless of region. For typical herd sizes, the investment per cow is substantially less in Southeast and Southwest regions than in other regions. However, the 600-cow New York and 550-cow Idaho dairy

Table 4. Summary of replacment investment cost per cow for dairy operation.

| Region/State | Herd Size | Dairy Building and Equip. | Tractor and Vehicles | Field Machinery | Cattle | Land | Milk Base | Total | Total Farm (\$1000) |
|--------------------|-----------|---------------------------|----------------------|-----------------|---------|---------|-----------|---------|---------------------|
| | number | dollars | dollars | dollars | dollars | dollars | dollars | dollars | dollars |
| Lake States | | | | | | | | | |
| Minnesota | 52 | 4,871 | 1,764 | 1,503 | 1,800 | 5,517 | 0 | 15,455 | 804 |
| Minnesota | 125 | 4,172 | 1,015 | 575 | 1,800 | 5,481 | 0 | 13,043 | 1,630 |
| Northeast | | | | | | | | | |
| Pennsylvania | 52 | 4,034 | 1,771 | 1,488 | 1,800 | 4,595 | 0 | 13,749 | 715 |
| Pennsylvania | 125 | 3,663 | 833 | 640 | 1,800 | 4,555 | 0 | 11,511 | 1,439 |
| Pennsylvania | 200 | 2,770 | 753 | 400 | 1,800 | 4,536 | 0 | 10,259 | 2,052 |
| New York | 52 | 4,094 | 1,771 | 1,445 | 1,800 | 4,673 | 0 | 13,784 | 717 |
| New York | 200 | 2,748 | 749 | 389 | 1,800 | 4,613 | 0 | 10,299 | 2,060 |
| New York | 600 | 1,506 | 338 | 192 | 1,800 | 4,600 | 0 | 8,436 | 5,062 |
| Southeast | | | | | | | | | |
| Georgia | 200 | 2,262 | 539 | 278 | 1,800 | 3,113 | 0 | 7,990 | 1,598 |
| Georgia | 350 | 1,667 | 308 | 159 | 1,810 | 3,086 | 0 | 7,029 | 2,460 |
| Florida | 350 | 1,240 | 168 | 20 | 1,811 | 750 | 0 | 3,989 | 1,396 |
| Florida | 600 | 1,026 | 141 | 16 | 1,810 | 750 | 0 | 3,744 | 2,246 |
| Florida | 1,436 | 749 | 59 | 7 | 1,807 | 750 | 0 | 3,372 | 4,842 |
| Southwest | | | | | | | | | |
| New Mexico | 900 | 1,353 | 63 | 0 | 1,810 | 261 | 0 | 3,487 | 3,138 |
| Arizona | 359 | 1,789 | 125 | 0 | 1,811 | 110 | 1,218 | 5,053 | 1,814 |
| Arizona | 834 | 1,414 | 68 | 0 | 1,811 | 109 | 1,218 | 4,620 | 3,853 |
| Arizona | 1,436 | 1,161 | 50 | 0 | 1,811 | 107 | 1,218 | 4,346 | 6,241 |
| California | 550 | 1,797 | 81 | 0 | 1,810 | 291 | 805 | 4,784 | 2,631 |
| California | 1,436 | 1,385 | 50 | 0 | 1,810 | 217 | 805 | 4,267 | 6,127 |
| Northwest | | | | | | | | | |
| Washington | 140 | 2,504 | 519 | 363 | 1,800 | 1,714 | 88 | 6,989 | 978 |
| Idaho | 200 | 2,337 | 444 | 474 | 1,800 | 3,113 | 0 | 8,168 | 1,634 |
| Idaho | 550 | 1,474 | 111 | 0 | 1,810 | 109 | 0 | 3,504 | 1,927 |

Investment/cow
(Dairy Bldg. & Equip.)

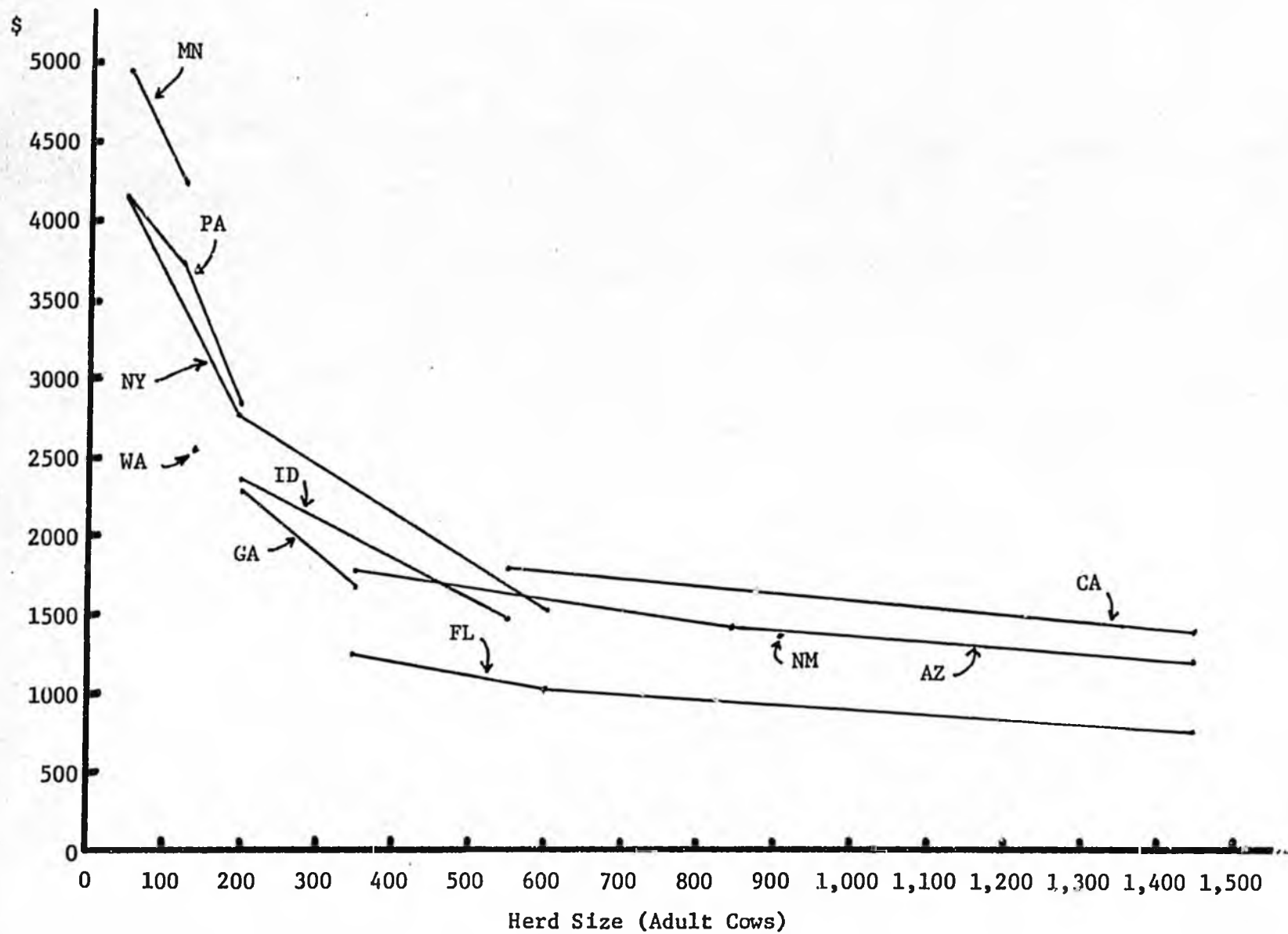


Figure 2. Replacement investment per cow in dairy building and equipment by herd size and state.

have investment requirements for dairy buildings and equipment quite comparable to large dairies in other regions.

Policy Scenarios

The base scenario assumes the "all" milk prices received by dairy producers in 1982 (Table 5). The price varies from \$12.70 cents per cwt in Idaho to \$16.40 in Florida. The difference in price between states is due in large part to pricing policies under federal and state milk marketing orders. States with relatively high prices are areas where milk used as a fluid beverage (1) is priced relatively high and (2) is a relatively large share of total sales. The corresponding U.S. manufacturing price of \$12.60 per cwt was equivalent to about 67 percent of the full parity price.^{5/}

These prices are relatively low as the support price for milk has been set between 75 and 90 percent of parity from 1949 until the recent legislation. The 75 to 90 percent of parity range has fairly accurately reflected the long-term market clearing milk price that would bring supply and demand into balance. Because the parity price does not fully account for productivity gains in milk production, it would be expected that the long-term market clearing milk price would be, over time, equal to a lower percentage of the full parity price. For purposes of this analysis, 70 percent of parity is used as an approximation of the long-term market clearing milk price.

^{5/} The parity price at any time is the price that would give 100 pounds of milk the same purchasing power it had during the 1910-14 period.

Table 5. Milk price under 1982 base and alternative scenarios.

| State | : 1982 : : Base : | I | II | III | IV |
|---------------------------------|----------------------|-------|-------|-------|-------|
| ----- dollars/cwt ----- | | | | | |
| Minnesota | 12.98 | 13.49 | 13.11 | 12.56 | 12.98 |
| Pennsylvania | 14.00 | 14.51 | 13.11 | 13.58 | 14.00 |
| New York | 13.70 | 14.21 | 13.11 | 13.28 | 13.70 |
| Washington | 13.30 | 13.81 | 13.11 | 12.88 | 13.30 |
| Idaho | 12.70 | 13.21 | 13.11 | 12.28 | 12.70 |
| Georgia | 14.40 | 14.71 | 13.11 | 13.98 | 14.40 |
| Florida | 16.40 | 16.91 | 14.71 | 15.98 | 16.40 |
| New Mexico | 14.15 | 14.56 | 13.11 | 13.73 | 14.15 |
| Arizona | 13.90 | 14.41 | 1 .11 | 13.48 | 13.90 |
| California | 13.21 | 13.63 | 13.11 | 12.70 | 13.12 |
| U.S. Manufacturing (support) | 12.60 | 13.11 | 13.11 | 12.18 | 12.60 |

Scenarios are:

- 1982 Base - 1982 prices and conditions (67 percent of parity milk price).
- I - Higher support price equal to estimated long-run market clearing price of 70 percent of parity.
- II - No classified pricing for fluid milk but continuation of federal order program and a 70 percent of parity long-run equilibrium price.
- III - Lower long-term market clearing price equal to 65 percent of parity.
- IV - 1982 base price but with milk per cow equal to top 20 percent of producers using Dairy Herd Improvements in 1982.