

ALASKA LEGISLATURE COMMITTEE FILES 1965-1966 80/2

4247

SRES

SB

155

1127

Arliss Sturgulewski  
February 18, 1985  
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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 adequate 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.

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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

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"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.

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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.

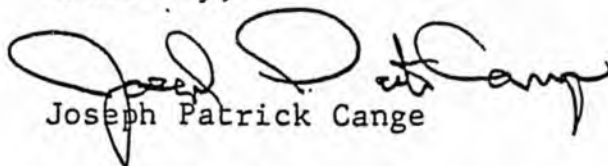
I have also enclosed earlier correspondence related to Point MacKenzie that you might find helpful. They are:

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

# 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

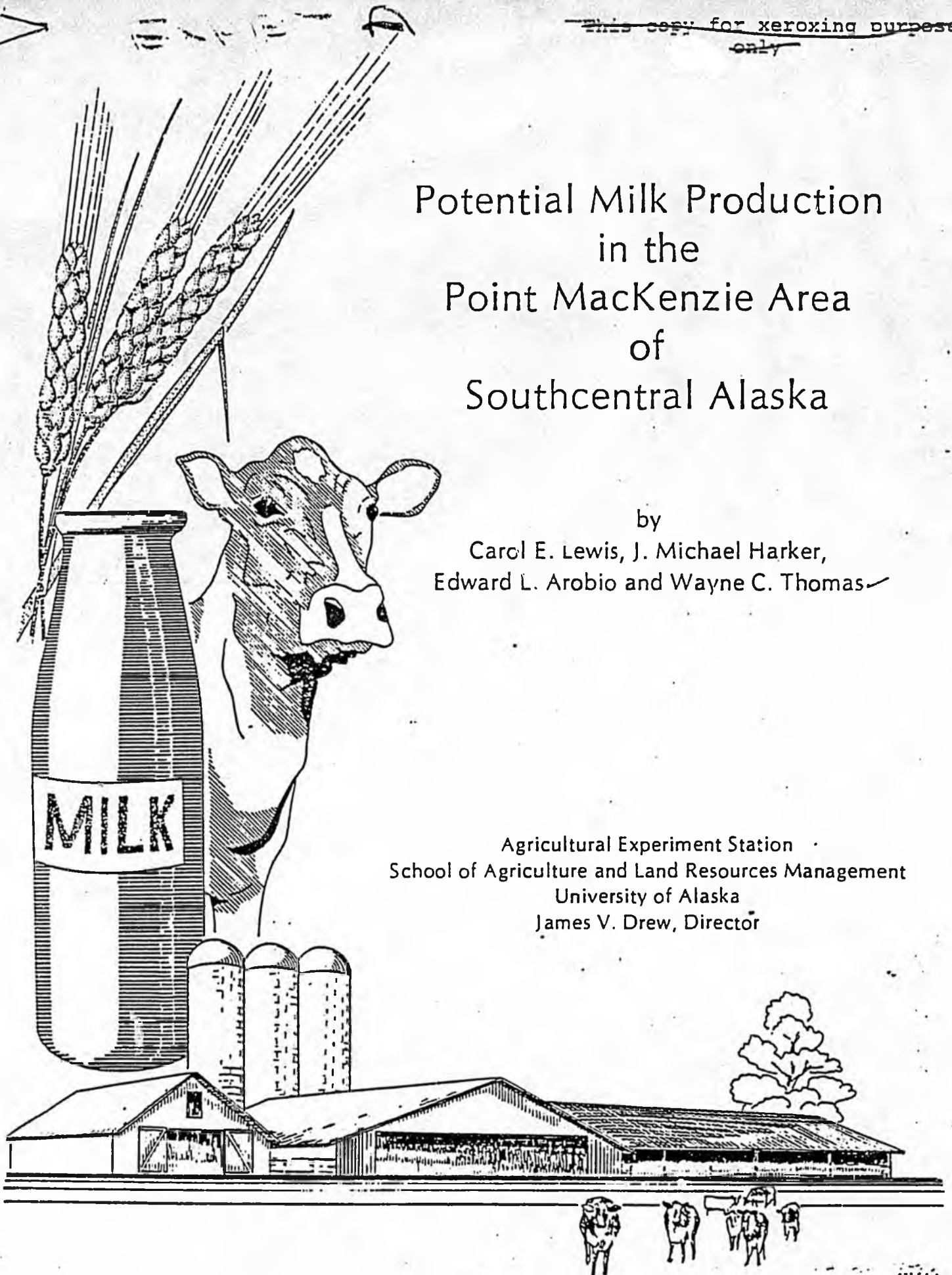


Table 6: Machinery Storage and Workshop

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

<sup>a</sup> Assumes 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.

<sup>b</sup> Includes 45 ft<sup>2</sup> of resting area and 65 ft<sup>2</sup> of "lot" area.

<sup>c</sup> Two 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
<b>TOTAL</b>	<b>\$492,570</b>	<b>\$678,990</b>	<b>\$921,686</b>	<b>\$1,241,711</b>

PER COW  
INVESTMENT  
BY FAC

\$ 9,857

\$ 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 report also includes information on the capital costs of alternative housing systems. 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

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, a 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).

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

EXHIBIT B-2

Adjusted cost per cwt

[REDACTED] ed  
[REDACTED] A).  
Also costs were lower on the very large dairies in California, New Mexico, Arizona, and Idaho than on smaller dairies in Minnesota, Pennsylvania, and New York. However, the 600-cow New York dairy had comparable costs to herds of about that size in other states.

The major exception was the relatively high cost for Florida dairies. Floridas' high costs are in part offset by relatively high milk prices resulting in the competitive rate of return on investment discussed in the previous section and illustrated in Figure 3.

The cost per cwt of milk is nearly the same for alternative price support or federal order policy scenarios. However, costs per cwt drop dramatically for producers achieving milk production per cow equal to the top 20 percent of producers using DHIA tests compared to a producer achieving the average of all producers using DHIA tests (Table 8).

[REDACTED] s  
A rate of return to investment is calculated for twenty-two dairy farms after all operating costs are paid and sufficient money withheld to maintain the long-term viability by replacing worn out equipment and facilities. The major findings of the analysis include the following:

[REDACTED]  
[REDACTED]  
2. For the herd sizes that characterizes dairy farming in each region, investment per cow is less for the large dairy operations in the Southwest, Northwest and Southeast than for the Lake State and Northeast regions.

3. Based on whole farm budgets, the larger dairies with 500 cows or more are more profitable than smaller dairies. Considering the long-term, effeciently operated dairies in New Mexico, Arizona and Florida are more profitable than their counterparts in California, Idaho, Minnesota and the Northeast. This result is the bottom line after reflecting regional difference in costs and milk prices received.

4. Although costs per cwt of milk are highest in Florida, the relative high price received for milk provides a competitive return. The profitability of California and Idaho dairies is adversely affected by lower milk prices compared to New Mexico, Arizona and Florida dairie .

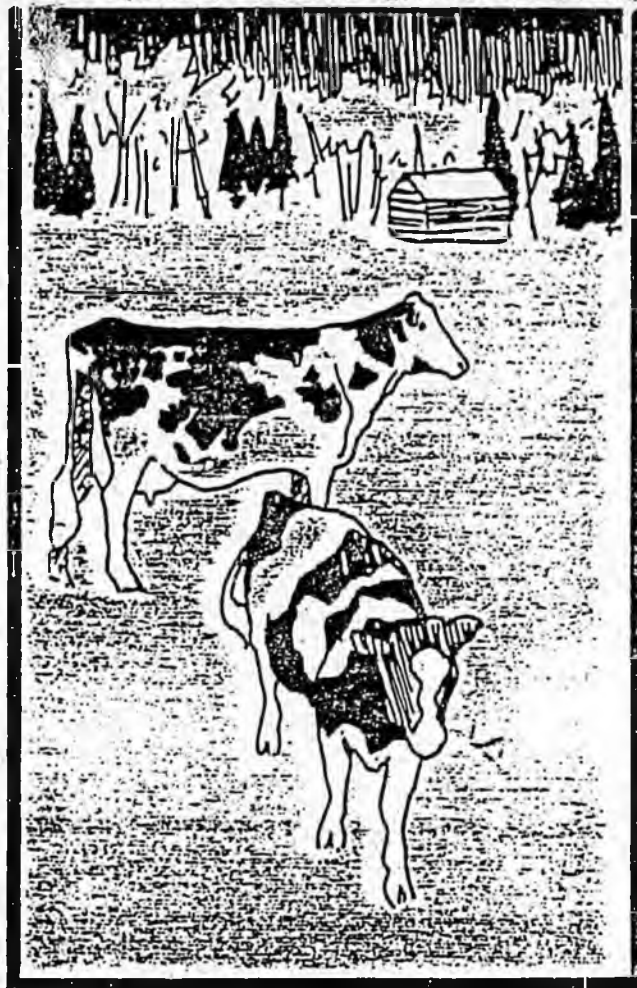
5. Strong economic pressure exists for herds to get larger in all regions. This will continue the trend to fewer and larger dairies.

6. The relatively favorable profit potential (rate of return) of large scale dairy farming in the Southwest, Southeast and Northwest regions will likely result, over the long term, in a continued shift in milk production to those areas. Those areas will likely increase their relative share of total U.S. milk production, placing increased competitive pressure on the traditional Lake States and Northeast dairy areas.

7. The profitabiity of dairy farming is greatly improved in all regions when management achieves production per cow levels equal to the top 20 percent of the farmers using Dairy Herd Improvement Testing programs (Scenario V). Achieving these performance levels tends to improve the profitability of large more than small dairies, adding more economic incentive for large scale dairying.

EXHIBIT D

# Point MacKenzie Agricultural Project SALE BROCHURE



*LAST COPY*

Department of Natural Resources  
Alaska Agricultural Action Council  
September 11, 1982



STATE OF ALASKA  
DEPARTMENT OF NATURAL RESOURCES  
DIVISION OF LAND AND WATER MANAGEMENT  
323 East Fourth Avenue  
Anchorage, Alaska

POINT MACKENZIE AGRICULTURAL INTEREST SALE

Lottery #10

Lottery Filing Period: 8:00 a.m., Wednesday, July 7, 1982 through  
4:30 p.m., Friday, August 20, 1982.

Place of Lottery: Palmer High School  
Little Theater  
West Arctic Avenue  
Palmer, Alaska

Date of Lottery: September 11, 1982

Time of Lottery: 10:00 a.m. (local time). Information Briefing and  
Lottery Drawing.

INTRODUCTION

In an effort to develop agricultural land as a renewable resource of the State, the Alaska Department of Natural Resources in cooperation with the Alaska Agricultural Action Council is disposing of approximately 13,940 acres of agricultural land in the vicinity of Pt. MacKenzie, Alaska. 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. Therefore, subject to the provisions of AS 38.04 and AS 38.05 and pursuant to the regulations promulgated thereunder, the Director of the Division of Land and Water Management, or his authorized representative, will sell (the agricultural interest) by lottery in the following described real property located within the Palmer Recording District.

PARCELS FOR SALE

The agricultural interest in twenty-nine (29) parcels ranging in size from 301.75 acres to 632.24 acres and totaling 13,940 acres will be offered for sale. The sale of all parcels will be under the terms and conditions set forth in this brochure and in the sale contract. Sample sales contracts are available for inspection through the Southcentral District Office. Land discounts pursuant to AS 38.05.058 and 11 AAC 67.900-915 are available to eligible Alaskans.

EXHIBIT E

JOSEPH PATRICK CANGE  
CERTIFIED PUBLIC ACCOUNTANT  
BOX 4-647  
ANCHORAGE ALASKA 99509  
TELEPHONE (907) 344-8887

January 1, 1984

Mr. Jalmar M. Kerttula  
President, Alaska State Senate  
Pouch V  
Juneau, Alaska 99811

Subject: Point MacKenzie Agricultural Project

Dear Jalmar,

Let me first express my sincere thanks and appreciation for taking the time to hear my thoughts and concerns regarding the Point MacKenzie dairy project.

I would like to restate my primary viewpoint: if this project is to be successful, then everything has to be done to create the best economic units possible, not just on one parcel, but on all parcels.

The milk provided at Point MacKenzie is going to compete in the market place with Outside milk. If we create units that are not the most economically efficient possible, then the project cannot compete, and Point MacKenzie will be a failure.

The "Point MacKenzie Agricultural Project Sale Brochure" (which is probably your own words) states: "The major objectives are to stimulate in-state milk production, to provide milk to Alaska consumers at a competitive market price...". This, I believe, should be everyone's goal -- to guarantee a successful project.

There should be no question in anyone's mind that if the project fails, then everyone loses: YOU as its creator, the STATE as its financial backer, the ALASKAN CITIZEN through loss of potential jobs, and the POINT MACKENZIE FARMER in lost investment. In addition, a failure here will also create a negative impact on other potential agricultural projects.

I feel that the project can be economically viable. However, only through your assistance and guidance will it become a successful project.

Mr. Jalmar M. Kerttula  
January 1, 1984  
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I believe that the following items, if done, will further our common goals related to Point MacKenzie.

### I. ELECTRICITY TO EACH PARCEL

Initial cost of electrical generation facilities per farm is approximately \$50,000. KWH costs are nearly five times higher than MEA power. In short, to be competitive, power must be accessible to each parcel.

"Dairy farmers who generate their own electricity at present do so at a cost of up to \$100 a day for each farm".  
(Anchorage Daily News, December 18, 1983).

Governor Sheffield stated at the 6th Annual University of Alaska Symposium on Agriculture that he would "support an appropriation of \$3,000,000 to extend electricity to Point MacKenzie." We should make sure that this is included in the budget.

### II. NATURAL GAS TO EACH PARCEL

Natural gas, as with electricity, provides an economic benefit to the dairies. Natural gas is the cheapest form of energy that we have in Alaska. This advantage should be utilized.

### III. RELAXATION OF DEVELOPMENT SCHEDULE

The farm development schedule, as it now exists, provides for a two-part stocking rate of approximately 1/2 by November 1, 1985, and the other 1/2 by November 1, 1988. This provision should be relaxed to permit the entire stocking rate by November 1, 1988. There are a number of reasons for this.

First, more time is needed to get the infrastructure established -- such as electric, gas, telephone and processing plant.

Second, there are not enough qualified people available to complete all the things necessary to get all 17 dairies on line by November 1, 1985.

Mr. Jalmar M. Kerttula  
January 1, 1984  
Page 3

Third, if the dairies come on line over a longer period of time, the first dairies can provide cows to the later dairies. This would provide additional income for the early dairies and reduced cow costs for later dairies.

Fourth, there are going to be mistakes made by the early dairies. The later dairies can learn from their predecessors, and this should result in better units.

Fifth, because the operation of a dairy requires such substantial capital and labor costs initially, it is not feasible to have a dairy come on line in two phases.

To be economically viable it has to come on line with nearly 200 cows -- not with 37 cows in 1985 and 65 cows in 1988 as it is now proposed, for example, on Dairy 101. The high front-in cost of the milking parlor, waste facility, and other fixed costs, do not permit this phasing concept.

Sixth, it will require more time to get the field in condition to provide necessary forage crops and grain for food base. It will take two or three more years to burn berm piles and condition soil for effective planting and harvest of crops. Nothing could be worse than having the cows on line prior to having food base on line. The food base should come first.

#### IV. COMBINING TWO PARCELS INTO ONE FARM

The current interpretation of the regulations requires that two parcels cannot be combined into one farm. This should be changed to permit the combining of two parcels into one farm with the following limitations:

- (a) The parcels must be contiguous (separation by streets and easements permitted).
- (b) The minimum number of cows on combined farms must be 1 1/2 times the total required on the two separate farms. The added total milk production should help justify this change.
- (c) The lending regulations must be changed to increase loan limits to \$1,500,000 per farm. The existing limit is not high enough and is making it hard on current operators.

Mr. Jalmar M. Kerttula  
January 1, 1984  
Page 4

Combining of farms will encourage more economical units. At the same time it will guarantee a minimum of 10 separate dairies so that no one large dairy is formed. I believe it is better to make this change NOW, not after inefficient dairies have gone broke.

A 200-cow dairy is going to require 750-800 acres of land for food base. The combining of dairies will permit this. Dairy 116, for example, has only about 270 acres of usable Class II/III soils. This would only permit a dairy based upon food base requirements of 68 cows. This size farm is not economically feasible. A combining of 116 with 117, for example, will permit a 200-cow facility on 117, which makes 116 and 117 a good economic unit.

I think that capital invested should be invested to maximize the efficiency of the industry. It would be far better to have a 150-200 cow facility rather than two 75-100 cow facilities.

The savings created by a consolidation of dairies could go to developing an efficient processing plant. This modern plant should be at Point MacKenzie, and be owned by all Point MacKenzie dairy farmers. If dairying is to be viable in the marketplace, we cannot depend upon Matanuska Maid to process and market milk. Matanuska Maid loses money on every gallon it sells. It is becoming more and more uneconomical. It cannot compete with Outside milk because it's costs of operation are too high.

The worst thing that could happen is to have the 17 Point MacKenzie farms, plus the existing eight farms, ready to sell milk to Matanuska Maid -- only to discover that they could not sell it in the marketplace because of Matanuska Maid's inefficiency. Unfortunately I fear this is the direction in which we are now headed.

The data that I have indicates that the processing plant is the most profitable part of the whole industry. If the farmers owned their own processing plant, profits from the plant could be returned to them.

My calculations show that Point MacKenzie, plus existing dairies, could produce 50% of 1987 projected Railbelt milk consumption. The industry could not, with Matanuska Maid processing the milk, market the projected milk production because Matanuska Maid would not be competitive with Outside milk. The producing industry would probably have to lower its price to make the end product competitive. Therefore, a processing plant is a necessary investment if Alaskan milk is to be competitive with Outside milk.

Mr. Jalmar M. Kerttula  
January 1, 1984  
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V. SUMMARY

I am asking that you assist us to:

- (a) provide the basic infrastructure;
- (b) allow more time for orderly development;
- (c) allow for more efficient dairy units, and
- (d) help insure that we invest capital in those things that bring the greatest return to make Alaska milk competitive.

The changes that I am requesting are necessary because the State did not follow your initial idea of pre-qualification conditions. If that would have been done, then you would have probably had existing dairy farmers expanding into Point MacKenzie who would have had experience, herds, and food base. As it is now, only the Lees have this sort of qualifications.

I hope we can all work cooperatively and in unison on this project. I know that the program was not intended to be a corporate operation as I envision on our parcels, but I think there is room for both. I believe that the paramount concern should be to make the project successful, and our suggested changes will help accomplish this.

Sincerely yours,

Joseph Patrick Cange

J:p

your copy

EXHIBIT C

JOSEPH PATRICK CANGE  
CERTIFIED PUBLIC ACCOUNTANT  
BOX 4-647  
ANCHORAGE, ALASKA 99509  
TELEPHONE (907) 344-9557

June 22, 1984

Mr. Bob Heath  
6441 South Air Park Place  
Anchorage, Alaska

SUBJECT: DAIRY INDUSTRY

Dear Mr. Heath:

I would first like to thank you for taking the time to see me today. All involved in the dairy industry owe a special thanks to Senator Kerttula for asking Governor Sheffield to appoint you as the person responsible for assessing the Matanuska Maid situation. I believe you will find a solution to the current morass that exists in the dairy industry.

I will briefly restate the situation and the resolution as I see it.

The solution to Matanuska Maid's problem is not increased debt, but rather less debt. Increased debt will only add to the problems and delay the solutions.

The first step is to immediately initiate a viable plan to reorganize and get out of Chapter 11. This plan of reorganization must require all parties to make economic sacrifices, namely:

- 1) the producers shall receive only as much for their milk as the dairy can pay and break even;
- 2) the state shall write off all accrued interest on existing debts and give the dairy a moratorium on future interest and principal payments;
- 3) the unsecured creditors shall only receive about 60% of their total claims, and
- 4) the prior producers shall receive no money for 2% certificates.

A piecemeal approach to solving the problems will not work. All groups must make the hereinabove sacrifices; otherwise, the dairy cannot compete in the competitive market that currently exists.

A consulting report is currently being prepared by Ed Owens, State Director, Washington State University, Small Business Development Center. This \$40,000 study was requested by bank cooperatives to evaluate Matanuska Maid. The study is a detailed analysis of the feasibility of reorganizing Matanuska Maid. Among other things the report will include an in-depth review of Matanuska Maid's financial systems and procedures, management and marketing procedures, and strategy. In my discussions with Ed Owens he feels that with proper management Matanuska Maid can be very successful and profitable. It is imperative, in my opinion, that the recommendations made in this report be evaluated and implemented immediately by the Board of Directors.

I further believe the state must address the problems NOW that exist in the producer area. As we all know, the producer cannot survive without an efficient dairy -- and the dairy cannot survive without efficient producers. If we only resolve the problems of the dairy, and don't address both producer and dairy, then the time will come when we will have the same emergency situation at the producer level. What good is one without the other?

The dairy has been paying the producer a price higher than what it could afford to pay and still break even. This overpayment has been absorbed by an increase in debt and continual erosion of prior years' equity. The producer was receiving approximately \$3.00 CWT more for his milk than the dairy could afford to pay. Since the producer was getting his check, he wasn't concerned about the processor -- and "no one was watching the store".

In 1980 when the Point MacKenzie project was initiated, the idea was to create a number of small family dairies. In reality, however, this concept does not work, nor is it what has actually happened. For example, of the farms actually under construction, or in production, the situation is as follows:

Lees	-	Subsidized by other business ventures
James	-	Subsidized by medical practice
Rodgers	-	Backed by Anchorage restaurant
Tucker	-	Backed by cooperative effort of 4 separate dairies
Johnson	-	Backed by his contracting business
Basken	-	Possible family dairy

The cash equity requirement of nearly \$200,000 to build even the smallest farm is a prohibitive sum for most family farms. Therefore, many families cannot even get started.

Currently at Point MacKenzie there are two dairies on line and four more under construction. The two operating dairies are in serious financial trouble, and the remaining 16 need help desperately.

If the producer is going to survive, immediate changes must be made. These are as follows.

1. Combining of up to four parcels into one farm.

Both the initial cost and the operating costs of larger facilities create lower per-unit prices. Based upon recent cost data it costs \$15,000 per cow for a 100-cow dairy compared to \$8,000 per cow for a 360-cow dairy. In addition, the operating costs of a 100-cow dairy are 25% higher than a 360-cow dairy.

As in any business, economy of scale produces lower per unit costs. The Department of Agriculture must allow consolidations of parcels to allow more efficient and competitive units while at the same time enforcing the total stocking requirements.

2. Increase lending limits to \$7,500 per cow, or up to \$2,000,000 per farm.

The industry needs additional financing to be efficient. The costs of even a 120-cow dairy are upwards of \$1,600,000. The current loan limit of \$1,000,000 is not enough. The current operators cannot bridge the gap between costs and available loan limits. The savings created for the state loan program by having fewer dairies should be allocated to existing and future dairies so they can build efficient units rather than under-funding them as is now the case. The state is much better off to have \$1,500,000 lent to one 200-cow facility than \$3,000,000 lent to three 70-cow facilities. The total cost to the state is less under this scenario than the one currently being pursued.

3. Funds to promote in-state products.

Because of the controlled retail environment that our milk products are competing in, we must promote our local milk products to the consumer. The state has a large financial investment, as well as a long-term responsibility, to see that the industry survives. The state should allocate upwards of \$200,000 to promote local products. Because of the current financial problems of the processing plant, these funds must come from the state. This is a small investment compared to the future returns.

4. The state must adopt a law that establishes a maximum 10-day shelf life from the date of process.

The state of Hawaii has recently adopted such legislation to enhance its local dairy industry.

5. Moratorium on interest and principal for 4 years.

The current reduction in milk prices of \$3.00 CWT cannot be absorbed by the producer at this time. The industry will need time to adjust to this reduction in revenues. All existing and proposed farms use the current \$21.40 CWT price, not the new \$18.35 CWT price.

I believe the situation for the producer is just as precarious as the dairy, but not yet as obvious. If the dairy industry is to survive, we must have a change of policies at the Department of Agriculture. A dairy industry failure will have long-range damaging implications to all other areas of agriculture. I believe it is not too late to make necessary changes. Changes are needed in policies and directions by the state to save the dairy industry.

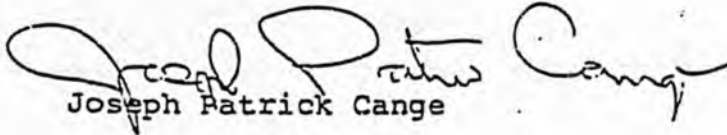
We must go forward, we cannot turn back. Too much is at stake here -- we cannot stop the flow of milk from the existing 900 dairy cows currently in production.

The state has invested significant tax-payer capital in the development of several agriculture-based industries -- such as the barley and red meat industry. Should the dairy industry fail, the other agricultural industries will be seriously impacted.

Although the situation seems bleak -- it is not hopeless. I believe with proper assistance and directional change from the state we can create a successful dairy industry in Alaska.

Thank you for your time and consideration in this matter. I am presently doing a cost analysis of various sized dairies and I will forward a copy to you as soon as it is completed. If I can be of any further assistance, please give me a call.

Sincerely,

  
Joseph Patrick Cange

cc: Governor Bill Sheffield  
Richard A. Lyon  
Bill L. Heins  
Jalmar M. Kerttula  
Esther C. Wunnicke  
Pappy Moss  
Mike Szymanski

EXHIBIT G

JOSEPH PATRICK GANGE

CERTIFIED PUBLIC ACCOUNTANT

BOX 4-547

ANCHORAGE, ALASKA 99508

TELEPHONE (907) 344-5800

September 14, 1984

Ms. Dean Brown  
Deputy Director  
State of Alaska  
Department of Natural Resources  
Division of Agriculture  
P.O. Box 949  
Palmer, Alaska 99645-0949

SUBJECT: article in The Anchorage Times, September 14, 1984  
Brown disagrees with the premise that larger is more economical, saying that state statistics show the smaller, family-run dairy as the most economical farming unit. They require less sophisticated equipment and don't rely on hired labor, she said.

Dear Ms. Brown:

I certainly enjoyed your comments as reported in The Anchorage Times on this date. My brother and I own a parcel at Point Mackenzie and we would like to ask you a few questions, in your official capacity as Deputy Director, regarding the agriculture industry.

Regarding your statement "that state statistics show the smaller, family-run dairy as the most economical farming unit"

1. In your capacity as Deputy Director is this your personal philosophy?
2. Is this philosophy an official department philosophy, and if so, who else in the department subscribes to this theory?
3. Are there any written policy documents postulating this theory? If so, please send us a copy.

Ms. Dean Brown  
September 14, 1984  
Page Two

4. What economic data is your statement based upon? Please provide us with your detailed economic data.

5. Does the fact that in 1960 there were 80 Grade A dairies whereas today there are only 9 Grade A dairies provide support for your position? How do you account for this decrease in "smaller, family-run dairies"?

6. Does your economic data supporting the "smaller, family-run dairies" include cost of housing? If not, where should the families live? How much would a minimum-sized family home cost?

7. On September 11, 1982 what price was the dairy farmer receiving for his milk? What is he receiving today? How would a reduction in the price of milk from \$22.60 per cwt to \$19.50 per cwt effect your economic data?

8. Does your economic data include any expenditure for agriculture equipment for planting and harvesting of crops? If so, how much? If not, what would it cost to acquire this equipment per farm?

9. What is the ideal size of a "smaller, family-run dairy" (a) based upon your economic data, and (b) based upon your personal economic data?

10. How many "smaller, family-run dairies" are currently producing milk at Point Mackenzie? What are the total number of cows currently producing milk as of this date from the "smaller, family-run dairies"?

11. Have you read the report dated July 10, 1984 prepared by Ed Owens, State Director, Washington State University, Small Business Development Center? If you have, do you feel that the report has any value or validity?

12. Please inform us as to your views on the economic theory related to economies of scale, particularly related to the dairy industry. Does this theory apply in the dairy industry? If not, explain why not.

Ms. Dean Brown  
September 14, 1984  
Page Three

13. Do you agree with the statement by Milburn Tucker (Anchorage Times, 9/14/84) that the larger dairy, because of its large capital requirements, will help encourage continued dairying at Point Mackenzie? If not, please explain how this could not be true.

14. Do you think that a successful and profitable dairy industry will insure that Point Mackenzie parcels remain agriculture? If you do not, please explain what will happen to the Point Mackenzie parcels if the dairy industry fails. Do you feel that there is any relationship between economically viable dairies at Point Mackenzie and the continued use of the 31 parcels as agriculture?

15. What have you done in your position as Deputy Director to insure a success at Point Mackenzie?

16. In your position as Deputy Director, what do you see as the primary problems existing at the Point Mackenzie dairies and what solutions have you proposed?

17. Which Point Mackenzie farmers have you communicated with since January 1, 1984, and what are the farmers main points of concern? What positive actions have you taken to resolve their problems and concerns?

18. Is it more important to keep the "smaller, family-run dairies" or to produce milk at the lowest price per cwt?

19. Based upon your economic data, how much initial capital would a "smaller, family-run dairy" require?

20. Do you think that the change in the Point Mackenzie project as initially set up (January 2, 1981) and the way the final lottery was done (September 11, 1982) has had any effects on your concept of the "smaller, family-run dairies"?

21. In your opinion, are there any advantages to the larger dairies?

Ms. Dean Brown  
September 14, 1984  
Page Four

22. If your theory of the "smaller, family-run dairies" being better than larger dairies is true, why wouldn't it make sense to have 20 smaller, family-run creameries rather than one large creamery?

23. How important is it to the dairy industry as a whole and to the state that Point Mackenzie succeed?

24. Do you believe that there is any interrelationship and/or interdependence between the Delta Barley project, Point Mackenzie project, and the Red Meat Industry? If so, please explain.

25. Do you believe that a failure at Point Mackenzie would have impacts on future planned agricultural projects such as Fish Creek, Moose Creek, Deshka Flats, Chulitna and Nenana?

26. How much has the state invested over the last ten years to agriculture in:

- a) loans
- b) loans written off
- c) value of land set aside for agriculture
- d) administrative costs for the Department of Agriculture.
- e) University of Alaska experimental work?

27. How important is the agriculture industry to the state?

28. How important is it that the dairy industry produce milk at costs that will make Alaskan milk products competitively priced with Lower-48 milk products?

29. Do you feel that the dairy industry is currently very financially strong? If not, please explain why.

30. How important is it to the long-term success of the dairy industry that state loan funds be used to generate the most revenue per dollar lent?

31. If the combining of parcels can create lower capital costs per cwt, would this help reduce fixed cost per cwt of milk produced?

Ms. Dean Brown  
September 14, 1984  
Page Five

32. On some loans the Alaska Revolving Loan Fund Board has required applicants to share management and use of facilities on adjoining parcels. If this results in lower capital outlays and lower operating costs, does this make sense to you?

33. Do you agree or disagree with the following statement "The major objectives (of the Point Mackenzie project) are to stimulate in-state milk production, to provide milk to Alaskan consumers at a competitive market price."

34. How important is natural gas to the Point Mackenzie project? What have you done as Deputy Director to help obtain natural gas?

35. What have you done as Deputy Director to guarantee that Point Mackenzie obtains the most out of the \$3,100,000 grant for electricity? How are you overseeing the administration of these funds?

36. Regarding your statement "they require less sophisticated equipment and don't rely on hired labor"

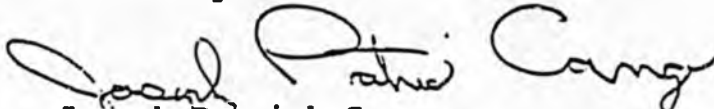
- a) What particular pieces of sophisticated equipment do you dislike?
- b) Do you dislike all sophisticated equipment, or just sophisticated equipment in the dairy industry?
- c) Why do you dislike sophisticated equipment?
- d) Why do you dislike hired labor?
- e) Do you dislike all hired labor, or just in the dairy industry?
- f) Do you believe that our modern trend to specialization of labor is undesirable? What are your thoughts regarding specialization within the dairy industry?
- g) Do you see any long-term advantage to having professionally managed corporate dairies as compared to the "smaller, family-run dairies"?

Ms. Dean Brown  
September 14, 1984  
Page Six

h) How many cows would the "smaller, family-run dairies" milk? What is their detailed personnel schedule?

We would appreciate your immediate response to these questions as we feel they are critical to our analysis of the long-term success or failure at Point Mackenzie.

Sincerely,

  
Joseph Patrick Cange

cc: Governor Bill Sheffield  
Richard A. Lyon  
Bill Heim  
Jalmar M. Kerttula  
Esther C. Wunnicke  
Pappy Moss  
Mike Szymanski

EXHIBIT: A

P.O. Box 4-647  
Anchorage, Alaska 99509  
January 17, 1985

Mr. James K. Barnett  
Deputy Commissioner  
Alaska Department of Natural Resources  
555 Cordova Street  
Pouch 7-005  
Anchorage, Alaska 99510

Re: Consolidation of Parcels  
116, 117, 123, and 124 into one farm

Dear Mr. Barnett:

The four owners of the hereinabove described parcels are asking that the four parcels be permitted to consolidate into one farm. After a very thorough economic analysis we made the decision in late 1983 to work jointly to build one large efficient facility rather than build four separate smaller ones. Thus, we combined our capital, time, and management expertise to create one large and economically efficient dairy. The reasons for this decision are as follows:

1. Through consolidation the capital investment per cow was 32% lower for one dairy than for four separate dairies. By pooling our economic resources we capitalized the dairy with \$1,000,000 cash. The capital requirements are so great that if each person had attempted to build a separate, small dairy, none of us would be operational at this time. However, through this cooperative effort, we are currently producing 12,000 lbs. of milk per day.
2. The operating costs including interest expense per cwt of milk produced are 26% lower on the one large dairy when compared to four smaller dairies. The economies of scale of the larger dairy will, therefore, make us competitive with outside milk.
3. None of the four parcel owners had much experience in the dairy industry; therefore, it was imperative that we secure a competent dairy manager to insure a successful well-managed

Mr. James K. Barnett  
January 17, 1985  
Page 2

operation. By building one large dairy we were able to attract and hire one of the leading dairymen in the country. A single, small dairy could not have afforded the compensation necessary to attract a good dairy manager.

4. We recognized that Matanuska Maid's bankruptcy filing, and a reduction in milk prices (from \$22.60 per cwt to \$19.00 per cwt) would require that we be able to produce milk at a price lower than \$19.00 per cwt. We could only do this by combining our parcels.

The Point MacKenzie sale brochure dated September 11, 1982 states on Page 1 "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."

The required minimum stocking of these four parcels by November 1, 1985 is 173 cows. We currently have 367 cows, more producing cows than all the other Point MacKenzie producers combined.

Having experienced the complete process of getting a dairy on line, none of us (the four parcel owners) would ever consider building separate, smaller dairies. We are viable and in production now only because we have consolidated the parcels.

The benefits to the state and the industry are many. We have attached a letter from John Seawell (Exhibit A) that shows our 367 cows are earning the creamery \$12,845 per month. The consolidation will eliminate the duplication of capital and thus require less of ARLF funds. The existing funds available for agricultural lending are quite limited. In fact, the request for a separate loan on Parcel 116 has been postponed by the ARLF Board because of apparent lack of funds.

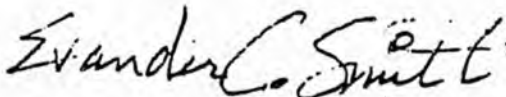
Lower capital requirements and lower operating costs create competitively priced agricultural products. To prove this point, we have also attached a letter and study from a leading authority on dairy farming (Exhibit B) which points to lower investment and lower operating costs on larger dairies versus smaller dairies.

Mr. James K. Barnett  
January 15, 1985  
Page 3

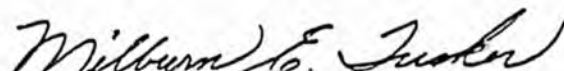
We are making an official request of the Director of the Division of Land and Water Management, with the consent and concurrence of the Commissioner of the Department of Natural Resources, to amend our CONTRACTS FOR THE SALE OF AGRICULTURAL INTEREST IN STATE LAND to permit a consolidation of Parcels 116, 117, 123, and 124 into one farm. With the November 1st contract date only nine months away, we would like to accomplish the consolidation as soon as possible.

It is imperative for the long-term success of the industry that the Department of Natural Resources demonstrate initiative and foresight in its policies to do those things that make the industry viable and competitive. Let's not live by yesterday's standards: let's be progressive. Now is the time to do the things that these competitive times demand.

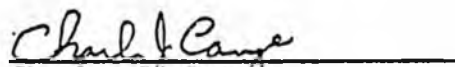
Sincerely,



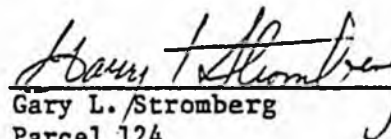
Evander C. Smith  
Parcel 116



Milburn E. Tucker  
Parcel 117



Charles J. Cange  
Parcel 123



Gary L. Stromberg  
Parcel 124

attachments

cc: Bill Heim  
Esther C. Wunnicke



# 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 A

A FARMER OWNED COOPERATIVE



United States  
Department of  
Agriculture

Economic  
Research  
Service

XED, University of Minnesota  
217 Cla Off Bldg, 1936 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

EXHIBIT B

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, a 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

EXHIBIT B-2

#### Adjusted cost per cwt

A cost per cwt of milk (adjusted for sales other than milk) tended to be lower on large than on small dairies in all states (Figure 4).

Also costs were lower on the very large dairies in California, New Mexico, Arizona, and Idaho than on smaller dairies in Minnesota,

Pennsylvania, and New York. However, the 600-cow New York dairy had comparable costs to herds of about that size in other states.

The major exception was the relatively high cost for Florida dairies. Floridas' high costs are in part offset by relatively high milk prices resulting in the competitive rate of return on investment discussed in the previous section and illustrated in Figure 3.

The cost per cwt of milk is nearly the same for alternative price support or federal order policy scenarios. However, costs per cwt drop dramatically for producers achieving milk production per cow equal to the top 20 percent of producers using DHIA tests compared to a producer achieving the average of all producers using DHIA tests (Table 8).

#### Conclusions of long-term analysis

A rate of return to investment is calculated for twenty-two dairy farms after all operating costs are paid and sufficient money withheld to maintain the long-term viability by replacing worn out equipment and facilities. The major findings of the analysis include the following:

1. Investment per cow in dairy buildings and equipment is less on larger than on smaller dairies.

2. For the herd sizes that characterizes dairy farming in each region, investment per cow is less for the large dairy operations in the Southwest, Northwest and Southeast than for the Lake State and Northeast regions.

3. Based on whole farm budgets, the larger dairies with 500 cows or more are more profitable than smaller dairies. Considering the long-term, effeciently operated dairies in New Mexico, Arizona and Florida are more profitable than their counterparts in California, Idaho, Minnesota and the Northeast. This result is the bottom line after reflecting regional difference in costs and milk prices received.

4. Although costs per cwt of milk are highest in Florida, the relative high price received for milk provides a competitive return. The profitability of California and Idaho dairies is adversely affected by lower milk prices compared to New Mexico, Arizona and Florida dairies.

5. Strong economic pressure exists for herds to get larger in all regions. This will continue the trend to fewer and larger dairies.

6. The relatively favorable profit potential (rate of return) of large scale dairy farming in the Southwest, Southeast and Northwest regions will likely result, over the long term, in a continued shift in milk production to those areas. Those areas will likely increase their relative share of total U.S. milk production, placing increased competitive pressure on the traditional Lake States and Northeast dairy areas.

7. The profitability of dairy farming is greatly improved in all regions when management achieves production per cow levels equal to the top 20 percent of the farmers using Dairy Herd Improvement Testing programs (Scenario V). Achieving these performance levels tends to improve the profitability of large more than small dairies, adding more economic incentive for large scale dairying.

EXHIBIT B-4

TK you file

MAR 8 1985

Mar. 5, 1985

Senator Jay Kerttula.

Dear Jay,

S.B. 155 would be a great help in a number of cases. I think it is a very good bill.

SB 110, I question AR&F's ability to fund. Also if it would make a great deal of difference.

Thank you for your interest in Alaska's farmers.

Sincerely,  
Dennis Green

SB 42  
SB 155

FEB 27 1985

SENATOR ARLISS STURGULEWSKI,

FEB. 23, 1985

I WOULD LIKE TO MENTION SOME PROBLEMS I AND SOME OF MY NEIGHBORS ARE HAVING WITH FARMING AT DELTA. WE WERE HERE BEFORE THE BARLEY PROJECT STARTED UP IN 1978. WE MOSTLY OWN FEE-SIMPLE LAND THAT WAS PAID FOR AT THAT TIME. OUR EFFORTS WERE MODEST COMPARED TO THE BARLEY PROJECT, BUT WERE MORE MATCHED TO AVAILABLE MARKETS. WE ALL HAVE JOBS ON THE SIDE AND WERE, FOR THE MOST PART, CAREFUL WITH THE STATE LOANS.

THEN THE BARLEY PROJECT STARTED. THEY DIDN'T CREATE MANY NEW MARKETS - THEY JUST DIVIDED UP THE ONES WE HAD BEFORE. NOW WE HAVE TO COMPETE WITH PEOPLE WHO GOT 2,000-3,000 ACRES OF LAND FOR \$56 AN ACRE (WITH 90% FORGIVEN BY HOMESTEAD CREDITS) AND WHO HAVE 8 YEARS (WITH THE MORATORIUM) ON THEIR CLEARING LOANS WITHOUT ANY PAYMENTS. THEY ALSO HAVE THE BEST OF EQUIPMENT THAT THEY PAY ON WHEN THEY FEEL LIKE IT. SOME OF THEM ARE 2 YEARS BEHIND ON THEIR PAYMENTS AND NO ONE SEEMS TO CARE.

THEY MIGHT GO BROKE IF THE LOANS EVER COME DUE, BUT MEANWHILE THEY ARE PRETTY TOUGH COMPETITION.

THE CLEARING LOAN MORATORIUM WAS JUST FOR THE BIG OPERATORS (DELTA I & II AND THE MACKENZIE PROJECT.) I HAVE A SMALL CLEARING

TO PAGE 2

LOAN THAT DOESN'T QUALIFY, ALTHOUGH MY FARM HAS BEEN 100% PLANTED (50 ACRES OF OATS) FOR THE LAST 3 YEARS.

THE LAND PAYMENT MORATORIUM DOESN'T HELP ME EITHER, IT JUST SUBSIDIZES MY NEW COMPETITION.

ANYWHERE ELSE IN THE COUNTRY FARM AID LEGISLATION IS SET UP TO HELP LARGE AND SMALL FARMERS. IF A SMALL OPERATOR IS PUT OUT OF BUSINESS BY A LARGE OPERATOR, BECAUSE THE LARGE OPERATOR IS MORE EFFICIENT, THAT'S JUST GOOD BUSINESS. AT DELTA THE LARGE OPERATORS HAVE FAILED MISERABLY. TWO THIRDS OF THEM WOULD HAVE GONE UNDER LAST WINTER WITHOUT THE MORATORIUMS. THE SMALL OPERATORS ARE BEING ELIMINATED UP HERE BECAUSE THE BIG GUYS GET EVERYTHING FOR FREE. I GUESS THIS IS HOW BILL HEIM AND JAMES DREW ARE GOING TO PROVE THEIR ECONOMY-OF-SCALE THEORIES.

ALL THIS IS BAD ENOUGH, BUT NOW THE LITTLE CLIQUE THAT RUNS ALL THE STATE FARM PROGRAMS IS ~~BEING~~ TRYING TO CHANGE AG-RIGHTS TO FEE-SIMPLE TITLE AND TO CHANGE THE RULES SO THE BARLEY PROJECT CAN BE SUBDIVIDED. THEY ARE THE SAME INDIVIDUALS THAT PROMISED US IN 1978 THAT "THE BARLEY PROJECT WON'T HURT LAND VALUES IN DELTA - ~~BECAUSE~~ BECAUSE IT WILL JUST BE AG-RIGHTS AND THE LARGE PARCELS CAN NEVER BE DIVIDED".

THEIR PET PROJECT IS SICK AND NOW THEY WANT TO LET THE BARLEY FARMERS SELL OFF THEIR EXTRA LAND IN LITTLE PARCELS. THAT WOULD ABSOLUTELY RUIN OUR FEE-SIMPLE LAND VALUES.

WE HAVE 90,000 ACRES OF AG-RIGHTS NEXT TO US THAT WAS SOLD FOR PRACTICLY NOTHING.

I'M WRITING TO YOU BECAUSE OUR LOCAL SENATOR (COGHILL) IS A LOST CAUSE. HE GOT ~~RE~~ ELECTED BY PROMISING TO CHANGE AG-RIGHT LAND TO FEE-SIMPLE. THE STATE HAS BROUGHT SO MANY NEW FARMERS IN HERE THAT THEY CAN EASILY OUT-VOTE US, AND COGHILL HAS FIGURED THAT OUT.

PLEASE VOTE AGAINST SENATE BILL 42, BY COGHILL, ON AG-RIGHTS.

PLEASE VOTE AGAINST SENATE BILL 155, BY ~~KERTTULA~~ KERTTULA ON DIVIDING AG-PARCELS.

HE IS REPAYING HIS POLITICAL DEBTS WITH THIS ONE. ~~REMEMBER~~ REMEMBER THE 16 "FARMHANDS" FROM A MACKENZIE DAIRY, THAT EACH CONTRIBUTED \$1,000 TO KERTTULA'S CAMPAIGN LAST FALL?

THANKS FOR YOUR TIME,

SID NELSON

Box 553

DELTA JUNCTION

ALASKA 99737

# STATE OF ALASKA

## DEPARTMENT OF NATURAL RESOURCES

OFFICE OF THE COMMISSIONER

APR 16 1985

BILL SHEFFIELD, GOVERNOR

POUCH 7-005

ANCHORAGE, AK 99510

PHONE: (907) 276-2653

April 2, 1985

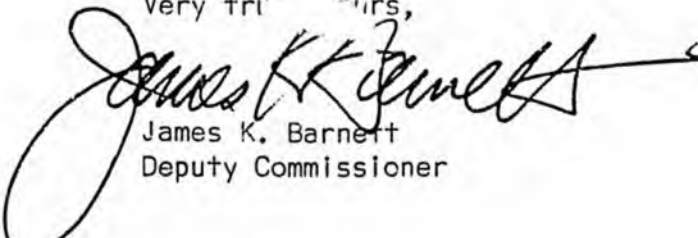
Dear Alaskan:

Attached is a proposed revision to regulations of the Department of Natural Resources. The department is soliciting public comments on the proposed regulation. Please see the attached legal notice for instructions on how to submit written comments.

The proposed regulation adds a new section to 11 AAC 67. The new section outlines the procedure to be followed by an agricultural interest holder desiring to amend an agricultural development contract and combine his or her parcel with a parcel or parcels held by another. As the combination of parcels will result in amendments to a previously-approved contract or development plan, the draft regulations set out standards to assist the commissioner in determining if the amendments are material and if they protect or further the public interest. The draft regulation provides that public notice of the proposed action be given and sets up the content of the notice and a procedure for responding to the proposed combination. Additionally, a provision is made which makes a single interest-holder in the new parcel responsible for meeting the contractual obligations of the new parcel.

Your comments on the proposed regulation will be most useful to the department if you suggest specific wording changes or other modifications you feel would result in improvement to the regulation. Thank you for your assistance.

Very truly yours,



James K. Barnett  
Deputy Commissioner

NOTICE OF PROPOSED CHANGES IN THE REGULATIONS  
OF THE DEPARTMENT OF NATURAL RESOURCES

Notice is hereby given that the Department of Natural Resources, under authority vested by AS 38.05.020 and AS 38.05.035, proposes to amend regulations in Title 11 of the Alaska Administrative Code, dealing with combining agricultural parcels for the more efficient and economic development of agriculture in the state, to implement AS 38.05.069, as follows:

11 AAC 67.186 is adopted as a new section in which the procedure to be followed by agricultural interest holders who desire to combine their tracts with other tracts held by agricultural interest holders is outlined. The section applies when an approved development plan must be amended to accommodate the combination of agricultural parcels. The section contains the procedure the department must follow in determining whether the proposed combination is necessary to protect or further the public interest.

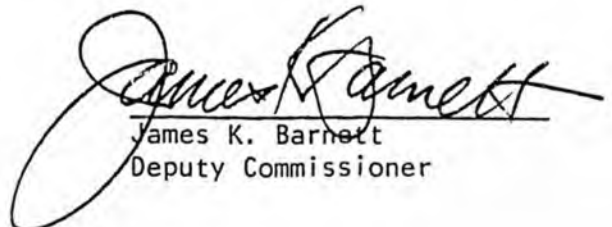
Notice is also given that any person interested may present written statements or arguments relevant to the proposed action by writing to the Department of Natural Resources, Office of the Commissioner, Pouch 7-005, Anchorage, Alaska 99510, so that they are received no later than 4:30 p.m. on May 8, 1985.

This action is not expected to require an increased appropriation.

Copies of the proposed regulation may be obtained by writing to the above address or by calling either the Anchorage or Juneau Office of the Commissioner at 265-4131 in Anchorage or 465-2400 in Juneau.

The Department of Natural Resources, upon its own motion or at the instance of any interested person, may, after the deadline stated above, adopt proposals within the scope of this notice without further notice or may decide to take no action on them.

DATE: March 28, 1985

  
James K. Barnett  
Deputy Commissioner

# DRAFT

FARM ADD  
DOI  
3/28/85

11 AAC 67 is amended by adding a new section to read:

11 AAC 67.186. COMBINING AGRICULTURAL PARCELS. (a) A person who has obtained a parcel of land that is part of an agricultural development project may combine that parcel with a parcel or parcels held by another for the more efficient and economic development of agriculture within the state. This section applies only when an approved development plan must be amended to accomodate the combination of agricultural parcels.

(b) In combining parcels, there is no limitation on the maximum size of the resulting parcel, although the resulting parcel may contain only one farmstead of no more than 20 acres.

(c) In deciding whether to allow a combination of parcels, the commissioner will make a written finding that the change does not constitute a material amendment from the original development contract and is necessary to protect or further the public interest. In determining whether the change is material and will protect or further the public interest, the commissioner will consider:

(1) the legitimacy of the reasons for the change;

(2) whether the reasons for the change were unforeseen at the time the contract was made;

(3) the timing of the change;

(4) whether the contract contains clauses authorizing modifications; and

(5) the extent of the change, relative to the original contract.

(d) The commissioner may, with the consent of the holders of parcels involved in the proposed combination, establish or change any existing development requirements of the parcel holders.

(e) The commissioner will require the holders of parcels involved in the proposed combination to enter into an agreement which replaces or supercedes the approved development requirements of the individual parcel holders. The new agreement will be made in a form prescribed by the commissioner and is subject to approval by the commissioner.

(f) The commissioner will give public notice of an application for a combination of agricultural parcels which will include the following safeguards of the public interest:

# DRAFT

- (1) a statement explaining the nature of the approval sought;
  - (2) a statement indicating where copies of the application may be obtained or viewed;
  - (3) the written finding, or a summary of the written finding, required by (c) of this section;
  - (4) an opportunity for public hearing on the proposed combination, at the written request of 25 interested individuals; and
  - (5) a statement that any person may file written comments on the application within 30 days after publication of the notice.
- (g) An application for a combination of agricultural parcels will designate a single-entity owner responsible for meeting the contractual obligations of the proposed new parcel. The single-entity owner must be an interest-holder in the proposed new parcel. (Eff. / /85, Register )

Authority: AS 38.05.020  
AS 38.05.035  
AS 38.05.069

%%POMK117 - 2/7

TO: SENATORS FAIKS, SACKETT, ELIASON, FERGUSON, P. FISCHER,  
HALFORD, STURGULEWSKI, FAHRENKAMP, COGHILL,  
FERGUSON

FR: EILEEN M. HAINES  
P O BOX 87-7110  
WASILLA 99687  
376-7945  
376-1232

RE: SPLITTING OF AG PARCELS

IS THERE SOME WAY OF CHANGING THIS? I AM IN FAVOR OF SPLITTING  
UP THE 1,000-5,000 ACRE AT DELTA BECAUSE OF THE SHORT GROWING  
SEASONS IN ALASKA BUT I AM AGAINST COMBINING AGRICULTURAL PARCELS  
BEFORE CONTRACT REQUIREMENTS ARE MET LEGALLY. NOT FAIR TO US WHO  
WERE REQUIRED TO FULFILL CONTRACT REQUIREMENTS.

Introduced: 2/13/85  
Referred: Resources  
and Finance

*CS*

1 IN THE SENATE

BY KERTTULA

2

SENATE BILL NO. 155

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 splitting and combining of  
7 agricultural parcels."

7

8

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

9

\* Section 1. AS 38.05 is amended by adding a new section to read:

10

Sec. 38.05.064. SPLITTING AND COMBINING OF AGRICULTURAL PARCELS.

11

(a) The commissioner may allow a person who has purchased a parcel of  
12 agricultural land under this chapter that is part of an agricultural  
13 development project to split the parcel by selling portions of the  
14 parcel or to combine it with other parcels by purchasing a parcel from  
15 a private seller.

16

(b) If a parcel is split under this section, no more than one  
17 farmstead may be maintained for each 640 acre parcel resulting from  
18 the split. If parcels are combined, there is no limit on the size of  
19 the resulting parcel, but no more than one farmstead may be maintained  
20 on the resulting parcel. A farmstead may not exceed 20 acres.

*320*  
*and the approved developed plan or plans must be amended to accommodate the*  
*combined*

21

(c) The commissioner may not allow a parcel to be split or  
22 combined under this section unless

23

(1) the commissioner makes a written finding that the  
24 proposed split or combination is necessary to promote the public  
25 interest; in making this determination the commissioner shall consider  
26 whether the split or combination will encourage development of the  
27 state's agricultural resources, prevent economic waste, and protect  
28 all interested parties including the state;

29

(2) for each parcel resulting from a split or combination,

1 an agricultural development agreement is entered into with the state  
2 and approved by the commissioner;

3 (3) the application for the split or combination of parcels  
4 designates an operator for each of the proposed resulting parcels;

5 (4) the commissioner provides public notice of, and an  
6 opportunity for a hearing and written comment regarding, a proposed  
7 split or combination; and

8 (5) the commissioner makes available to the public a writ-  
9 ten explanation of the proposed split or combination, information on  
10 how to obtain a copy of the application for the proposed split or  
11 combination, and the proposed agricultural development agreements.

12 (d) The commissioner may adopt regulations to implement this  
13 section.

# Dairy farmers watch legislature

## Bill may change Point MacKenzie rules

By CHRIS GEIGER  
Daily News reporter

WASILLA — The debate over the relative merits of the family farm and larger agricultural operations has arrived in Alaska — on a small scale.

For some farmers at the Point MacKenzie agricultural project, bigger is better. These farmers want the right to combine their dairy farms into larger enterprises — a necessary step, they say, if the state's ambitious dairy program is to survive the current farm price slump.

Other farmers say small is beautiful. If the state changes its development requirements for Point MacKenzie to allow

consolidation of parcels, it would be unfair to those who have "busted their butts" to comply with the original requirements — and wouldn't be an economic advantage anyway, they say.

The ultimate decision on the issue rests with the state legislature. Bills are pending in both the House and Senate that would allow limited splitting and combining of state agricultural parcels, and the state Soil and Water Conservation Board this week recommended approval of the legislation.

Most of the controversy centers at Point MacKenzie, a

See Page B-3, DAIRY



# Melodrama continues on and off stage

At the Al-Aska Shrine Temple, the valiant widow Knight and her Nutrasweet daughter struggle to keep their mortgage out of the fell clutches of the nefarious banker. As a ragtime piano jangles, the audience hurls popcorn at the villain, cheers for the good guys and generally gets involved with "Airport 1904," this year's Fur Rondy melodrama.

"Airport 1904" is presented in a room of narrow tables, where audience members sit close together. There are no complaints about the crowding. But if there were, director-producer Gary Wallesen would only have to take the malingerers backstage for a moment.

"There's not a whole lot of room back there," says Wallesen, a master of understatement.

"Backstage" is hardly a Hollywood vision of the theater, where each performer would have a door with a star on it and a faithful dresser to help him in and out of costumes. Actors in



rondy nuggets

## Donna Freedman

this "Airport" don't have separate rooms, or even a single big room; in fact, they're confined in the long, narrow space between the back of the set and the building's rear wall.

This dimly lit, claustrophobic area — about 23 feet long and 6 feet deep — is dressing room, prop room and green room rolled into one. Actors don costumes, run their lines and practice stage gestures while avoiding chairs, makeup table, boxes of props and each other.

James Mack, who plays

leading man Rip Cord, steps quietly about, stretching like an athlete warming up for the big race. At one point, he practices imaginary golf swings (there'd be no room for a real golf club).

Daniel O'Tierney, the other leading man, listens for his cue — the dastardly banker's song. In the meantime, he brushes his hair and does a few deep knee bends, careful not to wait too close to the stage exit — a backstage collision would be clearly audible out front.

"You better hide your money and your daughter," sings the onstage banker. "But not necessarily in that order."

As the dastardly banker walks offstage, O'Tierney rushes on; it's time for his big number, "Hero." His character, Sterling Strongwrench, is a self-confessed perfect guy: "Sometimes I'm so noble I make myself sick."

Backstage, actress Stacy Thorpe snickers at the thought, tying a bow at the throat of her long white

blouse. The Poster Girl, carries signs like "Later evening," wanders by with a can of Budweiser in hand. Time for a change yet?

Onstage, jealousy is developing between Cord and Sterling Strongwrench. Loud thuds heard as the two men struggle onstage. No one looks until the slightly disheveled actors pop through a exit. Rip brushes his hair and swigs from a bottle of room-temperature Pepsi. There's just no room for a refrigerator back here.

Onstage, Mrs. Knight rates her daughter for the way she "looked" at the villain. "You mean I was robbing him with my eyes?" Lovey inquires. The villain laughs and whistles piercingly; the offstage actors grin. But Lovey brings the house down with her song, "Heroine."

Being a good little girl seems, is boring. "Lord, a drag to be so chaste."

See Page B-3 RR

ANCH DAILY NEWS 2/21/86

## DAIRY: Legislation may change project's rules

Continued from Page B-1

sprawling, 17,000-acre state agricultural project across Knik Arm from Anchorage. An accelerated state effort to boost Alaska's dairy production, the project carries strict development requirements for its farms.

Barn construction is one of those development requirements, and the one most contested by farmers. Each of the 19 dairy parcel owners was required to have a barn and milking facilities by November, according to the state contracts.

Four MacKenzie farmers chose instead to collaborate and share the larger, centralized barn facilities — along with labor and management services — at Tucker Dairy. Although the four met the deadlines for number of cows and amount of cleared land, two of their parcels remained without barns.

If farmers fail to meet the deadlines, they stand to lose their agricultural rights on the parcels.

To head off foreclosure, the four filed a lawsuit last year claiming the state has the authority to change its development requirements. The Alaska attorney general's office insists that the state lacks such authority under current laws.

The state agreed not to take action against the two farmers in violation — Charles Cange and Gary Stromberg — until the end of the trial, or next October, whichever comes first. The

farmers hope the new legislation will have passed by then.

"To force us to have to go make a little shed to milk cows in is ridiculous," said Milburn Tucker, owner of Tucker Dairy. Tucker said there are several other Point MacKenzie farmers interested in consolidation as well.

Tucker and his partners knew about the barn requirement when they began farming their parcels. But since many of the state's promises didn't pan out for the farmers, he said, consolidation was a necessary step toward greater economic strength.

The state, for example, didn't tell the prospective farmers of the financial weaknesses at Matanuska Maid, the area's only creamery, Tucker said. When Mat Maid filed for bankruptcy a year later, its milk prices plunged to \$19 per hundred pounds, although the farmers had planned on receiving the former price of \$22.60.

Nor did the state anticipate the environmental restrictions on burning, which slowed down the land-clearing process, Tucker said. And the national slump in farm prices hasn't skipped over Alaska, either, he said.

"We're asking for a game plan change because the game has changed, nationwide," Tucker said.

Some of the smaller farmers at Point MacKenzie object to consolidation on the basis of fairness.

"I do resent that I wasn't given that option when I got into it," said Harvey Baskin.

"We busted our butts to get that thing to the point where it would meet all the state commitments."

Neither Baskin nor Tom Rogers, another small farmer on the project, object to allowing the consolidations if they are needed for economic survival. But both insist that if they made it alone, others should be able to also.

"If a retired NCO from the Air Force can go out and succeed, then why can't these people who have all the money in the world?," Baskin said of his own situation.

None of the farmers contacted feared competition from larger operations — unless the whole project consolidated, leaving them as independent, small islands. Even then, the big farms may not have much of an advantage, according to Rogers.

"No operation will ever be as efficient as a family unit will be — but it seems like we're fast-outgrowing the age of the family farm," Rogers said.

The Division of Agriculture has generally opposed allowing combination of its agricultural parcels. Fairness is the primary reason, said Natural Resources Manager Keith Quintavell, but increased risk is also a factor.

With fewer farms doing more of the farming, a single bankruptcy would have a much greater impact on the industry, he said.

The family vs. corporate farm debate also plays a part in the division's opposition to consolidations. And, in any

discussion of the issue, the threat of land speculation at Point MacKenzie always comes up, he said.

Farm parcel owners are granted only agricultural rights to the land, and may not develop it for other purposes. But since Point MacKenzie is so close to Anchorage — at one end of the proposed Knik Arm crossings — some state officials are wary of loosening ownership restrictions too much.

"I guess it's always an undercurrent," Quintavell said.

Tucker was also wary of the fears of speculation. Many people either think of Point MacKenzie farmers as speculators in disguise, inexperienced, incompetent farmers, or both, he said.

"I didn't go out and invest four and a half million dollars in a dairy to subdivide land for residential," he said.

Division of Agriculture Director Bill Heim said he doesn't necessarily oppose the proposed legislation, which would give Department of Natural Resources Commissioner Esther Wunnicke case-by-case discretion on combining parcels. But he does object to the "bigger is better" argument.

In a farm management study conducted last fall at Point MacKenzie, investigator Jim Kastanec found that size was little or no advantage to dairy farms, Heim said.

"When they said, 'bigger is better,' we said, 'that's not necessarily true.' And that's their whole argument," Heim said.

Ray m. levine

## SHOOTER

AGGRAVATION: My former cleaning deposit. He overheard I had installed, than the original one. He had a chain lock on the door and charged \$5 for a butter dish — I moved in! He also kept some light because I didn't give other charges are fair. —

of luck. Judging from your written rental agreement asking exactly what you back. Changes you regard the damage to your landlord's rights. Landlords have rights, decide by your opinion on the I provide and whether the

money and avoid trouble by you move in. Go through the using a checklist. Things will show up then and you later. Ask for the landlord's overhead and the chain lock. You for changing such things,

aska Landlord-Tenant Law" ds' rights and responsibility. You can get copies at the Conflict Resolution Center, the Alternative Extension Service, the Section and at the Daily

o 3, more extension? Call the

# Alaska State Legislature

SB 155

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



POUCH V  
JUNEAU ALASKA 99811  
907-465-4917

## 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:

I would like to receive a status report on the issue of the splitting and combining of agricultural parcels. As you recall, SB 155 did not pass this last session; but during the public hearing in the Senate Resources Committee, you felt that the Department of Natural Resources may be able to accomplish the same thing administratively. How is that going?

Thank you for your assistance.

Sincerely yours,

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

Senator Arliss Sturgulewski  
Chairman, Senate Resources Committee

bcc Joseph Cange  
Dr. Michael James

# 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

August 7, 1985

Joseph Patrick Cange  
Box 4-647  
Anchorage, AK 99509

Dear Joe:

I have received the enclosed letter from Commissioner Wunnicke after I inquired as to the status of combining agricultural parcels. As you already know, they had anticipated being able to accomplish this administratively. Apparently after review by the Attorney General's office, it was determined that this could not be done.

Commissioner Wunnicke indicated that she would be considering necessary changes if needed to SB 155. I will keep you informed as we go along.

I appreciate your continued interest in Alaskan agriculture.

Sincerely yours,

Senator Arliss Sturgulewski  
Chairman, Senate Resources Committee

Enclosure

cc: Dr. Michael James

1634 W. 13<sup>th</sup>  
Anchorage, AK

# STATE OF ALASKA

BILL SHEFFIELD, GOVERNOR

## DEPARTMENT OF NATURAL RESOURCES

POUCH M  
JUNEAU, ALASKA 99811  
PHONE: 907-465-2400

OFFICE OF THE COMMISSIONER

July 23, 1985

The Honorable Arliss Sturgulewski  
Chairman, Committee on Resources  
Alaska State Senate  
Pouch V  
Juneau, AK 99811

Dear Senator Sturgulewski:

I appreciate your continued interest in Alaska agriculture and, as you have requested, am providing information about the status of our efforts to allow combining or splitting of agricultural parcels.

As you know, earlier this year, at the time of the public hearing on SB 155, we believed that the department could amend agricultural contracts and allow the combining and splitting of agricultural parcels. Department of Law staff informally concurred with our position.

Because we wished to ensure that agriculture contract changes related to the combining or splitting of a parcel were in the public interest, staff proceeded to draft regulations that specified conditions to be met before contract changes would be approved.

During the Department of Law's review of the proposed regulations it was determined that combining or splitting agriculture parcels would violate AS 38.05.020(b)(7) if the action required amendment of an agricultural land contract.

AS 38.05.020(b)(7) was enacted in 1984 to assist farmers who were unable to economically transport farm products to market because expected roads or marine routes were never developed. While reviewing our draft regulations for consistency with the statutes, the Department of Law determined that the statutes allow the commissioner to modify development requirements of an agricultural land contract only if the land is inaccessible by road and the development requirements are uneconomic.

I have enclosed a copy of a recent memorandum from the Department of Law that provides additional information about this matter.

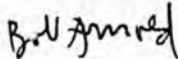
The Honorable Arliss Sturgulewski -2-

July 23, 1985

I believe that the department should have the flexibility to amend agricultural land development contracts to benefit the public and further the development of agriculture in Alaska. It appears that legislative action will now be required to provide the state with this flexibility. We are currently considering whether SB 155 is sufficient for this purpose.

My staff and I look forward to working with you and the Senate Resources Committee during the next legislative session. Thank you for your continuing interest in this and other natural resource matters.

Sincerely,



for Esther C. Wunnicke  
Commissioner

Enclosure,  
cc: Jim Barnett

# MEMORANDUM

*David Friedman* CTW cc BA  
EW  
Tom H  
Bill H

DEPARTMENT OF NATURAL RESOURCES  
State of Alaska

TO: Honorable Bill Sheffield, Governor  
DATE: JUL 1 1985 June 27, 1985

FROM: Norman C. Gorsuch, Attorney General  
By: *G. Thomas Koester*  
G. Thomas Koester, Assistant Attorney General, Department of Law

COMMISSIONER'S FILE NO. JUNEAU  
TELEPHONE NO: 465-3600

SUBJECT: Combining Point MacKenzie agricultural parcels

You asked me to look into a situation at Point MacKenzie where four individuals, represented by Mr. Joe Canje, apparently desire to combine agricultural parcels and use one already-constructed dairy facility to serve all four parcels. Legislation apparently was introduced to authorize that procedure; unfortunately, the legislature adjourned without taking final action on the bill. Subsequently, Mr. Canje and his associates apparently were led to believe that certain steps could be taken administratively to permit them to follow that course of action; however, it subsequently was determined by the Attorney General's office that this could not be done.

In accordance with your request, I discussed this matter with attorneys in both our Anchorage and Juneau offices. It is the consensus view of this department that the law, as it currently exists, precludes Mr. Canje and his associates from following the course of action they desire.

Under 11 AAC 67.185(a), a farm development plan may be required as part of the sale contract for an agricultural parcel. Our understanding is that all of the Point MacKenzie dairy farm development plans include the requirement that the cows be milked in an approved dairy facility on the parcel which is the subject of the contract. Under 11 AAC 67.185(a), it is a requirement of the sale contract under which Mr. Canje's associates received the parcels.

In this circumstance, the commissioner of Natural Resources has no legal authority to modify that contractual requirement. Under AS 38.05.020(b)(7), the commissioner may "waive, postpone, or otherwise modify the development requirements of a contract for the sale of agricultural land" only if two conditions are satisfied:

- (A) the land is inaccessible by road; and
- (B) transportation, marketing, and development costs render the required development uneconomic.

Honorable Bill Sheffield  
Governor, State of Alaska

June 27, 1985  
Page 2

(Emphasis added.) As we understand it, the parcels involved are accessible by road. Accordingly, one of the two conditions which must be met before the commissioner may modify the contracts is not satisfied, and there is no legal authority under which the commissioner may waive or otherwise modify the requirement that the cows be milked in an approved dairy facility on each parcel. This, in turn, precludes the use of an already-constructed dairy facility serving to satisfy the requirement for four separate parcels.

It is my understanding that Mr. Canje and his associates now have retained legal counsel in Anchorage (Mr. James N. Reeves, a former Assistant Attorney General) who already has been in contact with attorneys in our Anchorage office regarding this matter. We certainly will consider any other legal analysis he might bring to our attention. However, at this time, none of the attorneys in this department who have reviewed the matter see any basis for a different conclusion.

We note that some creative solutions have been employed to satisfy the requirement that an approved dairy facility be used to milk the cows on each agricultural parcel in the Point MacKenzie area. In at least one instance, a barn was built straddling the property line between two adjacent parcels, with part of the barn on one parcel and the other part on the other parcel. A second suggestion, perhaps facetious but perhaps not, has been to put a barn on wheels and move it from parcel to parcel in a manner similar to the rumored procedure used with respect to prove-up cabins for homestead purposes earlier in Alaska's history. While we have not determined whether this would satisfy the development plan requirement, we point it out merely to suggest that creative solutions may be possible and, if proposed, will be considered.

In summary, however, it remains our view that there is no legal administrative mechanism by which the development plan requirement that Point MacKenzie cows be milked in an approved dairy facility on each parcel may be waived. The solution, as we view it, is a legislative amendment. However, you should be aware that other individuals with agricultural parcels in the Point MacKenzie area, particularly those who already have constructed an approved dairy facility on their parcels, may object to the legislature authorizing the commissioner to relax the development requirement. On the other hand, if the current requirements (particularly with respect to parcel size and the development requirements imposed on each such parcel) make the entire Point MacKenzie dairy operation uneconomic, perhaps an overall review of the entire situation by the legislature and appro-

Honorable Bill Sheffield  
Governor, State of Alaska

June 27, 1985  
Page 3

priate legislation authorizing the commissioner to take appropriate action would benefit the entire program.

If we can answer any further questions, please contact us at your convenience.

GTK:dlm

cc: Esther C. Wunnicke  
Commissioner  
Department of Natural Resources

Ronald W. Lorensen  
Deputy Attorney General

Francis Neville  
Assistant Attorney General

James N. Reeves, Esq.

# STATE OF ALASKA

## DEPARTMENT OF NATURAL RESOURCES

OFFICE OF THE COMMISSIONER

APR 16 1985

BILL SHEFFIELD, GOVERNOR

POUCH 7-005

ANCHORAGE, AK 99510

PHONE: (907) 276-2653

April 2, 1985

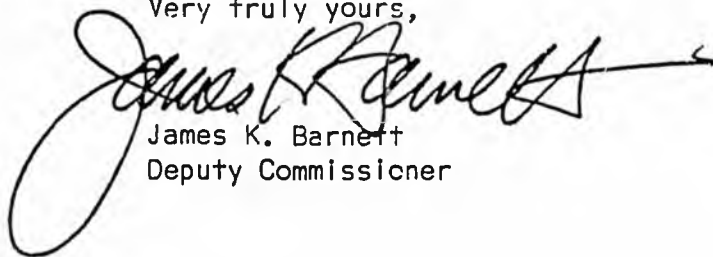
Dear Alaskan:

Attached is a proposed revision to regulations of the Department of Natural Resources. The department is soliciting public comments on the proposed regulation. Please see the attached legal notice for instructions on how to submit written comments.

The proposed regulation adds a new section to 11 AAC 67. The new section outlines the procedure to be followed by an agricultural interest holder desiring to amend an agricultural development contract and combine his or her parcel with a parcel or parcels held by another. As the combination of parcels will result in amendments to a previously-approved contract or development plan, the draft regulations set out standards to assist the commissioner in determining if the amendments are material and if they protect or further the public interest. The draft regulation provides that public notice of the proposed action be given and sets up the content of the notice and a procedure for responding to the proposed combination. Additionally, a provision is made which makes a single interest-holder in the new parcel responsible for meeting the contractual obligations of the new parcel.

Your comments on the proposed regulation will be most useful to the department if you suggest specific wording changes or other modifications you feel would result in improvement to the regulation. Thank you for your assistance.

Very truly yours,



James K. Barnett  
Deputy Commissioner

NOTICE OF PROPOSED CHANGES IN THE REGULATIONS  
OF THE DEPARTMENT OF NATURAL RESOURCES

Notice is hereby given that the Department of Natural Resources, under authority vested by AS 38.05.020 and AS 38.05.035, proposes to amend regulations in Title 11 of the Alaska Administrative Code, dealing with combining agricultural parcels for the more efficient and economic development of agriculture in the state, to implement AS 38.05.069, as follows:

11 AAC 67.186 is adopted as a new section in which the procedure to be followed by agricultural interest holders who desire to combine their tracts with other tracts held by agricultural interest holders is outlined. The section applies when an approved development plan must be amended to accommodate the combination of agricultural parcels. The section contains the procedure the department must follow in determining whether the proposed combination is necessary to protect or further the public interest.

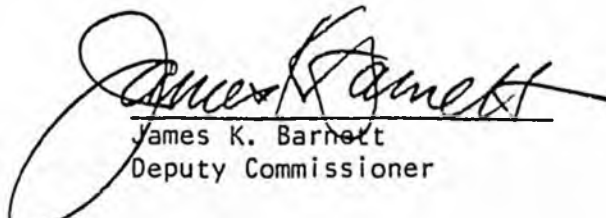
Notice is also given that any person interested may present written statements or arguments relevant to the proposed action by writing to the Department of Natural Resources, Office of the Commissioner, Pouch 7-005, Anchorage, Alaska 99510, so that they are received no later than 4:30 p.m. on May 8, 1985.

This action is not expected to require an increased appropriation.

Copies of the proposed regulation may be obtained by writing to the above address or by calling either the Anchorage or Juneau Office of the Commissioner at 265-4131 in Anchorage or 465-2400 in Juneau.

The Department of Natural Resources, upon its own motion or at the instance of any interested person, may, after the deadline stated above, adopt proposals within the scope of this notice without further notice or may decide to take no action on them.

DATE: March 28, 1985

  
James K. Barnett  
Deputy Commissioner

DRAFT

FARM ADD  
DOI  
3/28/85

11 AAC 67 is amended by adding a new section to read:

11 AAC 67.186. COMBINING AGRICULTURAL PARCELS. (a) A person who has obtained a parcel of land that is part of an agricultural development project may combine that parcel with a parcel or parcels held by another for the more efficient and economic development of agriculture within the state. This section applies only when an approved development plan must be amended to accomodate the combination of agricultural parcels.

(b) In combining parcels, there is no limitation on the maximum size of the resulting parcel, although the resulting parcel may contain only one farmstead of no more than 20 acres.

(c) In deciding whether to allow a combination of parcels, the commissioner will make a written finding that the change does not constitute a material amendment from the original development contract and is necessary to protect or further the public interest. In determining whether the change is material and will protect or further the public interest, the commissioner will consider:

(1) the legitimacy of the reasons for the change;

(2) whether the reasons for the change were unforeseen at the time the contract was made;

(3) the timing of the change;

(4) whether the contract contains clauses authorizing modifications; and

(5) the extent of the change, relative to the original contract.

(d) The commissioner may, with the consent of the holders of parcels involved in the proposed combination, establish or change any existing development requirements of the parcel holders.

(e) The commissioner will require the holders of parcels involved in the proposed combination to enter into an agreement which replaces or supercedes the approved development requirements of the individual parcel holders. The new agreement will be made in a form prescribed by the commissioner and is subject to approval by the commissioner.

(f) The commissioner will give public notice of an application for a combination of agricultural parcels which will include the following safeguards of the public interest:

# DRAFT

- (1) a statement explaining the nature of the approval sought;
  - (2) a statement indicating where copies of the application may be obtained or viewed;
  - (3) the written finding, or a summary of the written finding, required by (c) of this section;
  - (4) an opportunity for public hearing on the proposed combination, at the written request of 25 interested individuals; and
  - (5) a statement that any person may file written comments on the application within 30 days after publication of the notice.
- (g) An application for a combination of agricultural parcels will designate a single-entity owner responsible for meeting the contractual obligations of the proposed new parcel. The single-entity owner must be an interest-holder in the proposed new parcel. (Eff. /85, Register )

Authority: AS 38.05.020  
AS 38.05.035  
AS 38.05.069

# STATE OF ALASKA

## DEPARTMENT OF NATURAL RESOURCES

OFFICE OF THE COMMISSIONER

BILL SHEFFIELD, GOVERNOR

POUCH M  
JUNEAU, ALASKA 99811  
PHONE: 907-485-2400

February 19, 1986

The Honorable Arliss Sturgulewski  
Chair, Senate Resources Committee  
P.O. Box V  
Juneau, AK 99811

Dear Senator *Arliss* Sturgulewski:

As you may recall, at the time of the Senate Resources Committee hearing on SB 155 last session, I believed that the Department of Natural Resources could amend agricultural contracts and, among other things, allow the combining and splitting of agricultural parcels. Because I wished to ensure that proposed contract changes were in the public interest, regulations that specified conditions to be met before changes could be approved were drafted.

During the Department of Law review of the draft regulations it was determined that combining or splitting agricultural parcels would, in most cases, violate AS 38.05.020(b)(7) if the action required amending an agricultural land contract. Title 38 currently allows me to modify an agricultural land contract only if the land is inaccessible by road and the development requirements are uneconomic (see attached A.G.'s opinion and letter).

I believe the Department should have the flexibility to amend an agricultural land contract if it will benefit the public and further the development of agriculture in Alaska. As amended last session, SB 155 would allow me the flexibility to combine or split agricultural parcels when certain conditions have been met. While I have no objections to this legislation, I would like to point out an area where wording changes would make the proposed bill more compatible with current agricultural policies.

As written, SB 155 would allow a purchaser of agricultural land to split the parcel as soon as the land contract is signed. Our present agricultural policies generally allow a parcel to be subdivided only after the farm development schedule has been met and the land has been conveyed to the purchaser.

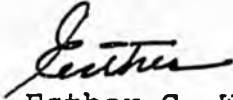
The Honorable Arliss Sturgulewski    -2-    February 19, 1986

The following changes to page 1, line 16 would bring SB 155 more in line with our policies:

(b) [If a parcel is] Only conveyed land may be split under this section, and no more than one . . .

I appreciate your continued interest in the development of agriculture in Alaska. If I may provide you with additional information about this matter, please let me know.

Sincerely,



Esther C. Wunnicke  
Commissioner

Attachments

# STATE OF ALASKA

DEPARTMENT OF NATURAL RESOURCES

OFFICE OF THE COMMISSIONER

BILL SHEFFIELD, GOVERNOR

POUCH 7-005  
ANCHORAGE, AK 99510  
PHONE: (907) 276-2653

July 25, 1985

Messrs Charles J. Cange, Evander C. Smith,  
Gary L. Stromberg, and Milburn E. Tucker  
P.O. Box 4-647  
Anchorage, AK 99509

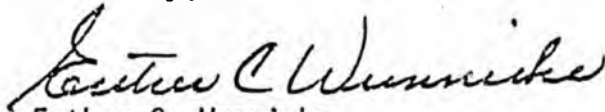
Gentlemen:

Earlier this year you requested that the Department allow the consolidation of your individual Point MacKenzie agricultural parcels into one large parcel, and approve changes in your individual development contracts to accommodate the consolidation into one large dairy farm.

The Attorney General has informed me that the law precludes my approving your requests. Under AS 38.05.020(b) (7), I may approve changes in the requirements of an agricultural land development contract only if the land is inaccessible by road and the required development is, for certain reasons, uneconomic. Since your parcels are accessible by road you do not meet these requirements.

As you know, I believe the Department should have the flexibility to amend agricultural land contracts if it would benefit the public and promote the development of agriculture in Alaska. I have sent a copy of Mr. Reeves July 16 letter to the Attorney General for consideration. Please let me know if you have additional questions.

Sincerely,



Esther C. Wunnicke  
Commissioner

cc: The Honorable Bill Sheffield, Governor  
Senator Arliss Sturgulewski  
James K. Barnett, Deputy Commissioner  
Bill Heim, Director, Division of Agriculture  
Tom Hawkins, Director, L&WM  
Francis Neville, Assistant Attorney General, Dept. of Law  
Jim Reeves, Bogle & Gates

# MEMORANDUM

DEPARTMENT OF NATURAL RESOURCES  
State of Alaska

TO: Honorable Bill Sheffield, Governor  
DATE: June 27, 1985  
JUL 1 1985

Norman C. Corsuch  
Attorney General

COMMISSIONER'S FILE NO.:  
JUNEAU  
TELEPHONE NO:

465-3600

FROM: By: *G. Thomas Koester*  
G. Thomas Koester  
Assistant Attorney General  
Department of Law

SUBJECT: Combining Point  
MacKenzie agricultural  
parcels

You asked me to look into a situation at Point MacKenzie where four individuals, represented by Mr. Joe Canje, apparently desire to combine agricultural parcels and use one already-constructed dairy facility to serve all four parcels. Legislation apparently was introduced to authorize that procedure; unfortunately, the legislature adjourned without taking final action on the bill. Subsequently, Mr. Canje and his associates apparently were led to believe that certain steps could be taken administratively to permit them to follow that course of action; however, it subsequently was determined by the Attorney General's office that this could not be done.

In accordance with your request, I discussed this matter with attorneys in both our Anchorage and Juneau offices. It is the consensus view of this department that the law, as it currently exists, precludes Mr. Canje and his associates from following the course of action they desire.

Under 11 AAC 67.185(a), a farm development plan may be required as part of the sale contract for an agricultural parcel. Our understanding is that all of the Point MacKenzie dairy farm development plans include the requirement that the cows be milked in an approved dairy facility on the parcel which is the subject of the contract. Under 11 AAC 67.185(a), it is a requirement of the sale contract under which Mr. Canje's associates received the parcels.

In this circumstance, the commissioner of Natural Resources has no legal authority to modify that contractual requirement. Under AS 38.05.020(b)(7), the commissioner may "waive, postpone, or otherwise modify the development requirements of a contract for the sale of agricultural land" only if two conditions are satisfied:

- (A) the land is inaccessible by road; and
- (B) transportation, marketing, and development costs render the required development uneconomic.

Honorable Bill Sheffield  
Governor, State of Alaska

June 27, 1985  
Page 2

(Emphasis added.) As we understand it, the parcels involved are accessible by road. Accordingly, one of the two conditions which must be met before the commissioner may modify the contracts is not satisfied, and there is no legal authority under which the commissioner may waive or otherwise modify the requirement that the cows be milked in an approved dairy facility on each parcel. This, in turn, precludes the use of an already-constructed dairy facility serving to satisfy the requirement for four separate parcels.

It is my understanding that Mr. Canje and his associates now have retained legal counsel in Anchorage (Mr. James N. Reeves, a former Assistant Attorney General) who already has been in contact with attorneys in our Anchorage office regarding this matter. We certainly will consider any other legal analysis he might bring to our attention. However, at this time, none of the attorneys in this department who have reviewed the matter see any basis for a different conclusion.

We note that some creative solutions have been employed to satisfy the requirement that an approved dairy facility be used to milk the cows on each agricultural parcel in the Point MacKenzie area. In at least one instance, a barn was built straddling the property line between two adjacent parcels, with part of the barn on one parcel and the other part on the other parcel. A second suggestion, perhaps facetious but perhaps not, has been to put a barn on wheels and move it from parcel to parcel in a manner similar to the rumored procedure used with respect to prove-up cabins for homestead purposes earlier in Alaska's history. While we have not determined whether this would satisfy the development plan requirement, we point it out merely to suggest that creative solutions may be possible and, if proposed, will be considered.

In summary, however, it remains our view that there is no legal administrative mechanism by which the development plan requirement that Point MacKenzie cows be milked in an approved dairy facility on each parcel may be waived. The solution, as we view it, is a legislative amendment. However, you should be aware that other individuals with agricultural parcels in the Point MacKenzie area, particularly those who already have constructed an approved dairy facility on their parcels, may object to the legislature authorizing the commissioner to relax the development requirement. On the other hand, if the current requirements (particularly with respect to parcel size and the development requirements imposed on each such parcel) make the entire Point MacKenzie dairy operation uneconomic, perhaps an overall review of the entire situation by the legislature and appro-

Honorable Bill Sheffield  
Governor, State of Alaska

June 27, 1985  
Page 3

priate legislation authorizing the commissioner to take appropriate action would benefit the entire program.

If we can answer any further questions, please contact us at your convenience.

GTK:dln

cc: Esther C. Wunnicke  
Commissioner  
Department of Natural Resources

Ronald W. Lorensen  
Deputy Attorney General

Francis Neville  
Assistant Attorney General

James N. Reeves, Esq.

---

Introduced: 2/21/86  
Referred: Resources and  
Finance

1 IN THE SENATE

BY KERTTULA

2 SPONSOR SUBSTITUTE FOR SENATE BILL NO. 155  
3 IN THE LEGISLATURE OF THE STATE OF ALASKA  
4 FOURTEENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to the partition of agricultural  
7 parcels."

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

9 \* Section 1. AS 38.05 is amended by adding a new section to read:

10 Sec. 38.05.064. PARTITION OF AGRICULTURAL PARCELS. (a) The  
11 commissioner may allow a person who has purchased and received a  
12 patent to a parcel of agricultural land that is part of an  
13 agricultural development project to partition the parcel by selling  
14 portions of the parcel.

15 (b) If a parcel is partitioned under this section, no more than  
16 one farmstead may be maintained for each 640-acre parcel resulting  
17 from the partition. A farmstead may not exceed 20 acres.

18 (c) The commissioner may not allow a parcel to be partitioned  
19 under this section unless

20 (1) the commissioner makes a written finding that the  
21 proposed partition is necessary to promote the public interest; in  
22 making this determination the commissioner shall consider whether the  
23 partition will encourage development of the state's agricultural  
24 resources, prevent economic waste, and protect all interested parties  
25 including the state;

26 (2) for each parcel resulting from a partition under this  
27 section, an agricultural development agreement is entered into with  
28 the state and approved by the commissioner;

29 (3) the application for the partition of parcels designates

1 an operator for each of the proposed resulting parcels;

2 (4) the commissioner provides public notice of and an  
3 opportunity for a hearing and written comment regarding a proposed  
4 partition; and

5 (5) the commissioner makes available to the public a writ-  
6 ten explanation of the proposed partition, information on how to  
7 obtain a copy of the application for the proposed partition, and the  
8 proposed agricultural development agreements.

9 (d) The commissioner may adopt regulations to implement this  
10 section.

# STATE OF ALASKA

## DEPARTMENT OF NATURAL RESOURCES

OFFICE OF THE COMMISSIONER

BILL SHEFFIELD, GOVERNOR

POUCH M  
JUNEAU, ALASKA 99811  
PHONE. 907-485-2400

February 19, 1986

The Honorable Arliss Sturgulewski  
Chair, Senate Resources Committee  
P.O. Box V  
Juneau, AK 99811

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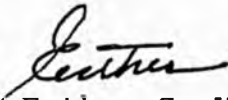
The Honorable Arliss Sturgulewski -2- February 19, 1986

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Sincerely,



Esther C. Wunnicke  
Commissioner

Attachments

# STATE OF ALASKA

DEPARTMENT OF NATURAL RESOURCES

OFFICE OF THE COMMISSIONER

BILL SHEFFIELD, GOVERNOR

POUCH 7-005

ANCHORAGE, AK 99510

PHONE: (907) 276-2653

July 25, 1985

Messrs Charles J. Cange, Evander C. Smith,  
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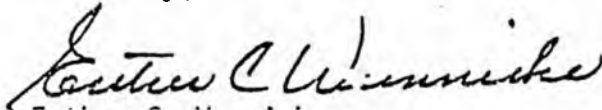
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Esther C. Wunnicke  
Commissioner

cc: The Honorable Bill Sheffield, Governor  
Senator Arliss Sturgulewski  
James K. Barnett, Deputy Commissioner  
Bill Heim, Director, Division of Agriculture  
Tom Hawkins, Director, L&WM  
Francis Neville, Assistant Attorney General, Dept. of Law  
Jim Reeves, Bogle & Gates

# MEMORANDUM

State of Alaska

DEPARTMENT OF  
NATURAL RESOURCES

TO: Honorable Bill Sheffield  
Governor

JUL 1 1985 DATE:

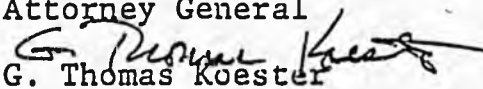
June 27, 1985

Norman C. Gorsuch  
Attorney General

COMMISSIONER'S OFFICE  
JUNEAU  
TELEPHONE NO.

465-3600

FROM:

By:   
G. Thomas Koester  
Assistant Attorney General  
Department of Law

SUBJECT:

Combining Point  
MacKenzie agricult-  
ural parcels

You asked me to look into a situation at Point MacKenzie where four individuals, represented by Mr. Joe Canje, apparently desire to combine agricultural parcels and use one already-constructed dairy facility to serve all four parcels. Legislation apparently was introduced to authorize that procedure; unfortunately, the legislature adjourned without taking final action on the bill. Subsequently, Mr. Canje and his associates apparently were led to believe that certain steps could be taken administratively to permit them to follow that course of action; however, it subsequently was determined by the Attorney General's office that this could not be done.

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Honorable Bill Sheffield  
Governor, State of Alaska

June 27, 1985  
Page 2

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Honorable Bill Sheffield  
Governor, State of Alaska

June 27, 1985  
Page 3

priate legislation authorizing the commissioner to take appropriate action would benefit the entire program.

If we can answer any further questions, please contact us at your convenience.

GTK:dlm

cc: Esther C. Wunnicke  
Commissioner  
Department of Natural Resources

Ronald W. Lorensen  
Deputy Attorney General

Francis Neville  
Assistant Attorney General

James N. Reeves, Esq.

---

Dick Zobel  
S. R. Box 3210  
Wasilla, Alaska 99687  
February 6, 1986

Honorable Albert P. Adams  
Alaska State Legislature  
Pouch V (MS 3100)  
Juneau, Alaska 99811

Mr. Adams:

Those of us who are involved in Alaskan agriculture realize that the Delta and Pt. Mac Kenzie projects do need some sort of relief. However the reasons for their problems appear to be quite different.

I am a District Supervisor in the Wasilla Soil and Water Conservation District. The Pt. Mac Kenzie project is located in the Wasilla District. I have attended several meetings regarding the consolidation concept, as it would effect the point Mac Kenzie project. It was with a great deal of concern that I attended the January 10th forum sponsored by the State Soil and Water Conservation Board in Palmer. As Mr. Weaver pointed out at the beginning of the January 10th meeting, those of us who are involved in the Conservation Districts are primarily interested in preserving soil and water production capabilities. More particularly we are interested in the conservation and preservation of agricultural soils for future generations of Alaskans.

I am active in several Ag. oriented groups here in the Mat-Sue Borough. I have not gone to any sort of agricultural meeting over the past 4 years that questions, as to the real intent of some of the tract holders, has not been raised. Quite frankly Mr. Adams there is a very deep concern in the agricultural community, as to the true goals of some of the Point Mac Kenzie Project tract holders. While this situation may not have the same priority to our urban neighbors I can assure you that many of them are also concerned.

As I understood the agenda for that January 10th meeting, it was specifically for the Pt. Mac Kenzie tract holders to air there concerns, and especially for those favoring consolidation, to present their reasons for wanting to do so.

There were almost 10,000 applications for the tracts in the Pt. Mac Kenzie lottery. There probably were again that many Alaskans, that after penciling out the economics of an investment in this lottery, did not participate. I think that the State is going to place itself in a very precarious position if it now retroactively changes the conditions of those sale contracts. Many of the people that participated, still have a great deal of interest in its eventual outcome.

There have been several Ag. sales over the past ten years. Each one was researched, planned and designed by not only Alaskans with agricultural expertise but some of the most respected names in U S agriculture. These projects were formulated to deliver a quality product to Alaskans and contribute to the rest

of the State agricultural industry. None of these projects have been allowed to go to their projected completion date without some sort of major alteration. Changes that totally alter the concept and intent of the project are detrimental not only to that project, but to the rest of the States agricultural industry.

Keeping in mind that the terms of the each sale were explicit. The feed-back from the more knowledgeable and experienced farmers in the State is that they seriously question the eventual goals of some of the tract owners. There are quite a number of issues that are questioned but they seem to narrow down to these basic items.

1.) Many of the present tract holders are not original lottery winners, but purchased tracts after the sale.

2.) Most participants in the Pt. Mac Kenzie lottery agree that the economics of farming within the constraints of the sale specifications were marginal. Yet many of the tracts have been sold at substantially more than the basic lottery prices, even considering any outstanding development loans.

3.) Judging from comments and actions even before their initial development on the land, it appeared that steps were being taken to alter the conditions of the contracts. It was obvious that some of the tract holders were inclined not to honor the terms and the intent of the sale, or the contract that they had signed.

Those tract owners favoring consolidation, have offered quite an array of numbers to back-up their position. However those numbers are highly suspect to others in the farming community, and more particularly, from other dairy farmers. As the meeting progressed some of their figures were challenge. I have reviewed my notes of that meeting a number of times, several comments made at that meeting by those individuals favoring consolidation seem to stand out.

1.) When asked if they would accept a provision that would strengthen the agricultural covenant as part of consolidation relief, the answer was No! ✓

(I think that of all the issues that have come out of Pt. Mac Kenzie, this answer tends to substantiate the deepest of the concerns expressed in the agricultural community. In light of the agricultural covenant placed on this land originally, the fact that tract holders are reluctant to reinforced that covenant, seems to add credence to the Ag. communities suspicions.)

2.) One of their group stated that if their tracts cooperation failed it would take the whole project down.

(This has to be intimidation, directed at the Division of Ag. and the Legislature, in an attempt to get favorable legislation.)

It is my personal opinion that HB 300 would only give the speculators and developers a greater opportunity to manipulate the States lottery sales.

RESPECTFULLY YOURS

D. A. Zobel

# STATE OF ALASKA

115815  
BILL SHEFFIELD, GOVERNOR

## DEPARTMENT OF NATURAL RESOURCES

P.O. BOX 7005  
ANCHORAGE, ALASKA 99510-7005  
PHONE: (907) 561-2020

February 24, 1986

OFFICE OF THE COMMISSIONER

Dear Alaskan:

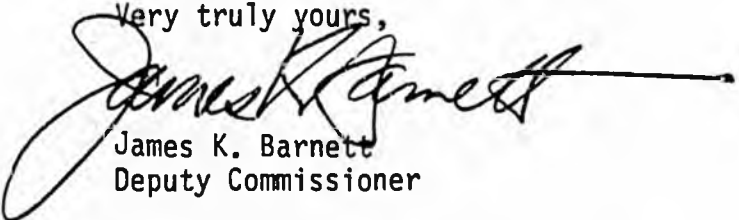
Attached are proposed amendments to regulations of the Alaska Department of Natural Resources. The department will conduct a hearing on the proposed regulations in Delta in March 1986. Please see the attached "Notice of Changes in the Regulations of the Department of Natural Resources" for details on the time and location of the hearing. Additionally, the department is soliciting written comments on its proposal until March 28, 1986.

The main purpose of the proposed regulations is to allow the subdivision of patented agricultural land. The department has found that certain past disposals of the state's agricultural interest in land have resulted in agricultural tracts too large and unwieldy to be efficiently managed and farmed. In response to this finding, the department developed the draft regulations in which the process for obtaining approval of a subdivision of patented agricultural land is spelled out. A subdivision under the proposal must be consistent with an approved farm conservation plan, may not create a parcel of less than 40 acres, and is possible only if the land being subdivided is still suited for agricultural development. The proposal maintains existing prohibitions against an individual conveying that portion of his or her agricultural interest on which improvements have been constructed. Additionally, the proposed regulations set in motion a process for determining if the state should authorize the right to construct additional improvements on parcels of at least 640 acres resulting from a subdivision.

In reviewing the draft regulations you will notice that some sections contain bracketed and capitalized words and phrases, other sections contain underlined material, while still other sections contain neither. Language in the proposal which is bracketed and capitalized is proposed for deletion from the currently-effective regulation. Underlined material is proposed for addition to the currently-effective regulation. Sections in which brackets and capitalization and underlined material do not appear are being proposed as entirely new material to existing regulations.

Your comments on the draft regulations will be most useful to the department if you reference particular sections by number and suggest changes in wording which you feel would result in improvement to the regulations. The Department of Natural Resources thanks you for your time and interest in this matter.

Very truly yours,

  
James K. Barnett  
Deputy Commissioner

NOTICE OF PROPOSED CHANGES IN THE REGULATIONS OF THE  
DEPARTMENT OF NATURAL RESOURCES

Notice is given that the Department of Natural Resources, under authority vested by AS 38.05.020 and AS 38.05.035, proposes to amend regulations in Title 11 of the Alaska Administrative Code, dealing with agricultural parcels and the subdivision of patented agricultural parcels, to implement AS 38.05.069 and AS 38.05.321, as follows:

11 AAC 67 is proposed to be amended by changing obsolete references to local soil conservation subdistricts to soil and water conservation districts, by spelling out how a previously-approved farm conservation plan may be amended, by defining the process under which additional rights to construct real property improvements on large tracts of subdivided and patented agricultural land may be obtained, and by spelling out the process for obtaining approval of a subdivision of patented agricultural land.

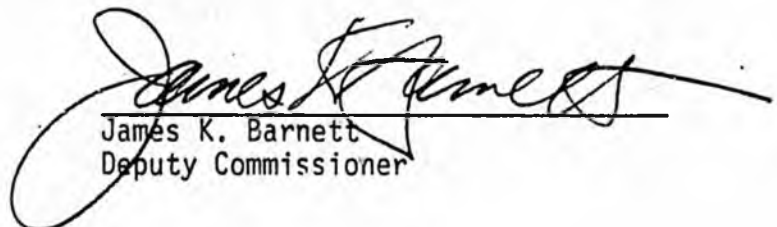
Notice is also given that any person interested may present oral or written statements or arguments relevant to the proposed action at a hearing to be held at the Community Center in Delta, Alaska on Friday, March 7, 1986 beginning at 1:30 p.m.. In addition, written statements or arguments may be sent to the Department of Natural Resources, Office of the Commissioner, P.O. Box 7005, Anchorage, Alaska 99510, to be received no later than March 28, 1986.

This action is not expected to require an increased appropriation.

Copies of the proposed regulations may be obtained by writing to the above address or by calling the Office of the Commissioner in Anchorage at 561-2020 or in Juneau at 465-2400.

The Department of Natural Resources, upon its own motion or at the instance of any interested person, may after the deadline for receipt of written comments adopt proposals within the scope of this notice without further notice or may decide to take no action on them.

Date: 2-24-86

  
James K. Barnett  
Deputy Commissioner

11 AAC 67.177(a) is amended to read:

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(a) An approved farm conservation plan will be required as a condition of the sale. The successful purchaser must submit an approved conservation plan before consummation of the sale. For each disposal the director may accept, reject, or modify the farm conservation plan after consultation with the local soil and water conservation district [SUBDISTRICT].

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(Eff. 4/28/78, Register 66; am / /86, Register )

Authority: AS 38.04.900  
AS 38.05.020  
AS 38.05.035  
AS 38.05.050  
AS 38.05.069  
AS 38.05.321

11 AAC 67.177 is amended by adding a new subsection to read:

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(d) A previously-approved farm conservation plan may be modified at the request of the purchaser. The director may approve, reject, or modify the farm conservation plan modification after consultation with the local soil and water conservation district. (Eff. 4/28/78, Register 66; am / /86, Register )

Authority: AS 38.04.900  
AS 38.05.020  
AS 38.05.035  
AS 38.05.050  
AS 38.05.069  
AS 38.05.321

11 AAC 67.182 is repealed:

11 AAC 67.182. MODIFICATION OF FARM CONSERVATION PLAN. Repealed / /86.

11 AAC 67.187 is amended by adding a new subsection to read:

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(d) Changes in the location or size of the area designated for real property improvements are subject to approval of the director and may be allowed if

(1) the maximum area specified under 11 AAC 67.187(a) is not exceeded; and

(2) the change is consistent with a farm conservation plan approved under 11 AAC 67.177. (Eff. 4/28/78, Register 66; am 5/13/79, Register 70; am / /86, Register )

Authority: AS 38.04.900  
AS 38.05.020  
AS 38.05.035  
AS 38.05.050  
AS 38.05.069  
AS 38.05.321

11 AAC 67 is amended by adding a new section to read:

11 AAC 67.188. SUBDIVISION. (a) Land conveyed under 11 AAC 67.160 -- 11 AAC 67.192 may be subdivided for the purpose of transfer of ownership, subject to the approval of the director, if

(1) the land originally conveyed has been patented;

(2) the subdivision does not create a parcel of less than 40 acres;

(3) the subdivision is consistent with a farm conservation plan approved under 11 AAC 67.177;

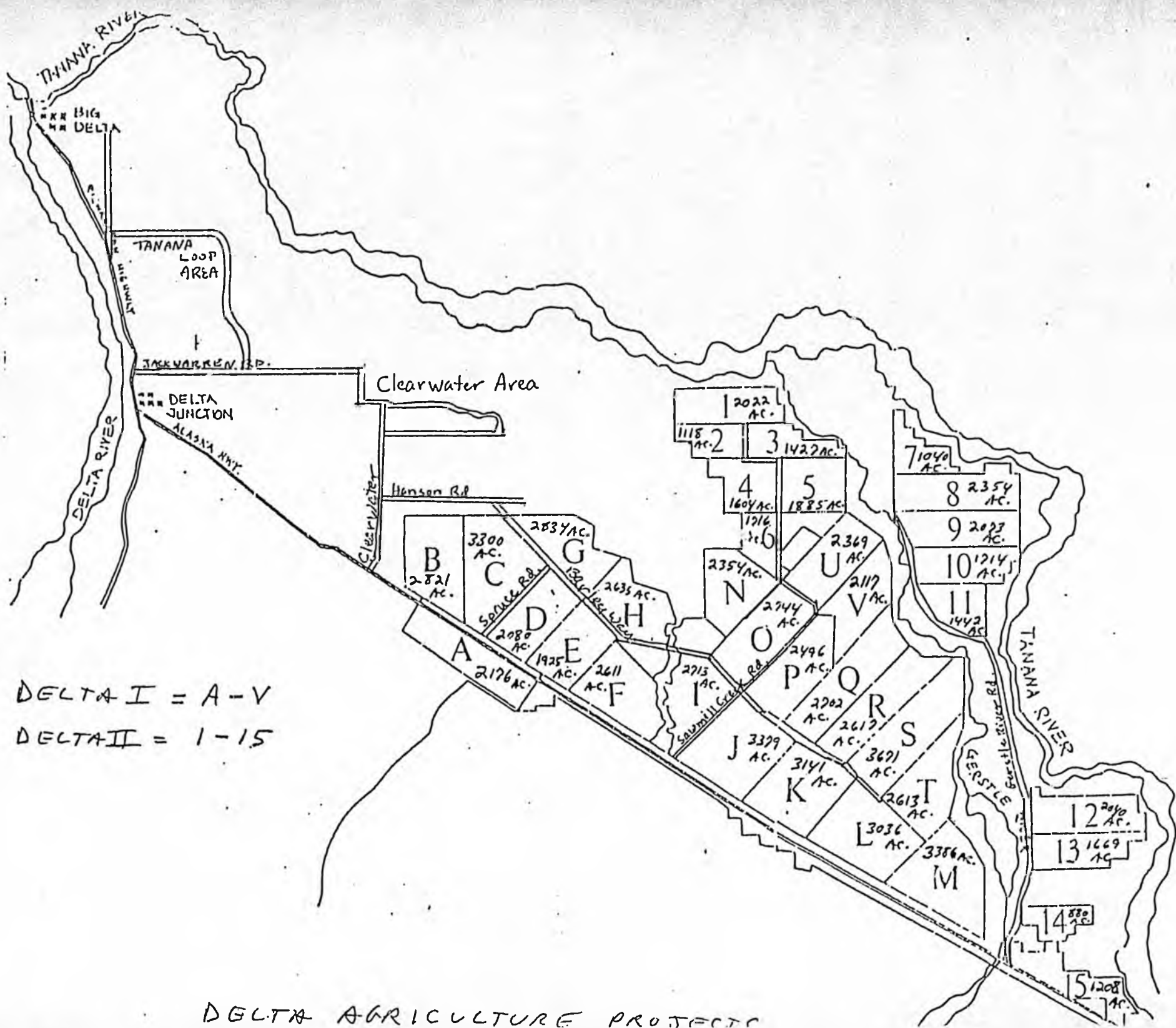
(4) the land has been maintained in substantially the same condition it was in after completion of the development required under 11 AAC 67.185;

(5) all original improvements to real property or rights to construct real property improvements under 11 AAC 67.187 on the land originally conveyed remain in a single tract of not less than 40 acres, which may not be conveyed until all the other tracts in the subdivision have been conveyed; and

(6) all additional rights to construct real property improvements on land subdivided under this section remain only on tracts of at least 640 acres.

(b) Additional rights allowed by 11 AAC 67.188(a)(6) are authorized in accordance with 11 AAC 67.187. (Eff. / /86, Register )

Authority: AS 38.04.900  
AS 38.05.020  
AS 38.05.035  
AS 38.05.050  
AS 38.05.069  
AS 38.05.321



DELTA I = A-V  
 DELTA II = 1-15

DELTA AGRICULTURE PROJECTS