

**State of Alaska
FY2004 Governor's Operating Budget**

**Department of Natural Resources
Agricultural Development
Budget Request Unit Budget Summary**

Agricultural Development Budget Request Unit

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BRU Mission

Promote and encourage development of an agriculture industry in the state.

BRU Services Provided

1. Agricultural Development provides services aimed at improving agricultural enterprises.
2. North Latitude Plant Materials Center provides basic support for Alaska agriculture through testing, production and development of plant materials.
3. The Agricultural Revolving Loan Fund is an agricultural bank extending loans, including farm development, chattel, operating, irrigation, product processing, and land clearing to borrowers based on their ability to repay.

The Division of Agriculture, in cooperation with industry representatives and at the direction of the Commissioner of the Department of Natural Resources, implements statutory mandates for agriculture in Alaska. The division seeks to create opportunities by providing consistency and stability in state agricultural programs. The agricultural assets owned by the division are managed to encourage privatization, maximize return to the state and promote economically viable development.

BRU Goals and Strategies

- Promote and encourage economic development opportunities for agricultural producers, processors, and marketers to use natural resources for sustainable agricultural production.
- Direct division staff to work with industry leaders to identify and promote new markets for farm products, both in state and for export.
- Develop budgets and policies for delivering effective state government services to the agricultural industry in the state.
- Initiate Governor's goals for agriculture at the division level.
- Promote employee efficiency and service to the industry.
- Issue and monitor land sale contracts and grazing leases on agricultural lands. Review status of unsold agricultural lands to develop work plans for additional disposals.
- Coordinate activities related to USDA agreements in marketing, produce inspection, plant material, agricultural statistics, Federal Seed Act, shell eggs, phytosanitary certificates for exports, homeland security, and organic certification.
- Maintain industry liaison with other state, federal, and municipal government agencies to influence issues related to agricultural development in Alaska.
- Develop cooperative services with USDA crop insurance, conservation and lending agencies serving Alaska producers.
- Provide testing, production, development and distribution of plant materials to resource industries, meeting environmental requirements.
- Promote a native seed industry.
- Partner with the United States Department of Agriculture in the operation of the Arctic Germplasm Repository.
- Initiate construction of a seed lab and quarantine station funded by the USDA.

Key BRU Issues for FY2003 – 2004

Work with the Board of Agriculture and Conservation to assist them with implementation of statute, regulation, and policy.

Resolution of the issues and recommendations raised in the Legislative Audit of the Division of Agriculture.

Make agricultural land available by building access and infrastructure to allow for new development. We have reduced our inventory to a point where new developments can now be our goal. Through land disposals make soil and water resources available to the private sector.

Inspection and marketing activities enable Alaska's agricultural products to be sold commercially. Individuals would not be able to market these items without the Division of Agriculture's assistance. We provide small-scale grants for commodity group promotion efforts.

The Plant Materials Center provides stability in seed and potato production. It is also the leading marketer of native seed. Reclamation in the north frequently requires difficult-to obtain plants and development of unconventional revegetation methods. In addition, seedlings, vegetables, berries, and revegetation plants can provide opportunities for producers to compete successfully in the marketplace. Locally adapted high-yielding grain, seed and forage plants are in demand. The Plant Materials Center faces challenges in recruiting and retaining Agronomists.

In cooperation with other agencies we are involved in resource development and are working to improve marketing services, regulatory, and lending programs.

Cooperative agreements with the USDA, Federal Seed Act, National Plant Board, and Animal and Plant Health Inspection Service (APHIS) have continued to generate new programs. We continue to expand our service to the military, and grocery wholesalers and retailers statewide. Potential new programs are organic product certification, feed and fertilizer registration, and branded program assistance.

Major BRU Accomplishments in 2002

Disposed of 1,247 acres of ARLF agricultural property and realized \$895,000 in return to the state.

Disposed of 1,360 acres of Title 38 agricultural property and realized approximately \$575,000 return to the state.

Offered a co-operative marketing program that helped producers make Alaska grown products more visible to the public. We assisted farmers in overcoming barriers in the Alaska marketing infrastructure by identifying barriers, providing consumer awareness and targeting specific markets.

Worked with the Department of Health and Social Services to expand the WIC Farmers Market Program and Senior Farmers Market Program, and the Department of Education and Early Development to distribute TFAP (The Emergency Food Assistance Program) commodities.

Completed necessary repair work and upgrade to the Mt. McKinley Meat Plant walls.

Provided a pest scout for the state potato crop in cooperation with the University of Alaska Fairbanks. No late blight has been detected in Alaska potatoes for the past four years. This outcome means growers do not have to spray their crop weekly (12 times) with herbicides.

Provided greater consumer awareness of quality Alaskan grown products for market and export through our specialty crop marketing program. The bumper crops of potatoes were marketed including some export to the west coast.

Worked with Retail Industry (Safeway) and growers to comply with Independent Third Party Audits required for certain crops before they can be sold to the retail industry. We identified a private sector provider for future years.

Monitored the state's investment in agriculture science and technology to protect and enhance the quality of Alaska's agricultural soils, seeds, plants, livestock, and associated products. This is accomplished through farm conservation plans, the PMC Seed Lab, phytosanitary permits and cooperation with state and federal Veterinarian.

Secured federal funding to assist in developing a strong native seed industry. The USDA budget report shows a seed growers assistance project. This project increases communication and enhances knowledge of growing techniques between the user and producer.

Supplied essential plant materials, and new technology.

Decreased import of plant material poorly adapted to Alaska conditions.

Secured federal grant funding for agriculture promotion activities will be used to increase consumer awareness.

Key Performance Measures for FY2004

Measure:

ARLF - The loan to equity ratio in the Agricultural Revolving Loan Fund.

Sec Ch 124 SLA 2002(HB 515)

Alaska's Target & Progress:

ARLF Loan to Equity Ratio:

September 00 - 28.9% - ratio is 1:3.46

September 01 - 27.95% - ratio is 1:3.58

September 02 - 25.28% - ratio is 1:3.96

The Board of Agriculture and Conservation has expressed interest in increasing the amount of funds loaned to generate additional income for the fund. We are beginning to see a slight increase in this ratio, which we hope to reverse with more loans being issued with the proceeds from sold repossessed property.

No specific target has been set as concerns for the cash flow will limit the number of loans that can be issued.

As of September 30, 2002 the numbers are:

Outstanding ARLF loans - \$7,121,523

Equity \$ 28,171,240

Benchmark Comparisons:

There is no benchmark for this measure.

Background and Strategies:

The ARLF asset portfolio has been reduced through an aggressive disposal plan that continues to positively impact the ARLF.

We continue to sell these assets at a responsible rate thus bringing them back into production. This helps maintain the fund balance through liquid assets and decreases maintenance responsibilities, allowing us to focus on lending and program enhancement.

Measure:

Plant Material Center - The number of improved crop accessions produced by the Plant Material Center and grown in the state.

Sec 115(b)(2) Ch 124 SLA 2002(HB 515)

Alaska's Target & Progress:

New crop collections grown on the PMC are 123 in initial stage, 13 in the intermediate stage and 12 in the final stage.

Grown at the PMC nursery are 18 in the research stage. Potatoes-- 236 varieties are maintained at the PMC. Grain-- 26 varieties are maintained at the PMC. Total 428 accessions are maintained at the PMC.

The PMC documents field plantings and records planting sites. We also list sales and production in the annual report. The PMC tests and develops new crops for industry. We have an extensive program in new crop development. This is the basic purpose of the PMC. By doing demonstration projects, we market commercial production. By developing revegetation specifications, we market seed produced in Alaska. We are the state's repository for Alaska developed crops.

Benchmark Comparisons:

There is no benchmark for this measure.

Background and Strategies:

Seed production is a viable aspect of agriculture in Alaska. This includes both seed potatoes and true seed of grass and grain. The total value of seed production has not been achieved in the state. Demand continues to grow while supply is not keeping pace. This is an endeavor where competition from other areas can be non-existent.

We have two new large-scale commercial seed growers and distributed seed to twenty, small-scale seed producers. We are on track with the missions and measures. However, hiring and retaining agronomists is a problem. This year the hiring process was more successful. Three qualified agronomists were hired. Unfortunately, only three qualified candidates applied. If this trend continues, it will be difficult to meet the missions and measures in the future.

Measure:

Agricultural Development - The percentage change in agricultural acreage compared to the prior fiscal year.

Sec 115(b)(3) Ch 124 SLA 2002(HB 515)

Alaska's Target & Progress:

1992 – 960,000 acres
1994 – 930,000 acres, percent change (0.96%)
1995 – 920,000 acres, percent change (0.98%)
1996 – 920,000 acres, percent change 0.00%
1997 – 910,000 acres, percent change (0.98%)
1998 – 910,000 acres, percent change 0.00%
1999 – 910,000 acres, percent change 0.00%
2000 – 910,000 acres, percent change 0.00%
2001 – 920,000 acres, percent change 0.98%
2002 – Total not available

These statistics are always one year behind the current year. We are gaining back the acres lost between 1992 and 1997.

An increase of total acreage is the goal; however, population increase and encroachment on agricultural land make this a challenge.

Benchmark Comparisons:

There is no benchmark for this measure.

Background and Strategies:

Selling new land will be critical to continued agriculture development but will be difficult due to the investment required.

As we discussed in the last year measure we indicated that our disposals should show a net increase placed in production. This proved to be correct. Clearing land to place in production is a multiple year process this measure is difficult to quantify. Agricultural statistics are on a one-year lagging schedule over multiple budget cycles.

Measure:

Agricultural Development - The monetary value of agricultural products grown in the state that are sold domestically or exported.

Sec 115(b)(4) Ch 124 SLA 2002(HB 515)

Alaska's Target & Progress:

1997 - \$28,468,000
1998 - \$27,511,000
1999 - \$28,352,000
2000 - \$26,512,000
2001 - \$30,152,000
2002 – Total not available

Over a five-year to ten-year period we would like to show an average increase of 2 to 3 percent. The national averages have struggled over the last five years to show any net increase. Because Alaska agriculture is still in a development phase we hope to show small annual increases.

The split between sold domestically and exported is not a readily available number. We are working on ways to get the value broken out as requested by the legislature.

Benchmark Comparisons:

The national averages have struggled over the last five years to show any net increase. Alaska agriculture is still in a development phase.

Excluding weather conditions we hope to see an increase in sales due to the concentrated advertising efforts during the end of FY 02 and now in FY 03 by the Division of Agriculture. This advertising funding was made available from the federal government. We are pleased with the efforts to date.

Background and Strategies:

The statistics are always one year behind the current year. We pull the number from Alaska Cash Receipts from Farm Marketing excluding the Aquaculture industry. USDA statistics are unable to track instate or export sales. We suspect exports are in the less than 1% range of total cash receipts.

We expect increases each year but the last three reporting years show this number can quickly change due to weather conditions, marketing factors, plant or animal disease, or other factors that affect our ability to assist the industry.

Adverse weather conditions in South Central and the Interior adversely affected the 2000 growing season; thus, the monetary value fell. Weather will always play a major factor in this measure. The 2001 growing season had better results.

Agricultural Development
BRU Financial Summary by Component

All dollars in thousands

	FY2002 Actuals				FY2003 Authorized				FY2004 Governor			
	General Funds	Federal Funds	Other Funds	Total Funds	General Funds	Federal Funds	Other Funds	Total Funds	General Funds	Federal Funds	Other Funds	Total Funds
<u>Formula Expenditures</u>												
None.												
<u>Non-Formula Expenditures</u>												
Agricultural Development	0.0	276.5	926.9	1,203.4	1.5	207.8	986.1	1,195.4	1.5	386.6	960.4	1,348.5
N. Latitude Plant Material Ctr	10.5	669.8	545.4	1,225.7	14.5	1,848.1	664.6	2,527.2	14.5	1,677.6	667.3	2,359.4
Agr Revolving Loan Pgm Admin	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1,046.9	1,046.9
Conservation & Development Board	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	89.9	89.9
Grants to Soil and Water	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Totals	10.5	946.3	1,472.3	2,429.1	16.0	2,055.9	1,650.7	3,722.6	16.0	2,064.2	2,764.5	4,844.7

Agricultural Development

Proposed Changes in Levels of Service for FY2004

The Plant Materials Center – Alaska Seed Growers assistance program will coordinate seed production with the primary user (DOT/PF). Reliable availability has been a persistent problem for DOT/PF. By coordinating production with future design requirements availability problems will be resolved. Additionally the project will develop training programs for engineers and seed growers, provide on farm and project technical assistance assure maximum production and effective and efficient use of seed. \$350.0 is requested for the first year of this grant using existing federal authorization. No budget increment is requested.

Homeland Security issues have resulted in federal projects and funding for Alaska and the Division of Agriculture. We expect to begin work on the following projects.

- Core Project: Providing an infrastructure to conduct, manage and maintain data associated with statewide pest survey and control activities.
- Alaska Noxious Weed Project: Conduct surveys in Alaska for noxious weeds and control or management of these weeds.
- Alaska Gypsy Moth Project: Survey high risk locations in Alaska in order to detect the presence of populations of adult gypsy moths and coordinate response in areas requiring control.
- Alaska Wood Pest Project: Survey high risk locations to identify populations of wood bark beetles, wood borers and other wood pests. If pests are identified, develop strategies to manage the spread of the wood pests.

Agricultural Development

Summary of BRU Budget Changes by Component

From FY2003 Authorized to FY2004 Governor

All dollars in thousands

	<u>General Funds</u>	<u>Federal Funds</u>	<u>Other Funds</u>	<u>Total Funds</u>
FY2003 Authorized	16.0	2,055.9	1,650.7	3,722.6
Adjustments which will continue current level of service:				
-Agricultural Development	0.0	1.1	4.3	5.4
-N. Latitude Plant Material Ctr	0.0	7.2	2.7	9.9
-Agr Revolving Loan Pgm Admin	0.0	0.0	3.0	3.0
-Conservation&Development Board	0.0	0.0	0.4	0.4
Proposed budget decreases:				
-Agricultural Development	0.0	0.0	-30.0	-30.0
-N. Latitude Plant Material Ctr	0.0	-177.7	0.0	-177.7
-Conservation&Development Board	0.0	0.0	-25.0	-25.0
-Grants to Soil and Water	0.0	0.0	-475.0	-475.0
Proposed budget increases:				
-Agricultural Development	0.0	177.7	0.0	177.7
FY2004 Governor	16.0	2,064.2	2,764.5	4,844.7